

Section 1 - Executive Briefing on Metro Conditions

Average Asking Rent \$19.36

- Down 0.1% from year-end 2018. ▼
- Expected to finish 2019 at \$19.77.

Average Vacancy Rate 19.8%

- Rose by 50 basis points.
- Among the 20 highest vacancies nationally.
- Expected to finish 2019 at 19.6%.

Market Overview

The Columbus office market is comprised of 33.0 million square feet in ten geographic concentrations ranging in size from the 6.7 million square foot Dublin/Hilliard submarket to the Southwest submarket, which accounts for 700,000 square feet. In the ten-year period beginning with Q2 2009, the Upper Downtown submarket has experienced the greatest introduction of new inventory, 496,000 square feet, amounting to 23.6% of all new competitive stock added to the market.

Asking and Effective Rent

During the first quarter of 2019, asking rents in the Ohio state capital and most populous city fell by 0.1% to an average of \$19.36. Since the same reporting period last year, asking rents have risen by 1.3%, up from \$19.11. Since the beginning of Q2 2009, the metro as a whole has recorded an annual average increase of 0.9%. Effective rents, which exclude the value of concessions offered to prospective tenants, also fell by 0.1% during the first quarter. The identical rates of change suggest that, although rents showed weakness, landlords managed to avoid increasing the relative value of

incentives packages used to attract and retain lessees. During the past four quarters, positive movement in asking rent was recorded in nine of the metro's ten submarkets, with only Lower Downtown (-0.1%) failing to register an increase.

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area grew by 6,200 jobs during the first quarter, amounting to a growth rate of 0.6%, while in the dominant office-using industries, employment expanded by 200. Although quarterly employment changes may not have an immediate impact on lease rolls, it is prudent to consider longer-term economic and demographic performance as a factor affecting current demand for office space. Since the beginning of Q2 2009, the average growth rate for office-using employment in Columbus has been 1.7% per year, representing the average annual addition of 5,700 jobs. The metro experienced negative absorption of 163,000 square feet during the first quarter. Over the last four quarters, market absorption totaled 24,000 square feet, more than half the average annual absorption rate of 47,500 square feet recorded since the beginning of Q2 2009. The

net increase in vacancy from one year ago is 100 basis points to a level of 19.8%. In a long-term context, the first quarter vacancy rate is 0.9 percentage points higher than the 18.9% average recorded since the beginning of Q2 2009.

Outlook

Between now and year's end, 179,000 square feet of competitive office stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 209,000 square feet. Consequently, the vacancy rate will drift downward by 0.2 percentage points to 19.6%. During 2020 and 2021, a total of 298,000 additional square feet is expected to be introduced to the metro inventory. Office employment growth at the metro level during 2020 and 2021 is anticipated to average 0.4% annually, enough to facilitate an absorption rate averaging 311,000 square feet per year. This absorption rate is projected to more than offset the effect of newly added inventory, placing downward pressure on the market vacancy rate, which will decline to 18.4% by the end of 2021. Between now and year-end 2019 asking rents are expected to advance 2.1% to a level of \$19.77, while effective rents will increase by 2.2% to

Prepared By Reis, Inc.
Powered By Reis

Office - 1st Quarter 2019
Metro: Columbus

\$15.76. On an annualized basis, asking and effective rents are anticipated to climb at a rate of 1.8% through year end 2021, reaching average rates of \$20.48 and \$16.33 per square foot, respectively.

About Reis

Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing properties and affordable housing, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.