Yardi® Matrix

Innovative Columbus

Multifamily Report Fall 2017

Rent Growth Tops U.S. Average

Opportunities Lure Educated Workforce

New Supply Continues to Rise

Market Analysis

Fall 2017

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Economic Diversity Drives Growth

Columbus' growing economy and relatively affordable housing are attracting residents and boosting multifamily demand. A business-friendly environment and an educated workforce are drawing investors to Ohio's largest city, fueling a growing residential market. Columbus rents were up 3.0% in the year ending in September, topping the U.S. average by 80 basis points.

Advanced manufacturing is leading job growth. "New manufacturing" companies are bringing operations back to the U.S., recapturing a significant portion of the city's economy with the production of high-quality goods at lower costs. New facilities include a 600,000-square-foot Rogue Fitness factory, as well as a BrewDog brewery, a craft beer company expanding from the U.K. Italy-based Sofidel, the sixth-largest tissue manufacturer in the world, is building a 1.4 million-square-foot facility in Circleville. Meanwhile, there was $641 million in downtown projects under development as of mid-2017, according to the latest State of Downtown Columbus report released by CCSID. Office-using employment is also rising, spurred by an increasingly stronger tech industry.

Despite the bounty of deliveries over the past three years, occupancy has remained relatively stable, at nearly 96.0%. More than 3,000 units are slated to come online this year, which should create some pressure. But absorption is expected to keep up, generating a rent increase of 3.8% in 2017.

Recent Columbus Transactions

Remington Station

City: Westerville, Ohio
Buyer: Cortland Partners
Purchase Price: $49 MM
Price per Unit: $141,814

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

Troy Farms

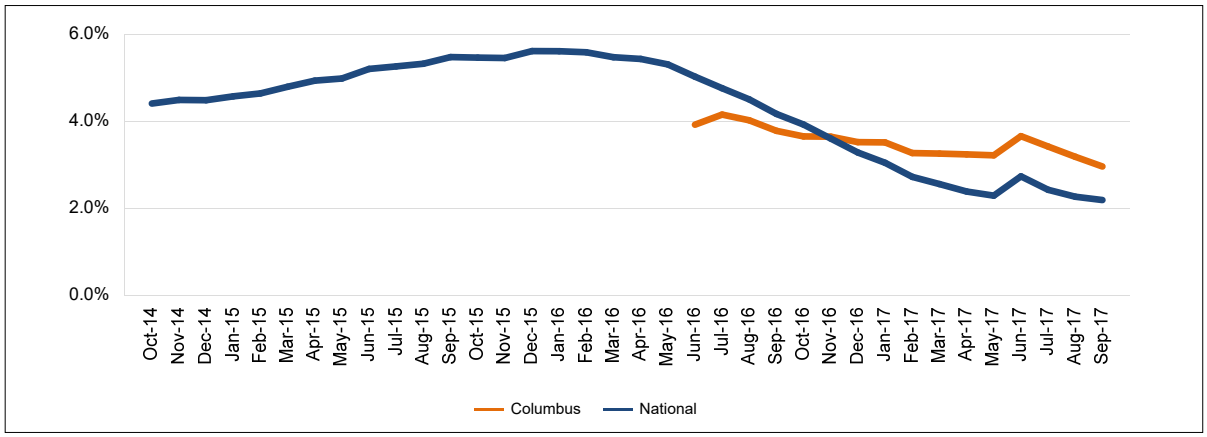
City: Delaware, Ohio
Buyer: Hamilton Point Investments
Purchase Price: $27 MM
Price per Unit: $88,816

On the cover: Photo by styxclick/iStockphoto.com

Rent Trends

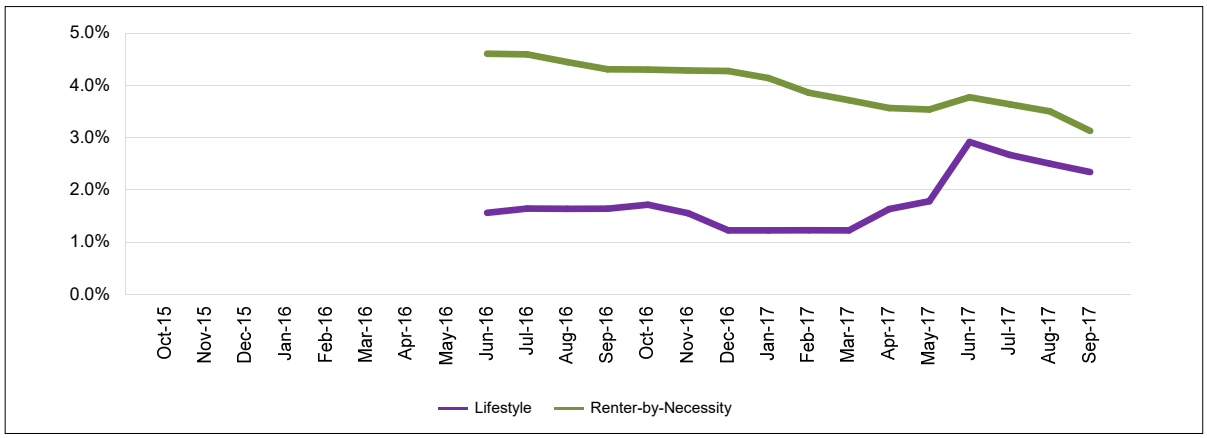
- Rents in Columbus rose 3.0% year-over-year through September, outperforming the 2.2% national average. Monthly rent averaged $905, well below the $1,354 U.S. figure. Demand has kept up with the large amount of new supply over the past three years, keeping occupancy relatively stable at 95.9% as of August, as compared to 96.0% for the same month in 2016 and 95.3% in both 2015 and 2014.
- Rents in the working-class Renter-by-Necessity segment rose 3.1% to $823, while Lifestyle rents rose 2.3% to $1,265. Millennials and empty nesters, which remain the main renting cohorts, have sustained demand.
- The submarket with the largest year-over-year rent increase as of September was Galena, up 7.7% (or $117) to $1,637. The area, an attractive target of empty nesters, commands the highest rents, as well as the highest home prices in Columbus. Rent growth was also strong in Obetz (7.4%), home to a new Amazon distribution center, as well as Westerville (6.2%), Franklinton (5.1%) and Sunbury (4.9%).
- The wave of new communities slated to come online by the end of the year and beyond is expected to put pressure on occupancy, but demand is forecast to keep up, at least in the short term, generating a rent bump of 3.8% 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)

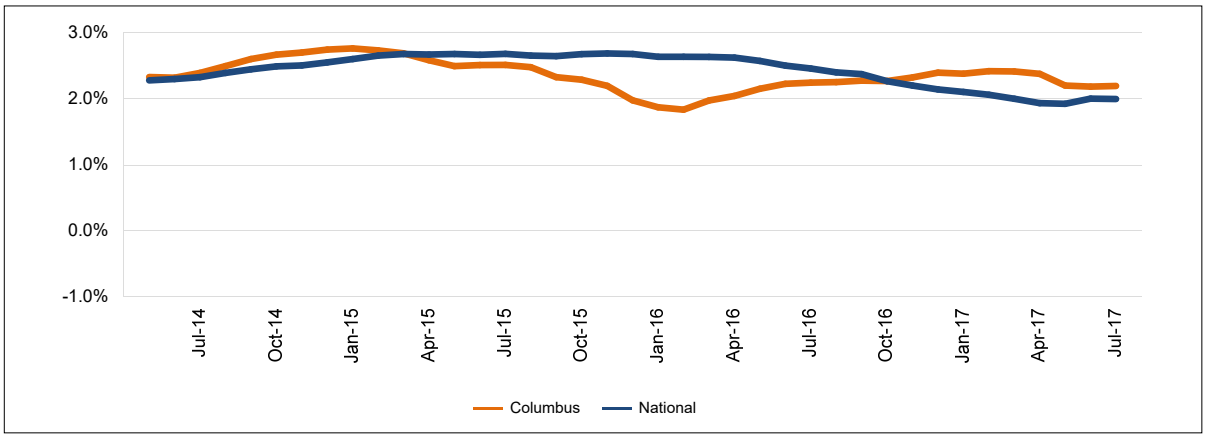


Source: YardiMatrix

Economic Snapshot

- Columbus added 23,500 jobs in the year ending in July, a 2.2% increase, higher than the 2.0% national average. The metro's unemployment rate stood at 4.4% as of July—up 90 basis points since April but lower than Ohio's 5.2% rate and almost on par with the 4.3% national average. The unemployment rate uptick could be a positive sign for the local economy in the short run if it indicates more people are ready to rejoin the workforce.
- Manufacturing led job growth, adding 4,800 positions, up 6.7% year-over-year. The industry derives its strength from advanced technologies, including 3-D printing and robotics, which require a highly skilled workforce. Old factories are being replaced by new plants, such as the new Rogue Fitness facility, which occupies the former Timken site in Milo-Grogan. BrewDog, a new sour brewery in Canal Winchester, may soon include the world's first crowdfunded craft beer hotel. Sofidel, the sixth-largest tissue manufacturer in the world, is building a 1.4 million-square-foot facility in Circleville. Construction also gained 4,300 jobs, or a 10.8% expansion. Completions include the 149-key Hotel LeVeque, the Joint Center at Grant Medical Center and residential buildings totaling more than $70 million. Downtown projects worth another $641 million were underway as of mid-2017.
- As of the third quarter, Columbus' office market reported overall vacancy of 13.7% and an average lease rate of $19.60 per square foot, according to CBRE. Though positive, net absorption was mostly concentrated in Dublin.

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	%
30	Manufacturing	76	7.0%	4,800	6.7%
15	Mining, Logging and Construction	44	4.0%	4,300	10.8%
60	Professional and Business Services	187	17.2%	4,000	2.2%
90	Government	168	15.4%	3,600	2.2%
40	Trade, Transportation and Utilities	202	18.6%	2,300	1.2%
65	Education and Health Services	157	14.4%	2,200	1.4%
55	Financial Activities	85	7.8%	1,700	2.0%
70	Leisure and Hospitality	111	10.2%	1,500	1.4%
50	Information	17	1.6%	400	2.4%
80	Other Services	41	3.8%	-1,300	-3.1%

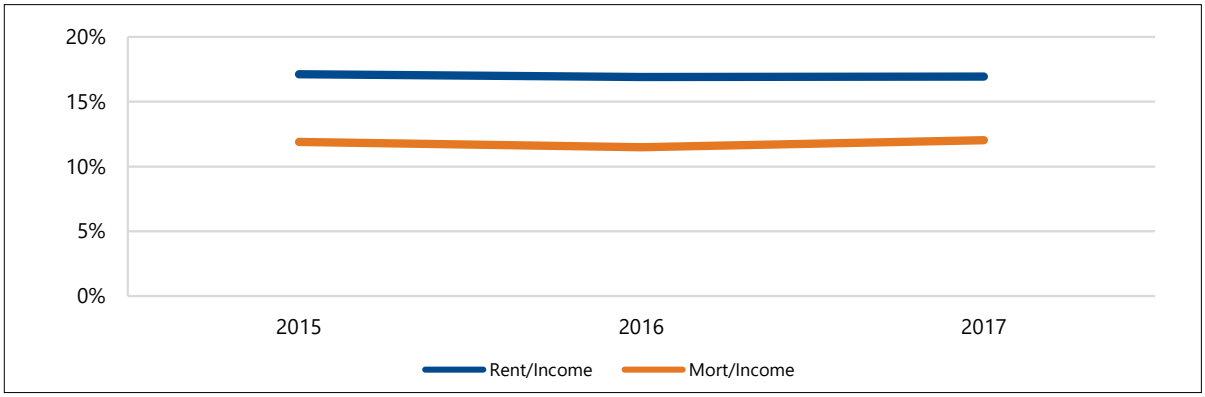
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

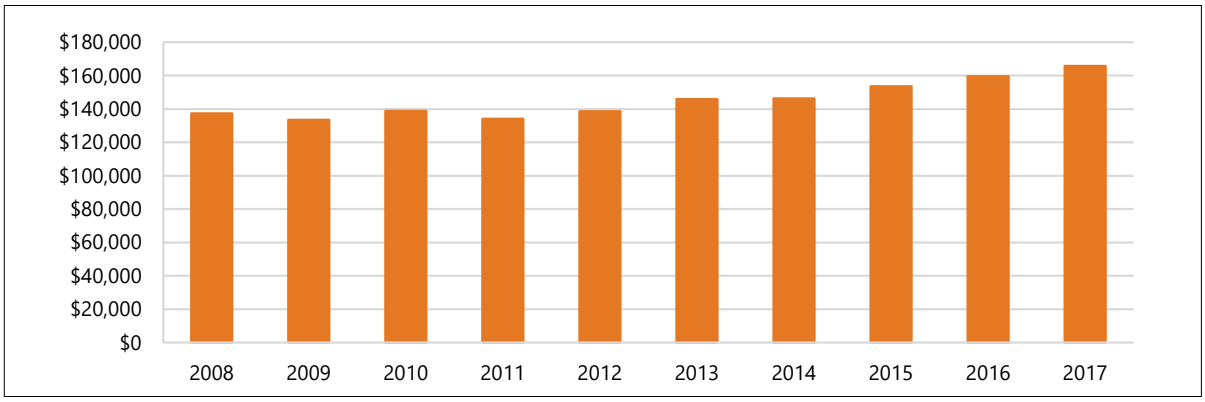
- The median home price in Columbus climbed to $165,879 in the first half of 2017, a new cycle high. The average mortgage payment accounted for 12% of the area's median income, while rents equated to 17%.
- Job growth, rising incomes and affordable real estate are drawing residents to Columbus. Single-family homes in walkable neighborhoods are popular among Millennials, who are particularly drawn to Hilliard, where they account for 41 percent of new mortgages and have a 59 percent homeownership rate, according to Realtor.com. The website also ranks Clintonville as the nation's top locale for home-buying hipsters in 2017.

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 for a 1.1% uptick, outpacing the 0.7% national growth rate.
- The metro gained more than 95,000 residents between 2012 and 2016.

Columbus vs. National Population

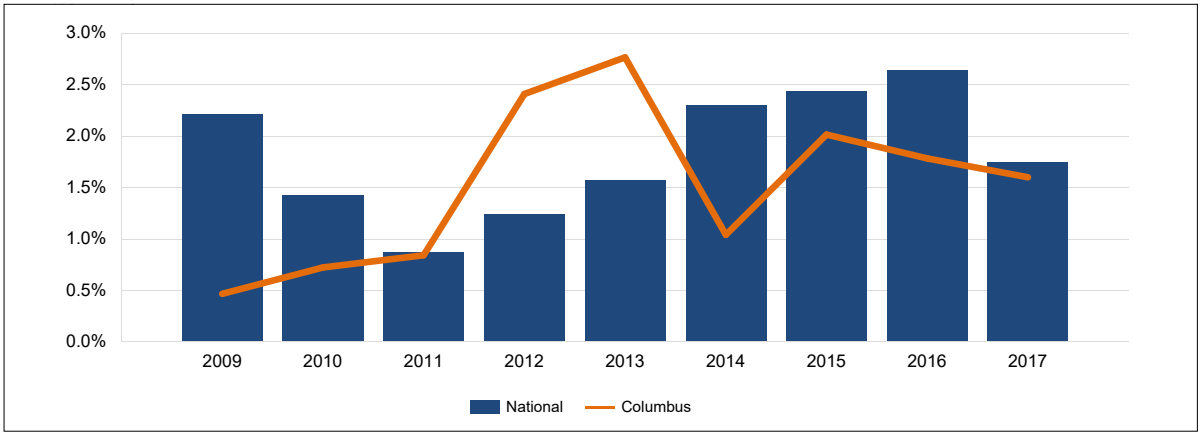
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Columbus Metro	1,946,428	1,970,123	1,996,809	2,020,144	2,041,520

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

Supply

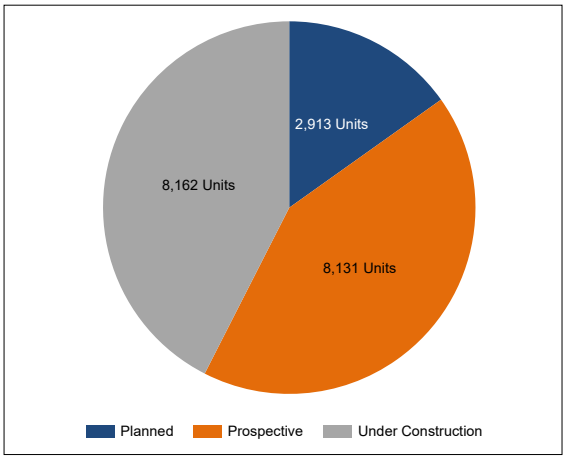
- Nearly 2,300 apartments came online in Columbus this year through September. The pace of deliveries is expected to remain steady, leading to a total of 3,180 additional units by the end of the year, surpassing the 2,803 units delivered last year.
- Upcoming development will be significant: As of September, 8,160 units were under construction, with another 11,000 in the planning stages. High-end properties in and around downtown are especially popular among Millennials and empty nesters, and developers have taken notice, ramping up construction in this area, where more than 1,300 units were underway. Dublin, which absorbed more than 70,000 square feet of office space during the third quarter, is also seeing intense multifamily development, with 1,149 units under construction. The suburb is expected to become the metro's largest by 2020. Other submarkets with intense activity included Hillard (914 units), University (816 units) and Lewis Center (801 units).
- The 492-unit Greyson at Hickory Chase senior community in Hilliard, which is scheduled for completion in 2019, ranked as the metro's largest project underway. It was followed by Tuller Flats, a 420-unit community rising in Dublin, in proximity to large employers such as Wendy's Co. and Cardinal Health Inc.

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



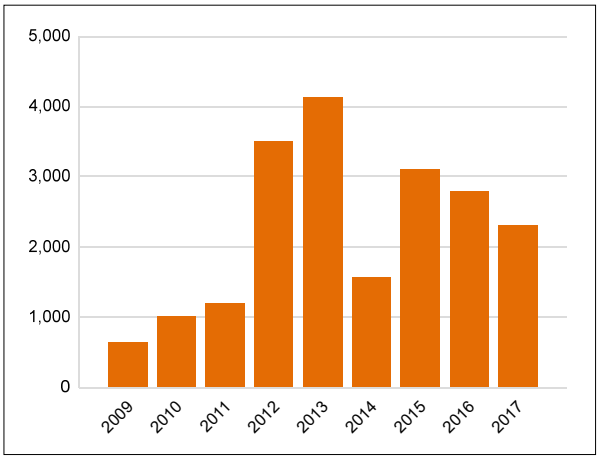
Source: YardiMatrix

Development Pipeline (as of September 2017)



Source: YardiMatrix

Columbus Completions (as of September 2017)

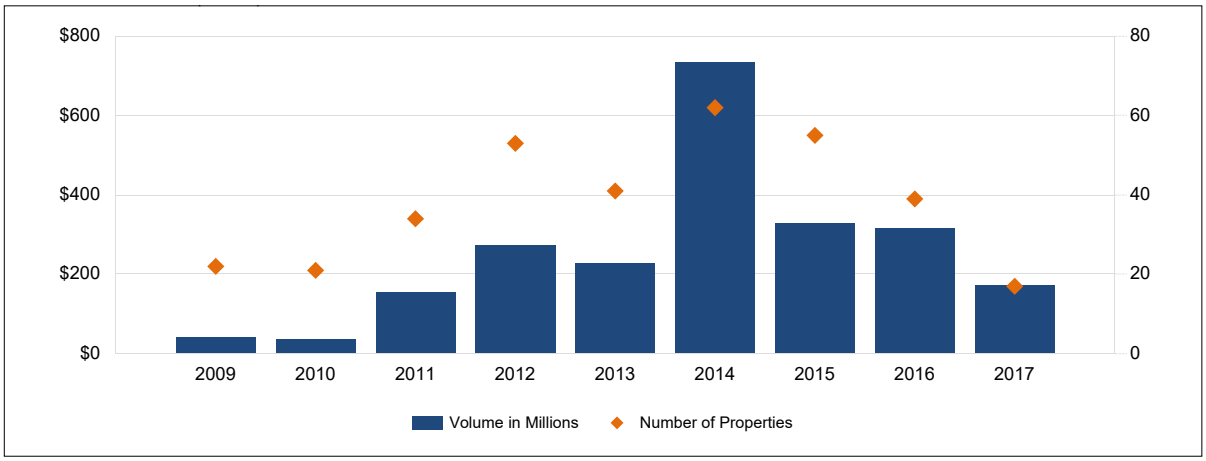


Source: YardiMatrix

Transactions

- More than $173 million in multifamily assets traded in Columbus this year through August. The average per-unit price was $67,365, a post-recession high but still well below the national average of $134,227. Last year's transaction volume reached $317 million, at an average price per unit of $57,070.
- Acquisition yields remain attractive in the metro, ranging from 5.0%-6.0% for stabilized Class A assets in infill locations, hovering around 6.0% for Class B properties and in the ballpark of 7.5%-9.5% for Class C assets.
- Cortland Partners' acquisition of the 344-unit Remington Station in Westerville ranked as the largest transaction of the year ending in August. Grupo Ferre Rangel sold the asset for nearly $49 million, or $141,814 per unit. The per-unit price is well above the metro's average: The property traded for twice the amount it did in 2008.

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



Source: YardiMatrix

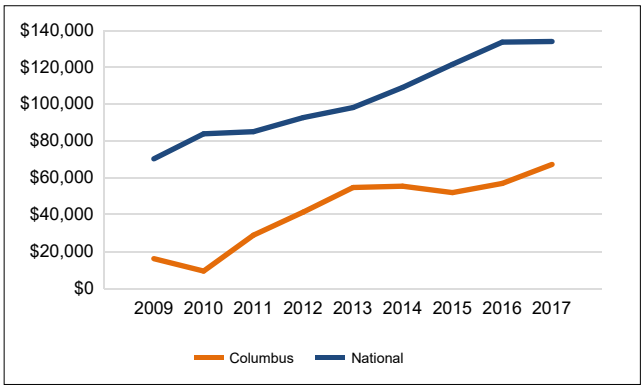
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Westerville	97
Hillard	35
Northland	34
Delaware	27
Columbus–Downtown	20
Greater Hilltop	20
Grove City	17
Reynoldsburg	16

Source: YardiMatrix

[1] From September 2016 to August 2017

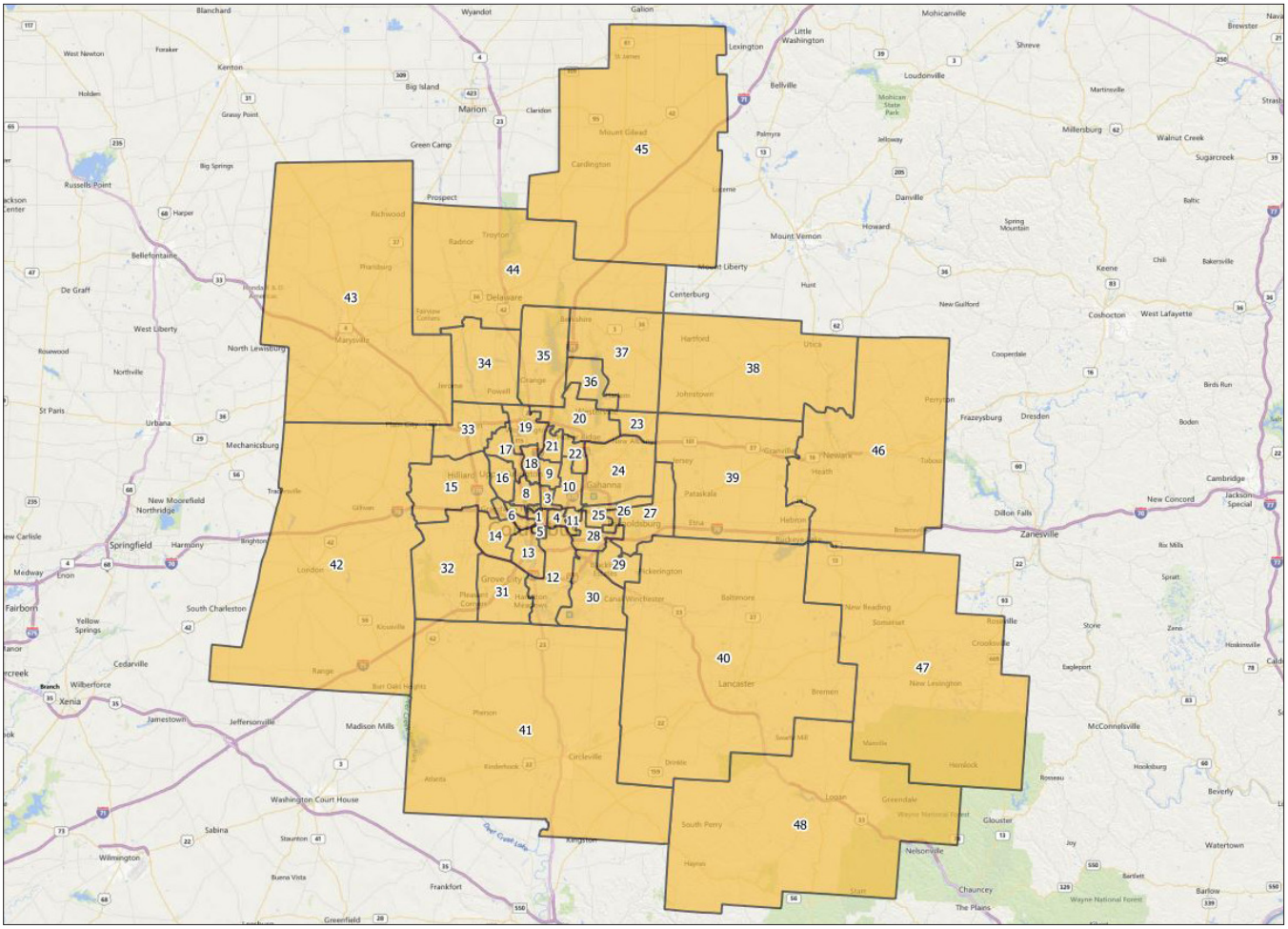
Columbus vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!

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.

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