Columbus 1Q 2023 Multifamily Market Report

Welcome to the Columbus Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.

Supply and Demand

Completions in 1Q 2023

1,156 units delivered in the first quarter of 2023. Supply was greatest in Downtown Columbus / University District, Reynoldsburg / Far East, and Westerville / New Albany submarkets, with 251 units, 286 units and 194 units delivered, respectively.

Annual Supply Trends

The supply of new units in Columbus has remained steady and moderate, with an average of approximately 4,500 units per year since 2015. As of the first quarter of 2023, the market saw an increase of 2.1% in inventory, with 4,051 units delivered during that period. The Downtown Columbus / University District and Dublin / Hilliard submarkets have been leading in terms of completions over the past year.

Units Under Construction

The number of completions is anticipated to rise moderately in the upcoming period, with 11,029 units currently being constructed and 5,965 of them scheduled to be delivered within the next 12 months. Notably, over 42% of these units are expected to be delivered in the Downtown Columbus / University District submarket, while all of the other submarkets except one will also receive units.

Annual Absorption Trends

A decline in occupancy rates in the latter half of 2022 resulted in a net move-out of 912 units for the year ending 1st quarter 2023, marking the weakest annual demand since early 2009. Among the ten submarkets in Columbus, only two - Downtown Columbus / University District and Dublin / Hilliard - reported positive absorption in the past year. In contrast, the remaining eight submarkets witnessed an average of slightly less than 200 net move-outs for the year.

ANNUAL DEMAND VS COMPLETIONS

1Q23

QUARTERLY DEMAND

-912

QUARTERLY COMPLETIONS

1,156

Occupancy and Rent Trends

Occupancy Trends

In line with national patterns, slowing demand and a surge in deliveries impacted the Columbus apartment market in the first quarter. Although demand bounced back to positive levels this past quarter, supply has now exceeded demand for four straight quarters. This led to a 2.5-point annual decrease in occupancy, bringing the first quarter rate to 95.2%. Upon evaluating the the product classes in Columbus, the Class A and B segments experienced a more significant decline in occupancy, year over year, due to the pressure new supply is applying. In contrast, occupancy remained relatively robust in the Class C segment, which registered an average occupancy rate of 96.3% in the first quarter, representing a more moderate 1.7-point decrease.

Turning to submarkets, North Central Columbus boasted the highest occupancy rate in the 1st quarter of 2023, at 96.3%. Conversely, the lowest occupancy rates were found in Westerville / New Albany / Delaware - 94.7% and Gahanna / Northeast Columbus -94.9%. Over the past five years, Reynoldsburg / Far East Columbus has generally dominated in terms of occupancy. In the forthcoming year, it is anticipated that apartment occupancy in Columbus will hover around 95.5%.

Rental Trends

While rent growth in Columbus is indeed slowing down, it is doing so at a markedly reduced rate compared to the United States and other markets, especially those in the Southeast and Southwest regions, where extraordinary supply levels are substantially affecting rent growth. Average rent in Columbus currently stands at $1,278, reflecting a 6.8% increase over the previous year. With rent growth at 6.8%, Columbus significantly outperforms the national average and only lags behind Cincinnati and Indianapolis within the Midwest region. Factors such as the presence of a world-class research university and robust demographic growth have contributed to a more tempered deceleration in rent growth compared to peer markets and the U.S. in general. Moreover, rent growth in Columbus continues to exceed its 10-year average of 4.9%.

Taking a deeper look at rental trends in Columbus, annual effective rent change was recorded at 7.5% for Class A units, 6.6% for Class B units, and 6.5% for Class C units. Examining submarkets, North Central Columbus and Southeast Columbus displayed the most robust annual rent change performances over the past year, with both exceeding 10%. In contrast, Gahanna / Northeast Columbus exhibited the weakest performance at 2.9%, making it the only submarket with annual rent growth below 5%. Over the last five years, the strongest rent growth was observed in Reynoldsburg / Far East Columbus.

RENT AND OCCUPANCY TRENDS

RENT VS OWN MONTHLY PAYMENT

The average monthly mortgage payment is based a median home price $286,000 as reported by NAR

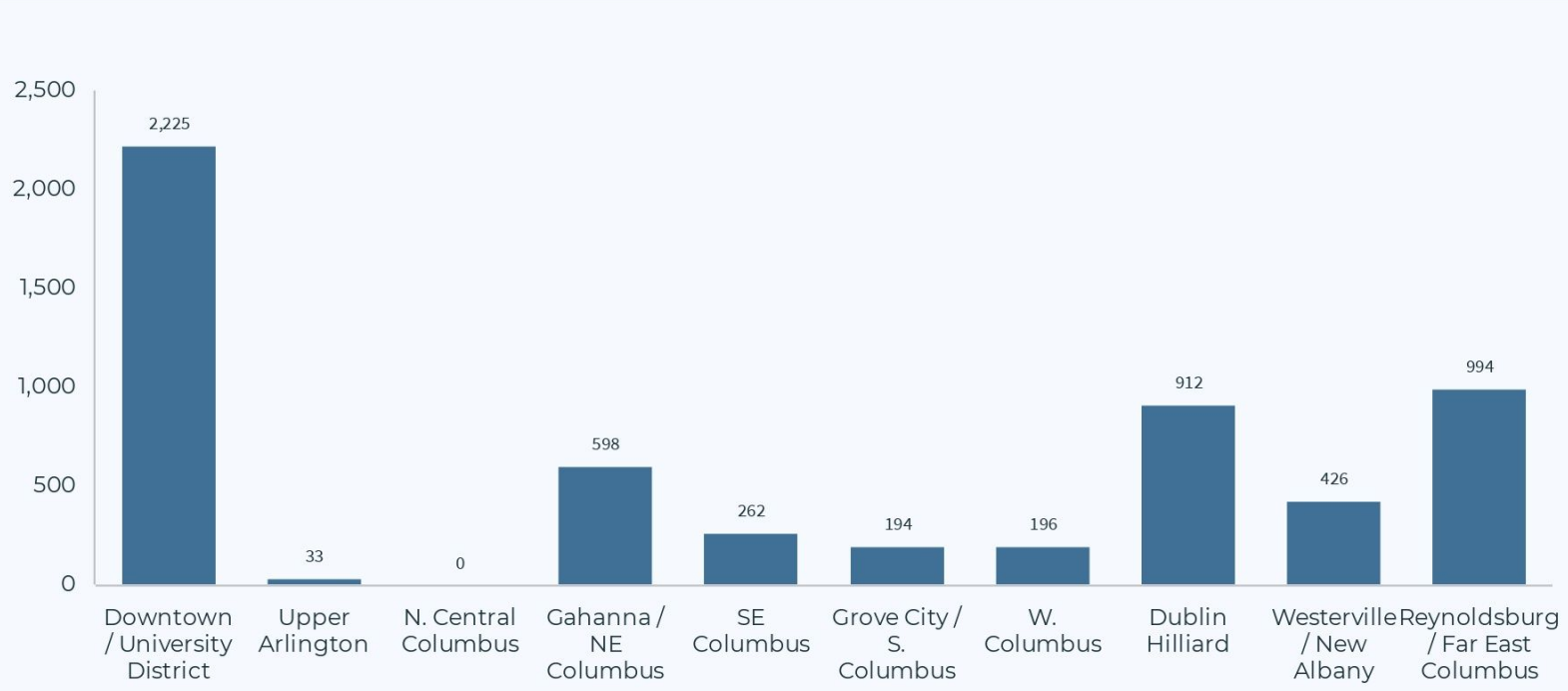
Submarket Analysis

Over the past year, demand within the Columbus market has been focused on desirable areas that experienced a surge in new supply. Nearly half of the market-wide demand in 2022 was represented by the Downtown / University District submarket alone. Communities surrounding Ohio State University have been witnessing the majority of deliveries and development activities, which in turn contribute to the submarket's overall robust performance.

Submarkets with the highest share of Class A inventory have seen some of the strongest rent growth in Columbus. Upper Arlington is one of the few areas where rent growth was still near record level at the close of the first quarter of 2023. Annual growth comes in just above 6%, more than 300 basis points above the 10-year average.

Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
Downtown / University District	95.1%	-1.9%	$1,622	6.5%
Upper Arlington	95.2%	-2.3%	$1,298	5.3%
North Central Columbus	96.3%	-0.7%	$983	10.4%
Gahanna / NE Columbus	94.9%	-3.2%	$1,234	2.9%
SE Columbus	95.4%	-2.6%	$976	10.1%
Grove City / S. Columbus	95.4%	-2.6%	$1,148	7.1%
West Columbus	95.1%	-2.1%	$1,157	7.9%
Dublin / Hilliard	95.4%	-3.0%	$1,445	9.1%
Westerville / New Albany	94.7%	-3.0%	$1,404	5.5%
Reynoldsburg / Far East	95.3%	-2.4%	$1,208	5.5%

UNITS BY SUBMARKET DELIVERING IN 2023



Sales Activity

During the year ending in the 1st quarter of 2023, transaction dollar volume in Columbus amounted to approximately $870 million, representing a 23% decrease year-over-year for conventional multifamily properties. Concurrently, the number of transactions experienced a decline of about 22% over the past year, with 37 apartment properties changing hands. Sales fell even further in Q1 2023 and totaled just over $80 million.

Additionally, the average price per unit in Columbus reached approximately $145,200, reflecting a 6% annual increase. This average price per unit in Columbus remained below the standard benchmark for the U.S. as a whole ($234,000).

Transaction Trends

Transaction Volume

$870M

1Q 2023 Transaction Volume

(trailing 4Q total)

-23%

Annual Volume Change

Pricing

$145k

1Q 2023 Price Per Unit

(trailing 4Q average)

+6%

Annual Price Change

Top Buyers By Number of Properties Purchased (Prev. 24 Mos)

1. Champion RE Services
2. Birge & Held
3. Upside Investments
4. 29th Street Capital
5. TruAmerica

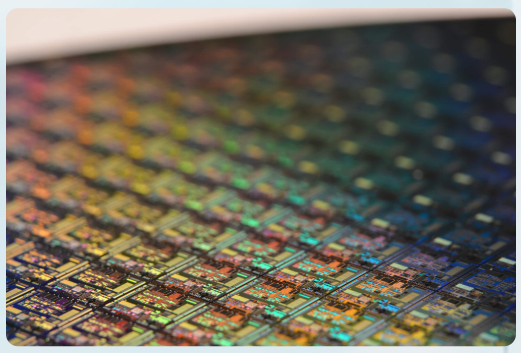
Top Sellers By Number of Properties Dispositioned (Prev. 24 Mos)

1. Champion RE Services
2. Rockford Construction
3. Borror Properties
4. Preferred Living
5. Celmark

Economy

In March 2023, the Columbus Metro witnessed significant job growth, adding 10,100 new positions, as reported by the Bureau of Labor Statistics (BLS). The growth rate of 1.0% was the below the national average gain of 2.7%. The region experienced strong job gains across multiple sectors. The government sector led the way with 5,200 new jobs, followed by the Leisure and Hospitality (2,800), and construction sectors (2,700). Columbus' unemployment rate stands at 3.4%, slightly below the national average of 3.5%.

Major Economic Developments



$20B Microchip Fab Announced By Intel

3,000

New jobs

$20B

Investment

New Albany

Location

$135k

Avg. salary of positions created

2025

Operational by 2025

Hyperion To Open Global HQ

$60M

In annual payrolls

700

Jobs generated

$296M

Investment

65 acre

Campus in Columbus

Meta To Expand Local Campus

$500M

In new investment to their existing campus

$1.5B

total invested by Meta into Columbus

100

Jobs created

New Albany

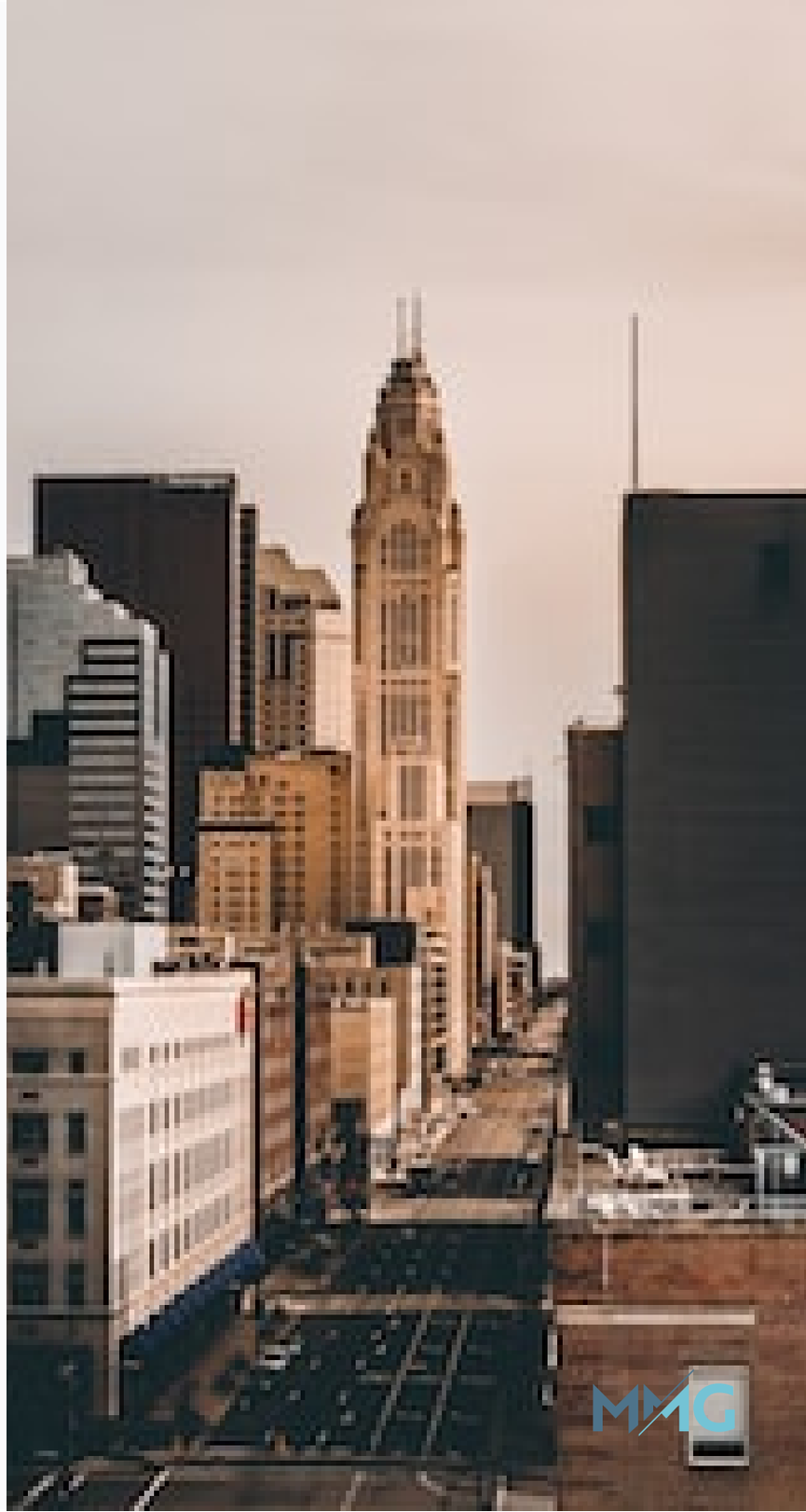
site of existing campus

Market Outlook

Supported by a stable economy, Columbus has consistently demonstrated strong performance, even amidst the economic fluctuations experienced over the past three years. Nevertheless, the market witnessed a demand reduction in the latter half of 2022, similar to trends observed nationwide. Despite the diminished demand, occupancy levels remained high, and the market continued to exhibit robust annual rent growth. New apartment completions have been moderate and steady, with a slight increase expected in the coming year as 5,965 units are scheduled for delivery by the end of the 1st quarter in 2024.

Columbus experienced a 1.0% job growth in the year ending March 2023, with projections indicating moderate growth in the upcoming year. As consistency remains a distinguishing feature of the Columbus market, it is anticipated to sustain occupancy rates between 95% and 96% and achieve annual rent growth of approximately 3% to 3.5% over the long term, outperforming the national average slightly.

sources: RealPage; RCA; BLS; Columbus Business Journal



To Gain Further Insights Into The Columbus Market Please Reach Out To Our local Team

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