

MARKETBEAT

Columbus

Office Q1 2019



COLUMBUS OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Columbus Unemployment	3.7%	3.9%	■
Ohio Unemployment	4.6%	4.6%	■
U.S. Unemployment	4.1%	3.8%	▼

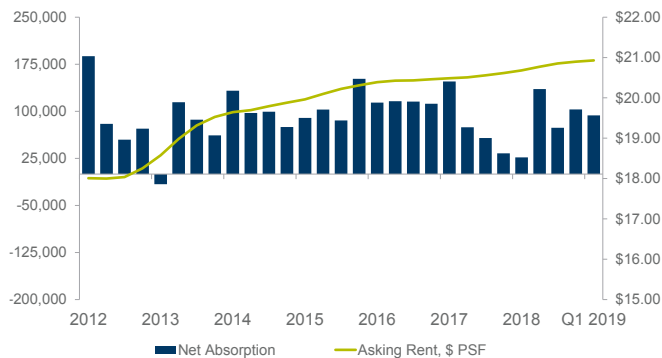
Q1 data based on February results, and January 2019 used to represent Q1 2019 for Columbus.

Market Indicators (Overall, All Classes)

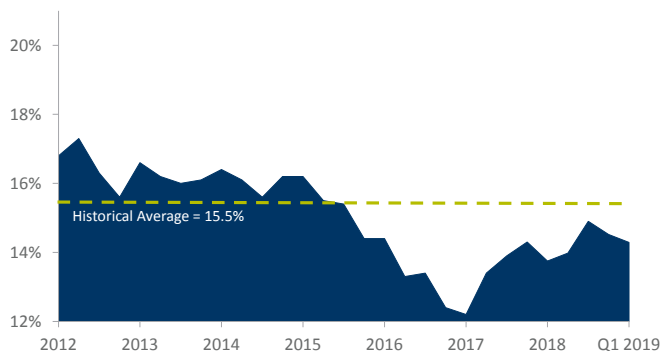
	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	13.7%	14.3%	▲
Net Absorption (sf)	75k	25k	▼
Under Construction (sf)	1.6M	803k	▲
Average Asking Rent *	\$20.77	\$20.89	▲

* Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economy

In the first quarter the unemployment rate in Columbus was 3.9%, below the rate for Ohio and slightly above the U.S. at 4.6% and 3.8% respectively. According to Kevin Thorpe, Chief Economist for Cushman & Wakefield, the U.S. economy's growth rate has slowed down, but the expansion remains on course to continue through at least the end of 2019. For the seventh year in a row, Columbus has been in the top ten cities in the U.S. for corporate investment according to *Site Selection* magazine. This year Columbus came in at No. 7 with 81 projects. In a press release Kenny McDonald, President and Chief Economic Officer of Columbus 2020, said "Making this list for the seventh year is a testament to the strong foundation we have built over the past decade and the market-leading companies that continue to expand and locate in the Columbus Region."

Market Overview

The Columbus office market had a 14.3% total vacancy rate in the first quarter of 2019, improving from the fourth quarter of 2018 by 23 basis points (bps)- but above last year's first quarter rate of 13.8%. Net absorption remained in positive territory at 25,000 square feet (sf), and the asking rental rate of \$20.89 per-square-foot (psf) showed improvement over a year ago when it was \$20.77 psf. Downtown had the best performance overall with a vacancy rate of 13.2%, down from last year's rate of 13.5%. Positive net absorption of 101,000 sf in Downtown is among the highest ever recorded in a first quarter by the submarket. Large leases helped drive Downtown's absorption, including Aver Informatics moving into 20,000 sf in the Huntington Center, BBI Logistics occupying 19,000 sf in 80 on the Commons, and Barkbox moving into 22,000 sf in the new Gravity mixed-use project on Broad Street. Gravity completed construction this quarter bringing 50,000 sf of new office space into Downtown with all but 16,000 sf leased up by Barkbox, Cova Cowork (7,000 sf) and Pelatonina at (4,500 sf). On the downside, United Healthcare consolidated into its space at 5900 Parkwood Place in Dublin leaving 83,000 sf vacant on Worthington Road in the North submarket. In the Northwest, PCCW Teleservices vacated 49,000 sf on Rings Road, and Quest Software downsized by 18,000 sf on Emerald Parkway, which was offset by Nexeo moving into 91,000 sf at 6000 Parkwood Place.

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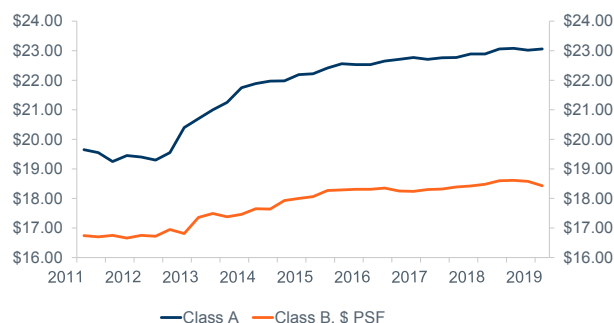


The largest lease in the quarter was Trinity Health leasing 103,000 sf in the Northeast submarket at 3100 Easton Square while Sarepta Therapeutics leased 78,000 sf at 3435 Stelzer Road, also in the Northeast. In addition to the Downtown leases previously mentioned, R & L Carriers leased 7,300 sf on Front Street and U.S. SBA signed up for 6,500 sf on State Street. Cushman & Wakefield leased 6,500 sf to LifeCubby at 2800 Corporate Exchange in the Northeast submarket, and in the Northwest Datalysys leased 10,000 sf in Upper Metro Place and Tyler Technologies leased 5,100 sf on Watermark Drive.

One of the largest sales in the quarter was made by Pizzuti, who bought the former 139,000-sf Graham Ford dealership Downtown for \$5.5 million (\$40 psf) with talk of creating a mixed-use project in the future. McSen Capital bought three buildings on Airport Drive in the Northeast totaling 124,000 sf from Bergman Real Estate for \$6.4 million (\$51 psf). Gemini Rosemont Commercial Real Estate sold the 71,000-sf Orchard Knoll building on High Street in the North submarket to RSM Real Estate Services for \$6.5 million (\$91 psf), and in the Northwest Quillin Real Estate Investments purchased

Class A and B Asking Rent

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



THE U.S. ECONOMY'S GROWTH RATE HAS SLOWED DOWN, BUT THE EXPANSION REMAINS ON COURSE TO CONTINUE THROUGH AT LEAST THE END OF 2019

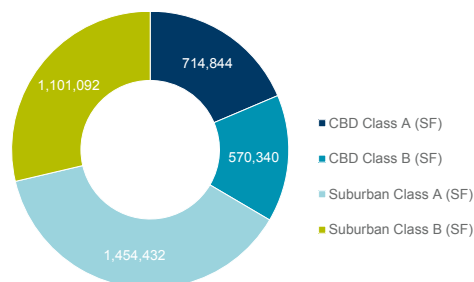
Hilliard Rome Office Park with seven buildings totaling 45,000 sf from Pohlmann Properties for \$3.6 million (\$80 psf). There is 803,000 sf of speculative construction underway, most of which is scheduled to be complete by year's end. In addition to this, several projects are still to come: the White Castle campus on the outside edge of Downtown which includes 70,000 sf of office space will start after completing its headquarter building, Hamilton Quarter will add another 370,000 sf of office space adjacent to Big Lots 330,000-sf headquarters, and the Easton Town Center mixed-use addition that is underway with several retail tenants already announced.

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.

Vacant Space- By Class and Submarket

TWO-THIRDS OF VACANT SQUARE FOOTAGE IS BASED IN SUBURBAN SUBMARKETS.



Key Buildings Under Construction Q1 2019

Property Name	Sub-Market	Square Feet	Developer	Complete Date
Dublin Bridge Park	NW	196,000	Crawford Hoying	Q1 20
711 N. High St.	CBD	92,000	Wood Co., Schiff Capital	Q2 19
Municipal Light Plant	CBD	55,000	DeHays Connect, Schiff Capital	Q4 19
Moxxy Hotel	CBD	46,000	Crawford Hoying	Q4 19
Mercantile Tower	CBD	45,000	Pizzuti	Q2 19
8100 Walton Pkwy	NE	44,000	New Albany Co., Daimler	Q2 19

Downtown Office Market Statistics – Q1 2019

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	26,312	2.3%	1.7%	1.0%	2.7%	10,288	10,288	-	55,000	\$27.29
B	5	258,262	2,923	1.1%	1.1%	0.0%	1.1%	-	-	-	-	\$22.11
Total	18	1,837,024	29,235	2.1%	1.6%	0.9%	2.5%	10,288	10,288	-	55,000	\$26.56
BREWERY DISTRICT												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	7	956,240	120,865	12.6%	12.6%	0.0%	12.6%	-	-	-	-	\$20.89
Total	7	956,240	120,865	12.6%	12.6%	0.0%	12.6%	-	-	-	-	\$20.89
CENTRAL BUSINESS DISTRICT												
A	10	2,982,443	638,319	23.8%	21.4%	0.7%	22.1%	87,147	87,147	50,000	100,000	\$23.98
B	11	2,317,678	351,882	16.3%	15.2%	1.0%	16.2%	3,244	3,244	-	-	\$18.79
Total	21	5,300,119	990,201	20.1%	18.7%	0.8%	19.5%	90,391	90,391	50,000	100,000	\$21.71
DOWNTOWN SOUTH												
A	2	379,547	37,213	9.8%	9.8%	0.0%	9.8%	-	-	-	-	\$26.03
B	4	474,916	10,303	2.2%	2.2%	0.3%	2.5%	-	-	-	-	\$21.88
Total	6	854,463	47,516	5.6%	5.6%	0.2%	5.8%	-	-	-	-	\$23.72
GRANT/ WASHINGTON												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	5	859,366	84,367	9.8%	9.8%	0.0%	9.8%	-	-	-	-	\$19.90
Total	5	859,366	84,367	9.8%	9.8%	0.0%	9.8%	-	-	-	-	\$19.90
NORTH HIGH STREET												
A	2	83,500	13,000	15.6%	15.6%	0.0%	15.6%	-	-	-	222,500	\$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%	-	-	-	222,500	\$20.99
Total A	27	5,024,252	714,844	14.8%	14.2%	0.7%	15.0%	97,435	97,435	50,000	377,500	\$25.93
Total B	33	5,185,460	570,340	11.6%	11.0%	0.5%	11.5%	3,244	3,244	-	-	\$20.30
Total	60	10,209,712	1,285,184	13.1%	12.6%	0.6%	13.2%	100,679	100,679	50,000	377,500	\$23.07

Suburban North Office Market Statistics – Q1 2019

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	169,486	29.8%	28.6%	5.4%	34.0%	7,372	7,372	-	-	\$14.39
Total	7	593,198	169,486	33.2%	29.8%	2.0%	31.8%	20,000	13,485	-	-	\$14.39
CROSSWOODS												
A	1	250,169	3,471	0.0%	1.4%	0.0%	1.4%	-3,471	-3,471	-	-	\$21.50
B	5	577,214	59,361	11.0%	10.3%	1.3%	11.6%	4,264	4,264	-	-	\$17.72
Total	6	827,383	62,832	7.7%	7.6%	0.9%	8.5%	793	793	-	-	\$18.87
NORTH HIGH												
A	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	4	401,838	35,703	5.2%	8.9%	0.9%	9.8%	-14,765	-14,765	-	-	\$17.04
Total	4	401,838	35,703	5.2%	8.9%	0.9%	9.8%	-14,765	-14,765	-	-	\$17.04
POLARIS												
A	7	814,514	152,243	9.1%	18.7%	0.0%	18.7%	-78,429	-78,429	-	-	\$21.37
B	9	574,958	49,909	10.5%	8.7%	0.0%	8.7%	10,293	10,293	-	-	\$19.00
Total	16	1,389,472	202,152	9.7%	14.5%	0.0%	14.5%	-68,136	-68,136	-	-	\$20.39
WESTAR												
A	10	1,076,501	114,613	11.2%	10.6%	5.5%	16.1%	6,000	6,000	-	-	\$20.43
B	0	-	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
Total	10	1,076,501	114,613	11.2%	10.6%	5.5%	16.1%	6,000	6,000	-	-	\$20.43
WORTHINGTON												
A	0	0	0	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-
B	9	629,004	79,710	10.1%	12.7%	0.0%	12.7%	-16,025	-16,025	-	-	\$17.20
Total	9	629,004	79,710	10.1%	12.7%	0.0%	12.7%	-16,025	-16,025	-	-	\$17.20
Total A	18	2,141,184	270,327	9.1%	12.6%	2.8%	15.4%	-75,900	-75,900	-	-	\$20.85
Total B	34	2,776,212	394,169	13.9%	14.2%	1.5%	15.7%	-8,861	-8,861	-	-	\$17.16
Total	52	4,917,396	664,496	11.8%	13.5%	2.1%	15.6%	-84,761	-84,761	-	-	\$18.77

Suburban Northeast Office Market Statistics – Q1 2019

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	43,720	18.5%	20.8%	0.0%	20.8%	-4,765	-4,765	-	-	\$15.65
Total	3	210,082	43,720	18.5%	20.8%	0.0%	20.8%	-4,765	-4,765	-	50,000	\$15.65
EASTON												
A	16	2,288,406	473,533	20.7%	20.7%	0.3%	21.0%	-	-	-	-	\$23.76
B	4	139,363	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	\$20.19
Total	20	2,427,769	473,533	19.5%	19.5%	0.3%	19.8%	-	-	-	-	\$23.55
GAHANNA												
A	1	63,038	7,124	11.3%	11.3%	0.0%	11.3%	-	-	-	-	\$19.95
B	9	477,183	3,398	0.7%	0.7%	2.1%	2.8%	-	-	-	-	\$19.01
Total	10	540,221	10,522	2.0%	2.0%	1.8%	3.8%	-	-	-	-	\$19.12
NEW ALBANY												
A	9	795,059	37,394	4.2%	4.7%	0.0%	4.7%	-	-	-	58,000	\$20.87
B	3	150,045	-	10.1%	0.0%	0.0%	0.0%	-	-	-	-	\$20.24
Total	12	945,104	37,394	3.6%	4.0%	0.0%	4.0%	-	-	-	58,000	\$20.77
WESTERVILLE												
A	2	485,500	-	0.0%	0.0%	0.0%	0.0%	-	-	-	-	\$20.14
B	20	1,376,781	189,563	13.6%	13.8%	0.9%	14.6%	-1,945	-1,945	-	-	\$16.70
Total	22	1,862,281	189,563	10.1%	10.2%	0.6%	10.8%	-1,945	-1,945	-	-	\$17.59
Total A	28	3,632,003	518,051	13.9%	14.3%	0.2%	14.5%	-	-	-	108,000	\$22.43
Total B	39	2,353,454	236,681	9.8%	10.1%	0.9%	11.0%	-6,710	-6,710	-	-	\$17.78
Total	67	5,985,457	754,732	12.3%	12.6%	0.5%	13.1%	-6,710	-6,710	-	108,000	\$20.60

Suburban Northwest Office Market Statistics – Q1 2019

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%	-	-	-	-	\$24.79
B	12	1,011,993	114,466	12.0%	11.3%	0.0%	11.3%	6,875	6,875	-	-	\$18.73
Total	17	1,460,113	114,466	8.3%	7.8%	0.0%	7.8%	6,875	6,875	-	-	\$20.59
DUBLIN												
A	13	1,116,843	213,404	20.0%	19.1%	2.5%	21.6%	9,947	9,947	-	317,567	\$23.21
B	17	1,220,319	212,340	17.6%	17.4%	0.2%	17.6%	2,392	2,392	-	-	\$17.85
Total	30	2,337,162	425,744	18.7%	18.2%	1.3%	19.5%	12,339	12,339	-	317,567	\$20.41
HILLIARD/ WEST												
A	2	394,323	10,236	2.6%	2.6%	0.0%	2.6%	-	-	-	-	\$22.77
B	2	146,112	4,844	3.3%	3.3%	1.8%	5.1%	-	-	-	-	\$19.70
Total	4	540,435	15,080	2.8%	2.8%	0.5%	3.3%	-	-	-	-	\$21.94
TUTTLE												
A	20	2,729,972	442,414	17.9%	16.2%	2.8%	19.0%	45,700	45,700	-	-	\$22.46
B	7	431,401	91,708	9.8%	21.3%	3.2%	24.5%	-49,300	-49,300	-	-	\$19.30
Total	27	3,161,373	534,122	16.8%	16.9%	2.9%	19.8%	-3,600	-3,600	-	-	\$22.02
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%	-	-	-	-	\$18.08
Total	3	473,736	46,884	9.9%	9.9%	0.0%	9.9%	-	-	-	-	\$18.08
Total A	40	4,689,258	666,054	15.4%	14.2%	2.2%	16.4%	55,647	55,647	-	317,567	\$23.01
Total B	41	3,283,561	470,242	13.1%	14.3%	0.6%	14.9%	-40,033	-40,033	-	-	\$18.46
Total	81	7,972,819	1,136,296	14.5%	14.3%	1.5%	15.8%	15,614	15,614	-	317,567	\$21.14

Columbus Totals – Q1 2019

Vacancy, Absorption, Construction and Rent

SUBURBAN TOTAL												
A	86	10,462,445	1,454,432	13.6%	13.9%	1.6%	15.5%	-20,253	-20,253	-	425,567	\$22.10
B	114	8,413,227	1,101,092	12.4%	13.1%	1.0%	14.1%	-55,604	-55,604	-	-	\$17.80
Total	200	18,875,672	2,555,524	13.1%	13.5%	1.3%	14.9%	-75,857	-75,857	-	425,567	\$20.18
COLUMBUS TOTALS												
A	113	15,486,697	2,169,276	14.0%	14.0%	1.3%	15.3%	77,182	77,182	50,000	803,067	\$23.06
B	147	13,598,687	1,671,432	12.1%	12.3%	0.8%	13.1%	-52,360	-52,360	-	-	\$18.43
Total	260	29,085,384	3,840,708	13.1%	13.2%	1.1%	14.3%	24,822	24,822	50,000	803,067	\$20.89

Office asking rents converted to Full Service

MARKETBEAT

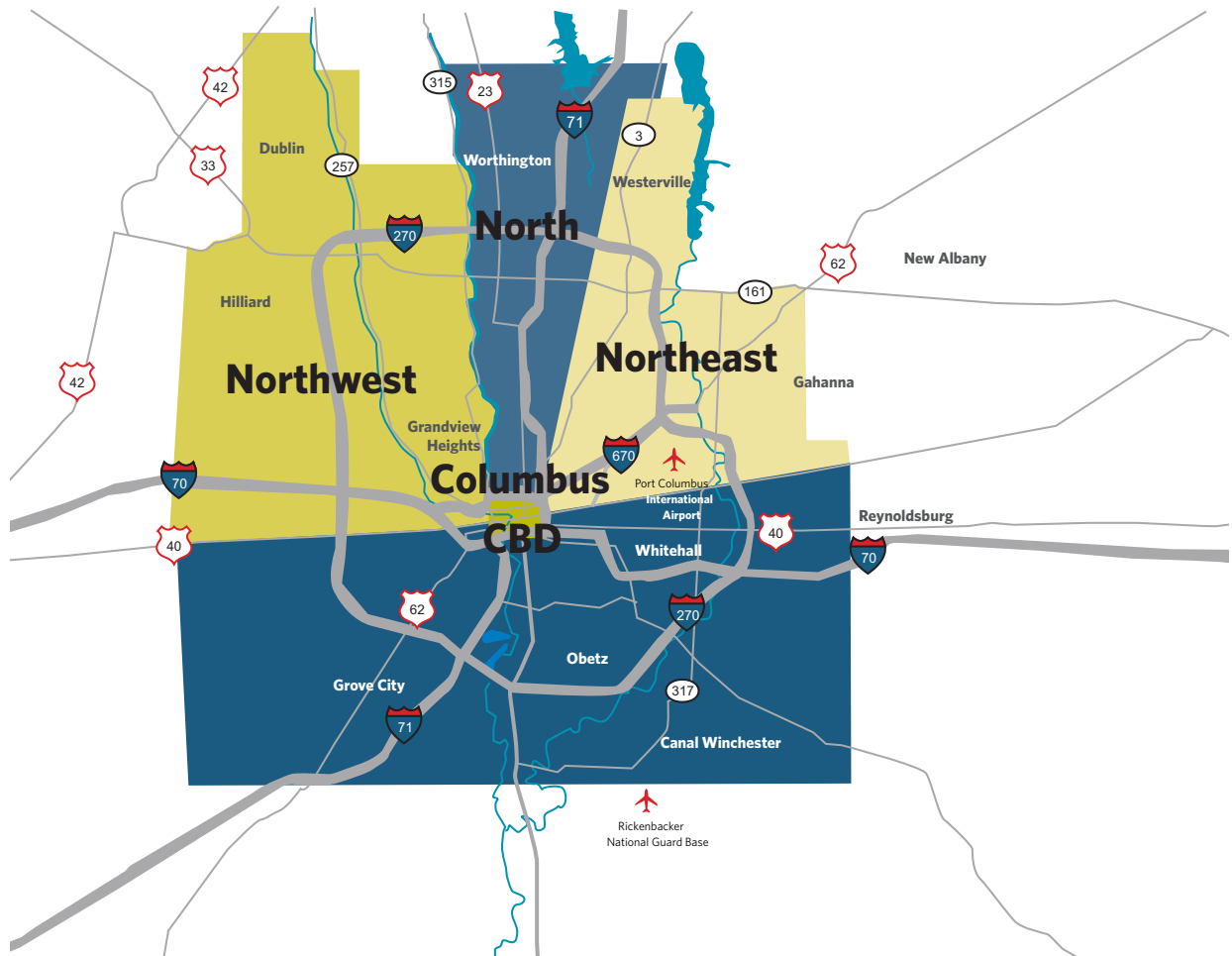
Columbus

Office Q1 2019



OFFICE SUBMARKETS

COLUMBUS / FRANKLIN



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