



**Barry & Associates**  
APARTMENT APPRAISAL SPECIALISTS

## **Multifamily NW**

### **Fall 2023 Apartment Report**

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**Barry & Associates**

**Apartment Appraisal Specialists**

## **Topics Covered**

1. Vacancies
2. Rent
3. Expenses
4. Apartment Sales & Values
5. Apartment Forecasts



# Rents & Vacancies – The Apartment Report – Fall 2023

## Lowest Vacancies – Sub 4.5%

- Wilsonville/Canby – 3.9%
- Hillsboro – 4.3%
- Tigard – 4.4%
- Milwaukie – 4.4%

## Highest Vacancies – 7%+

- NW Portland – 7.4%
- Oregon City/Gladstone – 7.8%
- Downtown Portland – 8.0%

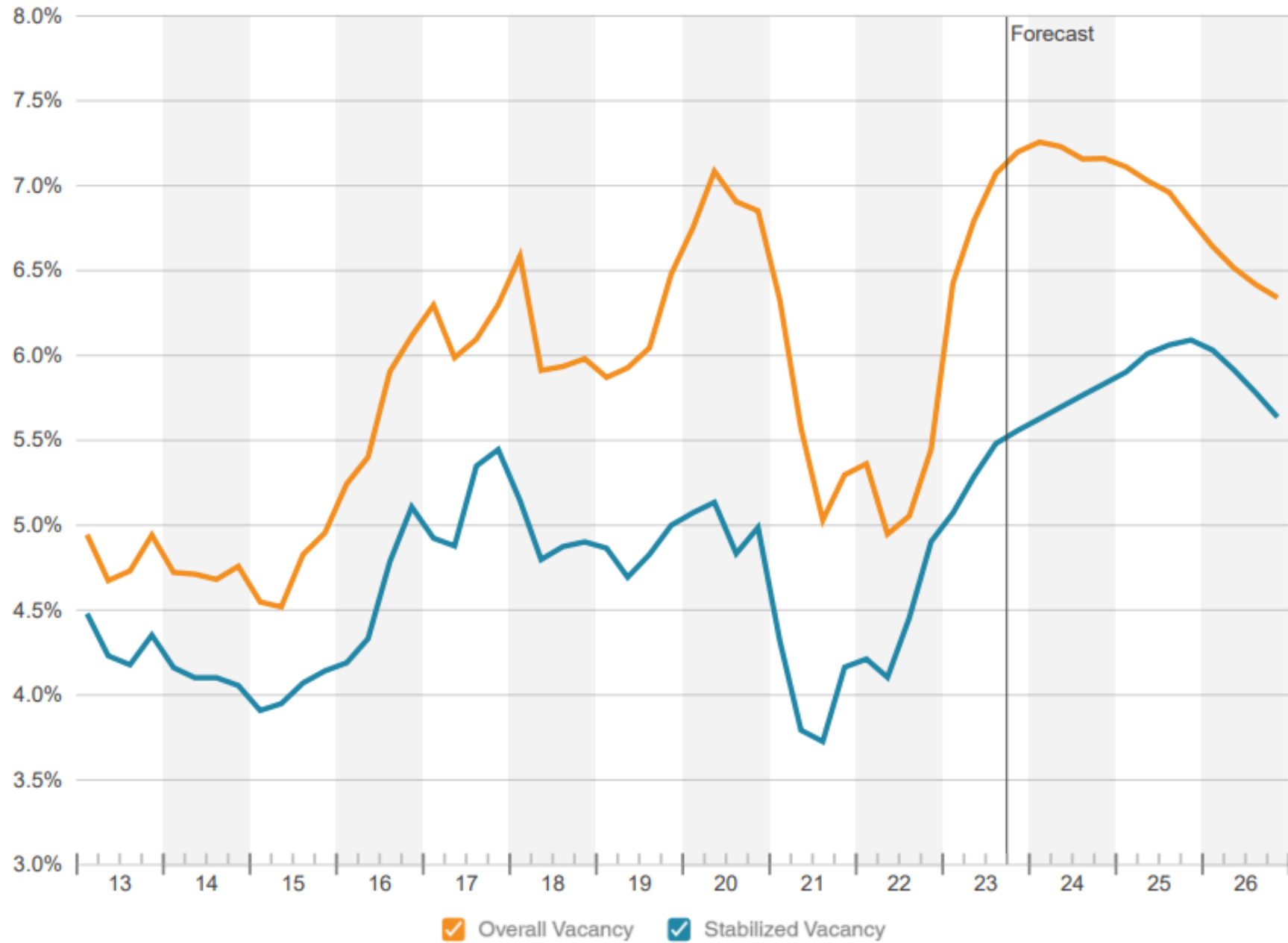
## Declining Rents

- Outer SE Portland – Down 3.0%
- Hillsboro – Down 4.0%
- N Portland – 7.0%

## Increasing Rents

- NW Portland – Up 5.0%
- Beaverton – Up 4.0%
- Oregon City/Gladstone – Up 4.0%
- Inner/Central SE – Up 4.0%
- Vancouver – Up 4.0%

# Overall & Stabilized Vacancy



**\$2,495 / 2br - 968ft<sup>2</sup> - Rent free for Oct/Nov! Pet Friendly, Washer and Dryer, Walk Score: 91 (1550 SE 20th Ave, Portland, OR)**

1550 SE 20th Ave, Portland, OR 97214



1550 SE 20th Ave

[google map](#)

2BR / 2Ba 968ft<sup>2</sup> available now

cats are OK - purrr

dogs are OK - woof

apartment

w/d in unit

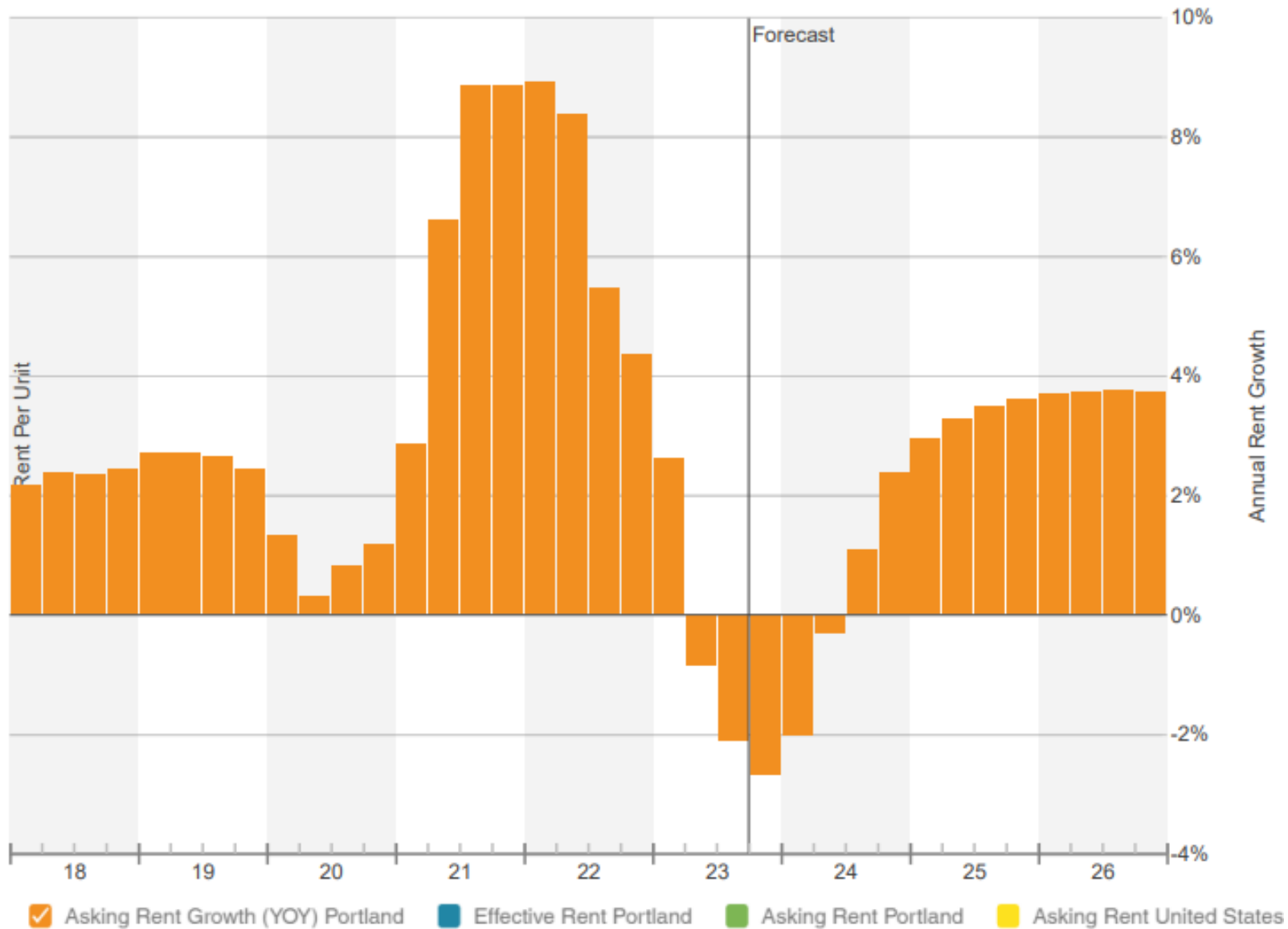
no smoking



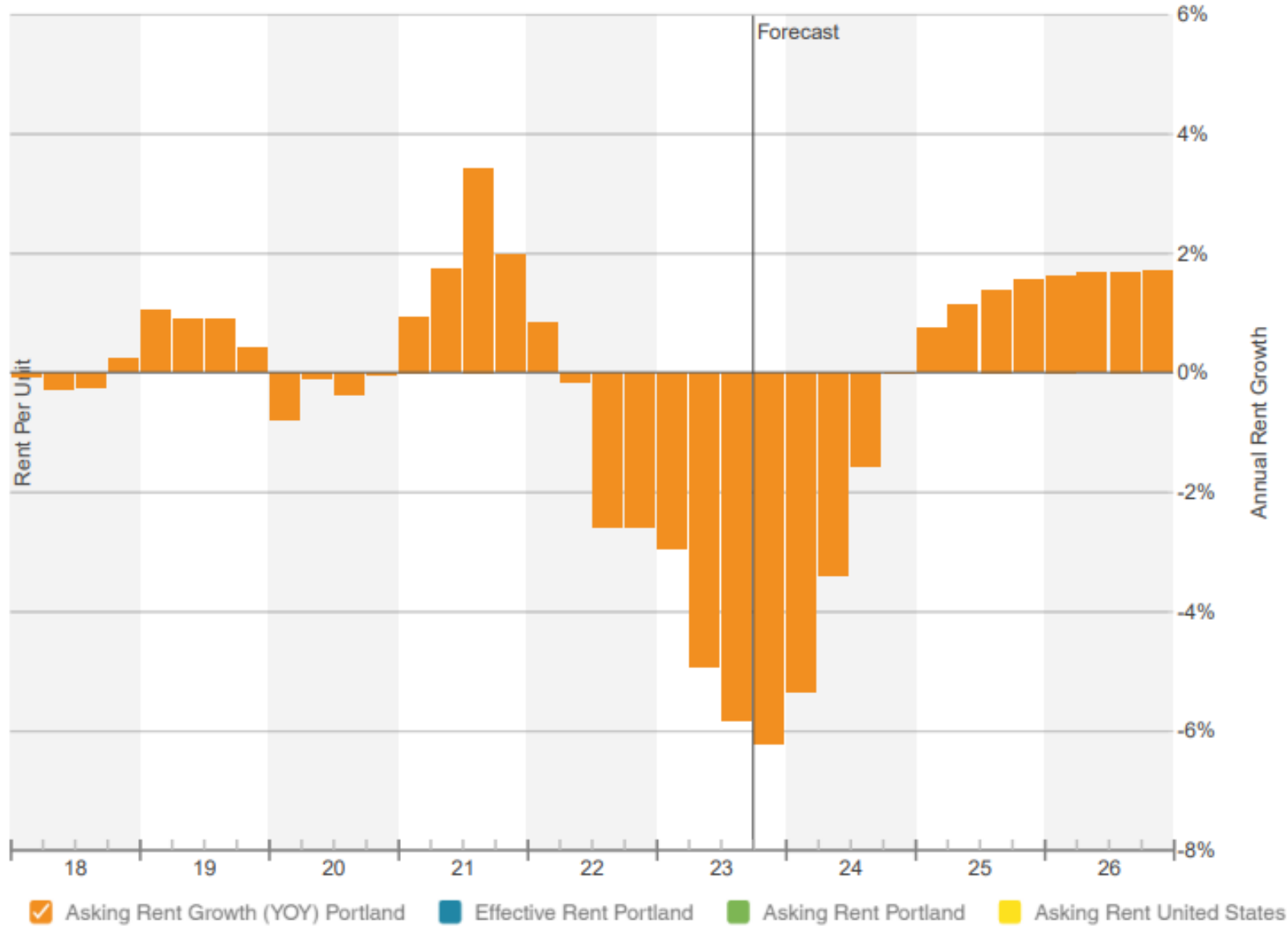
**2x2 Pet Friendly! Limited Time Lower Pricing!\***



# Market Rent Per Unit & Rent Growth

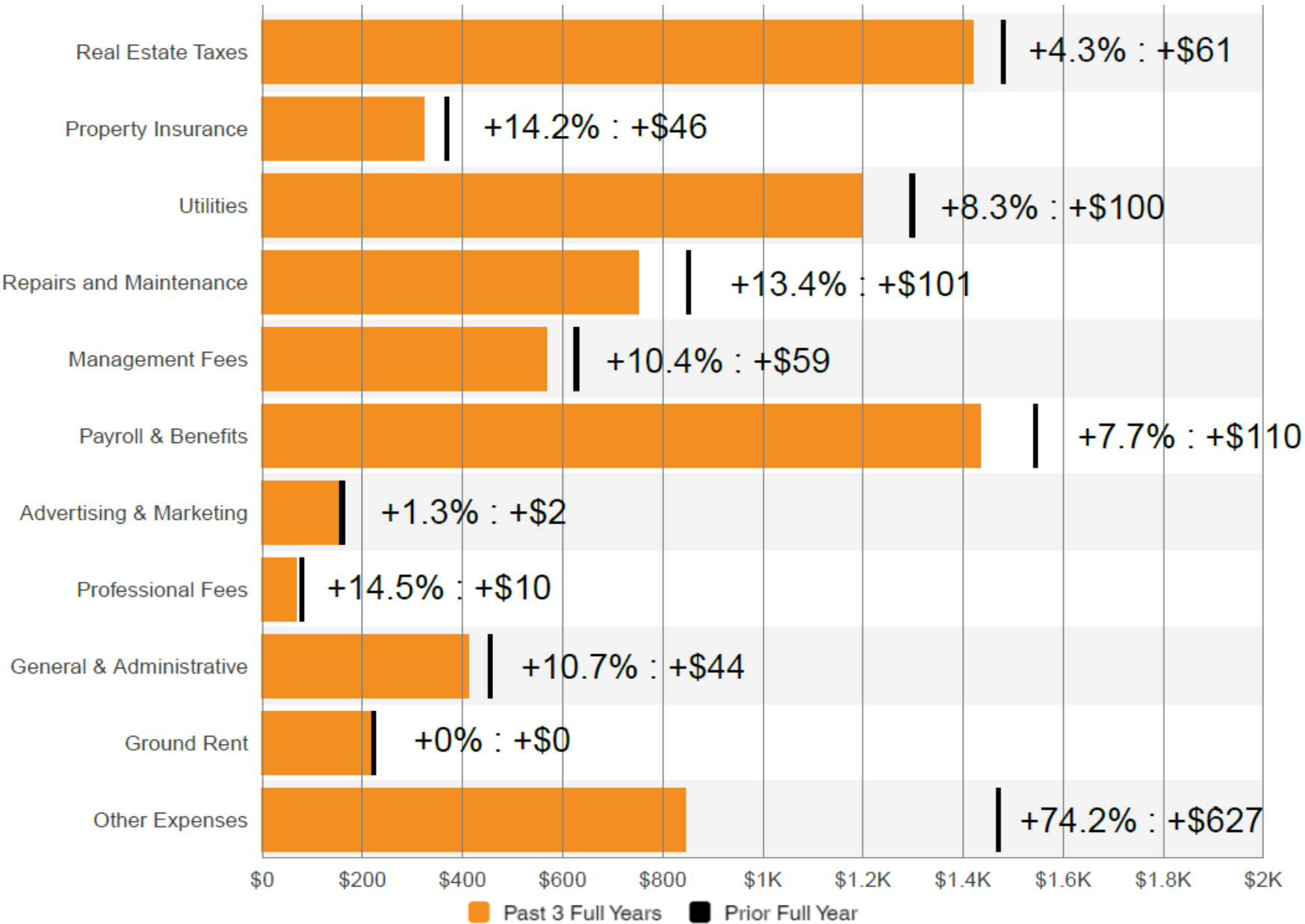


# Market Rent Per Unit & Rent Growth



# Operating Expenses Per Unit

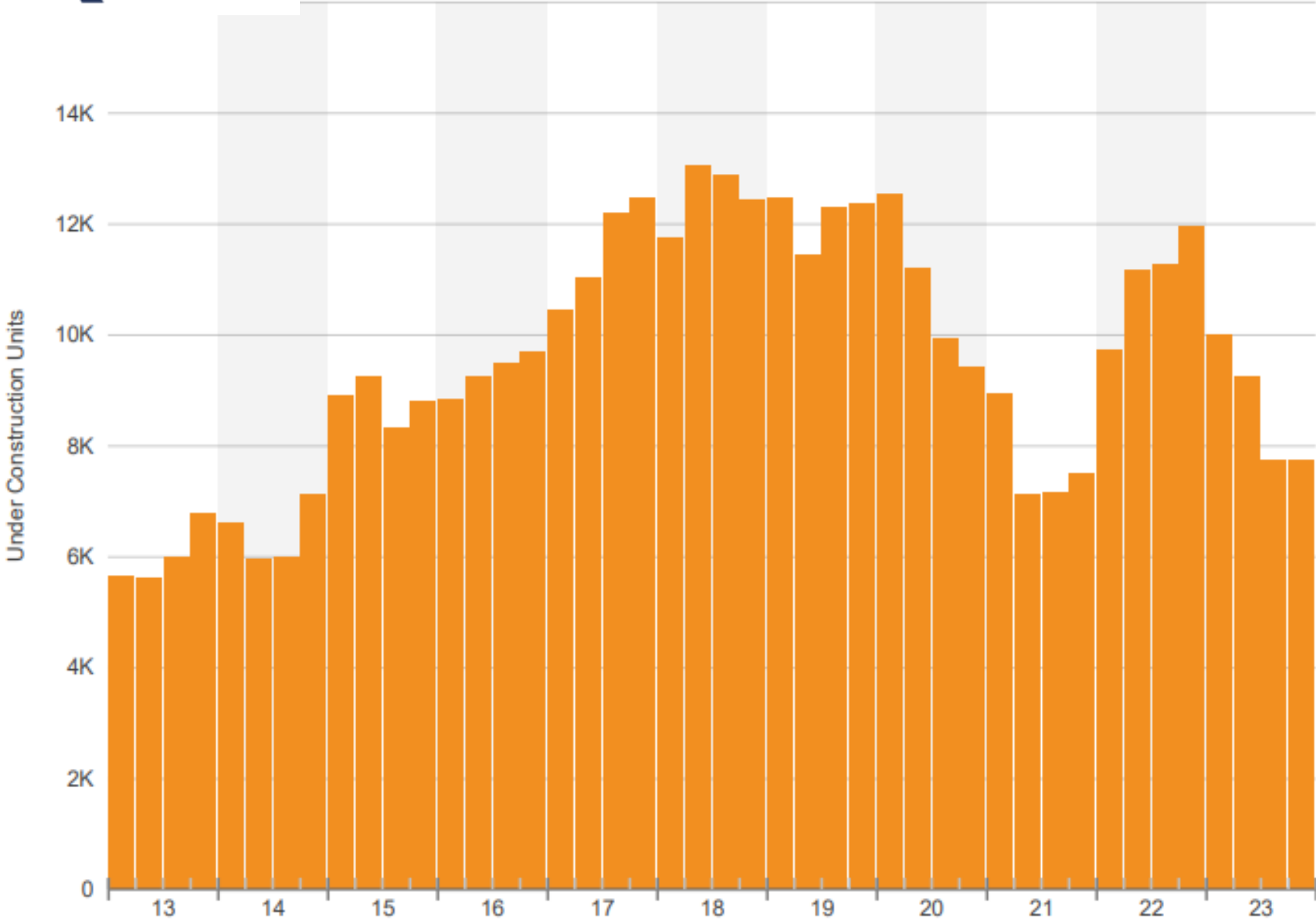
(Based on CMBS data)



**Based on properties in a publicly REIT; expenses were up \$1,160 per unit in 2022, or 15.7% when compared to the average expense from the past 3 full years**

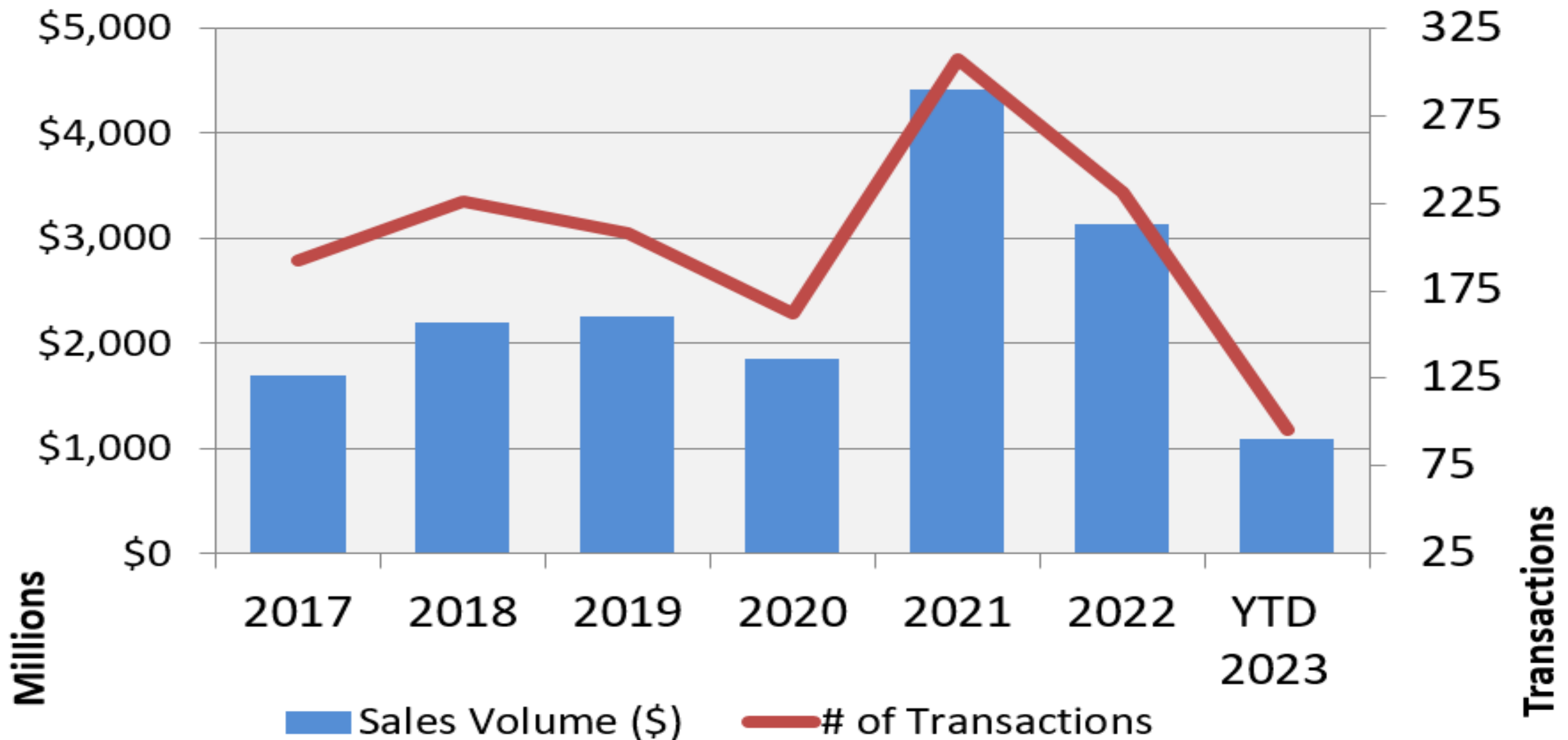


# Under Construction

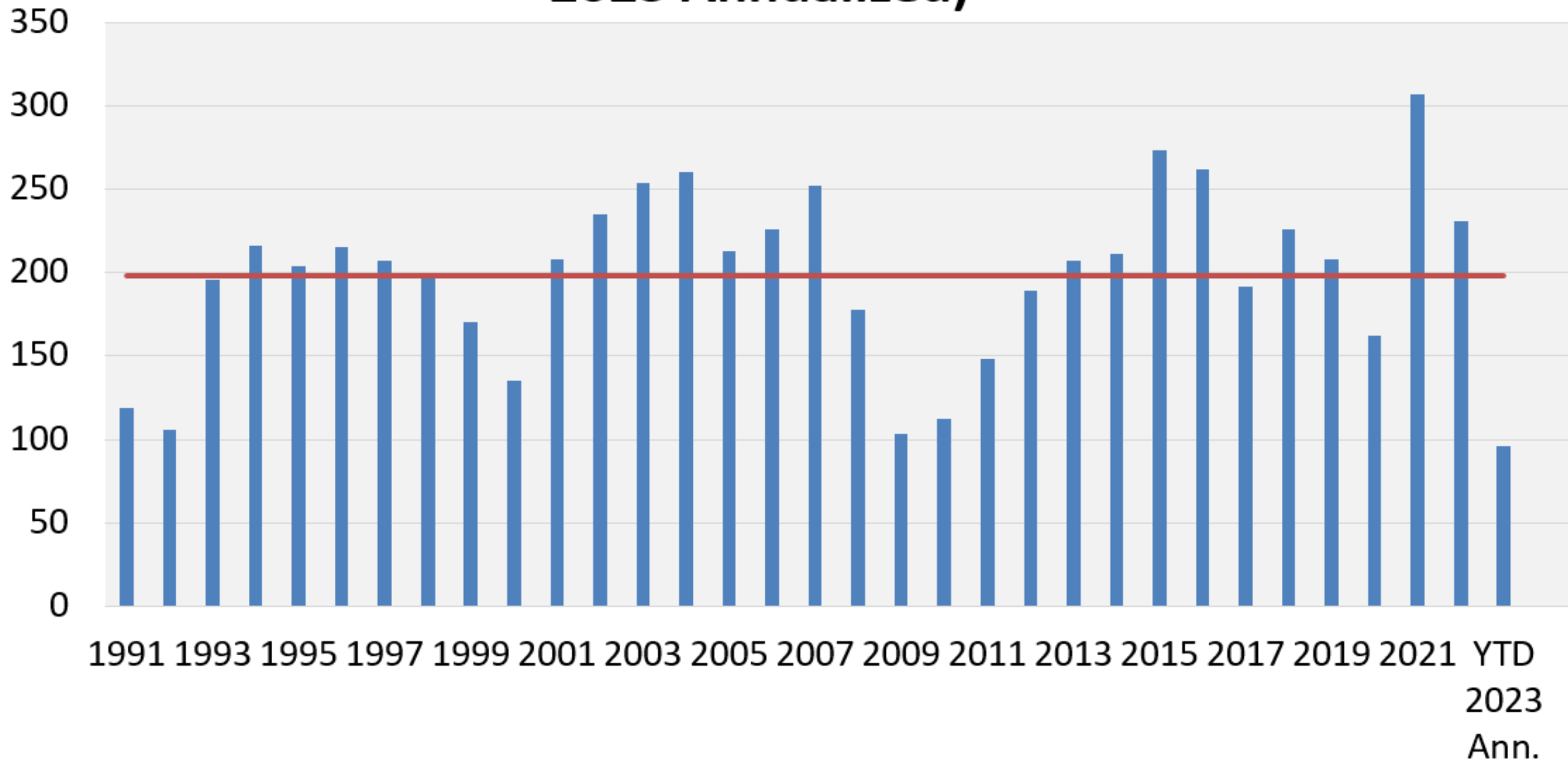




# Apartment Sales Volume & Transactions Portland Metro Area - 2017-YTD 2023 Annualized



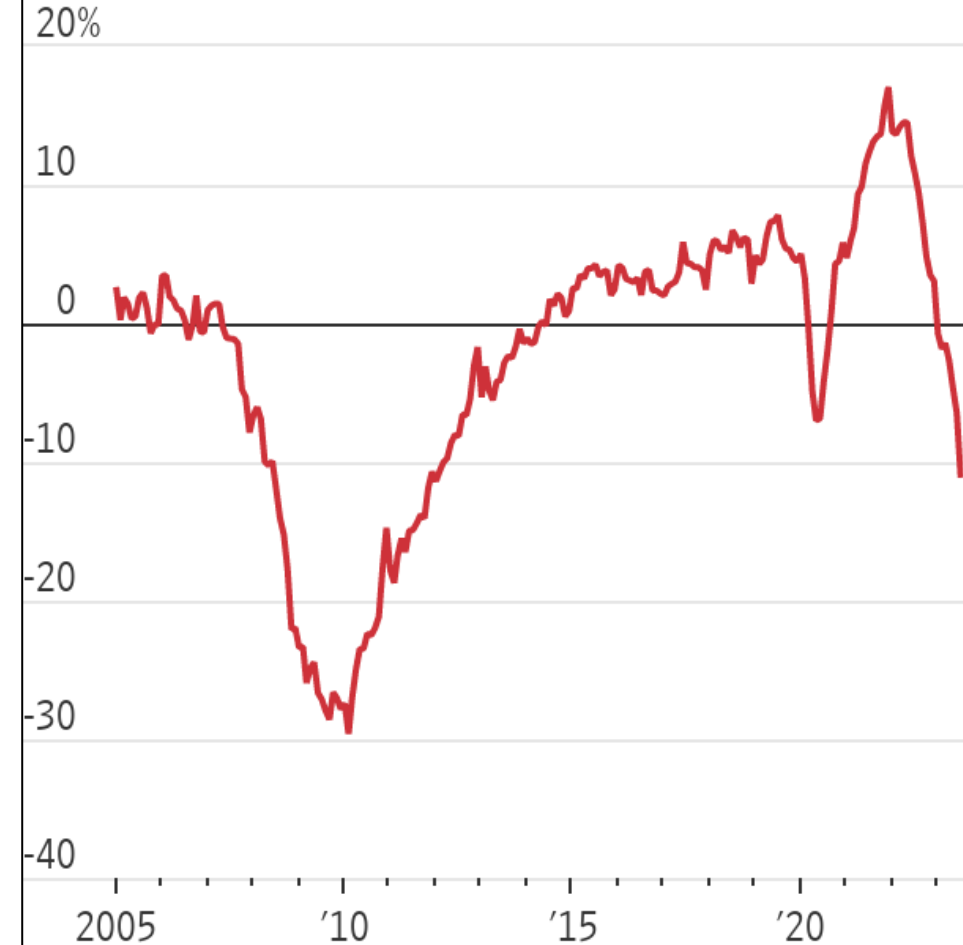
# Apartment Transactions - Portland Metro Area (1991 - 2023 Annualized)



# When will sales increase?

“Sellers believe in yesterday's capitalization rates and the buyers are looking forward to tomorrow's capitalization rates”

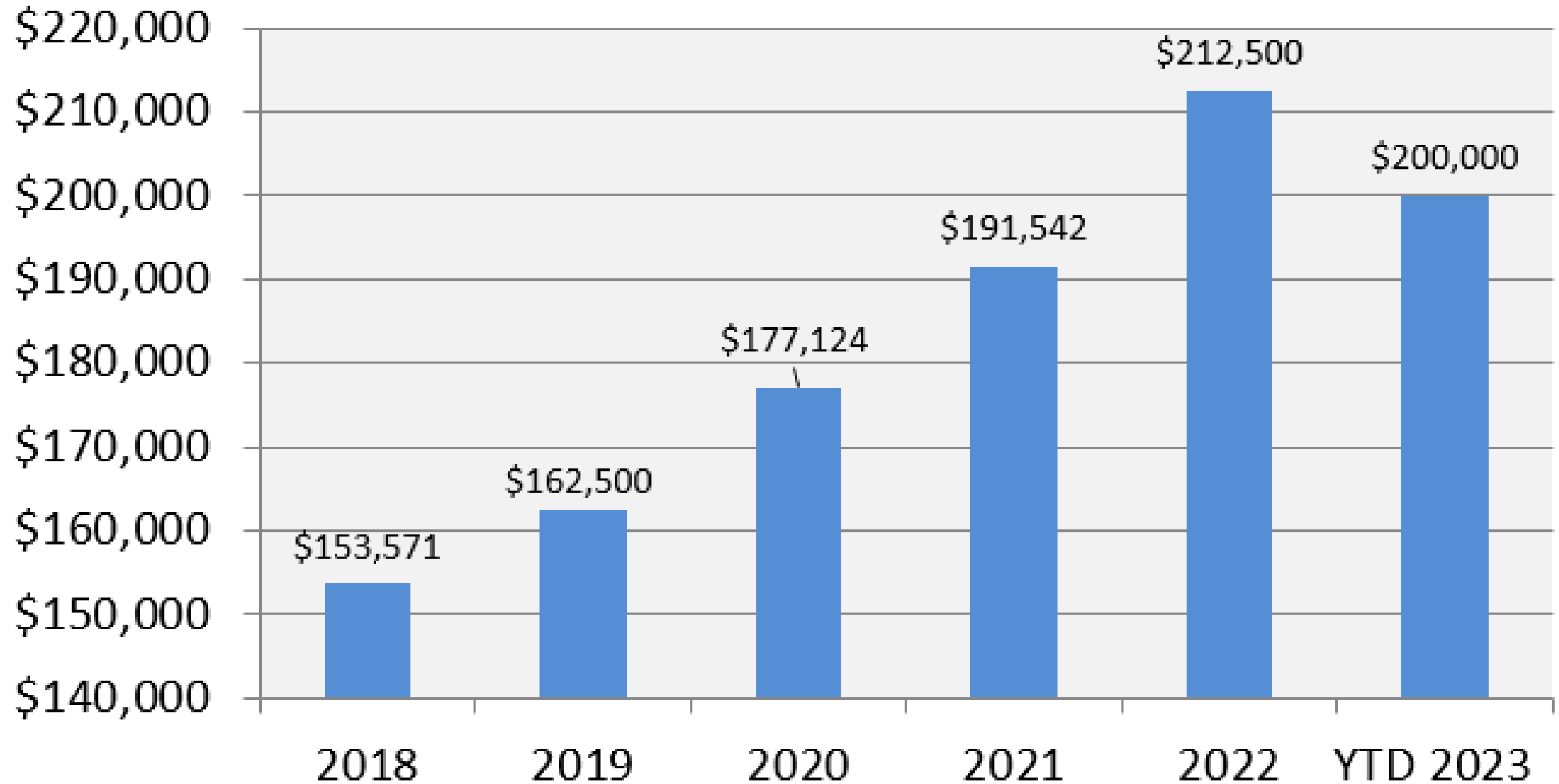
Gap between buyers' and sellers' price expectations on U.S. multifamily apartment deals



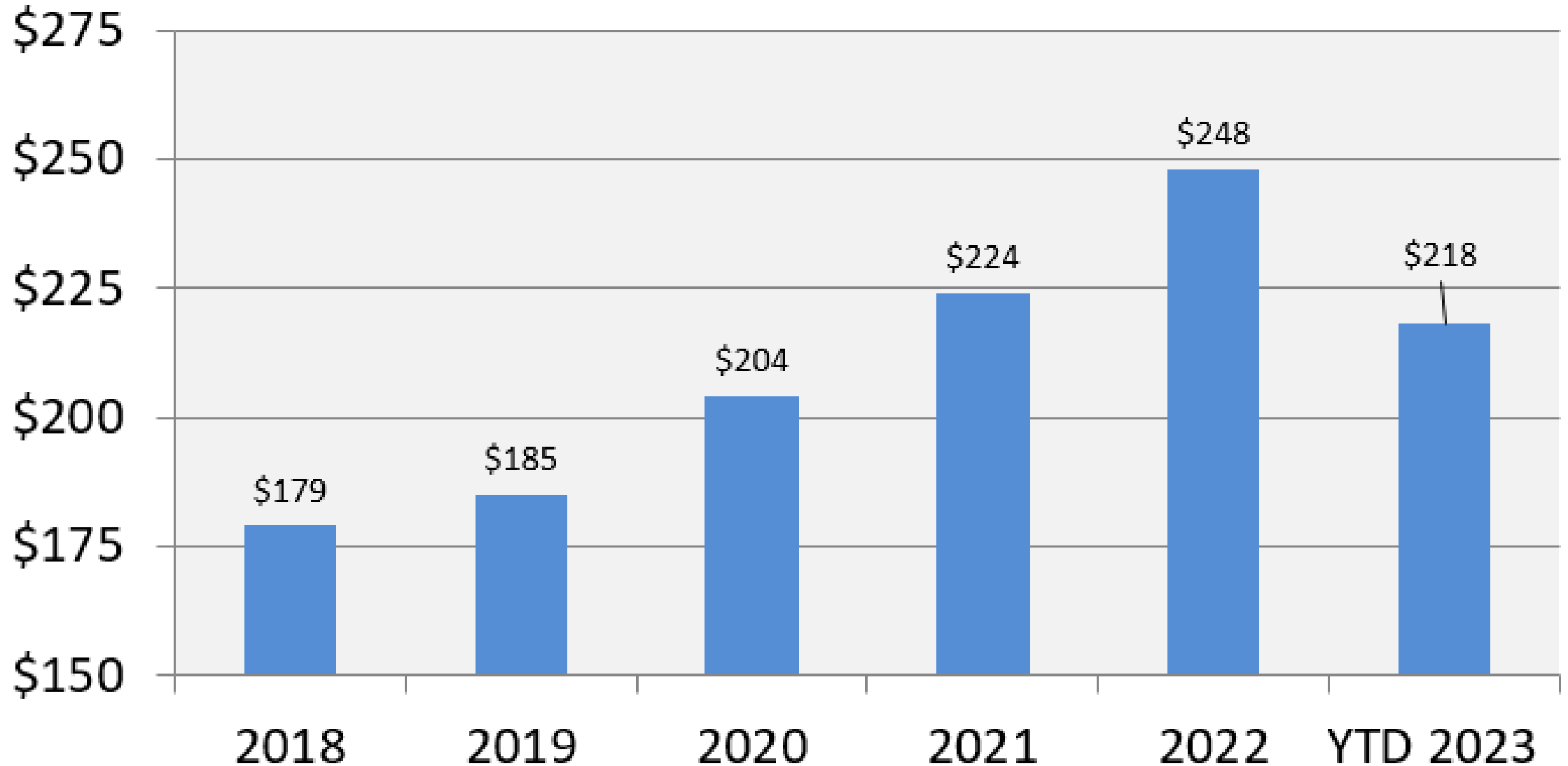
Source: MSCI



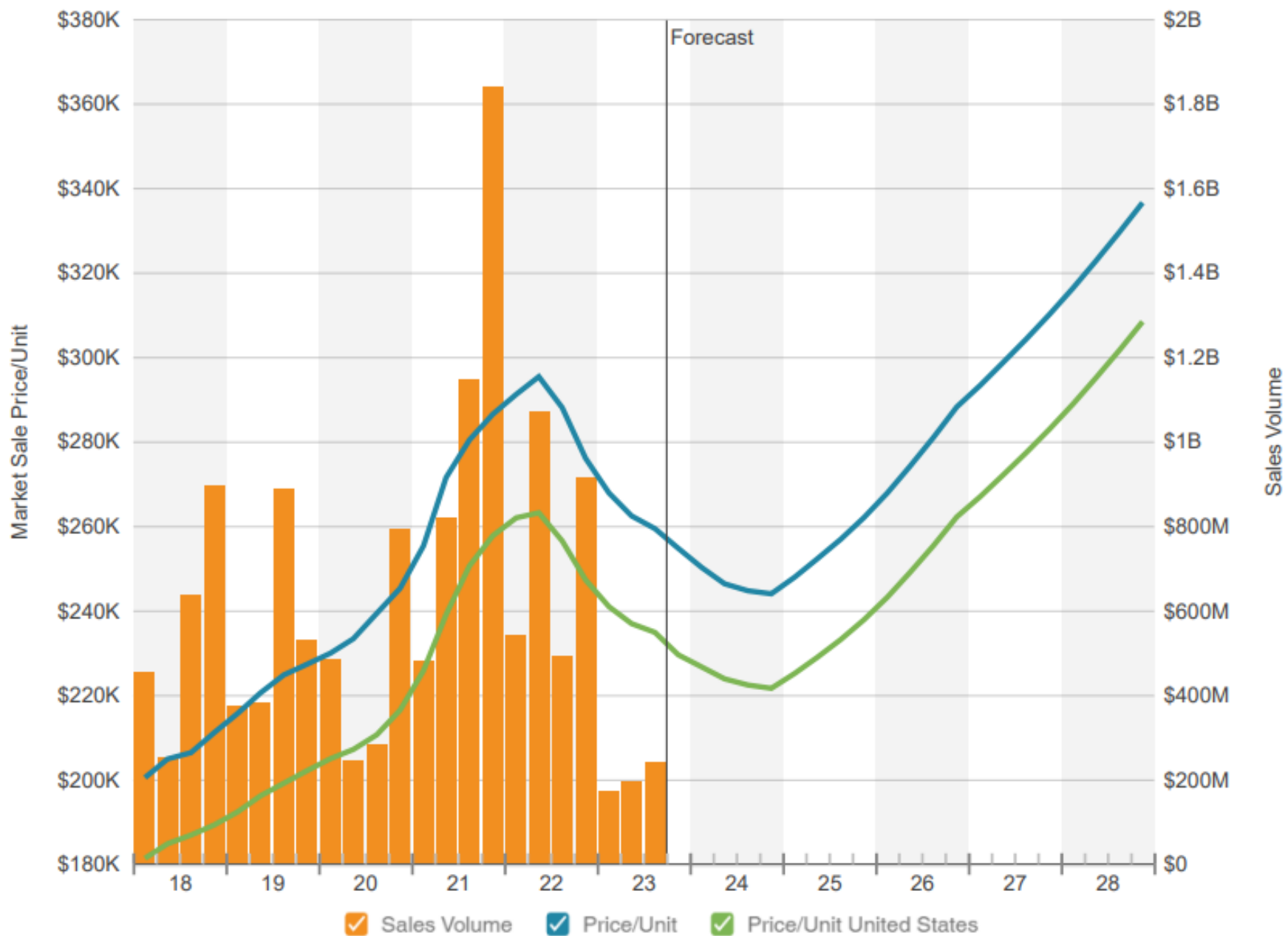
# Portland Metro Area Median Price per Unit (2018 - YTD 2023 through September)



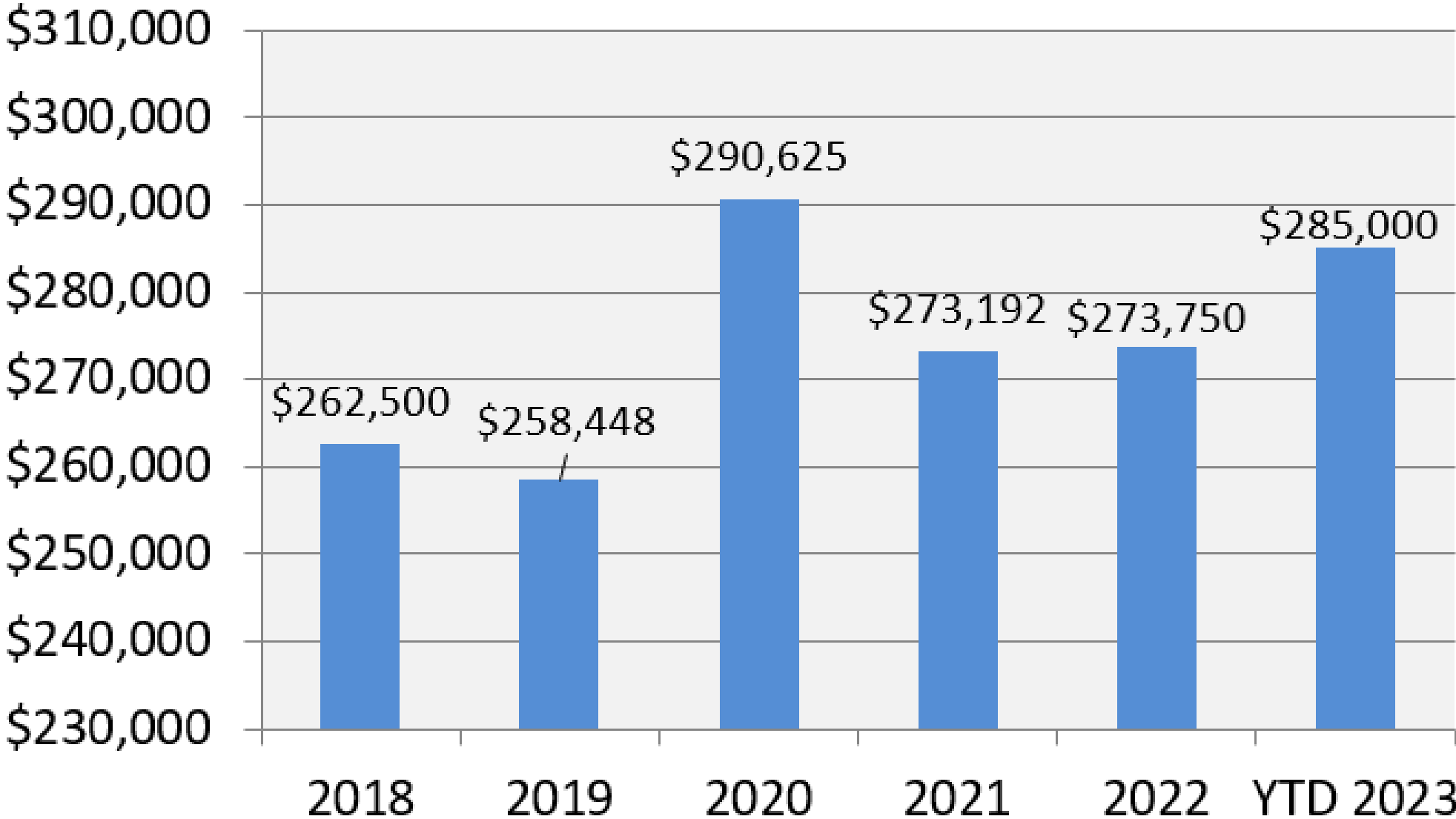
## Portland Metro Area Median Price per Sq. Ft. (2018 - YTD 2023 through September)



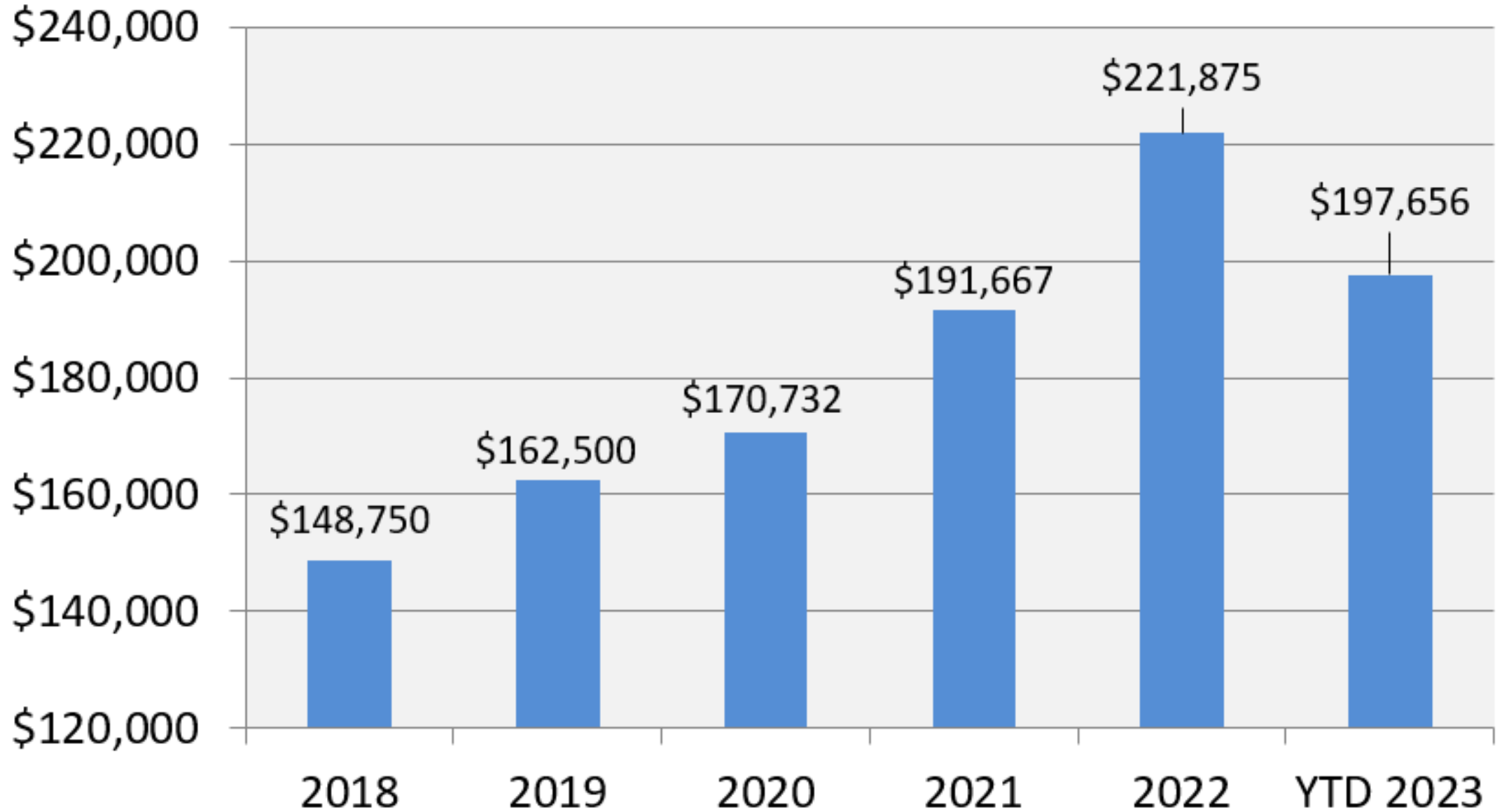
# Sales Volume & Market Sale Price Per Unit



# Median Price Per Unit - Built Since 2010 (2018 - 2023 through September)

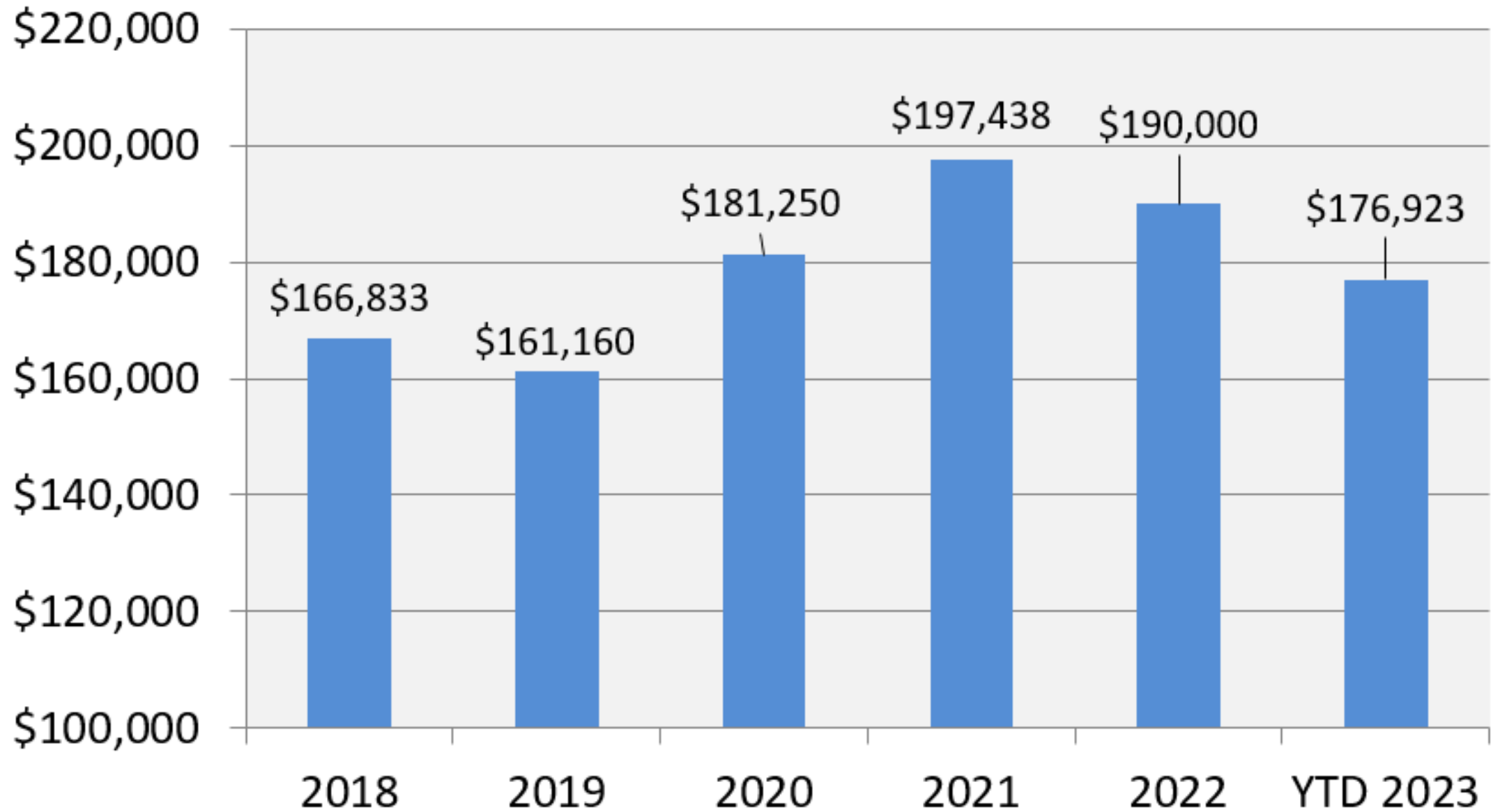


# Median Price Per Unit - Wash, Clack, Clark County





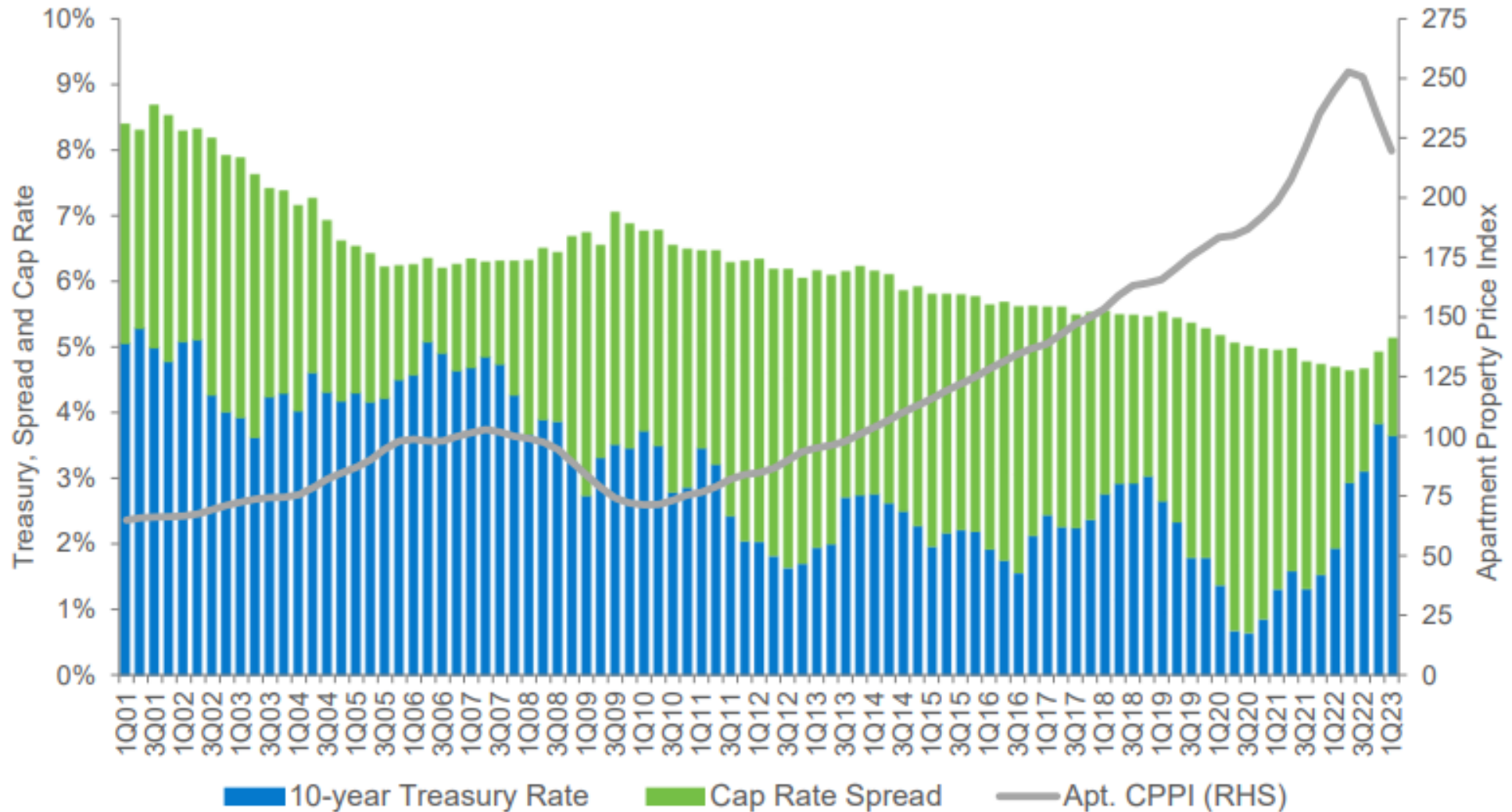
# Median Price Per Unit - City of Portland





# Capitalization Rates

Exhibit 10: Multifamily Price Index, Cap Rate Spread and Treasury Rate

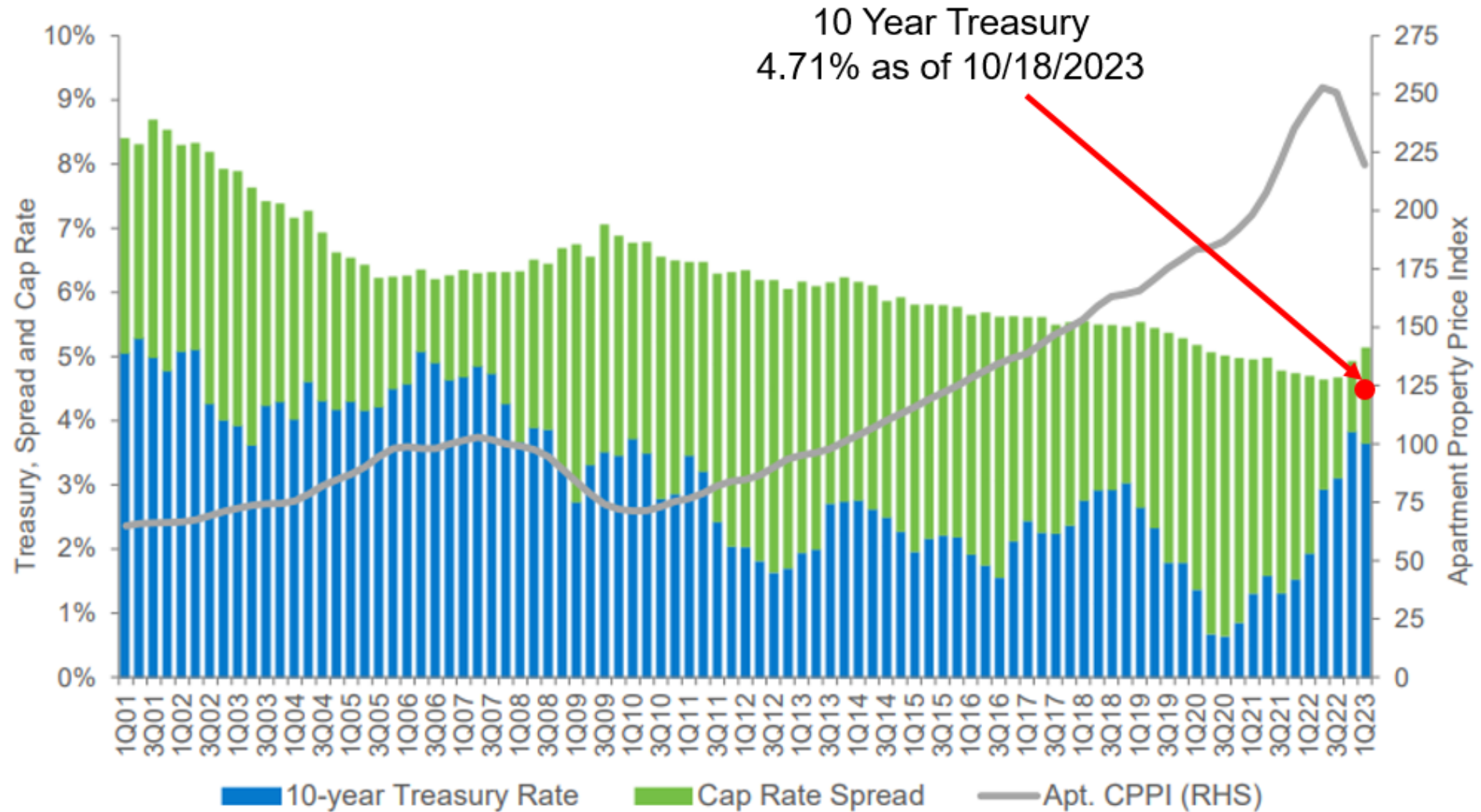


Sources: Freddie Mac, Real Capital Analytics CPPI, Federal Reserve Board, Moody's Analytics



# Capitalization Rates

Exhibit 10: Multifamily Price Index, Cap Rate Spread and Treasury Rate

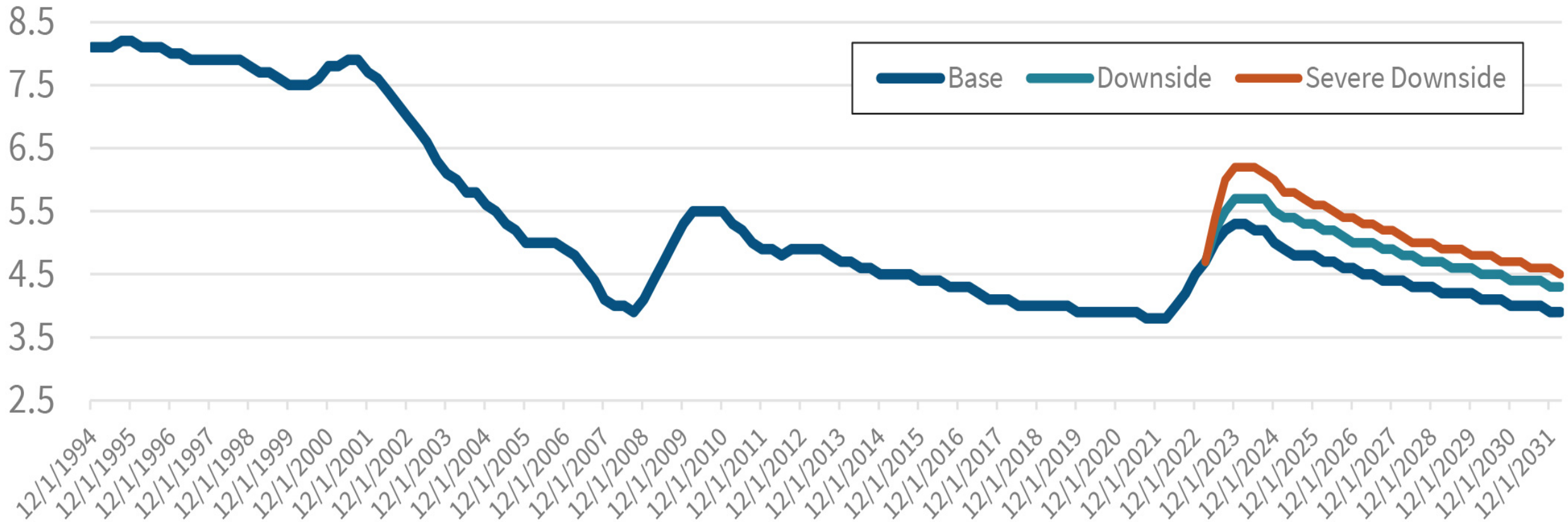


Sources: Freddie Mac, Real Capital Analytics CPPI, Federal Reserve Board, Moody's Analytics



- **CBRE +50 to 150 BPS peaking in 2024**
- **CoStar +45 BPS peaking in Q4 2024**

### National Multifamily Cap Rate Forecast



# Forecasts – Near Term Instability

- **Apartment Construction** – Until financing is readily available, construction will decline
- **Vacancy** – Continue to increase in 2024 as supply exceeds demand
- **Rents** – Flat over the next 6-12 months, before returning to 3-4%
- **Expenses** – Considerable increases though property taxes are a relief
- **Sales** – 2023 will represent the bottom & sales will increase. Based on historical sale trends, YoY increases will not exceed 50%. This would suggest up to 150 sales in 2024.
- **Cap Rates** – Continued increases if 10 year treasury remains elevated
- **Values** – Some declines in 2024, though less than 2023

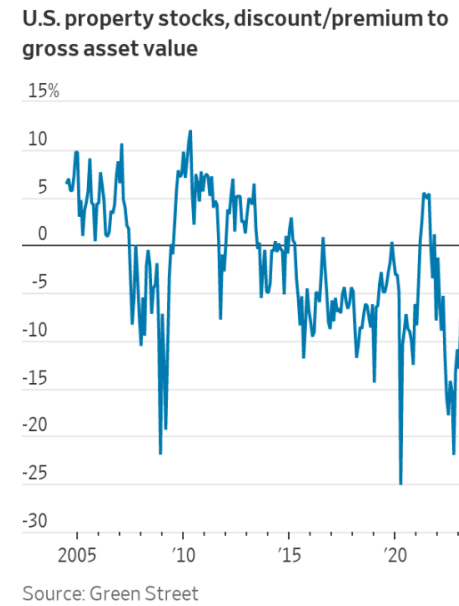


# HOW TO PLAY THE PROPERTY MELTDOWN IN FIVE CHARTS

Savvy buyers made a fortune after the 2008 crash, picking up real estate at distressed prices. Investors hoping to spot bargains in the latest slump can watch these trends.

THE WALL STREET JOURNAL.

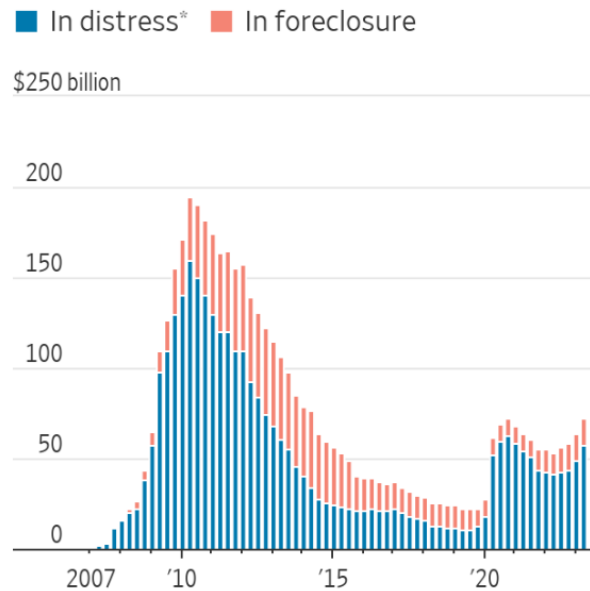
By CAROL RYAN  
Thu, Aug 31, 2023 8:26am | 4 min



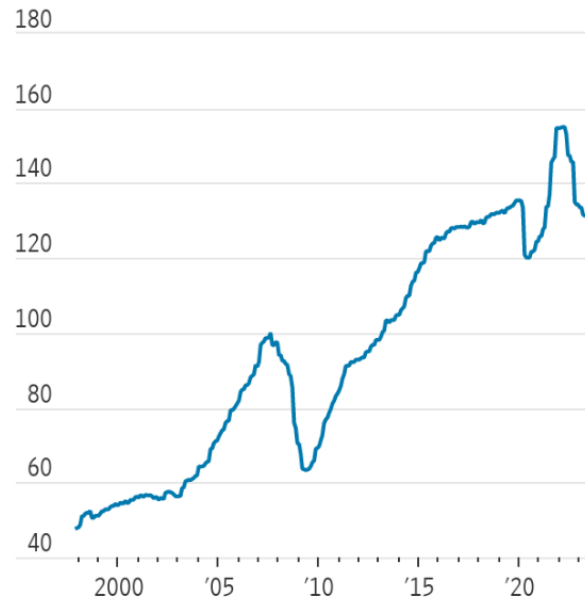
### Gap between buyers' and sellers' price expectations on U.S. multifamily apartment deals



### Distress levels in U.S. commercial real estate



### U.S. commercial property prices



### Expected U.S. commercial real estate returns vs. corporate bonds yields\*

