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Ohio

22Q1

Continuing the momentum from last year, the start of 2022 has been strong across all metrics for the Ohio apartment markets. Surging demand and high occupancy, along with decreasing cap rates, the markets are poised to excel throughout the year.

Accelerating success.



U.S. Market Overview

After a record setting year in 2021 amongst all key performance indicators, the U.S. apartment market is poised to have another successful year in 2022. According to RealPage, quarter demand for the first quarter was 94,900 units which was nearly double the demand that is seen in first quarter historically. Strong demand translated to a slight uptick in occupancy which was 97.6% for the quarter. This occupancy rate is the highest reading since being tracked by RealPage. The 10-year average of occupancy is 95.3%, which tells us apartments have demand and that the demand is rising. Correlating with that recording, all major U.S. markets have more occupied units today than at the start of the pandemic,

Demand levels have shown an increase over the last seven quarters and is continuing to rise. Out of the core 150 markets, 94,886 units were in demand which was the strongest first quarter absorption since 2000. Construction activity has been prevalent with nearly 1.6 million units added to the nation's supply over the past five years. Quarterly supply saw 78,321 units delivered which brought up the total annual supply to 349,304 units, slightly above the national average. Analysts forecast that over the next 12 months there will be roughly 455,000 units delivered. Other 12-month forecasts call for occupancy to decrease to 96.5% and annual demand to have a sharp decrease to 235,761 units. If demand were to decrease that much, it would be below the five-year average of 368,028. With some political and economic atmosphere uncertainties, demand and supply could fluctuate depending on when they hit their peaks throughout the year.

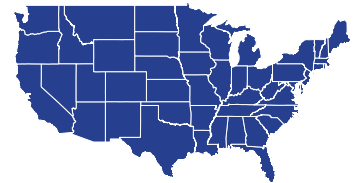
High demand has correlated to record monthly rent increases in the US apartment market. The quarterly gain on rent growth equaled 1.8%, while on an annual basis the average monthly rent increased 15.2%. The increases jumped asking rent to \$1,671 per month. The previous quarter was the largest rent hike recorded and this quarter beat out that increase. The 12-month forecast for rent calls for a change of 11.3%. Rent growth is predicted to peak in the middle to latter half of the year as that is generally the slow season for apartment demands but will still be above historical norms.

By sector, Class B properties recorded the largest gains in rents, ranging from 13.9% to 17.5%, 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. In most gateway markets and other urban centers, garden style apartments continue to remain in high

\$326.1B

U.S. Sale Volume

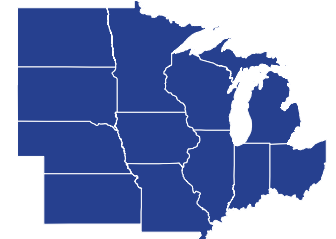
135.1% YOY Change



\$27.2B

Midwest Sale Volume

128.6% YOY Change



\$2.4B

Ohio Sale Volume

60% YOY Change



2022 YTD Transaction Volume in Billions

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

Across all sectors, total transaction volume for the quarter was \$170.8b, a 56% year-over-year change. Majority of the transaction came from individual asset sales, which accounted for \$126.1b of the total volume. Individual asset sales increased 58%, year-over-year, a pace that is slightly above the overall market. Entity-level activity saw a large increase due to M&A type transactions, totaling \$11.8b for the quarter which surpassed the pre-pandemic average of \$6.5b.

Apartment and office transaction volume were the two highest producing sectors for the quarter. Apartments represented \$63b of all deal activity while office was second to that representing \$35.1b. Industrial sales lagged right behind coming in at \$33.1b for the quarter.

Cap rate compression has continued amongst all property types, with apartments and industrial sectors still holding the lowest rates at 4.4% and 5.3%, respectively. Within the apartment sector, mid-highrise properties and garden properties have a cap rate of 4.4% and 4.5%, respectively. Garden segment properties remain more in demand as transaction volume accounted for \$41.3b of the \$63b done in transactions for the quarter. Mid-highrise properties accounted for the remaining \$21.6 in transactions and while lower, it has a greater year-over-year increase in volume of 85% compared to the garden segment increase of 45%. Despite economic headwinds, investors are attracted to the low cap rates and buildings that are producing strong income growth.

As inflation rises, commercial real estate could find itself facing some challenges. With increasing rates, the cost to finance commercial real estate investments become increasingly more as well. During 2021, most commercial mortgages had a lending rate of 3.7% and increased 20bps in February of 2022 to 3.9%.

According to the Real Capital Analytics CPPI index, pricing for all sectors increased to 17.4%, year-over-year, while cap rates compressed even further. The industrial sector had the highest recorded gain for the second consecutive quarter at 30.1%. Apartments recorded a 22.4% increase and retail trailing behind at a 16.3% increase.



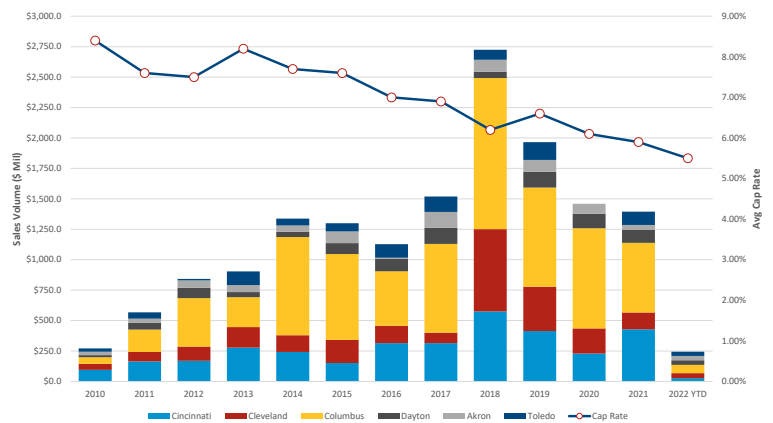


Ohio Investment Overview

The Ohio markets had a promising first quarter in transaction volume that has the potential to set up another strong year for apartment sales. Volume for the first quarter reached totaled \$244.4 million. 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 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 | Q1 2022

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	169,194	3,418	4,005	98.0%	1,137	2,136	\$1,106.00	\$1.27
Cincinnati	163,127	2,969	4,818	98.2%	1,347	6,746	\$1,174.00	\$1.26
Columbus	191,864	4,394	7,800	97.7%	4,140	7,646	\$1,163.00	\$1.23
Dayton	56,077	1,110	1,054	98.0%	100	595	\$983.00	\$1.09
Akron	43,989	638	940	98.6%	281	557	\$1,025.00	\$1.12
Grand Total	624,251	12,528	18,617	98.1%	7,005	17,680	\$1,090.20	\$1.19

Recent Notable Sales | Q1 2022

Property Address	Property Name	Sale Date	Number of Units	Sale Price	Price Per SF	Price Per Unit	Buyer (True) Contact	Seller (True) Company	Market
12701 Shaker Blvd	Residences at Shaker Square	1/7/22	119	\$6,004,556.00	\$47.33	\$50,458.45	Chetrit Family	North York Capital	Cleveland
12500-12600 Shaker Blvd	Vista at Shaker Square	1/7/22	130	\$6,395,444.00	\$71.84	\$49,195.72	Chetrit Family	North York Capital	Cleveland
111 E Lorain St	Northshore Manor	1/21/22	30	\$3,075,000.00	\$134.75	\$102,500.00	OBCCT Northshore	Oberlin Property Group LLC	Cleveland
100 Mariner's Circle	Portside	2/15/22	232	\$22,400,000.00	\$76.48	\$96,551.72	Solomon Organization, The	Kaloidis, Dimitrios E.	Cleveland
6501 State Road	State Hill Manor	2/8/22	96	\$6,120,000.00	\$94.09	\$63,750.00	Wolfe Investments	AlmiCo Properties	Cleveland
4687 Broadview Road	Broadview Terrace	2/8/22	77	\$3,320,000.00	\$76.23	\$43,116.88	Wolfe Investments	AlmiCo Properties	Cleveland
8257 Memphis Avenue	Floridian, The	2/8/22	112	\$6,310,000.00	\$108.31	\$56,339.29	Wolfe Investments	AlmiCo Properties	Cleveland
1361 Fox Run Drive	Fox Run	3/7/22	192	\$26,463,154.00	\$30.93	\$137,828.93	Joel Fleisher	Harry Friedman	Cleveland
1215 Village Drive	Parkway	3/7/22	112	\$15,436,840.00	\$160.46	\$137,828.93	Joel Fleisher	Harry Friedman	Cleveland
6615 Center Street	Mentor Square	3/17/22	64	\$5,000,000.00	\$72.34	\$78,125.00	Mauricio Rauld	Branko Cubela	Cleveland
20201 Lorain Rd	200 West	1/18/22	173	\$11,100,000.00	\$72.42	\$64,161.85	Green Harvest Capital	Daniel Miclau	Cleveland
1839 Beacon St	Beacon Tower	1/24/22	58	\$4,900,000.00	\$94.96	\$84,482.76	Hermann Vorhand	Cincinnati Properties	Cincinnati
9552 Apple Valley Dr	Apple Valley	3/1/22	108	\$17,450,000.00	\$33.69	\$161,574.07	PLK Communities	David J. Noll	Cincinnati
11060 Quailwood Drive	Meadowood	3/28/22	106	\$5,870,000.00	\$87.99	\$55,377.36	SNS Capital Group	Blue Tides Partners	Cincinnati
2901 Banning Road	Woodside	3/28/22	60	\$4,330,000.00	\$88.47	\$72,166.67	SNS Capital Group	Blue Tides Partners	Cincinnati
500 Anchor Drive	Harbour Cove	1/5/22	66	\$6,530,000.00	\$118.70	\$98,939.39	Sundance Property Management	PRE/3	Cincinnati
725 Gustavus Ln	Parsons Parc	3/1/22	78	\$18,055,000.00	\$236.55	\$231,474.36	Yardley TIC 1 LLC; Yardley TIC 2 LLC; Yardley TIC 3 LLC	Kohr Royer Giffith	Columbus
8 E Long St	Atlas	3/23/22	98	N/A	N/A	N/A	Crawford Hoying	Schiff Capital Group	Columbus
248 W Norwich Ave	Harrison Apartments	3/1/22	132	\$24,000,000.00	\$255.31	\$181,818.18	Lane & Norwich Columbus Owner	Harrison Holdings I LLC	Columbus
1250 Lockhurst Rd	Lockhurst Village	2/1/22	79	\$5,500,000.00	\$150.62	\$69,620.25	Andrew Peceimer	Imovina Group LLC	Columbus
4711 Bay Run Drive	Reserve at Parkwick, The	1/6/22	240	\$22,800,000.00	\$114.73	\$95,000.00	Alpha Partners	Elmington Capital Group	Columbus
42 Hallowell Drive	Bedford Place	1/28/22	127	\$19,620,000.00	\$134.79	\$154,509.19	Ackermann Group	Wilcox Communities	Columbus
5300 Catalina Circle Drive	Hilliard Station	2/9/22	656	\$103,010,000.00	\$190.99	\$157,032.52	29th Street Capital	Birge & Held Asset Management	Columbus
1220 Lockhurst Road	Lockhurst Village	3/2/22	78	\$5,500,000.00	\$60.32	\$70,512.82	Peceimer, Andrew	Frischman, Abraham	Columbus
101 Canal Road	Country Village	1/5/22	56	\$4,520,000.00	\$95.68	\$80,753.66	RiverWest Partners	Canal Investments	Columbus
3170 Cleveland Avenue	Shiloh Crossings	3/3/22	66	\$3,250,000.00	\$79.15	\$49,242.42	Gelb, Joshua	Peterson, Corey	Columbus
4979 Kingshill Drive	Kings Highlands	3/21/22	270	\$24,200,000.00	\$149.28	\$89,629.63	Alpha Partners	Showe Companies	Columbus
1600 Clubhouse Dr	Deer Creek	3/1/22	312	\$38,500,000.00	\$150.78	\$123,397.44	CHY Acquisitons LLC	N/A	Dayton
3419 Cloveridge Court	Province, The	1/14/22	200	\$28,200,000.00	\$112.45	\$141,000.00	Berkley Properties	ILM Capital	Dayton
522 West Grand Avenue	Commodore	1/28/22	119	\$4,120,000.00	\$64.10	\$34,621.85	Windsor Companies, The	Day, Rich	Dayton

Market Takeaways

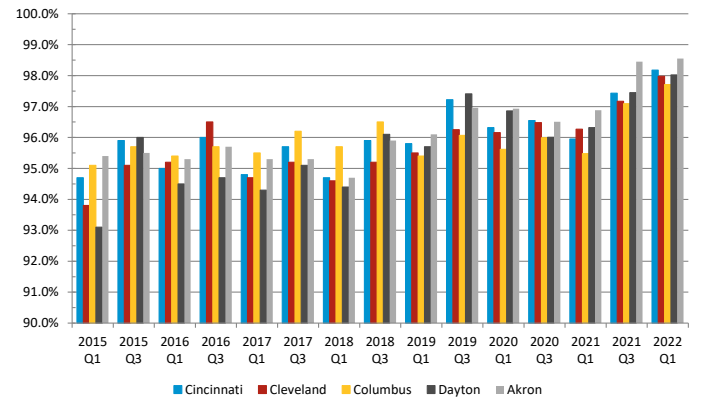
Cleveland - As some markets declined with the effects of the pandemic, the Cleveland market actually had higher occupancy in 2020 than in 2019 and then had a successful 2021. Overall demand has surged with the Cleveland market having demand of 4,950 units for the first quarter of 2022, their highest annual recording in over a decade. The metropolitan area inflation adjusted economic output expanded 1.8%. The February unemployment rate was down 1.0 points, year-over-year, to 6.4%, above the national average of 4.1%. The two sectors that continued to see the largest gains in jobs were leisure/hospitality services followed by manufacturing sectors.

With a five-year occupancy average of 96%, occupancy for the first quarter of 2022 was 98%, a 30 bps increase from the previous quarter. Occupancy in class B and C units remained the strongest equaling 98% and 98.7%, respectively. Class A did see a slight increase in occupancy, now standing at 96.6%. As new units are being delivered in the market, expect to see Class A occupancy rise.

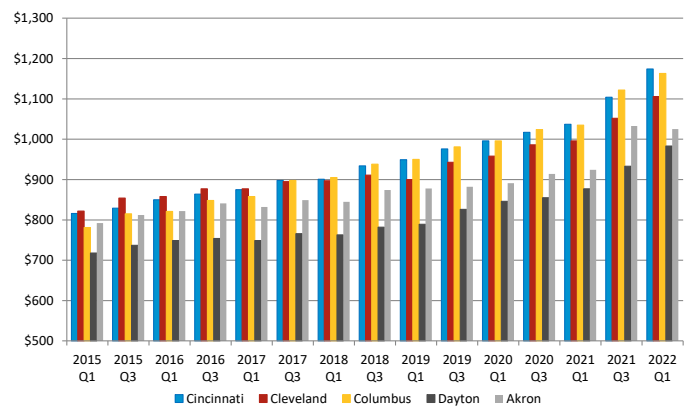
New apartment completions for the market delivered 1,137 units for the quarter. With a pipeline of nearly 2,800 units under construction, about 2,000 are set to be delivered over the next 12 months. New supply will greatly impact the increasing demand for the market. Areas of where the new supply is concentrated remains to be Central, East and West Cleveland. Over the past five years, these areas have accounted for roughly 80% of the new completions. Downtown Cleveland (a part of Central Cleveland) recently delivered a converted apartment building in the heart of the Central Business District (CBD). The CBD is also seeing some more conversions of office to apartment buildings.

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%.

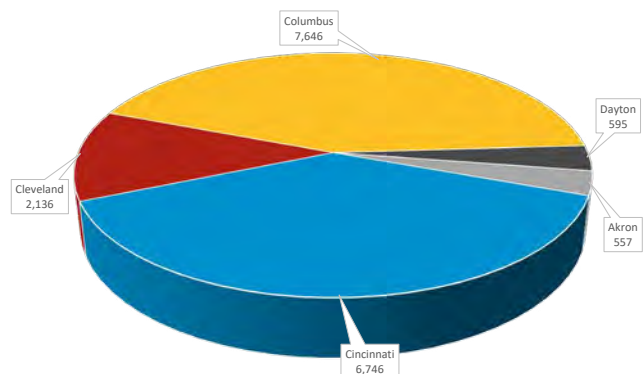
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)



Source: RealPage and Colliers Research



Cincinnati - Apartment activity kicked the year off with a record first quarter, setting the stage for a strong year ahead. Robust economic growth, seen in previous quarters, carried forward into 2022. Cincinnati posted an unemployment rate of 3.8%, a 1.6-point decline year-over-year. The overall market was hit hard by the pandemic, but a significant number of jobs were retained allowing for a slow, but steady bounce back. Job growth and retention have been a major factor in apartment demand within the city. With a skilled manufacturing job base and seven Fortune 500 Headquarters, the market recorded 50,100 jobs. A 2.0% increase in employment which is 5% greater than the first quarter of 2008. Additionally, the markets economic output, adjusted for inflation, grew by 2.8%.

Economic growth laid the foundation for significant demand during the first quarter of 2022. The quarter ended with an occupancy rate of 98.2%. Cincinnati has never seen occupancy this high at any other point in time. Furthermore, asking rates have increased by 10.9% year-over-year, which is yet another record for the market. With a five-year average of 3.8%, asking rates have risen nearly three times this, within the past year. It has been over 15 years since the market saw apartment demand as high as it was during the first quarter. Absorption topped out at 4,818 units and inventory is forecasted to increase by a record 3,432 units over the next year. With record supply additions and historically slow absorption of new supply, the market is expected to be tested in the coming quarters.

Columbus - The Columbus apartment market has been a backbone in the state being home to the capital of Ohio and home to the largest university in the state. As growth has been persistent over the years, the market has seen record increases over all metrics. Residents in Columbus increased 6.5% from 2015-2020, more than double the national average of 3.2%. The first quarter produced an economic output expanding 3.4% and saw a net gain of 25,400 jobs. The unemployment for Columbus in February 2022 was 3.7%, a 2.2-point decline, year-

over-year. 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 27,400 jobs. If that projections hold as Columbus remains a consistent market, they will be in good shape throughout the remainder of 2022.

Columbus saw an annual demand of 7,800 units and annual supply of 4,140 units. Continuing previous quarters' success, Columbus set new records once again for demand, occupancy and rent growth in first quarter of 2022. For reference, the market's five-year average for annual demand and supply was 4,675 and 4,457 units, respectively. While supply is slightly higher than the markets five-year average, demand is almost double the average, signaling a trend where supply may lag behind demand in the future. Occupancy increased another 20bps to 97.7%, which beats out the previous quarter's recording for a new high in occupancy in the past 20 years. Class A, B, and C properties have all reported occupancy between 97.3-97.8%. Projects that are currently under construction equal 8,263 units, of which 4,975 units will be delivered during the next 12 months.

Demand continues to heavily out pace supply translating to rents seeing increases throughout the past 12 months. Averaging \$1,163 per month, rents have increased 10.2%, year-over-year, well above the markets five-year annual average of 4.0%. Overall rent increased 1% on a quarter-over-quarter basis. Class A and B properties sparked the most annual rent growth changing 11.4% and 11.2%, respectively. As more supply comes into the market in the next 12 months and if demand begins to see a decrease, rents would be expected to decrease, but at the current rate of the demand, it would be hard to see rents dropping in the near future.

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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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