

MARKET REPORT

RETAIL

Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

3Q/21

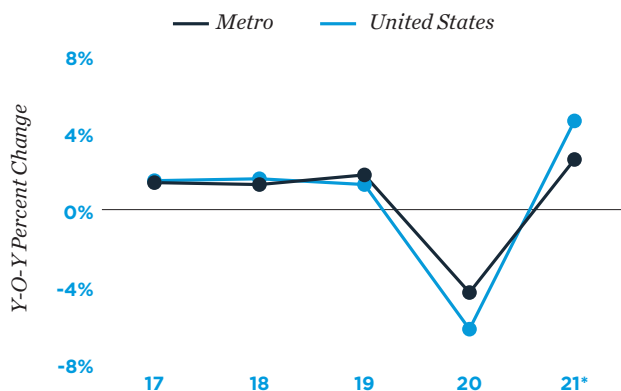
Regional Standout for Retail Performance, Columbus Attracts More Out-of-State Investors

Diverse hiring bolsters household count and local spending.

Backed by a local economy that has recaptured 80 percent of the jobs lost during the initial months of the health crisis, Columbus' retail sector continues to enjoy the lowest vacancy rate among Midwest markets. Recent hiring by government agencies and retail trade, transportation and utilities employers has pushed staff counts in these sectors beyond pre-pandemic levels. Additionally, the number of financial-related positions was at a near-record mark entering the second half of 2021. This job creation has held unemployment below 5 percent for most of the past year ended in June and supported the formation of 13,600 households. Consumer spending has improved as a result, fostering retailer expansions and lease renewals that have equated to three consecutive quarters of positive absorption.

Major retail demand drivers re-established. Businesses surrounding Ohio State University, the metro's largest employer, are poised to receive a jolt in sales this fall as students and staff return to campus. The resumption of in-person attendance at football games also looms large for nearby restaurants, bars and shops as the stadium's capacity exceeds 100,000 fans. For retailers that rely on midweek foot traffic, decisions by JPMorgan Chase and Nationwide Mutual Insurance Company to bring a portion of workers back to offices this summer may mark the first signs of patronage returning to pre-pandemic levels.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook



**28,000
JOBS**

will be created

EMPLOYMENT:

The metro is expected to recapture nearly two-thirds of the 48,700 jobs lost in 2020. Hiring by government agencies and an uptick in professional services-related job creation during the second half will keep the unemployment rate near the national level.



**280,000
SQ. FT.**

will be completed

CONSTRUCTION:

Since the completion of nearly 1.7 million square feet in 2017, Columbus' retail sector has experienced a pullback in development. This trend continues in 2021 as supply additions expand inventory by just 0.3 percent.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Expanding retailers will fill existing floor plans during 2021 amid a lack of deliveries, supporting positive absorption and a decline in availability. The metro's year-end vacancy rate of 4 percent will represent the fifth lowest among major U.S. markets.



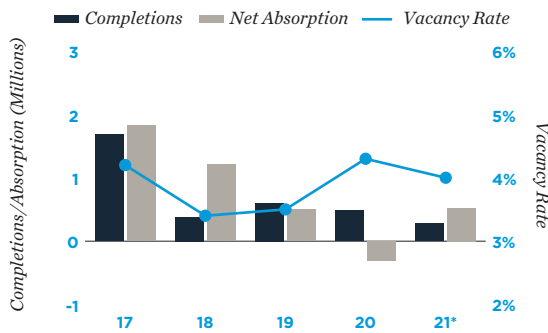
**1.0%
INCREASE**

in asking rent

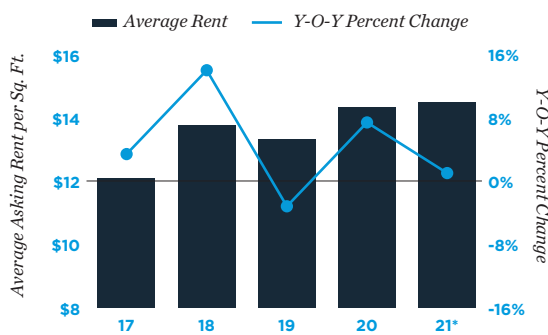
RENT:

Relatively low vacancy allows the metro's average marketed rate to rise, albeit at a more moderate pace than last year's 7.4 percent gain. By year-end, the mean asking rent will reach a high of \$14.48 per square foot.

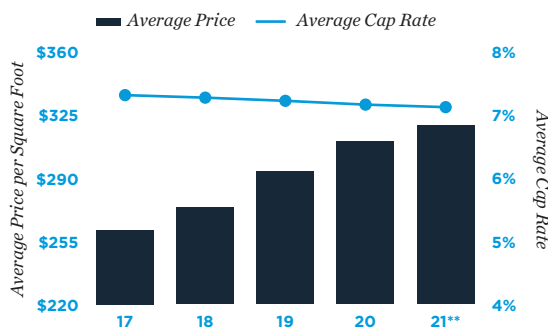
Supply and Demand



Rent Trends



Sales Trends



* Forecast; ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

2Q21 – 12-Month Period



CONSTRUCTION

157,000 square feet completed

- Columbus’ retail inventory expanded by just 0.2 percent over the past year ended in June, a marked reduction in supply additions following the completion of 946,000 square feet during the prior 12-month span.
- Entering September, construction was underway on 461,000 square feet, highlighted by the reuse of the Hoster Brewing Co. complex.



VACANCY

10 basis point decrease in vacancy Y-O-Y

- The volume of vacant space metrowide decreased by 82,000 square feet over the past four quarters. This leasing activity lowered vacancy to 4.0 percent, a rate that matches the prior five-year average.
- At 2.9 percent entering the second half, vacancy was tightest in Columbus North, the metro’s largest submarket by inventory.



RENT

3.2% increase in the average asking rent Y-O-Y

- Positive absorption over the past year allowed the average marketed rate to reach \$14.11 per square foot in June.
- Rent growth was recorded across all submarkets with more than 10 million square feet of inventory, with Columbus West notching the most pronounced employment increase at nearly 10 percent.

Investment Highlights

- Since the fourth quarter of 2020, sales velocity has returned to a pre-pandemic pace, supporting a 45 percent rise in deal flow over the past year ended in June. During this span, the local buyer pool has diversified, with out-of-state parties accounting for half of all closings. These investors are active in the triple net segment, purchasing dining establishments and drugstores with long-term leases in place.
- Across both retail segments, Columbus offered buyers some of the highest first-year returns nationally over the past 12 months. The average single-tenant cap rate was unchanged at 6.6 percent despite a 5 percent increase in pricing, while the mean multi-tenant yield remained in the low-8 percent range for a fourth consecutive year.
- Shopping center trades accounted for one-fourth of recent deal flow. In Central Columbus and areas near Ohio State University, buyers are accepting high-6 percent minimum returns for these assets, with pricing often below the multi-tenant average of \$218 per square foot.
- Investors with experience owning multiple property types are pursuing mixed-use buildings throughout the city of Columbus, where 8 percent-plus cap rates are available.

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. Note: 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: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics