



TMG *Multifamily* MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

Inflation and the Multifamily Market in the PNW. While the economy is growing, inflation has become an increasing concern, averaging more than 5% year over year (YoY) each month since late spring 2021. In the month of November 2021, inflation grew a staggering 6.8%, which is the highest inflation rate seen in nearly 40 years! Given the robust demand for housing so far this year, it appears that upward price pressure for both rental and for-sale housing will continue as overall housing shortages escalate in the Pacific NW. There are multiple pricing pressures on for sale housing; new regulations for energy efficiency, supply chain delivery issues, overall product availability and finally the increase in mortgage rates. These pressures will drive even more potential homeowners into the rental housing market and the results will be decreased availability followed by a continuing escalation in rental rates.

New trends are emerging. During the early days of the pandemic, many tenants fled expensive, densely populated, urban city centers for less expensive and less dense suburban locations. In late 2021, many of these urban markets have started to rebound. Portland is one of those markets beginning to rebound, however, the continuing political atmosphere and increasing crime have prevented the city's urban core occupancy from trending upward as quickly as other city centers. New trends in rental criteria are also emerging; the "3x the rent income standard" has given away to 2.5 or 2x the rent as the new income standard. Wages have increased but not as quickly as rental rates. Increased delinquency due to a lessening of the income criteria has not materialized, likely due to the eviction moratorium regulations and timelines drop dropping off.

Looking Ahead. While inflation is affecting physical property expenses as well as onsite wages, driving up overall expenses, the unprecedented levels of demand for multifamily housing continues to increase revenue, creating robust apartment market projections through 2023.

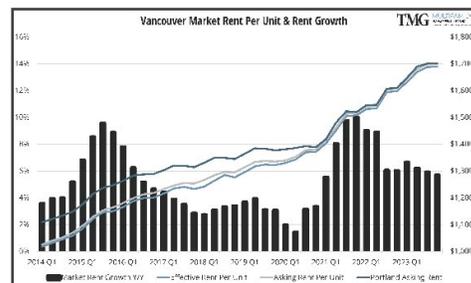
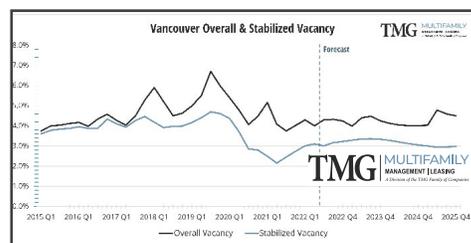
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VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,337	1,534	4.3%	8.9%

- ▶ Vancouver's rent growth has outperformed the overall Portland-metro for the past six years. Year over year rent growth stands at 8.9%.
- ▶ With demand continuing to outpace supply, vacancies have compressed to 4.3%, with average vacancies over the past five years coming in at 4.8%.
- ▶ Vancouver rents currently sit at \$1,540/unit, just below the larger metro rents at \$1,550/unit. Over the past decade, cumulative rent gains amount to approximately 60.5% versus the larger metro growth of 49.2% over the same period of time.

[Click Here to Read the Vancouver CoStar Report](#)



Vancouver/Clark County
7710 NE Vancouver Mall Drive
Vancouver, WA 98662

Portland-Metro
15350 SW Sequoia Pkwy, #200
Portland, OR 97224

Salem
698 12th Street SE, Ste. 240A
Salem, OR 97301

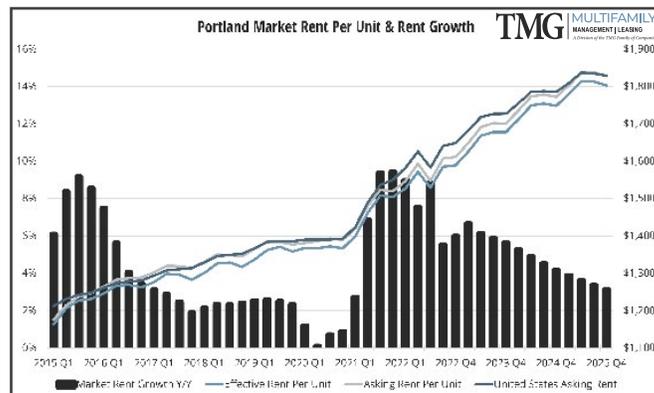
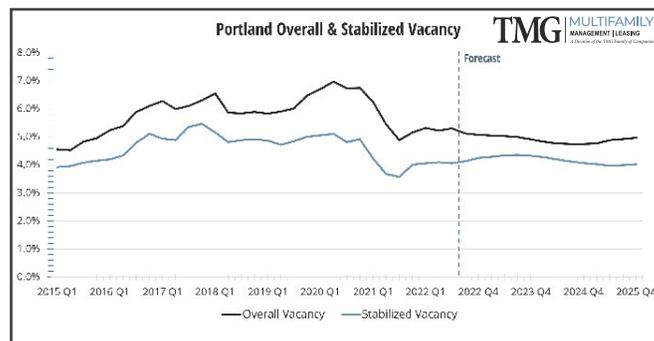
Tri-Cities
30 S Louisiana Street
Kennewick, WA 99336

PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
6,147	7,730	5.3%	8.8%

- ▶ Apartment demand remains strong into the second quarter of 2022. Overall, vacancies have trended downwards since mid-2020.
- ▶ Going into the second quarter of 2022, market rent has reached \$1,550/unit per month, reflecting year-over-year growth of 8.8%, compared to the three-year average of 4.3%.
- ▶ Construction starts in the region have receded and permitting activity has cooled, having an outsized impact on declining vacancy rates and rising rents.
- ▶ 2021 gave way to substantial rent growth well over 10% in outlying suburban communities, and 5% growth in the pricier central submarkets.

[Click Here to Read the Portland CoStar Report](#)

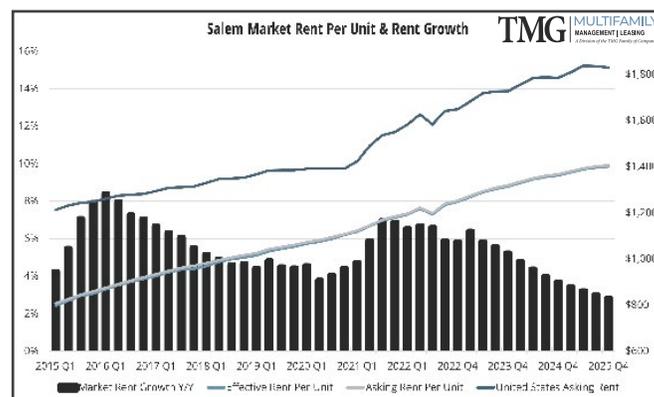
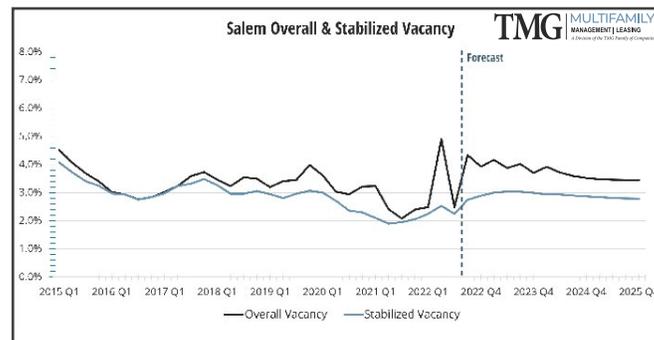


SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
379	556	2.5%	6.6%

- ▶ Oregon's capital city has exhibited a noticeably tight and growing apartment market over the years.
- ▶ Salem's vacancy rate has remained under 6% for over a decade. Going into the second quarter of 2022, Salem's 2.5% vacancy rate is below the current national average of 4.9%.
- ▶ Continued demand for apartments in Salem has fueled strong rent growth. Rent growth in the Salem market was at 6.6% at the end of the first quarter of 2022. Cumulative rent gains over the past decade has reached 61.0% compared to the national average of 42.5%.

[Click Here to Read the Salem CoStar Report](#)

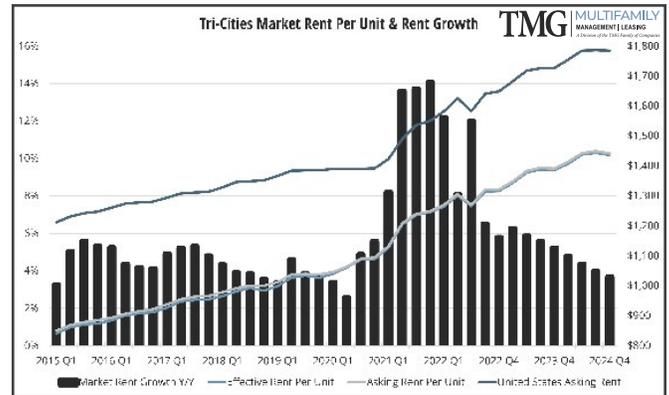
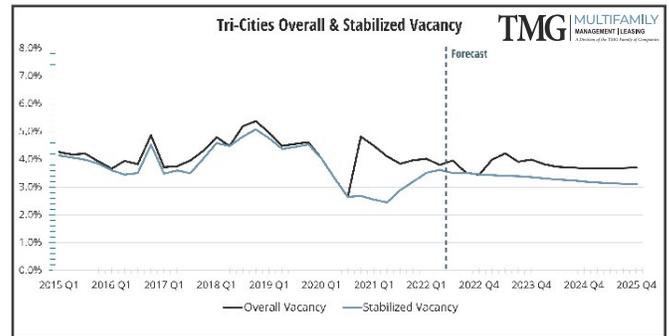


TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
337	385	4.0%	12.0%

- ▶ Apartment rent growth in Tri-Cities was 12% over the past 12 months, compared to a national average of 11.9%. Rents have consistently grown over the long term, with an average annual rent growth of 4.4% over the past decade.
- ▶ The average market rent in Tri-Cities now sits at \$1,270/unit per month.
- ▶ Vacancy rate sits at 4.0% in Tri-Cities, fluctuating somewhat over the past decade but generally trending downward over the long term.

[Click Here to Read the Kennewick/Richland CoStar Report](#)



Post Eviction Moratorium Updates:

Washington: Washington’s rent collection process has been a complicated and ever-changing matter since the eviction moratorium expired on October 31, 2021. The Eviction Resolution Program (ERP) which is running through the “Dispute Resolution Center” or “DRC”, is not only a requirement for tenants with unpaid rent from during the eviction moratorium, but a requirement for new balances that occur until July 2023. The DRC must issue a “certificate” that allows us to file for eviction only after we have met all the legal requirements of a nonpayment of rent notice. The aide of our attorneys has been critical throughout this process to advocate for our rights as landlords.

Oregon: As of March 1, 2022, landlords were allowed to send termination notices to tenants who had remaining balances from the “emergency period” (4/1/2020-6/30/2021). The Oregon Emergency Rental Assistance Program (OERAP) has provided rental assistance to tenants in need of back owed balances. The program has been open to applicants for the last nine months and TMG has continued to encourage tenants in need to apply. The OERAP officially closed on March 21, 2022 and, as of March 1, 2022, tenants with a balance that had not yet shown proof of application to the OERAP received a termination notice.

This Market Pulse is brought to you by **TMG Multifamily**, an AMO accredited property management company providing a full suite of management services for existing apartments, new developments, lease-ups, and mixed-use properties. TMG partners with investors to proactively identify strategic opportunities and maximize their return on investment. Locally owned and regionally focused, TMG has been helping clients reach their financial goals for more than 30 years.



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