

**NAIOP CENTRAL OHIO
FORECAST 2023**

February 21, 2023

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

CENTRAL OHIO CHAPTER

THANK YOU, GOLD SPONSORS



THANK YOU, SILVER SPONSORS

DRK
DONALD R. KENNEY
AND COMPANY

METRO
DEVELOPMENT LLC

EMH&T
Evans, Mechwart, Hambleton & Tilton, Inc.
Engineers, Surveyors, Planners, Scientists

EXCEL
PROJECT MANAGEMENT

 **FCL**
BUILDERS

 **Frost
Brown Todd** LLC
ATTORNEYS

THE
MERITEX[®]
COMPANY
EST[®] 1916

NEW ALBANY
FOUNDED 1837

 **S+W** Stream and Wetlands
FOUNDATION

THANK YOU, BRONZE SPONSORS



AMERICAN
STRUCTUREPOINT
INC.



Civil & Environmental Consultants, Inc.

Kimley»»Horn

**THE
KLEING3RS
GROUP**

Building Lasting Relationships for 30 Years



**OHIO'S ELECTRIC
COOPERATIVES**

Your Touchstone Energy® Cooperatives 

www.ohioec.org

SIKORA
LAW LLC

OMNI TITLE LLC

 **stewart**
TITLE

toni
organization



Raif Webster

Vice President, Development Services
VanTrust Real Estate
Moderator

Panelists:



Curt Berlin

Industrial Specialist
NAI Ohio Equities



Sean Devaney

Managing Director
JLL Capital Markets



Ben Johnson

Sr Exec VP/Principal
Colliers|Columbus



Steve Kuhr

Managing Director
JLL Columbus



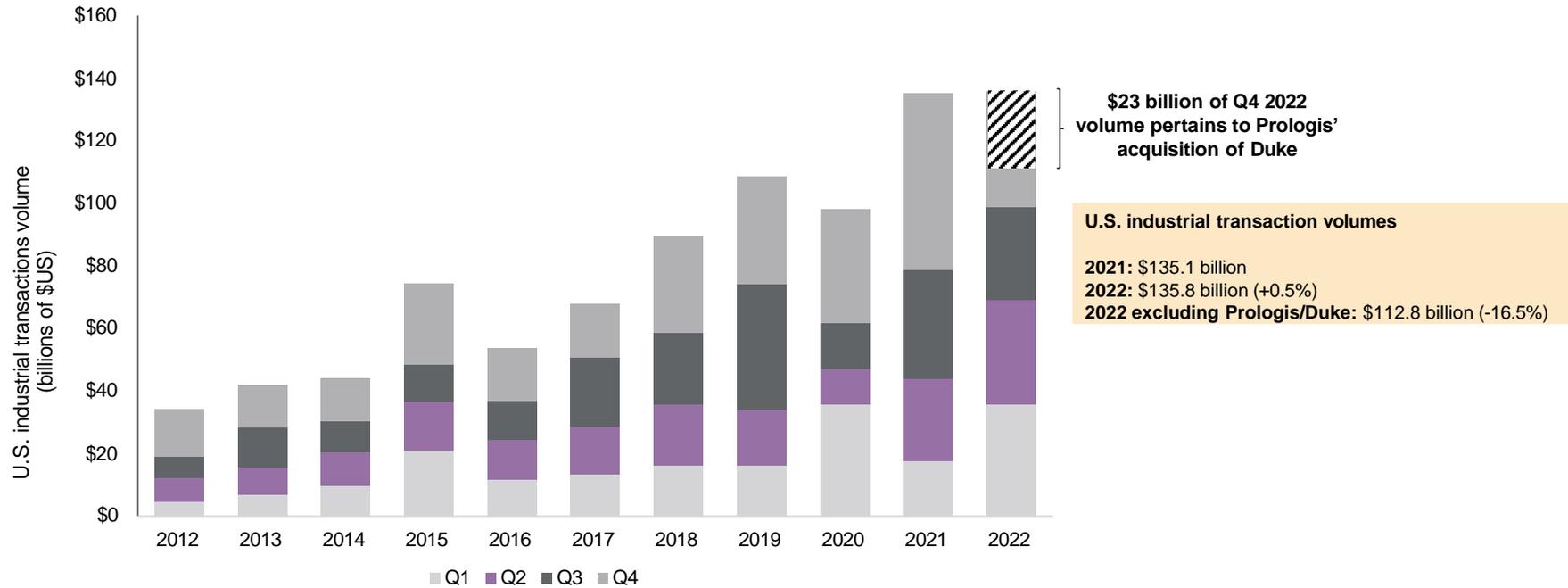
*Achieve
Ambitions*

Industrial Capital Markets

Market Update

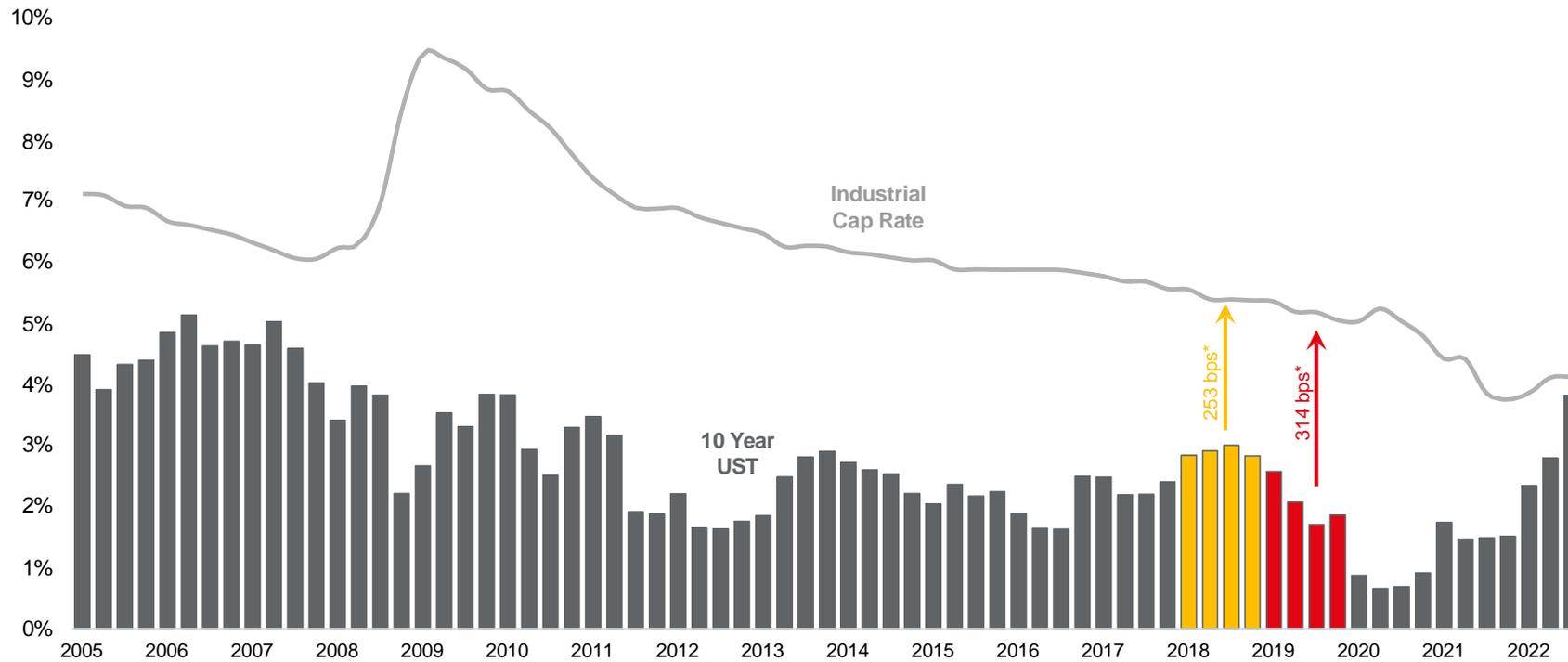


Industrial transactions velocity slowed notably in H2 2022; sector sees 16.5% y-o-y decline in 2022 when excluding Prologis/Duke acquisition



Real Capital Analytics (transactions \$5 million and above). Note: 2022 transactions volume total is preliminary

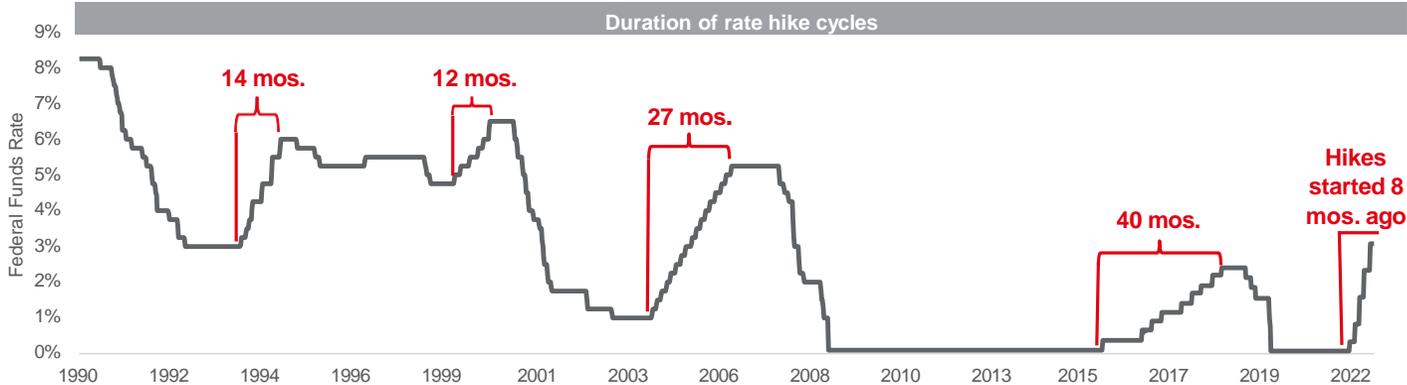
Tighter yield premium leading to widespread re-pricing of industrial transactions



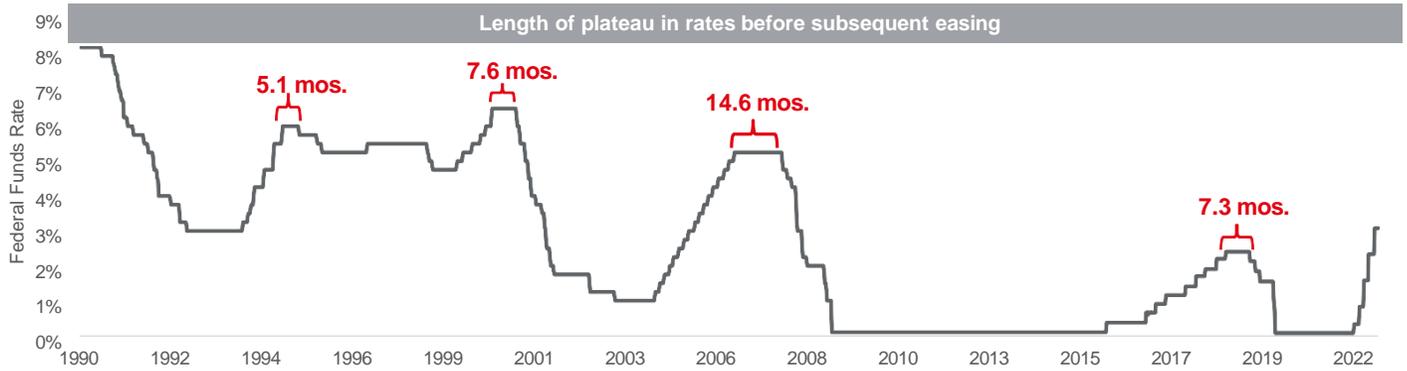
* Annual Average Spread

Source: JLL Research, Real Capital Analytics, JPMorgan, National Council of Real Estate Fiduciaries

Fed rate hike cycles are typically followed by brief plateau and relatively rapid subsequent easing of rates



On average:
23-month period (1.9 years) from start of rate hikes to plateau



On average:
9-month period of interest rates being at plateau before the Fed lowered rates

Source: JLL Research, Federal Reserve

What's getting done today?



What works



Realistic market-based pricing



Smaller deals (sub \$100M)



Growth markets with positive demand drivers



Strategic seller or seller of necessity



Positive leverage



Low basis



Assumable debt or seller financing



Low cost of debt product

What's more challenging



Unrealistic pricing



Testing the market



Larger deals (\$100m+)



Markets with lack of velocity or demand drivers



Negative leverage for more than 1-2 years



U.S. National Industrial 22Q4

Key Takeaways

- Industrial occupancies totaled more than 100 million square feet for the 9th consecutive quarter
- New supply reached its highest quarterly level on record for the second consecutive quarter
- There are nearly 175 facilities under construction that are one million square feet or larger



Headline

Improved fundamentals continued in the U.S. industrial market during the fourth quarter. While many developers are approaching the new year with “pencils down” due to economic uncertainty and underwriting difficulties, the development pipeline remains incredibly full and quarterly new supply achieved a new record during the quarter. This much-needed space should satisfy occupier demand in expanded territories, and overall, the positive momentum in the industrial sector should bode well for leasing in 2023.

Market Indicators



Historic Comparison

	22Q4	22Q3	21Q4
Total Inventory (MSF)	17,208.6	17,116.2	16,910.7
New Supply (MSF)	138.4	136.9	104.2
Net Absorption (MSF)	124.5	117.7	171.4
Overall Vacancy	3.7%	3.7%	3.9%
Under Construction (MSF)	647.3	654.0	499.2
Overall Asking Lease Rates (NET)	\$9.07	\$8.72	\$7.91

Market Graph



Overall net absorption totaled 124.5 million square feet in the fourth quarter, a record for the year, as demand for industrial space remains healthy. New supply rose 25.9% year-over-year and the vacancy rate dropped 21 basis points from this time last year to 3.7%.

Q4 2022 Occupancies



Inland Empire, CA
4.1M SF



Seattle, WA
2.8M SF



Philadelphia, PA
1.8M SF



Memphis, TN
1.5M SF



Philadelphia, PA
1.4M SF



Northern NJ
1.3M SF

Economic Summary

As the Federal Reserve continues to raise interest rates, economists remain divided on if and when the U.S. will enter a recessionary period, and how deep the recession could be. Baseline rate projections lean towards raising the rate to a 17-year high of 5%–5.25% from its current 4.25%–4.5%. Other economic indicators remain positive. U.S. GDP remains favorable and job growth continues at an impressive clip.

Additionally, consumer spending grew by 2.1% in the fourth quarter, aided by a strong holiday shopping season. While a recession remains a serious concern for the U.S., optimistically, it could be shallow and short.

U.S. Economic Indicators

GDP	
Q4 2022	2.9%
Q3 2022	3.2%
ISM	
December 2022 PMI @	48.4, down 2.6 percentage points from September
December 2022 Rail Time Indicators: AAR.org	
Total Railcar Traffic	Down 4.4% YOY
Intermodal Traffic	Down 1.3% YOY

U.S. Industrial Overview

	West	Midwest	South	Northeast
Inventory	4,704,560,411	4,883,256,241	5,226,076,124	2,394,708,467
% of U.S. Inventory	27.3%	28.4%	30.4%	13.9%
2022 YTD New Supply	127,473,067	123,323,624	169,547,652	46,522,707
% of 2022 YTD New Supply	27.3%	26.4%	36.3%	10.0%
YTD 2022 Net Absorption	129,386,069	126,145,593	181,298,449	44,429,993
% of YTD 2022 Net Absorption	26.9%	26.2%	37.7%	9.2%
2022 Q4 Vacancy Rate	2.5%	4.1%	4.2%	3.7%

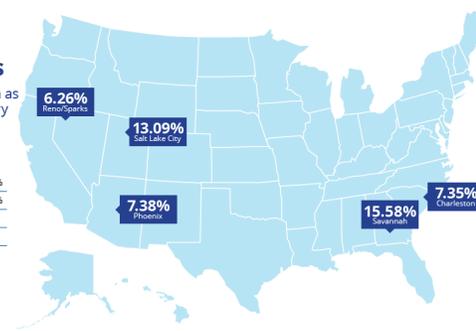
Top Markets

A total of eight markets posted occupancy gains greater than five million square feet during the fourth quarter, including Dallas, Chicago, Salt Lake City, Atlanta, the Inland Empire, and Phoenix. On the other hand, nine industrial markets posted negative absorption, including Birmingham, North Shenandoah Valley, Stockton, and Huntsville. The markets experiencing the most activity growth (absorption as a percent of inventory) include emerging markets such as Savannah, Salt Lake City, Charleston, and Reno/Sparks. The Savannah market continues to thrive and ranks as the top growth market in the U.S. Container volumes at the port have achieved levels it was not expected to reach until 2025, and, as a result, strong demand for warehouse space should continue.

Top 5 Growth Markets

Net absorption as a % of inventory

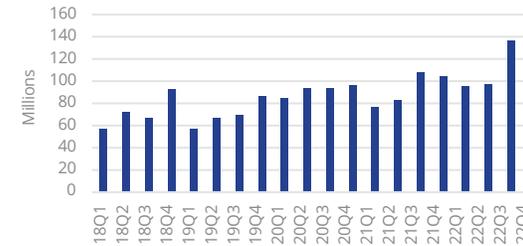
1. Savannah 15.58%
2. Salt Lake City 13.09%
3. Phoenix 7.38%
4. Charleston 7.35%
5. Reno/Sparks 6.26%



Construction

Year-end new supply reached a new record and rose 25.9% year-over-year. While many developers have paused new development starts, the industrial construction pipeline remains full. A total of 466.9 million square feet was completed at the end of the year, and 647.3 million square feet were under construction at the close of the quarter. The reshoring movement is starting to become more evident as nearly 100 manufacturing facilities larger than 100,000 square feet were under construction at year-end, totaling more than 40 million square feet. The automotive industry is leading in developing new semiconductor, EV battery, and microchip facilities across the U.S., as the reshoring trend continues to take hold.

Quarterly New Supply



Absorption

Although 2022 absorption was 19.5% below 2021's record setting year, the market absorbed more than 481 million square feet, the second-highest total ever recorded. Despite widespread speculation that the U.S. industrial market would see signs of cooling, the fourth quarter amassed the highest quarterly total in 2022, with 124.5 million square feet absorbed. Record deliveries throughout the year contributed to solid transaction volume as occupier requirements continue to lean towards shiny and new. Higher ceiling heights, heavy power, generous parking, increased building amenities, and a greater focus on ESG are attracting more tenants to newly built facilities.

Quarterly Net Absorption



Vacancy/Rental Rates

The overall vacancy rate declined 21 basis points year-over-year to 3.7% at the end of the fourth quarter. Major markets with the lowest vacancies include Greater Los Angeles (0.9%), Savannah (1.1%), and Reno/Sparks (1.5%), and some of the highest vacancies include Denver (6.5%), Boston (6.2%), Memphis (5.9%), and Indianapolis (5.8%). Average asking rents for warehouse/distribution space continue to climb and reached \$8.10 per square foot per year in the fourth quarter, 18.9% higher than in 2021, marking the highest annual rental rate growth in the industrial market's history. Rents are expected to moderate near the end of 2023, however, as supply and demand levels begin to even out.

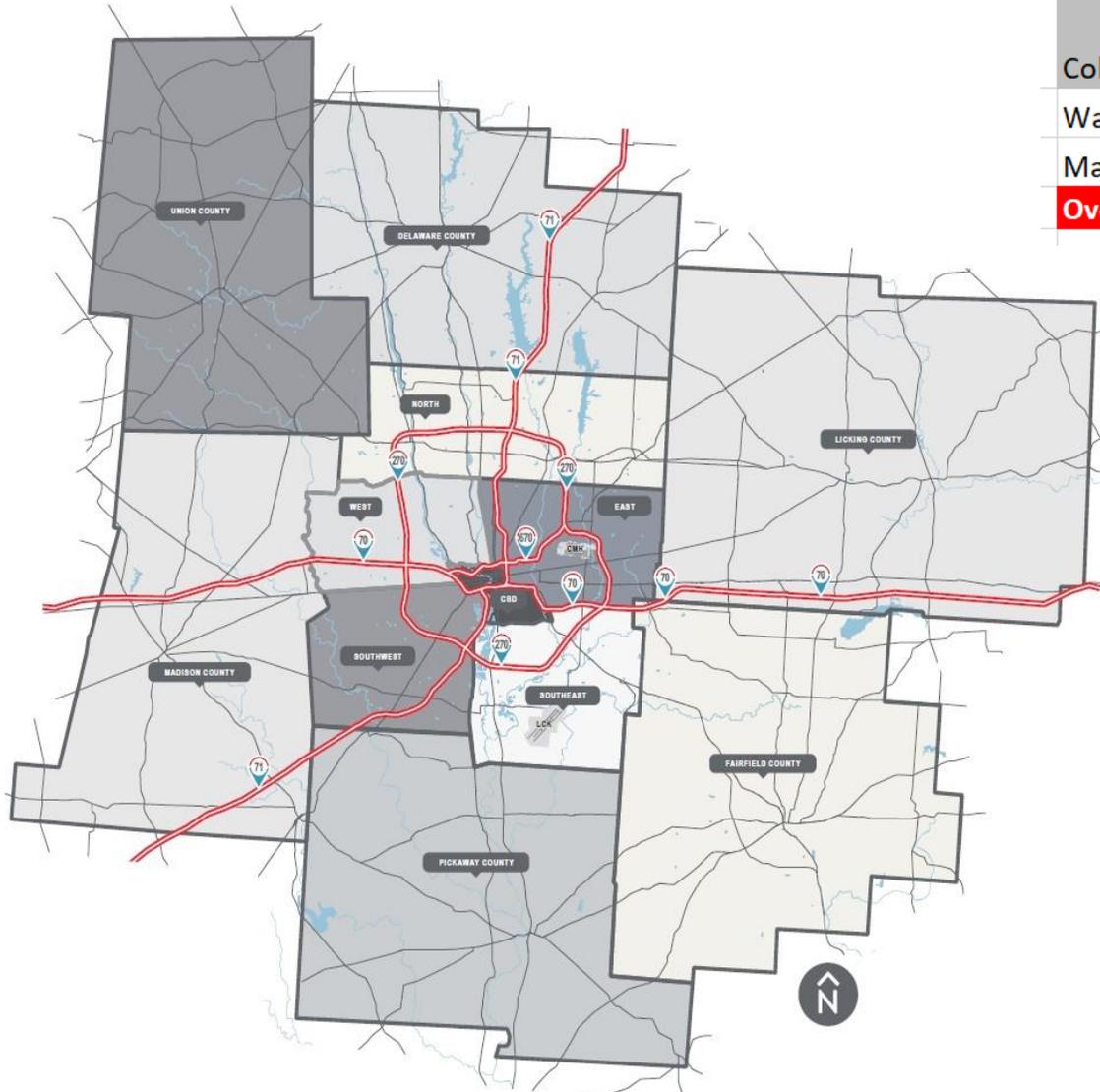
Vacancy/Rental Rates



U.S. Industrial Survey | Inventory, New Supply, Under Construction

Market	Inventory Q4 2022 (SF)	Total New Supply Q4 2022 (SF)	Total New Supply YTD (SF)	Total Under Construction (SF)
Midwest				
Chicago	1,482,660,494	9,830,764	31,389,558	35,625,073
Cincinnati	281,377,371	2,636,824	4,517,556	10,480,805
Cleveland	372,033,017	0	105,645	3,184,000
Columbus	281,670,580	5,097,540	14,730,935	10,671,624
Dayton	99,521,303	1,525,000	4,442,749	3,524,663
Detroit	657,950,175	2,387,685	7,546,613	9,062,928
Grand Rapids	68,949,089	0	720,100	229,498
Indianapolis	318,435,655	7,985,340	24,237,088	24,625,176
Kansas City	287,572,599	3,963,218	11,298,582	12,946,145
Milwaukee	289,438,352	1,855,742	4,582,809	5,408,985
Minneapolis-St. Paul	386,603,317	1,956,837	6,190,264	9,444,707
Omaha	85,980,788	18,600	4,192,812	1,235,082
St. Louis	261,063,501	8,059,045	9,368,913	2,275,356
Midwest Total	4,883,256,241	45,316,555	123,323,624	128,714,042
Northeast				
Baltimore	225,729,395	2,428,602	4,699,133	5,388,386
Boston	181,829,327	2,843,316	3,355,316	8,777,446
Hartford	113,917,023	0	0	0
New Hampshire Markets	71,283,627	0	242,997	907,325
New York City Metro	872,174,527	5,217,667	17,761,497	17,890,205
Central New Jersey	345,863,185	3,925,997	8,344,578	9,951,030
Long Island	161,080,477	0	1,767,451	2,255,452
Northern New Jersey	365,230,865	1,291,670	7,649,468	5,683,723
Philadelphia Metro Area	515,058,495	3,501,515	13,508,423	26,540,313
Lehigh Valley	111,962,244	1,218,905	5,987,132	3,627,658
Philadelphia	403,096,251	2,282,610	7,521,291	22,912,655
Pittsburgh	177,426,619	391,586	1,118,046	3,007,011
Washington, DC	237,289,454	1,213,496	5,837,295	6,742,643
Northeast Total	2,394,708,467	15,596,182	46,522,707	69,253,329

2022 Columbus Industrial Summary

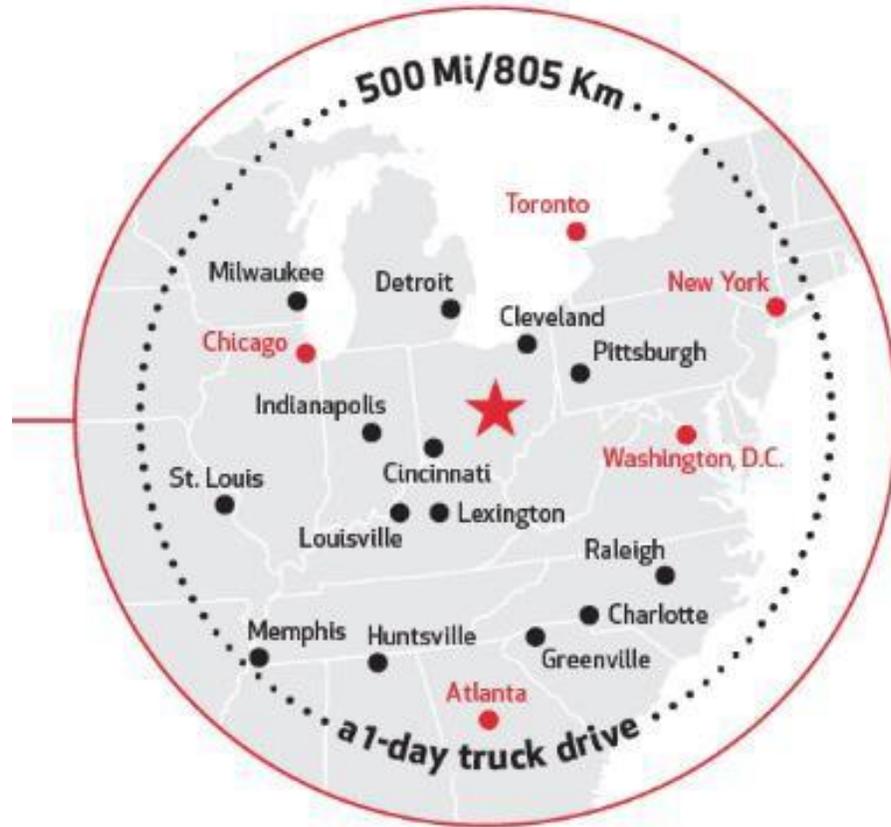


	Inventory (s.f.)	Total Net Absorption (s.f.)	Total Vacancy (%)	Completions (s.f.)
Columbus Total				
Warehouse & Distribution	235,777,734	8,448,829	3.4%	12,088,638
Manufacturing	35,371,433	929,517	1.7%	0
Overall Total	271,149,167	9,378,346	3.2%	12,088,638

Fundamentals

Forecast

YTD net absorption	9,378,346 s.f.	▲
Under construction	17,109,958 s.f.	▶
Total vacancy	3.2%	▲
Sublease vacancy	431,553 s.f.	▶
Direct asking rent	\$4.93 p.s.f.	▲
Sublease asking rent	\$5.17 p.s.f.	▲
Concessions	Decreasing	▼



Columbus Industrial Market

271 million square feet of industrial product

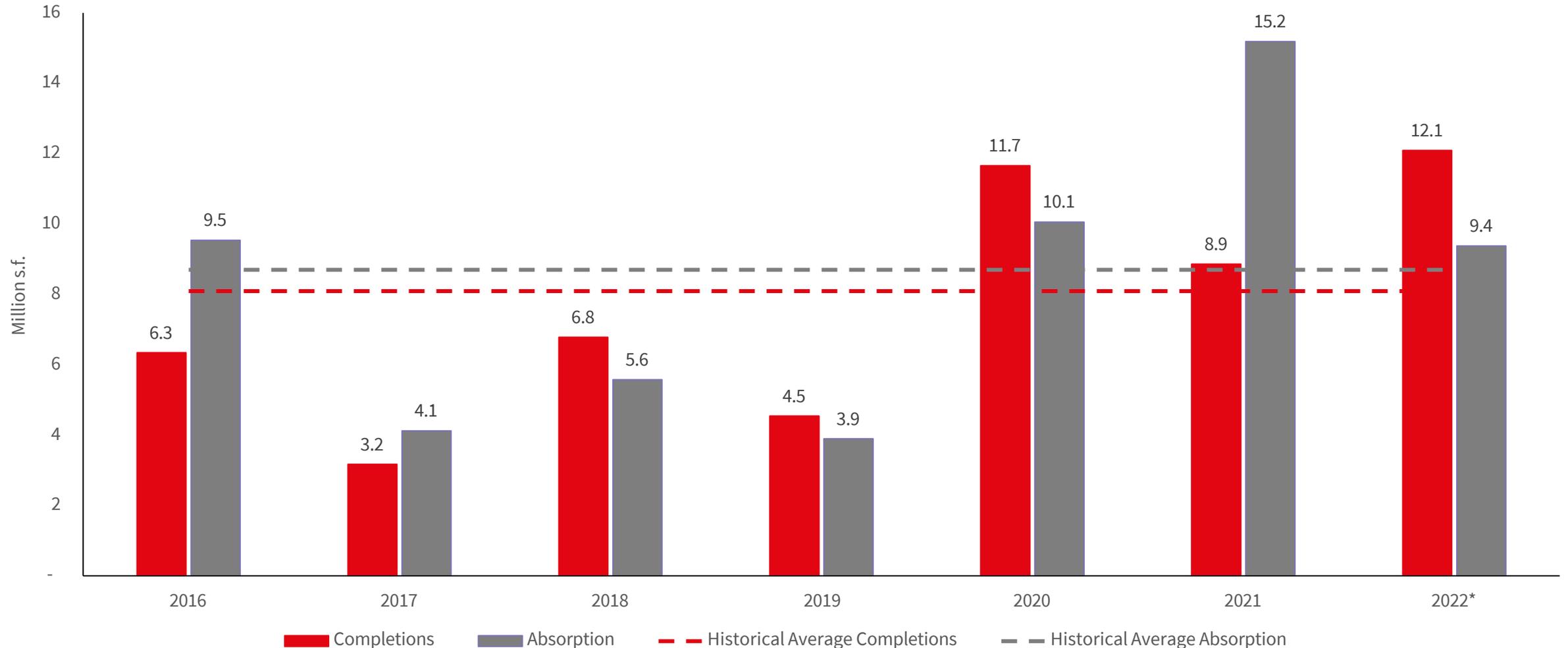
One-day trucking:

- **46% of U.S. population**
- **1/3 of Canadian population**
- **46% of U.S. manufacturing capacity**

Construction activity soars in 2022 amidst record demand



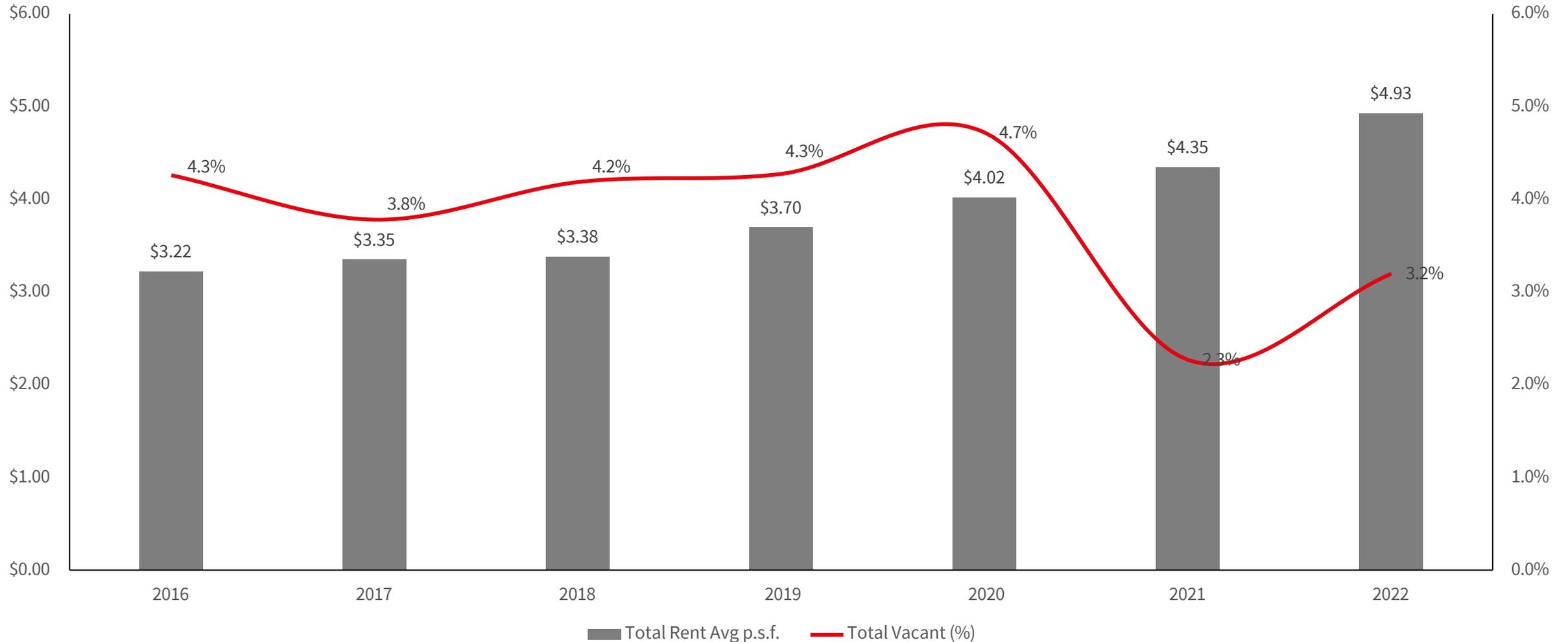
Following a record year for absorption in 2021 at 15.2 million s.f., 2022 was a record year for construction at 12.1 million s.f. completed. Over 90% is speculative product.



Falling vacancy → record asking rents



Since the onset of the pandemic, rising demand has slashed vacancy in half despite 20 million s.f. in construction completions. As vacancy has fallen, asking rents have risen by \$1.26 per s.f. (25%) since the start of 2020.



Bulk Speculative Development

32' clear, 350,000 - 1M + SF

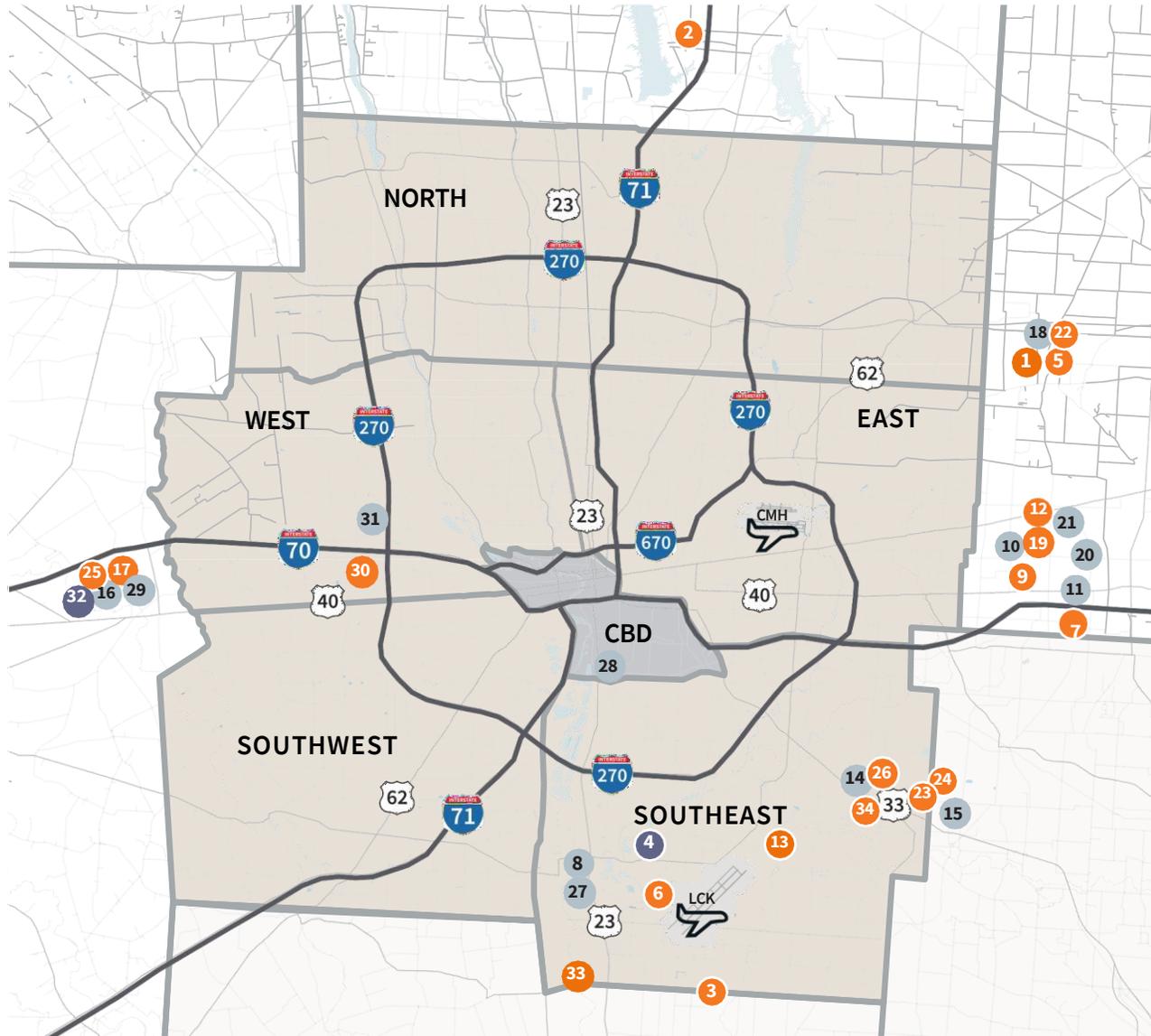


COMPLETIONS
(2017-present)
16.9 msf

NET ABSORPTION
(2017-present)
17.8 msf

EXISTING VACANCY
2.1 msf

UNDER CONSTRUCTION
14.41 msf



EXISTING					
	Name	SF	Developer	Completion Date	Leased
4	1489 Rohr Rd	1,055,686	Trident	Q3 2022	0%
32	West Jefferson Logistics Center	1,030,000	Stonemont/Pizzuti	Q2 2022	0%

UNDER CONSTRUCTION					
	Name	SF	Developer	Completion Date	Leased
1	Smith's Mill Industrial	547,000	Al Neyer	Q3 2023	0%
2	71 N Commerce Center	707,960	H&M Company	Q2 2023	0%
3	Rickenbacker Logistics 3a	598,754	CI Realty	Q4 2022	100%
	Rickenbacker Logistics 6	417,364	CI Realty	Q4 2022	50%
	Rickenbacker Logistics 7	1,077,649	CI Realty	Q4 2022	0%
5	New Albany 525	574,574	VanTrust	Q1 2023	0%
6	1505 S Rail Court	518,903	Duke	Q1 2023	0%
7	Cubes at Ltna	1,000,000	Exington	Q4 2022	0%
9	0 Mink Street	697,860	Core 5	Q4 2022	0%
12	Red Chip Farms	1,069,000	Red Rock	Q1 2023	0%
13	Groveport S LC	640,640	CA Ventures	Q4 2022	0%
17	Columbus Logistics Park W	712,000	Ambrose	Q2 2023	0%
19	TPA Phase III	1,772,550	TPA	Q1 2023	0%
22	SHIP Bldg 1	448,091	Lincoln Property	Q2 2023	0%
23	0 Robinett Way I	450,428	Mollo	Q2 2023	0%
24	0 Robinett Way II	374,477	Mollo	Q2 2023	0%
25	US 40 Gateway	747,570	Core 5	Q2 2023	0%
26	0 Winchester Pike	577,073	Becknell	Q3 2023	0%
30	West 70 Logistics Center	590,000	TPA	Q3 2023	0%
33	Rickenbacker Ex N	1,198,616	Heitman	Q2 2023	0%
34	Canal Pointe Bldg B	374,402	Mollo Properties	Q3 2023	0%

PLANNED					
	Name	SF	Developer	Completion Date	Leased
8	Scannell CP Bldg H	1,183,200	Scannell	TBD	0%
10	SW Mink Street	1,772,550	TPA	TBD	0%
11	0 Lolligat Rd	676,000	Scannell	TBD	0%
14	Canal Crossing #3	570,000	NPJ-Hillwood	TBD	0%
	Canal Crossing #4	540,000	NPJ-Hillwood	TBD	0%
15	Hill Road	570,740	Opus	TBD	0%
16	West Jeff South Bldg 1	1,210,295	Core 5	TBD	0%
18	SHIP New Albany	700,000	Lincoln Property Group	TBD	0%
20	SC Ltna	573,750	Strategic Capital	TBD	0%
21	TPA Ltna Pkwy	400,000	TPA	TBD	0%
27	0 Commercial Point Pkwy I	394,988	ID	TBD	0%
	0 Commercial Point Pkwy II	431,045	ID	TBD	0%
28	2211 Parsons Ave	599,040	Stonemont	TBD	0%
29	US 40 Gateway	1,841,797	Core 5	TBD	0%
31	Buckeye Yard	400,000 - 1M	Xbcx	TBD	0%

