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2Q24

# Columbus Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- Columbus saw a slight uptick in unemployment levels. Latest figures show the unemployment rate climbed 40 basis points to 3.8%, lower than national levels and the state of Ohio.
- Year-over-year payroll employment figures showed Columbus posted a 0.4% gain.
- The Education and health services sector led all industries in regional annual job growth with 4.9%. With the recent filing for Chapter 11 bankruptcy by retailer Express, Inc., which is based in Columbus, the metro might see a further increase in office using-sector unemployment as the company has 615 corporate employees.

## Major Transactions

- Law firm Benesch, Friedlander, Coplan & Aronoff signed a lease renewal at 41 S. High Street in the CBD for 26,000 SF.
- Medical manufacturer IntelliGuard signed a lease for 20,000 SF at 8415 Pulsar Place in the Polaris submarket with plans to move in at the end of 2024.
- OCCH completed a transaction for just over 17,000 SF at 671 S. High St. in the CBD.

## Leasing Market Fundamentals

- The Columbus office market absorbed 710,544 SF this quarter, the first time it has reached this level since 2019.
- Following an extremely low first quarter of leasing volume second quarter levels rebounded to 452,000 SF. Historically, leasing volume has been stronger in the second half of the year and the Columbus market will need to have an incredibly active second half of the year to reach the 16-year annual average of 2.9 million SF.
- Average asking rates were up this past quarter alongside falling vacancy rates, increasing by \$0.30/SF to \$21.92/SF. Since Newmark started tracking market statistics this is the highest the rental rates have been.

## Outlook

- The Columbus office market is not immune to the persistent macroeconomic uncertainty that continues throughout the United States. The U.S. Federal reserve signaled a potential rate cut later this year, which could provide some much-needed breathing room for the entire commercial real estate industry, but particularly the office sector.
- Sublease availability crept downward this quarter, falling for the third consecutive quarter by 30 basis points. Direct availability declined significantly, dropping 300 basis points to 19.2%, the lowest rate the market has seen since the end of 2022. Part of this drop is due to the continued efforts to convert office buildings into apartment units. According to rentcafe.com, Columbus is the 13th highest market for the number of planned office-to-apartment conversions with 1,006 planned units. Should this continue, the office market will become more normalized over time.

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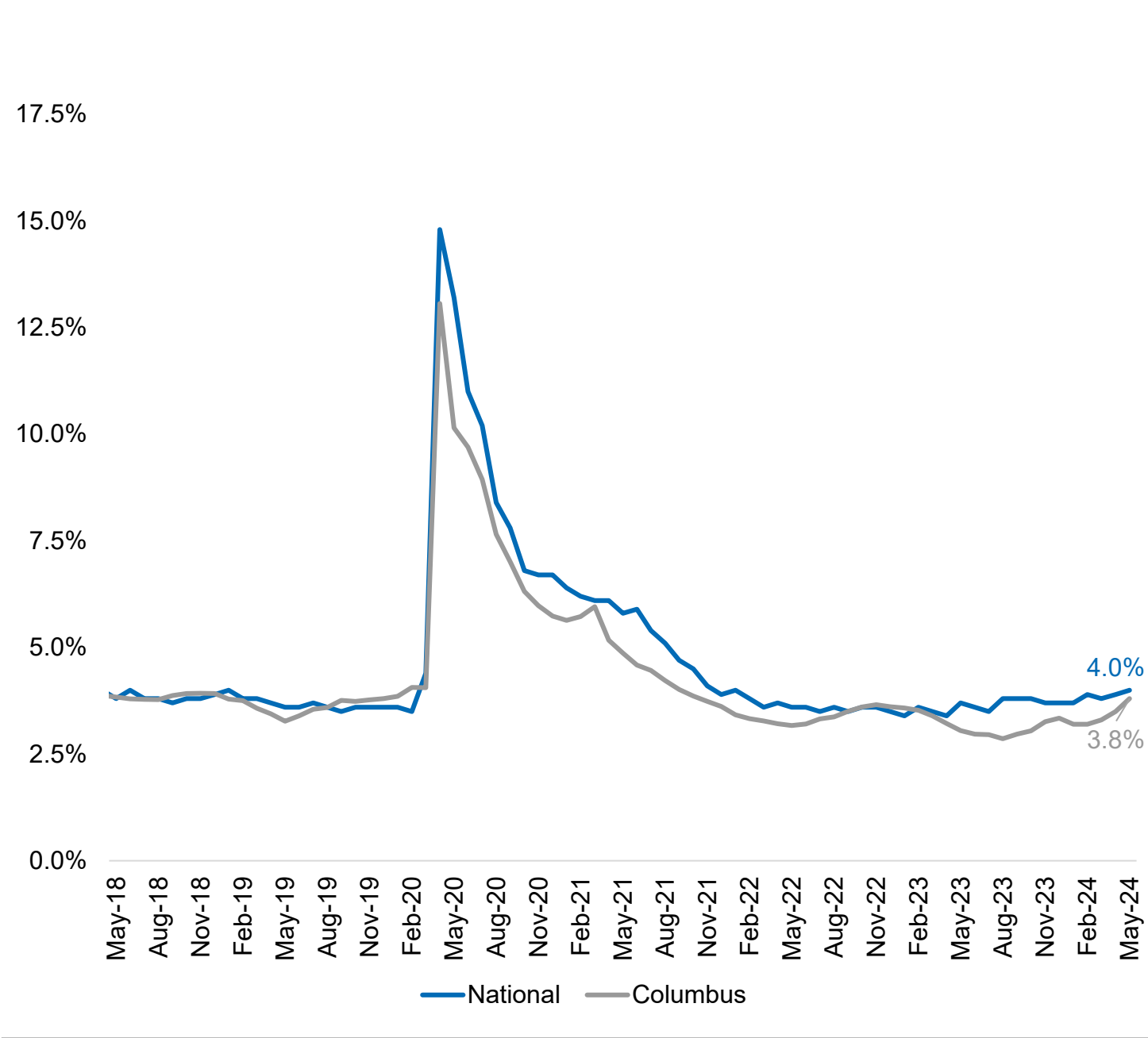
# Economy



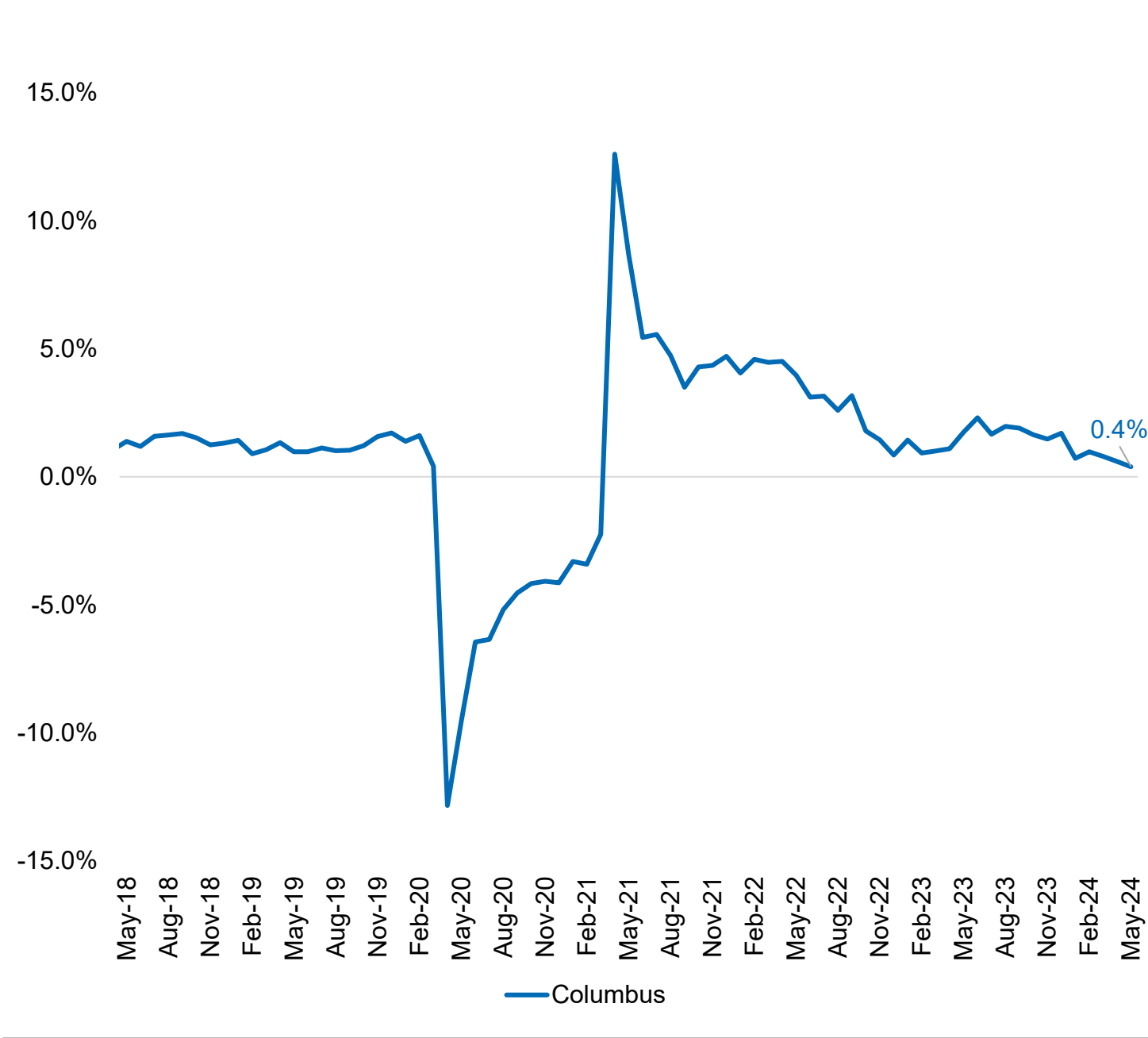
# Columbus Metro Unemployment Levels Up Slightly

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.

Unemployment Rate, Seasonally Adjusted



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

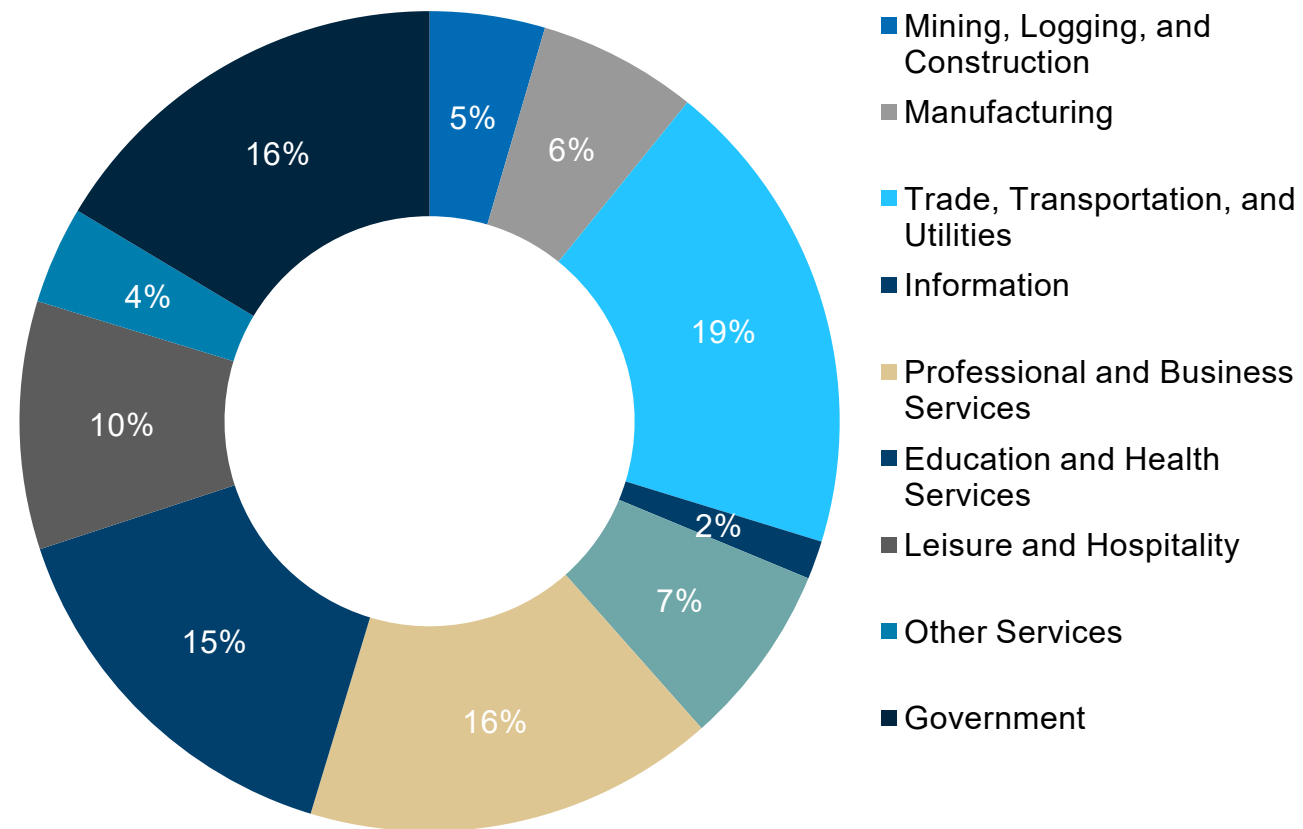


Source: U.S. Bureau of Labor Statistics, Columbus MSA

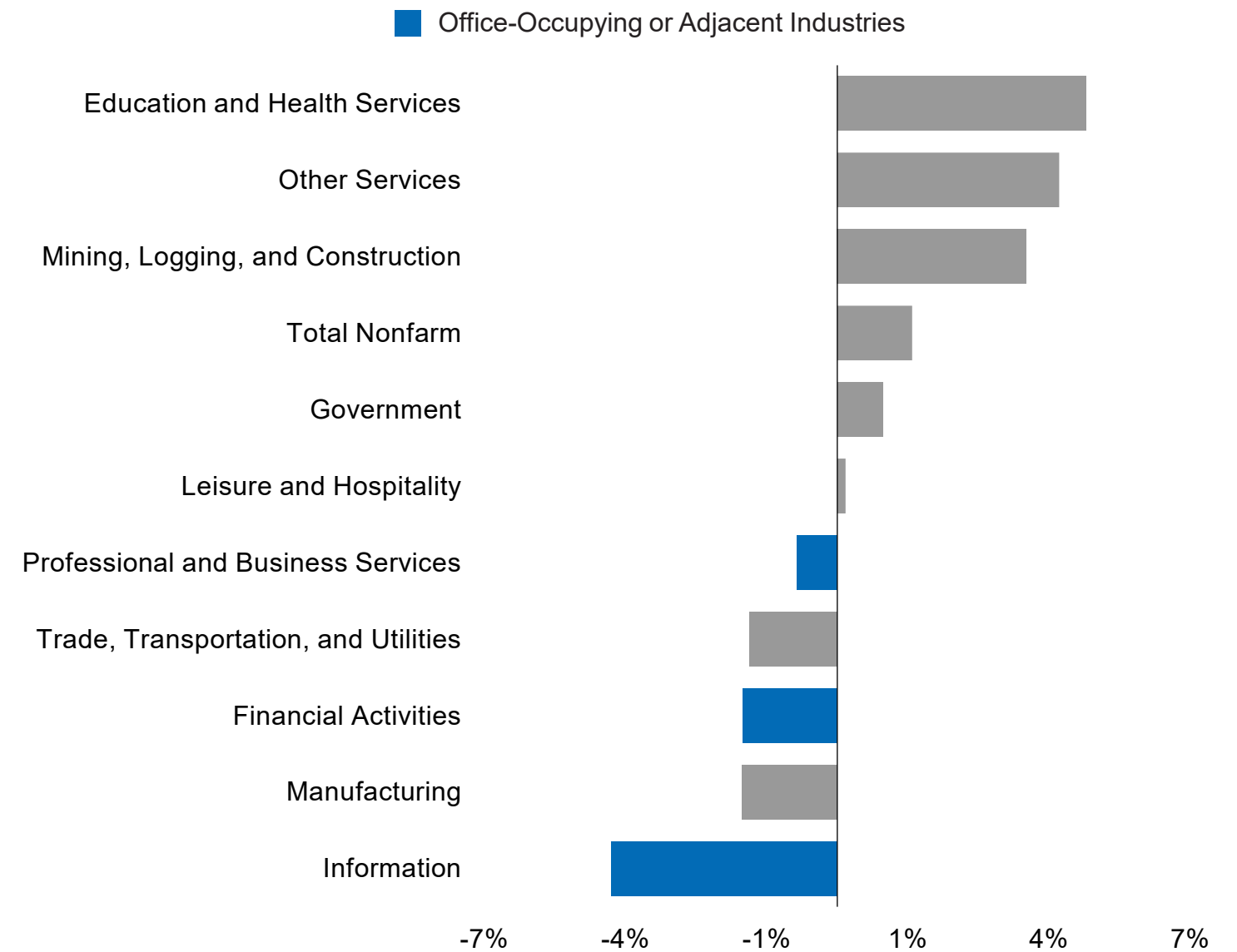
# Job Growth Driven by Education and Health Services, Office-Using Sectors See Losses

The Education and Health Services sector led all industries in regional annual job growth. All office sectors experienced a loss of employment, with information leading the way, decreasing 4.5% year-over-year.

Employment by Industry, May 2024



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

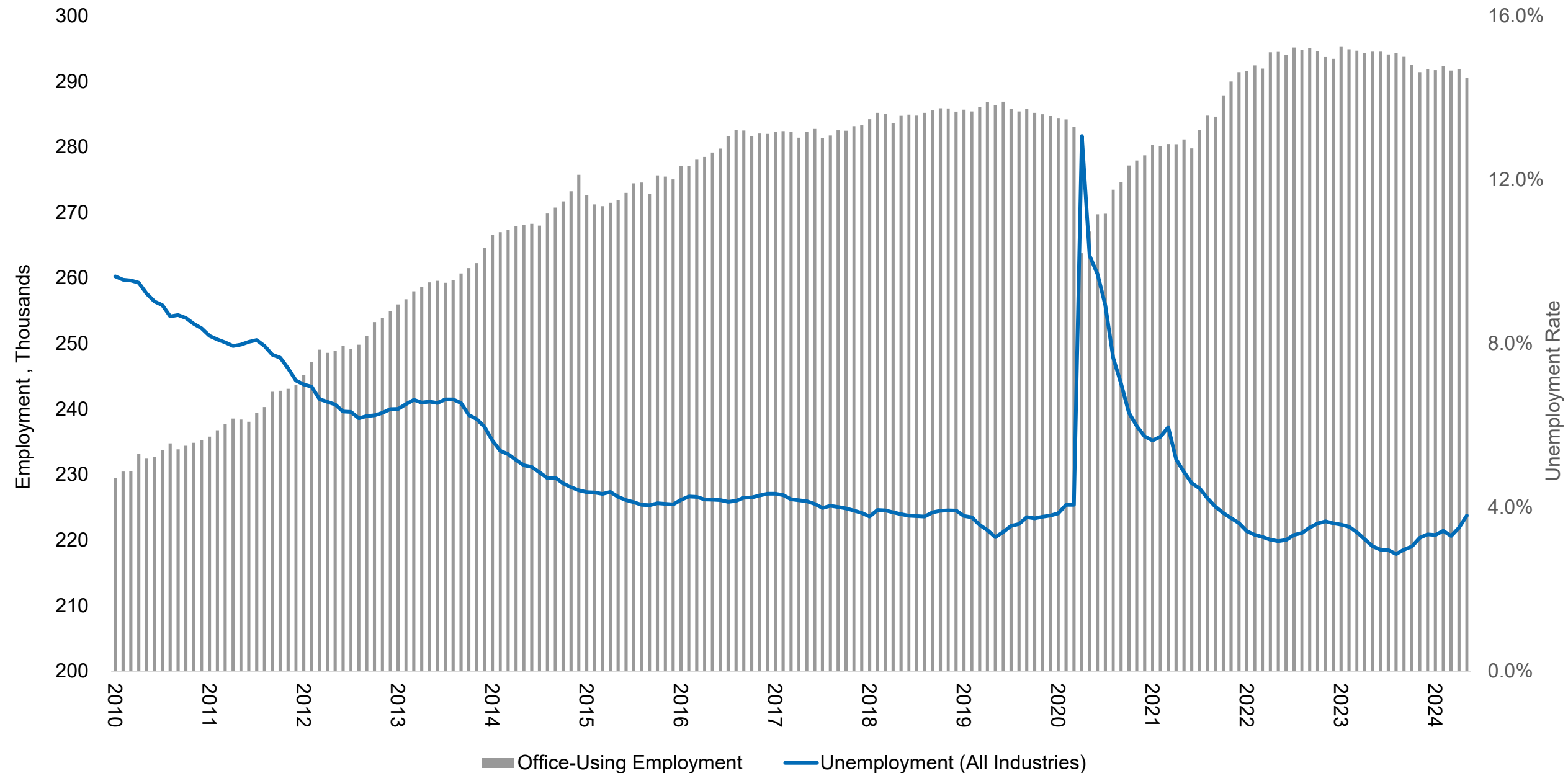


Source: U.S. Bureau of Labor Statistics, Columbus MSA

# Office-Using Employment Up Slightly from Recent Months

The number of office-using jobs in the Columbus market as of May 2024 was significantly lower than the prior 12 months at 290,000 following the increase in the unemployment rate in the metro. The metro might see a further loss of jobs in the office using sector since retailer Express Inc., which is based in Columbus, filed for Chapter 11 bankruptcy protection and has about 615 corporate employees in the market.

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.

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# Leasing Market Fundamentals

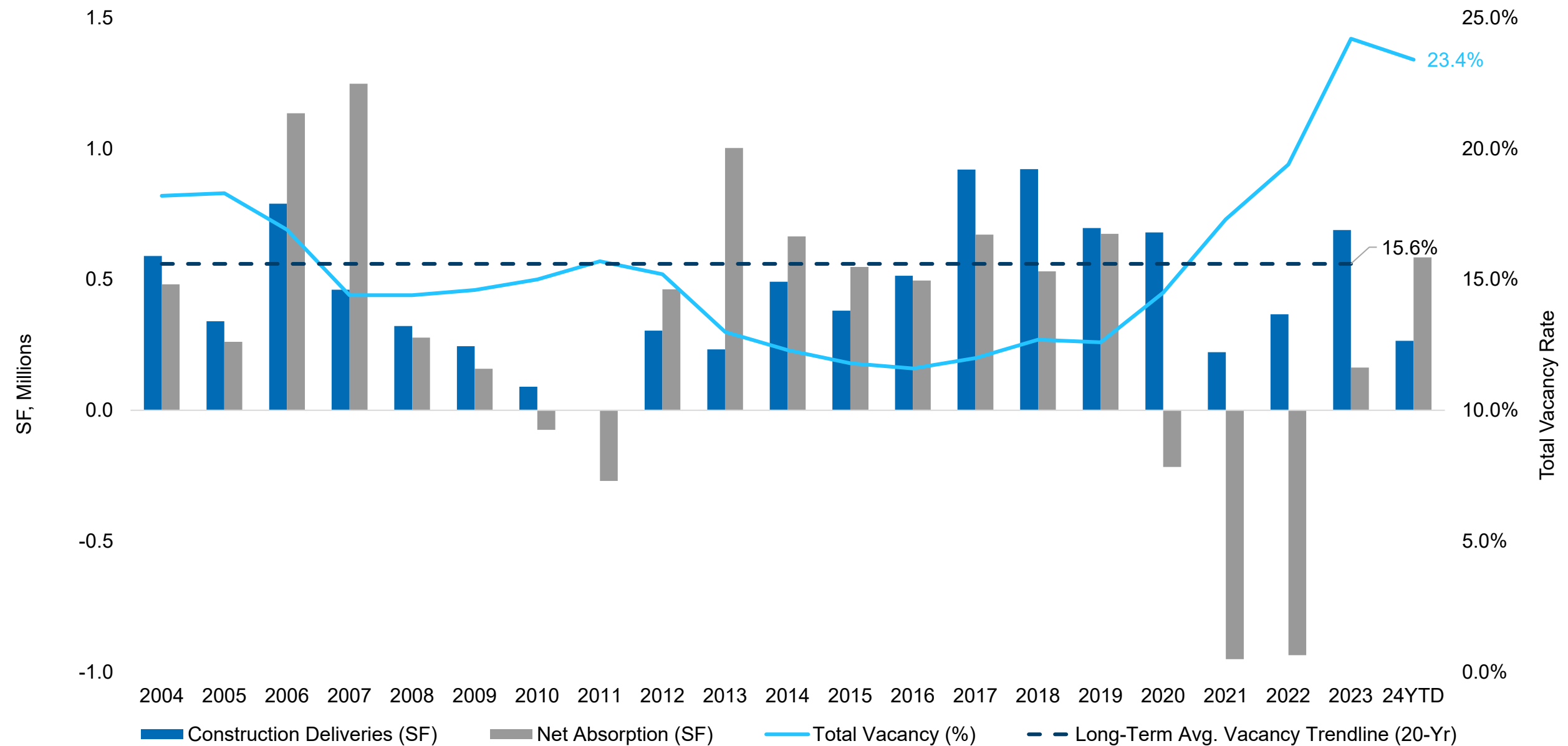




# Absorption Achieves Post-Pandemic High

The Columbus office market absorbed over 710,000 SF this quarter, the first time it has reached this level since 2019. The Dublin submarket absorbed the largest amount of this square footage with tenants moving into 400,660 square feet. This charge was led by the delivery of 6620 Mooney Street which delivered 86% leased. The market's positive absorption drove vacancy down 150 basis points to 22.7%, the lowest vacancy rate the market has experienced since the end of 2022.

## Historical Construction Deliveries, Net Absorption, and Vacancy

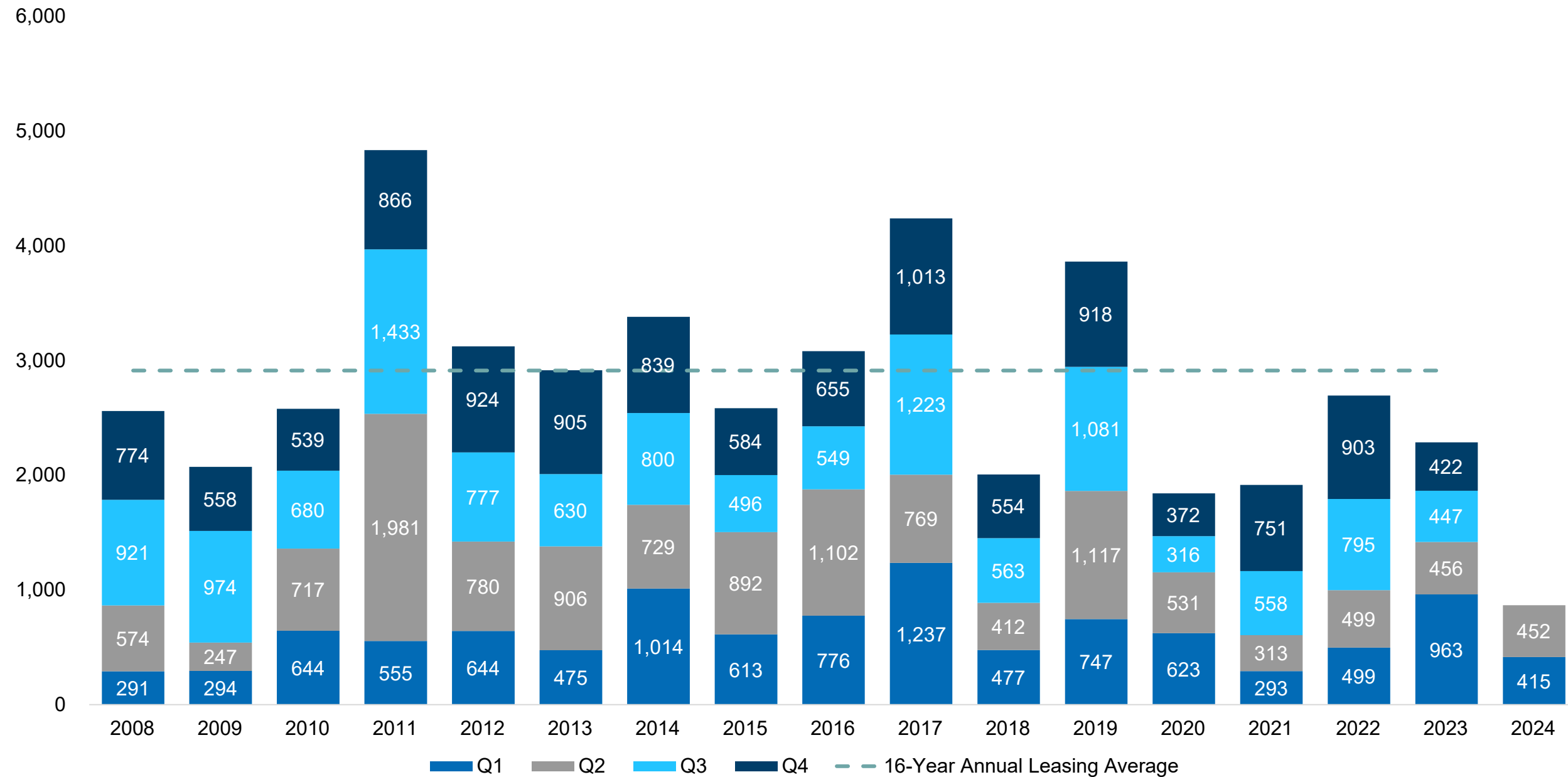


Source: Newmark Research, CoStar

# Second Quarter Leasing Activity Inches Past First Quarter Volume

After a lower-than-average first quarter of leasing activity, second quarter volume crept upward reaching just over 452,000 SF. Historically, the second half of the year has been stronger, but the market will need to complete a notable amount of leasing to reach the historical annual average of 2.9 million SF.

Total Leasing Activity (thousands SF)

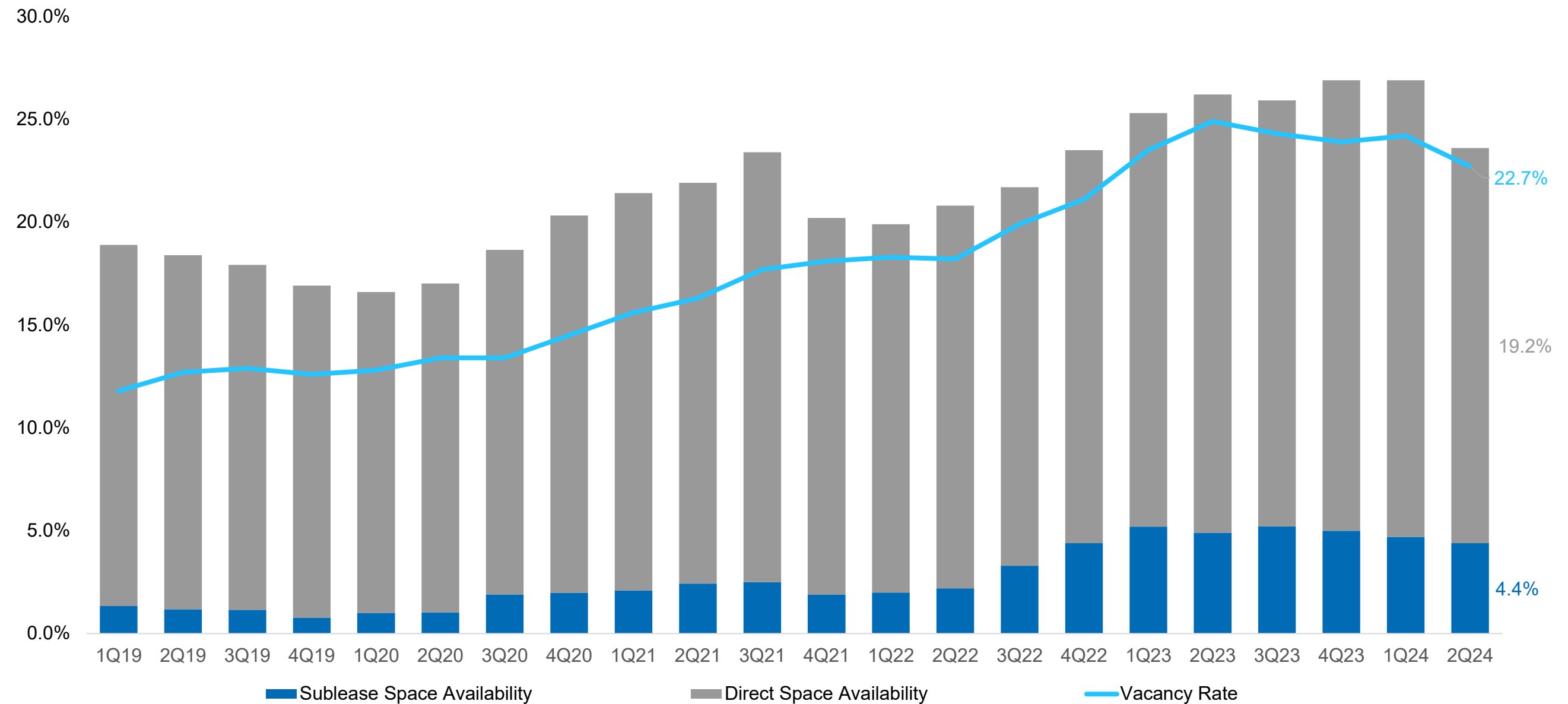


Source: Newmark Research, CoStar

# Direct Availability Falls by 300 Basis Points

Sublease availability crept downward this quarter, falling for the third consecutive quarter by 30 basis points. Direct availability declined significantly, dropping 300 basis points to 19.2%, the lowest rate the market has seen since the end of 2022. Part of this drop is due to the continued efforts to convert office buildings into apartment units. According to rentcafe.com, Columbus is the 13<sup>th</sup> highest market for the number of planned office-to-apartment conversions with 1,006 planned units.

## Available Space as Percent of Overall Market

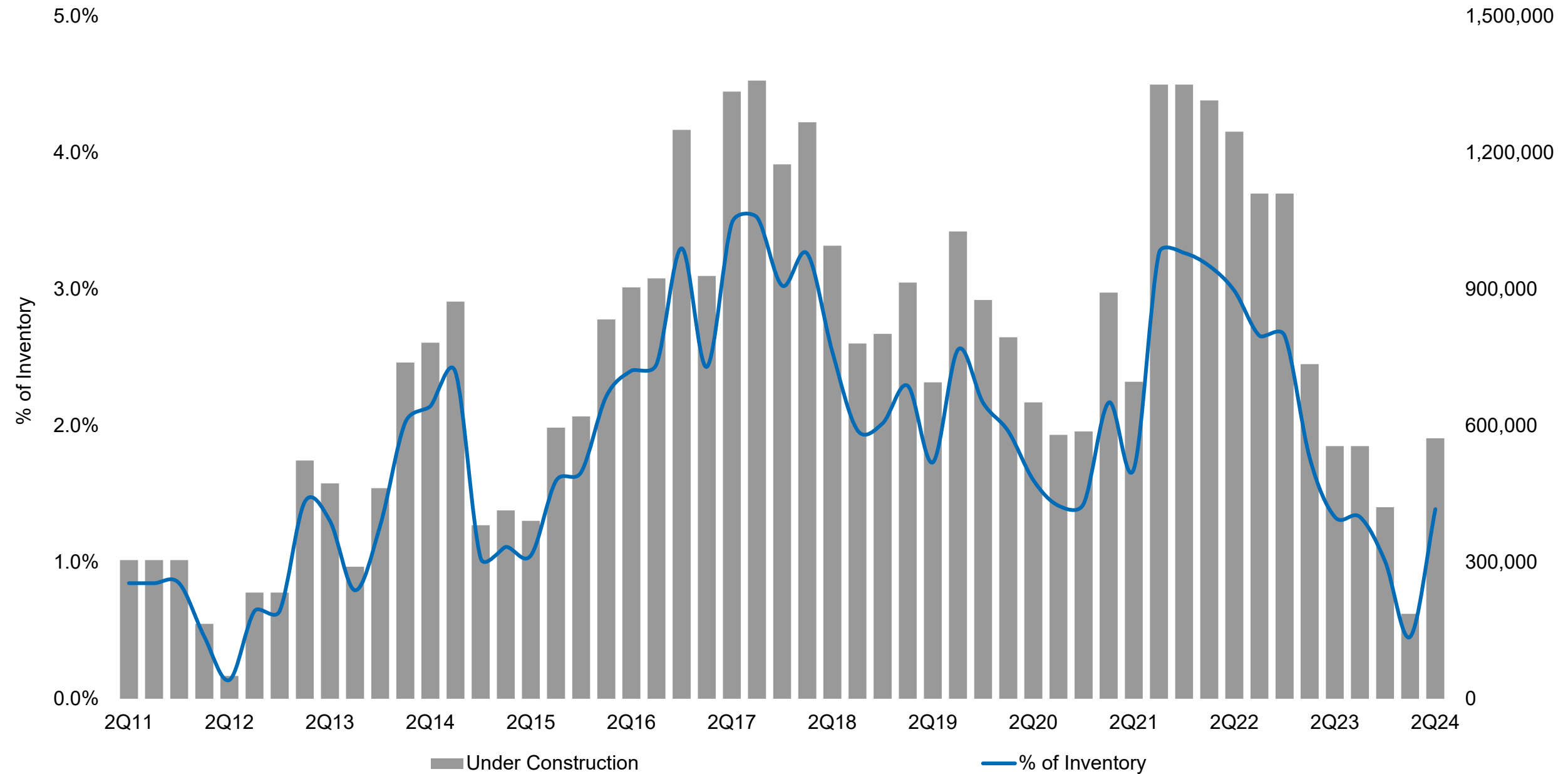


Source: Newmark Research

# Construction Levels Tick Back Up

In Hilliard, TruePoint's office portion of the new development broke ground this quarter. The nearly 200,000-SF office building is scheduled to deliver in the Spring of 2025. The project also features multifamily units and retail within the business community for a full-service, sustainable neighborhood. This project contributed significantly to the more than double increase in construction from the first to second quarter. Under construction projects represent 1.4% of the total office inventory.

## Office Under Construction and % of Inventory

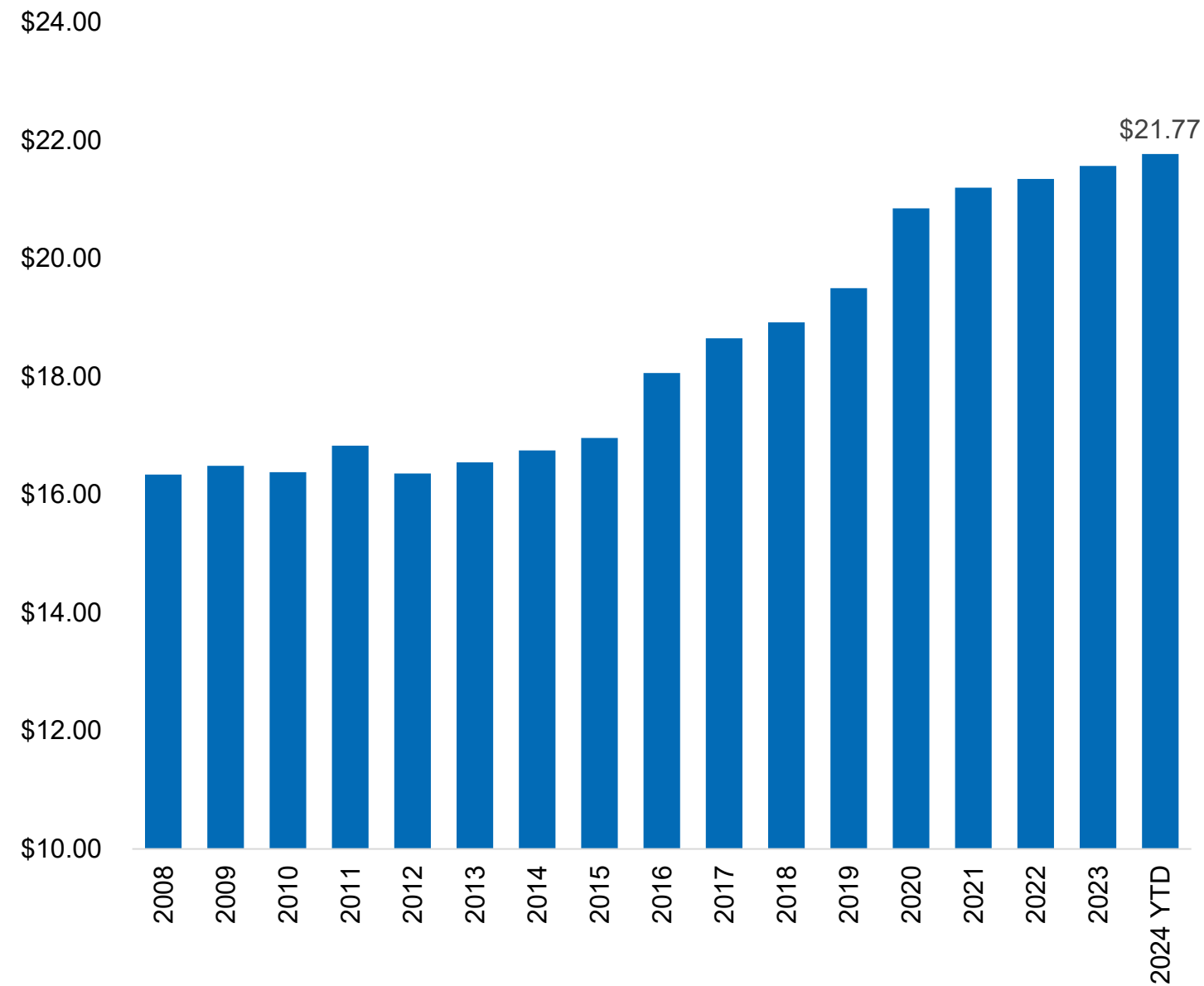


Source: Newmark Research, CoStar

# Rental Rates Escalate Again

As vacancy rates fell this quarter rental rates grew to just under \$22/SF. At \$21.92/SF in the second quarter the annual average is now \$21.77/SF, a new record.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

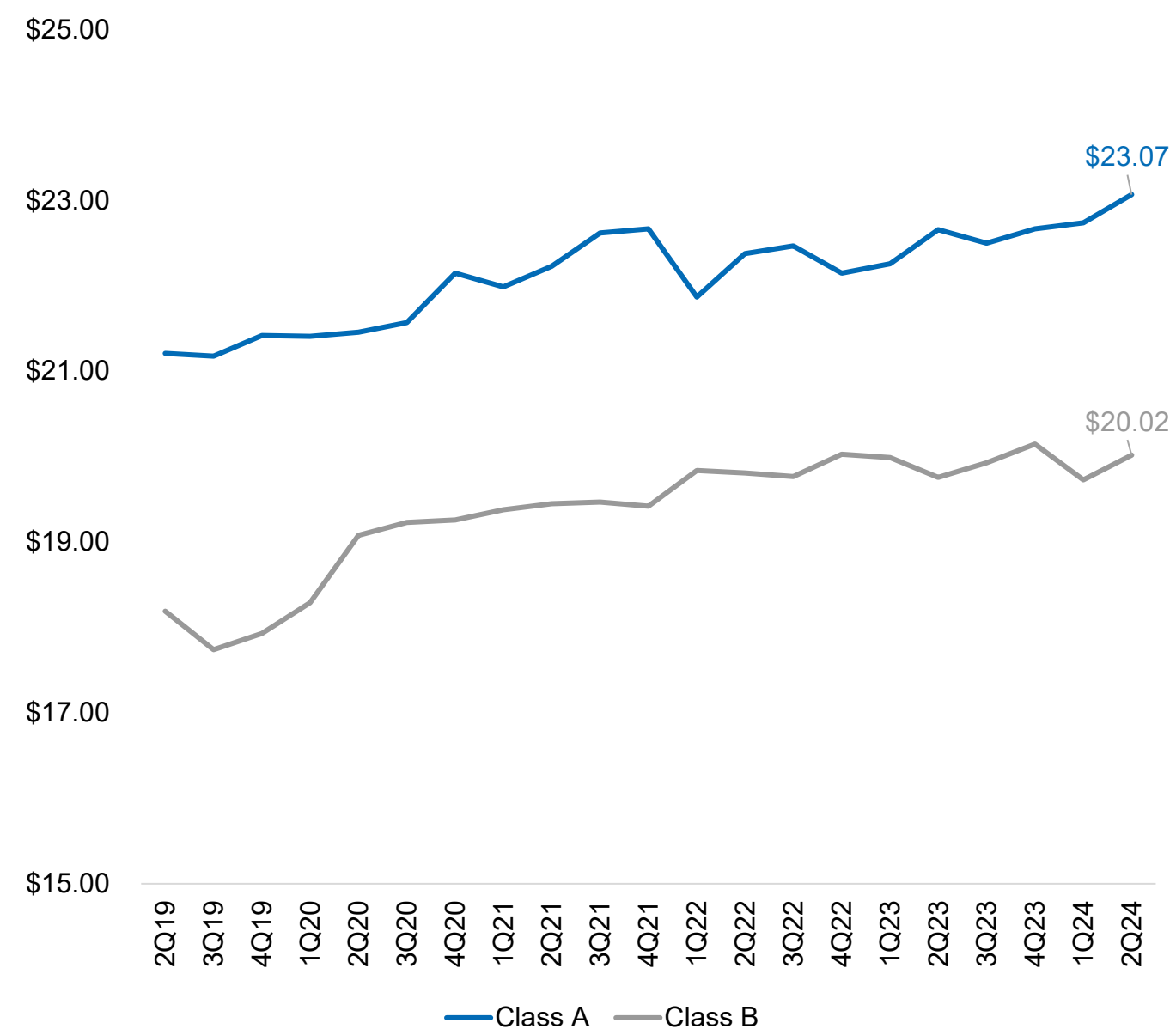


Source: Newmark Research, CoStar

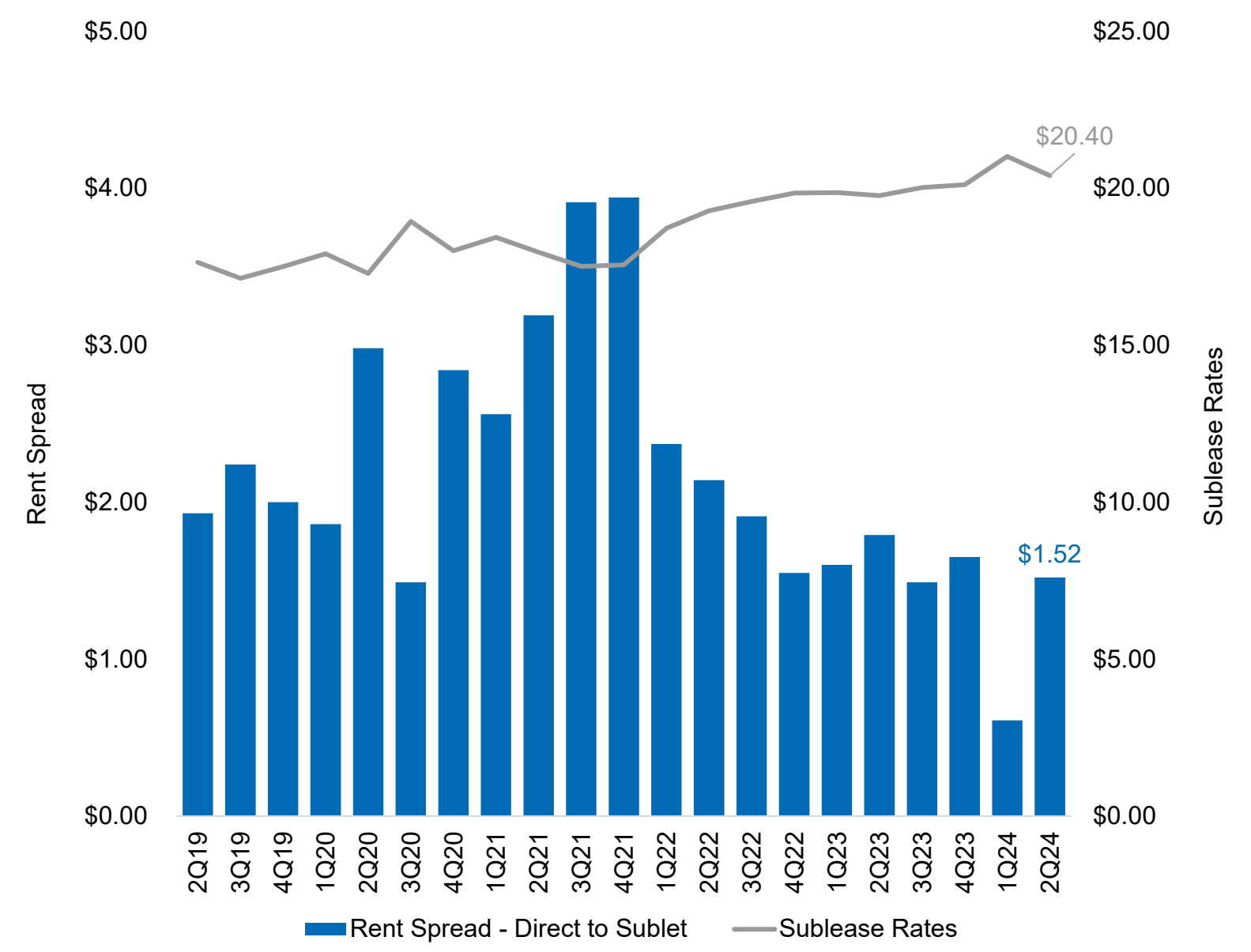
# Rent Spread Between Sublease and Direct Space More Than Doubles

The discrepancy between asking rates for Class A and B office properties widened again this quarter as Class A rates rose to \$23.07/SF. Class B rates increased after dipping to start the year to \$20.02/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 more than doubled this quarter after tightening significantly in the first quarter. 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 2Q24

## Select 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Benesch	41 S. High St.	CBD	Direct	26,938
IntelliGuard	8415 Pulsar Pl.	Polaris	Direct	20,028
OCCH (Ohio Capital Corporation for Housing)	671 S. High St.	CBD	Direct	17,385
VIP Medical Academy	3433 Agler Rd.	North Central	Direct	11,955
Nice	555 S. Front St.	CBD	Extension	10,365
Lima Refining Company	5550 Blazer Memorial Pkwy.	Dublin	Direct	8,140
DeVry	2 Easton Oval	North Central	Direct	5,828
CoStar Group	10 W. Broad St.	CBD	Direct	3,209

## Select 2Q24 Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
Hammes Partners	8050 E. Main St.	East	\$22,750,000	62,802	\$362.25
Heart of Ohio Classical Academy Foundation	4650 Lakehurst Ct.	Dublin	\$7,500,000	164,639	\$45.55
American Sound & Electronics	775 Taylor Rd.	Gahanna	\$7,300,000	56,966	\$128.15
Sarnova	5000 Bradenton Ave.	Dublin	\$3,310,600	66,212	\$50.00
BSM Enterprises LLC	4661 Sawmill Rd.	North Central	\$2,500,000	17,759	\$140.77
Sergey Levitskiy	2211 Lake Club Dr.	East	\$600,000	17,340	\$34.60

Source: Newmark Research

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# Appendix





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## Submarket Overview

Please reach out to your  
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## Additional Market Statistics

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## Submarket Map

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