

Industrial Report

Columbus, Ohio
3Q 2011



Contents

Inventory	2
Investment Sales	2
New Construction	2-3
Vacancy	3
Absorption	3
Submarket Reports	4-5
Outlook	5
Detailed Industrial Stats	5

Rickenbacker II and III

Exeter Property Group purchased Rickenbacker II and Rickenbacker III for a combined \$22.64 million from CBRE Investors. The two warehouses total over 1.11 million square feet.

Rickenbacker II



Rickenbacker III



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 third quarter of 2011 consists of over 266 million square feet of rentable space in 3,152 buildings that are all 10,000 square feet or larger.

The largest single market surveyed in terms of size is the Southeast, with 657 properties and more than 76 million square feet of space. The Northwest and Northeast submarkets each contain over 760 buildings with approximately 46 and 47 million square feet respectively, and the Out of County submarket includes 665 buildings with 75 million square feet. The Southwest submarket is made up of 247 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

The industrial sales market had a second straight strong quarter. The third quarter finished with seven investment quality assets trading hands totaling 2.49 million square feet. These properties had an average price per square foot of \$21.85. This is the second quarter in a row that assets traded totaling over 2 million square feet and for above \$20 per square foot. After a lackluster first quarter, industrial investment sales have started to heat up in 2011. After its purchase of Kenco's 1.16 million square foot distribution center in the second quarter, Exeter Property Group continued to make a big splash in the Columbus market. Exeter acquired Rickenbacker II and Rickenbacker III from CBRE Investors for a combined \$22.64 million. CBRE Investors purchased the buildings as part of a larger portfolio but opted not to keep the Columbus assets. The

two warehouses in the Southeast submarket total over 1.11 million square feet and sold for \$20.40 per square foot. In the past two quarters, Exeter has invested \$63.59 million in purchases of over 2.26 million square feet of industrial space in Columbus.

The next largest sale of the quarter was Clarion Partners acquiring Capital Park South #4 as part of a portfolio purchase from ProLogis. The 377,880 square foot distribution center located at 2919 Lewis Center Way in Grove City sold for \$12.4 million, or \$32.72 per square foot. In the Out of County submarket, Cole Real Estate Investments purchased the 479,000 square foot Owens Corning Distribution Center. The warehouse and distribution center is leased to Owens Corning and sold for \$11.9 million, or \$24.84 per square foot. Finishing the quarter was Ares Sportswear purchasing 3700-3720 Lacon Ave in Hilliard. The 164,244 square foot manufacturing and warehouse space sold for \$2.75 million, or \$16.74 per square foot. Overall, the last two quarters have been very good for the Columbus Industrial market. Even with this uptick in investment sales, there are still plenty of opportunities left for potential investors.

New Construction

For the seventh straight quarter no industrial bulk projects were delivered in the Columbus market. Due to the weak economy and difficult lending environment, speculative development is unlikely to occur until at least 2012-2013. Unlike in the past, developers do not have the confidence or capital resources to invest in purely speculative development. Instead they are focused on build-to-suit projects. There are currently four build-to-suit projects under construction in the Columbus industrial market.

The largest is in the Out of County submarket as Duke is constructing a new 1.305 million square foot warehouse and distribution center for Mars Petcare. This new center, located in the Park 70 Industrial Park, will help consolidate all of Mars Petcare's distribution to one location in Columbus. The other three projects are all located in the New Albany Business Park in the Northeast submarket. The largest project, for Accel, is a 417,000

Submarket Reports

Southeast

The Southeast submarket continues to be the focal point of the Columbus Industrial market. It is the largest submarket (both bulk and overall) and offers the most opportunity for new tenants. In the third quarter, the Southeast submarket experienced an increase in direct vacancy to 14.28%. This increase was accompanied by over 564,000 square feet of negative absorption. The Southeast submarket is home to Norfolk Southern's intermodal yard and Rickenbacker International Airport which help serve the Columbus logistics, manufacturing, and distribution businesses.

The Southeast bulk submarket fared better than its overall counterpart as it experienced its first quarter of positive absorption and vacancy decrease in 2011. The bulk vacancy rate decreased from 22.97% to 22.65%, and had 74,600 square feet of positive absorption. Helping fuel this decrease was Union Supply Co. signing a lease to occupy 315,534 square feet at 3321 Toy Road. The California based company will be vacating its current 127,720 square feet of space at 6300 Commerce Drive. Union Supply also has an option to lease an additional 180,000 square feet at the Toy Road facility. The full service asking rate decreased from \$3.30 to \$3.25 per square foot.

Southwest

The Southwest submarket was the only submarket to have a decrease in vacancy in both the overall and bulk sectors. In the overall industrial market, the Southwest was the only submarket to have both a decrease in vacancy and positive absorption. While the positive absorption was small (27,100 square feet), it still led to a 115 basis point decrease in direct vacancy. The vacancy rate ended the

quarter at 12.49% for the smallest submarket (outside of the Downtown submarket). Due to its small inventory size, the amount of space absorbed will have greater effect on the overall vacancy rate.

The Southwest bulk submarket had the best quarter out of any of the bulk sectors. There was 188,800 square feet of positive absorption which brought the vacancy rate down over four percentage points. The vacancy rate ended the third quarter at 10.35% which is the second lowest bulk rate (the Out of County boasts the lowest bulk rate). There were a few major lease signings that helped add to the positive absorption. At the multi-tenant distribution center at 3319 Southwest Boulevard, Safety Today Inc agreed to terms to lease 70,800 square feet. Safety Today will be vacating their current 95,000 square feet lease at 2425 Spiegel Drive in the Southeast submarket. Grove City was able to lure ExpressPoint Technology Services Inc away from the City of Columbus with a five year tax incentive package worth 30 percent on city income taxes. The electronics repair company will move their headquarters from Minneapolis to 78,000 square feet at 5701 N. Meadows Drive. The average asking rent ended the third quarter at \$3.69 per square foot.

Northeast

After virtually no movement in the second quarter, the Northeast submarket experienced a 42 basis point decrease in direct vacancy and over 207,000 square feet in negative absorption. Despite the quiet second quarter, the Northeast submarket has had a very rocky year as it has already had over 581,500 square feet of negative absorption and its vacancy rate has increased by more than a percentage point. The average full service asking rent decreased to \$2.97 per square foot.

The Northeast submarket has only one bulk building that experienced no changes during the third 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

In its first quarter of real activity this year, the Northwest submarket unfortunately did not fare well. After experiencing only a 23 basis point increase over the first two quarters combined, the vacancy rate jumped 153 basis points in the third quarter alone increasing the vacancy rate to 13.45%. There was over 237,800 square feet of negative absorption in the third quarter, which pushed the net year-to-date absorption for the Northwest submarket negative (34,700 square feet). 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 increased slightly to \$2.67 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 experienced a

Industrial Sales

Major Sales for 3Q 2011

Property Address	Sale Date	SF	Sale Price	Price/SF	Buyer
400 Case Ave	7/8/2011	479,000	\$11,900,000	\$24.84	Cole Real Estate Investments
3700-3720 Lacon Ave	8/9/2011	164,244	\$2,750,000	\$16.74	Ares Sportswear
6360-6440 Port Rd	8/12/2011	433,411	\$8,851,899	\$20.42	Exeter Property Group
6250 Opus Dr	8/12/2011	676,564	\$13,787,101	\$20.38	Exeter Property Group
2919 Lewis Center Way	8/9/2011	377,880	\$12,362,600	\$32.72	Clarion Partners
2700 International St	9/29/2011	156,000	\$3,062,500	\$19.63	Tarrier Foods
2175-2195 Broehm Rd	9/26/2011	207,302	\$1,800,000	\$8.68	Harold Salyers
Total		2,494,401	\$54,514,100	\$21.85	

slight increase in direct vacancy in the third quarter. The direct vacancy rate increased from 4.64% to 4.86% fueled from over 191,000 square feet of negative absorption. Even with the increase, the Out of County submarket continues to grow and boast the lowest vacancy rate of just over four percentage points (next closest submarket is the Northeast at 9.20%). The Out of County bulk submarket experienced no changes in the third quarter, and like the overall Out of County submarket it has the lowest vacancy rate of all the bulk submarkets. The average asking rental rate remained unchanged at \$3.45 per square foot.

Duke is currently building a 1.3 million square foot distribution center for Mars Petcare in West Jefferson where Mars will be able to consolidate all of their facilities into one distribution center. The Ohio Tax Credit Authority is trying to further bolster the West Jefferson area by offering Target Corporation an eight-year, 60 percent tax credit to incentivizing them to expand their distribution center there instead of relocating out of state. Ohio is competing against Indiana and Pennsylvania for the \$100 million project.

The project is the result of Target adding more groceries in its stores and most of the expansion will be freezer and cooler space.

Outlook

The Columbus Industrial Market continues to sputter along. So far this year, it has not been able to gain the traction it needs to pull itself out of the rut that it has been in for over two years. A few larger blocks of space have been leased, but other large chunks of available space will be hitting the market toward the end of the year as Honeywell and Mars Petcare relocate to new buildings. The number of companies looking for space is still very modest, so vacancy will continue to plague the market for the rest of the year. Lease rates will be depressed and concessions such as free rent will be prevalent.

The success of some competing markets could help to bolster the Columbus market. The Indianapolis market has had a strong year as vacancy and inventory there is low. Industrial owners in Columbus are hopeful that companies that can't find space in Indianapolis will head east along Interstate 70

to Columbus.

The pace of investment sales will gain momentum through the end of 2011 and into 2012, but expect to see a wide range of prices. Portfolios of newer, leased, tax abated assets will trade at relatively low capitalization rates, while portfolios of buildings that have been handicapped by vacancy will trade at prices well below replacement cost.

In spite of the high vacancy rate, the largest block of industrial space available by the end of the year will be just shy of 750,000 square feet, and not expandable. Any tenant needing more than 1 million square feet will need to build new. Columbus seems to always attract 1-2 tenants of this size every year or two, so expect to see build-to-suit activity for larger tenants that won't be able to squeeze into existing buildings. New Albany has successfully leveraged it's proximity to the Limited to encourage suppliers to locate in the village's Personal Care and Beauty Campus. This development has been a bright spot in an otherwise overcast industrial market, and development there will outpace the rest of the market

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 Construction SF	NNN Rent \$ Per SF
NORTHWEST	766	45,944,516	6,274,016	11.92%	13.45%	0.20%	13.66%	(237,825)	(34,764)	0	0	\$2.67
NORTHEAST	762	47,601,442	4,492,384	8.78%	9.20%	0.23%	9.44%	(207,159)	(581,526)	0	772,000	\$2.97
SOUTHEAST	657	76,786,917	11,598,977	13.72%	14.28%	0.82%	15.11%	(564,193)	(847,623)	0	0	\$2.71
SOUTHWEST	247	18,673,441	2,518,477	13.64%	12.49%	1.00%	13.49%	27,120	(253,290)	0	0	\$3.60
DOWNTOWN	55	2,209,220	481,168	21.78%	21.78%	0.00%	21.78%	0	0	0	0	\$5.78
OUT OF COUNTY	665	75,094,899	3,653,223	4.64%	4.86%	0.00%	4.86%	(191,309)	(153,276)	0	1,305,000	\$3.12
Total	3,152	266,310,435	29,018,245	10.06%	10.51%	0.38%	10.90%	(1,173,366)	(1,870,479)	0	2,077,000	\$2.95

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 Construction SF	NNN Rent \$ Per SF
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	5,276,837	22.97%	22.65%	0.39%	23.04%	74,688	(329,782)	0	0	\$3.25
SOUTHWEST	12	4,260,533	441,117	14.78%	10.35%	0.00%	10.35%	188,800	158,142	0	0	\$3.69
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	6,117,954	19.06%	18.26%	0.27%	18.53%	263,488	(321,640)	0	2,077,000	\$3.35

Investor Services

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

Occupier Services

- Corporate Services
- Land Acquisition and Disposition
- 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

Practice Groups

- Automotive
- Food Facilities
- Healthcare
- Higher Education
- Hospitality
- Law Firm
- Life Sciences
- Not-for-Profit
- Retail

Cassidy Turley Locations

- Atlanta, GA
- Austin, TX
- Baltimore, MD
- Baton Rouge, LA
- Bethesda, MD
- Boston, MA
- Burlingame, CA
- Capitola, CA
- Carlsbad, CA
- Charlotte, NC
- Chicago, IL
- Cincinnati, OH
- Columbia, MD
- Columbus, OH
- Dallas, TX
- Dayton, OH
- Denver, CO
- Detroit, MI
- El Cajon, CA
- Forth Worth, TX
- Grosse Pointe, MI
- Houston, TX
- Indianapolis, IN
- Kansas City, MO
- Louisville, KY
- Milwaukee, WI
- Minneapolis, MN
- Monterey, CA
- Napa, CA
- Nashville, TN
- New Orleans, LA
- New York, NY
- Oakland, CA
- Oklahoma City, OK
- Otay Mesa, CA
- Palo Alto, CA
- Parsippany, NJ
- Phoenix, AZ
- Pleasanton, CA
- Raleigh, NC
- 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
- Somerset, NJ
- St. Louis, MO
- Stamford, CT
- Tampa, FL
- Teaneck, NJ
- Tysons Corner, VA
- Walnut Creek, CA
- Washington, DC
- West Palm Beach, FL

About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with more than 3,400 professionals in more than 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 \$18 billion in 2010, manages 455 million square feet on behalf of private, institutional and corporate clients and supports more than 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 www.cassidyturley.com for more information about Cassidy Turley.

