

MARKETBEAT



COLUMBUS OFFICE REPORT

1Q11

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Overview

The Columbus office market ended the first quarter 2011 with an overall vacancy rate of 18.8%, up slightly from the 18.4% at the end of the fourth quarter. The slight uptick in vacancy can be attributed to residual consolidation and contraction by certain business sectors in the market. Despite the continued effects of the recession, recent sluggish office leasing has started to show positive activity across several segments of the market. Recent large lease announcements have changed the landscape of available space in certain submarkets, decreasing the amount of larger contiguous space. Although this momentum depends on sustainable job growth and the health of the economy, there is a notable increase in businesses signing, expanding or extending their lease.

Rental rates have held steady since the end of 2010. The premier office projects continue to maintain the higher rents while the older office segment attempts to stabilize and drive up the depressed rents from late 2009 and 2010.

The office investment market has been sporadic and struggles to gain momentum. Medical office investment remains moderate while traditional institutional office investment is driven by aggressive low bid buyers looking to reinvent non-performing assets, and isolated sale-leaseback opportunities.

New office development is centered around pre-leased and owner user projects. Medical office development leads the way with projects related to the Ohio State University and medical practices looking to move to new updated facilities. On the development front, the speculative Grandview Yard office project by Nationwide Realty Investors has seen good absorption. In addition, The Daimler Group, a local developer has announced a new speculative 106,500 square foot office building at Water's Edge following the lease up of the Water's Edge I building in New Albany.

Economic Conditions

First quarter stats show improvements in the economy. At the same time last year the unemployment rate was 10.2% versus 9%. Economists project that employment growth in the Columbus Metropolitan area will pick up during 2011 as the economy recovers from the 2007-2009 recession. Companies are advertising more for job openings and businesses are gaining more confidence in the economy. People are spending more on goods and services adding to corporate revenue. The indicators the market has seen are positive, however this momentum depends on sustainable job growth. Additionally, long term high gas prices could work against any positive growth in the economy.

Outlook

Continued improvement in the economy and job growth will be key in factors for the office market in 2011. Despite the residual effects of the recent recession, tenants are feeling for confident and we will continue to build on the current momentum in portions of the Columbus, Ohio office market.

The newer and premier office projects will continue to show signs of life as tenants begin to make changes and look to upgrade their space. And we will see a tightening in portions of the office market due to recent leasing activity for larger vacancies. Secondary and older office markets will see a slight increase in activity due to tenants preparing for lease expirations and considering options in the market.

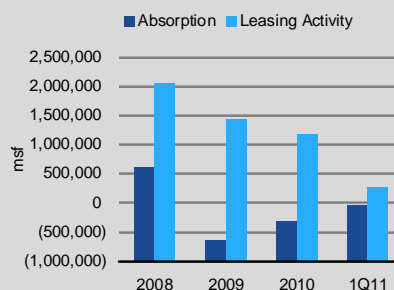
Rental rates will stay at fourth quarter 2010 levels, especially on secondary submarkets, until vacancy rates show signs of decreasing.

The office investment market could gain traction as lender's gain more confidence in the economy. Additionally, more investment opportunities should become available as lenders and landlords dispose of troubled assets.

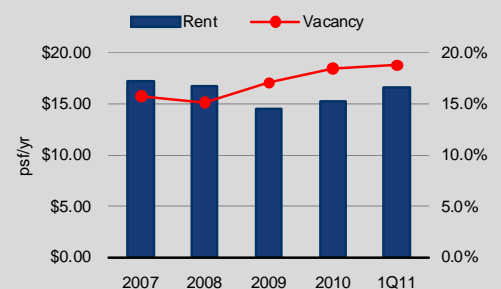
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	17.5%	18.8%	1.3pp	▼
Direct Asking Rents	\$15.71	\$16.62	5.8%	◀▶
YTD Leasing Activity (sf)	398,440	270,024	-32.2%	▲

Absorption vs. Leasing Activity



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Market / Submarket	Inventory	Class A Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	YTD Overall Absorption	Overall Wtd. Avg. All Classes Direct Rental Rate*
CBD	9,852,630	4,044,985	17.4%	16.5%	88,492	31,201	\$17.84
East	2,993,566	1,704,094	18.8%	17.2%	10,888	(19,003)	\$16.11
North/ North Central	5,230,406	1,279,143	18.9%	17.5%	54,778	(42,972)	\$15.45
Northeast	2,953,796	1,177,020	28.5%	26.5%	20,683	(17,627)	\$17.77
Northwest	9,330,840	4,564,093	16.8%	15.2%	95,183	9,915	\$15.92
TOTAL	30,361,238	12,769,335	20.1%	17.6%	270,024	(38,486)	\$16.62

* Rental rates reflect asking \$psf/year.

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
Arena District	CBD	Columbia Gas	208,000	A
Atrium II - 5455-5475 Rings	Dublin	Lucent	120,000	A

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
50 W. Broad Street	CBD	Tower 10 LLC	353,768	\$4,043,000
1600 Dublin Road	Arlington/ Grandview	Riverside 10 LLC Assoc. for the Dev.	250,000	\$5,725,110
350 E. Wilson Bridge Road	Worthington	Disabled	42,246	\$2,700,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1145 Olentangy River Road	Arlington/ Grandview	N/A	103,500	2Q11
0 Bridgeway Avenue (Port Columbus)	East	Net Jets	140,000	3Q12