Multifamily

21Q2

Ohio

The Ohio apartment markets have all posted increased occupancy through the first half of 2021, along with increasing average monthly rents. An elevated pipeline of new supply poses a headwind to occupancy over the next 12 months, but should stabilize thereafter.

Accelerating success.

Multifamily Markets Weather the COVID-19 Storm

U.S. Market Overview

During the second quarter of 2021, the U.S. apartment occupancy rate surged by 70 basis points (bps) to 96.2% due to rapidly expanding employment as the nation recovers from the negative economic impacts of the COVID-19 pandemic. According to RealPage data, heightened demand resulted in quarterly absorption of 219,909 units, the largest quarterly total on record, bringing total annual absorption to 496,542 units, another all-time high.

Occupancy has increased across all classes, including Class A, which had suffered during the pandemic. Occupancy in the Class A sector soared during the quarter by 90 bps to 95.8%, which is an increase of 120 bps, year-over-year. Class B occupancy averages 96.6%, a 60 bps quarterly gain. Notably, high-rise properties also made a significant recovery during the quarter as occupancy increased 110 bps to 93.8%, indicating the return of many renters to the urban cores of U.S. cities.

This recent surge in demand has pushed rental rates as well. After four consecutive quarters of declines, overall monthly rents increased by 3.8% during the quarter and are up 4.1%, year-over-year, a five-year high for annual rent growth. Class B properties led the way, increasing 4.9% for the quarter and 6.8%, year-over-year. The Class A sector began its recovery posting a 4% quarterly gain, making up some of the prior losses. High-rise properties also recovered, recording a quarterly increase of 3.3%, but remain 4.6% below the average monthly rent level from 12 months ago.

Construction activity remains elevated with 95,130 units delivered during the second quarter, bringing the annual supply total to a five-year high of 362,830 units. Forecasts call for an additional 406,000 units to be delivered over the next 12 months. This total, coupled with slowing demand, will push occupancy down by an estimated 40 bps according to analyst forecasts. However, new construction starts and permit applications are dropping suggesting that supply pressures will likely ease in the future.

Even so, it is expected that rent growth will remain robust across all sectors. Luxury and middle-market apartments, catering to lifestyle renters in the mid-and higher-income cohort, will continue to be in demand. At the same time, the reopening of the economy has boosted the leisure and hospitality sectors, adding significant numbers of jobs filled by workers that are primary renters of Class B and C apartments. Forecasts call for rent growth in excess of 4% over the next 12 months before returning to historical averages.

$92.2B

U.S. Sale Volume

246.1%*

$ 7.1B

Midwest Sale Volume

88.3%*

$ 750 M

Ohio Sale Volume

13.7%*

2021 YTD Transaction Volume

**Year-over-year Change in Transaction Volume*

As a larger share of the U.S. population is vaccinated and job growth accelerates, especially in the hard hit restaurant and hospitality sectors, the outlook for apartments looks bright. Suburban locations and low-rise garden style properties continue to perform well and, as noted above, luxury and urban properties recently have recorded significant improvements in occupancy levels and rent growth. Potential headwinds include the elevated amount of new supply scheduled for delivery as well as uncertainty surrounding variant strains of the COVID-19 virus. Uncertainty is also present with regard to policy and regulation issues.

The current moratorium on evictions has generated much press and apocalyptic warnings of massive numbers of people being kicked out on the streets should the policy expire. However, a recent survey of apartment owners by the National Multifamily Housing Council found that significant percentages of Landlords have been, and will continue to work with tenants in need of assistance due to a job loss, reduction in income or other temporary hardship. With occupancy near a five-year high, any future losses will be due to new supply and falling demand, not a rush of evictions.

U.S. Investment Overview

Data from Real Capital Analytics indicate that investment sales activity has come roaring back across the U.S. after virtually drying up during the height of last year's lockdowns and subsequent recession. Sales volume, for all property types, during the second quarter totaled \$144.7 billion bringing the total year-to-date transaction volume to \$251.5 billion. The quarterly volume is a whopping 176% increase, year-over-year. However, one must consider what is known as the base effect. This quarter's annual comparison is based on a period of time when sales volume was so abnormally low, due to the effects of the COVID-19 pandemic, that the comparison is distorted.

A better measure of the market's performance is a comparison of 2021's second quarter volume to the five-year average of second quarter totals prior to the pandemic. In that scenario, second quarter sales volume stands 14% higher than the pre-pandemic average indicating that the market is well on its way to recovery.

Throughout the pandemic, price growth has remained positive. According to the Real Capital Analytics CPPI index, pricing for all sectors increased 9.8%, year-over-year, while cap rates compressed further. Pricing increased the most for multifamily assets, which recorded a 12% increase, year-over-year, while the average cap rate fell 30 bps to 4.9%. Industrial properties, especially those occupied by logistics and e-commerce operators, posted price growth of 9.8% over the past 12 months.

Total volume for multifamily assets at the midpoint of 2021 equaled \$92.1 billion, of which \$52.7 billion was transacted during the second quarter. Due, again, to the base effect, volume increased 238%, year-over-year in Q2. But when compared to the pre-pandemic second quarter average, multifamily volume for 2021's second quarter stands 40% above the pre-pandemic average.

The recovery, however, has not been evenly distributed. Non-major metro areas continued to capture the lion's share of investor interest. Apartment sales volume in the top metro areas remain 18% below the pre-pandemic average.

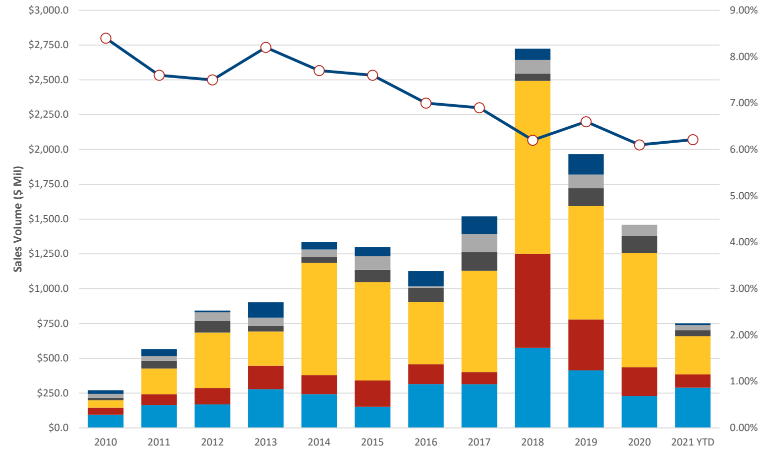
Regionally, the Southwest and Southeast combined to capture 61% of the total sales volume for the quarter reflecting the belief that current migration, population growth and job growth trends, accelerated by the pandemic, will continue into the future.

Ohio Investment Overview

Both the Midwest region and the state of Ohio started the year slowly, but activity accelerated through the second quarter resulting in total transaction volume of $7.1 billion, of which the Ohio markets account for roughly 10% with $750.8 million in sales. At the current pace, annual volume would be 15% below the pre-pandemic five-year average.

The Cincinnati and Columbus markets lead the way recording sales activity of $288.4 and $274.8 million, respectively. Average cap rates range from 5.5% to 7.1% across individual markets with statewide average equaling 6.2%, an 11 bps increase from the end of 2020.

Historical Sales Volume/Average Cap Rate



Ohio Apartment Market Data | Q2 2021								
METRO AREA	**INVENTORY (# OF UNITS)**	**VACANT UNITS**	**ANNUAL DEMAND (UNITS)**	**OCCUPANCY RATE (%)**	**ANNUAL NEW SUPPLY (UNITS)**	**UNITS UNDER CONSTRUCTION**	**AVG MONTHLY RENT**	**AVG RENT PER SF**
Cleveland	168,475	5,610	2,230	96.7%	1,523	1,393	$1,015.00	$1.15
Cincinnati	161,982	5,718	1,462	96.5%	1,131	4,068	$1,065.00	$1.16
Columbus	188,285	7,739	5,107	95.9%	4,787	6,368	$1,069.00	$1.13
Dayton	55,841	1,781	625	96.8%	525	404	$898.00	$1.00
Akron	43,880	1,040	721	97.6%	255	269	$962.00	$1.04
Grand Total	**618,463**	**21,888**	**10,145**	**96.7%**	**8,221**	**12,502**	**$1,001.80**	**$1.10**

Source: RealPage and Colliers Research

Recent Notable Sales | Q2 2021

Property Address	Property Name	Sale Date	Number of Units	Sale Price	Price Per SF	Price Per Unit	Buyer (True) Contact	Seller (True) Company	Market
10 South Monument Avenue	Camelot East	4/8/2021	492	$46,670,000.00	$116.57	$94,850.95	Zidan Management Group	Pepper Pike Capital Partners	Cincinnati
11332 Southland Road	Vue 180 on the Water	6/28/2021	93	$20,900,000.00	$236.51	$224,731.18	Core Real Estate Capital	Graycliff Capital	Cincinnati
1 Ashgrove Court	Residences at Summit View, The	4/13/2021	176	$16,000,000.00	$124.22	$90,909.09	Steiner, Mendel	King Communities	Cincinnati
4140 Mount Carmel Tobasco Road	Beechwood Villas	4/9/2021	184	$13,600,000.00	$93.92	$73,913.04	Related Group	LHP Capital	Cincinnati
3501 Section Road	College Hill	5/28/2021	150	$12,050,000.00	$97.52	$80,355.55	Tryko Partners	Benchmark Group, The	Cincinnati
10903 Lake Avenue	Bridlewood	5/14/2021	193	$16,830,000.00	$120.32	$87,219.34	Brown Gibbons Lang & Company	Zaremba Group	Cleveland - Akron
2567 Hudson Drive	Jefferson Villas	4/16/2021	60	$7,270,000.00	$105.41	$121,222.22	Coyne III, John M.	CRM Companies	Cleveland - Akron
260 East 244th Street	Woodbine	4/29/2021	55	$3,090,000.00	$91.69	$56,174.73	Harbor Group International	Chetrit Group, The	Cleveland - Akron
1585 Mallard Drive	Villa View	6/8/2021	68	$2,750,000.00	$66.09	$40,441.18	Sanders, Dontez L.	Elite Management Holdings	Cleveland - Akron
755 Canonby Place	Life at Edgewater Landing, The	4/19/2021	724	$35,110,000.00	$64.23	$48,499.65	Olive Tree Holdings	AXS Opportunity Fund	Columbus
4070 Leap Road	Brook Lane	7/29/2021	210	$23,920,000.00	$126.77	$113,904.76	Equity Research Partners	Metro Development	Columbus
4224 Concord Lane	East Village	4/26/2021	92	$15,470,000.00	$140.86	$168,119.05	Peak Property Group	Legacy Management Services	Columbus
802 Harrisburg Pike	Riverview Place	7/1/2021	149	$14,600,000.00	$168.08	$97,986.58	Alpha Partners	Jimenez-Haid Builders	Columbus
3554 Lindendale Drive	Harvest Grove	4/29/2021	132	$9,090,000.00	$125.20	$68,837.12	Harbor Group International	Chetrit Group, The	Columbus
810 Riverview Drive	Troy Farms	4/19/2021	304	$3,660,000.00	$121.63	$120,394.74	Coastal Ridge Real Estate	Hamilton Point Investments	Columbus
743 Old Harshman Road	Amhurst	4/29/2021	148	$6,290,000.00	$78.01	$42,504.39	Harbor Group International	Chetrit Group, The	Dayton
1233 Crib Street	Larchmony Estates	5/20/2021	504	$36,250,000.00	$107.22	$71,925.00	Empire State Buildings	Contour Companies	Toledo

Market Takeaways

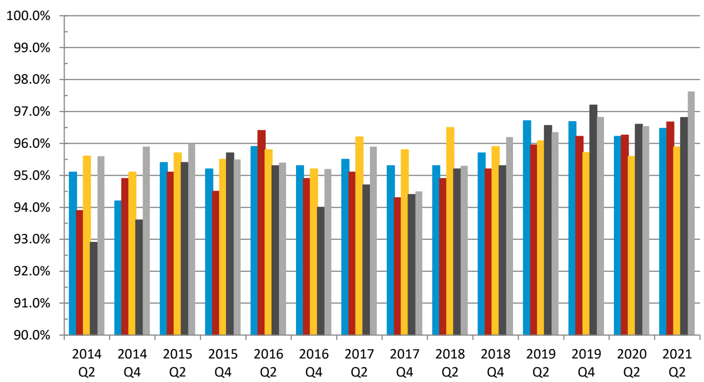
Cleveland - As the Cleveland metropolitan area bounces back from the effects of the COVID-19 pandemic, the market recorded economic output of 12.4%, year-over-year, recouping the pandemic-induced contraction last spring and summer. Many jobs lost during the economic downturn have been recovered as well, pushing the unemployment rate down to 5.1% as of May, 2021, which is below the national rate of 5.5%.

A recovering economy and rapidly expanding employment base has increased demand for apartments, especially during the second quarter of 2021. Occupancy during the quarter increased by 40 bps to 96.7%. The annual increase totals 50 bps and current occupancy stands a full percentage point above the market's five-year historical average. Occupancy is highest in the Class B and C sectors equaling 97.1% and 97.8%, respectively as availability in these sectors have tightened significantly over the past year. Conversely, Class A occupancy, at 93%, is down 160 bps, year-over-year, although the trend line turned positive during the second quarter, increasing 20 bps.

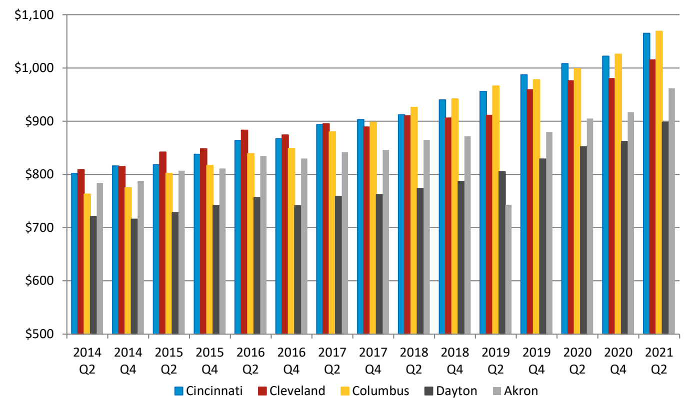
Modest levels of new construction over the past five years has, in general, lagged demand. As of the end of the second quarter of 2021, annual supply totaled 1,523 units in contrast to an above average annual demand total of 2,230 units. New construction currently totals approximately 1,400 units, of which, 854 are forecast for completion over the next 12 months, which should allow for additional improvement in the Class A occupancy rate. New supply has been concentrated in the Central, including downtown Cleveland, and East submarkets.

Matching national trends in rent growth, the Cleveland market recorded its highest annual increase in average monthly rent in over ten years. The market's average rent increased 4.2%, year-over-year to $1,015 per month. Class B properties led the surge in rent growth posting an annual increase of 5.1%, while the Class A segment recovered last year's losses, rising 3.1%. Rent growth is forecast to remain strong over the next 12 months as the market recovers and is estimated to equal 3.1% in contrast to the market's historical average of 2.1%.

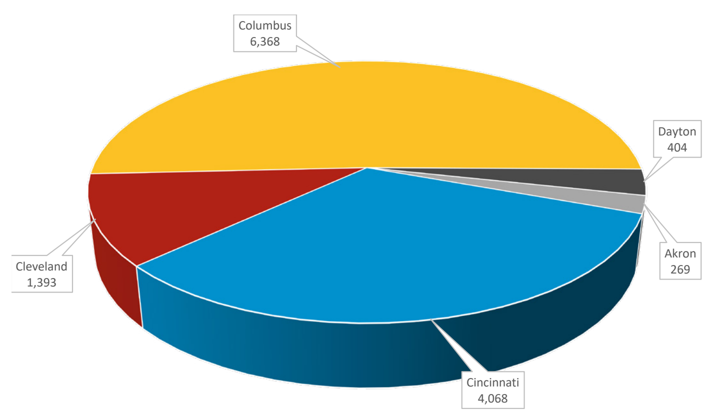
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)



Cincinnati - The Cincinnati region has emerged from the COVID-19 induced recession recording an increase in economic output of 14.3%, year-over-year. Job growth has rebounded as well, recovering many of the jobs lost in the spring of 2020. As of May, 2021, the region's unemployment rate stood at 4.3%, well below the national average of 5.5%. Although employment remains 2.7% below its pre-pandemic level, this metric is also tracking below the national average.

As job growth returned to the market, demand for apartments accelerated. During Q2 2021, occupancy rose to 96.5%, a 50 bps increase over the prior quarter. On an annual basis, demand of 1,462 units outpaced the addition of 1,131 new units to the inventory. The construction pipeline, however, is elevated by historical standards. Over 4,000 units are currently under construction with approximately 2,800 of those units scheduled for completion during the next 12 months. Occupancy is expected to fall by as much as a full percentage point by mid-2022.

Occupancy is the highest in Class B and C properties at 96.7% and 97.4%, respectively, while Class A units are 94.7% occupied. After falling for four consecutive quarters, Class A occupancy jumped by 110 bps during the quarter and now stands only 10 bps below the level posted at end of the second quarter of 2020.

Increased demand has resulted in rent growth exceeding the market's five-year average of 3.1%. For the quarter, the average monthly rent increased 2.2% to $1,065. This amount equals a year-over-year gain of 4.3%, a high for the market. The Class B sector recorded the highest gain, increasing by 6.5%, year-over-year. As new supply challenges demand over the next year, rent growth is expected to moderate, settling back into the market's historical range.

Columbus - The Columbus apartment market has been a consistent top performer in the state over the past decade. Columbus benefits from being the state capitol and is home to one of the nation's largest universities, The Ohio State University. The local economy was not impacted as negatively by the COVID-19 pandemic as other Ohio cities and, after the slowdown last spring and summer, the market recorded an annual increase in economic output of 13.8%. During the same timeframe, the metro area expanded its employment base by 7%. As of May, 2021, unemployment had fallen to 4.7%, below the national average of 5.5%.

Activity increased during the second quarter of 2021 as occupancy increased 40 bps to 95.9%, roughly in line with the market's historical five-year average. Although the market added nearly 4,800 units to the inventory over the past 12 months, absorption totaling in excess of 5,100 units outpaced new supply, resulting in a 30 bps, year-over-year, gain in occupancy. Occupancy for both Class B and C units is currently 96.4%, while the Class A sector's occupancy rate equals 94.3%, down 70 bps since last year. In contrast, Class B occupancy soared by 120 bps during the year due to the pandemic-induced trends of renters leaving the center city and seeking more affordable housing options.

However, the second quarter data reveals a reversal of these trends as evidenced by significant quarterly improvement in both occupancy and rent growth in the Class A sector. The overall average monthly rent of $1,069 is an increase of 5.4%, year-over-year, an all-time high. Class B properties recorded a gain in average monthly rents of 6.8%, with the rapidly recovering Class A market posting a 4.4% annual increase, most of which has occurred during the first six months of this year.

Construction activity remains elevated by historical standards with 6,368 units under construction, of which 4,263 units are scheduled for completion over the next year. It is estimated that demand remains well above average in excess of 4,800 units during the next 12 months, further increasing occupancy and driving additional rent growth.

438 offices in
68 countries
on
6 continents

United States: **155**
Canada: **48**
Latin America: **20**
Asia Pacific: **94**
EMEA: **119**

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