

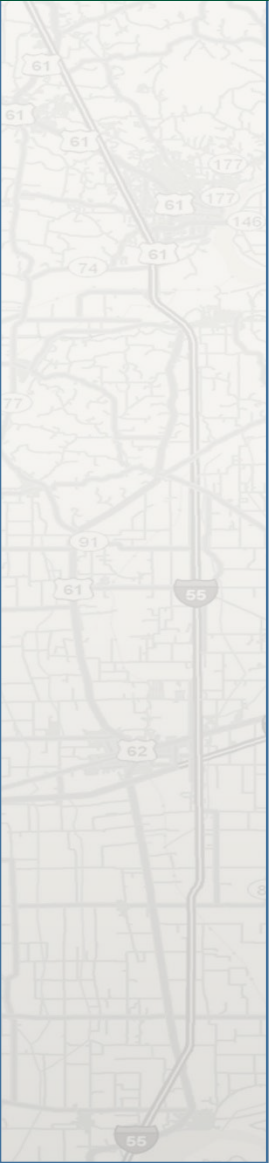


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Insights

On Borrowed Time?

Will millennials move out of
apartments similar to what
Gen X did in the early 2000s?

Robert Vogt
Vogt Strategic Insights
March 16, 2020



Demand for Rental Housing Remains Robust

APARTMENTS
FOR RENT

NO VACANCY

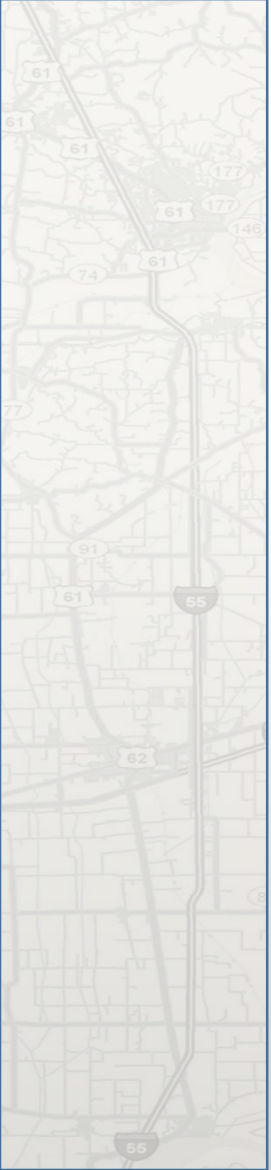
The question being asked is, when will it end?



2019 Market Highlights

- Average asking rents have moderated over 2018.
- Rents increased 3.5% in 2019 compared to 5.1% in 2018.
- Overall vacancies remain unchanged year-end in 2019 from 2018 (4.6%).
- B/C quality properties remain well occupied with overall vacancies declining from 4.4% in 2018 to 2.7% in 2019.
- 'A' quality properties saw lower asking rent growth but lower overall vacancies (5.9% in 2019 compared to 6.1% in 2018).

Change in Inventory Vacancy Rates and Rents



Year	Inventory	Comp.	Vac. Stock	Vac. Rate	Net Abs.	Asking Rent	Asking Rent % Change
2013	131,086	1,910	6,216	4.7%	2,643	\$758	3.1%
2014	134,928	3,842	7,152	5.3%	2,906	\$795	4.9%
2015	138,956	3,351	6,604	4.8%	3,960	\$832	4.4%
2016	140,798	1,842	5,337	3.8%	3,109	\$859	3.2%
2017	143,356	2,558	6,095	4.3%	1,800	\$901	4.9%
2018	146,757	3,298	6,844	4.6%	2,779	\$950	5.1%
2019	149,036	2,279	6,788	4.6%	2,335	\$983	3.5%

Source: Reis Fourth Quarter 2019 Columbus Metro report

Asking Rent by Age of Property

Year Built	2016	2017	2018	2019	Change 2018- 2019
Before 1970	\$701	\$712	\$749	\$782	+4.4%
1970 – 1979	\$679	\$706	\$742	\$781	+5.3%
1980 – 1989	\$847	\$905	\$971	\$990	+2.0%
1990 – 1999	\$908	\$940	\$987	\$998	+1.1%
2000 – 2009	\$1,000	\$1,016	\$1,080	\$1,107	+2.5%
After 2009	\$1,288	\$1,312	\$1,364	\$1,396	+2.3%
All	\$859	\$897	\$950	\$983	+3.5%

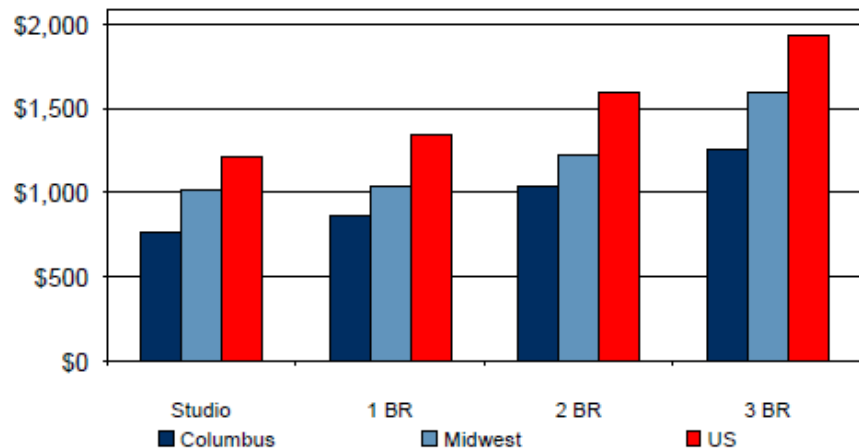
Source: Reis Fourth Quarter 2019 Columbus Metro report



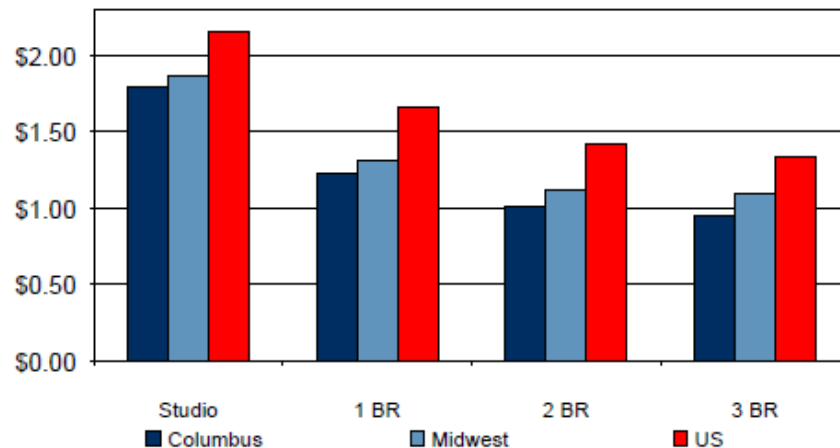
Area Wide Rent Performance

Current Metro Average Rents and Sizes				Asking Rent Growth					
	4Q 2019			Quarterly			Annualized		
	Rent	Avg. SF	Avg. Rent PSF	4Q19	3Q19	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	\$767	427	\$ 1.80	0.5%	0.8%	2.7%	2.7%	8.4%	6.1%
One Bedroom	\$861	705	\$ 1.22	0.5%	0.8%	3.7%	3.7%	4.8%	4.7%
Two Bedroom	\$1,038	1033	\$ 1.00	0.6%	0.8%	3.4%	3.4%	4.5%	4.2%
Three Bedroom	\$1,252	1319	\$ 0.95	0.2%	1.1%	3.2%	3.2%	4.5%	4.0%
Average over period ending:				12/31/19	09/30/19	12/31/19	12/31/19	12/31/19	12/31/19

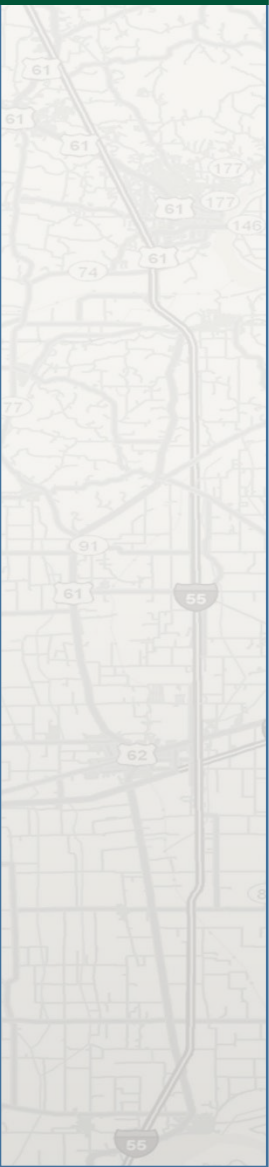
Asking Rent Comparisons



Asking Rent Per SF



Class A Property Performance



Year	Inventory	Comp.	Vac. %	Asking Rent (\$)	Rent Change*
2009	44,149	875	6.5%	\$814	-
2010	46,330	1,035	5.4%	\$831	2.1%
2011	47,558	1,228	4.2%	\$855	2.9%
2012	48,417	859	3.7%	\$880	2.9%
2013	50,377	1,910	4.1%	\$916	4.1%
2014	54,169	3,842	6.0%	\$964	5.2%
2015	57,890	3,541	5.5%	\$1,017	5.5%
2016	59,732	1,842	4.7%	\$1,049	3.1%
2017	62,352	2,507	5.0%	\$1,114	5.7%
2018	65,650	3,298	6.1%	\$1,177	5.3%
2019	67,929	2,279	5.9%	\$1,217	3.4%

* From previous year

Source: Reis Fourth Quarter 2019 Columbus Metro report

Class B/C Property Performance

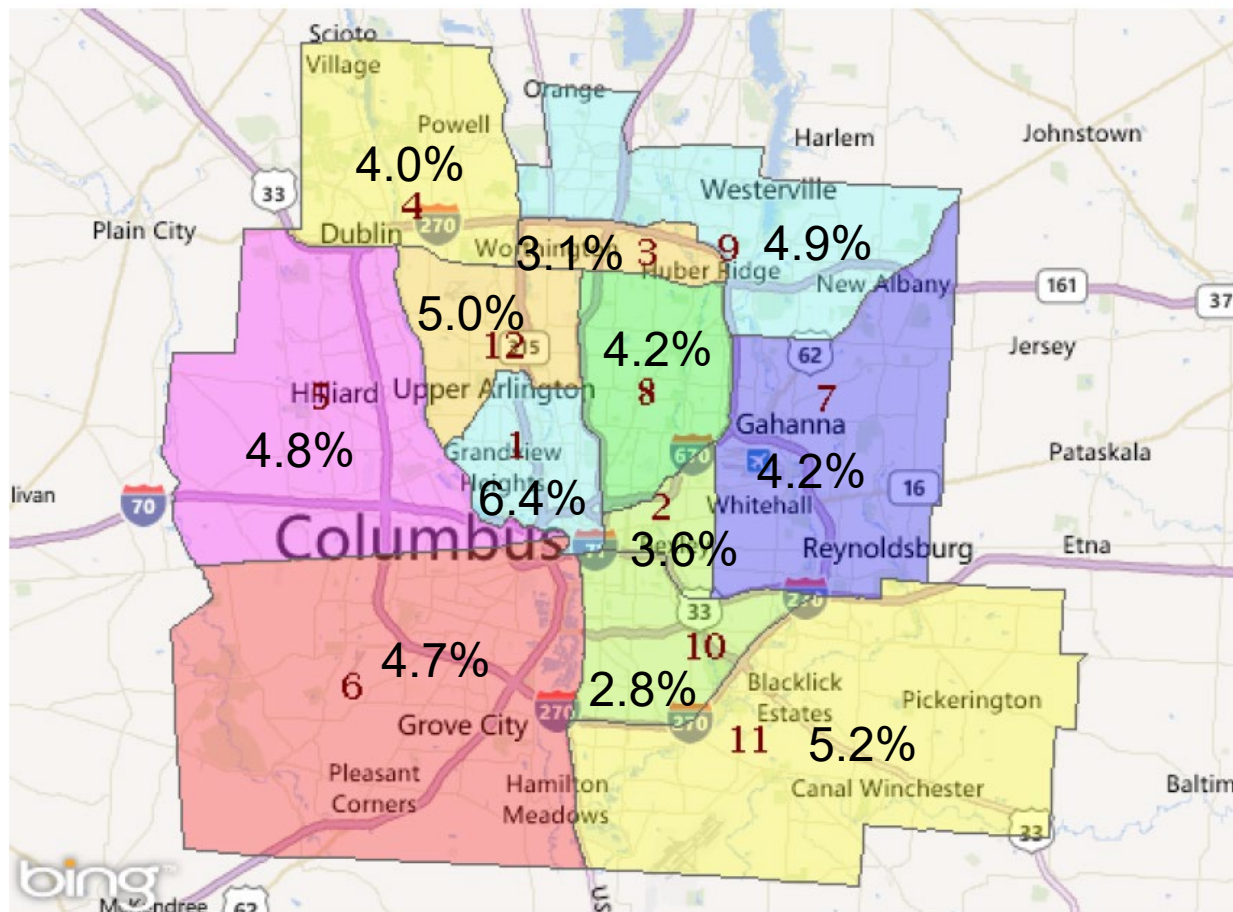
Year	Inventory	Comp.	Vac. %	Asking Rent (\$)	Rent Change*
2009	80,065	268	10.7%	\$607	-
2010	80,337	272	10.9%	\$609	0.3%
2011	80,387	50	8.4%	\$629	2.3%
2012	80,759	0	6.4%	\$649	3.2%
2013	80,759	0	5.1%	\$660	1.7%
2014	80,759	0	4.8%	\$681	3.2%
2015	81,066	0	4.2%	\$701	2.9%
2016	81,066	0	3.1%	\$719	2.6%
2017	81,107	51	3.8%	\$737	2.5%
2018	81,107	0	3.5%	\$767	4.1%
2019	81,107	0	3.4%	\$788	2.7%

* From previous year

Source: Reis Fourth Quarter 2019 Columbus Metro report

VS

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Columbus Submarkets

- | | | |
|----------------------------------|-------------------------------|-----------------------------------|
| 1 University/Downtown | 2 Bexley | 3 Sharon/Worthington |
| 4 Dublin/Powell | 5 Hilliard | 6 Grove City |
| 7 Whitehall/Gahanna/Reynoldsburg | 8 Northeast/Minerva Park | 9 Westerville |
| 10 Southeast | 11 Groveport/Canal Winchester | 12 Upper Arlington/North Columbus |



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Performance by Submarket-2019

Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vac %	Free Rent (mos)	Expenses % (Apartment)
University/Dwntwn	95	15,185	\$1,454	6.4%	0.76	51.0%
Bexley	44	5,098	\$827	3.6%	0.30	48.7%
Sharon/Worthington	37	7,828	\$825	3.1%	0.56	47.0%
Dublin/Powell	65	13,023	\$1,088	4.0%	0.62	45.0%
Hilliard	73	15,114	\$1,064	4.8%	0.53	44.7%
Grove City	65	13,133	\$834	4.7%	0.66	46.7%
Whitehall/Gahanna	96	20,778	\$792	4.2%	0.39	46.8%
Northeast	60	13,507	\$841	4.2%	0.65	46.8%
Westerville	72	17,503	\$1,164	4.9%	0.67	45.5%
Southeast	34	8,223	\$697	2.8%	0.46	46.3%
Groveport	53	8,896	\$832	5.2%	0.39	45.5%
Upper Arlington	48	10,748	\$1,048	5.0%	0.40	47.2%



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Year End 2019

Submarket	1. Completed			2. Under Construction			3. Planned/Proposed			Grand Total
	Apartment	Condo	Other	Apartment	Condo	Other	Apartment	Condo	Other	
University/Dwntwn	1,083	17	0	1,059	36	0	5,907	219	84	8,405
Bexley	66	32	12	0	19	13	316	0	211	669
Sharon/Worthington	0	0	40	32	0	0	282	110	0	464
Dublin/Powell	678	0	0	82	43	0	1,059	0	0	1,862
Hilliard	362	0	0	565	0	0	1,371	220	182	2,700
Grove City	233	0	132	0	0	48	4,069	110	595	5,187
Whitehall/Gahanna	0	0	0	0	0	30	663	0	217	910
Northeast	0	0	100	0	0	0	0	0	445	545
Westerville	574	0	0	388	0	0	1,969	18	0	2,949
Southeast	0	0	0	0	0	0	362	0	204	566
Groveport	0	0	0	0	0	40	562	48	95	745
Upper Arlington	301	22	0	126	0	0	1,167	81	0	1,697
Non-Submarketed Areas	252	0	0	168	0	0	2,259	311	479	3,469

Apartments under construction: 3,983 (2017) 2,187 (2018) 2,420 (2019)

Apartments planned: 12,213 (2017) 15,960 (2018) 19,986 (2019)

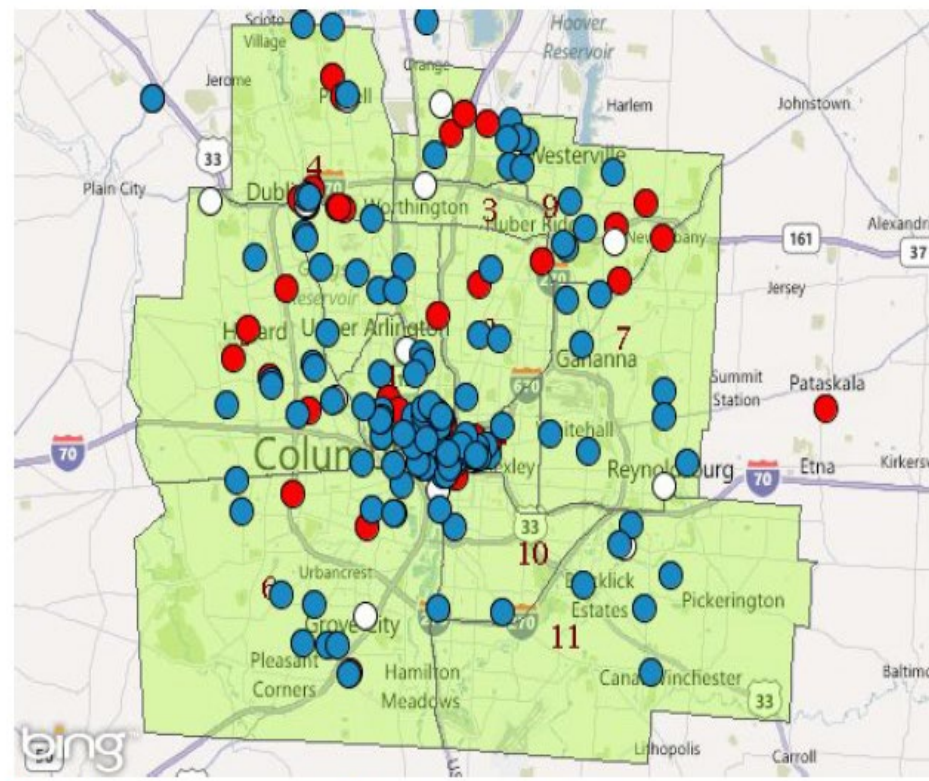
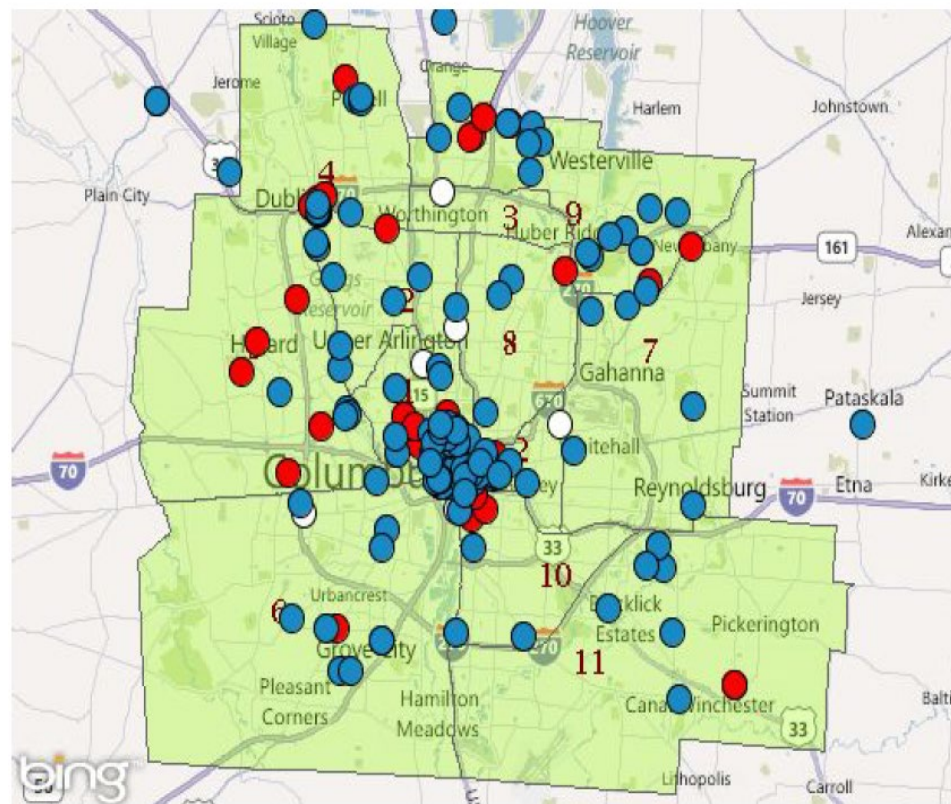
Source: Reis Fourth Quarter 2019 Columbus Metro report

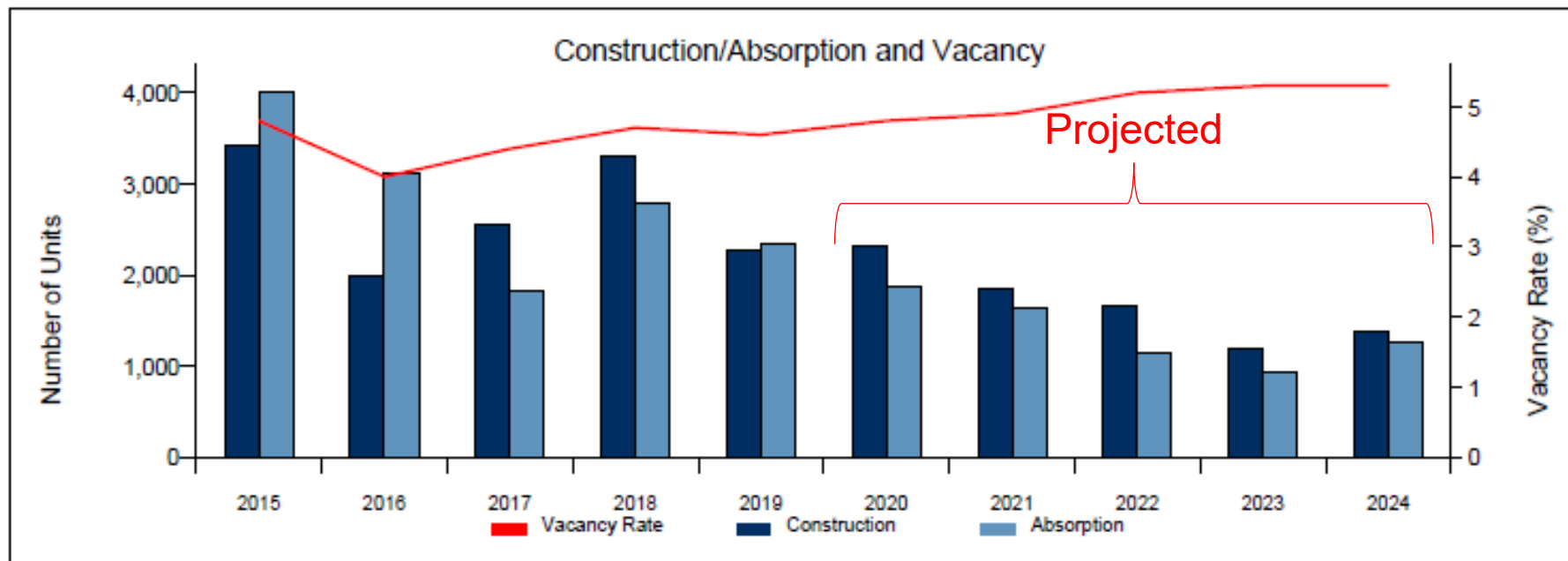


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2018

2019



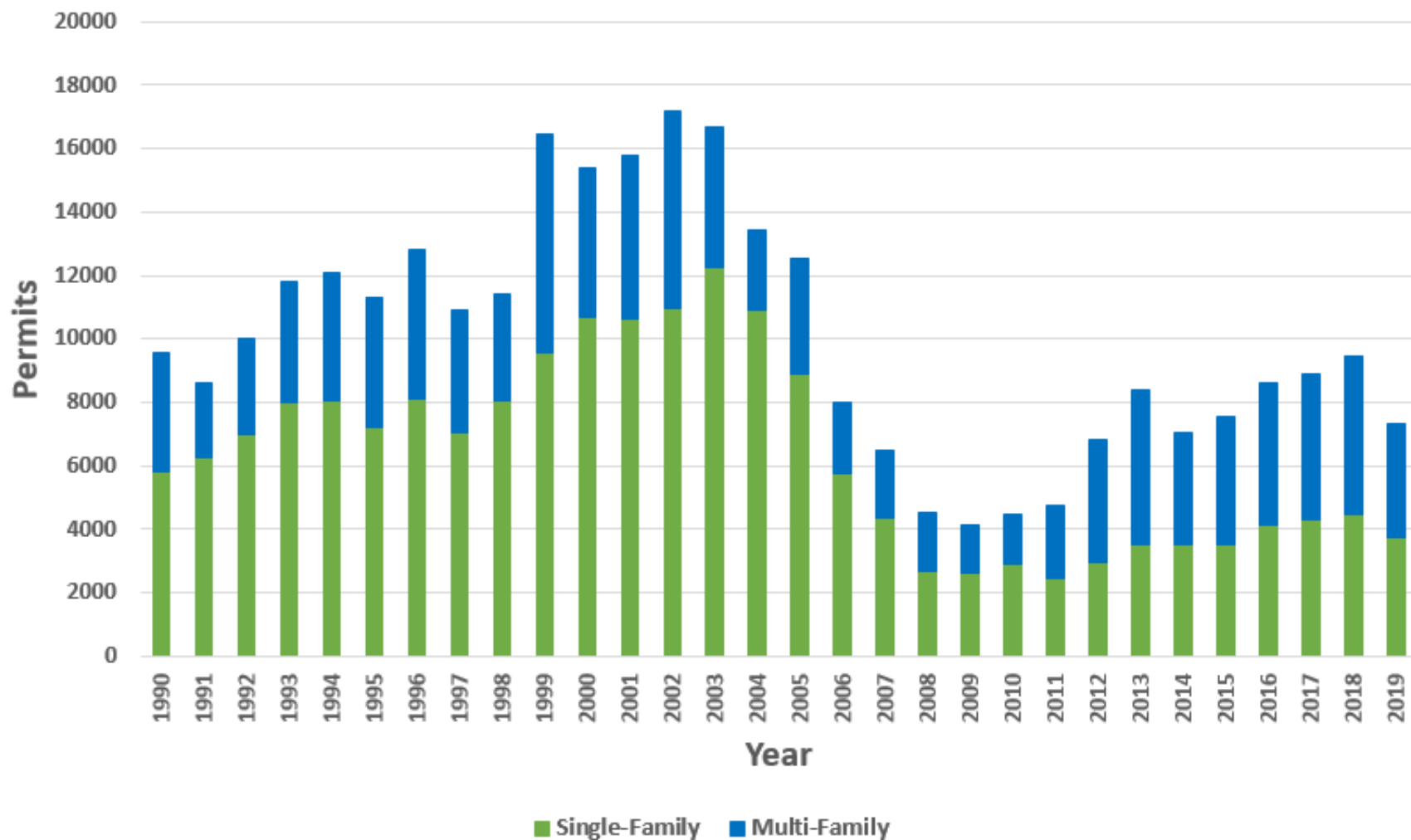


Period ending 12/31/24

Source: Reis Fourth Quarter 2019 Columbus Metro report

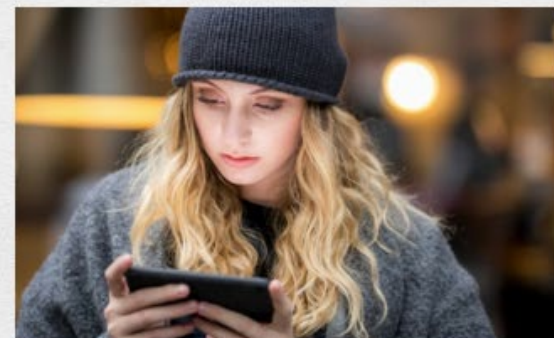
Keep in mind there are nearly 20,000 units in planning (compared to about 18,000 last year).

Building Permits Issued Per Year

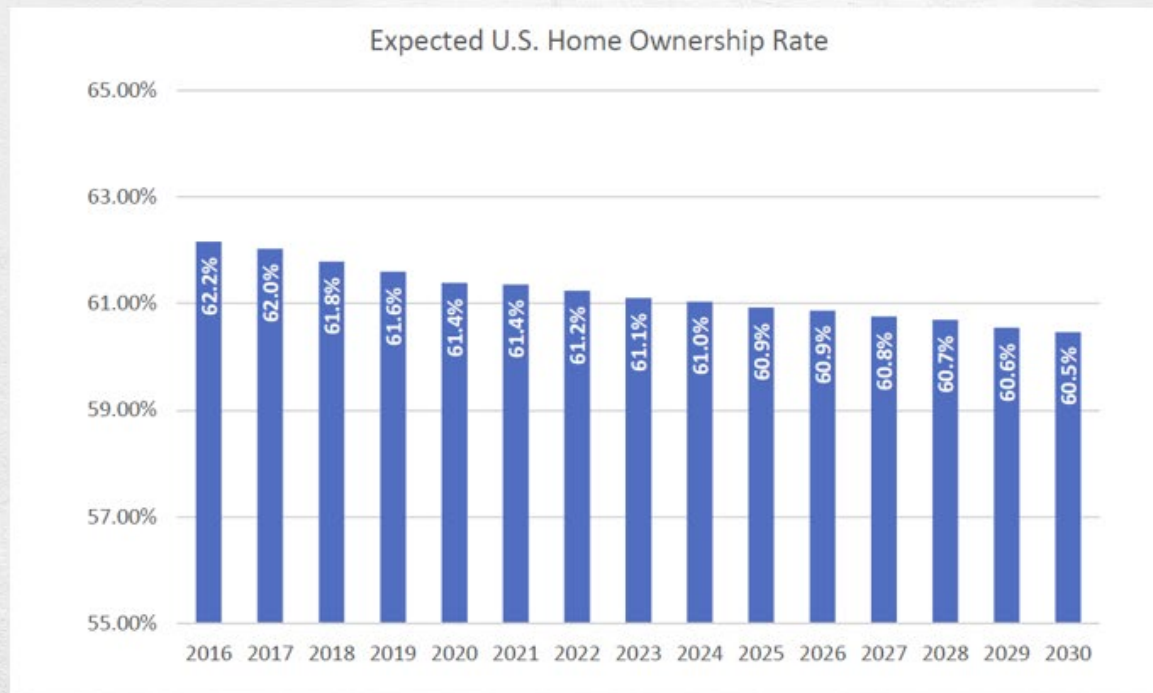


Housing Influences

- Baby Boomers quest for suburban living.
- Gen X swept up in the suburbanization.
- Millennials snagged (and changed) by the Great Recession.
- Gen Z molded by the information age.



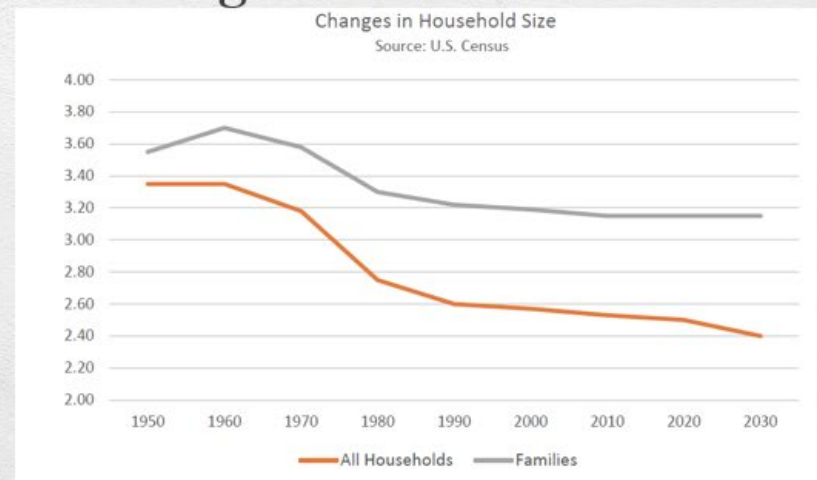
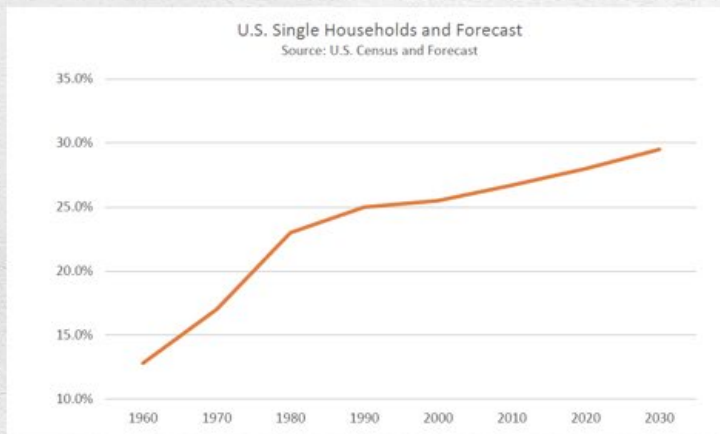
Will the Share of Renters Continue to Increase and Why?



Source: Hoyt Advisory Services, Dinn Focused Marketing, Inc.
and Whitegate Real Estate Advisors, LLC for the National Multifamily Housing Council

Demographics

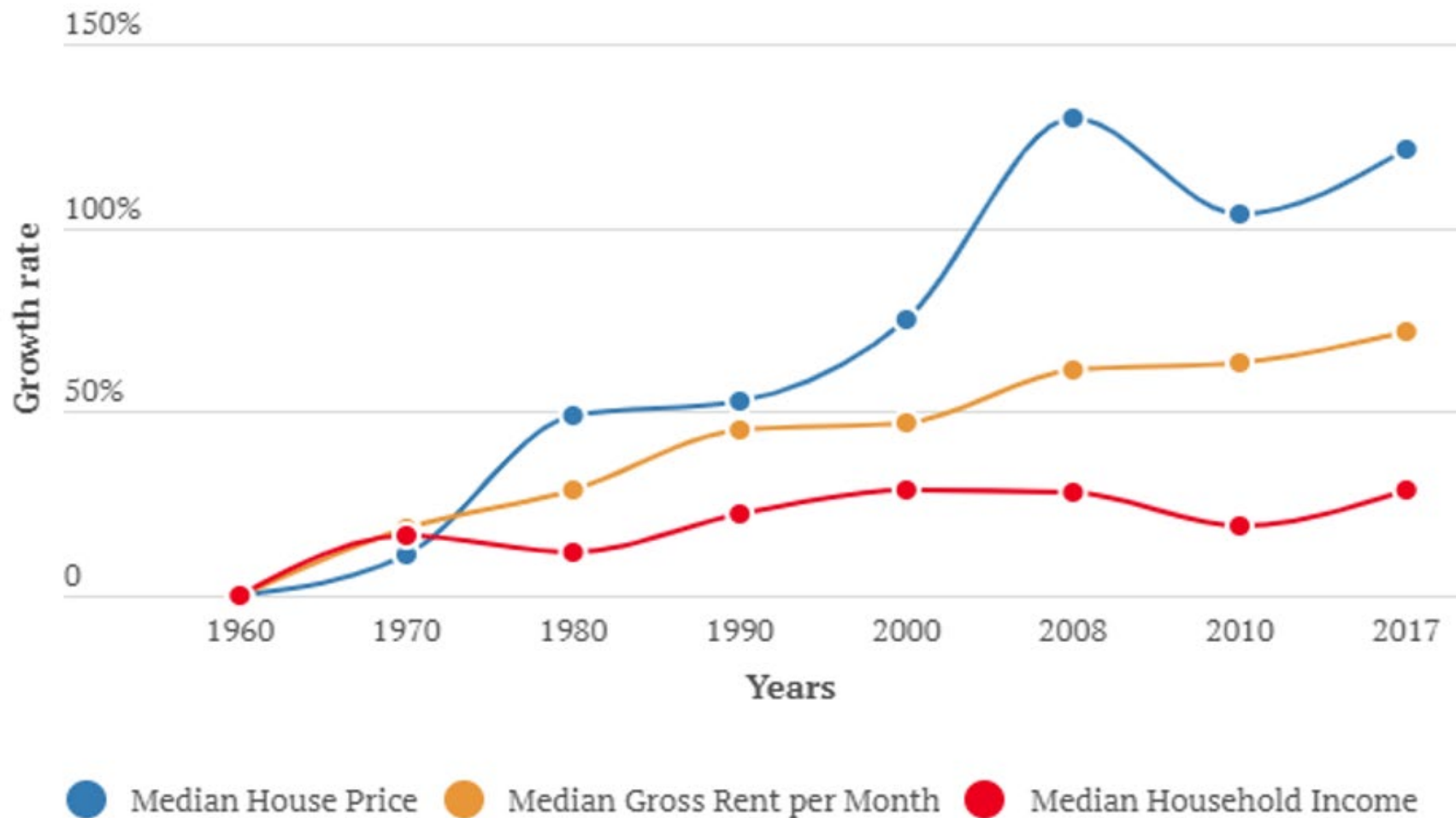
- Households are getting smaller.
- Delayed marriages.
- Fewer children. Less need for big homes.
- We're getting older. Older adults aren't selling their homes.



Economics

- Housing prices 40% higher than their parents buying homes in the 1980s.
- Student debt continues to keep millennial households from assembling a down payment. (Currently about \$30,000)
- Stagnant wage growth.
- The wealth gap. At the other end, incomes are so high, there isn't much benefit to homeownership.





Lifestyle

- Urban living is presently preferred by millennials (and Gen Z).
- Millennials want to live near where they work (or at least have adequate public transportation).
- Walkability and diversity.
- Many millennials and Gen Z don't have the time to spend on homes.
- Millennials prefer experiences.
- Baby boomers want the same experiences as younger generations.

Product Choices

- New homes aren't offered where households now want to live.
- Homes need to be maintenance free; most existing homes aren't.
- Need/want homes that have been renovated (HGTV).
- A lack of diverse, mixed-use, mixed-income neighborhoods.
- Many homes are much larger than what younger generations want or even need.

Apartment Developers Responded

- High density, walkable, close to entertainment.
- Open, dynamic floorplans.
- High-end finishes (generally not found in entry-level homes).
- Décor that reflects today's modern styles (not traditional).
- Luxury project amenities.
- Suburban apartment developments have adopted many of these characteristics.



Will They Eventually Buy?

- According to Apartment List, nearly 90% of millennials do want to own a home.
- This survey found only 4.9% thought they'd be able to do so within the next year. Just over a third said they would have to wait five years, or more.
- Based on this survey, Apartment List calculated it would take millennials nearly 20 years to afford a 20% down payment for a 'modest' home.
- Friends and family will be an important key.
- Households tend to buy in or near the neighborhoods in which they live.

Market Predictions

- Reis forecast a 2019 vacancy rate of 4.9% and we ended up at 4.6%.
- VSI forecast a vacancy rate of 5.3% in 2019.
- Reis forecasts a 4.8% vacancy rate for year-end 2020.
- VSI expects vacancies to be 5.3% in 2020.
- Reis predicted a rent growth of 3.5% for 2019. According to Reis, that's where we ended.
- Reis predicts a rent growth of 3.5% for 2020.

What To Watch

- With the amount of product coming on line, expect *short-term* rent incentives.
- Can builders put single-family products in place to attract renters?
- Will job growth, a primary driver of housing demand, be tempered by the lack of a qualified population?
- Will there be enough incentives to make developers attack the affordable housing crisis?



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