

# Industrial Report

Columbus, Ohio  
1Q 2011



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### Pictured Below

Cabot III expanded their Columbus portfolio by purchasing 2550 Post Road in the Southeast submarket for \$4.55 million.



### Inventory

This quarter, Cassidy Turley surveyed the Columbus industrial market which is spread over 6 submarkets: Southeast, Southwest, Downtown/Central Business District, Northwest, Northeast and Out of County. The inventory surveyed in the first quarter of 2011 consists of over 247 million square feet of rentable space in 3,112 buildings that are all 10,000 square feet or larger.

The largest single market surveyed in terms of size is the Southeast, with 650 properties and more than 75 million square feet of space. The Northwest and Northeast submarkets contain over 750 buildings with approximately 46 and 47 million square feet respectively, and the Out of County submarket includes 645 buildings with 65 million square feet. The Southwest submarket is made up of 244 buildings with a combined area of 18 million square feet.

The bulk subset of the industrial market was also surveyed this quarter. This subset consists of properties that are 100,000 square feet or larger, have a ceiling height of at least 28 feet, and were built within the last 10 years. This subset contains 68 buildings totaling 33 million square feet. The largest submarket of bulk space is the Southeast with 46 properties and over 22.9 million square feet.

### Investment Sales

After a strong finish to 2010 in the Columbus industrial investment market, the first quarter 2011 was unable to continue carrying that momentum. There were only five sale transactions that eclipsed the one million dollar price tag, and not one of them traded over \$6 million. The four transactions combined

to trade over 1.02 million square feet for a combined price of \$14.7 million, or a poor average of \$14.37 per square foot. The largest transaction that took place was 1999 Westbelt LLC's purchase of the 202,000 square foot warehouse at 1999 Westbelt Drive for \$5.2 million, or \$25.74 per square foot. The second largest transaction in the first quarter was the sale of 2550 Port Road. The 205,100 square foot industrial property was purchased by Cabot III LLC for \$4.55 million or \$22.21 per square foot. Also transferring in the first quarter was 4151 Williams Road in the Southeast submarket to Joy Resources. Joy Resources LLC purchased the 296,900 square foot distribution facility for \$2.05 million, or a measly \$6.90 per square foot. Moving forward and throughout the rest of 2011, the investment market hopes to pick up the momentum experienced during the close of 2010, which saw an average price per square foot of \$23.25 per sale transaction.

### New Construction

There were no bulk industrial projects delivered in the first quarter of 2011. This was the fifth straight quarter where there were no industrial completions; however, for the first time in the past two years there is significant construction speculation. Already under construction is Mars Petcare's new distribution center in West Jefferson. Duke is building the 1.305 million square foot build-to-suit project in order to consolidate Mars' two existing leases in Columbus. Making a big splash at the end of last year and this quarter was The Village of New Albany with three separate announcements bringing new industrial buildings to the New Albany Business Park. Thanks to approval of various incentive packages,

New Albany was able to attract three clients to build a combined 772,000 square feet of industrial space. Accel Inc. has decided to move from their current location in Lewis Center and build a new 417,000 square foot facility for \$20 million. Joining Accel in the New Albany Business Park will be Knowlton and Vee Pak, both producers of personal care products, building 250,000 square foot and 105,000 square foot industrial facilities respectively.

### Vacancy

After experiencing a vacancy decrease for 2010, the Columbus industrial market took a step back in the first quarter of 2011 with an increase in vacancy. The overall vacancy rate had finally slipped underneath the 10% barrier at the end of 2010, but after only one quarter under this barrier the vacancy rate increased above 10% again to end the quarter at 10.50%. This was a 53 basis point increase from the previous quarter. Four of the six submarkets experienced increases in vacancy as the Out of County submarket was the only submarket to record a decrease. The Downtown/CBD submarket didn't experience any changes.

The bulk industrial market mimicked the overall market by posting an increase in vacancy for the first quarter 2011. There was a 92 basis point increase from 2010's year end rate of 17.29% to the first quarter's rate of 18.21%. Despite the increase, the Columbus bulk market was able to stay below the 20% vacancy threshold that was finally broken last year. The Southeast and Northeast submarkets experienced vacancy increases, while the Southwest

submarket had a slight decrease and the Out of County submarket had no change.

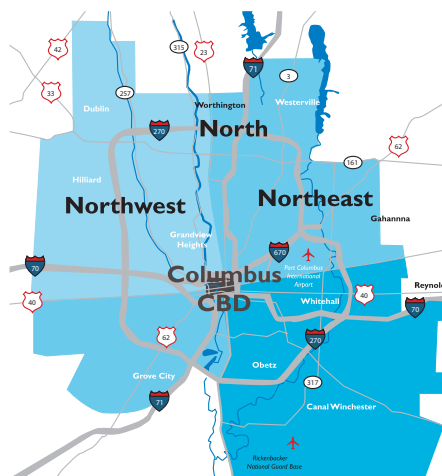
### Absorption

2010 brought about a nice change recording over 2.9 million square feet of positive absorption, but the first quarter of 2011 reverted back to the economic recession trend of negative absorption. Even though the overall industrial market experienced negative absorption, it was not as pronounced as in past recessionary quantities. There was over 798,600 square feet of negative absorption that was spread out through three different submarkets (Northwest, Northeast, and Southeast).

The bulk industrial market followed suit by recording over 303,700 square feet of negative absorption in the first quarter. The Northeast and Southeast submarkets contributed all of the negative absorption for the quarter, while the Out of County submarket experienced no change. The Southwest submarket was the only submarket to record positive absorption (albeit minimal) in the first quarter.

### Industrial Submarkets

Metropolitan area



### Pictured Below

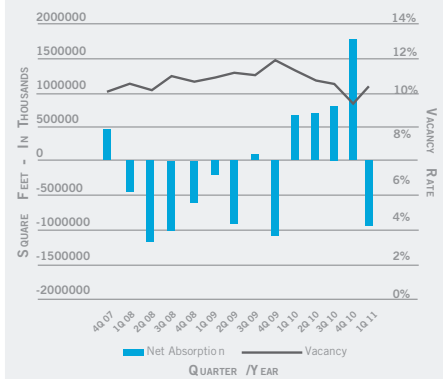
Cassidy Turley represented ProLogis in leasing 209,947 square feet at 4458 Alum Creek Drive to SB Capital Group LLC.



### Columbus, Ohio Industrial Market

At a glance

	4Q 2010	1Q 2011
Vacancy	▼	▲
Absorption	▲	▼
Construction	▼	▲
Rental Rate	◄	◄



## Submarket Reports

### Southeast

The Southeast submarket is the largest industrial submarket in the Columbus market, and is the central hub for industrial activity. In the first quarter of 2011, the direct vacancy rate increased by 138 basis points to 14.58%. There was over 478,800 square feet of negative absorption contributing to the increase in vacancy. One industrial deal that was completed in the first quarter was SB Capital Group LLC signing a lease to occupy 209,947 square feet at 4458 Alum Creek Drive. With Rickenbacker International Airport and Intermodal Yard, the Southeast submarket will continue to be the driving force in the Columbus industrial market and the first place for development.

The Southeast bulk industrial market continued to struggle in the first quarter. The vacancy rate increased 82 basis points from last year's vacancy rate of 21.21%. The current vacancy rate of 22.03% is still above the 20% threshold that the Columbus industrial market is fighting to stay below. There was over 188,600 square feet of negative absorption in the southeast in the first quarter and no leases whatsoever were signed for modern bulk industrial buildings. The average asking rental rate increased four cents to end the first quarter at \$3.36 per square foot.

### Industrial Sales

Major Sales for 1Q 2011

Property Address	Sale Date	SF	Sale Price	Price/SF	Buyer
807-817 W Third Ave	1/6/2011	77,120	\$1,900,000	\$24.64	NRI Equity Land Invs LLC
727 E Jenkins Ave	1/1/2011	242,350	\$1,000,000	\$4.13	Fortuno Management
1999 Westbelt Dr	1/3/2011	202,000	\$5,200,000	\$25.74	1999 Westbelt LLC
4151 Williams Rd	1/20/2011	296,945	\$2,050,000	\$6.90	Joy Resources LLC
2550 Port Rd	3/29/2011	205,109	\$4,555,000	\$22.21	Cabot III-OH1M02 LLC
<b>Total</b>		<b>1,023,524</b>	<b>\$14,705,000</b>	<b>\$14.37</b>	

### Southwest

The Southwest submarket had a very bland first quarter with very little activity. There was a small vacancy increase of 26 basis points ending the first quarter at 11.64%. Inactivity in the first quarter is fairly common since many tenants try to ink their deals before the close of the previous year. The Southwest bulk industrial market experienced a slight decrease in overall vacancy. There was a modest 34,800 square feet of positive absorption leading to an 82 basis point decrease. The 13.25% vacancy rate is the second best bulk vacancy rate in the Columbus market (second to the Out of County submarket). With this success, the average asking rental rate increased to \$4.25 per square foot.

### Northeast

The Northeast submarket continued to struggle after being the only industrial submarket to post an increase in vacancy during 2010. There was over 370,400 square feet of negative absorption in the first quarter of 2011. This negative absorption led to an increase of 72 basis points and an overall vacancy rate of 8.84%. Despite the recent struggles, the Northeast submarket still boasts the second best vacancy rate in Columbus, and is one of the two submarkets that have an overall vacancy rate under 10% (the other is the

Out of County submarket). The average asking rate decreased slightly in the first quarter to \$3.03 per square foot. The Northeast submarket has only one bulk building, which is only 35% occupied, causing the vacancy rate for the Northeast bulk submarket to be 65%. However, the Northeast submarket has had recent commitments from three different tenants to build new modern industrial facilities in the New Albany Business Park. Accel Inc., Knowlton, and Vee Pak will construct three industrial buildings totaling 772,000 square feet.

### Northwest

The Northwest submarket mimicked the Southwest submarket by having a very inactive quarter. There was only 81,300 square feet of negative absorption causing a 16 basis point increase in vacancy. The overall direct vacancy rate ended the first quarter at 11.85% compared to 2010's year end rate of 11.69%. No modern bulk facilities exist in the Northwest submarket; however, it does include 97 buildings that are 100,000 square feet or larger. The average asking rental rate decreased slightly to end the first quarter at \$2.60 per square foot. The northwest has the lowest asking rate in the Columbus industrial market.

## Downtown/CBD

In the small Downtown submarket, direct vacancy had no significant movement, and remained at 21.78%. Because the submarket is so small, it does not have a significant impact on the rest of the Columbus Industrial market.

## Out of County

The Out of County submarket continued to be the fastest growing and second largest industrial submarket in Columbus. It also continues to see the lowest vacancy rate for both the overall and bulk industrial markets. In the first quarter, the overall direct vacancy rate decreased from last year's rate of 5.56% to 5.29%. There was over 52,900 square feet of positive absorption. In the Out of County bulk submarket, there was no change in vacancy or absorption for the first quarter of 2011. The submarket continues to have the

lowest bulk vacancy rate (and only sub 10% rate) at 4.45%. Duke is currently building a 1.305 million square foot distribution facility that will consolidate Mars Petcare's two leased facilities in Columbus. The average asking rental rate increased from last year's rate of \$3.24 to \$3.45 per square foot.

## Outlook

Industrial sales and leasing activity has been rather slow so far this year, which is somewhat unexpected. Activity was on a steady upswing as 2010 ended, and has not picked up where it left off. Investment sale activity is starting to increase. Several larger investment properties are rumored to be under letters of intent, and are expected to close in the 2nd quarter. Quality leased assets are supposedly going to be selling at cap rates reminiscent of those seen before 2008, while properties 10 year or

older with vacancy are being purchased at deep discounts. Cassidy Turley expects this price bifurcation to continue through 2011.

Lease rates remain at lows not seen in over 25 years. Certain landlords are even offering promotional lease rates of \$1.00 per square foot NNN for quality, Class A industrial buildings. Until these assets are leased, the cheap promotional rates will drag the rates for competing buildings down. There are signs of life in the Columbus industrial market, but it is anemic at best. The velocity of deals is still quite low. However, there are a few larger bulk users in the market searching for lease space right now, and a handful of large build-to-suit prospects. If one or two (or more) of these prospects land, the landscape could change significantly.

## Industrial Market Statistics

Vacancy, Absorption, Construction and Rent

Submarket	Existing Properties							Absorption		Construction		Rent
	Buildings	Total Inventory SF	Total Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate Current Quarter	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	NNN Rent
<b>NORTHWEST</b>	766	45,916,444	5,813,869	11.69%	11.85%	0.81%	12.66%	(81,339)	(81,339)	0	0	\$2.60
<b>NORTHEAST</b>	752	46,958,823	4,256,965	8.12%	8.84%	0.23%	9.07%	(370,406)	(370,406)	0	772,000	\$3.03
<b>SOUTHEAST</b>	650	75,479,630	11,634,037	13.20%	14.58%	0.84%	15.41%	(478,857)	(478,857)	0	0	\$2.91
<b>SOUTHWEST</b>	244	18,624,465	2,354,620	11.38%	11.64%	1.00%	12.64%	78,967	78,967	0	0	\$3.40
<b>DOWNTOWN</b>	55	2,209,220	481,168	21.78%	21.78%	0.00%	21.78%	0	0	0	0	\$5.78
<b>OUT OF COUNTY</b>	645	64,993,591	3,435,992	5.56%	5.29%	0.00%	5.29%	52,953	52,953	0	1,305,000	\$3.07
<b>Total</b>	<b>3,112</b>	<b>247,331,283</b>	<b>28,550,142</b>	<b>9.97%</b>	<b>10.50%</b>	<b>0.51%</b>	<b>11.01%</b>	<b>(798,682)</b>	<b>(798,682)</b>	<b>0</b>	<b>2,077,000</b>	<b>\$2.98</b>

## Bulk Industrial Market Statistics

Vacancy, Absorption, Construction and Rent

Submarket	Existing Properties							Absorption		Construction		Rent
	Buildings	Total Inventory SF	Total Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate Current Quarter	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	NNN Rent
<b>NORTHEAST</b>	1	229,000	150,000	0.00%	65.50%	0.00%	65.50%	(150,000)	(150,000)	0	772,000	\$4.27
<b>SOUTHEAST</b>	46	22,902,139	5,135,723	21.21%	22.03%	0.39%	22.42%	(188,668)	(188,668)	0	0	\$3.36
<b>SOUTHWEST</b>	12	4,260,533	564,385	14.07%	13.25%	0.00%	13.25%	34,874	34,874	0	0	\$4.25
<b>OUT OF COUNTY</b>	9	5,615,933	250,000	4.45%	4.45%	0.00%	4.45%	0	0	0	1,305,000	\$3.45
<b>Total</b>	<b>68</b>	<b>33,007,605</b>	<b>6,100,108</b>	<b>17.29%</b>	<b>18.21%</b>	<b>0.27%</b>	<b>18.48%</b>	<b>(303,794)</b>	<b>(303,794)</b>	<b>0</b>	<b>2,077,000</b>	<b>\$3.50</b>

### Investor Services

- Capital Markets
- Land Acquisition and Disposition
- Landlord Representation
- Owner/Occupier Sales
- Project and Development Services
- Property Management

### Occupier Services

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- Owner/Occupier Sales
- Project and Development Services
- Strategic Consulting
- Tenant Representation

### Specialty Services

- Auction Services
- Distressed Asset Services
- Location Advisory and Incentives Practice
- Logistics/Multi-Modal
- Mission Critical Services
- Real Estate Tax Consulting/ Appeal
- Receivership Services
- Sustainability Consulting
- Valuation Service

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- Hospitality
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- Life Sciences
- Not-for-Profit
- Retail

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- Monterey, CA
- Napa, CA
- Nashville, TN
- New Orleans, LA
- New York, NY
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### About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with 3,000 professionals in 60 offices nationwide. The company represents a wide range of clients—from small businesses to Fortune 500 companies, from local non-profits to major institutions. The firm completed transactions valued at \$17 billion in 2010, manages 430 million square feet on behalf of private, institutional and corporate clients and supports over 25,000 domestic corporate services locations. Cassidy Turley serves owners, investors and occupiers with a full spectrum of integrated commercial real estate services—including capital markets, tenant representation, corporate services, project leasing, property management, project and development services, and research and consulting. In 2010, the firm enhanced its global service delivery outside of North America through its partnership with GVA. Please visit [cassidyturley.com](http://cassidyturley.com) for more information about Cassidy Turley.



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