



Multi-family Market Report | Q3 2024

Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

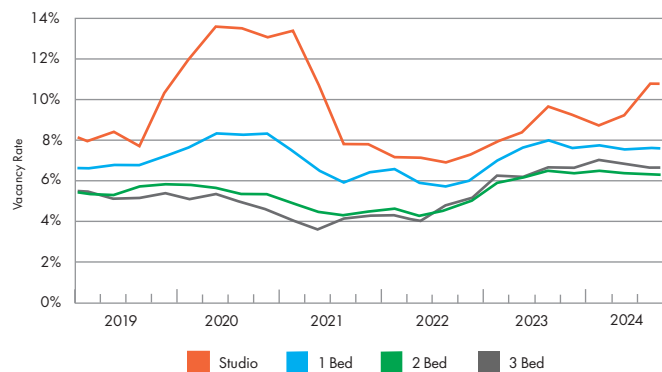
Absorption surpassed new deliveries for the second time in the last three quarters, recording 1,785 units in the third quarter of 2024. This indicates that supply and demand dynamics in Portland’s multi-family market are starting to change. The trailing 12-month absorption now stands at 6,388 units, a sharp rise from the 1,700-unit low in the second quarter of 2023, as the weak demand that has plagued the market for the last 18 months bottoms out. A large portion of this demand creation has come from Portland’s most desirable Vancouver submarket, where tenants are swarming to take advantage of tax breaks and employment prospects.

Additionally, leasing should continue to outperform the broader market in outlying submarkets, such as Clackamas County, Yamhill County, and outlying Washington County. Occupancies are increasing here due to a lack of new construction elsewhere and tenant relocations for reasons of affordability.

Although the building pipeline has diminished over the past year, developers still have a small wave of units scheduled to come online in the near future. Class A communities, which are mostly found in the city’s central submarkets, represent the majority of the apartment product underway. The remaining areas of activity are found near job nodes in suburban or urban submarkets. Class A properties ended the third quarter with vacancy rates of 10.3%, compared to 8.0% and 5.0% for Class B and Class C properties, respectively.

As the third quarter of 2024 came to a close, market asking rents in Portland have remained somewhat

VACANCY RATE BY BEDROOMS



Source: CoStar Group

PORTLAND MARKET SNAPSHOT

VACANCY RATE
7.3%



ASKING RENT
\$1,664



CONSTRUCTION
4,312 Units



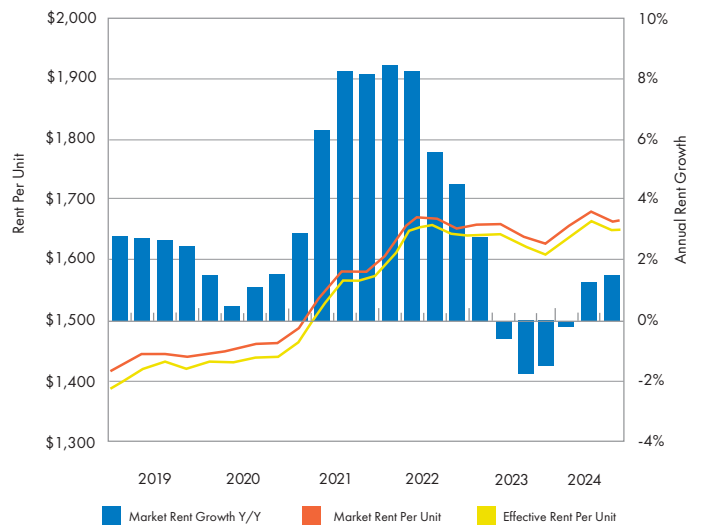
MARKET PRICE/UNIT
\$244,461



stagnant, trending to \$1,664 per month. Year-over-year growth of 1.5% compares to the national index of 1.1% over the same period. Over the past decade, Portland has averaged rent growth of 3.5% annually.

Nevertheless, the construction pipeline is dwindling and new starts have slowed. Rent growth may remain below long-term averages for a quarter or two due to anticipated new supply, but when leasing begins to pick up speed and market equilibrium returns, the trend is anticipated to reverse. Rent increases will continue to be difficult for stakeholders in Class A communities, which make up more than 75% of the present pipeline. This is because the current wave of construction will pull luxury inventory even with Class B inventory, which had previously made up the largest share of the market.

MARKET RENT PER UNIT & RENT GROWTH



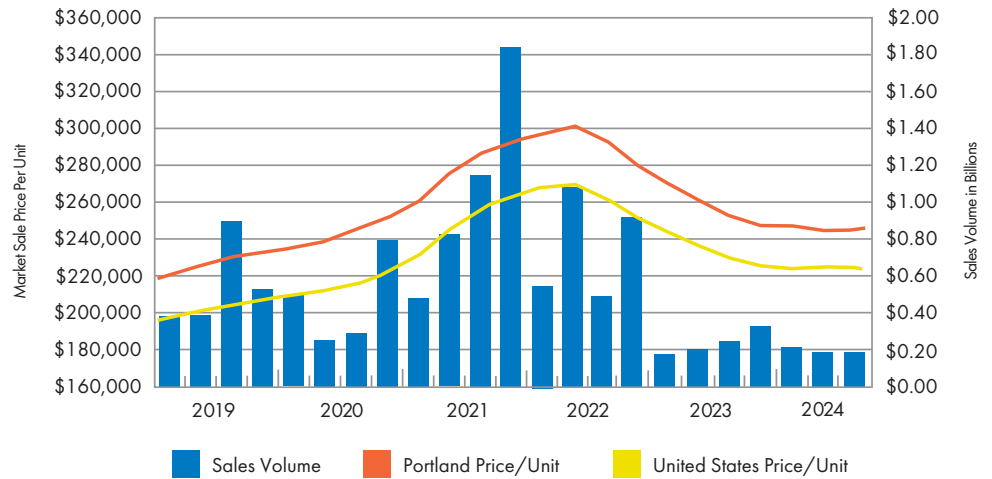
Source: CoStar Group



The volume of multi-family transactions for the last four quarters equates to \$900 million, far less than the \$2.2 billion annual average over the previous ten years. In early 2022, the volume reached a peak of \$4.6 billion. The slowdown ties back to the market's anxiety over the Federal Reserve's looming decisions regarding how many cuts it will make to its policy rate.

Buyers have been paying an average of \$10 million each purchase over the past year, with stated cap rates in the upper 5% range. Well-located Class A assets, however, have seen a 15–20% price correction, and in certain situations, even the higher end of the Class B spectrum has witnessed value reductions of up to 25%. These assets, once priced below 4% before the current rate hike cycle, now trade at cap rates ranging from 5 to 6%. Over the past few quarters, some buyers have responded by moving up the quality range, drawn to luxury and upper mid-tier assets that are marked down.

SALES VOLUME & MARKET SALE PRICE/UNIT



Source: CoStar Group

OVERALL SALES YEAR OVER YEAR

YEAR	# OF DEALS	SALES VOLUME	TURNOVER	AVERAGE PRICE	AVERAGE PRICE PER UNIT	AVERAGE CAP RATE
YTD	71	\$580.8M	1.4%	\$9,844,429	\$194,320	5.8%
2023	113	\$947.2M	2.0%	\$9,568,115	\$224,572	5.6%
2022	294	\$3B	5.4%	\$13,310,894	\$278,737	5.0%
2021	395	\$4.3B	8.1%	\$13,958,459	\$262,095	5.1%
2020	237	\$1.8B	4.2%	\$9,961,565	\$223,607	5.5%
2019	302	\$2.2B	5.6%	\$9,568,274	\$227,329	5.5%

SIGNIFICANT FIRST QUARTER 2024 SALES

PROPERTY / ADDRESS	# OF UNITS	YEAR BUILT	SALE DATE	SALE PRICE	PRICE PER UNIT	CLASS
The Louisa 123 NW 12th Ave Portland, OR	242	2005	09/24/2024	\$80,000,000	\$330,579	A
Stoneridge at Cornell 14800 NW Cornell Rd Portland, OR	233	1985	09/19/2024	\$54,000,000	\$231,760	B
Navalia 201 W 17th St Vancouver, WA	74	2022	08/30/2024	\$17,000,000	\$229,730	B
Presidential Court 2210 NW Everett St Portland, OR	51	1928	08/25/2024	\$6,500,000	\$127,451	B
Serengeti Court Townhomes* 4380 SE 122nd Ave Portland, OR	26	1992	09/14/2024	\$4,600,000	\$176,923	B

*Now managed by Norris & Stevens

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at www.norris-stevens.com.

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