

# Market Research

INDUSTRIAL | THIRD QUARTER | 2009



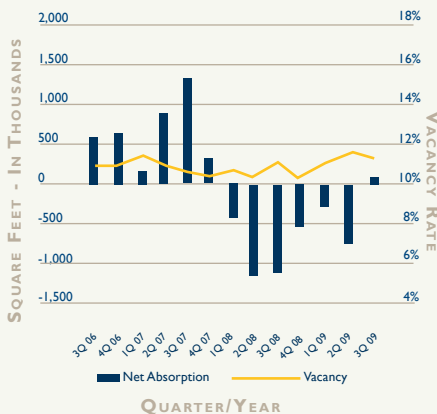
## MARKET INDICATORS

### TREND SINCE LAST QUARTER

- VACANCY.....
- NET ABSORPTION.....
- CONSTRUCTION.....
- RENTAL RATE.....

### UPDATE

COLUMBUS ABSORPTION AND VACANCY RATES



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## Inventory

The Columbus Industrial market surveyed this quarter is spread over 6 submarkets: Southeast, Southwest, Downtown/Central Business District, Northwest, Northeast and Out-of-County. The inventory surveyed in the second quarter of 2009 consists of over 248 million square feet of rentable space in 2,875 buildings that are all 10,000 square feet or larger.

The largest single market surveyed in terms of size is the Southeast, with 578 properties and more than 72 million square feet of space. Both the Northwest and Northeast submarkets contain over 675 buildings with approximately 45 million square feet each, and the Out-of-County submarket includes 592 buildings with over 63 million square feet. The Southwest submarket is made up of 232 buildings with a combined area of approximately 20 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 at least a 28 foot ceiling height, and were built within the last 10 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 million square feet.

## Sales

Sales activity for the third quarter in the Columbus Industrial market mimicked the activity of the second quarter by recording three investment grade transactions. While properties have sold the last two quarters, the number of transactions is still well below historical averages, but they are still a very welcome alternative to the stagnant first quarter of 2009. The largest sale of the quarter, and of the year to date, was Dexus Property Group buying the Whirlpool Distribution Center at 6241 Shook Road. The 1.6 million square foot distribution center that was delivered at the end of 2008 was sold for \$62.7 million, or \$39.19 per square foot. Also trading hands during the quarter was 6600 Alum Creek Drive. The 2.4 million square foot warehouse facility was purchased by Eddie Bauer Distribution Services LLC for \$50 million, or \$20.83 per square foot. Golden Gate Capital, a private equity firm from San Francisco, completed its purchase of their assets



### WHIRLPOOL BTS

The largest sale of the year, was Dexus Property Group buying the Whirlpool Distribution Center at 6241 Shook Road. The 1.6 million square foot distribution center that was delivered at the end of 2008 was sold for \$62.7 million, or \$39.19 per square foot.



### 6600 ALUM CREEK DRIVE

The 2.4 million square foot warehouse facility was purchased by Eddie Bauer Distribution Services LLC for \$50 million, or \$20.83 per square foot.

#### UPDATE NEW INDUSTRIAL CONSTRUCTION PROJECTS

Building Name/Address	SF	Submarket	Delivery	Type	% Leased	Owner
5235-5251 Westpoint Dr.	464,207 SF	Southeast	4Q 09	BTS	100%	Kirco
<b>Total</b>	<b>464,207 SF</b>					

for \$286 million. They have agreed to keep 300 of 370 Eddie Bauer stores open for business.

The final sale of the quarter came as an affiliate of FST Logistics Inc. purchased the distribution warehouse at 1727 Georgesville Road for \$2.37 million, or \$18.25 a square foot. The 130,000 square foot warehouse has been in receivership, along with seven other Columbus properties, since the first quarter 2009 when lender Wells Fargo Bank began foreclosure procedures on the eight Columbus properties belonging to Kenhio LLC, an affiliate of HSA Commercial Real Estate.

### New Construction

Once again there were no new construction projects announced during the past quarter. There have been three straight quarters with no construction projects announced further showing companies' inability to spend in these economic times. Another reason for the lack of construction is the numerous properties with large amounts of contiguous spaces available in the market. The only construction project

currently under way is Kirco's 464,207 square foot expansion for Kenco Logistics at 5235 Westpoint Drive. Kirco agreed to the expansion when Kenco signed the lease in the first quarter but the project experienced delays caused by the turmoil in the financial markets. The project is nearing completion and should be done by the end of October. Construction will be minimal until current vacant space starts to fill up and demand for new projects returns.

### Vacancy

For the first time in over six quarters the Columbus Industrial market experienced a decrease, albeit slight, in its vacancy. The vacancy rate for the overall market decreased 14 basis points to end the third quarter at 11.22% from 11.36% at the end of the second quarter. This breaks a trend of vacancy increases that goes back to the beginning of 2008. The Out-of-County submarket continues to post the lowest vacancy rate at 5.50%, while the Southeast submarket still records the highest rate at 21.78%. The industrial market's bulk subset experienced a much more difficult quarter. After starting the year with

#### UPDATE THIRD QUARTER INDUSTRIAL SALE TRANSACTIONS

Building Name/Address	Sale Date	Size (SF)	Sale Price	Price/SF	Buyer
6241 Shook Road	7/7/2009	1,600,000	\$62,700,000	\$39.19	Dexus Property Group
6600 Alum Creek Drive	8/3/2009	2,400,000	\$50,000,000	\$20.83	Eddie Bauer Distribution Services
1727 Georgesville Rd.	8/31/2009	130,000	\$2,372,500	\$18.25	1727 Georgesville Road, LLC
<b>Total</b>		<b>4,130,000</b>	<b>\$115,072,500</b>	<b>\$27.86</b>	

two straight quarters of vacancy decreases, the industrial bulk vacancy rate shot up almost three percentage points. The direct vacancy rate for the bulk market was 20.16% at the end of the third quarter compared to 17.69% at the end of the second quarter. This is the first time in over two years that the bulk subset has experienced vacancy rates over 20%.

## Absorption

Just as vacancy broke a two quarter trend of decreases, absorption followed suit by recording positive absorption after two quarters of negative absorption. There was 92,500 square feet of positive absorption in the Columbus industrial market in the third quarter 2009. While the Southeast and Out-of-County submarkets experienced negative absorption, the other four submarkets recorded positive absorption with the Northwest submarket having the best quarter (225,000 square feet of positive absorption). The bulk market had a dismal third quarter. There was almost 815,000 square feet of negative absorption in the bulk subset which brought the year to date total into the negative. The Southeast submarket experienced the worst of it as it contributed over 85% of the bulk subset's negative absorption.

## SUBMARKET REPORT

### Southeast

The Southeast submarket, the largest industrial submarket in Central Ohio, experienced a slight decrease of 15 basis points in direct vacancy for the third quarter. The vacancy rate ended the quarter at 16.80% compared to 16.95% at the end of



the third quarter. The Southeast bulk submarket recorded the largest increase of all the bulk submarkets as its direct vacancy rate increased over three percentage points. The vacancy rate ended the quarter at 21.49%. There was over 696,000 square feet of negative absorption which led to the first time the southeast has posted a vacancy rate over 20% in two years. The largest sale for the quarter occurred in the Southeast submarket as Dexus Property Group bought the Whirlpool Center at 6241 Shook Road. The Sydney-based Dexus purchased the distribution complex for \$62.7 million, or \$39.19 per square foot. Also in the southeast, two large leases were signed. Spring Air agreed to lease 116,000 square feet at the 290,000 square foot Foreign Trade Centre Building Four. SDA, Inc leased 130,000 square feet from DCT Industrial at Creekside I building in Obetz. The total asking rental rate for the bulk subset increased to \$3.43 per square foot.

### Southwest

The Southwest submarket experienced a 60 basis point decrease in its direct vacancy rate. The vacancy rate

dropped from 12.74% at the end of the second quarter to its current level of 12.14% at the end of the third quarter. This submarket also experienced over 95,000 square feet of positive absorption which help offset the 66,000 square feet of negative absorption recorded in the second quarter. The Southwest bulk subset had the least movement of any bulk market with only an 8 basis point increase. The bulk vacancy rate ended the third quarter at 19.73%. Three leases were signed in the Southwest submarket during the third quarter. The largest lease came from Welspun USA agreeing to occupy 306,600 square feet of warehouse space at 3901 Gantz Road. Almo Corporation, a U.S. distributor from Philadelphia, signed a 97,000 square foot lease to occupy space at Capital Park South Distribution Center Building Two. Williams Sonoma also leased 38,000 square feet in Building Seven, also in Capital Park. The total asking rate remained basically unchanged at \$3.37 a square foot.

### Northeast

The Northeast submarket experienced a decrease in direct vacancy after two quarters of increases. The direct vacancy rate decreased to 7.30% at the end of the third quarter compared to the 7.69% rate of the second quarter. The Northeast submarket had the second highest positive absorption total for the third quarter recording over 156,000 square feet. There continues to only be one industrial bulk building in the Northeast submarket, and it has had no change. The total asking rental rate remained the same at \$2.95 per square foot.

### Northwest

Like the other submarkets, the

## UPDATE

## COLUMBUS INDUSTRIAL MARKET STATISTICS

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 Const. - SF	Asking Full Service \$/SF
Northwest	740	45,016,047	6,212,526	13.61%	13.11%	0.69%	13.80%	225,289	152,422	0	12,000	\$2.73
Northeast	676	44,941,238	3,567,974	7.69%	7.30%	0.64%	7.94%	156,160	121,324	0	0	\$2.72
Southeast	578	72,484,821	12,482,792	16.95%	16.80%	0.42%	17.22%	(176,079)	297,215	0	0	\$3.04
Southwest	232	19,835,941	2,776,486	12.74%	12.14%	1.86%	14.00%	95,746	(307,536)	0	0	\$3.35
Downtown	57	2,951,720	642,870	21.78%	21.78%	0.00%	21.78%	0	(6,900)	0	0	\$6.54
Out of County	592	63,466,967	3,493,025	5.19%	5.50%	0.00%	5.50%	(208,613)	(213,337)	0	0	\$3.41
<b>Total</b>	<b>2,875</b>	<b>248,696,734</b>	<b>29,175,673</b>	<b>11.36%</b>	<b>11.22%</b>	<b>0.51%</b>	<b>11.73%</b>	<b>92,503</b>	<b>43,188</b>	<b>0</b>	<b>12,000</b>	<b>\$3.09</b>

## UPDATE

## COLUMBUS BULK INDUSTRIAL MARKET STATISTICS

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 Const. - SF	Asking Full Service \$/SF
Northeast	1	229,000	0	0.00%	0.00%	0.00%	0.00%	0	0	0	0	\$2.95
Southeast	46	22,902,139	4,922,640	18.46%	21.49%	0.00%	21.49%	(696,026)	(798,029)	0	464,207	\$3.43
Southwest	12	4,260,533	840,419	19.65%	19.73%	0.00%	19.73%	(3,037)	145,111	0	0	\$3.37
Out of County	9	5,615,933	889,864	13.78%	15.85%	0.00%	15.85%	(115,900)	(115,900)	0	0	\$3.24
<b>Total</b>	<b>68</b>	<b>33,007,605</b>	<b>6,652,923</b>	<b>17.69%</b>	<b>20.16%</b>	<b>0.00%</b>	<b>20.16%</b>	<b>(814,963)</b>	<b>(768,818)</b>	<b>0</b>	<b>464,207</b>	<b>\$3.39</b>

Northwest submarket experienced a decrease in direct vacancy for the third quarter 2009. The northwest saw a 50 basis point decrease to end the quarter with a vacancy rate of 13.11% in comparison to the second quarter rate of 13.61%. The northwest also recorded the largest amount of positive absorption out of any of the six submarkets. There was over 225,000 square feet of positive absorption, which helped bring the year to date total into the positive. No modern bulk facilities exist in the northwest; however, it does include 97 buildings that are 100,000 square feet or larger. TCG Continuum, a distribution and logistics company, signed a 75,000 square foot lease at the Leap Road Distribution Center Building One. The total asking rental rate declined slightly to \$2.73 per square foot.

### 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 was the only submarket to experience an increase in direct vacancy. The direct vacancy rate increased from 5.19% during the second quarter to 5.50% to end the third quarter. The Out-of-County submarket also recorded the largest amount of negative absorption with over 208,000 square feet. The bulk subset also experienced an increase of over two percentage points in direct vacancy. The bulk vacancy rate increased to end the quarter at 20.16% (one of only two submarkets to

post vacancies above 20%). There was almost 116,000 square feet of negative absorption that accompanied the increase in vacancy. The total asking rental rate decreased by \$.20 to end the quarter at \$3.24 per square foot.

### Outlook

There are no signs that the fourth quarter of 2009 is going to be much different than the third quarter. Leasing activity levels for industrial space remains low. Companies requiring space will continue to be able to negotiate bargain basement rates. No significant new construction is planned for the fourth quarter, or for the foreseeable future for that matter. Additional properties will hit the sales market as lenders dispose of troubled assets in larger quantities and owners attempt to unload properties with upcoming loan maturities for which they are unable to arrange new financing.