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TEAM



Cooper Multifamily Team

Ohio

22Q4

“The Cooper Multifamily Team attended the 2023 NMHC Annual Meeting in Las Vegas from January 31st through February 2, 2023. The general sentiment was more positive than attendees were expecting, which was a pleasant surprise to many. There are lots of investors looking to buy, but mostly reluctant sellers due to the pricing reset and realities of the capital markets. However, investors are expecting a strong second half of the year and deal flow to significantly increase and we are already seeing that translate to activity.”

Gary Cooper, Cooper Multifamily Team

Accelerating success.



## U.S. Market Overview

Year end demand saw negative output driven by an underperforming fourth quarter. Quarterly net move-outs equaled 44,718 units, down from the third quarter, however annual move-outs totaled 103,485 units, resulting in negative annual demand for the first time since 2009. With the start of the pandemic creating pent up demand for apartments, 2021 saw a record year for absorption, carrying that momentum into the first half of 2022. The second half of the year saw a sharp softening in demand, and as negative demand continued, national quarterly occupancy declined 70bps to 95.1%, which however is still up 2.3% on an annual basis.

As the current economic conditions stand for the consumer, occupancy might still see decline depending on the demand during the summer leasing period. Rent growth followed similarly with occupancy recording a drop by 1% nationwide, though still up 6.6%, annually. As rents surged across markets during 2021, this year did not match, but was still up nearly double the five years leading up to the pandemic. Rent growth is expected to slow down over the next 12 months leading the numbers back to more historical norms. The U.S. currently has 971,536 units under construction, with 575,200 planned to deliver in 2023, growing the nation's inventory by 3%. This influx of supply will help meet demand as the nation faces an undersupply problem.

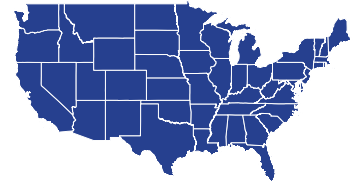
Faced with challenges of inflation, interest rate hikes, rising costs of living and supply chain disruptions, the U.S. economy has been nearly unpredictable in the past handful of quarters. Gross Domestic Product (GDP), expanded at an annual rate of 4.2% for the fourth quarter, much improved compared to start of the year as the GDP contracted 1.6%. In November 2022, the labor force expanded 3.2%, year-over-year, with a total addition of nearly 5 million jobs, per the Bureau of Labor Statistics.

Low consumer confidence, the historic numbers of 2021 and other outside economic factors are all reasons for the softening of the later half of 2022 in the U.S. apartment sector. Despite unemployment going down, increasing job growth and wage gains, inflation still sits at a near 40 year high. As the Federal Reserve will continue to raise the benchmark interest rate to combat inflation, the economy is still in some murky waters. If consumer confidence rises in 2023, demand could see an increase as 2023 progresses.

**\$281.2B**

**U.S. Sale Volume**

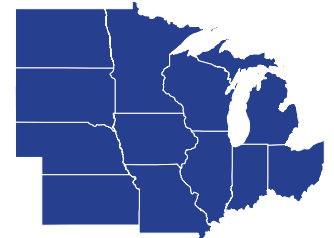
-18.0% YOY Change



**\$28.4B**

**Midwest Sale Volume**

3.1% YOY Change



**\$3.0B**

**Ohio Sale Volume**

7.5% YOY Change







## U.S. Investment Overview

After having record sales volume in 2021, the year ending 2022 saw a decline, but was still the second most active year over the past 20 years. 2022 was a year that grew with uncertainty as the year progressed. Investors became hesitant as interest rates continued to climb and financing deals became more of a challenge. Normally the fourth quarter has the most deal volume of any quarter, as investors look to lock in financing before year's end and meet budget requirements. In 2022, due to a whirlwind of economic fluctuations, the fourth quarter was the weakest. Total transaction volume in the fourth quarter amongst all assets was \$138.9b, totaling to \$729.8b for the entire year, which was down 15%, year-over-year. Individual assets accounted for \$536b and portfolio transactions made up the remainder \$193.8b.

Apartment and industrial transaction volume were the leading assets for transaction volume for the fourth quarter and the full year. Apartments represented \$294.1b of all deal activity while industrial represented \$151.4b. Office sales, accounting for \$110.5b of all sales through the year, were down 25%, compared to apartment and industrial which were down 17% and 15%, respectively.

In fourth quarter alone, apartment transactions totaled \$50.4b, down 69%, year-over-year. Increased interest rates from the Federal Reserve tied in with economic uncertainty, derailed the momentum in the second half of the year. In that second half, the price of buying had become too high and the spread between interest rates and cap rates created negative leverage for the buyer.

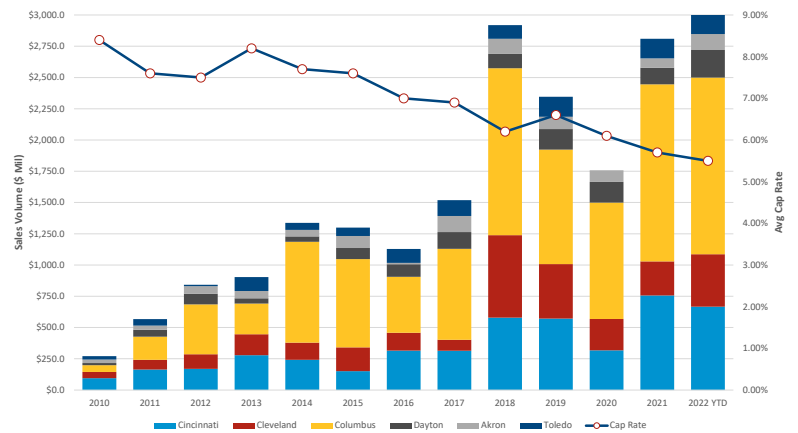
According to the Real Capital Analytics CPPI index, pricing for apartments was up 1.8%, year over-year, but down nearly 5% on a quarterly basis. Cap rates began to increase slightly towards the end of the year. Going into 2023, potential buyers are still likely to wait and see if cap rates move up anymore and if they are able to better leverage the financing on deals.







Transaction volume in Ohio at the end of 2022 equaled just over \$3.0b. Surpassing the sales volume in 2021 by nearly \$200m, it was a good year of sales for the Ohio market despite the economic conditions. The fourth quarter was the highest producing quarter for the year with a sales volume of \$882.9m. Cap rates continued to compress and then finally started to see some slight uptick in the latter half of the year, bringing the statewide average cap rate to 5.5%.



## Ohio Apartment Market Data | Q4 2022

Metro Area	Inventory (# of Units)	Sample Set (%)	Vacant Units	Annual Demand (Units)	Occupancy Rate (%)	Annual New Supply (Units)	Units Under Construction	Avg Monthly Rent	Avg Rent per SF
Cleveland	170,316	38.1%	6,847	-1,802	96.0%	1,091	2,329	\$1,197.00	\$1.40
Cincinnati	165,426	39.0%	6,369	-1,253	96.2%	2,249	6,462	\$1,304.00	\$1.36
Columbus	197,172	66.5%	8,735	-339	95.6%	3,480	9,871	\$1,268.00	\$1.34
Dayton	56,603	47.3%	2,157	-583	96.2%	412	886	\$1,077.00	\$1.18
Akron	44,675	39.6%	1,550	-596	96.5%	455	573	\$1,127.00	\$1.21
<b>Grand Total</b>	<b>634,192</b>	<b>46.1%</b>	<b>25,657</b>	<b>-4,573</b>	<b>96.1%</b>	<b>7,687</b>	<b>20,121</b>	<b>\$1,194.60</b>	<b>\$1.30</b>

# Recent Notable Sales | Q4 2022

Property Address	Property Name	Sale Date	# of Units	Sale Price	Price Per SF	Price Per Unit	Buyer (True) Contact	Seller (True) Company	Market
120 Meadowlands Drive	The Meadows	11/18/2022	84	\$9,000,000.00	\$135.23	\$107,142.86	Tom Bendheim	Mary Ray	Cleveland
5275 East 126th Street	Tinkers Creek	12/15/2022	96	\$6,920,000.00	\$110.91	\$72,083.33	David Dixon	Aron Shlomo	Cleveland
38380 Oak Hill Lane	Oak Hill Village	10/07/2022	182	\$15,800,000.00	\$102.20	\$86,813.00	Shawn Horwitz/Eddie Lorin	Leon Weiner	Cleveland
12607 Larchmere Blvd	Mikros on Larchmere	12/29/2022	30	\$5,100,000.00	\$329.00	\$170,000.00	Jason Yarusi	Rick Maron/Russell Berusch	Cleveland
28550 Addison Ct	The Luxe at Pepper Pike	10/25/2022	82	\$47,750,000.00	\$274.55	\$582,317.07	Rob Risman	Jason Friedman	Cleveland
121 East Freedom Way	Current at the Banks	10/13/2022	300	\$62,820,000.00	\$236.96	\$209,400.00	Crawford Hoying	Nicol Investment Company	Cincinnati
437 West 6th Street	John R. Green Lofts	10/20/2022	178	\$62,000,000.00	\$471.33	\$348,314.61	Varia US Properties	RealtyLink	Cincinnati
7391 Hopeful Church Road	The Villages of Florence	10/25/2022	167	\$37,580,000.00	\$161.00	\$225,000.00	Living Residential	Hearth Home Communities	Cincinnati
8502 Sugar Maple Drive	Somerset at Deerfield	10/27/2022	498	\$109,960,000.00	\$185.26	\$220,803.21	Connor Group, The	Coastal Ridge Real Estate	Cincinnati
44 West Freedom Way	Radius at the Banks	01/25/2023	292	\$86,700,000.00	\$322.22	\$296,917.81	Crawford Hoying	Nicol Investment Company	Cincinnati
67 Hunters Court	Quail Creek Townhomes	10/13/2022	130	\$15,490,000.00	\$121.80	\$119,128.20	Highgate Capital Group	The Chetrit Group	Cincinnati
890 West Loveland Avenue	Chapelwood	10/26/2022	130	\$19,680,000.00	\$190.14	\$151,384.62	Venture Real Estate Co.	Zheng Li	Cincinnati
1198 South Arlington Road	Cedar Ridge	11/17/2022	176	\$13,850,000.00	\$111.96	\$78,693.18	PLK Communities	Devon Lucas	Cincinnati
700 Riddle Road	The Overlook at Clifton	11/21/2022	151	\$11,290,000.00	\$142.63	\$74,763.79	A-Strategy Management	Gaslight Property	Cincinnati
2753 Townterrace Drive	Woodland Village	11/22/2022	100	\$10,000,000.00	\$109.00	\$100,000.00	Asden Properties	Capital 8 Group, The	Cincinnati
375 West Galbraith Road	Congress Run	12/16/2022	85	\$13,640,000.00	\$188.88	\$160,522.71	Ten27 Group	Venture Real Estate Co.	Cincinnati
3583 Alaska Avenue	Dwell Avondale	1/11/2023	60	\$5,760,000.00	\$146.00	\$96,066.67	Steiner, Mendel	R Investments	Cincinnati
5081 Red Cloud Court	The Aviary	11/14/2022	160	\$21,000,000.00	\$149.72	\$131,250.00	The Prime Residence Group	Culmen Real Estate Services	Cincinnati
4311 Camden Circle	Camden Place	12/1/2022	238	\$40,440,000.00	\$150.79	\$169,927.17	Lightstone Group	Edwards Companies	Columbus
5412 Edwards Farms Road	The Farms	12/1/2022	306	\$51,980,000.00	\$162.83	\$169,869.28	Lightstone Group	Edwards Companies	Columbus
5353 Wilcox Road	The Orchard	12/1/2022	296	\$47,660,000.00	\$156.30	\$161,027.03	Lightstone Group	Edwards Companies	Columbus
5199 Edwards Farms Road	Orleans	12/1/2022	250	\$37,980,000.00	\$172.12	\$151,920.00	Lightstone Group	Edwards Companies	Columbus
5211 Sawmill Road	Dublin Park	10/5/2022	470	\$73,330,000.00	\$120.02	\$156,028.37	Upside Investments	The Connor Group	Columbus
6300 Caleb's Creek Way	Caleb's Creek	10/13/2022	108	\$11,010,000.00	\$120.18	\$101,916.31	Highgate Capital Group	The Chetrit Group	Columbus
2710 Audubon Trail	Morse Glen	11/15/2022	254	\$24,160,000.00	\$105.65	\$95,128.61	Hamilton Point Investments	Casto	Columbus
3142 Vista View Blvd	Park Vista	11/23/2022	88	\$12,670,000.00	\$157.14	\$143,939.39	Soundview Equities	Wolfe Investments	Columbus
1410 Worthington Ridge Blvd	Worthington Ridge	11/28/2022	152	\$22,970,000.00	\$200.16	\$151,118.42	The Champion Companies	Tim W. Arnold	Columbus
6611 Seahurst Drive	Stratford Lakes	11/29/2022	124	\$13,460,000.00	\$100.18	\$108,548.39	29th Street Capital	AndMark	Columbus
4080 Waderidge Trail	Winchester Park	12/1/2022	344	\$45,530,000.00	\$147.47	\$132,348.84	Gold Oller Real Estate Investments	Coastal Ridge Real Estate	Columbus
6790 River Downs Drive	Steeplechase	10/13/2022	358	\$36,890,000.00	\$126.13	\$103,057.73	Highgate Capital Group	The Chetrit Group	Dayton
580 Newport Road	Greene Ridge Court	10/17/2022	72	\$3,280,000.00	\$65.71	\$45,555.56	Zahra Investments	Knight, Mark	Dayton



# Market Takeaways

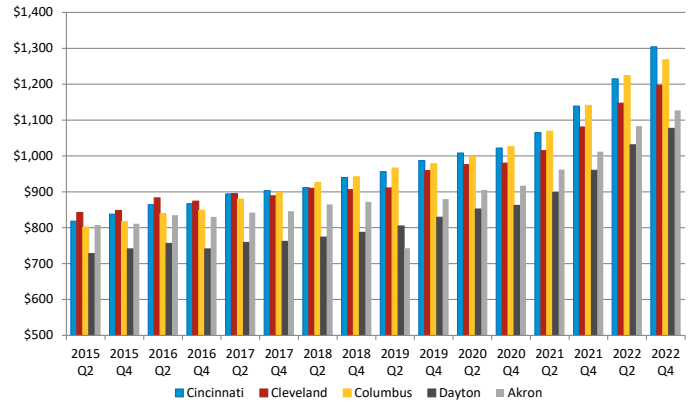
**Cleveland** - Like many of the other markets in the nation, Cleveland experienced a demand softening both on a quarterly and annual basis. After having record fundamentals throughout much of 2021, the momentum gradually declined throughout 2022. Quarterly demand saw net-move outs of 543 units bringing the total demand to a net move out of 1,802. The metropolitan area's inflation-adjusted economic output contracted 1.1%. As of November, the unemployment rate declined 20bps, year-over-year, to 4.2%, which stands above the national average of 3.4%.

Averaging 96.2% over the past five years in occupancy, the rate for the fourth quarter of 2022 registered at 96.0%, a 50bps decrease, quarter-over-quarter. This ranked 20th out of 29 key Midwest markets and ranks 55th out of the top 150 markets nationally. Occupancy in class B and C units remained the strongest, equaling 95.6% and 97.3%, respectively. Class A continued to see a decline in occupancy, registering 94.6%, an 80bps decrease quarter-over-quarter. Continued ground up and conversions are taking place throughout the market, which will bring more Class A inventory, but the question remains on how fast the leasing will take place. As the year progresses, occupancy could climb slightly as market enters the busier leasing season.

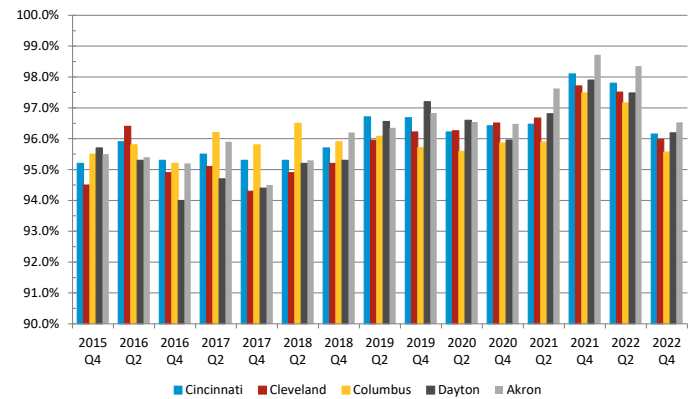
New apartment completions saw a completion of 1,091 units in 2022. With these deliveries, inventory grew 0.6% to a total of 170,316 units. Currently there are 2,329 units under construction with 1,301 of those units expected to be delivered over the course of the next 12 months. The main concentration areas of these new developments are mainly located in Central and East Cleveland. Over the past five years, these areas have accounted for 86% of the new completions. The outside neighborhoods in central Cleveland (Ohio City, Edgewater, Tremont) have seen a spur of development and gentrification and continued and planned developments are still very much in motion, creating a new social buzz for the area.

Cleveland had a slight uptick in rent to end the year. The market's annual average asking rent increased 6.8%, year-over-year, to \$1,197 per month. That annual increase is still nearly double market's rent growth average over the last five years of 3.5%. These rent growth changes ranked the Cleveland market 19th in the Midwest and 81st national. Class A properties saw the largest annual rent growth at an 8.1% increase equaling \$1,836 per month. Consumers and investors have been dealing with a plethora of economic headwinds and continued uncertainty, rents could continue to increase, but the growth rate is expected to be slower than the prior two years as the market reaches equilibrium.

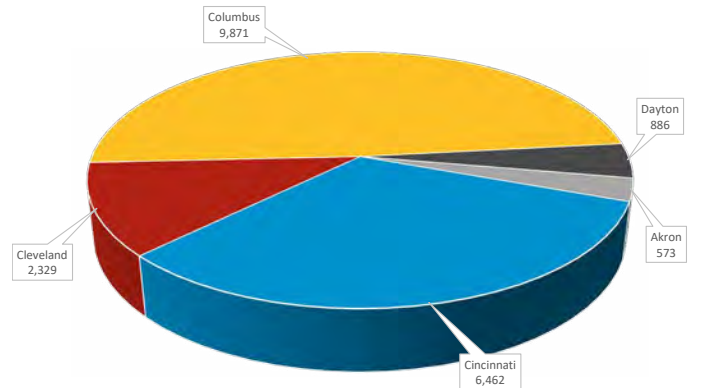
## Historical Occupancy - Ohio Markets



## Historical Average Monthly Rent - Ohio Markets



## Current Construction Activity (Units)



Source: RealPage and Colliers Research



**Cincinnati** - The Cincinnati market experienced negative occupancy changes at both a quarterly and annual rate. The quarterly occupancy change for the whole market was -0.7% in Q4. Class A space saw the largest negative quarterly occupancy change at -1%. The annual market occupancy change for Q4 was -2%. The total market's occupancy was 96.2%. Of the three classifications of multi-family properties, the highest occupancy was Class C space at 97.1%

Despite occupancy experiencing small negative changes, average monthly rent increased from Q3 to \$1,304 in Q4. Class A properties had an average monthly rent of \$1,748. The average rent per square foot was \$1.40, a slight increase from Q3's \$1.37. Amidst the increasing rates, the annual revenue change for Q4 was 8%.

A larger percentage of units are offering concessions. In Q3, only 2.3% of units offered concessions, but in Q4 that number increased to 5.7%. Class A space saw the largest percentage of properties offering concessions at 8.3%. In total, Cincinnati has 165,426 existing units. Demand fell 764 units quarterly, and at an annual rate of 1,253 units. 457 new units were delivered as new supply quarterly and 2,249 units were completed in 2022. Lastly, 6,462 units are currently under construction. Of that number, 4,669 units are expected to be completed in the next four quarters.

**Columbus** - The Columbus apartment market followed the trend as most other markets in the nation, a weakened demand for the fourth quarter. Rent growth and occupancy also saw small quarterly declines as well. The year-end economic output for Columbus expanded a slight 0.1% and saw a net gain of 18,100 jobs. The unemployment for Columbus in August declined to 3.8%, on par with the national average. As of November, the unemployment rate declined 50bps annually, to 2.7%, below the national average of 3.4%. The current 12-month forecast is projecting for an additional 4,500 jobs.

Columbus saw an annual move out of 339 units and 305 move outs for the fourth quarter. This was the first annual resident lost in the Columbus market since 2008. At the end of the fourth quarter, annual supply was 3,480 units, expanding inventory by 1.8%. This annual completion volume was also a new low for the market for the first time in nine years. At the end of the year, there were currently 9,871 units under construction with 6,732 of those expected to deliver over the next 12 months.

At the end of the fourth quarter occupancy decreased to 95.6%, a 190bps decline on an annual basis and 60bps decline, quarterly. That occupancy ranked 21st out of 29th in key Midwest region markets and 64th among the top 150 markets in the nation. Class C units led the way with occupancy for the quarter with a rate of 96.6%. Class A and B both had the same occupancy rate to finish the year at 95.5%. The most prominent submarkets for occupancy were North Central Columbus and Grove City/South Columbus.

Rent growth saw a decline for fourth quarter but finished with a positive annual growth. Rents decreased by 0.7% averaging \$1,268 per month. Though down in the fourth quarter, rents were up 7.5% annually. Columbus ranked 14th in the Midwest for rent growth for 2022 and 62nd nationally. Class A saw the largest rent growth at 8.4%, Class B followed with 7.3% and Class C at 7.0%. The 12 month forecasts sees the Columbus market to have a rent growth of 3.3%. While the surge in 2021 may be over, rents are still climbing, and occupancy is forecasted to drop by less than 1%. The market should remain stable being the capital of the state and home to the largest state university which helps the market maintain consistency.





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