



MULTIFAMILY REPORT

Portland's Steady Recovery

February 2022

Professional and Business Services Lead Job Gains

Short-Term Rent Growth Softens

PPU Marks New High

PORTLAND MULTIFAMILY



Strong In-Migration Aids Recovery

Portland's high quality of life and relative affordability compared to other Western coastal metros helped its multifamily market throughout 2021. Rent growth dropped abruptly to 0.3% on a trailing three-month basis through December, to \$1,635, but a slowdown was in the cards, following a strong year. The occupancy rate in stabilized properties rose 1.0% in the 12 months ending in November, to 96.2%, reflecting a tight rental market.

The unemployment rate dropped from 6.7% in January to 3.2% in November, according to data from the Bureau of Labor Statistics, surpassing the U.S. rate by 100 basis points. The employment market registered a 6.0% expansion (60,000 jobs) in the 12 months ending in October, 70 basis points above the national average. Professional and business services led gains with the addition of 16,800 positions, followed by leisure and hospitality (15,500 jobs). The latter might be further impacted as the number of infections has been steadily rising.

Developers brought online 4,850 units in 2021, 79% of which were in Lifestyle properties. The new inventory expansion is the equivalent of 2.9% of total stock, 60 basis points above the U.S. average. Another 9,029 units were under construction. Meanwhile, investment volume totaled \$1.8 billion in 2021, up 33.6% from the prior year, and the price per unit rose 9.7% year-over-year to \$256,843.

Market Analysis | February 2022

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

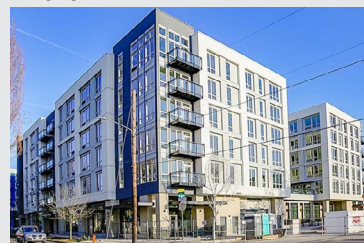
Author

Anca Gagiuc

Senior Associate Editor

Recent Portland Transactions

Anthem PDX



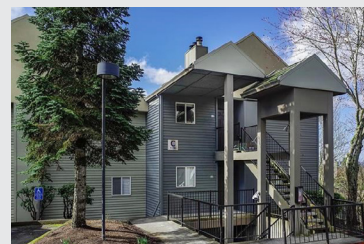
City: Portland, Ore.
Buyer: The Wolff Co.
Purchase Price: \$76 MM
Price per Unit: \$358,389

10th at Hoyt



City: Portland, Ore.
Buyer: RISE Properties Trust
Purchase Price: \$75 MM
Price per Unit: \$421,348

Milo at Mountain Park



City: Lake Oswego, Ore.
Buyer: Nuveen Real Estate
Purchase Price: \$44 MM
Price per Unit: \$342,636

Troutdale Terrace

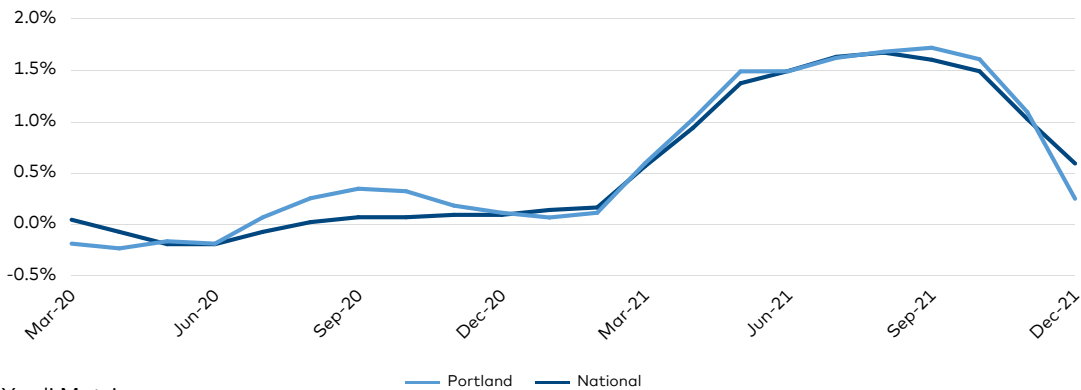


City: Troutdale, Ore.
Buyer: Lincoln Avenue Capital
Purchase Price: \$37 MM
Price per Unit: \$162,281

RENT TRENDS

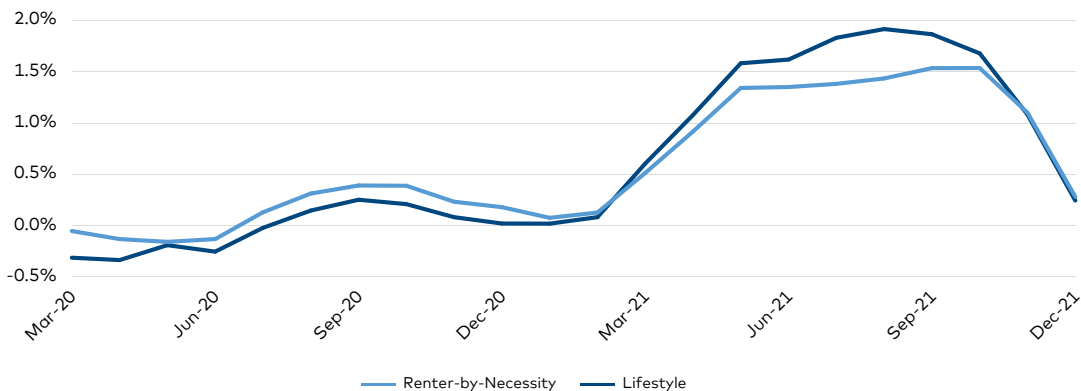
- ▶ Mirroring the national trend, rent growth softened in Portland with the arrival of winter, marking the first month of a sharp decline in December when the rate rose just 0.3% on a trailing three-month basis, to \$1,635. While the average rent is slightly above the \$1,594 U.S. figure, nationally the average rent marked a 0.6% uptick during the period. On a year-over-year basis, rents rose 12.8%, trailing the 13.5% U.S. rate.
- ▶ Rent performance was nearly even across quality segments, with Renter-by-Necessity units marking an increase of 0.3% on a T3 basis through December to \$1,446, while Lifestyle apartments rose 0.2% to \$1,813. For most of 2021, demand was stronger for Lifestyle apartments; the rental rate stayed well above the 1.5% mark for six straight months, while for RBN units it maxed out at 1.5% in September and October.
- ▶ The occupancy rate in stabilized properties signals a very tight rental market, clocking in at 96.2% in November following a 1.0% year-over-year increase. Occupancy for high-end units rose 1.1% to 95.6%, while RBN apartments reached 96.9%, following a 1.0% uptick.
- ▶ Of the 57 submarkets tracked by Yardi Matrix, 37 posted double-digit increases, led by Wilsonville (20.8% to \$1,780). Consequently, two submarkets had an average rent above the \$2,000 mark—Lake Oswego (15.5% to \$2,248) and Pearl District (12.6% to \$2,129).

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 unemployment rate saw steady recovery throughout the year, improving to 3.2% in November from 6.7% in January, according to preliminary data from the Bureau of Labor Statistics. Meanwhile, the national rate lagged the metro, falling to 4.2% after starting the year at 6.4%.
- ▶ The metro gained 60,000 jobs in the 12 months ending in October, for a 6.0% employment expansion, 70 basis points above the U.S. average. All sectors added jobs except for the other services sector, which contracted slightly (-200 jobs), impacted by the rising number of COVID-19 cases. By number of jobs, the metro's second-largest sector—professional and business services—added the most positions (16,800 jobs), followed by leisure and hospitality, which saw the highest growth rate—17.5%, or 15,500 jobs.
- ▶ Intel is one of the major pillars of the local economy, boasting 21,000 employees in Oregon. The chip manufacturing giant is nearing the completion of a \$3 billion factory expansion in Hillsboro, where it will add more jobs. Its main hurdle to overcome, true to other industries as well, is finding the necessary workforce.
- ▶ The bioscience industry is growing in Portland, with Greentech, Twist Bioscience and Micro Systems Engineering expanding in the metro.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	201	16.7%
70	Leisure and Hospitality	104	8.6%
90	Government	150	12.5%
40	Trade, Transportation and Utilities	226	18.8%
15	Mining, Logging and Construction	82	6.8%
30	Manufacturing	123	10.2%
65	Education and Health Services	182	15.1%
50	Information	27	2.2%
55	Financial Activities	72	6.0%
80	Other Services	38	3.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Portland is one of the coastal markets that benefited from pandemic-induced migration patterns, gaining 17,847 residents in 2020, up 0.7% and nearly double the 0.4% U.S. rate.
- ▶ Portland's population rose consistently during the past decade and added 278,054 residents, up 12.5%.

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

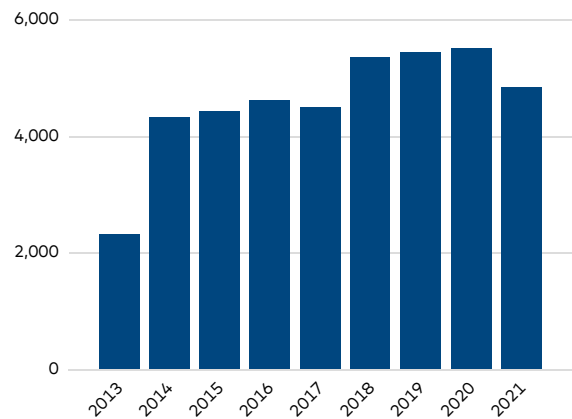
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Deliveries softened in 2021 to a total of 4,850 units in December, equivalent to 2.9% of total stock. Despite the consistent inventory expansion—60 basis points above the national average—2020 remains the best year of the past decade in stock expansion.
- ▶ In January 2022, Portland's construction pipeline comprised 9,029 units under construction in 30 properties and 36,395 units in the planning and permitting stages.
- ▶ Benefiting from an influx of residents relocating from more expensive neighboring markets, developers maintained focus on Lifestyle projects, reflected in both the recent stock expansion, with the Lifestyle segment accounting for 78.5% of the 2021 deliveries, and in the projects underway—77.6% of units targeted the high-income renter. The Renter-by-Necessity segment grew by 1,045 units in 2021, with 656 in fully affordable communities; the pipeline had 2,027 RBN units under construction, 1,642 of which were in fully affordable projects.
- ▶ Downtown submarkets regained some of their allure, with about one-third of the units under construction located within a 2-mile radius of

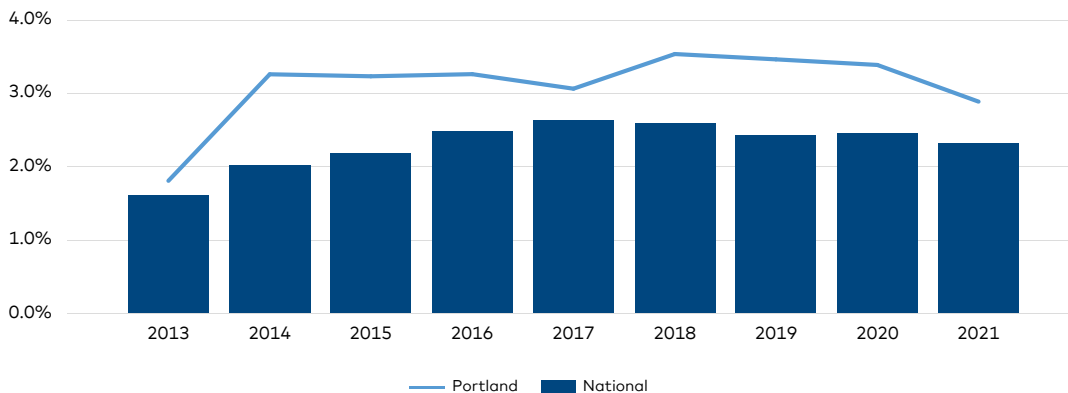
the city core. Downtown Vancouver led construction activity with 792 units underway, followed by Gresham (666 units) and Hillside/Northwest (500 units). The latter also houses the largest project underway, the 354-unit Saltwood. The Lifestyle property targets LEED certification and includes a retail component. Cairn Pacific owns it in partnership with Guardian Real Estate Services and Prometheus Real Estate Group.

Portland Completions (as of December 2021)



Source: Yardi Matrix

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

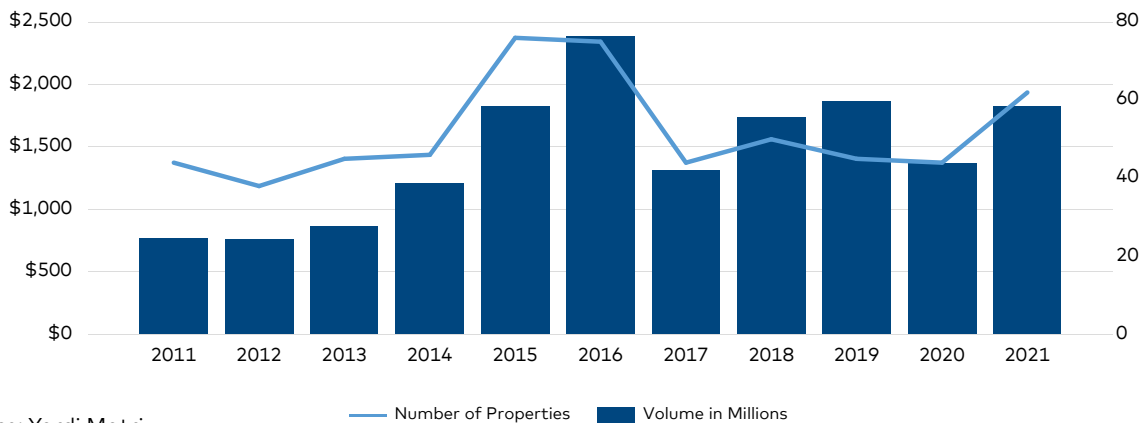


Source: Yardi Matrix

TRANSACTIONS

- ▶ The second year of the pandemic saw renewed investor interest, with multifamily sales surpassing \$1.8 billion in December, up 33.6% year-over-year, marking the third-highest volume of the past decade.
- ▶ Investors' preference was slightly tilted toward value-add plays, which accounted for 56% of all sales. Per-unit prices rose 9.7% year-over-year through December, to \$256,843. Meanwhile, the national average rose by a substantial 19.4%, closing the year at \$188,338.
- ▶ The largest multifamily sale in 2021 was Greystar's acquisition of Avana One Zero Nine from Vista Investment Group. The new owner paid \$120 million with aid from a \$66 million loan originated by CBRE Capital Markets.
- ▶ The Wolff Co. has been one of the most active buyers in the market in 2021, having spent more than \$333 million on six assets.

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



Source: Yardi Matrix

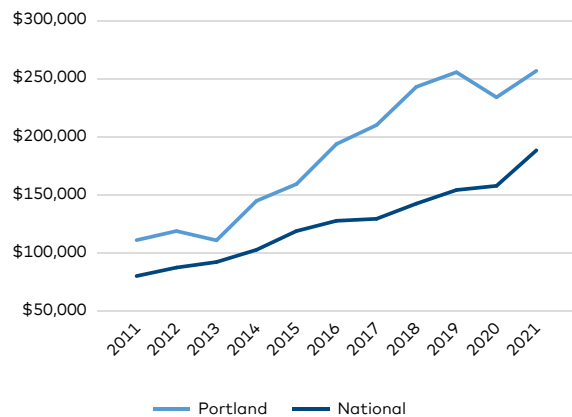
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Kerns/Buckman	183
Wilsonville	167
Orchards	120
Milwaukie/Gladstone	118
Lloyd/Irvington	117
Piedmont	90
Battle Ground	82

Source: Yardi Matrix

¹ From January 2021 to December 2021

Portland vs. National Sales Price per Unit



Source: Yardi Matrix



What's Shaping Portland Multifamily

By Evelyn Jozsa

Although the pandemic rounded off a thriving decade for Portland and has constricted employment, the metro's multifamily market continues to benefit from a steady influx of residents priced out of more expensive West Coast markets. Nonetheless, hurdles do exist. Hollie Forsman, director of operations with Guardian Real Estate Services, reveals the most critical trends and challenges shaping Portland's multifamily market.

How has Portland's multifamily landscape changed over the past year?

In the past year, Portland's multifamily market transformed from one of the most challenging times to some of the best conditions in recent history. In 2021, the rental market bounced back, with high demand and upward pressure on rents.

What are the main trends shaping Portland's multifamily now?

Currently, the upward pressure on rents is causing diminished housing options for the average renter. A combination of continued rent-control regulations, inflation and overall low supply make attracting capital to our market challenging.

In addition, the employment market has constricted, and finding candidates to staff properties is difficult.

What does Portland have to offer to investors?

Portland remains one of the most



Which areas of the metro are the most coveted now and why?

The exodus from the core to suburban markets continues, with a large focus on Vancouver/Clark County, Beaverton and other submarkets. These areas offer larger apartments on average, lower crime rates and fewer urban-related problems.

What do you plan to accomplish in the metro in the foreseeable future?

We have an ambitious development and acquisition pipeline with 800 units closing capital and beginning construction in 2021. Our management pipeline is also robust, as we anticipate more than 500 additional units in the next 12 months, with development projects in the pipeline to follow. Internally, our team is growing, with more than 60 positions currently open.

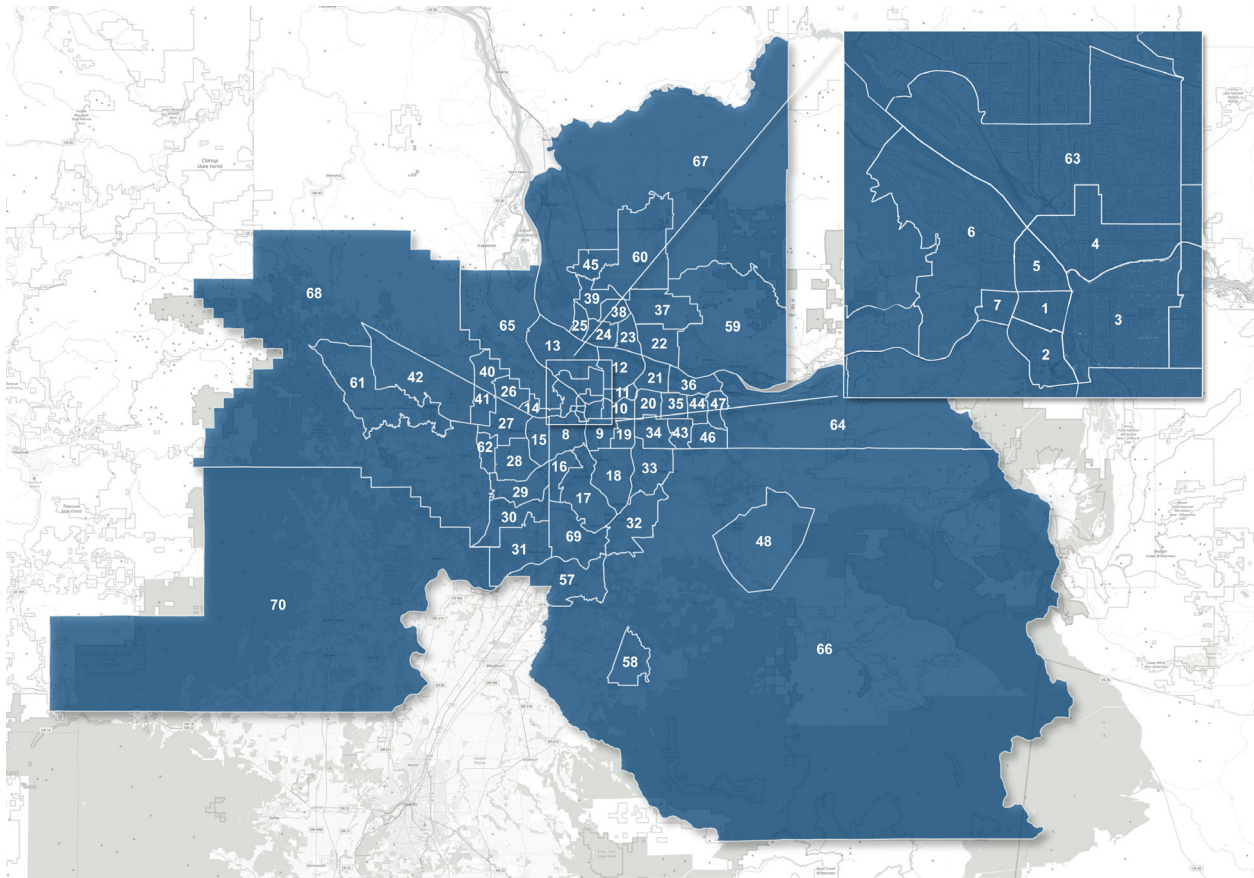
(Read the complete interview on multihousingnews.com.)

affordable major West Coast rental markets. Through the ups and downs, Portland maintains a relatively stable market performance.

Furthermore, Portland offers a robust variety of industries including technology, manufacturing and construction. If one industry takes a hit, such as the hospitality industry during the pandemic, the diversity of the overall market keeps Portland strong.

With an influx of migration still at play, Portland remains a growth opportunity in terms of asset values over time.

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.

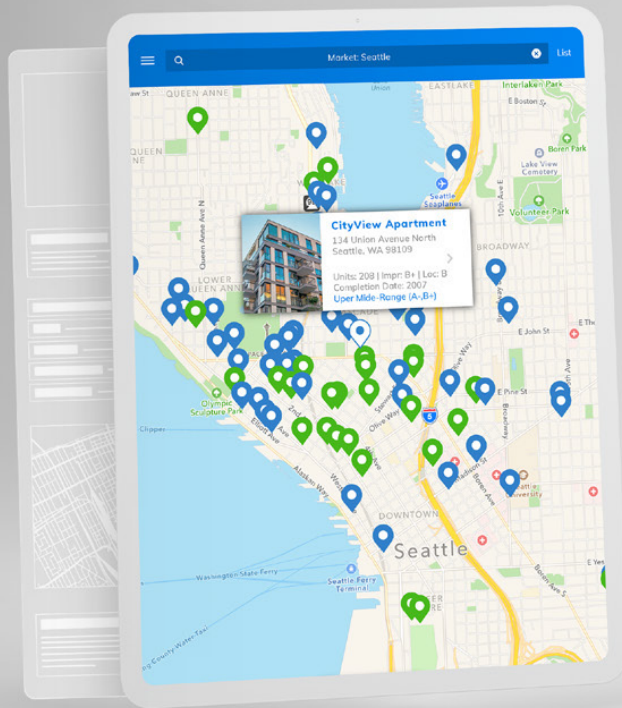
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



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