Cooper Multifamily Team

23Q2

Ohio

Transaction volume continues to reflect significant declines, decreasing by 76% year over year. The drop off in sales activity has been fueled by a record runup in borrowing costs which are nearing 20 year highs. In addition, there has been a market disconnect between the ask-bid pricing because cap rates have only risen by 60 basis points as compared to the 200 basis point increase in borrowing costs. However, with strong operating fundamentals we are not seeing much in the way of distress opportunities or panic selling.

Gary R. Cooper, CCIM, J.D.
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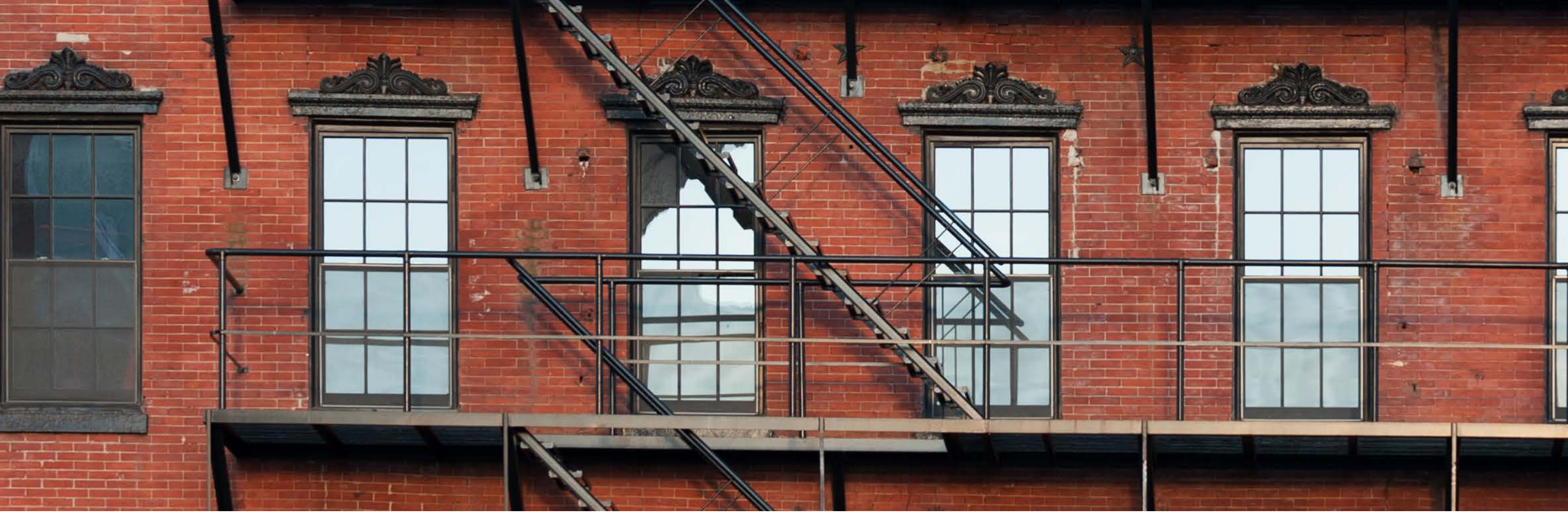
Accelerating success.



U.S. Market Overview

The U.S. apartment market has continued to see a significant reduction in transaction volume. This quarter saw 83,449 units absorbed across the nation's 150 largest apartment markets. Annually, demand for the U.S. Market saw a net-move out of 44,096 units. Pent-up demand sky rocketed absorption after a pandemic induced fallout and then a high-valued, high interest rate housing market has slowed home sales and refinances to historic lows. The second quarter demand this year was the strongest quarterly demand since the first quarter of 2022. Occupancy for the second quarter registered at 94.7%, down 0.1% quarterly and 2.1%, year-over-year. Economic headwinds persist for the consumer which could still impact a decline in occupancy in the near term. Rent growth is still happening but has been at a much slower pace than the previous two years. Rent growth was up 1.1%, quarterly and up 2.4% over the last 12 months and has been beginning to slow down after a surge during 2021 and majority of 2022. Rent growth is forecasted to be around 2.4% over the next 12 months, which is more in line and consistent with the current market. The U.S. had 107,416 units deliver in the second quarter bringing the total supply to 376,443 units. Over the next 12 months, there are 650,000 units set to deliver as the country has a record high of 1.1 million units under construction.

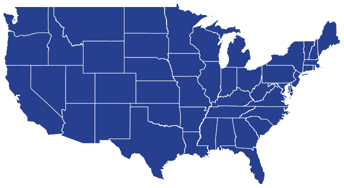
The U.S. economy has been through a lot the last 3 years and has been volatile along and hard to navigate. Continued challenges dealing with inflation, interest rate hikes, rising costs of living, supply chain disruptions, and more. Gross Domestic Product (GDP), expanded at an annual rate of 2.4%, which was up from the 2.0% growth in the first quarter of 2023. In May 2023, the labor force expanded 2.6%, year-over-year, with a total addition of 4 million jobs, per the Bureau of Labor Statistics.

Continued low consumer confidence, modest GDP expansion and weakening demand has forecasted a softening of fundamentals for 2023 and the first half of 2024. Rent growth and occupancy will continue to look to normalize as the economy shakes out and begins to be able to see some clarity down the road.

$31.3B

U.S. Sale Volume

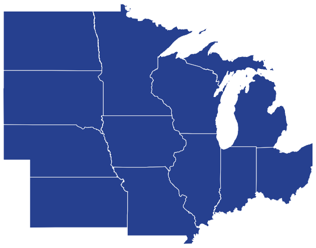
-63% YOY Change



$4.1B

Midwest Sale Volume

-48.1% YOY Change



$515.6M

Ohio Sale Volume

-27% YOY Change

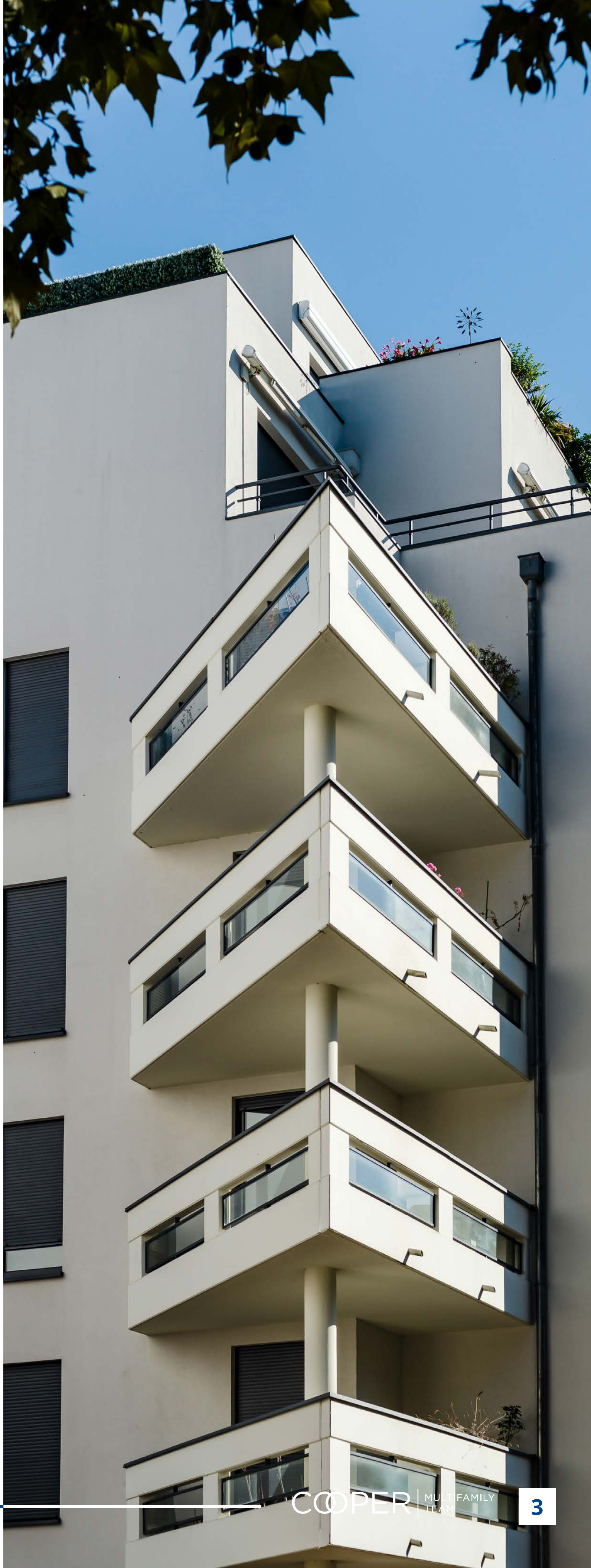
2023 YTD Transaction Volume in Billions

U.S. Investment Overview

For the past 12 months, deal volume in the apartment sector has been slowing drastically. Deal volume for apartments in the second quarter of 2023 was $6.0b, down 76% from the year prior. Year-to-date transaction volume is at $64.7b, which is down 65%, year-over-year. Coming off a historic run in 2021 and 2022 of transaction volume, excess liquidity and low cap rates, these percentages can be slightly misleading. The five-year average on transaction volume prior to COVID-19 was $12.7b in July, making this years' volume 52% lower than previous norms. Garden apartments accounted for $3.8b of the transaction, while mid/high rise buildings represented $2.2b and individual assets accounted for $5.2b.

Apartment and industrial transaction volume were once again the leading assets classes for transaction volume in the U.S. market. Total transaction volume amongst all sectors totaled $18.6b, a 74% decrease annually. Year-to-date total transaction volume is $204.7b, which is down 59%, annually. While apartments and industrial properties led the asset types in activity, both were down 76% and 73% year-over-year, respectively. Retail was the third leading asset class in transaction volume register $2.8b in transaction volume resulting in being down 66% year-over-year. Not one single asset class had growth in annual comparison in transaction volume.

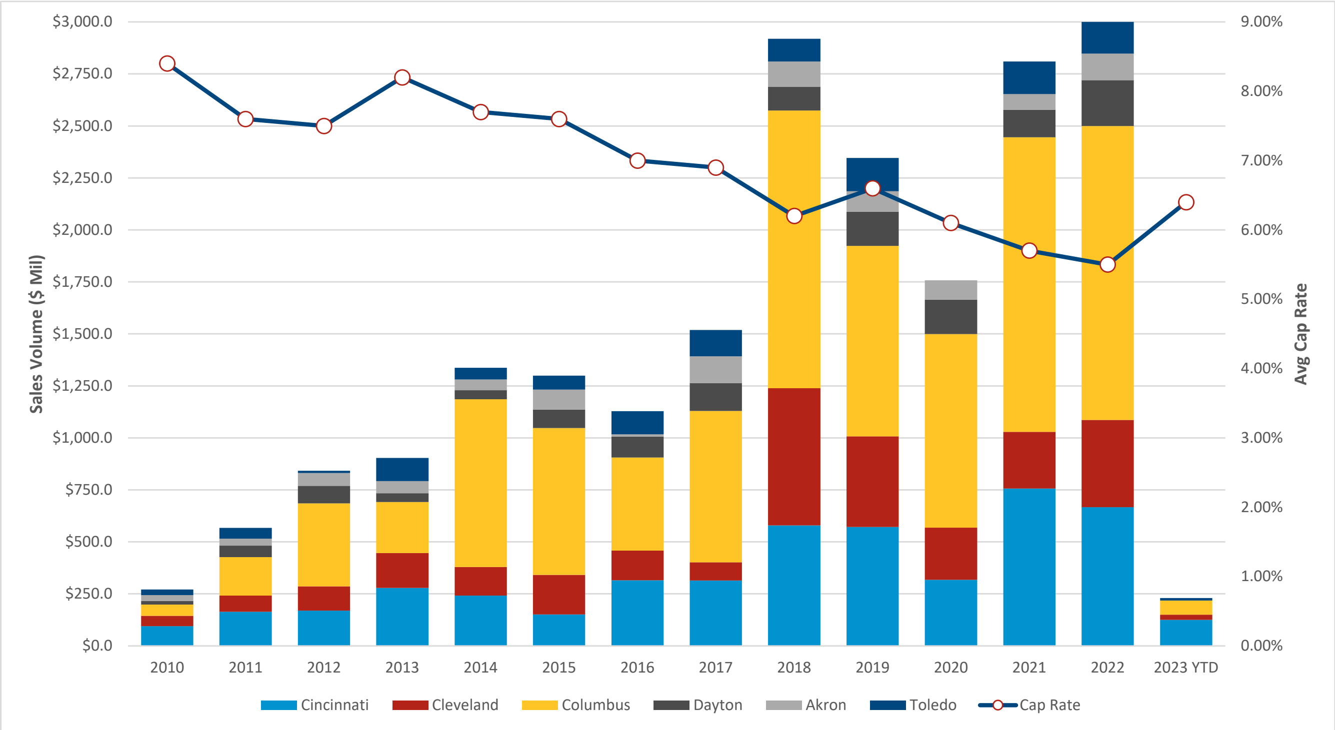
According to the Real Capital Analytics CPPI index, pricing for all properties is down 9.6%, year over-year, and down 6.3% on a quarterly basis. The average cap rate is at 5.0%, a 60bps increase annual. The average price per unit registering at $202,504. Going forward in 2023, the activity level that the first quarter represented, could maintain and be the story of how the rest of the year goes with the potential of some slight decline across fundamentals.



Ohio Investment Overview

Transaction volume in Ohio for the second quarter equaled just over $503.7m, compared to $703.1m, in the second quarter of 2022. Year-to-date total volume registered at $630.3b which is down significantly compared to the $1.3b in volume during the same timeframe in 2022. The state of the economy is the main reason for the lagging transaction volume and the total transaction volume for 2023 can be expected to be down significantly. Slight rises in cap rates, tougher financing and overall market conditions are contributing factors. The cap rate for the first quarter in Ohio registered at 5.8% and may continue to increase in the near term.

Historical Sales Volume/Avg Cap Rate



Ohio Apartment Market Data | Q2 2023

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	171,388	36.0%	7,987	-2,223	95.3%	1,506	3,314	$1,226.00	$1.44
Cincinnati	167,019	38.0%	7,098	-406	95.8%	3,033	5,581	$1,338.00	$1.40
Columbus	200,351	65.6%	9,957	42	95.0%	4,436	11,487	$1,308.00	$1.38
Dayton	57,031	46.7%	2,430	-415	95.7%	595	1,188	$1,096.00	$1.20
Akron	44,824	37.7%	1,721	-238	96.2%	488	893	$1,161.00	$1.25
Grand Total	**640,613**	44.8%	-2,421,645	**-3,240**	**95.6%**	**10,058**	**22,463**	**$1,225.80**	**$1.33**

Ohio Apartment Market Data | Q2 2023

Property Address	Property Name	Sale Date	# of Units	Sale Price	Price Per SF	Price Per Unit	Buyer (True) Contact	Seller (True) Company	Market
55 Fir Hill Drive	Fir Hill Towers	05/16/2023	251	$24,000,000.00	$91.55	$95,617.53	Green Harvest Capital	Burton Carol Management	Cleveland - Akron
30050 Euclid Avenue	Meadow Lane Village	06/21/2023	54	$2,290,000.00	$63.61	$42,407.41	Steinfeld, Aaron	McGuinness, Raymond	Cleveland - Akron
14011 Brookpark Road	Park Place Suites	06/30/2023	126	$6,460,000.00	$117.71	$51,269.84	Reynolds Asset Management	Alan & Ashley Rothstein	Cleveland - Akron
17500 Euclid Avenue	Euclid Estates	05/25/2023	90	$5,733,333.00	$90.15	$63,703.70	Brach, Mayer C.	Raymund, Patricia A.	Cleveland - Akron
6026 Summit Way	Grove City Summit	05/10/2023	228	$38,620,000.00	$153.34	$169,385.96	Northlink Capital	Schottenstein Real Estate Group	Columbus
1929 Opal Street	Traditions at Slate Ridge	06/01/2023	87	$17,740,000.00	$137.17	$203,908.05	Endurus Capital	Summit Equity Investments	Columbus
6564 Millridge Circle	Sawmill Ridge	06/05/2023	192	$29,000,000.00	$201.39	$151,041.67	Cornerstone Companies	Birge & Held Asset Management	Columbus
3331 East Broad Street	Ardmore Village	06/08/2023	348	$23,500,000.00	$77.05	$67,528.74	M3 Equities	Odin Properties	Columbus
327 Union Street	Summerhouse Square	06/09/2023	133	$10,000,000.00	$127.35	$75,187.97	Monarch Investment and Management Group	Hitchens, Steven L	Columbus
1145 College Avenue	Heritage Tower	06/29/2023	100	$10,234,667.00	$169.17	$102,346.66	Capital Realty Group	Wexner Heritage Village	Columbus
8204 Wooster Pike	Mariemont Trails	05/30/2023	91	$14,786,555.30	$106.70	$162,489.62		CMC Properties	Cincinnati
860 Deerfield Blvd	860 East	06/20/2023	223	$27,330,000.00	$132.67	$122,571.00	Venture Real Estate Co.	Varia US Properties	Cincinnati
3600 Linwood Ave	Linwood Towers	05/09/2023	27	$2,775,000.00	$88.10	$102,777.78	Compounding Capital; Jaideep Balekar	Craig Coffman	Cincinnati
3295 Rocker Dr	Burgundy Court	05/05/2023	234	$26,000,000.00	$123.47	$111,111.11	Burgundy Apartments LLC	PLK Communities	Cincinnati

Market Takeaways

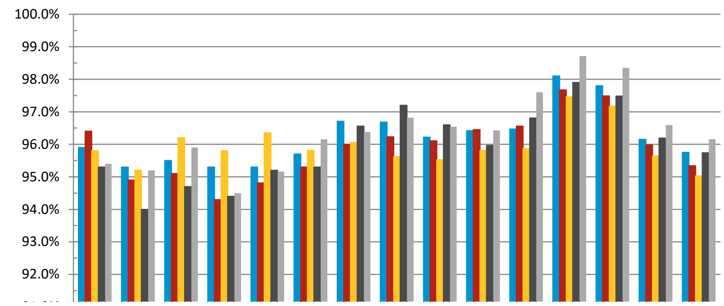
Cleveland - Cleveland has experienced some return of demand but remains low from the recent previous record fundamentals in 2021 and 2022. Quarterly demand saw net move-ins of 106 units, but still saw net move-outs annually of 2,453 units. The metropolitan area inflation adjusted economic output expanded 2.0% and the metro recorded a net gain of 1,700 jobs. As of May, the unemployment rate declined 1.1 points to 3.8% which stands above the national average of 3.4%.

Averaging 96.3% over the past five years in occupancy, the rate for the second quarter of 2023 registered at 95.3%, a 0.2-point decrease, quarter-over-quarter. This ranked as the 20th out of 29 key Midwest markets and rank 60th out of the top 150 markets nationally. Occupancy in class B and C units remained the strongest equaling 96.3% and 94.9%, respectively. Class A saw a small uptick in occupancy registering at 94.3% for the second quarter. Conversion and new builds have still been actively happening in the market which will be bringing some a mix of luxury and market rate supply to the Cleveland area.

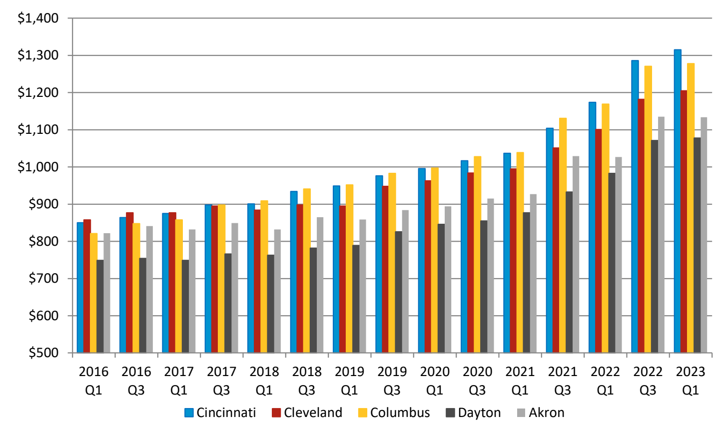
New apartment completions saw a completion of 1,506 units in the second quarter. With these deliveries, inventory grew 0.9% to a total of 171,388 units. Currently there are 3,314 units under construction with 2,236 of those units are expected to be delivered over the course of the next 12 months. The main concentration areas of these new developments are mainly located in Central and East of Cleveland. Over the past five years, these areas have accounted for 87% 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 has seen rent growth since the start of the pandemic, but the growth has slowed. The market's annual average asking rent increased 4.2%, year-over-year, to $1,226 per month. The annual increase is right in line with the market's growth average over the last five years of 4.2%. These rent growth changes ranked the Cleveland market 20th in the Midwest and 63rd nationally. Class A properties saw the largest annual rent growth equaling $1,887 per month. For reference, the average Class A rent in the second quarter of 2021 $1,573. The rent growth rate is expected to be 2.3% in the next 12 months which would signal the market is heading towards a more equilibrium.

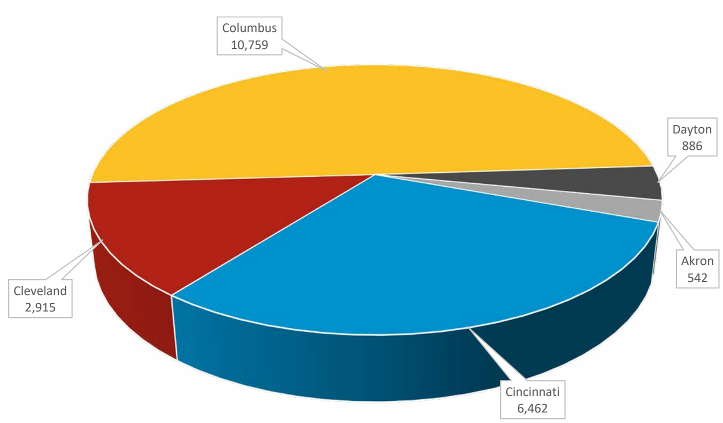
Historical Occupancy - Ohio Markets



Historical Average Monthly Rent - Ohio Markets



Current Construction Activity (Units)

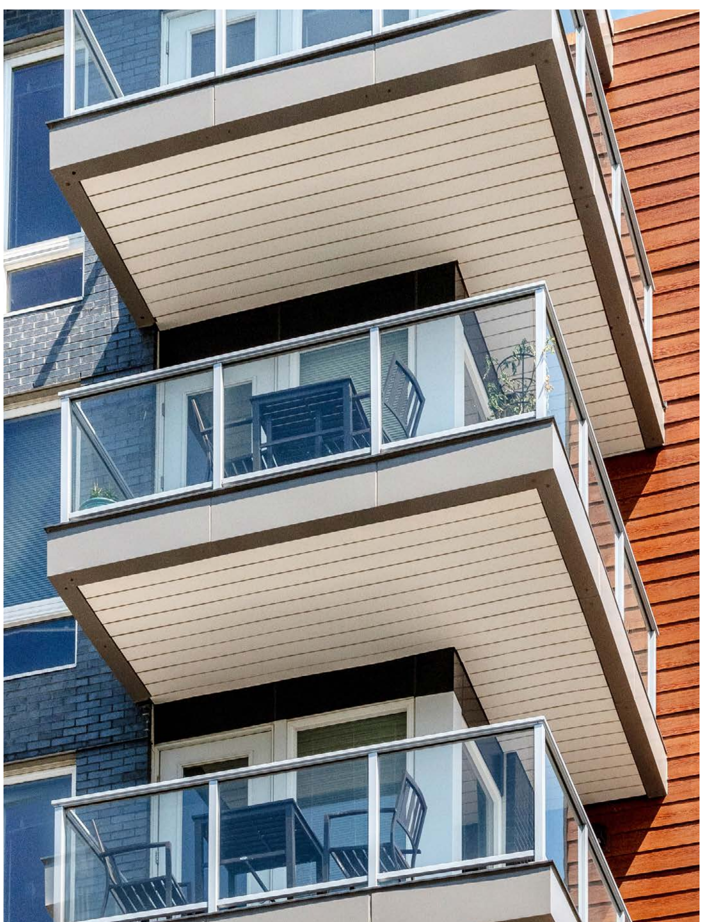


Cincinnati - As of the end of Q2 2023, Cincinnati has 167,019 multifamily units with an occupancy rate of 95.8%. Quarterly demand is at 1,123 units with 1,080 completions this quarter. Annual demand is down 406 units, with 3,033 completed units of new supply, which is a 1.8% change in inventory. 5,581 units are currently under construction, with 3,997 projected to be complete, or about 72%, in the next 4 quarters.

The Cincinnati multifamily occupancy rate of 95.8% was up 10 basis points from the previous quarter but down 2% from last year at this time. Class C was reported as the highest occupied class this quarter at 96.4%, although this is also down 2.1% YOY. In contrast, Class A is up 20 basis points from last quarter's occupancy rate of 94.7%.

Annual Revenue Change for Q2 2023 was at 4.6%, while Q1 had an ARC of 5.7%. The highest ARC this quarter was found in Class C units at 5.5%, and in Low-Rise properties at 5.3%. Overall, the average monthly rent was $1,338, which is $23 more expensive than last quarter's average. In total, 5.9% of units in the market are offering concessions, which is down from last quarter's 6.2%. Class B is offering the most concessions at 8.4% this quarter.

As we head into the second half of the year, we are expecting to see the same trends that the market has been experiencing. Occupancy rates are decreasing annually as more units are being delivered to the market. Rent is on the rise, but the market's annual revenue percentage change is decreasing, although at a slower pace.



in demand on both a quarterly and annual basis. The second quarter economic output for Columbus expanded 2.2% and saw a net gain of 16,200 jobs, expanding the employment base by 1.4%. The unemployment for Columbus in May registered at 3.0%, below the national average of 3.4%. The employment base sits at 47,700 jobs which was 4% above the pre-pandemic level in February 2020.

Columbus saw an annual move in of 42 units and quarterly move in of 1,465 units in the second quarter. Columbus had positive absorptions in 6 of its 10 submarkets. At the end of the second quarter, annual supply was 4,436 units. Completions over the past year expanded inventory by 2.3%. At the end of the second quarter there were currently 11,487 units under construction with 6,685 of those units expected to deliver over the next 12 months.

Second quarter occupancy decreased to 95.0%, a 2.1-point decline on an annual basis and 0.2-point decline, quarterly. That occupancy ranked 23rd out of 29th in key Midwest region markets and 72th among the top 150 markets in the nation. Class C units led the way with occupancy for the quarter with a rate of 95.7%, Class B at 94.9%, followed by Class A at 94.4%. The most prominent submarket for occupancy was North Central Columbus with an occupancy of 95.5%, followed by Dublin/Hilliard and West Columbus submarkets with both at 95.4%. Occupancy is forecasted to increase by 0.6% to 95.6%. As more completions get delivered and the job market continues to build as it is in the market, occupancy should see an increase.

Rent growth saw some growth on both a quarterly and annual basis. Rents increased by 2.1%, quarter-over-quarter, averaging $1,308 per month. On an annual level, rents were up 4.6%, just below the five-year average of 5.0%. Columbus ranked 16th in the Midwest and 53rd nationally. Class A saw an annual rent growth of 5.0%, Class B followed with 3.9% and Class C at 5.7%. Columbus is starting to see a slowdown in rent growth in the market with a 12-month forecast that rent growth will come in at 2.6%, well below this current year's annual growth.

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