

COLUMBUS, OHIO RETAIL MARKET 4TH QUARTER 2017

Economic Overview

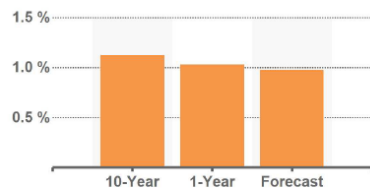
Columbus is now the second largest city in the Midwest next only to Chicago. The Columbus metro area has a current population of 2,074,632 and represents the fastest growing population, in terms of percentage growth, of any major Midwest metro area with at least 1 million in population. The Columbus 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 is a highly skilled and well-educated work force which is a driving force behind 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 combined with an ongoing influx of people continues to foster a robust and healthy retail market.

DEMOGRAPHIC TRENDS

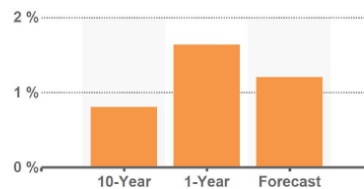
Demographic Category	Current Level		Current Growth		10-Year Growth		Forecast Growth	
	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	2,074,632	326,758,331	1.0%	0.7%	1.1%	0.8%	1.0%	0.7%
Households	825,670	125,993,805	1.6%	1.2%	1.1%	0.8%	1.4%	1.1%
Median Household Income	\$62,816	\$59,796	2.9%	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

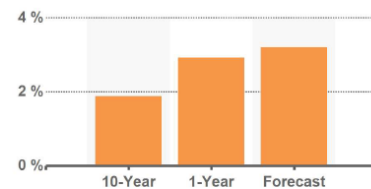
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH

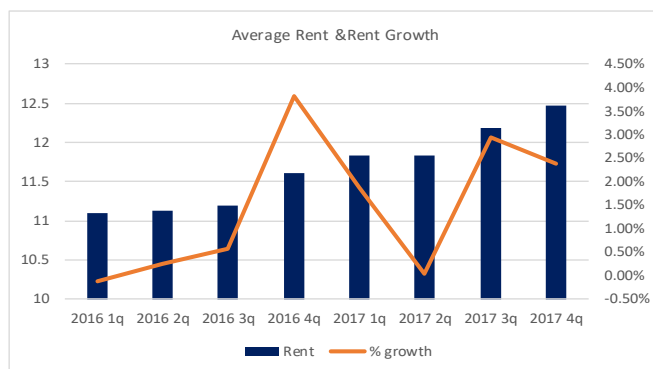


Source: Moody's Analytics

Market Overview

High levels of employment and a well-educated work force has made the Columbus economy one of the strongest in the Midwest. 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. Its strong population base which continues to grow is ample to support retail demand growth. As the expanding local economy improves resident's personal finances it will continue to fuel abnormally strong demand for retail space. As of 4Q 2017 vacancies remain near historic lows. The area has also benefited from relatively dormant levels of construction for the past five years, with demand mostly outpacing supply. Over 10 million SF has been absorbed here over the course of the cycle, dwarfing figures in Cleveland and comfortably ahead of Cincinnati. Developers expanded the inventory pool in Columbus by more than 5% since 2010, nearly double the growth seen in Cincinnati and Cleveland.

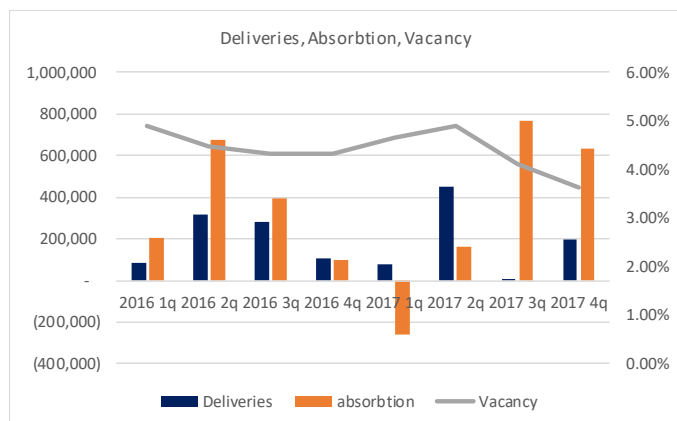
Rent and rent growth



- Growth has been positive each of the last 8 quarters and averaged 1.8% over the course of 2017.
- Unlike in many other midwestern metros, the area's rents already surpassed prerecession peaks. Despite this rates in the metro remain lower than the national average, reducing some of the anxiety chains might have about setting up shop and leaving room for further growth.
- With a growing population, improving economic conditions and supply that still has not matched demand rent growth should remain positive over the short term.

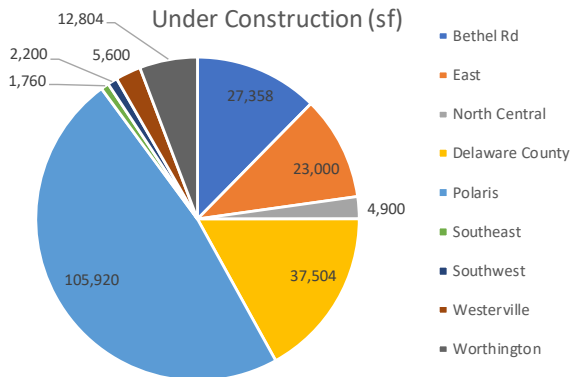
Deliveries, Absorption & Occupancy

- The Columbus retail market saw the vacancy rate go from 4.1% in the previous quarter to 3.6% in the current quarter.
- Over the past four quarters, the market has seen an overall decrease in the vacancy rate. Net absorption was positive ±1,300,000 square feet over the last 4 quarters.
- There has been ±730,000 sf of space delivered into the market over the last 4 quarters.



COLUMBUS, OHIO RETAIL MARKET 4TH QUARTER 2017

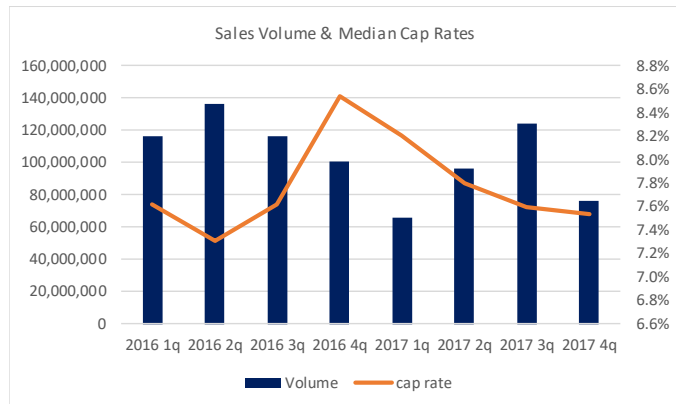
Inventory and Construction



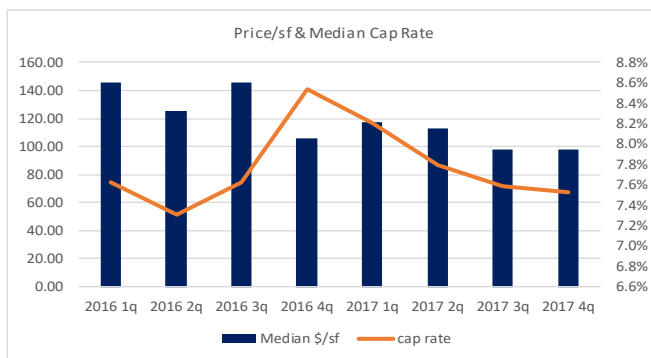
- The chart to the left identifies the amount of sf under construction in each submarket. Only submarkets with space under construction are shown.
- Total retail inventory in the Columbus market area amounted to 94,105,260 square feet in 7,407 buildings and 644 centers as of the end of the fourth quarter 2017.
- There is currently about 220,000 sf of space under construction which represents 0.23% of current inventory.

Sales Volume, Price and Cap Rates

- Sales volume on the year is just over \$360 million. Roughly 4% of inventory has turned over, with the average property selling for \$135/SF, with a 7.8% cap rate over the last 12 months. Rates have tightened in nearly every year of the cycle.
- This year's trades are poised to be modest compared to 2015 and 2016. The largest sale of the year took place in July 2017, when the River Valley Mall sold after a foreclosure for \$19.4 million (\$37.19/SF).



- Volume totals in Columbus are lower than in the nearby cities of Detroit and Cincinnati, but asset prices here are markedly higher.



About MSF

Our goals are to identify and execute the debt and equity solutions you need to capitalize on opportunities. As owners and investors in commercial real estate we understand the interest of borrowers and lenders. For over 30 years our full-service mortgage banking firm has worked with the very best commercial real estate developers and owners and has closed virtually every committed loan we have arranged for clients.

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

MSF Real Estate Capital

614.396.5970 • www.msfcap.com
6640 Riverside Drive, Suite 420 • Dublin, Ohio 43017