

Multifamily Metro Outlook:

Columbus - Q3 2024

Overview:

- Columbus is growing in a slow-but-steady manner. CBRE Econometric Advisors estimates that employment growth over the past four quarters has been around 0.3%, significantly lower than its five-year annual average of 0.9%. While the job market has shown signs of fatigue, the metro has still seen a boost in local demand for multifamily housing. Per RealPage, net absorption reached over 4,000 units in just the past two quarters, signaling that the metro is readily handling the sizable amount of supply volume. The 10-year average annual absorption from 2010-2019 was under 4,000 units for the entire year.

Market Strengths:

- Columbus is becoming a major location for technological investment. Intel has invested \$28 billion in the metro, building two chip fabrication plants in New Albany that will complete in 2026 and bring 3,000 jobs to the local workforce. As a result of this major development, tech suppliers might follow the firm to the area to provide necessary materials.
- Amazon and Google have announced plans to expand their data center business to Columbus, solidifying the metro's presence in the cloud computing world.
- According to Moody's, the age 20-34 cohort, an important demographic for multifamily housing demand, is estimated to be 21.4% of the metro's total population. This is meaningfully above the national average of 20.3%.
- The presence of Ohio State University is not to be underestimated. The university enrolls 60,000 students each year who greatly contribute to the local economy. Recently, the university announced plans to undertake its largest construction project ever, an in-patient hospital tower in its Wexner Medical Center. The continued investment in the community will provide a stable floor for the economy to flourish, both in economic output and employment.

Market Weaknesses:

- The employment market has shed a significant number of jobs recently in retail services, health care, and financial services, sending the unemployment rate above 4%. This rate is around the metro's historical upper range of unemployment figures prior to the pandemic.
- Columbus is a regional hub for banking. With higher interest rates over the past year and fewer expected Fed rate cuts in 2025, the financial services industry will continue to struggle with low credit demand, affecting bottom lines.
- Residents have lower annual household income than the national average. The average household income in Columbus is around \$80,000, according to Moody's Analytics, while the average national household brings in about \$81,000. While a small difference, it does indicate that the local population is less prepared to handle negative economic trends, such as inflation, than other more wealthy metros.

Development:

- Per Dodge Data & Analytics, Columbus has a total of 11,400 units underway. Construction is concentrated in the Downtown Columbus/University District submarket with about 4,000 units underway, accounting for 35% of all units underway in the metro.

Outlooks:

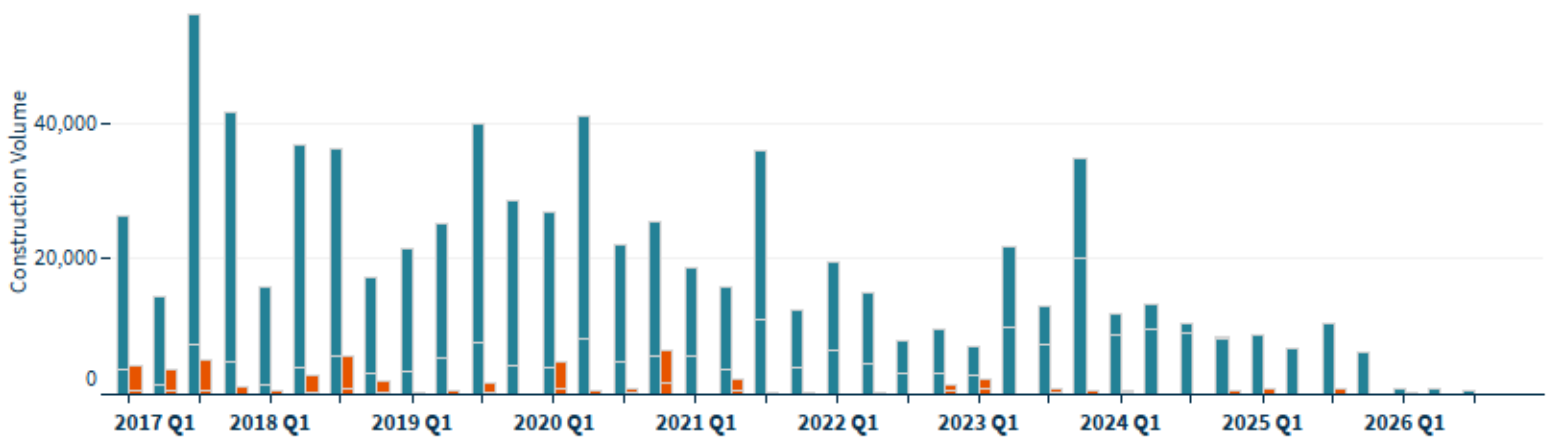
- The natural demand stemming from the outsized student population means that Columbus's apartment market and economy are just as unlikely to experience a positive shock as a negative one. Vacancies in the metro, which have been rising consistently since the first quarter of 2022, have stayed flat around 5.5% this quarter. To add, rent growth has been sluggish at 0.4%, even with rising multifamily demand, due to the effects of sustained high deliveries in recent quarters.
- Despite recent employment contraction, Columbus will benefit from considerable high-tech investment from major Fortune 500 firms in the near term. The metro is buoyed by its low cost of doing business compared with other cities its size, incentivizing business activity. In the long term, a strong demographic profile, including robust in-migration and 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

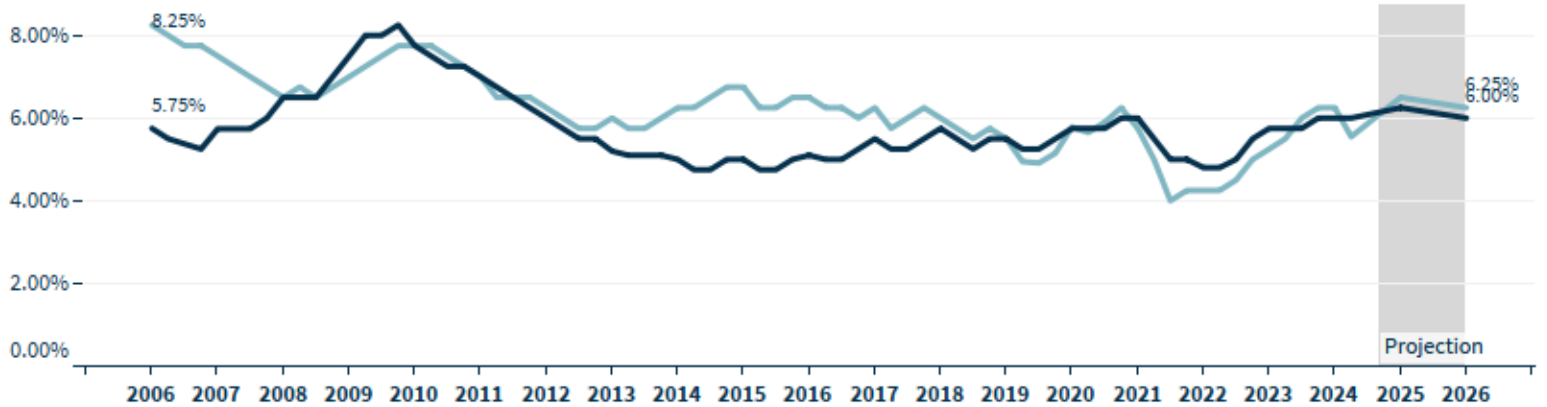
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Columbus | National

Q3 2024 Vacancy Rate:

5.50%

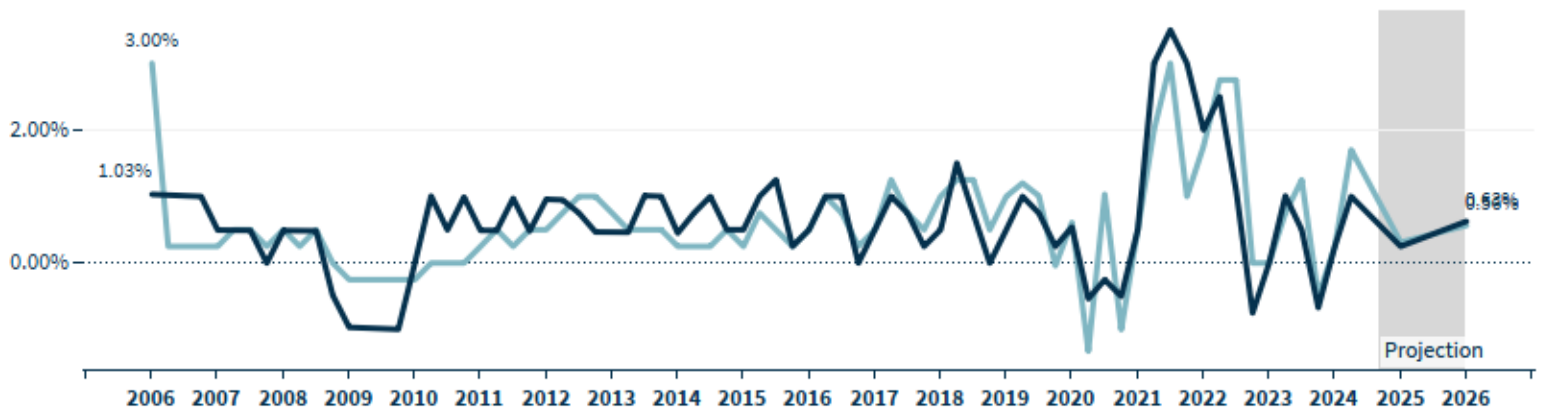


Asking Rent Growth

Columbus | National

Q3 2024 Asking Rent:

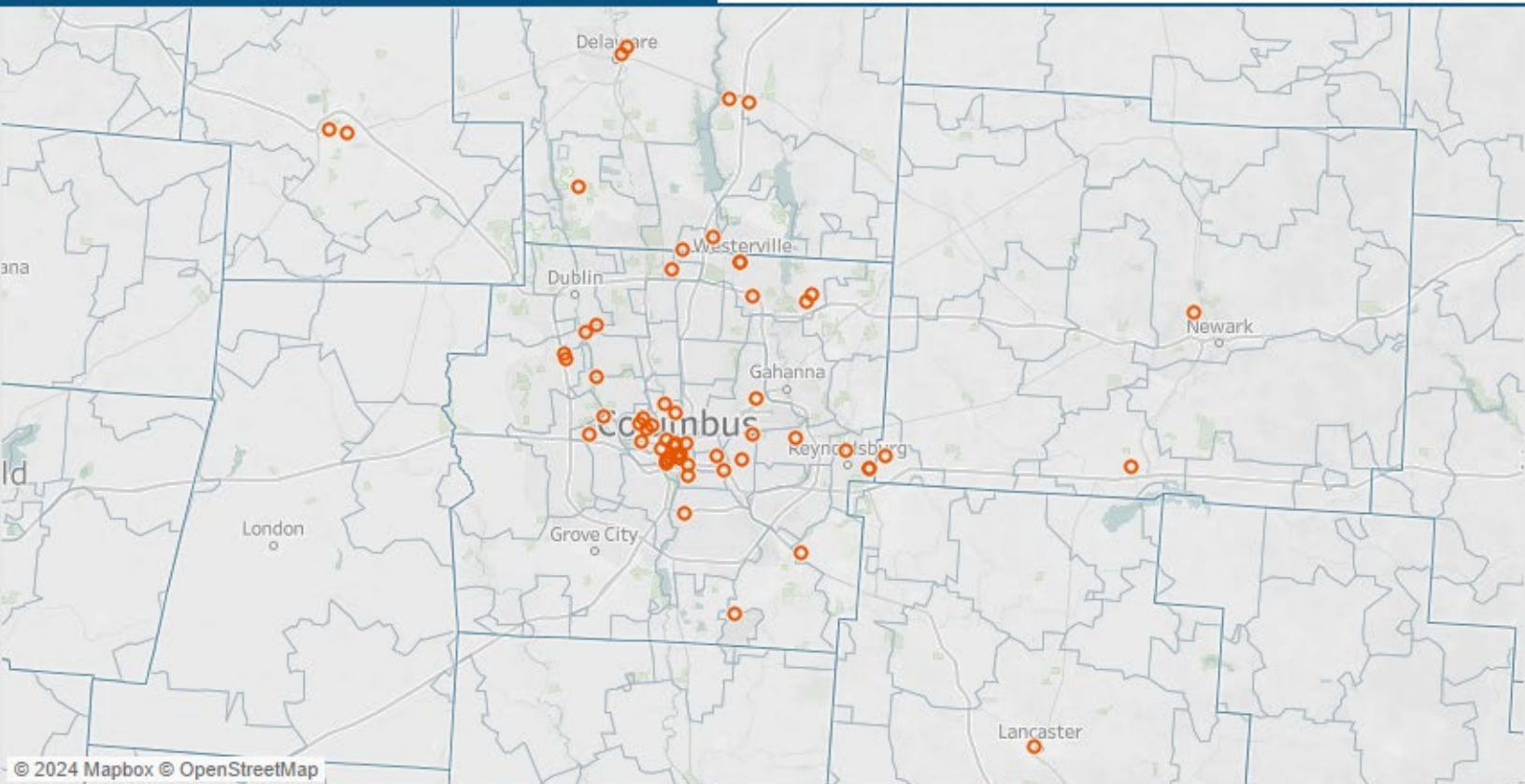
\$1,230



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Downtown Columbus/University District	21	3,997
Dublin/Hilliard	4	754
Gahanna/Northeast Columbus	1	228
Grove City/South Columbus	3	554
Reynoldsburg/Far East Columbus	8	1,024
Southeast Columbus	5	1,156
Upper Arlington	4	711
West Columbus	2	327
Westerville/New Albany/Delaware	12	2,684
Grand Total	60	11,435

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 Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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