



MULTIFAMILY REPORT

Portland Rentals React

June 2024

T3 Rents Outpace Nation
Occupancy Just Below US Average
Investment Activity Improves

PORTLAND MULTIFAMILY



Rents up, as Other Fundamentals Slow

Portland rates recorded a 0.4% increase on a trailing three-month basis through April, leading national figures by just 10 basis points. However, on a long-term basis, the national average came out on top. On an annual basis, rents were down 1.5%, while the U.S. average increased by 0.7%. As of March, the average occupancy rate in stabilized assets stood at 94.4%, marking a 50-basis-point annual decline.

Based on Bureau of Labor Statistics data for February, Portland's unemployment rate remained unchanged month-over-month, at 4.7%. The figure was 80 basis points higher than the national average. Portland also lost 18,500 net jobs in the 12 months ending in February. Only two sectors registered gains, while professional and business services suffered the most significant losses. The Montgomery Park Area Plan project aims to transform an under-utilized area of the metro into a mixed-use hub, to boost the local economy. The transit-oriented neighborhood would provide employment opportunities and at least 200 affordable housing units.

Portland developers delivered 1,664 units in the first four months of the year. Construction activity remained strong with nearly 12,500 units under construction. Investment activity saw a bump, as sales through April totaled \$181 million. This positions Portland as one of the major metros to record stronger sales in the first third of the year compared to the same period in 2023, when \$87 million traded.

Market Analysis | June 2024

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Recent Portland Transactions

Creekview Crossing



City: Sherwood, Ore.
Buyer: LaSalle Investment
Management
Purchase Price: \$61 MM
Price per Unit: \$334,699

Skylar Grand

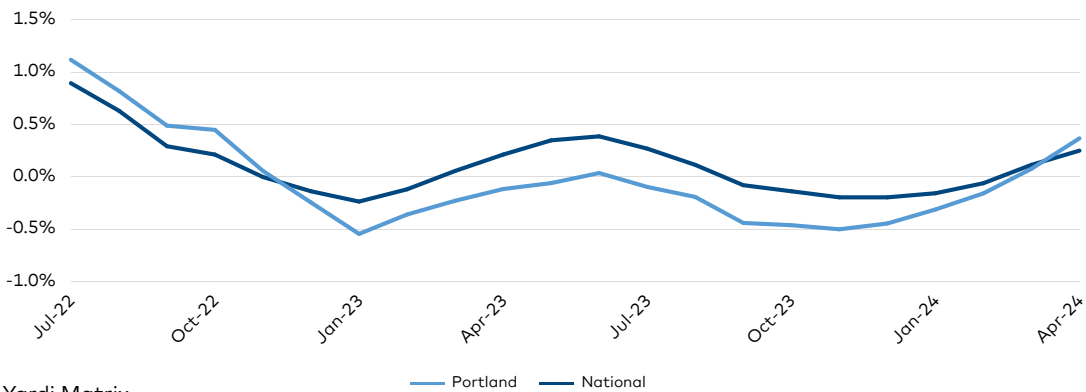


City: Portland
Buyer: ConAm
Purchase Price: \$34 MM
Price per Unit: \$200,000

RENT TRENDS

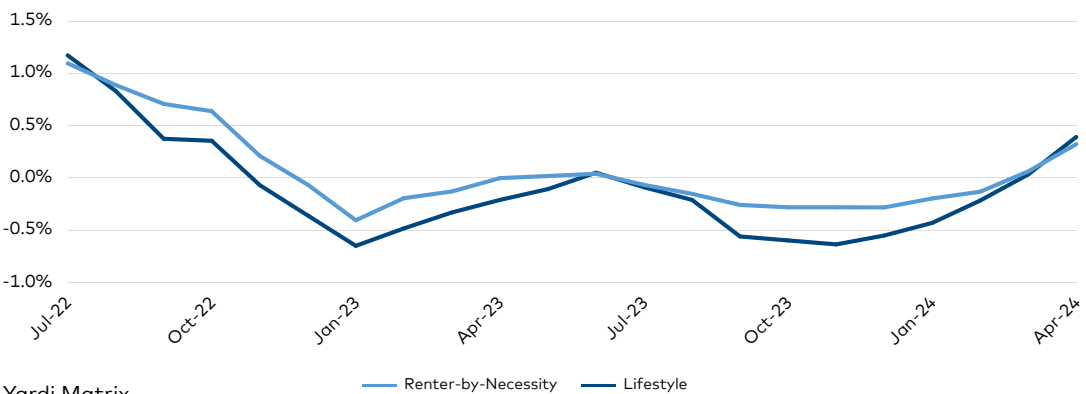
- ▶ Portland rates were up 0.4% on a trailing three-month (T3) basis as of April, edging out the national growth rate, which stood at 0.3%. On a year-over-year basis, the metro's rates were down 1.5% to \$1,728, while the U.S. average increased 0.7%, to \$1,725.
- ▶ Lifestyle rents increased 0.4% on a T3 basis through April, to \$1,881. Similarly, the Renter-by-Necessity segment also registered an increase, up 0.3%, to \$1,564. Rent movement for both segments veered into negative territory on a year-over-year basis. Lifestyle rents were down 2.1% but RBN figures fared slightly better, at -0.6%.
- ▶ As of March, the average occupancy rate in stabilized assets was down 50 basis points on an annual basis, at 94.4%. The figure dipped just below the national average of 94.5%. Occupancy in the Lifestyle segment dropped 30 basis points to 94.1%. RBN occupancy declined 60 basis points, to 94.9%.
- ▶ A third of the 59 submarkets tracked by Yardi Matrix registered rent gains on an annual basis as of April. The Wilsonville submarket led gains (up 7.3% to \$1,955). Salmon Creek (up 5.8% to \$1,835) and Fort Vancouver (up 1.7% to \$1,431) rounded out the top three. The Lake Oswego submarket remained the most expensive, even with rents dropping 4.9% year-over-year, to \$2,348.
- ▶ The single family rental segment fared better than multifamily overall, with annual rents increasing 1.5% in April. Occupancy was also up 0.3% year-over-year as of March.

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 clocked in at 4.7% as of February, on par with the January figure, according to the Bureau of Labor Statistics. The metro's average was 50 basis points above Oregon's figure and 80 basis points above the national average.
- ▶ The metro lost 18,500 net jobs in the 12 months ending in February. Education and health services and government were the only sectors to record gains, with a combined 10,500 jobs. Meanwhile, professional and business services saw the steepest drop, at -8,200 jobs. Manufacturing and trade, transportation and utilities lost the same number of positions, down 4,700 each.
- ▶ The Montgomery Park Area Plan aims to transform an underutilized and partially vacant area in Northwest Portland into a vibrant district. The Portland Bureau of Transportation and the Bureau of Planning and Sustainability spearheaded the proposed transit-oriented, mixed-use neighborhood. The plan relies on land use and transportation changes west of Highway 30 between NW Vaughn and NW Nicolai streets. The plan includes expanding the Portland Streetcar by 1.3 miles, new housing totaling more than 2,000 units as well as the addition of commercial and community spaces. It also stipulates that a minimum of 200 affordable housing units must be built on one of the three key development sites identified.

Portland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	200	16.4%
90	Government	158	12.9%
80	Other Services	41	3.4%
15	Mining, Logging and Construction	80	6.5%
55	Financial Activities	71	5.8%
50	Information	25	2.0%
70	Leisure and Hospitality	112	9.2%
30	Manufacturing	123	10.1%
40	Trade, Transportation and Utilities	221	18.1%
60	Professional and Business Services	193	15.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Portland gained 11,883 residents in 2022, amounting to a 0.5% increase. Overall, the metro's population has increased by 15.4% since 2010.
- ▶ Meanwhile the U.S. population increase by 0.4% in 2022 and by 8.9% since 2010.

Portland vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Portland	2,445,761	2,472,774	2,493,429	2,505,312

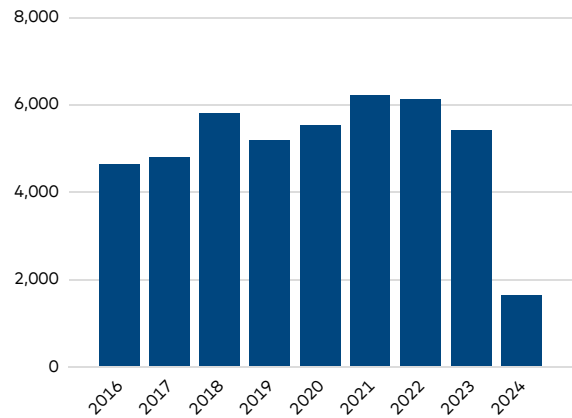
Source: U.S. Census

SUPPLY

- ▶ Developers added 1,664 units during the first four months of 2024, accounting for 0.9% of existing multifamily inventory. That was 30 basis points higher than the 0.6% national rate. Nearly 88% of completions were Lifestyle assets, while the rest were fully affordable.
- ▶ Construction starts have slowed, as developers broke ground on 1,013 units this year. This marked a 64% decline compared to the 2,837 units that broke ground during the same interval in 2023. Yardi Matrix expects that in 2024 a total of 4,598 units will come online across the metro, followed by an additional 5,101 units delivered next year.
- ▶ The metro had 12,439 units under construction as of April. Another 31,500 units were in the planning and permitting stages. Developers continued to focus on the upscale segment, as more than 70% of projects underway were Lifestyle properties. Fully affordable communities accounted for 25%, while the remaining roughly 4% were in the RBN segment.
- ▶ Of the 59 submarkets tracked by Yardi Matrix, 38 had at least 50 units under construction. Only the Hillside/Northwest submarket had

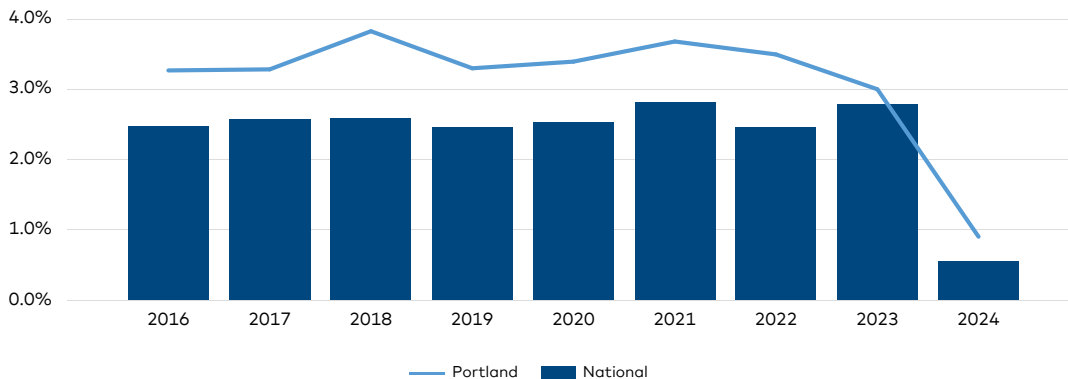
more than 1,000 units underway but was closely followed by Kerns/Buckman (974 units) and Tanasbourne (920 units). The latter houses the metro's largest multifamily development. Wood Partners kicked off construction on the 594-unit Alta Amberglen II in January, with completion expected by mid-2026.

Portland Completions (as of April 2024)



Source: Yardi Matrix

Portland vs. National Completions as a Percentage of Total Stock (as of April 2024)



Source: Yardi Matrix

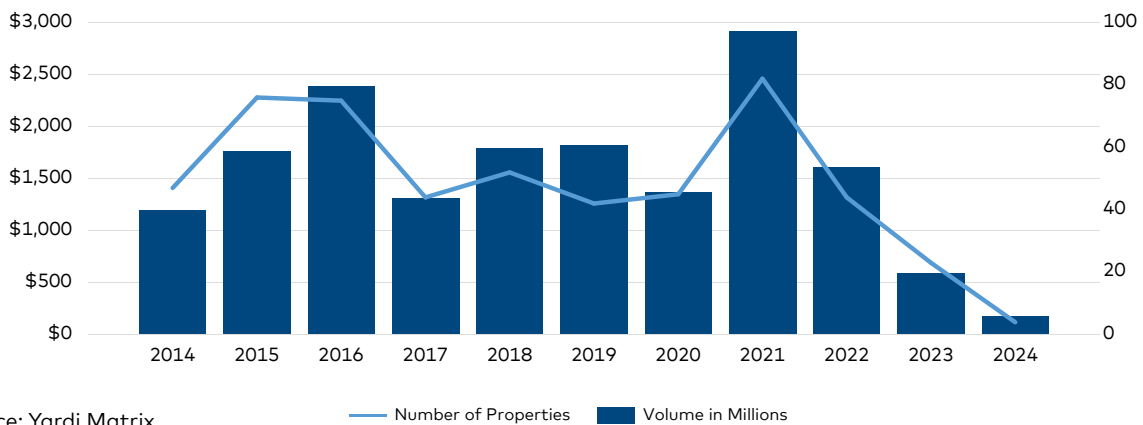
TRANSACTIONS

- ▶ During the first four months of 2024, Portland saw \$181 million in multifamily transactions. This was well above the \$87 million recorded during the same period in 2023. Last year, 23 properties traded for a total of \$595 million, which was significantly below the \$1.6 billion volume of 2022 and even lower than the prior five-year average of \$1.9 billion.
- ▶ Portland investors favored the Lifestyle segment, as all four deals this year involved lifestyle assets.

This inflated the price per unit to \$412,076, well above the national average of \$181,913, and \$182,000 higher than the 2023 average.

- ▶ The property that traded for the highest price in 2024 was the 183-unit Creekview Crossing in the Tualatin submarket. LaSalle Investment Management acquired the lifestyle asset from Metropolitan Land Group for \$61 million or \$334,699 per unit. As part of the transaction, LaSalle assumed a \$28 million HUD loan, which is set to mature in 2055.

Portland Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

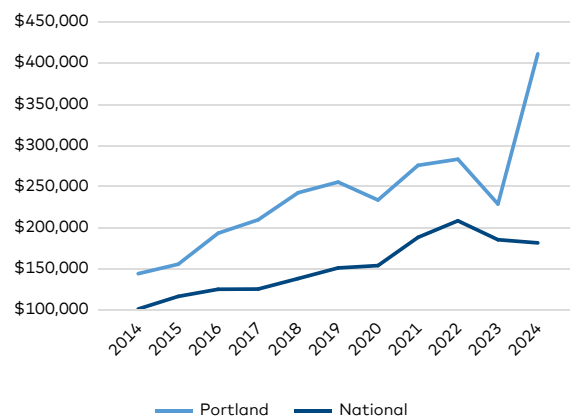
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Hillsboro	99
Hollybrook	98
Tanasbourne	79
Kerns/Buckman	77
Tualatin	61
Pearl District	52
Mill Plain	50

Source: Yardi Matrix

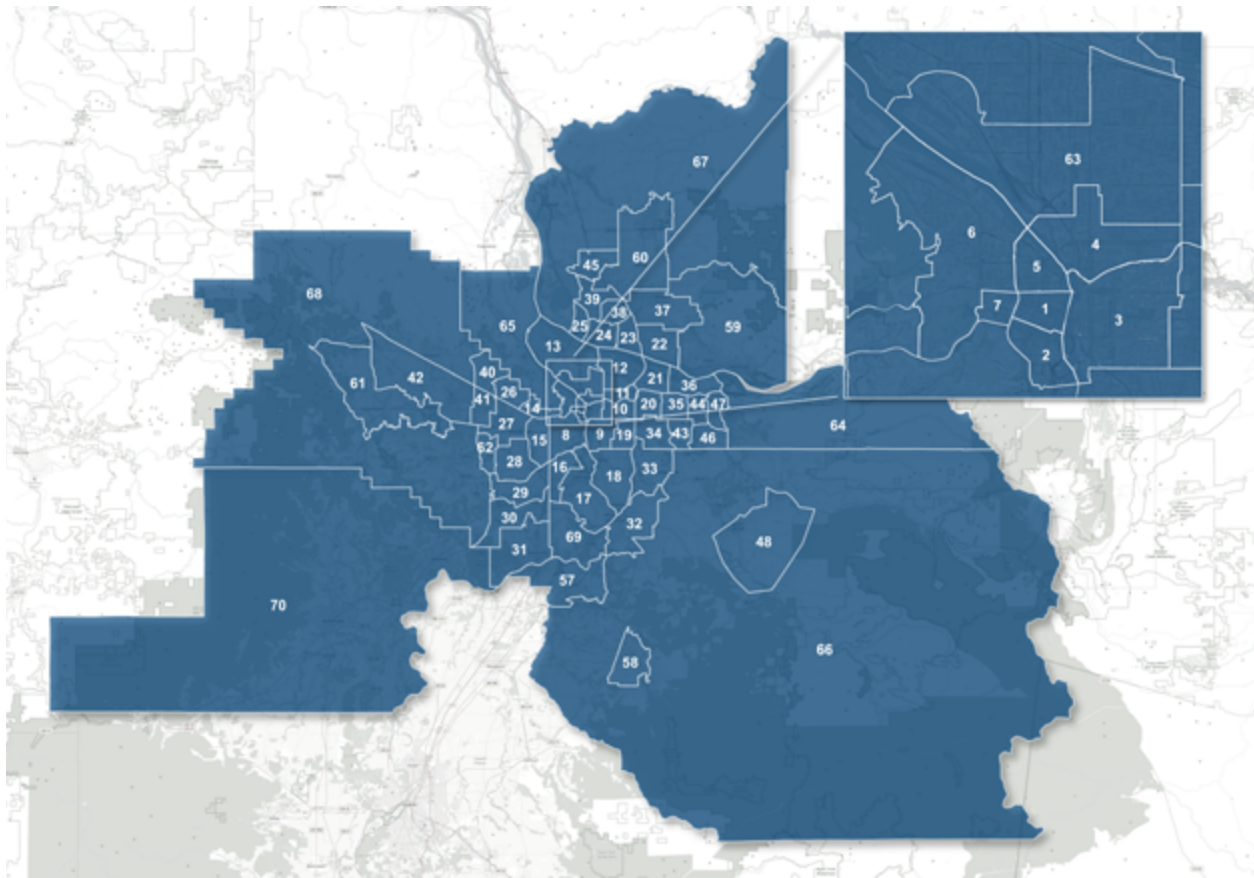
¹ From May 2023 to April 2024

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.



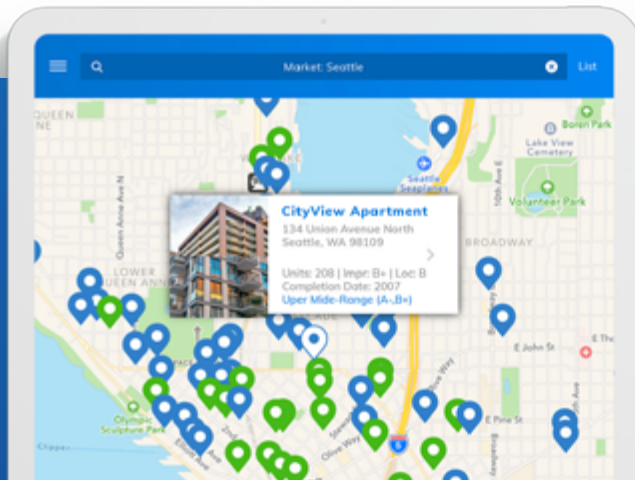
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MULTIFAMILY KEY FEATURES

- 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



Yardi Matrix Multifamily
provides accurate data on
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