



THE Apartment Report

PENDULUM SWINGING

*Craig McConachie, C&R Real Estate Services, Co.
Apartment Report Committee*

Ongoing multifamily development is starting to create a more balanced market in Portland, and we are seeing some early signs that supply is starting to catch up to demand. The Portland MSA can expect to see an additional 12,000 to 14,000 new units hit the market by the end of 2017. Overall vacancies have increased, with only six of the twenty-one surveyed areas posting a decrease. And while Portland rents continue to increase, the addition of new supply has slowed that increase even as demand remains steady. Portland area job growth continues to outpace the national average and Oregon's February unemployment rate dropped to 4.5%, which is a 40 year low.

Average operating expenses for all unit types in the Portland MSA have increased 6.3% year-over-year, as landlords continue to see significant increases in property taxes (+10%) and water/sewer expenses (+8%). Market demand to purchase apartments remains extremely high, and for sale inventory extremely low. The number of closed transactions in the Metro area decreased from 100 in the fourth quarter of 2015, to 76 in the first quarter of 2016, reflecting a 24% decline in sales. The numbers reflect a lower median price per Sq. Ft. for every quarter since the second quarter of 2015, and a lower median price per unit in the first quarter of 2016 of \$92,444 vs. the median price per unit of around \$94,100 for 2015. Slight increases in cap rates for each of the last three quarters are being reported, with a current average rate of 6.14%.

Portland/Vancouver

VACANCY:

The Portland/Vancouver vacancy factor increased by 65 basis points from our Fall report, and currently stands at 3.52%. The Clackamas area has the lowest vacancy of 1.6% and also represents an area that has very little new construction activity. The only other area under 2% is East Vancouver. Both Wilsonville and Northwest Portland show

some softness, with vacancy factors over 5%. Three-bedroom, one bath units have the highest occupancy of all unit types, with average vacancy of 2.9%, and two-bedroom townhomes have the highest vacancy of 4.2%.

RENT RATES:

Overall rents in the Metro area have seen an increase of 13% year-over-year, but additional supply has caused rent increases to slow to 5.3% since the Fall Report, indicating an annualized increase closer to 10%. In the past six months, Wilsonville and Hillsboro have experienced 12% increases, with Downtown Portland being the only area where rent actually decreased slightly. The inclusion of new units in our survey has caused average rent rates to increase disproportionately compared to older, more seasoned product. Due to increased construction, this survey includes twice as many newer units (8,000) than our survey in the Spring of 2015 (4,000). The 8,000 number represents 14% of all units surveyed, compared to only 8% in Spring 2015.

Average rent per sq. ft. for all areas has increased to \$1.40. The Downtown core continues to have the highest rents at \$2.10 psf., with NW Portland coming in second at \$1.97 psf. Outer NE Portland and Troutdale/Fairview continue to have the lowest rates, but both areas are finally over the \$1.00 psf mark.

Overall average rents per unit type Portland MSA:

Studio:	\$1027
1 bdrm/1 bth:	\$1063
2 bdrm/1 bth:	\$1033
2 bdrm/2 bth:	\$1261
2 bdrm twnhs:	\$1169
3 bdrm/1 bth:	\$1116
3 bdrm/2 bth:	\$1371

MARKET CONDITIONS:

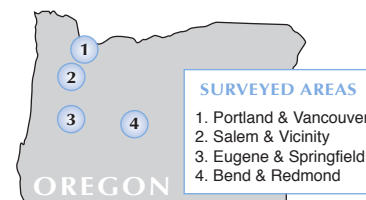
Only 5% of all properties are offering rental incentives, primarily on new lease-ups. The average number of days that a unit will stay vacant for the entire Portland area is 39, up from 34 days six months ago. Inner SE Portland and St. Johns continue to experience the fastest turnover rate of 10 days or less.

Sixty-five percent of all professionally managed properties in the Portland/Vancouver area are passing through water and sewer costs to their residents.

Other Areas

Vacancy rates are up marginally in the Bend/Redmond area to just over 3%, but surprisingly rent rates have decreased by 3%. Eugene/Springfield is softening and vacancy has increased to 4.5%, with rent rates up by 4.4%. The Eugene market reports 11% of surveyed properties are offering rental incentives. The Salem market continues to experience vacancy levels under 3%, but similar to Bend,

(continued on page 2)



SURVEY SAYS!

- Vacancy Increases
- Rent Growth Slows
- Construction Continues
- Expenses Up 6.3%

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PORTLAND METRO AREA

MULTNOMAH COUNTY

- 1 DOWNTOWN PORTLAND
- 2 NW PORTLAND
- 3 INNER & CENTRAL SE (PORTLAND)
- 4 INNER & CENTRAL NE (PORTLAND)
- 5 NORTH PORTLAND | ST. JOHNS
- 6 SW PORTLAND
- 7 OUTER SE (PORTLAND)
- 8 OUTER NE (PORTLAND)
- 9 TROUTDALE | FAIRVIEW
- 10 WOOD VILLAGE | GRESHAM

CLACKAMAS COUNTY

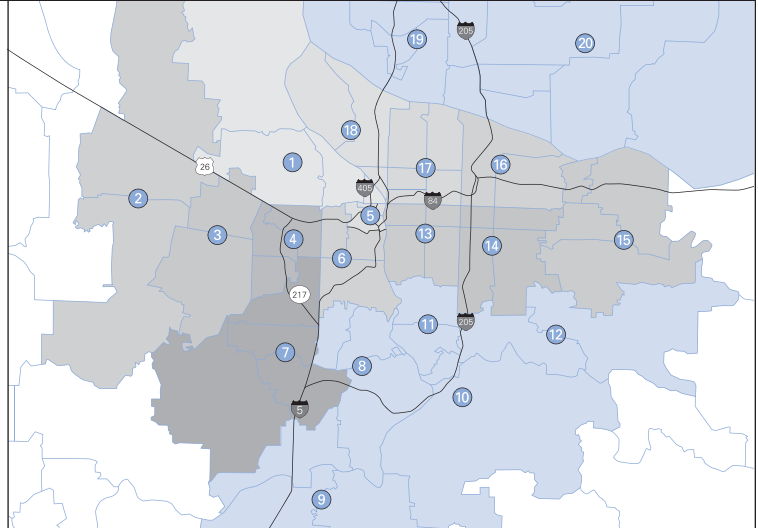
- 11 CLACKAMAS
- 12 LAKE OSWEGO | WEST LINN
- 13 MILWAUKIE
- 14 OREGON CITY | GLADSTONE
- 15 WILSONVILLE | CANBY

WASHINGTON COUNTY

- 16 ALOHA
- 17 BEAVERTON
- 18 HILLSBORO | NORTH OF HWY 26
- 19 TIGARD | TUALATIN | SHERWOOD

CLARK COUNTY

- 20 WEST VANCOUVER
- 21 EAST VANCOUVER



(continued from page 1).....

rents have decreased over the past six months. The Bend, Eugene and Salem areas are all reporting approximately 50% of all properties are passing through water and sewer costs to tenants, compared to 65% in the Portland MSA.

Operating Expenses

This issue includes our annual survey of apartment operating expenses. The numbers are derived from 2015 year end operating statements at 122 stabilized properties, representing 8,358 units throughout the Portland Metro area. Median per unit expenses have increased for all property types by 6.3 % over the past year, from \$4,686 per unit, to \$4,980 per unit. Newer urban style apartments in Multnomah County have the highest per unit expenses at \$6,748, while older urban style units in Multnomah County have the lowest per unit expenses of \$4,487. Property taxes average \$1,127 per unit and water and sewer expense averages \$640 per unit.

Our Contributors

Patrick Barry contributed his detailed Apartment Construction Report. Portland's current development pipeline includes an impressive 21,600 proposed units. But with the continued shortage of units and increasing demand, he does not expect vacancy rates to approach 5% "for at least the next 12 to 18 months and possibly longer."

Over 67% of the units under construction are either close-in East/West Portland, or North Portland. An increase in suburban building is projected, as these projects begin to make more financial sense to developers.

The issue of seismic retrofitting of unreinforced masonry (URM) buildings in the City of Portland is closely examined and explained, in an article by **Walt McMonies of Lane Powell, P.C.** Portland has approximately 300 URM apartment buildings that will be significantly impacted by regulatory changes being considered by the City. Reasonable time frames for upgrades and financial assistance to owners of these buildings will be critical issues that the City Council will be considering this summer.

According to **Josh Lehner, Economist with the State of Oregon**, the Portland area is one year behind in terms of new construction being able to keep up with our growing population. Josh predicts that the "economy should be fully healthy by late summer or early fall, a milestone not seen in a decade." Market forces dictate that Portland

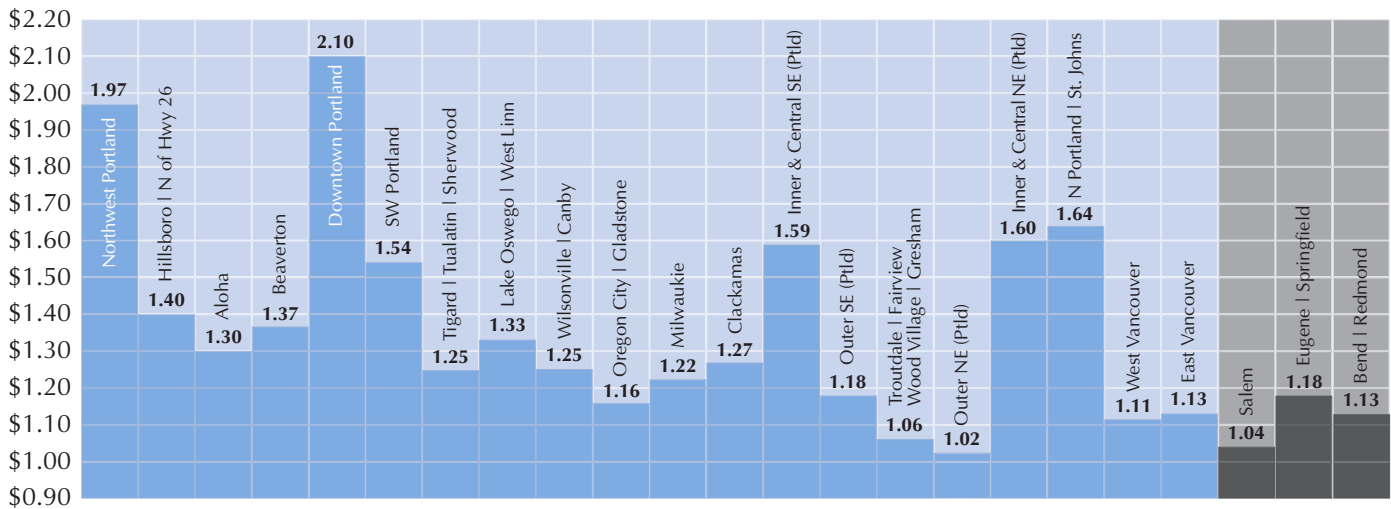
can sustain two, but not three of the housing "trilemma", which consists of economic strength, quality of life and housing affordability.

This survey represents a total of 63,161 units from 890 properties. All of the articles have been reprinted without editing the content, in order to present unbiased opinions. We'd like to thank all of the management companies and property owners who have submitted information. Their participation is critical in insuring the accuracy of our data and the continued success of this report. ■

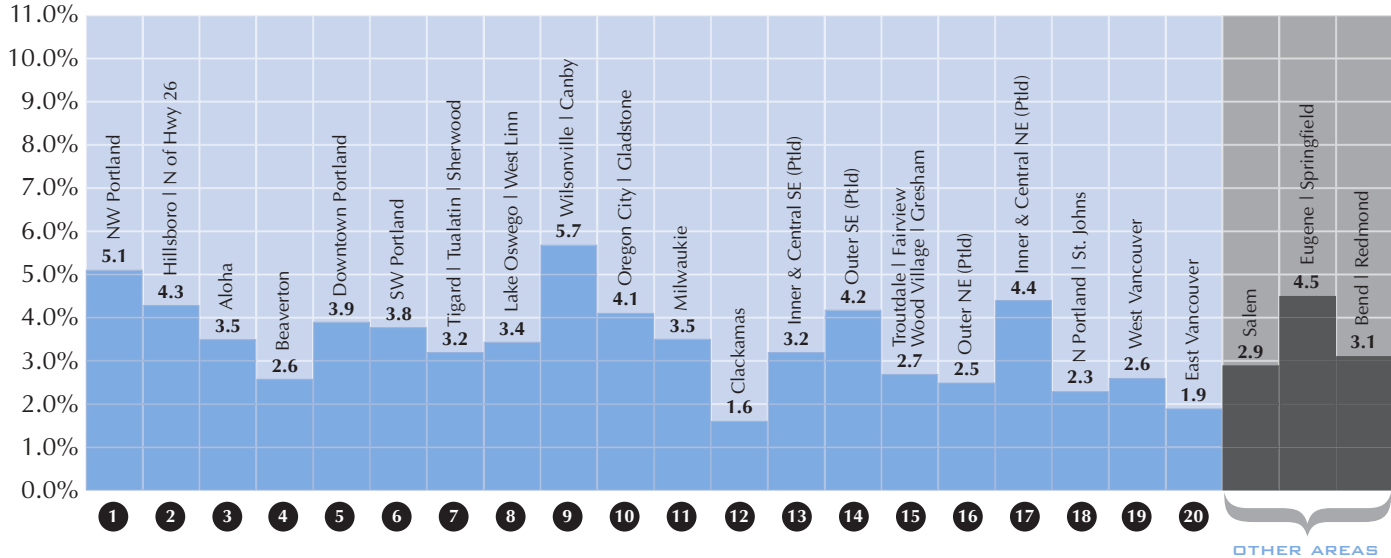
DO YOU OFFER INCENTIVES?

MAP AREA	FALL 2015	SPRING 2016
NW Portland	7.1%	7.1%
Hillsboro/North of Hwy 26	0%	0%
Aloha	8.3%	7.6%
Beaverton	1.7%	1.6%
Downtown Portland	2.3%	5%
SW Portland	5.7%	7.3%
Tigard/Tualatin/Sherwood	8.5%	6.7%
Lake Oswego/West Linn	7.1%	0%
Wilsonville/Canby	0%	6.7%
Oregon City/Gladstone	0%	0%
Milwaukie	2.9%	0%
Clackamas	0%	0%
Inner & Central SE (Portland)	2.1%	2.2%
Outer SE (Portland)	3.5%	2%
Troutdale/Fairview/Wood Village/Gresham	2.7%	5.9%
Outer NE (Portland)	0%	0%
Inner & Central NE (Portland)	1%	2.1%
North Portland/St. Johns	4.6%	0%
West Vancouver	7.7%	6.1%
East Vancouver	0%	0%
Salem/Vicinity	11.5%	9.4%
Eugene/Springfield	9.4%	10.9%
Bend/Redmond	0%	0%

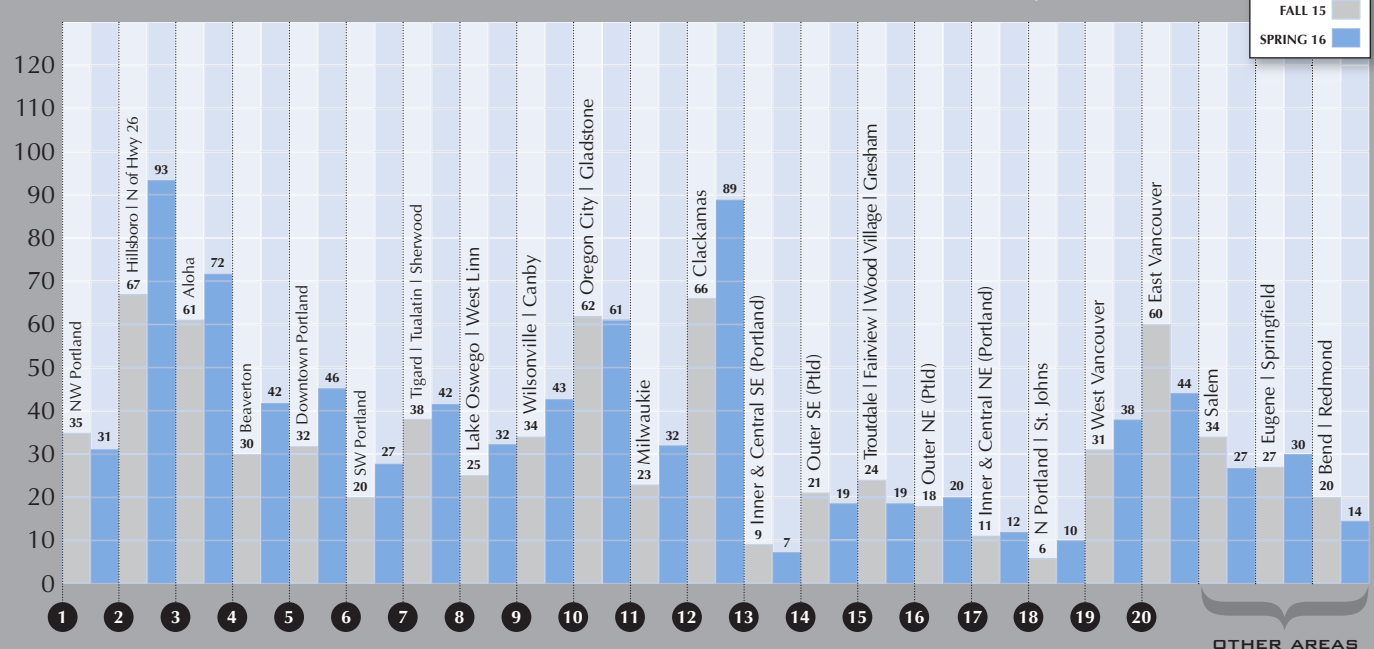
AVERAGE RENT PER SQUARE FOOT \$



AVERAGE MARKET VACANCY RATE %



AVERAGE NUMBER OF DAYS VACANT — PORTLAND/VANCOUVER



SURVEY RESULTS—SPRING 2016

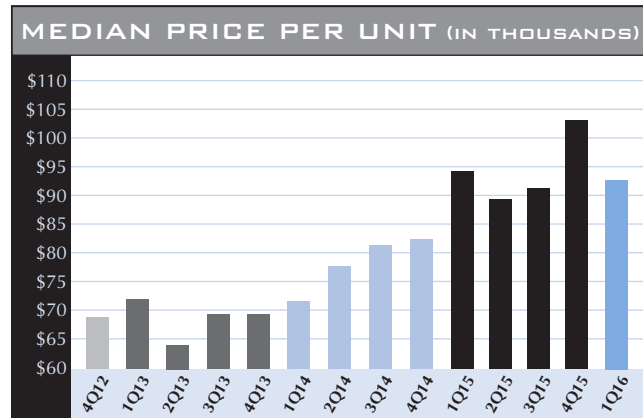
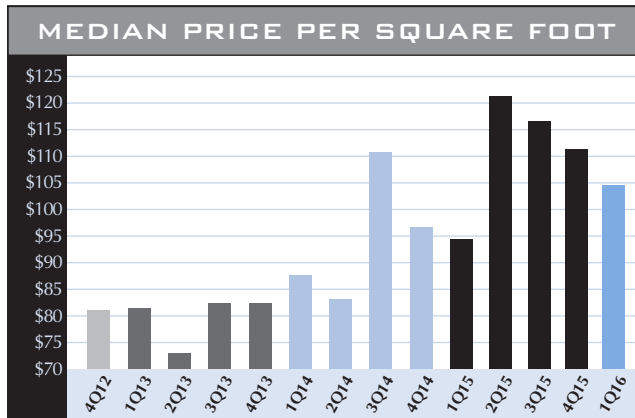
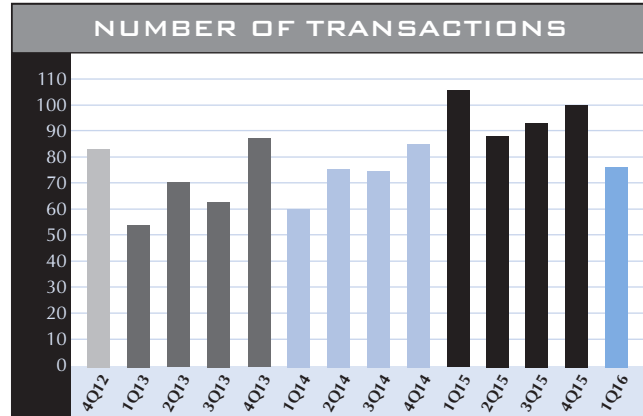
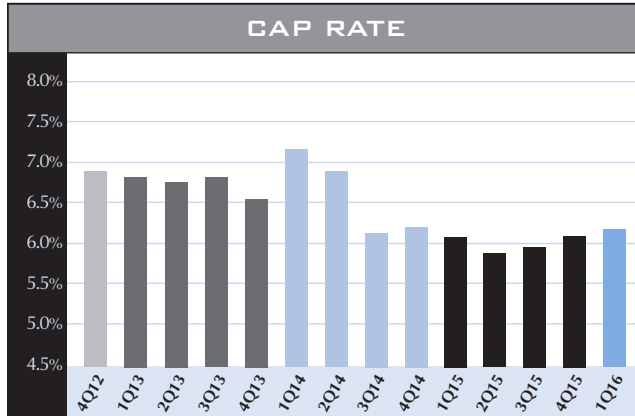
PORTLAND/VANCOUVER METRO AREA

AREA NAME	# OF PROP	DATA	ALL	FALL 15 REPORT	CHANGE	STUDIO	1 BED 1 BATH	2 BED 1 BATH	2 BED 2 BATH	2 BED TWNHS	3 BED 1 BATH	3 BED 2 BATH
DOWNTOWN PORTLAND (5)	35	AVG MARKET VACANCY RATE %	3.86	3.56	0.08	3.2	3.98	2.63	9.09	0	0	10
		AVG RENT PER SQ FOOT \$	2.1	2.15	-0.05	2.3	2.07	1.77	1.89	1.9	1.51	2.35
		AVG RENT PER UNIT TYPE \$				971	1201	1426	1925	2308	1430	2994
		SUM OF UNITS SURVEYED	2875	2809		1001	1330	342	176	15	1	10
NW PORTLAND (1)	60	AVG MARKET VACANCY RATE %	5.11	2.99	1	4.03	5.22	4.14	6.65	4.62	2.44	3.74
		AVG RENT PER SQ FOOT \$	1.97	1.93	+0.04	2.7	2.08	1.33	1.72	1.35	1.13	1.17
		AVG RENT PER UNIT TYPE \$				1273	1414	1159	1726	1209	1104	1397
		SUM OF UNITS SURVEYED	4499	4181		818	1898	483	1007	65	41	187
INNER & CENTRAL SE PORTLAND (13)	131	AVG MARKET VACANCY RATE %	3.23	2.58	0.25	3.65	3.37	3.06	3.81	1.18	2.7	9.09
		AVG RENT PER SQ FOOT \$	1.59	1.53	+0.06	2.42	1.67	1.27	1.74	1.14	1.05	1.08
		AVG RENT PER UNIT TYPE \$				971	1043	1059	1599	1060	1186	1137
		SUM OF UNITS SURVEYED	2939	3211		301	1454	850	105	170	37	22
INNER & CENTRAL NE PORTLAND (17)	90	AVG MARKET VACANCY RATE %	4.37	3.5	0.24	6.87	3.59	3.03	6.52	8.86	8.7	10.71
		AVG RENT PER SQ FOOT \$	1.6	1.58	+0.02	2.07	1.6	1.33	1.89	1.42	1.34	1.49
		AVG RENT PER UNIT TYPE \$				989	1044	1100	1896	1248	1264	1641
		SUM OF UNITS SURVEYED	2083	2428		233	1087	495	138	79	23	28
N PORTLAND ST JOHNS (18)	16	AVG MARKET VACANCY RATE %	2.33	2.73	0.14	10.53	2.18	2.4	2.17	0	0	0
		AVG RENT PER SQ FOOT \$	1.64	1.51	+0.13	2.15	1.81	1.2	2.32	1.96	1.29	1.45
		AVG RENT PER UNIT TYPE \$				1073	1336	967	2379	2285	1143	1300
		SUM OF UNITS SURVEYED	559	366		19	275	167	46	7	43	2
SW PORTLAND (6)	36	AVG MARKET VACANCY RATE %	3.76	3.4	0.1	4.39	3.9	2.33	5.19	0	4.76	3.5
		AVG RENT PER SQ FOOT \$	1.54	1.39	+0.15	2.32	1.72	1.22	1.51	1.09	1	1.16
		AVG RENT PER UNIT TYPE \$				1326	1323	1086	1757	954	1085	1398
		SUM OF UNITS SURVEYED	2179	1944		114	949	472	424	35	42	143
OUTER SE (PORTLAND) (14)	44	AVG MARKET VACANCY RATE %	4.21	3.11	0.35	6.15	2.78	4.73	2.55	7.62	0	6.86
		AVG RENT PER SQ FOOT \$	1.18	1.1	+0.08	1.76	1.24	1.07	1.15	1.11	0.86	1.12
		AVG RENT PER UNIT TYPE \$				765	812	909	1124	1175	884	1442
		SUM OF UNITS SURVEYED	2872	3084		195	720	782	666	302	32	175
OUTER NE (PORTLAND) (16)	25	AVG MARKET VACANCY RATE %	2.46	2.18	0.12	0	2.43	2.8	2.05	2.33	4	1.35
		AVG RENT PER SQ FOOT \$	1.02	0.98	+0.04	1.59	1.1	1.01	0.92	0.93	0.92	1.08
		AVG RENT PER UNIT TYPE \$				645	749	896	896	1046	1145	1170
		SUM OF UNITS SURVEYED	1461	1330		13	411	608	244	86	25	74
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM (15)	27	AVG MARKET VACANCY RATE %	2.71	1.38	0.96	33.33	3.31	2.56	2.97	0	0	0
		AVG RENT PER SQ FOOT \$	1.06	1.01	+0.05	1.37	1.18	1.06	0.99	1	1.23	0.95
		AVG RENT PER UNIT TYPE \$				685	803	912	990	817	990	1076
		SUM OF UNITS SURVEYED	2104	2317		3	543	547	808	39	15	149
CLACKAMAS (12)	8	AVG MARKET VACANCY RATE %	1.61	3.45	0.53	0	2.11	1.64	1.17	0	0	2.46
		AVG RENT PER SQ FOOT \$	1.27	1.16	+0.11	1.72	1.38	1.24	1.19	0.86	1	1.22
		AVG RENT PER UNIT TYPE \$				791	917	1088	1143	964	1144	1332
		SUM OF UNITS SURVEYED	1246	1130		45	331	305	429	6	8	122
LAKE OSWEGO WEST LINN (8)	15	AVG MARKET VACANCY RATE %	3.41	3.73	0.08	4.26	3.71	1.57	5.32	2.04	50	1.22
		AVG RENT PER SQ FOOT \$	1.33	1.3	+0.03	2.03	1.49	1.19	1.26	1.11	0.92	1.21
		AVG RENT PER UNIT TYPE \$				861	1014	1067	1240	1144	676	1482
		SUM OF UNITS SURVEYED	1116	966		47	350	255	282	98	2	82
MILWAUKIE (11)	25	AVG MARKET VACANCY RATE %	3.53	2.27	0.55	3.73	3.33	3.46	2.63	4.38	0	5.88
		AVG RENT PER SQ FOOT \$	1.22	1.14	+0.08	1.67	1.3	1.12	1.25	0.89	1.07	1.2
		AVG RENT PER UNIT TYPE \$				741	860	973	1158	900	1263	1351
		SUM OF UNITS SURVEYED	2324	2338		134	750	837	304	160	3	136
OREGON CITY GLADSTONE (10)	11	AVG MARKET VACANCY RATE %	4.06	2.78	0.46	0	3.72	1.28	2.94	3.85	0	17.59
		AVG RENT PER SQ FOOT \$	1.16	1.15	+0.01	2.03	1.33	1.07	1.07	1.23	1.06	1.09
		AVG RENT PER UNIT TYPE \$				990	868	930	1100	1019	1008	1513
		SUM OF UNITS SURVEYED	1035	1333		20	215	312	238	104	38	108
WILSONVILLE CANBY (9)	11	AVG MARKET VACANCY RATE %	5.7	2.39	1.38	14.29	5.1	5.56	6.42	9.68	0	4.4
		AVG RENT PER SQ FOOT \$	1.25	1.12	+0.13	1.73	1.41	1.16	1.24	1.05	1.13	1.21
		AVG RENT PER UNIT TYPE \$				969	1041	1055	1188	1122	1060	1383
		SUM OF UNITS SURVEYED	1912	963		7	490	540	561	62	2	250
ALOHA (3)	47	AVG MARKET VACANCY RATE %	3.5	2.83	0.23	15.38	3.05	3.99	3.68	7.02	3.03	2.86
		AVG RENT PER SQ FOOT \$	1.3	1.23	+0.07	1.79	1.5	1.19	1.21	1.03	1.19	1.18
		AVG RENT PER UNIT TYPE \$				757	1003	1046	1192	1227	1053	1343
		SUM OF UNITS SURVEYED	7317	5834		13	2357	1402	2721	57	33	734

PORTLAND/VANCOUVER METRO AREA												
AREA NAME	# OF PROP	DATA	ALL	FALL 15 REPORT	CHANGE	STUDIO	1 BED 1 BATH	2 BED 1 BATH	2 BED 2 BATH	2 BED TWNHS	3 BED 1 BATH	3 BED 2 BATH
BEAVERTON (4)	53	AVG MARKET VACANCY RATE %	2.63	2.69	0.02	4.48	2.73	2.97	2.33	4.84	1.79	1.1
		AVG RENT PER SQ FOOT \$	1.37	1.23	+0.14	1.54	1.59	1.18	1.35	1.24	1.04	1.2
		AVG RENT PER UNIT TYPE \$				755	1094	1088	1341	1447	1105	1525
		SUM OF UNITS SURVEYED	5394	5957		67	1907	1449	1371	124	112	364
HILLSBORO N OF HWY 26 (2)	22	AVG MARKET VACANCY RATE %	4.33	2.56	0.69	6.82	4.47	5.06	4.51	3.25	0	1.28
		AVG RENT PER SQ FOOT \$	1.4	1.25	+0.15	2.07	1.55	1.29	1.24	1.2	1.34	1.2
		AVG RENT PER UNIT TYPE \$				1175	1142	1185	1312	1534	1135	1526
		SUM OF UNITS SURVEYED	3974	2382		132	1655	474	1241	154	6	312
TIGARD TUALATIN SHERWOOD (7)	52	AVG MARKET VACANCY RATE %	3.17	3.03	0.04	3.95	2.48	3.65	2.88	5.53	3.01	4.52
		AVG RENT PER SQ FOOT \$	1.25	1.23	+0.02	1.85	1.36	1.16	1.19	1.2	1.13	1.13
		AVG RENT PER UNIT TYPE \$				814	930	987	1164	1322	1162	1265
		SUM OF UNITS SURVEYED	5135	4784		76	1812	1426	1181	253	166	221
WEST VANCOUVER (19)	30	AVG MARKET VACANCY RATE %	2.58	3.47	0.25	–	2.72	2.37	2.82	1.78	9.52	1.8
		AVG RENT PER SQ FOOT \$	1.11	1.03	+0.08	–	1.25	1.11	1.05	0.97	1.03	1.02
		AVG RENT PER UNIT TYPE \$				–	894	966	1102	1025	1194	1245
		SUM OF UNITS SURVEYED	3059	2045		0	734	759	1098	169	21	278
EAST VANCOUVER (20)	17	AVG MARKET VACANCY RATE %	1.86	2.98	0.37	1.22	2.07	0.9	2.76	1.19	10	2.2
		AVG RENT PER SQ FOOT \$	1.13	1.13	0	1.64	1.25	1.07	1.07	1.07	0.89	1.06
		AVG RENT PER UNIT TYPE \$				782	886	981	1080	1001	1273	1230
		SUM OF UNITS SURVEYED	1989	3226		82	482	557	508	168	10	182
TOTAL AVG MARKET VACANCY RATE %			3.52	2.87	0.22	4.16	3.45	3.24	3.71	4.18	2.88	3.38
TOTAL AVG RENT PER SQ FOOT \$			1.4	1.33	+0.07	2.27	1.57	1.18	1.26	1.12	1.09	1.15
TOTAL AVG RENT PER UNIT TYPE \$						1027	1063	1033	1261	1169	1116	1371
TOTAL SUM OF PROPERTIES SURVEYED			755	741		180	613	520	253	103	93	185
TOTAL SUM OF UNITS SURVEYED			56072	52628		3320	19750	13062	13548	2153	660	3579
VACANCY RATE SINCE FALL 2011—PORTLAND/VANCOUVER METRO AREA												
<div><div>STUDIO</div><div>1 BED/1 BATH</div><div>2 BED/1 BATH</div><div>2 BED/2 BATH</div><div>2 BED TH</div><div>3 BED/1 BATH</div><div>3 BED/2 BATH</div></div>												
OTHER AREAS												
SALEM & VICINITY	92	AVG MARKET VACANCY RATE %	2.93	2.52	0.16	3	3.7	3.25	2.6	1.63	2.38	1.34
		AVG RENT PER SQ FOOT \$	1.04	1.13	-0.09	1.74	1.19	0.94	0.96	0.83	1.34	1.01
		AVG RENT PER UNIT TYPE \$				744	766	786	932	843	1341	1175
		SUM OF UNITS SURVEYED	4472	5038		300	757	1754	1075	246	42	298
EUGENE SPRINGFIELD	77	AVG MARKET VACANCY RATE %	4.5	3.07	0.46	2.97	3.15	2.68	10.8	1.57	0	4.38
		AVG RENT PER SQ FOOT \$	1.18	1.13	+0.05	1.87	1.25	0.97	1.12	1.04	0.95	1.09
		AVG RENT PER UNIT TYPE \$				690	833	852	1133	1135	1005	1333
		SUM OF UNITS SURVEYED	4597	5279		337	1557	1044	880	255	44	480
BEND REDMOND	8	AVG MARKET VACANCY RATE %	3.06	2.89	0.05	0	0.88	4.35	4.04	0	–	1.37
		AVG RENT PER SQ FOOT \$	1.13	1.17	-0.04	1.42	1.32	1.12	1.09	0.9	–	1.04
		AVG RENT PER UNIT TYPE \$				610	926	1005	1095	1182	–	1338
		SUM OF UNITS SURVEYED	589	589		8	113	115	272	8	0	73
TOTAL AVG MARKET VACANCY RATE %			3.69	2.81	0.31	2.95	3.21	3.09	6.02	1.57	1.16	3.06
TOTAL AVG RENT PER SQ FOOT \$			1.11	1.13	-0.02	1.8	1.23	0.96	1.04	0.94	1.14	1.06
TOTAL AVG RENT PER UNIT TYPE \$						714	816	818	1031	995	1169	1278
TOTAL SUM OF PROPERTIES SURVEYED			177	148		27	100	91	50	23	35	41
TOTAL SUM OF UNITS SURVEYED			9658	10906		645	2427	2913	2227	509	86	851
Surveys received from Sec 42, Sec 8 and other subsidized affordable housing programs are not included in the current survey data.												

TREND REPORT : PORTLAND METRO AREA

CoStar: Search criteria—Research Status: Published; Market: Portland; PropType: Multi Family; Sale Date: 10/1/2012—3/31/2016; unit: 5 units and greater.



YEAR	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
# OF TRANS	82	53	70	62	87	60	75	73	84	105	88	92	100	76
TTL \$ VOLUME	\$343,844,310	\$195,978,150	\$238,340,334	\$270,891,328	\$526,776,697	\$198,107,285	\$408,850,710	\$521,813,240	\$472,554,825	\$593,355,170	\$590,395,060	\$667,162,564	\$570,043,570	\$408,598,000
TTL BLDG SF	4,065,401	2,780,554	2,502,759	2,606,107	5,170,657	1,789,117	3,211,933	3,744,691	3,861,229	3,884,945	3,869,274	4,053,348	4,076,738	2,617,102
TTL UNITS	3,477	2,254	2,440	2,687	5,531	1,694	3,042	3,682	4,433	3,852	4,586	4,538	4,119	2,855
AVG PRICE	\$4,193,223	\$3,697,701	\$3,404,862	\$4,369,215	\$6,054,905	\$3,301,788	\$5,451,343	\$7,148,127	\$5,625,653	\$5,651,002	\$6,709,035	\$7,251,767	\$5,700,436	\$5,376,289
AVG # OF SF	50,190	52,463	36,805	43,435	59,433	29,819	43,405	52,010	45,967	37,355	43,969	44,058	41,179	34,895
AVG PRICE BLDG SF	\$84.21	\$70.48	\$94.76	\$97.02	\$101.88	\$110.73	\$126.22	\$139.27	\$122.38	\$149.64	\$152.59	\$164.60	\$139.24	\$155.55
MED PRICE P/SF	\$80.17	\$80.57	\$72.61	\$81.89	\$81.79	\$88.26	\$83.12	\$110.29	\$96.34	\$94.97	\$121.55	\$115.96	\$110.95	\$104.65
AVG PRICE P/UNIT	\$85,450	\$85,554	\$92,594	\$86,547	\$94,046	\$108,927	\$131,685	\$133,836	\$106,120	\$141,954	\$128,204	\$146,008	\$135,261	\$143,117
MED PRICE P/UNIT	\$68,500	\$70,833	\$63,944	\$69,062	\$69,000	\$70,938	\$76,607	\$80,900	\$82,143	\$94,243	\$88,592	\$90,625	\$102,941	\$92,422
AVG # OF UNITS	52	48	41	54	67	33	44	58	55	40	53	51	43	38
ACTUAL CAP RATE	6.84%	6.85%	6.74%	6.82%	6.57%	7.19%	6.85%	6.15%	6.18%	6.09%	5.83%	5.98%	6.11%	6.14%
AVG GRM	9.35	8.96	8.15	7.88	8.85	8.91	8.28	8.70	8.99	9.52	9.36	8.84	9.99	9.69
AVG GIM	9.20	8.95	10.76	7.71	12.03	-	-	8.38	-	8.78	8.63	8.84	11.40	9.44

PORTLAND'S STRONG ECONOMY AND THE HOUSING TRILEMMA

Josh Lechner, Economist, State of Oregon, Office of Economic Analysis



Portland's strong regional economy and high quality of life have come at the cost of lower housing affordability. Although such tradeoffs are inevitable, Portland is an extreme case, standing out as less affordable than most other popular metropolitan areas.

Portland's economic growth remains robust and the region is now close to full employment. Strong wage gains are following the job growth. Portland's average wage, relative to other metropolitan areas, is at its highest since the dotcom bubble back in 2000. Most encouragingly, better job opportunities are pulling workers back into the labor market. Both the number and the share of adults with a job or looking for work are increasing today. The economy should finally be fully healthy by late summer or early fall, a milestone not seen in a decade.

As always, population growth follows a stronger economy. These gains strengthen the region's expansion. In particular, Portland is able to attract young, skilled workers in their twenties and thirties. More than half of the young college graduates arriving today hold a scientific, technical or medical degree. They also often come at a discount relative to other markets. The flipside of our lower incomes are lower business costs for local firms.

However, the region's strong economy and high quality of life have come at the cost of lower housing affordability. These three factors – economic strength, quality of life and housing affordability – represent the housing trilemma. A city can have two but not all three at the same time. Among the largest metropolitan areas in the country, just eight rank among the top half for all three factors of the housing trilemma. None rank

among the Top 20 in all three. Unless you prefer living on the Great Plains, that list of eight metros lacks sizzle.

The reason these tradeoffs exist is mostly, but not entirely, due to market forces. People want to live in cities with a strong economy and high quality of life. Increased demand for housing leads to higher prices and lower affordability. Portland, along with our Pacific Northwest peers – Boise, ID and Seattle, WA – clearly falls within this group. As do other popular metros like Denver, CO and San Francisco, CA.

Yet Portland's affordability today is worse than these other popular metros. Much of the problem is simple supply and demand. The region is one year behind in terms of new construction relative to the growing population. Portland's vacancy rate is among the lowest in the nation. This impacts renters the most, including younger households and those on fixed incomes. Homebuyers are somewhat better off, as low interest rates are helping to offset rising home prices.

More construction is required, but that alone is not enough. Just look at Austin, TX. The region has a very strong economy and high quality of life. Despite leading the nation's largest metros in new construction, Austin is only able to reach middling affordability. Austin's home prices, while lower than Portland's, are still relatively high and half of all renters spend at least 30 percent of their income on rent. Increasing construction is able to help with broad, regional affordability, but cannot fully offset the premium required to live in a popular place. In addition to building more homes, targeted programs are also needed to help our less fortunate neighbors bear these costs.

The housing trilemma is real. Tradeoffs are inevitable. Here in Portland we are fortunate enough to have a good economy and desirable quality of life. We should work to maintain these successes. However, eroding affordability in Portland does not have to be a permanent trend. Increasing construction to match a growing population and strong assistance programs are needed. ■

Josh Lechner is a Senior Economist with the State of Oregon's Office of Economic Analysis. He develops the quarterly Oregon Economic forecast, including outlooks for employment, income and housing. Additional responsibilities include the Oregon Index of Leading Indicators, tracking international developments in Oregon's export markets and forecasting revenues for the Oregon Lottery, Oregon Judicial Department and state tobacco taxes. Mr. Lechner earned a B.A. in Economics from the University of Colorado and an M.S. in Economics from Portland State University.

SECTION 42 SURVEY RESULTS • SPRING 2016

TOTAL # OF PROPERTIES = 56 • TOTAL # OF UNITS = 5303

UNIT TYPES	VACANCY RATE (%)	AVG. RENT PER SQ FT (\$)
STUDIO	1.07	1.85
1 BED / 1 BATH	0.68	1.10
2 BED / TH	0.88	0.99
2 BED / 1 BATH	2.20	1.10
2 BED / 2 BATH	2.59	0.76
3 BED / 1 BATH	1.86	0.91
3 BED / 2 BATH	0.77	0.96
TOTALS	0.98	1.14

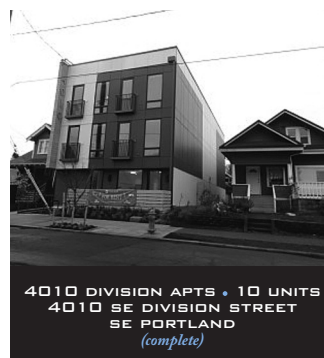
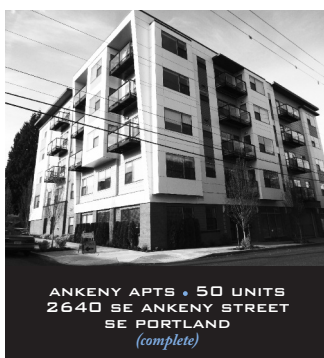
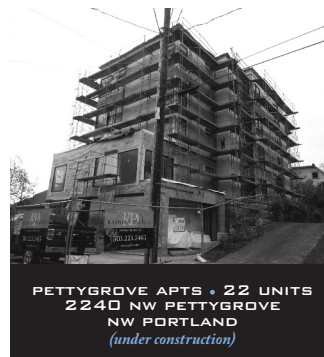
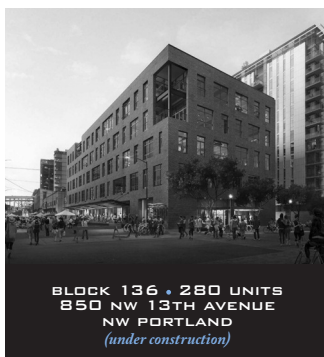
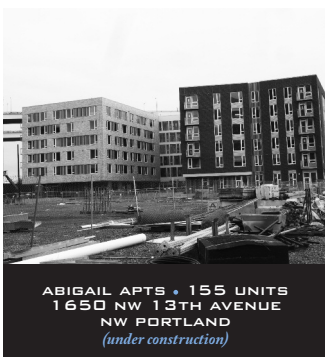
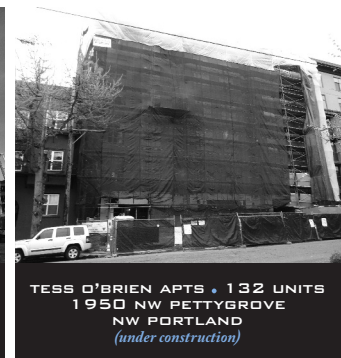
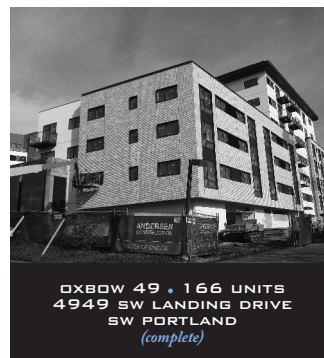
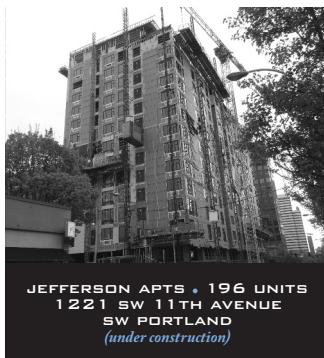
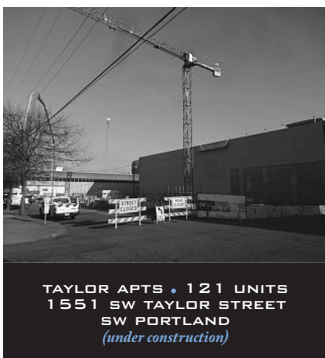
PORTLAND METRO APARTMENT CONSTRUCTION UPDATE

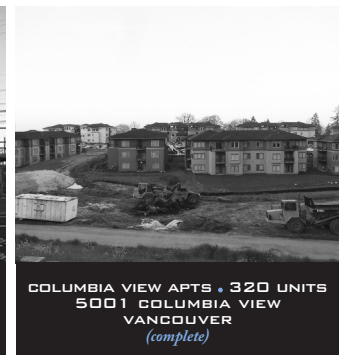
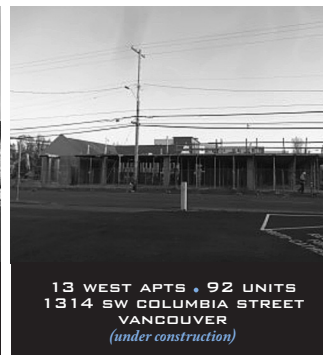
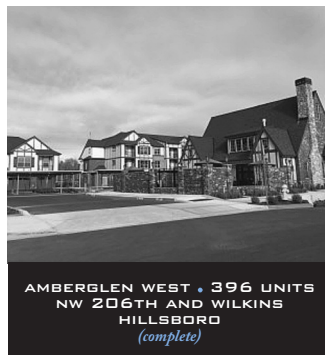
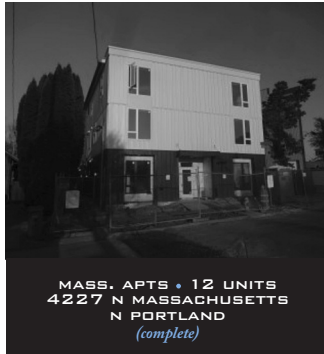
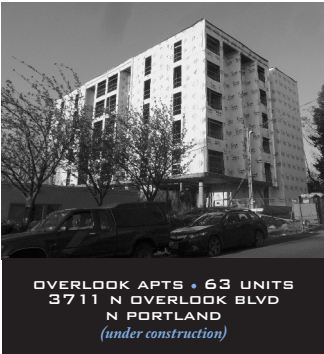
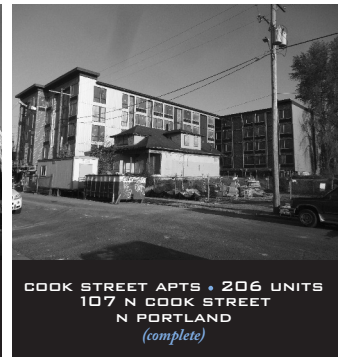
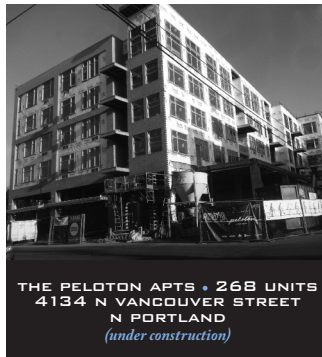
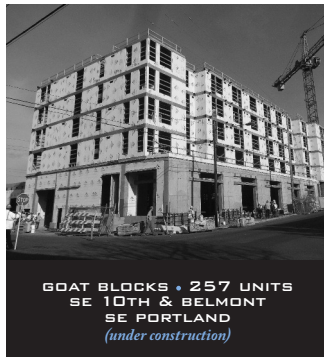
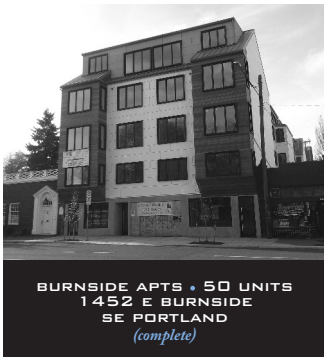
Patrick O. Barry, Barry & Associates

SAMPLING OF PROJECTS RECENTLY COMPLETED OR UNDER CONSTRUCTION—SPRING 2016

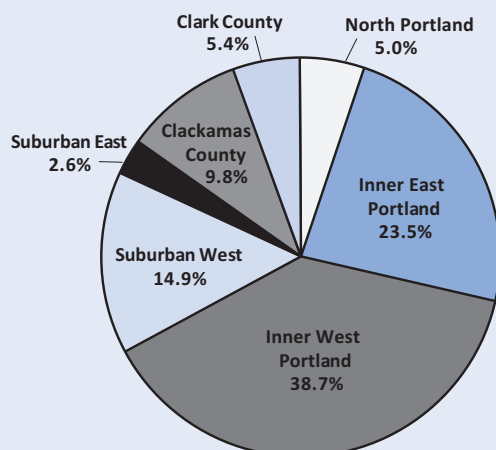
Apartment Construction

The number of projects under construction and in the pipeline have increased over the past six months. In Fall 2015 we were tracking 92 projects under construction with 9,000 units. Approximately 3,700 of these units were completed over the last six months. As of the early-April 2016, we are tracking construction on 9,200 units under construction across 105 projects. The number of proposed units is around 21,600, however the project size is unknown on 55 of the 276 proposed apartments. The projects with an unknown number of units will add at least 3,000 to the number of proposed units, but likely much more.





UNITS UNDER CONSTRUCTION BY LOCATION



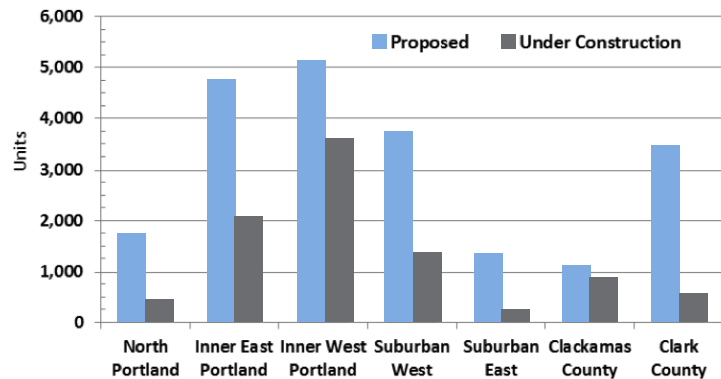
As illustrated by the chart to the left, a majority (67.2%) of the units under construction are located in Inner-East, Inner-West and North Portland sub-markets. The percentage of construction in the urban core has remained steady from Fall 2015, but activity in Clackamas County and Suburban East Portland has increased. Expect an increase in suburban projects as these developments begin to financially make sense to developers.

(continued from page 9)

Based on the continued shortage of units and the steady to increasing demand in the coming years, we do not expect vacancy rates to approach 5% for at least the next 12 to 18 months and possibly longer. During 2016 and 2017, we expect a total of 12,000 to 14,000 new units to become available. The current levels of construction are meeting the new demand, but are failing to make up much ground on our low vacancy rates. ■

Patrick O. Barry (pb@barryapartmentreport.com) is an Appraiser Assistant with Barry & Associates, which specializes in apartment appraisal work in the Portland metropolitan area. Patrick is an engineering graduate of the University of Colorado.

CURRENT UNITS UNDER CONSTRUCTION AND PROPOSED BY LOCATION



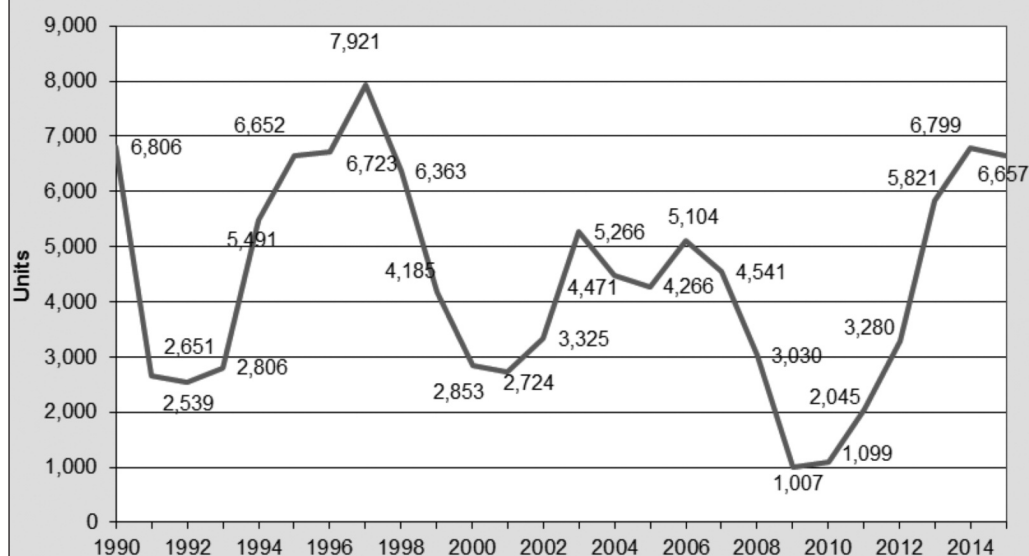
TOTAL PROJECTS PROPOSED AND UNDER CONSTRUCTION

LOCATION	PROP	UC	TOTAL
North Portland	49	12	61
Close in East Portland	81	36	117
Close in West Portland	58	26	84
Suburban West	20	7	27
Suburban East	26	9	35
Suburban South	9	6	15
Clark County	33	9	42
TOTAL	276	105	381

TOTAL UNITS PROPOSED AND UNDER CONSTRUCTION

LOCATION	PROP	UC	TOTAL
North Portland	1,878	462	2,340
Close in East Portland	4,850	2,154	7,004
Close in West Portland	5,225	3,542	8,767
Suburban West	3,750	1,364	5,114
Suburban East	1,325	242	1,567
Suburban South	1,067	899	1,966
Clark County	3,488	498	3,986
TOTAL	21,583	9,161	30,744

APARTMENT PERMITS 1990-2015 FOUR COUNTY METRO AREA



PROJECTS UNDER CONSTRUCTION

The table below includes most projects under construction. Due to space constraints, we were unable to publish the units recently completed or proposed. The full list of projects is available under the "Reports" section of our website www.barryapartmentreport.com.

NAME	ADDRESS	CITY	UNITS	COMP	NOTES
NORTH PORTLAND					
Greeley Ave 4-plex	5610 N Greeley Ave	Portland	4	2016	2-story
Willamette Blvd Apts	8332 N Willamette Blvd	Portland	6	2016	2-story, modular apt development
Blandena Apts	1532 N Blandena	Portland	8	2016	2 buildings, 3 story
Lovely Apts	6330 N Lovely St	Portland	9	2016	Add 9 units behind existing house
Massachusetts Ave	Fargo & Williams	Portland	12	2016	3-story building
Maryland Apts	4610 N Maryland Ave	Portland	14	2016	
N Lombard Apts	1775 N Lombard St	Portland	18	2016	3-story, upper level townhome units
Minnesota Apts	6205 N Minnesota Ave	Portland	18	2016	3-story
N Leavitt Ave Apts	7247 N Leavitt	Portland	20	2016	3-story
Sumner Apts	1510 N Sumner St	Portland	25	2016	Partial ground floor retail
New Overlook Apts	3711 N. Overlook Blvd	Portland	63	2016	6-story, on-site parking
Cook Street Lofts	3270 N Vancouver Ave	Portland	104	2016	5-story, on-site parking, ground floor retail
Peloton Apts	4134 N Vancouver Ave	Portland	265	2016	Mixed used, 3, 5, and 6 stories. On-site parking.
CLOSE-IN EASTSIDE PORTLAND					
Division	2424 SE 9th Ave	Portland	n/a	2016	5-story
Killingsworth Apts	NE 19th and Killingsworth	Portland	4	2016	
NE Multnomah Apts	3205 NE Multnomah	Portland	4	2016	3-story units
Madison Apts	1932 SE Madison St	Portland	4	2016	2-story
Killingsworth Apts	1340 NE Killingsworth	Portland	6	2016	3-story
SE 65th and Division	6518 SE Division St	Portland	9	2016	Associated with apt to west and south
Stafford Apts	424 NE Stafford St	Portland	10	2016	
Killingsworth Apts	1360 NE Killingsworth	Portland	12	2016	3-story, two buildings
51st and Division Apts	5134 SE Division Street	Portland	14	2016	3-story, two buildings, courtyard style
Insley Apts	5350 SE 18th St	Portland	18	2016	3-story
Lambert Apts	1313 SE Lambert St	Portland	19	2016	4-story
N Ivanhoe Apts	8510 N Ivanhoe St	Portland	20	2016	3-story
SE 24th Apts	88 SE 24th Ave	Portland	24	2016	4-story, no on-site parking
42nd and Belmont Apts	4262 SE Belmont St	Portland	27	2016	4-story, one retail space, on-site parking
The Truman Apts	1515 SE 44th Avenue	Portland	30	2016	4-story, mixed use, ground floor retail
Sellwood Apts	8028 SE 13th Ave	Portland	30	2016	4 story, mixed use
16th and Killingsworth	1616 NE Killingsworth	Portland	34	2016	4-story, mixed use
Killingsworth Apts	1650 NE Killingsworth St	Portland	34	2016	4-story, 20+ units
Glisan Apts	2250 NE Glisan St	Portland	37	2016	5-story, on-site parking
Brooklyn Yard	SE Milwaukie & Schiller	Portland	46	2016	4-story, ground floor retail
Miracles Club	1306 NE 2nd Ave	Portland	47	2016	6-story, Miracles Central
SE Oak Apts	1324 SE Oak St	Portland	48	2016	4-story, on-site parking.
NE Fremont Apts	4515 NE Fremont Ave	Portland	50	2016	Ground floor retail, on-site parking
Belmont Apts	2100 SE Belmont Street	Portland	55	2016	4-story, On-site parking
SE 11th Ave Apts	950 SE 11th Avenue	Portland	63	2016	
Eliot Apts	2605 NE 7th Avenue	Portland	68	2016	6-story, on-site parking
Old Wives Tales	1300 E Burnside St	Portland	69	2016	4-story, Former site of Old Wives Tales
Burnside Bridgehead	321 NE Couch Street	Portland	75	2016	10-story, mixed use, on-site parking, office
Galaxie Apts	7400 SE Milwaukie	Portland	76	2017	4-story, on-site parking
Umatilla Apts	8237 SE 17th Ave	Portland	76	2016	4-story, parking on-site. Currently 1 level retail.
St. Francis Church Site	1136 S.E. Oak St	Portland	106	2017	Affordable & market rate 4 story, retail
D50 Lofts	4975 SE Division St	Portland	134	2017	Ground floor retail, on-site parking
419 E Burnside	55 NE Grand Avenue	Portland	158	2017	6-story, on-site parking, mixed use
Moderia Belmont	818 SE 6th Ave	Portland	214	2017	6-story, on-site parking, ground floor retail
Belmont "Goat Blocks"	SE 10th and Belmont St	Portland	257	2017	Two adjacent sites. Retail and parking.
Block 67	22 NE 2nd Ave (Block 67)	Portland	276	2017	21 story, mixed use, structured parking
CLOSE-IN WESTSIDE PORTLAND					
NW 16th Ave Apts	233 NW 16th Ave	Portland	n/a	2016	On-site parking, demo existing building
Pettygrove Apts	2240 NW Pettygrove St	Portland	22	2016	5-story
Hillsdale Apts	5075 SW 56th Avenue	Portland	22	2016	3-story apartment, associated with adjacent apt
Savier Apts	2301 NW Savier St	Portland	36	2016	Ground floor retail and parking
23rd and Raleigh Apts	2330 NW Raleigh St	Portland	40	2016	4-story, on-site parking

CLOSE-IN WESTSIDE PORTLAND *(continued)*

NW 20th Apts	2010 NW Pettygrove St	Portland	49	2016	5-story, on-site parking
Tess O'Brien Apts	1950 NW Pettygrove St	Portland	52	2016	6 story, current a surface parking lot
NW 19th Apts	1313 NW 19th Ave	Portland	58	2016	6 story, on-site parking
Market View Apts	1115 SW Market Street	Portland	67	2016	6 story. Ground floor retail. On-site parking.
Tess O'Brien Apts	1953 NW Overton St	Portland	74	2016	6 story, 2 buildings, 5/1 construction
11th and Market Apts	1133 SW Market Street	Portland	100	2016	9-story, ground floor retail, near PSU
Taylor Apts	1551 SW Taylor St	Portland	121	2016	6-story with below grade parking
Couch9 Apts	115 NW 9th Avenue	Portland	145	2016	11-story, on-site parking, ground floor retail
18th and NW Front Apts	1850 NW Front Ave	Portland	149	2016	6-story, mixed use, on-site parking
Riverscape Lot 1 Apts	NW Front & NW 15th Ave	Portland	149	2016	6 story, below grade & surface parking
Abigail Apts	1650 NW 13th Ave	Portland	155	2016	6 story, ground floor retail
Q21 Mixed Use	2140 NW Quimby St	Portland	163	2016	7-story, retail and office space, on-site parking.
NW 21st & Quimby Apts	2112 NW Quimby	Portland	163	2016	5 story, studio, 1, 2, and 3 BR units
John's Landing Apts	4850 SW Macadam Ave	Portland	189	2016	Two parcels, along river
Jefferson Apts	1221 SW 11th Ave	Portland	196	2016	15 story, on-site parking, ground floor retail
Block 43	3850 SW Moody Ave	Portland	199	2016	6-story, ground floor retail, 2 levels UG parking
Riverscape Lot 8 Apts	2220 NW Front Ave	Portland	260	2016	2 bldgs, 7 story, surface & below grade parking
Block 37	3700 SW River Pkwy	Portland	278	2017	6 story, ground floor retail, below grade parking
PNCA Block (Block 136)	1241 NW Johnson St	Portland	280	2017	Two buildings, 15 & 5 stories
12 Overton	1333 NW 12th Ave	Portland	285	2016	26 story, ground floor retail, 3-story UG parking
Moderia Pearl	1420 NW 14th Ave	Portland	290	2017	9-story, Cash & Carry Site, 2 levels UG parking

SUBURBAN WEST

Blanton St Apts	3980 SW 170th Ave	Aloha	32	2016	32 Units in a single building
Orchards @ Orenco	953 NE 65TH Ave	Hillsboro	160	2016	Low income
Downtown Tigard Apts	SW Ash Ave & Burnham St	Tigard	166	2017	4-story, on-site parking. Ground floor retail.
Sunset View Apts	16251 SW Jenkins Road	Beaverton	236	2016	3 and 4 story, 10 buildings, clubhouse
Sequoia Village	21575 W Baseline Rd	Hillsboro	242	2016	25 acre site, 13 separate bldgs, mixed use.
North Bethany Crest	NW Kaiser Rd & Brugger Rd	Portland	251	2016	201 apts in 11 bldgs, 50 TH's in 7 bldgs
Amberglen on the Park	20150 NW Amberglen Court	Beaverton	277	2017	Two, 3-story blgs & two, 4-story bldgs.

SUBURBAN EAST

Brooklyn Apts	8315 SE Brooklyn Street	Portland	9	2016	3-story
SE 148th Apts	18 SE 143rd Ave	Portland	9	2016	3-story
142nd and Burnside	14224 E Burnside St	Portland	9	2016	3-story
142nd and Burnside	14224 E Burnside St	Portland	12	2016	3-story
142nd and Burnside	14224 E Burnside St	Portland	13	2016	3-story
NE 147th and Couch	NE 147th and Couch	Portland	38	2016	4 buildings, 3 story each, on-site parking
Lents Apts	5205 SE 86th Ave	Portland	40	2016	Subsidized, location of former Foster Elementary
Station 162 Apts	306 SE 162nd Ave	Gresham	44	2016	4-story, surface parking
Foster Assisted Care	13011 SE Foster Rd	Portland	68	2016	Assisted living facility

SUBURBAN SOUTH

Zetterberg Estate Apts	15452 East Ave	Oak Grove	16	2016	4 4-unit buildings, vacant site
Town Center Greens	8500 SE 85th Avenue	Happy Valley	60	2016	Subsidized
Stone Place Apts Phase 3	31696 S Ona Way	Molalla	96	2016	Phase 3 of larger project
Webster Ridge Apts	18121 Webster Rd	Gladstone	120	2016	5 buildings, 24 units each
Wizer Block	330 1st St	Lake Oswego	207	2017	Downtown Lake Oswego, 4 story, on-site parking
Clackamette Cove	South Agnes Rd	Oregon City	400	2017	Formerly proposed & revived. Surrounding lagoon

CLARK COUNTY

8 Unit 6th Street	8215 SE 6th Street	Vancouver	8	2016	
Leverich Park Apts	4700 NE Leverich Park Way	Vancouver	28	2016	
Lincoln Place Apts	W. 13th and Lincoln Ave	Vancouver	30	2016	Studio units for chronically homeless
VWII	505 E 15th Street	Vancouver	48	2016	40 apts, 8 work/live units
Isabella Court	3112 NE 62nd Ave	Vancouver	49	2016	4-story, senior apartment
Freedom Paths	1601 E 4th Plain Blvd	Vancouver	50	2016	50 bed complexes for veterans
Lofts at Glenwood	NE 82nd & Vancouver Mall	Vancouver	83	2016	Loft style senior apts
13 West Apts	1314 SW Columbia Street	Vancouver	92	2016	
Westridge Lofts	S 192nd and 20th St	Vancouver	110	2016	4.5 acre, mix of apts and hotel

PORTLAND'S URM SEISMIC RETROFIT PROJECT

Walt McMonies, Of Counsel, Lane Powell P.C.



Alarmed by the potential impacts of a significant earthquake on unreinforced masonry (URM) buildings, the City of Portland began a project in 2014 intended to analyze and, if appropriate, propose City Code changes to expedite the seismic retrofitting of URM buildings, that is, buildings with at least one un-reinforced masonry bearing wall. The City Council will decide sometime this summer what regulatory changes are needed and what financial support for URM owners will be possible.

HOW DID WE GET HERE?

According to undersea seismologist Prof. Chris Goldfinger of Oregon State University, there is a 37% chance of Portland experiencing a Magnitude 8.7 to 9.2 subduction earthquake (the Big One) in the next 50 years, although the epicenter will likely be at least 100 kilometers distant along the Cascade Subduction Zone. Because of proximity, a M 6.5 crustal quake on the Portland Hills fault might be just as damaging to the inner west side of Portland.

In a large earthquake, URM buildings are vulnerable to a high level of damage or collapse. The City's approximate 1,800 URM buildings include some of the City's most historically significant structures, and provide cultural character, moderate-rate housing for 8,000 to 10,000 people and incubator office and creative commercial space for thousands more.

Under current Title 24.85, seismic upgrades to an existing building are mandated only when the owner voluntarily activates a "passive trigger," such as materially changing the occupancy or use, or undertaking a renovation at or above a specific cost threshold. Roof upgrades, in particular parapet wall bracing, are required when more than 50% of the building is re-roofed.

The City's Bureau of Development Services (BDS) estimates that in the 20 years since Title 24.85 was adopted, less than 20% of the identified URMs in Portland have been seismically upgraded or demolished. Portland's slow rate of URM upgrading is consistent with the data on those California cities which relied on incentives and passive triggers to induce retrofitting. They had upgrade rates ranging from 13 to 31% after 15 years. In contrast, California cities which chose to mandate seismic upgrades of URMs had an average compliance rate of 87%.

Although it is technically feasible to seismically upgrade a URM, the financial feasibility of those upgrades is a real question. The typical URM building owner analyzes a major expenditure on a "money invested, money repaid" (payback) basis. Looking at seismic upgrading on a payback basis, URM Life/ Safety upgrades in Portland are currently at best marginally cost effective, given that upgrading takes 20 to 25 years to payback the owner's investment through higher rents and lower expenses (in particular, less costly earthquake insurance and a lower cost of mortgage funds). And that assumes that the owner has or can borrow sufficient funds to commission and pay for seismic retrofit cost of say \$45 a square foot, a doubtful presumption for many URM owners, who already have a lot of debt.

From a public risk management perspective, as was concluded in a 1995 cost benefit analysis prepared for Portland by Geologist Ken Goettel, retrofitting URMs sufficiently to allow occupants to survive a quake and to exit a building (Life/Safety standard) will cost less than the benefits in terms of lives saved and economic losses avoided in an earthquake.

MANDATORY UPGRADE SYSTEM IN DEVELOPMENT

Driven by Goettel's conclusion that the seismic upgrading of URMs to a Life/Safety standard is cost effective and BDS's finding that URMs are not being seismically upgraded quickly enough, the City appointed a series of three committees to build a recommendation for seismic policy changes.

First, the Retrofit Standards Committee, comprised of city staff and technical experts analyzing the URM vulnerability, recommended mandatory seismic upgrades of most URMs (unless significant reinforcement had already occurred,) although the degree of upgrade should depend on occupancy load, building height and size, but not soil stability and/or liquefaction risk. This committee also recommended tightening Title 24.85 so that parapet wall bracing would be required for any roof replacement, partial or total.

The Retrofit Standards Committee divided commercial URM buildings into five classes. Private owners will typically find their buildings falling into Classes 3, 4 and 5.

- **CLASS 3, structures with four or more stories, high occupancy (300 or more) or apartments with 100 or more units should be retrofitted to Life/Safety standards.**
- **CLASS 4, lower buildings (1-3 stories) with fewer occupants should be retrofitted either to Life/ Safety or less stringent "Bolts Plus" standards (no exterior wall strengthening).**
- **CLASS 5, one or two stories, 10 or fewer occupancy would be given ten years to brace parapets and attach exterior and bearing walls to floors and roof.**

For the typical three or four story URM apartment building, whether URM Class 3 or 4, the owner will have 25 or (if a hardship is demonstrated) 30 years to complete mandatory upgrades, with an ASCE 41 seismic assessment to be completed within three years of notification from the City that it believes the owner's building is a URM. Although these timeframes may seem inadequate for many owners given the need for funding and the slow payback, the Standards Committee's originally proposed timeframes were significantly less favorable to owners.

PROPOSED FINANCIAL ASSISTANCE

In June 2015, the Retrofit Standards Committee's work was passed onto the Support Committee, which had two charges: (1) to determine the cost of a typical seismic upgrade and (2) to make recommendations on how to make an upgrade economically feasible to owners through financial assistance.

Starting with a 1995 FEMA analysis, then updating it for cost increases and comparing it with some recent seismic upgrade project costs, the Support Committee estimated hard costs for seismically upgrading a typical URM to Life/Safety standards are \$35 to \$40 a gross square foot, or \$1.4 to \$1.6 million for a 40,000 square foot Class 3 building. The cost to bring the URM to the much higher Immediate Occupancy standard was \$63 to \$74/sq. ft. The total cost, including soft costs, such as renter relocation and foregone rent, is typically the hard cost plus \$30/sq. ft.

The Support Committee recommended various types of financial assistance to owners, including adding a state tax credit for a percentage of seismic expenditures, adding a property tax abatement or assessment freeze, providing a grant to cover initial expenses, possible low interest loans and expanding FAR transfers to allow owners of non-historic buildings to sell their FAR. The Committee recognized that a variety of options were needed, as seismic tax credits and property tax freezes would likely not help non-profit developers, and historic properties already have access to the federal historic tax credit, a property tax assessment freeze and a right to transfer FAR.

WHAT IS AHEAD

In early 2016, the work of the Retrofit Standards and Support Committees was given to the Seismic Policy Committee to consider and balance all these issues and develop a final set of recommendations to City Council by early summer 2016. Council will adopt a final package of regulatory changes over the summer.

SO WHAT COULD ALL THIS MEAN TO A URM BUILDING OWNER?

Of the some 1,800 URMs in Portland, by the authors' count there are about 300 apartment buildings, totaling approximately 6 million square feet and conservatively worth something like \$650 million, in need of partial or full seismic retrofits. Given the credible science indicating an impending "Big One," there is likely no way for an

owner of a Class 3 or 4 URM (not situated on rock or extremely firm soil) to avoid having to do one of the following: (a) seismically upgrade, (b) sell to or joint venture with someone who can afford to and will seismically upgrade or (c) demolish the building.

Assuming that the City mandates URM upgrading and adoption of the proposed 25-year timetable on retrofits, lenders, buyers and insurers of commercial buildings will likely want to know the seismic condition of Portland URM buildings with which they are dealing.

Unless or until cured, seismic deficiencies will necessarily reduce the building's value considerably. Lenders making loans collateralized by URM apartments will likely: want the owners to carry earthquake insurance, complete a seismic upgrade, and/or accept personal liability on the loan and have a net worth well in excess of the loan. Insurance companies will likely: require an ASCE 41 seismic analysis be performed on any URM buildings to be insured, reduce the amount and scope of earthquake coverage on Portland URMs, increase the premiums, increase the deductible, and potentially require that seismic upgrades to be commenced.

Obviously it is essential that any mandatory URM retrofit program adopted by the City be flexible in its impositions on URM owners and include substantial financial help to the owners so the payback is positive and owners are not forced to demolish URMs.

URM owners who want to weigh in and express their views should follow City Council agendas and the project website:
<http://www.portlandoregon.gov/pbem/66418>

Walt McMonies focused his practice on real estate and business transactions, including acquisitions of real estate, commercial leasing, mortgage finance, LLC formation and structuring, Section 1031 exchanges, condominiums and family farms. He has substantial experience representing real estate developers, family trusts, and apartment, office and retail property investors. He has a special interest in historic buildings and their renovation and seismic upgrading.



2015 PORTLAND MSA APARTMENT OPERATING EXPENSES

(not including capital expenses or reserves)

	MULTNOMAH COUNTY						WASHINGTON COUNTY		CLACKAMAS COUNTY		CLARK COUNTY	
	GARDEN-STYLE 2000-CURRENT	GARDEN-STYLE 1951-1999	GARDEN-STYLE 1910-1950	URBAN-STYLE 2000-CURRENT	URBAN-STYLE 1910-1950	URBAN-STYLE per unit	GARDEN-STYLE 2000-CURRENT	GARDEN-STYLE 1951-1999	GARDEN-STYLE 2000-CURRENT	GARDEN-STYLE 1951-1999	GARDEN-STYLE 2000-CURRENT	GARDEN-STYLE 1951-1999
TOTAL # OF UNITS: 8,358	337	2102	559	244	886		362	1873	953		141	901
TOTAL # OF PROPERTIES: 122	4	29	10	4	28		4	22	9		2	10
EXPENSES												
REAL ESTATE TAXES	1.05	1.17	1.44	3.37	2.10	934	1.22	1.17	1.16	1.018	1.24	0.99
PROPERTY INSURANCE	0.19	0.25	0.38	0.25	0.46	221	0.16	0.19	0.24	0.213	0.14	0.26
PROFESSIONAL OFF-SITE MGMT	0.60	0.45	1.31	1.06	2.02	798	0.43	0.53	0.49	0.391	0.48	0.47
ON-SITE MGMT/LEASING MAINT STAFF	1.03	0.98	0.69	1.58	1.27	603	1.06	1.03	1.03	0.911	1.04	1.26
OFFICE/ADMINISTRATION	0.33	0.21	0.33	0.65	0.40	193	0.14	0.18	0.15	0.102	0.19	0.26
ELECTRICITY	0.09	0.09	0.12	0.48	0.25	136	0.09	0.10	0.06	0.050	0.08	0.05
WATER AND SEWER	0.61	0.66	1.10	0.67	1.02	524	0.78	0.89	0.97	0.763	0.55	0.54
GARBAGE COLLECTION	0.19	0.24	0.22	0.14	0.22	106	0.17	0.21	0.31	0.209	0.28	0.29
GAS/OIL	-	-	0.22	0.07	0.27	135	0.01	0.00	0.01	0.876	0.00	0.00
TELEPHONE/INTERNET	0.04	0.05	0.02	0.17	0.12	66	0.05	0.04	0.05	0.35	0.07	0.04
ADVERTISING/MARKETING	0.04	0.03	0.00	0.17	0.00	1	0.15	0.06	0.03	0.26	0.05	0.06
LANDSCAPE/GROUNDS MAINTENANCE	0.19	0.20	0.25	0.04	0.13	59	0.22	0.37	0.23	0.191	0.33	0.29
MAINTENANCE AND REPAIRS (index)	0.56	0.52	0.52	0.44	0.90	467	0.63	0.60	0.43	0.401	0.18	0.44
TURNOVER COSTS (painting, cleaning, etc.)	0.30	0.28	0.25	0.24	0.53	244	0.27	0.25	0.18	0.173	0.19	0.21
MISCELLANEOUS	-	-	-	0.00	0	-	-	-	-	0.00	0.00	0
TOTAL	\$5.23	\$4,499	\$5.17	\$4,585	\$6.87	\$5,413	\$5.40	\$5,235	\$5.61	\$4,894	\$4.82	\$4,704



THE Apartment Report



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Thank you to all who contributed to the making of this report.

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MAP AREA	TENANT PAID UTILITIES		
	WATER/SEWER	HEAT	GARBAGE
NW PORTLAND	64.3%	90%	57.1%
HILLSBORO N OF HWY 26	77.8%	100%	66.7%
ALOHA	84.9%	100%	73.6%
BEAVERTON	66.1%	91.4%	46.8%
DOWNTOWN PORTLAND	60%	87.5%	60%
SW PORTLAND	75.6%	92.7%	43.9%
TIGARD TUALATIN SHERWOOD	70%	100%	60%
LAKE OSWEGO WEST LINN	47.4%	94.7%	42.1%
WILSONVILLE CANBY	80%	100%	66.7%
OREGON CITY GLADSTONE	72.7%	100%	36.4%
MILWAUKIE	92.6%	100%	44.4%
CLACKAMAS	75%	100%	50%
INNER & CENTRAL SE PTLD	29.4%	58.8%	24.3%
OUTER SE PORTLAND	66.7%	96.1%	31.4%
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM	64.7%	100%	32.4%
OUTER NE PORTLAND	71.4%	96.4%	35.7%
INNER & CENTRAL NE PTLD	24%	51%	17.7%
NORTH PTLD ST. JOHNS	41.4%	82.8%	20.7%
WEST VANCOUVER	72.7%	97%	60.6%
EAST VANCOUVER	73.7%	100%	57.9%
SALEM VICINITY	53.3%	96.3%	46.7%
EUGENE SPRINGFIELD	47.8%	96.7%	42.4%
BEND REDMOND	55.6%	77.8%	11.1%

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