

INVESTMENT FORECAST

Retail
Columbus

IPA

INSTITUTIONAL
PROPERTY
ADVISORS






2022

Higher Paying Jobs and Students Stoke Retail Recovery; Rallying Investment Market Benefits Smaller Assets

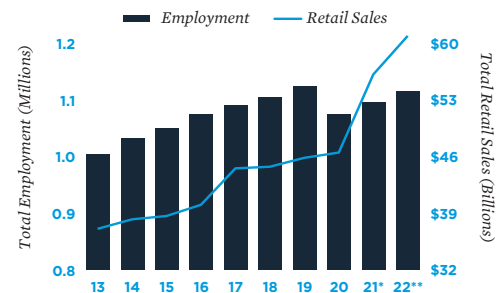
Enthusiastic customers and area academics give businesses a boost. Columbus' recovery outlook remains optimistic as important retail fundamentals are expected to improve during 2022. Despite concerns over the spread of COVID-19 variants, Ohio State University (OSU) has announced plans to maintain on-campus classes, stabilizing the surrounding retail market. Additionally, the metro's job count should end the year near pre-health crisis levels, supported by corporate hiring. Employers including Square, BARK, Inc., Upstart and NetJets have all committed to bolstering payrolls in 2022, with Nationwide, Cardinal Health and other locally based Fortune 500 companies potentially expanding staffs. Together, the strength of these primary demand drivers will lift retail sales volume. Entering this year, consumer spending already exceeded pre-pandemic levels, with this year's retail sales volume projected to surpass the 2019 total by more than 30 percent. This increase has the potential to encourage vendor expansions at a time when inventory expands by a modest 0.6 percent.

Smaller-scale opportunities spearhead investment recovery. Deal flow accelerated back to typical market levels last year after slowing during the initial quarters of the health crisis. Buyers of single-tenant assets occupied by high-credit tenants are among the metro's most active. These investors are seeking national brands with proven pandemic resiliency, reaching deals on established restaurant and pharmacy chains. On the multi-tenant side, newer strip centers are being targeted, a trend which should continue throughout this year. Assets of this designation are trading at high-5 to low-6 percent yields. Grocery-anchored community centers are also favored, causing cap rates to compress over 100 basis points during the current recovery cycle. Centers with creditworthy anchors will continue to maintain buyer interest, including those with a number of underperforming smaller tenants.

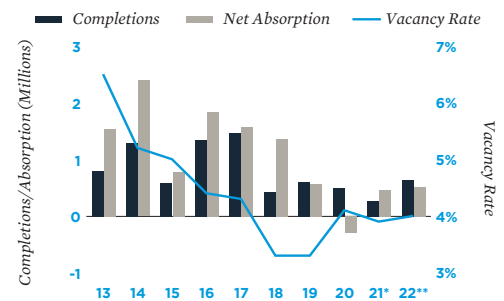
2022 Market Forecast

- Employment** up 1.7%  Firms add 19,000 positions in 2022, pushing the metro's employment count to within 0.7 percent of the pre-pandemic peak.
- Construction** 640,000 sq. ft.  After developers finalized a low of 270,000 square feet in 2021, new projects are expected to grow the metro's existing inventory at a rate in line with the trailing five-year average.
- Vacancy** up 10 bps  OSU and area corporate expansions allow for consistent demand amid tight vacancy, though availability sees a slight bump to 4 percent.
- Rent** up 1.3%  Asking rents resume growth after a 1 percent decline in 2021. The metro average will reach a new high of \$14.35 per square foot by year end.
- Investment**  Limited development may persuade investors to target older properties with proven local tenants, as opportunities for capital placement in newer stock diminishes.

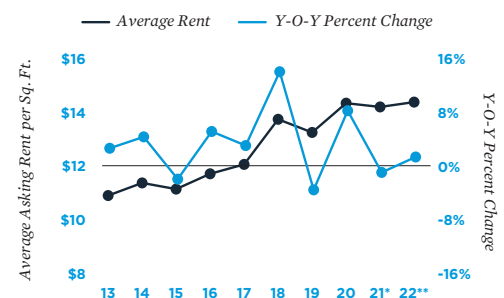
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.