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How e-commerce will help Central Ohio's industrial real estate sector weather Covid-19

Apr 28, 2020, 7:26am EDT Updated: Apr 28, 2020, 7:37am EDT

Central Ohio's industrial real estate market has seen an explosion of demand in recent years thanks to the surge in e-commerce.

The Covid-19 pandemic, experts say, could make that even bigger,

Central Ohio's industrial real estate market broke just about every kind of record in 2019 as leasing activity remained robust for warehouse and industrial space across Central Ohio, prompting a construction boom that came to 10 million square feet of space at once.

And the first quarter of 2020 brought more of the same.

In the first three months of 2020, Central Ohio's industrial space vacancy grew to 5.4%, with a positive absorption of 130,000 square feet with the market now seeing about 8.6 million square feet of space under construction across two dozen projects, according to information from NAI Ohio Equities.

Major leasing activity was robust in the quarter, thanks to substantial large-block leases. Hormel Foods leased 313,000 square feet at 2829 Rohr Road, while Hims leased 303,000 square feet at 9750 Innovation Campus Way and FNS Inc. leased 240,000 square feet at 2190 Creekside Pkwy., according to data from Colliers International.

NAI broker Curt Berlin said that shows a market in balance.



TRISTAN NAVERA

Kohl's e-commerce distribution hub in Etna in Licking County is a 1.2 million square foot facility.

"Expect to see some softening in the market in Q2 2020 due to the Covid-19 situation," Berlin said. "Given that, we still believe Central Ohio is poised to be one of the first markets to recover."

That's an opinion shared by [Tim Treasure](#), principal at Sperry CGA's Treasure & Associates firm.

Manufacturing and distribution, remain strong drivers and while some of the biggest warehouse users might be reconsidering big investments now to preserve liquidity, there's less uncertainty for those users whose fulfillment business is still open.

"Industrial is going to keep kicking ass," Treasure said.

Last year, JLL called the Columbus-Cincinnati-Louisville I-71 corridor "[the heart of e-commerce](#)," because 44% of all warehouse leasing activity across the three cities' 439 million square feet of warehouse inventory was dedicated for e-commerce from 2014 to 2019.

In Central Ohio, that has meant 14 million square feet for e-commerce leasing, or about 38% of all warehouse leasing activity in that time.

Colliers data indicates that at least 50 industrial projects were in development across Central Ohio at the end of the third quarter last year, which could bring more than 20 million square feet of new space to the area.

Brokers [previously predicted some of the larger](#) 1-million-square-foot speculative projects might soften for a time, but that also means more smaller buildings in the 300,000- to 400,000-square-foot range.

[Lee Peterson](#), an L Brands Inc. veteran who now serves as executive vice president of WD Partners, said big retail companies in the area now are relying on their online stores to carry them while brick-and-mortar stores are closed.

And it will be a while before customers feel comfortable to shop once retail reopens, he said. That means more people will continue to shop online in the short term, with [Amazon.com Inc.](#) (NYSE: AMZN), L Brands (NYSE: LB), Kroger Co. (NYSE: KR) and Big Lots Inc. (NYSE: BIG) among those reporting boosts in online sales in Ohio.

"This trend was already happening before the coronavirus began, and it's not something people are going to go back on really quickly if ever at all," Peterson said. "I see this trend being accelerated."

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