

INVESTMENT FORECAST

OFFICE
Columbus Metro Area

IPA
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2020

Columbus Sustains Elevated Demand; Suburban Value-Add Investments Draw Attention

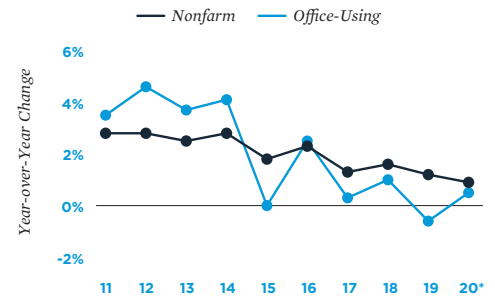
Tightening market conditions spark speculative development. Leasing activity continues to rise throughout Columbus as professional and business services firms expand. Space demand in the northern suburbs, in particular, is encouraging new construction. More than half of the nearly 700,000 square feet scheduled for delivery this year will come online in the area. Northeast of downtown toward the Interstate 270 loop, one of the largest projects underway is the Easton Phase III development, which will contain over 250,000 square feet of office space within three separate buildings. Furthermore, in the northwest suburb of Dublin, the construction of Bridge Park will add approximately 100,000 square feet to the market. Although more than 50 percent of this space is available entering the year, healthy demand growth will be sufficient to support a vacancy decline for the second consecutive year.

Columbus remains one of the most affordable metros for office acquisitions. Although the average sales price is the most expensive among the Ohio major metros, Columbus enters the year with the third-lowest sales price on a per square-foot basis among the 46 U.S. markets reviewed in this book. As a result, value-add opportunities have moved to the forefront of investors' wish lists, supporting a recent 30 percent rise in velocity for Class B/C assets. Low entry prices provide investors an opportunity to reposition the property or offer affordable rents to fill dark space. Western and northern Columbus report a large number of transactions in which this strategy is deployed, largely due to pricing more than 15 percent below the marketwide average. Average cap rates in the area range from 8.5 percent to 9.5 percent, depending on sale conditions. Overall, the average cap rate for Columbus office assets has settled near 8 percent over the past several years.

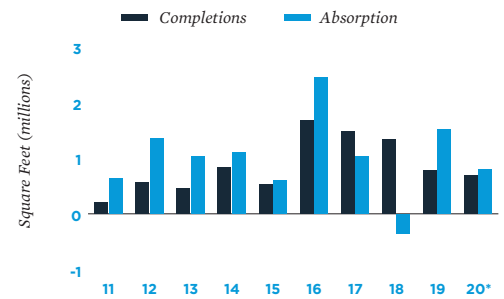
2020 Market Forecast

- Employment** up 0.9%  Employers will add 10,500 workers this year, slightly less than the number of employees hired in 2019.
- Construction** 690,000 sq. ft.  Completions will decline for the fourth consecutive year. Builders finalized 783,000 square feet last year.
- Vacancy** down 20 bps  Strong leasing momentum will result in additional contraction in vacancy this year to 10.5 percent, building on last year's 80-basis-point drop.
- Rent** up 2.8%  Average asking rent gains will more than double last year's rate of growth, lifting to \$19.59 per square foot.
- Investment**  Attractive yields in the mid-8 percent band bring buyers east of Columbus to developed suburbs stretching along I-270 near Whitehall and Reynoldsburg.

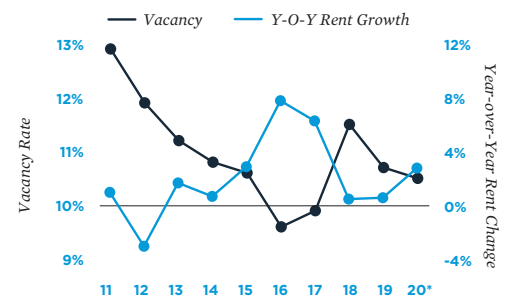
Employment Trends



Office Supply and Demand



Vacancy and Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2020. Asking rent is based on the full-service marketed rental rate. 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 office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, 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.