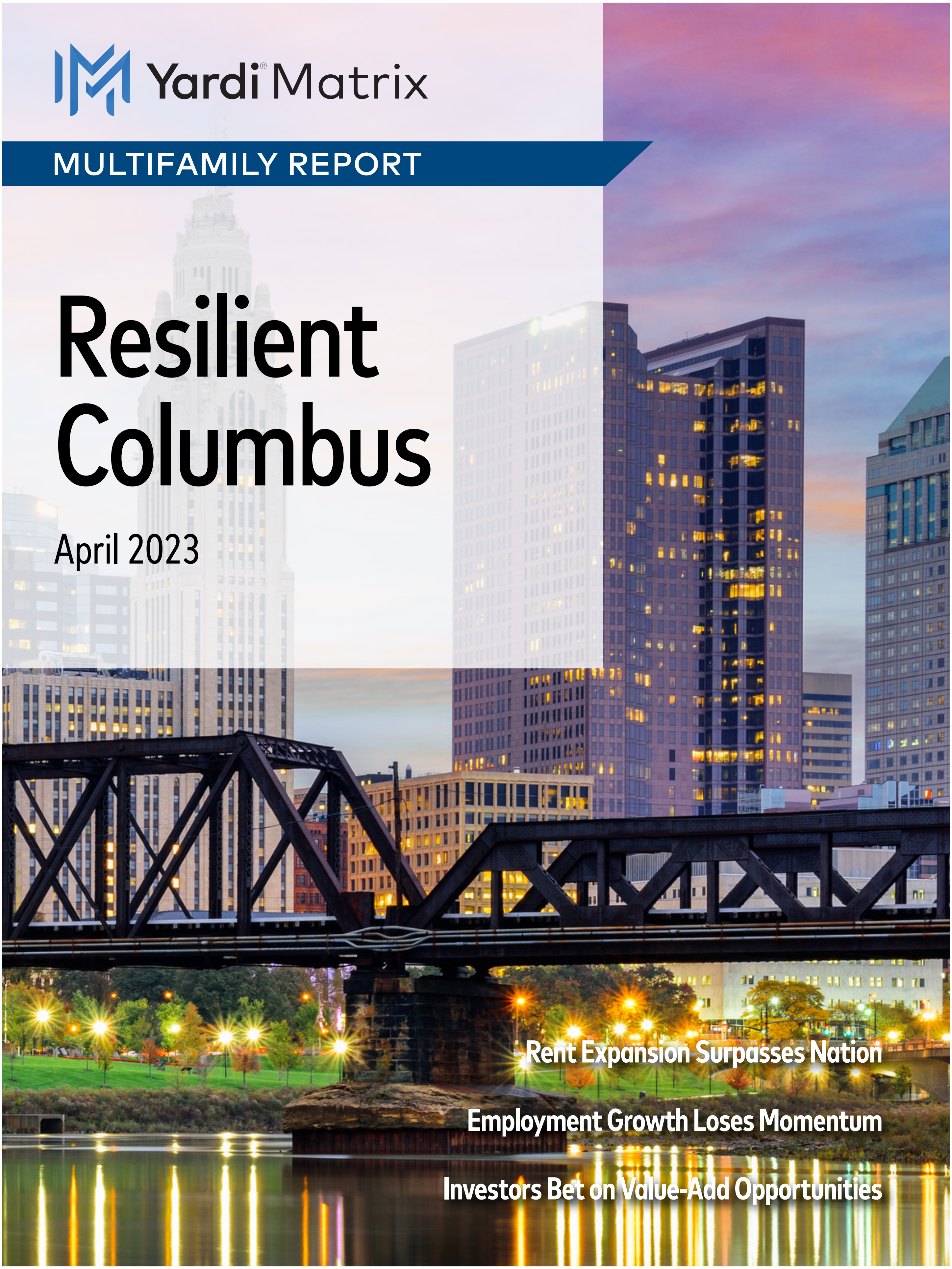
Yardi Matrix

MULTIFAMILY REPORT

Resilient Columbus

April 2023



Rent Expansion Surpasses Nation

Employment Growth Loses Momentum

Investors Bet on Value-Add Opportunities

COLUMBUS MULTIFAMILY

Yardi Matrix

Strong Demand Sustains Rent Gains

Ohio's capital continues to appeal to tech firms, with companies including Google, Amazon and Meta preserving their local presence, while Intel is planning a new chip plant in the metro. Columbus' multifamily fundamentals also performed well, surpassing U.S. averages, with rents increasing slightly—up 0.1% on a trailing three-month basis through February—while the national rate was on a downward trend for a third consecutive month.

Columbus job growth continued to decelerate, up just 1.7% year-over-year as of December, trailing the 3.7% U.S. figure. Yet the market has been in expansion mode since June 2021, when it recovered all jobs lost during the pandemic. In addition, the unemployment rate dropped to record lows, at 3.4% in January, on par with the U.S. and leading the state (4.0%), according to preliminary data from the Bureau of Labor Statistics. The government and education and health services sectors led job gains, while professional and business services and financial activities lost 4,700 positions combined.

Development increased substantially, as construction starts in 2022 doubled, compared with 2021. Through February, developers delivered 136 units and had another 11,369 underway. Meanwhile, investors traded $43 million in multifamily assets, following the all-time high of $1.7 billion registered in 2022.

Market Analysis | April 2023

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc
Senior Associate Editor

On the cover: Photo by Sean Pavone/iStockphoto.com

Recent Columbus Transactions

The Farms

City: Columbus, Ohio
Buyer: Lightstone Group
Purchase Price: $52 MM
Price per Unit: $169,869

The Orchard

City: Dublin, Ohio
Buyer: Lightstone Group
Purchase Price: $48 MM
Price per Unit: $161,027

Winchester Park

City: Groveport, Ohio
Buyer: GoldOller Real Estate Investments
Purchase Price: $46 MM
Price per Unit: $132,349

Timbercreek Village

City: Columbus, Ohio
Buyer: Preserve Partners
Purchase Price: $16 MM
Price per Unit: $115,000

RENT TRENDS

- Healthy demand and limited inventory expansion yielded growth in the Columbus rental market. Bucking the national trend, the average asking rate rose 0.1% on a trailing three-month (T3) basis through February, to $1,217. Meanwhile, the U.S. rate contracted for the third consecutive month, down 0.1%, to $1,702. On a year-over-year basis, the 4.8% national average trailed the 7.8% figure registered in Columbus.

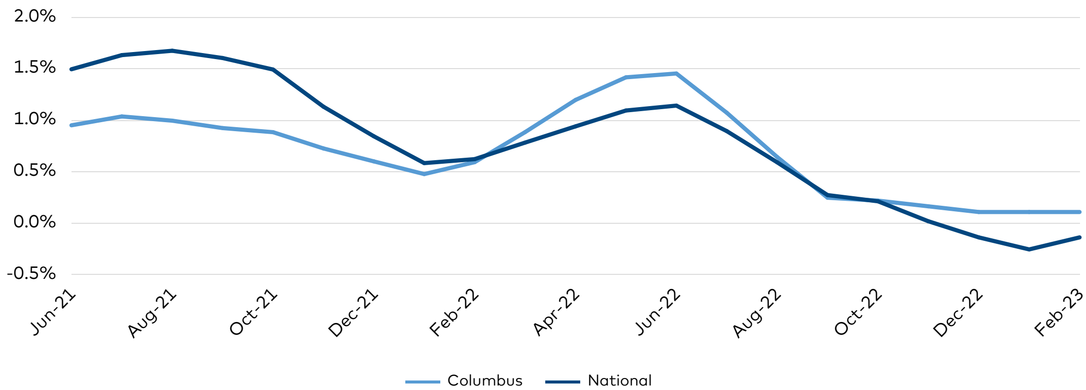
- More sensitive to macroeconomic events, Lifestyle rates posted slight contractions in November and December, but stopped decelerating and remained flat, at $1,516, at the start of 2023. Rent expansion in the working-class Renter-by-Necessity segment decelerated progressively, but remained positive, up 0.2% on a T3 basis for the third consecutive month, to $1,116.

- The occupancy rate in stabilized properties decreased 90 basis points year-over-year as of January, to 95.4%. A larger drop was registered in the RBN segment, down 90 basis points to 95.2%, while Lifestyle occupancy held up better, down just 60 basis points to a tight 96.1%.

- Rents posted double-digit year-over-year gains in 12 of the 46 submarkets tracked by Yardi Matrix, including in New Albany (11.8% to $1,591), where Intel is building its chip factory. The most expensive areas were Galena (3.1% to $1,925), Victorian Village (5.0% to $1,840) and Columbus Southside (13.8% to $1,645).

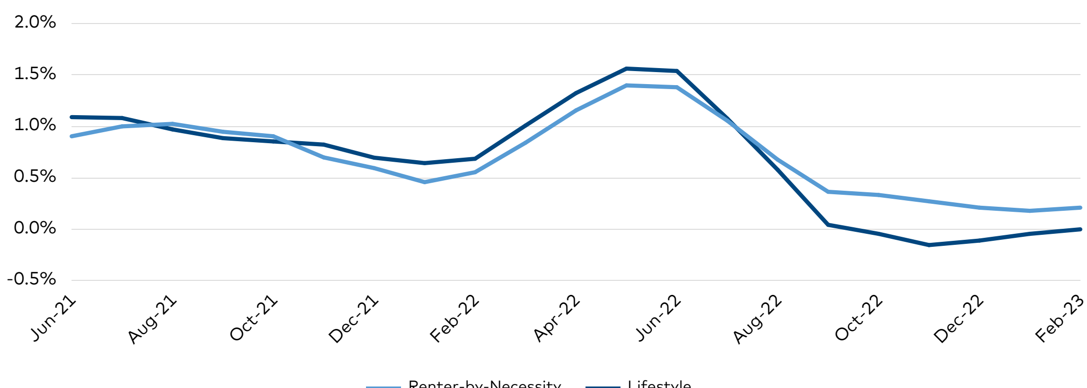
- The single-family rental sector maintained a good run, with rents up 5.9% through February, to $1,686, and occupancy declining 1.1% in January.

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

- Columbus' unemployment rate hit record lows in 2022, which continued in January, when the rate clocked in at 3.4%. The figure was on par with the U.S. and outperformed the state (4.0%), Cleveland (4.2%) and Cincinnati (3.5%), according to data from the BLS.
- Job growth has been trailing the U.S. rate since August 2021, down to 1.7%, or 17,200 jobs, in the 12 months ending in December, 200 basis points below the national rate. Still, the metro was quick to recover all the jobs lost during the pandemic, with most losses recouped by June 2021.
- Professional and business services and financial activities lost 4,700 jobs combined, while gains were led by government (5,500 jobs) and education and health services (4,100 jobs).
- Intel's announced manufacturing plant in New Albany's International Business Park is expected to begin operation in 2025. It will need 3,000 workers and will create a sizable number of auxiliary jobs. This investment will also boost housing demand, especially for affordable housing, which was scarce at the start of 2023. According to the Coalition on Homelessness and Housing in Ohio, the Central Ohio region has only 34 affordable units available for every 100 low-rent households. To help solve the issue, Intel intends to partner with Ohio community leaders to prepare for the increased demand.

Columbus Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
90	Government	182	16.0%
65	Education and Health Services	164	14.5%
40	Trade, Transportation and Utilities	245	21.6%
70	Leisure and Hospitality	101	8.9%
15	Mining, Logging and Construction	46	4.1%
80	Other Services	43	3.8%
30	Manufacturing	73	6.4%
50	Information	17	1.5%
55	Financial Activities	86	7.6%
60	Professional and Business Services	178	15.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Columbus gained 9,975 residents in 2021, for a 0.5% uptick, less than the 0.7% rate registered in 2020. Still, it outperformed the 0.1% U.S. rate and Cleveland, where demographics declined 0.5%.
- Since the 2010 Census, Columbus' population has expanded by 12.8%.

Columbus vs. National Population

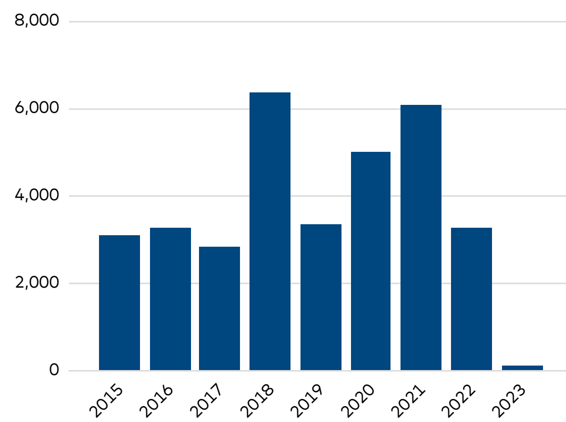
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Columbus	2,105,684	2,125,507	2,141,042	2,151,017

Source: U.S. Census

SUPPLY

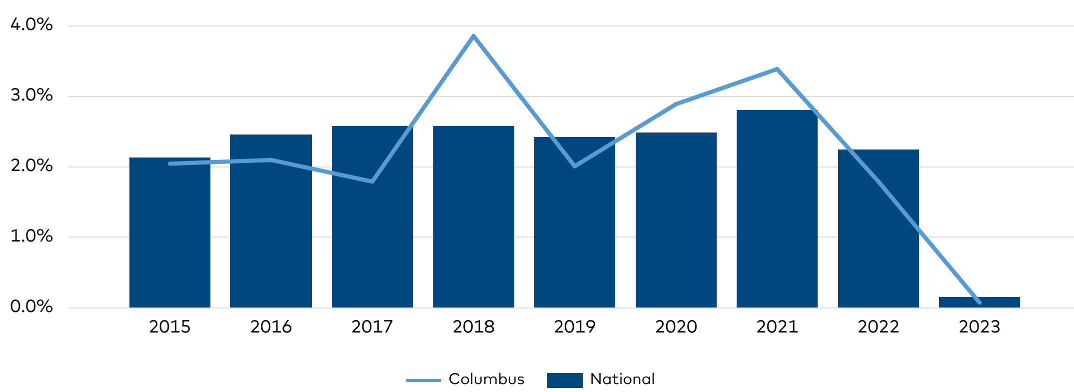
- Columbus added 136 units in 2023 through February, accounting for just 0.1% of existing stock. Incoming inventory consisted entirely of two fully affordable communities. Last year's inventory expansion totaled 3,277 units (1.8% of stock), well below the 6,085 delivered in 2021.
- The construction pipeline was robust, with 11,369 units underway and another 34,000 in the planning and permitting stages. More than 7,300 units are slated for completion by the end of the year, but delays will push deliveries well into next year. Yardi Matrix anticipates that no more than 6,141 units will come online by year-end. In addition, the pipeline composition was heavily geared toward the upscale Lifestyle segment (83%) and just 11% were units in fully affordable properties.
- Looking at construction starts, Columbus had a remarkable 2022, with 6,453 units in 35 properties breaking ground, more than double the 3,048 units in 16 properties recorded in 2021. However, last year could remain the strongest year for new project starts, as construction financing became very expensive following the Federal Reserve's repeated interest rate increases.
- Of the 46 submarkets tracked by Yardi Matrix, 26 had at least 50 units under construction, led by Gahanna, where 1,454 units were underway as of February. The submarket is located south of New Albany, and all projects in the pipeline were Lifestyle properties. Next in line was University, with 902 units under construction.

Columbus Completions (as of February 2023)



Source: Yardi Matrix

Columbus vs. National Completions as a Percentage of Total Stock (as of February 2023)



Source: Yardi Matrix

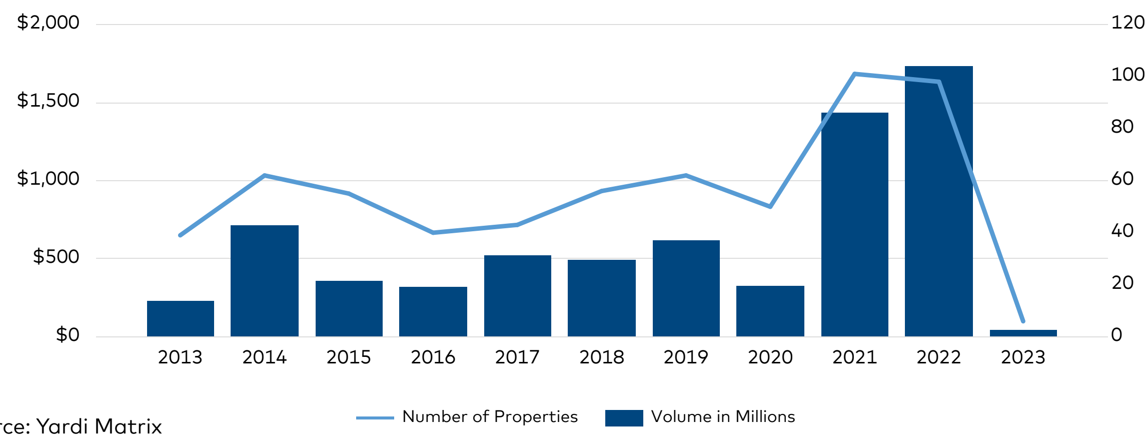
TRANSACTIONS

- Columbus investment started the year slow, with $43 million in sales. This came on the heels of the metro's best year on record for investment volume, when $1.7 billion in sales was recorded. Investment volume in the metro soared following the first year of the pandemic, but a changing economic landscape has slowed deal velocity.

- Five of the six sales recorded this year involved RBN properties, reflecting an overarching trend in the metro. Investors' interest in value-add plays pushed down the average per-unit price by 21% year-over-year, to $111,764 in February, trailing the $204,722 U.S. figure.

- Urban submarkets in the northwestern part of the metro accounted for a third of the sales registered in the 12 months ending in February. However the highest per-unit price was paid for Northpark Place, an asset in northern submarket Lewis Center, for which The Champion Cos. paid $390,931 per unit ($93.4 million).

Columbus Sales Volume and Number of Properties Sold (as of February 2023)



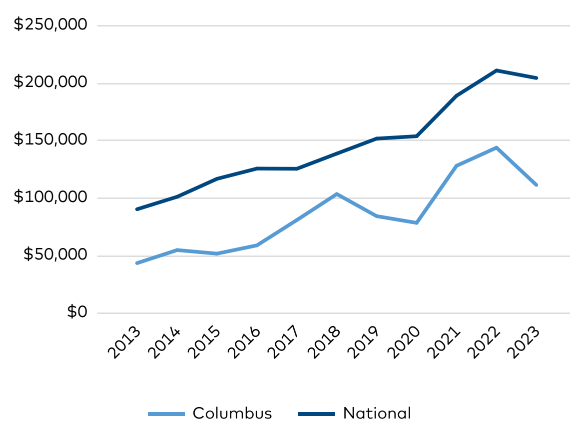
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Hillard	283
Dublin	135
Franklinton	109
Lewis Center	93
University	87
Westerville	85
Northland	71

Source: Yardi Matrix
[1] From March 2022 to February 2023

Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

EXECUTIVE INSIGHTS

Brought to you by: MULTI-HOUSING NEWS

What's Shaping Multifamily Development in the Midwest

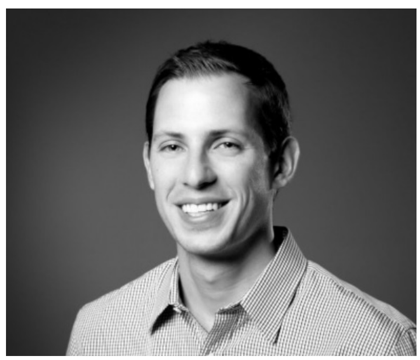
By Anda Rosu

Multifamily developers continue to be active in the Midwest, despite the uncertain economic environment. This doesn't mean that they don't have challenges to deal with, but the region's historic resilience and lower cost of doing business are pushing multifamily developers' projects forward. Milhaus Vice President of Development Brad Vogelsmeier revealed details about the hottest markets for development today and trends in the region.

What are the hottest markets for multifamily development in the Midwest today and what makes them so popular among developers?

The ones that rise to the top are Indianapolis; Cincinnati; Columbus, Ohio; Nashville, Tenn.; and Kansas City, Mo. Economic diversity and growth are big drivers of why these cities are so successful. Young people are moving to these cities, and they're ranked in top publications as some of the best places to live for tech jobs, to raise families, as well as for foodies and you name it. The downtowns are more vibrant than they were 10 years ago, and markets such as Indianapolis in particular have proved you can have the amenities, walkability and unique culture of a big city in smaller markets and at a more affordable price.

Are Midwestern markets more resilient in the face of adversity than markets in other regions?



Yes, Midwestern markets are generally more resilient, especially during periods of economic uncertainty. Unemployment tends to stay lower in secondary Midwestern markets compared to both the national average and larger gateway markets, which creates a lot more stability, including in the multifamily space. The cost of doing business here is also more affordable, which plays a large part in driving both job and household growth. These items collectively make the Midwest an attractive place for new investment and development.

Is the unknown still the top challenge you're facing today as a multifamily developer?

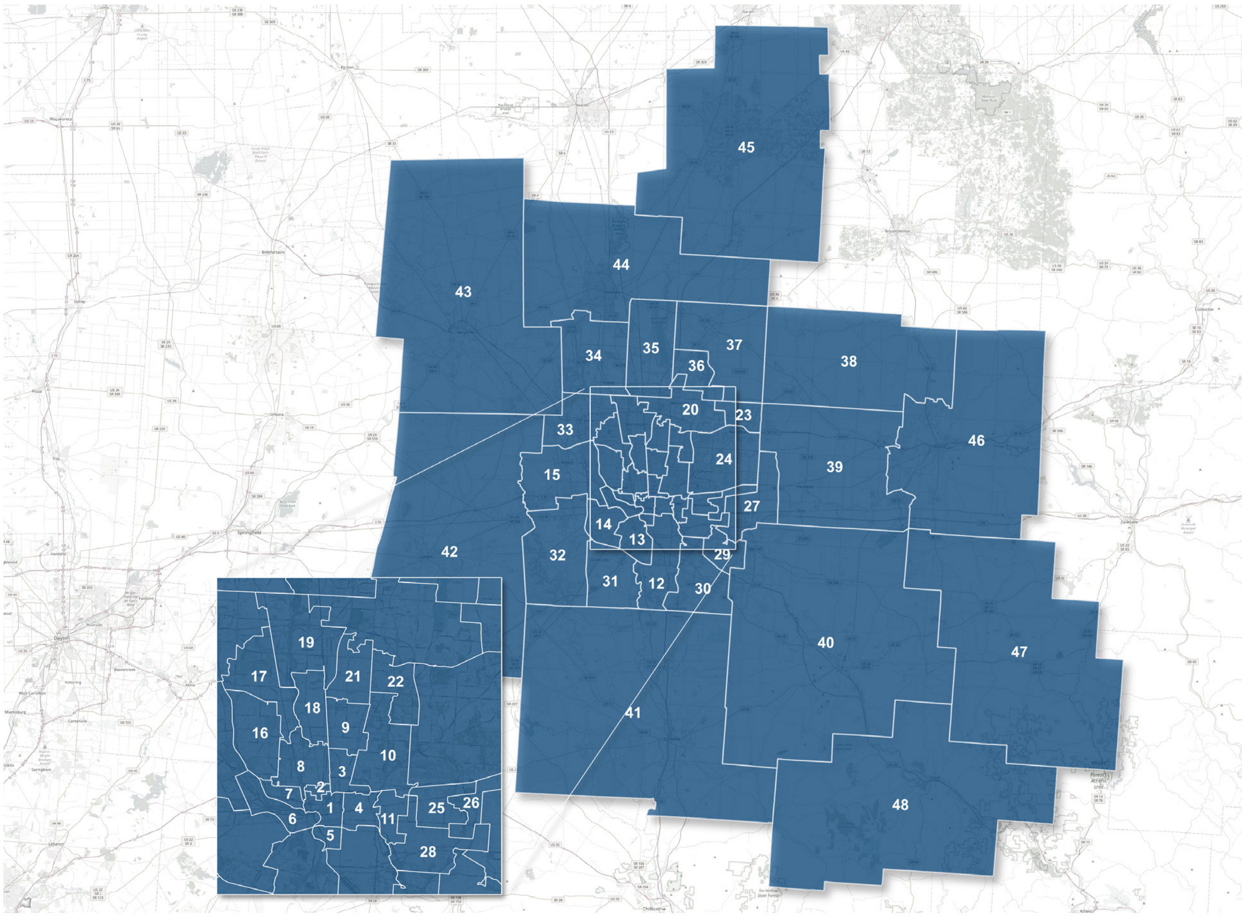
The challenge is still the unknown, but today it's a different type of unknown. Now it's tied to economic stability. Capital providers are more hesitant—people are worried about heading into a recession, if we're not in one already, and are looking at safer investment alternatives. This hesitancy, along with exorbitantly high construction costs, means a lot of projects aren't moving forward.

From a broader perspective, what is behind the growth of Midwestern cities in the past few years?

Developers, municipalities, as well as public and private stakeholders alike think more creatively about development in the Midwest. You don't find this in a lot of major gateway cities, and it's an important element of why these cities, have seen so much growth over the last decade.

(Read the complete interview on multihousingnews.com.)

COLUMBUS SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Columbus–Downtown	17	Northwest Columbus	33	Dublin
2	Victorian Village	18	Clintonville	34	Powell
3	South Linden	19	Worthington	35	Lewis Center
4	Near East	20	Westerville	36	Galena
5	Columbus–Southside	21	Northland	37	Sunbury
6	Franklinton	22	Minerva Park	38	Johnstown
7	Grandview Heights	23	New Albany	39	Pataskala
8	University	24	Gahanna	40	Fairfield
9	North Linden	25	Whitehall	41	Pickaway
10	Northeast Columbus	26	Blacklick	42	Madison
11	Bexley	27	Reynoldsburg	43	Union
12	Far South	28	Obetz	44	Delaware
13	Southwest	29	Canal Winchester	45	Morrow
14	Greater Hilltop	30	Groveport	46	Newark
15	Hilliard	31	Grove City	47	Perry
16	Upper Arlington	32	Westland	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.

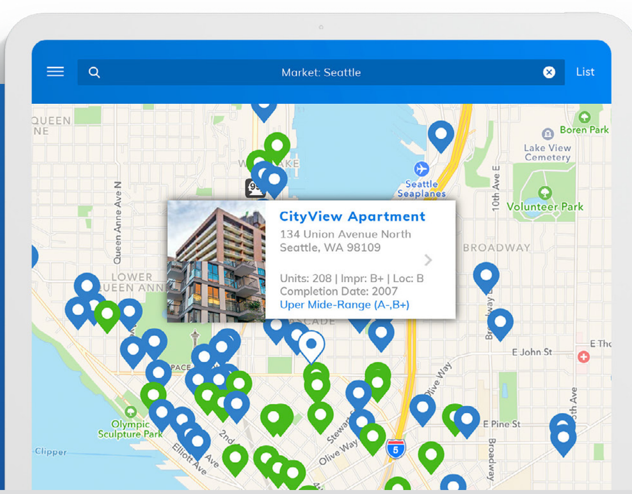
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

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.**

YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us