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Colliers

Ohio Office Market

Capital Markets Mid-Year Report

2023

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.

Ohio has seen a nearly 60% year-over-year decline in sales volume. This significant decline in sales volume is, of course, not exclusive to Ohio. Many metros around the country have seen commercial real estate activity fall off a cliff after the unforeseen turmoil in the regional banking sector resulting in an extremely tight credit market. On top of this, the Federal Reserve has been unrelenting with regard to their hawkish monetary policy with many expecting more rate hikes in near term amounting to as high as 100bps. Thus, activity is not expected to pick up any time soon and property values are expected to continue their decline as the cost of capital rises and lease term diminishes.

YOY Leasing Comparison

Metric	Year	Total	% Change 2021 vs. 2022
Total New Leases Signed	2023	952	16.24% ↑
	2022	819	
	2021	749	
Total SF Leased	2023	3,390,193 SF	0.68% ↓
	2022	3,413,462 SF	
	2021	2,249,716 SF	
Average Lease Term	2023	41 months	2.63% ↓
	2022	42 months	
	2021	36 months	

Cleveland

Cleveland is currently in the works of planning an experiential lighting experience throughout areas of downtown to further show off the beautiful architecture and enhance the experience for visitors making it more attracting for what the city has to offer in the primetime.



Cincinnati

Cincinnati has shown it is continually working to adapt to rapidly changing market conditions in the first half of 2023. The flight to high quality, smaller office spaces continues to be the dominant trend in the local market. Additionally, office to multifamily conversions are beginning to creep out of downtown into suburban areas. Industrial construction activity has continued to see a decline due to a large volume of speculative space remaining vacant upon delivery. The market can expect a halt in future speculative construction activity until existing inventory becomes occupied.

Columbus

Columbus is gearing up for major changes to the city's population. Many demographers expect Columbus to nearly double its population by 2050. To accommodate this level of growth, city leaders are already putting a plan in place. Part of that plan is office to residential conversions. Buildings like the PNC Building, Continental Centre, and, most recently, Chase Tower are at the center of major office-to-residential conversion projects underway. These projects will serve as great case studies and their success will be crucial for this trend to continue.



Sales Activity

Investment Market and Sales Activity

Throughout Ohio, total office sales volume is \$171M at the halfway point of 2023. On pace to complete just over \$300M in sales volume, this would result in a nearly 60% year-over-year decline in sales volume. While Cincinnati and Cleveland have really struggled, the state's capitol city, Columbus, posted a respectable \$102M in sales volume, accounting for nearly 60% of the state's activity.

There have been 10 total sale transactions completed in 2023 above \$1M. This includes investor, owner-user and medical user sales. Below is a more concise breakdown of transaction size ranges:

● \$1M - \$2M	34
● \$2M - \$5M	22
● \$5M - \$10M	7
● \$10M - \$20M	11
● \$20M +	2



Investment and Owner User Sales

\$171M Total Sales Volume	8-9% Average Cap Rate
5.8M Total SF Sold	\$101 Avg PPSF
48 Sales Above \$1m	953 New Leases Signed

Medical Office Sales

\$36M Total Sales Volume	6.5-7.5% Average Cap Rate
281,750 Total SF Sold	\$143 Avg PPSF
41 Sales Above \$1m	55 New Leases Signed

**Numbers not included in Investment/Owner User numbers.*

Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in Ohio in the first half of 2023:

Notable Sale Transactions

Building Photo	Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
	550 & 570 Polaris Parkway Westerville, OH 43082	\$31,000,000	\$110.75	91%	1/20/2023	Melrose Solomon	Highbrook Properties	8.0%
	7550-7576 Bales St Liberty Township, OH 45069	\$16,200,000	\$162.00	98.3%	6/16/2023	Realife Real Estate Group	The Daimler Group Inc.	N/A
	237 William Howard Taft Rd Cincinnati, OH 45219	\$12,500,000	\$75.76	100.0%	3/31/2023	<i>Uptown Rental Properties</i>	<i>Sila Realty Trust</i>	N/A
	5775 N Meadows Rd Grove City, OH 43123	\$10,200,000	\$253.37	100%	3/23/2023	<i>Anchor Health Properties</i>	<i>Trivium Development</i>	6.0%
	6500 New Albany Rd New Albany, OH 43054	\$9,650,000	\$28.96	0%	3/8/2023	Feazel	Discover Financial Services	N/A
	8600-8650 Governors Hill Dr Cincinnati, OH 45249	\$8,500,000	\$45.34	52.8%	3/2/2023	Ackermann Group	Smith/Halleman Partners	N/A
	125 Dillmont Dr Columbus, OH 43235	\$5,349,851	\$376.48	100.00%	3/7/2023	Audra Robbins	Murphy Real Estate Services	7.0%
	1500 Lake Shore Dr Columbus, OH 43204	\$4,975,000	\$92.74	100.00%	3/31/2023	1500 Lake Shore LLC	Stantec	9.0%
	4450 Cranwood Pky Warrensville, OH 44128	\$4,500,000	\$145.74	100.00%	6/1/2023	Ocean Bay Partners	NSL Analytical Services, Inc.	8.6%

***Bold** denotes a Colliers transaction

***Italics* denotes a medical office transaction

Featured Colliers Transaction

570, 550 Polaris Parkway, Westerville

New York based investor, Melrose Solomon, purchased both 570 and 550 Polaris Parkway for a combined \$31M on 1/20/2023. Also known as Westar I & II, this pair of multi-tenant, class A suburban office buildings totaling 279,912 SF were approximately 91% leased at the time of sale.

The Colliers | Columbus team of Daniel Dunsmoor, Andrew Jameson and Michelle Fude represented the seller, Highbrook Properties, during the sale.





Cincinnati

Investment Market and Sales Activity

Transaction activity improved steadily for most of 2022 before notably slowing at year end and into the first half of 2023. As is commonplace in many markets, redevelopment opportunities continue to generate office trades although at a discount to typical pricing levels. The most notable transaction occurred in March as the Governor's Hill property in Mason is slated for conversion.

There have been 10 total sale transactions completed in 2023 above \$1M. This includes investor, owner-user and medical user sales. Below is a more concise breakdown of transaction size ranges:

- \$1M - \$2M 5
- \$2M - \$5M 2
- \$5M - \$10M 1
- \$10M - \$20M 2
- \$20M + 0



Investment and Owner User Sales

\$37M Total Sales Volume	8.5-9% Average Cap Rate
742k Total SF Sold	\$50 Avg PPSF
7 Sales Above \$1m	301 New Leases Signed

Medical Office Sales

\$7.8M Total Sales Volume	6.54% Average Cap Rate
61,869 Total SF Sold	\$161 Avg PPSF
2 Sales Above \$1m	22 New Leases Signed

**Numbers not included in Investment/Owner User numbers.*

Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Cincinnati market in the first half of 2023:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
7550-7576 Bales St Liberty Township, OH 45069	\$16,200,000	\$162.00	98.3%	6/16/2023	Realife Real Estate Group	The Daimler Group Inc.	N/A
237 William Howard Taft Rd Cincinnati, OH 45219	\$12,500,000	\$75.76	100.0%	3/31/2023	Uptown Rental Properties	Sila Realty Trust	N/A
8600-8650 Governors Hill Dr Cincinnati, OH 45249	\$8,500,000	\$45.34	52.8%	3/2/2023	Ackermann Group	Smith/Halleemann Partners	N/A

Featured Property on the Market

Chamber Office Park Portfolio

Chamber Office Park is a 10 building portfolio in the heart of Fort Mitchell, KY being represented for sale by Christian Rahe & Christian Evanhec of Colliers. The 179,092 SF portfolio boasts an average occupancy of 95% within it's offices. Fort Mitchell is home to a well educated and affluent population, with nearly 50% of the 25+ population having achieved a bachelor's degree or higher, and an average income of over \$100k per household.



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Cincinnati market in the first half of 2023:

Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
191 Rosa Parks St Cincinnati, OH	CBD	\$28.00 MG	4/15/2023	32,464	Staffmark
201 E 5th St Cincinnati, OH	CBD	\$22.00 NNN	3/13/2023	18,415	Core Specialty Insurance
50 E Rivercenter Blvd Covington, KY	Northern KY Riverfront	\$17.00 NNN	May 2023	16,745	Protective Life Insurance Co

Featured Lease Transaction

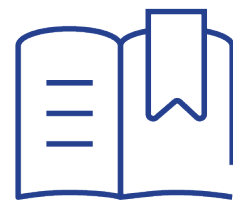
Staffmark at 191 Rosa Parks St.

Staffmark subleased 32,464 SF at GE's Global Operations Center in the banks region of downtown Cincinnati. The 338,000 SF Class A office building was fully occupied by GE until the company downsized their footprint within the building. Staffmark took occupancy in Q2 23.



Lease Comparisons for Q1-Q2 YoY

Metric	Year	Total	% Change 2022 vs. 2023
Total New Leases Signed	2023	301	6.36% ↑
	2022	283	
	2021	261	
Total SF Leased	2023	1,218,099	8.51% ↓
	2022	1,331,344	
	2021	683,219	
Average Lease Term	2023	41 Months	16.33% ↓
	2022	49 Months	
	2021	35 Months	



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



Cleveland

Investment Market and Sales Activity

The first half of 2023 in the Cleveland market followed suit of many other markets on the investment side, lagging. Sales activity was down nearly 22% for the market and values of buildings continue to decrease and are selling discounted. The average price per square foot is \$106.00 which is up from \$96.00 a year ago. That can be slightly misleading due to deals that have been off-market or not disclosed. Based on the latest from the Federal Reserve, a couple more interest rate hikes are still on table this year as they try to control inflation, so fundamentals could remain down for the rest of the year before some potential momentum can build in 2024. Northeast Ohio has approximately \$959m in loans set to mature by the end of 2024 and things could get interesting as refinancing would be a challenge.

Investment and Owner User Sales

\$33M Total Sales Volume	8-8.5% Average Cap Rate
3.4M Total SF Sold	\$106 Avg PPSF
12 Sales Above \$1m	279 New Leases Signed

There have been 15 total sale transactions completed in 2023 above \$1M. This includes investor, owner-user and medical user sales. Below is a more concise breakdown of transaction size ranges:

- \$1M - \$2M 8
- \$2M - \$5M 7
- \$5M - \$10M 0
- \$10M - \$20M 0
- \$20M + 0



Medical Office Sales

\$7.5M Total Sales Volume	7.5% Average Cap Rate
61,869 Total SF Sold	\$136 Avg PPSF
3 Sales Above \$1m	11 New Leases Signed

**Numbers not included in Investment/Owner User numbers.*

Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Cleveland market in the first half of 2023:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
4450 Cranwood Pky Warrensville, OH 44128	\$4,500,000.00	\$145.74	100.00%	6/1/2023	Ocean Bay Partners	NSL Analytical Services, Inc.	8.60%
14650 Detroit Ave Lakewood, OH 44107	\$2,400,000.00	\$31.12	100.00%	3/16/2023	Riverside Abstract	North Pointe Realty	8.00%
11811 Shaker Blvd Cleveland, OH 44120	\$2,266,000.00	\$45.32	85.83%	1/6/2023	Ogbonnaya Okoroafor	Shaker Square Area Development	N/A

Featured Property on the Market

1801 E 9th & 1111 Chester Ave.

Ohio Savings Plaza and Park Plaza, a two-building portfolio in Cleveland. The 500,352 SF portfolio boasts an average occupancy of 54% in the two Class B buildings. 1801 E 9th is 18 stories and 1111 Chester Ave is 9 stories.



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Cleveland market in the first half of 2023:

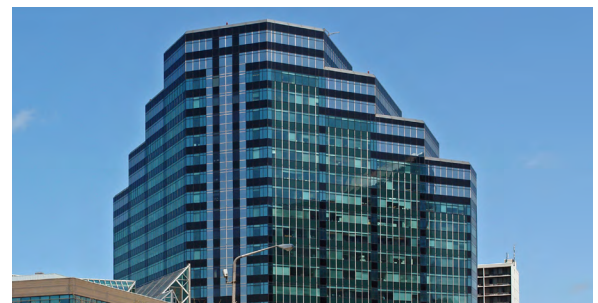
Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
1500 W 3rd St Cleveland, OH 44113	CBD	\$18.00 MG	3/2/2023	50,000	Walter Haverfield
1001 Lakeside Ave E Cleveland, OH 44114	CBD	\$23.00 FSG	2/2/2023	50,000	Ernst & Young
8160 Norton Pky Mentor, OH 44060	Northeast	\$27.00 NNN	1/24/2023	10,694	Burgess & Niple

Featured Lease Transaction

Ernst & Young at 1001 Lakeside Ave E

In a move that shocked the local market, Ernst & Young decided to leave their building in the Cleveland Flats. The 10 year old building contained their naming rights and was the newest office in the CBD. They are leaving for a smaller, dated office in North Point Tower and will get naming rights.



Lease Comparisons for Q1-Q2 YoY

Metric	Year	Total	% Change 2022 vs. 2023
Total New Leases Signed	2023	279	8.56% ↑
	2022	257	
	2021	283	
Total SF Leased	2023	692,832	31.78% ↓
	2022	1,015,536	
	2021	833,089	
Average Lease Term	2023	36 Months	2.86% ↑
	2022	35 Months	
	2021	39 Months	



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Columbus

Investment Market and Sales Activity

Columbus' total office sales volume totaled over \$125M at the halfway point of 2023, lagging behind 2022's pace of \$370M. While activity has surely slowed this year, Columbus has remained resilient and has accounted for roughly 60% of the state's total sales volume. The slowed activity experienced thus far in 2023 will likely persist until an impending "pivot" from the Federal Reserve occurs which many believe could come as early as Q1 next year. Until then, it is clear many market participants, especially lenders, are simply unwilling to play ball.

There have been 34 total sale transactions completed in 2023 above \$1M. This includes investor, owner-user and medical user sales. Below is a more concise breakdown of transaction size ranges:

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



Investment and Owner User Sales

\$102M Total Sales Volume	8.5-9% Average Cap Rate
1.7M Total SF Sold	\$148 Avg PPSF
29 Sales Above \$1m	160 New Leases Signed

Medical Office Sales

\$23M Total Sales Volume	6.5-7% Average Cap Rate
149,180 Total SF Sold	\$157 Avg PPSF
5 Sales Above \$1m	55 New Leases Signed

**Numbers not included in Investment/Owner User numbers.*

Notable Sale Transactions

Below is a summary of the top office investment sale transactions that occurred in the Columbus market in the first half of 2023:

Notable Sale Transactions

Address	Sold Price	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
550 & 570 Polaris Parkway Westerville, OH 43082	\$31,000,000	\$110.75	91%	1/20/2023	Melrose Solomon	Highbrook Properties	8%
5775 N Meadows Rd Grove City, OH 43123	\$10,200,000	\$253.37	100%	3/23/2023	Anchor Health Properties	Trivium Development	6%
6500 New Albany Rd New Albany, OH 43054	\$9,650,000	\$28.96	0%	3/8/2023	Feazel	Discover Financial Services	N/A

Featured Property on the Market

Corporate Exchange I & II

Corporate Exchange I & II are two premier Midwest suburban office buildings located at 2550-2600 Corporate Exchange Dr. The portfolio, located in one of Columbus' largest submarkets, Westerville, consists of two Class A, 3 and 4-story office buildings containing a total of 194,906 rentable square feet and is currently 80.98% leased.



Notable Lease Transactions

Below is a summary of the top office lease transactions that took place in the Columbus market in the first half of 2023:

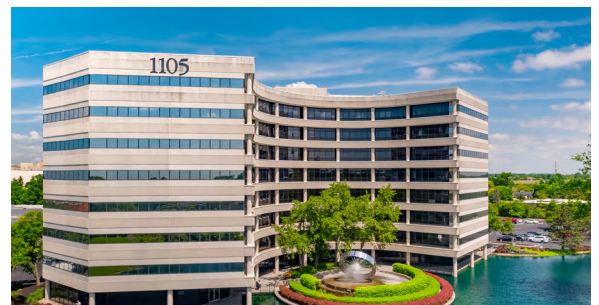
Notable Lease Transactions

Address	Submarket	Asking Rental Rate	Lease Date	Square Feet	Tenant
3100 Easton Square Pl	Easton	\$15.00 NNN	4/1/2023	94,000	NetJets
4900 E Dublin Granville Rd	Westerville	\$24.00 FSG	4/17/2023	59,390	Washington Prime
1105 Schrock Rd	Worthington	\$17.00 MG	2/24/2023	45,716	Undisclosed Education

Featured Lease Transaction

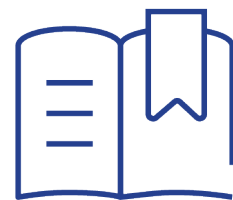
Education Services Company at 1105 Schrock Rd

A Large Education Services company signed a 10.5-year 45,716 SF direct lease at 1105 Schrock Road. Colliers' Andrew Jameson represented the Landlord in the transaction.



Lease Comparisons for Q1-Q2 YoY

Metric	Year	Total	% Change 2022 vs. 2023
Total New Leases Signed	2023	372	33.33% ↑
	2022	279	
	2021	205	
Total SF Leased	2023	1,479,262	38.69% ↑
	2022	1,066,582	
	2021	733,408	
Average Lease Term	2023	45 Months	11.47% ↑
	2022	41 Months	
	2021	35 Months	



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

Second Half 2023 Outlook

Challenges are more clearly defined as compared to the latest downturn stemming from the pandemic in 2020. Investors in the market face difficulties in securing their financing, while valuations and overall pricing continue to settle. With demand building due to a slow first half, transactional volume will be something to watch for as we move forward.

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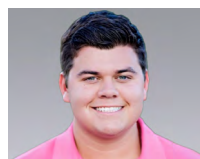
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