METROPOLITAN COLUMBUS RETAIL MARKET OVERVIEW

Current Market Trends

The Columbus retail market saw its fifth consecutive quarter of positive absorption with 304,889 square feet, continuing the trend of eleven of the last twelve quarters that have seen positive absorption. This is good news, as the Columbus retail sector has not seen absorption numbers quite this high since the Second Quarter of 2009.

Supply

In assessing the Columbus retail market supply, several sources have been considered. The information below is from Colliers International. This survey includes over 60 million square feet of tenant-occupied retail space. This total equates to approximately 32.9 square feet of retail space per person in the metro area. This far exceeds the national average of approximately 23.8 square feet per person. The Colliers survey is broken down into six submarkets. The Colliers International information from the 2nd Quarter 2013 is presented below.

Columbus Retail Market Overview-2nd Quarter 2013

Submarket	Total Inventory Sq. Ft.	Total Vacant Sq. Ft.	Vacancy	Net Absorption - Current Qtr.	Net Absorption - YTD	Under Construction	Asking NNN Rent $ Per Sq. Ft.
			%	SF	SF	SF	$/SF
Northwest:	13,191,214	1,110,959	8.42%	46,939	62,826	87,500	$10.66
North-Northeast:	16,908,822	956,252	5.66%	(78,267)	(64,436)	528,047	$13.20
Southeast:	10,036,965	1,464,033	14.59%	2,148	980	0	$11.42
Southwest:	7,092,147	1,331,209	18.77%	224,118	215,939	10,739	$7.50
Downtown:	1,102,826	62,405	5.66%	(11,006)	(11,006)	71,735	$12.00
Out of County:	12,167,817	796,247	6.63%	120,957	149,182	0	$15.73
Total/Average:	**60,499,791**	**5,721,105**	**9.46%**	**304,889**	**353,485**	**698,021**	**$11.75**

Sources: Colliers International

Occupancy

The Colliers International Survey indicates a total market vacancy of 9.46%, down from 10.00% in Q1 2013 and 10.8% from one year ago. The Northwest and North-Northeast submarkets continue to operate at vacancy rates below the average. The strength of the Northwest and North-Northeast submarkets is a result of the Tuttle Crossing, Polaris and Easton districts continuing to be the most desirable retail locations within the Columbus market. These areas are also surrounded by strong demographics that indicate above-average income and continued population increases.

Net Absorption

The recent decrease in vacancy rates was a result of over 353,485± square feet in positive absorption year-to-date. New retail coming on-line is estimated to be 698,021 square feet this year. The bulk of the absorption is in anchored strip centers.

New Construction

New construction is still slow, as lenders refuse to finance speculative developments, and owner-occupied or build-to-suit developments are hard to come by, as retailers do not feel comfortable green-lighting new store developments in the current uncertain economy. A new Walmart is under construction on Sawmill Road north of I-270. This project involves the demolition of a former Kroger location that was vacated for a modern store across the street. New construction is only expected to occur in the near future in the most coveted retail areas of the Columbus market and select infill locations.

Retail Transfer Information

Retail sales in 2013 have continued at a slow pace, as only four transactions of over 50,000± square feet have taken place. There have been several secondary retail properties that have transferred at significantly lower sales prices than they were purchased for in the previous five years. We estimate that stabilized retail properties are generally selling for 20% less in 2013 than what they were in 2005-2006 based upon several resale transactions within the Columbus market. This is a cumulative result of higher cap rates, higher vacancies, anticipated level-to-declining rents and economic uncertainty.

Market Rents

Retail space is typically leased on the basis of net rental rates. Cassidy Turley reports an average asking NNN rental rate of approximately $11.11 per square foot. This is a drop of 5% over the past three years, and is significantly lower than what is required to justify new construction. The combination of lower sale prices and lower asking rental rates with expected concessions, such as free rent, indicate that new construction for speculative retail development is generally not currently feasible.

Forecasts and Reflections

ÅThe Columbus retail market continues to see a solid outlook on new construction, with over 225,000 square feet in new retail construction getting underway or proposed this quarter.

ÅA 40,000 square foot neighborhood retail center will be developed at the former Volvo dealership at Linworth Road and State Route 161. Construction on a new 20,000 square foot retail center began at W. Third Avenue and Olentangy River Road in Grandview.

ÅIt was announced in April that Caribou Coffee plans to close 80 stores while converting another 88 into the Peetôs Coffee & Tea brand. Three Columbus locations are closing, while six other locations are converting to Peetôs.

ÅThe largest transaction this quarter was the Great Western Commerce Center. The 330,731 square foot shopping center sold to FB Columbus LL C/RD Management for $7.1 million. The vacant Meijer at 775 Georgesville Road also sold for $1.7 million.

CBD

The Central Business District (CBD) saw negative absorption for the first time this year, with 11,006 square feet becoming vacant. Construction continues on the numerous apartment complexes in the CBD, which will bring alot of first-floor retail opportunities upon completion. Construction continues on nearly 1,500 new units: Flats on Vine II (120), The Goodale (174), Liberty Place Phase II (200), Columbus Commons (300), Harrison Park (108), Aston Place (59), Liberty Crossing II (200) and Neighborhood Launch Apartments (260).

North

The north submarkets include Northwest, Northeast and North Delaware. The Northwest submarket saw 46,939 square feet of positive absorption, bringing the vacancy rate to 8.4 percent. Kingsdale Shopping Center leased 15,075 square feet this quarter to Rancho Alegre and Houlihans. Construction continues on the 67,500 square foot mixed-use development at 1600 Lane Avenue, which will bring 13,000 square feet of street-level retail. A 20,000 square foot strip center at 1201 Olentangy Road was announced and has begun construction. The Northeast submarket saw 78,267 square feet of negative absorption, in large part due to Kroger vacating their 81,671 square foot space at Columbus Square Shopping Center in Westerville. Easton Town Center did, however, begin construction on a 495,000 square foot expansion of its outlet center. North Delaware saw 33,153 square feet of positive absorption, lowering their vacancy rate all the way to 4.4 percent. Also, the proposed Target in Powell along Sawmill Road has been announced and approved for construction, and the proposed Tanger Outlet Mall in Delaware County passed zoning clearance.

South

The southern submarkets are Southwest and Southeast. Both markets continue to have a high vacancy rate, even though they were able to post positive absorption numbers for the second quarter. The Southwest submarket saw 224,118 square feet absorbed, in large part due to the long-vacant Meijer on Georgesville Road being sold and converted to storage units. The Southeast submarket saw a positive nominal absorption of 2,148 square feet.

East

The eastern submarkets are Licking and Fairfield Counties and both saw positive absorption in the second quarter. Licking County had 33,770 square feet of positive absorption and now has a vacancy rate of 7 percent. Fairfield County had 66,200 square feet of positive absorption, in large part due to 56,200 square feet being leased at River Valley Mall. Lamonicoôs also leased 4,800 square feet at the Shoppes at Stonecreek.

West

The western submarkets include Union and Madison Counties, where both saw negative absorption. All 7,166 square feet of negative absorption in Madison County came from 231 Lafayette Street.

Market Activity

Market Activity Volume is the sum of the absolute value of each absorption change in the market, and it tells us a little more about what exactly happened to the market behind the absorption number. The Market Activity Volume was more than 731,389 square feet. This is well above the average level of migration (444,548 square feet), meaning that retailers have been very active. The typical tenants seen most frequently entering the market are restaurants and food operators by a significant percentage. Fast-food or fast casual restaurants are being aggressive. Other types in the market include discount-oriented tenants, auto parts, frozen yogurt, cell phone providers, and fitness concepts. There are currently 50 tenants looking for space (between 1,000 and 10,000 square feet), and 12 tenants looking for space with 10,000 square feet or more. Tenants are finding operating expenses and real estate taxes continuing to escalate, and TI allowances continue to be the biggest hurdles. With the retail leasing environment so competitive, landlords are seeing concessions to tenants as the biggest hurdle. Class A opportunities are especially competitive. Another challenge is the gap in asking rates and rates sought for lease opportunities in Class B and C shopping centers. Landlords are having difficulty finding good-credit tenants in Class B and C centers.