Cooper Multifamily Team

Ohio

22Q2

As economic headwinds impact investor activity the apartment sector has once again been resilient. Continued demand, steadily rising rent levels and high occupancy keep the Cleveland market on par with national trends.

Accelerating success.

U.S. Market Overview

The U.S. apartment market once again stayed hot in the 2nd quarter of 2022 versus other property sectors as the economy has started to face some headwinds. While having another strong quarter, some indicators show that conditions are beginning to cool off. Occupancy began to decrease slightly in almost all of the nation's top 150 apartment markets in the second quarter. Averaging 96.8% occupancy that rate is down 0.8 points quarter-over-quarter, but up 0.6 points on a year-over-year basis.

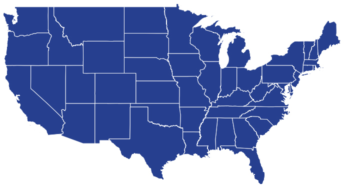
Demand levels for nearly the past two years have been historically high as the pandemic produced pent up demand. This quarter saw a drop in demand of nearly 55,600 units per RealPage Analytics. While demand is still seeing increased levels and is above the five-year average, it has begun to decline from its recent peaks and begun to normalize. Quarterly supply saw 87,896 units delivered which brought up the total annual supply to 337,902 units, above the fiver-year annual national average of 321,569 units. Over the next 12 months, forecasts of supply delivered is expected to be 482,147 units and annual demand to be roughly 349,000 units. With economic uncertainties looming in the near future, supply and demand could have seen their peaks and now will see more of a decline, but a decline more towards normalization.

As inflation has caused rising interest rates, the residential home market has seen a large drop in volume. Majority of the U.S. markets have seen accelerating home values and mixed with increasing interest rates, a lot of people have put off purchasing a home and continue to rent. A lot of factors have been driven into rents rising across the country. Across the U.S. core 150 apartment markets, the effective asking rents jumped 3.1%, quarter-over-quarter to an average of $1,736. This quarterly increased translated to an increase in the annual rent growth to 14.5%, the largest annual rent hike since RealPage created an apartment database. The 12-month forecast for rent calls for change of 10.2%. Rent growth is expected to likely slow down and head back to historical norm levels over the next several quarters but will still be elevated as markets are able to get grasp the changing economic conditions.

$143.5B

U.S. Sale Volume

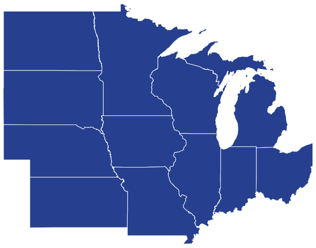
46.3% YOY Change



$11.7B

Midwest Sale Volume

62.2% YOY Change

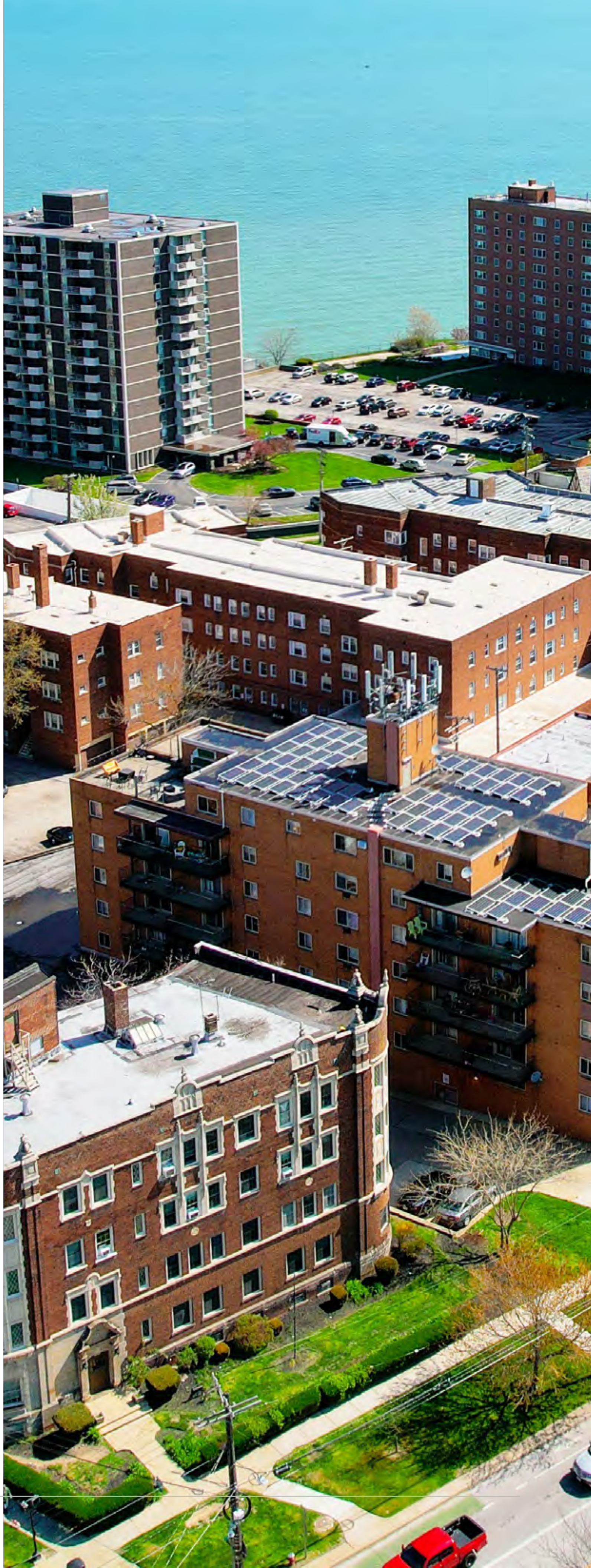


$902.8M

Ohio Sale Volume

-0.6% YOY Change

2022 YTD Transaction Volume in Billions



U.S. Investment Overview

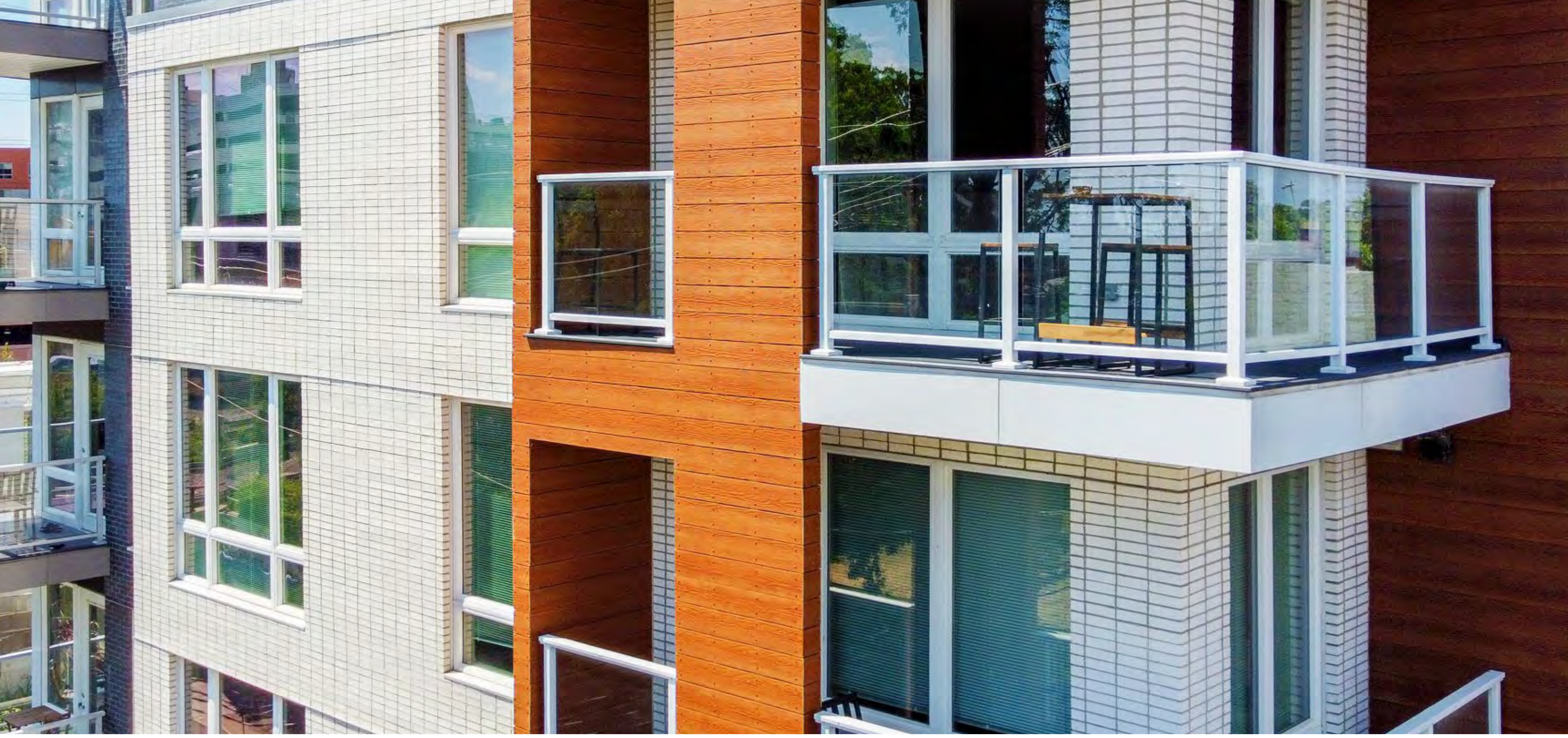
Total transaction volume for the quarter was $190.3b, a 17% year-over year change. Individual assets were once again the majority in the transaction volume, accounting for $145.1b of the total volume. Individual asset sales were up 15%, year-over-year. Comparing on a mid-year basis, individual asset sales were up 36%, year-over-year.

Apartment and industrial transaction volume were the two highest producing sectors for the quarter. Apartments represented $86.3b of all deal activity while and industrial was second to that representing $35.4b. Office sales lagged behind which was $24.8b of the total volume, declining 9%, year-over-year.

Cap rates further compressed this quarter amongst all property types with apartments and industrial sectors recording the two lowest at 4.3% and 5.1%, respectively. Within the apartment sector, mid-highrise properties and garden properties have a cap rate of 4.4% and 4.3%, respectively. Garden segment properties once again claimed more demand resulting in transaction volume that accounted for $57.4b of the $86.3b done in transactions for the quarter. Mid-highrise properties accounted for the remaining $28.8 in transactions. Apartment transaction volume, year-over-year, was up 42%. Despite economic headwinds, low cap rates and increasing rents, these buildings produce the revenue growth that investors like to see in return.

Inflation has continued to pose problems on transactions and as interest rates have soared, so has the cost to finance commercial real estate investments. During 2021, most commercial mortgages had a lending rate of 3.7% compared to an average rate of 4.5% as of July 2022.

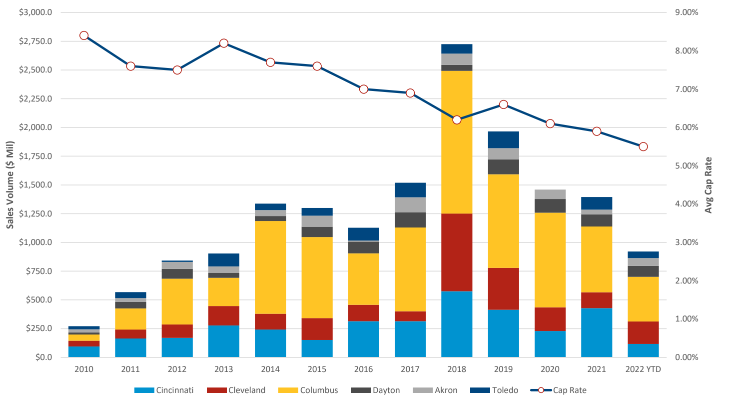
According to the Real Capital Analytics CPPI index, pricing for all sectors increased to 18.5%, year-over-year, while cap rates further compressed. The industrial sector had the highest recorded gain for the third consecutive quarter at 26.9%. Apartments recorded a 23.7% increase and retail tailing behind at a 18.8% increase.



Ohio Investment Overview

The Ohio markets recorded a strong second quarter in transaction volume that has them on track to surpass last year's transaction volume. Volume year-to-date is $957.7M, an increase of 3.2%, year-over-year. In the second quarter alone for Ohio, total volume was $528.2M, a 27% decrease year-over-year. Cap rates continue to compress ranging between 4.9% and 6.0% with a statewide average of 5.3%

Historical Sales Volume/Avg Cap Rate



Ohio Apartment Market Data | Q2 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	169,710	4,226	2,379	97.5%	815	2,044	$1,147.00	$1.31
Cincinnati	164,493	3,619	3,889	97.8%	2,022	6,399	$1,215.00	$1.31
Columbus	194,787	5,532	6,194	97.2%	4,369	8,014	$1,224.00	$1.29
Dayton	56,521	1,424	738	97.5%	370	1,107	$1,031.00	$1.14
Akron	44,212	729	470	98.4%	220	919	$1,083.00	$1.18
Grand Total	**629,723**	**15,530**	**13,670**	**97.7%**	**7,796**	**18,483**	**$1,140.00**	**$1.25**

Recent Notable Sales | Q2 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
3504 Wyoga Lake Road	Linden Lane	06/15/2022	144	$18,906,666.00	$114.05	$131,296.29	Solomon Organization, The	Kaloidis, Dimitrios E.	Cleveland - Akron
14411 Triskett Road	Stuart House	04/28/2022	294	$15,375,250.00	$87.24	$52,296.77	Freeland Ventures	Montlack Realty	Cleveland - Akron
4480 Kent Road	Stow Kent Gardens	06/22/2022	85	$4,512,500.00	$80.28	$53,088.24	Wallick Communities	Western Region Nonprofit Housing Corporation	Cleveland - Akron
100 Riverboat Row	Riverchase	06/01/2022	204	$22,660,000.00	$153.13	$111,078.43	Fairway America	Ray Brown Properties	Cincinnati
527 Rosary Drive	Willow Glen	06/10/2022	69	$5,000,000.00	$108.56	$72,463.77	Detzel, Jeffrey A.	Axiom Residential	Cincinnati
3255 McKinley	Belmont House	4/8/2022	267	$49,300,000.00	$188.69	$184,644.19	601W Companies, The	Preferred Living	Columbus
8 East Long Street	Atlas, The	4/6/2022	98	$15,066,667.00	$330.54	$255,782.32	Crawford Hoying	Schiff Capital Group	Columbus
7600 Huntington Park Drive	Stafford House	4/27/2022	96	$23,986,667.00	$267.45	$249,861.11	Birge & Held Asset Management	Champion Real Estate Services	Columbus
6460 Chelsea Glen Drive	Green, The	6/3/2022	428	$69,546,666.00	$153.37	$162,492.21	VennPoint Real Estate	Pomeroy Living	Columbus
2637 Sawbury Blvd	Sawbury Commons	6/17/2022	88	$11,608,000.00	$122.14	$131,909.09	CREC Real Estate	Legacy Capital Partners	Columbus
6667 Wesbury Park Avenue	Wesbury Park	6/3/2022	126	$26,750,403.00	$222.76	$212,304.79	Birge & Held Asset Management	Preserve Partners	Columbus
1911 Kendall Place	Park Place	4/29/2022	112	$11,300,000.00	$110.30	$100,892.86	Soundview Equities	Commercial One	Columbus
3617 Beulah Road	University Gardens	6/13/2022	112	$9,700,000.00	$98.98	$86,607.14	Soundview Equities	Windsor Companies, The	Columbus
3473 Derrer Hill Drive	Crown Pointe	6/14/2022	152	$17,370,000.00	$154.07	$114,298.24	Cyclone Investment Group	CLMS Management	Columbus
71 Rocky Creek Drive	Rocky Creek Townhouses	6/27/2022	80	$12,106,667.00	$232.82	$151,333.34	Von Bargen, Matt	Karst, Susanna	Columbus
2895 La Vista Drive	Wildwood Village	4/25/2022	272	$10,310,000.00	$49.43	$37,904.41	Redwood Housing Partners	Midwest Real Estate Services	Columbus
1600 Clubhouse Drive	Xenia Trails	4/8/2022	312	$32,240,000.00	$126.26	$103,333.33	Hamilton Point Investments	Crawford Hoying	Dayton

Market Takeaways

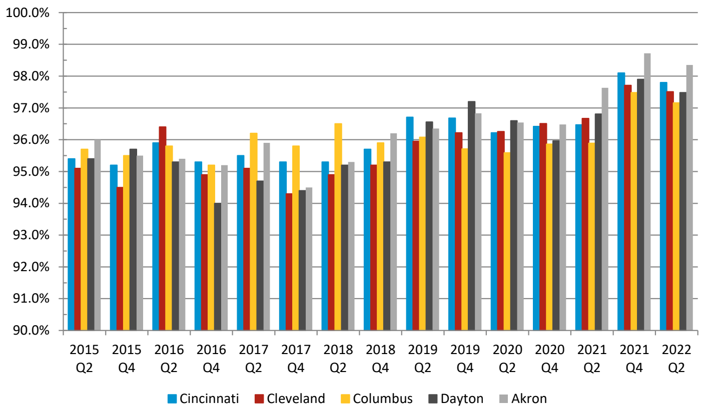
Cleveland - Riding the wave of continued success in the multifamily sector, the Cleveland market recorded a strong quarter overall. After almost having record-breaking demand in the first quarter, the second quarter had a slight drop off, having annual demand of 2,885 units. The metropolitan area inflation adjusted economic output expanded 0.7%. The February unemployment rate was further down to 5.5%, but still well about the national average of 3.4%. The two sectors that continued to see the largest gains in jobs were leisure/hospitality services followed by professional/business service

Having a five-year occupancy average of 98%, occupancy for the second quarter of 2022 registered at 97.5, a 90-bps decrease, year-over-year. Occupancy in class B and C units remained the strongest equaling 97.4% and 98.4%, respectively. Class A did see a slight decrease in occupancy, now standing at 96.4%. An uptick with luxury apartment construction has been trending upward in Cleveland, expect to see Class A occupancy rise over the next 12 months.

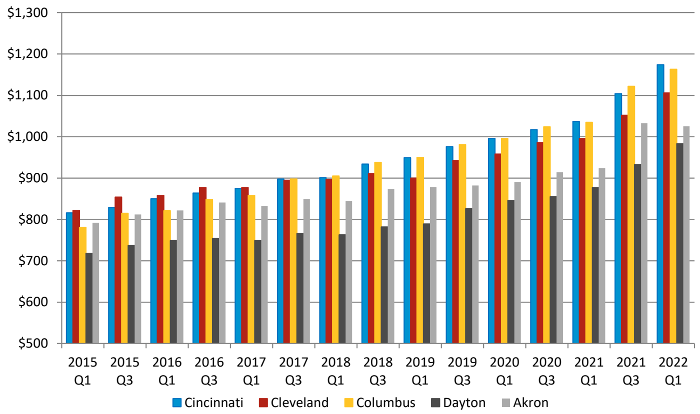
New apartment completions for the market delivered 815 units for the quarter. With a pipeline of 2,044 units under construction, about 1,040 are set to be delivered over the next 12 months. As rents have been increasing and the housing market has made some people rethink their strategies this new supply will greatly impact the market. Areas of where the new supply is concentrated remains to be Central and East Cleveland. Over the past five years, these areas have accounted for roughly 81% of the new completions. Downtown Cleveland (apart of Central Cleveland) has seen a rising trend in seeing more conversions of office to apartment buildings.

Cleveland saw a sharp uptick in rent growth for the second quarter. The market's annual average asking rent increased 9.2% to $1,147 per month. Rent growth was nearly triple compared to the market's five-year average. Class A properties saw the biggest annual surge in rent growth at a 11.5% increase equaling $1,809 per month. As outside economic factors have continued to effect rents, expects rents to further climb slightly over the next 12 months, hopefully plateauing around then. The current 12 month forecast projects annual rent growth to equal 7.2%, higher than the five-year historical average of 3.2%.

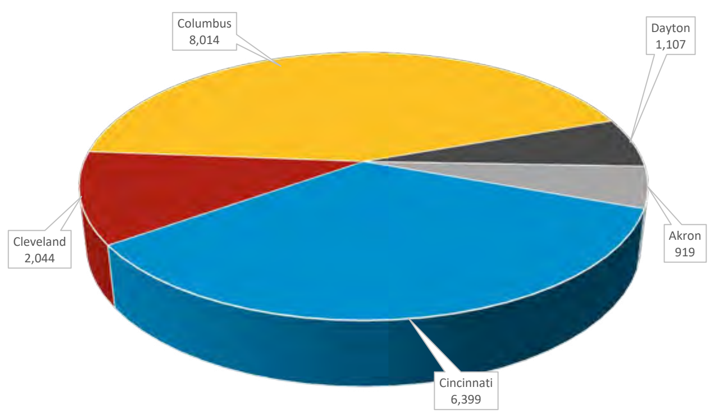
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)



Source: RealPage and Colliers Research

Cincinnati - Coming off the heels of a record first quarter, the Cincinnati multifamily market experienced reduced demand and a slight decrease in occupancy during the second quarter. While quarterly demand and occupancy eased, the market remained elevated relative to historical levels. A growing economy and workforce can be attributed to robust market conditions. Cincinnati's year-over-year inflation adjusted economic output grew by 1.2%. Furthermore, the overall market added over 15,000 jobs during the second quarter which helped drive the local unemployment rate below the national average to 3.0%. With a significant amount of new supply forecasted to hit the market along with incoming economic headwinds, the market is likely to be tested moving into 2023.

The second quarter closed with quarterly net absorption totaling 436 units. Overall net absorption within the last year totaled over 3,800 units. Well above the five-year average of 2,185 units for the market with Central Cincinnati and Northern Kentucky submarkets experiencing the highest levels of demand. As demand remains high, new supply additions have exceeded the historical average which is expected to continue as over 3,000 units are forecasted to hit the market within the next year. Within the last year, the Cincinnati market took delivery of 2,022 units, 30% more than the market average of 1,485 units. This will more than likely place downward pressure on occupancy rates and further cool the market.

Despite indicators of a cooling market that has reach a peak in terms of demand, annual rent growth reached a new high in the second quarter of 2022. Average effective rent grew at a rate of 11.7%. Class A product experienced an annual effective rent increase of 14.3% while class B space saw effective rents increase by 12.4% within the last year. To put this into perspective the average annual rate at which effective rents grew over the past five years is 4.2%. Class C units experienced the weakest effective rate increase at 7.2% which the West side of Cincinnati has a concentration of.

Furthermore, the overall occupancy rate decreased by 40 basis points to 97.8% during the second quarter. Demand softened; however, occupancy remained 1.3% higher on an annual basis. The occupancy rate for class C supply leads the market at 98.5%, a record high for the market. In addition, occupancy was depressed during the quarter in areas with strong class A supply such as Central Cincinnati. Overall, the Cincinnati multifamily market has begun to show signs of cooling. Record new supply additions within the next year will continue to place negative pressure on the market. Cincinnati is historically slow to absorb new supply and has a strong bias towards home ownership with an abundance of affordable for sale options. Additionally, markets are expected to hit turbulence ahead due to the current inflationary period as well as aggressive interest rate hikes, among other factors. However, the Cincinnati market is positioned well to weather any incoming storm as the forecasted new supply growth rate is manageable for the market. Also, higher interest rates will price many out of single-family sale market and force more to rent rather than buy. After reaching record highs, the market will likely cool and stabilize over the next year.

Columbus - The Columbus apartment market has consistently had growth being the capital of the state and home to the largest university in the state as well. As growth stayed moderate throughout the pandemic and began to accelerate recently, 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 1.7% and saw a net gain of 28,300 jobs. The unemployment for Columbus in May 2022 was 2.9%, a 2.2-point decline, year-over-year. The Columbus market saw the biggest job gains in Leisure/ Hospitality Services followed by Trade, Transportation, Utilities services. The current 12-month forecast is projecting for an additional 21,900 jobs.

Columbus saw an annual demand of 6,194 units and annual supply of 4,369 units. Riding off the continued success in the few prior quarters, Columbus' metrics continue to be strong and only get more promising for the future. For reference, the market's five-year average for annual demand and supply was 4,675 and 4,457 units, respectively. Occupancy for the second quarter landed at 97.2%, a gain of 130 bps, year-over-year. Class A, B, and C properties have all reported occupancy between 96.9-97.4%. Currently, there are 8,014 units under construction with 4,370 planned to be delivered over the next 12 months.

As elevated demand levels keep on rising and continuing to outweigh supply, rent increases are unprecedented. Averaging $1,224 per month, rents have increased 11.3%, year-over-year, the market's all time high since being recorded. This rent increase is well above the market's five-year average of 4.4%. Class A and B properties sparked the most annual rent growth changing 13.5% and 11.7%, respectively. As economic headwinds still pose a threat to increasing rents, the slightly lowering demand and added supply should help to begin to the flatten out the rent surges within the market.

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