

# MULTIFAMILY REPORT

Portland Metro Area | Fourth Quarter 2009



## TRENDS:

Vacancy Rate



Rental Rates



Permits



Construction



## OVERVIEW

Portland **multifamily** vacancy rose nearly a percentage point to 5.43% during Fourth Quarter. A seasonal increase in vacancy is to be expected during the winter; but almost a percentage point higher indicates more than a seasonal trend. Vacancy increased in all but two submarkets, and most of those increases were more than a percentage point. Rents remained largely flat around the metro area.

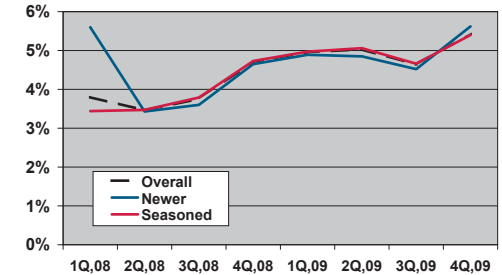
## Market Trends

We have been carefully tracking the downtown apartment market since an abundance of units came online in 2008 and 2009. Overall, these units are leasing up well. Given current market conditions, some managers are offering incentives, including up to two months of free rent and free parking. We expect most units that delivered in 2008/2009 to be fully occupied by the end of 2010 and stabilizing through the first half of 2011.

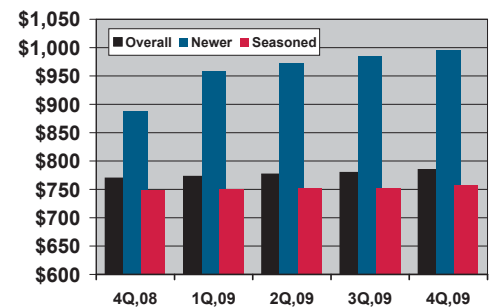
Few developers are applying for permits or starting construction, so few buildings will deliver in 2010 and 2011. But developers have opportunities to begin new projects now, since many good development sites are available. Pricing for buildable land is substantially down from peak, and sites that were previously slated for single-family or condo construction are now competitively priced for multifamily development. But barriers to development are still considerable, and include lack of capital, trouble obtaining financing and uncertainty of future rental rates, which causes developers to question whether new construction will be profitable. But demand will be solid when the economy recovers, since even during a recession Portland's apartment vacancy has hovered around 5%.

The single-family housing market is also showing signs of recovery. Entry level housing has stabilized and seen good activity. November 2009 sales activity was up 72.4% over last year, and activity was on track to produce a year that was down about 4% over 2008, according to RMLS. Prices took the biggest hit in 2009. Average sales price was down 12.7% to

## Vacancy Comparison (%)



## Rental Rate Comparison



\$289,900. This lower average price has reduced the number of sellers by almost 20%, reducing inventory. Condo sales remain slow but pricing looks to have found its bottom in 2009.

All the optimism we see in the multifamily and housing markets will need support from the greater economy. If the Portland employment market does not start growing in 2010, recovery will stall and pressure will be again felt in the fragile housing and multifamily markets.

## Major Sale Transactions

Buyer:	Building:	Price:	Units:	Submarket:
Behringer Harvard	Cyan/PDX	\$65,000,000	352	Downtown Portland
Foxfam LLC	Discovery Park Apartments	\$15,167,500	210	Vancouver
JB Matteson Inc.	London Flats Apartments	\$12,165,000	146	Vancouver
Steeple Chase Apartments LLC	Steeple Chase Apartments	\$4,094,500	111	Vancouver
DEA Properties-Mountains LLC	The Mountains	\$1,895,000	36	Vancouver
William V DeBellis Revocable Living Trust	Multnomah Garden Apartments	\$1,500,000	20	Southwest Portland
DSS Investment Properties LLC	15710-15714 SE Stark St.	\$1,012,500	18	Southeast Portland

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SUBMARKET	AVERAGE RENT PER UNIT				% VACANT
	1 Bed/1Bath	2 Bed/1 Bath	2 Bed/2 Bath	3 Bed/2 Bath	
<b>MULTIFAMILY*</b>					
Downtown Portland	\$1,117 (\$1.54)	\$1,180 (\$1.31)	\$1,866 (\$1.57)	\$2,798 (\$1.55)	5.04
Southeast Portland	\$605 (\$0.91)	\$694 (\$0.79)	\$754 (\$0.75)	\$896 (\$0.77)	6.47
North/Northeast Portland	\$665 (\$0.98)	\$725 (\$0.81)	\$911 (\$0.90)	\$870 (\$0.82)	4.59
Southwest Portland	\$660 (\$0.97)	\$727 (\$0.83)	\$959 (\$0.91)	\$1,041 (\$0.83)	5.79
Gresham/Troutdale	\$611 (\$0.89)	\$665 (\$0.77)	\$745 (\$0.76)	\$858 (\$0.75)	5.84
Lake Oswego/West Linn	\$787 (\$1.02)	\$809 (\$0.89)	\$992 (\$0.90)	\$1,181 (\$0.85)	4.50
Wilsonville	\$634 (\$0.89)	\$703 (\$0.76)	\$764 (\$0.80)	\$882 (\$0.77)	6.77
Tigard/Tualatin	\$616 (\$0.91)	\$682 (\$0.80)	\$793 (\$0.79)	\$911 (\$0.78)	5.54
Beaverton/Aloha	\$654 (\$0.94)	\$703 (\$0.79)	\$814 (\$0.82)	\$956 (\$0.82)	5.93
Hillsboro	\$688 (\$0.93)	\$733 (\$0.78)	\$849 (\$0.80)	\$1,021 (\$0.80)	4.87
Clackamas/Or Cty/MLwk	\$610 (\$0.86)	\$698 (\$0.79)	\$749 (\$0.78)	\$896 (\$0.74)	5.29
Vancouver	\$584 (\$0.83)	\$651 (\$0.72)	\$741 (\$0.72)	\$851 (\$0.70)	5.46
<b>TOTAL</b>	<b>\$691 (\$0.98)</b>	<b>\$727 (\$0.82)</b>	<b>\$888 (\$0.86)</b>	<b>\$978 (\$0.79)</b>	<b>5.43</b>

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

## Featured Deals



### Cyan/PDX Sale

Behringer Harvard purchased the Cyan/PDX, a 352-unit apartment complex downtown near Portland State University, for \$65 million. The 17-story building was originally developed as condominiums. It delivered in early 2009 and is seeking LEED gold certification.



### Discovery Park Apartments Sale

Foxfam, LLC purchased the Discovery Park Apartments, 9211 NE 15th Avenue in Vancouver, for \$15.2 million. Aspen Square Management was the seller. The complex was constructed in 1990 and has 210 units.

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