Vogt Outlines Need for Housing, Affordable Housing at First In-Person Meeting in Over A Year

On Thursday, May 13 over 70 CAA members met in-person for the first time since March 2020 for a General Meeting. The meeting featured Rob Vogt of Vogt Strategic Insights providing an industry forecast for Columbus and Central Ohio. Coincidentally, Vogt spoke at the last in-person meeting giving the 2020 forecast that would end up being impacted by the COVID19 pandemic.

CAA Executive Director, Laura Swanson welcomed everyone to the meeting and thanked members for their support of the industry, each other, and their residents during the uncertainty of the past year prior to introducing Vogt to provide the keynote.

Vogt began his presentation titled "The COVID Reset" by admitting he wonders what the impact has been on the apartment industry. "I think COVID has given the excuse that we've lost renters to single family houses because of unity size. Is this a fallacy or is this a truth," Vogt questioned?

Beginning by noting that COIVD has had an impact on what has been done over the past year, Vogt addressed the concern that comes with a pandemic. He admitted that most individuals have a short-term memory and believes that this is true for multifamily housing.

The trend of renters moving out of apartments and into single family homes is true in larger markets, Vogt said. Saying it is a trend in New York and San Francisco more so than Columbus. Design may be impacted, however, it's too soon to tell if the expectation will be to include workspaces, additional outdoor spaces and more.

Vogt speculated how Central Ohio renters will respond to the COVID situation, "Frankly, I've not seen a lot of changes in the market this past year. Not as significant as I would have expected," Vogt said. "We have seen some changes in occupancy and rent levels. More importantly, have we made any progress in affordable housing?"

The 2020 market highlights have seen rent growth moderate not seeing as much as has been seen in years past. Rents only increased .4% in 2020 comparing to 3.4% growth in 2019. Vacancy rates have increased from 4.6% in 2019 to 5.3% at the end of 2020. In the first quarter of 2021 they've increased to 5.5%. Vogt believes this will be the peak for 2021, not expecting it to increase.

Turnover has declined during this time. B and C quality properties remain well occupied with just a slight increase in vacancy and the A quality properties saw now increase in asking rents. "I think this is kind of significant," Vogt noted. "I think this is due to the significant number of projects that came online in 2020 that acted as a cap to some of the A quality properties."

Over 2100 units were added to inventory in the past year. Most of the additions to the inventory occurred in and around downtown.

Vogt outlined rent growth for Columbus versus the Midwest and the United states over the past year through five years. "What's interesting is that Columbus performed better than some of the other properties in their database," Vogt said. "For example, in Central Ohio, studio units increased rents by .6% whereas the Midwest region showed a 5% decline in studio rents. We've actually performed much better than the United States and the Midwest over the past year."

Moving on to report each submarket and what is current for vacancy, rent expectations and what can be expected for the future, Vogt outlined performance and highlighted some notable points in that downtown, campus and the Upper Arlington areas are not surprisingly high in vacancy rates and that the Hilliard area has absorbed it is increase in units well. Of surprise was Gahanna's low vacancy rate suggesting that more units could be developed in that area.

Evaluating local projections and data, the downtown/University area still shows that over 5,800 new units are expected. The second most active market in planned units is the Grove City market including the west/southwest side of Columbus where there are planned affordable units being discussed to attribute to the 5,000 units. Westerville also has over 3,000 units in the pipeline.

For 2020 there were nearly 24,000 units being discussed. Vogt believes only a fraction of those units will be built with an increase in lumber prices and trends in the marketing place. To compare to 2019 close to 20,000 units were in the planning process and in 2018 there were 16,000 units in the planning process.

With all of the product that is in planning and proposed REIS is forecast for the end of 2021 is a 6.2% vacancy rate by year-end. "They are forecasting rather significant declines after 2021," Vogt said. "So, they were anticipating the effects of COVID, the slow employment growth contributing to the higher vacancy rate. I believe their forecast did not anticipate that we could squelch the pandemic as quickly and hopefully by this summer we see employment growth."

Moving on to building permits there were several issues in 2020. Noting that a year ago the BIA predicted that the area would need about 14,000 new residential units to meet the job and household growth in Central Ohio. The permits issued in 2020 only added up to 12, 000. Meaning, the area remains behind in the number of units needed to accommodate household growth.

"The 14,000-permit line is the top line. You can see we've been behind the eight ball for the past 10 years, not building enough housing to accommodate all of the projected growth," Vogt said.

One questions frequently asked is 'what is driving the demand for apartments?' Data shows that there's been tremendous growth in households making over $75,000 per year. Noting it explains how Columbus can support the higher end apartments being developed. Columbus has continued to add to high-end inventory and declined in number of moderate and lower end rentals.

The vacancy for lower rent units continues to trend down, as it's difficult to find affordable housing in the area. Rent over-burden is high among the lower-income households where over 50% of income is going to housing.

Always a hot topic these days Vogt discussed the Eviction Moratorium and rent assistance and the impact on the market. Beginning by comparing March of 2021 to March of 2020 there was a decline in households paying rent by the sixth of each month, however, that decline was not as significant as expected only seeing a 1.2% difference in the area. Nationwide, that number increases, however it hasn't been seen as significantly in the area.

In the U.S. Census Household Pulse Survey, polling over 2 million people asking a variety of questions weekly, in Ohio the question was asked 'are you current with your rent.' Nationally the number of households not current was 14.6% in Ohio that percentage is 5.9%.

“I was really surprised by this to actually find out we’re preforming much better here in the state than we are nationally,” Vogt said. “I can’t verify that survey, but it was of 2 million households in Ohio to come up with that number. It’ll be interesting to see if that trend continues and what the actual eviction process does and whether or not it’s a significant problem.”

What do these trends mean for Central Ohio? Hopefully, with the increase in employment it will mean occupancy come up. Vogt hopes that as higher end employment opportunities are created vacancy will go down, especially for high end properties near downtown. Vogt does not predict a migration from apartments to single family houses currently. But he did note that older Millennials are starting to look for single family houses. Vogt also expects rent incentives to decline, noting that they are currently only being seen in higher-rent properties.

Vogt spent some time recapping the presentation in what to expect for the future. He noted that he does not expect office and commercial space to return at the level it once was.

Swanson thanked everyone again and CAA President, Brian Schottenstein drew the winning 50/50 number with Steve Papineau winning the $185 pot and the other half benefitting the CAA Community Assistance Foundation.