Cooper Multifamily Team

Ohio

21Q3

Ohio Investment Overview

The Ohio apartment markets continue a positive stride of increased occupancy, demand and supply for the third quarter. A trend of decreasing cap rates has attracted the attention of investors as sales volume remains strong for the year.

Accelerating success.

U.S. Market Overview

This year's surging demand for apartments continued into the third quarter exceeding last quarter's record amount of absorption. Quarterly demand in the nation's 150 core markets increased to 268,331 units according to data from RealPage, which brings the 12-month total to 610,715 units. Occupancy rose one full point from last quarter to 97.2%, which is 1.5 points higher than a year ago. One driver of this accelerated demand is a recovery in the gateway markets that suffered the most during the height of the COVID-19 pandemic. While not over, the impacts of the pandemic have decreased and more workers are returning to the office, leading to a renewed interest in apartments located in densely populated urban centers.

As a result, occupancy levels in the mid-rise and high-rise sectors have increased the most recently, recording gains of 1.5 and 1.9 points over last quarter, respectively, and a whopping 2.3 and 2.9 points over the past 12 months. Even so, suburban garden style apartments enjoy the highest average occupancy at 97.4%, with Class B properties having the least number of vacant units.

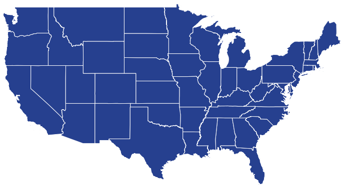
Contributing to the market's soaring occupancy rate is the shortage of new supply. The third quarter saw 96,021 units delivered, while the annual increase in inventory totaled 362,807 units. Shortage may be a misleading term because construction activity has been elevated for a number of years. Nearly 1.6 million units have been added to the nation's supply over the past five years, but the current level of demand is unprecedented, and developers have struggled to keep pace. Current forecasts call for additional new supply of 411,151 new units during the next 12 months. Analysts also forecast the torrid pace of demand to decrease, which should create some slack in the market. Occupancy is estimated to fall to 96.3% by this time next year, which is still 80 bps above the U.S. apartment market's five-year historical average.

As the market tightened and heightened demand levels continued, average monthly rents increased by record amounts. The quarterly gain in rent growth equaled 5.9%, while on an annual basis the average monthly rent increased by 10.3% to $1,577 per month. Both of these increases in rents are the highest recorded, but certainly are unsustainable over the long-term. Despite that, it is expected that rent growth will increase by an additional 7.8% over the next 12 months before returning to its historical average as the market stabilizes in 2023.

$171.9B

U.S. Sale Volume

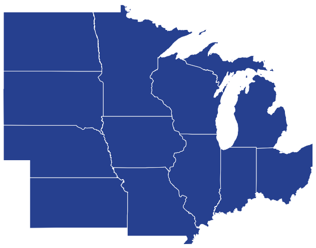
179.8% YOY Change



$13.1B

Midwest Sale Volume

185.6% YOY Change



$1.40B

Ohio Sale Volume

87.9% YOY Change

2021 YTD Transaction Volume in Billions

By sector, Class B properties recorded the largest gains in rents, ranging from 11.7% to 13.6%, year-over-year, depending on building age. Although a recovery has taken hold in gateway markets and other urban centers, garden style units remain in high demand leading to an 11.7% annual increase in monthly rent. Rent growth has been muted for the high-rise sector, even in the face of renewed demand, recording an annual increase of only 4.8%.

The U.S. apartment market's record setting activity is largely due to pent up demand. Due to increased hiring activity and vaccination rates, incredibly strong demand has resulted. These trends also have allowed the hardest hit sectors, such as luxury units, urban assets and gateway markets, to recover. It is expected that activity remains robust throughout much of next year, stabilizing in early 2023.

U.S. Investment Overview

Commercial property sales have surged to record levels, accelerating each quarter of this year. Sales of all property types, according to Real Capital Analytics, increased to a total of $193 billion during the third quarter, bringing year to date volume to a record $462.1 billion. The primary driver of this year's sales have been individual asset transactions, a further sign of the market's strength. This quarter's total is an increase of 151%, year-over-year, although activity during the third quarter of 2020 remained muted due to the impact of the COVID-19 pandemic and government-mandated restrictions that were just beginning to be lifted at that time.

While the apartment and industrial sectors account for approximately 60% of total transaction volume, sales of other asset classes such as office and retail, that were more negatively impacted by the pandemic, have recorded a surge in volume. The only sector still plagued by uncertainty is CBD office as investors remain cautious regarding high-rise office buildings in densely populated urban centers.

Price growth never turned negative throughout the pandemic, and subsequent recession, continuing to accelerate with nearly all sectors recording double-digit annual gains. The only other times that the rate of price growth did not turn negative during a recession, was in the 1970's, a period of outsized inflation. Real estate has historically been a preferred hedge against inflation and the heightened interest in commercial property may be partially related to investors' concern about current inflationary pressures.

According to the Real Capital Analytics CPPI index, pricing for all sectors increased a whopping 16.1%, year-over-year, while cap rates compressed further. The office sector recovered recording a surprising 16.9% increase in price growth, although CBD assets recorded a 2% decline with suburban office in high demand. The industrial sector recorded a 16.9% increase in pricing as well with apartments following closely behind with a 16.3% gain.

Sales volume, nationally, for apartments during the third quarter totaled $78.7 billion, an increase of 192%, year-over-year, and nearly double second place industrial's volume of $39.5 billion. Single asset sales accounted for 80% of the quarter's total volume, which again underscores the strength of the market with investors underwriting the market's health one deal at a time.

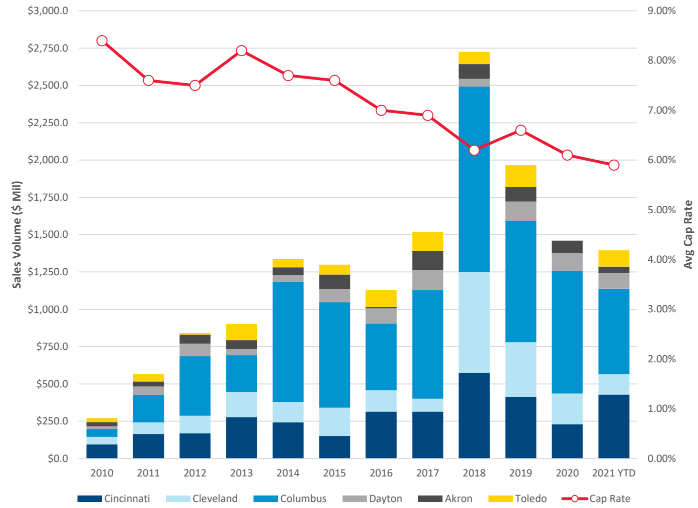
As noted above, pricing for apartment assets surged 16.3% over the past 12 months, while cap rates compressed further. The current average cap rate of 4.7% is a decline of 40 bps, year-over-year, as rent growth accelerates across most U.S. markets. Garden apartments have been in high demand throughout the pandemic, however, interest has grown for mid/highrise assets. These assets, located in major markets and urban centers in secondary markets, recorded $30.4 billion in transaction volume during the third quarter – half of the year-to-date total for this subtype.

Ohio Investment Overview

In the Midwest region, apartment sales volume increased each quarter of the year totaling $5.5 billion during the third quarter and bringing transaction volume to $13.1 billion year-to-date. That total represents an increase in volume of 185% over last year's pandemic induced slowdown. Pricing remains strong and cap rates have declined by 21 bps, year-over-year, to 5.3%.

Contrary to both the national and regional trend, the Ohio markets combined for total sales volume of approximately $450 million, which is down from the second quarter's total of $758 million. However, to date in 2021, sales of nearly $1.4 billion is an increase of 87.9% over the same period last year. Cap rates continue to compress ranging between 5.5% and 6.2% with a statewide average of 5.9% - a decrease of 34 bps.

Historical Sales Volume/Avg Cap Rate



Ohio Apartment Market Data | Q3 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	168,528	4,769	1,771	97.2%	600	2,381	$1,052	$1.19
Cincinnati	162,487	4,176	2,628	97.4%	1,233	4,388	$1,104	$1.20
Columbus	190,052	5,531	6,931	97.1%	5,042	6,739	$1,122	$1.19
Dayton	55,861	1,424	1,101	97.5%	347	384	$933	$1.04
Akron	44,085	683	1,298	98.5%	460	375	$1,033	$1.10
Grand Total	**621,013**	**16,584**	**13,729**	**97.5%**	**7,682**	**14,267**	**$1,048**	**$1.14**

Source: RealPage and Colliers Research

Cooper Multifamily Team Recent 2021 Notable Sales

74 Units
Euclid, OH

129 Units
Barberton, OH

79 Units
Cleveland, OH

Recent Notable Sales | Q3 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
N/A	Brooklyn Portfolio	7/2021	212	$7,900,000	N/A	$37,264	WP Brooklyn SPE LLC	ALMICO Properties	Cleveland - Akron
2000 Burgess Drive	The Boulevard at Green	7/1/2021	192	$40,870,000	$208.65	$212,861	Mizrahi, Moses	Vision Development	Cleveland - Akron
955 West St. Clair Avenue	Crittenden Court	9/21/2021	208	$19,750,000	$142.78	$94,951	Snavely Group, The	West Terrace	Cleveland - Akron
1151 N Jefferson St	Jefferson Villas	9/2021	60	$6,700,000	$83.35	$111,667	John M Coyne	SVN	Cleveland - Akron
16101 Lakeshore Blvd	Lakeshore Beach	9/14/2021	108	$3,750,000	$44.86	$34,722	Lekeshore Beach Owner LLC	Cle Leased Housing Associates	Cleveland - Akron
4042 Fulton Road	Fulton Place Apartments	8/11/2021	79	$3,792,000	$380.61	$48,000	WP Fulton SPE LLC	Fulton Place Apartments LLC	Cleveland - Akron
1065 Manhattan Blvd	The Manhattan on the River	7/13/2021	263	$51,330,000	$195.91	$195,183	BH Equities	Arlington Properties	Cincinnati
101 Promontory Drive	Cambridge Square	7/22/2021	200	$16,500,000	$98.00	$82,500	Fairstead	Gene B. Glick Company	Cincinnati
714 Clifton Colony Drive	Clifton Colony	8/12/2021	294	$16,170,000	$85.44	$55,000	Vision & Beyond Group	CMC Properties	Cincinnati
2341 Madison Road	The Madison	9/7/2021	116	$15,730,000	$190.36	$135,632	Avenue Living Asset Management	BRG Apartments	Cincinnati
1074 Park Lane	Olde Towne	8/17/2021	165	$13,500,000	$90.42	$81,818	Zidan Management Group	CMC Properties	Cincinnati
2425 West Dublin Granville Road	District at Linworth	8/6/2021	326	$67,470,000	$169.93	$206,952	Connor Group, The	Vision Development	Columbus
2300 Deewood Drive	Bayberry Place Townhomes	9/23/2021	296	$36,600,000	$133.87	$123,648	Monarch Investment and Mngmt Group	Ackermann Group	Columbus
5605 West Broad Street	Brook Lane	7/29/2021	210	$23,920,000	$126.77	$113,904	Equity Research Partners	Metro Development	Columbus
4455 Winchester Pike	The Preserve at Winchester Crossing	9/16/2021	189	$22,500,000	$109.64	$119,047	29th Street Capital	Kingsbarn Realty Capital	Columbus
4621 Northtowne Blvd	Northtowne	8/18/2021	312	$19,300,000	$47.72	$61,858	Preserve Partners	Vesta Corporation	Columbus
1610 Woodman Drive	Pinnacle Dayton	8/24/2021	69	$4,150,000	$74.07	$60,193	Lau, Chiu On	Tatkovic, Tijana	Dayton

Market Takeaways

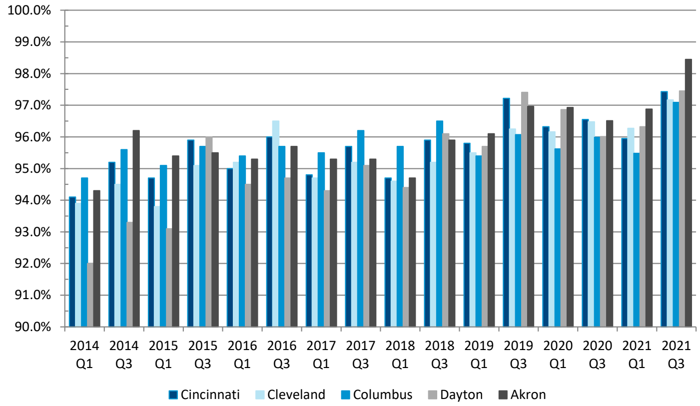
Cleveland - After bouncing back in the first half of the year from the effects of the COVID-19 pandemic, the Cleveland multifamily market remained strong, as the region's economic recovery progresses. The metropolitan area recorded economic output of 5.8%, year-over-year. The unemployment rate in August was 5.3%, up 20 bps quarter-over-quarter and now matches the national average. The sectors with highest employment gains include Leisure/Hospitality Services and Professional/Business Services.

With the economy recovering, expanding employment and rising home values, demand for apartments has increased. Occupancy increased 50 bps, quarter-over-quarter, to 97.2%. This rate is 150 bps above the market's five-year historical average. Occupancy is highest in the Class B and C sectors equaling 97.7% and 97.3%, respectively. Over the past five years, Class C apartments have had the tightest availability, but Class A has witnessed the most improvement over the past year. Class A occupancy, at 95.3%, is up 130 bps, year-over-year, due to job growth, increased vaccination rates and workers returning to the office. Proof of this rising Class A occupancy trend is the 230-basis-point increase during just the third quarter alone.

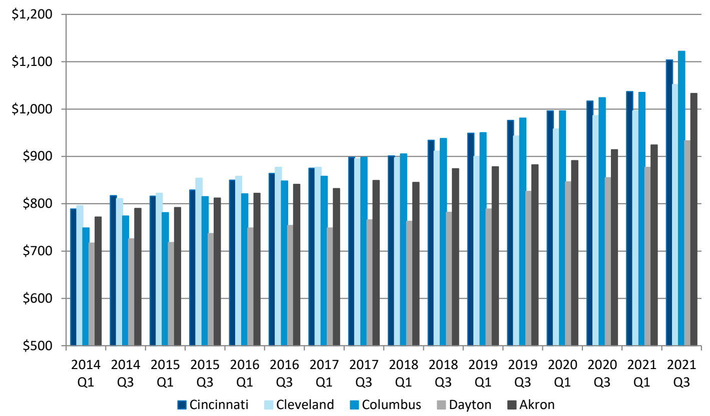
Construction activity remains modest with only 111 units delivered during the quarter. Over the past 12 months, inventory increased by 600 units. In the face of accelerating demand, the number of projects have increased. Currently there are 2,381 units under construction , of which 1,171 units will be completed over the next 12 months. Areas of new supply have been heavily concentrated in Central Cleveland (including downtown), East Cleveland and West Cleveland. Over the past 5 years, 84% of the market's new supply has been added to those submarkets.

Matching national trends in rent growth, the Cleveland market recorded its fourth straight quarter of rising rents. The market's average rent increased 6.2%, year-over-year, to $1,052 per month. Class B properties continue to lead the surge in rent growth posting an annual increase of 7.2%, to an average monthly rent of $1,004. Rent growth is expected to remain strong over the next 12 months with forecasts projecting annual rent growth to equal 4.3%, higher than the five-year historical average of 3%.

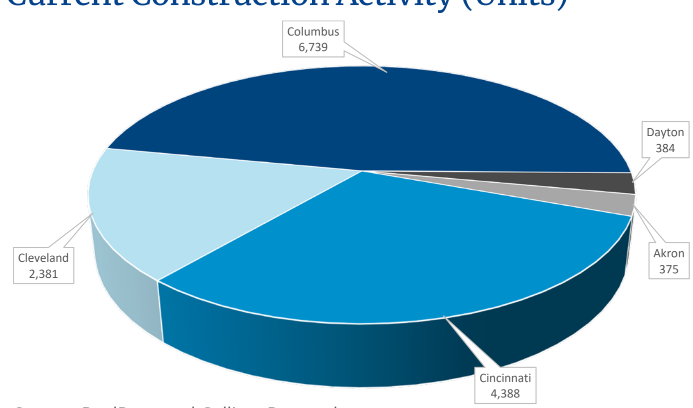
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)



Source: RealPage and Colliers Research

Cincinnati - The Cincinnati region has experienced a rapid recovery following the steep recession brought upon by the COVID-19 pandemic. A stable economic foundation has allowed the metro to weather the storm, more so than the broader Ohio state and the nation in many instances. The progress continues with the expansion of economic output by 6.5% and a net gain of 44,000 jobs thus far in 2021. The most recent unemployment data shows Cincinnati's unemployment rate at 4.4%, far below the national average of 5.3%.

Demand for apartments has followed suit. Occupancy reached 97.4% in the third quarter, the highest level in recent memory, and a 110 bps bounce-back since the beginning of the pandemic. On an annual basis, demand of 2,628 units is more than double the 1,233 units added to inventory. For a sense of the feverish apartment market throughout 2021, Cincinnati's historically high occupancy ranks in the mere bottom half of the top 150 markets nationally, according to RealPage. Support for Cincinnati's high occupancy comes primarily from steady Class B and Class C units, posting 97.7% and 97.5% rates respectively. Class A properties have provided the boost, rising 250 bps over the past year to 96.8%.

To meet this demand, Cincinnati's construction pipeline is surging ahead at a historically elevated level. Over 4,300 units are currently under construction, 2,900 of which are expected to complete over the next year. This increase in supply should be manageable based on the accelerated level of demand. It is expected the market will outperform historical averages over the next 12 months and normalize in 2023 as demand slows and new supply offsets the recent staggering occupancy gains.

Rent growth ties this red-hot market activity together. Annual growth of 6.7% year-over-year once again doubled the market's five-year average of 3.2%. Renting an apartment in Cincinnati, as of the third quarter, now costs $1,104 per month on average. Class B units have led the way in rent gains, increasing by roughly 8% year-over-year. The market's rent growth is expected to moderate, however, as delivered supply levels the playing field.

Columbus - The Columbus apartment market benefits from being home to Ohio's state government and The Ohio State University, one of the nation's largest and most well-known universities. The region has also experienced a large amount of in-migration. During the five-year period of 2014-2019, Columbus recorded population growth of 6.9%, far exceeding the national average of 2.9% during that time frame. Growth in the 20–34-year-old demographic cohort, the prime apartment renter group, also outpaced the U.S. average of 1.6%, increasing by 5.9%. Over the past 12 months, as the state began reopening from the pandemic shutdowns, Columbus has netted 27,400 new jobs and the employment base stands only 2% below pre-pandemic levels. It is estimated that an additional 33,100 jobs will be created over the next 12 months before growth falls back to historical averages.

Columbus has always been a top performing market for apartments in Ohio, however, the recent economic performance has led to record levels of demand, supply and rent growth. Over the past 12 months, demand topped 6,900 units and supply totaled 5,042 units in contrast to the market's five-year average of roughly 4,000 to 4,100 units on both the supply and demand side. Occupancy soared 110 bps to 97.1%, the highest level in 20 years, with Class B and C properties reporting the highest occupancy levels. Projects currently under construction equal 6,739 units, of which 4,452 units will be added to the inventory during the next 12 months.

Driven by outsized demand, monthly rents have skyrocketed. Averaging $1,122 per month, rents have increased by 4.3% since last quarter and 7.8%, year-over-year, which is more than double the market's five-year average of 3.3% per year. Rent growth was strongest in Class B properties, with Class A following closely behind. Suburban submarkets fared better in terms of rent growth than the Downtown and University District submarkets, which have been the recipients of much of the new supply.

The Columbus market's heightened level of construction activity has been a source of concern over the past few years. However above average population and employment growth have supported the rapidly increasing number of new units. Based on current growth projections, demand should keep pace with supply over the next year, stabilizing occupancy and driving additional rent growth.

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