

CCIM Oregon/SW Washington

Chapter

**Portland Metro Apartment Market – Review
of 2019 & Thoughts for 2020 and 2021**

March 4, 2020

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Topics Covered - Portland Metro Apartment Market

- **Macro Trends and Overview**
 - **Employment, Population, Home Ownership Ratio, Interest Rates, Apt Construction**
- **Apartment Fundamentals**
 - **Rents and Income, Vacancies, Expenses**
- **Apartment Sales and Values**
- **Other Issues**
- **Trends for 2020 and 2021**

Main Sources of Information for This Talk



Emerging Trends in Real Estate®

United States and Canada 2020



Dec 2019 Economic & Revenue Outlook

November 20th, 2019

Oregon Office of Economic Analysis
Mark McMullen
Josh Lehner

Economic Update and Outlook



Multi-Family Market Report

Portland - OR

PREPARED BY

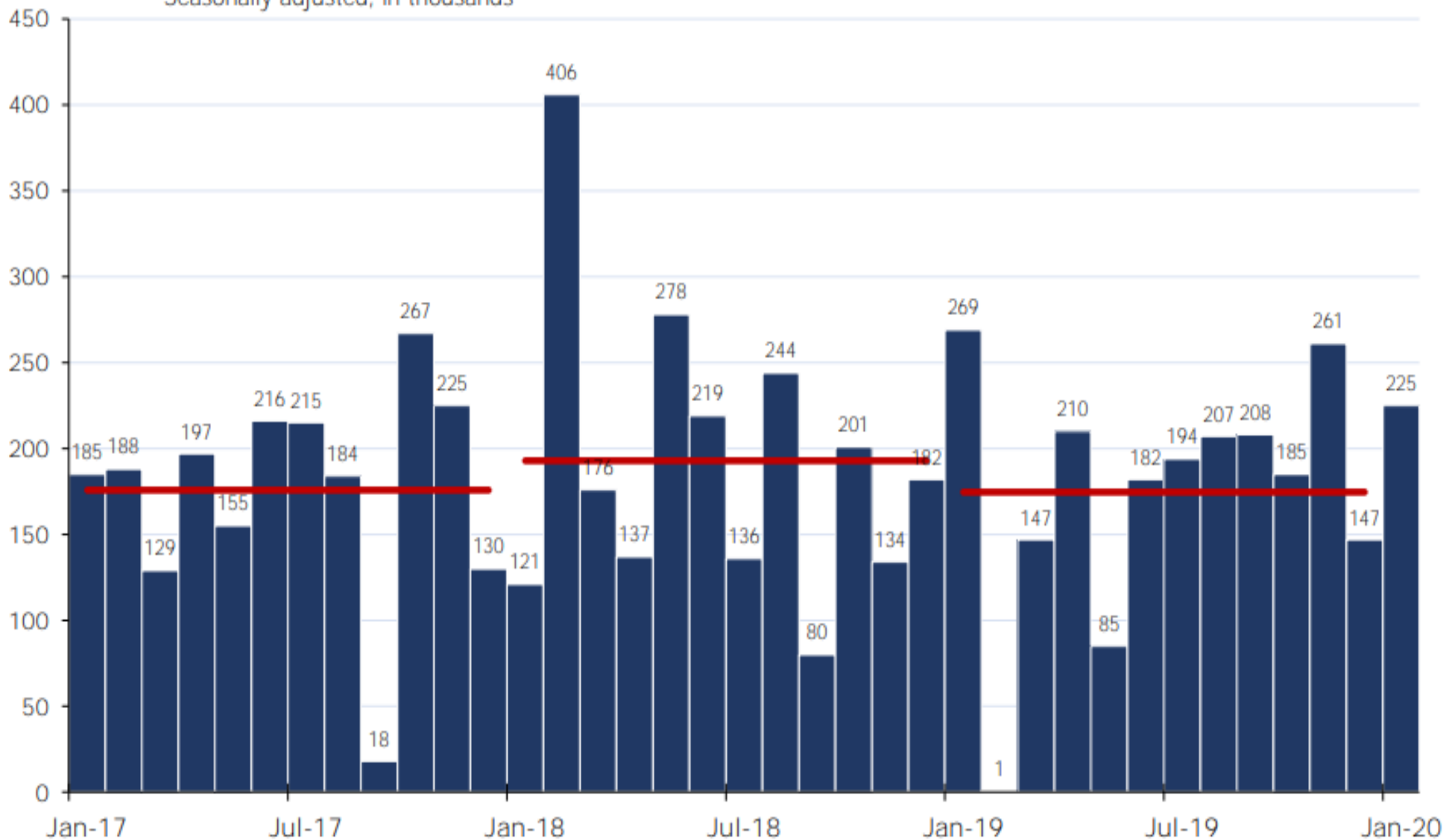
Patrick Barry
Appraiser



Employment in total nonfarm

Over-the-month change, January 2017–January 2020

Seasonally adjusted, in thousands



The New York Times

Job Growth Gives the Economy an Upbeat Start to the Year

Payrolls expanded by 225,000 in January, helped by mild weather, and more people were drawn into the labor market.



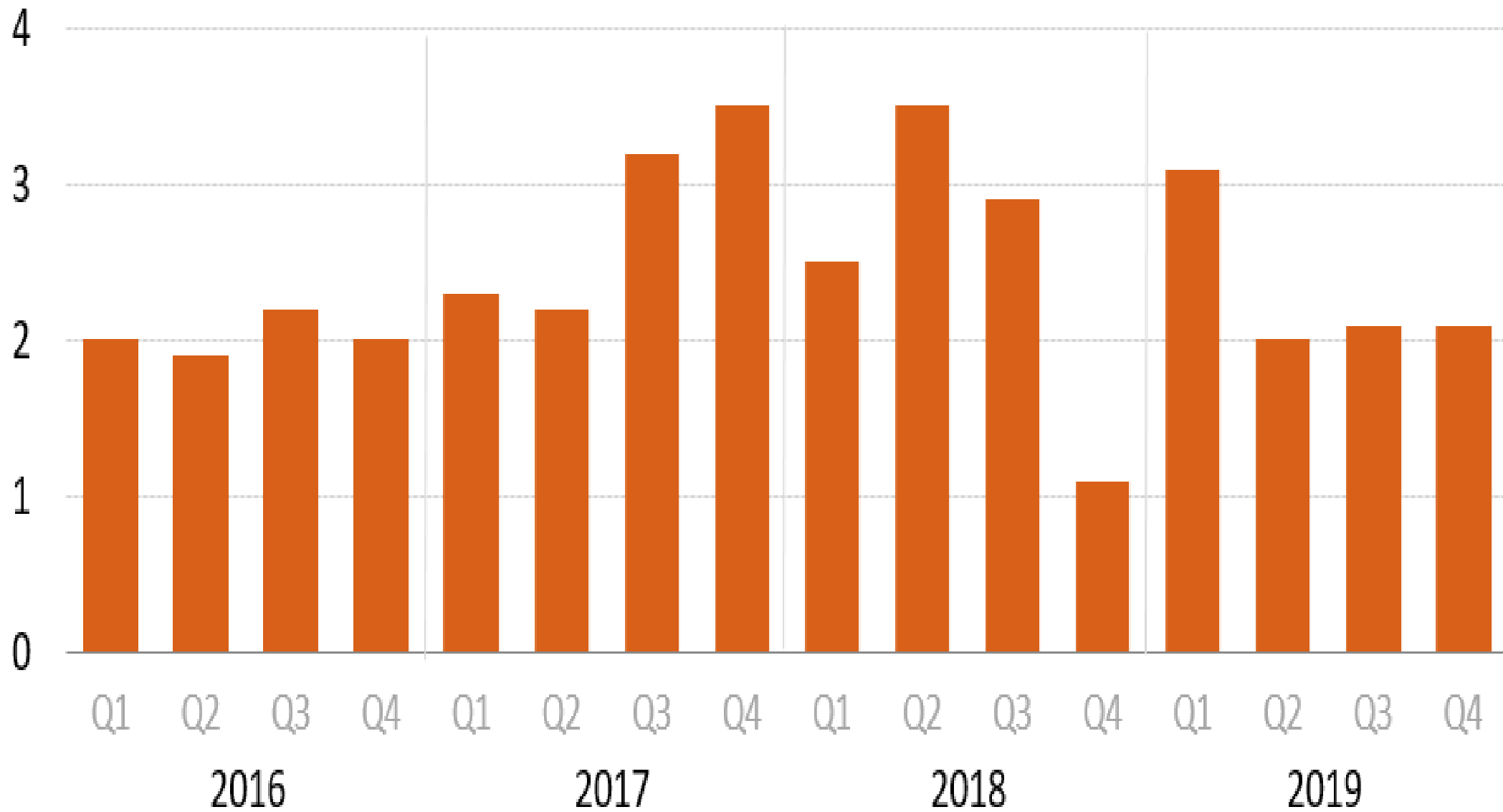
By Ben Casselman

Feb. 7, 2020



Construction was among the sectors that contributed to job growth. Frederic J. Brown/Agence France-Presse — Getty Images

Real GDP: Percent change from preceding quarter





For First Time in 150 Years, World's Benchmark Bond Is Sub-1%

Markets appear to interpret Powell's cut as a measure of desperation

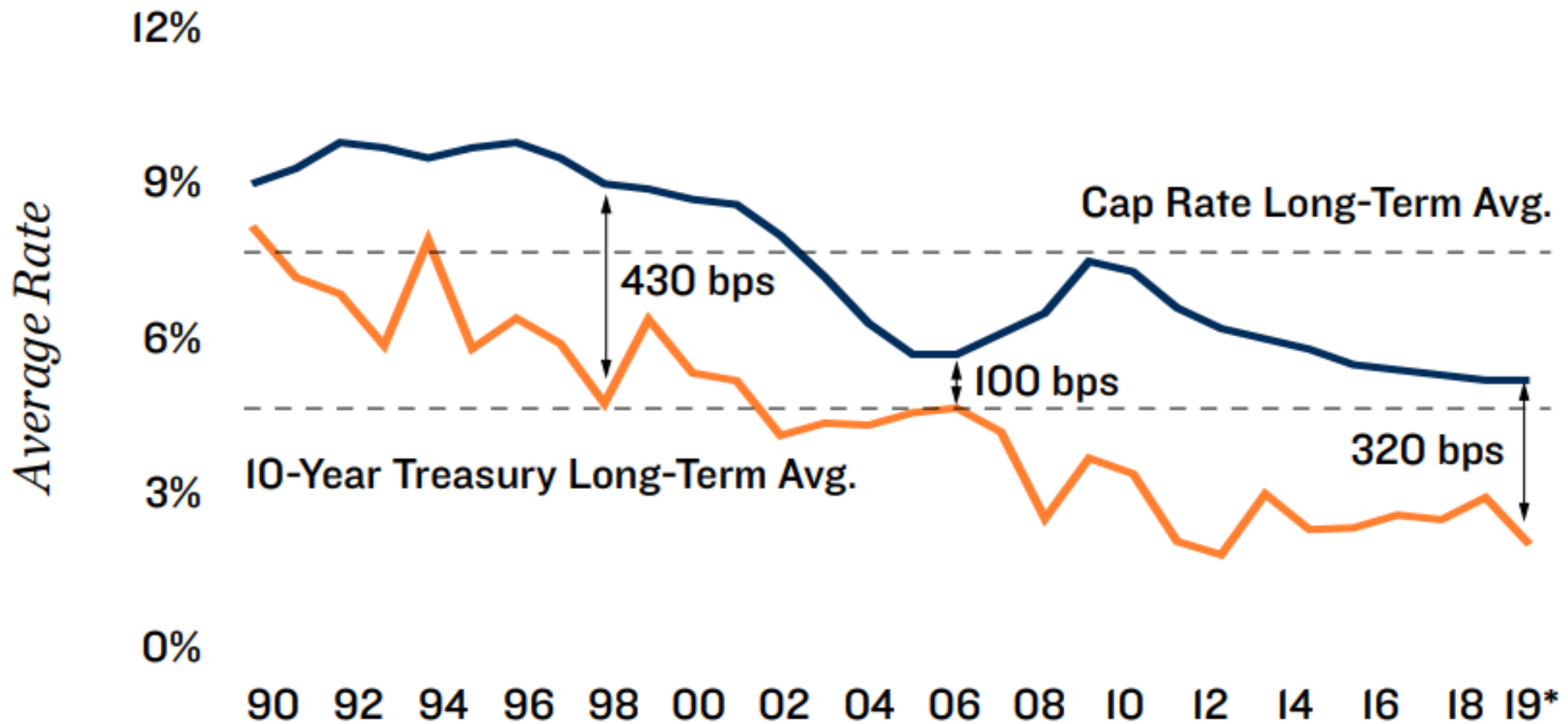
By [John Authers](#)
March 3, 2020, 3:49 PM PST



U.S. Apartment Cap Rate Trends

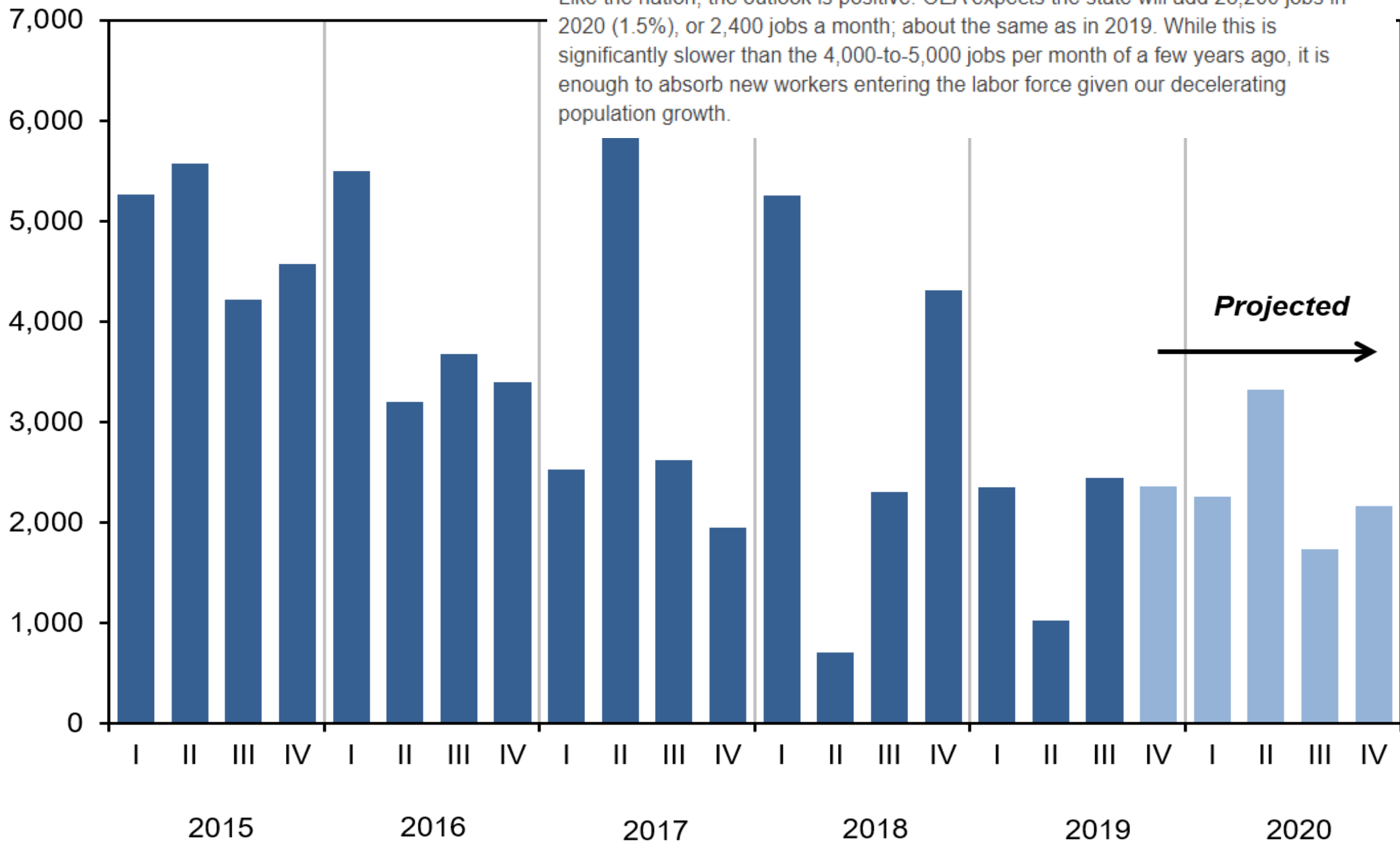
— Apartment Cap Rate

— 10-Year Treasury Rate



Oregon Monthly Job Gains: Slowing Growth

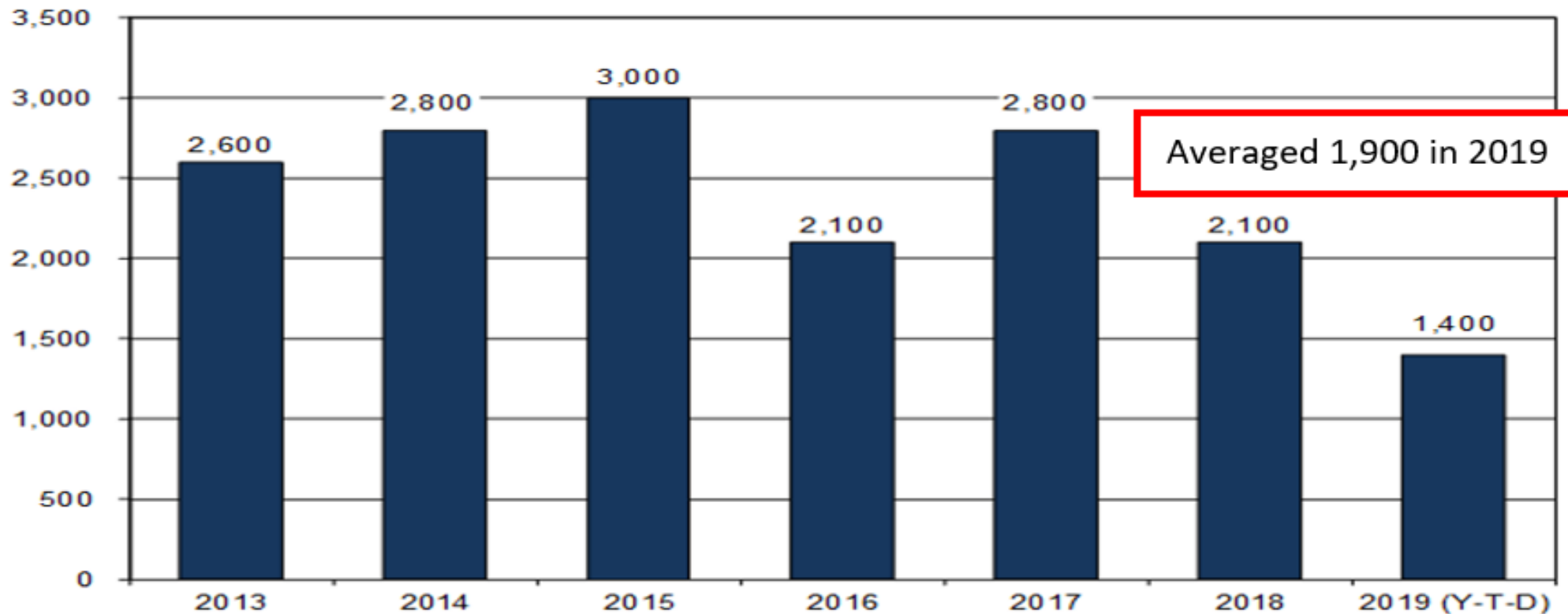
Like the nation, the outlook is positive. OEA expects the state will add 28,200 jobs in 2020 (1.5%), or 2,400 jobs a month; about the same as in 2019. While this is significantly slower than the 4,000-to-5,000 jobs per month of a few years ago, it is enough to absorb new workers entering the labor force given our decelerating population growth.



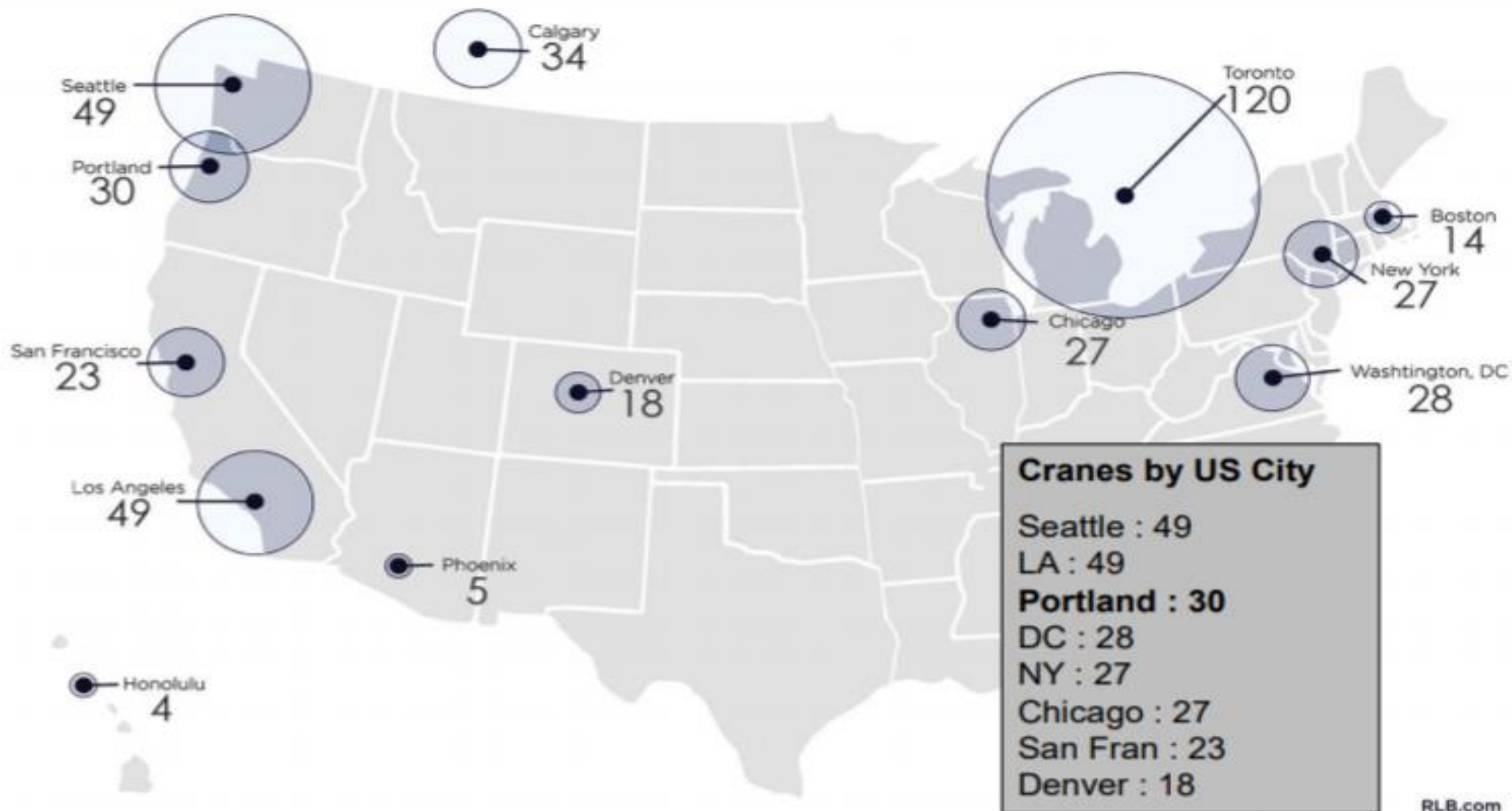
FOR IMMEDIATE RELEASE: October 22, 2019

CONTACT INFORMATION:
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Amy.S.VanderVliet@oregon.gov
(971) 804-2099

**Average Monthly Job Growth: Portland Metro Area
(seasonally adjusted)**



Crane Count by City – July 2019



2005		2018	
San Jose	\$98.3	San Jose	\$124.7
Washington DC	\$96.1	San Francisco	\$107.9
San Francisco	\$84.1	Washington DC	\$102.2
Boston	\$79.8	Boston	\$88.7
Hartford	\$78.9	Seattle	\$87.9
Minneapolis	\$76.7	Baltimore	\$80.5
Baltimore	\$73.9	Minneapolis	\$79.6
San Diego	\$72.4	Denver	\$79.5
New York	\$72.2	San Diego	\$79.1
Seattle	\$70.7	New York	\$78.5
Denver	\$70.6	Hartford	\$77.3
Chicago	\$70.3	Austin	\$76.9
Atlanta	\$69.5	Portland	\$75.6
Sacramento	\$69.3	Raleigh	\$75.2
Philadelphia	\$68.9	Salt Lake City	\$73.7
Raleigh	\$68.4	Sacramento	\$73.1
Richmond	\$67.5	Los Angeles	\$72.6
Los Angeles	\$66.6	Chicago	\$70.8
Providence	\$66.0	Philadelphia	\$70.7
Virginia Beach	\$65.7	Atlanta	\$69.5
Detroit	\$65.3	Dallas	\$69.4
Riverside	\$65.3	Richmond	\$67.7
Kansas City	\$64.9	Nashville	\$65.9
Austin	\$64.9	Kansas City	\$65.8
Indianapolis	\$64.1	Riverside	\$65.7
Dallas	\$64.0	Virginia Beach	\$65.6
Las Vegas	\$63.7	Houston	\$65.4
Portland	\$63.3	Providence	\$65.1
Salt Lake City	\$63.0	Phoenix	\$64.4
St. Louis	\$62.6	Columbus	\$64.1
Columbus	\$62.3	St. Louis	\$62.8
Cincinnati	\$61.9	Cincinnati	\$62.7
Phoenix	\$61.9	Charlotte	\$62.1
Milwaukee	\$61.0	Indianapolis	\$61.0
Jacksonville	\$60.8	Milwaukee	\$60.6
Charlotte	\$60.6	Detroit	\$60.5
Houston	\$60.1	Jacksonville	\$60.2
Nashville	\$58.6	Pittsburgh	\$59.7
Orlando	\$57.3	Orlando	\$58.6
Cleveland	\$56.9	Oklahoma City	\$57.5
Birmingham	\$56.3	Louisville	\$57.4
Louisville	\$55.7	San Antonio	\$57.4
San Antonio	\$55.6	Las Vegas	\$57.1
Miami	\$55.4	Birmingham	\$56.4
Buffalo	\$54.4	Miami	\$56.3
Tampa	\$53.8	Cleveland	\$56.2
Pittsburgh	\$53.6	Buffalo	\$56.2
Memphis	\$52.8	Tampa	\$54.9
Oklahoma City	\$51.5	Memphis	\$50.3
New Orleans	\$51.3	New Orleans	\$50.3

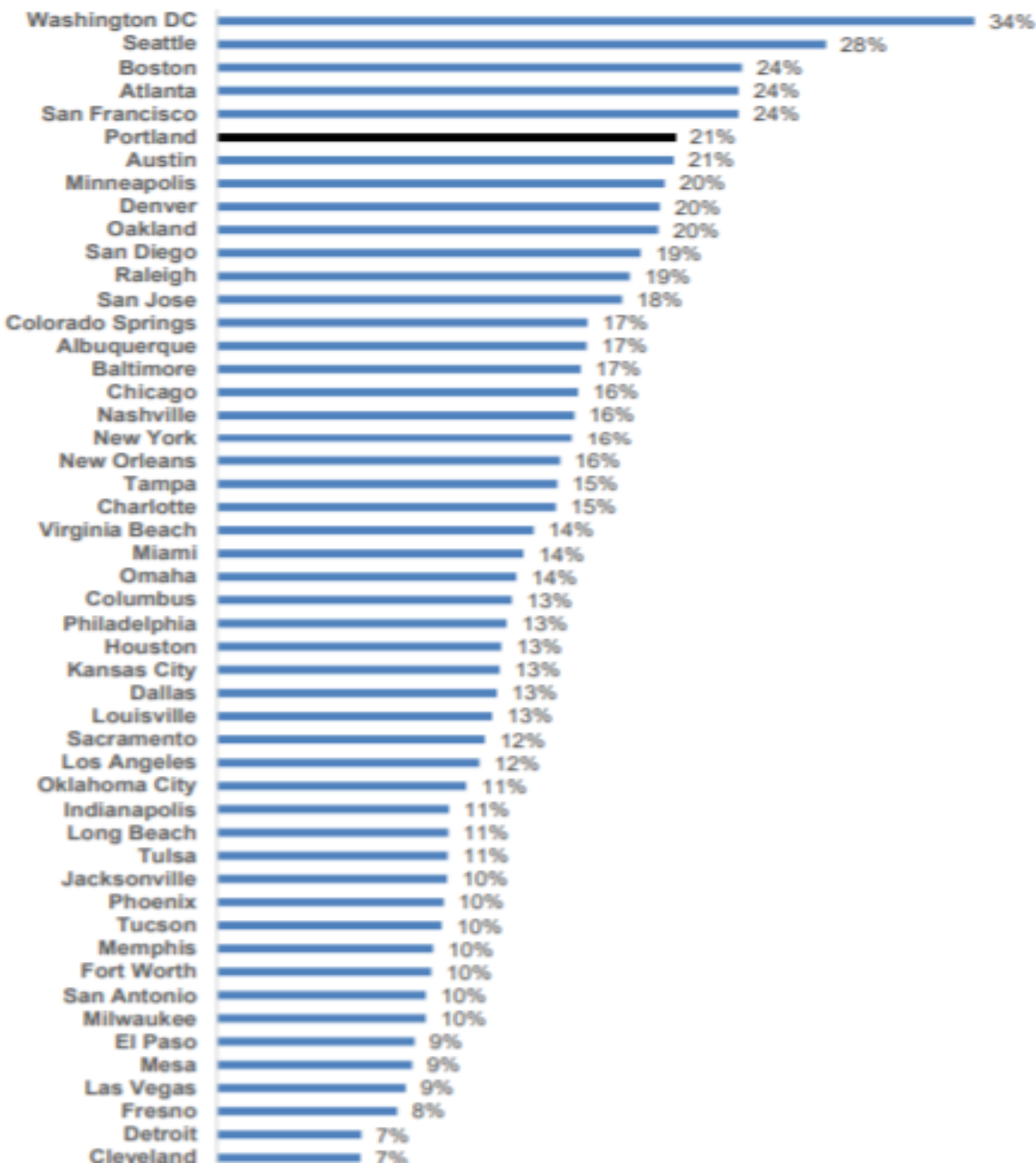
Median Household Income Growth by Region 2005 to 2018

Portland enjoyed a 19% increase in household income from 2005 to 2018.

That increase of \$12,305 from 2005 to 2018 brought Portland from being the 28th wealthiest to the 13th among the 50 largest US metros.

This is the 4th fastest increase in the US. Only San Francisco, San Jose and Seattle grew faster.

Graduates Degrees by US City 2018



The city of Portland was the 6th best educated major city in the U.S. in 2017, with 21% of adults having an advanced college degree.

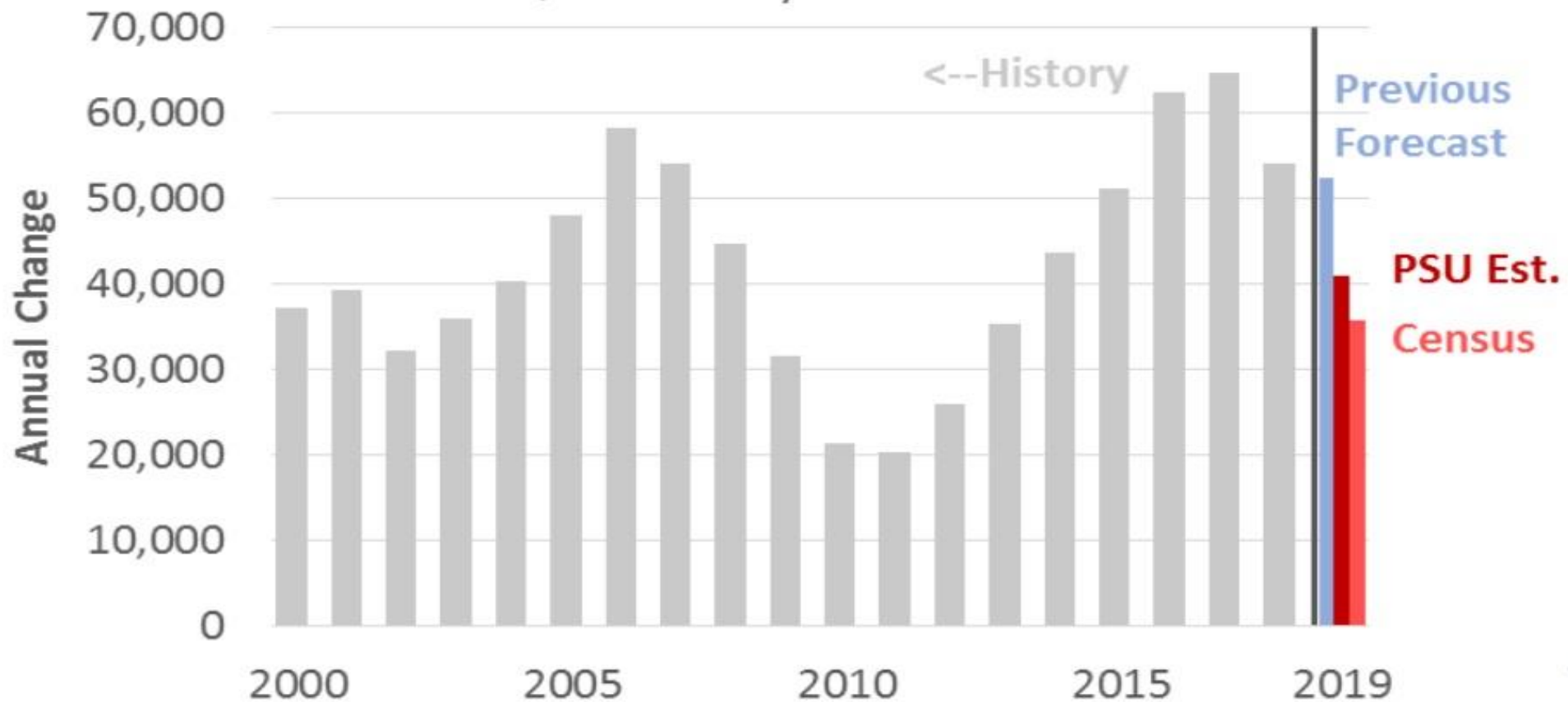
The Portland population with a graduate college degree is more than Las Vegas, Cleveland and Milwaukee combined.



Slower Migration Results in Slower Labor Force Gains

Oregon's Population Growth is Slowing

Question is By How Much?



Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis



Oregon population grows by 41,000, pushing the state's total to over 4.2 million people

Updated Nov 18, 2019; Posted Nov 15, 2019

Of those tens of thousands of new Oregonians, 86%, or about 35,000, moved here from somewhere else. That's far more than the people who entered the state fresh from the womb. Oregon's population is aging, the university's Population Research Center said in a Friday announcement, and birth rates are declining. Only 6,000 more people were born over the last year than died.

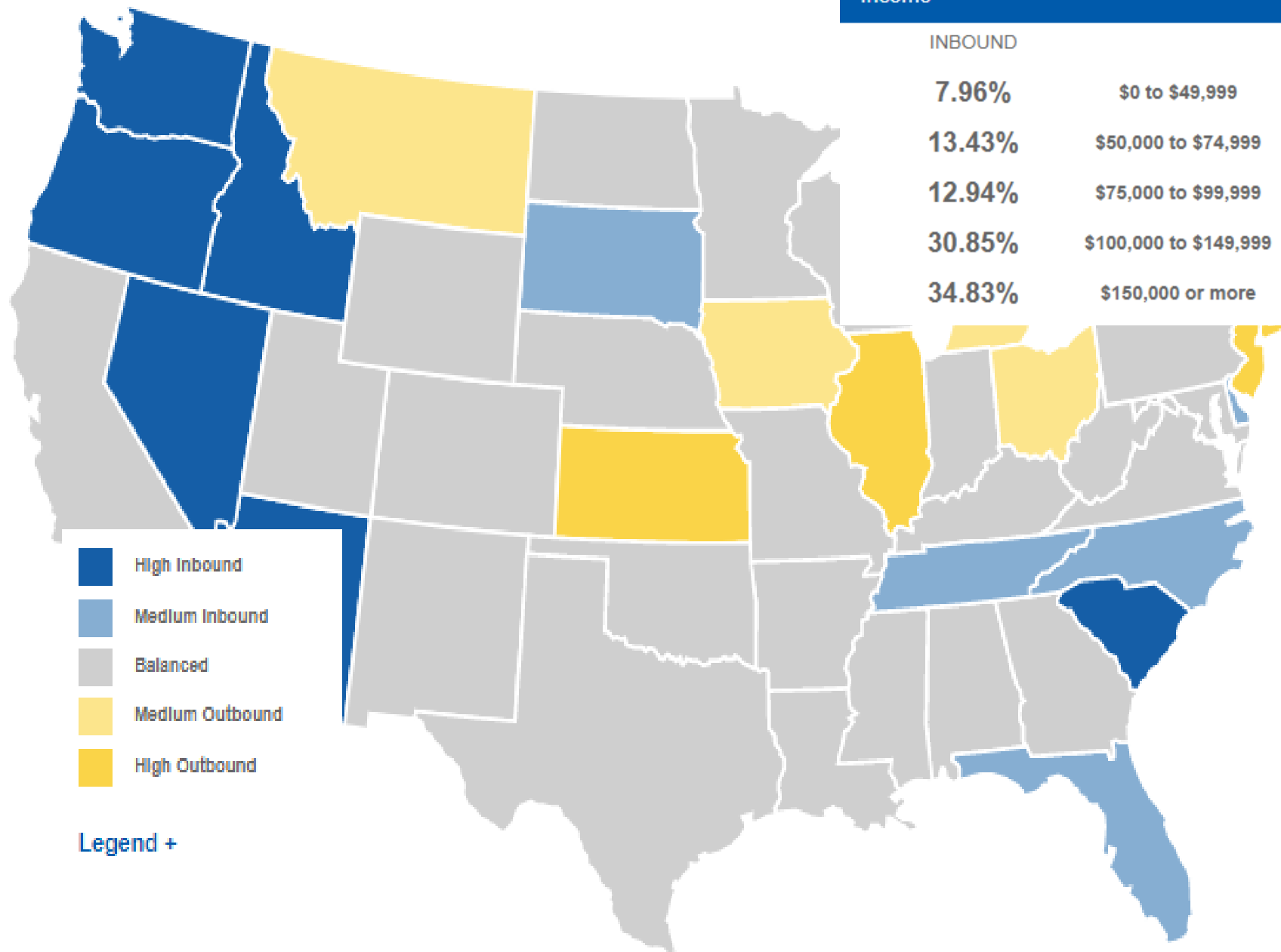
Unsurprisingly, much of the population growth happened in Oregon's three largest counties – Multnomah, Washington and Clackamas, with 18,000 new people in total. The next three counties on the list were Deschutes, which grew by about 4,000 residents, and Lane and Marion counties, which grew by about 3,800 and 3,700 residents, respectively.

Oregon population growth lowest in 6 years

Updated Dec 31, 2019; Posted Dec 31, 2019

Income

INBOUND		OUTBOUND
7.96%	\$0 to \$49,999	13.83%
13.43%	\$50,000 to \$74,999	13.83%
12.94%	\$75,000 to \$99,999	13.83%
30.85%	\$100,000 to \$149,999	27.66%
34.83%	\$150,000 or more	30.85%



- High Inbound
- Medium Inbound
- Balanced
- Medium Outbound
- High Outbound

Legend +

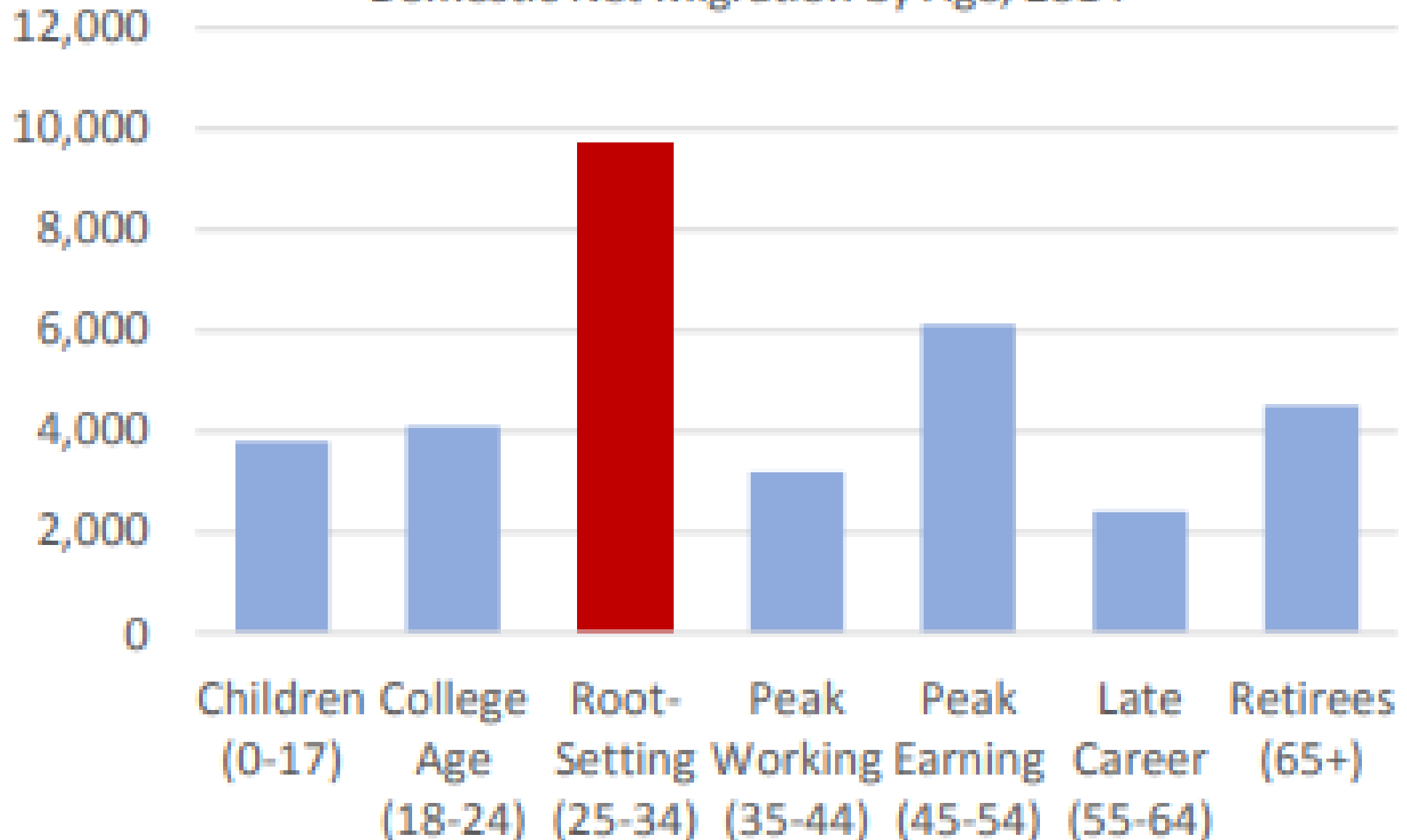
Embed this Map

Data courtesy of United Van Lines Movers Study © 2020
Demographic data only available for 2013 through present.



Who Moves to Oregon?

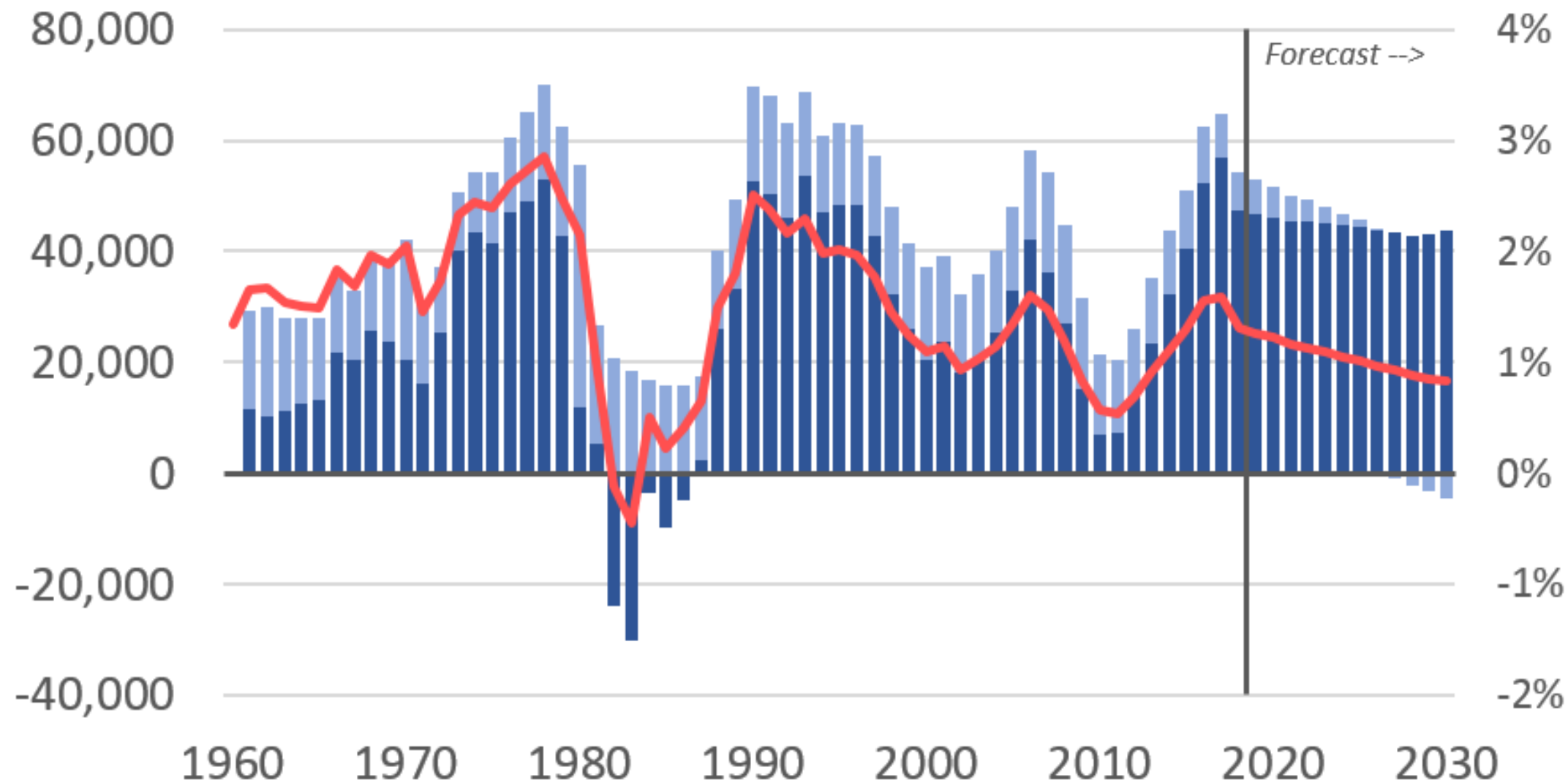
Domestic Net Migration by Age, 2014



Source: Census, Oregon Office of Economic Analysis

Oregon Population Growth

Net Migration Natural Increase Growth Rate (rhs)



PORTLAND METRO HOUSING DEMAND BASED ON POPULATION INCREASE

Population Increase: 25,000 persons

Average Household Size: 2.35 persons per household

Housing Demand: $25,000 / 2.35 = 10,600$ housing units

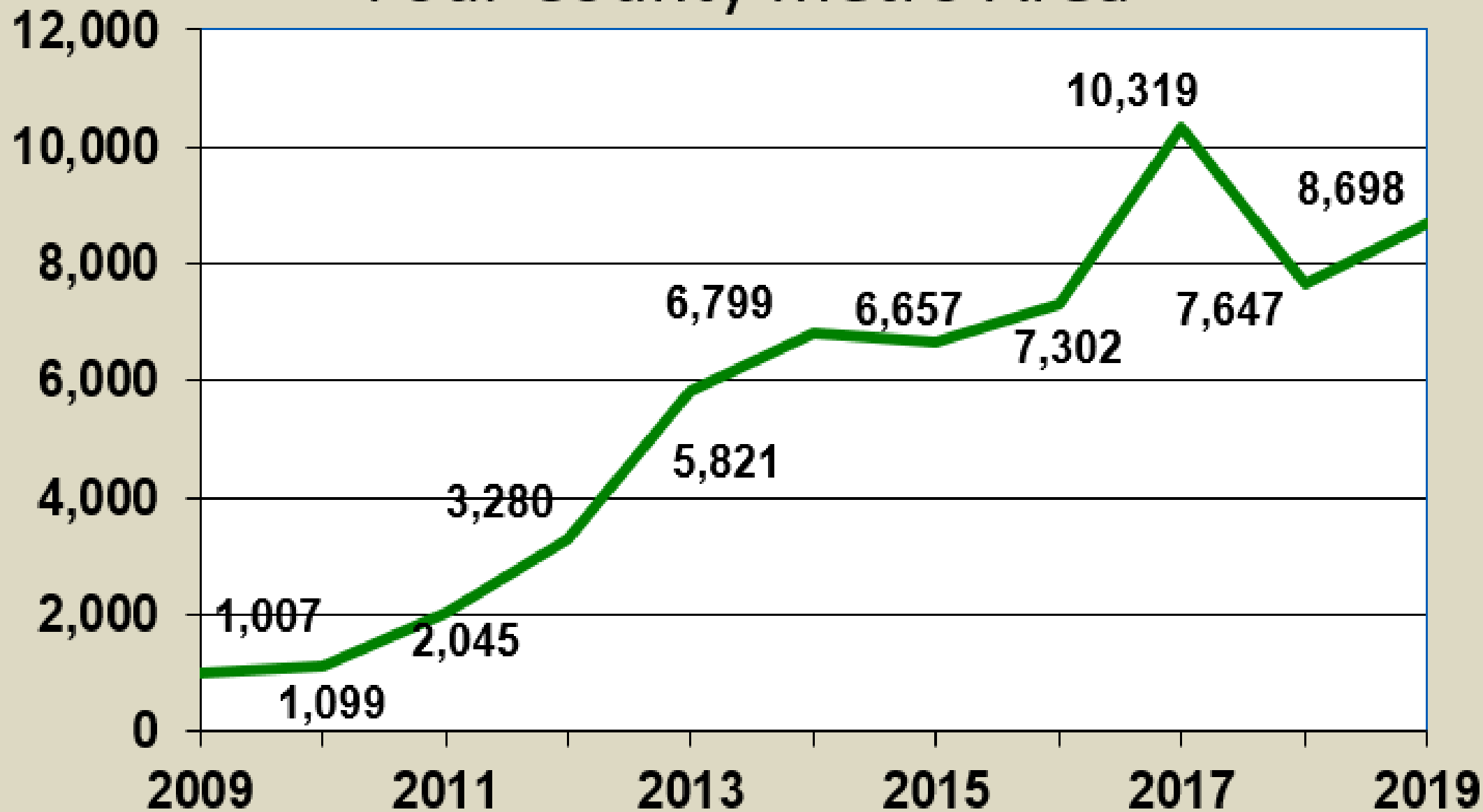
Percent Multifamily: 40%

Apartment Demand: 4,250 units

Overview			
			Portland Multi-Family
12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
6,606	5,087	6.5%	2.1%

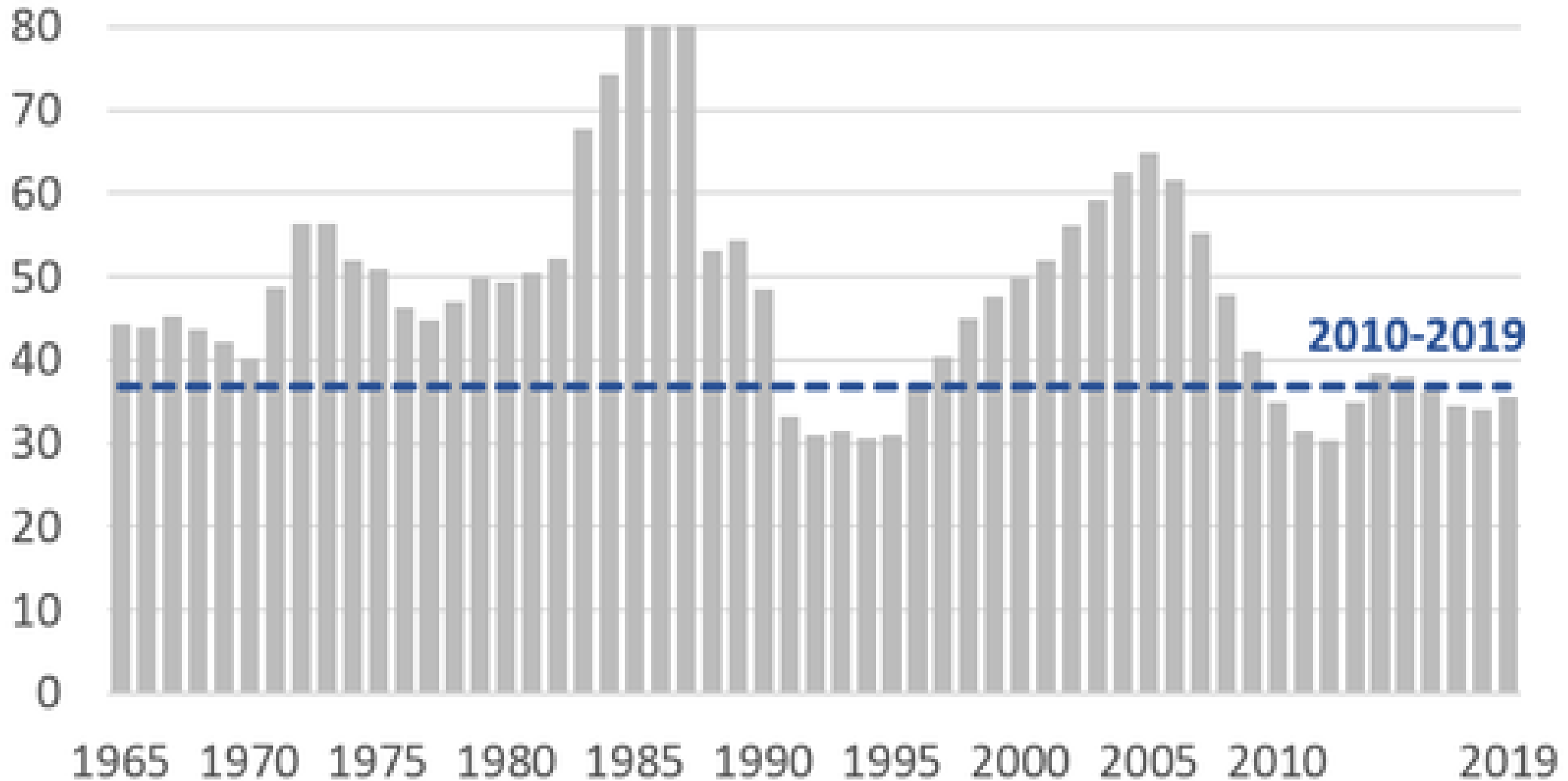
Apartment Permits 2009-2019

Four County Metro Area



2010s: Record Low New Construction

Housing Permits per 100 New Residents, 5 Yr Avg



Under Construction Properties

Portland Multi-Family

Properties

Units

Percent of Inventory

Avg. No. Units

67

7,378

3.7%

110

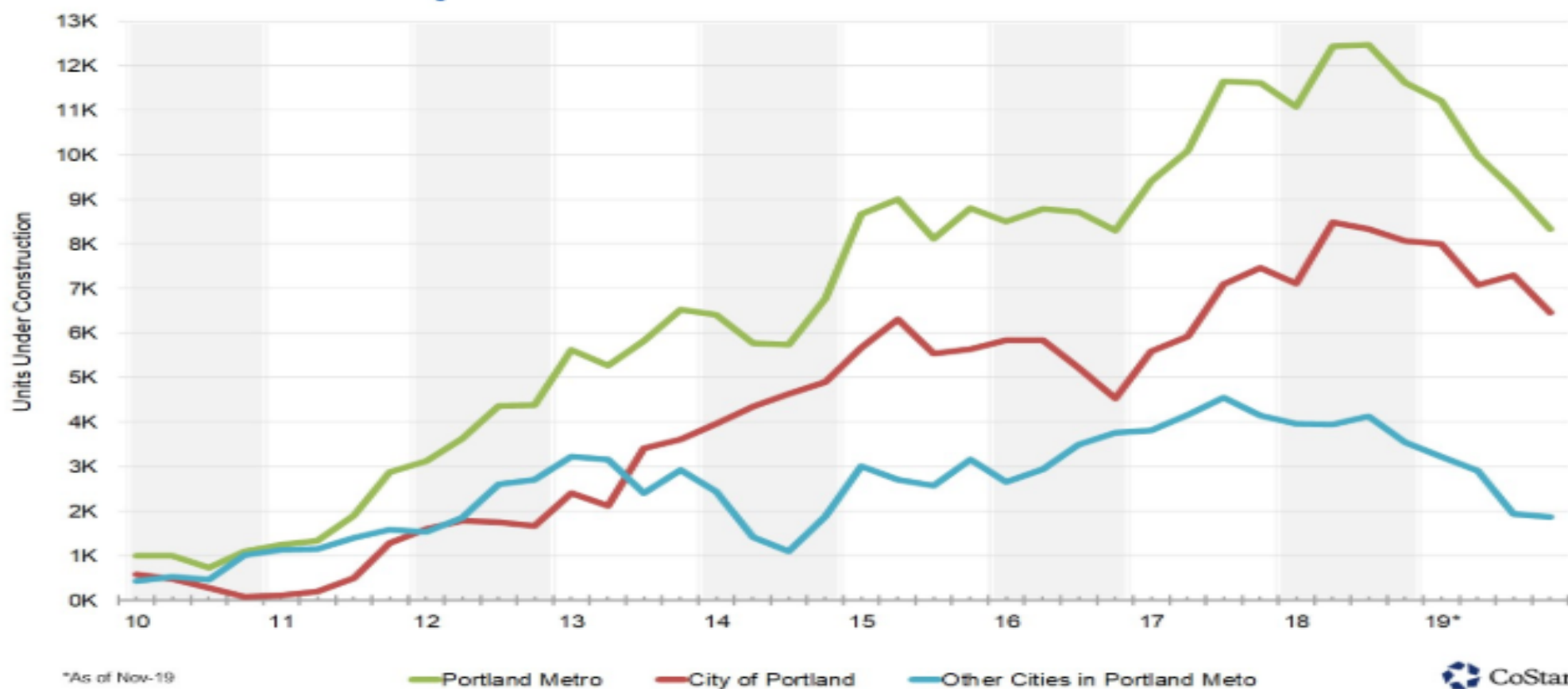
UNDER CONSTRUCTION

Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1 100 Columbia Apartments 100 SW Columbia St	★ ★ ★ ★ ☆	347	20	Jan-2019	Nov-2020	Alamo Manhattan LLC Downtown Development Group
2 Reed's Crossing Multifamily 21270 SW Tualatin Valley...	★ ★ ★ ★ ☆	324	-	May-2019	Sep-2020	Holland Partner Group The Management Group, Inc.
3 Alta Civic Station 1699 NW Civic Dr	★ ★ ★ ★ ☆	318	5	Jul-2019	May-2021	Wood Partners Wood Partners
4 Alta Art Tower 1516 SW Alder St	★ ★ ★ ★ ☆	314	-	Jul-2019	Dec-2020	Wood Partners Artists Repertory Theatre
5 Modera Glisan 505 NW 14th Ave	★ ★ ★ ★ ★	291	12	Jun-2018	May-2020	Mill Creek Residential Trust, LLC Mill Creek Residential Trust, LLC
6 Harbor Sky 1055 N Anchor Way	★ ★ ★ ★ ☆	266	6	Mar-2018	Apr-2020	- Atlas Property Management
7 6400 SW Canyon Ct	★ ★ ★ ★ ☆	266	4	Jun-2018	Mar-2020	Tandem Property Management Tandem Property Management

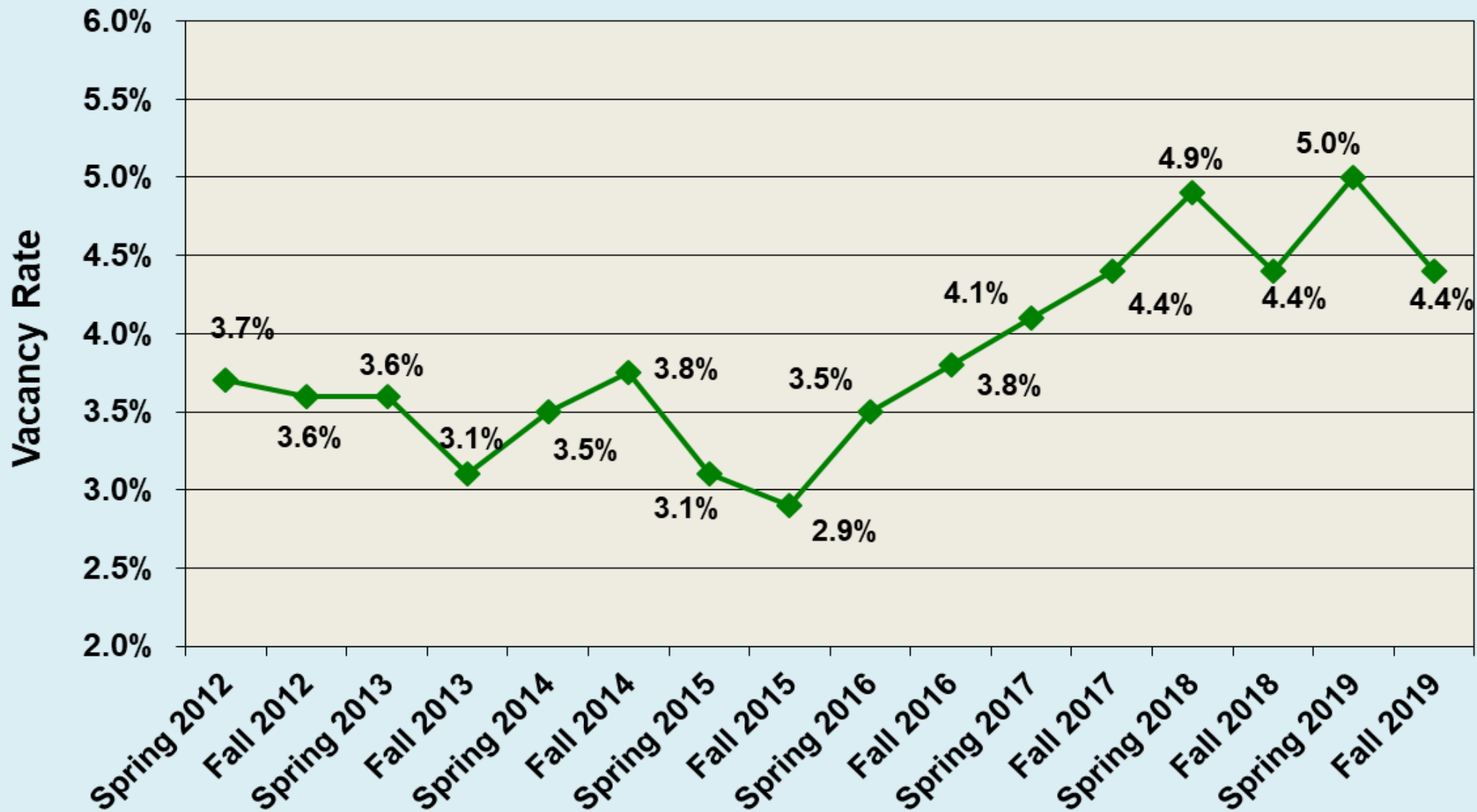
Portland, Oregon, Sees Steep Drop in Number of Apartments Under Construction

CoStar Insight: Inclusionary Zoning Contributes to Slowing Apartment Construction in the City of Portland

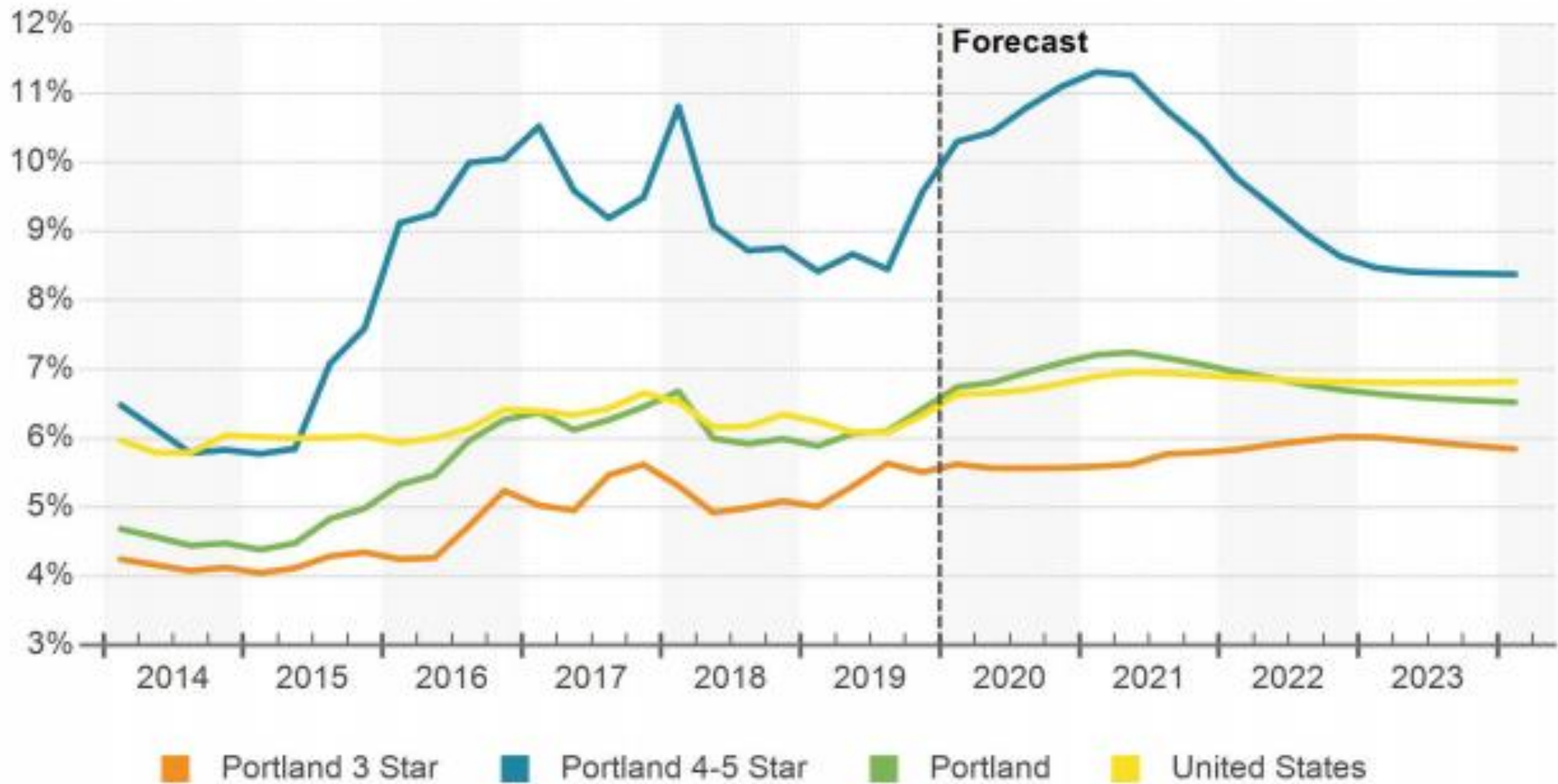
Portland Metro Apartment Units Under Construction Over Time



Portland Metro Vacancy Rates 2012 - Fall 2019 (Multifamily Northwest)



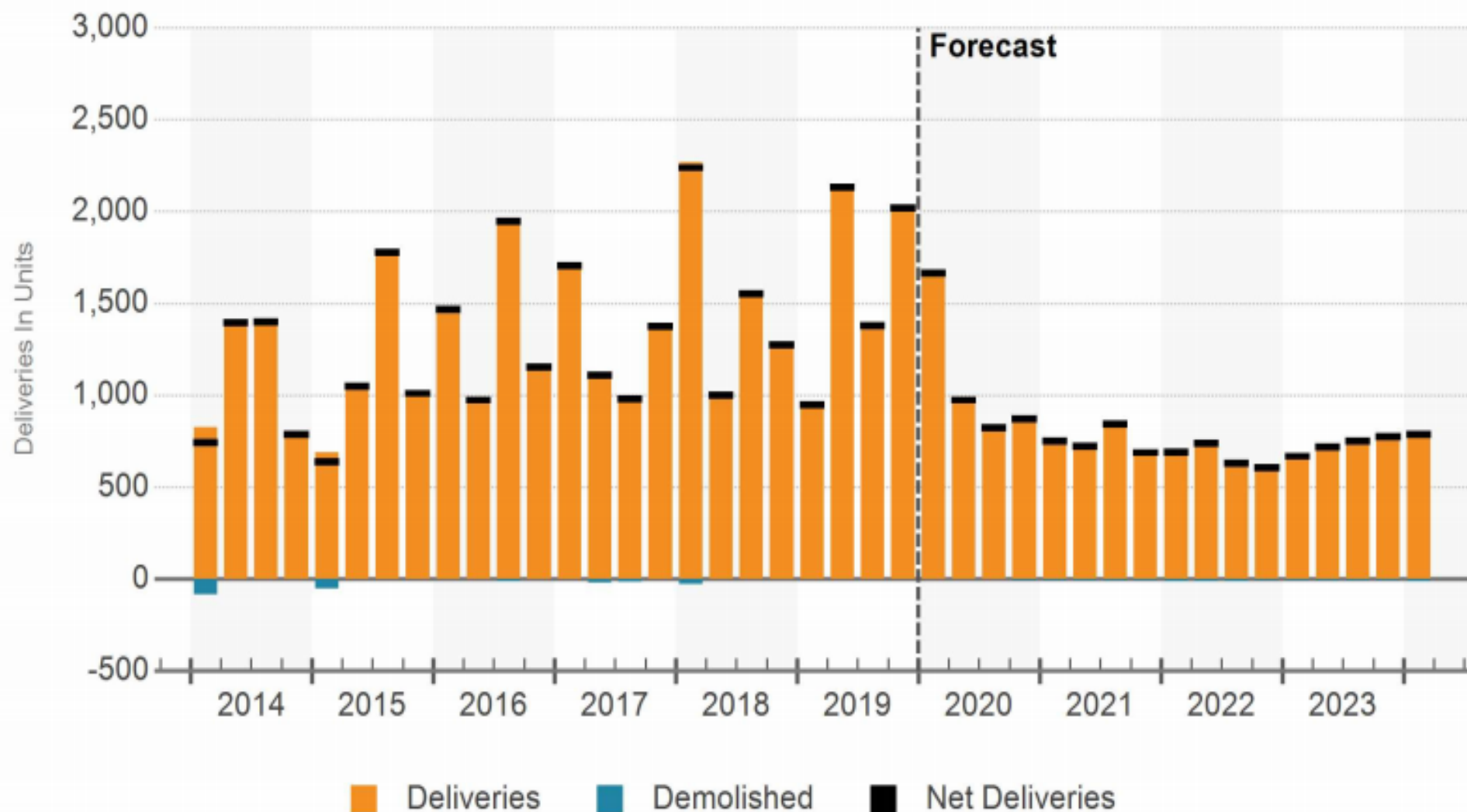
VACANCY RATE



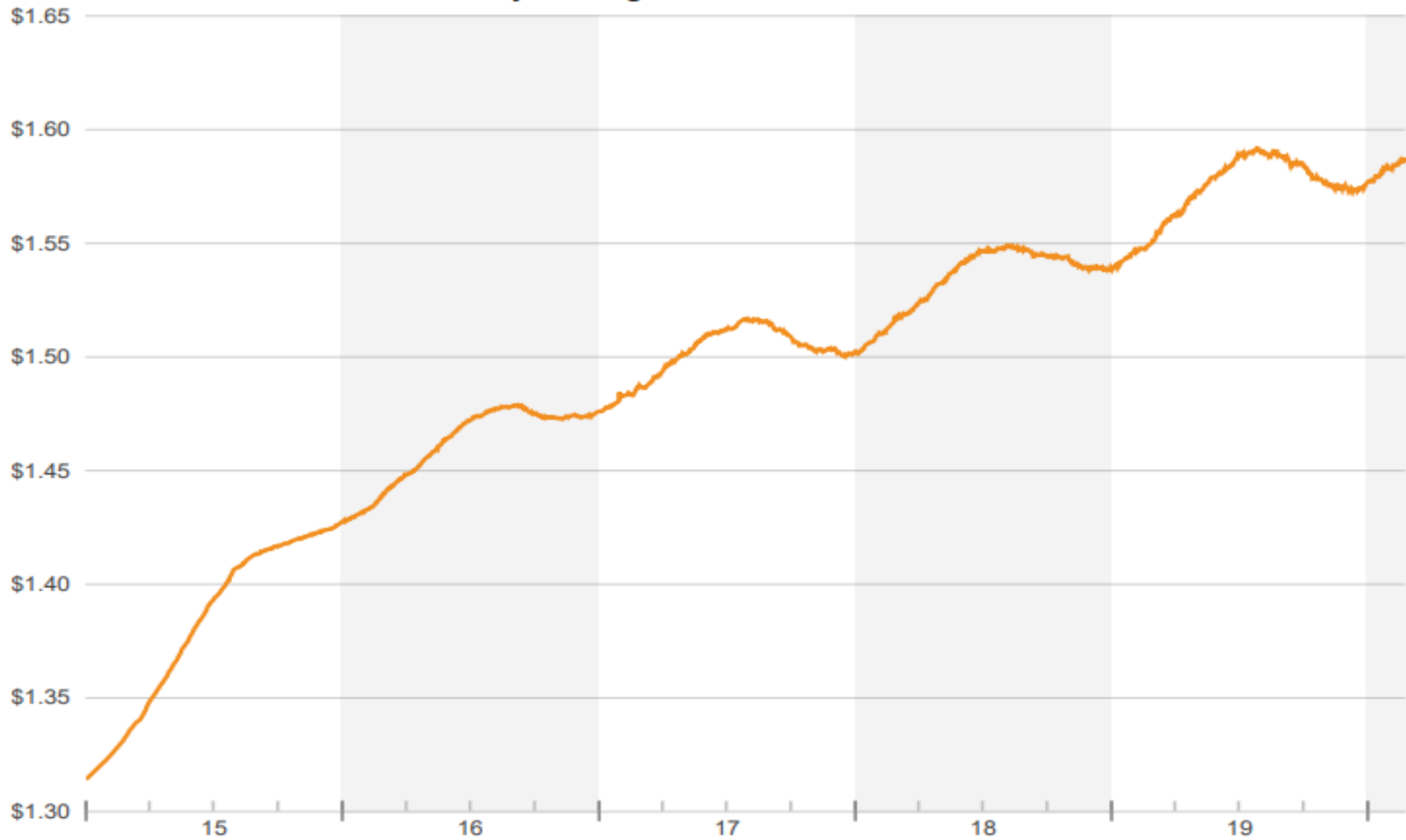
Construction

Portland Multi-Family

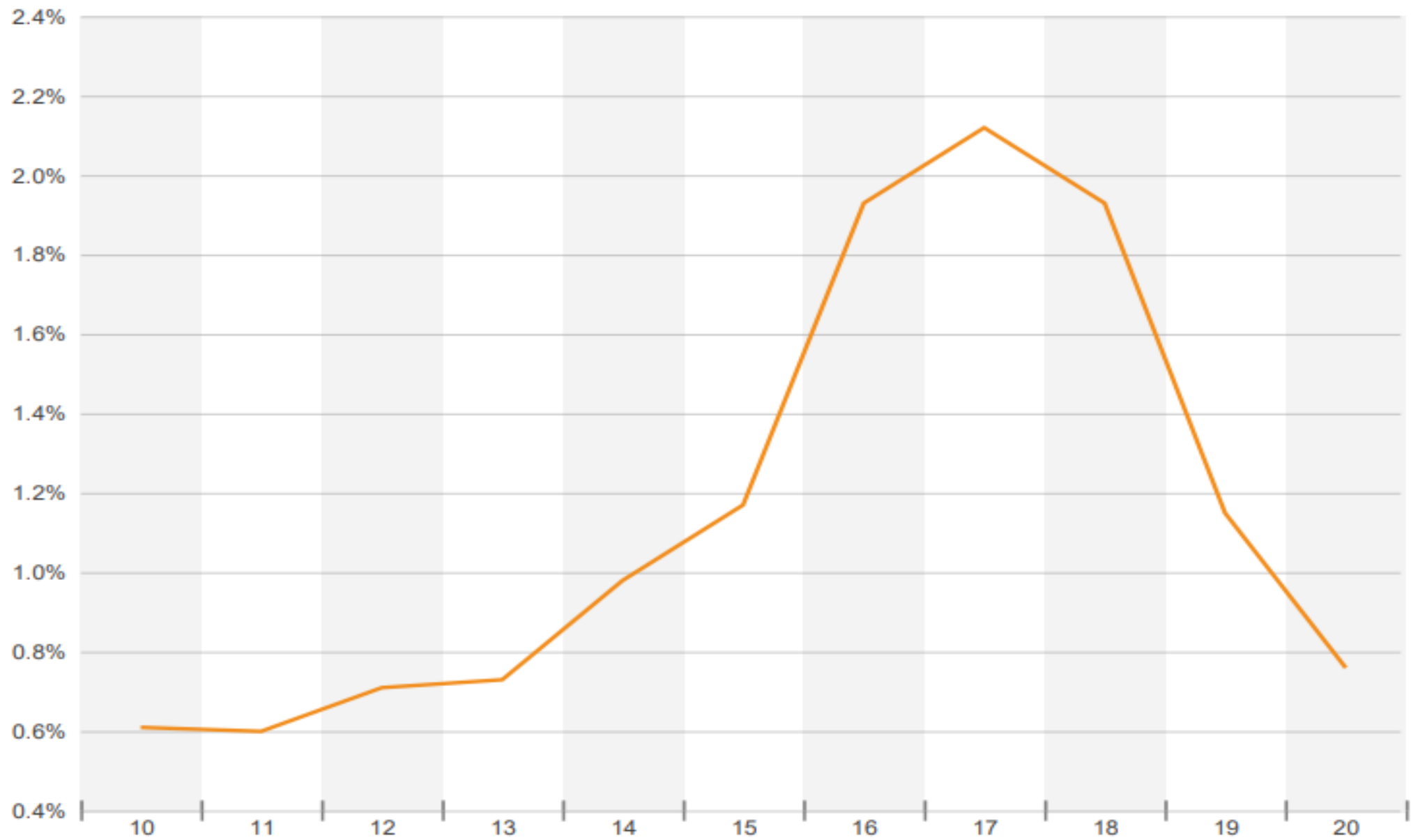
DELIVERIES & DEMOLITIONS



Daily Asking Rent Per SF

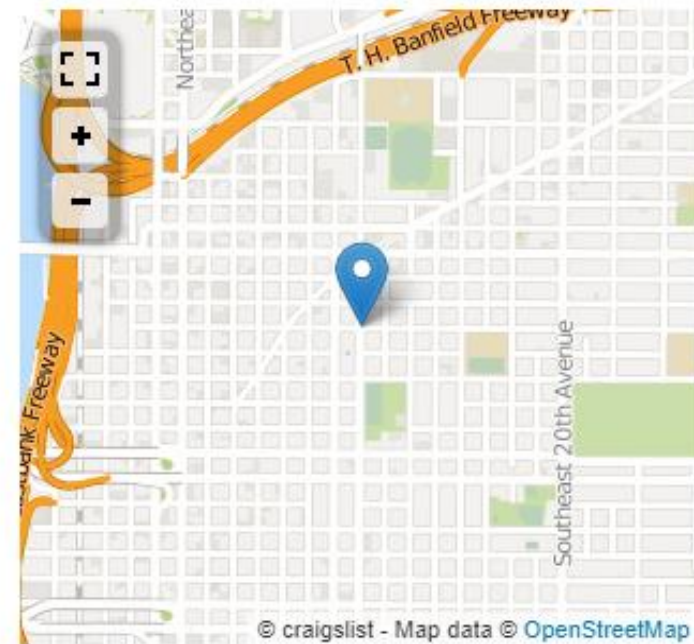


Concession Rate



\$1564 / 1br - 563ft² - 4 Weeks Free Rent at East of Eleven! Tour Today! (Portland)

image 9 of 17



© craigslist - Map data © OpenStreetMap

SE 12th St near SE Pine Ave

[\(google map\)](#)

1BR / 1Ba

563ft²

available now

cats are OK - purrr

dogs are OK - woof

apartment

w/d in unit

no smoking

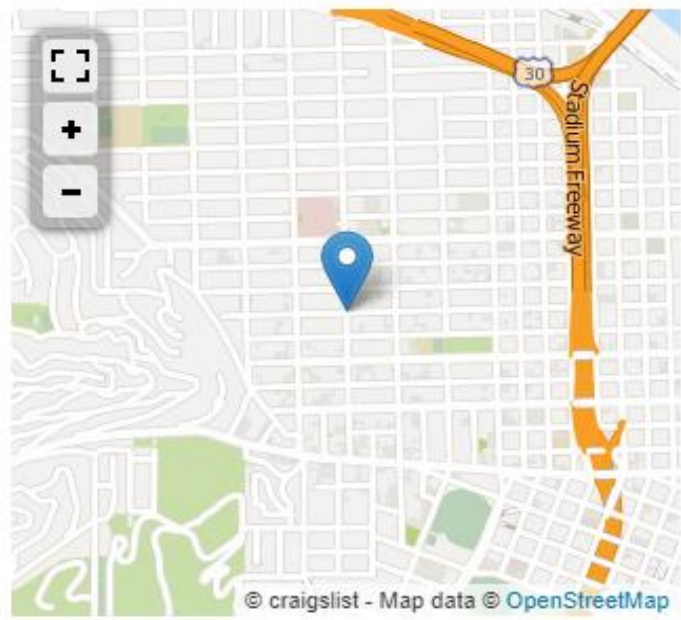
off-street parking



East of Eleven Apartments | Now Leasing
310 SE 12th Ave. Portland, OR 97214

\$1225 / 1br - Fabulous Garden Level One Bedroom Apartment! 2 Weeks Free!

image 1 of 11



NW Irving near NW 22nd
[\(google map\)](#)

1BR / 1Ba

application fee details: **All aspects of processing an application (reference checks and credit report).**

cats are OK - purrr

dogs are OK - woof

apartment

laundry in bldg

no smoking

street parking

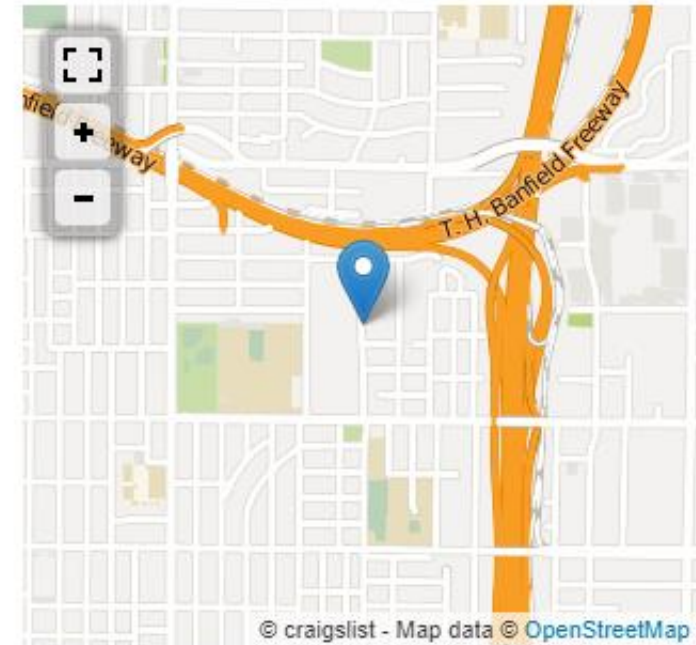


Get two weeks free on this stunning one bedroom apartment!

Fantastic garden level 1 bedroom at Amber Court is available now! This dazzling apartment features a spacious living room with kitchen passthrough and walk-in closet. Kitchen features updated appliances and plenty of cabinets for storage. Cozy bedroom leads to bathroom with beautiful decorative tile in the shower. Apartment has top down cellular shades in all windows!

\$1400 / 2br - 885ft² - Michael Manor - No Deposit Required + Total of 6 weeks free! (Portland)

image 17 of 18



© craigslist - Map data © OpenStreetMap

862 NE 90th Ave

[\(google map\)](#)

2BR / 1.5Ba

885ft²

available mar 5

application fee details: **\$45 Screening fee**

cats are OK - purrr

dogs are OK - woof

apartment

laundry on site

no smoking

off-street parking



Total of 6 weeks free of rent on this newly remodeled unit! Get the first month free when you sign a 12 month lease. In addition, you decide when to have another 2 weeks free sometime in your lease.

Oregon Property Tax Inequities



Sale No. 1 – Close-In SE Portland

Sale No. 1 – NW Portland

	Sale No. 1 – Close-In SE Portland	Sale No. 1 – NW Portland
Sale Date	September 2019	September 2019
No. of Units	9	12
Price per Unit	\$200,000	\$200,000
Assessed Value/Unit	\$54,821	\$97,723
Property Taxes Per Unit	\$1,389	\$2,475

(Images via CoStar)

2020 Portland-area voters could decide six different bonds, taxes, funding measures

by Keaton Thomas, KATU Staff | Monday, March 2nd 2020

Portland-area voters could be asked to approve the following:

- Portland gas tax renewal (May)
- Increase in state tax on Tobacco (November)
- Metro funding measure for homeless services (May)
- Metro funding measure for transportation (November)
- Multnomah County bond to expand library system (November)
- Portland Public Schools bond to modernize high schools (November)

People who live within PPS boundaries will vote on all six measures, totaling more than \$1 billion per year in funding.

What will the state's new cap-and-trade bill cost Oregon families?

Republicans are quoting a dollar amount, but Democrats say it's still too early to estimate how much the average family may have to pay.

Author: Stephanie Villiers

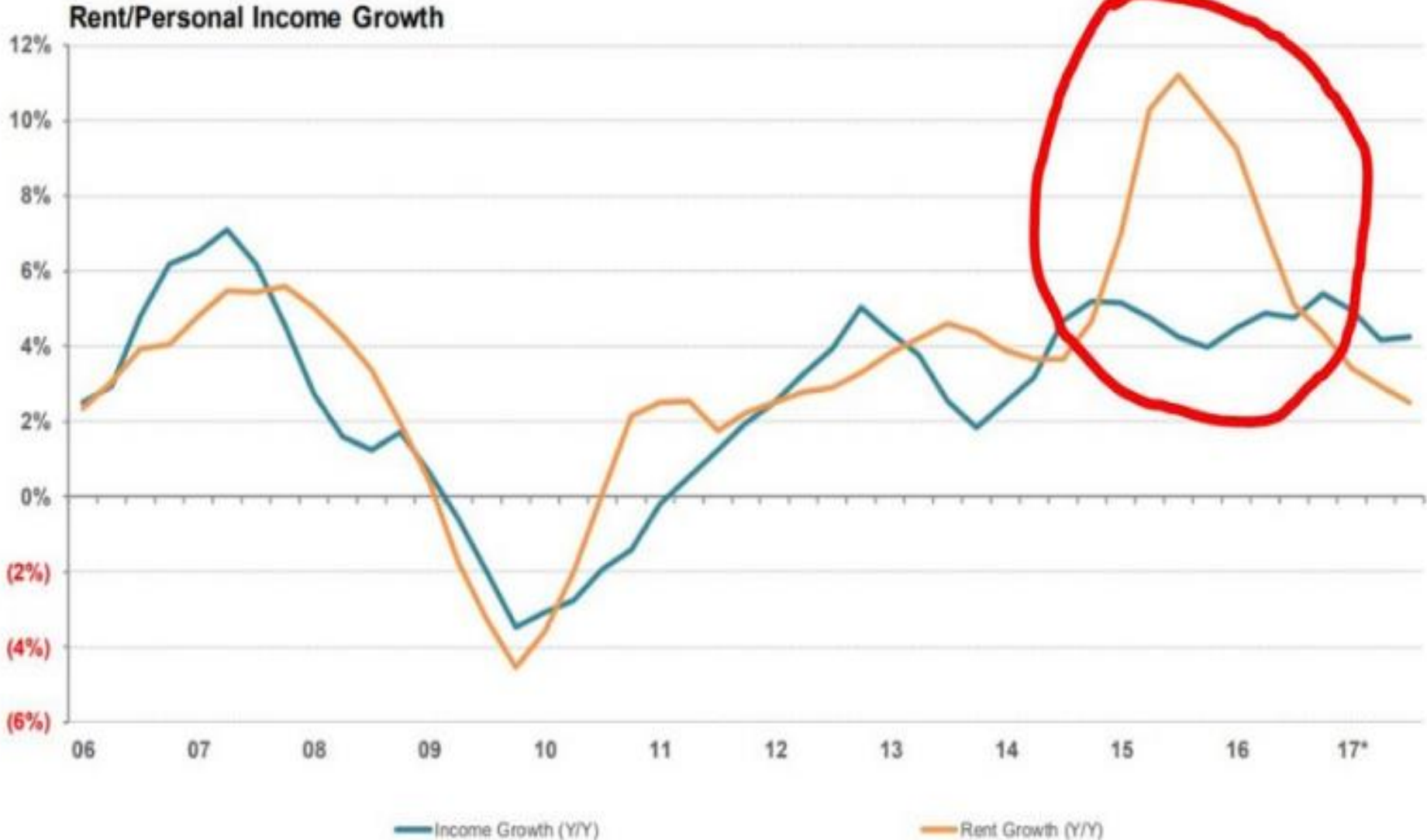
Published: 8:45 PM PST January 16, 2020

Updated: 4:24 PM PST February 7, 2020

PORTLAND, Ore. — Democrats and Republicans are giving different answers on how much Oregon's new cap and trade bill will cost Oregonians.

Senate Republican Leader Herman Baertschiger held a press conference on Facebook after the new bill was unveiled in the legislature this week. He said the bill will cost the average family of four "somewhere in the neighborhood" of \$650 a year.

Portland OR Rent Growth vs Income Growth



Source: CoStar Market Analytics
*Year to Date



opb.org



Oregon Passes 1st-In-Nation Statewide Rent Control; Bill Heads To Governor's Desk . News | OPB

The Oregon House voted 35-25 Tuesday to make Oregon the first state in the nation to adopt statewide rent control and make it harder for landlords to evict tenants without a reason. The...

Oregon just enacted statewide rent control—and it could be a model for the country

"It's the most immediate and effective way to stop displacement and gentrification at scale."

By [Allissa Walker](#) | [@awalkerInLA](#) | Mar 8, 2019, 1:21pm EST



Portland will require all landlords to register their apartments -- by late 2020

Posted Jul 26, 2018



Bombshell: Chloe Eudaly to Propose Tenant "First Right of Refusal" to Purchase Apartment Buildings Listed for Sale

The Portland Mercury reports today that Portland City Commissioner Chloe Eudaly plans to unveil a proposal that would allow tenants 60 days to determine whether they want to purchase an apartment building that's up for sale, and the City of Portland would have 30 days after that, meaning property sales would be stalled for up to 90 days while an owner waits for the groups to decide. [Read more.](#)



Portland

Judge denies request to delay Portland's new rental screening, security deposit rules

Updated Feb 28, 2020: Posted Feb 27, 2020

Business | News | Local

Portland City Council Approves \$60 Fee On All Rental Units

by [Amelia Templeton](#) [Follow](#) OPB Aug. 7, 2019 5:44 p.m. | Updated: Aug. 8, 2019 12:11 p.m. | Portland, Ore.

Portland City Council Passes New Tenant Protections Aimed at Helping People With Criminal Histories

By a vote of 3-1, Portland City Council moves forward with screening policies and security deposit protections.

NEWS

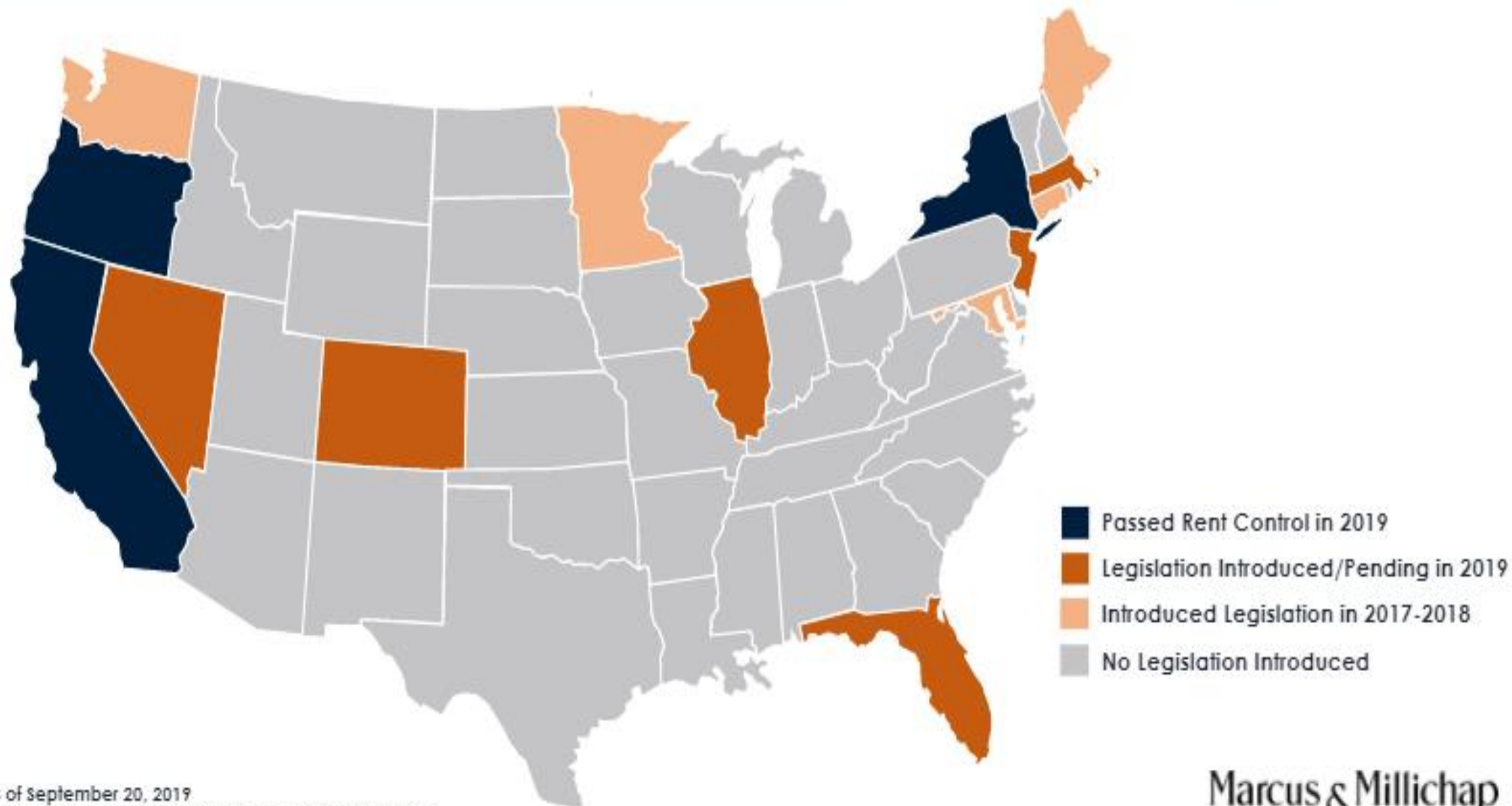
AUG 22, 2018

Is Portland's Inclusionary Housing Rule Really Hurting Developers?

by [Kelly Kenoyer](#)



Recent Rent Control Legislation Activity



As of September 20, 2019

Sources: Marcus & Millichap Research Services, NMHC

Marcus & Millichap

City of Portland launching new unreinforced masonry seismic retrofit project

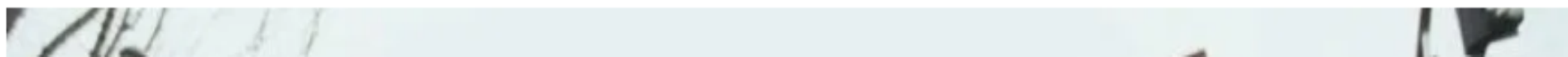
by Mary Loos | Tuesday, December 17th 2019



CIVIC AFFAIRS

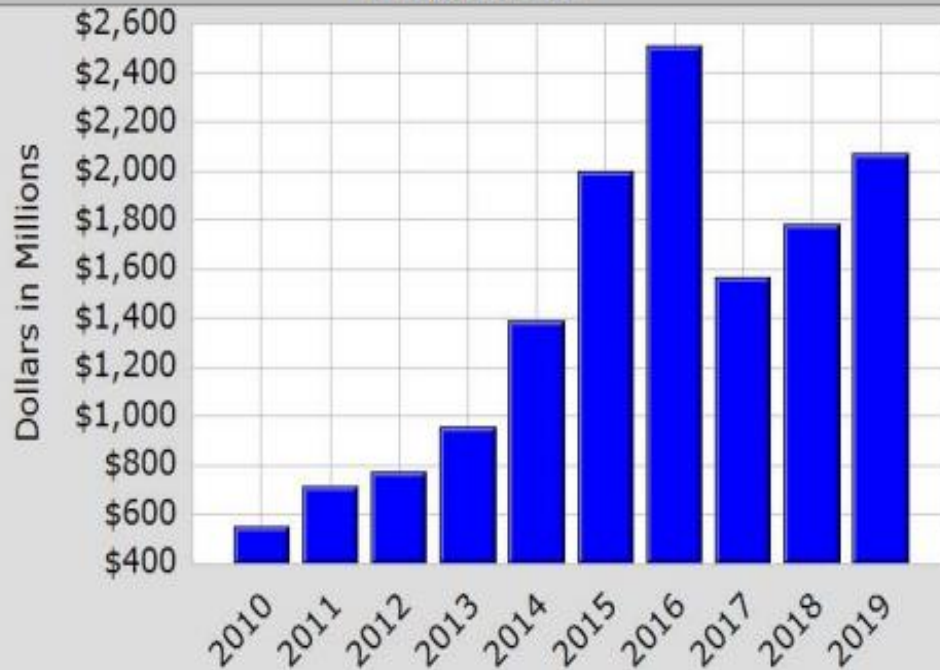
Council poised to pay \$350,000 to URM building lawyers

Legal fee payment will settle lawsuit that prevented Portland from enforcing earthquake warning requirements

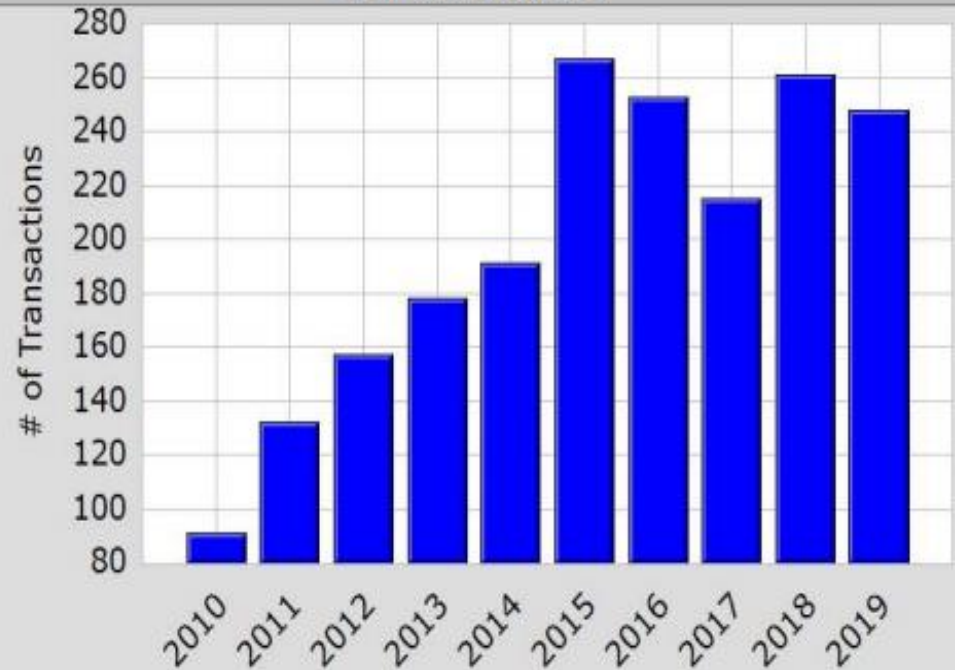


Portland Metro Apartment Sales Volume & Transactions – 2010 thru 2019

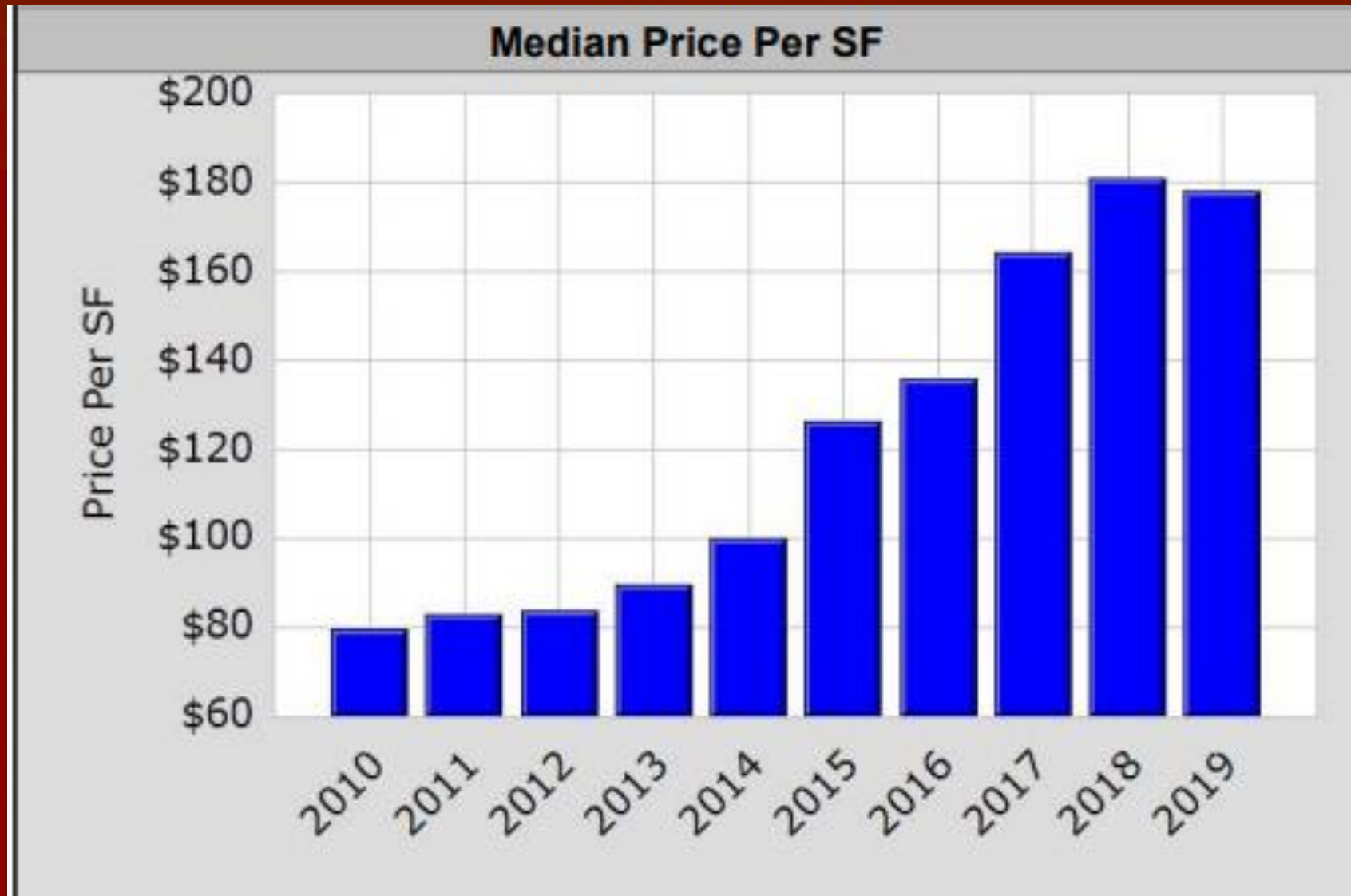
Dollar Volume



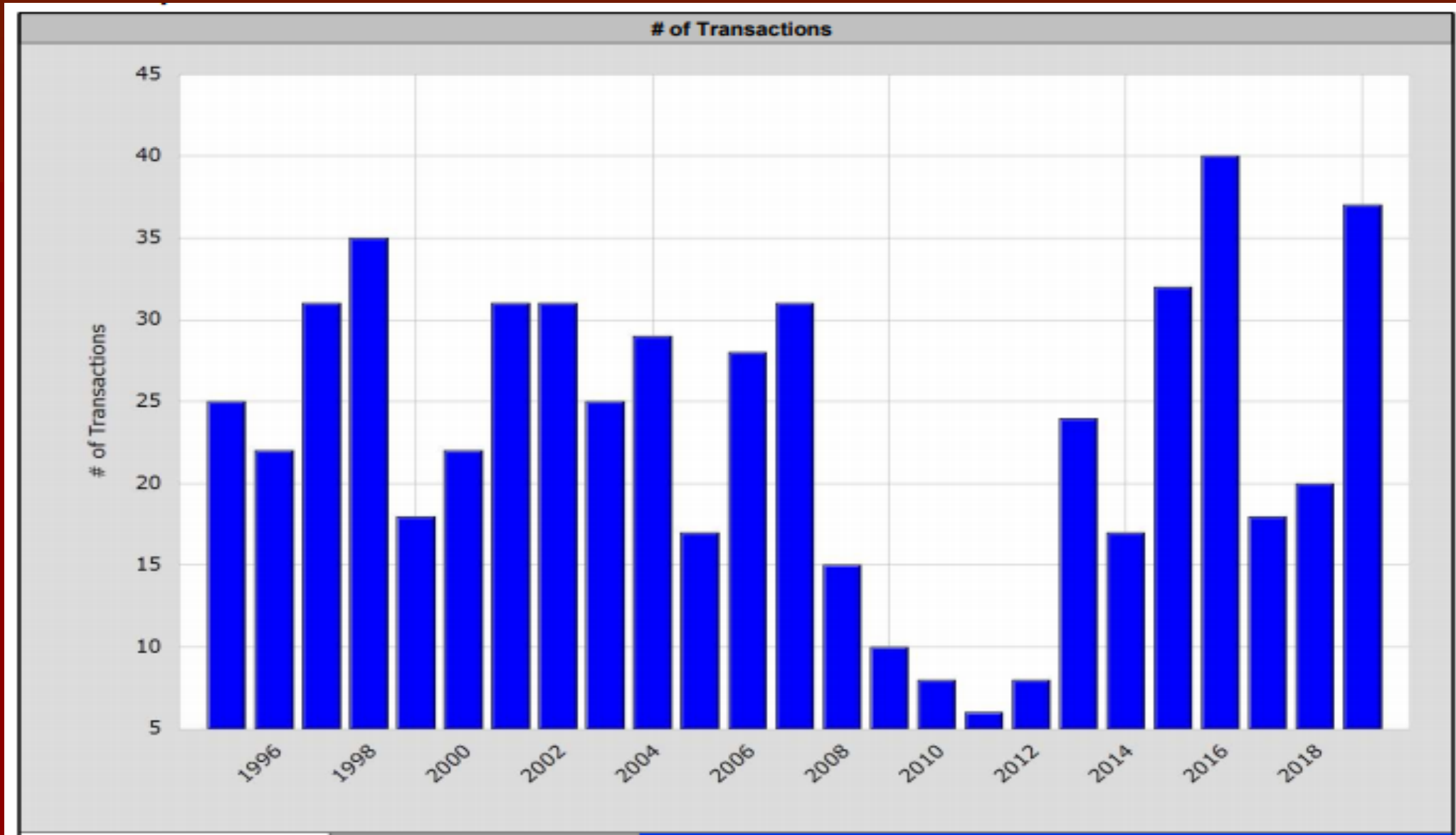
of Transactions



Portland Metro Median Price Per Sq. Ft. 2010 thru 2019

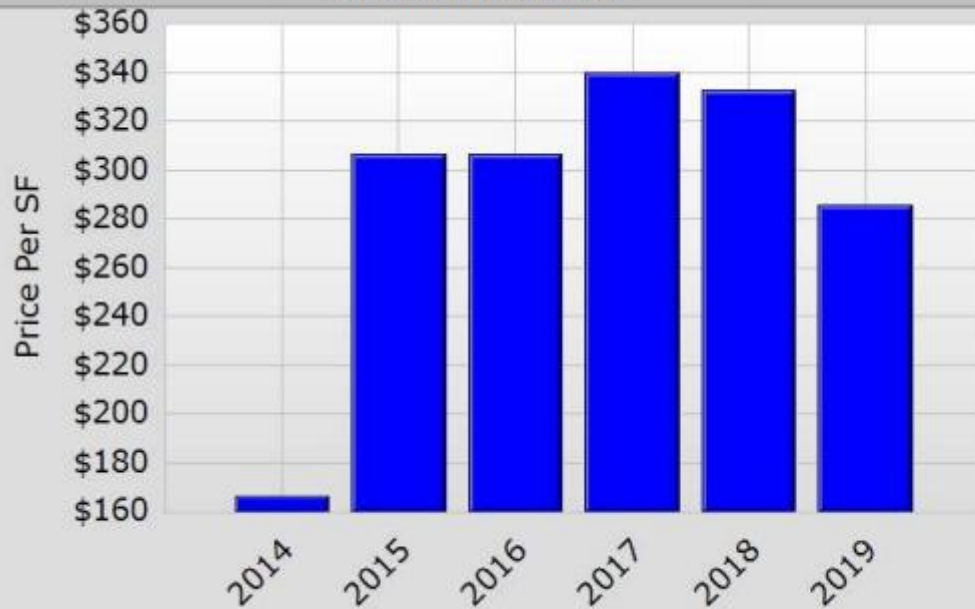


Clark County Apartment Transactions 1995-2019

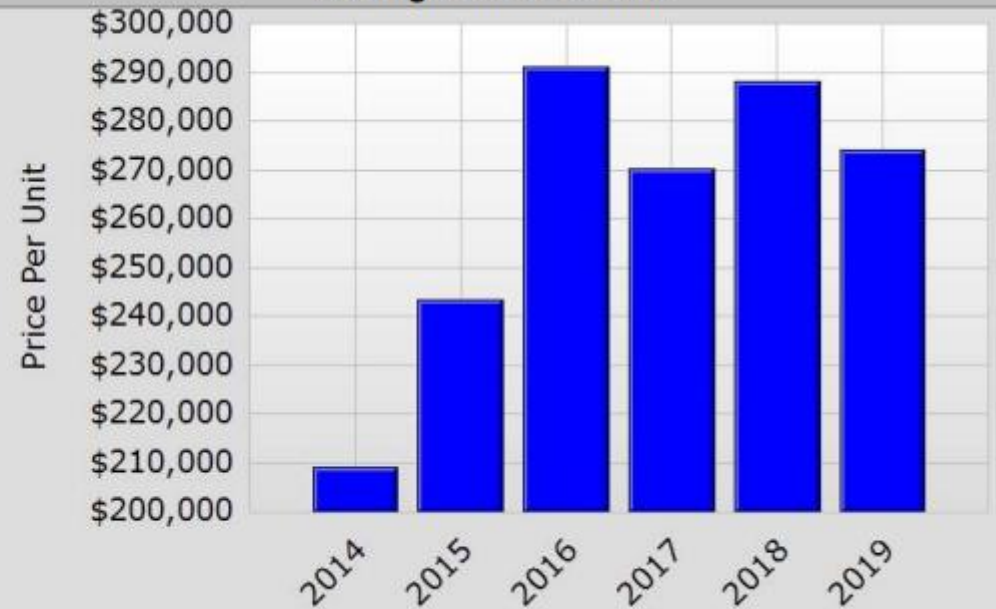


Portland Metro Median Price Per Sq. Ft. and Average Per Unit Price 2010-2019 Built Apartments

Median Price Per SF



Average Price Per Unit



Sale Trends for 1960 to 1980 Built Washington, Clackamas, & Clark County Apts - 2013 thru 2019

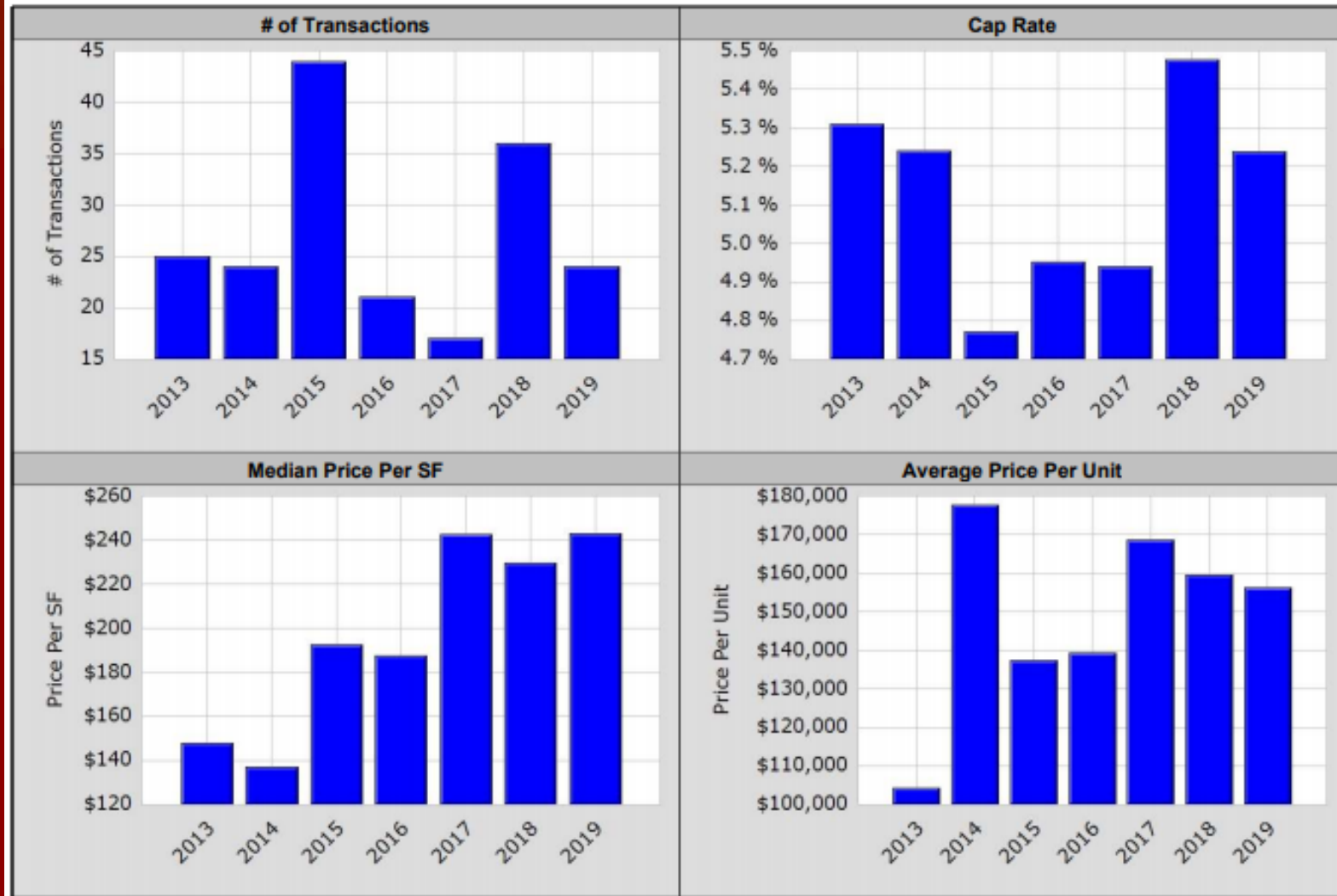


City of Portland Apartment Sales for 1940 to 1990 Built 5 to 40 Apts – 2013 - 2019

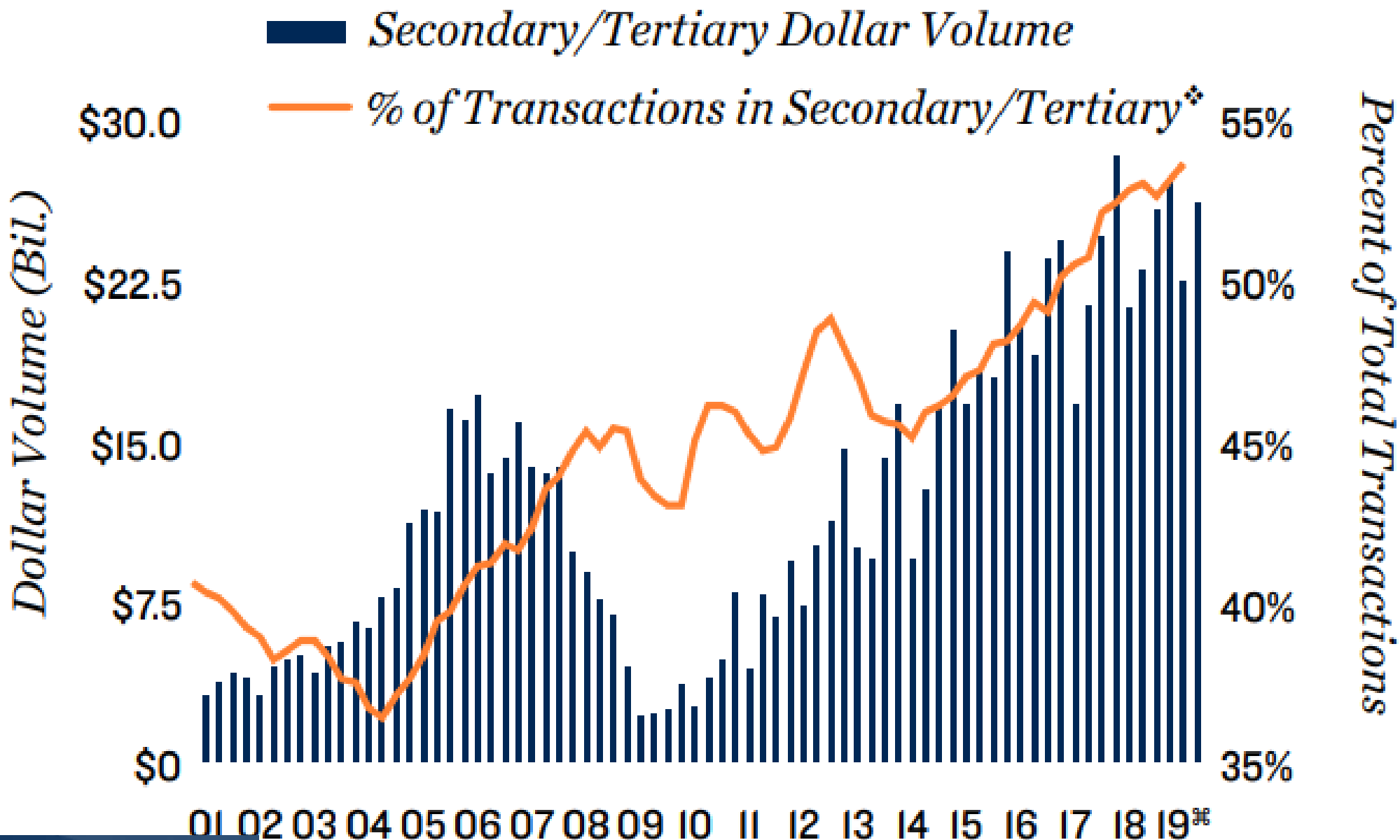


City of Portland Apartment Sales for pre-1950 Apts - 2013 thru 2019

Trend Report



Secondary and Tertiary Investment Activity



January 2020 Sale of 15 Unit Apartment 1424 SW Montgomery - \$156,666/Unit



February 2020 Sale of 18 Unit Paragon Plaza 10317 NE Hoyt St - \$130,555/Unit



February 2020 Sale of 6 Unit West Linn 6498 Lowry Drive - \$121,875/Unit



**July 2017 Sale of 67 Unit Bel Aire Court
Beaverton at \$137,313/Unit**



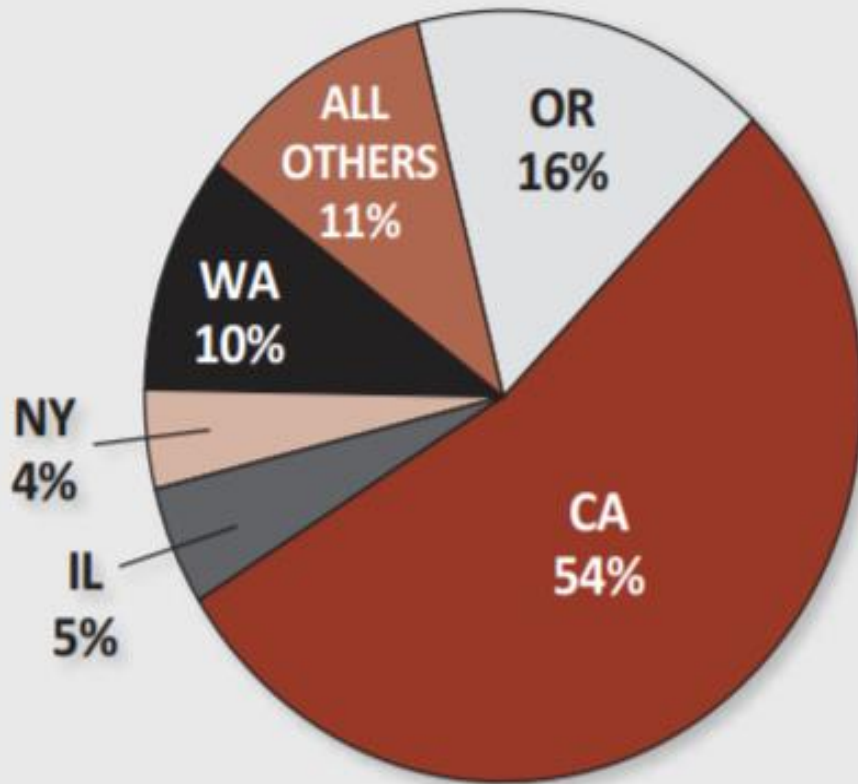
September 2019 Sale at \$193,283/Unit

**May 2019 Sale 16 Unit Verona Apts
460 NE Simpson, \$226,562/Unit**



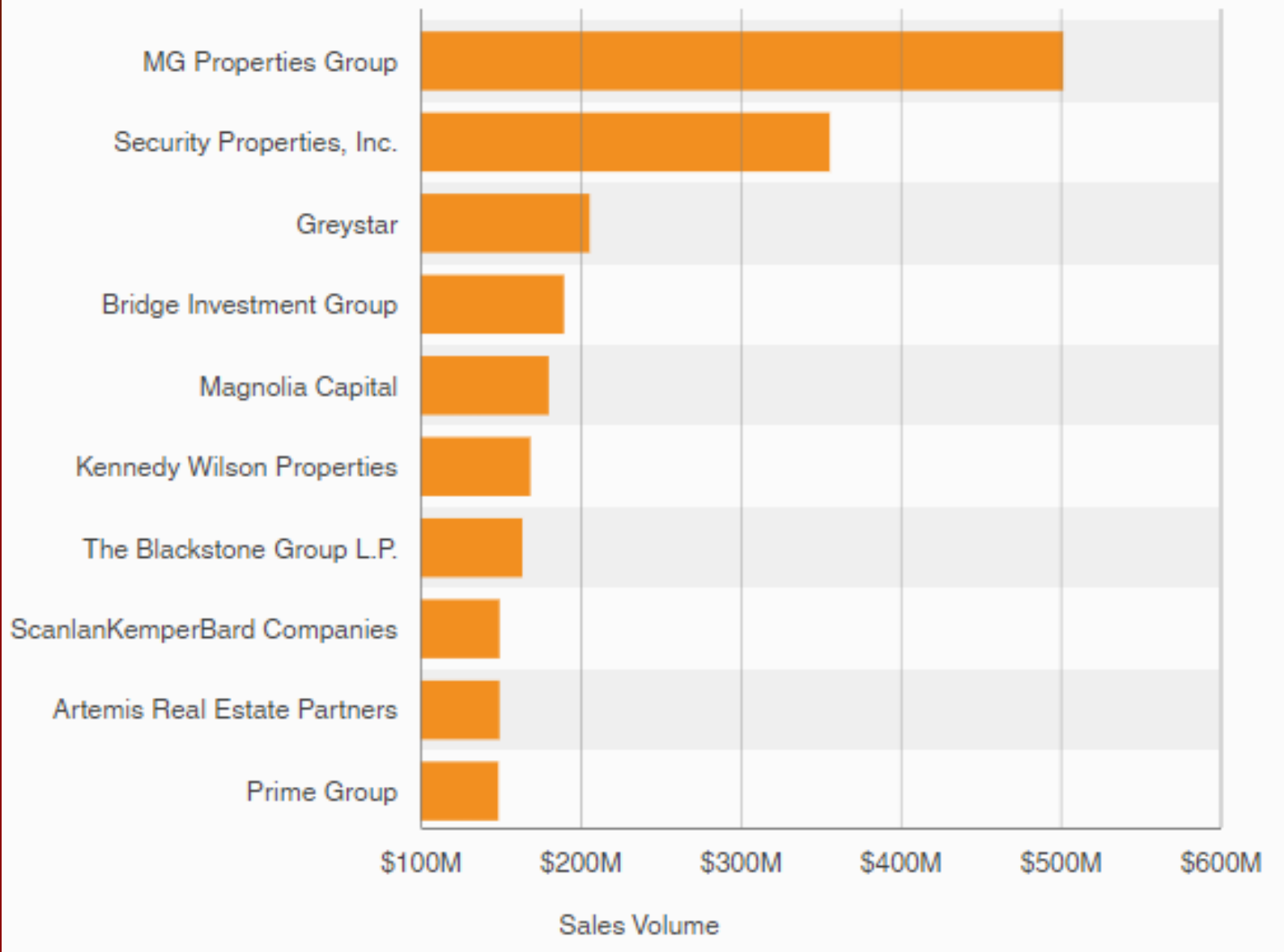
January 2016 Sale - \$236,563/Unit

LOCATION OF APARTMENT BUYERS SINCE 2016 (\$VOLUME)



BUYER STATE	SALES VOLUME
California	\$4,040M
Oregon	\$1,167M
All Others	\$837M
Washington	\$742M
Illinois	\$378M
New York	\$270M

Largest Buyers Dollar Volume Since 2017



The CDC Releases Predictions For How COVID-19 Will Spread in The US

BI JAMES PASLEY, BUSINESS INSIDER
28 FEB 2020

US health officials told the country to prepare for the coronavirus. "It's not so much of a question of if this will happen anymore but rather more of a question of exactly when this will happen."

It said:

- *More cases are likely*
- *The healthcare systems could become "overwhelmed" and "overloaded"*
- *Public places could empty out as people stay home to avoid getting the virus or giving it to anyone else.*

CERAWeek energy conference canceled over concerns about coronavirus outbreak

PUBLISHED SUN, MAR 1 2020 1:54 PM EST

Game Developers Conference canceled as tech conferences keep falling as fast as the stock market

By Jon Swartz

Published: Mar 2, 2020 1:46 p.m. ET

A Local Beer Festival Has Been Cancelled Due to Concerns About Coronavirus

The spring edition of the Vancouver Brewfest, which averages 3,500 attendees over its two days each year, has been called off.

Portland trade show canceled over coronavirus concerns

FOX 12 Staff

Coronavirus in Oregon: Cancellations and closures

Coronavirus Causes Postponement Of 27,000-Strong Real Estate Conference

Growing list of events cancelled all over the world due to coronavirus

Coronavirus will wipe out corporate profit growth in 2020 and may trigger recession: Goldman Sachs



Brian Sozzi

Editor-at-Large

Yahoo Finance February 27, 2020

 Follow



“Our reduced profit forecasts reflect the severe decline in Chinese economic activity in 1Q, lower end-demand for U.S. exporters, disruption to the supply chain for many U.S. firms, a slowdown in U.S. economic activity, and elevated business uncertainty,” Kostin wrote.

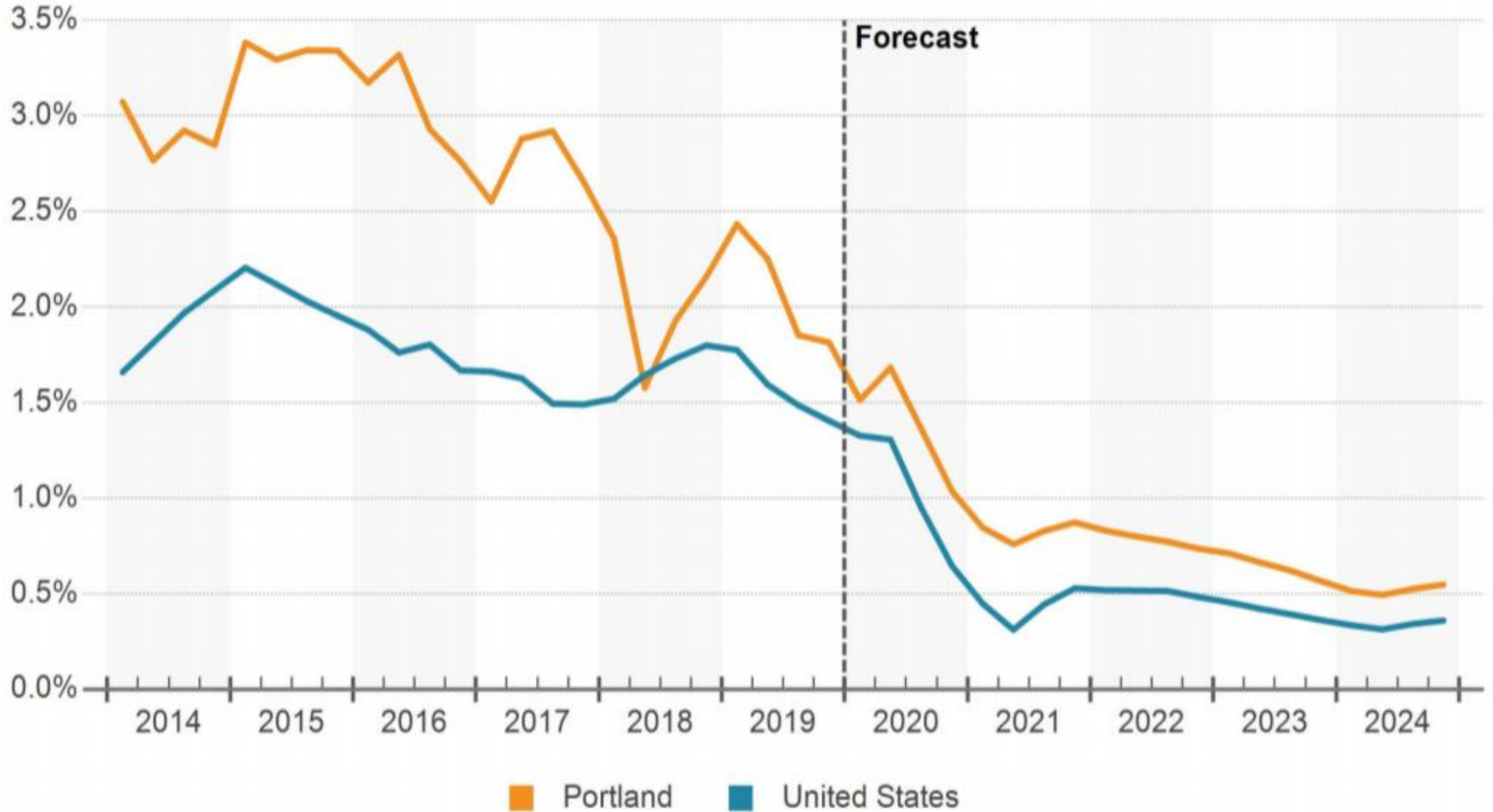


Oregon Economic and Revenue Forecast

March 2020

“Economically the worst case scenario is fears over the virus are a coordinating event that serves as a recession catalyst. Other direct impact channels, however small here in the U.S., include supply chain disruptions, lower volumes of trade, reduced Chinese tourism, and increased financial market uncertainties.”

YEAR OVER YEAR JOB GROWTH





Stable Outlook but Slower Job Growth will Continue

Total Nonfarm Employment

Year-over-Year Percent Change

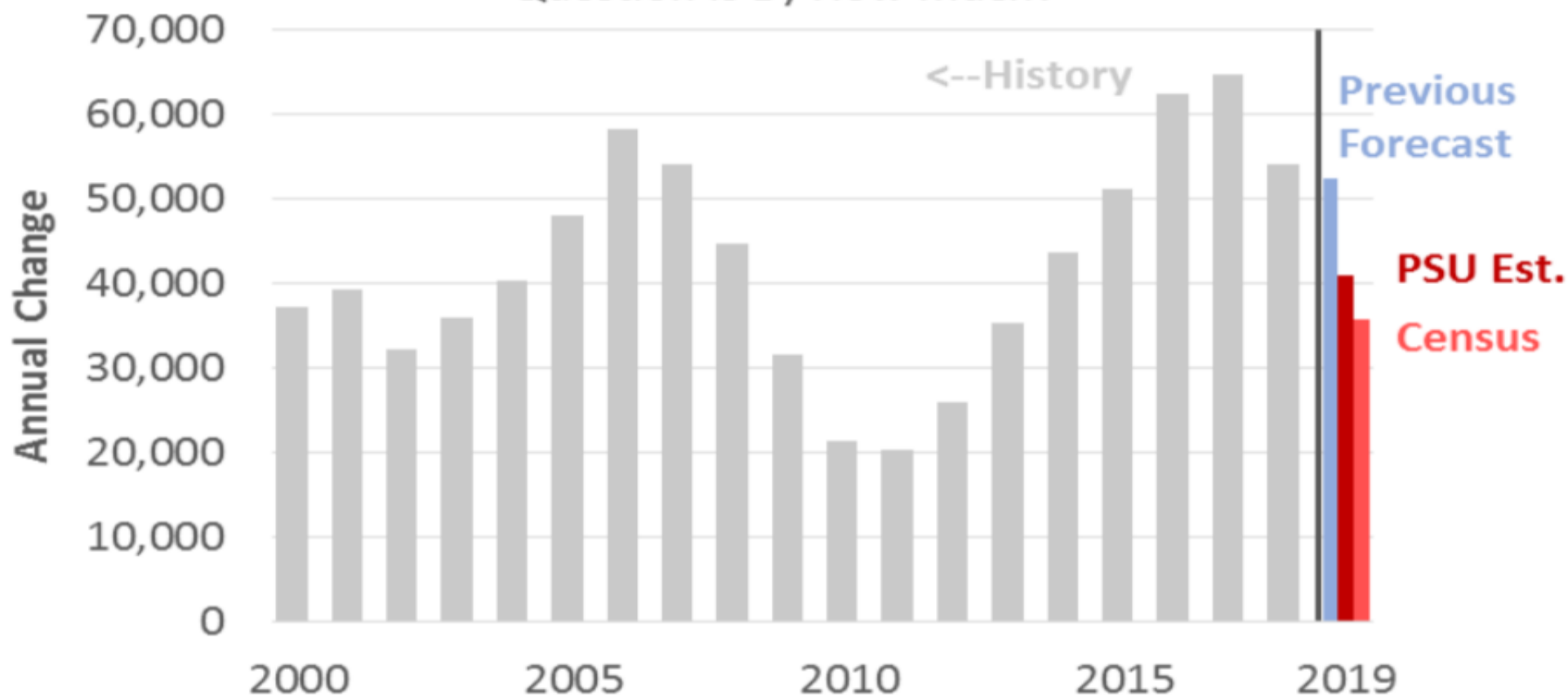




Slower Migration Results in Slower Labor Force Gains

Oregon's Population Growth is Slowing

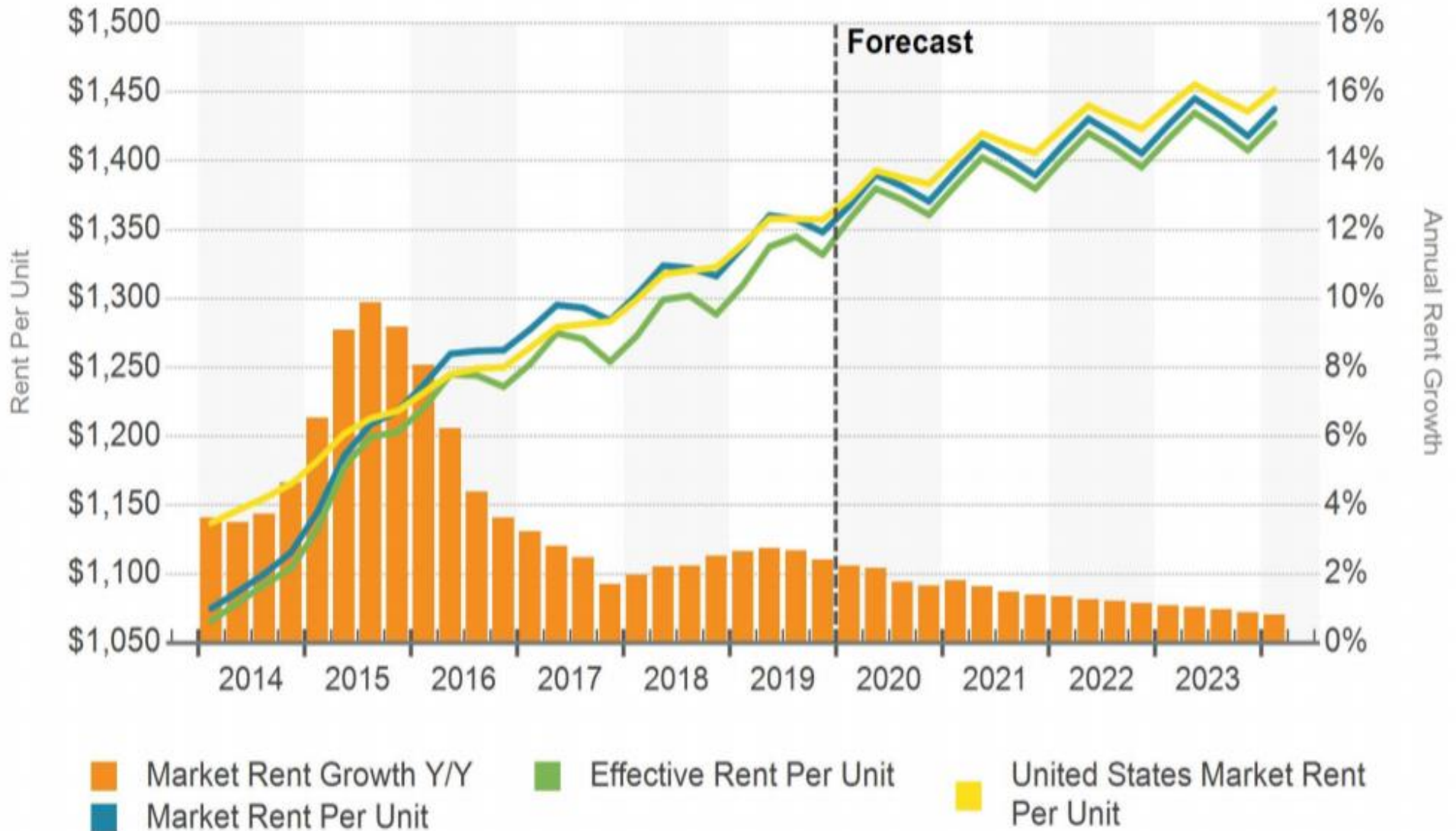
Question is By How Much?



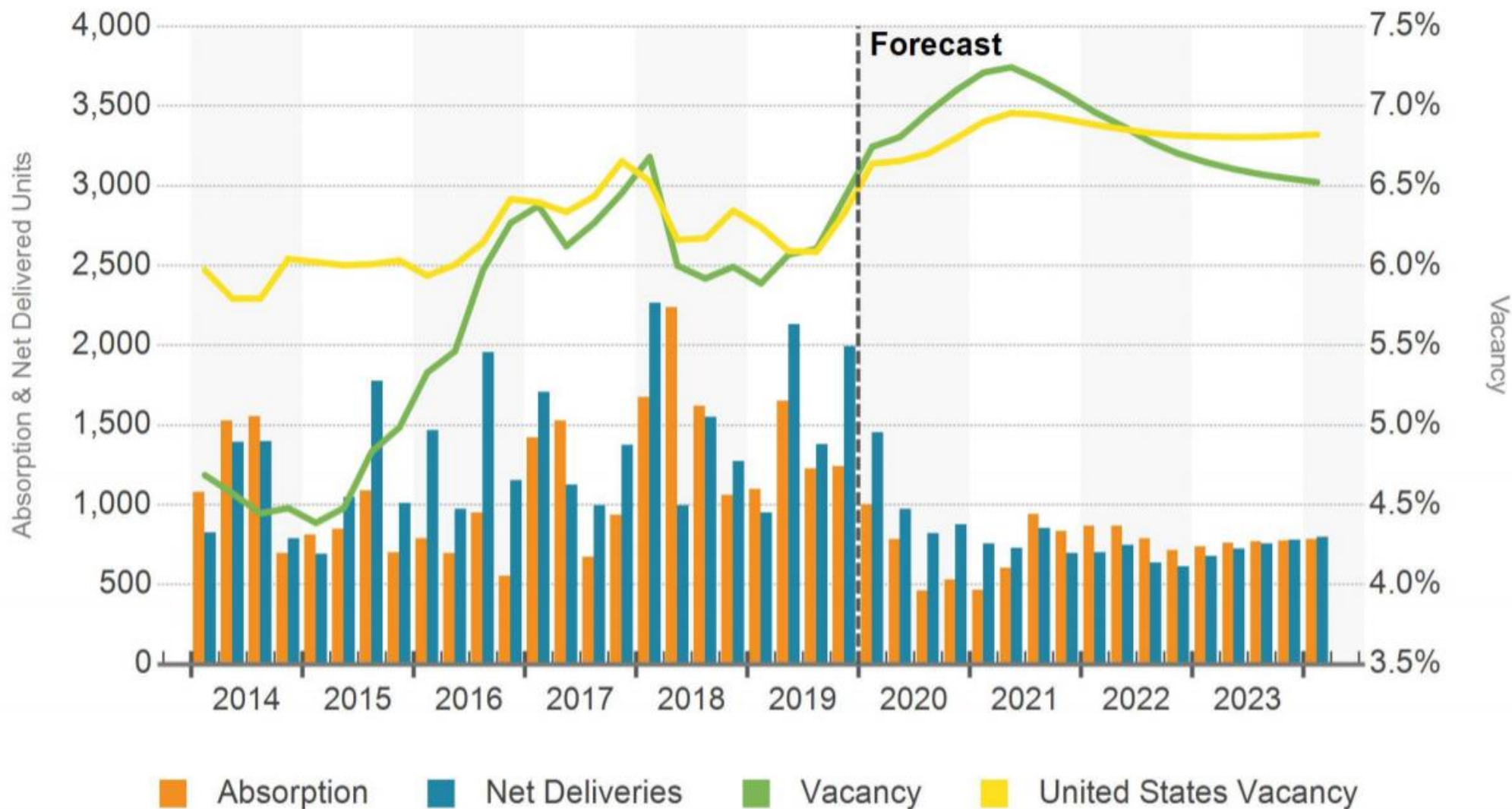
Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis



MARKET RENT PER UNIT & RENT GROWTH



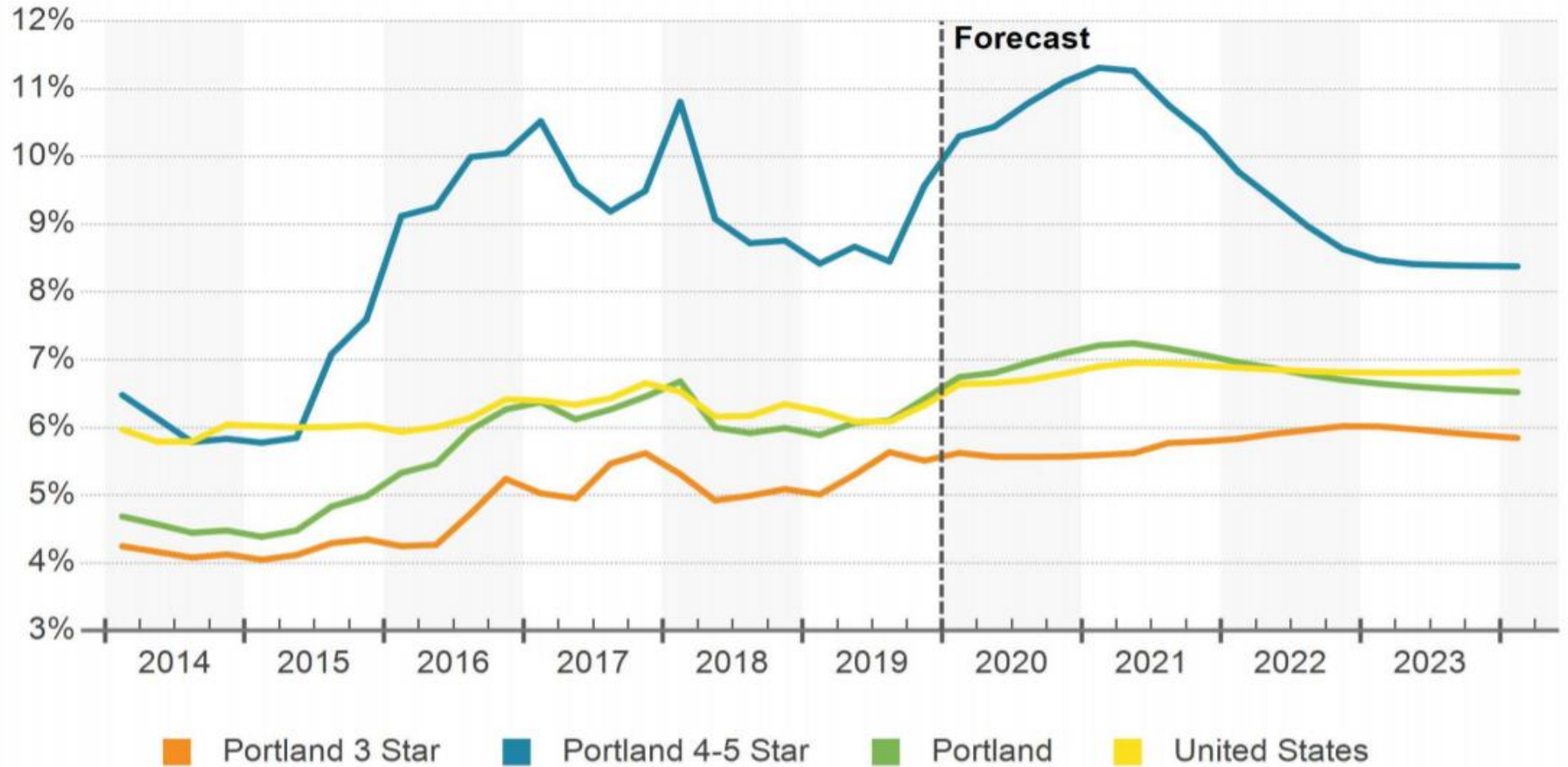
ABSORPTION, NET DELIVERIES & VACANCY



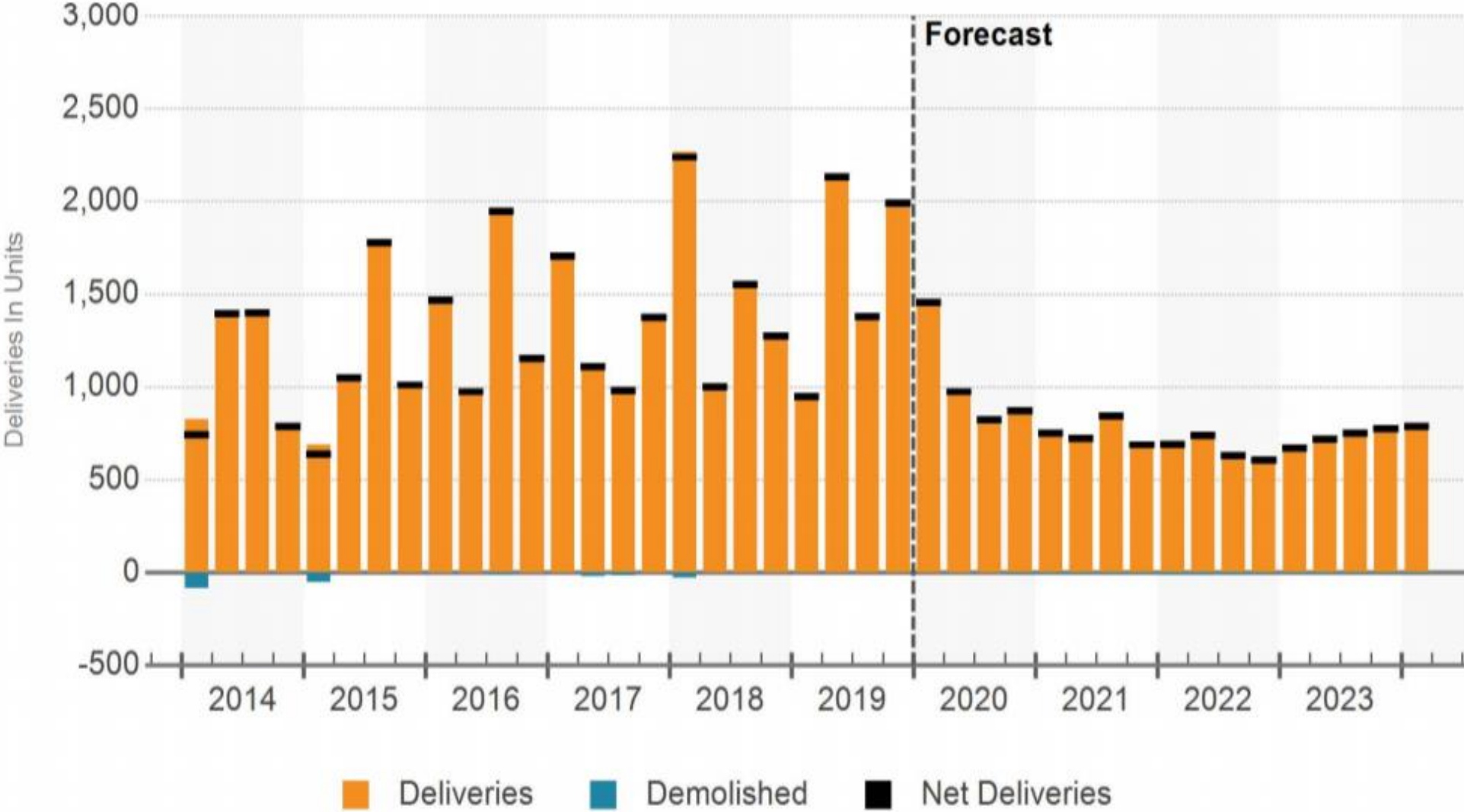
Vacancy

Portland Multi-Family

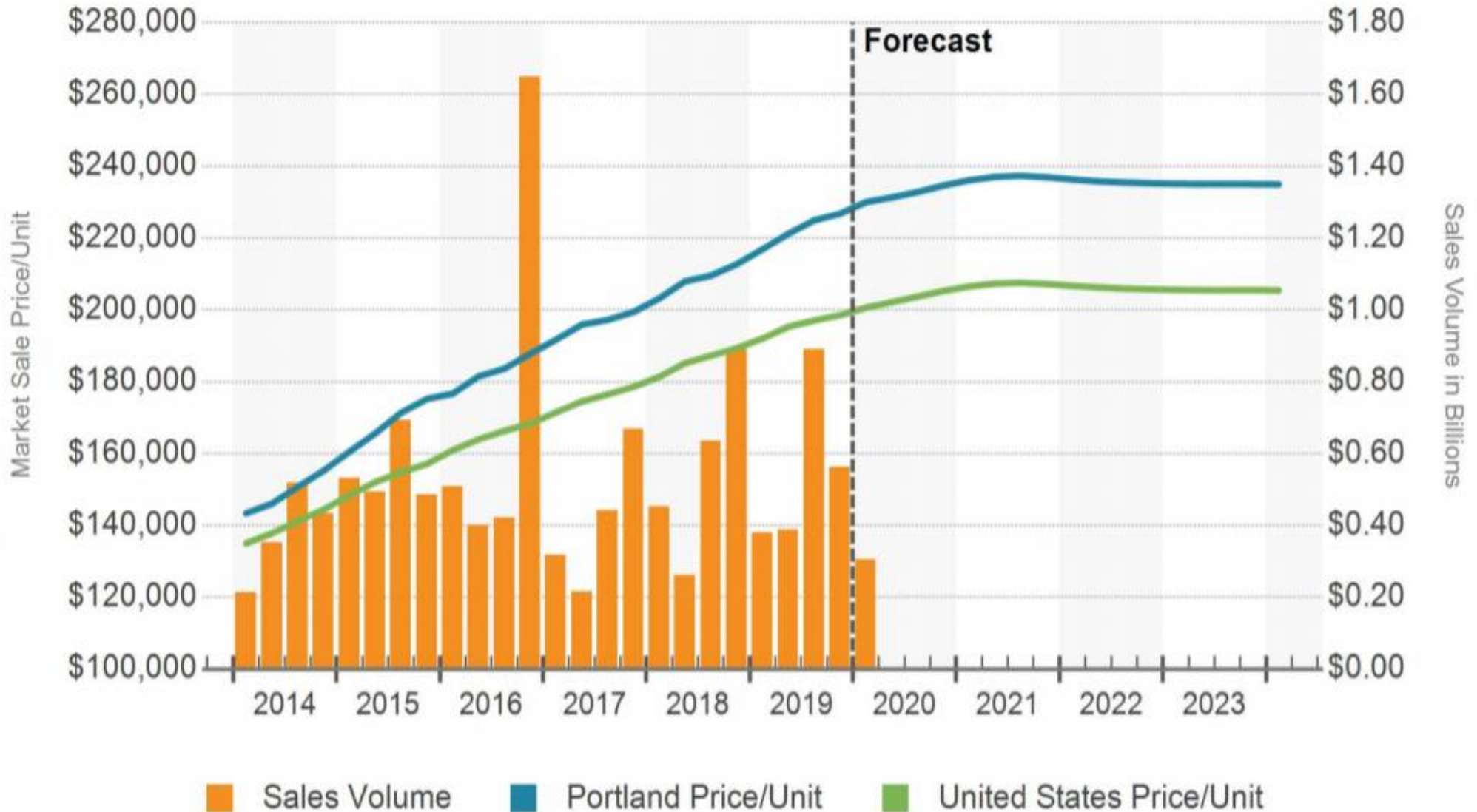
VACANCY RATE



DELIVERIES & DEMOLITIONS



SALES VOLUME & MARKET SALE PRICE PER UNIT



Lender pulls plug on major Lloyd District redevelopment, demands \$36 million

Today 6:30 AM

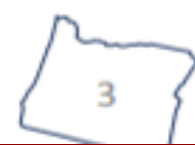
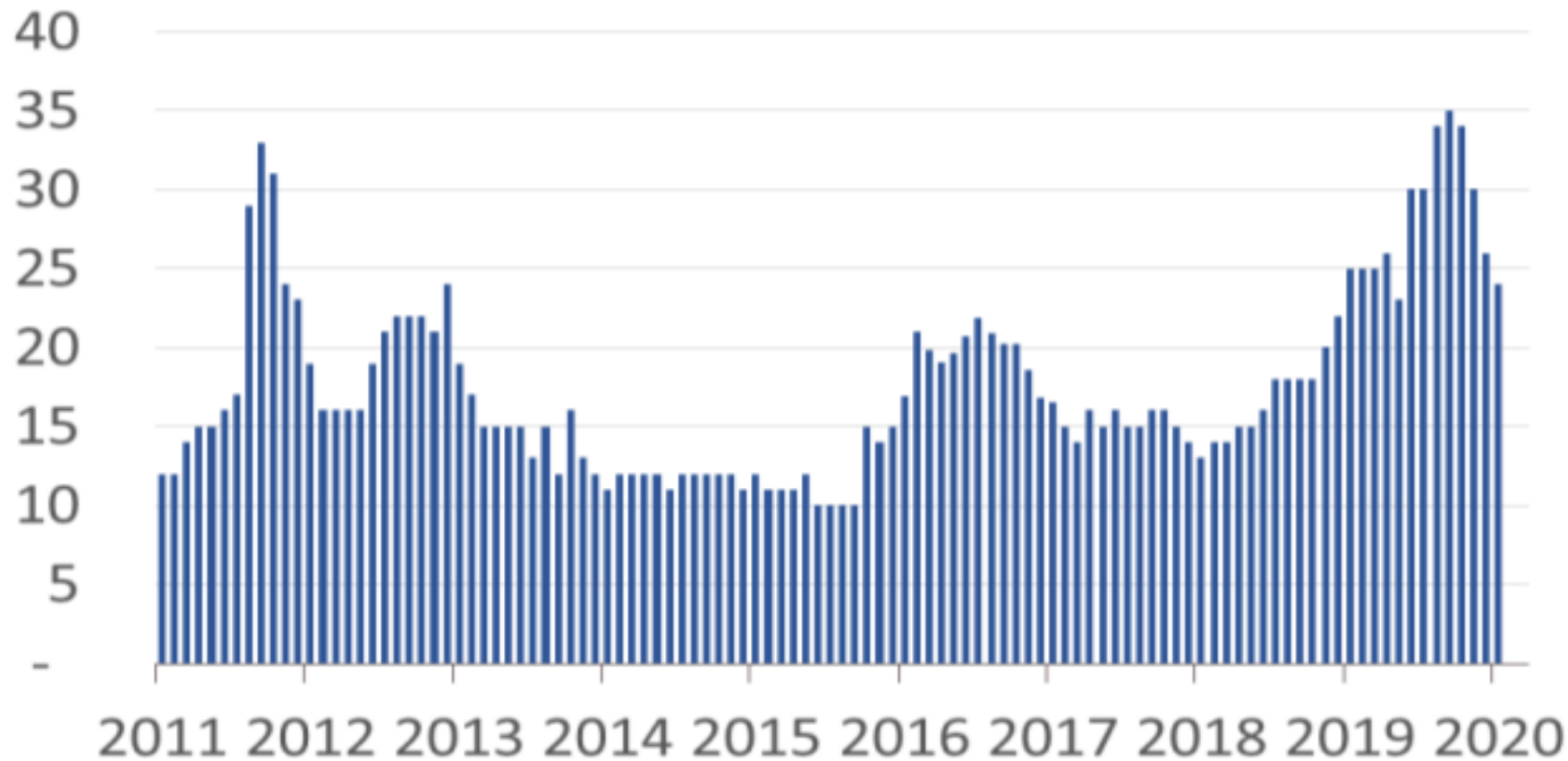




Outlook Concerns Still Elevated but Improving

Risk of Recession

Percent Probability U.S. Entering Recession in Next Year



Coronavirus pandemic would spark deep recession and pose a 'significant threat' to Trump's re-election, top economist Mark Zandi says

PUBLISHED SUN, MAR 1 2020•5:01 PM EST



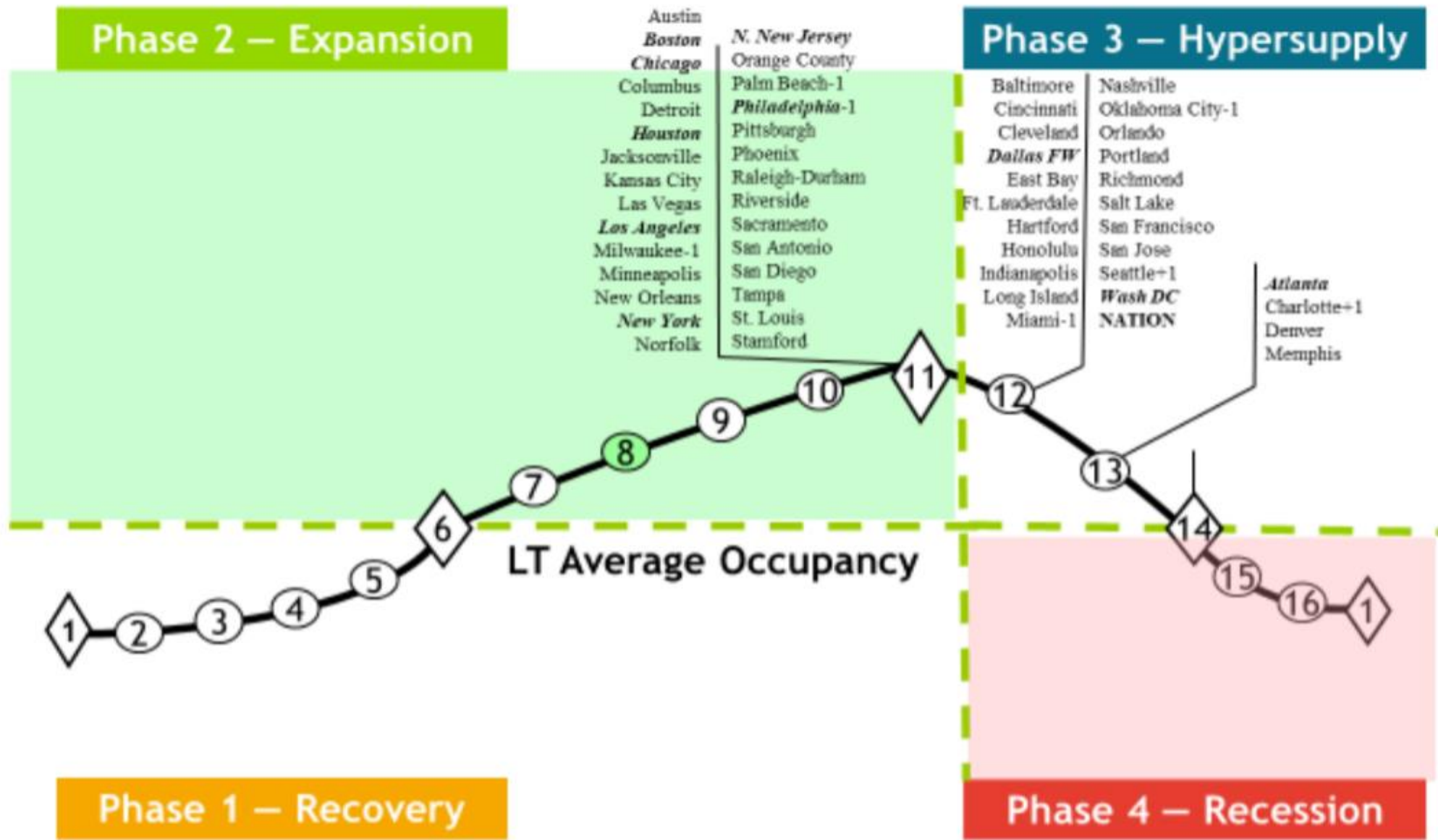
ULI List of Top 25 and Bottom 25 Real Estate Markets for 2020

1	Austin
2	Raleigh/Durham
3	Nashville
4	Charlotte
5	Boston
6	Dallas/Fort Worth
7	Orlando
8	Atlanta
9	Los Angeles
10	Seattle
11	Tampa/St. Petersburg
12	San Francisco
13	San Jose
14	Washington, DC—Northern VA
15	New York—Brooklyn
16	Indianapolis
17	Denver
18	Orange County
19	Charleston
20	Portland, OR
21	Miami
22	Salt Lake City
23	Jacksonville
24	San Antonio
25	Philadelphia

55	Northern New Jersey
56	Knoxville
57	Long Island
58	Des Moines
59	Tacoma
60	St. Louis
61	Spokane, WA/Coeur d'Alene, ID
62	Birmingham
63	Cleveland
64	Albuquerque
65	Tallahassee
66	Milwaukee
67	Portland, ME
68	Omaha
69	Tucson
70	Daytona Beach/Deltona
71	Virginia Beach/Norfolk
72	Gainesville
73	Westchester, NY/Fairfield, CT
74	Baltimore
75	Detroit
76	Memphis
77	New Orleans
78	Providence
78	Hartford
80	Buffalo

Apartment Market Cycle Analysis

3rd Quarter, 2019



Trends for 2020-2021

- **Interest Rates:** Declining as economy deteriorates
- **Employment:** Gradual slowdown; impact of virus?
- **Population Growth:** slowing down due to fewer jobs
- **Home Ownership Ratio:** has moved up; flattening out?
- **Apartment Construction:** currently strong, but permits slowing down, and expected to slow way down
- **Apartment Vacancies:** expected to move up
- **Apartment Income:** Modest increases; then flattening out
- **Apartment Values:** Mostly stable but flattening out in 2020; but what about 2021-2022???
- **Back to a normal apt market in 2020, with more chance of softness in the market & economy second half and in 2021**



Emerging Trends in Real Estate®

United States and Canada 2020



So: spoiler alert! The “emerging trend” for real estate demand in the decade ahead is not just for softer demand, it is for dramatically softer demand. As we warned a year ago, confidence is one thing, complacency is another. At least some serious attention should be given to the prospects for an extended downshifting in the economy and its implications for commercial real property demand in the decade ahead.