



MULTIFAMILY REPORT

# Portland Picks Up The Pace

Fall 2021

**Leisure and Hospitality Lead Job Gains**

**Metro Rents Outperform U.S. Average**

**Deliveries Maintain Pre-Pandemic Levels**

# PORTLAND MULTIFAMILY



## Solid Rental Market Accelerates Recovery

The multifamily industry's ongoing momentum continued its upward trajectory, and although Portland's overall recovery is expected to be lengthier, the metro's housing market is exhibiting strength. As of August, Portland rents improved by 2.0%, to \$1,604, on a trailing three-month (T3) basis, above the \$1,539 U.S. average. The metro's single-family rental sector is also on the right track, with rates up 7.8% year-over-year, not far behind the 10.3% U.S. rate.

In the 12 months ending in June, Portland gained 69,900 net jobs. While employment gains have improved in the metro, job growth was still at -0.7 in June, 60 basis points below the U.S. figure. Leisure and hospitality led gains with the addition of 18,600 jobs, up 23.6%. As of July, unemployment stood at 4.6% in metro Portland—the figure was below both the 5.2% Oregon rate and the 5.4% national rate recorded in July. As of August, statewide unemployment was 4.9%, while the national figure slid to 5.2%.

Portland had 7,983 units under construction as of August, 76% of which are in upscale communities. Developers added 3,184 units to inventory year-to-date through August, equal to 1.9% of total stock and 60 basis points above the U.S. figure. Meanwhile, investment sales amounted to \$680 million, slightly exceeding the sales volume recorded in the same interval last year (\$630 million).

## Market Analysis | Fall 2021

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### Recent Portland Transactions

#### Aspire Oregon City



City: Portland, Ore.  
Buyer: Clear Capital  
Purchase Price: \$29 MM  
Price per Unit: \$215,556

#### Ashley Terrace



City: Portland, Ore.  
Buyer: Next Wave Investors  
Purchase Price: \$24 MM  
Price per Unit: \$202,119

#### East of Eleven



City: Portland, Ore.  
Buyer: Pathfinder Partners  
Purchase Price: \$22 MM  
Price per Unit: \$247,778

#### Forest Heights

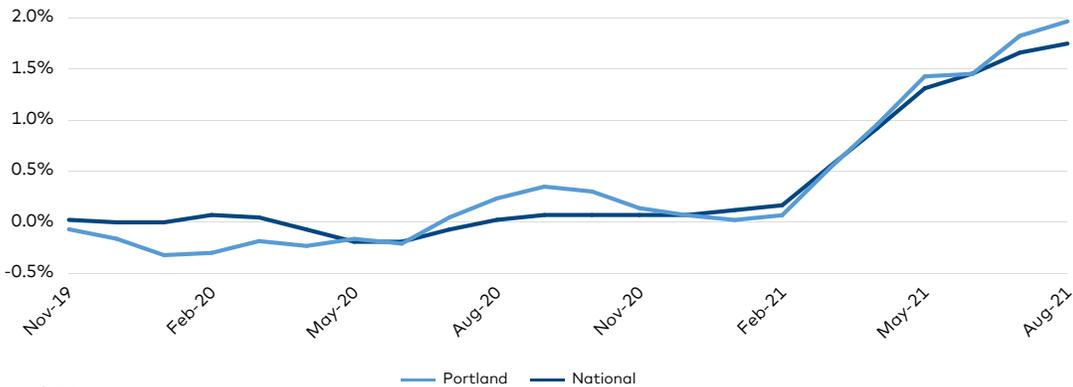


City: Portland, Ore.  
Buyer: One Degree Acquisitions  
Purchase Price: \$13 MM  
Price per Unit: \$175,342

## RENT TRENDS

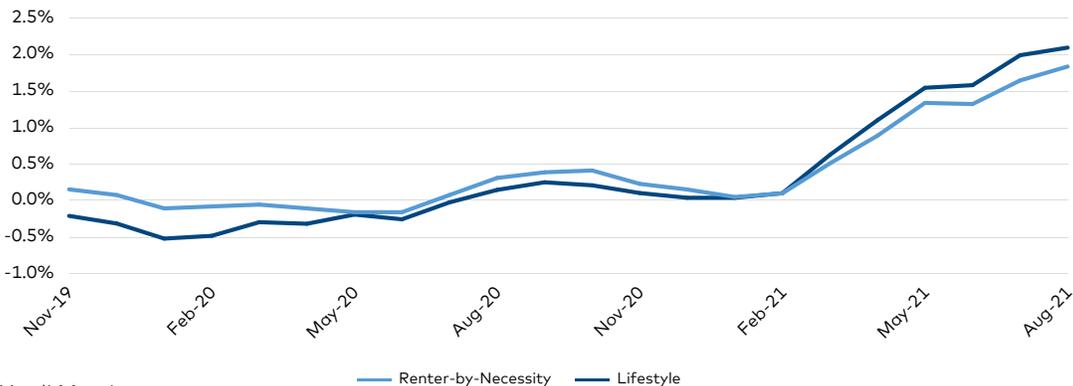
- ▶ Portland rents increased by 2.0% on a trailing three-month basis (T3) as of August, 30 basis points ahead of the national rate. The average rent in the metro was \$1,604, above the \$1,539 U.S. average. Year-over-year, Portland rents appreciated by 11.3% as of August.
- ▶ Lifestyle rent growth continues to outstrip working-class Renter-by-Necessity expansion, indicating that renters have set aside extra savings over the last year. As of August, Lifestyle rents were up 2.1%, to \$1,772, on a T3 basis, while RBN rents edged up 1.8%, to \$1,439.
- ▶ Metro Portland rents in the single-family rental sector improved by 7.8% as of August, below the 10.3% national rate. The average SFR rent in the metro was \$1,604, exceeding the \$1,539 figure.
- ▶ Downtown Vancouver (22.5% to \$1,889), Wilsonville (16.8% to \$1,658) and Hazel Dell (15.3% to \$1,329) had among the strongest year-over-year gains in the metro in the 12 months ending in August. Rates in the Pearl District—one of the most expensive submarkets—rose 4.9% to \$2,034.
- ▶ The federal Emergency Rental Assistance program allocated a combined \$280 million to Oregon, the city of Portland and multiple counties in the state. Renters in Oregon are protected by Senate Bill 278, which temporarily prevents landlords from evicting residents who show proof that they've applied for rental assistance.

### 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

- ▶ In the 12 months ending in June, Portland gained 69,900 net jobs. While employment gains have improved in the metro, job growth was still at -0.7 in June, 60 basis points below the U.S. figure. Leisure and hospitality led gains—the sector added 18,600 jobs for a 23.6% increase, the largest rate of all sectors. Professional and business services added 16,100 positions, followed by trade, transportation and utilities, up 13,500 jobs.
- ▶ As of July, unemployment stood at 4.6% in Metro Portland, based on preliminary data from the BLS. The figure was below both the 5.2% Oregon rate and the 5.4% U.S. rate recorded in July. As of August, statewide unemployment was at 4.9%, while the U.S. figure slid to 5.2%.
- ▶ The number of long-term jobless Oregonians—unemployed longer than six months—peaked at 72,000 in April 2021, but improving economic metrics over the summer pushed the figure to 38,500 in August 2021, the Oregon Employment Department reported. Between August 2020 and August 2021, Oregon recovered 72% of jobs lost in March and April 2020.
- ▶ The American Rescue Plan allocated close to \$6 billion to the state of Oregon. The city of Portland was allotted \$207.9 million in local relief funds, to be distributed in two installments.

### Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	97	8.3%
60	Professional and Business Services	192	16.4%
40	Trade, Transportation and Utilities	222	19.0%
65	Education and Health Services	179	15.3%
15	Mining, Logging and Construction	78	6.7%
80	Other Services	39	3.3%
30	Manufacturing	121	10.3%
90	Government	145	12.4%
50	Information	25	2.1%
55	Financial Activities	72	6.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Portland added 17,847 residents in 2020, for a 0.7% population expansion. Meanwhile, the nation gained more than 1.1 million residents, for a 0.4% uptick.
- ▶ Over the past decade, the metro's population grew by 12.5%, nearly double the 6.5% national rate.

### Portland vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Portland Metro	2,456,462	2,478,810	2,492,412	2,510,259

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

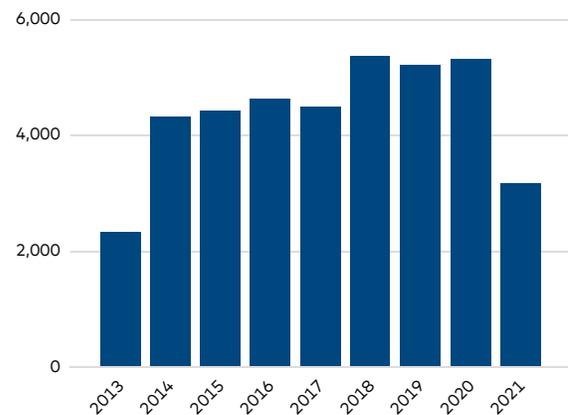
## SUPPLY

- ▶ Portland had 7,983 units under construction as of August, with the majority (76.1%) of underway apartments aimed at high-income earners. As of August, the metro had an additional 37,850 units in the planning and permitting stages.
- ▶ Developers added 3,184 units to inventory year-to-date through August, 1.9% of total stock and 60 basis points above the U.S. figure. New completions largely favored the Lifestyle segment—76% of newly delivered units were in upscale communities. Since 2014, yearly deliveries have consistently surpassed the 4,000-unit mark, peaking at 5,379 units in 2018. Since then, completions have remained above the 5,000-unit threshold, even through 2020.
- ▶ Developers broke ground on 2,628 units across 19 properties in the 12 months ending in August. The figure marks a 37% slide compared to the one recorded in the previous 12 months, when developers broke ground on 4,164 units across 24 assets.
- ▶ As of August, Gresham led development, with 748 units underway across five projects. Down-

town Vancouver (572 units) and Goose Hollow (492 units) rounded out the top three.

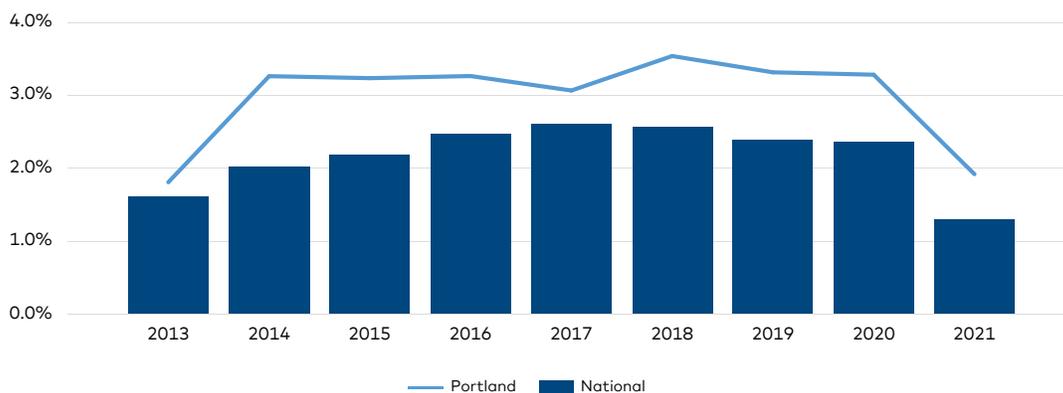
- ▶ American Capital Group and Artemis Real Estate Partners' 352-unit AmberGlen South in Tanasbourne was the largest development underway in the metro as of August. The two-building project is slated for delivery in the fourth quarter.

**Portland Completions** (as of August 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

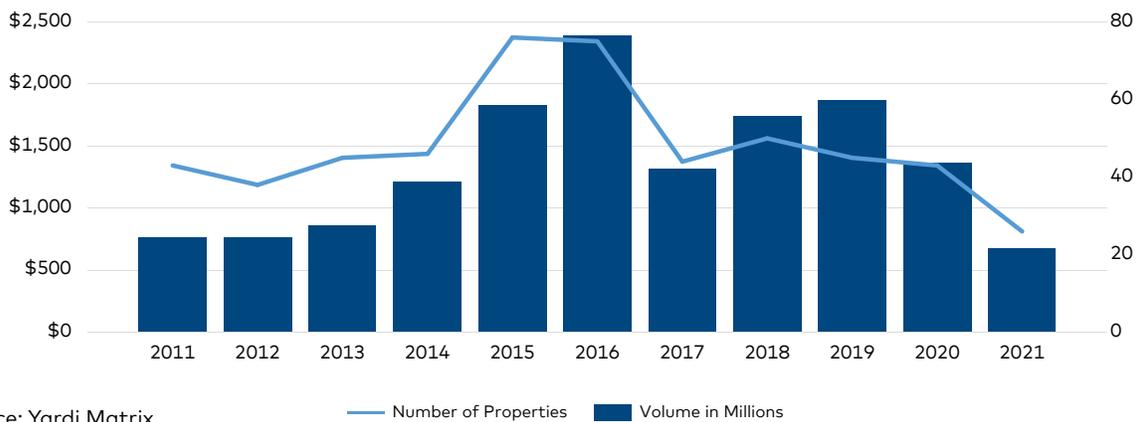
## TRANSACTIONS

- ▶ Year-to-date through August, 26 assets sold for nearly \$680 million, slightly exceeding the sales volume recorded in the same interval last year (\$630 million). Close to \$1.4 billion in rental assets traded in 2020. Since 2014, transactions have consistently crossed the \$1 billion threshold in the metro—the nearly \$2.4 billion recorded in 2016 marked the past decade’s high point.
- ▶ A total of 6,470 units were sold in the 12 months ending in August. Investor interest was almost

evenly divided between quality segments—of the 43 assets that traded, 52% are Lifestyle properties, while 44% are RBN communities and the remaining 4% are fully affordable. The average price per unit stood at \$229,215, close to the \$230,093 average during the same interval.

- ▶ Mill Plain led sales in the 12 months ending in August (\$153 million), followed by Southwest Hills (\$146 million) and Wilsonville (\$137 million).

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



Source: Yardi Matrix

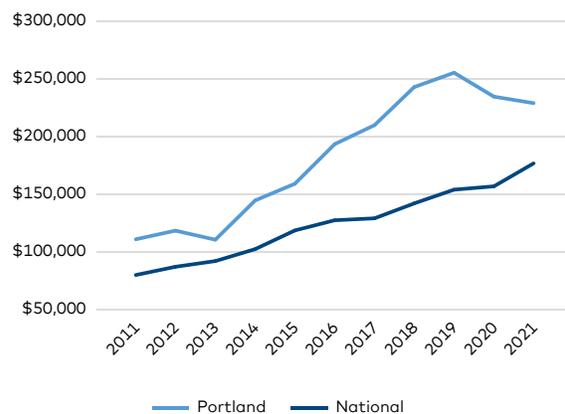
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Mill Plain	153
Southwest Hills	146
Wilsonville	137
Lake Oswego	99
Piedmont	90
Creswell Heights	90
West Haven	81

Source: Yardi Matrix

<sup>1</sup> From September 2020 to August 2021

### Portland vs. National Sales Price per Unit



Source: Yardi Matrix



## What Is Attracting Investors to Portland?

By Evelyn Jozsa

Thanks to its diverse economy and high quality of life, Portland's multifamily market was able to resist recent economic hardships. The metro also benefited from pandemic-induced migration patterns, attracting residents looking for less dense, more affordable places to live in. And the city's rental market will remain strong, Trion Properties Managing Partner Max Sharkansky believes, making it an attractive market for investors.

*What does Portland have to offer to multifamily investors?*

The city and surrounding areas are attractive to residents due to the high quality of life and diverse range of activities they provide, and immense business growth is resulting in longer retention.

Additionally, zoning changes have taken place throughout the city in recent years, which has greatly affected the development pipeline and drastically increased demand for quality apartment communities at reasonable price points, presenting reliable opportunities for a strong return on investment.

*How competitive is Portland when it comes to value-add opportunities?*

As Portland continues to be recognized as a top performer in growth, resiliency and long-term value, competition has been tightening significantly when it comes to value-add opportunities over the past few years.



*What types of properties would you consider risky investments in upcoming quarters?*

The Portland market has seen significant recent and ongoing deliveries of upscale, luxury multifamily products. There is a risk of supply outpacing demand in this subsector in the coming quarters. Additionally, it will be important for investors to stay on the pulse of rent control in Portland and Oregon as a whole, ensuring that current regulations and potential changes will not impact business plans.

*How does Portland compare to other markets you have a presence in?*

Portland is similar to other Western markets we have a presence in, such as Denver and the East Bay area, in that it offers affordability in comparison to other regional metros, an appealing quality of life, high walkability and a flourishing business environment. These markets are seeing an incredible amount of top talent move in and the expansion of several prominent companies, such as high-tech manufacturers in Portland, for example.

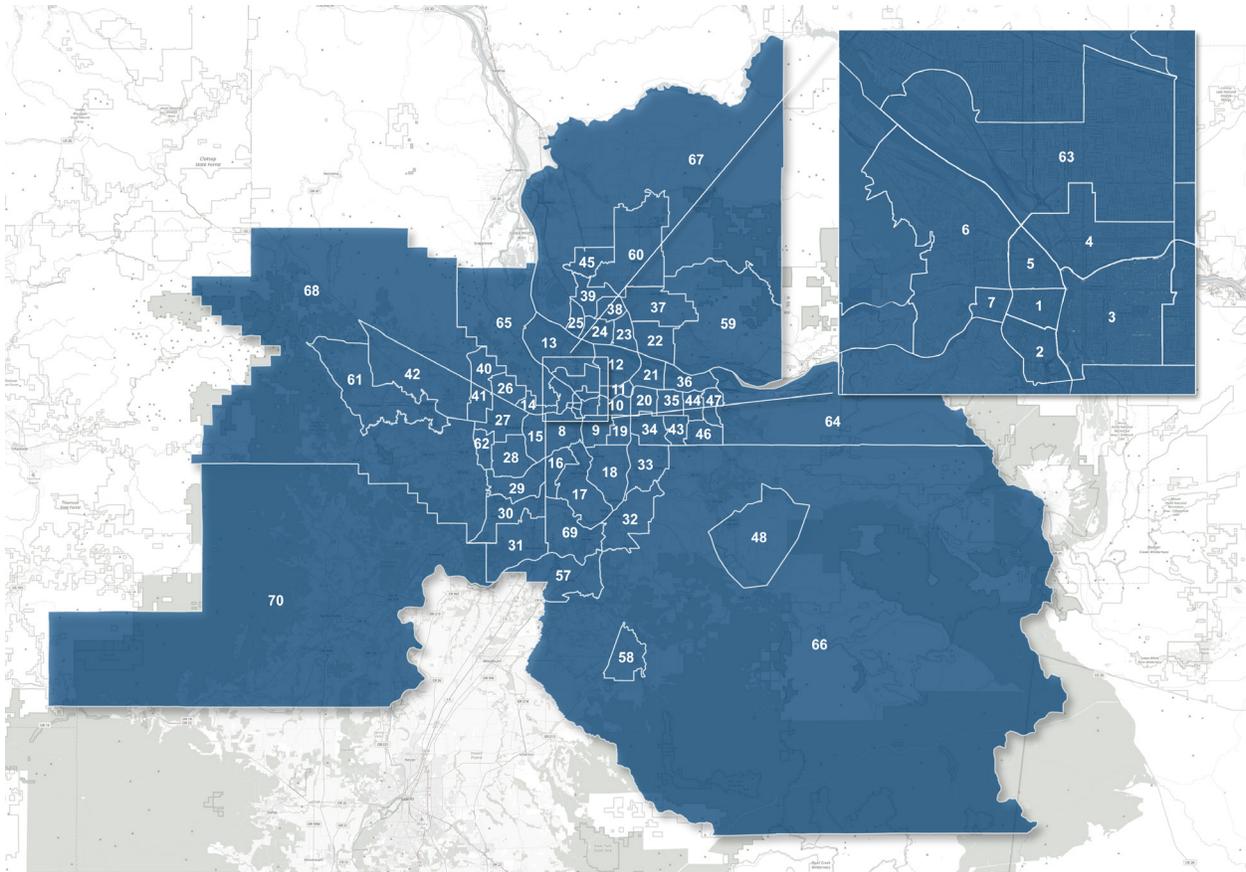
*What are your predictions for Portland's multifamily market?*

We expect the greater Portland market to continue to grow rapidly as a result of its strong economy, in-migration, beautiful scenery and diverse business environment.

This is a market that has garnered increasing interest from people of all demographics and income levels, and is facing high demand for modern, market-rate apartment communities.

*(Read the complete interview on [multihousingnews.com](http://multihousingnews.com).)*

# 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
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.

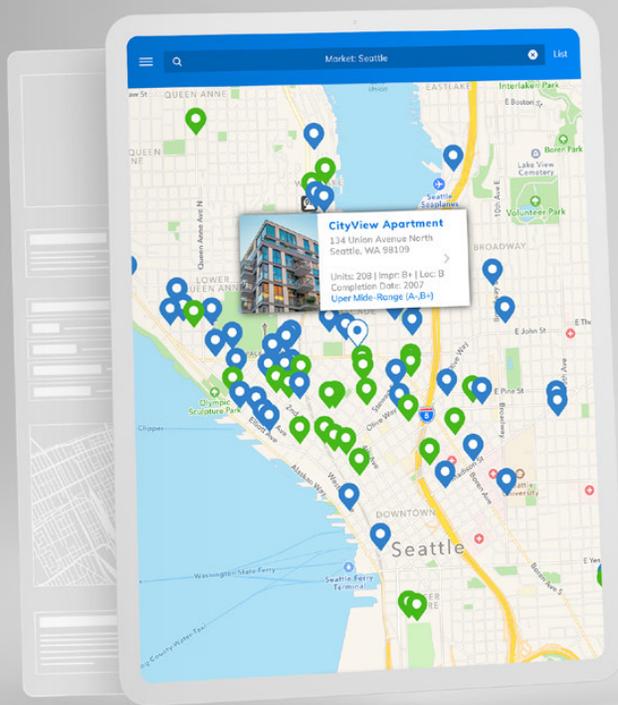
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



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