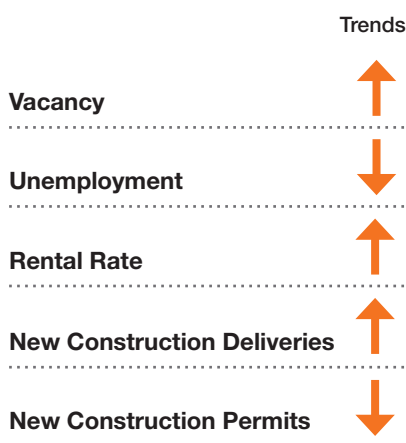


Portland Multifamily

Market Forecast



The Portland multifamily market softened slightly during the first quarter, but employment growth in the metro area continues to fuel strong demand, and rental rates continue to climb. Many owners reported a slowdown in activity toward the end of 2016, primarily due to the election season, holidays, and an abnormally bad winter. Nearly 9,000 residential units were under construction in metro Portland at quarter's end, giving renters a wide menu of options. Conversely, buyers are finding significant upward demand pressure on prices, as the supply of units for sale remains low. Ongoing population and wage growth in Portland and the surrounding area portends higher rents and decreasing vacancies in the coming quarters.

Average Monthly Rents

Studio	\$1,078
1 Bed / 1 Bath	\$1,127
2 Bed / 1 Bath	\$1,102
2 Bed / 2 Bath	\$1,374
2 Bed Town House	\$1,228
3 Bed / 1 Bath	\$1,220
3 Bed / 2 Bath	\$1,489
Overall Average	\$1,203

Rental rates kept rising throughout metro Portland, to an average of \$1.51 per square foot, up from \$1.47 in the third quarter and \$1.41 at this time a year ago. Downtown and Northwest Portland submarkets continued to pace the market, with asking rents of \$2.23 and \$2.03, respectively. Outlying areas had more affordable apartments available, with price tags averaging \$1.14 in Outer Northeast Portland, \$1.18 in Troutdale/Fairview Wood Village/Gresham, and \$1.28 in Outer Southeast Portland. The increase in rental rates is likely to outpace wage growth in the Portland market during the coming quarters, as employment gains yield greater demand for residential units.

The Portland MSA's overall vacancy rate increased to 4.1% in the first quarter, up 30 basis points from six months ago and 60 basis points year over year. Northwest Portland reported the highest submarket vacancy at 5.5%, well above the market, as renters occupied some of the 1,007 units delivered in that area over the past 12 months. Two bedroom, two bath apartments reported 4.5% vacancy, the highest of any type, while three bedroom, one bath units, at 3.2%, were the tightest product. The lowest submarket vacancy rates were seen in the St. Johns area of North Portland, at 1.6%, and East Vancouver, at 1.8%. Although robust construction activity will continue to add to the market's supply, vacancies are expected to trend downward as new residents move into the recently delivered apartments.

Sale transactions peaked during the fourth quarter of 2016, when nearly \$1.17 billion worth of Portland multifamily properties changed hands in 81 transactions, before dipping to 59 transactions and \$179.5 million in the first quarter of 2017. This quarter's largest sale by dollar volume involved Modera Goose Hollow, a 134-unit apartment building at 2004 SW Jefferson St in Portland, which traded for \$47.5 million or \$354,477 per unit, underwritten at a 4.25% cap rate. The average price per unit increased to \$195,513 during the first quarter, while the average cap rate fell to 5.43%.

→ Continued, page 2

kiddermathews.com

Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

Long Beach
562.472.0071

Commerce
323.727.1144

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

Phoenix
602.513.5200

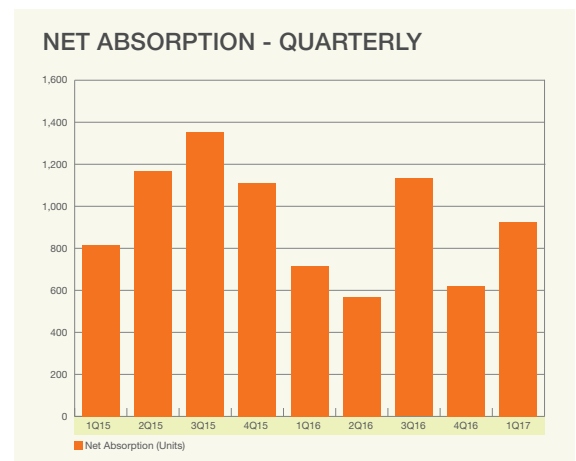
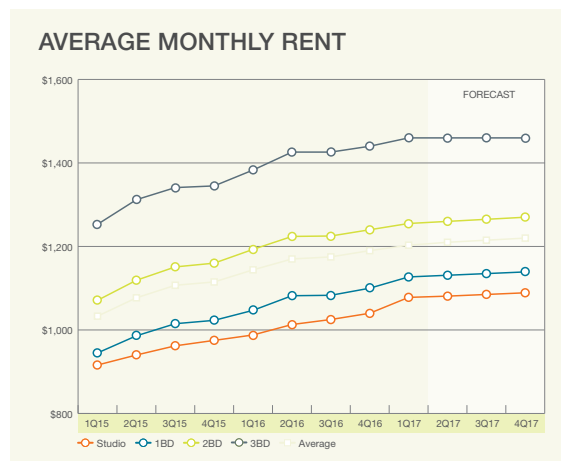
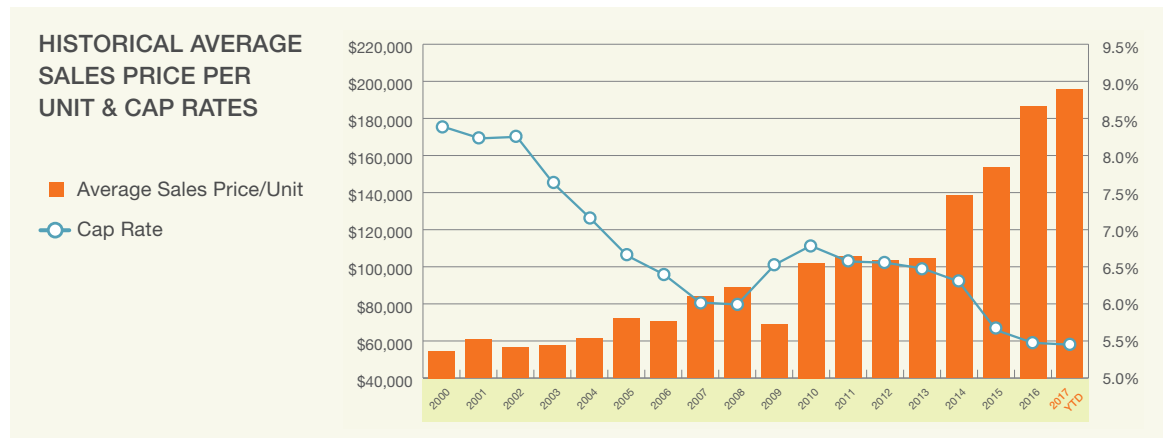
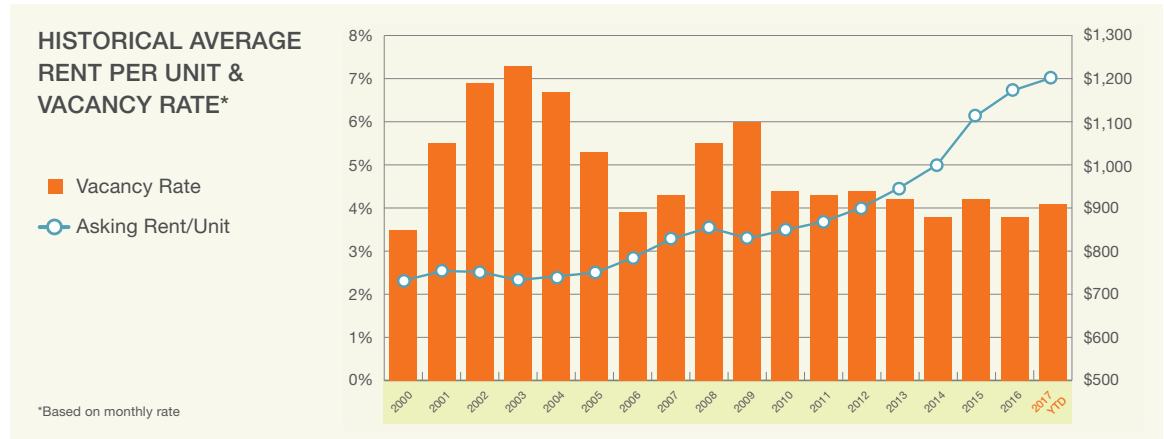
Contact

Brian Hatcher
Executive VP, Brokerage
Pacific Northwest
206.296.9600
bhatcher@kiddermathews.com

New multifamily developments continue to rise throughout metro Portland, with 8,892 units under construction at the end of the first quarter and more than 20,000 proposed units in the pipeline awaiting approval. More than 7,000 units will be delivered to the market by the end of the year. Construction activity is primarily clustered within three miles of downtown Portland, though suburban areas all saw significant increases in proposed and under-

construction units. Portland's new inclusionary zoning ordinance, passed in December 2016, briefly created an influx of permit applications, but this new ordinance, which requires 20% of new 20-plus-unit apartment projects to be set aside as affordable, should dramatically decrease the number of newly proposed developments, at least in the short run.

Data Sources: MFNW Spring 2017 Report & CoStar



This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.