

Portland Apt Sales 2006-2011

4 County (Clark, Clackamas, Multnomah, Washington) summary

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 76,003	\$ 80,910	\$ 80,048	\$ 83,345	\$ 88,959	\$ 81,070
Average \$/SqFt	\$ 92.91	\$ 107.66	\$ 107.53	\$ 96.97	\$ 103.71	\$ 100.37
Average CapRate	5.97%	6.00%	6.24%	6.96%	6.77%	6.30%
Sales Transactions (>\$450K)	236	157	75	97	136	701
Sum of Individual Units	11883	8454	3739	5780	9522	39378

By Neighborhood

Portland Central

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 96,757	\$ 123,429	\$ 103,196	\$ 142,729	\$ 144,874	\$ 123,374
Average \$/SqFt	\$ 149.23	\$ 191.97	\$ 177.17	\$ 170.87	\$ 174.88	\$ 172.55
Average CapRate	5.16%	4.52%	5.56%	5.46%	6.34%	5.33%
Sales Transactions (>\$450K)	14	14	9	12	14	63
Sum of Individual Units Sold	601	1133	556	1056	1020	4366

Area Description – Downtown Portland - I-405 to the west and Willamette River to the east

Total Complexes	Est Unit Count	Avg Units/Complex
636	25729	40.5

Comments - This is still a very in demand neighborhood and continues to appreciate faster. Most new construction is either income-qualified or high-end. Rents regardless of construction/size are >\$2/sqft. Older complexes are smaller studios while newer units are condo-quality rentals. Advantages are mass transit and easy access to downtown Portland.

The sales numbers are skewed by grade A units that have been transacting as high as \$370K/unit. The issue will be how many tenants are willing to pay \$2500/month for 2 bed units in new construction.

Portland – East

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 79,474	\$ 95,596	\$ 93,482	\$ 92,169	\$ 109,257	\$ 91,773
Average \$/SqFt	\$ 107.97	\$ 122.29	\$ 124.07	\$ 116.22	\$ 129.62	\$ 118.08
Average CapRate	5.39%	5.52%	5.53%	6.66%	5.98%	5.68%
Sales Transactions (>\$450K)	50	27	20	18	27	142
Total Sum of Units2	946	371	268	318	495	2398

Area Description – Willamette River to the west and NE/SE 82nd to the east.

Total Complexes	Est Unit Count	Avg Units/Complex
1217	23035	18.9

Comments - This is also a very in demand neighborhood and continues to appreciate faster. There is not much new construction and few complexes > 100 units. This would be considered working-class housing with rents in the \$1.25/sqft range. Easy access to downtown Portland via bike or mass transit.

Beaverton, Hillsboro and West Portland

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 73,056	\$ 72,066	\$ 75,624	\$ 67,107	\$ 77,740	\$ 73,118
Average \$/SqFt	\$ 84.34	\$ 100.50	\$ 89.55	\$ 78.28	\$ 88.44	\$ 88.54
Average CapRate	6.34%	6.29%	6.47%	7.17%	6.99%	6.60%
Sales Transactions (>\$450K)	94	62	26	39	52	273
Total Sum of Units2	5686	3303	909	2796	4733	17427

Area Description – West Hills on the east, Hillsboro to the west and I-5 to the south

<u>Total Complexes</u>	<u>Est Unit Count</u>	<u>Avg Units/Complex</u>
637	46432	72.9

Comments - While there is a lot of inventory, most job and population growth is happening in this area. Job growth should continue to push rents up. Jobs start at Nike (Beaverton) out to Intel (Hillsboro) and offer higher average salaries.

Washington county population will probably exceed Multnomah county within a few years. This will move the center of population for Portland metro further west.

There is a wide range of properties in vintage, size and grade. Contact us if you'd like details on particular neighborhoods, however, we feel most job growth will be in Washington county north of Tigard. Availability of jobs will drive rent levels and demand for rentals.

Portland – South Suburbs

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 77,415	\$ 74,270	\$ 68,957	\$ 76,747	\$ 75,096	\$ 75,287
Average \$/SqFt	\$ 89.07	\$ 84.93	\$ 89.94	\$ 74.32	\$ 94.18	\$ 88.08
Average CapRate	5.74%	6.28%	6.43%	7.28%	6.62%	6.36%
Sales Transactions (>\$450K)	22	21	7	7	21	78
Total Sum of Units2	1851	1721	685	532	1356	6145

Area Description – Tigard, Milwaukie, Lake Oswego, Tualatin, Oregon City, Wilsonville

<u>Total Complexes</u>	<u>Est Unit Count</u>	<u>Avg Units/Complex</u>
430	34193	79.5

Comments

Vancouver

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 74,765	\$ 70,829	\$ 60,230	\$ 56,333	\$ 71,050	\$ 69,297
Average \$/SqFt	\$ 79.42	\$ 73.00	\$ 62.38	\$ 62.81	\$ 74.24	\$ 73.45
Average CapRate	5.93%	6.28%	7.32%	7.67%	6.99%	6.42%
Sales Transactions (>\$450K)	29	12	8	9	7	65
Total Sum of Units2	2171	1367	1179	716	1158	6591

Area Description – Clark County, Washington

<u>Total Complexes</u>	<u>Est Unit Count</u>	<u>Avg Units/Complex</u>
299	27029	90.4

Comments - Benefits from lower operating costs (especially utilities) than Oregon. Demand seems to be steady. WA charges sales tax, but NO income tax (opposite of OR). Most new construction in Vancouver is in outlying areas. Close-in stock is in most case > 10 years old.

Vancouver job growth should match the area as a whole. In addition, there is easy access to the Portland area via two interstate freeways (I-205 and I5).

Portland – SubEast and Gresham

	2007	2008	2009	2010	2011	'06-'11 Avg
Average \$/PerUnit	\$ 62,387	\$ 68,417	\$ 68,579	\$ 58,224	\$ 67,405	\$ 64,663
Average \$/SqFt	\$ 75.30	\$ 101.17	\$ 76.16	\$ 66.88	\$ 73.37	\$ 79.56
Average CapRate	6.84%	6.29%	6.58%	7.76%	7.54%	6.94%
Sales Transactions (>\$450K)	53	35	15	24	31	158
Total Sum of Units2	1642	1252	330	968	1869	6061

Area Description – Portland East of 82nd Avenue and Gresham

<u>Total Complexes</u>	<u>Est Unit Count</u>	<u>Avg Units/Complex</u>
840	32733	39.0

Comments - The main issue is a lot of inventory chasing tenants in these neighborhoods. However, lower vacancies close-in will drive tenants out to these markets. Mass transit will help this, but there may be safety/crime issues being close to mass transit.

Even this neighborhood is approaching the \$1/sqft rental rate. Good financial returns depend on expense management and keeping a good tenant stock in place.

However, this neighborhood has easy access to mass transit and freeways (I-405 and 26) for transport to jobs. It also offers tenants among the lowest rents per sqft in the area.

Notes on All:

- Avg CapRate is reported and may not represent actual CapRate
- Number of Transactions and Total \$ sales on complexes >\$450K
- Neighborhood unit and complex count is not complete and should be used for comparative purposes.
- Complex count based on complexes > 6 units.

PORTLAND FUTURES

Portland as a rental market – We continue a firming in the rental market with outlying areas decreasing vacancy since closer-in properties are at low vacancies and driving tenants further out. The damping factor will be incomes (Portland isn't the strongest job creation area). If rents increase too much, tenants will either go into roommate shares or maybe back to mom-n-dad or just leave town for the next "coolest" place.

New construction shouldn't affect most of the existing market since money and time barriers mean you build either high rent (\$2/sqft/month or more) or non-profit which affects Class A or urban properties. In other words, it's difficult to build a new cheap rent apartment building today.

The continuing attraction of Washington County as a rental market will be due to the availability of high-income jobs at places like Nike or Intel. A 10 year projection has Washington County exceeding Multnomah County in jobs and population.

Portland as an apartment sales market – Demand for larger complexes, especially Class A urban seems to be hitting some limits with push-backs on offerings of larger complexes. However, >100 unit sales have been driving transaction volume in 2010 and 2011 and the recovery of the market.

Demand for smaller complexes should continue to pick up as smaller investors let go of cash. Based on price gains in commodities and stocks and bank rates paid, there seems to be plenty of money in the system. The issue is enough confidence in investments to actually tie it up in long-term investments like multi-unit housing. However, the appeal of apartments as an investment that they will always generate income, will keep them at the top of commercial RE investors view.

Another cloud on the horizon will be loan interest rates which may not increase immediately, but seem to have gotten as low as they can go. An increase in interest rates will drive Cap Rates higher which will put pricing pressure on existing apartment stock.