

MARKET REPORT

Office
Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

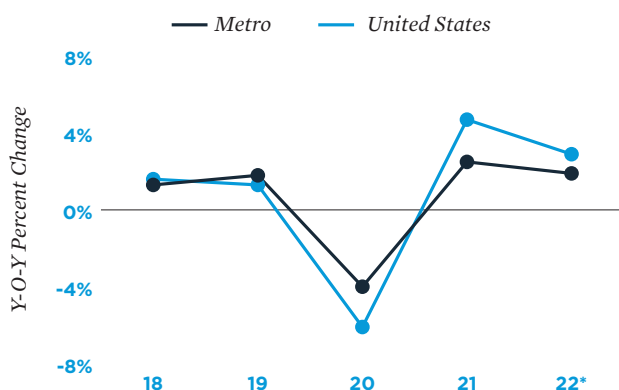
2Q/22

Landmark Tech Investment Boosts Outlook; Mid-Tier Space Aligns with Tenants' Budgets

Intel's entrance puts a spotlight on Columbus. Among the metro's 12 submarkets, Licking County's dramatic decline in vacancy was particularly notable, as it followed Intel's announcement that the company will be building two computer chip manufacturing centers in the submarket. The company is expected to bring 3,000 permanent positions to the area in the next three years, and while the direct employment impact has yet to be felt, traditionally office-using firms are betting on significant, near-term economic growth. As Intel draws residents to the area, an increased need for nearby financial, business and professional services is likely to emerge, further bolstering local office demand and potentially sparking a wave of project proposals.

Stronger pre-leasing for mid-tier space. Entering May, Class B facilities under construction accounted for roughly 650,000 square feet, with about 70 percent of that space pre-leased. In contrast, 800,000 square feet of Class A arrivals were in the active pipeline, with only 35 percent of that space accounted for. The disparity in lease commitments suggests a percentage of tenants are seeking newer-built space, but at comparably discounted rents. Existing mid-tier assets are also attracting tenants. Vertiv inked a 72,000-square-foot lease in January for Class B space, moving its corporate headquarters to Westerville in East Columbus. The supplier of data center equipment is opting to make its own renovations to the property, rather than move directly into a high-tier facility.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



**21,400
JOBS**

will be created

EMPLOYMENT:

Columbus employers added 13,000 new positions during the first four months of 2022. This hiring activity places the metro on track to surpass its previous employment total established in February 2020 by year-end.



**820,000
SQ. FT.**

will be completed

CONSTRUCTION:

Supply additions surpass the counts of the last two years, increasing inventory by 0.8 percent. Still, the volume of space completed during 2022 is below the trailing five-year average of over 1 million square feet.



**0
BASIS POINT**

change in vacancy

VACANCY:

Net absorption will return to a positive level as an increase in traditionally office-using employment requires some firms to lease supplementary space. Demand and new supply fall relatively in line during 2022, holding vacancy firm at 13.4 percent.



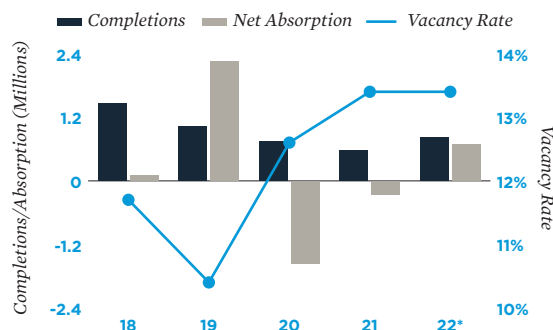
**2.4%
INCREASE**

in asking rent

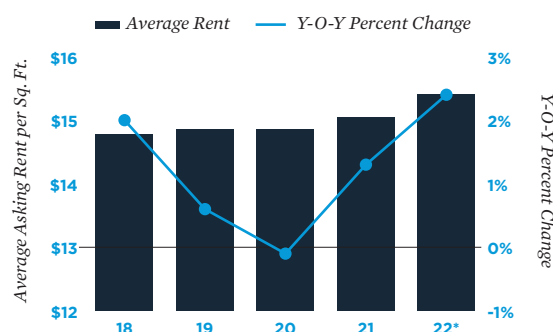
RENT:

The average asking rent is expected to reach \$15.40 per square foot by year-end. Rate growth is projected to be strongest in suburban submarkets. However, rents here are likely to hold well below the CBD mean.

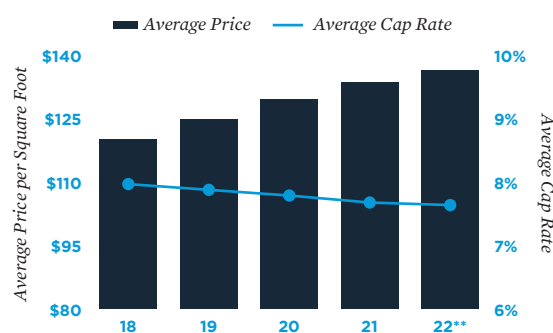
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

698,000 sq. ft. completed

- Completions over the past four quarters ended in March nearly matched the previous annual period, with metro inventory growing by 0.7 percent for the second consecutive 12-month period.
- The 150,000 square feet that came online in the first quarter was largely composed of Class B/C properties in Columbus East.



VACANCY

10 basis point decrease in vacancy Y-O-Y

- Tenants absorbed nearly 700,000 square feet of space over the past year, compressing vacancy to 13.5 percent.
- The Class B/C sector noted a reduction of 70 basis points that lowered availability to 11.5 percent. Compression was registered, despite the property segmentation's stock growing at its fastest pace since 2019.



RENT

2.5% increase in the average asking rent Y-O-Y

- Positive net absorption has powered rent gains over the past 12 months, with the average asking rent climbing to \$15.31 per square foot in March.
- Seven of Columbus' nine largest submarkets by stock logged rent increases. Columbus South and West noted the most pronounced growth, with local rates up 18.1 percent and 11.4 percent, respectively.

Investment Highlights

- Transaction velocity in the yearlong period ended in the first quarter doubled the prior 12-month count. Entering April, Columbus reported one of the lowest entry costs among major U.S. markets, despite the metro's average sale price rising 5 percent over the past year to \$136 per square foot. Additionally, Columbus' 7.6 percent mean rate of return is 100 basis points above the national average.
- After a decrease in downtown trades during 2020, deal flow returned to 2019 velocity in Columbus Central last year. These facilities typically sold below the market average, primarily trading under \$110 per square foot.
- Downtown-adjacent areas are also experiencing a notable uptick in deal flow. These locales are attracting companies seeking lower rents than in the CBD and proximity to urban amenities. Assets in Westerville and Dublin, and properties along Bethel Road, are garnering the most interest.
- Submarkets surrounding downtown are recording an uptick in medical office sales, with Columbus East and West noting the most transactions. Both areas are proximate to Ohio State's College of Medicine, offering a convenient location for firms looking to hire from this talent pool.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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