

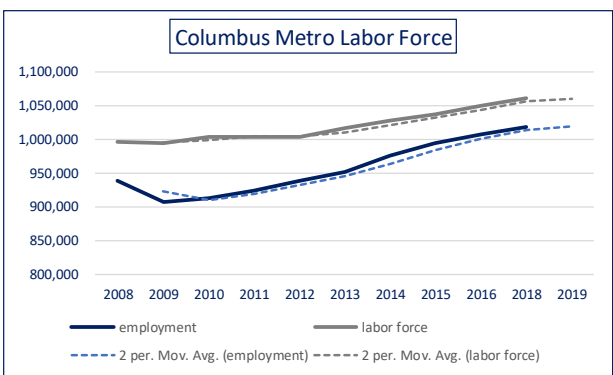
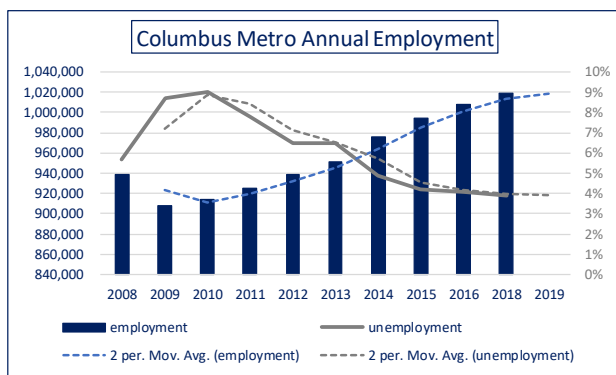
COLUMBUS, OHIO MULTIFAMILY MARKET 1ST QUARTER 2018

Economic Overview

Columbus is now the second largest city in the Midwest next only to Chicago. The Columbus MSA has a current population of 2,075,642 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 MSA is projected to continue to add another 17,000 residents a year over the next five years. The Columbus MSA also 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 created a highly skilled and well-educated work force which is key component 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 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 MSA is 3.9%, the lowest of all the major metro areas in Ohio, and well below the state unemployment rate of 5.0%. Accounting for seasonal adjustments, the Columbus unemployment rate is near its lowest point since 2008.

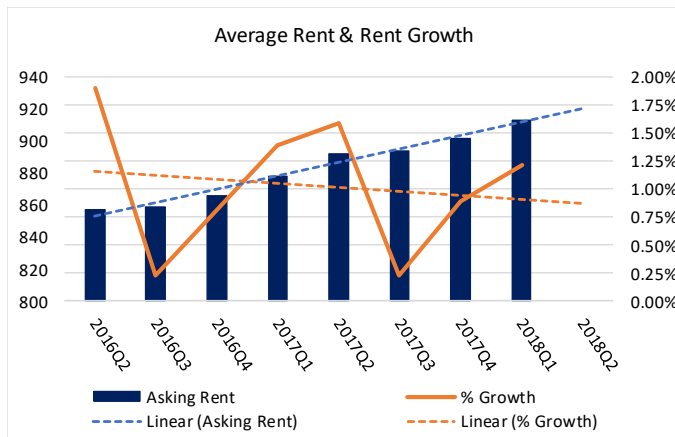
Demographic Snapshot

Demographic Category	Current Level		2010		% Change	
	MSA	State	MSA	State	MSA	State
Population	2,075,642	11,965,711	1,901,974	11,874,389	9.1%	0.8%
Households	818,160	4,826,641	748,517	4,744,117	9.3%	1.7%
Labor Force	1,060,705	5,780,021	1,004,296	5,846,886	5.6%	-1.1%
Unemployment	3.9%	5.0%	9.0%	10.3%	-5.1%	-5.3%
Median Household Income	\$62,129	\$54,880	n/a	n/a	n/a	n/a
% w with Bach Degree or Higher	20.9%	17.2%	n/a	n/a	n/a	n/a



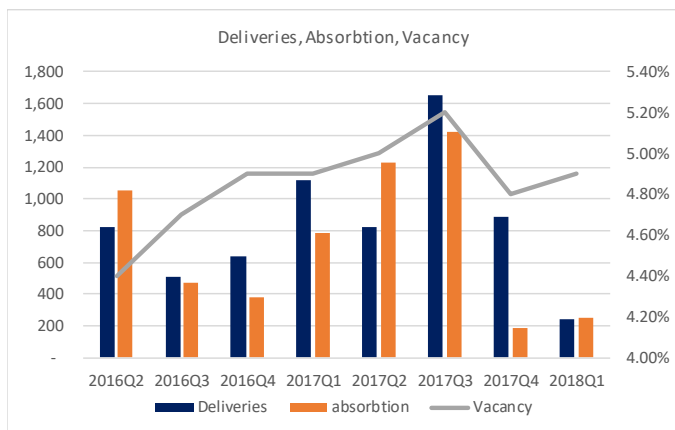
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Rents



- Rent growth has been positive each of the last 8 quarters and averaged about 1.0% per quarter or over the course of 2018 or about 4.0% over the last year
- While a large number of new units being added to the market will create downward pressure on rent growth the cities improving economic conditions and growing population means that supply that still has not matched demand and growth should remain positive in the short term.

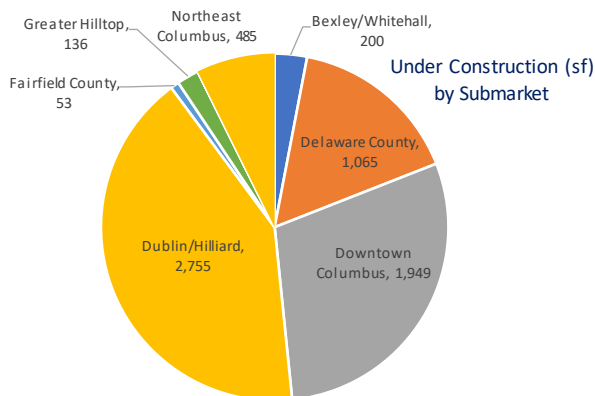
Deliveries, Absorption & Vacancy



- The Columbus multifamily market vacancy rate was 4.8% as of the end of Q1 of 2018.
- Total deliveries to the market were 244 last quarter while absorption was 248 units. Over the last 4 quarters 3,609 units were added to the market while 3,084 units were absorbed.
- Despite the large influx of new units absorption has kept pace with deliveries. There is little reason for pessimism about the metro's ability to absorb the large number of new units expected this year.

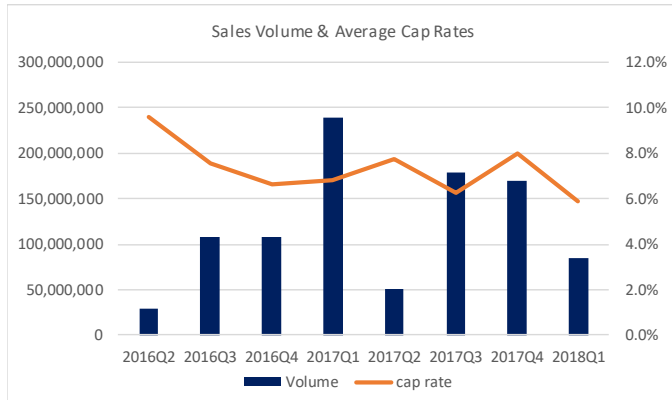
Inventory and Construction

- There are currently 8,476 units under construction which represents 5.00% of current inventory.
- The chart to the right identifies the number of under construction units in each submarket. Only submarkets with space under construction are shown.
- The downtown area which includes the University District, the Dublin/Hilliard and Delaware County which includes Polaris continue to be the areas of focus for new construction. Combined these account for 94% of all new construction in the Columbus market.



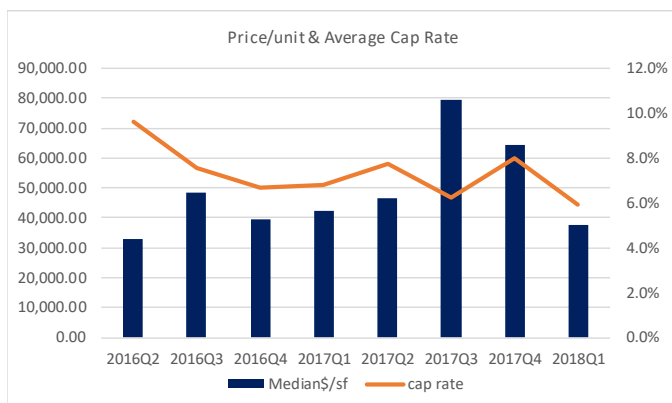
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Sales



- Sales volume over the last 4 quarters was just over \$480 million. It was \$85 million in the most recent quarter. Sales volume has generally been trending up over the last 8 quarters.

- The average and median cap rates for the period dropped to 5.9%. In an environment of increasing interest rates, we don't expect to see much additional cap rate compression however given the other economic tailwinds cap rates will likely remain near cycle lows throughout 2018 and into 2019.



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.

Conclusions

The combination of a growing population with low unemployment continues to drive strong demand for multifamily projects. In addition, continued supply gluts on the single-family side has spurred many would be buyers to remain in rentals. As interest rates rise and rents remain relatively modest the demand for multifamily housing is likely to remain strong. Despite the heavy volume of deliveries this cycle, vacancy rates have stayed under historical expectations. Rent growth has been modest but remains positive. The robust pipeline will test the market in the coming years, but demand has been strong enough to promote healthy rent growth for much of the cycle. This has prompted heavier than average investing, with annual volume routinely eclipsing the historical average. Most of the new units will be added to the Downtown and University District areas where we will likely see the most downward pressure on vacancy in the short term. However, we expect the units will be absorbed in the near term with only a minor increase in vacancy and cooling but still positive rent growth moving forward

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. Primary Data Sources: CoStar Group Inc.; Yardi Matrix, Bureau of Labor Statistics