

## Section 1 - Executive Briefing on Metro Conditions

### Average Asking Rent \$13.76

- Up 0.8% from year-end 2018. ▲
- Fastest rate of increase in six quarters. ▲
- Expected to finish 2019 at \$13.88.

### Average Vacancy Rate 11.7%

- Drifted downward by 10 basis points. ▼
- Lowest level since Q2 2004.
- Expected to finish 2019 at 11.5%.

## Market Overview

A comprehensive assessment of the Columbus retail market suggests that the dominant concentrations of speculative retail space are located in the Outside Counties submarket, representing 6.4 million square feet and 23.3% of the metropolitan inventory, followed by Northwest, with a 21.6% share, and Northeast (21.4%). Since the beginning of Q2 2009, the fastest growing area has been the Outside Counties submarket, adding 314,000 square feet over that period, or 34.8% of total metropolitan retail completions.

## Asking and Effective Rent

Asking rents in the Ohio state capital and most populous city rose by 0.8% during the first quarter of 2019 to an average of \$13.76. Since the same reporting period last year, asking rents have increased by 1.5%, up from \$13.56. Since the beginning of Q2 2009, the metro as a whole has recorded an annual average increase of 0.8%. Effective rents, which

exclude the value of concessions offered to prospective tenants, also advanced by 0.8% during the first quarter. The identical rates of change indicate that landlords have succeeded in raising rents while maintaining a stable relationship between asking and effective rent values. During the past four quarters, positive movement in asking rent was recorded in four of the metro's five submarkets, with only Southwest (-0.7%) failing to register an increase.

## Competitive Inventory, Absorption

Over the last four quarters, market absorption totaled 168,000 square feet, 17.6% greater than the average annual absorption rate of 142,800 square feet recorded since the beginning of Q2 2009. In a long-term context, the first quarter vacancy rate is 2.8 percentage points lower than the 14.5% average recorded since the beginning of Q2 2009.

## Outlook

Reis's new construction analysts report that no competitive retail stock will be introduced to the metro this year, and net total absorption will be positive 39,000 square feet. Consequently, the vacancy rate will continue to drift downward to finish the year at 11.5%. During 2020 and 2021, construction activity under surveillance is projected to deliver a total of 147,000 square feet. Total employment growth during 2020 and 2021 is expected to average 0.5% annually, while household formations are projected to average an increase of 1.1% per year. Over the same period the metro absorption rate is expected to average 83,000 square feet per year. The market vacancy rate will finish 2020 at 11.5% and will fall 0.1 percentage points to 11.4% by year end 2021. Between now and year-end 2019 asking rents are expected to climb 0.9% to a level of \$13.88, while effective rents will advance by 0.9% to \$11.74. On an annualized basis through 2020 and 2021, asking and effective rents are anticipated to rise by 1.4% and 1.5%, respectively, to finish 2021 at \$14.27 and \$12.09.

## About Reis

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.