COLDWELL BANKER COMMERCIAL
ASPIRE REALTY SERVICES

Metro Executive Briefing

Prepared By Reis, Inc.
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Apartment - 1st Quarter 2019
Metro: Columbus

Section 1 - Executive Briefing on Metro Conditions

Average Asking Rent $950

- Up 0.5% from year-end 2018.
- Has risen in every quarter since year-end 2009.
- Expected to finish 2019 at $982.

Average Vacancy Rate 4.6%

- Drifted downward by 10 basis points.
- Expected to finish 2019 at 5.0%.

Market Overview

The Columbus apartment market is comprised of 146,284 units in twelve geographic concentrations ranging in size from the 20,778 unit Whitehall/Gahanna/Reynoldsburg submarket to the Bexley submarket, which amounts to 5,032 units. In the ten-year period beginning with Q2 2009, the Westerville submarket has experienced the greatest introduction of new inventory, 5,969 units, amounting to 26.8% of all new market rate rentals added to the market.

Asking and Effective Rent

Asking rents in the Ohio state capital and most populous city rose by 0.5% during the first quarter of 2019 to an average of $950. Mean unit prices in the metro are as follows: studios $733, one bedrooms $835, two bedrooms $1,002, and three bedrooms $1,204. This advance extends the market's run of gains to thirty-seven quarters, during which asking rents have climbed by a total of 39.3%. Since the beginning of Q2 2009, the metro as a whole has recorded an annual average increase of 3.4%. Effective rents, which exclude the value of concessions offered to prospective tenants, climbed by 0.6% during the first quarter to an average of $905. During the past four quarters, positive movement in asking rent was recorded in all twelve of the metro's submarkets.

Competitive Inventory, Household Formations, Absorption

Net new first quarter household formations in the Columbus metropolitan area were 2,040. In most cases, a portion of the newly gained households become tenants in market rate apartment units; therefore, it is prudent to consider longer-term economic and demographic performance as an influence upon the current demand for apartment units. Since the beginning of Q2 2009, household formations in Columbus have averaged 1.2% per year, representing the average annual addition of 9,300 households. Demand attributable in part to this pace of household formations contributed to the absorption of 255 units during the first quarter, while new development added 64 units to the metro inventory; the net effect of absorption and construction dynamics caused the vacancy rate to drift downward by 10 basis points to 4.6%. Over the last four quarters, market absorption totaled 2,311 units, 10.3% lower than the average annual absorption rate of 2,575 units recorded since the beginning of Q2 2009. In a long-term context, the first quarter vacancy rate is 1.3 percentage points lower than the 5.9% average recorded since the beginning of Q2 2009.

Outlook

Between now and year's end, 1,938 units of competitive apartment stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 1,292 units. As a result, the vacancy rate will drift upward by 0.4 percentage points to 5.0%. During 2020 and 2021, developers are anticipated to deliver a total of 1,826 units. Net new household formations at the metro level during 2020 and 2021 are projected to average 1.1% annually, enough to facilitate an absorption rate averaging 693 units per year. Because this amount does not exceed the forecasted new construction, the market vacancy rate will rise by 20 basis points to finish 2021 at 5.2%. Between now and year-end 2019 asking rents are expected to climb 3.4% to a level of $982, while effective rents will advance by 3.2% to $934. On an annualized basis, asking and effective rents are expected to increase at a rate of 2.7% through year end 2021, reaching average rates of $1,036 and $985 per unit, respectively.

1 Click here for a glossary of terms, or go to https://se.reis.com/ReisSEGlossary.pdf

About Reis

Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing properties and affordable housing, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.