



MULTIFAMILY REPORT

Portland Keeps Up

October 2024

Local Economy Sheds Jobs

Rent Growth Still Positive

Transaction Activity Remains Muted

PORTLAND MULTIFAMILY



Economy Slips, Rents Still Rise

Despite economic challenges impacting certain areas of Portland's multifamily sector, the market has largely maintained its stability. Advertised asking rents were up 0.4% on a trailing three-month basis, to \$1,775, some 30 basis points above the U.S. rate. The metro's average occupancy rate in stabilized properties stood at 95.0%, as of June. That marked a 20-basis-point increase over 12 months, a rare feat for a multifamily market in 2024.

Portland's unemployment rate clocked in at 4.1% as of August, 10 basis points below the national figure, according to preliminary data from the Bureau of Labor Statistics. The metro lost 17,800 net jobs in the 12 months ending in June. The only sectors to record gains were education and health services and government, for a combined 9,600 jobs added. The local economy could benefit from the large-scale water plant construction that started in June, about 20 miles from downtown Portland. The \$2.1 billion project is a partnership between MWH Constructors and Kiewit Corp. and is slated for delivery in 2027.

With 5,147 units, or 2.8% of existing stock, delivered through August in Portland, the metro outpaced the nation by 110 basis points. Meanwhile, transaction activity remained moderate, with \$404 million in assets changing hands. For comparison, the metro recorded an average of \$1.7 billion in deals over the past 10 years.

Market Analysis | October 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 x14006

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Madalina Pojoga
Associate Editor

Recent Portland Transactions

Kearney Plaza



City: Portland, Ore.
Buyer: Virtu Investments
Purchase Price: \$33 MM
Price per Unit: \$253,817

Thunderbird Village



City: Vancouver, Wash.
Buyer: Abacus Capital Group
Purchase Price: \$27 MM
Price per Unit: \$146,978

Valley Park Plaza



City: Beaverton, Ore.
Buyer: Optimus Properties
Purchase Price: \$12 MM
Price per Unit: \$169,155

Cedar Lane

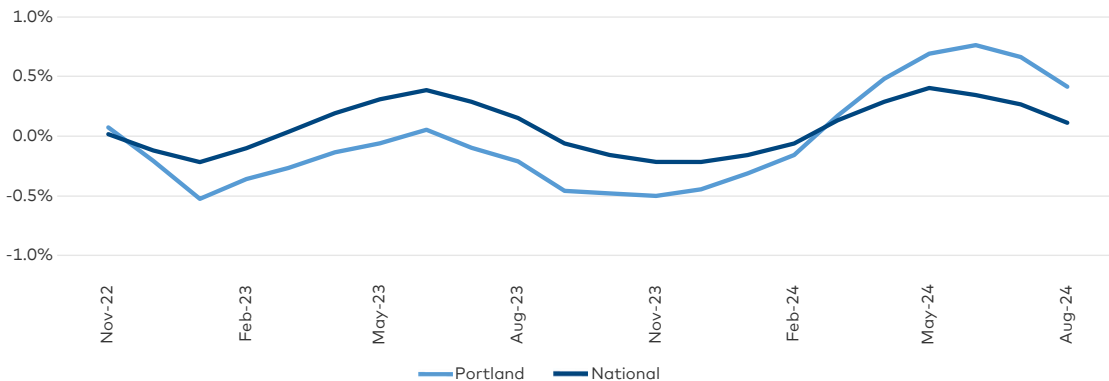


City: Vancouver, Wash.
Buyer: AV Capital
Purchase Price: \$7 MM
Price per Unit: \$132,143

RENT TRENDS

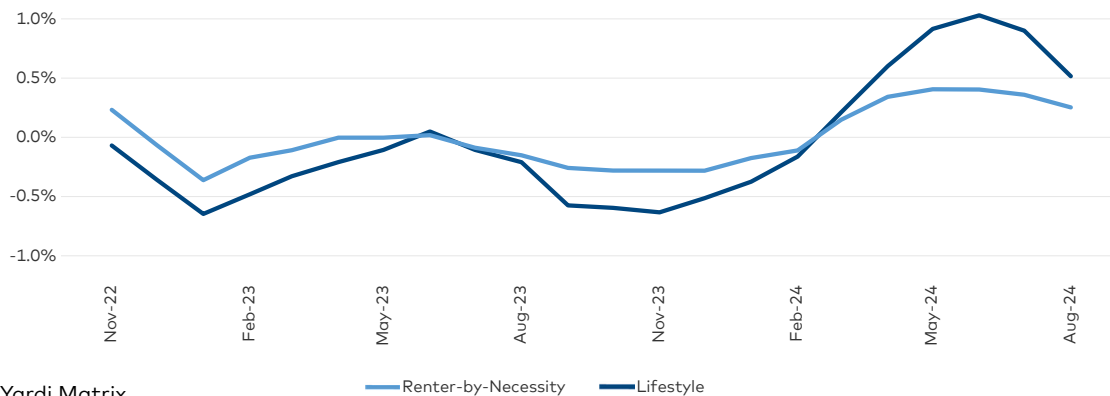
- ▶ The average advertised asking rent in Portland was up 0.4% on a trailing three-month (T3) basis as of August, to \$1,775. That was 30 basis points higher than the U.S. figure. The metro's growth rate has been in positive territory since March, reaching its peak at 0.8% in June.
- ▶ Year-over-year, advertised asking rents were up 1.4% in Portland, placing the metro in the top half of our top 30 metros. The latest Yardi Matrix forecast projects a 0.6% rate expansion in Portland in 2024.
- ▶ Both quality segments have maintained growth since March. Lifestyle advertised asking rents were up 0.5%, on a T3 basis, to \$1,949. Meanwhile, working-class Renter-by-Necessity assets registered a 0.3% uptick, to \$1,572.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 95.0% as of July, a 20-basis-point increase year-over-year. The lifestyle rate saw a 70-basis-point uptick, to 94.8%. Meanwhile, despite having a higher occupancy rate, RBN assets were down 20 basis points, to 95.1% year-over-year.
- ▶ Growth was uneven across Portland submarkets on a year-over-year basis as of August. Of the 69 submarkets tracked by Yardi Matrix, 18 recorded contractions. Growth was led by Hillsboro (up 10.2% to \$2,050), Canby (up 9.6% to \$1,879) and West Haven (up 8.1% to \$1,984).

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 4.1% as of August, 10 basis points below the national rate, according to preliminary data from the Bureau of Labor Statistics. Portland's figure was just 10 basis points higher than Oregon's rate, which stood at 4.0%. Over the 12-month period through August, the metro reached its highest unemployment rate in the first two months of 2024, at 4.7%.
- ▶ The metro lost 8,200 net jobs in the 12 months ending in June, with Portland employment down 1.3%. The only sectors to record gains were education and health services and government, for a combined 9,600 jobs. Professional and business services saw the biggest drop, at -5,800 positions, followed by the mining, logging and construction sector, which lost 2,900 jobs.
- ▶ A large infrastructure project is underway less than 20 miles east of downtown Portland. The joint venture of MWH Constructors and Kiewit Corp. broke ground in June on a large-scale water plant, slated for delivery in 2027. Dubbed the Bull Run Filtration Project, the \$2.1 billion project is being funded through customers' payments and bonds. The Water Bureau secured a \$727 million federal loan and is in the process of closing a second loan through the Water Infrastructure Finance and Innovation Act program.

Portland Employment Share by Sector

| Code | Employment Sector | Current Employment | |
|------|-------------------------------------|--------------------|---------|
| | | (000) | % Share |
| 65 | Education and Health Services | 198 | 15.9% |
| 90 | Government | 159.1 | 12.8% |
| 55 | Financial Activities | 73 | 5.9% |
| 80 | Other Services | 42.2 | 3.4% |
| 30 | Manufacturing | 124.6 | 10.0% |
| 50 | Information | 25.9 | 2.1% |
| 70 | Leisure and Hospitality | 121 | 9.7% |
| 40 | Trade, Transportation and Utilities | 222.7 | 17.9% |
| 15 | Mining, Logging and Construction | 80.6 | 6.5% |
| 60 | Professional and Business Services | 194.5 | 15.7% |

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Portland's population expanded by 11,883 residents in 2022, marking a 0.5% increase. Meanwhile, the U.S. population grew by 0.4%.
- ▶ The metro gained more than 250,000 residents over the past 10 years.

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 |

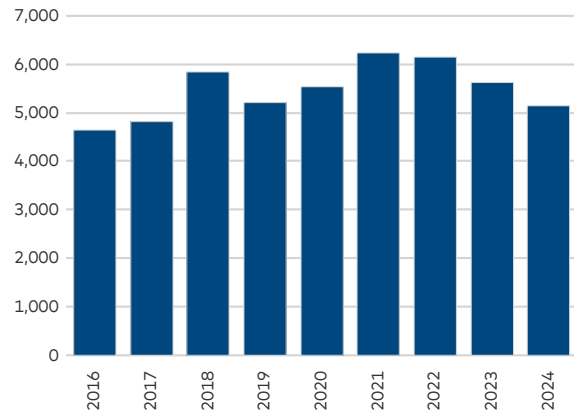
Source: U.S. Census

SUPPLY

- ▶ Developers brought 5,147 units online this year through August, accounting for 2.8% of existing stock. That was 110 basis points higher than the 1.7% national average. More than half of the properties that came online were Lifestyle assets, while the rest were fully affordable. The total is already near the total 5,630 units delivered in 2023.
- ▶ Portland had 10,082 units under construction in August. Another 29,000 were in the planning and permitting stages. Construction was concentrated in upscale projects, which comprised 62.5% of units, while Renter-by-Necessity and fully affordable developments accounted for the remaining 37.5%.
- ▶ Construction starts dwindled significantly. Developers started work on just 1,954 units across 13 projects this year through August. This marked a nearly 60% decrease compared to the 4,555 units across 24 projects that started construction during the same period last year.
- ▶ Of the 69 submarkets tracked by Yardi Matrix, 37 had at least 50 units under construction. No submarket crossed the 1,000-unit mark, but Tanasbourne led with 920 units, followed by Kerns/Buckman (842 units) and Piedmont (656 units).

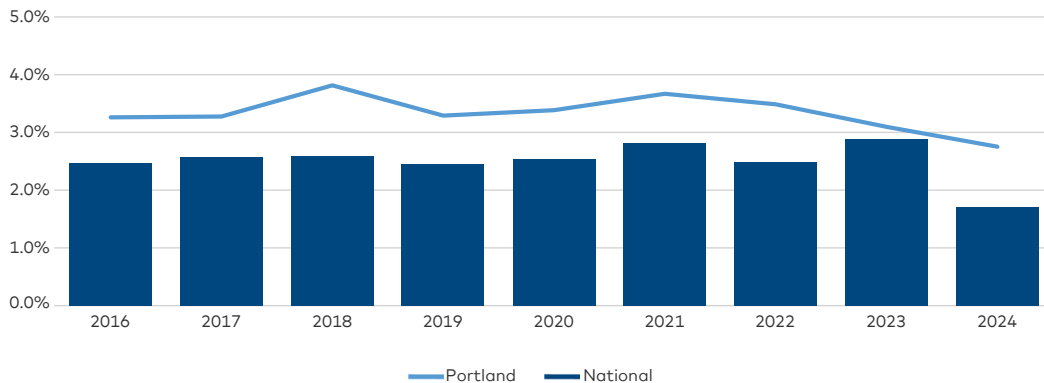
- ▶ Tanasbourne also houses the metro's largest multifamily development as of August. Wood Partners broke ground on the 594-unit Alta Amberglen II in January 2024, with construction slated for completion by June 2026. The developer used its Santander Bank, \$115 million line of credit to fund construction in 2022.

Portland Completions (as of August 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

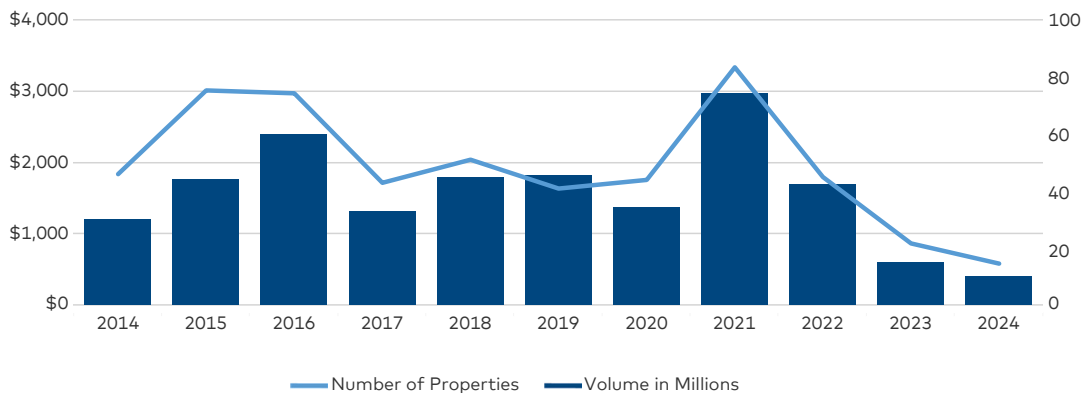
TRANSACTIONS

- ▶ Transactions in Portland reached \$404 million in the first eight months of this year. Investment activity remained moderate, coming on the heels of a slowdown that was most evident in 2023. Last year, transactions totaled \$595 million in Portland. Both years are well below the yearly average of the past 10 years, which clocked in at \$1.7 billion.
- ▶ Sales composition through August was tilted toward the Lifestyle segment, accounting for 10

of the 16 assets that traded. Nevertheless, the price per unit declined to \$208,152, a \$21,200 difference compared to 2023, but still above the \$184,269 U.S. average.

- ▶ Mill Plain was the only submarket that exceeded the \$100 million mark for multifamily transactions during the 12 months ending in August, with \$135 million in assets changing hands. Hillsboro (\$99 million) and Tanasbourne (\$79 million) rounded out the top three.

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



Source: Yardi Matrix

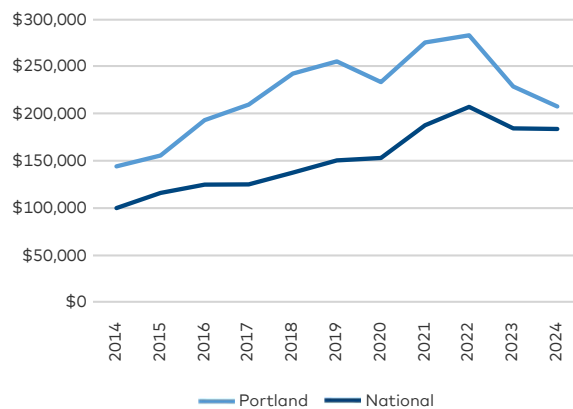
Top Submarkets for Transaction Volume¹

| Submarket | Volume (\$MM) |
|----------------|---------------|
| Mill Plain | 135 |
| Hillsboro | 99 |
| Tanasbourne | 79 |
| Kerns/Buckman | 77 |
| Tualatin | 61 |
| Madison South | 50 |
| Fort Vancouver | 34 |

Source: Yardi Matrix

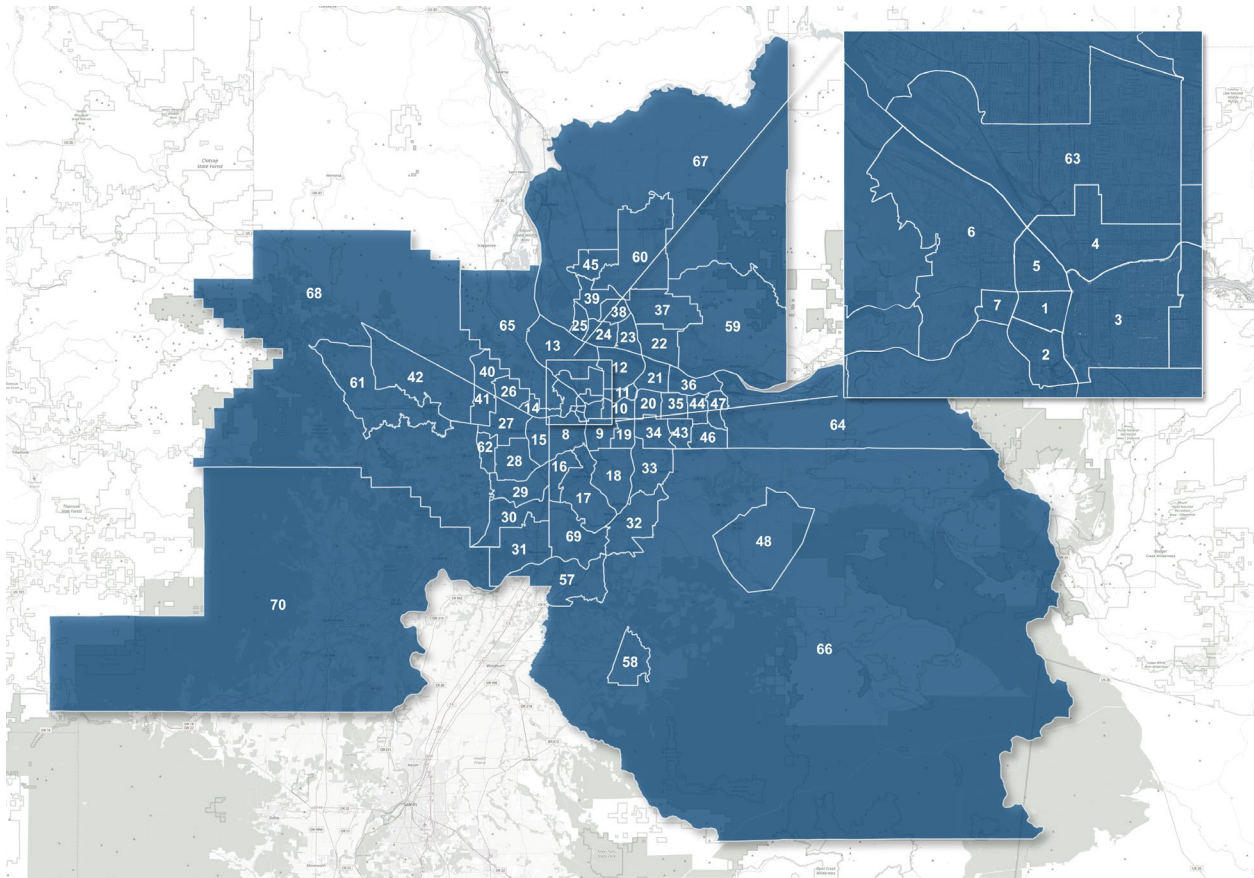
¹ From September 2023 to August 2024

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.

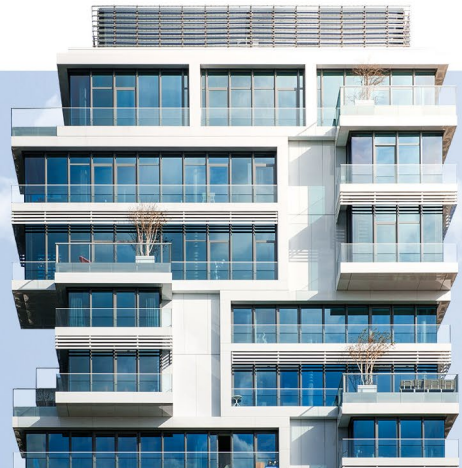
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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