

MARKET REPORT

Retail
Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

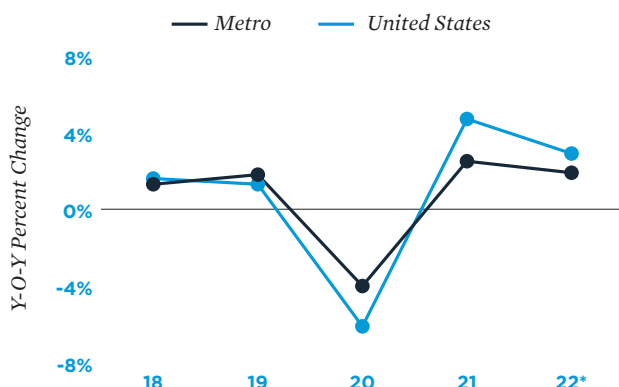
3Q/22

Retail Demand Buoyed by Growing Tech Presence; University Area Poised to Tighten Further

Growing population a tailwind for single-tenant spaces. Columbus is expected to record the highest net in-migration among the trio of major Ohio markets in 2022, with over 14,000 new residents expected to flow in. This population growth will be further enhanced in the long term by the entrance of major tech companies, such as Intel, and in the shorter term by the city's growing roster of startups, particularly those in the tech sector. Additional residents will underpin a rise in consumer demand for necessity goods, such as home goods and food products, and dining. Retailers seeking out restaurant and super-market space in the metro will maintain Columbus' standing as the second-tightest single-tenant market in the nation.

Retailers target student-centric areas. Columbus North — the largest submarket by inventory — is reporting the lowest vacancy rate among areas with more than 3 million square feet of stock. Home to Ohio State University, this locale noted availability at just 2.3 percent in June, with year-end vacancy holding below 3.0 percent for seven straight years. Available space in the submarket should remain extremely sparse, as university enrollment has surpassed pre-pandemic numbers, a catalyst for heightened spending at area bars, restaurants and necessity-based stores. Additionally, all of the space currently underway in the submarket is accounted for. This will require expanding retailers to browse the area's limited stock of available square footage in order to execute growth plans, an activity that will preserve tight conditions.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**21,400
JOBS**

will be created

EMPLOYMENT:

The unemployment rate in Columbus reached the low-3 percent range in July as the job count passed the February 2020 high. As the available labor pool shrinks, total employment expands by 1.9 percent in 2022.



**740,000
SQ. FT.**

will be completed

CONSTRUCTION:

This year, the metro is expected to receive the largest wave of deliveries seen in the last four years, expanding inventory by 0.7 percent. Columbus North and West are slated to receive the greatest volume of completions.



**30
BASIS POINT**

increase in vacancy

VACANCY:

Among the three major Ohio markets, Columbus will have the lowest availability by year-end at 4.4 percent, even amid its substantial pipeline as of August. This rate is consistent with the trailing five-year average.



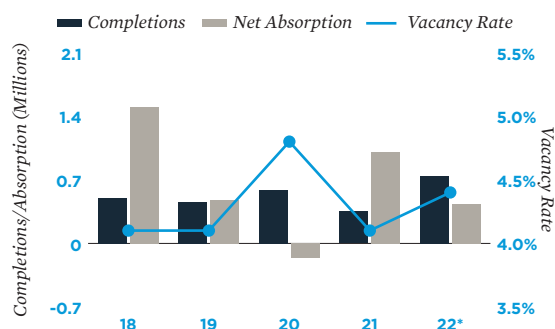
**5.6%
INCREASE**

in asking rent

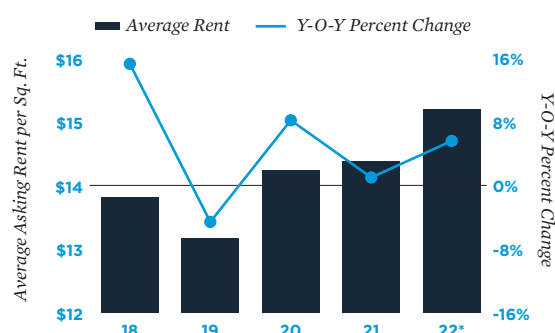
RENT:

The average asking rent in the metro will end December at \$15.20 per square foot, around 15 percent higher than the 2019 year-end rate. This steady increase in the mean asking rent corresponds with the market's regionally low vacancy rate.

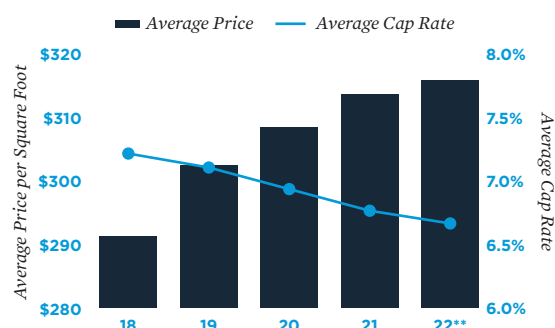
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

491,000 sq. ft. completed

- Metro inventory expanded by 0.5 percent in the trailing 12 months ended in June. Delaware County recorded the greatest amount of supply additions, predominantly consisting of net-leased builds.
- Single-tenant properties accounted for around 85 percent of deliveries in the past four quarters, as the regionally tight sector attracts development.



VACANCY

50 basis point decrease in vacancy Y-O-Y

- In the yearlong period, vacancy fell to 4.3 percent. Of Columbus' 11 submarkets with more than 1 million square feet of inventory, Union County reported the lowest second quarter vacancy rate at 1.2 percent.
- Amid elevated construction, the single-tenant sector registered a 50-basis-point drop in vacancy, lowering availability to 2.6 percent.



RENT

7.0% increase in the average asking rent Y-O-Y

- The average asking rent rose to \$15.04 per square foot in June, marking the fourth straight period of quarterly rent gains.
- Columbus Central noted the highest mean asking rent among submarkets with more than 2 million square feet of inventory. At the onset of the second half, the locale's marketed rate sat at nearly \$23.00 per square foot.

Investment Highlights

- Sales velocity rose by over 30 percent in the 12-month span ended in June. Single-tenant properties accounted for over half of the trades completed, with multi-tenant deal flow doubling compared to the previous period.
- Columbus' average sale price rose to \$320 per square foot during the yearlong interval. Concurrently, the mean cap rate continued to compress, falling 10 basis points to 6.7 percent, the lowest among the three major Ohio markets. Single-tenant properties drove recent price growth and cap rate reduction, with these assets trading for an average of \$380 per square foot, and the sector's mean cap rate dipping 30 basis points to 5.8 percent.
- Multi-tenant closings in downtown-adjacent submarkets, including Columbus East, rose during the first half of this year, contrasting shopping center-related deal flow in the urban core, which has remained limited. Strip centers have represented the primary target for investors in Columbus East and other close-in locales like Columbus West. These properties are changing hands at low- to mid-\$100 per square foot pricing, often with cap rates in the 8 percent band.

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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