

# MARKET REPORT

Retail  
Columbus Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2Q/22

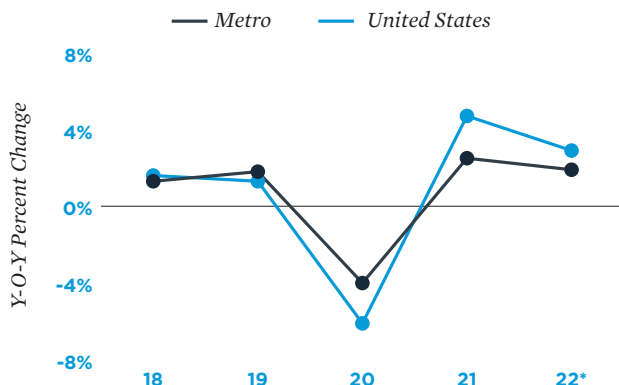
## Growing Tech Presence Lifts Economy, Supplementing Retail Demand

### Retail sales boosted by growing tech and student presence.

Home to five Fortune 500 companies, Columbus has made a strong economic recovery from the health crisis and is poised for additional near-term growth. Major tech companies Intel and Hyperion are slated to establish sizable operations in the metro, with the former announcing it will bring 3,000 full-time jobs to the area. These moves will heighten central Ohio's status as a Midwest tech hub, while also increasing the number of higher-paying positions in Columbus. The resulting boost to the metro's median household income, paired with the Ohio State University maintaining in-person classes and lifting mask mandates, will induce more social gatherings and further elevate discretionary spending.

**Demand for tangible space retains upward momentum.** Leasing activity surged last year as businesses expanded in both downtown and suburban areas, such as Fairfield and Madison counties, which notched vacancy compressions of 280 basis points and 490 basis points, respectively. Many of the largest leases signed were by discount stores like Big Lots and Ross Dress for Less, as the sector gets a bump from the rising costs for basic goods. This has continued into the early months of 2022, with stores like Overstock Plus and Plato's Closet inking notable commitments. Restaurant leasing has also seen strong growth as sit-down dining regains popularity. Encouraging demand across these retail segments suggests the metro will record a second straight year of positive absorption in 2022.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



**21,400  
JOBS**  
*will be created*

### EMPLOYMENT:

Employment gains this year will grow payrolls by 1.9 percent, with total positions surpassing the pre-pandemic benchmark by over 3,000 jobs. Columbus began this year with the lowest unemployment rate among major Ohio markets at 3.5 percent.



**640,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

Deliveries this year will exceed the totals of each of the past four years, though they will remain below the trailing 10-year average. Inventory will grow by 0.6 percent, with the majority of completions slated to come online in Delaware County.



**0  
BASIS POINT**  
*change in vacancy*

### VACANCY:

Vacancy will match last year at 4.1 percent, staying at the pre-pandemic rate recorded in both 2018 and 2019. Moderate construction over the past four years has situated the market to not only absorb new builds, but also available existing space.

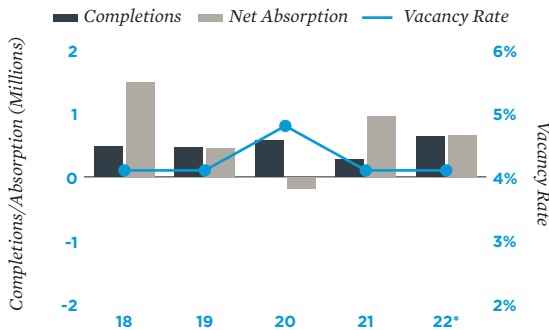


**3.8%  
INCREASE**  
*in asking rent*

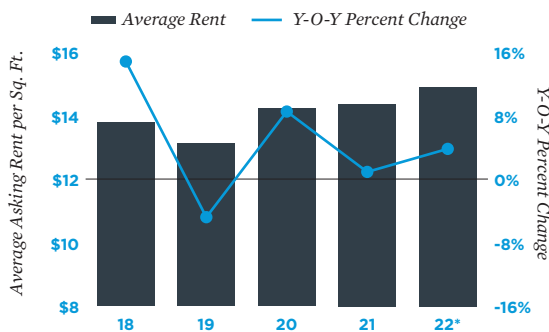
### RENT:

The mean asking rate will rise to \$14.90 per square foot. This marketed rent sits just above the Midwestern regional average of \$14.60 per square foot. Columbus Central entered April with the highest rent, with Delaware County close behind.

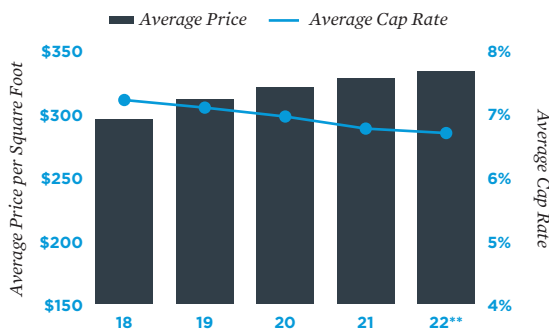
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

#### IPA Retail Daniel Taub

Senior Vice President, Director

Tel: (212) 430-5100 | dtaub@ipausa.com

For information on national retail trends, contact:

#### John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

## 1Q 2022 - 12-Month Period



### CONSTRUCTION

**405,000 sq. ft. completed**

- Completions in the trailing 12-month period ended in March nearly doubled that of the previous period, growing inventory by 0.4 percent.
- Delaware County saw the majority of the first quarter completions, with local inventory growing by 0.8 percent. Despite this significant increase, net absorption remained well above completions at 155,000 square feet.



### VACANCY

**30 basis point decrease in vacancy Y-O-Y**

- Availability compressed to 4.4 percent at the end of the first quarter. Net absorption over the trailing 12-month period surpassed construction by more than 300,000 square feet.
- Retailers absorbed more than 630,000 square feet of single-tenant space over the past year, lowering the segment's vacancy rate to 2.7 percent.



### RENT

**5.5% increase in the average asking rent Y-O-Y**

- Supported by a 6.8 percent hike in single-tenant asking rent, the metro's overall marketed rate rose to a mean of \$14.83 per square foot in March.
- Rents in Columbus Central have notably improved as they jumped 14.2 percent, driven by a vacancy compression of 100 basis points over the past year to 2.5 percent, well below the metro mean.

## Investment Highlights

- During the trailing 12-month period ended in March, sales activity doubled when compared to the previous period. The rise in deal flow was fueled by a more pronounced increase in single-tenant property trades. Compared to other Midwestern markets, Columbus ranked among the highest in single-tenant transaction velocity and saw one of the greatest increases from the previous yearlong period. Investors are encouraged by the lowest regional vacancy rate in the segment at 2.7 percent.
- Columbus' average price per square foot rose to \$333 per square foot during the trailing 12-month period ended in March, compressing the mean cap rate to 6.7 percent. Nationally, Columbus reports one of the higher average cap rates compared to other major metros in the U.S., paired with low entry costs on a national scale. Additionally, shrinking vacancy and improving rents are poised to draw additional out-of-state investors to the metro, potentially heightening competition.
- East and Southwest Columbus are recording the highest number of trades. Although East Columbus has been a historically popular area, 2021 recorded a particularly elevated number of sales. Here, existing properties with availability remain in high demand as most construction is pre-leased.

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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