

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Columbus



The Columbus and Central Ohio industrial market has seen robust demand from users and developers alike for the past five years. The region's attractiveness is simple: strong location, strong labor force and strong transportation options. With the fastest growing population in the Midwest, a location along I-70, one of the largest cargo airports in the nation and multiple rail intermodals, Columbus is positioned to become a prime market for users, developers and investors."

– Jeff Lyons, Senior Vice President





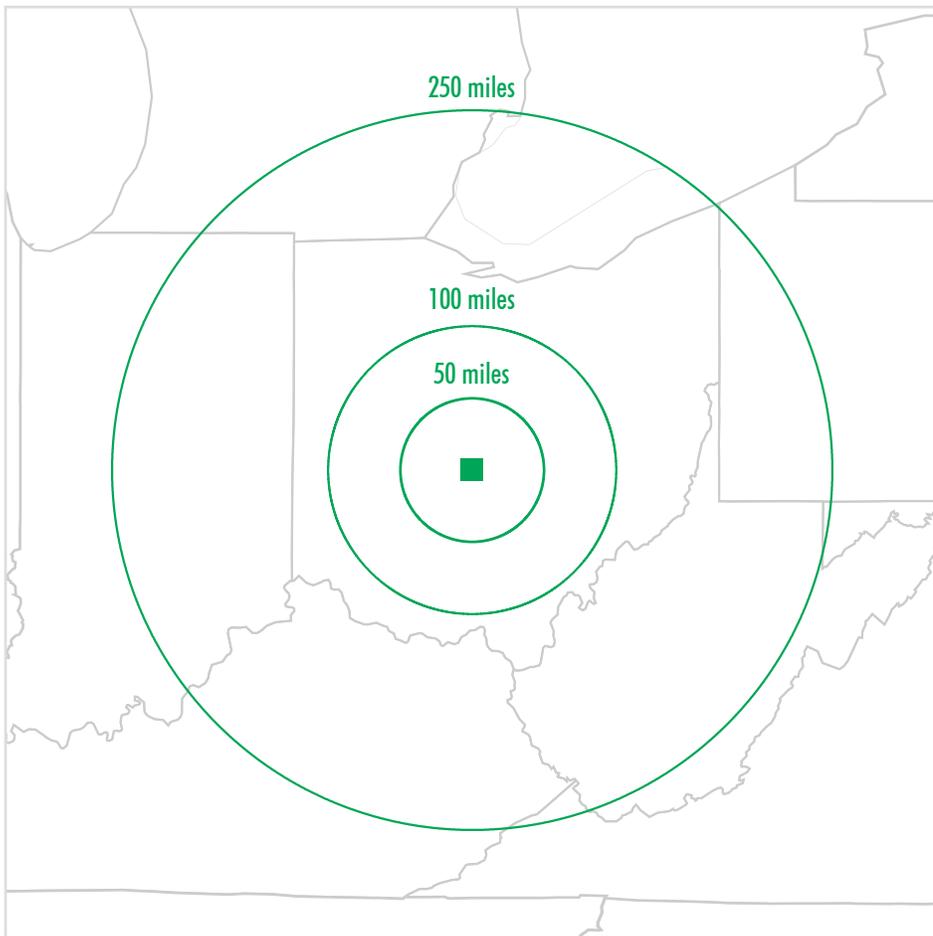
Columbus

Demographics

More than 2.5 million people live within 50 miles of the market core, with a projected growth rate of 4.5% over the next five years—the highest of any major Midwest city. Home to one of the largest public universities in the country, nearly 25% of the 50-mile-radius population is within the 18-to-34 age demographic.

According to [CBRE Labor Analytics](#), the region’s warehouse labor force of 50,294 is expected to grow by 12.8% over the next decade. The average hourly wage for a non-supervisory employee is \$13.86 per hour, 1.5% below the national average.

Figure 1: Columbus Population Analysis



Distance from Downtown Columbus	2020 Total Population	5 Year Growth
50 miles	2,556,679	4.5%
100 miles	7,079,064	2.1%
250 miles	36,387,331	1.2%

Source: CBRE Location Intelligence.

Figure 2: Columbus Warehouse & Storage Labor Fundamentals

Source: CBRE Labor Analytics.

*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been 230 economic incentives deals totaling \$449 million at an average of \$17,700 per new job in the Columbus metropolitan area, according to Wavteq.

According to [CBRE's Location Incentives Group](#), among the top incentive programs offered in metro Columbus is the Job Creation Tax Credit (JCTC) program, which provides a refundable and performance-based tax credit that is calculated as a percent of created payroll and is applied toward

a company's commercial activity tax liability. JCTC was designed to create a more competitive business climate in Ohio by incentivizing companies that are considering doing business elsewhere.

Another incentive program available in metro Columbus is the Economic Development Grant, which is a discretionary cash grant intended to promote job creation and business expansion. The grant is typically awarded based on fixed-asset and infrastructure investments by companies, as well as substantial job creation.

Figure 3: Columbus Top Incentive Programs

Program	Description
Job Creation Tax Credit	Tax credit (refundable) equal to 1% to 2.5% of gross payroll for up to eight years
Economic Development Grant	Discretionary cash grant program
JobsOhio Workforce Grant	Workforce training grant that is reimbursement-based for up to \$5,000 per new job
Sales Tax Exemptions	Discretionary sales tax exemption for construction; statutory exemption for warehouse/distribution
Local Payroll Tax Refund	Discretionary refund of local payroll taxes
Property Tax Abatement	Discretionary abatement of real estate taxes; personal property is exempt

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Columbus

Logistics Driver

The [Rickenbacker Inland Port](#) is one of the fastest growing inland ports in the country and is the epicenter of Columbus air, rail and ground transportation. Rickenbacker International is one of the only cargo-dedicated airports in the world, with direct flights to Europe, Asia and the Middle East.

Both Norfolk Southern and CSX have rail hubs within the port, giving the region direct rail access to major East Coast seaports. Interstate 70 passes through Columbus, giving direct highway access to a large part of the U.S. population.

Capital Markets



Columbus is the fastest-growing metropolitan area in the Midwest in terms of population and GDP, leading to a boom in investment sales activity over the past five years. With new construction justified by current demand levels, the market continues to attract both domestic and foreign capital. While 2020 sales volume was down by 11.5% year-over-year, Class A cap rates remained at the pre-COVID low 5% range. User demand and rent growth have remained robust. The market should see cap rates below 5% for Class A bulk, trending to 4.75% by year-end 2021.”

– Ryan Bain, Executive Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	5.00% - 5.25%	6.00% - 6.25%
2019	5.00% - 5.25%	6.25% - 6.50%

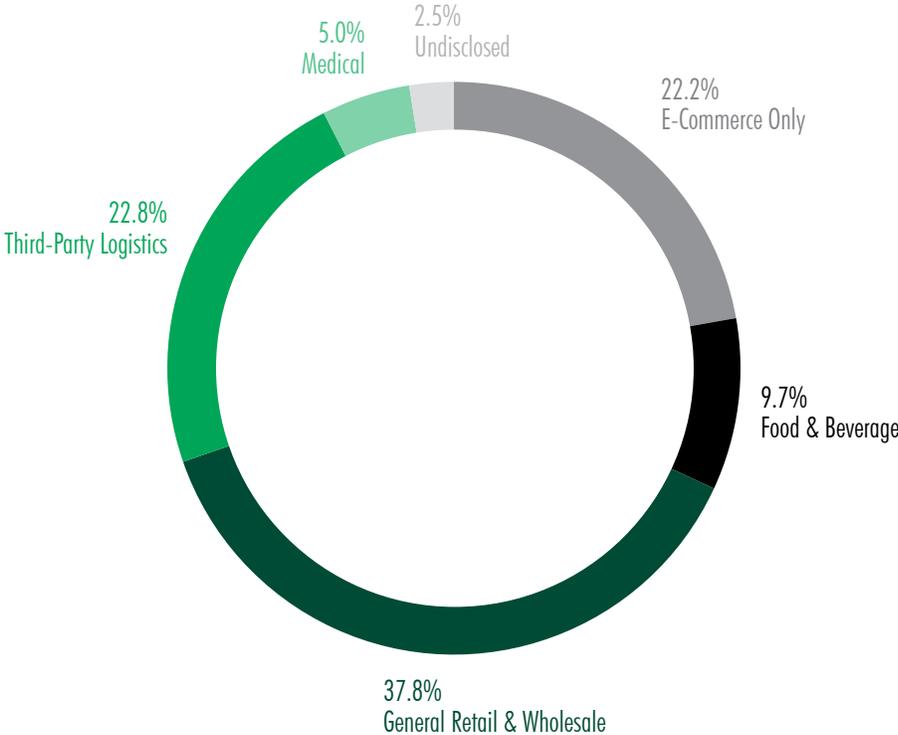
Source: CBRE Research.

Supply & Demand

Columbus is one of the top emerging markets in North America, with record-breaking transaction volume and net absorption. Transactions totaling 11.7 million sq. ft. in 2020 were nearly double the 6.1 million sq. ft. in 2019 and nearly tripled net absorption to 8.8 million sq. ft. Developers completed almost 10 million sq. ft. of new inventory last year, triple the amount of 2019. As a result, the direct vacancy rate increased slightly to 4.8%.

New occupiers to the market last year were led by general retailers and wholesalers, which accounted for approximately 38% of total transactions. Some 4.2 million sq. ft. in the 750,000-sq.-ft. and above size range was under construction at year end. This new supply will lead to increased transaction volume in 2021.

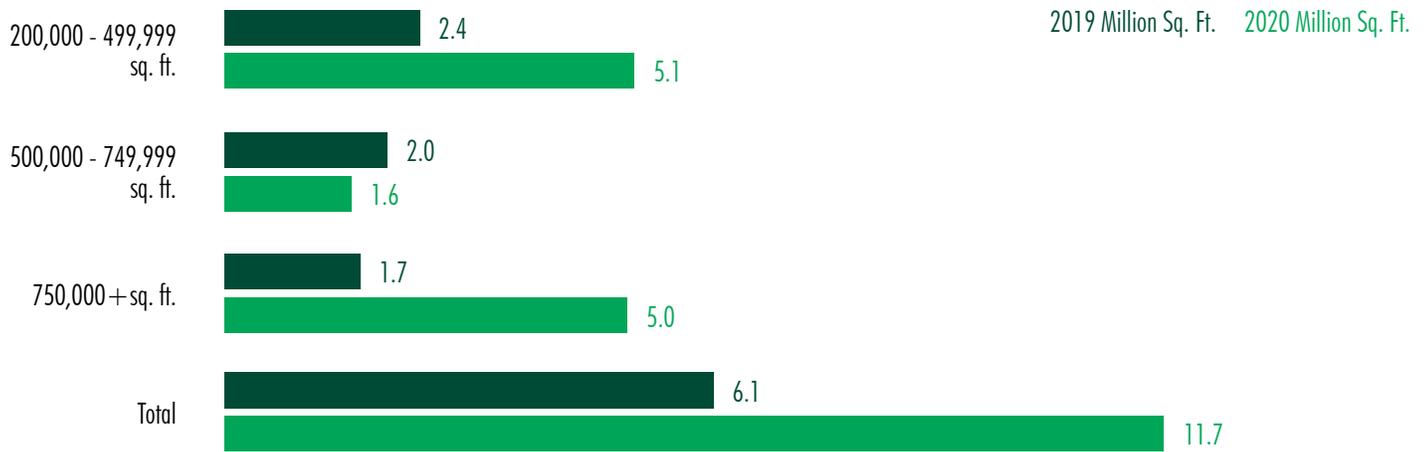
Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

Columbus

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	266	80,116,895	6.0%	3,019,193	2,996,464	\$4.05
500,000-749,999 SF	49	28,965,470	3.6%	1,211,954	556,000	\$3.32
750,000+ SF	55	68,237,361	3.9%	4,560,114	6,364,078	\$3.55
Total	370	177,319,726	4.8%	8,791,261	9,916,542	\$3.65
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	255	77,120,431	6.3%	601,234	1,523,688	\$3.66
500,000-749,999 SF	48	28,409,470	6.6%	186,689	514,491	\$3.92
750,000+ SF	49	61,873,283	1.5%	2,574,825	1,827,160	\$4.59
Total	352	167,403,184	4.6%	3,362,748	3,865,339	\$3.79

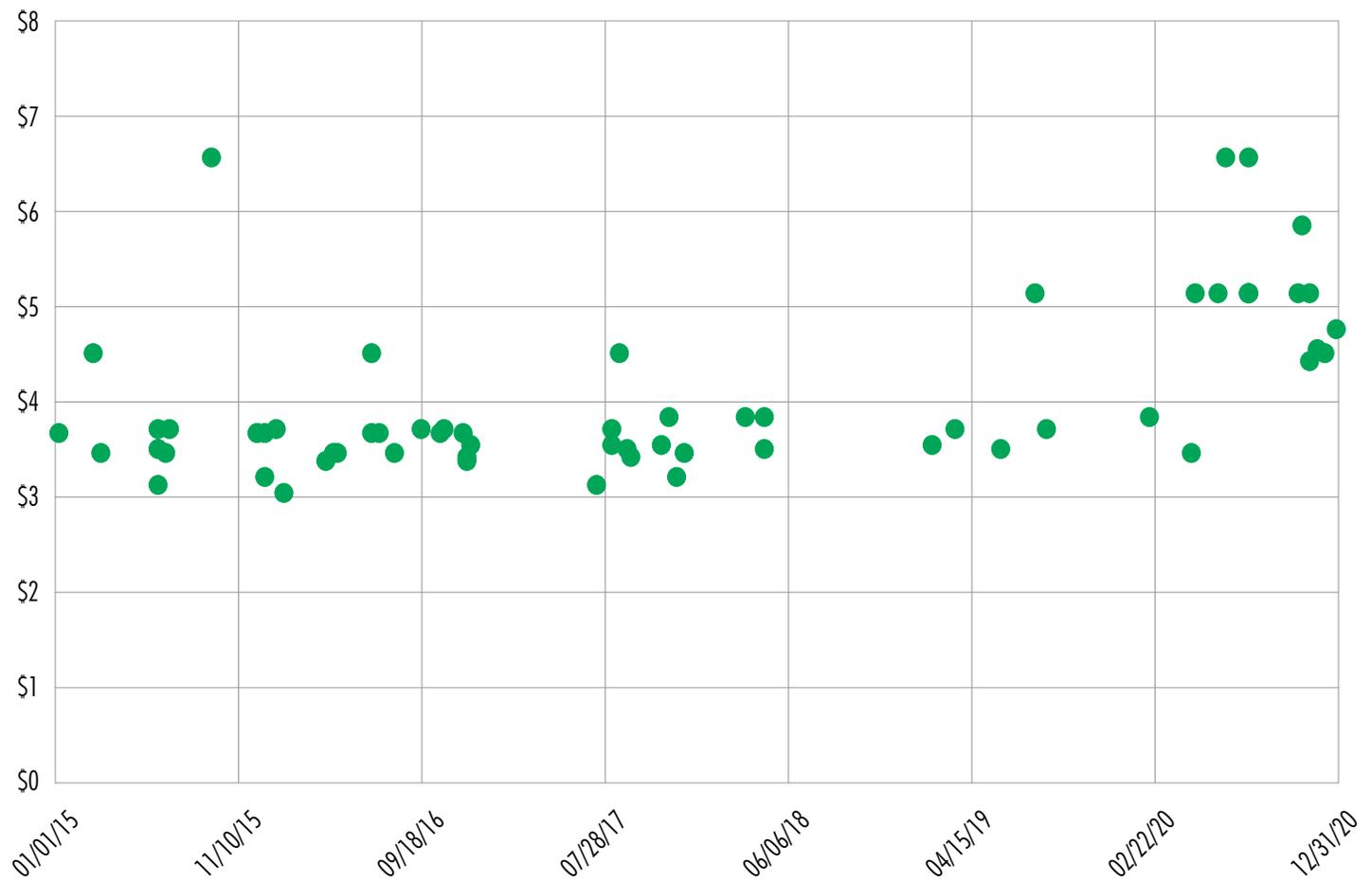
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	2,490,318	0.0%
500,000-749,999 sq. ft.	1,242,140	40.3%
750,000+ sq. ft.	4,181,077	29.5%
Total	7,913,535	21.9%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

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