Kidder Mathews

MARKET TRENDS | PORTLAND

# MULTIFAMILY

3RD QUARTER 2019

▼ VACANCY | ▼ UNEMPLOYMENT | ▲ RENTAL RATE | ▼ CONSTRUCTION | ▲ PERMITS | ▲ SALES

Portland's economy remains strong, fueled by rising income growth and the influx of technology companies in the region. Vacancies average 4.42%, with rental rates pushing forward at $1.74/s.f. Over 8,000 units are in the inventory pipeline in the Portland Metro, with 2,400 units having already delivered in 2019. Investment activity was high in 3Q 2019, reaching nearly $530 million, at an average cap rate of 5.3%. Looking ahead, the Portland market is forecasted to remain stable into early next year.

The Portland metro area continues to experience high demand in the multifamily market. Rental rates are on an upwards climb, averaging $1.74/s.f. for all unit types. Downtown Portland remained the most expensive area, reporting $2.43/s.f. The NW Portland and Lake Oswego submarkets also reported high rental rates at $2.34/s.f. and $2.11/s.f., respectively. On the lower end, Outer NE Portland and West Vancouver drove the most affordable rates at $1.34/s.f. and $1.38/s.f., respectively. With more high-quality, Class A multifamily apartments arriving on the market, rental rates are expected to push higher in the coming quarters. Compared to 1Q 2019, rental rates have risen an average of 4% in the Portland Metro area. In addition, over 7% of Portland Metro apartments offer rental rate concessions, with the majority being offered within Class A properties.

Vacancy levels fell to 4.42%, down 54 basis points from 1Q 2019. Out of all submarkets in the Portland Metro area, Lake Oswego/West Linn reported the highest vacancy rate at 6.6%, while Inner and Central SE and West Vancouver posted a rate of 3.5%. As newer product arrives within the Downtown and Northwest Portland areas, absorption levels are anticipated to rise. It's interesting to note that within unit types, studios held the highest vacancy at 5%, while three-bedroom, one bath units stood at 3.7%.

Just this year, Oregon passed the first statewide rent control bill, limiting

## Market Breakdown

| | Monthly | Price/SqFt |
|---|---|---|
| Studio | $1,183 | $2.69 |
| One Bedroom/One Bath | $1,293 | $1.92 |
| Two Bedroom/One Bath | $1,250 | $1.46 |
| Two Bedroom/Two Bath | $1,588 | $1.56 |
| Two Bedroom Town House | $1,434 | $1.38 |
| Three Bedroom/One Bath | $1,378 | $1.31 |
| Three Bedroom/Two Bath | $1,697 | $1.41 |
| Overall Average | N/A | $1.74 |

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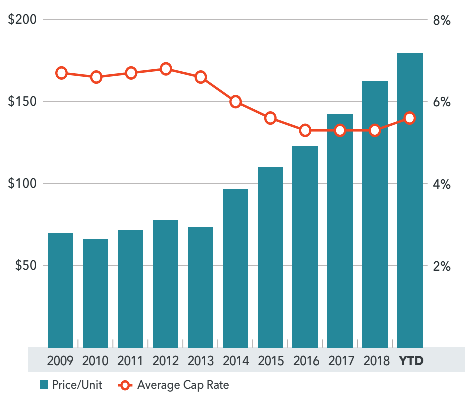
annual rent increases at 7% plus inflation. With increased population growth in the region, developers are striving to accommodate this influx of demand. Just over 8,300 units are anticipated to pass through the permitting process in the Portland Metro as of 2019.

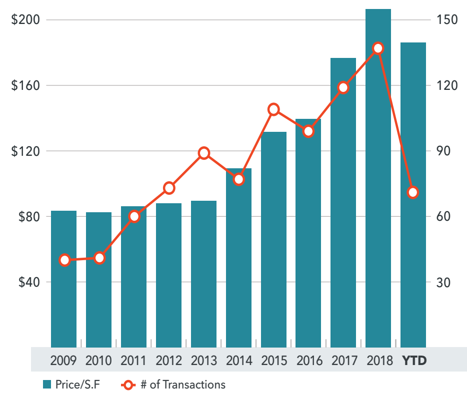
Investor demand remains strong within well-located apartment properties in the Portland Metro. The third quarter saw just over $527 million of sales volume, up 23% year-over-year. The largest sale this quarter was Griffis Residential's acquisition of Griffis South Waterfront for $116.1 million, or $395,000/unit. Low interest rates in today's market may present a shortage of apartment properties in the near future, with owners pursuing refinancing opportunities on properties rather than selling.

The development pipeline remains strong in the Portland Metro area, as over 8,000 units are under construction. Notably, the Waterfront submarket contains the two largest under construction developments in the Portland area. First, The Collective on 4th, a 417-unit high rise, is expected to deliver in 4Q 2019. Next, 100 Columbia Apartments will add 347 high-quality units in early 1Q 2020. The third quarter saw 417 units delivered, down from a high 1,070 units in 2Q 2019. This brings the YTD total to 2,475 units. The largest project completed in 3Q 2019 was The Vera, located within the Waterfront submarket, which delivered 171 units.

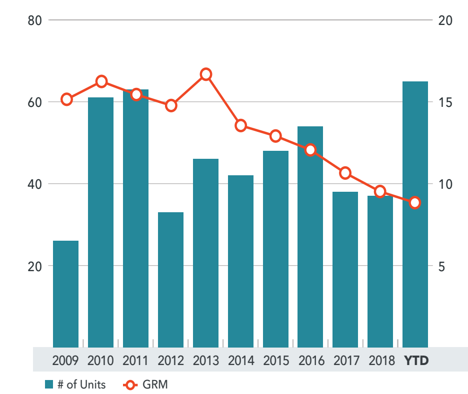
**AVERAGE CAP RATE & MEDIAN PRICE PER UNIT**




**TRANSACTIONS & MEDIAN PRICE PER S.F.**




**MEDIAN GRM & AVERAGE NUMBER OF UNITS**




Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 800 real estate professionals and staff in 22 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

**COMMERCIAL BROKERAGE**

**20M** ANNUAL SALES SF

**420+** NO. OF BROKERS

**$9B** ANNUAL TRANSACTION VOLUME

**40M** ANNUAL LEASING SF

**VALUATION ADVISORY**

**1,600+** APPRAISALS ANNUALLY

**39/24** TOTAL NO. APPRAISERS/MAI'S

**PROPERTY MANAGEMENT**

**70M+** MANAGEMENT PORTFOLIO SF

The information in this report was composed by the Kidder Mathews Research Group.


**JERRY HOLDNER**
Director of Research
949.557.5050
jerry.holdner@kidder.com

**BRIAN HATCHER**
Regional President, Brokerage Northwest
503.221.9900
brian.hatcher@kidder.com


KIDDER.COM



**DATA SOURCE:** MFNW FALL 2019 REPORT, COSTAR, PORTLAND BUSINESS JOURNAL