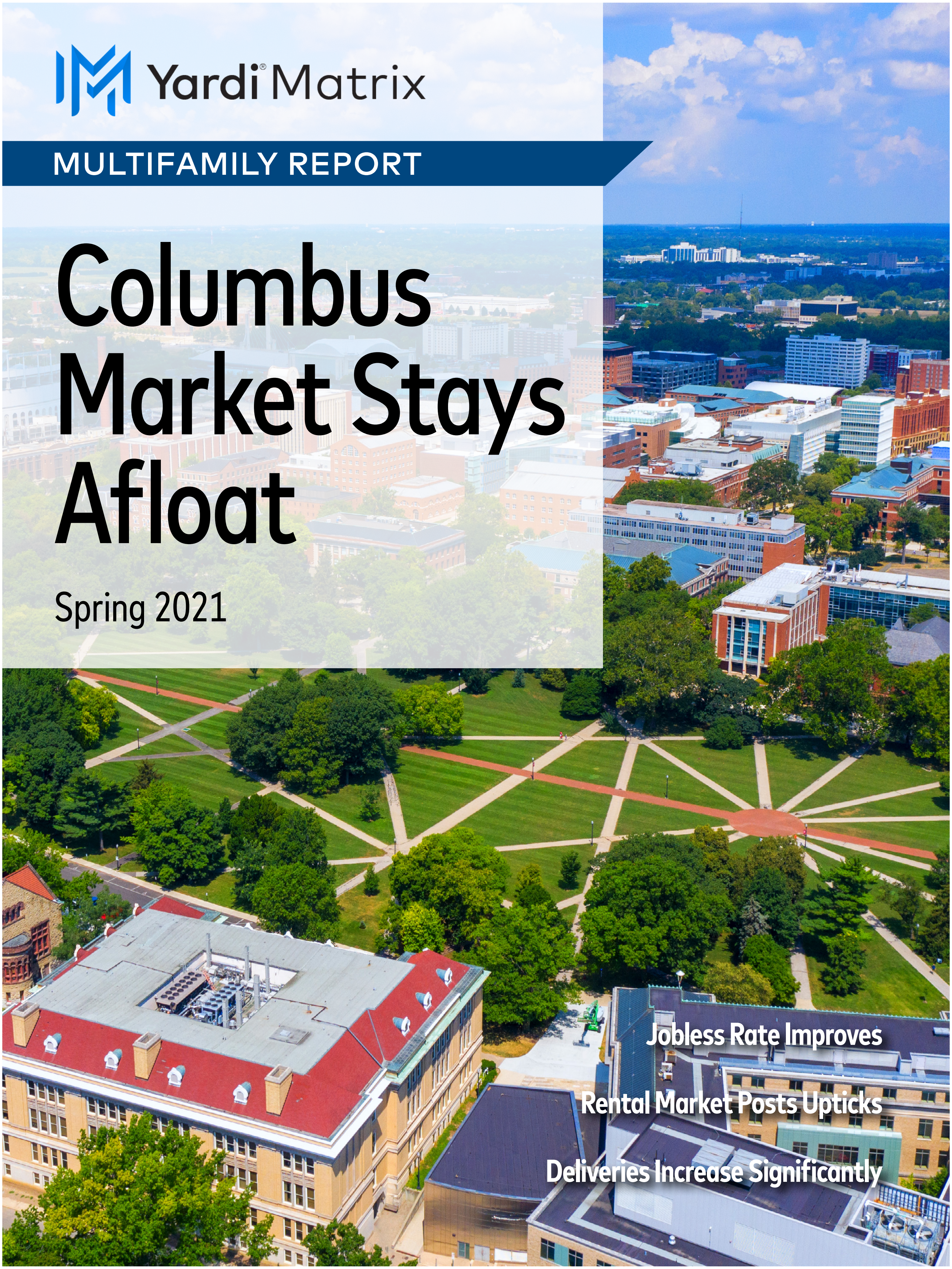
MULTIFAMILY REPORT

Columbus Market Stays Afloat

Spring 2021



Jobless Rate Improves

Rental Market Posts Upticks

Deliveries Increase Significantly

COLUMBUS MULTIFAMILY

Yardi Matrix

Rent Growth Prevails Despite Challenging Year

The multifamily market in Columbus remained steadfast in the face of current economic hardships. Rents stayed positive throughout 2020, even at times when the national figure was declining. On a trailing three-month basis through February, rates rose 0.3% to $1,037, while the U.S. average was up only 0.1% to $1,399.

The Columbus employment pool contracted by 70,500 positions last year—down 7.2% year-over-year—with losses in nine of the 10 major sectors. For the first time since 2010, the number of unemployed people in the metro surpassed 100,000 last April, when a record 145,561 residents were jobless. Preliminary Bureau of Labor Statistics data shows that by the end of 2020, some 95,000 people had returned to work.

Some 4,200 units came online in Columbus in 2020, 25% more than during the previous year. Developers were also working on almost 7,500 units across the metro as of February, equal to 4.2% of existing stock. Meanwhile, investment volume was halved last year, compared to 2019, to the lowest level in more than five years—$297.7 million.

Market Analysis | Spring 2021

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Razvan Cimpean
Senior Associate Editor

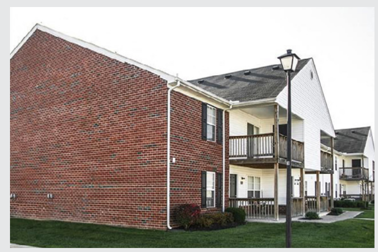
On the cover: Photo by espiegle/iStockphoto.com

Recent Columbus Transactions

Fairway Lakes

City: Westerville, Ohio
Buyer: Ackermann Group
Purchase Price: $59 MM
Price per Unit: $172,549

Winchester Park



City: Groveport, Ohio
Buyer: Coastal Ridge Real Estate
Purchase Price: $38 MM
Price per Unit: $139,309

Bexley House

City: Columbus, Ohio
Buyer: Blackstone Group
Purchase Price: $10 MM
Price per Unit: $160,156

Residences of Creekside

City: Gahanna, Ohio
Buyer: HR Property Group
Purchase Price: $10 MM
Price per Unit: $119,047

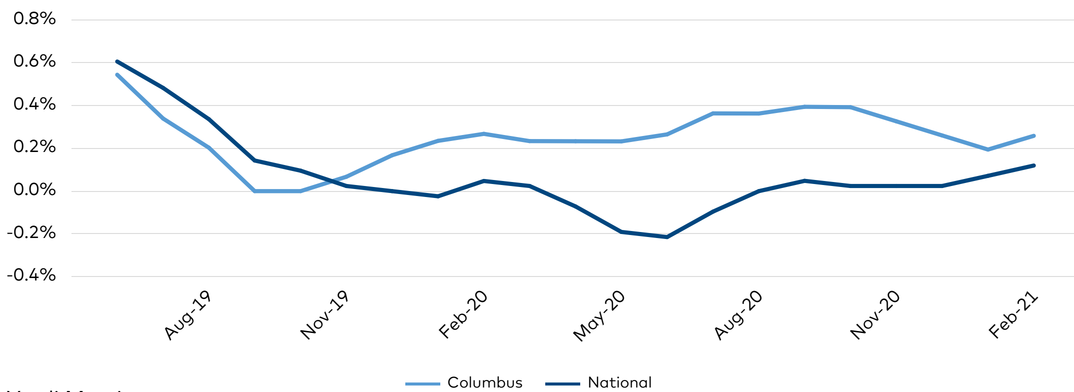
RENT TRENDS

- The average rate rose 0.3% on a trailing three-month (T3) basis through February to $1,037. Thanks to its below-average rates compared to neighboring markets, Columbus continued to report positive rent development even when things were moving in the opposite direction on a national level. Renter-by-Necessity rates climbed 0.3% to $947, while the average Lifestyle rent was up 0.1% to $1,339. Meanwhile, the national average rose 0.1% to $1,399. While this marks the second consecutive month with national rents increasing, Columbus prices rose throughout 2020.

- Rents increased year-over-year through February in most submarkets, with double-digit upticks in some of them. Submarkets with heavy Renter-by-Necessity supply led growth—in the Near East, the average rent rose 15.3% to $816, still one of the lowest in the metro, and Grove City saw a 9.7% increase to $1,040. Only about 10% of the two submarkets' combined inventory is in the Lifestyle segment.

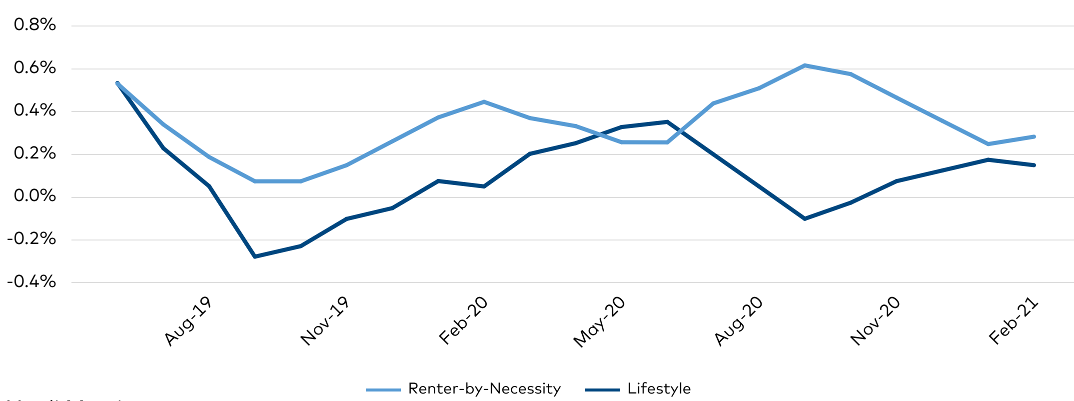
- Meanwhile, in downtown Columbus, where two-thirds of the multifamily stock is in the Lifestyle category, rents were down 3.4% year-over-year through February to $1,275. In the other four submarkets with rent losses, average rates contracted by as little as 0.2%—including Columbus-Southside, which declined to $1,346.

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

- The Columbus employment market took a hard hit last year, with the metro losing 70,500 positions, accounting for a 7.2% decline and 40 basis points above the national average. After reaching a record 13.7% in April, the metro's jobless rate steadily improved, standing at 4.7% in December, according to preliminary BLS data. And while that's 180 basis points below the national rate, it's still a 150 basis-point uptick year-over-year.

- Except for one major employment sector, all reported sectors contracted in 2020, as the current health crisis wreaked havoc on Columbus. Losses ranged from 27.5% for leisure and hospitality to 0.8% for professional and business services. While office-using job sectors fared better, they still lost a combined total of 6,100 positions last year. Meanwhile, manufacturing added 500 positions in 2020.

- In late March, Gov. Mike DeWine announced that all Ohioans 16 and older will be eligible for coronavirus vaccines earlier than previously expected, if authorized health departments cannot fill appointments. Some 25% of residents have received at least one dose of the vaccine, according to Centers for Disease Control and Prevention data.

Columbus Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
30	Manufacturing	73	6.9%
50	Information	16	1.5%
60	Professional and Business Services	180	17.0%
15	Mining, Logging and Construction	42	4.0%
55	Financial Activities	83	7.9%
80	Other Services	38	3.6%
90	Government	182	17.2%
65	Education and Health Services	156	14.8%
40	Trade, Transportation and Utilities	208	19.7%
70	Leisure and Hospitality	77	7.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Columbus added 15,730 residents in 2019, up 0.7% and 40 basis points above the national rate.

- Between 2016 and 2019, the metro's population rose by 3.4%—or more than 70,000 residents. That's more than double the national average growth rate of 1.6%.

Columbus vs. National Population

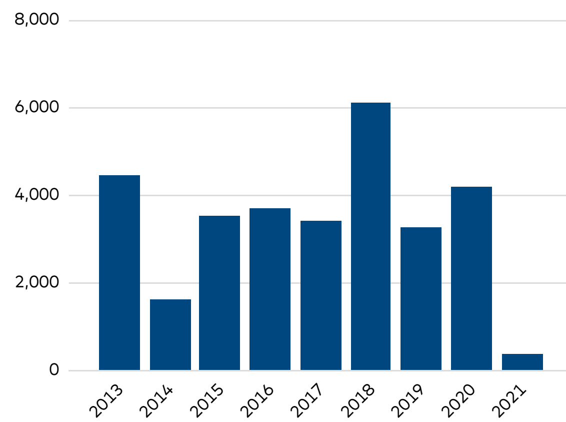
	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Columbus Metro	2,051,957	2,082,475	2,106,541	2,122,271

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

SUPPLY

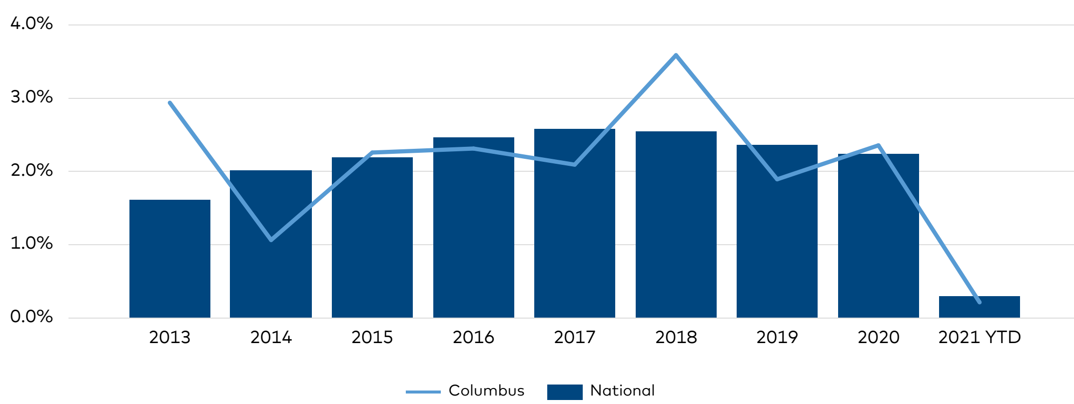
- Columbus had 7,445 units underway as of February, equal to 4.2% of the metro's existing inventory and 120 basis points below the 5.4% national average. More than 5,500 units are slated to come online as early as year-end, but delays caused by the current health crisis and ensuing economic hardship could still occur. Another 25,000 apartments were in the planning and permitting stages.
- Because Columbus classified construction activity as essential during the stay-at-home order, deliveries rose 27.4% in 2020 to 4,198 units or 2.4% of the market's multifamily stock. Coastal Ridge Real Estate expanded its inventory with the completion of two projects, including the metro's largest 2020 completion—the 360-unit Lofts at Norton Crossing. The four-building community, which is situated in an Opportunity Zone, is the submarket's fourth-largest project to date and the largest to come online in three decades.
- As of February, almost two-thirds of the construction pipeline was located within city limits, with more than 1,000 units or 14.3% of total inventory underway in the metro located in the downtown area. What's more, some 1,800 of the upcoming apartments are situated in Opportunity Zones, including the largest project in the works—Kelley Cos.' 384-unit Beulah Place in the Grove City submarket. The 12-building project is slated to come online in the second quarter.

Columbus Completions (as of February 2021)



Source: Yardi Matrix

Columbus vs. National Completions as a Percentage of Total Stock (as of February 2021)



Source: Yardi Matrix

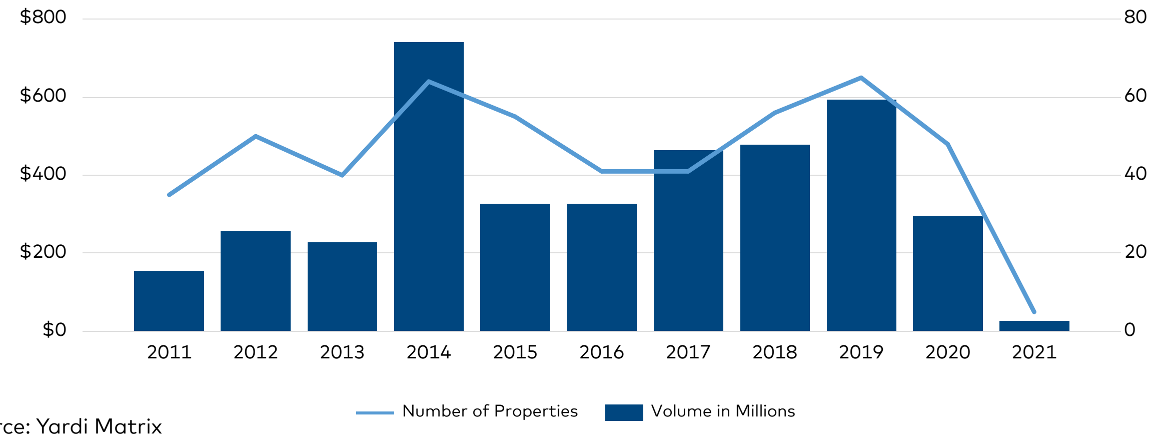
TRANSACTIONS

- The downward trend of multifamily investment continued over the 12 months ending in February, when 40 properties changed hands for a total of $268.1 million. That's half the volume recorded during the same period of the previous year—$601.5 million.

- With almost 70% of the communities that traded last year catering to the Renter-by-Necessity segment, the average price per unit also continued to decrease, standing at $76,994. That's a 7.7% drop from 2019's $83,431, and the lowest level in three years. What's more, the average per-unit price for the assets that sold this year stood at $74,335, in a sign that this trend is likely to persist.

- Five of the assets that changed hands in the 12 months ending in February were situated within an Opportunity Zone, including Steeplechase Village and Skyview Townhomes, the metro's third- and fifth-largest deals.

Columbus Sales Volume and Number of Properties Sold (as of February 2021)



Source: Yardi Matrix

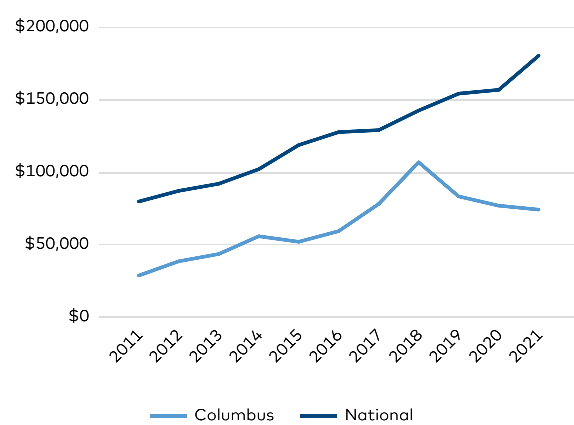
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Groveport	70
Westerville	59
Hilliard	27
Far South	24
Obetz	20
Northland	14
Canal Winchester	12

Source: Yardi Matrix

[1] From March 2020 to February 2021

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

Brought to you by:

MULTI-HOUSING NEWS

Which Midwest Markets Are Investors Turning To?

By Laura Calugar

With few exceptions, Midwest markets have navigated pandemic-induced difficulties better than initially expected. Cushman & Wakefield Vice Chairs Hannah Ott and George Tikijian are confident about the multifamily industry's strengths in the region. Although they both agree that investors view Midwest markets as a viable alternative to high-priced gateway cities, they also admit the region has a few vulnerable spots.

How do you see the Midwest multifamily market now, more than a year into the pandemic?

Ott: With the exception of Chicago, Midwest multifamily markets have held up remarkably well. Chicago's issues stem from the property-tax situation there and a host of other issues—it's not just the pandemic.

How have multifamily investors across the Midwest reacted to the health crisis?

Tikijian: There's tremendous buyer demand and opportunity. Investors who previously focused on coastal markets, especially New York and New Jersey, shifted focus to more stable locales, and that's benefited markets such as Indianapolis; Cincinnati; Louisville, Ky.; Kansas City, Mo.; Columbus, Ohio, and Nashville, Tenn.

As interest rates declined, the superior yields that properties in these cities provide further propelled Midwest multifamily. Cap rates declined in 2020 and they'll continue to go down slightly in

Hannah Ott *(left)* and George Tikijian *(right)*

2021. As investors grow uncomfortable with the prices in major gateway markets, the Midwest will be viewed as an attractive alternative.

Which Ohio markets do you consider to be most competitive and why?

Tikijian: Columbus and Cincinnati continue to be the two most attractive Ohio markets. Columbus is an increasingly desirable market for both private and institutional buyers. The Ohio State University's growth plays an important role in the multifamily market, of course, but Ohio's capital also has a strong, growing private sector employment base to complement the public sector base. Columbus, too, was among national leaders in 2020 growth, with rents increasing 3.2 percent on top of record absorption of 5,300 multifamily units.

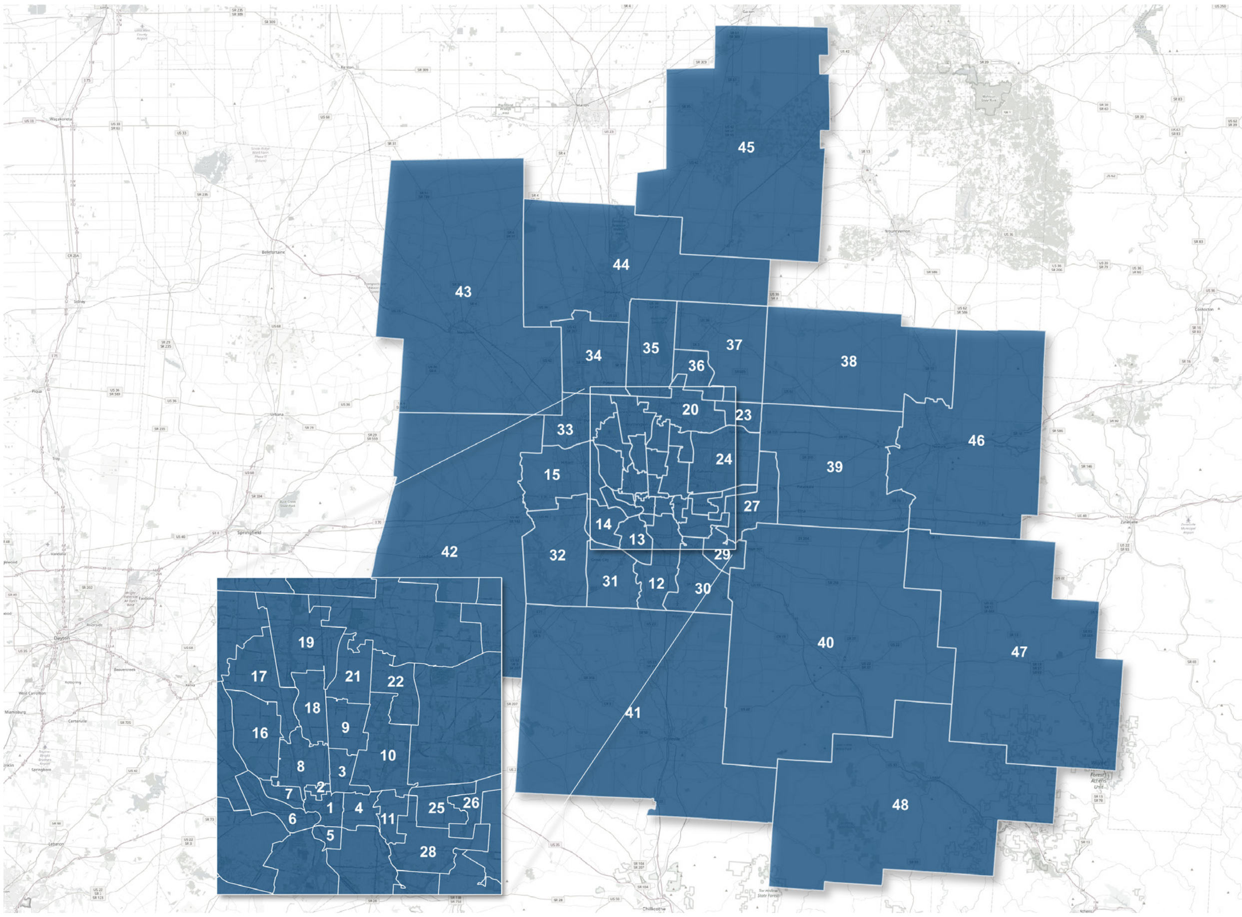
How do you expect the region's multifamily market to perform this year?

Ott: Most buyers and participants expect another year of strong performance, though many buyers are underwriting with expectations of slower rent growth. A number of potential transactions were sidelined in 2020, especially in the second quarter. That's one reason we expect more transactions in 2021, even though 2020 had considerable volume.

Tikijian: Rising interest rates are a possible speed bump, but they could just as well make certain sellers more anxious to get deals done.

(Read the complete interview on multihousingnews.com.)

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 December 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 December 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, December 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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.