INVESTMENT FORECAST

RETAIL

Columbus Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2019

Columbus on Track for Substantial Rental Gains As Construction Pipeline Remains Thin

Vacancy sits among lowest in the nation, powering considerable rent growth. Tight conditions in the Columbus retail market will persist this year, as market vacancy is set to contract yet again, this time dipping below 3 percent. Vacancy rates nearing 2 percent can be found in a variety of suburbs, headlined by neighborhoods in Dublin and Grove City. Sparse retail development will fail to relieve this pressure, as overall deliveries sit in the mid-200,000-square-foot range for a second consecutive year. Much of this year's construction consists of quick-service and fast-casual dining options as well as first-floor storefronts in recently completed luxury apartment buildings. The pairing of limited construction and low vacancy will result in another year of solid rent growth, building on a previous three-year average of 7 percent. Until the market witnesses a significant amount of development, rental gains should remain rather strong, especially in downtown Columbus and the adjacent Short North District. Communities slightly west of downtown may also post substantial rent growth in the coming months, highlighted by the up-and-coming Franklinton neighborhood.

Private investors find plentiful opportunities in Columbus. Steady retail sales growth will continue to support investment into Columbus retail assets this year. Eastern Franklin County including parts of Blacklick and Reynoldsburg house a plethora of small shopping centers, attracting many private buyers. Cap rates for these properties are largely dependent on tenant blend; however, the average is similar to the overall market average, roughly 8 percent. Additionally, northern sections of the metro entice investors, particularly the Bethel Road corridor where numerous entry-level investment options exist. Several small strip centers in the $1 million to $2 million range include first-year yields around 8 to 9 percent that are attractive to investors seeking more affordable assets.

2019 Market Forecast

Employment up 1.9% — Job growth in Columbus will remain solid with the creation of 21,400 new employees. Bankers, financial advisors and government workers will be in high demand.

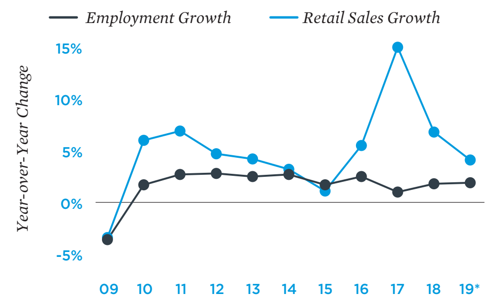
Construction 260,000 sq. ft. — Construction activity will decrease slightly this year after roughly 270,000 square feet was delivered in 2018.

Vacancy down 30 bps — Limited supply growth will continue to compress market vacancy, lowering the rate to 2.9 percent in 2019. This follows a 90-basis-point drop one year earlier.

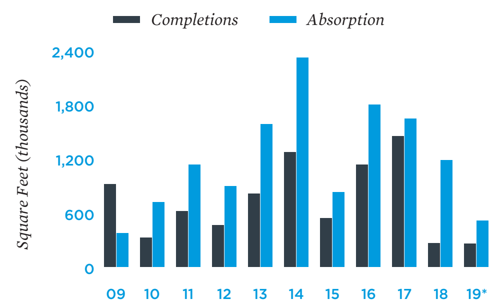
Rent up 5.1% — Rent growth is expected to ease after last year's 8.7 percent advance; however, gains will stay strong, pushing the average asking rent up to $14.75 per square foot.

Investment — Large-scale employers coming to Franklinton should ignite investor interest in the area in the months ahead. This older neighborhood provides value-add plays to many buyers.

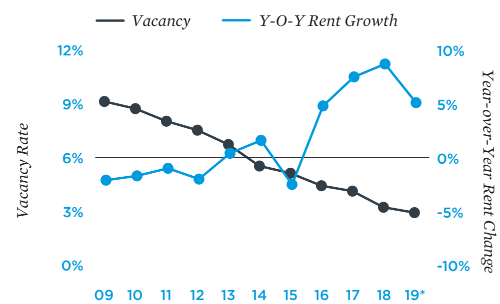
Employment vs. Retail Sales Trends



Retail Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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