

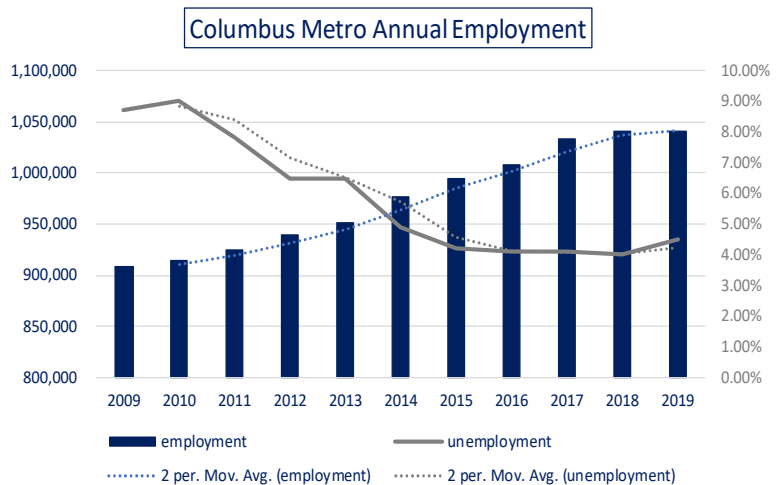
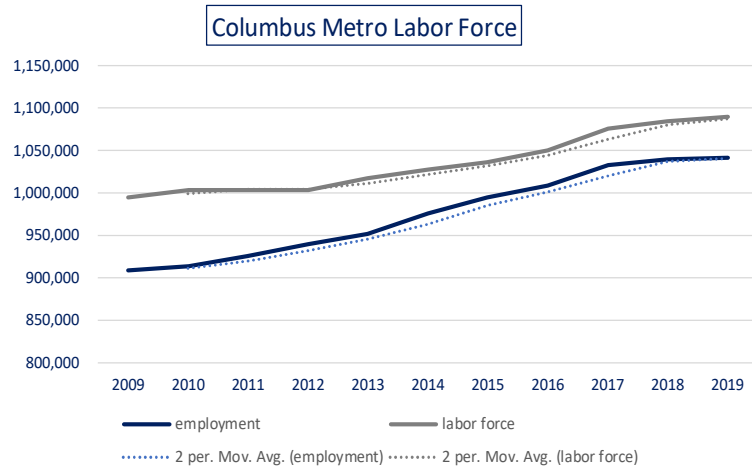
COLUMBUS, OHIO OFFICE MARKET 1ST QUARTER 2019

Economic Overview

Columbus is now the second largest city in the Midwest next to only 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	1,091,903	5,813,989	1,004,296	5,846,886	8.7%	-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
% 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 The Ohio State University as well as 11 other institutions of higher learning has created a highly skilled and well-educated work force which is a 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 as a whole. Graduates in the area choose to remain in Columbus at a high rate thanks to a strong local job market. The economy is noted for being well diversified 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. Columbus’ is home

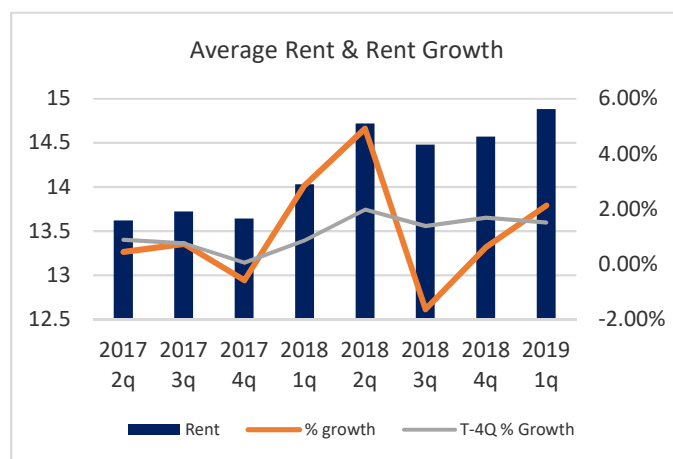
COLUMBUS, OHIO OFFICE MARKET 1ST QUARTER 2019

to 25 Fortune 500 companies including Cardinal Health, Nationwide Insurance, AEP, L Brands and Big Lots. J.P. Morgan Chase also has a large presence in the city. Over 11,000 employees work at the McCoy Center in Columbus, the second largest concentration of their employees behind only their corporate headquarters in New York City. In 2017 Forbes rated Columbus among the best cities for young professionals, citing relatively high salaries, comparatively. The city added roughly 7,500 jobs in 2018. The current unemployment rate in the MSA is 4.5%, the lowest of all the major metro areas in Ohio.

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 within both the state and nation, 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 found itself on the list of 10 finalists for Amazon’s new headquarters. While recent announcements indicate Columbus will not land the new headquarters the fact it made the final 10 is indicative of a very positive perception of the Columbus market from a national outlook. Multiple projects are under construction across the metro, and the new supply is quickly leased. New projects like 80 on the Commons and Gravity feature eye-catching designs departing from the more conservative designs seen over the last few years and reflect the city’s growing economic stature.

Rent growth

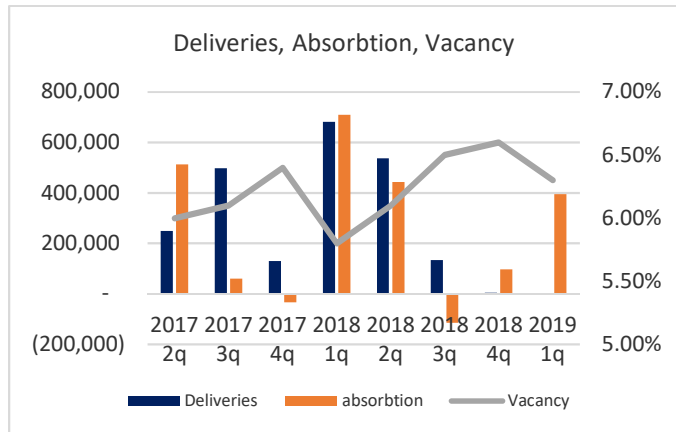


- Rent growth was positive 0.62% in the fourth quarter 2018 and a strong 2.13% in the first quarter of 2019, bouncing back from the first quarter of negative rent growth in years in Q3 2018.
- 1st quarter rent growth of 2.13% is the highest quarterly growth rate shown in the last 2 years. Annual growth over the last 4 quarters came in over 6.0% surpassing most experts’ projections.
- Average gross rent for the 1st quarter of 2019 came in at \$14.88/sf gross.

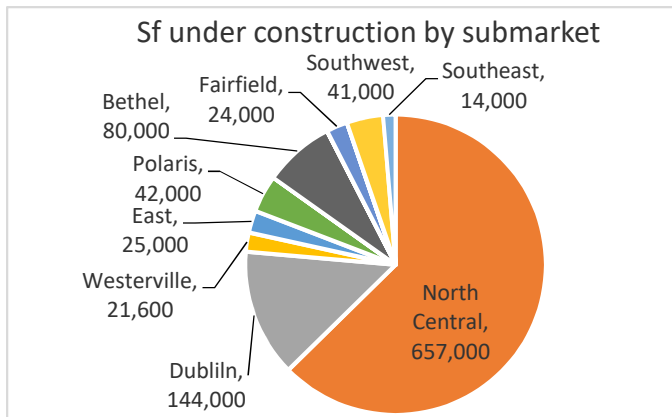
COLUMBUS, OHIO OFFICE MARKET 1ST QUARTER 2019

Deliveries, Absorption & Occupancy

- Net absorption was ±820,000 square feet over the last 4 quarters. There has been ±1,355,000 sf of space delivered into the market over the last 4 quarters.
- The Columbus office market saw the vacancy rate go from 6.6% in the previous quarter down to 6.3%. The decrease was the result of strong 1st quarter absorption numbers (395,000 sf) combined with muted deliveries (3,500 sf). The Columbus market has proven to be resilient in the face of new supply.

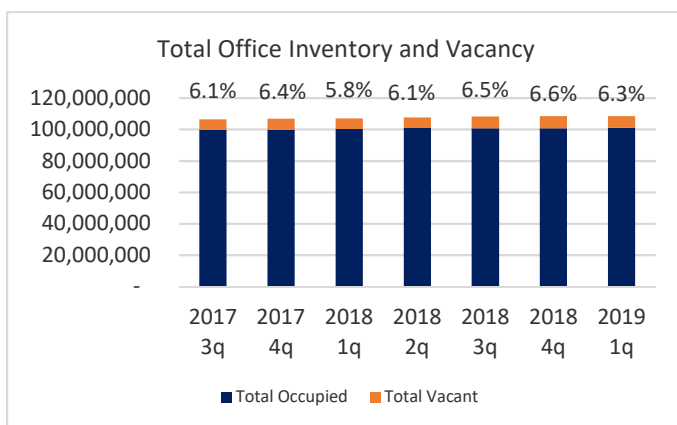


Inventory and Construction



- The chart to the left identifies the amount of space under construction in each submarket. Only submarkets with space currently under construction are shown.

- The largest submarkets for current construction are Dublin and North Central. The North Central submarket includes the Short North area and such projects as The Lincoln on North High Street which will add 80,000 sf of Class A office space and is already 93% pre-leased.



- Total office inventory in the Columbus market area amounted to 108,341,213 square feet in 5,074 buildings as of the end of the first quarter 2019.

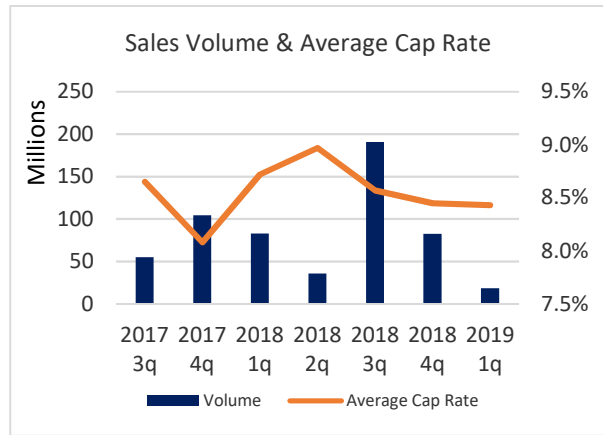
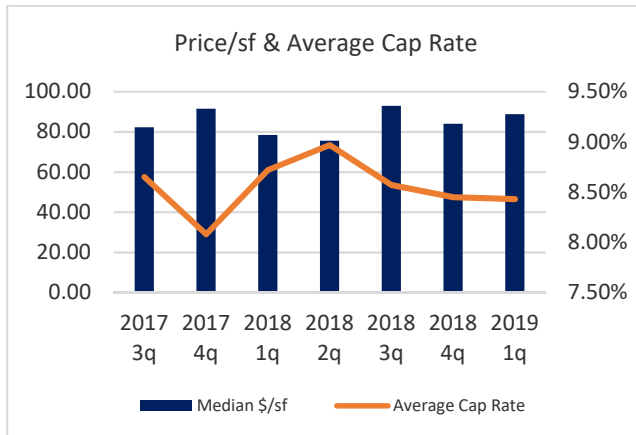
- There is currently about 1,050,000 sf of space under construction which represents ±1.0% of current inventory.

- 2018 saw new speculative office development for the first time in years in the Columbus market. Over 175,000 SF of spec space came on line in 2018, and these projects were over 65 leased at the end of the year. Their success will likely spur further spec office construction over the next few years.

COLUMBUS, OHIO OFFICE MARKET 1ST QUARTER 2019

Sales Volume, Price and Cap Rates

- Sales volume in the first quarter of 2019 was a muted \$18 million. However, the running four quarter total of \$327,000 is down only slightly over the previous four quarters.
- The median sale price in the first quarter was for \$89/SF, with a ±8.4% cap rate. Rates have been stable over the last 8 quarters.



Financing

- MSF has a history of success financing commercial assets and prides itself on connecting its clients with capital on even the toughest deals. We partner with a diversified group of strong financial institutions which cover the spectrum of debt options. Recent deals of note closed this year include:
 - Beechcroft Medical Office. Financing for this ±15,000 sf medical office building was secured at 76% of purchase price with one of MSF’s corresponding Life Insurance Companies. An interest rate of 4.75% was secured with 25-year am.
 - Bridge Park D-Block was financed by a group of our many commercial banking relationships. A total of \$67,135,938 in financing was secured for this ±450,000 sf new-urban mixed-use project in the Bridge Park development of Dublin, Ohio. Loan terms included an interest rate at ICE LIBOR + 2.75%, a 3-year term with 25-year amortization, as well as 3 years of interest only payments.

About MSF Real Estate Capital
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 April 1, 2019. Primary Data Source: CoStar and MSF Real Estate Capital. For additional insight please direct inquiries to gproegler@msfcap.com