

The background of the cover is a photograph of a city skyline, likely Columbus, Ohio, featuring several tall skyscrapers under a clear blue sky. In the foreground, there is a lush green park with a paved walkway, young trees, and a body of water. The overall scene is bright and sunny.

Yardi® Matrix

# Columbus Smartens Up

Multifamily Report Summer 2018

**Deliveries Stay Elevated**

**Working-Class Assets Drive Rent Rise**

**Employment Growth Dampens**



## Market Analysis

Summer 2018

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## Columbus Grows at Its Own Pace

Columbus is one of the fastest-growing large cities in the U.S. and its multifamily market shows it. Rents in Columbus were up 4.2% year-over-year as of June, well above the national rate and by far the fastest-growing major Midwestern metro. With the area boasting a low unemployment rate, as well as a rapidly growing population, housing demand has picked up considerably, leading to a second wind for development activity in the multifamily sector.

With all but one employment sector adding jobs over the 12 months ending in April, Columbus continues to strengthen its economic profile. Trade, transportation and utilities led improvement through that interval, adding 4,600 jobs. The city is improving and expanding its transit network even further by adding a new Bus Rapid Transit line, as well as using Department of Transportation funding to add electric buses, pushing its "smart city" bid.

Improvement has led to high demand levels, keeping development elevated in the process. With 1,600 units delivered through the year's midpoint and 7,300 units underway, completions are lined up to have another solid year. With developers focusing on the more cost-effective high-end segment, working-class assets will carry the bulk of the load for rent growth. As a result, we expect 4.3% rent improvement in 2018.

### Recent Columbus Transactions

The Quarry



City: Columbus, Ohio  
Buyer: The Solomon Org.  
Purchase Price: \$121 MM  
Price per Unit: \$180,000

Runaway Bay



City: Columbus, Ohio  
Buyer: Oro Capital Advisors  
Purchase Price: \$60 MM  
Price per Unit: \$138,297

Worthington Meadows



City: Worthington, Ohio  
Buyer: PIRHL  
Purchase Price: \$58 MM  
Price per Unit: \$109,859

Creekside at Taylor Square

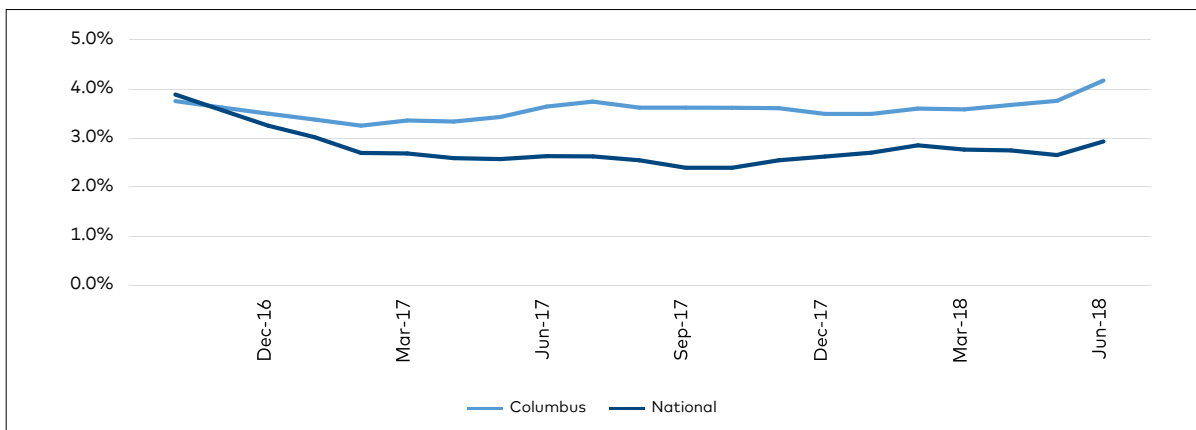


City: Reynoldsburg, Ohio  
Buyer: Monarch Investment and Management Group  
Purchase Price: \$55 MM  
Price per Unit: \$103,378

## Rent Trends

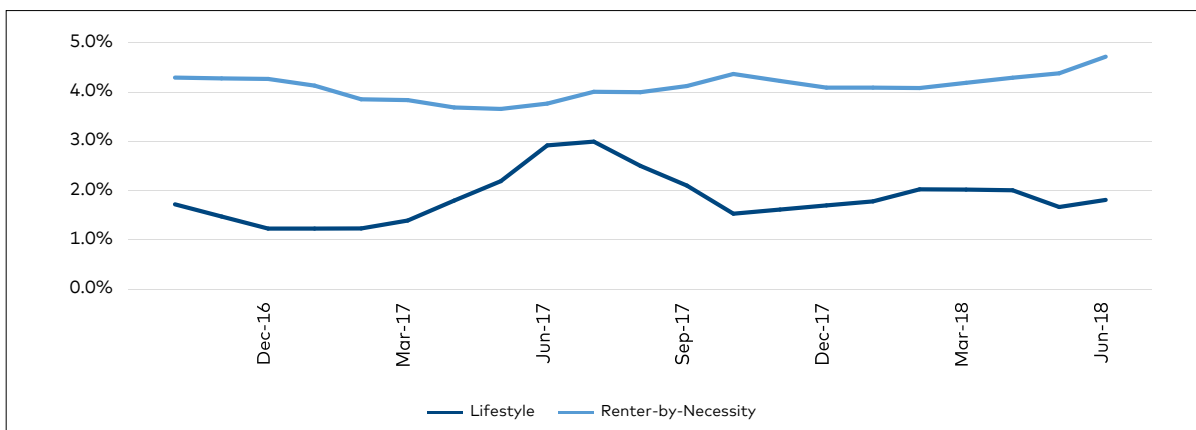
- Columbus rents were up 4.2% year-over-year in June, 130 basis points higher than the national appreciation rate. Continued above-trend improvement over the past 18 months has led to an overall average rent of \$949, up \$100 compared to the 2015 value.
- Continued job growth in the metro has aggravated the need for workforce-level housing. With demand for working-class Renter-by-Necessity units at high levels, rents in the segment were up 4.7% as of June, to an average of \$865. Meanwhile, rents in Lifestyle communities improved at a more tepid rate, as the bulk of new multifamily stock is in upscale properties. As a result, Lifestyle rents were up just 1.8% year-over-year, to an average of \$1,292.
- Rents rose the fastest in submarkets where the bulk of inventory consists of workforce-level housing: The Far South (8.3% year-over-year), Clintonville (7.3%), Northeast Columbus (7.0%), Greater Hilltop (6.9%) and Obetz (6.5%).
- With sustained economic improvement pushing Columbus closer to full employment, we expect rent growth to continue at a good rate. Yardi Matrix forecasts 4.3% growth for the year.

**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)

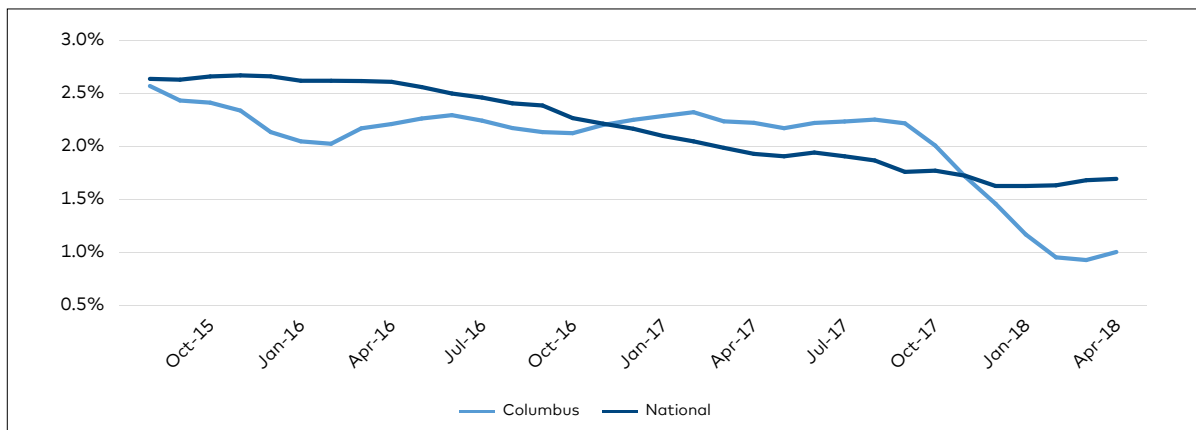


Source: YardiMatrix

## Economic Snapshot

- Columbus added 15,100 jobs in the 12 months ending in April, up 1.0% year-over-year. Employment expansion has slowed down through the first third of the year, but growth has continued in all sectors except information, which contracted by 200 jobs. With the metro's unemployment rate at 3.4%, Columbus is vastly outperforming the state and other major Ohio metros, slowly nearing full employment.
- Trade, transportation and utilities led all sectors, gaining 4,600 positions. A recent federal grant fund totaling \$37.5 million was awarded to the Central Ohio Transit Authority for the creation of a new Bus Rapid Transit line in Columbus. With the city growing at a strong rate, the local administration is attempting to address congestion issues by expanding its transit network. Looking ahead, the city aims to enhance its Smart City status, boosted by a \$40 million grant from the Department of Transportation.
- Columbus had an office pipeline of 1.2 million square feet of space underway as of July, nearly three quarters taking shape in the metro's urban quadrants. The largest asset under construction is The Daimler Group's 80 on the Commons, a 390,000-square-foot downtown property that topped out last year and is slated for a November 2018 completion.

### 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)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
40	Trade, Transportation and Utilities	209	19.1%	4,600	2.3%
90	Government	179	16.3%	1,800	1.0%
60	Professional and Business Services	179	16.3%	1,700	1.0%
65	Education and Health Services	163	14.9%	1,700	1.1%
80	Other Services	42	3.8%	1,600	3.9%
30	Manufacturing	73	6.7%	1,500	2.1%
55	Financial Activities	86	7.9%	1,400	1.7%
70	Leisure and Hospitality	106	9.7%	500	0.5%
15	Mining, Logging and Construction	40	3.7%	500	1.3%
50	Information	17	1.6%	-200	-1.2%

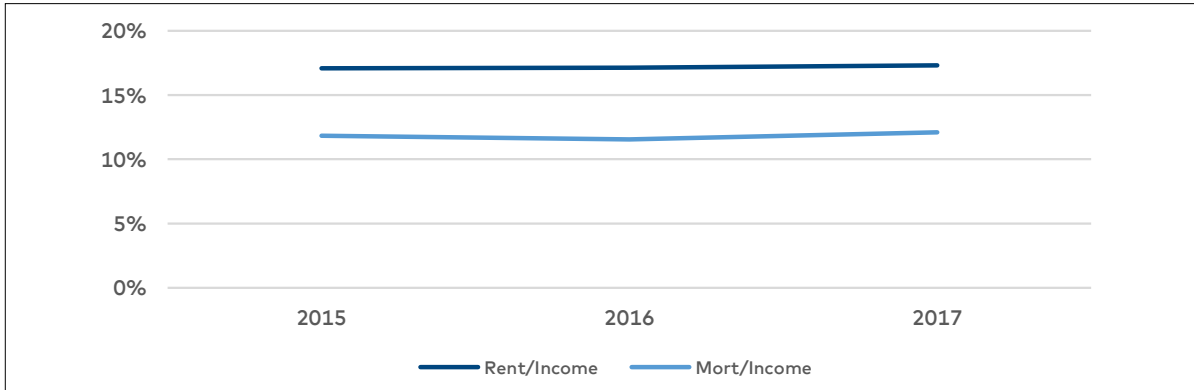
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

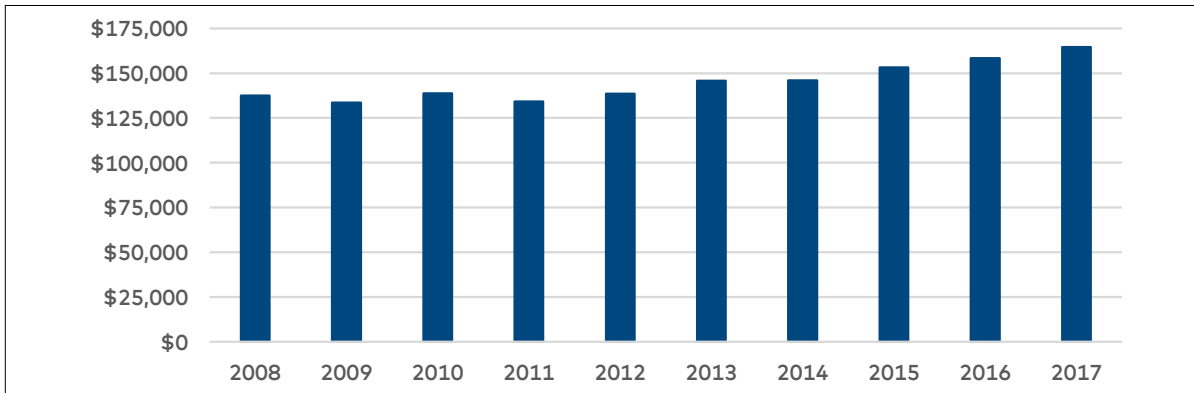
- Home prices have gained significant traction throughout the cycle, with the average reaching \$164,693 in 2017, a new cycle peak. That's more than \$30,000 higher than the expansion's 2009 low point. Although the median home price has risen rapidly, the effects of Columbus' steady economic development are offsetting the climbing costs.
- Rents improved at a high rate during the past 24 months, outperforming the nation through the better part of the interval. As a result, renting remains significantly less affordable than owning. The average rent accounts for 17% of incomes, while the average mortgage equates to only 11%.

### 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 107,000 residents between 2013 and 2017, being one of the fastest-growing Midwestern metros through the interval.
- The metro's population rose by 32,000 people in 2017 for a 1.6% expansion.

### Columbus vs. National Population

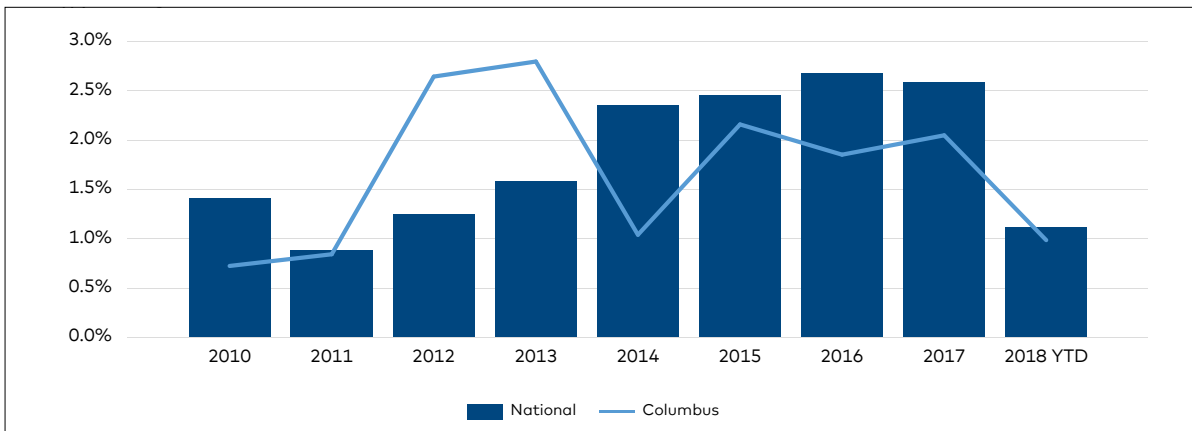
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Columbus Metro	1,971,120	1,998,460	2,023,198	2,046,977	2,078,725

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

## Supply

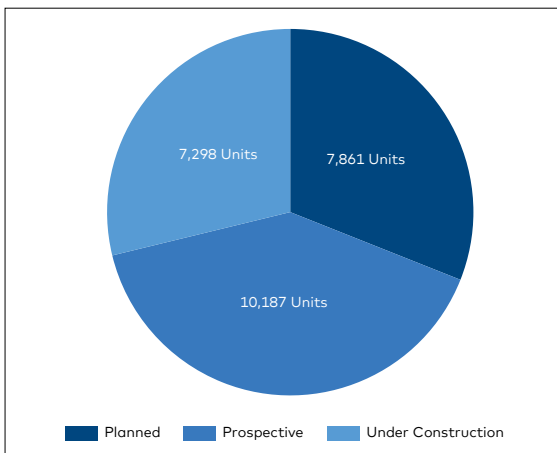
- Roughly 1,600 units were added through the year's first half in Columbus, 1.0% of total stock. The rate of development is largely on par with the larger trend of the cycle's second half, when an average of 3,200 units were added each year.
- The metro's multifamily pipeline is robust, as 7,300 units are underway, while another 18,000 are in the planning and permitting stages. The occupancy rate in stabilized properties continued its slide to 95.5% in May, down 80 basis points year-over-year. With deliveries coming in at an elevated rate for the past four years, occupancy has consistently decreased, although the average rate is still very strong compared to historic levels. With most of the metro's inventory consisting of Renter-by-Necessity properties, and incoming inventory directed at the upscale segment, rent growth is occurring across asset classes.
- With developer interest continuing to focus on the market's core, downtown Columbus had the largest pipeline as of June (1,291 units under construction). Development also remained high in Hillard (1,041 units), University (715), Westerville (670) and Dublin (575).

**Columbus vs. National Completions as a Percentage of Total Stock** (as of June 2018)



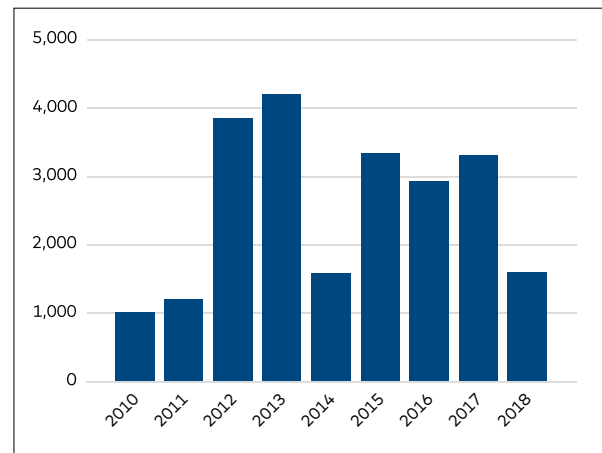
Source: YardiMatrix

**Development Pipeline** (as of June 2018)



Source: YardiMatrix

**Columbus Completions** (as of June 2018)

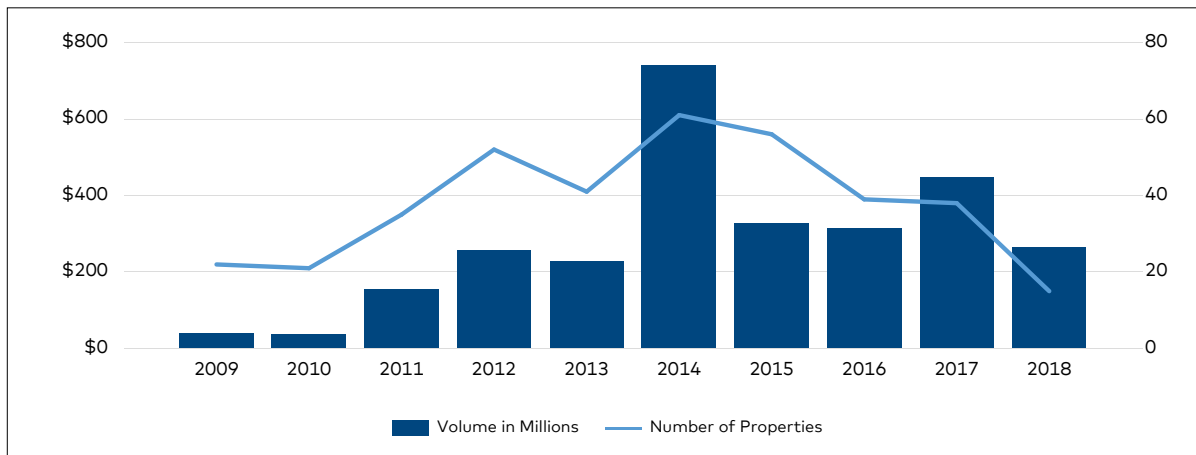


Source: YardiMatrix

## Transactions

- Although hitting their high point in 2014, investment sales volumes witnessed a resurgence over the past 18 months, with roughly \$700 million in confirmed transaction prices through that interval. Investors acquired 15 multifamily assets during this year's first six months, 13 in the value-add Renter-by-Necessity segment.
- Columbus acquisition yields are compressing, with Class B value-add opportunities claiming as much as 7.5% through 2017 and likely compressing further this year. Per-unit prices have soared over the past two quarters, leading the average to \$128,913, roughly \$50,000 higher than the 2017 figure.
- The bulk of transaction activity was completed in submarkets located around Interstate 270, in more fringe areas of the metro: Franklinton (\$182 million), Worthington (\$58 million), Reynoldsburg (\$55 million), Northwest Columbus (\$52 million) and Canal Winchester (\$46 million).

**Columbus Sales Volume and Number of Properties Sold** (as of June 2018)



Source: YardiMatrix

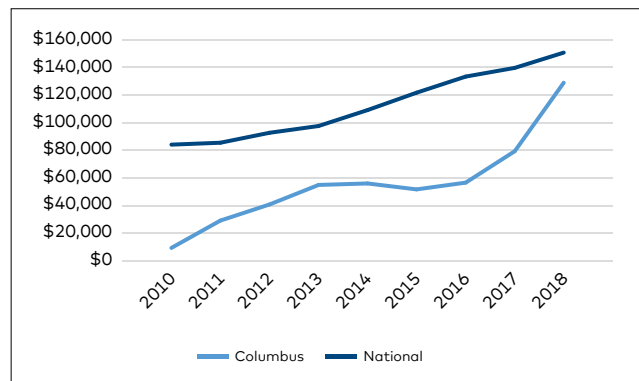
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Franklinton	182
Worthington	58
Reynoldsburg	55
Northwest Columbus	52
Canal Winchester	46
Gahanna	37
Obetz	30
Grove City	21

Source: YardiMatrix

<sup>1</sup> From July 2017 to June 2018

**Columbus vs. National Sales Price per Unit**



Source: YardiMatrix

## News in The Metro

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### Class C Community Claims Investor's Attention

The buyer took out a 10-year Freddie Mac acquisition mortgage to finance the transfer. Pinnacle Financial originated the loan.



### OH Community Lands Refi

Trilogy Real Estate refinanced the 292-unit Class B asset with a \$28.2 million Fannie Mae loan originated by CBRE Capital Markets.



### AMG Realty Offloads Ohio Community

A private investor acquired the 66-unit asset in Columbus' North Linden submarket for \$2.1 million. This marks the community's second ownership transfer this year.



### JLL Hires Midwest Multifamily Services Expert

Matt McCune is an investment sales professional with more than 10 years of experience. In his new role as senior vice president, he will advise on multifamily asset sales around central Ohio.



### NHI Acquires Ohio Senior Housing Portfolio for \$70M

Totaling 320 units, the communities will be leased to an affiliate of Bickford Senior Living at an initial rate of 6.9 percent with annual fixed escalators and a 15-year maturity.



### Waypoint Residential Nabs 4 Midwestern Properties

The company's acquisitions include three market-rate communities in Chicago and Columbus, Ohio, and a student housing asset near the University of Kansas in Lawrence, Kan.

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# Top 10 Columbus Multifamily Transactions



By Razvan Cimpean

data by  
**Yardi Matrix**

With an expanding economy and relatively affordable housing, Columbus has seen increased multifamily demand of late. This year—when roughly 1,600 apartments came online in the first two quarters—is on track to have the highest number of units completed since 2013, according to Yardi Matrix data.

Ten properties totaling a little more than 2,100 units changed hands for a combined \$266.2 million. This represents an uptick of nearly 80 percent from the same period of 2017.

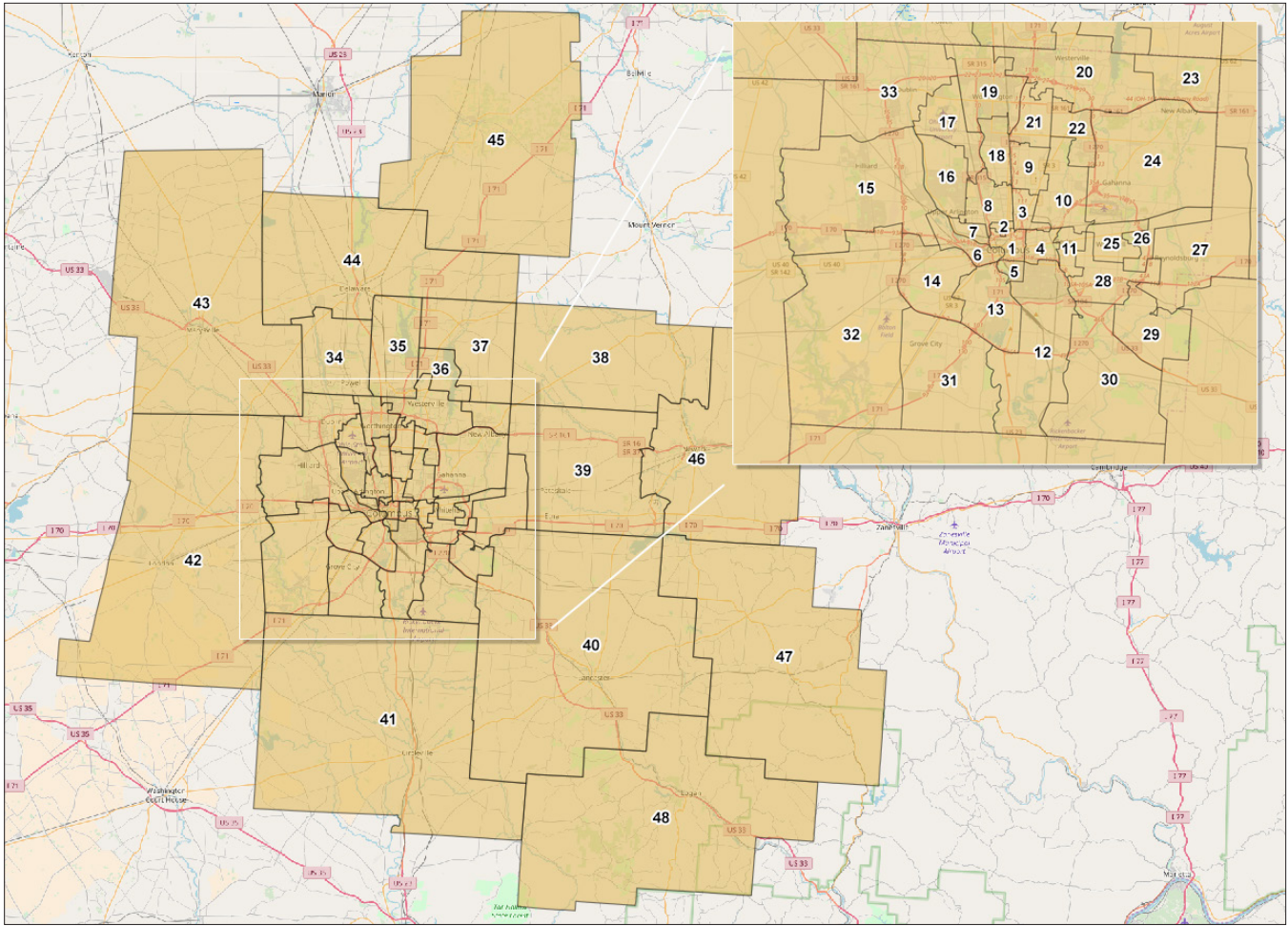
Property Name	Sale Date	Seller	Buyer	Unit Count	Total Sale Price (MM)
The Quarry	04/04/2018	Connolly Construction	The Solomon Org.	674	\$121.32
Runaway Bay	01/03/2018	JRK Property Holdings	Oro Capital Advisors	436	\$60.30
The Chelsea	02/22/2018	The Wolff Co.	Independence Realty Trust	312	\$36.80
Scioto Ridge	03/08/2018	Casto	Columbus Metropolitan Housing Authority	152	\$19.84
Shaker Square	02/20/2018	Everest Properties	29th Street Capital	194	\$11.61
Sawbury Commons at Primas Properties	04/03/2018	Primas Properties	Snyder Barker Investments	92	\$8.12
Arlington Heights	06/07/2018	Individual Investor	Pacific Redwood Investments	60	\$3.12
Cambridge	06/20/2018	AMG Realty Group	Individual Investor	66	\$2.09
Tamarack Arms	07/16/2018	Individual Investor	Individual Investor	54	\$1.71
Cambridge	01/16/2018	Individual Investor	AMG Realty Group	66	\$1.33

## The Quarry

The Solomon Org.'s acquisition of the 674-unit The Quarry from Connolly Construction tops our list. The New Jersey-based company paid an estimated \$121.3 million for the 37-building property at 2550 Quarry Lake Drive in the submarket of Franklinton. The asset provides studios and one- to three-bedroom apartments with an average of 972 square feet. Community amenities include two swimming pools, a volleyball court, a spa, a clubhouse, a business center and a fitness center. The asset is situated in the proximity of Shrum Mound and Quarry Plaza.



## Columbus Submarkets



Area #	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 #	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 #	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

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## 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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