



MULTIFAMILY REPORT

Portland: Safety First

Summer 2021



RBN Communities in High Demand

Transaction Activity Rebounds

Rent Growth Picks Up

PORTLAND MULTIFAMILY



Volatility Persists, Demand Strengthens

Portland is one of the coastal markets that has benefited from pandemic-induced migration patterns, with the area offering a less dense and more affordable environment to residents looking to relocate. The multifamily market responded to the dynamic, with rents up 0.7% on a trailing three-month basis through April to \$1,473, outperforming the U.S. average, up 0.5% to \$1,417.

The start of the health crisis marked the end of a prosperous decade for Portland, but steadily, the local economy began rebounding in the second half of 2020, pushing the unemployment rate down to 6.3% as of March 2021, according to Bureau of Labor Statistics data. The employment market was still well in the red as of February, posting an 8.4% year-over-year contraction, behind the -7.2% U.S. rate. Still, the metro's largest sector—trade, transportation and utilities—lost just 0.8% of its workforce, and the vaccine rollout will likely speed up the recovery. Case in point, Intel announced plans to continue expansion during the next few years.

Last year was the decade's second best for deliveries in Portland, followed by another 1,542 apartments that came online in the first four months of 2021. An additional 8,189 units were underway going into the second quarter. Meanwhile, sales totaled \$419 million, and the price per unit increased by 16.9%, to \$224,702.

Market Analysis | Summer 2021

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Recent Portland Transactions

Bridge Creek



City: Wilsonville, Ore.
Buyer: Nuveen Real Estate
Purchase Price: \$72 MM
Price per Unit: \$228,571

Boulder Creek



City: Wilsonville, Ore.
Buyer: Nuveen Real Estate
Purchase Price: \$65 MM
Price per Unit: \$219,595

ArLo



City: Portland, Ore.
Buyer: Hamilton Zanze & Co.
Purchase Price: \$50 MM
Price per Unit: \$282,857

The Prescott



City: Portland, Ore.
Buyer: The Green Cities Co.
Purchase Price: \$43 MM
Price per Unit: \$279,032

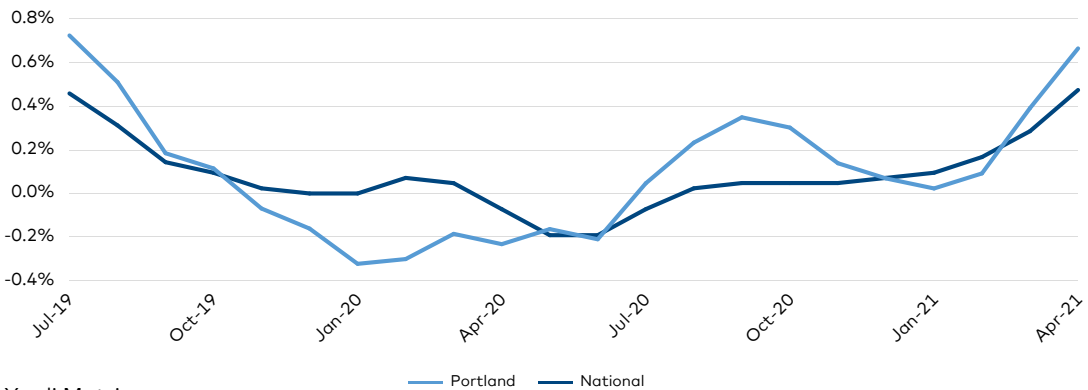
RENT TRENDS

- ▶ Portland rents rose 0.7% on a trailing three-month (T3) basis through April to \$1,473, outperforming the U.S. rate by 20 basis points. The national average reached \$1,417.
- ▶ As of April, Lifestyle rents were up 0.7% on a T3 basis, reaching \$1,662. That was slightly higher than the 0.6% rate for the working-class Renter-by-Necessity segment, with the RBN rate appreciating to \$1,319.
- ▶ Looking at the occupancy rate in stabilized properties, RBN communities remained in high demand, with the rate up 40 basis points to 95.9% in the 12 months ending in March. Meanwhile, occupancy for the Lifestyle class inched up 20 basis points, to 94.4%. However, it's im-

portant to consider that, like most of the nation, Portland deliveries in the past decade have heavily tilted toward the upscale segment.

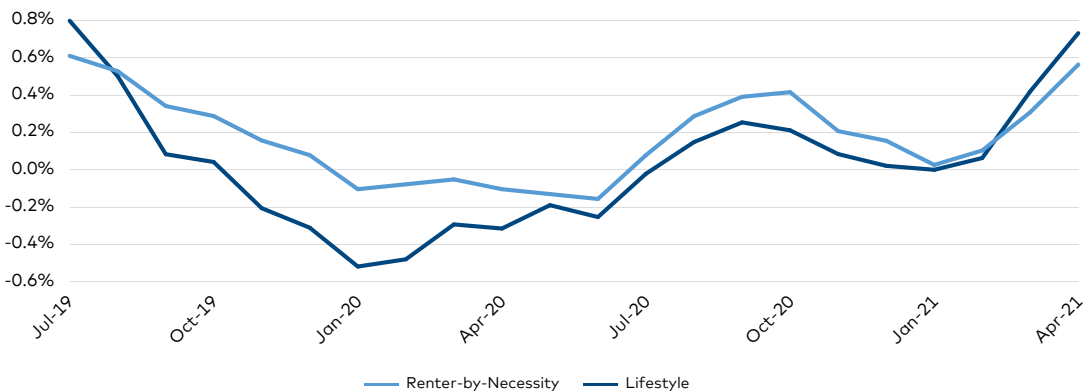
- ▶ While the overall average Portland rent appreciated 3.2% year-over-year through April, some submarkets marked declines. Goose Hollow (-6.2% to \$1,305) and PSU/Lovejoy (-4.1% to \$1,620) recorded the steepest drops.
- ▶ Portland's most expensive areas also posted drops: Pearl District (-1.7% to \$1,937) and Downtown Portland (-2.4% to \$1,931). However, considering the metro's overall supply and demand dynamics, we expect the average overall Portland rate to keep a steady course, rising 3.0% in 2021.

Portland vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Portland Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Portland's swift pandemic response, which included tight restrictions, led to fewer issues on the health crisis side, at least when compared to the U.S. average. This, however, took a toll on the local economy, which marked the end of a flourishing decade at the start of 2020. The metro started to slowly rebound in the second half of last year and the unemployment rate dropped to 6.3% as of March 2021, according to preliminary BLS data.
- ▶ Employment marked an 8.4% drop in the 12 months ending in February, still trailing the -7.2% U.S. rate. All sectors lost jobs, with leisure and hospitality (-37.4%) and consumer-facing services (-12.1%) hit the worst. Government lost 7.7% of its workforce, followed by education and health services (-7.0%).
- ▶ Intel and Nike—which have both recently expanded in the area—took different paths: Intel has already added 400 employees in the state and announced further expansion of its \$3 billion D1X factory in Hillsboro, which will add 1,750 jobs upon completion. On the other hand, Nike announced late last year the layoffs of 700 employees at their headquarters in Beaverton, Ore.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
50	Information	25	2.2%
40	Trade, Transportation and Utilities	220	19.5%
55	Financial Activities	70	6.2%
80	Other Services	38	3.4%
15	Mining, Logging and Construction	71	6.3%
30	Manufacturing	120	10.6%
60	Professional and Business Services	184	16.3%
90	Government	144	12.8%
65	Education and Health Services	179	15.9%
70	Leisure and Hospitality	77	6.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Portland gained 13,602 residents in 2019, a 0.5% uptick, 20 basis points above the U.S. rate.
- ▶ Portland State University's Population Research Center released new preliminary population estimates which point to more growth, albeit at a slower rate.

Portland vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Portland Metro	2,427,459	2,456,462	2,478,810	2,492,412

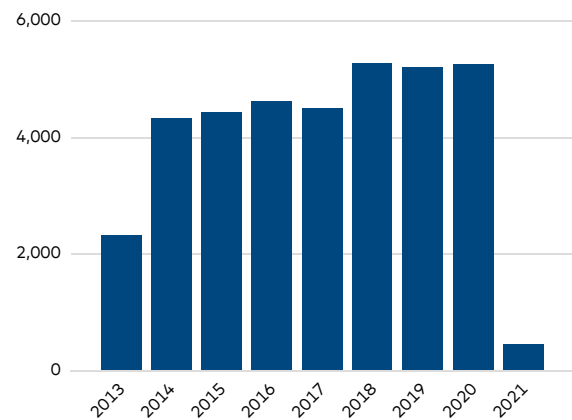
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ A total of 1,542 units came online in Portland this year through April, 0.9% of total stock and 30 basis points above the U.S. rate. Last year, developers brought online 5,263 units, which made 2020 the second-best year of the decade. Since 2013, the metro's housing inventory has expanded by 37,563 rental units.
- ▶ The development pipeline comprised 8,189 units under construction and another 34,993 in the planning and permitting stages as of April.
- ▶ Projects delivered in 2021 through April tilted toward the upscale segment, with two-thirds of the units being in Lifestyle projects. Just one fully affordable community of 175 units came online during this time. Similarly, of the projects underway, about three-quarters target high-income renters. Of all RBN projects underway, about two-thirds, or nearly 1,300 units, are in fully affordable communities.
- ▶ Development is spread out across the map, with Downtown Vancouver (699 units underway) and Gresham (677 units) in the lead. The largest project underway is the 352-unit Am-

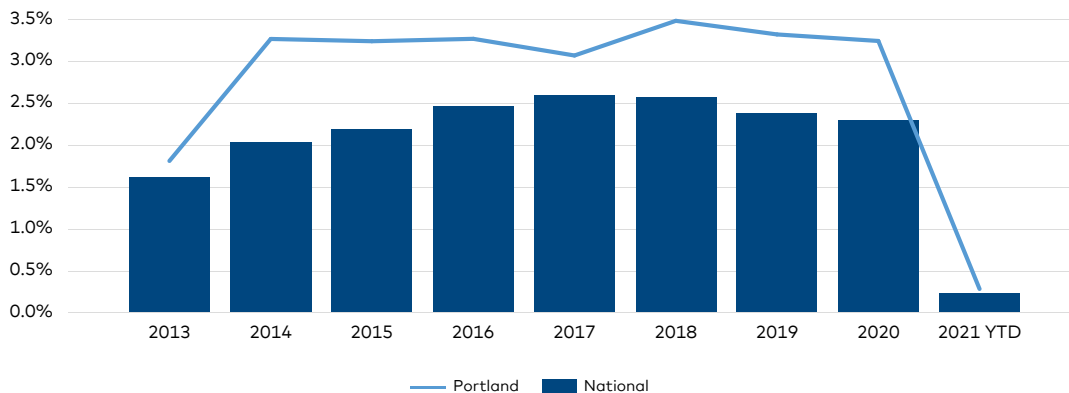
berglen South in Hillsboro, owned by American Capital Group and Artemis Real Estate Partners. The largest project delivered in 2021 through April was Zera at Reed's Crossing, a 324-unit Lifestyle community, also in Hillsboro, built by Holland Partners with aid from a \$56 million construction loan issued by North America Sekisui House.

Portland Completions (as of April 2021)



Source: Yardi Matrix

Portland vs. National Completions as a Percentage of Total Stock (as of April 2021)



Source: Yardi Matrix

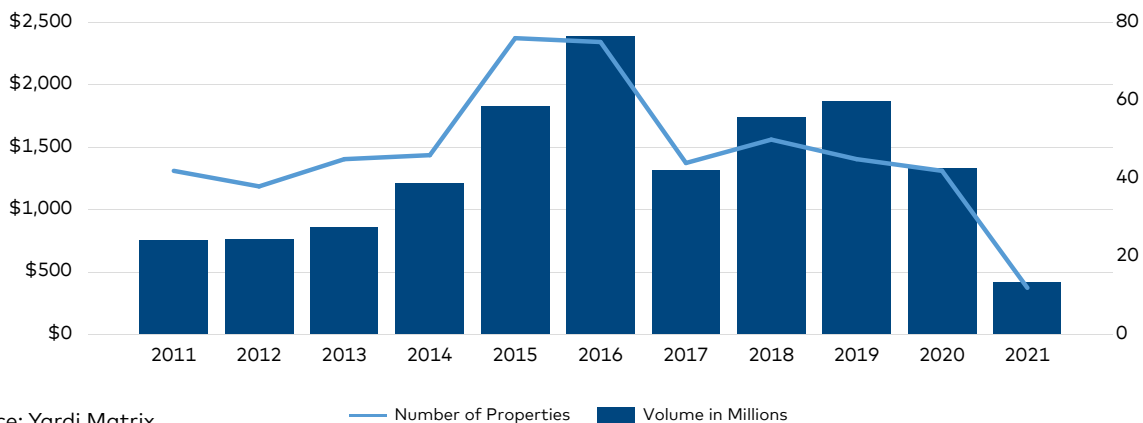
TRANSACTIONS

▶ The pandemic slammed transaction activity in Portland during last year's second and third quarters, but investments made a comeback in the final quarter, when \$632 million in multifamily assets traded. Investor interest remained high in 2021, and through April, the volume reached \$419 million, surpassing the \$346 million recorded during the same period last year. Moreover, even though two-thirds of the properties that changed hands were in the Renter-by-Necessity segment, the price per unit

increased by 16.9% to \$224,702, well above the \$170,513 national figure.

▶ Nuveen Real Estate was one of the most-active buyers in the market in 2021 through April, expanding its portfolio with two Lifestyle communities, both located in Wilsonville. The assets also mark the highest sale price paid during the period. TruAmerica Multifamily sold the 315-unit Bridge Creek and the 296-unit Boulder Creek for a total of \$137 million.

Portland Sales Volume and Number of Properties Sold (as of April 2021)



Source: Yardi Matrix

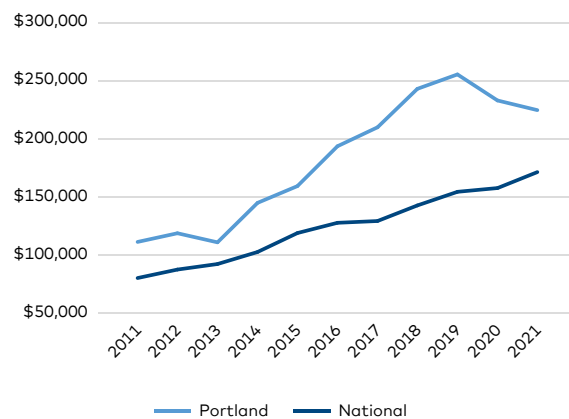
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Mill Plain	198
Southwest Hills	146
Wilsonville	137
Lake Oswego	99
Creswell Heights	90
Pearl District	88
West Haven	81

Source: Yardi Matrix

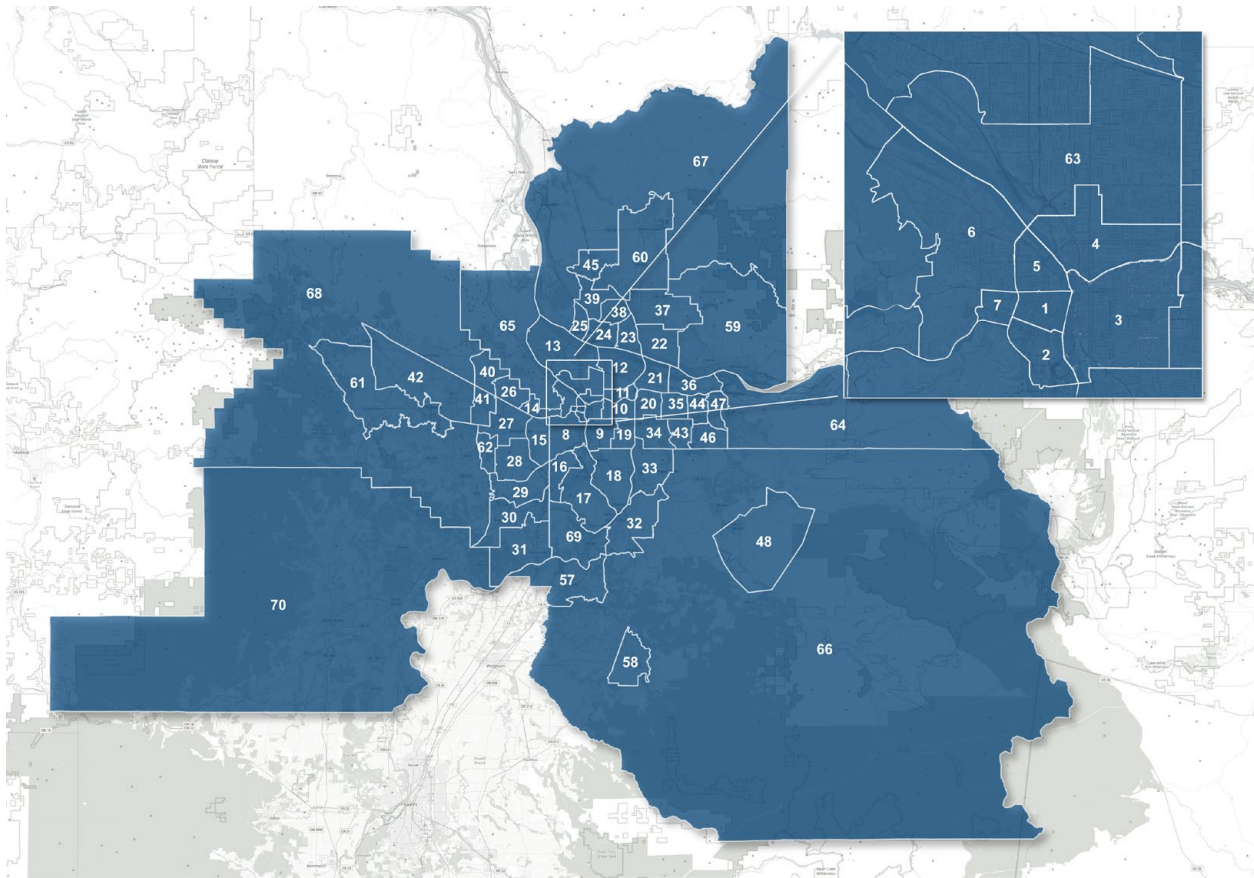
¹ From May 2020 to April 2021

Portland vs. National Sales Price per Unit



Source: Yardi Matrix

PORTLAND SUBMARKETS



Area No.	Submarket
1	Downtown Portland
2	PSU/Lovejoy
3	Kerns/Buckman
4	Lloyd/Irvington
5	Pearl District
6	Hillside/Northwest
7	Goose Hollow
8	Southwest Hills
9	Brooklyn/Moreland
10	Laurelhurst
11	Madison South
12	Cully/Roseway
13	St Johns/University Park
14	West Haven
15	Raleigh Hills
16	Westlake
17	Lake Oswego
18	Milwaukie/Gladstone
19	Brentwood/Darlington
20	Hazelwood
21	Parkrose

Area No.	Submarket
22	Mill Plain
23	McLoughlin
24	Fort Vancouver
25	Downtown Vancouver
26	Oak Hills
27	Beaverton
28	Greenway
29	Tigard
30	Tualatin
31	Wilsonville
32	Oregon City
33	Happy Valley
34	Pleasant Valley
35	Wilkes
36	Fairview
37	Orchards
38	Walnut Grove
39	Hazel Dell
40	Rock Creek
41	Tanasbourne
42	Hillsboro

Area No.	Submarket
43	Hollybrook
44	Gresham
45	Salmon Creek
46	Kelly Creek
47	Troutdale
48	Sandy
57	Canby
58	Molalla
59	Creswell Heights
60	Battle Ground
61	Forest Grove
62	Hazeldale
63	Piedmont
64	Eastern Multnomah County
65	Northwest Multnomah County
66	Outlying Clackamas County
67	Outlying Clark County
68	Outlying Washington County
69	Stafford
70	Yamhill County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

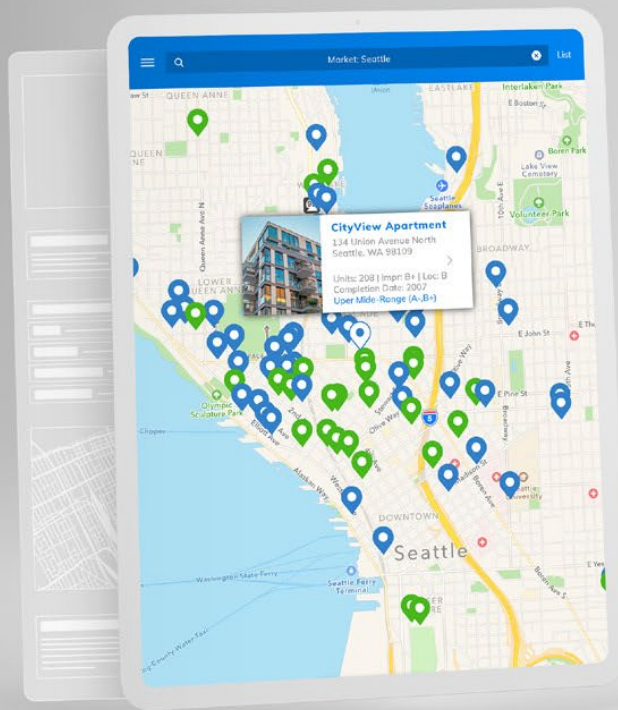
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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