

CCIM Oregon/SW Washington Chapter

Portland Metro Apartment Market – A
Review of 2015 and Thoughts for 2016

March 2, 2016

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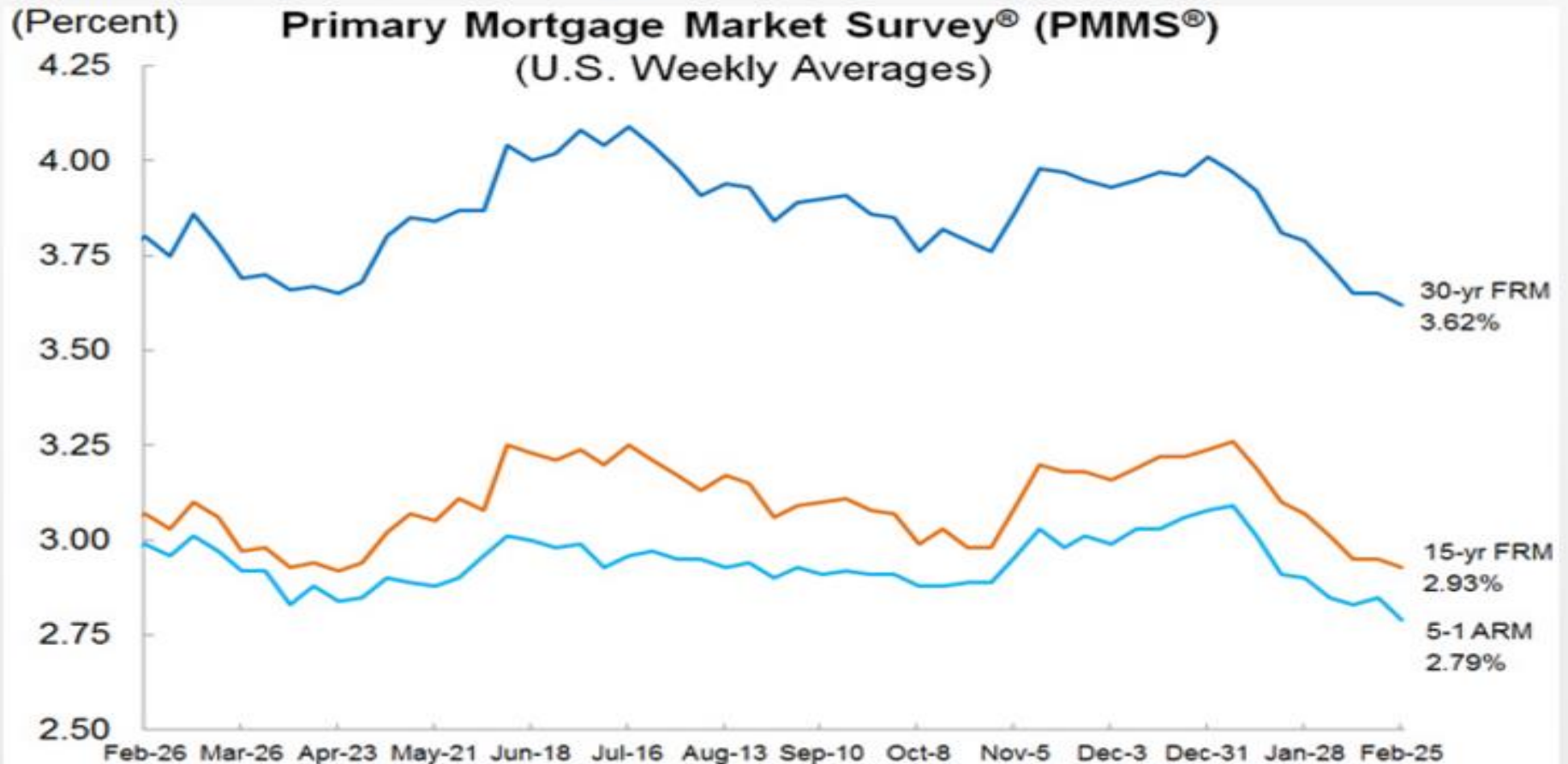
Topics Covered

Portland Metro Apartment Market

- Economic, Political, & Social Trends
 - Int Rates, Employment, Home Ownership Ratio, Apt Construction
- Vacancies
- Rents
- Income
- Expenses
- Apartment Sales Volume
- Apartment Values
- Trends for 2016

Mortgage Rates in the United States for the Year Ending in February 2016

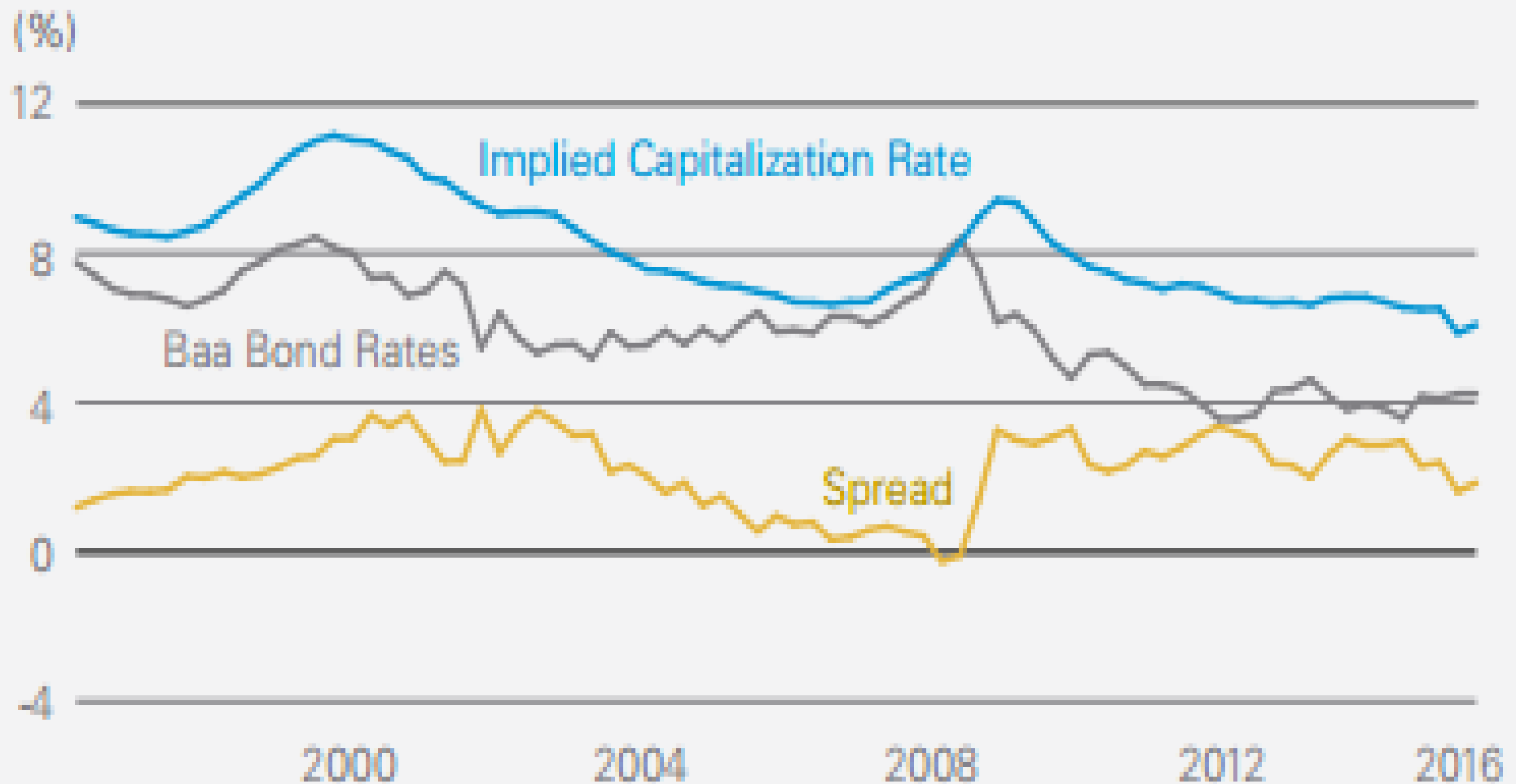
Primary Mortgage Market Survey (U.S. Weekly Averages)



Source: Freddie Mac

As of Feb 25, 2016

REIT-Implied Capitalization Rate Spread to Baa Bonds



As of 31 January 2016

Source: SNL Financial. The REIT market as represented is a basket of 53 large and

Non Farm Payroll Employment in the US for the Last 12 Months

US NON FARM PAYROLLS



10 States With the Fastest Job Growth

8. Oregon



Thinkstock

Population: 3,970,239

2015 job growth: 3.1%

2016 job growth: 2.3%

New jobs in 2015: 52,600

New jobs in 2016: 41,500

**Unemployment rate by year-end
2015:** 5.0%

**Unemployment rate by year-end
2016:** 5.1%

Forbes' 2015 List Of The Best Places For Business And Careers

The Best and Worst Places for Business and Careers 2015

3 of 30

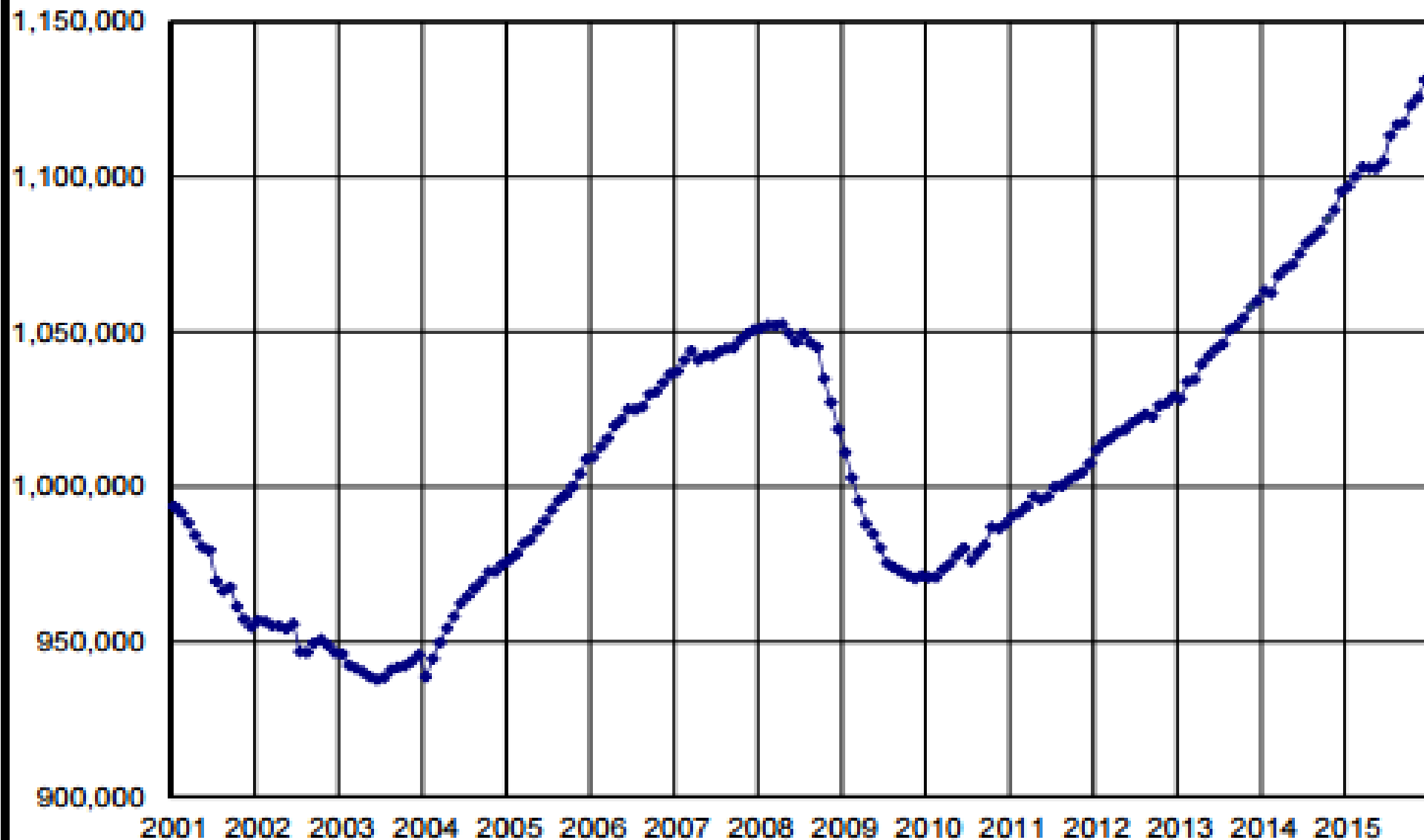


Best Places- 3. Portland, Ore.

Metro population: 2,352,700

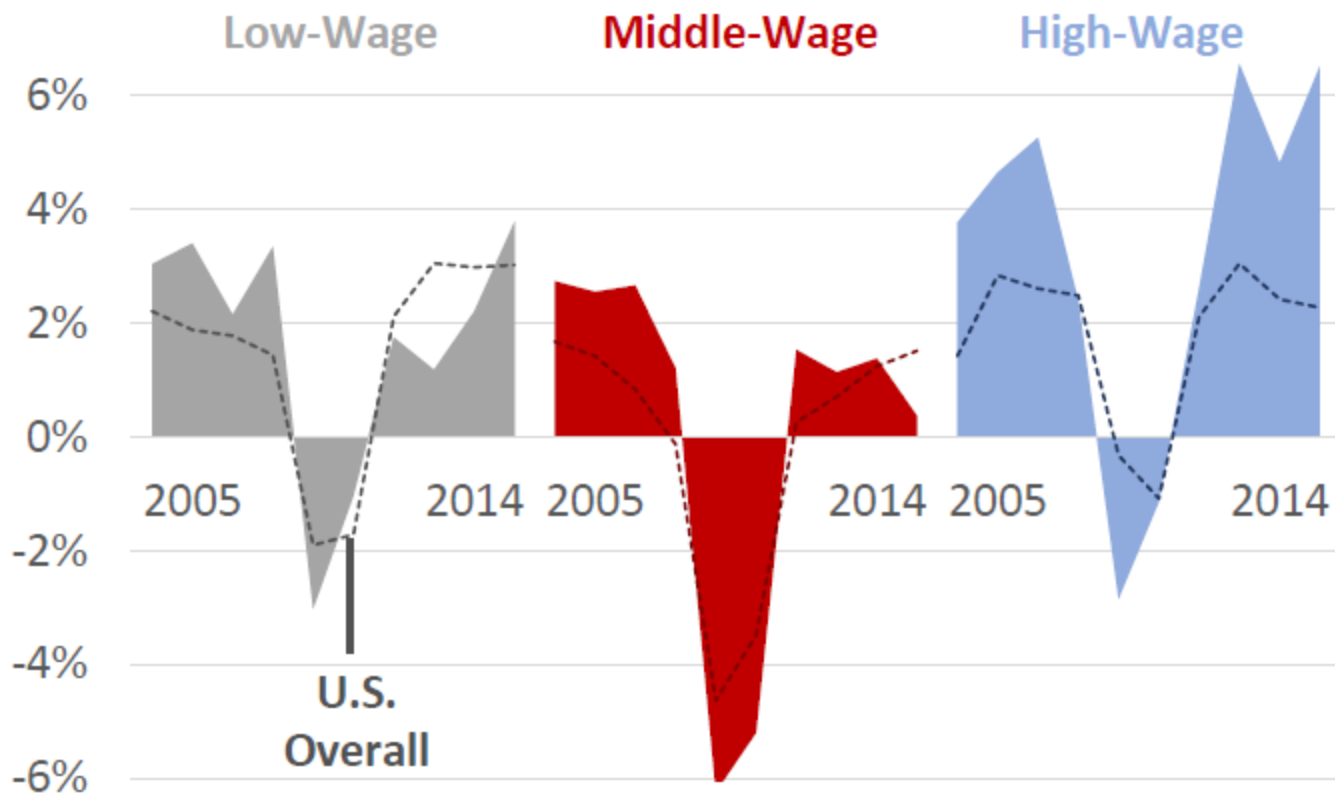


Seasonally Adjusted Total Nonfarm Payroll Employment Portland MSA



Economy Creating High-Wage Jobs

Portland MSA Job Growth



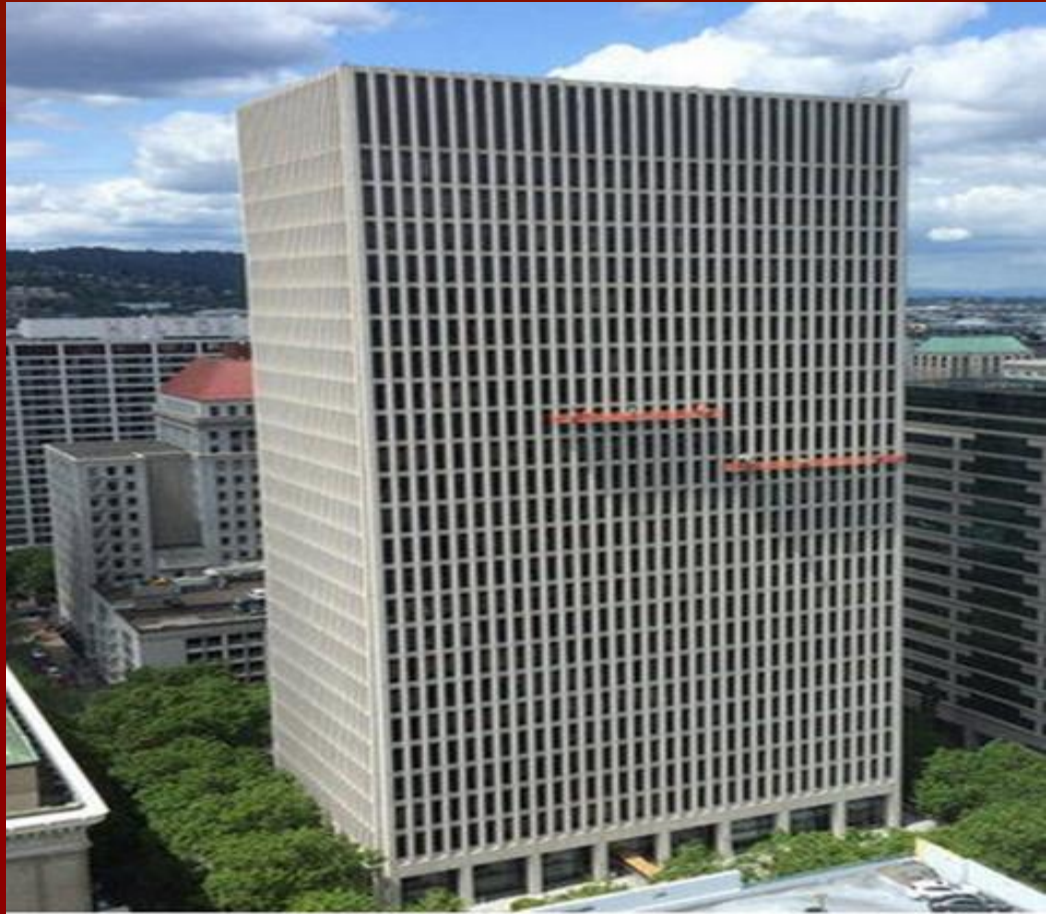
- Job polarization leads to lots of high-wage job growth, especially in large cities
- Indicating larger pool of higher income households as a result
- Yet not verifiable until 2014
American Community Survey data was released in mid-September 2015

Categories based on median wage for major occupational groups as US level
Source: BLS, Oregon Office of Economic Analysis

Esco Corp. to close NW Portland factory, lay off 247 workers



StanCorp Financial will sell for \$5 billion to Japanese insurance company Meiji Yasuda



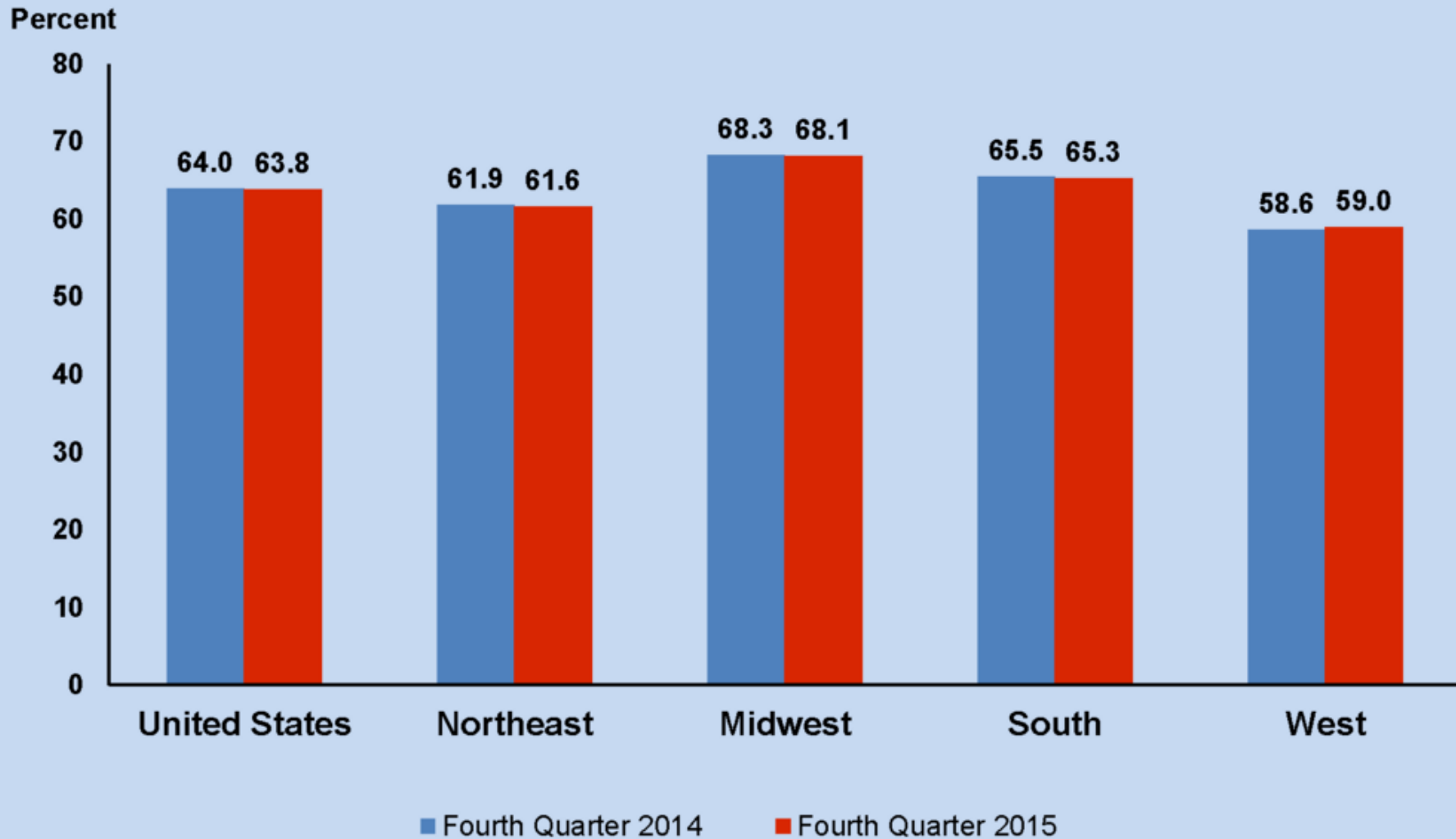
Buffett to Acquire Precision Castparts in \$37.2 Billion Deal

by Katherine Chiglinsky and Sonali Basak

August 10, 2015 – 4:07 AM PDT Updated on August 10, 2015 – 5:17 AM PDT



Homeownership Rates by Region

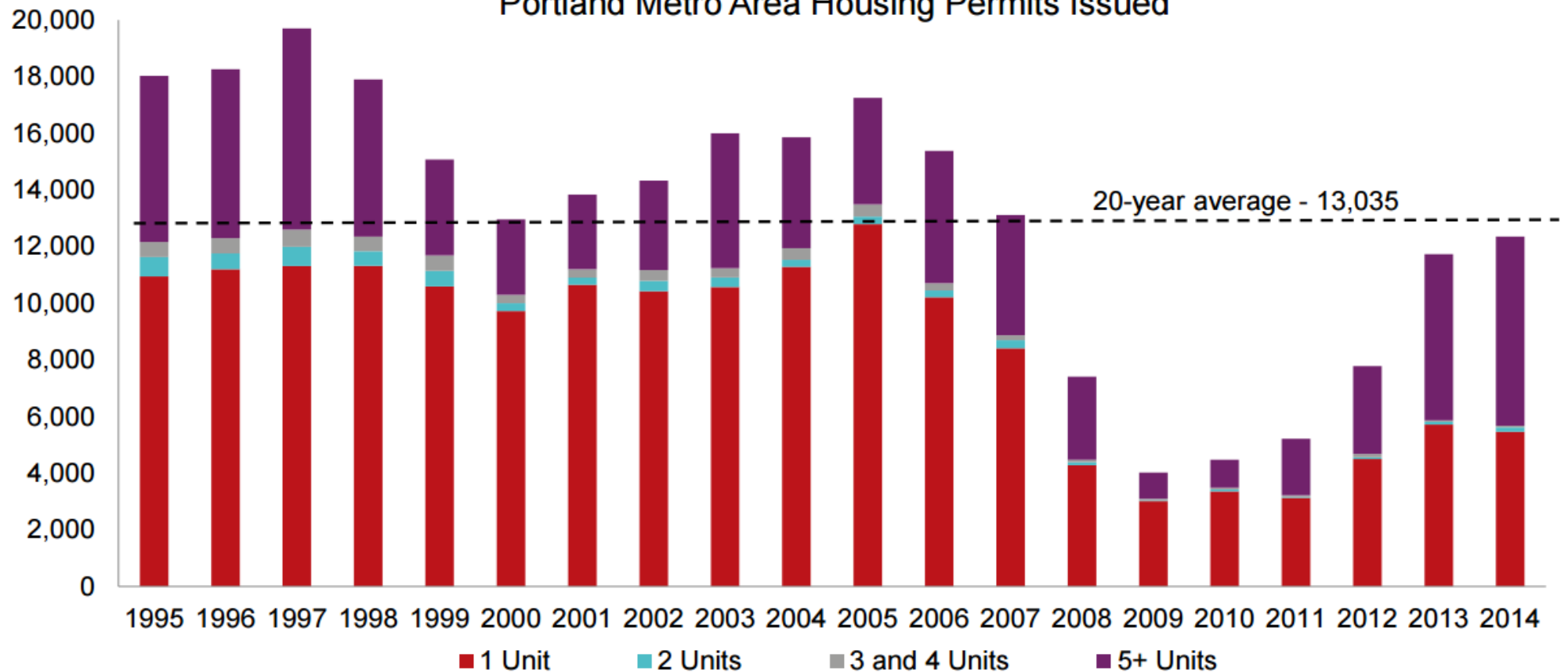


* Denotes a statistically significant change from the rate last year

Source: Current Population Survey/Housing Vacancy Survey, Series H-111, U.S. Census Bureau, Washington, DC 20233

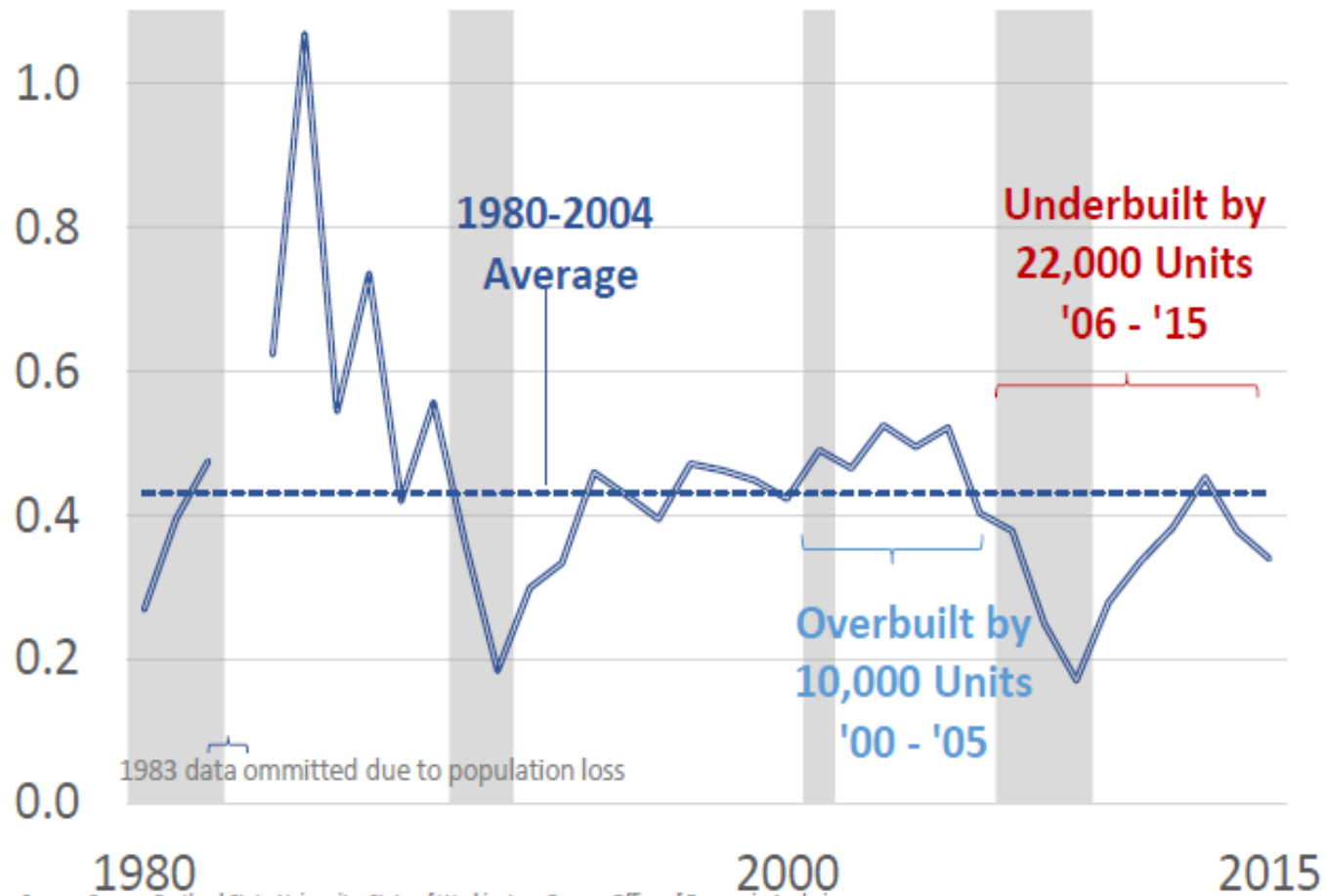
Housing starts ramping up – with multifamily making up an increasing share

Portland Metro Area Housing Permits Issued



New Construction and Population Growth

Portland MSA Housing Permits per Population Change



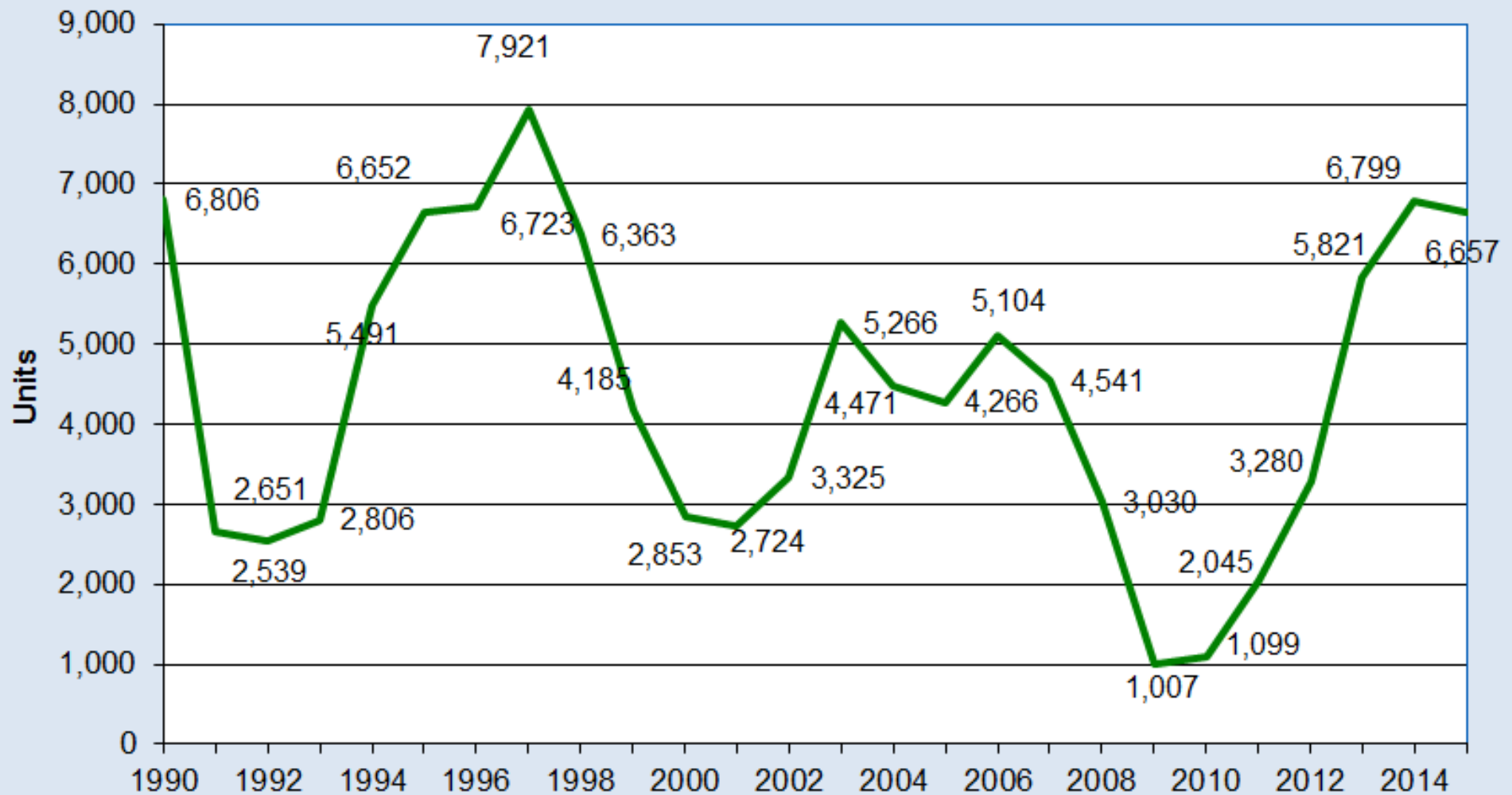
Source: Census, Portland State University, State of Washington, Oregon Office of Economic Analysis

- Demand has returned with stronger economy, population gains and household formation
- Challenge is maintaining supply to keep pace
- Current market is supply constrained
 - "Shortage of cities"



Apartment Permits 1990 - 2015

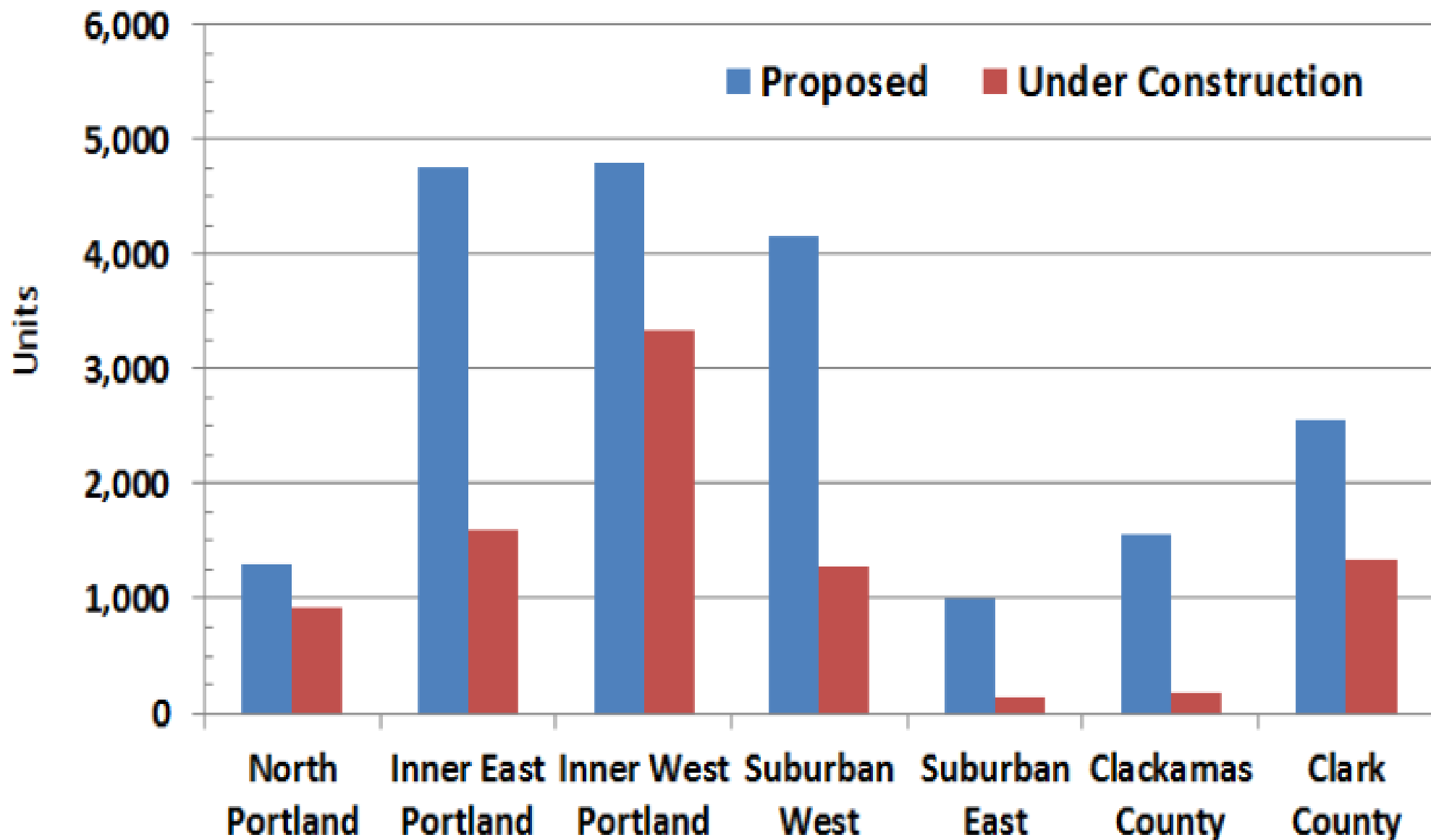
Four County Metro Area



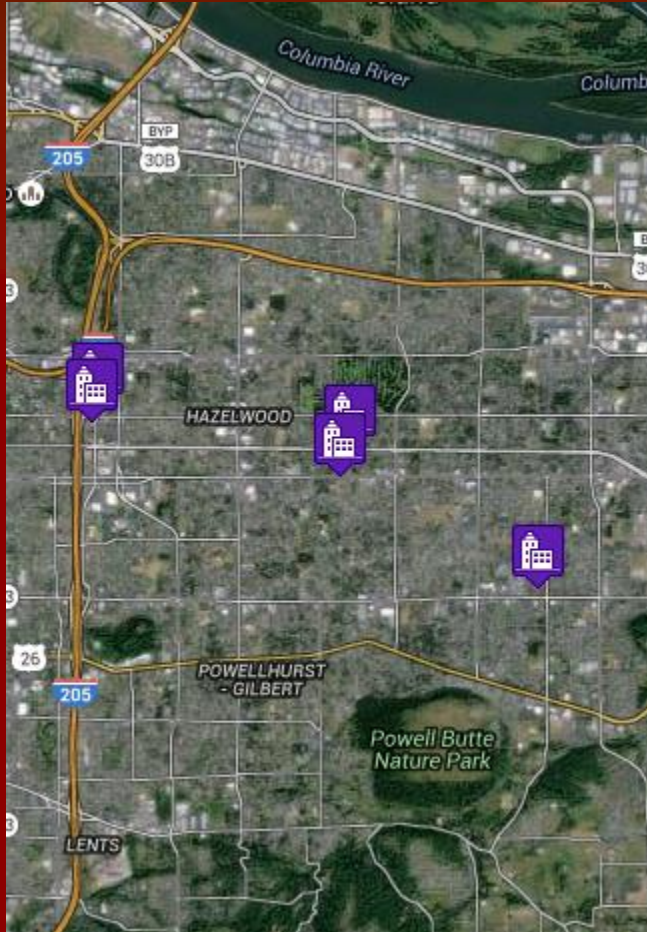
Typical Construction – NE Portland



Units Under Construction & Proposed By Location



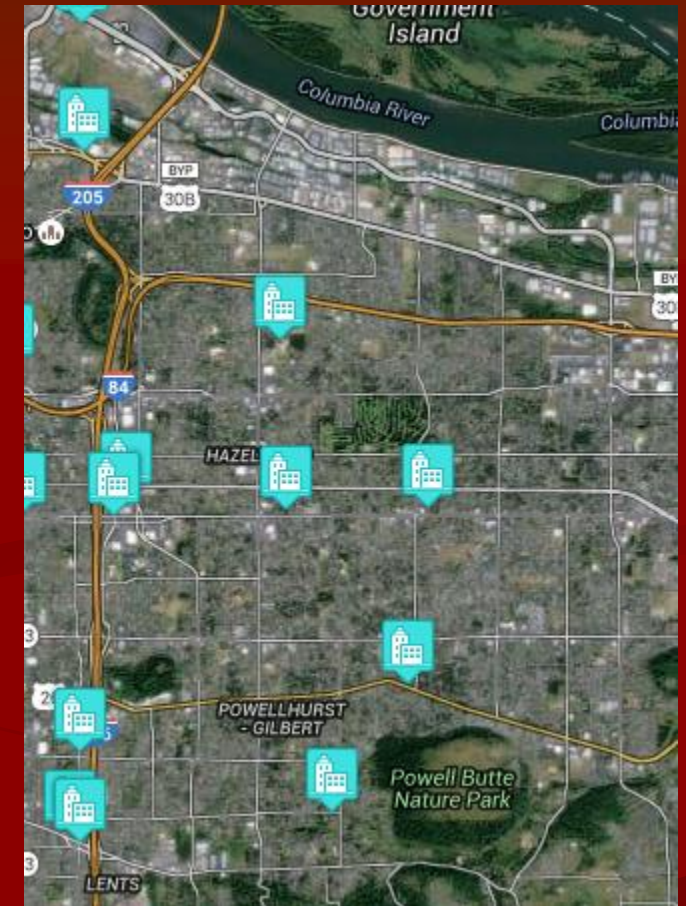
New Apartments – East County



Completed Projects

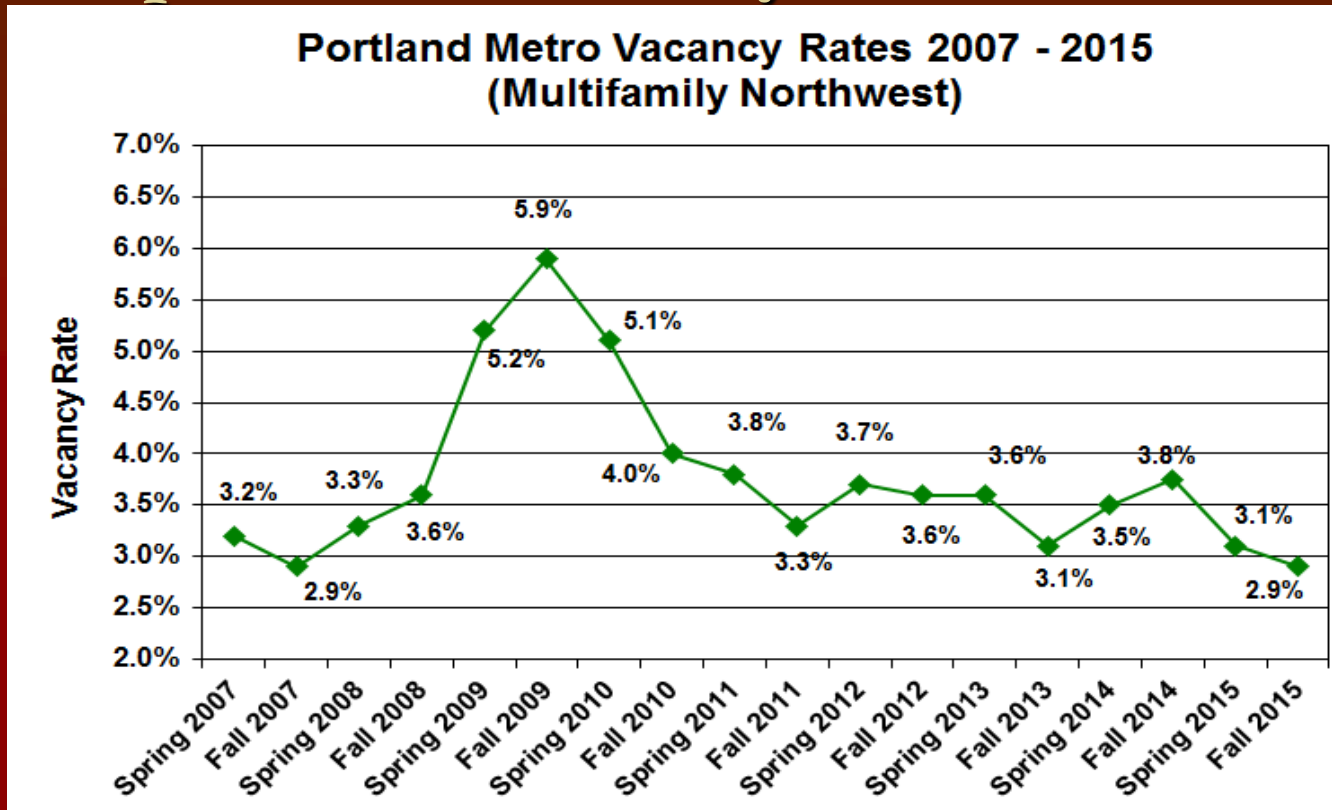


Under Construction



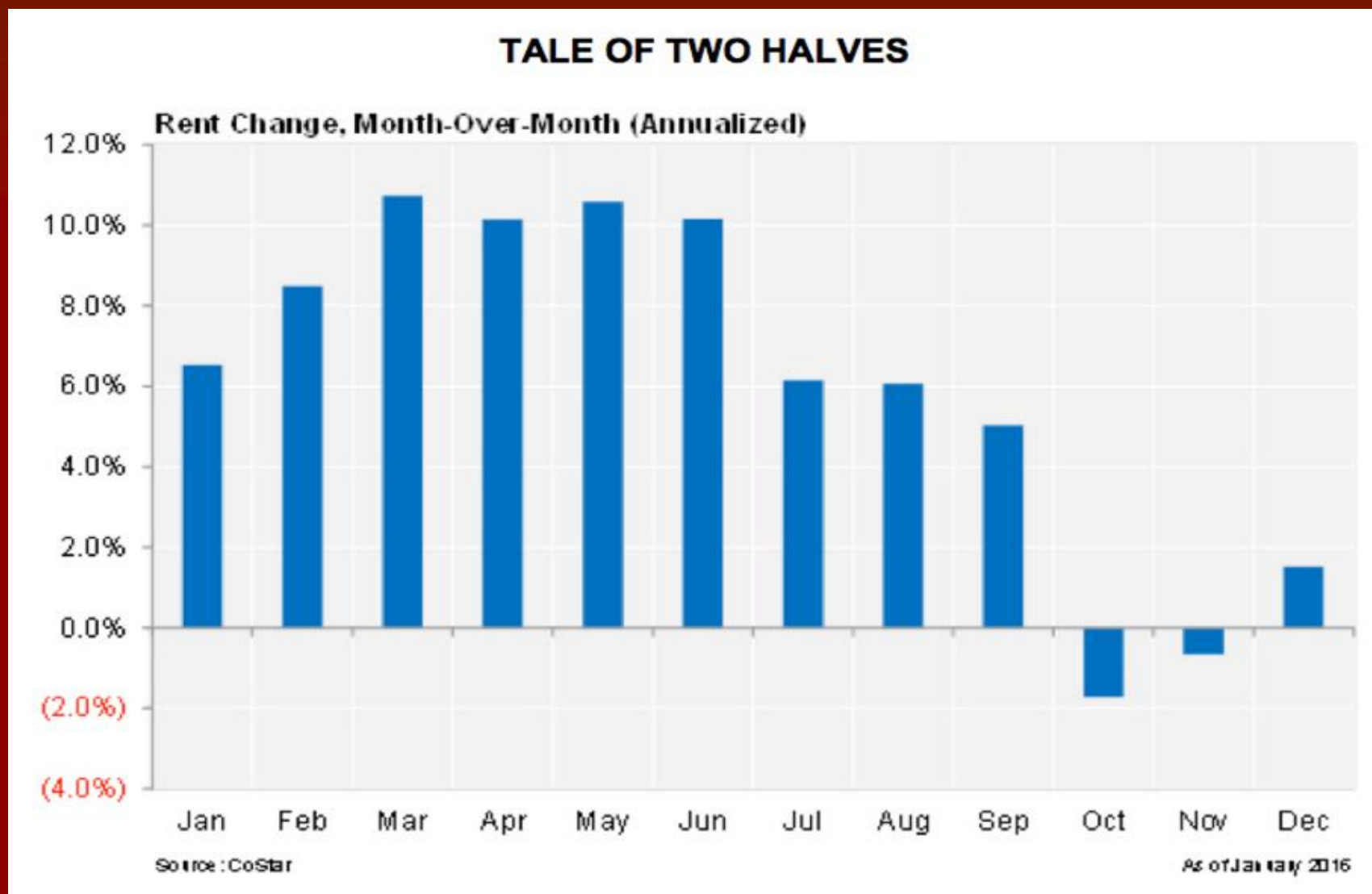
Early Assistance

Portland Apartment Vacancy Rates 2007 to Fall 2015



	Q1	Q2	Q3	Q4
US Census Bureau	2.7%	3.5%	5.1%	2.4%
NAI – NBS	2.7%	2.4%	2.5%	--
Marcus & Millichap	2.9%	--	2.6%	2.4%
Multifamily NW	3.1%	--	2.9%	--

U.S. Apartment Rents Decline in Fourth Quarter, Bucking Annual Trend



Portland Now No. 1

Portland metro area had the highest annual effective rent growth in the fourth quarter of 2015 - Axiometrics

Top 25 Markets by Annual Effective Rent Growth for 4Q15

MSA/Metropolitan Division	Annual Effective Rent Growth
Portland-Vancouver-Hillsboro, OR-WA	12.0%
Oakland-Hayward-Berkeley, CA	11.3%
Sacramento-Roseville-Arden-Arcade, CA	9.3%
Seattle-Bellevue-Everett, WA	8.4%
Orlando-Kissimmee-Sanford, FL	8.0%
San Diego-Carlsbad, CA	7.7%
San Francisco-Redwood City-South San Francisco, CA	7.6%
Tampa-St. Petersburg-Clearwater, FL	7.3%
San Jose-Sunnyvale-Santa Clara, CA	7.1%
Riverside-San Bernardino-Ontario, CA	7.1%
Nashville-Davidson-Murfreesboro-Franklin, TN	7.0%
Phoenix-Mesa-Scottsdale, AZ	6.9%
Fort Worth-Arlington, TX	6.9%
Las Vegas-Henderson-Paradise, NV	6.7%
Denver-Aurora-Lakewood, CO	6.6%
Atlanta-Sandy Springs-Roswell, GA	6.6%
Boston-Cambridge-Newton, MA-NH	6.5%
Los Angeles-Long Beach-Glendale, CA	6.4%
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL	6.3%
Salt Lake City, UT	6.2%
West Palm Beach-Boca Raton-Delray Beach, FL	6.2%
Dallas-Plano-Irving, TX	5.9%
Charleston-North Charleston, SC	5.6%
Charlotte-Concord-Gastonia, NC-SC	5.6%
Jacksonville, FL	5.2%
National	4.7%

★ \$2285 / 1br - 719ft² - Luxury Pearl District High Rise, Brand New (Pearl District) 🏠



★ \$1957 / 1br - 819ft² - Large One-Bedroom, High Ceilings + Over \$2900 in FREE Rent!! (NE Portland, Lloyd District) 🏠

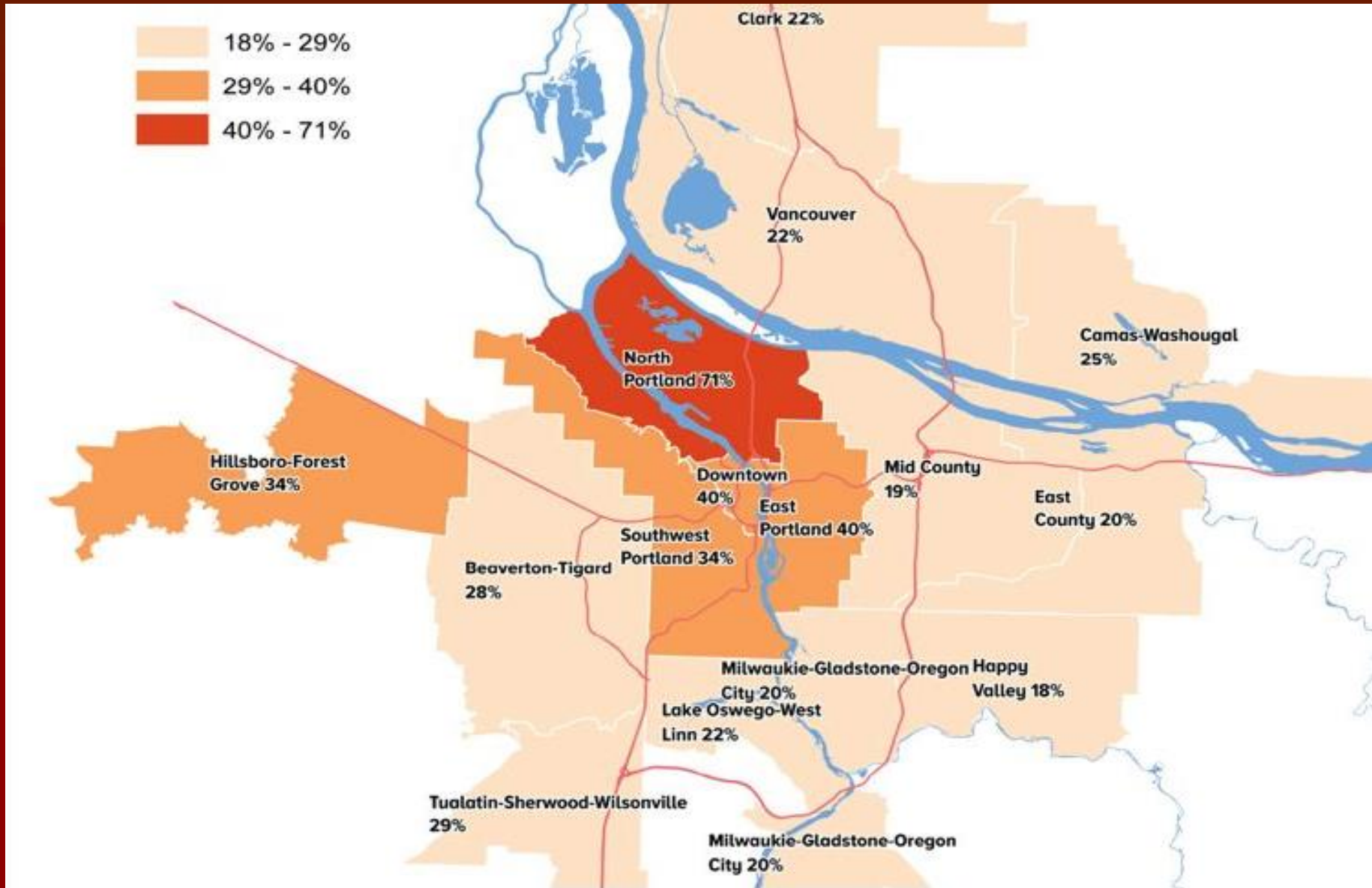


★ \$1350 / 1br - 875ft² - NW 1 Bedroom Flat in a 4 plex Close to Shopping & Restaurants!! (2066 NW OVERTON ST #3) 🏠



Rent Increase Map - 2011-2015

Source: Johnson Economics



LAID LOW BY HIGH RENT

Developers in Portland can't build apartments fast enough to meet surging demand, driving out the working class

\$879.45
2010

By Jeff Manning
The Oregonian/OregonLive

Enrique Rios, a 26-year-old Los Angeles transplant, lives with his fiancée and small dog in a 250-square-foot "micro-unit" apartment in Northwest Portland.



Enrique Rios pays \$995 a month for a 250-square-foot apartment in Northwest Portland, where he shares this communal kitchen with other residents.

JEFF MANNING
STAFF

Portland's city limits, vacancies remain practically nonexistent. That has freed apartment owners to charge eye-popping rents: Think \$1,200 for a 400-square-foot studio, as much as double that for a one-bedroom.

The average rent in Portland has jumped almost 40 percent since 2010 to \$1,242, according to Axiometrics, a Dallas real estate analysis firm.

The boom raises troubling issues of economic inequality, as rent increases have spiraled far beyond

2015
\$1,242.83

41%
increase
since 2010

Source: Axiometrics Inc

Average
rent in
Portland

Hundreds rally in response to Portland housing crisis

BY CORY MARSHALL, KATU NEWS | FRIDAY, JANUARY 15TH 2016

ADVERTISEMENT



Oregon housing crisis: Renter bill shrinks again amid pressure from landlord advocates

Housing issues at the forefront of Portland mayor's race

Created on Thursday, 25 February 2016 11:56 | Written by [Jim Redden](#) |

Is hip Portland over? How the rent crisis is displacing the city's creative soul



Protesters at an anti-displacement rally in Portland. Photograph: Jason Wilson for The

Oregon Legislature Moves Closer To Lifting Ban On Inclusionary Zoning

By CHRIS LEHMAN • 9 HOURS AGO

A Summer of Evictions

Portland Renters Are in a State of Emergency

by [Shelby R. King](#)

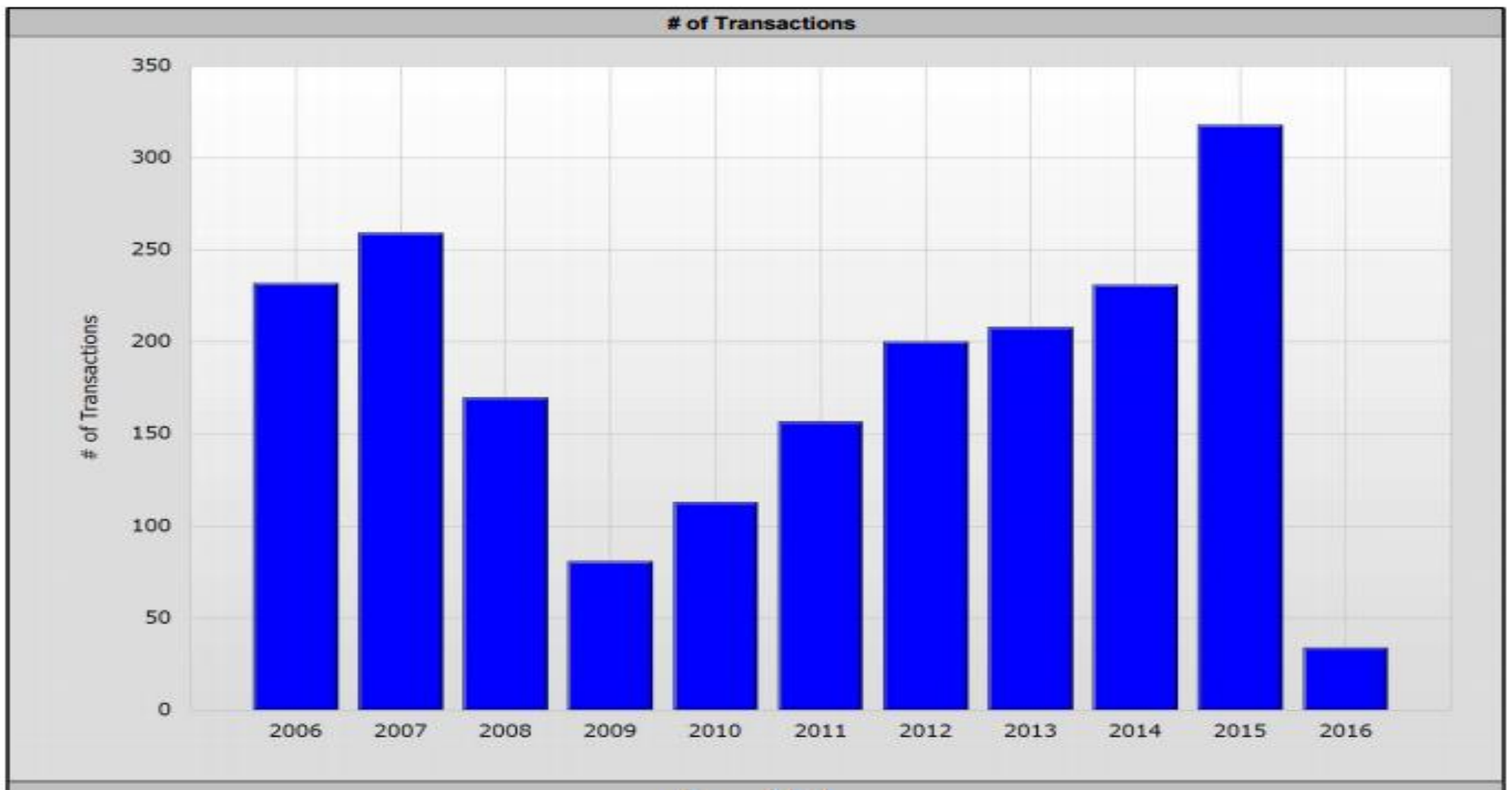


Working class priced out, kicked out in new Portland housing boom

Portland's housing authority received 'unprecedented' number of rent increases

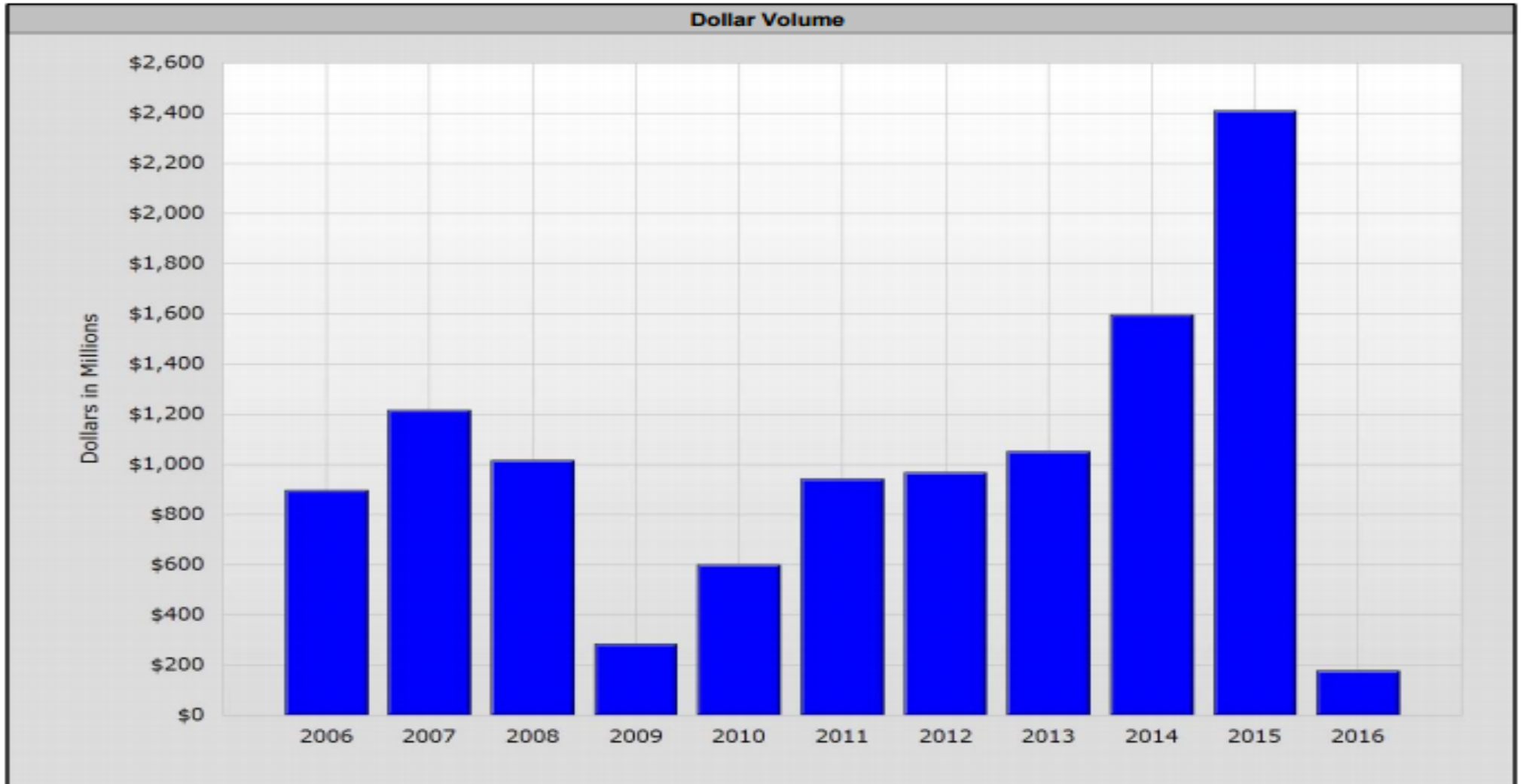
Sustained rent increases are pricing out the working class. Those who brew coffee, pour beer and fix bicycles are finding it increasingly difficult to afford to live here.

No. of Apartment Sale Transactions in Portland Metro 2006 thru Feb 2016

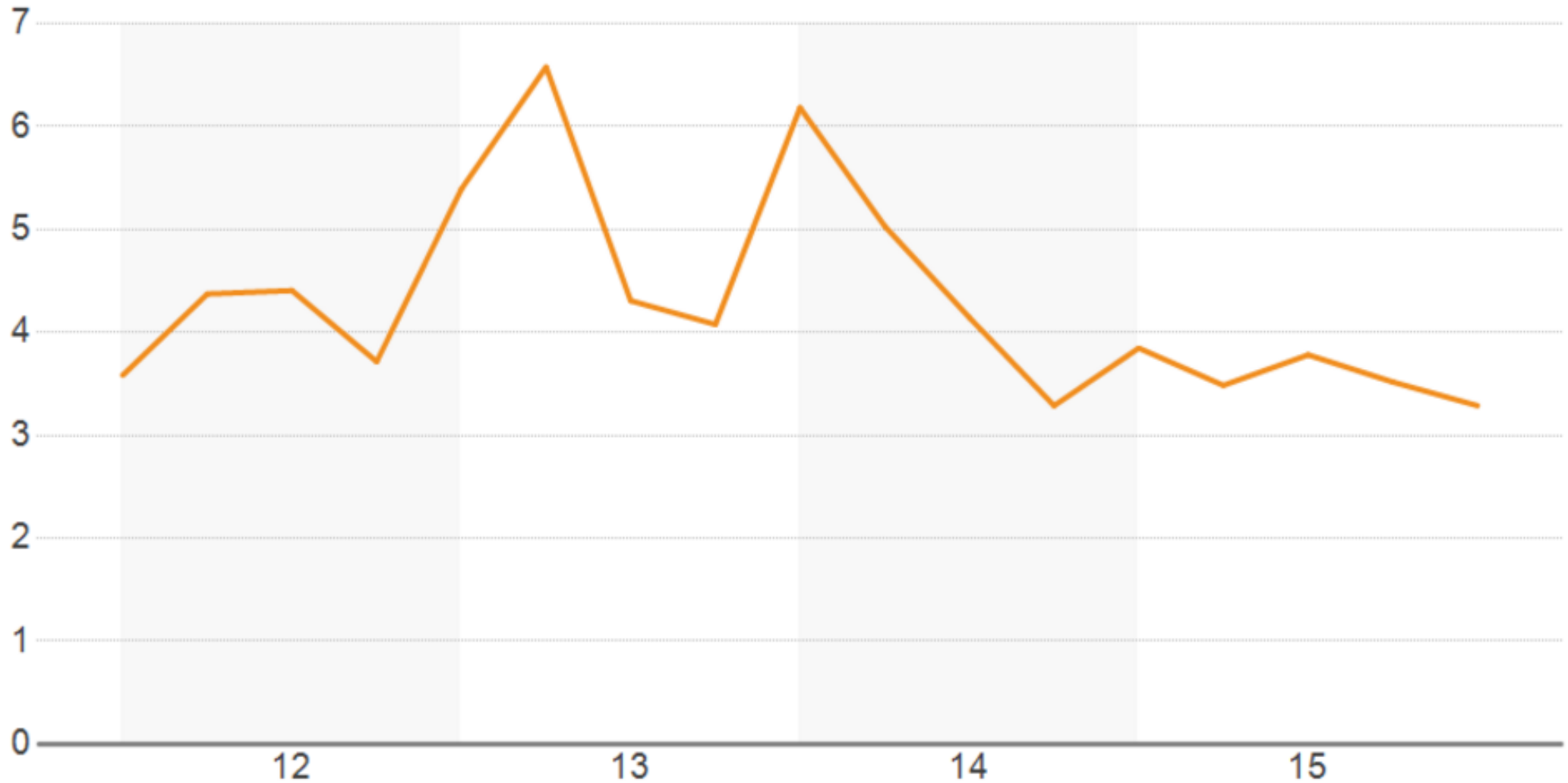


Apartment Sales Volume - Portland Metro 2006 thru Feb 2016

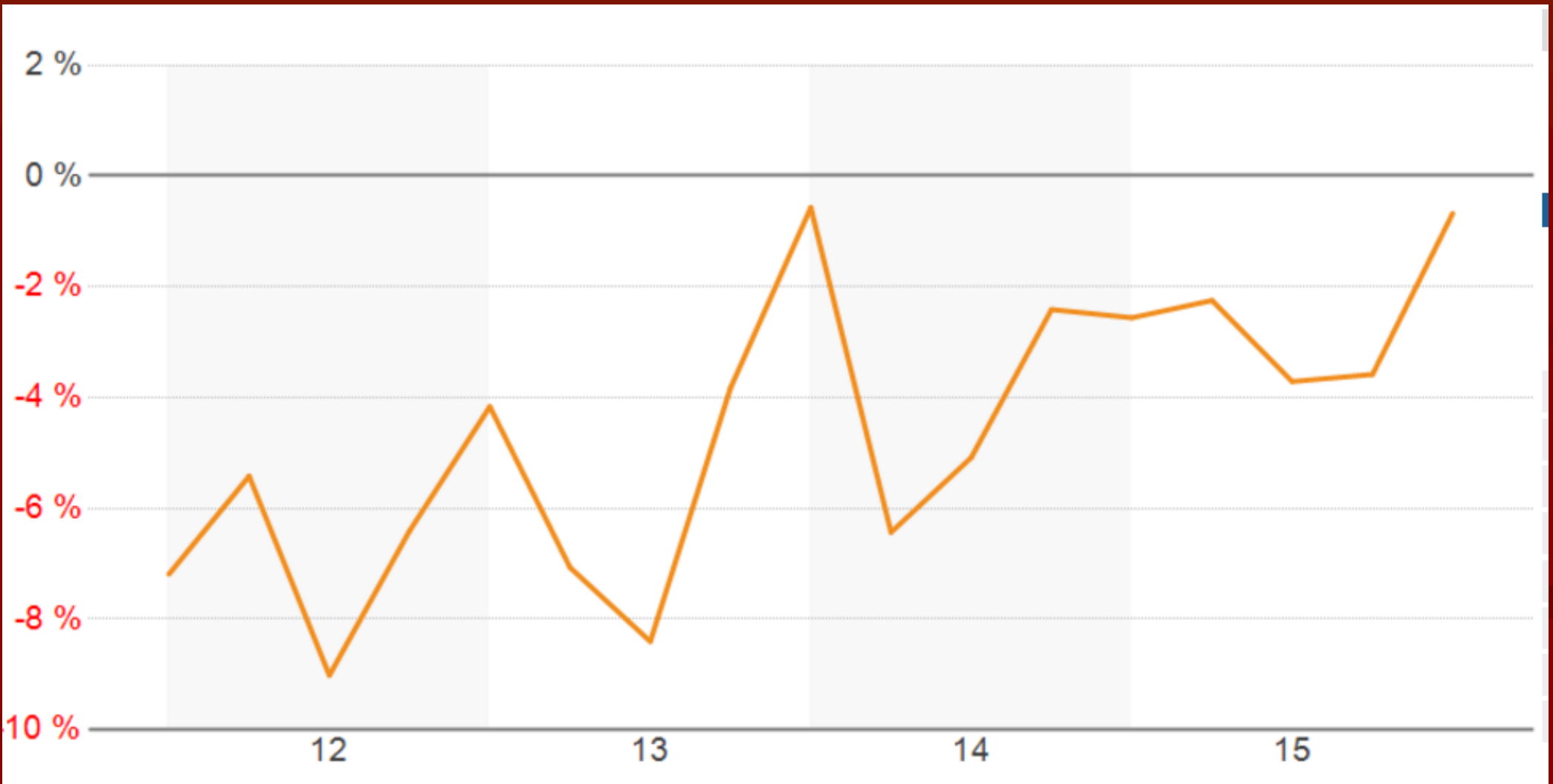
Trend Report



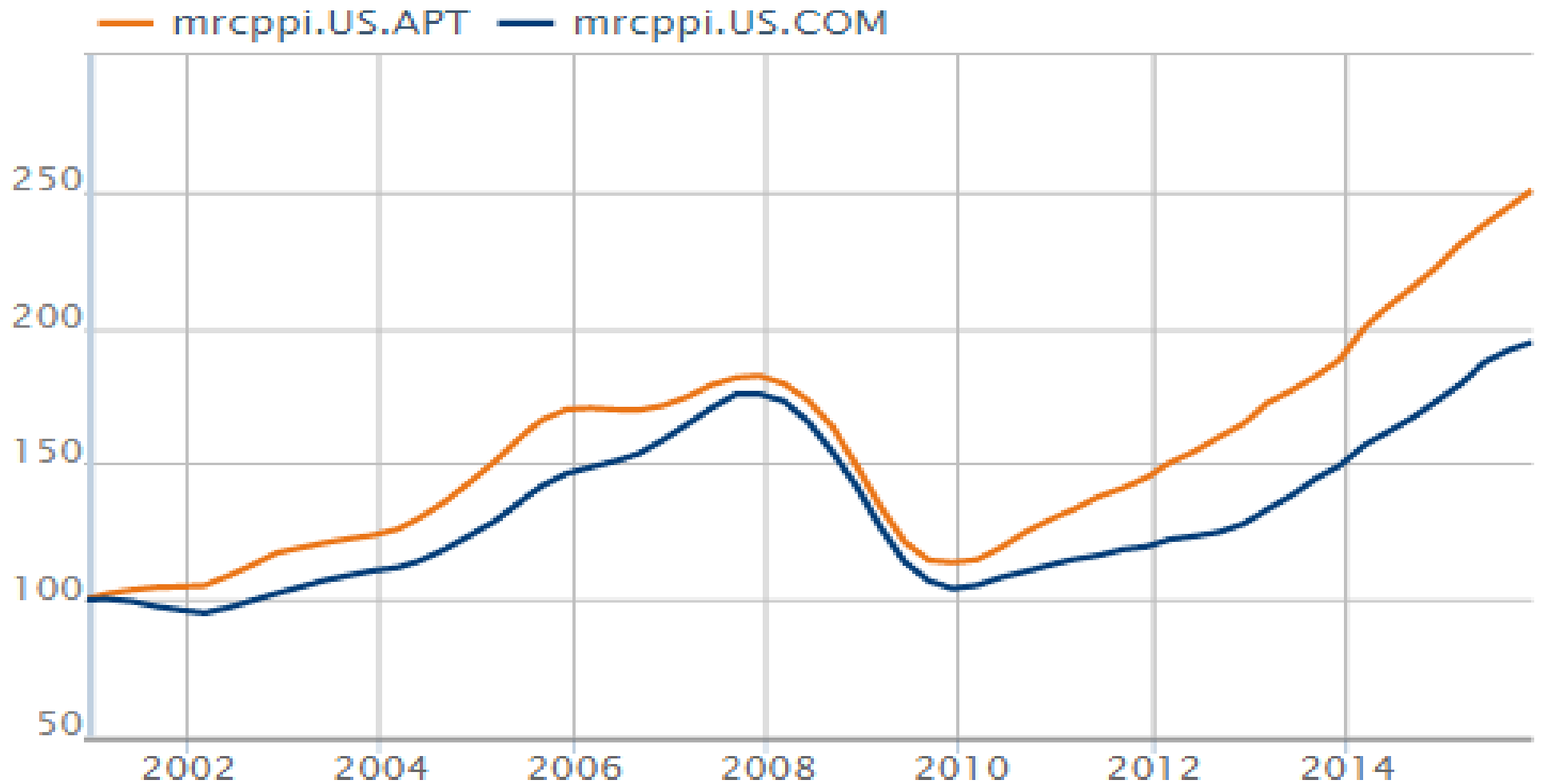
Marketing Time for Portland Metro Apartments- 2012 to YTD 2016



Sale Price vs. Asking Price for Portland Metro Apartments- 2012 to YTD 2016



Value Trends in the US 2001 to 2015 for Commercial Properties vs. Apartments



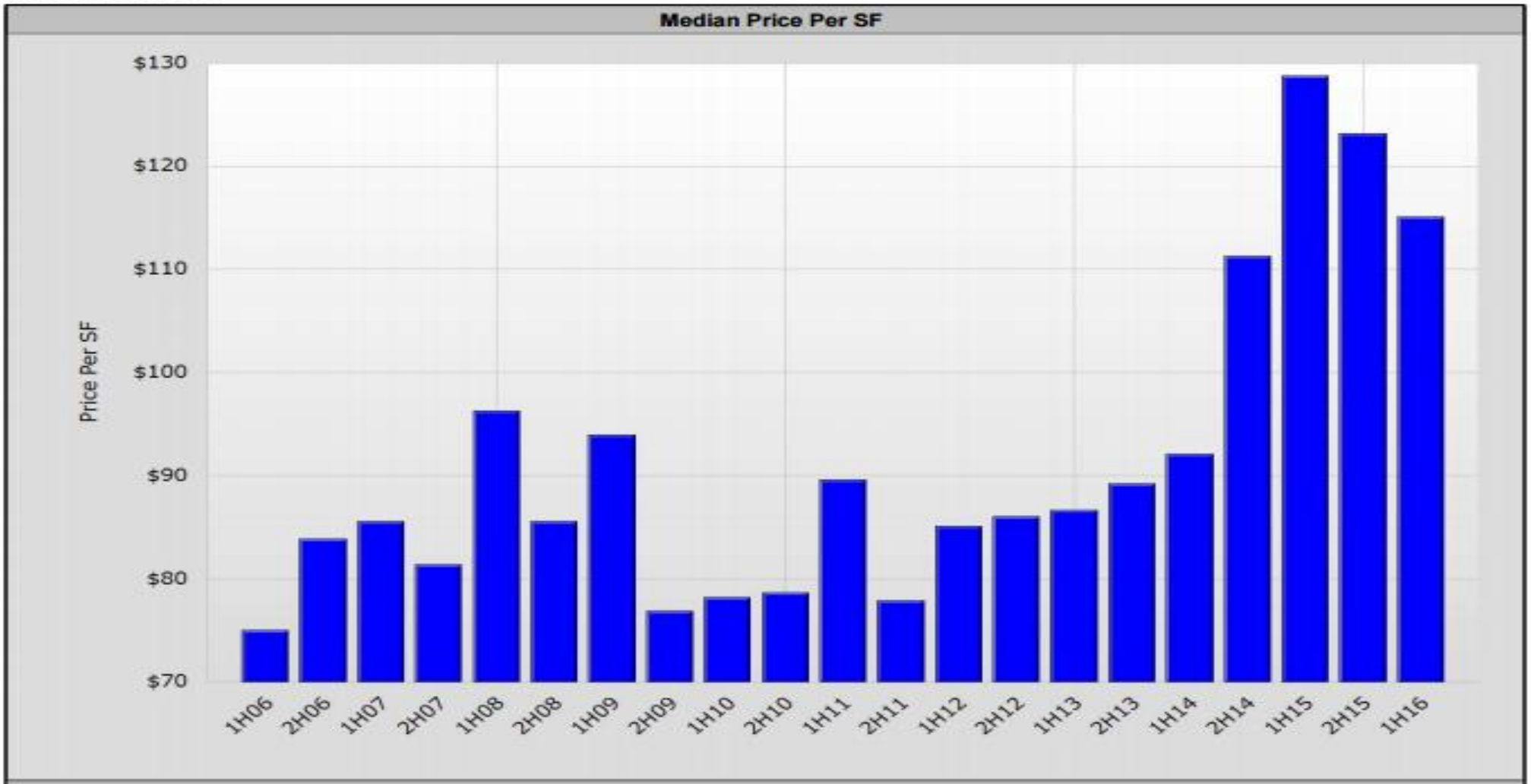
Portland Metro Median Price Per Sq. Ft. - 2006 thru February 2016

Trend Report



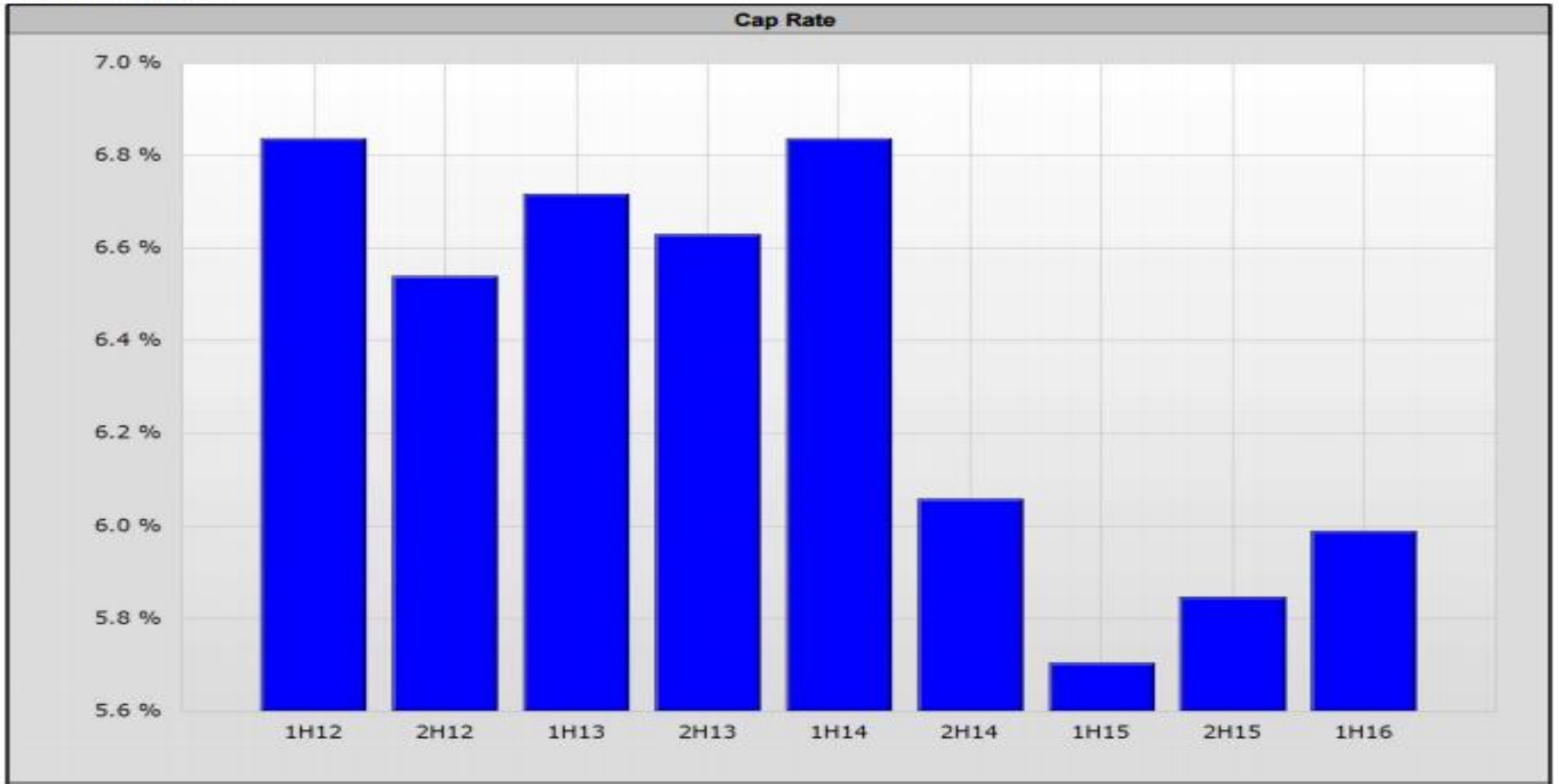
Portland Metro Median Price Per Sq. Ft. On a Semiannual Basis- 2006 thru February 2016

Trend Report



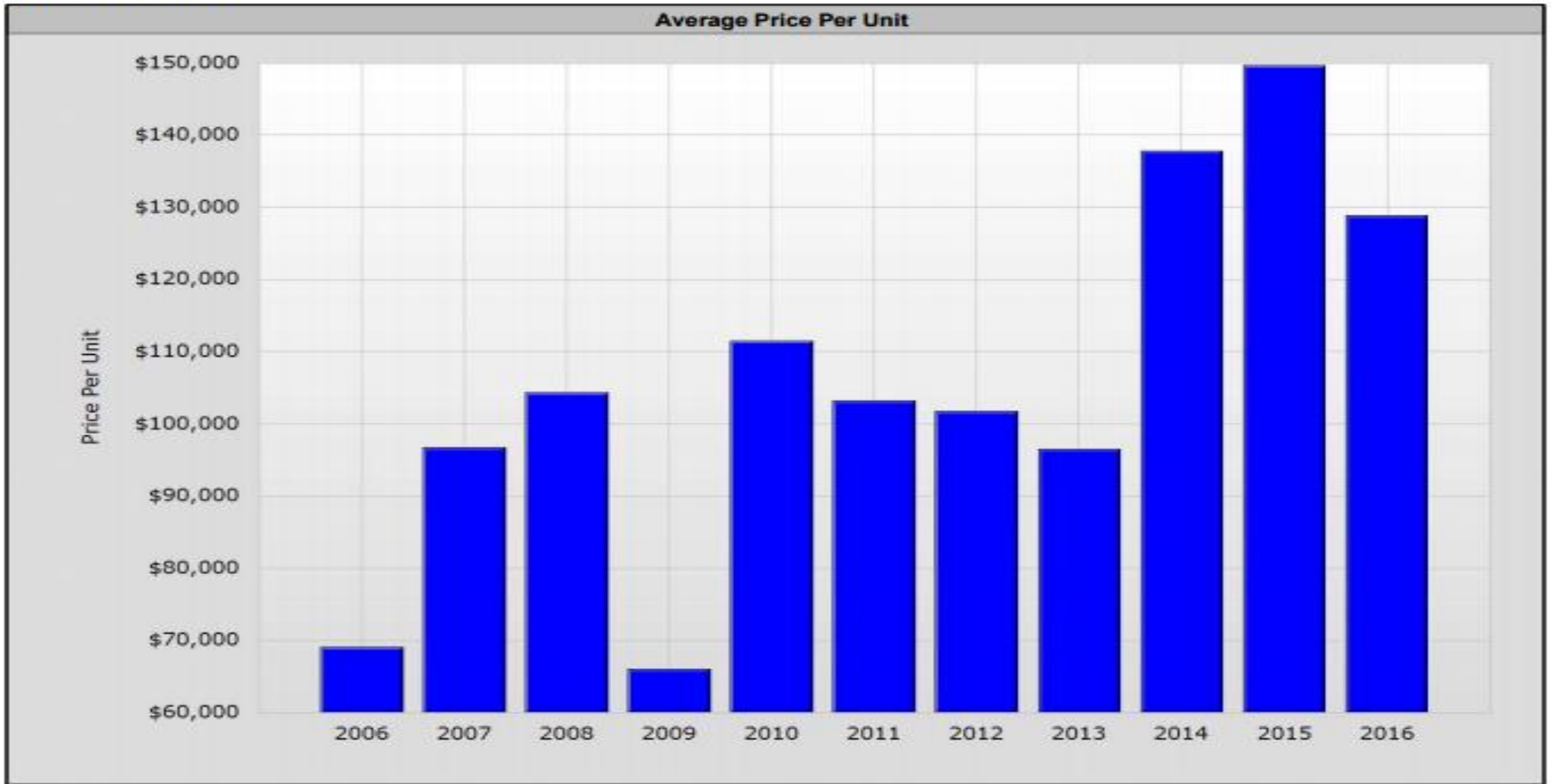
Portland Metro Median Cap Rate On a Semiannual Basis - 2012 thru February 2016

Trend Report



Portland Metro Average Price Per Unit - 2006 thru February 2016

Trend Report



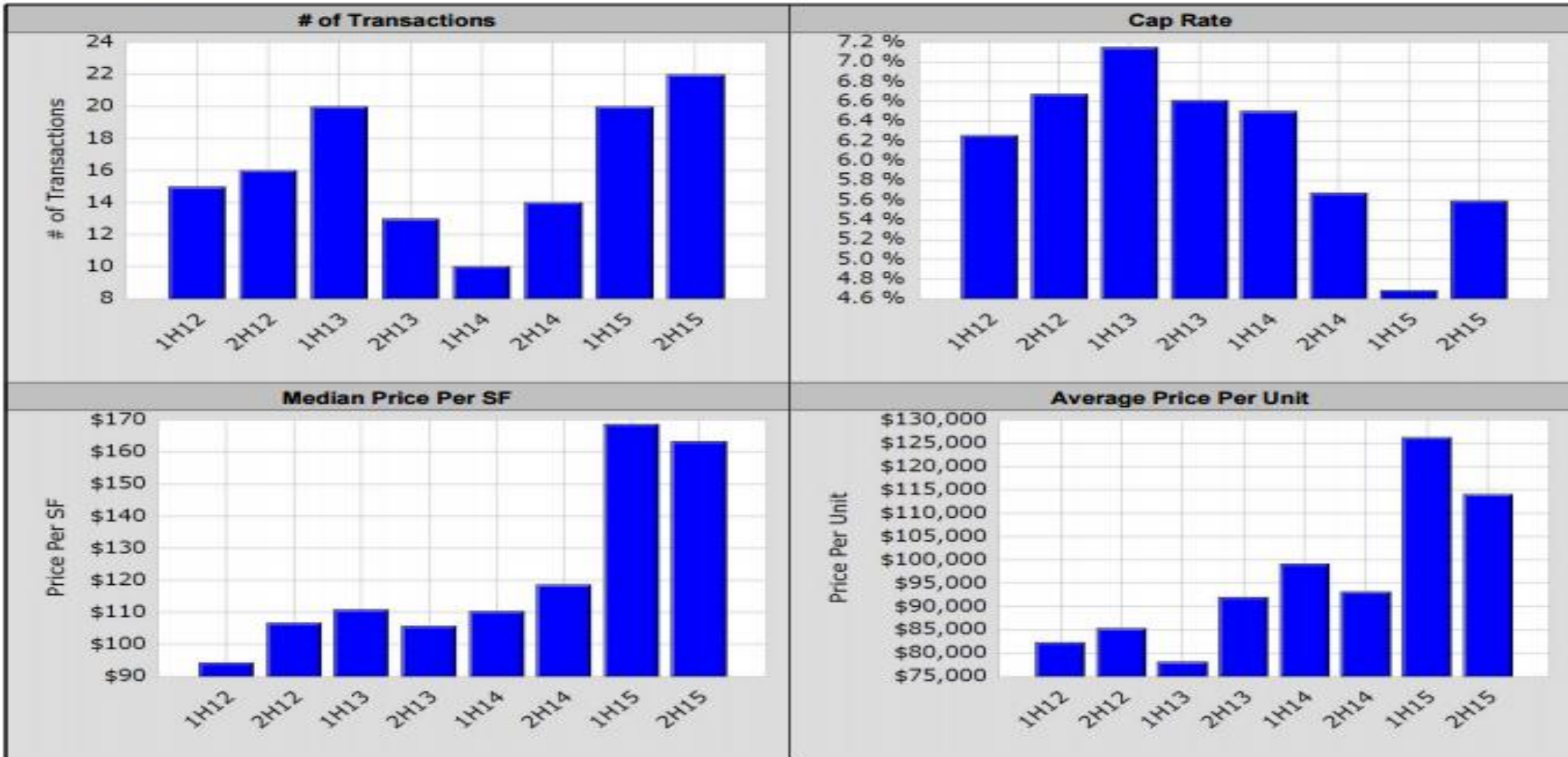
Portland Metro Value Trends On a Semiannual Basis- 2006 thru February 2016

Trend Report



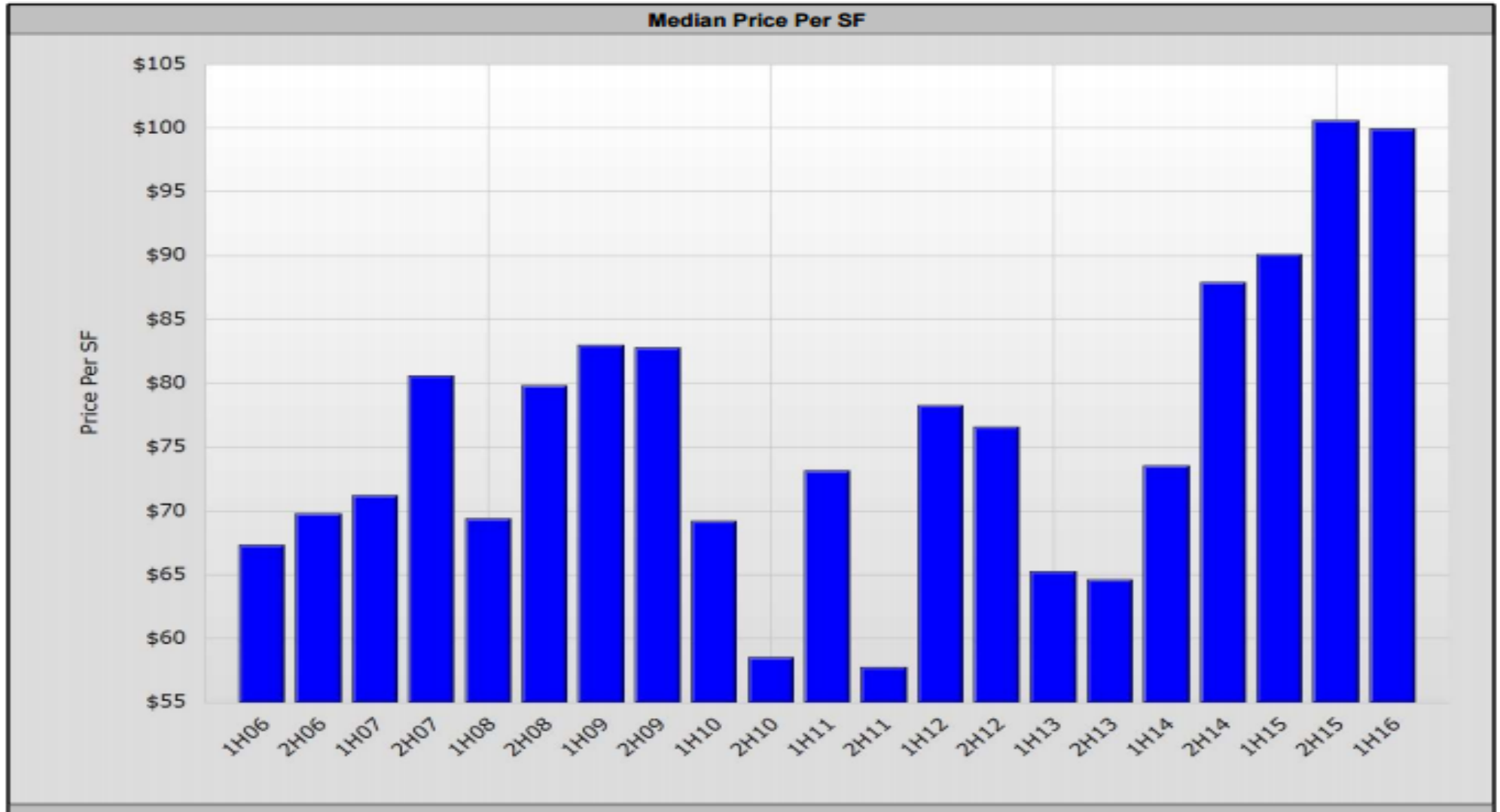
City of Portland Trends for 8 to 50 Unit 1900 to 1965 Built Apartments - 2012 thru 2015

Trend Report

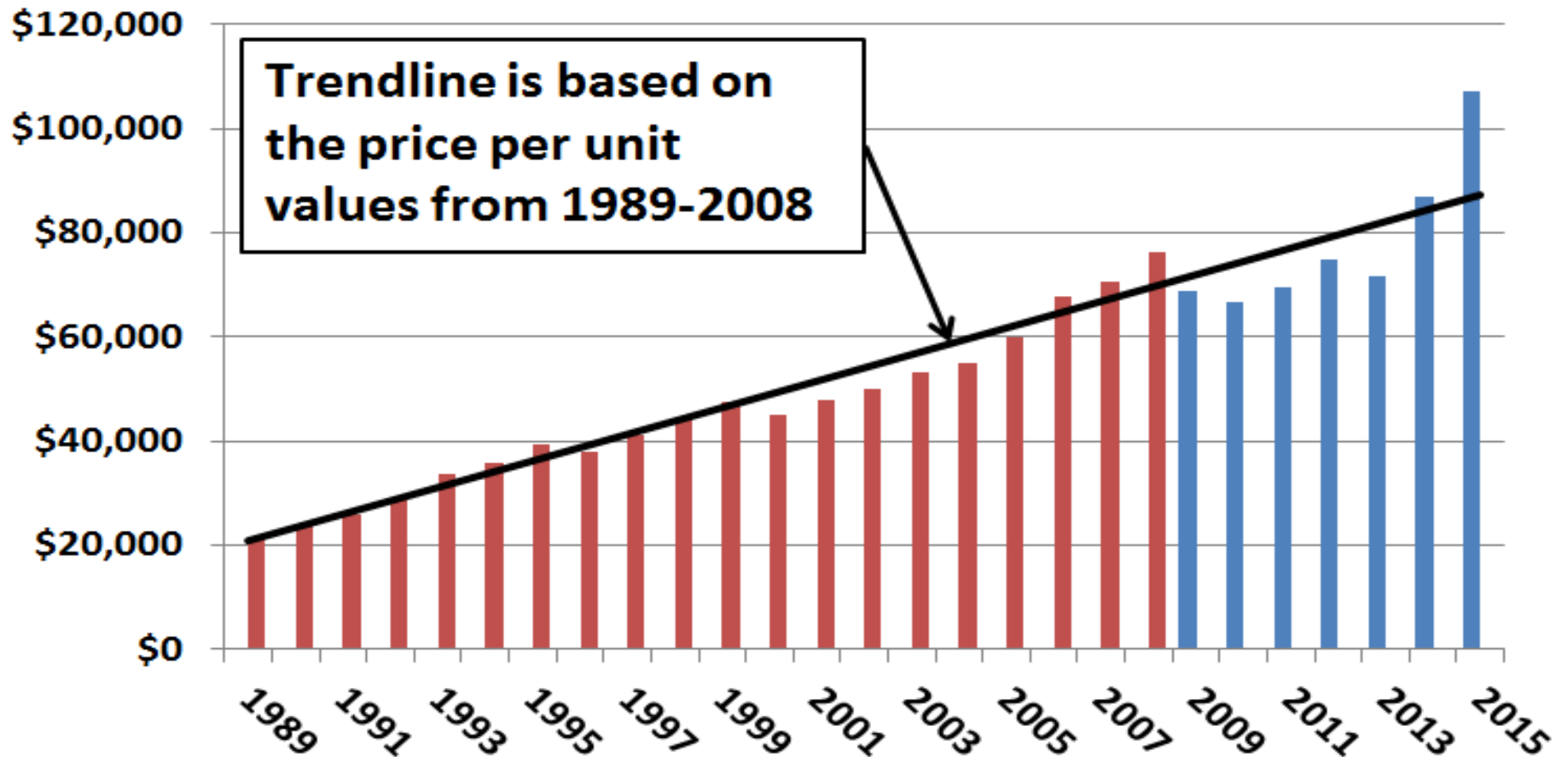


Median Price Per Sq. Ft. of 1960 to 1980 Apts- Suburban Counties - 2006 thru February 2016

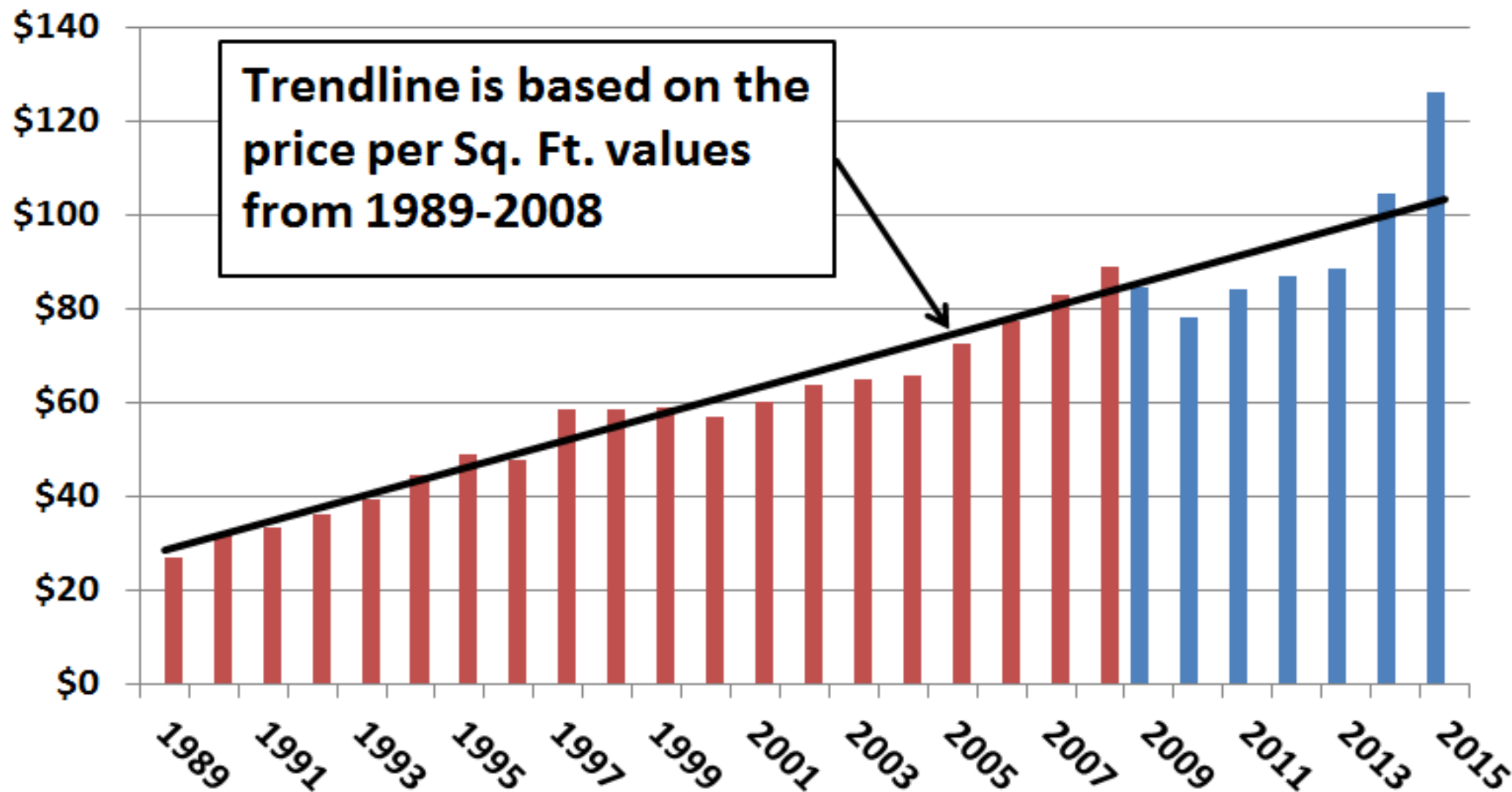
Trend Report



Portland Metro Median Price Per Unit 1989-2015



Portland Metro Median Price Per Sq. Ft. 1989-2015



100 Unit Jasper Square Apartments, Beaverton Part of \$1.7 Billion Acquisition by Blackstone



**October 2015 Sale of 11 Unit Spokane Apartments,
Portland \$2.350 Million & \$213,636/Unit & \$360/SF**



**November 2015 Sale of 20 Unit Classic Apartments- NW
Portland \$3.22 Million & \$161,000/Unit & \$381/SF**



**October 2015 Sale of 8 Unit Donna's Place Apartments-
Forest Grove \$73,375/Unit & \$90/SF**



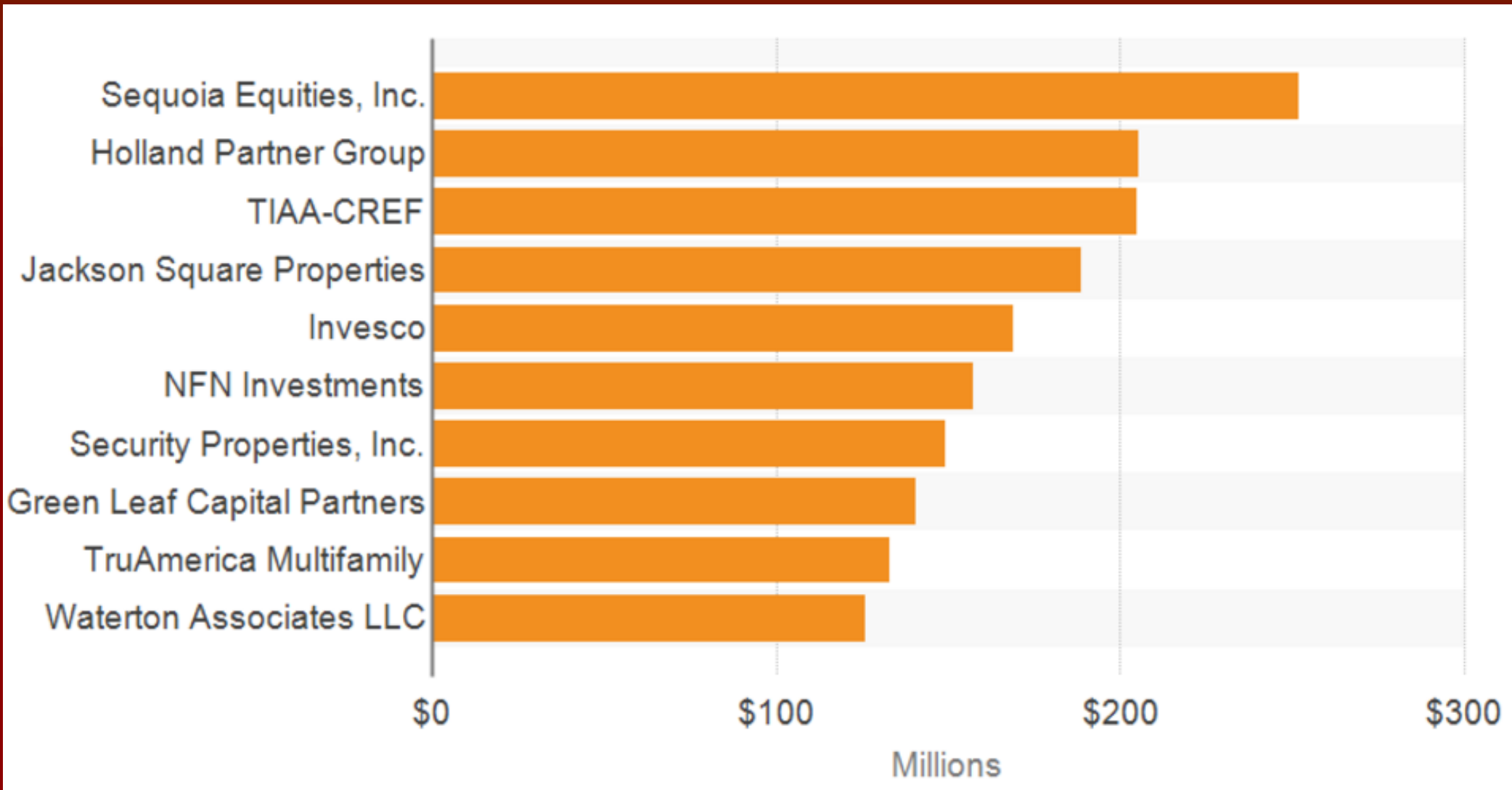
February 2016 Sale of 10 Unit Westcliff Apts., West Linn \$87,254/Unit



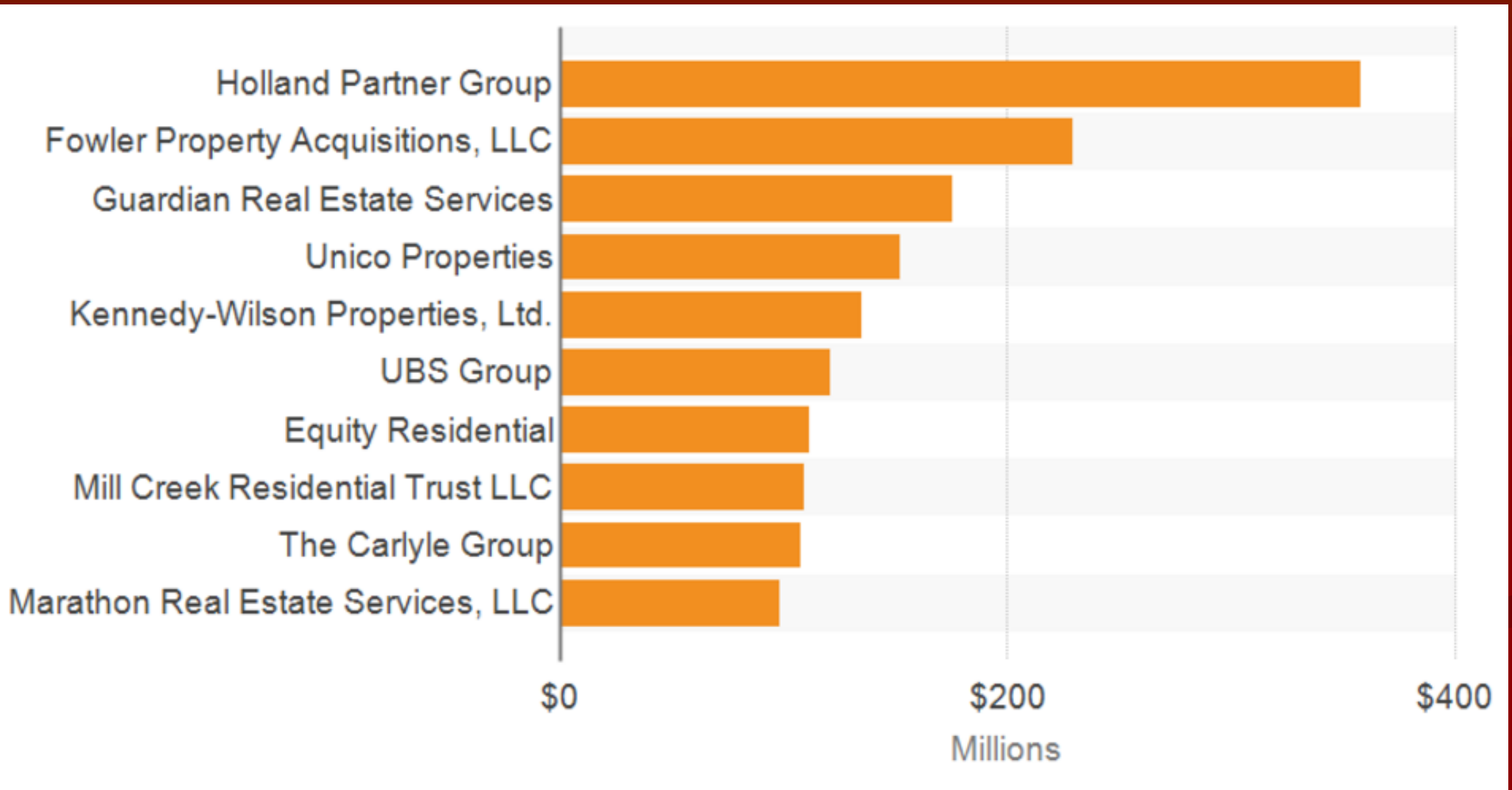
**December 2015 Sale 14 Unit Maple Place Apts.,
Milwaukie \$107,143/Unit and \$129/SF**



Largest Buyers of Portland Area Apartments Based on Dollar Volume - 2012 to YTD 2016



Largest Sellers of Portland-Area Apartments Based on Dollar Volume – 2012 to YTD 2015



How to Invest with one of the Largest Buyer of Portland Metro Apartments

Invesco Real Estate Fund Class B AARBX

Real Estate

Trade

NAV **\$21.78** Change **-0.06 (-0.27%)** Net Expense Ratio **1.99%** Gross Expense Ratio **1.99%** Fund Details [Prospectus](#) Schwab Analysis [Report Card](#)
 Quote data as of close 02/26/2016

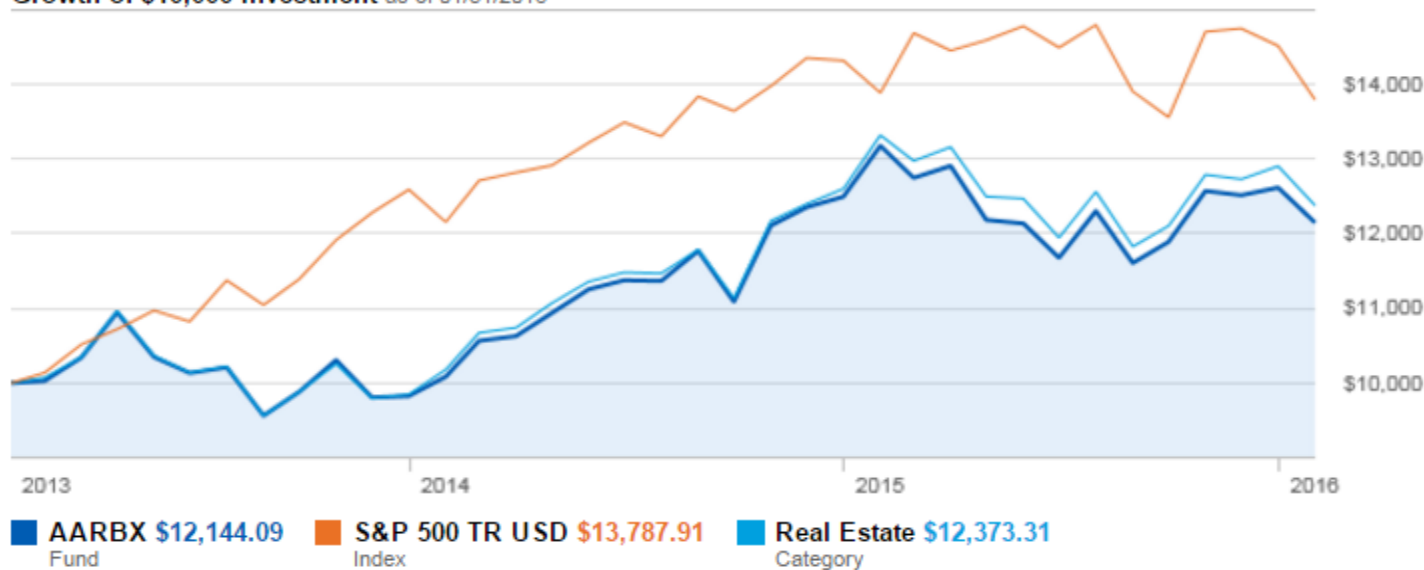
[All Fund Documents](#)

Summary | [Charts](#) | [Distributions](#) | [Performance](#) | [Risk & Tax Analysis](#) | [Portfolio](#) | [Holdings](#) | [Fund Facts & Fees](#)

Growth of \$10,000 Investment | [Historical Quote](#)

[YTD](#) | [1 Year](#) | [3 Years](#) | [5 Years](#) | [10 Years](#)

Growth of \$10,000 Investment as of 01/31/2016



Details

Availability	Redemptions Only
Automatic Investment Plan	No
52 Week Range	\$20.33 - \$28.04
YTD Return	-8.53% <small>As of 01/31/2016</small>
NAV	\$21.78
Tax-Equivalent Yield	--
30-Day SEC Yield	--
Distribution Yield TTM	0.38%
Most Recent Distribution	\$3.6756 <small>as of 12/11/2015</small>
Annual Operating Expenses	
Gross Expense Ratio	1.99%

Before and After Renovation

Rent of \$650/month to \$1,150/month



Renovated 1 Br Apartment for Rent – 500 Sq. Ft. For \$1,295



Micro Apartments of Less than 200 Sq. Ft.

Micro Units:
Fad or
Fixture?



THE NEW YORKER

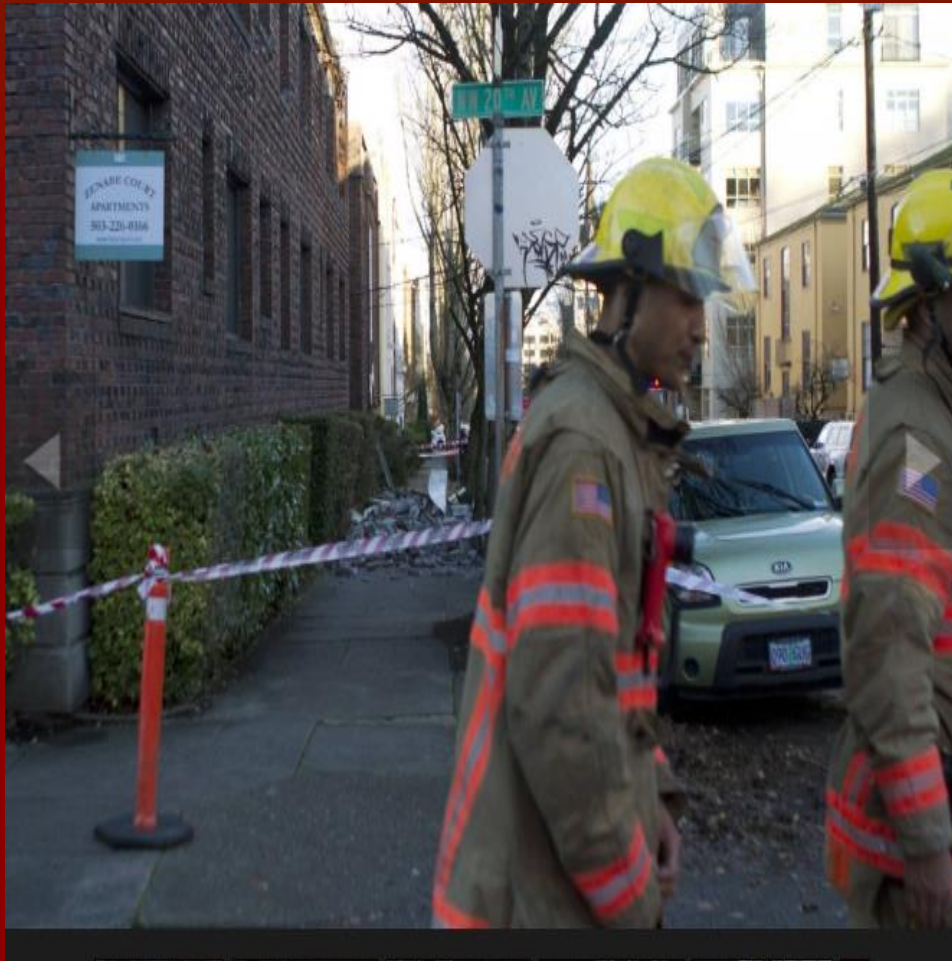
ANNALS OF SEISMOLOGY | JULY 20, 2015 ISSUE

THE REALLY BIG ONE

An earthquake will destroy a sizable portion of the coastal Northwest. The question is when.

BY KATHRYN SCHULZ

Parapet falls from NW Portland building; no injuries reported



Trends for 2016

- Interest Rates
- Employment
- Home Ownership Ratio
- Apartment Construction
- Conclusion



Contributor

Bill Conerly

I connect the dots between the economy and business decisions. [Full Bio »](#)

FOLLOW

Interest Rates

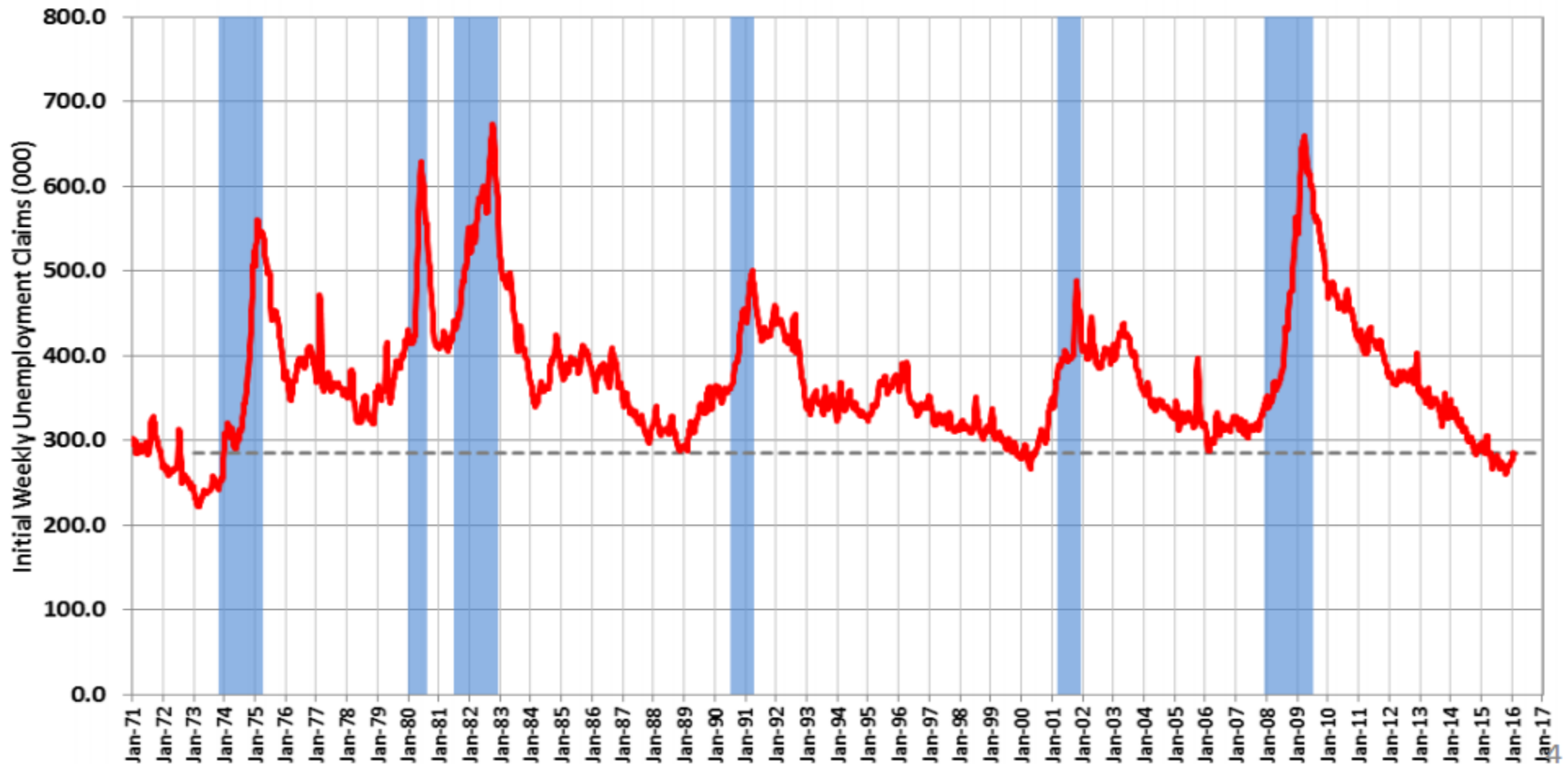




Best Leading Indicator

Initial Weekly Unemployment Claims

■ Recession - - - Current Level — Initial Claims (4 week moving Average)

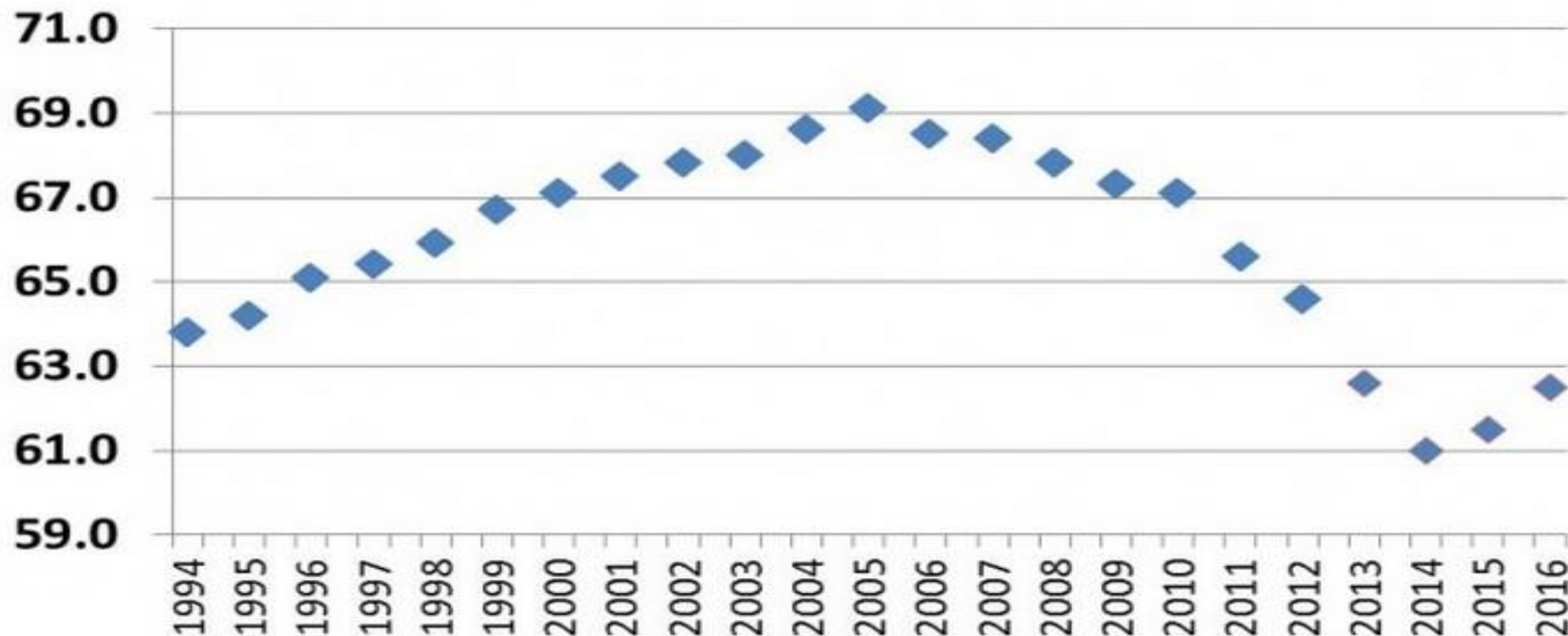


<http://www.calculatedriskblog.com/>

Norm Miller, PhD Professor, Burnham-Moores Center for Real Estate
University of San Diego

Michael Sklarz, Ph.D., President Collateral Analytics

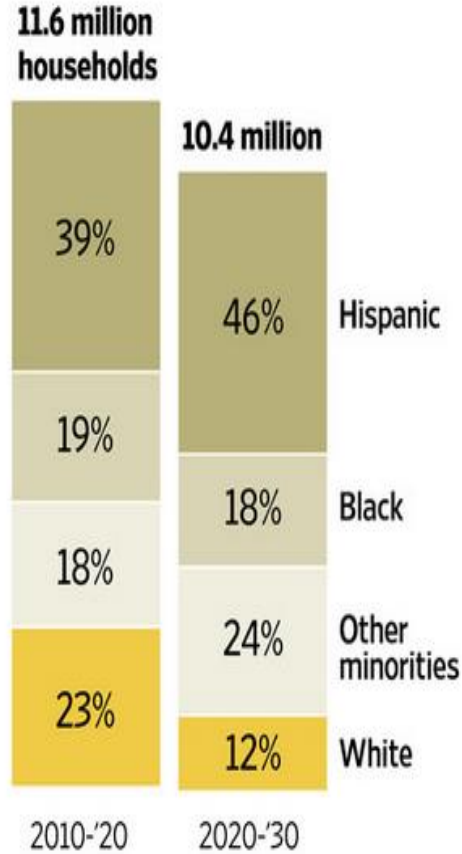
Homeownership Rate and Possible Path



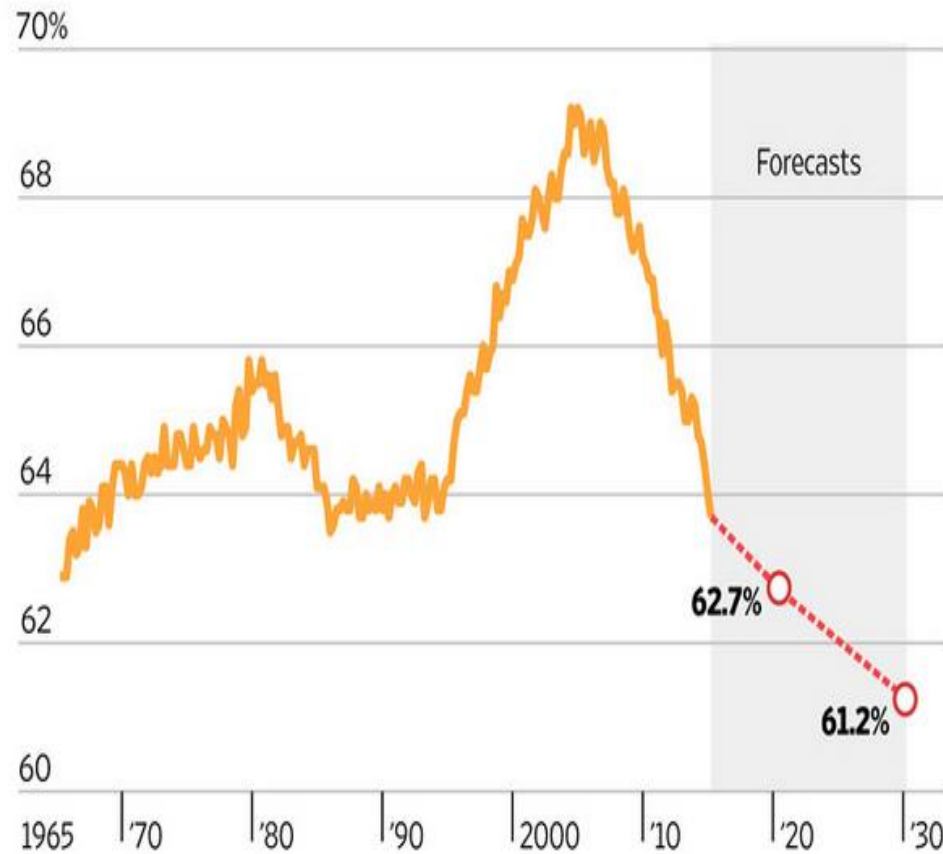
Home Builders

Minorities, who will account for more household-formation growth...

Net new households

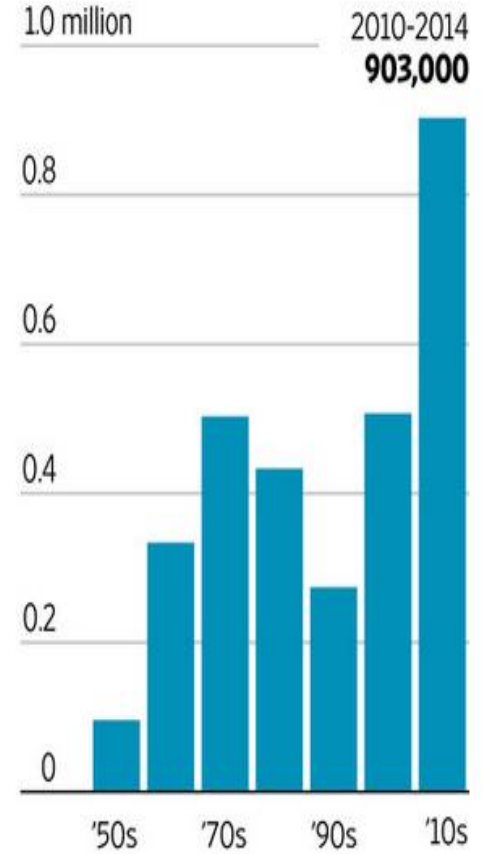


...are less likely to own homes, which will drag down the U.S. homeownership rate...



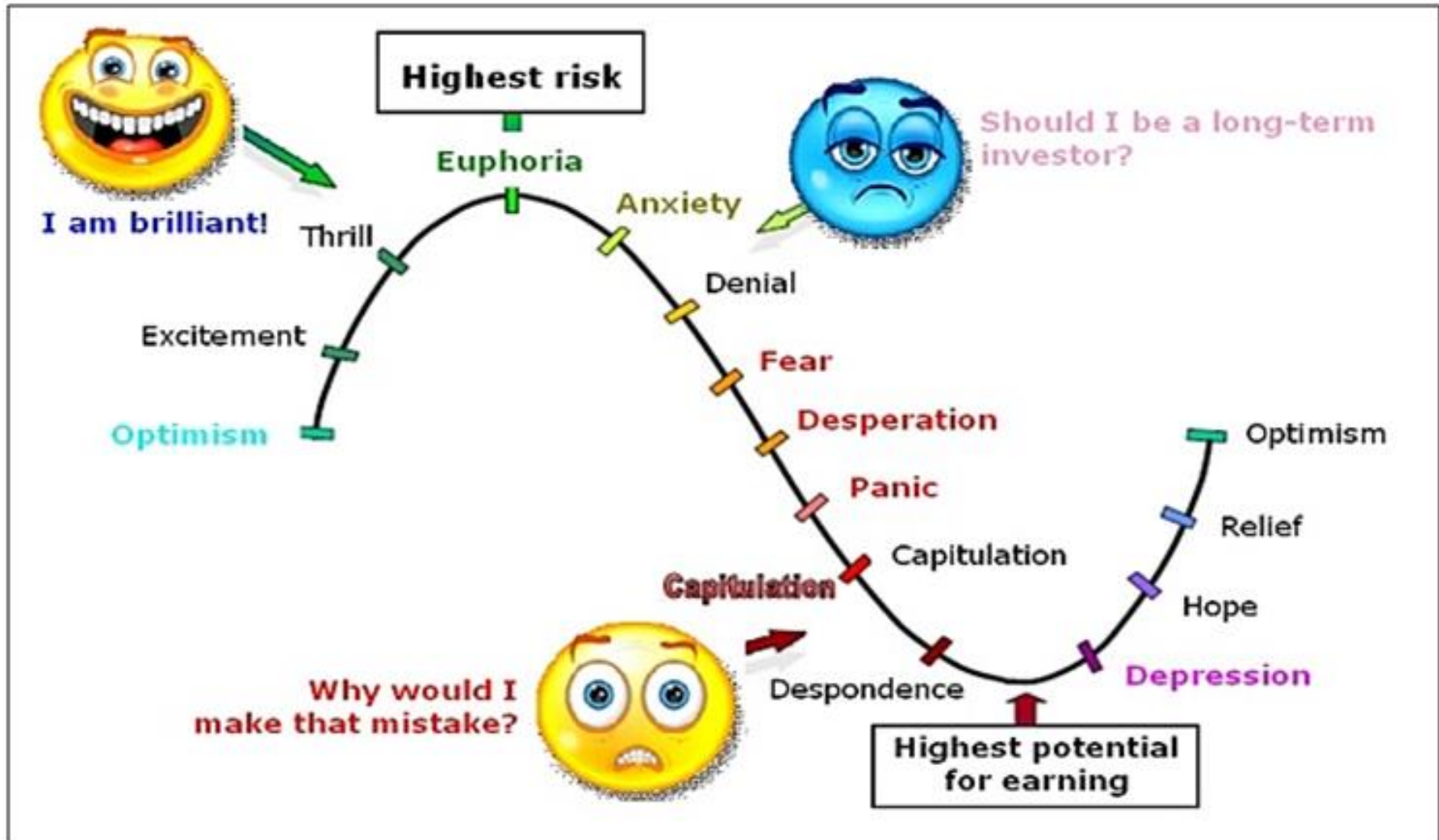
...as rental growth surges.

Average annual net growth in renter households



Sources: Urban Institute (household formation, homeownership rate forecasts); Commerce Department (homeownership rate); Harvard Joint Center for Housing Studies (renting households)

The cycle of market emotions



Portland Metro Apartment Market- Positives and Negatives – March 2016

Positives

1. Strong local economy
2. Low apartment vacancies
3. Low interest rates
4. Declining home ownership
5. Tremendous momentum
6. Repositioning & redefining of Portland

Negatives

1. Weakening nat'l & int'l economy; strong dollar hurts exports
2. Interest rates increasing?
3. High apt construction
4. Turmoil in energy markets
5. Value? Have they peaked? Is there any upside?
6. Rent vs. buy
7. When is next recession?