



MULTIFAMILY REPORT

Portland: Looking Up

June 2023



Occupancy on Par With US

Robust Construction Pipeline Endures

Unemployment Improves, Nears US Average

PORTLAND MULTIFAMILY



Portland Shows Steady Improvement

Portland's multifamily sector showed resilience, with several metrics at or around national levels. After a few months of negative rent movement, rates across the metro remained flat, at \$1,759, on a trailing three-month basis. Meanwhile, the national average inched up 0.2%, to \$1,709. Occupancy in stabilized assets dropped to 95.0%, on par with the U.S. rate.

Unemployment was at 3.6% as of March, according to preliminary data from the Bureau of Labor Statistics. While this figure was just 10 basis points above the U.S. figure, it outperformed the state by 80 basis points. Portland's employment market grew by 3.7% year-over-year as of February, recording economic growth slightly above the national level. The metro added 35,100 jobs, with leisure and hospitality leading gains. On a positive note for the sector, Portland's first luxury hotel is expected to open this summer. The Ritz-Carlton Portland will also be the Pacific Northwest's first facility under the brand.

Portland multifamily developers focused on Lifestyle projects, as roughly two-thirds of developments under construction are slated to add to the segment's inventory. Overall, as of April the metro had 11,949 units underway, with an additional 32,900 units in the planning and permitting stages. Meanwhile, two of the three sales completed in 2023 involved RBN properties, as sales slowed down significantly due to the severely increased cost of capital.

Market Analysis | June 2023

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Recent Portland Transactions

Heatherbrae Commons



City: Milwaukie, Ore.
Buyer: Greystar
Purchase Price: \$49 MM
Price per Unit: \$281,609

Meadow Brook Place



City: Vancouver, Wash.
Buyer: Aukum Group
Purchase Price: \$39 MM
Price per Unit: \$250,000

Township Eastside



City: Portland, Ore.
Buyer: Glencrest Group
Purchase Price: \$27 MM
Price per Unit: \$159,821

Cannery Place

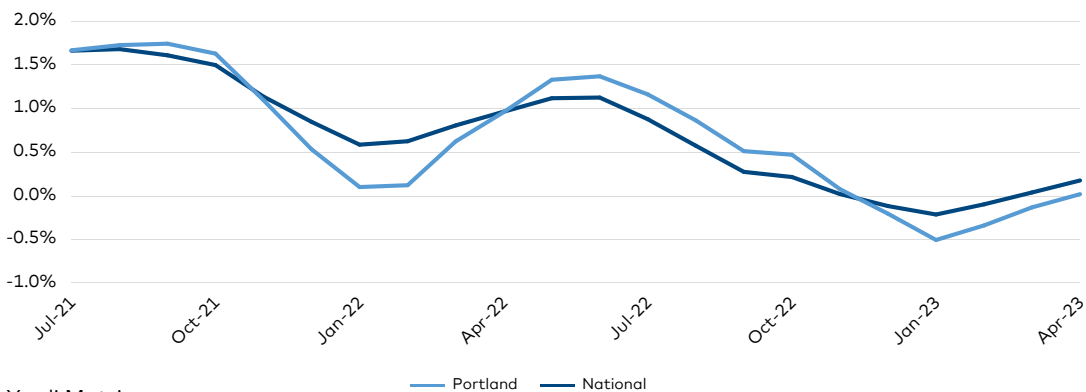


City: Portland, Ore.
Buyer: College Housing Northwest
Purchase Price: \$12 MM
Price per Unit: \$159,722

RENT TRENDS

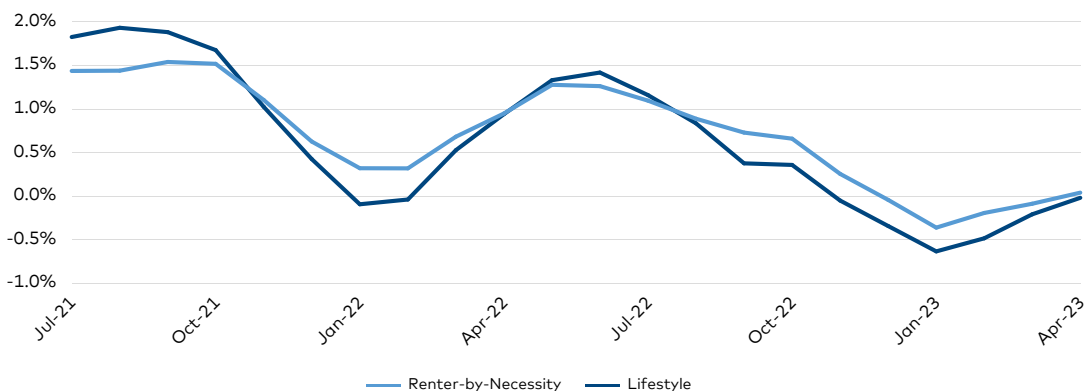
- ▶ Portland rents were flat on a T3 basis as of April, following four consecutive months of short-term rent declines, while national rent growth was 0.2% through the same interval. The metro's rates rose 3.5% on a year-over-year basis to an overall average of \$1,759, 30 basis points higher than the national rate. The U.S. average was \$1,709.
- ▶ Rents in both the Lifestyle and Renter-by-Necessity quality segments remained level on a T3 basis through April. On an annual basis, however, Lifestyle rates increased 2.6%, to \$1,926. RBN rents led year-over-year improvement, at 4.4%, to an average of \$1,570.
- ▶ As of March, the average occupancy rate in stabilized assets was down 90 basis points year-over-year, to 95.0%, mirroring the U.S. rate. Lifestyle rents dropped 100 basis points, to 94.4%, while RBN figures fell 90 basis points, to 95.6%.
- ▶ Overall, most of the submarkets saw a year-over-year increase in rent growth, as rates dropped slightly in three of the 59 submarkets tracked by Yardi Matrix. Meanwhile, four submarkets recorded annual growth above 10%. The Sandy submarket saw the largest gains, with a 12.6% increase to \$1,782. It was followed by Hazel Dell (up 10.9% to \$1,614) and Goose Hollow (up 10.7% to \$1,680). The most expensive submarket was Lake Oswego, up 7.9% to \$2,472.
- ▶ Although the single-family rental sector recorded a 1.4% decline year-over-year, its rent movement was stellar, up 10.9% over a year ago.

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

- As of March, Portland's unemployment rate was down to 3.6%, 10 basis points higher than the U.S. figure, according to preliminary BLS data. The rate fell below 4% for the first time since last June and was only 20 basis points higher than the 2020 February rate. The market outperformed the state as well, with Oregon unemployment at 4.4%.
- Portland added 35,100 jobs in the 12 months ending in February, with no employment sectors recording losses. At 3.7%, the rate outperformed the national average by 30 basis points.
- Overall, leisure and hospitality led the list, with 7,500 jobs added. Developers continued to add to the metro's hospitality footprint. The Ritz-Carlton Portland, the first such hotel in the Pacific Northwest, is nearing completion. Atop the five-star hotel, the 35-story, mixed-use tower will also include 132 residential condominiums. Recently, Choice Hotels International Inc. broke ground on two new assets: Cambria Hotel Pearl District in Portland and Cambria Hotel Hillsboro.
- Other sectors with robust gains included professional and business services (6,800 positions), followed by education and health services (5,300 positions), mining, logging and construction (4,400) and government (4,400).

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	115	9.3%
60	Professional and Business Services	204	16.4%
65	Education and Health Services	189	15.2%
90	Government	154	12.4%
15	Mining, Logging and Construction	84	6.8%
80	Other Services	43	3.5%
55	Financial Activities	77	6.2%
30	Manufacturing	126	10.1%
50	Information	28	2.3%
40	Trade, Transportation and Utilities	225	18.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In 2021, the metro's population was down 0.2% year-over-year, while the national total saw a 0.1% uptick. Portland had been on a positive demographic trend since 2010, when the metro had roughly 2.23 million residents.

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

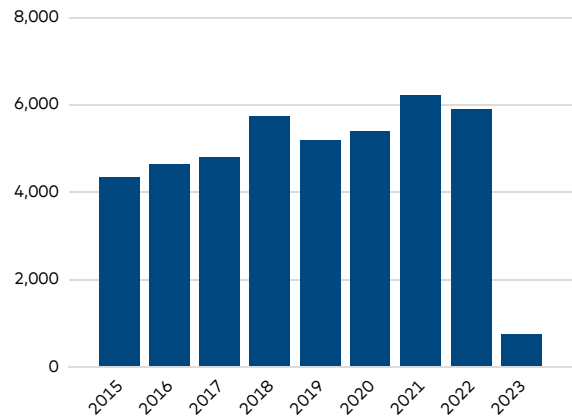
SUPPLY

- ▶ As of April, Portland had 11,949 units under construction. Roughly 65% of projects underway were Lifestyle properties, while the fully affordable segment accounted for most of the remaining pipeline. There were also 32,900 units in the planning and permitting stages.
- ▶ Developers added 772 units in the first four months of 2023. New deliveries amounted to 0.4% of existing stock, just below the 0.5% national figure. Incoming inventory also skewed toward the upscale Lifestyle segment. Roughly 30% of the units that came online were in fully affordable projects, while all other deliveries were in the Lifestyle segment.
- ▶ Developers added an average 5,700 units between 2018 and 2022. Yardi Matrix expects Portland to expand by 6,138 units in 2023, 3.8% more than the previous year.
- ▶ Developers had properties underway on both sides of the Columbia River. Of the 59 submarkets tracked by Yardi Matrix, 39 had at least 50 units under construction. Five submarkets had more than 700 units underway, with Downtown Vancouver inching out a lead, at 790 units under construction. Other submarkets included Hillside/Northwest (788 units), Mill Plain (774

units), Southwest Hills (746 units) and Creswell Heights (728 units).

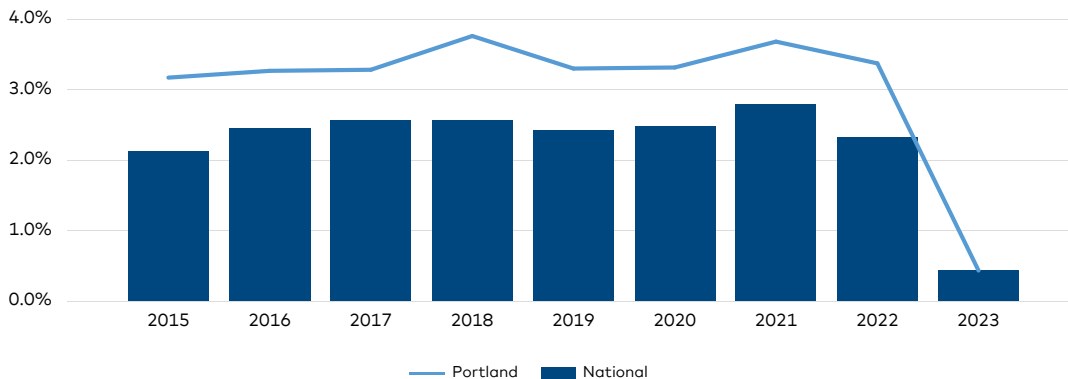
- ▶ The largest project under construction was the 343 unit Willamette Tower in the Southwest Hills submarket. Alamo Manhattan financed the development with a \$53.8 million construction loan originated by Sumitomo Mitsui Bank. The 23-story building includes 3,800 square feet of retail space.

Portland Completions (as of April 2023)



Source: Yardi Matrix

Portland vs. National Completions as a Percentage of Total Stock (as of April 2023)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Transactions totaled \$87 million in the first four months of the year, down roughly 67% compared to the same period in 2022. Portland's investment totals had spiked following the pandemic, reaching \$2.9 billion in 2021. However, after dropping to \$1.6 billion in 2022, the volume continues to soften as the cost of capital remains high.
- ▶ Since 2013, the per-unit price remained on an annual growth trend, except during the first year of the pandemic, when levels dropped 8.3%. Portland's average price per unit was \$210,990 in 2023 but remained above the \$178,275 U.S. figure.
- ▶ Two of the three sales closed in 2023 involved RBN properties, with an average price per unit of \$159,791. College Housing Northwest purchased the 72-unit Connery Place in the Laurelhurst submarket. Last June, the company picked up another value-add property. Cohen Rojas Capital Partners sold The 601, a 79-unit community in the Wilkes submarket, for \$12.5 million.

Portland Sales Volume and Number of Properties Sold (as of April 2023)



Source: Yardi Matrix

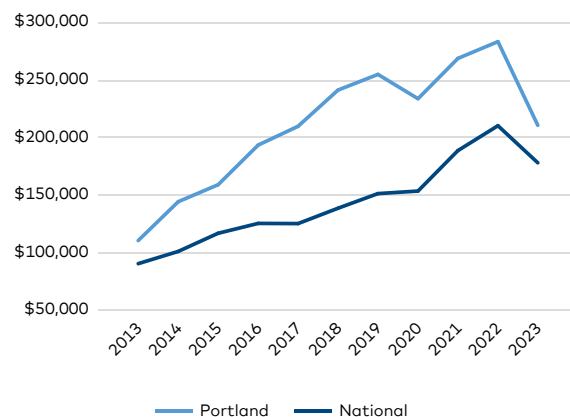
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Tualatin	158
Beaverton	151
Westlake	124
Mill Plain	114
Tanasbourne	102
Hillsboro	96
West Haven	82

Source: Yardi Matrix

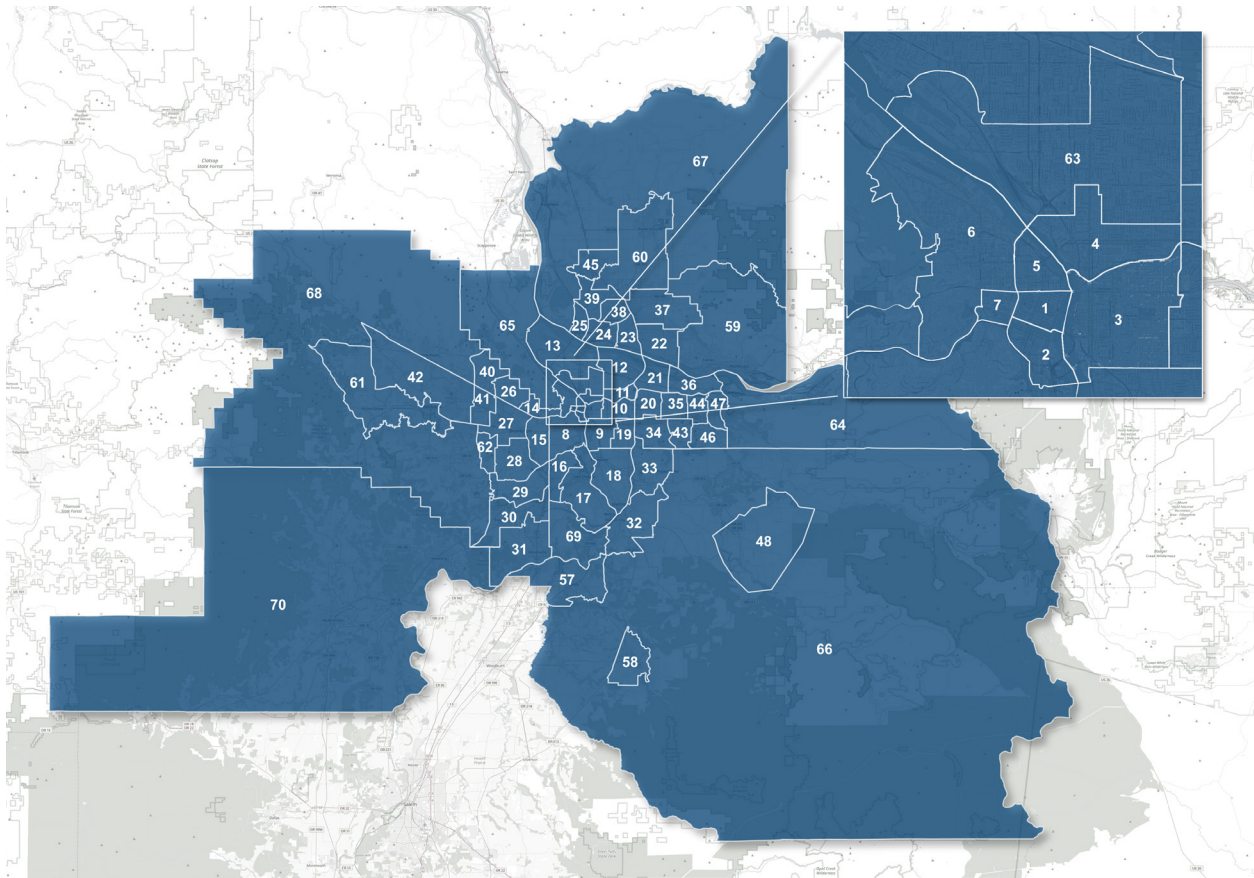
¹ From May 2022 to April 2023

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.



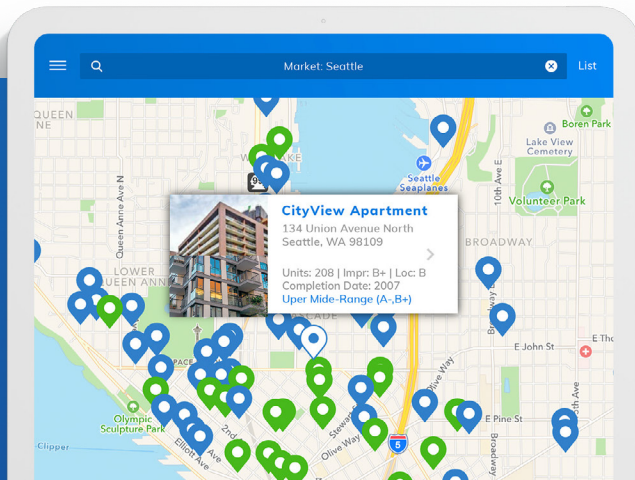
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- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects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



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