# Portland Metro Apartment Market

Mid-Year Update—2020

Barry & Associates
APARTMENT APPRAISAL SPECIALISTS

As we pass the mid-point of 2020, we wanted to provide a snapshot of where the apartment market stands today. The market is changing weekly as the health/economic/political landscape evolves. The indicators below provide a brief insight in to where we stand as of mid-year 2020. Indicators of the local economy have been excluded as these figures change rapidly and are quickly dated.

Median Price Per Unit By Quarter 19Q1 - 20Q2
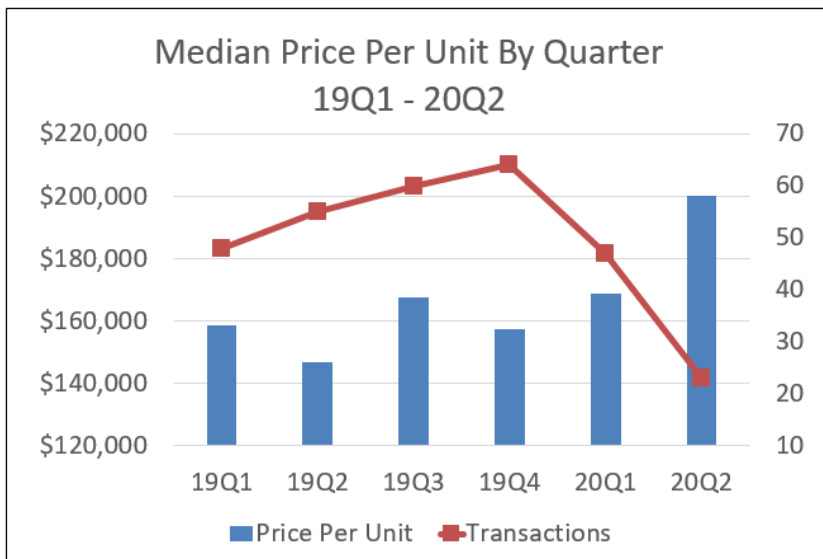
Sales—Flight to Quality?

As expected, the transactions have been sluggish in YTD 2020 as many investors take a "wait & see" approach. On an annualized basis, transactions will be down around 40% for 2020. **YTD 2020 values have held steady as investors seek quality**. The sales from 2020-Q2 show an average year built of 1990, versus 1973-1980 in the previous 5 quarters. However, the sample size from 2020 is limited.

Sales - Average Year Built					
19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
1975	1980	1977	1975	1973	1990

Market Indicators (source CoStar)		
Vacancy	5.50%	Excludes projects completed during 2019 & YTD 2020
	7.20%	Includes all completed units
Rent	Flat	Varies by submarket, but overall no signficant changes
Under Construction	6,650 units	70+ total projects. Focused in urban core & Gresham
Absorption	4,150 units	Absorbed over the past 12 months
Median Cap Rate	5.50%	Based on 70 sales in YTD 2020. No change from 2019

Concerns for the Near Future

- End of federal enhanced unemployment payments in July 2020. Out of work renters will be squeezed.

- Forecasts are calling for a net decrease in demand during 2020 as tenants move home, double up, etc.

- Despite most stable conditions since the onset of COVID, all reputable forecasts suggest softening fundamentals (vacancy, rents, absorption, etc.) in the coming 12-24 months as many subsidies end.

- Existing and proposed that limit apartment owners ability to operate a stabilized property.

- New apartments in the process of lease up may have trouble hitting pre-COVID benchmarks.

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