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The New "Oregon Trail" Opens

by Brian Bjornson, Chairman, Managing Director

Just as the Oregon Trail of the 1800s became a symbol of opportunity to those seeking a better life, travelers on THE NEW OREGON TRAIL, arriving by land, sea or air, see Oregon as a place to build their future. They are bringing vibrant new life to Oregon. New immigrants, just like those early settlers, are looking for a "better life," although, today, that might mean coffee houses, microbrews, recreational marijuana, and job opportunities.

Last year, Oregon welcomed approximately 40,000 new residents, and created enough jobs that the state unemployment level is at or below 5%. The bulk of the new arrivals have stayed in the Portland Metropolitan Area, or moved to cities down the Willamette Valley. The more rural areas of the state continue to lag in both in-migration and job creation.

The new population has increased demand for rental housing of all types, which has spurred the development of in-fill housing in higher demand markets throughout Portland. Demand for more housing, and higher quality housing, has pushed rents up, and made the construction of more expensive structures in prime locations feasible. This effect is also being felt in suburban markets.

Over the last 3 years, property owners have benefited from one of the most aggressive cycles of rent increases we have seen due to tremendous increases in demand or apartments. As Oregon and Washington emerges from the economic recession, central neighborhoods have become "magnets for growth." This has forced lower income renters into lower quality housing and older construction, as their previous residences have been sold and upgraded, and rents increased far beyond the average renter's ability to pay.

This dynamic has led to a situation in which the need for moderately-priced housing has far outstripped the ability of rent assistance programs to respond. As a result, since the Spring of 2015, local and state governments have been trying to address this issue with regulations that would slow the displacement of lower income residents.

In addition to new laws implemented by the Portland City Council to slow gentrification in the city, the Oregon State Legislature is seeking to amend the landlord tenant laws in ways that would soften the impact of dramatic changes in Oregon rental markets on lower income renters. Please read Jeffrey Bennett's article in which he describes new laws affecting Portland and Oregon landlords, now and in the future, which attempt to address the existing market disintermediation.

Conclusion: Norris & Stevens has managed and sold apartment buildings through more than 50 years of legal, political, and market changes. With our experience, we can develop a plan to maximize the potential of your apartment investment. Give us a call to discuss your property, and evaluate your market challenges. **N&S**

Brian can be reached at 503-225-8438 or brianb@norris-stevens.com

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New Regulations Restrict Landlords

Changes to ORTLA and New Portland Ordinances

by Jeffrey S. Bennett, Partner, Warren Allen LLP

The Oregon Residential Landlord and Tenant Act [ORLTA] is the landlord's handbook for operating apartment communities. Those of you who have been landlords for the past decade have seen the ORLTA evolve and grow from a mere 44 pages in 1995 to 96 pages in 2013. Landlords are in the business of being landlords, and, as with many businesses, being a landlord immerses one in a highly regulated industry. Once landlords recognize the expanding depth and complexity of the ORLTA regulations, they will recognize the need for familiarity with its intricacies. That means understanding the ORLTA, and figuring out how to avoid to violating it.

A plethora of new laws have increased the ORLTA's complexity and generated vigorous courtroom disputes. Those disputes have sent the statutes' authors back to the drawing board again and again. That drawing board has been the longstanding General Landlord/Tenant Coalition: a collective of landlords' and tenants' advocates working together to ensure that the ORLTA provides a certain degree of balance and fairness to the landlord/tenant relationship. The perceived success or failure of the Coalition's objectives is largely subjective, and is a frequent centerpiece for dogmatic dispute.

Compared to a particularly contentious round of General Landlord/Tenant Coalition battles some half-dozen years ago, more recent Coalition endeavors have been relatively congenial. The 2015 amendments to the ORLTA, which took effect on January 1, 2016, are modest in comparison to some prior amendments. The new laws will, nonetheless, increase the ORLTA's inherent complexity, and expand the already robust inventory of traps and pitfalls that blindside many an unwary landlord.

As you read the summaries of the changes below, some may seem minor. Still, they are all incredibly important. You and your Asset Managers should consider the impacts of the changes on policies and procedures, and update forms as necessary.

Now, let's take a quick look at some of the key proposed changes to the ORLTA:

Changes to ORLTA

Fees: Permissible fees now include fees for failure to pick up service or assistance ("companion") animal waste, having an unauthorized pet and certain types of HOA assessments. A penalty has been added, in the event the landlord charges impermissible fees.

Timelines: Some notice deadlines have been modified to 11:59 p.m., in order to eliminate confusion surrounding the word, "midnight."

Waiver: The waiver statutes - long the bane of landlords - have been clarified so as to address issues relating to subsidy payments and outstanding damage reimbursement claims.

Renter's Liability Insurance: Renter's liability insurance disclosure requirements have been expanded. At the same time, landlords will now be able to require tenants to name the landlord as an "interested party." However, penalties have been added for landlords' violations of the renters' liability insurance statute.

Damage: Tenants will not be responsible for damage to a dwelling unit resulting from acts of God or conduct of a perpetrator of domestic violence.

Public Service Charges: Landlords will be able to pass some public service charges (e.g., certain types of charges imposed on landlords by utility providers) along to tenants, and amend rental agreements in order to exercise this right.

Allocation of Payments: Tenants' payments (to landlords) will be allocated pursuant to a set statutory formula.

Emergency Exits: Landlords will be required to provide an emergency or secondary means of exiting a bedroom.

House Bill 4143

At the same time that the foregoing changes are being absorbed into contemporary forms and procedures, Oregon House Bill 4143 has been enacted. Stated simplistically, this new law prohibits landlords from increasing rents (a) during the first year of a month-to-month tenancy, and (b) without giving the tenant written notice at least 90 days prior to the effective date of the rent increase at any time after the first year of the tenancy. Unfortunately,

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New Regulations Restrict Landlords

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the new statute is one of the most inarticulate, poorly written landlord/tenant laws to have been enacted in the past two decades. The new law's inherent ambiguities mean that no one fully understands what it means.

While the impact of HB 4143 is as yet unknown, it could be perceived as being much better than the House Bill tenants originally sought to have enacted. Thanks to strong landlord opposition to a variety of newly proposed, tenant-friendly laws by, the following proposed laws were not passed:

- More severe restrictions on no-cause notices;
- A requirement that landlords pay for tenant relocation assistance; and
- An automatic presumption of retaliation in the event that a notice of termination is served upon a tenant within 6 months following a repair request.

New Portland Ordinances

In a blow to the rights of Portland landlords, and in potential disregard for both Oregon law and the role of the General Landlord/Tenant Coalition in creating landlord/tenant laws, the Portland City Council unanimously passed a measure amending Portland's Affordable Housing Preservation Code. Effective November 13, 2015, Code Chapter 30.01 is now known as "Affordable Housing Preservation and Portland Renter Protections."

Commissioner Dan Saltzman spearheaded the new ordinance, citing record low vacancy rates, high rental growth rates, high rents, gentrification, displacement, and tenants' need for additional time to move or absorb rent increases. Opponents of the new law felt that Commissioner Saltzman's stance wholly ignored the expansion of Portland's population, Portland's lag behind other west coast cities' rent rates, and a shift away from home ownership toward renting as significant - and healthy - drivers of recent rent increases. Here's a short summary of the key changes:

No Cause Termination Notices - which historically ranged from no less than 30 to 60 days' long throughout Oregon - have been extended to 90 days in Portland.

Notices of Rent Increase - traditionally no less than 30 days' long - have likewise been lengthened to 90 days whenever a landlord increases a Portland tenant's rent and associated housing costs by 5 percent or more over a 12 month period. Further, tenants can seek damages equal to three months' rent "as well as actual damages," plus attorney's fees and costs, in the event a landlord violates the new law.

Conclusion: The continued expansion of laws impacting landlords' rights is nothing new. Tenants' advocates are powerful, coordinated, and vocal. The most recent changes to ORLTA are significant, so you and your Asset Manager must be careful about aligning forms and procedures with the new laws. Further, pay attention to updates regarding the interpretation of the new laws, since the manner in which they're construed can change upon a moment's notice.

Jeffrey S. Bennett is a partner in the Portland law firm of Warren Allen LLP. A member of the Oregon and Washington state bars, Mr. Bennett is the head of his firm's Landlord law department and a Hearings Examiner for the Clackamas County Housing Authority. He has specialized in both residential and commercial Landlord/Tenant law for the past two decades. To contact Jeffrey, call 503.255.8795, or email at bennett@warrenallen.com.

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Real Estate Finance Fundamentals
in Commercial Loan Underwriting

by Dan Ross and Witt Wittenberg, Greystone Servicing Corporation

Over the past seven years there have been many changes in how we approach the underwriting of income-producing commercial real estate. But, we have learned that the "P.R.E.S.S." approach remains the the key to a well thought through opportunity. P.R.E.S.S. is an acronym for PURPOSE / RISKS / EXCEPTIONS / STRUCTURE / SCORECARD. *This approach reminds us to go back to the fundamentals when analyzing the viability of a loan.* The components of this analysis are explained below:

Purpose: What is the purpose of the loan, and what are the benefits to the borrower? *Does the purpose make economic sense for the borrower?* Will the purpose generate enough reward to justify the lender's risk?

Risks: What could potentially go wrong, and how could the lender be protected in that event? The underwriter must be able to identify, understand, and quantify the key risks inherent in a loan. *Mitigants to all risks must be identified.* The sponsorship, market, interest rate sensitivity, market supply, environmental, and legal issues are just some of the more prominent risks that we evaluate today. After the risks have been identified, the underwriter must also identify what terms would work to mitigate any circumstance that might be an issue.

Exceptions: Every lender, has a rule book for all loan structures. Many borrowers will ask that exceptions to the standard structure be made in their particular loan. *The underwriter must be very familiar with the Lender's "play book," or policy guidelines, and supply solid support for any request for an exception.* It is important to understand and mitigate any risk that results from deviating from the lender's guidelines. Underwriters can advocate for the deal, and should not be afraid to ask for well-mitigated exceptions.

Structure: Make sure to understand the borrower's underlying goals in their request, and structure the proposal to fit the borrower's needs. Do they want to sell in the near term? Hold the loan for the long term? Get out from under a current loan with unattractive terms? *The underwriter must be sure there is an appropriate match between the borrower's needs and a given lender's sweet spot.*

Scorecard: The scorecard, or risk rating, of a transaction is something that most borrowers typically don't hear about in detail. It drives the proceeds, interest rate, and the loan covenants for a particular application. Understanding what the sources of repayment are, and how each lender approaches them, will not only speed up the application process, but will eliminate those unpleasant little surprises in final underwriting of the request.

Conclusion: Everyone has their own opinion about the P.R.E.S.S. approach, but over the past seven years, CRE lenders have relied on P.R.E.S.S. to make sound business decisions. In my view, we should keep to the fundamentals of the business model, and if the request satisfies the above analysis, then put the ball in play! Now is a great time to finance an income-producing asset.

Dan Ross and Witt Wittenberg run the Portland office for Greystone Servicing Corp. and provide financial services for multifamily real estate investors. To contact Witt, call 503.726.5214 or email at Witt.Wittenberg@greyco.com. To contact Dan, call 503.726.5215, or email at Dan.Ross@greyco.com.

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2016: Apartment Construction and Rent Growth Continue

by Tom Davies CPM®, CCIM® • Multifamily Investment Broker

At the beginning of 2016, there is plenty to talk about in the apartment industry. Construction continues at a fast pace, rents continue to increase, and apartment affordability has been a highly discussed topic among housing advocates, government officials and politicians.

As an example, over the past fifteen years, rental rates have increased an average of 7.3% for newer (less than 10 years old) 2 bedroom/2 bath apartments, and among older apartments, increased 5.0% for 2 bedroom/1 bath units. *Increases over the past two years including 2014 to 2015 were more significant, averaging 12.2% for new 2 BR / 2 Bath construction, and 15.9% for older 2 BR / 1 Bath units.* According to the State of Housing in Portland report released in October of 2015, rent increases vary widely by neighborhood and unit type, but were especially high in areas such as the Central City, Northwest, Hollywood, and Interstate Corridor neighborhoods.

These larger increases were partly achieved on turnover, but the costs were also applied to a lesser extent to existing residents. No resident enjoys receiving a rent increase notice, but most absorb the cost, understanding that the entire rental market is experiencing higher rents. For those on fixed income, or limited wages, the cost is much more difficult to incorporate.

Although rents have been rising, there has been significant positive economic and employment news affecting the ability to pay those rents. The job market is much stronger in Portland, with unemployment declining to 4.9% in the Portland Metro area, despite the 1.5% population growth in Oregon since 2014. *A recent report by Bloomberg News listed Oregon as the number one state in the nation relative to economic health in its Economic Evaluation of States for the first three quarters of 2015.* The Oregon Office of Economic Analysis projected personal income gains of 5.8% for 2015 and continuing into 2016.

Occupancy remains extremely strong in the Portland Metro area, despite population increases, new construction, and higher rents. The average occupancy in Portland was 97.5% at the time of our Apartment Investors survey, the highest it has been over the last fifteen years. *The US Census Bureau confirms a 2.4% vacancy rate for the fourth quarter of 2015, which was tied for 1st place nationally in their survey of the seventy-five largest Metropolitan Statistical Areas in the United States.*

With continued high demand, the push for new construction continues as well. The US Census Bureau further reports 6391 new multi-family construction permits issued in the Portland Metro Area for 2015. Although down slightly from 2014, the number is still much higher than previous years, and the number of units planned or proposed exceeds that number.

Sales activity and volume was up in 2015, with 204 sales of apartment buildings greater than 10 units, exceeding the annual total

Apartment Occupancy

Area	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Avg
Portland Metro	94.6%	95.4%	92.8%	91.1%	92.6%	93.8%	95.3%	97.0%	93.3%	93.1%	94.3%	95.8%	95.6%	96.3%	96.6%	97.5%	94.7%
Salem	94.5%	95.8%	95.7%	94.9%	94.4%	95.5%	96.0%	97.0%	94.7%	95.2%	94.4%	96.1%	95.4%	96.3%	96.4%	97.6%	95.6%
Eugene	95.5%	94.5%	96.2%	96.7%	96.9%	98.8%	98.0%	97.9%	96.5%	96.0%	95.5%	96.8%	96.8%	98.1%	96.8%	97.8%	96.8%

Sources: *Apartment Investors Journal, US Census Bureau*

Unemployment [Year End]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Avg
Portland	3.1%	7.3%	6.9%	7.2%	6.3%	5.3%	4.7%	5.2%	8.6%	11.2%	10.3%	8.6%	7.8%	6.8%	6.4%	4.9%	6.9%
Oregon	4.0%	7.6%	6.8%	7.2%	6.7%	5.5%	5.1%	5.6%	8.8%	11.1%	10.6%	8.9%	8.4%	7.1%	6.7%	5.4%	7.2%
USA	3.7%	5.4%	5.7%	5.7%	5.1%	4.8%	4.4%	5.0%	7.1%	10.0%	9.4%	8.5%	7.8%	6.7%	5.6%	5.0%	6.2%

Information from Oregon Employment Department

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Apartment Expansion Cycle Continues

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achieved going back to 2000. *Capitalization rates dropped last year, with a median Metro cap rate of 5.5%.* Despite the capitalization rate decline, positive leverage was still available with interest rates generally below 4% for five and seven year loans. Of course with many highly competitive sales below the median cap rate, debt constants begin to erase positive leverage, at least on initial purchase. *With premium locations and a rising rent environment, many investors consider the probability of rent increases and improved operations as a short term hurdle prior to a return to positive leverage.*

Average Portland Metro Rents

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Avg Increase
New Construction 2 Bedroom/2 Bath	$747	$761	$774	$738	$740	$756	$785	$865	$920	$899	$920	$1182	$1107	$1258	$1354	$1565	7.3%
10+ Year Old Constr. 2Bd/1Bath	$647	$641	$637	$637	$609	$632	$644	$715	$733	$717	$723	$783	$810	$861	$934	$1135	5.0%

Source: *Apartment Investors Journal*

Conclusion: 2015 was another good year for apartment owners. With high occupancy and rising rents, most saw significant net operating income gains. Many have also refinanced to reduce debt service costs to improve cash on cash returns as well. There are certainly some signs that rental rates are reaching a plateau relative to the ability of renters to absorb higher rents, and obviously this has reached a crisis level for some lower income renters. While personal income growth has been positive in recent years, rent growth has outpaced income. Values may be nearing their peak, but most likely 2016 will be another positive year of operation for investors, with continued high demand, high occupancy, and growth in rental income.

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Tom can be reached at 503-225-8449 or tomd@norris-stevens.com

01/01/2015 - 12/31/2015 Sales Activity by County

Median Values - Sales over 10 Units

County	Sales	Avg # Units	GRM	Cap Rate	Price/Unit	Price/SF
Clackamas	30	65	N/A	5.50%	$116,947	$136.27
Clark	20	38	8.78	6.00%	$75,926	$85.29
Lane	21	18	10.40	6.08%	$85,396	$87.96
Marion	22	32	9.07	6.65%	$61,180	$69.13
Multnomah	116	24	9.04	5.55%	$101,996	$133.72
Washington	38	40	N/A	5.50%	$106,667	$119.76

Source: CoStar

Portland Metro Average Sale Price/Unit

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Increase
New Construction	$77,574	$65,826	$66,899	$76,286	$82,792	$90,339	$116,677	$252,936	$155,355	$233,022	$181,240	$121,369	$154,150	$197,253	$195,910	13.4%
Construction > 10 years old	$54,689	$56,628	$47,709	$55,293	$66,056	$65,288	$89,196	$90,187	$67,365	$87,734	$86,373	$94,054	$81,781	$117,262	$139,479	12.9%
5 to 10 Units	$55,052	$58,472	$64,442	$64,676	$87,365	$79,411	$88,774	$80,099	$86,701	$69,676	$85,321	$77,587	$82,790	$92,796	$114,443	9.0%
4-Plex	$66,097	$74,039	$80,772	$84,431	$100,131	$107,808	$113,813	$105,013	$85,589	$86,593	$85,425	$89,875	$105,934	$107,995	$124,521	6.8%
Single Family	$201,000	$210,700	$222,500	$246,000	$282,900	$322,500	$342,900	$332,000	$289,800	$282,600	$263,300	$275,000	$310,800	$333,000	$354,500	5.2%

Information from RMLS, CoStar

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Portland's Multifamily Market: How Sustainable Is It?

by Charles Conrow, CPM® • Multifamily Investment Broker

Supply and demand always determines the health of a market, and with strong in-migration and job growth, the Portland multifamily market has been very healthy indeed. *Is this trend going to continue? As usual, the answer is, it depends.*

In the past, strong multifamily markets have dissolved when the economy forced renters to double up or move in with friends or relatives. *Similarly, markets have exceeded expectations when an area has changed due to a demographic change in response to sociological and perception shifts.* Examples are the weakening of the Westside suburban multifamily market in the eighties. Another example is when the close in eastside surprised many by its rapid strengthening in the early 2000's due to its newfound edgy popularity.

From a general, broad point of view, the regional economy is booming and most expect it to continue to prosper for years to come. The broad brush view, however, misses the continued bifurcation we see in employment and economic well being. *Many younger workers are underemployed and the middle income jobs are not growing at the same rate as higher and lower paying jobs are.*

The Portland Metropolitan Area has attracted large numbers of college educated workers. "Nearly 29,000 people with college degrees between the ages of 25 and 64 moved to Portland in the last 12 months", according to Jason Jurjevich, assistant director of the Population Research Center at PSU. While some of these new arrivals find employment in the high paying tech and professional service sectors, two-thirds of those between the ages of 25 and 39 say they are underemployed and underpaid, according to the preliminary results of a survey being conducted by Mr. Jurjevich.

The market and government are responding to this influx of new residents with new construction, upgrading of existing properties, and associated rules, regulations and social support from government entities. Both the cost of construction and regulation has forced new growth to go vertical, especially in urban areas. The result has been small units with limited parking and amenities tailored to the urban lifestyle.

On the other end of the housing spectrum, *cities and counties have supported low income renters with voucher programs and encouraged the growth and retention of means based housing*. There is a big push to help resolve homelessness, as well as the implementation of restrictions on rent increases and no-cause evictions.

How will this affect the multifamily market? On the upper end, the higher rent, smaller-sized units with limited parking will test the depth of that market. *As the millennial generation ages and starts families of their own, will they move to more traditional single family housing where they have more space, a yard and a garage?* Will continued young employee growth in the tech, creative and financial services industries backfill the housing left by the ones that moved to the suburbs? When the cost of construction of the urban high-rise forces rent to exceed the ability to pay, or lifestyle changes require more space, *will the suburban style housing be more attractive?*

On the lower end of the rental market, subsidized housing will start to cut into the market rate properties share of that demographic. Additionally there will undoubtedly be increased public/private partnerships, and efforts to limit rent increases. *As increased demand is placed on a limited stock of downtown properties, and a premium is charged for scarce parking, lower income urban workers and residents will be forced to move out from the core urban areas, especially along transit corridors, putting upward pressure on those rents.* Particularly with the lower and middle income demographics', there will be a cap on rents that can be achieved directly related to ability to pay, and larger units will be in demand as residents are forced to double up.

Conclusion: The market should remain very healthy in the coming

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Is the PDX Market Sustainable

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year. Some possible weakness could occur at the high end with more new urban properties being delivered, especially if the trend holds for families to move to single family housing as family units are formed and mature, and rents equate to mortgages. At the lower rent range, there will be more competition from subsidized and specialty housing accompanied by increased government regulation. Middle income targeted communities rent will be limited by residents' ability to pay, with the advantage going to units where renters can double up and those that are close to public transportation.

The future should be bright for the owner whose property is well-positioned for its market and is well managed to maximize its strengths. For expert help and guidance, contact one of the experienced professional brokers or property managers at Norris & Stevens.

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Charles can be reached at
503-225-8439
or charlesc@norris-stevens.com

Secondary Markets Are In Focus for 2016

by Cameron Mercer • Multifamily Investment Broker

"A rising tide lifts all boats."

President John F. Kennedy quoted an old New England fishermens' saying in an economic policy speech in 1963 to illustrate the idea that improvements in the *general* economy will benefit *all* of the participants in that economy. Once again, this bit of folk wisdom is being validated, this time in the apartment investment market.

The "tide" that is rising - our steadily improving economy - would be expected to boost the apartment market in major metropolitan markets. In Oregon, as in many other states, the rising economy is *also helping the secondary markets of apartment investments.* Secondary markets are markets outside large metropolitan areas. These markets are cities and towns averaging 200,000 in population, or less.

"Across the five major property types that are analyzed, only in the apartment sector is it the case that secondary markets posted more investment activity than in the 6 major metros," according to Real Capital Analytics (RCA). Currently, investors are buying up big numbers of apartment buildings in smaller cities and towns.

On both a national and local basis, secondary and tertiary markets are experiencing double digit appreciation. These are numbers that we haven't been seen in some time, if ever, in secondary markets! Prices have become so high, and returns have diminished so much, in major core markets, that many investors are turning to these outlying markets for a better return on their investment. In Portland, for example, the market has pushed primarily private investors to these surrounding markets in search of deals, while institutional buyers have been, and continue, accepting the low Cap rates in Portland Metro.

The Metro Area has been the leading rental market, as it is the economic driver for the state, and densest area in Oregon at 2.3 million people. The state as a whole has grown to 4 million people as of this last year, according to the Portland State University College of Urban and Public Affairs.

The population continues to grow at rapid rates, as people from California and other parts of the country realize the quality of life and cost of living that Oregon is able to offer. "The overall growth rate of 1.3 percent is a sign of good times. Just four years ago, during the Great Recession, the state's population increased about half a percent, the smallest increase in 25 years" according to another study from PSU.

The in-migration from outside the state has driven up the amount of people in the rental pool. Josh Lehner, Oregon State Economist, noted that between 2006 and 2015, *the Portland Metro Area was under-built by about 22,000 units.* As a result, demand continues to exceed supply, and has for the last three years. Since this has been

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Despite the Feds Move in December:

Don't Miss This Opportunity to Refinance!

by Kirk Ward • Senior Multifamily Investment Broker

In December, the U.S. Central Bank raised its benchmark, short-term rate by a quarter of a percentage point, after holding it near zero for seven years. The thinking was that, after seven years of holding rates low to stimulate the economy, it was gaining strength at a rate such that raising rates made sense. At that point, Fed officials also penciled in four more quarter percentage point increases in 2016, for a total of an additional one percentage point.

Since December, the world's economic outlook - the slowdown in China and slower growth in Europe - has altered the Feds earlier plan of steadily increasing rates. The markets have taken notice of this, resulting in the benchmark 10-year Treasury dropping below 2%.

The Fed is carefully monitoring the global economy, and analyzing the impact on inflation of worldwide developments. Currently, it appears the Fed has tied any future rate increases to its goal of having inflation rise at a rate of 2% annually. For four years the economy has fallen well short of that target, in part because oil prices have been falling and the dollar has strengthened.

"'Based on the state of the economy today, we believe the bar has become insurmountable for a follow-up rate hike in March,' Ellen Zentner, chief United States economist at Morgan Stanley, wrote,"[1] finding economic predictions overly optimistic. Others disagree: "'I still think they are going to raise rates in March,' said Gus Faucher, a senior economist at PNC Bank."[2]

Investors would do well to take advantage of this pause by the Fed, and the drop in Treasuries across the board, to refinance or restructure their investments. Investors are seeing rates below 4% for seven and ten year non-recourse loans (depending on size, location, age and loan-to-value.)

Conclusion: Norris & Stevens brokers, working with a wide variety of lenders, can assist investors in selecting the best loan, from a refinance to an acquisition. Call us today.

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Kirk can be reached at
503-225-8448
or kirkw@norris-stevens.com

[1] Appelbaum, Binyamin. "A January Pause, but Fed Affirms Plan for Gradual Rate Increases," The New York Times, 12/27/2016.
[2] Ibid.

Typical Rates by Type of Lender
Available February 2016

Savings Banks:
5 year fixed • 7 year fixed • 10 year fixed
3.30% • 3.60% • 4.10%

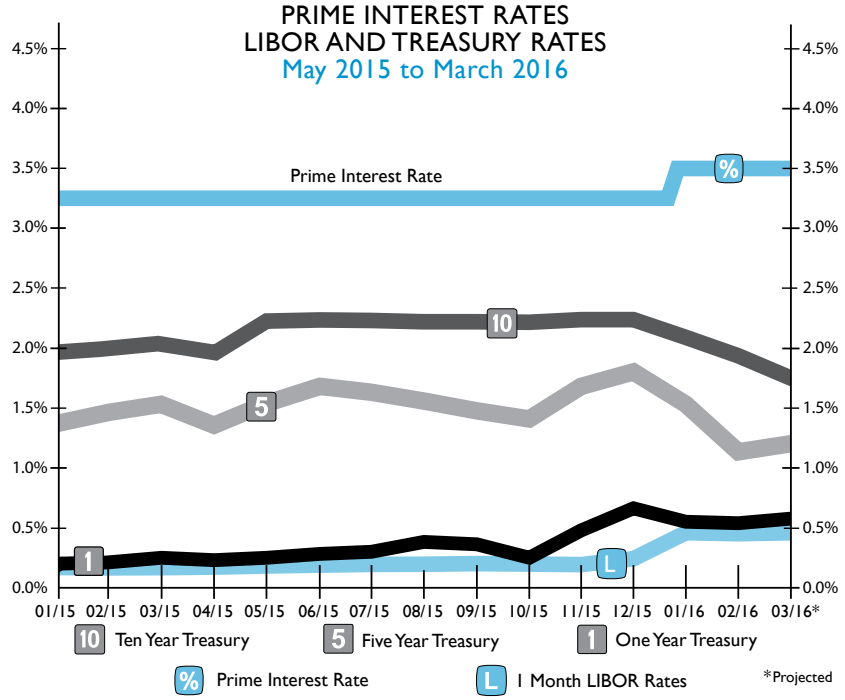
Fannie Mae & Freddie Mac:
10 or15 year fixed - 4.30% - 4.50%

Life Insurance Companies
10 year fixed - 3.70% - 4.00%

Conduits: CMBS
10 year fixed - 5.00%+?

Credit Unions
5 year fixed • 7 year fixed • 10 year fixed
4.25%-4.50% • 4.50%-$4.75 • 4.75%-5.00%

Rates vary: recourse / non-recourse, loan-to-value, loan size.



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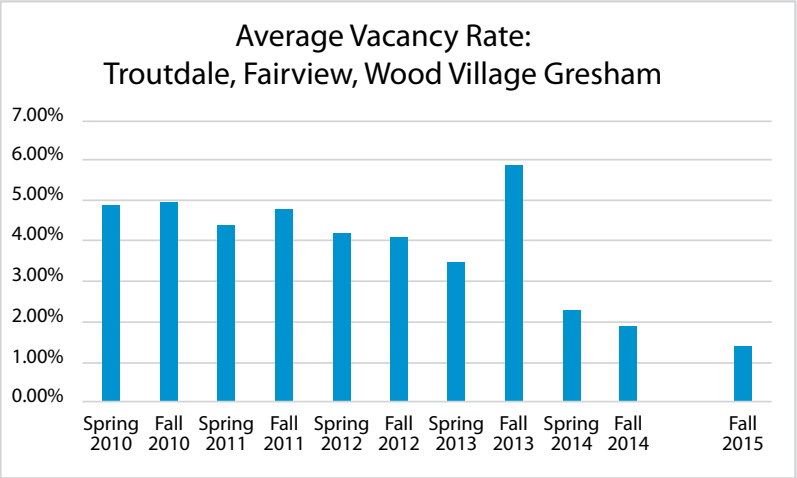
What is Behind Our Low Income Housing Crunch?

by Michael Fu • Multifamily Investment Broker

When reading the new Fall 2015 Multifamily NW Apartment report, one finding stands out. *The average market vacancy rate in the Troutdale, Fairview, Wood Village, and Gresham submarket was 1.4%--the lowest of all twenty Portland submarkets.* Tracing this information back to 2010, the graph below illustrates the precipitous drop, beginning in the Spring of 2014, from "normal" vacancy levels (approximately 5%) to the lowest in the Portland Metro now in Fall of 2015.



This information is surprising for a number of reasons. Low vacancy rates are associated with high demand. The Troutdale, Fairview, Wood Village, and Gresham submarket consists of predominately 1970s era apartment complexes and a small number of relatively large 1990s era apartment communities. *So it's surprising to see renters rushing toward older, seasoned units that are over 10 miles from the core of the city.* Basically there is big demand for the old and the far.

There are a number of ways to understand this. One is that the city wide rent increases are driving renters to search for relatively affordable apartments—like those apartments in the Troutdale, Fairview, Wood Village, and Gresham submarkets. That is, there is greater demand for affordable housing. *Yet, there is something else going on here with the supply of affordable housing specificially.*

To understand this phenomena, two concepts need to be understood with regards to Portland's housing stock: *filtration and gentrification.*

Filtration is a framework to understand the life cycle of housing and who, generally speaking, inhabits housing throughout the generations. Housing lasts a long time. Consider, for example, that much of Portland's historic architectural charm comes from the Streetcar era near the turn of the 20th century. The houses and apartments built during that era are over 100 years old and still in service. *New construction is often targeted to the affluent.* These consumers have the most choices and highly developed preferences. New construction offers the newest amenities to match their intended audience's desires: high speed internet, LEED certification, and efficient layouts. Yet, that same building becomes seasoned as different generations of inhabitants make it their home. *This process of hand me down housing along with the economic obsolescence of amenities, such as appliances, command less rent in the open market as time passes—making older housing more affordable.* Eventually even the lowest strata of the socio-economic ladder gain access to housing because it "filters" down from one household to another—at least theoretically. This continues until the property is either renovated or demolished.

Gentrification is a complex subject, but for our purposes it will be understood as essentially the opposite of filtration. Filtration takes the new to old. Gentrification takes the old to new. Gentrification often occurs when there is a mismatch between the locational value of a piece of housing and its position along the lifecycle of filtration. This means there is often an opportunity to take older housing stock with great locational characteristics and upgrade the building itself to push it up the filtration ladder, thereby commanding higher rents and increasing the property's net income.

In 2015, Portland has had a healthy amount of apartment com-

[continued on the next page]

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Behind Our Low Income Housing Crunch

[continued from page ten]

pletions. *Most are targeted to the top of the market*, with record setting rents and excellent marketing, programming, and services. Also since 2014, a wave of older apartments have been repositioned to capitalize on excellent close-in locations. It's clear that the apartment completions are going to expand the supply of high-end apartments. *Less recognized is that repositioning expands the supply of well-located vintage properties that command less rent per square foot as compared with the new completions, but still relatively high rents.*

Both phenomena occurring in this housing market *increase the supply of "newer" housing higher up on the filtration ladder*, with either brand-new apartments or older, well located renovated apartments. Yet for every building that is repositioned, the addition of the newer stock is one for one with the subtraction of the older stock. *This is strangling supply further down the filtration ladder where older, more affordable apartments serve the lower ends of the socio-economic spectrum.*

This leads us back to the Troutdale, Fairview, Wood Village and Gresham submarkets. The precipitous fall in vacancy is a product of multiple phenomenon on both the supply side and the demand side. The housing dynamics of the entire city have created a shortage of affordable housing. Property owners in Troutdale, Fairview, Wood Village and Gresham are experiencing robust demand for their units—a happy circumstance for any business owner.

Conclusion: The apartment market has complex dynamics that only a local real estate expert understands. Let Norris and Stevens be your guide in positioning yourself ahead of the pack in your next apartment acquisition.

N&S

Michael can be reached at 503-225-8436 or michaelf@norris-stevens.com

Focus on Secondary Markets in 2016

[continued from page eight]

a landlords' market for the last three years, many renters have been pushed out to East Portland, Gresham, Forest Grove, Hillsboro, Wilsonville, Woodburn, and other bedroom communities. With rents at $2 to $3 dollars a square foot in some downtown buildings, this has trended to bring neighboring properties rents up, and some have nearly doubled in rent in the last five years.

As apartment investments go, both buyers and sellers are experiencing large increases in building values, due to the high occupancies and rents apartment communities are achieving. Buildings in the Portland Metro Area sold for an average of $89,000 a door in 2015 - up from $78,000 in 2014. Many buildings are being sold these days for over $100k a door! This increase in value can be attributed to the strong investment market as well as more institutional sales occurring now, as opposed to years past. Even with that being said, the Portland region is on track for $2.1 billion in sales this coming year.

Conclusion: Finding deals at the right time with the right financing is what we do at Norris & Stevens. Being able to evaluate current position in today's market, is what we work on with all of our clients. Give us a call today.

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Cameron can be reached at 503-225-8456 or cameronm@norris-stevens.com

Norris & Stevens
INVESTMENT REAL ESTATE SERVICES

900 SW Fifth Avenue, 17th Floor
Portland, Oregon 97204
TEL (503) 223-3171
FAX (503) 228-2136
www.norris-stevens.com

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When Supply Meets Demand

by Chase B. Brand • Multifamily Investment Broker

For the past four years apartment developers have been ramping up construction of apartments to meet the demand of a growing population in Oregon. The number of permits for multifamily units issued in the Portland market has increased from 1970 (in 2011) to 6391 (in 2015.) *In 2016 we will see the completion of many of these projects and the effect on the market of all of this new construction will have on the overall apartment market.*

Several large apartment projects are coming on line at the end of 2015 and beginning of 2016. The largest of these is the Hassalo on Eighth community that represents 657 units and has just started moving in new residents. Other notable projects include the Park Avenue West Apartment tower which will add 85 apartments to the downtown market which will begin leasing in 2016, the Modera Goose Hollow will add another 134 units also in the beginning of 2016.

Along with these large, close in projects there are also many smaller multi-story apartments being built in NW Portland and the close in SE and NE neighborhoods. There is also new construction of high-end luxury apartments in the suburbs of Hillsboro, Tualatin, Beaverton and Vancouver that are coming on line this year.

The majority of new units entering the market are luxury or high-end apartments with amenities that cater to new Portland residents. These include bike parking, secure entry, washer dryer units, high-end appliances and fixtures, community areas, fitness rooms and even dog washing stations. *The arrival of all of these new higher end apartments will test the depth of the market.*

Given the large influx of new luxury apartments all at the same time *will likely have the effect of levelling the steady increases in rent that we have seen for the last several years.* High-end shoppers will now have choices and apartment operators will need to offer incentives to lure new residents to their buildings and rent increases will be held in check.

The beneficiaries of this glut of new high-end apartments will be the owners of well-located B and C class buildings that may offer fewer amenities, but are more affordable. They will see a continued growth in rent as they exploit the difference between high-end rents and moderate rents. In addition, owners of *buildings in areas that were formerly considered "marginal" or even "undesirable" will now attract more qualified residents* as families look to reduce the cost of housing by moving out of areas with quickly rising rents.

Consequently, affordable housing will continue to decline. *Incentives for builders to construct low-income housing have so far failed to entice many developers to put their efforts into this market* and many existing property owners are upgrading their properties to take advantage of the robust market.

Conclusion: Despite the levelling off of high-end rents, do not expect to see any decrease in new apartment developments. Oregon continues to attract 30,000 to 40,000 new residents each year, with the majority of those moving to the Portland metro area and approximately 1/3 will likely be apartment dwellers. The market may be close to saturated at the high-end, but future demand will dictate that new construction continue unabated.

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Chase can be reached
at 503-225-8491
or chaseb@norris-stevens.com

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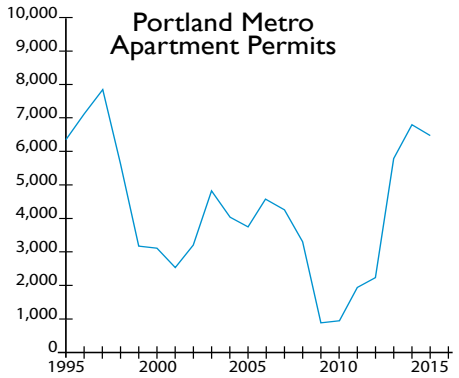
New Construction on the Rise

by Todd VanDomelen • Multifamily Investment Broker

Apartment sites are continuing to increase in value as developers scramble to find places to build. Strong demand for apartments, plus record rent increases, and low cap rates makes the perfect recipe for a successful apartment project. Investors are now paying $200,000 - $300,000 a unit for new, stabilized apartment investments in desirable locations in central Portland neighborhoods. These areas include the close-in East side, North Portland, Northwest Portland, and the close-in West side. Approximately 2/3 of new construction in the Portland Metro area are located in these submarkets.

New projects in these areas are now approaching $3.00 Sq. Ft. per month in rent. Norris & Stevens recent rent survey for newer properties verifies the high rent levels. According to our survey, newer properties which have concluded lease up can command rents between $2.11/Sq.Ft. and $2.87/Sq.Ft. Apartment renters are paying higher rents in order to live in desirable neighborhoods.

Cap rates for these newer projects are now in the 5% +/- range, with many below 5%. A lot of these Buyers are coming from out of state to invest in our growing market.



In contrast, during the building boom of the late nineties, apartment development focused on the suburbs. The gentrification of close-in neighborhoods, the change in demographics, and the desire to live closer to jobs, all contribute to this trend.

But this does not mean there is not excellent apartment development opportunity in the suburbs! These areas are also experiencing low vacancy rates and increasing rents as renters migrate away from the higher rents in central Portland. The suburbs are poised for an increase in apartment development. Pent up demand for new product makes suburban projects feasible.

Conclusion: The constraint of new sites, higher rents and lower Cap rates is increasing the value of land. Apartment development will continue in the foreseeable future with low vacancy rates and increasing rents. Give us a call if you have a potential site for an analysis. You may be surprised at its value. **N&S**

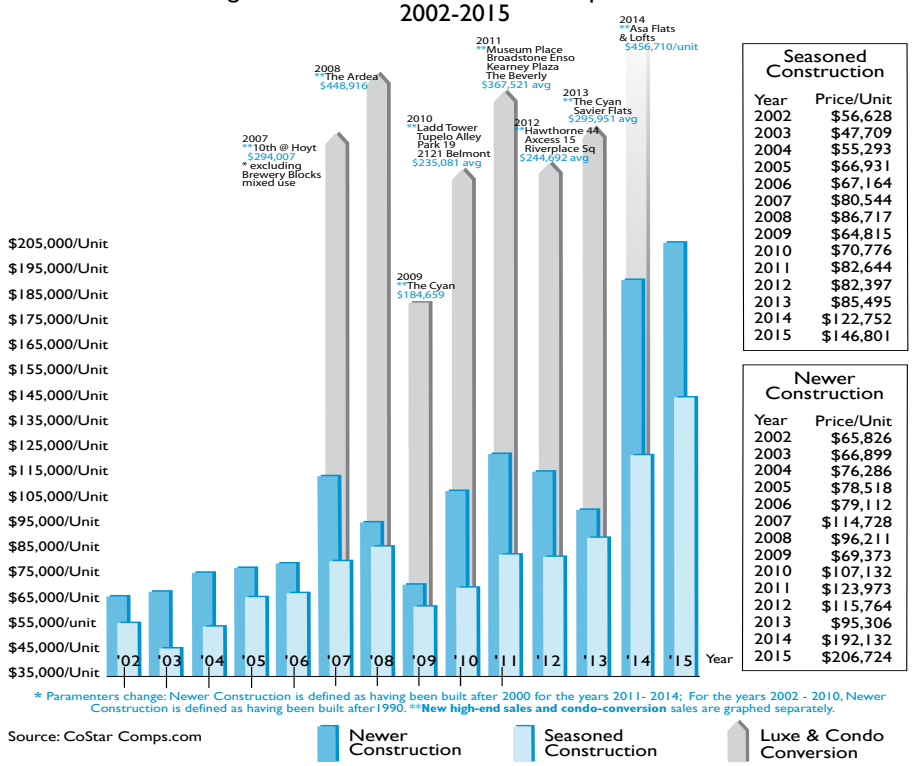
Todd can be reached
at 503-225-8475
or toddv@norris-stevens.com

Recent Portland Apartment Sales - New Build

Property	City	Price	Cap	Units	Price /Unit	Built	Sale Date
Lower Burnside Lofts	Portland	$18,500,000	4.30%	63	$293,651	2015	02/01/2016
The Vernonia	Portland	$3,795,000	5.58%	16	$237,188	2015	12/15/2015
The Oliver	Portland	$5,750,000	4.81%	21	$273,810	2015	11/17/2015
The Spokane	Portland	$2,7350,000	5.23%	11	$213,636	2014	10/14/2015

Source: CoStar Comps.com

Average Price/Unit for Portland Metro Apartment Sales
2002-2015



Seasoned Construction

Year	Price/Unit
2002	$56,628
2003	$47,709
2004	$55,293
2005	$66,931
2006	$67,164
2007	$80,544
2008	$86,717
2009	$64,815
2010	$70,776
2011	$82,644
2012	$82,397
2013	$85,495
2014	$122,752
2015	$146,801

Newer Construction

Year	Price/Unit
2002	$65,826
2003	$66,899
2004	$76,286
2005	$78,518
2006	$79,112
2007	$114,728
2008	$96,211
2009	$69,373
2010	$107,132
2011	$123,973
2012	$115,764
2013	$95,306
2014	$192,132
2015	$206,724

* Parameters change: Newer Construction is defined as having been built after 2000 for the years 2011- 2014; For the years 2002 - 2010, Newer Construction is defined as having been built after1990. ****New high-end sales and condo-conversion** sales are graphed separately.

Source: CoStar Comps.com

Newer Construction | Seasoned Construction | Luxe & Condo Conversion

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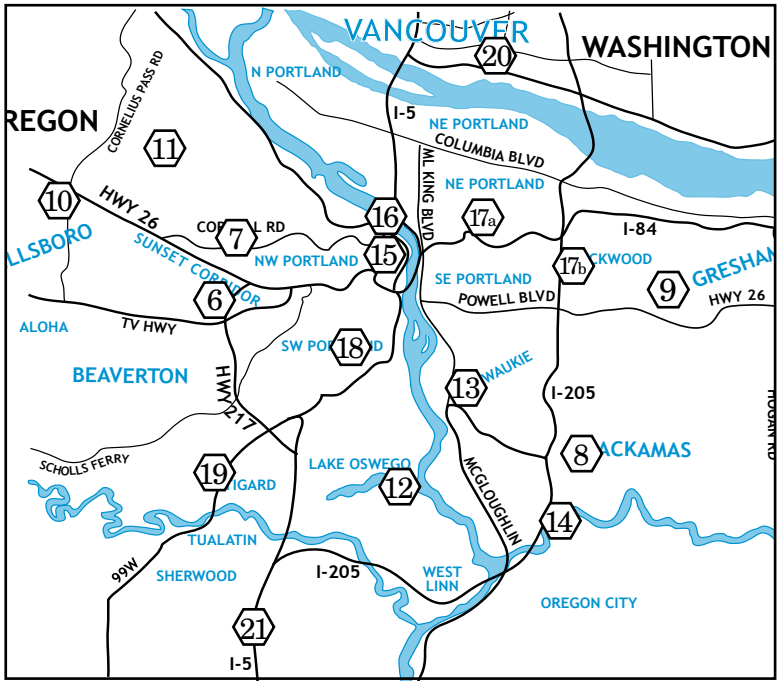
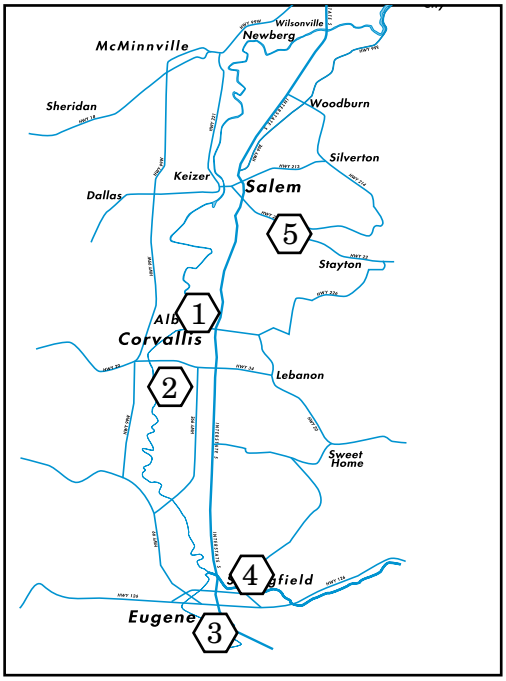
SPRING 2016 RENT SURVEY





Numerical Key to Rent Survey Markets. Norris & Stevens also surveys additional markets not published in this newsletter.

Executive Summary

Norris & Stevens conducts regular rent and vacancy surveys in order to determine the range and depth of the rental market in Portland Metro and the Willamette Valley. The current survey covers 152,705 apartment units. *The overall vacancy rate for the Portland Metro Area is 2.50% at the time of this survey. This is a decrease of .93%. Rents shown below are an average of the stated asking rents, and do not reflect the impact of specials and concessions on rental income. Specials and concessions are also not factored into the vacancy rates, therefore, financial occupancy may be significantly lower than physical occupancy.* Under-reporting of vacancies may be concealing additional turnover issues. Lease-ups are not included in vacancy rates. Only complexes over 20 units are included.

Beginning with the Spring 2012 issue of AIJ, there was a change in the definition of "Newer" and "Older." Previously, older properties were defined as those built prior to 1995. In order to differentiate between the aging apartment inventory and new construction, "Older" buildings were then defined as those built prior to 2000. Beginning with this issue, "Older" buildings will be defined as having been built prior to 2007. We feel this better reflects market realities.

Norris & Stevens deems the results reliable. We do not guarantee their accuracy. All information should be verified prior to any real estate transaction use. As we add properties to or drop properties from our survey, any area may show minor data fluctuations. Call a Norris & Stevens broker regarding other submarkets surveyed in Oregon and Southwest Washington.

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Albany/Seasoned & Newer	Av. Rent	$572	$724	$870	$905	$1210	$913	$1004
(Vacancy Rate 2.9%)	Av. Sq. Ft.	361	673	888	973	1071	974	1103
(1) vacancy does not include lease-ups	Rent/Sq. Ft.	1.59	1.08	.98	.93	1.13	.94	.84
Corvallis/Seasoned & Newer	Av. Rent	$702	$849	$959	$1081	$1377	N/A	$1193
(Vacancy Rate 2.7%*)	Av. Sq. Ft.	444	609	827	962	1052	N/A	1056
(2) vacancy does not include lease-ups	Rent/Sq. Ft.	1.58	1.39	1.16	1.12	1.31	N/A	1.13

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SPRING 2016 RENT SURVEY DATA

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Eugene/[Springfield]/Newer	Av. Rent	$809 [N/A]	$972 [N/A]	$894 [N/A]	$1218 [N/A]	$1754 [N/A]	N/A [N/A]	$1380 [N/A]
(Vacancy Rate 1.9% [N/A])	Av. Sq. Ft.	461 [N/A]	657 [N/A]	770 [N/A]	1026 [1150]	1198 [N/A]	N/A [N/A]	1277 [N/A]
3 4 vacancy does not include lease-ups	Rent/Sq. Ft.	1.79 [N/A]	1.48 [N/A]	1.16 [N/A]	1.19 [.77]	1.46 [N/A]	N/A [N/A]	1.08 [N/A]
Eugene/[Springfield]/Pre-2007	Av. Rent	$713 [$588]	$815 [$697]	$893 [$806]	$1014 [$942]	$1282 [N/A]	$845 [$867]	$1210[$1022]
(Vacancy Rate 2.3% [3.4%])	Av. Sq. Ft.	438 [424]	689 [617]	871 [858]	1036 [1101]	1113 [N/A]	867 [884	1223 [1208]
3 4	Rent/Sq. Ft.	1.63 [1.39]	1.18 [1.13]	1.03 [.94]	.98 [.86]	1.15 [N/A]	.97 [.98]	.99 [.85]
Salem Vicinity/Newer	Av. Rent	$740	$818	$851	$962	$1468	N/A	$1213
(Vacancy Rate 1.5%*)	Av. Sq. Ft.	475	709	923	981	1212	N/A	1238
5 vacancy does not include lease-ups	Rent/Sq. Ft.	1.56	1.15	.92	.98	1.21	N/A	.98
Salem Vicinity/Pre-2007	Av. Rent	$633	$683	$761	$882	$1252	$922	$1011
(Vacancy Rate 2.5%)	Av. Sq. Ft.	418	697	876	1000	1144	1097	1179
5	Rent/Sq. Ft.	1.51	.98	.87	.88	1.09	.84	.86
Beaverton/Sunset Newer	Av. Rent	$1115	$1226	$1286	$1449	$1502	N/A	$1559
(Vacancy Rate 2.8%)	Av. Sq. Ft.	435	646	857	808	1001	N/A	1177
6 7 vacancy does not include lease-ups	Rent/Sq. Ft.	2.56	1.90	1.50	1.79	1.50	N/A	1.03
Beaverton/Sunset/Pre-2007	Av. Rent	$874	$999	$1063	$1215	$1616	$1235	$1383
(Vacancy Rate 1.9%)	Av. Sq. Ft.	436	674	890	956	1139	1006	1176
6 7	Rent/Sq. Ft.	2.00	1.48	1.19	1.27	1.42	1.23	1.18
Clackamas/Newer	Av. Rent	$571	1200	$1294	$1293	$1696	N/A	$1598
(Vacancy Rate 3.4%)	Av. Sq. Ft.	415	645	859	1000	1292	N/A	1162
8	Rent/Sq. Ft.	1.46	1.86	1.51	1.29	1.31	N/A	1.38
Clackamas/Pre-2007	Av. Rent	$866	$978	$1048	$1226	$1475	$1156	$1466
(Vacancy Rate 3.0%)	Av. Sq. Ft.	426	699	878	978	1147	1130	1147
8	Rent/Sq. Ft.	2.03	1.40	1.19	1.25	1.29	1.02	1.128
Gresham/Newer	Av. Rent	N/A	$1113	$1185	$1256	$1489	N/A	$1587
(Vacancy Rate 2.2%)	Av. Sq. Ft.	N/A	736	865	998	1360	N/A	1447
9	Rent/Sq. Ft.	N/A	1.51	1.37	1.26	1.09	N/A	1.10
Gresham/Pre-2007	Av. Rent	$789	$885	$964	$1165	$1494	$1048	$1229
(Vacancy Rate 2.0%)	Av. Sq. Ft.	496	685	878	978	1093	1107	1147
9	Rent/Sq. Ft.	1.59	1.29	1.10	1.19	1.35	.95	1.07
Hillsboro/Tanasbourne New	Av. Rent	$1164	$1297	$1220	$1447	$1667	N/A	$1721
(Vacancy Rate 4.3%*)	Av. Sq. Ft.	577	711	817	1001	1121	N/A	1263
10 11 vacancy does not include lease-ups	Rent/Sq. Ft.	2.02	1.82	1.49	1.45	1.49	N/A	1.36
Hillsboro/Tanasbourne /Pre-2007	Av. Rent	$872	$1120	$1204	$1277	$1596	$1350	$1586
(Vacancy Rate 3.9%)	Av. Sq. Ft.	454	726	929	1031	1247	1204	1272
10 11	Rent/Sq. Ft.	1.92	1.54	1.30	1.24	1.28	1.12	1.25
No New Construction in Lake Oswego		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lake Oswego & W Linn	Av. Rent	$812	$1172	$1249	$1465	$1795	$1142*	$1689
(Vacancy Rate 1.9%) Pre-2007	Av. Sq. Ft.	414	731	1001	1044	1267	962	1327
12 * 24 units total	Rent/Sq. Ft.	1.96	1.60	1.25	1.40	1.42	1.19	1.27

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SPRING 2016 RENT SURVEY DATA

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Milwaukie & Gladstone/New	Av. Rent	N/A	$750	N/A	$900	N/A	N/A	N/A
(Vacancy Rate N/A)	Av. Sq. Ft.	N/A	620	N/A	995	N/A	N/A	N/A
13 64 units/one community	Rent/Sq. Ft.	N/A	1.21	N/A	.90	N/A	N/A	N/A
Milwaukie / Gladstone/Pre-2007	Av. Rent	$775	$941	$1000	$1109	$1847	$1109	$1450
(Vacancy Rate 1.2%)	Av. Sq. Ft.	466	703	865	1017	1327	1126	1258
13	Rent/Sq. Ft.	1.66	1.34	1.16	1.09	1.39	.98	1.15
Oregon City/New	Av. Rent	$982	$1090	$1246	$1405	N/A	N/A	$1914
(Vacancy Rate 3.4%)	Av. Sq. Ft.	485	652	882	977	N/A	N/A	1634
14 306 units/one community	Rent/Sq. Ft.	2.02	1.67	1.41	1.44	N/A	N/A	1.17
Oregon City/Pre-2007	Av. Rent	$745*	$838	$967	$1137	N/A	$1090	$1193
(Vacancy Rate 2.9%)	Av. Sq. Ft.	251	679	895	956	N/A	1074	1074
14 * 3 units only	Rent/Sq. Ft.	2.97	1.23	1.08	1.19	N/A	1.01	1.11
PDX Downtown/Newer	Av. Rent	$1403	$1883	$2313	$2766	$3974	N/A	$3639
(Vacancy Rate 3.7%*)	Av. Sq. Ft.	516	702	875	1062	1387	N/A	1374
15 *not including lease-ups	Rent/Sq. Ft.	2.72	2.68	2.64	2.60	2.87	N/A	2.65
PDX Downtown /[Vintage DT]	Av. Rent	$998 [$908]	$1497[$1164]	$1624 [$1470]	$2052 [$1596]	$3039 [N/A]	$1963* [N/A]	$3073 [N/A]
(Vacancy Rate 1.5%/[0.9%]) Pre-2007	Av. Sq. Ft.	455 [498]	666 [631]	922 [888]	1033 [836]	1358 [N/A]	1113 [N/A]	1568 [N/A]
15 16 * one building only	Rent/Sq. Ft.	2.19 [1.82]	2.25 [1.84]	1.76 [1.66]	1.99 [1.91]	2.23 [N/A]	1.76 [N/A]	1.96 [N/A]
PDX Inner Eastside/Newer	Av. Rent	$1276	$1472	$1651	$1911	$2407	N/A	N/A
(Vacancy Rate 3.3%*)	Av. Sq. Ft.	493	595	710	907	1032	N/A	N/A
17a *not including lease-ups	Rent/Sq. Ft	2.59	2.47	2.33	2.11	2.33	N/A	N/A
PDX Inner Eastside/Pre-2007	Av. Rent	$927	$1092	$1133	$1352	$1866	$1239	$1495
(Vacancy Rate 1.2%)	Av. Sq. Ft.	433	648	837	1034	1058	1058	1215
17a	Rent/Sq. Ft.	2.14	1.69	1.35	1.31	1.76	1.17	1.23
PDX Outer Eastside/Newer	Av. Rent	$819	$931	N/A	$1251	$1495*	N/A	N/A
(Vacancy Rate 2.2%)	Av. Sq. Ft.	458	708	N/A	993	1100	N/A	N/A
17b * one building only	Rent/Sq. Ft.	1.79	1.31	N/A	1.26	1,36	N/A	N/A
PDX Outer Eastside/Pre-2007	Av. Rent	$692	$794	$928	$994	N/A	$1048	$1137
(Vacancy Rate 1.9%)	Av. Sq. Ft.	468	654	870	972	N/A	1026	1172
17b	Rent/Sq. Ft.	1.48	1.21	1.07	1.02	N/A	1.02	.97
PDX Westside/Newer	Av. Rent	$1343	$1587	$2454	$2564	$5717*	N/A	$3452
(Vacancy Rate 3.6%)	Av. Sq. Ft.	530	764	1155	1192	1714	N/A	1674
18 * penthouses	Rent/Sq. Ft.	2.53	2.08	2.12	2.15	3.34	N/A	2.06
PDX Westside/Pre-2007	Av. Rent	$780	$981	$1106	$1279	$1631	$1297	$1586
(Vacancy Rate 1.8%)	Av. Sq. Ft.	438	680	901	1018	1131	1055	1285
18	Rent/Sq. Ft.	1.78	1.44	1.23	1.26	1.44	1.23	1.23
Tigard-Tualatin/Newer	Av. Rent	$1175	$1329	$1370	$1619	$2579	N/A	$2300
(lease up)	Av. Sq. Ft.	621	716	891	1073	1697	N/A	1409
19 * one building only	Rent/Sq. Ft.	1.89	1.86	1.54	1.51	1.52	N/A	.63

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SPRING 2016 RENT SURVEY DATA

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Tigard-Tualatin /Pre-2000	Av. Rent	$823	$865	$943	$1076	$1407	$1077	$1303
(Vacancy Rate 3.1%)	Av. Sq. Ft.	450	677	836	978	1152	966	1156
19	Rent/Sq. Ft.	1.83	1.28	1.13	1.10	1.22	1.11	1.13
Vancouver/Newer	Av. Rent	$1023	$1093	$1183	$1250	$1557	N/A	$1464
(Vacancy Rate 3.5%)	Av. Sq. Ft.	476	721	953	1048	1199	N/A	1375
20 no lease-ups in vacancy rate	Rent/Sq. Ft.	2.15	1.52	1.24	1.19	1.30	N/A	1.06
Vancouver/Pre-2000	Av. Rent	$777	$896	$1002	$1114	$1523	$1190	$1365
(Vacancy Rate 2.8%)	Av. Sq. Ft.	445	688	892	1018	1205	1087	1231
20	Rent/Sq. Ft.	1.64	1.30	1.12	1.09	1.26	1.10	1.11
Wilsonville/Newer	Av. Rent	$1030	$1163	$1334	$1521	$1763	$1750*	$1965
(Vacancy Rate 4.0%)	Av. Sq. Ft.	539	755	953	1116	1280	1290	1368
21 * one building only no lease-ups in vacancy rate	Rent/Sq. Ft.	1.91	1.54	1.40	1.36	1.38	1.36	1.44
Wilsonville/Pre-2000	Av. Rent	N/A	$957	$988	$1166	$1788*	$800*	$1403
(Vacancy Rate 4.2%)	Av. Sq. Ft.	N/A	747	848	953	1279	970	1167
21 * one building only	Rent/Sq. Ft.	N/A	1.28	1.17	1.22	1.40	.82	1.20

Cap Rate Ranges

Representative capitalization [Cap] rates for larger apartments communities [20 or more units] sold 03/15 - 03/16

MULTNOMAH COUNTY	
BUILT PRIOR TO 2000 **4.60% — 6.90%**	BUILT 2000 - PRESENT **3.75% — 6.50%**
WASHINGTON COUNTY	
BUILT PRIOR TO 2000 **4.30% — 7.06%**	BUILT 2000 - PRESENT **4.80% — 6.20%**
CLACKAMAS COUNTY	
BUILT PRIOR TO 2000 **4.85% — 6.40%**	BUILT 2000 - PRESENT **4.73% — 5.00%**
CLARK COUNTY	
BUILT PRIOR TO 2000 **5.30% — 7.30%**	BUILT 2000 - PRESENT **5.60% — 6.58%**
MARION COUNTY	
BUILT PRIOR TO 2000 **6.23% — 7.50%**	BUILT 2000 - PRESENT **6.10% — 7.10%**

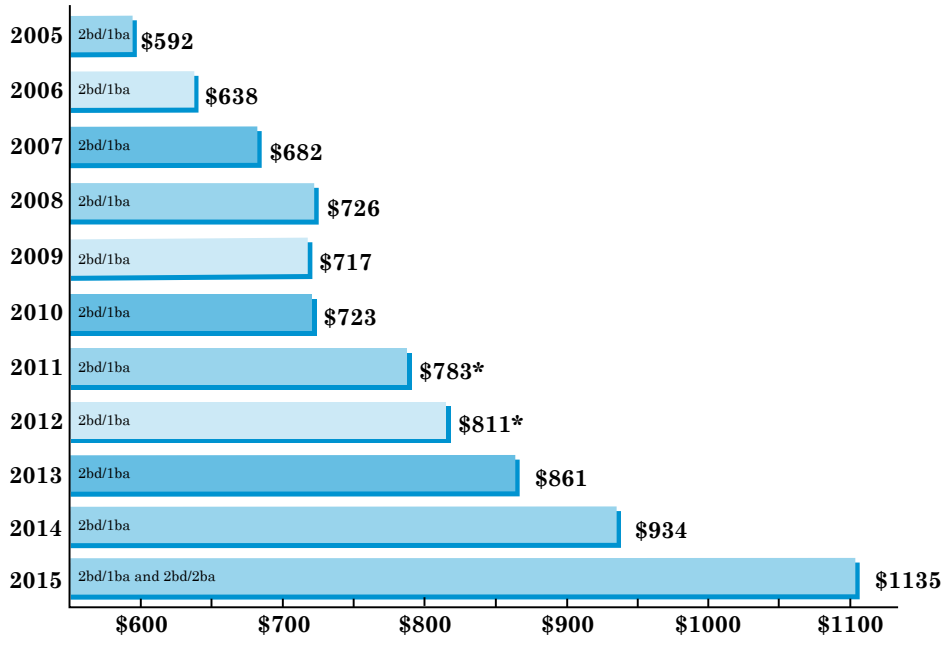
Smaller-sized apartment communities may have values that vary from these findings. These ranges do not include institutional purchases in downtown Portland, which are in the 4% to 5% range. Please refer to a Licensed Appraiser or MAI for specific values.

Information courtesy of Bill Leavens, Jackson Group NW Inc. (Multifamily Specialists) and CoStar Comps

AVERAGE RENTS SEASONED CONSTRUCTION

A HISTORY OF AVERAGE RENTS FOR SEASONED TWO BEDROOMS APARTMENTS IN THE PORTLAND METRO AREA.

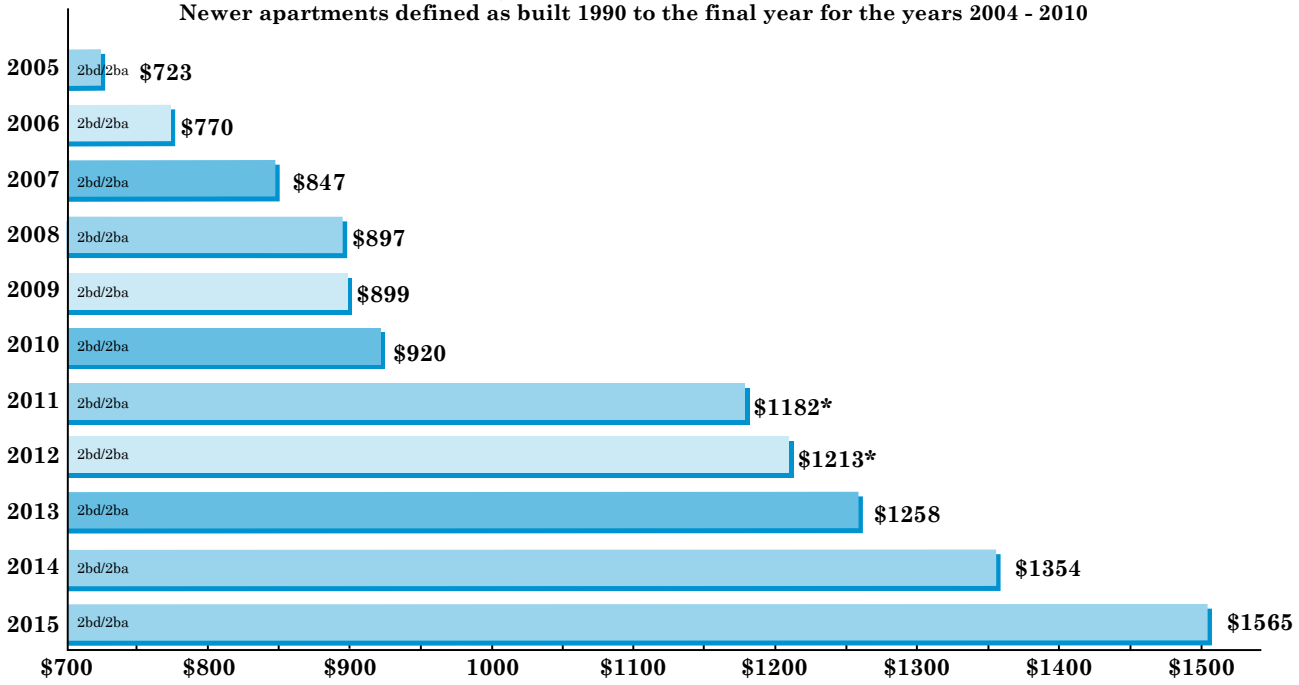
***Seasoned apartments defined as built prior to 2007 for the years 2015 - present**
Seasoned apartments defined as built prior to 2000 for the years 2011 - 2014
Seasoned apartments defined as built prior to 1990 for the years 2005 - 2010



AVERAGE RENTS NEWER CONSTRUCTION

A HISTORY OF AVERAGE RENTS FOR NEWER TWO BEDROOM/TWO BATH APARTMENTS IN THE PORTLAND METRO AREA.

***Newer apartments defined as built 2007 - present for the year 2015**
Newer apartments defined as built 2000 to the final year for the year 2011 - 2014
[including those originally built as condos]
Newer apartments defined as built 1990 to the final year for the years 2004 - 2010



Recent Apartment Sales in Oregon & SW Washington

Property	City	Price	Units	Price /Unit	Built	Sale Date
The Parker	Portland	$63,500,000	177	$358,757	2014	03/15/2015
Uncommon Apartments	Eugene	$45,500,000	120	$433,333	2014	03/16/2015
Commons@Redwood Crk	Beaverton	$48,750,000	406	$120,074	1980	03/25/2015
Parkside Apartments	Gresham	$23,100,000	225	$102,666	1999	03/26/2015
Tualatin View	Portland	$21,900,000	210	$104,286	1994	04/29/2015
Canyon Creek	Wilsonville	$49,500,000	372	$133,065	1998	04/30/2015
Caqscadian Terrace	Portland	$7,525,000	103	$73,058	1967	05/29/2015
Wyndam Park	Beaverton	$63,900,000	423	$151,064	1996	06/05/2015
Powell Valley Farms	Gresham	$27,750,000	228	$121,711	1999	06/15/2015
Museum Place	Portland	$59,500,000	140	$425,000	2003	06/19/2015
206 Apartments	Hillsboro	$47,275,000	203	$232,882	2014	06/25/2015
Domaine@Villebois	Wilsonville	$48,025,000	274	$175,274	2008	06/25/2015
Andover Park	Beaverton	$45,250,000	240	$188,542	240	06/30/2015
The Cordelia	Portland	$47,750,000	135	$353,704	2014	07/13/2015
Overlook Pointe	Salem	$9,150,000	98	$93,367	1996	07/31/2015
Sofi Lake Oswego	Lake Oswego	$15,500,000	82	$189,024	1987	10/08/2015
Miramonte Lodge	Portland	$27,800,000	231	$120,346	1991	10/09/2015
Columbia Trails	Portland	$38,400,000	264	$145,455	2002	07/27/2015
Burnside 26	Portland	$41,500,000	135	$307,407	2014	08/04/2015
Arnada Pointe	Vancouver	$28,100,000	200	$140,500	1995	08/11/2015
The Addison	Vancouver	$21,750,000	147	$147,959	2009	08/13/2015
Medina	Portland	$5,500,000	26	$211,538	2013	09/03/2015
The Township	Canby	$12,163,750	92	$132,214	1995	09/04/2016
Mint Urban Apartments	Portland	$97,200,000	290	$335,172	1998/2013ren	09/15/2015
Waterhouse Place	Beaverton	$54,550,000	279	$195,520	1990	09/24/2015
Bridge Creek	Wilsonville	$47,611,226	315	$151,146	1989	09/24/2015
Boulder Creek	Wilsonville	$44,739,438	296	$151,146	1990	09/24/2015
Fieldstone Apartments	Fairview	$20,800,000	154	$135,065	1997	10/14/2015
Hidden Oaks	Portland	$29,050,000	266	$109,211	1973	10/21/2015
Monclair Terrace	Portland	$32,750,000	188	$174,202	1968	10/29/2015
Avalon Apartments	Gresham	$32,650,000	225	$145,111	20014	10/30/2015
Heatherbrae Commons	Milwaukie	$26,500,000	174	$152,229	1995	12/08/2015
Village on Seventh	Vancouver	$13,366,390	104	$128,522	1991	12/10/2015
Oakwood Portland	Portland	$45,000,000	112	$401,786	2012	12/15/2015
Green Leaf River Pointe	Vancouver	$55,000,000	387	$142,119	1994	12/16/2015
Lower Burnside Lofts	Portland	$18,500,000	63	$293,651	2015	02/01/2016
Village@Main Street	Wilsonville	$95,000,000	464	$204,741	1998	12/18/2015
City View	Portland	$13,250,000	87	$152,299	1950	01/07/2016
Park@Fox Pointe	Vancouver	$16,245,000	200	$81,225	1978	01/08/2016
Boulders on the River	Eugene	$45,800,000	249	$183,936	1991	01/06/2016
Lower Burnside Lofts	Portland	$18,500,000	63	$293,651	2015	02/01/2016
Meadows@Cascade Park	Vancouver	$35,200,000	198	$177,778	1989	02/09/2016

Sources: CoStar Comps.com and Norris & Stevens Apartment Sales

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Norris & Stevens' full service approach to coordinating purchases, development or rejuvenation, management, sales and refinancing creates value in your investment real estate.

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Norris & Stevens operates and sells apartment properties from 25 to 400 units with equal skill and depth. Our analytical process is the same — thorough — no matter how large or small your investment. We are leaders in creating investment and management strategies for apartment investors.

To make an appointment for a broker analysis of your property, or to receive information about our services or our market newsletter, contact us in Portland at (503) 223-3171.

The N&S Multifamily Investment Team

Brian Bjornson
Over 30 years of experience including all aspects of sales, financing, property management, new project development and planning, receiverships, and community redevelopment of apartments. BS in Economics from Portland State University. Licensed broker in Oregon.

brianb@norris-stevens.com

Kirk Ward
Over 30 years' experience in apartment brokerage, developmental assistance and feasibility for new construction. 25 years with Norris & Stevens. BS in Economics from the University of Oregon. Has taught classes in investment real estate. Licensed broker in Oregon.

kirkw@norris-stevens.com

Tom Davies, CPM®, CCIM®
27 years' experience specializing in apartment brokerage and management. Portland State University Masters in Public Administration. Certified Commercial Investment Member®. Licensed broker in Oregon and Washington.

tomd@norris-stevens.com

Charles Conrow, CPM®
Over 30 years of real estate experience including commercial and multifamily sales, leasing and property management. Attended University of Colorado in Business Administration. Licensed broker in Oregon and Washington.

charlesc@norris-stevens.com

Todd VanDomelen
23 years of commercial real estate experience. BS in Business Administration (specializing in finance/real estate) from Portland State University. Licensed broker in Oregon and Washington.

toddv@norris-stevens.com

Chase Brand
14 years' experience in apartment brokerage. 18 years of experience in development and construction of residential and multifamily properties. BA in Geology from Colorado College. Licensed broker in Oregon.

chaseb@norris-stevens.com

Cameron Mercer
5 years experience as a broker and asset manager for multifamily investments. Previous experience working with large banks on residential foreclosures. BS in Regional Development, with a minor in Business Administration, from the University of Arizona. Licensed broker in Oregon.

cameronm@norris-stevens.com

Michael Fu
2.5 years of commercial real estate experience. Holds a MA in Economics from Northwestern University and an Honors BA in Math and Economics from Cornell University. Licensed broker in Oregon.

michaelf@norris-stevens.com

Cam Chatfield
The newest member of our team holds a BS in Real Estate Finance, with a Minor in Real Estate Development, from Portland State University. Additionally, he trained with one of the nation's largest real estate investment brokerages. Licensed broker in Oregon.

camc@norris-stevens.com