

CCIM Oregon/SW Washington Chapter

Portland Metro Apartment Market – A
Review of 2017 & Thoughts for 2018

January 3, 2018

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Topics Covered - Portland Metro Apartment Market

- Macro Trends and Overview
 - Interest Rates, Employment, Population, Home Ownership Ratio, Apt Construction
- Apartment Fundamentals
 - Rents and Income, Vacancies, Expenses
- Apartment Sales and Values
- Other Issues
- Trends for 2018

Categories > Money, Banking, & Finance > Interest Rates > Mortgage Rates

☆ **30-Year Fixed Rate Mortgage Average in the United States** (MORTGAGE30US)

Observation:
2017-12-28: **3.99** (+ more)
Updated: Dec 28, 2017

Units:
Percent,
Not Seasonally Adjusted

Frequency:
Weekly,
Ending Thursday

1Y | 5Y | 10Y | Max

2016-12-28

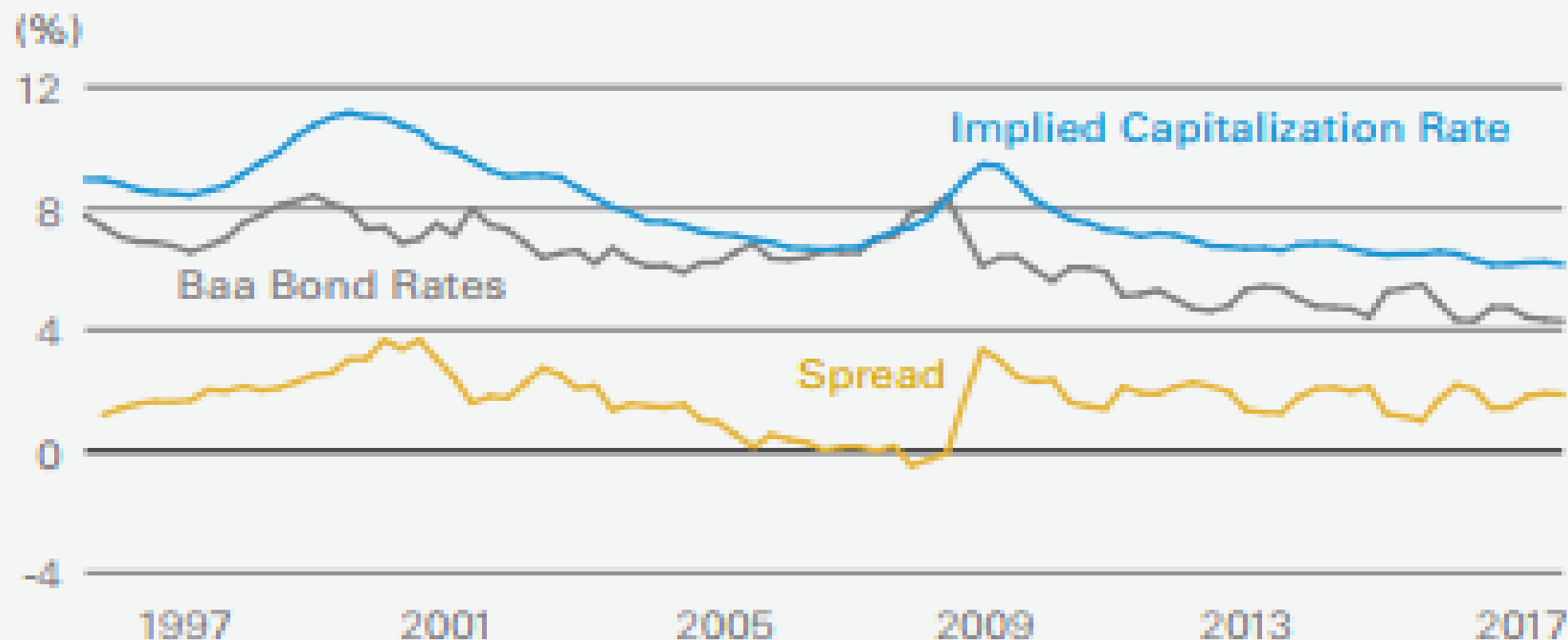
to

2017-12-28

FRED — 30-Year Fixed Rate Mortgage Average in the United States



REIT-Implied Capitalization Rate Spread to Baa-Rated Bonds



As of 31 October 2017

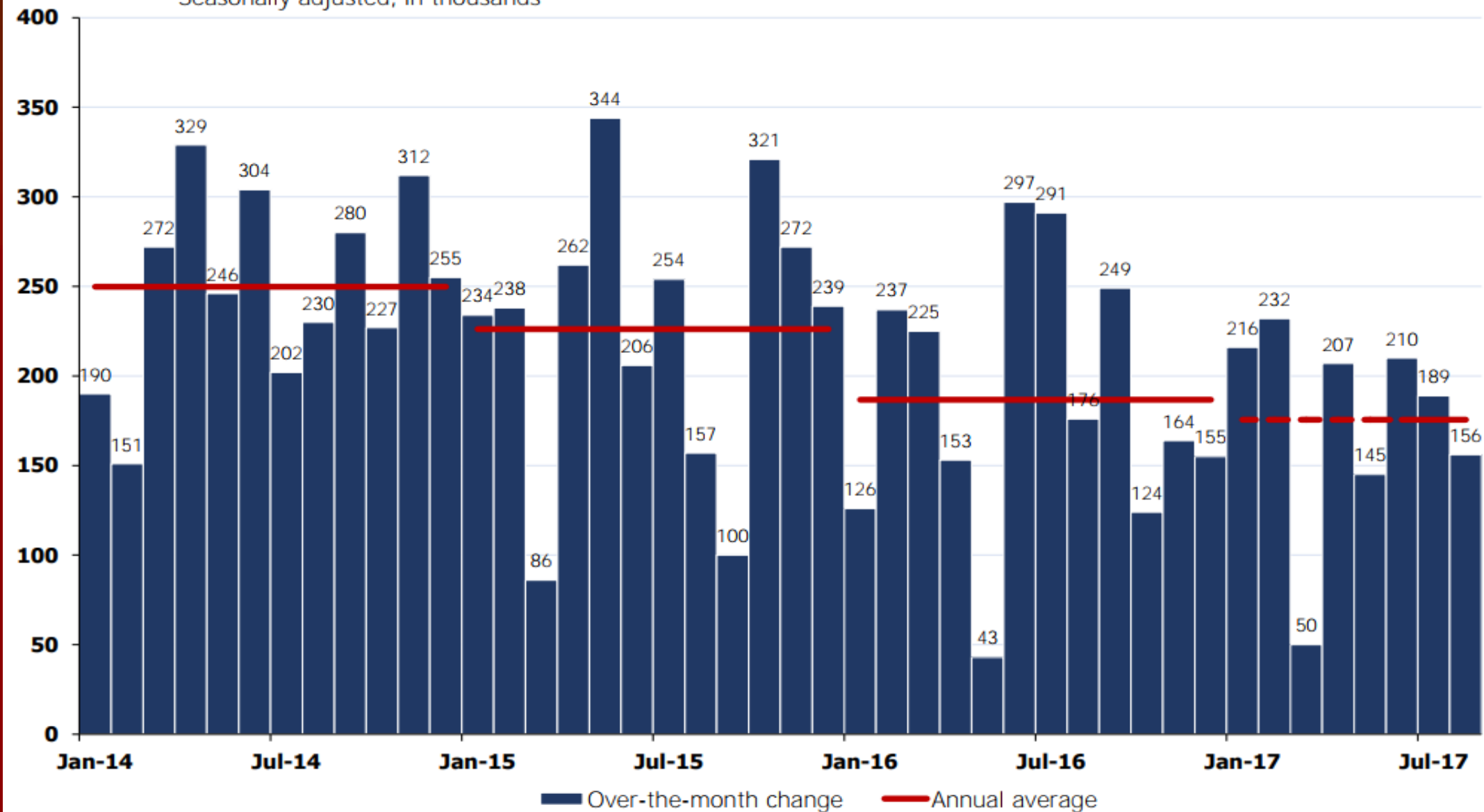
The REIT market as represented is a basket of 53 large and investable REITs across all sectors, as identified and selected by SNL Financial. The basket also includes companies that over time have gone private or merged in order to avoid survivor bias in the historical data.

Source: SNL Financial

Employment in total nonfarm

Over-the-month change, January 2014 - August 2017

Seasonally adjusted, in thousands



Bureau of Labor Statistics, Current Employment Statistics, September 01, 2017.

Most recent 2 months of data are preliminary.

☆ All Employees: Total Nonfarm Payrolls (PAYEMS)

DOWNLOAD

Observation:
Nov 2017: 228 (+ more)
Updated: Dec 8, 2017

Units:
Change, Thousands of Persons,
Seasonally Adjusted

Frequency:
Monthly

1Y | 5Y | 10Y | Max

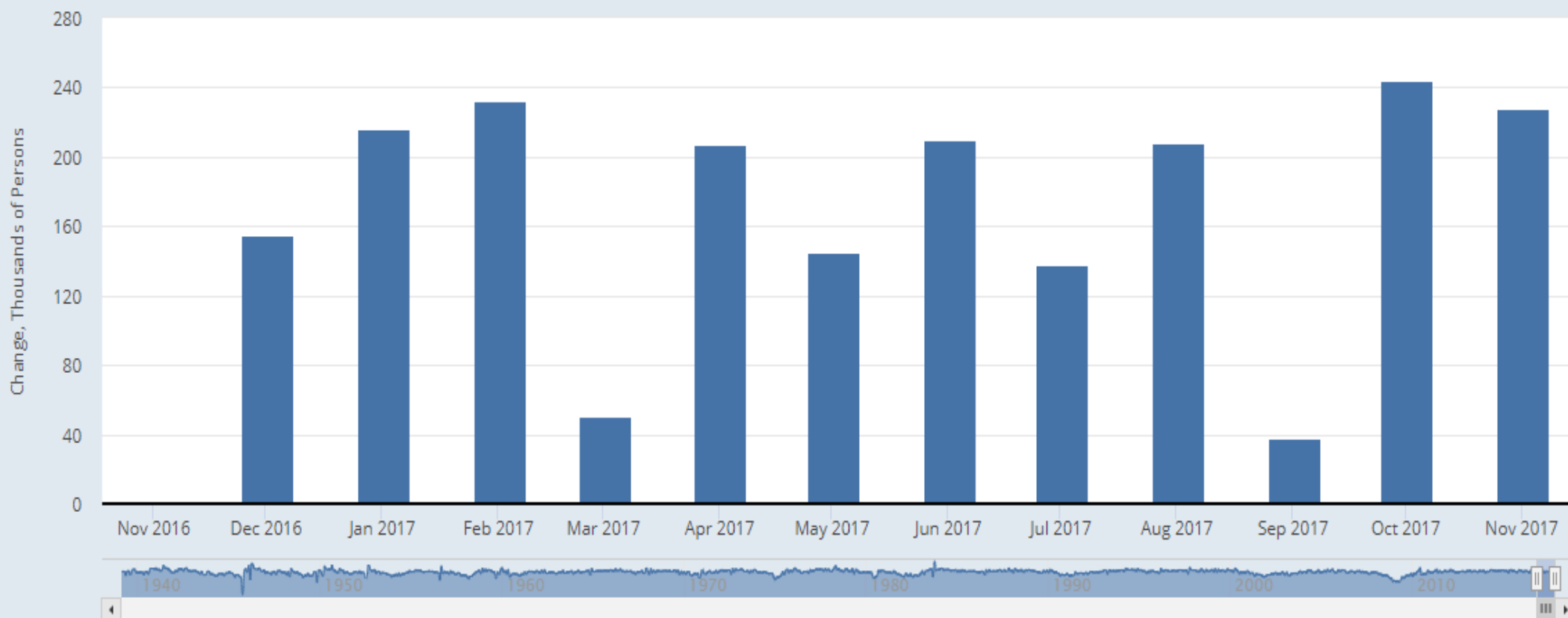
2016-11-01

to

2017-11-01

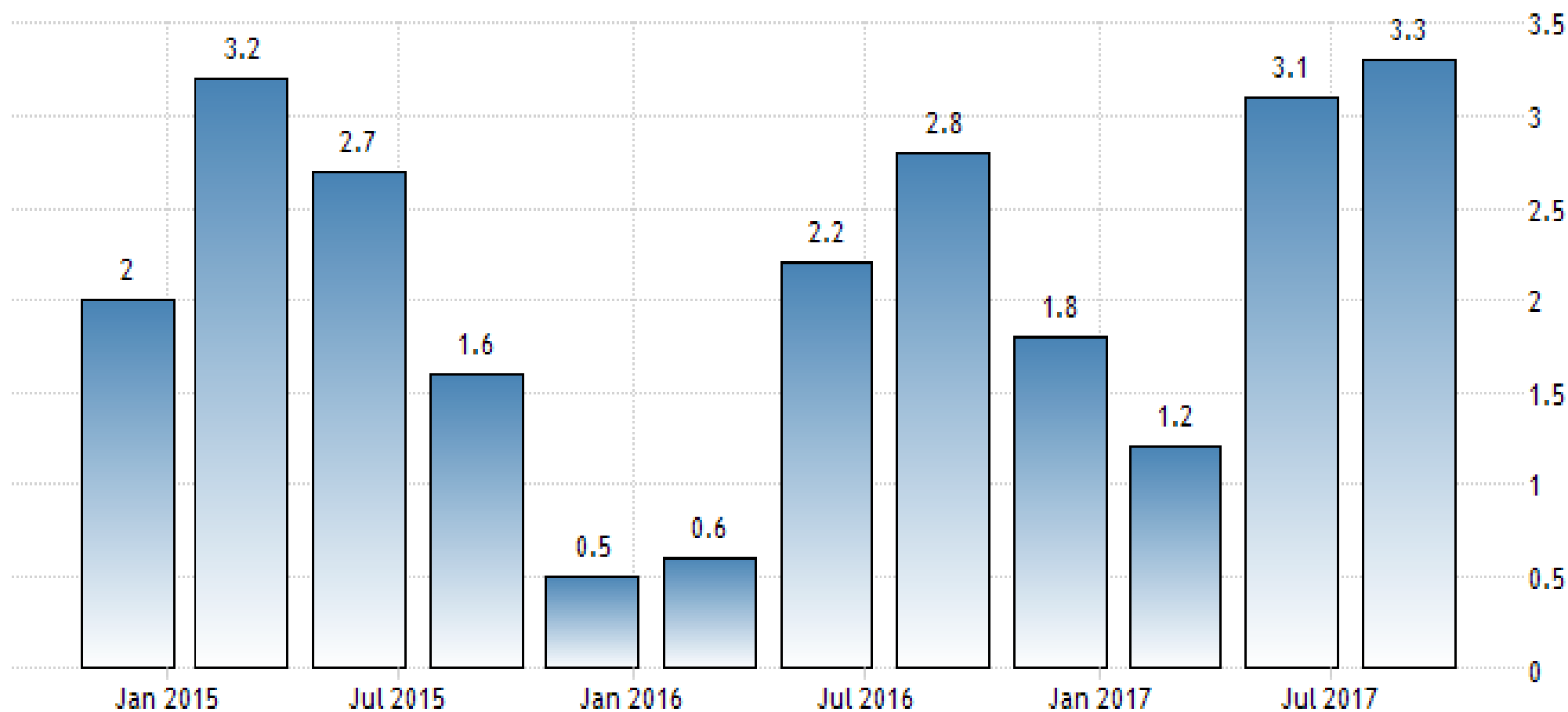
EDIT GRAPH

FRED ● All Employees: Total Nonfarm Payrolls

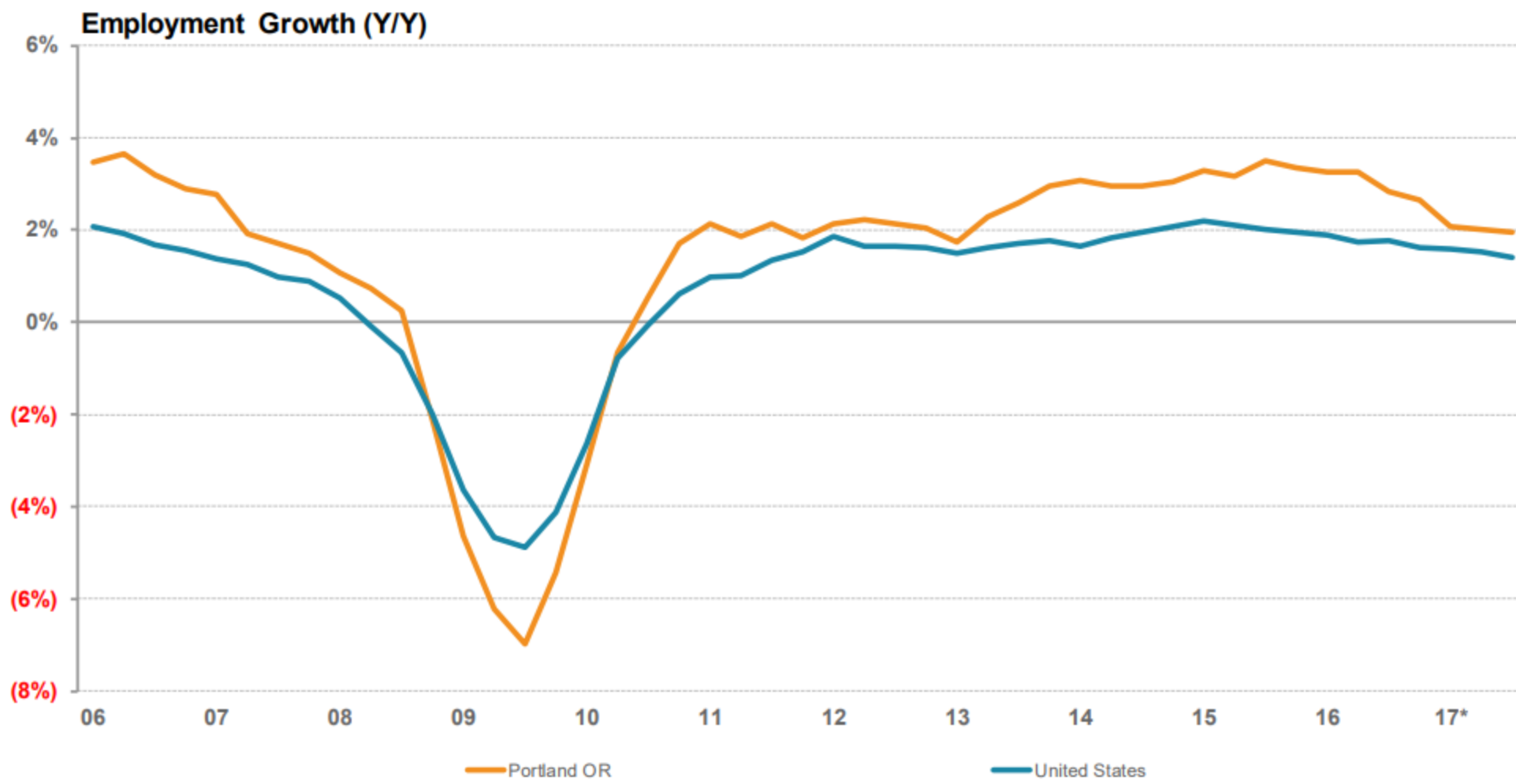


US GDP Growth Revised Up to 3.3% in Q3, Highest in 3 Years

US GDP GROWTH RATE



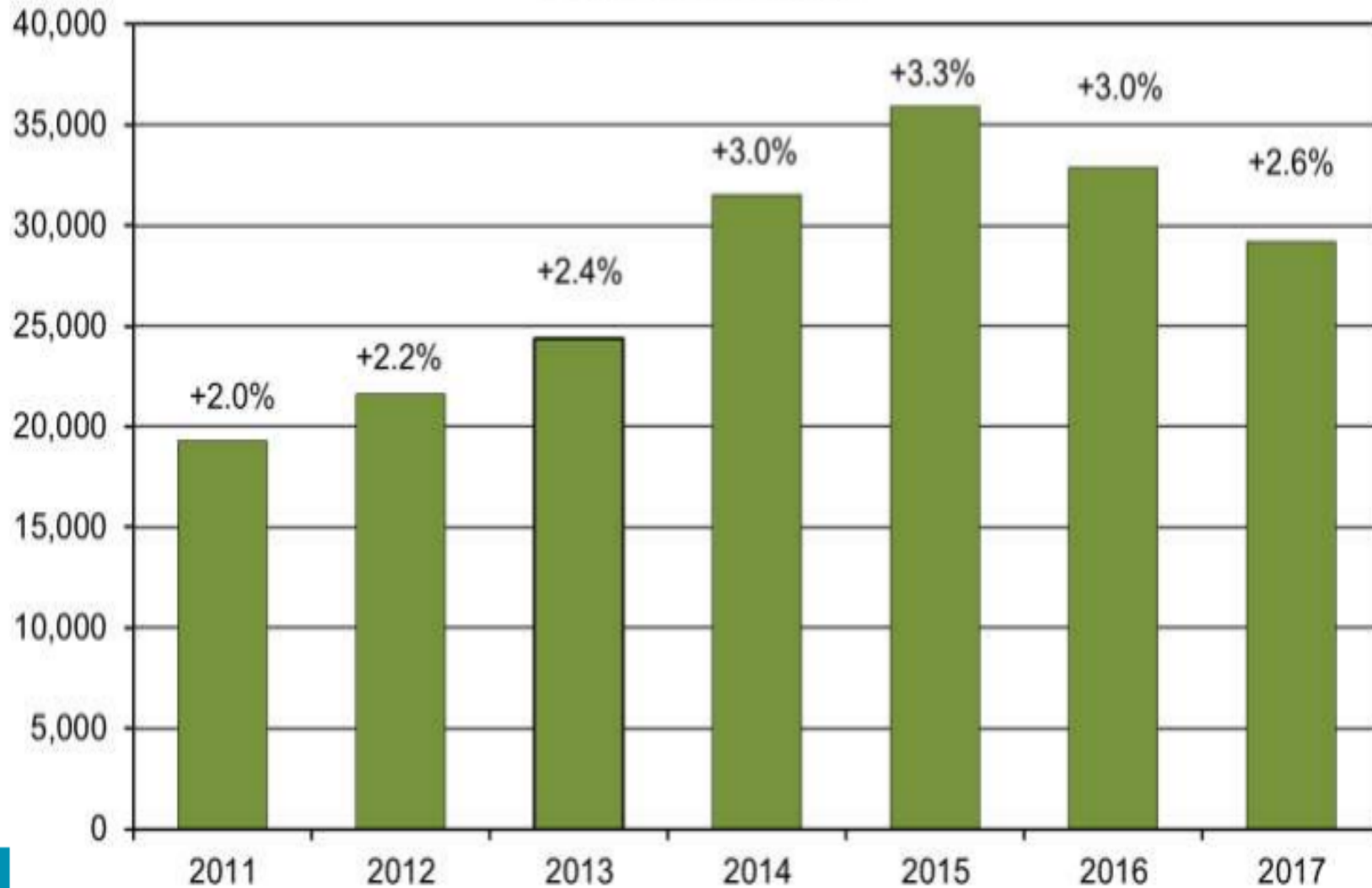
Portland OR Historical Employment Growth



Sources: Moody's Analytics; CoStar Market Analytics
*Year to Date

Leveling Off

Annual Job Gains
Portland Metro Area



FOR IMMEDIATE RELEASE: December 26, 2017

CONTACT INFORMATION:

Amy Vander Vliet, Economist

Amy.S.VanderVliet@oregon.gov

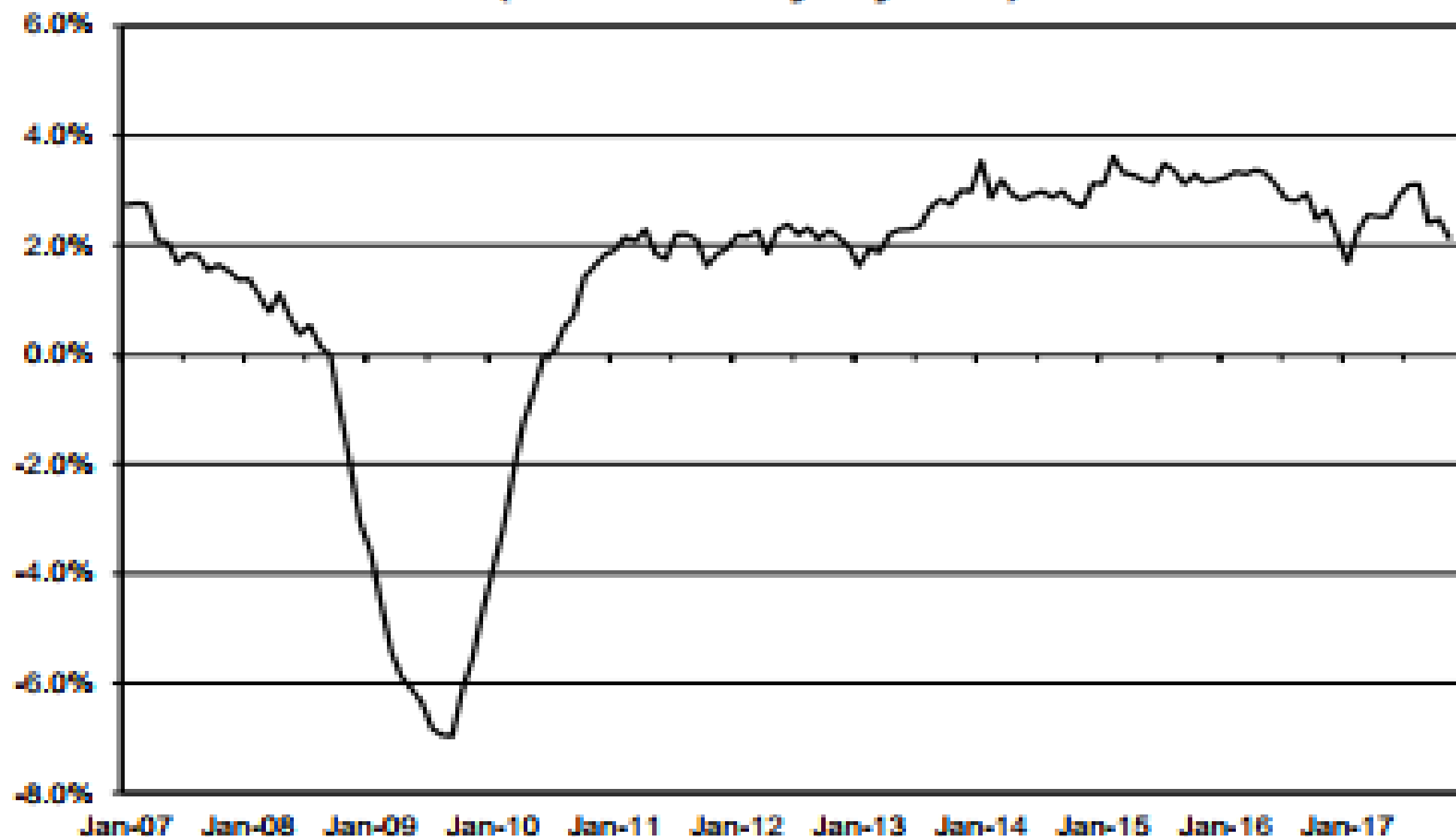
(971) 804-2099

Employment in the Portland Metro Area: November 2017

Low Unemployment, Moderate Job Losses

The Portland metro area's unemployment rate fell to 3.9 percent in November, down from 4.2 percent in October. Over the year, the rate declined from 4.5 percent as the number of unemployed residents fell by 5,200 to 52,700.

Year-over-Year Job Growth Rates: Portland Metro Area (not seasonally adjusted)





[Jobs & Careers](#)

[Economic Data](#)

[Business & Industry](#)

[Training & Education](#)

[Local Areas](#)

[Publications](#)

[Performance Measures](#)

[Press Release](#)

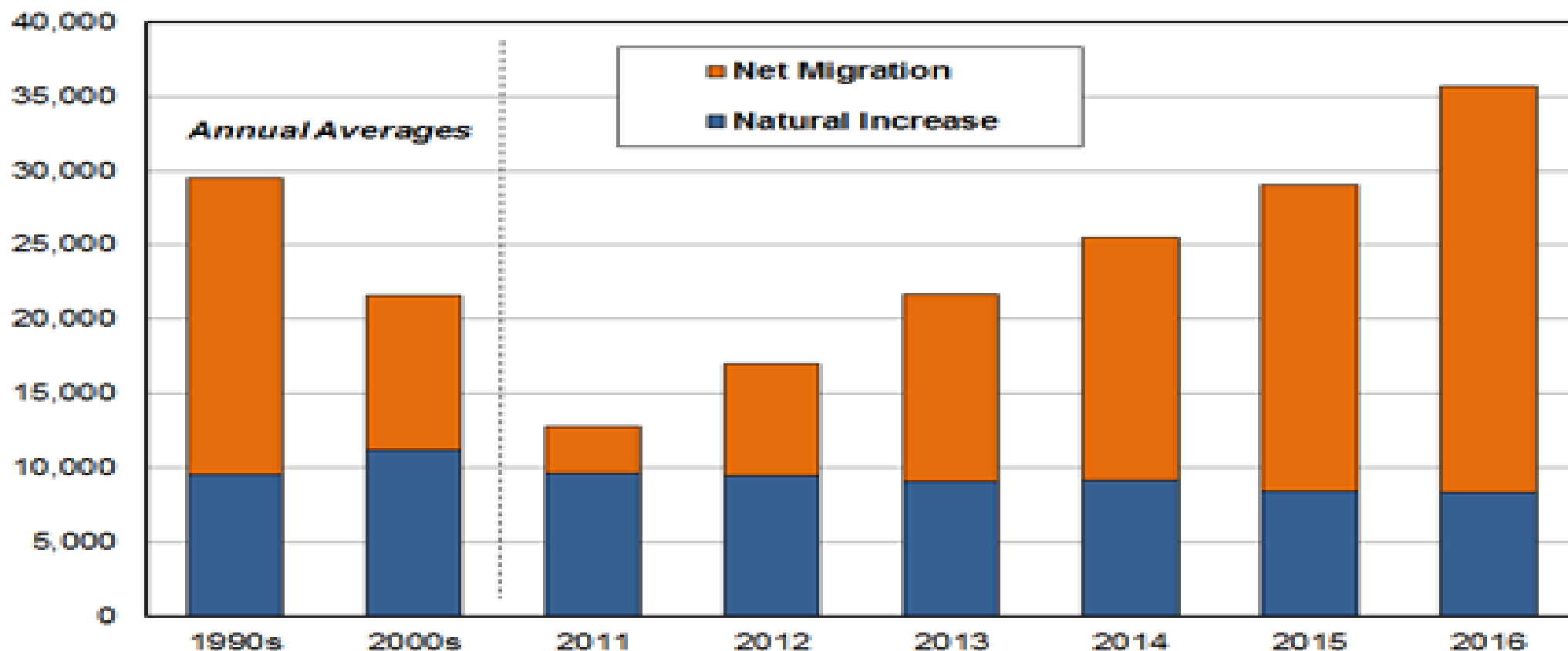
[Print](#)

Fueled by In-Migration, Portland Metro Area's Population Surges in 2016

May 31, 2017

by Amy Vander Vliet

Components of Population Change Portland Metro (Oregon portion)

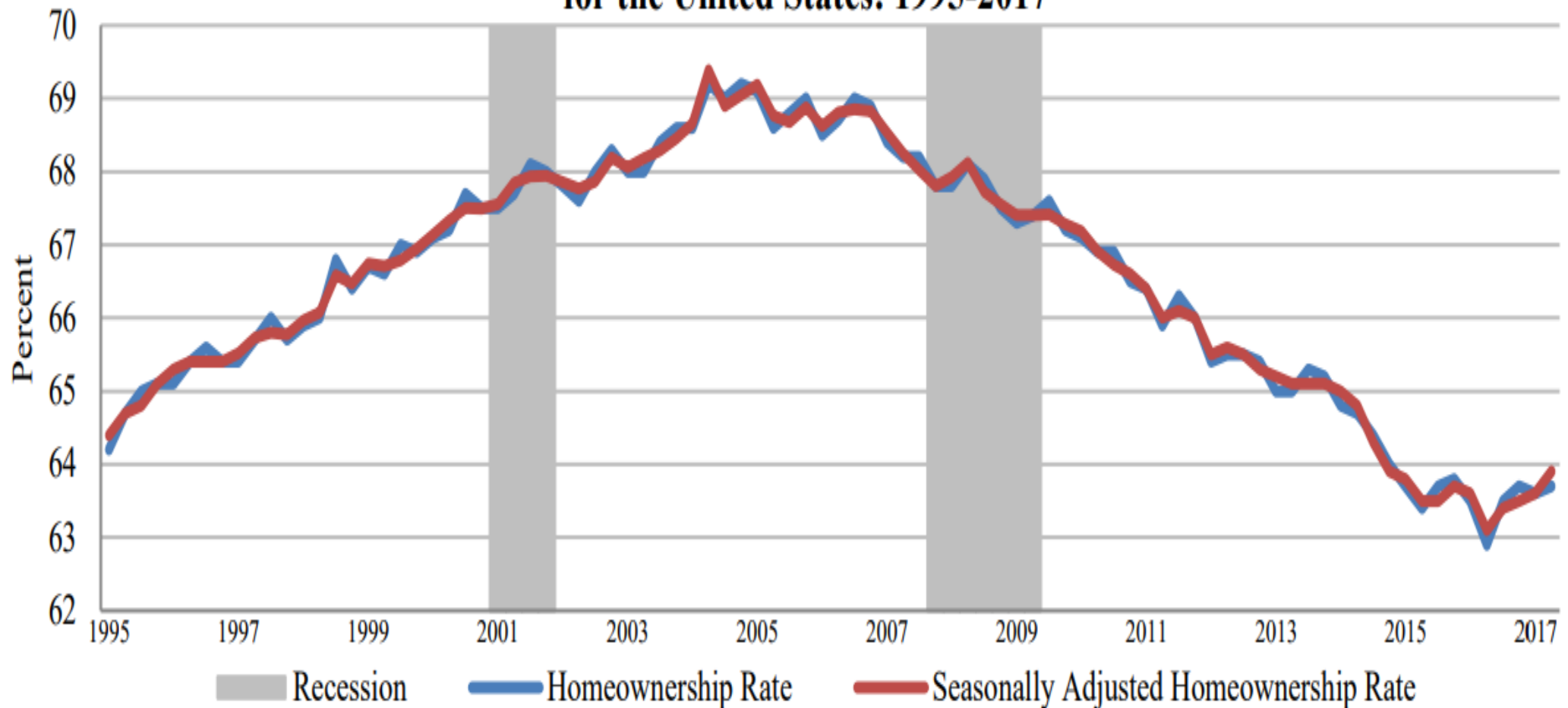


Source: Population Research Center, Portland State University

Homeownership rate rises to highest level since 2014

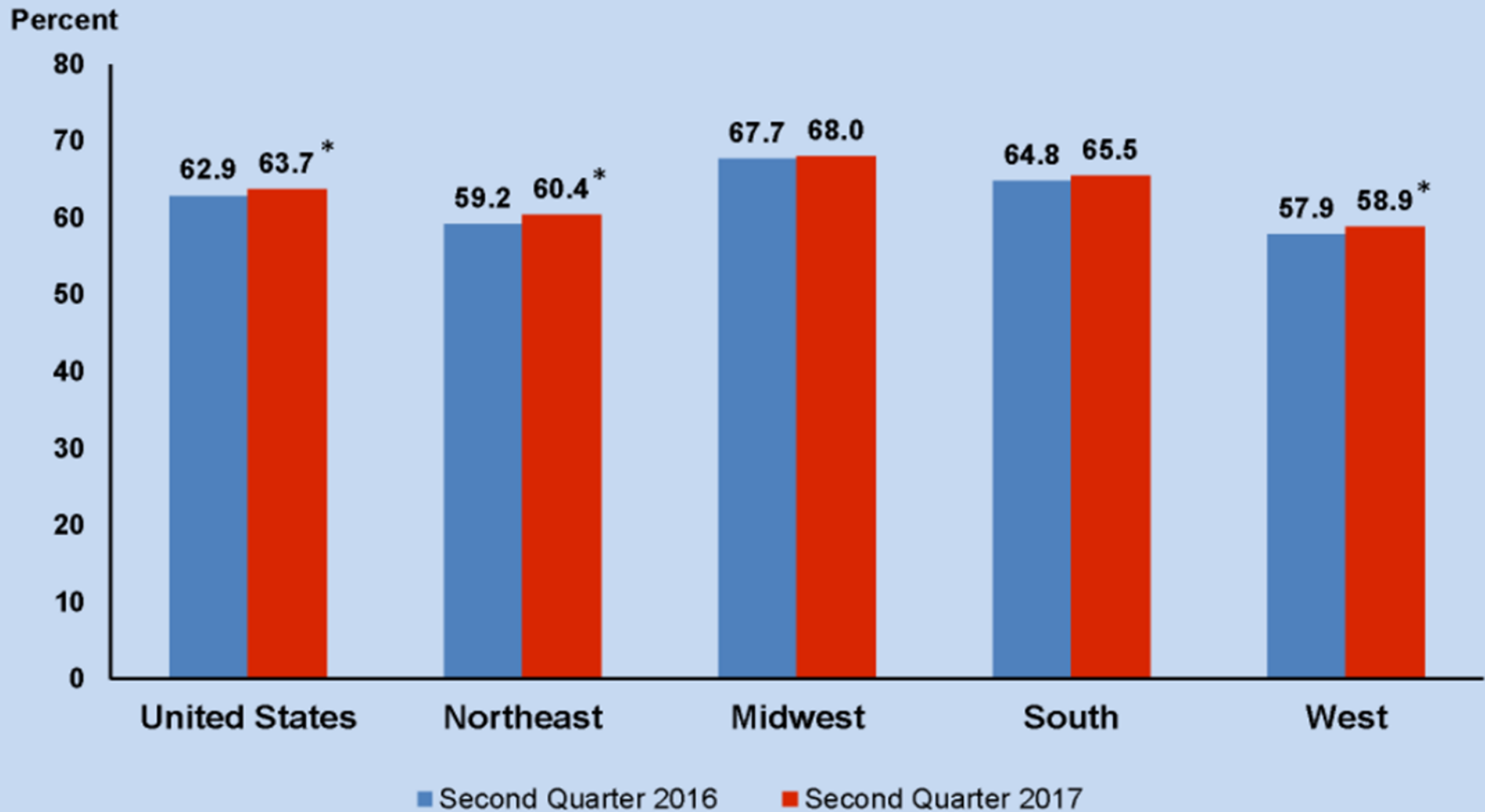
Continues slow trek back above historic lows

Figure 4
**Quarterly Homeownership Rates and Seasonally Adjusted Homeownership Rates
for the United States: 1995-2017**



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, July 27, 2017, Recession data: National Bureau of Economic Research, <www.nber.org>

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

Schwab Sector Views: Real Estate Roundup

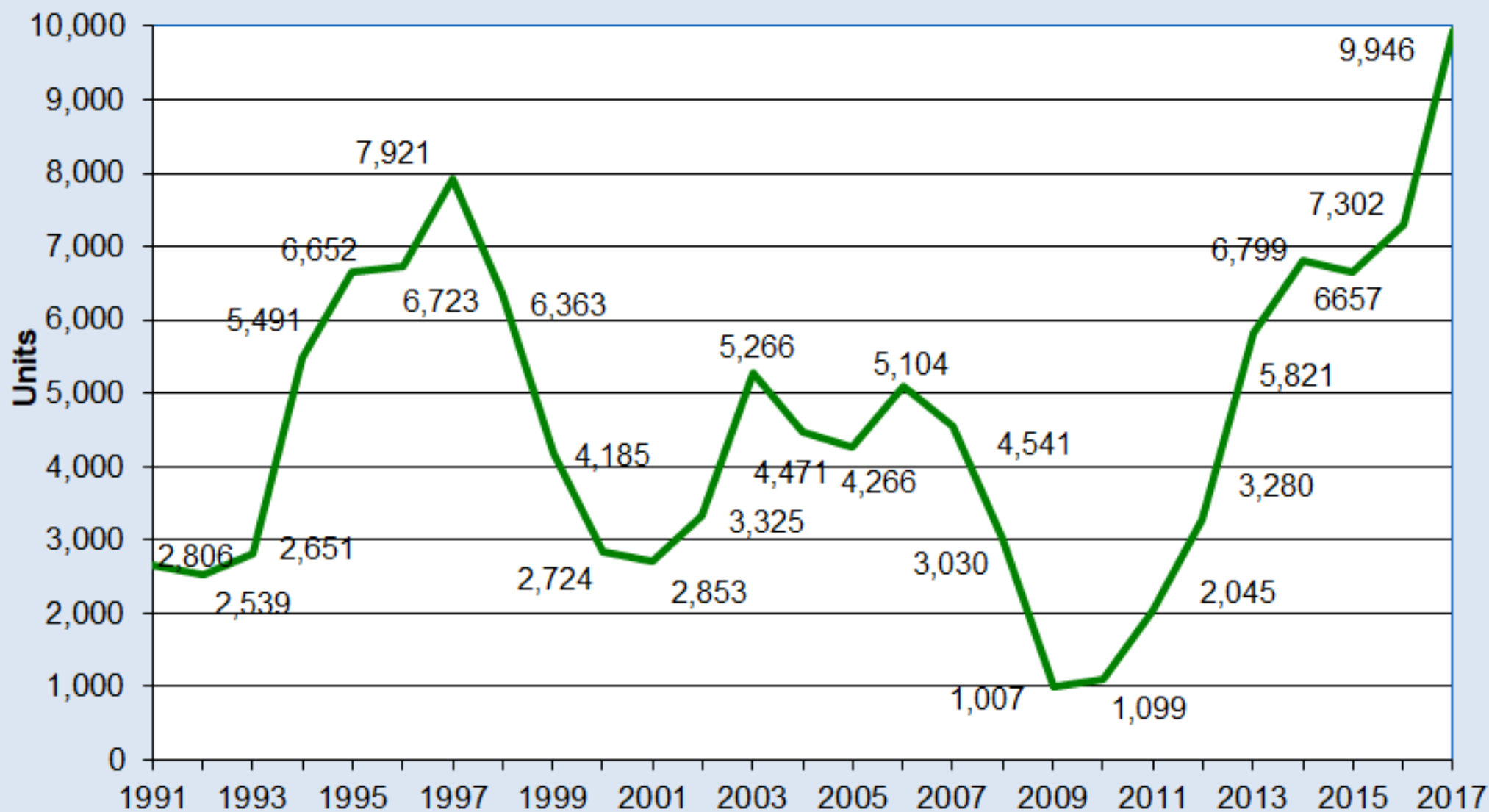
By Brad Sorensen  - August 31, 2017

Key Points

- Rising interest rates, retail challenges, and changing demographics present potential challenges to the sector.
 - We believe caution is still warranted and that the real estate sector will underperform the market over the next 3-6 months.
-

According to the Census Bureau, the number of household formations of owners rose by 1.3 million in the second quarter, continuing an upward trend in new ownership. Meanwhile, renter formations fell by 700,000, continuing a downward trend of renters. And we think the trends could continue as the rate of household ownership remains low by historical standards.

Apartment Permits 1991 - YTD 2017 Annualized Four County Metro Area



BLOGTOWN

HOUSING • NEWS • CITY HALL • \$\$\$

Developers Just Proposed Nearly 6,000 Apartments to Evade Portland's New Affordable Housing Mandate

by [Dirk VanderHart](#) • Feb 8, 2017 at 9:00 am

Like 106

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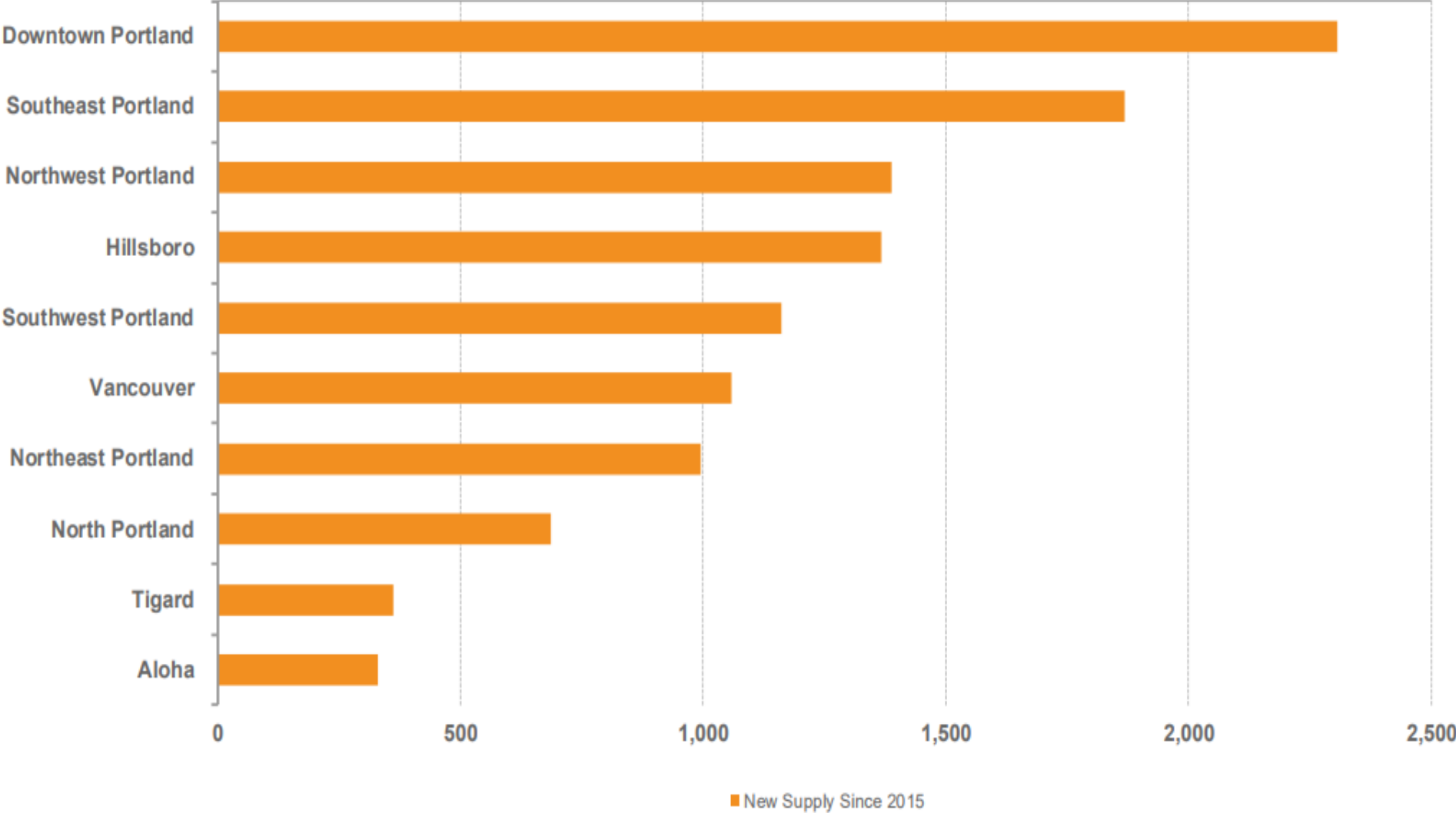
Tweet



NICOLE CMAR

Submarkets With The Most Deliveries

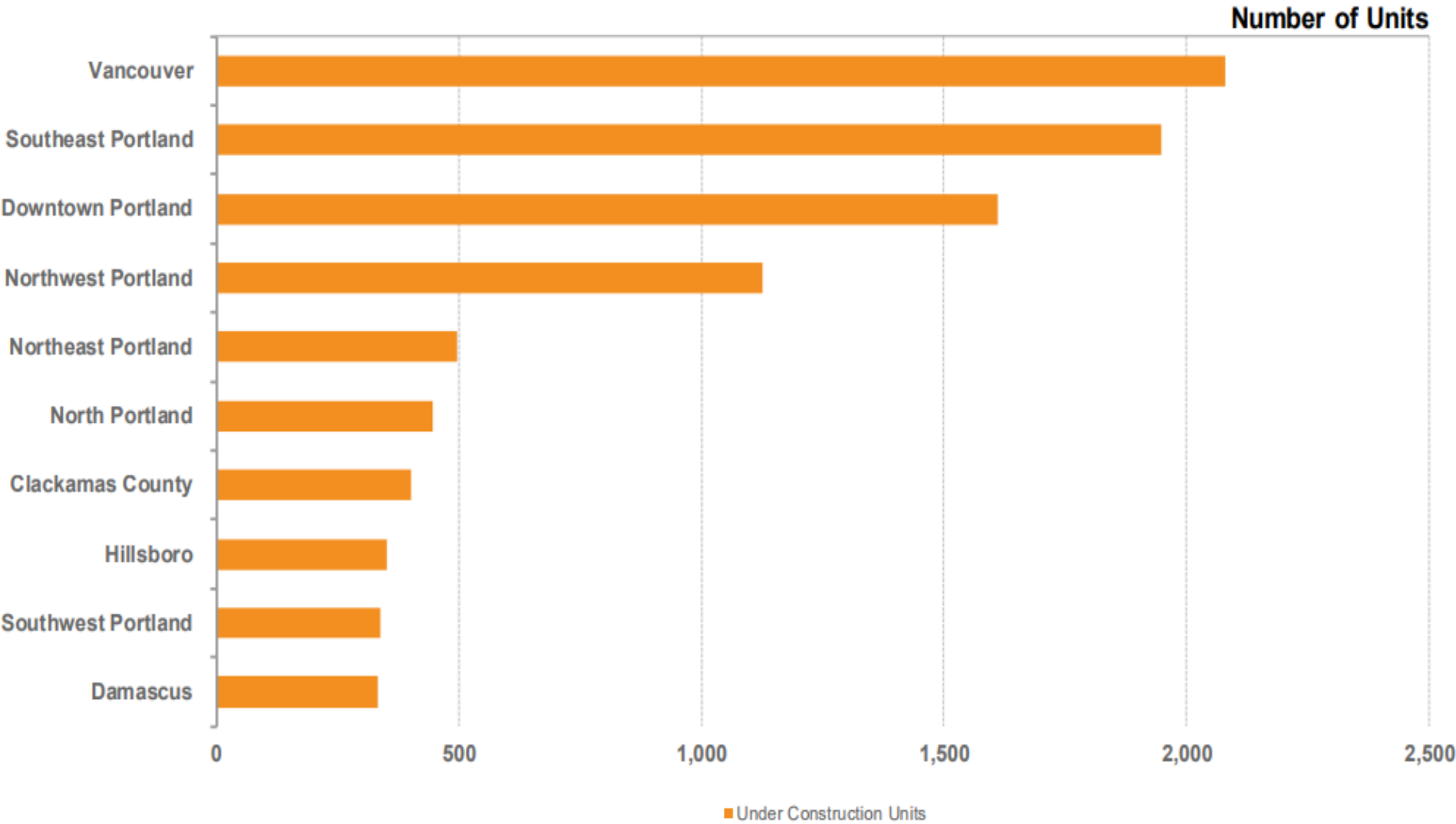
Number of Units



Source: CoStar Market Analytics

As of 17Q3

Submarkets With The Most Construction



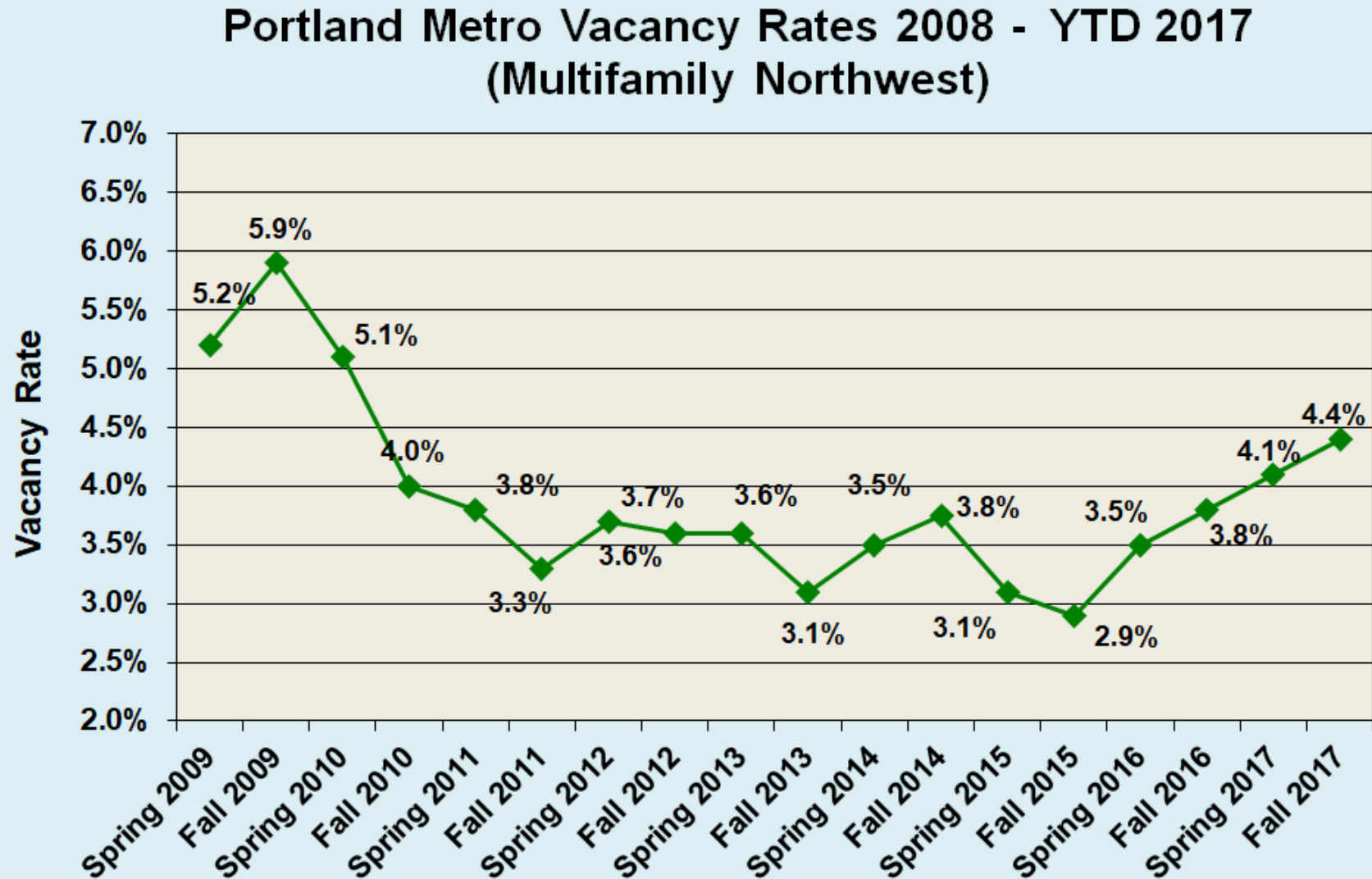
Apartment Construction in Portland Metro Area

	Units		
	Prop.	UC	Total
North Portland	2,174	1,561	3,735
Close in East Portland	10,394	2,513	12,907
Close in West Portland	9,317	3,905	13,222
Suburban West	4,341	1,434	5,775
Suburban East	3,029	179	3,208
Suburban South	1,512	857	2,369
Clark County	4,312	851	5,163
Total	35,079	11,300	46,379

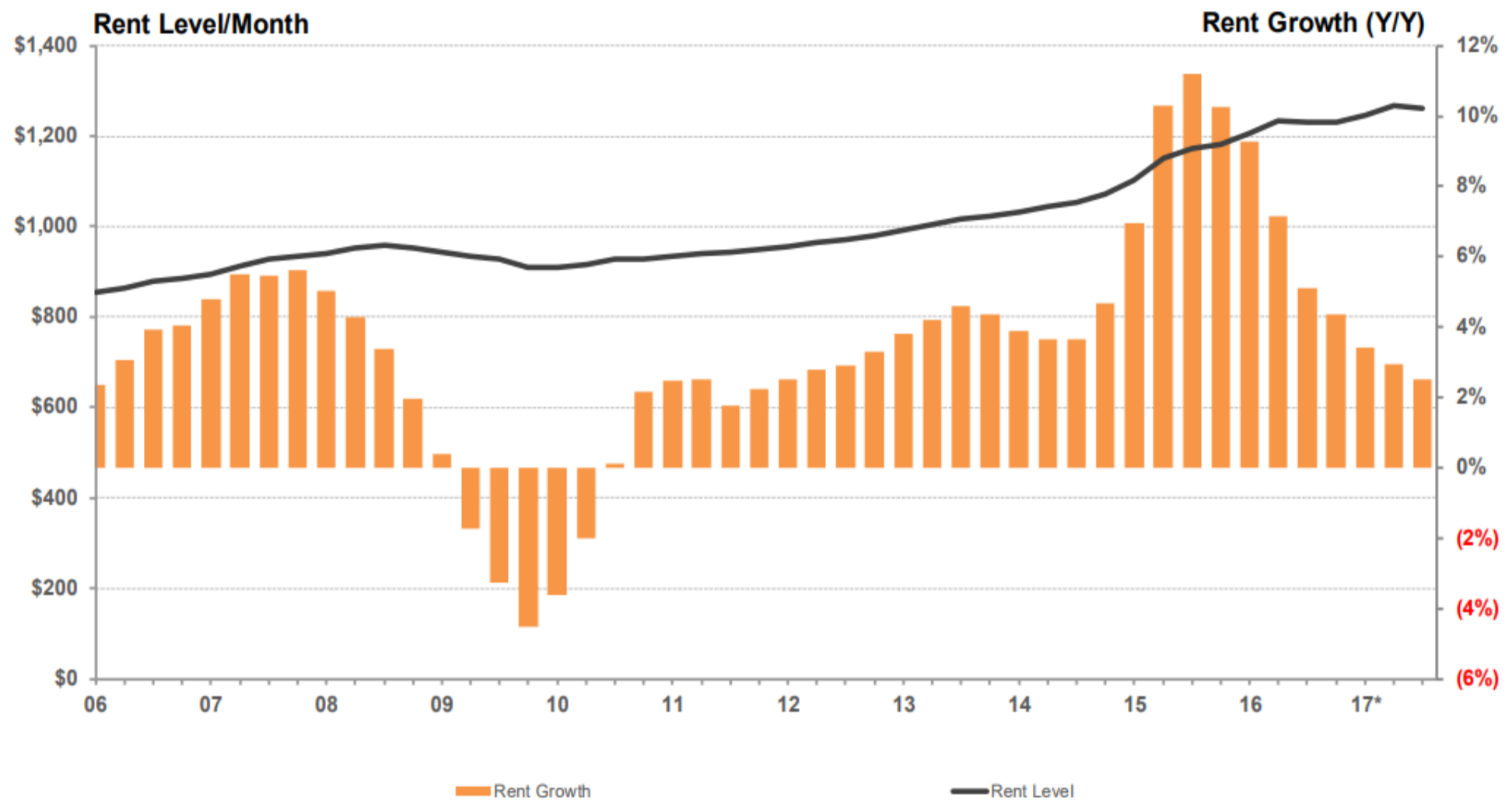
Apartments Under Construction



Portland Metro Apartment Vacancy Rates 2007 to Fall 2017



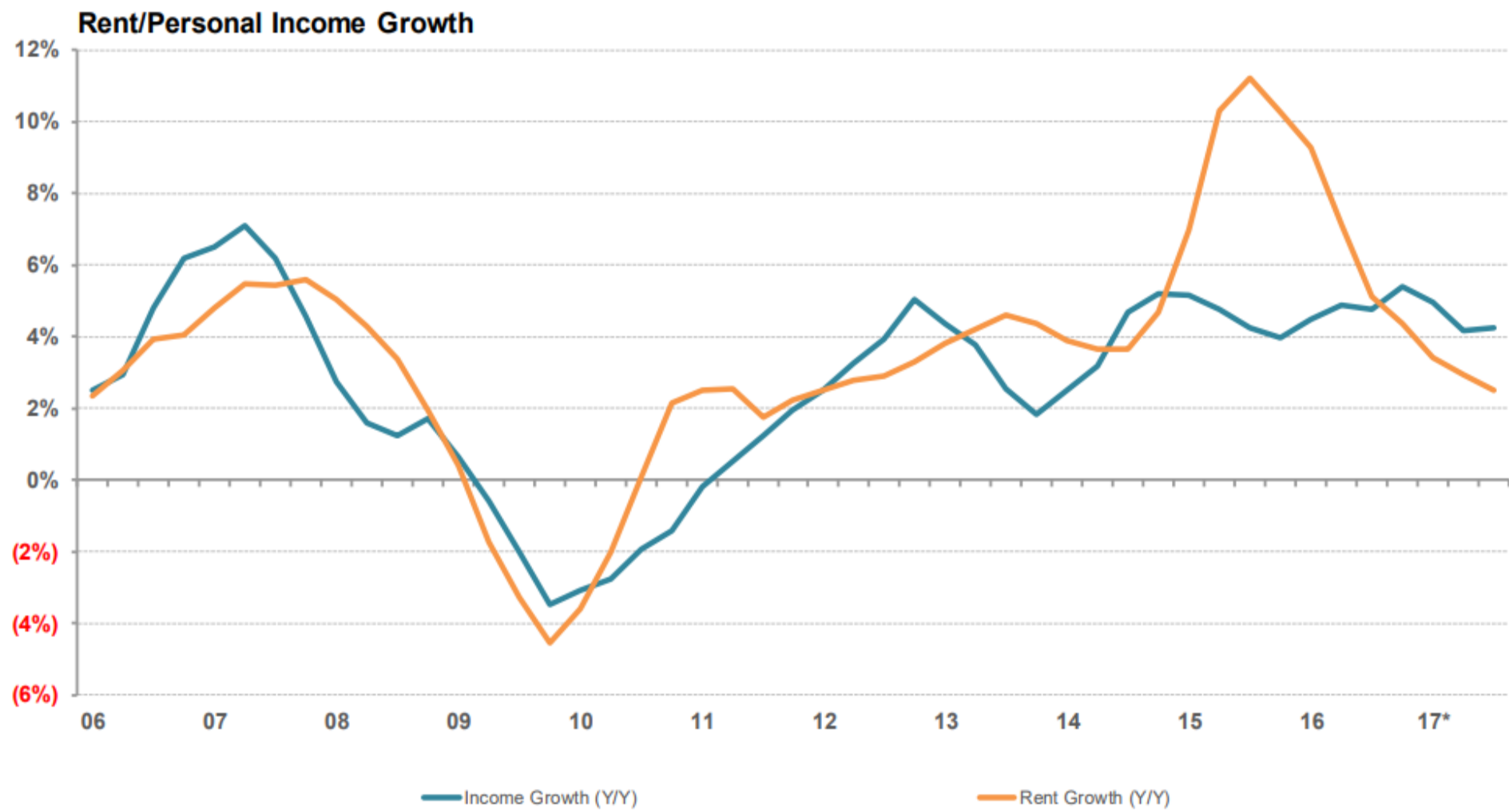
Portland OR Rent Level & Growth



Source: CoStar Market Analytics
*Year to Date

As of 17Q3

Portland OR Rent Growth vs Income Growth

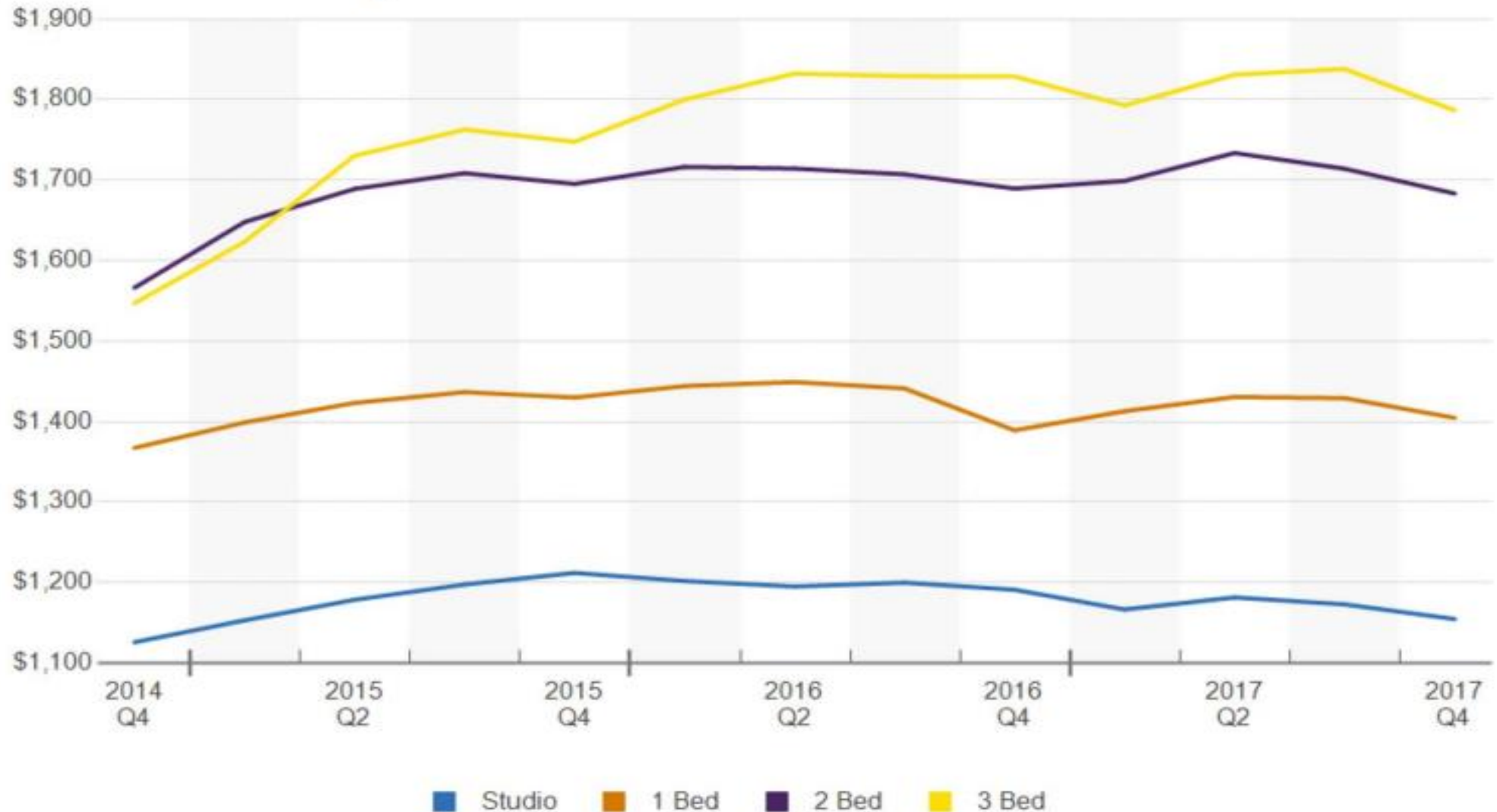


Source: CoStar Market Analytics
*Year to Date

As of 17Q3

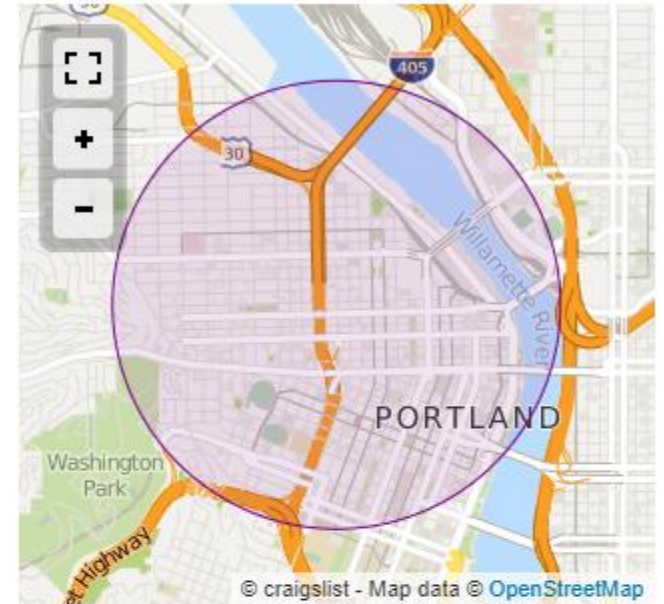
Portland Metro Effective Rent By Unit Type Built Since 2014

Effective Rent Per Unit by Bedroom



☆ \$1595 / 1br - 620ft² - \$\$save 6-Weeks Free Rent! New Top Floor One Bedroom! (Portland) ✕

image 1 of 3



[\(google map\)](#)

1BR / 1Ba

620ft²

available now

cats are OK - purrr

dogs are OK - woof

apartment

w/d in unit

no smoking

detached garage

wheelchair accessible

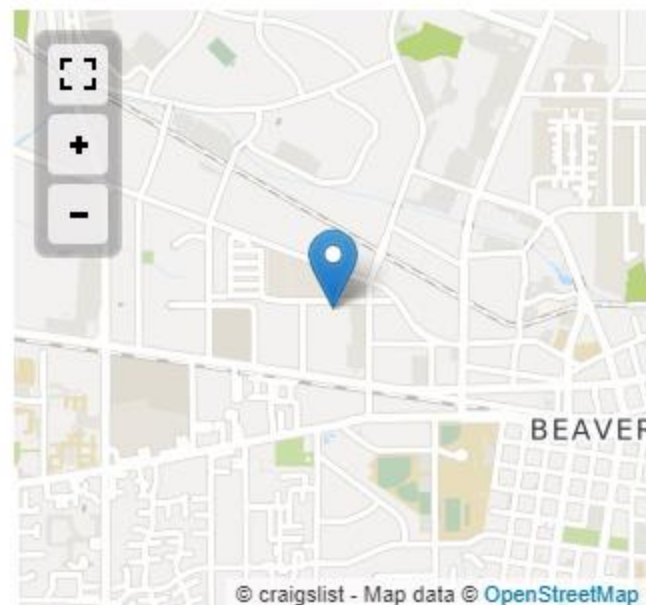


Now offering SIX WEEKS FREE on all market rate apartments with a two week move-in after application approval.

38 Davis is a truly mixed-use project in historic Old Town. Developed and managed by Gerding Edlen, the project features three floors of commercial and retail, topping off with two floors of residential units. The building overlooks Tom McCall Waterfront Park and offers protected views of the downtown and riverfront. Centrally located off the Max line and main pedestrian and cycling arteries of the city- 38 Davis is a commuter's paradise making downtown, the Pearl, SW, and NE Portland a brief train ride away.

☆ \$1025 / 2br - 785ft² - GRND FLOOR 2BR W/ FREE 40" TV OR GIFT CARD! \$1025+\$65 W/S/G

image 8 of 15



13590 SW ELECTRIC ST

[\(google map\)](#)

2BR / 1Ba

785ft²

available now

apartment

laundry on site

off-street parking



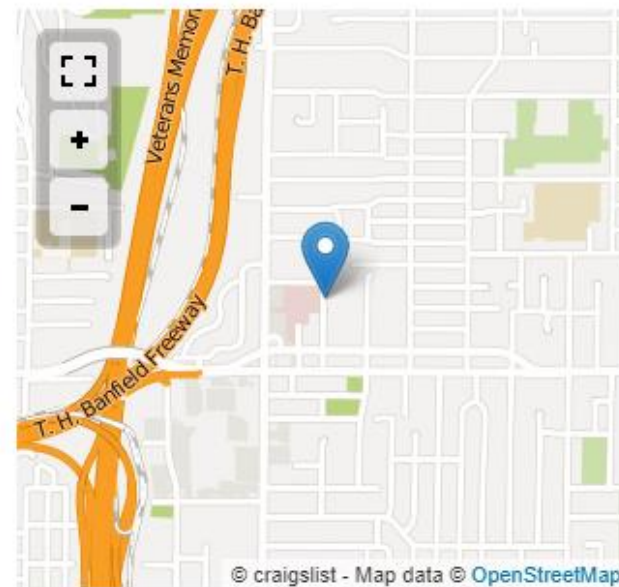
RECEIVE A FREE 40 INCH TV OR GIFT CARD OF YOUR CHOICE WITH IMMEDIATE MOVE-IN!

PICS POSTED OF KITCHEN AND BATH ARE OF SIMILAR APARTMENT, SAME FLOORPLAN

★ \$1195 / 2br - 950ft² - *FREE WIFI Welcome Home Modern Living New Updates in NE Portland

97220 (Portland) 

image 2 of 8



© craigslist - Map data © OpenStreetMap

1820 NE 104th Ave.

[\(google map\)](#)

2BR / 1Ba

950ft²

available now

cats are OK - purrr

dogs are OK - woof

apartment

laundry on site

no smoking

off-street parking



Call Now for Details

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You MUST SEE these beautiful apartments!
MOVE IN READY!

Now Leasing at Beverly Grove Apartments!

MOVE IN
Special

Doricourt & Carmelita

6 WEEKS
FREE

Call Today!
227-3447

DORICOURT

Doricourt
APARTMENTS

1126
SW 12TH AVENUE

NOW RENTING
503.227.3

Portland Activists Call For Housing Disaster Declaration, ...

OPB - 940 x 705 - Search by image

Portland Activists Call For Housing Disaster Declaration, Rent Control . News | OPB





Portland landlords must pay relocation costs to evict tenants without cause

Updated Oct 3, 2017; Posted Feb 2, 2017



Commissioner Chloe Eudaly speaks at a rally in support of her tenant relocation policy. (Jessica Floum | The Oregonian/OregonLive)

Portland Will Allow Overnight RV Camping and Tiny Homes on Private Property

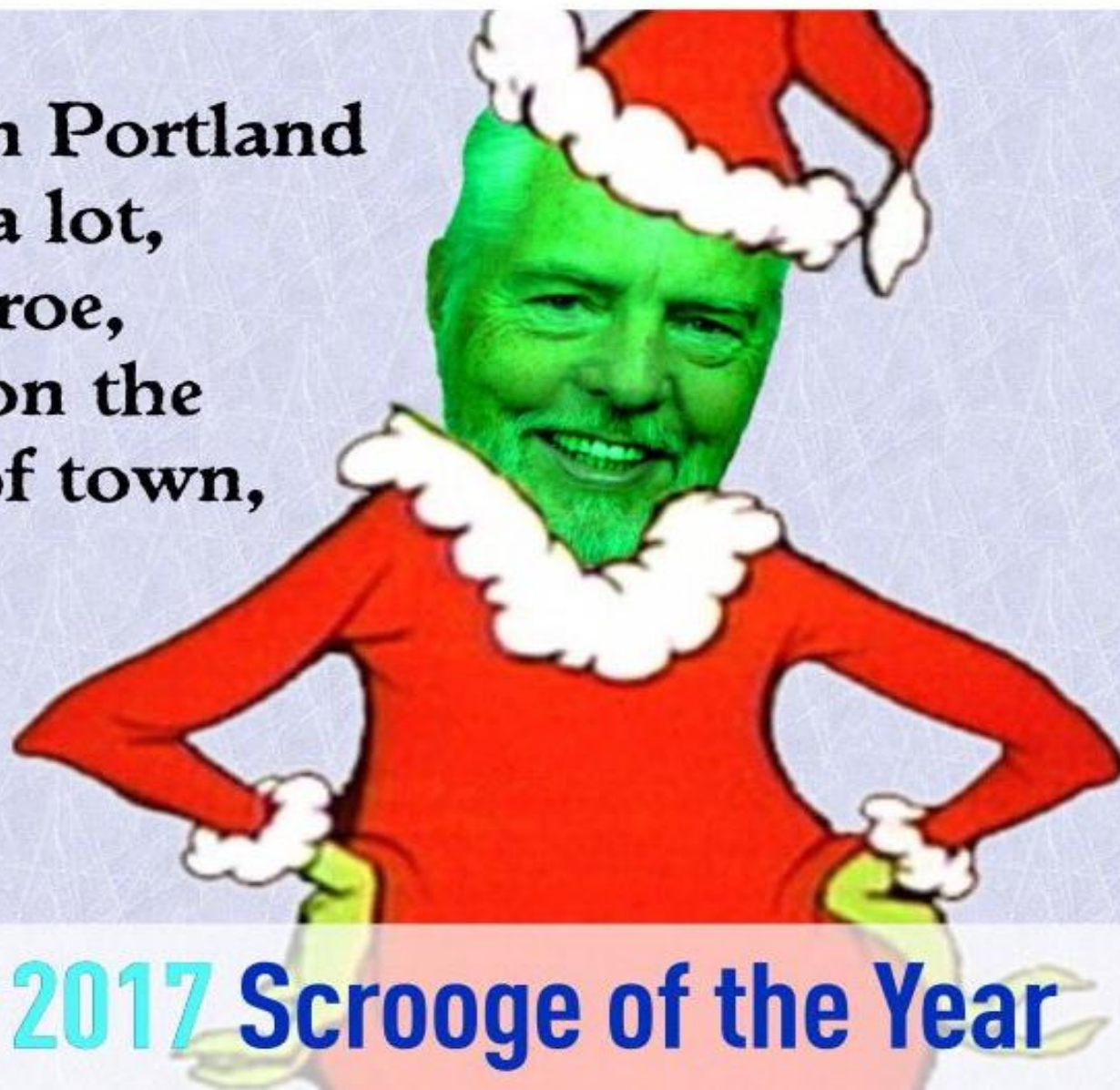
The decision by City Commissioner Chloe Eudaly will create more options for homeless people seeking shelter and for people otherwise priced out of Portland.





PORTLAND JOBS WITH JUSTICE

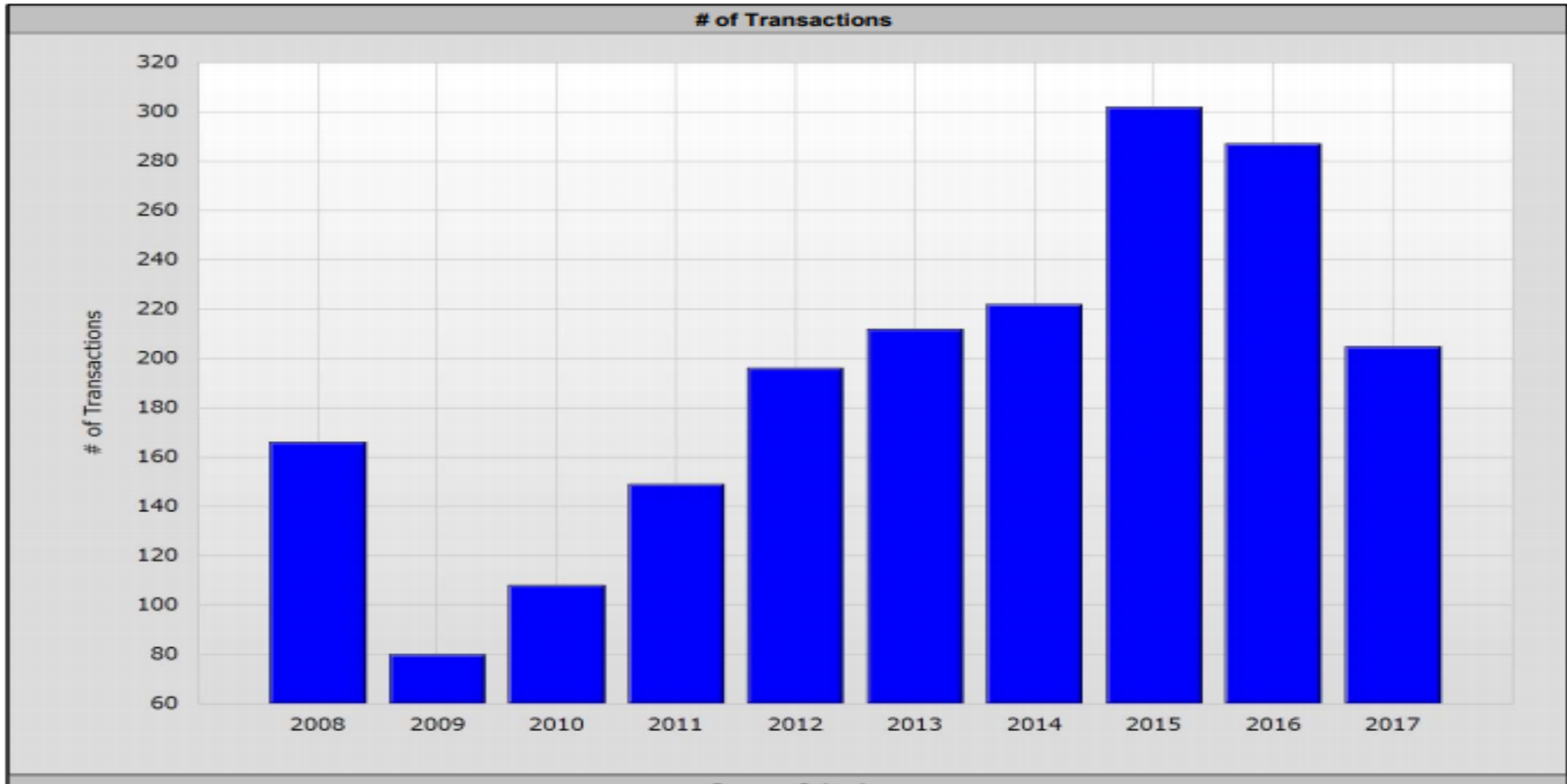
Every renter in Portland
liked Relo a lot,
but Rod Monroe,
who lived on the
East edge of town,
did NOT.



Nominee for 2017 Scrooge of the Year

No. of Apt Sale Transactions in Portland Metro - 2008 through 2017

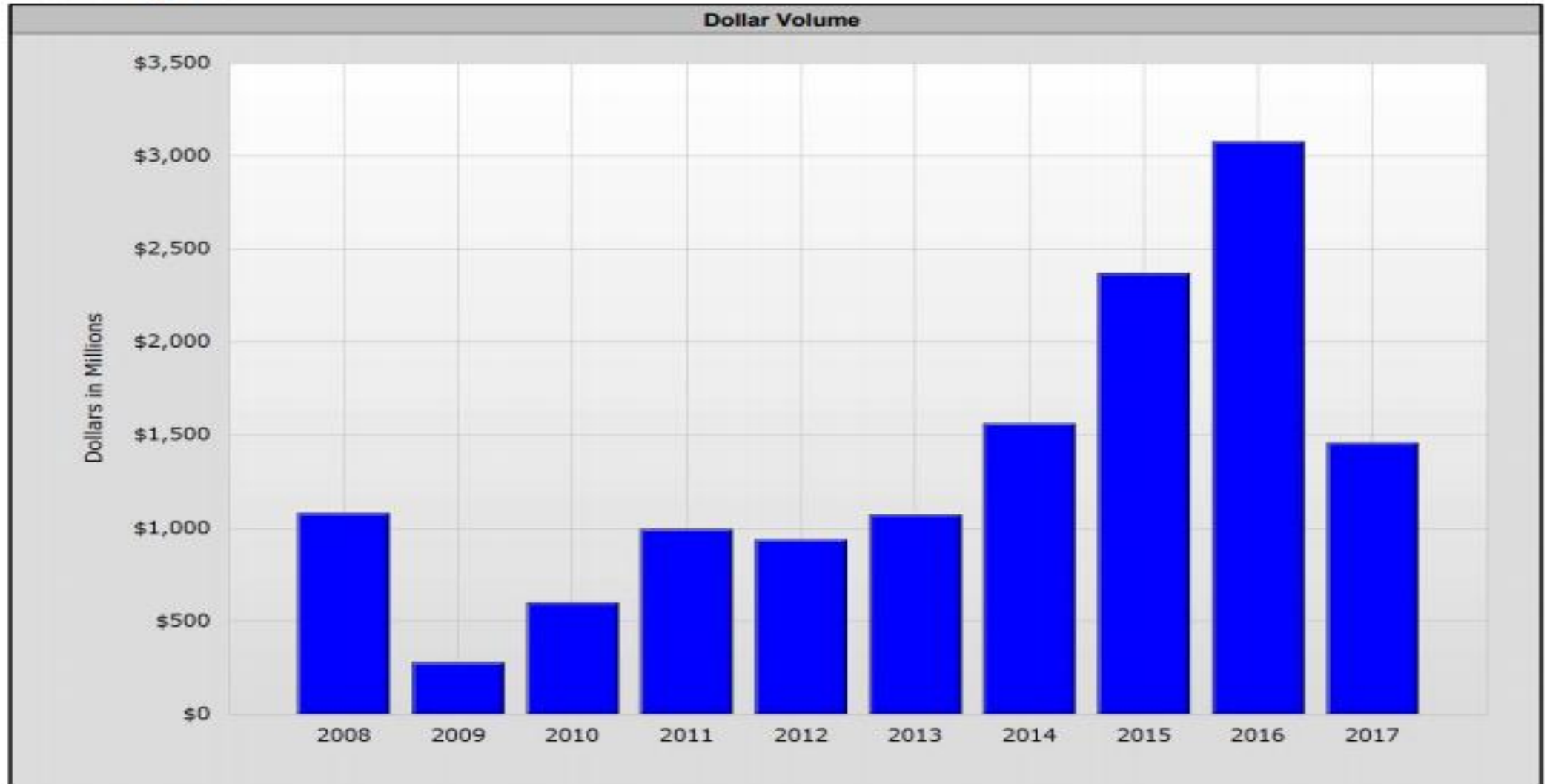
Trend Report



Apartment Sales Volume - Portland Metro

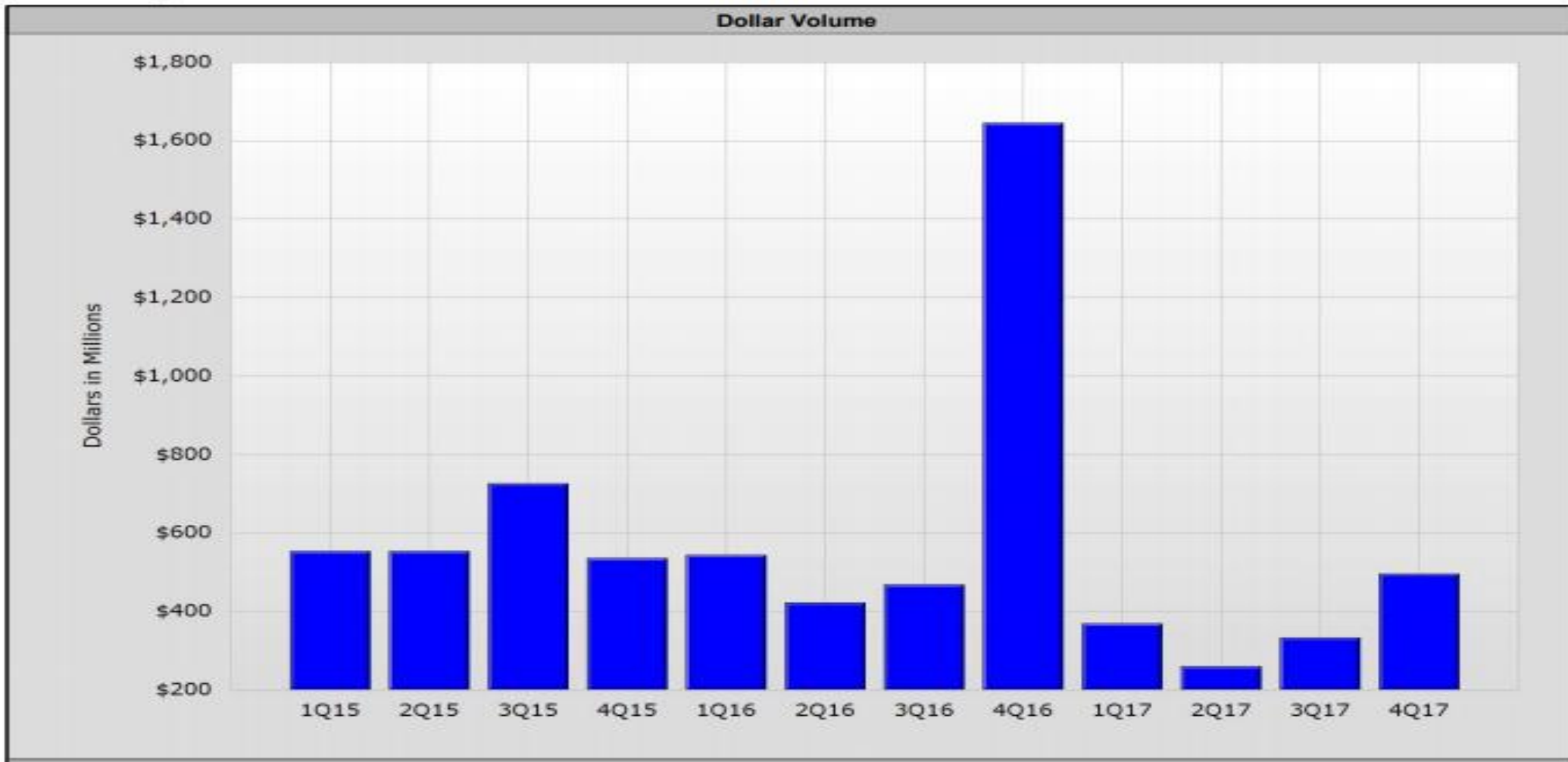
- 2008 through 2017

Trend Report



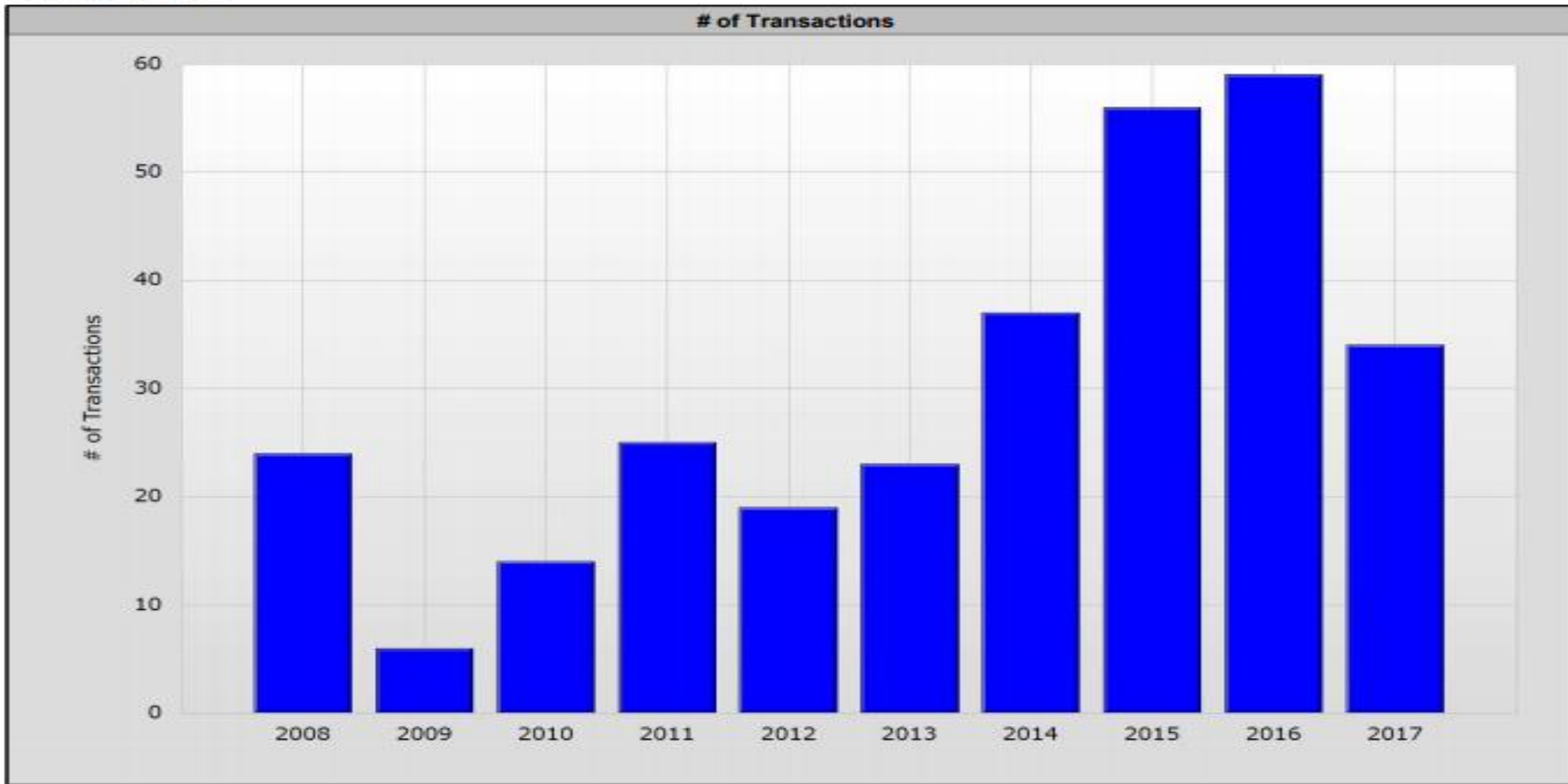
Apartment Sales Volume - Portland Metro By Quarter- 2015 through 2017

Trend Report



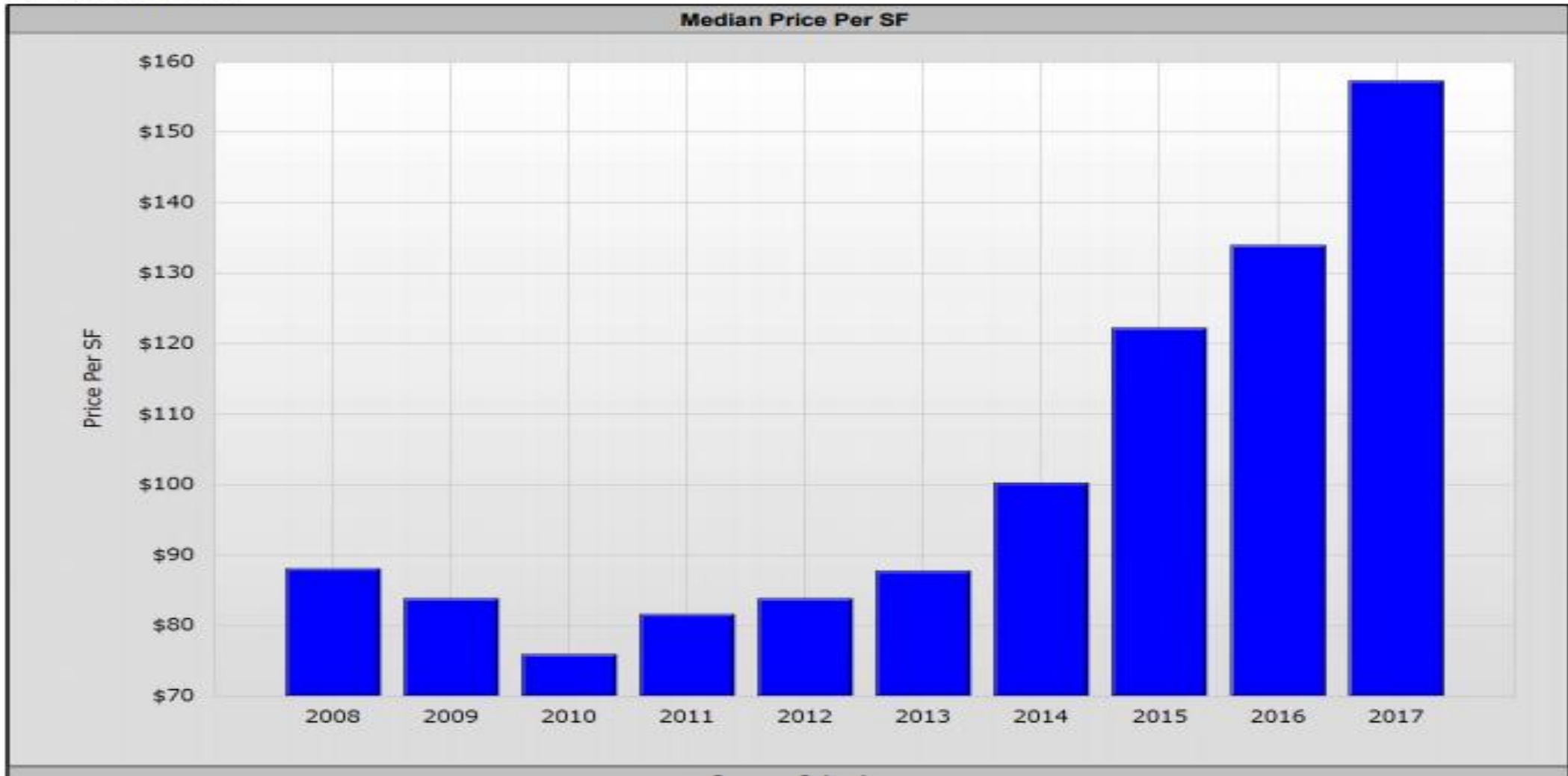
Portland Metro Apartment Sales of \$10 Million & Over- 2008 through 2017

Trend Report



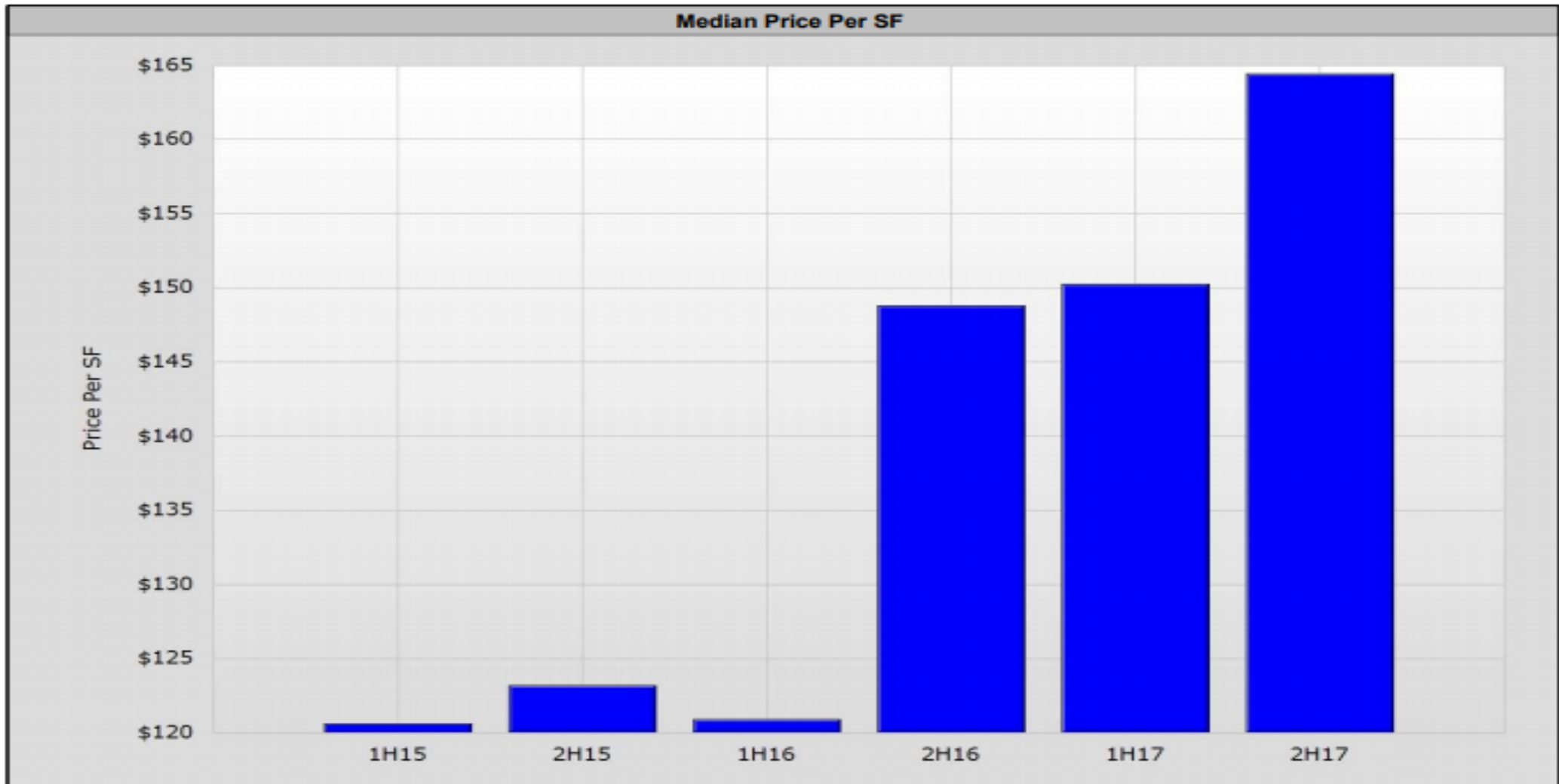
Portland Metro Median Price Per Sq. Ft. - 2008 through 2017

Trend Report



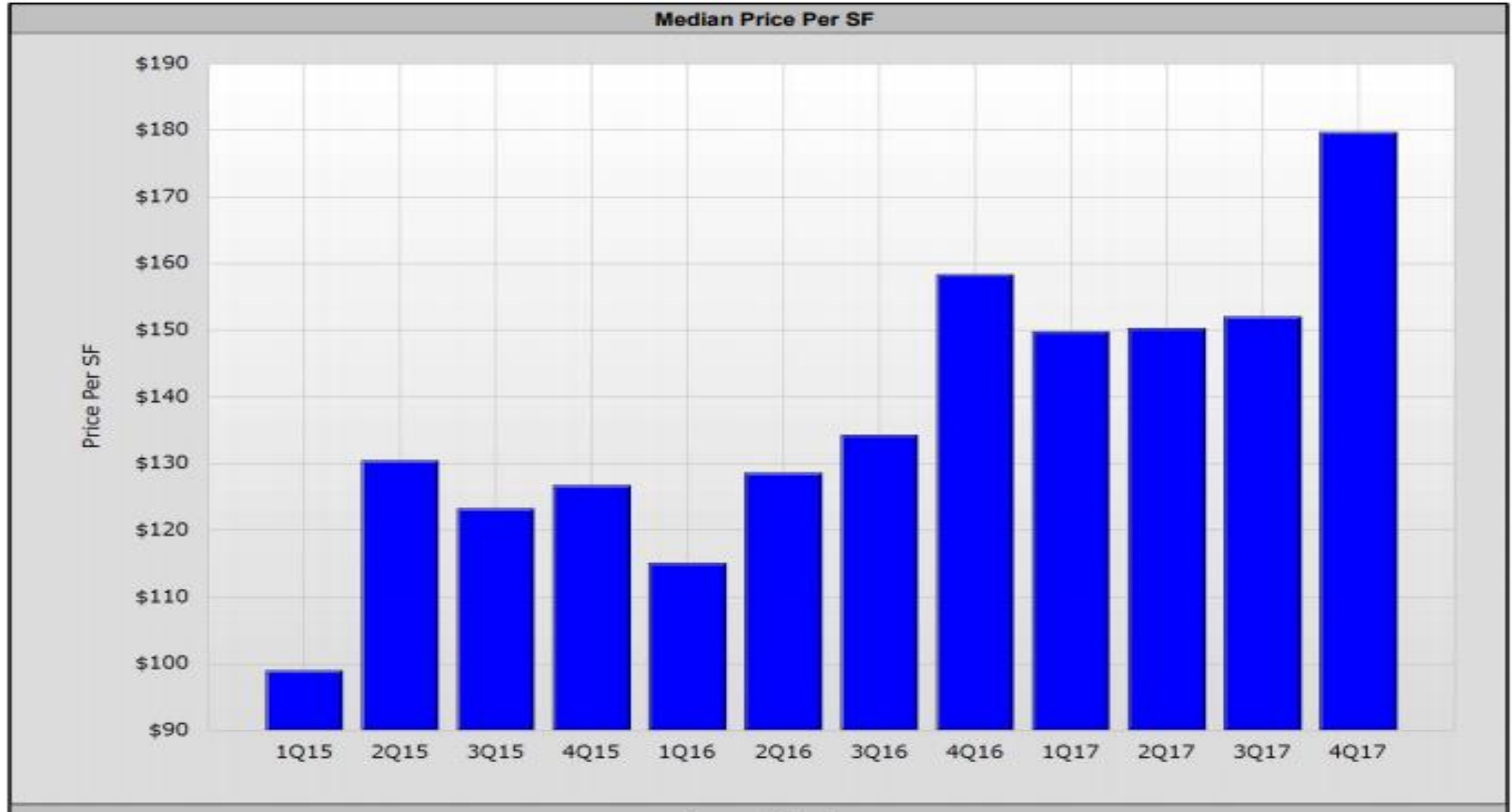
Portland Metro Median Price Per Sq. Ft. On A Semi-Annual Basis- 2008 thru 2017

Trend Report



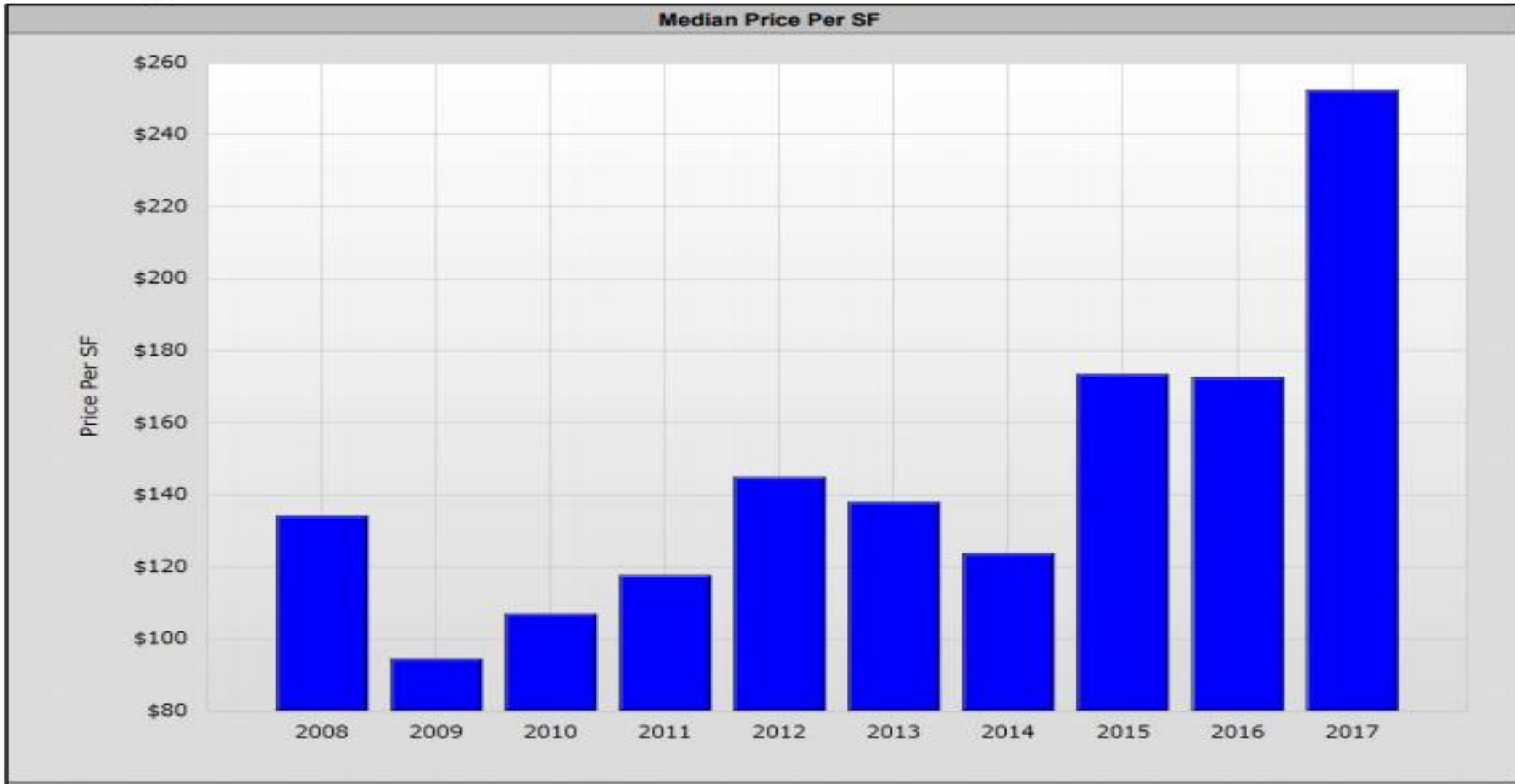
Portland Metro Median Price Per Sq. Ft. By Quarter- 2008 through 2017

Trend Report



City of Portland Median Price Per Sq. Ft. of 1900 to 1950 Built Apts. - 2008 through 2017

Trend Report



Portland Metro – Sales of 2000-2017

Built Apts. 2014 through 2017

Trend Report



Buyer

True Buyer **Blackstone Real Estate Income Trust, Inc.**
345 Park Ave
New York, NY 10154
(212) 583-5000

Buyer Type Private REIT

Activity (Last 5 Yrs) \$80,244M (Acquisitions) / \$73,808M (Dispositions)

Seller

Recorded Seller **Amberglen West Apartments LLC**

True Seller **Arbor Custom Homes**
735 SW 158th Ave
Beaverton, OR 97006
(503) 641-7342 (p)
(503) 641-7661 (f)

Sold on Dec 4, 2017 for \$95,000,000 (\$239,898/Unit)

1101 NE 89th Ave - Amberglen West
Hillsboro, OR 97006 - Sommerset West-Elmonica South MF Submarket
396 Unit - 107,397 SF Apartments Building Built in 2016 • [Property Website](#)



July 2017 Sale of 22 Unit Rivercrest Apts. Vancouver at \$97,727/Unit



July 2017 Sale of 8 Unit Sawtooth Apts, Lake Oswego for \$287,500/Unit, \$414/S.F., & Mid 4% Cap



June 2017 Sale of 24 Unit Cascade Village Apts, Estacada for \$106,250/Unit



Sold on Nov 14, 2017 for \$1,850,000 (\$231,250/Unit)

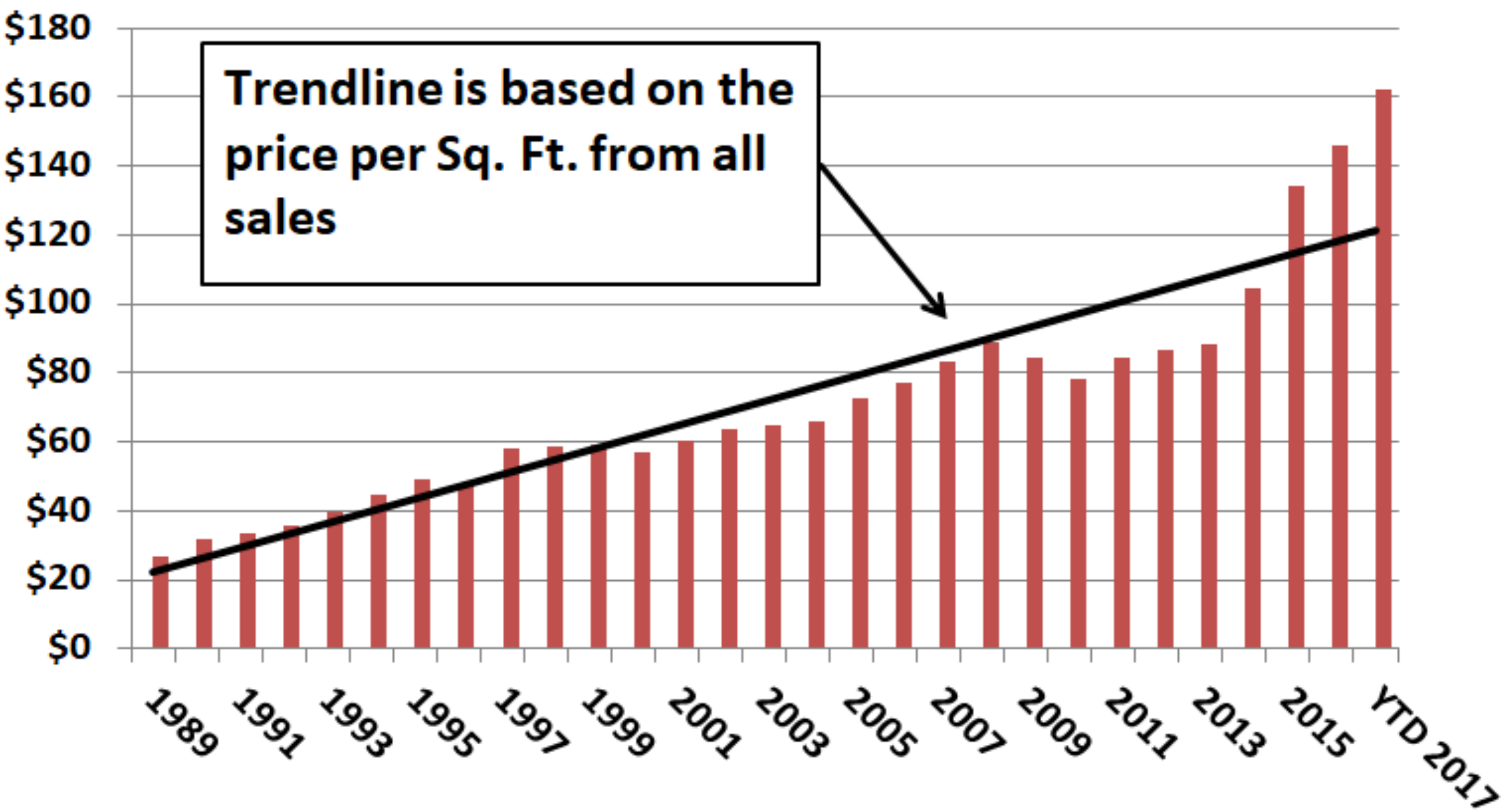
3005 SE Morrison St

Portland, OR 97214 - Sunnyside MF Submarket

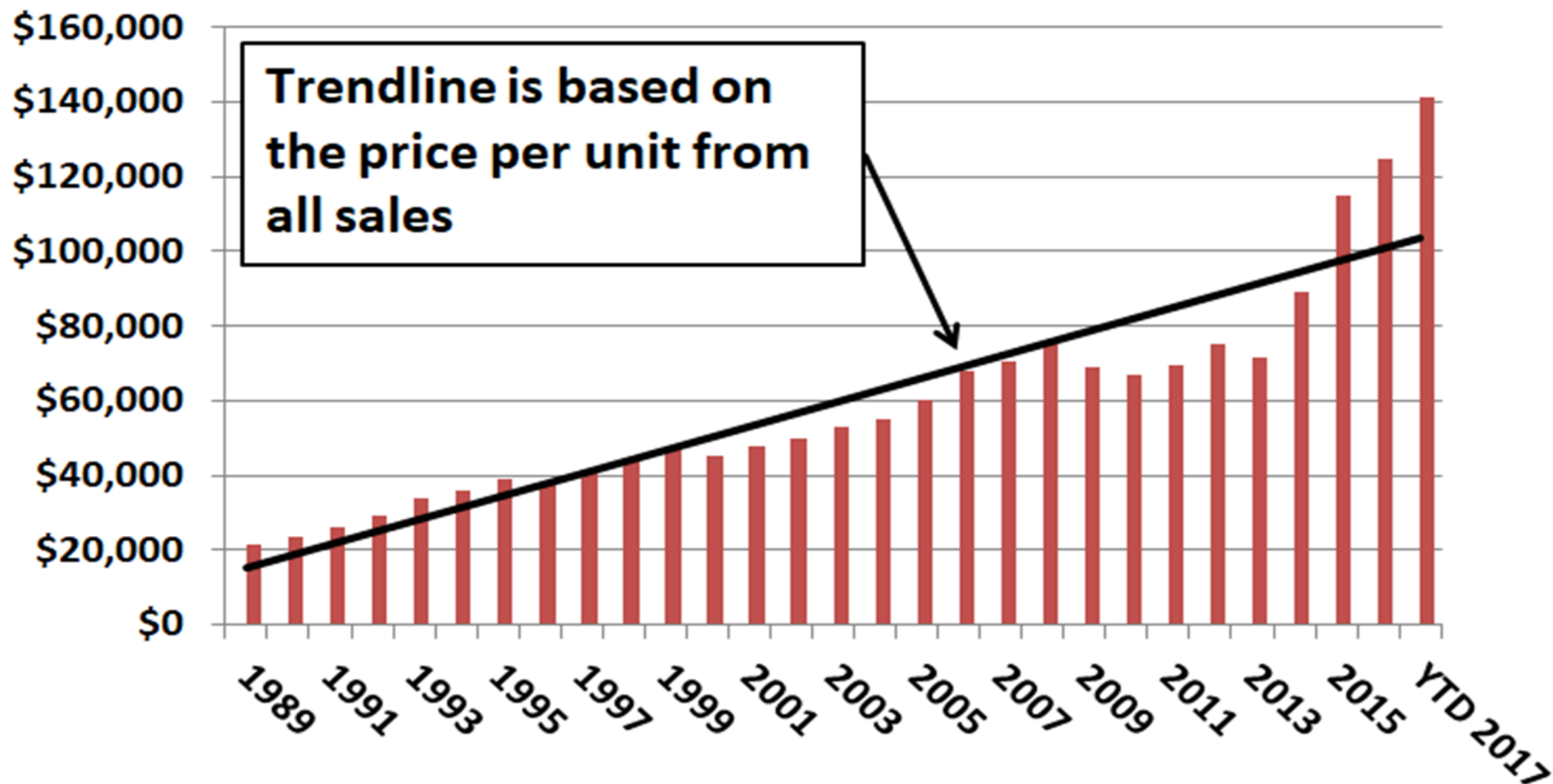
8 Unit - 6,997 SF Apartments Building Built in 1932



Portland Metro Median Price Per Sq. Ft. 1989 - 2017



Portland Metro Median Price Per Unit 1989 - 2017



Current Schiller PE Ratio



[Chart](#) | [Table](#) | [FAQ](#)

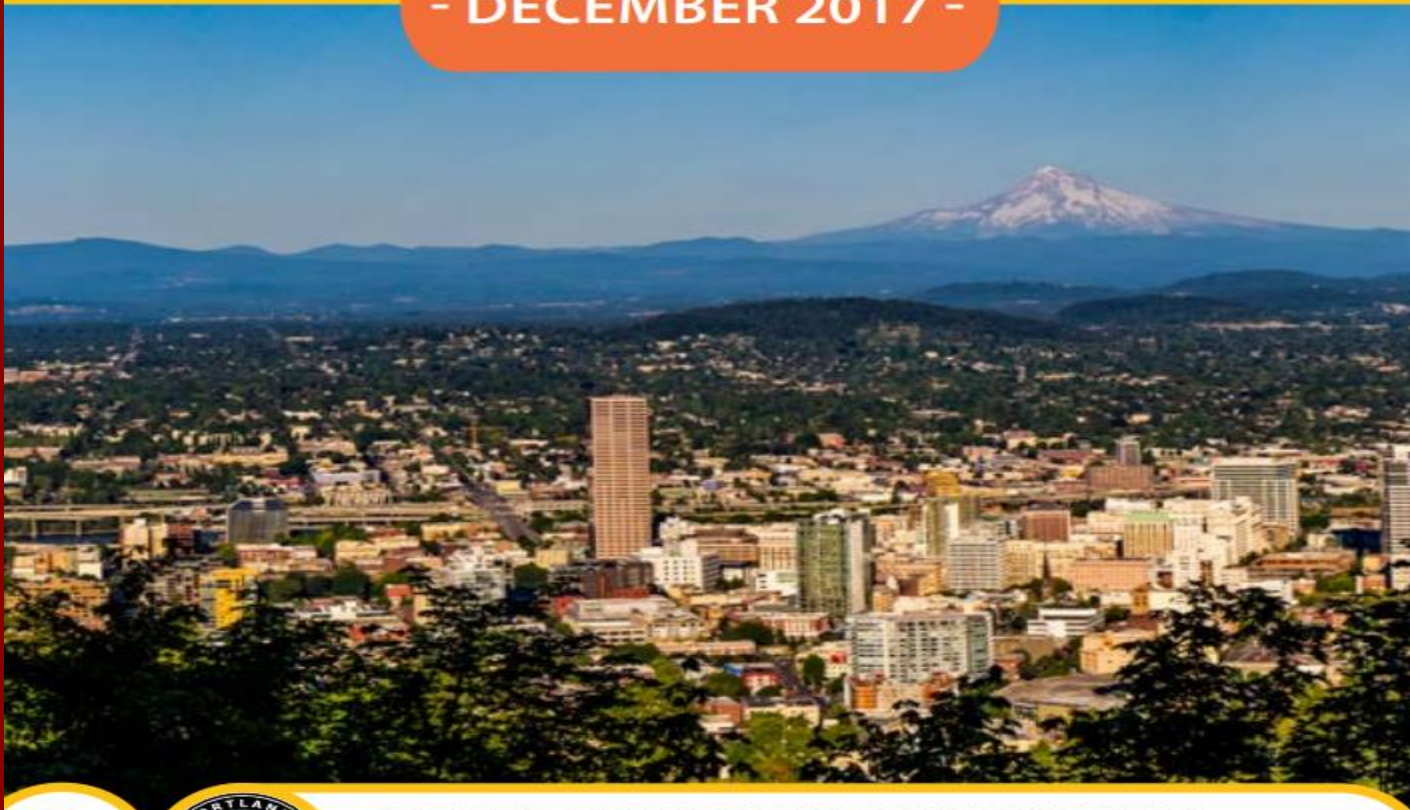
[f](#) Share

Current Shiller PE Ratio: 32.46 -0.14 (-0.44%)

4:00 pm EST, Fri Dec 29

Unreinforced Masonry (URM) Building Policy Committee Report

- DECEMBER 2017 -



PORTLAND BUREAU OF EMERGENCY MANAGEMENT

Mayor Ted Wheeler, Commissioner-In-Charge, Prosper Portland and Bureau of Emergency Management
Commissioner Chris Fudala, Commissioner-In-Charge, Bureau of Development Services

Cost Implications – All URM Buildings

URM Building Type	Est. Cost per SF	Benefit-Cost Ratio
Schools & public assembly uses	\$82.62	1.474
Most commercial URM buildings	\$51.00- \$69.00	1.661 – 1.967
Small URM buildings, > 10 occupants	\$20.00	1.940

URM Database Updated Statistics

1,866 Buildings originally identified in database

-- 101 Falsely identified as URM (95% accuracy)

+ 119 URM buildings added

1,884 Updated count of URM buildings

Other Thoughts

1. Apartment construction

a. Margins b. Labor c. Land values – waiting to see impact on values after IZ

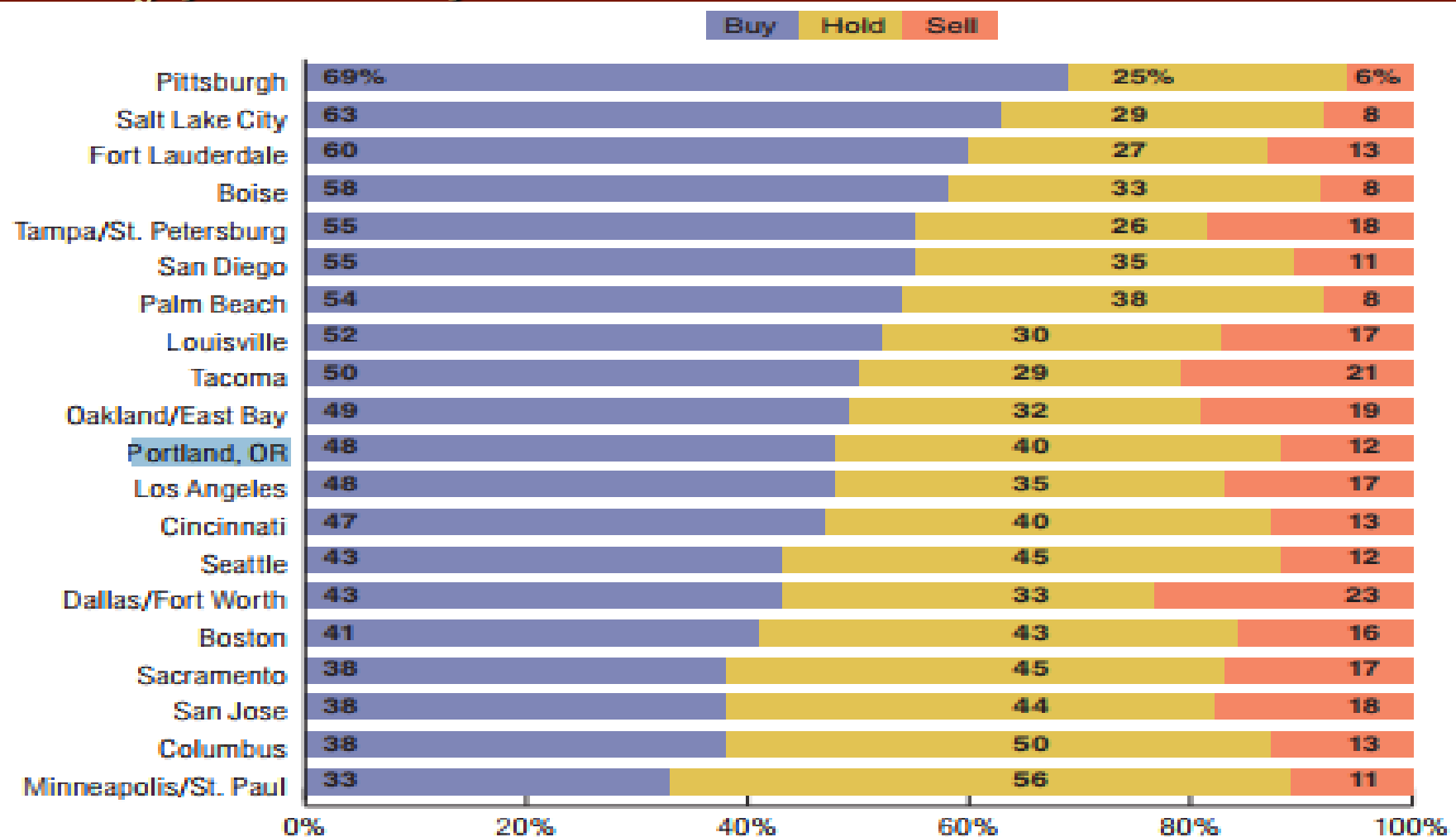
2. Investors reaching to outlying areas, i.e. Canby, Forest Grove, Estacada, Longview, Salem, Woodburn, Rainer, OR Coast, Eugene, Corvallis, etc.

3. Lack of or limited discount for risk i.e. URM, Property not at stabilization, flood plain, busy street, broken condo, high crime/gang activity, tough tenant profile, adverse adjacent uses

ULI - U.S. Markets to Watch: Overall Real Estate Prospects

	Investment	Development
1 Seattle (2, 1)	3.74	3.74
2 Austin (3, 2)	3.69	3.61
3 Salt Lake City (1, 10)	3.79	3.42
4 Raleigh/Durham (4, 4)	3.65	3.56
5 Dallas/Fort Worth (6, 5)	3.62	3.52
6 Fort Lauderdale (16, 3)	3.54	3.57
7 Los Angeles (8, 8)	3.61	3.45
8 San Jose (11, 9)	3.60	3.43
9 Nashville (5, 13)	3.63	3.41
10 Boston (9, 14)	3.61	3.38
11 Miami (18, 6)	3.53	3.46
12 Charlotte (12, 16)	3.59	3.37
13 Portland, OR (7, 20)	3.62	3.33
14 Charleston (17, 12)	3.54	3.41
15 Washington, DC—Northern VA (10, 21)	3.61	3.32
16 Orlando (21, 11)	3.49	3.42
17 Atlanta (15, 15)	3.54	3.37
18 San Antonio (13, 18)	3.55	3.35
19 Tampa/St. Petersburg (27, 7)	3.41	3.45
20 Oakland/East Bay (20, 19)	3.50	3.34
21 Orange County (23, 17)	3.45	3.35
22 Greenville, SC (19, 24)	3.52	3.28
23 Denver (29, 22)	3.39	3.32
24 Cincinnati (25, 25)	3.43	3.27
25 Minneapolis/St. Paul (14, 39)	3.55	3.13

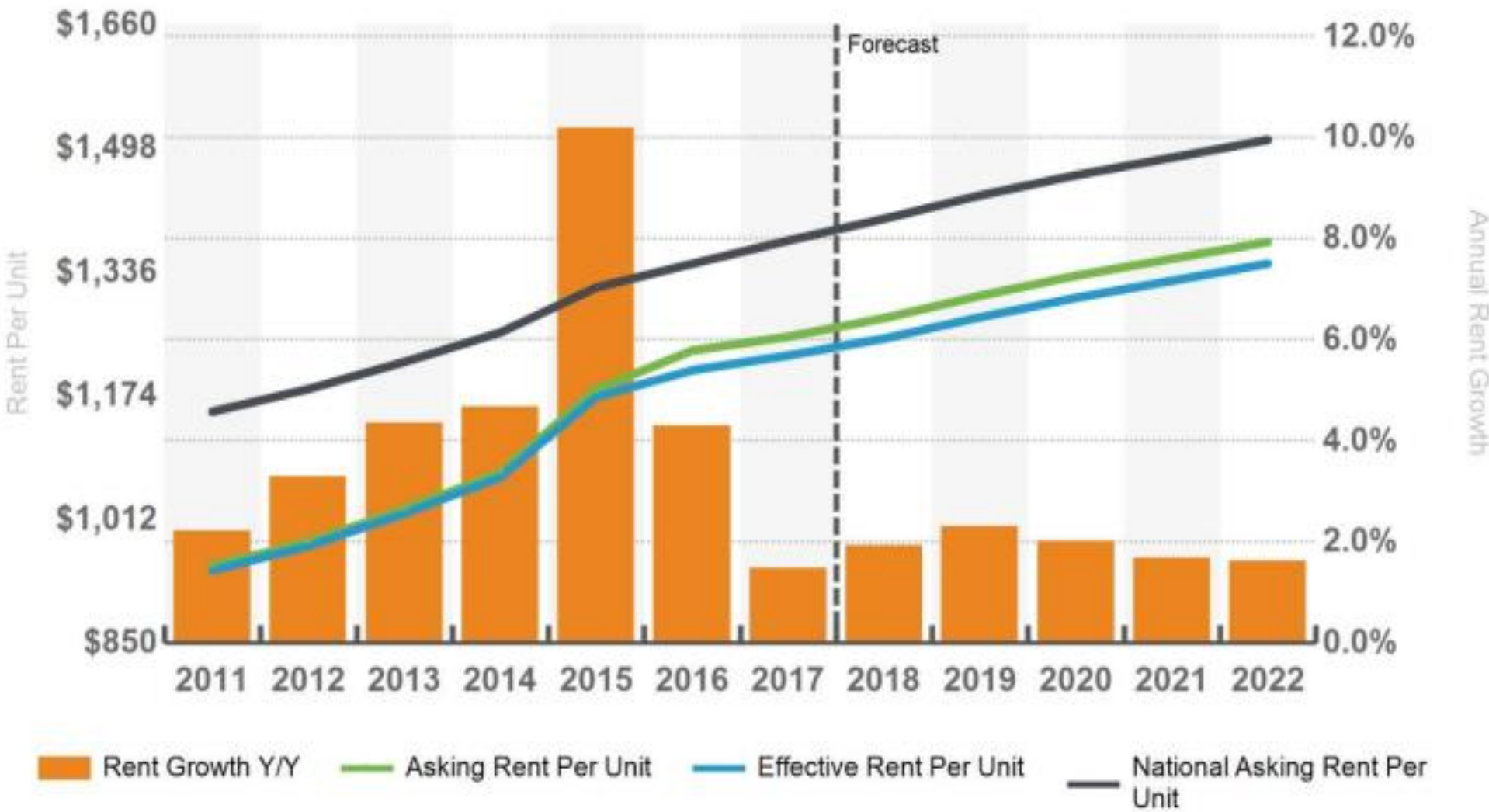
ULI - U.S. Multifamily Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2018* survey.

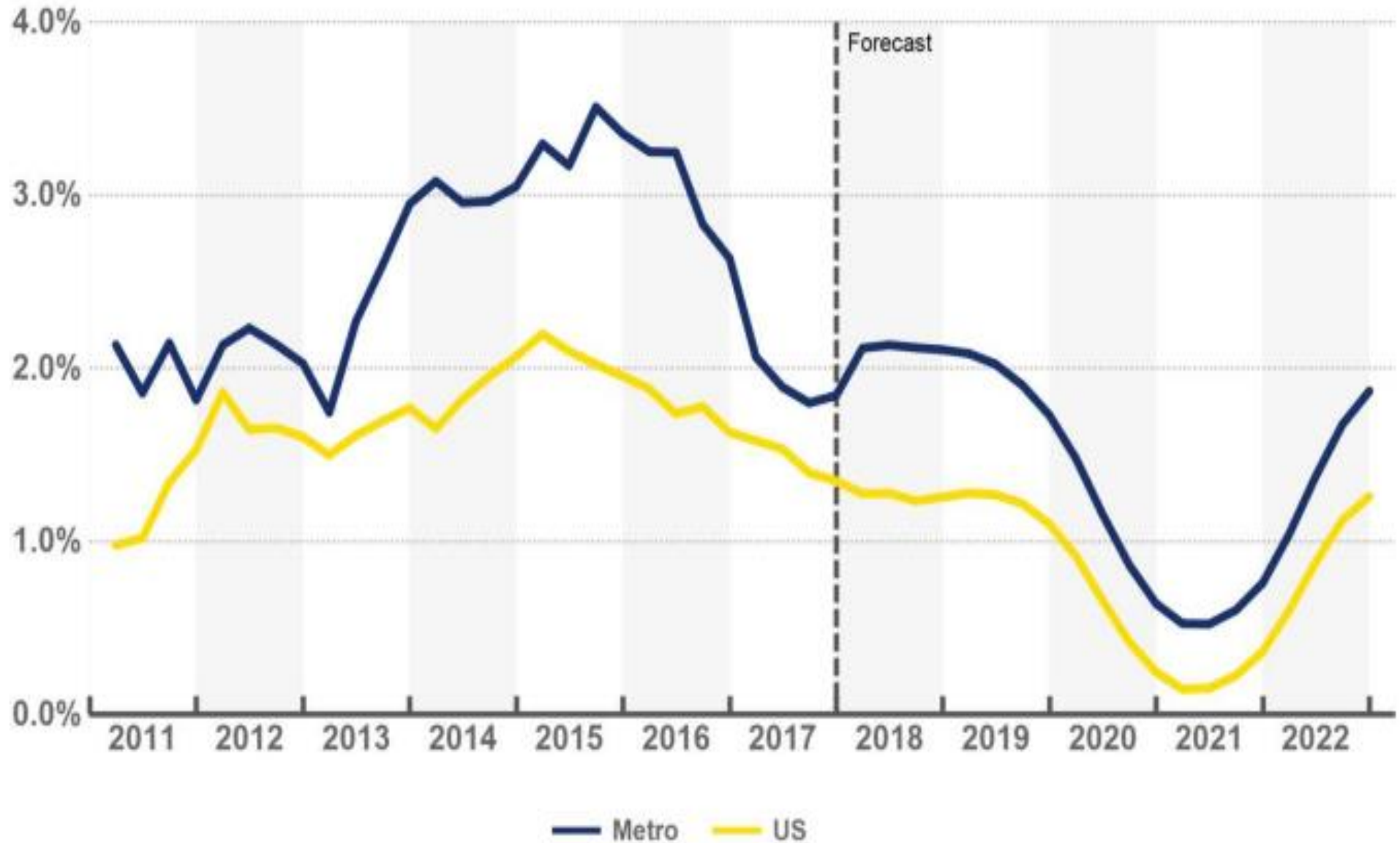
Note: Cities listed are the top 20 rated for investment in the multifamily sector; in this exhibit, cities are ordered according to the percentage of "buy" recommendations.

ASKING RENT LEVELS AND ANNUAL GROWTH

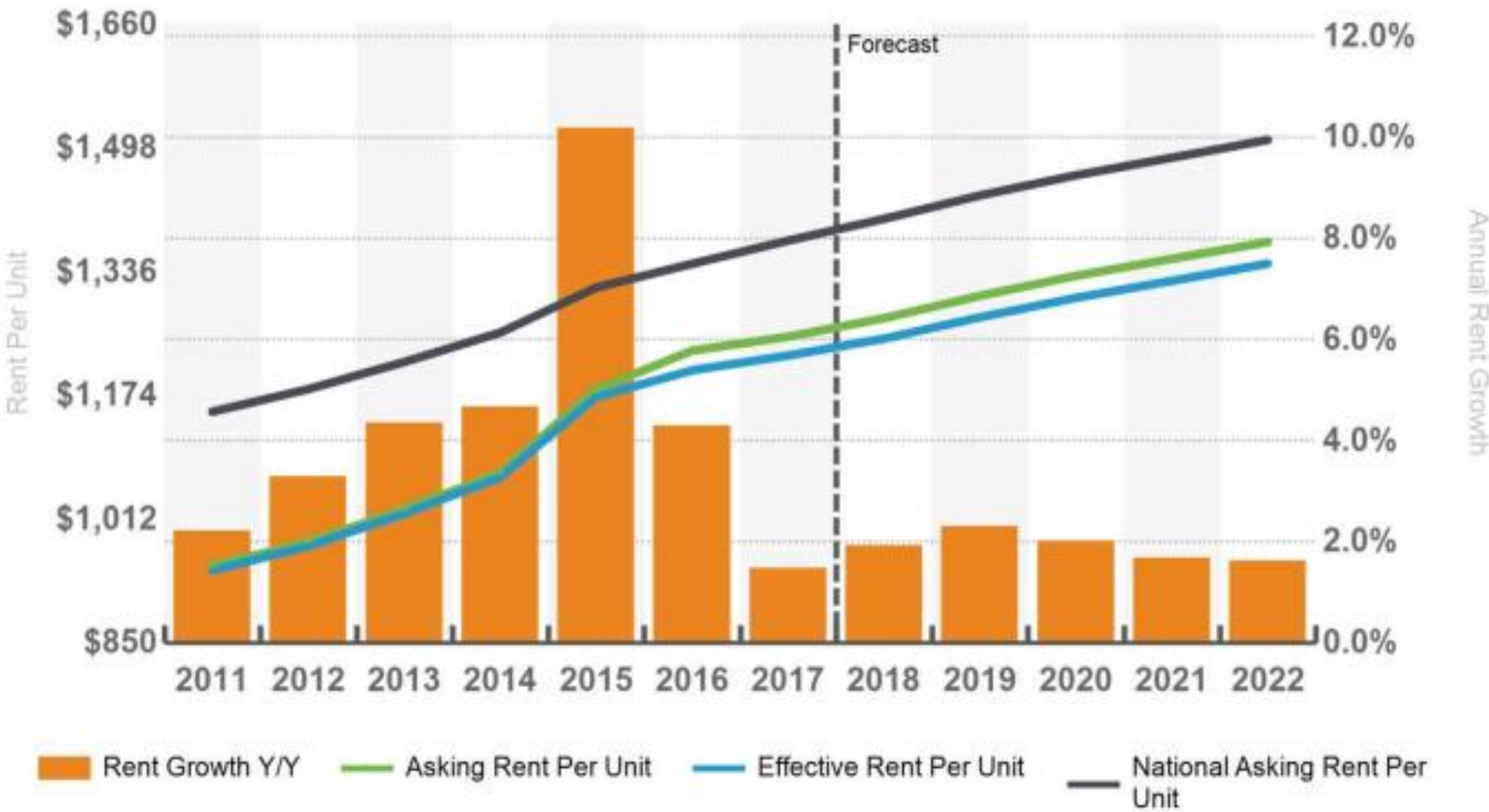


ANNUAL JOB GROWTH

Source: Moody's Analytics

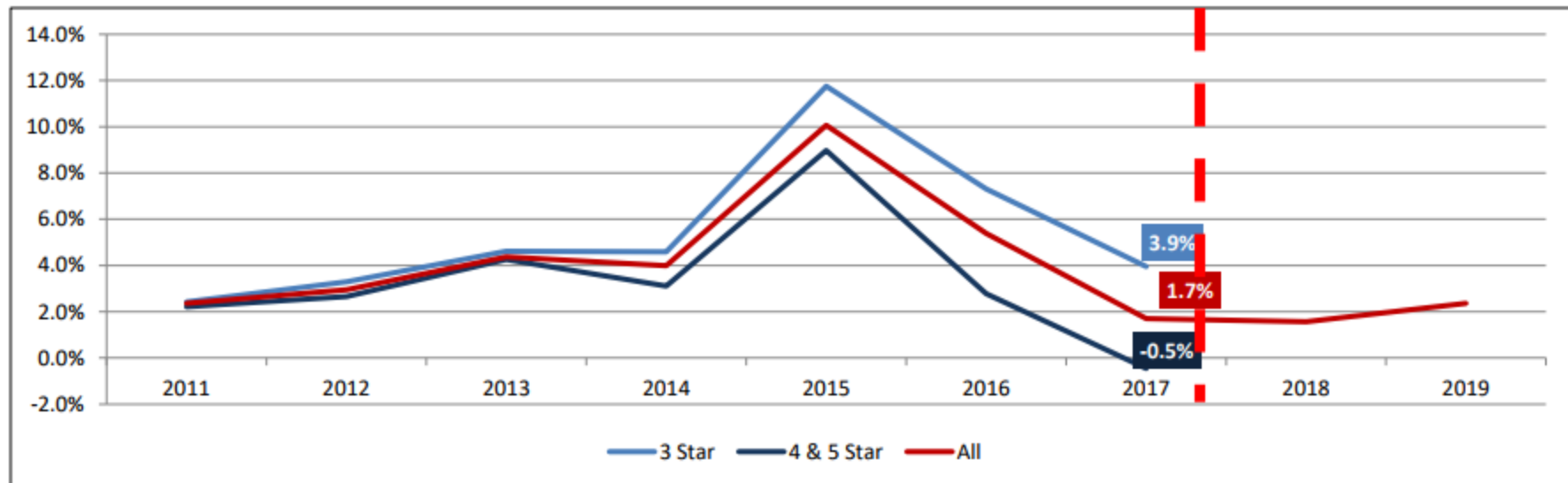


ASKING RENT LEVELS AND ANNUAL GROWTH

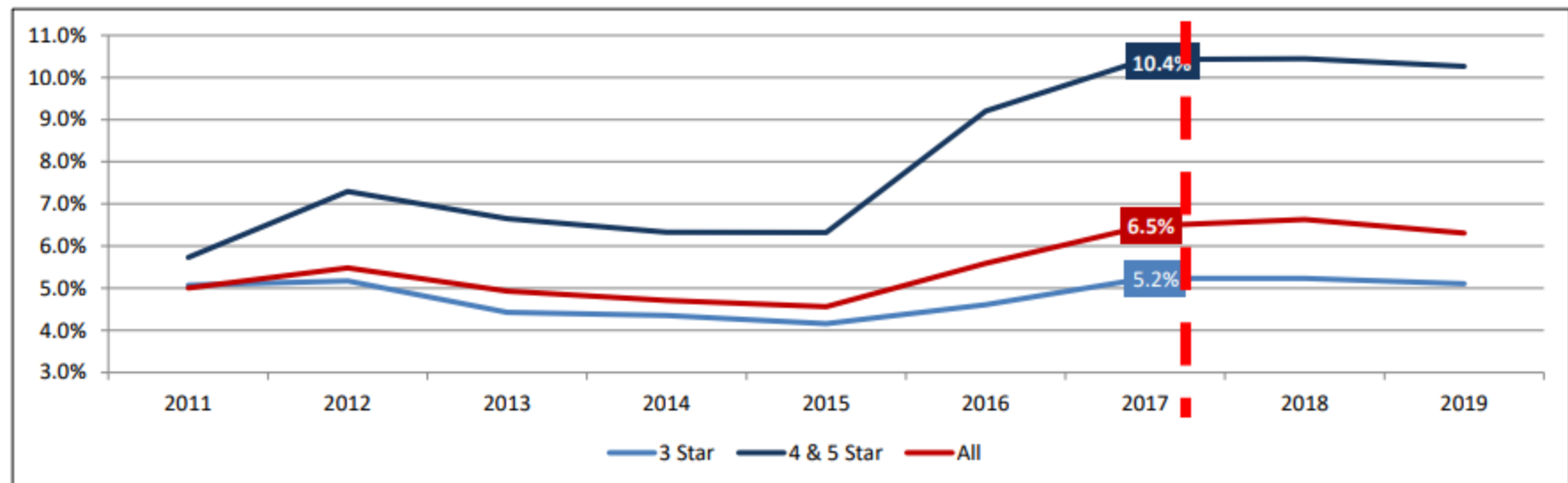


Rent Growth and Vacancy

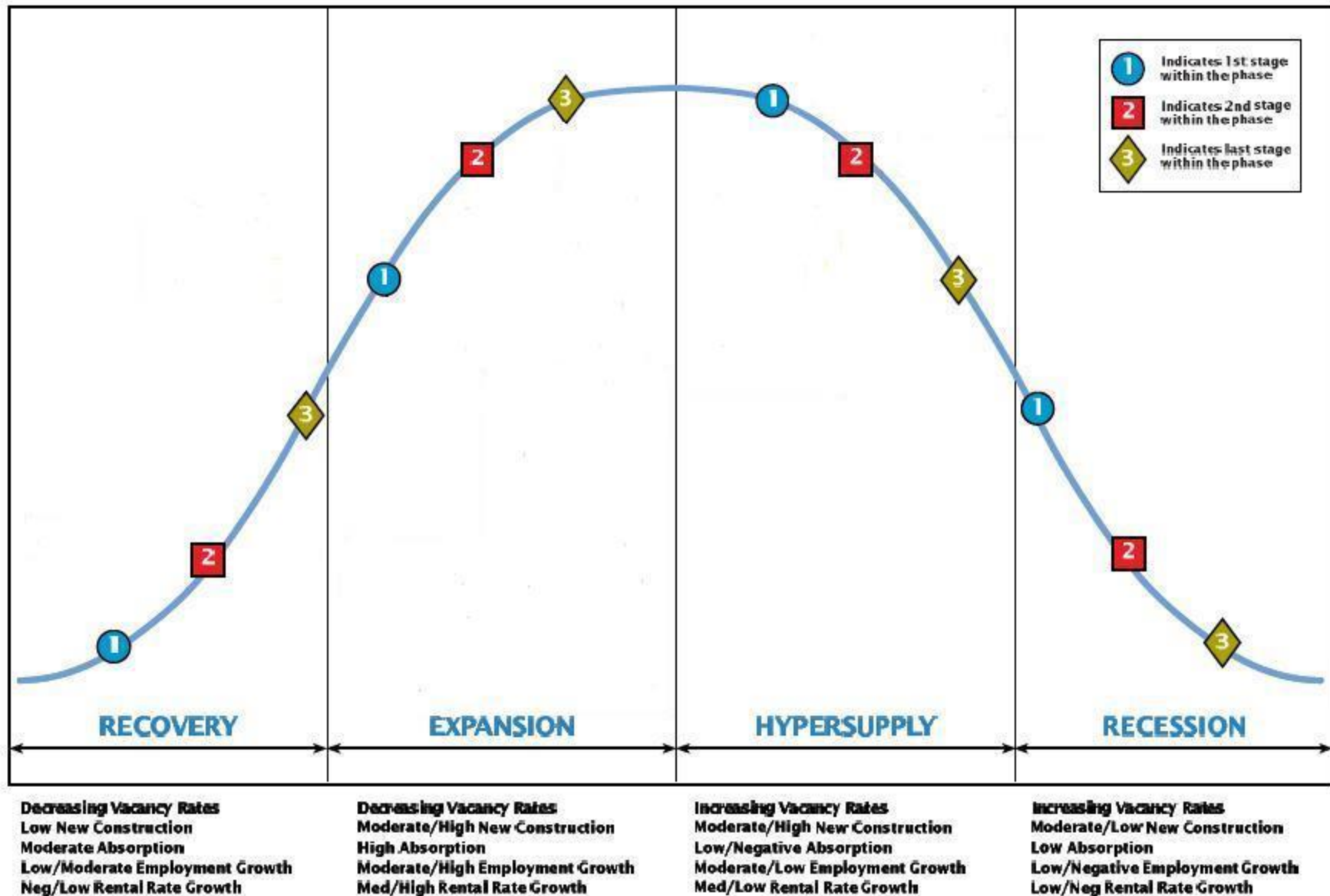
CoStar Effective Rent Growth



CoStar Market and Class Cut Vacancy



APARTMENT MARKET CYCLE





Apartment Market Cycle Analysis

3rd Quarter, 2017

Phase 2 — Expansion

Phase 3 — Hypersupply

Cincinnati-1
Cleveland-1
Dallas FW
Denver-1
East Bay
Hartford-1
Honolulu
Jacksonville
Kansas City-1
Las Vegas
Long Island-1

Minneapolis
New Orleans-1
New York
Norfolk
Orange County
Phoenix
Pittsburgh-1
Riverside
Sacramento
San Diego
Seattle
St. Louis

Atlanta
Detroit
Miami
Milwaukee
Nashville-1
Palm Beach
Philadelphia
Portland
Tampa-1

LT Average Occupancy



Phase 1 — Recovery

Source: Mueller, 2017

Phase 4 — Recession

Trends for 2018

- Interest Rates: low and stable
- Employment: strong; but some slowdown occurring & expected in 2018
- Population Growth: favorable
- Home Ownership Ratio: moving up
- Apartment Construction: very strong
 - Apartment Vacancies: moving up
- Conclusion