TMG Multifamily MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

The substantial increase of new construction apartment supply, particularly in Portland and Vancouver, has caused vacancies to increase and concessions to be the norm in the market. All new construction lease ups in these two markets are offering up to 8 weeks of concessions, hoping to hold on to previously projected rents. Renter traffic is at its highest during the summer months, however, there are a considerable number of new construction projects that will be released in late Q3 adding to the options renters already have.

Salem and Tri-Cities tell a little different story. These markets also had significant new deliveries in the last 12 months relative to their market size and this Q2 report shows a slight decrease in vacancy rates for both areas.

All 4 markets had a decline in the 12 month asking rent growth from Q1. Portland took the first hit into negative rent growth at -0.9% and while Vancouver is at 0.5% that is quite a decline from the 4.2% rent growth reported in Q1. Salem also experienced a significant drop in rent growth from Q1, dropping to 2.1% from 4.0%. Tri-Cities historically has had a very stable housing market and while rent growth did decline, it was a very modest .20%.

Delinquency in all markets has almost returned to “normal,” although nearly every property has a tenant or two with large past balances that are part of the required payment plans that Landlords are obligated to continue.

A note on value-add and Class C properties; rents for new construction and renovated units are becoming increasingly competitive along with reduced income qualifications and of course rent concessions. This offers tenants much broader housing choices. Those properties that do not have plans to renovate or invest in some upgrades soon will likely experience even higher vacancies and lower rents as we move into Q3 and Q4.

Jump to Vancouver Report

Jump to Portland Report

Jump to Salem Report

Jump to Tri-Cities Report

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.

CARMEN VILLARMA
President, CPM
carmen.villarma@tmgnorthwest.com
Mobile: (360) 606-8201

VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
2,684	**1,566**	**6.8%**	**0.5%**

- A more measured leasing tempo, coupled with a busy delivery schedule has put a hefty dose of upward pressure on vacancies, which are trending to 6.8% compared to the five-year average of 5.0%.
- Resulting annual rent growth of 0.5% has slowed sharply from its ten-year peak of 9.3% achieved in 2022.
- Vancouver rents currently sit at $1,660 per unit, in line with the larger metro area.

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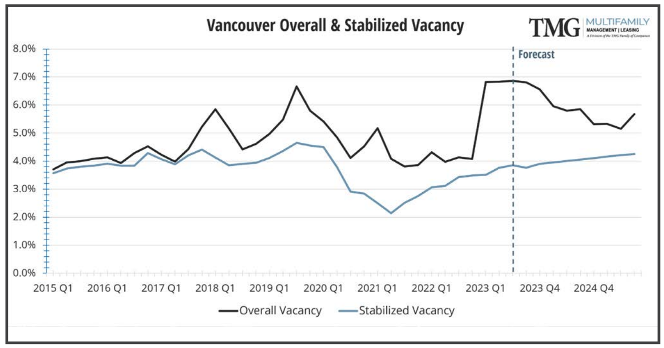
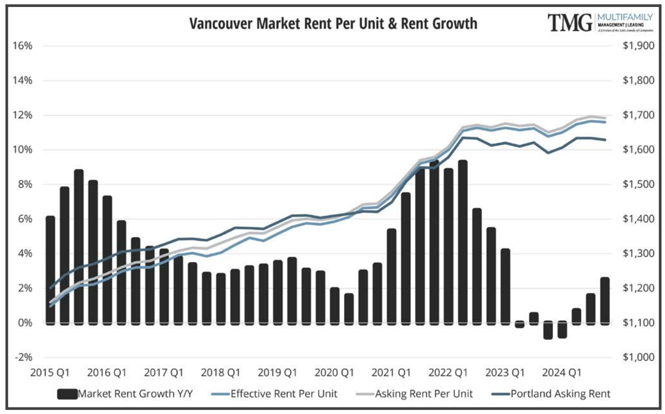
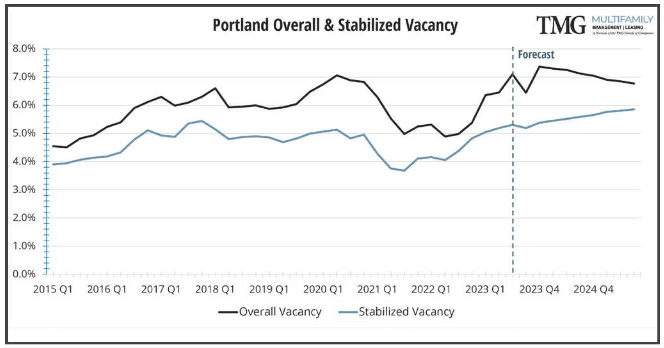


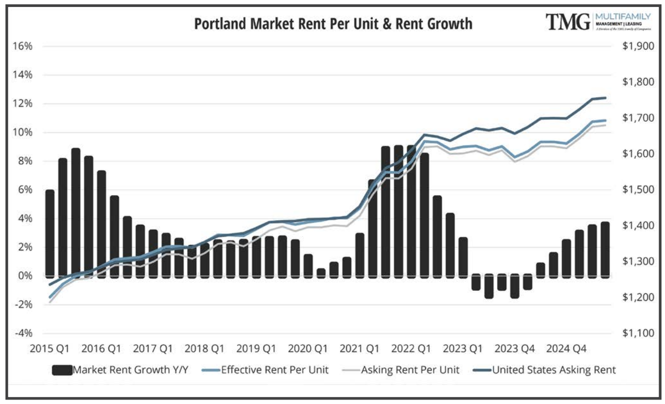


PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
5,849	**2,058**	**6.4%**	**-0.9%**

- Leasing has cooled, resulting in a drastic recalibration of net absorption. Deliveries of new units will heat up in the coming quarters, likly pushing vacancies to the 7% mark.
- Portland's apartment construction pipeline now stands at 9,100 units underway, which will expand existing inventory by 4.1%.
- Market rent has reached $1,620 per unit, reflecting year-over-year growth of -0.9%, compared to the national index posted average growth of 1.1% over the same period.





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SALEM*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
665	248	4.6%	2.1%

- A relatively tight, but growing apartment market in recent years has positioned Salem's vacancy rate of 4.6% below the current national index of 6.8%.
- Annual rent growth equates to 2.1%, down significantly from the recent peak of 8.1% that was reached in mid-2022.
- Average rent in Salem sits at $1,310/month per unit, well below the national index of $1,670/month per unit.

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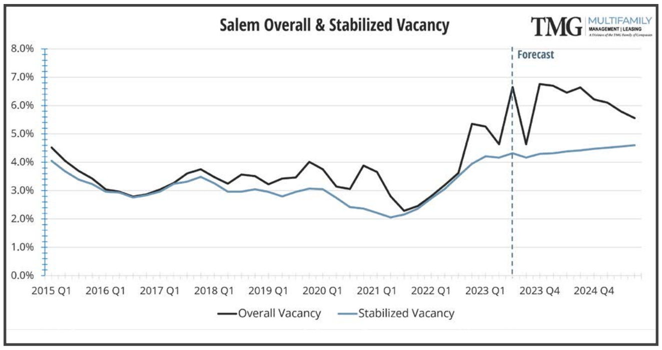

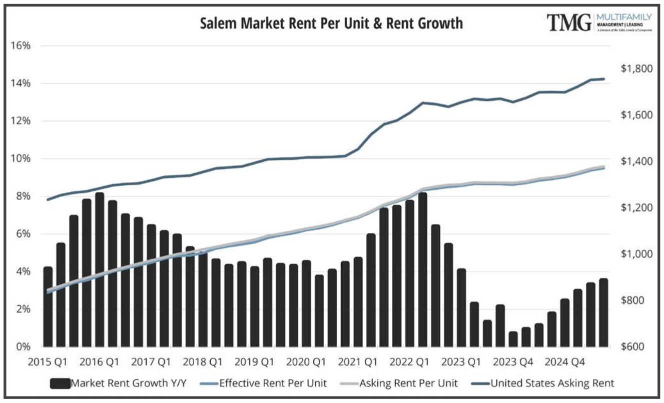

TRI-CITIES*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
535	246	7.9%	2.0%

- Average monthly rent now sits at $1,350/ month per unit compared to the national benchmark of $1,670/month per unit.
- With a wave of construction significantly outpacing demand, the vacancy rate for market rate apartments has risen dramatically, not sitting at 7.9% compared to a five-year average of 5.6%.
- The 12-month market rent growth now sits at 2.0%. Over the long-term, annual rent growth in the area averaged 2.8%.

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