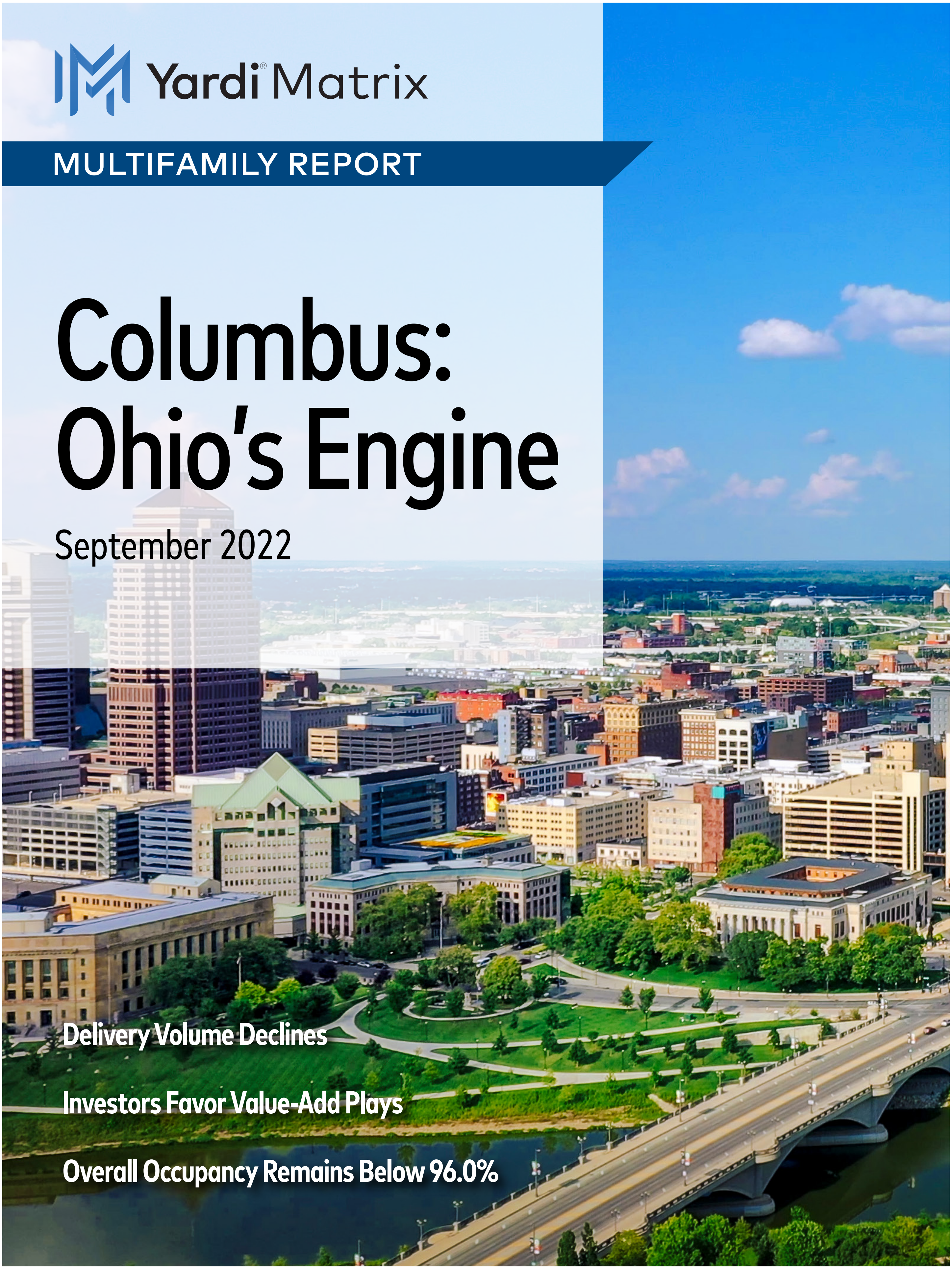
Yardi Matrix

MULTIFAMILY REPORT

Columbus: Ohio's Engine

September 2022



Delivery Volume Declines

Investors Favor Value-Add Plays

Overall Occupancy Remains Below 96.0%

COLUMBUS MULTIFAMILY

Yardi Matrix

Mounting Demand Supports Rent Growth

The economic recovery in Columbus is gaining steam due to healthy demographics, a competitive cost of doing business and a lower cost of living compared to coastal markets. Although year-over-year rent growth was on par with the national average—12.6% as of July—the average rate ($1,237) remained well below the U.S. figure ($1,717). On a trailing three-month basis, rents increased by 1.3%, 30 basis points above the U.S. rate.

The Ohio capital's employment market is steadily rebounding, with 28,300 jobs added in the 12 months ending in May, up 2.4%. The trade, transportation and utilities sector led gains with 17,000 jobs, followed by leisure and hospitality with 10,400 positions. But the construction sector is rapidly catching up, particularly as Intel has already posted hundreds of job openings for the construction of its $20 billion semiconductor facility in New Albany. Vitamin and supplement manufacturer Pharmavite intends to spend $200 million on a new 250,000-square-foot plant in New Albany as well, while Amazon is building its third data center in Hilliard.

While investment activity remained elevated—with more than $552 million in multifamily assets changing hands in 2022 through July, compared to just $454 million over the same interval last year—the metro's pipeline slowed down. Only 1,783 units across 12 projects came online, half the deliveries recorded last year through the same period.

Market Analysis | September 2022

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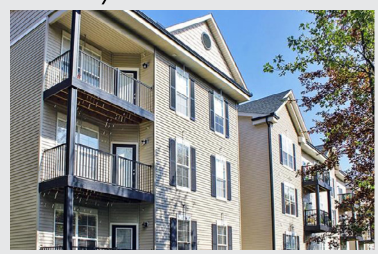
On the cover: Photo by pawel.gaul/iStockphoto.com

Recent Columbus Transactions

The Green

City: Canal Winchester, Ohio
Buyer: VennPoint Real Estate
Purchase Price: $70 MM
Price per Unit: $162,492

Wesbury Park



City: Columbus, Ohio
Buyer: Birge & Held Asset Management
Purchase Price: $27 MM
Price per Unit: $212,305

Crown Pointe

City: Columbus, Ohio
Buyer: Cyclone Investment Group
Purchase Price: $17 MM
Price per Unit: $114,298

Sawbury Commons

City: Columbus, Ohio
Buyer: CREC Real Estate
Purchase Price: $12 MM
Price per Unit: $131,909

RENT TRENDS

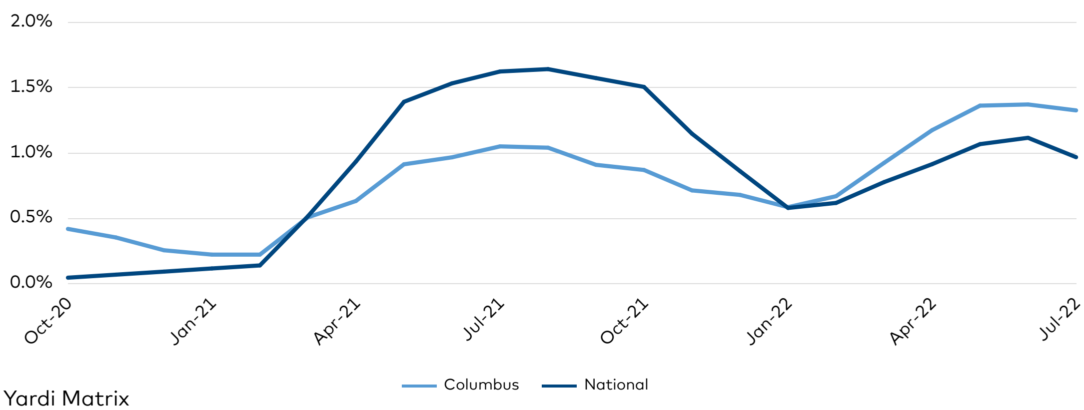
- Rents in Central Ohio rose 1.3% on a trailing three-month (T3) basis through July, 30 basis points above the national rate. The overall average reached $1,237 but remained significantly below the $1,717 U.S. figure. Rent expansion was led by the working-class Renter-by-Necessity segment, which grew by 1.4%, to $1,575. Despite new supply heavily targeting Lifestyle properties, high-end rates also rose 1.2%, to $1,120.

- In the five years ending in 2021, developers added an average of 5,105 units per year, which put a dent in occupancy. Year-over-year through June, the rate dropped to 95.7% from 95.9% in June 2021. Meanwhile, the average U.S. rate remained unaltered at 96.0%.

- Two-thirds of the 46 submarkets tracked by Yardi Matrix recorded double-digit year-over-year rent increases as of July. Northern suburban areas such as Union (26.0% to an average of $1,317), Lewis Center (19.3% to $1,499) and New Albany (17.3% to $1,583) posted the strongest gains. New Albany along with University ($1,561) remained the most expensive areas in the metro due to their allure among young professionals in search of new career opportunities or looking to relocate to cheaper urban centers.

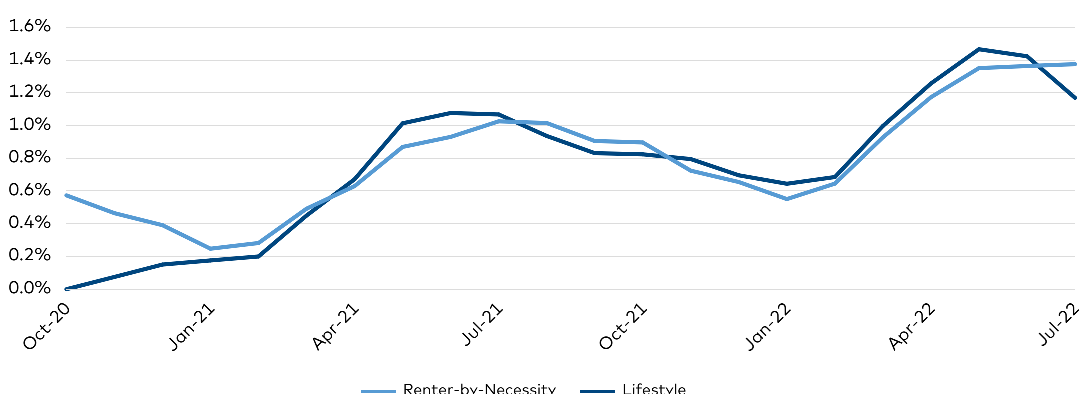
- Rents in the SFR sector were on an upward trajectory. The average rate in Columbus hit an all-time high of $1,653 in July but remained well below the $2,092 U.S. figure. With rising interest rates and widespread economic volatility, demand for SFR assets should remain firm as homeownership grows further out of reach.

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

- Although preliminary Bureau of Labor Statistics data shows that unemployment in Columbus rose to 3.8% as of June, from 2.9% in May, the rate is in line with pre-pandemic levels and on par with the state figure. The jobless rate in Cincinnati stood at 3.8%, while Cleveland's climbed to 6.0%.
- Central Ohio added 28,300 jobs in the 12 months ending in May, with trade, transportation and utilities leading employment growth (17,000 jobs), followed by leisure and hospitality (10,400 jobs). Four sectors—including government and professional and business services—were still bleeding jobs.
- One of the largest investments in Ohio's history is Intel's $20 billion semiconductor facility in New Albany, an investment that is expected to create 3,000 jobs. But with federal aid through the CHIPS Act, Intel officials confirmed the investment could increase to $100 billion over the next few years. Meanwhile, Amazon announced plans to build another data center in Hilliard, expanding its local footprint to three facilities.
- The Columbus City Council approved a 40% abatement on income taxes for the next 25 years on new jobs created in Ohio State University's Innovation District. Plans for the 270-acre project call for 6 million square feet of lab and office space, as well as 300 affordable housing units out of the 1,500 new apartments overall.

Columbus Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	238	21.2%
70	Leisure and Hospitality	108	9.6%
15	Mining, Logging and Construction	48	4.3%
80	Other Services	42	3.7%
50	Information	17	1.5%
30	Manufacturing	72	6.4%
55	Financial Activities	84	7.5%
90	Government	179	15.9%
65	Education and Health Services	159	14.2%
60	Professional and Business Services	178	15.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Central Ohio gained 9,975 residents last year, up 0.5%, far outpacing the 0.1% U.S. rate. In contrast, Cleveland's population shrank by 0.5%.
- In the decade ending in 2021, Columbus' expansion rate hit 10.4%, while Cleveland's demographics lagged severely behind, at only 0.5%.

Columbus vs. National Population

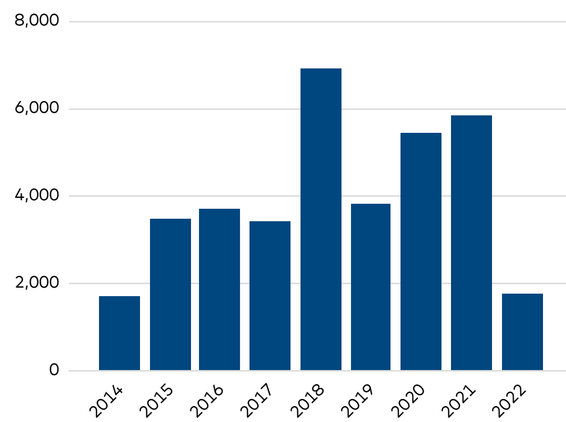
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Columbus Metro	2,105,684	2,125,507	2,141,042	2,151,017

Source: U.S. Census

SUPPLY

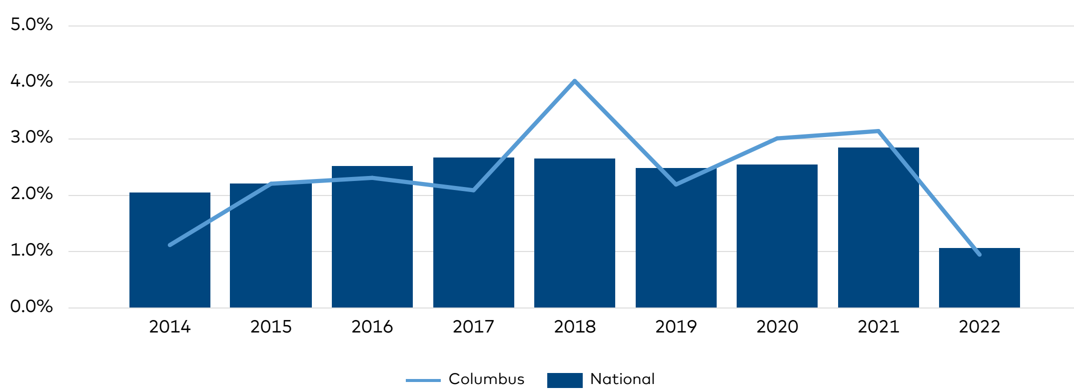
- As of July, there were 7,920 units under construction in Columbus, with another 32,300 in the planning and permitting stages. Mirroring the national trend, developers primarily targeted high-income renters, as only 10.7% of the units underway are in fully affordable projects. Multifamily demand in Ohio's capital has remained high, partly due to the high quality of life compared to other markets in the state.
- Developers delivered 1,783 units this year through July, accounting for 0.9% of total stock. Most of the apartments that came online were in Hilliard (450 units), a western submarket that is also an investment magnet.
- Multifamily construction activity began to decelerate in 2022. Developers broke ground on only 1,570 units across nine projects, while in the first seven months of 2021 they had already begun work on 15 projects totaling 2,931 apartments. With high construction costs, rising inflation and other headwinds, developers are struggling to meet their profitability goals when launching new multifamily projects.
- Development is mostly concentrated in central and northern submarkets, with Gahanna (938 units under construction) leading the way, followed by Columbus-Downtown (800 units) and Dublin (794 units). Gahanna is a rapidly growing suburb that provides easy access to both the metro's urban core area and New Albany, a city that has been making headlines since Intel's announced $20 billion investment in a massive semiconductor plant.
- Metro Development's Metropolitan House (288 units) in Groveport was the largest project delivered this year through July.

Columbus Completions (as of July 2022)



Source: Yardi Matrix

Columbus vs. National Completions as a Percentage of Total Stock (as of July 2022)

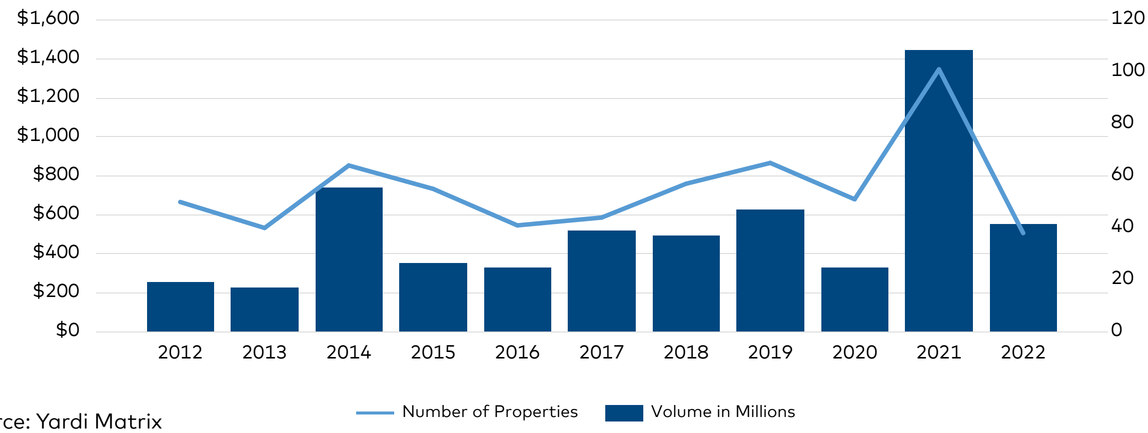


Source: Yardi Matrix

TRANSACTIONS

- More than $552 million in multifamily assets traded in Central Ohio in 2022 through July. That was above last year's $454 million investment volume for the same period, but 2021 still marked a record for total investment volume in the metro—$1.4 billion—as transaction velocity intensified toward the end of the year. Considering rising inflation and interest rates, a similar scenario in 2022 seems unlikely.
- Investors favored RBN assets, with 28 out of the 38 deals that closed year-to-date through July involving value-add plays. Even so, per-unit prices reached a new peak. At $137,057, the average price was $7,630 higher than the 2021 figure. Meanwhile, the U.S. average hit $216,893.
- In the 12 months ending in July, urban markets surrounding Ohio State University attracted the most capital. Northwest Columbus, Hilliard and Columbus-Downtown accounted for almost a third of the $1.5 billion total investment volume.

Columbus Sales Volume and Number of Properties Sold (as of July 2022)



Source: Yardi Matrix

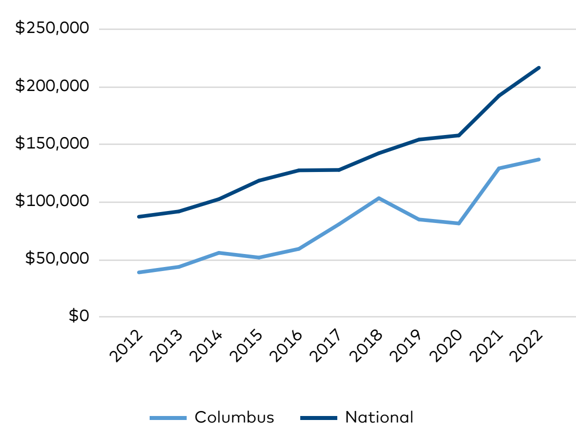
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Northwest Columbus	183
Hilliard	163
Columbus - Downtown	122
Whitehall	107
Westerville	102
Victorian Village	97
Northland	87

Source: Yardi Matrix

[1] From August 2021 to July 2022

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

The Midwest Is Attracting Record-High Capital. Here's Why

By Beata Lorincz

The U.S. multifamily market has seen record-breaking rent growth so far this year, backed by correspondingly high demand. But the Midwest multifamily market poses some distinct advantages compared to other U.S. regions. Jeff Lamott, managing director at Northmarq, explains what is fueling the Midwest multifamily market's performance and shares his predictions for the remainder of the year.

How did the Midwest multifamily market fare in the first half of 2022?

New deliveries got off to a slow start in the first half of the year in the Midwest, due to prolonged challenges in supply chains and shortage of skilled trades to complete projects. Year-over-year, rent growth reached about 12 percent in the Midwest, with an average of 2.5 percent growth in the first quarter.

Which are currently the hottest markets for multifamily development in the region and why?

The Midwest has not been subject to overbuilding the past several years, which has kept vacancy rates stable. While early 2022 got off to a slow start, Kansas City, Mo.; Indianapolis; St. Louis; Cincinnati, Ohio, and Chicago are some of the leading markets for new deliveries.

Many developers still find acquiring land in the Midwest easier than in gateway markets, with the permit

process for a building to go vertical done in a timelier manner.

How is the Midwest performing in terms of rent growth?

Rents in the Midwest have trended higher in the past several quarters. Rent growth in the first quarter averaged 2.5 percent, although a handful of markets posted gains ranging from 3 percent to nearly 4.5 percent. Year-over-year, rent growth reached 12.9 percent, on average, throughout the Midwest.

Where do cap rates stand in the Midwest, compared to previous years and what changes do you anticipate in the coming months?

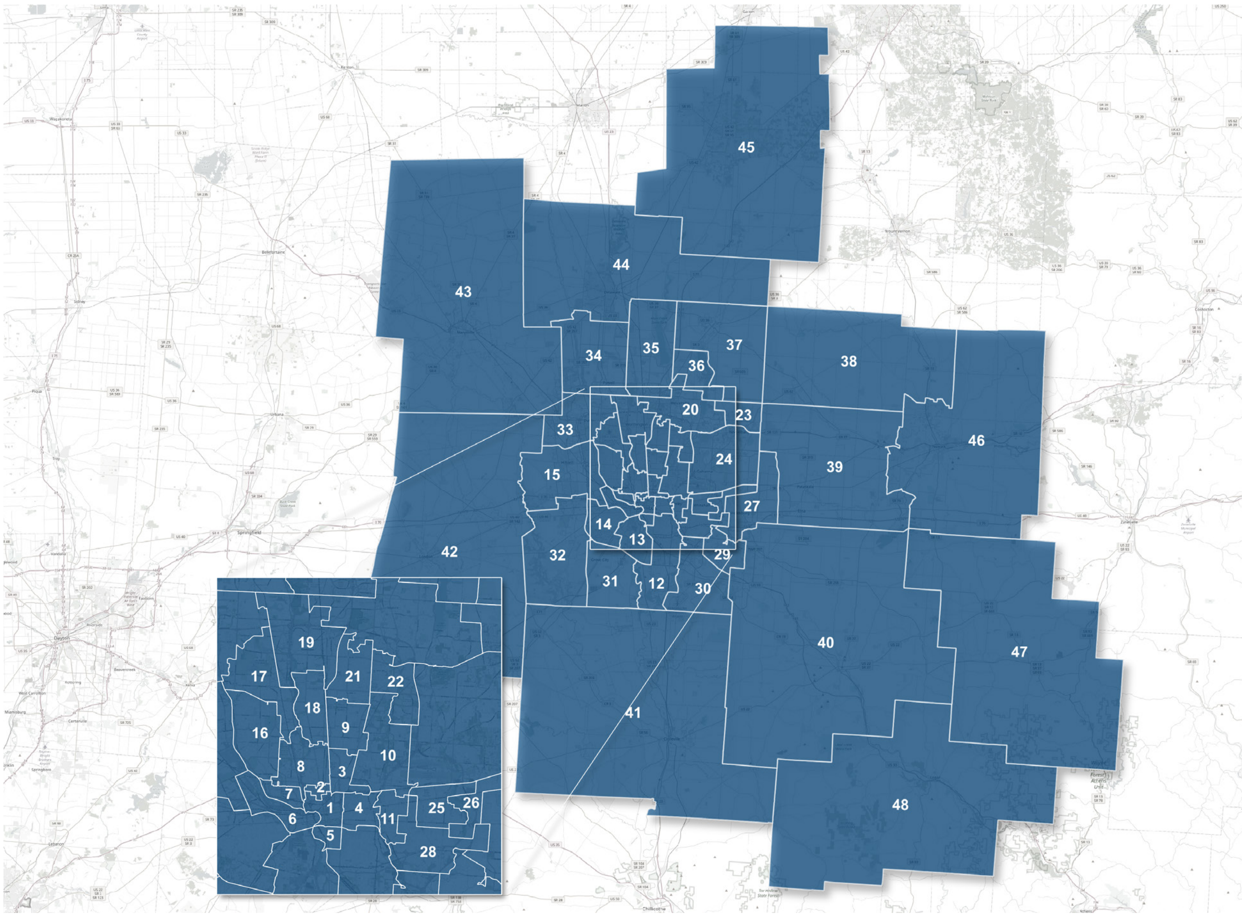
Cap rates have compressed across the region in early 2022, with nearly every major Midwest market posting averages near 4.5 percent. As recently as a few years ago, cap rates in these markets would have been closer to 5 percent and 6 percent.

What are your predictions for the market going forward this year?

Nationally, we still have a shortage of new inventory, compared to the 12-14 months prior to the Great Recession. Low vacancies and continued demand are allowing for further rent increases in much needed development in undersupplied Midwest markets.

(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 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 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, 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.

Yardi Matrix

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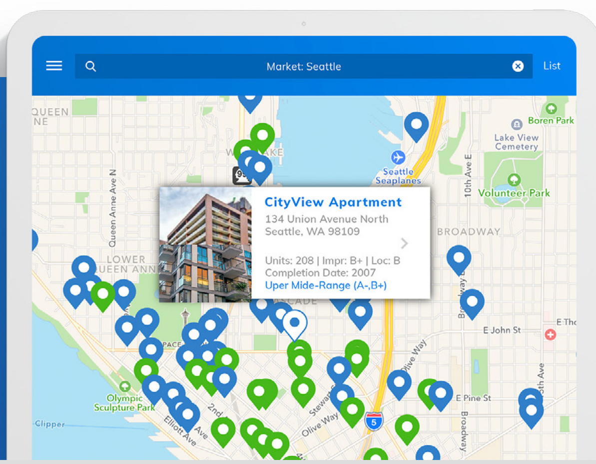
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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