COLDWELL BANKER COMMERCIAL
ASPIRE REALTY SERVICES

Metro Executive Briefing

Prepared By Reis, Inc.
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Warehouse/Distribution - 1st Quarter 2019
Metro: Columbus

Section 1 - Executive Briefing on Metro Conditions

Average Asking Rent $3.79	Average Vacancy Rate 10.6%
• Flat since year-end 2018.	• Fell by 70 basis points.
• Expected to finish 2019 at $3.87.	• Lowest level since year-end 2009.
	• Expected to finish 2019 at 9.9%.

Market Overview

A summary of key real estate supply and demand market indicators shows that during the first quarter the Columbus warehouse/distribution market recorded positive net absorption, advancing effective rents, and downward movement in the market's vacancy rate. It is meaningful to look at each of these critical measures of market health in more detail and from both a historical and forecast perspective.

Asking and Effective Rent

Asking rents in the Ohio state capital and most populous city finished the first quarter of 2019 unchanged at an average of $3.79. Over the past four quarters, asking rents have risen a total of 2.2%, up from $3.71. Since the beginning of Q2 2010, the metro as a whole has recorded an annual average increase of 1.0%. Effective rents, which exclude the value of concessions offered to prospective tenants, climbed by 0.3% during the first quarter to an average of $3.48. During the past four quarters, positive movement in asking rent was recorded in all four of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area increased by 6,200 jobs during the first quarter, representing a growth rate of 0.6%, while industrial employment grew by 3,200. Since the beginning of Q2 2010, the average growth rate for industrial-using employment in Columbus has been 1.8% per year, representing the average annual addition of 2,200 jobs. The metro experienced absorption of 938,000 square feet during the first quarter. Over the last four quarters, market absorption totaled 4.1 million square feet, more than double the average annual absorption rate of 1.9 million square feet recorded since the beginning of Q2 2010. In a long-term context, the first quarter vacancy rate is 3.3 percentage points lower than the 13.9% average recorded since the beginning of Q2 2010.

Outlook

Reis's new construction analysts report that 429,000 square feet of new multi-tenant warehouse/distribution inventory will be introduced to the metro by the end of the year, and net total absorption will be positive 1.1 million square feet. In response, the vacancy rate will continue to drift downward to finish the year at 9.9%. During 2020 and 2021, construction activity under surveillance is expected to deliver a total of 3.6 million square feet. Industrial employment growth at the metro level during 2020 and 2021 is expected to average -0.4% annually, but over the same period positive absorption will average 1.4 million square feet per year. Because this amount does not exceed the forecasted new construction, the market vacancy rate will rise by 50 basis points to finish 2021 at 10.4%. Between now and year-end 2019 asking rents are expected to advance 2.1% to a level of $3.87, while effective rents will climb by 1.4% to $3.53. On an annualized basis, asking and effective rents are anticipated to increase at a rate of 2.4% through year end 2021, reaching average rates of $4.06 and $3.70 per square foot, respectively.

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Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing properties and affordable housing, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.

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Flex/R&D - 1st Quarter 2019
Metro: Columbus

Section 1 - Executive Briefing on Metro Conditions

Average Asking Rent $6.06

- Up 0.2% from year-end 2018. ⬆
- Expected to finish 2019 at $6.17.

Average Vacancy Rate 12.5%

- Fell by 90 basis points.
- Among the 10 highest vacancies nationally.
- Expected to finish 2019 at 12.6%.

Market Overview

A comprehensive examination of the Columbus flex/R market suggests that the largest concentrations of speculative flex/R space are located in the Northeast submarket, representing 6.1 million square feet and 45.9% of the metropolitan inventory, followed by Northwest, with a 23.7% share, and Southwest (4.5%). Since the beginning of Q2 2010, the fastest growing area has been the Northeast submarket, adding 130,000 square feet over that period, or 51.0% of total metropolitan flex/R completions.

Asking and Effective Rent

During the first quarter of 2019, asking rents in the Ohio state capital and most populous city increased by 0.2% to an average of $6.06. Over the past four quarters, asking rents have risen a total of 1.3%, up from $5.98. Since the beginning of Q2 2010, the metro as a whole has recorded an annual average increase of 0.9%. Effective rents, which take into account concessions offered to new lessees, increased more quickly, up by 0.9% during the first quarter. The faster pace of effective rent growth

suggests that that landlords are enjoying more pricing power at the negotiating table. The asking rent growth rate of the metro's three underlying submarkets over the past four quarters has been mixed, with cumulative change rates ranging from 6.3% (Northwest) to -0.6% (Northeast).

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area grew by 6,200 jobs during the first quarter, amounting to a growth rate of 0.6%, while industrial employment expanded by 3,200. Since the beginning of Q2 2010, the average growth rate for industrial-using employment in Columbus has been 1.8% per year, representing the average annual addition of 2,200 jobs. The metro experienced absorption of 110,000 square feet during the first quarter. Over the last four quarters, market absorption totaled 58,000 square feet, less than half the average annual absorption rate of 133,000 square feet recorded since the beginning of Q2 2010. In a long-term context, the first quarter vacancy rate is 4.2 percentage points lower than the

16.7% average recorded since the beginning of Q2 2010.

Outlook

Between now and year's end, no new competitive flex/R stock will be introduced to the metro, and Reis estimates that net total absorption will be negative 2,000 square feet. Consequently, the vacancy rate will drift upward by 0.1 percentage points to 12.6%. During 2020 and 2021, construction activity under surveillance is expected to deliver a total of 42,000 square feet. Industrial employment growth at the metro level during 2020 and 2021 is anticipated to average -0.4% annually, but over the same period positive absorption will average 26,000 square feet per year. The market vacancy rate will finish 2020 at 12.6% and will decline 0.1 percentage points to 12.5% by year end 2021. Between now and year-end 2019 asking rents are expected to advance 1.8% to a level of $6.17, while effective rents will climb by 1.5% to $5.43. On an annualized basis through 2020 and 2021, asking and effective rents are expected to increase by 2.2% and 2.5%, respectively, to finish 2021 at $6.45 and $5.70.

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