Office

Columbus

Midwestern Region

United States

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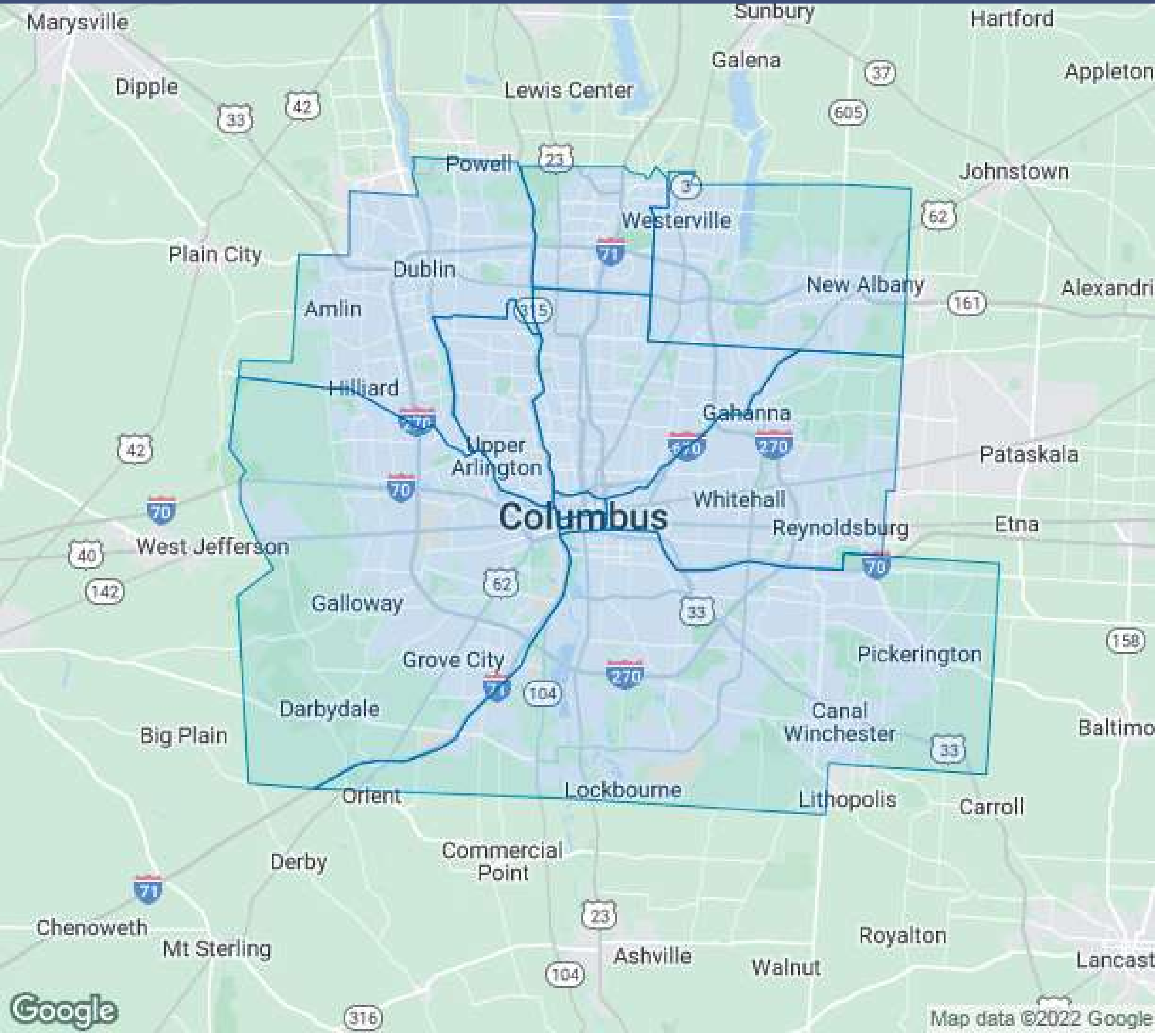
REPORT GENERATED

July 13, 2022

DATA AS OF Q1 2022



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I. EXECUTIVE BRIEFING

(Published May 2022)

AVERAGE ASKING RENT **$19.83/sqft**

AVERAGE VACANCY **20.9%**

- Rent in the Columbus metro was up 0.1% from April.
- Rent is expected to finish 2022 at $19.76 in the Columbus metro.
- No vacancy change since April 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 Q2 2012, the Upper Downtown submarket has experienced the greatest introduction of new inventory, 496,000 square feet, amounting to 23.9% of all new competitive stock added to the market.

Asking and Effective Rent

During May, asking rents built upon April's 0.1% increase, drifting upward by an additional 0.1% to $19.83. Since the same reporting period last year, asking rents have climbed by 1.2%, up from $19.60. 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, also rose by 0.1% during May. The identical rates of change suggest that landlords have been able to eke out increases without sweetening the relative value of concessions packages offered to new lessees. Although all of the Columbus metropolitan area's ten office submarkets contributed to the metro's recent rent growth, it is noteworthy that the 1.2% 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, representing 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. During May, leasing activity generated 31,000 square feet of negative absorption. Over the last 12 months, market absorption totaled 70,000 square feet, more than half 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 20 basis points to a level of 20.9%. In a long-term context, May vacancy rate is 1.5 percentage points higher than the 19.4% average recorded since the beginning of Q2 2012.

Executive Briefing (cont.)

Outlook

Between now and year's end, 465,000 square feet of competitive office stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 697,000 square feet. Consequently, the vacancy rate will drift downward by 0.9 percentage points to 20.0%. During 2023 and 2024, construction activity under surveillance is expected to deliver a total of 1.1 million square feet. Nonagricultural job growth during 2023 and 2024 is projected to average 1.2% annually. The market vacancy rate will finish 2023 at 19.9% and will fall 0.7 percentage points to 19.2% by year end 2024. Between now and year-end 2022 asking rents are expected to fall -0.4% to a level of $19.76. 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 increase by a more rapid annualized average rate of 2.2%, as market conditions begin to allow landlords to reduce above average tenant improvement allowances.