

Multifamily Metro Outlook:

Columbus - Q1 2021

Overview:

- With the recovery in full swing, Columbus' economy has kicked into high gear and is now outperforming not only the rest of the Buckeye State, but also the nation. Job growth increased 0.7% in the quarter, compared to 0.6% nationally. Bolstered by the presence of The Ohio State University and below-average living costs, the metro's population has grown by nearly a quarter million residents over the past decade.
- This has proven mostly beneficial for the apartment market, which thanks to the economic diversity in the metro is just as unlikely to experience a negative shock as it is a positive one. So, it hardly comes as a surprise that the vacancy rate declined 50 bps over the last quarter to 5.75% - just a quarter percentage point lower than the national average of 6.0%.
- Nonetheless, much of the stability afforded to the metro comes at the cost of rent growth. In Q1 2021, the average asking rent increased just 0.5% to \$1,000. While this was essentially in lock-step with the rest of the nation, compared to last year rents have only increased 2.5%. Further, much of the asking rent increases have been offset by large concessions, especially among Class A properties which offered an average discount of 7.7% during the quarter.

Market Strengths:

- The trend towards normalizing telework has enabled companies operating in higher-cost locales to outsource labor to more cost-effective locations, and Columbus is primed to benefit from the shift. J.P. Morgan, for example, plans to increase headcount in the metro with 600 software engineering and data science jobs - which should only help the share of industry, currently at 4.8%, converge closer to the national average of 5.3%.

Market Weaknesses:

- The single-family market in Columbus is booming, evidenced by home price appreciation exceeding 12.0% annually. However, with growth in local average hourly earnings outpacing much of the nation, the single-family market remains an exceptionally affordable one; the median family income can afford sales prices nearly double the local average.

Development:

- Multifamily development in Columbus is consistent with the rest of the nation. Around 1,000 units were delivered to the metro this quarter, with 6,200 additional units in the pipeline - slightly under the national average of 6,600 when removing the six major metros.
- The shadow market never posed significant competition, but whatever threats there were to the multifamily market have completely diminished now. The metro is on pace to deliver no more than 100 units this year, about a third of its annual average over the past five years.

Outlook:

- Multifamily Outlook: Steady. Columbus' multifamily market is a testament to stability; therefore, further rent and vacancy tightening is unlikely, preventing the metro's performance from crossing above the average threshold in either direction. The natural demand stemming from the outsized student population means that Columbus's apartment market and economy are among the best of the best Rust Belt metros.
- Economic Environment: More Stable. A full return to normalcy is expected for Columbus before 2023, thanks to continued population growth, and higher than average wage growth. The strong university presence in the metro creates a unique bastion of available labor that should continue to entice companies on the verge of relocating from higher-cost metros.

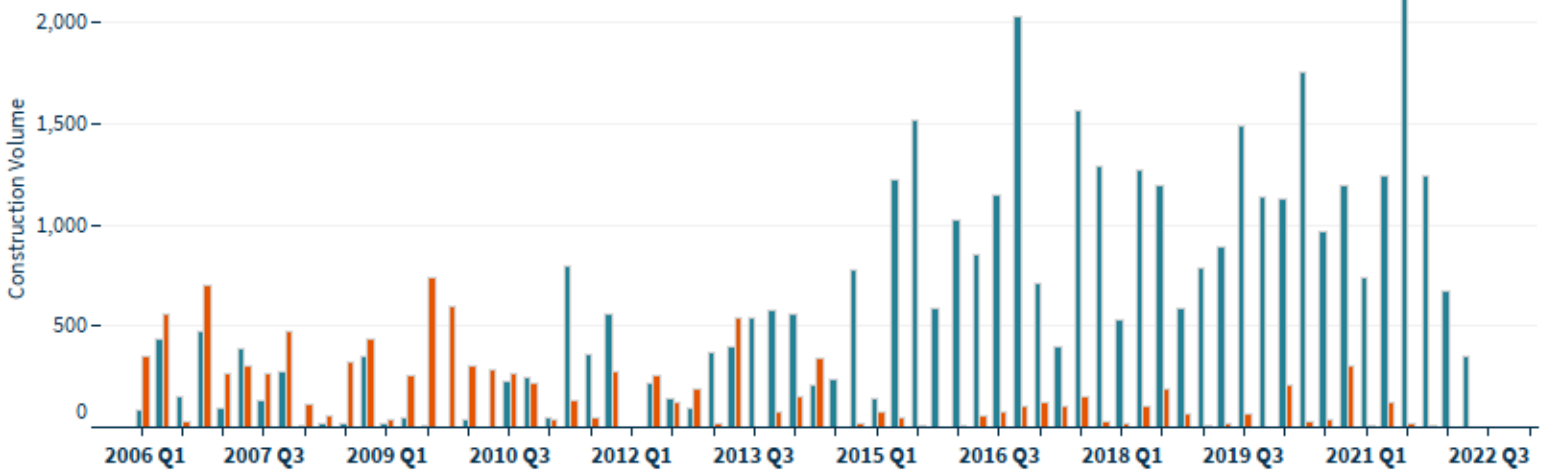
Five Year Metro Area Growth Forecast

Source: Moody's Analytics	2020	2025	Columbus (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	9,454	9,430	-0.05%	0.60%
Households (000s)	3,683	3,765	0.44%	1.01%
Renting Cohort (Ages 20-34) (000s)	1,973	1,940	-0.35%	-0.02%
Total Employment (000s)	4,809	4,927	0.48%	0.57%
Median Household Income	\$73,856	\$86,440	3.20%	2.86%
Median SF Home Price	\$264,865	\$306,812	2.98%	3.38%
Net Migration	-68,562	-37,488		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



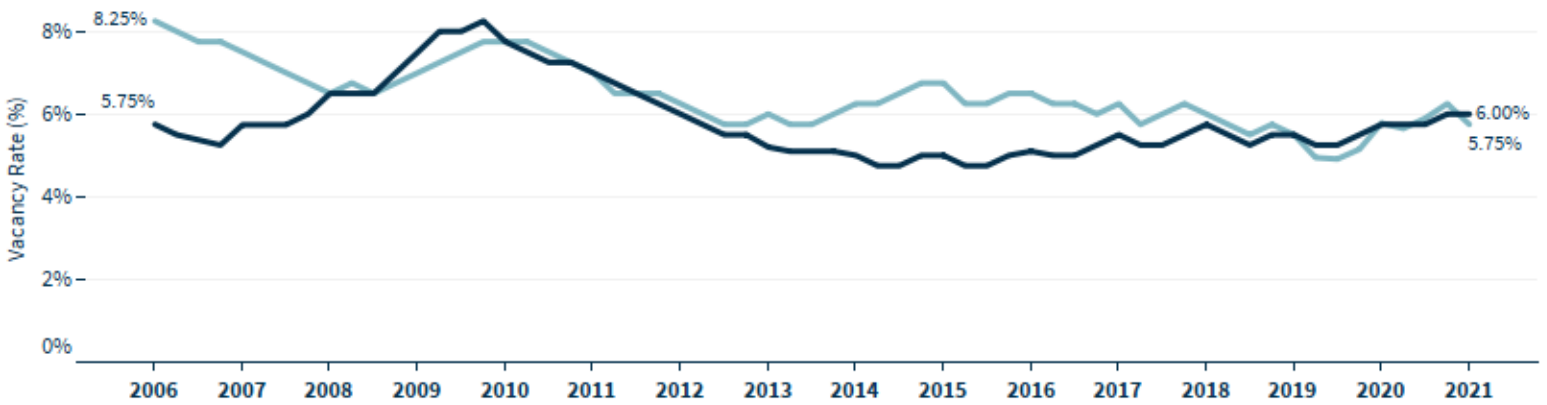
Vacancy & Rent Composite Estimates

Vacancy Rates

Columbus | National

Q1 2021 Vacancy Rate:

5.75%

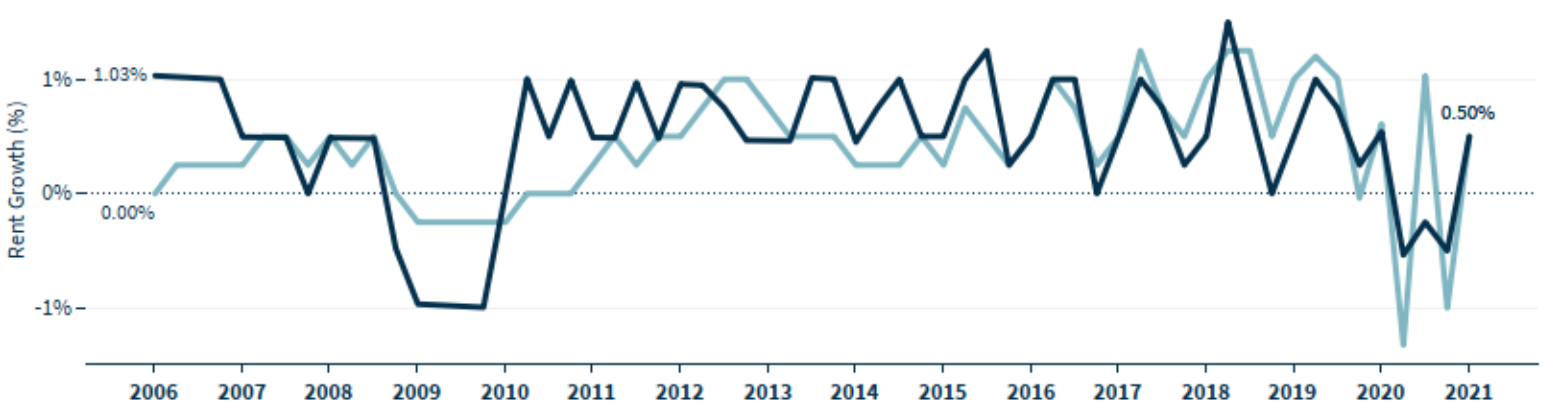


Asking Rent Growth

Columbus | National

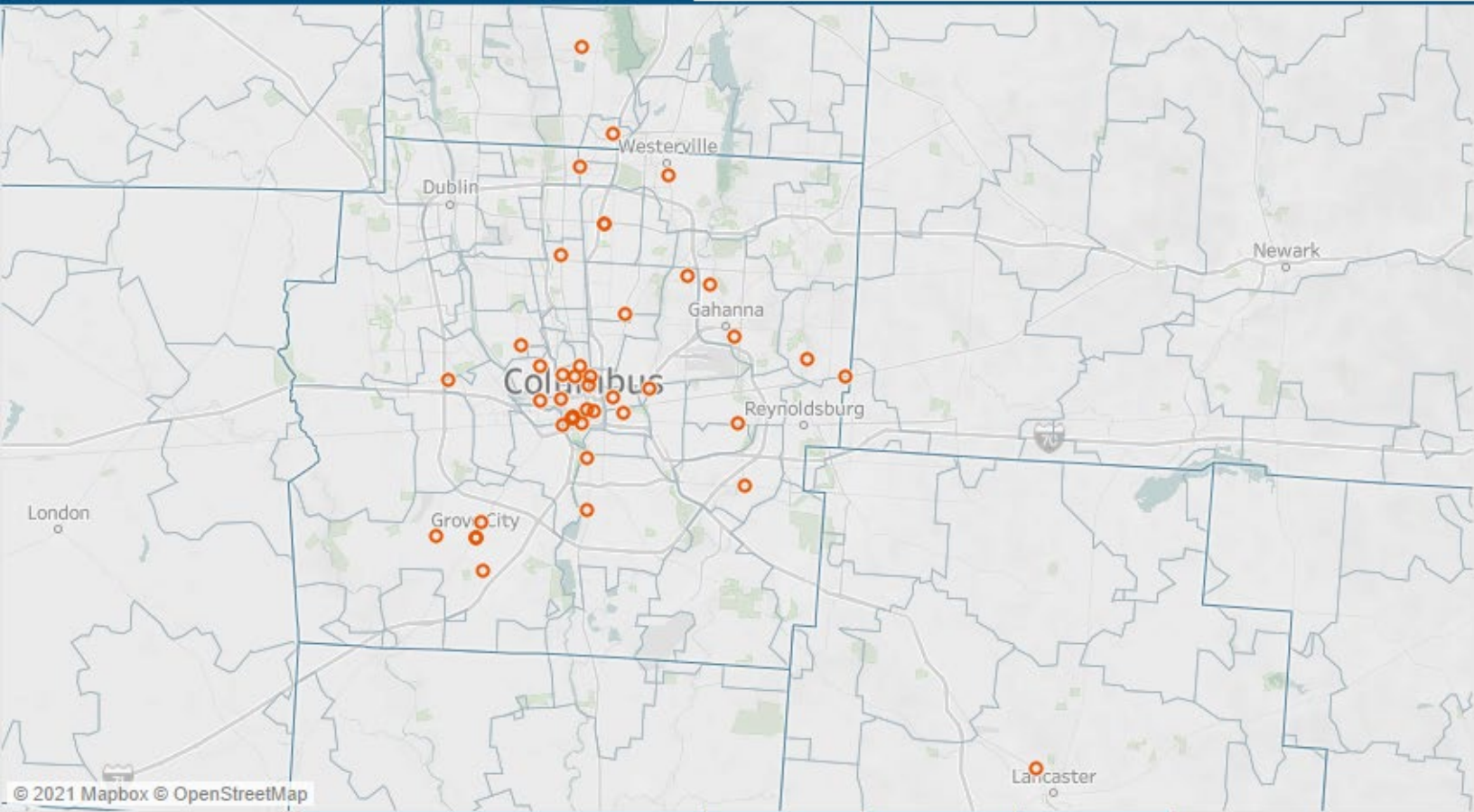
Q1 2021 Asking Rent:

\$1,000



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Downtown Columbus/University District	15	2,363	2.47M
Gahanna/Northeast Columbus	6	841	0.92M
Grove City/South Columbus	11	1,047	1.23M
North Central Columbus	5	115	0.13M
Reynoldsburg/Far East Columbus	1	200	0.25M
Southeast Columbus	4	502	0.60M
Upper Arlington	3	313	0.45M
West Columbus	1	264	0.28M
Westerville/New Albany/Delaware	3	275	0.29M
Grand Total	49	5,920	6.63M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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