

FIGURES | COLUMBUS INDUSTRIAL | Q4 2022

# New product on the market provides opportunity for future leasing



Note: Arrows indicate change from previous quarter.

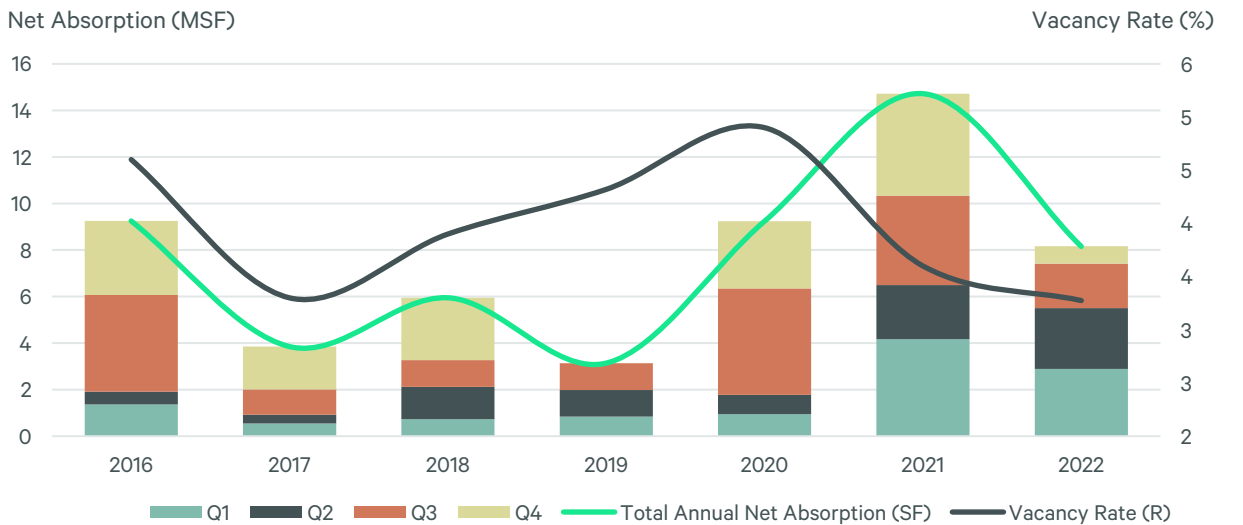
## SUMMARY

- Seven new speculative buildings completed in Q4 adding 4.8 million sq. ft. to the market, and 4.2 million sq. ft. of additional vacant space. This pushed vacancy higher from 2.8% to 6.5%.
- Columbus continued to show occupancy growth with bulk product recording 1.01 million sq. ft. of positive absorption in Q4.
- Average asking rates dropped by \$0.23 to \$6.09.

Columbus recorded 3.5 million sq. ft. of leasing activity in the fourth quarter, leading to positive net absorption this quarter. The market posted 8.1 million sq. ft. of YTD net absorption, making 2022 the eleventh consecutive year with positive year-to-date absorption.

There is about 15.8 million sq. ft. of industrial product under construction that is expected to complete in upcoming quarters. About 3.1 million sq. ft. of new construction is located in the Southeast submarket, which is home to the Rickenbacker Inland Port. Seven industrial projects delivered this quarter for a total of 4.8 million sq. ft.

FIGURE 1: Net Absorption vs. Vacancy Rates



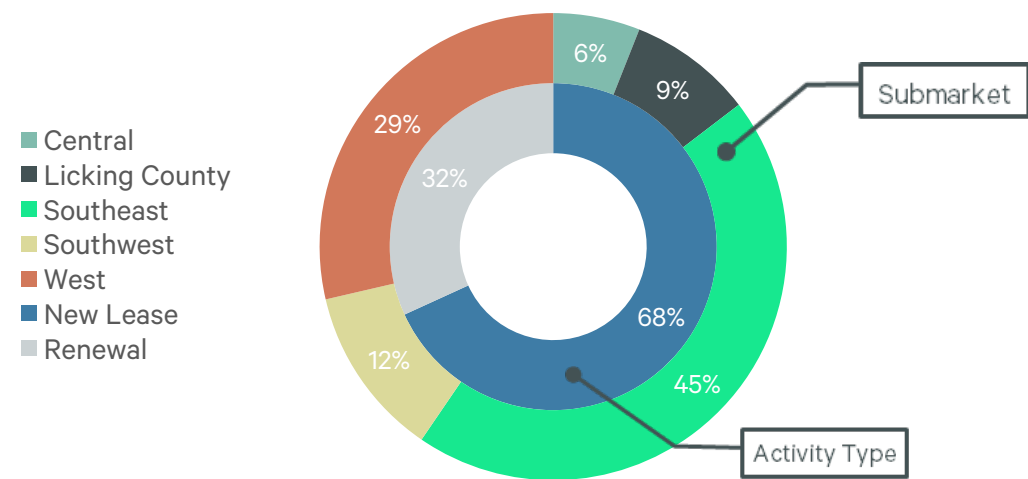
Source: CBRE Research, Q4 2022

## Leasing Velocity

Leasing activity decreased slightly this quarter, to 3.5 million sq. ft. New leases accounted for 68% of the total sq. ft. leased in the fourth quarter, three of which were signed at the newly constructed Rickenbacker Logistics Park. The average lease size this quarter was 160,801 sq. ft.

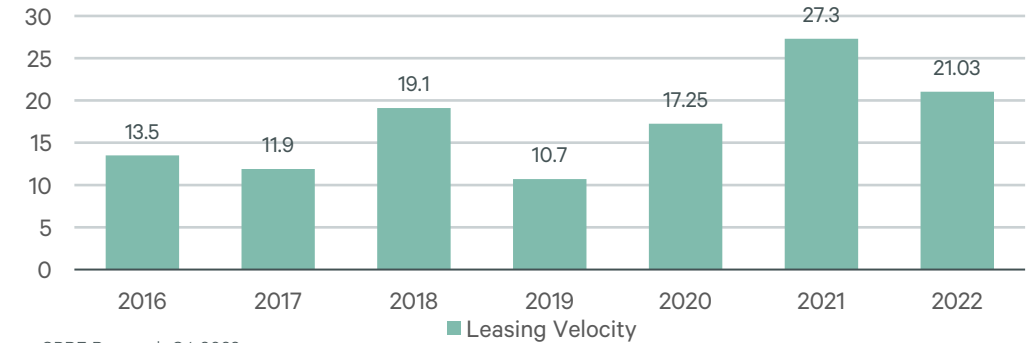
The bulk of the quarter’s leasing activity was recorded in the Southeast and West submarkets, with a combined 74% of leases signed. The largest new lease of the quarter occurred when Brooks Sports signed a new lease at the Rickenbacker Logistics Park for nearly 598,754 sq. ft. (Figure 4). On the renewal side, the largest occurred in the West submarket, where Hollingworth Logistics Group renewed 909,000 sq. ft. at 4545 Fisher Rd.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research Q4 2022

FIGURE 3: Leasing Velocity  
Sq. Ft. (Millions)



Source: CBRE Research Q4 2022

FIGURE 4: Key Transactions

Transaction Type	Size (Sq. Ft)	Tenant	Address	Market Area
Renewal	909,000	Hollingsworth Logistics Group	4545 Fisher Rd	West
New Lease	598,754	Brooks Sports	4611 Airbase Rd	Southeast
New Lease	303,219	United Healthcare Services, Inc.	8640 Global Way	Licking County
Renewal	268,781	CTDI, Inc	5900 N Meadows Dr	Southwest
Renewal	246,734	ODW Logistics, Inc.	1600 Williams Rd	Southeast
New Lease	238,102	Victory Packaging	4611 Airbase Rd	Southeast
New Lease	170,280	Bleckmann	5920 Green Pointe Dr	Southeast

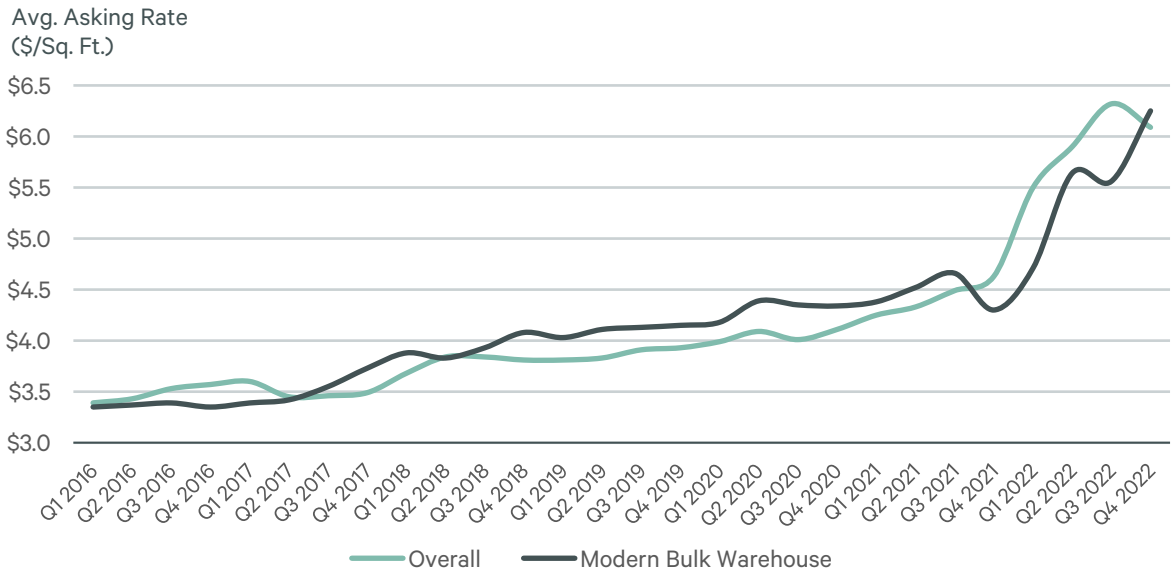
Source: CBRE Research Q4 2022

## Availabilities and Lease Rates

Average lease rates decreased this quarter, dropping by \$0.23 to \$6.09. This can be attributed to lack of available space and listings with negotiable asking rates. Modern bulk availabilities have negotiable asking rates ranging between \$5.00 and \$7.50. Newly constructed buildings tend to have undisclosed or negotiable rates, which in turn lowers the average asking rates in certain submarkets. For example, the Southeast submarket is home to most of the newly completed available space, but also has one of the lowest average asking rates.

The bulk of available space is in the Licking County and Southeast submarkets with 2.6 million sq. ft. and 3.25 million sq. ft. available, respectively. Submarkets with fewer available space have on average higher asking rents, such as the Northwest submarket with 36,885 sq. ft. available with an average rent of \$11.65 (Figure 6).

FIGURE 5: Columbus Average Asking Rents



Source: CBRE Research, Q4 2022

FIGURE 6: Total Available Sq. Ft. and Asking Rate by Submarket



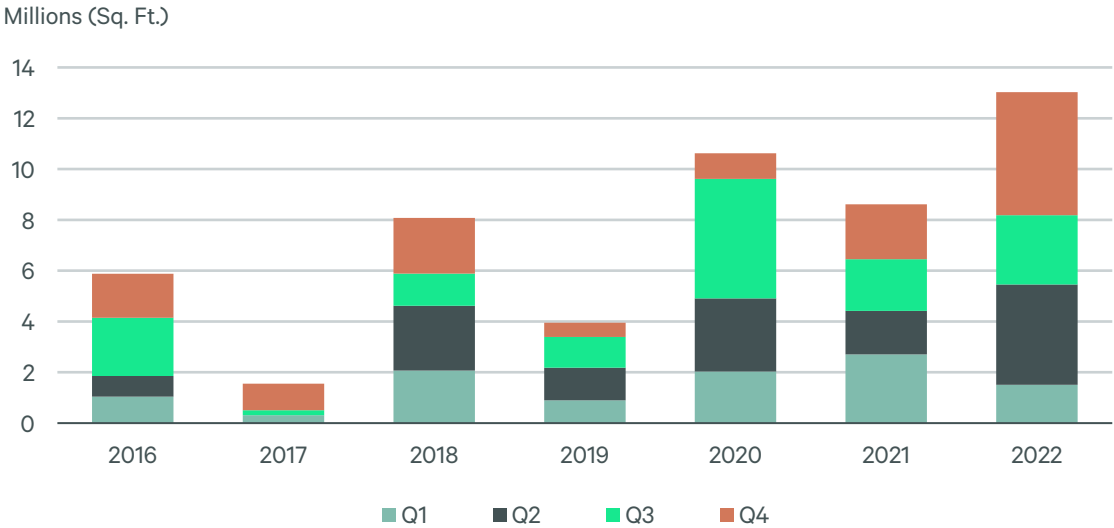
Source: CBRE Research, Q4 2022

## Construction Activity

Construction activity increased this quarter, with 15.8 million sq. ft. of product underway. Completions were also high, with seven developments finalizing this quarter for a total of 4.8 million sq. ft. Most notably, the Red Chips Farm Building A was finalized in the Licking County submarket for 1.09 million sq. ft. Other completions include The Cubes at Etna 70 Building E in Licking County, the Lockbourne West Buildings C/D in the Southeast submarket, and the Groveport South Logistics Center in the Southeast submarket.

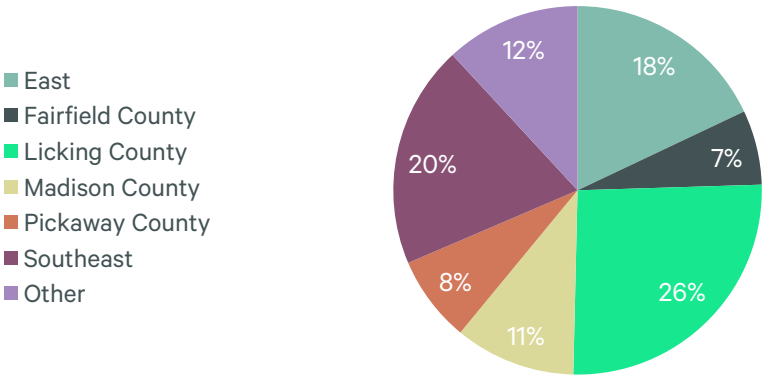
There are 28 properties across the Columbus market that are under construction. Eight of those projects totaling nearly 4.1 million sq. ft. total under construction are concentrated in the Licking County submarket. There are five projects underway in the Southeast submarket for 3.1 million sq. ft. The Southeast submarket is home to the Rickenbacker Inland Port, which makes the submarket an attractive location for industrial projects.

FIGURE 7: Completed Construction, Sq. Ft.



Source: CBRE Research, Q4 2022

FIGURE 8: Current Construction Breakdown (Total Sq. Ft %)



Source: CBRE Research, Q4 2022

FIGURE 9: Completed Construction

Property	Building SF	Class	Tenancy	BTS/Spec	Submarket
Red Chips Farm Building A	1,092,000	A	Multi	Spec	Licking County
The Cubes at Etna 70 Building E	1,074,840	A	Multi	Spec	Licking County
Lockbourne West C/D	1,055,686	A	Multi	Spec	Southeast
Groveport South Logistics Center	640,640	A	Multi	Spec	Southeast
9756 Heartland Ct	574,560	A	Multi	Spec	Southeast
3188 Toy Rd	260,690	A	Multi	Spec	Southeast
6579 Taylor Rd	144,000	A	Multi	Spec	East

Source: CBRE Research, Q4 2022

## Industrial Investments and Market Outlook

Investment activity decreased this quarter, with nearly 1.5 million sq. ft. sold for a sum of roughly \$110 million (Figure 11). Nearly 53% of total sq. ft. sold in Q4 was focused in the Licking County and Southeast submarkets, where 802K sq. ft. was sold for over \$69 million in sales volume (Figure 10). Spirit Realty Capital purchased 200 Heritage Dr for \$57 million, making it the largest sale of the quarter (Figure 10).

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

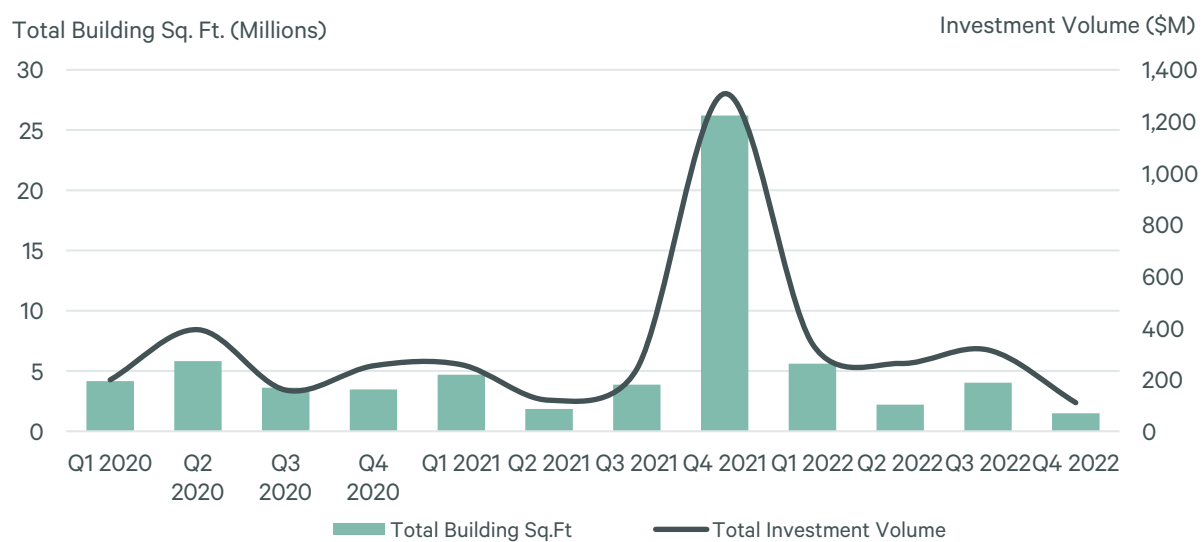
Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

FIGURE 10: Top Investment Transactions

Address	Buyer / Seller	Price (\$)	\$/SF	Size (Sq. Ft.)
200 Heritage Dr	Spirit Realty Capital / Sycamore Partners	\$57,323,202	\$66.40	863,299
1675 Watkins Rd	MLG Asset Management / Garrison Investment Groups	\$9,600,000	\$33.04	290,573
1280-1310 Alum Creek Dr	Alum-Lion Ltd Partnership	\$6,600,000	\$56.85	116,088
2201 Advance Ave	Angelo, Gordon & Co. / Ohio Mulch Supply	\$4,136,250	\$72.84	56,784
2101 S High St	KDL Properties / Consolidated Electrical Distributors	\$3,900,000	\$86.21	45,236

Source: CBRE Research Q4 2022, CoStar

FIGURE 11: Investment Activity



Source: CBRE Research Q4 2022, CoStar

Market Statistics

Market	Market Rentable Area (Sq. Ft)	Construction Completions (Sq. Ft)	Under Construction (Sq. Ft)	Vacancy Rate (%)	Avail Rate (%)	Q4 2022 Net Absorption (Sq. Ft)	2022 Net Absorption (Sq. Ft)	Direct Avg. Asking Lease Rate (\$/Sq. Ft./Yr)
Overall Industrial Market								
Central	32,633,427	-	860,000	1.6%	1.0%	(8,925)	73,913	\$10.81
Delaware County	11,927,377	-	-	1.5%	1.3%	(56,008)	43,640	\$8.89
East	26,575,663	144,000	2,839,056	1.5%	2.3%	153,495	301,723	\$8.08
Fairfield County	7,930,325	-	1,034,472	4.3%	4.3%	(341,016)	(341,016)	\$3.75
Licking County	34,849,780	2,166,840	4,086,743	6.8%	7.5%	303,219	2,800,305	\$4.64
Madison County	18,042,069	-	1,675,791	6.0%	6.0%	-	1,461,530	-
Northeast	12,234,761	-	542,737	1.4%	1.8%	152,614	46,074	\$8.42
Northwest	1,412,835	-	140,244	2.6%	2.6%	1,245	17,580	\$11.65
Pickaway County	7,450,614	-	1,198,965	-	-	-	1,362,465	-
Southeast	77,036,936	2,531,576	3,092,675	4.6%	4.2%	516,938	1,835,809	\$4.81
Southwest	17,912,361	-	332,515	2.6%	2.0%	9,922	436,698	\$11.95
Union County	9,213,739	-	-	1.1%	1.4%	-	(44,000)	\$11.99
West	36,428,114	-	-	1.1%	3.8%	14,088	158,518	\$7.96
Total	293,648,001	4,842,416	15,803,198	3.3%	3.3%	745,572	8,153,239	\$6.09

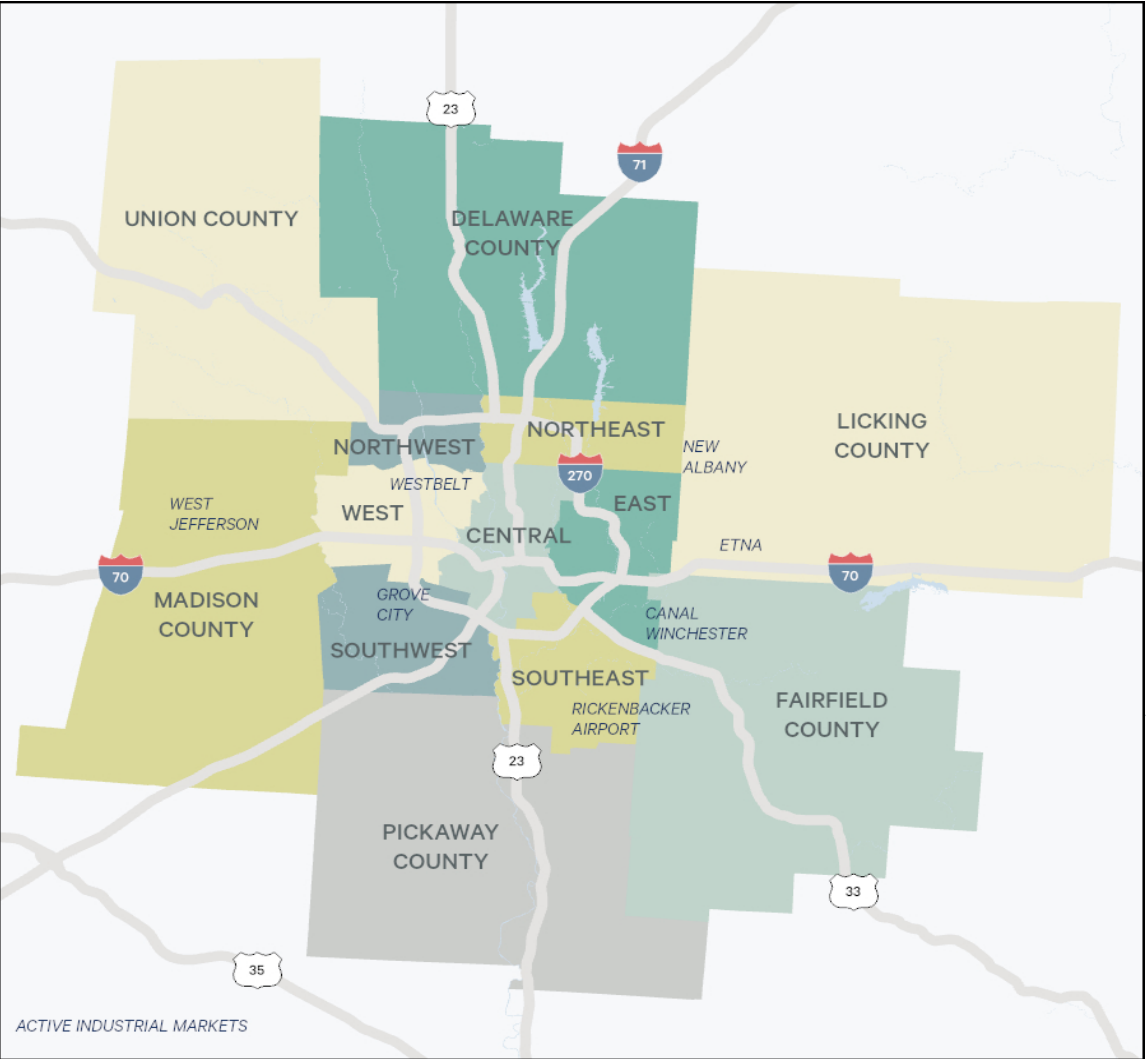
Source: CBRE Research, Q4 2022

Market Statistics

Market	Market Rentable Area (Sq. Ft)	Construction Completions (Sq. Ft)	Under Construction (Sq. Ft)	Vacancy Rate (%)	Avail Rate (%)	Q4 2022 Net Absorption (Sq. Ft)	2022 Net Absorption (Sq. Ft)	Direct Avg. Asking Lease Rate (\$/Sq. Ft./Yr)
Modern Warehouse *(Bulk Warehouses constructed in 1998 or later, and 28' clear or taller)								
Central	716,372	-	860,000	-	-	-	-	-
Delaware County	2,175,848	-	-	5.6%	4.2%	(61,650)	69,285	-
East	2,073,300	144,000	2,839,056	-	6.9%	144,000	144,000	-
Fairfield County	315,000	-	1,034,472	-	-	-	-	-
Licking County	16,219,602	2,166,840	4,086,743	14.1%	14.1%	303,219	2,533,303	\$4.48
Madison County	14,752,576	-	1,675,791	7.4%	7.4%	-	1,461,530	-
Northeast	2,123,173	-	542,737	-	-	-	-	-
Northwest	-	-	140,244	-	-	-	-	-
Pickaway County	2,216,865	-	1,198,965	5.4%	4.7%	-	1,194,865	-
Southeast	50,242,553	2,531,576	3,092,675	3.2%	3.2%	574,560	2,276,060	\$4.78
Southwest	5,736,998	-	332,515	-	-	52,922	77,632	-
Union County	355,000	-	-	-	-	-	-	-
West	782,730	-	-	-	-	-	-	-
Total	97,710,017	4,842,416	15,803,198	6.5%	6.3%	1,013,051	7,756,675	\$4.65

Source: CBRE Research, Q4 2022

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Bulk Warehouses are defined as warehouse or distribution facilities that are at least 100,000 sq. ft. Modern Warehouses in addition to Bulk are constructed in 1998 or later, and 28’ clear or taller.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Franklin, Pickaway, Licking, and Madison counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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