



MULTIFAMILY REPORT

Columbus Between Crosswinds

Summer 2020

**Unemployment Hits
Double Digits**

**Developers, Investors
Target Downtown**

**Rent Growth Endures
Amid Lingering Demand**

COLUMBUS MULTIFAMILY



COVID-19 Constrains Central Ohio's Headway

Despite the ongoing economic and financial volatility generated by the COVID-19 crisis, Columbus remains one of the best-performing housing markets in the Midwest. Backed by steady demographic trends and faced with the implementation of a stay-at-home order, rental demand across the metro endured. On a trailing three-month basis through May, Columbus rents were up 0.4%, while the average national rate contracted by 0.2%.

Employment growth started to slowly decelerate at the beginning of last year. After the pandemic began to take a toll on Columbus' economy, the unemployment rate quickly escalated from 4.2% in March to 13.7% in April. Leisure and hospitality was the first sector to take a hit, but others followed suit. The state distributed more than \$3.8 billion in unemployment claims produced by the coronavirus outbreak, which has put a lot of pressure on relief funding. State officials requested \$3.1 billion from the federal government to continue meeting unemployment obligations.

In the first five months of this year, developers delivered 1,088 units, all catering to high-income residents, with an additional 7,387 apartments underway as of May. The current pipeline was slated to account for a new development cycle peak in 2020. However, with the effects of the health crisis still unfolding, ongoing projects could face significant delays.

Market Analysis | Summer 2020

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Recent Columbus Transactions

Steeplechase Village



City: Columbus, Ohio
Buyer: 29th Street Capital
Purchase Price: \$32 MM
Price per Unit: \$78,703

Canal's Edge



City: Canal Winchester, Ohio
Buyer: Columbus Metropolitan Housing Authority
Purchase Price: \$12 MM
Price per Unit: \$130,682

Sawbury Commons



City: Columbus, Ohio
Buyer: Legacy Capital Partners
Purchase Price: \$10 MM
Price per Unit: \$110,464

Sharon Green Townhomes



City: Columbus, Ohio
Buyer: Preserve Partners
Purchase Price: \$9 MM
Price per Unit: \$57,099

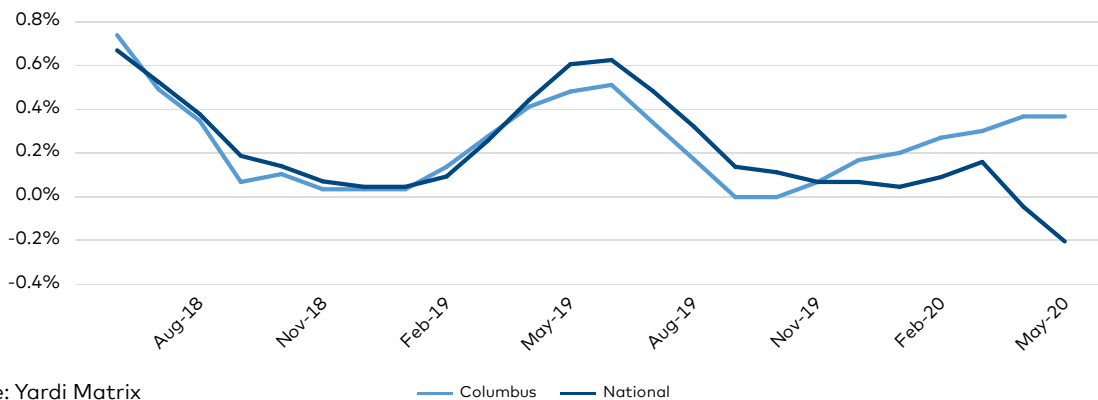
RENT TRENDS

- ▶ Columbus rents were up 0.4% on a trailing three-month (T3) basis through May, 60 basis points above the national rate. The average rent clocked in at \$1,006, largely in line with other major Ohio markets—Cincinnati (\$1,004) and Cleveland (\$955)—but well below the \$1,460 U.S. figure.
- ▶ Rents in the working-class Renter-by-Necessity segment rose 0.4% on a T3 basis, to an average of \$919. Lifestyle rates were up 0.3%, to an average of \$1,320. While the full effects of the pandemic on the local market have yet to emerge, the novel coronavirus did little to drive down demand in the short term.
- ▶ Columbus received \$157 million through the CARES Act to limit the impact of the coronavi-

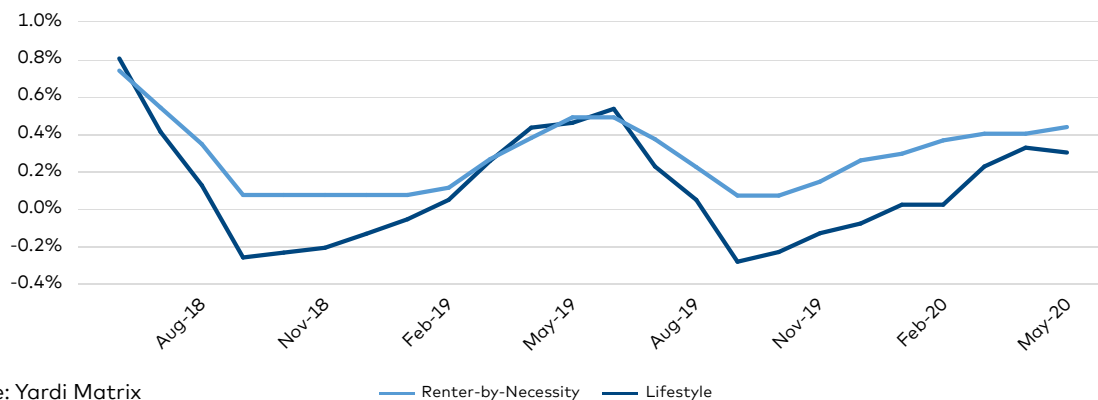
rus crisis. Of those funds, \$80 million was used for health-care expenses, \$51 million for shelter, food banks, rental assistance or other human services, and \$26 million for small business assistance and teleworking. To protect landlords, Gov. Mike DeWine ordered a 90-day deferral of payments and foreclosures on commercial loans.

- ▶ In the 12 months ending in May, core submarkets Victorian Village and Grandview Heights remained the most expensive. Rents in adjacent areas with easy access to employment and educational hubs such as Franklinton (9.9%) and University (6.3%) grew fastest. Only two of the metro's 48 submarkets recorded contractions—Columbus-Southside (-0.4%) and Union (-1.0%).

Columbus vs. National Rent Growth (Trailing 3 Months)



Columbus Rent Growth by Asset Class (Trailing 3 Months)



ECONOMIC SNAPSHOT

- ▶ Job growth in Franklin County has trended downward since the beginning of last year in the context of a tight employment market. The state-wide lockdown in April and May exacerbated that trend, bringing unemployment to double-digit figures. According to preliminary data from the Bureau of Labor Statistics, the unemployment rate surged from 4.2% in March to 13.7% in April.
- ▶ Leisure and hospitality was the first sector to bear the brunt of the cutbacks—losing 2,300 jobs in the 12 months ending in March—but others followed suit. Citing a drop in business activity, insurance company Nationwide cut more than 500 jobs, and some school districts announced layoffs due to budget reductions. Columbus relies heavily on income taxes, which are closely tied to employment fluctuations. According to research conducted by the Brookings Institution, 76% of Columbus' general fund comes from income taxes, and disruptions in obtaining these funds will generate a shock to the metro's fiscal system.
- ▶ To stem the economic impact, Ohio has requested \$3.1 billion in borrowing authority from the U.S. Department of Labor. As of the first week of June, more than 1.3 million Ohioans had filed initial jobless claims in 12 weeks; the state issued more than \$3.8 billion in unemployment payments.

Columbus Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	188	17.0%
40	Trade, Transportation and Utilities	210	19.0%
65	Education and Health Services	167	15.1%
15	Mining, Logging and Construction	44	4.0%
55	Financial Activities	87	7.9%
30	Manufacturing	73	6.6%
50	Information	17	1.5%
60	Professional and Business Services	178	16.1%
80	Other Services	41	3.7%
70	Leisure and Hospitality	102	9.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Central Ohio gained 15,730 residents last year, a 0.7% uptick and 40 basis points above the national rate.
- ▶ Columbus is the fastest-growing major metro in Ohio, boosted by both domestic and international migration.

Columbus vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Columbus Metro	2,051,957	2,082,475	2,106,541	2,122,271

Sources: U.S. Census, Moody's Analytics

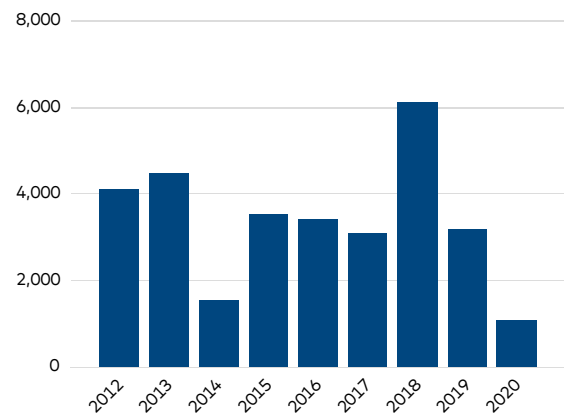
SUPPLY

- ▶ At the end of May, there were 7,387 units under construction across the metro, with the majority of them catering to Lifestyle renters. More than 80% of these were previously expected to come online by the end of 2020, which would have accounted for Columbus' strongest delivery total of the past decade. However, with developers impacted by supply chain disruptions and shelter-in-place orders, delays are highly likely.
- ▶ Developers completed 1,088 units in the first five months of 2020, with most projects delivered in the city's urban core and northwest areas. More than 3,100 units came online in the metro every year since 2015, with a 6,120-unit cycle peak in 2018. Constant demand and fairly limited new supply have pushed rents up in the past few years. Yet, the city's low cost of living and abundant space for residential expansion are likely to continue to attract both developers and residents to the area, despite the temporary COVID-19 economic shock.
- ▶ Development activity remained significantly stronger in the urban core, with Downtown (1,988 units underway) accounting for the largest share of the construction pipeline as

of May. The area is also a magnet for investors eyeing up-and-coming markets with higher yield potential.

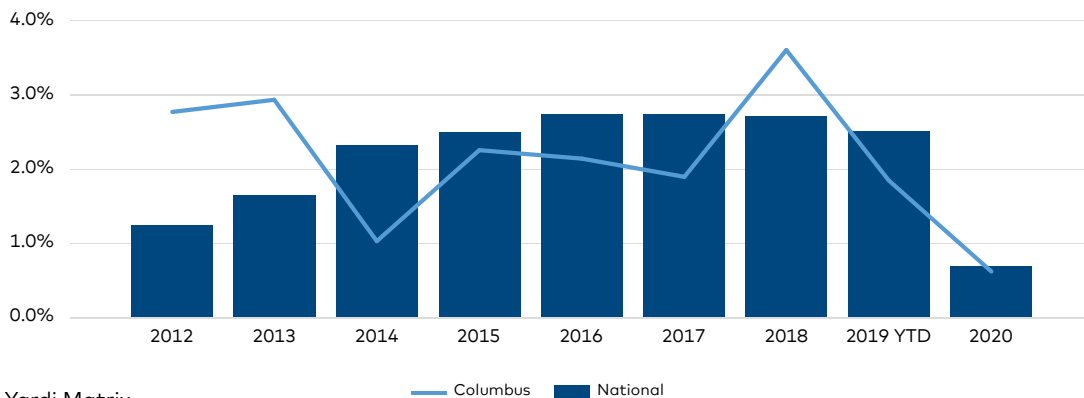
- ▶ The Lofts at Norton Crossing is the largest property underway. Continental Real Estate Cos. is building the 360-unit community in Whitehall using a \$35 million loan funded by Huntington National Bank.

Columbus Completions (as of May 2020)



Source: Yardi Matrix

Columbus vs. National Completions as a Percentage of Total Stock (as of May 2020)



Source: Yardi Matrix

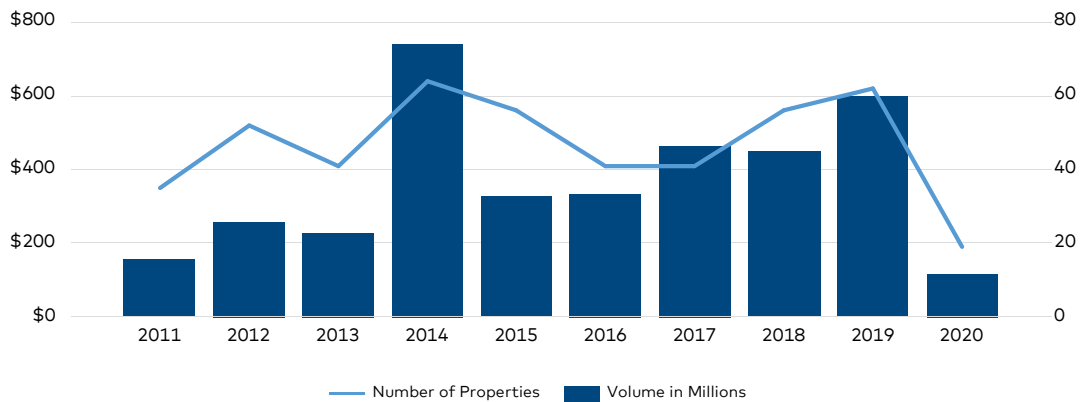
TRANSACTIONS

- ▶ In the first five months of the year, \$116 million in multifamily properties changed hands in Columbus, a visible slowdown from last year's \$165 million over the same interval. However, Central Ohio continued to lead the state in deal volume, followed by Cincinnati with \$100 million. After peaking at \$742 million in 2014, transaction activity across the metro abated to an annual average of \$434 million.
- ▶ Of the 19 communities that traded in 2020

through May, 17 properties catered to the Rent-by-Necessity segment. The average per-unit price dropped by a hefty 28.5% to \$66,832.

- ▶ Despite the slowdown attributed to the pandemic, the metro's downtown area remained the epicenter of investor interest. In the 12 months ending in May, capital heavily favored the area, with LNR Partners' \$63 million buy of 80 on the Commons accounting for two-thirds of the submarket's investment volume.

Columbus Sales Volume and Number of Properties Sold (as of May 2020)



Source: Yardi Matrix

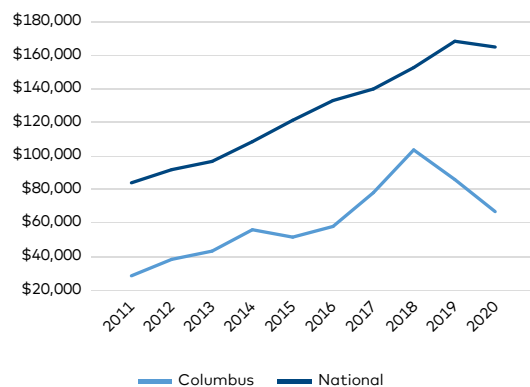
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Columbus-Downtown	92
Obetz	60
Northwest Columbus	57
Groveport	41
Westland	37
Hillard	31
Blacklick	31

Source: Yardi Matrix

¹ From June 2019 to May 2020

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

TOP 5 MARKETS FOR MULTIFAMILY DEVELOPMENT IN OHIO



data by



By Adina Marcut

Projects have started to get back on track as states gradually reopen following coronavirus shutdowns. Despite certain safety regulations construction workers must comply with, some developers are optimistic about meeting delivery deadlines. Once the outbreak prompted nationwide shelter-in-place orders, construction in Ohio was classified as an essential activity. Here's a breakdown of Ohio's top metros for development activity, based on Yardi Matrix data. Youngstown came in sixth, with 60 units under construction.

Rank	Market	Units Under Construction	Projects Underway	Percentage of Stock
1	Columbus	7,195	47	4.1%
2	Cincinnati	4,586	33	4.1%
3	Dayton	2,682	17	5.6%
4	Cleveland-Akron	2,557	22	1.6%
5	Toledo	900	6	2.4%
6	Youngstown	60	1	0.3%

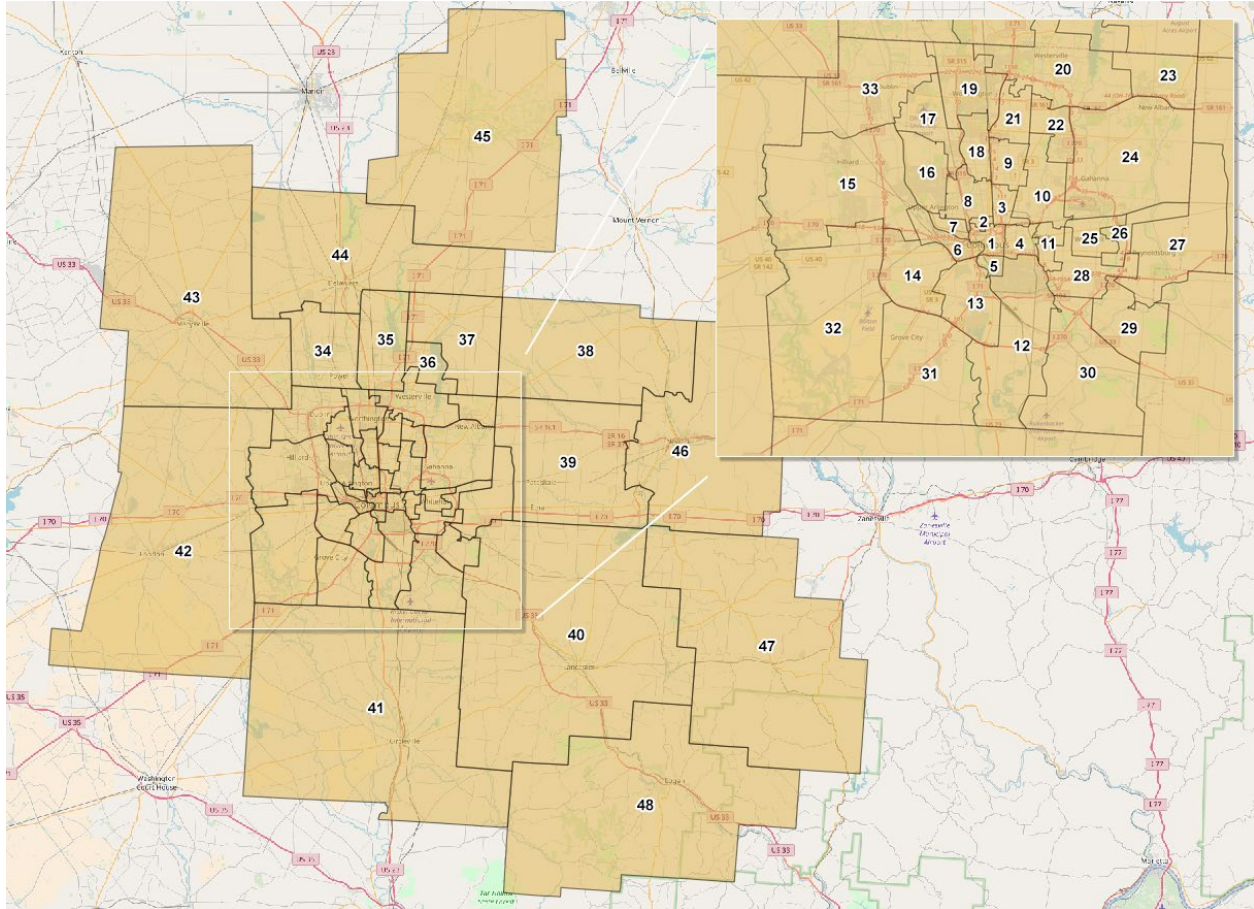
COLUMBUS

Due to increased hiring in the health-care and government sectors, demand for housing in the metro is likely to remain strong. Nearly 7,200 units were under construction as of May, representing 4.1 percent of total inventory.

The largest development in Columbus is also a Continental Real Estate Cos. project. The company broke ground on the Lofts at Norton Crossing in 2017, with the help of a \$35 million construction loan from Huntington National Bank. Located at 4657 E. Broad St., in an Opportunity Zone, the community is expected to add 350 units to the metro's inventory and is slated to include 50,000 square feet of office and 20,000 square feet of retail space.



COLUMBUS SUBMARKETS



Area No.	Submarket
1	Columbus–Downtown
2	Victorian Village
3	South Linden
4	Near East
5	Columbus–Southside
6	Franklinton
7	Grandview Heights
8	University
9	North Linden
10	Northeast Columbus
11	Bexley
12	Far South
13	Southwest
14	Greater Hilltop
15	Hilliard
16	Upper Arlington

Area No.	Submarket
17	Northwest Columbus
18	Clintonville
19	Worthington
20	Westerville
21	Northland
22	Minerva Park
23	New Albany
24	Gahanna
25	Whitehall
26	Blacklick
27	Reynoldsburg
28	Obetz
29	Canal Winchester
30	Groveport
31	Grove City
32	Westland

Area No.	Submarket
33	Dublin
34	Powell
35	Lewis Center
36	Galena
37	Sunbury
38	Johnstown
39	Pataskala
40	Fairfield
41	Pickaway
42	Madison
43	Union
44	Delaware
45	Morrow
46	Newark
47	Perry
48	Hocking

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also may span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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