

INVESTMENT FORECAST

Office
Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Corporate Investments Provide Evidence of Central Ohio's Growth Potential, Despite Rising Vacancy

Near-term headwinds mitigated by ongoing growth. By the end of 2024, vacancy in Columbus will reach its highest level since at least 2007. While deliveries are down from the pre-pandemic norm, the several 100,000-plus-square-foot projects underway in the metro will still outpace net absorption in 2024. Weakness in leasing activity is complicated by the fact that companies have begun occupying smaller floor plans as they re-evaluate space needs. Despite these headwinds, signings were prominent in areas in and around downtown last year, as well as along major commuter routes, and local vacancy is still roughly 400 basis points below the national rate. Space along interstates 270 and 670 is likely to continue drawing tenants in the coming year as these routes offer access to both downtown and nearby suburbs. Long-term, Columbus is positioned to draw additional office-using companies to support firms like Intel, Google, Honda and Wells Fargo that are establishing new technology centers in the metro. Many of these projects have won Ohio tax credits, further incentivizing additional corporate investments in Central Ohio.

Investors eye assets around commuter routes. Assets surrounding downtown, Westerville, Whitehall and Hilliard continued to change hands in 2023, despite a challenging lending market. The eastern Columbus area, including Whitehall, saw several medical office trades. This could carry into 2024 as these neighborhoods are proximate to the Ohio State Med Center, providing access to new health care labor, and are close to populations over the age of 35. Investors active in eastern Columbus, as well as areas just outside of the I-270 beltway like Hilliard, are likely to pursue assets along the major interstates. Buyers targeting properties downtown can also find value-add assets for under \$100 per square foot. Such entry costs might provide options for owner-user acquisitions.

2024 MARKET FORECAST

+1.6%



EMPLOYMENT: The traditional office-using employment sector will expand by 1.2 percent in 2024. These roles will account for nearly 20 percent of the 18,000 total jobs added on net in Columbus.

870,000
sq. ft.



CONSTRUCTION: Nearly matching last year's additions, the metro will add 870,000 square feet of new space. Dublin, Hilliard and downtown had the most space underway at the onset of 2024.

+50 bps



VACANCY: Vacancy will continue its upward climb this year, reaching 14.5 percent by year-end. Underperforming suburban properties will contribute to the near-term elevation of this metric.

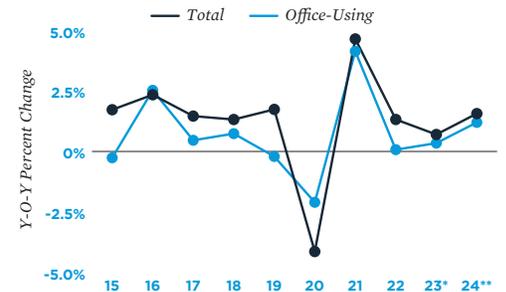
-1.6%



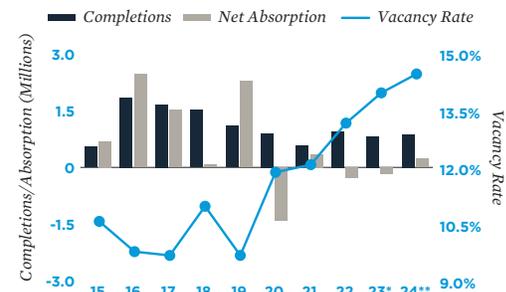
RENT: Subdued demand for office space will place downward pressure on rents. The average asking rent will subsequently decrease to \$16.04 per square foot by December.

INVESTMENT: Yield-driven, out-of-market buyers could be drawn to Columbus this year as the metro noted an average cap rate around 8 percent for 2023, with additional upward cap rate pressure persisting this year.

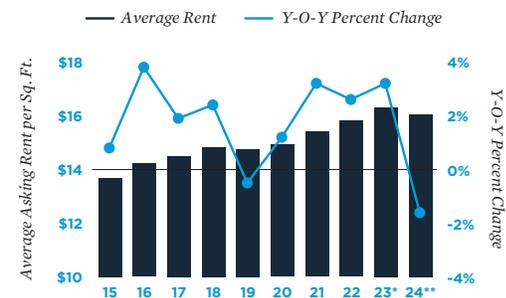
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.