



MULTIFAMILY REPORT

Early Autumn In Portland

October 2022

Rent Growth Moderates, On Par With US

Investors Pause, Transactions Nearly Halt

In-Migration Moderates, Occupancy Declines

PORTLAND MULTIFAMILY



Seasonal Slowdown Across Fundamentals

Portland's multifamily sector posted steady improvement this year, largely mirroring the national market. Rent gains moderated, to 0.6% on a trailing three-month basis through August, on par with the national average, but the movement can be attributed to a typical seasonal softening. The occupancy rate in stabilized properties declined 30 basis points year-over-year as of July, but at 96.2%, it is still a tight rental market.

Unemployment stood at 3.6% in July, 10 basis points below the state and the U.S. (both 3.5%). The employment market expanded 5.4%, or 65,800 jobs, in the 12 months ending in June, outperforming the nation by 70 basis points. Still in recovery mode, the leisure and hospitality sector led gains, up by 20,500 jobs. Manufacturing came in second with the addition of 8,400 jobs, aided by the opening of Intel's latest factory expansion in Hillsboro, where some 2,000 employees were hired in the past year.

Development remained robust, with 3,335 units delivered through August and another 9,967 units underway. Construction starts doubled in 2022 through August compared to the corresponding period last year, but delays are likely to affect project deliveries due to challenges including supply-chain issues and rising prices for construction materials. Meanwhile, transaction activity nearly came to a halt in July, with the total through August at just \$727 million, for a price per unit that rose 15.5% year-over-year.

Market Analysis | October 2022

Contacts

Jeff Adler

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

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

River Ridge



City: Tualatin, Ore.
Buyer: Security Properties
Purchase Price: \$70 MM
Price per Unit: \$388,889

Burnside 26



City: Portland, Ore.
Buyer: Cityview
Purchase Price: \$44 MM
Price per Unit: \$327,778

Aspire Trailmark



City: Gresham, Ore.
Buyer: Clear Capital
Purchase Price: \$28 MM
Price per Unit: \$280,000

Pineview



City: Happy Valley, Ore.
Buyer: Crown Point
Purchase Price: \$19 MM
Price per Unit: \$195,052

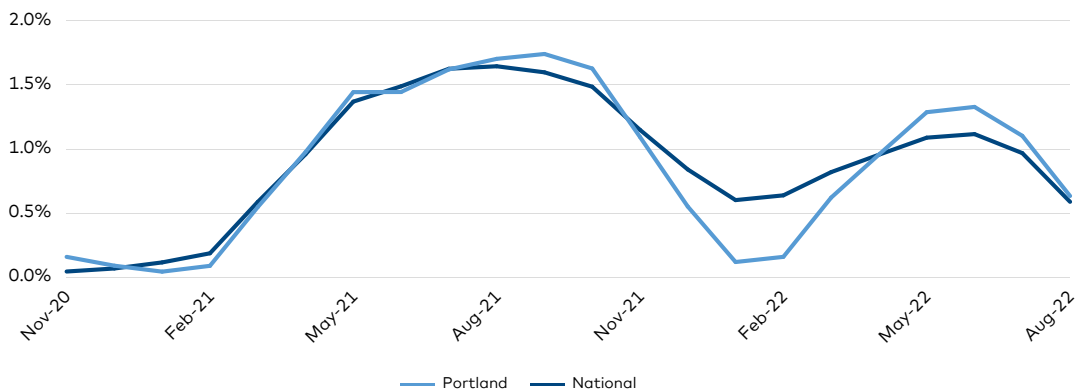
RENT TRENDS

- ▶ Portland rents rose 0.6% on a trailing three-month (T3) basis through August, on par with the national average. The overall asking rent in the metro rose to \$1,759, slightly above the \$1,718 U.S. figure. On an annual basis, rates in Portland were up 9.9%, 100 basis points behind the national figure.
- ▶ Despite robust deliveries consisting of mainly upscale Lifestyle units, rent development for the segment stood at 0.7% on a T3 basis through August, to \$1,942, 10 basis points higher than rents in the working-class Renter-by-Necessity segment, which increased to an average of \$1,560.
- ▶ The occupancy rate in stabilized properties was down 30 basis points year-over-year as of

August, a sign that in-migration is moderating and recent supply has yet to be absorbed. Still, at 96.2%, it showcases a tight rental market. Occupancy declined evenly in both segments, to 96.7% for RBN units and 95.7% for Lifestyle apartments.

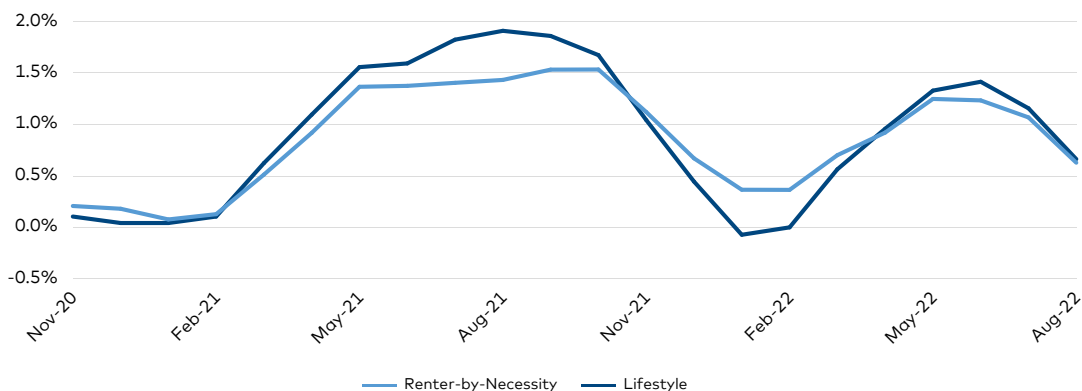
- ▶ Of the 57 submarkets tracked by Yardi Matrix, 26 posted double-digit year-over-year rent growth. In August, six submarkets had an average above the \$2,000 mark, up from two a year ago. Lake Oswego (11.3% to \$2,436) and Pearl District (3% to \$2,121) remained the most expensive areas.
- ▶ In the SFR sector, rents rose 11.9% year-over-year through August, but occupancy decreased 1.6% in the 12 months ending in July.

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 economy has made good strides since the peak of the health crisis but has yet to fully rebound to pre-pandemic levels. Unemployment stood at 3.6% in July, according to preliminary data from the Bureau of Labor Statistics but started climbing again from 3.1% in May. Still, its performance is only slightly below the state and the U.S., both at 3.5% in July.
- ▶ The employment market expanded 5.4% in the 12 months ending in June, 70 basis points above the national rate. This translated into the addition of 65,800 jobs, with all sectors gaining positions. The sustained recovery of the leisure and hospitality sector maintained its lead, up 20.5%

or 20,500 jobs. Manufacturing, professional and business services and education and health services added 8,200 and 8,400 jobs, respectively.

- ▶ Manufacturing, and especially semiconductor manufacturing, has been one of Oregon's main economic drivers during the past decade, with the most recent expansion being that of Intel, in April. The company opened its \$3 billion factory in Hillsboro, known as Gordon Moore Park at Ronler Acres, where it hired 2,000 employees in the past year. Intel's decision to expand into Ohio pushed local leaders to form a task force reviewing the state's legislation pertaining to the chip industry.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	121	9.8%
30	Manufacturing	131	10.6%
60	Professional and Business Services	194	15.7%
65	Education and Health Services	185	15.0%
15	Mining, Logging and Construction	84	6.8%
90	Government	152	12.3%
55	Financial Activities	77	6.2%
40	Trade, Transportation and Utilities	223	18.1%
80	Other Services	41	3.3%
50	Information	28	2.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ For the first time since 2010, Portland's population decreased during the second year of the pandemic. The metro lost 4,618 residents in 2021, a 0.2% demographic contraction.
- ▶ Meanwhile, the U.S. population increased by 0.1%.

Portland vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Portland	2,475,249	2,492,479	2,516,230	2,511,612

Source: U.S. Census Bureau

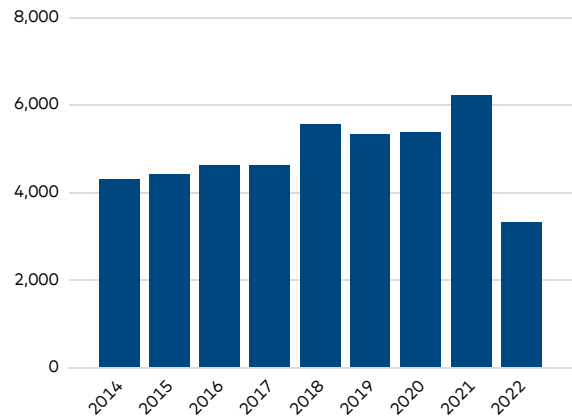
SUPPLY

- ▶ Portland developers added 3,335 units through August, 1.9% of existing stock and 60 basis points ahead of the U.S. rate, already significantly fewer than the 4,310 units delivered during the same interval in 2021. Since 2014, incoming inventory has accounted for an average of 3.4% of stock each year, but with market conditions pressured by economic woes, it's likely deliveries will continue to somewhat lag.
- ▶ With the market benefiting from pandemic-induced migration patterns, especially from more expensive neighboring metros, developers remained focused on upscale projects, with roughly 85% of deliveries adding to the Lifestyle segment. The remaining 15% comprised units in fully affordable communities.
- ▶ The construction pipeline remained robust, with 9,967 units underway and another 28,500 in the planning and permitting stages. Of these, 4,314 units broke ground this year, more than double the 2,009 units that started construction during the same interval last year. The pipeline composition changed slightly, with more fully affordable properties underway (26.7% of pipeline), but the bulk is still focused on the Lifestyle segment (73.3%). Construction activity was spread out across

the map, with 37 of the 58 submarkets tracked by Yardi Matrix having at least 50 units underway. Leading areas by number of units under construction were Downtown Vancouver (660 units), Kerns/Buckman (649 units) and Creswell Heights (616 units).

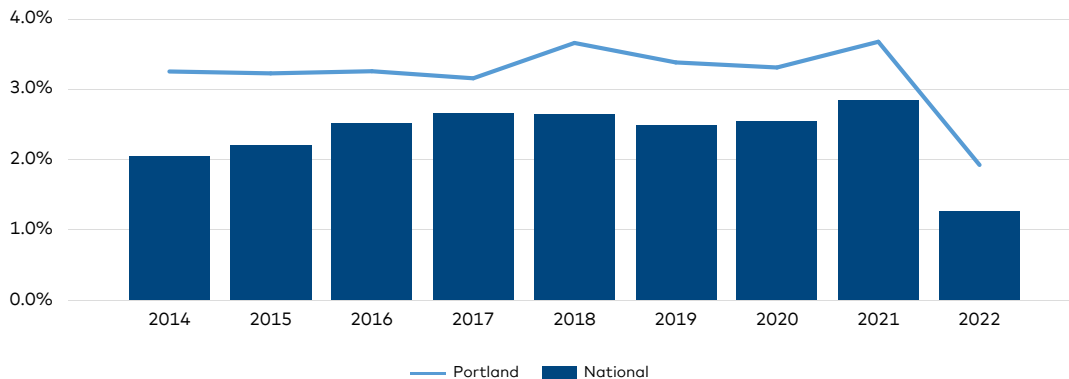
- ▶ The 424-unit West End District in Beaverton was the largest project delivered through August. Owned by Urban Form Development, it includes 32,000 square feet of retail space.

Portland Completions (as of August 2022)



Source: Yardi Matrix

Portland vs. National Completions as a Percentage of Total Stock (as of August 2022)



Source: Yardi Matrix

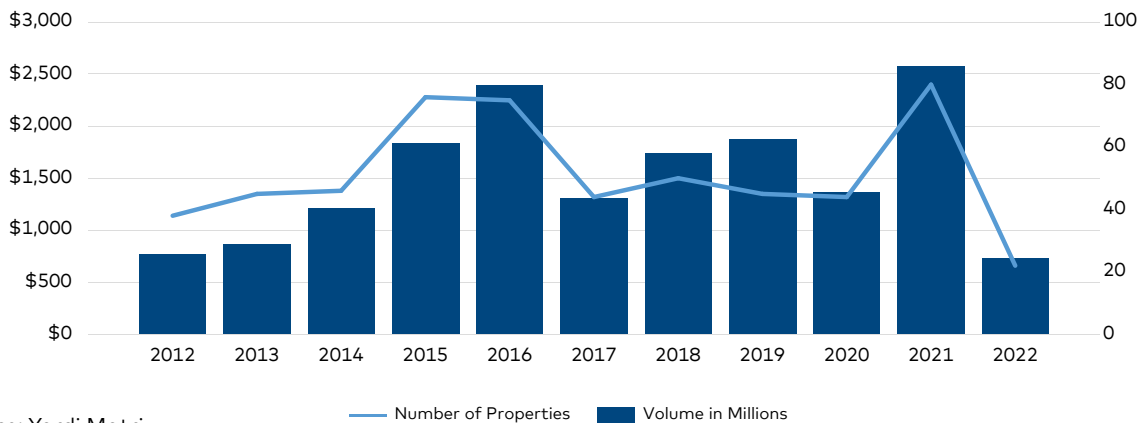
TRANSACTIONS

- ▶ This year through August, the sales volume stood at \$727 million, half the \$1.5 billion total recorded during the same interval in 2021. Last year, Portland had a record year in multifamily sales, and while 2022 started with the same investor interest, the current economic landscape made investors cautious, with sales nearly coming to a halt at the start of the third quarter.
- ▶ Sales composition shows greater investor interest in value-add opportunities, which accounted for two-thirds of the properties that

traded. While sales activity began softening mid-summer, investor competition was intense during previous months, which pushed the price per unit up by 15.5% year-over-year, to \$289,496, well ahead of the \$217,196 U.S. figure.

- ▶ River Ridge represented the highest selling price this year. Mountain West Investment sold the asset to Security Properties for \$70 million, or \$388,889 per unit, with aid from a \$51 million loan issued by Pacific Coast Capital Partners.

Portland Sales Volume and Number of Properties Sold (as of August 2022)



Source: Yardi Matrix

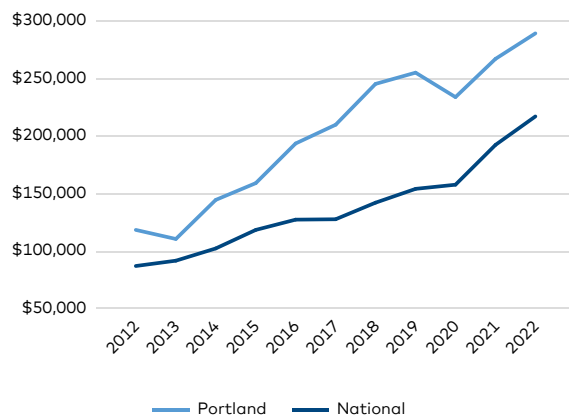
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Greenway	192
Tigard	191
Beaverton	161
Kerns/Buckman	136
Mill Plain	114
Walnut Grove	102
Downtown Vancouver	87

Source: Yardi Matrix

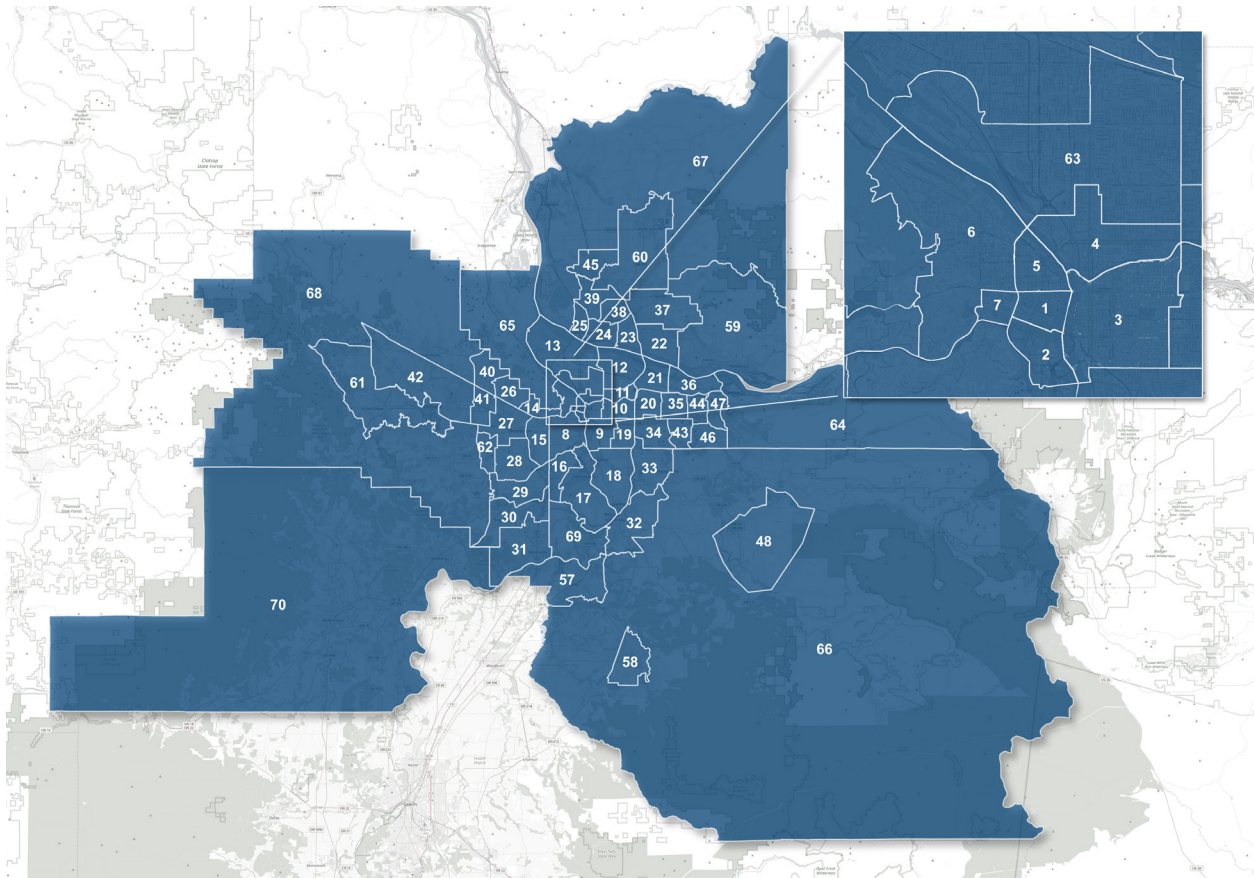
¹ From September 2021 to August 2022

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 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 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, 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.

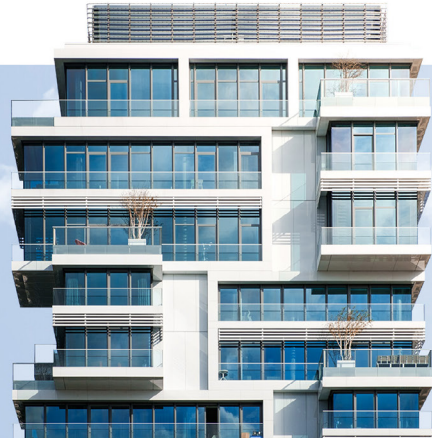
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



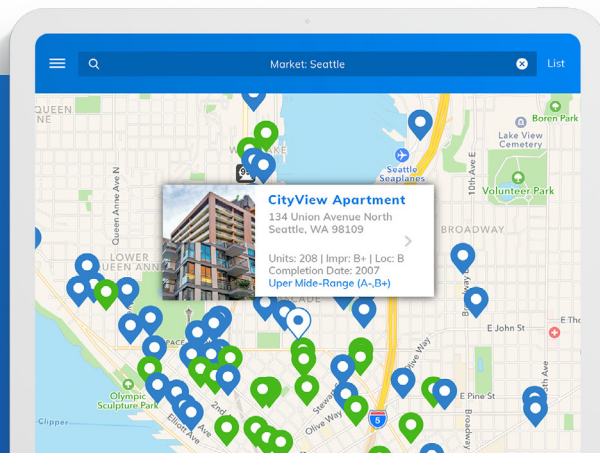
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leading data provider



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- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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