

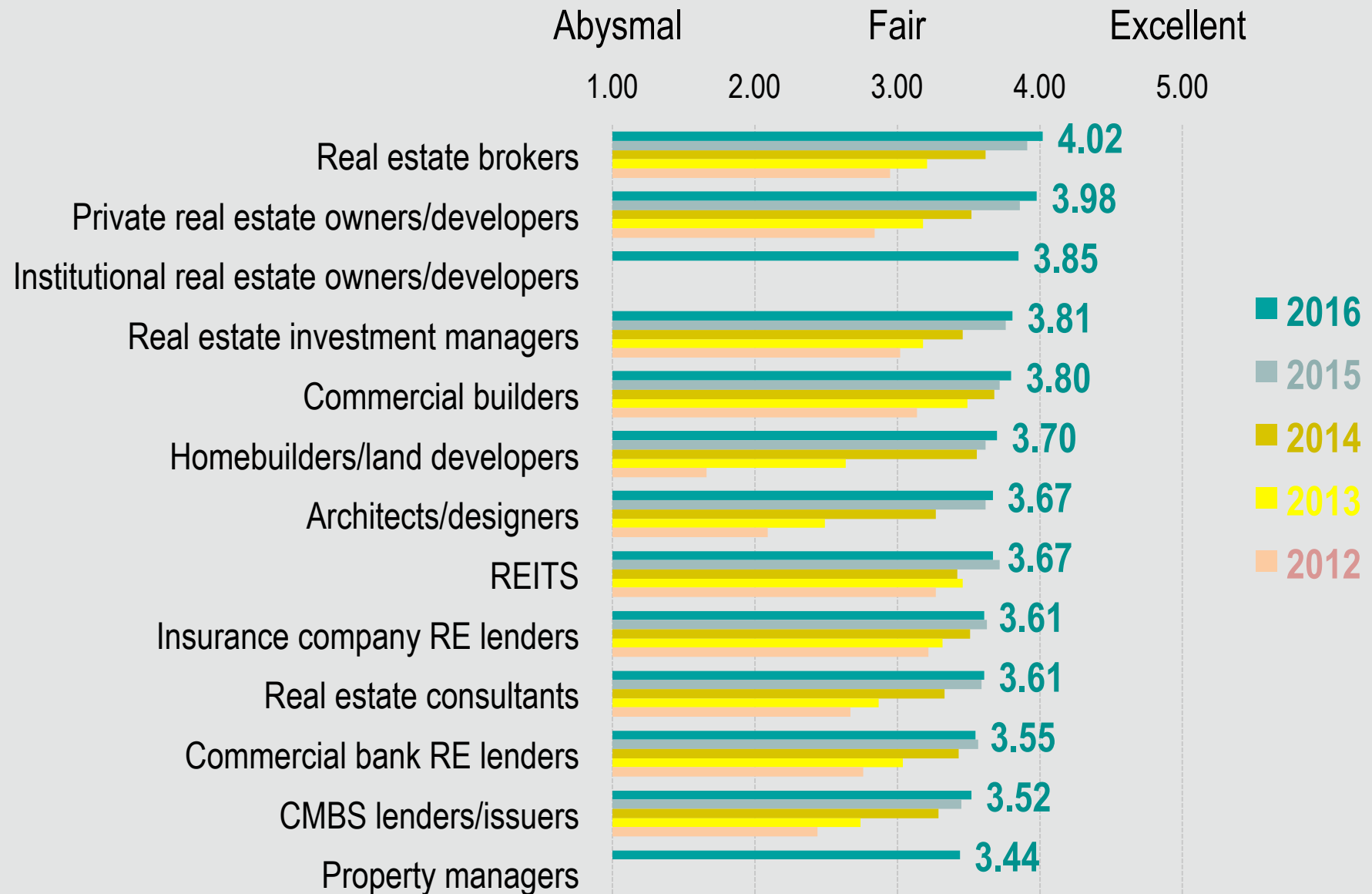
# Real Estate Trends in Central Ohio



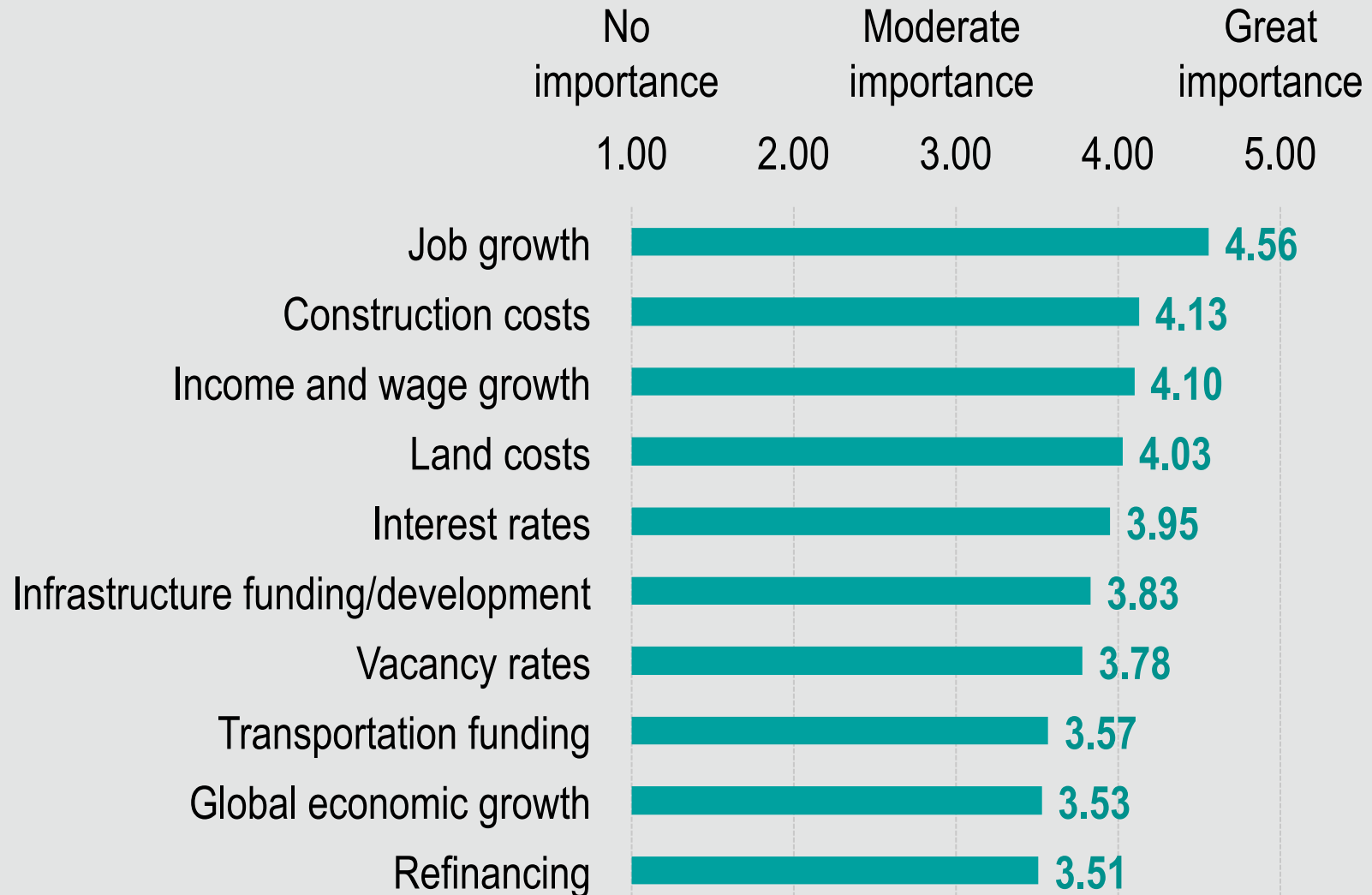
Presentation by Jung Kim | December 3, 2015

# The National Picture: Highlights from ULI's Emerging Trends in Real Estate

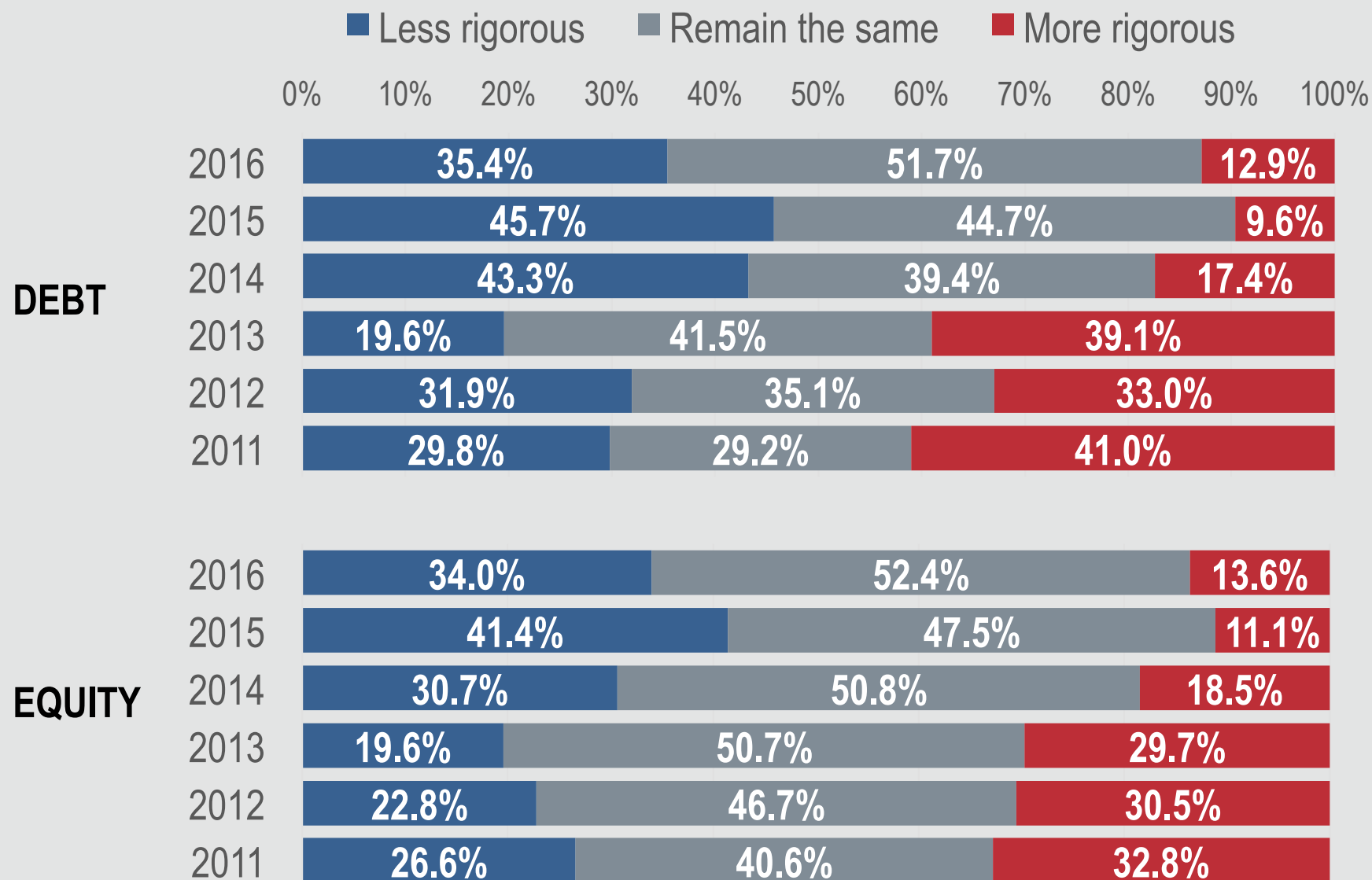
# Prospects by real estate industry



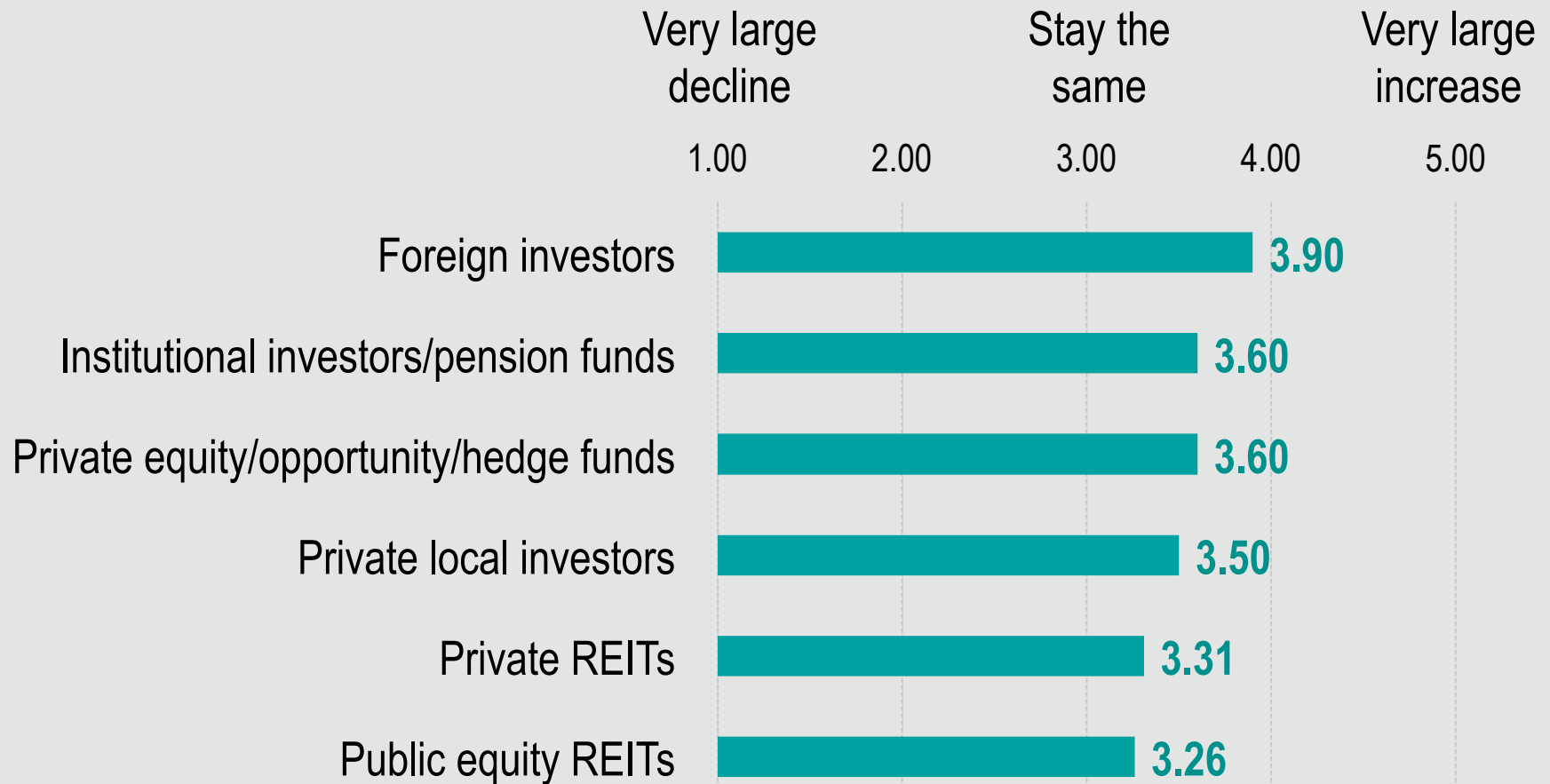
# Top 10 issues for real estate in 2016



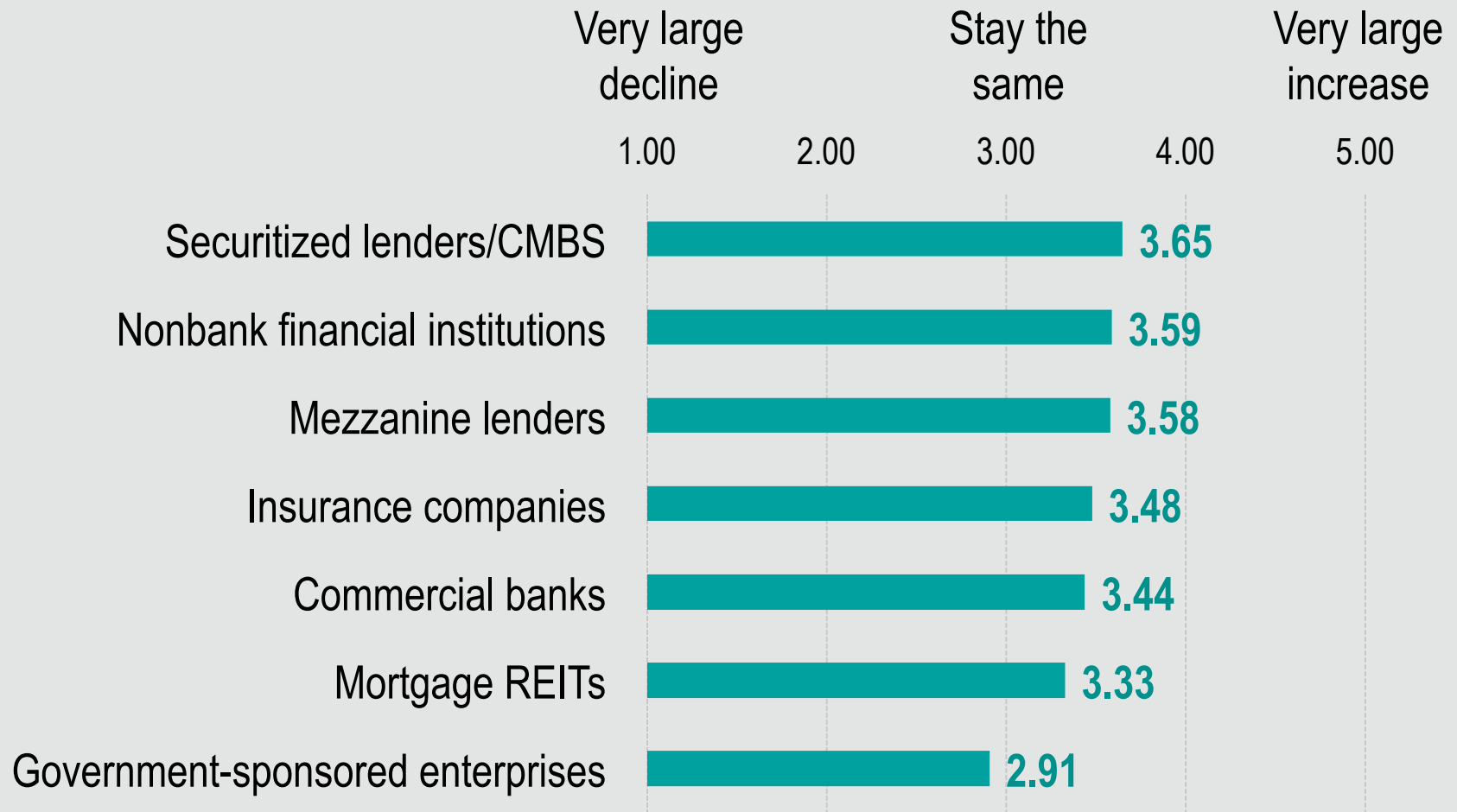
# Underwriting standards in 2016



# Equity availability in 2016

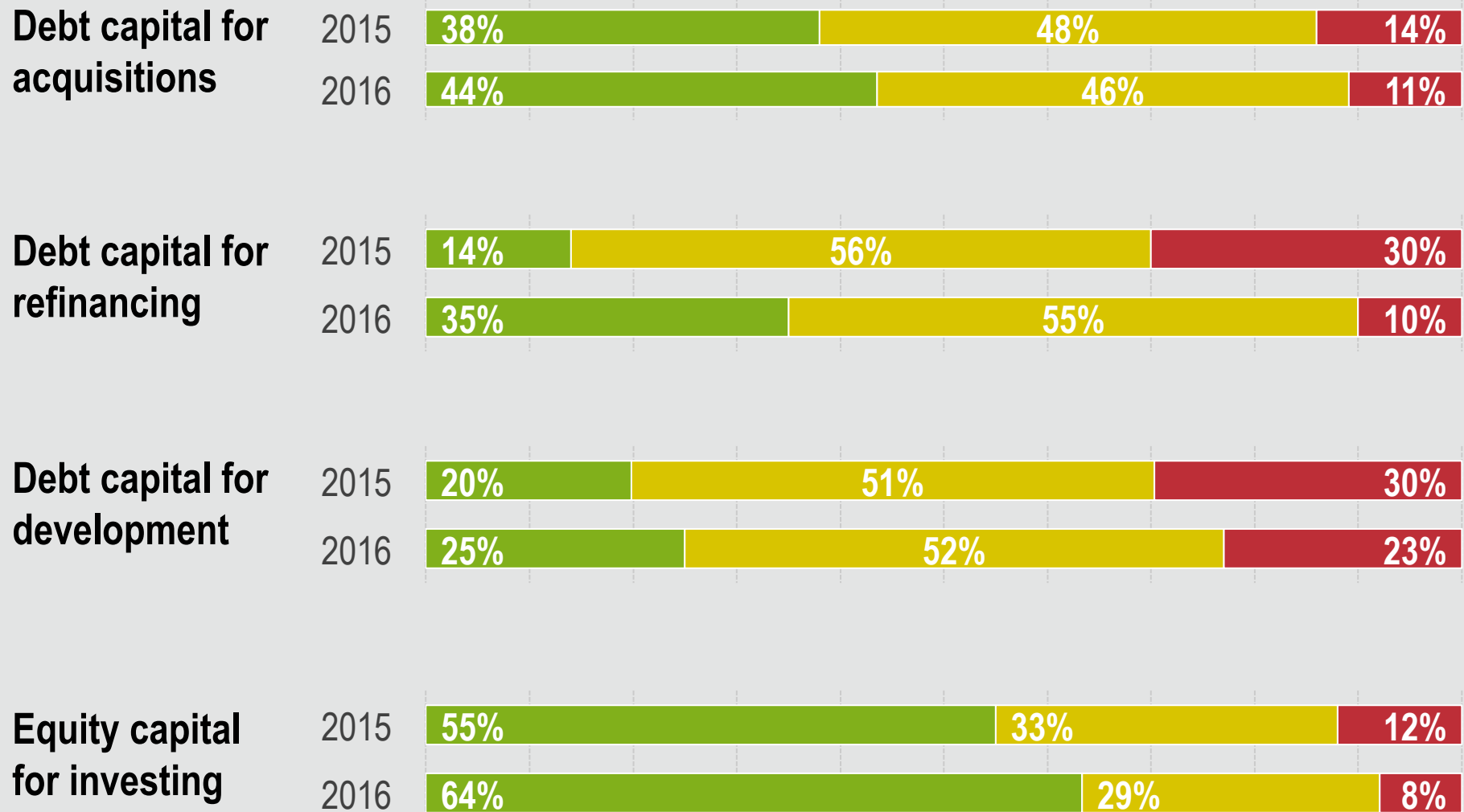


# Debt availability in 2016



# Real estate capital market balance

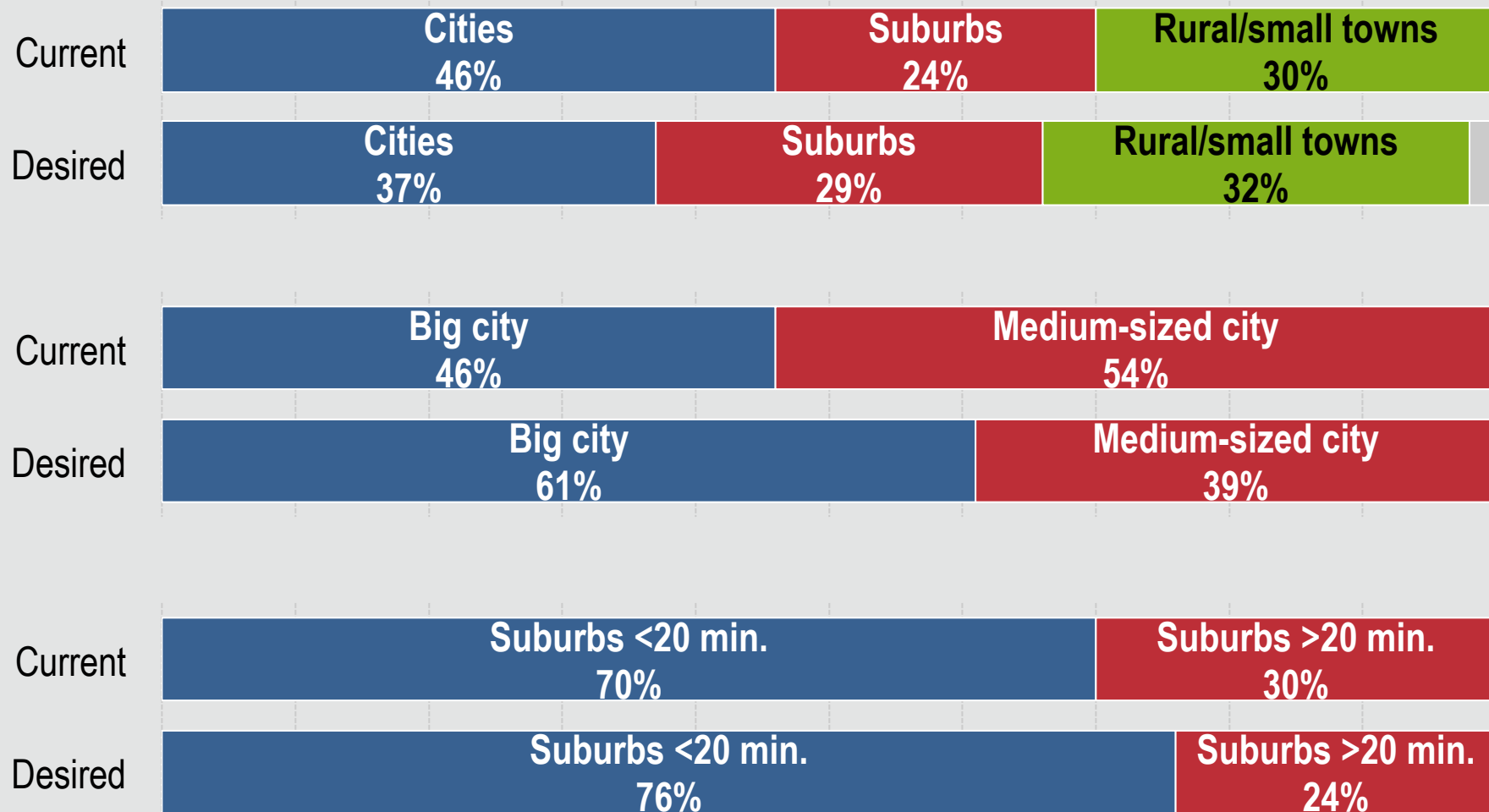
■ Oversupplied ■ In balance ■ Undersupplied





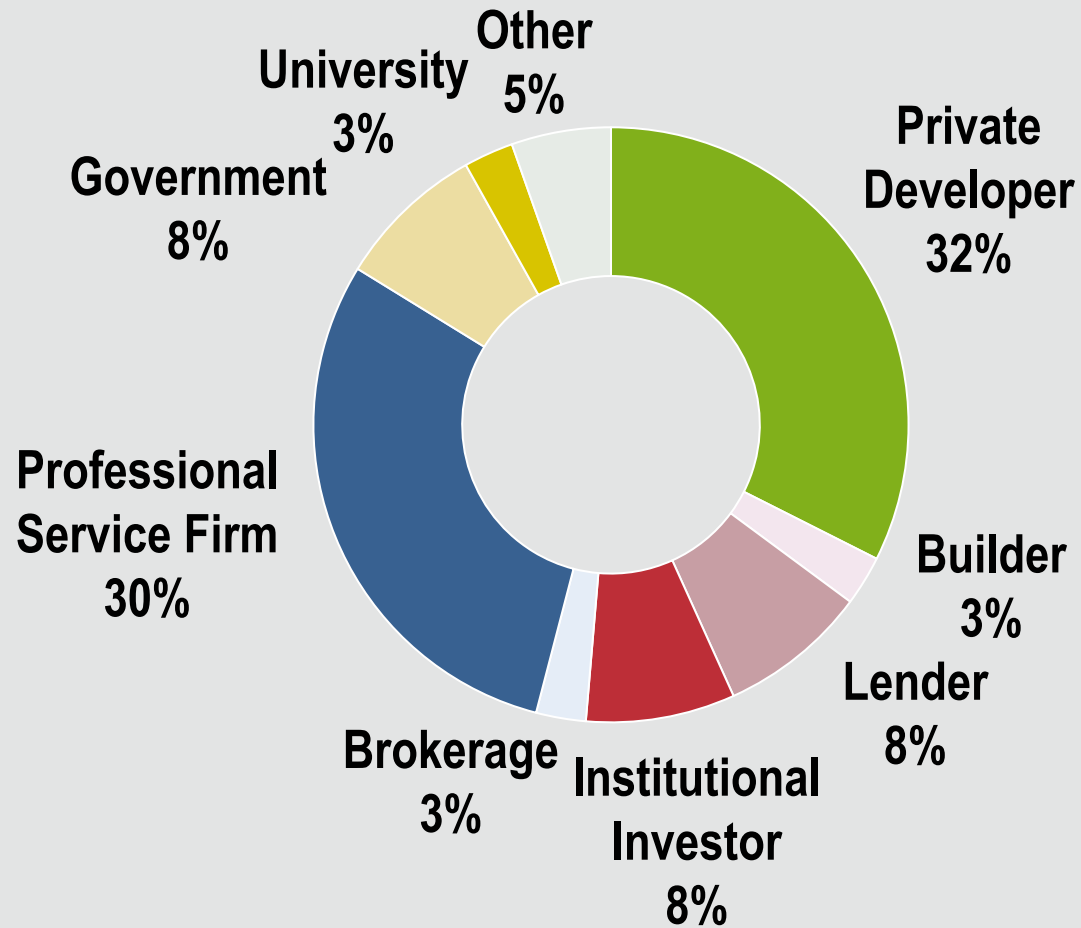
# Next stop: the suburbs?

## Millennials current and desired location

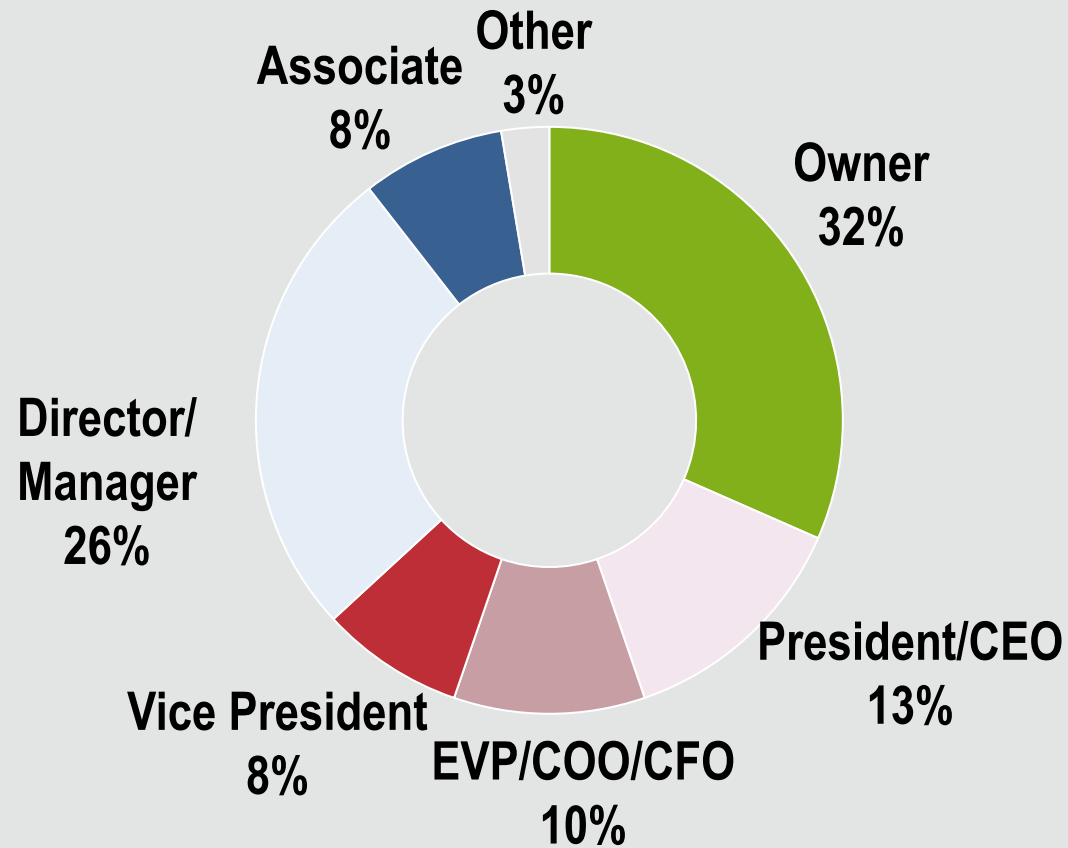


# The Local Picture: Real Estate Trends in Central Ohio

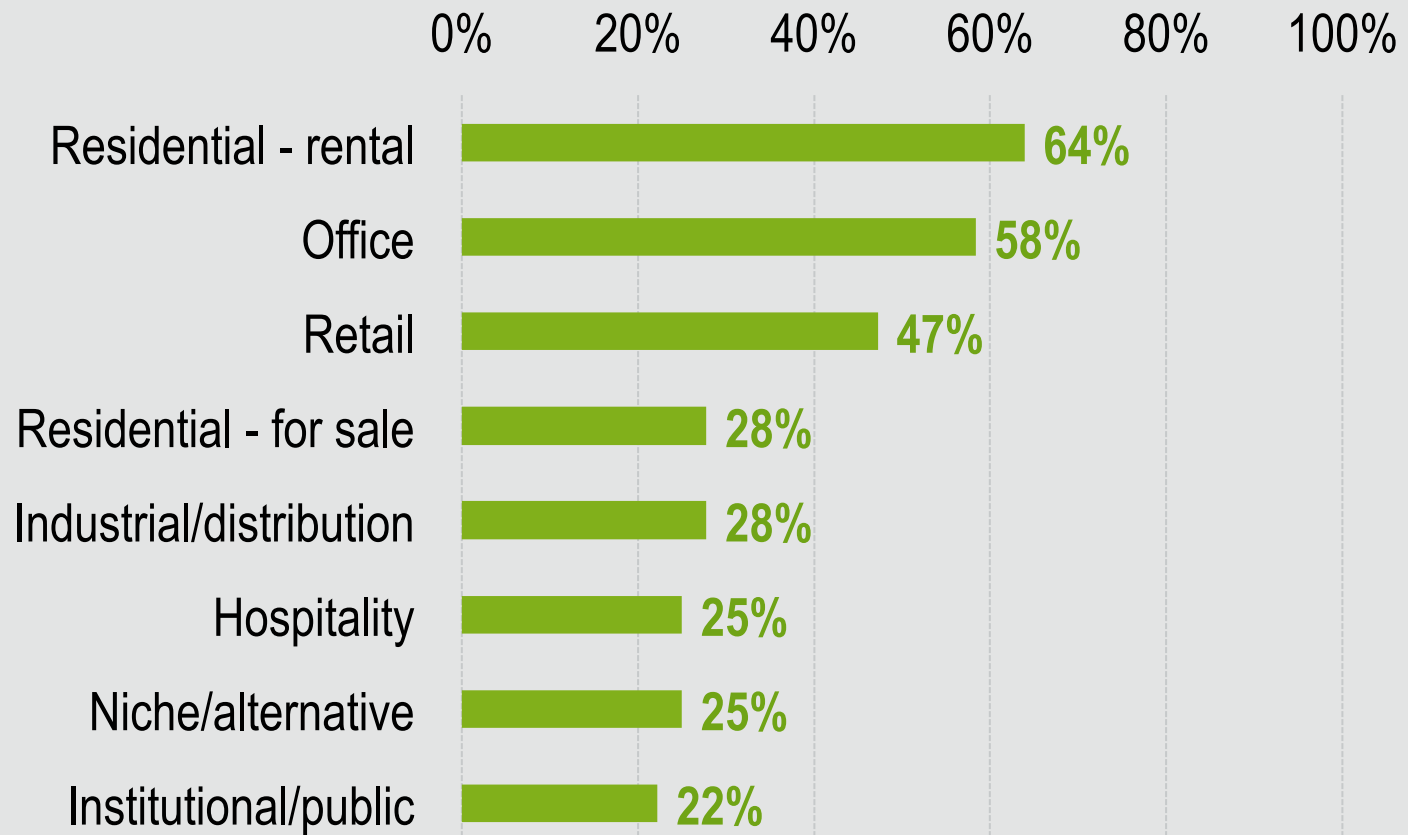
# Respondents by field



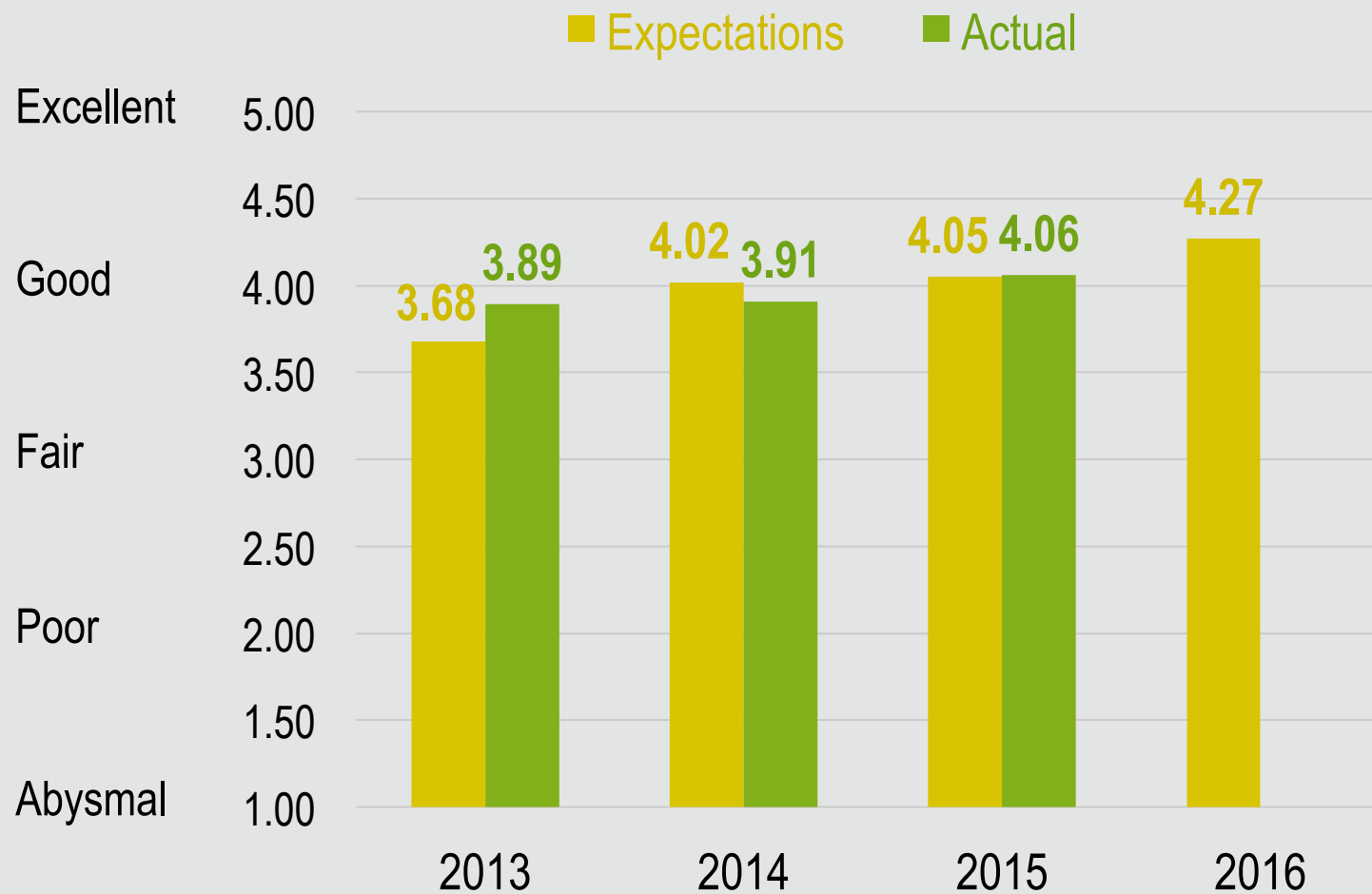
# Respondents by title



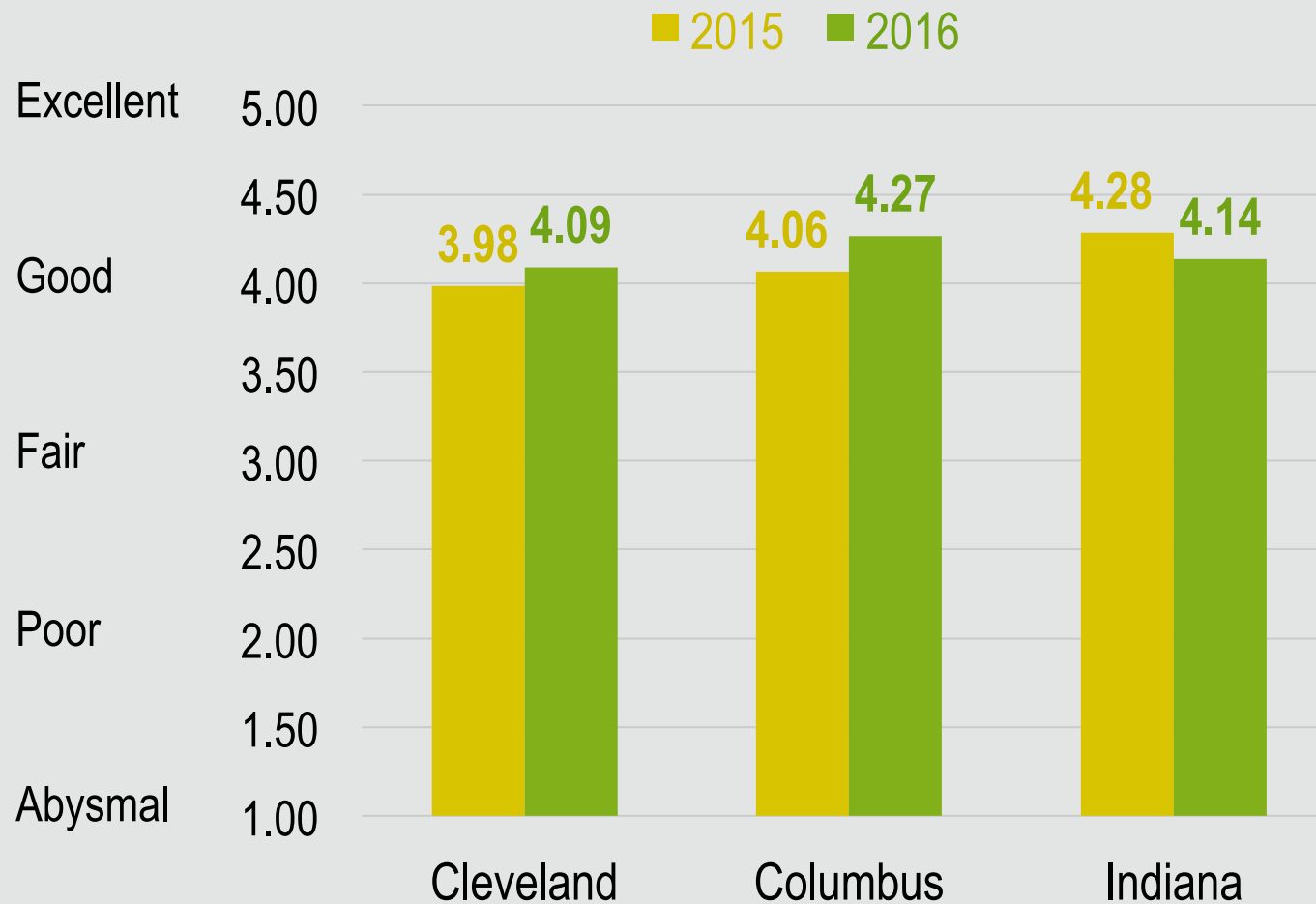
# Respondents by sector



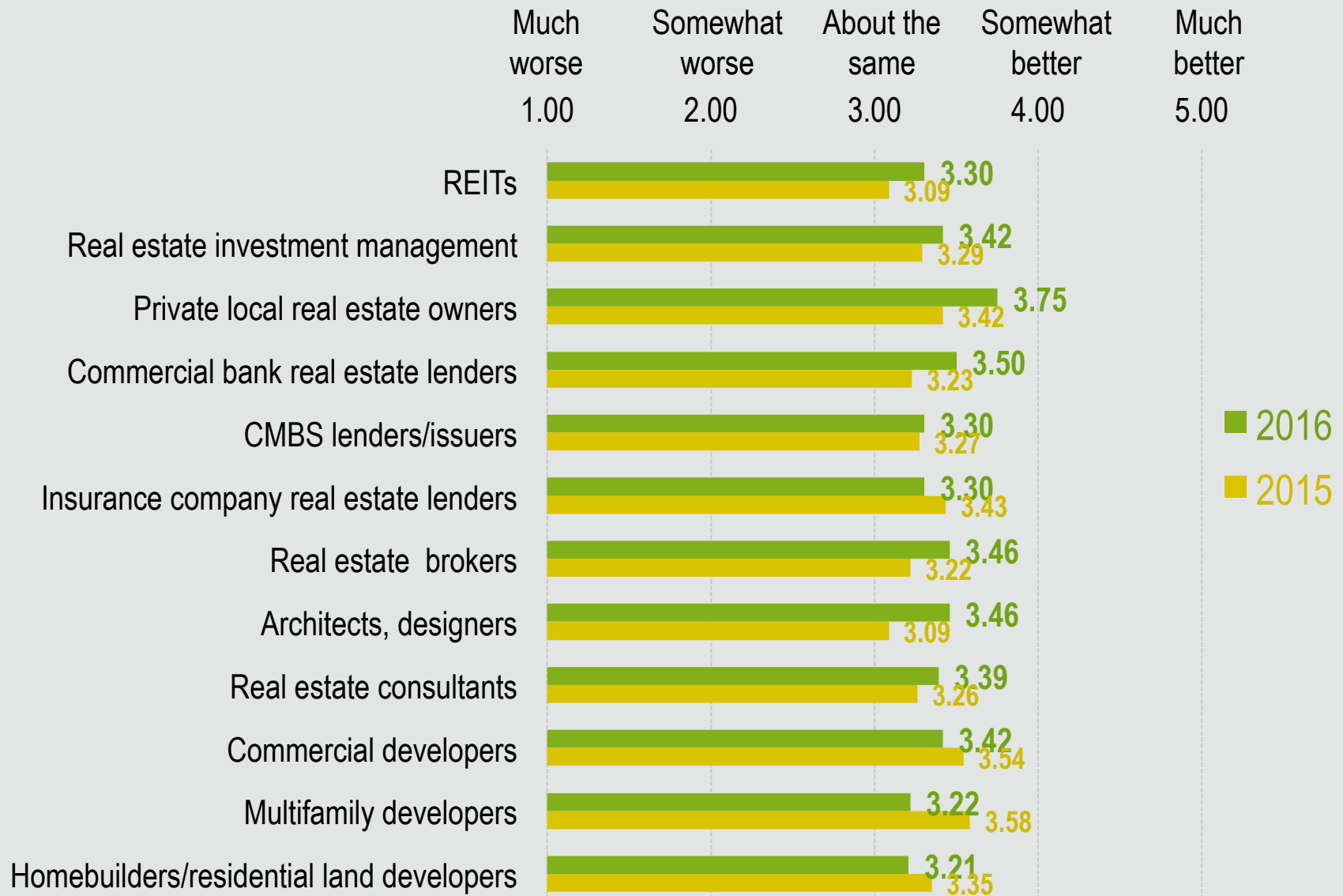
# Expected profitability of own business



# Expected profitability of own business



# Central Ohio relative to other markets





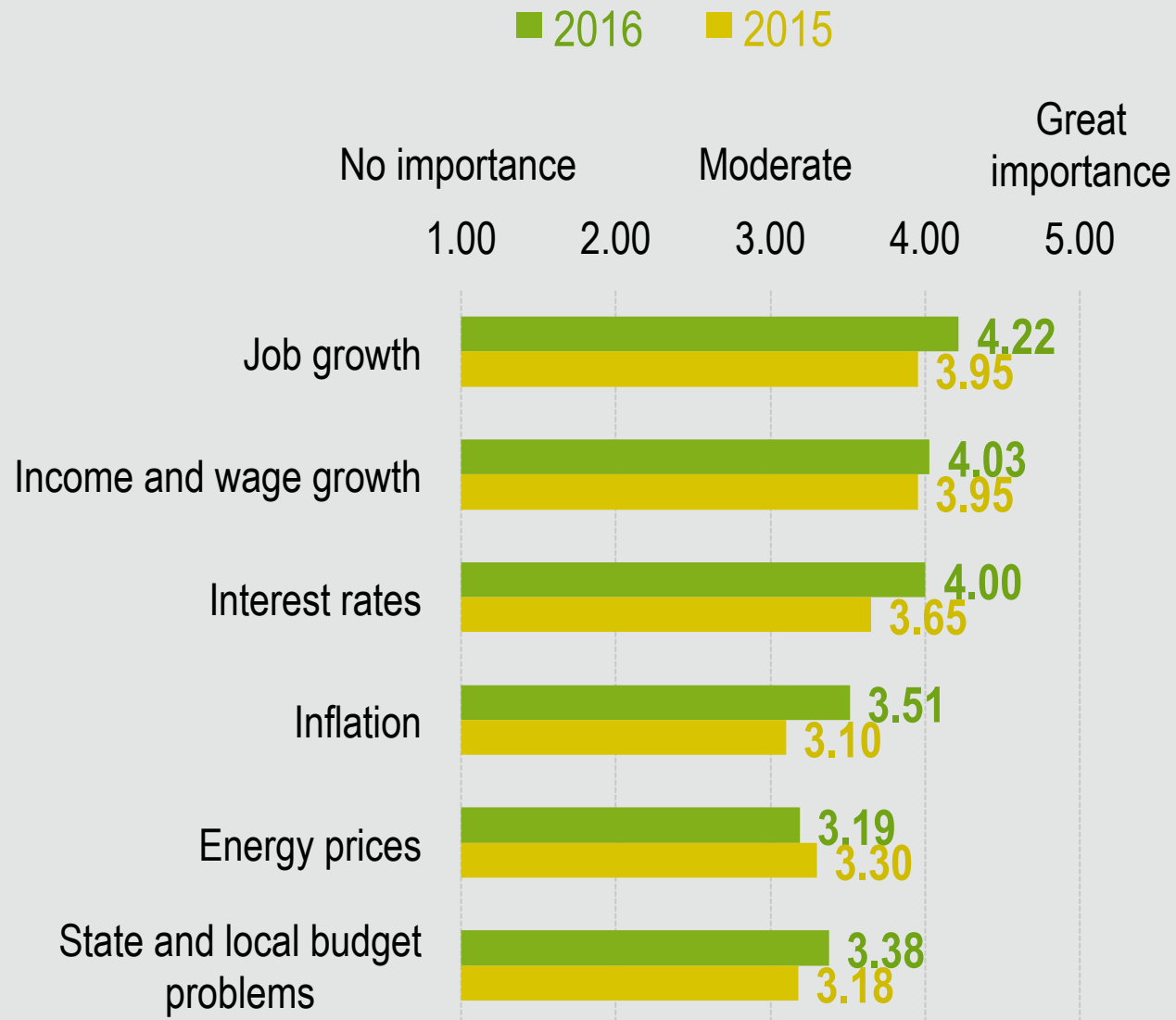
# Central Ohio relative to other markets

**"Overall, Columbus is healthy and doing well compared to its peers."**

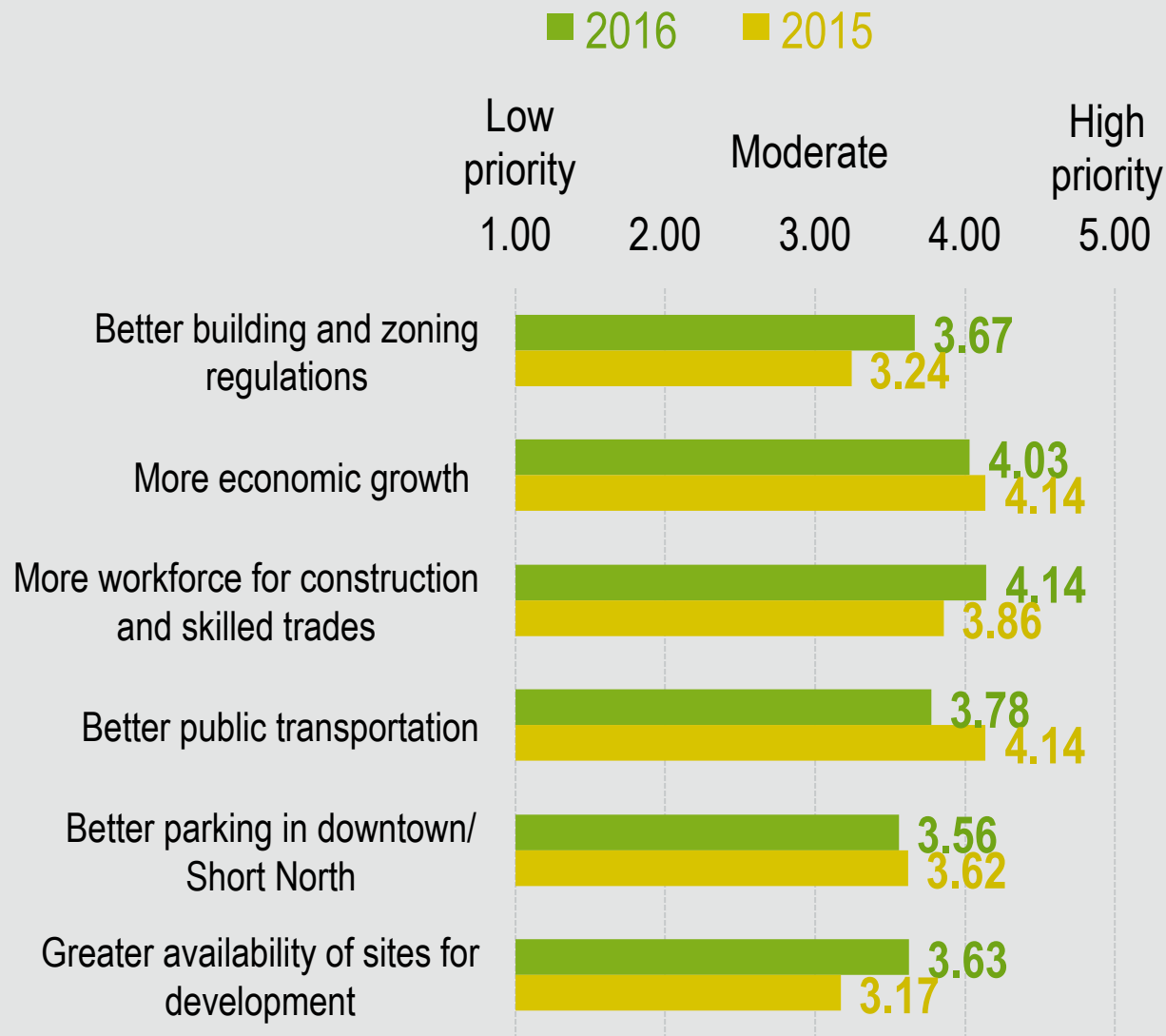
**"Columbus across the board is good. For industrial, we are top 5 in second tier markets in rent growth, absorption, and delivery."**

**Central Ohio compares "very, very favorably, especially with the technology industry."**

# Central Ohio 2016 issues: Economy



# Central Ohio 2016 issues: Development



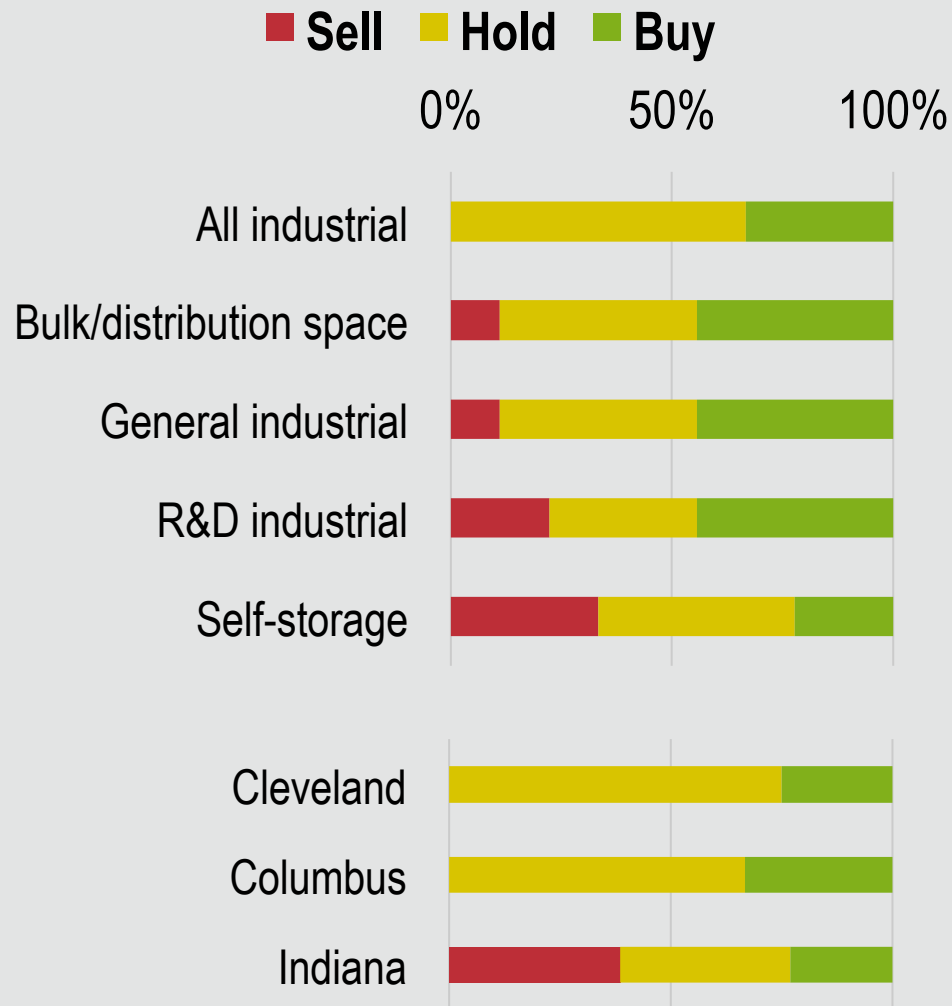
# Central Ohio 2016 issues

**"Every sub trade has the same issue of finding qualified workforce."**

**"Material costs for the most part have stayed pretty level, but labor costs are going up quite a bit."**

**"Sites are going to be a challenge due to zoning regulations."**

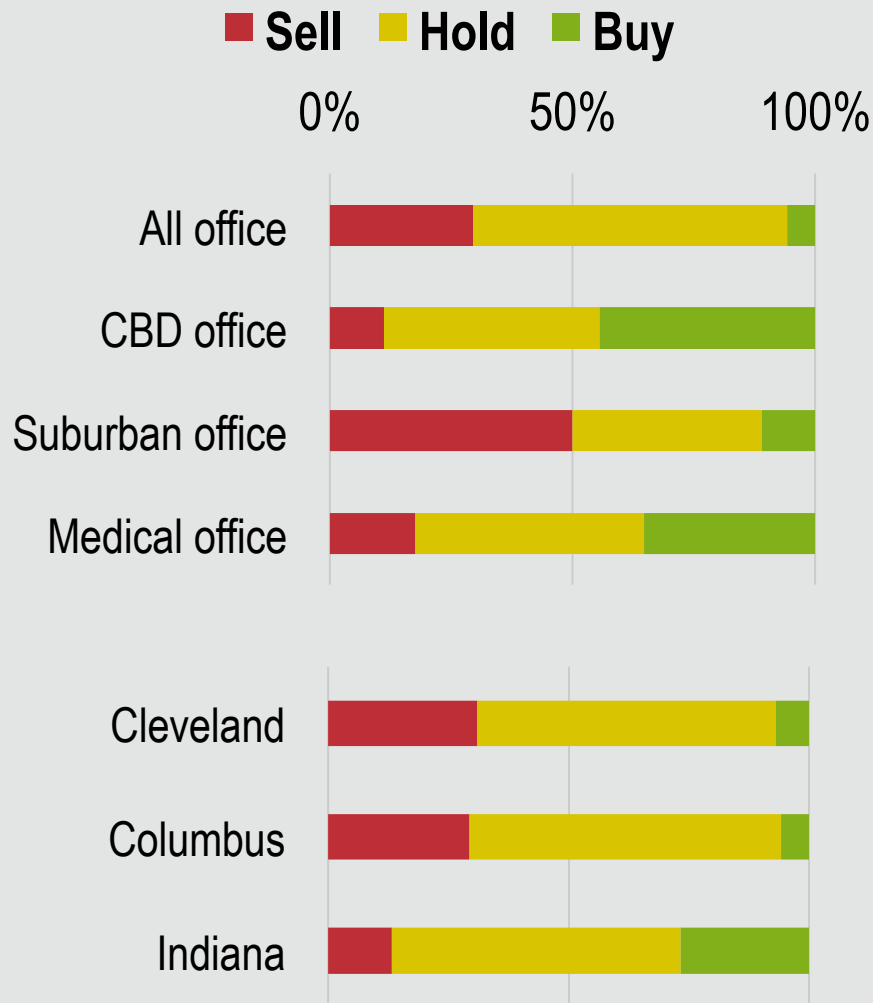
# Investment Recommendation: INDUSTRIAL



**"Industrial is huge for us right now" and "will continue to stay strong."**

**Industrial is "very attractive on a national scale," but Central Ohio performs well "even as it relates to other markets around the country."**

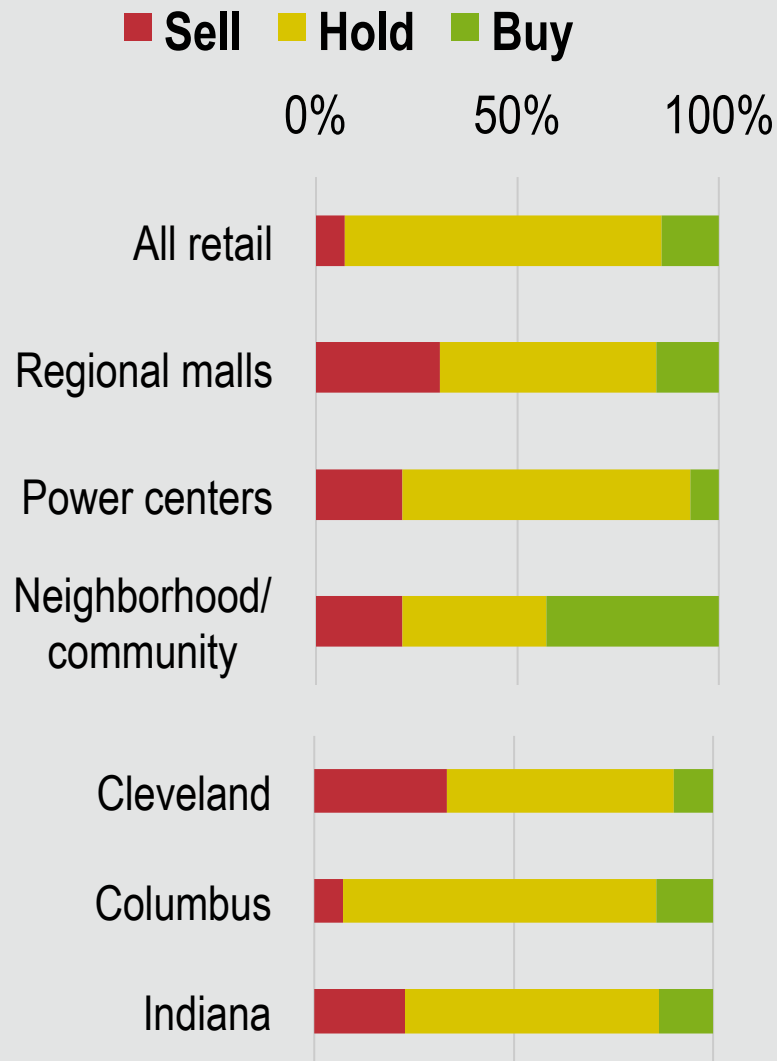
# Investment Recommendation: OFFICE



**"The number of people per square foot has changed and are downsizing."**

**"Trend of people wanting to locate in an urban area for their workforce, more so than we have seen over the past 20 or 30 years."**

# Investment Recommendation: RETAIL

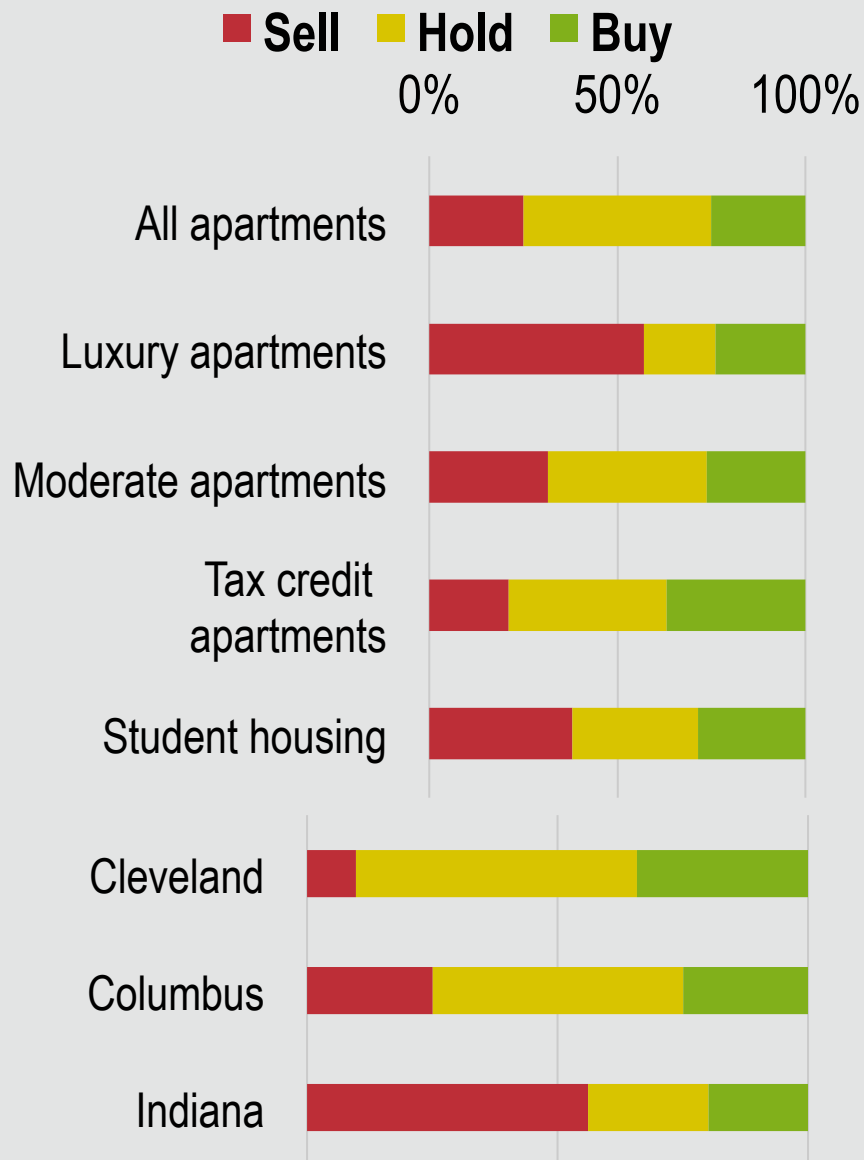


**Development "very flat," but "financially, retail is very strong."**

"Downsizing and consolidation of tenants caused by online distribution channels."

**With omnichannel, stores are "trying to do more or the same in smaller spaces."**

# Investment Recommendation: RENTAL



"I don't see anything on the horizon slowing the activity down."

"Multifamily might slow down a little bit, but the demand is still out there."

"There is a really strong push to downsize and want the quality of life downtown can provide."



# Investment Recommendation: FOR SALE

**"The market is hot for residential for sale."**

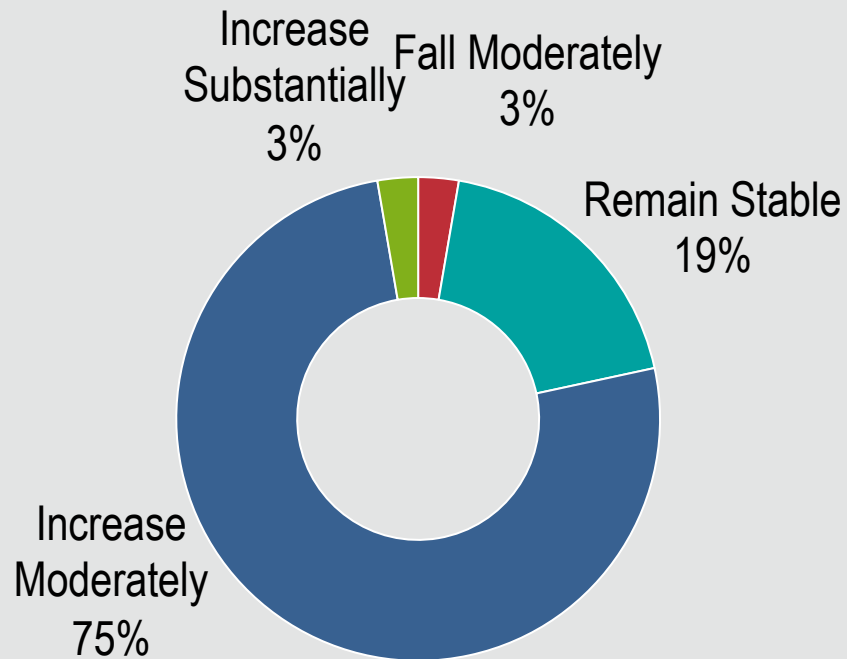
**"Residential sales have been very good."**

**"Land is getting tougher and tougher to find."**

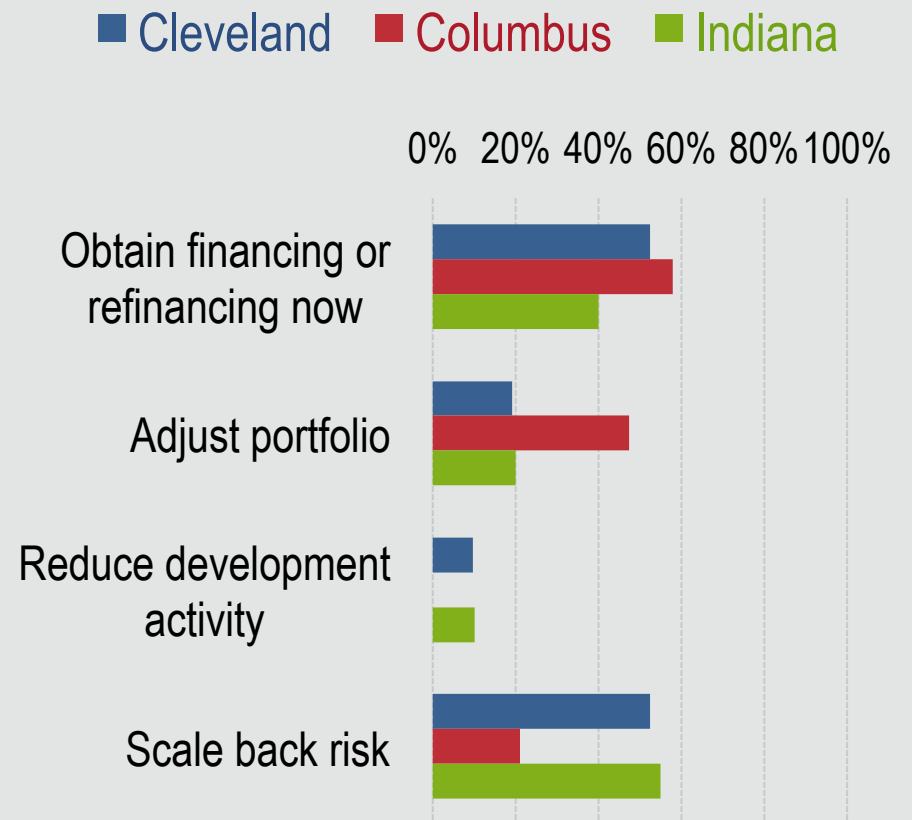
**"I don't think the for-sale model will be as frothy as the early 2000's, but we are seeing a growing demand for buyers."**

# Interest rates

## Expected change next 3 years



## Response to rate rise



# Interest rates

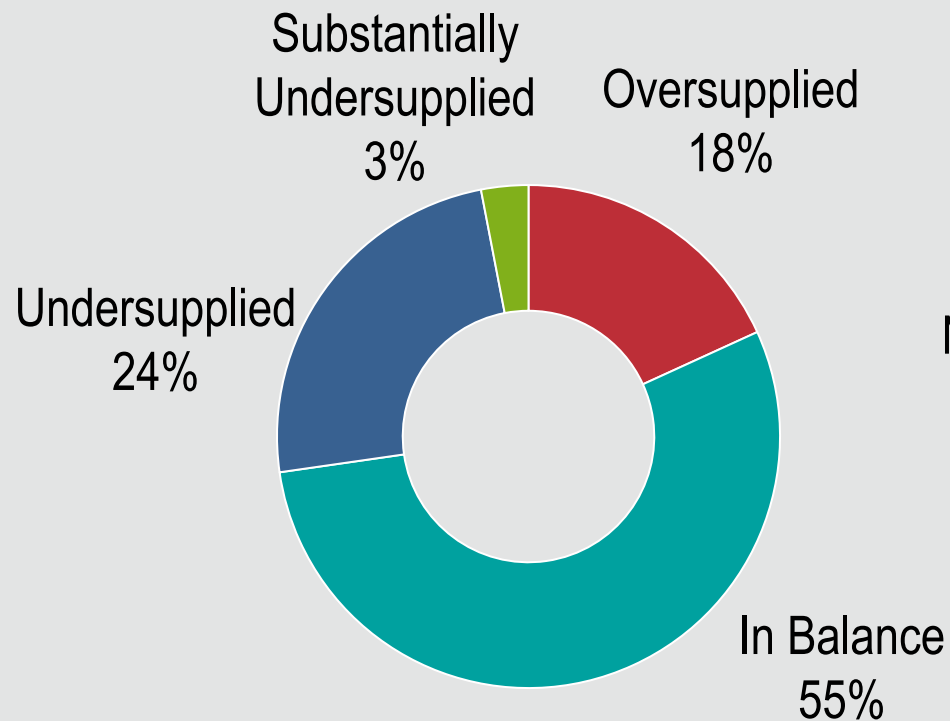
**"Certainly, interest rates have not gone up as soon as people thought they would, but hopefully it will happen in a thoughtful manner."**

**"Slight increases – 50 to 75 basis points."**

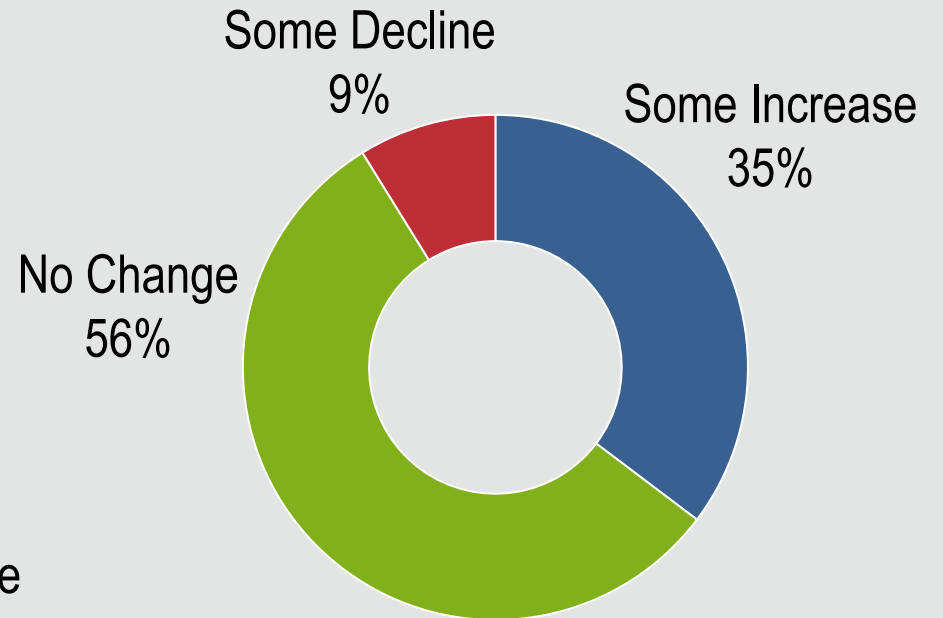
**Financing strategies include "putting in hedges and interest rate caps and swaps" and "locking our rates for existing assets at sub-5% rates."**

# Capital availability

## Availability through 2016



## Expected change in availability



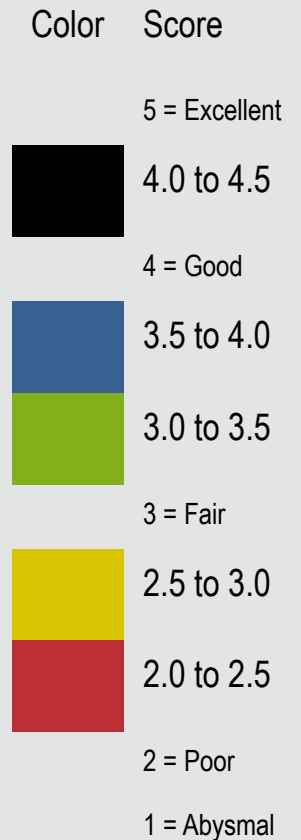
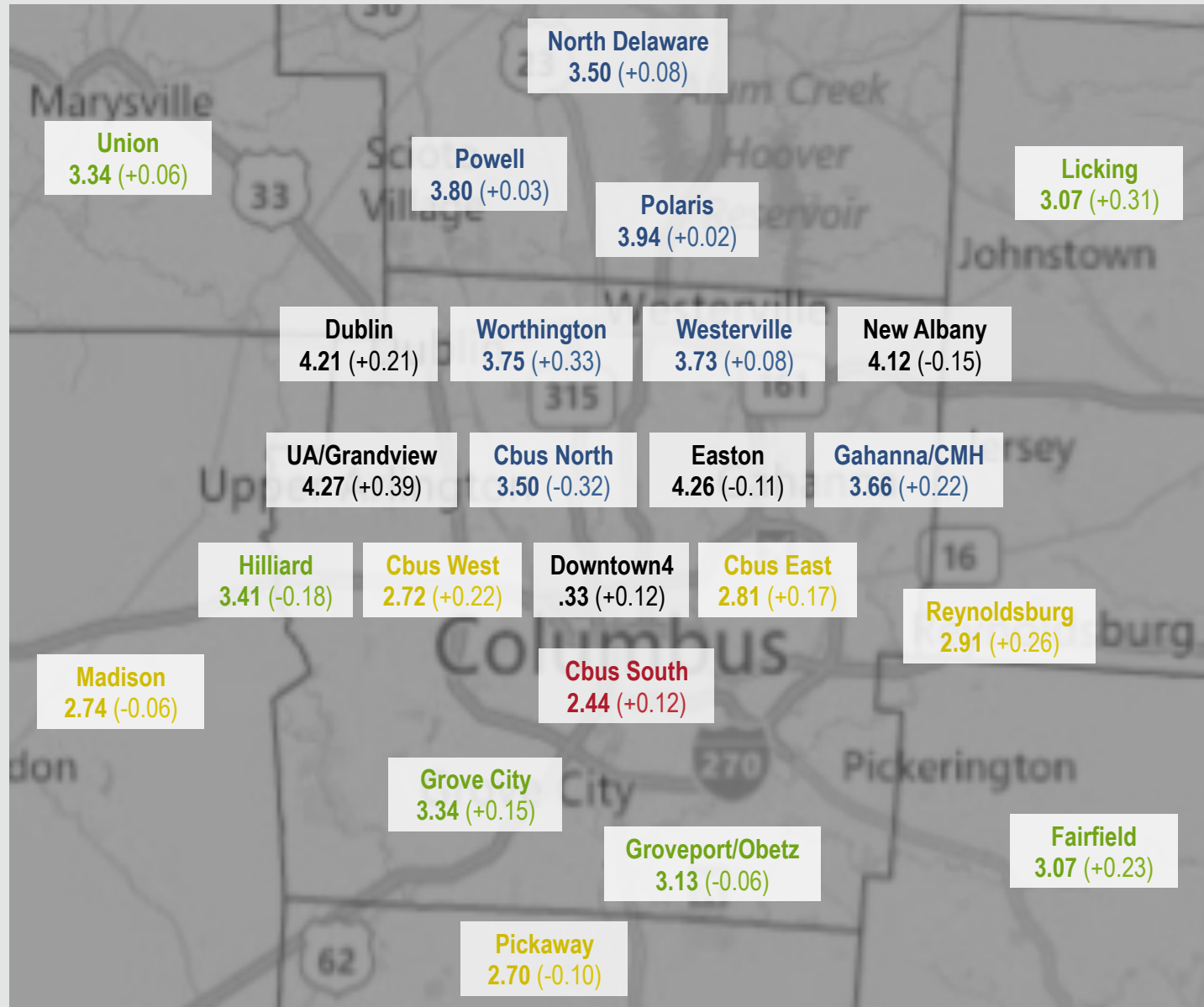
# Capital availability

**"The banks have been more aggressive than they were even in 2013 and 2014, so that has freed up capital to get deals done."**

**"For every dollar of equity needed, there are \$4 or \$5 chasing deals."**

**"Blocking and tackling is more difficult" as investors "require evidence that there is a market for the projects they are financing."**

# Prospects for Central Ohio submarkets



# Prospects for Central Ohio submarkets

**"Downtown is at a place it's probably never been. Tremendous amount of momentum and on its way to becoming a great neighborhood."**

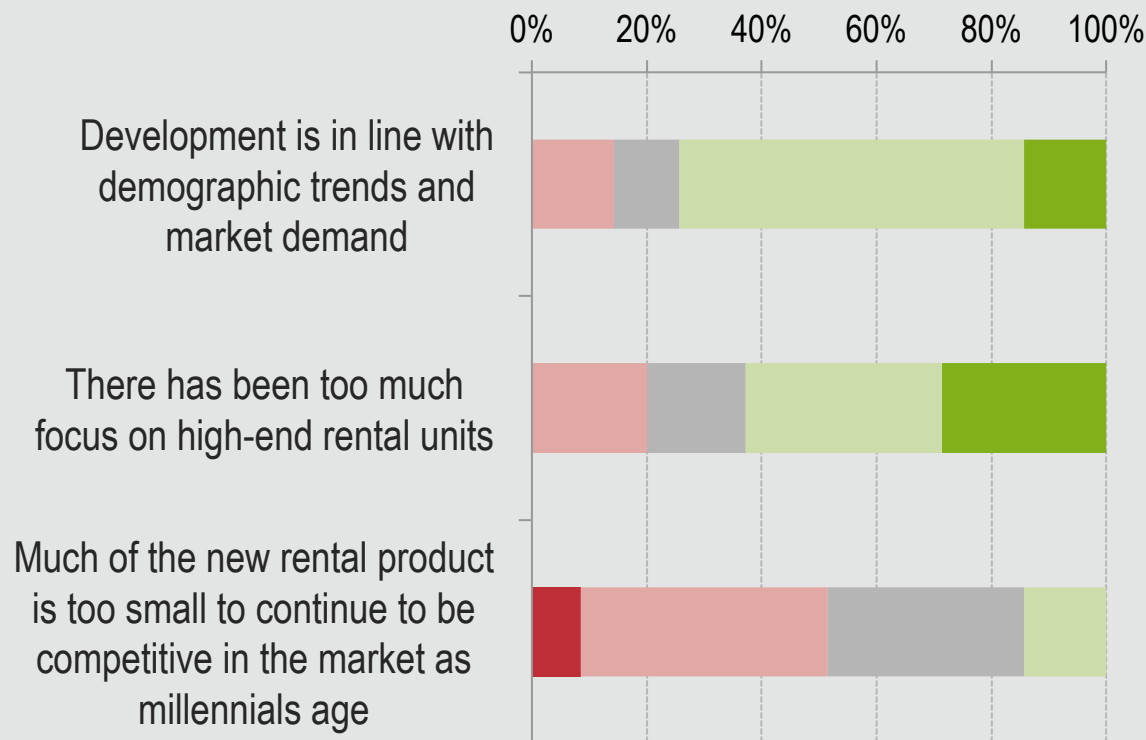
**"Anything urban is hot."**

**"It will be interesting to see the willingness of further out suburban communities to urbanize."**

# Hot Topics: Housing Affordability

To what extent do you agree or disagree with the following statements?

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree



**"Vacancy rate downtown is pretty low, so I think the market is able to satisfy the creation of these luxury apartments."**

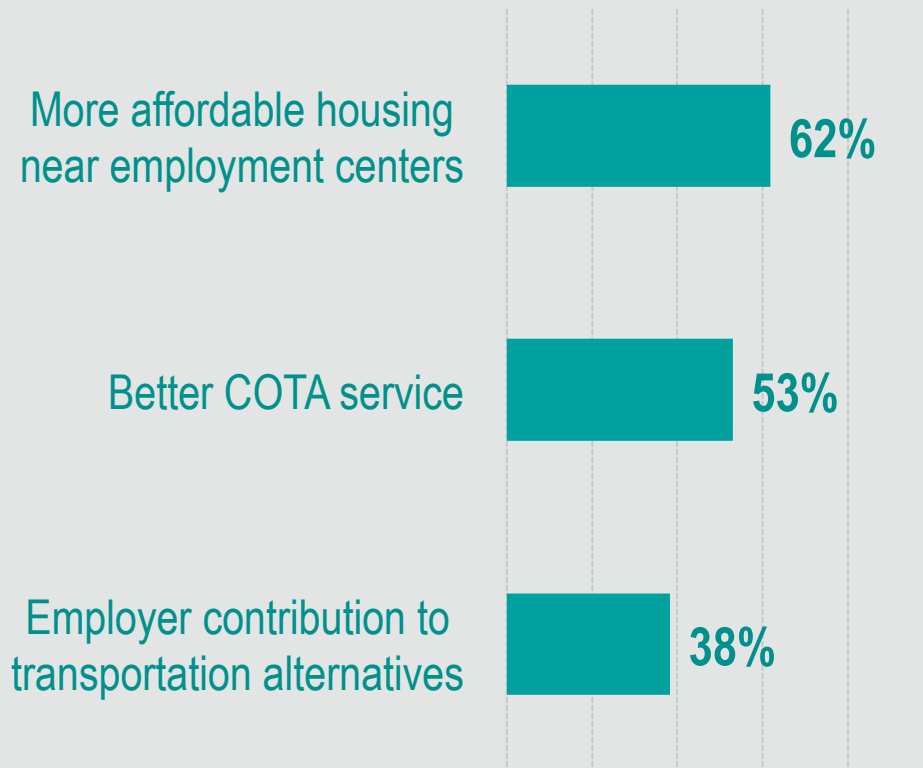
**"No better time to mix in affordable housing as you are doing larger scale developments."**

**"Affordable works, but only with subsidies. We need more focus on how to do that."**



# Hot Topics: Job Access

## Level of support for job access solutions



**"The New Albany Smart Ride program is up from seven people when we launched to 2,000 today...really needed for economic development."**

**"We have to come together with a real transportation plan."**

**"How we handle transit will have everything to do with the success of our city."**

# Five Takeaways for 2016

1. **Great expectations:** 2016 business prospects at highest score ever in Real Estate Trends in Central Ohio.
2. **O skilled tradesman, where art thou?:** Workforce shortages a major pain point, leading to higher development costs and prices.
3. **Doing more with less (space):** Retail, office, and rental housing maximizing value with smaller spaces.
4. **Fed said dovish, so did our survey:** Small and gradual rises in interest rates.
5. **Downtown takes the reins:** Downtown Columbus ranks as top Central Ohio submarket for 2016.