

# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

**CENTRAL OHIO CHAPTER**

## MARKET REPORT

4TH QUARTER 2014



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## New NAIOP report designed to offer insight to business, real estate markets

Welcome to our inaugural NAIOP Report.



**DON DEPERRO**  
PRESIDENT & PUBLISHER



There is no doubt that the greater Columbus market is red hot right now. The unemployment rate is well under 5 percent, there is actually a shortage of adequate suburban housing in many communities, and there are high-paying jobs for the taking.

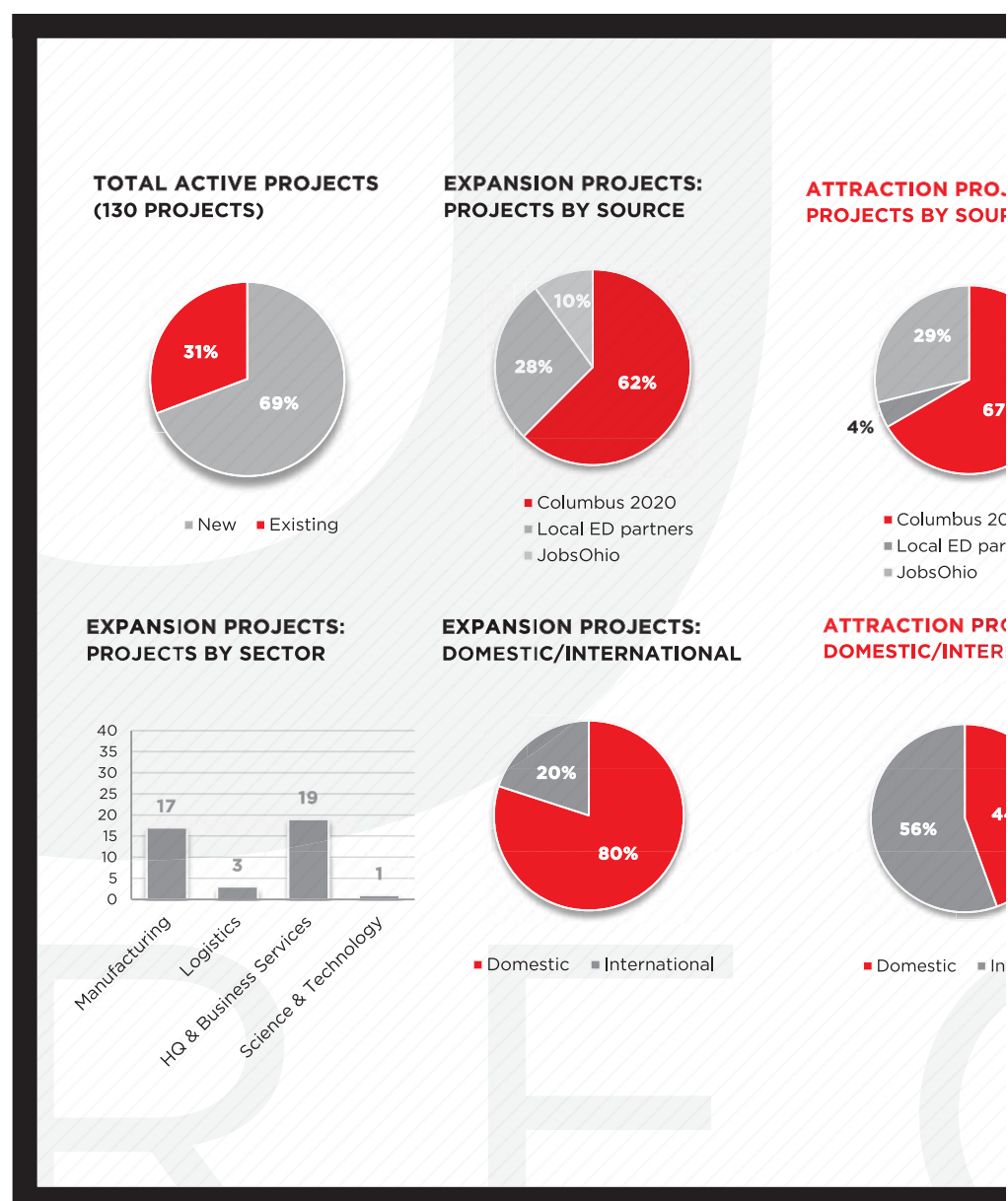
This special publication is designed to highlight current economic development trends across central Ohio, while providing a glimpse into the various office markets in Columbus and key suburbs.

We would like to thank Kenny McDonald and his Columbus 2020 team for providing content for this publication, as well as to DebbieLee Dougherty and NAIOP Central Ohio for their support.

Our team at *Columbus Business First* plans for this NAIOP report to become a regular feature on our publishing calendar. We recognize a need for a report like this, as there are business owners both here and around the country—even far outside the United States—who have an interest in the central Ohio commercial real estate market and the overall community as well.

If you would like to contribute to future editions of this publication, please email me directly or DebbieLee at NAIOP. If you have advertising questions, email Columbus Business First Advertising Director Nick Fortine at nfortine@bizjournals.com.

We hope you look forward to future editions of this report as much as we enjoy bringing it to you.



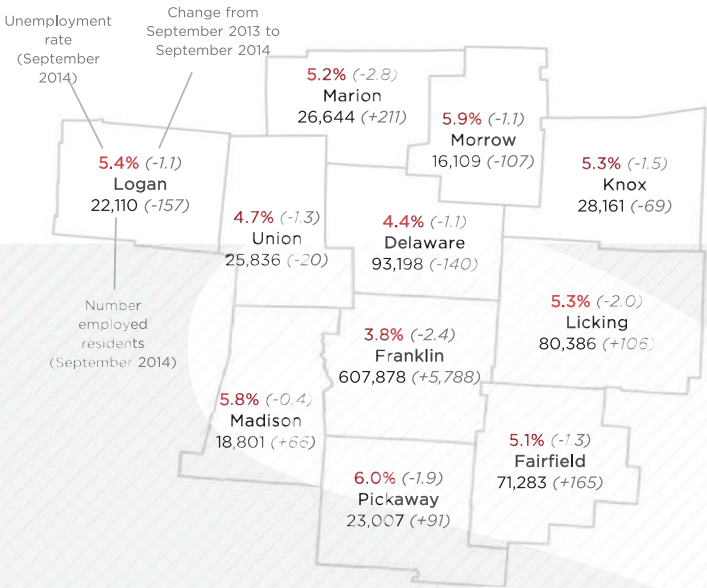


THE COLUMBUS REGION

OCTOBER UPDATE

REGIONAL ECONOMIC DATA

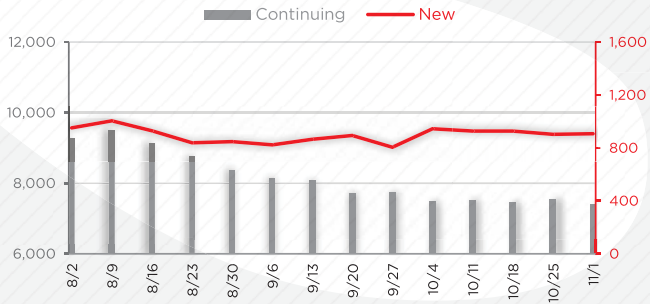
NUMBER EMPLOYED AND UNEMPLOYMENT RATE (SEPTEMBER 2014)



11-County Columbus Region = 4.3%

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Seasonally Adjusted

NUMBER OF WEEKLY UNEMPLOYMENT CLAIMS (WEEK ENDING 8/2/14 TO WEEK ENDING 11/1/14)



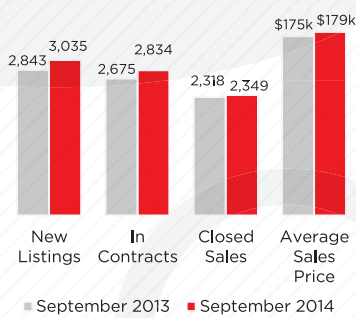
Source: Ohio Department of Job and Family Services

COMMERCIAL REAL ESTATE (AS OF OCTOBER 31)

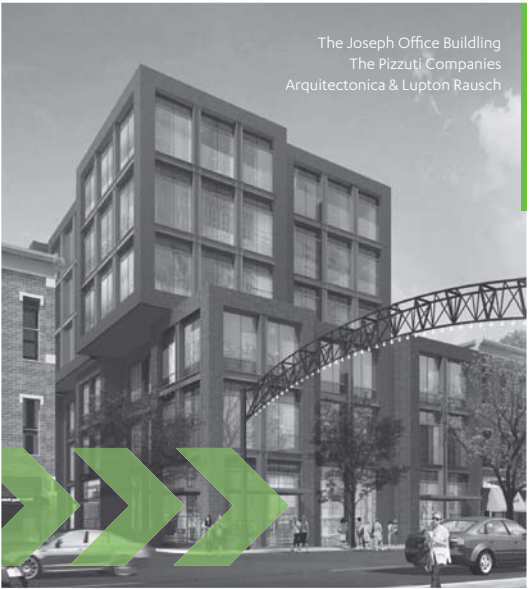
Use	Vacancy Rate	Direct Asking Rent (per sf)
Office	13.4%	\$16.43
Industrial	5.4%	\$3.16
Retail	9.2%	\$10.15

Source: Xceligent

HOUSING SALES



Source: Columbus REALTORS



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## INDUSTRIAL

## Keen eye on industrial as market picks up

While many industrial markets in the Midwest began seeing growth several years ago, Columbus has taken a little longer to turn around following the Great Recession. The good news for investors and developers is that toward the end of 2013, there was limited available modern bulk space in the Columbus market, sparking renewed interest in build-to-suit and speculative industrial development.

Build-to-suit activity in central Ohio is healthier than it has been for years, with more than 2.7 million square feet currently under construction with projects by Duke for Bon-Ton and American Showa, as well as projects for Sumitomo, Bath & Body Works and Exel Logistics.

Improving market conditions, including: increased demand for Class B space, a trend toward higher rents, and strong activity in the 300,000- to 600,000-square-foot range have encouraged several key developers to return to spec – a true sign of a healthy market. Developers currently working on spec projects include VanTrust, Pizzuti, Prologis, as well as Opus with our

*Investors also have their sights set on Columbus with more than 11 million square feet of industrial sale transactions totaling \$410 million in 2013 and 2014.*



**BY:  
DOUGLAS J. SWAIN**

*Vice President and  
General Manager*  
Opus Development  
Company, L.L.C.  
NAIOP MEMBER

eight building at Opus Business Center at Rickenbacker in Groveport, Ohio wrapping up this year. With more than 2.2 million square feet of speculative developments currently underway or recently completed, there is healthy interest from prospects ranging from e-commerce to consumer goods to fill new space as it comes online.

Investors also have their sights set on Columbus with more than 11 million square feet of industrial sale transactions totaling \$410 million in 2013 and 2014. Perhaps the most notable was this month's multi-property sale of more than 3.4 million square feet by DCT Industrial to Exeter.

Overall, as 2014 comes to a close, the industrial market in central Ohio is seeing healthy levels of activity. The current balance in supply and demand should translate to an optimistic start to 2015 for investors, developers and end-users. ■



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INDUSTRIAL



# Capitalizing on emerging trends in industrial development

As industrial activity is on the rise, central Ohio is benefiting from this momentum. The transportation infrastructure, centralized location, strong presence of national companies, workforce and cost of living make Ohio attractive to businesses. All of these factors come into play as companies explore new technologies and faster deliveries.

Over the past year, growth consumed available space and spawned speculative and build-to-suit developments. The market is settling into a healthy and competitive place for business.

Pepper has seen a significant increase in activity. One significant trend from which Ohio is positioned to benefit is e-commerce, where retail and industrial markets meet.

Facilities require more square footage, docks, trailer storage, elevated clear heights and additional parking. While most buildings are not constructed for e-commerce, distributors are asking for equivalent standards to compete. However, with developments still driven by return on investment, balancing costs to keep lease rates low with features that attract the best tenants is increasingly challeng-

*One significant trend from which Ohio is positioned to benefit is e-commerce, where retail and industrial markets meet.*



**BY:**  
**PAUL FRANCOIS**  
*President*  
Pepper Construction  
of Ohio

ing. Several new trends are emerging to reduce costs, shorten construction durations and increase operational efficiencies for prospective tenants.

In this ever changing landscape, having options and understanding exposure is key. Pepper has spent considerable time investigating and evaluating materials

and methods for achieving floor flatness, a concern for all tenants. Additionally, options such as roller compacted concrete or alternate slab stabilization methods, both which were used on a project currently under construction, save time and money.

Strategic construction partners will look for ways to align their efforts with the client's goals by finding solutions that meet the desired short-term needs and long-term ROI. This can only be accomplished by consistently looking for new technologies and construction practices that give clients the competitive edge needed to attract the best businesses to central Ohio. ■



Pepper Construction was founded in 1927 by Stanley F. Pepper, whose original vision has inspired nearly a century of growth. Headquartered in Chicago, Illinois, we were part of the generation that helped build one of the world's most iconic cities with unparalleled vision for projects such as The Merchandise Mart, Marshall Fields and the Shedd Oceanarium.

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Go to  
centralohionaiop.org  
to see our calendar of  
events or to become a  
member.



## OFFICE SUBURBAN

## Polaris market will keep growing throughout new year

**D**RK & Company Realtors is excited and looking forward to seeing great progress in the 1st quarter of 2015. Historically the suburban office market has been getting stronger and has had steady demand. In 2013, we were seeing a vacancy rate of about 15.1 percent.

The Polaris area held steady with a 14.6% vacancy rate in the third quarter of 2014. In the northeast market, the vacancy rate dropped from 17 percent to 10.7 per-



**BY:**  
**JAIMINE JOHNSON**  
*Director of Commercial  
Real Estate*  
DRK & Company Realtors  
NAIOP MEMBER

cent in the third quarter. This is certainly something we love to see. Over all asking rates for the office sector have steadily increased to \$18.23 per sq. ft. gross rate. This is a 2.5 percent gain over the last year.

DRK and Company is seeing that Class B office is trending a bit stronger in these areas vs. Class A buildings. There is a new demand for B+ type office environments that offer easy accessibility with improved environments at an affordable price per square foot. The environment has trended to open office, limited hard wall offices, open style café with a urban feel, allowing clients to do breakout sessions vs. the traditional boardroom style environment.

There is a high demand for suburban office product that allows employees to walk or bike to near by amenities and that engages in the community. ■



## RETAIL

## More than 500,000 feet of retail space leased in third quarter

**T**he Central Ohio retail market consists of retail tracked from Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. In the third quarter of 2014, the market had 510,796 square feet of positive absorption. Through the first three quarters of 2014, the market has had 697,853 square feet of positive absorption. During the first three quarters, the vacancy rate has dropped from 9.3 percent to 8.3 percent.

**BY:**  
**NAIOP CENTRAL OHIO**

There were several large construction completions and a total of 386,058 square feet of total space delivered this quarter. There was a 92,000-square-foot Giant Eagle Market District in Grandview Yard and a 92,622-square-foot Giant Eagle on Britton Parkway in Dublin that completed construction. There are more than a dozen retail projects under

construction totaling more than 1.2 million square feet of retail space.

Market activity volume is a metric that shows how much space was in transition. During the third quarter, market activity was fifty-percent higher than average at almost 800,000 square feet being vacated and leased. There were several large leases signed during the quarter including the 51,000-square-foot space Hobby Lobby

leased in Heath and the 30,000-square-foot space Big Lots leased in Reynoldsburg.

Overall, the Central Ohio retail market is continuing a strong recovery from the recession. The continued need for new development and shrinking cap rates for retail investment properties show signs of an expanding retail market and one market professionals are optimistic about in the coming quarters. ■

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OFFICE DOWNTOWN

# Office market looks strong through 2015

The Central Business District (CBD) gained 116,364 square feet of positive absorption in the third quarter. The CBD has now had positive absorption for three consecutive quarters and the market has experienced over 360,000 square feet of positive absorption year-to-date. The vacancy rate has dropped to 10.2 percent, down from 11.6 percent at the beginning of the year.

There were no office completions during the third quarter, but there is currently 490,000 square feet of office under construction with projected completion expected in the fourth quarter of 2014 and first quarter of 2015. There are several significant construction projects worth noting. Construction is progressing at Columbus Gas of Ohio's 280,000-square-foot headquarters in the Arena District with completion expected next quarter. Pizzuti Co. is finishing construction on the 60,000-square-foot Joseph project at 621 N. High Street in the Short North and completion is expected in the fourth quarter. Daimler Group and Kaufman Development continue construction on their 12-story, \$50 million mixed-use project at

Overall, the market has seen strong office demand in the CBD throughout 2014 and indications are that the market will only continue to get hotter.



BY: GRANT CHANEY, Research Analyst Colliers International NAIOP MEMBER

250 S. High Street where completion is expected in 2015.

Market activity volume is a metric that shows how much space was in transition during the quarter and the CBD was one of the submarkets for the third quarter that showed the highest market activity. Major

leases that were signed during the quarter include Red Capital signing a lease at 10 W. Broad Street for 28,984 square feet and CoverMyMeds signing a sublease for the 64,059 square feet that Red Capital vacated at 2 Miranova Place.

Overall, the market has seen strong office demand in the CBD throughout 2014 and indications are that the market will only continue to get hotter. An increase in market activity, as well as more perspective tenants shopping for space in the downtown market paint an optimistic picture for 2015. ■



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NAIOP is Central Ohio's premier professional association of developers and owners of industrial, office and related commercial real estate. Our goal is to help our members and their businesses achieve and retain the highest level of excellence through legislative awareness and involvement, professional education, and the sharing of best practices. We recently honored the best of the best in commercial real estate at our 2014 NAIOP Central Ohio Chapter Annual Awards Gala.



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Most Creative Deal Structure

WINNER  
The Daimler Group -  
*Ohio University Dublin Integrated Academic Bldg.*



Best Office/Medical Office Project

WINNER  
The Daimler Group -  
*Pickerington Medical Office Bldg*



Best Industrial Project - Small Scale

WINNER  
Southgate Corporation -  
*Spec Building #48 - Goodyear*  
RUNNER UP  
The Daimler Group -  
*Airside One*



Lifetime Achievement Award

WINNER  
Ben Hale Jr.



Best Adaptive Re-Use or Brownfield Project

WINNER  
Henry Price -  
*Yankee on High*  
RUNNER UP  
The Daimler Group -  
*KIPP: Columbus*



Best Mixed Use/Multi-Family Project

WINNER  
The Pizzuti Companies -  
*The Joseph*  
RUNNER UP  
Continental Real Estate -  
*Hilliard Gateway - Britton Parkway Development*



Best Industrial Project - Large Scale

WINNER  
ProLogis -  
*ProLogis Park 70 Etna Bldg. No. 4*  
RUNNER UP  
The Pizzuti Companies -  
*CreekSide IX*



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