
3Q24

Columbus Office Market Overview



NEWMARK

Market Observations

Economy

- Columbus has seen slight upticks in unemployment levels through every quarter of 2024, reaching 4.2% in August, which matched the national figure. 4.2% unemployment is the highest (tied with July 2024) for the Columbus MSA since the 4.3% mark it reached in August 2021 in emerging from the heart of the pandemic.
- Year-over-year nonfarm payroll employment posted a 0.2% gain for the Columbus metro, while national employment levels grew by 1.6%.
- All office sectors experienced a loss of employment, with the Information sector leading the way, decreasing 4.3% year-over-year.

Major Transactions

- Although the sales didn't close prior to the end of the third quarter, the biggest office transfer news was Huntington Bank announcing in August that it reached an agreement with Downtown Columbus, Inc. to sell three prominent office buildings in the Columbus CBD submarket. The 146,000-square-foot 37 W. Broad St., the 38,324-square-foot 21 W. Broad St., and the 193,551-square-foot 17 S. High St. will be preserved and redeveloped by Downtown Columbus, Inc.
- No significant office buildings over 20,000 SF transferred in the third quarter, which was indicative of the ongoing challenge of offices bouncing back from hybrid work models and capital availability being allocated to other asset classes.
- Although renewals dominated the top of the leasing transactions for the past quarter, a couple of notable direct deals were signed, including 50,000 SF by Husky Marketing and Supply Co. (Cenovus Energy) at 4455 Bridge Park Ave. in the Dublin Submarket, and 22,866 SF leased by Civil & Environmental Consultants Inc. at 8800 Lyra Dr. in the Polaris submarket.

Leasing Market Fundamentals

- The Columbus office market absorbed 124,735 SF this past quarter, much lower than last quarter's 708,390 SF, but still positive. While not a big change, the overall market's positive absorption dipped the third quarter vacancy by 30 basis points to 22.4%, the lowest vacancy rate since the fourth quarter of 2022's 21.1%.
- The third quarter of 2024 saw the lowest amount of leasing activity in the Columbus office market for a third quarter in at least 16 years, and the seventh lowest single quarter during that timeframe.
- The discrepancy between asking rates for Class A and B office properties widened for the third straight quarter, as Class A rates rose to \$23.25/SF. Class B rates increased for the second straight quarter to \$20.15/SF. There is now a \$3.10/SF discrepancy between the two, a \$0.05/SF increase from the previous quarter.

Outlook

- The huge rent gap between the “haves” and “have nots” of office space is largely informed by tenants seeking and retaining top-tier employees that expect to have a quality office to report to with high-end amenities and features both within the tenant space and the office building as a whole. Oftentimes, these spaces are nicer, yet smaller spaces square footage-wise than what would have been considered prior to the pandemic.
- Although vacancy rates fell slightly this past quarter, rental rates grew to \$21.86/SF for the first three quarters of 2024, a \$0.09/SF increase for the year-to-date average, prompted by the third quarter's average asking rental rate increasing by \$0.11/SF to \$22.03/SF. While there is still a flight-to-quality mentality amongst tenants, it is historically unusual for rents to continue to rise while demand for space is stagnant. However, tenants that command high-end office space have traditionally had to pay top-of-the-market rates, and that continues today despite uneven macroeconomic and market conditions and tepid lease demand.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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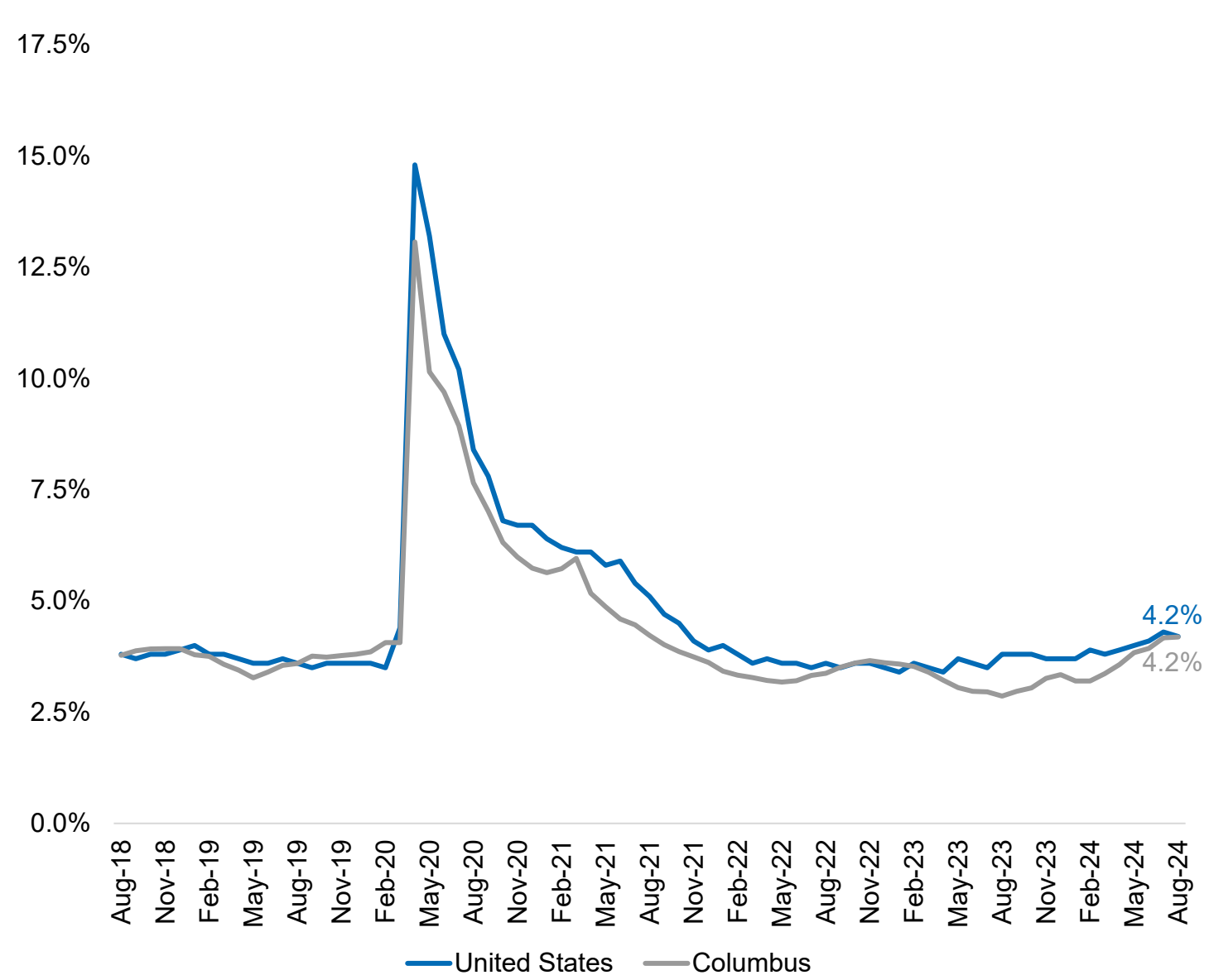
Economy



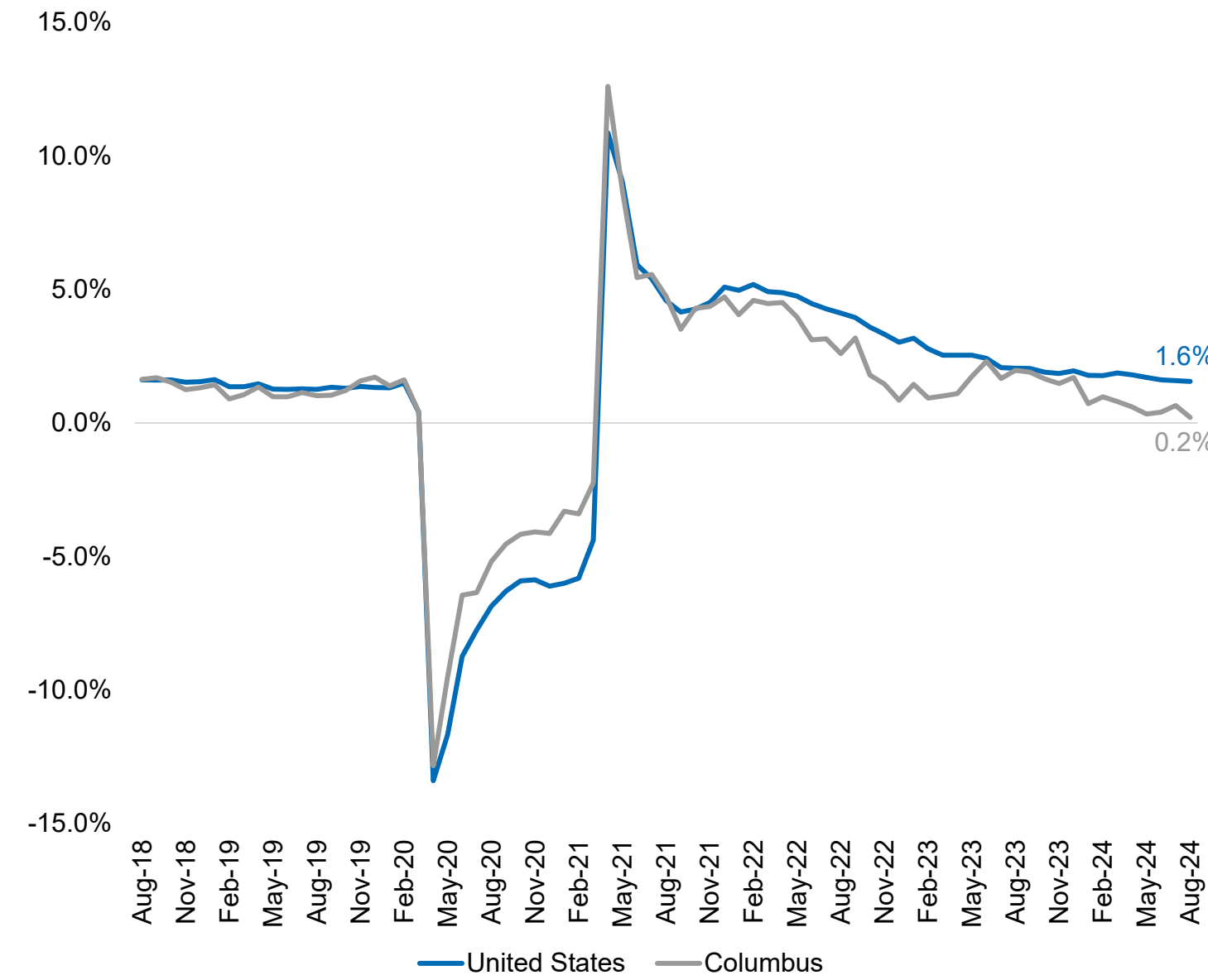
Columbus Metro Unemployment Levels Up Again

Columbus has either remained the same or has seen slight upticks in unemployment levels through every quarter of 2024, reaching 4.2% in August, which matched the national figure. A 4.2% unemployment rate for August was the highest for the Columbus MSA (matching July 2024) since the 4.3% mark it reached in August 2021 in emerging from the heart of the pandemic. Year-over-year nonfarm payroll employment posted a 0.2% gain for the Columbus metro, while national employment levels grew by 1.6%.

Unemployment Rate, Seasonally Adjusted



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

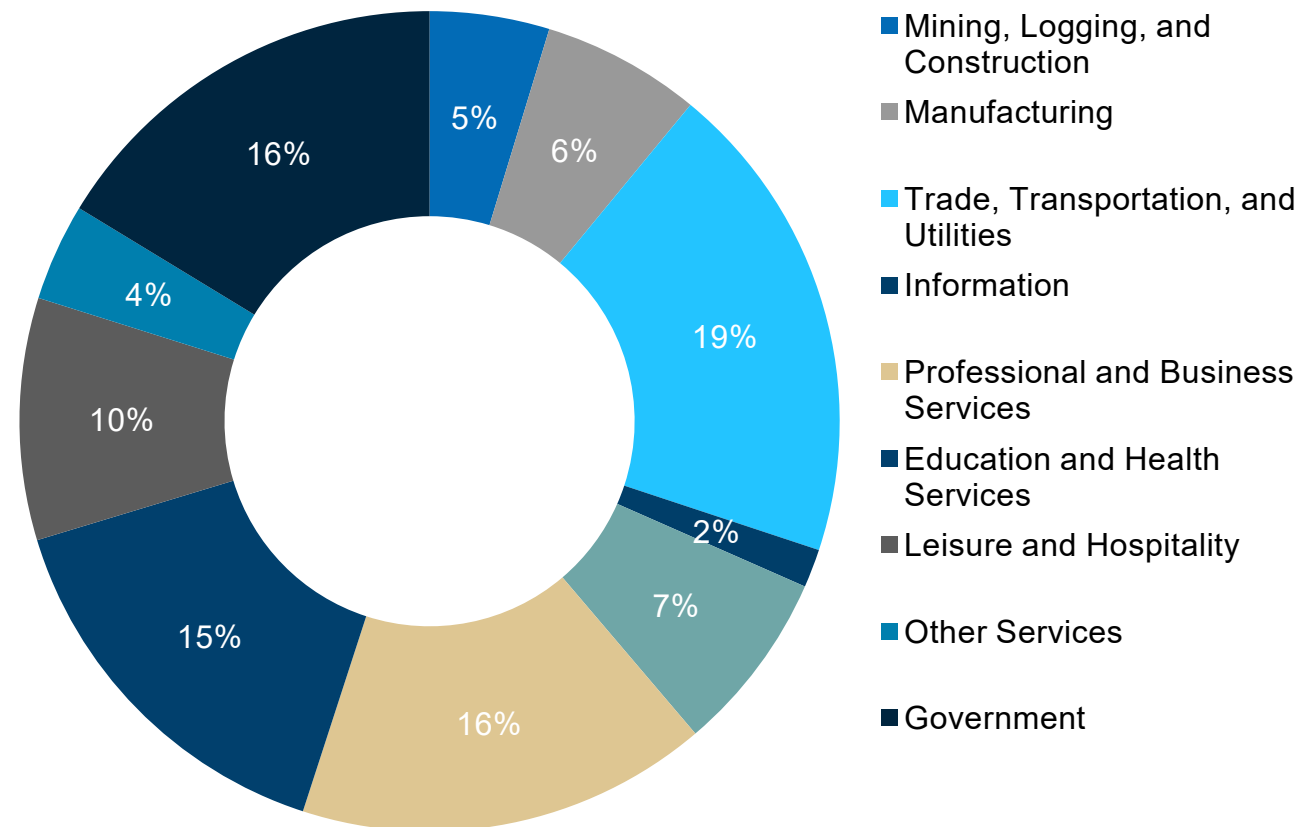


Source: U.S. Bureau of Labor Statistics, Columbus MSA

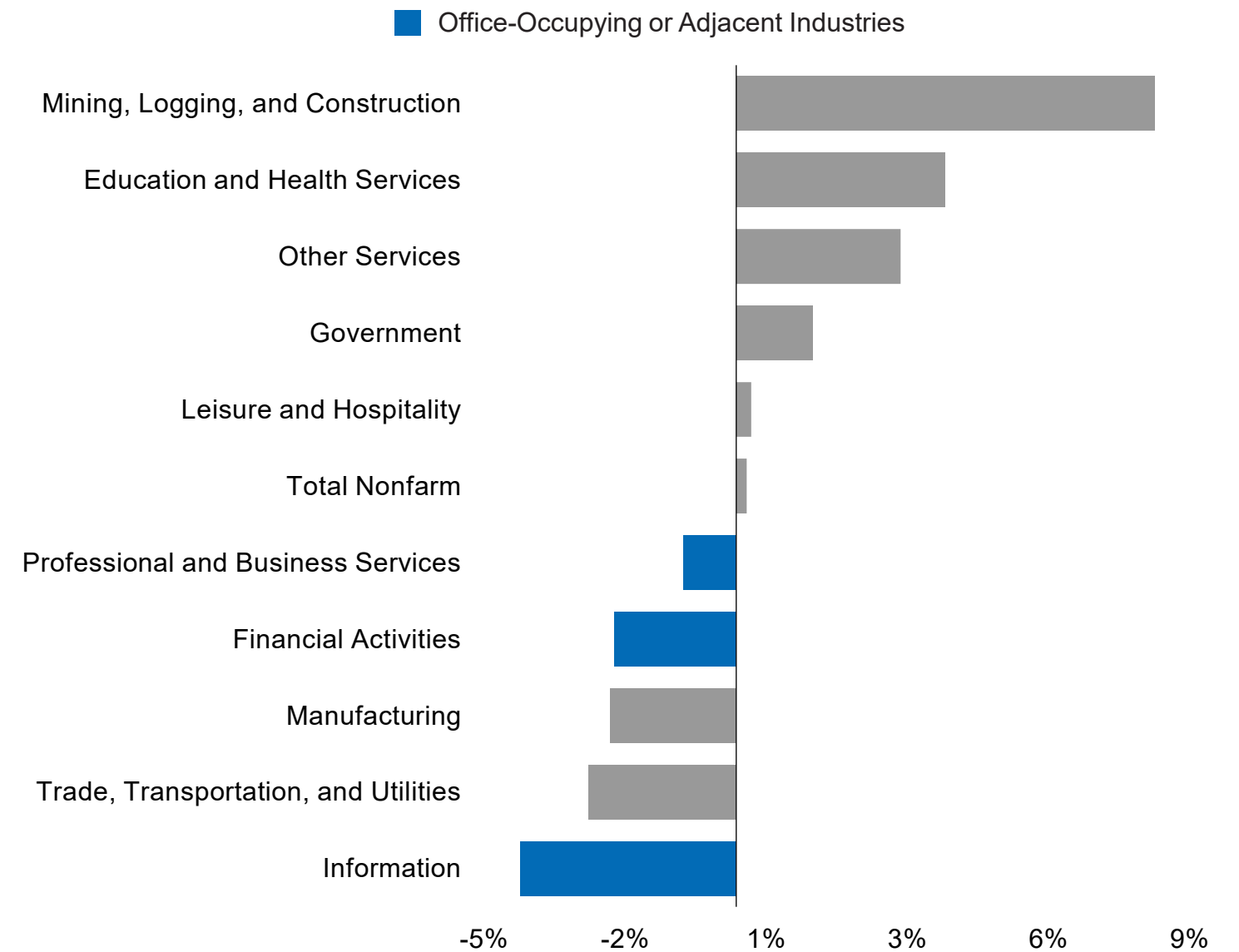
Job Growth Driven by Mining Sector, Office-Using Sectors All See Losses

The Mining, Logging, and Construction sector led all industries in annual job growth at 8.3% in August for the Columbus MSA. Education and Health Services grew by 4.1%, and Other Services had 3.3% growth. All office sectors experienced a loss of employment, with the Information sector leading the way with a decrease by 4.3% year-over-year. Financial Activities had a 2.4% loss and Professional and Business Services had a 1.1% decrease.

Employment by Industry, August 2024



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

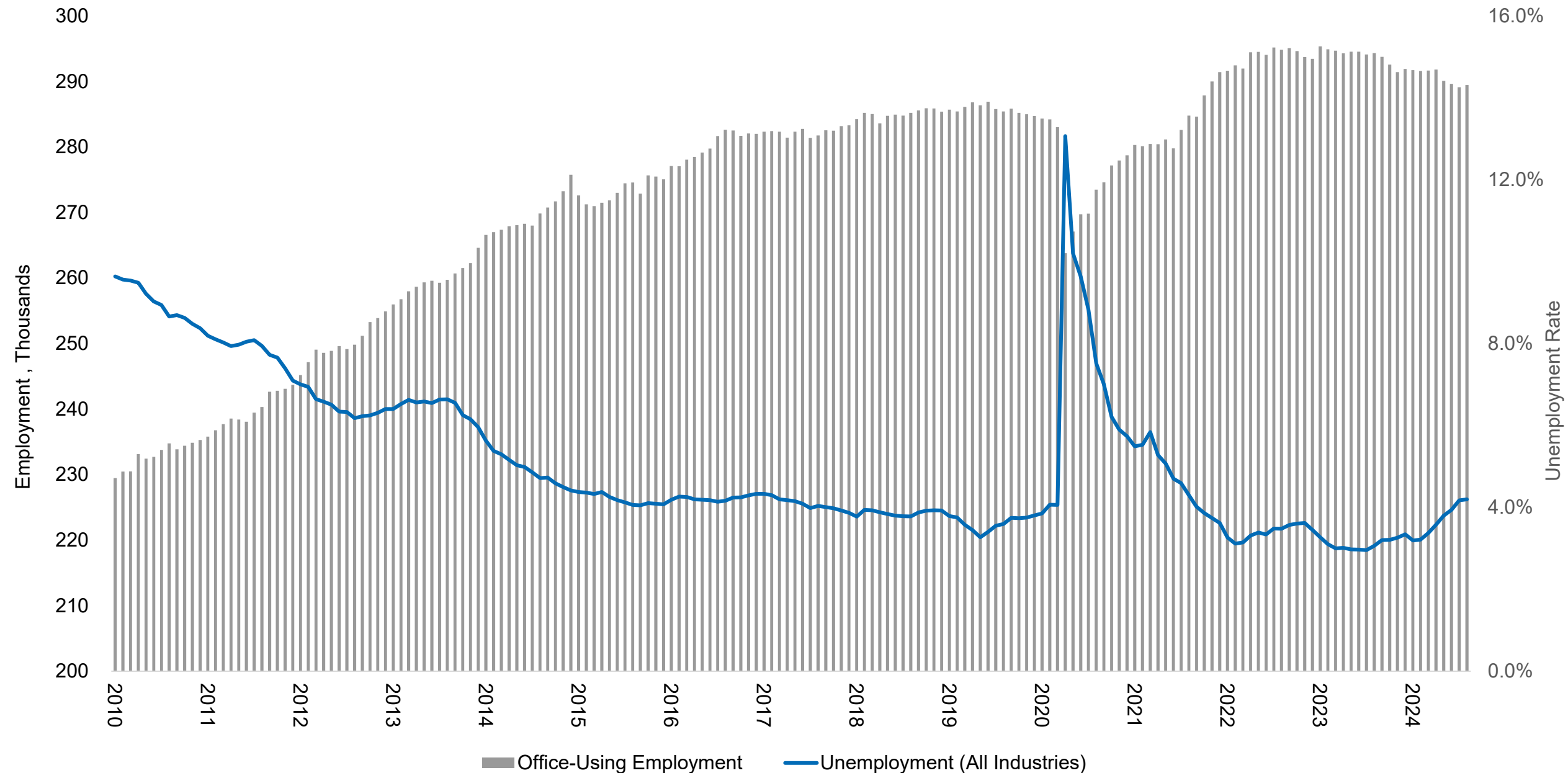


Source: U.S. Bureau of Labor Statistics, Columbus MSA

Office-Using Employment Lower Than This Time Last Year

The number of office-using jobs in the Columbus market as of August 2024 was once again much lower than the prior 12 months at just over 289,000, as the unemployment rate continues to tick up to its highest point in three years. The August number was up slightly from July but was the second-lowest figure of 2024 so far. You'd have to go back to October of 2021 for the last time office using employment was below 289,000.

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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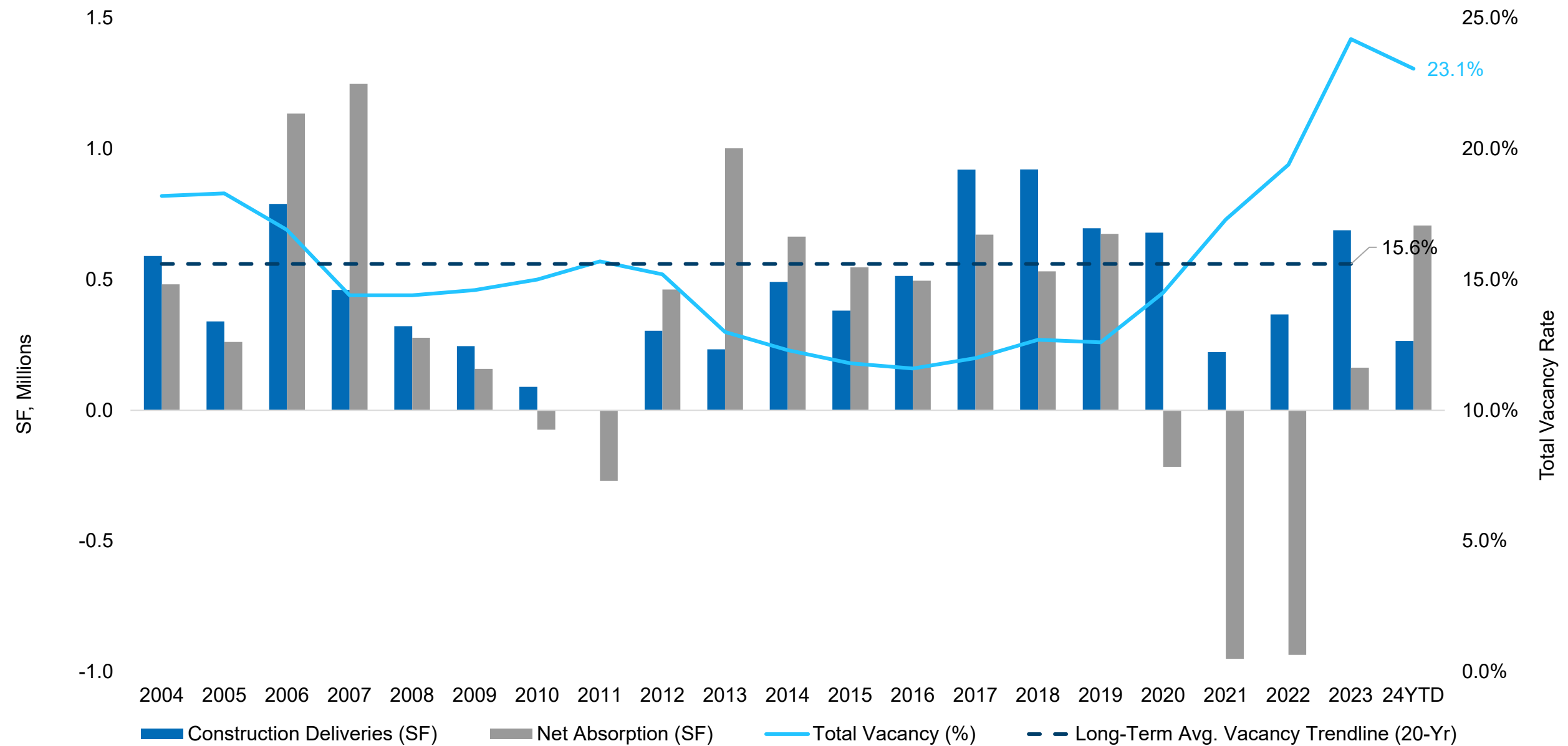
Leasing Market Fundamentals



Absorption in the Positive For Second Straight Quarter

The Columbus office market absorbed 124,735 SF this past quarter, much lower than last quarter's 708,390 SF, but still positive. Once again, the Dublin submarket absorbed the largest amount space for the past quarter, with tenants moving into a net positive 101,676 SF. While not a big change, the overall market's positive absorption dipped the third quarter vacancy by 30 basis points to 22.4%, the lowest vacancy rate since the fourth quarter of 2022's 21.1%. The office market has a long way to go to get back down to the 15.6% long-term average vacancy trendline.

Historical Construction Deliveries, Net Absorption, and Vacancy

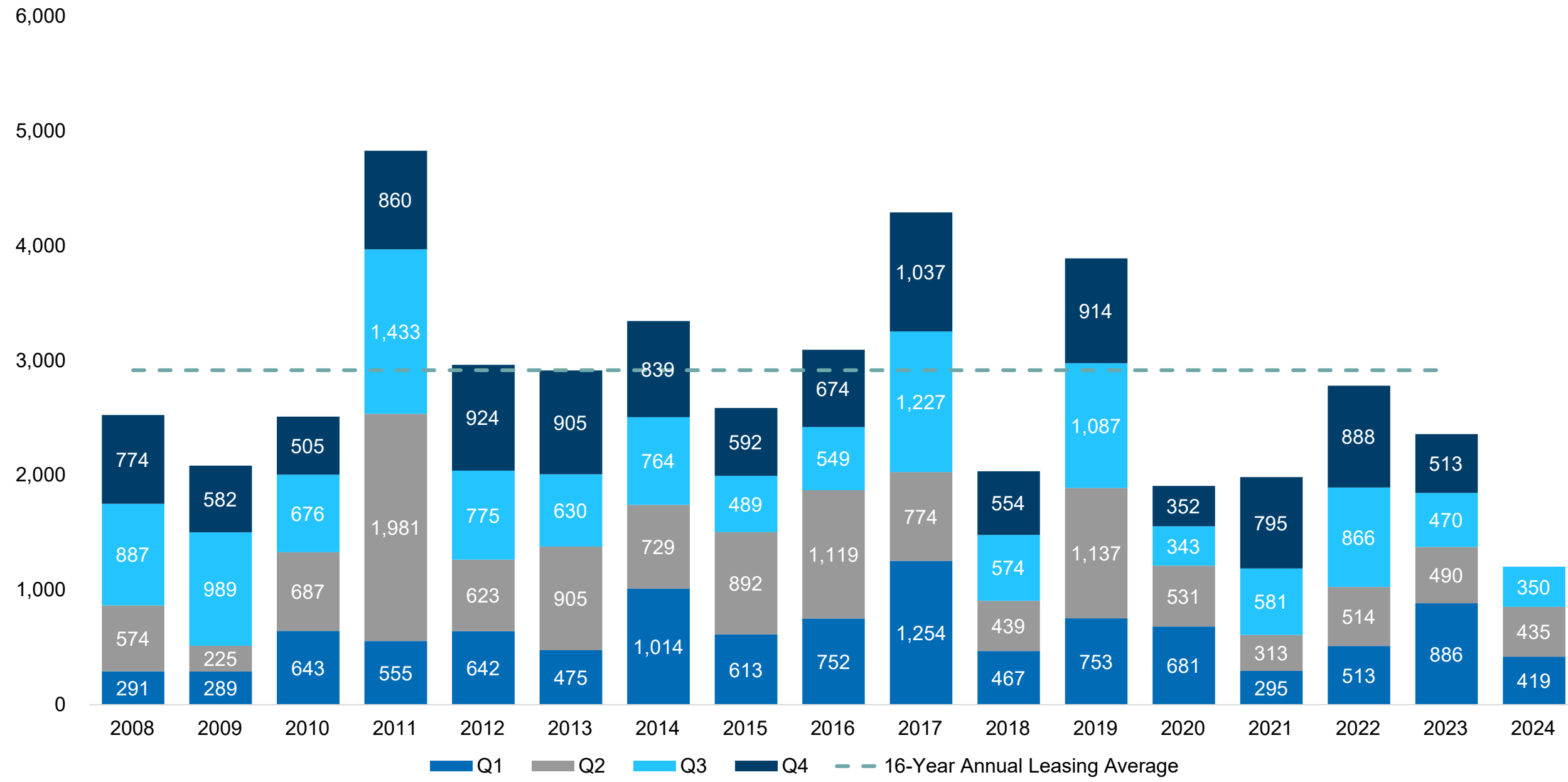


Source: Newmark Research, CoStar

Third Quarter Leasing Activity Amongst Lowest in Recent History

The third quarter of 2024 saw the lowest amount of leasing activity in the Columbus office market for a third quarter in at least 16 years, and the seventh lowest single quarter during that timeframe. So far in 2024, after a lower-than-average first quarter of leasing activity, second quarter volume crept upward, but then leasing came back down in the third quarter. Historically, the second half of the year is a stronger leasing time period, but the market will need to complete a significant amount of leasing in the fourth quarter to reach the historical annual average of 2.9 million SF.

Total Leasing Activity (thousands SF)

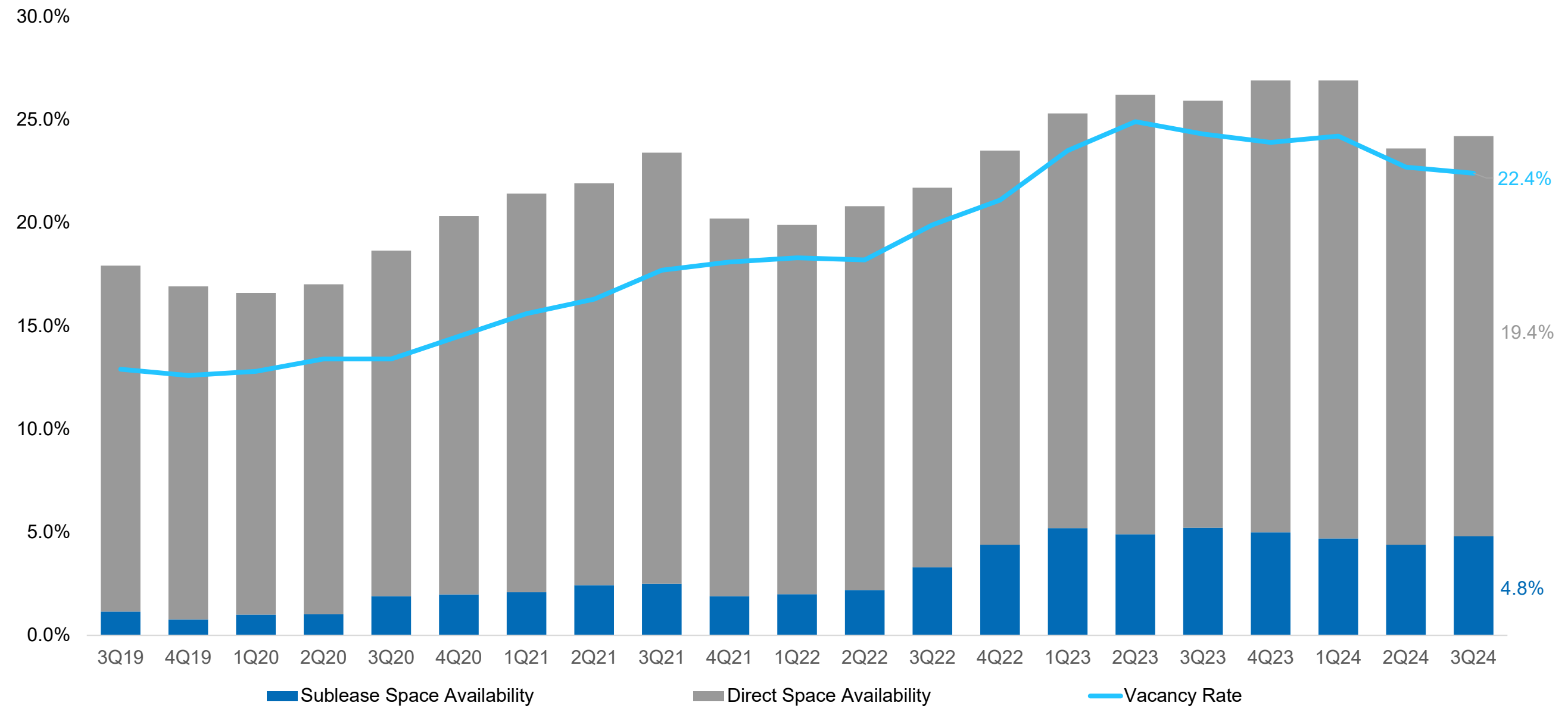


Source: Newmark Research, CoStar

Direct and Sublease Availability Both Up Slightly, While Vacancy Drops

Sublease availability crept upward this quarter, after falling for the three previous consecutive quarters. Direct availability also ticked up, by 20 basis points to 19.4%, still relatively low compared to what the market has seen since the end of 2022. However, overall vacancy has dropped while the overall availability has gone up, indicating that there are several spaces in the market that are being marketed for lease that are currently occupied, but are expected to vacate in the coming quarters.

Available Space as Percent of Overall Market

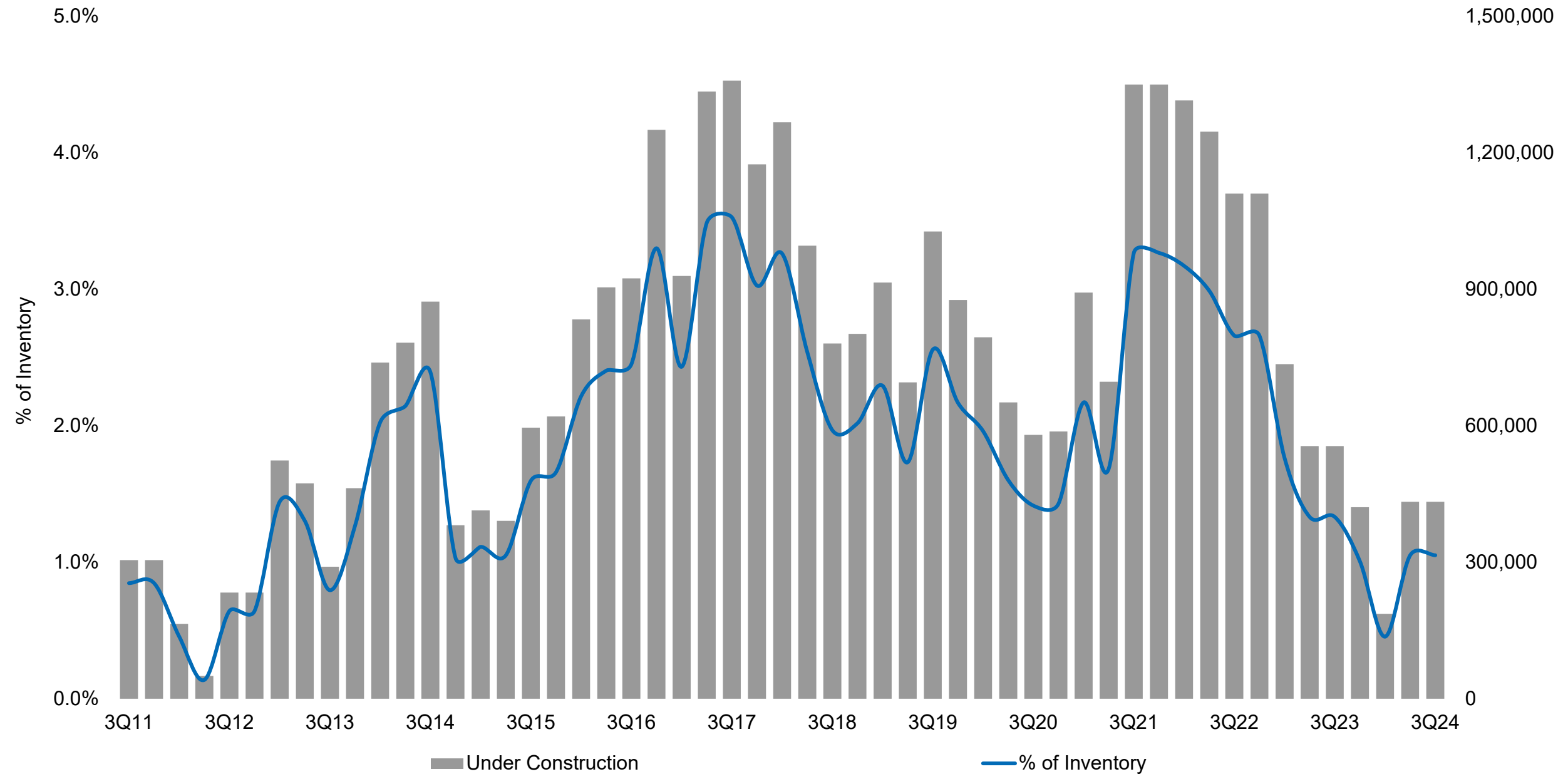


Source: Newmark Research

Construction Levels at Status Quo

Office construction in the third quarter of 2024 remained the same as the previous quarter at 432,832 SF, as no significant projects delivered or broke ground. Under construction projects represent 1.1% of the total office inventory.

Office Under Construction and % of Inventory

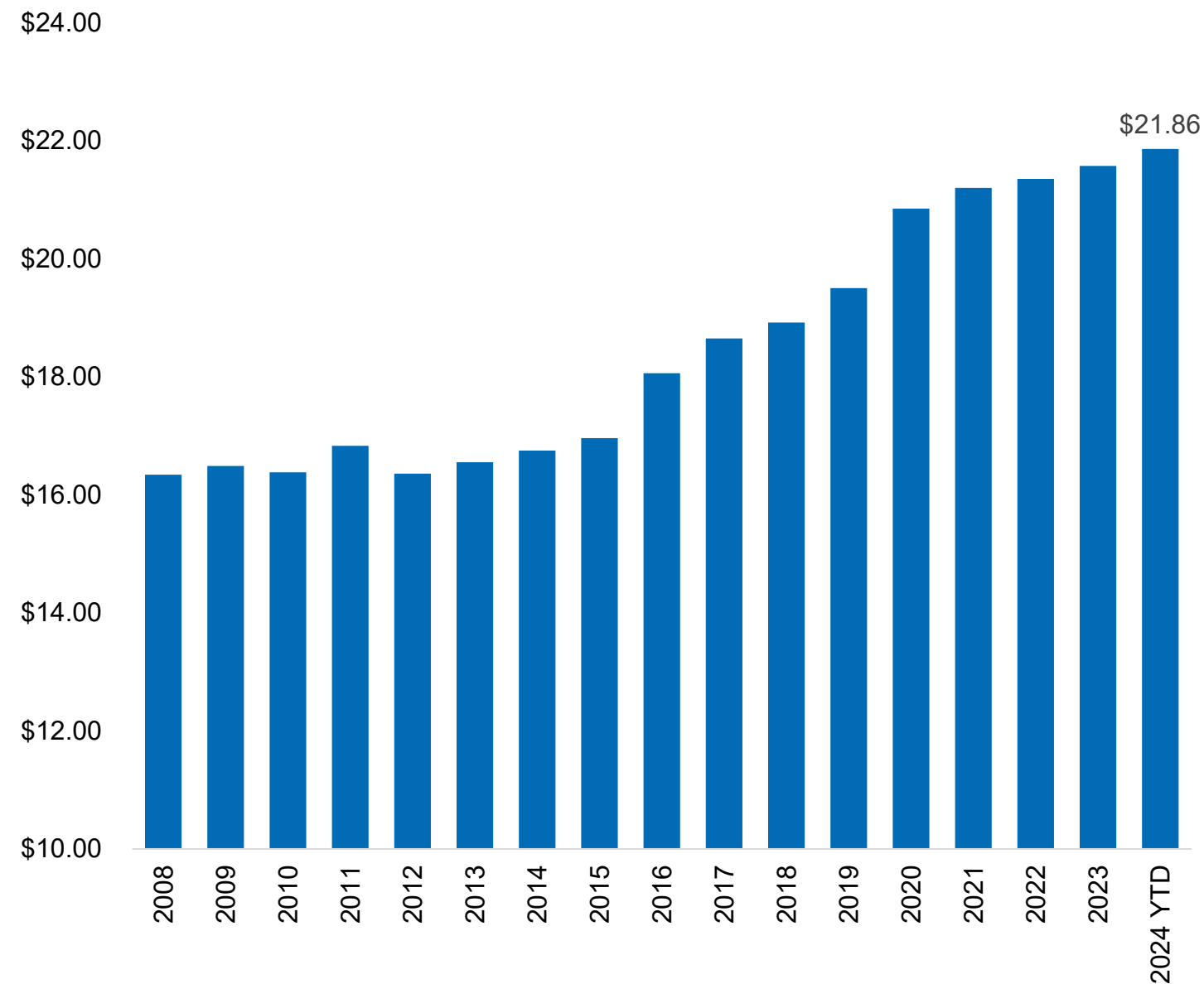


Source: Newmark Research, CoStar

Rental Rates Hit High Levels

Although vacancy rates fell slightly this past quarter, rental rates grew to \$21.86/SF for the first three quarters of 2024, a \$0.09/SF increase for the year-to-date average, prompted by the third quarter's average asking rental rate increasing by \$0.11/SF to \$22.03/SF. While there is still a flight-to-quality mentality amongst tenants, it is historically unusual for rents to continue to rise while demand for space is stagnant. However, tenants that command high-end office space have traditionally had to pay top-of-the-market rates, and that continues today despite uneven macroeconomic and market conditions and tepid lease demand.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

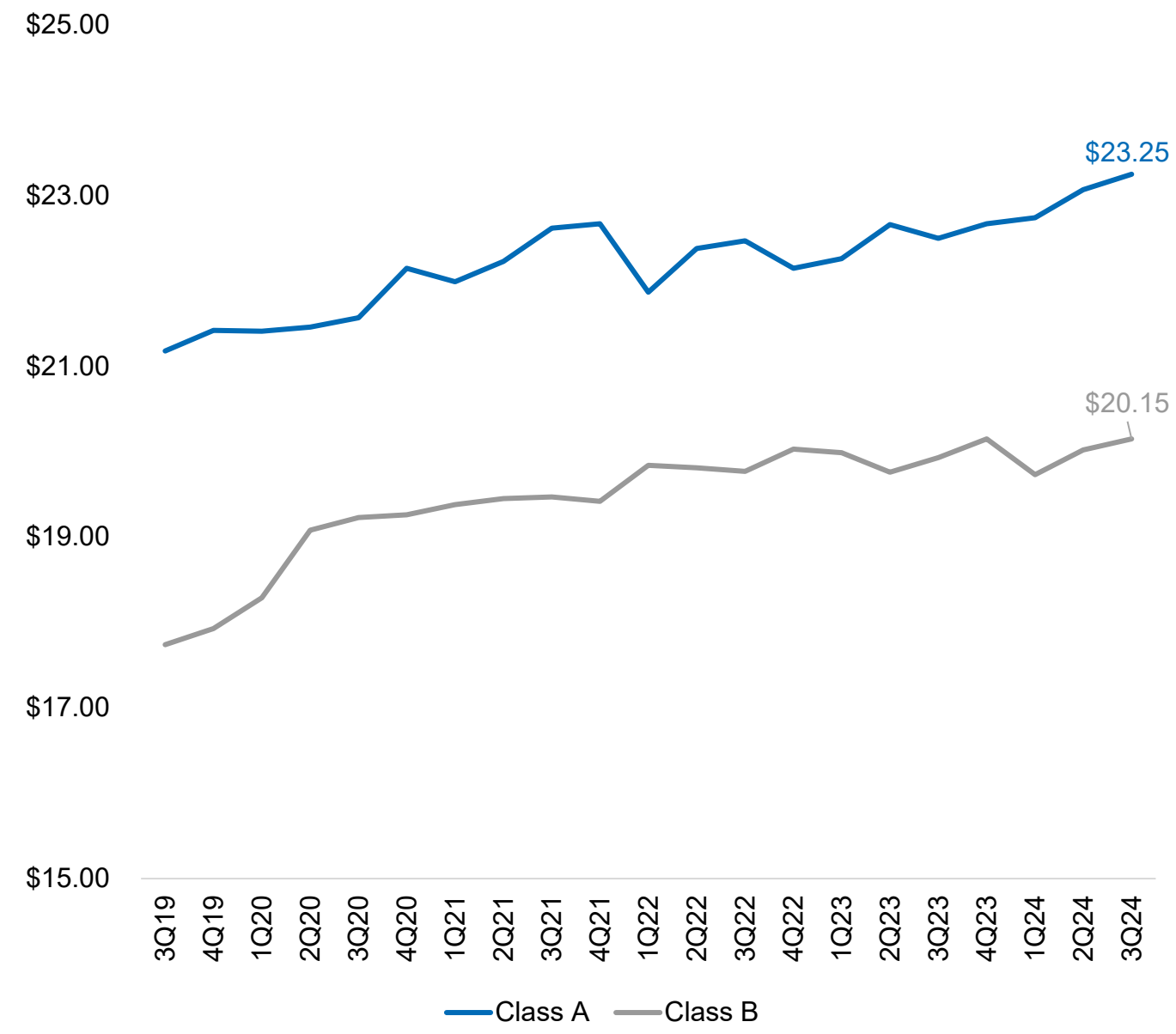


Source: Newmark Research, CoStar

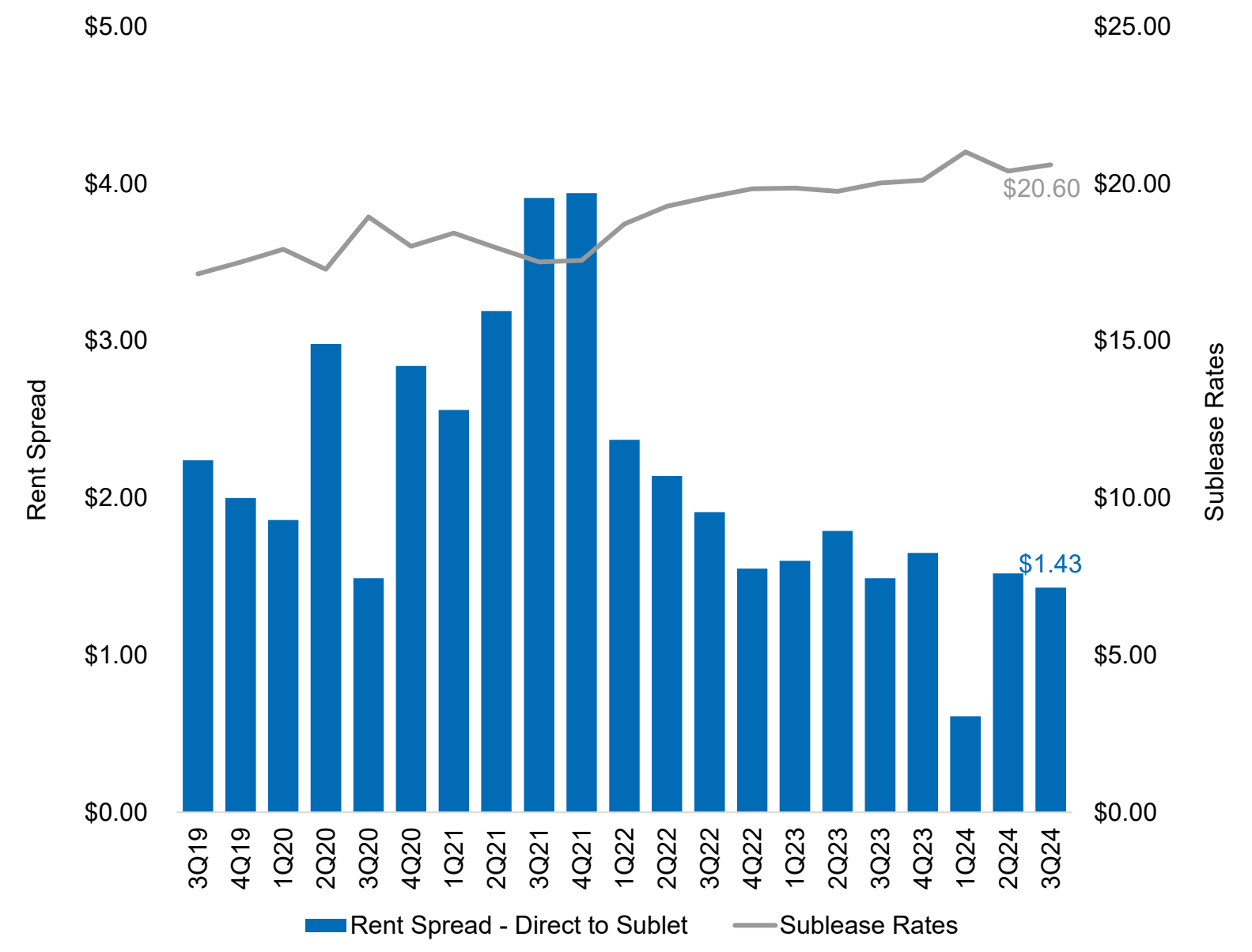
Rent Spread Between Sublease and Direct Space Increases Again

The discrepancy between asking rates for Class A and B office properties widened for the third straight quarter, as Class A rates rose to \$23.25/SF. Class B rates increased for the second straight quarter to \$20.15/SF. There is now a \$3.10/SF discrepancy between the two, a \$0.05/SF increase from the previous quarter. This huge rent gap between the “haves” and “have nots” of office space is largely informed by tenants seeking and retaining top-tier employees that expect to have a quality office to report to with high-end amenities and features both within the tenant space and the office building as a whole. The third quarter of 2024’s average sublease rate increased by \$0.20/SF to \$20.60/SF, which tightened the gap between sublease and direct rents to \$1.43/SF from \$1.52/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Lease and Sale Transactions in 3Q24

Select 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Morgan Stanley Smith Barney Financing	4343 Easton Commons	Easton	Renewal/Contraction	72,104
Husky Marketing and Supply Co. (Cenovus Energy)	4455 Bridge Park Ave.	Dublin	Direct	50,000
Bank of America	600 N. Cleveland Ave.	Polaris	Renewal	45,653
Diamond Hill Investments	325 John H. McConnell Blvd.	CBD	Renewal	37,829
Civil & Environmental Consultants Inc.	8800 Lyra Dr.	Polaris	Direct	22,866
KPMG	191 W. Nationwide Blvd.	CBD	Renewal/Expansion	21,536
SS&C Technologies	5200 Upper Metro Pl.	Dublin	Renewal	18,738
Franklin County Board of Elections	200 E. Campus View Blvd.	Worthington	Direct	15,253

Select 3Q24 Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
PPBJ Management LLC	5000 Horizons Dr.	Upper Arlington	\$2,600,000	12,356	\$210.42
Papachino Ohio LLC	330 E. Wilson Bridge Rd.	Worthington	\$1,525,000	11,565	\$131.86
MB Building IV LLC	63 Corbins Mill Dr.	Dublin	\$1,450,000	12,499	\$116.01
Fulks Family Dental	1144 Dublin Rd.	Grandview	\$1,650,000	18,088	\$91.22

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Appendix



Submarket Overview



Please reach out to your
Newmark business contact for this information

Additional Market Statistics

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Submarket Map



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