



Barry & Associates
APARTMENT APPRAISAL SPECIALISTS

Multifamily NW

Fall 2023 Apartment Report

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Barry & Associates
Apartment Appraisal
Specialists

Topics Covered

1. Vacancies
2. Rent
3. Expenses
4. Apartment Sales & Values
5. Apartment Forecasts



Rents & Vacancies – The Apartment Report – Fall 2023

Lowest Vacancies – Sub 4.5%

- Wilsonville/Canby – 3.9%
- Hillsboro – 4.3%
- Tigard – 4.4%
- Milwaukie – 4.4%

Highest Vacancies – 7%+

- NW Portland – 7.4%
- Oregon City/Gladstone – 7.8%
- Downtown Portland – 8.0%

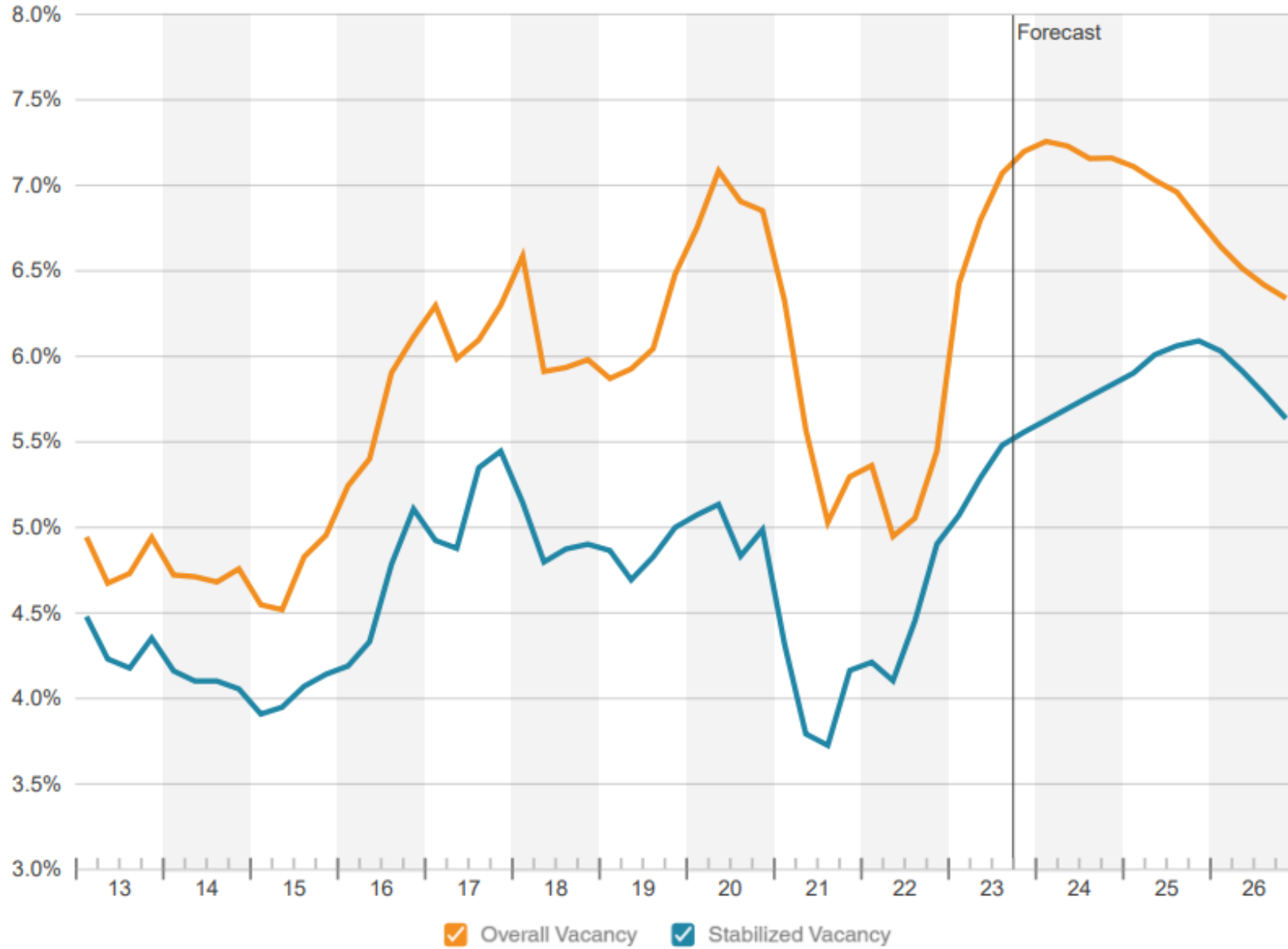
Declining Rents

- Outer SE Portland – Down 3.0%
- Hillsboro – Down 4.0%
- N Portland – 7.0%

Increasing Rents

- NW Portland – Up 5.0%
- Beaverton – Up 4.0%
- Oregon City/Gladstone – Up 4.0%
- Inner/Central SE – Up 4.0%
- Vancouver – Up 4.0%

Overall & Stabilized Vacancy



\$2,495 / 2br - 968ft² - Rent free for Oct/Nov! Pet Friendly, Washer and Dryer, Walk Score: 91 (1550 SE 20th Ave, Portland, OR)

1550 SE 20th Ave, Portland, OR 97214



1550 SE 20th Ave

[google map](#)

2BR / 2Ba 968ft² available now

cats are OK - purrr

dogs are OK - woof

apartment

w/d in unit

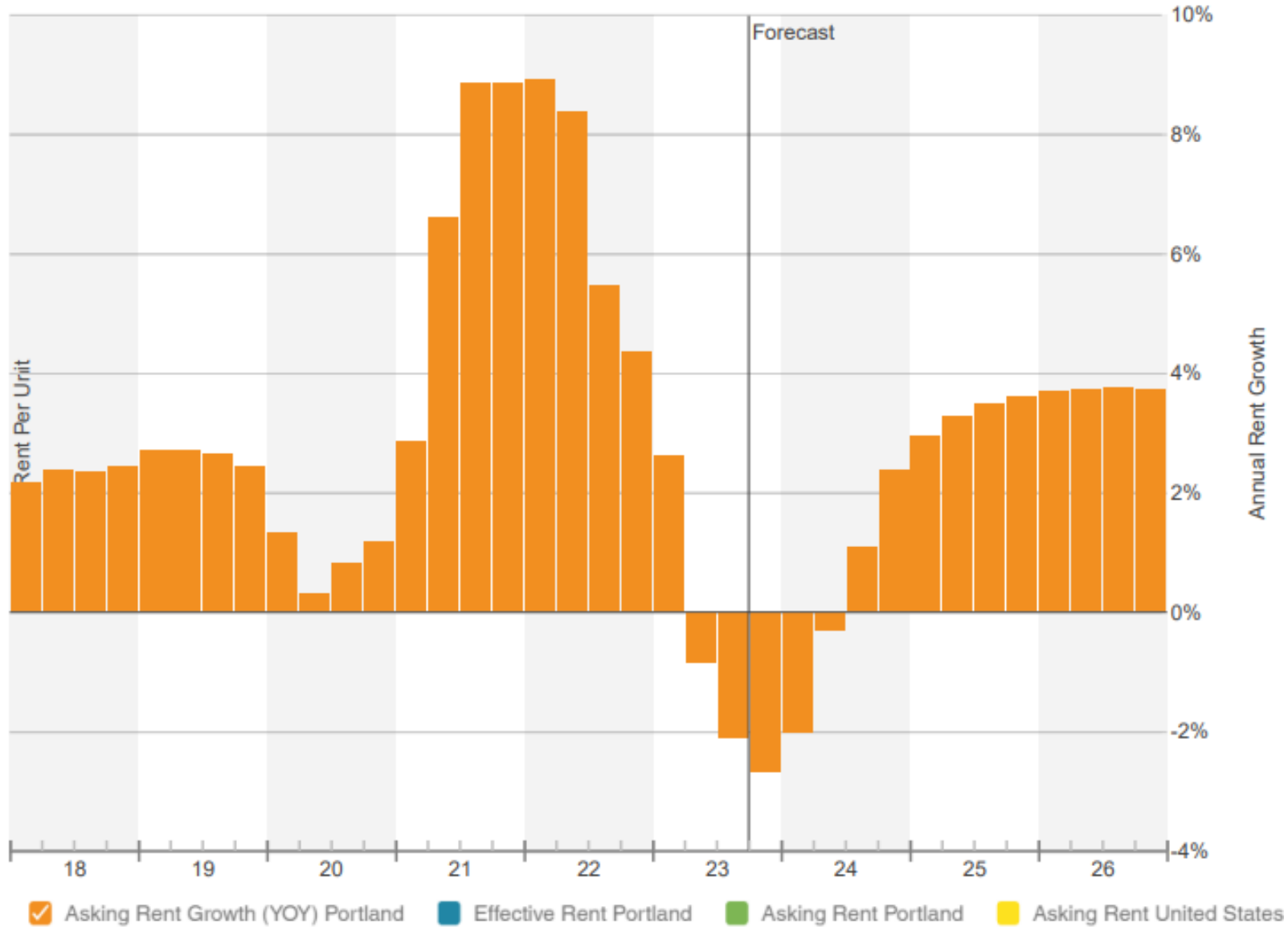
no smoking



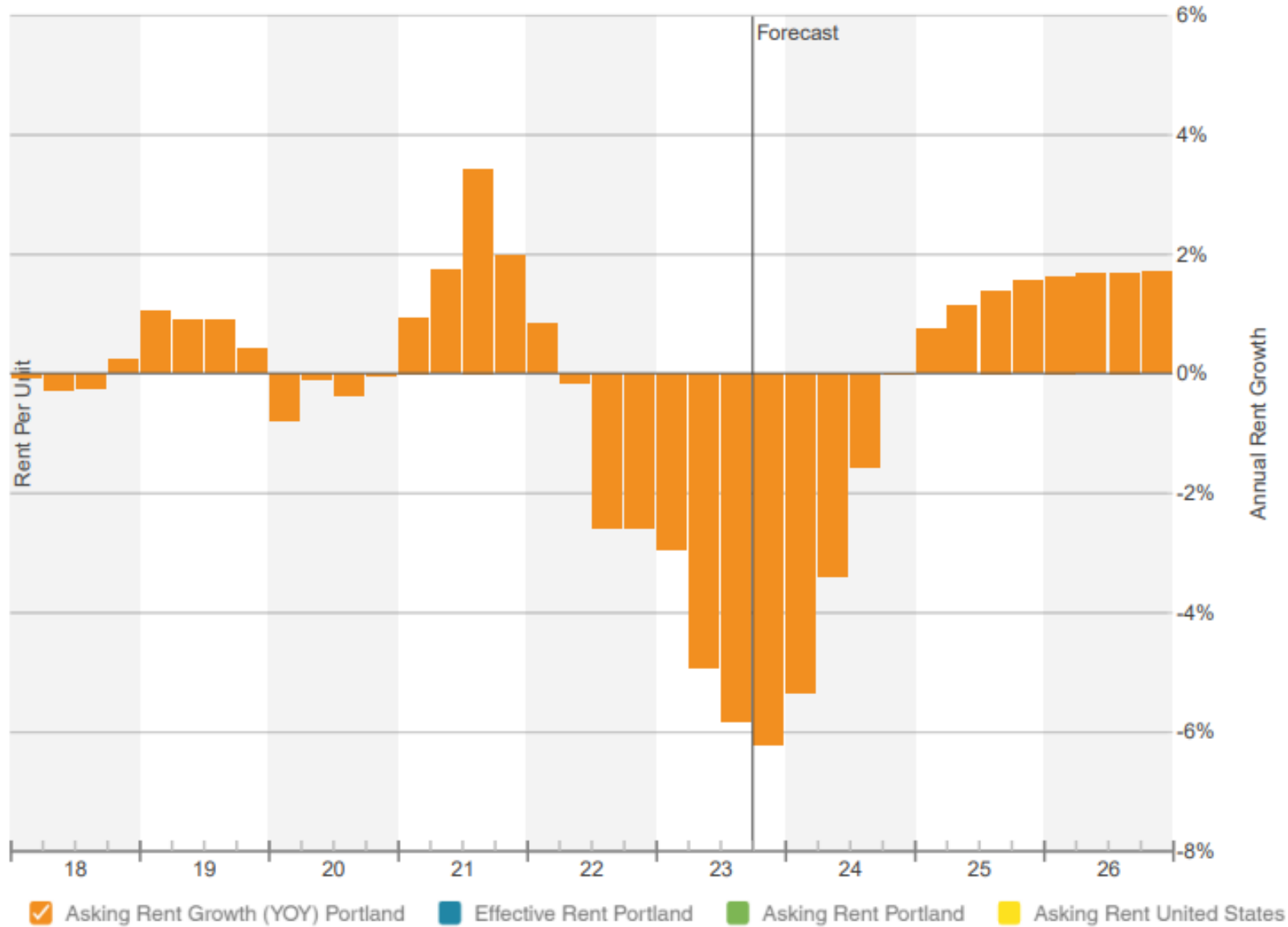
2x2 Pet Friendly! Limited Time Lower Pricing!*



Market Rent Per Unit & Rent Growth

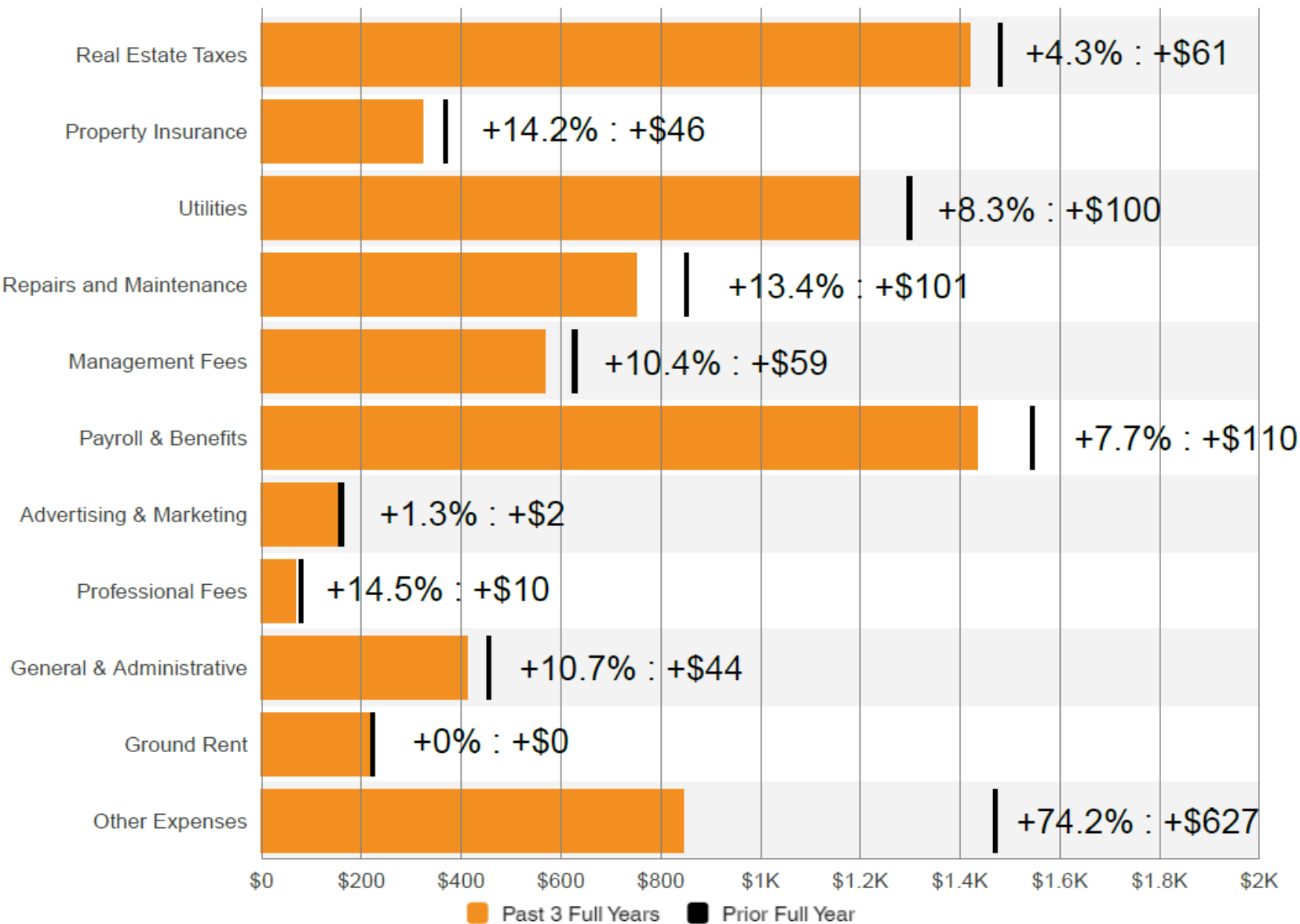


Market Rent Per Unit & Rent Growth



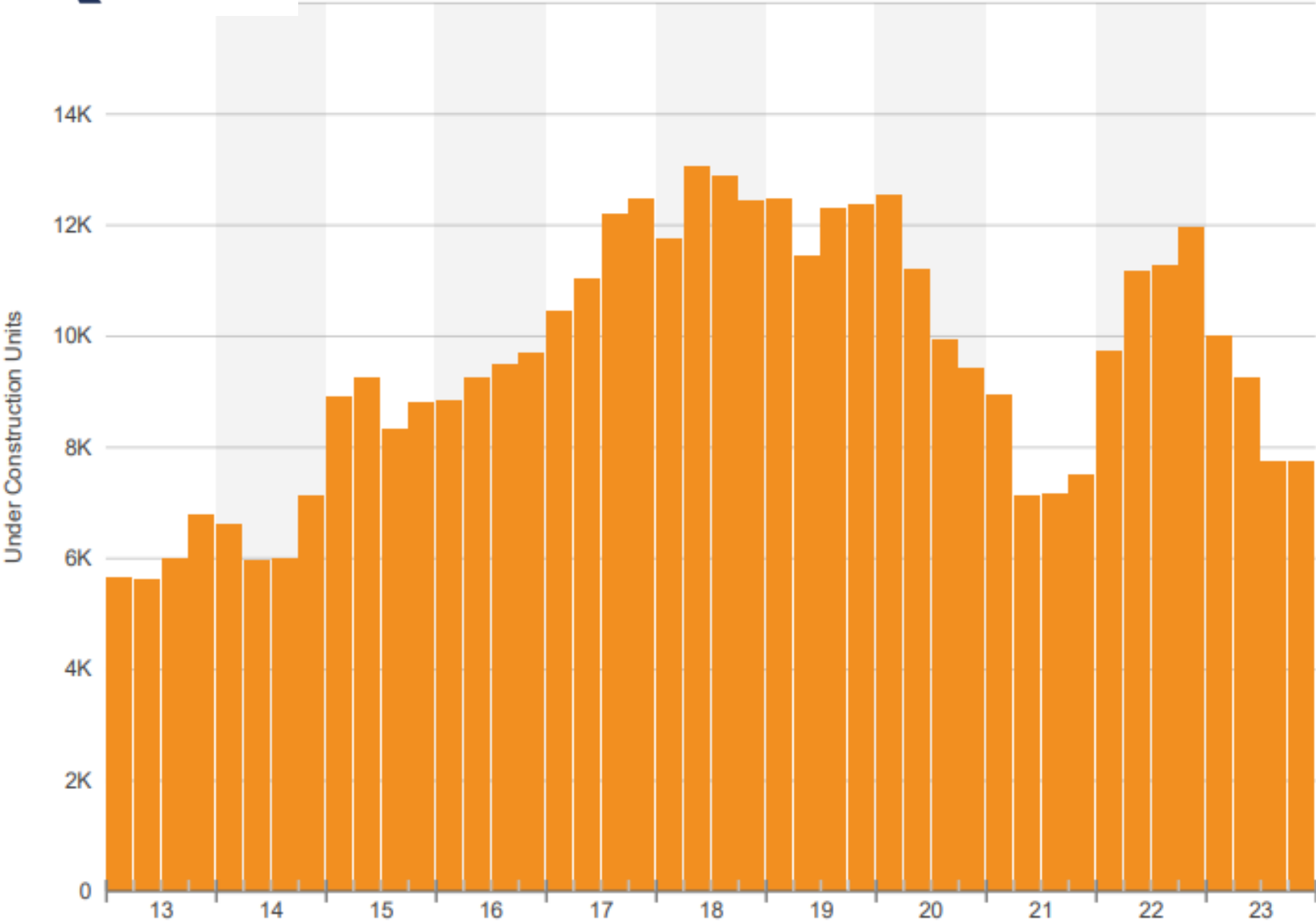
Operating Expenses Per Unit

(Based on CMBS data)

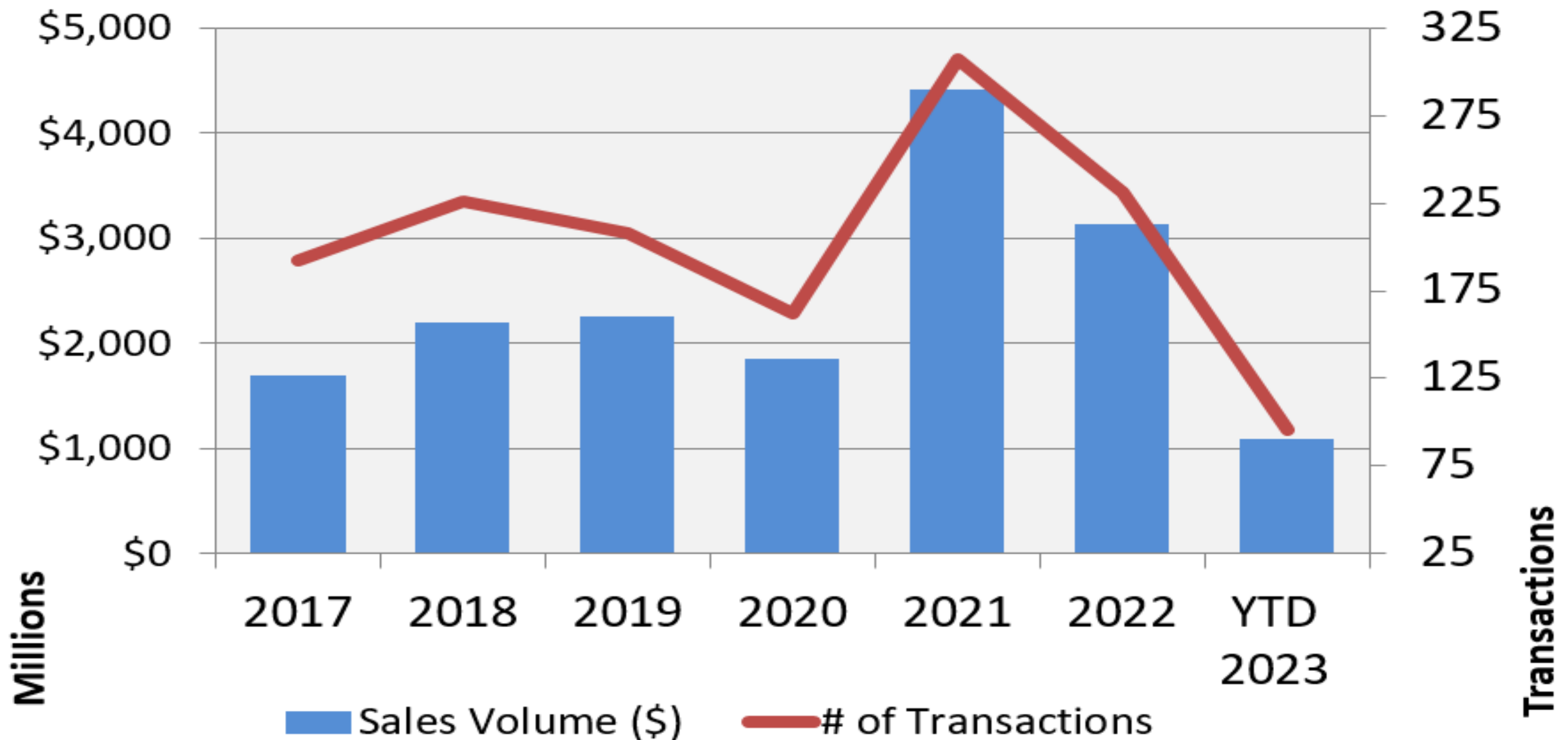


Based on properties in a publicly REIT; expenses were up \$1,160 per unit in 2022, or 15.7% when compared to the average expense from the past 3 full years

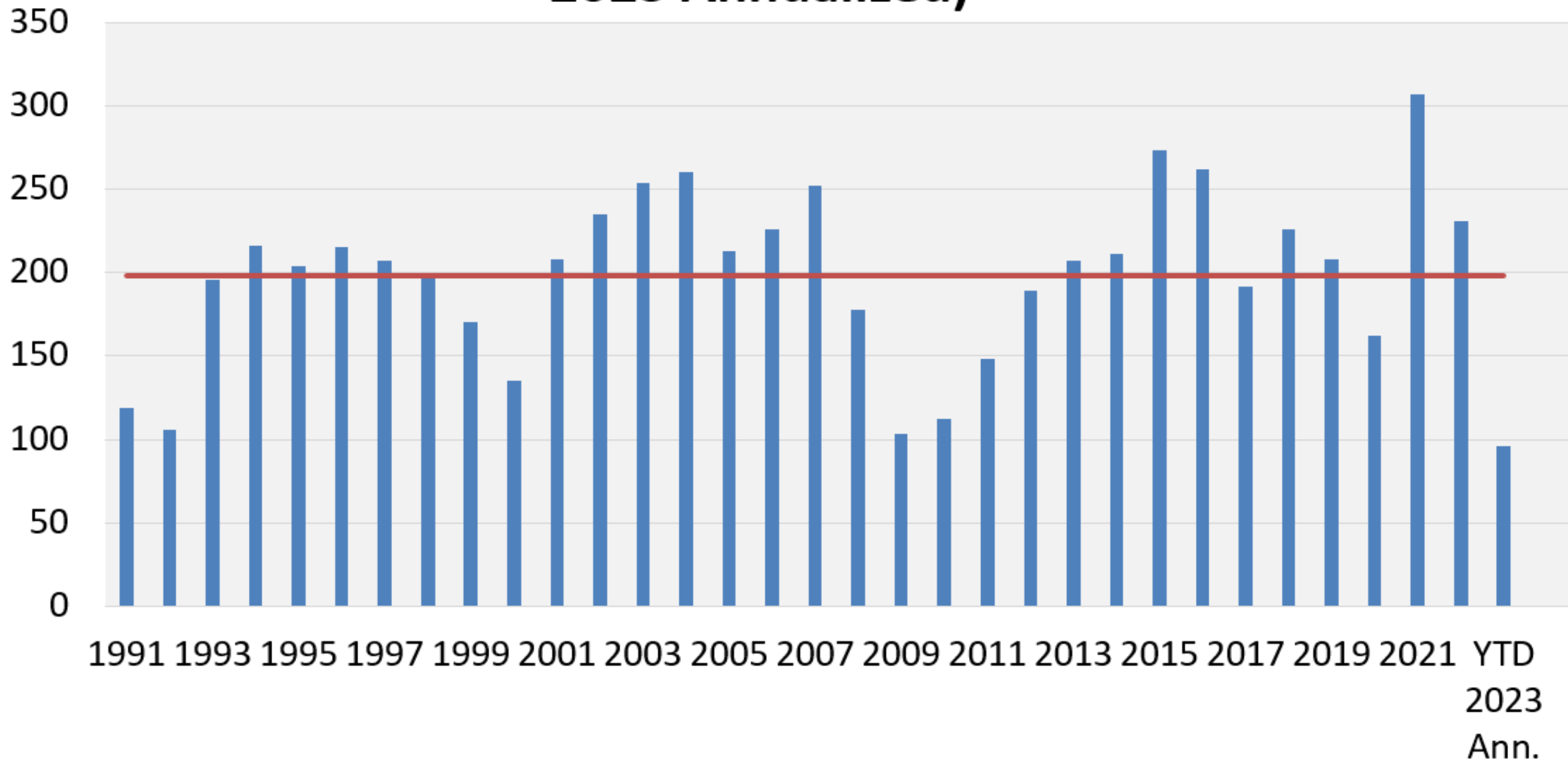
Under Construction



Apartment Sales Volume & Transactions Portland Metro Area - 2017-YTD 2023 Annualized



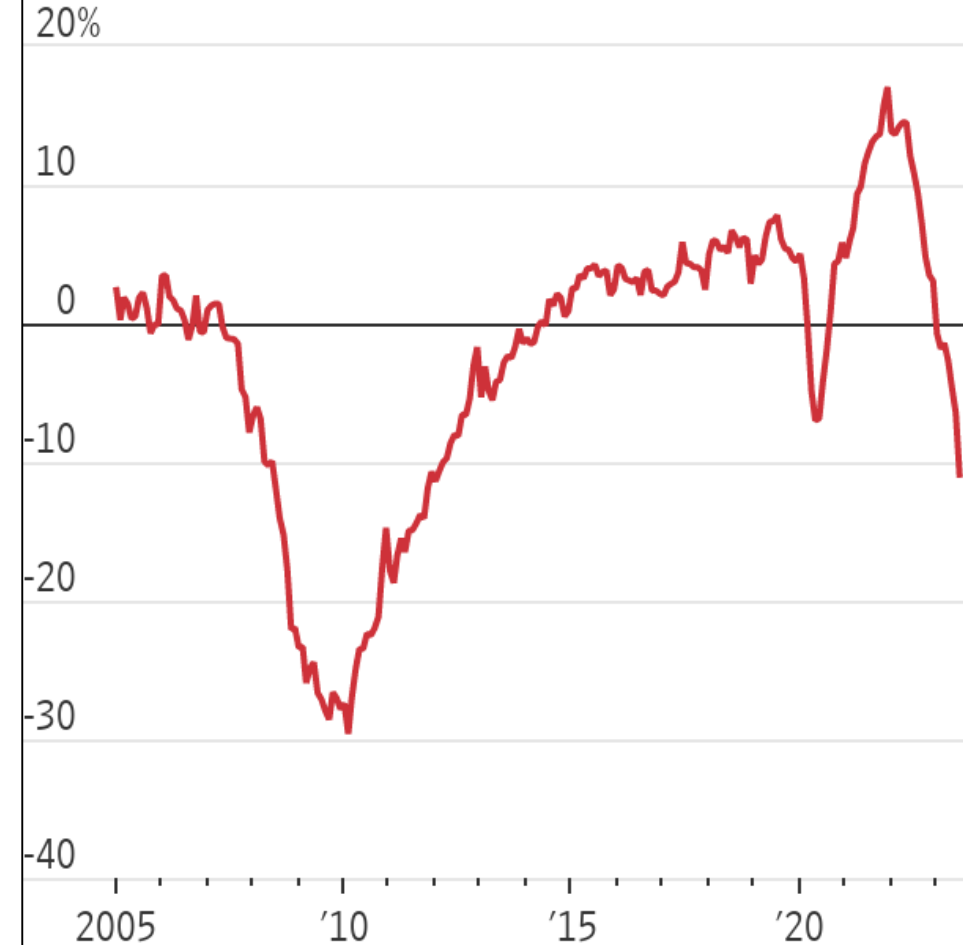
Apartment Transactions - Portland Metro Area (1991 - 2023 Annualized)



When will sales increase?

“Sellers believe in yesterdays capitalization rates and the buyers are looking forward to tomorrow’s capitalization rates”

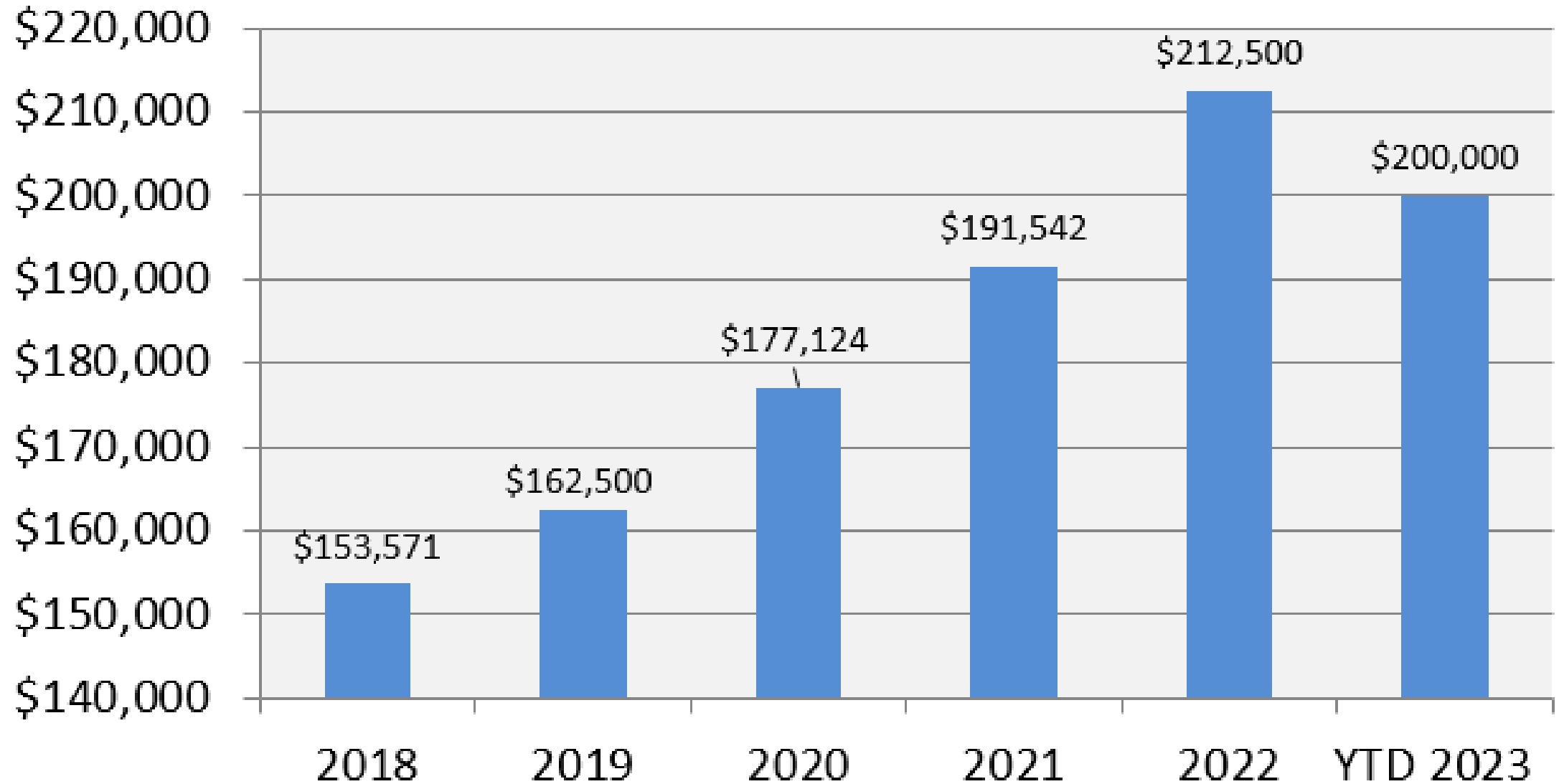
Gap between buyers’ and sellers’ price expectations on U.S. multifamily apartment deals



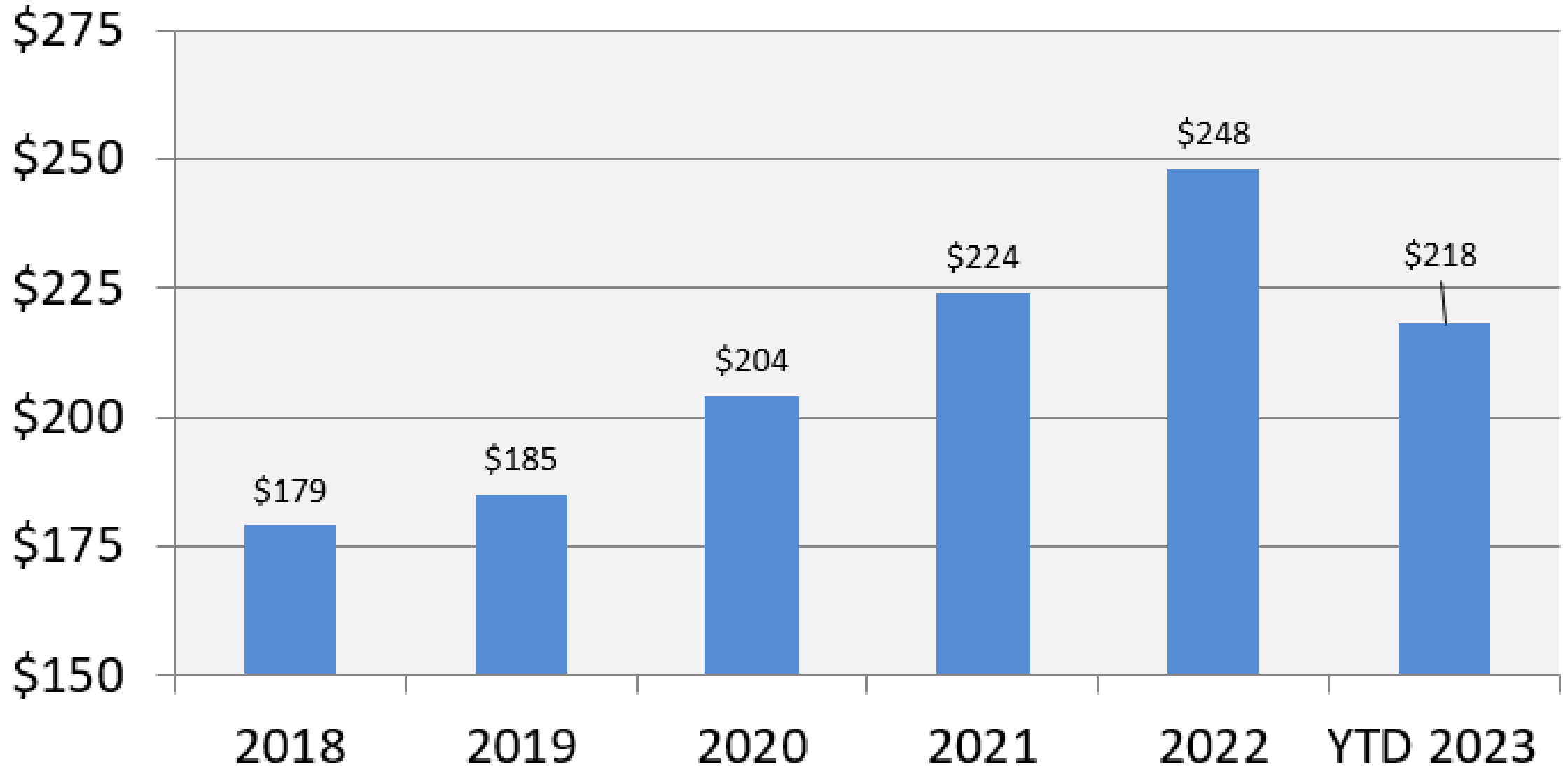
Source: MSCI



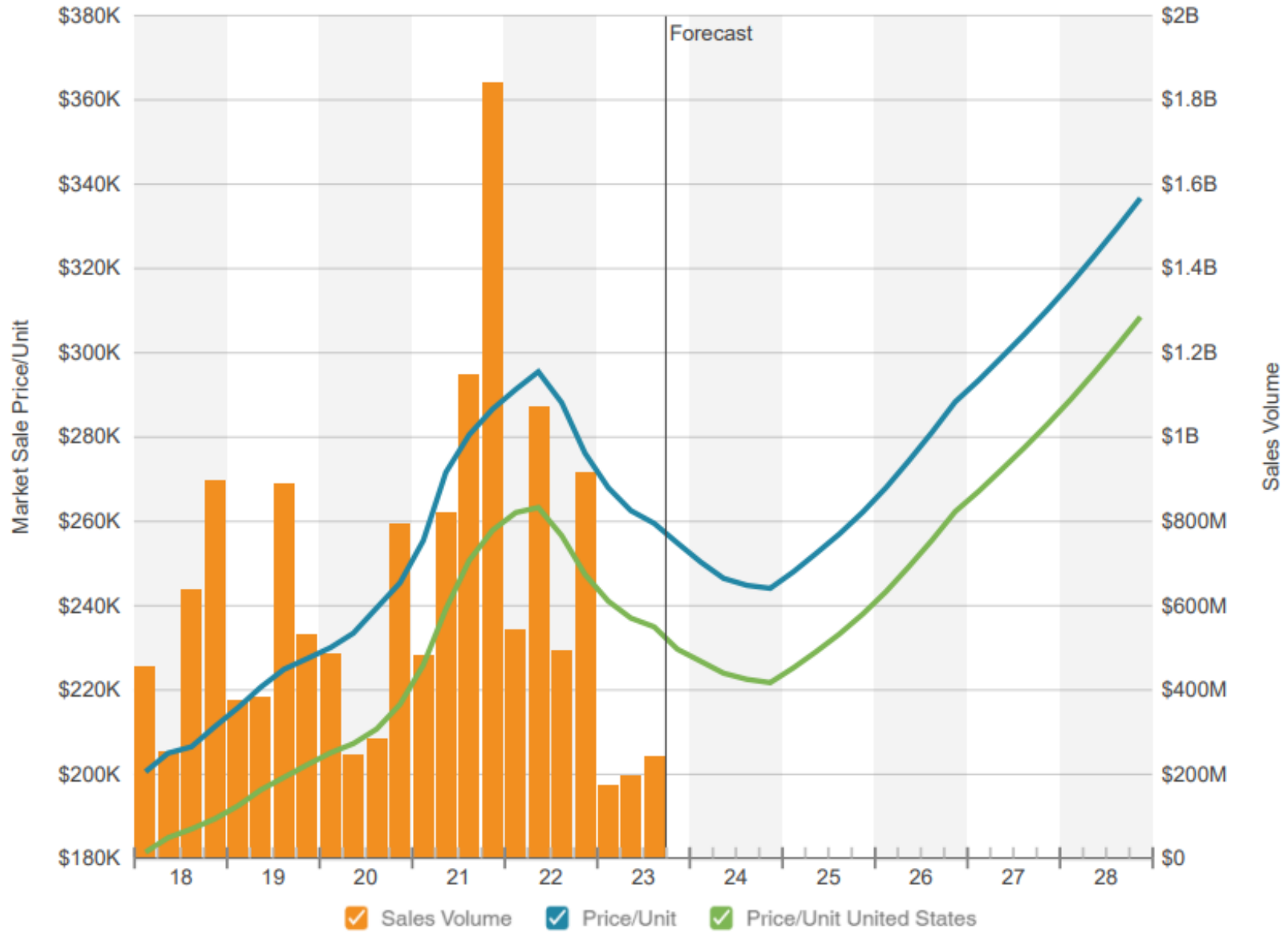
Portland Metro Area Median Price per Unit (2018 - YTD 2023 through September)



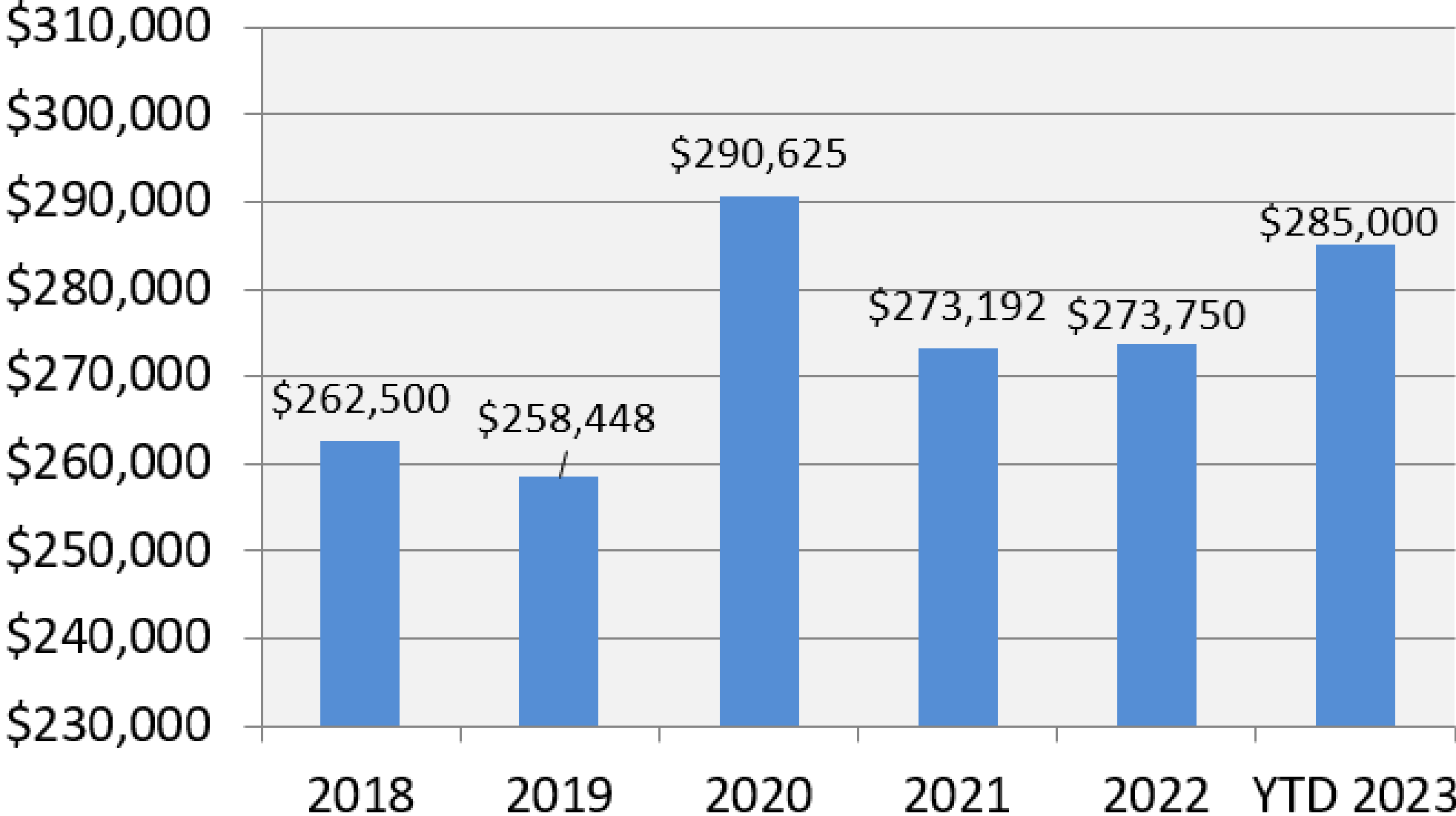
Portland Metro Area Median Price per Sq. Ft. (2018 - YTD 2023 through September)



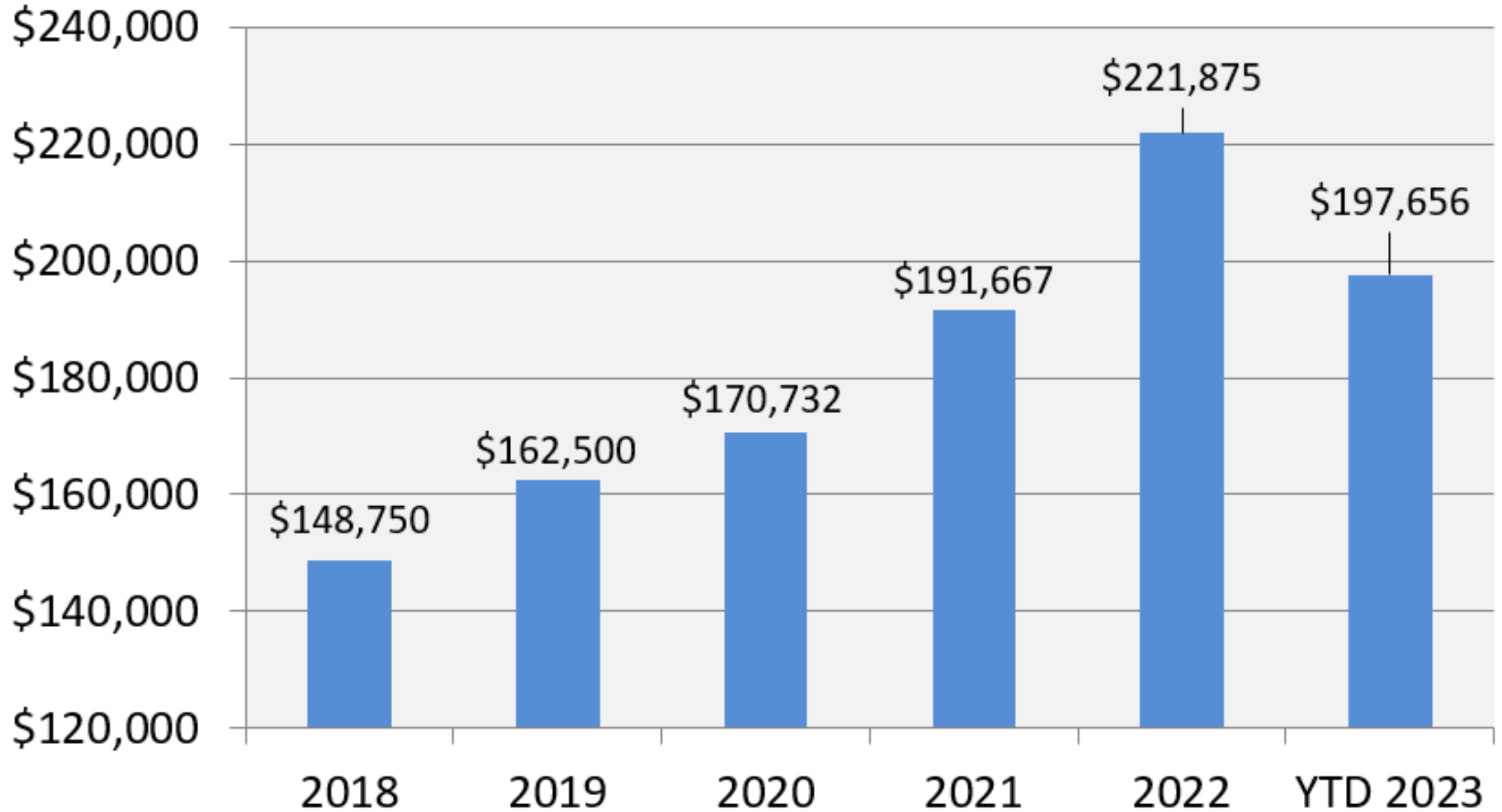
Sales Volume & Market Sale Price Per Unit



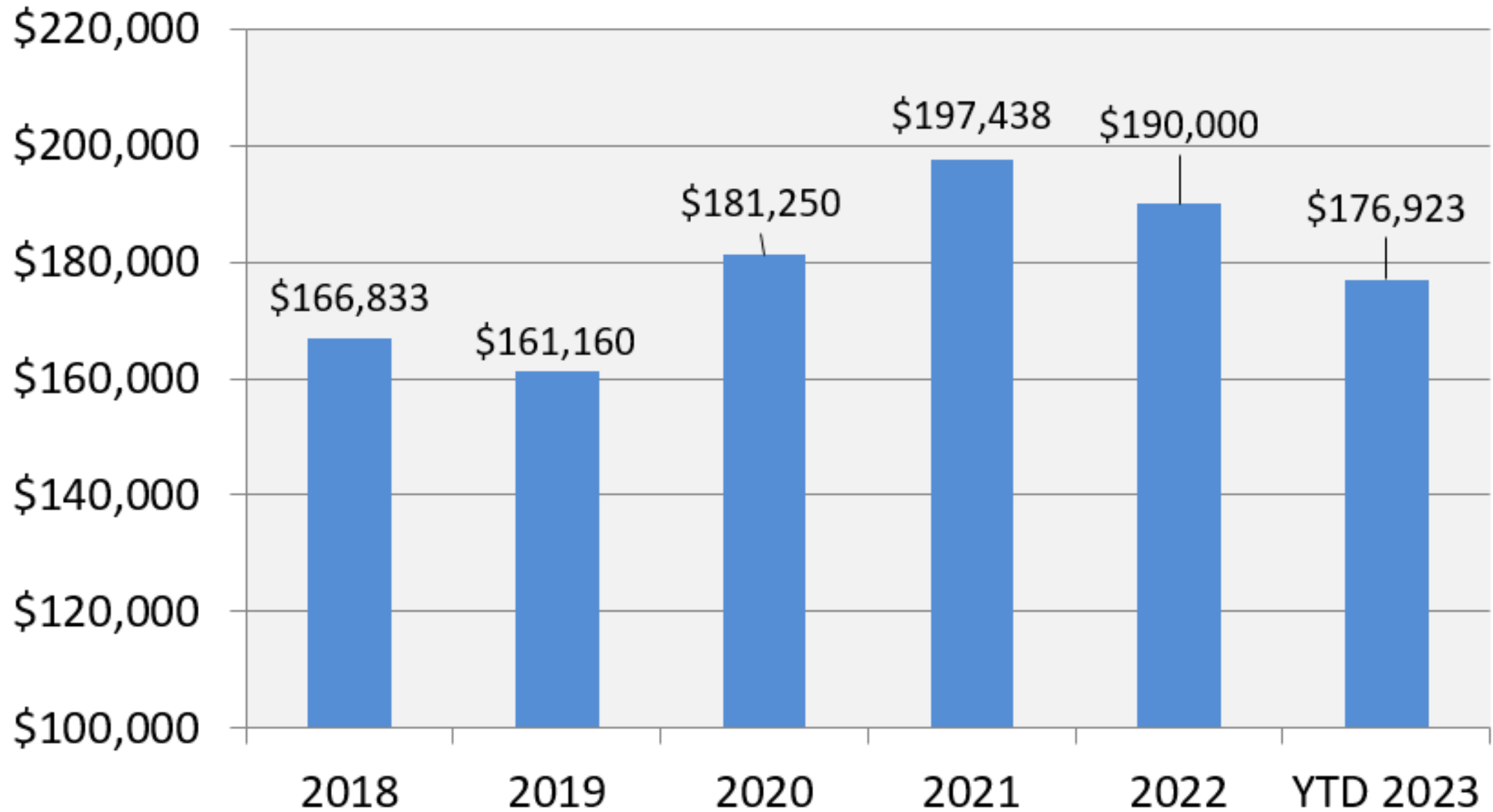
Median Price Per Unit - Built Since 2010 (2018 - 2023 through September)



Median Price Per Unit - Wash, Clack, Clark County



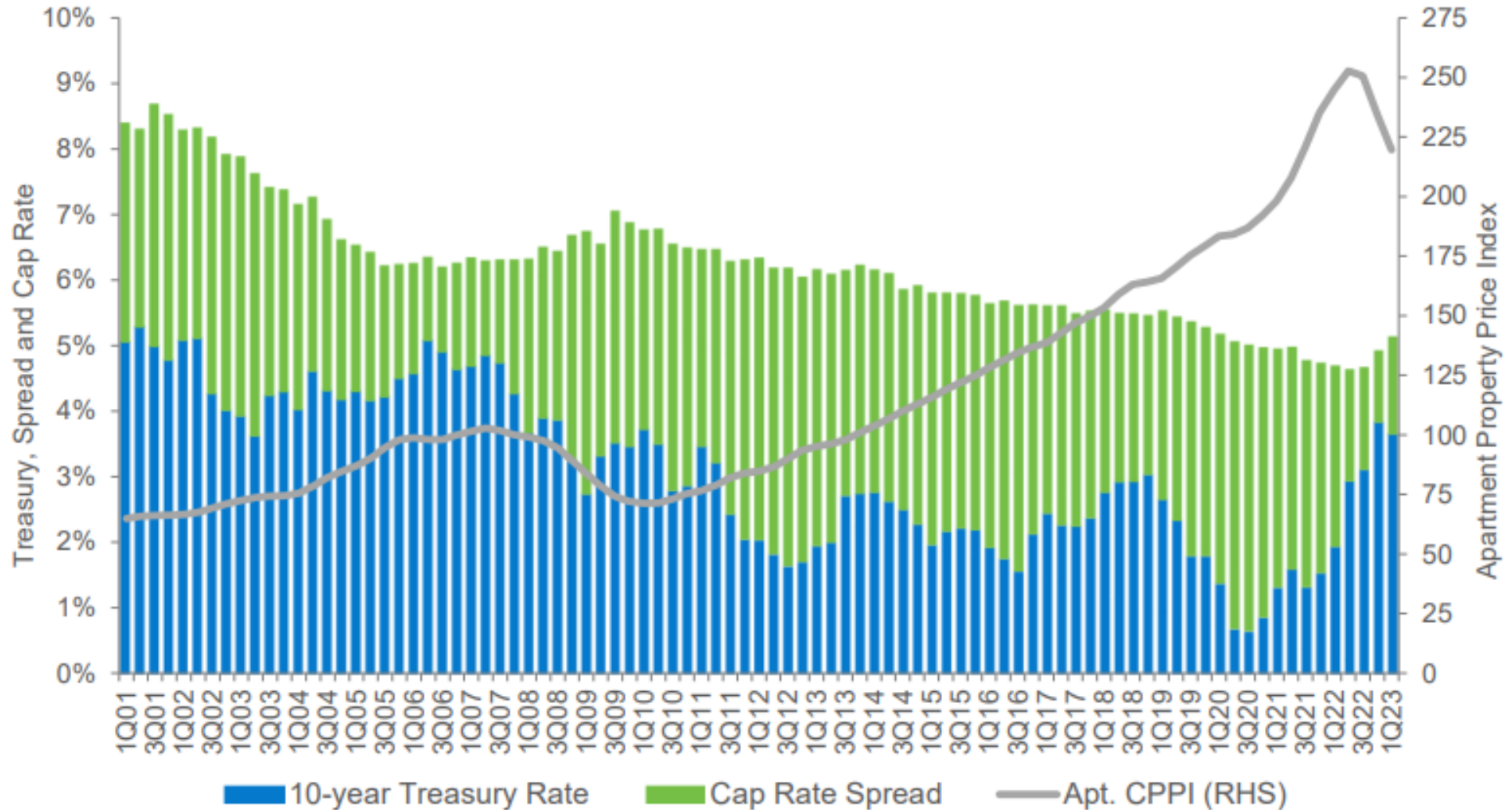
Median Price Per Unit - City of Portland





Capitalization Rates

Exhibit 10: Multifamily Price Index, Cap Rate Spread and Treasury Rate

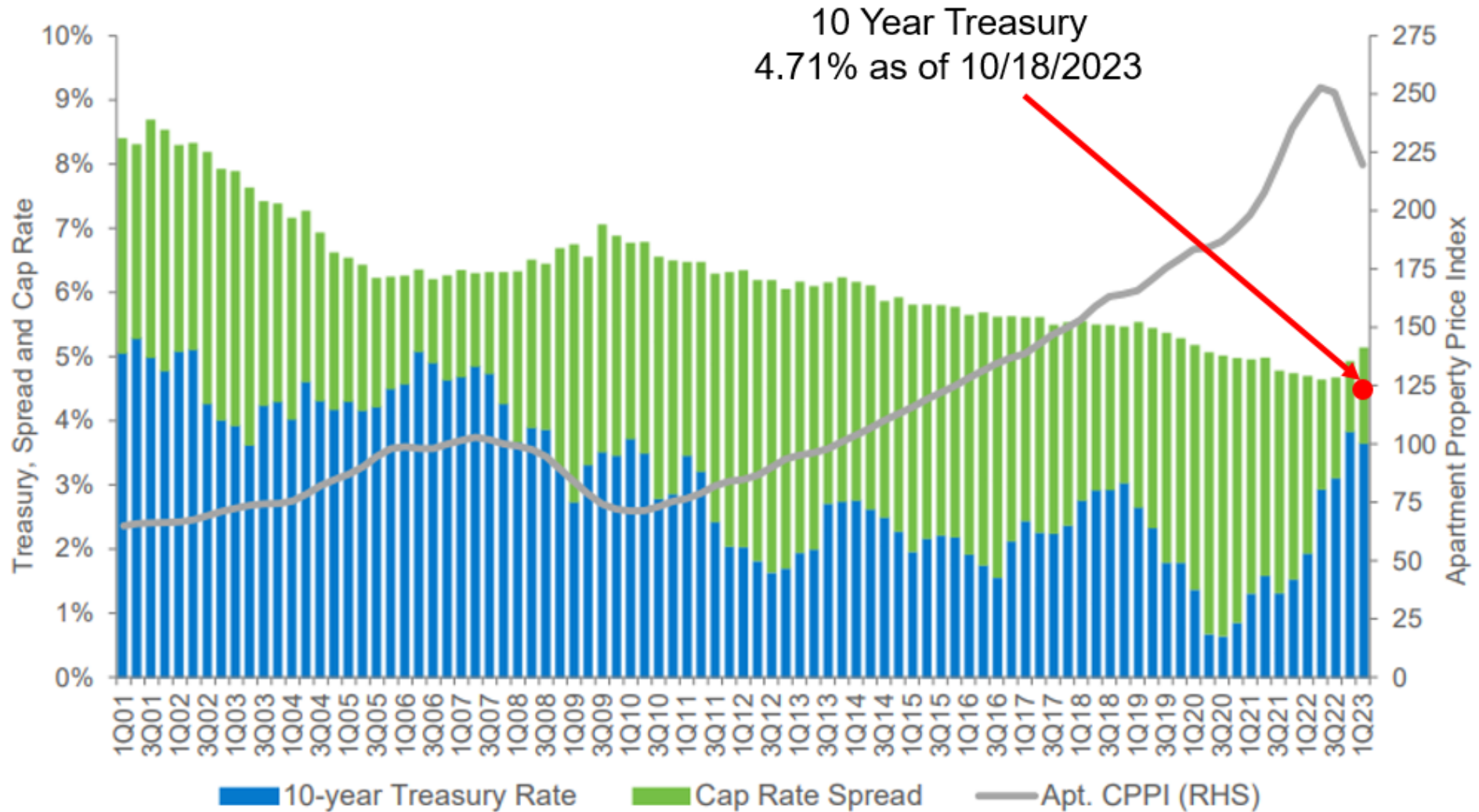


Sources: Freddie Mac, Real Capital Analytics CPPI, Federal Reserve Board, Moody's Analytics



Capitalization Rates

Exhibit 10: Multifamily Price Index, Cap Rate Spread and Treasury Rate

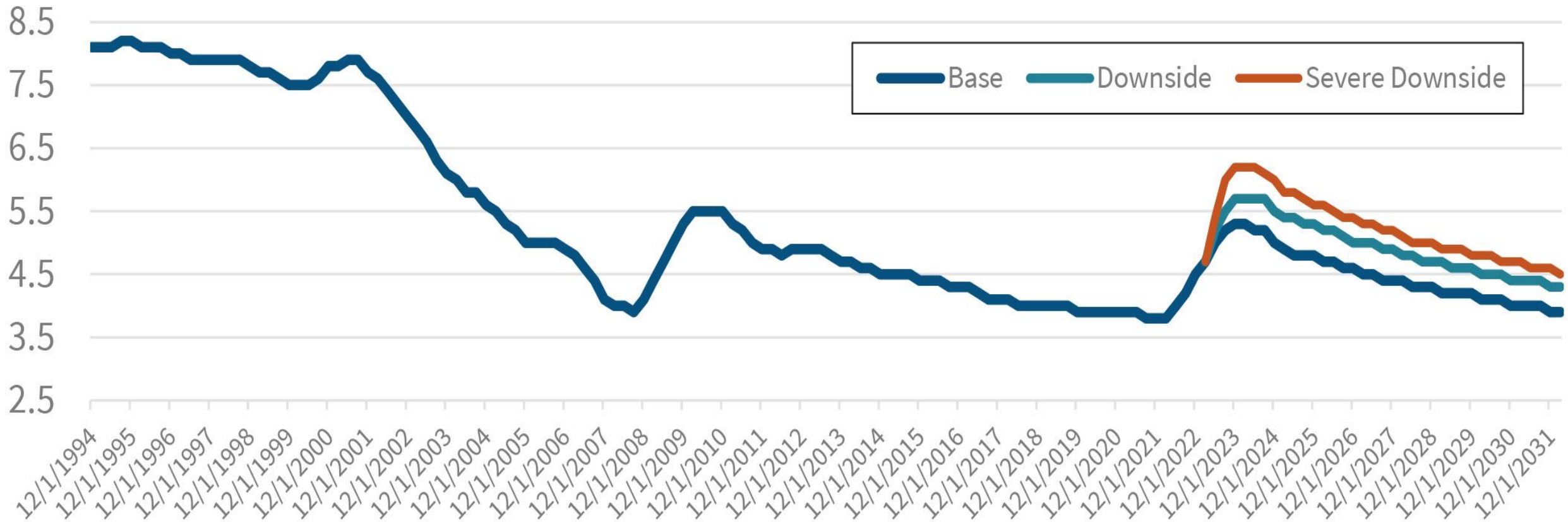


Sources: Freddie Mac, Real Capital Analytics CPPI, Federal Reserve Board, Moody's Analytics



- **CBRE +50 to 150 BPS peaking in 2024**
- **CoStar +45 BPS peaking in Q4 2024**

National Multifamily Cap Rate Forecast



Forecasts – Near Term Instability

- **Apartment Construction** – Until financing is readily available, construction will decline
- **Vacancy** – Continue to increase in 2024 as supply exceeds demand
- **Rents** – Flat over the next 6-12 months, before returning to 3-4%
- **Expenses** – Considerable increases though property taxes are a relief
- **Sales** – 2023 will represent the bottom & sales will increase. Based on historical sale trends, YoY increases will not exceed 50%. This would suggest up to 150 sales in 2024.
- **Cap Rates** – Continued increases if 10 year treasury remains elevated
- **Values** – Some declines in 2024, though less than 2023



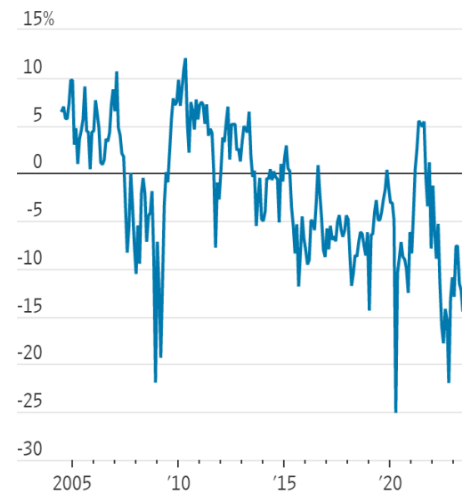
HOW TO PLAY THE PROPERTY MELTDOWN IN FIVE CHARTS

Savvy buyers made a fortune after the 2008 crash, picking up real estate at distressed prices. Investors hoping to spot bargains in the latest slump can watch these trends.

THE WALL STREET JOURNAL.

By **CAROL RYAN**
Thu, Aug 31, 2023 8:26am | 4 min

U.S. property stocks, discount/premium to gross asset value



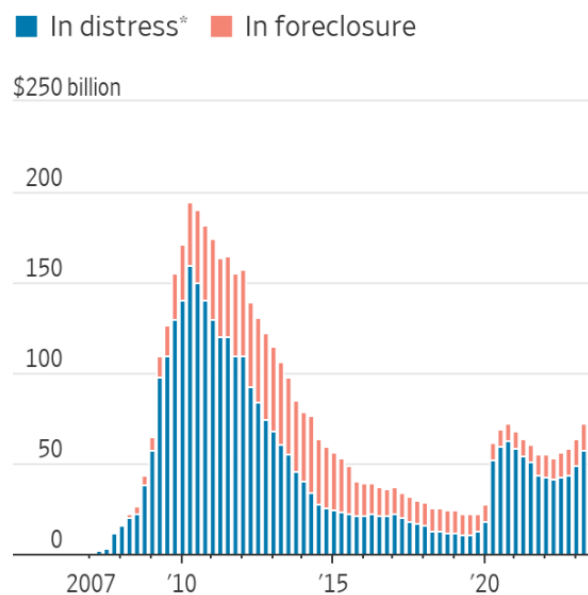
Source: Green Street

Gap between buyers' and sellers' price expectations on U.S. multifamily apartment deals



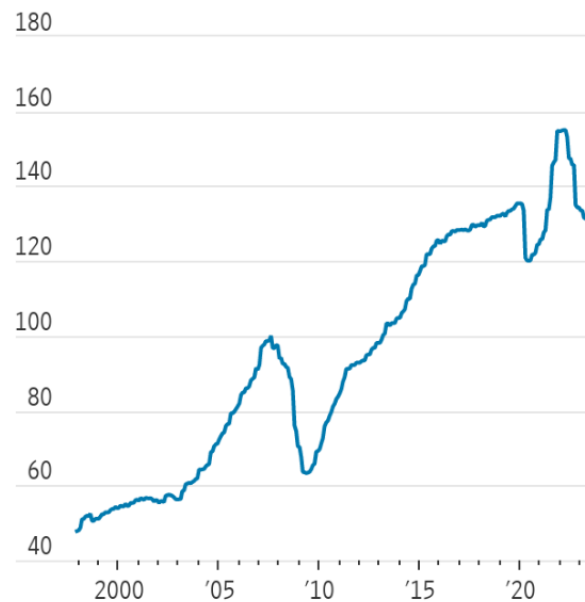
Source: MSCI

Distress levels in U.S. commercial real estate



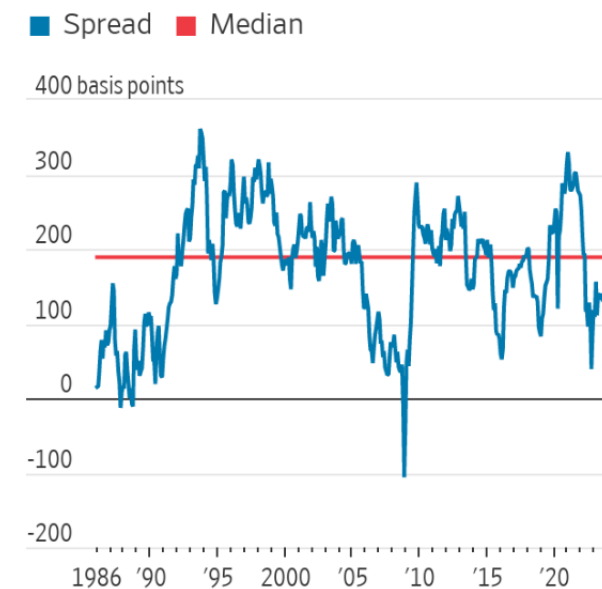
*includes bankruptcy, default, court administration, CMBS loans transferred to a special servicer
Source: MSCI

U.S. commercial property prices



Note: Indexed to 100 in August 2007
Source: Green Street Commercial Property Price Index

Expected U.S. commercial real estate returns vs. corporate bonds yields*



*investment-grade
Source: Green Street