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Dublin, downtown were most popular places for office tenants to move

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In 2021, office tenants moved around Central Ohio as they evaluated their space needs and hybrid work models.

Dublin gained, by far, the most tenants last year, according to a recent study by Colliers.

The suburb gained 34 new tenants who leased about 176,000 square feet, according to Colliers. Eight tenants moved within the market and five moved out of Dublin.

Matt Gregory, senior vice president at NAI Ohio Equities, said cities including Columbus, Dublin and Westerville are focused on economic development and investing in infrastructure, which is attractive to potential office tenants.

Dublin is popular with office tenants because it is in a mixed-use environment and close to amenities, such as Bridge Park. Tenants want to be within walking distance to restaurants and bars and have convenient parking or access to bus lines.

"Being within five or 10 minutes of Bridge Park could be considered an amenity," Gregory said.

Bridge Park also impacted the market by drawing office tenants there and opening up older office stock elsewhere in Dublin. Gregory said as companies move to Bridge Park, other complementary businesses will move nearby, too.



DOUG BUCHANAN

Bridge Park Avenue runs through the heart of the Dublin's Bridge Park development.

The central business district and Westerville also gained a significant amount of new tenants in 2021, likely for some of these same reasons.

Some 24 new tenants moved into the central business district in 2021, leasing nearly 197,000 square feet.

In Westerville, 21 new tenants moved into the market, subleasing more than 81,000 square feet. About 75% of tenants that leased their first Central Ohio space did so in Dublin, Westerville or Worthington, Colliers found.

Westerville has had a number of build-to-suit offices come online, including DHL and Central Ohio Primary Care, Gregory said, which account for some of that space leased.

Another reason for growth in Dublin and Westerville could be the population increases in those cities and their nearby townships. Offices often move where their employees are located, Gregory said.

Hilliard had the most negative absorption in the region. Two new tenants moved in to sublease 8,800 square feet, but three moved out, vacating more than 130,000 square feet of office space, Colliers found.

Gregory said that Hilliard doesn't have as much office space as Dublin, which could be a reason fewer office users moved there in 2021.

Overall, there were more leases signed in 2021 than the year before and the total square feet that was leased increased. There were 231 leases signed in 2021 for 1.6 million square feet of office space. In 2020, there were 162 leases signed for about 1.2 million square feet.

"More leases are going to continue to be signed as companies make decisions," Gregory said. "In 2020, companies were kicking these decisions down the road, but now they're in a position to make them."

Average tenant improvement allowances have increased and the average lease term has decreased from 61 months in 2020 to 53 months in 2021.

Gregory said lease terms went down because tenants value flexibility. Many also didn't know how many employees would work from their offices daily, so a shorter lease term was helpful there.

He said as the pandemic wanes, lease terms will stabilize, but improvements to office

spaces will increase.

As construction costs continue to rise, the gap between what a landlord might cover for a tenant could widen, Gregory said, leaving tenants with a choice to either pay more out of pocket for a new office or to pick an older office that they could also improve.

Regardless of what choice a company makes, there will be increased activity in 2022, Gregory predicted.

"We're going to see a lot of turnover this year as companies move and change what they do," he said.

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