



MULTIFAMILY REPORT

Portland Cools Down

February 2024



Rent Growth Still Negative

Transaction Activity Slows

Employment Gains Outpace US

PORTLAND MULTIFAMILY



Rent Growth Slows, Deliveries Shrink

Rent movement in Portland was mostly negative in 2023, with the average asking rent down 0.7% on a trailing three-month basis through December, to \$1,701. Meanwhile, the U.S. rate continued its decrease, as well, down 0.3%. The average occupancy rate in stabilized assets stood at 94.6% as of December, a 60-basis-point decrease year-over-year as of November. While the Lifestyle segment declined 70 basis points, to 94.1%, the Renter-by-Necessity segment saw a 50-basis-point decrease, to 95.2%.

The metro added 25,000 net jobs in the 12 months ending in October, up 2.7% and 40 basis points above the U.S. rate. Portland registered its highest employment growth of 9.9% in the mining, logging and construction sector, which added 8,400 new jobs. The metro's unemployment rate stood at 3.4%, 30 basis points lower than the U.S. average, according to preliminary data from the Bureau of Labor Statistics. The leisure and hospitality sector could get a boost from the expansion of the Portland International Airport. The \$2 billion project is scheduled for an initial opening this year.

Developers had 14,198 units under construction as of December. Of these, 6,253 units broke ground in 2023, a 5.5% decrease compared to 2022's construction starts. Portland recorded \$399 million in multifamily transactions by the end of the year. While this represented a 75% decrease, it aligned with the broader trend of slowing sales activity.

Market Analysis | February 2024

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

Madalina Pojoga
Associate Editor

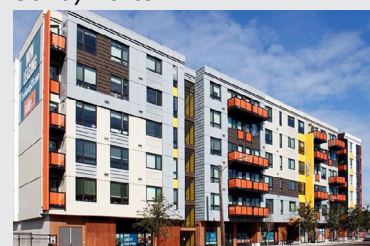
Recent Portland Transactions

Lumina



City: Gresham, Ore.
Buyer: Abacus Capital Group
Purchase Price: \$98 MM
Price per Unit: \$222,727

Sandy Lofts



City: Portland, Ore.
Buyer: Green Leaf Capital Partners
Purchase Price: \$43 MM
Price per Unit: \$208,738

Jasper



City: Portland, Ore.
Buyer: Green Leaf Capital Partners
Purchase Price: \$31 MM
Price per Unit: \$219,858

Fairway Village

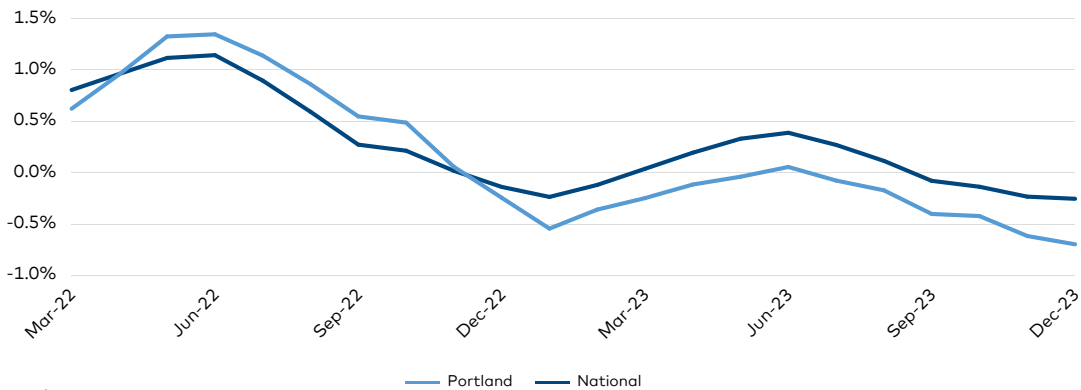


City: Gladstone, Ore.
Buyer: Pearl Real Estate Partners
Purchase Price: \$15 MM
Price per Unit: \$196,667

RENT TRENDS

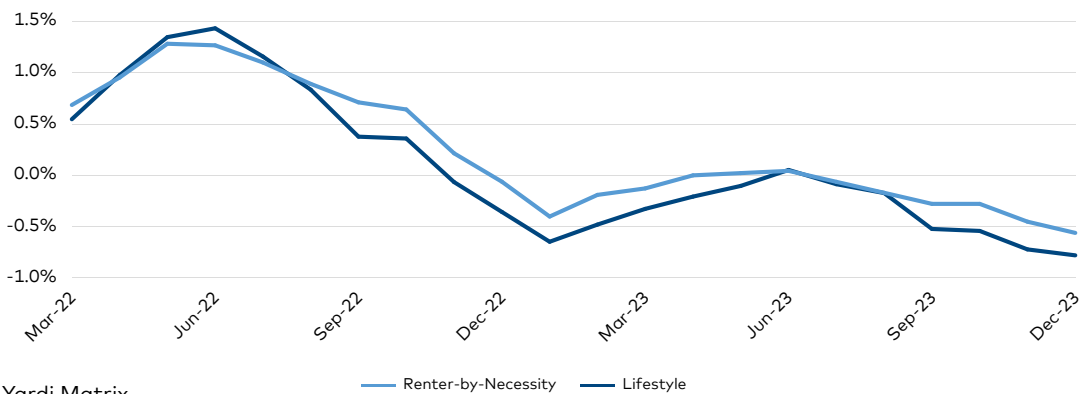
- ▶ Portland rents were down 0.7% on a trailing three-month (T3) basis through December, to \$1,701, while the U.S. rate was down 0.3% during the same time frame. Rent movement in the metro was mostly negative in 2023, except in May and June, when rents stayed flat then inched up 0.1% on a T3 basis.
- ▶ The decline was visible across quality segments, as well. The Renter-by-Necessity average was down 0.6% on a T3 basis through December, to \$1,527. Meanwhile, Lifestyle figures were down 0.8%, to \$1,853. Asking rents in both segments have been on a steady decline since July 2023.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 94.6% as of November, a 60-basis-point decrease year-over-year. The Lifestyle rate recorded a 70-basis-point decline, to 94.1%. Meanwhile, occupancy in the Renter-by-Necessity segment fell to 95.2%, down 50 basis points year-over-year.
- ▶ Of the 59 Portland submarkets tracked by Yardi Matrix, eight recorded an improvement on a year-over-year basis, while the rest recorded contractions. Submarkets leading rent improvement with a more significant increase were Outlying Clark County (8.9%) and Goose Hollow (7.7%). The Lake Oswego submarket had the highest average asking rent, at \$2,256.

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

- ▶ Employment in Portland grew 2.7% year-over-year as of October, 40 basis points higher than the national rate. The metro added 25,000 net jobs in the 12 months ending in October.
- ▶ Three sectors, including manufacturing, trade, transportation and utilities, and information lost a combined 6,300 jobs. The mining, logging and construction sector registered the largest rate of growth—a 9.9% increase, with 8,400 new positions added. Leisure and hospitality led in terms of numbers, with 9,200 jobs added. Other sectors registered significant gains as well, such as government (6,500 jobs), professional and business services (3,500) and education and health services (3,200).
- ▶ The metro's unemployment rate stood at 3.4% as of November 2023, 30 basis points lower than the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Over a 12-month period, the metro reached its highest unemployment rate in January 2023, at 4.5%.
- ▶ The metro's trade, transportation and utilities and leisure and hospitality sectors will benefit from the redevelopment of the Portland International Airport. The \$2 billion project, which includes the renovation and expansion of the 65-year-old airport, began in 2019. The main terminal building, totaling more than 1 million square feet, is set to open in May, and the full project is scheduled for completion in 2025.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	126	9.9%
15	Mining, Logging and Construction	93	7.3%
90	Government	159	12.5%
60	Professional and Business Services	206	16.2%
65	Education and Health Services	190	14.9%
80	Other Services	42	3.3%
55	Financial Activities	78	6.1%
40	Trade, Transportation and Utilities	227	17.9%
50	Information	27	2.1%
30	Manufacturing	123	9.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Portland lost 4,618 residents in 2021, marking a 0.2% decrease. While the metro's population contracted, the U.S. population expanded 0.1% during the same period, mostly driven by growth in Sun Belt markets.

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

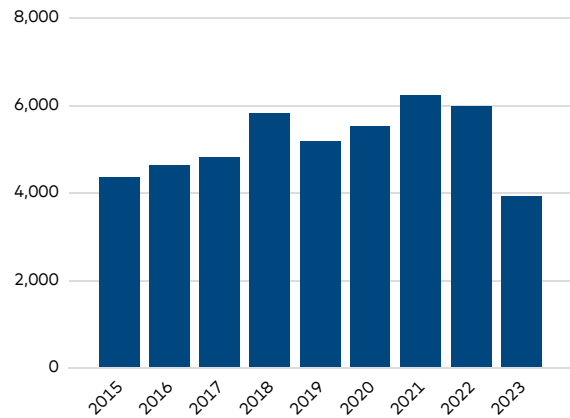
Source: U.S. Census

SUPPLY

- ▶ Portland added 3,919 units to its multifamily inventory in 2023 through December. Deliveries accounted for 2.2% of existing rental stock, 20 basis points lower than the 2.2% national rate. The total marks a significant decrease compared to the 5,968 units delivered during the previous year and the 6,237 units that came online in 2021. It was also Portland's first year since 2017 when deliveries didn't cross the 5,000-unit mark.
- ▶ The metro had 14,198 units under construction as of December, while an additional 31,300 were in the planning and prospective stages. Construction activity slowed slightly, with 6,253 units breaking ground in 2023 through December, 5.5% fewer than the 6,620 recorded in 2022. Portland is expected to deliver 6,042 units in 2024, or around 3.4% of existing stock, ranking the metro in 23rd place out of the top 30 metros for supply growth.
- ▶ Of the 59 submarkets tracked by Yardi Matrix, 39 had more than 50 units under construction. Three submarkets had at least 1,000 units under construction, led by Mill Plain (1,246 units), followed by Hillside/Northwest (1,151 units) and Kerns/Buckman (1,041 units).

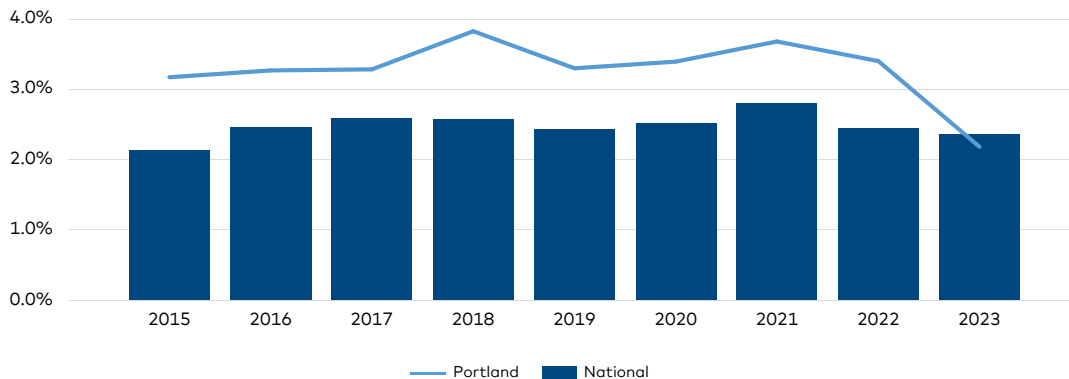
- ▶ The metro's largest development as of December 2023 was in the Mill Plain submarket. Last July, PacTrust broke ground on the 582-unit Bennington on First, slated for completion in December 2025. The largest project delivered in 2023 was Modera Morrison, a 247-unit, Class A community in the Kerns/Buckman submarket.

Portland Completions (as of December 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

TRANSACTIONS

- ▶ Portland recorded \$399 million in multifamily sales in 2023, as 19 properties traded last year. This marks the first time in the last decade when the metro had a transaction volume below the \$1 billion threshold. The previous two years saw 126 assets change hands for a combined \$4.5 billion. Two years ago, sales neared the \$3 billion mark, representing the highest sales total in more than a decade.
- ▶ RBN was the favored segment, accounting for 16 out of 19 deals closed by the end of De-

ember. The average price per unit in the metro was \$219,076, higher than the \$185,172 U.S. figure. Portland reached its highest value in 2022, at \$283,679.

- ▶ Only the Hollybrook submarket exceeded the \$100 million mark for multifamily transactions during the 12 months ending in December. Milwaukie/Gladstone (\$64 million) and Pearl District (\$52 million) rounded out the top three.

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



Source: Yardi Matrix

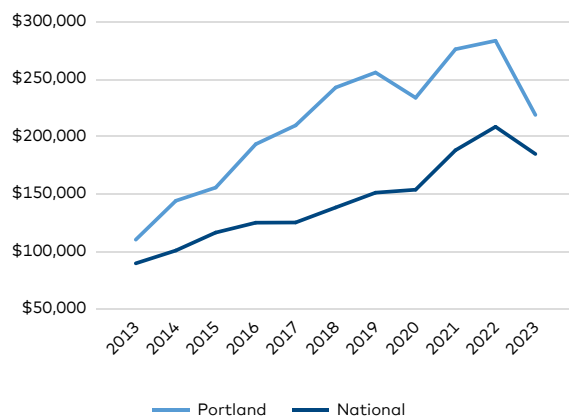
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Hollybrook	125
Milwaukie/Gladstone	64
Pearl District	52
Kerns/Buckman	43
Piedmont	31
McLoughlin	18
Hazelwood	16

Source: Yardi Matrix

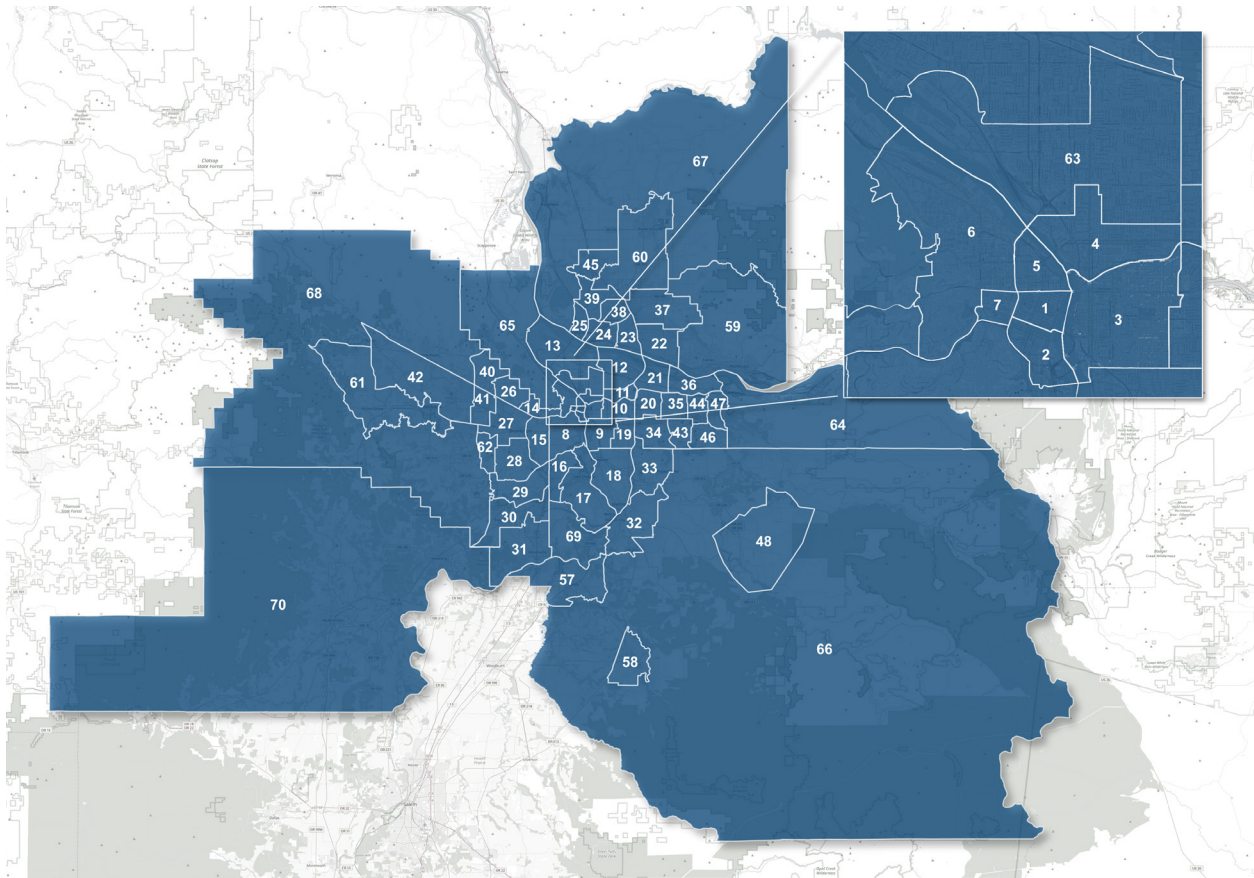
¹ From January 2023 to December 2023

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.



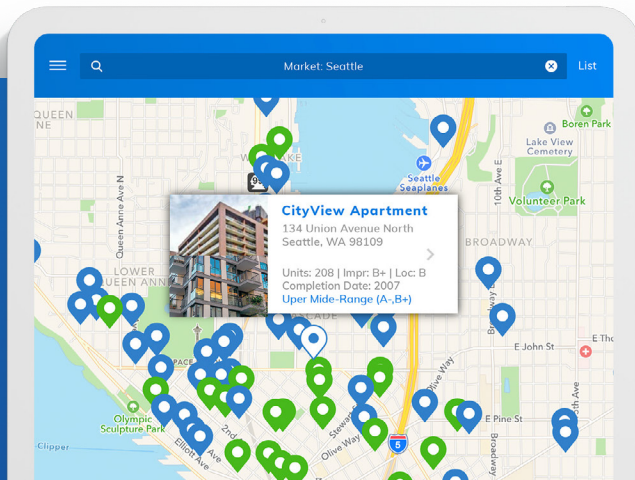
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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