Research & Forecast Report

COLUMBUS | OFFICE
Q4 2020

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REGIONAL SUMMARY

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate. The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' COVID-19 Knowledge Leader page for resources and recent updates.

The Columbus office market continues to be impacted by the ongoing COVID-19 pandemic, posting negative net absorption of 278,546 square feet* this quarter. A majority of this can be attributed to a rise in sublease vacancy that has come on the market, compared to direct vacant space which has not been hit as hard thus far. The nearly 700,000 square feet of added sublease space this year has driven vacancy up to 11.2 percent in the fourth quarter. However, vacancy for direct space remains stable in comparison, increasing slightly to 9.7 percent mainly due to completed vacant speculative space added to the market. This new construction caused overall asking rates to rise to $19.56 per square foot and Class A rates to increase to $21.43 per square foot. Despite average rates not yet being affected by the pandemic, landlords are expected to slightly decrease asking rents to compete with the influx of sublease space, which could drive overall rates down in the short term. On a positive note, this quarter marks the highest office construction activity to date, with 1,603,649 square feet of projects underway. Additionally, the number of tenants looking for office space increased in the second half of the year from 98 to 121 users, indicating growing demand. Columbus can anticipate a slow but steady recovery in 2021 as the economy recovers and the office sector adapts to a post-COVID-19 world.

*net absorption is calculated based on commencement date

VACANCY »

The office vacancy rate increased to 11.2 percent this quarter, as more sublease availability and new speculative vacancy were added to the market. The Gahanna/Airport submarket saw a substantial vacancy increase to 12.81 percent due to Zulily putting two of their spaces up for sublease. Vacancy decreased to 15.99 percent in the Worthington submarket as multiple tenants occupied space and no large vacancies occurred there in the fourth quarter.

MARKET ACTIVITY »

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 cancels out. The Market Activity Volume (MAV), which is the absolute sum of absorption change in the market, gives a better idea of overall activity. This quarter, the MAV was 842,716 square feet– a strong indication that tenants are staying active in the market.

CONSTRUCTION ACTIVITY »

This quarter, construction activity reached a record high in the office sector. There is currently 1,603,649 square feet under construction - double the amount from this time last year. The highly anticipated Scioto Peninsula development broke ground this quarter, expected to complete in 2022. Both phases of Grandview Crossing, the only completely speculative office property to break ground this year, will finalize next summer and offer 248,500 square feet of space in Arlington/Grandview.

There were four completions this quarter totaling 331,358 square feet. The Pointe at Polaris II, The Hayden and two new Bridge Park buildings were all finalized, providing more Class A space to the market. Throughout the coming year, as many as 10 projects are expected to complete around the city.

SALES ACTIVITY »

In the third quarter, 11 office properties totaling 1.4 million square feet sold around Central Ohio. The total sales volume reached $85.3 million, with an average price per square foot of $96. Activity is strong, as sales volume was $49 million higher this quarter than last.

Group RMC purchased 65 E. State St. for $36.8 million - the largest sale of the quarter. The Daimler Group sold 380 Polaris Pkwy. to The Champion Companies for $15.75 million, or $149 per square foot. 150 E. Gay St. was sold by LNR Partners to an undisclosed buyer for $11.4 million in an investment sale.

ECONOMIC DRIVERS

MARKET INDICATORS	QoQ	YoY
VACANCY		
RENTAL RATES		
MARKET ACTIVITY VOLUME		
CONSTRUCTION		
SALES VOLUME		
SALE PRICE		

UPDATE - Lease & Sale Transactions | Construction

LEASE Activity

PROPERTY ADDRESS	CLASS	LEASE DATE	LEASED SF	TENANT	SUBMARKET
330 Rush Alley	A	11/15/2020	45,000	Burgess & Niple Inc	CBD
4960 E. Dublin Granville Road	A	10/1/2020	28,836	White Oak Partners	New Albany
9200 Worthington Road	B	12/3/2020	28,377	Quest Business Centers, Inc.	Polaris
4163-4171 Arlingate Lane	B	10/1/2020	11,984	Starry Inc.	Hilliard
8760 Orion Pl.	B	10/1/2020	11,650	Matrix Engineering	Polaris
4131 Worth Ave.	A	10/1/2020	10,800	Jet Edge	Easton
2400 Corporate Exchange Drive	B	10/26/2020	6,342	Maximus Inc.	Westerville
9200 Worthington Road	B	10/15/2020	6,219	Entourage Freight Solutions Inc.	Polaris
2545 Farmers Drive	B	11/19/2020	5,051	Top Management LLC	North Central
10 W. Broad St.	A	11/1/2020	5,000	CNCS	CBD
621-629 N. High St.	A	12/7/2020	4,571	S4 NetQuest, Ltd.	CBD

SALE Activity

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE (SF)	BUYER	SELLER	PRICE PSF	TYPE	SUBMARKET
65 E. State St.	10/23/2020	$36,800,000	495,000	Group RMC	Hertz Investment Group	$74	Investment	CBD
380 Polaris Pkwy.	12/11/2020	$15,750,000	106,000	The Champion Companies	The Daimler Group Inc.	$149	Investment	Polaris
150 E. Gay St.	11/23/2020	$11,400,000	477,387	Undisclosed	LNR Partners	$24	Investment	CBD
222-294 E. Campus View Blvd. (part of a portfolio)	11/12/2020	$5,978,000	71,559	Melrose Soloman Enterprises	Real Capital Solutions	$84	Investment	Worthington
2800 Corporate Exchange Drive	10/30/2020	$5,600,000	117,674	IMC Real Estate	Joseph Skilken Realty Inc.	$48	Investment	Westerville
355 E. Campus View Blvd. (part of a portfolio)	11/12/2020	$3,822,000	80,017	Melrose Soloman Enterprises	Real Capital Solutions	$48	Investment	Worthington

CONSTRUCTION Activity

PROJECT NAME	ADDRESS	SUBMARKET	CLASS	OFFICE SF	COMPLETION
Scioto Peninsula Phase I	330 Rush Alley	CBD	A	230,938	Q3 2022
CoverMyMeds HQ - Building 1	0 Souder Ave.	CBD	A	220,000	Q2 2021
CoverMyMeds HQ - Building 2	0 Souder Ave.	CBD	A	200,000	Q1 2022
Gravity II	429 W. Broad St.	CBD	A	167,000	Q1 2021
Hamilton Quarter	4960 E. Dublin Granville Road	New Albany	A	134,211	Q3 2021
Arlington Gateway	1325-1359 W. Lane Ave.	Arlington/Grandview	A	130,000	Q1 2021
Arena District Expansion I	0 Vine St.	CBD	A	130,000	Q1 2021
Grandview Crossing Phase I	100 Dublin Road	Arlington/Grandview	A	124,250	Q2 2021
Grandview Crossing Phase II	100 Dublin Road	Arlington/Grandview	A	124,250	Q2 2021
Former City Power Plant renovation	589 W. Nationwide Blvd.	CBD	A	77,000	Q1 2021
The Reach on Goodale	555 Goodale Blvd.	CBD	A	66,000	Q1 2021

CONSTRUCTION Completions

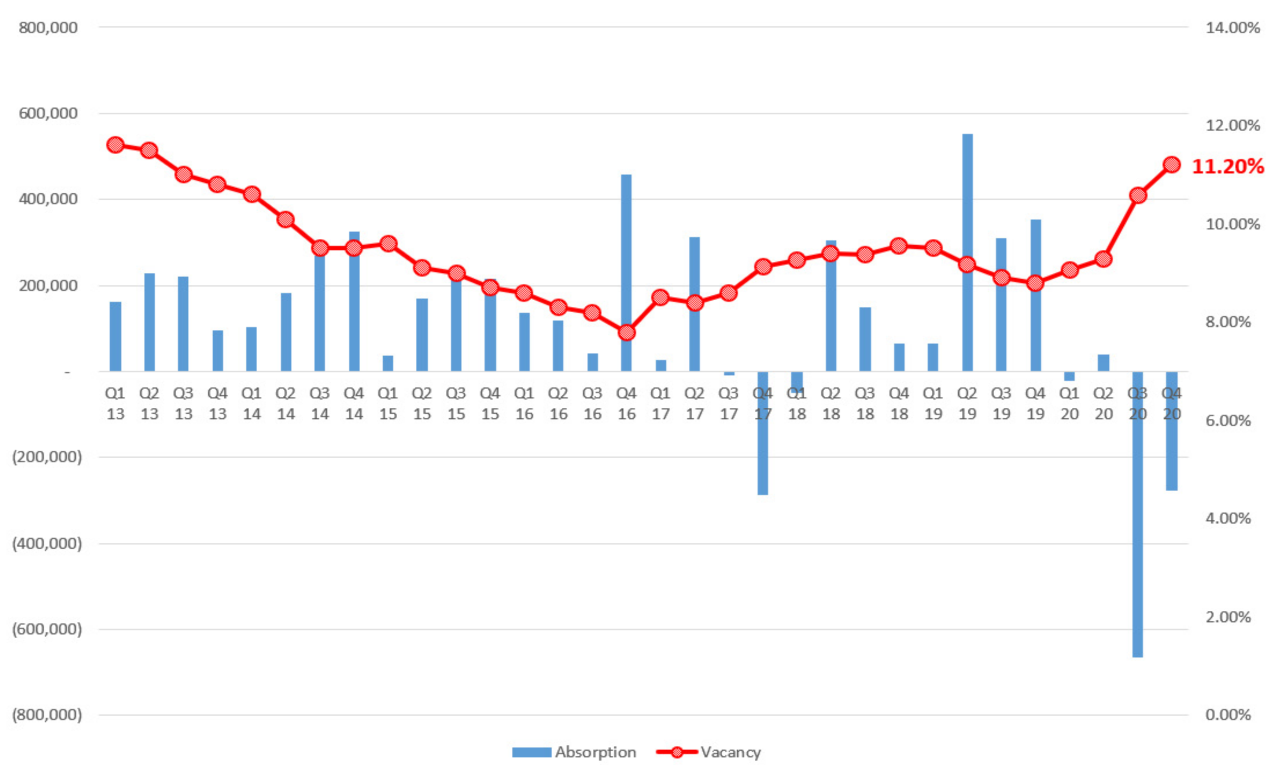
PROJECT NAME	ADDRESS	SUBMARKET	CLASS	OFFICE SF	COMPLETION
Pointe at Polaris II	8950 Lyra Drive	Polaris	A	145,358	Q4 2020
The Hayden	16-20 E. Broad St.	CBD	B	81,000	Q4 2020
Bridge Park D1 Building	6767 Longshore St.	Dublin	A	80,000	Q4 2020
Bridge Park D2 Building	6745 Longshore St.	Dublin	A	25,000	Q4 2020

MARKET OVERVIEW

						ABSORPTION		CONSTRUCTION		ASKING RATE (FSG)			
SUBMARKET	TOTAL MARKET SF	TOTAL VACANT SF	DIRECT VACANT SF	SUBLEASE VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED IN Q4	CLASS A	CLASS B	CLASS C	AVERAGE ASKING RATE
Arlington/Grandview	5,796,531	287,210	276,156	11,054	4.95%	5,484	(26,551)	378,500	-	$21.95	$19.45	$17.13	$20.46
CBD	20,340,307	2,250,996	2,071,045	179,951	11.07%	(203,016)	(375,324)	1,090,938	81,000	$20.87	$17.63	$16.13	$19.63
Dublin	10,071,815	1,336,850	1,302,901	33,949	13.27%	(20,092)	137,760	-	105,000	$22.02	$18.48	$14.43	$20.70
East	3,661,971	534,892	431,731	103,161	14.61%	(6,283)	(84,465)	-	-	-	$16.03	$12.99	$15.55
Easton	3,310,565	476,705	329,505	147,200	14.40%	(7,966)	(42,960)	-	-	$27.71	-	-	$27.71
Gahanna/Airport	1,502,752	192,549	92,709	99,840	12.81%	(71,173)	(101,974)	-	-	$20.01	$17.56	-	$18.70
Hilliard	2,441,594	97,313	94,055	3,258	3.99%	(10,094)	(29,660)	-	-	$21.81	$18.35	$13.93	$17.65
New Albany	2,426,379	131,902	131,902	-	5.44%	2,314	(41,196)	134,211	-	$20.69	-	-	$20.69
North Central	1,417,668	185,000	185,000	-	13.05%	-	(2,500)	-	-	-	$18.00	$14.95	$17.07
Polaris	4,727,625	407,114	402,582	4,532	8.61%	42,271	47,533	-	145,358	$21.01	$19.29	-	$20.64
Powell	273,589	26,903	26,903	-	9.83%	-	3,670	-	-	-	$14.95	-	$14.95
Southeast	510,564	8,375	8,375	-	1.64%	-	10,223	-	-	-	$15.76	-	$15.76
Southwest	237,119	27,164	27,164	-	11.46%	(1,021)	(2,151)	-	-	-	-	$11.95	$11.95
Westerville	4,887,987	635,842	496,069	139,773	13.01%	(29,610)	(232,836)	-	-	$21.53	$17.83	$14.89	$17.83
Worthington	6,221,601	994,949	730,838	264,111	15.99%	20,640	(187,138)	-	-	$20.67	$17.15	$13.50	$17.83
Suburban Total	**47,487,760**	**5,342,768**	**4,535,890**	**806,878**	**11.25%**	**(75,530)**	**(552,245)**	**512,711**	**250,358**	**$21.83**	**$17.69**	**$14.91**	**$19.52**
Grand Total	**67,828,067**	**7,593,764**	**6,606,935**	**986,829**	**11.20%**	**(278,546)**	**(927,569)**	**1,603,649**	**331,358**	**$21.43**	**$17.67**	**$15.32**	**$19.56**

						ABSORPTION		CONSTRUCTION		ASKING RATE (FSG)
PROPERTY TYPE	TOTAL MARKET SF	TOTAL VACANT SF	DIRECT VACANT SF	SUBLEASE VACANT SF	VACANCY %	CURRENT	YTD	CURRENT	COMPLETED IN Q4	AVERAGE ASKING RATE
A	30,651,896	3,673,201	3,118,107	555,094	11.98%	(147,093)	(138,910)	1,603,649	331,358	$21.43
B	23,660,035	2,670,420	2,360,498	309,922	11.29%	(108,219)	(544,919)	-	-	$17.67
C	13,516,136	1,250,143	1,128,330	121,813	9.25%	(23,234)	(243,740)	-	-	$15.32
Grand Total	**67,828,067**	**7,593,764**	**6,606,935**	**986,829**	**11.20%**	**(278,546)**	**(927,569)**	**1,603,649**	**331,358**	**$19.56**

ABSORPTION & VACANCY RATES



OFFICE TENANT INSIGHTS

Colliers | Columbus' property management team surveyed their tenants this year regarding remote working, office space and their future plans. Various studies claim that due to the digitization of business processes and modes of communication, there won't be a need for physical space and that many companies will move to fully remote work. Contrary to this theory, a majority of Columbus tenants that were surveyed (55%) plan to bring all of their employees back to their space. Relating to the notion that remote working will reduce the need for physical space, many experts believe that tenants will continue to occupy space but will simply need less of it. Our tenant survey results oppose this idea, as a large majority of Columbus tenants (75%) answered that they don't anticipate any changes in the size of their spaces in the near future. This survey has revealed that Columbus users value physical space but are open to flexibility. Therefore, we predict that office tenants will continue to remain active in the commercial sector.

Source: YourResearchResource.com, Unsplash

Colliers | Columbus Statistics

Leased and Sold More than
$725+ Million in Volume

Managed over
18.8 Million Square Feet

Completed More than
490 Transactions

130+ Professionals
working toward Accelerating Your Success

Leased and Sold More than
32.8 Million Square Feet

All statistics are for 2019.

FOR MORE INFORMATION

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