

YARDI[®] Matrix

Steady Columbus

Multifamily Winter Report 2017

**Working-Class Renters
Fuel Demand**

**Educated Workforce
Attracts Employers**

**Investors Remain
Cautious**

Market Analysis

Winter 2017

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Diversity Attracts Skilled Workforce

Columbus' multifamily market has stabilized, thanks to moderate rent increases resulting from steady employment gains and healthy population growth. Unlike peer cities such as Cincinnati and Cleveland, Columbus is not having a problem with out-migration. In fact, it's attracting new residents drawn to its diverse job base, affordable housing and high quality of life.

The area's growing economy has benefited from an educated workforce, specializing in advanced manufacturing, technology and research-and-development in physical, engineering and life sciences. In addition, sectors such as government (4,400 jobs), professional and business services (4,300) and leisure and hospitality (4,000) recorded strong employment gains in 2016.

A positive economic climate has boosted multifamily fundamentals. Investor appetite focused mainly on urban core areas, which represented more than half of transaction volume last year. Being a small market, Columbus continued to rely on its core to boost rents and inventory. To keep up with high demand, nearly 2,800 units are under construction in central submarkets such as Downtown, Dublin, University and Victorian Village. With downtown prices beginning to overheat, rental and investor demand could begin to shift toward less expensive options.

Recent Columbus Transactions

Fox and Hounds



City: Columbus, Ohio
Buyer: APM Management
Purchase Price: \$38 MM
Price per Unit: \$94,527

Remington Woods



City: Lewis Center, Ohio
Buyer: Oakmont Investment Properties
Purchase Price: \$29 MM
Price per Unit: \$86,309

Troy Farms



City: Delaware, Ohio
Buyer: Hamilton Point Investments
Purchase Price: \$27 MM
Price per Unit: \$88,815

Easton Pointe



City: Columbus, Ohio
Buyer: Ackermann Group
Purchase Price: \$18 MM
Price per Unit: \$86,538

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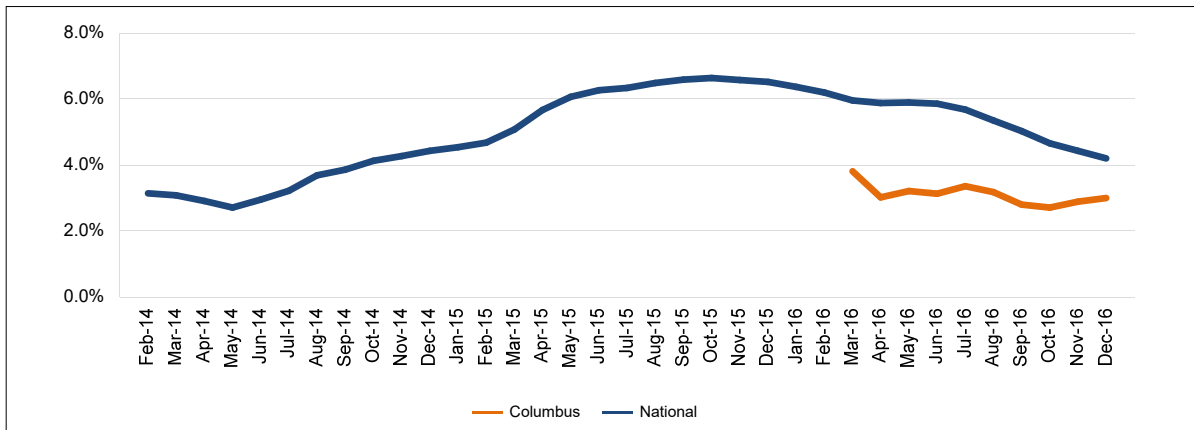
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Rent Trends

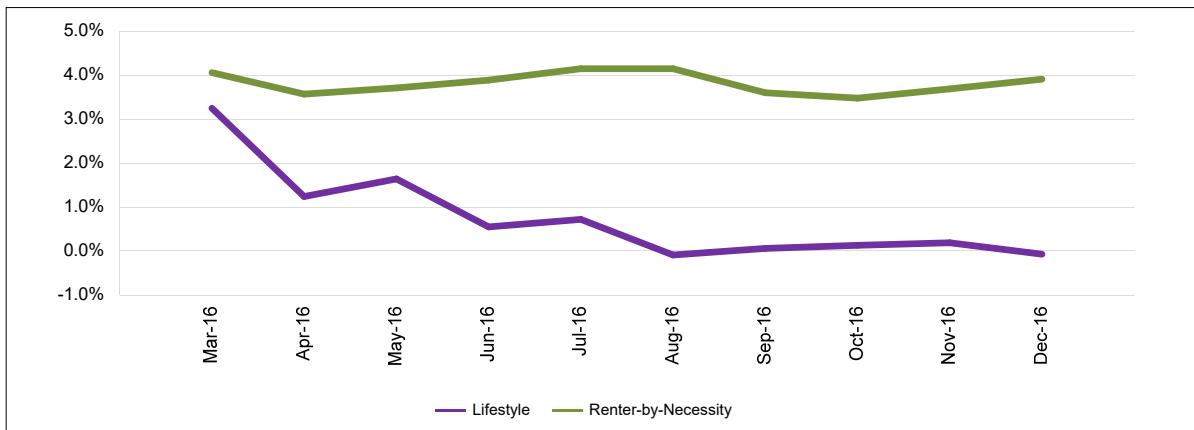
- Rents in Columbus rose 3.0% year-over-year through December, underperforming the nation's 4.2% rate. At \$875, rents were significantly lower than the \$1,210 nationwide figure. Despite a drop from 3.8% in spring 2016, gains remained modest.
- Rent growth was led by the working-class Renter-by-Necessity segment, which saw a 3.4% increase year-over-year through December to \$810. Evidence of bifurcation in asset classes emerged as Lifestyle rents moved -0.1%, to \$1,245.
- Strong demand for affordable housing drove rents up in traditionally inexpensive submarkets. The highest rent increases were recorded in Fairfield (7.1%), Obetz (6.9%), Gahanna (5.1%) and Madison (5.0%). These areas offered rental rates nearly half of those downtown, where rents soared above the \$1,000 mark.
- Columbus had a solid 96% occupancy rate among stabilized properties. With new units being absorbed quickly and new supply fairly tepid, rents are expected to continue rising at 3% in 2017, led by inexpensive submarkets that offer accessibility to large employers and amenity-rich areas.

Columbus vs. National Rent Growth (Sequential 3-Month, Year-Over-Year)



Source: YardiMatrix

Columbus Rent Growth by Asset Class (Sequential 3-Month, Year-Over-Year)

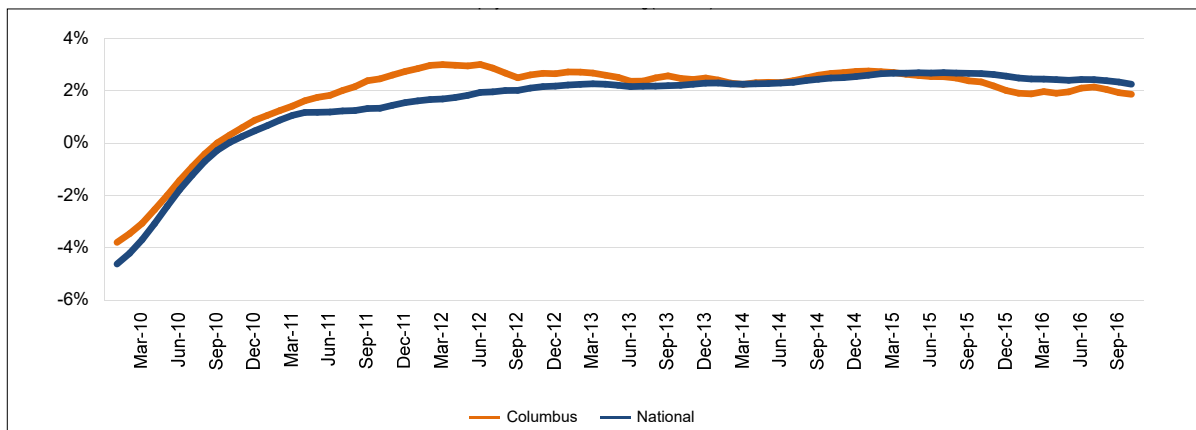


Source: YardiMatrix

Economic Snapshot

- Columbus added 14,600 jobs during the 12 months ending in October, a 1.9% increase that was slightly below the 2.3% national rate. Gains were highest in government (4,400), as the state capital's workforce saw significant growth. The leisure-and-hospitality sector added 4,000 jobs.
- Central Ohio's strong corporate foundation and research capabilities fed the professional and business services sector, which gained 4,300 jobs. Projects such as Ohio Third Frontier help foster business and technology growth, while providing important jobs in the fields of science, technology, engineering and mathematics.
- Not all sectors saw positive growth in 2016, however. The metro's largest employment sector—trade, transportation and utilities—lost 2,500 positions. With efforts underway to reshape the city's transportation system using data and technology, the sector is expected to bounce back.
- The metro's solid economy, influx of talented workers and low cost of doing business fueled demand for office space. New developments targeting amenity-rich locations and live-work-play environments should boost both the office market and the residential sector.

Columbus vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Columbus Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
90	Government	175	16.3%	4,400	2.6%
60	Professional and Business Services	186	17.4%	4,300	2.4%
70	Leisure and Hospitality	107	10.0%	4,000	3.9%
65	Education and Health Services	156	14.6%	2,500	1.6%
30	Manufacturing	73	6.8%	1,800	2.5%
55	Financial Activities	82	7.6%	400	0.5%
80	Other Services	42	3.9%	0	0.0%
50	Information	17	1.6%	-100	-0.6%
15	Mining, Logging and Construction	38	3.5%	-200	-0.5%
40	Trade, Transportation and Utilities	196	18.3%	-2,500	-1.3%

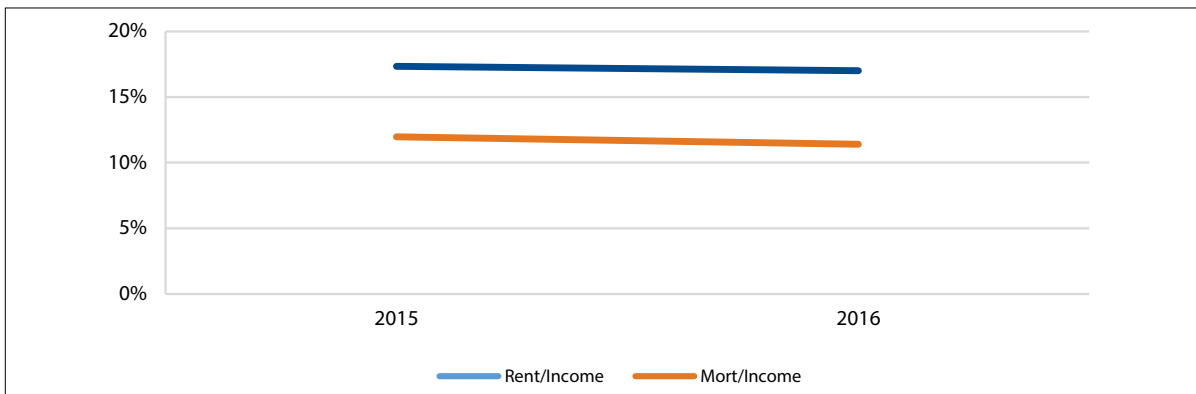
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

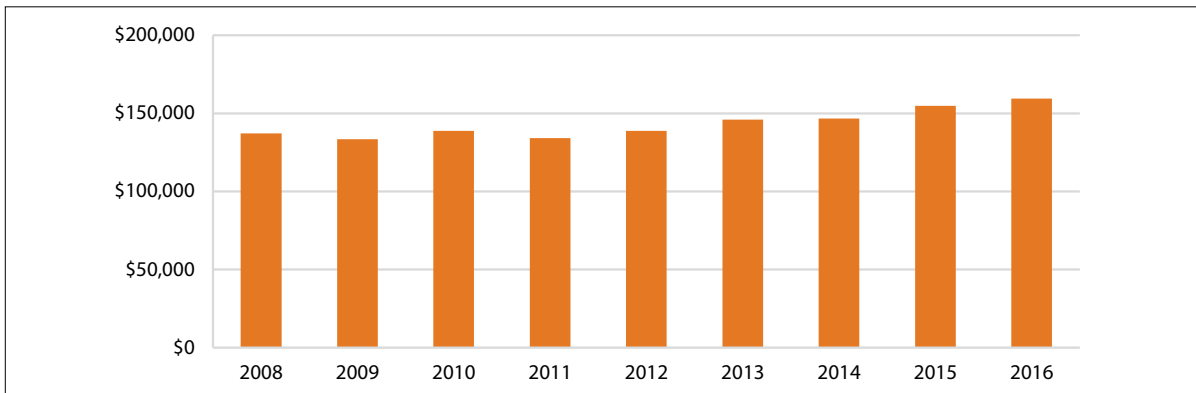
- The median home price in the metro rose to \$160,000 in 2016, reaching a peak for the current cycle. Strengthening employment, economic stability and growing rental rates encouraged residents to buy homes.
- Owning was more affordable than renting in Columbus, as mortgage payments accounted for 11% of the area's median income, whereas renting comprised as much as 17%. Rents in the metro saw moderate bumps in recent months to \$875, still trailing the national average.

Columbus Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Columbus Median Home Price



Source: Moody's Analytics

Population

- The metro added 24,000 residents in 2015.
- Over the past five years, Columbus' population rose by 6.0%, outperforming the 3.9% national rate.

Columbus vs. National Population

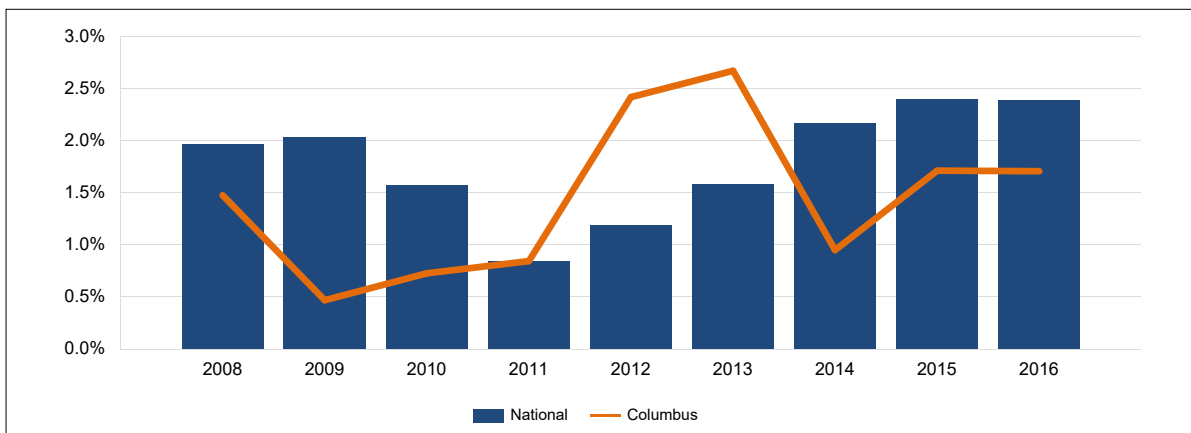
	2011	2012	2013	2014	2015
National	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820
Columbus, OH Metropolitan Statistical Area	1,925,973	1,946,452	1,970,511	1,997,308	2,021,632

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

Supply

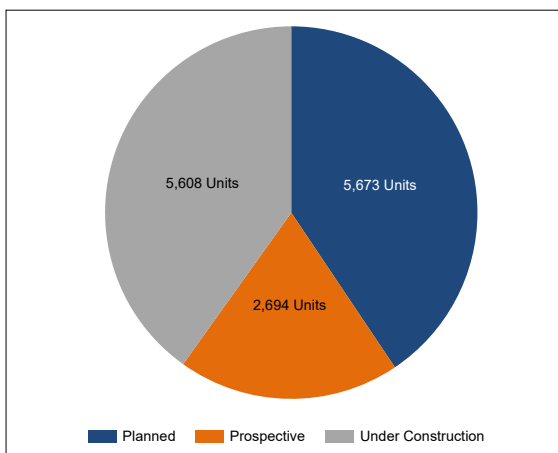
- Healthy population gains and strong demand for housing in the downtown area drove a significant amount of new construction. Roughly 2,700 units were completed in 2016, up 1.7% from 2015. According to Yardi Matrix net absorption data, more than 2,300 of those units were occupied by the end of 2016.
- With more than 14,000 units in the pipeline—5,600 units underway and 5,700 additional units in the planning and permitting phase—construction is expected to remain robust for years to come.
- Amid 96% occupancy for stabilized properties, demand is expected to remain high, as the Columbus population keeps increasing and the local economy continues to flourish. As construction projects reach their peak in the city core, investors and developers will likely explore secondary submarkets close to Columbus’ attractions and major employment centers.
- The downtown Columbus submarket led supply growth with 909 units, followed by Dublin (788 units), University (573 units), Victorian Village (519 units) and Lewis Center (427 units). The largest project set for completion by the end of 2018 is the 420-unit Tuller Flats development in Dublin.

Columbus vs. National Completions as a Percentage of Total Stock (as of December 2016)



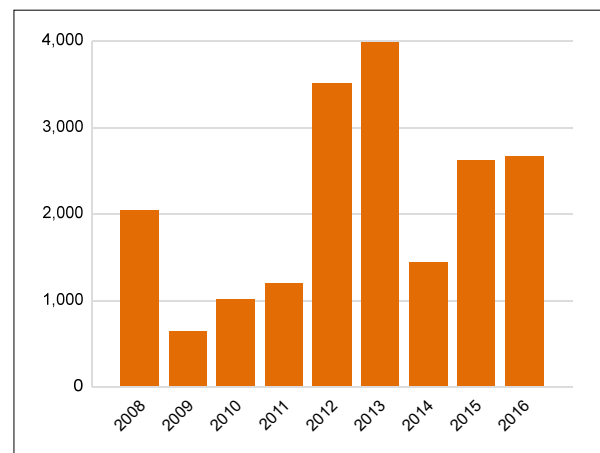
Source: YardiMatrix

Development Pipeline (as of December 2016)



Source: YardiMatrix

Columbus Completions (as of December 2016)

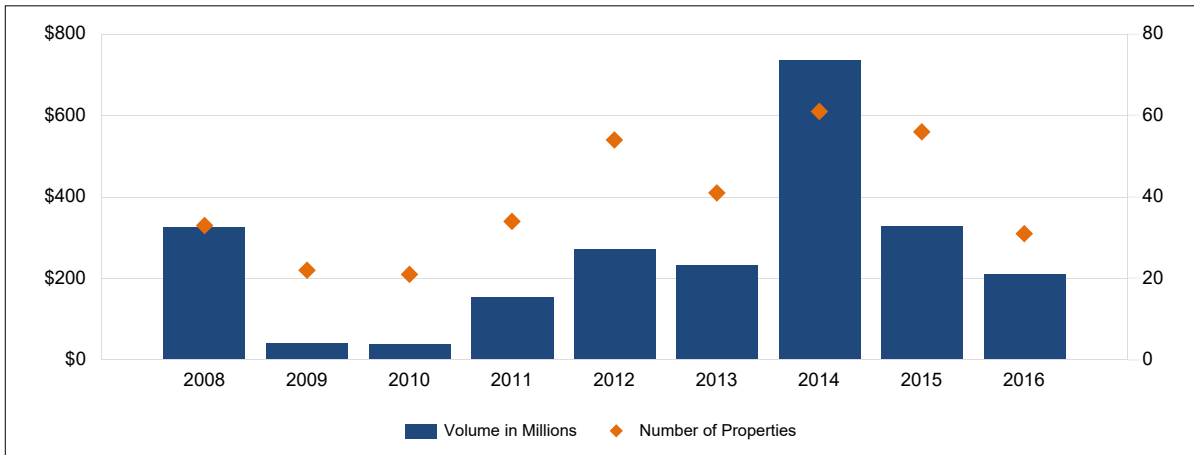


Source: YardiMatrix

Transactions

- Multifamily transaction activity slowed in Columbus, as roughly \$209 million changed hands in 2016, falling short of the \$320 million traded in 2015 and 2014's record high of \$735 million. Even as they sought higher yields, investors appeared to be dubious about the potential for growth in some Midwest markets.
- Price per unit stood at \$53,422 in 2016, a 4.8% decrease from 2015. Sixty percent below the national average of \$134,802, the metro's per-unit price maintained Columbus' status as one of the most affordable markets nationwide. Even so, the rapid appreciation of urban-area assets began to price investors out.
- Investor appetite is drawn to city core areas, where housing demand keeps rising and new supply is currently under development. During the last 12 months, Northwest Columbus (\$38 million), Northeast Columbus (\$33 million) and Lewis Center (\$28 million) were the most sought-after submarkets in the metro.

Columbus Sales Volume and Number of Properties Sold (as of December 2016)



Source: YardiMatrix

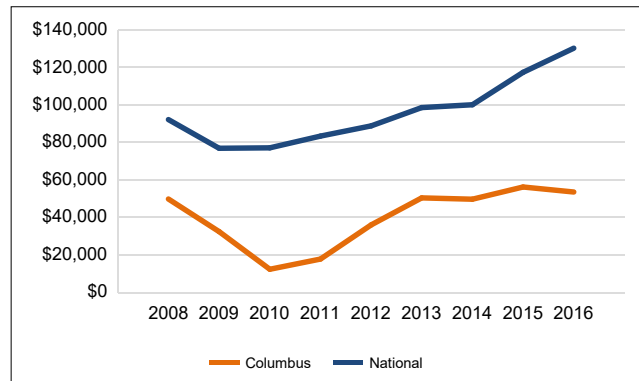
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Northwest Columbus	38
Northeast Columbus	33
Lewis Center	29
Westland	27
Obetz	10
Westerville	9
Powell	9
Dublin	9

Source: YardiMatrix

¹ From January to December 2016

Columbus vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Greystone Taps Senior Underwriter for Loan Sector



CBRE Arranges Sale Of 300-Key Columbus Hotel



Huntington Lends \$300M To Columbus Communities

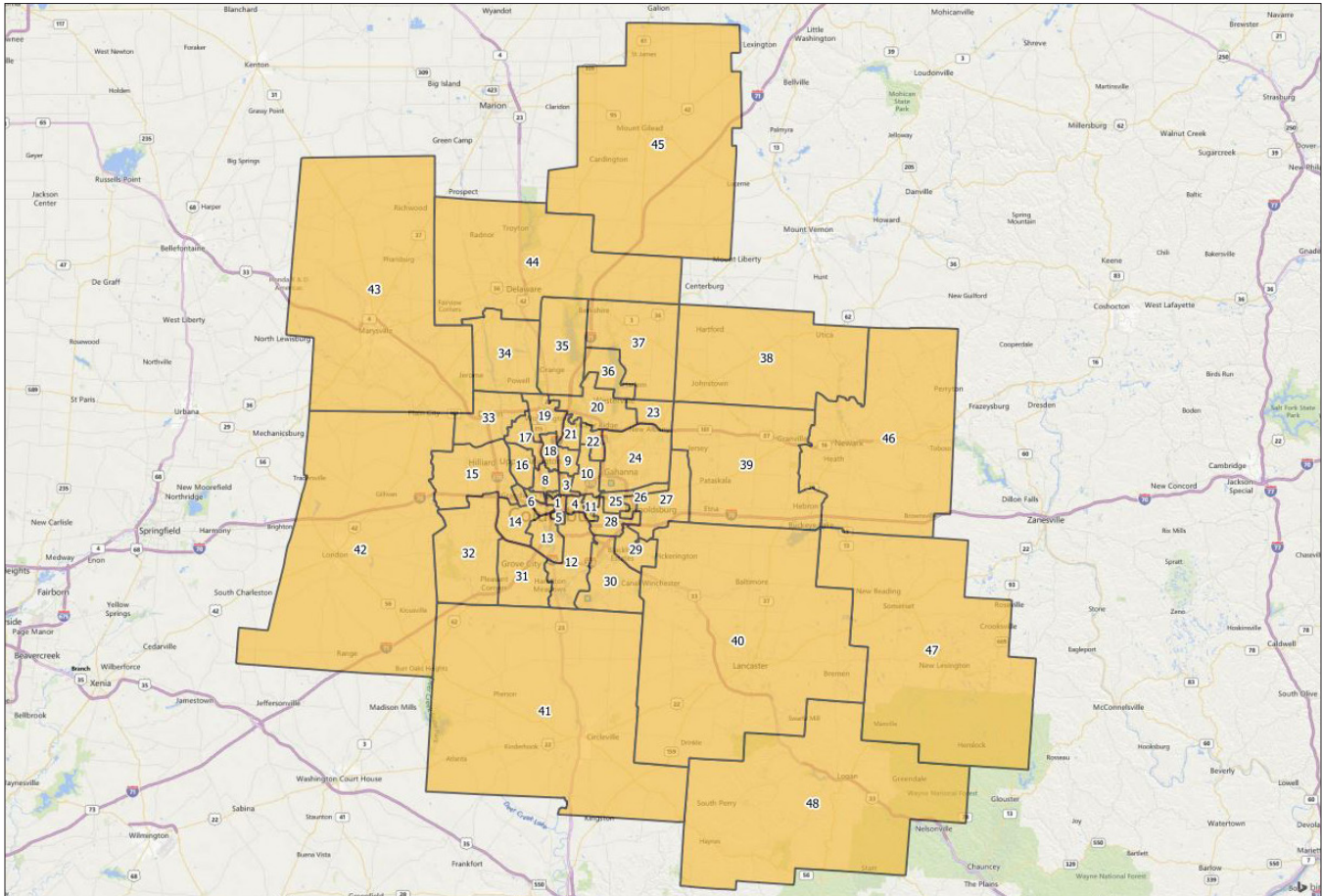


Hunt Mortgage Provides \$5M Refi For Affordable Property

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Columbus Submarkets



Area #	Submarket
1	Columbus–Downtown
2	Victorian Village
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
17	Northwest Columbus
18	Clintonville
19	Worthington
20	Westerville
21	Northland
22	Minerva Park
23	New Albany

Area #	Submarket
24	Gahanna
25	Whitehall
26	Blacklick
27	Reynoldsburg
28	Obetz
29	Canal Winchester
30	Groveport
31	Grove City
32	Westland
33	Dublin
34	Powell
35	Lewis Center
37	Sunbury
38	Johnstown
39	Pataskala
40	Fairfield
41	Pickaway
42	Madison
43	Union
44	Delaware
46	Newark

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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