

Portland Apartment Sales Summary 2009-2014

***Steve Morris
Senior Advisor, Multi-Units
SVN - Bluestone & Hockley RE Services
Portland, OR***

***Principal Broker - OR
Managing Broker – WA
1 March 2015***

Table of Contents

2015 Portland Current Market	3
2009-2014 Portland History Notes	4
2015 Futures / Trends	6
Sales by County (2009-2014 Averages + 2014 Largest)	9
2009-2014 Sales by Neighborhood	12
2009-2014 Sales by Complex Size	15
2009-2014 Sales by Decade Built	16
Conclusion	18

Notes:

- All data from public records and courtesy of CoStar
- Cap Rates are REPORTED and may or may not be actual
- Transactions greater than \$450,000 reported
- Unless stated otherwise sales data is from Clark (WA), Clackamas (OR), Multnomah (OR) and Washington (OR) counties

2015 Portland Current Apartment 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.



As a buyer, quality properties in good locations mean you have to reach on pricing (look at our page on Portland are sales by neighborhoods.) On the other hand, look at the numbers and you paying extra means your asset will hold its value better and probably grow in value at a slightly higher rate (cf. complex size pricing and neighborhood metrics).

In addition, there are good buying opportunities in lower-priced outlying areas. To paraphrase Warren Buffet - You make most of your gain when you buy and not when you sell. If a property has been listed for a long time it usually means an owner wants to sell and don't be afraid of submitting a less than asking offer - Especially if you know comparables justify an offer. Demand for smaller complexes continue to pick up as smaller investors let go of cash and see the relative stability of investments in multi-unit housing.

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 long-term with multi-unit housing. However, the appeal of apartments as an investment is they will consistently generate income compared to other types of commercial properties, which keeps 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. Keep an eye on inflation as a leading indicator of interest rate rises.



2009-2014 Portland History Notes

	5 Yr Loan Representative Rate	Avg \$/unit	Avg Cap Rate	Transactions	Avg Transaction	Total \$ Sales	Total Units Sold
2009	6.35%	\$80,681	6.18%	77	\$3,741,614	\$288,104,306	3881
2010	5.30%	\$84,909	6.87%	106	\$6,361,293	\$674,297,034	6264
2011	4.50%	\$87,257	6.74%	151	\$7,560,279	\$1,141,602,190	11178
2012	4.00%	\$91,933	6.59%	180	\$5,949,211	\$1,070,858,054	9731
2013	4.25%	\$88,335	6.69%	195	\$5,379,045	\$1,048,913,699	9974
2014	4.13%	\$114,123	6.40%	196	\$7,596,865	\$1,488,985,618	10412
5 Yr avg	4.75%	\$91,206	6.58%	151	\$6,098,051	\$952,126,817	8573

Note: Sample Interest Rates on 5 yr term >\$500K borrowed

2009 – Rent demand weakens with worsening economic climate. Tenants either turn into roommates or move back in with mom-n-dad in a forced attempt to reconstruct the atomic family. People wonder if anyone wants apartments or commercial real estate at all. Buyers vanish and sellers anguish over what they could've got in 2007. Interest rates stay high until Fed action later in year.

2010 – Rental market begins to tighten up. Institutional investors take advantage of low rates. Larger complex sales pre-dominate driving Cap Rates higher for recent construction urban properties. For the first year in recent history, average Cap Rates are higher than average lending rates. Rent rates still catching up.

2011 – Close-in properties have very low vacancies. Continuation of 2010 trends, however, smaller buyers are slowly returning. Many large complex sales happen driving average \$/unit higher. The spread between Cap Rates and Interest Rates is > 2%. Buyers of large complexes realize the value and begin to buy in a large way (see Sales by complex size section.) New record in terms of total gross transaction dollars sold of \$1.113B.

2012 – Smaller investors re-enter the market and the lure of low interest rates and rising rents proves irresistible. Unfortunately, landlords are starting to make good money and have a rent market in their favor. Finding reasonably priced replacement properties in good locations is an issue for potential 1031s.



2009-2014 Portland Apartment Market History

2013 – 2009 buyers sell and turn a very nice profit as available inventory gets tighter forcing prices up. The spread between average Cap Rates (6.69%) and average lending rates (4.25%) is still > 1.5%. Total transaction \$ almost surpass all-time high (2011).

2014 – Finding reasonably priced properties in good locations becomes even harder. Out-of-state buyers begin to pressure locals with higher bids on properties even in less desirable neighborhoods. The spread between average Cap Rates (6.69%) and average lending rates (4.25%) is still > 1.5%. Total transaction \$ surpass all-time high (2011).



It took only 2 years to go from the fat years of 2007 to the cataclysm of 2009 both for sales and operating dynamics of apartments. Right now, times look good for multi-unit housing, but markets do revert to the mean.

The biggest variable driving operations has been income derived from apartments. Its ranged from low (2009 meant few buyers and few renters) to high (2015 means lots of buyers and renters). The individual owner doesn't have as much control over his income and can basically do what the prevailing market allows him to do. 2014 may see a plateau in rent growth UNLESS the economy goes mad overnight. Instead of increasing rents, look at bettering the quality of your tenant stock, remembering one bad tenant can cost a half-years rent.

As an owner you have a valuable income-generating asset. If inflation recurs, it should provide asset protection and income growth at least at the rate of inflation. It is worth your while to devote some of your income to protecting and preserving that asset.

All owners need to look at their property as a yield generating instrument that may change value daily. Keeping aware of market rents and what draws tenants helps you to maximize income on each rental unit.

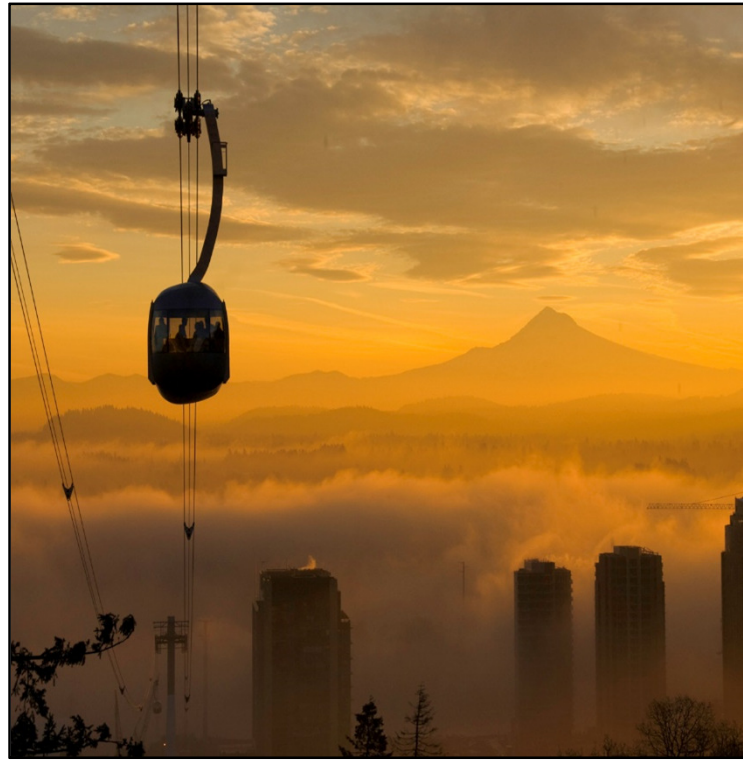
2015 Futures / Trends

As an owner, whether you SELL or HOLD, job number one is to increase Net Operating Income (NOI). If you can raise top-line income thru rents, fees or bill-backs - Great. However, you're prey to the market for what income you can drive.

What you have more control over are expenses. Whether this means reducing utility usage or getting better tenants, it should be an action item. Ultimately, attracting and keeping good tenants is the best ongoing investment of effort you can make.

Keeping maintenance manageable is important. The first step is regular ongoing and needed maintenance. If you are making a decision with limited funds, you should prioritize:

- 1) Tenant safety issues (immediately)
- 2) Moisture invasion (the sooner you address, the cheaper it will be to fix)
- 3) Aesthetics (Your tenants will look no better than your apartments)



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2015 Futures / Trends

Continued firming in the rental market with outlying areas decreasing vacancy since closer-in properties are already at low vacancies and driving tenants further out in search of lower rents. The damping factor will be incomes (Portland isn't the strongest job creation area). If rents increase too much, tenants may get a roommate, go back to mom-n-dad or just leave town.

New construction shouldn't affect most of the market since money and time barriers mean you have to build either high rent (\$2/sqft/month or more) or subsidized (usually low-income housing) which affects Class A urban properties. It's difficult to build a new apartment building today you can rent cheaply. Most new construction is happening in higher rent parts of town (downtown, close-in and Beaverton-Hillsboro). While new construction is impressive, as of today about 15% of all rentals will have been built in the 201x decade, however, 25% of all stock was built in the 199x decade (see section on sales by decade).



New Construction by County

	Clackamas		Clark		Multnomah		Washington		Total	
	Projects	Unit Count	Projects	Unit Count	Projects	Unit Count	Projects	Unit Count	Projects	Unit Count
2011	1	300	1	48	11	466	1	47	14	861
2012			3	272	11	869			14	1141
2013	3	556	10	1563	49	3548	8	1010	70	6677
2014	5	1064	1	98	55	4081	15	2729	76	7972
2015	1	124	9	1274	65	6646	13	1161	88	9205
2016	4	949	4	1293	56	6929	13	3786	77	12957
2017	1	40	12	3652	5	1104			18	4796
Grand Total	15	3033	40	8200	252	23643	50	8733	357	43609

New + Existing	497	31167	599	42817	3919	136558	927	70076	5942	280618
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New Unit Const %	9.7%	19.2%	17.3%	12.5%	15.5%
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The continuing attraction of Washington County (Beaverton and Hillsboro) as a rental market will be the availability of high-income jobs at places like Nike, Intel, their support businesses and spin-offs in the area. Projections have Washington County exceeding Multnomah County in jobs and population by 2030. Think San Jose vs. San Francisco in the Bay area.

Sellers on vacation - Landlords are making good money and rent increases are in their favor. Though anecdotal, there are a growing percentage of sales being done "off-market". The two factors in demotivating potential sellers:

- 1) They are making good and easy money after going thru the tumult of 2009 and
- 2) The lack of replacement properties for a 1031 exchange.

2015 Futures / Trends

Emergence of micro-units - There is a market for these since older studios in high walk score neighborhoods are still in demand at a high \$/sqft rent value. Most tenants are willing to accept smaller single-person units at a lower gross price if they can live where they want and mitigate the need for private cars. However, the success of micro-unit projects depends on two factors:

- 1) Good locations with amenities since these factor in higher with tenants than larger units and
- 2) Density of micro-units. There are a limited number of units now with demand outstripping supply, but things change.

2015 may be a plateau year for rent growth – Based on several strong years of rent growth, we may return to a situation where owners will compete for better-quality tenants. You will be able to rent your apartments, but taking on a trouble tenant will be more expensive. Focus on what you can do to improve the attractiveness of your apartments to good tenants. Remember, your tenants usually don't look any better than your apartments.

Expense Management – Consequent with a levelling out of rent increases comes the need to watch expenses. Expenses have and will grow at a consistent rate, while income has its ups and downs. Utilities will become the fastest growing number and anything you can do to lessen use (e.g. sub-metering) helps. As always, managing maintenance is a balancing act that requires doing needed maintenance to avoid a more expensive repair later. Other things to consider are taking advantage of weatherization programs offered thru at the county level for older complexes. In addition, the appeal of amenities to tenants like bike storage shouldn't be discounted, especially in closer-in complexes.



2009-2014 Sales by County (Averages + 2014 Largest)

All Clark, Clackamas, Multnomah, Washington County Average

	2009	2010	2011	2012	2013	2014	2009-2014 Total/Avg
\$/Unit (Unweighed)	\$80,681	\$84,809	\$87,257	\$91,933	\$88,335	\$114,123	\$91,190
\$/Sqft	\$108.33	\$95.72	\$100.34	\$108.63	\$106.94	\$129.29	\$108.21
CapRate (Reported)	6.18%	6.87%	6.74%	6.59%	6.69%	6.40%	6.58%
Transactions	77	106	151	180	195	196	905
Total Individual Units	3881	6264	11178	9731	9974	10412	51440
Total Transaction \$	\$288,104,306	\$674,297,034	\$1,141,602,190	\$1,070,858,054	\$1,048,913,699	\$1,488,985,618	\$5,712,760,901

COUNTY COMPARISON

Top 4 Clackamas County 2014 Sales and Overall Stats

Rank	Sold	Name	Address	City	Units	Price	\$/unit	SqFt/unit	\$/Sqft	Built
3	3-Jun-14	One Jefferson Parkway	1 Jefferson Pkwy	Lake Oswego	347	\$63,000,000	\$181,556	1036.2	\$175.22	1985
9	27-Aug-14	The Landing	19901 Coast Redwood Ave	Oregon City	300	\$52,500,000	\$175,000	833.3	\$210.00	2011
10	24-Apr-14	Monterey Springs (Wellington Springs)	8640 SE Causey	Happy Valley	390	\$51,250,000	\$131,410	938.3	\$140.05	1990
20	10-Jan-14	The Gables at Mountain Park	2 Jefferson Pkwy	Lake Oswego	129	\$19,500,000	\$151,163	969.3	\$155.95	1991
Average					291.5	\$46,562,500	\$159,734	943.9	\$170.27	1994.0

	2009	2010	2011	2012	2013	2014	5 Yr Total/Avg
Avg \$/PerUnit	\$75,596	\$67,512	\$68,701	\$70,136	\$82,449	\$99,211	\$79,726
Avg \$/SqFt	\$90.16	\$73.79	\$79.85	\$75.00	\$86.80	\$111.79	\$88.43
Avg CapRate	6.43%	8.01%	6.66%	7.04%	7.43%	6.71%	7.08%
Transactions	3	10	19	18	18	24	92
Total Units	81	984	1114	1181	1214	2265	6839
Total Sales	\$6,135,000	\$67,717,900	\$99,181,500	\$90,834,291	\$116,866,000	\$288,657,000	\$669,391,691

Clackamas – Most growth is in Tualatin and Clackamas (city) / Happy Valley. Clackamas county has some of the highest income towns (Lake Oswego, West Linn and Wilsonville) and highest asset values. Unfortunately, most job growth happens outside the county without too many major employers excepting retail outlets in Happy Valley (Clackamas Town Center) and Tualatin (Bridgeport) with amenities like entertainments and groceries. POP GROWTH B+ / JOB GROWTH C+

Top 4 Clark County 2014 Sales and Overall Stats

Rank	Sold	Name	Address	City	Units	Price	\$/unit	SqFt/unit	\$/Sqft	Built
19	16-Dec-14	Creekside Village	3100 Falk Rd	Vancouver	132	\$19,970,000	\$151,288	1475.5	\$102.53	1992
21	25-Aug-14	Ardendale (Arbor Park)	604 SE 121st Ave	Vancouver	166	\$18,500,000	\$111,446	902.4	\$123.50	1987
24	25-Aug-14	Lewis Ridge	7915 NE Burton Road	Vancouver	112	\$15,790,000	\$140,982	1033.1	\$136.47	2013
29	22-Oct-14	Seasons on the Park II	1017 SE 12th Ave (2 Properties)	Battle Ground	120	\$13,350,000	\$111,250	866.7	\$128.37	2013
Average					132.5	\$16,902,500	\$127,566	1064.7	\$122.12	1999.6

	2009	2010	2011	2012	2013	2014	5 Yr Total/Avg
Avg \$/PerUnit	\$60,230	\$53,104	\$75,170	\$71,166	\$75,142	\$84,995	\$72,312
Avg \$/SqFt	\$62.38	\$57.76	\$74.72	\$68.98	\$83.26	\$86.94	\$75.92
Avg CapRate	7.32%	7.67%	6.79%	6.47%	6.98%	7.21%	7.06%
Transactions	8	10	8	8	21	17	72
Total Units	1179	742	1310	667	2817	922	7637
Total Sales	\$77,727,982	\$49,463,000	\$111,195,000	\$57,446,593	\$253,396,184	\$93,818,909	\$643,047,668

Clark County (Washington State) - This year a very large percentage of sales were large (>150 units) complexes. Clark county operates without an urban boundary unlike the three counties (Mult, Clack and Washington) in Oregon, so there is plenty of area for development. However, there are few major employers outside of health care and retail. Washington does not have an income tax and Vancouver does have lower average utility prices on average. POP GROWTH C+ / JOB GROWTH C+

Top 4 Multnomah 2014 Sales and Overall Stats

Rank	Sold	Name	Address	City	Units	Price	\$/unit	SqFt/unit	\$/Sqft	Built
1	19-Jun-14	The Asa	1200-1220 NW Marshall St	Portland - Central	231	\$105,500,000	\$456,710	1049.9	\$435.00	2008
6	16-Dec-14	Harrison Tower	222 SW Harrison St	Portland - Central	185	\$53,000,000	\$286,486	807.9	\$354.59	1965
8	10-Feb-14	Tupelo Alley	3806-3850 N Mississippi St	Portland - N	188	\$53,000,000	\$281,915	1255.3	\$224.58	2008
13	17-Oct-14	Lumina (nee Holly Ridge)	2700 W Powell Blvd	Gresham	440	\$43,550,000	\$98,977	818.0	\$121.00	1990
Average					261.0	\$63,762,500	\$244,301	946.3	\$250.52	1992.8

	2009	2010	2011	2012	2013	2014	5 Yr Total/Avg
Avg \$/PerUnit	\$86,946	\$96,906	\$93,987	\$101,330	\$92,405	\$123,244	\$101,093
Avg \$/SqFt	\$121.68	\$110.02	\$109.41	\$121.57	\$115.26	\$138.99	\$120.57
Avg CapRate	5.95%	6.54%	6.97%	6.62%	6.59%	6.29%	6.54%
Transactions	47	62	86	110	122	116	543
Total Units	1276	2635	3497	4084	3589	4034	19115
Total Sales	\$140,058,374	\$377,983,415	\$407,974,604	\$521,209,978	\$402,221,110	\$624,514,883	\$2,473,962,364

Multnomah – Recognized as the current economic center of the area, however, the inability to attract large non-governmental employers is beginning to show. However, they are the fastest growing job area in the state with most growth focused around the downtown core. POP GROWTH B / JOB GROWTH B-

Top 4 Washington County 2014 Sales and Overall Stats

Rank	Sold	Name	Address	City	Units	Price	\$/unit	SqFt/unit	\$/Sqft	Built
2	21-Aug-14	Rock Creek Landing	3009 NW Overlook Dr	Hillsboro	480	\$80,000,000	\$166,667	898.9	\$185.41	1995
4	23-Jan-14	Thorncroft Farms	2120 NW Thorncroft Dr	Hillsboro	340	\$58,000,000	\$170,588	1098.7	\$155.27	1998
5	27-Oct-14	Arbor Heights	15199 SW Royalty Pky	Tigard	348	\$54,100,000	\$155,460	1159.0	\$134.13	1987
7	19-Aug-14	Reflections at Summer Creek	11103 SW Davies	Beaverton	351	\$53,000,000	\$150,997	867.6	\$174.05	1990
Average					379.8	\$61,275,000	\$161,356	996.0	\$164.29	1992.7

	2009	2010	2011	2012	2013	2014	5 Yr Total/Avg
Avg \$/PerUnit	\$77,372	\$75,867	\$83,034	\$82,654	\$84,421	\$108,596	\$87,130
Avg \$/SqFt	\$86.81	\$81.68	\$95.78	\$93.52	\$101.04	\$107.13	\$96.63
Avg CapRate	6.26%	6.62%	6.19%	6.29%	6.36%	6.12%	6.29%
Transactions	14	16	34	34	29	32	159
Total Units	878	1819	5013	3772	2354	3188	17024
Total Sales	\$63,686,000	\$173,777,000	\$491,001,086	\$400,107,011	\$276,430,405	\$449,926,716	\$1,854,928,218

Washington County (Oregon)– Wins the award for lowest average Cap Rate. In 15 years Washington county population is projected to pass Multnomah county as the largest in Oregon. A lot of the fuel for growth is based on the high-tech business (Intel and Salesforce.com) centered on Hillsboro and Nike in the Beaverton area. In addition, there is a lot more land available for construction of residential and plant, so larger complexes exist and it is a focus for developers. POP GROWTH B+ / JOB GROWTH B+

Top 20 Portland Metro (4 county) 2014 Sales

Rank	Sold	Name	Address	City	Units	Price	\$/unit	SqFt/unit	\$/Sqft	Built
1	19-Jun-14	The Asa	1200-1220 NW Marshall St	Portland - Central	231	\$105,500,000	\$456,710	1049.9	\$435.00	2008
2	21-Aug-14	Rock Creek Landing	3009 NW Overlook Dr	Hillsboro	480	\$80,000,000	\$166,667	898.9	\$185.41	1995
3	3-Jun-14	One Jefferson Parkway	1 Jefferson Pky	Lake Oswego	347	\$63,000,000	\$181,556	1036.2	\$175.22	1985
4	23-Jan-14	Thorncroft Farms	2120 NW Thorncroft Dr	Hillsboro	340	\$58,000,000	\$170,588	1098.7	\$155.27	1998
5	27-Oct-14	Arbor Heights	15199 SW Royalty Pky	Tigard	348	\$54,100,000	\$155,460	1159.0	\$134.13	1987
6	16-Dec-14	Harrison Tower	222 SW Harrison St	Portland - Central	185	\$53,000,000	\$286,486	807.9	\$354.59	1965
7	19-Aug-14	Reflections at Summer Creek	11103 SW Davies	Beaverton	351	\$53,000,000	\$150,997	867.6	\$174.05	1990
8	10-Feb-14	Tupelo Alley	3806-3850 N Mississippi St	Portland - N	188	\$53,000,000	\$281,915	1255.3	\$224.58	2008
9	27-Aug-14	The Landing	19901 Coast Redwood Ave	Oregon City	300	\$52,500,000	\$175,000	833.3	\$210.00	2011
10	24-Apr-14	Monterey Springs	8640 SE Causey	Happy Valley	390	\$51,250,000	\$131,410	938.3	\$140.05	1990
11	28-Aug-14	Seneca Village	6710 NE Vinings Way	Hillsboro	264	\$51,000,000	\$193,182	1055.8	\$182.97	1998
12	18-Aug-14	Westview Heights	18301 NW Chemeketa Ln	Beaverton	198	\$44,800,000	\$226,263	1447.9	\$156.27	2003
13	17-Oct-14	Lumina (nee Holly Ridge)	2700 W Powell Blvd	Gresham	440	\$43,550,000	\$98,977	818.0	\$121.00	1990
14	24-Nov-14	Honeyman Hardware Lofts	555 NW Park Ave	Portland - Central	100	\$37,050,000	\$370,500	1381.5	\$268.18	1900
15	3-Dec-14	Franklin Ide	2264 NW Lovejoy	Portland - Central	134	\$31,900,000	\$238,060	597.8	\$398.26	2013
16	26-Mar-14	Vista @ 23 (nee Kempton Downs)	3181 NE 23rd	Gresham	278	\$27,000,000	\$97,122	1031.4	\$94.17	1990
17	7-Aug-14	The Addy	1222 NW 18th Ave	Portland - Central	104	\$26,650,000	\$256,250	889.9	\$287.95	2014
18	31-Oct-14	LIH - Tualatin Meadows	18755 SW 90th	Tualatin	240	\$23,750,000	\$98,958	716.5	\$138.11	2000
19	16-Dec-14	Creekside Village	3100 Falk Rd	Vancouver	132	\$19,970,000	\$151,288	1475.5	\$102.53	1992
20	10-Jan-14	The Gables at Mountain Park	2 Jefferson Pky	Lake Oswego	129	\$19,500,000	\$151,163	969.3	\$155.95	1991
Average					349.5	\$76,625,000	\$219,242	1006.5	\$216.79	1995.4

2009-2014 Sales by Neighborhood

(Neighborhoods sorted by ascending 5 year average Cap Rates)

Portland Central / West

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$102,242	\$117,530	\$118,855	\$124,629	\$116,877	\$185,307	\$128,716
Average of \$/SqFt	\$152.57	\$141.01	\$144.49	\$152.69	\$155.15	\$209.74	\$159.60
Average of CapRate	5.36%	6.02%	6.52%	5.60%	5.90%	4.75%	5.85%
Transactions	19	20	26	36	24	25	150
% of All \$ Sales	33.8%	30.2%	19.1%	26.6%	19.4%	20.9%	23.1%

Central Portland and close-in West

Prices are higher, but you buy asset preservation. This is still a very in demand neighborhood and continues to appreciate. Most new construction is either income-qualified or high-end (>\$2.50/sqft/month rent). Average complex size is in the 50-unit range. Operating expenses (especially water/sewer) and property taxes (due to an excess of bonding) are among the highest in the metro area. While Portland Central remains the urban hub, two other areas are siphoning off high rents – Close-in East Portland and Hillsboro / Beaverton.



Portland SE/NE/North (West of 82nd Avenue)

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$87,963	\$105,720	\$98,341	\$105,291	\$105,766	\$129,463	\$107,640
Average of \$/SqFt	\$121.43	\$113.59	\$113.00	\$125.81	\$138.97	\$159.52	\$131.74
Average of CapRate	5.53%	6.39%	6.37%	6.53%	6.36%	5.84%	6.23%
Transactions	21	27	34	49	49	48	228
% of All \$ Sales	7.6%	22.6%	5.2%	11.4%	7.9%	9.0%	10.1%



Close-in East Portland (West of 82nd to the Willamette) - This is now an in demand neighborhood and continues to appreciate faster. Most new construction is either income-qualified or high-end (>\$2/sqft/month rent). Access to amenities is paramount and smaller units pre-dominate. Older construction means smaller (20-unit range) complexes pre-dominate. This reflects the relative age of the district and lack of land for newer and larger projects. There are hot spots for new development along some traffic corridors like SE Hawthorne, SE Division, NE Alberta, N Williams and N Mississippi are maturing into parts of town with high walk-scores.

Beaverton/Hillsboro/Tigard

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$70,219	\$76,337	\$86,348	\$81,413	\$82,264	\$112,011	\$87,748
Average of \$/SqFt	\$84.37	\$82.53	\$93.97	\$91.20	\$104.54	\$108.14	\$96.40
Average of CapRate	6.83%	6.51%	6.04%	6.32%	6.26%	6.14%	6.26%
Transactions	9	14	27	30	23	27	130
% of All \$ Sales	20.0%	24.3%	41.7%	31.3%	20.1%	27.9%	29.0%

Beaverton/Hillsboro – While there is a lot of inventory, most jobs and population growth is happening in this area. Job growth (especially in high-tech) should continue to push demand and rents up. A lot of this growth will be dependent on the growth of Intel and Nike. While the job base is more diverse than 20 years ago, these are the 400 lb gorillas for hiring and drawing tenants. In addition, areas like Hillsboro along Cornell Road and Beaverton along SW Murray and SW Cedar Hills have a lot of amenities. In addition, there is light-rail (MAX) service to downtown Portland thru the heart of both towns. However, there is a very high density of rental units along the MAX line. There are a wide range of properties in vintage, size and grade. Most transactions have been larger (>100 units) complexes since smaller owners are getting good demand and holding.



South Portland Suburbs - Wilsonville / Lake Oswego / Happy Valley / Clackamas / Oregon City / Milwaukie / West Linn / Tualatin

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$74,369	\$66,803	\$70,262	\$69,640	\$85,173	\$99,930	\$80,568
Average of \$/SqFt	\$93.08	\$72.22	\$79.26	\$73.16	\$89.88	\$131.44	\$94.42
Average of CapRate	6.43%	7.96%	6.66%	7.00%	7.52%	6.47%	7.00%
Transactions	4	10	18	18	15	25	90
% of All \$ Sales	2.8%	10.0%	8.6%	8.3%	10.1%	21.2%	12.0%

Portland South Suburbs – The demographics span from the richest cities (Lake Oswego / West Linn) to the city with fastest growing percentage of LIH in Oregon, Tualatin. However, between retail developments in Clackamas Town Center and Bridgeport, the availability of amenities is probably the highest in the area. More readily available land allows larger (100-unit average) complexes. The space also allows for added amenities to lure tenants. Job growth and incomes are average for the Portland - Metro area. Property taxes and operating expenses are also average.



Vancouver

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$60,230	\$53,104	\$75,170	\$71,166	\$75,142	\$84,995	\$72,312
Average of \$/SqFt	\$62.38	\$57.76	\$74.72	\$68.98	\$83.26	\$86.94	\$75.92
Average of CapRate	7.32%	7.67%	6.79%	6.47%	6.98%	7.21%	7.06%
Transactions	8	10	8	9	21	17	73
% of All \$ Sales	27.0%	7.3%	10.0%	5.4%	24.2%	6.3%	11.3%



Vancouver – Benefits from lower operating costs (especially utilities) than Oregon. Tenant demand is steady. Most transactions are in the larger complexes. Vancouver is not limited to the Urban Growth Boundary set by METRO (Portland regional government) and there are a lot of large spaces available on the outskirts that still offer good access to I-5 and I-205 transportation corridors.

East Portland Suburbs - Gresham/PDX Sub East (East of 82nd Avenue)

	2009	2010	2011	2012	2013	2014	Grand Total
Average of \$/PerUnit	\$68,785	\$59,656	\$67,405	\$67,633	\$71,343	\$87,997	\$72,578
Average of \$/SqFt	\$76.42	\$66.11	\$73.37	\$79.08	\$76.54	\$87.83	\$77.93
Average of CapRate	6.57%	7.45%	7.54%	7.51%	6.95%	6.77%	7.12%
Transactions	16	23	31	34	56	49	209
% of All \$ Sales	9.1%	5.4%	13.6%	11.1%	12.1%	12.8%	11.4%

Portland East Suburbs (East of 82nd Avenue) – The main issue is a lot of inventory chasing tenants. However, lower vacancies and higher rents closer-in will drive tenants to these markets. Mass transit helps, but there may be safety/crime issues being close to mass transit. Outer East Portland will usually have the lowest rent rates and higher inventory for tenants to choose from. On the other hand, the price of admission is lower.



2009-2014 Sales by Complex Size

Complexes Greater than 100 Units - Larger complexes are in demand which keeps Cap Rates lower compared to the overall market. The large investor faces the issue of an expensive entry price and faith in the continued growth of the Portland market plus competition from new construction. For the very large investor, Portland may seem like a small market with only 16 existing and proposed complexes >500 units. However, in terms of gross sales dollars, complexes > 100 units make up almost ¾ of all sales.

	2009	2010	2011	2012	2013	2014	Grand Total
Average \$/PerUnit	\$79,154	\$132,266	\$109,949	\$126,422	\$111,251	\$145,959	\$122,608
Average \$/SqFt	\$76.26	\$131.82	\$108.87	\$129.40	\$125.59	\$169.97	\$132.23
Average CapRate	6.87%	6.03%	6.21%	5.67%	5.97%	5.76%	5.99%
Transactions	9	18	31	23	26	39	146
Average Units	219.4	231.6	254.6	264.2	235.5	207.1	235.8
% Total Sales Dollars	79.3%	77.2%	77.7%	69.5%	68.8%	76.3%	74.1%

Complexes 100 Units or Less - In 2014, the smaller investor is re-entering the market and helping to drive demand once again. The smaller investor realizes that of all commercial property, apartments will always generate income. However, buyers still remain discriminating and are not blindly over-looking physical issues. If you want to get top dollar out of your apartments – Do your maintenance and keep good books so you can see where your cash is going and fix problems before they become expensive.

	2009	2010	2011	2012	2013	2014	Grand Total
Average \$/PerUnit	\$73,493	\$74,433	\$80,963	\$86,680	\$84,702	\$106,934	\$87,512
Average \$/SqFt	\$109.80	\$87.64	\$98.38	\$105.53	\$104.02	\$118.99	\$104.97
Average CapRate	5.94%	7.01%	6.88%	6.79%	6.80%	6.53%	6.74%
Transactions	40	87	118	157	169	157	728
Average Units	17.6	24.3	26.1	24.2	23.5	20.4	23.2
% Total Sales Dollars	20.7%	22.8%	22.3%	30.5%	31.2%	23.7%	25.9%

Probably the best take-away is for larger complexes you pay a higher admission fee, but in return, you'll have the security of higher incomes and asset preservation.



2009-2014 Sales by Decade Built

2009 – 2014 Sales by Decade Built

	Grand Total	Pre-1940	1940-1950	1960	1970	1980	1990	2000	2010
Average of \$/PerUnit	\$93,700	\$115,590	\$87,404	\$78,483	\$67,088	\$83,996	\$97,117	\$137,772	\$167,417
Average of \$/SqFt	\$108.76	\$151.36	\$127.20	\$94.39	\$79.19	\$95.46	\$99.50	\$123.85	\$202.18
Average of CapRate	6.59%	5.91%	6.57%	6.71%	7.05%	6.42%	6.42%	6.47%	5.85%
Count	848	115	63	170	196	67	120	87	30

Older apartments usually mean a better location. Most pre-1960 construction was close to downtown. However, construction was not on the scale of today's builders. 20-unit complexes were the norm and close-in units of almost any vintage will be in smaller complexes. These areas are favorites for the under-30 renters who value access to amenities while minimizing the cost of transportation to the point of forsaking private cars.



Pre-1940 - Almost all construction close-in (downtown) to the Willamette river. Before mid-1920's construction was mostly unreinforced masonry (check with your insurance agent on coverage) while later masonry/stucco construction used wood framing as a support for masonry with some all-wood construction also. Most units in a studio configuration or SROs.



194x-195x - After World War II Portland witnessed a burst of population and income growth. In addition, housing for all these new residents included single-family residences. Location was a little farther out (West Hills to 39th avenue and North Portland.) Most construction was wood frame and siding, however units became larger including 1- and 2-bedroom complexes.

196x and 197x - Construction trends continued, however the growth of suburbs like Beaverton and Gresham and Vancouver captured a lot of new construction with the availability and low cost of land along with lower soft costs than Portland proper. Also contributing were services and amenities became more common in the suburbs and outer edges of town. Complex sizes began to inch up into the 100+ unit range, but this was just the start.



198x and 199x - The biggest change was the rapid growth of a "go large or go home" mentality with 100+ unit complexes proliferating in the suburbs with Beaverton-Hillsboro showing a lot of growth thanks to pioneering employers like Intel and Nike. The early 1990s had a large burst of construction in the Gresham area that it is still recovering from. For the first time, the Urban Growth Boundary began to hamper developers of apartments. The 1990s were responsible for construction of almost 25% of all available units in the 4 county area - By far the largest decade of growth (barring 201x futures).

200x and 201x - Trends continued with the exception of renewed urban development, especially in areas like the Pearl district. Another trend was the rapid development and collapse of the condo market with conversion siphoning off some rental stock until 2008. Neighborhoods with high walk-scores along with the desire for workers to have a short commute to jobs like close-in East Portland (Alberta, Division and Hawthorne avenues) and North Portland (Mississippi and Williams) showing a lot of demand by tenants, albeit in smaller complex sizes.



4 County Total Units by Decade Built

		Grand Total	Pre-1940	194x-195x	196x	197x	198x	199x	200x	201x
Clack	Complexes	371	10	19	77	120	48	68	13	16
	Individ Units	26145	177	440	1962	5261	5615	8563	1142	2985
Clark	Complexes	490	14	17	76	137	69	108	54	15
	Individ Units	33715	279	474	1976	4783	6641	11340	6325	1897
Multnomah	Complexes	2894	611	336	569	659	117	231	195	176
	Individ Units	106908	12741	7636	13375	18193	6296	16082	15523	17062
Washington	Complexes	521	2	20	108	145	76	100	30	40
	Individ Units	53736	360	650	5186	7198	11282	18500	3119	7441
Total	Total Complexes	4276	637	392	830	1061	310	507	292	247
	Total Individ Units	220504	13557	9200	22499	35435	29834	54485	26109	29385
% of Individual Units		100.0%	6.1%	4.2%	10.2%	16.1%	13.5%	24.7%	11.8%	13.3%

PORTLAND APARTMENT SALES (2009-2014) – Conclusion

We hope this report helps you understand the Portland rental market and how you can make money.

We are always happy to provide market evaluations of your properties value along with suggestions on how to increase NOI. Increasing NOI should be paramount whether you are holding or selling your units. It never hurts to know the value of what you own in the current market.

As a buyer, this information should give guidelines on what to expect to pay, but realize every property is unique and determine an accurate value using your own financial analysis.

If you would like:

- Further detail or breakdowns of this information or
- A more readable copy of anything here or
- Or similar information tailored to your neighborhood or ZIP code(s)

Feel free to contact me at:

Steve Morris
(503) 970-4593 / steve.morris@svn.com
SVN – Bluestone & Hockley RE Services
Suite 300, 9320 SW Barbur
Portland, OR 97239

Of course, any in depth analysis of the Portland market is available – Let us know how you'd like to "slice" the market. In addition, if you'd like an objective analysis of your apartments without obligation, let us know.

Upon request, we can send you a FREE copy of our 80-page book – "Buying, Selling and Operating Apartments – Using Financial Analysis"



Steve Morris
Senior Advisor
(503) 970-4593
Steve.Morris@SVN.com

