



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

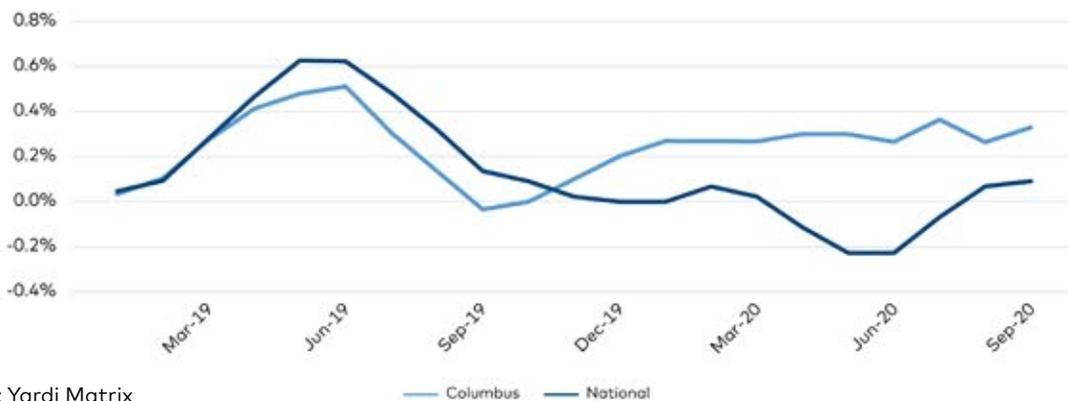


City: Lancaster, Ohio  
Buyer: Preservation Partners  
Purchase Price: \$5 MM  
Price per Unit: \$48,913

## RENT TRENDS

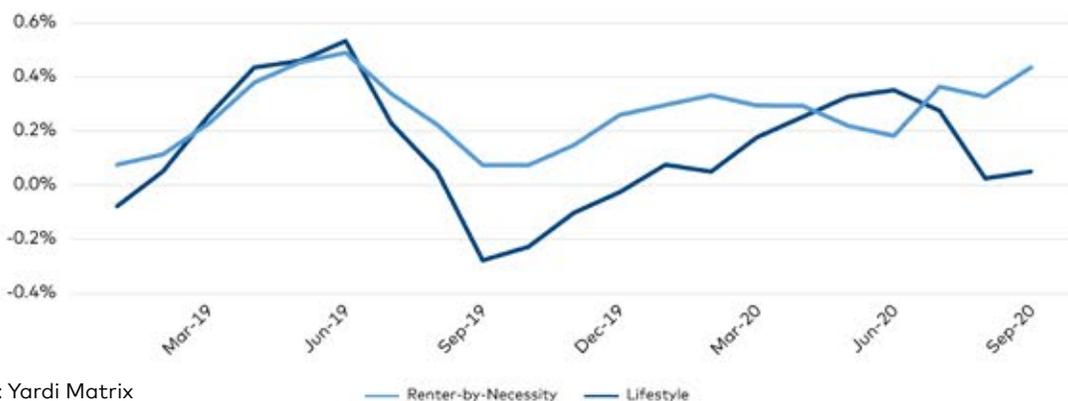
- ▶ Columbus rent growth remained positive throughout the health crisis, bucking the national trend. The average rate rose 0.3% on a trailing three-month (T3) basis through September to \$1,018, well below the \$1,463 U.S. figure, which inched up only 0.1%. Multifamily development was sluggish last year, 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

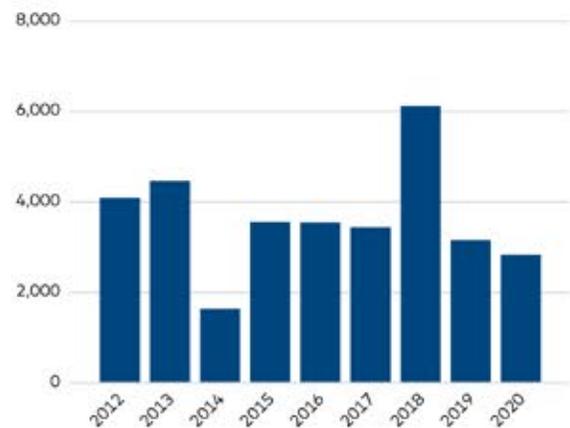
## SUPPLY

- ▶ 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.

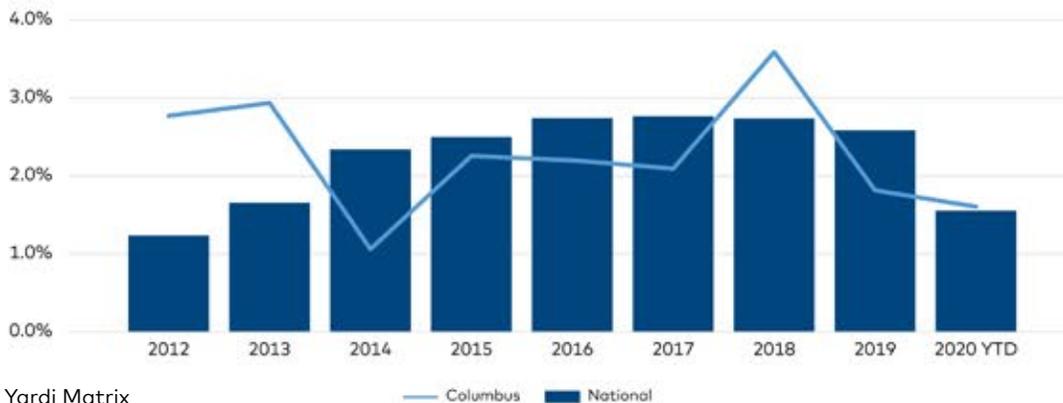
- ▶ The largest completion of the third quarter was Heritage Preserve, a 200-unit Lifestyle asset in Hilliard, owned by A R Building Co.

**Columbus Completions** (as of September 2020)



Source: Yardi Matrix

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

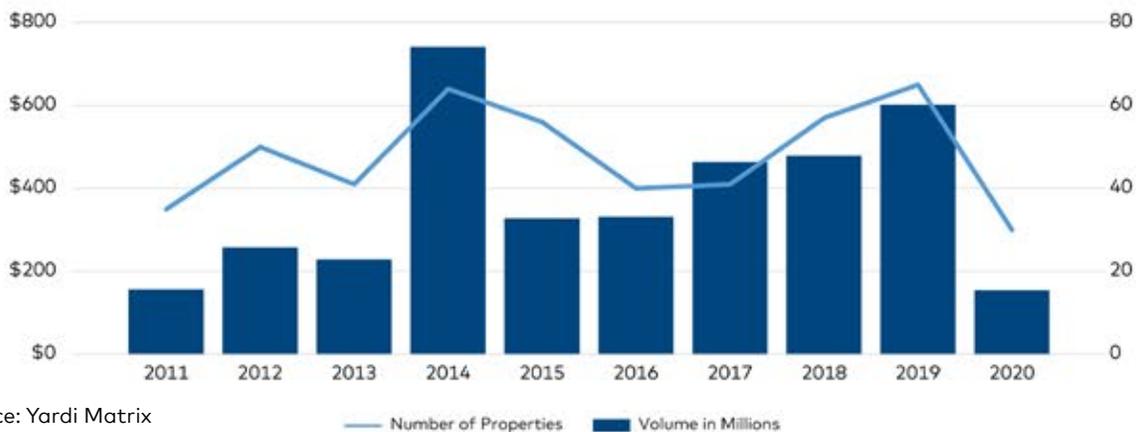


Source: Yardi Matrix

## 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

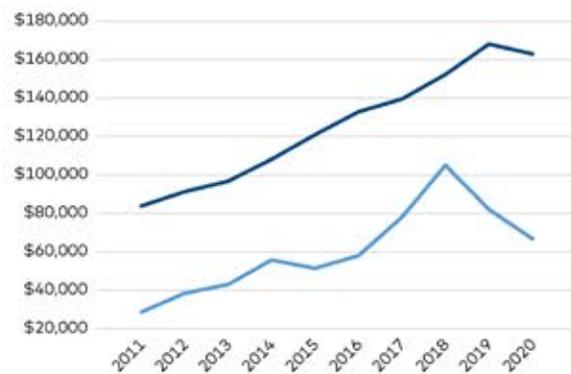
**Top Submarkets for Transaction Volume<sup>1</sup>**

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

Source: Yardi Matrix

<sup>1</sup> 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.

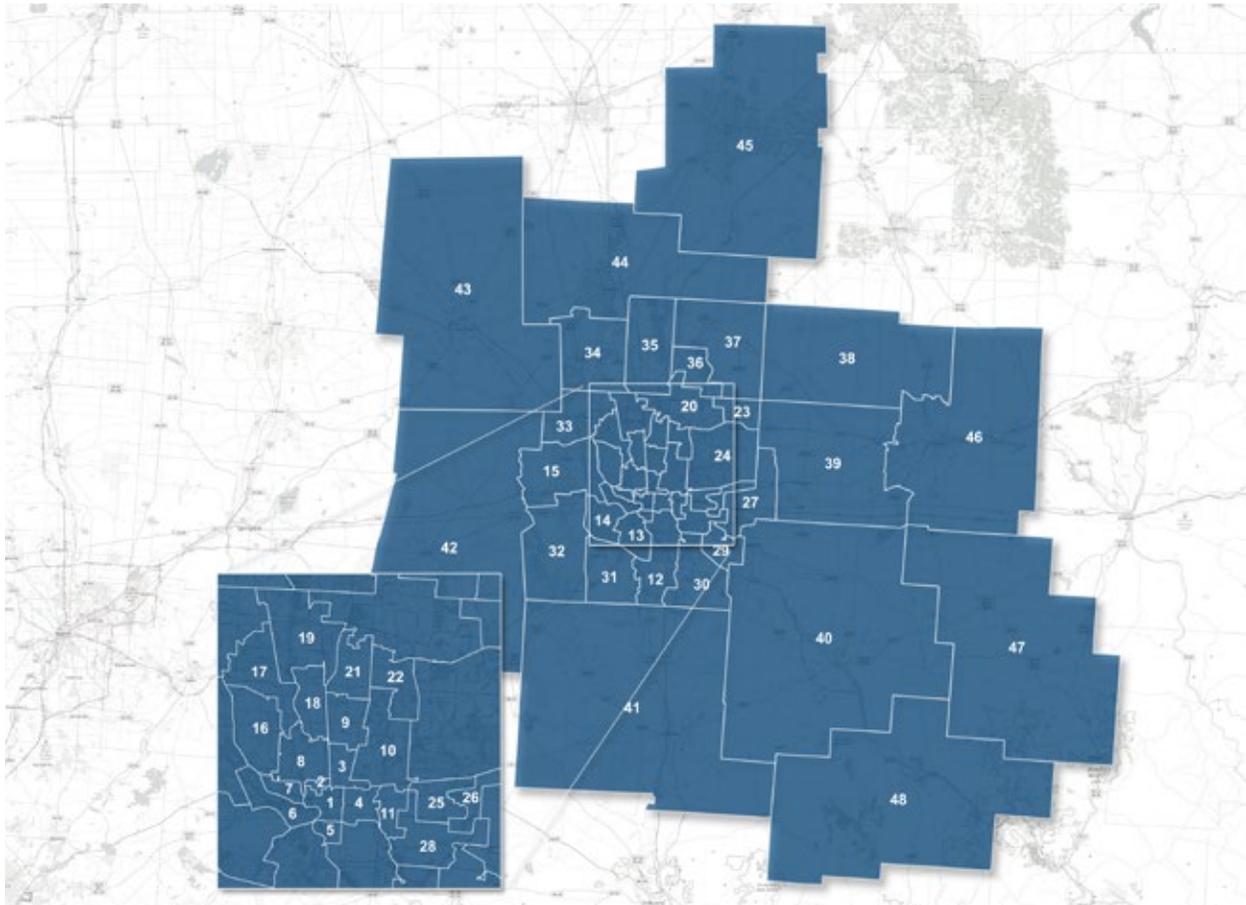
| Rank | Property Name                    | Market          | Owner                          | Units |
|------|----------------------------------|-----------------|--------------------------------|-------|
| 1    | Beulah Place                     | Columbus        | Kelley Cos.                    | 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.

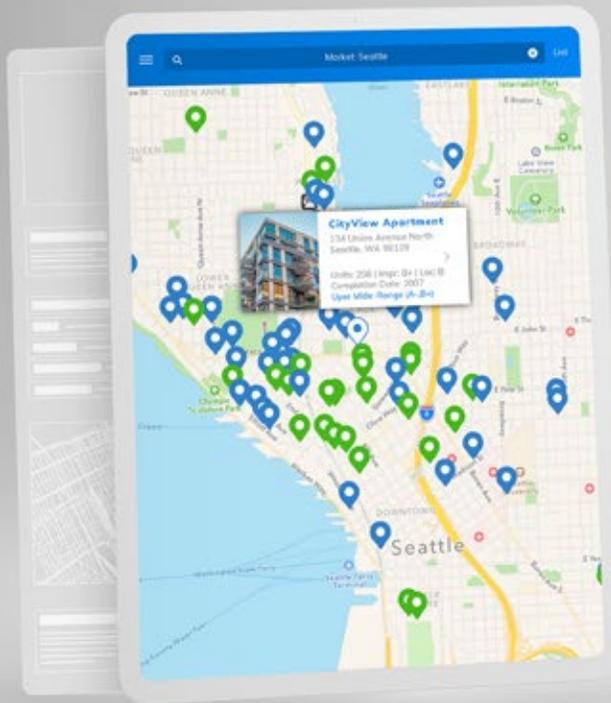
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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