Yardi® Matrix

Columbus Keeps Steady Course

Multifamily Report Spring 2019

Rent Growth Set for Good Year

Downtown Remains Development Hotbed

Expanding Economy Buoys Demand

Market Analysis
Spring 2019

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Occupancy Slips, Demand Lingers

Although job gains in Columbus slowed down last year in the context of a tightening labor market, the Central Ohio multifamily sector stays resilient. Year-over-year rent growth was just 30 basis points below the U.S. average as of March and roughly on par with other Midwestern metros such as Chicago, Detroit, Cleveland and Indianapolis.

The metro added 14,400 jobs in the 12 months ending in February, with education and health services accounting for almost half of the gains. The city continues to benefit from a downtown resurgence and from numerous corporate expansions and relocations. Facebook announced an expansion at its data center development in New Albany, bringing the total project to 1.5 million square feet, while Google is planning its own $600 million facility nearby. The list of large projects also includes an ongoing $500 million addition at the Easton Town Center shopping center and a proposed 28-story tower set to bring the Hilton Columbus Downtown to 1,000 keys.

Columbus had 6,906 apartments under construction as of March, 3,760 of which are expected to come online this year, on top of the 320 units delivered in the first quarter. Although occupancy in stabilized properties dropped 50 basis points over 12 months to 95.1% as of January, we expect demand to stay healthy and the average rent to advance 3.6% this year.

Recent Columbus Transactions

Andover Park

City: Columbus, Ohio
Buyer: Coy Capital Management
Purchase Price: $32 MM
Price per Unit: $120,338

Winchester Park

City: Groveport, Ohio
Buyer: Hamilton Point Investments
Purchase Price: $21 MM
Price per Unit: $76,000

The Enclave at Albany Park

City: Westerville, Ohio
Buyer: Preserve Partners
Purchase Price: $15 MM
Price per Unit: $94,904

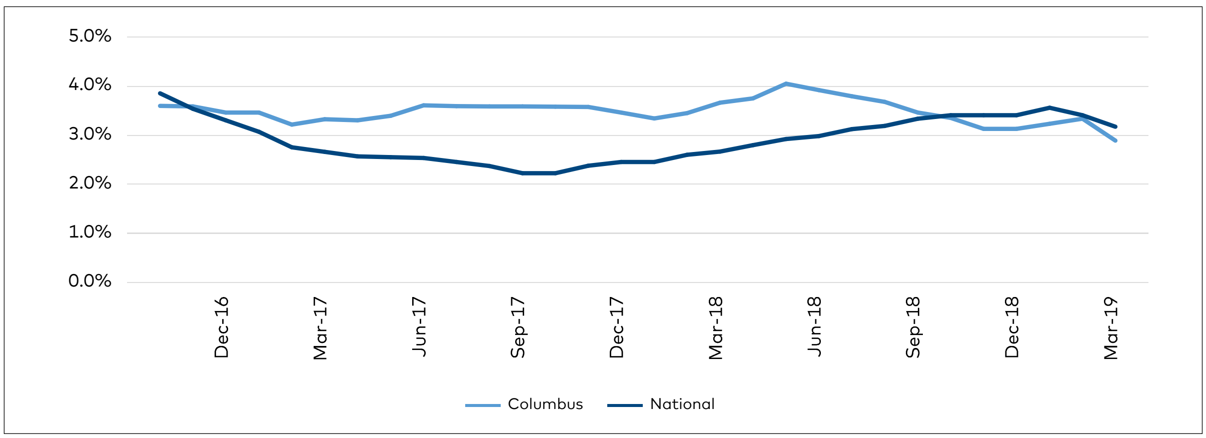
Waterford Harbour

City: Groveport, Ohio
Buyer: 29th Street Capital
Purchase Price: $5 MM
Price per Unit: $83,594

Rent Trends

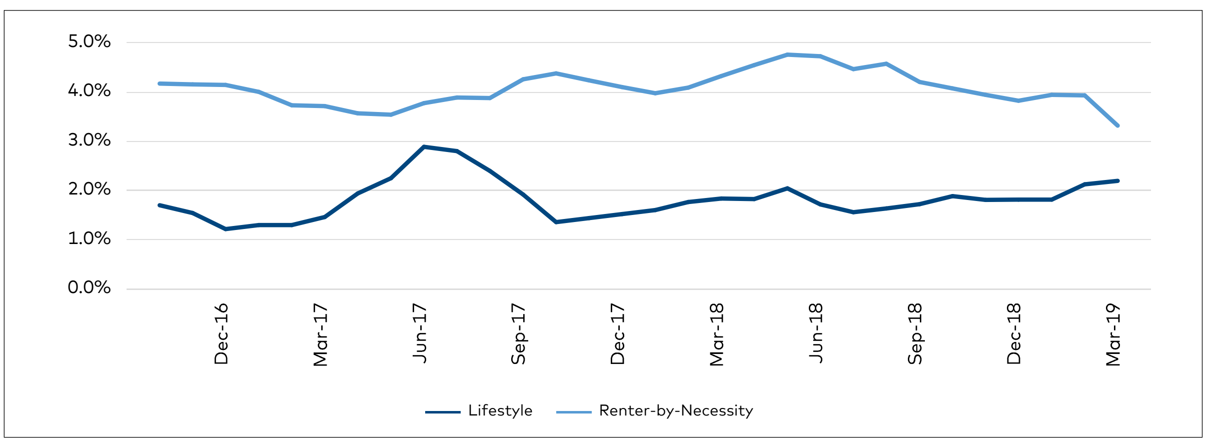
- Columbus rents were up 2.9% year-over-year through March, 30 basis points below the U.S. average and roughly in line with other large Midwestern metros, including Chicago (2.7%), Detroit (3.0%), the Twin Cities (3.5%), Cleveland (3.0%) and Indianapolis (3.2%). The average rent reached $961, significantly below the $1,430 national figure. Columbus rent growth lost some steam in the area compared to the year prior: Last March, the 3.7% year-over-year rate was the Midwest's highest.
- Following nationwide trends, the Renter-by-Necessity segment led growth, with the average up 3.3% to $872. Meanwhile, rates in the significantly smaller Lifestyle segment were up 2.2%, reaching $1,302. Rents rose at a faster rate in submarkets outside or very close to the Outerbelt, including Fairfield (6.5%), Groveport (5.8%), Delaware (5.3%), Whitehall (5.2%) and New Albany (4.9%). Despite heavy development, rents in downtown Columbus continue to improve, up 1.3% to $1,332 as of March.
- With Columbus' population rising at roughly twice the U.S. average over the past five years while multifamily development underperformed against national figures, demand is likely to remain elevated. Although the occupancy rate in stabilized properties dropped 50 basis points in the 12 months ending in January, to 95.1%, demographic expansion should keep demand healthy. We expect the average Columbus rent to advance 3.6% in 2019.

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)



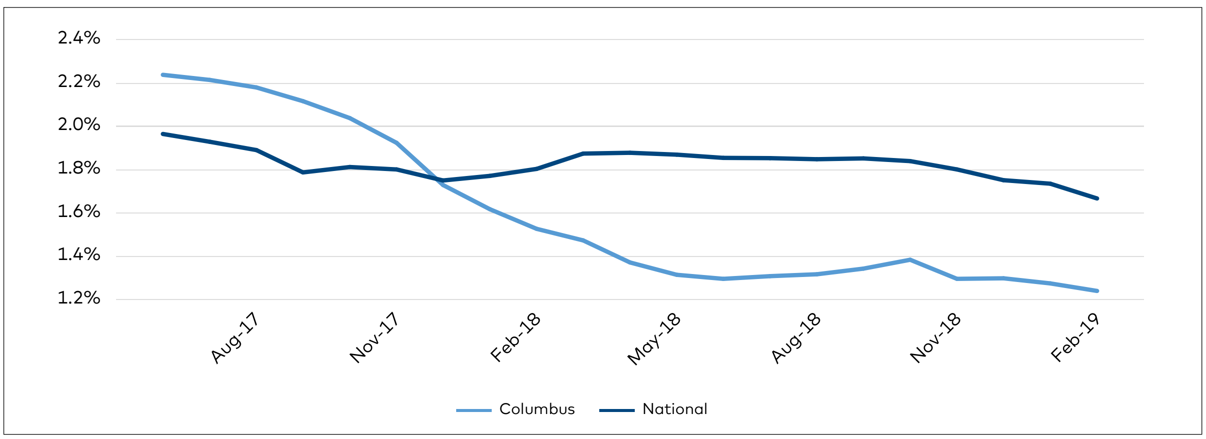
Source: YardiMatrix

Economic Snapshot

- Columbus added 14,400 jobs in the 12 months ending in February for a 1.2% uptick, 50 basis points below the U.S. average. Job gains continued to slow down last year in the context of a tight employment market, with Franklin County unemployment at 3.7% as of February. While anchored by several companies including Nationwide, JPMorgan Chase and Honda, as well as Ohio State University and health-care providers, the metro's economy continues to diversify at a strong rate. Offering a relatively low cost of doing business, Central Ohio remained a hotbed for business relocations and expansions over the past 12 months, boosting both employment and demographic growth.

- Construction gained 3,000 jobs for a 7.9% expansion, the largest improvement among all sectors. Columbus has no shortage of large development projects. Google plans to build a $600 million data center in New Albany, while Facebook announced a third building at its own facility in the area, bringing the ongoing project to roughly 1.5 million square feet. The Hilton Columbus Downtown is slated for a 28-story addition, bringing the property to around 1,000 guestrooms in a move expected to draw more conferences and boost the hospitality sector. Meanwhile, a $500 million expansion is underway at Easton Town Center and Kohl's plans to open a 1.2 million-square-foot distribution facility in Etna Township next year.

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	%
65	Education and Health Services	171	15.6%	6,800	4.2%
15	Mining, Logging and Construction	41	3.7%	3,000	7.9%
30	Manufacturing	75	6.8%	1,900	2.6%
70	Leisure and Hospitality	104	9.5%	1,700	1.7%
80	Other Services	42	3.8%	1,200	2.9%
90	Government	179	16.3%	1,100	0.6%
55	Financial Activities	87	7.9%	900	1.1%
50	Information	17	1.6%	-200	-1.1%
60	Professional and Business Services	178	16.2%	-300	-0.2%
40	Trade, Transportation and Utilities	203	18.5%	-1,700	-0.8%

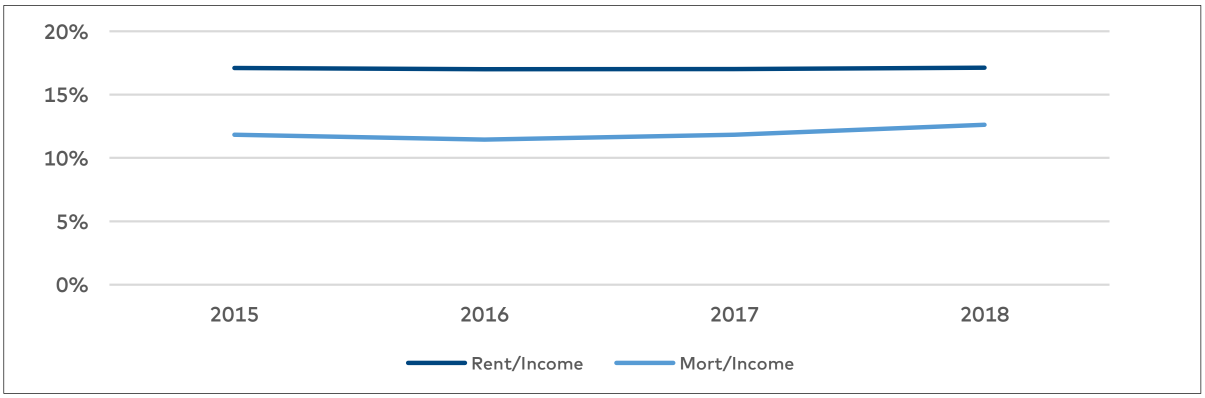
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

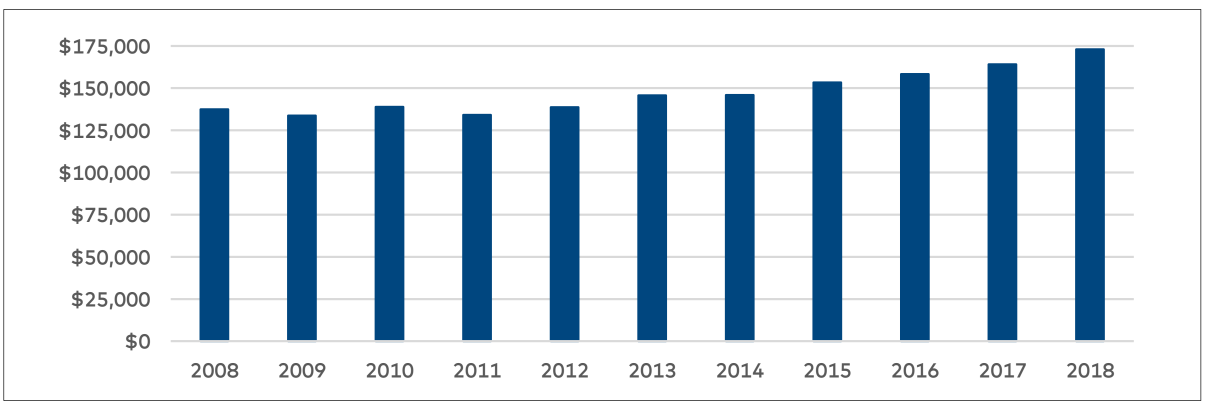
- The median home price reached $173,000 in 2018, 5% higher than in 2017 and nearly 30% over the 2011 value. Although both home values and rents have steadily risen, incomes are mostly keeping up pace and Columbus remains an affordable Midwestern metro: Last year, the average mortgage payment accounted for 14% of the area median income, while the average rent equated to 17%.
- While far from having overall affordability issues, the metro is facing some housing imbalances due to its continued economic expansion. According to the Affordable Housing Alliance of Central Ohio, 54,000 Franklin County households now pay more than half of their income for housing.

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 172,360 residents between 2010 and 2017, for a 9.0% expansion, nearly double the U.S. rate.
- Just in 2017, Columbus added 31,784 people, a 1.6% uptick, well above the 0.7% U.S. figure.

Columbus vs. National Population

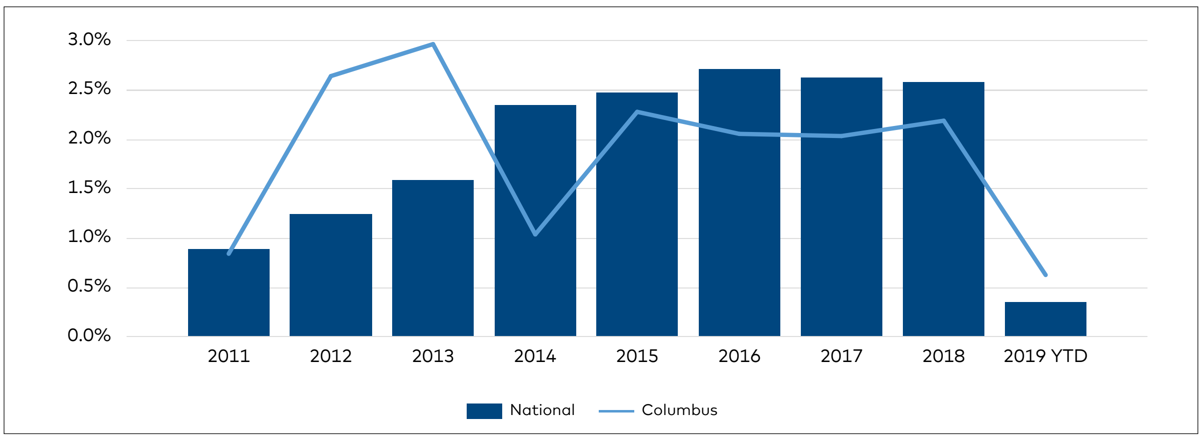
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Columbus Metro	1,971,120	1,998,460	2,023,198	2,046,977	2,078,725

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

Supply

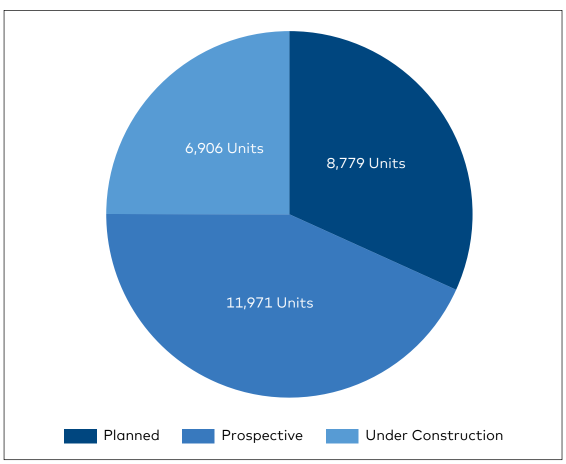
- Columbus had 6,906 units underway as of March, 3,760 of which are expected be online in 2019. That largely falls in line with the rate of construction seen during the last four years, when an average of 3,450 apartments were completed annually.
- Three communities totaling 320 units came online in the metro in the first quarter of 2019, all of them in the Lifestyle segment. Columbus mirrors nationwide trends, with developers focusing on upscale assets—of the 27,000 apartments completed in the metro over the last decade, nearly 80% are Lifestyle assets.
- The city's core continued to lead growth, as downtown Columbus had 1,363 units underway. Northern submarkets offering easy access to the Jack Nicklaus loop completed the top five: Dublin (675 units), Westerville (670), Northwest Columbus (614) and Hilliard (549). This reflects an ongoing trend sustained by the resurgence of core neighborhoods: Of the 158 apartment communities completed between 2010 and 2018, 59 are within five miles of downtown, with the vast majority of the rest located very close to the city's loop.

Columbus vs. National Completions as a Percentage of Total Stock (as of March 2019)



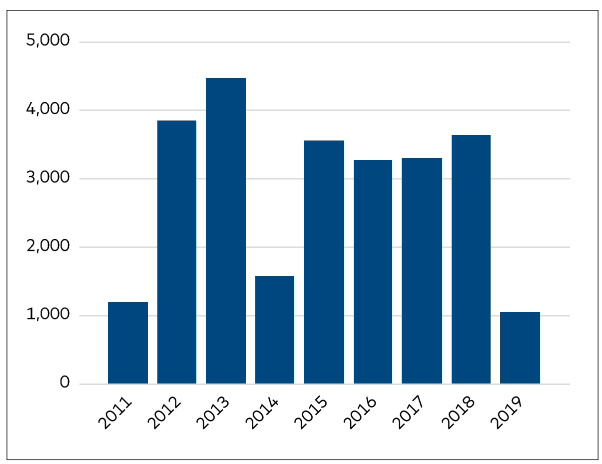
Source: YardiMatrix

Development Pipeline (as of March 2019)



Source: YardiMatrix

Columbus Completions (as of March 2019)

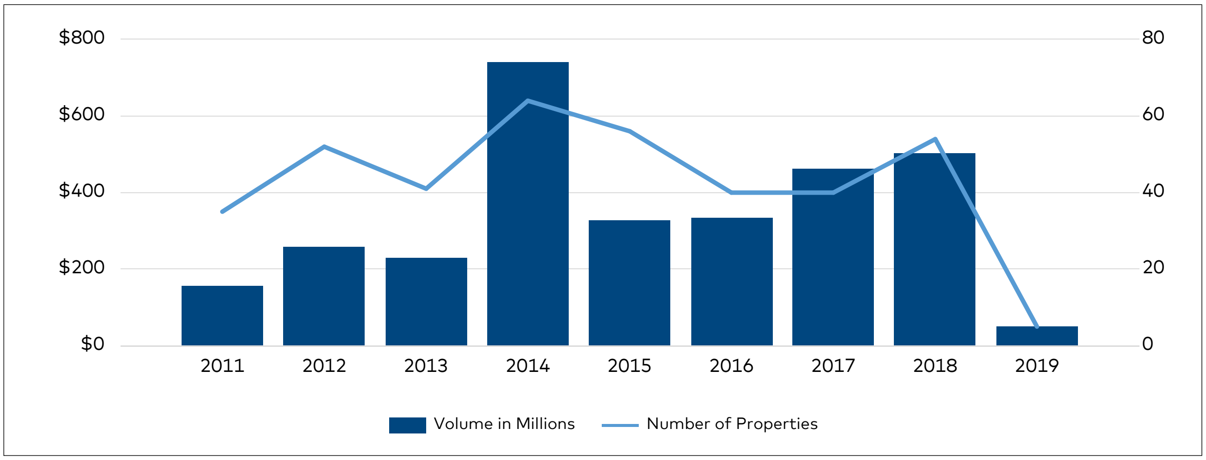


Source: YardiMatrix

Transactions

- Five Columbus communities totaling 50 or more units traded in confirmed transactions in the first quarter for a combined $50 million, or a per-unit price of $80,659. This comes on the heels of an active 2018, when $504 million in assets sold at $105,498 per unit, below the $153,928 U.S. average.
- With institutional investors diversifying through acquisitions in secondary and tertiary markets non-coastal cities with healthy fundamentals are drawing increasing attention. They offer attractive acquisition yields, which can go above 8.5% for Class C value-add assets. Opportunity zones are also likely to play a significant role going forward, with values within designated areas bound to appreciate further. Roughly 26,500 units—16% of Franklin County's multifamily stock—are located within one of the 44 designated opportunity zones. Nearly half of these units are in workforce communities completed before the 1980s, leaving a lot of room for value-add plays.

Columbus Sales Volume and Number of Properties Sold (as of March 2019)



Source: YardiMatrix

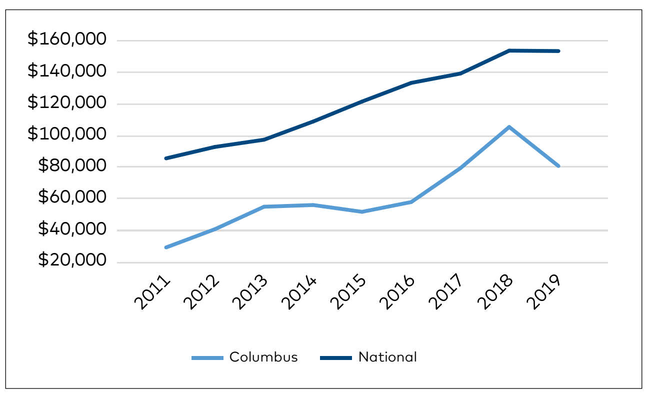
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Franklinton	121
Dublin	73
Westerville	60
Lewis Center	37
Westland	32
Groveport	21
Gahanna	15
Northwest Columbus	13

Source: YardiMatrix

[1] From April 2018 to March 2019

Columbus vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

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Rockford Homes Sells Columbus Asset

The new owner, Jeffrey Berlin, financed the acquisition via a 20-year, $5.5 million Freddie Mac loan arranged by Pinnacle Financial Partners.

Far South Garden-Style Property Trades

A private investor purchased Fair Oaks, a 29-building property located five miles from downtown Columbus, using a $5.1 million loan.

Income Property Org. Brokers Columbus Transaction

Paul McHugh has facilitated the sale of the 96-unit property, which involved a $2.7 million loan held by Perpetual Federal Savings Bank.

Hamilton Point Investments Sells OH Community

The Enclave at Albany Park in Westerville commanded nearly $15 million. The new owner assumed the outstanding balance of a Fannie Mae loan attached to the property.

Groveport Community Commands $21M

The 344-unit property in the Columbus metro area is located on 5.7 acres. The seller was Ardent Communities.

Fully Occupied OH Community Trades

Franklin's Crossing has 61 units and is located in Northwest Columbus, in an area sporting several shopping and entertainment centers.

Top 10 Apartment Owners in Columbus

MULTI-HOUSING NEWS

data by Yardi® Matrix

By Jeff Hamann

As one of the largest economies in the state of Ohio, the capital city of Columbus continues to perform strongly. The metro's population has expanded significantly in the last decade, with a growth rate nearly double the national average between 2012 and 2017. The list below shows the top 10 apartment owners in the Columbus metro, based on Yardi Matrix data as of April 2019. The number of properties and units displayed excludes communities underway or in planning and permitting stages.

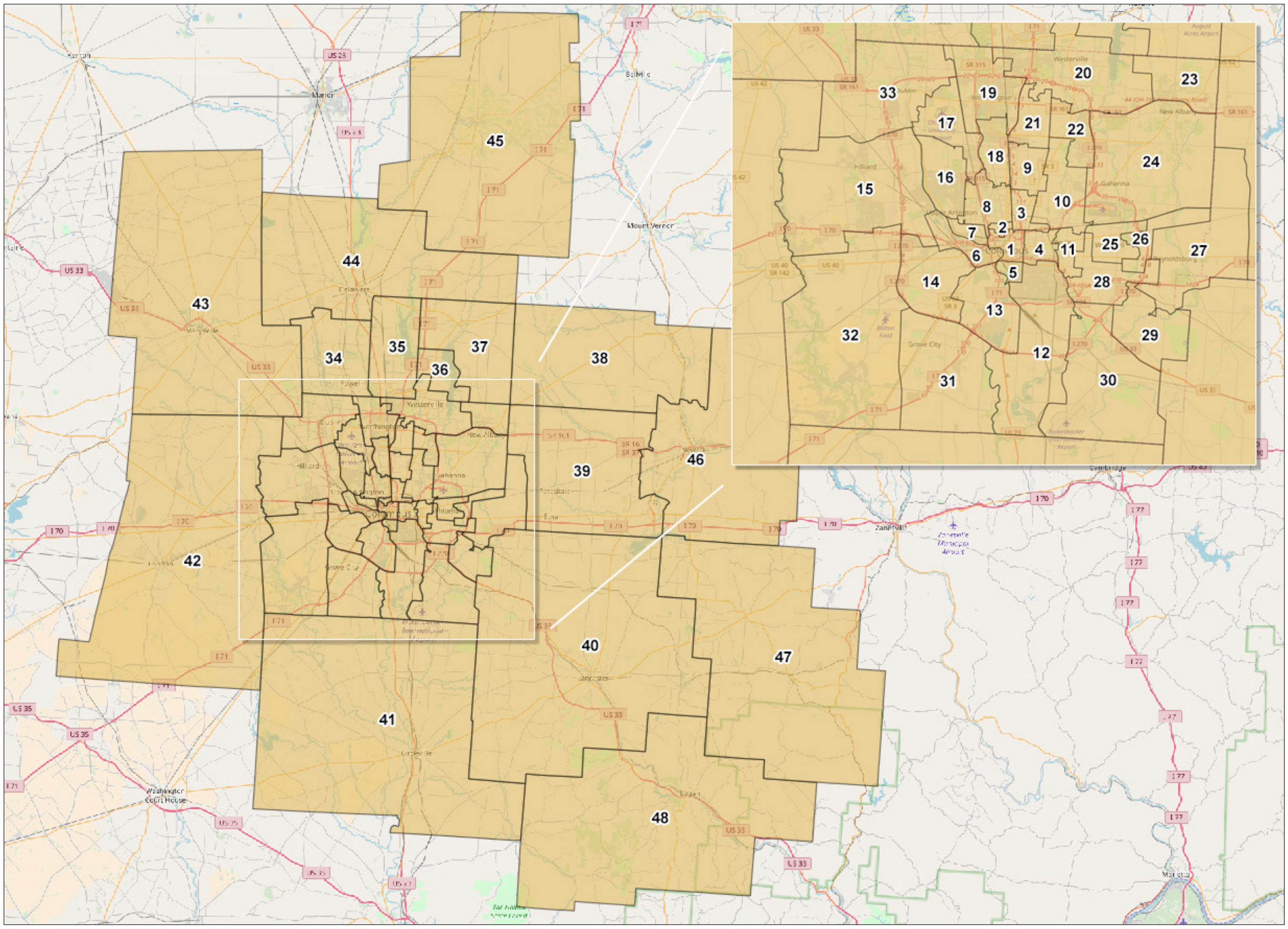
Company	No. of Communities	Units	Largest Community
New Life Multifamily Management	12	5,604	Eden of Whitehall, 1,147 units
Champion Real Estate Services	13	4,587	The Gardens at Easton, 1,064 units
CASTO	13	4,172	Chestnut Hill, 480 units
Edwards Cos.	17	3,692	Times Square, 354 units
Cortland	12	3,406	The Meridian, 480 units
Lifestyle Communities	7	3,106	LC Gahanna, 780 units
Dietz Property Group	11	3,018	The Residences at Towne Center, 472 units
Donald W. Kelley & Associates	12	2,916	Albany Glen, 532 units
Plaza Properties	18	2,700	Bexley Plaza, 324 units
Harbor Group International	6	2,530	Governours Square, 820 units

NEW LIFE MULTIFAMILY MANAGEMENT

The top apartment owner, New Life Multifamily Management, possesses a portfolio of 5,604 units across the metro. In addition to the firm's Columbus properties, the firm has more than 1,400 units in Dayton, Ohio, and Memphis, Tenn.

New Life's largest asset in Columbus, the 1,147-unit Eden of Whitehall, is located at 4470 E. Broad St. in the city's Whitehall submarket. The firm acquired it from Lincoln Management in September 2011 for $18.3 million. The Class C community was constructed in two phases—the first in 1953, the second in 1986—and contains two- and three-bedroom townhouse units, with an average floorplan of 1,111 square feet. The property was 99.4 percent occupied in February.

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

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.

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