

MARKET REPORT

Multifamily
Columbus Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

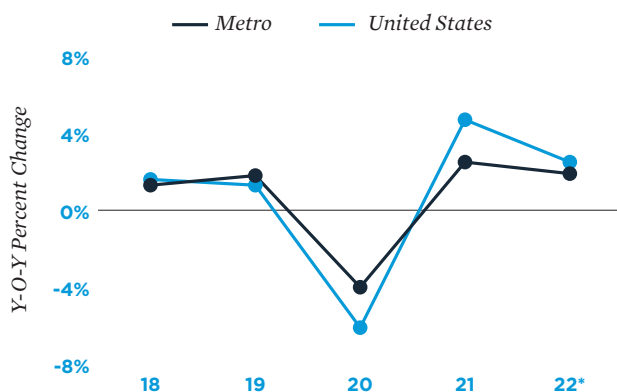
2Q/22

New Residents and Returning Students Expand Renter Pool, Aiding Conditions

Relocations coincide with already limited vacancy. As net in-migration to Columbus reaches its highest level since 2017, the number of households will expand by over 12,000 in 2022. Household growth will continue to drive a need for rentals at a time when double-digit increases in home prices and tapering multifamily completions limit available housing options. The resulting supply-demand imbalance will support continued vacancy compression, with unit availability slated to reach a new low this year. Fundamentals should remain historically strong outside the core, as a moderation in suburban deliveries this year will allow vacancy outside the CBD to hold below 3.0 percent.

Central business district poised for further recovery. After high vacancy and declining rents in the first half of 2021, the Downtown Columbus-University District notched a 480-basis-point drop in vacancy during the second half of the year. This sharp compression coincided with rents in other submarkets closing in on urban core rates and the return of students to the Ohio State University, which bolstered demand for campus-adjacent apartments. Moving forward, professionals' increasing return to offices has the potential to support continued movement toward Downtown Columbus. This bodes well for developers with upcoming deliveries, as the submarket's active pipeline contains more than 4,000 units. Of these rentals, an estimated 1,550 apartments are slated for completion in the next three quarters.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**21,400
JOBS**

will be created

EMPLOYMENT:

Total employment will grow 1.9 percent in 2022, pushing Columbus' headcount over the pre-pandemic peak by 3,200 jobs. Strong growth will continue in segments that have supported recovery, such as construction and trade, transportation and utilities.



**3,600
UNITS**

will be completed

CONSTRUCTION:

Completions will fall below the trailing five-year average of 4,500 units. Still, inventory will increase by 1.9 percent during 2022. Developments in West Columbus will account for 25 percent of the rentals delivered this year.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Vacancy will reach a record-low mark this year, as renters absorb approximately 4,000 units, reducing unit availability to 2.2 percent. All 10 of Columbus' submarkets registered rates below 4.0 percent entering this year.



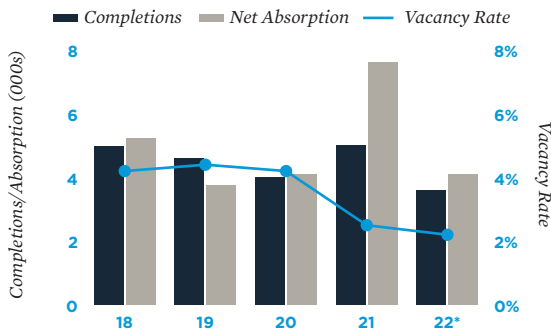
**9.3%
INCREASE**

in effective rent

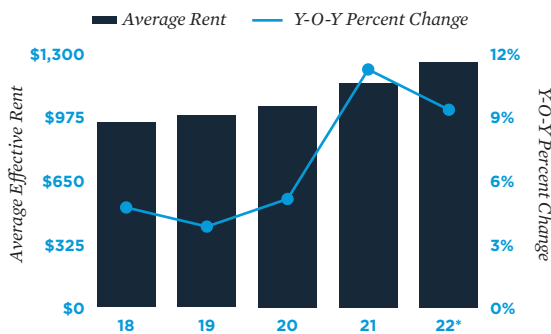
RENT:

After last year's 11.1 percent jump, the pace of rent growth will moderate. Nevertheless, the average effective monthly rent will rise to \$1,250 rent growth during 2022, with the annual rate of increase surpassing the decade-long average of 5.2 percent.

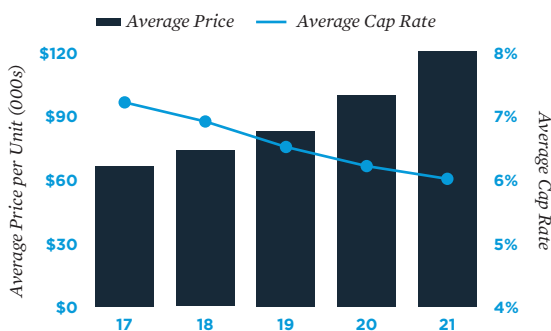
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION

4,140 units completed

- Apartment inventory grew by 2.0 percent year-over-year in March, with supply additions concentrated in West Columbus and Downtown Columbus-University District.
- The metro's pipeline remains sizable, with construction underway on another 7,800 units. Delivery dates for these rentals extend into 2024.

VACANCY

220 basis point decrease in vacancy Y-O-Y

- Availability fell to 2.3 percent in March, the lowest mark since at least 2000. Conditions are tight across all three apartment classes, with each tier starting the year with sub-3 percent vacancy.
- Dublin-Hilliard saw the tightest vacancy rate in the first quarter at 1.5 percent, after a 70-basis-point drop from the fourth quarter of 2021.

RENT

12.2% increase in the average effective rent Y-O-Y

- Seven of 10 submarkets recorded double-digit rent growth over the past four quarters, raising average effective rents to \$1,163. Led by West Columbus, three submarkets noted gains of at least 13 percent.
- Rent growth was strongest in West Columbus at 14.1 percent, aided by vacancy contracting to 2.8 percent.

Investment Highlights

- Columbus' steady economic recovery from the health crisis has renewed investor interest in metro apartments. Recent transactions reflect this, as deal flow increased by more than 75 percent on an annual basis during 2021, with notable gains recorded in both the second and third quarters.
- Deal flow was strongest in neighborhoods surrounding the Ohio State University, as in-state and out-of-state investor confidence and sales activity in the area improved alongside the return of students to campus. Here, most closings involve smaller Class B and C properties.
- Columbus' average price per unit was one of the fastest growing among major U.S. markets last year at a tick above 20 percent. This gain elevated the mean price point to approximately \$120,200 per door.
- Rising prices in the metro drove down the average cap rate by 20 basis points last year to 6.0 percent. Class A properties are trading at high-4 percent returns on average, while the mean yield for lower-tier assets sits in the mid-6 percent range. There is strong demand for Class C complexes with value-add potential.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.