

MULTIFAMILY MARKET ANALYSIS

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- Effective rent growth climbs in Q2 but continues downward annual trend.
- Occupancy remains relatively steady and slightly above long-term average.
- Rent growth continues shift from Portland Core to suburban submarkets.
- Massive sell off last year leaves 2017 sales short.
- Relocation fees are upheld and the ban on rent control remains intact.



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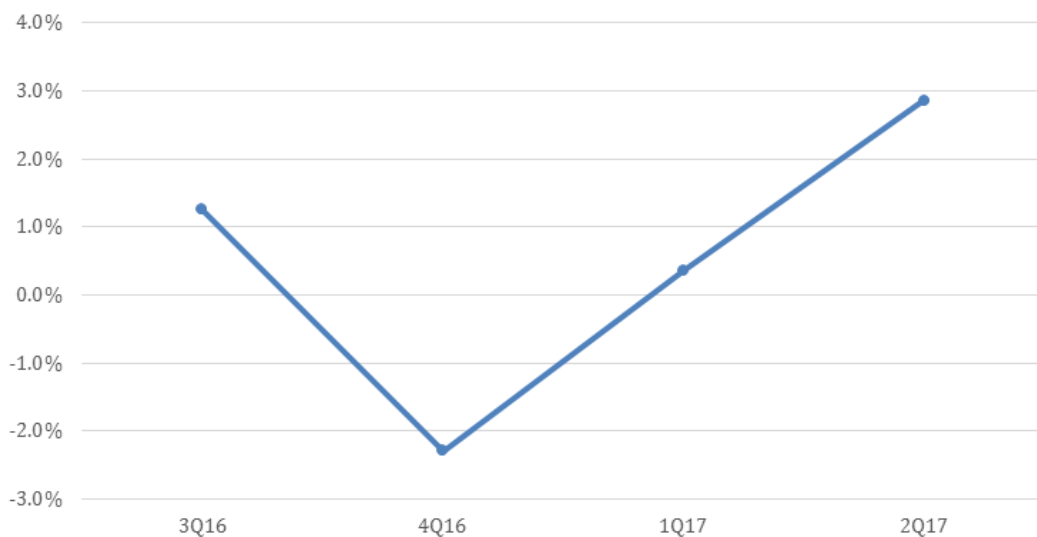
MULTIFAMILY MARKET ANALYSIS

EFFECTIVE RENTS

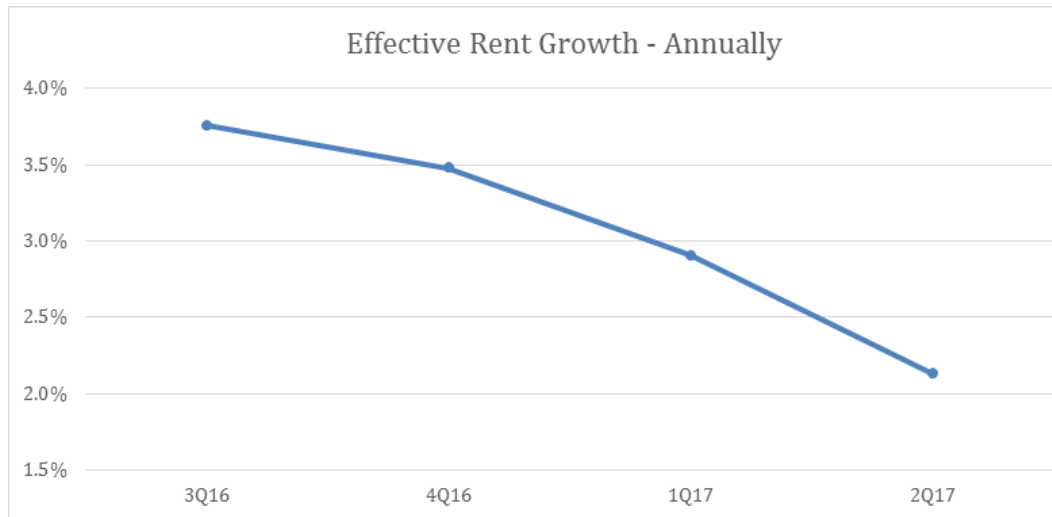
Quarterly rent growth up which is typical during the warmer summer months. Annually, however, Portland Metro rent growth continues its long slide down to 2.1 per-cent.

	3Q16	4Q16	1Q17	2Q17
Effective Rent Per Unit	\$1,399	\$1,367	\$1,372	\$1,411
Per Sq. Ft	\$1.56	\$1.53	\$1.53	\$1.58
Effective Rent Growth - Annually	3.8%	3.5%	2.9%	2.1%
Effective Rent Growth - Quarterly	1.2%	-2.3%	0.4%	2.9%

Effective Rent Growth - Quarterly



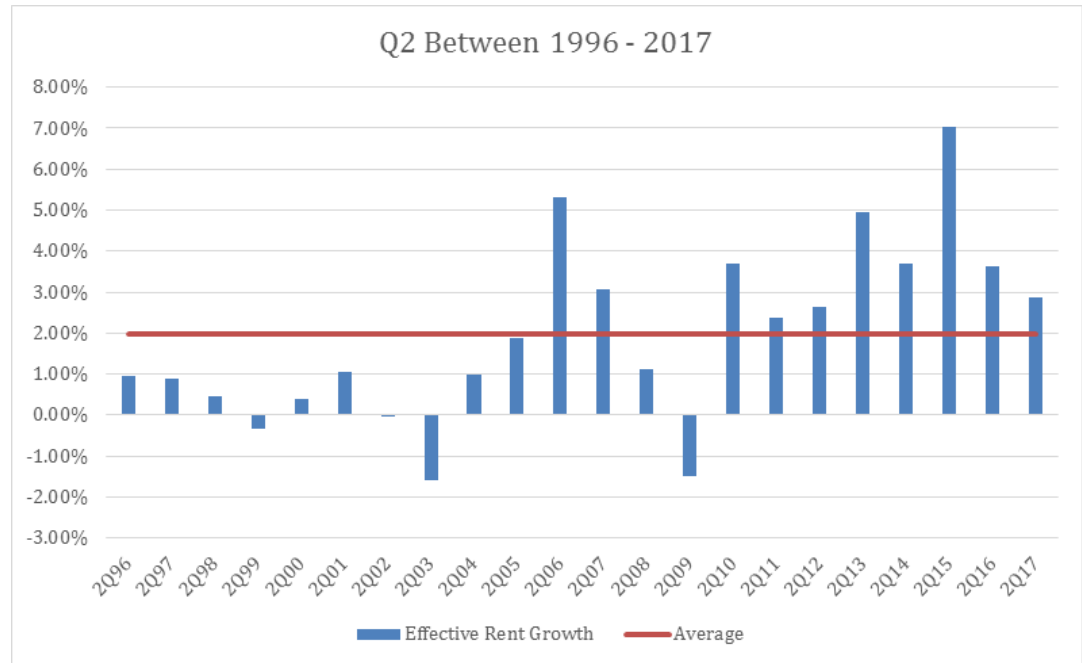
Effective Rent Growth - Annually



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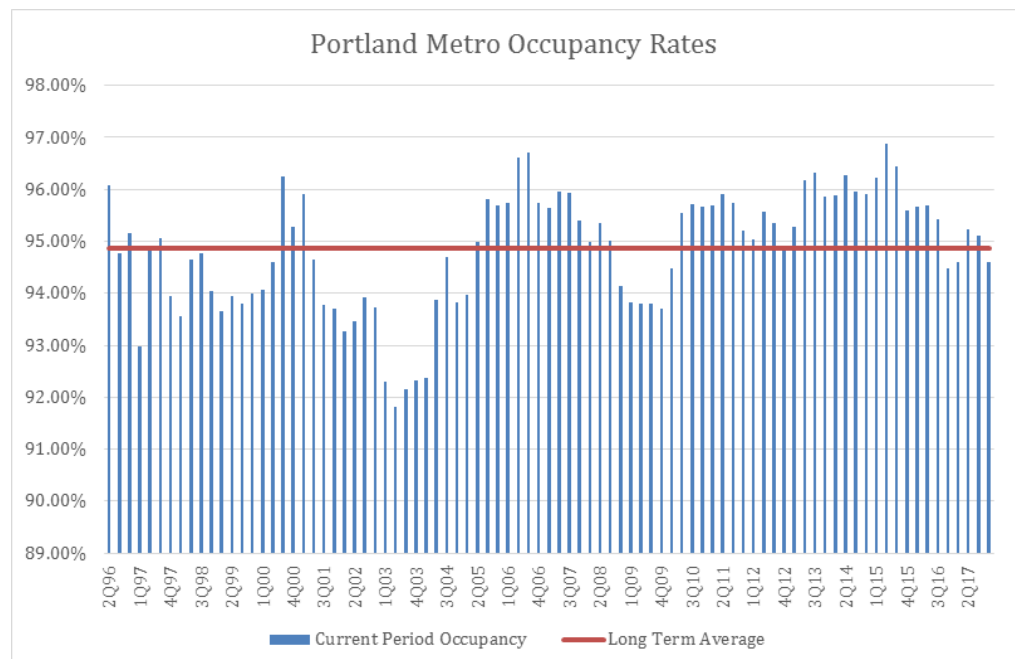
EFFECTIVE RENTS

Comparing apples to apples, the chart below shows rent growth for the second quarter only since 1996. This puts the second quarter of 2017 almost a full percentage point above the long term average of 2 percent.



OCCUPANCY

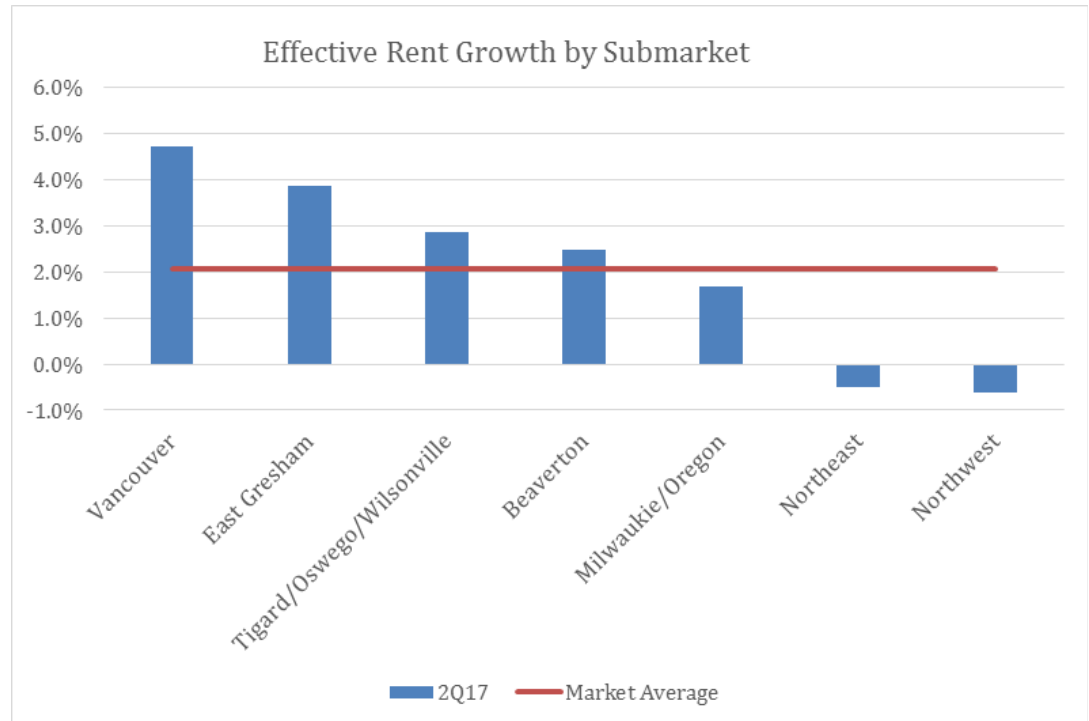
Despite the numerous apartment deliveries over the past year, occupancy rate for the Portland Metro area remains relatively constant at 95 percent which is down 0.3 percent annually and up 0.5 percent quarterly.



OCCUPANCY

Portland is still slightly outperforming the long-term average of 94.85 percent.

Inner Portland, especially the Northwest and Northeast continue to get hammered on rent growth due to the recent wave of deliveries. The suburbs, however, continue to show above average growth especially in Gresham and Vancouver.



CONSTRUCTION AND PIPELINE DELIVERIES

Barry & Associates states that “Permits were issued for 3,410 units issued through May 2017. On an annualized basis, this equates to 8,184 units, which would be the busiest year since the 1970’s.”

This has caused many to wonder whether Portland is currently over-building. The fact is we can measure permits, deliveries, and past absorption. But future absorption is unknown.

Looking deeper into the delivery pipeline for 2017, the Northeast and Northwest will account for well over half of the years new apartment supply. The better question may be “Is Portland over-building specific submarkets while potentially under-building others?”

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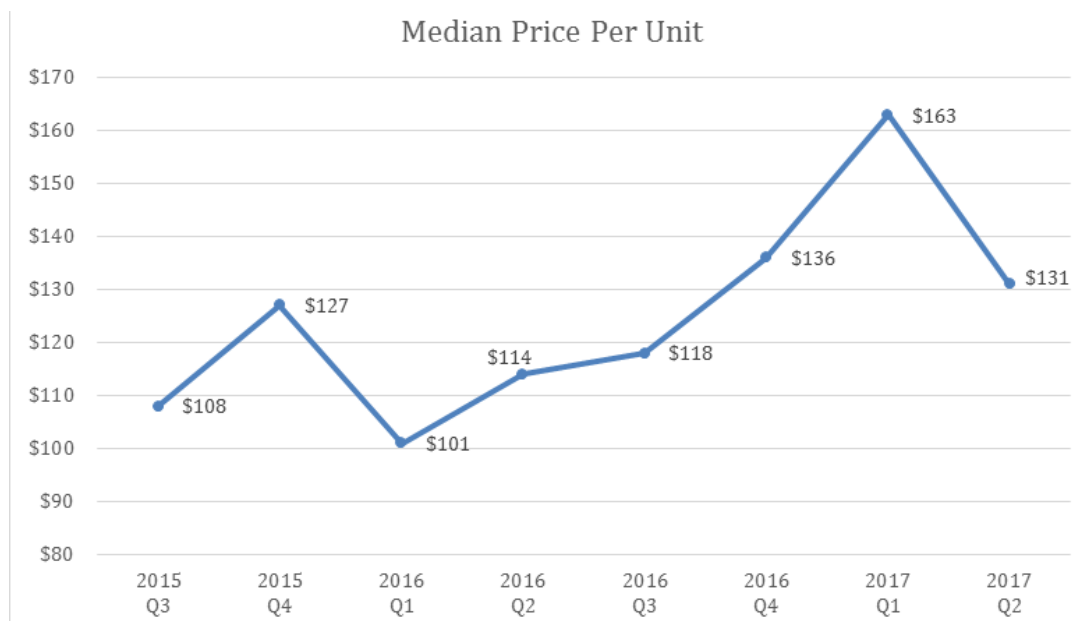
CONSTRUCTION AND PIPELINE DELIVERIES

	Pipeline Delivery Schedule				Pipeline Lease Up Trend					
	2015	2016	2017	Total	Totals	Units Absorbed	Asking Rent		Effective Rent	
Top Submarkets						PPM	Per Unit	PSF	Per Unit	PSF
Beaverton	790	1,108	548	2,446	564	11	\$1,571	\$1.91	\$1,508	\$1.84
Milwaukie/Oregon	232		499	731	93	10	\$1,454	\$1.54	\$1,415	\$1.50
Northeast	1,185	1,189	1,178	3,552	846	8	\$1,779	\$2.61	\$1,645	\$2.41
Northwest	770	1,518	1,793	4,081	1048	7	\$2,084	\$2.79	\$1,921	\$2.57
Vancouver	143	394	511	1,048	418	16	\$1,337	\$1.34	\$1,331	\$1.33
Other	112	298	513	923	239	10	\$1,418	\$1.46	\$1,373	\$1.41
Portland-Vancouver-Hillsboro, OR-WA	3,329	4,585	5,055	12,969	3219	8	\$1,837	\$2.38	\$1,714	\$2.22

SALES

According to ABR Winkler Investment Real Estate, median price per unit is way down from \$163 in Q12017 to \$131/unit this quarter possibly due to recent spate of institutional sales coming to an end.

However, annual median price/unit showed increases over last year from \$114/unit to \$131/unit.



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SALES

		Jun-17	Jun-16
Median Price Per Sq/Ft	UP	\$156.18	\$127.43
Median Cap Rate	UP	5.67%	5.42%
Dollar Volume	DOWN	\$375,990,718	\$771,276,466
Median Gross Multiplier	UP	14.15	9.76
Median Price Per Unit	UP	\$131,912	\$110,000
Average Price	DOWN	\$5,080,956	\$6,825,455
Average Number of Units	UP	44	43

Barry and Associates reports the following sales trends through June 217

- Nine sales of newer properties, though only one property under 30 units and this was located in Wilsonville. No sales of new apartments in SE or NE PDX.
- Of the 82 total sales, only 4 of these sales were properties built prior to 1940.
- There have been eight sales of properties with 75+ units, and Holland Residential was the seller in four. In 2016, there were 57 sales of properties with 75+ units.

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SALES

According to Costar, here is a list of notable sales thus far in 2017:

Property	Submarket	Sale Date	Price	Units	Price Per Unit	Built	Buyer Name
Jory Trail,	Wilsonville	7/20/2017	\$75,000,000	324	\$231,482	2012	Jones Lang LaSalle Income Pro...
Bel Aire Court, 12020 SW Why Worry Ln	Beaverton	7/5/2017	\$9,200,000	67	\$137,313	1959	Trion Properties
Willow Creek Townhomes, 8128 NE 20th St	Vancouver	6/27/2017	\$8,797,953	32	\$274,936	2015	
Stark Street Crossings, 20433 SE Stark St	Troutdale/Gresham	6/8/2017	\$22,825,000	130	\$175,577	2003	Geringer Capital, Domus Multi...
Riverside Villa, 18734 SE River Rd	Damascus	5/31/2017	\$5,000,000	37	\$135,135	1972	Black Helterline, LLP
Fremont Apartments, 1430 NW Pettygrove St	Downtown Portland	5/3/2017	\$22,750,000	150	\$151,667	2012	Lighthouse Partners LLC
11 Marché, 1115 SW Market St	Downtown Portland	4/12/2017	\$21,000,000	62	\$338,710	2016	John L. Evisizor
Tanner Flats, 2004 SW Jefferson St	Northwest Portland	4/5/2017	\$47,500,000	134	\$354,478	2015	Security Properties Inc., Lib...
Tanner Flats, 2004 SW Jefferson St	Northwest Portland	3/23/2017	\$47,500,000	134	\$354,478	2015	Security Properties, Inc.
Collective Portland, 2073 SW Park Ave	Northwest Portland	3/2/2017	\$10,650,000	52	\$204,808	1945	Charles & Harold Isen
Pioneer Vista,	Vancouver	3/1/2017	\$22,000,000	109	\$201,835	2016	Mark C. Frandsen
StoneRidge at Cornell, 14800 NW Cornell Rd	Hillsboro	2/28/2017	\$46,500,000	233	\$199,571	1985	Starwood Capital Group
Silver Oak Apartment Homes, 8701 NE 54th St	Vancouver	2/28/2017	\$35,150,550	204	\$172,307	1989	Starwood Capital Group
Sedona At Bridgecreek, 2220 NE Bridgecreek Ave	Vancouver	2/28/2017	\$31,046,220	200	\$155,231	1989	Starwood Capital Group
Larkspur Place Apartment Homes, 7609 NE Vancouver Mall Dr	Vancouver	2/28/2017	\$18,092,620	100	\$180,926	1994	Starwood Capital Group
Forest Ridge Apartments, 12600 SE River Rd	Damascus	2/17/2017	\$8,350,000	50	\$127,000	1987	Dynasty Realty
Fircrest Manor Apartments, 5835 SW Menlo Dr	Beaverton	2/17/2017	\$5,645,000	59	\$95,678		Allied Argenta
The Ellington Apartments, 1610 NE 66th Ave	Central Northeast	2/6/2017	\$47,000,000	263	\$178,707		Portland Housing Bureau
Muse Apartments, 1315 NW 19th Ave	Northwest Portland	2/1/2017	\$20,150,000	58	\$347,414	2017	Pearlman Properties
Corbett Heights, 3916 SW Corbett Ave	Southwest Portland	2/1/2017	\$15,000,000	48	\$312,500	2015	Pearlman Properties
Northwood Apartments, 8338 N Interstate Ave	North Portland	1/31/2017	\$14,000,000	57	\$245,614	2015	Lighthouse Partners LLC
Village Victorian Apartments, 16290 SW Shaw St	Aloha	1/31/2017	\$5,725,000	44	\$130,114	1980	Paul Ya-Chi & Krista Shiang-M...

NEWS

Investors Management Group Northwest reports that “Landlords have lost a case to overturn Portland’s soft rent controls and NO CAUSE provision.

The City of Portland “emergency” measure still stands even though they are “soft” measures:

1. A landlord can give a NO CAUSE, but he must give a min of 90-day notice and be prepared to pay the tenant a “relocation” fee depending on the size of the unit and
2. A landlord can give notice of a rent increase > 10 percent, but he must give 90-day notice and, if the tenant says he can’t afford it, be prepared to pay the ten-ant a “relocation” fee depending on the size of the unit.

NEWS

Fees range from \$2900 to \$4500 approximately per tenant. Since the Portland measure is an EMERGENCY, it does have a sunset provision.”

House Bill 2004 which according to the Oregon State Legislature website reads “During first nine months of occupancy, prohibits landlord from terminating month-to-month tenancy within 60 days of receiving from tenant request for repairs to correct certain building, health or housing code violation or unhabitable condition”

The bill narrowly squeaked through the Oregon House and later died in the Senate.