

Columbus: Growth Through Affordability

Multifamily Fall Report 2016

Renter-by-Necessity Segment Drives Rent Gains

Will New Development Temper Future Rents?

Investor Appetite Returns to Historical Levels

Market Analysis

Fall 2016

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Increased Jobs, Prospering Economy

Driven by an improving economy led by technology, logistics and advanced manufacturing, Columbus' multifamily sector is gaining strength at a steady rate. The metro's diverse employment and favorable cost of living are attracting residents and helping to increase demand for a variety of housing options. The region's low business costs, central location and prosperous economic growth are also attractive to investors.

Columbus has become one of the nation's fastest-growing innovation and technology hubs and is a top second-tier market for technology talent. Named America's first Smart City by the U.S. Department of Transportation, Columbus is reshaping its transportation system and improving access to health care using data analytics. Infrastructure accessibility across the metro will connect more residents to jobs and will help boost housing supply in submarkets surrounding the urban core.

The multifamily sector is experiencing robust demand driven by healthy population growth and job gains. That will help fill the 2,400 units completed last year, especially since the metro's occupancy rate is currently an already high 96.5%. Transaction volume is also on the rise, and is expected to remain solid as investors are attracted to the market's affordable housing options, economic stability, high influx of new residents and limited competition.

Recent Columbus Transactions

Fox and Hounds



City: Columbus
Buyer: APM Management
Purchase Price: \$38 MM
Price per Unit: \$94,858

Remington Woods



City: Lewis Center, Ohio
Buyer: Oakmont Investment Properties
Purchase Price: \$29 MM
Price per Unit: \$143,333

Polaris Crossing



City: Westerville, Ohio
Buyer: Champion Real Estate Services
Purchase Price: \$26 MM
Price per Unit: \$105,239

Easton Pointe

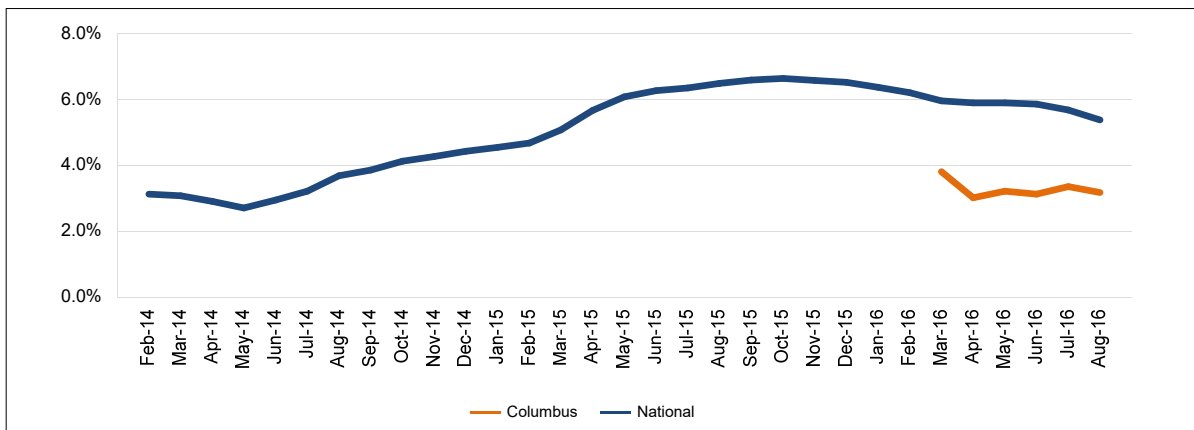


City: Columbus
Buyer: Ackermann Group
Purchase Price: \$18 MM
Price per Unit: \$86,538

Rent Trends

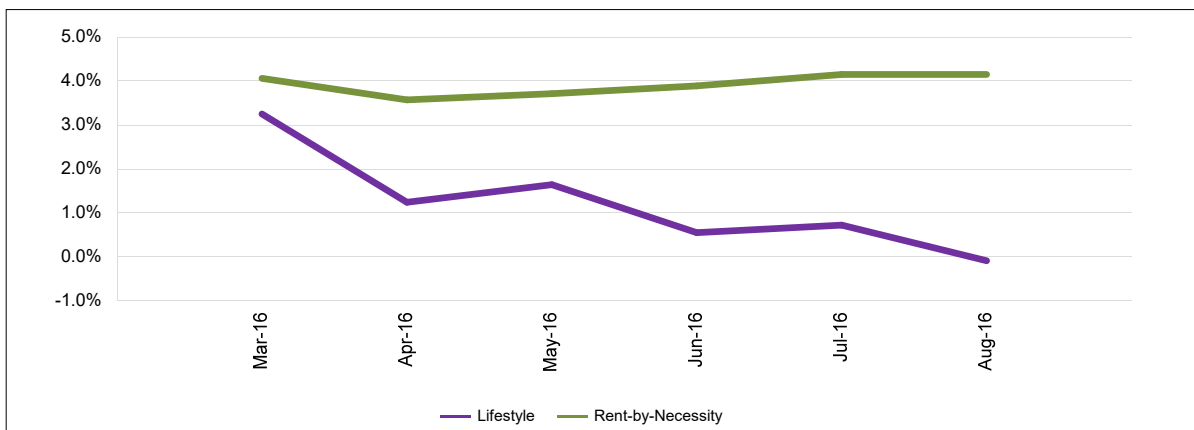
- Rents in Columbus have grown 3.2% year-over-year to an average of \$873 per month as of August, well below the 5.0% national average. Population growth and the metro's flourishing economy are driving prices up, which might cause some affordability issues for people working in lower-paid industries.
- Rent growth has come primarily from the working-class Renter-by-Necessity segment, rising 4.2% year-over-year to an average of \$807. The luxury Lifestyle segment recorded negative growth of -0.1% at an average of \$1,248.
- Growth has taken place throughout the metro, but it impacted affordable areas most and drove inexpensive rents closer to the average. Submarkets with the highest rent growth include Obetz (6.9%), Fairfield (6.1%), Pataskala (4.8%), Northwest Columbus (4.5%) and Pickaway (4.4%).
- Occupancywise, the Lifestyle segment (with a 97.2% occupancy rate) is outperforming the Renter-by-Necessity segment (with a 96.3% occupancy rate), underpinning the need for high-end housing supply. With new jobs in non-traditional segments that require a skilled workforce, demand for upscale apartments in the city's urban core is expected to rise.

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)

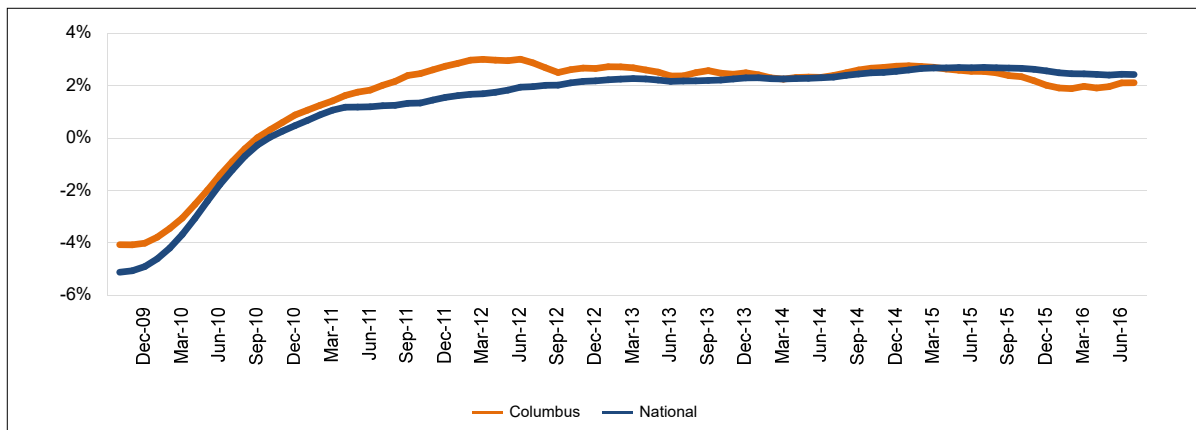


Source: YardiMatrix

Economic Snapshot

- Columbus added 22,000 new jobs in 2015, up 2.1% year-over-year and in line with the 2.4% national rate. The metro is shifting from reliance on traditional employment sectors to attracting jobs in such sectors as technology; research and development in physical, engineering and life sciences; as well as advanced manufacturing.
- Employment gains were led by the leisure and hospitality sector, which added 7,900 jobs, a 7.4% year-over-year change. Citywide events, conventions and trade fairs have boosted the metro’s tourism, as nearly 40 million people visited Central Ohio in 2015, with a \$6.4 billion impact on the local economy.
- Home to more than 60 college and university campuses, Central Ohio has traditionally relied on the education and health services employment sectors. The metro has added some 4,000 jobs in the past year, and the sector still benefits from the \$780 million expansion of Nationwide Children’s Hospital, which began in 2012. Professional and business services also recorded strong employment gains, adding 4,000 jobs year-over-year.
- Negative growth was recorded in trade, transportation and utilities—the metro’s largest employment sector, which lost 900 jobs. The information sector lost 400 jobs.

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	%
70	Leisure and Hospitality	114	10.7%	7,900	7.4%
60	Professional and Business Services	185	17.4%	4,000	2.2%
65	Education and Health Services	154	14.5%	4,000	2.7%
90	Government	160	15.1%	2,300	1.5%
15	Mining, Logging and Construction	40	3.8%	1,900	5.1%
80	Other Services	44	4.1%	1,900	4.6%
55	Financial Activities	81	7.6%	700	0.9%
30	Manufacturing	73	6.9%	600	0.8%
50	Information	17	1.6%	-400	-2.4%
40	Trade, Transportation and Utilities	196	18.5%	-900	-0.5%

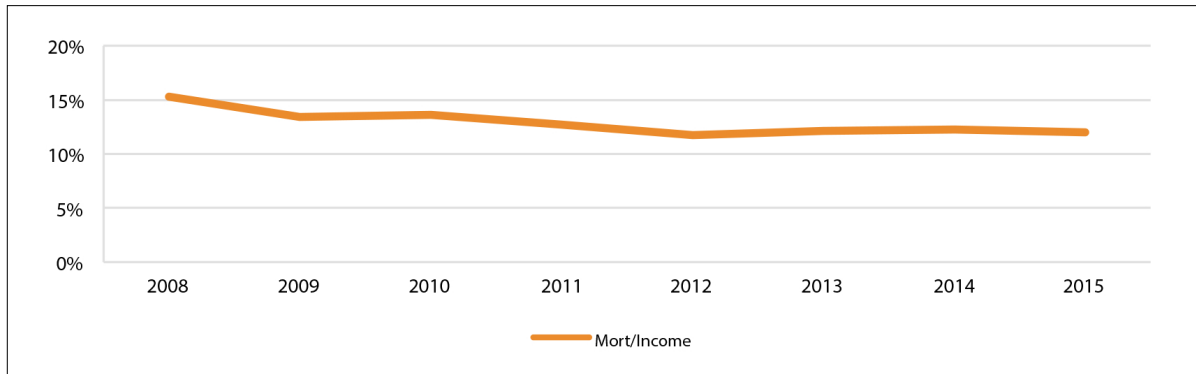
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

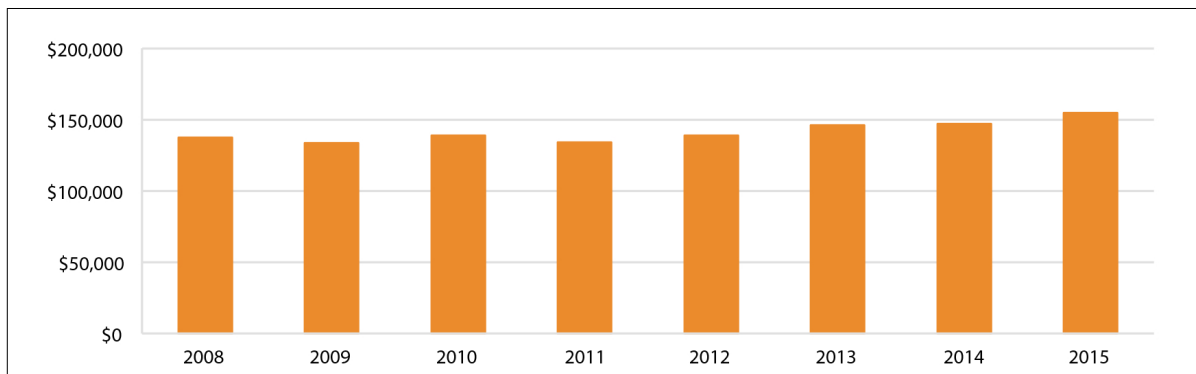
- Columbus has been one of the better-performing markets as it pertains to cost of living, with both owning and renting remaining affordable options for residents. The median home price rose to \$154,846 in 2015, reaching a peak for the current cycle. The average mortgage accounts for only 12% of the area's median income of \$57,462.
- Renting an apartment is less affordable than owning a home, as rents account for 18% of the area's median income. Limited supply and an influx of young professionals moving into the metro for the favorable business climate and diverse professional opportunities might impact the housing market, though.

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 surpassed the two million-person milestone in 2015, gaining more than 24,000 residents.
- Since 2010, the metro's population has risen by 6%, well above the 3.9% national growth.

Columbus vs. National Population

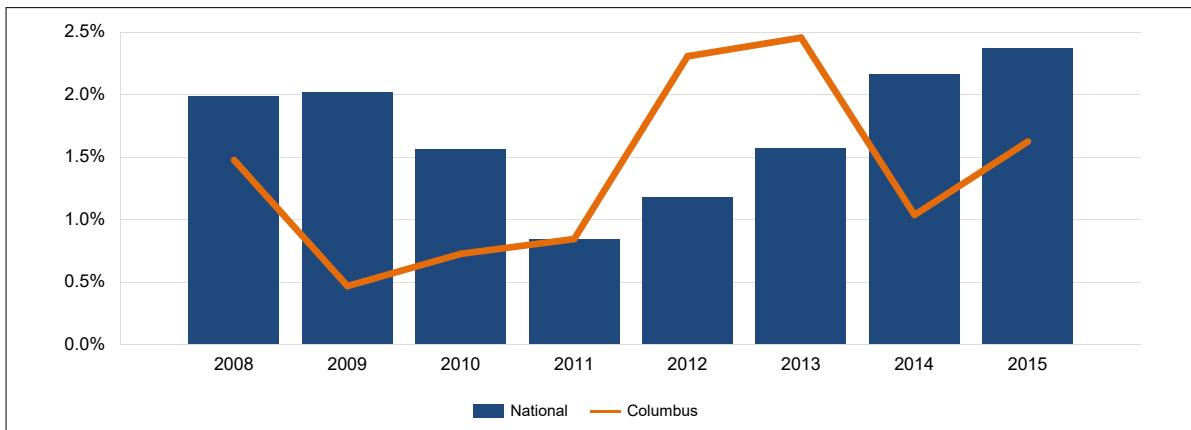
	2011	2012	2013	2014	2015
National	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820
Columbus, OH Metropolitan Statistical Area	1,925,973	1,946,452	1,970,511	1,997,308	2,021,632

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

Supply

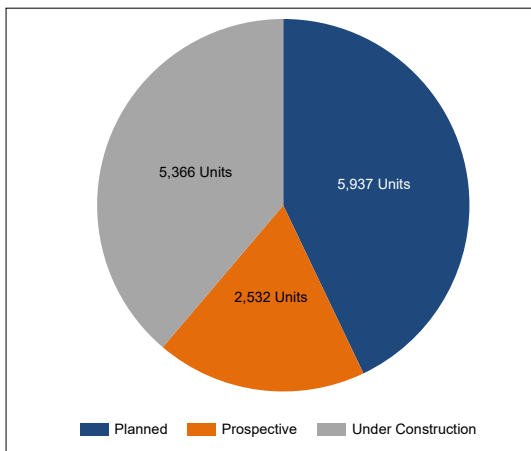
- Growth in multifamily stock has been inconsistent in recent years. Roughly 2,400 units came online during the past year, adding 1.6% to current stock. That's a big increase from 2014, but still significantly below the increases experienced in 2012 and 2013.
- More than 13,800 units are in various stages of development, including over 5,300 currently under development. With nearly 6,000 units already in the planning and permitting phase, construction will remain consistent for several years, but the new supply might put a damper on rent growth.
- The metro's current occupancy rate of 96.5% and strong population growth will sustain demand for all property quality types, especially in condominium supply, mixed-use developments and live-work-play projects close to the city's downtown area.
- Supply growth in Columbus is led by the University submarket, with 870 units currently under development. Other submarkets with a large pipeline include Columbus Downtown (830 units), Dublin (560 units) and Lewis Center (430 units). The 420-unit Tuller Flats in Dublin is the largest project under construction, set for completion by 2017.

Columbus vs. National Completions as a Percentage of Total Stock (as of August 2016)



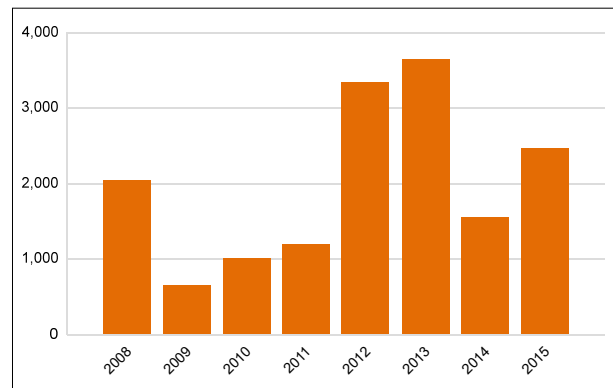
Source: YardiMatrix

Development Pipeline (as of August 2016)



Source: YardiMatrix

Columbus Completions (as of August 2016)

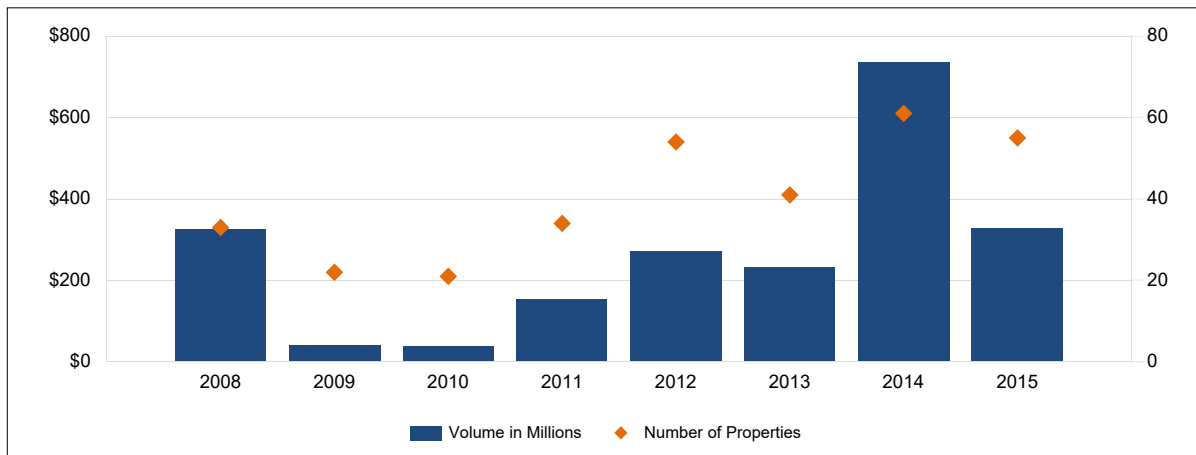


Source: YardiMatrix

Transactions

- Some \$327 million worth of properties changed hands in Columbus in 2015, roughly in line with historical averages but far below the record-breaking \$735 million volume recorded in 2014. Transaction activity is expected to grow, as investors that are looking for higher-yielding properties in secondary markets are attracted by Columbus' population growth and dynamic economy.
- At \$56,000, the average price per unit is less than half the national average of \$117,000, making Columbus one of the most affordable cities nationwide. Even so, properties have reached their highest level in recent years, and unit prices have quadrupled since 2010.
- In the past year, investors have focused on core urban submarkets such as Northwest Columbus, Westland and Lewis Center, which encompass more than one third of total transaction volume.

Columbus Sales Volume and Number of Properties Sold (as of August 2016)



Source: YardiMatrix

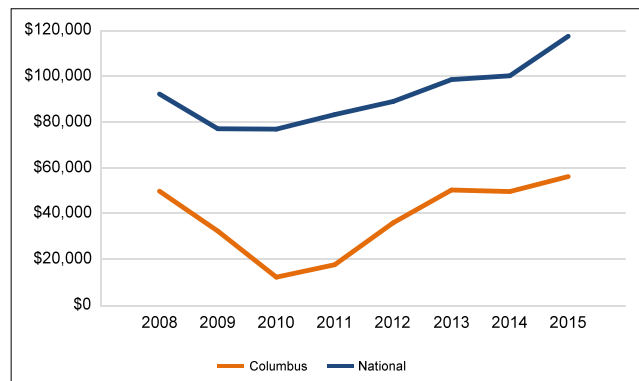
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Northwest Columbus	51
Westland	43
Lewis Center	29
Northeast Columbus	27
Westerville	26
Canal Winchester	25
Greater Hilltop	19
Gahanna	13

Source: YardiMatrix

¹ From August 2015 to August 2016

Columbus vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



HMG Arranges \$24M Refi
For 3-Property Portfolio in Ohio



Miller-Valentine Brings
Luxury Community to Ohio



Columbus Office Tower Earns
Energy Star Certification

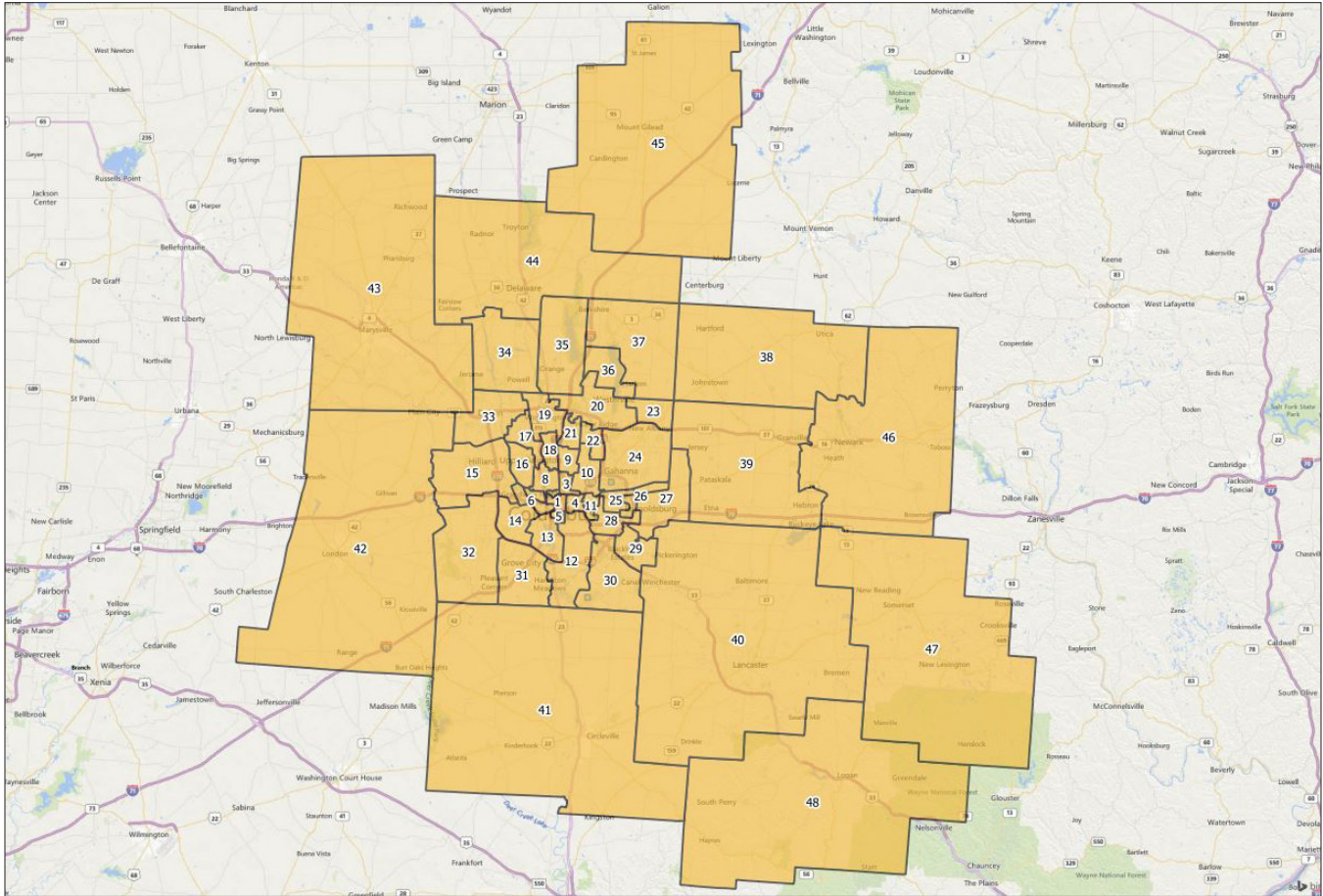


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Columbus Submarkets



Area #	Submarket
1	Columbus-Downtown
2	Victorian Village
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	Hillard
16	Upper Arlington
17	Northwest Columbus
18	Clintonville
19	Worthington
20	Westerville
21	Northland
22	Minerva Park
23	New Albany

Area #	Submarket
24	Gahanna
25	Whitehall
26	Blacklick
27	Reynoldsburg
28	Obetz
29	Canal Winchester
30	Groveport
31	Grove City
32	Westland
33	Dublin
34	Powell
35	Lewis Center
37	Sunbury
38	Johnstown
39	Pataskala
40	Fairfield
41	Pickaway
42	Madison
43	Union
44	Delaware
46	Newark

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.

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