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Colliers

Ohio Office Market

Capital Markets Year-End Report

2021

Accelerating success

Overview

The purpose of this report is to focus on key market information that is relevant to investors interested in office property located in the state of Ohio. The primary information provided in this report are as follows: **significant office properties sold, current properties on the market, significant leases recently signed, as well as current developments underway.**

Leasing in 2021 increased 4.8% from 2020 where 725 new leases were signed. In 2022, we expect to continue in this direction with more people going back to work in the office rather than working from home. Total square feet leased increased in 2021 to 4,559,215 from 4,111,489 in 2020. Although total square footage increased along with the number of total leases signed, the average lease term has been dropping from its peak in 2019 of 70 months. Total leases and total square feet leased are expected to increase in 2022, with a continuation of desirable terms.

YOY Leasing Comparison

Metric	Year	Total	% Change 2020 vs. 2021
Total New Leases Signed	2021	760	4.83% ↑
	2020	725	
	2019	866	
Total SF Leased	2021	4,559,215 SF	18% ↓
	2020	4,111,489 SF	
	2019	6,541,556 SF	
Average Lease Term	2021	49 months	23% ↓
	2020	53 months	
	2019	56 months	

Investment Market and Sales Activity

Throughout Ohio, total office sales volume dropped 1.7% from \$923 million in 2020 to \$907 million in 2021. Now at the beginning of 2022, it's clear we are entering an office market recovery fueled by the removal of work-from-home orders and the general realization that it is time to get back to the office. At the conclusion of 2022, we expect the total sales to outpace the volume experienced prior to the pandemic in 2019. The average price per square foot has increased from \$107 at the middle of 2021 to \$113 at year-end 2021. There were 134 total sale transactions in 2021. We expect an increase in sales over the next 6 months due to the recent inflow of capital to the market coinciding with increased investor sentiment.

\$907M
Total Sales
Volume

8.40%
Average Cap Rate

7.6M
Total SF
Sold

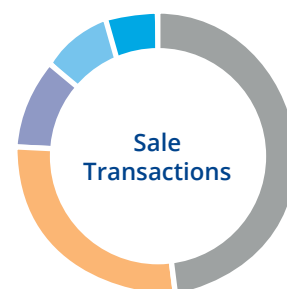
\$113
Avg PPSF

134
Sales Above
\$1m

760
New Leases
Signed

There have been 134 total sale transactions completed in 2021 above \$1M. Below is a more concise breakdown of transaction size ranges:

● \$1M - \$2M	58
● \$2M - \$5M	44
● \$5M - \$10M	15
● \$10M - \$20M	8
● \$20M +	9



Cleveland

In December Sherwin-Williams broke ground on their new downtown headquarters that will become apart of the Cleveland skyline. It is going to be a 36 story, 1M square foot tower right in the heart of the Central Business District.



Cincinnati

Greater Cincinnati office sales generally remain in flux as landlords grapple with declining occupancy and an uncertain future. But while many investors seem unwilling to take major risks in the sector, others are moving forward, primarily focused on strong lease term and credit in the suburbs.

Columbus

Columbus' overall sales volume was greatly enhanced by the prevalence of Owner-User sales as many companies flush with cash came to the conclusion that the benefits of owning your office space far outweigh the cost of leasing.

Cincinnati



Investment Market and Sales Activity

Office sales in the Greater Cincinnati market ended 2021 at \$281M in total volume. By comparison, sales volume for 2020 landed at \$295M. The average price per square foot declined as well, from \$387/SF at the end of 2020 to \$157/SF by the end of 2021. A downturn swept the office sales market as variants of the COVID-19 pandemic, and the fluid nature of office work, made investment in the sector more risky. Though there remains a large amount of capital in the broader commercial real estate market coinciding with positive investor sentiment, we expect the office sector to remain in a holding pattern until any company return-to-office trends create stabilized income for investors. Investors allocating capital to office assets seek stability in long-term leases, especially single-tenant or anchored properties, and medical office.

\$281M
Total Sales
Volume

8.00%
Average Cap Rate

2M
Total SF
Sold

\$157.44
Avg PPSF

43
Sales Above
\$1m

390
New Leases
Signed

There have been 43 total sale transactions completed in 2021 above \$1M. Below is a more concise breakdown of transaction size ranges:

● \$1M - \$2M	20
● \$2M - \$5M	14
● \$5M - \$10M	4
● \$10M - \$20M	2
● \$20M +	3



Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Cincinnati market in 2021:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
10151 Carver Rd	\$26,500,000	\$195.70	100%	10/13/2021	BDP Holdings	OA Development	6.20%
580 Atlas Air Way	\$26,350,000	\$263.34	100%	06/16/2021	Arch Street Capital Advisors	Al Neyer	5.80%
Mercy Health HQ	\$100,000,000	\$271.41	100%	04/14/2021	Rasameel Investment Co.	Cardinal Funding Co.	N/A

Featured Property on the Market

8800 Governors Hill Drive, listed by Colliers agent John Schenk, is on the market for \$2,500,000 (\$89.29/SF). This 28,000 square-foot office building has Interstate 71 frontage, and has a long-term lease commitment from Verizon on the second floor. With 14,000 square feet available on the first floor, this sale offers up the perfect owner occupancy opportunity.



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Cincinnati market in 2021:

Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
The Foundry - 505 Vine St	CBD	\$19.00/SF	12/29/2021	103,729	Divisions Maintenance Group
Northmark I - 10101 Alliance Rd	Blue Ash	\$19.50/SF	11/15/2021	47,435 (Sublease)	Protiviti
Deerfield Crossing B - 5191 Natorp Blvd	I-71 Corridor North	\$15.75/Sf	10/29/2021	55,000	Cengage

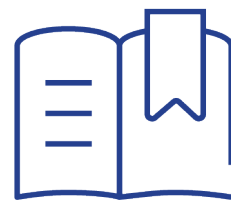
Featured Lease Transaction

Divisions Maintenance Group moved its headquarters from Newport to the Foundry building at 505 Vine St, a modern, mixed-use development in the heart of downtown Cincinnati. The facilities maintenance company leased 103,729 square feet in a major transaction led by Colliers Cincinnati agents John Schenk and Matt Smyth.



Lease Comparisons

Metric	Year	Total	% Change 2020 vs. 2021
Total New Leases Signed	2021	390	-6% ↓
	2020	413	
	2019	502	
Total SF Leased	2021	1,658,001 SF	86% ↓
	2020	1,414,834 SF	
	2019	2,496,948 SF	
Average Lease Term	2021	40 Months	-10% ↓
	2020	42 Months	
	2019	37 Months	



[Click here to view the most recent Cincinnati Office Trends Report.](#)

Cleveland

Investment Market and Sales Activity

The pandemic has played an effect across every market in the realm of investment and sales. Cleveland saw signs of recovery mid-way through 2021 and then faced some headwinds as new COVID-19 variants emerged towards the year-end. The Cleveland market ended the year with a total sales volume of \$345,245,259. Sales volume in 2020 ended up outpacing the sales volume in 2021 by approximately 10.5% at \$385,942,608. The average price per square foot was \$115 which is up from \$104 in 2020. With investor activity becoming more prevalent in the Cleveland market, expect sales volume to be higher in 2022 as the market comes out of its pandemic economic recovery.

\$345M
Total Sales
Volume

9.90%
Average Cap Rate

3.1M
Total SF
Sold

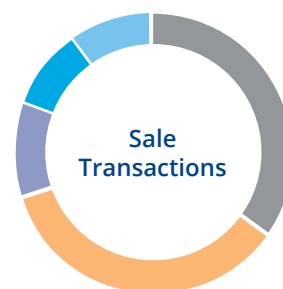
\$115
Avg PPSF

51
Sales Above
\$1M

139
New Leases
Signed

There have been 51 total sale transactions completed in 2021 above \$1M. Below is a more concise breakdown of transaction size ranges:

● \$1M - \$2M	19
● \$2M - \$5M	18
● \$5M - \$10M	5
● \$10M - \$20M	4
● \$20M +	5



Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Cleveland market in 2021:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
925 Keynote Circle Brooklyn Heights, OH	\$22,500,000.00	\$366.00	100%	Jul-21	Easterly Government Properties, Inc.	Omni, LLC	N/A
5885 Landerbrook Dr. Mayfield Heights, OH	\$7,250,000.00	\$82.73	100%	Sep-21	Reallife Real Estate Group	PDC Office Park	N/A
25200 Chagrin Blvd. Beachwood, OH	\$3,400,000.00	\$109.88	100%	Aug-21	Cleveland Primecare	Equities Watertower	N/A

Featured Property on the Market

30455 Solon Road, Solon, Ohio 44139

- GLA: 41,564 SF
- Year Built: 1980; renovated 2012
- Class A
- Sale Price: \$8,520,620
- Price/Sf: \$205.00
- Cap rate: 6.75%



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Cleveland market in 2021:

Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
191 American Blvd.	West	Withheld	Sep-21	27,400	Corrigan Krause
25825 Science Park Dr.	Chagrin Corridor	\$23.00	Sep-21	14,243	Spitz Law Firm
22901 Millcreek Blvd.	Chagrin Corridor	\$24.00	Oct-21	29,472	N/A

Featured Lease Transaction

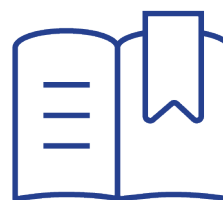
191 American Blvd., Westlake, Ohio 44145

- RBA: 79,800 SF
- Class B
- Submarket: West
- Area Leased: 27,400 SF
- Tenant: Corrigan Krause



Lease Comparisons

Metric	Year	Total	% Change 2020 vs. 2021
Total New Leases Signed	2021	139	6.08% ↓
	2020	148	
	2019	183	
Total SF Leased	2021	1,251,321 SF	17.21% ↓
	2020	1,511,410 SF	
	2019	1,986,746 SF	
Average Lease Term	2021	54 months	10.54% ↓
	2020	55 months	
	2019	60 months	



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Columbus



Investment Market and Sales Activity

Total office sales increased 15.64% from \$243M in 2020 to \$281M in 2021. Compare this to the 22.12% YoY decrease just one year prior. A total of 107 sales occurred accounting for 2,507,461 square feet of Columbus' office market. Of those 107 sales, only 40 were true investment sales – trading for over \$1M – while the rest were largely smaller, owner-user type sales. This trend is expected to continue as more supply comes on the market and more companies consider the benefits of owning office space (tax benefits, favorable financing terms, decreased occupancy costs, etc.).

Sales activity has not yet been able to eclipse let alone reach the pre-pandemic levels of 2019, though, things seem to be moving in that direction. With nearly \$200M of estimated value currently on the market for sale, there are plenty of opportunities for the investment market to make a strong push in Q1 2022.

\$281M
Total Sales
Volume

8.4%
Average Cap Rate

2.5M
Total SF
Sold

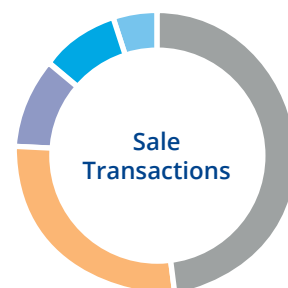
\$112
Avg PPSF

40
Sales Above
\$1m

231
New Leases
Signed

There was a total of 40 sale transactions above \$1M completed in 2021. Below is a more concise breakdown of transaction size ranges:

● \$1M - \$2M	19
● \$2M - \$5M	12
● \$5M - \$10M	6
● \$10M - \$20M	2
● \$20M +	1



Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Columbus market in 2021:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
910 John Street CoverMyMeds Bldg, One	\$120,000,000	\$550.46	100%	5/15/2021	Qatar First Bank	Cambridge Holdings, Inc.	6.36%
111 N 4th Street	\$62,600,000	\$125.96	100%	5/28/2021	Reign Capital	AT&T, Inc.	N/A
3100 Easton Square Pl	\$18,600,000	\$93.41	52%	1/22/2021	Viking Partners	Colony Capital, Inc.	N/A

Featured Property on the Market

2780 Airport Drive, Columbus, OH 43219

- 105,916 SF
- Occupancy: 86%
- In-Place NOI: \$1.28mm
- WALT: 6.13 years
- 41% GSA Occupancy
- Unpriced



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Columbus market in 2021:

Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
3075 Loyalty Circle	North Central	Confidential	10/4/2021	233,573	UpStart
1400 City View Drive	Arlington/Grandview	\$26.25 NNN	6/18/2021	121,500	BMW Financial
1325 W. Lane Avenue	Arlington/Grandview	\$19.50 NNN	5/27/2021	33,874	Northwestern Mutual

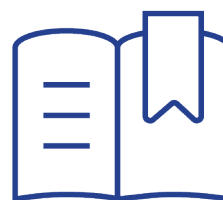
Featured Lease Transaction

In October 2021, UpStart signed a lease at 3075 Loyalty Circle for 233,573 SF. This is another great example of Columbus attracting up-and-coming tech companies as opposed to other tech hubs such as Austin, Denver, or Boston.



Lease Comparisons

Metric	Year	Total	% Change 2020 vs. 2021	
Total New Leases Signed	2021	231	41%	↑
	2020	164		
	2019	181		
Total SF Leased	2021	1,649,893 SF	39%	↓
	2020	1,185,245 SF		
	2019	2,057,872 SF		
Average Lease Term	2021	53 months	13%	↓
	2020	61 months		
	2019	70 months		



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2022 Outlook

As displayed above, the Central Ohio Office Market has been able to create significant positive momentum over the last 6 months. Looking ahead, we anticipate the office market will build upon this current momentum and finish the year strong. Currently there is approximately 2,600,000 SF of office space on the market with an estimated value of \$155,000,000. In light of the looming tax reforms we anticipate that the majority of the properties on the market will transact. Moreover, we expect leasing to accelerate over the coming months as employers continue to bring people back to the office. The potential fundamental shift as to how many companies utilize their office space is still yet to be seen but we believe the market has already shown it's resilience and is poised to be on track for a full recovery.



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