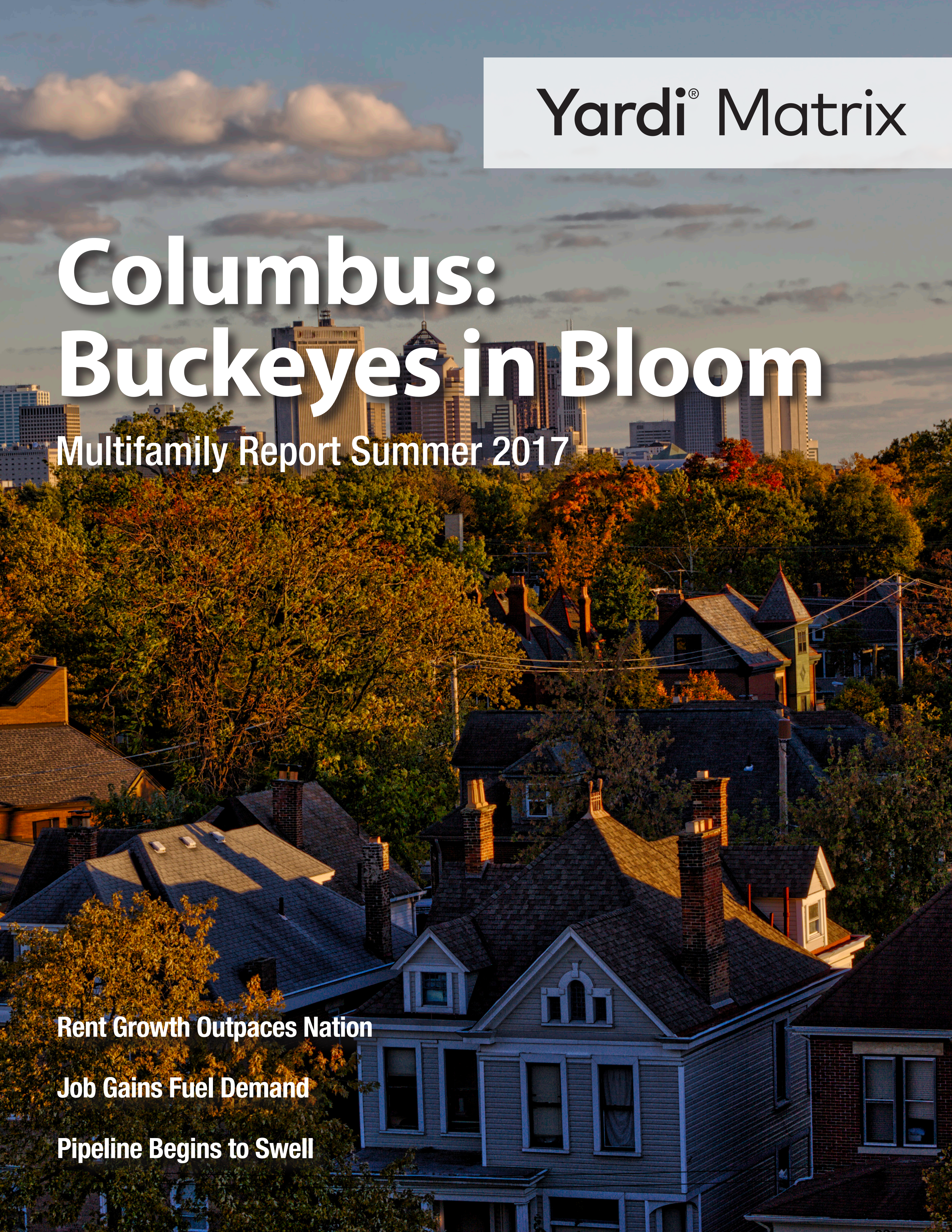
Yardi® Matrix



Columbus: Buckeyes in Bloom

Multifamily Report Summer 2017

Rent Growth Outpaces Nation

Job Gains Fuel Demand

Pipeline Begins to Swell

Market Analysis

Summer 2017

Contacts

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

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

Author

Adriana Pop
Senior Associate Editor

Steady Growth Cultivates Building Boom

The multifamily market is expanding in Columbus, which has been an economic standout in Ohio and the Midwest. The metro's tight labor market is lifting average wages, attracting more residents and bolstering demand for apartments.

Government, energy, education and health services led job gains over the past year and contributed to wage growth in high-paying sectors. In addition to being the state capital of Ohio and home to The Ohio State University, Columbus is a corporate hub with national and regional headquarters of several major financial and consumer products companies.

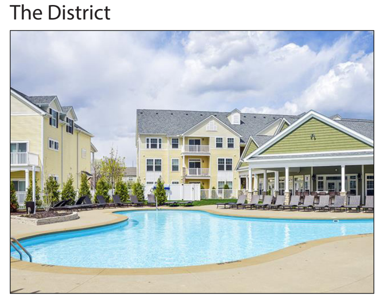
Demand for apartments is strong as Millennials are establishing households and downsizing Baby Boomers are renting luxury units. Development is active, especially in Dublin, which is expected to become the largest suburb of Columbus by 2020. Downtown development is also booming, characterized by mixed-use, live-work-play communities. Property values in the metro are reaching new highs but are still cheaper than the national average. The new supply of apartments has been modest in recent years, but the pipeline is growing. Transaction activity has been strong during the last five years but has slowed in 2017, as developers focus on ground-up projects. With strong demand and moderate new deliveries, we expect rent growth of 3.5% in 2017.

Recent Columbus Transactions

The Vanguard of Polaris

City: Westerville, Ohio
Buyer: Banyan Capital Partners
Purchase Price: $39 MM
Price per Unit: $134,466

The District



City: Columbus, Ohio
Buyer: Coy Capital Management
Purchase Price: $35 MM
Price per Unit: $152,632

Remington Woods

City: Lewis Center, Ohio
Buyer: Oakmont Investment Properties
Purchase Price: $29 MM
Price per Unit: $85,318

Troy Farms

City: Delaware, Ohio
Buyer: Hamilton Point Investments
Purchase Price: $27 MM
Price per Unit: $88,816

To Subscribe

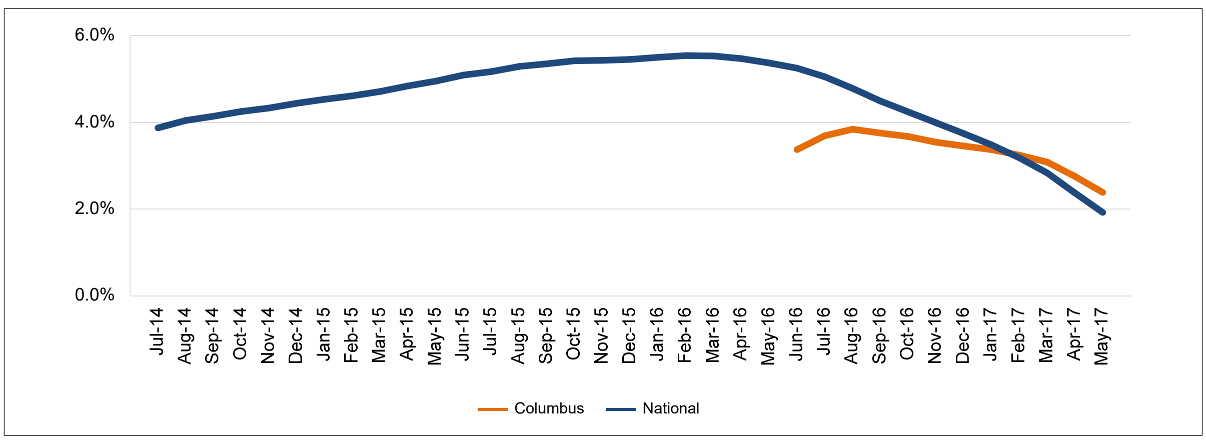
Hollie Zepke
Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

On the cover: Photo by aceshot/iStockphoto.com

Rent Trends

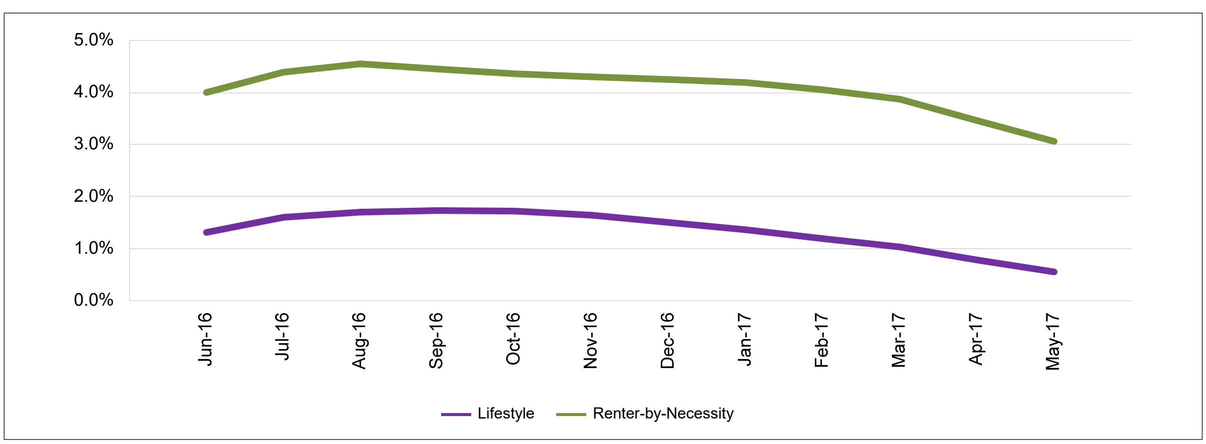
- Rents in Columbus rose 2.4% year-over-year as of May, outpacing the 1.5% national growth rate. Average rent in Columbus reached $876, well below the national figure of $1,316. Rents are escalating due to steady employment gains and net in-migration, driven by activity associated with Ohio State.
- Rents in the working-class Renter-by-Necessity segment rose 3.1%, to $811, while Lifestyle rents increased only 0.6%, to $1,216. The metro's average occupancy was 95.0% in April, down only 20 basis points year-over-year. Rent growth has been weaker among more expensive Lifestyle apartments, where new supply is concentrated.
- Rent growth in the last year was highest in Bexley (up 10.6%, to $990), which is a pedestrian-friendly suburb attracting high-end development. Gains were also strong in the northern suburb of Galena (up 9.4%, to $1,497), the metro's most expensive ZIP code, where empty nesters are downsizing to luxury apartments. Downtown rents declined 0.4% year-over-year, to $1,254, as 1,350 units were delivered in 2016. Neighborhoods around Ohio State, one of the metro's largest employers, command some of the highest rents. These include Victorian Village (up 1.6%, to $1,446), Grandview Heights (down 0.8%, to $1,279) and University (up 0.3%, to $1,116). The pace of rent growth in the metro is forecast to moderate as new supply increases in 2017.

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

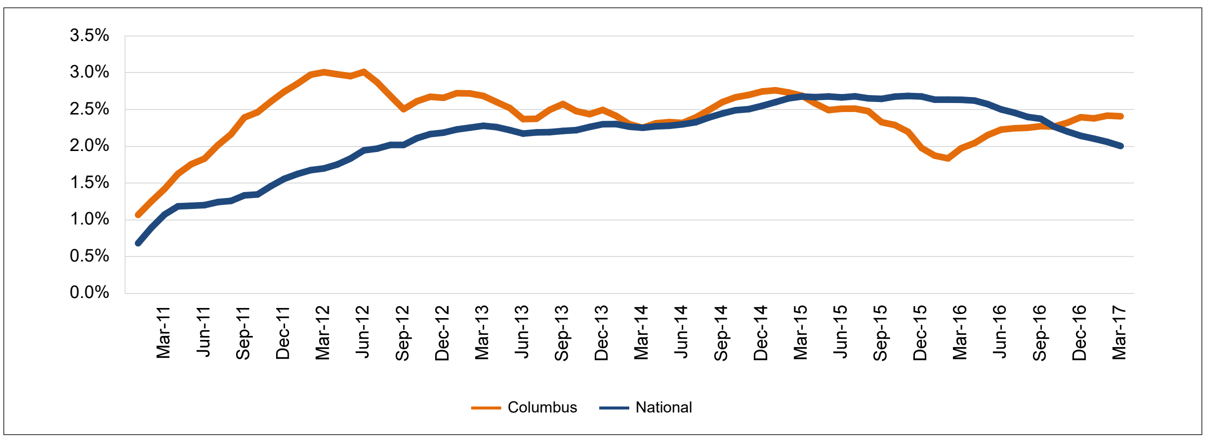
- Columbus added 27,000 jobs through March, marking a 2.4% year-over-year increase and outpacing the 2.0% national growth rate. The metro's April unemployment rate was 3.5%, compared to the U.S. average of 4.4%. The economy in Ohio's capital is centered around finance, health care, state government and Ohio State's campus.

- Government positions led job growth with the addition of 5,200 employees. Education is also a top civic priority and has seen strong hiring. During the last three years, Columbus schools have increased pre-kindergarten enrollment by 22%. The Linden Park Early Education Center, which is dedicated to pre-kindergarten classrooms, opened last October.

- Columbus is a regional center for financial services firms including Nationwide Insurance, JPMorgan Chase and Huntington Bancshares. The credit card division of Alliance Data Systems moved into its new 565,000-square-foot campus in Easton during the past year.

- The health services sector is also important to Columbus, which is home to medical equipment companies such as Cardinal Health and Mettler-Toledo, research firm Batelle Memorial Institute and facilities associated with the Ohio State system. UnitedHealth Group is adding 700 jobs in Dublin, where the company leased the 164,900-square-foot Parkwood II building, bringing its Ohio payroll to 4,000 employees.

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)

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
90	Government	176	16.4%	5,200	3.1%
65	Education and Health Services	160	14.9%	5,100	3.3%
30	Manufacturing	77	7.2%	4,500	6.3%
15	Mining, Logging and Construction	39	3.6%	4,100	11.7%
60	Professional and Business Services	180	16.8%	4,000	2.3%
70	Leisure and Hospitality	104	9.7%	2,800	2.8%
40	Trade, Transportation and Utilities	198	18.5%	800	0.4%
55	Financial Activities	82	7.6%	600	0.7%
50	Information	17	1.6%	500	3.0%
80	Other Services	40	3.7%	-600	-1.5%

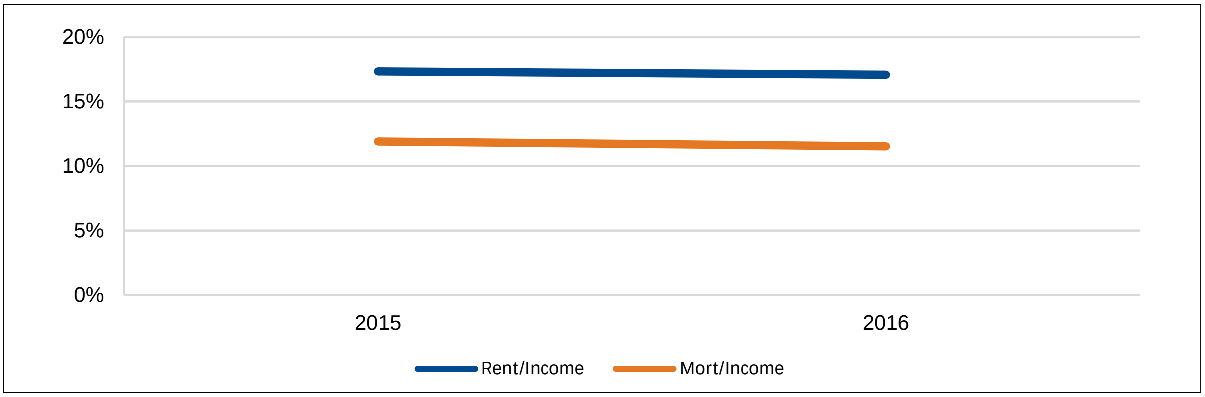
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

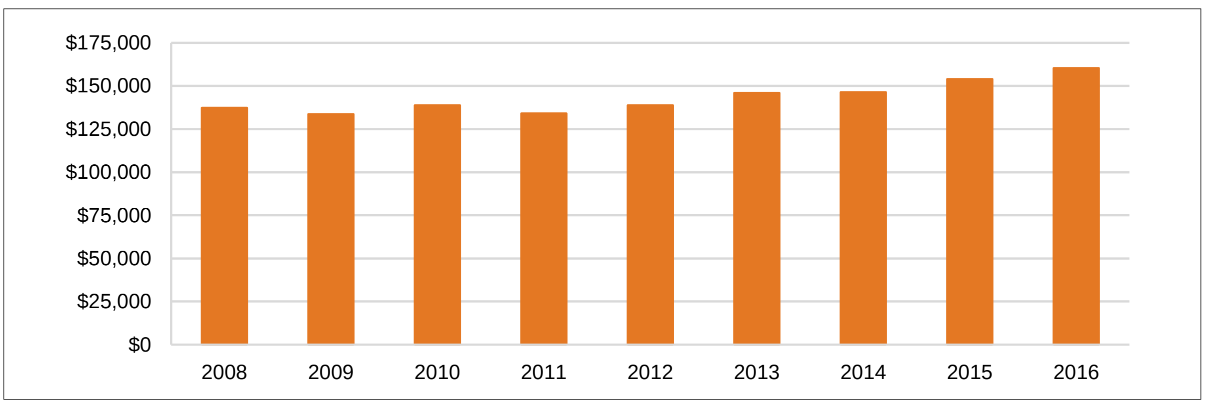
- The median home price in Columbus rose to a record $160,412 in 2016 as low interest rates and strong household formation continue to drive up home prices throughout the nation. Median home prices in the metro are substantially lower than the average among major U.S. cities.
- Owning a home is more affordable than leasing an apartment in Columbus. The area's average mortgage comprises 12% of the median income. while the average rent accounts for 17%. Wage growth in Columbus has outpaced the national rate because of the increase in high-paying jobs in health care and professional services.

Columbus Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Columbus Median Home Price



Source: Moody's Analytics

Population

- Columbus added 21,376 residents in 2016, an increase of 1.1%, topping the national growth rate of 0.7%.
- The population is on the rise in Columbus, thanks to domestic migration and strong job growth.

Columbus vs. National Population

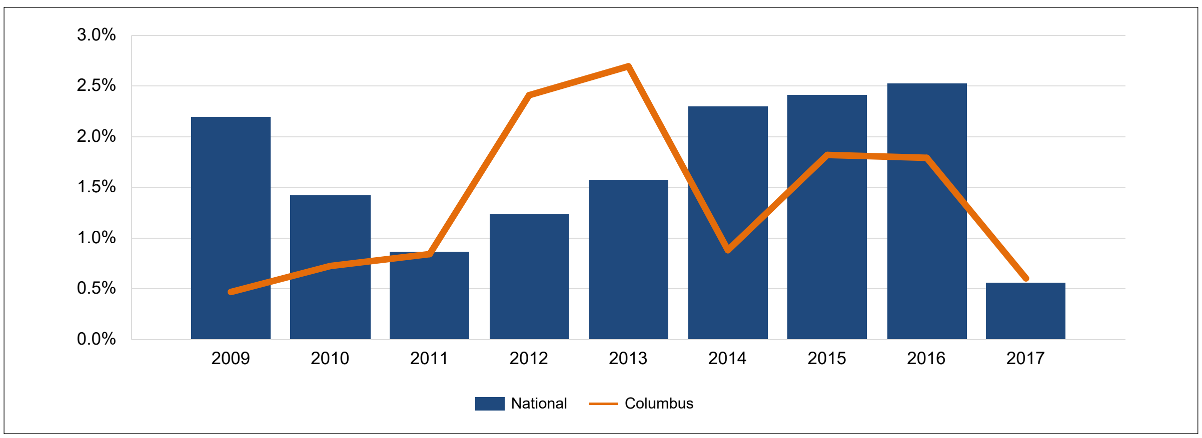
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Columbus Metro	1,946,428	1,970,123	1,996,809	2,020,144	2,041,520

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

Supply

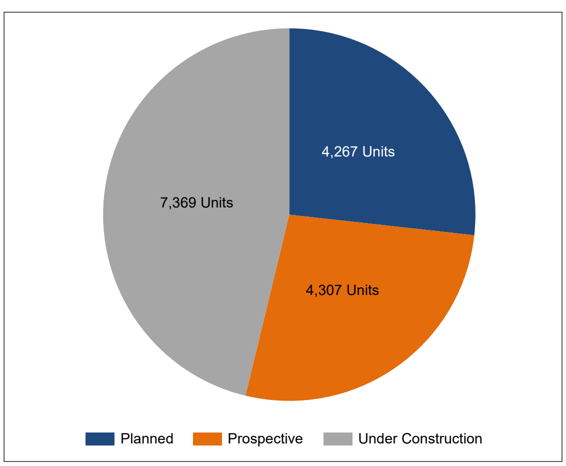
- New apartment deliveries in Columbus are growing steadily. We expect roughly 3,700 new units to come online in 2016, a 2.5% increase in supply and up from 2,800 new units in 2016. In the first five months of 2017, only 690 units hit the metro's market, but the development pipeline is substantial. Currently there are 7,300 units under construction and an additional 8,570 units in the planning stages.
- Dublin leads Columbus submarkets, with the highest number of units under construction (1,378). Dublin, the corporate headquarters of Cardinal Health and restaurant chain Wendy's, is expected to become the largest suburb in Columbus by 2020. Crawford Hoying Development Partners chose Dublin for the construction of its $300 million Bridge Park mixed-use project.
- Construction is also active downtown (1,351 units), where demand is strong for urban live-work-play communities. Notable projects include Jeffrey Park—a multi-phase apartment and condo development in Italian Village—and Millennial Tower, a 24-story office, residential and retail tower planned for RiverSouth.
- The largest development underway is Greyson at Hickory Chase in Hilliard, a 492-unit senior housing community that has attracted new medical facilities run by OhioHealth and Mount Carmel Health.

Columbus vs. National Completions as a Percentage of Total Stock (as of May 2017)



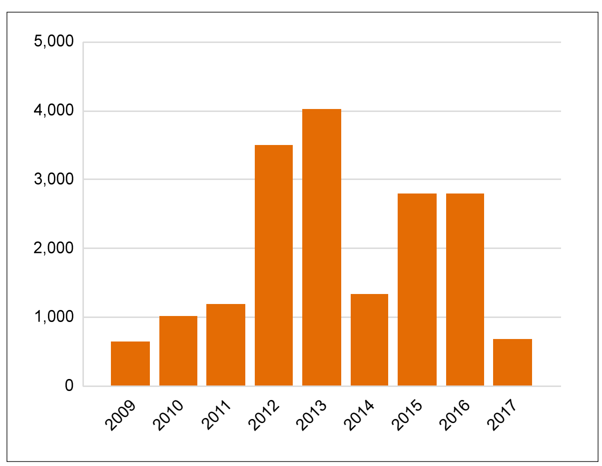
Source: YardiMatrix

Development Pipeline (as of May 2017)



Source: YardiMatrix

Columbus Completions (as of May 2017)

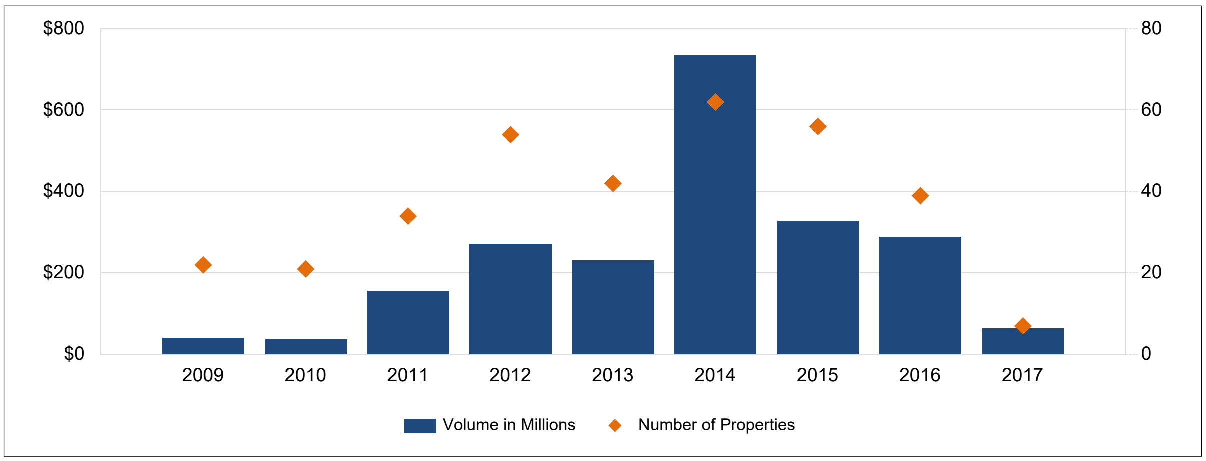


Source: YardiMatrix

Transactions

- Columbus multifamily transaction volume remains somewhat muted, as it has been in most years during its economic recovery. Transaction volume has been lighter so far in 2017, with only $64 million in multifamily property changing hands. Last year, volume was $290 million. So far this year, the average price per unit is $68,216, up from $59,900 per unit in 2016 but still well below the national average of $133,500.
- The largest transaction in the past year was Banyan Capital's acquisition of the 292-unit Vanguard of Polaris community in Westerville. Banyan paid $39 million for the Class B property, which first traded in 2000 for $14 million. The firm plans to renovate Vanguard's units and increase rents for two-bedroom townhomes by 30%, raising them from $1,000 to $1,300.

Columbus Sales Volume and Number of Properties Sold (as of May 2017)



Source: YardiMatrix

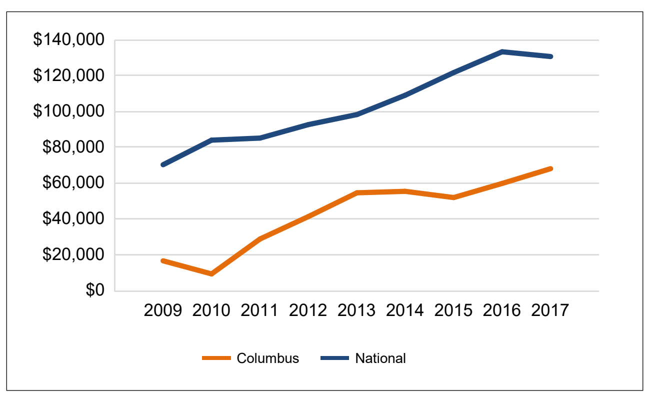
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Westerville	48
Hilliard	35
Lewis Center	29
Delaware	27
Columbus–Downtown	20
Grove City	17
Reynoldsburg	16
Northeast Columbus	15

Source: YardiMatrix

[1] From June 2016 to May 2017

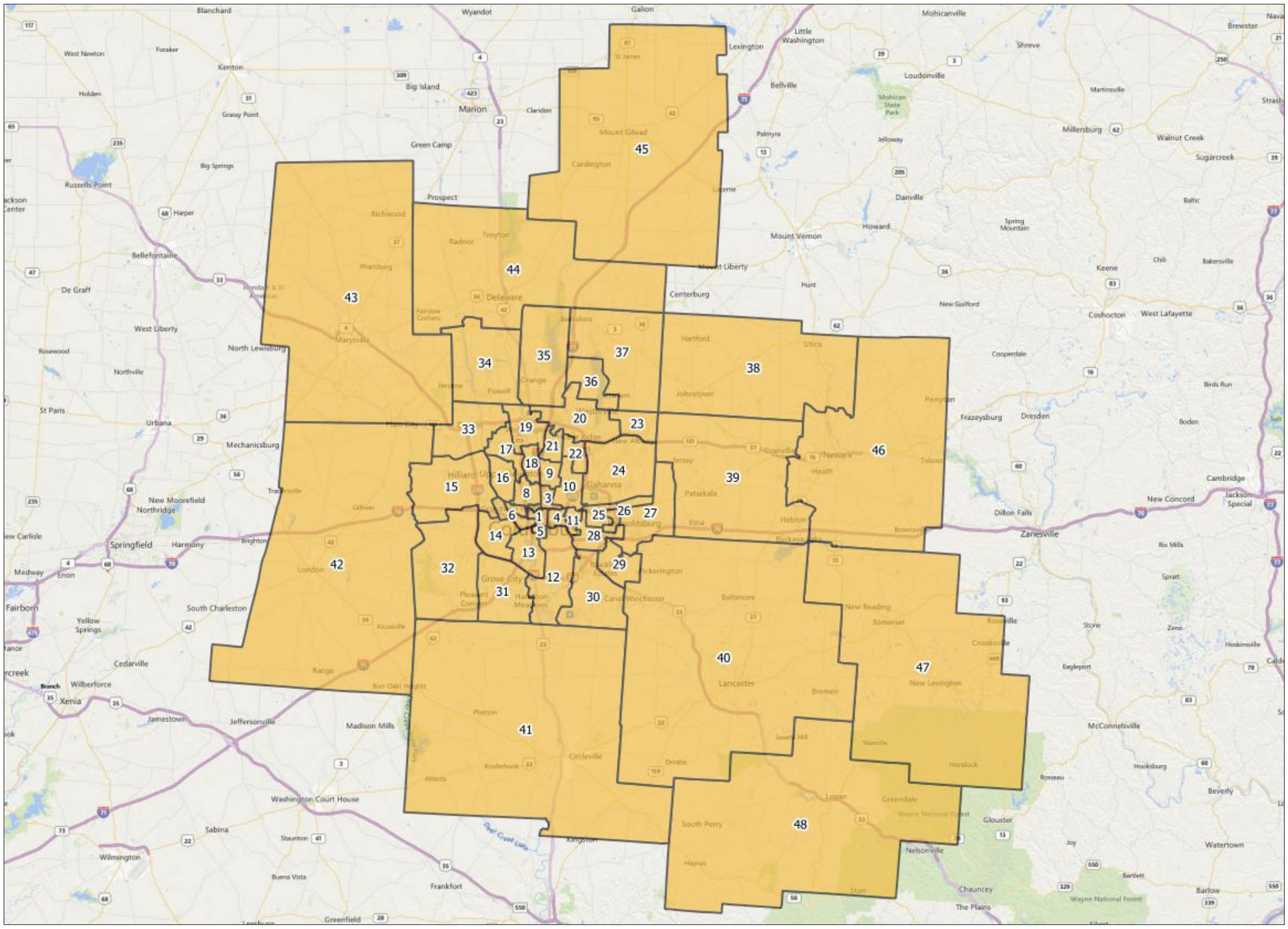
Columbus vs. National Sales Price per Unit



Source: YardiMatrix

Photo by mrtom-uk/iStockphoto.com

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	Hilliard
16	Upper Arlington

Area #	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

Area #	Submarket
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.

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

DISCLAIMER

ALTHOUGH EVERY EFFORT IS MADE TO ENSURE THE ACCURACY, TIMELINESS AND COMPLETENESS OF THE INFORMATION PROVIDED IN THIS PUBLICATION, THE INFORMATION IS PROVIDED "AS IS" AND YARDI MATRIX DOES NOT GUARANTEE, WARRANT, REPRESENT OR UNDERTAKE THAT THE INFORMATION PROVIDED IS CORRECT, ACCURATE, CURRENT OR COMPLETE. YARDI MATRIX IS NOT LIABLE FOR ANY LOSS, CLAIM, OR DEMAND ARISING DIRECTLY OR INDIRECTLY FROM ANY USE OR RELIANCE UPON THE INFORMATION CONTAINED HEREIN.