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

### **MARCH 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**

- Multi-Tenant Office Building, Columbus, Ohio
- Proposed Townhouse Development, Pepper Pike, Ohio
- Mixed-Use Subdivision, Delaware County, Ohio
- Proposed LIHTC Development, Franklin County, Ohio
- Restaurant, Columbus, OH
- Restaurant, Powell, OH
- Office Building, Columbus, OH
- Conservation Easement – Madison County
- Multi-Tenant Office – OSU Campus Area
- Golf Course – Licking County
- Conservation Easement – Greene County
- School Campus – Northeast Ohio
- Conservation Easement – Butler County
- Single-Tenant Office – Upper Arlington
- Conservation Easement – Highland County
- Multi-Tenant Office - Worthington
- Conservation Easement – Fayette County
- Development Land – Union County
- Conservation Easement – Clark County
- Office/Retail – Powell, Ohio
- Conservation Easement – Champaign County
- Eminent Domain – Allen 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.

## **MULTIFAMILY FAMILY MARKET OVERVIEW**

Within the Columbus metropolitan area, approximately 32% of the 627,000 households reside in apartments. This percentage is compared to the national average of 29%. Franklin County reports approximately 39% of households reside in apartments, in part, due to the many colleges and universities in the area. The area also has a median age that is below the national average.

### **Occupancy**

Occupancy remained in a range from approximately 91% to 93% from June 2009 through May 2011. Occupancy has increased in all sectors since June 2009. Starting in December 2011, the central area was reported as a separate submarket. It indicates the highest occupancy. Overall, the east submarket continues to exhibit the lowest occupancy rates. However, the east submarket has improved since 2009 to a stabilized level.

The reported occupancy does not include concessions. Free rent, reduced deposits and other incentives had been prevalent in submarkets with lower occupancy, decreasing effective rent by 3% to 5%. However, beginning in 2010, concessions diminished in the more popular submarkets.

Occupancy and vacancy rates, by area, are presented in the following table.

| <b>Columbus Area Occupancy Rates</b> |                |                    |                   |               |                    |                  |                |                |                    |
|--------------------------------------|----------------|--------------------|-------------------|---------------|--------------------|------------------|----------------|----------------|--------------------|
| <b>Submarket</b>                     | <b>June-09</b> | <b>December-09</b> | <b>October-10</b> | <b>May-11</b> | <b>December-11</b> | <b>August-12</b> | <b>July-13</b> | <b>July-14</b> | <b>February-15</b> |
| Northwest                            | 95.4%          | 93.7%              | 95.7%             | 96.3%         | 97.1%              | 97.3%            | 96.9%          | 96.4%          | 95.9%              |
| Northeast                            | 92.0%          | 90.3%              | 92.0%             | 93.7%         | 93.8%              | 94.7%            | 95.4%          | 95.5%          | 95.0%              |
| East                                 | 90.9%          | 89.6%              | 88.8%             | 89.7%         | 89.1%              | 90.8%            | 93.7%          | 93.6%          | 94.0%              |
| West                                 | 91.0%          | 90.1%              | 91.2%             | 93.4%         | 91.9%              | 94.4%            | 95.1%          | 95.9%          | 95.6%              |
| Central                              | N/A            | N/A                | N/A               | N/A           | 98.6%              | 98.8%            | 97.1%          | 97.9%          | 97.5%              |
| Overall Occupancy                    | 92.3%          | 90.9%              | 91.9%             | 93.3%         | 94.1%              | 95.2%            | 95.3%          | 95.3%          | 95.1%              |
| Vacancy Rate                         | 7.7%           | 9.1%               | 8.1%              | 6.7%          | 5.9%               | 4.8%             | 4.7%           | 4.7%           | 4.9%               |
| Source: Apartment Realty Advisors    |                |                    |                   |               |                    |                  |                |                |                    |

During 2015, the overall market vacancy rate declined to near 4%, according to information published by Marcus & Millichap. The declining vacancy is a result of new job formation and formation of households among millennials. Additions to the market are likely to put some pressure on vacancy rates.

Initially, the increase in foreclosures and tightening credit policies of lenders helped the apartment industry. This accompanied the significantly low number of units delivered in 2009 to 2011. Both potential first-time homeowners and those who have lost homes have strengthened apartment occupancy. Initially the unemployment rate negatively affected occupancy and operations. As residents lost jobs, they were forced to break their leases. This was most evident in Class B and lower-grade apartment communities.

During the past several years, there is evidence of a transition due to changing consumer preferences among various demographic groups. Given the demand shifts from owner-occupancy to rental occupancy in various categories, including young professionals and empty-nesters, there has been an increased demand for apartment units, particularly in the high-end properties. This led to a significant number of new units being constructed or planned in core areas and areas near the Ohio State University.

Based upon information provided by The Site to Do Business, population in the Columbus MSA was estimated to have increased 1.4% annually from 2000 to 2010. This would generate demand for an additional 1,000 to 1,500 apartment units per year within the Columbus MSA. Although building permit activity exceeded this amount, occupancy rates remained near 93% until 2003, indicating that population projections are not fully capturing the number of households being created within the Columbus market and residing in apartments. Much of this was due to the prevalence of low mortgage interest rates, making home ownership an attractive option. The following chart compares vacancy rates to multifamily building permits.

| <b>Vacancy Rates and Building Permits<br/>Columbus, Ohio MSA</b> |   |   |
|--|---|---|
| <b>Year</b>  | <b>Overall<br/>Vacancy<br/>Rate<sup>1</sup></b> | <b>Multi-Family<br/>Units<sup>2</sup></b> |
| 2000   | 6.3%  | 3,801                                     |
| 2001   | 6.9%  | 4,322                                     |
| 2002   | 7.7%  | 5,293                                     |
| 2003   | 8.2%  | 3,418                                     |
| 2004   | 8.3%  | 1,609                                     |
| 2005   | 8.5%  | 2,110                                     |
| 2006   | 9.7%  | 1,437                                     |
| 2007   | 9.7%  | 1,514                                     |
| 2008   | 7.3%  | 1,370                                     |
| 2009   | 9.1%  | 1,292                                     |
| 2010   | 8.1%  | 1,370                                     |
| 2011   | 5.9%  | 1,347                                     |
| 2012   | 4.8%  | 3,580                                     |
| 2013   | 4.7%  | 4,452                                     |
| <b>2014</b>  | <b>4.9%</b>                                     | <b>3,204</b>                              |

Sources  
<sup>1</sup>ARA  
<sup>2</sup>US Census Bureau- 5 or more units

Included in this number are condominium units. The actual number of new apartment units built during the single-family and condominium housing boom was near zero. However, the Columbus MSA has realized a significant increase in multifamily development as developers look to capitalize on rising rental rates and occupancy. Since 2002, the Columbus MSA realized the most 5+ unit building permits in 2013. A significant number of new properties were delivered during 2013, 2014 and 2015.

Sites zoned for apartment development had become scarce. Former condominium and commercial sites have been converted to apartment development where possible. Sites rezoned for apartment development also have seen an increase.

The greatest concentration of new construction is planned for the central area, northwest and northeast submarkets. The northwest and northeast submarkets have the greatest amount of land available for apartment development, as well as the greatest population growth.

The following charts identify recent and proposed construction. The charts may not include all developments.

**Columbus MSA Multifamily Development**

|                                | <b>Project</b>                 | <b>Developer</b>                | <b>Area</b>            | <b># Units</b>       | <b>Status</b>                |                            |
|--------------------------------|--------------------------------|---------------------------------|------------------------|----------------------|------------------------------|----------------------------|
| <b>Suburban:<br/>Completed</b> | Arlington Park                 | Edwards                         | Hilliard               | 284                  | Completed 2011               |                            |
|                                | Hilliard Grand                 | Schottenstein                   | Hilliard               | 314                  | Completed 2011               |                            |
|                                | Bryant Park                    | Preferred Real Estate           | NW Columbus            | 186                  | Completed 2011               |                            |
|                                | Worthington Green              | TGM Associates                  | Westerville            | 48                   | Completed 2011               |                            |
|                                | Hilliard Meadows               | Schottenstein                   | Hilliard               | 208                  | Completion 2012              |                            |
|                                | Chelsea Square                 | Preferred Real Estate           | NE Columbus            | 186                  | Completed 2012               |                            |
|                                | Ashbrook Run                   | Kenney                          | SE Columbus            | 292                  | Completed 2012               |                            |
|                                | The Paddock at Hayden Run      | Edwards                         | Hilliard               | 552                  | Completed 2010/2013          |                            |
|                                | Albany Landing                 | Kenney                          | NE Columbus            | 272                  | Completed 2011/2012          |                            |
|                                | Benchmark                      | LMS Properties                  | NW Columbus            | 108                  | Completed 2013               |                            |
|                                | Brookfield Village             | Kenney                          | SW Columbus            | 156                  | Completed 2013               |                            |
|                                | Madison Park                   | Preferred Real Estate           | NW Columbus            | 114                  | Completed 2013               |                            |
|                                | Hudson Square                  | Preferred Real Estate           | New Albany             | 258                  | Completed 2013               |                            |
|                                | Liberty Crossing               | Sold                            | N Columbus             | 226                  | Completed 2013               |                            |
|                                | Chelsea Square II              | Preferred Real Estate           | NE Columbus            | 126                  | Completed 2013               |                            |
|                                | The Grammercy                  |                                 | New Albany             | 322                  | Completed 2013               |                            |
|                                | Abbie Cove/Canal Winchester    | Mid-Ohio                        | Southeast              | 88                   | Completed 2013               |                            |
|                                | Westbury Park                  | Preferred Real Estate           | NW Columbus            | 126                  | Completed 2013               |                            |
|                                | Madden's Pointe                | Donald Kenney                   | NW Columbus            | 72                   | Completed 2013               |                            |
|                                | Avenue at Polaris              | Edward & Sons                   | Polaris                | 309                  | Completed 2013               |                            |
|                                | Polaris Place                  |                                 | Polaris                | 224                  | Completed 2013               |                            |
|                                | 801 Polaris                    | Kaufman Development             | Polaris                | 272                  | Completed 2013               |                            |
|                                | Grove City Summit              | Schottenstein                   | Grove City             | 227                  | Completed 2013               |                            |
|                                | Albany Glen- Phase I           | Casto- Morse/Thompson           | NE Columbus            | 264                  | Completed 2013               |                            |
|                                | The District- Phase I          | Vision Development              | Tuttle                 | 114                  | Completed 2013-14            |                            |
|                                | Andover Place                  | Preferred Real Estate           | Hilliard               | 264                  | Completed 2014               |                            |
|                                | Palmer House                   | Preferred Real Estate           | NE Columbus            | 264                  | Completed 2015               |                            |
|                                | Clifton Park                   | Preferred Real Estate           | NE Columbus            | 264                  | Completed 2014               |                            |
|                                | Strathmoor                     | Edwards                         | Tuttle                 | 276                  | Completed 2014               |                            |
|                                | Preserve Crossing IV           | Lifestyle                       | NE Columbus            | 244                  | Completed 2014               |                            |
|                                | Remington Woods                | Kenney                          | N Columbus             | 150                  | Completed 2014               |                            |
|                                | Chesapeake                     | Vakasy                          | Grandview area         | 127                  | Completed 2014               |                            |
|                                | Hayden Crossing/Redwood        | Redwood                         | NW Columbus            | 102                  | Completed 2014               |                            |
|                                | The Avenue @ Polaris- Phase 1  | NP Limited/Trivium              | Polaris                | 294                  | Completed 2014               |                            |
|                                | The District- Phase 2          | Vision Development              | Tuttle                 | 114                  | Completed 2014               |                            |
|                                | Avery Brooke                   | Colonial American               | NW Columbus            | 165                  | Completed 2014               |                            |
|                                | Residences at Central Park     | Donald Kenney                   | Gahanna                | 220                  | Completed 2014               |                            |
|                                | Hartford Village Commons       | Kenney                          | Hilliard               | 72                   | Completed 2014               |                            |
|                                | North Park Place II            | Metro Development               | Polaris                | 264                  | Completed 2014               |                            |
|                                | Village at Albany Moor         | Kenney                          | New Albany             | 168                  | 2013-14 Construction         |                            |
|                                | Taylor House                   | Preferred Real Estate           | NW Columbus            | 325                  | Completed 2015               |                            |
|                                | Heights at Worthington Place   | Banyan Living                   | Worthington            | 193                  | Completed 2015               |                            |
|                                | Easton Pointe                  | Kenney                          | Easton                 | 208                  | Completed 2015               |                            |
|                                | Four Pointe                    | Kenney                          | NE                     | 204                  | Completed 2015               |                            |
|                                | Winchester Crossing            | Kenney                          | SE                     | 158                  | Completed 2015               |                            |
|                                | Taylor Pointe                  | Don Kenney, Jr.                 | East                   | 96                   | Completed 2015               |                            |
|                                | Berkley House                  | Preferred Real Estate           | NW Columbus            | 256                  | Completed 2015               |                            |
|                                | Brooklands-Lifestyle           | Lifestyle                       | Hilliard               | 439                  | Completed 2015               |                            |
|                                | Avery Pointe                   | Crawford Hoying                 | Hilliard               | 176                  | Completed 2015               |                            |
|                                | Woods at Perry Lane            | Kenney                          | Westerville/New Albany | 168                  | Completed 2015               |                            |
|                                | Monroe House                   | Kenney                          | Polaris                | 84                   | Completed 2015               |                            |
|                                | Grafton Park                   | Preferred Living                | Northwest/Sawmill      | 252                  | Leasing/completing 2016      |                            |
|                                | Ravines at Rocky Ridge         | Banyan Living                   | Westerville            | 136                  | Completed 2015               |                            |
|                                | The Avenue @ Polaris- Phase 2  | Edward Rose                     | Polaris                | 172                  | Completed 2015               |                            |
|                                | Grand at Polaris               | Schottenstein                   | Lewis Center           | 196                  | Completed 2015               |                            |
|                                | Albany Glen- Phase 2           | Casto- Morse/Thompson           | NE Columbus            | 268                  | Completed 2015               |                            |
|                                |                                | <b>Total Completed</b>          |                        |                      | <b>11,667</b>                |                            |
|                                | <b>Under Construction</b>      | Scioto Ridge                    | Casto                  | Dublin               | 152                          | Under Construction/Leasing |
| The Parc                       |                                | LBC Property                    | Gahanna                | 180                  | Under Construction/Leasing   |                            |
| Poindexter Village-subsidized  |                                | CMHA-senior                     | Near East              | 104                  | Under Construction           |                            |
| The Mirada                     |                                | Vision Development              | US 23 North            | 264                  | Under Construction           |                            |
| District at Linwork            |                                | Vision Development              | NW Columbus            | 256                  | Under construction/leasing   |                            |
| The Ravines at Westar          |                                | NP Limited/Trivium- total       | Polaris                | 504                  | 2015-17 construction/leasing |                            |
| The Wendell                    |                                | Riggins Road                    | Hilliard               | 182                  | Under construction           |                            |
| Poindexter Village-subsidized  |                                | CMHA- mix affordable/m          | Near East              | 87                   | Under Construction           |                            |
| US 23 North                    |                                | Vision Development              | Worthington            | 326                  | Under construction           |                            |
|                                |                                | <b>Total Under Construction</b> |                        |                      | <b>2,055</b>                 |                            |
| <b>Proposed/Planning</b>       | Tuller Flats                   | Casto                           | Dublin                 | 420                  | 2016 construction            |                            |
|                                | Avery Road & Hayden Run Road   | DCR Commerial Develop           | Dublin                 | 300                  | 2016 construction            |                            |
|                                | Main Street Square/Wallick     | Mixed income                    | Near East              | 95                   | Proposed                     |                            |
|                                | Hilliard Apartments            | Kelley Co./Weiler/KRG           | Hilliard               | 276                  | Planning                     |                            |
|                                | Pointe Apartments              | Vision Development              | Hilliard               | 218                  | Planning                     |                            |
|                                | The View at Polaris            | Near Chase Bank                 | Polaris                | 240                  |                              |                            |
|                                | The Pointe at Polaris          | Near Cabela's                   | Polaris                | 400                  |                              |                            |
|                                | Braun Farms                    | Van Trust Real Estate           | Westerville            | 285                  | Preliminary                  |                            |
|                                | Sunbury Pointe/ Champion       | Approvals received              | Sunbury                | 146                  | Planning                     |                            |
|                                | Broadway Sation                | Pizzuti/ zoning approved        | Grove City             | 120                  | Start spring 2016            |                            |
| Landmark Lofts                 |                                | Hilliard                        | 204                    | Development approved |                              |                            |
|                                | <b>Total Proposed/Planning</b> |                                 |                        | <b>2,704</b>         |                              |                            |
|                                | <b>Suburban Total</b>          |                                 |                        | <b>16,426</b>        |                              |                            |

**Columbus MSA Multifamily Development**

| <b>Central:</b>                | <b>Project</b>                    | <b>Developer</b>                | <b>Area</b>           | <b># Units</b> | <b>Status</b>               |                           |
|--------------------------------|-----------------------------------|---------------------------------|-----------------------|----------------|-----------------------------|---------------------------|
| <b>Completed</b>               | Flats on Vine                     | Kaufman                         | Arena District        | 232            | Completed 2011              |                           |
|                                | CCAD Apartments                   |                                 | Gay/Grant             | 68             | Completed 2011              |                           |
|                                | Lennox Flats                      |                                 | Grandview             | 102            | Completed 2012              |                           |
|                                | Grandview Yard                    | Nationwide                      | Grandview Yard        | 154            | Completed 2012              |                           |
|                                | Flats on Vine II                  |                                 | Arena District        | 120            | Completed 2013              |                           |
|                                | 570 Lofts/Born Brewery            |                                 | Brewery District      | 47             | Completed 2013              |                           |
|                                | Lane Avenue Mixed-Use             |                                 | Upper Arlington       | 108            | Completed 2013              |                           |
|                                | Aston Place                       |                                 | Short North           | 59             | Completed 2013              |                           |
|                                | Wonder Bread                      |                                 | Italian Village       | 66             | Completed 2013              |                           |
|                                | Harrison Park                     |                                 | Harrison West         | 108            | Completed 2013              |                           |
|                                | 600 Goodale                       | Kaufman                         | Arena/Grandview       | 174            | Completed 2013              |                           |
|                                | Tribeca                           | Edwards                         | Grandview             | 183            | Completed 2013              |                           |
|                                | Neighborhood Launch               | Casto                           | CBD                   | 260            | Completed 2013              |                           |
|                                | Liberty Place II                  |                                 | Brewery District      | 226            | Completed 2014              |                           |
|                                | The Normandy                      | Edwards                         | Discovery District    | 260            | Completed 2014              |                           |
|                                | HighPoint on Columbus Commons     | Carter                          | CBD                   | 303            | Completed 2014              |                           |
|                                | The Hub                           |                                 | Short North           | 67             | Completed 2014              |                           |
|                                | Grandview Yard-Phase II           | Edwards                         | Grandview Heights     | 120            | Completed 2015              |                           |
|                                | N. High St./2nd Ave.              | The Wood Co.                    | Short North           | 24             | Completed 2015              |                           |
|                                | Julian Apts./Casto                | Casto                           | Downtown              | 90             | Leasing/ late 2015          |                           |
|                                | The Prescott (Borror)             | Borror                          | Italian Village       | 24             | Completed 2015/leasing      |                           |
|                                | Atlas Building                    | Schiff Capital Group            | N. High St.           | 98             | Completed 2015              |                           |
|                                | Battery B (City Space)            | City Sapce                      | Italian Village       | 56             | Completed 2015              |                           |
|                                | 274 E. First Ave. (City Space)    | City Sapce                      | Italian Village       | 93             | Completed 2015              |                           |
|                                | Jeffrey Park Lofts                | Wagenbrenner                    | Italian Village       | 276            | Completed 2015              |                           |
|                                | Trotters Park                     | Snyder Barker                   | Harrison West         | 144            | Leasing                     |                           |
|                                | Grant Commons (LIHTC)             | Wagenbrenner                    |                       | 80             | Completed 2015              |                           |
|                                |                                   | <b>Total Completed</b>          |                       |                | <b>3,462</b>                |                           |
|                                | <b>Under Construction</b>         | Edwards/South Gateway           | Edwards               | South Gateway  | 144                         | Start spring 2016         |
|                                |                                   | Leveque Tower                   |                       | CBD            | 70                          | Scheduled Completion 2016 |
|                                |                                   | View on High/N.High & 20th      | Celmark/Solove        | Campus         | 50                          | Completion scheduled 2016 |
|                                |                                   | View on Filth                   | Celmark/Solove        | Filth          | 153                         | Completion scheduled 2016 |
| Damiler/Kaufman                |                                   | Kaufman                         | River South           | 156            | Planning                    |                           |
| Barrett School                 |                                   |                                 | Merion Village        | 52             | Available summery 2016      |                           |
| Battery B                      |                                   | JDS Companies                   | Italian Village       | 56             | Under construction          |                           |
| The Jerome (Borror)            |                                   | Borror                          | Victorian Village     | 54             | Complete summer 2016        |                           |
| 40 West                        |                                   | Borror                          | Italian Village       | 16             | Leasing                     |                           |
| Neighborhood Launch            |                                   |                                 | CBD                   | 130            | Near completion             |                           |
| Microliving on Fourth          |                                   | Connect Realty                  | CBD                   | 52             | Under construction          |                           |
| Annex II/Trautman Building     |                                   | Lifestyle                       | CBD                   | 105            | Under construction          |                           |
| 85-111 N. High                 |                                   | Edwards                         | CBD                   | 241            | Under construction          |                           |
| Grandview Yard Brooks Building |                                   | Nationwide Realty               | Grandview             | 166            | Under construction          |                           |
| 144 W. Lane (student)          |                                   | Edwards                         | Campus                | 45             | Under construction          |                           |
|                                |                                   | <b>Total Under Construction</b> |                       |                | <b>1,490</b>                |                           |
| <b>Proposed/Planning</b>       |                                   | 330 Oak Street                  | Stonehenge            | CBD            | 104                         | Proposed                  |
|                                | Ballet Met-student                | Celmark                         | CBD                   | 70             | Proposed                    |                           |
|                                | 142-176 King Avenue-student       | Celmark                         | Campus                | 50             | Proposed                    |                           |
|                                | Pavey Square                      | Celmark                         | Campus                | 115            | Proposed                    |                           |
|                                | Dixie Apartments                  | Vision Development              | Clintonville          | 300            | Proposed                    |                           |
|                                | Former Taco Bell site-student     | Virginia Homes                  | Campus                | 95             | Proposed                    |                           |
|                                | 2212 Tuttle Park Place            | 4 Points Development            | Campus                | 54             | Proposed                    |                           |
|                                | Edwards (High & 16th-17th)        | Edwards                         | Campus                | 170            | Planning/ fall 2018 opening |                           |
|                                | The Wilson                        | Scott Schiff                    | Campus                | 57             | Proposed                    |                           |
|                                | View on Pavey Square              | Celmark                         | Campus                | 79             | Proposed                    |                           |
|                                | Edwards/ Spring Street            | Edwards                         | Downtown              | 200            | Planning                    |                           |
|                                | Parkside on Pearl                 | Mark Wood                       | Italian Village       | 33             | Planning                    |                           |
|                                | N. High St./7th Ave.              | Bluestone Brothers              | Short North           | 84             | Planning                    |                           |
|                                | Front & Main                      | Borror                          | Downtown              | 89             | Planning                    |                           |
|                                | Outpost                           | Borror                          | Downtown              | 304            | Planning                    |                           |
|                                | Red Zone site                     | Borror                          | Downtown              | 76             | Planning                    |                           |
|                                | 965 N. High (White Castle)        | Borror                          | Short North           | 98             | Approvals received/planning |                           |
|                                | 640 W. Nationwide                 | Borror/Ruscilli                 | Arena District        | 280            | Planning                    |                           |
|                                | Main Street Square                | Wallick/Smith Tandy             | Nationwide Children's | 95             | Proposed                    |                           |
|                                | 330 E. Oak                        | Stonehenge/behind Capi          | Near east             | 93             | Proposed                    |                           |
|                                | Columbus Coated Fabrics           | Wagonbreener                    | Weinland Park         | 200-300        | Planning-Long Term          |                           |
|                                | Discovery Flats (affordable)      | Homeport                        | Discovery District    | 60             | Proposed                    |                           |
|                                | NRI/West Arena District           | Nationwide                      | Arena District        | 600-800        | Planning-Long Term          |                           |
|                                | Jeffrey Park Phase 4              | Wagonbreener                    | Italian Village       | 216            | Proposed                    |                           |
|                                | High & 15th                       | Campus Partners                 | University            | Proposed       | Preliminary                 |                           |
|                                | 7th & High                        | Royer/CA Ventures               | University            | Proposed       | Preliminary                 |                           |
|                                | The Deco (Olympic Swim Club site) | Kyle Katz                       | Clintonville          | 114            | Proposed                    |                           |
|                                | West Rich/Lucas Streets           | Casto/Weiler                    | Franklinton           | 176            | Proposed                    |                           |
|                                | Long & Front- micro units         | Connect Realty                  | CBD                   | 34             | Preliminary                 |                           |
|                                | Matan Project                     | Lifestyle                       | CBD                   | 105            | Proposed                    |                           |
|                                | Livingston Avenue                 | Toula Management                | German Village        | unknown        | Preliminary                 |                           |
|                                | Budd Dairy                        | Kenneth Lykens                  | Italian Village       | 150            | Planning                    |                           |
|                                | <b>Total Proposed/Planning</b>    |                                 |                       | <b>4,101</b>   |                             |                           |
|                                |                                   |                                 |                       | <b>4,401</b>   |                             |                           |
|                                |                                   | <b>Central Total</b>            |                       | <b>9,053</b>   |                             |                           |
|                                |                                   |                                 |                       | <b>9,353</b>   |                             |                           |
|                                |                                   | <b>Columbus MSA Total</b>       |                       | <b>25,479</b>  |                             |                           |
|                                |                                   |                                 |                       | <b>25,779</b>  |                             |                           |

The central area of Columbus is the most desirable due the location of jobs, development and several central entertainment districts. The preceding charts illustrate the significant amount of completed, under construction, planned and proposed multifamily projects within the central market. According to The Site to Do Business, the central 3-mile radius of Columbus is estimated to have experienced an increase in population of 8,256 people, total, from 2010 to 2015, reflecting the completion of new multifamily units. This estimate will increase as the new multifamily projects are completed. By 2020, this 3-mile radius is estimated to grow an additional 8,725 people. Without this influx of residents, the significant number of new units (if all proposed and planned projects are actually completed) is not justified. The continued success of those properties that have been completed indicates that there has been a significant inflow of residents.

Other factors affecting the central multifamily area are the number and quality of new jobs being created. The proposed and recently completed projects are asking rental rates of up to \$2.00+ per square foot for some units. Such pricing removes a significant number of would-be renters from of the central submarket. Another long-term factor is the potential return of home ownership. As renters analyze renting versus home ownership, the rental payments of the central submarket units will allow a renter/buyer to purchase a quality home/condo in the Columbus MSA.

## **Rents**

Rents during the past year have increased in all market sectors. The rents do not reflect the effect of any concessions. The greatest rental rates are in the central, northwest and northeast sectors. The west and east sectors continue to have the lowest rental rates. The central area demonstrates the recent interest and planning of developers to target this area. The following chart shows a breakdown by submarket.

| <b>Columbus MSA Average Rental Rates</b> |                |                    |                   |               |                    |                  |                |                |                    |
|--|----------------|--------------------|-------------------|---------------|--------------------|------------------|----------------|----------------|--------------------|
| <b>Submarket</b>                         | <b>June-09</b> | <b>December-09</b> | <b>October-10</b> | <b>May-11</b> | <b>December-11</b> | <b>August-12</b> | <b>July-13</b> | <b>July-14</b> | <b>February-15</b> |
| Northwest                                | \$776          | \$786              | \$797             | \$825         | \$828              | \$864            | \$896          | \$915          | \$919              |
| Northeast                                | \$673          | \$677              | \$683             | \$695         | \$709              | \$728            | \$747          | \$779          | \$799              |
| East                                     | \$600          | \$600              | \$605             | \$614         | \$625              | \$644            | \$655          | \$662          | \$677              |
| West                                     | \$585          | \$590              | \$584             | \$586         | \$621              | \$629            | \$660          | \$668          | \$661              |
| Central                                  | NA             | NA                 | NA                | NA            | \$961              | \$978            | \$1,119        | \$1,195        | \$1,241            |

Source: Apartment Realty Advisors

According to information published by Marcus & Millichap, rent growth during 2015 increased 4.2%. With the completion and demand for luxury units within the market, effective rents are estimated to increase to \$860 or 4.9% according to this publication.

## Sales

Most sales in 2009 and 2010 were REO or lender-directed sales. A significant number of lenders finally disposed of REO and distressed Class C assets that were purchased at premium prices (2005 to 2008) or have been mismanaged during the economic decline. The lack of stabilized Class A or B sales prior to 2012 is attributed to the increases in rents and occupancy, as investors were not willing to sell stabilized properties without a significant premium. Multifamily real estate represents one of the most stable commercial real estate or alternative investments over the past years, and investors continue to look to multifamily assets for the future.

Brokers indicate that investors are looking to capitalize on the significant interest in Class A and B multifamily properties from institutional investors. Institutional investors have looked to stabilized multifamily properties to “park cash and chase yield”. The following chart illustrates the change in safe investments. This is creating a bubble in Class A assets, as large institutional investors have significant purchasing power due to the low required rate of return and interest rates available. The number of potential buyers has increased, which has driven up prices.

| MARKET RATES AND BOND YIELDS - % |          |          |          |          |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                  | Dec 2015 | Jun 2015 | Dec 2014 | Jun 2014 | Dec 2013 | Jun 2013 | Dec 2012 | Jun 2012 |
| Prime Rate (Monthly Average)     | 3.37     | 3.25     | 3.25     | 3.25     | 3.25     | 3.25     | 3.25     | 3.25     |
| U.S. 10-Year Bond                | 2.04     | 2.36     | 2.21     | 3.00     | 2.90     | 2.30     | 1.72     | 1.62     |
| U.S. 30-Year Bond                | 2.97     | 3.11     | 2.83     | 4.23     | 3.89     | 3.40     | 2.88     | 2.70     |
| Corporate Bonds (Aaa)            | 3.02     | 3.42     | 3.79     | 4.99     | 4.62     | 4.27     | 3.65     | 3.64     |
| Corporate Bonds (A)*             | 3.60     | 3.94     | 4.05     | 5.26     | 4.85     | 4.56     | 3.98     | 4.14     |
| Corporate Bonds (Baa)            | 5.48     | 5.12     | 4.74     | 5.75     | 5.38     | 5.19     | 4.63     | 5.02     |

\* Source: Moody's Bond Record

The following chart summarizes the number of sales and average sales prices since 2010. The average sales prices have increased over the years as fewer distressed properties have been sold. There were a number of sales that were confidential with no price recorded.

| Columbus Area Apartment Survey<br>Historical Sales Activity |                 |                              |
|---|-----------------|------------------------------|
| Year  | Number of Sales | Average Sales Price Per Unit |
| 2010  | 95              | \$18,473                     |
| 2011  | 132             | \$28,960                     |
| 2012  | 193             | \$33,901                     |
| 2013  | 134             | \$30,320                     |
| 2014  | 172             | \$42,723                     |
| 2015  | 148             | \$39,328                     |

\*Based on sales of 4 units or more  
 \*\*Based on sales of \$250,000 or more  
 Source: Xceligent Commercial Real Estate Information



Occupancy and rents in Class A and B apartments have improved in the current economy. The demand for apartment units has resulted in significant new construction in the central, northwest and northeast markets. The scarcity of land zoned for apartment development may improve lower-grade apartment communities that are distressed. This sector offers the potential for rehabilitation and repositioning within the market without the difficulties of rezoning. Financing availability continued to improve in the last several years. An increase in stabilized transactions has occurred beginning in 2013.

Buyers are seeking elevated yields particularly in Class C assets. To obtain higher yields, investors have focused on outlying neighborhoods where average returns can top more the 200 basis points above the metro average in the mid 7% range. Some investors have targeted value-add properties near new construction in the northeast portions of the downtown area. Higher yields have led investors to Midwestern locations such as Columbus.

An issue that has affected the multifamily sector is the number of vacant single-family homes and condominiums that either were foreclosures or never sold to owner-occupants. The effect of this “shadow market” has influenced apartments as developers rent the homes and condominiums. Improvement has occurred in this market as home and condominium sales have increased in the past several years.

Real estate taxes have also had a significant impact on the multifamily sector, as the effective tax rates have increased significantly over the past five years. The following chart illustrates the increase in real estate taxes rates districts that have experienced multifamily development or are targeted for future development have incurred. Investors have expressed frustration with current real estate tax bills and the assessed value of their properties. However, the increase in the effective tax rate is a major factor, along with the assessed value.

| Franklin County Effective Commercial Real Estate Tax Rates |                       |               |               |               |               |               |             |                    |
|--|-----------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------------|
| No.  | District              | 2011 pay 2012 | 2012 pay 2013 | 2013 pay 2014 | 2014 pay 2015 | 2015 pay 2016 | Difference  | 2011-2015 % Change |
| 010  | Columbus              | \$78.524688   | \$79.712647   | \$80.032178   | \$80.762073   | \$80.798968   | \$2.274280  | 2.90%              |
| 050  | Hilliard              | \$98.189119   | \$99.299020   | \$104.117099  | \$105.467075  | \$104.942884  | \$6.753765  | 6.88%              |
| 080  | Westerville           | \$89.902910   | \$97.515838   | \$97.724616   | \$98.981974   | \$98.115113   | \$8.212203  | 9.13%              |
| 222  | Plain Twp.-New Albany | \$85.935618   | \$93.132156   | \$93.808388   | \$93.645816   | \$94.488013   | \$8.552395  | 9.95%              |
| 273  | Dublin                | \$90.385640   | \$98.206515   | \$100.254655  | \$100.674190  | \$100.739272  | \$10.353632 | 11.45%             |
| Average Increase:  |                       | \$88.587595   | \$93.573235   | \$95.187387   | \$95.906226   | \$95.816850   | \$7.229255  | 8.16%              |

The central area will continue to be the most closely watched area for multifamily development, as there were a number of prominent projects that delivered inventory in over the past several years. Numerous additional units are planned or under construction. With a significant number of projects still in the planning stages, the demand of the central area multifamily could be fulfilled by the time the later projects are completed and attempt to reach stabilization.

## **Company News**

Timothy S. Geiger successfully completed the 2016-2017 National Uniform Standards of Professional Appraisal Practice (USPAP) Update Course offered by The Appraisal Institute on March 10, 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.