



Yardi® Matrix

# Columbus Grows From the Core

Multifamily Report Winter 2019

Rent Growth Remains Strong

Per-Unit Prices Climb to Cycle High

Downtown Leads Development Pipeline

## Market Analysis

Winter 2019

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## Steady Rent Growth Lingers

Although employment growth tempered in 2018 while multifamily development kept a steady pace, the Columbus rental market remains one of the Midwest's top performers. With rents up 3.4% year-over-year as of October, the city outpaced all other major Ohio metros. Meanwhile, occupancy in stabilized properties dropped just 20 basis points year-over-year, to 95.8% as of September.

Columbus gained 15,200 jobs in the 12 months ending in September, with trade, transportation and utilities leading growth. Due to its integrated approach to economic development, ongoing public-private partnerships, key logistics hub status, steady stream of college graduates and relatively low costs of living and doing business, the metro remains a stable capital magnet.

Roughly 3,000 units came online in the first 10 months of 2018, with another 7,500 apartments underway as of October. Downtown remains the prime development epicenter, while communities in northern suburbs within the beltway attracted the lion's share of capital. With above-trend population gains and the steady addition of jobs across the board likely to linger, Columbus rent growth is bound to remain close to the U.S. average, at least in the short term.

## Recent Columbus Transactions

The Chelsea



City: Columbus, Ohio  
Buyer: Independence Realty Trust  
Purchase Price: \$37 MM  
Price per Unit: \$117,949

Cambridge



City: Columbus, Ohio  
Buyer: Viswanadham Gadey  
Purchase Price: \$2 MM  
Price per Unit: \$31,659

Broad Hamilton Plaza



City: Columbus, Ohio  
Buyer: Continental Real Estate  
Purchase Price: \$2 MM  
Price per Unit: \$18,393

Austin Manor

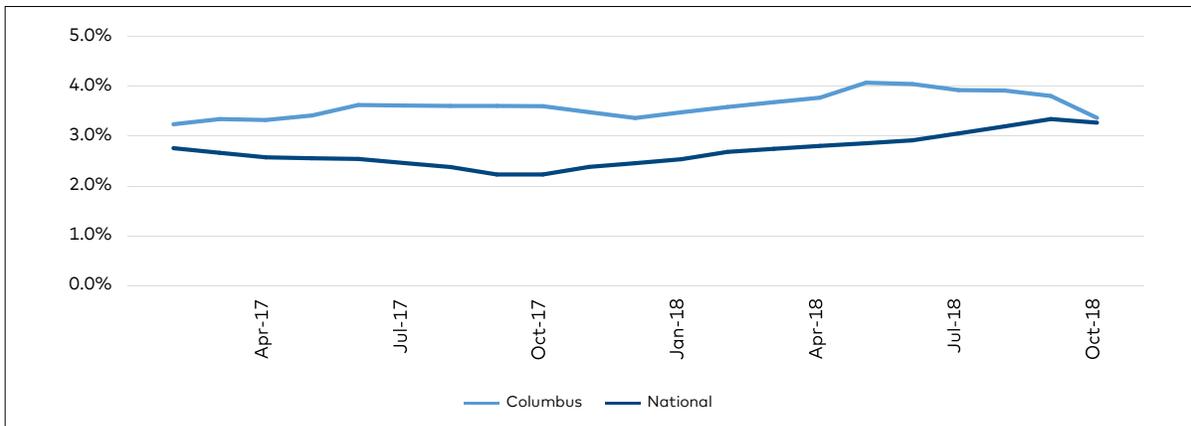


City: Delaware, Ohio  
Buyer: RiverWest Partners  
Purchase Price: \$2 MM  
Price per Unit: \$24,194

## Rent Trends

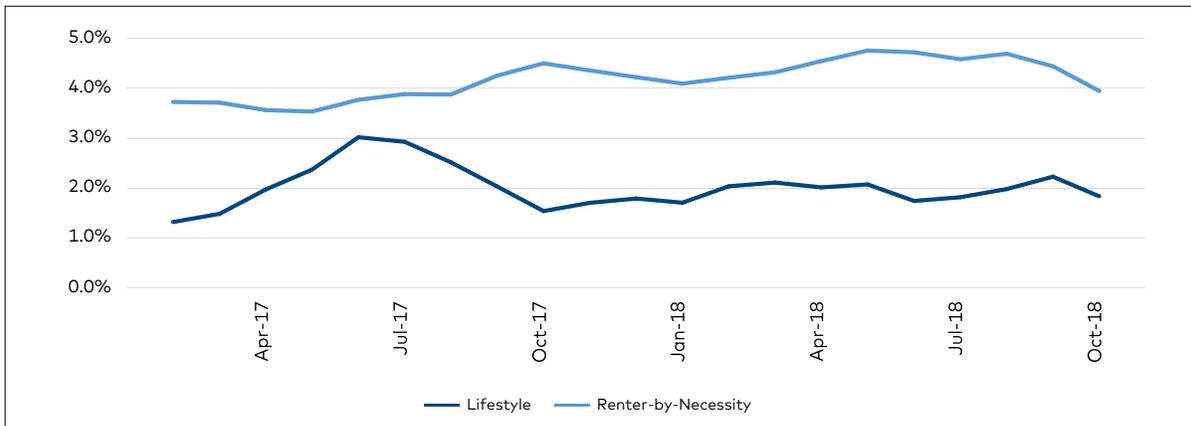
- Columbus rents were up 3.4% year-over-year through October, 10 basis points above the national average. Boosted by a diverse economy, relatively low cost of living and above-average population growth, Columbus had the second-highest rent growth rate in Ohio, trailing Toledo (3.8%) but outpacing all other metros in the state, including Cincinnati (3.0%) and Cleveland-Akron (2.2%). The average rent in Columbus was \$951, remaining significantly below the \$1,420 U.S. figure.
- Following nationwide trends, the working-class Renter-by-Necessity segment continued to lead growth, with the average rent advancing 3.9% to \$869. Meanwhile, rents in Columbus' relatively small Lifestyle segment grew 1.8%, to \$1,276. The spread between the two reflects a growing disparity between supply and demand for working-class housing, one of this cycle's most common themes.
- Rents advanced across all Columbus submarkets, with suburban areas within the Jack Nicklaus Freeway loop topping the list: Greater Hilltop (average rent up 8.0% to \$812), Clintonville (7.5%, \$901), Upper Arlington (6.8%, \$1,120) and Southwest (5.3%, \$678). At \$1,352, the average rent remained virtually flat in the metro's fastest-growing submarket, Columbus-Downtown, where more than 1,100 units came online since the beginning of 2016 and an additional 1,573 were underway as of October.

**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)

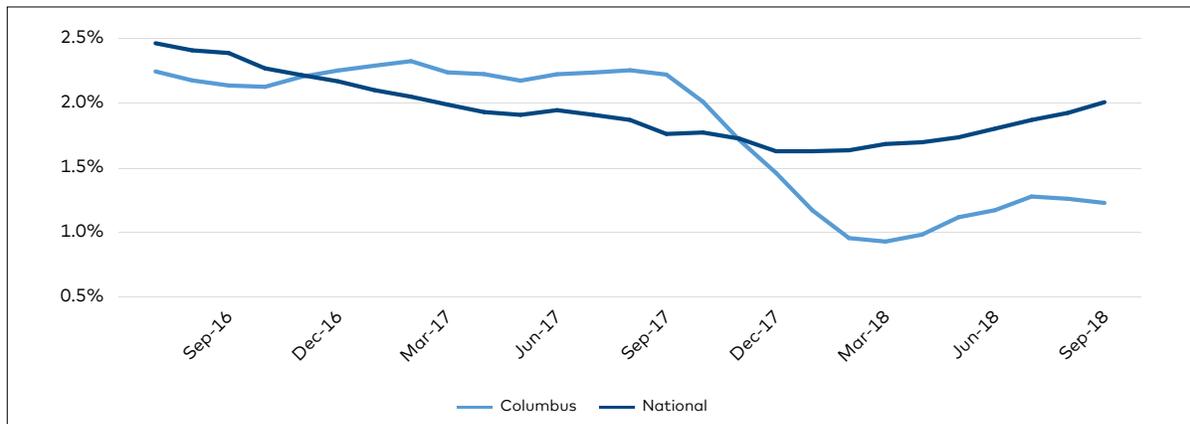


Source: YardiMatrix

## Economic Snapshot

- Metro Columbus added 15,200 jobs in the 12 months ending in September for a 1.2% expansion, roughly 80 basis points below the U.S. figure. After a strong run in 2017, when the city managed to outperform the national growth rate in 10 of the 12 months, the rate of improvement decelerated this year and settled in the 1.0 to 1.3% range. Anchored by large employers such as JPMorgan Chase & Co., Nationwide, Honda and L Brands Inc., Columbus' diversified economy continued to grow, adding positions nearly across the board and further boosting housing demand.
- The trade, transportation and utilities sector led job growth, having generated 7,400 positions for 3.6% year-over-year improvement. Due to its location, infrastructure connections and concentration of retailer headquarters, Columbus remains an important logistics hub and key foreign trade entry point. With Rickenbacker Airport and associated logistics parks likely to record long-term growth, the sector should continue to reinforce this status, fueling both job growth and industrial development.
- High-paying sectors are also expanding, with financial activities and professional and business services adding a combined 3,800 jobs. Meanwhile, Franklin County is considering a 26-story hotel addition to the Greater Columbus Convention Center. Along with the downtown Hilton, the property would offer more than 1,000 rooms, aiming to attract more events and boost leisure and hospitality employment.

### 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	213	19.3%	7,400	3.6%
90	Government	180	16.3%	3,300	1.9%
55	Financial Activities	88	8.0%	2,300	2.7%
80	Other Services	43	3.9%	2,000	4.9%
30	Manufacturing	74	6.7%	1,900	2.6%
60	Professional and Business Services	182	16.5%	1,500	0.8%
65	Education and Health Services	162	14.7%	200	0.1%
50	Information	17	1.5%	-100	-0.6%
15	Mining, Logging and Construction	41	3.7%	-300	-0.7%
70	Leisure and Hospitality	105	9.5%	-3,000	-2.8%

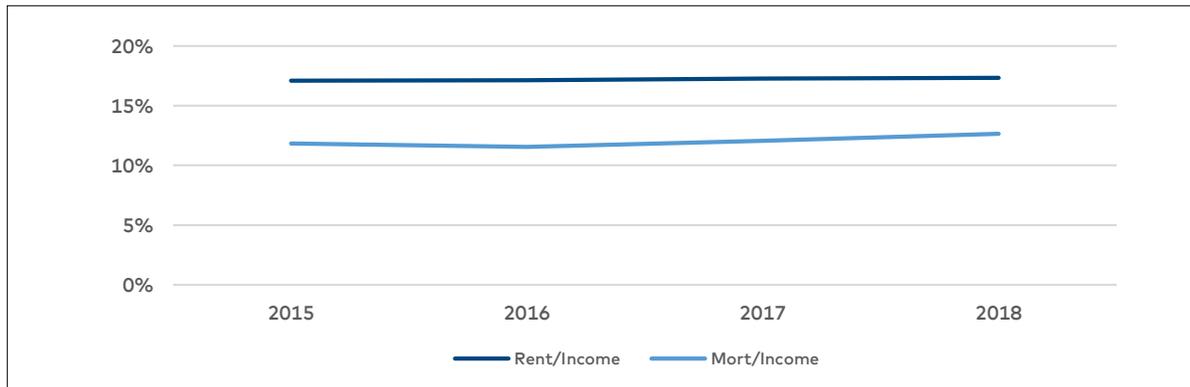
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

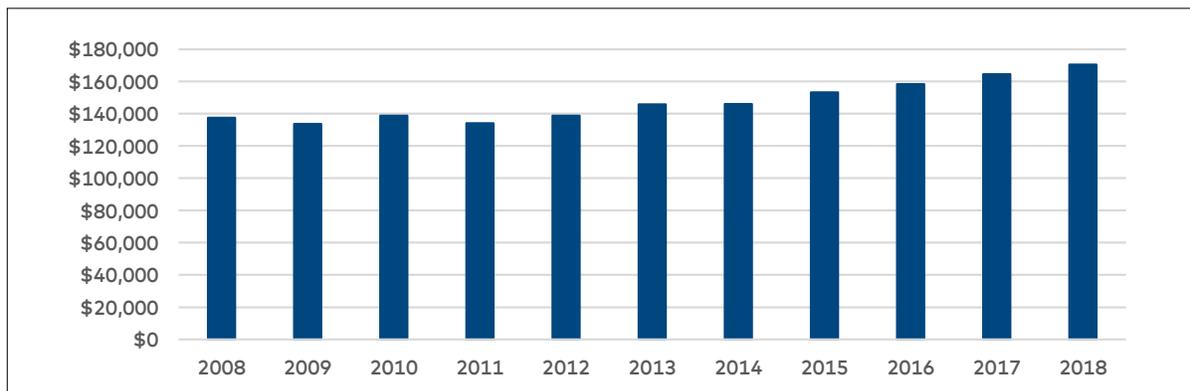
- Home prices continue to rise in Columbus, with the median price reaching \$170,437 for the first half of 2018, up 3.5% over 2017 and 27% higher than 2011, when the market reached its most-recent low point. Above-average population growth and an expanding economy continue to push up both home prices and rents, but Columbus remains a relatively affordable Midwestern metro, especially for highly skilled professionals seeking an alternative to high-cost coastal cities.
- Despite steady price hikes, the average mortgage payment equates to only 13% of the area's median income, while the average rent accounts for as much as 17%.

### Columbus Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Columbus Median Home Price



Source: Moody's Analytics

### Population

- The metro added 31,748 people in 2017. This marks a 1.6% uptick, more than twice the 0.7% national figure.
- Columbus gained 172,000 residents between 2010 and 2017 for a 9.0% demographic expansion.

### Columbus vs. National Population

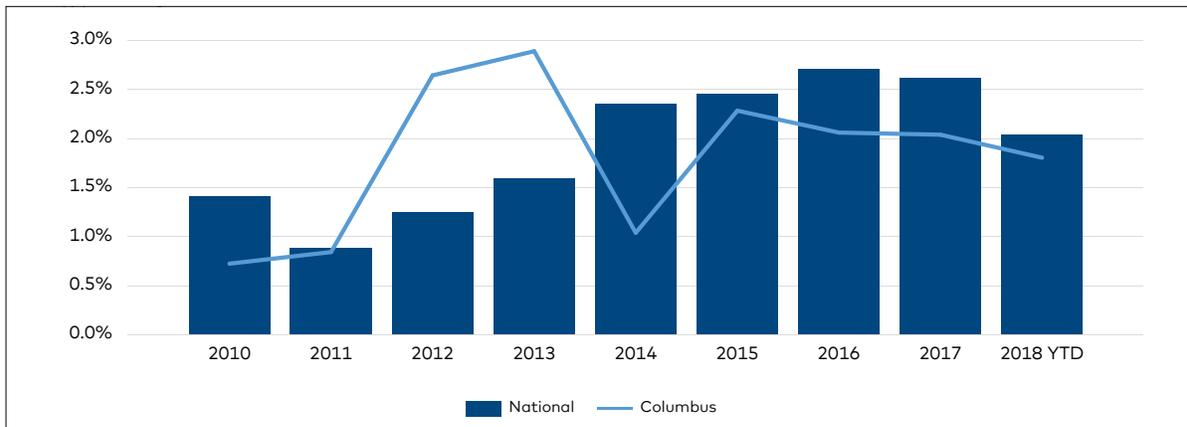
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Columbus Metro	1,971,120	1,998,460	2,023,198	2,046,977	2,078,725

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

## Supply

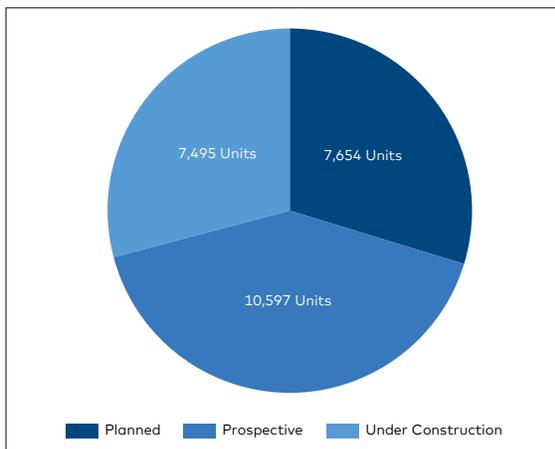
- Fifteen communities adding up to almost 3,000 apartments came online in Columbus this year through October, all of them located north of Interstate 70. Responding to steady demand, development continued at a good pace, as more than 13,000 units were added since the beginning of 2015, the vast majority of them in Class A/B+ properties. Even so, the Columbus occupancy rate in stabilized properties remained healthy, down just 20 basis points year-over-year, to 95.8% as of September.
- Supply is slated to remain elevated, with some 7,500 units underway as of October and an additional 18,200 apartments in the planning and permitting stages. With developers continuing to focus on the upper end of the quality spectrum while demand remains high across the board, working-class stock is likely to continue driving rent hikes, as supply remains tight.
- With 1,573 units under construction as of October, downtown Columbus continued to lead development by far, followed by suburban areas located in the metro's northwestern quadrant, within the Jack Nicklaus Freeway loop: Dublin (771 units underway), Hillard (723 units) and Northwest Columbus (614 units).

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



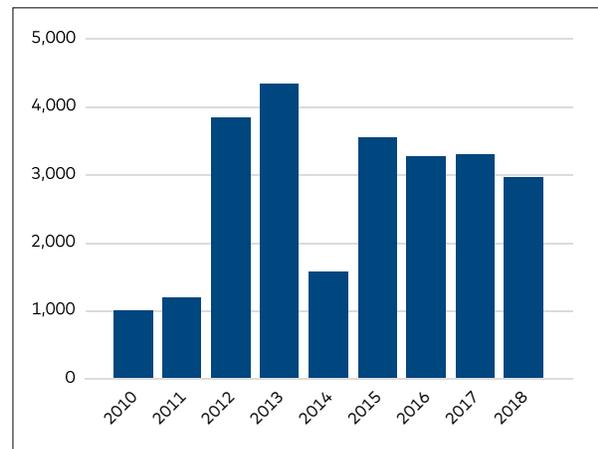
Source: YardiMatrix

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



Source: YardiMatrix

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

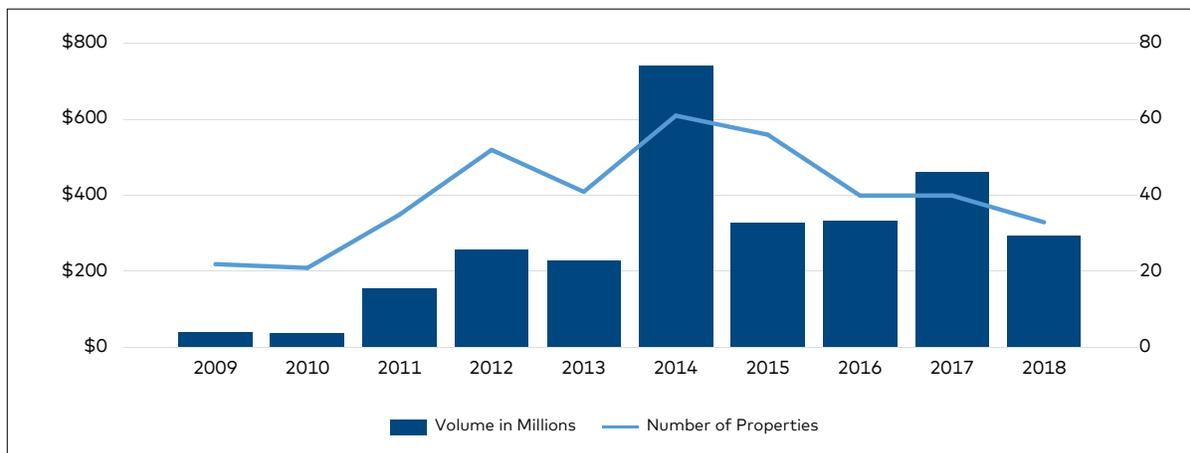


Source: YardiMatrix

## Transactions

- Some \$295 million in confirmed multifamily investment sales were completed in Columbus this year through October. Investors added roughly 4,000 units to their portfolios, as transactions stabilized.
- With some investors moving away from coastal gateway cities due to fears of overpaying at the top of the market, smaller but steady-growth secondary or tertiary metros such as Columbus have become increasingly attractive. In this context, the average per-unit price in Columbus reached a strong cycle high of \$104,572 in the first 10 months of the year, up 30% against the 2017 figure.
- Taking advantage of the metro's high percentage of workforce housing, investors continue to mainly focus on value-add assets in suburban areas, where acquisition yields range between 8.0 and 9.0%.

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



Source: YardiMatrix

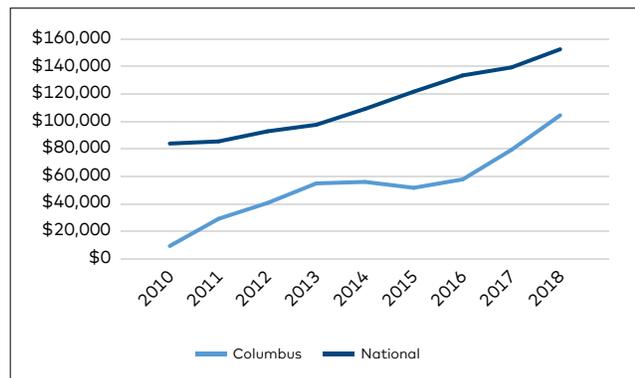
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Franklinton	182
Worthington	58
Gahanna	37
Northwest Columbus	33
Obetz	26
Grove City	21
Northland	19
Whitehall	13

Source: YardiMatrix

<sup>1</sup> From November 2017 to October 2018

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



Source: YardiMatrix

## News in the Metro

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### The Connor Group Refinances OH Property In \$54M Deal

UBS Realty Investors sold The Estates at New Albany, which encompasses 428 units across 42 buildings. The property was 95.3% occupied at the time of the sale.



### Affordable Community Changes Hands in Columbus

The sale of Winchester Lakes involved two loans, one in the amount of \$17.7 million and another of \$3.5 million.



### 456-Unit Central OH Portfolio Trades

The transaction includes three communities within the Westland submarket of Columbus. All properties have a 90% or above occupancy rate.



### Coastal Ridge Expands Ohio Portfolio

The Edge at Arlington, previously known as LeMans Village, has 229 units. Amenities include 12 laundry facilities and a basketball court.



### Nonprofit Buys Affordable Columbus Community

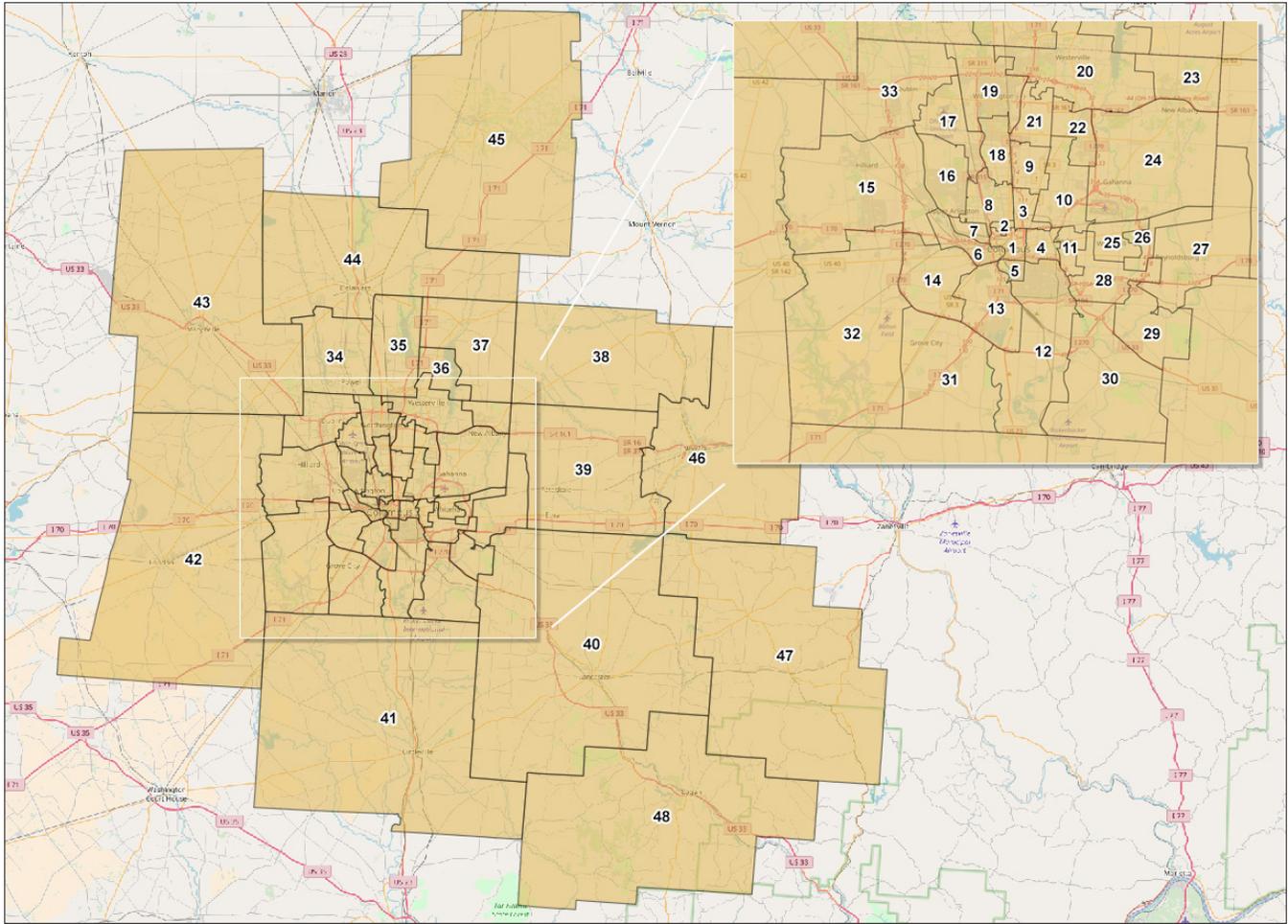
Located in Obetz, Bridlewood Village encompasses 70 units. The 1980-built property includes 13 buildings and is situated roughly eight miles south of downtown.



### Monarch Purchases East Columbus Asset

Ardsley Ridge Townhomes & Apartments—completed in phases in 1960, 1974 and 1978—consists of 238 units spread across 24 buildings.

## 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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