## BALANCING ACT

Craig McConachie, Cઉ̉R Real Estate Services, Co. Apartment Report Committee

The balance between supply and demand has started to tip towards the supply side, but overall fundamentals are still favorable for a majority of the surveyed areas. Occupancy still remains healthy and new units are gradually being absorbed, albeit at a slower pace. It's looking like the number of units being delivered in the Portland MSA will end up the year around 6,300, with an additional 30,000 in the development pipeline. Portland landlords are continuing to struggle with the City's Relocation Assistance Ordinance, and developers are working through the requirements of inclusionary zoning, as political pressure continues to play a significant role in multifamily housing, both locally and on the state level. The tight employment market has increased costs for new construction and material prices are expected to rise due to supplies needed for hurricane rebuilding efforts, further hindering efforts to build affordable housing.
The close-in urban markets are reaching saturation, as builders look to the suburbs for new development opportunities. Close to 50\% of the new construction currently taking place is in Central and East Portland. Rent growth continues to slow, with 2018 projected to see between $4 \%$ and $5 \%$ for the Portland MSA. Class A product will likely be lower. This represents a considerable slow down compared to double digit growth two years ago.

For sale inventory for apartments remains extremely low. The number of closed transactions in Portland Metro continues to decrease, and CAP rates have risen in the third quarter. The median price per unit in 3Q17 was $\$ 139,773$ and the median price per square foot was $\$ 169$.

## Portland/Vancouver VACANCY:

Downtown Portland registered the highest vacancy factor of all areas surveyed at $5.7 \%$. This vacancy factor has more than doubled in just six months, demonstrating that additional Class A inventory in this close-in submarket is outpacing absorption. The Portland/Vancouver vacancy factor increased by 36 basis points from our Spring report, and currently stands at 4.37\%. The Outer Northeast Portland area has the lowest vacancy factor of $3.4 \%$, followed by Beaverton and Oregon City, both at $3.6 \%$. Both Northwest and Southwest Portland show increasing softness, with vacancy factors over $5 \%$. Three-bedroom units continue to have the best occupancy of all unit types, with average vacancy of $3.6 \%$. Studio units have the highest vacancy of $5.3 \%$. Affordability issues are causing more tenants to seek roommates.

## RENT RATES:

Overall rents in the Metro area experienced a $4.7 \%$ increase since our Spring report. The year over year increase since our Fall'16 report came in at $6.8 \%$. This continues the downward trajectory for the pace of rent growth from the previous two years, when $10 \%+$ increases were occurring. In the past six months the only area that experienced a rent rate decline was Inner and Central Southeast Portland. This is a growing concern for all of the new properties currently opening in this high-supply area. Rent rates in Southwest Portland spiked up $20 \%$, but vacancy also increased by $50 \%$, which may signal that landlords might be over-reaching in this area.

Average rent per sq. ft. for all areas combined is $\$ 1.57$. The Downtown core continues to have the highest rates at $\$ 2.30$, with NW Portland coming in second at $\$ 2.09$. Outer NE Portland has the lowest rate of $\$ 1.21$, with West Vancouver and Troutdale/Fairview slightly higher at $\$ 1.27$.

## Overall average rents per unit type Portland MSA:

Studio: . $\$ 1127$
1 bdrm/1 bth: \$1173
2 bdrm/1 bth: .............. $\$ 1150$
2 bdrm/2 bth: .............. $\$ 1409$
2 bdrm twnhs: ............. $\$ 1363$
3 bdrm/1 bth: .............. $\$ 1258$
3 bdrm/2 bth: .............. $\$ 1530$
(continued on page 2).


## SURVEY SAYS!

- Vacancy Rises
- Rent Growth Slows
- IZ Impacting Development
- Bend/Redmond Red Hot


## TABLE ロF CロNTENTS

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 AVERAGE RENT PER SQUARE FOOT AVERAGE MARKET VACANCY RATE AVERAGE NO. OF DAY VACANT . . . . . . . . . . . 3 SURVEY RESULTS ............................. . 4-5 TREND REPORT. . .6 APARTMENT MARKET........................... . 7 CONSTRUCTION UPDATE . . . . . . . . . . . . . . 8-9 RECENT APARTMENT SALES . . . . . . . . . . . . 10 ECONOMIC UPDATE........................... 11 INCENTIVES . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 11 SEC 42 SURVEY RESULTS . . . . . . . . . . . . . . . . . 11 TENANT PAID UTILITIES .```
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## PロRTLAND METRロ AREA

## MULTNロMAH CロUNTY

（5）DOWNTOWN PORTLAND
（1）NW PORTLAND
（13）INNER \＆CENTRAL SE（PTLD）
（17）INNER \＆CENTRAL NE（PTLD）
（18）NORTH PORTLAND｜ST．JOHNS
（6）SW PORTLAND
（14）OUTER SE（PORTLAND）
（16）OUTER NE（PORTLAND）
（15）TROUTDALE｜FAIRVIEW WOOD VILLAGE｜GRESHAM

CLACKAMAS CロபNTY
（12）CLACKAMAS
（8）LAKE OSWEGO｜WEST LINN
（11）MILWAUKIE
（10）OREGON CITY｜GLADSTONE
（9）WILSONVILLE｜CANBY

（continued from page 1）．

## MARKET CONDITIONS：

New lease－ups are slow to reach stabilization and rent concessions are increasing，with many new projects offering four plus weeks of free rent，with additional incentives on top．Numerous sites are reporting that prospective renters are shopping for deals and negotiating rents and concessions，prior to making their decision．Home purchasing continues to be a leading reason for the majority of move outs．

The average number of days that a unit will stay vacant for the entire Portland area has increased from 29 to 35．Lake Oswego and Inner and Central SE Portland are experiencing the fastest turnover rates of 12 days or less．

## Other Areas

Bend／Redmond is an extremely tight market．Vacancy levels continue to drop and rent rates are escalating．Vacancy is below 1\％，（an all－time low）and rents are up $9 \%$ since the Spring survey．They are still experiencing a very quick turnover，with only 16 days vacant between tenants．Bend landlords are busy，but happy！Eugene／Springfield also remains a healthy landlord＇s market but vacancies have risen and are up to $3.7 \%$ ，with rents staying relatively flat．The Salem market vacancy is down to $2.6 \%$ ，with rents up slightly to $\$ 1.20$ psf．The Salem and Eugene areas are reporting approximately 33 days vacant between tenants．

## Our Contributors

Patrick Barry，with Barry and Associates，has contributed an article with an update on new construction in the Portland market．He breaks out permits issued by county and states that＂Clark County is on track for the busiest year in apartment construction since at least 1991＂． Patrick points out that any potential slowdown in apartment construction won＇t be seen for at least 24 months due to Portland＇s slow plan and permitting review time．Inclusionary zoning has slowed permit applications，but there remains a large backlog of projects awaiting approval．

Leah Sykes，from Greenspoon Marder，provided a concise legislative summary for both state law and local ordinances．While rent control
and the banning of＂no cause＂notices were defeated at the state level， these issues will remain on the agenda for lawmakers in the coming session．Leah also gives a brief explanation of the City of Portland＇s relocation assistance ordinance．

Tyler Johnson，with HFO Investment Real Estate，offers a broker＇s perspective of the market，likening it to the late innings of a tie baseball game．Tyler examines transactional volume in both institutional and non－institutional deals over the past two years，and weighs in on the political issues．He feels that recent regulations are disincentives that ＂only serve to continue the housing emergency far into the future＂．

Amy Vander Vliet，State Economist from the Oregon Office of Economic Analysis，examines the Portland area job market．With low inflation，rising income levels and historic low unemployment，Amy writes that＂we＇ve hit a sort of economic sweet spot．＂Amy points out that the region is adding 3,000 jobs per month，with most major industries contributing to the gains．

This survey represents a total of 64,531 units from 887 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．


AVERAGE RENT PER SQUARE FロロT 串


AVERAGE MARKET VACANCY RATE \％


AVERAㄷE NUMBER ロF DAYG VACANT－PロRTLAND／VANEロUVER


PロRTLAND/VANCIUVER METRG AREA

| AREA NAME | $\begin{aligned} & \text { \# OF } \\ & \text { PROP } \end{aligned}$ | DATA | ALL | SPR 17 REPORT | CHANGE | STUDIO | $\begin{gathered} 1 \text { BED } \\ 1 \text { BATH } \end{gathered}$ | $\begin{gathered} 2 \text { BED } \\ 1 \text { BATH } \end{gathered}$ | $\begin{gathered} 2 \text { BED } \\ 2 \text { BATH } \end{gathered}$ | $\begin{aligned} & 2 \text { BED } \\ & \text { TWNHS } \end{aligned}$ | $\begin{gathered} 3 \text { BED } \\ 1 \text { BATH } \end{gathered}$ | $\begin{gathered} 3 \text { BED } \\ 2 \text { BATH } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| DOWNTOWN PORTLAND(5) | 39 | AVG MARKET VACANCY RATE \% | 5.72 | 2.85 | 1.01 | 5.53 | 6.32 | 5.96 | 3.18 | 0 | - | 12.5 |
|  |  | AVG RENT PER SQ FOOT \$ | 2.3 | 2.23 | 0.03 | 2.53 | 2.21 | 1.85 | 2.21 | 2.18 | - | 2.16 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1053 | 1418 | 1526 | 2420 | 2594 | - | 2534 |
|  |  | SUM OF UNITS SURVEYED | 2694 | 2456 |  | 1030 | 1203 | 218 | 220 | 15 | 0 | 8 |
| NW PORTLAND <br> (1) | 65 | AVG MARKET VACANCY RATE \% | 5.03 | 5.46 | -0.08 | 6.63 | 4.42 | 4.65 | 5.35 | 6.12 | 5.56 | 2.19 |
|  |  | AVG RENT PER SQ FOOT \$ | 2.09 | 2.03 | 0.03 | 2.77 | 2.17 | 1.49 | 1.82 | 1.75 | 1.39 | 1.25 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1361 | 1519 | 1299 | 1865 | 1742 | 1555 | 1472 |
|  |  | SUM OF UNITS SURVEYED | 5213 | 5527 |  | 995 | 2197 | 538 | 1197 | 49 | 54 | 183 |
| INNER \& CENTRAL SE PORTLAND <br> (13) | 116 | AVG MARKET VACANCY RATE \% | 4.26 | 3.47 | 0.23 | 4.28 | 5.77 | 2.78 | 2.55 | 1.91 | 5.41 | 0 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.68 | 1.76 | -0.05 | 2.55 | 1.69 | 1.42 | 1.68 | 1.24 | 1.17 | 1.27 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1063 | 1136 | 1210 | 1788 | 1130 | 1325 | 1409 |
|  |  | SUM OF UNITS SURVEYED | 2677 | 3286 |  | 327 | 1195 | 791 | 157 | 157 | 37 | 13 |
| INNER \& CENTRAL NE PORTLAND <br> (17) | 91 | AVG MARKET VACANCY RATE \% | 4.29 | 4.88 | -0.12 | 3.1 | 5.06 | 2.6 | 11.54 | 4.55 | 0 | 4.35 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.84 | 1.71 | 0.08 | 2.85 | 1.75 | 1.46 | 1.77 | 1.41 | 1.11 | 1.44 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1095 | 1138 | 1199 | 1852 | 1278 | 1198 | 1583 |
|  |  | SUM OF UNITS SURVEYED | 2049 | 2419 |  | 323 | 1106 | 462 | 52 | 66 | 17 | 23 |
| N PORTLAND \| ST. JOHNS(18) | 16 | AVG MARKET VACANCY RATE \% | 3.96 | 1.64 | 1.41 | 2.35 | 5.58 | 4.05 | 3.51 | 0 | 0 | 0 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.71 | 1.65 | 0.04 | 2.31 | 1.57 | 1.33 | 1.96 | 0.89 | 1.32 | 1.68 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1199 | 1050 | 1066 | 1858 | 865 | 1182 | 1500 |
|  |  | SUM OF UNITS SURVEYED | 681 | 852 |  | 170 | 269 | 148 | 57 | 24 | 11 | 2 |
| SW PORTLAND <br> (6) | 40 | AVG MARKET VACANCY RATE \% | 5.14 | 3.42 | 0.50 | 5.62 | 5.13 | 4.97 | 6.69 | 4.88 | 2.33 | 2.13 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.84 | 1.53 | 0.20 | 2.52 | 2 | 1.37 | 1.8 | 1.4 | 1.03 | 1.26 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1211 | 1415 | 1158 | 2070 | 1605 | 1122 | 1514 |
|  |  | SUM OF UNITS SURVEYED | 2527 | 2716 |  | 267 | 1228 | 463 | 344 | 41 | 43 | 141 |
| OUTER SE (PORTLAND)(14) | 38 | AVG MARKET VACANCY RATE \% | 4.52 | 3.64 | 0.24 | 6.18 | 4.06 | 4.75 | 4.64 | 4.51 | 0 | 4.03 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.34 | 1.28 | 0.05 | 2.06 | 1.45 | 1.23 | 1.24 | 1.23 | 1.04 | 1.21 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 867 | 936 | 1030 | 1241 | 1313 | 995 | 1557 |
|  |  | SUM OF UNITS SURVEYED | 2498 | 2498 |  | 178 | 591 | 674 | 625 | 244 | 37 | 149 |
| OUTER NE (PORTLAND)(16) | 26 | AVG MARKET VACANCY RATE \% | 3.43 | 4.5 | -0.24 | 12.5 | 2.96 | 4.43 | 2.42 | 2.94 | 0 | 0 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.21 | 1.14 | 0.06 | 1.66 | 1.29 | 1.19 | 1.07 | 1.01 | 1.04 | 1.19 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 716 | 911 | 1040 | 1060 | 1179 | 1200 | 1279 |
|  |  | SUM OF UNITS SURVEYED | 1692 | 1754 |  | 16 | 574 | 723 | 248 | 34 | 16 | 81 |
| TROUTDALE \| FAIRVIEW WOOD VILLAGE \| GRESHAM (15) | 32 | AVG MARKET VACANCY RATE \% | 3.82 | 3.43 | 0.11 | 4 | 2.82 | 4.66 | 2.96 | 9.3 | 2.7 | 2.08 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.27 | 1.18 | 0.08 | 1.88 | 1.42 | 1.21 | 1.19 | 1.36 | 1.18 | 1.14 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 817 | 932 | 1040 | 1161 | 1287 | 1097 | 1314 |
|  |  | SUM OF UNITS SURVEYED | 2487 | 2563 |  | 75 | 461 | 687 | 911 | 172 | 37 | 144 |
| CLACKAMAS <br> (12) | 6 | AVG MARKET VACANCY RATE \% | 3.88 | 4.5 | -0.14 | 0 | 4.61 | 3.97 | 4.62 | - | - | 0.65 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.43 | 1.38 | 0.04 | 2.02 | 1.53 | 1.4 | 1.36 | - | - | 1.37 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 921 | 1092 | 1231 | 1324 | - | - | 1519 |
|  |  | SUM OF UNITS SURVEYED | 1212 | 1333 |  | 18 | 304 | 302 | 433 | 0 | 0 | 155 |
| LAKE OSWEGO \| WEST LINN (8) | 15 | AVG MARKET VACANCY RATE \% | 4.17 | 4.53 | -0.08 | 0 | 5.49 | 4.69 | 2.44 | 4.17 | 0 | 2.15 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.54 | 1.54 | 0.00 | 2.54 | 1.64 | 1.38 | 1.47 | 1.37 | 0.88 | 1.42 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1029 | 1206 | 1230 | 1482 | 1519 | 1415 | 1772 |
|  |  | SUM OF UNITS SURVEYED | 1008 | 1193 |  | 37 | 401 | 192 | 164 | 120 | 1 | 93 |
| MILWAUKIE <br> (11) | 23 | AVG MARKET VACANCY RATE \% | 4.19 | 3.67 | 0.14 | 3.15 | 4.14 | 4.24 | 3.85 | 6.54 | 0 | 3.92 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.41 | 1.35 | 0.04 | 2 | 1.49 | 1.3 | 1.42 | 1.08 | 1.22 | 1.35 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 905 | 981 | 1111 | 1326 | 1059 | 1207 | 1519 |
|  |  | SUM OF UNITS SURVEYED | 1934 | 2396 |  | 127 | 652 | 755 | 182 | 107 | 9 | 102 |
| OREGON CITY \| GLADSTONE(10) | 7 | AVG MARKET VACANCY RATE \% | 3.64 | 5.1 | -0.29 | 5 | 3.28 | 1.9 | 0 | 0 | 12.5 | 13.51 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.33 | 1.29 | 0.03 | 1.97 | 1.54 | 1.23 | 1.4 | 1.18 | 1.35 | 1.18 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 962 | 980 | 1080 | 1279 | 1000 | 1293 | 1585 |
|  |  | SUM OF UNITS SURVEYED | 549 | 549 |  | 20 | 122 | 211 | 56 | 58 | 8 | 74 |
| WILSONVILLE \| CANBY <br> (9) | 15 | AVG MARKET VACANCY RATE \% | 4.86 | 2.39 | 1.03 | 0 | 8.07 | 4.59 | 3.06 | 2.24 | 0 | 5.33 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.46 | 1.27 | 0.15 | 1.15 | 1.68 | 1.38 | 1.43 | 1.34 | 1.33 | 1.42 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 1035 | 1164 | 1189 | 1405 | 1665 | 1250 | 1595 |
|  |  | SUM OF UNITS SURVEYED | 2698 | 1591 |  | 1 | 545 | 958 | 720 | 134 | 2 | 338 |
| ALOHA <br> (3) | 42 | AVG MARKET VACANCY RATE \% | 3.71 | 5.13 | -0.28 | 5.13 | 3.4 | 3.03 | 4.26 | 5.76 | 2.44 | 3.47 |
|  |  | AVG RENT PER SQ FOOT \$ | 1.48 | 1.44 | 0.03 | 2.27 | 1.69 | 1.4 | 1.35 | 1.47 | 1.54 | 1.39 |
|  |  | AVG RENT PER UNIT TYPE \$ |  |  |  | 982 | 1126 | 1231 | 1336 | 1589 | 1478 | 1591 |
|  |  | SUM OF UNITS SURVEYED | 6851 | 8740 |  | 39 | 2027 | 1286 | 2513 | 139 | 41 | 806 |

PIRTLAND／VANCIUVER METRG AREA

| AREA NAME | $\begin{aligned} & \text { \# OF } \\ & \text { PROP } \end{aligned}$ | DATA | ALL | SPR 17 <br> REPORT | CHANGE | STUDIO | $\begin{gathered} 1 \text { BED } \\ 1 \text { BATH } \end{gathered}$ | $\begin{aligned} & 2 \text { BED } \\ & 1 \text { BATH } \end{aligned}$ | $\begin{gathered} 2 \text { BED } \\ 2 \text { BATH } \end{gathered}$ | $\begin{aligned} & 2 \text { BED } \\ & \text { TWNHS } \end{aligned}$ | $\begin{gathered} 3 \text { BED } \\ 1 \text { BATH } \end{gathered}$ | $\begin{gathered} 3 \text { BED } \\ 2 \text { BATH } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| beAverton <br> （4） | 49 | AVG MARKET VACANCY RATE \％ | 3.63 | 2.97 | 0.22 | 3.03 | 2.89 | 3.99 | 4.51 | 5.56 | 2.47 | 2.67 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.38 | 1.32 | 0.05 | 1.73 | 1.52 | 1.23 | 1.41 | 1.42 | 1.05 | 1.29 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 850 | 1046 | 1131 | 1382 | 1435 | 1135 | 1599 |
|  |  | SUM OF UNITS SURVEYED | 3439 | 5625 |  | 66 | 1212 | 1102 | 665 | 126 | 81 | 187 |
| HILLSBORO｜N OF HWY 26 <br> （2） | 17 | AVG MARKET VACANCY RATE \％ | 4.69 | 2.82 | 0.66 | 14.29 | 4.81 | 2.16 | 4.92 | 7.14 | 0 | 5.19 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.45 | 1.4 | 0.04 | 1.52 | 1.62 | 1.38 | 1.34 | 1.29 | 0.93 | 1.3 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 761 | 1161 | 1192 | 1344 | 1370 | 1060 | 1532 |
|  |  | SUM OF UNITS SURVEYED | 2026 | 2450 |  | 7 | 852 | 185 | 712 | 42 | 16 | 212 |
| TIGARD｜TUALATIN SHERWOOD <br> （7） | 55 | AVG MARKET VACANCY RATE \％ | 4.55 | 4.82 | －0．06 | 11.71 | 3.25 | 3.87 | 5.76 | 6.05 | 5.92 | 5.51 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.44 | 1.39 | 0.04 | 2.27 | 1.59 | 1.36 | 1.37 | 1.35 | 1.3 | 1.31 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 1043 | 1055 | 1132 | 1334 | 1425 | 1318 | 1587 |
|  |  | SUM OF UNITS SURVEYED | 5584 | 5707 |  | 111 | 1755 | 1603 | 1284 | 281 | 169 | 381 |
| WEST VANCOUVER <br> （19） | 32 | AVG MARKET VACANCY RATE \％ | 4.06 | 3.23 | 0.26 | － | 3.43 | 3.61 | 5.71 | 2.21 | － | 2.54 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.27 | 1.22 | 0.04 | － | 1.41 | 1.23 | 1.24 | 1.16 | － | 1.16 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | － | 1009 | 1049 | 1298 | 1227 | － | 1431 |
|  |  | SUM OF UNITS SURVEYED | 2562 | 1917 |  | 0 | 612 | 692 | 841 | 181 | 0 | 236 |
| EAST VANCOUVER(20) | 14 | AVG MARKET VACANCY RATE \％ | 4.78 | 1.78 | 1.69 | 1.75 | 6.42 | 4.16 | 4.93 | － | － | 2.16 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.28 | 1.24 | 0.03 | 1.94 | 1.44 | 1.2 | 1.18 | － | － | 1.2 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 975 | 998 | 1115 | 1154 | － | － | 1289 |
|  |  | SUM OF UNITS SURVEYED | 2156 | 1239 |  | 57 | 592 | 505 | 771 | 0 | 0 | 231 |
| TOTAL AVG MARKET VACANCY RATE \％ |  |  | 4.37 | 4.01 | 0.09 | 5.33 | 4.48 | 3.95 | 4.55 | 4.67 | 3.63 | 3.62 |
| TOTAL AVG RENT PER SQ FOOT \＄ |  |  | 1.57 | 1.5 | 0.05 | 2.51 | 1.72 | 1.33 | 1.41 | 1.31 | 1.22 | 1.31 |
| TOTAL AVG RENT PER UNIT TYPE \＄ |  |  |  |  |  | 1127 | 1173 | 1150 | 1409 | 1363 | 1258 | 1530 |
| TOTAL SUM OF PROPERTIES SURVEYED |  |  | 738 | 739 |  | 195 | 596 | 490 | 238 | 106 | 79 | 174 |
| TOTAL SUM OF UNITS SURVEYED |  |  | 52537 | 56811 |  | 3864 | 17898 | 12495 | 12152 | 1990 | 579 | 3559 |

VACANCY RATE SINCE SPRING 2ロ13—PロRTLAND／VANCロUVER METRロ AREA


| ロTHER AREAS |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SALEM \＆VICINITY | 73 | AVG MARKET VACANCY RATE \％ | 2.63 | 3.65 | －0．28 | 5.11 | 1.42 | 2.91 | 2.26 | 4.94 | 1.54 | 1.4 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.2 | 1.18 | 0.02 | 1.87 | 1.4 | 1.09 | 1.11 | 1.03 | 1.67 | 1.14 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 778 | 844 | 907 | 1062 | 1042 | 1314 | 1323 |
|  |  | SUM OF UNITS SURVEYED | 6359 | 6277 |  | 333 | 1264 | 2610 | 1326 | 405 | 65 | 356 |
| EUGENE \｜SPRINGFIELD | 70 | AVG MARKET VACANCY RATE \％ | 3.7 | 2.59 | 0.43 | 7.36 | 3.2 | 3.14 | 3.33 | 2.36 | 14.29 | 7.49 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.27 | 1.25 | 0.02 | 1.95 | 1.35 | 1.13 | 1.23 | 1.1 | 1.17 | 1.11 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 706 | 874 | 920 | 1309 | 1103 | 976 | 1346 |
|  |  | SUM OF UNITS SURVEYED | 5350 | 4173 |  | 367 | 1687 | 1529 | 1022 | 424 | 14 | 307 |
| BEND｜REDMOND | 6 | AVG MARKET VACANCY RATE \％ | 0.7 | 2.22 | －0．68 | 0 | 1.33 | 1.56 | 0 | － | － | 0 |
|  |  | AVG RENT PER SQ FOOT \＄ | 1.25 | 1.15 | 0.09 | 1.55 | 1.48 | 1.18 | 1.15 | － | － | 1.13 |
|  |  | AVG RENT PER UNIT TYPE \＄ |  |  |  | 665 | 992 | 1041 | 1156 | － | － | 1511 |
|  |  | SUM OF UNITS SURVEYED | 285 | 315 |  | 8 | 75 | 64 | 104 | 0 | 0 | 34 |
| TOTAL AVG MARKET VACANCY RATE \％ |  |  | 3.06 | 3.2 | －0．04 | 6.21 | 2.41 | 2.97 | 2.61 | 3.62 | 3.8 | 4.02 |
| TOTAL AVG RENT PER SQ FOOT \＄ |  |  | 1.23 | 1.21 | 0.02 | 1.91 | 1.38 | 1.11 | 1.16 | 1.06 | 1.58 | 1.13 |
| TOTAL AVG RENT PER UNIT TYPE \＄ |  |  |  |  |  | 739 | 864 | 914 | 1169 | 1073 | 1254 | 1343 |
| TOTAL SUM OF PROPERTIES SURVEYED |  |  | 149 | 177 |  | 37 | 106 | 94 | 59 | 27 | 18 | 39 |
| TOTAL SUM OF UNITS SURVEYED |  |  | 11994 | 10765 |  | 708 | 3026 | 4203 | 2452 | 829 | 79 | 697 |

## TREND REPGRT : PロRTLAND METRロ AREA

CoStar: Search criteria—Research Status: Published; Market: Portland; PropType: Multi Family; Sale Date: 4/1/2014—9/30/17; unit: 5 units and greater.





| YEAR | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \# OF TRANS | 66 | 59 | 84 | 106 | 91 | 91 | 98 | 103 | 95 | 90 | 87 | 37 | 67 | 55 |
| TTL \$ VOLUME | \$381,032,760 | \$508,282,940 | \$493,380,606 | \$602,544,342 | \$619,075,577 | \$783,098,080 | \$578,723,284 | \$654,525,843 | \$501,436,574 | \$592,716,163 | \$1,735,562,195 | \$371,562,396 | \$364,971,594 | \$339,621,481 |
| TIL BLDG SF | 2,777,682 | 3,779,940 | 3,472,827 | 4,169,282 | 4,297,374 | 4,807,852 | 4,240,294 | 3,836,464 | 3,311,925 | 3,637,182 | 17,385,232 | 1,893,634 | 2,372,949 | 2,214,820 |
| TIL UNITS | 2,776 | 3,775 | 3,588 | 4,229 | 4,751 | 4,976 | 4,179 | 4,180 | 3,770 | 4,108 | 9,035 | 2,085 | 2,598 | 2,275 |
| AVG PRICE | \$5,862,042 | \$8,917,245 | \$6,245,324 | \$5,849,945 | \$6,955,905 | \$8,898,842 | \$6,091,824 | \$6,480,454 | \$5,391,791 | \$6,659,732 | \$21,165,393 | \$10,042,227 | \$5,614,948 | \$7,225,989 |
| AVG \# OF SF | 42,734 | 64,067 | 41,343 | 39,333 | 47,224 | 52,834 | 43,268 | 37,247 | 34,862 | 40,867 | 107,962 | 52,601 | 35,954 | 40,269 |
| AVG PRICE BLDG SF | \$136.82 | \$147.06 | \$144.77 | \$145.60 | \$151.77 | \$171.07 | \$142.26 | \$171.82 | \$152.33 | \$163.44 | \$196.41 | \$195.58 | \$157.06 | \$182.95 |
| MED PRICE P/SF | \$83.10 | \$115.67 | \$100.00 | \$92.64 | \$123.12 | \$118.85 | \$111.83 | \$109.02 | \$121.21 | \$128.86 | \$147.04 | \$152.50 | \$148.90 | \$158.12 |
| AVG PRICE P/UNIT | \$135,732 | \$142,468 | \$135,601 | \$139,850 | \$132,836 | \$154,923 | \$139,436 | \$154,310 | \$132,426 | \$143,895 | \$207,027 | \$177,632 | \$142,123 | \$171,094 |
| MED PRICE P/UNIT | \$78,571 | \$100,000 | \$90,208 | \$94,737 | \$89,286 | \$100,000 | \$106,905 | \$95,312 | \$100,000 | \$104,737 | \$133,373 | \$138,889 | \$129,023 | \$137,313 |
| AVG \# OF UNITS | 45 | 74 | 45 | 44 | 53 | 58 | 44 | 42 | 41 | 47 | 109 | 58 | 40 | 41 |
| ACTUAL CAP RATE | 6.81\% | 6.10\% | 6.22\% | 6.11\% | 5.85\% | 5.99\% | 6.04\% | 5.82\% | 5.94\% | 5.92\% | 5.53\% | 5.53\% | 5.87\% | 5.89\% |
| AVG GRM | 8.28 | 8.70 | 8.99 | 9.52 | 9.36 | 8.84 | 9.99 | 9.80 | 10.91 | 9.62 | 11.30 | 11.82 | 12.92 | 11.44 |
| AVG GIM | - | 8.38 | - | 8.78 | 8.63 | 8.84 | 11.40 | 9.44 | 10.73 | 10.61 | - | - | 8.64 | - |

## 8TH INNING AND THE GAME＇S STILL GロING STRロNG



It feels like we are in the 8th inning of a baseball game and the closer is warming up in the bullpen．The ballgame could end soon or it could go a few more innings．

Like much of the past few years，multifamily investors looking to score in one of the nation＇s strongest apartment markets have been pouring capital into the Portland area this year．And for good reason：throughout Oregon and SW Washington we＇ve seen the economy gaining steam since 2013．The metro area has seen improvements in wages and income in 2017，and a recent Census Bureau report indicates that incomes in Oregon are now on par with the national median after decades of trailing behind．

Continued in－migration，changing demographic preferences and lack of adequate supply have resulted in cities on both sides of the Columbia declaring a housing emergency．Our political leaders have tried unsuccessfully to rectify the region＇s housing shortage through implementation of fees and additional costs for landlords and developers to circumvent statewide restrictions on rent control．Strangely enough，these disincentives may only
serve to continue the housing emergency far into the future．Mayor Wheeler recently proposed to extend this emergency into 2019.

The market has begun to see some softening，as this Apartment Report states．Two years ago，the Fall 2015 vacancy rate was $2.9 \%$ ，one year ago it was $3.71 \%$ ，and it now stands at $4.37 \%$ ．

## INSTITUTIONAL TRANSACTIONS（ $\$ 10$ million and up）

In 2016 there were 51 apartment transactions priced over $\$ 10$ million． Through mid－September of this year，there have been 23 apartment transactions priced over $\$ 10,000,000$ ．In terms of dollar volume，these 22 transactions have accounted for over $\$ 630$ million in sales．This is well below the pace seen in 2016，which saw more than $\$ 2.27$ billion in sales volume．Many of 2017＇s institutional sales so far have been in the suburbs surrounding Portland．

## NON－INSTITUTIONALTRANSACTIONS（under $\$ 10$ million）

Turning to Portland metro non－institutional transactions below $\$ 10$ million，we have seen roughly 75 transactions through mid－September accounting for over $\$ 227$ million in dollar volume．This is trending slightly below what the Portland market experienced last year．

In 2016，there were 143 transactions in the metro area below $\$ 10$ million， accounting for over $\$ 450$ million in dollar volume．The slowdown in transactions can be attributed to slowing rent growth，potential changes to landlord－tenant laws，record－breaking construction activity，and a shrinking supply of apartments for sale．

## NERVOUS IN THE DUGOUT

As we have said for the last six years，good feelings are still flowing in the Portland apartment market－－but it can sometimes feel like we＇re stuck in an extra inning．The players in the dugout are starting to feel a little nervous and，with political uncertainty and finger pointing at all levels of government，no one knows just when this ballgame will end．
Tyler Johnson is a partner at HFO Investment Real Estate，now celebrating its 18 th year in business．HFO has brokered more than 22,000 units valued at $\$ 2.3$ billion throughout Oregon and Washington．Tyler works with both private market and institutional clients and can be reached directly by phone at 971－717－6336 or e－mail tyler＠hfore．com

PロRTLAND METRロ AREA TRANSACTIロN VロLUME 2ロロ9－2ロ17


# FALL 2ロ17 APARTMENT CロNSTRUCTIロN UPDATE Patrick O．Barry，Barry © Associates 

Since the apartment construction cycle began in 2013， questions arose as to how long this cycle would last．The Portland market was just exiting an unprecedented period of slow apartment construction．To make up lost ground and meet new demand，the current apartment construction cycle would need to outpace previous cycles．

As we enter the fall of 2017，the apartment construction market is showing no obvious signs of slowing down． Through August 2017，permits have been issued for around 6，600 units．When the permits through August 2017 are annualized，this would suggest around 9，900 units for 2017，or the busiest year on record．The annualized figures suggest an increase of 2,600 units compared to 2016．With data going back to 1960，the only other years Portland exceeded 9，000 units was 1971 and 1972．The graph below tracks permits across the metro area from 1991－YTD 2017 Annualized．


APARTMENT PERMITS 1991－2ロ17 ANNUALIZED F口பR CロபNTY METRロ AREA


The increase in permits issued may come as a surprise to some who were under the impression that the introduction of Inclusionary Zoning (IZ) in the City of Portland would put the brakes on construction. However, the vast majority of the projects included above obtained their permits well before IZ was introduced. The sharp increase in permits issued corresponds with the surge in permit applications leading up to the February 1,2017 deadline to develop without IZ requirements.

There is no question that the implementation of IZ has slowed the pace of permit applications for new apartment buildings. Before developers buy-in on IZ, they want to see a few projects developed and operated under the IZ program. But, due to the large backlog of proposed pre-IZ apartments that came in just prior to February 1, 2017, any potential slowdown in apartment construction won't be seen for at least 24 months. When you consider the review time from the City of Portland and the expiration dates on most permits, many pre-IZ projects won't break ground until 2018, or possibly 2019 on larger projects. This will translate in to completions during 2019 and 2020. Our figures show that at least 30,000 units are currently proposed or are under construction in the City of Portland, and the vast majority of these projects were submitted prior to the
implementation of IZ. It should be noted that as time passes, many of these proposed units will never end up breaking ground.

For a number of reasons including fewer regulatory hurdles, lower land costs, increasing rents, and limited new construction, we anticipate apartment construction outside the urban area to gain momentum. Washington County and in particular, Clark County are reporting increases in number of multifamily permits issued. Based on the permits issued through August 2017, Clark County is on track for the busiest year in apartment construction since at least 1991.

There are no few signs of apartment construction slowing down in the near future. While the implementation of IZ has slowed permit applications in the City of Portland, there is a large backlog of projects to sustain demand in the near term. Considerable uncertainty surrounding the IZ program remains and the impact on the market is not yet known. As the number of permits issued hit peaks for this cycle, we anticipate the market continuing to move toward a market in balance.

Patrick O. Barry (pb@barryapartmentreport.com) is a Certified General Appraiser with Barry \& Associates which specializes in apartment appraisal work in the Portland and Salem metropolitan areas. Patrick is an engineering graduate from the University of Colorado at Boulder.



UPTロWN AT LAKE ロSWEGロ・47 UNITS•中1ロ， 1 ロロ，ロロロ 295 3RD STREET AND 25ロ 3RD STREET LAKE ロSWEGロ，ロR 97ロ34


PALLADIAN • 2ロ UNITS • 中2，3ロロ，ロロロ
614 SW JACKS日N STREET
PロRTLAND，ロR $972 \square 1$


THE ロSWEGAN• 47 UNITS•\＄9，ロロロ，ロロロ
199 E AVENUE
LAKE ロSWEGロ，ロR $97 \square 34$


ロSWEGロ ロAKS • 12 UNITS • 中 $1,975, \square \square \square$
14ロ5－1427 SW LAUREL STREET LAKE ロSWEGロ，ロR 97ロ34


THE HABITAT • 85 UNITS • 中 $15,3 \square \square, \square \square \square$ 5745 SW ロLESロN RロAD PロRTLAND，ロR 97225

## PロRTLAND ECロNロMIC பPDATE：THE SWEET SPロT （AND BEYロND）

## Amy Vander Vliet，Oregon Employment Department

This past summer marked eight years since the end of the Great Recession，making the current economic expansion the third longest in the post－World War II era．As the U．S．continues to grow，so does the Portland metro area．However，the pace of job growth has slowed from a post－recession high of 3.5 percent in 2015 to about 2.5 percent thus far in 2017．This isn＇t surprising， as 3.5 percent is unsustainable over the longer term．Nor is it concerning，because while some sectors have downshifted due to economic weakness，the larger story behind the deceleration is positive：the region is at，or near，full employment．Most people who are able and willing to work have a job．The unemployment rate is near historic lows while at the same time incomes are rising and inflation remains muted．In other words， we＇ve hit a sort of economic sweet spot．

While job growth has slowed，it remains solid and broad－based． The region is adding nearly 3,000 jobs a month；strong enough to hold unemployment down and account for population growth．Most major industries are contributing to gains：
－CONSTRUCTION is growing the fastest despite labor shortages in many of the trades．Employment finally returned to pre－recession levels earlier this year．
－TRADE，TRANSPORTATION \＆UTILITIES added the largest number of jobs over the year thanks partially to an Amazon distribution center opening last fall Hillsboro（with thousands more jobs on the way next year when it opens facilities in Troutdale and Rivergate）．
－MANUFACTURING worked through some economic headwinds that hit last year and is back on track with most sectors in the black over the year．It＇s now just a few thousand jobs shy of pre－recession peaks．

The outlook for Portland＇s economy is positive．While the region won＇t return to the full－throttle growth rates of 2014 and 2015 any time soon，nearly all signs point to continued， albeit more moderate，growth over the next few years．We should continue to outpace the nation and the average metro area as long as we maintain the foundations for economic growth that have served us well in the past：our ability to attract and retain a skilled workforce；a diverse industry structure；and a healthy start－up climate，since new businesses can be an important source of innovation，ideas，and products that propel economic growth．

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Dロ Yロப ロFFER INCENTIVES？


| SPRING 2017 | FALL 2017 |
| :---: | :---: |
| 8．8\％ | 11．3\％ |
| 0\％ | 0\％ |
| 7．7\％ | 4．1\％ |
| 7．4\％ | 7\％ |
| 5．8\％ | 6．1\％ |
| 8．5\％ | 15．2\％ |
| 5．6\％ | 10．3\％ |
| 0\％ | 0\％ |
| 7．1\％ | 8\％ |
| 12．5\％ | 9．1\％ |
| 5．6\％ | 7．4\％ |
| 0\％ | 0\％ |
| 11．2\％ | 3.1 |
| 0\％ | 0\％ |
| 6．1\％ | 7\％ |
| 0\％ | 2．4\％ |
| 1．9\％ | 2．7\％ |
| 18．2\％ | 7．4\％ |
| 3．9\％ | 4．9\％ |
| 0\％ | 8．7\％ |
| 13．2\％ | 6\％ |
| 15．4\％ | 15．3\％ |
| 0\％ | 0\％ |

SECTION 42 SURVEY RESULTS • FALL 2017 TOTAL \＃OF PROPERTIES＝ $\mathbf{9 0}$ • TOTAL \＃OF UNITS＝6，815

| UNIT TYPES | VACANCY <br> RATE（\％） | AVG．RENT <br> PER SQ FT（\＄） |
| :--- | :---: | :---: |
| STUDIO | 1.82 | 2.14 |
| 1 BED／1 BATH | 1.32 | 1.17 |
| 2 BED／1 BATH | 1.84 | 1.05 |
| 2 BED／2 BATH | 2.40 | 1.03 |
| 2 BED／TH | 3.30 | 0.97 |
| 3 BED／1 BATH | 1.04 | 0.98 |
| 3 BED／2 BATH | 3.60 | 0.87 |
| TOTALS | 1.86 | 1.25 |

## คกค ：Apartment Report

A\＆G RENTAL MANAGEMENT，LLC AFFINITY PROPERTY MANAGEMENT AMERICAN PROPERTY MANAGEMENT AVENUE5 RESIDENTIAL

BENNETT MANAGEMENT COMPANY，LLC
BLUESTONE \＆HOCKLEY REALTY
BRISTOL EQUITIES INC
BUNTING MANAGEMENT GROUP
C\＆R REAL ESTATE SERVICES
CARLA PROPERTIES
COLLEGE HOUSING NORTHWEST
CTL MANAGEMENT，INC．
DALTON MANAGEMENT
FPI MANAGEMENT
GREYSTAR

GUARDIAN REAL ESTATE SERVICES INCOME PROPERTY MANAGEMENT JENNINGS GROUP INCORPORATED JK MANAGEMENT

LAWRENCE INVESTMENTS
MDI，LLC
MLK PROPERTY MANAGEMENT \＆ SUPPORT SERVICES LLC

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For more information on Multifamily NW or to comment on this report，please visit us on the web at www．multifamilynw．org．The opinions contained in this report are those of the authors and do not necessarily represent the opinions or positions of Multifamily NW．


[^0]:    Amy Vander Vliet is an Economist for the Oregon Employment Department， covering the Portland metropolitan area．She produces and analyzes employment trends，including the unemployment rate and monthly job growth in the region＇s major industries．

