

## Following a Robust 2016, Columbus Market Cools Off

### Columbus Region Overview

As consumer spending, GDP, and trade relationships fluctuate, the industrial market experienced a similar cycle. Coming off a record-breaking year of absorption, Central Ohio saw a temporary slowdown in leasing activity at the close of the first quarter, posting 529,844 square feet of negative net absorption. The vacancy rate, however, decreased 60 basis points year-over-year to 5.5 percent—proving the market remains tight. According to The Colliers International National Industrial Report, Columbus prevails as a top emerging market because of the flexibility, location, and growing economy it has to offer.

Flex space enjoyed the largest increase in average asking rents to \$6.54— a 2.2 percent increase from last quarter. Warehouse distribution rates remained stable for the third consecutive quarter, while general industrial properties saw a slight uptick to \$3.59. The overall asking rate slightly fell this quarter to \$3.33.

Columbus currently has over 3.2 million square feet of construction in the pipeline, and 2.3 million of that are build-to-suit projects. At the close of the first quarter, the industrial market recorded 531,483 square feet of completed projects, including a 264,000-square-foot speculative warehouse at 8820 Smith's Mill Road in Licking County. The largest project under construction is Sofidel's 1,950,000-square-foot development to be completed in 2018.

### Key Takeaways

- › After posting record-breaking absorption last quarter, industrial leasing activity cooled off posting negative net absorption of 529,844 square feet.
- › The overall vacancy rate is 5.5 percent— a 60 basis point decrease from the same quarter of last year at 6.1 percent.
- › Industrial flex space posted the largest occupancy gains this quarter with 91,234 square feet occupied, while the North submarket also saw the largest gain with 82,231 square feet absorbed.

#### Market Indicators

Relative to prior period

Columbus Q1 2017    Columbus Q2 2017\*

Market Indicator	Columbus Q1 2017	Columbus Q2 2017*
VACANCY	↓	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

\*Projected, relative to prior quarter

#### Summary Statistics

Q1 2017 Regional Industrial Market

Columbus

Summary Statistic	Columbus
Vacancy Rate	5.50%
Change From Q4 2016 (basis points)	10
Absorption (Square Feet)	(529,844)
Under Construction (Square Feet)	3,239,031
Completions (Square Feet)	531,483

#### Asking Rents (NNN)

Per Square Foot Per Year

Property Type	Asking Rent
General Industrial	\$3.59
Warehouse/Distribution	\$2.97
R&D/Flex	\$6.54

#### Employment

Unemployment Rate	COL	OH	U.S.
	4.50%	5.10%	4.50%

SOURCE: BUREAU OF LABOR STATISTICS

# Leasing Activity and Trends

The industrial market witnessed a sharp decline in leasing activity posting 892,974 square feet of new or expanded leases, which marks the lowest activity seen in the market since 2013. The North submarket, which includes Dublin, Worthington, Westerville, Polaris, and Delaware County, posted the largest gains this quarter with 82,231 square feet of new or expanded leases.

A shift in demand helped flex space post 91,324 square feet of absorption- the largest gains of all three property types. Central Ohio signed six modern bulk warehouse deals this quarter totaling 529,301 square feet. A few notable leases include PAC, who leased 93,883 square feet at 111 Enterprise Drive, Shasta, who leased 66,578 square feet at 4370 Alum Creek Drive, and an undisclosed tenant who signed a 142,031-square-foot lease at the new 2950 Toy Road location.

# Sales Activity

The Columbus market experienced another robust quarter on the sales and investment side. Twelve buildings over 100,000 square feet sold, with a total sales volume of \$119,278,343; and an average price per square foot of \$42.83. Cabot Properties sold a nine building portfolio totaling 2,507,785 square feet to DRA Advisors for \$109.2 million- the largest deal this quarter.

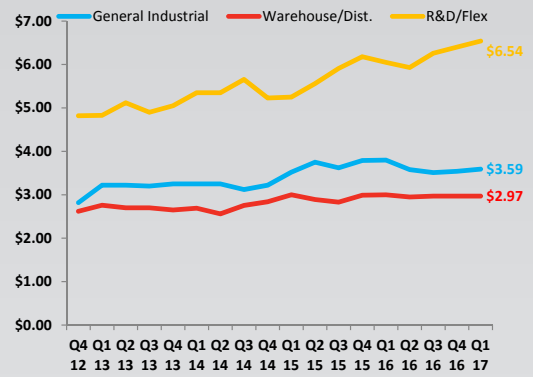
# Industry Data and Forecast

An improving economy has paved way for increased, efficient production and stabilized the U.S. economy after eight years of rebuilding. However, economists are questioning if the nation has reached its full potential for now. The industrial market is witnessing this first hand as the labor market is tightening and technology has pushed outputs to a new level of productivity. According to Neil Erwin of NY Times, exponential growth could be trouble for the U.S because it would create inflation, not higher output. A few of the most accurate measurements of economic growth are through GDP and unemployment, both of which improved during the first quarter.

The national unemployment rate saw a slight decrease with the to 4.5 percent; down five percentage points from the same quarter of last year, and GDP is expected to increase 2.1 percent over 2017. The Annual 2017 Finance US Economic Outlook predicts investment in equipment and software to grow by 3 percent, ensuring that the demand for manufacturers is still present. Consumer confidence and spending continues to drive e-commerce as a trend in the market.

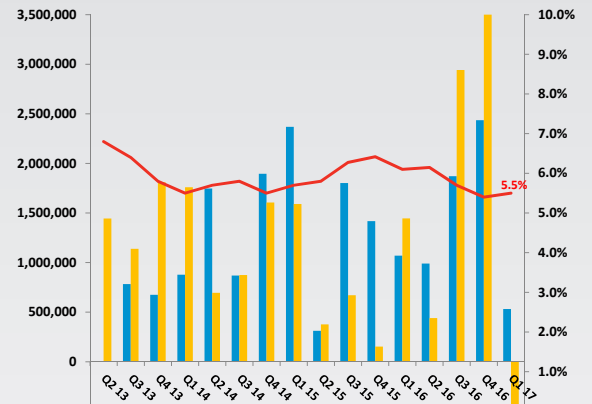
Back home in Columbus, the industrial market is off to a slower than anticipated start, posting negative absorption for the first time since the first quarter of 2013. The labor market is tightening, and job growth is growing at a slower rate, bringing the overall unemployment rate in Columbus to 4.5 percent- a slight increase from the previous quarter due to more people entering the job market. Economists remain optimistic for the remainder of the year because industrial production is forecasted to increase by 1.9 percent. From the recent buzz to move to Columbus, the city has seen an increase of new developments and construction in the pipeline to further support the growing economy.

Central Ohio Industrial Rental Rates



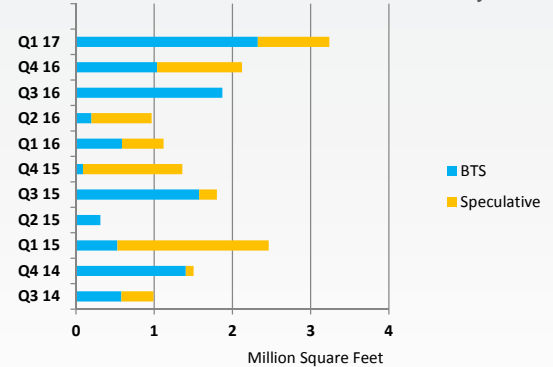
Flex space enjoyed the largest increase in average asking rents to \$6.54- a 2.2 percent increase from last quarter. The overall asking rate slightly fell this quarter to \$3.33.

Central Ohio Vacancy Rate, Completions and Absorption



The overall vacancy rate stands at 5.5 percent, and Columbus posted 529,844 square feet of negative absorption. Industrial Flex space records the largest gain this quarter with 91,234 square feet absorbed.

Central Ohio Construction Projects



At the close of the first quarter, the industrial market recorded 531,483 square feet of completed projects. There are projects totaling 3.2 million square feet under construction.

## Hot Topic

### “Creative Industrial” the new type of space

Younger generations are transforming the industrial market. Following suit of office properties, a ‘creative industrial’ space is becoming the new trend. This is a combination of office and industrial space; however it differs from flex due to the previous use of the space. Most of these projects are recycled, old, large industrial buildings that can appeal to multiple tenants, and are located in mature urban locations such as Los Angeles and New York. However, since Columbus made the “Top 10 Industrial Emerging Markets” list for 2016, it is expected the city will soon see these projects in high demand.

According to the National Real Estate Investor Report, this type of space is attractive to bio-pharma companies, outdoor and sporting goods, and online food or clothing manufacturers and distributors. Columbus is an ideal location for ‘creative industrial’ due to the large supply of old factory buildings in legacy neighborhoods that still have plenty of character. These locations also allow for lower rates, which is always appealing to tenants. Industrial buildings are starting to lose

the typical warehouse stigma, as new developments are up-to-date, modern-looking, and suitable for office and industrial use. The ‘creative industrial’ space fits with the new trends in the industry, as younger, more active populations enter the market with demand for a multi-use space with plenty of character.



### Sale Activity

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE (SF)	BUYER	SELLER	PRICE PSF	TYPE	SUBMARKET
6840 Pontius Rd	1/13/2017	\$27,963,954.00	305,250	G&I IX 6840 Pontius LLC	Cabot Properties Inc	\$91.61	Investment	Southeast
6000 Pontius Rd	1/13/2017	\$25,137,026.00	530,000	G&I IX 7070 Pontius LLC	Cabot Properties Inc	\$47.42	Investment	Southeast
6000 Green Pointe Dr	1/13/2017	\$13,375,000.00	501,853	G&I IX 6000 Green Pointe LLC	Cabot Properties Inc	\$26.65	Investment	Southeast
2970 Charter St	1/13/2017	\$12,171,072.00	369,858	G&I IX Charter ST LLC	Cabot Properties Inc	\$32.90	Investment	West
5331 Fisher Rd	1/13/2017	\$8,775,209.00	286,450	G&I IX Fisher LLC	Cabot Properties Inc	\$30.63	Investment	West
650 Manor Park Dr	2/2/2017	\$6,275,000.00	194,400	Patton Ohio Investments LLC	World Distribution Services	\$32.27	Investment	West
400 E Wilson Bridge Rd	1/13/2017	\$6,008,365.00	102,120	G&I IX E Wilson Bridge LLC	Cabot Properties	\$58.83	Investment	North
3950 Venture Ct	1/13/2017	\$5,622,611.00	168,850	G&I IX Venture CT LLC	Cabot Properties Inc	\$33.29	Investment	West
2746 Westbelt Dr	1/13/2017	\$5,438,474.00	135,402	G&I IX Westbelt LLC	Cabot Properties Inc	\$40.16	Investment	West
720 Dearborn Park	1/13/2017	\$4,711,632.00	108,002	G&I IX Dearborn Park LLC	Cabot Properties Inc	\$43.62	Investment	North

### Lease Activity

PROPERTY ADDRESS	LEASE DATE	LEASED SF	TENANT	ASKING PRICE	TYPE	SUBMARKET
9224 Intermodal Ct	3/23/2017	178,370	Mars Petcare	\$3.75	NNN	Pickaway
111 Enterprise Dr	2/2/2017	93,883	PAC	\$2.75	NNN	Licking
4370 Alum Creek Dr	2/1/2017	66,578	Shasta	\$3.25	NNN	Southeast
350 McCormick Blvd	3/9/2017	65,415	D+S Distribution	\$2.75	NNN	East
520 Industrial Mile Rd	2/24/2017	62,014	Special Design Products, Inc.	\$3.50	FSG	Southwest
6959 Alum Creek Dr	1/24/2017	48,500	JNH Logistics	\$2.85	NNN	Southeast
2771 Westbelt Dr	1/18/2017	40,333	Battelle	\$3.75	NNN	West

# Q1 2017 Industrial Statistics

SUBMARKET	ABSORPTION					CONSTRUCTION		ASKING PRICE		
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	WH/DIST	R&D/FLEX	GENERAL
CBD	5,144,759	10,151	0.2%	(10,151)	(10,151)		10,151	-	-	-
East	20,486,252	649,199	3.2%	19,905	19,905	100,000	28,000	\$2.54	\$6.64	\$3.46
Fairfield	6,194,787	237,900	3.8%	(158,200)	(158,200)		-	-	-	-
Licking	23,737,297	1,808,334	7.6%	68,745	68,745	300,000	264,000	\$2.98	\$4.50	\$3.86
Madison	10,304,748	-	0.0%	-	-		-	-	-	-
North	18,202,311	564,296	3.1%	82,321	82,321		181,280	\$5.75	\$7.77	\$6.10
North Delaware	9,016,109	412,561	4.6%	(102,552)	(102,552)		-	\$3.33	\$6.95	\$4.76
Pickaway	4,084,446	415,720	10.2%	-	-	1,950,000	-	\$3.75	-	\$2.31
Southeast	73,453,872	6,126,811	8.3%	(381,540)	(381,540)	192,031	-	\$2.98	\$5.15	\$2.81
Southwest	19,486,656	684,635	3.5%	61,245	61,245	322,000	-	\$2.98	\$5.50	\$4.50
Union	6,880,610	226,687	3.3%	(70,340)	(70,340)		-	-	\$6.83	\$3.25
West	35,417,031	1,532,733	4.3%	(39,277)	(39,277)	375,000	48,052	\$2.74	\$5.73	\$4.50
<b>Grand Total</b>	<b>232,408,878</b>	<b>12,669,027</b>	<b>5.5%</b>	<b>(529,844)</b>	<b>(529,844)</b>	<b>3,239,031</b>	<b>531,483</b>	<b>\$2.97</b>	<b>\$6.54</b>	<b>\$3.59</b>

PROPERTY TYPE	ABSORPTION					CONSTRUCTION		ASKING PRICE	
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	BY PRODUCT TYPE	
Flex/R&D	20,356,589	889,587	4.4%	91,234	91,234	-	28,000	\$6.54	
General Industrial	71,998,922	2,558,852	3.6%	(36,813)	(36,813)	1,950,000	239,483	\$3.59	
Warehouse - Distribution	140,053,367	9,220,588	6.6%	(584,265)	(584,265)	1,289,031	264,000	\$2.97	
<b>Grand Total</b>	<b>232,408,878</b>	<b>12,669,027</b>	<b>5.5%</b>	<b>(529,844)</b>	<b>(529,844)</b>	<b>3,239,031</b>	<b>531,483</b>	<b>\$3.33</b>	

QUARTER, YEAR	ABSORPTION					CONSTRUCTION		ASKING PRICE	
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	BY PRODUCT TYPE	
Q4, 2016	232,344,037	12,498,242	5.40%	3,908,666	8,760,860	2,354,000	2,435,761	\$3.34	
Q3, 2016	229,908,276	13,101,644	5.70%	2,941,805	4,852,194	4,471,933	1,871,116	\$3.25	
Q2, 2016	227,856,640	14,005,186	6.10%	440,487	1,886,389	3,591,064	990,590	\$3.36	
Q1, 2016	226,757,195	13,830,297	6.10%	1,445,902	1,445,902	3,940,254	1,069,784	\$3.36	
Q4, 2015	225,876,317	14,499,332	6.40%	152,793	2,306,111	4,049,297	1,418,250	\$3.35	

## FOR MORE INFORMATION

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