



MULTIFAMILY REPORT

Portland Endures

October 2023

Steady Construction Pipeline

Occupancy Near US Average

Transactions Sluggish

PORTLAND MULTIFAMILY



Rental Market Treads Water

Portland rent movement remained in negative territory entering the second half of the year, down 0.1% on a trailing three-month basis through August. Meanwhile, performance at the national level held up better, with rent growth at 0.2%. Portland rates also dropped year-over-year, at -1.5%, while the national average was up 1.5%. Meanwhile, occupancy in stabilized assets fell 90 basis points in the 12 months ending in July, to 94.9%, close to the 95.0% U.S. figure.

Portland unemployment reached 3.6% in July, just 10 basis points above the national average, according to Bureau of Labor Statistics data. Employment expanded 3.1%, or 45,500 jobs, in the 12 months ending in June. With 10,700 jobs added, the leisure and hospitality sector led gains. At the other end of the spectrum, manufacturing and trade, transportation and utilities were the only two sectors to lose positions, for a total of 1,900 jobs. Recently, to strengthen the local economy and also mitigate climate change, the Portland Clean Energy Community Benefits Fund outlined its five-year, \$750 million investment plan.

Developers delivered 1,949 units in the first eight months of the year. Meanwhile, softening transaction activity, felt nationwide, also touched Portland, with sales through August totaling just \$194 million. That was a far cry from the \$1.6 billion recorded in the metro in 2022.

Market Analysis | October 2023

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

Agota Felhazi

Associate Editor

Recent Portland Transactions

The Parker



City: Portland, Ore.
Buyer: Waterton
Purchase Price: \$52 MM
Price per Unit: \$293,785

Heatherbrae Commons

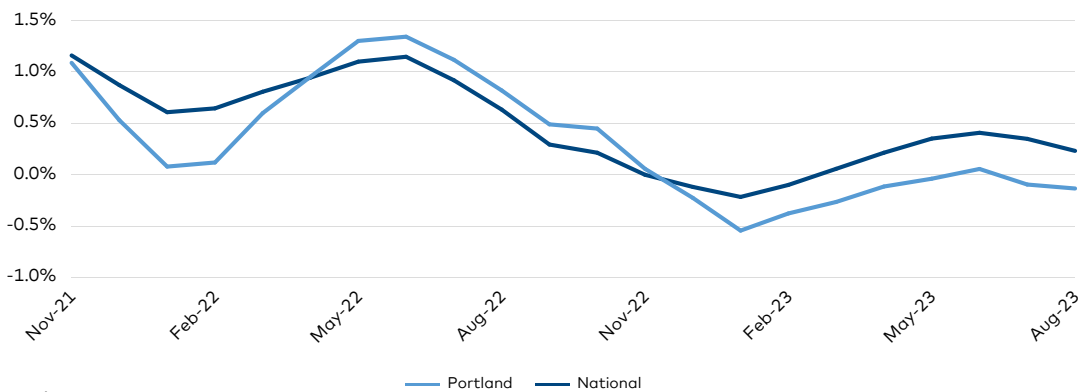


City: Milwaukie, Ore.
Buyer: Greystar
Purchase Price: \$49 MM
Price per Unit: \$281,609

RENT TRENDS

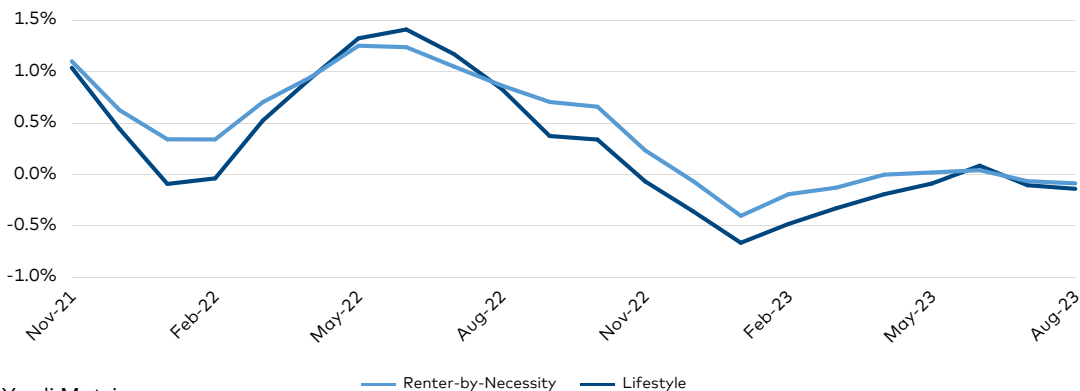
- ▶ Portland rates were down 0.1% on a trailing three-month (T3) basis through August, while on a national level, rents increased by 0.2%. The picture also holds year-over-year—while the U.S. average was up 1.5%, to \$1,728, metro Portland's rate dropped 1.5%, to \$1,749, according to Yardi Matrix data.
- ▶ Lifestyle rents declined 0.1% on a T3 basis through August, dropping to \$1,912. In the same vein, rates in the working-class Renter-by-Necessity segment also slid 0.1%, down to \$1,564.
- ▶ As of July, the average occupancy rate in stabilized assets was down 90 basis points year-over-year, dropping to 94.9%. The metro's occupancy rate dipped just below the national average, which stood at 95.0%. Occupancy in the Lifestyle segment fell 100 basis points, to 94.4%. Meanwhile, RBN occupancy dropped 90 basis points, to 95.4%.
- ▶ Roughly half of the 70 submarkets tracked by Yardi Matrix registered rent gains on an annual basis as of August. Seven submarkets had average rents above the \$2,000 threshold. Of these, Lake Oswego remained the most expensive, with rents increasing 1.2%, to \$2,447. Meanwhile, the Hazel Dell submarket saw the largest gains (up 8.9% to \$1,619), followed closely by Goose Hollow (8.5% to \$1,662) and Pleasant Valley (7.9% to \$1,367).

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 July, Portland unemployment rose to 3.6%, up 80 basis points in three months, according to Bureau of Labor Statistics data. Despite the increase, the metro's rate remained very close to the U.S. average, which clocked in at 3.5% that month. Portland was also close to Oregon's rate, which hit 3.4% in July.
- ▶ Portland added 45,500 jobs in the 12 months ending in June, with only two sectors recording losses. At 3.1%, the metro's employment growth rate was 30 basis points above the national average. Leisure and hospitality had the highest gains, with 10,700 jobs added. Other sectors showing strong growth included mining, logging and construction with 8,700 jobs, as well as professional and business services and government, which gained 7,800 positions each.
- ▶ After months of planning, the Portland Clean Energy Community Benefits Fund created its inaugural Climate Investment Plan. The five-year road map details how the \$750 million investment will go toward achieving the city's climate goals. Among the priorities outlined by the PCEF Committee, such as reducing greenhouse gas emissions in transportation and growing an equitable tree canopy, \$60 million will go toward energy efficiency as well as renewable energy options for regulated affordable multifamily housing.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	127	10.0%
15	Mining, Logging and Construction	91	7.2%
60	Professional and Business Services	206	16.2%
90	Government	158	12.5%
65	Education and Health Services	186	14.7%
80	Other Services	45	3.5%
50	Information	29	2.3%
55	Financial Activities	77	6.1%
40	Trade, Transportation and Utilities	224	17.7%
30	Manufacturing	126	9.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In 2021, the metro lost 4,618 residents, marking a 0.2% downtick. That was the first contraction since 2010, but the metro only lost a portion of the residents it gained in the first year of the pandemic. Meanwhile, the U.S. population increased by 0.1% in 2021.

Portland vs. National Population

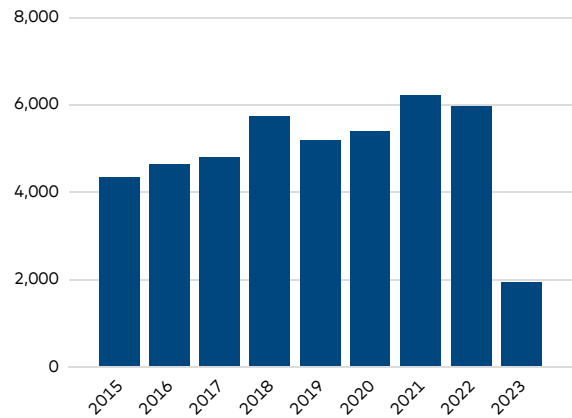
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Portland	2,475,249	2,492,479	2,516,230	2,511,612

Source: U.S. Census

SUPPLY

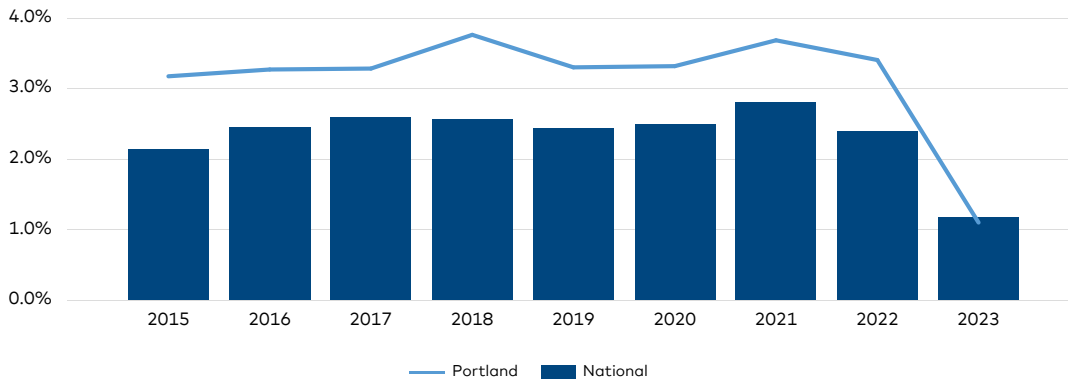
- ▶ As of August, Portland had 14,344 rental units under construction. Of these, projects that include an affordable component comprised more than half of the pipeline. In addition, the metro had some 32,000 apartments in the planning and permitting stages.
- ▶ In the first eight months of the year, Portland developers completed 1,949 units. New deliveries amounted to 1.1% of existing inventory, just 10 basis points below the national average. Yardi Matrix expects the metro's inventory to increase by a total of 5,114 units in 2023. The forecast falls short of the 5,968 units delivered the previous year.
- ▶ The Mill Plain submarket, on the Washington side, had 1,422 units under construction, while on the Oregon side, the Hillside/Northwest area had 1,151 units underway. These were the only two submarkets to go above the 1,000-unit threshold as of August.
- ▶ Bennington on First, which added 582 units to the Mill Plain submarket, was Portland's largest project under construction as of August. Developed by PacTrust, the community is expected to have 45 buildings, which will include townhouses with direct access-garages.
- ▶ The largest property that came online in 2023 through August was the 236-unit The Sutton in the Pearl District. The high-rise on the Willamette River was developed by Lincoln Property Co. and Bridge Investment Group. ACORE Capital provided financing for the 17-story tower through a construction line of credit, Yardi Matrix data shows.

Portland Completions (as of August 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

TRANSACTIONS

- ▶ Portland recorded just \$194 million in multi-family transactions in the first eight months of the year, significantly below the \$741 million recorded during the same period of 2022. After the record \$2.9 billion total in 2021, activity fell to \$1.6 billion in 2022 and continues to soften.
- ▶ Greater Portland's per-unit price was on an overall growing trend during the decade ending in 2022. The figure also peaked in 2022, reaching \$283,679, up 156% from the 2013 per-

unit price. The metro's average price per unit dropped to \$226,990 in 2023 through August, the lowest since 2017.

- ▶ Investors continued to mostly focus on value-add deals, as two-thirds of sales closed in 2023 involved RBN properties. Geographically, suburbs on the Oregon side offering easy access to central Portland and Vancouver led the way, with eight of the top 10 submarkets for deal volume following this pattern.

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



Source: Yardi Matrix

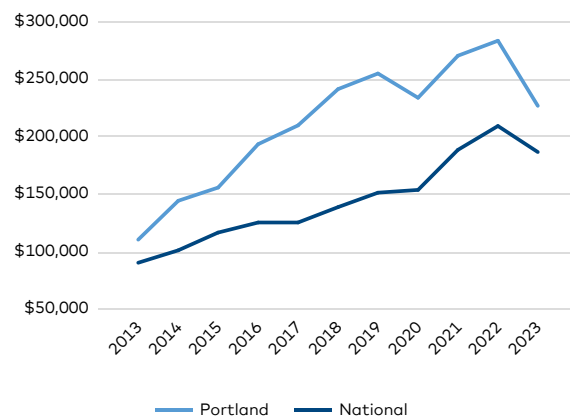
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Tualatin	158
Westlake	138
Tanasbourne	102
Hillsboro	96
Beaverton	93
West Haven	82
McLoughlin	57

Source: Yardi Matrix

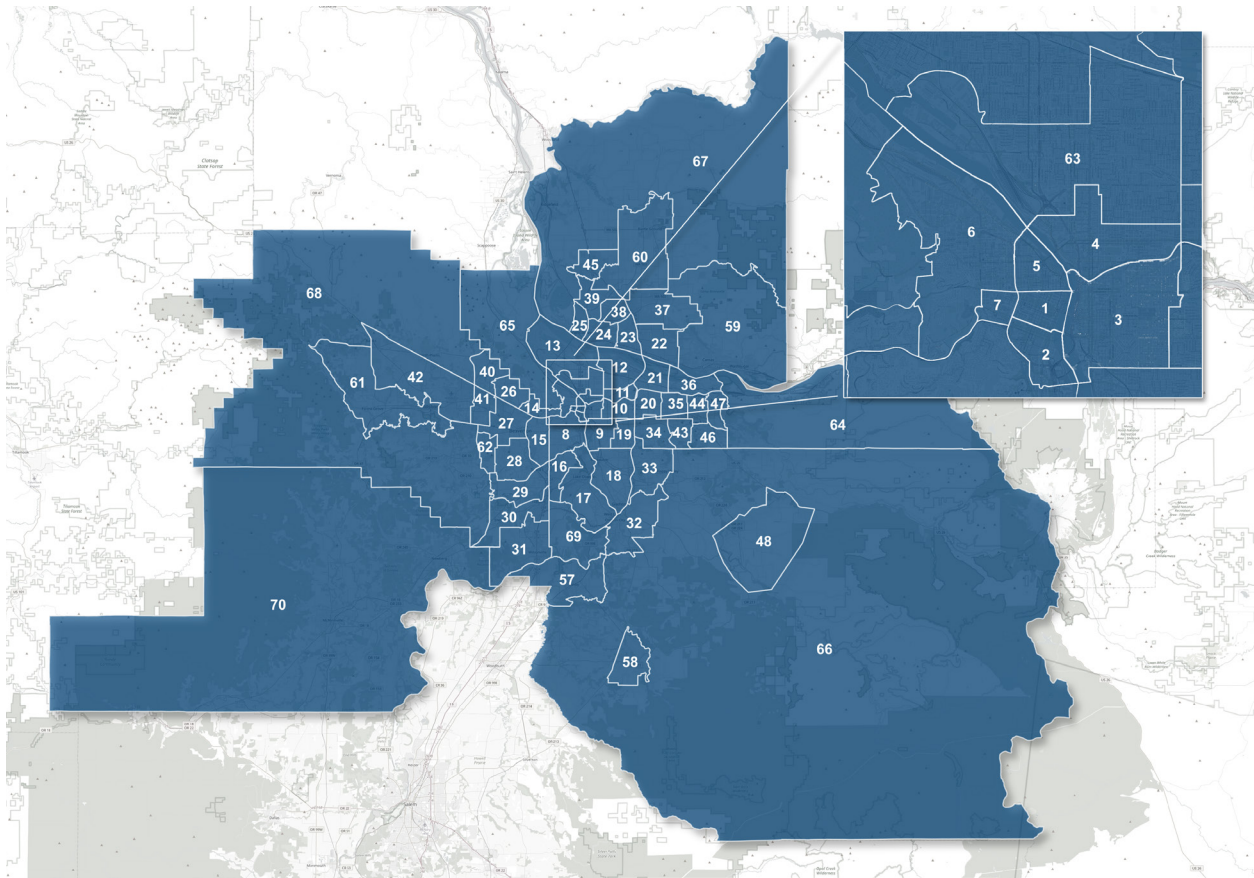
¹ From September 2022 to August 2023

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
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.



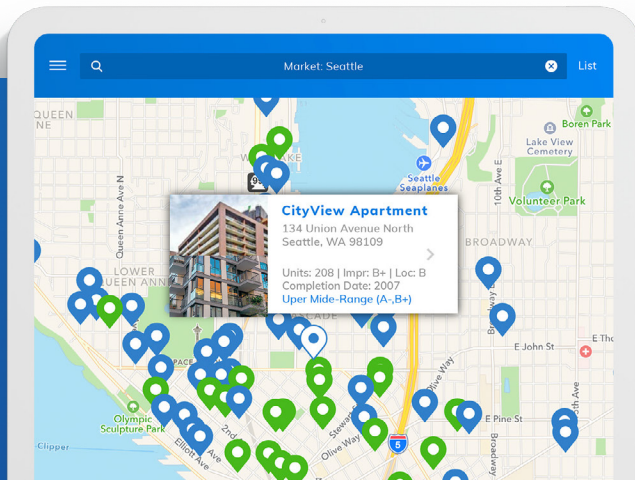
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- Pierce the LLC every time with true ownership and contact details
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- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans,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



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