MULTIFAMILY NW®

APARTMENT REPORT

The Association Promoting Quality Rental Housing

FALL 2026 VOLUME 45

A NEW ERA
FOR THE APARTMENT REPORT

Clay Newton, Kidder Mathews

We're excited to announce some important changes to the Apartment Report. For more than 20 years, the Association has surveyed members twice a year on rents and vacancies. Starting with this edition, that data will come from a new partnership with CoStar, the nation's leading provider of commercial real estate data and analytics. The partnership gives members real-time, third-party information drawn from publicly advertised units for lease, and it nearly doubles the sample size of our most recent report. It also lets us produce a much more robust report for our affiliates throughout the Willamette Valley and Central Oregon. Beginning in 2027, we'll go beyond rent and vacancy figures with an updated biannual survey that shares operational data and information you can't get anywhere else.

VACANCY

The overall vacancy rate for all units included in the Portland metro area is 6.3%, down from 7.3% in Fall 2025. The decline is at least partly due to the absorption of recently completed units and the overall drop in new construction starts over the past few years. As expected, NW Portland and Downtown Portland have some of the higher vacancy rates, at 8.4% and 6.9%, respectively, while the suburban markets continue to have lower vacancy.

RENTS

Rents were essentially flat across nearly every market in the survey compared with Fall 2025. The average rent was $2.09 per square foot, virtually unchanged from last fall. Over the next two to three quarters, the strongest gains should come in supply-constrained suburban areas. Vancouver continues to stand out: although it is adding supply quickly, it is drawing an out-sized share of renter demand.

CONSTRUCTION & NEW DELIVERIES

Portland's multifamily market absorbed 1,300 units in the third quarter of 2026, well above the long-run quarterly average of 820. That stronger leasing is helping to work off the excess supply of recent years. Meanwhile, the construction pipeline has thinned considerably: 2,500 units are currently underway, down from a five-year peak of 12,914 in late 2022.

INTEREST RATES

For many members, the biggest news has been the sharp rise in interest rates over the past six weeks. On September 16, the Federal Reserve raised its target range by a quarter point to 3.75–4.00%, its first hike since 2023, after holding rates steady since its last cut in December 2025. As of the first week of October, the 10-year Treasury yield is around 5.3%, its highest level since 2002, and up roughly 55 basis points since the end of July. Higher borrowing costs have put pressure on property values and made it harder for many deals to pencil, particularly for buyers relying on new financing and owners facing loan maturities in the coming year. Until rates stabilize, expect lower sales volume and fewer new construction starts.

TABLE OF CONTENTS

Key Takeaways	1
Portland Area Map	2
Average rent per square foot	3
Average market vacancy rate	3
Vacancy rate since Fall 2023	3
Portland Metro Area Results	4
Other Areas Results	7
Trend Report	8
Fundamentals & Trends	9
Sponsors & Partners	14
The Multifamily Market	15
Board of Directors	16

KEY TAKEAWAYS

Vacancy dropped to 6.3%

Average rent remained essentially flat

Construction pipeline thinned out considerably

Interest rates rose sharply higher



AVERAGE RENTS PER UNIT TYPE:

| PORTLAND METRO AREA |

	FALL 2026	FALL 2025
STUDIO	$1,290	$1,319
1 BEDROOM	$1,576	$1,588
2 BEDROOM	$1,948	$1,631
3 BEDROOM	$2,228	$1,778

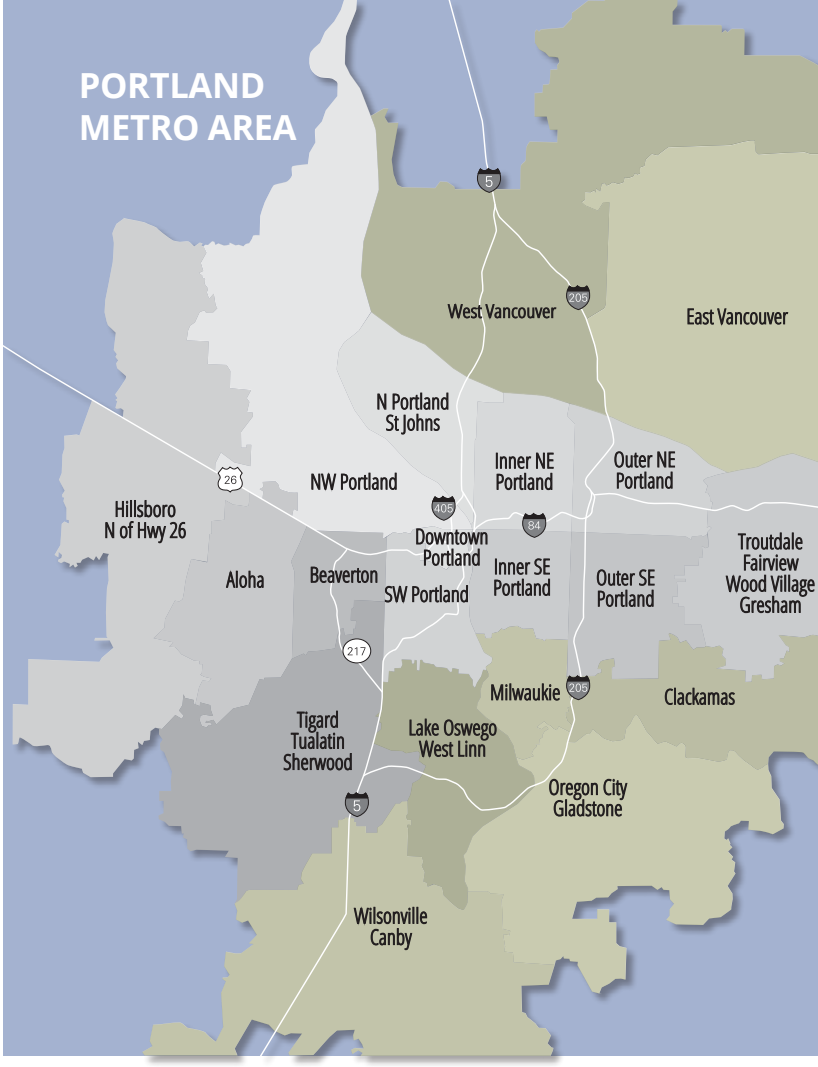
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IN THIS ISSUE

Economist Eric Fruits, Director of Economic Research at the International Center for Law & Economics, says that Portland's boom of apartment construction held market rents in check to the point of now rivaling income-restricted units, but warns this won't last as new construction falls sharply. He points to City of Portland policies such as inclusionary zoning and relocation-assistance mandates as well as Multnomah County's Preschool for All tax as reasons permits have collapsed there compared with neighboring areas. Fruits concludes that policies meant to make housing affordable may end up raising rents by suppressing the new construction that kept them in check.

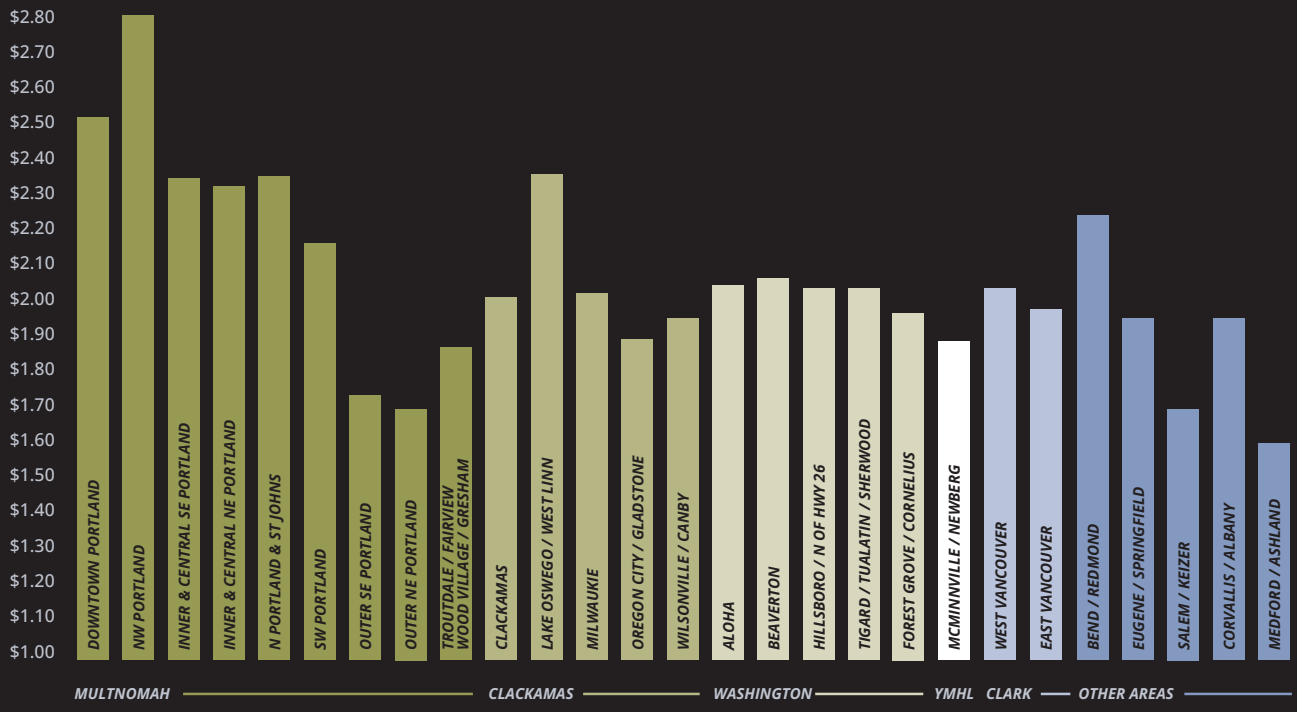
Patrick Barry, Certified General Appraiser at Barry & Associates, surmises in his informative market report that Portland may be settling into a "new normal" of slower rent growth and selective investing as the market continues to look for the bottom of the cycle. With values down roughly 6% per unit this year but vacancy falling and new construction at its lowest level since 2011–2012, the groundwork for a healthier market may already be forming.

Clay Newton has over 25 years of experience in commercial real estate and has been involved in over one billion dollars in multifamily sales. He joined Kidder Mathews in 2013, where he's consistently been recognized as a market leader and top producer.

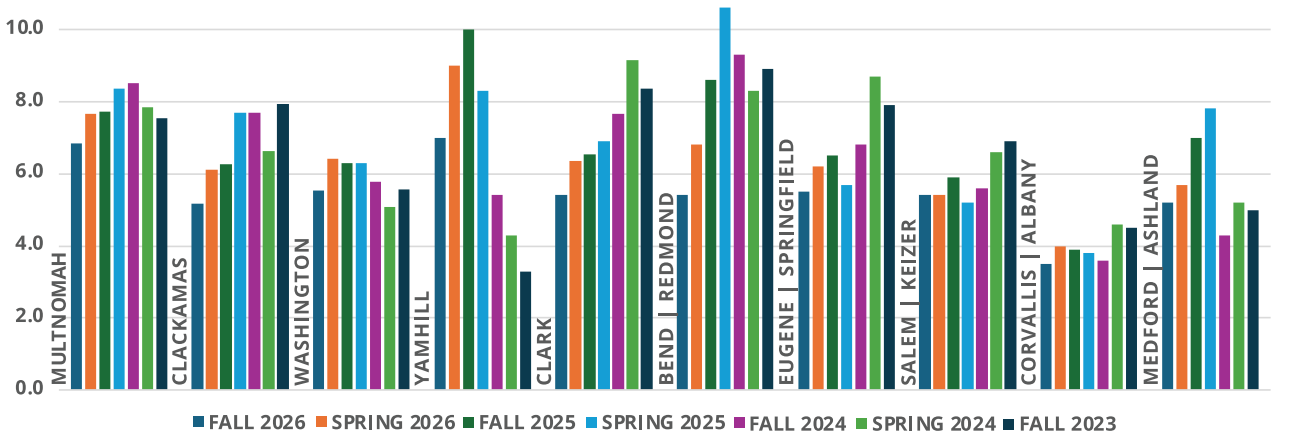




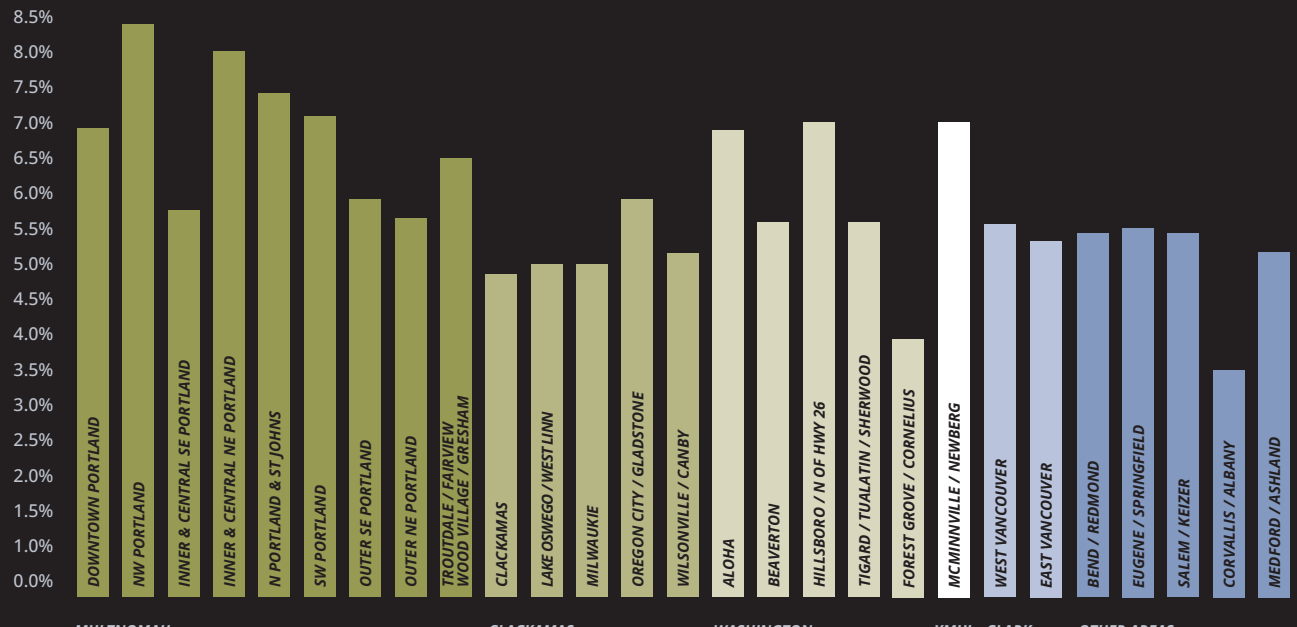
ASKING RENT PER SQUARE FOOT $



VACANCY RATE SINCE FALL 2023



AVERAGE MARKET VACANCY RATE %



RESULTS
FALL 2026 *PORTLAND-VANCOUVER*

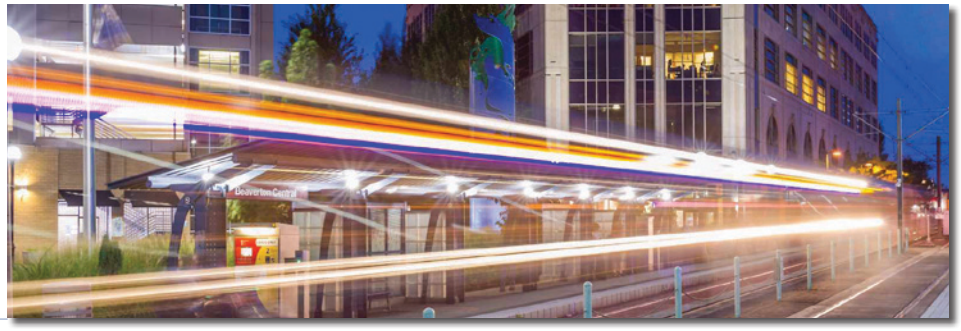
The overall vacancy rate for all units included in the Portland metro area is 6.3%, down from 7.3% in Fall 2025. The decline is at least partly due to the absorption of recently completed units and the overall drop in new construction starts over the past few years. As expected, NW Portland and Downtown Portland have some of the higher vacancy rates, at 8.4% and 6.9%, respectively, while the suburban markets continue to have lower vacancy.

AREA NAME	# OF PROP	DESCRIPTION	ALL	FALL 2025	% CHANGE	STUDIO	1BED	2BED	3BED
Downtown Portland	101	Avg market vacancy rate %	6.9	7.7	-10	7.4	6.5	7.3	5.7
		Asking rent per sq foot $	2.51	2.5	0	2.72	2.44	2.43	2.92
		Asking rent per unit type $				1189	1530	2436	5044
		Sum of units	7361	7361		2057	3643	1501	158
SW Portland	147	Avg market vacancy rate %	7.1	6.3	13	7.2	7.5	6.4	7
		Asking rent per sq foot $	2.15	2.13	1	2.83	2.35	1.9	1.71
		Asking rent per unit type $				1326	1600	1829	1986
		Sum of units	7111	7111		857	3542	2369	327
NW Portland	191	Avg market vacancy rate %	8.4	9.9	-15	8.3	8.2	8.7	12.8
		Asking rent per sq foot $	2.8	2.75	2	2.9	2.68	2.97	2.56
		Asking rent per unit type $				1296	1817	3174	3449
		Sum of units	11845	11845		3543	6051	2159	86
Inner & Central SE Portland	358	Avg market vacancy rate %	5.7	6.1	-7	5.9	5.3	6	11.2
		Asking rent per sq foot $	2.33	2.32	0	2.91	2.4	2.02	1.78
		Asking rent per unit type $				1302	1449	1806	2081
		Sum of units	12524	12524		2915	6284	3054	260
Inner & Central NE Portland	252	Avg market vacancy rate %	8	10.6	-25	7.8	8.8	6.4	6.5
		Asking rent per sq foot $	2.31	2.27	2	2.76	2.38	2.05	1.77
		Asking rent per unit type $				1295	1532	1884	2030
		Sum of units	9907	9907		2180	5167	2275	276
Outer SE (Portland)	242	Avg market vacancy rate %	5.9	5.8	2	7.7	6.4	5.3	7.2
		Asking rent per sq foot $	1.72	1.71	1	2.69	2.05	1.6	1.54
		Asking rent per unit type $				1685	1307	1443	1790
		Sum of units	8259	8259		479	2203	4944	615
Outer NE (Portland)	122	Avg market vacancy rate %	5.6	6.3	-11	4.3	4.8	5.9	6.5
		Asking rent per sq foot $	1.69	1.7	-1	3.1	1.82	1.6	1.66
		Asking rent per unit type $				1308	1221	1463	1881
		Sum of units	5029	5029		187	1551	2718	565
N Portland & St. Johns	195	Avg market vacancy rate %	7.4	9.3	-20	8.9	7	7	5.2
		Asking rent per sq foot $	2.34	2.33	0	2.96	2.42	2.04	1.81
		Asking rent per unit type $				1192	1543	1892	1817
		Sum of units	7191	7191		1812	3291	1971	116
Troutdale | Fairview Wood Village | Gresham	126	Avg market vacancy rate %	6.5	7.6	-14	6.5	7.6	5.9	6.6
		Asking rent per sq foot $	1.86	1.88	-1	2.85	2.16	1.75	1.75
		Asking rent per unit type $				1347	1475	1669	2099
		Sum of units	10118	10118		353	3034	5579	1145



(continued on page 5)

AREA NAME	# OF PROP	DESCRIPTION	ALL	FALL 2025	% CHANGE	STUDIO	1BED	2BED	3BED
CLACKAMAS COUNTY									
Clackamas	33	Avg market vacancy rate %	4.8	5.2	-8	6.7	5.1	4.7	4.4
		Asking rent per sq foot $	2	2	0	2.98	2.28	1.9	1.85
		Asking rent per unit type $				1372	1573	1836	2191
		Sum of units	5656	5656		179	1768	3061	640
Lake Oswego | West Linn	49	Avg market vacancy rate %	5	6.1	-18	4.5	5.3	4.7	5.6
		Asking rent per sq foot $	2.34	2.31	1	4.38	2.5	2.24	2.16
		Asking rent per unit type $				2046	1878	2384	2795
		Sum of units	4242	4242		133	1589	2213	306
Milwaukie	97	Avg market vacancy rate %	5	6.7	-25	10.2	5	4.6	4.3
		Asking rent per sq foot $	2.01	1.96	3	3.91	2.33	1.86	1.83
		Asking rent per unit type $				1802	1527	1713	2243
		Sum of units	5002	5002		215	1453	3024	303
Oregon City | Gladstone	50	Avg market vacancy rate %	5.9	7.5	-21	9.3	6.2	5.9	4.9
		Asking rent per sq foot $	1.88	1.87	1	3.81	2.26	1.82	1.69
		Asking rent per unit type $				1703	1561	1726	2316
		Sum of units	3610	3610		129	859	1842	735
Wilsonville | Canby	35	Avg market vacancy rate %	5.2	5.8	-10	4.6	5.3	5.1	5.4
		Asking rent per sq foot $	1.94	1.92	1	2.97	2.27	1.83	1.87
		Asking rent per unit type $				1457	1620	1779	2236
		Sum of units	4703	4703		87	1209	2706	665
WASHINGTON COUNTY									
Aloha	93	Avg market vacancy rate %	6.8	8.7	-22	8.2	6.6	6.9	7.1
		Asking rent per sq foot $	2.03	2.02	0	4.47	2.28	1.91	1.85
		Asking rent per unit type $				2293	1601	1873	2270
		Sum of units	12795	12795		255	4446	6833	1227
Beaverton	208	Avg market vacancy rate %	5.6	6.9	-19	6.3	5.6	5.5	5.7
		Asking rent per sq foot $	2.05	1.88	9	3.14	2.37	1.92	1.76
		Asking rent per unit type $				1496	1626	1816	2159
		Sum of units	17432	17432		778	5942	9183	1524
Hillsboro | N of Hwy 26	73	Avg market vacancy rate %	7	8	-13	14.5	7	6.7	6.4
		Asking rent per sq foot $	2.02	2.03	0	4.1	2.33	1.86	1.8
		Asking rent per unit type $				2075	1697	1939	2334
		Sum of units	9723	9723		304	3580	4834	949
Tigard | Tualatin Sherwood	130	Avg market vacancy rate %	5.6	6.1	-8	7	5.8	5.4	6.2
		Asking rent per sq foot $	2.02	2	1	2.96	2.39	1.89	1.79
		Asking rent per unit type $				1454	1616	1761	2159
		Sum of units	12239	12239		342	3975	6716	1202
Forest Grove | Cornelius	29	Avg market vacancy rate %	3.9	4.2	-7	2.6	4.6	3.5	5.6
		Asking rent per sq foot $	1.96	1.97	-1	2.97	2.11	1.87	1.76
		Asking rent per unit type $				1428	1399	1572	2042
		Sum of units	1216	1216		76	349	713	71



THANK YOU TO COSTAR FOR PARTNERING WITH US ON THE FALL 2026 APARTMENT REPORT

CoStar™

(continued on page 6)

YAMHILL

CLARK COUNTY

AREA NAME	# OF PROP	DESCRIPTION	ALL	FALL 2025	% CHANGE	STUDIO	1BED	2BED	3BED
McMinnville | Newberg	56	Avg market vacancy rate %	7	10	-30	12.9	6.9	5.4	18
		Asking rent per sq foot $	1.88	1.88	0	5.52	2.11	1.76	1.7
		Asking rent per unit type $				2332	1357	1587	2024
		Sum of units	2953	2953		132	467	2104	244
West Vancouver	234	Avg market vacancy rate %	5.6	7	-20	7.7	5.6	5.2	6.6
		Asking rent per sq foot $	2.02	2.02	0	3.58	4.42	1.83	1.67
		Asking rent per unit type $				1793	1714	1791	2135
		Sum of units	17000	17000		741	5955	8761	1493
East Vancouver	128	Avg market vacancy rate %	5.21	6.1	-15	5.8	5.8	4.7	4.9
		Asking rent per sq foot $	1.97	1.95	1	4.21	2.28	1.83	1.81
		Asking rent per unit type $				2119	1591	1819	2261
		Sum of units	16769	16713		583	4922	9289	1928
Total avg market vacancy rate %			***6.3***	***7.3***	-14	***7.4***	***6.6***	***5.9***	***6.3***
Total avg rent per sq foot $			***2.09***	***2.07***	1	***3.04***	***2.36***	***1.9***	***1.79***
Total avg rent per unit type $						***1397***	***1592***	***1834***	***2216***
Total sum of properties			***2940***	***2939***		***902***	***2199***	***2419***	***938***
Total sum of units			***191176***	***191120***		***18245***	***70889***	***86912***	***14748***



The #1 Multifamily Brokerage
in the Portland-Vancouver Metro

As HFO celebrates a quarter-century at the forefront of the Pacific Northwest apartment market, we remain committed to continuing our legacy of community betterment, leading the multifamily landscape with integrity into the next era.

Corporate Philanthropy Business Journal Awards

CoStar POWERBROKER TOP BROKER 2023 WINNER

RESULTS
FALL 2026 *OTHER AREAS*

AREA NAME	# OF PROP	DESCRIPTION	ALL	FALL 2025	% CHANGE	STUDIO	1BED	2BED	3BED
Bend | Redmond	99	Avg market vacancy rate %	5.4	8.6	-37	5.7	5	5.4	6.4
		Asking rent per sq foot $	2.23	2.2	1	3.44	2.82	2.03	1.76
		Asking rent per unit type $				1732	1890	1971	2214
		Sum of units surveyed	7283	7283		634	2084	3767	776
Eugene | Springfield	177	Avg market vacancy rate %	5.5	6.5	-15	6.3	5.9	5.2	5.2
		Asking rent per sq foot $	1.94	1.95	-1	2.99	2.17	1.78	1.7
		Asking rent per unit type $				1326	1485	1708	2110
		Sum of units	16966	16966		1198	5217	8852	1569
Salem | Keizer	384	Avg market vacancy rate %	5.4	5.9	-8	6.5	5.3	5.3	6
		Asking rent per sq foot $	1.69	1.69	0	2.82	1.93	1.61	1.6
		Asking rent per unit type $				1413	1335	1522	1918
		Sum of units	22193	22193		905	5426	13636	2186
Corvallis | Albany	158	Avg market vacancy rate %	3.5	3.9	-10	3.9	3.7	3.3	3.2
		Asking rent per sq foot $	1.93	1.93	0	3.21	2.21	1.83	1.74
		Asking rent per unit type $				1518	1319	1651	1966
		Sum of units	9699	9699		335	2912	5685	693
Medford | Ashland	53	Avg market vacancy rate %	5.2	7	-26	20.6	6	3.8	2.6
		Asking rent per sq foot $	1.59	1.57	1	2.72	1.76	1.52	1.46
		Asking rent per unit type $				1213	1216	1503	1870
		Sum of units	4557	4557		228	1292	2692	345
Total avg market vacancy rate %			***5.2***	***6.2***	-16	***7***	***5.3***	***4.9***	***5.3***
Total avg rent per sq foot $			***1.85***	***1.85***	0	***3.05***	***2.14***	***1.72***	***1.66***
Total avg rent per unit type $						***1442***	***1431***	***1632***	***2020***
Total sum of properties			***861***	***861***		***151***	***560***	***724***	***302***
Total sum of units			***59561***	***59561***		***3300***	***16673***	***33853***	***5470***

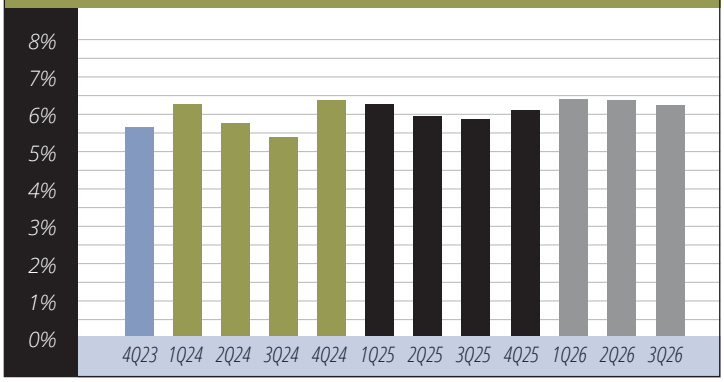


Ashland, Oregon

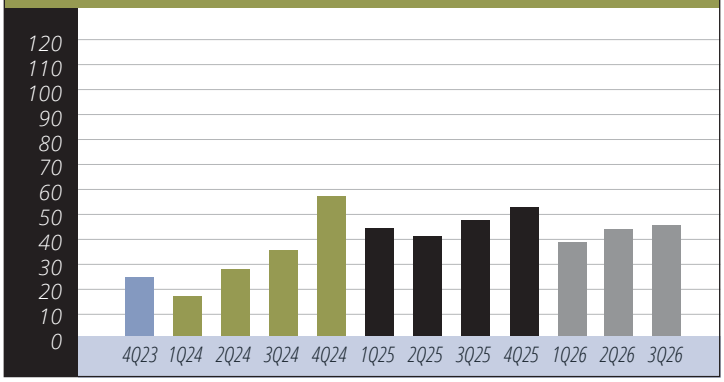
TREND REPORT
PORTLAND *METRO AREA*

CoStar: Search Criteria—Research Status: Published; Market: Portland; Prop Type: Multi Family; Sale Date: 10/1/2023–9/30/2026; unit: 5 units and greater.

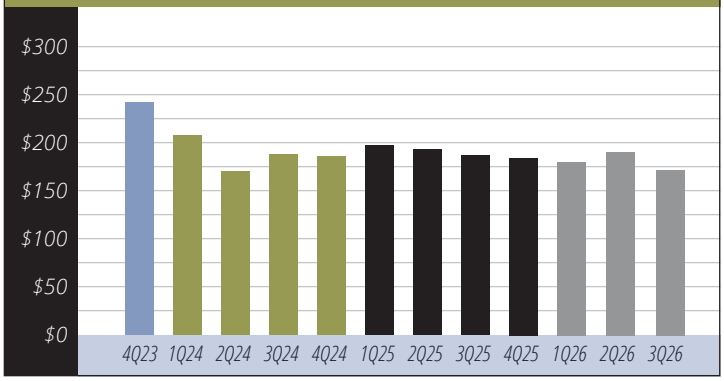
CAP RATE



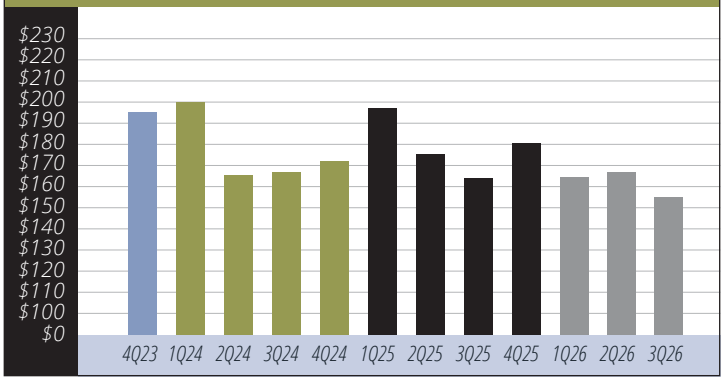
NUMBER OF TRANSACTIONS



MEDIAN PRICE PER SQUARE FOOT



MEDIAN PRICE PER UNIT *(IN THOUSANDS)*



YEAR	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
# OF TRANS	26	17	29	35	58	44	41	48	53	39	43	46
TTL $ VOLUME	$329,826,500	$277,342,500	$247,220,685	$432,615,084	$789,283,718	$476,473,000	$484,784,658	$588,433,030	$267,587,456	$326,359,504	$365,629,538	$551,673,278
TTL BLDG SF	1,308,026	1,268,510	1,650,731	1,868,807	3,465,669	2,176,416	2,153,765	3,116,017	1,332,957	1,533,701	1,730,596	3,001,534
TTL UNITS	1,363	1,231	1,512	1,997	3,913	2,274	2,234	3,336	1,389	1,708	1,968	2,661
AVG PRICE	$12,685,635	$16,314,265	$8,524,851	$12,360,431	$13,608,340	$10,828,932	$11,824,016	$12,259,021	$5,048,820	$8,368,192	$8,503,013	$11,992,897
AVG # OF SF	50,309	74,618	56,922	53,394	59,753	49,464	52,531	64,917	25,150	39,326	40,246	65,251
AVG $ BLDG SF	$252.16	$218.64	$149.76	$231.49	$227.74	$218.93	$225.09	$188.84	$200.75	$212.79	$211.27	$183.80
MED $ P/SF	$241.88	$207.26	$174.52	$188.23	$188.22	$199.90	$196.97	$194.52	$189.49	$177.97	$194.09	$174.22
AVG $ P/UNIT	$241,986	$225,299	$163,506	$216,632	$201,708	$209,531	$217,003	$176,389	$192,648	$191,077	$185,787	$207,318
MED $ P/UNIT	$193,583	$200,000	$166,025	$166,667	$170,914	$196,092	$173,611	$162,525	$179,992	$165,000	$168,750	$154,340
AVG # OF UNITS	52	72	52	57	67	52	54	70	26	44	46	58
ACTUAL CAP RATE	5.66%	6.24%	5.81%	5.41%	6.40%	6.27%	5.98%	5.88%	6.07%	6.40%	6.39%	6.32%
AVG GRM	12.94	11.36	11.88	12.98	9.39	11.33	8.71	12.74	10.56	8.36	9.29	13.21
AVG GIM	–	–	–	–	–	–	–	–	–	–	–	–

FALL 2026 APARTMENT **FUNDAMENTALS & TRENDS**

Patrick O. Barry, Barry & Associates

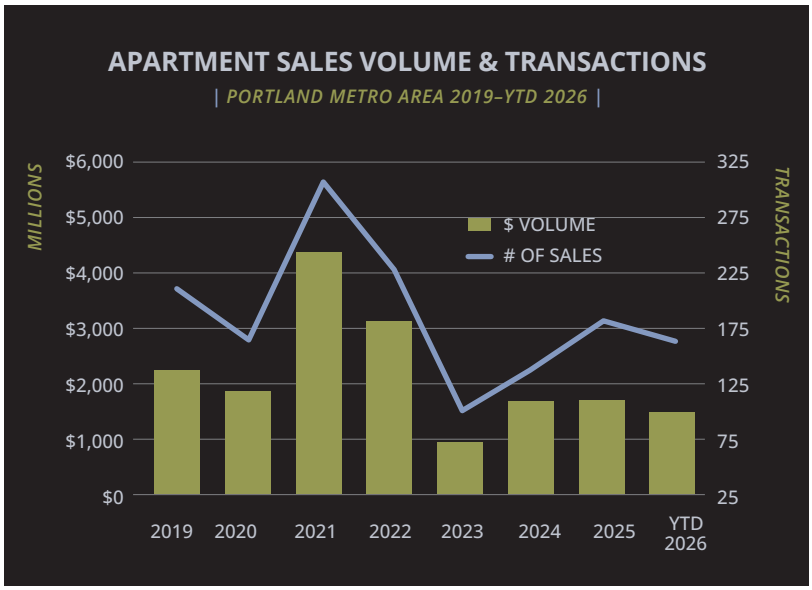


While market participants continue to look back to the strong conditions experienced from roughly 2013 through 2020, a return to that environment appears increasingly unlikely. Instead, the Portland multifamily market appears to be settling into a more typical cycle, with moderate rent growth, elevated vacancy, and more selective investment activity. Recent shifts in interest rates and borrowing costs have also impacted investor returns, placing upward pressure on capitalization rates and downward pressure on values. Overall, current conditions are felt to represent a "new normal" that is different from the prior decade, but more consistent with longer-term historical market cycles.

APARTMENT SALES VOLUME & TRANSACTIONS

During 2025, transaction activity meaningfully rebounded with around 180 sales, or a 35 percent increase over 2024. As we began 2026, there were high hopes for another increase in overall sales activity as those on the sideline reentered the market. Through September 2026, there have been around 125 sales across the four county metro area, which puts us on track for 167 total sales. While the sales activity has been somewhat of a letdown, we remain well above our record low market activity from 2023 and 2024.

While the total number of transactions show considerable variation, the total sales volume has remained surprisingly steady. Through September 2026, the metro area is on track for around $1.65 billion in sales. This figure is particularly close to sales volume in 2024 and 2025.



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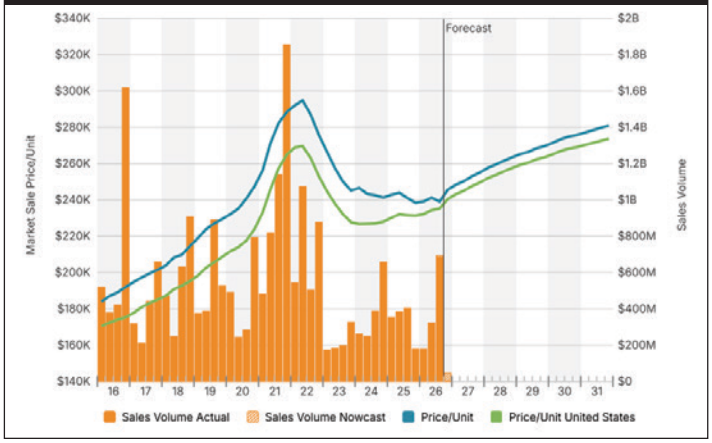
Sales volume started off particularly slowly in 2026, though increased each quarter. During most years, the fourth quarter will show the highest overall sales activity. However, there is a risk that the improving momentum could moderate during the fourth quarter. Interest rates have increased meaningfully over the past two to three months, creating renewed pressure on borrowing costs and investor underwriting. Buyers remain selective, and pricing will likely need to reflect the higher cost of capital for transaction activity to continue at its recent pace.

Investor demand remains present, but the market continues to be driven by price sensitivity. Transaction activity has held relatively steady even as sale prices have continued to trend downward, indicating that buyers are active but remain selective regarding both pricing and perceived risk. The continued adjustment in values appears to be helping bridge the gap between buyer and seller expectations, as many sellers have grown increasingly motivated.

Underwriting remains conservative, particularly given higher borrowing costs and uncertainty surrounding near-term interest rates. Properties that are appropriately priced continue to attract interest, while those based on more aggressive assumptions are likely to face greater resistance from buyers.

CoStar's latest data suggests Portland Metro apartment values remain in a period of adjustment rather than a clear recovery. After showing signs of improvement during 2025, pricing has softened again in 2026 as higher borrowing costs continue to weigh on values. One notable trend is the continued convergence between Portland Metro and national apartment values. For many years, Portland values generally remained $15,000 to $30,000 per unit above the national average. That premium has narrowed considerably and is now closer to $5,000 per unit.

SALES VOLUME & MARKET SALE PRICE PER UNIT



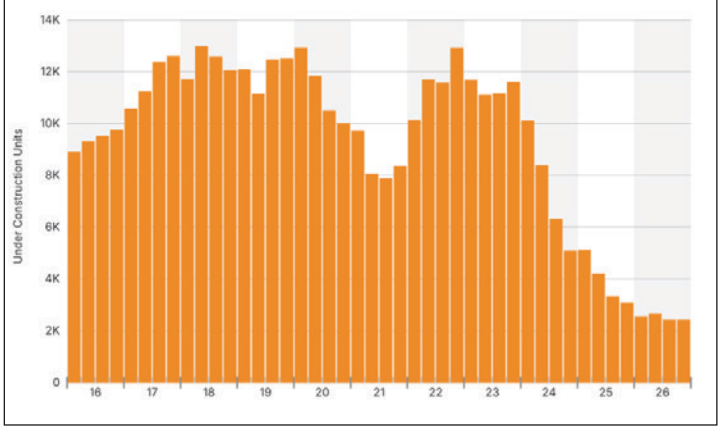
APARTMENT CONSTRUCTION

The update on apartment construction remains uneventful. Portland Metro has been experiencing declining apartment construction since early 2022, though we may have reached our low point. As of the first quarter of 2026, around 2,500 units were under construction, and as of late 2026, that figure remains roughly equal. While a flat level of construction would not typically be viewed as a particularly noteworthy indicator, the stabilization is seen as a positive given more than four years of steadily declining construction activity.

Some optimism surrounding development existed early in 2026 as rates were declining, values were ticking up, and new incentives were introduced. However, higher rates and further declines in values of newer apartments have snuffed any optimism that once existed. Replacement costs remain well above existing asset values, leaving little economic incentive to pursue new development. Eventually, tightening fundamentals will support lower vacancy, and improved rent growth will kickstart development, although it's a challenge to predict when this will occur.

The economics of new development remain difficult. Construction lenders continue to be selective, while elevated interest rates, construction costs, and achievable rents make it difficult for most projects to pencil. These challenges are reinforced by the significant decline in values experienced by recently completed properties, which in many cases are now trading well below replacement cost.

UNDER CONSTRUCTION



(continued on page 11)



As previously discussed, CoStar reports that only 2,500 units currently under construction across the metro area—levels comparable to those observed in 2011 and 2012. CoStar projects that annual deliveries will be around 2,500 in 2026 and 2027, with expectations rising starting in 2028.

VACANCY AND RENT TRENDS

As previously noted, MFNW has discontinued its traditional rental survey and is now relying on CoStar data to track market conditions. Vacancy rates have shown considerable variability in recent years. As outlined in the report herein, vacancy is currently estimated at 6.8 percent, reflecting a decrease of 120 basis points year over year. Given the limited pipeline of new supply, further increases in vacancy are not anticipated.

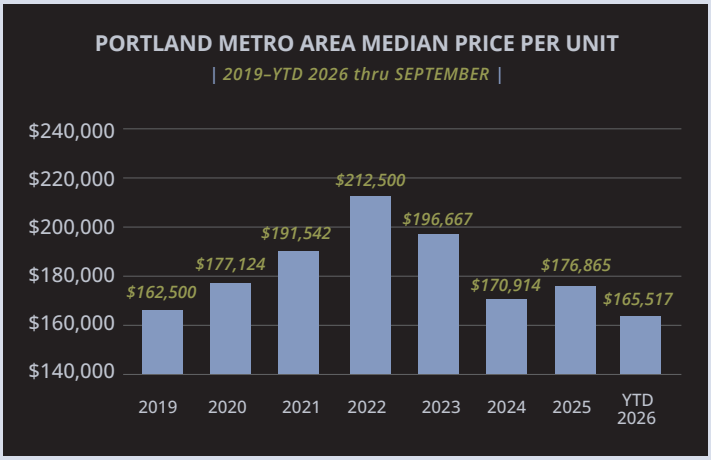
Until vacancies decrease, there will be only limited pressure on rents. CoStar reports that rents increased 1.3 percent year over year. CoStar forecasts that annual rents will increase at a rate of around 2.0 percent per year through 2031. Apartment vacancy fell almost everywhere in the Fall 2026 survey. It declined in 19 of the 22 Portland-metro submarkets and in all five of the other Oregon markets surveyed. The only exceptions were SW Portland and Outer SE Portland, where vacancy rose. The biggest improvements came in the close-in submarkets that absorbed much of the recent new construction: Inner/Central NE, N Portland/St. Johns, and NW Portland all show vacancy declines of at least 150 basis points. Even so, Inner/Central NE, N Portland/St. Johns, and NW Portland still have the highest vacancy in the metro, which suggests recently delivered projects are leasing up but haven't yet stabilized.

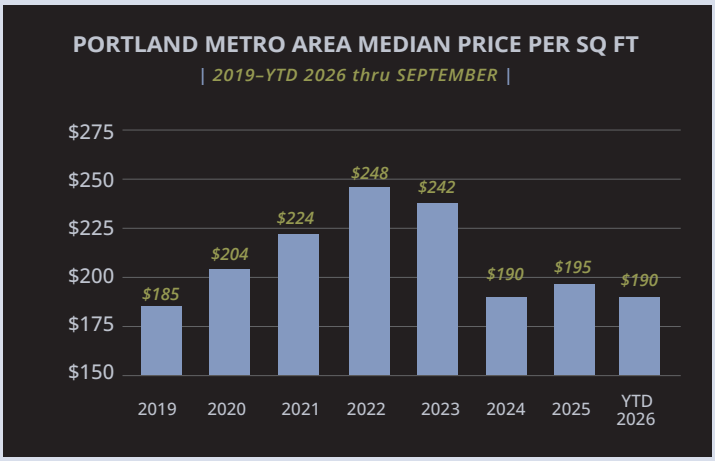
APARTMENT VALUE

Pricing in Portland Metro has been on a roller coaster in recent years. Values peaked in 2022 and by 2024 had declined approximately 20 percent on a per-unit basis and 15 percent per square foot. Pricing improved noticeably during 2025, providing some evidence that values had finally reached a bottom. The preliminary numbers from 2026, however, suggest that optimism may have been premature.

Through YTD 2026, the 125 closed sales suggest a decline in values. These 125 sales show a median price per unit of $165,517 and $190 per Sq. Ft, similar to 2024. Year over year, this represents a 6.4 percent decline on a per unit basis and 2.6 percent decline on a per Sq. Ft. basis.

Recent transaction activity should also be viewed in the context of the types of properties that have been trading. Sales over the past several years have included an out-sized share of properties with operational challenges, deferred maintenance, less desirable locations, significant value-add needs, or ownership circumstances that created greater motivation to sell. As a result, the softness in pricing has generally been influenced by assets that are not necessarily representative of stabilized, well-located properties. Meanwhile, many long-term owners of better-performing assets have remained on the sidelines, viewing current conditions as a less favorable time to sell. Recently developed properties face a different challenge, particularly as construction and permanent loans mature or require restructuring. In these cases, ownership is increasingly being forced to choose between realizing a loss and moving on or contributing additional capital with the expectation of holding through the current cycle.





As pricing has come down, buyers are becoming more focused on how a property can produce a reasonable return going forward. With limited appreciation expected in the near term, there is greater interest in properties where value can be added through better management or physical improvements. Properties with strong existing cash flow also remain attractive, particularly when the current income provides an adequate return without relying on future appreciation.

CoStar indicates that overall capitalization rates have gradually increased over the past 12 months and are currently hovering around 6.32 percent. National surveys and discussions with market participants suggest a similar trend, with cap rates generally flat to slightly increasing. Looking ahead, cap rates will likely face continued upward pressure if interest rates remain elevated, particularly if the 10-year Treasury remains near 5.0 percent. One broker reported that based on recent investor feedback, overall capitalization rates had increased at least 25 basis points since July 2026.



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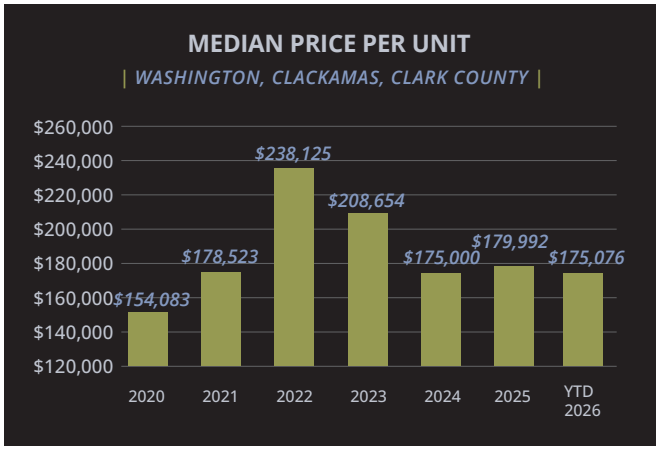
MARKET SEGMENTS
SOME HAVE FARED BETTER

Over the past three years, the change in values is highly dependent upon the submarket. The charts examine suburban apartments outside Multnomah County; new apartments in the City of Portland and outside Portland; and the historic apartments also in the City of Portland.

SUBURBAN LOCATIONS

CLACKAMAS, CLARK & WASHINGTON COUNTIES

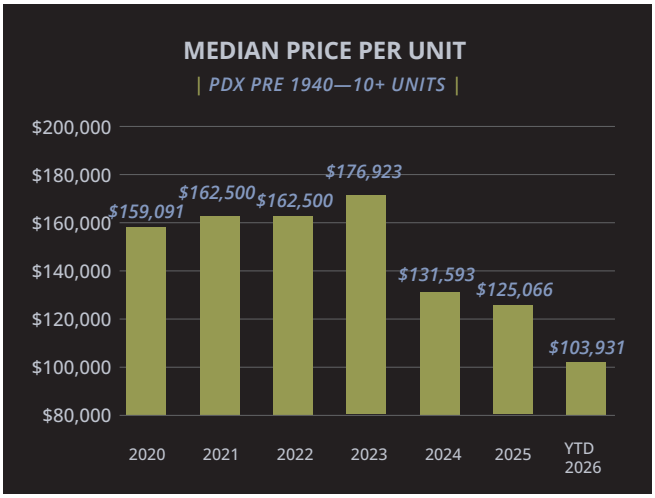
As challenges within the City of Portland have intensified, investor preference has increasingly shifted toward suburban markets. These properties have not been immune to declining values, however. After a modest increase in 2025, median pricing has fallen back to approximately $175,000 per unit in YTD 2026. Despite the decline, suburban properties continue to attract a broader buyer pool and are generally viewed as having a somewhat stronger long-term outlook than comparable assets within Portland.



HISTORIC PORTLAND *PRE-1940*

Older apartments in Portland's urban core continue to face significant challenges. Buyer demand remains limited due to high insurance and maintenance costs, smaller unit sizes, financing difficulties, and higher taxes within the City of Portland. These issues have placed considerable pressure on values, with pricing falling well below the levels seen several years ago. A growing number of these properties are also being offered for sale, suggesting that the market is still working to establish where pricing will settle.





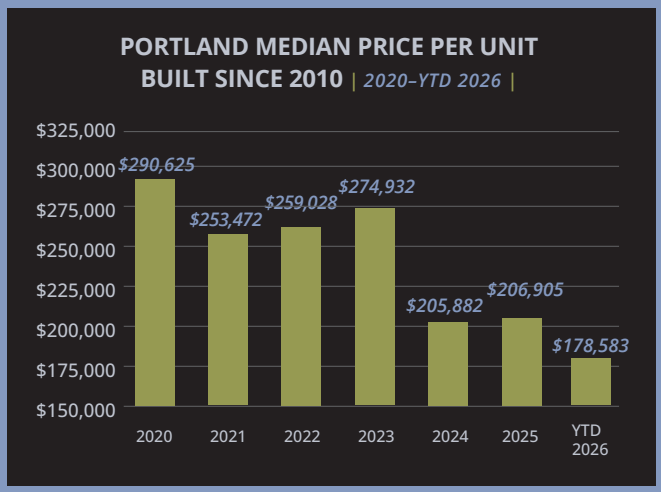
NEW APARTMENTS *PORTLAND POST 2010*

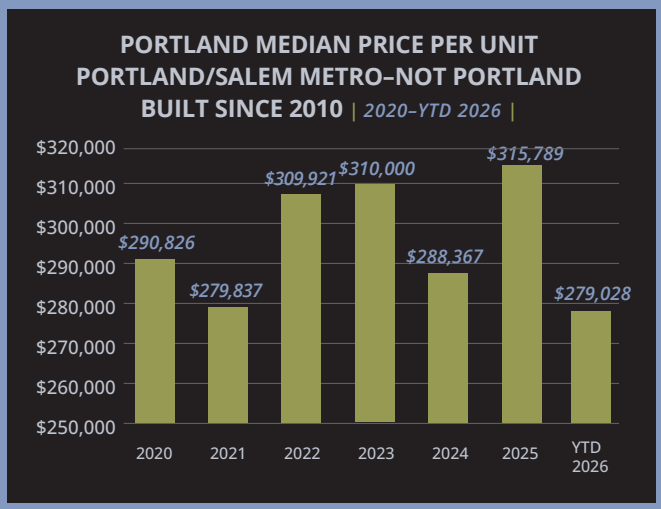
Newer apartments built since 2010 continue to face some of the strongest headwinds in the market, particularly within Portland. Median pricing within the city has fallen to approximately $179,000 per unit in YTD 2026, down from roughly $275,000 in 2023. Outside Portland, pricing has been considerably more resilient, although YTD 2026 has also shown a meaningful decline to approximately $279,000 per unit. The numbers reinforce the significant pressure facing newer Portland apartments as higher interest rates, refinance challenges, and distressed sales continue to weigh on values.

The drop in values is a major reason why new construction has faced feasibility challenges. Since 2024, the median price per unit has remained below $210,000 per unit, which is well below replacement costs. This applies to both infill projects and major institutional projects. In August 2026, the 352-unit Cyan Apartments at 1720 SW 4th Avenue sold for $173,295 per unit. Until sale prices regain significant ground and move closer to replacement cost, there is little incentive for developers to break ground on new projects.



(continued on page 13)







SUMMARY

The Portland multifamily market continues to work through a lengthy adjustment rather than moving into a clear recovery. Sales activity has improved considerably from the lows of 2023 and 2024, but values remain under pressure and higher borrowing costs continue to limit both investment and new development. The encouraging news is that vacancy is moving lower while very little new supply is being added. That combination should eventually create a healthier balance between supply and demand. For now, however, buyers remain selective, sellers are continuing to adjust expectations, and the market is still searching for firm footing.

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PORTLAND BUILT TO LOWER RENTS **THEN STOPPED BUILDING**

Eric Fruits, President & Chief Economist of Economics International Corp.



Ruth Haddox put her name on a Portland affordable housing waitlist and heard nothing for months. She found a market-rate three-bedroom instead, for $1,600 a month, or $200 less than the average income-restricted three-bedroom in the metro, according to Yardi Matrix. Her story was reported in the Wall Street Journal's article, "Portland Real Estate Is Such a Mess That All Housing Is Affordable Housing."

Yardi found in July that about 40% of Portland's market-rate apartment rents are priced within 15% of nearby income-restricted units. CoStar counts some 2,200 income-restricted apartments sitting empty—8.3% of the city's affordable stock—the highest rate since it began tracking in 2000.

Market rents stopped rising as thousands of new apartments opened during a weak economy. Meanwhile, rent limits on tax-credit units kept rising with federal estimates of area median income. Market rents will recover, while tax-credit limits will not fall.

Oregon's economy is flat, not collapsing, a situation the state's chief economist described as a "growth recession." The state has posted year-over-year job losses through 2026, while unemployment is a full percentage point higher than the national rate. The state's Office of Economic Analysis projects population growth of 0.4% a year through 2035, all of it from migration, because Oregon deaths now outnumber births. Multnomah County lost 2.6% of its residents between 2020 and 2025.

Demand alone gives little reason for rents to rise. Supply, however, does.

Kidder Mathews' Q2 2026 Portland multifamily report counted 4,215 units under construction, down 36% from 6,572 one year earlier. As fewer new units open, vacancies will fall, landlords will cut concessions, and market rents will rise above tax-credit limits. The affordable-housing providers the WSJ interviewed expect that sequence.

High borrowing costs discourage new projects. The 30-year Treasury yield recently neared 5.3%, its highest since 2002. In their August 2026 forecast, the state's economists reduced their housing-starts outlook by roughly 13% relative to their prior forecast.

Oregon's statewide rent control law will limit how fast rents rise in older buildings. The 2027 cap on increases is 10%, the statutory ceiling, up from 9.5% this year. Buildings less than 15 years old are exempt, and that newest stock is where concessions are most common today. Rents will likely recover first in those exempt buildings.

> ***Market rents stopped rising as thousands of new apartments opened during a weak economy.***

(continued on page 16)

How soon rents rise depends on migration and income growth. A rebound from the growth recession would bring higher rents sooner, though the state's baseline assumes none. Either way, today's free-rent concessions mark the bottom of the cycle, not a new baseline.

Portland adopted inclusionary zoning in December 2016, requiring new buildings of 20 or more units to set aside affordable apartments. Developers rushed to file before it took effect that February. Multnomah County permitted 7,055 housing units in 2017, the most since 1990.

Permits then fell much further in Multnomah than in neighboring counties. From 2020 through 2025, Multnomah permits averaged 54% of their 2014–2016 level. Washington and Clackamas counties, facing the same interest rates and building costs but no mandate, held at 83% and 84%. Clark County rose to 139%.

Portland also made its renter relocation-assistance mandate permanent in 2018, and Multnomah County's Preschool for All income tax took effect in 2021. Neither applies in Washington County nor in Clackamas County.

Perversely, policies adopted in the hope of making apartments affordable may end up raising market rents because those policies suppressed the construction that would have brought rents down. Ruth Haddox found her apartment because Portland had built more than it could fill. When the market tightens, the next family on that wait list will find no $1,600 alternative. Keeping market rents near subsidized rents requires creating an environment that makes building profitable, starting with the policies that made Multnomah County the region's housing-construction laggard. ■

Dr. Eric Fruits is a prominent Portland, Oregon-based consulting economist, academic, and public policy analyst. He currently serves as the Director of Economic Research at the International Center for Law & Economics (ICLE) and is the President and Chief Economist of Economics International Corp. Known for his data-driven analysis of antitrust, regulation, and state and local public finance, Fruits frequently provides expert testimony in state, federal, and international courts.



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