

Multifamily Metro Outlook:

Columbus - Q4 2022

Overview:

- Columbus' recovery wasn't completely over before recession indicators began to pop up. Employment in the metro declined over the past year, falling slightly under -0.5%. In turn, the unemployment rate ticked up by slightly more than 12 bps to 3.1%. Even though this is still lower than the national average of 3.4%, it should be mentioned that unemployment rates around the country have been falling over the past year by an average of close to 20 bps.
- Development in Columbus has been tepid to say the least. During fourth quarter ending 2022, only 450 units were delivered to the metro; the lowest level seen since at least 2016, bringing the total amount of supply delivered throughout 2022 to just under 3,350 units. However, even with the drop off in supply, vacancies in the metro, which have been rising all year, continued to increase, rising 50 bps over last quarter's level to 5.0%, although this still lags the national average of 5.5%
- Despite the rising vacancies, fundamentals have yet to completely start deteriorating in the metro. While rent growth was flat compared to the previous quarter, keeping the average asking rent at \$1,170, this too was a more favorable level than the national average, which declined -0.75% over the same period.

Market Strengths:

- Columbus's high-tech sector is poised to benefit from Intel's landmark investment. Earlier this year, the company announced plans to spend at least \$20 billion on two chip fabrication plants in Licking County that will employ upward of 7,000 construction workers and employ at least 3,000 permanent positions with average salaries of \$130,000.
- Honda anticipates creating more than 2,500 jobs as it spends \$700 million retooling its Ohio plants for electric vehicle (EV) production, in addition to a new \$3.5 billion EV battery factory to be built in Fayette County as part of a joint venture with LG Energy.

Market Weaknesses:

- 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:

- As is the case across much of the country, developers are reigning in activity in Columbus. Considering the cost of materials for construction, which has prompted many developers to extend project timelines or suspend them altogether, the pipeline in the metro was little changed from the previous quarter. However, over the past year close to 1,800 units have been planned, more than double the activity seen in 2021. And with 8,400 units currently underway, the largest level seen since 2016, it is expected that new supply will hit the metro in ebbs and flows.

Outlook:

- Columbus' multifamily market has started to stagnate, but 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. All things considered; the metro is just as unlikely to experience a positive shock as it is a negative one.
- Columbus' economic growth has already started to dial back as a result of the tight labor market combined with an uncertain macroeconomic environment. Considering that construction – which has already begun to take a hit across much of the country with the cost of materials so high, and high-tech – which does not comprise an outsized portion of the economy, are the key supports for the metro's economy, it would not be surprising to see a brief period of underperformance. However, longer term, a strong demographic profile, including robust in-migration and superb natural population gains, will enable Columbus to consistently outperform Ohio and the national average.

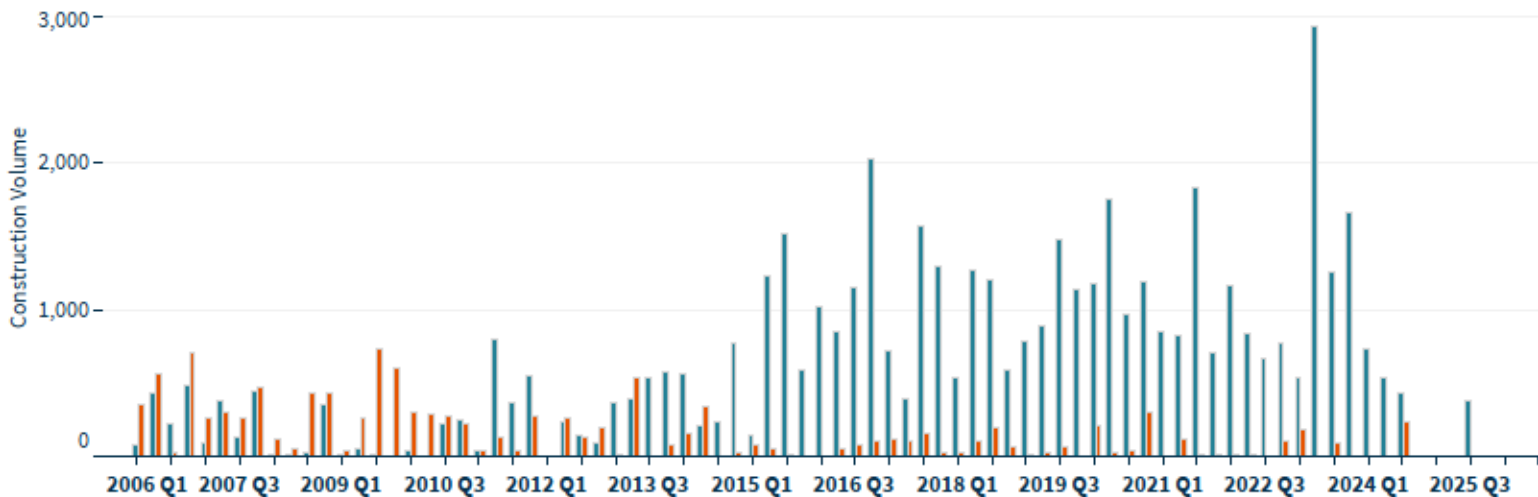
Five Year Metro Area Growth Forecast

Source: Moody's Analytics	Q4 2022	Q4 2027	Columbus (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	311	314	0.21%	0.41%
Households (000s)	125	129	0.73%	0.75%
Renting Cohort (Ages 20-34) (000s)	71	71	-0.17%	-0.40%
Total Employment (000s)	122	126	0.60%	0.52%
Median Household Income	\$58,673	\$68,297	3.08%	3.45%
Median SF Home Price	\$275,155	\$243,218	-2.44%	-0.04%
Net Migration	-372	-291		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



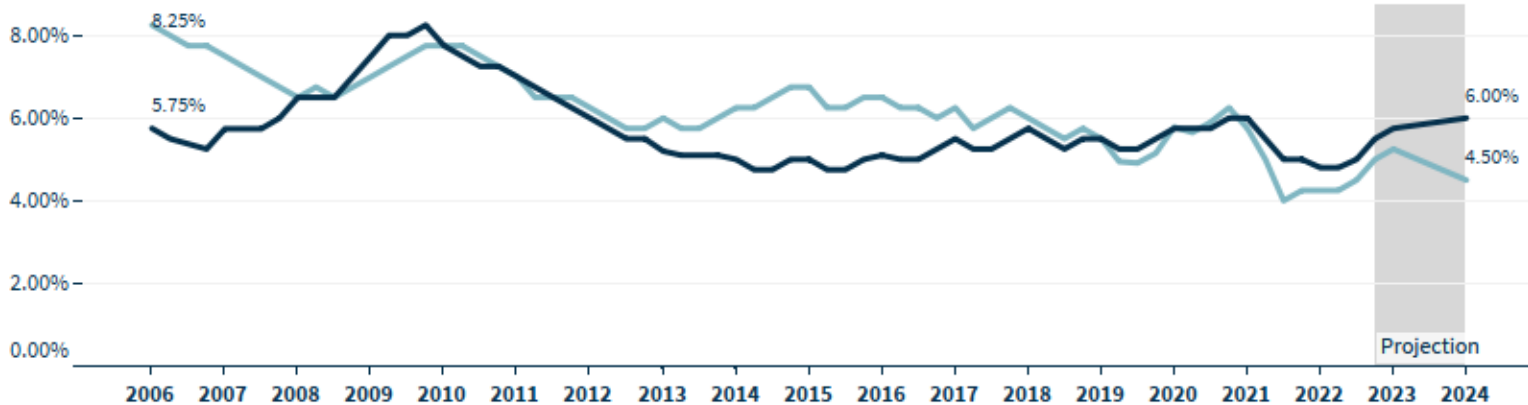
Vacancy & Rent Composite Estimates

Vacancy Rates

Columbus | National

Q4 2022 Vacancy Rate:

5.00%

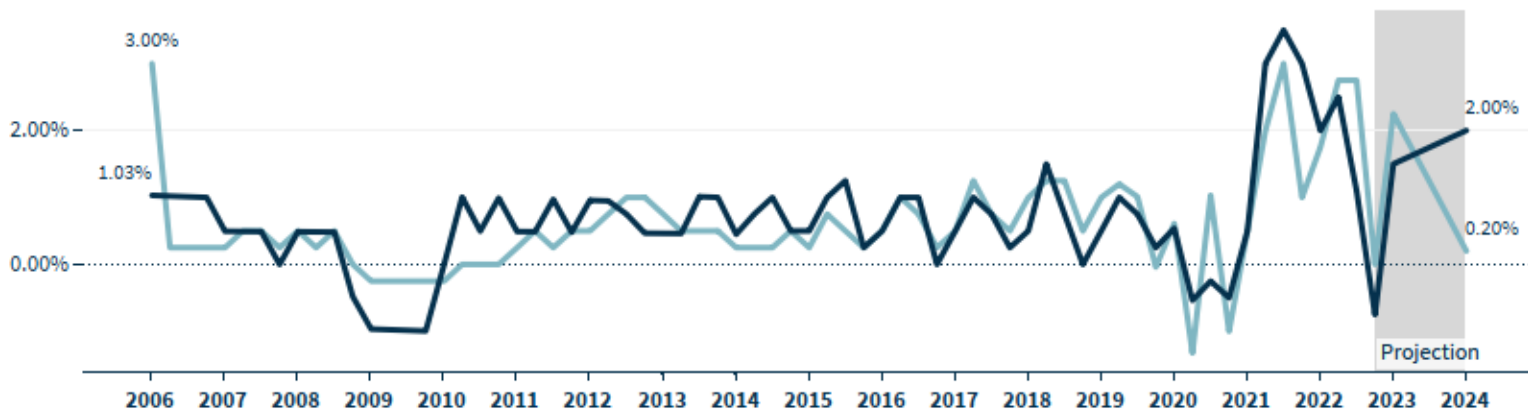


Asking Rent Growth

Columbus | National

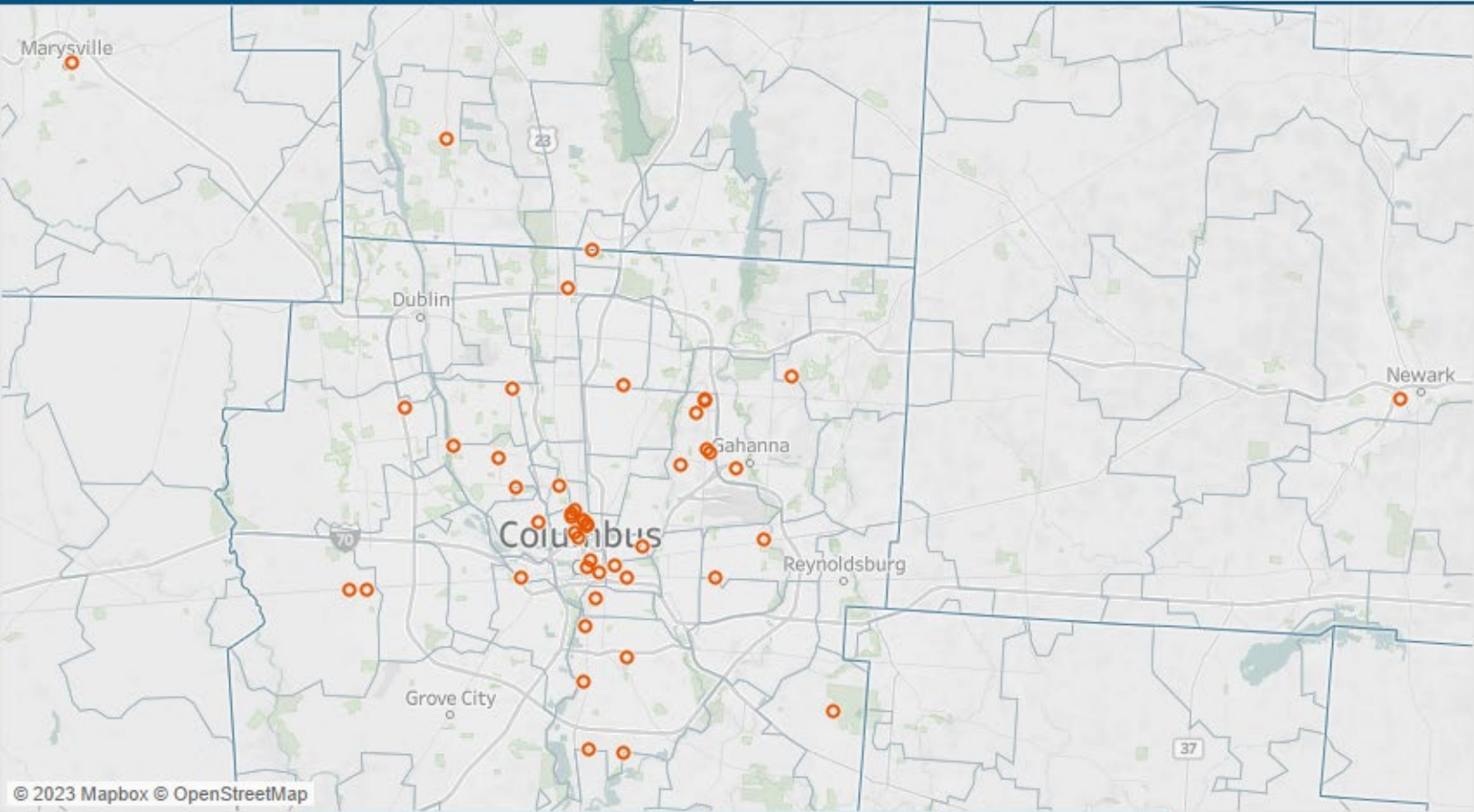
Q4 2022 Asking Rent:

\$1,170



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>
Downtown Columbus/University District	16	2,511
Dublin/Hilliard	3	8
Gahanna/Northeast Columbus	7	1,861
Grove City/South Columbus	6	1,151
North Central Columbus	1	42
Reynoldsburg/Far East Columbus	2	308
Southeast Columbus	5	637
Upper Arlington	5	970
West Columbus	2	352
Westerville/New Albany/Delaware	3	534
Grand Total	50	8,374

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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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