

Industrial Report

Columbus, Ohio
2Q 2011



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Pictured Below

In the Southeast submarket, Exeter purchased the warehouse at 5235 Westpoint Drive occupied by Kenco. The 1.16 million square foot distribution facility sold for \$40.95 million, or \$35.12 per square foot.



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 second quarter of 2011 consists of over 265 million square feet of rentable space in 3,138 buildings that are all 10,000 square feet or larger.

The largest single market surveyed in terms of size is the Southeast, with 655 properties and more than 77 million square feet of space. The Northwest and Northeast submarkets each contain over 755 buildings with approximately 46 and 47 million square feet respectively, and the Out of County submarket includes 661 buildings with 73 million square feet. The Southwest submarket is made up of 245 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 13 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

Following the slow start in the first quarter of 2011, the industrial investment market continued to lack punch in the second quarter. There were only five investment properties that traded hands during the quarter; however, they traded at significantly better value. The three transactions traded more than 2.24 million square feet, and had an average price per square foot of \$33.12. That is a noticeable markup from

the average price per square foot of \$14.37 in the first quarter. The largest sale of the quarter was in the Southeast submarket as Exeter purchased the warehouse at 5235 Westpoint Drive occupied by Kenco. The 1.16 million square foot distribution facility sold for \$40.95 million, or \$35.12 per square foot. The second largest sale was Trident Capital's purchase of three properties on Williams Road in the Southeast submarket. Trident purchased 760,480 square feet of industrial facilities for a combined \$19.4 million, or \$25.51 per square foot. Also completed in the Southeast submarket was Boar's Head Meats purchase of Foreign Trade Center VI at 2225 Spiegel Road. The 165,000 square foot refrigeration warehouse sold for \$7.8 million or \$47.24 per square foot. Proform Industries, an owner/user, bought the industrial warehouse at 1711 Georgesville Road from Trident Capital. The 112,600 square foot facility in the Southwest submarket traded for \$2.5 million, or \$22.34 per square foot. The final investment sale of the quarter took place in the Out of County submarket as Wright Nutrition purchased a 45,500 square foot manufacturing plant for \$3.85 million or \$84.49 per square foot.

New Construction

For the sixth straight quarter no industrial bulk projects were delivered in the Columbus market. This has been the effects of the recession and the availability of many large blocks of contiguous warehouse space. Due to this, there is no speculative development currently in Columbus, and it is unlikely that any will occur until at least 2012-2013. One promising sign that demand could soon be on the rise is CSX Corp.'s plans to expand their intermodal yard on the Westside. Crews have started clearing 21 acres that CSX purchased in

January near their current Buckeye Yard intermodal facility. By expanding their rail capabilities, CSX will offer more competition to Norfolk Southern's 175 acre intermodal yard at Rickenbacker. This competition could really boost Columbus' logistics industry into the upper echelon.

There are four build to suit projects underway totaling over two million square feet. All development is taking place on the east side of Columbus in New Albany and in Duke's Park 70 in West Jefferson. Duke is developing the 1.3 million square foot distribution center in the Park 70 Industrial Complex in the Out of County submarket (Madison County) for Mars Petcare that will consolidate their Columbus operations. The other three build to suits are all part of The Village of New Albany's expanding New Albany Business Park. Accel Inc. will be moving from their current location in Lewis Center to a new 417,000 square foot facility in mid 2012. Also hoping for mid-2012 completion dates are Knowlton and Vee Pak, both companies are producers of personal care products. Knowlton is building a 250,000 square foot facility and Vee Pak is committed to building a 105,000 square foot industrial facility.

Vacancy

There was not much overall movement in the Columbus industrial vacancy rate in the second quarter. Large positive gains in the Northwest and Southeast submarkets were offset by space coming back onto the market in the Southwest submarket. The overall result was a slight decrease in the direct vacancy rate to 10.06% down from 10.50% at the end of the first quarter. Both the Northeast and Out of County submarkets had a very lackluster quarter as neither experienced significant changes.

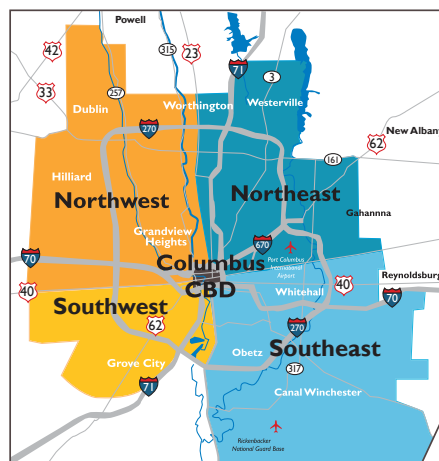
The bulk subset did not fare as well as the overall industrial market. For the second straight quarter, the bulk market experienced an increase in direct vacancy. The Southeast and Southwest submarkets both gave back space, while the Northeast and Out of County submarkets had no changes (mimicking the overall market). The vacancy rate increased 85 basis points to end the second quarter at 19.06%. The bulk market continues to struggle with vacancies well above historical averages. Some landlords have gone as far as offering \$1 rents in an attempt to lure tenants to the market.

Absorption

Continuing the up and down trend that the Columbus industrial market has been experiencing from quarter to quarter, the overall industrial market recorded positive absorption in the second quarter after having negative absorption in the first quarter. The market recorded over 101,500 square feet of positive absorption. This was fueled by offsetting gains and losses in three submarkets. The Northwest and Southeast had combined positive absorption of over

Industrial Submarkets

Metropolitan area



Pictured Below

Boar's Head Meats purchased Foreign Trade Center VI during the second quarter. The 165,000 square foot refrigeration warehouse at 2225 Spiegel Drive sold for \$7.8 million, or \$47.24 per square foot.



Columbus, Ohio Industrial Market

At a glance

	1Q 2011	2Q 2011
Vacancy	▲	▼
Absorption	▼	▲
Construction	▲	◄
Rental Rate	◄	▼



479,800 square feet, while the Southwest submarket had negative absorption over 359,300 square feet. The Northeast and Out of County submarkets were pretty much a non-factor.

The industrial bulk subset experienced negative absorption in two of the four bulk submarkets, and no changes in the other two. Both the Southeast and Southwest submarkets continue to struggle to lease space and gave back space for yet another quarter. The bulk market had over 281,300 square feet of negative absorption leading to another increase in vacancy.

Submarket Reports

Southeast

The Southeast submarket is the largest industrial submarket in Columbus. It is the focal point for industrial activity in the area due in large part to the Norfolk Southern Intermodal Yard and Rickenbacker International Airport. The Southeast submarket bounced back from a rough first quarter to record a decrease in vacancy in the second quarter. The direct vacancy rate decreased 86 basis points to end the quarter at 13.72%. Fueling this decrease in vacancy was over 195,000 square feet of positive absorption. Despite the positive quarter, the year to date absorption in the Southeast submarket is still in the red with over 283,000 square feet.

The Southeast bulk submarket did not fare

as well as the overall Southeast industrial submarket as it experienced a second straight quarter of increasing vacancy. The direct vacancy rate increased 94 basis points to end the quarter at 22.97%. There was over 215,800 square feet of negative absorption, which accounted for 77% of the total negative absorption for the entire industrial bulk subset. The full service asking rate decreased slightly to \$3.30 per square foot.

Southwest

After a lackluster first quarter, the Southwest submarket recorded the worst second quarter in the entire Columbus market. It experienced a two percentage point increase in its direct vacancy as the rate jumped to 13.64% from 11.64%. By far, the southwest contributed the highest amount of negative absorption as it recorded over 359,000 square feet. The Southwest submarket is comparatively small in terms of total inventory when it comes to Columbus industrial submarkets so large amounts of negative absorption are magnified more heavily in its vacancy rate.

The Southwest bulk submarket followed the example of the overall southwest by recording an increase in vacancy for the second quarter. There was over 65,500 square feet of negative absorption leading to an increase of 153 basis points. The direct vacancy rate increased from 13.25% to 14.78%. Even with a 14.78% vacancy

rate, the Southwest bulk submarket has the second lowest rate in Columbus (the Out of County submarket has the lowest). The full service asking rate decreased dramatically from \$4.25 per square foot to \$3.77 per square foot.

Northeast

The Northeast submarket experienced no significant changes in the second quarter of 2011. After a very tumultuous first quarter where the submarket recorded over 370,000 square feet of negative absorption, the direct vacancy rate decreased by only 6 basis points during the second quarter. In a submarket that has over 47 million square feet in total inventory a 6 basis point change has no significant effect on the market. The average full service asking rate remained constant at \$3.02 per square foot. The Northeast submarket has only one bulk building that experienced no changes during the second quarter. It is only 35% occupied leaving the bulk vacancy rate at 65%. However, the Northeast had commitments in the first quarter from three different industrial tenants to build new facilities in the New Albany Business Park. Accel Inc, Knowlton, and Vee Pak will be adding 772,000 square feet of combined industrial space mid-year 2012..

Northwest

Mimicking its first quarter inactivity, the Northwest submarket had another quarter with little change. The direct vacancy

Industrial Sales

Major Sales for 2Q 2011

Property Address	Sale Date	SF	Sale Price	Price/SF	Buyer
5235 Westpoint Dr	4/28/11	1,166,015	\$40,950,000	\$35.12	Exeter Centerpoint I, LLC
2225 Spiegel Dr	5/9/11	165,133	\$7,800,300	\$47.24	Frank Brunkhorst Co LLC
8000 Memorial Dr	5/16/11	45,567	\$3,850,000	\$84.49	Wright Nutrition, Inc
1580-1600 Williams Rd	6/14/11	760,480	\$19,400,000	\$25.51	Trident Capital Group
1711 Georgesville Rd	6/7/11	112,600	\$2,515,000	\$22.34	ProForm Industries Ltd
Total		2,249,795	\$74,515,300	\$33.12	

rate increased by only 7 basis points to end the second quarter at 11.92%. Like the Northeast submarket, a 7 basis point change has no significant effect on this submarket. Since the beginning of the year, the Northwest submarket has only experienced a 23 basis point change which by far has made it the most inactive submarket in Columbus. 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 remained steady at \$2.61 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

Following the trend of the Northeast and Northwest submarkets, the Out of County submarket had a relatively quiet quarter. There was less than 15,000 square feet of negative absorption, and the direct vacancy rate ended the quarter at 4.64%. This submarket continues to have the lowest vacancy rate in Columbus, and accompanied by the Northeast submarket they are the only submarkets that have sub-10% vacancy rates.

The Out of County bulk submarket had no changes during the second quarter. It still boasts the lowest vacancy rate of any of the bulk submarkets, and is the only bulk market under 13%. Duke is currently building a 1.3 million square foot distribution facility for Mars Petcare in West Jefferson. The facility will let Mars Petcare consolidate its Columbus operations by the end of the year. The average asking rental rate remained unchanged at \$3.45 per square foot.

Outlook

Market activity so far in 2011 has been very inconsistent. While activity in other markets appears to be improving, the Columbus industrial market has been somewhat stagnant. No real upward trend in leasing activity has developed yet, and deal velocity is still very low. If the number of lease deals currently in the market is any indication, the balance of 2011 promises to be rather quiet.

Build-to-suit and investment sale activity is picking-up slowly, which is a good sign that investors have confidence that the Columbus industrial market will eventually regain its strength. Columbus' fundamentals are still very strong. CSX is making a significant investment in its West Columbus intermodal yard, and traffic through Norfolk Southern's Rickenbacker intermodal yard continues to increase. The Columbus market is lagging behind other industrial markets, but don't expect that delay to be any longer than six to twelve months.

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
NORTHWEST	765	45,895,540	5,845,441	11.85%	11.92%	0.82%	12.74%	284,400	203,061	0	0	\$2.61
NORTHEAST	757	47,309,654	4,264,026	8.84%	8.78%	0.23%	9.01%	(3,961)	(374,367)	0	772,000	\$3.02
SOUTHEAST	655	77,013,314	11,197,443	14.58%	13.72%	0.82%	14.54%	195,427	(283,430)	0	0	\$2.74
SOUTHWEST	245	18,638,946	2,730,097	11.64%	13.64%	1.00%	14.65%	(359,377)	(280,410)	0	0	\$3.48
DOWNTOWN	55	2,209,220	481,168	21.78%	21.78%	0.00%	21.78%	0	0	0	0	\$5.78
OUT OF COUNTY	661	73,960,160	3,432,864	5.29%	4.64%	0.00%	4.64%	(14,920)	38,033	0	1,305,000	\$3.08
Total	3,138	265,026,834	27,951,039	10.50%	10.06%	0.49%	10.55%	101,569	(697,113)	0	2,077,000	\$2.94

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
NORTHEAST	1	229,000	150,000	65.50%	65.50%	0.00%	65.50%	0	(150,000)	0	772,000	\$4.27
SOUTHEAST	46	22,902,139	5,351,525	22.03%	22.97%	0.39%	23.37%	(215,802)	(404,470)	0	0	\$3.30
SOUTHWEST	12	4,260,533	629,917	13.25%	14.78%	0.00%	14.78%	(65,532)	(30,658)	0	0	\$3.77
OUT OF COUNTY	9	5,615,933	250,000	4.45%	4.45%	0.00%	4.45%	0	0	0	1,305,000	\$3.45
Total	68	33,007,605	6,381,442	18.21%	19.06%	0.27%	19.33%	(281,334)	(585,128)	0	2,077,000	\$3.39

Investor Services

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

Occupier Services

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

Specialty Services

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- Distressed Asset Services
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- Mission Critical Services
- Real Estate Tax Consulting/ Appeal
- Receivership Services
- Sustainability Consulting
- Valuation Service

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- Palo Alto, CA
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- Pleasanton, CA
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- Redwood City, CA
- Rochester, NY
- Sacramento, CA
- Salinas, CA
- San Antonio, TX
- San Diego, CA
- San Francisco, CA
- San Jose, CA
- San Rafael, CA
- Santa Clara, CA
- Santa Rosa, CA
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