



MARKET ANALYSIS

OVERVIEW

This component of the report will identify the 10-year market potential to develop multifamily residential rental housing in Gahanna, Ohio.

Residential potential is considered for all of the PDAs except for the Industrial PDA (see Chapter 6 for PDAs) Our residential conclusions relate to the overall potential over a 10-year period and are best suited as ancillary, or infill, development. Residential opportunities can also facilitate an accelerated development or absorption of the land involved.

EMA vs CMA

THE EFFECTIVE MARKET AREA (EMA)

The EMA is the smallest area expected to contain the greatest concentration (60% to 70%) of support for the proposed project. EMA boundaries have been determined based on interviews with area real estate, planning, and housing professionals, analysis of area mobility patterns, and past surveys conducted within prior market studies.

EMAs may differ based on the type of development. For example the Office EMA will not be the same as the Retail or Residential EMA. The EMA specific to each use in this report will be defined in the introduction portion of each component. A 100% database provides substantial advantages over looking at only a selected comparable. A 100% database allows consideration of the proposed project in the context of the whole area market, establishing a relationship to other area properties.

Further, it allows an identification of potential product and pricing niches not previously considered, as well as the potential for identifying replacement support.

THE COMPETITIVE MARKET AREA (CMA)

The CMA is defined by the existing facility configurations relative to a potential site or market, location of population, density of support components, and highway patterns. The Competitive Market Area is used when customers are likely to originate from well outside a conventional Effective Market Area. For example, demand calculations for lodging or industrial uses apply a Competitive Market Area methodology. This methodology has significant advantages in that it considers existing natural and manmade boundaries and socioeconomic conditions. It also enables market share calculations and estimates. This is especially useful in the lodging evaluation since the origin of lodging customers is generated from a national or international basis. The Competitive Market Area enables the evaluation of the competitive market and identifies over support versus supply along with potential voids in the market.

Figure 3.1: 10 Year Development Recommendation Summary

Land Use		10 Year Development SF/ Units
OFFICE 	Class A Office	343,200 SF
	Class B Office	424,000 SF
INDUSTRIAL 	Manufacturing, Warehouse, Office Showroom & Flex	800,000 SF
LODGINGS & CONFERENCE SPACE 	Hotel Keys	408 Keys
	Conference	25,000 SF
RESIDENTIAL 	Residential	720 Units



OFFICE

APPROACH

This analysis is based on the establishment of a Site Effective Market Area (EMA) for new multi-tenant office development. EMA refers to a methodology developed by the Danter Company, LLC to describe areas of similar economic and demographic characteristics. The EMA is defined as the smallest geographic area that is expected to generate 65% to 70% of support. In the case of this EMA for office development, the external support is expected to be relatively strong because of the overall strength of the office market and unique character of the market area. EMAs are bounded by both “hard” and “soft” boundaries. Hard boundaries are marked by rivers, freeways, railroad rights of way, and other physical boundaries. Soft boundaries are changes in the socioeconomic makeup

of neighborhoods. EMAs may differ based on the type of development. For example the Lodging EMA will not be the same as the Office or Residential EMA. The EMA specific to each use in this report will be defined in the introduction portion of each component.

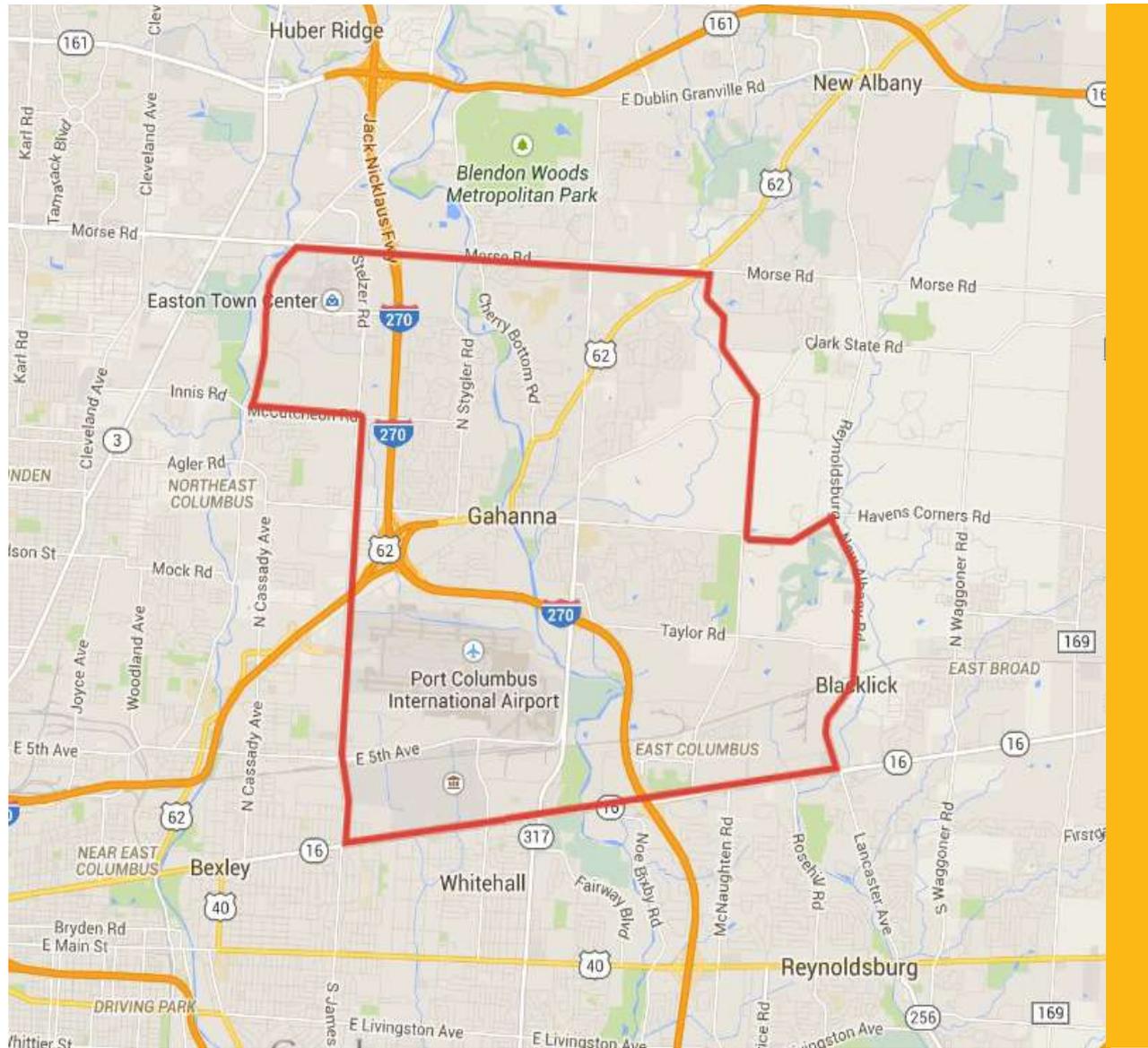
Other factors impacting the EMA are:

- Competing facilities and their relationship to the five PDA’s
- An analysis of traffic patterns
- Population, employment, commercial, and service concentrations
- Interviews with major area businesses
- Personal observations of the analyst
- Information generated in previous studies by The Danter Company

In determining the EMA, field research was also conducted in the surrounding areas to determine if competing facilities are located on the periphery of the EMA and if these areas affect support at the proposed site.

The Site Effective Market Area supporting office development includes Gahanna and the surrounding area of Columbus, including the Easton area and the area surrounding Port Columbus. Specifically, the Effective Market Area for multitenant office space is bounded by Morse Road to the north, Shull Road, Mann Road, and Reynoldsburg-New Albany Road to the east, East Broad Street to the south; and Stelzer Road, McCutcheon Road, and Sunbury Road to the west.

OFFICE COMPETITIVE MARKET AREA MAP



RECOMMENDATIONS

Based on the annual absorption potential, the Gahanna multitenant office market has the potential to absorb up to 767,000 square feet of Class A/B office space over a 10-year period. It is anticipated that the City of Gahanna, using a variety of economic development tools, will be able to facilitate a reduction of development costs manifesting some potential Class A rates to Class B levels.

Based on the current office market in the Gahanna EMA, we recommend the development of both Class A and Class B office space on 4 of the PDA tracts over a 10-year period. It should be noted that the total of 767,000 square feet represents the potential impact on new space. It should be noted that 52% of the total space absorbed within new development would be generated from internal mobility. Mixed-use space that includes office space and a showroom should be incorporated into a portion of all new office development. Incorporating showroom space into new office development increases the potential tenant base from just conventional office users. A variety of square footage options should be made available. Smaller office suites should be incorporated into new Downtown, North Triangle, and West PDA tracts while medical, large users and signature office buildings should be considered on the South PDA.

INTERNAL MOBILITY

The first component represents the greatest source of support for any new office development. Previous studies performed by The Danter Company indicate that firms generally move because they require additional space that is not readily available in their existing building. Tenants, however, typically remain in the same area or follow mobility patterns similar to residential mobility.

Furthermore, in addition to moving into larger quarters, tenants generally move into newer, higher-quality space. Each time a tenant's lease is scheduled for renewal, potential exists for that tenant to consider moving to another office. In a period of economic contraction there can also be a move down mobility, having a positive impact on individual buildings but an overall negative impact on the overall market.

For new multitenant office development in the study area, it is expected significant support to originate from businesses currently in the EMA that are occupying older, moderate quality office space. Based on previous office studies conducted by The Danter Company, we determined that tenants are typically willing to incur a rental increase of up to 15% for a different rental alternative when it is perceived as a value.

With nearly 36% of the office space in the EMA being Class B space, it would be important for any new Class A office space developed to offer rents that are within reasonable step-up of all class B space.

While only 14.7% of the office space in the EMA is Class C, any new Class B office space developed at any of the PDA Tracts should offer rents that are within a reasonable step-up of the Class C space but also provide quality space that will be attractive to those currently in Class B space as well as lower-tier Class A space. Further, well-conceived Class B space will attract rent-conscious Class A tenants to a lower rent, step-down support.

Based on our field survey of multitenant office space, an \$18.00 per square foot price point (full service) for Class A space is recommended to achieve maximum absorption. This rate would be affordable to tenants currently within lower-quality properties (Class B) and also attractive to

those paying lower-tier Class A rates.

Within the EMA, there is approximately 1,655,800 square feet of office space currently occupied by tenants paying rents within the appropriate “step-up” range.

The average lease terms among the existing office space is 5 years. Assuming an average 4-year lease term, there is approximately 331,200 total square feet of occupied office leases maturing each year. It should be noted that support from internal mobility is generated not only from the total existing, occupied square footage within the “stepup” range, but also from net gain from those tenants requiring larger quarters. Businesses average a 10% gain in space when moving. (This has increased significantly since the mid-2000s when firms were actually reducing the size of their facilities.

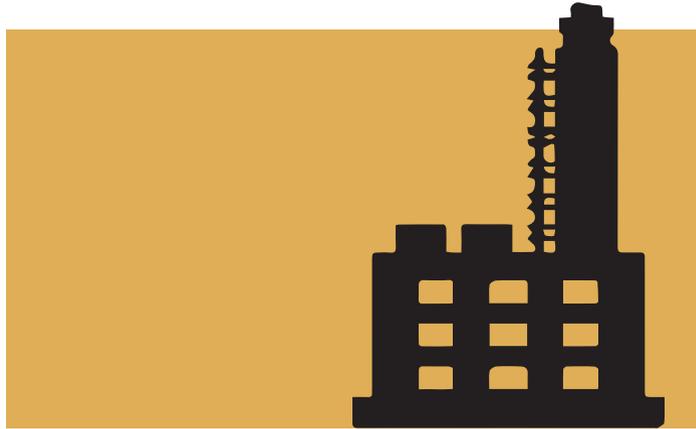
We expect approximately 63% of support for any new office development at one of the PDA Tracts to be generated from the existing office space, as well as the net gain, within the Site EMA.

EXTERNAL MOBILITY

The second component includes firms new to the EMA. Based on interviews with tenants and building management companies, as well as previous case studies, we expect the external mobility component would contribute approximately 32% of the total market support potential.

Figure 3.2: Summary of the office space recommendations by PDA

RECOMMENDED OFFICE DEVELOPMENT ANNUAL AND 10-YEAR PROJECTION GAHANNA, OHIO	
PDA TRACT	CLASS A/B
DOWNTOWN	5,000
NORTH TRIANGLE	12,000
WEST	8,000
SOUTH	51,300
TOTAL	76,700
10-YEAR POTENTIAL	767,000



INDUSTRIAL

APPROACH

This analysis is based on the establishment of a Competitive Market Area (CMA) for new industrial/warehouse/flex development. CMA refers to a methodology developed by the Danter Company, LLC to describe areas of similar economic and demographic characteristics. The CMA is defined as the area that those seeking industrial space will consider along with the subject site. CMAs are bounded by both “hard” and “soft” boundaries. Hard boundaries are marked by rivers, freeways, railroad rights of way, and other physical boundaries. Soft boundaries are changes in the socioeconomic makeup of neighborhoods. CMAs may differ based on the type of development. For III-2 example the Lodging CMA will not be the same as the Office CMA. The CMA specific to each use in this report will be defined in the introduction portion of each component.

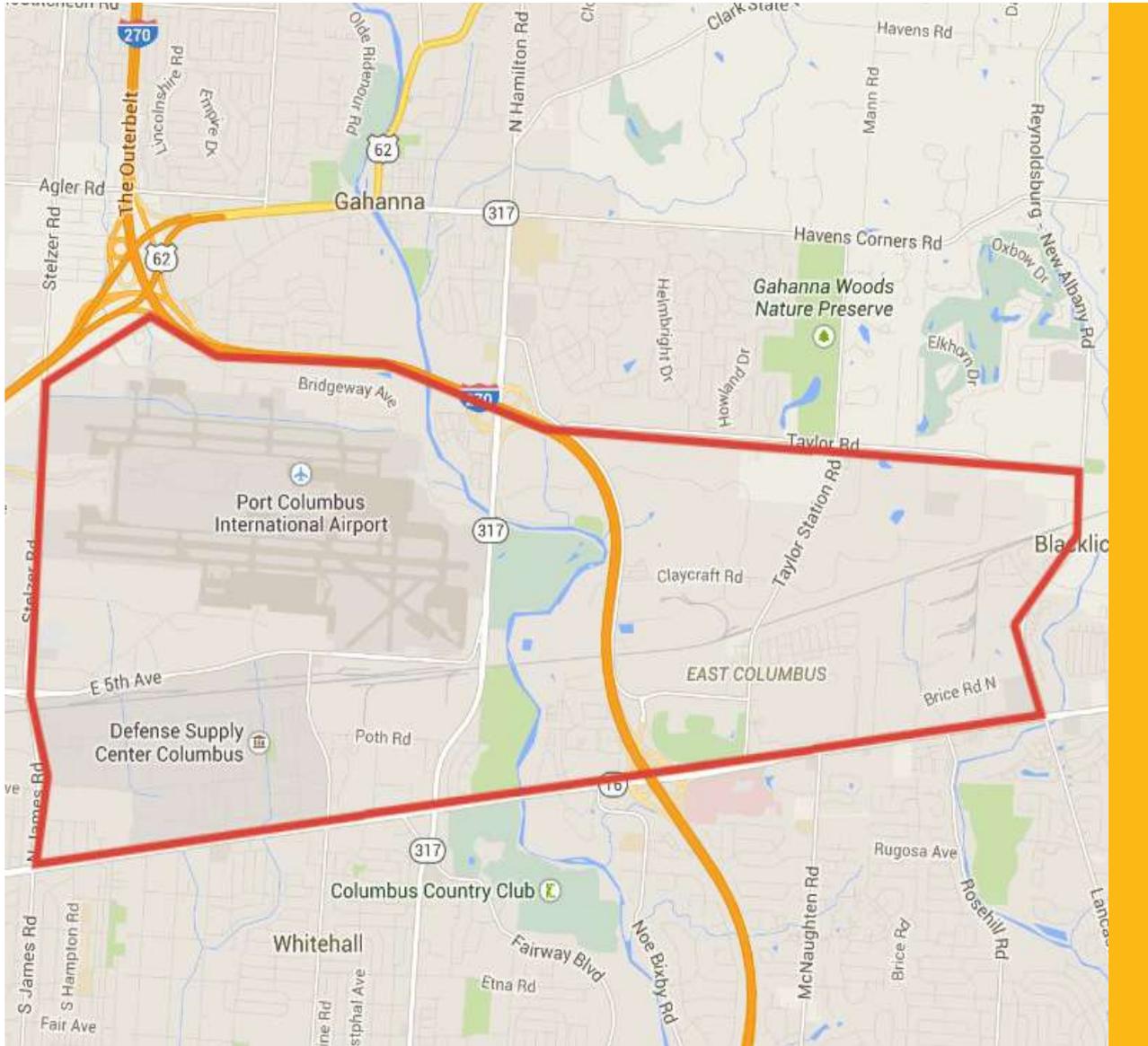
Other factors impacting the CMA are:

- Competing facilities and their relationship to the Industrial PDA
- An analysis of traffic patterns
- Population, employment, commercial, and service concentrations
- Interviews with major area businesses
- Personal observations of the analyst
- Information generated in previous studies by The Danter Company

In determining the CMA, field research was also conducted in the surrounding areas to determine if competing facilities are located on the periphery of the CMA and if these areas affect support at the proposed site.

The Competitive Market Area supporting industrial development includes the southern portion of Gahanna and the area south of Gahanna in Columbus and surrounding Port Columbus.

INDUSTRIAL COMPETITIVE MARKET AREA MAP



RECOMMENDATIONS

The support for leasable industrial space is affected by:

- Firms moving to the CMA from outside the area (external mobility).
- Expansion and mobility from tenants occupying existing space in the CMA (internal mobility from net gain).
- New business formations

EXTERNAL MOBILITY

The first component of support represents the greatest source of support for new industrial development at the Industrial PDA. External mobility comprises companies new to the Gahanna area. Development trends in the Gahanna area (including current land costs, available land, accessibility to highways, and access to Port Columbus, etc.) have made the CMA especially attractive to new companies coming into the Columbus area. This component is expected to contribute 75% of total support.

INTERNAL MOBILITY

The second component of support for new industrial/warehouse/flex development at the Industrial PDA is internal mobility. Previous studies performed by The Danter Company indicate that firms generally move because they require additional space that is not readily available in their existing building. Tenants, however, typically remain in the same area. Furthermore, in addition to moving into a larger facility, tenants generally move into newer, higher-quality space. Each time a tenant's lease is scheduled for renewal, potential exists for that tenant to consider moving to another office. In a

period of economic contraction there can also be a move down in mobility, having a positive impact on individual buildings but an overall negative impact on the overall market.

For new industrial development at the Industrial PDA, we expect support to originate from businesses currently in the CMA that require more space or are occupying older, moderate quality space. Based on previous studies conducted by The Danter Company, we expect this component to contribute approximately 20% of the total support for new industrial space.

It is important to note that of the 16.2 million square feet of space in the Gahanna CMA, only 4.4 million is actually in the city of Gahanna. The space outside of the city, space already committed to the Gahanna/Airport area, can be an important resource in recruiting new business to within the city.

NEW BUSINESS FORMATIONS

The third component, new businesses being formed, represents the least amount of support for industrial development. Most new companies are rent-conscious, and, therefore, there is potential for them to be attracted to a new facility that typically has rents at the low end of the market. This component is expected to contribute 5% of the total support.

The rate of absorption of buildings has been analyzed to determine historical trends. Past absorption trends, existing vacancy rates, and availability of land reveal current and future market expectations.

When considering past and current absorption trends in the Gahanna CMA, our expectations are that the Industrial PDA can support up to 800,000 square feet of new industrial space over the next 10 years. Our expectation is based on the average amount of space absorbed per year between 2000 and 2014 of nearly 89,000 square feet of new space per year. Our expectation also considers the 235,000 square feet of space in the CMA that is currently under construction as well as the current 7.1% vacancy rate in the market.

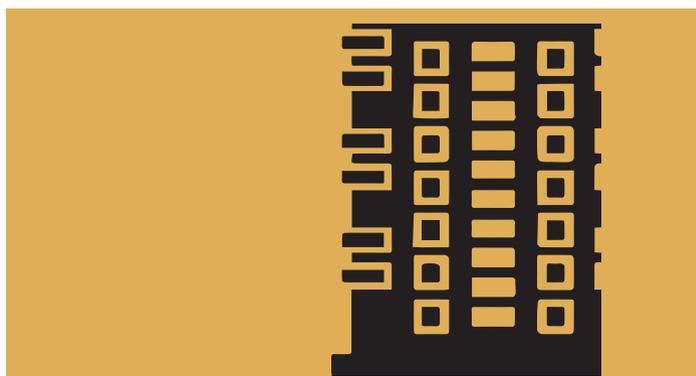
A summary of the expected demand potential for industrial/warehouse/flex space in the Industrial PDA follows (see Figure 3.2)

The primary consideration in achieving this development level will be the continued availability of land and the availability of utilities to service the developments. However, properly zoned land served by utilities is becoming increasingly scarce, potentially limiting supply in the future.

There is one important factor to be considered in making future estimates of industrial absorption. That is, the history of absorption of industrial space in Gahanna has been a function of potential users, usually from outside the market, finding their way to specific sites and/or developers. In that context, the increase in occupied space can best be described as “windfall” development. The more recent strategy of Gahanna to directly market to those “funnel points” through which most of the prospective tenants must pass can have a significant impact on future development. In addition, historically Gahanna (and to a large extent East Columbus and the Airport District) has lacked a “champion,” someone loyal only to the best interest of Gahanna. A ramped-up marketing program can play an important role in increasing Gahanna’s market capture of industrial absorption.

Figure 3.3: Summary of the expected demand potential for industrial/warehouse/flex space in the Industrial PDA

COMPONENT	EXPECTED DEMAND POTENTIAL	
	INDUSTRIAL SPACE	PERCENT
EXTERNAL MOBILITY (FROM OUTSIDE THE CMA)	600,000	75%
INTERNAL MOBILITY (FROM WITHIN SITE CMA)	160,000	20%
NEW BUSINESS FORMATIONS	40,000	5%
TOTAL	800,000	100.0%



LODGING & CONFERENCE SPACE

APPROACH

This component of the report will identify the long term market potential for lodging and conference space in Gahanna, Ohio.

Based on the characteristics of the Site EMA, a field survey of lodging development, an analysis of the appropriateness of the site for the proposed development, and a demographic analysis of the CMA, support levels can be established for additional lodging development.

The following analyses have been conducted to identify market potential for additional lodging development at the site:

- Analysis of the overall CMA lodging market
- Historical development and support trends
- An analysis of traffic patterns

- Interviews with major area businesses
- Current market conditions based on 100% field survey of modern lodging facilities
- Appropriateness of the site for the subject development
- Current and expected economic and household growth conditions
- Area lodging demand factors, including
- Commercial support
- Transient support
- SMERF (Social, Military, Educational, Religion, Fraternal)
- A trend line analysis, based on a “room rate by comparability rating” evaluation of all lodging facilities within the CMA, is used to evaluate room rates and potential flags for the proposed development.
- An analysis of the existing distribution of “flags” and room rates as compared with typical lodging markets.

The Gahanna Competitive Market Area includes Gahanna and the surrounding area of Columbus including the Easton area as well as the area surrounding Port Columbus. Specifically, the CMA is bounded by Morse Road to the north, Reynoldsburg-New Albany Road and Taylor Station Road to the east, Broad Street to the south, and James Road, 5th Avenue, and Sunbury Road to the west.

Population-generated support for motels in Gahanna is generated from an Effective Market Area (EMA). The EMA is defined as the smallest geographic area that is expected to generate 65% to 70% of the total population generated support for hotels in Gahanna. The Gahanna EMA includes Gahanna and the surrounding area of Columbus and Blacklick, including the Easton area and Port Columbus area. Specifically, the EMA is bounded by Morse Road to the north, the Franklin County line to the east, Broad Street to the south, and Sunbury Road to the west.

The CMA and EMA maps can be found in Section VI of this report.

RECOMMENDATIONS

PROJECT CONCEPT

We recommend three hotel concepts to be developed within the West and/or South PDA. It should be noted that the West PDA is not currently prioritized for short term development; therefore, the most likely development opportunity will be in the South PDA. PDA maps can be found in Section VI of this report.

- An Upscale (such as a Marriott or Hilton) lodging facility with at least 200 rooms and 20,000 to 25,000 square feet of conference and meeting space. Room rates would be in the \$160 to \$200 range. This facility should be integrated into the residential/office components of the development. This facility would benefit from both the Upper Upscale and Luxury room deficits in the market.
- The second facility would be supportive to the primary hotel (such as a Fairfield Inn, Holiday Inn

Figure 3.4: Standard Upscale Hotel Room Features

ROOMS	NUMBER	SIZE	AVERAGE DAILY RATE
STANDARD KING	130	250-280 SQUARE FEET	\$180
QUEEN DOUBLE	60	290-300 SQUARE FEET	\$190
SUITE	10	360-400 SQUARE FEET	\$225

Figure 3.5: Standard Upper Midscale Hotel Room Features

ROOMS	NUMBER	SIZE	AVERAGE DAILY RATE
STANDARD KING	36	260-290 SQUARE FEET	\$125
QUEEN DOUBLE	44	310-330 SQUARE FEET	\$135
JUNIOR SUITE	28	350-375 SQUARE FEET	\$155

Express or Hampton Inn). We would anticipate up to 108 rooms with an average rate of \$140.

- A third facility could also be anticipated, a 100-room suite facility such as Candlewood Suites or Residence Inn.

UPSCALE AND UPPER MIDSACLE HOTEL

Based on this analysis, the market can support up to a 200-room upscale property within the Gahanna market area. There should also be the creation of a link to the adjacent Columbus Airport Golf Course located immediately south of the South PDA across Big Walnut Creek. This would create the only hotel and meeting facility in the Columbus area with direct golf access.



RESIDENTIAL

OVERVIEW

This component of the report will identify the 10-year market potential to develop multifamily residential rental housing in Gahanna, Ohio.

Residential potential is considered for all of the PDAs except for the Industrial PDA (see Chapter 6 for PDAs) Our residential conclusions relate to the overall potential over a 10-year period and are best suited as ancillary, or infill, development. Residential opportunities can also facilitate an accelerated development or absorption of the land involved.

APPROACH

This analysis is based on the establishment of a Site Effective Market Area (EMA) for the proposed project. EMA refers to a methodology developed by the Danter Company, LLC to describe areas of similar economic and demographic characteristics.

The EMA is defined as the smallest geographic area that is expected to generate 65% to 70% of support. In the case of this EMA for office development, the external support is expected to account for up to 50% because of the overall strength of the site and unique character of the development. EMAs are bounded by both “hard” and “soft” boundaries. Hard boundaries are marked by rivers, freeways, railroad rights of way, and other physical boundaries. Soft boundaries are changes in the socioeconomic makeup of III-2 neighborhoods. EMAs may differ based on the type of development. For example the Lodging EMA will not be the same as the Retail or Residential EMA. The EMA specific to each use in this report will be defined in the introduction portion of each component.

Other factors impacting the EMA are:

- Analysis of the overall EMA rental housing market
- Historical housing trends
- Current market conditions based on 100% field survey of modern apartments
- Appropriateness of the site for the subject development
- Current and expected economic and household growth conditions
- Area apartment demand factors, including

The Gahanna Site Effective Market Area includes all of the City of Gahanna, as well as portions of Columbus and New Albany. Generally, the EMA is bounded by Dublin-Granville Road/State Route 161 to the north, Kitzmiller Road and Reynoldsburg-New Albany Road to the east, the CSX Railroad tracks and Interstate 270 to the south, and Interstate 270 to the west.

RECOMMENDATIONS

A market exists for 550 to 600 multifamily rental units in Gahanna over the next 10 years. However, not all of these would be located in one of the four appropriate PDAs. Further, given the focus of development of the PDAs, it is likely that apartment development would be used as infill, or supplemental development. Units could be allocated over several PDAs as required within a development plan. The following scenarios could be anticipated:

- Apartments would be a positive addition to a mixed-use retail development such as that already recommended for the West PDA (Stelzer and Agler Road area). Such development would garner premium rents as well as enhance retail and commercial development proformas. This product is a lifestyle component critical to the success of an integrated-use development, attractive equally to both employees and employers
- Similarly, apartment development could enhance mixed-use development in the South PDA.
- Apartments in Downtown and North Triangle PDAs are likely to be stand-alone properties. The overall recommendations can be used as guidelines for developments.
- Apartments in larger PDAs such as the South PDA might also serve to accelerate the full development of the area, telescoping the development period.

The recommendations in Figure 3.6 outline the general development potential for a variety of market rate product types. These may be appropriate for all of the sites depending on the overall land plan or site configuration. Some sites, especially those in the downtown area are potentially constrained by size and may be appropriate

for smaller developments insufficient to support a full amenity package.

The final site plans, because of building geometry, may contain a more appropriate mix. The unit mixes and sizes may vary from one development or developer to another and should be used as a guideline. Final recommendations would be pending additional research at the time of construction. All rents are in today's dollars.

All of the concepts have been sized and priced to yield a 12- to 14-month lease-up period based on a spring opening. Fall openings may extend the absorption period. Prior studies have shown that absorption tends to be seasonal, with up to 64% of annual absorption taking place in the peak summer months (May through August). The shoulder season (the two months on either side of the peak season) generally accounts for approximately 24% of annual absorption. The off season, November through February, typically accounts for the remaining 12% of absorption. While these percentages do not hold true in all markets, they give a good indication of the potential seasonal variations in absorption.

Figure 3.6: Distribution of Step-Up/Down Support

DISTRIBUTION OF STEP-UP/DOWN SUPPORT			
	STEP-UP SUPPORT	STEP-DOWN SUPPORT	TOTAL
ONE-BEDROOM	366	64	430
TWO-BEDROOM	631	394	1025
THREE-BEDROOM	65	133	198
TOTAL	1,062	591	1,653
TYPICAL PROPERTY	160		
RATIO OF PROPOSED UNITS TO POTENTIAL STEP-UP/STEP-DOWN SUPPORT BASE	9.7%		



ECONOMIC TARGETS

OVERVIEW

The economic target strategy for this plan is rooted in best practices of the economic development industry. This strategy combined five primary indicators in order to determine which industries and/or occupations should be targeted by the City of Gahanna. These categories include the following: Location Quotients (LQ) for the City of Gahanna, Employment Growth Rates (EGR) for the City of Gahanna, Location Quotients for the Region, Employment Growth Rates for the Region and Average Wage Rates.

APPROACH

As referenced in the Existing Conditions section of this report, the LQ and EGR are indicators of a community's competitive advantage. In addition, the Average Wage Rates of occupations are an important indicator because they directly impact the fiscal impact of the economic target strategy. By targeting those occupations that have

higher average wage rates, a community would get more return on investment from their economic development activities.

RECOMMENDATIONS

The Figure 3.6 ranked these industry sectors by the following categories: Gahanna LQ, Regional LQ, Gahanna EGR and Regional EGR. Based upon Figure 3.6, the City of Gahanna should target the Finance and Insurance, Education and Healthcare, and Professional and Business Services Industries. It is important to note that Gahanna has experienced significant growth in manufacturing, despite having a lower employment concentration. This industry should also be considered a potential target.

The Figure 3.7 ranked these Occupations by the following categories: Gahanna LQ, Regional LQ, Gahanna EGR, Regional EGR and Average Wage Rate. Based upon the chart above, the City of Gahanna should target companies with a high concentration of Management, Business, Science and Art Occupations. It is important to note that although Gahanna has experienced significant growth in Service Occupations, these occupations have the lowest average wage rate. Therefore, Service Occupations should not be a target for the City of Gahanna.

Figure 3.7: Identified Industry Targets

Industry Sectors	Gahanna LQ	Gahanna EGR	Regional LQ	Regional EGR
Finance and Insurance	1.50	-16%	1.48	-1%
Education and Healthcare	1.41	19%	1.35	4%
Professional and Business Services	1.20	16%	1.09	4%
Retail Trade	0.94	-2%	1.02	0%
Transportation and Warehousing	0.83	6%	0.90	1%
Manufacturing	0.72	45%	0.72	4%
Wholesale Trade	0.63	-13%	0.72	13%
Construction	0.56	-37%	0.82	3%

Figure 3.8: Identified Occupation Targets

Occupations	Gahanna LQ	Gahanna EGR	Regional LQ	Regional EGR	Average Wage Rate
Management, Business, Science and Art	1.32	-6%	1.13	2%	\$ 53,716
Service	1.02	46%	0.96	6%	\$ 17,503
Sales and Office	0.91	-15%	1.05	-4%	\$ 28,209
Production, Transportation and Material Moving	0.66	30%	0.90	1%	\$ 29,840