

## ▶ MARKET HIGHLIGHT: COLUMBUS

### DEVELOPERS FLOCK TO COLUMBUS INDUSTRIAL MARKET



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Columbus continues to be a powerhouse in the industrial market of the Midwest. Fueling this growth are its strategic logistics location as well as being the Ohio state capital and home to eight colleges and universities in central Ohio.

Job creation in Columbus remains ahead of Ohio with employment expanding nearly 22 percent since 2010, twice the state's rate of expansion. The region's largest employers include The Ohio State University, OhioHealth, JP Morgan Chase and Nationwide Mutual Services. These companies employ nearly 100,000 in central Ohio.

Columbus is also one of the hottest housing markets in the nation, with overall median sales prices increasing 7.6 percent over 2018 and sellers receiving, on average, 98.7 percent of the last list price at sale.

Columbus has a greater access to the U.S. market within a 10-hour drive than any other major metropolitan area in the country. The area has access to 46 percent of the U.S. population within a 10-hour truck drive. This proximity continues to attract large corporations to the area, including Amazon, Facebook, Google and Walmart, who are all occupying new distribution and data centers in the region. The market's industrial vacancy rate of 5 percent at the end of 2019 is near record-lows, despite millions of square feet being developed within the last two years.

What does this all mean for Columbus? Continued growth allows companies to look to Columbus as a hub for distribution centers, warehouses and data centers.

Currently, 11 million square feet of industrial product is under construction, with 6.8 million square feet available and the balance being pre-leased or build-to-suit projects. The overall vacancy rate was 5 percent, which includes warehouse, distribution, manufacturing and flex space. The area's absorption was 5.2 million square feet, which is a little below 2018 but well



Walmart leased a 758,000-square-foot speculative industrial building in the Rickenbacker submarket.

above the 10-year average.

#### Projects on the horizon

Columbus is home to local industrial developers who continue to build, including Pizzuti and Southgate Corp. Pizzuti has developed CreekSide, one of Columbus' largest industrial parks with almost 500 acres, and currently has two speculative buildings under construction. Southgate is continuing to build speculative buildings in central Ohio with 66,715 square feet currently available in the Heath/Newark submarket.

Additional industrial developers who are actively building in Columbus include The Opus Group, Pinchal & Co., Exeter Property Group, TPA, Duke Realty, Hillwood Development Corp., CRG, VanTrust, Xebec and Becknell. CT Realty of Newport Beach, California, recently purchased a 382-acre site near Rickenbacker International Airport to develop 5.7 million square feet of warehouse and distribution space. The project will include eight buildings with 15-year, 100 percent tax abatements. CT expects to begin construction of the first building this year with a completion date in early 2021.

Amazon recently opened its third distribution center in the central Ohio market. Duke Realty developed the 850,000-square-foot building in West Jefferson, a village in Madison County. Other recent deals of note include Walmart leasing a 758,000-square-

foot speculative building in Rickenbacker; For Hims, a personal wellness company, completed a lease for a 302,000-square-foot speculative building in New Albany developed by Van Trust; and Pizzuti is currently constructing a 235,000-square-foot build-to-suit for StarTec.

It is also rumored that one of the largest occupiers of industrial space in the country will be taking down two of the 1 million-square-foot speculative buildings currently under construction. Demonstrating that demand is not limited to new buildings, Walker Edison, an e-commerce furniture supplier, recently leased a 705,000-square-foot Class B distribution center in the Southeast industrial submarket.

#### New industrial: data centers

Data centers have been a new addition to the Columbus industrial market. Central Ohio is seeing tremendous growth with Facebook and Google continuing to build. Facebook is adding a third data center to its central Ohio facility in New Albany, a community 20 miles northeast of downtown Columbus. The building is currently under construction and will add 500,000 square feet to its current 1 million square feet. Google also recently broke ground on a \$600 million data center on a 447-acre site in New Albany. Including Amazon's recently announced data center, New Albany currently has three technology com-

panies with data centers existing or under construction.

Total industrial building sales activity for 2019 was up from 2018 with \$1.1 billion worth of sales over the past 12 months. The price per square foot averaged \$53. Cap rates on Class A institutional grade product hit the sub-6 percent range with Class B rates not too far behind. Based upon these numbers and strong leasing demand, we expect to see continued speculative development in 2020. Given the size and availability of buildings currently under construction, expect the vast majority of new product to be in buildings over 400,000 square feet.

**Editor's note:** This article was written at the very beginning stages of the COVID-19 situation and the authors now believe the following:

1. There will be a significant slowdown in leasing activity for the next two to three quarters.

2. Investment activity will slow for the same amount of time due to the uncertainty in the market.

3. Vacancy rates will increase while the new speculative development projects get completed.

4. The labor market could soften which will provide opportunities for companies looking to locate in the region.

5. Lastly, this too shall pass and Columbus is primed to be one of the first markets to rebound with its combination of location, labor and excellent developers.