

Columbus Class A office space is scarce, spurring developers to build more - Columbus - Columbus Business First

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Nationwide Mutual Insurance Co. this year began moving 3,000 employees from the suburbs to its new self-developed corporate campus in Grandview Yard, a relocation prompted mostly by the desire to consolidate workers near its downtown headquarters.

The \$34 billion insurance giant's employees have brand new office space amid a walkable district of restaurants, shops and other amenities in the 125-acre, master-planned Grandview Yard.

Click on the slideshow to see office vacancies by Columbus submarket

The desirability of high-quality office space in amenity-laden areas, commercial real estate professionals say, is driving vacancy down in the hottest markets such as Grandview Heights and Columbus' central business district just a couple miles away.

"Downtown still continues to be a hot area," said [Michael Copella](#), managing director of CBRE Group Inc.'s Columbus office, recently relocated to renovated space in the former Columbia Gas of Ohio headquarters downtown. "It's always in the conversation, the downtown conversation always comes up. It's not a solution or answer for everybody... but the core answer (from clients) is that's where the talent wants to be, or where the talent is located."

Office brokers say that's prompting developers to build high-quality office projects and forcing owners of lower-end properties to make investments.

What's in a decision

The decision about where to locate offices and of what quality they should be often comes down to financials.

Class A office space, defined as the most prestigious buildings in prime locations and with state-of-the-art features, attracts companies wanting not only to make employees happy but those wanting to gain a recruiting edge.

With the national economy still improving and Central Ohio's unemployment hovering around 4 percent, more businesses are willing to make the investment.

"We've seen, over the past couple years, we'd call it a flight to quality," said Collin Wheeler, vice president of the Columbus office of Chicago-based Jones Lang LaSalle. "As employers are competing for talent and retention of talent... office space has become more embedded in what they do every day."

Average rent for Class A office space in Central Ohio is just under \$21 per square foot. Class C goes for less than \$14.60.

"It doesn't always come down to cost, it comes down to amenities," said Chris Potts, brokerage first vice president and principal of Colliers International's Columbus office. "Anybody you hear with venture capital funding tied to their business plan is probably even more about recruitment than they are about price of rent. Class C is smaller, locally owned businesses that aren't as conscious of their image. Somebody that doesn't get a lot of visitors, somebody that's pretty static in size."

A major drawback to Class A space in Columbus' central business district, apart from cost, is said to be the limited availability of parking for employees.

Office brokers say that's one thing keeping suburban markets competitive.

The gravitation to high-end space in urban environments hasn't significantly inflated rental rates, brokers say, but instead has landlords responding in other ways.

"There's less square footage to be had," said Matt Gregory, an office sales and leasing agent with NAI Ohio Equities LLC. "What we're seeing... is definitely less concessions (from landlords), much less free rent, scaling back on tenant-improvement allowance."

Multimillion-dollar investments have been made to a number of decades-old but still prominent buildings in the urban core, including the 200 Civic Center Drive building that CBRE calls home and the Huntington Center on Capitol Square.

Developers, meanwhile, are responding to the demand with new projects such as Pizzuti Cos.' Offices at the Joseph in the Short North – said to command the highest rental rates in the region – and fresh proposals including Arshot Development's 25-story Millennial Tower in downtown's RiverSouth district.