Cooper Multifamily Team

Ohio

21Q4

"Finishing the year strong and entering 2022 with momentum, the Ohio apartment markets have shown high occupancy, strong demand, and increased supply. Cap rates compressed once again, but interest rate increases and economic events are poised to push cap rates up and values down in 2022."

Gary R. Cooper, CCIM, J.D.
Cooper Multifamily Team

Accelerating success.

U.S. Market Overview

This year has been surging across all key performance indicators for the apartment market and the year-end was no exception. According to data from RealPage, quarterly demand was near 140,000 units. Down from the previous quarter, this is still very strong demand for the fourth quarter as this is generally a slow-down during the leasing season. Occupancy continued to climb and increased 30 basis points from last quarter to 97.4% and was 1.8 points higher, year-over-year. While economic recovery has varied among the different markets, all major U.S. markets currently have more occupied units today than since the pandemic started. With the 2021 having the roll out of vaccines and health mandates loosened, people returned to the office which drove demand for apartments in most populated urban areas.

Over the past 12 months, occupancy levels for mid-rise and high-rise sectors have increased substantially. Recording annual gains of 3.1 and 3.6 points higher, this is a strong case that demand to live in apartments is continuing to rise and will do so going into 2022.

With such an increase in occupancy, demand has outpaced supply for the near term. The fourth quarter saw 91,329 units delivered, while the annual increase in inventory totaled 358,734 units. Construction activity has been prevalent with nearly 1.6 million units added to the nation's supply over the past five years. With unprecedented demand, supply chain disruptions and rising costs, developers have faced a handful of challenges with construction which has led to a delay in the delivery of units. Analysts forecast completions to pick-up in 2022 with an additional 426,000 units set to deliver over the course of 12 months. Other 12-month forecasts call for occupancy to decrease to 96.5% and annual demand to have a decrease to 233,305 units. If occupancy were to dip down to its forecast, it would still be above the U.S apartment market's five-year average of 95.6%. Demand levels have been trending upward for the past six quarters, which pent-up and delayed demand have been a factor in.

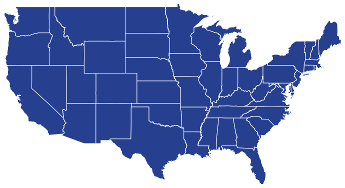
As the market experiences high demand, average monthly rents have had record increases. The quarterly gain on rent growth equaled 2.5%, while on an annual basis the average monthly rent increased 13.8%. These shifts in rent increased the asking rent to $1,629 per month. This was the largest rent hike recorded and the 12 month forecast calls for another increase of 10.2%. Once the market is stabilized, which is forecasted to be in 2023, we will begin to see rents plateau.

By sector, Class B properties recorded the largest gains in rents, ranging from 11.9% to 16.6%, year-over-year, depending on building age. Many major markets are past their recovery and have already begun the next cycle of demand, rent and newly delivered supply.

$335.3B

U.S. Sale Volume

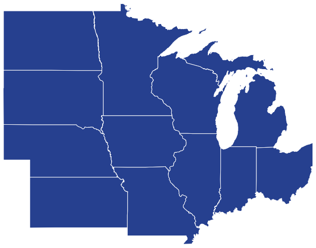
95.06% YOY Change



$27.2B

Midwest Sale Volume

128.6% YOY Change



$2.40B

Ohio Sale Volume

60.0% YOY Change

2021 Transaction Volume in Billions

In most gateway markets and other urban centers, garden style apartments continue to remain in high demand leading to a 14.3% annual increase in monthly rent, up from 11.7% the previous quarter. Mid and high-rise sector have recently made some large annual increases in monthly rent recording 13.2% and 11.4%, respectively. Mid-rise annual rent change is up 3.2 points from the previous quarter and high-rise surged 6.4 points from the previous quarter. Renewal rent growth has been another sector that has accelerated too, translating to 55.5% resident retention in 2021

The U.S. apartment market's continued track of record setting activity is largely due to pent up demand. Throughout most of 2022 the demand will increase; rents will continue to rise and then begin to peak in the latter half of the year. Beyond that the markets will begin to moderate in 2023. With much advancement made throughout the pandemic, some of the harder hit sectors will expect to see a near full recovery if they have not yet.

U.S. Investment Overview

Deal activity in the fourth quarter created record amounts of sales volume to end a year of overall record-breaking investment transaction volume. Data coming from Real Capital Analytics shows that the fourth quarter sales totaled $325.6 billion among all property types, brining the year-to-date volume to a substantial $808.7 billion. As historical data shows, majority of sales have been individual asset transactions. This is a strong economic sign that investor appetite is hungry for the market. The fourth quarter's total is an increase of 97%, year-over-year.

The apartment and industrial sectors remained to be the two most popular property types for all deal activity. Apartments represented 42% of all deal activity while industrial was second to that representing 21% of all deal activity in 2021. Sales of other assets like office, retail and hotels made a surge in the fourth quarter as they were affected by the pandemic more than apartments and industrial assets.

With growing fears of increased inflation and the Federal Reserve bumping up rates, the investor appetite still stays hungry with the potential income and compression of cap rates. Cap rates declined across most of the property sectors in 2021, apartment and industrial reporting the lowest at 4.5% and 5.5%, respectively. The one property sector that saw an increase in cap rates were CBD office buildings. As the pandemic sent people from the office to their homes for remote working, the return to office has been halted by employers or they have decided to adopt a fully remote or hybrid transition.

According to the Real Capital Analytics CPPI index, pricing for all sectors increased to 22.9%, year-over-year, while cap rates compressed even further. The industrial sector had the highest recorded gain for the fourth quarter at 29.2%. Apartments recorded a 23.6% increase with retail finishing up right behind at a 21.5% gain.

Sales volume, nationally, for apartments during the fourth quarter totaled $145.06 billion, an increase of 133.4%, year-over-year. As a comparison to highlight the dominance of apartment sales volume, the next closest property type is industrial at $67.16 billion. Individual assets represented 83% of quarter's total sales volume, which further cements the strength of the market and investor activity.

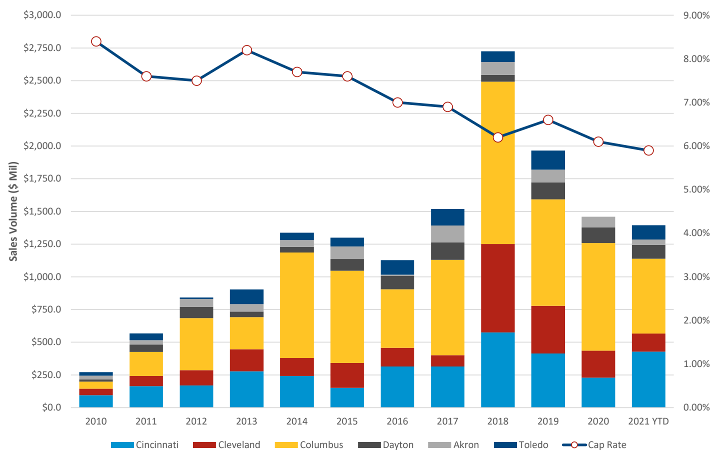
As prices have surged, cap rates have continued to compress. The current average cap rate for the U.S. apartment market at 4.5% is a decrease of 20 bps, quarter-over-quarter and a decrease of 50 bps, year-over-year, as rents continue to trend upward. Garden apartments still remain the most in-demand, but mid/highrise assets are not lagging too far behind. Garden apartments recorded $97.6 billion in sales volume for fourth quarter compared to the mid/highrise recording $51.3 billion. Between the two different asset types, both finished 2021 at an increase of 126% for garden and 132% for mid/highrise.

Ohio Investment Overview

The fourth quarter was a very strong one for transaction volume in the Midwest region. Apartment sales volume for the fourth quarter reached a substantial transaction volume of $13.7 billion bringing the total transaction volume to $27.2 billion for the year. That total represents an increase in volume of 128.6% over last year's pandemic induced slowdown. Interest from investors continue rising and pricing still remains strong and cap rates have decreased 30 bps, year-over-year, to 5.1%.

The Ohio markets combined recorded their highest transaction volume for the year in the fourth quarter. Sales volume totaled approximately $946 million, which is up from $414 million, quarter-over-quarter. Year-to-date the Ohio markets sales volume finished at $2.4 billion, a 60% increase from the previous year. Cap rates continue to compress ranging between 4.9% and 6.0% with a statewide average of 5.3% - a decrease of 28 bps from the previous quarter.

Historical Sales Volume/Avg Cap Rate



Ohio Apartment Market Data | Q4 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	168,829	3,866	2,856	97.7%	788	2,585	$1,081.00	$1.23
Cincinnati	162,905	3,095	3,785	98.1%	1,013	5,455	$1,139.00	$1.24
Columbus	191,867	4,835	8,082	97.5%	5,114	6,975	$1,141.00	$1.21
Dayton	55,951	1,175	1,273	97.9%	229	455	$960.00	$1.07
Akron	44,021	563	1,462	98.7%	485	445	$1,012.00	$1.11
Grand Total	**623,573**	**13,535**	**17,458**	**98.0%**	**7,629**	**15,915**	**$1,066.60**	**$1.17**

Source: RealPage and Colliers Research

Recent Notable Sales | Q4 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
1421 E 15th St	The Milton Apartments	11/9/2021	16	$5,650,000.00	$294.27	$353,125.00	Yogesh Mittal	MPAM Credit Trading	Cleveland-Akron
4060 Park Fulton Oval	Brookside Oval	12/22/2021	121	$7,893,000.00	$405.64	$65,231.00	Glenn Lytle	Ben F. Stormes II	Cleveland-Akron
12530 Lake Avenue	Shady Cove	12/22/2021	52	$3,825,100.00	$88.00	$73,557.00	Glenn Lytle	Ben F. Stormes II	Cleveland-Akron
1469 Alphada Avenue	Brittain Park	10/20/2021	145	$7,584,000.00	$70.48	$52,303.45	Backenroth, Abraham J.	H&M Management	Cleveland-Akron
9841 Memphis Avenue	Parkview Estates	11/05/2021	360	$22,800,000.00	$92.15	$63,333.33	Brown Gibbons Lang & Company	LUMA Property Group	Cleveland-Akron
4102 Valley Road	Valley Park	12/01/2021	96	$5,624,468.00	$89.28	$58,588.21	Glenn Lytle	Blum, Kevin R.	Cleveland-Akron
4197 West 20th Street	Valley Plaza	12/01/2021	74	$4,335,529.00	$85.55	$58,588.23	Glenn Lytle	Blum, Kevin R.	Cleveland-Akron
33201 Vine Street	Vine East	12/01/2021	64	$5,270,000.00	$128.89	$82,396.00	Pero Real Estate	Barron, Michael S.	Cleveland-Akron
26011 Lakeshore Blvd	The Riveria	12/01/2021	140	$9,000,000.00	$120.78	$64,286.00	Dovi Kutner	Millennium	Cleveland-Akron
1278 W 9th St	The Bingham	12/31/2021	340	$65,000,000	$138.00	$191,176.00	Town Management Corp	Morgan Properties	Cleveland-Akron
1220 W 9th St	The Archer	12/21/2021	250	$45,000,000	$165.00	$180,000.00	Town Management Corp	Morgan Properties	Cleveland-Akron
5411 Bluesky Drive	Skyridge/ Northcrest	11/15/2021	184	$24,580,000.00	$126.82	$133,573.91	Venture Real Estate Co.	Geluso, Steven A.	Cincinnati
380 St. Andrews Drive	Fairways at Royal Oak	12/29/2021	214	$35,270,000.00	$164.52	$164,828.66	RealSource	Oak Residential Partners	Cincinnati
1440 W Kemper Rd	Remington Place	10/28/2021	688	$87,600,000.00	$95.76	$127,326.00	29th Street Capital	Haley Associates Limited Partnership	Cincinnati
30000 Stoneybrook Ln	Overlook Apartment Homes	10/25/2021	252	$43,000,000.00	$172.00	$170,635.00	CMC Properties	MORE Management	Cincinnati
525 Greenup St	The Author	10/20/2021	58	$5,750,000.00	$168.00	$99,138.00	Blue Yellow Capital 1 Llc	Grandin Properties	Cincinnati
1025 Luxe Avenue	Luxe 88	10/7/2021	220	$60,670,000.00	$269.80	$275,757.58	Starwood Capital Group	Preferred Living	Columbus
4657 East Broad Street	Lofts at Norton Crossing	11/23/2021	360	$106,670,000.00	$382.54	$296,296.30	Ares Management	Continental Real Estate Companies	Columbus
230 East Long Street	Industry Columbus	12/10/2021	236	$81,000,000.00	$441.91	$343,220.34	Cantor Fitzgerald	Charles Street Investment Partners	Columbus
1079 North High Street	Luxe 23	12/1/2021	113	$54,600,000.00	$531.53	$483,141.59	Robert Weiler Company, The	Preferred Living	Columbus
324 East 2nd Avenue	Station 324	12/27/2021	196	$42,100,000.00	$287.21	$214,795.92	Preserve Partners	Snyder Barker Investments	Columbus
4889 Far Hills Avenue	Georgetown of Kettering	10/5/2021	325	$32,530,000.00	$92.02	$100,102.56	Monarch Investment and Management Group	KC Venture Group	Dayton

Market Takeaways

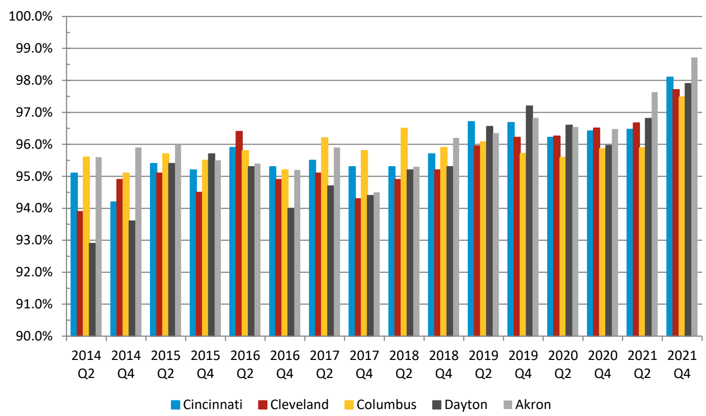
Cleveland - As the region's economic recovery continues, the Cleveland multifamily market remained strong to finish the year with good momentum entering 2022. The metropolitan area inflation adjusted economic output expanded 3.6%. The November unemployment rate was down 3.4 points, year-over-year, to 3.7% which is 20 bps below the national average. The two sectors that saw the largest gains in jobs were the trade/transportation/utilities and leisure/hospitality services sectors.

Occupancy continued to climb in fourth quarter reaching 97.7%, a 1.2-point increase from the previous quarter. This is well above the market's five-year average of 95.8%. With rising home values and jobs picking up, the demand for apartments is increasing. Occupancy remained highest in Class B and C sectors equaling 98.2% and 97.6%, respectively. A trend over the last few quarters were Class A sector apartments having large occupancy growth compared to Class B and C. Class A saw another increase of 80bps, quarter-over-quarter, to bring their occupancy to 96.1%. A mix of job growth, vaccines, returning to the office, increased wages are all factors that play a role in the rise of demand interest of Class A apartments.

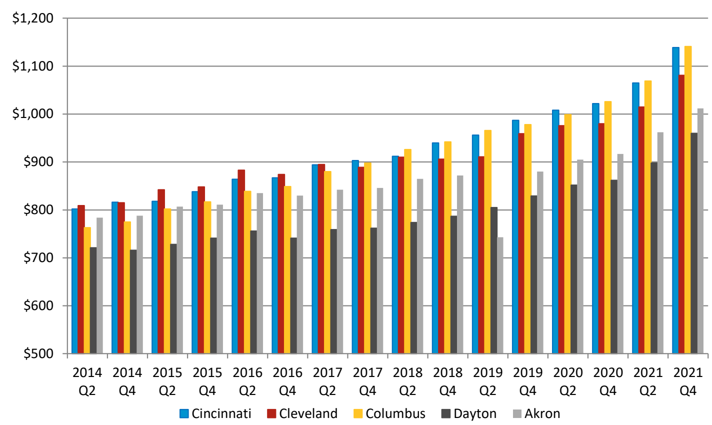
Construction activity continues to be modest with 187 units being delivered in the fourth quarter. The market has seen an increase of 788 units over the past 12 months. With a pipeline of nearly 2,600 units under construction, 950 will be set to deliver over the next 12 months. This added supply will greatly help the increasing demand for apartments. Areas of where the new supply is concentrated remains to be Central, East and West Cleveland. Over the past five years, these areas have accounted for roughly 79% of the new completions. Downtown Cleveland (a part of Central Cleveland) is seeing an increased amount of conversions and new luxury apartments being built, making the city more enticing to young talent that is moving from outside the area.

Cleveland has seen a consistent gain in rent per quarter over the past year. The market's average asking rent increased 7.7%, year-over-year, to $1,081 per month. Class A properties saw the biggest annual surge in rent growth at a 22.29% increase equaling $1,695 per month. Rent growth is expected to continue to increase over the next 12 months with a high demand and new supply under construction. The current 12 month forecast projects annual rent growth to equal 5.9%, higher than the five-year historical average of 2.6%.

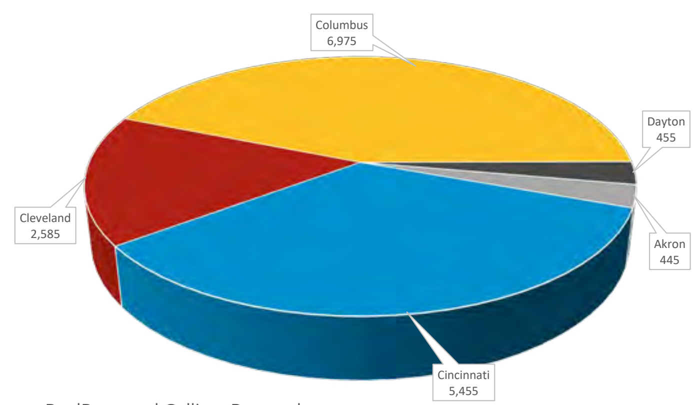
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)



Source: RealPage and Colliers Research

Cincinnati - While the COVID-19 pandemic continued to deal blows to property sectors in 2021, apartment activity in Cincinnati surged ahead. A stable economic foundation with a growing employment base and gross metropolitan output allowed has propelled the market forward. An expansion of economic output by 4.7% and a net gain of 38,700 jobs highlighted 2021. The most recent unemployment data shows Cincinnati's unemployment rate at 2.8%, far below the national average 4.0%.

This strong economic backdrop has allowed apartment demand to flourish. Occupancy reached 98.1% in the fourth quarter, the highest level on record, driven by North Central and Central Cincinnati absorption gains. All product classes felt the occupancy tightening. Class A jumped to a 97.8% occupancy rate, and Class B and C rates shot passed the 98% level. This elevated occupancy puts Cincinnati at a #10 ranking out of 29 key Midwest markets. For the year, the Cincinnati market absorbed 3,785 units, as demand continued its stellar performance.

New supply to meet this demand will have a larger impact in 2022, likely softening rental rate and occupancy growth. Cincinnati's construction pipeline is surging ahead at a historically elevated level. Apartment completions in 2021 totaled 1,013 units, in-line with the markets' five-year average. However, roughly 5,400 units are currently under construction, of which 3,500 are expected to complete in 2022. High completion levels will provide brand-new, Class A options to Cincinnati renters, but could temper growth indicators in the short term.

Rent growth in 2021 was similarly on fire. Annual growth of 8.4% year-over-year once again doubled the market's five-year average of 3.2%. Renting an apartment in Cincinnati, as of the end of 2021, now costs $1,139 per month on average. Class A units led the way in rent gains, increasing by roughly 10% year-over-year. The market's rent growth is expected to moderate, however, as a new supply outpour levels the playing field.

Columbus - Anchored by Ohio's state government and The Ohio State University, the apartment market has a high ceiling in advancing across all measurable metrics. With a high growth rate in number of residents, Columbus has seen a large increase in the 20-34-year-old demographic cohort equaling 5.9% growth between 2014-2019, well above the national average of 1.6%. This cohort also makes up 22.4% of the Columbus population, also about the national average. These statistics are crucial in catching the demand of the apartment market in the state's capitol. Over the past 12 months, Columbus has had an inflation-adjusted economic output of 5.2% and recorded a net gain of 20,900 jobs. Similar to the Cleveland market, the Columbus market saw the biggest job gains in leisure/hospitality services as well as trade/transportation/utilities services. The current 12-month forecast is projecting for an additional 29,400 jobs. If that projection hold s as Columbus remains a consistent market, they will be in good shape throughout 2022.

Columbus saw an annual demand of 8,082 units and annual supply of 5,114 units. A well preforming market, Columbus set new records for demand, occupancy and rent growth. For reference, the market's five-year average demand and supply was 4,473 and 4,415 units, respectively. Demand was nearly double the average while supply finished well above its respected average as well. Occupancy increased another 40bps to 97.5%, continuing to set a new high for occupancy in the past 20 years. Class A,B, and C properties have all reported at least 97% occupancy for the quarter with B and C coming in at 97.7% and 97.6% followed by A at 97.1%. Projects that are currently under construction equal 6,975 units, of which 4,216 units will be delivered during the next 12 months.

As demand continues to outdrive supply for the market, rents have seen sharp increases throughout the past 12 months. Averaging $1,141 per month, rents have increased 11.21%, year-over-year, which is well above the markets five-year annual average of 3.6%. Rent growth was most active in Class A and B properties. Class B properties saw an increase of 3.5%, quarter-over-quarter and Class A saw an increase of 2.43%, quarter-over-quarter. As more supply comes into the market in the next 12 months, rent change is expected to slow down.

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Don't go flat line. Contact a team member today.

COOPER MULTIFAMILY TEAM

Gary Cooper, CCIM
Senior Vice President
+1 216 242 1200
gary.cooper@colliers.com

Anthony DeMarco
Senior Vice President
+1 313 590 4068
anthony.demarco@colliers.com

Peter Grealis
Senior Associate
+1 216 298 3471
peter.grealis@colliers.com

Kathy Roth
Marketing Specialist
+1 216 239 5117
kathy.roth@colliers.com

Colliers | Cleveland
200 Public Square #1200
Cleveland, OH 44114
+1 216 239 5060
colliers.com/cleveland

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