

2Q23

# Columbus Industrial Market Overview



NEWMARK

# Market Observations

## Economy

- Columbus demonstrates improved post-pandemic economic conditions with a decreased unemployment rate of 3.0%, lower than Ohio's and the national average. Columbus recorded 1.4% for nonfarm employment growth in the past year.
- The mining, logging and construction sector recorded the highest year-over-year job growth at 12.6%, indicating significant construction activities in the area, followed by other services and leisure and hospitality, with 6.7% and 4.4% increases.
- Based on number of employment, growth in industrial-using sectors has also increased and is currently above pre-pandemic levels.

## Major Transactions

- Uline purchased 1.0 million SF at 8320 Global Way SW in the Licking County submarket for \$114.3 million, or \$114.30/SF.
- Black & Decker and Geodis signed a 1.0-million-SF respectively direct lease in the Rickenbacker and Licking County submarkets, while DHL signed a 1.2-million-SF sublease in the Rickenbacker submarket.

## Leasing Market Fundamentals

- Absorption in the second quarter of 2023 totaled 2.2 million SF. This figure was higher than the previous quarter and is expected to increase throughout the rest of 2023 based on the higher leasing activity in this quarter.
- The 6.6 million SF construction pipeline trended downward for three consecutive quarters upon record deliveries and sharply decelerating new starts.
- Vacancy and rents both increased year over year. Vacancy grew to 6.3% as deliveries modestly outpaced absorption. Higher-priced space delivered to the market and still-robust demand drove strong yet decelerating 12-month rent growth of 4.4%.

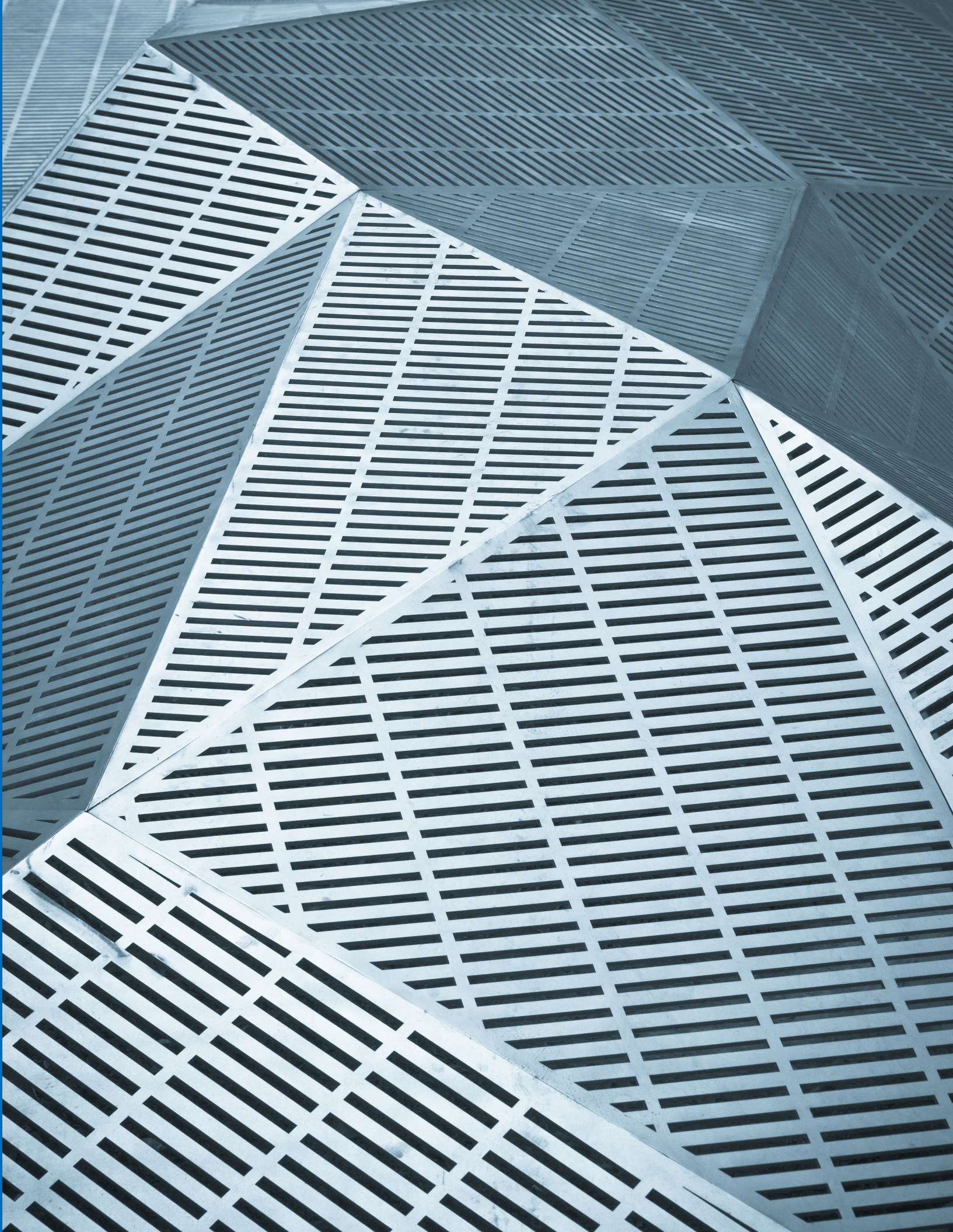
## Outlook

- Although uncertainty reigns in the macroeconomic outlook, industrial activity in Columbus showed an active trend with positive net absorption, higher leasing activity and a slight increase in the rental rate.
- Market vacancy will decrease further as lower volumes of new construction deliver this year compared with the previous year, paired with higher leasing activity.
- Rent growth, aggressive through all of 2022, has decelerated and will continue to cool throughout the year. This will vary on submarket, size range and asset type bases.

1. Economy
2. Leasing Market Fundamentals

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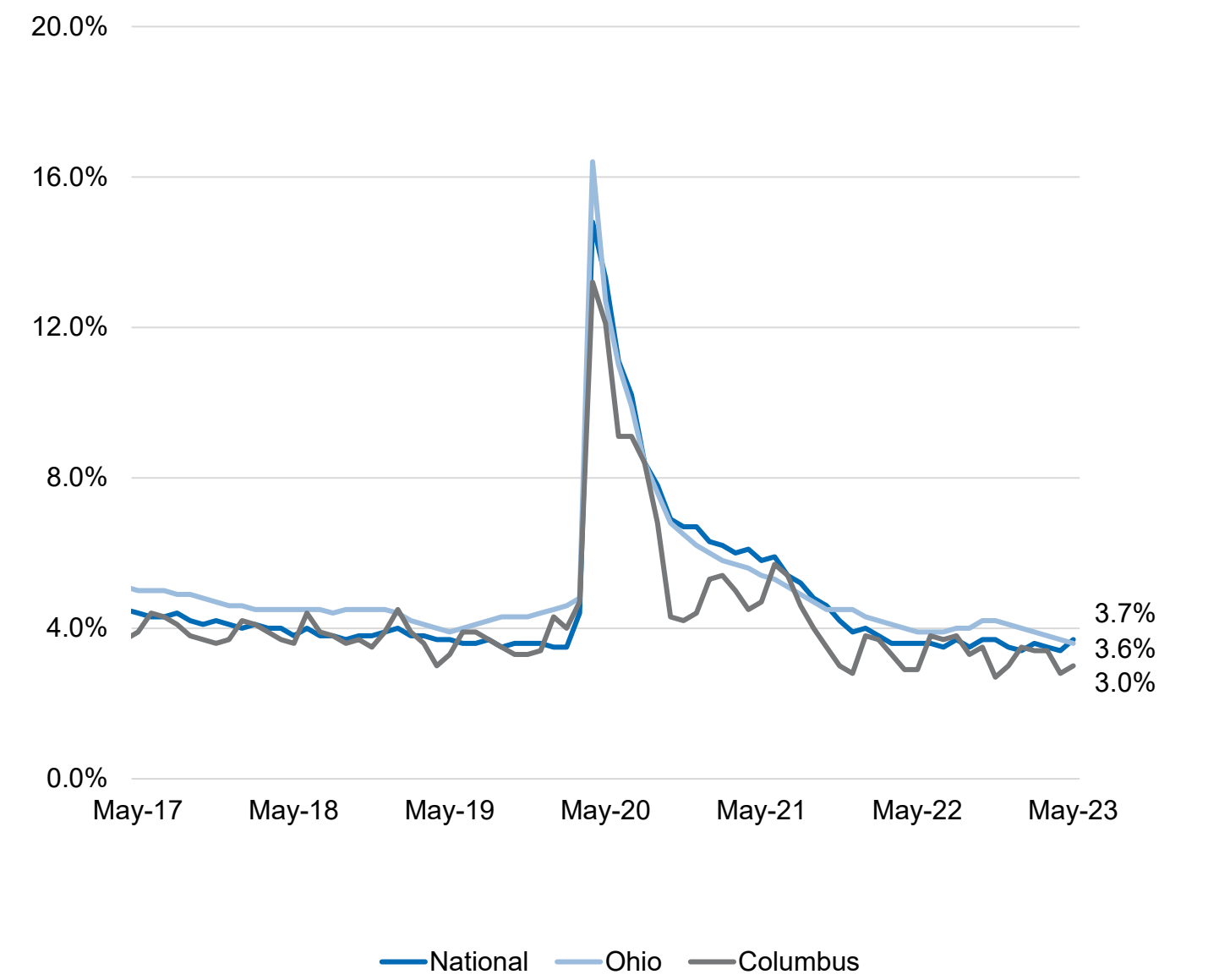
# Economy



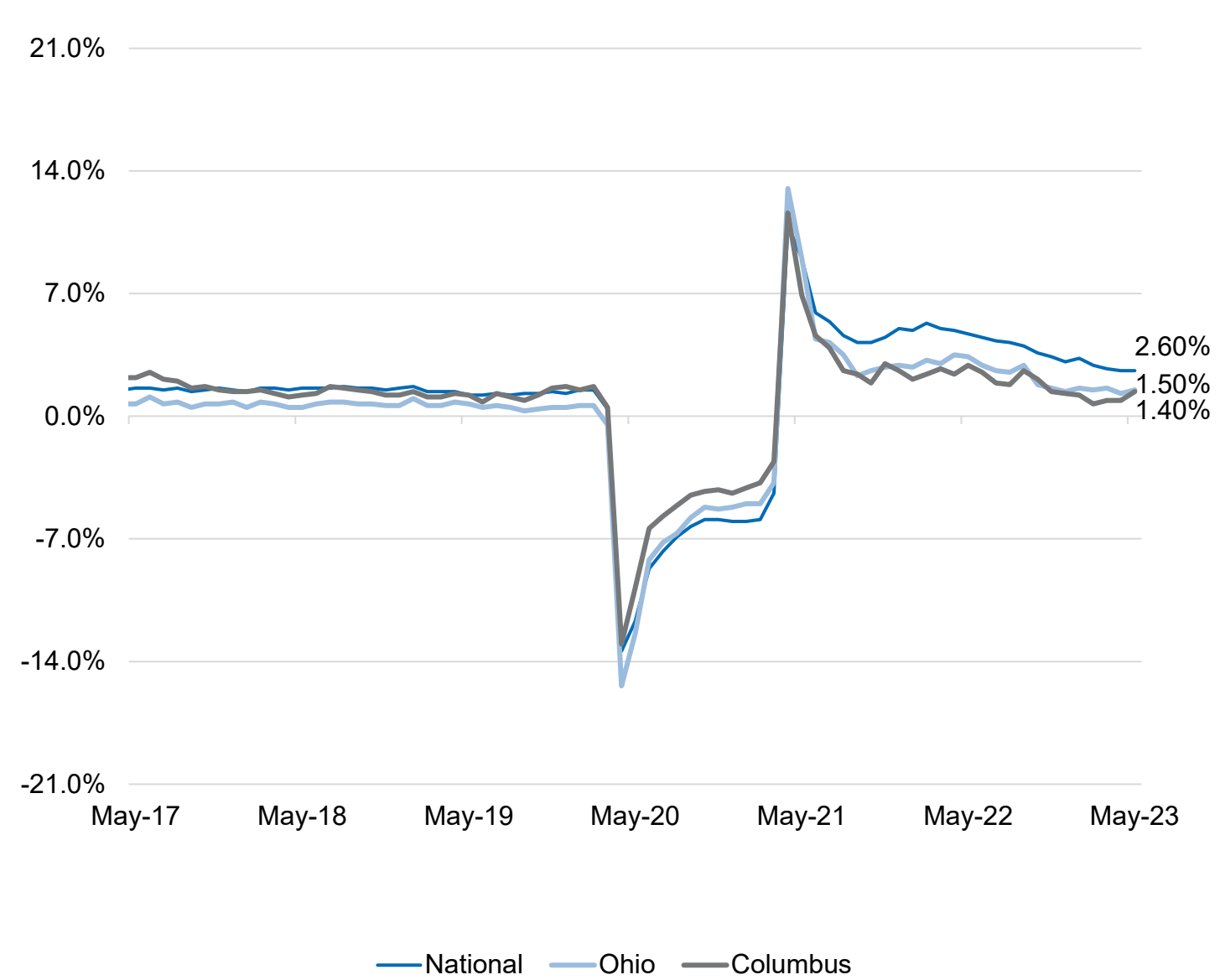
# Metro Employment Experienced Steady Growth

Columbus has experienced steady employment growth over the past few years; compared with the state and national figures, Columbus has the lowest unemployment rate of 3.0%. Columbus had a slight increase of 1.4% for local nonfarm payroll employment.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

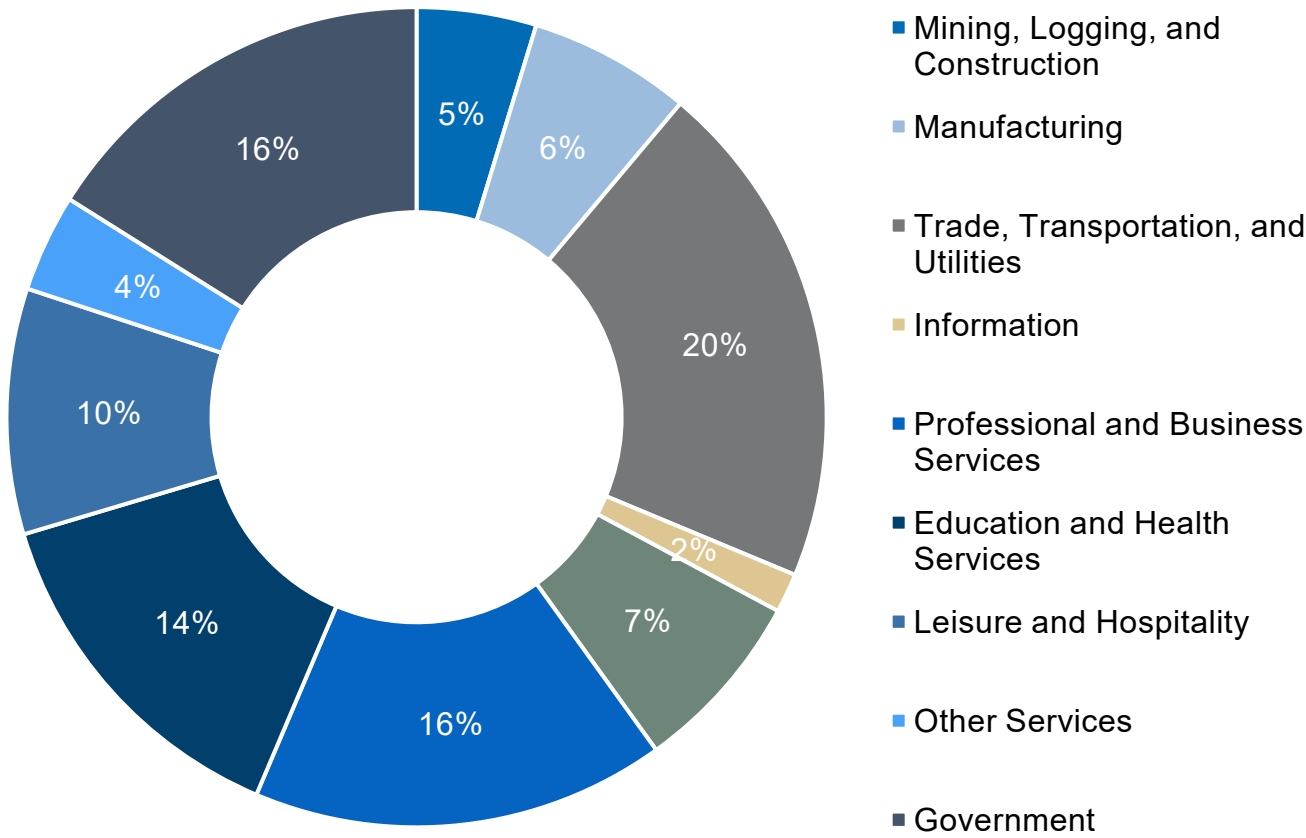


Source: U.S. Bureau of Labor Statistics, Columbus MSA

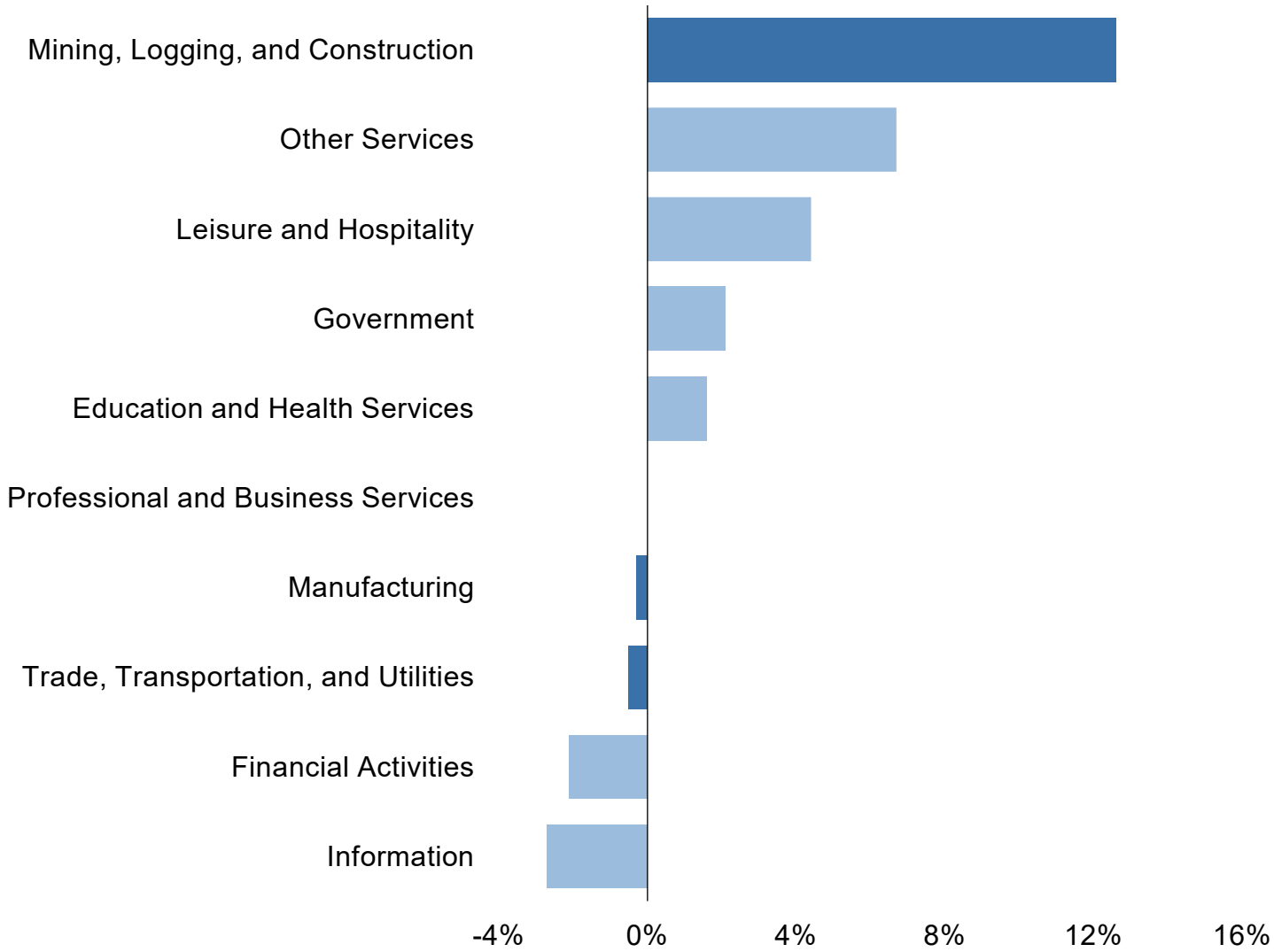
# Job Growth Driven by Service Sectors

The mining, logging and construction sector led all industries in regional annual job growth, followed by other services and leisure and hospitality, showing the occurrence of economic recovery in Columbus. Industrial-using employment sectors or adjacent industries saw an annual job increase for mining, logging and construction in the past year, except for manufacturing and trade, transportation and utilities.

Employment by Industry, May 2023



Employment Growth by Industry, 12-Month % Change, May 2023

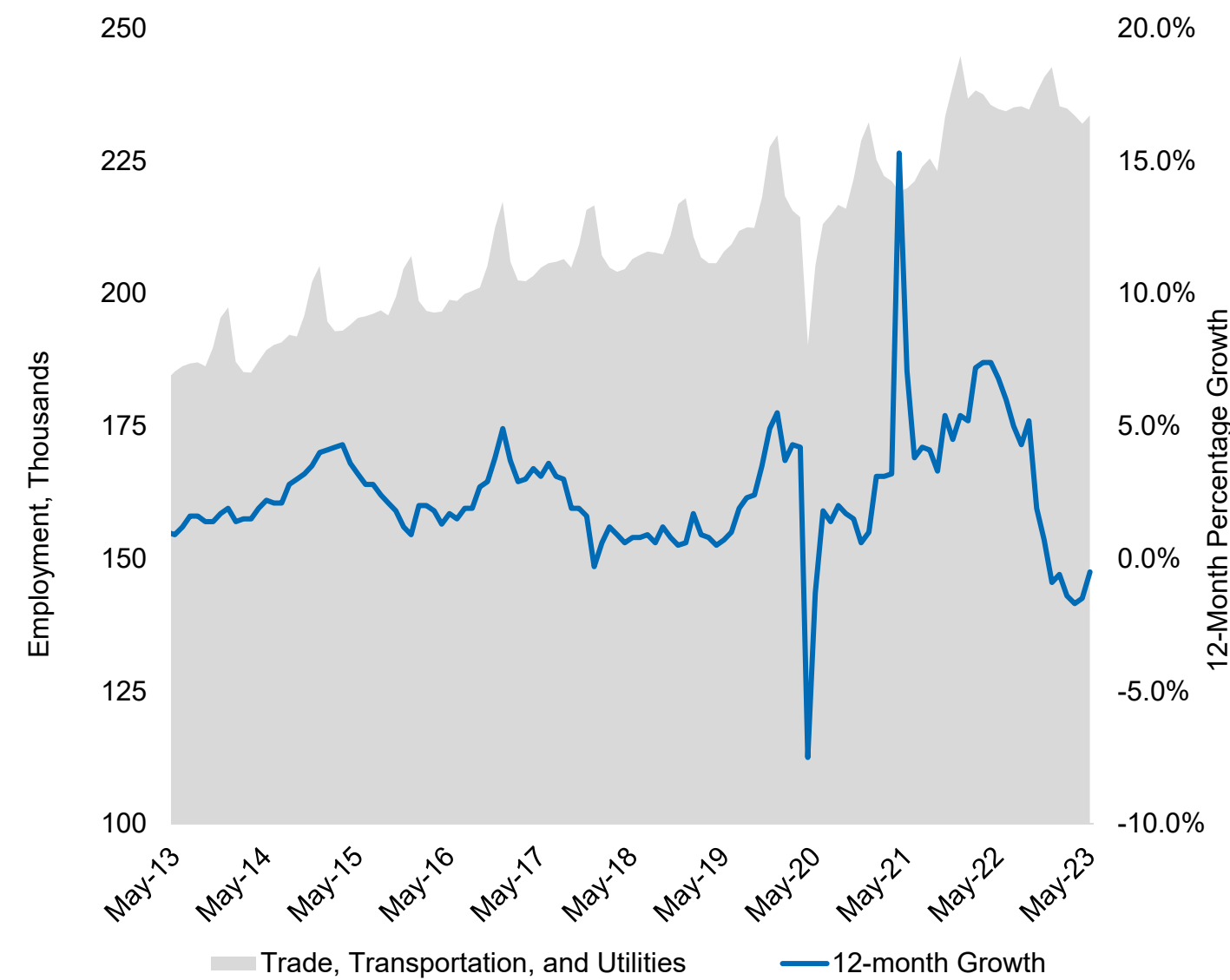


Source: U.S. Bureau of Labor Statistics, Columbus MSA

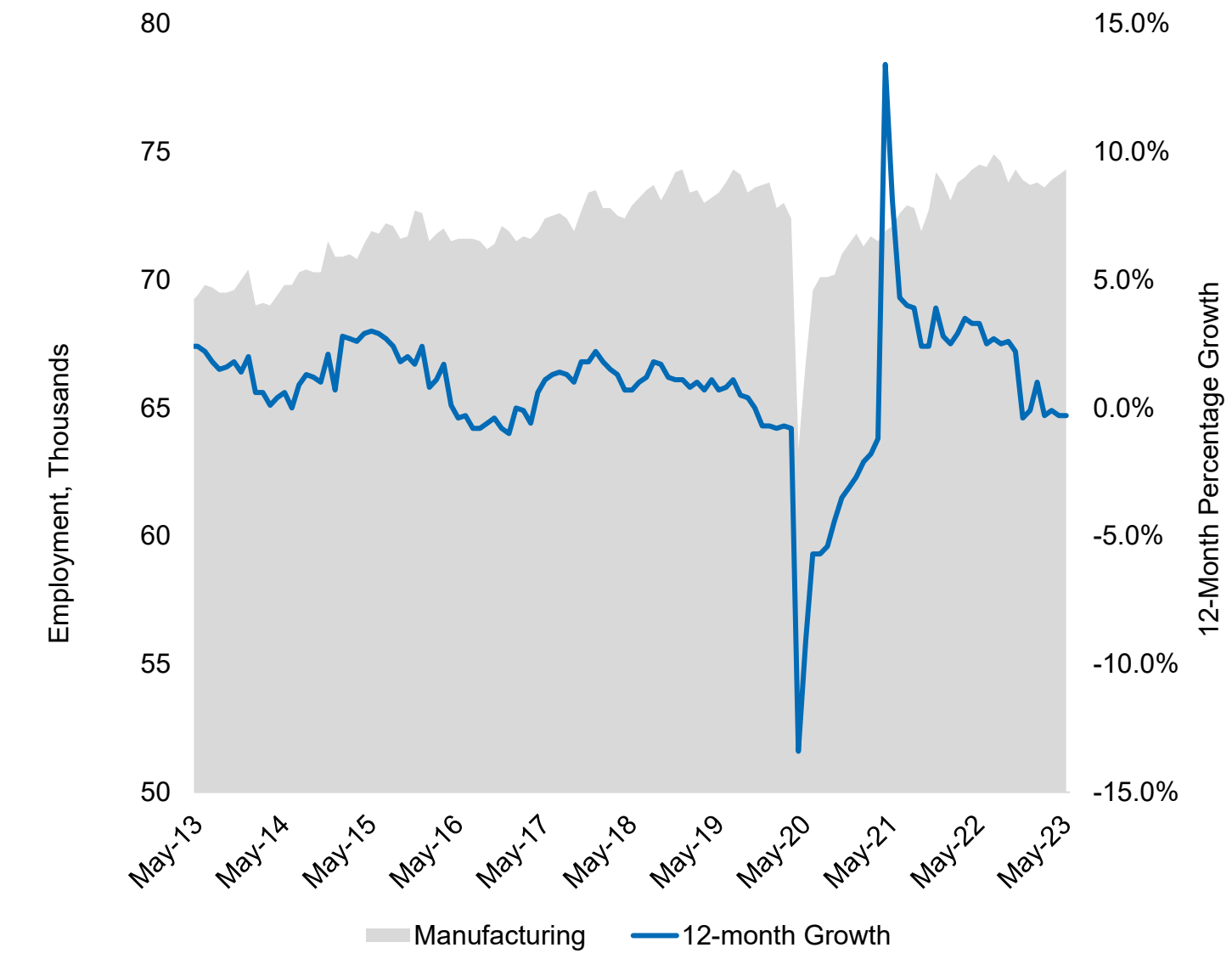
# Industrial Employment Strong but Not Immune to Softening Conditions

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs by showing negative growth; however, competition for labor is still challenging for many market occupiers. Both trade/transportation/utilities and manufacturing saw a decrease in employment growth in May 2023 year-over-year, from 6.8% to negative 0.5% and from 3.3% to negative 0.3%, respectively.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing

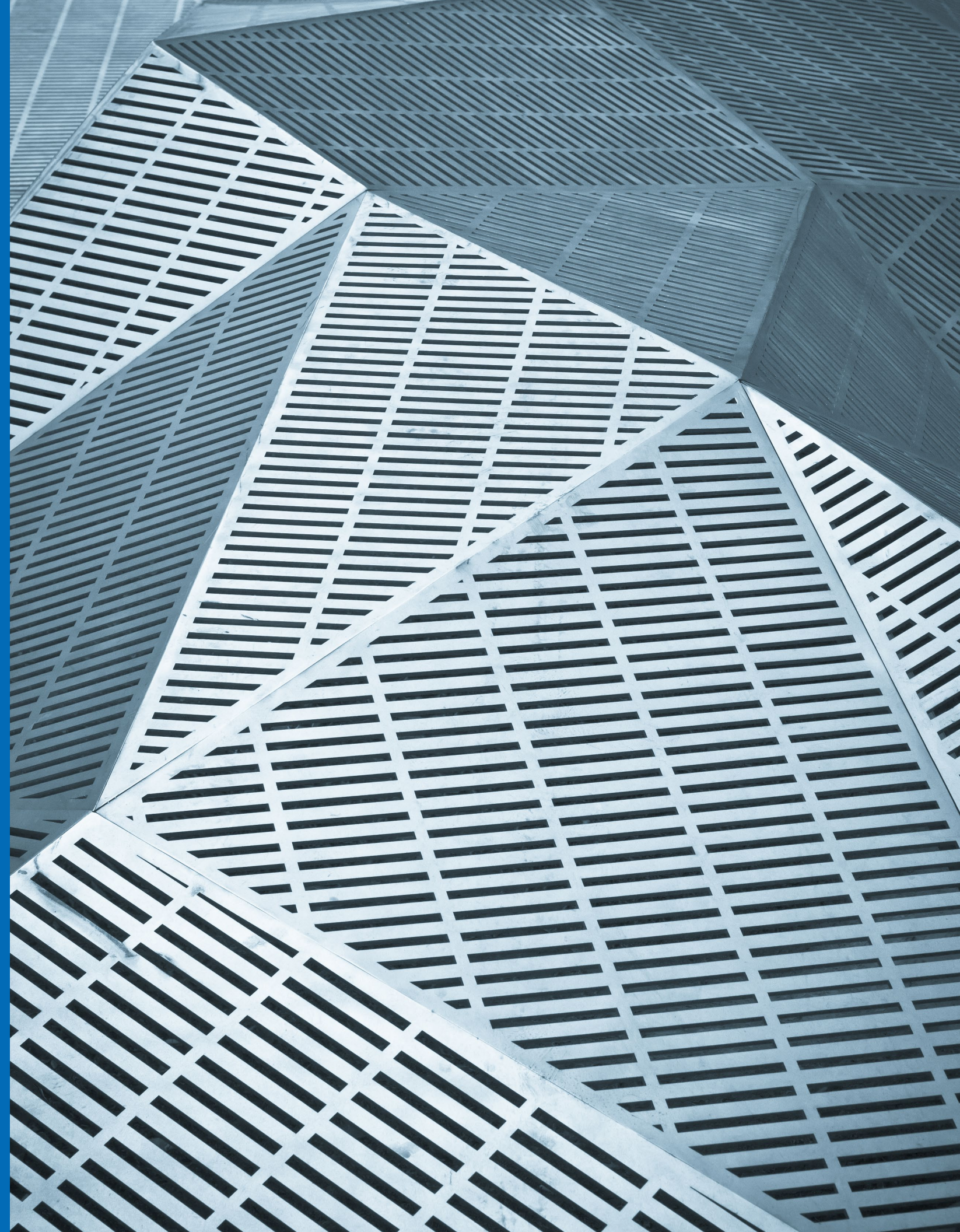


Source: U.S. Bureau of Labor Statistics, Columbus MSA

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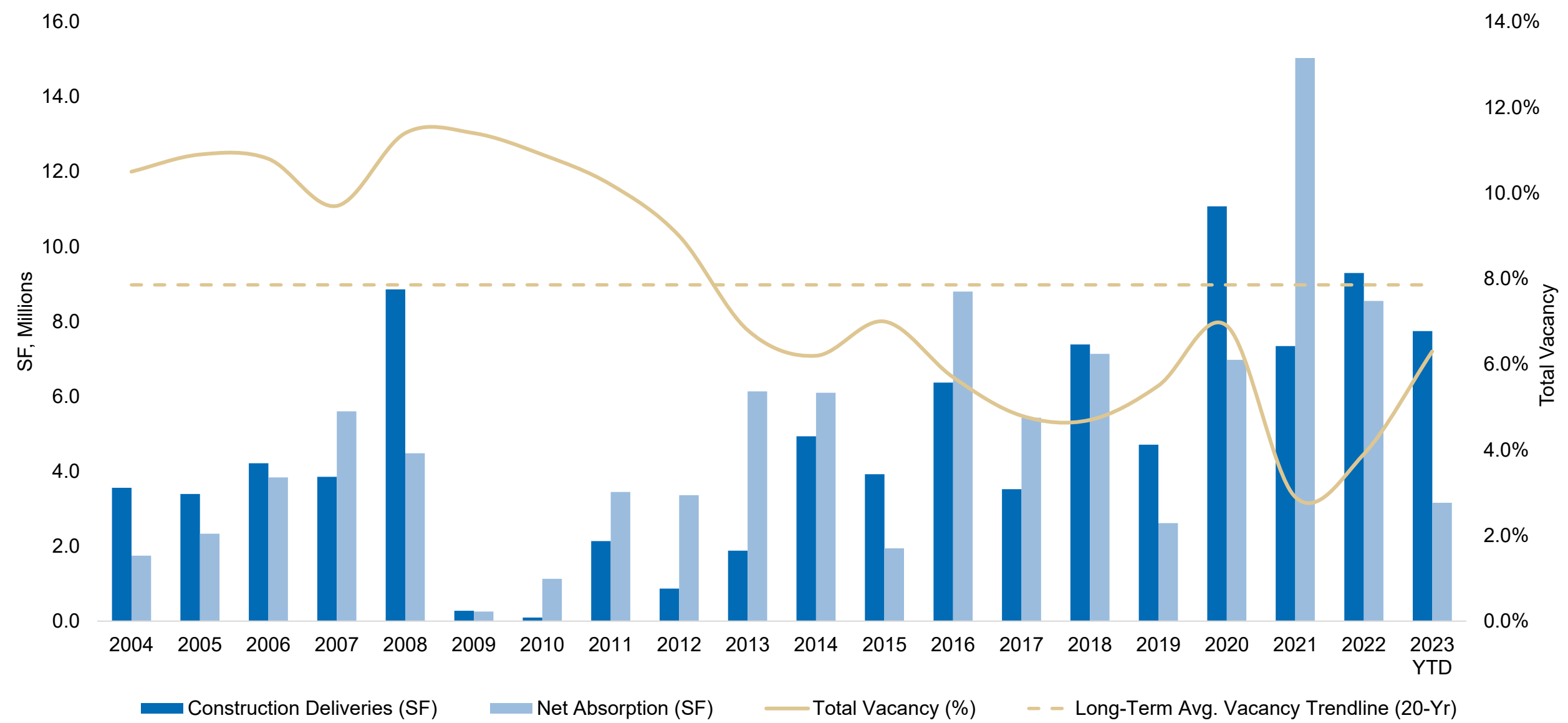
# Leasing Market Fundamentals



# Vacancy Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate slightly increased to 6.3% in the second quarter of 2023 from 6.2% in the previous quarter. The market is recalibrating, with the vacancy rate expected to decline over the next few quarters as new leases signed this quarter start, and construction deliveries slow. Even with this increase in vacancy, the rate of 6.3% is still below the 20-year average.

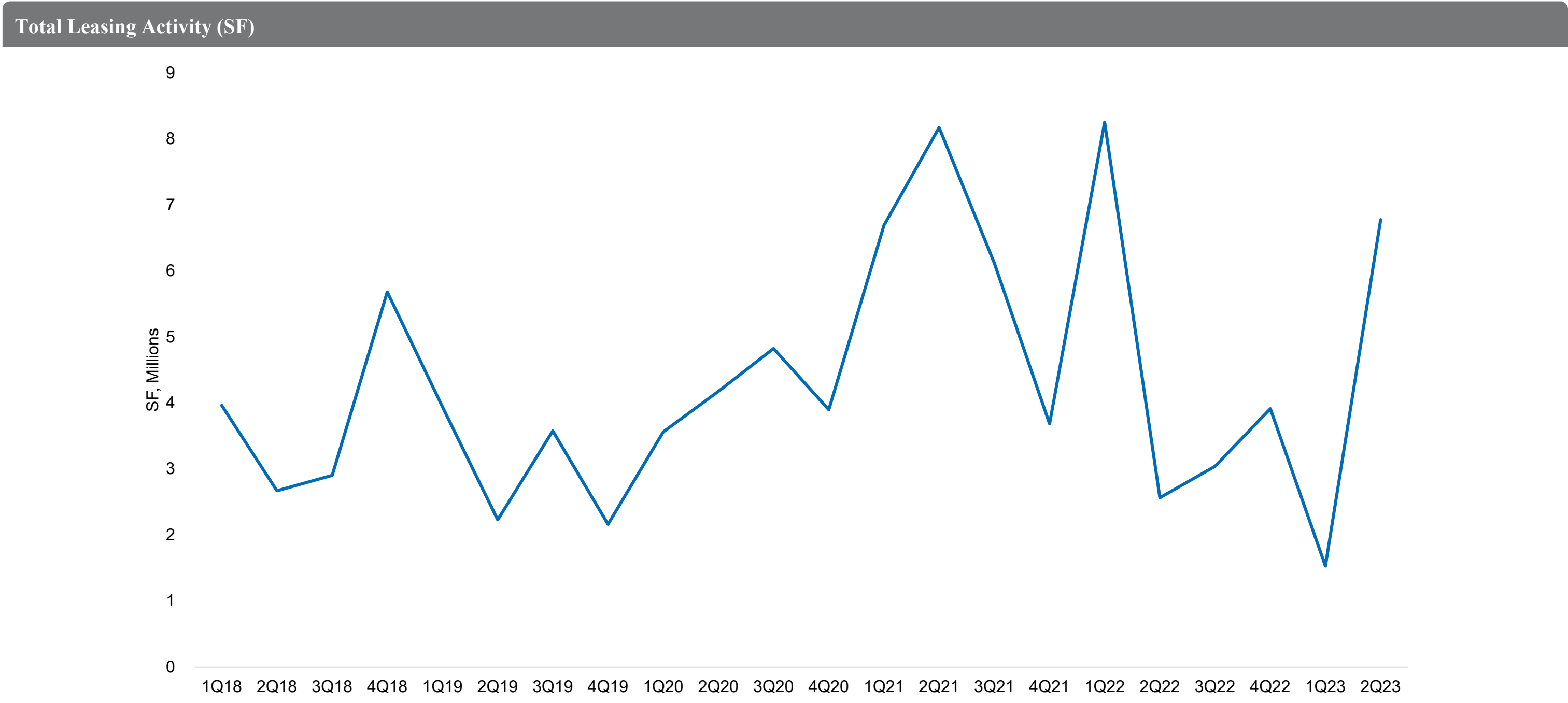
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Industrial Leasing Activity Increases Significantly from the Previous Quarter

In the second quarter of 2023, demand for industrial space increased significantly to 6.8 million SF, with an average deal size of 200,000 SF. Three leases greater than 1 million SF were recorded at 521 Exchange Way subleased by DHL, 9800 Schuster Way by Black & Decker and 4229 Raymond Ave. direct lease by Geodis. High lease activity will reflect on high net absorption throughout the rest of 2023.

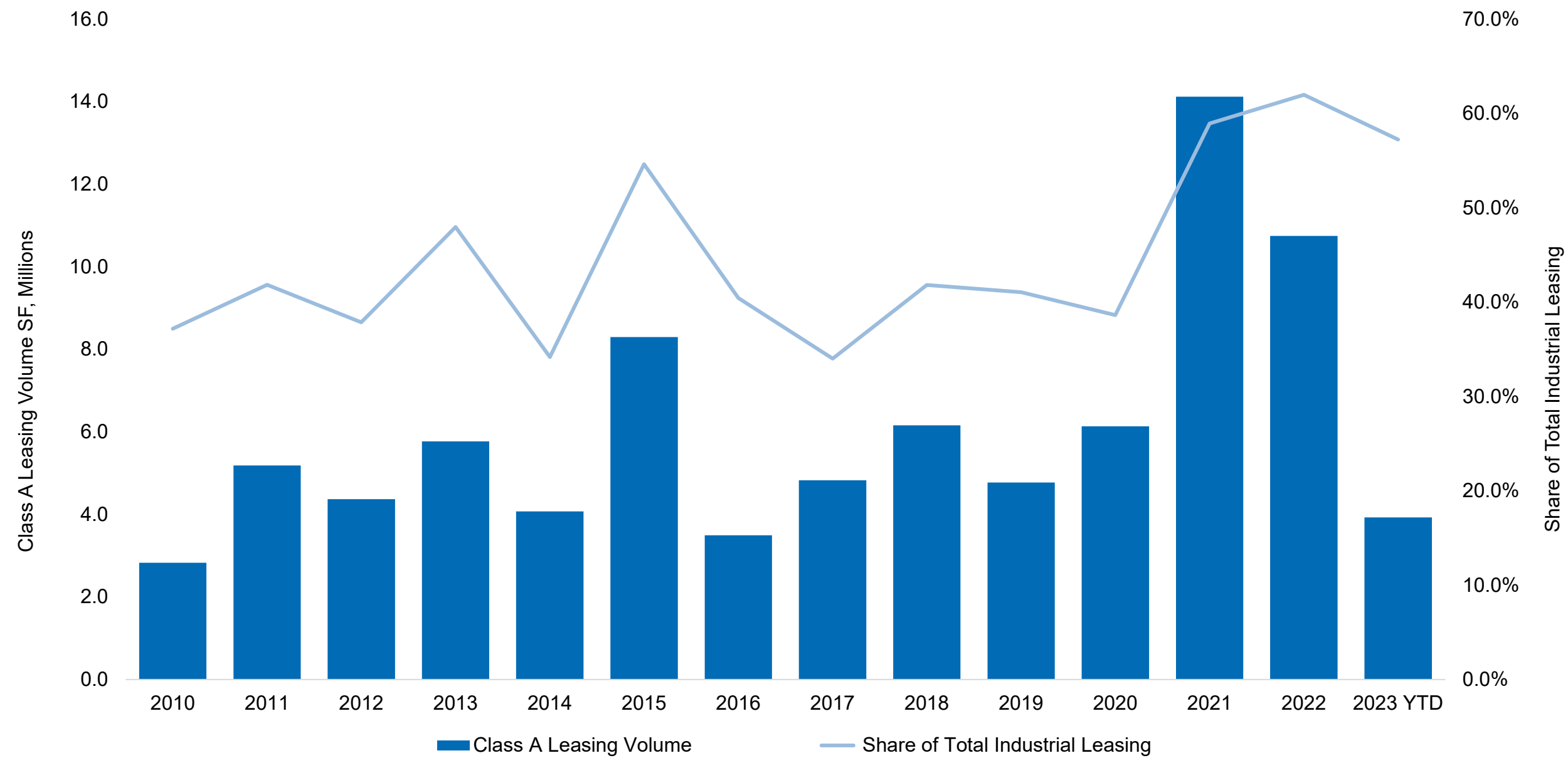


Source: Newmark Research, CoStar

# Class A Warehouse Leasing Above Long-Term Average

Secondary markets like Columbus have seen active construction of modern Class A warehouse space over the past few years. Class A warehouse leasing represented 57.2% of overall activity in 2023, down from a recent high of 62.0% in 2022 but significantly above the pre-pandemic average.

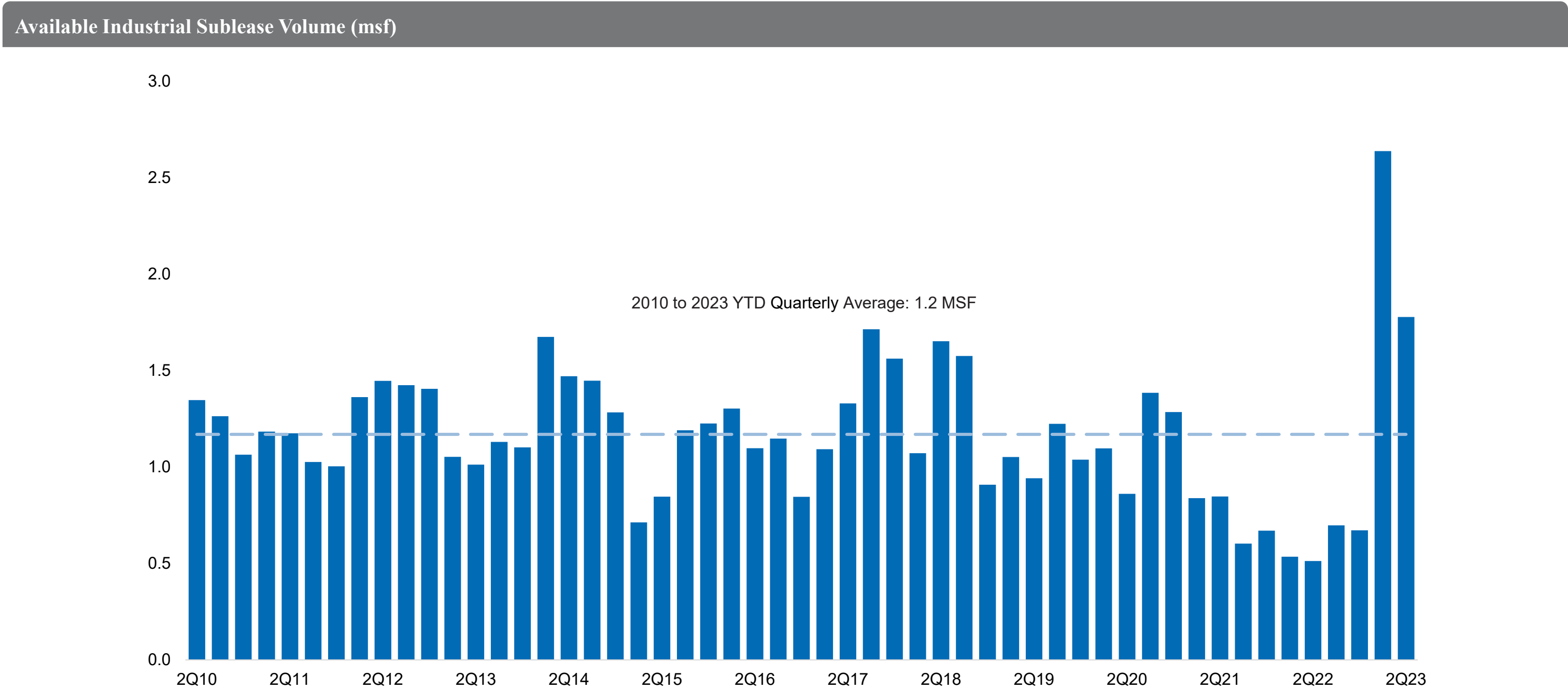
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

# Industrial Sublease Availability Increases Above Pre-Pandemic Levels

Sublease volume in the second quarter of 2023 recorded the highest figure, significantly above the long-term pre-pandemic average. The rate at which subleases were added to the market has accelerated over the past three quarters. Rising interest rates, an inflationary environment and declining consumer demand drive some firms to control costs via supply chain optimization and consolidation, including putting excess or underutilized space up for sublease.

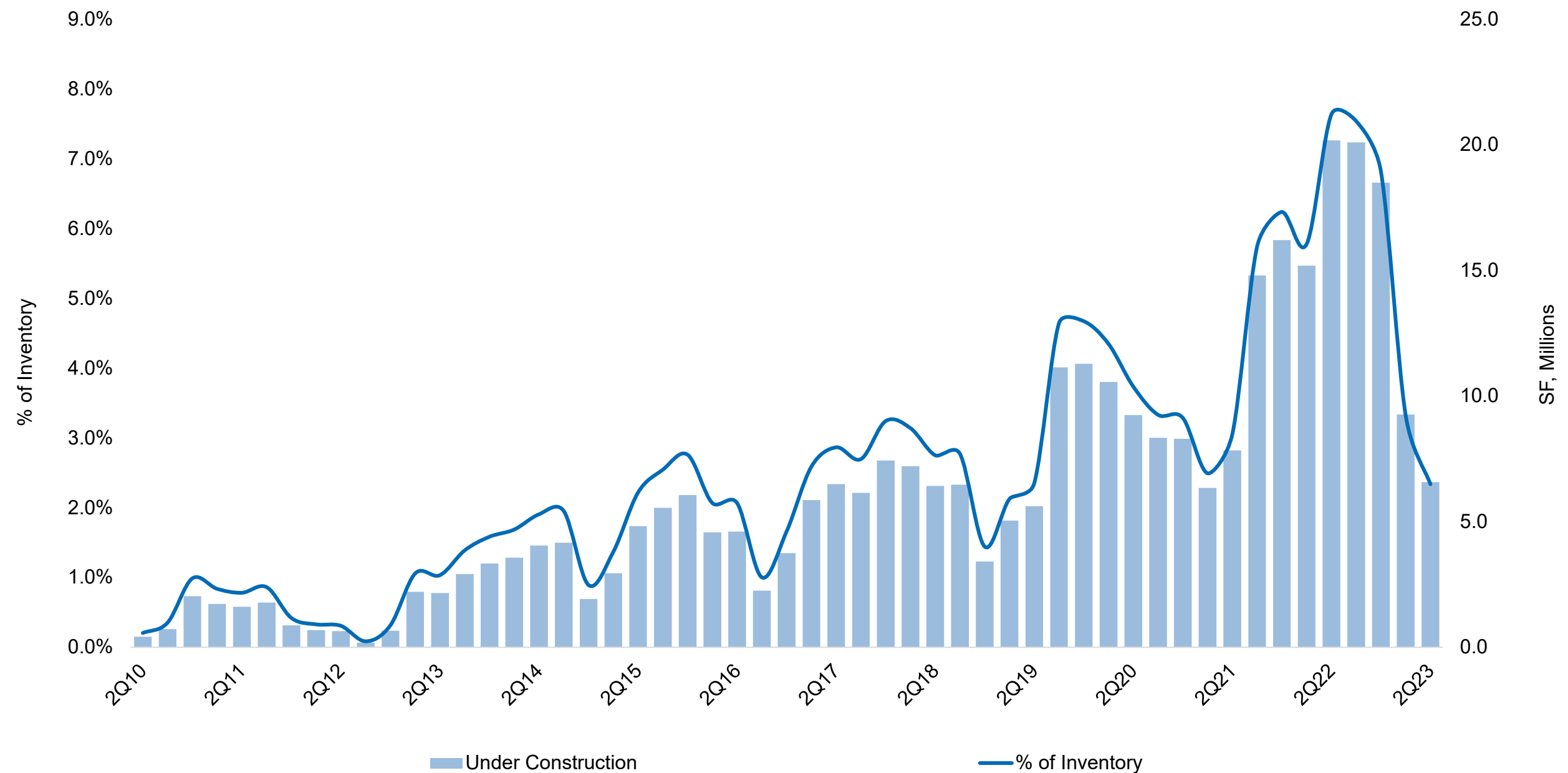


Source: Newmark Research, CoStar

# Industrial Supply Pipeline Eases as Construction Starts Dwindle

The construction pipeline trended downward for three consecutive quarters after reaching a historic high of 20.1 million SF in the third quarter of 2022. Construction activity is expected to slow throughout the remainder of 2023 as some developers are pausing or delaying new development amid slowing leasing activity and a challenging financing environment for new construction. In the second quarter of 2023, 1.5 million SF, or 23.7% of 6.5 million SF, has already been preleased.

Industrial Under Construction and % of Inventory

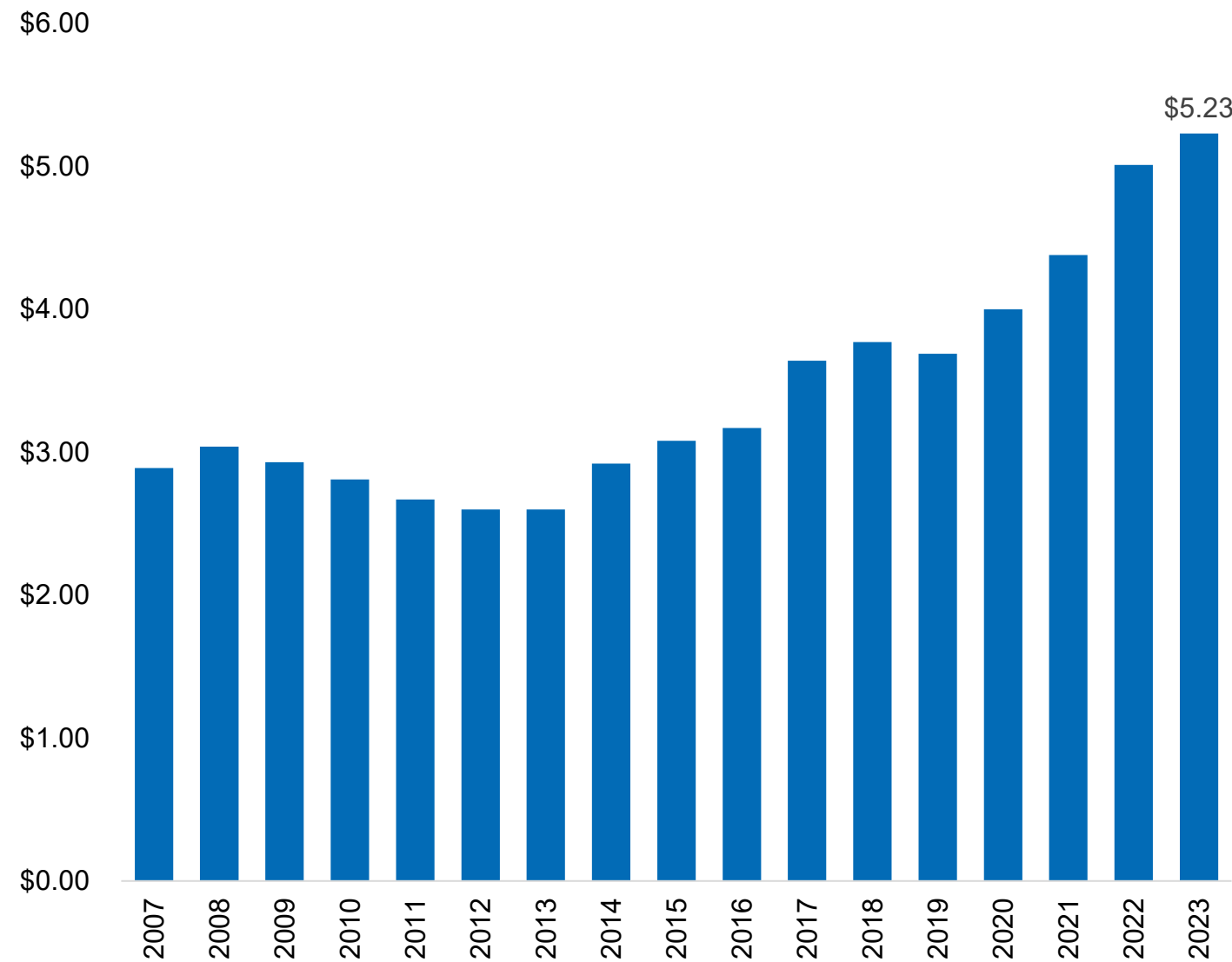


Source: Newmark Research, CoStar

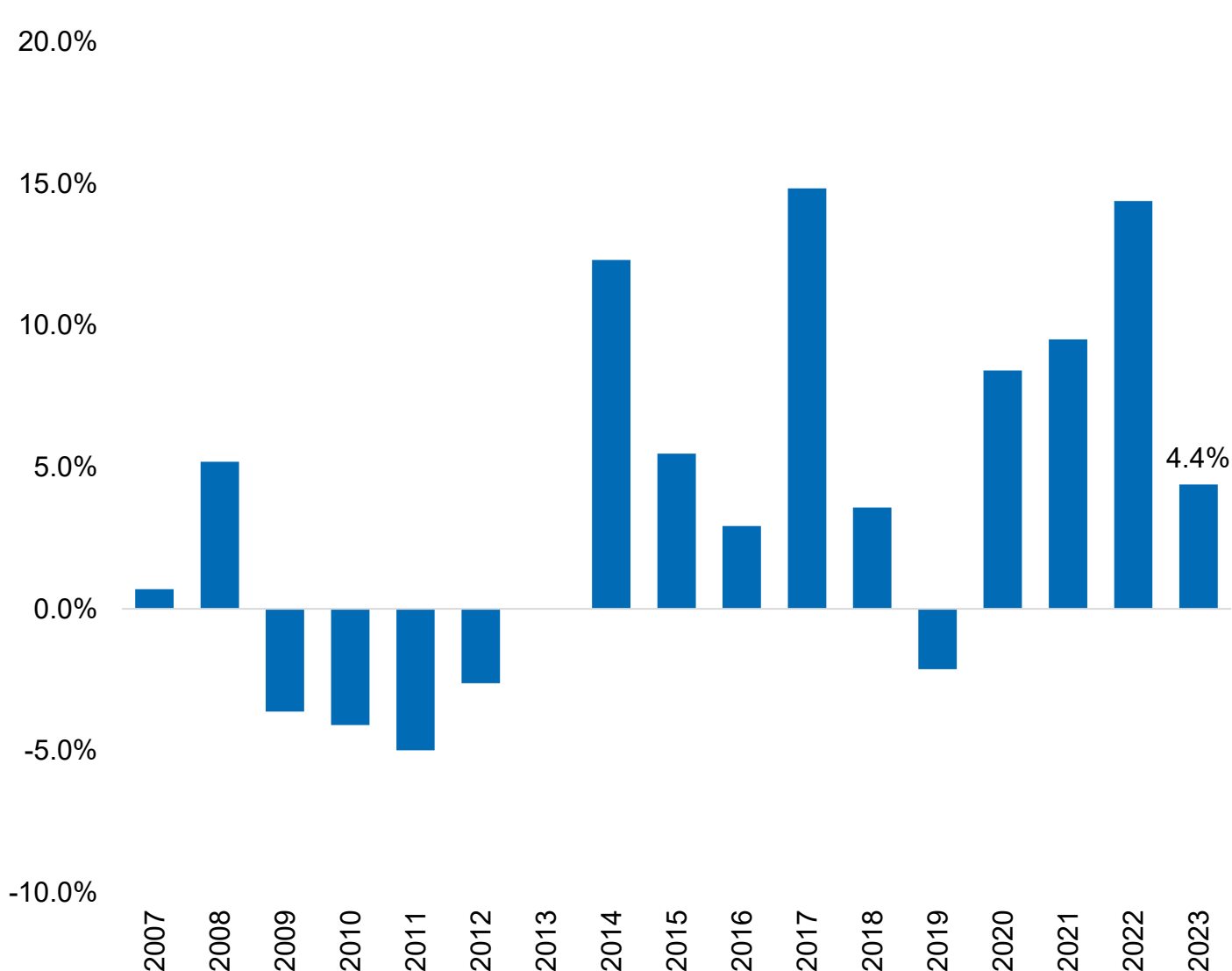
# Industrial Asking Rent Steady into the Second Quarter of 2023

The industrial average asking rents grew 4.4% over the past year. After three consecutive years with high growth above 8%, rent growth is expected to moderate throughout the remainder of 2023 as a slower wave of construction delivers.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Lease and Sale Transactions

## Notable 2Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
DHL	521 Exchange Way	Rickenbacker	Sublease	1,194,865
Black & Decker	9800 Schuster Way	Licking County	Direct	1,074,840
Geodis	4229 Raymond Ave	Rickenbacker	Direct	1,027,649
Undisclosed	4545 Fisher Rd.	West	Direct	909,000
Ryder Logistics	9157 Mink St.	Licking County	Direct	697,860
ODW	1489 Rohr Rd.	Rickenbacker	Direct	544,252

## Notable 2Q23 Sale Transactions

Buyer	Building(s)	Submarket	Sale Price	Square Feet
Uline	8320 Global Way SW	Licking County	\$114,300,000	1,000,000
Founder Properties	2300 McGaw Rd.	Southeast	\$10,100,000	214,741
Diamond Properties	4830 Northwest Pkwy.	West	\$7,600,000	114,485

Source: Newmark Research

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