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1Q24

# Columbus Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- Columbus saw a slight uptick in unemployment levels. Latest figures show the unemployment rate climbed 10 basis points from the beginning of the year to 3.4%. National levels climbed 20 basis points to 3.9% during the same period.
- Year-over-year payroll employment figures showed Columbus posted a 1.0% gain, while national employment levels grew by 1.8%.
- The Education and health services sector led all industries in regional annual job growth with 6.2%, followed by government (4.0%) and other services (3.8). All other Columbus area job sectors, including office-occupying or adjacent industries – the financial activities sector (-0.3%), the information sector (-0.4%), and the professional and business services sector (-1.2%) – saw annual job losses from February 2023 to February 2024.

## Major Transactions

- Homeside Financial and New Albany Community Improvement Corp. both signed leases over 20,000 SF at 7775 Walton Parkway in the New Albany submarket.
- 3435 Stelzer Road, a 238,641 SF Class B building in the Easton submarket, sold for \$21.5 million, or \$90.09/SF, to IRA Capital, LLC.
- Lake Shore Cryotronics bought the 102,487 SF building at 480 Olde Worthington Road, where it will occupy two floors. Lake Shore paid \$6.0 million for the property. It is estimated that the company will spend an additional \$3.0 million to \$6.0 million to retrofit the new building. The company should occupy the space by the second quarter.

## Leasing Market Fundamentals

- The Columbus office market negatively absorbed 108,086 SF in the first quarter of 2024, after a yearly total of 163,329 SF in 2023. The market has experienced positive absorption in five of the past 10 quarters, though yearly totals have been in the negative for four of the past five years.
- Total leasing was 417,281 SF in the first quarter of 2024 – the second lowest first quarter total in the last 15 years.
- Average asking rates increased this quarter despite increasing vacancy rates. While asking rates have been increasing for 12 years, the growth rate has tempered from approximately 1.0% in 2022 and 2023 to 0.2% in the first quarter.

## Outlook

- Macroeconomic conditions and world volatility persisted, while interest rate cuts are unlikely due to ongoing inflation. This further complicates office building owners' ability to renegotiate terms with lenders or obtain favorable loans to invest in office properties. In fact, the uncertainty has affected how both occupiers and investors approach deals. They will be more cautious, leading to an impact on leasing and investment activity.
- Flexible, high-quality sublease space is abundant, and demand has increased. Tenants are drawn to locations that offer move-in ready offices that accommodate evolving work trends and hybrid work strategies. This has led to increasing rates, narrowing the gap between direct and sublease rents.

1. Economy
2. Leasing Market Fundamentals
3. Appendix



1Q24

# Economy

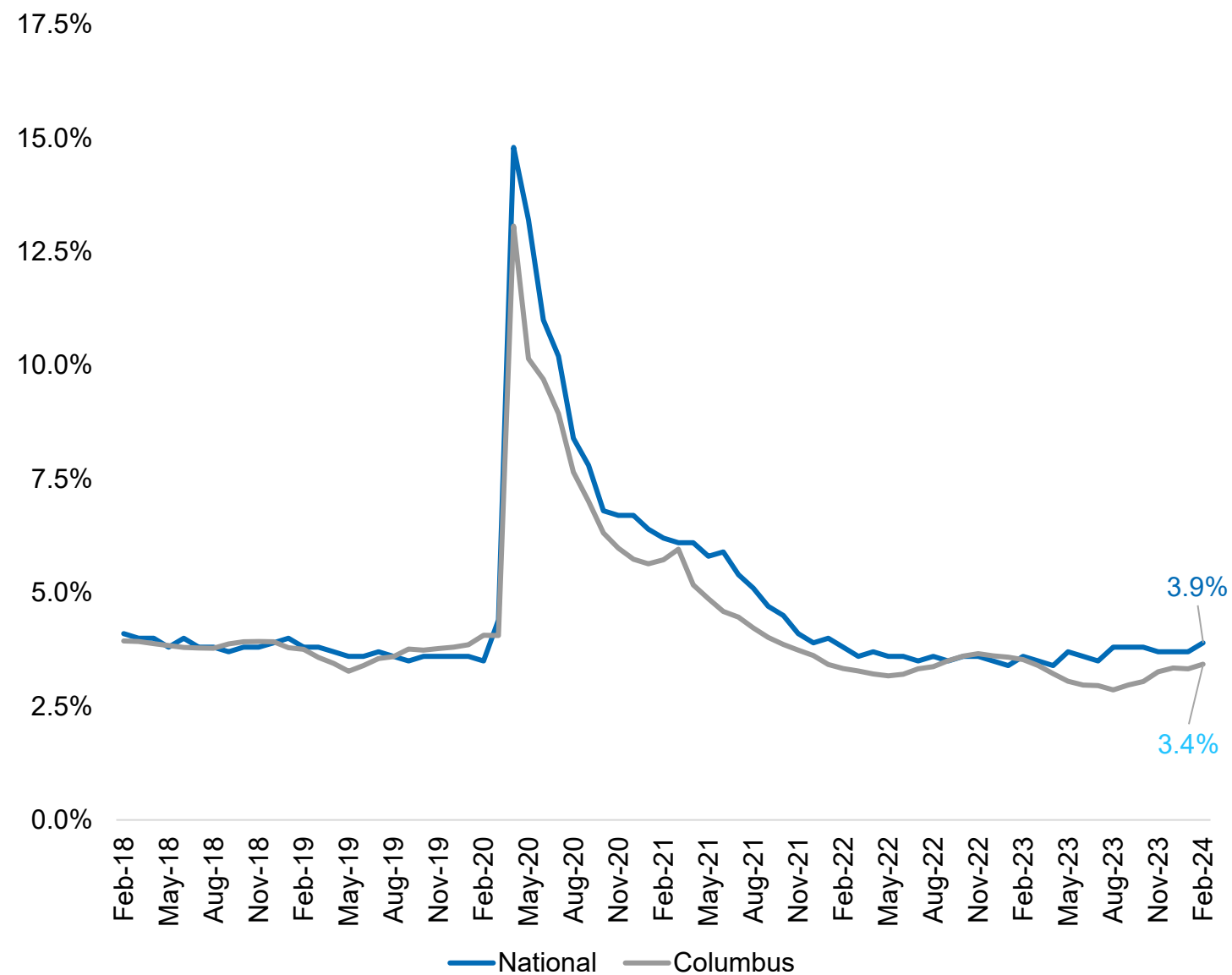




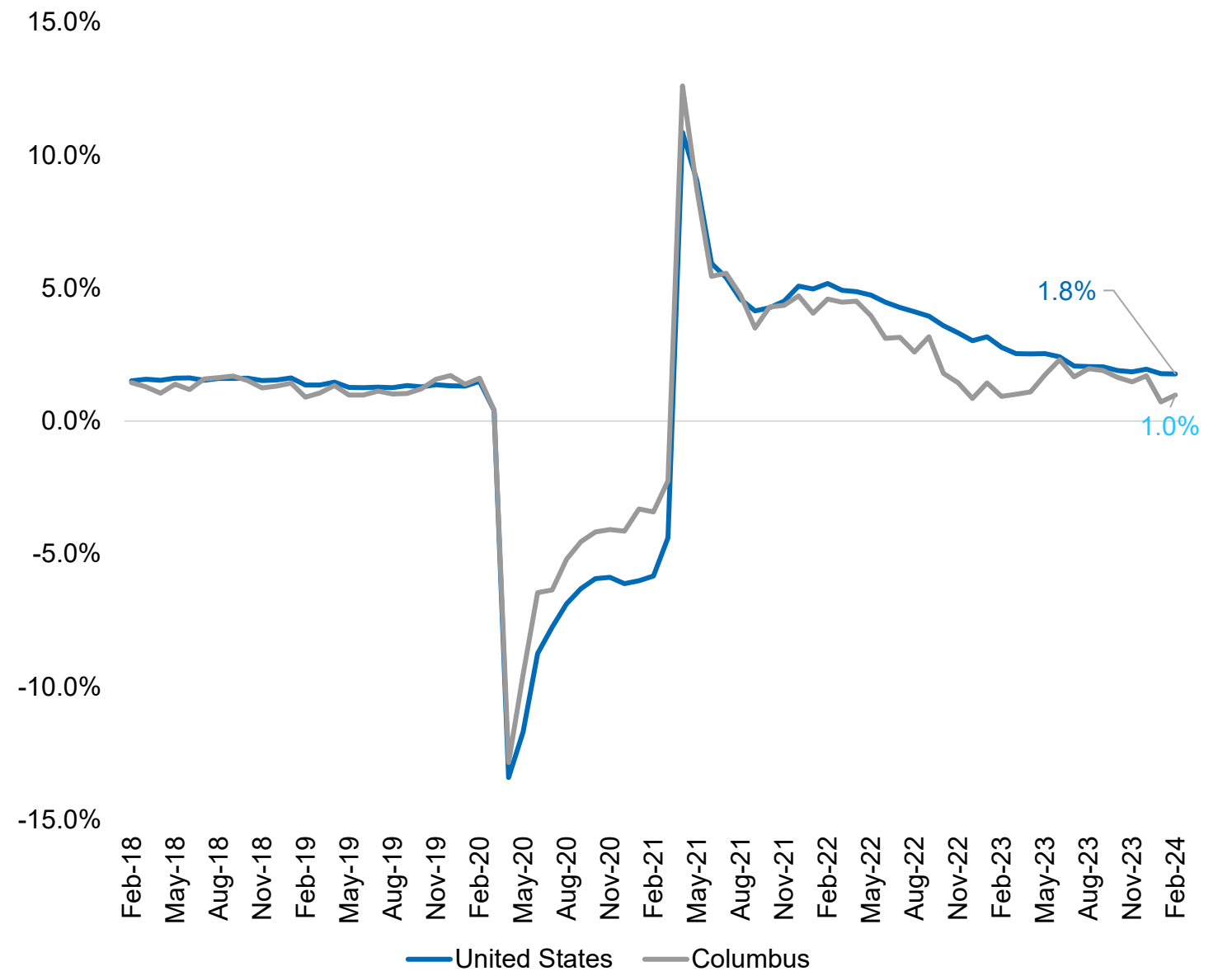
# Columbus Metro Unemployment Levels Up Slightly

Columbus saw a slight uptick in unemployment levels. Latest figures show the unemployment rate climbed 10 basis points from the beginning of the year to 3.4%. National levels climbed 20 basis points to 3.9% during the same period. Year-over-year payroll employment posted a 1.0% gain, while national employment levels grew by 1.8%.

Unemployment Rate, Seasonally Adjusted



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

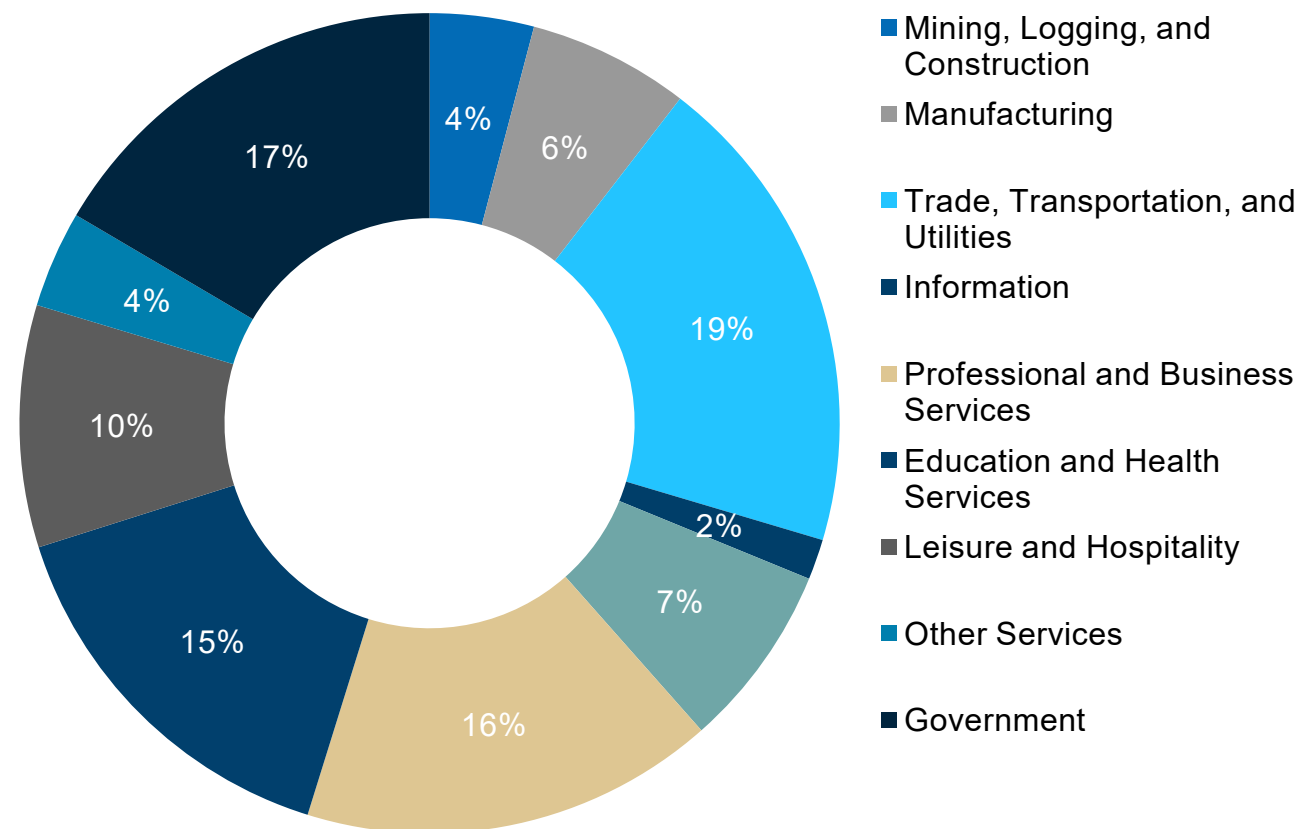


Source: U.S. Bureau of Labor Statistics, Columbus MSA

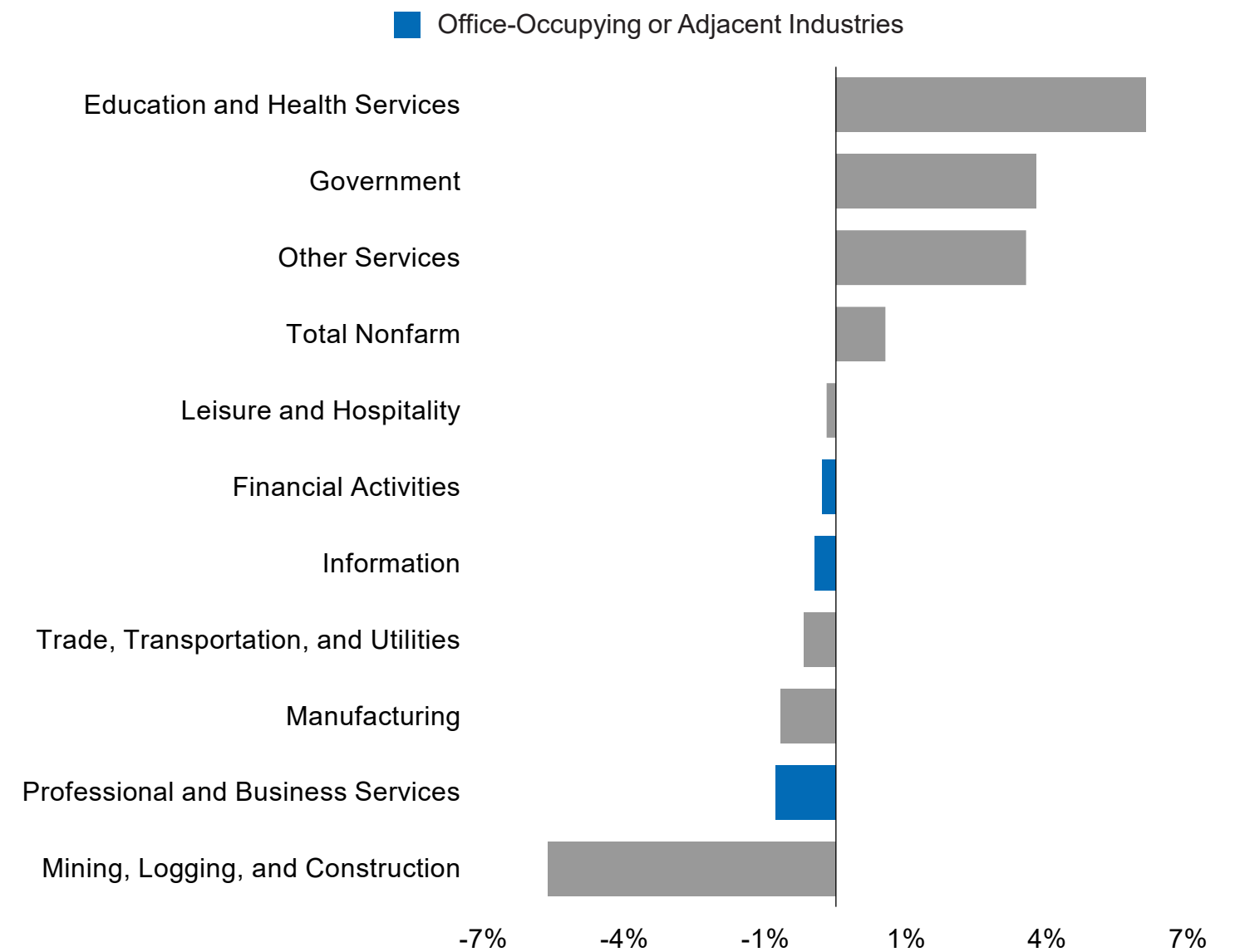
# Job Growth Driven by Education and Health Services, Office-Using Sectors See Losses

The Education and Health services sector led all industries in regional annual job growth at 6.2%, followed by government (4.0%) and other services (3.8%). Office-occupying or adjacent industries – the financial activities sector (-0.3%), the information sector (-0.4%), and the professional and business services sector (-1.2%) – saw annual job losses from February 2023 to February 2024.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

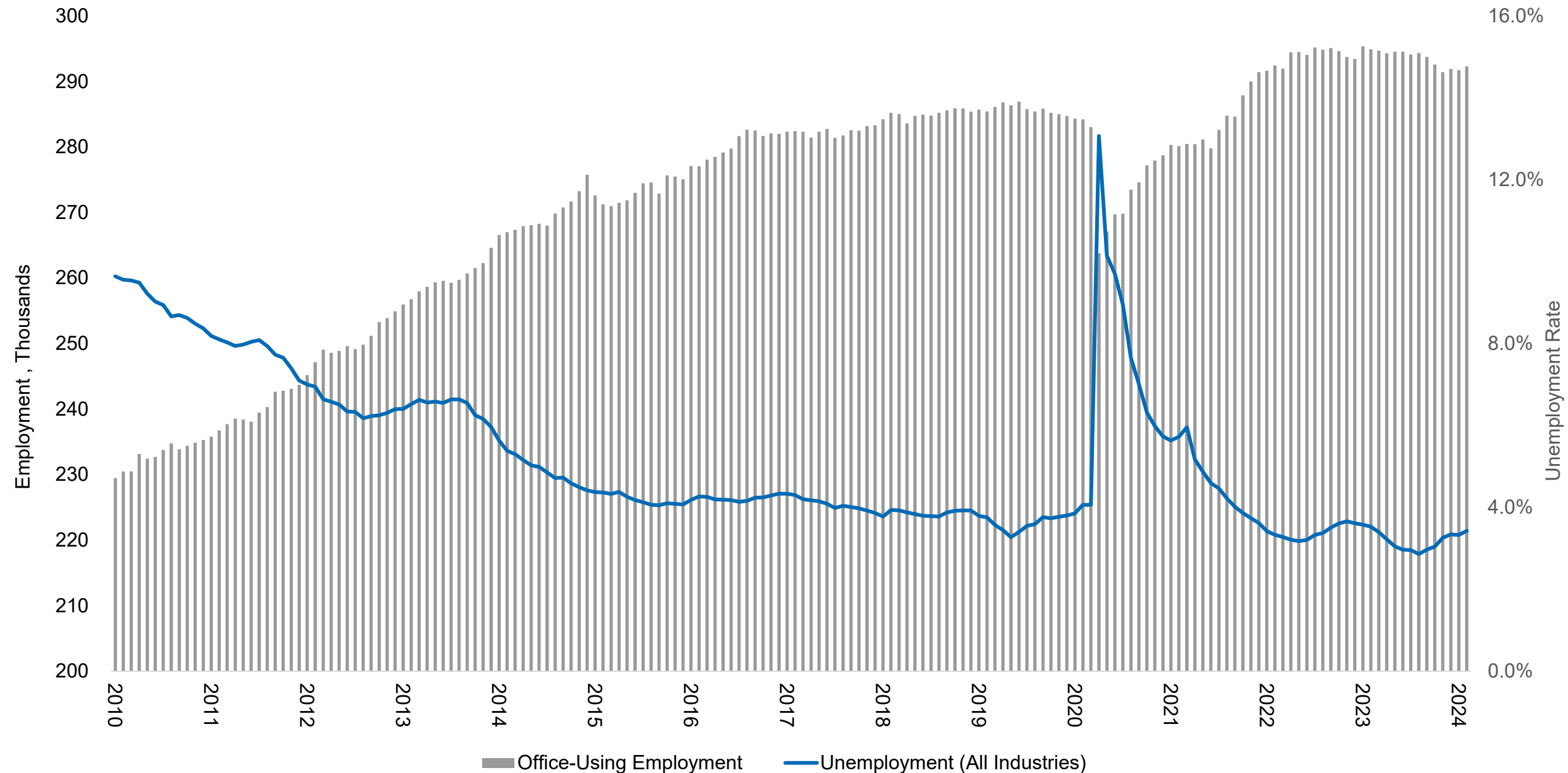


Source: U.S. Bureau of Labor Statistics, Columbus MSA

# Office-Using Employment Up Slightly from Recent Months

The number of office-using jobs in the Columbus market as of February 2024 was approximately 292,290, higher than the last two months of 2023 and January 2024. In fact, office employment is higher than the years preceding the onset of the pandemic in early-2020, but lower than its peak from mid-2022 to early 2023.

Office-Using Employment\* and Unemployment Across All Industries, Seasonally Adjusted



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

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



1Q24

# Leasing Market Fundamentals

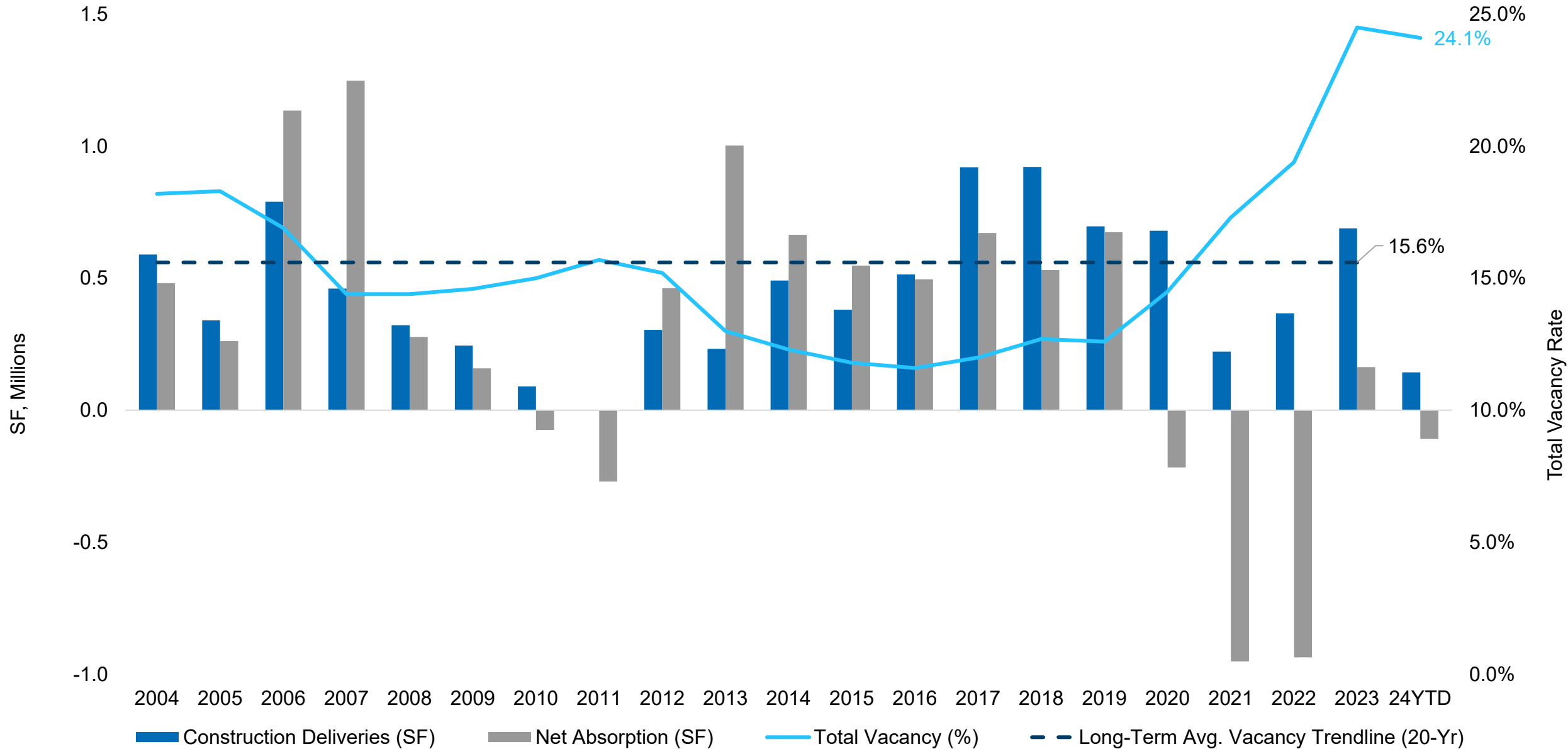




# Vacancy Increases From Last Quarter, But Down From 2023 Total

The Columbus office market negatively absorbed 108,086 SF in the first quarter of 2024, after a yearly total of 163,329 SF in 2023. The market has experienced positive absorption in five of the past 10 quarters, though yearly totals have been negative for four of the past five years. Vacancy increased to 24.1%, up 20 basis points from the fourth quarter. In 2023, vacancy was 24.5%, the highest in at least 20 years. The 20-year vacancy average is 15.6%.

Historical Construction Deliveries, Net Absorption, and Vacancy

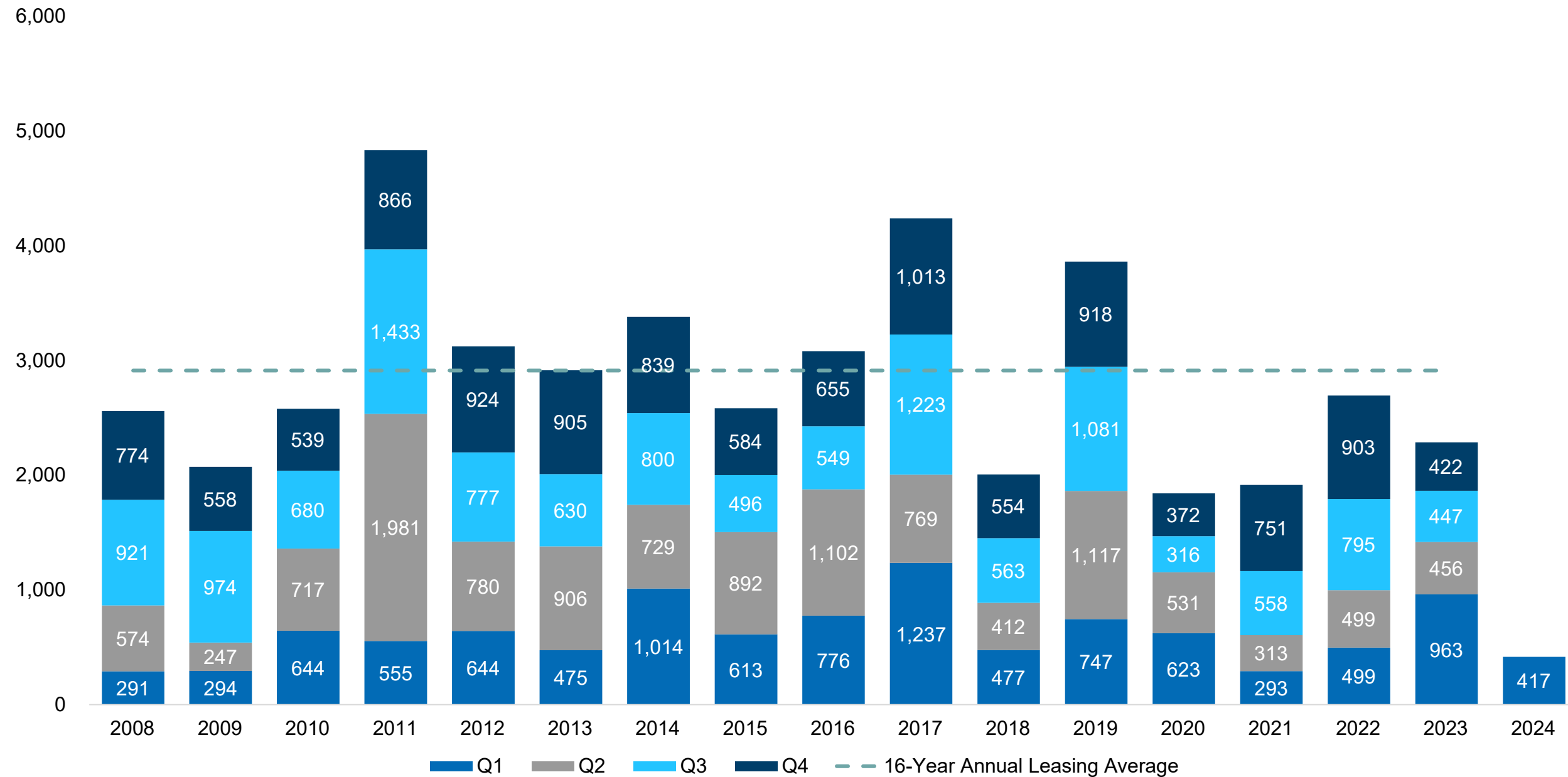


Source: Newmark Research, CoStar

# First Quarter Leasing Activity Was Low Compared to Most First Quarter Totals

Total leasing was 417,281 SF in the first quarter of 2024, a low quarterly total compared to other first quarters in recent history – the second lowest first quarter total in the last 15 years. The 16-year leasing activity average was approximately 2.9 SF million from 2008 to 2023.

Total Leasing Activity (thousands SF)



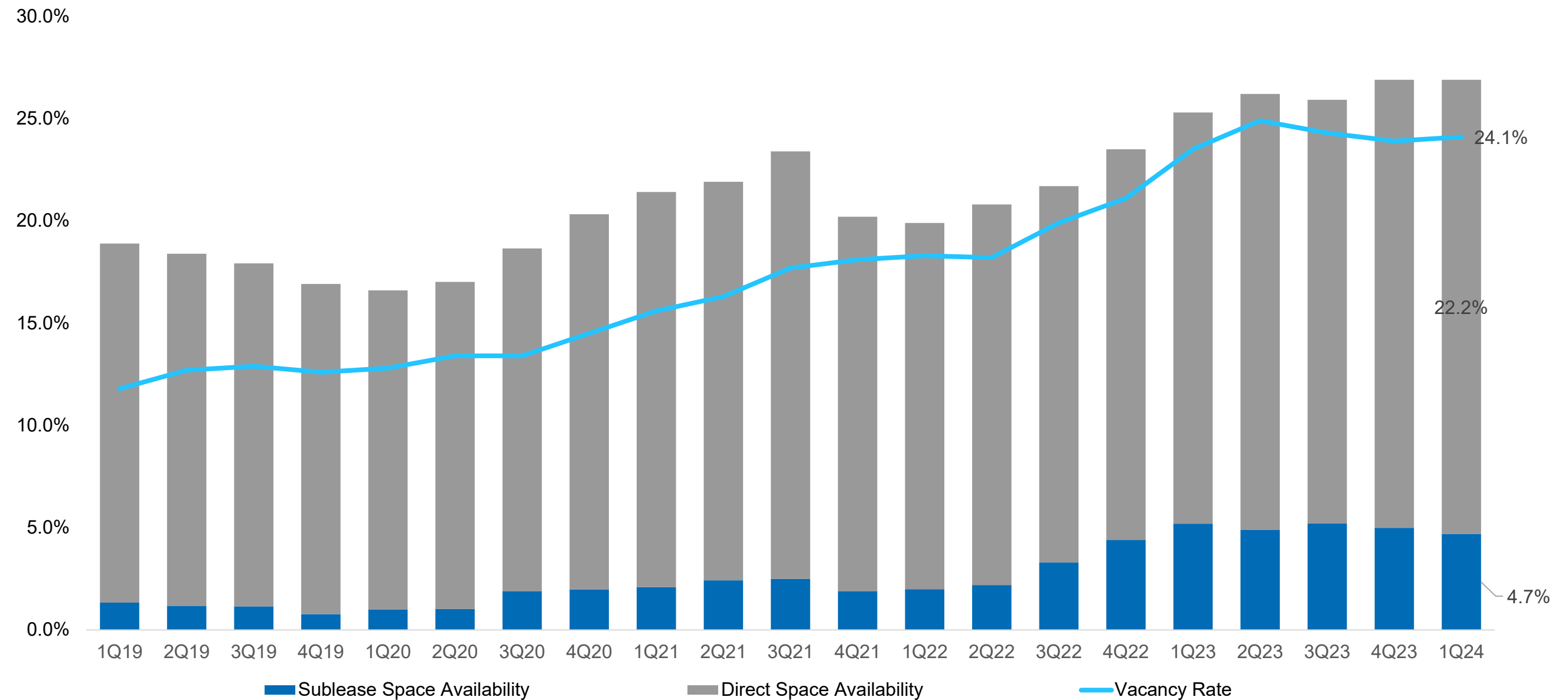
Source: Newmark Research, CoStar



# Sublease Availability Falls For Two Straight Quarters

Sublease availability fell 30 basis points from the previous quarter to 4.7%, a decrease for the second quarter in a row. Conversely, direct availability climbed again, increasing to 22.2%, another market high for the second quarter in a row.

## Available Space as Percent of Overall Market

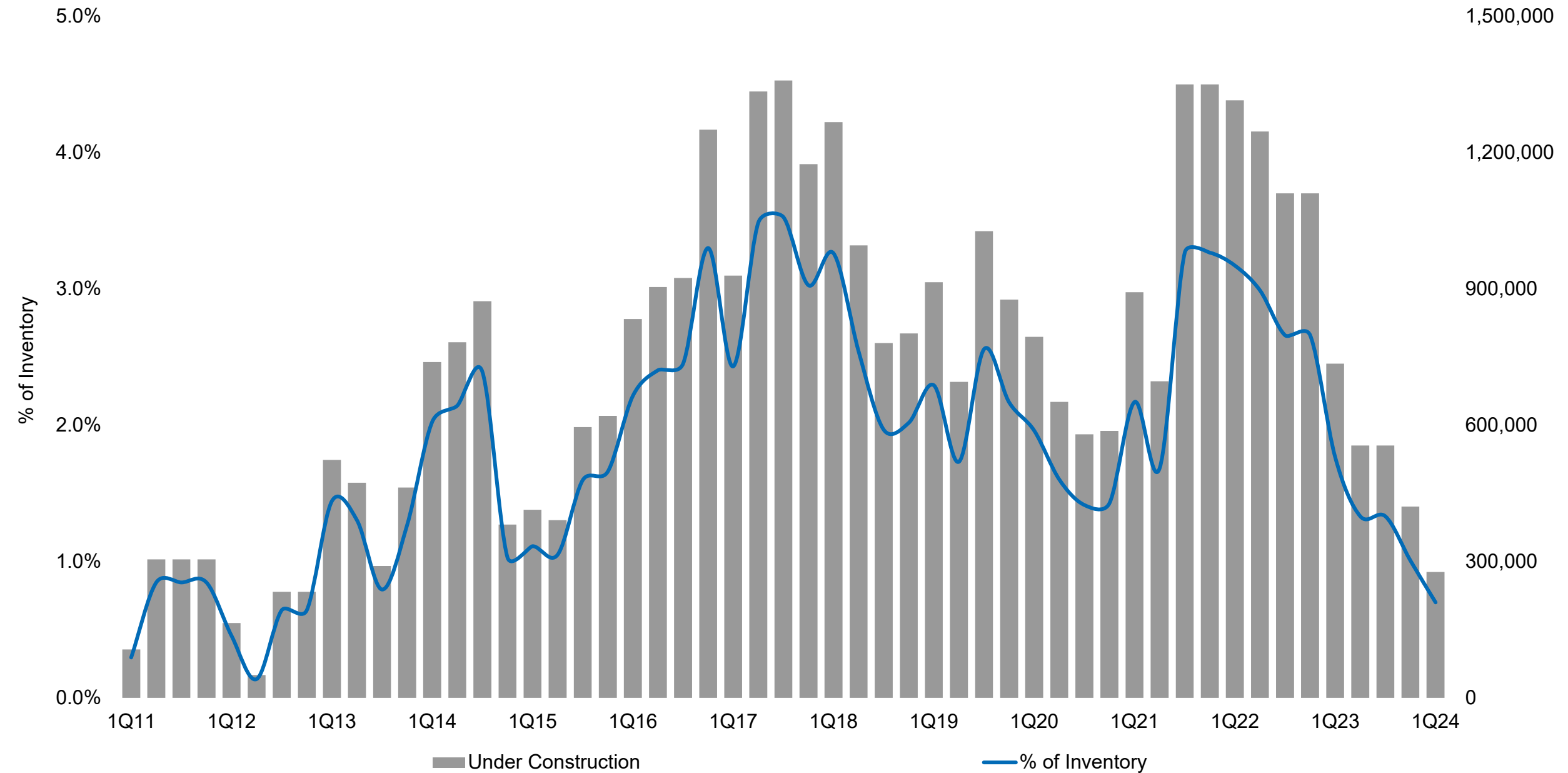


Source: Newmark Research

# Construction Declines Further

The office development pipeline continues to decrease, falling to its lowest level in years at 276,658 SF. With slowing office demand and financing issues continuing for new office construction, the pipeline should remain low until economic conditions show marked improvement.

## Office Under Construction and % of Inventory



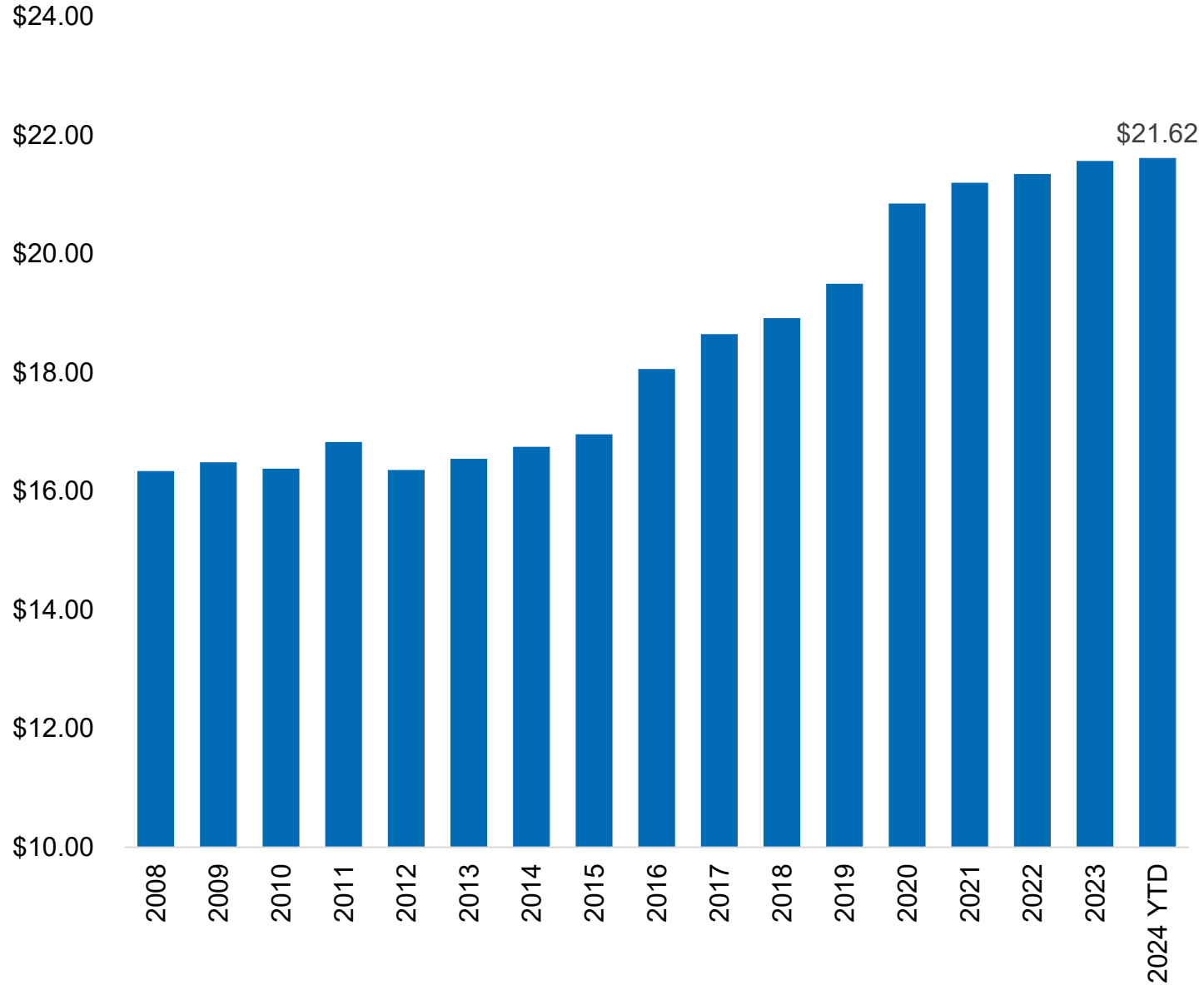
Source: Newmark Research, CoStar



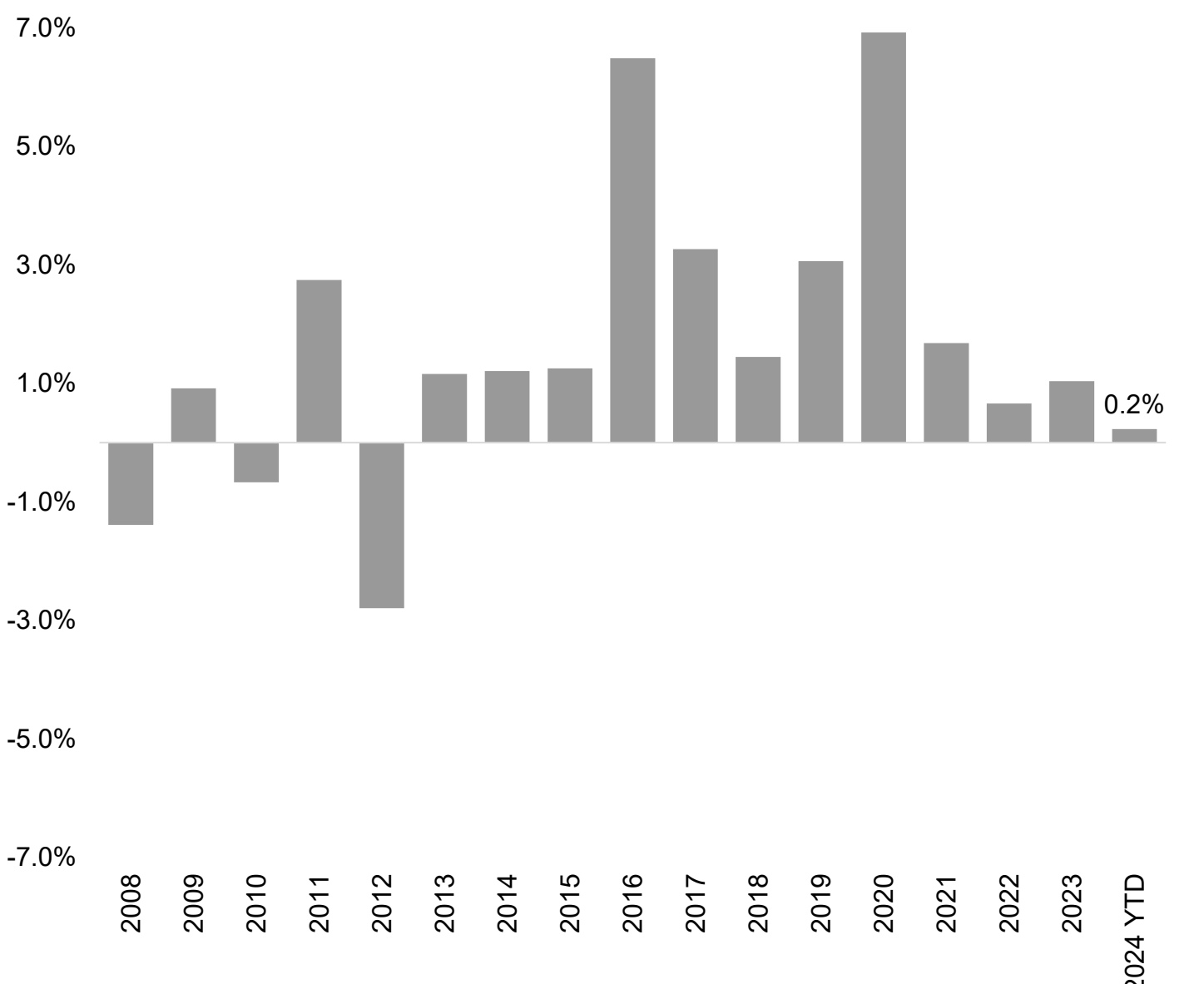
# Slight Increase in Average Asking Rents

Average asking rates increased again this quarter despite increasing vacancy rates. While asking rates have grown for 12 years, the growth rate has tempered from approximately 1.0% in 2022 and 2023 to 0.2% in the first quarter.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

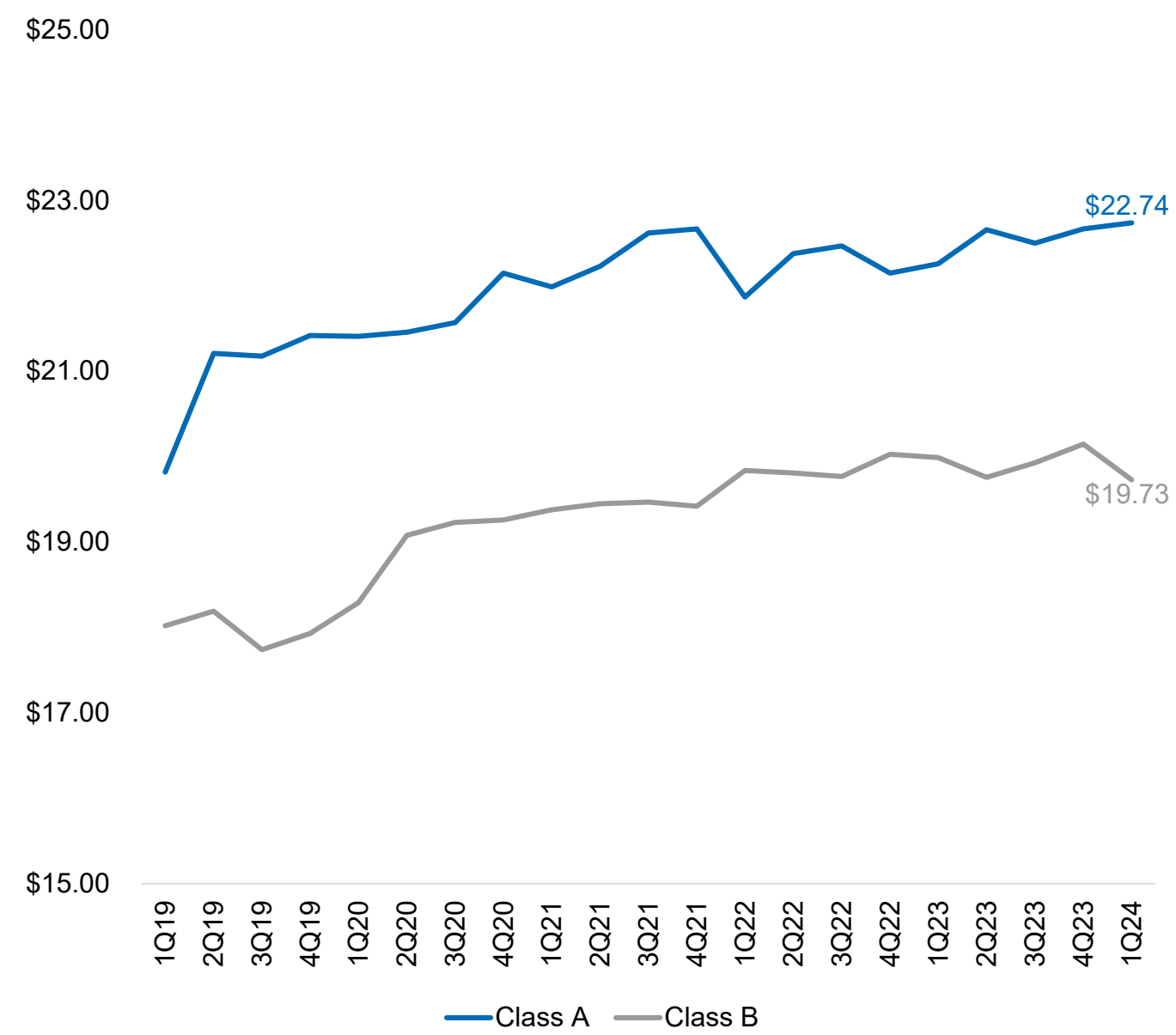


Source: Newmark Research, CoStar

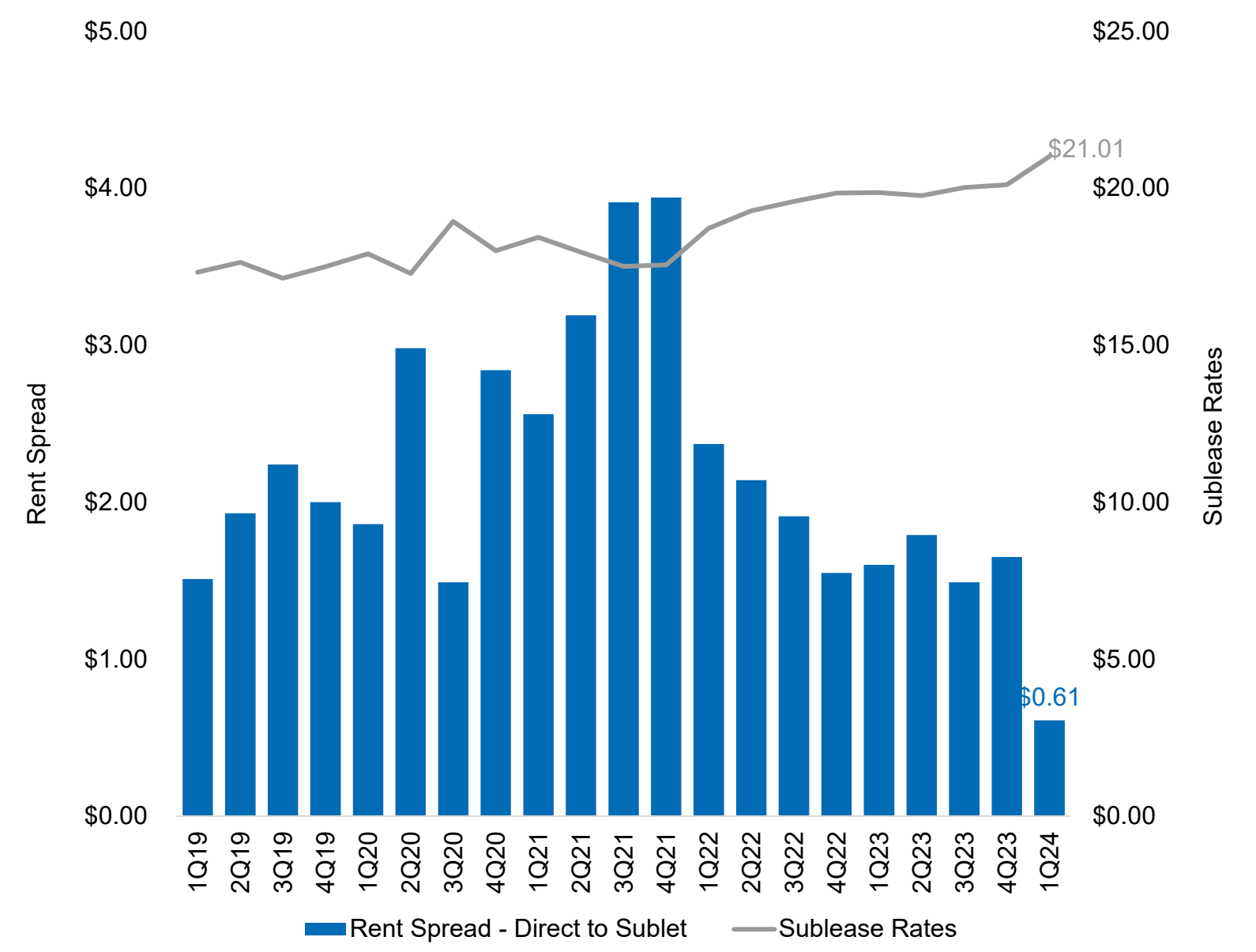
# Rent Spread Between Sublease and Direct Space Tightens

The discrepancy between asking rates for Class A and B office properties widened again this quarter as Class A rates rose to \$22.74/SF, while Class B rates dipped to \$19.73/SF. Tenants' flight to quality mentality has helped increase Class A rates at a faster pace than Class B. The spread between direct and sublease rates tightened significantly in the first quarter to \$0.61 from \$1.65 as the average asking sublease rate rose to \$21.01/SF from \$20.11/SF the previous quarter, while the direct rate fell \$0.14/SF to \$21.62/SF. Tenants are taking advantage of the availability of move-in ready offices that accommodate evolving work trends and hybrid work strategies.

**Class A and Class B Asking Rents**



**Sublease Rates**



Source: Newmark Research, CoStar



# Lease and Sale Transactions in 1Q24

## Select 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Homeside Financial	7775 Walton Pkwy.	New Albany	Direct	26,613
New Albany Community Improvement Corp.	7775 Walton Pkwy.	New Albany	Direct	22,917
Weltman, Weinberg & Reis Co.	5475 Rings Rd.	Dublin	Direct	17,875
Gilbane Building Co.	500 W. Broad St.	CBD	Direct	14,598
Burgess & Niple	330 Rush Alley	CBD	Direct	14,203
Target ABA	2760 Airport Dr.	Airport	Direct	10,326

## Select 1Q24 Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
IRA Capital, LLC	3435 Stelzer Rd.	Easton	\$21,500,000	238,641	\$90.09
Lake Shore Cryotronics	480 Olde Worthington Rd.	Polaris	\$6,000,000	102,487	\$58.54
Liberty National Enterprises, LP	150 E. Campus View Blvd. (Part of a 2 Property Sale)	Worthington	\$5,632,821	134,709	\$41.81
Kempton Apartments, LLC	7450 Huntington Park Dr.	Worthington	\$4,503,188	114,000	\$39.50
Douglas Capital Partners	5747 Perimeter Dr.	Dublin	\$2,500,000	66,120	\$37.81
Douglas Capital Partners	5200 Upper Metro Pl.	Dublin	\$3,700,000	101,910	\$36.31

Source: Newmark Research



1Q24

# Appendix





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## Submarket Overview

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## Additional Market Statistics

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## Submarket Map

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