



Multi-family Market Report | Q1 2022

Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

Bringing more business activity back to Portland's urban core will be essential for maintaining the city's rising apartment profile. With most COVID-19 era restrictions lifted in March, dining, shopping and experiential offerings should draw more residents back to the central part of the city.

As more people move to Portland seeking a better quality of life, this is driving up the demand for multi-family housing. Portland's population has grown by 11.4% over the last decade, which equates to around 1.1% annually. This is almost double the national trend of 0.6% over the same time period.

Furthermore, some workers who have the ability to work remotely have fled expensive coastal cities such as San Francisco, California and Seattle, Washington for less populated, less expensive alternatives. Given its relatively affordable cost of living, Portland appears to be benefiting from this trend. Of all of the markets on the west coast with at least 1 million residents, only Fresno, California, has cheaper average apartment rents than Portland.

This multifaceted population influx sparked a development boom that increased apartment availability by 32.5% over the last decade, with an increase of 10.9% in the last three years. However, in recent years, the number of construction starts in the region has decreased. Permitting activity has cooled, with the latest Census Bureau data suggesting permits issued have declined 34% since

PORTLAND MARKET SNAPSHOT

VACANCY RATE		ASKING RENT	
5.3%		\$1,549	
CONSTRUCTION		ABSORPTION	
4,718 Units		54 Units	

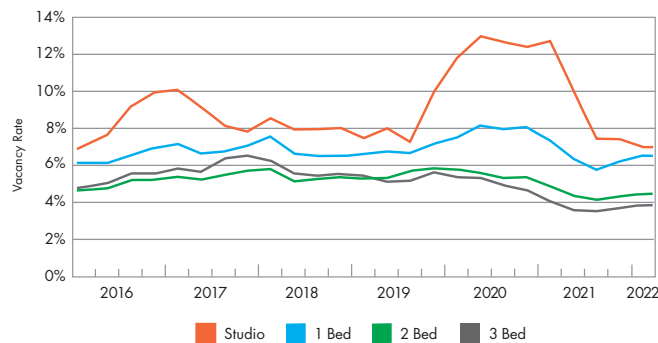
the 2017 peak. All of this is having a significant influence on falling vacancy rates and rising rents.

Over the last year, average apartment rents have increased by 8.8%, compared to a three-year average of 4.3%. During the peak of the pandemic, tenants rushed to less dense neighborhoods in search of more room and affordability, and suburban cities led the way in this category.

Strong apartment demand has lifted trailing four-quarter net absorption to 7,600 units in the first quarter of 2022, compared to an average yearly number of 6,600 units over the previous five years. The quick lease-up of units has kept vacancies at 5.3%, a decrease of 0.9% over the preceding 12 months. Vacancies in the metro area have averaged 6.0% over the last five years.

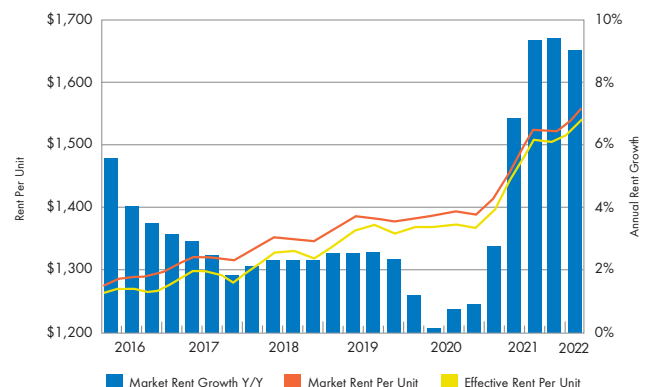
Market rent in Portland reached \$1,549 per month in the first quarter of 2022, an increase

VACANCY RATE BY BEDROOMS - PORTLAND



Source: CoStar Property

MARKET RENT PER UNIT & RENT GROWTH



Source: CoStar Property

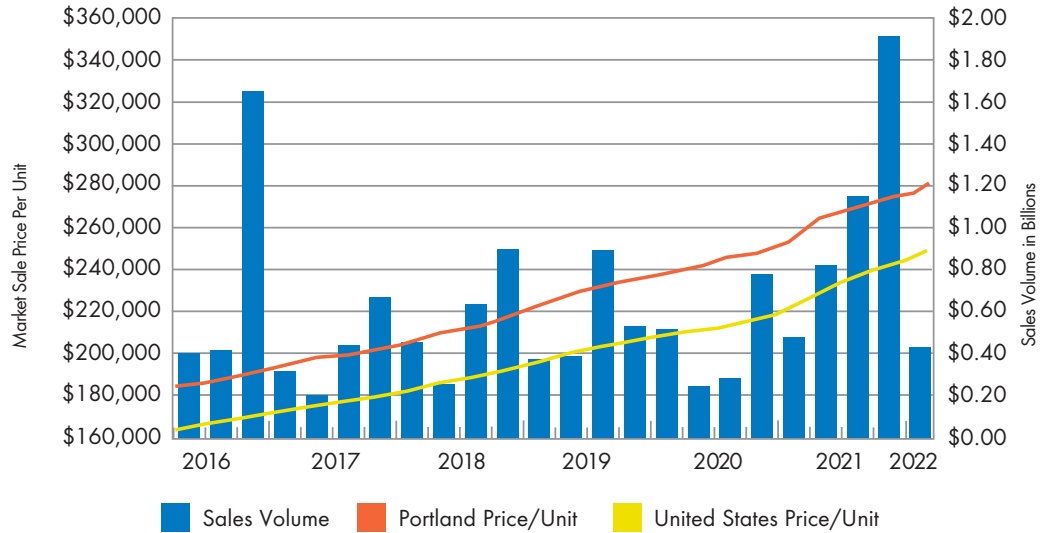


PORTLAND

of 8.8% year-over-year. In comparison, the national index grew by 11.0% on average over the same time period. Rent growth in Portland has averaged 4.1% each year over the last ten years, putting the recent surge into perspective.

The Portland metro has become a major market for institutional investors chasing population growth and a diverse economic base. In each of the last six years, annual investment has rounded to \$1.5 billion or more. The yields on multi-family properties in Portland are consistently lower than those on office, industrial, and retail facilities. Over the last five years, multi-family cap rates have tightened even more, now hovering around 4.5 percent, compared to 5.1 percent nationally. This hasn't stopped more money from flowing into the market.

SALES VOLUME & MARKET SALE PRICE/UNIT



Source: CoStar Property

OVERALL SALES YEAR OVER YEAR

Year	# of Deals	Sales Volume	Turnover	Average Price	Average Price Per Unit	Average Cap Rate
YTD	75	\$426M	1.20%	\$9,681,081	\$246,224	4.80%
2021	402	\$4.4B	8.30%	\$13,927,987	\$263,125	5.10%
2020	236	\$1.8B	4.20%	\$10,087,713	\$230,050	5.50%
2019	310	\$2.2B	5.90%	\$9,368,010	\$219,703	5.50%
2018	351	\$2.2B	6.40%	\$9,279,022	\$212,282	5.40%
2017	303	\$1.6B	5.30%	\$8,382,544	\$203,328	5.50%

SIGNIFICANT FIRST QUARTER 2022 SALES

Property / Address	# of Units	Year Built	Sale Date	Sale Price	Price Per Unit
Bridge Creek 9211 NE 15th Ave Vancouver, WA	270	1989	1/20/2022	\$75,000,000	\$277,777
Heather Lodge 13432 SE 169th Ave Happy Valley, OR	178	2021	1/11/2022	\$71,000,000	\$398,876
Sedona at Bridgecreek 2220 NE Bridgecreek Ave Vancouver, WA	205	1989/ 2008	1/14/2022	\$52,900,000	\$271,429
KOZ on 4th Apartments 2211 SW 4th Ave Portland, OR	108	2020	1/27/2022	\$24,000,000	\$222,222
Terra Buena Terrace 1901 SE Minter Bridge Rd Hillsboro, OR	106	—	2/25/2022	\$17,500,000	\$165,094
The Celine 2330 NW Raleigh St Portland, OR	40	2018	1/21/2022	\$15,200,500	\$380,013
The Hawthorne PDX 4717 SE Hawthorne Blvd Portland, OR	50	2015	1/21/2022	\$14,650,000	\$293,000

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