Office

Columbus

Midwestern Region

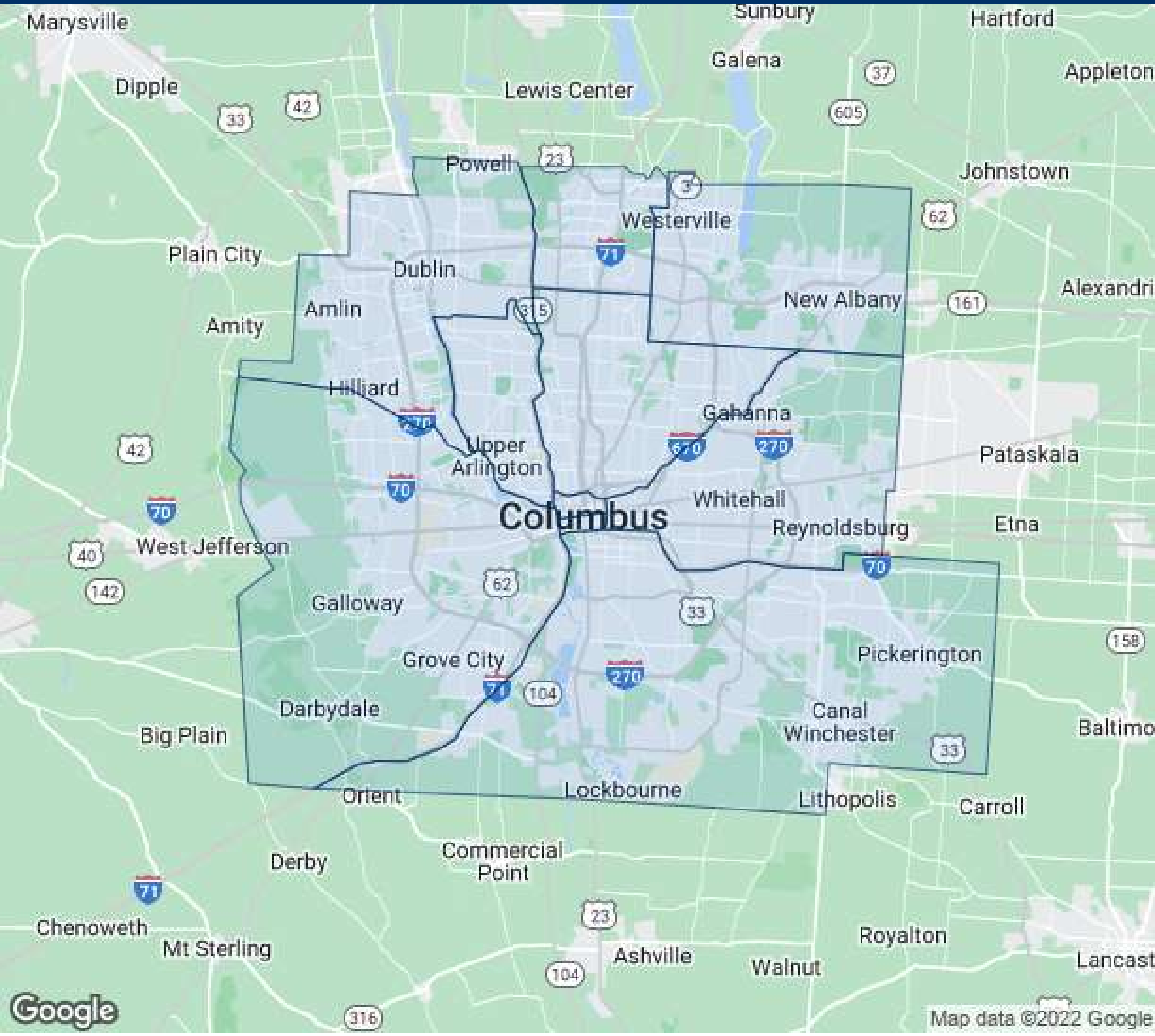
United States

Moody's Analytics | CRE

REPORT GENERATED

August 12, 2022

DATA AS OF Q2 2022



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I. EXECUTIVE BRIEFING

(Published June 2022)

AVERAGE ASKING RENT **$19.87/sqft**

AVERAGE VACANCY **21.0%**

- **Rent in the Columbus metro was up 0.2% from May.**
- **Rent is expected to finish 2022 at $19.88 in the Columbus metro.**
- **Vacancy in the Columbus metro drifted upward by 10 basis points.**
- **The Columbus metro was among the 20 highest vacancies nationally.**

Market Overview

A comprehensive examination of the Columbus office market reveals that the major concentrations of competitive office space are located in the Dublin/Hilliard submarket, amounting to 6.9 million square feet and 20.5% of the metropolitan inventory, followed by Upper Downtown, with a 17.7% share, and Worthington (16.9%). Since the beginning of Q3 2012, the fastest growing area has been the Lower Downtown submarket, adding 527,000 square feet over that period, or 22.9% of total metropolitan office completions.

Asking and Effective Rent

Asking rents climbed every month during the second quarter, with June's increase of 0.2% 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 Q3 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 advanced by 0.2% during June. The identical rates of change suggest that landlords have refrained from increasing the relative values of concessions packages offered to new tenants. During the past 12 months, positive movement in asking rent was recorded in all ten of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Columbus metropolitan area grew by 9,200 jobs during the second quarter, representing a growth rate of 0.8%, while in the dominant office-using industries, employment expanded by 2,500. 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 Q3 2012, the average growth rate for office-using employment in Columbus has been 1.1% per year, representing the average annual addition of 4,000 jobs. The metro experienced absorption of 164,000 square feet during June. Over the last 12 months, market absorption totaled 249,000 square feet, more than double the average annual absorption rate of 108,100 square feet recorded since the beginning of Q3 2012. The introduction of 222,000 square feet of new competitive stock more than offset the second quarter's absorption, sending the vacancy rate up by 10 basis points to 21.0%. From an historical perspective, June vacancy rate is 1.5 percentage points higher than the 19.5% average recorded since the beginning of Q3 2012.

Executive Briefing (cont.)

Outlook

Reis is tracking office construction activity that will deliver 1.1 million square feet to the metro by the end of the year, and net total absorption will be positive 805,000 square feet. In response, the vacancy rate will continue to drift upward to finish the year at 21.2%. During 2023 and 2024, developers are projected to deliver a total of 735,000 square feet. Nonagricultural job growth during 2023 and 2024 is projected to average 1.3% annually. The market vacancy rate will finish 2023 at 20.5% and will decline 0.8 percentage points to 19.7% by year end 2024. Between now and year-end 2022 asking rents are expected to rise 0.1% to a level of $19.88. Thereafter, Reis anticipates that asking rent growth will accelerate to an annualized average of 1.5% during 2023 and 2024 to reach a level of $20.48 per square foot. Effective rents will advance by a more rapid annualized average rate of 2.0%, as market conditions begin to allow landlords to avoid issuing above average work letters.