

Columbus Industrial Market Overview

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.
- Industrial-using employment sectors or adjacent industries saw an annual job increase for mining, logging and construction, and manufacturing in the past year, except for trade, transportation and utilities.

Major Transactions

- Yellow Corporation's bankruptcy spurred the XPO Logistics purchase of the 149,586 SF property at 5400 Old Fisher Rd. in the West submarket for \$40.1 million, or \$267.81/SF.
- EQT Exeter purchased three Columbus-area properties as a part of a 32-property portfolio purchase, including: the 125,000 SF property at 2240 Creekside Pkwy. in the Rickenbacker submarket for \$11.2 million, or \$89.23/SF; the 269,831 SF property at 5900 N. Meadows Dr. in the Southwest submarket for \$23.7 million, or \$88.00/SF; and the 268,905 SF property at 5701 N. Meadows Dr. in the Rickenbacker submarket for \$20.3 million, or \$75.66/SF.
- Cabot Properties purchased the 1.1 million SF property at 70 Enterprise Pkwy. in the Madison County submarket for \$89.5 million, or \$82.11/SF

Leasing Market Fundamentals

- The Columbus industrial market tallied 1.9 million SF in positive absorption in the fourth quarter, bringing the year-end total to just under a positive 7.0 million SF. However, the quarterly industrial vacancy rate increased by 40 basis points from the third quarter to 6.2% in the fourth quarter of 2023. Despite the positive overall absorption, a cause of the vacancy increase was the delivery of approximately 3.4 million SF of product to the inventory.
- The average asking rent for the year 2023 stood at \$5.49/SF; the fourth quarter saw an average asking rent of \$5.57/SF, the second highest in recent history behind the third quarter of 2023 ever for the Columbus industrial market.
- Total leasing activity for the quarter measured approximately 2.3 million SF, down from 3.6 million SF in the third quarter. For all of 2023, industrial leasing activity measured 15.9 million SF.

Outlook

- Class A warehouse leasing represented 42.1% of overall industrial leasing activity in 2023, down from the most recent high of 54.0% in 2022. The 6.7 million SF of Class A leasing volume for 2023 was the market's lowest since 2019. Class A warehouse space remains desirable despite market conditions returning to a normalized pre-pandemic level after surging in 2021 and 2022.
- The industrial average asking rent for 2023 grew 11.1% over the past year. Based on recent trends, as well as a growth trend in nine of the last 10 years, modest rent growth should continue into 2024, though at a smaller rate as the industry continues to normalize.

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2. Leasing Market Fundamentals
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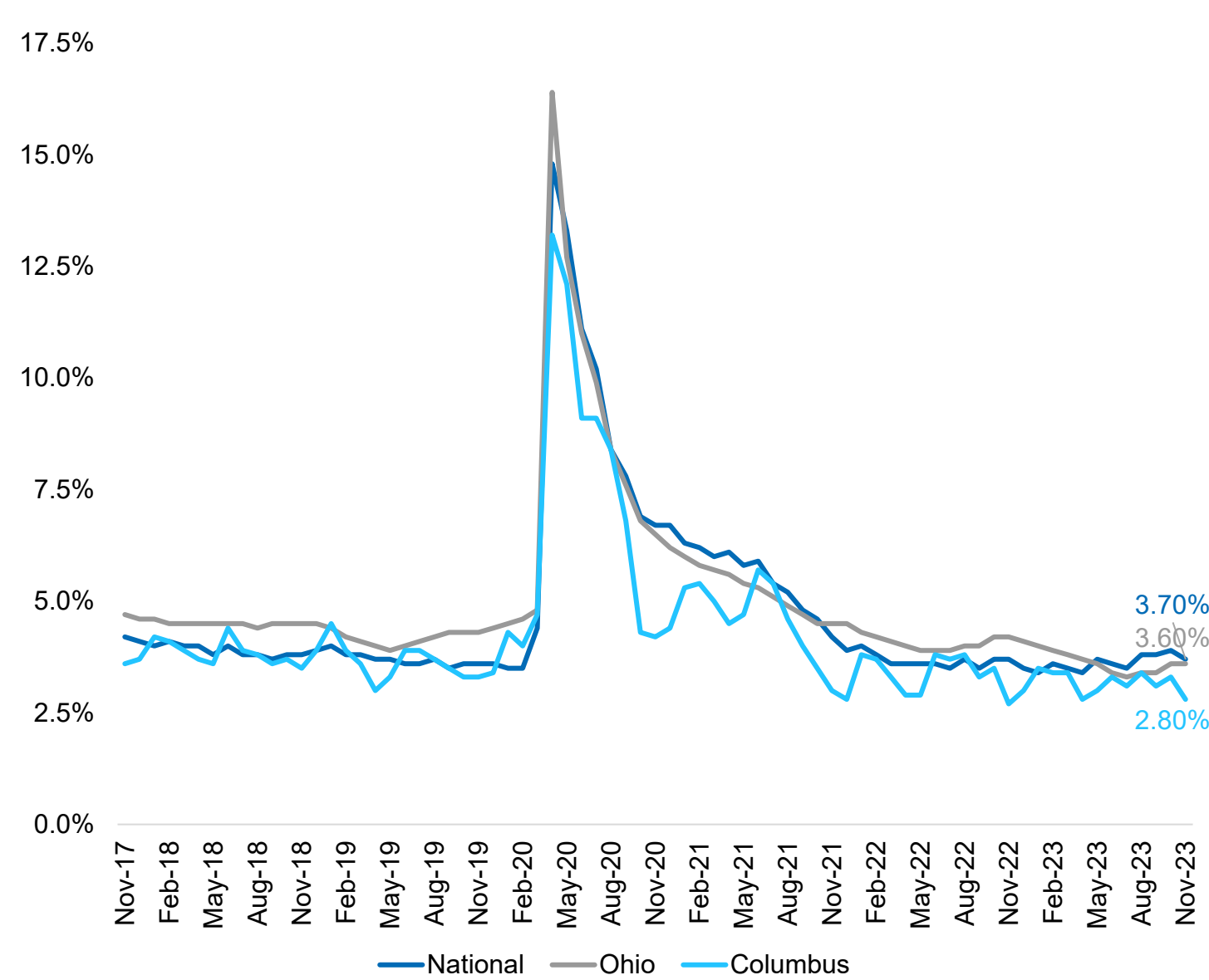
Economy



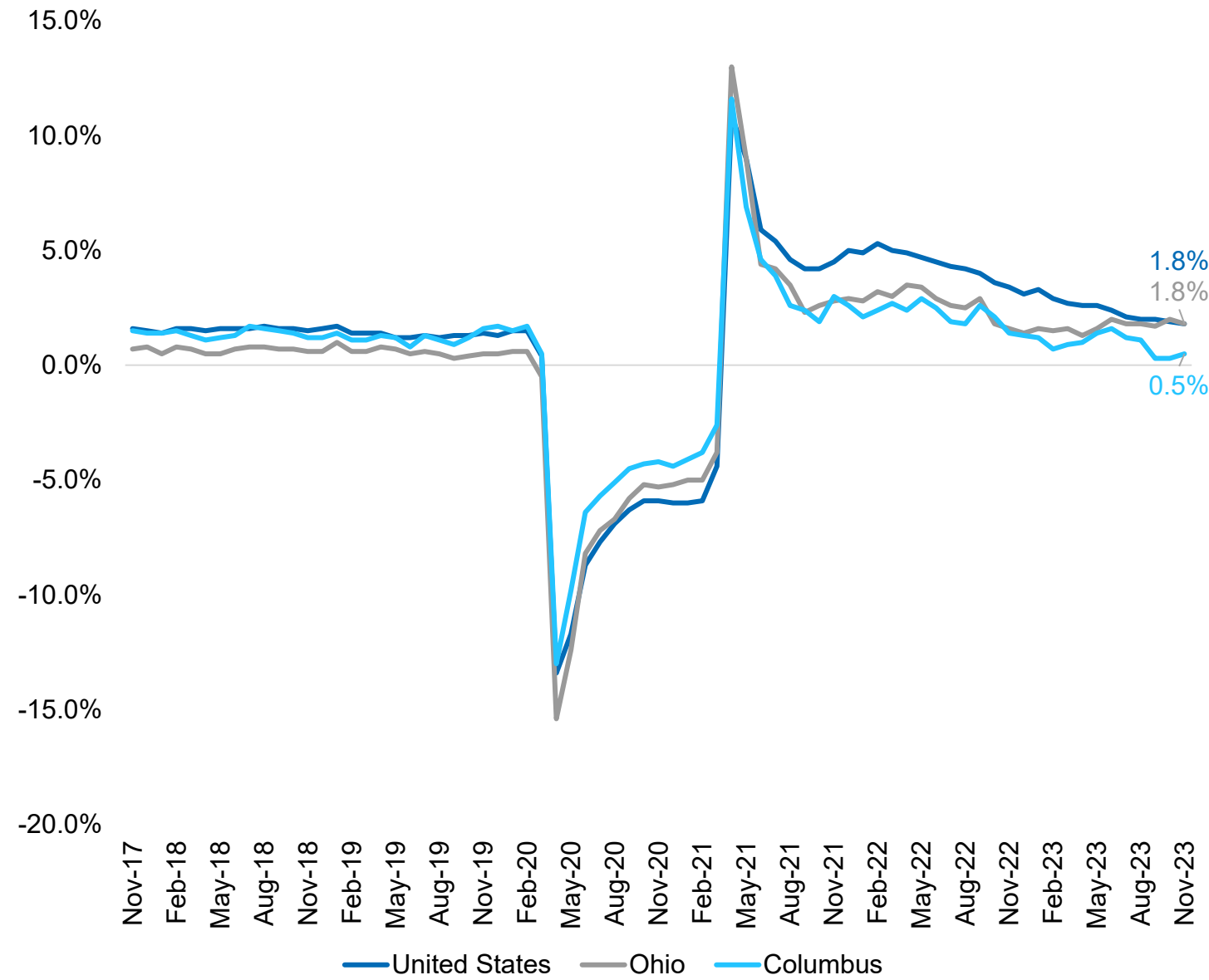
Metro Employment Experienced Steady Growth

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 3.0%, 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.

Unemployment Rate, Seasonally Adjusted



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

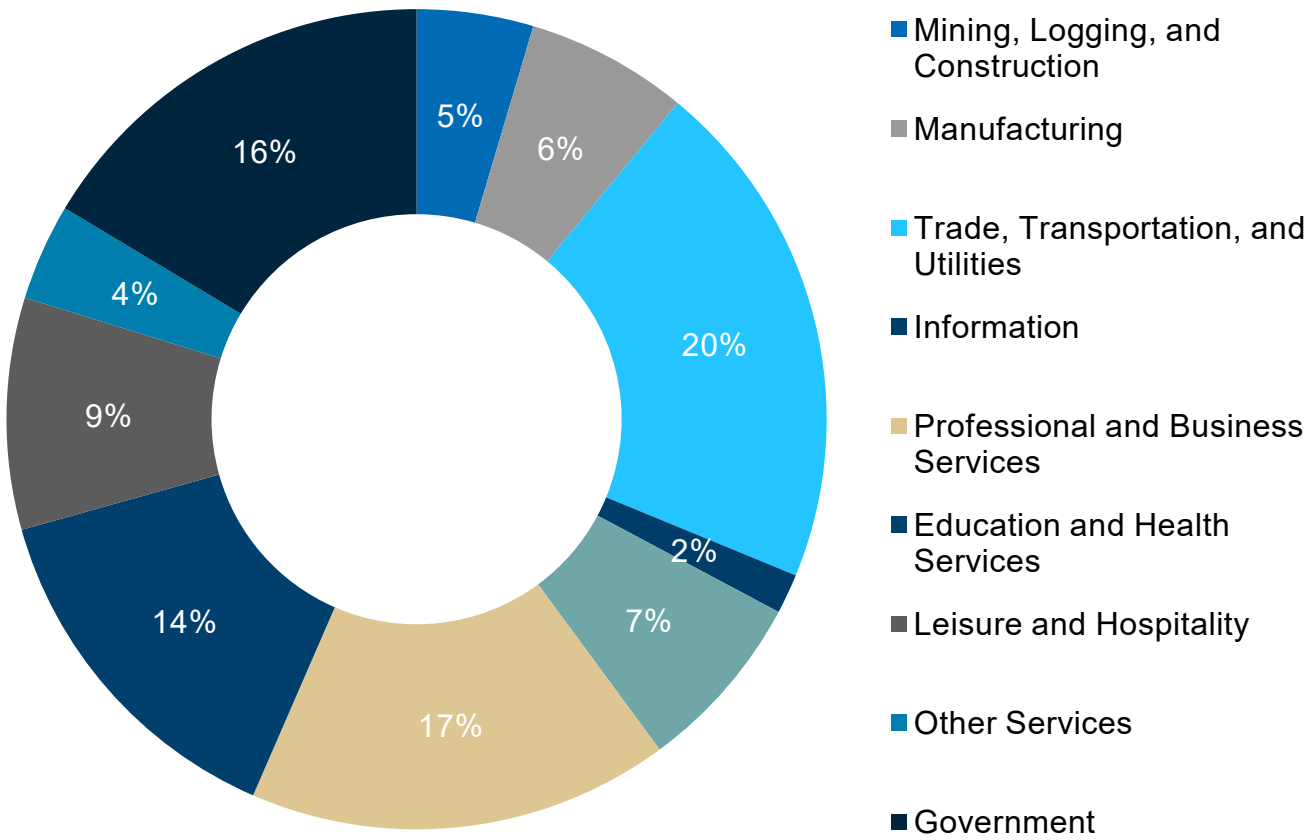


Source: U.S. Bureau of Labor Statistics, Columbus MSA

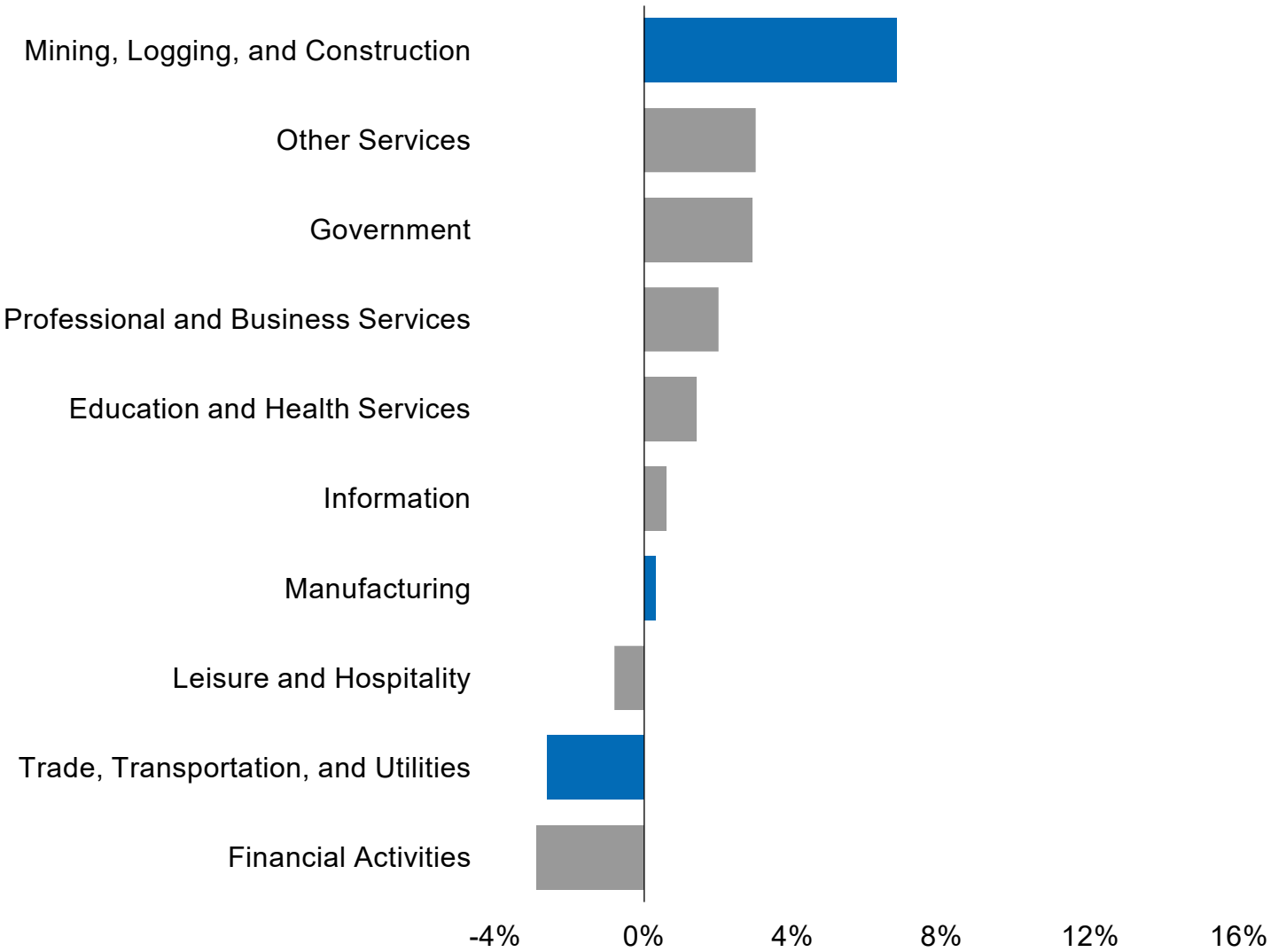
Job Growth Driven by Service Sectors

The mining, logging and construction sector led all industries in regional annual job growth with 6.8%, followed by other services (3.0%), government (2.9%), and professional and business services (2%), showing economic recovery in Columbus. Industrial-using employment sectors or adjacent industries saw an annual job increase for mining, logging and construction and manufacturing in the past year, except for trade, transportation and utilities.

Employment by Industry, Nov 2023



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

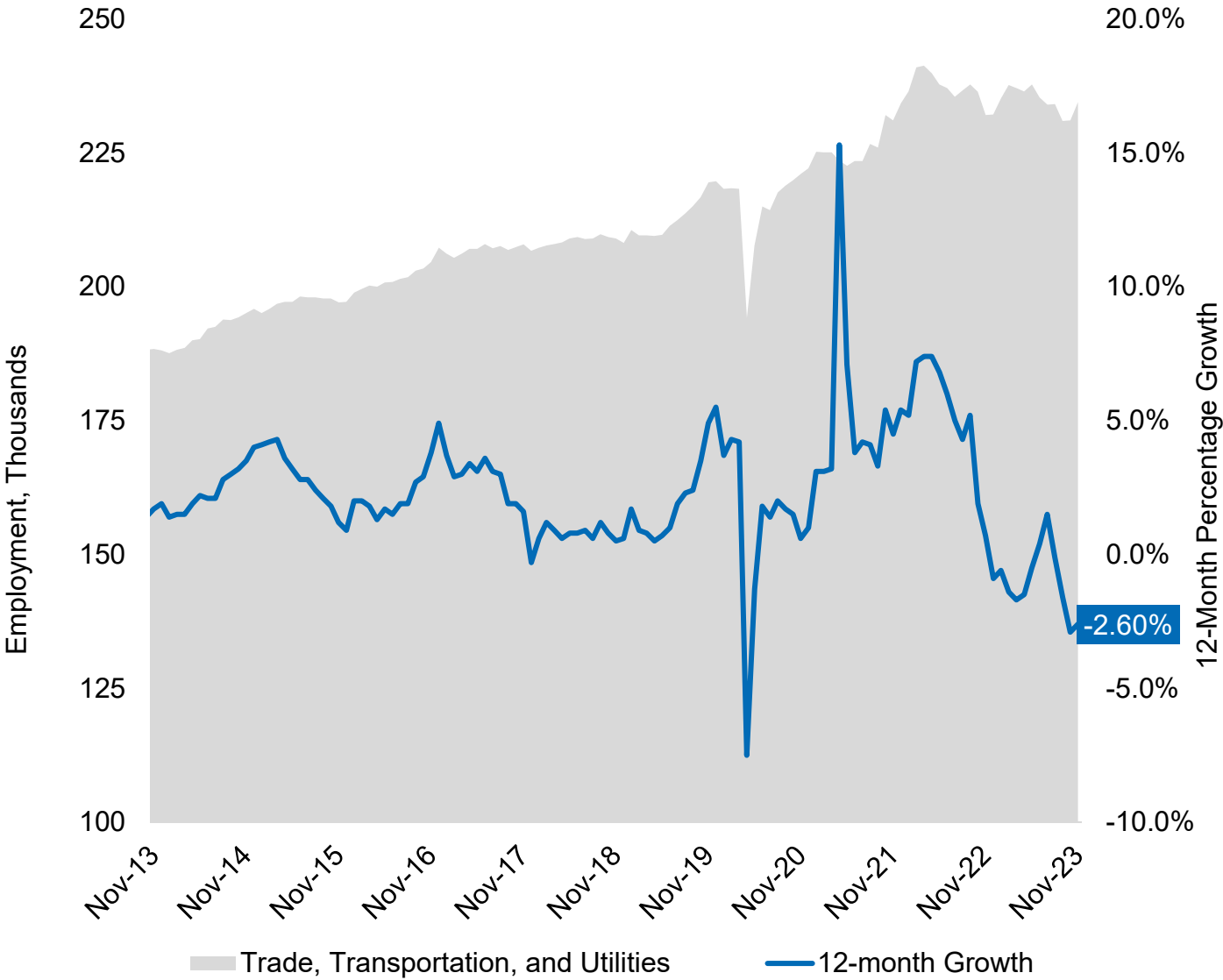


Source: U.S. Bureau of Labor Statistics, Columbus MSA

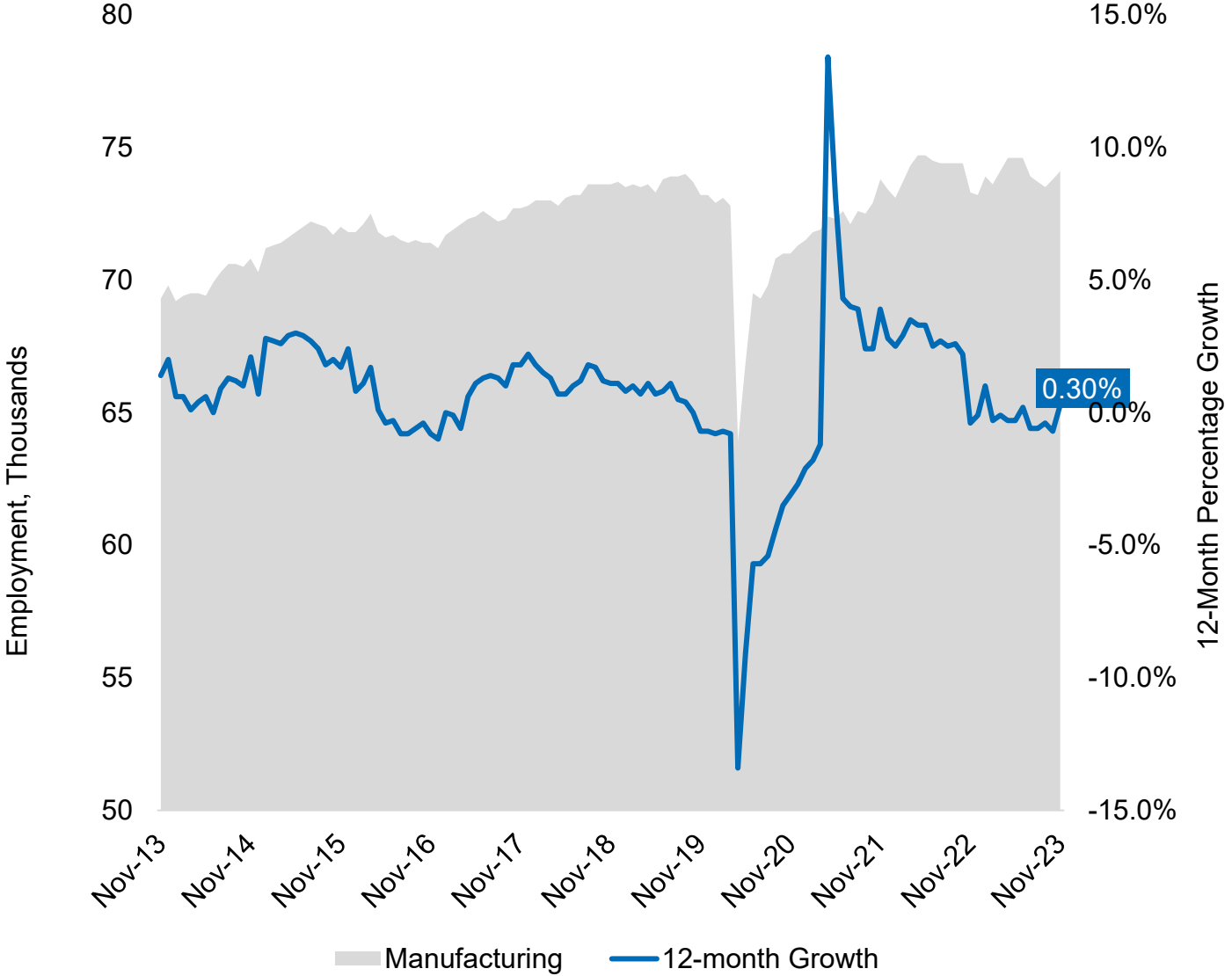
Industrial Employment Strong but Not Immune to Softening Conditions

Trade, transportation, and 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. Trade, transportation, and utilities saw a decrease in employment growth in November 2023 year-over-year, while manufacturing saw a slight increase in total employment and year-over-year growth, with 0.3%.

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

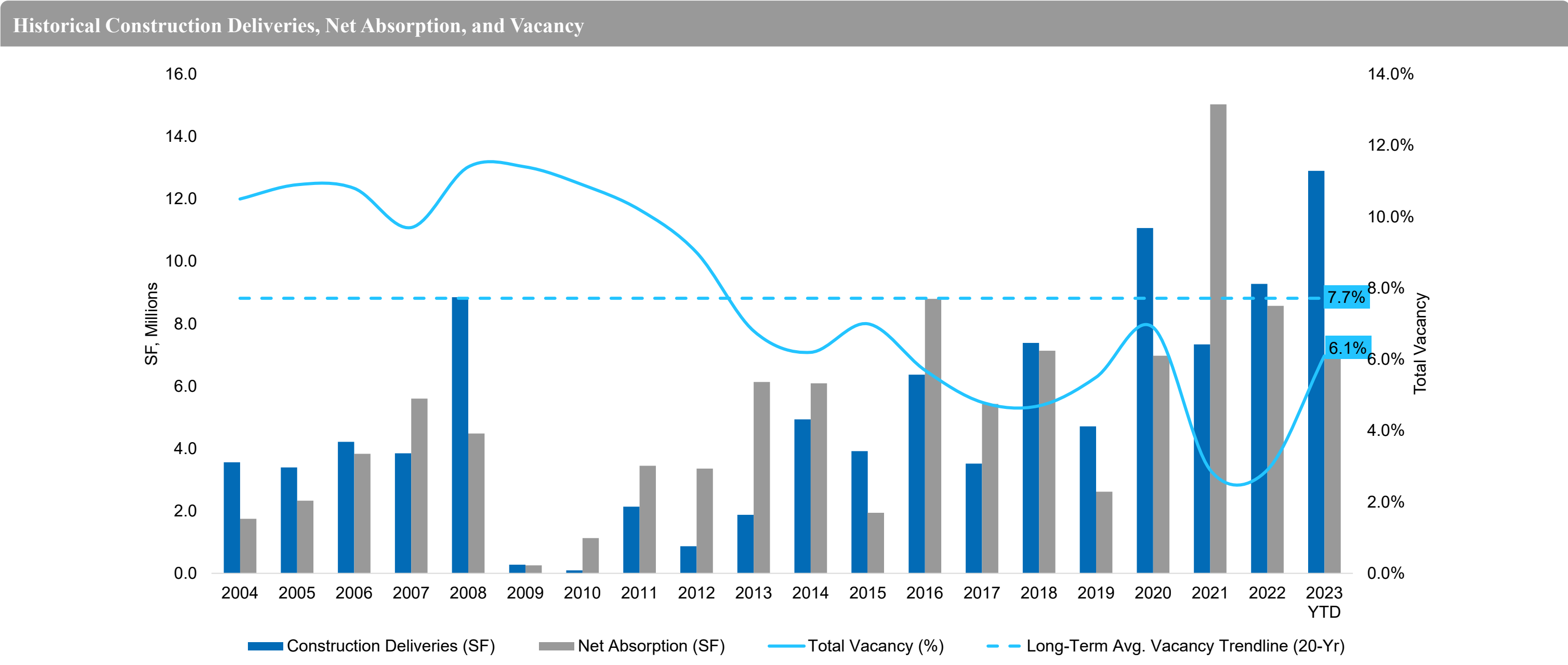
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Leasing Market Fundamentals



Vacancy Increases as Influx of New Space Comes to Market

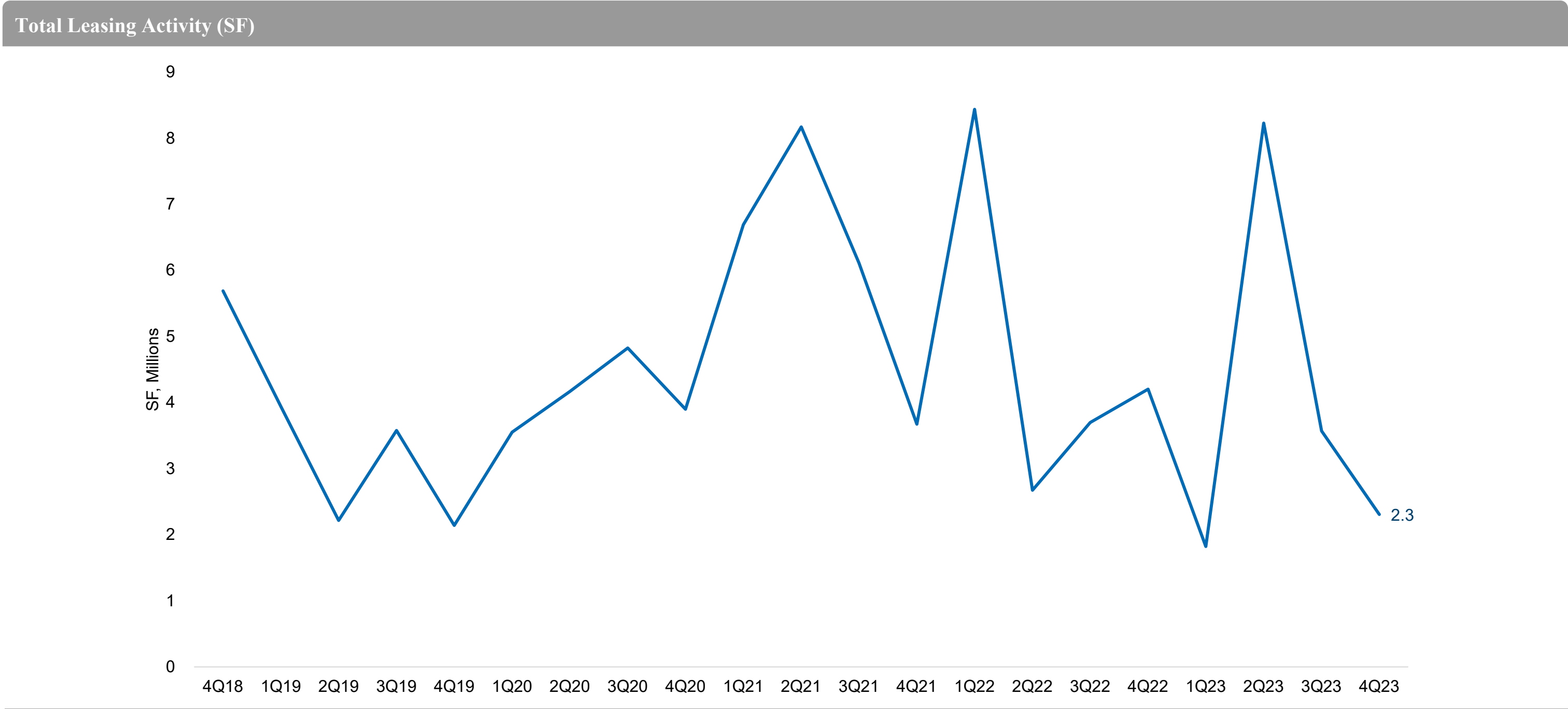
The Columbus industrial market tallied 1.9 million SF in positive absorption in the fourth quarter, bringing the year-end total to just under a positive 7.0 million SF. However, the quarterly industrial vacancy rate increased by 40 basis points from the third quarter to 6.2% in the fourth quarter of 2023. Despite the positive overall absorption, a cause of the vacancy increase was the delivery of approximately 3.4 million SF of product to the inventory. In fact, the year 2023 saw the Columbus industrial market bring 12.9 million SF of new product, the most in recent history. For the year 2023, the market stood at 6.1% vacancy, up significantly from the overall 2.9% vacancy in 2022 but well below the long-term average vacancy trendline of 7.7%. In the graph below, the rise in year-to-year vacancy from 2022 to 2023 can be seen in the disproportional correlation between the construction deliveries and the total net absorption in 2023 as opposed to the two being much more in line with each other in 2022.



Source: Newmark Research, CoStar

Industrial Leasing Activity Down From Previous Quarter

In the fourth quarter of 2023, demand for industrial and flex space for buildings measuring over 50,000 SF in the Columbus MSA was the second lowest in terms of leasing volume in four years. Total leasing activity for the quarter measured approximately 2.3 million SF, down from 3.6 million SF in the third quarter. For all of 2023, industrial leasing activity measured 15.9 million SF. By comparison, the year 2022 saw a total leasing activity of 19.0 million SF. Over the last five years, yearly industrial leasing activity in Columbus hit its high watermark in 2021 with 24.6 million SF.

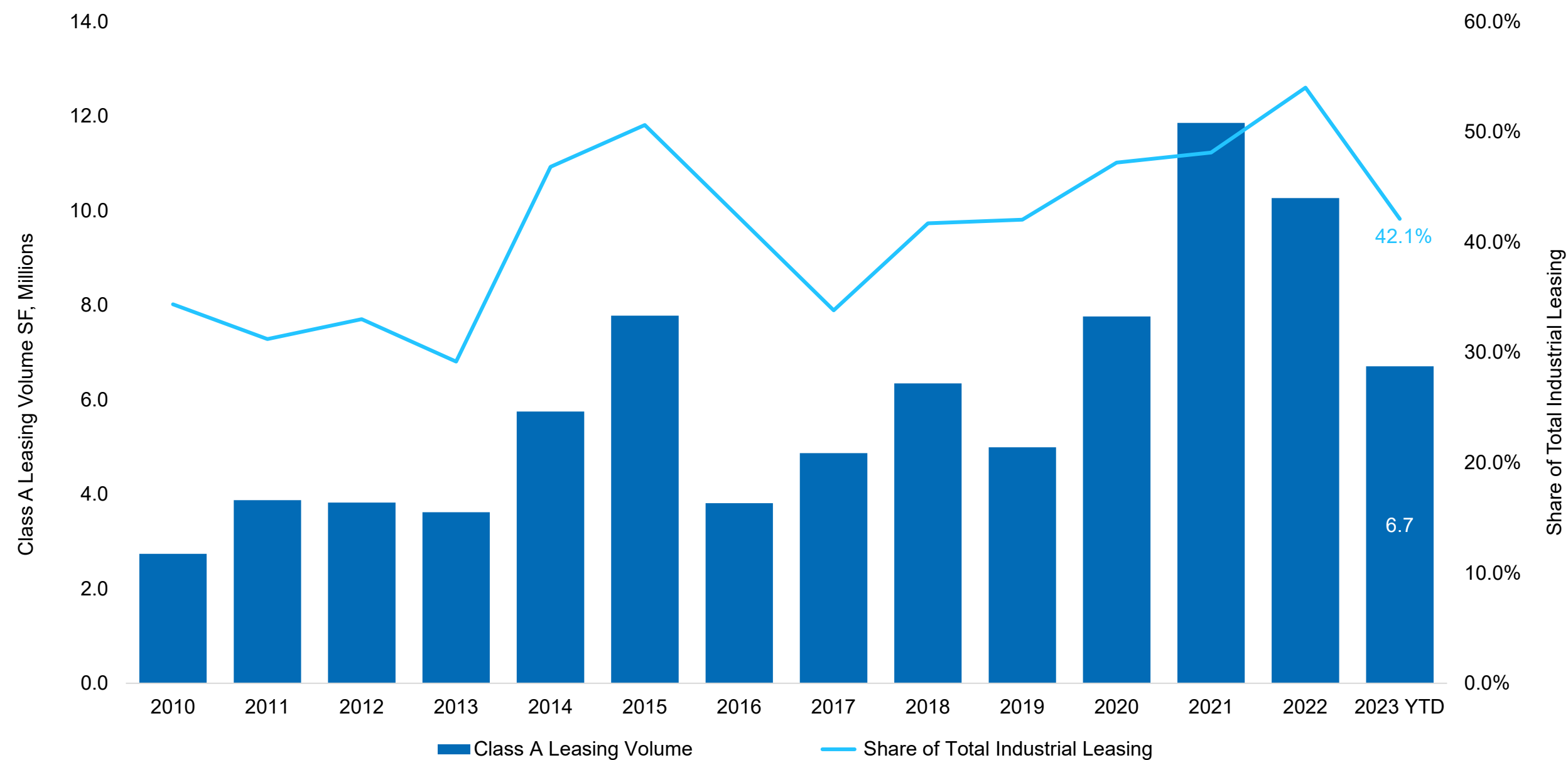


Source: Newmark Research, CoStar

Class A Warehouse Leasing Volume Down From Past Three Years

Class A warehouse leasing represented 42.1% of overall industrial leasing activity in 2023, down from the most recent high of 54.0% in 2022. The 6.7 million SF of Class A leasing volume for 2023 was the market's lowest since 2019. Class A warehouse space remains desirable despite market conditions returning to a normalized pre-pandemic level after surging in 2021 and 2022.

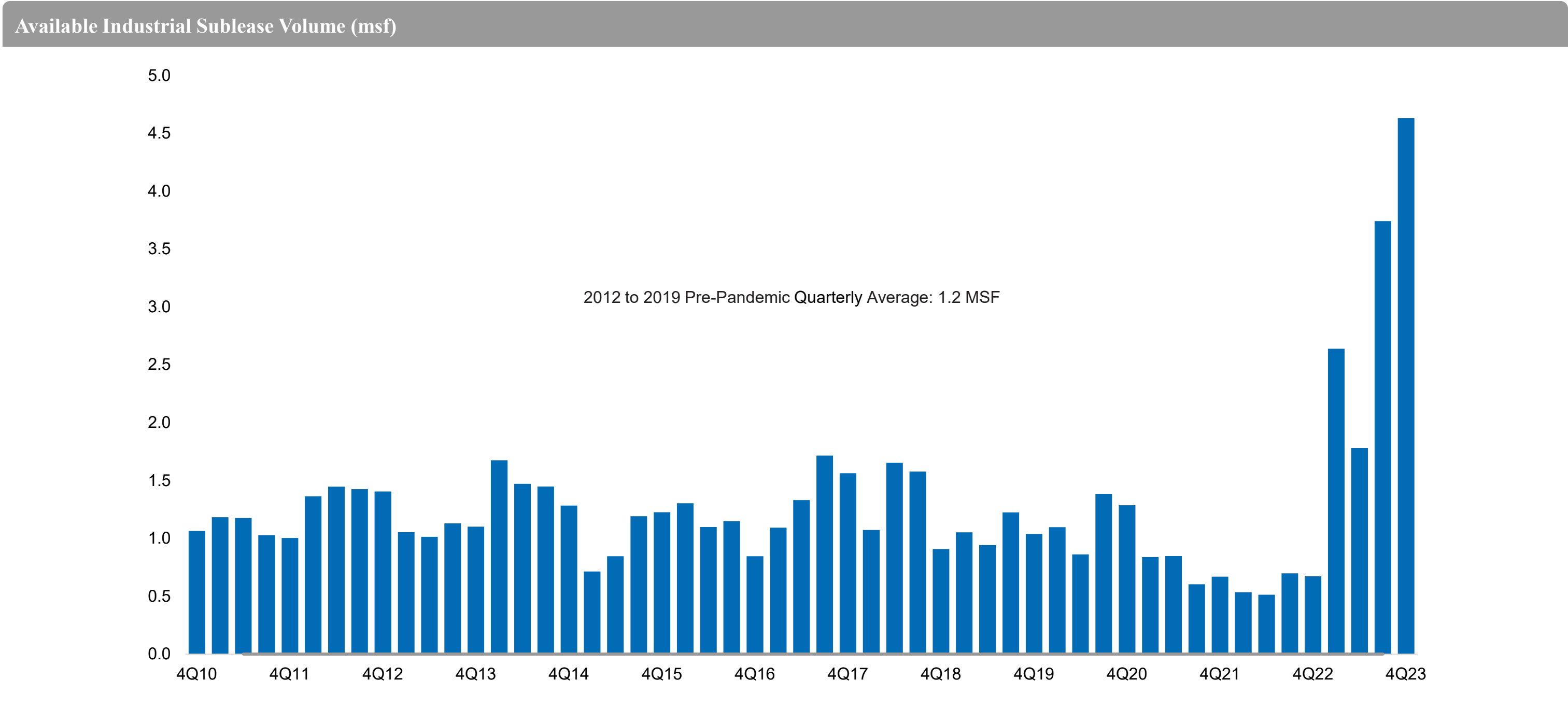
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Availability Records All Time High for Second Quarter in a Row

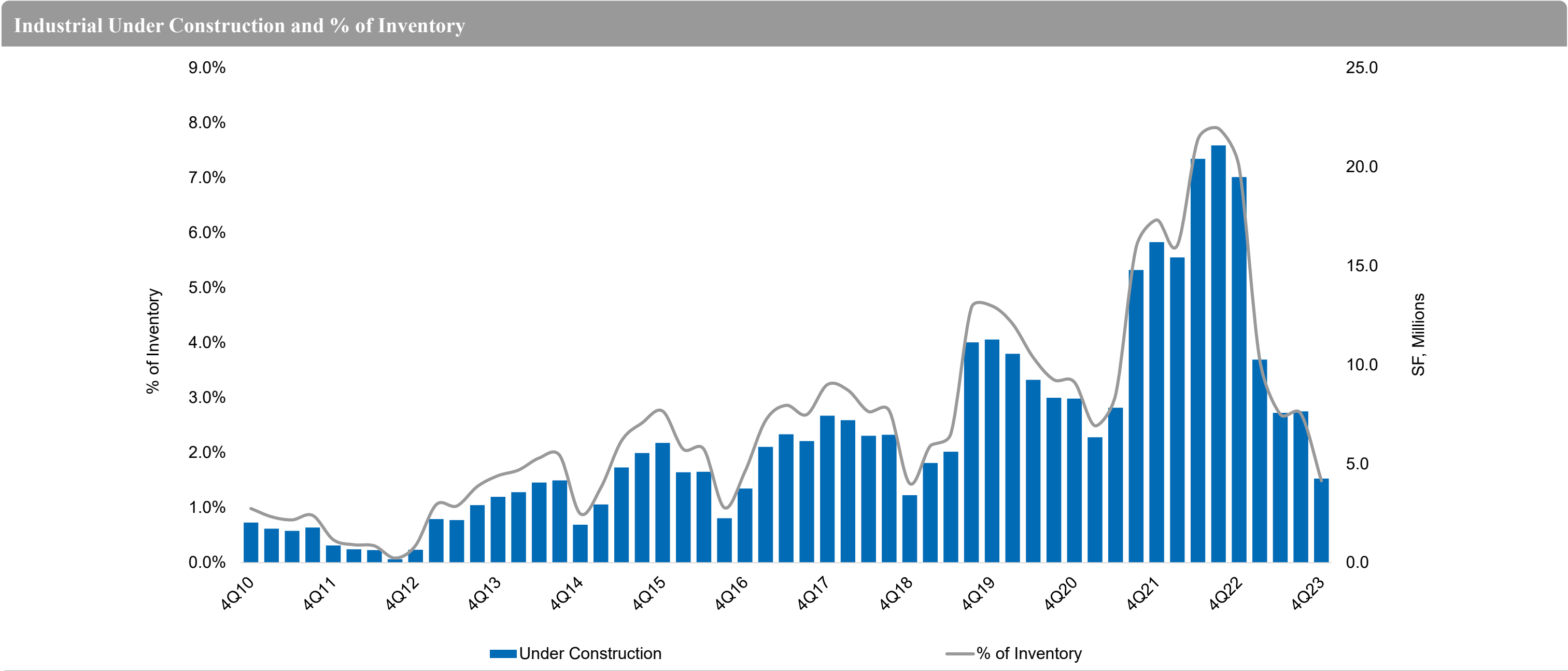
Sublease volume in the fourth quarter of 2023 rose to another all time high for the second quarter in a row, significantly above the long-term pre-pandemic (2012-2019) quarterly average. With the exception of the second quarter of 2023 (which was still high compared to recent history) the rate at which subleases were added to the market accelerated rapidly in 2023. As the industrial landscape in Columbus, and nationally, has softened over the past year as a result of economic uncertainty that has put pressure on all facets of commercial real estate, the occupier segment has increasingly opted to consolidate or shed space, leading to record levels of available sublease volume.



Source: Newmark Research, CoStar

Industrial Construction Starts Delayed Further as Developers Exhibit Caution

After delivering approximately 3.4 million SF in the fourth quarter of 2023, 4.3 million SF of industrial product remained under construction, down from over 7.7 million SF in the previous quarter. Under construction properties made up 1.5% of the overall inventory as of the end of the fourth quarter, the market’s lowest level since the fourth quarter of 2018. High borrowing costs continued to create a difficult financing environment for new construction starts both nationally and in the Columbus market, slowing progress and further delaying proposed projects. Proposed spec warehouse/distribution construction starts are expected to continue to be delayed in 2024 as some developers exhibit caution. However, the appetite for data centers has grown with the emergence of artificial intelligence and other data-driven technologies and land purchases for potential projects of that nature in Central Ohio could help reinvigorate overall industrial project construction in the coming quarters and years.

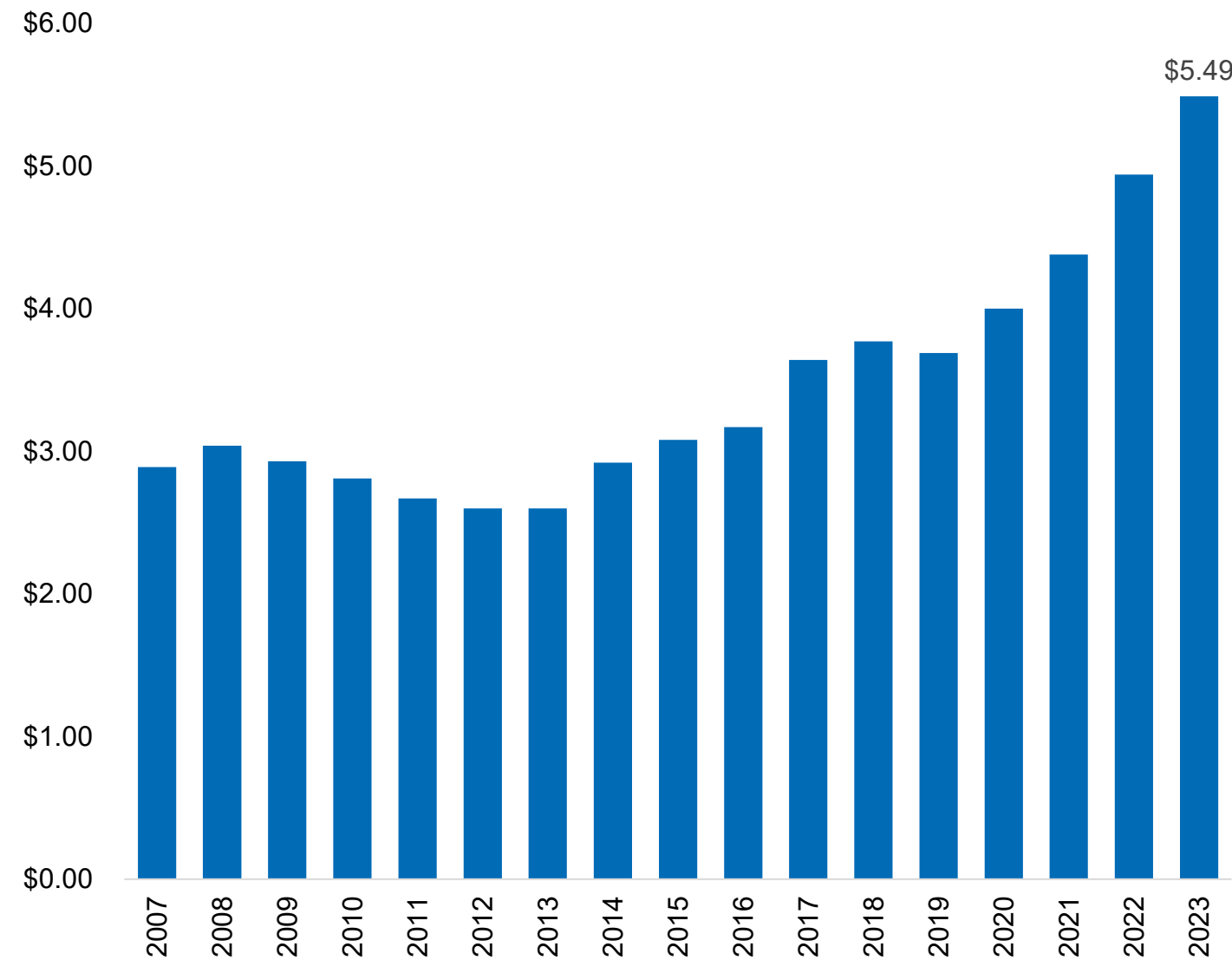


Source: Newmark Research, CoStar

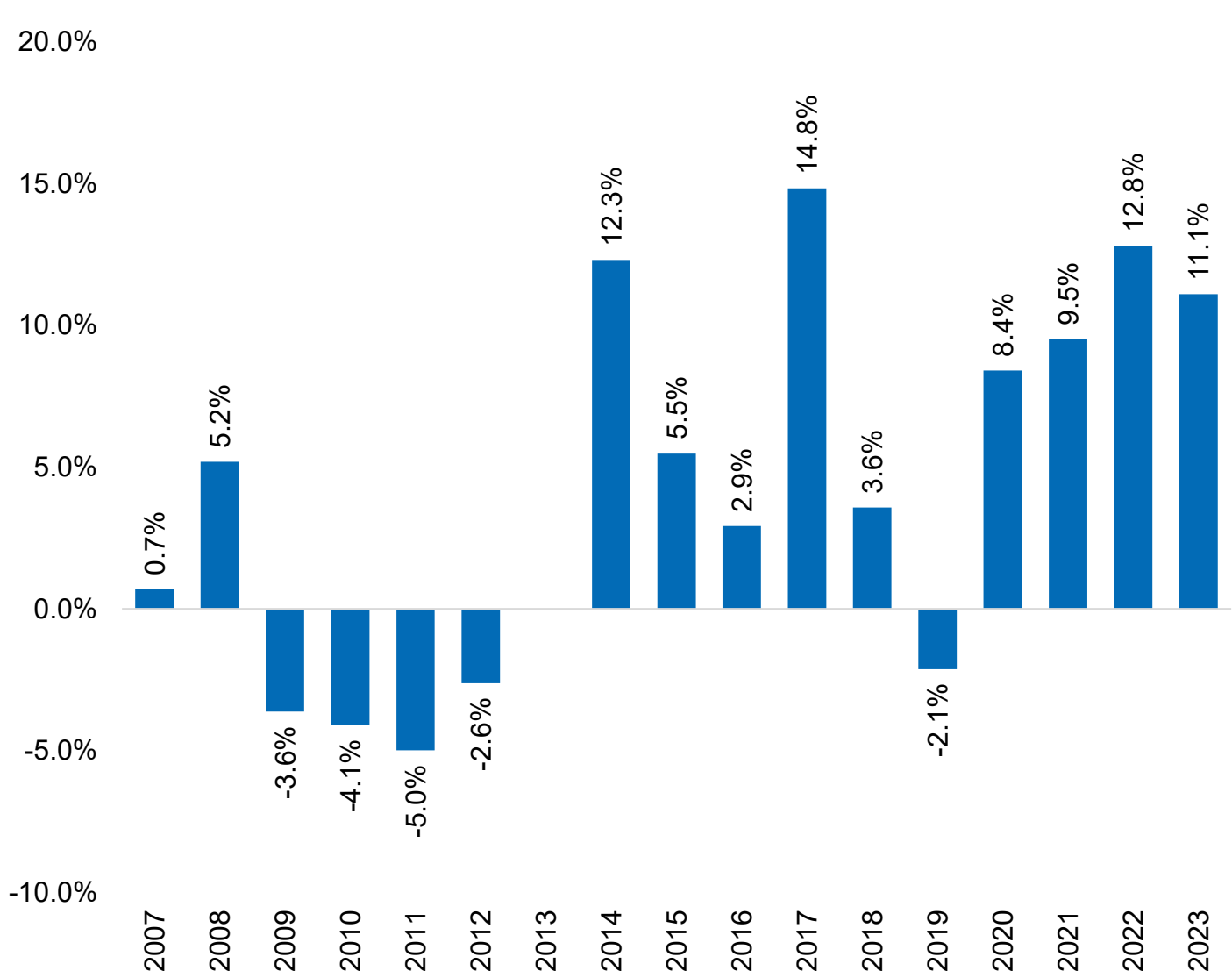
Asking Rental Rates Show Growth in Nine of Last Ten Years

The industrial average asking rent for 2023 grew 11.1% over the past year. Based on recent trends, as well as a growth trend in nine of the last 10 years, modest rent growth should continue into 2024, though at a smaller rate as the industry continues to normalize. The average asking rent for the year 2023 stood at \$5.49/SF; the fourth quarter saw an average asking rent of \$5.57/SF, the second highest in recent history behind the third quarter of 2023 ever for the Columbus industrial market.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 4Q23 Lease Transactions

Total leasing activity for the quarter measured approximately 2.3 million SF, down from 3.6 million SF in the third quarter.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Babylist <i>This vertical marketplace and commerce destination for baby products and solutions signed a sublease at this Commercial Point facility.</i>	521 Exchange Way	Pickaway County	Sublease	757,719
CEVA Logistics <i>This supply chain and logistics firm renewed its lease at this Groveport location.</i>	2727 London-Groveport Rd.	Rickenbacker	Renewal	509,068
Pilkington North America <i>This high-performance glass and design company renewed its lease at this Urbancrest location.</i>	3440 Centerpoint Dr.	Southwest	Renewal	401,348
TP Mechanical <i>This leading all-service mechanical contractor signed a new lease at this Columbus property.</i>	1675 Watkins Rd.	Southeast	Direct New	289,000
Luvata Ohio <i>This company with cold forming expertise to manufacture high quality copper formed products signed a new lease at this Delaware location.</i>	0 Pittsburgh Dr.	Delaware County	Direct New	127,947
Halcore Group, Inc. <i>This company that designs and manufactures ambulances for emergency medical services providers extended its lease at this Grove City location.</i>	2200 Southwest Blvd.	Southwest	Extension	71,105

Source: Newmark Research, CoStar

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Appendix



Submarket Overview

Please reach out to your
Newmark business contact for this information

Columbus - Submarket Map

Please reach out to your
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Additional Market Statistics

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