

MARKET REPORT

Office
Columbus Metro Area

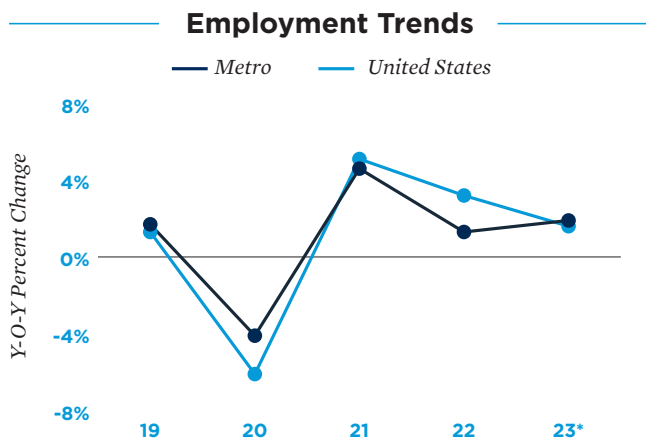
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

4Q/23

Columbus Claims Fourth Lowest CBD Vacancy Rate; Incoming Supply Mainly Affects Suburban Areas

Downtown shielded from supply pressure. While deliveries in Columbus will crest one million square feet in 2023 for the first time since the onset of the pandemic, the effect of new space will be localized rather than widespread. In the last five years, the majority of new supply has come online in the suburbs, and CBD inventory has expanded by less than 1 percent in that time frame. This trend persists in 2023, protecting downtown from a major uptick in vacancy. Still, the urban core has not been entirely insulated from company consolidation. After total available space in the CBD decreased in both 2021 and 2022, the first half of this year has seen over 470,000 square feet of space returned to the market. Vacancy here reached an all-time high of 11.2 percent in June, but on a national scale, this rate was the fourth-lowest measure among major U.S. markets.

Supply has an uneven impact. Suburban stock has expanded by nearly 6 percent since 2018, contributing to a rapid increase in sector vacancy. In June, the rate was 15.7 percent, but the effect of this expansion has been concentrated in certain areas. Columbus North noted a 5.8 percent stock expansion over that span, increasing vacancy to the second-highest rate among submarkets with more than eight million square feet of space. The Class A metric has, in turn, risen over 1,000 basis points since 2018, heavily influenced by new supply in Columbus North, which has the greatest inventory of top-tier space and a vacancy rate of over 30 percent in June.



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2023 Outlook



**22,000
JOBS**

will be created

EMPLOYMENT:

By year-end, total employment in Columbus will expand by 1.9 percent. The traditionally office-using sector will nearly match this with a 1.7 percent increase, driven by the addition of roughly 5,000 positions.



**1,185,000
SQ. FT.**

will be completed

CONSTRUCTION:

The metro expects its largest completion total since 2018 this year as inventory inflates by 1.2 percent. Columbus deliveries will more than double the volume slated for either of the other two major Ohio markets.



**170
BASIS POINT**

increase in vacancy

VACANCY:

An influx of new supply will place upward pressure on vacancy. By the end of 2023, the rate will be 14.9 percent, a multi-decade high. More than 720,000 square feet of space will come back on the market by December.



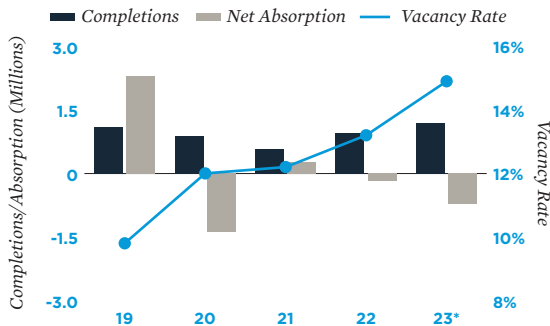
**5.1%
INCREASE**

in asking rent

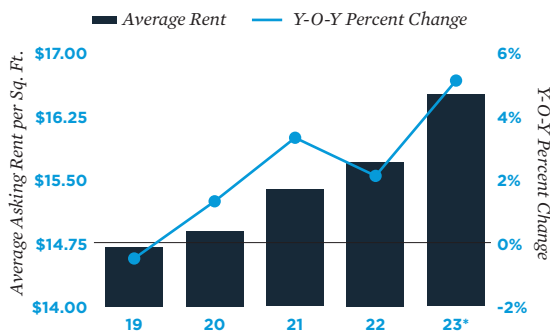
RENT:

The large volume of new Class A supply slated to come online will elevate the metro's average asking rent to \$16.50 per square foot. Columbus will have the highest annual rise among major Ohio metros.

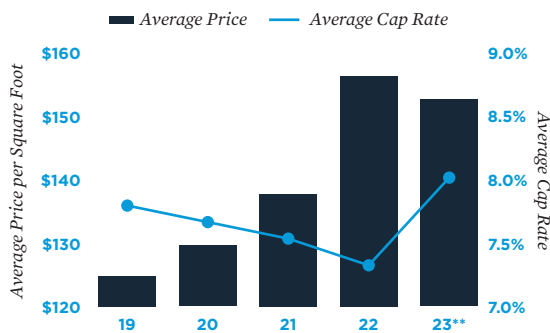
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

1,149,000 sq. ft. completed

- During the trailing 12 months ended in June, total inventory grew by 1.1 percent. Nearly half a million square feet of space was delivered in both Columbus North and West, accounting for most of the new stock.
- The CBD has logged minimal inventory growth since 2021. As of September, the urban core had just two 150,000-square-foot projects underway.



VACANCY

160 basis point increase in vacancy Y-O-Y

- By the end of the second quarter, the vacancy rate in Columbus lifted to 14.3 percent. Overall Class A vacancy drove up the metrowide metric as the rate rose 470 basis points annually to 22 percent in June.
- Class B/C space had a moderate vacancy rate adjustment of 20 basis points year-over-year, to just 10.6 percent entering the third quarter.



RENT

4.8% increase in the average asking rent Y-O-Y

- June ended with an average asking rent of \$16.30 per square foot. Columbus West noted the greatest rent growth during the trailing 12-month span as the mean asking rate here grew 11 percent to \$17.41 per square foot.
- A net 365,800 square feet of CBD Class A space was returned to the market during the second quarter, pushing up the mean asking rent downtown.

Investment Highlights

- Transaction velocity fell by roughly 9 percent in the trailing 12 months ended in June compared to the previous period, the smallest deal flow reduction among the three major Ohio metros. Most of the trades that took place were within the \$1 to \$10 million price tranche in the second quarter, but early in the year, some higher-value deals were completed. The average price per square foot began to decrease in 2023 compared to the 2022 mean, reflecting the shift in price composition of trades.
- Class B properties in Westerville were sought after by in-state private buyers during the first eight months of 2023. The submarket has become an increasing target for investment as Intel's \$20 billion chip manufacturing project is underway there. In addition to suppliers, the project is also expected to generate demand for other administrative and supporting roles.
- Several high vacancy, value-add property sales took place in the first months of the year. These assets were generally located in and around downtown as buyers sought assets priced below the metro mean in the urban core. Meanwhile, investors willing to pay a premium for space in low vacancy submarkets targeted Columbus West and Delaware County.

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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