

# Portland Metro Apartment Market

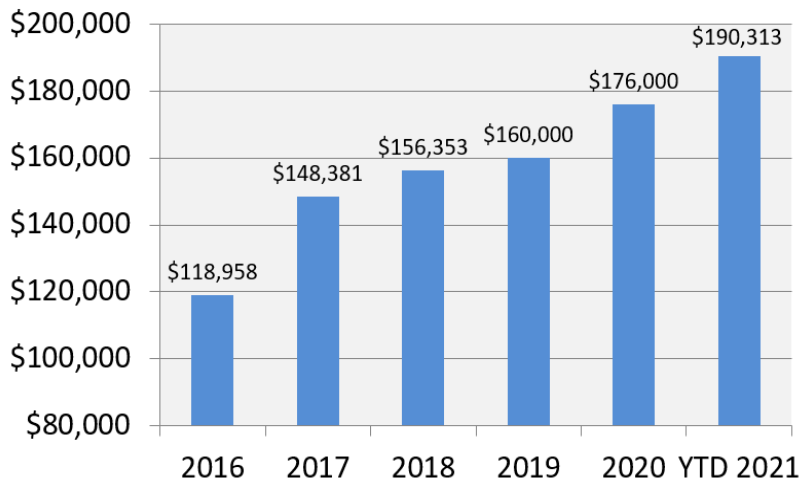
## Third Quarter Update—2021



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APARTMENT APPRAISAL SPECIALISTS

As we near the end of 2021, we wanted to provide a snapshot of where the apartment market stands. The Portland Apartment market continues to show strength and resiliency that few predicted upon the onset of COVID 18 months ago. Consistent population growth combined with lower rates of new construction has resulted in strong fundamentals in virtually all corners of the Portland Metro and beyond.

### Median Price Per Unit - Portland Metro



### Improving Fundamentals

Upon the onset of COVID, many markets saw an uptick in vacancies and flattening rents. In YTD 2021, Portland Metro has experienced a tightening rental market with decreasing vacancies, increasing rents, consistent population growth, and continued strong demand from investors. Given the improving fundamentals, **YTD 2021 median per unit values are up 8.1% to \$190,313 and the median price per Sq. Ft. is up 10.4% to \$220.**

### Four County Portland Metro Apartment Sales Activity (5+ Units) - 2015-YTD 2021

	2015	2016	2017	2018	2019	2020	YTD 2021	2021 Annualized
# of Transactions	273	256	195	224	220	167	214	257
Dollar Volume (millions)	\$2,250	\$2,974	\$1,731	\$2,047	\$2,251	\$1,683	\$2,563	\$3,076

### Market Indicators (Source: CoStar & Multifamily NW)

Vacancy	3.34% 3.40%	CoStar - Excludes recently completed projects Multifamily NW Report Survey - Excludes recently completed projects
Rent	+9.0% YOY +6.3% YOY	CoStar - Rents peaked in Sept 2021 and may experience some seasonal decreases Multifamily NW Report Survey - 19 submarkets show increases & 1 submarket flat
Under Construction	4,700 Units	Down from 8,800 units under construction in Q4 2020.
Absorption	11,200 Units	Busiest period of absorption on record. Some pent up demand from 2020.
Permit Applications	7,200 annualized	Through September 2021, permit applications up 26% from 2020. Close to 10 year average
Median Cap Rate	5.32%	No significant change. Since 2016, CoStar reports average cap rates from 5.32 to 5.47%

### Near Term Risks

- Increased in interest rates likely in 2022 which could eventually impact cap rates.
- Incremental expense increases and an increase in cap rates could limit value gains. Property taxes in Multnomah County are up 9.0% for the coming year.
- While permits applications are up, demand will likely outpace supply in the near term. This will keep vacancy rates below average and likely result in above average rent increases.
- Increased construction costs (labor/material/entitlements) could limit new development