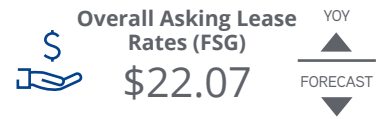




# Office 23Q3

## Key Takeaways

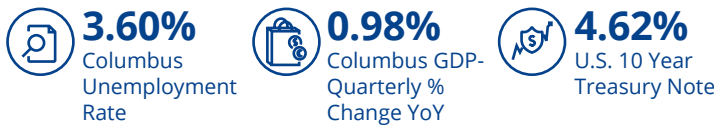
- Vacancy rate for the third quarter increased to 19.05 percent
- Construction activity remained consistent with 11 active projects totaling 1.1 million square feet
- Sublease vacancy continues to rise, now at 3.78 percent



## Regional Summary

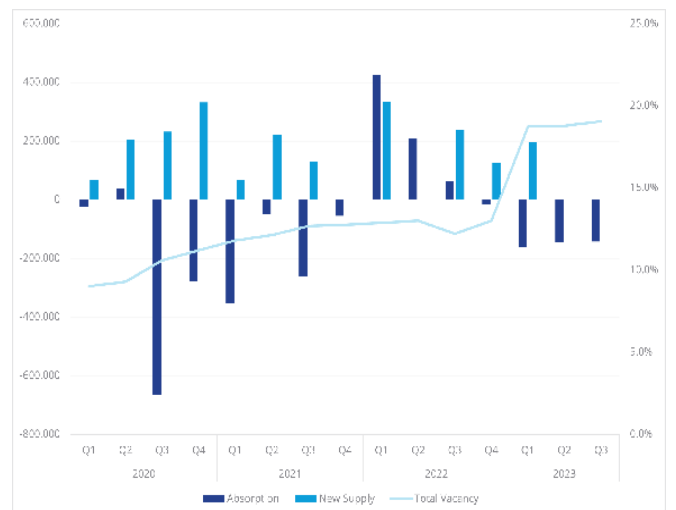
The Columbus office market saw negative absorption for the fourth consecutive quarter coinciding with a vacancy rate increase of 28 basis points from last quarter. This is largely due to the downsizing of numerous companies in the market, such as Grange Insurance who vacated 54,630 square feet at 671 S High Street. Sublease vacant space has continued to increase since 2020, now landing at a rate of 3.78 percent. Asking rates have remained steady for an overall full-service gross rate of \$22.07. Following the national trend seen in other markets CBD's, Columbus saw its own CBD vacancy rates rise again this quarter. One factor is the high cost of rent and maintenance in the central business district. Many businesses are finding it more affordable to move to suburban areas where rent and other expenses are significantly lower.

## Market Indicators



	23 Q2 Previous	23 Q3 Current	23 YTD
<b>Total Inventory (in Thousands of SF)</b>	52,166	52,166	52,166
<b>New Supply (in Thousands of SF)</b>	-	-	195
<b>Net Absorption (in Thousands of SF)</b>	(146)	(143)	(453)
<b>Overall Vacancy</b>	18.77%	19.05%	19.05%
<b>Overall Asking Lease Rates (FSG)</b>	\$22.14	\$22.07	\$22.07

## Market Graph



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

## Recent Transactions



**Sale**  
7400 W Campus Rd  
New Albany | 205K SF



**Sale**  
400 E Campus View  
Worthington | 142K SF



**Lease**  
995 Yard St  
Grandview | 34K SF



**Lease**  
5515 Parkcenter Circle  
Dublin | 18K SF



**Sublease**  
6767 Longshore St  
Dublin | 17K SF



**Lease**  
3435 Stelzer Rd  
North Central | 15K SF



## Vacancy

The vacancy rate has increased 32 basis points YTD, now at 19.05 percent. The New Albany submarket has stayed the highest vacancy rate at nearly 40 percent, which is due to ThirtyOne Gifts vacating their 175,000 square feet space at 8111 Smith's Mill Road earlier this year. Columbus' overall sublease vacancy continues to increase, primarily due to companies downsizing, such as CoverMyMeds which recently listed 51,000 square feet for sublease at 910 John Street. Grange Insurance downsized by 54,630 square feet at 671 S High Street and have a remaining 167,000 square feet in the building making it one of the largest downsizes of the quarter.

## Market Activity

This quarter the Columbus office market posted a negative absorption of 143,429 square feet. Demand continues to slow as some companies look to reduce their footprint in the market. Overall the square footage of new leases signed has shrunk in size appreciably by 68 percent YoY. Leasing activity in the third quarter was anchored by Ineos Composites signing 34,077 square feet at 995 Yard Street in the Arlington/Grandview submarket. In the fourth quarter, we anticipate that more tenants will post their spaces for sublease or not renew their current leases.

## Construction

Construction has remained unchanged since the beginning of the year with 11 projects consisting of just under 1.1 million square feet. Most office construction is taking place in the CBD totaling, over 430,000 square feet, and is expected to deliver late fourth quarter or early 2024. The majority of the larger office construction projects reside in Arlington/Grandview, CBD, and Dublin submarkets all have buildings under construction that are larger than 120,000 square feet. The remaining office construction with smaller builds is in the North Central, Delaware, Westerville, and Worthington submarkets. A continued decrease and pause in office construction projects is predicted throughout the remainder of 2023 and into early 2024 as there is a turn in focus for move-in ready, furnished spaces starts to rise.

## Sales

Sales volume increased by 35 percent square feet QoQ mainly due to larger buildings sold. Over 700,000 square feet sold in the greater Columbus area in the third quarter. The highest volume of sales was in the East submarket with seven sales. The largest sale in price and square feet was in the New Albany submarket when New Albany Portfolio LLC bought the 205,000 square feet property for \$7.9 million at 7400 West Campus Road from KIRCO. The second largest sale was in the Worthington submarket, The Champion Companies bought the 142,246 square feet property for \$7.6 million at 400 East Campus View Boulevard from ParkStone Capital.

## Significant Sales Activity

Address	Size	Buyer	Sales Price
<b>7400 W Campus Road</b>	<b>205,000</b>	<b>New Albany Portfolio LLC</b>	<b>\$7,900,000</b>
400 E Campus View Boulevard	142,246	The Champion Companies	\$7,626,000
62 E Broad Street	29,148	Center for Christian Virtue	\$1,100,000
220 W Bridge Street	18,182	VP Express	\$1,200,000
6465 E Broad Street	15,209	Pacific Capital	\$2,600,000

## Significant Lease Activity

Address	Size	Tenant	Deal Type
995 Yard Street	34,077	Ineos Composites	New
<b>5515 Parkcenter Circle</b>	<b>18,178</b>	<b>Outcomes One</b>	<b>New</b>
<b>6767 Longshore Street</b>	<b>17,813</b>	<b>Ascend Bridge Park</b>	<b>Sublease</b>
3435 Stelzer Rd	15,081	Duncan Sales Inc	New
921 Chattham Lane	12,000	Ohio Health Medical	New
3435 Stelzer Rd	11,647	Trinity Home Builders	New
621 N High Street	11,062	1870 Services	New
250 West Street	8,592	McNees, Wallace, & Nurick	New
<b>250 Civic Center Drive</b>	<b>7,301</b>	<b>Eastman &amp; Smith</b>	<b>New</b>
<b>7965 N High Street</b>	<b>5,377</b>	<b>Wade Trim Group, Inc.</b>	<b>New</b>
<b>690 Taylor Road</b>	<b>3,799</b>	<b>Echo Hospice of Ohio</b>	<b>New</b>
<b>700 Taylor Road</b>	<b>3,721</b>	<b>Wholesalers Property CO</b>	<b>New</b>

**Bold** Denotes Colliers Represented Transaction

Submarket	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Availability Rate	Vacancy Rate	Previous Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries SF	Avg Asking Rate (FSG)
Arlington/Grandview	4,144,381	7.28%	1.74%	10.11%	9.02%	9.35%	13,495	32,525	134,396	-	\$23.23
CBD	17,192,145	14.94%	0.90%	19.72%	15.84%	15.21%	(108,249)	(446,580)	298,937	-	\$22.30
Dublin	8,795,365	19.90%	6.52%	31.55%	26.42%	26.35%	(6,512)	(94,679)	121,721	-	\$21.85
East	954,029	20.50%	0.00%	7.88%	20.50%	20.27%	(2,184)	(2,299)	-	-	\$19.97
Easton	2,814,970	8.49%	13.06%	25.47%	21.55%	20.70%	(24,085)	(150,598)	-	-	\$25.35
Gahanna/Airport	1,582,711	22.80%	4.70%	30.02%	27.50%	25.06%	(38,531)	(149,232)	48,000	-	\$22.37
Hilliard	1,238,103	21.67%	1.81%	27.02%	23.48%	24.32%	10,449	(152,123)	110,000	-	\$20.82
New Albany	2,040,541	23.08%	16.73%	57.78%	39.80%	40.00%	4,017	492,542	-	-	\$26.97
North Central	2,303,367	7.00%	1.04%	9.77%	8.04%	8.30%	5,937	33,915	212,898	-	\$22.77
North Delaware	711,108	16.99%	0.20%	18.34%	17.19%	17.65%	3,320	3,320	30,000	-	\$21.97
Polaris	3,149,133	16.30%	1.12%	20.11%	17.42%	18.09%	21,380	(12,739)	-	-	\$24.27
Powell	621,780	17.81%	0.00%	20.35%	17.81%	17.75%	(388)	(6,505)	-	-	\$19.04
Southeast	570,590	2.63%	0.00%	2.63%	2.63%	2.63%	-	26,680	-	-	\$20.71
Southwest	824,165	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	\$20.74
Westerville	2,236,743	13.31%	11.70%	29.64%	25.00%	24.90%	(2,189)	(38,491)	90,000	-	\$17.84
Worthington	2,987,690	19.86%	1.40%	26.84%	21.26%	20.59%	(19,889)	11,210	51,654	-	\$18.91
<b>TOTAL</b>	<b>52,166,821</b>	<b>15.27%</b>	<b>3.78%</b>	<b>22.93%</b>	<b>19.05%</b>	<b>18.77%</b>	<b>(143,429)</b>	<b>(453,054)</b>	<b>1,097,606</b>	<b>-</b>	<b>\$22.07</b>

Class	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Availability Rate	Vacancy Rate	Previous Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries SF	Avg Asking Rate (FSG)
A	24,013,177	17.29%	6.66%	29.56%	23.96%	23.52%	(104,232)	(71,162)	1,097,606	-	\$24.97
B	28,153,644	13.55%	1.31%	17.27%	14.86%	14.72%	(39,197)	(381,892)	-	-	\$20.72
<b>TOTAL</b>	<b>52,166,821</b>	<b>15.27%</b>	<b>3.78%</b>	<b>22.93%</b>	<b>19.05%</b>	<b>18.77%</b>	<b>(143,429)</b>	<b>(453,054)</b>	<b>1,097,606</b>	<b>-</b>	<b>\$22.07</b>

## Sublease Space and Redevelopment Impacting CBD Vacancy



The Columbus office market has seen an increase in vacancies since the beginning of this year. Nationally, CBD vacancy rates rose by 50 basis points while suburban levels increased by 30 basis points. Columbus' CBD has increased by only two basis points showing the Columbus office market resiliency as opposed to other markets' CBDs. The increase in overall vacancy space is largely in part to the rise in sublease space as well as the redevelopment projects being taken off the tracked set decreasing the amount of inventory. Sublease activity may have been influenced by the pandemic, but it has continued to gain traction, not decelerating since 2020. Over 80 percent of sublease space is vacant and move-in ready. Continental Centre is one of the downtown office buildings that is being redeveloped, which has been vacant since 2014 and was previously the Ohio Bell Southwestern headquarters. 150 E Gay Street will be converted into a mixed-use building with 409 apartments and retail space. Most tenants in the market are focused on the downtown area, however, we anticipate tenants to continue to follow the trend of smaller signed leases in newer class A buildings in suburban or CBD peripheral areas.

Source: Colliers US

### FOR MORE INFORMATION

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