
2Q23

Columbus Office Market Overview



NEWMARK

Market Observations

Economy

- Columbus demonstrates an improved post-pandemic economic condition with a decreased unemployment rate of 3.0%, lower than Ohio's and the national average; however, 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 increases of 6.7% and 4.4%.
- Based on the number of employment, growth in office-using sectors has also increased and is currently above pre-pandemic levels.

Major Transactions

- Alterra Real Estate Advisors purchased 57,855 SF at 1 E Campus View Blvd. in the Worthington submarket for \$3.1 million, or \$53.65/SF.
- WPG Management Associates, Inc. signed a 59,390-SF direct lease at 4900 E. Dublin Granville Rd. in the New Albany submarket.
- In an effort to optimize its square footage, Nationwide Realty leased some of the vacant space at 955 Yard St. This change will increase office inventory from single to multitenant. With a total of 135,000 SF, in the second quarter of 2023, three tenants signed 51,500 SF, or 38.0% of the total space.

Leasing Market Fundamentals

- The Columbus office market has experienced negative absorption for four consecutive quarters. Absorption in the second quarter of 2023 totaled negative 259,778 SF.
- Leasing activity experienced a slowdown in the second quarter of 2023, with total leased space of less than 300,000 SF.
- The vacancy rate and rental prices both exhibited year-over-year growth. Vacancy grew to 24.3% as deliveries modestly outpaced absorption.
- Higher-priced space delivered to the market and still-robust demand drove a slight increase to \$21.55/SF or a 1% increase year-over-year.

Outlook

- The macroeconomic outlook is currently filled with uncertainty, affecting how both occupiers and investors approach deals. They will exercise more caution, leading to an impact on leasing and investment activity.
- The Columbus office market saw a trend of flight to quality as tenants shifted towards high-quality buildings and locations.
- The trend of new subleases becoming available in the Columbus office market reflects the evolving work landscape and the growing demand for flexible, high-quality office space. As companies reassess office space requirements, the increase of sublease space may become more widespread through the remainder of 2023.

1. Economy
2. Leasing Market Fundamentals

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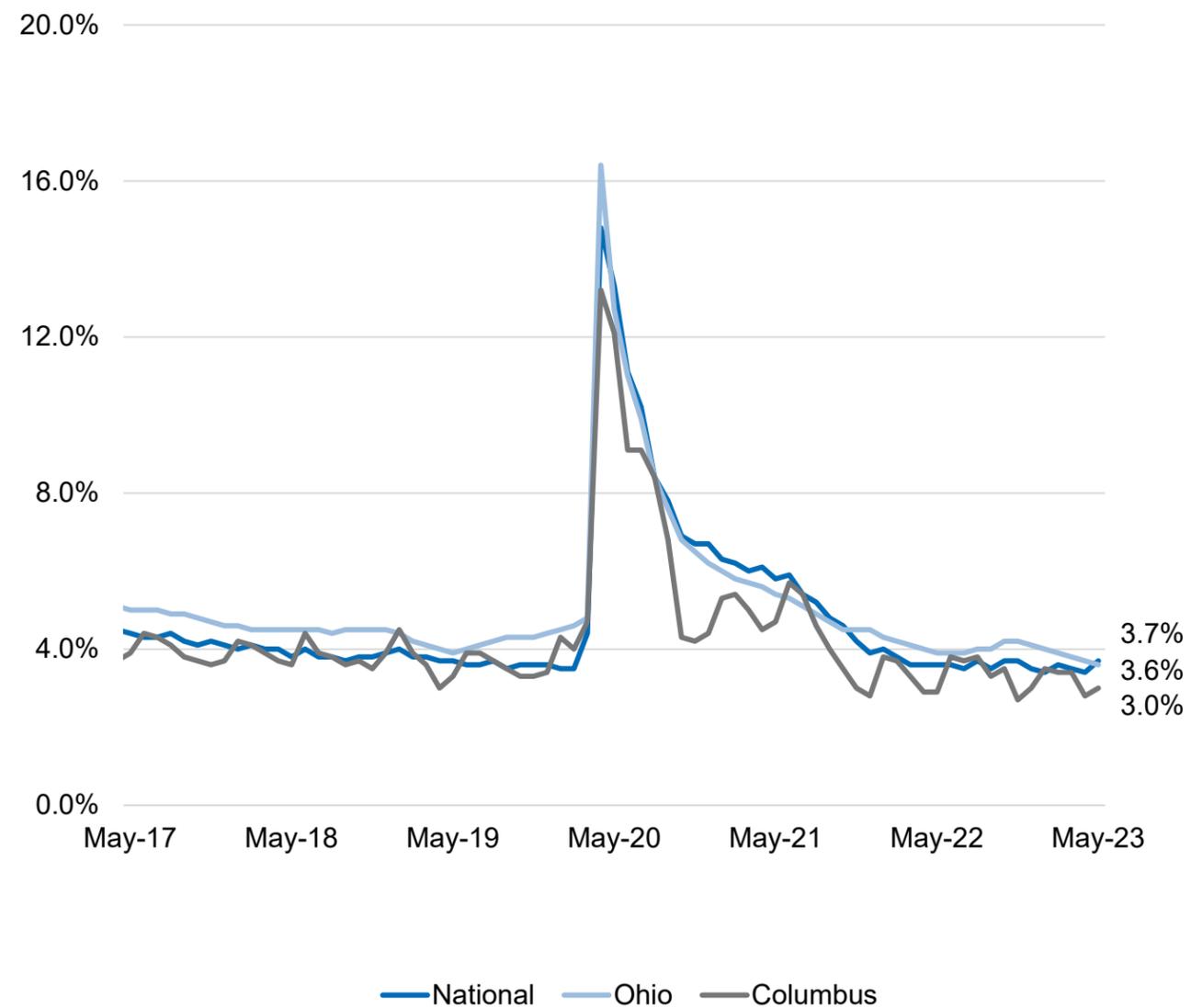
Economy



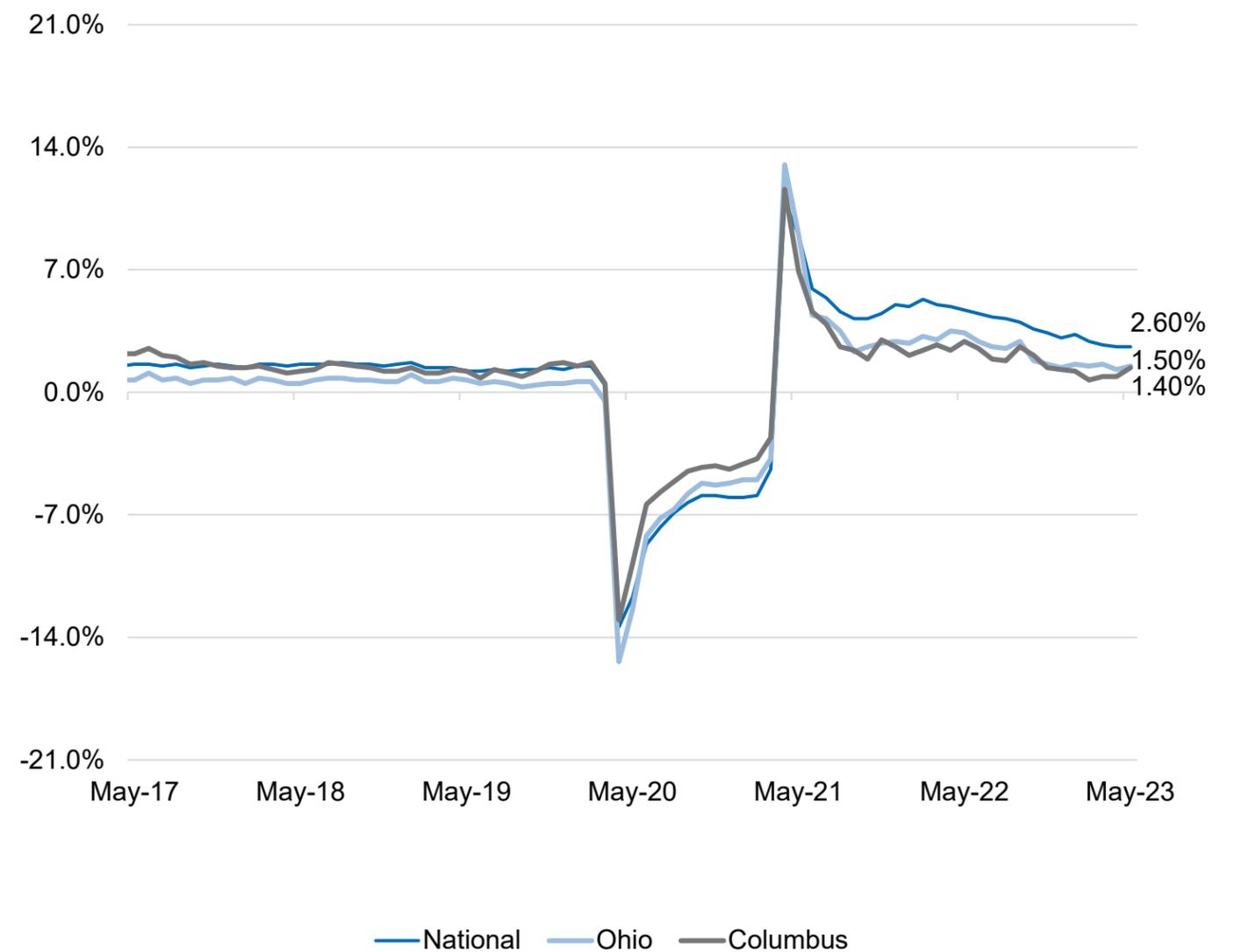
Metro Employment Experienced Steady Growth

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 has a slight increase of 1.4% for local nonfarm payroll employment.

Unemployment Rate, Seasonally Adjusted



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

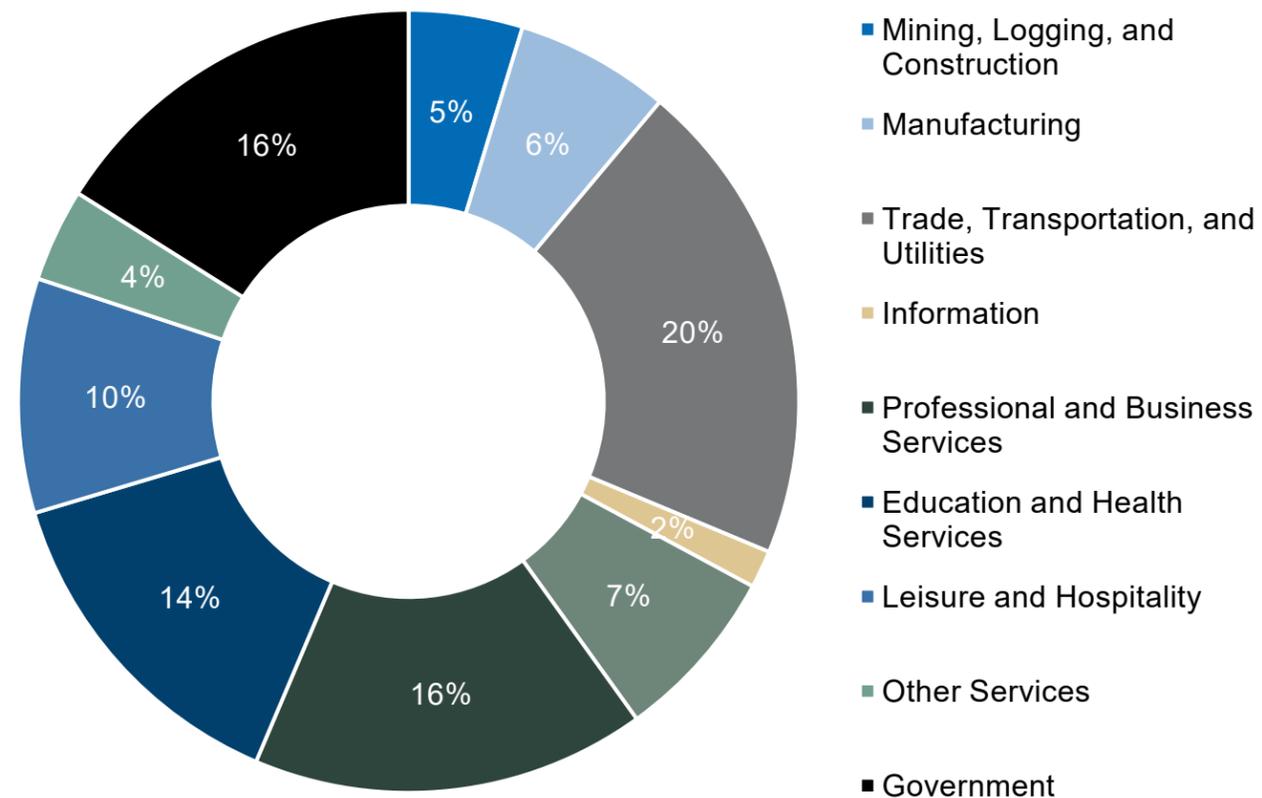


Source: U.S. Bureau of Labor Statistics, Columbus MSA

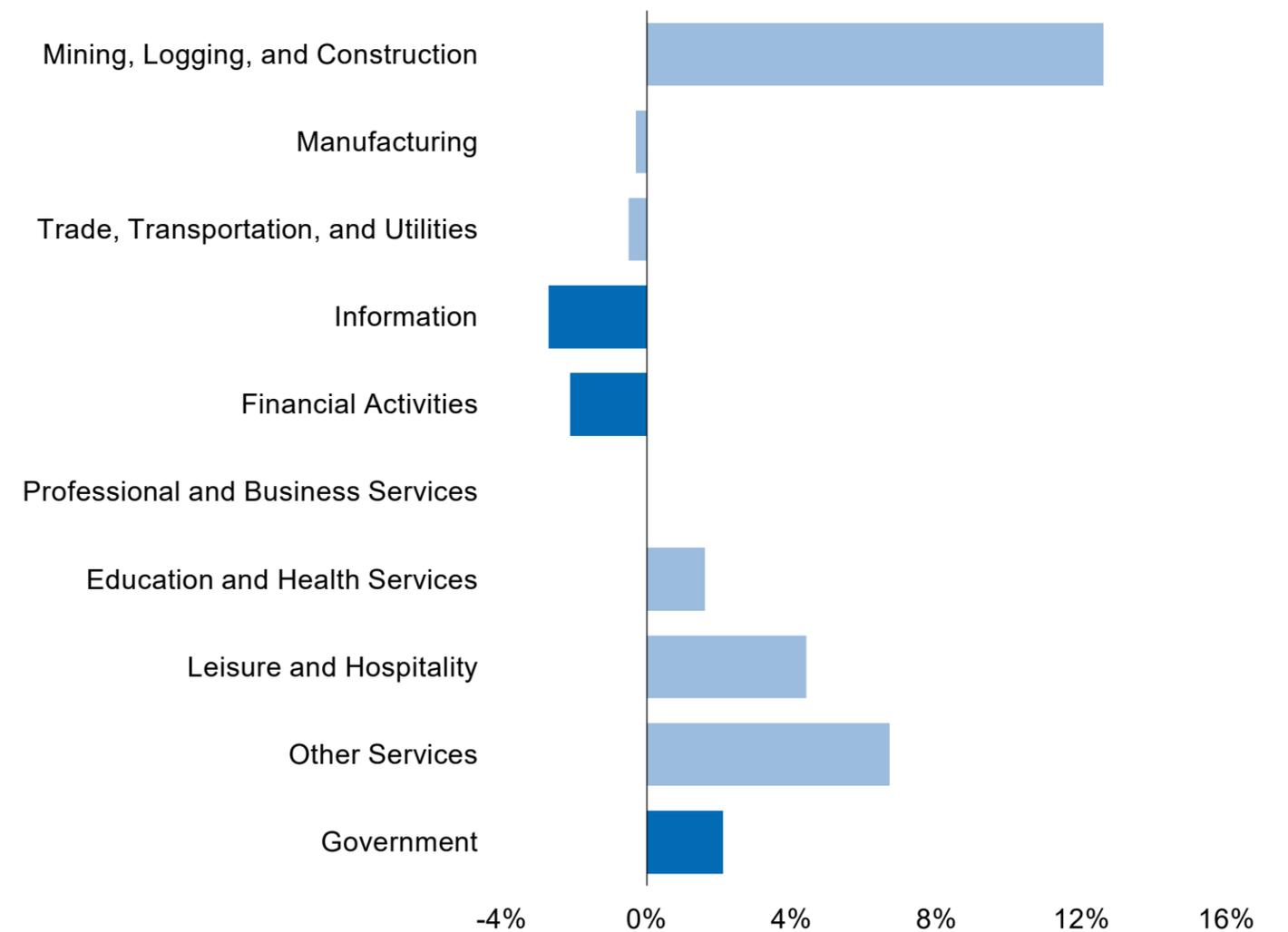
Job Growth Driven by Service Sectors

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. Office-occupying or adjacent industries saw an annual job decline in the past year, except for the government sector.

Employment by Industry, May 2023



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

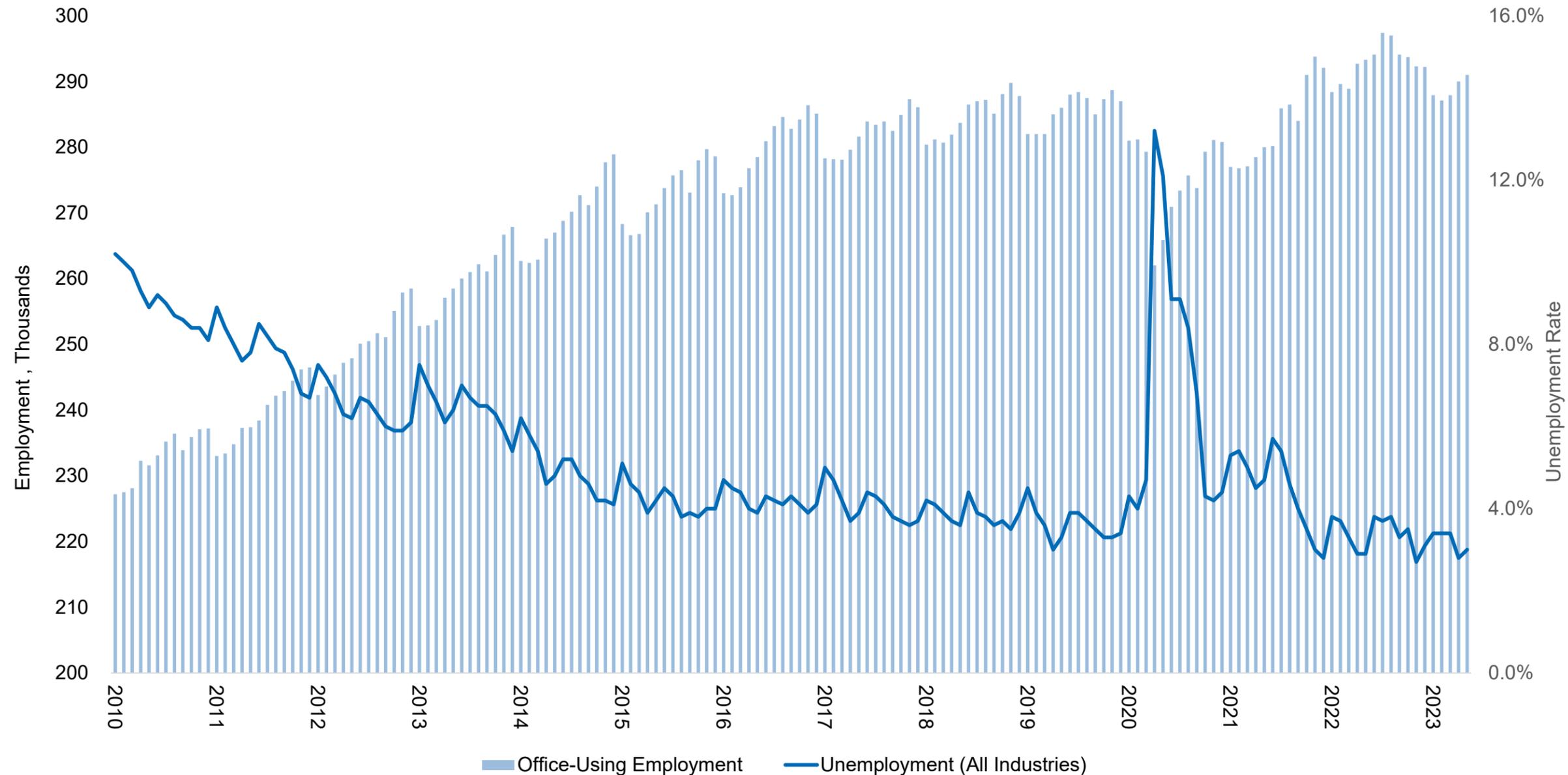


Source: U.S. Bureau of Labor Statistics, Columbus MSA

Overall Office-Using Employment Has Rebounded

The quantity of office jobs has recovered and reached levels beyond what they were before the pandemic. Although there is a slight seasonal decrease in employment rates at the start of each year, post-pandemic recorded the lowest unemployment rate of 3.0% compared to 13.2% as the highest record during the pandemic.

Office-Using Employment* and Unemployment Across All Industries



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

Note: May 2023 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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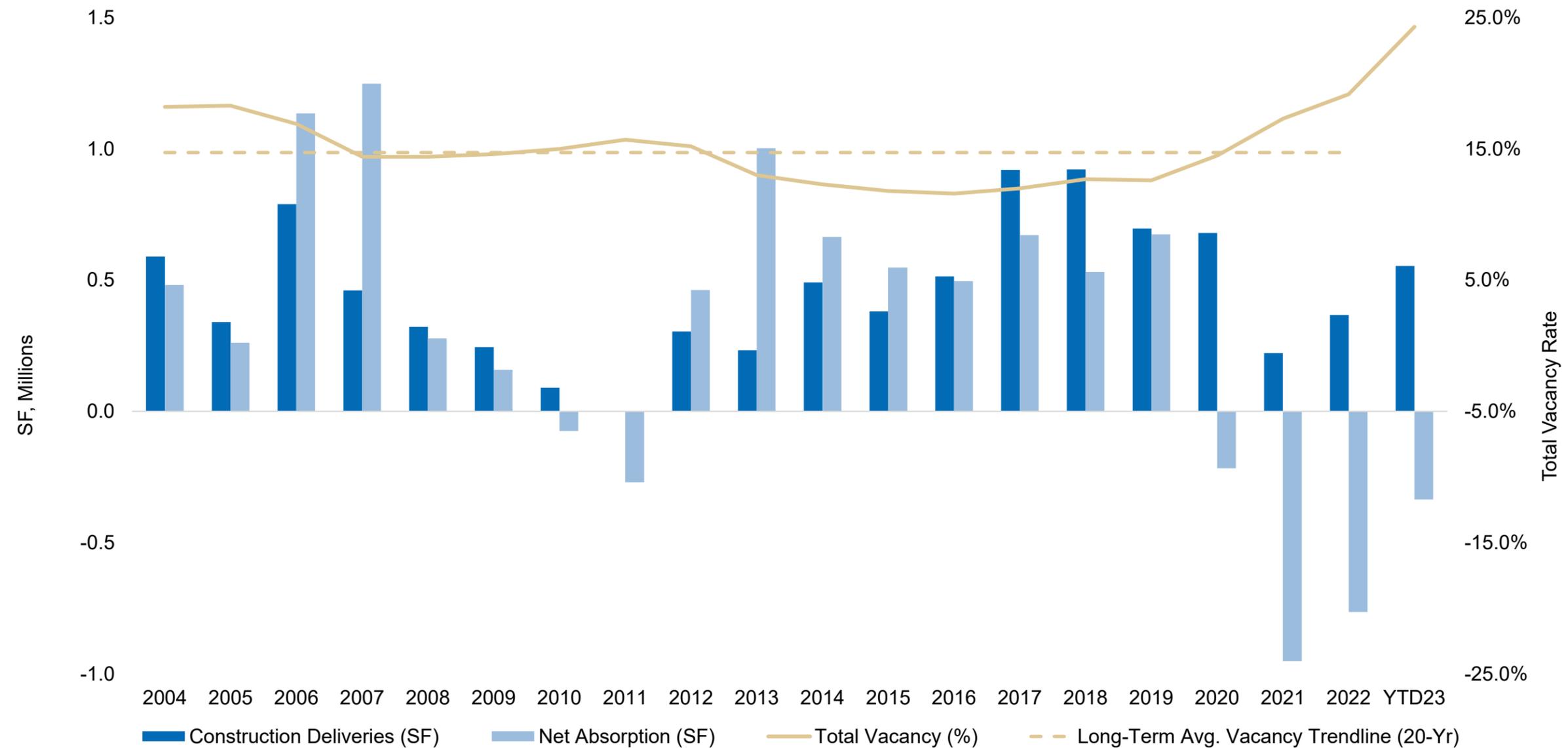
Leasing Market Fundamentals



Vacancy Rises as Negative Net Absorption Remains

The negative absorption in the office space market led to a significant increase in office vacancies, reaching a record high vacancy of 24.3%, which was 10.0% higher than the 20-year average. Moving forward, the current economic conditions and hybrid work regulations are expected to increase office vacancy rates.

Historical Construction Deliveries, Net Absorption, and Vacancy

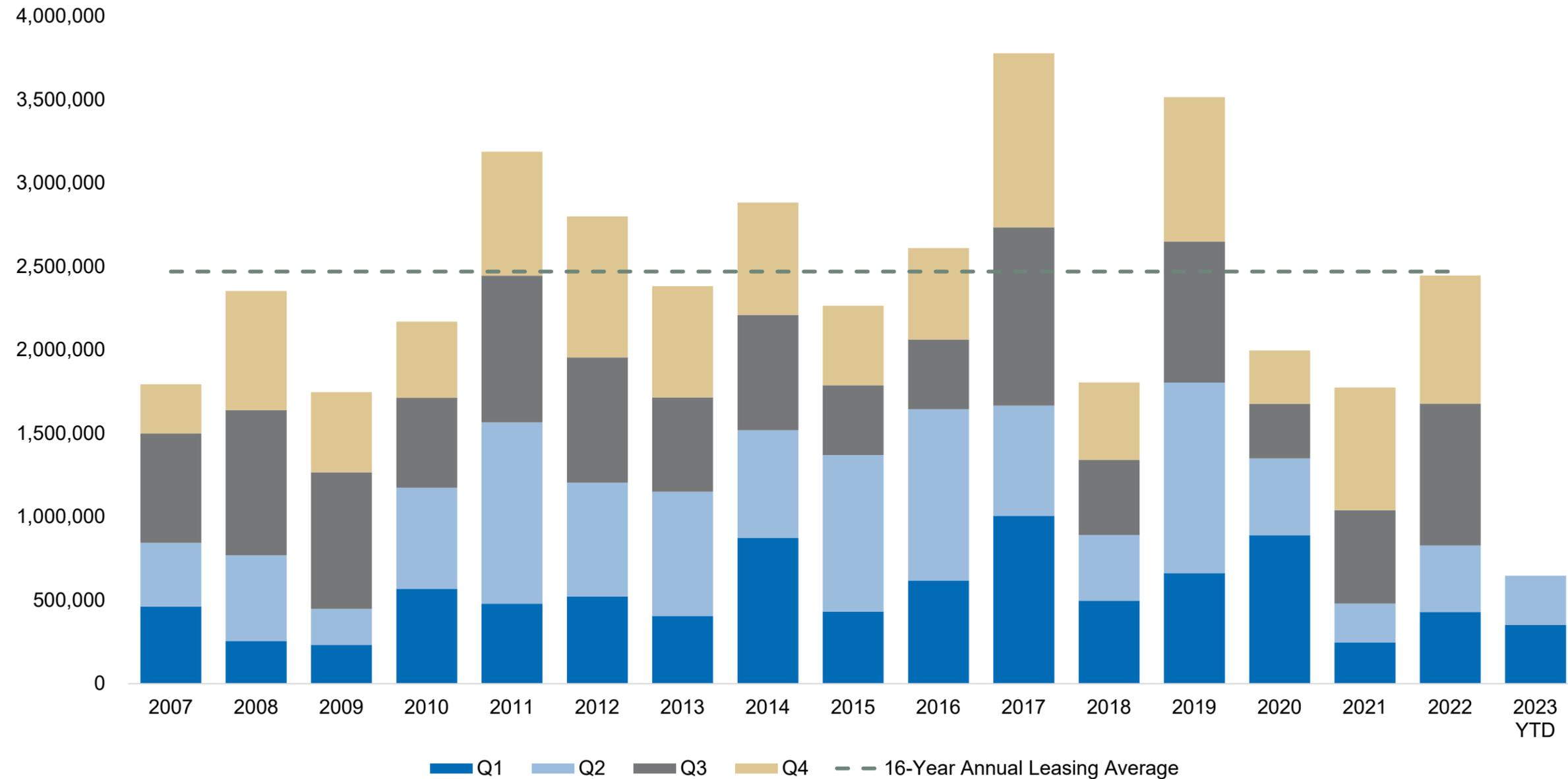


Source: Newmark Research, CoStar

Leasing Activity Pace Has Slowed

The second quarter of 2023 had decreased leasing office activity compared with the previous quarter, primarily attributed to the prevailing economic outlook and hybrid work regulations. Several factors have prompted companies to halt their operations in office temporarily, evaluate the existing circumstances, and implement cost-saving measures as deemed necessary.

Total Leasing Activity

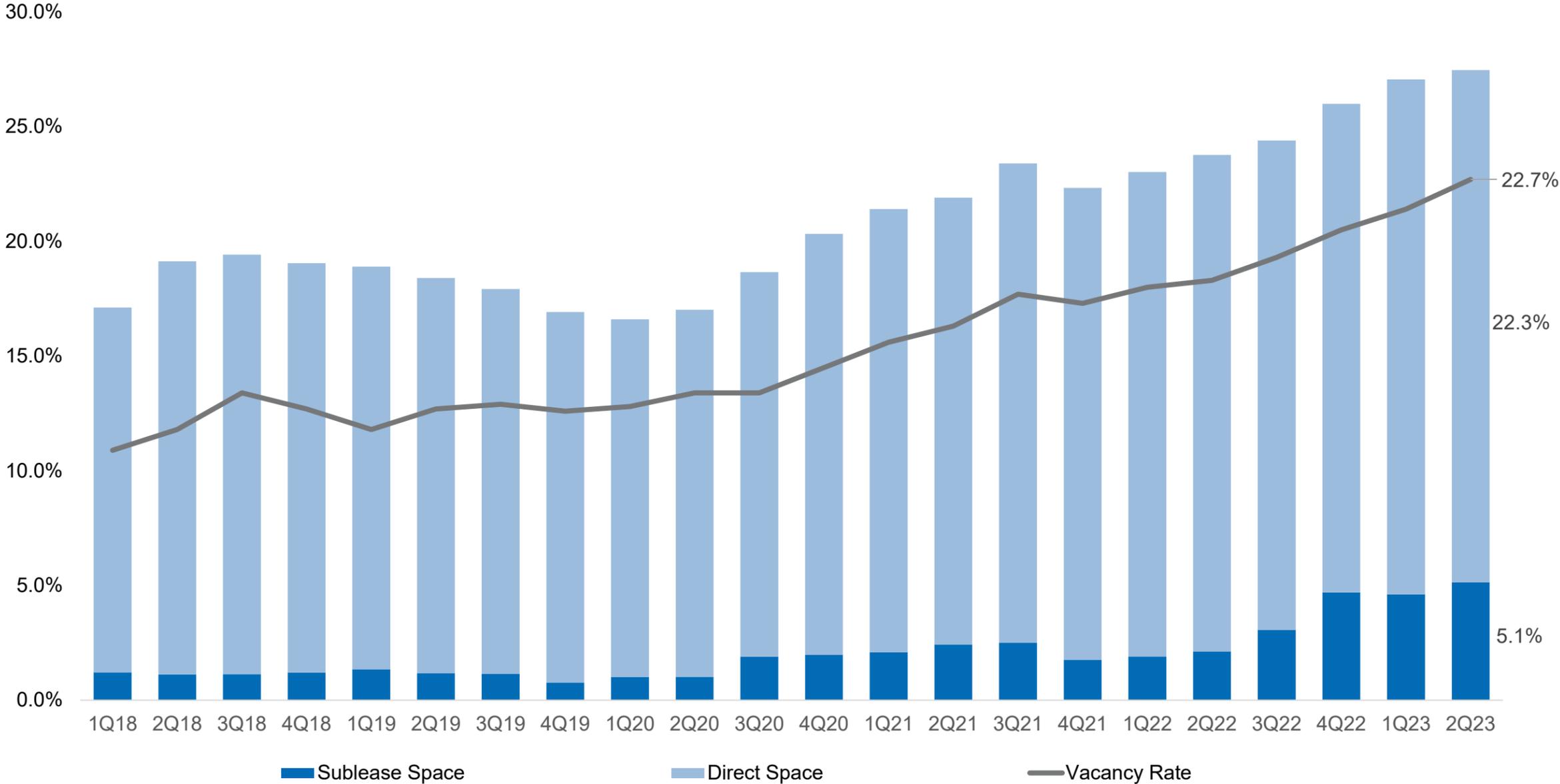


Source: Newmark Research, CoStar

Sublease Availability Continues to Increase While Tenant Demand Drops

The trend of new subleases becoming available in the Columbus office market reflects the evolving work landscape and the growing demand for flexible, high-quality office space. As companies continue to reassess their office space needs, the increase of sublease space is predicted to grow in popularity into mid-2023. In the second quarter of 2023, the total available sublease space hit a new record high, almost 2 million SF, or 5.1% of the total inventory.

Available Space and Tenant Demand as Percent of Overall Market

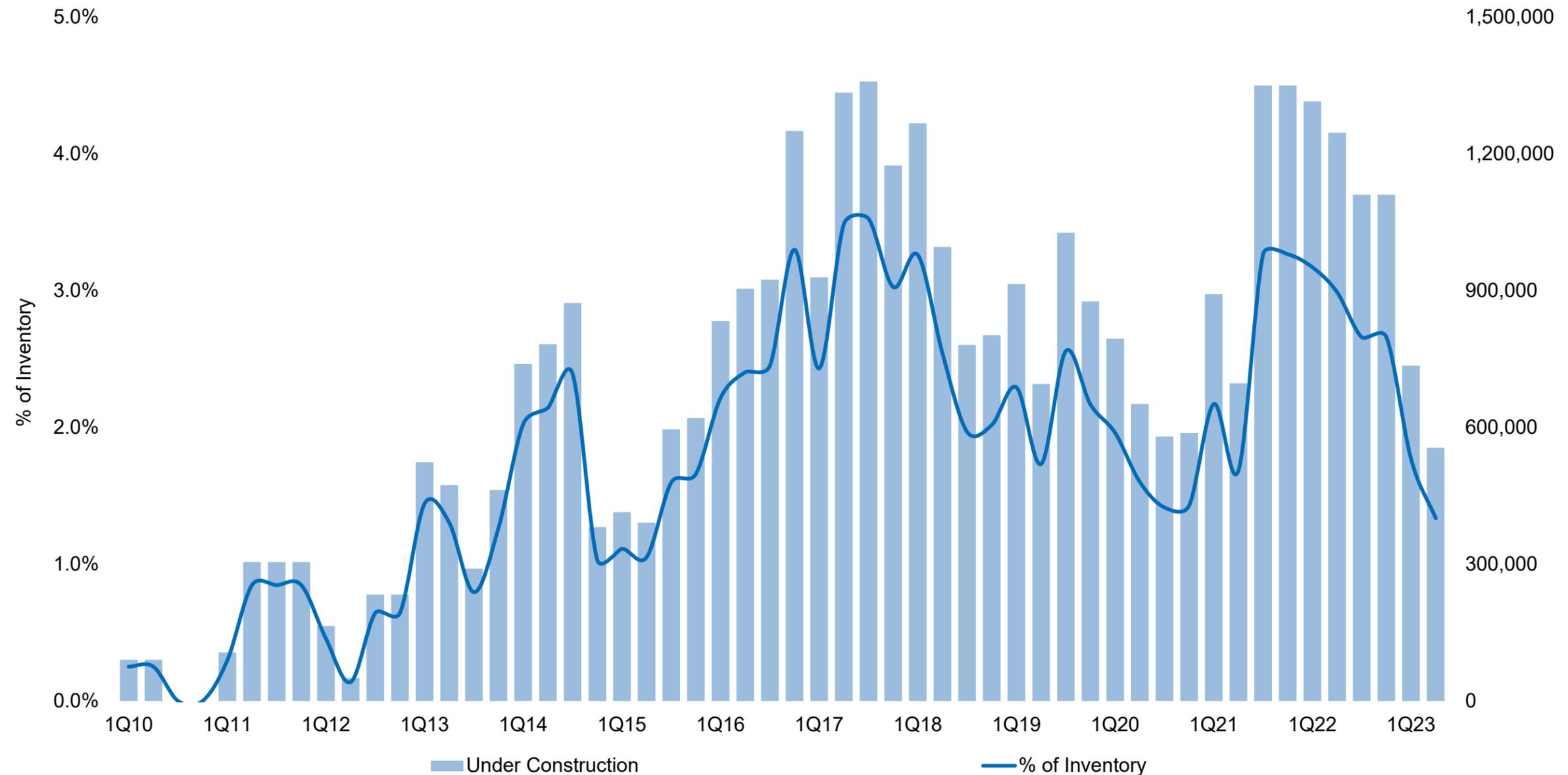


Source: Newmark Research

Deliveries Continue While New Construction Slows

Columbus started 2023 with the deliveries of three new buildings. During the second quarter of 2023, one speculative office building was delivered in the CBD submarket at 429 W Broad St., Gravity II. With the new deliveries, the total volume under construction has dropped to 555,054 SF. The most significant under-construction development is the Arlington Gateway project in the Upper Arlington submarket, with 134,396 SF, 94.0% preleased and set to be delivered next quarter.

Office Under Construction and % of Inventory

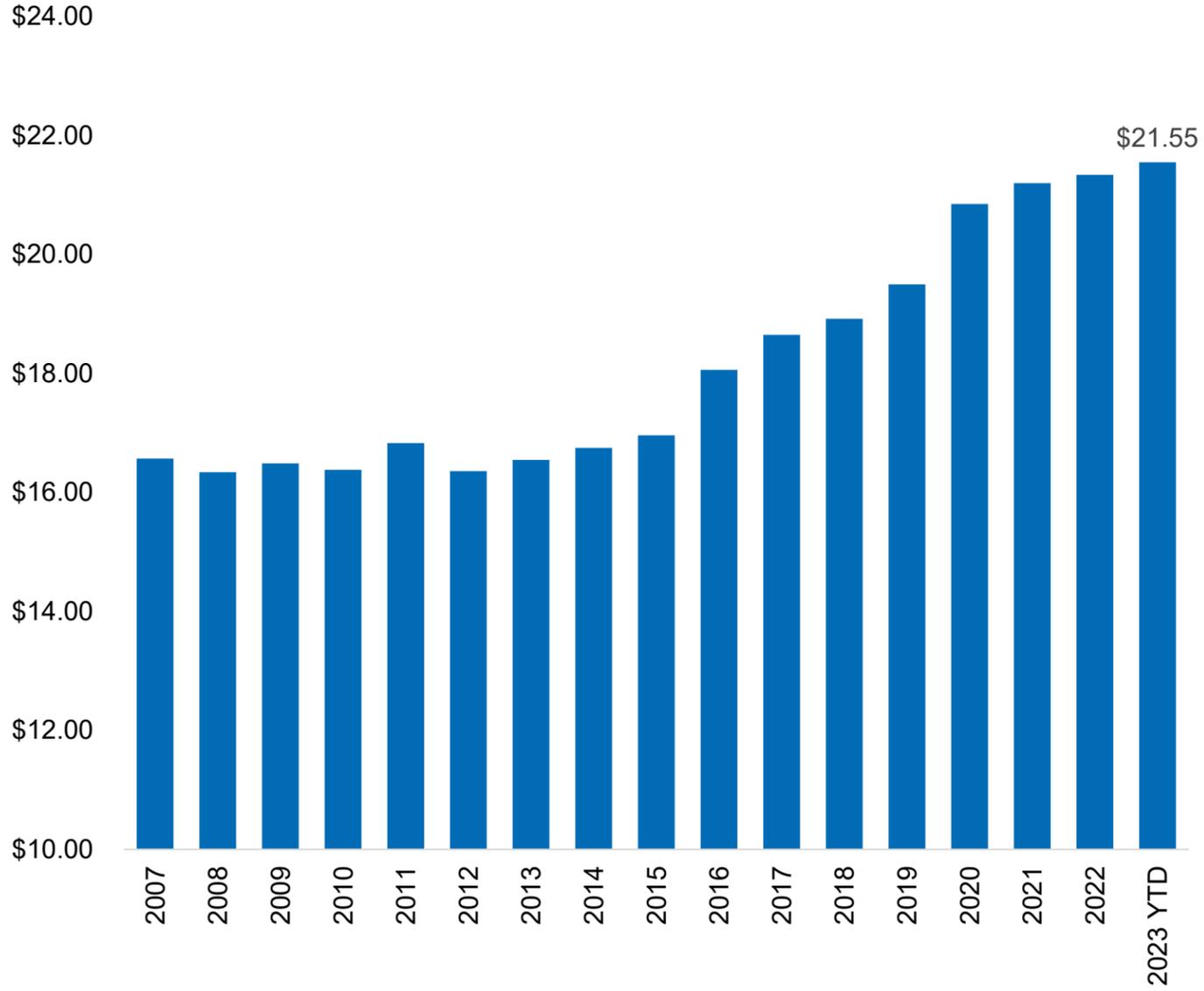


Source: Newmark Research, CoStar

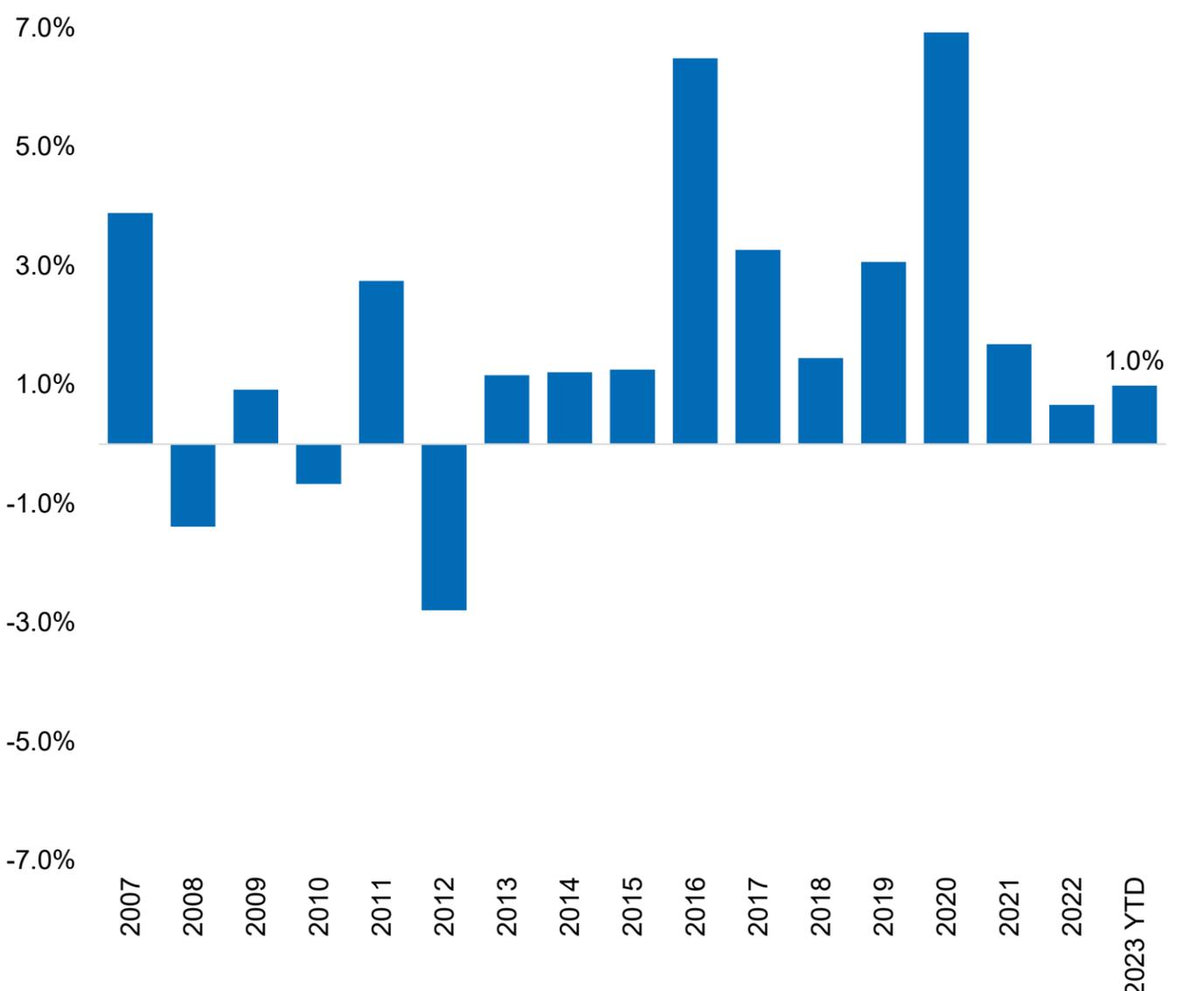
Slight Increase for Average Asking Rent

While office rents have traditionally seen consistent increases over the years, the post-pandemic adjustment to hybrid working systems has resulted in a reduction of the asking rent growth, with the average increase being less than 2.0%. However, higher-priced space delivered to the market and still-robust resulted in a slight year-over-year increase of 1%.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

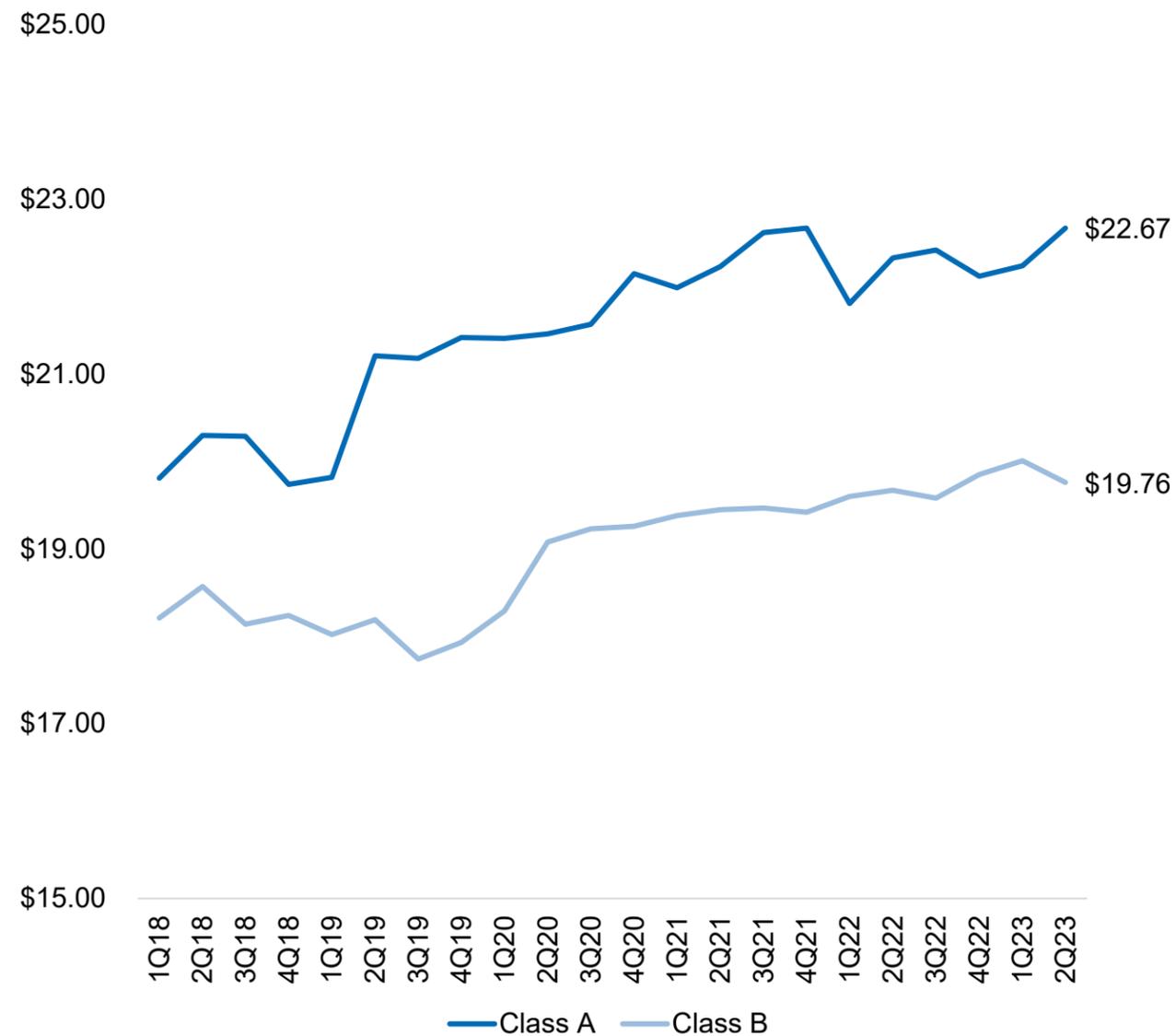


Source: Newmark Research, CoStar

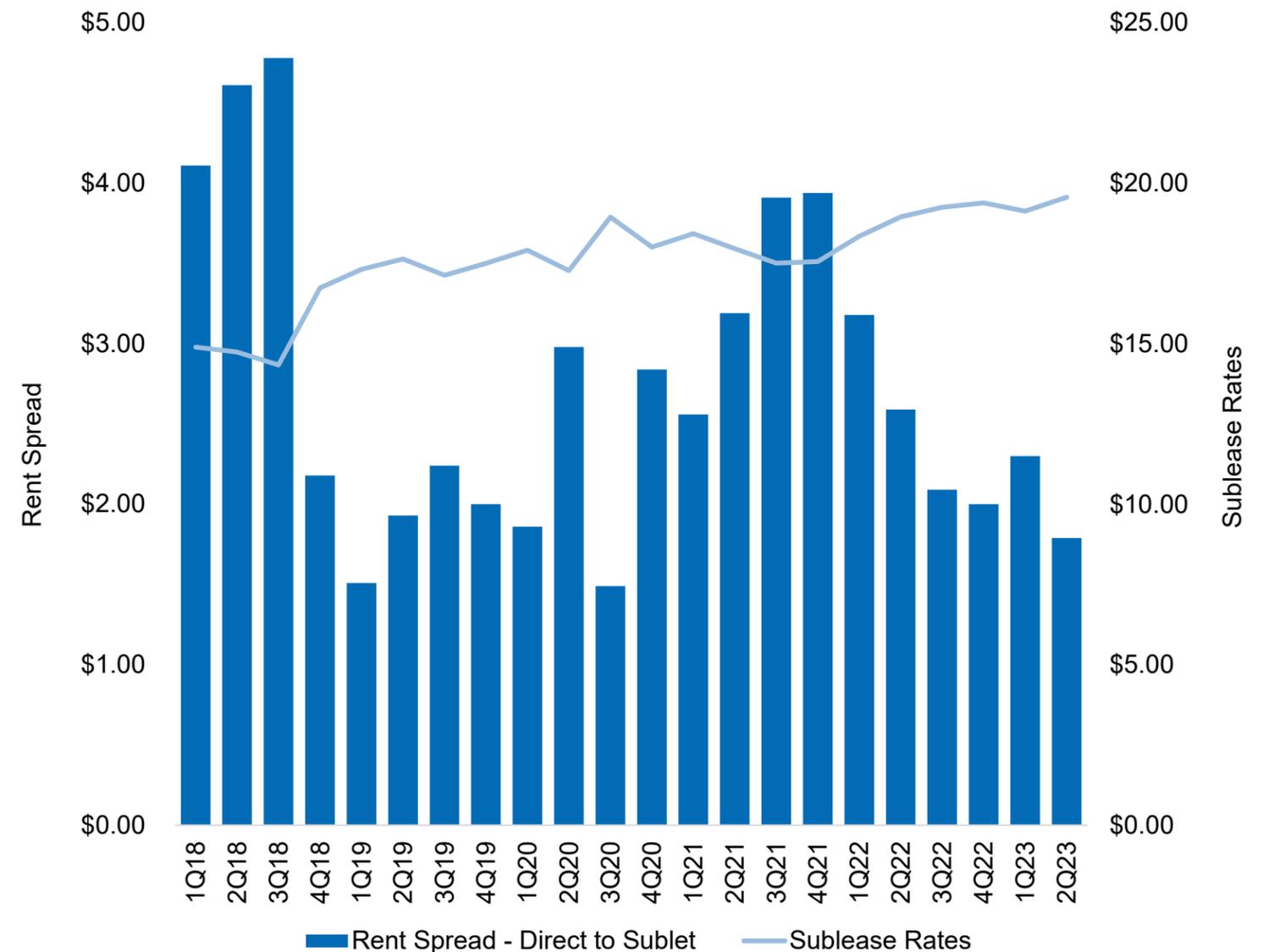
Rent Spread Between Sublease and Direct Space Decreased

Class A office spaces have the highest rental rates at \$22.67/SF, while Class B offices are priced at \$19.76/SF. Meanwhile, the average sublease rental price is \$19.56/SF, higher than Class B offices, due to the increased availability of sublease options in Class A office buildings. With a variety of available spaces in both Class A and Class B properties, the rent spread between direct and sublease asking rates decreased to below \$2.00/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Lease and Sale Transaction

Notable 2Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
WPG Management Associates, Inc.	4900 E Dublin Granville Rd.	New Albany	Direct	59,390
BBI Real Estate	80 E Rich St.	CBD	Direct	30,000
Strand	500 Neil Ave.	CBD	Direct	13,368
AVAAP	1400 Goodale Blvd.	CBD	Direct	10,057
LandSel Title	3 Easton Oval	Easton	Direct	9,255
Insight Global	330 Rush Alley	CBD	Direct	7,725

Notable 2Q23 Sale Transactions

Buyer	Building(s)	Submarket	Sale Price	Square Feet
Alterra Real Estate Advisors	1 E Campus View Blvd.	Worthington	\$3,104,047	57,855
Gen II Properties LLC	735 Ceramic Pl.	Westerville	\$2,700,000	33,444
Braun Donnell Development	77-83 4th St.	CBD	\$2,075,000	23,510
Bluestone Real Estate Holdings LLC	162 Wetherby Ln.	Westerville	\$2,200,000	17,088

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