



MULTIFAMILY REPORT

# Good Prospects In Columbus

September 2023



**Investment Activity Slows**

**Development Pipeline Stays Strong**

**Employment Growth Lags, Bright Horizon**

# COLUMBUS MULTIFAMILY



## Prospects Remain Solid For Stable Local Market

The Columbus multifamily market has a series of advantages, including affordability, stability and strong economic prospects. The metro recorded 0.2% growth on a trailing three-month basis as of July, 10 basis points lower than national trends. However, while national rent movement turned negative for a short spell last winter, Columbus remained on a positive trajectory. On a year-over-year basis, the metro saw improvement at 3.0%, nearly doubling the U.S.' performance.

Employment growth continued to moderate in Columbus, as different sectors saw varying performance through the 12 months ending in May. Although only 16,100 jobs were added, for a year-over-year rate of growth of 1.1%, the metro's unemployment rate was 3.3% in June, outperforming both the state and other major Ohio metros. The construction sector added 6,100 positions, driving improvement, as the multifamily pipeline stayed solid. Meanwhile, the area's blockbuster economic project is Intel's major reshoring project in the New Albany area. Local authorities have put together a \$2 billion incentive project, including a \$600 million grant, meant to boost the semiconductor plant project.

As with national trends, investment activity in the metro slowed, at \$336 million in 2023 through July, a third of what it was at the same time last year. Meanwhile development stayed strong, with 12,116 units under construction.

## Market Analysis | September 2023

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### Recent Columbus Transactions

#### Grove City Summit



City: Grove City, Ohio  
Buyer: Northlink Capital  
Purchase Price: \$39 MM  
Price per Unit: \$169,386

#### Sawmill Ridge



City: Dublin, Ohio  
Buyer: Cornerstone Cos.  
Purchase Price: \$29 MM  
Price per Unit: \$151,042

#### Cedar Trace



City: Westerville, Ohio  
Buyer: The Champion Cos.  
Purchase Price: \$25 MM  
Price per Unit: \$106,236

#### Ardmore Village

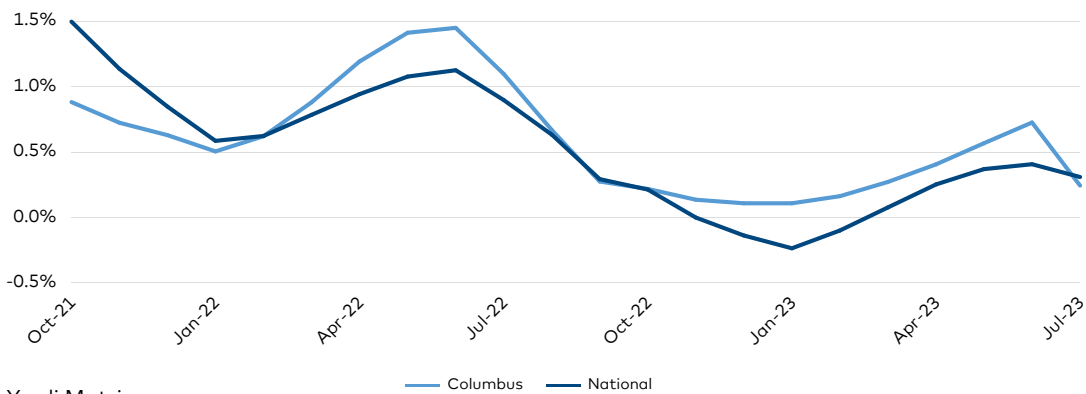


City: Columbus, Ohio  
Buyer: M3 Equities  
Purchase Price: \$24 MM  
Price per Unit: \$67,529

## RENT TRENDS

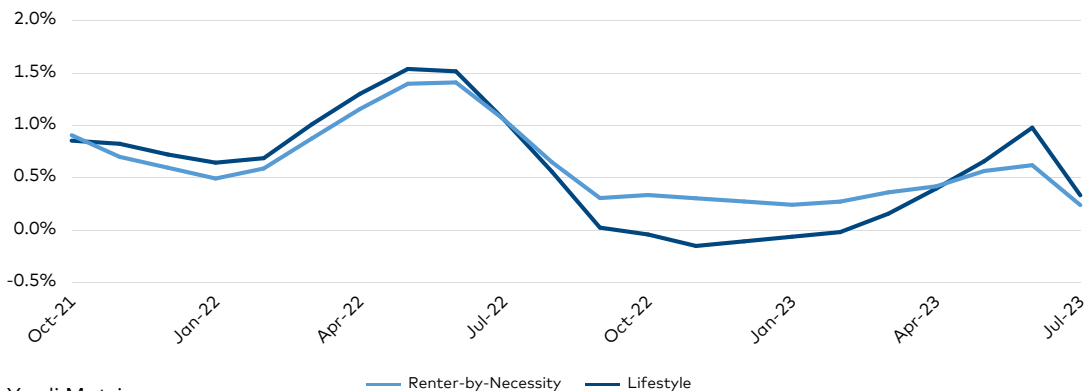
- ▶ Columbus rents grew 0.2% on a T3 basis as of July, trailing the national rate of growth by 10 basis points. However, while national short-term rent movement was negative for a three-month interval between December 2022 and February 2023, the Ohio metro avoided decreases altogether. On a year-over-year basis, metro rents were up 3.0%, 130 basis points higher than the national rate of improvement.
- ▶ The average overall rent in the metro was \$1,247, nearly \$500 below the national figure. There's a roughly \$400 spread between the average rates of the two quality segments, with Lifestyle at \$1,550 and Renter-by-Necessity at \$1,140. The two segments saw similar rates of improvement, at 0.3% and 0.2%, respectively.
- ▶ The average occupancy rate in stabilized assets was 95.1% as of June, a 90-basis-point drop on a year-over-year basis.
- ▶ Of the 45 Columbus submarkets tracked by Yardi Matrix, only three recorded year-over-year rent contraction. Growth was led by areas with double-digit gains: North Linden (up 17.6% year-over-year to \$896), Minerva Park (10.9% to \$1,171) and Groveport (10.7% to \$1,174).
- ▶ Improvement in the multifamily sector was exceeded by the single-family rental sector, up 4.2% year-over-year through July. Meanwhile, occupancy in the sector also took a step down, at -1.2% as of June.

**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 was 3.3% as of June, data from the Bureau of Labor Statistics shows. That just edges out the state's unemployment rate by 10 basis points, while also far outperforming Cleveland (4.4%) and Cincinnati (3.5%).
- ▶ The metro added 16,200 jobs in the 12 months ending in May, an employment growth rate of just 1.1%, trailing the national rate by 170 basis points. Four of the metro's job sectors saw slight losses during the interval, while professional and business services, one of its main cornerstones, plateaued.
- ▶ Job gains were led by the mining, logging and construction sector, which added 6,100 positions,

for a 12.6% increase year-over-year. The metro's multifamily pipeline is strong, with more than 45,000 units in various stages of development, maintaining the need for a strong job sector.

- ▶ Columbus' manufacturing and tech sectors are in the midst of a boom following last year's announcement that Intel is bringing two major facilities to Licking County. This summer, local authorities revealed the details of a \$600 million grant that would help the semiconductor company get its reshoring efforts off the ground. The grant is part of an overall \$2 billion incentive program that will support the creation of jobs in the sector.

### Columbus Employment Share by Sector

| Code | Employment Sector                   | Current Employment |         |
|------|-------------------------------------|--------------------|---------|
|      |                                     | (000)              | % Share |
| 15   | Mining, Logging and Construction    | 55                 | 4.7%    |
| 70   | Leisure and Hospitality             | 112                | 9.7%    |
| 90   | Government                          | 186                | 16.0%   |
| 80   | Other Services                      | 45                 | 3.9%    |
| 65   | Education and Health Services       | 162                | 14.0%   |
| 60   | Professional and Business Services  | 189                | 16.3%   |
| 30   | Manufacturing                       | 74                 | 6.4%    |
| 50   | Information                         | 18                 | 1.6%    |
| 40   | Trade, Transportation and Utilities | 234                | 20.2%   |
| 55   | Financial Activities                | 84                 | 7.2%    |

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- ▶ Columbus has been on a steady positive demographic trend for the past decade, with a 10.4% growth in population since 2012.
- ▶ The metro added 10,000 residents in 2021, up 0.5% year-over-year, 40 basis points above the U.S. rate.

### Columbus vs. National Population

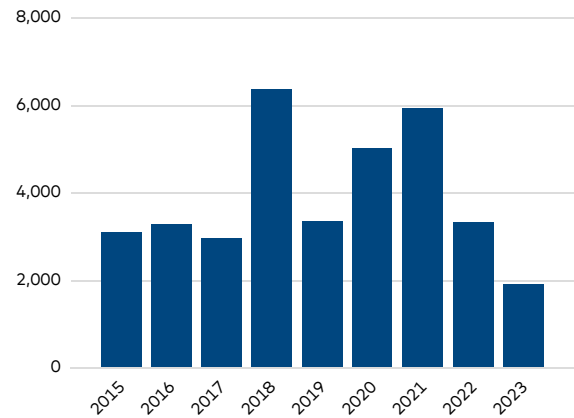
|          | 2018        | 2019        | 2020        | 2021        |
|----------|-------------|-------------|-------------|-------------|
| National | 326,838,199 | 328,329,953 | 331,501,080 | 331,893,745 |
| Columbus | 2,105,684   | 2,125,507   | 2,141,042   | 2,151,017   |

Source: U.S. Census

## SUPPLY

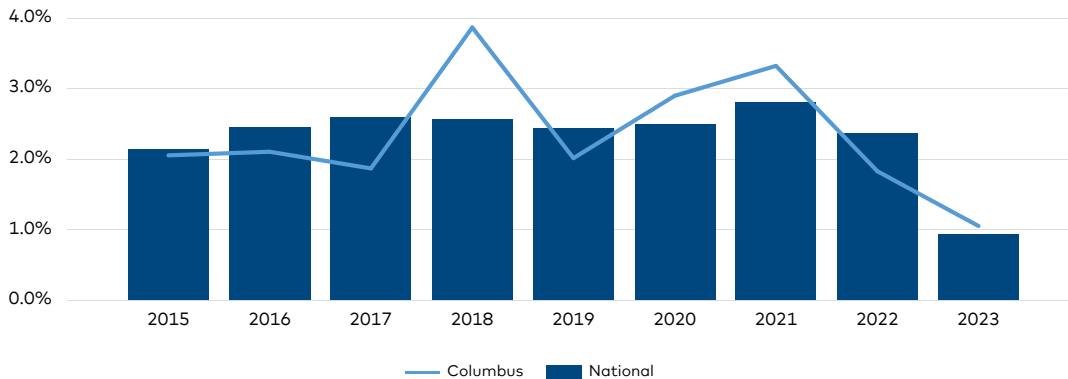
- ▶ Developers had 12,116 units under construction in metro Columbus, with another 33,000 units in the planning and permitting stages. That points to a solid pipeline and sustained development in the short and medium term. Of the units underway, more than three-quarters—78%—were geared to the upscale Lifestyle segment. Fully affordable properties accounted for 16% of the pipeline.
- ▶ Deliveries through the first seven months of the year reached 1,938 units, accounting for 1.1% of the existing rental inventory, 20 basis points higher than the national figure through the same interval. This year is on track to outpace 2022 in total deliveries, with 3,333 units coming online, but it is not expected to exceed the annual average deliveries recorded between 2018 and 2021, which stood at 5,179 units.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 95.1% as of June, following a 90-basis-point drop year-over-year. With incoming units focusing overwhelmingly on the upscale segment, Lifestyle occupancy has seen a steep drop, down 130 basis points year-over-year, as developers target higher potential returns.
- ▶ Columbus-Downtown (1,323 units under construction), Gahanna (1,108 units) and Franklinton (1,091) led construction activity in the metro.
- ▶ The largest multifamily project underway is Victoria Manor in the Gahanna submarket. The project totals 480 units and is slated for delivery at the end of the year.

**Columbus Completions** (as of July 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

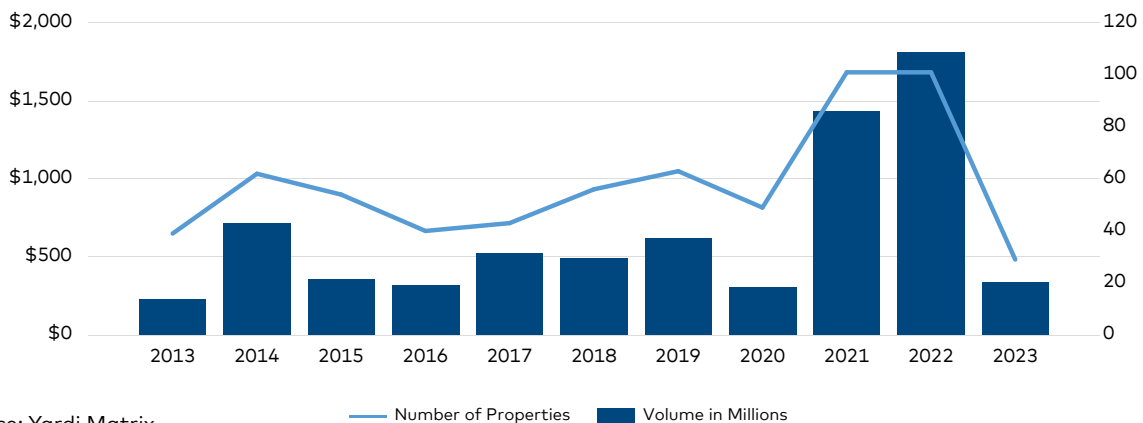
## TRANSACTIONS

- ▶ Investment activity in Columbus stood at \$336 million through the first seven months of 2023, following the national pattern of deceleration, as capital remains tough to come by. The transaction volume is roughly a third of what traded in the metro through the same interval in 2022. Last year's sales total reached \$1.8 billion by year-end, marking a new record high.
- ▶ Of the 29 rental properties that changed hands this year, 23 were RBN assets, as expensive capi-

tal meant that investors targeted higher potential yields. As a result, the metro's average price per unit through the first seven months was \$122,681, down 16% from 2022 figures.

- ▶ Submarkets that recorded the strongest investment volumes over the 12 months ending in July were located in the western and northern ends of the metro: Dublin (\$181 million), Hilliard (\$172 million), Lewis Center (\$115 million) and Westerville (\$109 million).

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



Source: Yardi Matrix

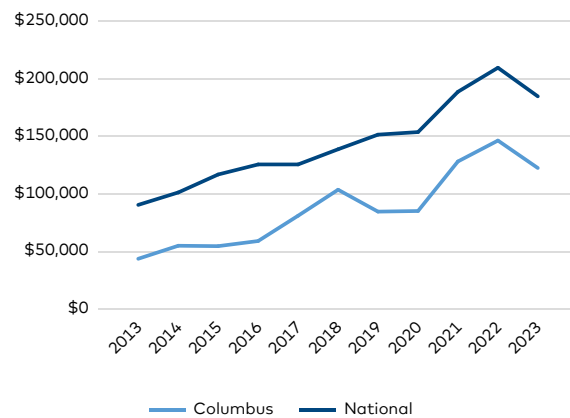
### Top Submarkets for Transaction Volume<sup>1</sup>

| Submarket    | Volume (\$MM) |
|--------------|---------------|
| Dublin       | 181           |
| Hilliard     | 172           |
| Lewis Center | 115           |
| Westerville  | 109           |
| University   | 87            |
| Obetz        | 68            |
| Groveport    | 62            |

Source: Yardi Matrix

<sup>1</sup> From August 2022 to July 2023

### Columbus vs. National Sales Price per Unit



Source: Yardi Matrix

## 10 Most Affordable US Markets

By Anca Gagiuc

Before the health crisis, metros located farther away from gateway cities offered more attainable rents. Then the work-from-home trend morphed into a new way of living. Eliminating daily commutes enabled people to redesign their lives and suddenly, housing affordability improved, as long as relocation was considered.

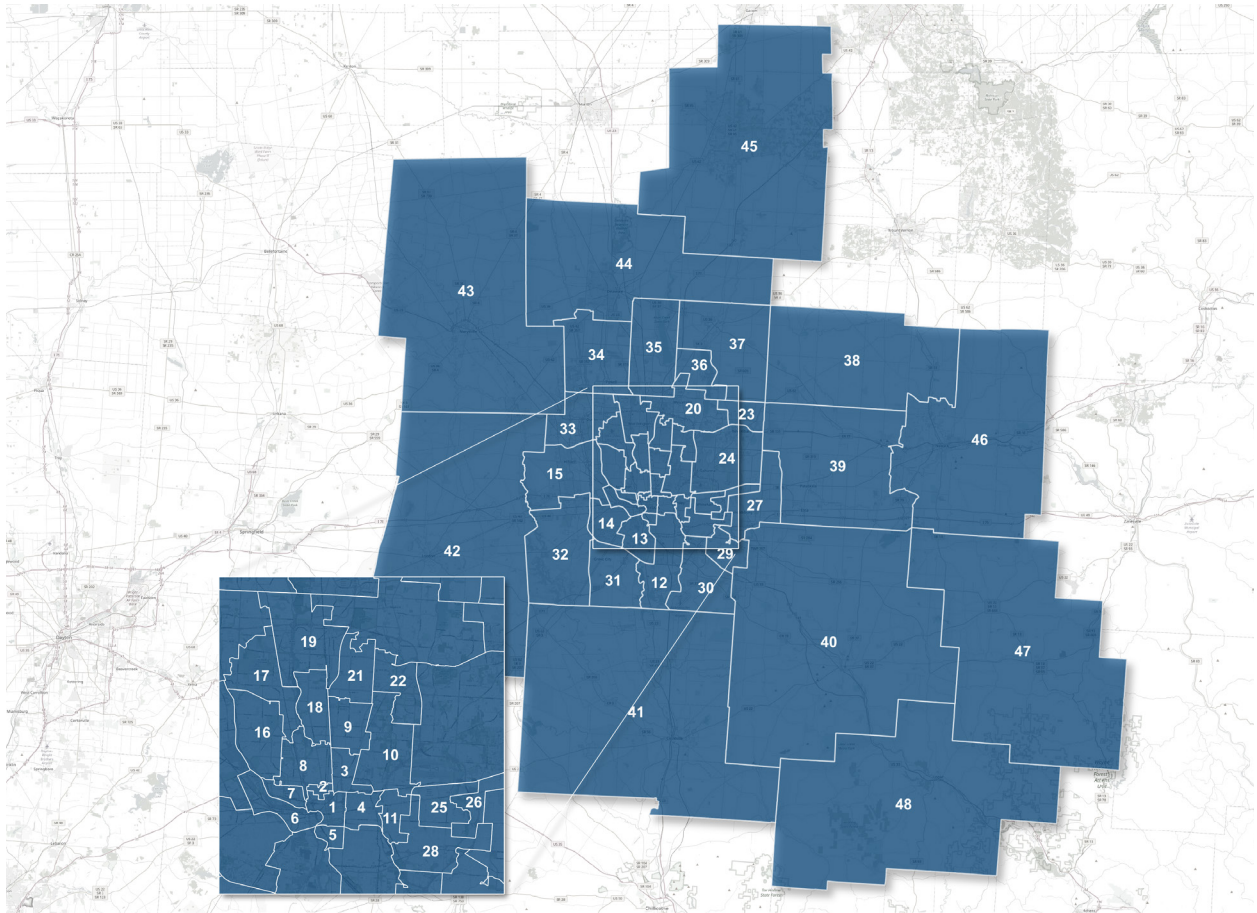
| Rank | Property Name   | City        | Submarket              | Units |
|------|-----------------|-------------|------------------------|-------|
| 1    | Las Positas     | Camarillo   | Camarillo              | 213   |
| 2    | Mira            | Canoga Park | Canoga Park            | 174   |
| 3    | 4252 Crenshaw   | Los Angeles | Adams-Normandie-Hoover | 111   |
| 4    | Westmore Linden | Los Angeles | Koreatown              | 93    |
| 5    | Imagine Village | Lancaster   | Lancaster              | 75    |

### Columbus

Columbus ranked sixth in the top 10 most affordable multifamily rental markets, with the average rent up 1.6% on a T3 basis through March, to \$1,143, marking the third largest increase among the metros in this group. On an annual basis, RBN rents rose 7.2%. Monthly RBN rent payments accounted for 25% of Columbus' median income.



## 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



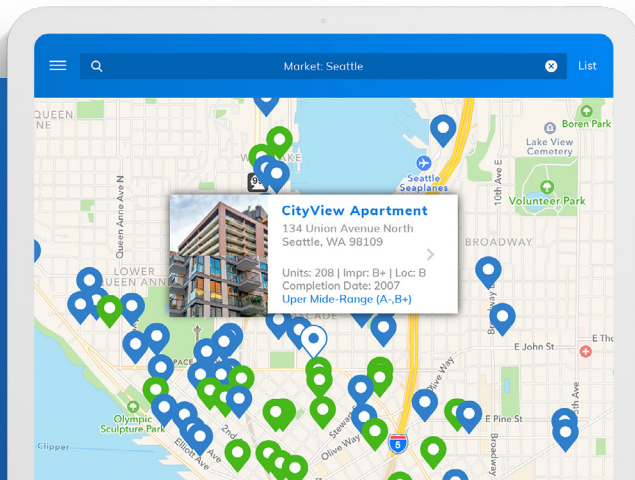
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