2013 Fearless Economic Forecast

2012 was a year of restrained economic growth and cautious optimism for the future. 2013 is shaping up to be a very similar year. Many of the same concerns and issues that restricted further growth in 2012 continue to persist into 2013. In particular, uncertainty continues to slow down development and progress in several key economic indicators. Despite these ongoing concerns, the overall feeling for 2013 should be sustained cautious optimism.

Overall, the national economy continues to grow at a slow pace. Early 2012 projections for increased rate of growth starting in the 4th quarter of 2012 and heading into 2013 were met with disappointment. Rather than growing at a faster rate in the 4th quarter, the economy actually shrank for the first time since the recession technically ended. Whereas the 3rd quarter national GDP experienced a 3.1% growth rate, it receded by 0.1% in the 4th quarter.

There were two likely factors leading to this mini-recession. The first was the largest cut in defense spending in 40 years. The other was the uncertainty surrounding the “fiscal cliff” debate. With such pervasive lack of confidence, employers slowed down hiring and consumers slowed down spending, leading to the economy shrinking in the 4th quarter.

The question most economists seem to be pondering now is how the Social Security tax increases will affect the already downward trending economy. With hiring slowing down and taxes going up, these negative indicators would seem to warrant overall pessimism. Instead, economists are predicting slow growth for the economy in 2013.

Similarly, national Commercial Real Estate predictions are calling for stability and marginal improvement in 2013. With leveling property values, increases in operating income, and measured increase in new construction activity there is enough reason to expect 2013 to be slightly better than 2012 nationally.

Locally, the economy is faring far better than the national economy. With national unemployment hovering around 7.8%, Ohio is dealing with 6.7% unemployment. Even more locally, Central Ohio has an unemployment rate of just 5.4%, which is the lowest it has been since May 2008. In 2012 alone the Central Ohio unemployment rate dropped from 7.3% to 5.5%. By the end of 2013, Central Ohio is expected to recover all of the jobs it lost during the recession.

Last September Columbus was featured in articles in the New York Times and in Time Magazine’s business section online. Specifically, both articles discussed Columbus’ remarkable recovery from the recession. Forbes ranked Columbus’ economy 7th strongest of all United States metropolitan areas, citing private-sector job growth, unemployment, and housing price appreciation.

Additionally, consumer confidence in the Midwest is mostly optimistic about 2013. In a Huntington Bank survey of Midwest consumers, they found that more than half of them are planning home improvement projects in 2013. More than half of those said their projects would be paid for in cash. Around 75% of consumers are planning a vacation away from home in 2013 with over 60% saying they would be paying in cash. More than 70% plan on spending the same or more on entertainment and dining in 2013. Local business owners share consumers’ confidence as well. 73% of business owners expect profitability to be good or excellent in 2013, up from 51% in 2012.

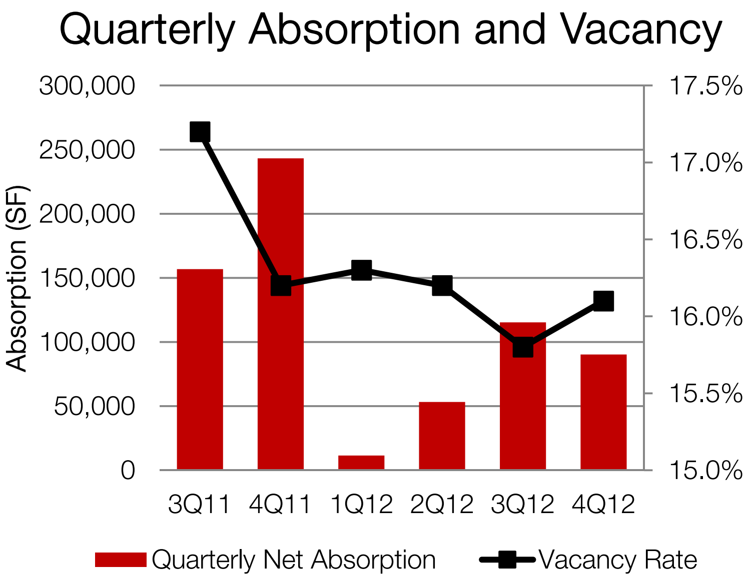
In Central Ohio Commercial Real Estate, the most obvious sign of growth is happening in multifamily housing. Downtown apartment construction continues to be on the rise and all across Central Ohio new apartment complexes are sprouting up. Medical offices are another segment that is doing well and expected to continue to grow in 2013.

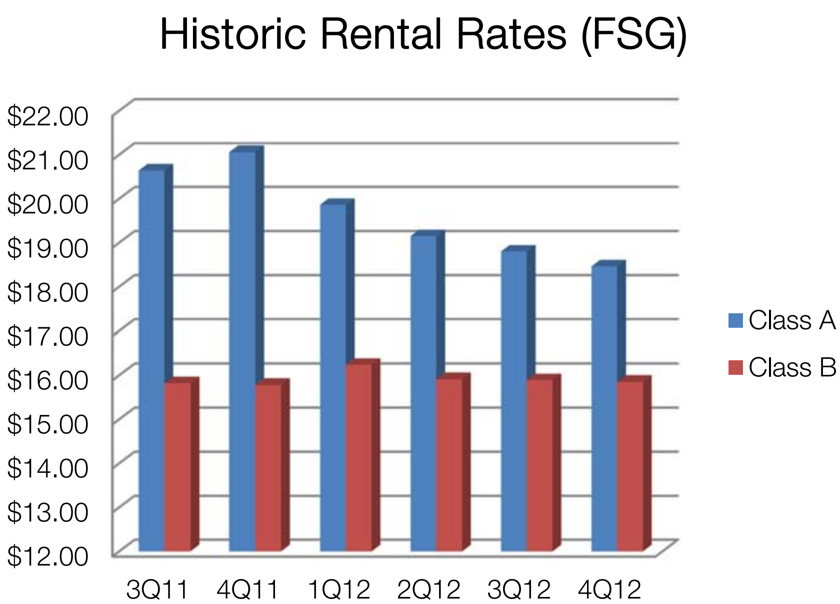
With new commercial development still expected to be slow in 2013, retail growth is likely to be contained in existing areas that are already doing well. In many cases, community shopping centers have been the strongest performing retail centers, outperforming regional malls and power centers. In the industrial sector, bulk and distribution space show the strongest signs of growth.

According to a Real Estate Trends in 2013 report published by the Urban Land Institute (ULI), cap rates in the industrial and retail sectors are expected to rise in 2013, while the office sector is projected to see a slight decline in cap rates.

In general, while a lot of these factors are positive and trending toward growth, the size of this growth is still expected to be somewhat limited. In recent years, stability and flat performance have been seen as positives, so even modest growth should continue to be viewed as positive for the Central Ohio region. If 2013 can meet or exceed expectations, 2014 could be looking at even greater potential for growth.

OFFICE MARKET OVERVIEW 4th QUARTER





Submarket/ Building Class	# of Bldgs	Inventory (SF)	Total Available (SF)	Direct Vacant (SF)	Vacancy Rate (%)	Sublease Available (SF)	Qtrly Net Absorption (SF)
Northwest	112	9,557,877	1,850,878	1,344,344	14.10%	184,950	23,085
A	38	5,115,214	1,165,630	791,891	15.50%	133,959	-8,550
B	74	4,442,663	685,248	552,453	12.40%	50,991	31,635
Northeast	42	3,034,365	813,163	660,425	21.80%	23488	74114
A	11	1,283,520	407,930	286,423	22.30%	10988	46013
B	31	1,750,845	405,233	374,002	21.40%	12500	28101
CBD	67	10,405,558	1,844,445	1,520,007	14.60%	64,473	47,686
A	22	4,614,160	695,496	570,335	12.40%	37,255	63468
B	45	5,791,398	1,148,949	949,672	16.40%	27,218	-15,782
North Central	2	189,092	27,674	27,674	14.60%	0	0
B	2	189,092	27,674	27,674	14.60%	0	0
North	62	5,051,903	1,069,210	934,430	18.50%	23,448	-48,658
A	9	1,279,143	291,477	223,050	17.40%	19,096	-42,113
B	53	3,772,760	777,733	711,380	18.90%	4,352	-6,545
East	34	2,929,712	536,806	383,672	13.10%	36,554	-6,019
A	13	1,701,232	253,465	222,281	13.10%	15,342	29,705
B	21	1,228,480	283,341	161,391	13.10%	21,212	-35,724
Grand Total	319	31,168,507	6,142,176	4,870,552	15.60%	332,913	90,208

The Columbus office market has something to brag about. During 2011and 2012 there has been positive net absorption of office space. This means over the last 8 quarters more square footage has been leased, opposed to being vacated. In fact, during this period over 1 million SF has been absorbed within the entire 31 million SF market, which includes 319 class A and B downtown and suburban buildings. Positive absorption has a favorable trickle-down effect toward lowering vacancy rates and stabilizing lease rates. In Columbus, the direct vacancy rate is 15.6%, which is 1.5% less than the national average of 17.1%. Columbus' lease rates have increased slightly averaging $16.70 per SF Full Service Gross.

Over the past few months Columbus has experienced some substantial office sale transactions. Most notably Montreal-based Amcor Holdings Inc. bought a 780,000 SF office building portfolio for $25.1 million ($32 per SF) that ranges from northwest to northeast Columbus along Interstate 270. Downtown also experienced a recent big sale. In December Columbus developer Casto and partner Bob Meyers bought Bicentennial Plaza, a 113,309-SF office building at 250 Civic Center Drive for $6.1 million ($37.05 per SF). Casto will be relocating their office from the Arena District into 38,000 SF of the building during the fall of 2013, which will put the building above 90% occupancy.

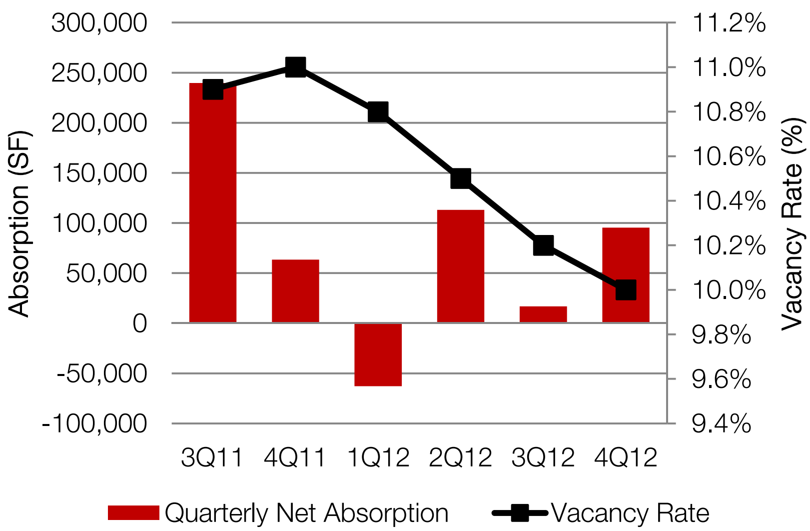
The downtown office market has good things on the horizon as the demand for downtown living continues to grow. There are thousands of apartments and condos either in development or planned over the next 10 years. As the young professionals and baby boomers continue to be attracted to city life, retail development will slowly follow to create a truly balanced submarket for residential, retail and office. From a downtown office leasing perspective, this influx of residents should help the market as it will hopefully offer greater employment and growth opportunities to downtown businesses as the live, work and play lifestyle continues to boom downtown.

Andy Dutcher

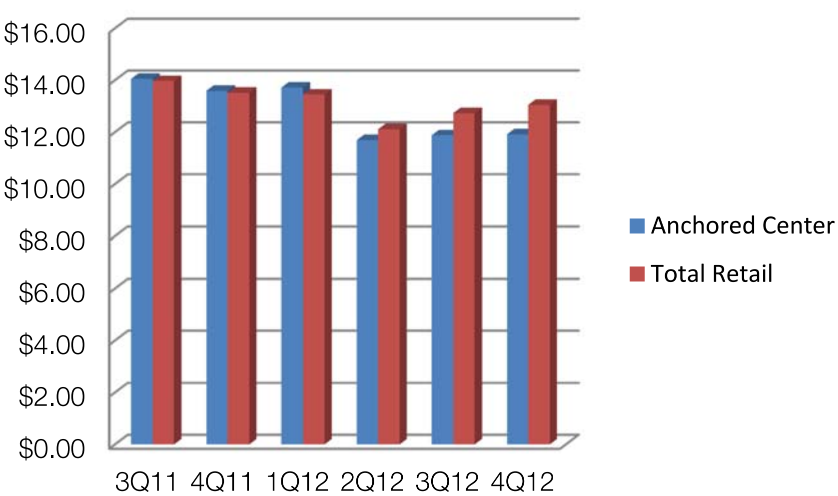
Office Specialist

614 629 5266

Quarterly Absorption and Vacancy



Historic Rental Rates



Submarket	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
North-Northeast	**103**	**10,797,167**	**1,173,914**	**998,248**	**9.20%**	**998,248**	**9.20%**	**43,740**
Anchored Strip.Center	23	3,190,762	312,934	284,158	8.90%	284,158	8.90%	4,618
Power Ctr	11	4,048,299	282,110	172,868	4.30%	172,868	4.30%	19,274
Community/ Convenience	69	3,558,106	578,870	541,222	15.20%	541,222	15.20%	19,848
Northwest	**77**	**8,898,875**	**691,485**	**630,907**	**7.10%**	**588,144**	**6.60%**	**27,693**
Anchored Strip.Center	17	2,441,908	239,192	215,978	8.80%	215,978	8.80%	24008
Power Ctr	11	3,361,932	180,117	165,994	4.90%	123,231	3.70%	-4,400
Community/ Convenience	49	3,095,035	272,176	248,935	8.00%	248,935	8.00%	8085
Southeast	**53**	**6,259,434**	**975,019**	**866,797**	**13.80%**	**862,697**	**13.80%**	**-10,773**
Anchored Strip.Center	17	2,165,016	263067	192507	8.90%	188407	8.70%	2065
Power Ctr	6	2,654,731	396,520	382,383	14.40%	382,383	14.40%	8727
Community/ Convenience	30	1,439,687	315,432	291,907	20.30%	291,907	20.30%	-21,565
Southwest	**37**	**4,992,199**	**856,557**	**832,715**	**16.70%**	**806,989**	**16.20%**	**-4,513**
Anchored Strip.Center	8	1,272,570	368,448	358,448	28.20%	358,448	28.20%	0
Power Ctr	7	2,323,478	291,061	278,219	12.00%	278,219	12.00%	1000
Community/ Convenience	22	1,396,151	197,048	196,048	14.00%	170,322	12.20%	-5513
Outlying.Counties	**82**	**7,868,441**	**797,515**	**653,577**	**8.30%**	**635,377**	**8.10%**	**39,240**
Anchored Strip.Center	23	2,585,265	331,880	293,442	11.40%	275,242	10.60%	15,083
Power Ctr	10	2,958,139	253,536	152,536	5.20%	152,536	5.20%	10,158
Community/ Convenience	49	2,325,037	212,099	207,599	8.90%	207,599	8.90%	13999
Grand Total	352	38,816,116	4,494,490	3,982,244	10.30%	3,891,455	10.00%	95,387

"If the economy was a patient, it has gotten out of intensive care but it still is in the hospital," said retail consultant Chris Boring of Boulevard Strategies. Most in the industry would agree with Boring's statement that our economy, most specifically commercial retail, has made strides. The Central Ohio Commercial Information Exchange (COCIE) backs up Boring's claims, reporting the retail sector has completed 2 consecutive years of positive net absorption.

Retail vacancy rates in Central Ohio are down to 10% for the Q4 of 2012, which were at 10.75% at the end of Q1 of 2012. Over the course of 2012, 218,000 SF were absorbed. Reports indicate the numbers are headed in the right direction. Brokers and developers alike will hope to see these numbers/rates continue to improve, further solidifying a healthy trend of market growth in Columbus.

In lieu of encouraging growth in the retail sector's vacancy figures over the past few years, some concerns for new development still loom. Issues such as: E-commerce's continual growth, chains downsizing (i.e. Wal-Mart's new 20,000 SF urban prototype), and empty-nesters migrating away from suburbs and trending toward town centers. For these reasons, it can be expected that "pioneering" retail development will continue to be slow. Look instead for retailers to eye previously obsolete space for redevelopment. "The best retail locations will always be at Main & Main; traffic counts and roof top density are the demand drivers" says Michael Simpson of NAI Ohio Equities. National retailers are expanding in Columbus, but not due to *urban sprawl.* The best sites today are best described as *urban renewal*.

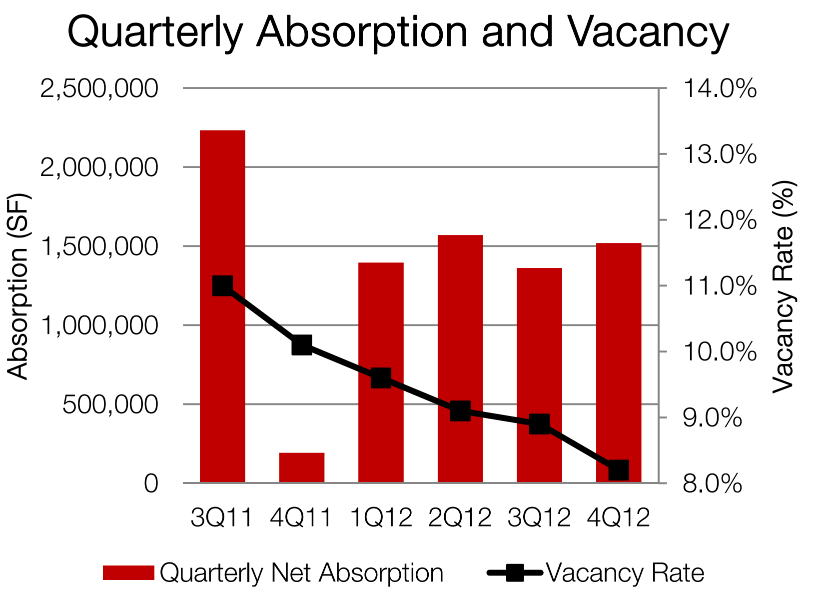
Noteworthy examples of successful retail redevelopment can be found at the Shops of Worthington (formerly Worthington Square Mall) and the Commons at Clark Hall in Gahanna (formerly Kroger). Restaurants of all kinds continue to lead the charge as the most active retail category.

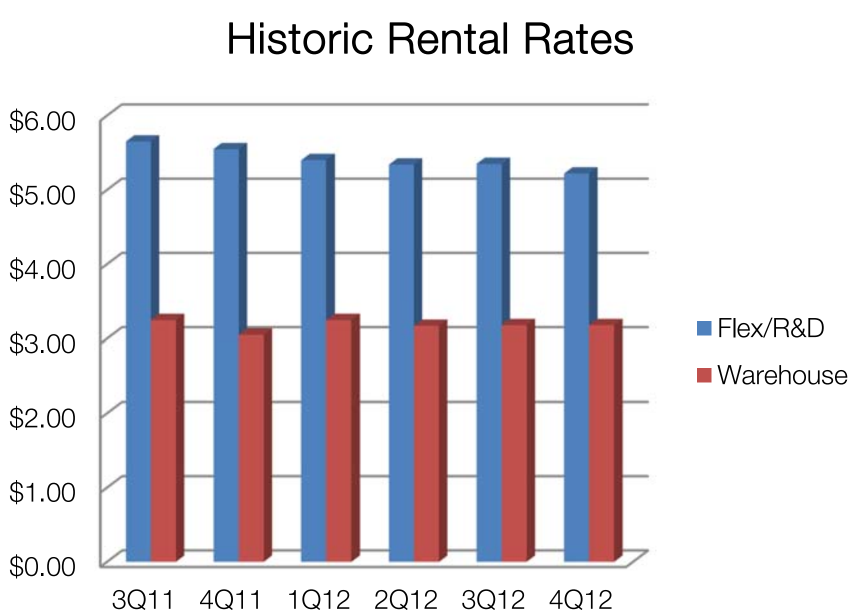
Michael Simpson

Retail Specialist

614 629 5236

INDUSTRIAL MARKET OVERVIEW 4th QUARTER





Property Type	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
Flex	574	21,794,784	3,554,419	3,170,113	3,158,113	14.50%	212,512
Light Industrial	957	42,511,716	1,737,562	948,305	948,305	2.20%	22,844
Truck Terminal	65	2,342,950	189,376	161,984	123,929	5.30%	0
Manufacturing	221	29,702,945	2,096,889	1,972,374	1,972,374	6.60%	963,551
Warehouse	883	135,661,630	18,329,540	12,757,158	12,590,451	9.30%	321,132
Total	2,700	232,014,025	25,907,786	19,009,934	18,793,172	8.10%	1,520,039

Submarket	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
CBD	97	3,725,880	200,270	200,270	200,270	5.40%	82,032
East	407	25,794,850	2,534,372	2,147,760	2,039,760	7.90%	1,421,617
North	349	19,030,928	3,399,267	1,778,554	1,778,554	9.30%	57,278
Southeast	511	70,365,016	9,831,760	7,882,640	7,853,730	11.20%	813
Southwest	269	21,055,145	1,580,796	1,051,434	1,051,434	5.00%	50,591
West	526	38,505,458	4,409,305	3,204,619	3,124,767	8.10%	-33,754
Outlying	541	53,536,748	3,952,016	2,744,657	2,744,657	5.10%	-58,538
Grand Total	2,700	232,014,025	25,907,786	19,009,934	18,793,172	8.10%	1,520,039

The industrial sector in Columbus continues to be on the rise. The end of the year brings the 4th consecutive quarter of positive net absorption as vacancy continues to fall. The positive net absorption can be linked to the lack of new product being built in the region. This lack of new product and the growth of existing tenants in the region have caused vacancy rates to fall from 8.9% to the current rate of 8.2%. In tandem with declining vacancy rates, the rental rates for Class "A" properties are on the rise.

The 4th Quarter has brought a mix of strong investment sales and owner/user sales this quarter. Cabot Properties, a Boston based investor, purchased a 508,760 SF 100%-occupied warehouse at 2727 London Groveport Rd. This sale was recorded at $13,650,000 ($26.83/SF).

First Industrial Realty Trust, Inc, a real estate investment trust, recently completed their exit from the Columbus market. Their withdrawal from the market was finalized when they sold a 56 acre property at 4300 Cemetery Rd in Hilliard, Ohio for $5.3 million. First Industrial previously completed the sale of 10 industrial properties in September 2012. The company has sold nearly 3 million SF of warehouse and distribution space in the region to Dallas-based Westmount Realty Capital LLC and Garrison Investment Group of New York for $38.7 million.

As some sever their ties within the Central Ohio market other companies have expanded their presence. Philadelphia based Exeter Property group paid a combined $24.8 million to DCT Industrial Trust out of Denver for 4000 Creekside and 6500 Port Rd both totaling over 800,000 SF of distribution space.

Columbus, OH is the 15th largest city in the nation and the interstates, railroads and airports continue to prove the region's ability to handle major national and worldwide distribution companies. With existing tenants expanding and new companies coming into the market every quarter there is a permeating sense of hope for the future in the Industrial Market of Central Ohio.

Ryan McGreevy

Industrial Specialist

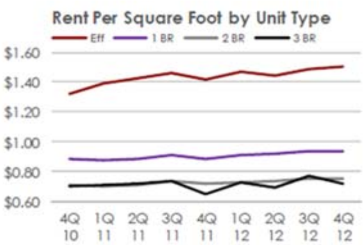
614 629 5282

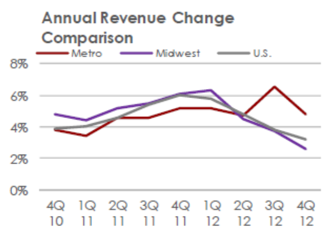
MULTI-FAMILY INVESTMENT MARKET OVERVIEW 4th QUARTER

Columbus Leads Midwest Region

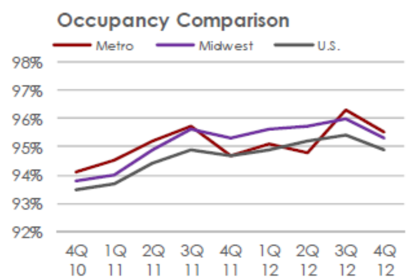
According to MPF Research, Columbus is still leading the Midwest Region in revenue growth due to the continued rent growth in the Class A properties category.

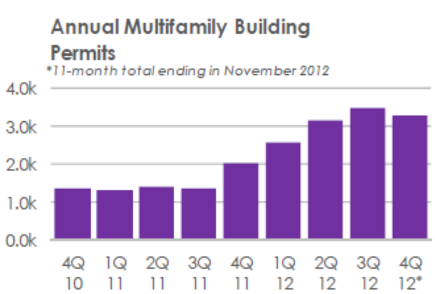
As of Q4 2012, monthly rents in Columbus averaged $747, or $0.797 PSF.





As occupancy remained solid, apartment operators in Columbus have pushed rents notably. Same-property rental rates rose 4% year-over-year, the 7th annual increase of 4% or more in consecutive quarters. Combining the annual shifts in occupancy and pricing, Columbus recorded annual revenue growth of 4.8%, the seventh straight quarter in which the metro recorded growth of 4.5% or better.





Columbus recorded its strongest annual demand tally in eight quarters, absorbing 2,124 units in 2012. This annual performance was the 11th annual occupancy increase in the past 12 quarters. The Q4 2012 rate of 95.5% was the eighth consecutive quarterly reading of 95% or better.

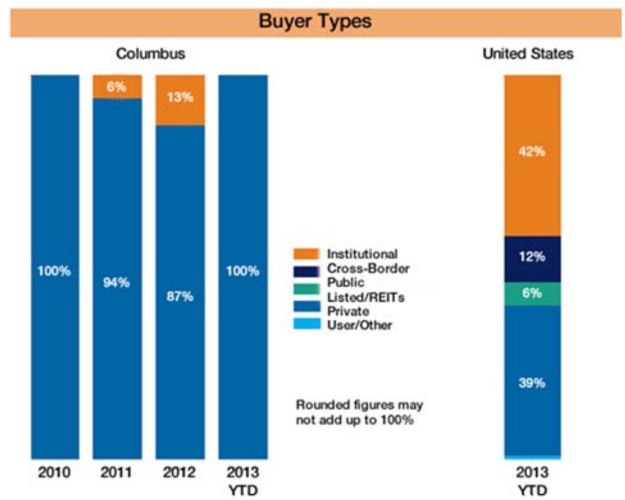
Notable Multi-Family Sales

Property	Price	Units	$/Unit	Sale Date
Residence at Sawmill Pk	$8.3M	120	$69,167	12/2012
Island Club	$24.6M	308	$79,708	11/2012
Muirwood Village	$7.3M	164	$44,207	11/2012
The Quarry	$66.0M	674	$97,923	12/2012
Cooper Colony	$3.1M	70	$44,143	12/2012
River Pointe	$4.9M	160	$30,625	10/2012
Hilliard Park	$19.8M	201	$98,507	9/2012
Hilliard Summit	$24.1M	208	$115,865	9/2012
Easton Commons	$18.1M	206	$87,892	9/2012
The Woods at Polaris	$19.0M	220	$86,340	9/2012

CENTRAL OHIO SNAPSHOT

	OCCUPANCY			RENT		
Niche	Current Rate	Change Quarterly	Change Annual	Monthly Rent	Change Quarterly	Change Annual
YEAR BUILT						
2000+	96.8%	-1.1	-0.1	$878	-1.7%	2.8%
1990s	96.9%	-1.0	-0.2	$849	-0.5%	5.9%
1980s	96.3%	-0.6	1.0	$734	0.2%	3.4%
1970s	94.7%	0.0	1.6	$634	0.3%	2.9%
Pre-1970	92.0%	-2.0	1.8	$647	0.7%	4.9%
BUILDING HEIGHT						
Low-Rise	95.5%	-0.8	0.8	$740	-0.1%	4.3%
Mid-Rise	98.9%	-0.7	-0.5	$1,026	-4.4%	-5.7%
High-Rise	92.0%	-3.2	2.3	$733	-2.3%	0.1%
UNIT TYPE						
Eff	97.0%	1.3	1.2	$589	2.8%	4.0%
1 BR	95.4%	-0.7	1.0	$642	0.0%	4.3%
2 BR	95.5%	-1.0	0.3	$773	-0.5%	3.9%
3 BR	95.3%	-1.1	3.0	$962	-0.1%	3.9%
METRO AVERAGE	**95.5%**	**-0.8**	**0.8**	**$747**	**-0.3%**	**4.0%**

Source: MPF Research



According to Real Capital Analytics, the Private Investor sector, which made up 87% of the buyers, out purchased the Institutional Investor in the Columbus Market.

Top Ten Buyers for 2012

1. The Connor Group	6. Core Properties
2. Steadfast Income REIT	7. Dial Equities
3. Management Group Inc.	8. The Embassy Group (NY)
4. Blackstone	9. Champion Prop Mgmt
5. Morgan Management	10. Monarch

Jerry Hall, CCIM

614 629 5262

NAI Global MULTIFAMILY GROUP