

# Lenders finding ideal conditions in Portland

If it's not evident by the many cranes obstructing the Rose City's beautiful skyline, then you may not realize that Portland's commercial real estate market has been revitalized back to pre-2007 levels. Citywide construction, employment growth and steady population increases have signaled Portland's return as a major player to the commercial real estate industry, and lenders have certainly taken notice.

Nationally, all property types are continuing to experience considerable leasing activity, which has driven price appreciation across more markets, including Portland. Driven by sustained and robust demand, banks, life com-



**President Ken Griggs (left) and Finance Officer Paddy Ryan of Norris, Beggs & Simpson Financial Services**

panies, and agencies have all become increasingly more active in the market. Current economic conditions like low interest rates and uncertainty abroad

have made commercial mortgages more attractive to lenders.

## The interest equation

Motivated by making fees, banks want to take advantage of low interest rates, which are expected to increase later this year. The Federal Reserve confirmed after the first quarter its intention to gradually move short-term interest rates up from zero, but we've all heard that before. Life companies make loans as stocks and bonds alternatives, and due to geopolitical unease in foreign markets, commercial mortgages are seen as stable investments. In addition, they have a better relative

value than these alternatives. Agencies like Freddie Mac and Fannie Mae are largely responsible for accelerating the multifamily market to present peak levels. Freddie Mac and Fannie Mae now securitize about 90 percent of their multifamily mortgages, which are backed by affordable apartment communities.

In comparison to other port cities like San Francisco or Seattle, Portland is markedly inexpensive by comparison and provides a commensurate quality of life. Because of the city's lower cost structure, higher work productivity and positive work culture, droves of entire companies have recently decided to

## for commercial mortgages

expand or take root in the Pacific Northwest. The influx of these major companies has made Portland an employment epicenter on the West Coast, and the city now boasts a deep and highly educated talent pool.

Both the multifamily and office markets have reacted to this rapid growth, especially over the past three years. Between 2010 and 2014, 67 percent of all new housing units built in Portland were multifamily, and this trend is anticipated to continue. According to the Portland Planning and Sustainability Commission's Growth Scenario Report, experts forecast a gain of 410,000 new households and 518,000

new jobs between 2010 and 2035.

### Industrial appeal

Yet, even with such broad-based growth, certain property types are sought by lenders more aggressively than others. Currently, industrial product is the darling for most lenders. Industrial properties, which are typically smaller loans in comparison to other product types, tend to have a lower portfolio allocation percentage and lenders are eager to increase this piece of the pie. They also pose less risk and Portland's industrial market is quite strong from being a port city. Portland's prolific multifamily

construction has somewhat tempered demand, but agencies continue to find apartments attractive and senior housing is becoming more of a focus. Well-thought out office projects are gaining traction with expected momentum in 2016, particularly in downtown cores.

Though brick-and-mortar retail projects have slowed post-recession, lenders are quite confident in grocery-anchored retail properties because everyone needs to eat. Lenders also carry high anticipation for the development of Portland's hospitality market, which has been notably underserved since the recession.

If anything, lenders are very much

taken by Portland's idyllic conditions, and so are we. All of our producers have integral ties within our community, and we're very encouraged by the market's overall health. And because we live here, our \$2 billion loan servicing portfolio is a testament to our commitment to Portland and the Pacific Northwest.

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