

Office

Columbus

📍 Midwestern Region

🇺🇸 United States

I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$19.67/sqft**

AVERAGE VACANCY **21.1%**

(Published September 2021)

- Rent in the Columbus metro was up 0.1% from August.
- Rent is expected to finish 2021 at \$19.57 in the Columbus metro.
- No vacancy change since August in the Columbus metro.
- The Columbus metro was among the 20 highest vacancies nationally.

Market Overview

The Columbus office market is comprised of 33.5 million square feet in ten geographic concentrations ranging in size from the 6.9 million square foot Dublin/Hilliard submarket to the Southwest submarket, which accounts for 700,000 square feet. In the ten-year period beginning with Q4 2011, the Upper Downtown submarket has experienced the greatest introduction of new inventory, 496,000 square feet, amounting to 22.5% of all new competitive stock added to the market.

Asking and Effective Rent

Asking rents rose every month during the third quarter, with September's upward drift of 0.1% bringing the cumulative quarterly total up to 0.4%. The market has now experienced three consecutive monthly gains in asking rent, for a cumulative total of 0.4%. Since the beginning of Q4 2011, the metro as a whole has recorded an annual average increase of 1.1%. Effective rents, which exclude the value of concessions offered to prospective tenants, advanced by 0.2% during September to an average of \$15.47. The asking rent growth rate of the metro's ten underlying submarkets over the past 12 months has been mixed, with cumulative change rates ranging from 1.2% (Upper Downtown) to -2.3% (Bexley/Whitehall/Gahanna).

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area grew by 20,200 jobs during the third quarter, representing a growth rate of 1.9%, while in the dominant office-using industries, employment expanded by 7,800. Absorption rates of competitive office space may not immediately reflect quarterly total job gains or losses, but it is prudent to consider longer-term economic and demographic performance as influential upon current occupancy levels. Since the beginning of Q4 2011, the average growth rate for office-using employment in Columbus has been 1.5% per year, representing the average annual addition of 5,100 jobs. During September, leasing activity generated 14,000 square feet of negative absorption. Over the last 12 months, market absorption totaled negative 110,000 square feet; by comparison, the average annual absorption rate recorded since the beginning of Q4 2011 is 90,700 square feet. The net increase in vacancy from one year ago is 70 basis points to a level of 21.1%. From an historical perspective, September vacancy rate is 1.7 percentage points higher than the 19.4% average recorded since the beginning of Q4 2011.



Executive Briefing (cont.)

Outlook

Reis's new construction analysts report that 142,000 square feet of new multi-tenant office inventory will be introduced to the metro by the end of the year, and net total absorption will be positive 132,000 square feet. In response, the vacancy rate will drift downward by 0.1 percentage points to 21.0%. During 2022 and 2023, a total of 815,000 additional square feet is expected to be introduced to the metro inventory. Office employment growth at the metro level during 2022 and 2023 is expected to average 1.4% annually, enough to facilitate an absorption rate averaging 505,000 square feet per year. The market vacancy rate will finish 2022 at 20.3% and will decline 0.3 percentage points to 20.0% by year end 2023. Between now and year-end 2021 asking rents are expected to decline -0.5% to a level of \$19.57, while effective rents will fall by -1.0% to \$15.31. On an annualized basis through 2022 and 2023, asking and effective rents are anticipated to climb by 0.8% and 1.1%, respectively, to finish 2023 at \$19.90 and \$15.66.