

COLUMBUS, OHIO OFFICE MARKET 4TH QUARTER 2017

Economic Overview

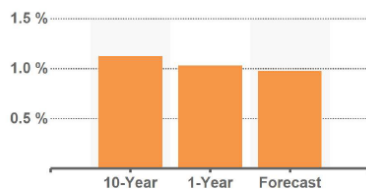
Columbus is now the second largest city in the Midwest next only to Chicago. The Columbus metro area has a current population of 2,074,632 and represents the fastest growing population, in terms of percentage growth, of any major Midwest metro area with at least 1 million in population. The Columbus MSA has one of the top performing economies in the Midwest. Historically it has benefited from the city's designation as the state capital and from being home to The Ohio State University, one of the largest universities in the nation. The presence of Ohio State University as well as 11 other institutions of higher learning has resulted in a highly skilled and well-educated work force which is a driving force behind many employers choosing Columbus. Of the population aged 25 years or older, 33% have a bachelor's degree or higher in Columbus compared with 25% in the state of Ohio. In addition, the economy has historically been noted for being one of the most diversified economies in the Midwest as no single major industry sector represents more than 18% of employment. There is a solid base of demand from employers in government as well as prominent business sectors including insurance, banking, fashion and financial services. In 2017 Forbes rated Columbus among the Best Cities for young professionals, citing relatively high salaries, comparatively. The current unemployment rate in the Metro area is 4.2%, the lowest of all the major metro areas in Ohio, and well below the state unemployment rate of 4.9%. Accounting for seasonal adjustments, the Columbus unemployment rate is near its lowest point since 2008. Low unemployment and strong job growth continues to drive demand for office space in the market.

DEMOGRAPHIC TRENDS

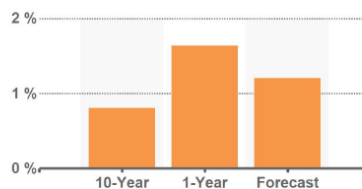
Demographic Category	Current Level		Current Growth		10-Year Growth		Forecast Growth	
	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	2,074,632	326,758,331	1.0%	0.7%	1.1%	0.8%	1.0%	0.7%
Households	825,670	125,993,805	1.6%	1.2%	1.1%	0.8%	1.4%	1.1%
Median Household Income	\$62,816	\$59,796	2.9%	3.3%	1.9%	1.5%	3.2%	2.9%
Labor Force	1,073,841	160,815,567	1.6%	0.7%	0.8%	0.5%	1.2%	0.8%
Unemployment	4.2%	4.3%	0.1%	-0.4%	0%	0%	-	-

Source: Moody's Analytics

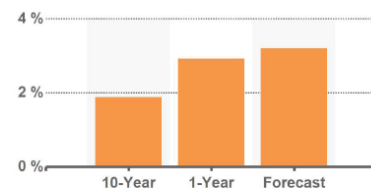
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



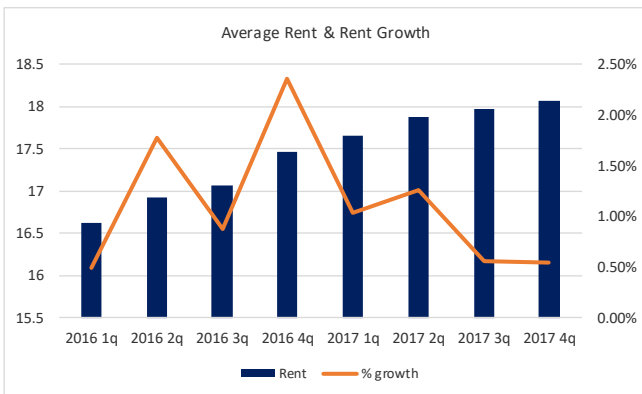
Source: Moody's Analytics

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Market Overview

Demand for office space in Columbus continues to be strong. The city has a pro-business tax structure and highly educated workforce, along with lower costs of business than both Cincinnati and Cleveland. Its central location makes it easily accessible by major rails and highways, and rents are relatively cheap when compared to other major Midwestern metros. This has brought new ideas and new companies into the metro, and according to the Kauffman Index of Entrepreneurship, Columbus has more businesses that grew to 50 or more employees in their first 10 years than any other metro in the country. Columbus also finds itself on the list of 20 finalists for Amazon’s new headquarters which promises to add 50,000 jobs to whichever market it selects. While Columbus is not the favorite to land the new headquarters the fact it made the final 20 is indicative of a very positive perception of the Columbus market from a national perspective. While the economy is strong, developers have also been careful with new supply. Demand has easily outpaced new supply this cycle, and vacancies are approaching record lows. Annual additions rarely surpass the historical average, and until recently speculative projects have been rare. An environment of rising rents and historically low vacancy is likely to change this. Many Class A properties currently in development within the city’s hottest markets without significant preleasing indicates this may already be the case.

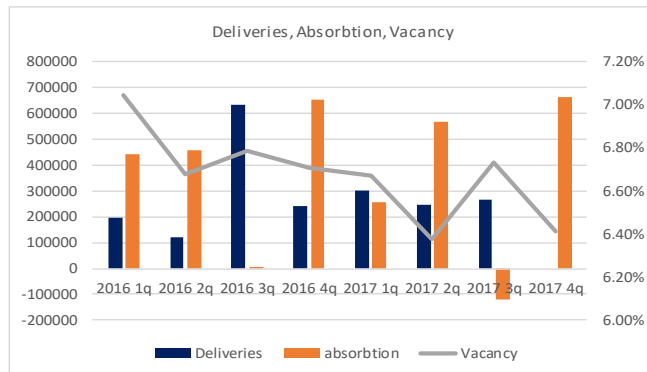
Rent and rent growth



- Rent growth has been positive each of the last 8 quarters. Rents grew by ±3.41% over the course of 2017 averaging about 0.85% a quarter. This comfortably outpaces growth in nearby cities like Cincinnati, Cleveland, and Indianapolis.
- While rents continue to grow the pace has decreased in each of the last four quarters. Deliveries are projected to increase again in 2018 and with a number of speculative products in the pipeline rent growth will likely continue to be positive but will also slow going into 2018.

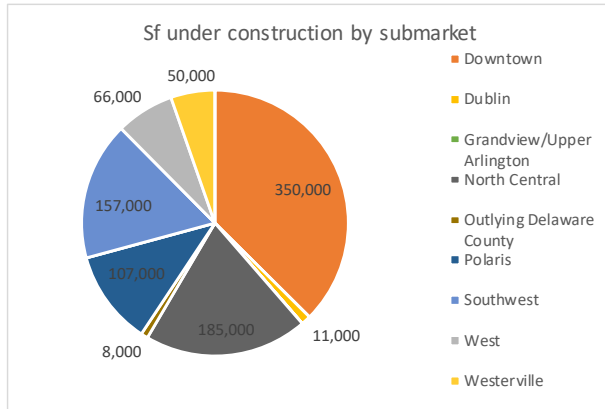
Deliveries, Absorption & Occupancy

- Net absorption was positive ±1,370,000 square feet over the last 4 quarters. There has been ±1,050,000 sf of space delivered into the market over the last 4 quarters.
- With absorption outpacing new supply the Columbus office market saw the vacancy rate go from 6.7% in the previous quarter to 6.4% in the current quarter.
- We expect vacancy to stabilize begin to increase over the next few quarters as supply begins to catch up to demand.



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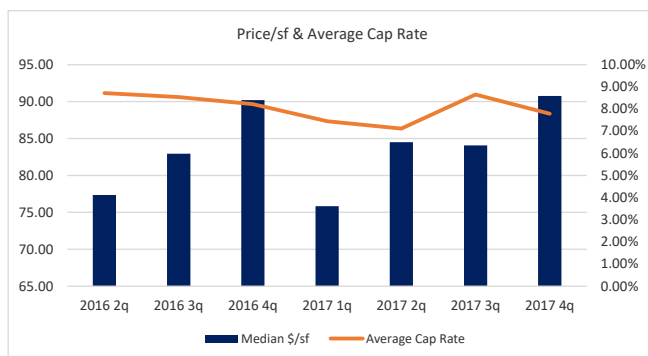
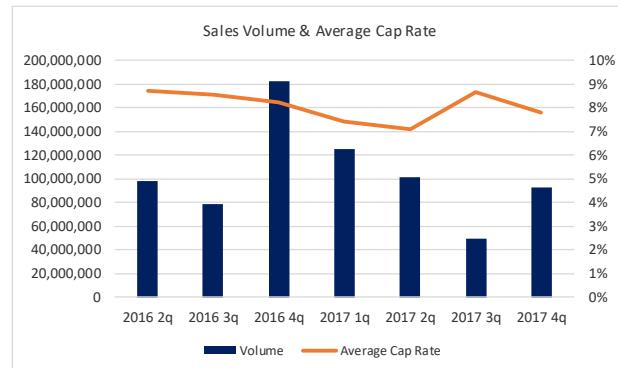
Inventory and Construction



- The chart to the left identifies the amount of space under construction in each submarket. Only submarkets with space currently under construction are shown.
- Total office inventory in the Columbus market area amounted to 105,932,105 square feet in 5,025 buildings as of the end of the fourth quarter 2017.
- There is currently about 934,000 sf of space under construction which represents 0.9% of current inventory.

Sales Volume, Price and Cap Rates

- Sales volume on the year is about \$370 million. Roughly 5% of inventory has turned over, with the average property selling for \$95/SF, with a ±8% cap rate over the last 12 months. Rates have been fairly stable over the last 8 quarters.
- Volume totals in Columbus are higher than in the nearby cities of Cincinnati and Cleveland.
- In an environment of rising interest rates, we don't expect to see much additional cap rate compression in the near term.



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The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. The information was compiled by MSF Real Estate Capital on January 30, 2018. Primary Data Source: CoStar