



# Multi-family Market Report | Q3 2022

**Norris & Stevens**

INVESTMENT REAL ESTATE SERVICES

Portland's reputation for a high quality of life continues to influence people's choice to migrate to the City of Roses. This includes a percentage of residents with the option to work remotely, who have left pricey gateway cities for less dense, less expensive areas. Of the eleven markets on the West Coast with at least one million residents, only Fresno, California has lower average apartment rents than Portland.

Due to the city's relatively affordable cost of living, demand has increased and the area's apartment profile has continued to improve. Based on estimates from Oxford Economics, Portland has added roughly 10,000 residents year-over-year. This indicates growth of 0.4%, exceeding the 0.2% national average for the same time period.

However, recent declines in construction starts in the area highlight how challenging it is for developers to meet demand. Although there have been some signs of an increase in permitting activity, the most recent data indicates that the number of permits issued is still about 30% below the 2017 peak, which was created as developers rushed to get projects approved before Portland's inclusionary zoning policy went into effect. Developers of apartments and condos with plans for more than 20 units are required by the code to set aside 20% of the units for households earning less than 80% of the median income. Although not entirely to blame for the construction slowdown, it doesn't seem like the regulation has done anything to encourage additional activity.

## PORTLAND MARKET SNAPSHOT

VACANCY RATE  
**4.6%**



ASKING RENT  
**\$1,609**



CONSTRUCTION  
**8,983 Units**



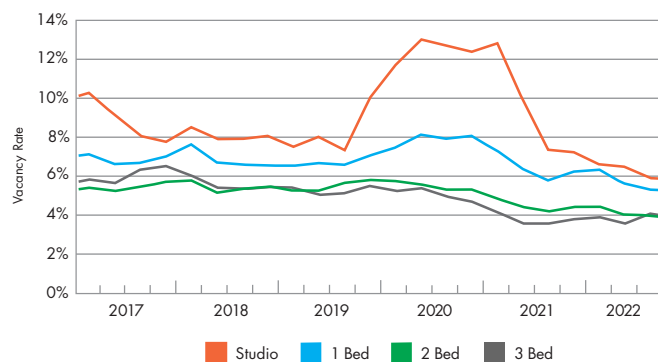
ABSORPTION  
**121 Units**



Homeownership is still out of reach for many residents and will likely continue to be in the near term. As a result, almost 45% of households in Portland are renters. After the peak months of the COVID-19 outbreak, Portland's median home price's relentless ascent has further accelerated. There won't soon be any relief in the form of brand-new single-family homes either. Particularly in places with access to an urban lifestyle, construction is still limited. Portland is a severely land-constrained market due to various factors such as wetlands and farmland protection, open space regulations, and—the Urban Growth Boundary—an artificial restriction to urban sprawl. Large parcels of land suitable for single-family subdivisions are scarce.

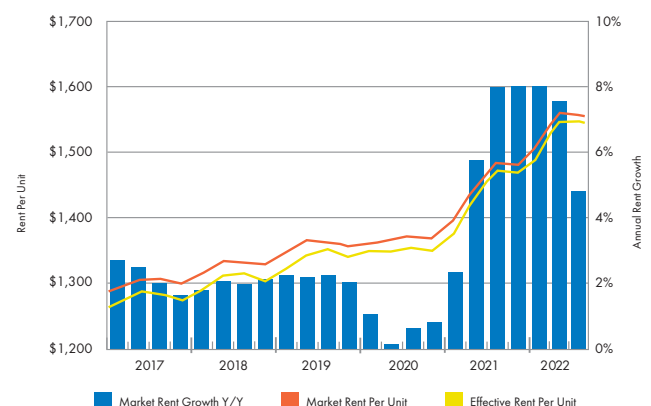
The lack of construction is having a significant impact on declining vacancy rates, as tenants have considerably fewer competing options to choose from when selecting a property. As a result, landlords currently have the ability to set prices. Compared to the three-year average of 4.8%, the average increase in apartment rent during the past year was 8.4%. Suburban communities led the way in this

## VACANCY RATE BY BEDROOMS - PORTLAND



Source: CoStar Property

## MARKET RENT PER UNIT & RENT GROWTH



Source: CoStar Property

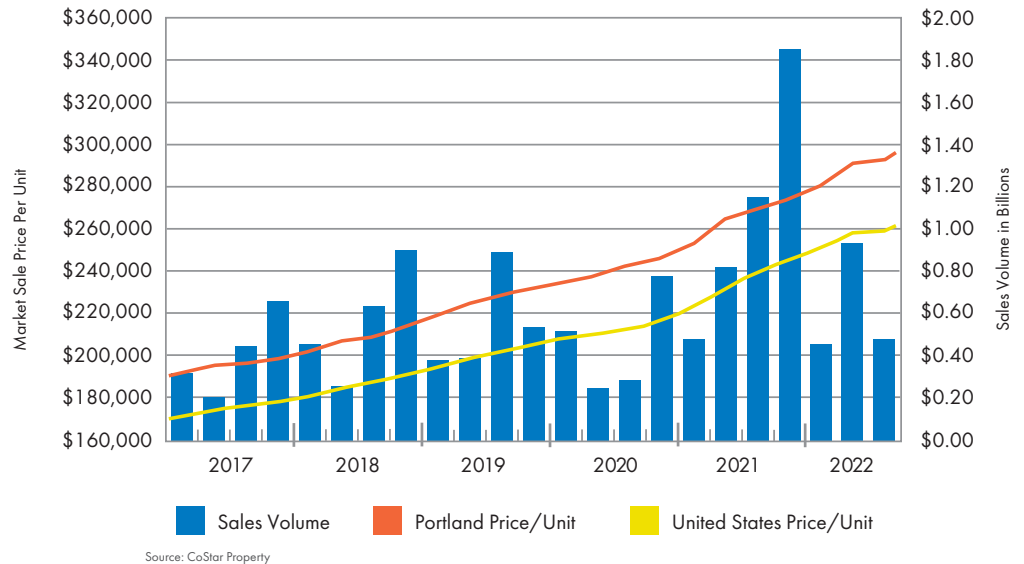


## PORTLAND METRO

category, as tenants remain in neighborhoods that offered more space and affordability during peak pandemic months.

Rent increases and a lack of competing supply have increased the appeal of Portland's multi-family assets, drawing more investors to the region. The strongest influence on pricing is exerted by suburban properties with strong connections to employment centers, although value-add opportunities have also gained popularity among investors looking to increase rents. Additionally, the distribution within the metro region has been very consistent when looking at deals exceeding \$25 million in value since the beginning of 2021. Buyers are willing to acquire assets wherever they can find them, which emphasizes the attractiveness of the Portland metro region as a whole.

### SALES VOLUME & MARKET SALE PRICE/UNIT



### OVERALL SALES YEAR OVER YEAR

Year	# of Deals	Sales Volume	Turnover	Average Price	Average Price Per Unit	Average Cap Rate
YTD	219	\$2B	3.8%	\$11,651,192	\$272,320	5.0%
2021	395	\$4.3B	8.2%	\$13,889,564	\$262,404	5.1%
2020	237	\$1.8B	4.1%	\$10,040,819	\$229,758	5.5%
2019	307	\$2.2B	5.8%	\$9,485,550	\$221,693	5.5%
2018	353	\$2.2B	6.4%	\$9,221,014	\$211,547	5.4%
2017	301	\$1.6B	5.3%	\$8,340,533	\$201,854	5.5%

### SIGNIFICANT THIRD QUARTER 2022 SALES

Property / Address	# of Units	Year Built	Sale Date	Sale Price	Price Per Unit
<b>Oak Street Lofts</b> 8920 SW Oak St   Tigard, OR	187	2019	7/15/2022	\$81,500,000	\$425,829
<b>The Hudson</b> 10635-10695 SW Murdock Ln   Tigard, OR	227	1974	7/29/2022	\$59,200,000	\$260,793
<b>Willow Grove</b> 11981 SW Center St   Beaverton, OR	119	1986	8/1/2022	\$36,100,000	\$313,907
<b>The Nash Apartments</b> 224 SE 188th Ave   Portland, OR	180	1975	8/15/2022	\$34,000,000	\$188,889
<b>Jasper Place</b> 18300 NW Walker Rd   Beaverton, OR	100	1985	8/1/2022	\$32,076,503	\$313,907
<b>Jasper Square</b> 15195 SW Walker Rd   Beaverton, OR	83	1986	8/1/2022	\$26,623,497	\$313,907
<b>El Moro Apartments</b> 2016 SE 122nd Ave   Portland, OR	95	1966	8/27/2022	\$12,000,000	\$126,316

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