

4Q23

Columbus Office Market Overview



NEWMARK

Market Observations

Economy

- Columbus has experienced steady employment growth over the past few years compared with state and national figures, and for the first time in several months, Columbus recorded an unemployment rate below 3.0%, coming in for November at 2.8%.
- Columbus had a slight increase of 0.5% for local nonfarm payroll employment compared to 1.8% at the state and national level.
- 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 2.8% compared to 13.2% as the highest record during the pandemic.

Major Transactions

- Wells Fargo signed a 66,000-SF sublease at 3075 Loyalty Circle to open a new technology hub.
- In the CBD, Ice Miller signed a 47,000-SF extension at 250 West St.
- Babin Law completed a sublease deal for 17,000 SF at 10 W. Broad St. in the CBD.

Leasing Market Fundamentals

- In the fourth quarter the Columbus office market recorded positive absorption, helping bring 2023 total net absorption up to negative 130,000 SF, a significant improvement over the past two years.
- Fourth quarter leasing volume in the Columbus office market was on pace with the rest of 2023, but total 2023 leasing volume was notably lower than 2022.
- Arlington Gateway delivered 135,000 SF of new office inventory to the market, helping bring the construction pipeline down to its lowest point since 2015.

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 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. But this quarter we also saw that some of those sublease spaces are in demand and as Columbus continues to establish itself as a data center hub, we will expect to see more technology leasing.

1. Economy
2. Leasing Market Fundamentals

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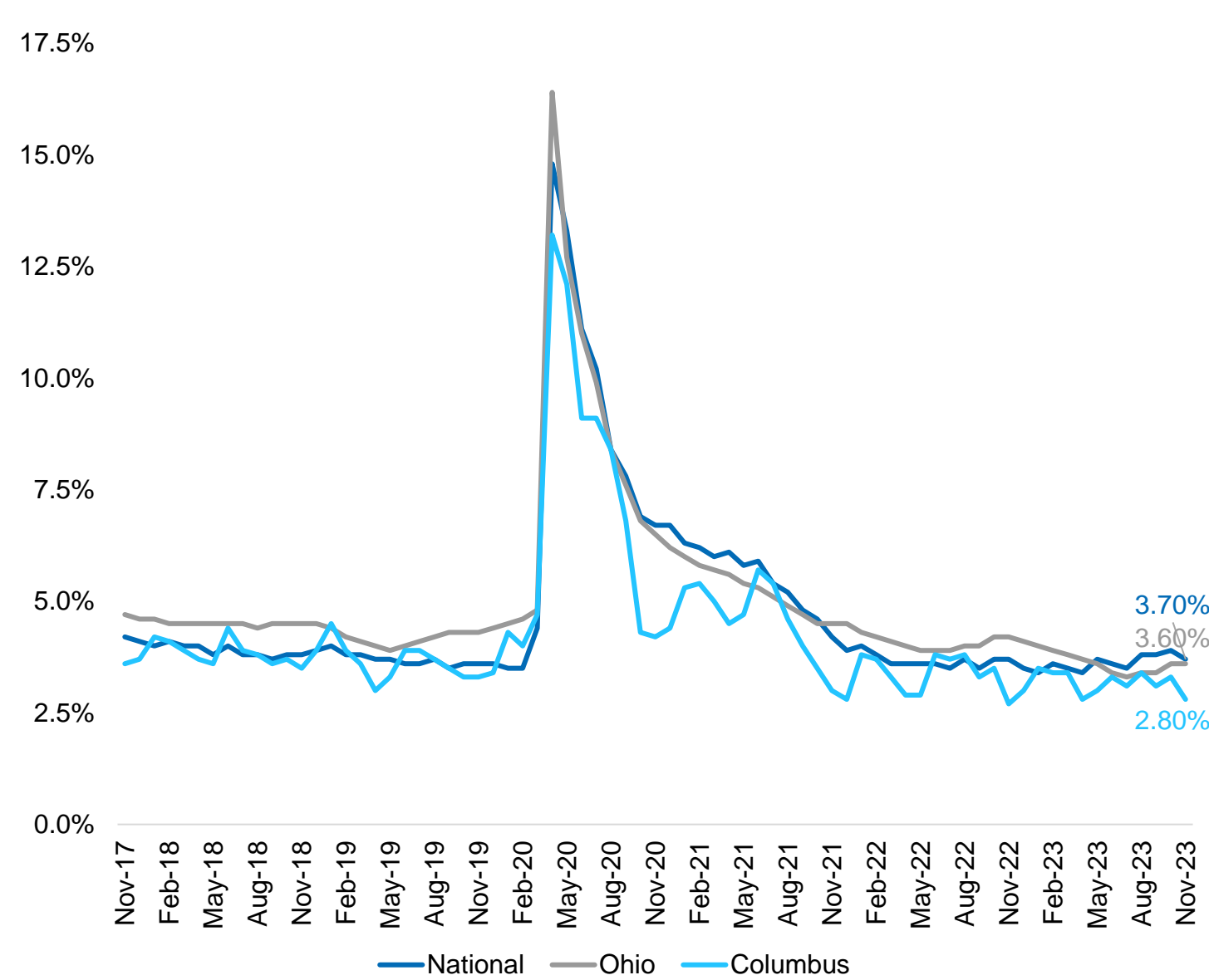
Economy



Metro Employment Experienced Steady Growth

Columbus has experienced steady employment growth over the past few years compared with the state and national figures, and for the first time in several months, Columbus’ recorded an unemployment rate below 3%, coming in for November at 2.8%. Columbus had a slight increase of 0.5% for local nonfarm payroll employment compared to 1.8% of the state and 1.8% at the national level.

Unemployment Rate, Seasonally Adjusted



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

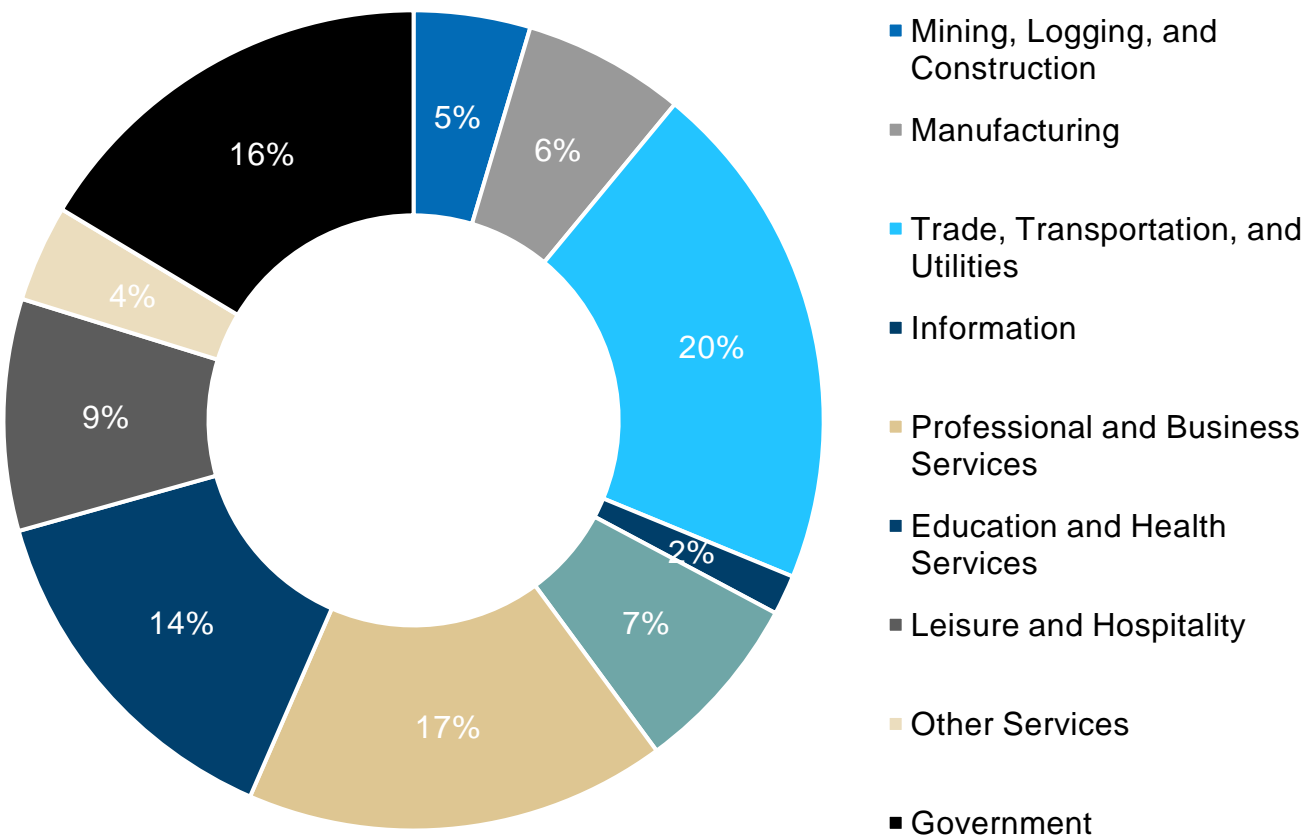


Source: U.S. Bureau of Labor Statistics, Columbus MSA

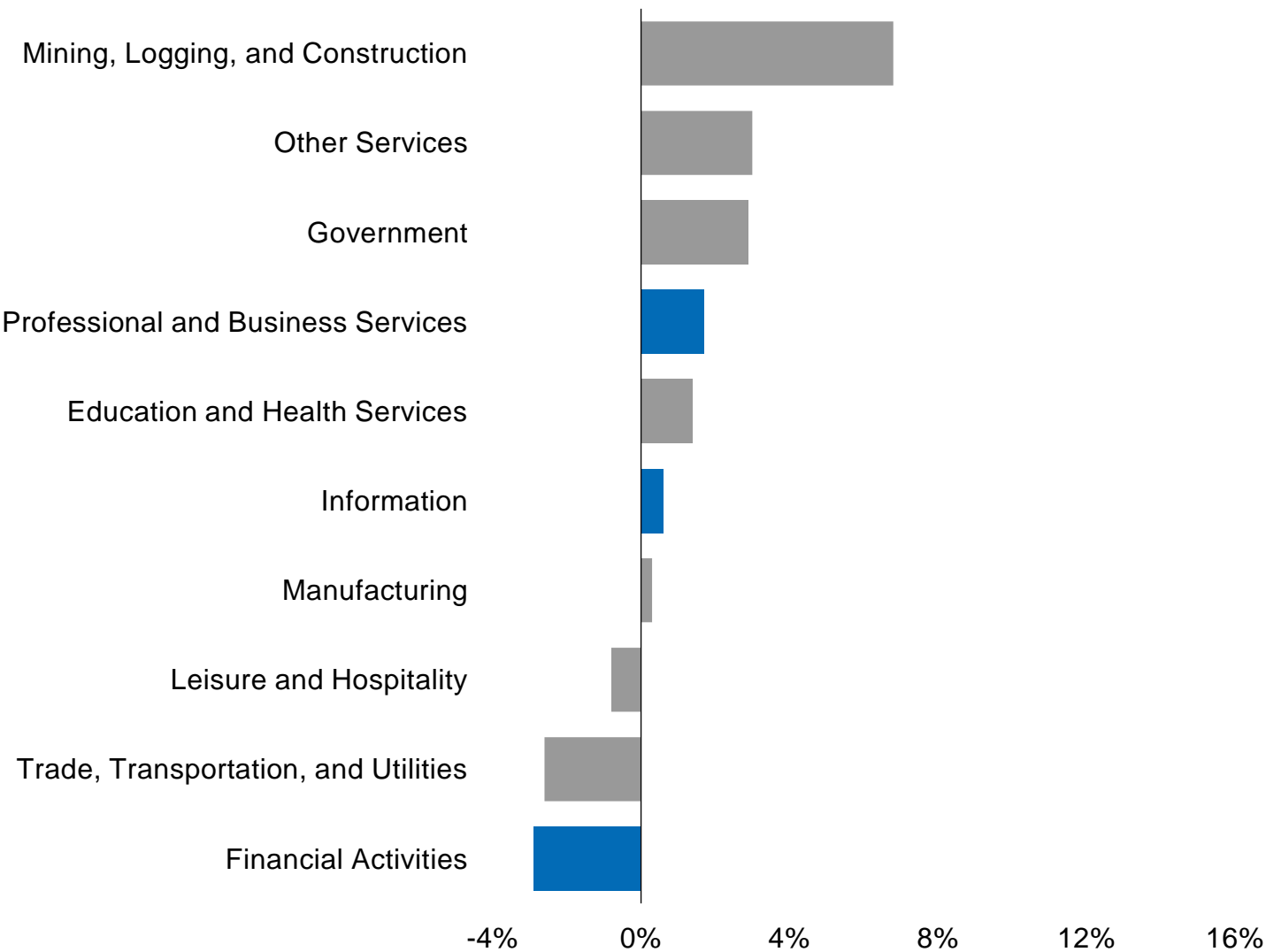
Job Growth Driven by Service Sectors

The mining, logging and construction sectors led all industries in regional annual job growth with 6.8%, followed by other services (3.0%), government (2.9%) and professional and business services (2%), showing the occurrence of economic recovery in Columbus. Office-occupying or adjacent industries saw an annual job increase in the past year, except for the financial activities.

Employment by Industry, Nov 2023



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

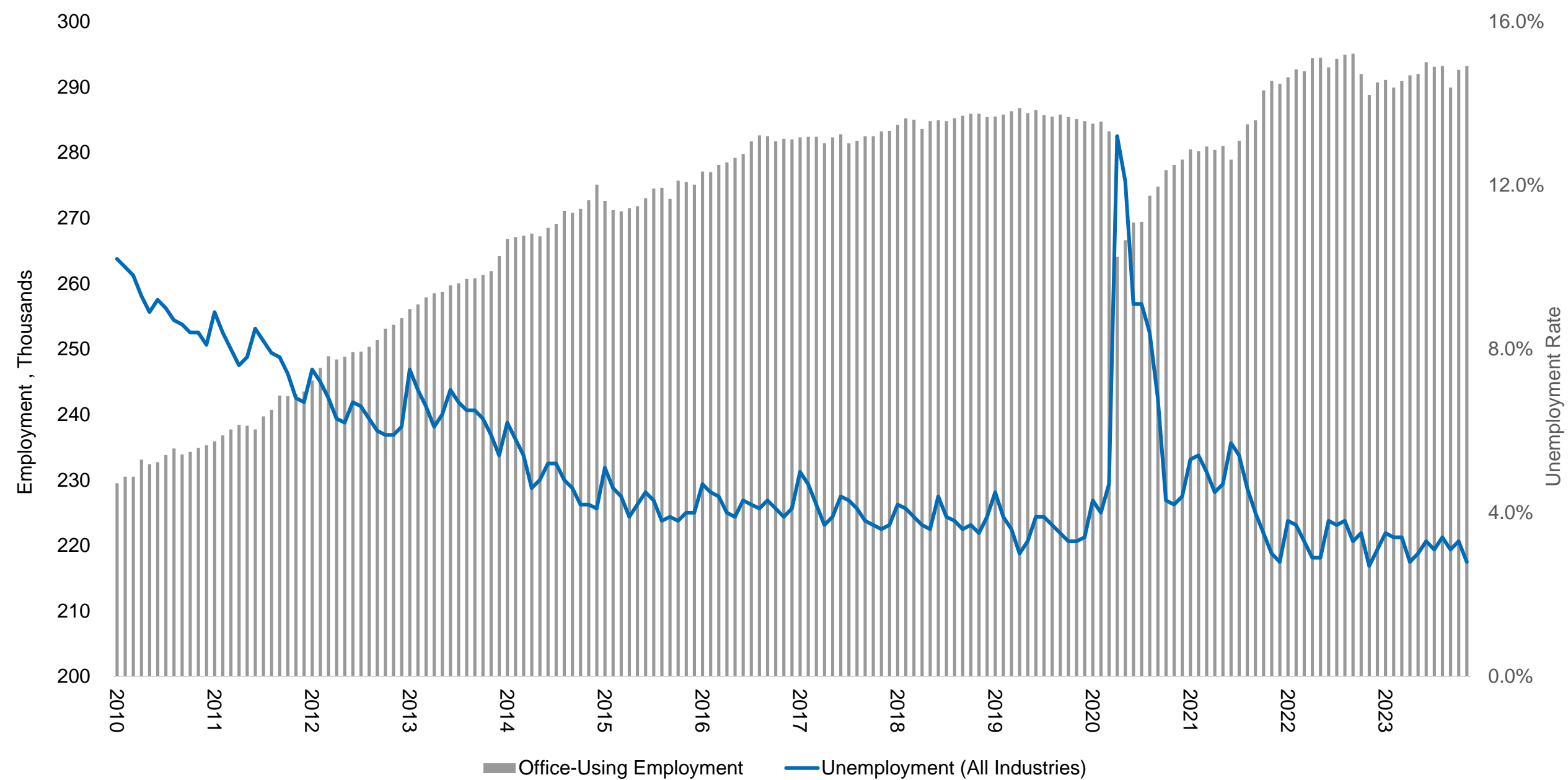


Source: U.S. Bureau of Labor Statistics, Columbus MSA

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 2.8% 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: November data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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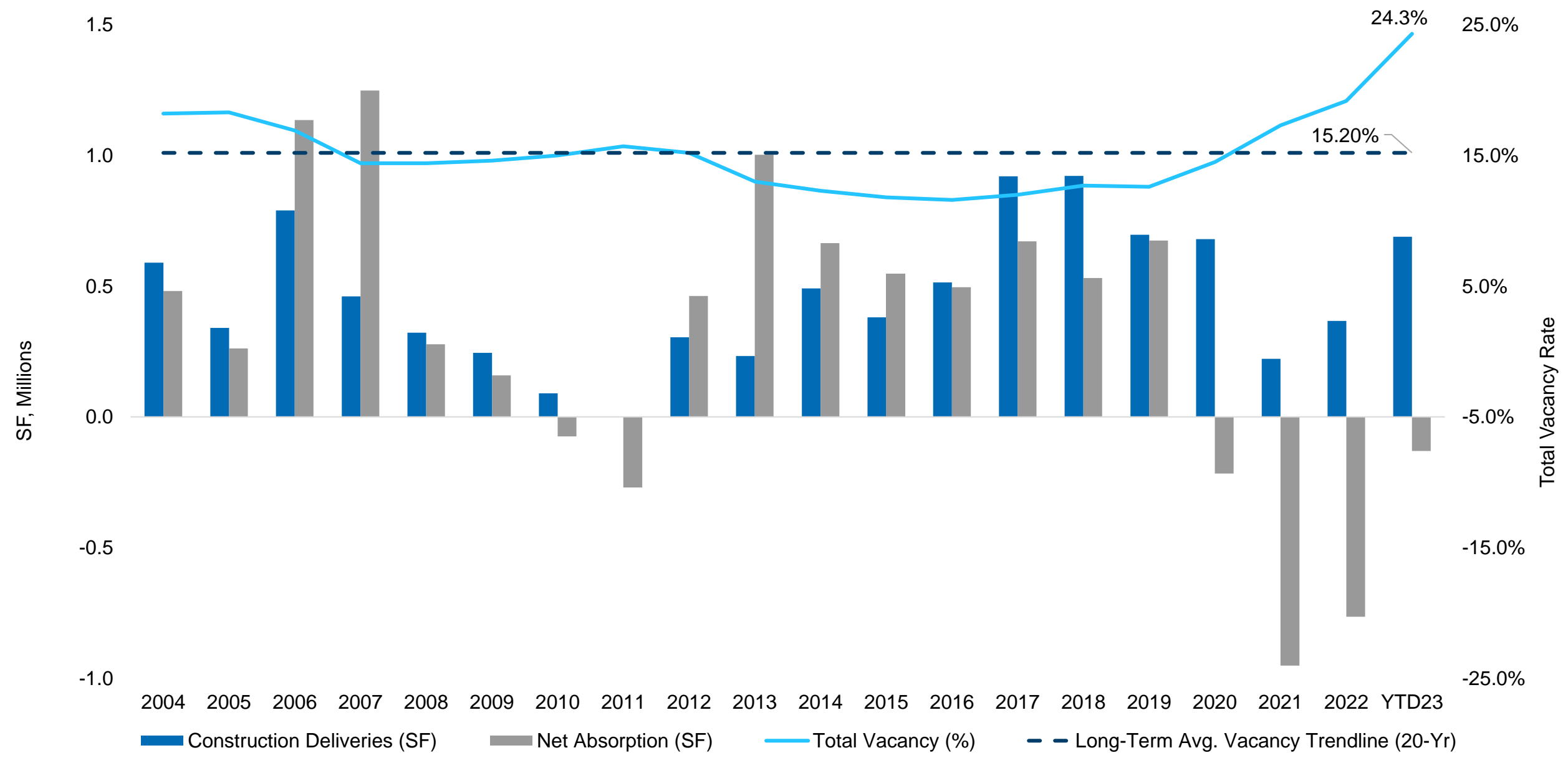
Leasing Market Fundamentals



Vacancy Increases As 2023 Absorption Is Negative For Fourth Year

In the fourth quarter, the Columbus office market recorded positive absorption, helping bring the 2023 total net absorption up to negative 130,000 SF, a significant improvement over the past two years. There was 650,000 SF of new construction deliveries throughout 2023 including the 135,000-SF Arlington Gateway in the Arlington submarket which delivered in December. Direct vacancy remains under 20% at 19.8%, but total vacancy is now 24.3%, significantly higher than the 20-year average of 15.2%.

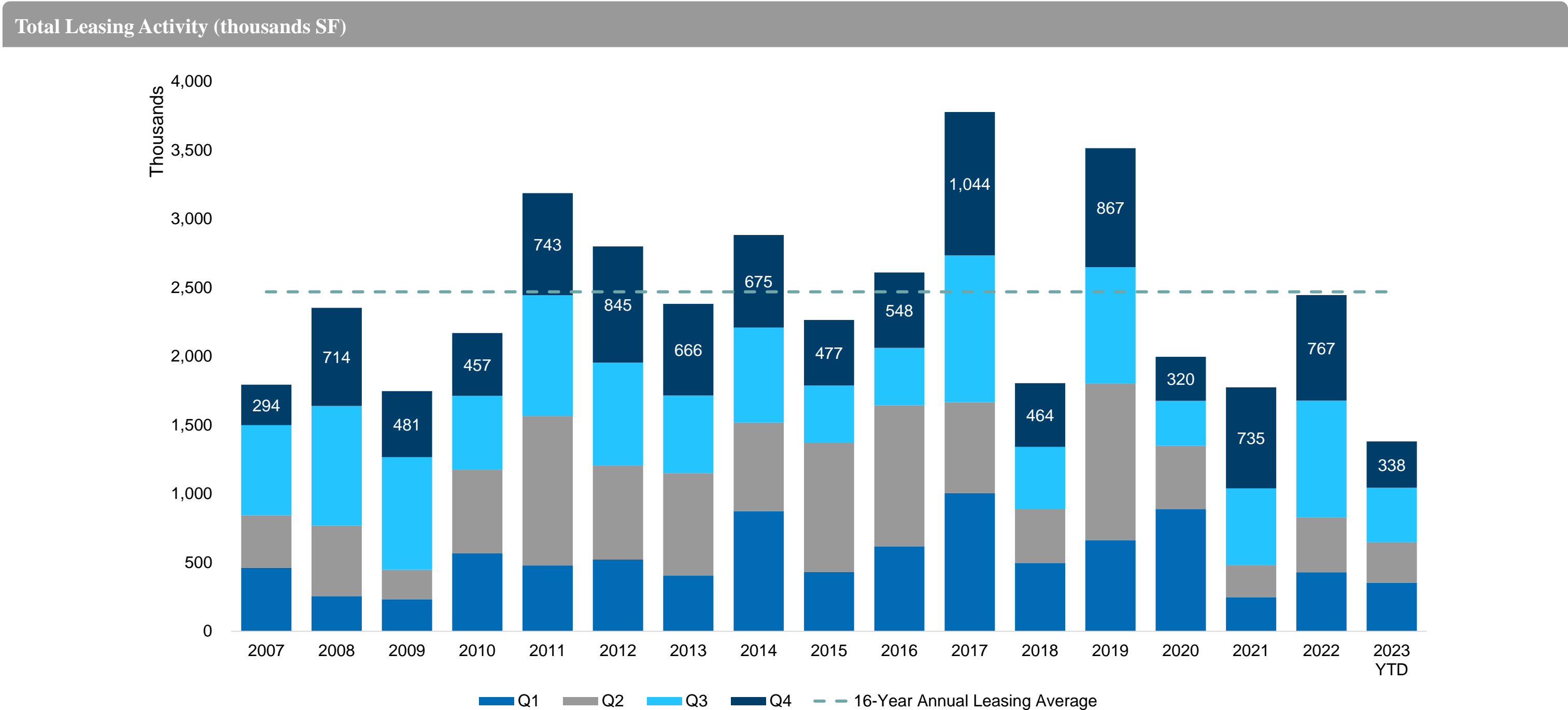
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

In 2023, Leasing Activity Pace Was Stable, Yet Slower than Last Year

Fourth quarter leasing volume in the Columbus office market was on pace with the rest of 2023, but total 2023 leasing volume was notably lower than 2022. One of the largest leases of the quarter was a sublease signed by Wells Fargo at 3075 Loyalty Circle for 66,000 SF where they will be opening a new technology hub in the space formerly occupied by Bread Financial. As the Columbus market continues to establish itself as a data center hub, we expect to see technology office leasing increase as well.

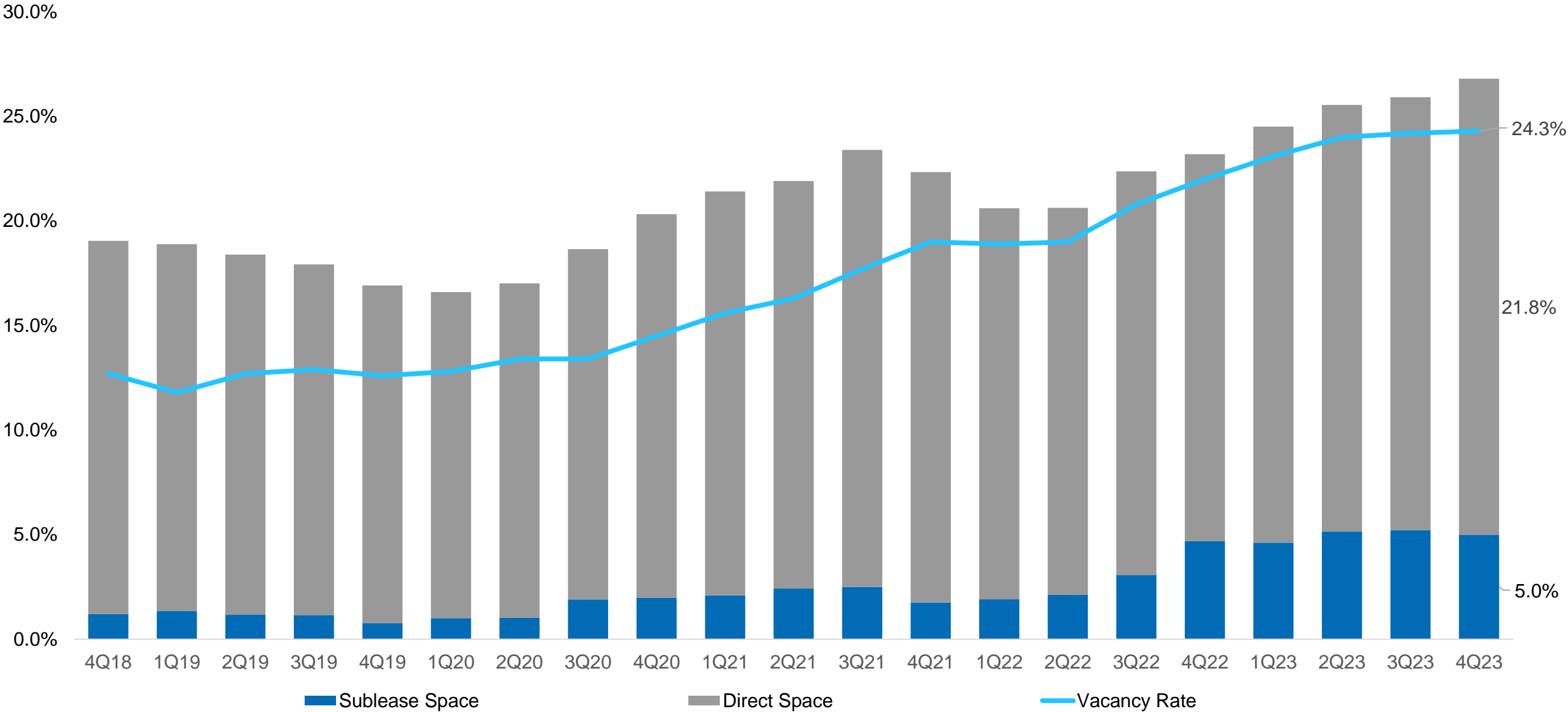


Source: Newmark Research, CoStar

Sublease Availability Falls to End 2024

After consistently increasing for several quarters, sublease availability fell 20 basis points as Wells Fargo took 66,000 SF of sublease space off the market. Direct availability climbed again this quarter, increasing to 21.8%, or 9.1 MSF, the highest the market has recorded.

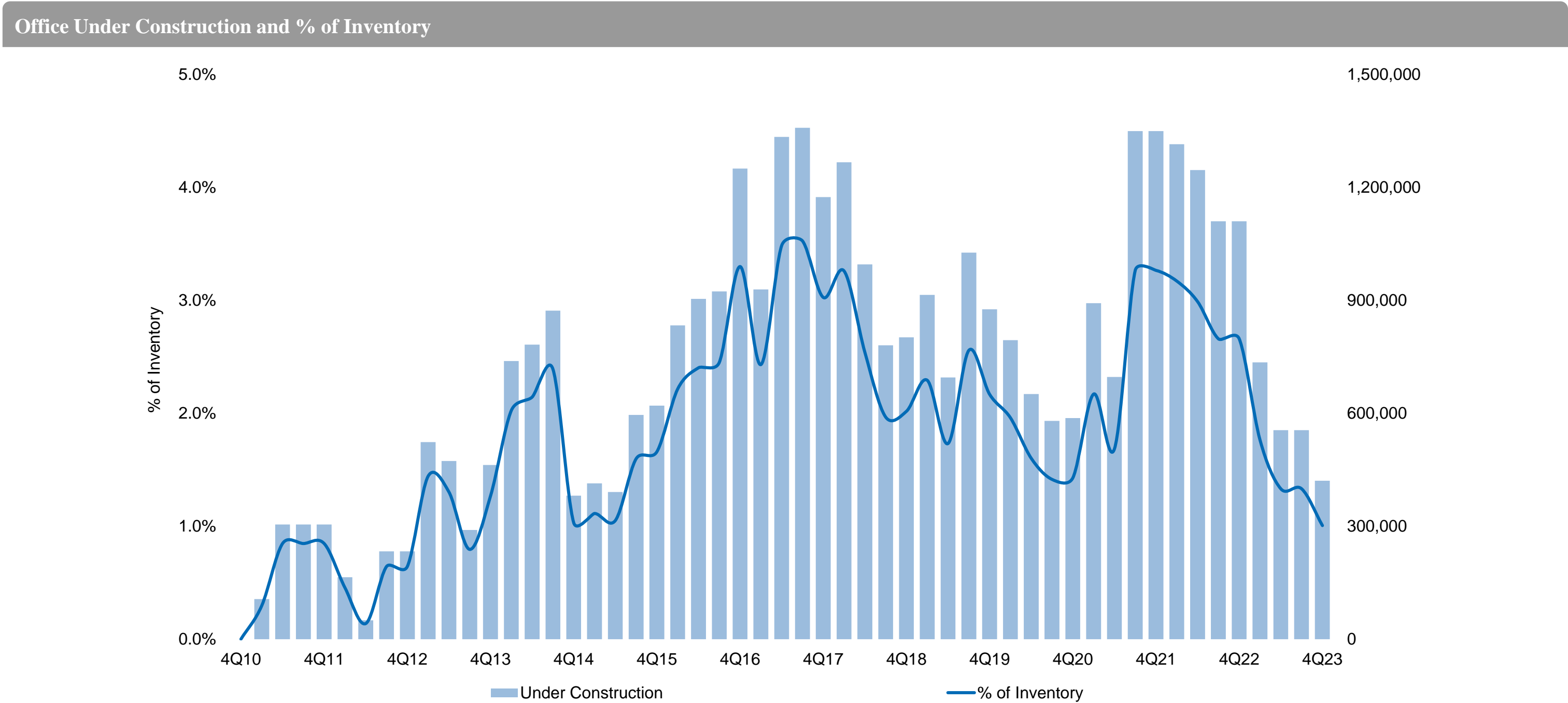
Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

Construction Pipeline Continues to Empty

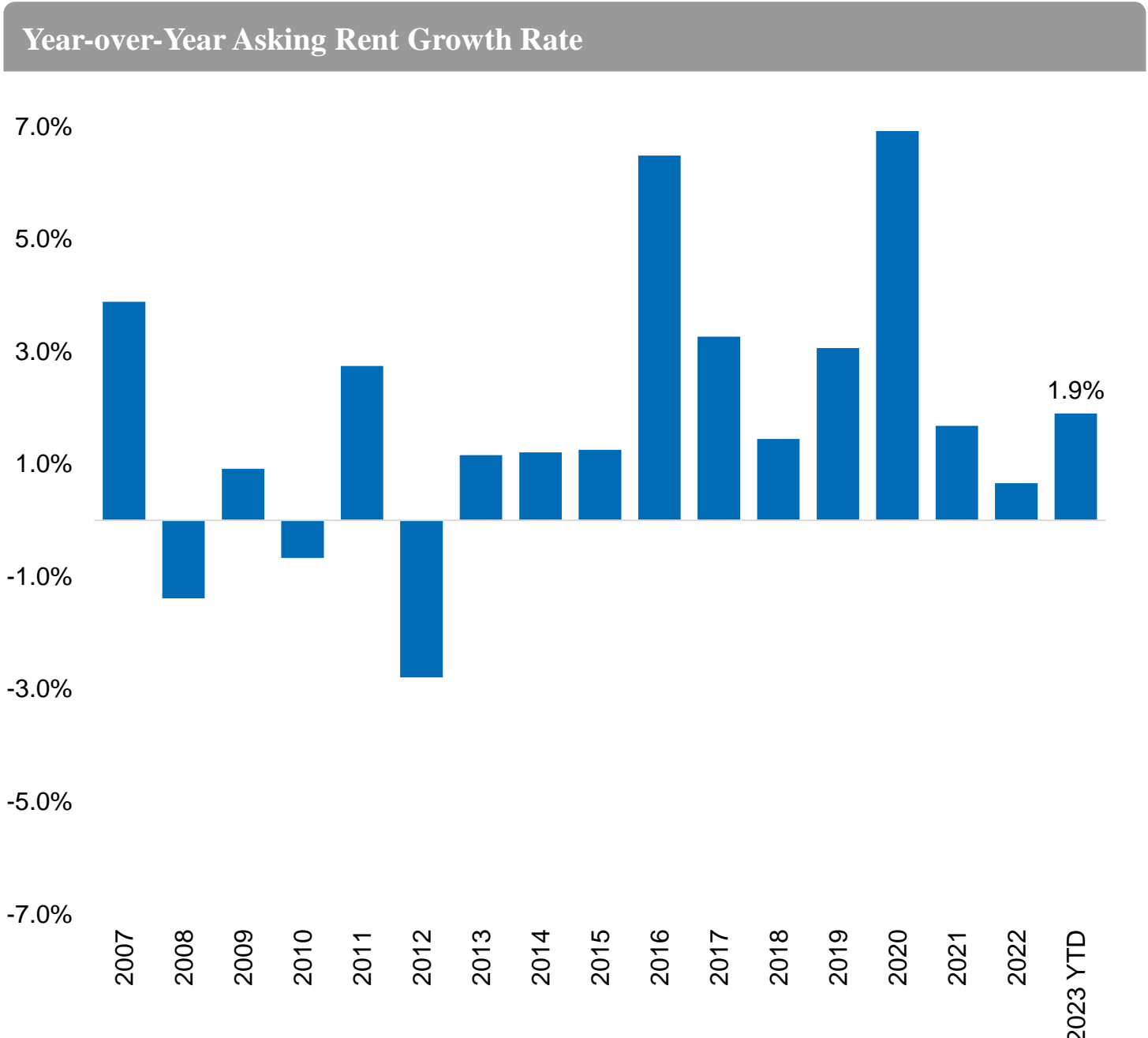
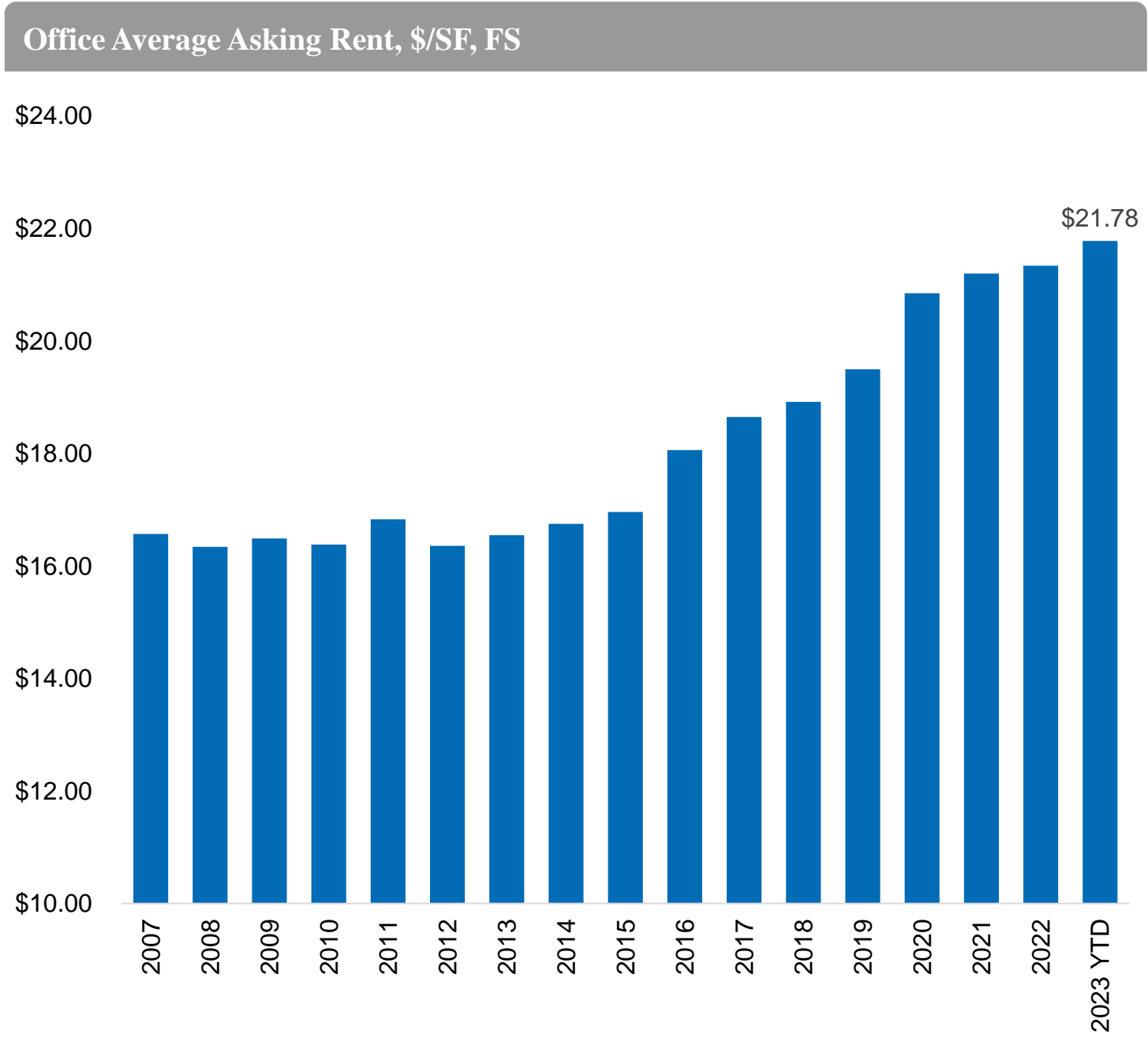
With another construction delivery this quarter, Arlington Gateway, the office development pipeline continues to empty, falling to the lowest it has been since 2015. Arlington Gateway delivered 135,000 SF of office space this quarter in the Upper Arlington submarket. With slowing office demand and financing issues for new office construction, the pipeline to stay relatively low which will help create more competition amongst new product.



Source: Newmark Research, CoStar

Slight Increase for Average Asking Rent

Average asking rates increased again this quarter despite increasing availability rates.

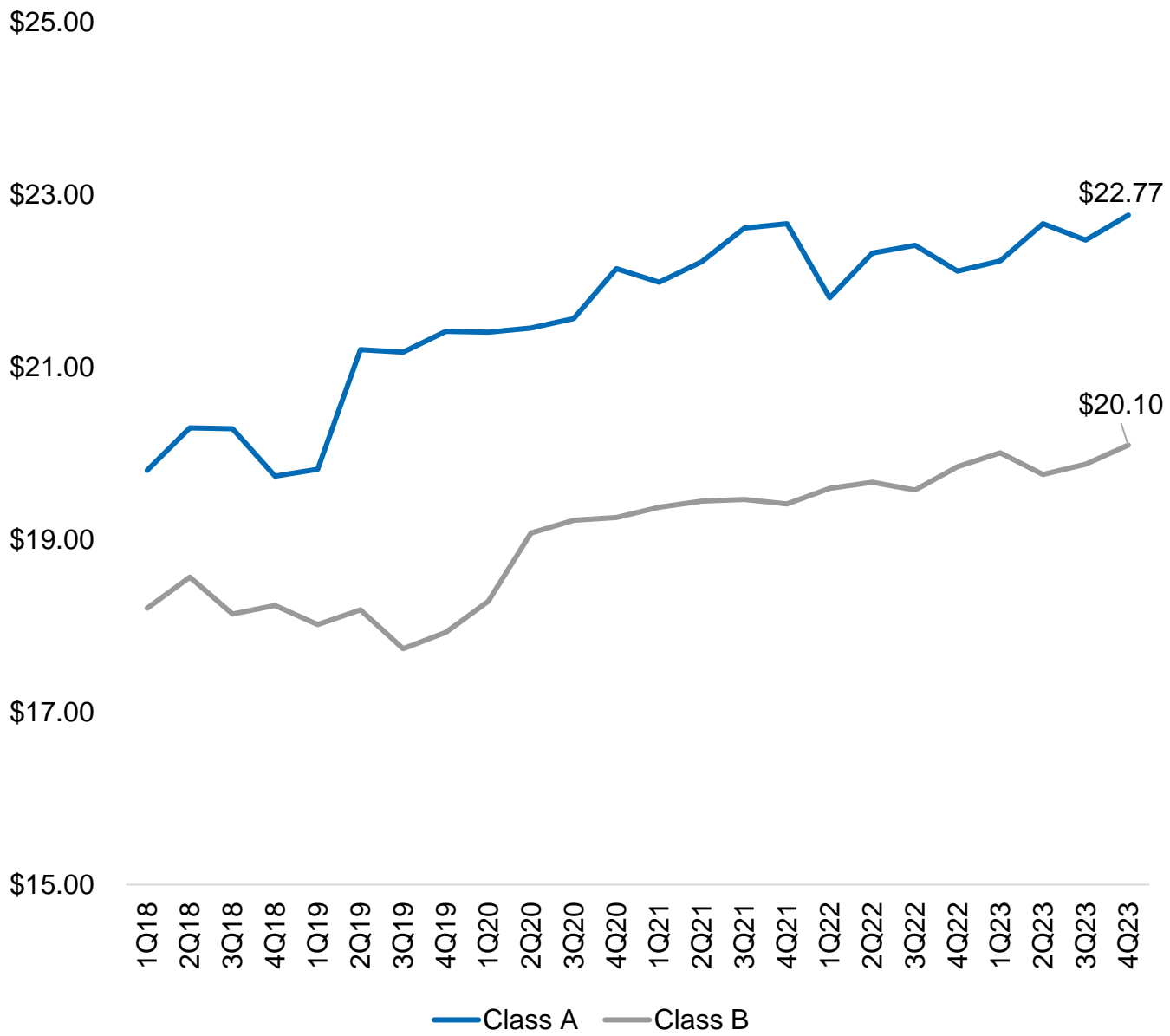


Source: Newmark Research, CoStar

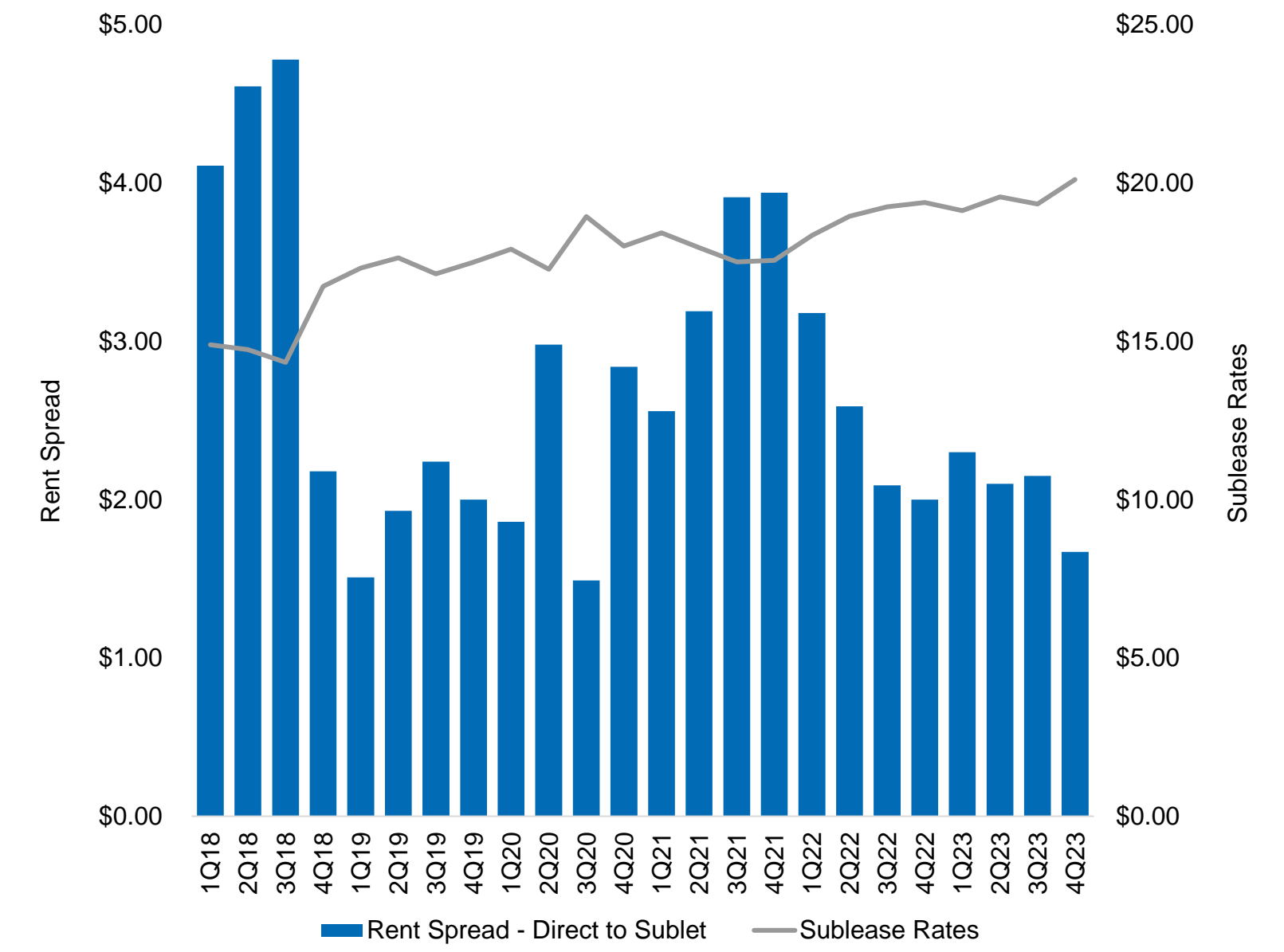
Rent Spread Between Sublease and Direct Space Falls

Like national trends the discrepancy between asking rates for Class A and B office properties widened this quarter as Class A rates hit \$22.77/SF. Tenant’s preference for Class A space has helped increase those rates at a faster pace than Class B. The spread between direct and sublease rates fell this quarter to \$1.67 SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Lease and Sale Transaction

Notable 4Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Wells Fargo	3075 Loyalty Cir.	Easton	Sublease	66,000
Ice Miller	250 West St.	CBD	Extension	47,134
Babin Law	10 W. Broad St.	CBD	Sublease	17,151
KPMG	191 W. Nationwide Blvd.	CBD	Extension	16,630
Monad Health	1103 Schrock Rd.	Worthington	Sublease	15,745
T2 Financial LLC	579 Executive Dr.	Polaris	Direct	10,308

Notable 4Q23 Sale Transactions

Buyer	Building(s)	Submarket	Sale Price	Square Feet
6005 Nacot Place, LLC	535 Officenter Pl., 6005 Nacot Pl.	New Albany	\$18,000,000	117,500
Lakeshore Cryotronics	480 Olde Worthington Rd.	Westerville	\$6,000,000	102,487
Realty Income Properties	535 Officenter Pl.	Gahanna	\$4,530,000	11,429

Source: Newmark Research



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