

Tanger Outlets boost Retail Numbers

Columbus Region Overview

Similar to the rest of the Columbus economy, the retail market continues to ride a wave of expansion with yet another quarter of strong leasing activity, new developments on the horizon, and lower vacancy rates. At the end of the second quarter, the Columbus retail market, comprised of Franklin and the surrounding six counties, saw 624,940 square feet of net absorption (the net change in occupied square feet) constituting the 17th consecutive quarter of growth. Absorption numbers are up 36 percent compared to the second quarter of 2015. As a result, the overall vacancy rate has dwindled to 5.8 percent— an impressive turnaround from the recession-era high of 13.2 percent.

Asking rental rates have been relatively stable throughout this expansion phase. During the second quarter, rental rates saw a slight uptick compared to the previous quarter— the average rental rate for anchored strip centers bumped 0.4 percent to \$11.51 per square foot and the average big box rate rose 11 percent to \$6.94. The overall average asking rate now stands at \$11.61— a 4.1 percent increase year-over-year.

The headlining story this quarter was the grand opening of the Tanger Outlets in north Delaware County. The new mall added 350,000 square of outlet retail space to the market, and, according to Tanger, 95 percent is already occupied. Major projects still in the construction phase include IKEA's 354,000-square-foot department store in Polaris; Dublin's Bridge Park development, Phase One will contain 130,000 square feet of restaurant/retail space; and Dublin Green, a 400,000-square-foot power center at State Route 161 and U.S. Highway 33 that will be anchored by Costco.

Key Takeaways

- > The overall vacancy rate fell 80 basis points to 5.8 percent over the second quarter. Vacancy rates have been on the decline since 2009.
- > The average rate now stands at \$11.61 per square foot— a 4.1 percent increase compared to the second quarter of 2015.
- > 1,291,962 square feet of new retail projects are now under construction. The majority of the new developments are concentrated in the Northwest submarket.

Market Indicators Relative to prior period	Columbus Q2 2016	Columbus Q3 2016*
VACANCY	↓	↔
NET ABSORPTION	+	+
CONSTRUCTION	↔	↑
RENTAL RATE	↑	↑

*Projected, relative to prior quarter

Summary Statistics

Q2 2016 Regional Retail Market	Columbus
Vacancy Rate	5.8%
Change From Q1 2015 (basis points)	80
Absorption (Square Feet)	600,143
Under Construction (Square Feet)	1,291,961
Completions (Square Feet)	361,000

Asking Rents (NNN)

Per Square Foot Per Year

Strip	\$11.51
Neighborhood	\$11.49
Community	\$11.94
Big Box	\$6.94

Unemployment

Columbus	3.8%
Ohio	5.2%
US	5.5%

SOURCE: BUREAU OF LABOR STATISTICS

Leasing Activity

Several large leases at anchored strip centers helped bolster leasing activity this quarter. Major deals included Sunrise International who leased 32,138 square feet at 4030-4050 W Broad St., and Big Lots who leased 28,724 square feet at 6300 E. Livingston Ave. Through the first half of 2016, the Columbus retail market saw 800,899 square feet of new or expanded leases (not including the Tanger Outlets). Leasing activity has increased 28 percent compared to the same time frame last year.

The Southwest submarket, which includes Grove City, Urbancrest and the casino area, scored the most gains over the second quarter with approximately 114,256 square feet of new or expanded leases— a testament to healthy leasing activity within the submarket’s power centers and anchored strip centers.

Sales Activity

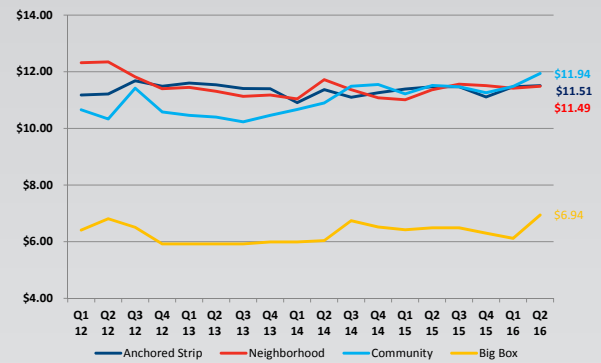
On the sales side, approximately five retail centers over 20,000 square feet sold during the second quarter for a total of \$25.5 million— an average price per square foot of \$127.78 and an average cap. rate of 7.4 percent. The largest sale came from a private buyer who purchased Powell Crossing Shopping Center, a 48,750-square-foot anchored strip center at 3965-9890 Powell Road in Powell, for \$9.9 million or \$203.22 per square foot.

Industry Data and Forecast

Headlining events such as Great Britain opting to leave the European Union and the looming presidential election have investors and market experts skeptical about how well the U.S. economy will fare throughout the second half of 2016. Nevertheless, fundamentals that support retail activity remain positive. Over the past year, the U.S. has added 2.8 million jobs and consumer spending continued to increase at a steady rate of 2.2 percent. Additionally, consumer confidence increased in June – this tells us that consumers are less negative about labor market conditions but remain uncertain about what the future will look like. Economic experts predict short-term growth in the retail sector and even lower vacancy rates as job security progresses and income gains provide a boost to American spending power.

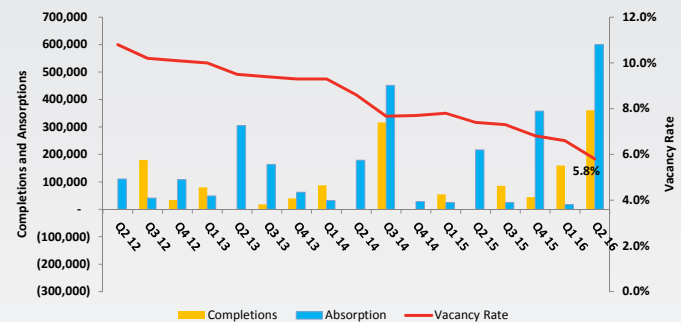
Back in Columbus, the economy is handily outpacing markets in Ohio and other national metro areas. Job growth is a great indicator of this trend. Over the past year, Columbus has added 20,541 jobs which reduced the overall unemployment rate to 3.8 percent – well below Ohio’s rate now at 5.2 percent. Even more impressive, Columbus has maintained a solid annual population growth rate of 1.2 percent and reached 2.1 million people at the end of 2015. Moving into the second half of 2016, high paying employers of healthcare, finance, professional services, warehousing and education are expected to ramp up hiring and place extra spending cash in the pockets of local residents—a positive outlook for all retailers.

Central Ohio Retail Rental Rates



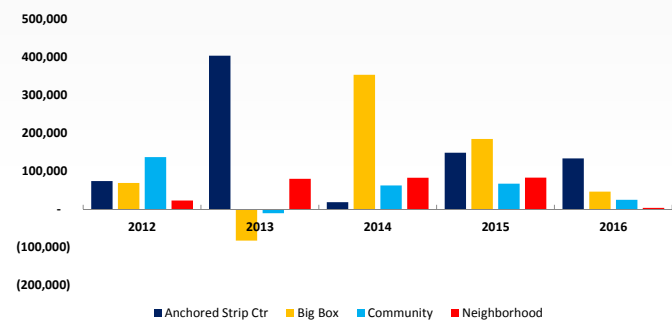
Asking rental rates have been relatively stable throughout this expansion phase. During the second quarter, rental rates saw a slight uptick compared to the previous quarter. The average rate for Big Box stores, in particular, bumped 11 percent to \$6.94 per square foot.

Central Ohio Vacancy Rate, Completions and Absorption



The overall vacancy rate fell 80 basis points to 5.8 percent while net absorption posted impressive gains of 600,143 square feet. There were 361,000 square feet of completions this quarter with 1,291,962 square feet in the pipeline.

Central Ohio Absorption by Property Type



Anchored Strip Center and Big Box stores enjoyed the most gains during the second quarter with 133,991 square feet and 46,126 square feet of net absorption, respectively.

Hot Topics

Boutique Fitness Clubs Run Leasing Activity in Columbus

In the fast-casual dining scene, we have a choice of virtually every style of cuisine under the sun, and now choosing how we workout is no different. In Columbus, boutique fitness clubs are a growing trend, and offer everything from high intensity training and weights at Orange Theory Fitness or System of Strength to ballet inspired workouts at PureBarre to yoga at Core Power Yoga. Compared to large format centers such as LA Fitness and Lifetime, boutique fitness clubs tend to be more expensive, but offer flexible payment options (as opposed to monthly subscriptions), provide challenging classes for a variety of fitness levels, and bring to the table a sense of community that may not be found at larger gyms. Their rise in popularity, particularly among the millennial demographic, have deemed them the new must-have tenant within retail centers, and are likely to ramp up leasing activity as high quality mixed-use developments enter the market.



Sale Activity

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE (SF)	BUYER	SELLER	PRICE PSF	TYPE	SUBMARKET
3965 W Powell Rd	5/15/2016	\$9,907,000	48,750	Private Buyer	Powell Crossing Venture LLC	\$203.22	Anchored Strip Ctr	Northwest
5665 Woerner Temple Rd	4/18/2016	\$7,500,000	30,493	Pacific Equities Capital Management Corporation	Emerald Town Center Holding LLC	\$245.95	General	Northwest
1866 N High St	6/17/2016	\$4,070,000	38,393	Campus Partners	Pella Company	\$106.00	Conv/Strip Ctr	Northeast
1520 Georgesville Rd	5/20/2016	\$4,051,000	7,333	Lincoln Holdings LLC	VEREIT	\$552.43	Restaurant	Southwest
2837 Winchester Pike	4/28/2016	\$2,050,000	86,932	Spigel Properties	Casto	\$16.02	Big Box	Southeast
1760 Hill Rd	4/14/2016	\$2,023,729	4,933	National Retail Properties	Bob Evans Farms	\$410.24	Restaurant	Fairfield
5582 Hall Rd	4/20/2016	\$2,020,000	29,840	Rent Apartment LTD	M E K Enterprises	\$67.69	Conv/Strip Ctr	Southwest
5205 New Albany Rd	4/12/2016	\$1,965,699	5,255	National Retail Properties	Bob Evans Farms	\$374.06	Restaurant	Northeast

Lease Activity

PROPERTY ADDRESS	LEASE DATE	LEASED SF	TENANT	ASKING PRICE	TYPE	SUBMARKET
4030-4050 W Broad St	6/30/2016	32,138	Sunrise International	N/A	NNN	Northwest
6300 E Livingston Ave	5/6/2016	28,724	Big Lots	\$5.00	Net	Southeast
3784 W Broad St	5/10/2016	24,500	Golden Linens	\$9.00	Net	Northwest
3530 Soldano Blvd	6/15/2016	23,253	Bargain Hunt	\$18.00	NNN	Northwest
3622 Fishingier Blvd	6/15/2016	18,000	United Art and Education	\$10.00	NNN	Northwest
6561 Dublin Center Dr	5/19/2016	15,000	Discount Fashion Warehouse	\$16.00	FSG	Northwest
6561 Dublin Center Dr	5/19/2016	14,070	Billiards Plus	\$16.00	FSG	Northwest
2640 Brice Rd	5/1/2016	10,800	Octapharma	N/A	NNN	Southeast
3670 Easton Way	4/29/2016	10,600	Kirkland's	N/A	NNN	Northeast
837 Polaris Pkwy	4/28/2016	5,018	101 Beer Kitchen	\$16.00	NNN	Northeast
553 Hebron Rd	5/12/2016	4,740	Petco	N/A	NNN	Licking

Q2 2016 Retail Statistics

SUBMARKET	ABSORPTION					CONSTRUCTION		ASKING PRICE	
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	NEIGHBORHOOD	POWER
CBD	1,129,426	120,740	10.7%	15,829	20,329	15,000	-	\$12.00	\$27.50
Fairfield	3,960,854	222,788	5.6%	13,262	15,556		-	\$18.32	\$20.44
Licking	3,994,789	89,493	2.2%	23,535	75,650		-	\$9.79	\$14.50
Madison	214,406	20,643	9.6%	(7,733)	(11,783)		-	-	-
North Delaware	2,637,806	170,752	6.5%	350,000	314,915		350,000	-	\$12.00
Northeast	17,176,119	875,977	5.1%	21,694	114,730	706,690	-	\$13.34	\$11.60
Northwest	13,487,451	401,932	3.0%	32,329	66,095	407,572	11,000	\$13.14	\$14.45
Pickaway	656,177	20,724	3.2%	-	-		-	-	-
Southeast	10,119,885	1,093,878	10.8%	44,864	(12,381)		-	\$8.56	\$8.56
Southwest	6,560,179	514,704	7.8%	108,363	(48,426)		-	\$12.43	\$10.74
Union	1,161,503	25,020	2.2%	(2,000)	90,265	162,700	-	-	\$23.00
Grand Total	61,098,595	3,556,651	5.8%	600,143	624,950	1,291,962	361,000	\$11.49	\$11.76

PROPERTY TYPE	ABSORPTION					CONSTRUCTION		ASKING RATES	
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	ASKING RATES	
Anchored Strip Center	11,973,254	829,086	6.9%	62,821	133,991	15,640	-	\$11.51	
Big Box	8,143,668	391,836	4.8%	(28)	46,126	477,000	-	\$6.94	
Community	4,168,173	332,838	8.0%	10,359	24,566	156,700	-	\$11.94	
Conv/Strip Ctr	3,677,537	229,582	6.2%	25,731	17,281	184,622	-	\$11.31	
Freestanding	4,093,613	300,337	7.3%	14,110	38,810	115,000	-	\$15.75	
Neighborhood	5,564,632	455,490	8.2%	8,738	(3,347)	195,000	-	\$11.49	
Outlet Ctr	350,000		0.0%	350,000	350,000		350,000	-	
Power	15,972,195	1,017,482	6.4%	114,312	3,423	148,000	-	\$11.76	
Regional Ctr	663,236	-	0.0%	-	-		-	-	
Strip	155,558	-	0.0%	14,100	14,100		11,000	-	
Supr Reg Ctr	5,791,480	-	0.0%	-	-		-	-	
Urban Retail	545,249	-	0.0%	-	-		-	\$12.00	
Grand Total	61,098,595	3,556,651	5.8%	600,143	624,950	1,291,962	361,000	\$11.61	

QUARTER, YEAR	ABSORPTION					CONSTRUCTION		ASKING PRICE	
	TOTAL SF	VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED	NEIGHBORHOOD	POWER
Q1, 2016	60,765,754	4,031,638	6.6%	24,807	24,807	1,370,697	159,500	\$11.42	\$11.87
Q4, 2015	60,606,254	4,121,174	6.8%	367,636	788,231	1,139,197	44533	\$11.56	\$11.86
Q3, 2015	61,004,329	4,469,330	7.3%	24,980	420,385	1,036,180	85482	\$11.56	\$11.83
Q2, 2015	60,826,029	4,408,157	7.2%	313,534	395,405	1,024,257	-	\$11.36	\$11.59

FOR MORE INFORMATION

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