

MARKET REPORT

Retail
Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

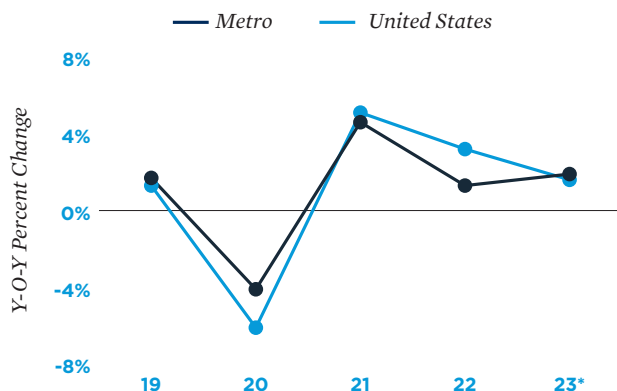
4Q/23

Population Growth in Columbus Creates Long-Term Retail Demand, Spurring Rent Gains

In-migration is a tailwind for Central Ohio. In 2023, population growth in Columbus is expected to more than double that of Cincinnati and will starkly contrast with Cleveland's decreasing number of residents. In the next five years, the metro expects nearly 64,000 new residents on net through in-migration, many of whom will be drawn by well-paying jobs. Columbus' steady population growth will likely drive up consumer demand for experiences like dining out and shopping, aiding retail sales long-term, despite persistent inflationary concerns. The prospect of an enlarged consumer base could lead retailers to expand their presence in Columbus over the near term, keeping vacancy tight amid a pullback in construction.

Metro claims regionally high rent growth. Columbus was the only market in the top five nationally for rent gains that was not located in the Sun Belt. Furthermore, the metro was one of just three markets that recorded both single- and multi-tenant rent growth over 8 percent. Single-tenant properties drove overall rent growth as the sector registered a 9.7 percent increase in June to \$17.45 per square foot. All eight submarkets with more than 3 million square feet of single-tenant space had vacancy rates below 4 percent in the second quarter. The multi-tenant asking rent also rose at a rapid pace of 8.2 percent to \$14.57 per square foot. Strong pre-leasing of the existing pipeline should direct tenants confident in the metro's long-term prospects into existing properties, despite historically high rents.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**22,000
JOBS**
will be created

EMPLOYMENT:

During the first eight months of the year, Columbus added roughly 12,800 positions on net. Most of these roles were in the government, leisure and hospitality sectors. The retail trade segment has been relatively static.



**520,000
SQ. FT.**
will be completed

CONSTRUCTION:

Total metro inventory will expand by 0.5 percent in 2023, trailing last year's 0.8 percent growth. The largest volume of new supply is slated for Delaware County as the submarket expects over 230,000 square feet.



**20
BASIS POINT**
increase in vacancy

VACANCY:

As of October, approximately three-fourths of space slated for delivery in 2023 was pre-leased. Still, completions will outpace net absorption, shifting vacancy up for the first time in two years to 4.2 percent.

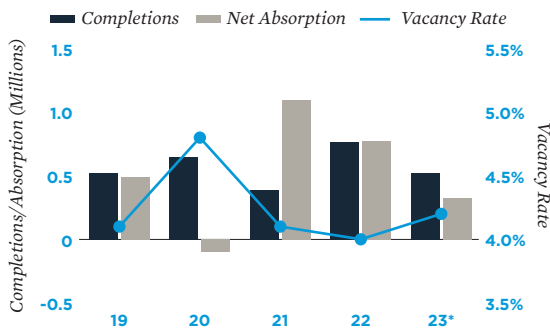


**7.3%
INCREASE**
in asking rent

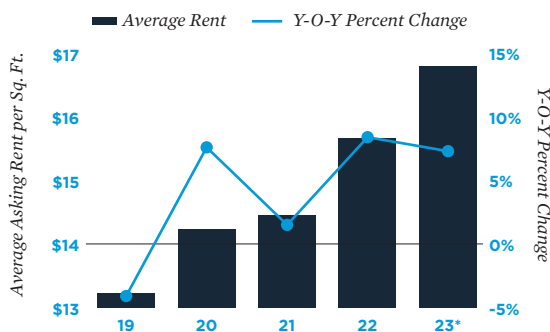
RENT:

Following last year's 8.4 percent gain, the average asking rent in Columbus continues to accelerate. The mean rate will reach \$16.80 per square foot by year-end, around 27 percent higher than the 2019 mark.

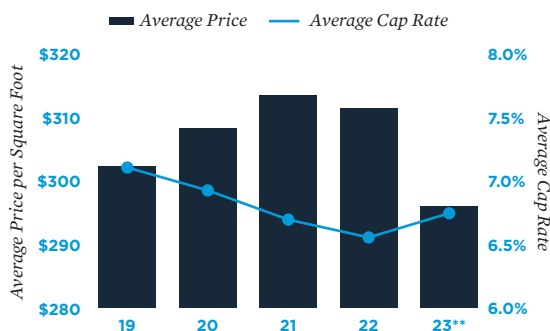
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

2Q 2023 - 12-Month Period

CONSTRUCTION

572,000 sq. ft. completed

- During the trailing 12 months ended in June, inventory expanded by 0.6 percent. Most new builds came online in submarkets that border downtown, as the urban core recorded a nominal stock change.
- Single-tenant properties accounted for nearly 400,000 square feet of completions during the last four quarters.

VACANCY

30 basis point decrease in vacancy Y-O-Y

- At the end of June, Columbus had a vacancy rate of 4.0 percent, a metric that has held steady for three straight quarters.
- Multi-tenant vacancy decreased by 60 basis points year-over-year to 6.9 percent. The single-tenant sector maintained a significantly lower rate of 2.4 percent, the second lowest among major U.S. markets.

RENT

9.6% increase in the average asking rent Y-O-Y

- The average asking rent in Columbus rose to \$16.62 per square foot in June, more than \$3 per square foot higher than Cincinnati or Cleveland.
- Among submarkets with more than 5 million square feet of space, South Columbus, Delaware and Licking counties witnessed the largest rent increases over the past year, with each recording a double-digit gain.

Investment Highlights

- During the trailing 12 months ended in June, deal flow in the Columbus multi-tenant sector increased slightly from the previous period and was comparable to pre-pandemic tallies. Single-tenant transaction velocity, however, fell by 30 percent in the same span.
- In the first eight months of 2023, investors targeting assets primed for re-development were increasingly active, as several portfolio trades involving high-vacancy properties closed. Most of these deals were located in outer submarkets, such as Union, Madison and Delaware counties; however, some of this activity also took place in and around downtown. Here, Grandview and Upper Arlington have recently been the focal points.
- Many trades in the first half of 2023 involved properties with upside potential built prior to 2000. These deals influenced the overall average sale price for the trailing 12 months ended in June. During this stretch, both multi- and single-tenant pricing reduced compared to the previous period, pulling the metro's overall price per square foot below \$300 for the first time since 2018. Single-tenant assets experienced the greatest adjustment as the mean sale price fell 6 percent to \$352 per square foot.

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