



MULTIFAMILY REPORT

Columbus Market Back On Track

Summer 2021

Transaction Activity Heats Up

T3 Rent Expansion Hits 1.0% Mark

Employment Growth Turns Positive

COLUMBUS MULTIFAMILY



Franklin County's Rebound Continues

Supported by healthy demographics, its central Ohio location and a more balanced economy, the Columbus multifamily industry bounced back quickly, relative to other markets in the Midwest. Bucking nationwide trends, Columbus continued to report positive rent development throughout the health crisis. On a trailing three-month basis through July, rates were up 1.0%, to \$1,091. Meanwhile, national prices increased 1.6% and hit a record-breaking average of \$1,510.

Following 12 months of continuous negative performance, employment gains in Columbus turned positive in May (0.3%), with leisure and hospitality recovering the fastest. The low cost of living and corporate-friendly tax structure is fueling investment across Franklin County. Plans for the \$1.1 billion Columbus Innovation District—Ohio's third innovation district after Cleveland and Cincinnati—call for the addition of 20,000 new jobs over the next decade, with most of them in STEM fields.

Columbus multifamily investments made a comeback, with \$268 million in assets trading in the first seven months of the year. Developers had 8,544 units under construction as of July and almost 29,500 others were in the planning and permitting stages. Considering the slow addition of new inventory and the growing population base, Yardi Matrix expects rents to increase 7.3% in 2021.

Market Analysis | Summer 2021

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Recent Columbus Transactions

Riverview Place



City: Columbus, Ohio
Buyer: Alpha Partners
Purchase Price: \$15 MM
Price per Unit: \$97,987

Apple Ridge



City: Circleville, Ohio
Buyer: Harbor Group International
Purchase Price: \$9 MM
Price per Unit: \$59,583

Virginia Pines



City: Columbus, Ohio
Buyer: Core Rentals
Purchase Price: \$4 MM
Price per Unit: \$57,731

Cedar Court

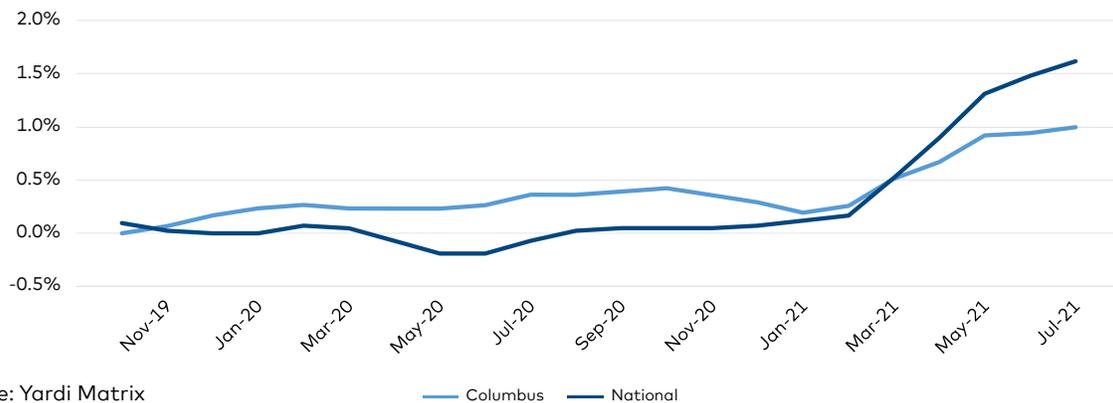


City: Delaware, Ohio
Buyer: Spring Tide Real Estate
Purchase Price: \$1 MM
Price per Unit: \$27,632

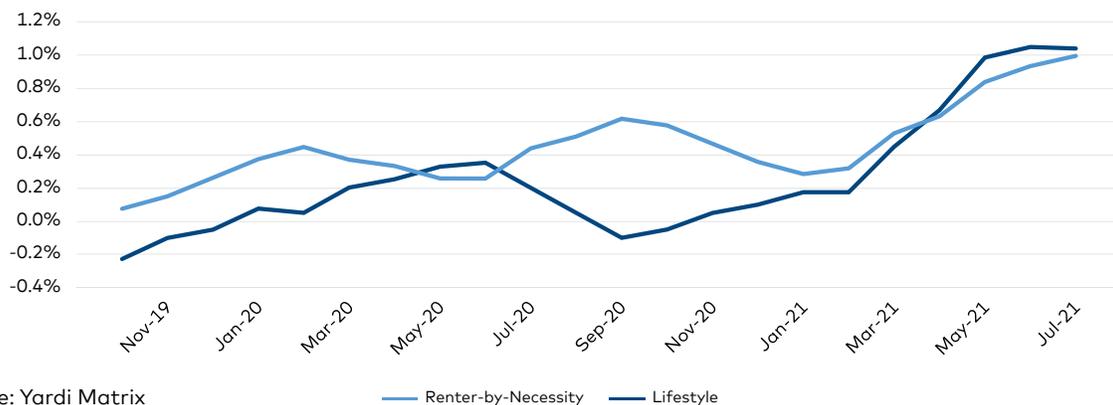
RENT TRENDS

- ▶ Columbus rents increased 1.0% on a trailing three-month (T3) basis through July, 60 basis points below the national rate. The average rent was \$1,091, while the U.S. figure clocked in at \$1,510. Central Ohio's overall affordability supported rent growth throughout the health crisis.
- ▶ Rent expansion was mostly even across the quality spectrum. Lifestyle rates were up 1.0% to \$1,408 on a T3 basis as of July, while working-class Renter-by-Necessity figures also climbed 1.0%, to \$991.
- ▶ Suburban submarkets Delaware (12.1%) and Fairfield (12.0%) led rent growth in the 12 months ending in July. Rates in Victorian Village and Grandview Heights—two of the most expensive submarkets—rose 3.0% to \$1,573 and \$1,493, respectively.
- ▶ Demand for single-family rentals across the metro has also remained solid. Columbus (12.7%) is seeing some of the strongest rent gains in the Midwest, surpassed only by Cleveland (16.7%). Demand has been driven by a desire for more space, coupled with rapid home-price appreciation that is keeping would-be buyers on the sidelines for now.
- ▶ The growing population base is likely to continue to support multifamily demand in Columbus. This, along with low inventory, has prompted Yardi Matrix to forecast a 7.3% rent increase in 2021.

Columbus vs. National Rent Growth (Trailing 3 Months)



Columbus Rent Growth by Asset Class (Trailing 3 Months)



ECONOMIC SNAPSHOT

- ▶ Unemployment in Franklin County peaked at 13.2% in April 2020, but the rate has been gradually improving ever since, reaching 4.7% in May 2021. However, unemployment has hit a bit of a speed bump on its way down, to 5.7% as of June, according to preliminary Bureau of Labor Statistics data. Still, compared to other Ohio markets, the Columbus jobless rate remained below Cleveland's (6.5%), and only trailed Cincinnati by 20 basis points.
- ▶ Leisure and hospitality, other services and construction improved the most in the 12 months ending in May, with each of these sectors showing double-digit gains. The city received \$25 million from the Infrastructure for Rebuilding America grant program to support Phase 4 of Columbus Crossroads, a \$1.3 billion project aiming to replace aging freeways and bridges, and reconnect neighborhoods at the intersection of interstates 70 and 71 in downtown Columbus.
- ▶ Columbus is also building on its reputation as a hub of medical research, health care and life sciences. Ohio State University, Nationwide Children's Hospital and JobsOhio announced the creation of Columbus Innovation District, a \$1.1 billion project focused on developing new therapies. Plans call for the addition of 20,000 direct and indirect jobs over the next decade.

Columbus Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	90	8.4%
65	Education and Health Services	159	14.8%
40	Trade, Transportation and Utilities	215	20.0%
60	Professional and Business Services	174	16.2%
80	Other Services	39	3.6%
30	Manufacturing	72	6.7%
15	Mining, Logging and Construction	47	4.4%
90	Government	180	16.7%
55	Financial Activities	86	8.0%
50	Information	15	1.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Columbus added 16,675 residents last year, a 0.8% uptick and twice the national rate.
- ▶ According to a New American Economy study, 26.4% of the population growth in Central Ohio between 2014 and 2019 was attributable to immigrants.

Columbus vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Columbus Metro	2,082,475	2,106,541	2,122,271	2,138,946

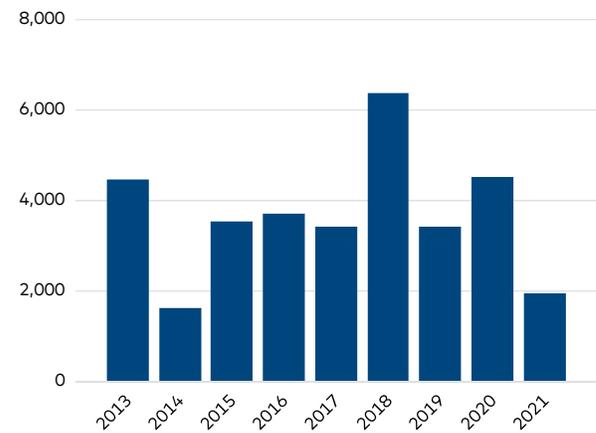
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Columbus had 8,544 units under construction as of July, with more than three-quarters of them geared toward high-income residents. Despite the average occupancy rate in stabilized properties across Columbus improving in the past year—95.7% as of June, a 70-basis-point year-over-year increase—Yardi Matrix expects only 3,216 units to come online in 2021, the lowest number since 2014.
- ▶ Over the first seven months of the year, developers completed only 1,939 units. Last year, 2,666 units had come online by July. Between 2018 and 2020, developers added an average 4,775 units per year to the total stock. However, with construction costs on an upward trajectory, it comes as no surprise that development is slightly slowing down.
- ▶ Most of the units that were completed this year through July were in Columbus-Downtown (765). Considering the market's affordability relative to other metros in the region, rent growth in urban core areas has not slipped into negative territory, despite pandemic-induced headwinds.

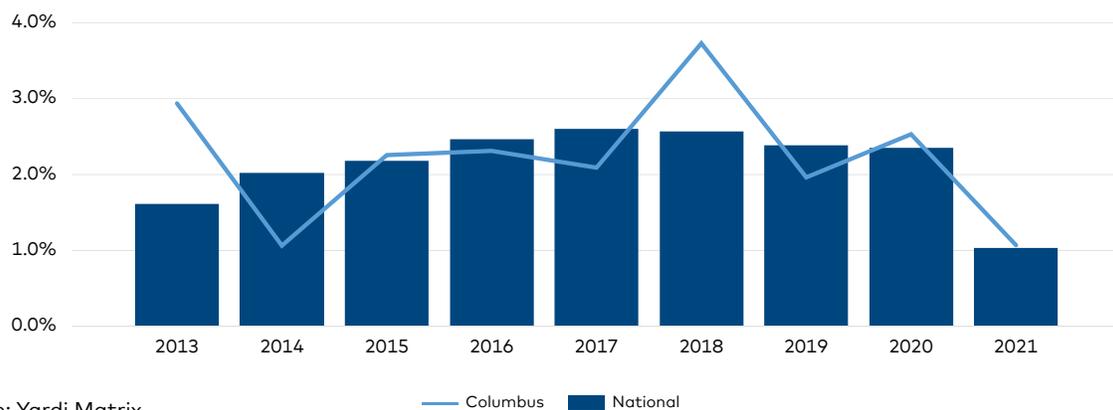
- ▶ The Franklinton submarket led development activity, accounting for 1,011 units of the metro's pipeline. Located west of downtown, Columbus' oldest neighborhood has been gaining popularity in the past few years. A former working-class hub, Franklinton has been undergoing redevelopment, leading to several large projects. The largest one is CDDC's ONE at the Peninsula, a 329-unit luxury development scheduled to be delivered in 2022.

Columbus Completions (as of July 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

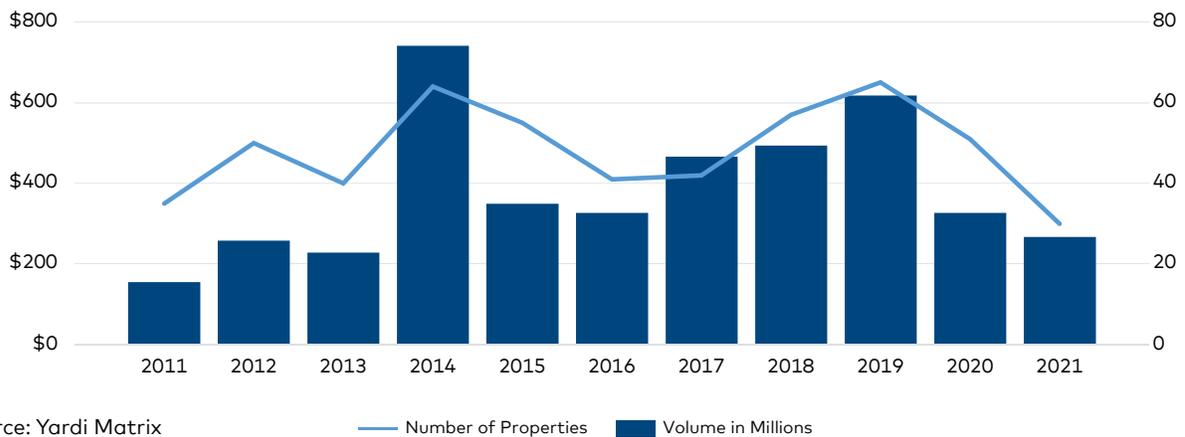
TRANSACTIONS

- ▶ Investment made a comeback in Columbus, with \$268 million in assets changing hands in the first seven months of the year, significantly above the \$161 million recorded over the same interval last year. In the past decade, transaction volume peaked at \$742 million in 2014, but has since moderated to an average of \$430 million per year.
- ▶ A total of 5,589 apartments were sold in 2021 through July. Most of them cater to the Renter-

by-Necessity segment, bringing the per-unit price to \$75,473—down 7% from last year's average of \$81,428.

- ▶ One of the largest transactions this year was Schenk Realty Group's purchase of Heritage, a 602-unit community in Grandview Heights. To finance the acquisition, the buyer assumed the balance of a \$53 million Fannie Mae loan.

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



Source: Yardi Matrix

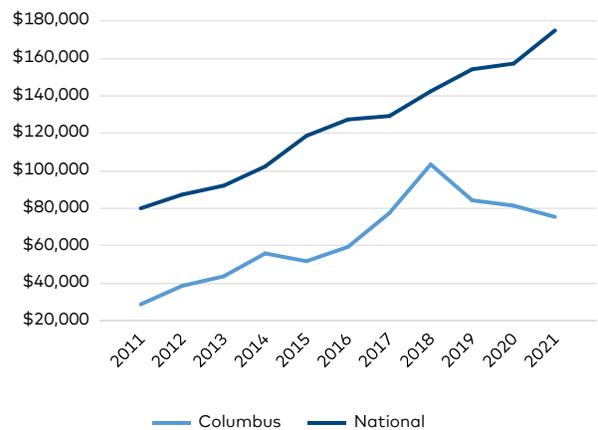
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
University	129
Westerville	59
Obetz	39
Groveport	38
Delaware	38
Hilliard	28
Far South	18

Source: Yardi Matrix

¹ From August 2020 to July 2021

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

Top Rust Belt Markets for Construction Activity

By Corina Stef

More than 68,700 units were underway in the Midwest as of June, Yardi Matrix data shows. Combined, the top five markets in the region include some 40,500 units underway, accounting for 59 percent of the total pipeline. Construction activity lagged in 2020 due to the pandemic, with most markets recording a drop in multifamily deliveries.

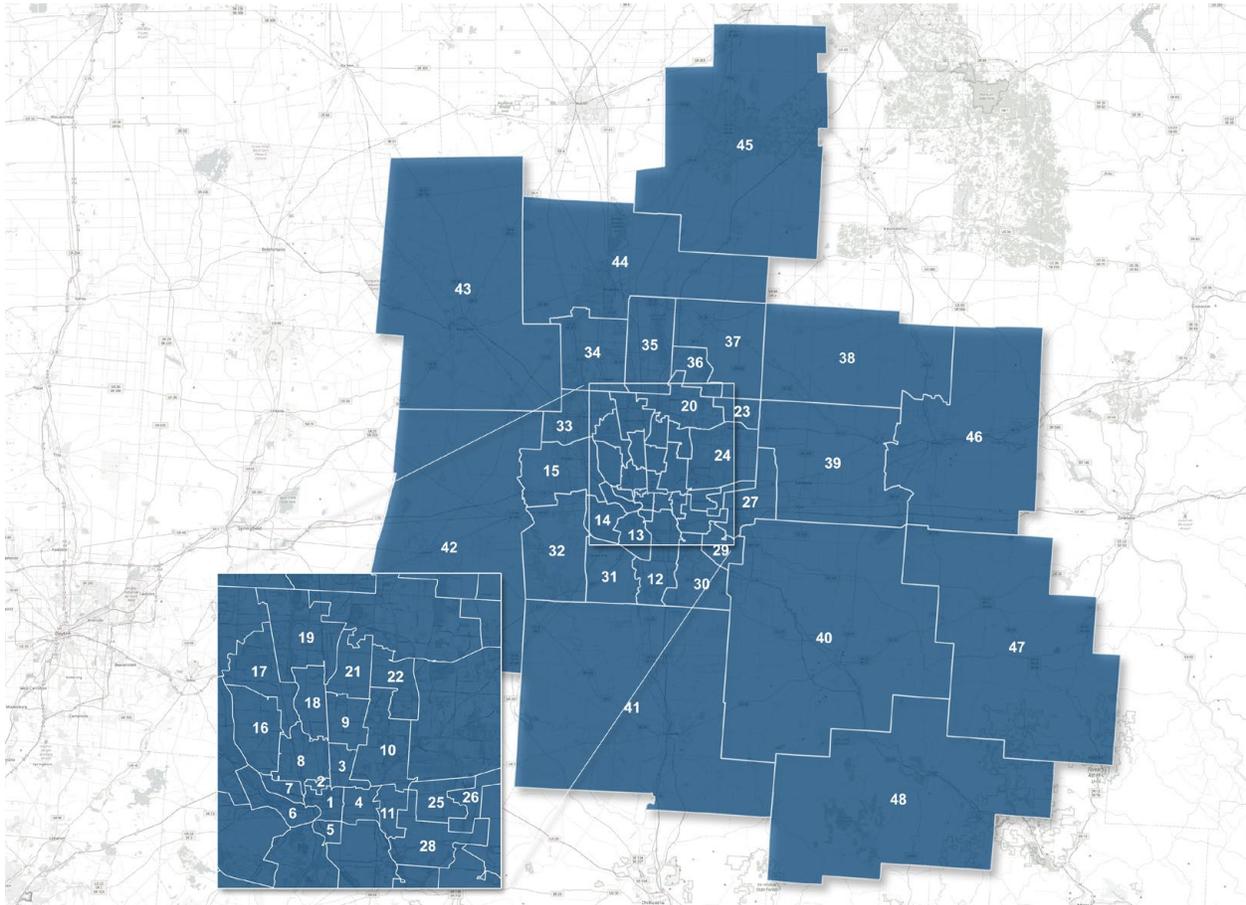
Rank	Market	Units Under Construction
1	Chicago	16,491
2	Columbus	7,945
3	Detroit	6,054
4	Milwaukee	5,271
5	Indianapolis	4,744

Columbus

Nearly 8,000 units were under construction in Columbus, with more than half (4,563 units) scheduled for completion by the end of the year. Total deliveries in 2020 amounted to 4,527 units, while 2019 completions equaled a little more than 3,400 units. Although the pandemic slowed development activity, construction picked up the pace in 2021. Nearly 3,000 units were underway in the suburbs, including the largest property under construction in the metro—and one of the largest in Ohio.



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.

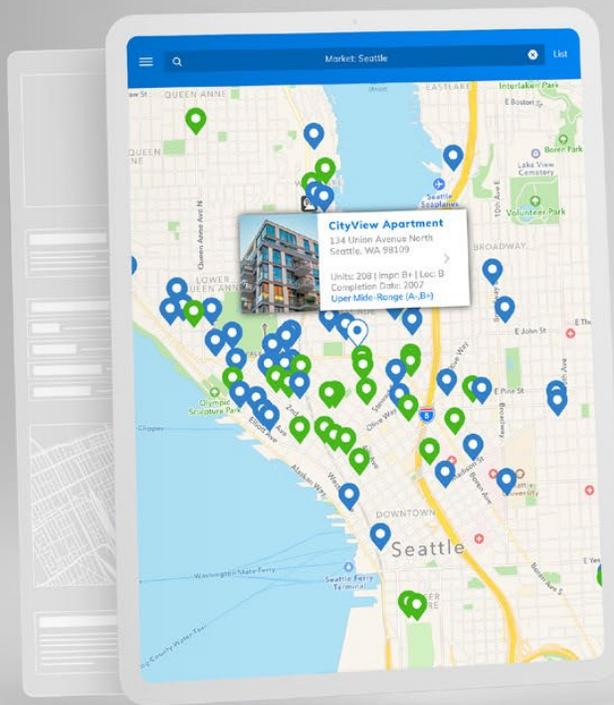
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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