

Apartment

Columbus

Midwestern Region

United States

MOODY'S
ANALYTICS

CRE

REPORT GENERATED
February 10, 2023
DATA AS OF Q4 2022

I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$1,136/unit**

AVERAGE VACANCY **4.5%**

(Published December 2022)

- Rent in the Columbus metro was up 0.9% from November.
- Rent is expected to finish 2023 at \$1,136 in the Columbus metro.
- Vacancy in the Columbus metro drifted upward by 10 basis points.
- The Columbus metro had the highest vacancy level since October 2021.

Market Overview

The Columbus apartment market is comprised of 157,624 units in thirteen geographic concentrations ranging in size from the 21,275 unit Whitehall/Gahanna/Reynoldsburg submarket to the Delaware North submarket, which amounts to 2,501 units. In the nine-year period beginning with Q1 2013, the University/Downtown submarket has experienced the greatest introduction of new inventory, 7,967 units, amounting to 30.1% of all new market rate rentals added to the market.

Asking and Effective Rent

Monthly movement in asking rent during the fourth quarter was mixed, with December's gain of 0.9% bringing the cumulative quarterly total up to 0.7%. Mean unit prices in the metro are as follows: studios \$872, one bedrooms \$1,023, two bedrooms \$1,189, and three bedrooms \$1,483. Over the past twelve months, asking rents have climbed a total of 9.3%, up from \$1,039. Since the beginning of Q1 2013, the metro as a whole has recorded an annual average increase of 4.4%. Effective rents, which exclude the value of concessions offered to prospective tenants, increased by 0.8% during December to an average of \$1,086. During the past 12 months, positive movement in asking rent was recorded in all thirteen of the metro's submarkets.

Competitive Inventory, Household Formations, Absorption

The fourth quarter added 1,640 net new households to the Columbus MSA. Absorption of market rate rental units may not immediately reflect quarterly total household formations or losses, but it is prudent to consider longer-term economic and demographic performance as influential upon the current demand for apartment units. Since the beginning of Q1 2013, household formations in Columbus have averaged 1.0% per year, representing the average annual addition of 8,400 households. During December, net absorption totaled 93 units, while the metro inventory increased by 315 units. As a result, the metro average vacancy rate drifted upward by 10 basis points to 4.5%. Over the last 12 months, market absorption totaled 458 units, a fraction of the average annual absorption rate of 2,825 units recorded since the beginning of Q1 2013. In a long-term context, December vacancy rate is 0.2 percentage points lower than the 4.7% average recorded since the beginning of Q1 2013.

Executive Briefing (cont.)

Outlook

During 2023 and 2024, developers are projected to deliver a total of 19,102 units. Net new household formations over the same period are expected to average 1.1% annually. Because this amount does not exceed the forecasted new construction, the market vacancy rate will rise by 140 basis points to finish 2024 at 5.9%. On an annualized basis through 2023 and 2024, asking and effective rents are anticipated to increase by 2.9% and 2.8%, respectively, to finish 2024 at \$1,203 and \$1,148.