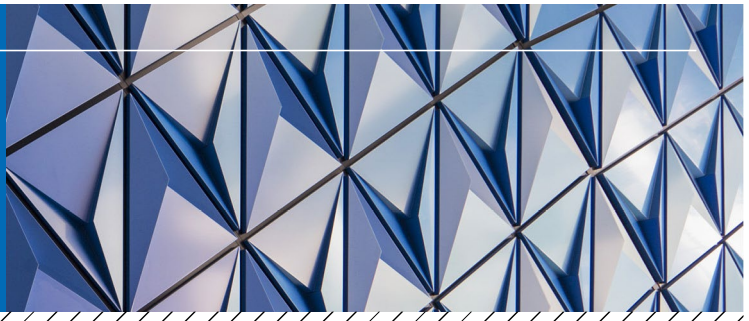
RESEARCH Q4 2022



Columbus Office Market

Despite Active Leasing Activity, Large Sublease Contributed to Negative Net Absorption and Increased Vacancy Rate

The Columbus office market recorded two consecutive quarters with negative net absorption as a large tenant returned significant sublease space to the market. In parallel with negative 447,000 square feet of absorption, the vacancy rate increased 112 basis points from last quarter to 19.17% in the fourth quarter of 2022; however, active leasing activity in Columbus, with nearly 800,000 square feet, indicates future quarterly net absorption that typically takes place one to three quarters after a lease is signed and a tenant occupies the space. The rental rate slightly decreased from the previous quarter to $21.34/SF.

The Columbus Central Business District submarket continued the positive trend from last quarter, with 28,000 square feet of net absorption. Telhio Credit Union occupied a new office building at Scioto Peninsula, with nearly 29,000 square feet and AndHealth occupied 21,000 square feet at 2 Miranova Pl. This quarter's highest negative absorption was recorded in the Hilliard submarket as Verizon listed 180,000 square feet as a direct lease at 5000 Briton Pkwy., followed by the Westerville submarket, where Molina Healthcare gave back 120,000 square feet of space to sublease at 3000 Corporate Exchange.

The trend of sublet space can be primarily attributed to downsizing alternatives by companies offering hybrid work, such as work-from-home scenarios and flexible work hours, recession fear and rising interest rates, and is predicted to continue into mid 2023. The last quarter of 2022 recorded the most significant sublease increase this year, with the addition of 635,000 square feet, to the total of 1.8 million square feet, up around 55% from the previous quarter, or 125% year-over-year. Multiple tenants providing space for sublease included: Upstart with 240,000 square feet; and Root Insurance with 53,800 square feet in the Easton submarket, Molina Healthcare with 120,000 square feet in the Westerville submarket, Lower.com with 55,000 square feet in the New Albany submarket and several other tenants.

Current Conditions

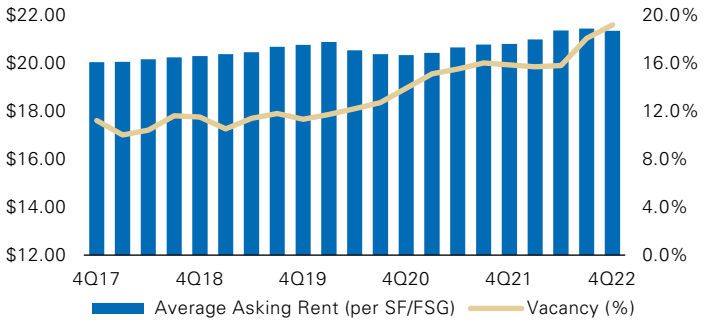
- Overall net absorption was negative 447,023 square feet, as Class A buildings gave up the most space with negative 462,192 square feet. The majority of vacancy was due to a large direct lease listed by Verizon that measures 180,000 square feet, in addition to several significant subleases. As a result, the vacancy rate in the fourth quarter rose by 1.12% from the third quarter to 19.17%.
- The average asking rental rate of $21.34/SF for the Columbus office market was $0.09/SF lower than last quarter.
- Nearly 1.25 million square feet of under-construction projects are expected to deliver by next year.
- The total available sublease space in the fourth quarter of 2022 was nearly 1.8 million square feet, making up 4.0% of the overall market.

Market Summary

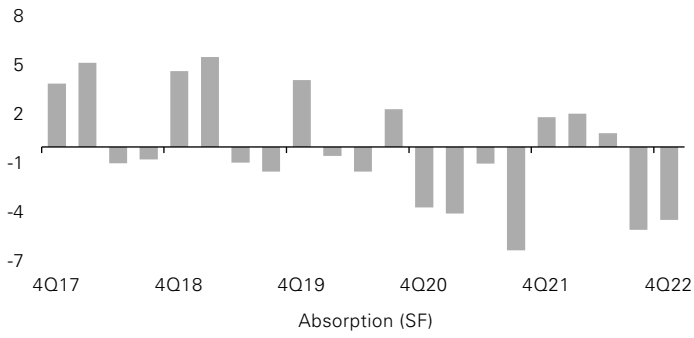
	Current Quarter	Prior Quarter	One Year Ago	12-Month Forecast
Total Inventory (SF)	43.9 M	43.9 M	43.5M	↑
Vacancy Rate	19.17%	18.05%	15.96%	↑
Quarterly Net Absorption (SF)	(447,023)	(508,192)	182,094	↑
Average Asking Rent/SF (FSG)	$21.34	$21.43	$20.75	↑
Under Construction (SF)	1.25M	936K	1.20M	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



NEWMARK

Sales Activity

Sales activity of office properties in Columbus in the last quarter of 2022 showed a slight increase compared to the previous quarter, with almost 800,000 square feet transferring. The average sale price increased significantly, to $240/SF, due to the most significant sale recorded by CoverMyMeds Building Two at 910 John St., with a sale price of $590/SF and a total area of 200,000 square feet. The second largest office sale transaction was recorded by Tempus Real Estate Investment, which purchased the headquarters building of Lane Bryant, a woman's apparel retailer, for a total price of $29.1 million, or $173.74/SF, at 8323 Walton Pkwy.

Leasing Activity

Despite the slowdown of the Columbus office market in terms of net absorption due to a large number of sublease spaces, the leasing activity was active and slightly higher than the previous quarter, with a total area of nearly 800,000 square feet. The largest transaction was Lane Bryant's renewal of 225,000 square feet at 8323 Walton Pkwy., with a contract period of 20 years. In addition, BBI Logistics signed a direct lease for a new under-construction project, Astor Park at 600 Nationwide Blvd., with 100,000 square feet to be occupied by early 2024.

Construction Delivery in Columbus

Construction activity in Columbus increased slightly with the groundbreaking of the Astor Park office building at 600 Nationwide Blvd. This mixed-use development is located next to the Lower.com soccer field that combines residential apartments, a riverfront park, retail and an office building. The Astor Park office building will be home for BBI Logistics, which will occupy 100,000 square feet of office space.

The largest of the under-construction developments is the Arlington Gateway project, located on Lane Avenue in the Upper Arlington submarket. This development is 356,465 square feet and includes 134,396 square feet of office space, 115,000 square feet, or 90.0%, of which has already been pre-leased. This project is set to be delivered during the third quarter of 2023.

Most of the construction activity was in the CBD submarket, with 678,937 square feet. The Dublin, Grandview and Upper Arlington submarkets have between 121,000 and 134,000 square feet in under-construction projects, respectively.

Select Sales Transactions

Building/Address	Submarket	Sale Price	Price/SF	Square Feet
910 John St.	CBD	$118,000,000	$590.00	200,000
8323 Walton Pkwy.	New Albany	$29,138,595	$173.74	167,714
9200 Worthington Rd.	Polaris	$14,750,000	$108.20	136,318
825 Tech Center Dr.	Gahanna	$8,750,000	$90.24	96,960
6797 N. High St.	Worthington	$3,635,395	$41.18	88,288
8323 Walton Pkwy.	New Albany	$12,861,405	$188.15	65,075
3592 Corporate Dr.	Westerville	$2,270,000	$72.54	31,293

Select Lease/User Transactions

Building/Address	Tenant	Submarket	Type	Square Feet
8323 Walton Pkwy.	Lane Bryant	New Albany	Renewal	167,714
600 Nationwide Blvd.	BBI Logistics	CBD	Direct	100,000
8323 Walton Pkwy.	Lane Bryant	New Albany	Renewal	65,075
330 Rush Alley	Telhio Credit Union	CBD	Direct	28,863
855 Grandview Ave.	Undisclosed	Grandview	Direct	25,554
671 S. High St.	Goodwill Columbus	CBD	Direct	17,385

Submarket Statistics

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Sublease Available (SF)	Qtr. Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (FSG) (Price/SF)
Airport	610,394	-	8.36%	-	(590)	(22,843)	$16.78
CBD	15,467,227	678,937	13.58%	176,820	28,228	206,711	$22.79
Dublin	7,883,404	121,721	28.69%	586,628	(17,560)	(370,315)	$21.27
East	78,000	-	6.41%	-	-	-	$13.00
Easton	3,201,322	-	24.02%	419,140	(72,056)	(67,938)	$22.96
Gahanna	679,883	-	30.72%	61,500	(10,801)	(771)	$19.95
Grandview	1,440,129	128,144	8.39%	9,345	(13,042)	(14,130)	$21.98
Hilliard	1,058,018	-	26.25%	-	(237,563)	(248,782)	$17.81
New Albany	1,960,222	75,281	27.80%	203,780	(32,274)	94,093	$22.05
North Central	459,333	111,830	0.00%	-	-	-	-
Polaris	4,943,907	-	13.12%	54,950	(723)	(83,824)	$22.72
Upper Arlington	648,928	134,396	5.97%	501	(17,691)	(6,156)	$17.76
Westerville	1,860,884	-	21.91%	120,232	(100,364)	(149,824)	$16.20
Worthington	3,639,224	-	27.12%	116,432	27,413	(100,374)	$18.80
Market	**43,930,875**	**1,250,309**	**19.17%**	**1,749,328**	**(447,023)**	**(764,153)**	**$21.34**

Class Statistics

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Sublease Available (SF)	Qtr. Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (FSG) (Price/SF)
Class A	24,616,921	1,138,479	21.83%	1,469,823	(462,192)	(806,192)	$22.12
Class B	19,313,594	111,830	15.77%	279,505	15,513	42,039	$19.85
Market	**43,930,515**	**1,250,309**	**19.17%**	**1,749,328**	**(447,023)**	**(764,153)**	**$21.34**

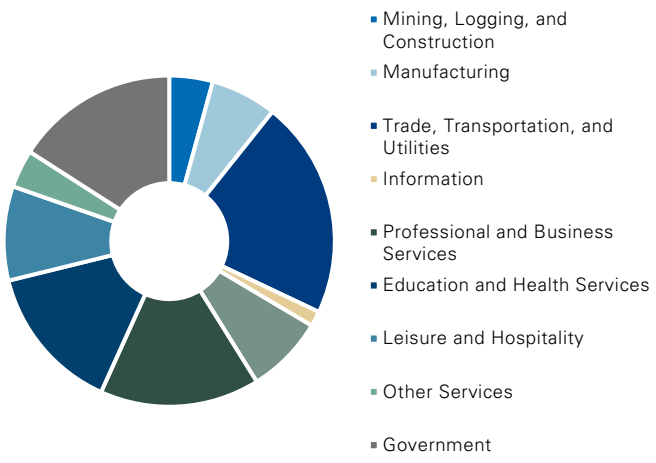
Economic Conditions

Greater Columbus closed in 2022 with strong economic conditions, as the unemployment rate registered lower than national and state levels. The unemployment rate in Columbus was 3.5%, compared to 4.2% in Ohio and 3.7% at the national level. Comparing year-over-year payroll employment, Columbus showed a gain of 1.6% in November 2022, while national payroll employment showed a growth of 3.2%. In addition, the Consumer Price Index for the Midwest and the U.S. was up 6.8% and 7.1% year-over-year, respectively.

Another indicator that showed the occurrence of economic recovery in Columbus was employment growth based on the industrial sector. Two sectors saw employment loss: professional and business services at negative 7.2%; and financial activities at negative 0.2%. Leisure and hospitality showed the highest growth to pre-pandemic levels of 7.0%, followed by government at 4.7% and trade, transportation, and utilities at 4.1%.

Employment by Industry

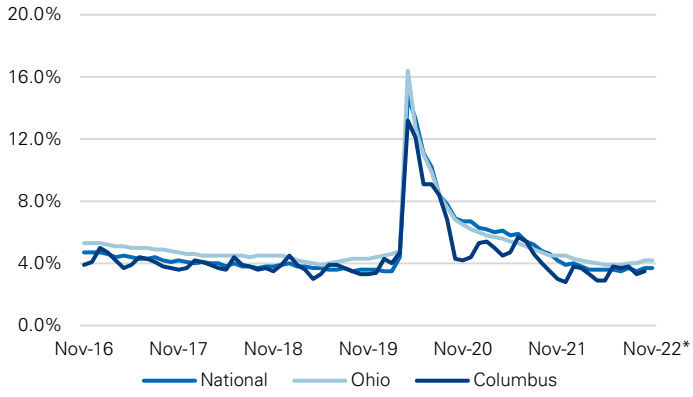
COLUMBUS



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

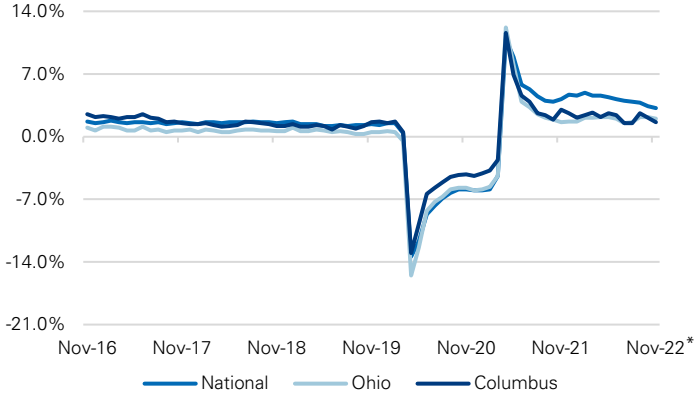
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics (*preliminary)

Payroll Employment

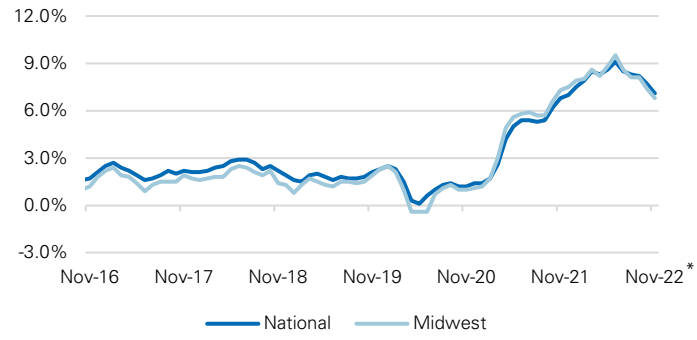
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics (*preliminary)

Consumer Price Index (CPI)

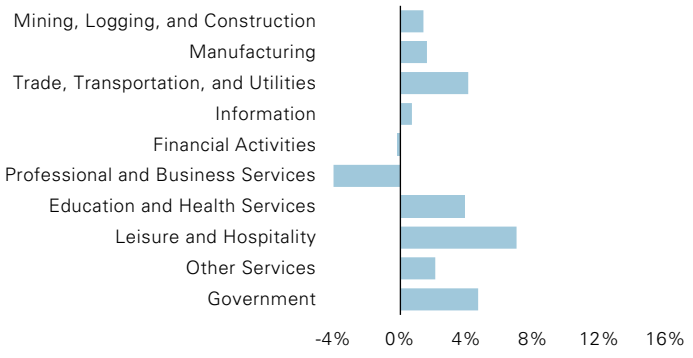
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics (*preliminary)

Employment Growth by Industry

COLUMBUS, Nov. 2022 (preliminary)
12-MONTH % CHANGE, SEASONALLY ADJUSTED



Source: Source: U.S. Bureau of Labor Statistics

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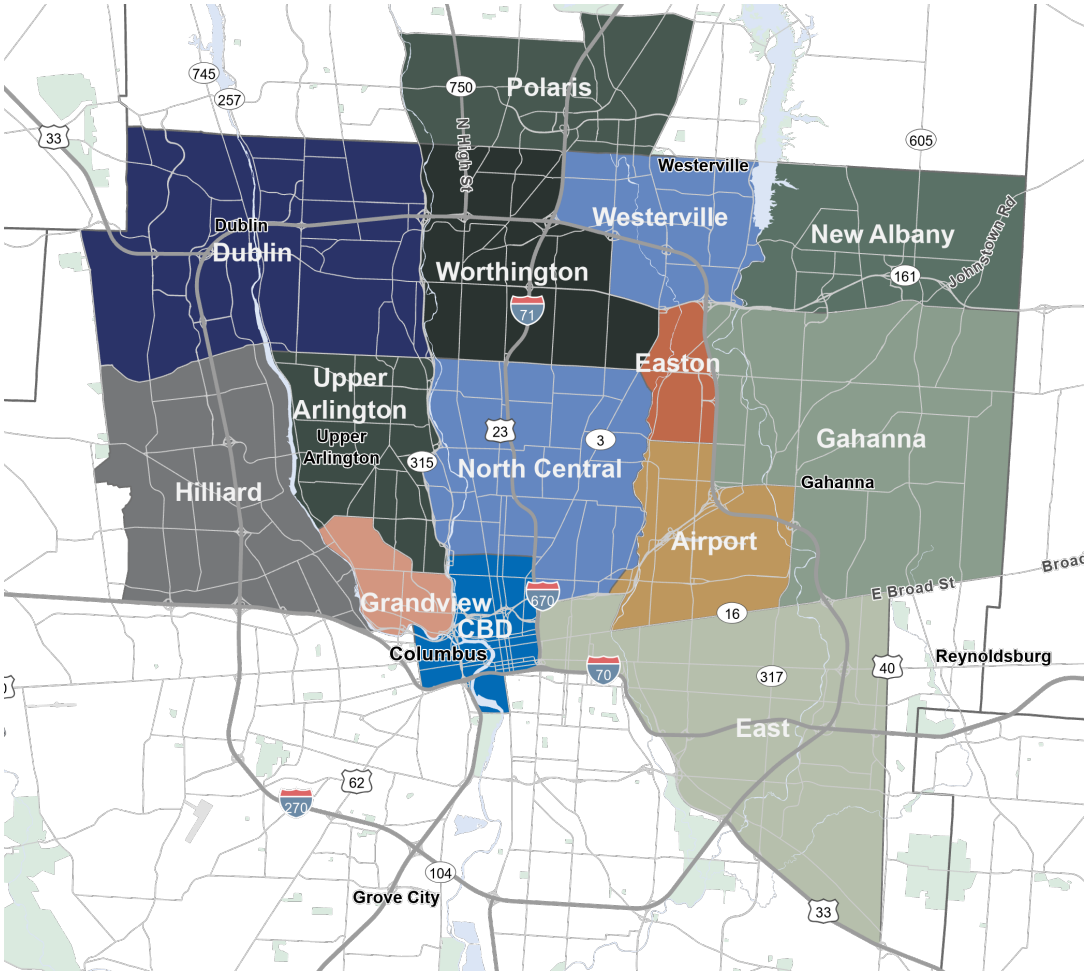

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