

MARKETBEAT

Columbus

Office Q4 2018



COLUMBUS OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Columbus Unemployment	4.0%	4.0%	■
Ohio Unemployment	4.9%	4.6%	■
U.S. Unemployment	4.1%	3.7%	▼

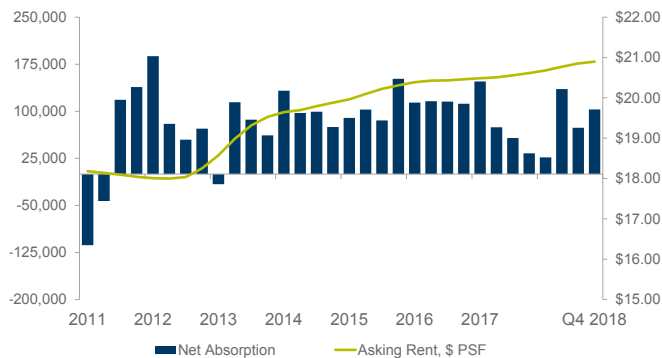
Q4 2017- 2018 data based on the average of October and November, and October used to represent Q4 2017- 2018 for Columbus.

Market Indicators (Overall, All Classes)

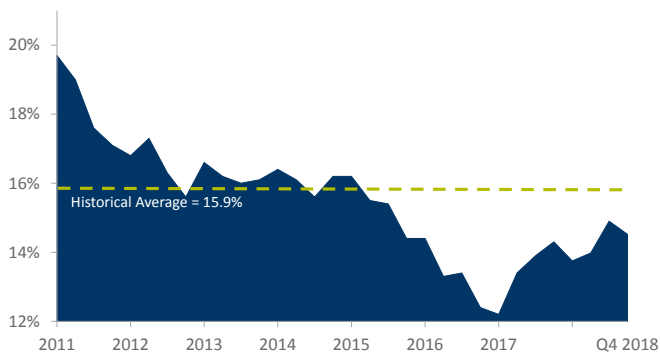
	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	14.3%	14.5%	▲
Net Absorption (sf)	122k	239k	▼
Under Construction (sf)	1.5M	777k	▲
Average Asking Rent *	\$20.74	\$20.92	▲

* Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Unemployment in Columbus has been consistent at a rate of 4.0% which continues to trend below Ohio's rate of 4.6% and slightly above the U.S. rate of 3.7%. There has been positive economic news about the Columbus market all year with *SmartAsset* ranking it the No. 1 Tech City in the U.S. for high wages and low cost of living. *Forbes* magazine ranked Columbus the No. 1 city for start-ups due to the large number of deals and low cost of doing business. Additionally, *Site Selection* announced that Columbus is the No. 4 business-friendly city due to low state tax burdens and the high number of new projects. On top of that, *SmartAsset* ranked the city as No. 11 for the lowest inflation in the last decade. Positive national press bodes well for the commercial real estate market in Columbus and helps to attract new business to the area.

Market Overview

The Columbus office market ended 2018 with a 13.1% direct vacancy rate, and a 14.5% overall vacancy rate, both showing slight improvement over third quarter results. The entire year averaged a 14.2% vacancy rate, up from 2017's average of 13.3%. The market continued to see vacancy rates rise slowly as new office product came online and vacancies were created by tenants who have relocated into the newly developed spaces. The Columbus office market posted 239,000 square feet (sf) of positive net absorption in the final quarter of 2018, bringing the year-end total to 424,000 sf compared to 132,000 sf in 2017. Among the submarkets, the Northeast had the best performance in 2018, ending the year with a 12.3% direct vacancy rate and posting positive absorption of 596,000 sf. Big Lots' 330,000-sf build-to-suit in the Northeast helped drive the high volume of absorption in 2018, which was 74,000 sf in 2017. The 645,000 sf of new office product that landed in the market in 2018 is the highest level since 2010, and includes fourth quarter's delivery of the mixed-use speculative project 80 on the Commons, which includes 134,000 sf of office space that is 57% pre-leased. There remains 777,000 sf under construction, which is dominated by mixed-use projects (557,000 sf, or 72%). The mixed-use projects are spread across the Downtown submarket and the suburbs, in a 53% and 47% share respectively, with most scheduled to deliver in 2019. The asking rental rate of \$20.92 per-square-foot (psf) at the end of fourth quarter is the highest ever recorded, exceeding last year's high of \$20.74 psf.

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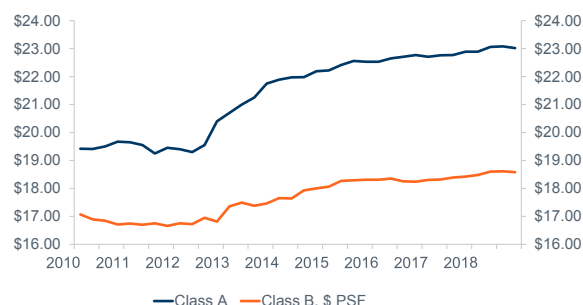


In the fourth quarter the leasing highlights include Nexeo leasing 92,000 sf in the Northwest on Parkwood Place, Homeside Financial leasing 41,000 sf on Walton Parkway in the Northeast submarket, and Chipotle leasing 31,000 sf Downtown as they initiate the relocation of several support functions to a headquarters facility in Columbus. The top office lease in 2018 was Nexeo's 92,000 sf deal, which backfilled most of the space vacated by Cardinal Health. The other top two leases for the year were large insurance agencies. Roots Insurance pre-leased 65,000 sf in Downtown's newly completed 80 on the Commons, and Aetna took 53,000 sf in the Northeast on Nacot Place.

Significant sales from 2018 include ValStone Partners buying Fifth Third's 331,000-sf building in Downtown out of foreclosure for \$47 million (\$142 psf) which they intend to renovate, Blackstone acquiring the 315,000-sf Atrium 1 as part of their buy-out of Gramercy properties, and Rodin Global Property and Cantor Fitzgerald Investors completing a sale-leaseback of the 241,000-sf Alliance Data Center in New Albany for \$47 million (\$194 psf) that will see Alliance Data remain as a tenant until 2032. The largest portfolio

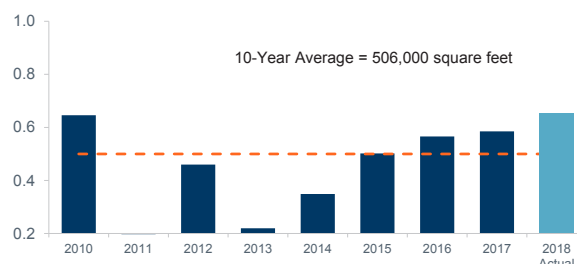
Class A and B Asking Rent

CLASS A AND B ASKING RENTS ARE TAPERING OFF SLIGHTLY AFTER REACHING ALL TIME HIGHS



Historic Annual Office Supply

THE AMOUNT OF DELIVERIES IN 2018 IS THE HIGHEST SINCE 2010



COLUMBUS DELIVERED 645,000 SF OF NEW OFFICE PRODUCT IN 2018, THE MOST SINCE 2010

transaction was the 464,000-sf collection of Atelier properties Downtown which Hackman Capital Partners bought from Oro Capital Advisors for an undisclosed amount. The next largest portfolio involved two properties on Farmer's Drive with a total of 323,000 sf that Farmers Insurance Group sold to IMC Diversified for \$22.3 million (\$69 psf). Columbus delivered 645,000 sf of new office product in 2018, the most since 2010. There remains 777,000 sf of office product under construction that is set to deliver in 2019. Even with the amount of 2018 deliveries, the 14.5% vacancy rate remains below pre-recession rates and is only slightly above the fourth quarter rate in 2017.

Outlook

- Office job growth should continue through 2019, but it will not be able to keep up with supply, putting upward pressure on vacancy rates.
- A slow decline in absorption will continue into 2019 as the trends of densification and efficient use of space continue, as well as the abundant influx of new product.
- Rental rates will grow at a more modest rate as added supply continues to come online through 2019.

Key Buildings Under Construction Q4 2018

Property Name	Sub-Market	Square Feet	Developer	Complete Date
Dublin Bridge Park	NW	196,000	Crawford and Hoying	Q3 19
711 N. High St.	CBD	92,000	Wood Co., Schiff Capital	Q2 19
Gravity Project	CBD	55,000	Kaufman	Q1 19
Municipal Light Plant	CBD	55,000	DeHays Connect, Schiff Capital	Q4 19
Moxy Hotel	CBD	46,000	Crawford Hoying	Q3 19
8100 Walton Pkwy	NE	44,000	New Albany Co., Daimler	Q2 19

Downtown Office Market Statistics – Q4 2018

Vacancy, Absorption, Construction and Rent

Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate Current Q	Sublease Vacancy Rate	Total Vacancy Rate	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Average Asking Rent \$psf/year
ARENA DISTRICT												
A	13	1,578,762	36,600	2.3%	2.3%	1.0%	3.3%	-	4,628	-	55,000	\$27.29
B	5	258,262	2,923	2.5%	1.1%	0.0%	1.1%	3,546	-134	-	-	\$22.11
Total	18	1,837,024	39,523	2.3%	2.1%	0.9%	3.0%	3,546	4,494	-	55,000	\$26.56
BREWERY DISTRICT												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	7	956,240	120,865	11.8%	12.6%	0.0%	12.6%	-7,700	-42,774	-	-	\$20.89
Total	7	956,240	120,865	11.8%	12.6%	0.0%	12.6%	-7,700	-42,774	-	-	\$20.89
CENTRAL BUSINESS DISTRICT												
A	8	2,638,443	627,466	22.2%	23.8%	0.7%	24.5%	91,333	100,956	134,000	50,000	\$23.23
B	12	2,477,676	403,126	14.6%	16.3%	2.4%	18.7%	20,366	34,496	61,391	-	\$19.46
Total	20	5,116,119	1,030,592	18.5%	20.1%	1.5%	21.7%	111,699	135,452	195,391	50,000	\$21.41
DOWNTOWN SOUTH												
A	2	379,547	37,213	9.8%	9.8%	0.0%	9.8%	-	-13,176	-	-	\$26.03
B	4	474,916	10,303	2.2%	2.2%	0.3%	2.5%	-	18,088	-	-	\$21.88
Total	6	854,463	47,516	5.6%	5.6%	0.2%	5.8%	-	4,912	-	-	\$23.72
GRANT/ WASHINGTON												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	5	859,366	84,367	5.5%	9.8%	0.0%	9.8%	-37,184	-46,456	-	-	\$19.90
Total	5	859,366	84,367	5.5%	9.8%	0.0%	9.8%	-37,184	-46,456	-	-	\$19.90
NORTH HIGH STREET												
A	2	83,500	13,000	15.6%	15.6%	0.0%	15.6%	-	22,000	-	246,500	\$26.70
B	1	319,000	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	\$19.50
Total	3	402,500	13,000	3.2%	3.2%	0.0%	3.2%	-	22,000	-	246,500	\$20.99
Total A	25	4,814,252	714,279	14.4%	14.8%	0.8%	15.6%	91,333	114,408	134,000	351,500	\$25.84
Total B	34	5,345,460	621,584	10.2%	11.6%	1.1%	12.8%	-20,972	-36,780	61,391	-	\$20.49
Total	59	10,159,712	1,335,863	12.1%	13.1%	1.0%	14.1%	70,361	77,628	195,391	351,500	\$23.03

Suburban North Office Market Statistics – Q4 2018

Vacancy, Absorption, Construction and Rent

Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate Current Q	Sublease Vacancy Rate	Total Vacancy Rate	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Average Asking Rent \$psf/year
BUSCH												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	7	593,198	176,858	33.2%	29.8%	2.0%	31.8%	20,000	13,465	-	-	\$14.39
Total	7	593,198	176,858	33.2%	29.8%	2.0%	31.8%	20,000	13,485	-	-	\$14.39
CROSSWOODS												
A	1	250,169	-	3.8%	0.0%	0.0%	0.0%	9,587	14,172	-	-	\$21.50
B	5	577,214	63,625	13.5%	11.0%	0.5%	11.5%	14,550	-365	-	-	\$17.72
Total	6	827,383	63,625	10.6%	7.7%	0.3%	8.0%	24,137	13,807	-	-	\$18.87
NORTH HIGH												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	4	401,838	20,938	6.3%	5.2%	4.0%	9.2%	4,357	42,413	-	-	\$17.10
Total	4	401,838	20,938	6.3%	5.2%	4.0%	9.2%	4,357	42,413	-	-	\$17.10
POLARIS												
A	7	814,514	73,814	9.0%	9.1%	0.0%	9.1%	-145	39,306	-	-	\$21.37
B	9	574,958	60,202	12.5%	10.5%	0.0%	10.5%	11,412	27,422	-	-	\$19.00
Total	16	1,389,472	134,016	10.5%	9.7%	0.0%	9.7%	11,267	66,728	-	-	\$20.39
WESTAR												
A	10	1,076,501	120,613	11.7%	11.2%	5.5%	16.7%	5,125	-62,505	-	-	\$20.43
B	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
Total	10	1,076,501	120,613	11.7%	11.2%	5.5%	16.7%	5,125	-62,505	-	-	\$20.43
WORTHINGTON												
A	0	0	0	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	9	629,004	63,685	9.3%	10.1%	0.0%	10.1%	-5,076	13,921	-	-	\$17.19
Total	9	629,004	63,685	9.3%	10.1%	0.0%	10.1%	-5,076	13,921	-	-	\$17.19
Total A	18	2,141,184	194,427	9.8%	9.1%	2.8%	11.8%	14,567	-9,027	-	-	\$20.85
Total B	34	2,776,212	385,308	15.5%	13.9%	1.1%	15.0%	45,243	96,856	-	-	\$17.16
Total	52	4,917,396	579,735	13.0%	11.8%	1.8%	13.6%	59,810	87,829	-	-	\$18.77

Suburban Northeast Office Market Statistics – Q4 2018

Vacancy, Absorption, Construction and Rent

Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate Current Q	Sublease Vacancy Rate	Total Vacancy Rate	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Average Asking Rent \$psf/year
AIRPORT/ I-670												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	50,000	
B	3	210,082	38,955	19.1%	18.5%	0.0%	18.5%	1,178	-10,127	-	-	\$17.32
Total	3	210,082	38,955	19.1%	18.5%	0.0%	18.5%	1,178	-10,127	-	50,000	\$17.32
EASTON												
A	16	2,288,406	473,533	20.9%	20.7%	0.3%	21.0%	4,671	4,747	-	-	\$23.76
B	4	139,363	-	2.6%	0.0%	0.0%	0.0%	-	-	-	-	\$20.19
Total	20	2,427,769	473,533	19.7%	19.5%	0.3%	19.8%	4,671	4,747	-	-	\$23.56
GAHANNA												
A	1	63,038	7,124	24.9%	11.3%	0.0%	11.3%	8,576	17,286	-	-	\$19.95
B	9	477,183	3,398	1.3%	0.7%	2.1%	2.8%	2,570	40,324	-	-	\$19.01
Total	10	540,221	10,522	4.0%	2.0%	1.8%	3.8%	11,146	57,610	-	-	\$19.12
NEW ALBANY												
A	10	899,866	37,394	9.1%	4.2%	0.0%	4.2%	44,713	110,389	-	58,000	\$20.88
B	3	150,045	-	10.1%	0.0%	0.0%	0.0%	15,204	67,500	-	-	\$20.24
Total	13	1,049,911	37,394	9.3%	3.6%	0.0%	3.6%	59,917	177,889	-	58,000	\$20.79
WESTERVILLE												
A	2	485,500	-	0.0%	0.0%	0.0%	0.0%	-	330,000	-	-	\$20.14
B	20	1,376,781	187,618	14.1%	13.6%	1.4%	15.0%	7,016	35,992	-	-	\$17.12
Total	22	1,862,281	187,618	10.5%	10.1%	1.0%	11.1%	7,016	365,992	-	-	\$17.90
Total A	29	3,736,810	518,051	15.4%	13.9%	0.2%	14.1%	57,960	462,422	-	108,000	\$22.39
Total B	39	2,353,454	229,971	10.9%	9.8%	1.2%	11.0%	25,968	133,689	-	-	\$18.13
Total	68	6,090,264	748,022	13.7%	12.3%	0.6%	12.9%	83,928	596,111	-	108,000	\$20.74

Suburban Northwest Office Market Statistics – Q4 2018

Vacancy, Absorption, Construction and Rent

Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate Current Q	Sublease Vacancy Rate	Total Vacancy Rate	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Average Asking Rent \$psf/year
ARLINGTON/ GRANDVIEW												
A	5	448,120	-	0.0%	0.0%	0.0%	0.0%	-	13,180	-	-	\$24.79
B	12	1,011,993	121,341	12.0%	12.0%	0.0%	12.0%	-325	-37,339	-	-	\$18.73
Total	17	1,460,113	121,341	8.3%	8.3%	0.0%	8.3%	-325	-24,159	-	-	\$20.59
DUBLIN												
A	13	1,116,843	223,351	20.8%	20.0%	2.5%	22.5%	8,446	5,849	-	317,567	\$23.21
B	17	1,220,319	214,732	18.3%	17.6%	5.9%	23.5%	8,137	-1,244	-	-	\$18.03
Total	30	2,337,162	438,083	19.5%	18.7%	4.3%	23.0%	16,583	4,605	-	317,567	\$20.50
HILLIARD/ WEST												
A	2	394,323	10,236	2.6%	2.6%	0.0%	2.6%	-	-2,098	-	-	\$22.77
B	2	146,112	4,844	21.7%	3.3%	1.8%	5.1%	26,782	33,195	-	-	\$19.70
Total	4	540,435	15,080	7.8%	2.8%	0.5%	3.3%	26,782	31,097	-	-	\$21.94
TUTTLE												
A	20	2,729,972	488,114	17.1%	17.9%	2.8%	20.7%	-21,253	-398,425	-	-	\$22.45
B	7	431,401	42,408	10.5%	9.8%	0.0%	9.8%	2,830	52,344	-	-	\$19.22
Total	27	3,161,373	530,522	16.2%	16.8%	2.4%	19.2%	-18,423	-346,081	-	-	\$22.01
SAWMILL												
A	0			0.0%	0.0%	0.0%	0.0%			-	-	
B	3	473,736	46,884	9.9%	9.9%	0.0%	9.9%	-	-2,672	-	-	\$18.08
Total	3	473,736	46,884	9.9%	9.9%	0.0%	9.9%	-	-2,672	-	-	\$18.08
Total A	40	4,689,258	721,701	15.1%	15.4%	2.2%	17.6%	-12,807	-381,494	-	317,567	\$23.01
Total B	41	3,283,561	430,209	14.2%	13.1%	2.7%	15.8%	37,424	44,284	-	-	\$18.52
Total	81	7,972,819	1,151,910	14.8%	14.5%	2.4%	16.9%	24,617	-337,210	-	317,567	\$21.16

Columbus Totals – Q4 2018

Vacancy, Absorption, Construction and Rent

SUBURBAN TOTAL												
A	87	10,567,252	1,434,179	14.1%	13.6%	1.6%	15.2%	59,720	71,901	-	425,567	\$22.08
B	114	8,413,227	1,045,488	13.7%	12.4%	1.8%	14.2%	108,635	274,829	-	-	\$17.94
Total	201	18,980,479	2,479,667	13.9%	13.1%	1.7%	14.7%	168,355	346,730	-	425,567	\$20.24
COLUMBUS TOTALS												
A	112	15,381,504	2,148,458	14.2%	14.0%	1.3%	15.3%	151,053	186,309	134,000	777,067	\$23.02
B	148	13,758,687	1,667,072	12.4%	12.1%	1.5%	13.6%	87,663	238,049	61,391	-	\$18.58
Total	260	29,140,191	3,815,530	13.3%	13.1%	1.4%	14.5%	238,716	424,358	195,391	777,067	\$20.92

Office asking rents converted to Full Service

MARKETBEAT

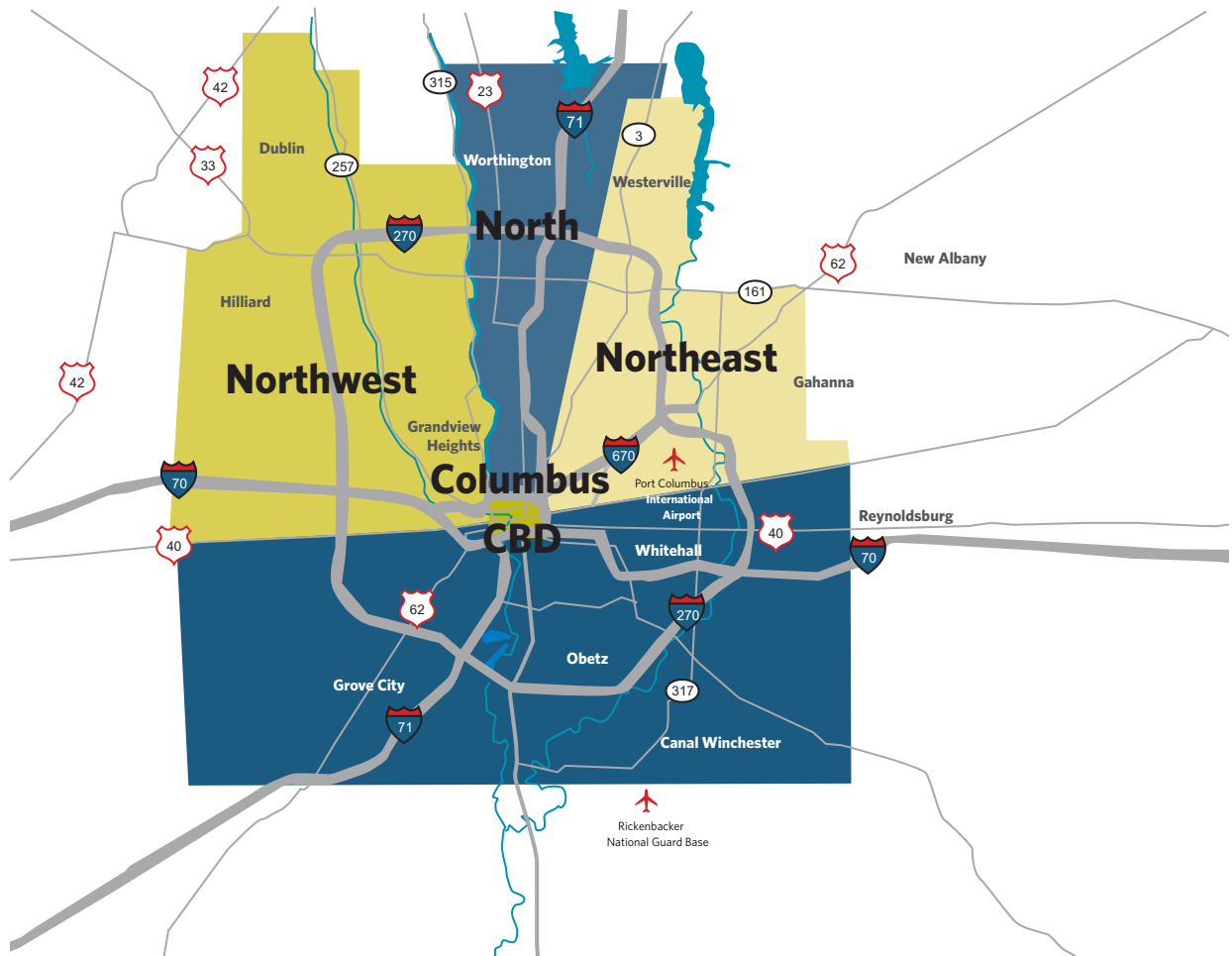
Columbus

Office Q4 2018



OFFICE SUBMARKETS

COLUMBUS / FRANKLIN



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