

INVESTMENT FORECAST

Office
Columbus

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Expanding Office Firms Absorb Available Space; Buyers Look North of the City For Upside Potential

Area employers boost headcounts while some tenants weigh space needs. As Columbus' economy continues to recover, overall employment is expected to end 2022 just short of the pre-pandemic total. The metro's traditional office-using sectors play a significant role in this achievement, accounting for roughly one-third of the positions added this year. Employers including Square, The Original Bark Co. and Upstart have each committed to bolstering payrolls, while Nationwide, Cardinal Health and other locally based Fortune 500 companies are potentially expanding staffs. Growth in the number of professional services and financial positions bodes well for a market that saw major employers including Alliance Data, State Farm and Discover Financial Services return square footage to the market last year. The expansion of the office-using labor pool is poised to support demand for this recently vacated space, driving positive annual absorption for the first time in the past three years. Still, near-term vacancy will likely remain slightly elevated compared to pre-pandemic numbers. Despite these circumstances, developers have more than 1 million square feet underway at the onset of this year.

Suburban Class C assets drive recent deal flow growth. As market conditions became more optimistic last year, sales velocity in Columbus recovered to pre-2020 levels. Investor activity is robust in northern Franklin County, which accounted for nearly half of all office sales last year. Buyers capitalizing on rising interest in suburban office stock may find opportunities for capital improvement plays in these submarkets. Overall, Class C properties positioned for significant renovations are in high demand among in-state investors, with assets in suburban submarkets trading at 8 percent to 9 percent cap rates. In these same locations, Class B properties are netting buyers at first-year returns 150 to 250 basis points lower. The spread of COVID-19 variants could potentially threaten further sales growth if investors anticipate the return of earlier lockdown restrictions.

2022 Market Forecast

- Employment** up 1.7%

Overall employment grows at approximately the same rate as last year, with traditional office-using firms adding 6,000 roles.
- Construction** 820,000 sq. ft.

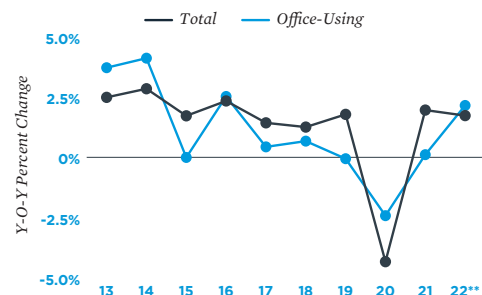
Supply additions are projected to increase by roughly 200,000 square feet on an annual basis during 2022, with the majority of new space delivered in Columbus West.
- Vacancy** down 70 bps

The resumption of in-person operations and payroll expansions by some of the metro's largest employers improves, office demand, tightening vacancy to 13.5 percent.
- Rent** up 1.3%

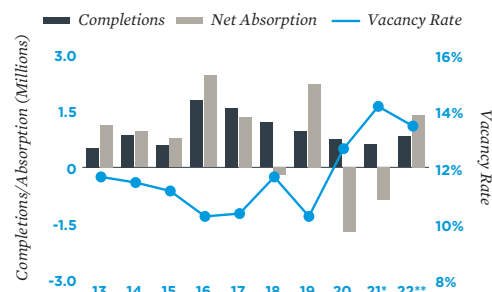
After being the only major Ohio market to observe rent growth in 2021, Columbus will maintain positive momentum as the average asking rate rises to \$15.30 per square foot.
- Investment**

Buyers with experience upgrading older buildings may scour areas north of the city, which offer the greatest selection of lower-tier assets outside of downtown and Columbus East.

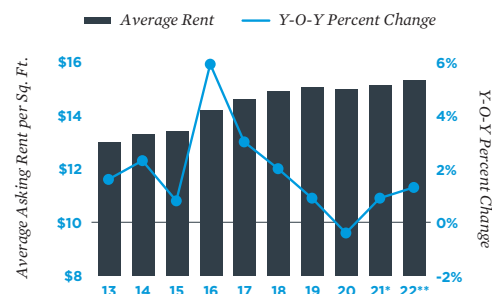
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Al Pontius
Senior Vice President
Director IPA Office
Tel: (415) 963-3000 | apontius@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2021. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.