

Columbus, Ohio - Industrial Market - 2nd Quarter 2018

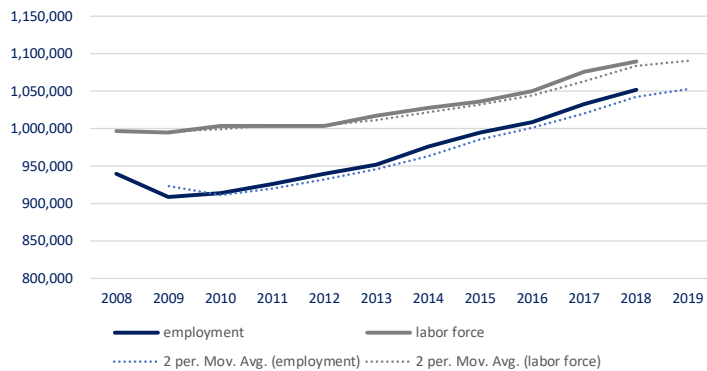
Economic Overview

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 has 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.

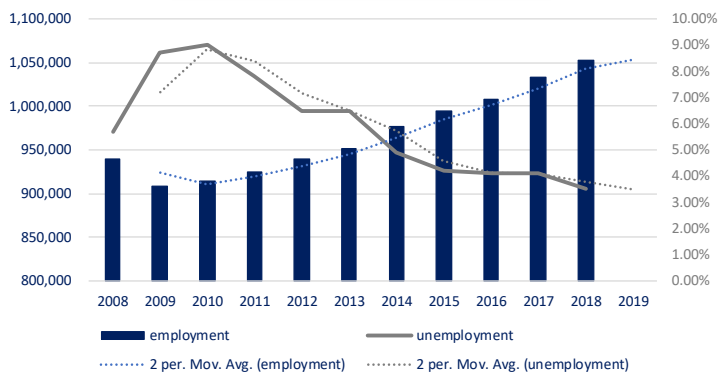
Demographic Category	Current Level		2010		% Change	
	MSA	State	MSA	State	MSA	State
Population	2,075,642	11,965,711	1,901,974	11,874,389	9.1%	0.8%
Households	818,160	4,826,641	748,517	4,744,117	9.3%	1.7%
Labor Force	1,090,390	5,813,989	1,004,296	5,846,886	8.6%	-0.6%
Unemployment	3.5%	4.2%	9.0%	10.3%	-5.5%	-6.1%
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

Columbus has one of the top performing economies in the Midwest. It benefits 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. Graduates in the area continue to choose to remain in Columbus at a high rate thanks to a strong local job market. The economy is 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, food service, 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 3.5%, the lowest of all the major metro areas in Ohio, and well below the state unemployment rate of 4.2%. Accounting for seasonal adjustments, the Columbus unemployment rate is near its lowest point since 2008.

Columbus Metro Labor Force



Columbus Metro Annual Employment

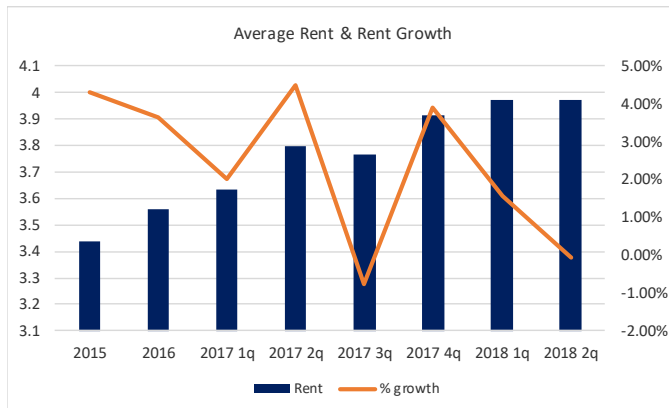


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Market Overview

Unlike many other midwestern and rust belt cities Columbus' economy has never been based on manufacturing or other industrial industries. However, the cities' central location, which is within a day's drive of over 60% of the US population means it effectively functions as an inland port. The health of Columbus' industrial market is heavily dependent on the strength of the logistics sector for this reason. The explosive growth of e-commerce means that demand remains especially robust, so in spite of the heavy levels of new supply, vacancies remain below historic norms and rent growth continues to be positive. This has promoted heavy levels of investment from regional, national and international players. The continued emergence of Columbus as technology hub has also helped spur large investment into the development of area data centers, further boosting the local industrial real estate market.

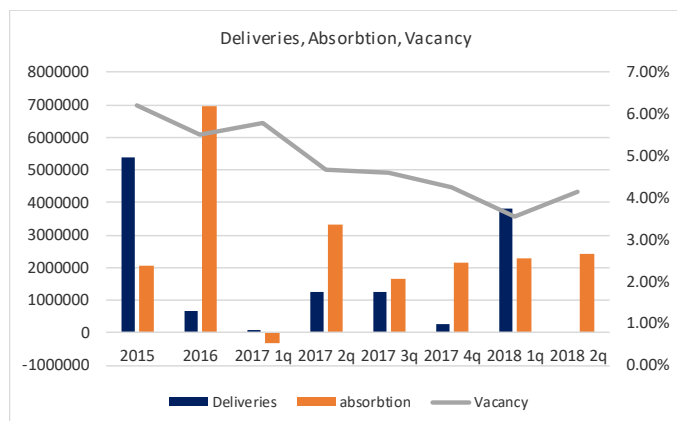
Rent and rent growth



- Quarterly rent growth has been volatile but has remained mostly in positive territory over the last 8 quarters.
- Annual rent growth over the last 4 quarters was a strong 4.65% while rent growth over the previous year was a staggering 15.23%. Rents have grown nearly 30% over the last 5 years.
- 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.

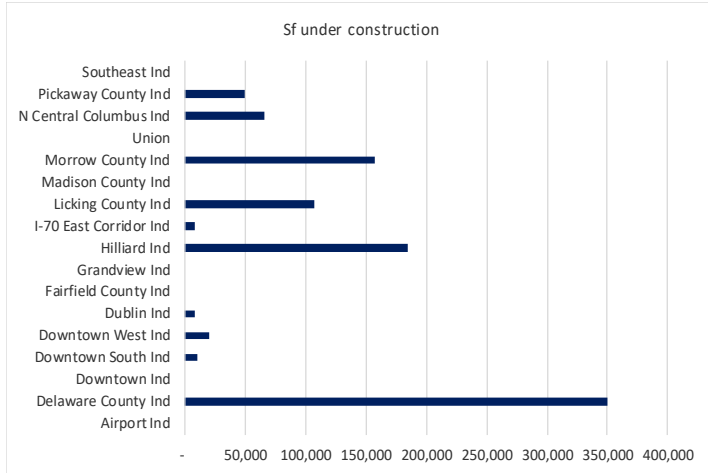
Deliveries, Absorption & Occupancy

- Net absorption was a healthy 2,429,669 square feet in the last quarter and has averaged about 2,100,000 per quarter over the last year. Absorption has been positive 7 of the last 8 quarters.
- The 2nd quarter saw total deliveries jump to 3,813,315 sf. That brings the total over the last 4 quarters to 6,571,765 sf. This represents an increase of about 2.32% in the total stock.
- The heavy levels of new supply have caused vacancy levels to climb but they remain below historical averages due to continued strong demand.
- Vacancy is likely to increase slowly over the short term given the robust construction pipeline but will remain below historic norms.



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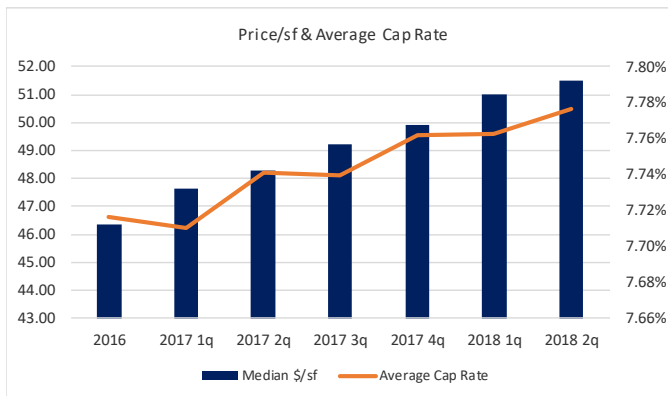
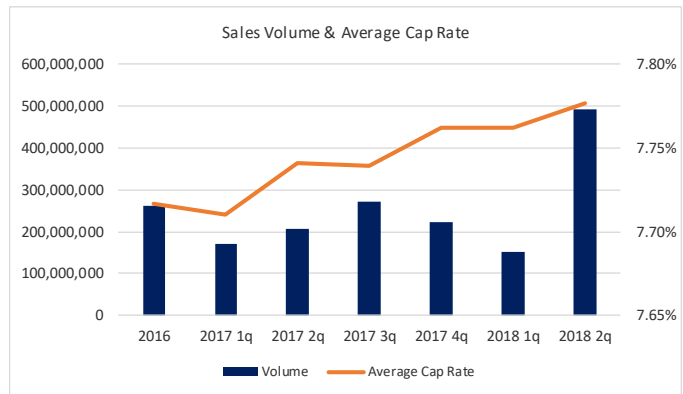
Inventory and Construction



- The chart to the left identifies the amount of space under construction in each submarket.
- Total industrial inventory in the Columbus market area amounted to 289,668,974 square feet in 5,392 buildings as of the end of the 2nd quarter 2018.
- There is currently about 962,750 sf of space under construction which represents 0.33% of current inventory.
- The highest concentration of new development is found in Hilliard, and Delaware and Morrow Counties.

Sales Volume, Price and Cap Rates

- Sales volume over the last 4 quarters has exceeded \$1 billion. Roughly 5% of inventory has turned over so far this year, with the average property selling for \$52/SF, with a ±7.78% cap rate. Cap rates have been on a slightly upwards trend 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 expect to see cap rates continue to creep up over the short term. However increasingly strong fundamentals will likely continue to spur investment and keep volume levels and prices high over the medium term.



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