



**Ohio  
Real  
Estate  
Consultants, Inc.**

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## **OHIO REAL ESTATE CONSULTANTS, INC.**

### **FEBRUARY 2016 NEWSLETTER**

This letter will update you on our current assignments, the trends we see in the industry, staff accomplishments, community service and other current information.

#### **Current Assignments**

- Multifamily LIHTC Housing, Montgomery County, Ohio
- Industrial Property, Columbus
- Retail Property, Columbus
- Medical Office Building, Northwest Franklin County
- Proposed Restaurant, Columbus
- Proposed Condominiums, Cleveland
- Two Industrial Buildings, Cuyahoga County
- General Office Property, Worthington
- Timber/Recreation Land, Adams County
- Single Family Subdivision, Cuyahoga County
- Existing Retail Property, Dublin
- Single-Tenant Office, Grove City
- Eminent Domain, Worthington
- Multi-Family, Columbus
- Fast-Food Restaurant, Columbus
- Conservation Easements, Logan and Clark Counties
- Industrial Buildings, Fairfield County

You and/or your clients may benefit from information we have used in our current assignments, as well as other assignments we have completed.

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## **RESIDENTIAL MARKET OVERVIEW**

The Central Ohio residential activity continued to improve through 2015 from the weakened market conditions that began in approximately 2007/2008. The following paragraphs summarize activity over the past year within the new sale, re-sale and distressed sale categories for the Columbus regional market. For additional information, the most recent Local Market Update for the subject's sub-market is also included.

### **New Sale Activity**

The regional housing market for the new sales activity category encompasses Franklin, Delaware, Licking, Fairfield, Pickaway, Madison and Union Counties. For this analysis, year-end 2014 results are compared to year-end 2015 results, unless otherwise noted.

**Single-Family:** The following chart summarizes volume activity (building permits, platting activity, new home sales, lot sales and inventory) within the new build single-family residential market (condominium activity is discussed later in this section). As shown, year-end 2015 results for the entire region indicate generally favorable results. The total number of building permits has improved moderately over year-end 2014 results, while platting and new home sales have slightly increased. Although lot sale activity is down, overall inventory has decreased significantly within the past year.

End-user demand, as indicated by building permit and new home sale activity, indicates slight to moderate improvement over year-end 2014 results; building permit activity has increased by 5.2%, while new home sales increased, on average, 0.4%. Although lot sale activity has decreased, it is not truly indicative of end-user demand, as many builders in the production category also develop/acquire numerous lots at a time. In total, the region's inventory has decreased by 22% over the previous year, which reflects limited platting and improved demand in the past year. Delaware County has experienced tremendous platting activity within the past year (an 83.4% increase, from 549 to 1,007 lots), as numerous developments were completed in all four quadrants of the county.

<b>Volume Activity - Single-Family</b>			
<b><u>Year-End</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>%</u></b>
<b>Building Permits:</b>	2,901	3,052	5.2%
<b>Platting:</b>	2,256	2,263	0.3%
<b>New Home Sales:</b>	2,355	2,364	0.4%
<b>Lot Sales:</b>	1,443	1,245	-13.7%
<b>Inventory:</b>	10,342	8,063	-22.0%

*Source:* Binns Real Estate Services

Currently, the regional market has an inventory of 8,063 lots, down 22% from year-end 2014. This reflects the level platting activity and continued lot absorption within the seven-county region. Approximately one-third of the region's inventory is located within Franklin County, 22% is in Delaware County, 19% is in Fairfield County, 12% is in Licking County and 10% is in Union County. Very limited inventory is located in either Pickaway or Madison Counties. The existing inventory equates to an approximate 2.5 to 3.5-year supply when considering the region's annual building permits and new home sales.

Of the volume categories summarized previously, the majority of regional volume occurs within Franklin and Delaware Counties, followed by Union County. Licking and Fairfield Counties each account for less than roughly 5%-10% of total volume, while Pickaway and Madison Counties account for less than 5% of total volume. Individually, these counties have shown the following results over the past year:

- **Franklin County** experienced a substantial decline in platting activity (-29.7%) and lot sale activity (-20.6%), and slight to moderate growth in building permit activity (0.7%) and new home sales (5.9%), respectively. Inventory decreased 15.8%, to 2,669 completed lots.
- **Delaware County** results indicate improvements in all categories except new home sales (-14.4%). As mentioned previously, platting activity has increased 83.4%, while building permit activity increased 11.4%. Even with the addition of over 450 lots, overall inventory decreased 7.9%. Lot sale activity increased 3.5% in 2015. The southern Delaware County sub-market continues to be one of the region's most popular and strongest submarkets for both end-users and residential developers. A number of tracts are under development in southern Delaware County, in the large, highly-regarded Olentangy Local School District.
- **Licking County** results are mostly improved over 2014 results. Platting activity and building permits have increased significantly (70.7% and 34.1% respectively), while new home sales have increased 5.9%. Total lot sales are down 38.3%; however, with increased building permit, platting and home sale activity, it reflects the integrated site/building development by production builders within this county. The majority of the activity occurs in the southwest quadrant of the county (Pataskala, Etna Township and parts of Reynoldsburg). Overall inventory decreased to 941 lots, down 22.5% from 2014.
- **Fairfield County** results indicate a substantial increase in platting activity (184.6%), as 88 lots were added in Violet Township and Lithopolis, in the northwestern portion of the county. Building permit activity also increased 9.7%, although new home sales activity declined 11.2% and lot sales declined 38.3%. Overall inventory has declined to 1,511 lots, a 16.5% decline for the year.
- **Pickaway County** experienced declines in building permit (-35.9%), new home sales (-44.5%) and platting activity (-3.2%). Lot sale activity increased 1.9%, with 55 total sales in 2015. County-wide inventory is now 221 lots.

- **Madison County** indicates mixed results, as new home sales and lot sales moderately improved over 2014 (26.7% and 30.0%). No platting activity occurred in 2014 or 2015, and building permit activity declined 19%. Overall volume is still nominal relative to other areas of the metropolitan area. The county currently has an inventory of 82 single-family lots.
- **Union County** is one of the region's most active areas, primarily influenced by several active developments in the highly-regarded Dublin submarket, which has experienced significant growth over the past several years. Platting has decreased 49.6%, largely due to Jerome Village and other developments in the Dublin City School District coming online in 2014. While building permit activity increased 4.3% from year-end 2014 levels, new home activity is up 46.9% and lot sale activity is level, with 256 total sales. Overall inventory has declined to 844 total lots. The results, overall, illustrate the continued demand within the northwest portion of the metropolitan area.

The improvement of the regional housing market is also indicated by average pricing, as summarized in the following chart. As shown, the average new home price increased over 4% for the entire region, while the average lot sale price increased nearly 6%.

Pricing Activity - Single-Family			
<u>Year-End</u>	<u>2014</u>	<u>2015</u>	<u>%</u>
<b>Average New Home Sale Price:</b>	\$305,647	\$318,612	4.2%
<b>Average Lot Sale Price:</b>	\$73,657	\$77,748	5.6%

*Source: Binns Real Estate Services*

Regionally, the average home price increased 4.6% over the past year. Individually, all counties experienced average price increases, with the exception of Union County, which experienced a nominal decline due to differences in housing product. The most notable increases were in Franklin, Delaware, Fairfield and Pickaway Counties. Currently, Delaware and Union Counties have the highest average home sale prices, while Pickaway and Madison Counties are the lowest.

Home Sales					
<u>County</u>			<u>Avg. Price</u>		<u>%</u>
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
Franklin	1069	1132	\$282,750	\$299,014	5.8%
Delaware	620	531	\$379,657	\$393,754	3.7%
Licking	170	180	\$246,534	\$252,993	2.6%
Fairfield	179	159	\$256,827	\$272,680	6.2%
Pickaway	110	61	\$196,753	\$221,298	12.5%
Madison	15	19	\$222,113	\$226,297	1.9%
Union	192	282	\$360,912	\$350,846	-2.8%

*Source: Binns Real Estate Services*

The region's average lot price increased 5.6% over the past year. However, given the smaller volume of activity, this pace largely reflects a re-distribution of higher-priced lots, rather than true appreciation. Average lot sale results per county are mixed, as shown in the following chart.

Lot Sales					
Lots			Avg. Price		%
	2014	2015	2014	2015	
Franklin	417	331	\$69,411	\$77,002	10.9%
Delaware	369	382	\$103,678	\$97,529	-5.9%
Licking	186	108	\$42,659	\$46,194	8.3%
Fairfield	141	87	\$41,138	\$48,548	18.0%
Pickaway	54	55	\$34,928	\$33,571	-3.9%
Madison	20	26	\$46,558	\$50,865	9.2%
Union	256	256	\$88,017	\$84,655	-3.8%

Source: Binns Real Estate Services

**Condominiums:** The majority of activity within the condominium market occurs in Franklin County (roughly 48% to 77%, depending on category), followed by Delaware County. Licking, Fairfield and Union Counties account for approximately fewer than 5% of total activity, and Madison County is not an active condominium development market. Over the past year, demand activity has declined, although the average price has increased. Much of this decline reflects a rapid increase in building permit and platting activity in 2014, which illustrated the renewed demand evident within the market, as less speculative development occurs within the condominium category. Additionally, this reflects a shift in demand preferences, as fewer entry-level condominiums are being constructed due to the increase in upscale rental options. This characteristic is further illustrated by the 16.8% average sales price increase from 2014 results.

Market Summary - Condominiums			
Year-End	2014	2015	%
Building Permits:	777	453	-41.7%
New Sales:	816	548	-32.8%
Platting:	1,236	981	-20.6%
Average Sale Price:	\$222,034	\$259,330	16.8%

Source: Binns Real Estate Services

Within the past several years, Epcon Communities created a new detached condominium development product, targeting the high \$200,000 to \$350,000 market. The builder has been active in several popular suburban areas in northwest Columbus and southern Delaware County, and has experienced unprecedented demand within the past year, as many developments are substantially pre-sold prior to commencement. Furthermore, buyers are spending a substantial sum on unit upgrades/premiums, and as such, sale prices are now commonly exceeding \$400,000.

Other regional residential condominium developers, including Rockford Homes and Village Communities, are also experiencing increased demand within existing developments. Both developers feature attached condominium units in developing suburban areas in northwest Columbus and southern Delaware County. Within the past year, absorption and average sales pricing has increased. As such, the overall regional market indications are not truly indicative of the strength of the local residential condominium market.

The previous condominium developments are largely targeted to empty-nesters and similar demographic profiles, as a marked shift in demand patterns, from owner-occupied to renter-occupied housing, has become evident within the young professional and related demographic profiles. This trend is most evident within urban areas, such as the CBD (Central Business District) and surrounding urban neighborhoods, or suburban town centers/downtowns. Additionally, strong suburban locations in the northwestern and northeastern portions of the metro area are also experiencing increased demand. As more upscale rental housing options that were once only available as condominiums are being constructed, the condominium market will continue to be impacted by this shift in demand, primarily in those developments targeting young professionals. However, as condominium financing requirements have become less stringent, overall demand for owner-occupied units is anticipated to increase.

**Re-Sale Activity**

Overall results within the regional re-sale market illustrate moderate improvement over the past year. The following information was compiled by the Columbus Board of Realtors, which includes a broader market range than Binns Real Estate Services. The Board of Realtors data includes all of Franklin, Delaware, Fayette, Licking, Madison, Morrow, Pickaway and Union Counties, and small parts of other outlying counties. (Please note the number of new listings is cumulative, which results in an indication greater than the total inventory for sale).

<b>Volume Activity - Columbus Region</b>			
<b><u>Year-End</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>%</u></b>
<b>Closed Sales:</b>	26,917	29,408	9.3%
<b>In Contracts:</b>	N/A	30,805	N/A
<b>Days on Market Until Sale:</b>	67	55	-17.9%
<b>New Listings:</b>	35,963	37,351	3.9%

*Source:* Columbus Board of Realtors

Through year-end 2015, sales activity is up 9.3% from year-end 2014. Concurrently, the listing period has continued to decrease, and now reflects less than a two month period. The slight increase in the number of new listings is reasonable given these results, as it provides encouragement for those who may have not been willing to encounter less uncertain conditions. While local realtors remain optimistic, the regional market will remain sensitive to fluctuating economic conditions, including unemployment and rising interest rates.

The average and median sale prices have also increased moderately between year-end 2014 and year-end 2015. The current average sales price, \$191,602, increased 4.7%, while the current median sales price, \$159,900, increased 4.6%. The range between the sales price and both the original and last listing prices continues to compress, illustrating the diminishing negotiating power of a traditional buyer's market.

<b>Pricing Activity - Columbus Region</b>			
<u>Year-End</u>	<u>2014</u>	<u>2015</u>	<u>%</u>
<b>Average Sales Price:</b>	\$182,986	\$191,602	4.7%
<b>Median Sales Price:</b>	\$152,885	\$159,900	4.6%
<b>Percent of Original List Price Received:</b>	94.0%	95.1%	1.2%
<b>Percent of Last List Price Received:</b>	96.8%	97.2%	0.4%

*Source:* Columbus Board of Realtors

### **Distressed Activity**

After the volume of distressed activity substantially increased during the market downturn, the Columbus Board of Realtors began to track “Lender-Mediated”, or distressed, properties. A summary of this information is included in the following chart. This activity peaked in mid-2010, but continues to steadily decline. As shown, the amount of new “lender-mediated” listings and sold properties continued to substantially decrease over the past year, while average prices increased. This activity illustrates the on-going, diminishing influence of distressed property in the regional market.

The majority of distressed activity occurs within the \$80,000 and below price range, as the median distressed sales price is currently \$72,135. With a substantial decline in the available inventory for sale and moderate increase in the number of properties sold, “lender-mediated” or distressed sales are not anticipated to have the measurable impact on the overall housing market that was evident several years ago.

<b>Lender-Mediated Activity - for 4th Quarter 2015 (Not Annualized Results)</b>			
	<u>2014</u>	<u>2015</u>	<u>%</u>
<b>Lender-Mediated New Listings:</b>	1,223	852	-30.3%
<b>Lender-Mediated Properties Sold:</b>	986	971	-1.5%
<b>Median Sales Price:</b>	\$72,135	\$68,505	-5.0%
<b>Inventory for Sale:</b>	1,280	605	-52.7%
<b>Inventory by Price Range:</b>			
\$80,000 and Below:	562	290	-48.4%
\$80,001-\$120,000:	278	123	-55.8%
\$120,001-\$160,000:	196	81	-58.7%
\$160,001-\$250,000:	155	70	-54.8%
\$250,001 and Above:	89	41	-53.9%

*Source:* Columbus Board of Realtors

Overall, lender-mediated activity accounts for approximately 10.1% of total residential inventory for sale and 15% of total residential sales. Municipalities with the percentage of lender-mediated inventory or sales above 11% include:

- Blacklick
- Canal Winchester
- Circleville
- Columbus
- Gahanna
- Groveport Madison
- Lancaster
- London
- Minerva Park
- Newark
- Obetz
- Pataskala
- Reynoldsburg
- Valleyview
- Washington Court House
- West Jefferson
- Whitehall

It is significant to note that the many of these municipalities were popular locations for entry- to mid-level production builders in the mid-2000's, which illustrates the on-going impact of over-building and aggressive lending practices in these areas.

### **Conclusion/Projections**

Over the past year, market conditions have continued to show improvement at a measured pace, which suggests a more demand-based increase in development. In the new sale category, platting activity and new home sale activity has essentially leveled off, although building permit activity has increased approximately 5%. However, lot sale activity has continued to decline. Such activity is not a direct indication of the housing market's strength, as many builders are vertically integrated in order to capture sufficient profit on both the site and building construction. The majority of platting has occurred in Franklin and Delaware Counties, in stronger submarkets experiencing the greatest demand.

Although new-sale condominium activity indicates reduced building permit, new sales and platting activity in 2015, the market is healthy. In 2014, development activity spiked after several years of limited development/sales activity. Within the past year, the average condominium sales price has increased nearly 17%, to a current average of \$259,330. Market trends have shifted to the empty nester and similar demographic profiles, who have exhibited strong demand for Epcon Communities' detached condominium developments, as well as attached condominium developments in the suburban northwest and southern Delaware County submarkets.

The region's resale market has also continued to experience stable improvement. Average sales prices and the number of closed sales have increased, while the average days on the market until sale have decreased below two months. All indications continue to illustrate the increasing favorable conditions towards a "sellers" market. Furthermore, distressed or "lender-mediated" inventory and sales activity continues to decrease substantially, illustrating the diminishing impact of such properties on the regional housing market.

Barring any unforeseen economic conditions, a stable market is anticipated over the next year. Mortgage rates remain favorable, and new development activity is typically limited to stronger sub-markets which can absorb the additional inventory. However, as overall market conditions still remain generally fragile, a long-term stable residential market is not guaranteed.

### **Company News**

#### **Ohio Real Estate Consultants, Inc. is celebrating 25 years in business this year.**

Thomas R. Horner, MAI, successfully completed the 2016-2017 National Uniform Standards of Professional Appraisal Practice (USPAP) Update Course offered by The Appraisal Institute on February 23, 2016.

Drew Keriazes successfully completed the General Appraiser Highest & Best Use Analysis Course offered by The Appraisal Institute on February 5, 2016.

Ohio Real Estate Consultants, Inc. is an OHFA (Ohio Housing Finance Agency) - Certified Appraisal Provider. We are one of eight firms achieving this status state-wide and one of three local firms. More information can be found on the OHFA website at <http://ohiohome.org/mflending/default.aspx>.

We hope you found this newsletter information useful. We got away from sending our newsletter last year, but are bringing it back due to the number of requests. In the upcoming months, we will be covering the Apartment, Office and Industrial sectors, along with other topics. If you would like additional information, please visit our website at [www.ohiorealestate.org](http://www.ohiorealestate.org) or call us at 800-536-0038.