

MULTIFAMILY REPORT

Portland Metro Area

Portland's **multifamily** market continues on a tear without any signs of slowing down. Though it barely increased, the Portland metro-area benchmarked another low vacancy rate at 2.45% for Third Quarter. A 2-bedroom, 1-bathroom apartment now fetches an average of \$1,183 per month versus the average of \$1,026 reported a year ago.

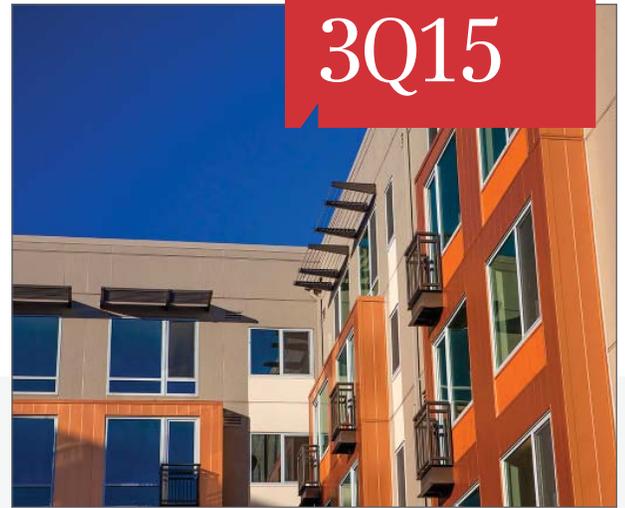
Though the rate of construction has subsided, capital continues to flood the market as evidenced by the soar in multifamily property sales. Portland's accelerating rents have attracted the world's biggest institutional investors. With a combined 684 units, 3 properties in Vancouver – the Bluff, Miramonte and Walden Pond – sold for \$93.6 million. In Beaverton, the 630-unit Sterling Pointe sold for a hefty \$91.08 million. In downtown Portland, the Museum Place, a 140-unit apartment building, was sold for \$59.5 million. The high volume of high transactions only underscores Portland's global market value and appeal.

Market Trends

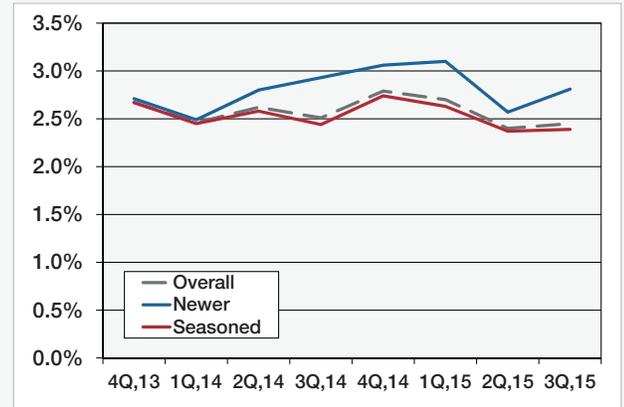
Not too long ago, Portland's low vacancy rate was a welcome sign of a rebounding and thriving economy. Now, the surge in rates is symptomatic of a much larger, national concern. The majority of new multifamily development, both in Portland and throughout the U.S., has been priced and marketed toward the same demographic, consequently pricing out a large chunk of middle class and working class residents. According to an analysis by Apartment List, the price of renting a 2-bedroom apartment in Vancouver rose faster this summer than any other city in the country. In July, Vancouver showed a 9.8% year-over-year increase in rent and Portland posted a 8.5% increase. In August, the data grew grimmer with Axiometrics reporting Portland at a 15% year-over-year average rent increase, the steepest increase in the country.

The number of U.S. households that spend at least half their income on rent, otherwise known as the 'severely cost-burdened', could increase by 25% to 14.8 million people over the next decade as reported by the Enterprise Community Partners, an affordable-housing nonprofit group, and Harvard's Joint Center on Housing Studies. Renters simply don't have the same financial options afforded homeowners. Today's home buyers can take out new mortgages and homeowners can refinance existing loans at lower rates. In contrast, the number one reason cited for not affording a home is the inability to save for a down payment, which soaring rents only exacerbate.

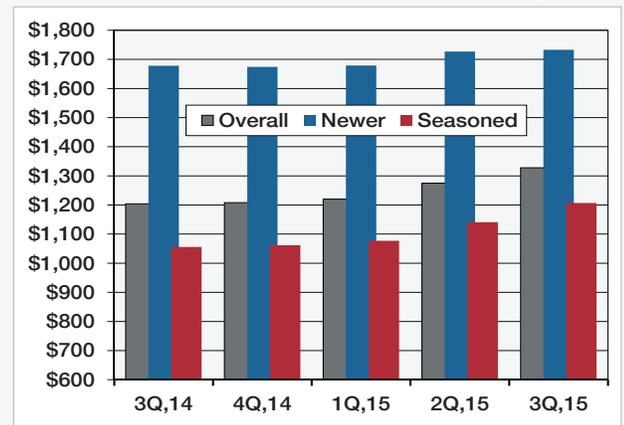
3Q15



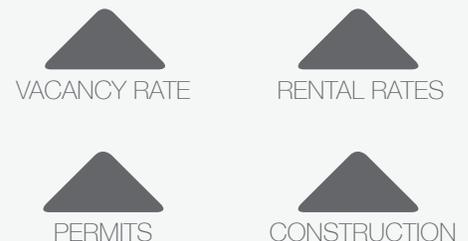
Vacancy Comparison (%)



Rental Rate Comparison



Trends for 3Q15



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3Q15

Portland Metro Area

Market Overview*

SUBMARKET	AVERAGE RENT PER UNIT				% VACANT
	1 BED/1 BATH	2 BED/1 BATH	2 BED/2 BATH	3 BED/2 BATH	
Downtown Portland	\$1,770 (\$2.22)	\$1,674 (\$1.88)	\$2,761 (\$2.24)	\$3,148 (\$2.05)	3.26
Southeast Portland	\$1,187 (\$1.80)	\$1,061 (\$1.21)	\$1,315 (\$1.32)	\$1,411 (\$1.19)	2.32
North/Northeast Portland	\$1,347 (\$1.80)	\$1,143 (\$1.30)	\$1,883 (\$1.58)	\$1,154 (\$1.03)	1.72
Southwest Portland	\$1,068 (\$1.60)	\$1,177 (\$1.38)	\$1,466 (\$1.42)	\$1,525 (\$1.25)	2.26
Gresham/Troutdale	\$907 (\$1.31)	\$988 (\$1.16)	\$1,092 (\$1.09)	\$1,263 (\$1.09)	1.98
Lake Oswego/West Linn	\$1,293 (\$1.75)	\$1,448 (\$1.60)	\$1,655 (\$1.52)	\$1,785 (\$1.34)	2.76
Wilsonville	\$1,038 (\$1.44)	\$1,222 (\$1.32)	\$1,371 (\$1.34)	\$1,628 (\$1.36)	2.46
Tigard/Tualatin	\$983 (\$1.45)	\$1,071 (\$1.27)	\$1,302 (\$1.30)	\$1,595 (\$1.39)	2.92
Beaverton/Aloha	\$1,121 (\$1.60)	\$1,332 (\$1.51)	\$1,344 (\$1.37)	\$1,542 (\$1.32)	2.54
Hillsboro	\$1,148 (\$1.57)	\$1,266 (\$1.33)	\$1,438 (\$1.32)	\$1,604 (\$1.25)	3.20
Clackamas/Or Cty/Mlwk	\$965 (\$1.40)	\$1,098 (\$1.23)	\$1,208 (\$1.22)	\$1,478 (\$1.19)	2.03
Vancouver	\$926 (\$1.30)	\$1,013 (\$1.10)	\$1,184 (\$1.10)	\$1,313 (\$1.06)	1.87
TOTAL	\$1,223 (\$1.68)	\$1,183 (\$1.34)	\$1,548 (\$1.43)	\$1,548 (\$1.25)	2.45

*Additions and subtractions to the numbers above are in our detailed report.

Significant Sales Transactions

BUYER	BUILDING	PRICE	UNITS	SUBMARKET
Starwood Capital Group	The Bluff, Miramonte Lodge & Walden Pond	\$93,600,000	684	Vancouver
JCA Real Estate Investments	Sterling Pointe	\$91,080,000	630	Beaverton & Aloha
Holland Partner Group	Wyndham Park	\$63,900,000	423	Beaverton & Aloha
Zurich Alternative Asset Mgmt, LLC	Museum Place	\$59,500,000	140	Downtown Portland
TIAA-CREF	The Cordelia	\$47,750,000	135	Downtown Portland
The Praedium Group	206 Apartments	\$47,275,000	203	Hillsboro
DiNapoli Capital Partners	Andover Park	\$45,250,000	240	Beaverton & Aloha

Source: CoStar

Featured Deals



Quail Springs Permanent Financing

NBS Financial Services' Senior Vice President Wally Harding and

Finance Officer Mick Stapleton, representing the lender, have arranged \$9,633,000 in permanent financing for Quail Springs, a 118-unit residential community in Richland, WA. Funding was provided by Freddie Mac through NBS' correspondent relationship with Walker Dunlop.



The Verona Under New Management

The Verona is a 16-unit, newly constructed apartment community in the King Neighborhood in Northeast Portland. It offers hard to find outdoor space, generous rooms sizes and townhomes with 2.5 baths.