

Multifamily Metro Outlook:

Columbus - Q4 2023

Overview:

- Columbus's economic performance has started to stabilize and recover after the pandemic rebound and has recently surpassed pre pandemic levels. Columbus' labor force is one of just two Ohio metros to fully recover with current employment base now sitting roughly at 47,700 jobs or about 4% above February 2020. Another sign Columbus has continued to stabilize is a steady increase in employment and payroll wage growth. According to CBRE, over the past four quarters, Columbus' employment has grown at an annual rate of 1.5% which is higher than previous years. Payroll wage growth increased 4.4% annually in third quarter. In turn, the unemployment rate ticked up to 3.15%, which is still slightly below the national rate.
- Low business costs and a highly educated population enabled stronger-than-anticipated wage growth in Q4 2023, which increased 4.1% over last year's levels – though it should be mentioned that this is slowest pace of growth seen since first quarter ending 2021. The median household income in the metro increased to just above \$78,000 – which is higher than the national average of roughly 75,100 in the fourth quarter.
- Although the cost of housing continues to rise in both the multifamily and single-family sectors, cooling inflation has slowed down the pace at which rents and mortgages are increasing. However, home sales did increase 7.6% year over year and totaled roughly 20,000 over the past year. Considering single-family housing price growth continues to top price growth among multifamily rents, the cost of renting in the metro is a much more affordable option.

Market Strengths:

- Columbus's high-tech sector is poised to benefit from Intel's landmark investment. In early 2023, 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.
- Wells Fargo new technology hub is opening soon in Northeast Columbus, bringing at least 350 financial technology jobs to the region and G&J Pepsi-Cola bottlers is planning a \$22 million expansion of existing warehouse in Columbus.

Market Weaknesses:

- With growth in local average hourly earnings outpacing much of the nation, the single-family market remains an exceptionally affordable one on a relative basis.
- Post Holdings Inc, a consumer packed goods holding company, is closing cereal manufacturing plant in the East Columbus submarket, which will result in 200 employees being laid off.

Development:

- After hitting the pause button in the second half of 2022, it seems developers hit fast-forward in 2023. More than 6,300 units were delivered in 2023 which was a 20 year high for annual completion volume. At the end of 2023 there were 10,500 units under construction with 6,000 units scheduled to be completed in the next four quarters.
- Although the number of single-family homes dropped from 31,885 to 27,592 in 2023 and The average median price for a home increased five percent from the previous year. The market is still competitive and expected to grow as the National Association of Realtors expect 4.71 million existing home sales in 2024, a 13.5% increase over 4.1 million sales in 2023.

Outlook:

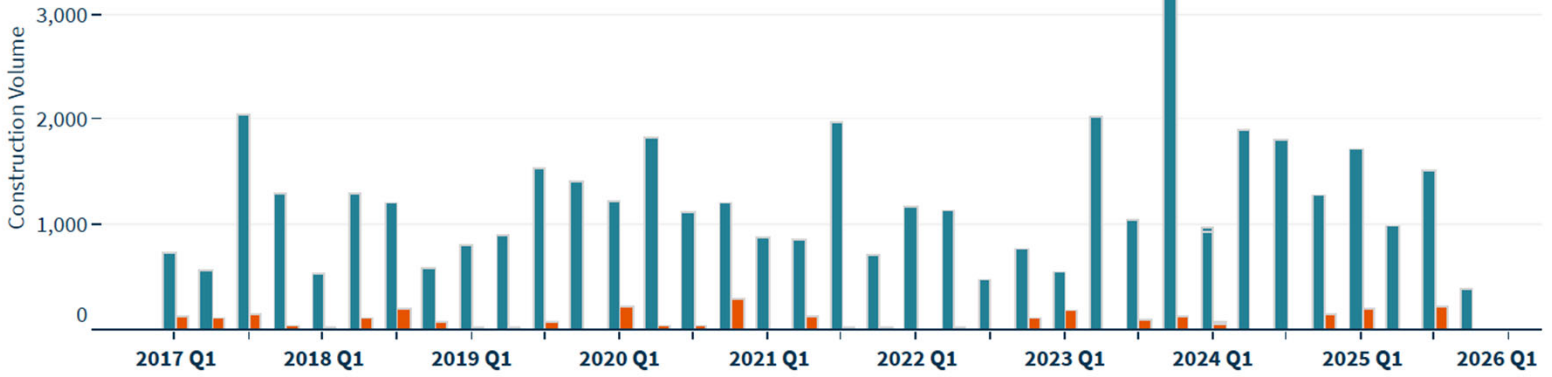
- The natural demand stemming from the outsized student population means that Columbus's apartment market and economy are just as unlikely to experience a positive shock as it is a negative one. Even with the drop off in supply, vacancies in the metro, which have been rising consistently since third quarter ending 2021, continued to increase. This quarter, vacancy rates rose 100 bps over last year compared to 50 bps nationally. Despite the rising vacancies, fundamentals have yet to completely start deteriorating in the metro. According to RealPage rent growth was around 2% to 3%, keeping the average asking rent at \$1,200, though this is essentially on par with rent growth seen around the nation.
- Columbus's economic growth has already started to dial back as a result of the tight labor market combined with an uncertain macroeconomic environment, but elevated investment has likely given it a shot in the arm. Construction and high-tech manufacturing should remain key supports for the metro's economy. However, longer term, a strong demographic profile, including robust in-migration and superb natural population gains, should enable Columbus to consistently outperform Ohio and the national average.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

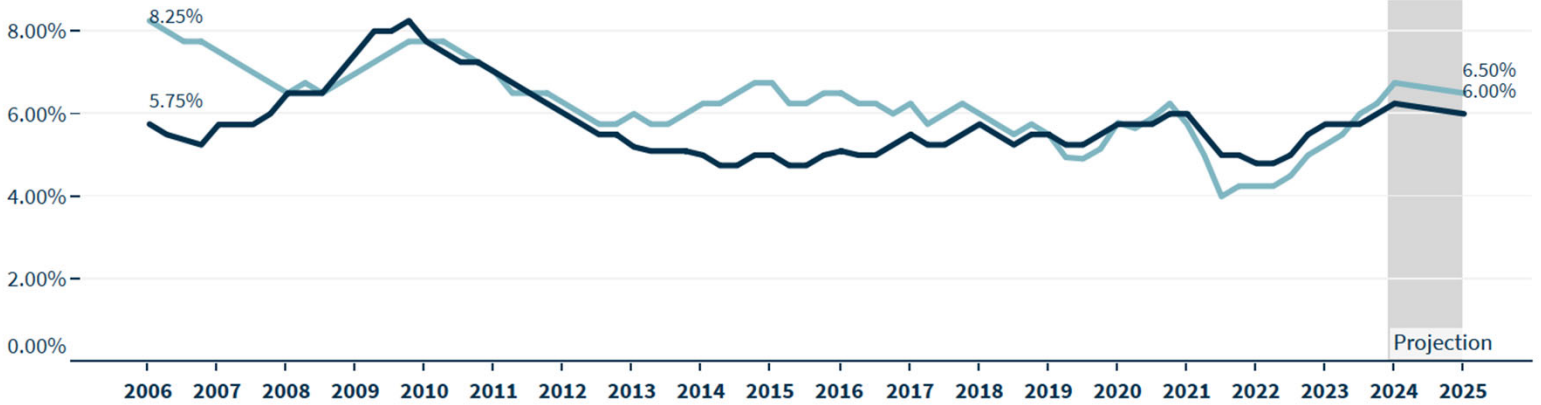
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Columbus | National

Q4 2023 Vacancy Rate:

6.25%

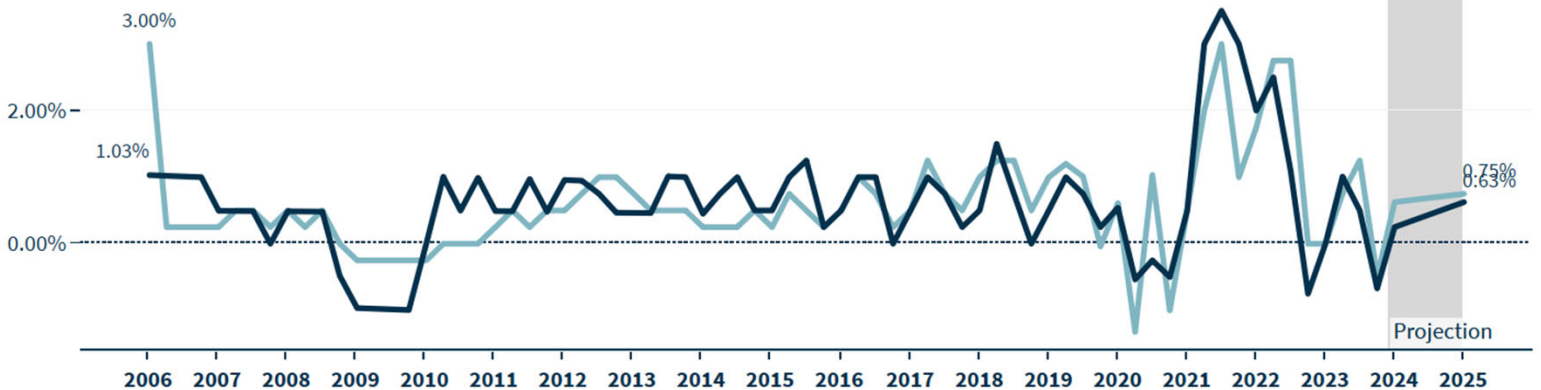


Asking Rent Growth

Columbus | National

Q4 2023 Asking Rent:

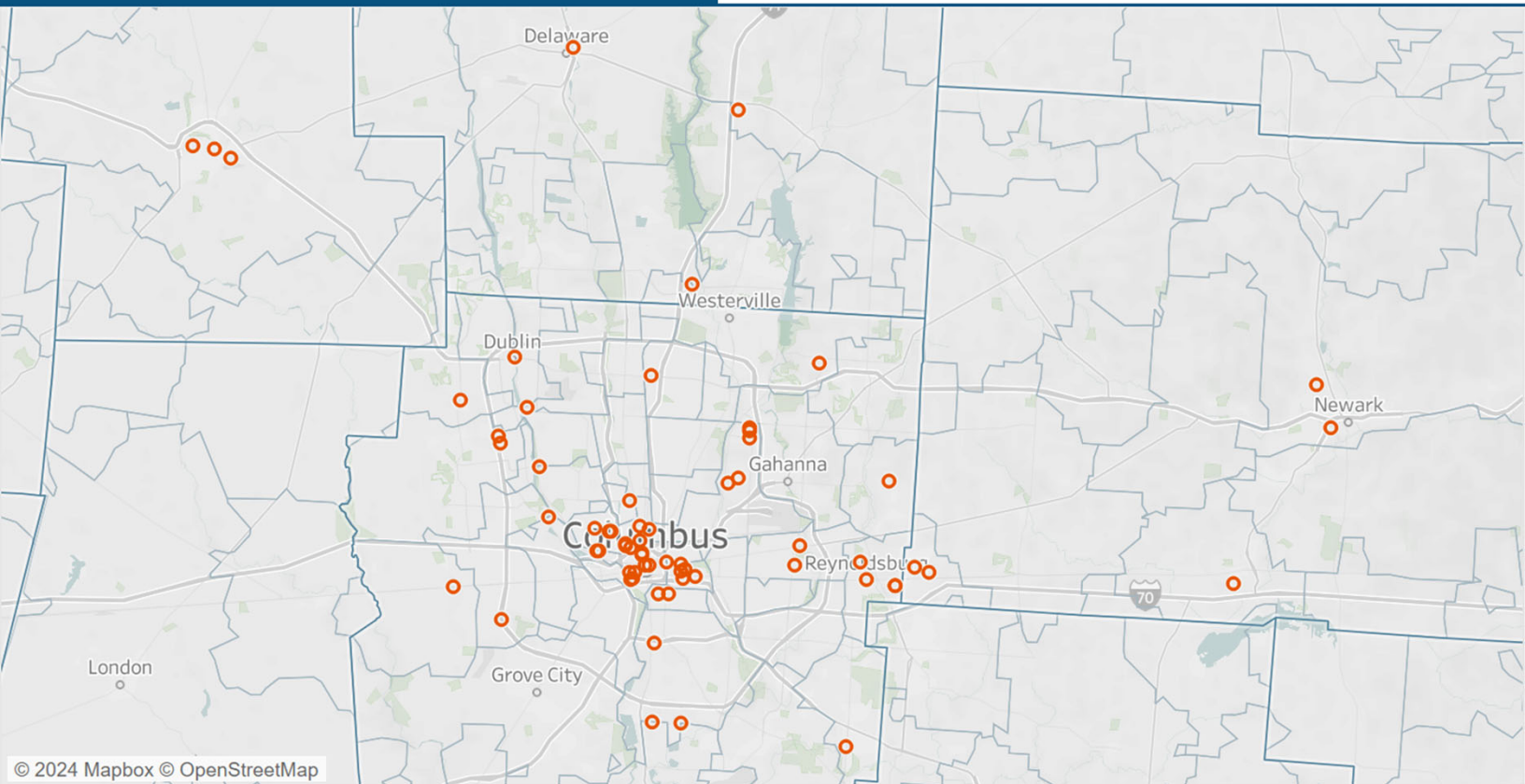
\$1,200



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Downtown Columbus/University District	20	3,923
Dublin/Hilliard	9	1,071
Gahanna/Northeast Columbus	6	1,071
Grove City/South Columbus	5	960
North Central Columbus	1	180
Reynoldsburg/Far East Columbus	10	965
Southeast Columbus	8	671
Upper Arlington	2	279
West Columbus	3	635
Westerville/New Albany/Delaware	4	775
Grand Total	68	10,530

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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