

Industrial

Columbus

📍 Midwestern Region

🇺🇸 United States

I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$4.06/sqft**

AVERAGE VACANCY **8.0%**

(Published September 2021)

- Rent in the Columbus metro was up 0.7% from August.
- Columbus metro had its fastest rent rate of increase in six months.
- Vacancy in the Columbus metro drifted downward by 40 basis points.
- The Columbus metro had the lowest vacancy level since November 2009.

Market Overview

A summary of key real estate supply and demand market indicators reveals that during the third quarter the Columbus warehouse/distribution market experienced positive net absorption, climbing effective rents, and downward movement in the market's vacancy rate. It is important to study each of these critical measures of market equilibrium in more detail and from both a historical and forecast perspective.

Asking and Effective Rent

Asking rents advanced every month during the third quarter, with September's increase of 0.7% bringing the cumulative quarterly total up to 1.8%. The market has now experienced four consecutive monthly gains in asking rent, for a cumulative total of 2.0%. Since the beginning of Q4 2011, the metro as a whole has recorded an annual average increase of 2.2%. Effective rents, which take into account concessions offered to new lessees, increased more quickly, up by 1.1% during September. The faster pace of effective rent growth indicates that landlords are enjoying more pricing power at the negotiating table. During the past 12 months, positive movement in asking rent was recorded in all four of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area increased by 20,200 jobs during the third quarter, amounting to a growth rate of 1.9%, while industrial employment grew by 700. Since the beginning of Q4 2011, the average growth rate for industrial-using employment in Columbus has been 0.9% per year, representing the average annual addition of 1,100 jobs. The metro experienced absorption of 517,000 square feet during September. Over the last 12 months, market absorption totaled 5.5 million square feet, more than double the average annual absorption rate of 2.3 million square feet recorded since the beginning of Q4 2011. From an historical perspective, September vacancy rate is 4.8 percentage points lower than the 12.8% average recorded since the beginning of Q4 2011.

Executive Briefing (cont.)

Outlook

Between now and year's end, no more competitive warehouse/distribution stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 1.4 million square feet. Consequently, the vacancy rate will continue to drift downward to finish the year at 6.8%. During 2022 and 2023, construction activity under surveillance is projected to deliver a total of 3.3 million square feet. Industrial employment growth at the metro level during 2022 and 2023 is expected to average 1.0% annually, enough to facilitate an absorption rate averaging 2.3 million square feet per year. The market vacancy rate will finish 2022 at 6.0% and will decline 0.3 percentage points to 5.7% by year end 2023. Between now and year-end 2021 asking rents are expected to increase 1.7% to a level of \$4.13, while effective rents will rise by 2.1% to \$3.87. On an annualized basis through 2022 and 2023, asking and effective rents are expected to climb by 5.2% and 5.4%, respectively, to finish 2023 at \$4.57 and \$4.30.

I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$6.29/sqft**

AVERAGE VACANCY **13.4%**

(Published September 2021)

- Rent in the Columbus metro was up 0.6% from August.
- Columbus metro had its fastest rent rate of increase in seven months.
- Vacancy in the Columbus metro drifted downward by 10 basis points.
- The Columbus metro was among the 10 highest vacancies nationally.

Market Overview

The Columbus Flex/R&D market is comprised of 13.4 million square feet in three geographic concentrations ranging in size from the 6.1 million square foot Northeast submarket to the Southwest submarket, which accounts for 602,000 square feet. In the ten-year period beginning with Q4 2011, the Northeast submarket has experienced the greatest introduction of new inventory, 130,000 square feet, amounting to 51.0% of all new competitive stock added to the market.

Asking and Effective Rent

Monthly movement in asking rent during the third quarter was mixed, with September's increase of 0.6% bringing the cumulative quarterly total up to 0.6%. Since the same reporting period last year, asking rents have risen by 2.4%, up from \$6.14. Since the beginning of Q4 2011, the metro as a whole has recorded an annual average increase of 1.7%. Effective rents, which take into account concessions offered to new lessees, climbed more quickly, up by 0.9% during September. The narrowing gap between asking and effective rents suggests that landlords are enjoying more pricing power at the negotiating table. During the past 12 months, positive movement in asking rent was recorded in all three of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area increased by 20,200 jobs during the third quarter, amounting to a growth rate of 1.9%, while industrial employment expanded by 700. Since the beginning of Q4 2011, the average growth rate for industrial-using employment in Columbus has been 0.9% per year, representing the average annual addition of 1,100 jobs. Over the last 12 months, market absorption totaled 256,000 square feet, more than double the average annual absorption rate of 111,400 square feet recorded since the beginning of Q4 2011. In a long-term context, September vacancy rate is 2.3 percentage points lower than the 15.7% average recorded since the beginning of Q4 2011.



Executive Briefing (cont.)

Outlook

No more speculative Flex/R&D inventory will be introduced for the rest of the calendar year, and Reis estimates that net total absorption will be positive 61,000 square feet. Consequently, the vacancy rate will continue to drift downward to finish the year at 12.9%. During 2022 and 2023, developers are expected to deliver a total of 90,000 square feet. Industrial employment growth at the metro level during 2022 and 2023 is projected to average 1.0% annually, enough to facilitate an absorption rate averaging 118,000 square feet per year. The market vacancy rate will finish 2022 at 12.3% and will decline 0.5 percentage points to 11.8% by year end 2023. Between now and year-end 2021 asking rents are expected to advance 1.4% to a level of \$6.38, while effective rents will climb by 1.8% to \$5.63. On an annualized basis through 2022 and 2023, asking and effective rents are projected to increase by 3.5% and 3.8%, respectively, to finish 2023 at \$6.83 and \$6.07.