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## MULTIFAMILY MARKET ANALYSIS

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Last year was a year of extremes for the Portland metro area. New sales records were set with \$1.5 billion in the fourth quarter and a total slightly over \$3 billion for 2016 year end. Annual effective rent growth for 2016 was less than one third of 2015 falling from 11.4 percent down to 3.5 percent on average. Meanwhile, the Bureau of Labor and Statistics reports that unemployment hit 4.0 percent for the first time in the past 16 years.

As you'll see in this report, full employment sounds great but has undeniable effects on rent growth which is a cornerstone for developers when determining their plans moving forward. Combine this with new inclusionary zoning legislation and rising interest rates and the outlook points to moderation on many levels.

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According to Axiometrics, fourth quarter 2016 national rent growth was less than half of the same time last year falling from 4.6 percent to 2.1 percent. This brings the rate below the long-term average of 2.2 percent for the first time since 2010.

Unemployment and job growth indicators continue to improve nationally. According to the U.S. Bureau of Labor Statistics, seasonally adjusted unemployment fell from 4.9 percent in January to 4.7 percent by the end of 2016. The U.S. economy added, and 124,000 jobs in October, 164,000 jobs in November, and 157,000 jobs in December.

The mid-term outlook signals a regression to the mean in effective growth projections for apartment rents. National Class A effective rent growth has slowed the most, Class B shows above average growth, and Class C shows strong growth figures.



Source: Newmark Grubb Knight Frank Research, Axiometrics

## PORTLAND APARTMENT MARKET OVERVIEW

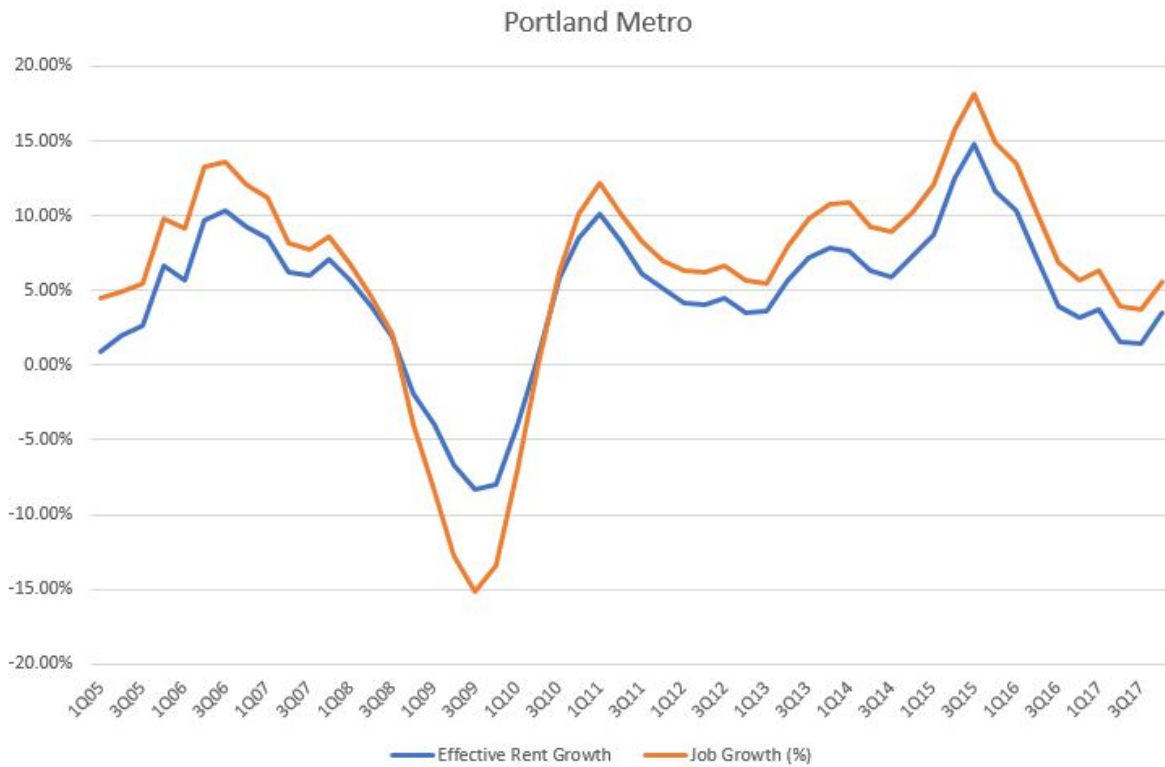
After a steady decline in rent growth since its nation leading peak of 14.78 percent in the third quarter of 2105, the Portland Metropolitan Statistical Area has slid down to 3.16 percent in fourth quarter of 2106. Based on the BLS statistics below, unemployment hit 4.0 percent for the first time in the past 16 years.



When looking for the culprit in declining effective growth rates, the finger is typically pointed at supply side issues which tend to be more visible to the public eye. However, when training your eye on the data, perhaps the strongest correlating fac-

tor to rent growth is the growth rate in jobs. Certainly, individual submarkets are affected by deliveries but entire MSA’s tend to ebb and flow with job growth.

If Portland has reached full employment and effective rent growth is tied to job growth it stands to reason that effective rent growth will remain suppressed moving forward. As in migration continues to remain strong in Portland, the question lingers as to whether there will be sufficient jobs to greet newcomers upon arrival.



The decline in Portland effective rent growth rates is often discussed but the numbers show this effect is largely localized to Class A city core submarket. Portland suburbs specifically Gresham, Milwaukie, Vancouver, and Tigard/Oswego/Wilsonville had an outstanding fourth quarter and overall 2016. Costar forecasts this trend to significantly moderate in 2017 and beyond. Meanwhile, rent growth in the Northwest submarket dipped into negative territory due to the onslaught of deliveries in 2016.

## Effective Rent Growth Ranking

Submarket	Rank	4Q16	LTA*	Forecast	
				2016	2017-2020
East Gresham	1	8.1%	3.7%	11.2%	3.8%
Milwaukie/Oregon	2	8.0%	3.4%	8.8%	3.3%
Vancouver	3	7.2%	3.2%	8.0%	3.7%
Tigard/Oswego/Wilsonville	4	5.5%	3.1%	8.2%	3.3%
Beaverton	5	2.8%	3.3%	7.0%	3.0%
Northeast	6	-0.5%	3.7%	2.0%	2.6%
Northwest	7	-1.6%	3.0%	-0.1%	2.9%
<b>Market Average</b>		4.2%	3.3%	6.4%	3.3%

\*LTA - Long term average 1996 (or available) to current

## Occupancy Ranking

Submarket	Rank	4Q16	LTA*	Forecast	
				2016	2017-2020
Vancouver	1	96.2%	95.1%	96.5%	95.2%
East Gresham	2	95.6%	96.4%	96.4%	95.2%
Milwaukie/Oregon	3	95.4%	94.0%	96.1%	96.0%
Tigard/Oswego/Wilsonville	4	95.1%	94.1%	95.7%	95.4%
Beaverton	5	94.5%	94.0%	95.5%	95.3%
Northeast	6	92.7%	95.4%	94.4%	95.6%
Northwest	7	92.7%	94.0%	93.6%	94.1%
<b>Market Average</b>		94.6%	94.7%	95.5%	95.3%

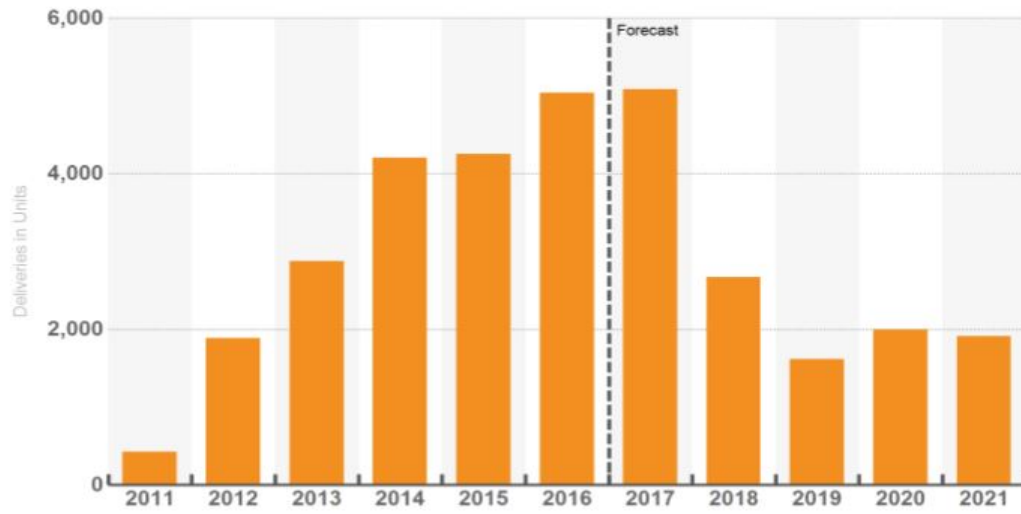
\*LTA - Long term average 1996 (or available) to current

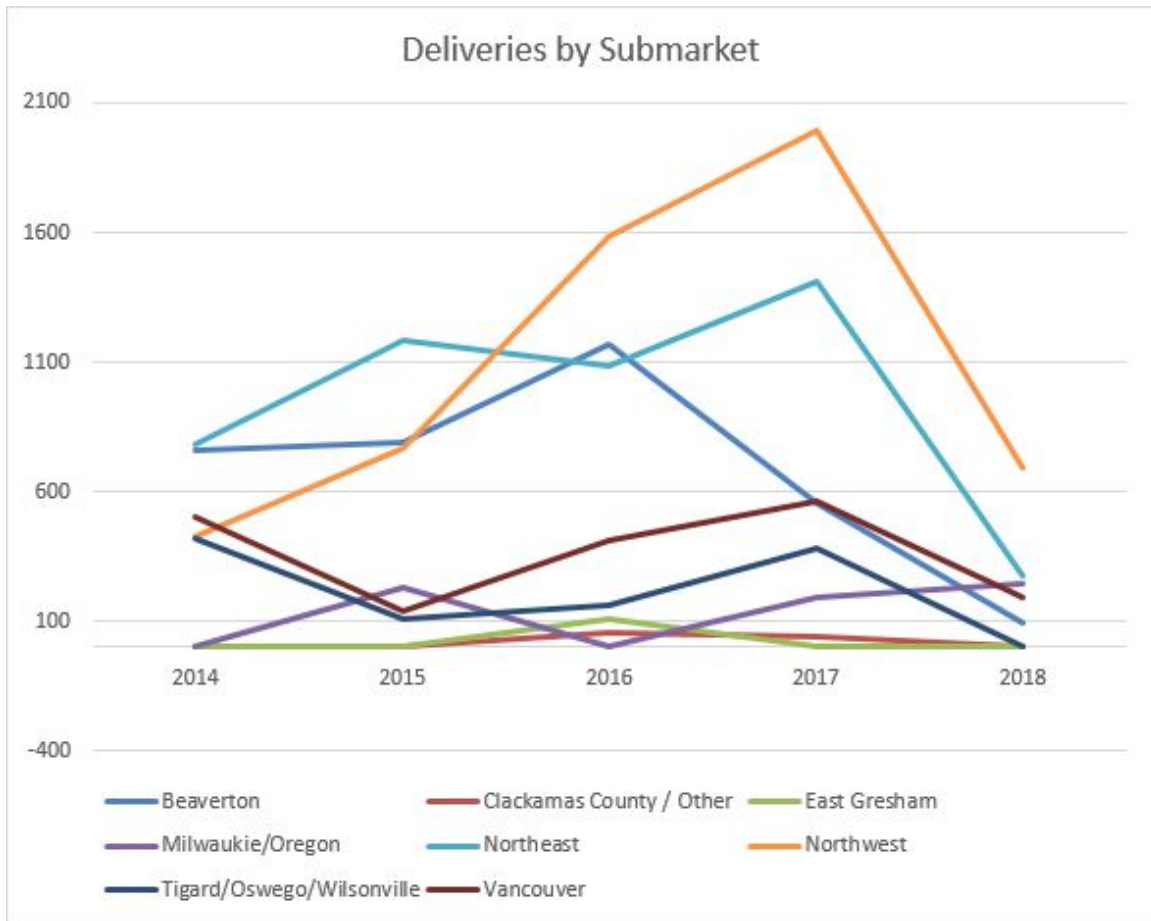
## Overview

Portland OR Apartment

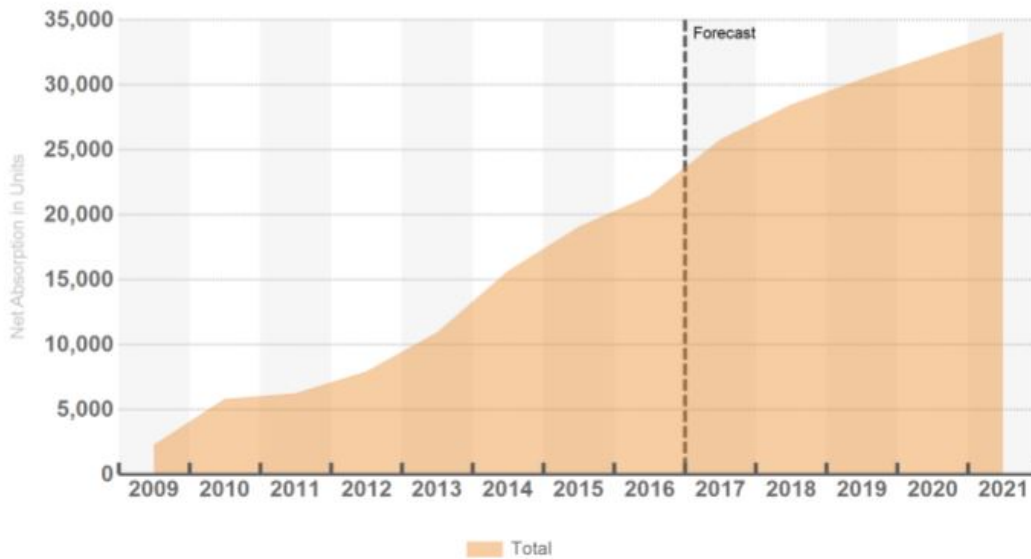
NET DELIVERIES

As of end 2016 Q4





CUMULATIVE NET ABSORPTION As of end Q4 2016

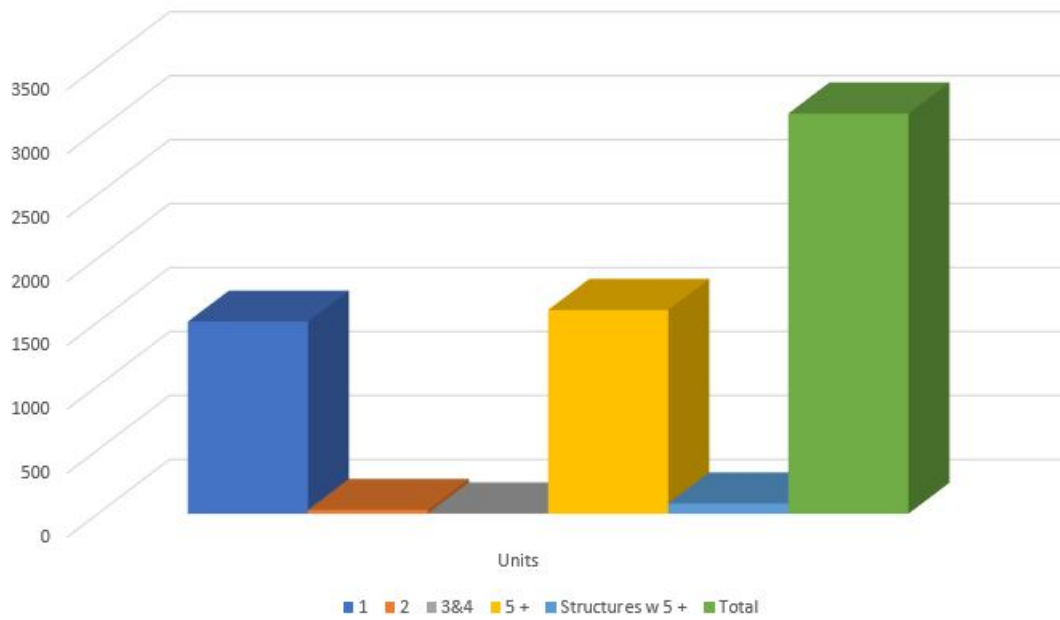


## PERMITS & CONSTRUCTION

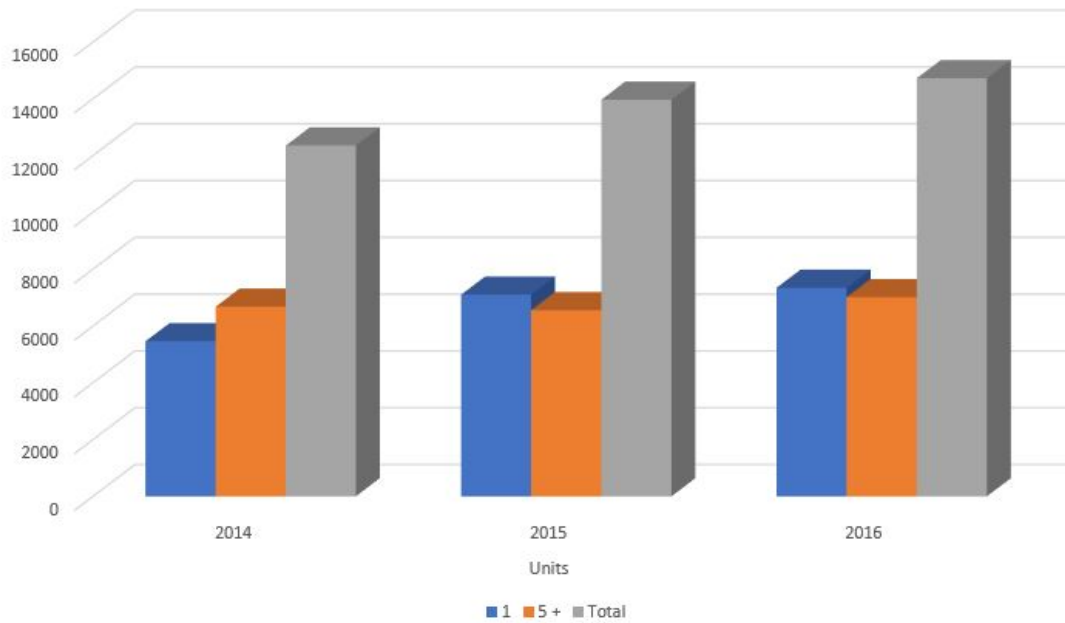
The following information pertains to building permit issuances for the fourth quarter of 2016 and year-to-date totals for projects with 1, 2, 3&4, 5+, and structures with 5+ units as tracked by the U.S. Census Bureau. Year-to-date totals show that the Portland-Vancouver-Hillsboro area issued 81 building permits for structures of five units or more, equaling to 1,594 units. This brings the 2016 annual multifamily unit total to 7,014 which is slightly less than the single family total of 7,344. Total permits have climbed steadily in the past 3 years, clocking in at 12,356 in 2014, 13,967 in 2015, and 14,723 in 2016.



Portland Metro Area Permits



Annual Portland Metro Permits



## TRANSACTIONS

Listed below is a table of significant multifamily transactions, courtesy of Colliers International, that have occurred in the Portland MSA/4Q2016.

PORTLAND MULTIFAMILY MARKET							
SIGNIFICANT SALES							
PROPERTY	ADDRESS	SALE DATE	SALE PRICE	# UNITS	PRICE/UNIT	PRICE/SF	YEAR BUILT
LaSalle Apartments	15021 SW Millikan Way	11/10/2016	\$140,000,000	566	\$247,350	\$136.30	1997
The YARD	22 NE 2nd Ave	12/14/2016	\$126,848,480	284	\$446,650	\$551.52	2016
Eddylne Bridgeport	18049 SW Lower Boones Ferry Rd	11/18/2016	\$118,100,000	367	\$321,798	\$344.40	2014
Seven West at the Trails	14790 SW Scholls Ferry Rd	11/30/2016	\$96,000,000	423	\$226,950	\$276.47	1996
Alara Hedges Creek	8900-8975 SW Sweek Dr	12/1/2016	\$93,000,000	408	\$227,941	\$246.28	1998
The Terraces <sup>1</sup>	19000 NW Evergreen Pky	12/1/2016	\$78,340,000	373	\$210,026	\$207.63	1989
One Jefferson <sup>2</sup>	1 Jefferson Pky	10/14/2016	\$78,000,000	348	\$224,138	\$214.38	1987
The Club <sup>1</sup>	2323 NW 188th Ave	12/1/2016	\$72,980,000	352	\$207,329	\$221.55	1989
Domaine at Villebois	28900 SW Villebois Dr	10/27/2016	\$63,250,000	274	\$230,839	\$237.56	2008
Rowlock <sup>3</sup>	6380 NE Cherry Dr	10/4/2016	\$57,844,293	255	\$226,840	\$179.54	2015
Sofi at Cedar Mill	11785 NW Timberview Ln	10/11/2016	\$55,000,000	238	\$231,092	\$121.43	2010
Vector Apartments <sup>3</sup>	967 NE Orenco Station Loop	10/4/2016	\$52,173,283	230	\$226,840	\$248.44	2016
Walnut Grove Landing <sup>4</sup>	4701 NE 72nd Ave	12/9/2016	\$49,671,233	296	\$167,808	\$163.66	1990
HUB 9 <sup>3</sup>	980 NE Orenco Station Loop	10/4/2016	\$28,128,205	124	\$226,840	\$248.45	2015
Carriage House <sup>4</sup>	4714 NE 72nd Ave	12/9/2016	\$26,849,315	160	\$167,808	\$165.21	1993
Carriage Park <sup>4</sup>	5000 NE 72nd Ave	12/9/2016	\$21,479,452	128	\$167,808	\$169.08	1993

1 - 2 properties transacted as part of a \$1.8B multi-state Office, Industrial, and Multifamily portfolio from Alecta (Swedish pension fund) to Blackstone.

2 - The sale of 1 Jefferson was initially reported in Q3 and will not be double counted in sales volume total.

3 - 3 properties transacted as part of a \$317M 4-property portfolio from Holland Partner Residential to Blackstone. 4th property in Seattle.

4 - These comprise a 3-property \$98M Multifamily sale from Security Properties to Apartment Realty Advisors.

Here are additional transactional fundamentals from ABR Winkler Real Estate Services comparing year-end totals between 2015 and 2016.

	December 2016	December 2015
Median Price Per Sq Foot ▲	\$129.82	\$120.96
Median Cap Rate ▼	5.50%	5.60%
Dollar Volume ▲	\$2,792,208,889	\$2,071,999,063
Median Gross Rent Multiplier ▼	9.58	9.64
Median Price Per Unit ▲	\$112,250	\$106,667
Average Price ▲	\$9,972,175	\$7,453,234
Average No of Units ►	48	48