



THE Apartment Report

THE TEPID APARTMENT MARKET

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

Maybe not red hot anymore, but moderately warm, would be a good description of our current apartment market. Landlords and developers are continuing their best efforts to meet the growing demand for housing, as political pressure mounts to alleviate the “housing emergency.” Approximately 3,000 units have been delivered in the Portland MSA in just the last six months, with another 10,000 units under construction. That doesn’t include another 28,000 units in the proposed pipeline! As the housing supply increases, vacancies are rising and rent escalations are slowing.

A more balanced market between supply and demand is starting to have an impact and the hot apartment market is cooling. The Portland area continues to experience strong job growth along with robust wage and household income gains. While new units continue to be delivered, demand is staying steady, aided by in-migration, a very tight labor market, and a regional economy that is approaching full employment.

Demand to purchase apartments remains high, and inventory is still low. The number of closed transactions in the Metro area stayed steady in the first two quarters of 2016 at 99 and 98 respectively. Median price per unit is now over \$100,000, with average price per unit approximately \$147,000. Cap rates for third quarter transactions are trending under 6%.

Our Fall report has had the most participation of any previous report, with over 70,800 units at 1,065 properties surveyed. As always, properties with less than five units and projects that are in lease-up, and have not reached stability, are excluded.

Portland/Vancouver VACANCY:

The Portland/Vancouver vacancy factor continues to increase from its low of last fall (2.9%) and currently stands at **3.71%**. The East Vancouver area has the lowest vacancy of 2.2%, followed by Troutdale at 2.4%, and Tigard at 2.5%. Northwest Portland has the highest vacancy factor of 5.4%, with Oregon City and Downtown pushing close to 5%. An abundance of newly built studio units has resulted in studios having the highest vacancy rate among all unit types of 4.9%. Three-bedroom, one bath units have the best occupancy of all unit types, with average vacancy of 2.9%. The softening market is widespread. Of the twenty areas included in our survey, only five experienced a reduction in vacancy, while fifteen areas had increased vacancy factors. The Metro area is experiencing a *flight to affordability*, as occupancy remains strongest in areas where rents are lowest.

RENT RATES:

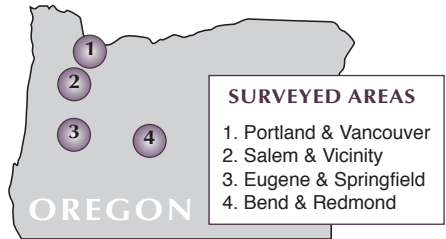
Overall rents in the Metro area have seen an increase of **10.5% year over year**. Troutdale and Outer Northeast are two areas with the most aggressive increases, and are also areas with lower overall rent rates. Approximately 14% of the surveyed units have been built in the last ten years, with over 54% of the units built between 1966 and 1980. The increasing proportion of new units in our survey has caused average rent rates to increase disproportionately compared to older, more seasoned product.

Average rent per sq. ft. for all areas has increased to \$1.47. The Downtown core continues to have the highest rents at \$2.30 psf., with NW Portland coming in second at \$2.11 psf. Outer NE Portland and East and West Vancouver have the lowest rates, at \$1.14, \$1.17 and \$1.20 psf respectively.

Overall average rents per unit type Portland MSA:

Studio:.....	\$1053
1 bdrm/1 bth:	\$1094
2 bdrm/1 bth:	\$1077
2 bdrm/2 bth:	\$1310
2 bdrm twnhs:	\$1198
3 bdrm/1 bth:	\$1194
3 bdrm/2 bth:	\$1411

(continued on page 2)



SURVEY SAYS!

- California Buyers
- Portland Vacancy 3.7%
- Labor Market Tightening
- Construction Booming

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PORTLAND METRO AREA

MULTNOMAH COUNTY

- 5 DOWNTOWN PORTLAND
- 1 NW PORTLAND
- 15 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 COUNTY

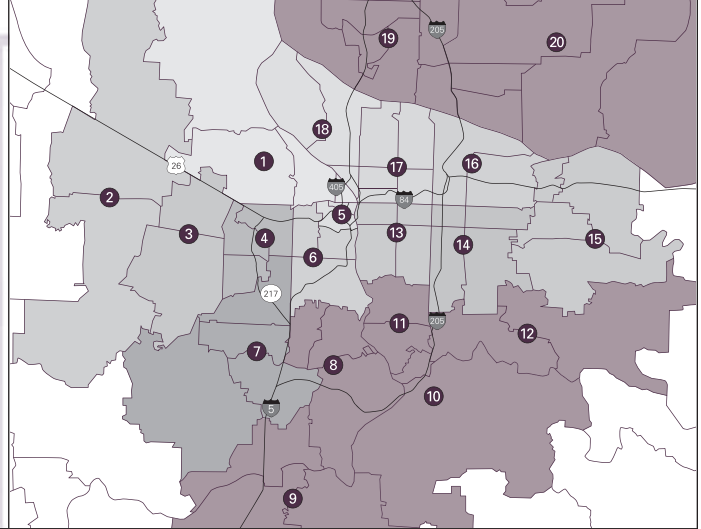
- 12 CLACKAMAS
- 8 LAKE OSWEGO | WEST LINN
- 11 MILWAUKIE
- 10 OREGON CITY | GLADSTONE
- 9 WILSONVILLE | CANBY

WASHINGTON COUNTY

- 3 ALOHA
- 4 BEAVERTON
- 2 HILLSBORO | NORTH OF HWY 26
- 7 TIGARD | TUALATIN | SHERWOOD

CLARK COUNTY

- 19 WEST VANCOUVER
- 20 EAST VANCOUVER



(continued from page 1).....

MARKET CONDITIONS:

Only 3% of all stabilized properties are offering rental incentives. The average number of days that a unit will stay vacant for the entire Portland area is 28, down from 39 days six months ago. Inner SE Portland is the only area that is still experiencing exceptionally fast turnover times, with an average of 11 days in down time between tenants.

Other Areas

The Eugene/Springfield market has seen occupancy improve, with a vacancy factor now less than 3%, but rents have remained stagnant. Vacancy rates have also improved in Bend and stand at 2.6%, with rents escalating at an 8.5% annual rate. The Salem market continues to experience vacancy levels under 3%, with rents finally showing some increases. The Bend, Eugene and Salem areas all report average number of days that a unit will stay vacant between 22 and 27 days. This is slightly lower than the Portland MSA of 28 days.

Our Contributors

Patrick Barry, with Barry & Associates, has once again contributed their detailed Apartment Construction Report. Portland's current development pipeline includes a record 28,000 proposed units that may follow the 10,300 units currently under construction. He states that the current level of construction is meeting demand and expects vacancy rates to creep up. A majority of the new construction is in Multnomah County (close-in east and west Portland), with suburban construction still lagging, despite lower land values, low vacancies and increasing rents.

Josh Lehner, Economist with the State of Oregon, has contributed an article which examines the regional economy, wages, and employment trends. The Portland area median household income increased 6% in 2015, the largest gain in a decade. Josh describes the tightening labor market and its impact on employers. He also discusses how the millennials are shifting from apartment renting to home ownership. This is a subject that should be of particular interest to landlords.

Jordan Carter, with Kidder Matthews, has written an article from the broker's perspective. He points out that "East County" is drawing recent attention from investors and values are increasing. Jordan also touches on some political hot buttons including rent-control, no-cause notices

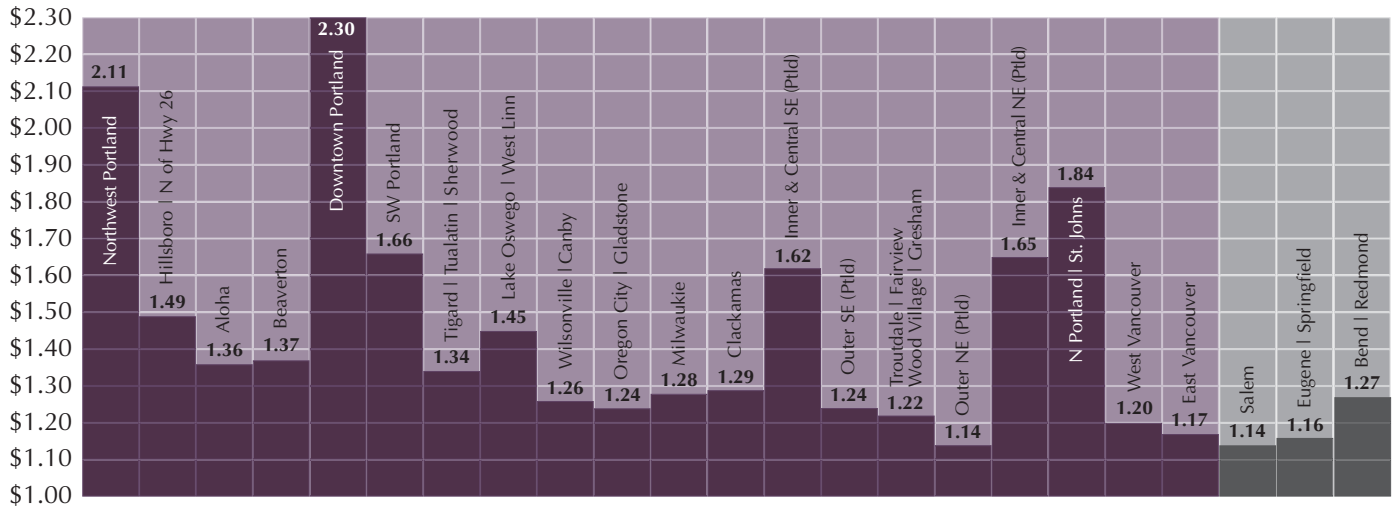
and inclusionary zoning. He writes that further restrictions on landlords will only serve to discourage new construction and property upgrades.

This survey represents a total of 82,454 units from 1173 properties (includes section 42). 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. ■

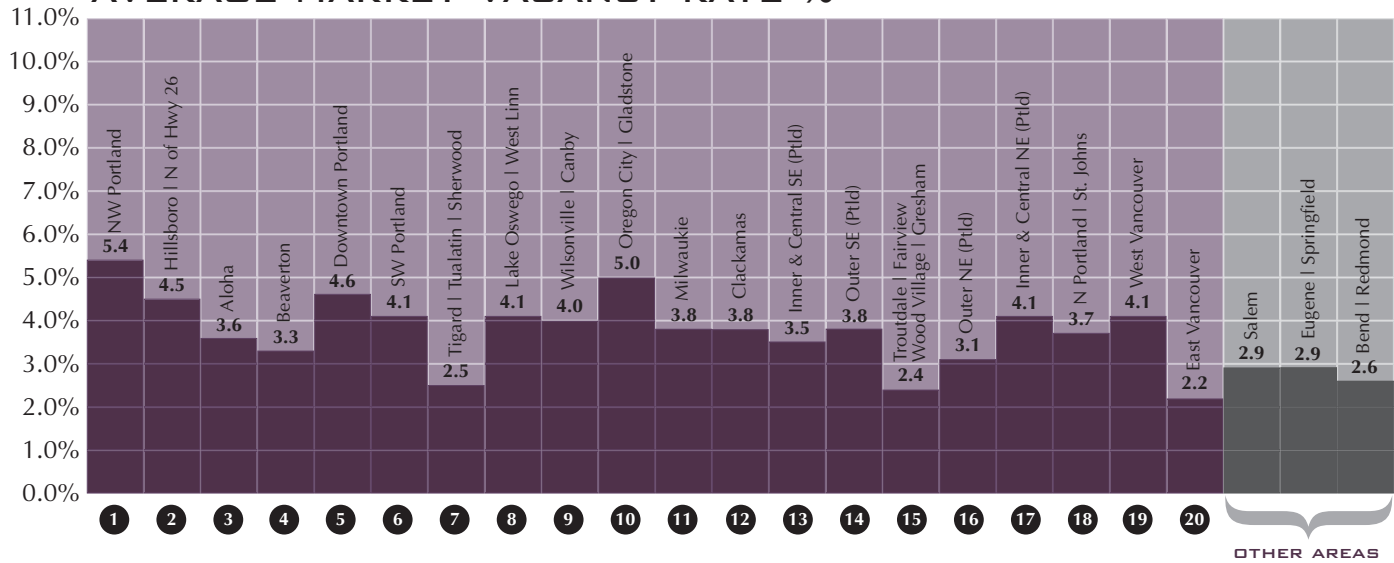
DO YOU OFFER INCENTIVES?

MAP AREA	SPRING 2016	FALL 2016
NW Portland	7.1%	3.8%
Hillsboro/North of Hwy 26	0%	0%
Aloha	7.6%	3.2%
Beaverton	1.6%	3%
Downtown Portland	5%	5.7%
SW Portland	7.3%	9.6%
Tigard/Tualatin/Sherwood	6.7%	5.8%
Lake Oswego/West Linn	0%	0%
Wilsonville/Canby	6.7%	7.2%
Oregon City/Gladstone	0%	0%
Milwaukie	0%	0%
Clackamas	0%	0%
Inner & Central SE (Portland)	2.2%	2.2%
Outer SE (Portland)	2%	1.6%
Troutdale/Fairview/Wood Village/Gresham	5.9%	2.2%
Outer NE (Portland)	0%	0%
Inner & Central NE (Portland)	2.1%	1%
North Portland/St. Johns	0%	2.6%
West Vancouver	6.1%	10%
East Vancouver	0%	0%
Salem/Vicinity	9.4%	8%
Eugene/Springfield	10.9%	11.9%
Bend/Redmond	0%	6.3%

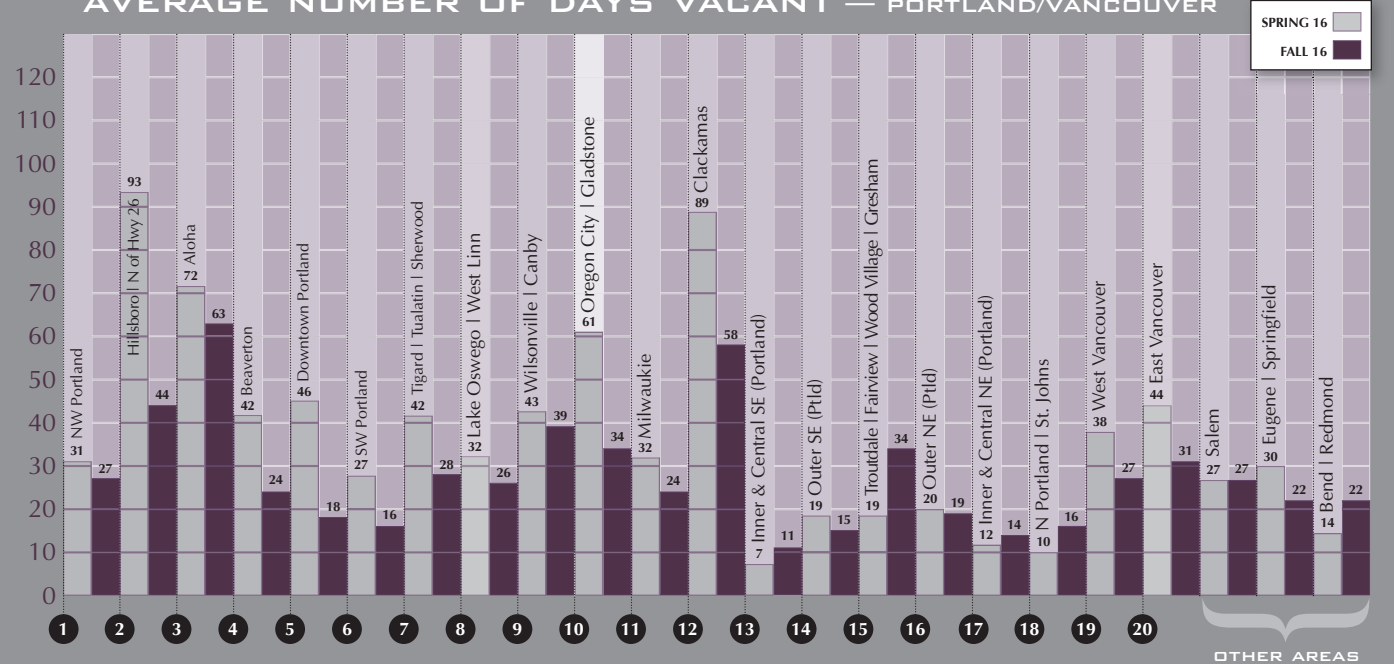
AVERAGE RENT PER SQUARE FOOT \$



AVERAGE MARKET VACANCY RATE %



AVERAGE NUMBER OF DAYS VACANT — PORTLAND/VANCOUVER



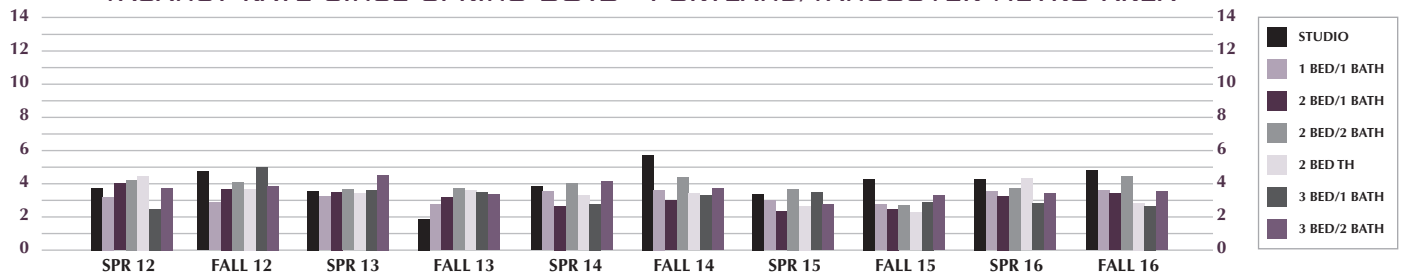
SURVEY RESULTS—FALL 2016

PORTLAND/VANCOUVER METRO AREA												
AREA NAME	# OF PROP	DATA	ALL	SPR 16 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)	38	AVG MARKET VACANCY RATE %	4.64	3.86	0.20	4.81	4.86	0	5.49	6.67	0	25
		AVG RENT PER SQ FOOT \$	2.3	2.1	0.10	2.53	2.16	2.04	2.12	1.35	1.58	2.55
		AVG RENT PER UNIT TYPE \$				1037	1264	1597	2113	1619	1500	3031
		SUM OF UNITS SURVEYED	2243	2875		915	978	146	180	15	1	8
NW PORTLAND (1)	62	AVG MARKET VACANCY RATE %	5.38	5.11	0.05	5.67	4.93	4.72	6.09	11.69	3.77	4.88
		AVG RENT PER SQ FOOT \$	2.11	1.97	0.07	2.88	2.19	1.45	1.84	1.59	1.37	1.25
		AVG RENT PER UNIT TYPE \$				1292	1501	1264	1855	1549	1436	1507
		SUM OF UNITS SURVEYED	4296	4499		847	1844	466	804	77	53	205
INNER & CENTRAL SE PORTLAND (13)	174	AVG MARKET VACANCY RATE %	3.54	3.23	0.10	5	4.75	1.43	6.08	1.83	0	5.56
		AVG RENT PER SQ FOOT \$	1.62	1.59	0.02	2.46	1.71	1.36	1.63	1.31	1.1	1.24
		AVG RENT PER UNIT TYPE \$				968	1063	1167	1602	1202	1372	1376
		SUM OF UNITS SURVEYED	3703	2939		300	1746	1190	181	218	50	18
INNER & CENTRAL NE PORTLAND (17)	111	AVG MARKET VACANCY RATE %	4.11	4.37	-0.06	1.7	3.6	5.15	6.06	2.06	8.25	4
		AVG RENT PER SQ FOOT \$	1.65	1.6	0.03	2.72	1.65	1.33	1.71	1.46	1.28	1.6
		AVG RENT PER UNIT TYPE \$				1029	1063	1103	1750	1297	1387	1816
		SUM OF UNITS SURVEYED	3097	2083		347	1416	1049	66	97	97	25
N PORTLAND ST JOHNS (18)	20	AVG MARKET VACANCY RATE %	3.65	2.33	0.57	6.98	3.51	1.35	4.88	-	6.25	0
		AVG RENT PER SQ FOOT \$	1.84	1.64	0.12	2.26	1.9	1.38	2.33	-	1.29	1.34
		AVG RENT PER UNIT TYPE \$				1069	1255	1078	2048	-	1144	1200
		SUM OF UNITS SURVEYED	794	559		129	342	223	82	0	16	2
SW PORTLAND (6)	42	AVG MARKET VACANCY RATE %	4.11	3.76	0.09	4.93	4.48	4.38	3.47	0	0	3.79
		AVG RENT PER SQ FOOT \$	1.66	1.54	0.08	2.35	1.81	1.32	1.6	1.11	0.99	1.19
		AVG RENT PER UNIT TYPE \$				1092	1280	1120	1838	1106	1078	1422
		SUM OF UNITS SURVEYED	2360	2179		223	1071	480	346	65	43	132
OUTER SE (PORTLAND) (14)	43	AVG MARKET VACANCY RATE %	3.79	4.21	-0.10	6.11	4.41	3.32	3.38	3.97	2.33	1.75
		AVG RENT PER SQ FOOT \$	1.24	1.18	0.05	1.91	1.32	1.1	1.15	1.14	0.95	1.17
		AVG RENT PER UNIT TYPE \$				807	844	921	1135	1039	920	1342
		SUM OF UNITS SURVEYED	2399	2872		180	657	663	591	151	43	114
OUTER NE (PORTLAND) (16)	30	AVG MARKET VACANCY RATE %	3.08	2.46	0.25	0	3.55	2.17	2.43	8.77	5.56	4.95
		AVG RENT PER SQ FOOT \$	1.14	1.02	0.12	1.6	1.24	1.12	0.99	0.84	1	1.04
		AVG RENT PER UNIT TYPE \$				653	878	980	969	955	1107	1186
		SUM OF UNITS SURVEYED	1821	1461		15	647	736	247	57	18	101
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM (15)	30	AVG MARKET VACANCY RATE %	2.43	2.71	-0.10	2.22	2.62	4.19	1.79	0	0	0
		AVG RENT PER SQ FOOT \$	1.22	1.06	0.15	1.95	1.4	1.21	1.07	1.04	1.33	1.04
		AVG RENT PER UNIT TYPE \$				849	884	992	1053	852	1109	1174
		SUM OF UNITS SURVEYED	2595	2104		90	650	645	951	39	35	185
CLACKAMAS (12)	7	AVG MARKET VACANCY RATE %	3.82	1.61	1.37	2.27	3.68	4.02	4.03	7.89	-	2.46
		AVG RENT PER SQ FOOT \$	1.29	1.27	0.02	1.71	1.41	1.25	1.2	1.18	-	1.24
		AVG RENT PER UNIT TYPE \$				787	938	1091	1160	1152	-	1352
		SUM OF UNITS SURVEYED	1151	1246		44	326	249	372	38	0	122
LAKE OSWEGO WEST LINN (8)	19	AVG MARKET VACANCY RATE %	4.1	3.41	0.20	5.41	2.97	3.14	4.45	3.51	0	9.36
		AVG RENT PER SQ FOOT \$	1.45	1.33	0.09	2.14	1.59	1.36	1.37	1.25	0.87	1.28
		AVG RENT PER UNIT TYPE \$				838	1152	1205	1400	1573	1384	1699
		SUM OF UNITS SURVEYED	1929	1116		74	674	287	494	228	1	171
MILWAUKIE (11)	31	AVG MARKET VACANCY RATE %	3.8	3.53	0.08	8.82	3.48	4.12	3.15	2.14	0	1.54
		AVG RENT PER SQ FOOT \$	1.28	1.22	0.05	1.91	1.35	1.17	1.3	0.93	1.1	1.25
		AVG RENT PER UNIT TYPE \$				852	909	1011	1187	956	1148	1404
		SUM OF UNITS SURVEYED	2578	2324		136	833	1019	317	140	3	130
OREGON CITY GLADSTONE (10)	12	AVG MARKET VACANCY RATE %	4.97	4.06	0.22	0	2.24	2.46	7.81	1.64	0	15.57
		AVG RENT PER SQ FOOT \$	1.24	1.16	0.07	1.82	1.48	1.13	1.25	1.14	1.13	1.04
		AVG RENT PER UNIT TYPE \$				888	976	971	1267	982	1090	1337
		SUM OF UNITS SURVEYED	1066	1035		20	223	285	256	122	38	122
WILSONVILLE CANBY (9)	8	AVG MARKET VACANCY RATE %	4.04	5.7	-0.29	0	2.4	2.92	7.5	2.94	0	4.76
		AVG RENT PER SQ FOOT \$	1.26	1.25	0.01	1	1.42	1.27	1.2	1.05	0.72	1.24
		AVG RENT PER UNIT TYPE \$				900	1054	1143	1158	1150	820	1388
		SUM OF UNITS SURVEYED	1089	1912		1	208	445	240	34	14	147
ALOHA (3)	48	AVG MARKET VACANCY RATE %	3.59	3.5	0.03	4.76	2.82	3.98	4.15	5.5	0	3
		AVG RENT PER SQ FOOT \$	1.36	1.3	0.05	2.05	1.55	1.24	1.29	1.28	1.31	1.24
		AVG RENT PER UNIT TYPE \$				945	1064	1095	1283	1298	1205	1416
		SUM OF UNITS SURVEYED	7393	7317		21	2375	1456	2749	109	46	637

PORTLAND/VANCOUVER METRO AREA

AREA NAME	# OF PROP	DATA	ALL	SPR 16 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)	56	AVG MARKET VACANCY RATE %	3.26	2.63	0.24	2.5	2.76	3.18	5.09	0	3.28	1.33
		AVG RENT PER SQ FOOT \$	1.37	1.37	0.00	1.57	1.6	1.2	1.38	1.31	1.08	1.19
		AVG RENT PER UNIT TYPE \$				713	1070	1085	1322	1353	1136	1417
		SUM OF UNITS SURVEYED	4698	5394		40	1560	1448	1060	92	122	376
HILLSBORO N OF HWY 26 (2)	20	AVG MARKET VACANCY RATE %	4.54	4.33	0.05	5.59	4.03	4.99	5.42	2.38	0	3.4
		AVG RENT PER SQ FOOT \$	1.49	1.4	0.06	2.03	1.63	1.35	1.33	1.19	1.11	1.27
		AVG RENT PER UNIT TYPE \$				1158	1204	1206	1392	1266	1153	1557
		SUM OF UNITS SURVEYED	3213	3974		143	1415	341	1015	42	22	235
TIGARD TUALATIN SHERWOOD (7)	55	AVG MARKET VACANCY RATE %	2.52	3.19	-0.21	3.23	2.05	2.21	3.2	2.18	4.17	3.83
		AVG RENT PER SQ FOOT \$	1.34	1.25	0.07	2.03	1.47	1.24	1.28	1.15	1.11	1.29
		AVG RENT PER UNIT TYPE \$				896	992	1056	1246	1175	1131	1477
		SUM OF UNITS SURVEYED	5606	5135		93	1900	1671	1186	321	96	339
WEST VANCOUVER (19)	34	AVG MARKET VACANCY RATE %	4.09	2.58	0.59	7.14	2.86	4.59	5.74	2.1	0	1.97
		AVG RENT PER SQ FOOT \$	1.2	1.11	0.08	2.07	1.34	1.16	1.16	1.04	1.07	1.1
		AVG RENT PER UNIT TYPE \$				901	916	986	1194	1155	1240	1376
		SUM OF UNITS SURVEYED	3593	3059		28	908	871	1168	238	24	356
EAST VANCOUVER (20)	17	AVG MARKET VACANCY RATE %	2.23	1.86	0.20	2.44	1.83	3.04	2.59	1.88	0	1.19
		AVG RENT PER SQ FOOT \$	1.17	1.13	0.04	1.73	1.28	1.14	1.08	1.16	1.01	1.06
		AVG RENT PER UNIT TYPE \$				836	897	1008	1078	1079	1459	1225
		SUM OF UNITS SURVEYED	2332	1989		82	654	362	811	160	10	253
TOTAL AVG MARKET VACANCY RATE %			3.71	3.53	0.05	4.87	3.51	3.36	4.32	2.94	2.87	3.48
TOTAL AVG RENT PER SQ FOOT \$			1.47	1.4	0.05	2.44	1.63	1.25	1.31	1.18	1.14	1.2
TOTAL AVG RENT PER UNIT TYPE \$						1053	1094	1077	1310	1198	1194	1411
TOTAL SUM OF PROPERTIES SURVEYED			857	755		205	693	575	257	121	103	196
TOTAL SUM OF UNITS SURVEYED			57956	56072		3728	20427	14032	13116	2243	732	3678

VACANCY RATE SINCE SPRING 2012—PORTLAND/VANCOUVER METRO AREA



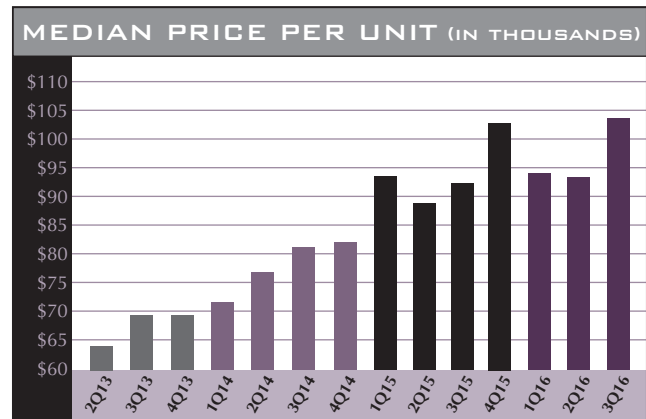
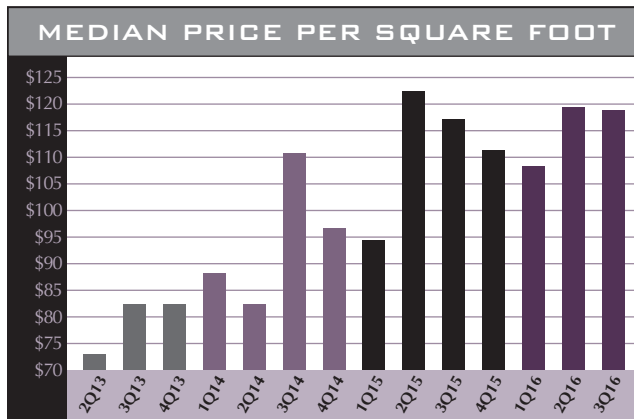
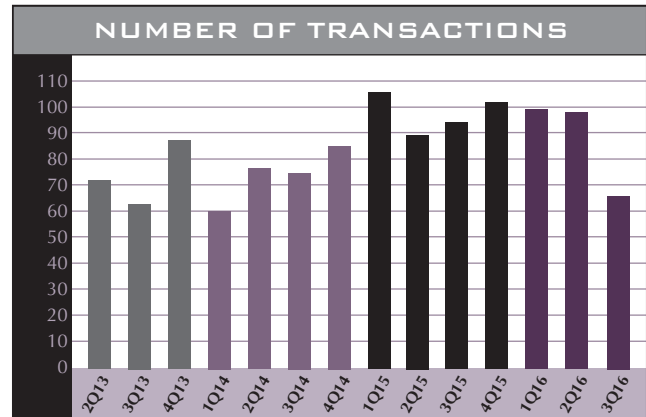
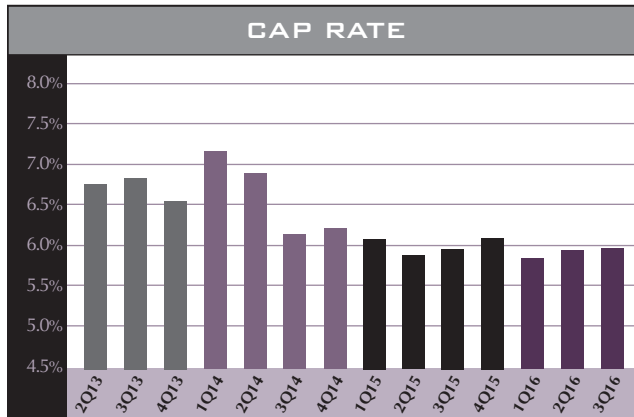
OTHER AREAS

SALEM & VICINITY	122	AVG MARKET VACANCY RATE %	2.9	2.93	-0.01	9.69	2.21	3.15	2.17	1.7	4.17	2.27
		AVG RENT PER SQ FOOT \$	1.14	1.04	0.10	1.83	1.33	1.05	1.02	0.98	1.53	1.1
		AVG RENT PER UNIT TYPE \$				775	792	871	982	975	1240	1293
		SUM OF UNITS SURVEYED	7952	4472		320	1676	3425	1564	411	72	484
EUGENE SPRINGFIELD	78	AVG MARKET VACANCY RATE %	2.94	4.5	-0.35	3.63	2.37	2.03	2.31	4.36	10.81	9
		AVG RENT PER SQ FOOT \$	1.16	1.18	-0.02	1.88	1.22	1.04	1.14	1.03	0.93	1.16
		AVG RENT PER UNIT TYPE \$				561	807	836	1161	1097	946	1407
		SUM OF UNITS SURVEYED	4392	4596		196	1309	1333	953	275	37	289
BEND REDMOND	7	AVG MARKET VACANCY RATE %	2.63	3.06	-0.14	0	0	2.15	1.98	0	-	11.32
		AVG RENT PER SQ FOOT \$	1.27	1.13	0.12	1.49	1.45	1.23	1.23	1.02	-	1.18
		AVG RENT PER UNIT TYPE \$				640	1003	1085	1230	1350	-	1545
		SUM OF UNITS SURVEYED	457	589		8	93	93	202	8	0	53
TOTAL AVG MARKET VACANCY RATE %			2.91	3.69	-0.21	7.29	2.21	2.82	2.21	2.74	6.42	5.21
TOTAL AVG RENT PER SQ FOOT \$			1.15	1.11	0.04	1.84	1.29	1.05	1.08	1	1.33	1.13
TOTAL AVG RENT PER UNIT TYPE \$						693	805	865	1063	1028	1140	1349
TOTAL SUM OF PROPERTIES SURVEYED			207	176		32	117	116	61	26	38	48
TOTAL SUM OF UNITS SURVEYED			12801	9657		524	3078	4851	2719	694	109	826

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: 4/1/2013—9/16/2016; unit: 5 units and greater.



YEAR	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
# OF TRANS	71	62	87	60	76	73	84	105	89	93	101	99	98	65
TTL \$ VOLUME	\$238,690,334	\$270,891,328	\$526,776,697	\$198,107,285	\$409,060,710	\$521,813,240	\$472,554,825	\$585,180,170	\$592,610,060	\$669,912,564	\$571,453,570	\$616,292,917	\$515,290,364	\$430,840,078
TTL BLDG SF	2,506,775	2,611,843	5,161,810	1,788,801	3,222,304	3,744,691	3,859,729	3,820,252	3,876,736	4,074,138	4,158,431	3,505,084	3,412,582	2,862,481
TTL UNITS	2,450	2,687	5,531	1,694	3,042	3,682	4,452	3,791	4,642	4,550	4,133	4,054	3,952	2,930
AVG PRICE	\$3,361,836	\$4,369,215	\$6,054,905	\$3,301,788	\$5,382,378	\$7,148,127	\$5,625,653	\$5,573,144	\$6,658,540	\$7,203,361	\$5,657,956	\$6,225,181	\$5,258,065	\$6,628,309
AVG # OF SF	36,330	43,531	59,331	29,813	42,964	52,010	45,949	36,733	43,559	43,808	41,584	35,405	35,181	44,038
AVG PRICE BLDG SF	\$94.75	\$96.81	\$102.05	\$110.75	\$125.88	\$139.27	\$122.43	\$150.04	\$152.86	\$164.43	\$136.84	\$175.83	\$150.50	\$150.51
MED PRICE P/SF	\$72.98	\$81.89	\$82.10	\$88.26	\$82.43	\$110.29	\$96.34	\$94.11	\$122.38	\$117.21	\$110.76	\$108.61	\$119.75	\$119.37
AVG PRICE P/UNIT	\$92,359	\$86,547	\$94,046	\$108,927	\$131,685	\$133,836	\$105,667	\$142,082	\$127,135	\$146,227	\$135,144	\$149,394	\$129,407	\$146,797
MED PRICE P/UNIT	\$63,889	\$69,062	\$69,000	\$70,938	\$76,607	\$80,900	\$81,250	\$93,750	\$88,500	\$91,996	\$102,512	\$94,035	\$93,056	\$103,342
AVG # OF UNITS	40	54	67	33	44	58	55	39	53	51	43	42	41	46
ACTUAL CAP RATE	6.74%	6.82%	6.57%	7.19%	6.85%	6.15%	6.18%	6.11%	5.83%	5.98%	6.11%	5.74%	5.93%	5.99%
AVG GRM	8.15	7.88	8.85	8.91	8.28	8.70	8.99	9.52	9.36	8.84	9.99	9.88	10.00	10.82
AVG GIM	10.76	7.71	12.03	-	-	8.38	-	8.78	8.63	8.84	11.40	9.44	10.73	-

PORTLAND'S ECONOMIC OUTLOOK CHANGED AS ECONOMY REACHES FULL EMPLOYMENT

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



The Portland metropolitan area's job growth and wage gains continue to outpace the typical metro across the nation. Such gains are also on par with growth seen during the height of the housing boom last decade. Importantly, the expansion has now reached the lowest income households and broader measures of well-being like the poverty rate. However, the outlook for an economy approaching full employment differs in important respects from one that is digging out from a recession. The tighter labor market brings good news for workers in the form of rising wages, different challenges for businesses looking to expand and shifts the calculus for households looking to buy or rent.

First the good news. Economic growth in recent years is finally impacting broader measures of economic well-being. Median household income in the Portland region increased six percent in 2015, the largest gain in a decade. However, after taking inflation into account, local incomes remain about one percent below their pre-Great Recession levels. That said, median household income in the typical large metro nationwide remains six percent below pre-Great Recession levels.

Even as the lowest income households have suffered the largest declines in the past decade, the recovery is finally starting to reach them. Nationally and across Oregon, such households saw the largest income gains last year, at least in percentage terms. This welcome news resulted in a correspondingly large decline in the poverty rate. These improvements are seen in the Portland region among households in deep poverty, those with incomes less than half the official poverty level. Furthermore, poverty in Portland has improved proportionately for both whites and people of color alike.

The driving force behind these improvements is the strong labor market. Employment in the Portland region is not only considerably higher than back in 2008, but it has fully caught back up with population growth over the same period. The labor market is getting tight. As the pool of available workers shrinks,

businesses must compete more on price to attract and retain the best employees. This is great news for workers as wages rise. Given that wages make up the majority of income for households at the bottom, such wage gains are pulling workers and families out of poverty today. Higher-income households have a wider variety of income sources besides wages, such as capital gains, dividends and the like.

The tight labor market does mean businesses looking to expand must cast a wider net to find workers. This includes potential hires that may not have been looking in the first place. Examples include stay-at-home parents, early retirees or discouraged workers who have previously given up looking. With the right opportunity, such workers move directly into employment, bypassing the job search phase entirely. Additionally, businesses can no longer be as picky in hiring the perfect candidate. Firms must take chances on workers without the ideal experience or a potentially incomplete skill set. On-the-job training becomes considerably more important.

The outlook for an economy at full employment differs in that net growth rates are expected to slow, but for a good reason. Statewide, job gains in recent years are more than twice as much needed to keep pace with the growing population. This is welcome news during a recovery and the large gains eat up the economic slack. However, such gains are not sustainable over the long-term; they are peak growth rates. As the economy approaches and reaches full employment, job growth is expected to slow to a sustainable rate, more in line with the working-age population.

Finally, the combination of a strong regional economy and the Millennials beginning to age into their mid- and late-20s, does mean the Portland metro is at peak renter. Homeownership across the region increased in 2015 with the largest gains among the 20- and 30-something households. While expectations are not for a return to mid-2000s ownership rates, the large shift into rentals over the past decade is likely finished. That said, in a growing metropolitan area like Portland, the overall number of renters and owners will both increase. The challenge is ensuring the housing supply keeps pace with demand. This has not happened in recent years and affordability has eroded. ■

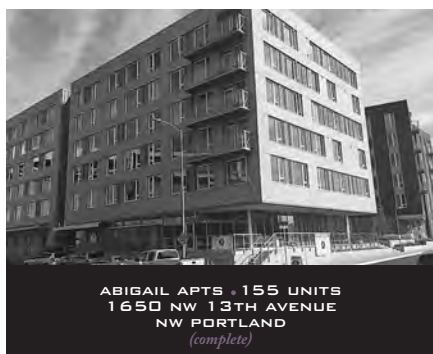
Josh Lebner is a Senior Economist with the State of Oregon's Office of Economic Analysis. He develops the quarterly Oregon Economic forecast, including outlooks for employment, income and housing. Additional responsibilities include the Oregon Index of Leading Indicators, tracking international developments in Oregon's export markets and forecasting revenues for the Oregon Lottery, Oregon Judicial Department and state tobacco taxes. Mr. Lebner 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 • FALL 2016		
TOTAL # OF PROPERTIES = 110 • TOTAL # OF UNITS = 11706		
UNIT TYPES	VACANCY RATE (%)	AVG. RENT PER SQ FT (\$)
STUDIO	2.08	1.86
1 BED / 1 BATH	1.46	1.19
2 BED / 1 BATH	1.42	1.01
2 BED / 2 BATH	1.24	1.01
2 BED / TH	0	1.07
3 BED / 1 BATH	2.31	0.87
3 BED / 2 BATH	0.83	0.87
TOTALS	1.45	1.20

PORTLAND METRO APARTMENT CONSTRUCTION UPDATE

Patrick O. Barry, Barry & Associates

SAMPLING OF PROJECTS RECENTLY COMPLETED OR UNDER CONSTRUCTION—FALL 2016





MUSE APTS • 58 UNITS
1315 NW 19TH AVENUE
NW PORTLAND
(complete)



TAYLOR APTS • 121 UNITS
1551 SW TAYLOR STREET
SW PORTLAND
(under construction)



OHSU APTS • 12 UNITS
956 SW GAINES STREET
SW PORTLAND
(under construction)



IRISH MOSS APTS • 58 UNITS
14050 E BURNSIDE STREET
OUTER SE PORTLAND
(complete)



RIVAS COURTYARD • 38 UNITS
177 NE 147TH AVENUE
OUTER NE PORTLAND
(complete)



SCHOLLS APTS • 240 UNITS
SW 135TH & SCHOLLS FERRY
BEAVERTON
(under construction)



BARCELONA APTS • 44 UNITS
4725 SW LOMBARD STREET
BEAVERTON
(complete)



TIGARD APTS • 166 UNITS
SW ASH & BURNHAM STREET
TIGARD
(under construction)



WEBSTER RD APTS • 120 UNITS
18121 WEBSTER ROAD
GLADSTONE
(under construction)



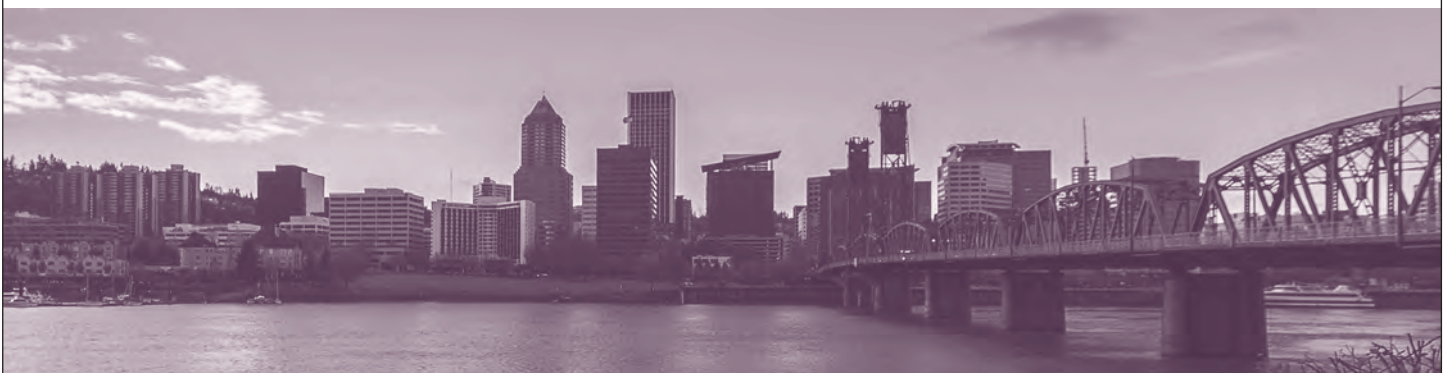
WIZER BLOCK • 207 UNITS
330 1ST AVENUE
LAKE OSWEGO
(under construction)



VVII • 48 UNITS
505 E 15TH STREET
VANCOUVER
(under construction)



13 WEST APTS • 92 UNITS
1314 SW COLUMBIA STREET
VANCOUVER
(under construction)





Apartment permit activity and construction starts have increased over the past six months. Since this report was last published in the Spring of 2016, our records show that around 3,000 units have been completed. In that same time frame, construction began on another 4,200 units, thus outpacing completions. We estimate that around 10,300 units are currently under construction, which is up from 9,200 units six months ago. Another 25,600 units are proposed, which is up from 21,500 units six months ago. The number of proposed units is likely closer to 28,000 when you consider that 44 of the proposed projects have not announced the number of units.

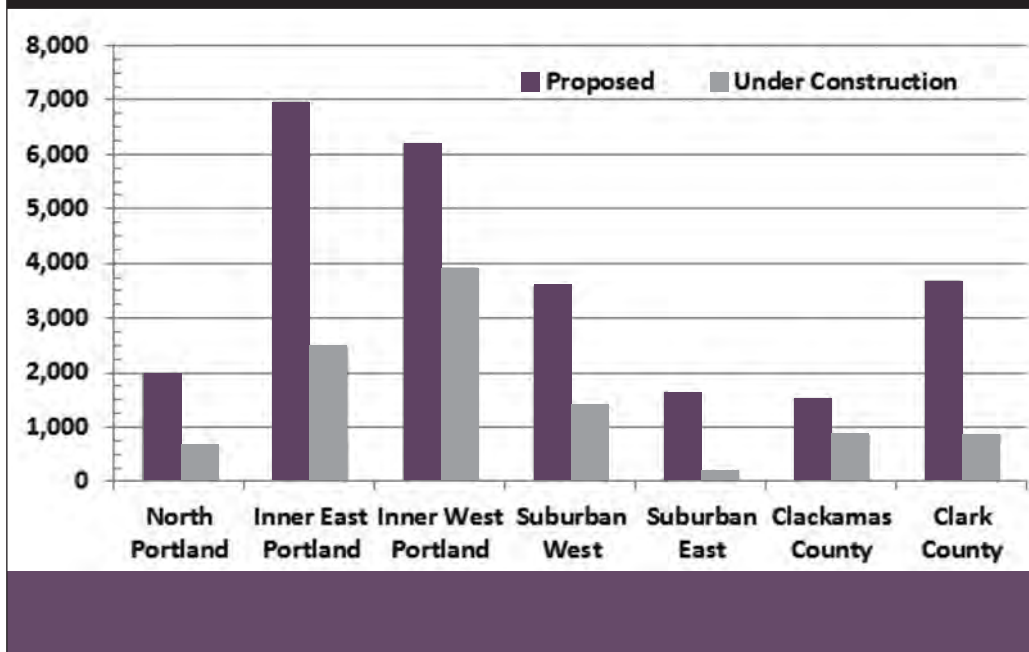
TOTAL UNITS PROPOSED AND UNDER CONSTRUCTION

LOCATION	PROP	UC	TOTAL
North Portland	2,010	659	2,669
Close in East Portland	6,979	2,474	9,453
Close in West Portland	6,194	3,905	10,099
Suburban West	3,595	1,398	4,993
Suburban East	1,621	179	1,800
Suburban South	1,512	857	2,369
Clark County	3,694	842	4,536
TOTAL	25,605	10,314	35,919

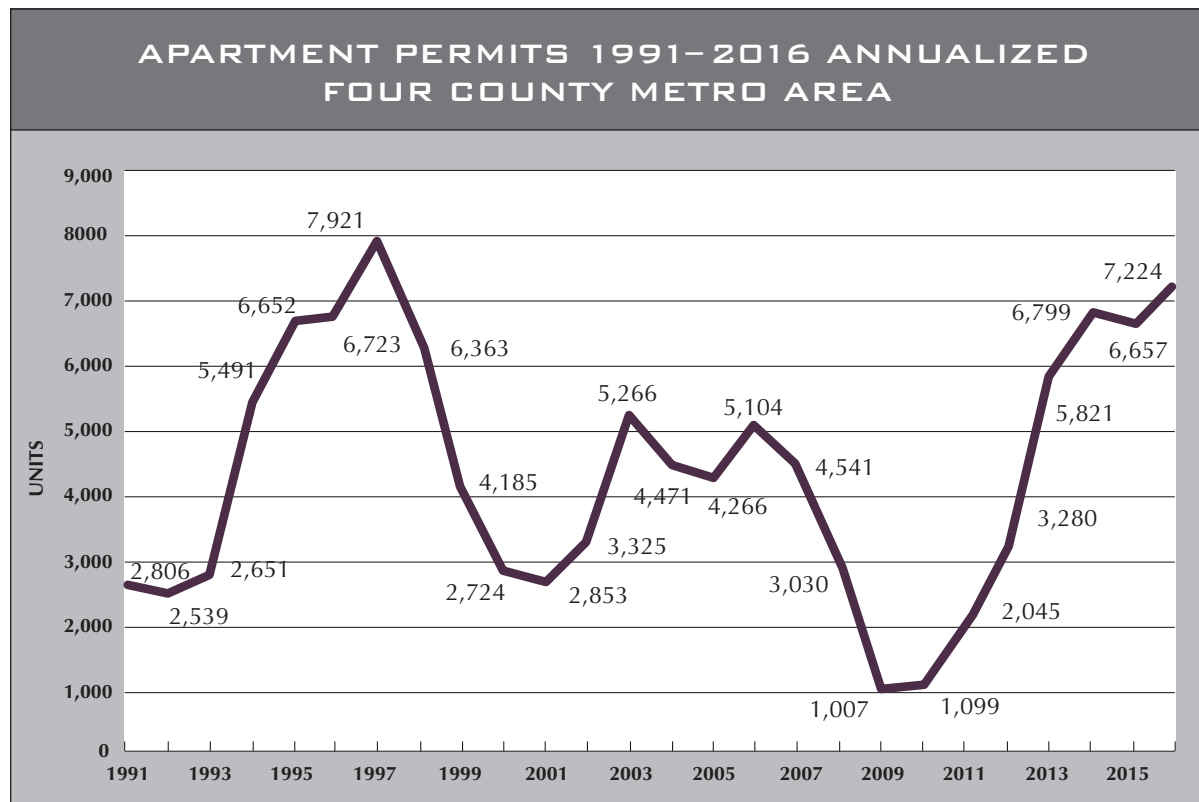
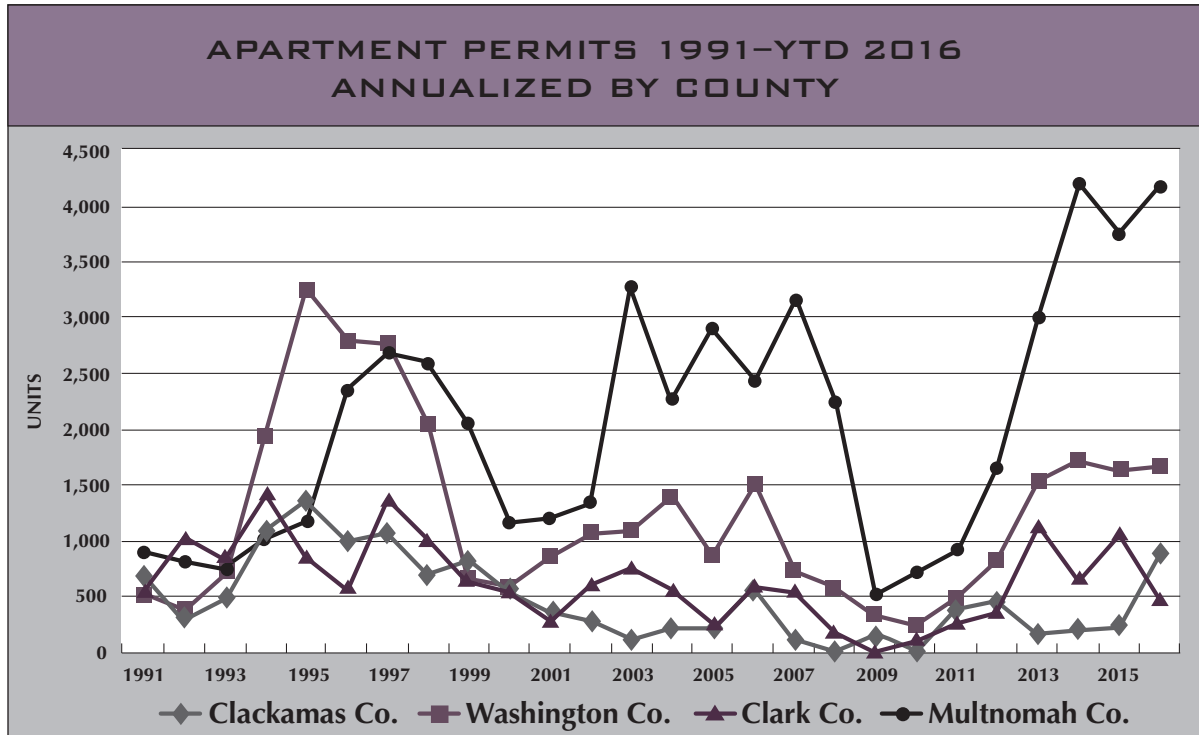
TOTAL PROJECTS PROPOSED AND UNDER CONSTRUCTION

LOCATION	PROP	UC	TOTAL
North Portland	50	20	70
Close in East Portland	92	46	138
Close in West Portland	59	29	88
Suburban West	16	9	25
Suburban East	28	6	34
Suburban South	10	7	17
Clark County	30	11	41
TOTAL	285	128	413

CURRENT UNITS UNDER CONSTRUCTION AND PROPOSED BY LOCATION



Apartment construction in the Inner-East, Inner-West, and North Portland submarkets has remained exceptionally strong. Increases in land values have done little to push construction outside the core, as strong margins remain between cost and value. There have been some increases in suburban construction, though the increases are minimal. As urban land values continue to increase, developers may look to suburban locations. However, suburban construction has remained slow throughout this cycle, despite low vacancies and increasing rents.



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					
SE 9th Ave Apts	888 SE 9th Ave	Portland	?	2017	6-story mixed use
Syracuse Apts	8432 N Syracuse St	Portland	?	2017	3-story
Montana Apartments	6404 N Montana St	Portland	6	2017	3-story
Minnesota Apts	5429 N Minnesota Ave	Portland	6	2017	3-story, 2br, 1ba units
Jarrett Street Apts	N Jarrett and Interstate	Portland	12	2017	Modular apartment
N Williams and Fremont	12 NE Fremont St	Portland	14	2017	8-story, below grade parking
6195 Minnesota Apts	6195 N Minnesota Ave	Portland	16	2017	3-story
Minnesota Apts	6205 N Minnesota Ave	Portland	18	2017	3-story
6261 N Cecilia Apartments	6261 N Cecilia St	Portland	21	2017	3-story, on-site parking
N Greenwich Apts	6846 N Greenwich Ave	Portland	23	2017	3-story
Burlington Apts	7220 N Burlington Ave	Portland	24	2017	3-story
Sumner Apartments	1510 N Sumner St	Portland	25	2017	Partial ground floor retail
Killingsworth Apts	3009 NE Killingsworth	Portland	30	2017	4-story, mixed use
Fremont Apartments	878 N Fremont St	Portland	45	2017	4-story, ground floor commercial
The Woods	3205 N Williams Ave	Portland	50	2017	6 story mixed use, on-site parking
45th and Fremont Apts	4525 NE Fremont St	Portland	50	2017	4-story, ground floor retail
N. Vancouver Apartments	2405 N Vancouver Street	Portland	50	2017	5-story with below grade on-site parking
New Overlook Apartments	3711 N. Overlook Blvd	Portland	63	2017	6-story, on-site parking
Lombard Apartments	7428 N Charleston Ave	Portland	100	2017	4-story, ground floor retail, on-site parking
N Lombard Apts	8221 N Lombard	Portland	106	2017	St. Johns location. 4-story, on-site parking
CLOSE-IN EASTSIDE PORTLAND					
Division	2424 SE 9th Ave	Portland	?	2017	5-story
NE Multnomah Apartments	3205 NE Multnomah	Portland	4	2017	3-story units
Madison Apts	1932 SE Madison St	Portland	4	2017	2-story
Stafford Apts	424 NE Stafford St	Portland	10	2017	3-story
Killingsworth Apts	1360 NE Killingsworth	Portland	12	2017	3-story, two buildings
Milwaukie Ave Apts	7627 SE Milwaukie	Portland	13	2017	2-story
Jessup Apts	442 NE Jessup St	Portland	13	2017	4-story
51st and Division Apartments	5166 SE Division St	Portland	14	2017	3-story, two buildings, courtyard style
Insley Apartments	5350 SE 18th St	Portland	18	2017	3-story
Lambert Apts	1313 SE Lambert St	Portland	19	2017	4-story
SE 50th Ave Apts	1823 SE 50th Ave	Portland	19	2017	4-story
Dekum Apts	422 NE Dekum St	Portland	22	2017	4-story
Ankeny Apartments2	2403 SE Ankeny St	Portland	23	2017	4-story. Current structure to be demolished
SE 24th Apts	88 SE 24th Ave	Portland	24	2017	4-story, no on-site parking
12th and Ankeny Apts	1208 SE Ankeny St	Portland	27	2017	4-story
42nd and Belmont Apts	4262 SE Belmont St	Portland	27	2017	4-story, one retail space, on-site parking
SE Hawthorne Apts	3423 SE Hawthorne St	Portland	28	2017	4-story
The Truman Apts	1515 SE 44th Avenue	Portland	30	2017	4-story, mixed use, ground floor retail
Sellwood Apartments	8028 SE 13th Ave	Portland	30	2017	4 story, mixed use
1525 SE 44th Apts	1525 SE 44th Ave	Portland	30	2017	4-story
Caruthers Apts	3701 SE Caruthers	Portland	30	2017	4-story
Glisan Apartments	2250 NE Glisan St	Portland	37	2017	5-story, on-site parking
SE 11th Apts	950 SE 11th Ave	Portland	39	2017	4-story, ground floor retail
Tacoma Apts	1650 SE Tacoma St	Portland	44	2017	4-story, ground floor retail, CM Zoning
Stark Apts	2929 SE Stark St	Portland	46	2017	
SE Milwaukie Ave Apts	6003 SE Milwaukie	Portland	47	2017	4-story, on-site parking, basement
Miracles Club	1306 NE 2nd Ave	Portland	47	2017	6-story, Miracles Central
SE Oak Apts	1324 SE Oak St	Portland	48	2017	4-story, on-site parking.
NE Fremont Apts	4515 NE Fremont Ave	Portland	50	2017	Ground floor retail, on-site parking
Belmont Apts	2100 SE Belmont Street	Portland	55	2017	4-story, On-site parking
NE 20th Apartments	606 NE 20th Ave	Portland	59	2017	6-story, 1 retail space, on-site parking
SE 29th Apartments - Mixed	3610 SE 29th Ave	Portland	62	2017	Mixed use building types
SE 52nd Ave Apartments	4455 SE 52nd Ave	Portland	63	2017	4-story, ground floor retail
Belmont Apts	4335 SE Belmont St	Portland	63	2017	4-story, On-site parking
SE 11th Ave Apts	950 SE 11th Avenue	Portland	63	2017	
Eliot Apartments	2605 NE 7th Avenue	Portland	68	2017	6-story, on-site parking

NAME	ADDRESS	CITY	UNITS	COMP	NOTES
CLOSE-IN EASTSIDE PORTLAND <i>(continued)</i>					
Burnside Bridgehead	321 NE Couch Street	Portland	75	2017	10-story, mixed use, on-site parking, 3 stories of office
Galaxie Apartments	7400 SE Milwaukie	Portland	76	2017	4-story, on-site parking
Umatilla Apartments	8237 SE 17th Ave	Portland	76	2017	4-story, parking on-site. Currently single level retail.
Stephens Apts	5030 SE Stephens St	Portland	83	2017	4-story, on-site parking
St. Francis Church Site	1136 S.E. Oak St	Portland	106	2017	Affordable & market rate units 4 story, ground floor retail
9th and Belmont Apts	915 SE Belmont St	Portland	120	2017	6-story, mixed use. Surface parking.
SE 50th Apts	2655 SE 50th	Portland	121	2017	Underground parking, 4-story
419 E Burnside	55 NE Grand Avenue	Portland	158	2017	6-story, on-site parking, mixed use
Modera 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.
CLOSE-IN WESTSIDE PORTLAND					
NW Glisan Apts	2280 NW Glisan St	Portland	?	2017	3-story
Gaines Apartments	934 SW Gaines Street	Portland	13	2017	3-story
SW Arthur Apts	110 SW Arthur St	Portland	39	2017	Located in Lair Hill. Possibly subsidized.
23rd and Raleigh Apts	2330 NW Raleigh St	Portland	40	2017	4-story, on-site parking
NW 16th Ave Apartments	233 NW 16th Ave	Portland	50	2017	On-site parking, demo existing building
Savier Apts	2301 NW Savier St	Portland	51	2017	Ground floor retail and parking
635 NW 21st Ave Apartments	635 NW 21st Avenue	Portland	57	2017	Mixed use, underground parking, large retail space
Davis Apartments	60 NW Davis St	Portland	60	2017	6-story mixed use, old town. 2 floors of units
Macadam Apts	5833 SW Macadam Ave	Portland	60	2017	2 buildings, ground floor retail, on-site parking
Jefferson 14	1450 SW Jefferson Street	Portland	61	2017	6 story, no on-site parking
Multnomah Village Apts	7719 SW Capitol Highway	Portland	72	2017	4-story, ground floor retail, on-site parking
NW 19th Avenue Apartments	1502 NW 19th Ave	Portland	88	2017	5-story, on-site parking
NW 11th Ave Apartments	535 NW 11th Ave	Portland	102	2017	14-story, ground floor retail, on-site parking
Taylor Apartments	1551 SW Taylor St	Portland	121	2017	6-story with below grade parking
NW 16th Ave - Microunits	1015 NW 16th Ave	Portland	125	2017	6-story, studio apartment, ground floor retail
Raleigh Apartments	1400 NW Raleigh	Portland	135	2017	6-story, on-site parking
SW 10th Ave Apts	2031 SW 10th Avenue	Portland	144	2017	Located across freeway from PSU
Couch9 Apartments	115 NW 9th Avenue	Portland	145	2017	11-story, on-site parking, ground floor retail
18th and NW Front Apts	1850 NW Front Ave	Portland	149	2017	6-story, mixed use, on-site parking
Riverscape Lot 1 Apts	NW Front Ave & NW 15th Ave	Portland	149	2017	6 story, below grade & surface parking
Q21 Mixed Use	2140 NW Quimby St	Portland	163	2017	7-story, retail and office space, on-site parking.
John's Landing Apts	4850 SW Macadam Ave	Portland	189	2017	Two parcels east of 4949 SW Landing Drive, along river
Jefferson Apartments	1221 SW 11th Ave	Portland	196	2017	15 story, on-site parking, ground floor retail
NW Kearney Apts	805 NW 13th	Portland	218	2017	15-story, on-site parking
Riverscape Lot 8 Apts	2220 NW Front Ave	Portland	260	2017	2 buildings, 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
Modera Pearl	1420 NW 14th Ave	Portland	290	2017	9-story, Cash & Carry Site, 2 levels underground parking
Conway Apartments	1621-1717 NW 21st Ave	Portland	370	2017	Two mixed use buildings, on-site parking
SUBURBAN WEST					
Butner Rd Apts	11770 SW Butner Road	Portland	11	2017	Adding 11 units at Cedar Hills Ivy Club
Blanton St Apts	3980 SW 170th Ave	Aloha	32	2016	32 Units in a single building
Evergreen Road Apt	9550 SW Greenburg Road	Tigard	66	2017	Garden style property, garages
Angel Apartments	SW 1st and Angel	Beaverton	87	2017	Ground floor retail, 4-story
Downtown Tigard Apts	SW Ash Ave & Burnham St	Tigard	166	2017	4-story, on-site parking. Ground floor retail.
North Bethany Ridge	NW Kaiser Rd & Brugger Rd	Portland	208	2017	201 apts in 11 bldgs, 50 TH's in 7 bldgs
Sunset View Apartments	16251 SW Jenkins Road	Beaverton	236	2017	3 and 4 story, 10 buildings, clubhouse
Scholls Ferry Apts	SW Scholls Ferry & 135th Ave	Tigard	240	2017	Ten buildings, one large community center
Amberglon on the Park	20150 NW Amberglon Court	Beaverton	352	2017	Two, 3-story bldgs & two, 4-story bldgs.



With recent increases in the pace of construction, we expect the overall vacancy rates to creep up. However, we do not expect vacancy rates to approach 5% for at least 12 –18 months and possibly longer. Over the next 24 months, we expect a total of 12,000 to 16,000 new units to become available. The current levels of construction are meeting the new demand and should start bringing the vacancy rates to levels more in balance. ■

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.

MULTIFAMILY SALES REMAIN ACTIVE IN 2016

Jordan Carter, Kidder Matthews



Despite rumblings for a couple years that Portland's apartment market has peaked or is close to peaking, market fundamentals remain strong. Investors continue to pile capital into new deals, fueled by regionally affordable pricing, cheap financing and the area's tremendous long-term potential.

APARTMENT SALES: 2016 VS. 2015

By annualizing at CoStar sales data for 5+ units through September 2016, this year is on track for 364 sales compared to 385 in 2015. Sales volume in dollars is projected around \$2.1 billion, just short of the \$2.6 billion in 2015, but well above 2014's \$1.6 billion. Other primary value indicators project higher for 2016 vs. 2015, including the average price-per-unit at \$146,000 vs \$142,000 and average price-per-SF at \$154 vs. \$152. While CoStar only reports cap rates on about half of its transactions, the average for 2016 has declined to 5.83% from 6.01% in 2015.

Institutional sales (over \$15 million) hit a high watermark in 2015 with 50 sales totaling just over \$1.8 billion. Annualizing for 2016, 36 total institutional sales are projected at \$1.3 billion, which marks another strong year. Both the average price-per-unit and average price-per-SF are up from 2015 at \$199,000 vs. \$177,000 and \$192 vs. \$182, respectively. Cap rates remain near historic lows, most transacting in the 4-5% range based on in-place numbers. Financing options remain aplenty for institutional investors, but many institutional underwriters are becoming more conservative on annual rent growth projections.

Private capital sales (under \$15 million) have nearly kept up with 2015's feverish pace. Projected sales for 2016 should be close to last year's total of 335 private capital sales, with volume up slightly at \$800 million compared to \$792 million in 2015. The average price-per-unit for 2016 is up to \$101,500 vs. \$97,000 in 2015, and average price-per-SF is up to \$117 from \$110. Cap rates on private capital sales have decreased 23 basis points this year to 5.93% on average.

IN THE TRENCHES:

Talk to brokers and investors and the common theme you'll hear is there's far more buyers than sellers, and brokers can't dig up enough inventory to satisfy demand. Despite the fact that the total number of transactions in 2015 are 32% higher than 2014's previous high, and this year looks to be nearly as active as 2015, supply remains the primary issue because there isn't enough inventory to satisfy an increasing number of investors.

Outer east Portland and Gresham are prime examples of submarkets benefiting from the supply/demand conundrum, especially over the last 12 months. While overlooked by some investors in the past, demographic shifts and market conditions have accelerated rent growth, creating "value-add" opportunities for out-of-state investors who often don't carry preconceived notions of the area. Today, "East-County" is drawing more investor attention than in recent memory, driving cap rates down and values up.



Who are these investors and where are they from? Over the last two years, nearly 90% of all acquisitions have been made by investors from two states – Oregon and California. Oregonians account for between 60-65% of all acquisitions and Californians roughly 25-30%. My team has experienced an even more dramatic influx, with 10 of our 22 apartment sales in 2016 being acquired by Californians, and 12 by Oregon/SW Washington based investors.

Why do so many Californians come to Portland to invest? The simple answer is that while we think our market is expensive, their market is even more expensive. Many are selling properties at 2-4% cap rates, often in rent controlled areas. So finding a 4-5% cap rate opportunity in Portland with more units and actual rental upside makes common economic sense. Many experienced California investors also view Portland as a market just now coming into its own, something they've seen firsthand across many of their hometown cities. As such, while the current state of Portland's rapid growth, rising rents and values have been a shock for many local investors, Californians look to Portland's future and see long-term upside that lies ahead.

POTENTIAL ISSUES MOVING FORWARD:

Rent Control: The latest hot topic in local politics is the "housing crisis" in our state, and more particularly, in Portland. We saw the city of Portland take action toward the end of 2015 when it bucked state law and extended the notice required to evict without cause and for certain rent increases. While it appears the State Legislature is gearing up to take the issue on in 2017, the jury is still out as to what, if any, measures may be imposed, and when. While it seems unconscionable to many that significant measures will be imposed, such as a moratorium on raising rents or completely eliminating no-cause evictions, Portland has a reputation for putting the cart before the horse when it comes to short-term fixes for long-term problems. Inclusionary zoning is another byproduct of the rent control debate. Portland policy makers are actively looking at ways to implement this controversial tool, which seeks to link affordable housing to the production of market-rate housing by requiring new developments to include a certain percentage of affordable units. One thing is clear – further restrictions, if imposed, will impact new construction of multifamily projects that Portland desperately needs. And this is the fundamental issue behind the housing shortage. Beyond that, it will discourage current landlords from improving their existing buildings and inflate rents on unregulated buildings.

Interest Rates: The question of whether and when interest rates will rise and its corresponding impact on cap rates has been the elephant in the room for a few years now. While signs point to the feds slowly easing rates up over the next couple years, even once they do become more "normalized," expect the new equilibrium to remain at lower rates than in the past.

New Construction: Yes, Portland has seen a recent boom in new construction, primarily in close-in locations. However, even with all the newly built and proposed units coming online through 2017, Portland should still remain at a negative absorption given the overall lack of supply and strong demand. This is especially true on "B" and "C" apartments, which are not what's being built. A slowdown in rent projections and lease-up of new construction could have a trickle-down effect, but it's doubtful in the near future, if at all, to have a material impact on the traditional "B" and "C" apartment properties that dominate our market.

CONCLUSION:

Rent growth and skyrocketing values have made the last couple of years very good for owners. As equity in owner existing properties continues to grow, many are being pushed to look for more ways to capitalize, creating the fuel that drives an active sales market. To be sure, Portland has gone from a small town to a growing city in a short time, and with that growth come some inevitable growing pains. The next year should prove to be an interesting one for apartment owners and everyone in the industry! ■

Jordan Carter, JD is a First Vice President and Partner with Kidder Mathews, one of the largest independent commercial real estate firms on the West Coast. In the last two years, Jordan and his team have closed over \$200 million in multifamily transactions across Oregon/Washington. He can be reached at 503-221-2280 or by email at jcarter@kiddermathews.com.



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MAP AREA	TENANT PAID UTILITIES		
	WATER/SEWER	HEAT	GARBAGE
NW PORTLAND	54.4%	88.6%	50.6%
HILLSBORO N OF HWY 26	70.4%	96.3%	55.6%
ALOHA	77.4%	93.6%	66.1%
BEAVERTON	72.7%	89.4%	53%
DOWNTOWN PORTLAND	53.7%	83.3%	53.7%
SW PORTLAND	69.2%	92.3%	50%
TIGARD TUALATIN SHERWOOD	69.6%	97.1%	60.9%
LAKE OSWEGO WEST LINN	64%	100%	60%
WILSONVILLE CANBY	64.3%	100%	50%
OREGON CITY GLADSTONE	71.4%	100%	21.4%
MILWAUKIE	72.2%	100%	36.1%
CLACKAMAS	85.7%	100%	71.4%
INNER & CENTRAL SE PTLD	27.7%	61.4%	20.1%
OUTER SE PORTLAND	44.4%	96.8%	22.2%
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM	58.7%	100%	37%
OUTER NE PORTLAND	60.5%	100%	42.1%
INNER & CENTRAL NE PTLD	21%	57.3%	14.5%
NORTH PTLD ST. JOHNS	23.7%	79%	21.1%
WEST VANCOUVER	72.5%	92.5%	55%
EAST VANCOUVER	61.9%	85.7%	47.6%
SALEM VICINITY	45.7%	82.1%	41.1%
EUGENE SPRINGFIELD	44.1%	97.9%	40.9%
BEND REDMOND	31.3%	87.5%	12.5%

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Multifamily NW® ■ 16083 SW Upper Boones Ferry Road Suite 105 ■ Tigard, OR 97224 ■ 503 213 1281

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