

Industrial

# Columbus

Midwestern Region

United States

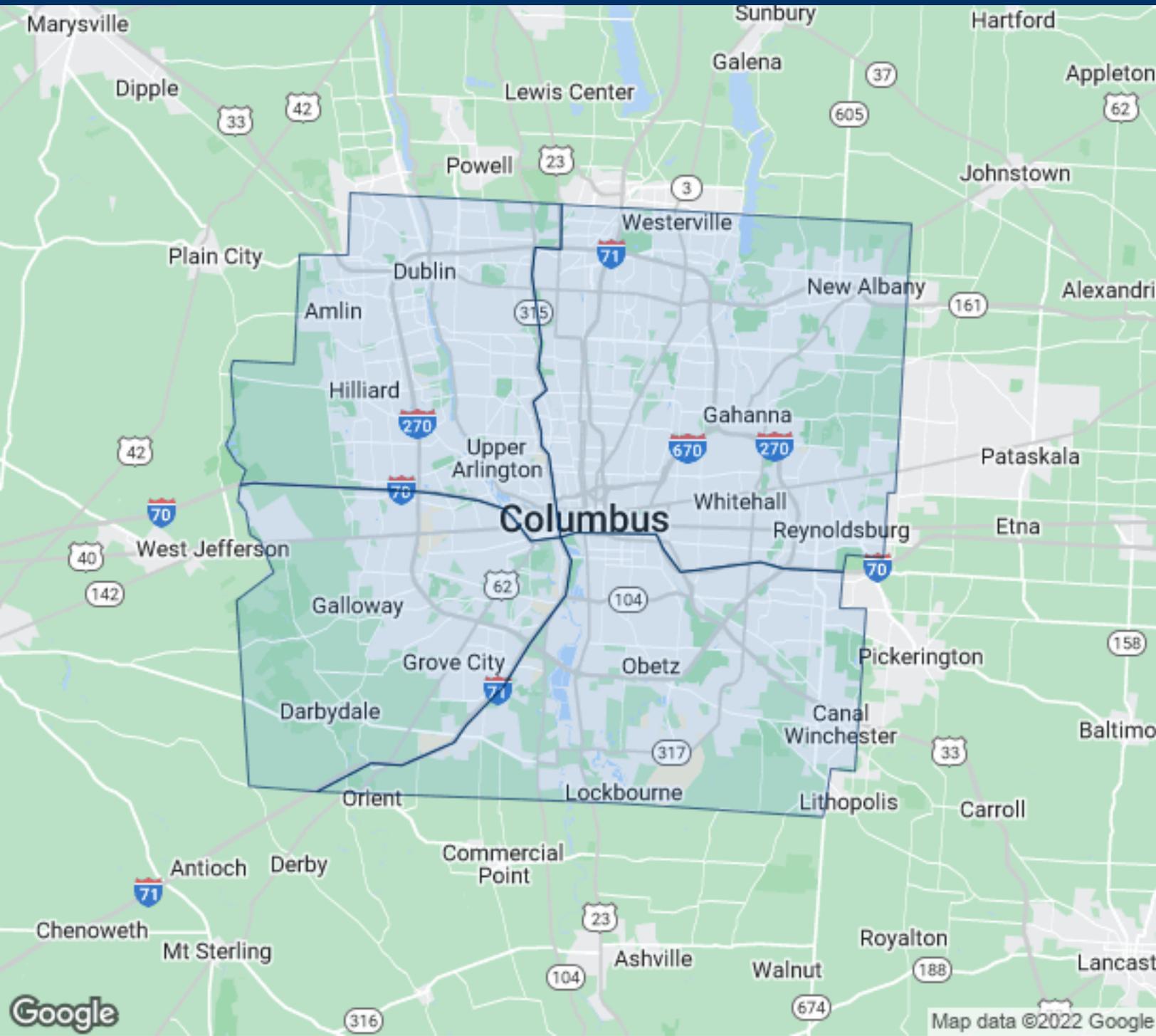
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REPORT GENERATED

May 12, 2022

DATA AS OF Q1 2022



Industrial

# Columbus

# I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$6.38/sqft**

AVERAGE VACANCY **13.4%**

(Published March 2022)

- The Columbus metro remained flat rent since February.
- Rent is expected to finish 2022 at \$6.63 in the Columbus metro.
- Vacancy in the Columbus metro declined by 170 basis points.
- The Columbus metro was among the 10 highest vacancies nationally.

## Market Overview

A comprehensive examination of the Columbus Flex/R&D market indicates that the dominant concentrations of competitive Flex/R&D space are located in the Northeast submarket, representing 6.1 million square feet and 45.7% of the metropolitan inventory, followed by Northwest, with a 24.1% share, and Southwest (4.5%). Since the beginning of Q2 2012, the fastest growing area has been the Northeast submarket, adding 130,000 square feet over that period, or 51.0% of total metropolitan Flex/R&D completions.

## Asking and Effective Rent

Stagnant asking rent levels in March leaves the cumulative first quarter increase at 0.6%, after two consecutive monthly increases of 0.3%. Since the same reporting period last year, asking rents have climbed by 3.2%, up from \$6.22. Since the beginning of Q2 2012, the metro as a whole has recorded an annual average increase of 1.8%. Effective rents, which exclude the value of concessions offered to prospective tenants, advanced by 0.9% during March to an average of \$5.72. The faster pace of effective rent growth 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 8,100 jobs during the first quarter, amounting to a growth rate of 0.7%, while industrial employment grew by 1,100. Since the beginning of Q2 2012, 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 225,000 square feet during March. Over the last 12 months, market absorption totaled 567,000 square feet, nearly quadruple the average annual absorption rate of 157,200 square feet recorded since the beginning of Q2 2012. In a long-term context, March vacancy rate is 4.6 percentage points lower than the 15.3% average recorded since the beginning of Q2 2012.



## Executive Briefing (cont.)

### Outlook

Between now and year's end, 62,000 square feet of competitive Flex/R&D stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 153,000 square feet. Consequently, the vacancy rate will continue to drift downward to finish the year at 9.9%. During 2023 and 2024, developers are expected to deliver a total of 49,000 square feet. Industrial employment growth at the metro level during 2023 and 2024 is expected to average 0.4% annually, enough to facilitate an absorption rate averaging 125,000 square feet per year. The market vacancy rate will finish 2023 at 9.3% and will fall 0.9 percentage points to 8.4% by year end 2024. Between now and year-end 2022 asking rents are expected to rise 3.3% to a level of \$6.63, while effective rents will advance by 3.8% to \$5.94. Thereafter, Reis projects that asking rent growth will accelerate to an annualized average of 3.6% during 2023 and 2024 to reach a level of \$7.12 per square foot. Effective rents will increase by a more rapid annualized average rate of 4.0%, as market conditions begin to allow landlords to limit the value of their concessions packages.

# I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$4.16/sqft**

AVERAGE VACANCY **6.6%**

(Published March 2022)

- Rent in the Columbus metro was up 0.5% from February.
- Rent is expected to finish 2022 at \$4.29 in the Columbus metro.
- Vacancy in the Columbus metro fell by 50 basis points.
- The Columbus metro had the lowest vacancy level since November 2009.

## Market Overview

A summary of key real estate supply and demand metrics shows that during the first quarter the Columbus warehouse/distribution market recorded positive net absorption, increasing effective rents, and downward movement in the market's vacancy rate. It is useful to scrutinize each of these critical measures of market equilibrium in more detail and from both a historical and forecast perspective.

## Asking and Effective Rent

Monthly movement in asking rent during the first quarter was mixed, with March's increase of 0.5% bringing the cumulative quarterly total up to 1.2%. Over the past twelve months, asking rents have risen a total of 4.5%, up from \$3.98. Since the beginning of Q2 2012, the metro as a whole has recorded an annual average increase of 2.4%. Effective rents, which take into account concessions offered to new lessees, rose more quickly, up by 0.8% during March. 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 four of the metro's submarkets.

## Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area grew by 8,100 jobs during the first quarter, representing a growth rate of 0.7%, while industrial employment expanded by 1,100. Since the beginning of Q2 2012, 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 624,000 square feet during March. Over the last 12 months, market absorption totaled 5.4 million square feet, more than double the average annual absorption rate of 2.5 million square feet recorded since the beginning of Q2 2012. From an historical perspective, March vacancy rate is 5.8 percentage points lower than the 12.4% average recorded since the beginning of Q2 2012.



## Executive Briefing (cont.)

### Outlook

Reis's new construction analysts report that 2.9 million square feet of new multi-tenant warehouse/distribution inventory will be introduced to the metro by the end of the year, and net total absorption will be positive 2.4 million square feet. As a result, the vacancy rate will drift upward by 0.3 percentage points to 6.9%. During 2023 and 2024, developers are expected to deliver a total of 3.4 million square feet. Industrial employment growth at the metro level during 2023 and 2024 is anticipated to average 0.4% annually, enough to facilitate an absorption rate averaging 2.7 million square feet per year. The market vacancy rate will finish 2023 at 5.9% and will decline 0.7 percentage points to 5.2% by year end 2024. Between now and year-end 2022 asking rents are expected to climb 3.1% to a level of \$4.29, while effective rents will increase by 3.3% to \$4.05. On an annualized basis through 2023 and 2024, asking and effective rents are projected to advance by 5.3% and 5.6%, respectively, to finish 2024 at \$4.76 and \$4.52.