TMG*Multifamily* MARKETPULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

The abundance of new construction properties entering the market is creating an extremely competitive environment in the last half of 2023. It is now common to see 8 weeks free rent on any new builds in the Portland and Vancouver markets. It appears, most new construction projects are trying to hold the line on projected rents and offering larger concessions as a way to entice tenants to pay that higher rent. In this economic environment, that is proving difficult. Tenants are becoming more sensitive to ongoing rents, making it difficult to entice them with free rent incentives. Concessions on new builds affect all other existing Class A & B properties causing them to offer concessions to compete, although we typically see 4 weeks of rent concessions offered by existing projects rather than 8 weeks. Declining rent growth for the Portland and Vancouver markets continue. Vancouver had a rent growth swing from a positive 0.50% growth in Q2 to a -2.1 in Q3. Portland had already hit negative rent growth in Q2 and that escalated to a -2.0 in Q3.

The Salem and Tri-City markets are faring better than Portland and Vancouver, even with new construction projects coming on line in those markets. Both Salem and Tri-Cities are still experiencing positive rent growth albeit in the 1.8% to 2.2% range. Salem's vacancy rate at 5.8% leads the pack in holding onto the lowest vacancy rate even with an increase in delivered units in that market. Interesting that the Tri-Cities market has had a slight decrease in vacancy from 7.9% last quarter to 7.6% this quarter and a slight .20% increase in rent growth from Q2 to Q3. In this submarket, there have also been several hotels re-developed as apartments and that availability has driven up the number of available units to absorb.

As we prepare 2024 budgets and given the current market conditions, a strategy that is realistic about rents, renewals, and rent growth seems prudent. Long term hold clients are willing to accept slightly lower rents in return for higher occupancy and reduced turnover costs equaling improved cash flow.

It's also worth noting that, while there are still projects in the pipeline, the number of units in the proposed construction pipeline has decreased, indicating a potential stabilization in the market in the near future.

Monitoring these changes closely will be crucial in making informed decisions regarding pricing, incentives, and overall property management strategies.

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.

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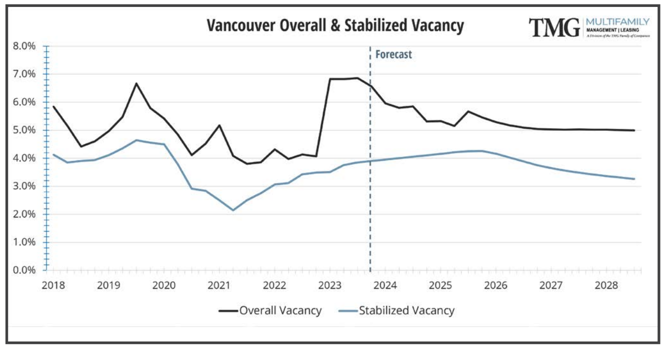
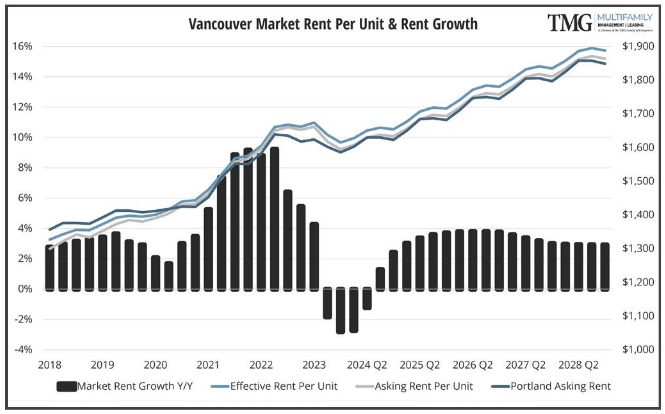
VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
3,084	1,277	8.9%	-2.1%

- Trailing 12-month net deliveries have pushed vacancies to 8.9%, a one-year change of 4.6%. For reference, average vacancies over the past five years equate to 5.4%.
- Rent growth has reactively slowed as landlords compete for tenants and lose some pricing power. Resulting annual rent growth of -2.1% has corrected sharply from its ten-year peak of 9.2% achieved in mid-2022.
- Vancouver rents of $1,630 per unit are slightly above the large Portland-metro area average, and cumulative rent gains are still comfortably outpacing the larger metro growth.

[Click Here to Read the Vancouver CoStar Report]



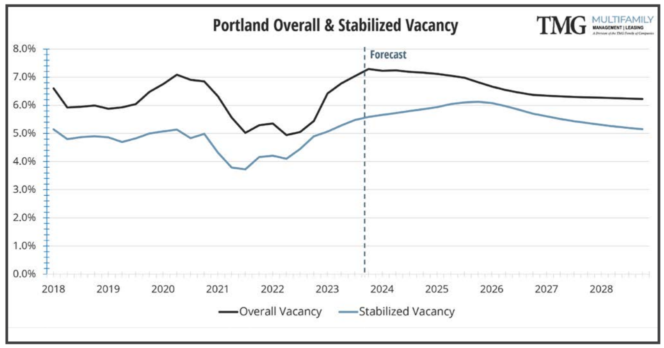


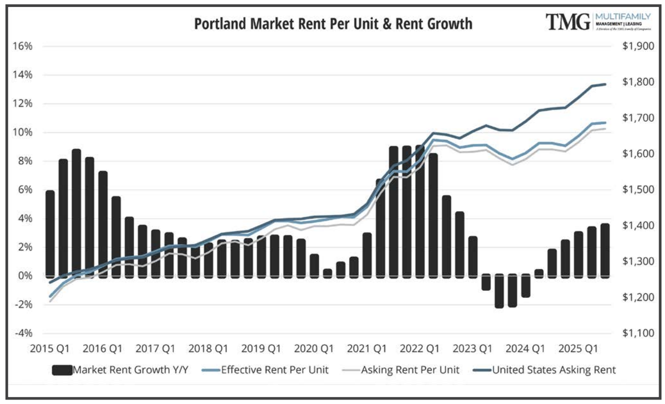
PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
7,269	2,479	7.0%	-2.0%

- Multifamily demand in Portland continues its drastic recalibration from recent highs. Leasing has cooled drastically from its record-setting mid-2021 performance, and vacancies have trended to 7.0% in response.
- Upward pressure on vacancies isn't just a result of slowing demand. Construction has picked up and developers are expected to bring a wave of units online in coming quarters.
- Market rent in Portland reflects some stagnation at $1,600 per unit, reflecting year-over-year growth of -2.0%, compared to the national index posted average growth of 0.8% over the same period.

[Click Here to Read the Portland CoStar Report]





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Tri-Cities
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SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
927	350	5.8%	1.8%

- A relatively tight, but growing apartment market in recent years has positioned Salem's vacancy rate near 5.8%, compared to the current national index of 7.0%, but a higher ceiling is forming as leasing tapers off and tests fundamentals.
- Despite tapering leasing, some structural demand for multifamily housing will persist, as median single-family home prices remain elevated.
- Average rent in Salem sits at $1,330/month per unit, well below the national index of $1,670/month per unit.

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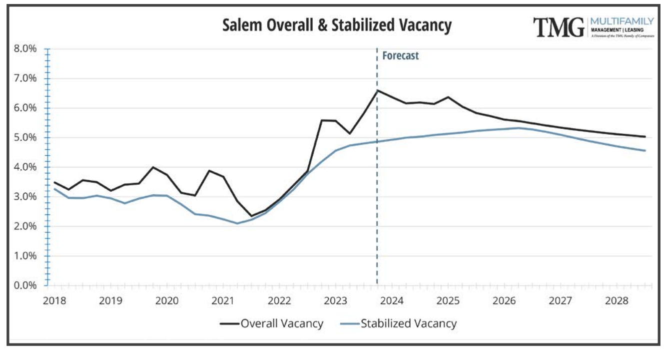

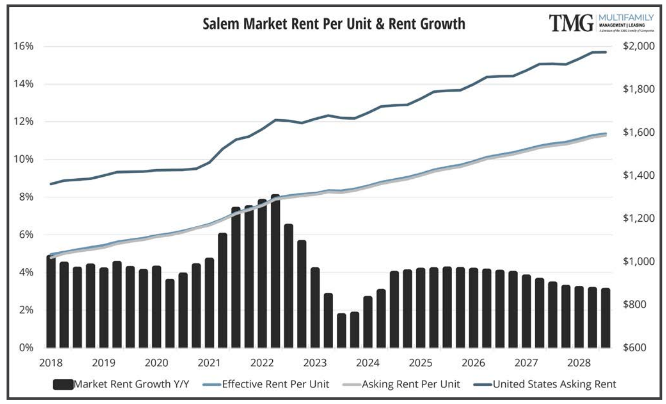

TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
496	448	7.6%	2.2%

- With a wave of construction significantly outpacing demand, the vacancy rate for market-rate apartments has risen dramatically.
- The overall vacancy rate sits at 7.6%. However, a slowdown in construction should help to stabilize vacancy as the current wave of projects delivers and then leases up.
- The market has seen positive rent growth for more than a decade. Average monthly rent now sits at $1,360/month per unit, compared to the national benchmark of $1,670/month per unit.

Click Here to Read the Kennewick/Richland CoStar Report