



MULTIFAMILY REPORT

Columbus Withstands Shock

Fall 2020

Industrial Market Leads the Midwest

Rent Expansion Stays Positive

Development Activity Lingers

COLUMBUS MULTIFAMILY



Rent Growth Endures Amid Steady Demand

Columbus' multifamily market has remained resilient in the face of economic and financial volatility. Weathering the national trend of declining rates during the second and third quarters, Franklin County rents stayed positive. On a trailing three-month basis through September, rents rose 0.3% to \$1,018, while the U.S. average was up only 0.1% to \$1,463.

Employment gains started to decelerate at the beginning of last year. By July 2020, the health crisis had cost the metro more than 98,000 jobs, accounting for a 6.8% year-over-year workforce contraction. Following an initial shock, Columbus avoided more severe effects of the COVID-19 outbreak due to its lower population density, favorable cost-of-living metrics and diversified economy.

Several large-scale industrial projects have completed ground-breaking or are in development across the metro. VanTrust Real Estate began work on a 2.3 million-square-foot park near Rickenbacker International Airport in September, and New Albany—an emerging tech hub northeast of downtown Columbus—will be home to Facebook's third facility in Ohio and Google's \$600 million data center. In 2020 through September, 2,837 units came online, and more than \$154 million in multifamily assets traded across Columbus—a 58% drop compared to the same interval last year.

Market Analysis | Fall 2020

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Recent Columbus Transactions

Patrick's Square



City: Pickerington, Ohio
Buyer: Ackermann Group
Purchase Price: \$11 MM
Price per Unit: \$130,952

Wellington Village



City: Hilliard, Ohio
Buyer: Peak Capital Partners
Purchase Price: \$8 MM
Price per Unit: \$70,982

Forest Creek



City: Columbus, Ohio
Buyer: Jazayri Realty
Purchase Price: \$6 MM
Price per Unit: \$39,384

Lancaster Club

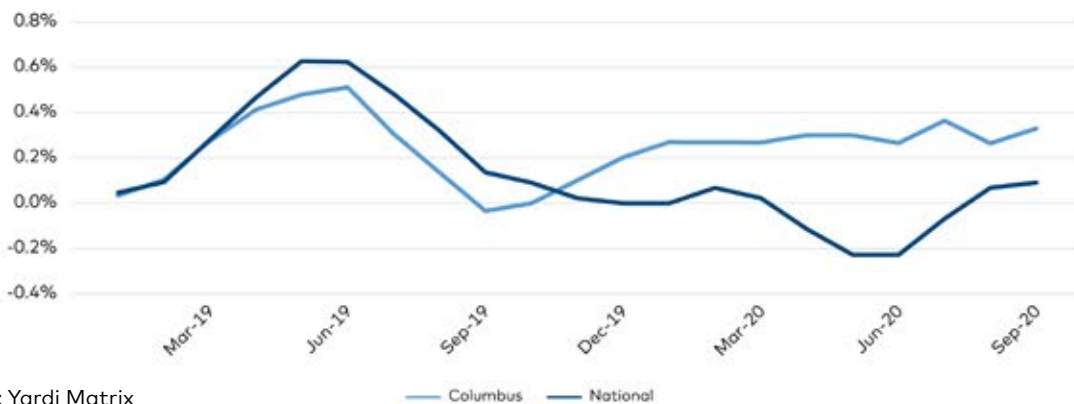


City: Lancaster, Ohio
Buyer: Preservation Partners
Purchase Price: \$5 MM
Price per Unit: \$48,913

RENT TRENDS

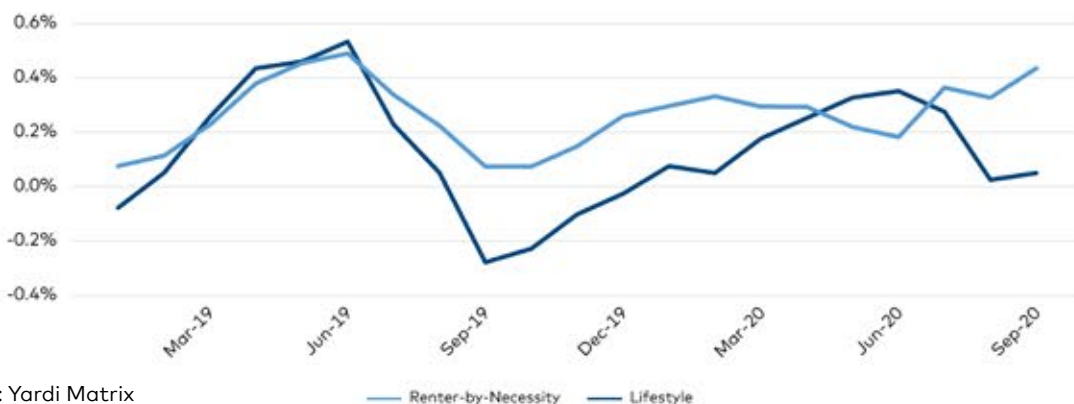
- ▶ Columbus rent growth remained positive throughout the health crisis, bucking the national trend. The average rate rose 0.3% on a trailing three-month (T3) basis through September to \$1,018, well below the \$1,463 U.S. figure, which inched up only 0.1%. Multifamily development was sluggish last year, while the metro's low cost of living continued to attract new residents, keeping demand healthy.
- ▶ Rents were uneven across the quality spectrum. The working-class Renter-by-Necessity segment led increases, with rates up by 0.4% to \$926 on a T3 basis through September. Meanwhile, Lifestyle rents rose just 0.1%, clocking in at \$1,337.
- ▶ Columbus received \$157 million, through the coronavirus relief package, for residents and businesses affected by the health crisis, and nonprofit IMPACT Community Action also raised more than \$12 million for emergency rent assistance.
- ▶ Submarkets with heavy Renter-by-Necessity supply in the metro's southern areas led growth in the 12 months ending in September—the Far South (11.2% to \$764), Groveport (10.9% to \$928) and Greater Hilltop (10.7% to \$898). Considering some projects will be pushed into 2021 and local population growth is slowing household formation, it could take longer to lease-up new communities, resulting in downward pressure on rents and occupancy, at least in the near term.

Columbus vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Columbus Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Unemployment in Franklin County peaked at 13.7% in April, but gradual efforts to reopen the economy brought the rate down to 8.3% as of August, according to preliminary Bureau of Labor Statistics data. Compared to other Ohio markets, the Columbus jobless rate remained below Cleveland (10.4%), but slightly higher than Cincinnati (8.0%).
- ▶ As in most parts of the country, leisure and hospitality bore the brunt of the economic fallout, with the sector losing a quarter of its workforce (30,000 jobs) in the 12 months ending in July. However, the metro's high concentration of state government workers makes it less exposed during downturns. Additionally, Columbus continues to be a hub for the Midwest's industrial market, with large corporations including Walmart, Google and Amazon retaining sizable distribution and data center footprints. Amazon announced its fourth fulfillment center in Central Ohio. The company's latest investment totals \$250 million.
- ▶ Despite the current economic context, several large developments broke ground in September. The list includes the first phase of the \$500 million Scioto Peninsula project in the urban core, and VanTrust Real Estate's 2.3 million-square-foot industrial development near Rick- enbacker International Airport.

Columbus Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
50	Information	16	1.6%
15	Mining, Logging and Construction	43	4.2%
90	Government	172	16.9%
30	Manufacturing	70	6.9%
55	Financial Activities	82	8.1%
80	Other Services	37	3.6%
60	Professional and Business Services	174	17.1%
65	Education and Health Services	148	14.5%
40	Trade, Transportation and Utilities	195	19.2%
70	Leisure and Hospitality	83	8.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Columbus added 15,730 residents last year, up 0.7% and 40 basis points above the national rate.
- ▶ Central Ohio remained the state's fastest-growing area. A Building Industry Association study found that Columbus is expected to add 1 million residents by 2050.

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

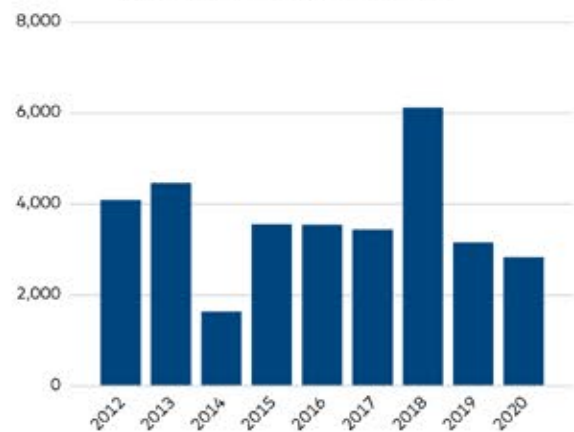
SUPPLY

- ▶ Columbus had 6,529 units under construction as of September, roughly 80% of which are geared toward high-income residents. More than half of the units underway were initially scheduled for delivery this year, but despite construction being deemed an essential business during the coronavirus-induced lockdown, significant delays are still likely.
- ▶ Developers added 2,837 units to the metro's stock in the first three quarters of 2020, totaling 1.6% of total stock and on par with the national rate. Despite the economic slowdown, Columbus added more units to its inventory than it did over the first nine months of last year (2,308 units), and the metro is on track to surpass last year's supply of 3,156 new units. Although developers delivered almost 20,000 units between 2015 and 2019, new construction is not yet keeping pace with population growth.
- ▶ As of September, one-third of the construction pipeline was centered in two core submarkets: Downtown (1,447 units underway) and University (660 units). A third of the upcoming inventory in the latter submarket is aimed at students attending Ohio State

University. This fall, the institution announced only 2% of its students would attend all their classes in person, which could put pressure on off-campus student housing occupancies, at least in the near term.

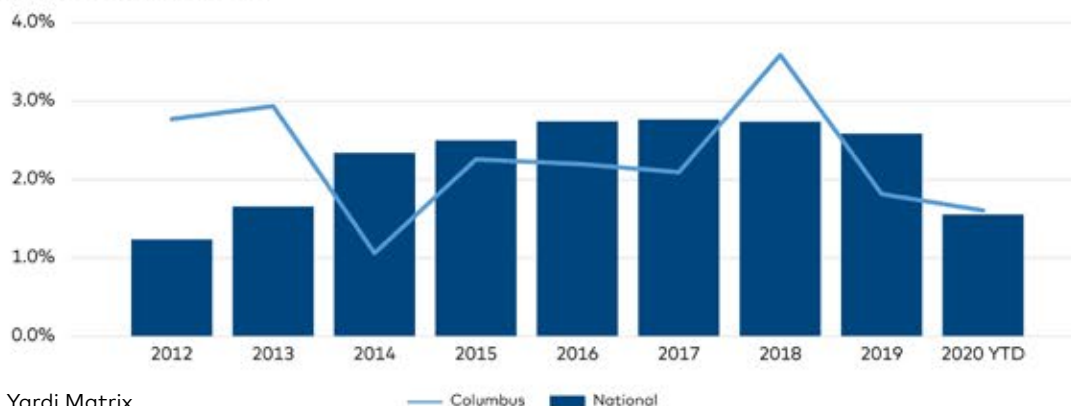
- ▶ The largest completion of the third quarter was Heritage Preserve, a 200-unit Lifestyle asset in Hilliard, owned by A R Building Co.

Columbus Completions (as of September 2020)



Source: Yardi Matrix

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

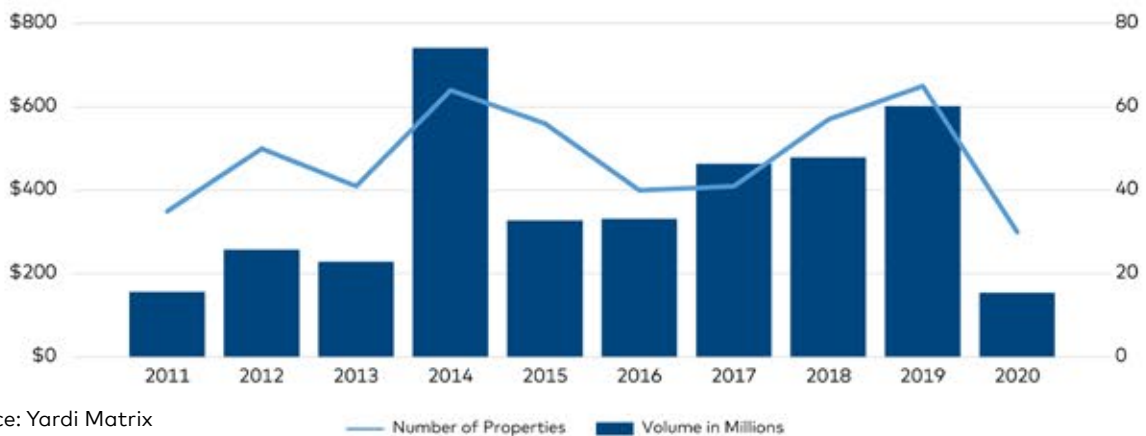


Source: Yardi Matrix

TRANSACTIONS

- ▶ Transaction activity for the first three quarters of 2020 was significantly lower than the volume during the same period of last year. By September, sales had totaled only \$154 million, while investments surpassed \$366 million during 2019's first nine months.
- ▶ With 80% of the communities that changed hands this year catering to the Renter-by-Necessity segment, the average price per unit dropped to \$67,037, considerably below the \$163,150 national figure.
- ▶ Downtown and Northwest Columbus accounted for almost a third of the \$389 million volume for the 12 months ending in September. While institutional investment was rather sparse, private equity companies remained active in the metro.
- ▶ One of the largest transactions of 2020's first three quarters was GoldOller Real Estate Investments' acquisition of a 1,064-unit Northeast Columbus property from Champion Real Estate Services. The buyer assumed the balance of a \$108 million Fannie Mae loan, originated by KeyBank.

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



Source: Yardi Matrix

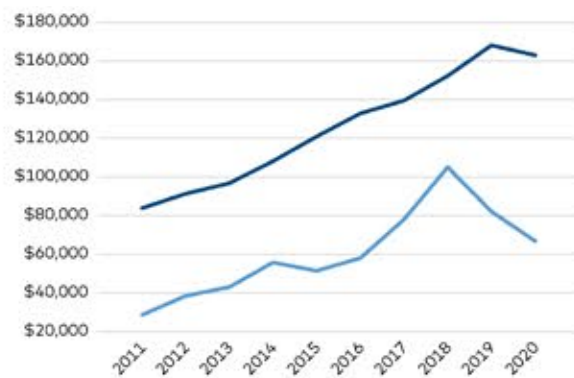
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Columbus-Downtown	63
Northwest Columbs	57
Groveport	32
University	30
Westland	25
Canal Winchester	23
Fairfield	21

Source: Yardi Matrix

¹ From October 2019 to September 2020

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Projects Under Construction in Ohio

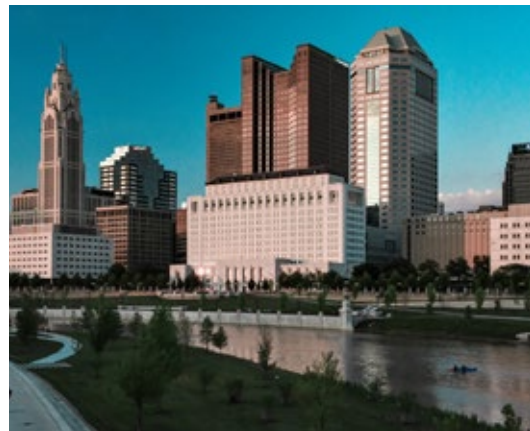
By Adina Marcut

Since our last look at the Top 5 markets for multifamily development in Ohio, we rounded up the Top 10 multifamily projects under construction in the state. Columbus led Ohio's top metros for development activity with roughly 6,500 units underway, followed by Cincinnati with more than 3,800 units and Dayton with some 2,700 units. Yardi Matrix data shows that some 16,282 units, across 105 properties, were underway in Ohio as of September.

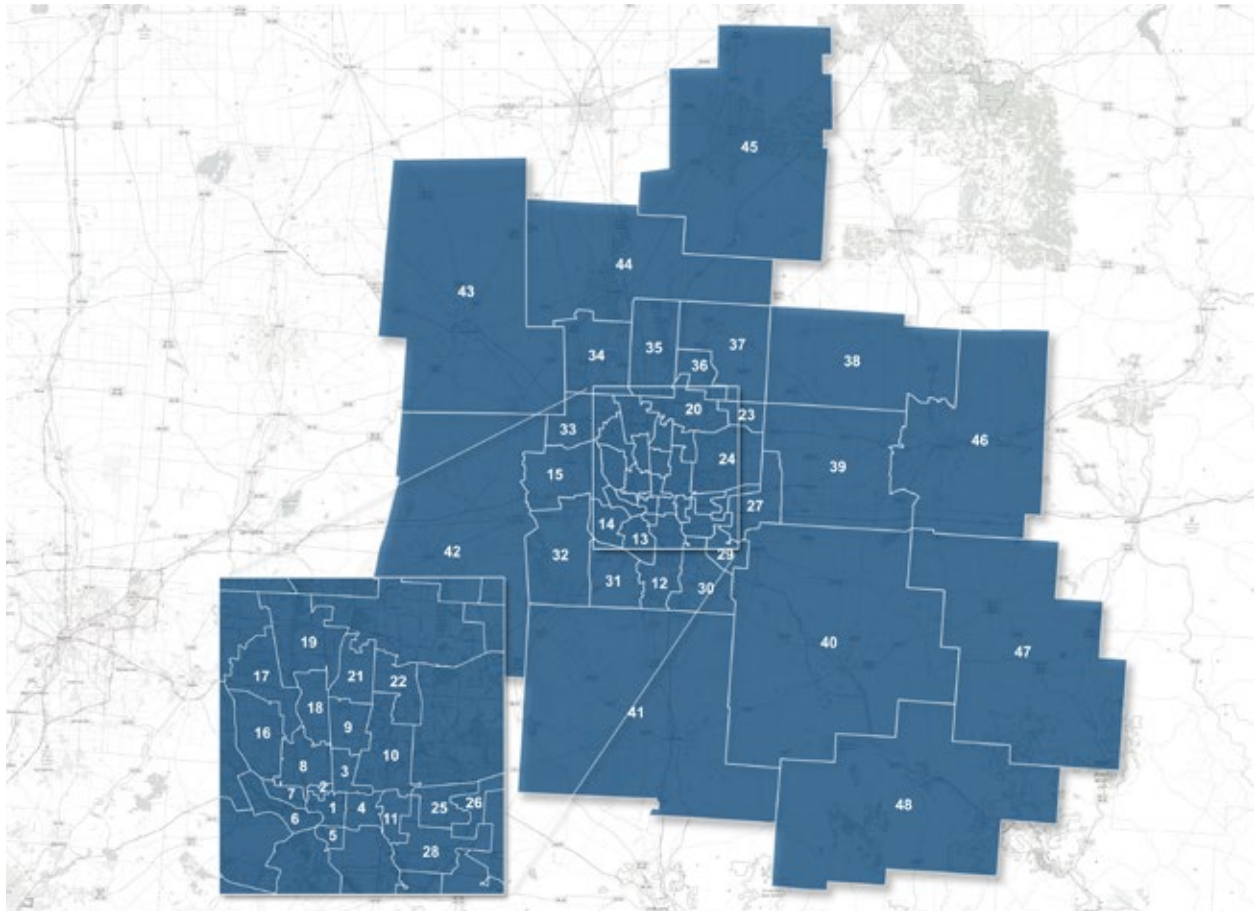
Rank	Property Name	Market	Owner	Units
1	Beulah Place	Columbus	Kelley Cos.	384
2	Gateway Lofts	Dayton	Hallmark Campus Communities	360
3	Lofts at Norton Crossing	Columbus	Continental Real Estate Cos.	360
4	Artistry Cincy	Cincinnati	Milhaus Development	344
5	Founders Park	Columbus	Thrive Cos.	342
6	The Lumen	Cleveland-Akron	Playhouse Real Estate Services	318
7	Bridges of Pine Creek	Dayton	Direct Source Wealth	315
8	Allure	Dayton	Hills Properties	312
9	Westbrooke Village Redevelopment	Dayton	Cada Properties	312
10	Parkview	Dayton	Metropolitan Holdings	310

BEULAH PLACE

The \$350 million redevelopment of Grove City's Beulah Place will replace the 220-acre horse racing track in the middle of the city. The redevelopment started last year, five years after the last horse race was held at the track. Upon completion later this year, the 12-building community will total 384 units. Located at 3451 Kells Way, the project is adjacent to various dining, retail and entertainment venues including the Grove City Area Chamber Farmers' Market and the George Edge Music Park.



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	Hillard
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 September 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 September 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, September 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.

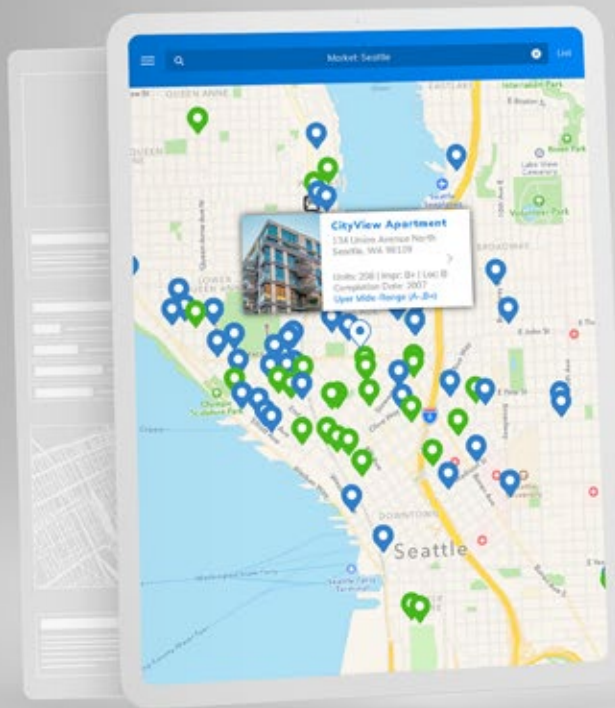
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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