



Colliers



Columbus 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 Central Ohio. The primary information provided in this report is as follows: significant office properties sold, current properties on the market, significant leases recently signed, as well as current developments underway.

Economic Outlook

Commercial real estate lending fell for the first time in two years as total debt on commercial property fell to \$5.44 trillion in June. Lending institutions have been put on notice following major bank failures due to the devaluation of bonds caused by rate hikes. Like bonds, real estate values are highly sensitive to rates, consequently, many lenders have put a pause on commercial real estate activities. Those who are still actively lending are much more selective with regard to property type, the borrower's credit worthiness etc. and are not able to provide as aggressive of terms as they once could. Consequently, sales volume has plummeted nationally resulting in a 57% YoY decline in Q1 2023.

In Columbus, we're experiencing a similar fate. Sales volume has declined by almost 30% YoY as many market participants have gone pencils down. However, as loans continue to near their maturities and we near the end of the Federal Reserve's rate hiking, there are many reasons to believe that things will normalize in the next 12-36 months.



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.

In this iteration of the report, we've decided to isolate medical sales from investment and owner user sales to provide a more holistic view of the market.

There have been 34 total sale transactions completed in 2023 above \$1M. 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

149k
Total SF
Sold

\$157
Avg PPSF

5
Sales Above
\$1m

20
Total Sales

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

Significant Sales

Below is a sampling of some of the largest office investment sale transactions that occurred in the first half of 2023:

Address	Submarket	Sold Price	SF	Price PSF	Occupancy	Sold Date	Buyer	Seller	Cap Rate
550 & 570 Polaris Parkway	Polaris	\$31,000,000	279,912	\$110.75	91%	1/20/2023	Melrose Solomon	Highbrook Properties	8%
5775 N Meadows Rd	Southwest	\$10,200,000	40,257	\$253.37	100%	3/23/2023	Anchor Health Properties	Trivium Development	6%
6500 New Albany Rd	Westerville	\$9,650,000	333,168	\$28.96	0%	3/8/2023	Feazel	Discover Financial Services	N/A
125 Dillmont Dr	Worthington	\$5,349,851	14,210	\$376.48	100%	3/7/2023	Audra Robbins	Murphy Real Estate Services	7%
1500 Lake Shore Dr	Grandview/ Upper Arlington	\$4,975,000	53,646	\$92.74	100%	3/31/2023	1500 Lake Shore, LLC	Stantec	9%
1 E Campus View Blvd	Worthington	\$3,104,047	57,855	\$53.65	85%	4/10/2023	Alterra Real Estate Advisors	Auto-Owners Insurance	14%
4500 S Hamilton Rd	Southeast	\$3,000,000	58,330	\$51.43	0%	4/12/2023	Groveport Madison Schools	Broadstone Net Lease, Inc	N/A

Featured Sale Transaction




570 and 550 Polaris Parkway: 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 team of Dan Dunsmoor, Andy Jameson and Michelle Fude represented the seller, Highbrook Properties, during the sale.



Properties on the Market

Below is a sampling of investment properties that are currently on the market for sale:

Photo	Address	Submarket/Type	Listing Price	Class	Occupancy	Square Feet	Seller Represented By
	2 Miranova Pl	CBD	Unpriced	A	49%	243,117	JLL
	3435 Stelzer Rd	Easton	Unpriced	A	70%	238,641	CBRE
	5550 Britton Pky	Dublin	\$31,000,000	A	0%	220,964	CBRE
	2550-2600 Corporate Exchange Dr	Westerville	Unpriced	B	81%	194,906	Colliers
	7007 Discovery Blvd	Dublin	\$19,995,780	B	Undisclosed	137,436	Elford Realty
	7575 Huntington Park Dr	Worthington	Unpriced	A	12.30%	129,826	Colliers
	7400 W Campus	New Albany	Unpriced	B	34.34%	204,000	Colliers
	480 Olde Worthington	Polaris	\$7,900,000	A	55.80%	102,487	Commercial One Realtors
	1000 Polaris Pky	Polaris	\$8,000,000	A	0%	72,000	CBRE
	551-555 S Front	CBD	Unpriced	B	90%	46,883	Colliers

Leasing Activity

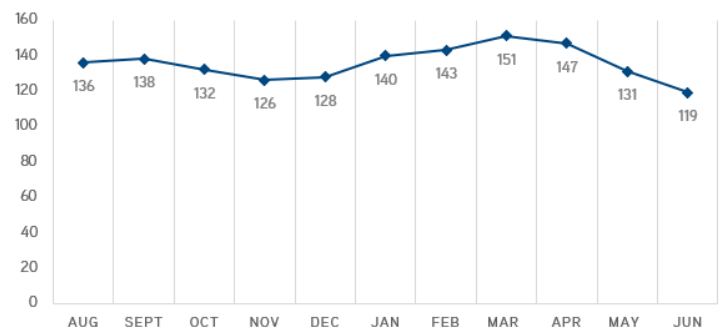
There were 360 new leases signed during the first half of 2023 which accounted for 1,515,528 SF. Compare this to the 279 new leases signed in the first half of 2022 which accounted for 1,066,582 SF. This YoY increase in leasing activity has put the Columbus office leasing market in reach of pre-pandemic levels. However, sublease availability increased by 100 percent since the start of the pandemic, now more than 2.2 million SF.

The vacancy rate increased slightly from 18.73% at the beginning of the year to 18.77% the end of June. The New Albany submarket remains the highest vacancy rate at 40 percent, which is due to the 8111 Smith's Mill Road vacancy of 175,000 square feet. Sublease vacancy at 5500 Frantz Road kept Dublin's rate over 26 percent. Vacancy decreased to 20.70 percent in Easton after last quarter's record high vacancy. The decrease was mainly due to NetJets' lease at 3100 Easton Square Place for 94,000 square feet. Sublease vacancy in Easton is 12.32 percent, which accounts for over half of the total vacancy in the submarket.

YOY Leasing Comparison

Metric	Year	Total	% Change 2021 vs. 2022
Total New Leases Signed	2023	360	29% ↑
	2022	279	
	2021	205	
Total SF Leased	2023	1,515,528	42% ↑
	2022	1,066,582	
	2021	733,408	
Average Lease Term	2023	45.5 months	12% ↑
	2022	40.8 months	
	2021	34.8 months	

Tenants in the Market



Significant Lease Transactions

Below is a sampling of significant lease transactions that have taken place in the first half of 2023:

Address	Submarket	Asking Rental Rate (PSF)	Lease Date	Square Feet	Tenant
3100 Easton Square Pl	Easton	\$15 NNN	4/1/2023	94,000	Netjets
4900 E Dublin Granville Rd	Westerville	\$24 FSG	4/17/2023	59,390	Washington Prime
1105 Schrock Rd	Worthington	\$17 MG	2/24/2023	45,716	Undisclosed
226 N 5th St	CBD	\$23 FSG	2/1/2023	38,807	Wow Business Services
8101 N High St	Worthington	\$9 NNN	1/26/2023	31,908	Hargrove Engineering
4124 Worth Ave	Easton	\$32 MG	4/1/2023	29,616	Rockbridge Capital

Featured Lease Transaction

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.



-309,625
SF Total Lease
Absorption

\$22.14
Avg. Asking Lease
Rates (FSG)

18.77%
Current Vacancy
Rate

45.5
Avg. Lease Term
(Months)

Developments

Construction remains steady with 11 projects consisting of 1,097,606 square feet. The majority of office construction, over 430,000 square feet, 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.

One project delivered 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.

Planned Developments

Project Name	Address	Submarket	Class	Planned Office SF	Projected Completion
The Merchant Building	475 N Wall St	CBD	A	64,828	Q1 2026
Front and Fulton	477 S Front St	CBD	A	87,820	Q1 2025
6000 Perimeter Dr	6000 Perimeter Dr	Dublin	B	148,906	Q1 2024
The Offices at Astor Park	600 Nationwide	CBD	A	144,000	Q3 2023
Arlington Gateway	1325-1397 W Lane Ave	Arlington/Grandview	A	60,794	Q3 2023
Bridge Park	6620 Mooney Street	Dublin	A	45,000	Q3 2023
Advanced Drainage Systems*	Lyman Dr and Davidson Rd	Hilliard	A	110,000	Q4 2024
The Offices at Jeffrey Park	0 Jeffrey Park	North Central	A	101,067	Q3 2024

*Owner-user building

Featured Development

Gravity II

Gravity Phase II delivered 195,000 square feet in the first quarter of 2023. The property features a 6-story creative office building with ground floor retail situated in the nation's largest conscious community. Centered around wellbeing, impact and creative expression, the Gravity Project includes a number of world-class amenities, both indoor and outdoor, regular community programming & events, dining & entertainment options, as well as walkable access to numerous downtown and surrounding neighborhood amenities.



2023 Second Half Outlook

The second half of 2023 is expected to remain slow from a sales volume standpoint. The Federal Reserve has no plans to change course in the immediate future, in fact, many believe rates will rise another 100 bps through the end of the year. With that said, the amount of quality product on the market for sale today gives reason to believe sales volume levels will inch closer to last years'.

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