



With an employment level equal to the national average and population expected to increase in the Columbus market, demand for most commercial real estate sectors is expected to increase slightly. With prices in all sectors already at low levels, increases in demand and fundamentals will put more upward pressure on prices over the coming quarters, allowing them to come more in line with regional and national levels.

Office

- The Columbus area office market vacancy rate decreased during fourth quarter 2006, although net absorption and average asking rents also decreased slightly.
- RERC's transaction analysis indicates that the average sale price for office space in the Columbus area is \$90 per square foot, below the regional average of \$111 per square foot, and significantly lower than the national average of \$167 per square foot.
- The average transaction-based capitalization rate for the Columbus office market is 8.4 percent, much higher than the regional average of 7.6 percent and the national average of 7.2 percent.
- CCIM designees and candidates gave the Columbus area office market an average performance rating of 4.0 on a scale of 1 to 10, with 10 being high.

There seems to be little confidence in the Columbus office market. The average capitalization rate is substantially higher than both regional and national averages, indicating more risk in the area market. However, with the solid employment and some projected population growth, demand for office properties in the area should remain fairly stable.

Industrial

- Availability in the Columbus industrial market increased slightly dur-

ing fourth quarter 2006, while asking rents remained unchanged.

- According to RERC's transaction analysis, industrial space in the Columbus area is selling for an average price of \$41 per square foot, slightly below the regional average of \$49 per square foot, but significantly lower than the national average of \$83 per square foot.
- RERC's average capitalization rate for the Columbus industrial sector is 8.2 percent. Both the regional average and national averages are lower, at 7.8 percent and 7.4 percent, respectively.
- CCIM designees and candidates gave the Columbus industrial market an average performance rating of 6.8 on a scale of 1 to 10, with 10 being high.

Although the performance rating given to the Columbus industrial market is slightly above average, fundamentals are weak. Much like the city's office market, the industrial market has a very high capitalization rate compared to the region and nation. With demand unlikely to change, this trend should continue into the coming few quarters, possibly bringing market fundamentals down further.

Retail

- RERC's transaction analysis shows that the average sale price of Columbus retail space is \$133 per square

Demographics & Economy

Population:

2006 (est.): 1.8 million
2011 (proj.): 2.0 million

Unemployment Rate:

Columbus - 4.5%
Ohio - 5.4%
National - 4.5%

Economic Performance Rating*:

Tucson - 5.0
National - 5.0

*Rating given by CCIM designees and candidates in the study area, based on a scale of 1 to 10, with 10 high.

foot, slightly higher than the regional average price of \$126 per square foot, but considerably lower than the national average of \$169 per square foot.

- The average transaction-based capitalization rate for the retail market in the Columbus area is 7.6 percent, 40 to 70 basis points higher than the regional and national average capitalization rates.
- CCIM designees and candidates gave the Columbus retail market an average performance rating of 4.7 on a scale of 1 to 10, with 10 being high.

With a higher capitalization rate than the national average, the Columbus retail market is seeing more volatility than some other markets. The higher price per square foot when compared to the regional average may indicate that for the amount of risk involved in the market, pricing could be a little high.

Apartment

- RERC's transaction analysis shows apartment properties in the Columbus area are selling for an average price of \$42,007 per unit, substantially lower than the regional average

National Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$2,307	\$4,047	\$4,070	\$5,669	\$220	\$16,312
\$2-5 million	\$3,910	\$5,701	\$6,222	\$5,910	\$926	\$22,668
>\$5 million	\$155,131	\$32,581	\$50,896	\$87,663	\$33,689	\$359,961
All	\$161,348	\$42,328	\$61,188	\$99,242	\$34,835	\$398,942
Unit Price Averages						
<\$2 million	\$103	\$68	\$103	\$92,566	\$53,998	-
\$2-5 million	\$167	\$96	\$216	\$128,810	\$59,767	-
>\$5 million	\$209	\$104	\$250	\$126,410	\$137,649	-
All	\$167	\$83	\$169	\$107,833	\$110,713	-
Median of all	\$137	\$66	\$123	\$86,170	\$82,776	-
Capitalization Rates (All)						
Range	4.7 - 10.5	4.8 - 11	4.4 - 10.4	3.8 - 10.6	5.7 - 12.3	3.8 - 12.3
Average	7.2	7.4	6.9	6.3	8.7	7.3

of \$67,913, and less than half the national average of \$107,833 per unit.

- The average capitalization rate for the apartment sector in the Columbus area is 6.9 percent, equal to the Midwest regional average, but greater than the national average of 6.3 percent.

- CCIM designees and candidates gave the Columbus apartment market an economic performance rating of 6.0 on a scale of 1 to 10, with 10 being high.

A capitalization rate equal to the regional average with a lower price per unit may indicate some possible upside potential for Columbus apartment properties, when compared to others throughout the Midwest. With a strong level of employment, and expected population growth higher than some other markets, the Columbus apartment sector will remain a strong investment opportunity, likely increasing in price over the coming quarters.

Midwest Region Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$366	\$734	\$802	\$793	\$27	\$2,721
\$2-5 million	\$511	\$1,012	\$1,071	\$559	\$173	\$3,325
>\$5 million	\$20,592	\$3,963	\$8,580	\$5,780	\$3,268	\$42,183
All	\$21,449	\$5,669	\$10,417	\$7,097	\$3,463	\$48,095
Unit Price Averages						
<\$2 million	\$72	\$43	\$80	\$67,512	\$26,791	-
\$2-5 million	\$125	\$61	\$196	\$56,865	\$38,901	-
>\$5 million	\$146	\$60	\$199	\$74,944	\$106,884	-
All	\$111	\$49	\$126	\$67,913	\$77,324	-
Median of all	\$95	\$41	\$89	\$53,063	\$57,292	-
Capitalization Rates (All)						
Range	5.3 - 10.5	5.3 - 11	5 - 9.5	4.1 - 10.6	6.3 - 12.3	4.1 - 12.3
Average	7.6	7.8	7.2	6.9	9.1	7.7

Hotel

- RERC's transaction analysis indicates Columbus area hotel properties are selling for an average price of \$57,281 per unit, considerably lower than the regional average of \$77,324 per unit, and nearly half the national average price of \$110,713 per unit.

- The average capitalization rate for the Columbus area is 9.1 percent, equal to the regional average and 40 basis points higher than the national average of 8.7 percent.

- CCIM designees and candidates rated the Columbus hotel market an 8.0 on a scale of 1 to 10, the highest rating given to any of the property types within the area.

Columbus Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
Volume						
<\$5 million	\$77	\$85	\$82	\$42	\$18	\$303
>\$5 million	\$217	\$436	\$425	\$212	\$65	\$1,355
All	\$294	\$521	\$507	\$254	\$83	\$1,658
Unit Price Averages						
<\$5 million	\$85	\$43	\$111	\$36,865	\$44,925	-
>\$5 million	\$117	\$38	\$187	\$48,963	\$67,578	-
All	\$90	\$41	\$133	\$42,007	\$57,281	-
Median of all	\$73	\$39	\$97	\$40,013	\$63,510	-
Capitalization rates (all)						
Range	6.3 - 10.5	6.2 - 10.3	5.7 - 9.5	5.2 - 8.6	6.8 - 11.4	5.2 - 11.4
Average	8.4	8.2	7.6	6.9	9.1	8.0

NCREIF Real Estate Index Returns - 4Q 2006					
	Office	Industrial	Retail	Apartment	Average
Total Returns:					
1-Year Rate	4.60%	15.50%	6.90%	-	7.20%
3-Year Rate	4.00%	17.70%	15.20%	-	10.30%
5-Year Rate	3.10%	13.30%	7.50%	-	6.60%
10-Year Rate	4.60%	10.20%	-	-	6.80%
15-Year Rate	-	8.90%	-	-	6.80%
Income Return					
1-Year Rate	7.80%	8.30%	5.90%	-	6.80%
3-Year Rate	7.70%	9.00%	7.40%	-	7.60%
5-Year Rate	8.20%	9.30%	8.30%	-	8.20%
10-Year Rate	8.50%	9.30%	-	-	8.70%
15-Year Rate	-	9.60%	-	-	9.00%
Allocation					
	Office	Industrial	Retail	Apartment	Other
1-Year Average	30%	16%	47%	0%	8%
3-Year Average	32%	16%	43%	0%	10%
5-Year Average	33%	17%	41%	0%	9%
10-Year Average	42%	14%	33%	0%	11%
15-Year Average	34%	22%	22%	0%	22%

Sources: RERC and National Council of Real Estate Investment Fiduciaries

Noteworthy Transactions

- The industrial property located at 1580 Williams Road and containing 744,000 total square feet sold for slightly more than \$16 million, or approximately \$20 per square foot, below the average price of \$38 per square foot for industrial properties in the area selling for more than \$5 million.
- The 115,750-square-foot Northwoods II office property, located at 8101 North High St., sold for nearly \$11 million, or approximately \$90 per square foot, below the average price of \$117 per square foot for area office properties selling in this price category.
- The Creekside XII industrial property, located on Creekside Parkway and consisting of 74,000 square feet, sold for nearly \$30 million, or \$41 per square foot, comparable to the average price for industrial properties in the area selling for more than \$5 million.
- The 28-unit apartment complex located at 328-360 Napoleon Ave. sold for nearly \$400,000, or about \$14,000 per unit, less than half the average price of \$36,865 per unit for apartment properties in the area selling for less than \$5 million.
- The 28,000-square-foot retail property located at 8333 Lazzelle Road sold for just under \$5 million, or approximately \$165 per square foot, well above the average of \$111 per square foot for retail properties in the area selling for under \$5 million.