2Q24

Columbus Industrial Market Overview

Market Observations

Economy

- Columbus saw a slight uptick in unemployment levels again this quarter, reaching 3.8%, 20 basis points under the national figure. Year-over-year nonfarm payroll employment posted a 0.4% gain, while national employment levels grew by 1.7%. At 3.8%, the Columbus unemployment rate is still lower than the Ohio unemployment rate which increased to 4.2% in May, almost a full percentage point above May of 2023's unemployment rate.
- With recent announcements from Arlington Contact Lens Service and Insight Direct USA on warehouse closings this summer we expect industrial unemployment to increase again over the summer.

Major Transactions

- The largest lease of the quarter was Danish logistics firm Maersk's 1.1 million SF sublease of the Home Goods warehouse space at 5235-5251 West Pointe Dr. in the Southeast submarket.
- Also, in the Southeast submarket Honeywell agreed to stay at its 760,000 SF warehouse at 6766 Pontius Rd.
- Tagless Tots purchased a building at 521 Exchange in the Rickenbacker Exchange in April. The company bought the 1.2 million SF warehouse for $94.1 million.

Leasing Market Fundamentals

- Coming off a quarter of significant negative absorption the market rebounded with positive absorption, although not enough to bring year-to-date absorption out of the red. With with several occupations expected in the coming months, absorption is poised to be positive moving into the second half of 2024.
- Rent growth continues to move in a positive direction but at a much slower clip.
- At 2.3 million SF the year-to-date Class A warehouse leasing volume is only one third of 2023's total volume, which was also down significantly from 2022.

Outlook

- Economic slowdowns often result in decreased demand for goods and services, directly impacting industrial sectors like manufacturing and trade, transportation, and utilities. These industries are particularly sensitive to economic cycles, where a downturn can lead to reduced production, sales, and consequently, workforce reductions.
- The market is still waiting to see the impact of the semiconductor plant announcements, with construction underway on Intel's massive project. With the goal of production starting in 2026 it is expected that the supporting businesses will start leasing space around the market soon.
- The DHL build to suit measuring 755,000 SF, located at 8695 Basil Western Rd NW, is poised to deliver in the third quarter, along with the 900,000 SF ODW Logistics build to suit at 6920 Schieser Farms. The combined 1.7 million SF of these two projects will go a long way in pacing the next quarter's absorption.

TABLE OF CONTENTS

2Q24

Economy

Columbus Metro Unemployment Levels Up Slightly

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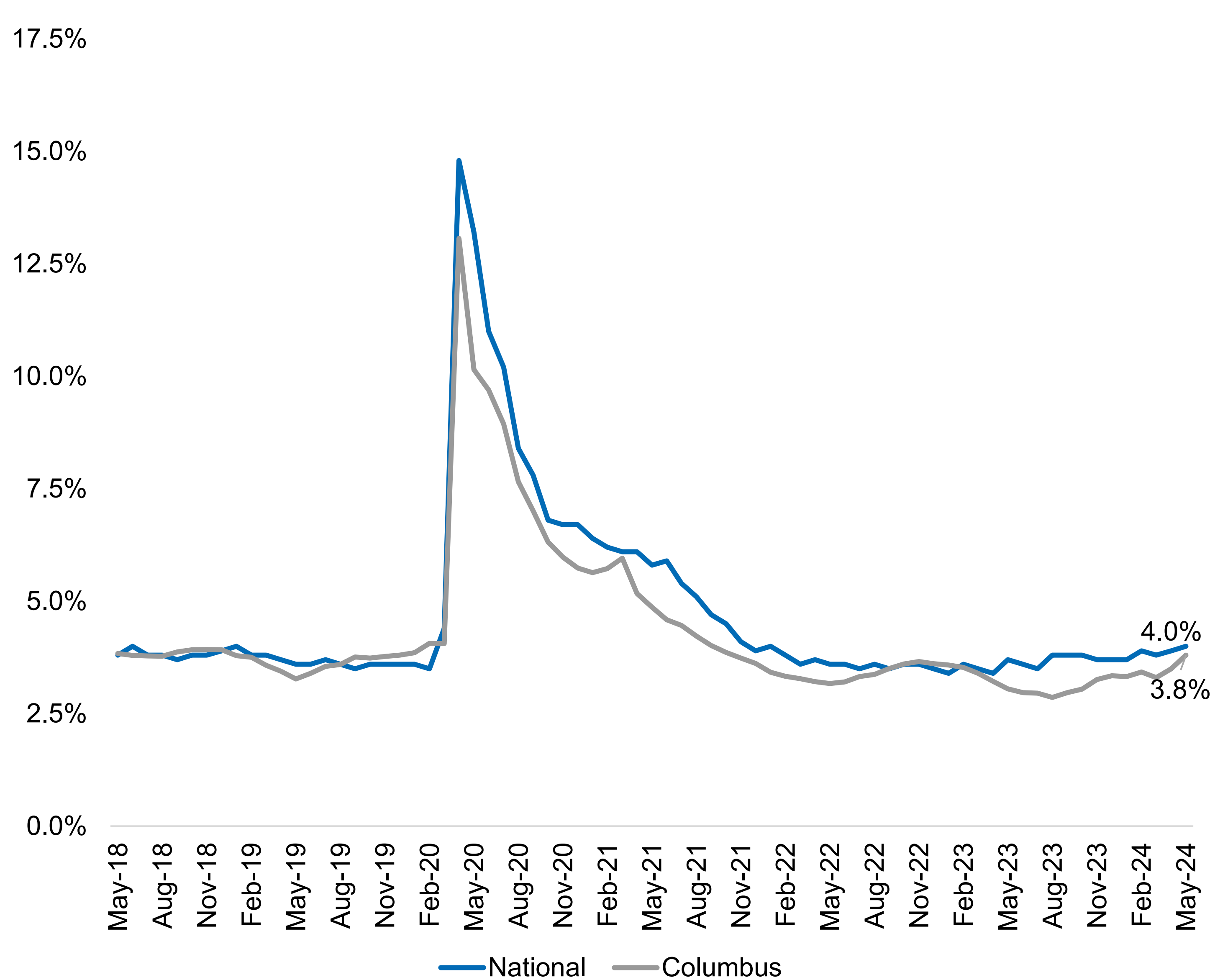
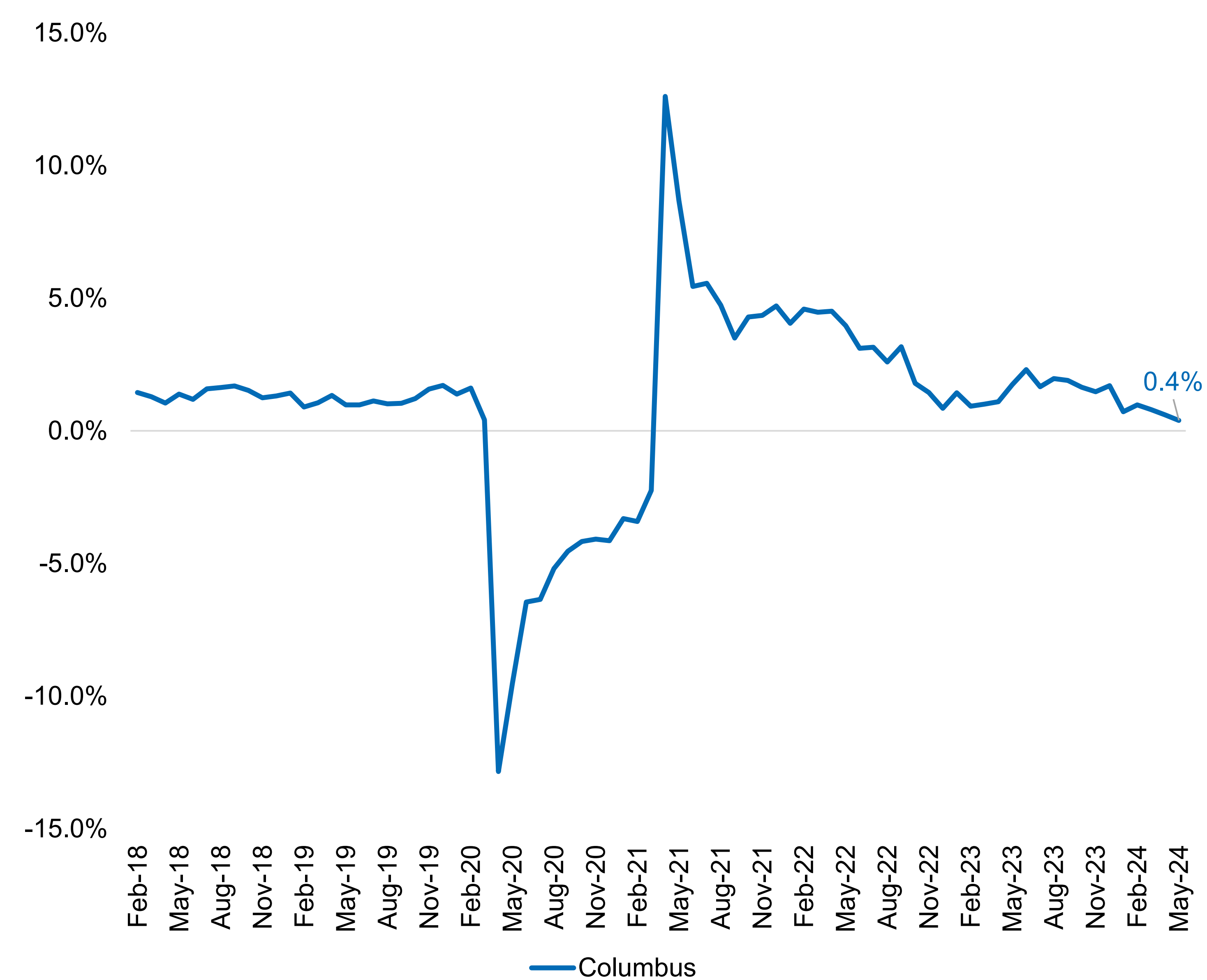
Unemployment Rate, Seasonally Adjusted



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

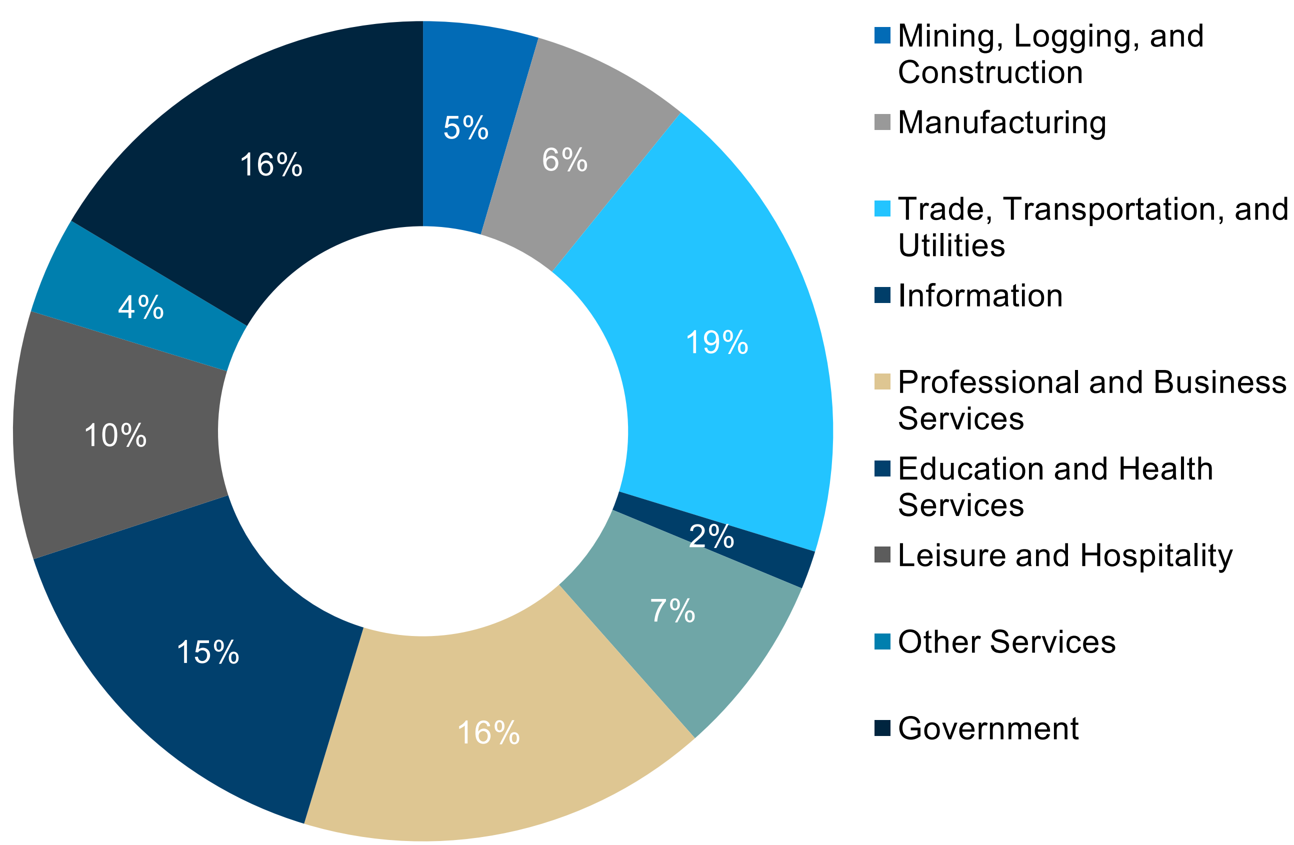


Source: U.S. Bureau of Labor Statistics, Columbus MSA

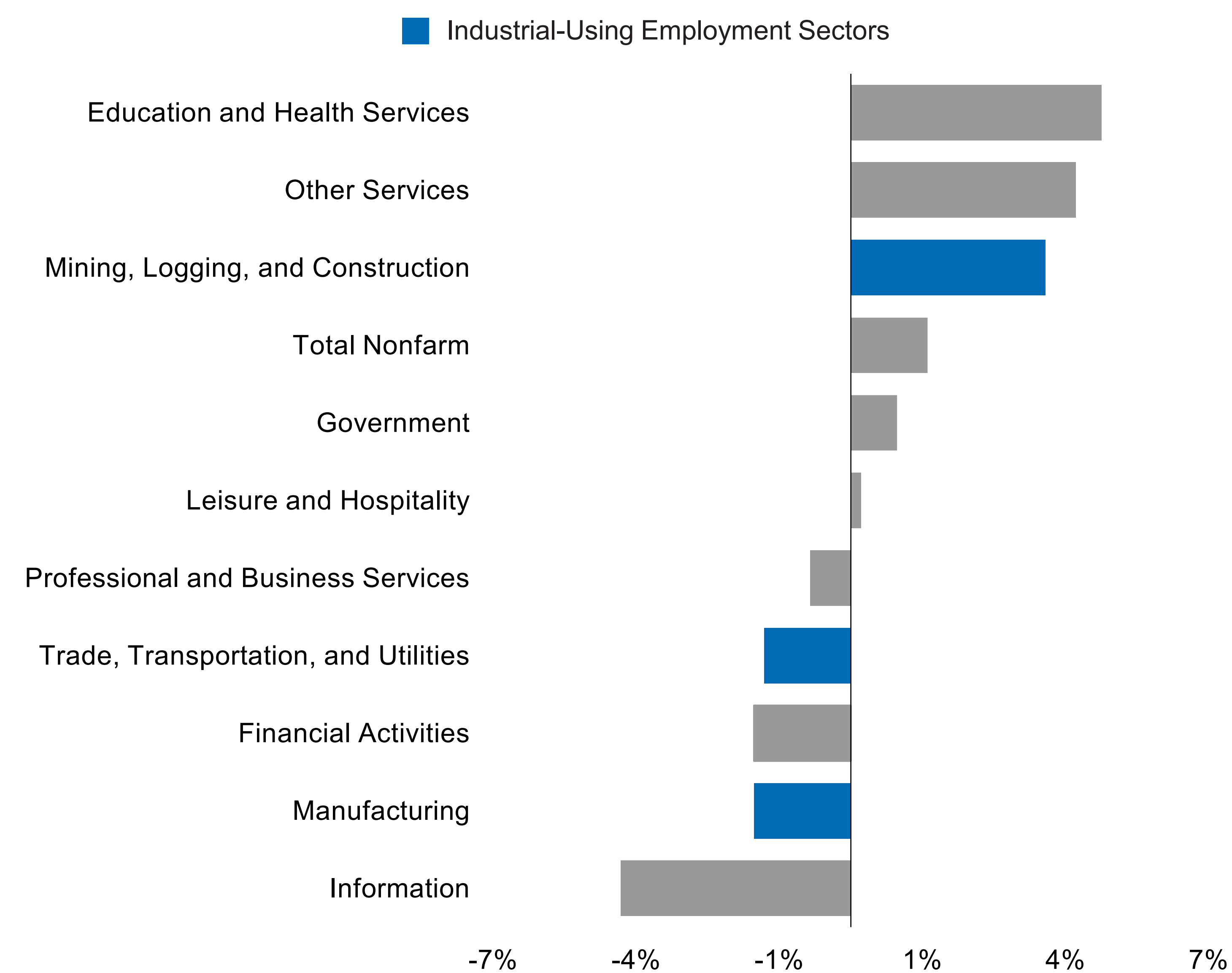
Industrial Users See Gains and Losses

The mining, logging and construction sector led industrial users in job gains this quarter after declining in the first half of the year, as is seasonally expected. The two other industrial-using employment sectors or adjacent industries also saw annual job losses. The Education and Health services sector led all industries in regional annual job growth at 4.9% followed by government (4.4%).

Employment by Industry, May 2024



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

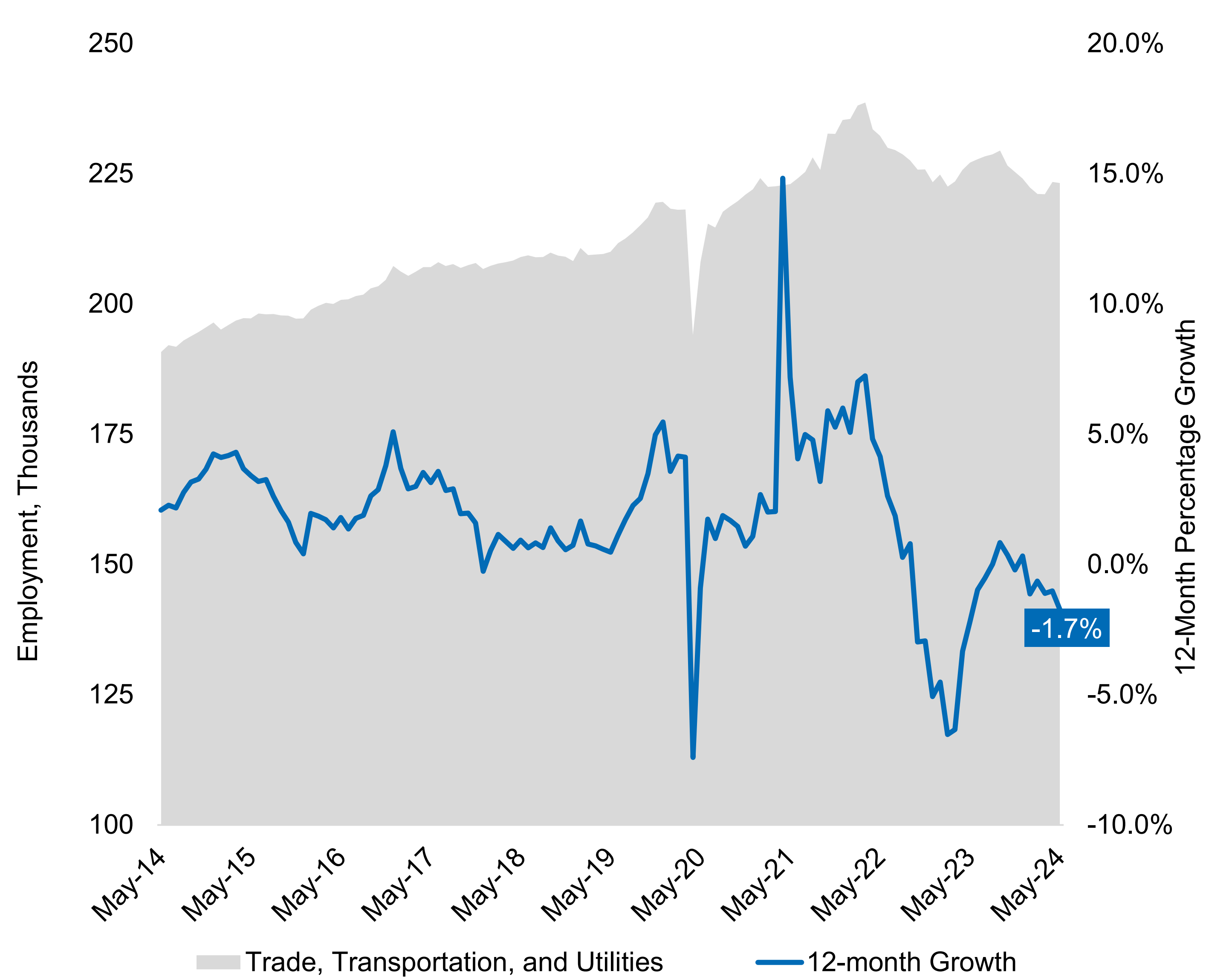


Source: U.S. Bureau of Labor Statistics, Columbus MSA

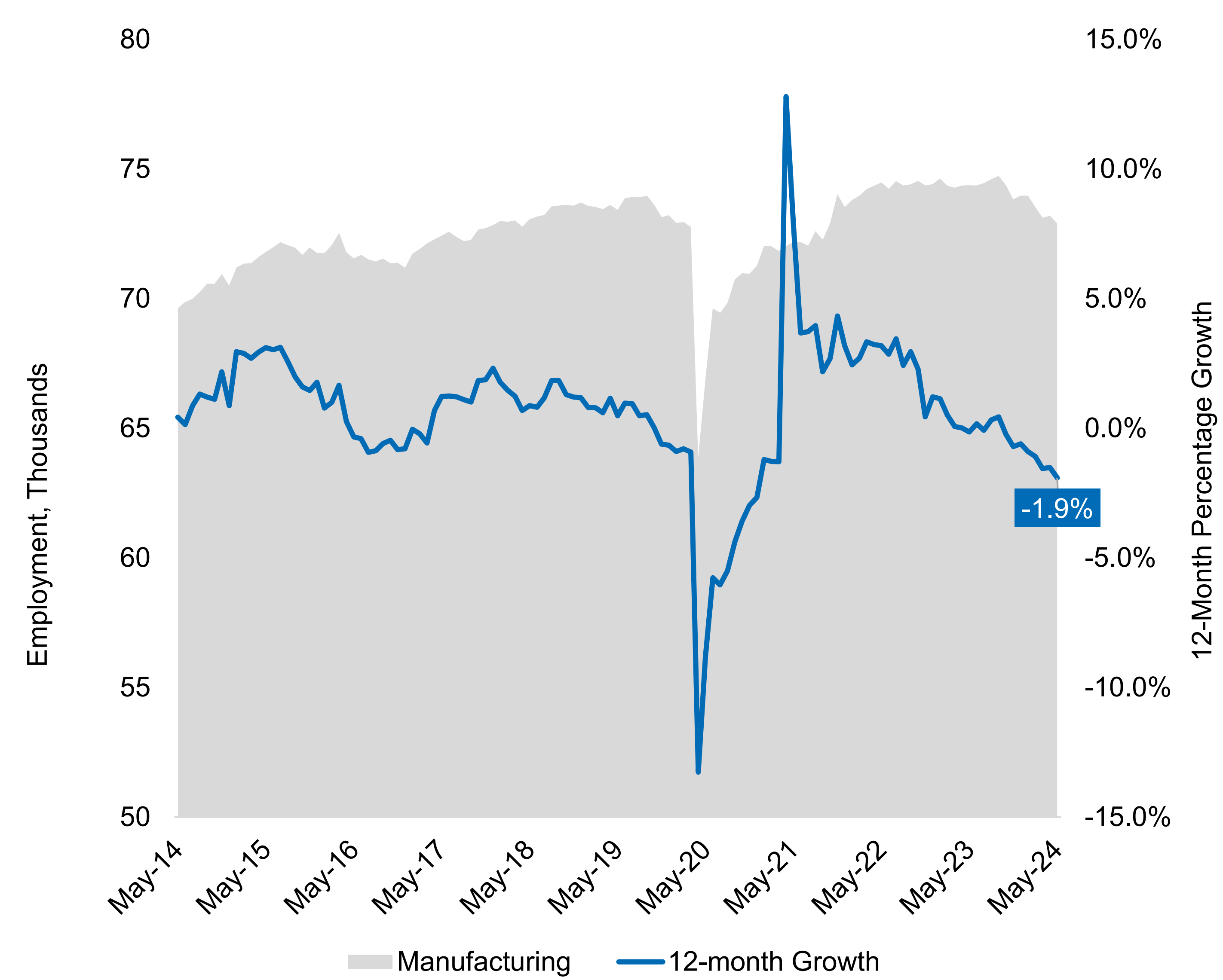
Industrial Using Employment Sectors See Job Losses

Industrial using sectors saw losses year-over-year as decreased demand for goods and services, directly impacted sectors like manufacturing and trade, transportation, and utilities. These industries are particularly sensitive to economic cycles, where a downturn can lead to reduced production, sales, and consequently, workforce reductions.

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

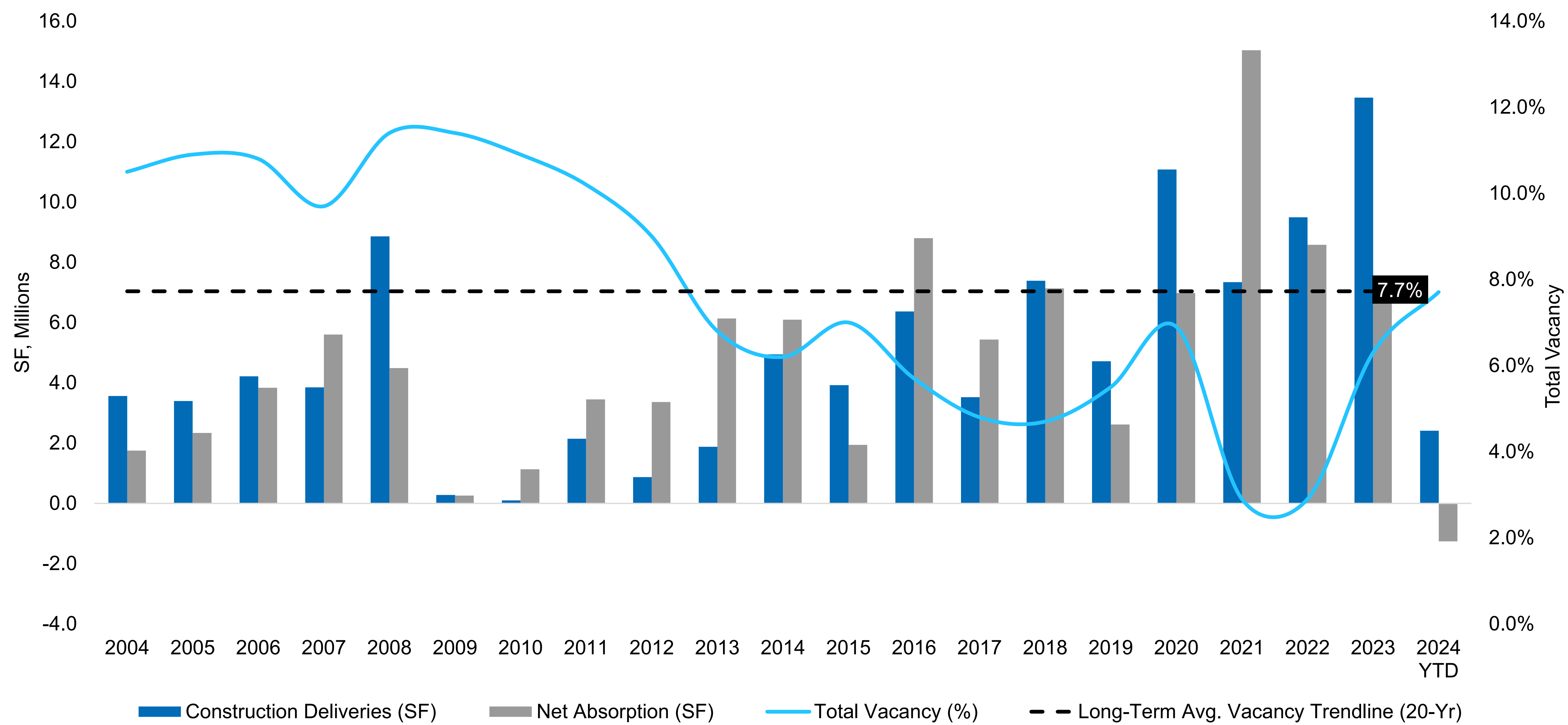
2Q24

Leasing Market Fundamentals

Vacancy Increases Again, Only 10 Basis Points This Quarter

After recording over 1.5 million SF of negative absorption in the first quarter the market saw a more modest 273,000 SF of positive absorption, helping to offset the impact negative of the prior quarter. The vacancy rate did increase 10 basis points to 7.8% after 360,000 SF of new inventory delivered. At 7.8% the current vacancy rate is the highest the market has experienced in over 10 years. The DHL build to suit measuring 755,000 SF, located at 8695 Basil Western Rd NW, is poised to deliver in the third quarter, along with the 900,000 SF ODW Logistics build to suit at 6920 Schieser Farms. The combined 1.7 million SF of these two projects will go a long way in pacing the next quarter's absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy

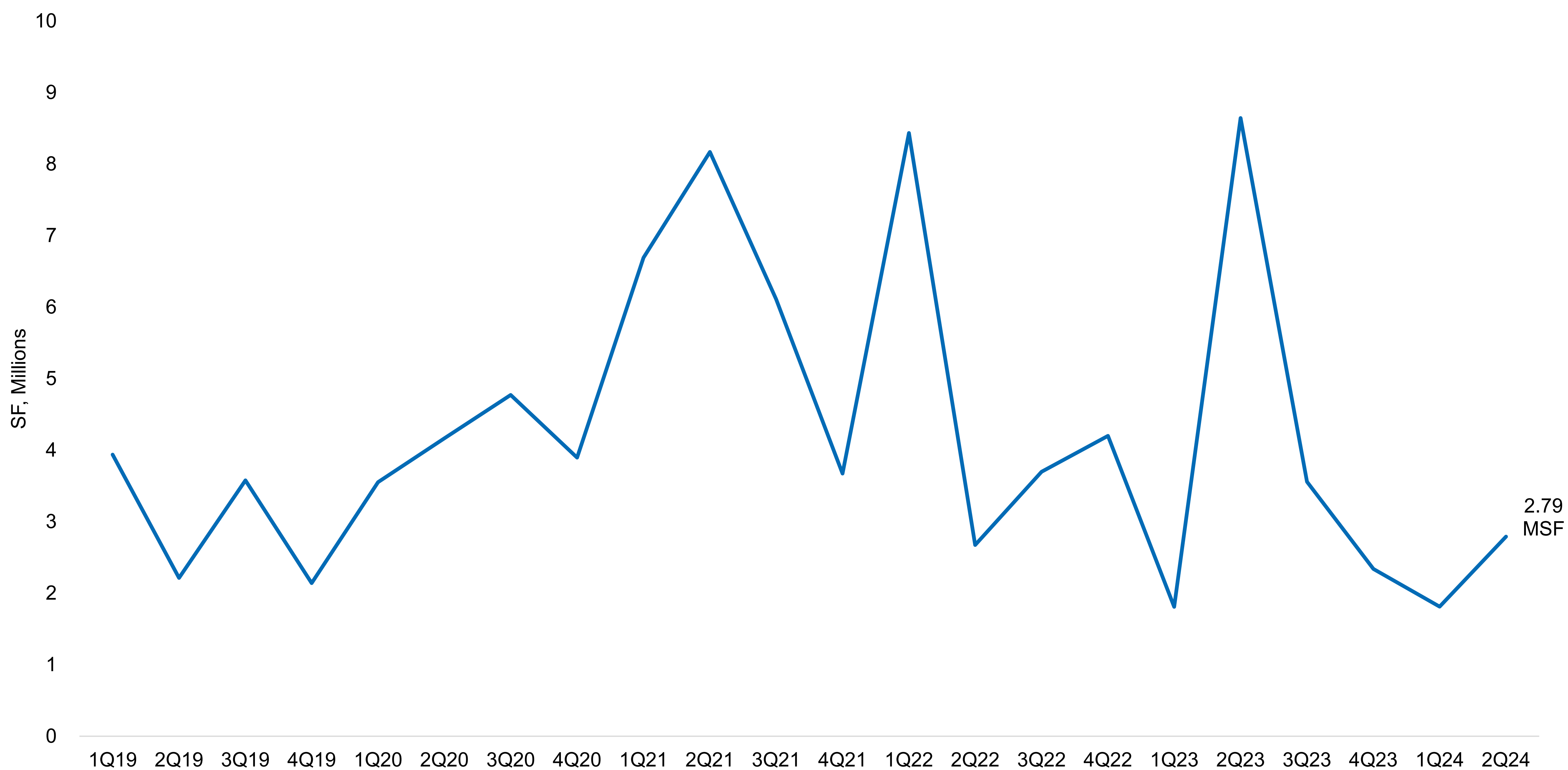


Source: Newmark Research, CoStar

Industrial Leasing Picks Back Up After Slowdown

Following a significant dip in leasing activity in the first quarter, second quarter activity picked back up reaching almost 2.8 million SF. A large portion of this was due to Maersk signing a 1.1 MSF sublease at 5235 West Pointe Dr. in Groveport. The Danish logistics firm is subleasing the space from Home Goods.

Total Leasing Activity (SF)

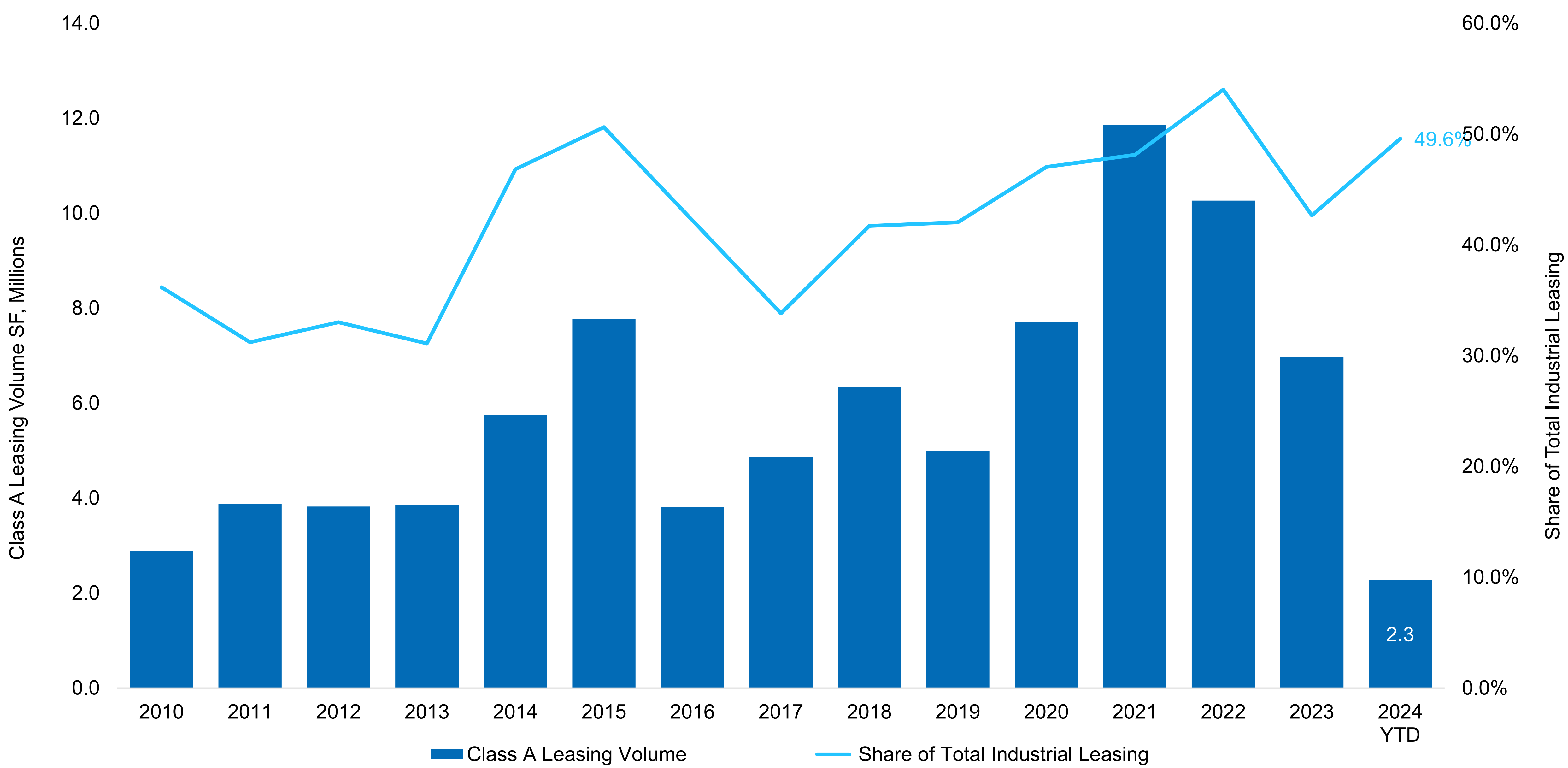


Source: Newmark Research, CoStar

Class A Warehouse Leasing Volume Slides

Class A warehouse leasing was back down this quarter with the Maersk sublease being the only notable Class A warehouse deal of the quarter. While the volume of deals as fallen, at nearly 50% of total leasing volume the market is still being largely supported by these deals. As mega deal volume slows across the U.S. we will continue to see Class A warehouse leasing volume decline.

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

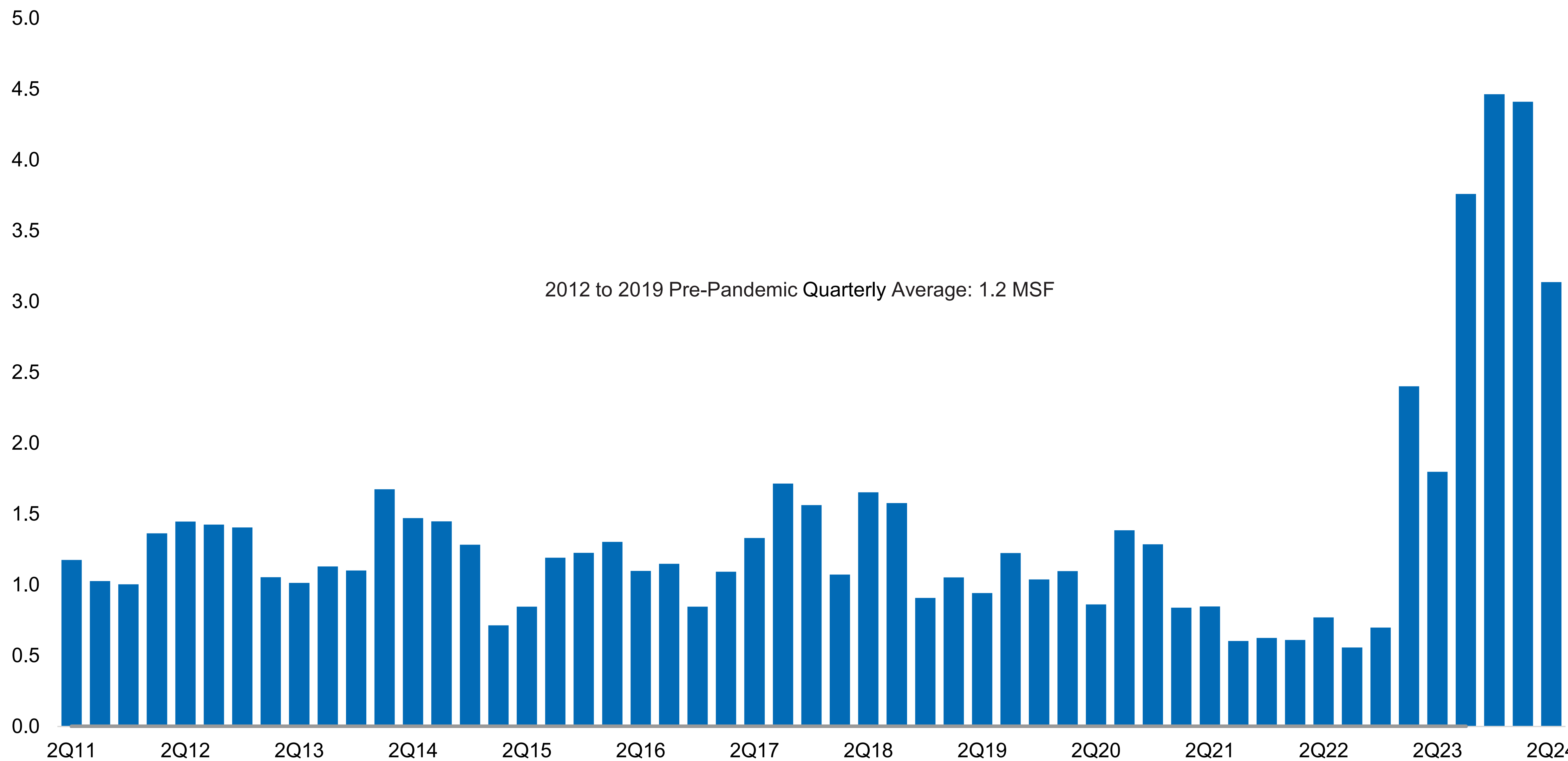


Source: Newmark Research, CoStar

Industrial Sublease Availability Falls Off With Single Deal

Sublease availability experienced a major drop this quarter Maersk signing a 1.1 million SF sublease at 5235 West Pointe Dr. in Groveport. The amount of sublease space coming onto the market in recent quarters has largely been from retailers such as Home Goods looking to right size for inventory levels, but as consumer spending indicators and port statistics have shown the number of goods entering the U.S. and finding their way into people's homes has increased again indicating that some of that sublease space may be needed again.

Available Industrial Sublease Volume (msf)

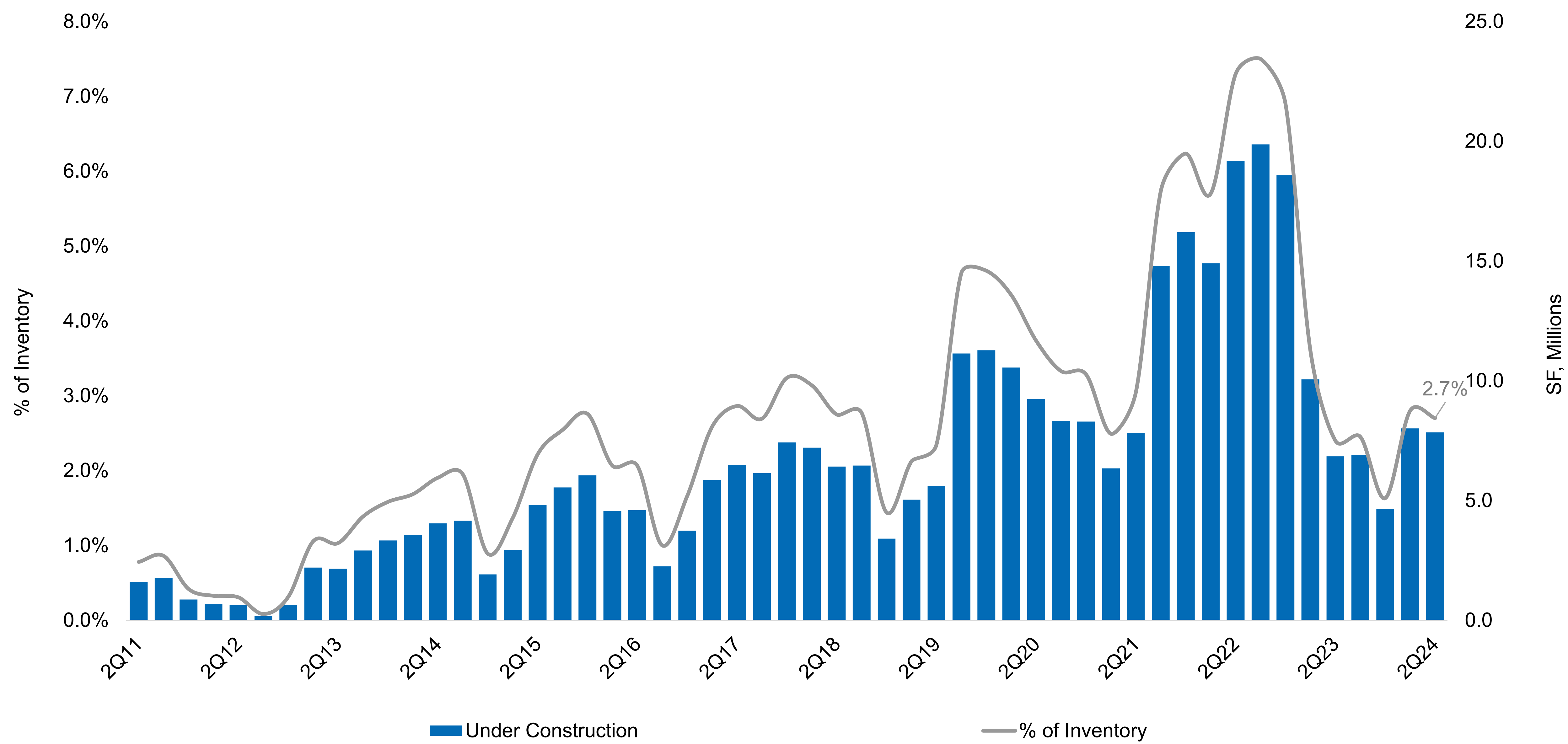


Source: Newmark Research, CoStar

Industrial Construction Remains High, Nothing New Started in 2Q

With only one property delivering in the metro this quarter the amount of new inventory under construction remained higher than the past several quarters. Of the new space currently under construction about 2.7 million SF of it is available, meaning it will impact vacancy over the next several quarters but not too dramatically. It is notable that no new significant construction projects started in the second quarter.

Industrial Under Construction and % of Inventory

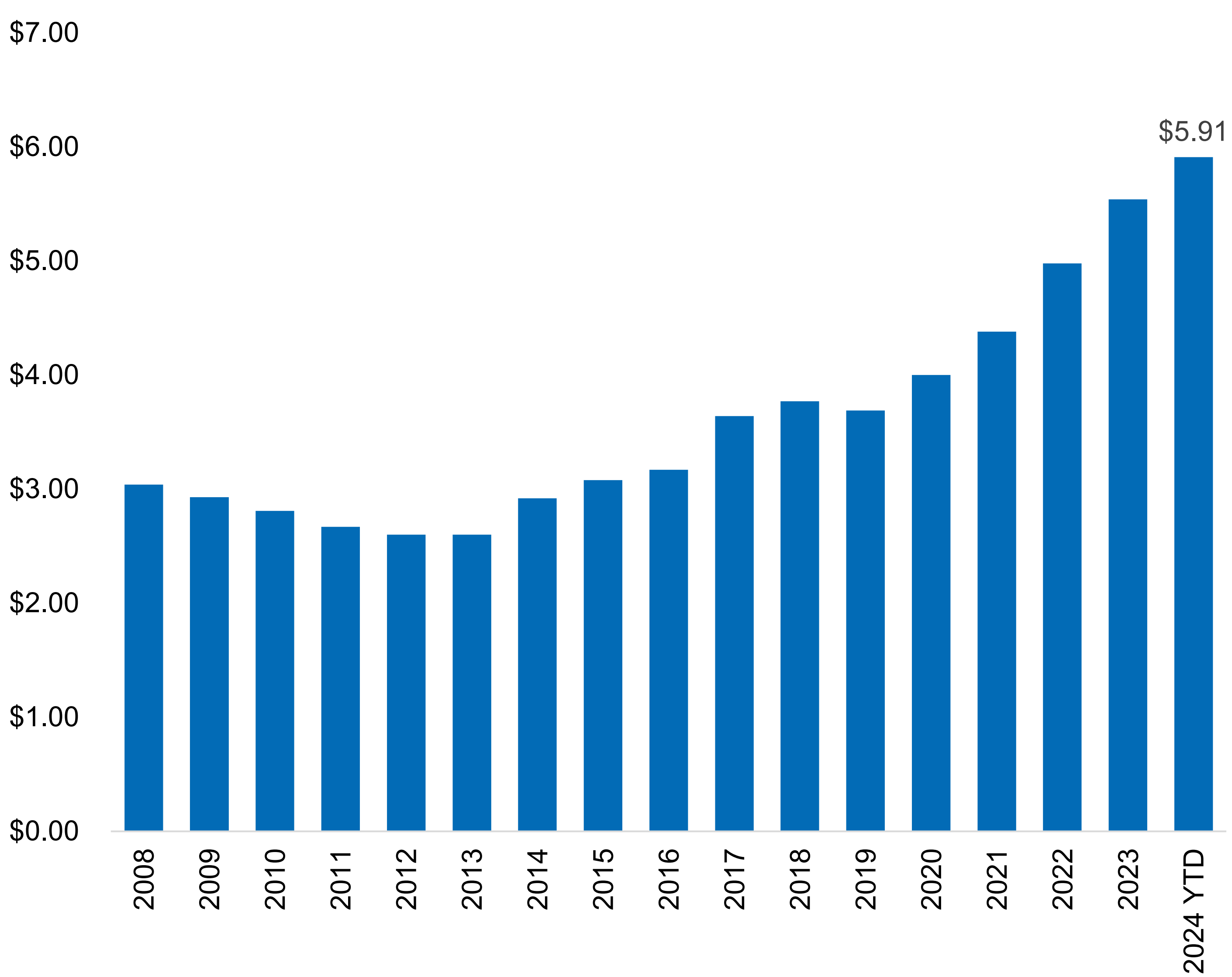


Source: Newmark Research, CoStar

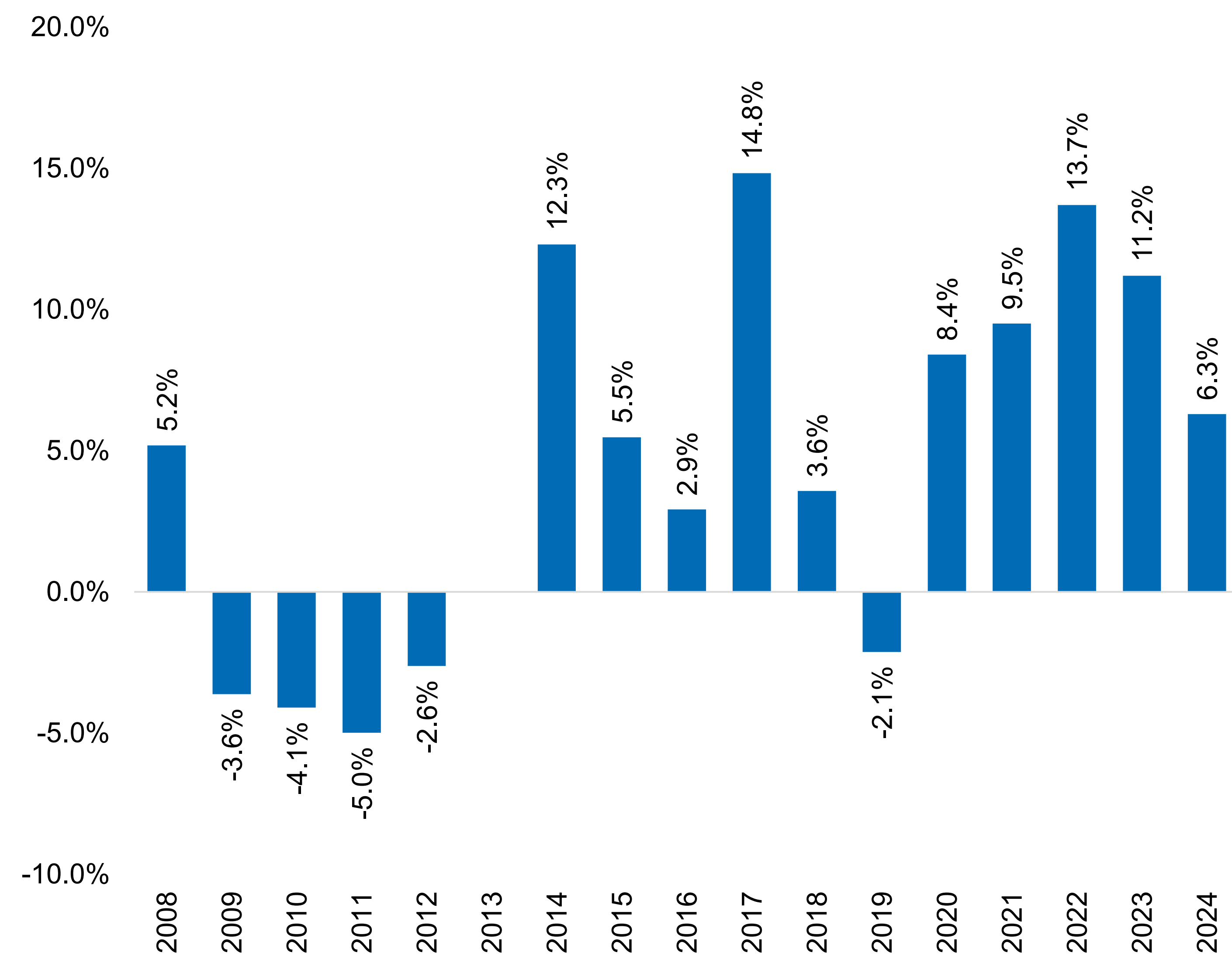
Asking Rental Rates Show Minimal Change

Rental rates continue to move in the right direction, but growth has slowed, increasing only $0.04/SF from first quarter.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 2Q24 Lease Transactions

Maersk's sublease from HomeGoods was the most notable lease of the quarter.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Maersk	5235-5251 West Pointe Dr.	Southeast	Sublease	1,116,015
Honeywell	6766 Pontius Rd.	Southeast	Renewal	754,000
FST Logistics	3495 Gantz Rd.	Southwest	Direct	263,219
Freepoint Eco-Systems	522 Milliken Dr.	Licking County	Direct	260,070
Heritage Ohio	6606 Tussing Rd.	I-70 East	Sublease	215,186
Lexington Intermodal	3699 Alum Creek Dr.	Southeast	Direct	102,135

Source: Newmark Research, CoStar

2Q24

Appendix

Submarket Overview

Submarket Statistics – All Classes

Please reach out to your
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Columbus - Submarket Map

Please reach out to your
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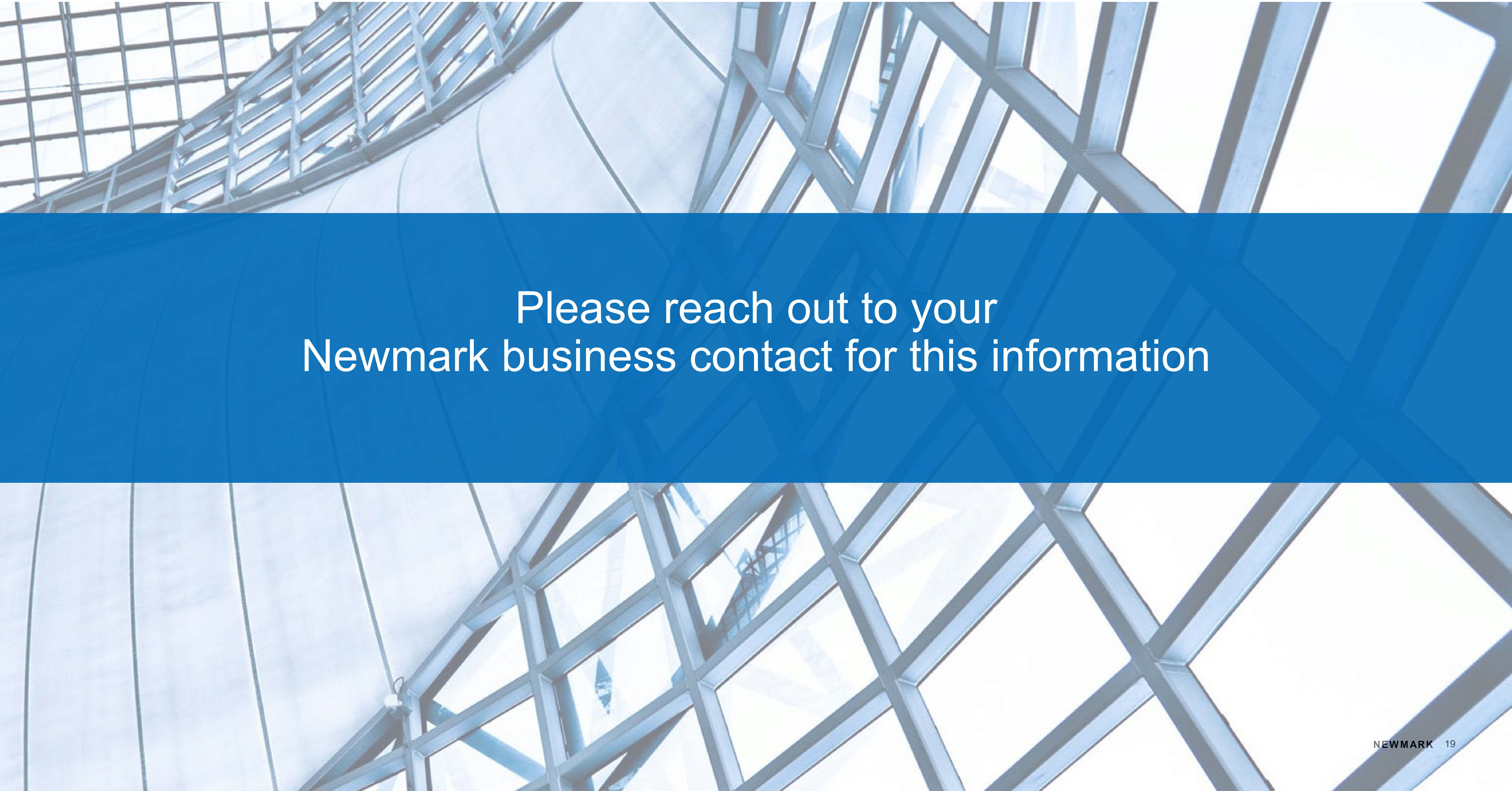
Additional Market Statistics



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