



# Office 23Q1

## Key Takeaways

- Vacancy rate for the first quarter increased to 18.73 percent
- Construction activity remained strong, with active projects totaling 1.1 million square feet
- Overall asking rates increased to \$22.02 FSG per square foot



## Regional Summary

The Columbus office market continues to adjust to the evolving workplace environment. Negative absorption was recorded for the first quarter of 2023, and the vacancy rate increased to 18.73 percent. From a positive perspective, asking rates increased by \$1.59 for an overall rate of \$22.02. The rising asking rates indicate that the demand for office space remains targeted on new construction and Class A space, which offers desirable amenities. Development remains strong, with 11 projects comprising 1,097,606 square feet under construction.

\*absorption calculated by occupancy date

## Market Indicators



**3.75%**  
Columbus  
Unemployment  
Rate



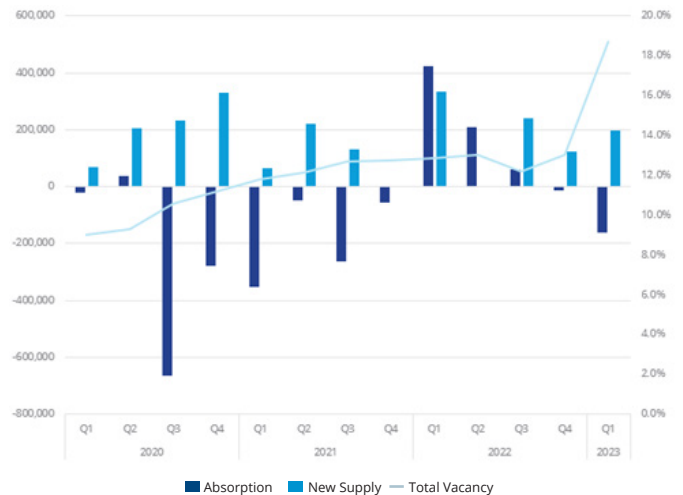
**1.06%**  
Columbus GDP-  
Quarterly %  
Change YoY



**3.48%**  
U.S. 10 Year  
Treasury Note

	23 Q1 Current
Total Inventory (in Thousands of SF)	52,166
New Supply (in Thousands of SF)	195
Net Absorption (in Thousands of SF)	(163)
Overall Vacancy	18.73%
Under Construction (in Thousands of SF)	1,097
Overall Asking Lease Rates (FSG)	\$22.02

## Market Graph



The office market has experienced numerous changes in the past three years. The market recorded negative absorption in the first quarter of 2023. Absorption has been decreasing since the first quarter of 2022.

\*A new statistics set for reporting trends was created at the beginning of 2023. Please note that when comparing current trends to past quarters, there will be some discrepancies. Colliers | Columbus tracks assets which are 20,000 square feet and above, Class A and B properties, single and multi-tenant and includes limited owner-occupied buildings.

## Recent Transactions



**Sale**

6500 New Albany Road  
New Albany | 333K SF



**Sale**

550 & 570 Polaris Pkwy  
Polaris | 279K SF



**Sale**

40 W Long St  
CBD | 210K SF



**Lease**

1105 Schrock Road  
Worthington | 45K SF



**Lease**

226 N 5th St  
CBD | 38K SF



**Lease**

5515 Parkcenter Circle  
Dublin | 21K SF



## Vacancy

The vacancy rate continues to increase, now at 18.73 percent. New Albany's rate at 30.97 percent is due to the Discover Building sale-leaseback. Additionally, Easton recorded an elevated rate when Upstart vacated 240,000 square feet at 3075 Loyalty Circle. Vacancy decreased to 15.90 percent in Gahanna/Airport after Designer Brands Inc. occupied over 57,000 square feet at Columbus International Aircenter, 3980-4020 E 5th Ave.

## Absorption

Market activity is often correlated to positive or negative absorption. However, in cases when a tenant leaves one space for another, the positive and negative absorption offset. The Market Activity Volume (MAV), which is the absolute sum of absorption change in the market, provides a better idea of overall activity. This quarter, the MAV was 1,300,730 square feet.

## Construction

Construction remains steady with 11 projects consisting of 1,097,606 square feet. The majority of office construction, over 430,000 square footage, is in the CBD submarket and is expected to deliver late fourth quarter or early 2024. The four properties under construction in the Arlington/Grandview, CBD and Dublin submarkets are all larger than 120,000 square feet. The remaining construction is in the North Central, North Delaware, Westerville and Worthington submarkets. A decrease in office construction is anticipated throughout the

remainder of 2023 while demand for furnished, renovated and quickly available spaces rises.

## Completions

One project delivered this quarter in the greater Columbus area. Gravity II's completion in the CBD submarket totals 195,000 square feet. This project joins the mixed-use space at Gravity I with 80,000 square feet of office space.

## Sales

This quarter, 52 office properties totaling over one million square feet sold in Central Ohio. The average price per square foot was \$169.62, and the average building size was just over 20,000 square feet.

The largest sale was in New Albany totaling over 333,000 square feet. Discover Financial Services sold its property at 6500 New Albany Road to Feazel for \$9.65 million (\$28.96 PSF). Westar I and II with over 279,000 combined square feet in Polaris, both sold to Melrose Solomon Enterprises.

## Significant Sales Activity

Address	Size	Buyer	Sales Price
6500 New Albany Road	333,168	Feazel	\$9,650,000
<b>550 &amp; 570 Polaris Parkway</b>	<b>279,912</b>	<b>Melrose Solomon Enterprises</b>	<b>Confidential</b>
5775 N Meadows Drive	40,257	Anchor Health Properties	\$10,200,000
4261 Morse Road	10,027	Columbus Pallet Recycling	\$2,000,000

## Significant Lease Activity

Address	Size	Tenant	Deal Type
<b>1105 Schrock Road</b>	<b>45,716</b>	<b>Hondros</b>	<b>New</b>
226 N 5th Street	38,807	Wow Business Services	Renewal
8101 N High Street	31,908	Hargrove Engineering	New
<b>5515 Parkcenter Circle</b>	<b>21,987</b>	<b>RXO Capacity Solutions, LLC</b>	<b>New</b>
3 Easton Oval	19,100	Northwest Bank Expansion	New
4249 Easton Way	19,081	Quanta Infrastructure Solutions Group	New
<b>929 Eastwind Drive</b>	<b>18,281</b>	<b>Surveying and Mapping, LLC</b>	<b>Expansion</b>
<b>570 Polaris Parkway</b>	<b>14,603</b>	<b>Hawa Inc.</b>	<b>New</b>

**Bold** Denotes Colliers Represented Transaction

Submarket	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Availability Rate	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries SF	Avg Direct Asking Rate (FSG)
Arlington/Grandview	4,144,381	12.43%	0.24%	12.85%	12.67%	-89,781	-89,781	134,396	-	\$23.61
CBD	17,192,145	13.28%	0.40%	17.39%	13.68%	-27,801	-27,801	298,937	195,000	\$22.80
Dublin	8,795,365	19.91%	6.58%	31.08%	26.49%	6,225	6,225	121,721	-	\$21.60
East	954,029	26.67%	0.00%	21.34%	26.67%	-1,851	-1,851	-	-	\$20.41
Easton	2,814,970	12.50%	14.18%	30.98%	26.67%	-324,305	-324,305	-	-	\$27.52
Gahanna/Airport	1,582,711	11.20%	4.70%	23.63%	15.90%	40,193	40,193	48,000	-	\$22.89
Hilliard	1,238,103	23.36%	1.18%	28.54%	24.55%	-165,349	-165,349	110,000	-	\$21.46
New Albany	2,040,541	20.99%	16.73%	61.00%	30.97%	438,376	438,376	-	-	\$24.23
North Central	2,303,367	7.82%	1.99%	12.00%	9.81%	13,083	13,083	212,898	-	\$21.51
North Delaware	711,108	1.86%	16.33%	19.06%	18.19%	-	-	30,000	-	\$20.76
Polaris	3,149,133	20.05%	1.03%	22.98%	21.09%	-57,099	-57,099	-	-	\$23.57
Powell	621,780	16.73%	0.00%	22.61%	16.73%	12,215	12,215	-	-	\$19.20
Southeast	570,590	7.30%	0.00%	8.08%	7.30%	-	-	-	-	\$21.67
Southwest	824,165	0.00%	0.00%	0.00%	0.00%	-	-	-	-	\$23.04
Westerville	2,236,743	9.94%	10.97%	28.35%	20.91%	53,067	53,067	90,000	-	\$18.54
Worthington	2,987,690	22.75%	2.05%	28.93%	24.80%	-60,278	-60,278	51,654	-	\$17.86
TOTAL	52,166,821	15.19%	3.81%	23.24%	18.73%	(163,305)	(163,305)	1,097,606	195,000	\$22.02

\*Deviations in comparing the previous quarter vacancy rates are due to the formation of the new statistic set.

Class	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Availability Rate	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries SF	Avg Direct Asking Rate (FSG)
A	24,993,597	17.48%	5.95%	28.82%	22.86%	131,013	131,013	1,097,606	195,000	\$23.69
B	28,794,169	13.23%	1.98%	18.05%	15.21%	-294,318	-294,318	-	-	\$21.29
TOTAL	52,166,821	15.19%	3.81%	23.24%	18.73%	(163,305)	(163,305)	1,097,606	195,000	\$22.02



## Appealing Amenities

Flight to quality is a significant shift that has affected the market. Although it has been trending for years, it is a top focus for landlords and tenants now more than ever with the hybrid working schedule. Landlords want their space to appeal to top tenants, while occupants prefer a space that encourages employees to work in the office. Benefits such as a gym, cafe, natural lighting, collaboration rooms, personalized areas and furnished spaces are examples people seek when considering flight to quality.

Source: Colliers US

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