

Office

Columbus

Midwestern Region

United States

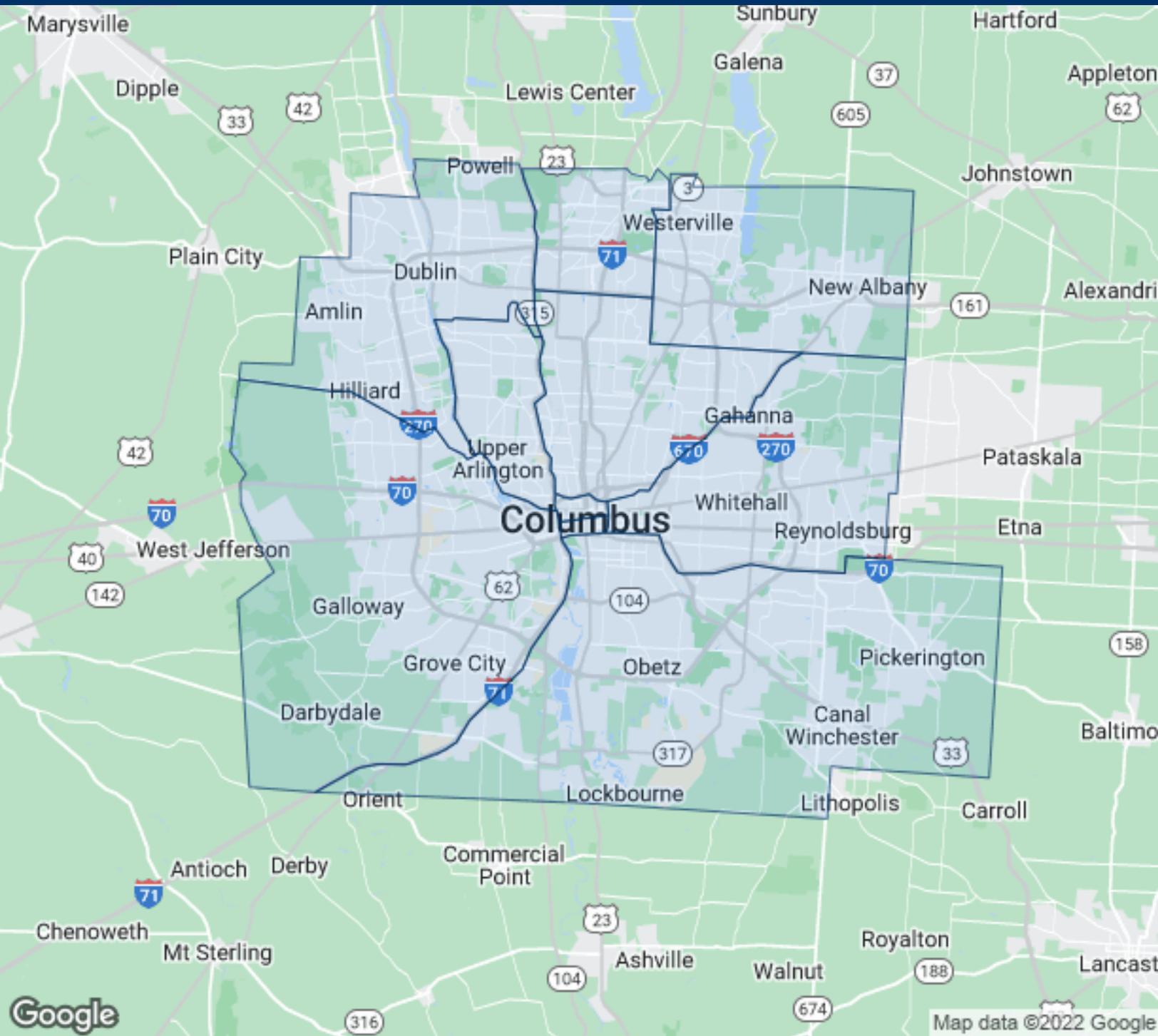
MOODY'S
ANALYTICS

REIS

REPORT GENERATED

May 12, 2022

DATA AS OF Q1 2022



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I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$19.80/sqft**

AVERAGE VACANCY **19.8%**

(Published March 2022)

- Rent in the Columbus metro was down 0.1% from February.
- Rent is expected to finish 2022 at \$19.76 in the Columbus metro.
- Vacancy in the Columbus metro fell by 90 basis points.
- The Columbus metro had the lowest vacancy level since January 2019.

Market Overview

A comprehensive overview of the Columbus office market suggests that the primary concentrations of speculative office space are located in the Dublin/Hilliard submarket, representing 6.9 million square feet and 20.6% of the metropolitan inventory, followed by Upper Downtown, with a 17.8% share, and Worthington (17.0%). Since the beginning of Q2 2012, the fastest growing area has been the Upper Downtown submarket, adding 496,000 square feet over that period, or 23.9% of total metropolitan office completions.

Asking and Effective Rent

Monthly movement in asking rent during the first quarter was mixed, with March's drift downward of 0.1% bringing the cumulative quarterly total up to 0.4%. Over the past twelve months, asking rents have increased a total of 0.8%, up from \$19.64. Since the beginning of Q2 2012, 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, rose by 0.2% during March to an average of \$15.61. The narrowing gap between asking and effective rents suggests that landlords are enjoying more pricing power at the negotiating table. Although all of the Columbus metropolitan area's ten office submarkets contributed to the metro's recent rent growth, it is helpful to observe that the 0.8% asking rent growth rate of the past 12 months compares unfavorably to the metro's long term performance.

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 in the dominant office-using industries, employment contracted by 1,517. 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 2012, the average growth rate for office-using employment in Columbus has been 1.2% per year, representing the average annual addition of 4,000 jobs. Leasing activity generated 311,000 square feet of absorption during March. Over the last 12 months, market absorption totaled 306,000 square feet, more than double the average annual absorption rate of 128,000 square feet recorded since the beginning of Q2 2012. The net decline in vacancy from one year ago is 90 basis points to a level of 19.8%. From an historical perspective, March vacancy rate is 0.4 percentage points higher than the 19.4% average recorded since the beginning of Q2 2012.

Executive Briefing (cont.)

Outlook

Reis is tracking office construction activity that will deliver 465,000 square feet to the metro by the end of the year, and net total absorption will be positive 317,000 square feet. As a result, the vacancy rate will drift upward by 0.2 percentage points to 20.0%. During 2023 and 2024, developers are expected to deliver a total of 1.1 million square feet. Office employment growth at the metro level during 2023 and 2024 is anticipated to average 0.9% annually, enough to facilitate an absorption rate averaging 562,000 square feet per year. The market vacancy rate will finish 2023 at 19.9% and will decline 0.7 percentage points to 19.2% by year end 2024. Between now and year-end 2022 asking rents are expected to decline -0.2% to a level of \$19.76, while effective rents will remain unchanged at \$15.61. Thereafter, Reis anticipates that asking rent growth will accelerate to an annualized average of 1.7% during 2023 and 2024 to reach a level of \$20.43 per square foot. Effective rents will climb by a more rapid annualized average rate of 2.2%, as market conditions begin to allow landlords to reduce above average tenant improvement allowances.