

Yardi® Matrix

Portland's Surge

Multifamily Report Winter 2018

Rent Growth Cools Off

Developers Target Core Areas

Per-Unit Prices Cross the \$200,000 Mark

PORTLAND MULTIFAMILY

Yardi® Matrix

Market Analysis

Winter 2018

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Oversupply Softens Rent Growth

A wave of new inventory and historically high rents moderated Portland's average rent growth to just 0.8% year-over-year in 2017, 170 basis points below the national rate. However, a healthy job market and strong population gains continued to sustain multifamily demand. The metro added 22,500 jobs in the 12 months ending in October, which kept the unemployment rate at 3.9%.

The mining, logging and construction sector added the highest number of jobs (8,100 positions), followed by the education and health services sector (4,700). Although the construction industry is facing labor shortages at the national level, local projects such as Legacy Health's \$210 million replacement and expansion of its Legacy Emanuel Medical Center and the more than 1.1 million square feet of office space under construction across the metro are helping the sector lead employment growth in Portland.

Investor appetite slowed in 2017, with \$960 million in multifamily properties changing hands, a significant downshift compared to 2016's cycle peak of \$2.4 billion. But even though transaction volume dropped, prices continued to rise, reaching a new cycle high of \$207,300. The metro's multifamily pipeline is robust, with more than 7,000 units underway as of December and another 11,000 in the planning stages. Yardi Matrix forecasts 5,300 deliveries for 2018. As a result, rent growth is expected to stay tepid, at a projected rate of 1.5% in 2018.

Recent Portland Transactions

Centro



City: Hillsboro, Ore.
Buyer: Sequoia Equities
Purchase Price: \$120 MM
Price per Unit: \$250,000

Arbor Heights



City: Tigard, Ore.
Buyer: Security Properties
Purchase Price: \$81 MM
Price per Unit: \$232,758

Jory Trail at the Grove



City: Wilsonville, Ore.
Buyer: LaSalle Investment Management
Purchase Price: \$75 MM
Price per Unit: \$230,709

Savvier Street Flats



City: Portland, Ore.
Buyer: Kennedy Wilson
Purchase Price: \$60 MM
Price per Unit: \$335,195

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