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Multifamily Metro Outlook: Columbus Summer 2018

Overview

Columbus is seeing steady improvement in its overall economy, though job growth rates have leveled off. The metro has recovered all of the jobs lost during the Great Recession and is in the midst of a moderate, but secure, period of economic expansion.

While students are a stabilizing force for the rental market, marginal changes in the non-student demographic could lessen demand for apartment rentals. Overall, the market is in fairly good shape with improving rents and vacancies, especially when compared to other cities in Ohio and the Rust Belt.

The large student and recent graduate population in the Columbus metro drives steady demand for rental housing. The key 20-34 year-old rental cohort represents 22.1 percent of the metro's population, compared to 20.7 percent nationally. The metro's population grew 1.2 percent in the year-ending Q2 2018, compared to 0.7 percent nationally. The young, educated population has attracted some venture capital to the metro, a possible seed for future growth.

The characteristics that prevent Columbus from becoming an above average economic performer are the same ones that prevent it from being overly risky. The metro has a particularly diverse economy, and it probably is as unlikely to experience a negative shock as it is a positive one. Fortunately, developers have not overbuilt the metro and both single-family and multifamily permitting activity likely has been appropriate given the metro's growth prospects.

Compared to the rest of Ohio, Columbus is a bright spot and an above average economic performer. The metro's job growth is forecasted to be slightly better than the national average through 2021, which is comparatively strong for Ohio. Overall, jobs grew 1.0 percent in the year-ending Q1 2018, compared to 1.3 percent nationally.
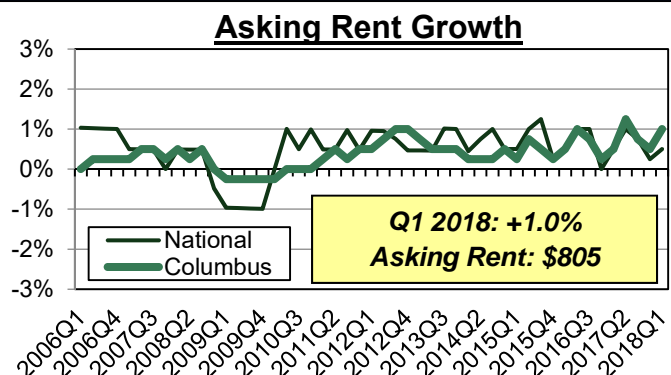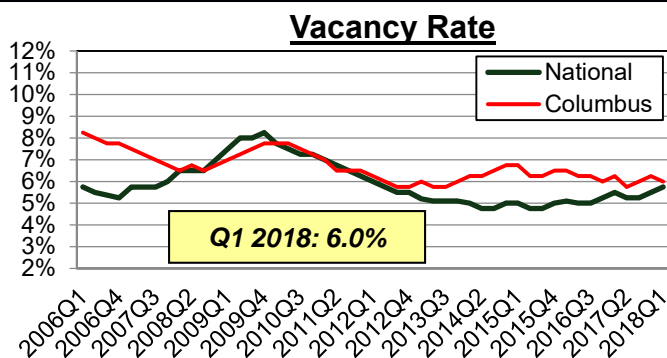
Development

Development might be a bit too active to allow vacancies to greatly tighten. Apartment development activity is on the rise in response to reasonably strong fundamentals in the apartment market and attractive future demographic growth prospects. Around 18,000 rental units have been delivered since the beginning of 2013, and approximately 5,000 are currently underway. Additionally, since 2006, 10,100 condos were completed and 350 units are underway and due to be completed through Q4 2019. Although most recent condo development is classified as luxury, this potential inventory is a minor concern.
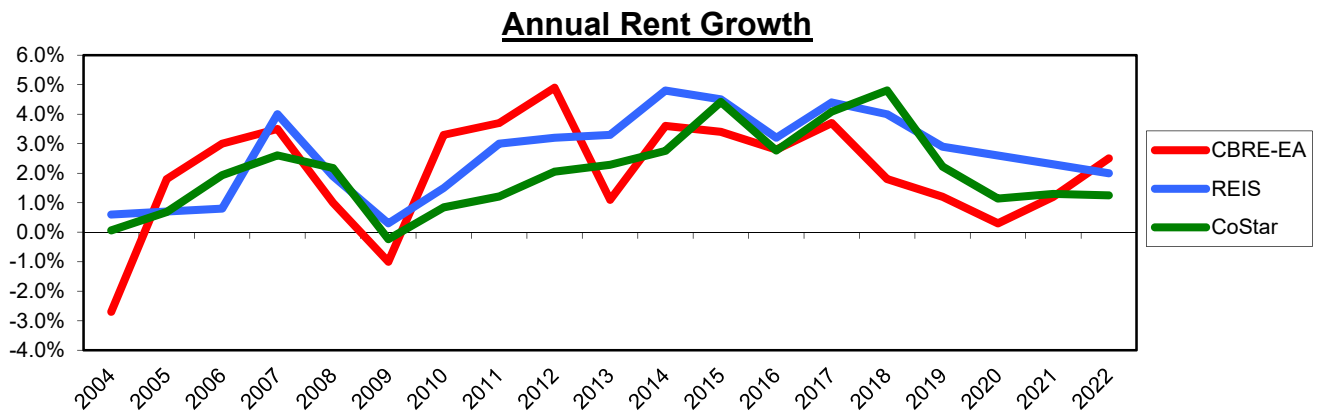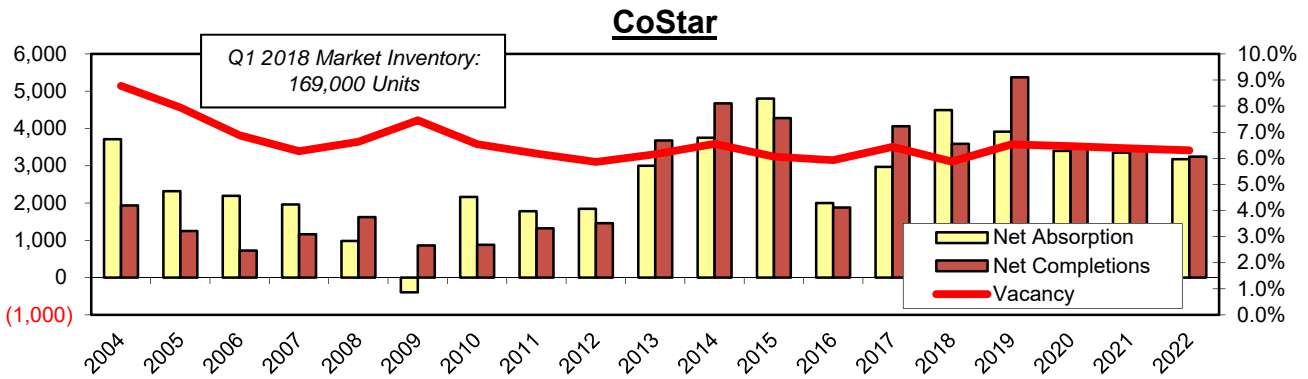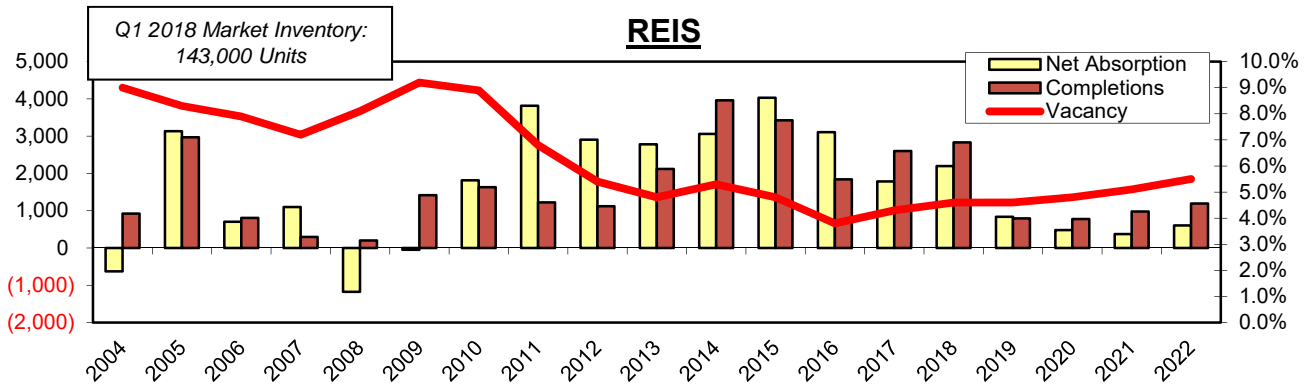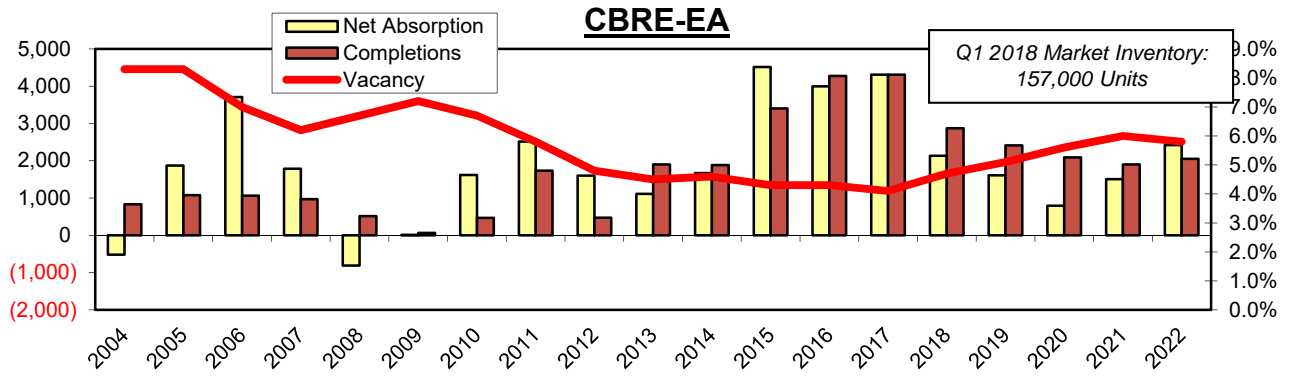
Outlook

The overall job and real estate market stability in Columbus is likely to keep the metro secure, but that also probably prevents the metro from breaking out of average performance. A heavy supply of new apartments and a healthy job growth outlook should allow the apartment market to remain in good shape, though rent and vacancy tightening are unlikely. Overall, Columbus's apartment market and economy are among the best of the best Rust Belt metros.

The metro's large student population and age 20-34 segments create a natural demand for rental inventory. However, single-family housing affordability in the metro puts a ceiling on potential apartment demand since owning a home is relatively inexpensive in the metro. Columbus is expected to expand economically and demographically over the next several years, but rental unit inventory additions may prevent exceptional rent and vacancy improvements.
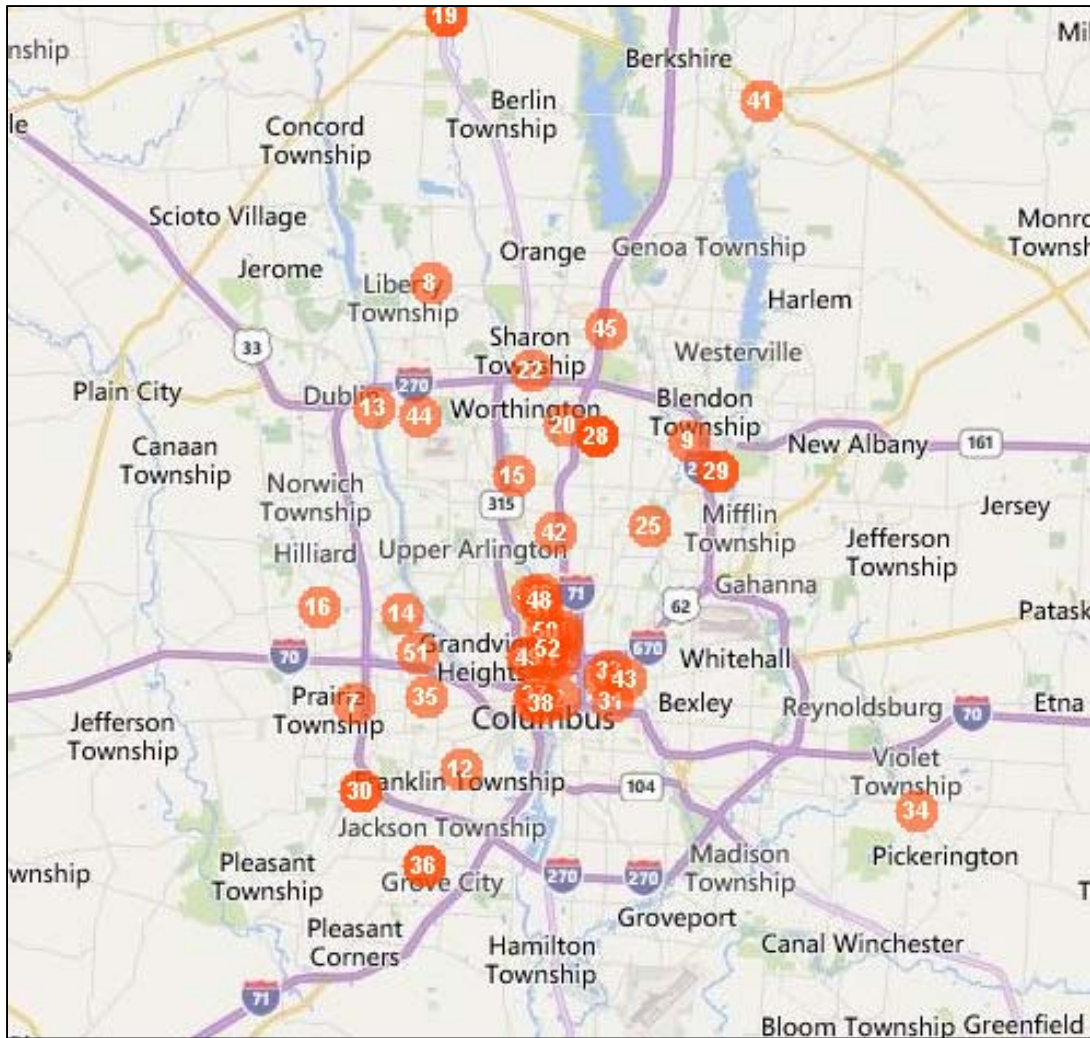
Vacancy and Rent Composite Estimates

Vacancy Rate

Q1 2018: 6.0%

Asking Rent Growth

Q1 2018: +1.0%
Asking Rent: $805

Source: Fannie Mae Multifamily and Economics Research

CBRE-EA

Q1 2018 Market Inventory: 157,000 Units

Legend: Net Absorption, Completions, Vacancy

REIS

Q1 2018 Market Inventory: 143,000 Units

Legend: Net Absorption, Completions, Vacancy

CoStar

Q1 2018 Market Inventory: 169,000 Units

Legend: Net Absorption, Net Completions, Vacancy

Annual Rent Growth

Legend: CBRE-EA, REIS, CoStar

Construction Bidding/Underway
(52 projects/5,000 Units/5.9 M Sq. Feet)

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Bexley	4	274	209
Delaware County	5	464	423
Dublin	1	437	383
Grove City	7	475	403
Groveport/Canal Winchester	1	131	95
Hilliard	7	1284	1224
Northeast/Minerva Park	5	303	278
Pickaway County	1	60	50
Sharon/Worthington	1	36	40
University/Downtown	15	1944	1465
Upper Arlington/North Columbus	2	350	373
Westerville	3	102	94

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.