

MARKET REPORT

Multifamily
Columbus Metro Area

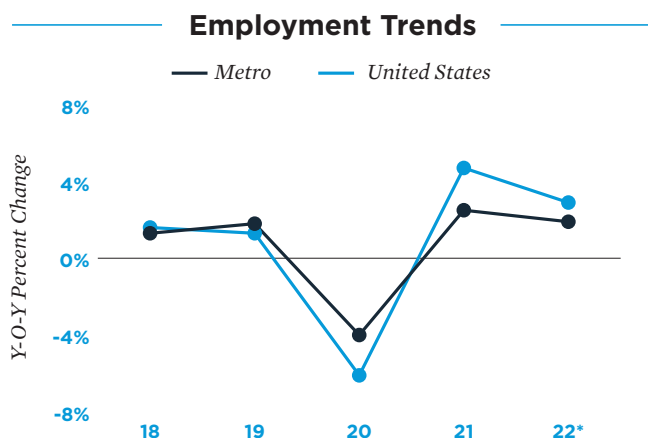
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

3Q/22

Intel-Fueled In-Migration and Record University Enrollment a Boon for Columbus

Anticipated employment surge to bolster renter demand. Following Intel Corp.'s January 2022 announcement that it would begin construction on two semiconductor factories in the metro, Columbus officials have begun discussing residential development strategies to accommodate the anticipated influx of positions. Construction employment was already on the rise before work at the New Albany site began in July, and Intel estimates 7,000 construction positions will be created over the course of the build. With unemployment in the metro already at historic lows, the labor required to build the plants and fill the thousands of supporting roles will necessitate the recruitment of residents outside of the metro. The influx of both construction jobs and higher-paying tech positions foreshadows strong demand for rentals across property tiers. Suburban areas that offer quick commutes to the site are positioned to meet this demand.

University growth sustains tight vacancy in the CBD. The Ohio State University, located in the Downtown Columbus-University District submarket, noted record-high enrollment in fall 2021. As of June, the vacancy rate in the CBD was 3.5 percent, equal to the trailing 10-year average. Additional students moving to campus-adjacent apartments will increase demand for housing close to the university, placing additional downward pressure on CBD vacancy. Demand for rentals in the core also acts as a tailwind for the 4,400 units currently in the submarket's construction pipeline.



* Forecast

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

Multifamily 2022 Outlook



**21,400
JOBS**

will be created

EMPLOYMENT:

Five of the first six months of 2022 noted positive employment growth, with a total of 16,500 positions added. Down to 3.0 percent in June, low unemployment will temper hiring velocity in the second half of this year.



**3,100
UNITS**

will be completed

CONSTRUCTION:

Local inventory will expand by 1.6 percent in 2022, following a half-decade of consistent 2.0 percent-plus annual increases. Downtown Columbus-University District and West Columbus are each slated to receive over 1,000 units this year.



**10
BASIS POINT**

increase in vacancy

VACANCY:

Columbus' vacancy rate will grow to 2.6 percent; however, net absorption will be positive, totaling 2,800 units by year-end. This, paired with moderate construction, will prevent a notable rise in availability.



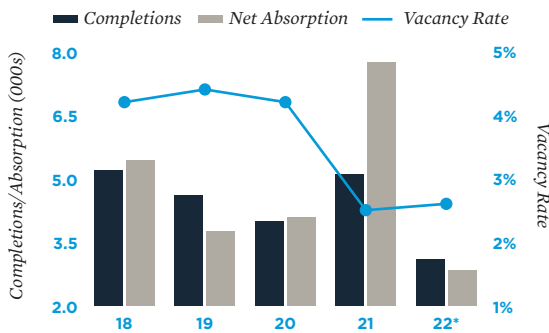
**9.9%
INCREASE**

in effective rent

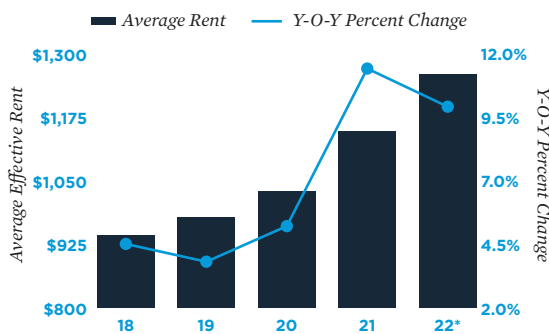
RENT:

The pace of rent growth during 2022 will slow slightly from last year's 11.4 percent gain, yet still remain above the national average of 9.4 percent. By December, the metro's mean effective rate will reach \$1,260 per month.

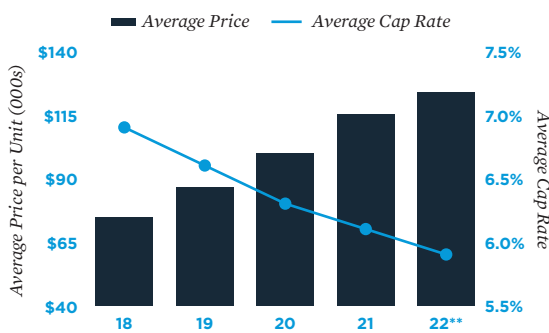
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

2Q 2022 - 12-Month Period

CONSTRUCTION
4,369 units completed

- In the trailing 12 months preceding July, inventory in Columbus expanded by 2.0 percent, below the 2.6 percent rise noted over the last yearlong span.
- While the CBD reported a 5.3 percent rise in stock, suburban areas received the majority of deliveries, with over 3,000 units coming online during the four-quarter period.

VACANCY
130 basis point decrease in vacancy Y-O-Y

- Vacancy in the second quarter was down from June of last year, but up 50 basis points compared to the first quarter 2022 low of 2.3 percent.
- Class A vacancy increased by 30 basis points during the second quarter, the smallest rise across rental tiers. Entering July, Grove City-South Columbus reported the lowest Class A rate among submarkets at 1.6 percent.

RENT
14.2% increase in the average effective rent Y-O-Y

- The average effective rent in Columbus continued its sharp upward pace, reaching a record mark of \$1,224 per month in the second quarter.
- Rates in the CBD rose the fastest, noting a 13.7 percent increase, as downtown continued to bounce back from pandemic losses. Vacancy here is less than half of the pandemic high.

Investment Highlights

- Transaction velocity rose by around 30 percent in the trailing 12 months preceding July, though a slight slowdown in trading occurred over the first half of 2022. During this recent six-month window, \$1 million to \$10 million closings accounted for the bulk of deal flow, contrasting the prior two quarters when a notable number of sales priced above \$20 million were registered. This suggests that some institutions have become slightly less aggressive in Columbus, after ramping up activity earlier in the pandemic.
- In the yearlong period, sale prices continued their strong upward trajectory as the average price per unit reached over \$124,000, after a 15 percent increase. The mean cap rate compressed accordingly to the high-5 percent range, on the low end of most Midwest markets.
- Investors continue to pursue rental properties in well-performing suburban submarkets. Upper Arlington noted one of the highest number of sales among the metro's submarkets in the first six months of 2022. Similarly, its neighboring submarket Dublin-Hilliard recorded elevated deal flow. Institutional interest in these locales is a product of their vacancy rates, which are the lowest across metro submarkets. Additionally, both areas also notched double-digit rent gains over the past year.