



TMG Multifamily MARKETPULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

Multifamily Rent Growth Slows in Q2

According to a new report from CoStar Group, the national year over year rent growth was 9.2% in the second quarter of 2022, down from 11.4% in the first quarter. These findings mark a continued downward trend in rent growth, with this now being the third quarter in a row of diminishing demand. The report also found that the vacancy rate is up 10 basis points, rising to 5% nationally.

Rents sitting at all-time highs plus the tight vacancy rate has tempered demand slightly, as potential household formations can no longer afford or find an available apartment to rent. However, making a larger negative impact on multifamily demand has been rising inflation and growing economic uncertainty that has gripped the nation throughout 2022. These factors have pushed consumer confidence to record lows, despite employment growth averaging almost 500,000 jobs a month year to date and unemployment sitting at just 3.6%.

While wages have increased dramatically in nearly all sectors, inflation and higher rents are beginning to elevate delinquency rates. With the removal of the eviction moratoriums and sheer demand for housing, this is not expected to be a long-term trend. The increase in interest rates has contributed to the rental housing demand as first-time homebuyers have been priced-out of the market and will continue to be renters. Increased construction costs and labor shortages have slowed the availability of new units coming on line 2022.

New Construction: There were 10,677 units under construction in Portland as of April, with development activity staying strong. Portland added 857 units in the first four months of 2022, representing 0.5% of existing stock.

Six submarkets had at least 500 units under construction as of the beginning of Q2; Downtown Vancouver (977 units), Gresham (666 units), Southwest Hills (572 units), Kerns/Buckman (545 units), Pearl District (532 units) and Hillside/Northwest (500 units).

[JumptoVancouverReport](#)

[JumptoPortlandReport](#)

[JumptoSalemReport](#)

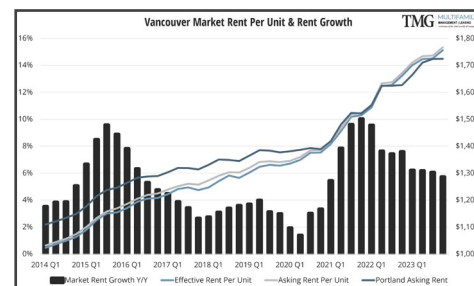
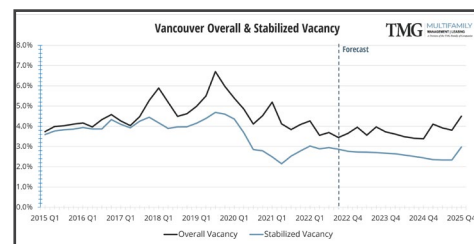
[JumptoTri-CitiesReport](#)

VANCOUVER Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
853	1,028	3.5%	9.7%

- ▶ Despite the construction surge, demand continues to outstrip delivering units, compressing vacancies.
- ▶ Strong absorption and brisk lease-up periods for new complexes has held vacancies below metro averages.
- ▶ Vancouver rents currently sit at \$1,610/unit, equivalent to larger metro rents also averaging \$1,610/unit. Over the past decade, cumulative rent gains amount to approximately 65.9% versus the larger metro growth of 53.9% over the same period of time.

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



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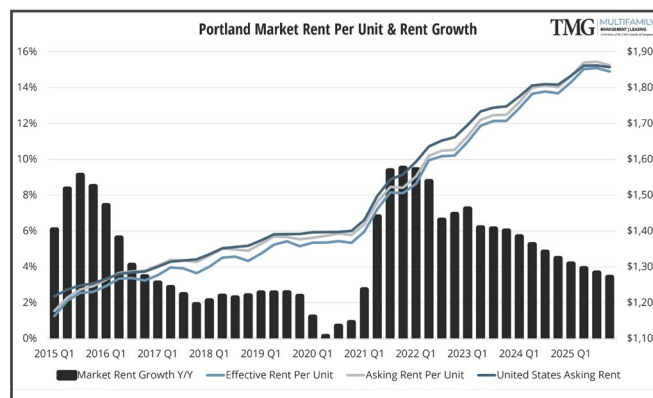
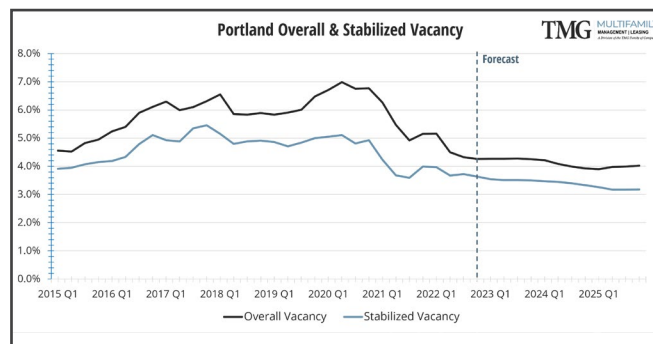
Tri-Cities
30 S Louisiana Street
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PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
3,874	5,932	4.4%	8.6%

- ▶ Relocation to the Portland-Metro area continues to drive rental demand going into the third quarter of 2022, with a year-over-year growth of 0.4% ahead of the national 0.2% over the same period.
- ▶ Market rent has reached \$1,610/unit per month, reflecting year-over-year growth of 8.6%, compared to the national average growth of 9.1%.
- ▶ Absorption has exceeded deliveries over the past year, and vacancies in the coming quarters are project to remain well below 4%, giving landlords major pricing leverage. Resulting rent growth is forecast to continue to post near double-digit figures on a year-over-year basis.

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

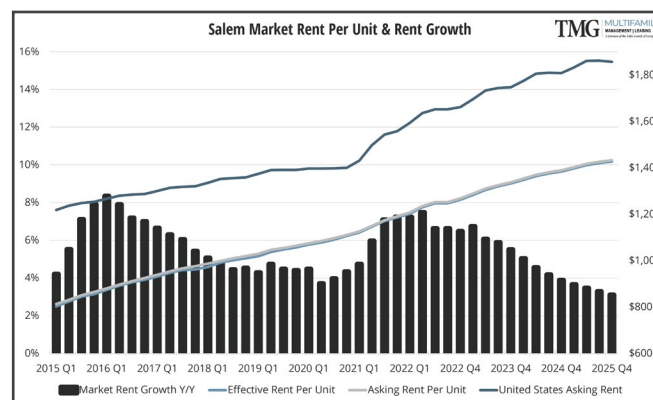
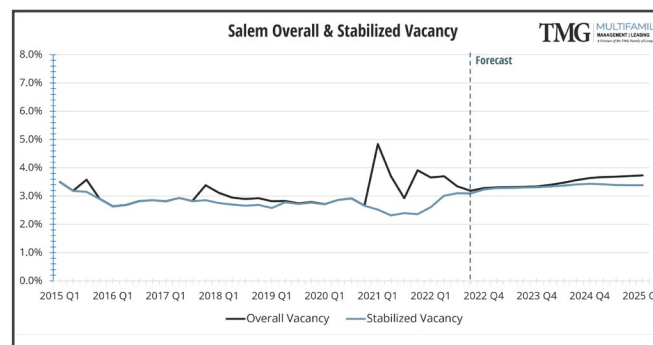


SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
462	334	2.8%	7.4%

- ▶ Continued demand in Oregon's capital city has fueled strong rent growth and cumulative rent gains over the past 10 years.
- ▶ Salem's vacancy rate has remained under 6% for over a decade. Going into the third quarter of 2022, Salem's 2.8% vacancy rate is below the current national average of 4.9%.
- ▶ Rent growth in the Salem market equates to 7.3% year-over-year. Average yearly rent growth over the prior five years equates to 5.3%, eclipsing the national index of 4.4%.

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

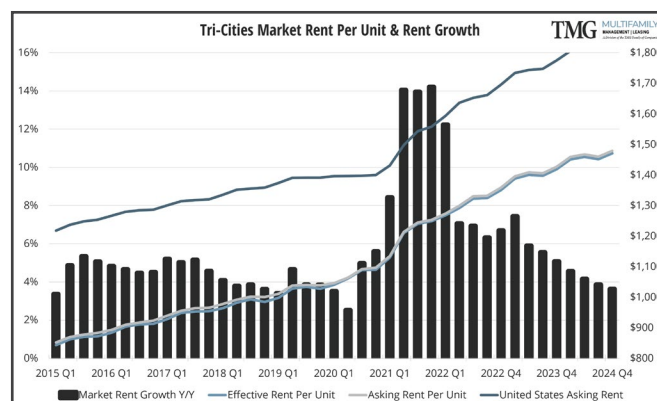
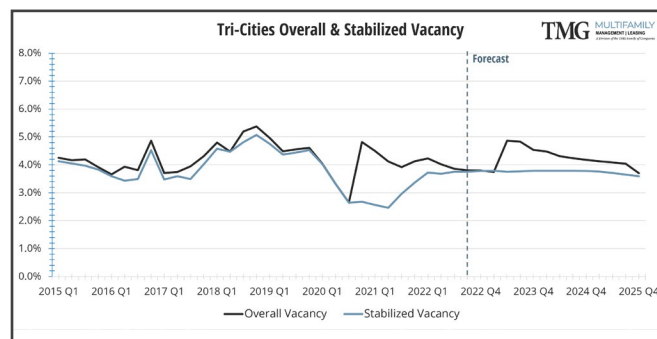


TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
0	15	4.0%	7.6%

- ▶ Rent growth accelerated last year, reaching double digits, but this growth has decelerated.
- ▶ Average market rents are growing slower than the rest of the nation. Rents rose 7.4% over the past 12 months, compared to a national average of 9.5%.
- ▶ Average monthly rent now sits at \$1,310/unit, with a wide range between 1 & 2 star rents, which average \$1,010, and 4 & 5 star rents, which average \$1,580.
- ▶ 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](#)



Legal Updates:

Washington: The following became effective on June 9th, 2022:

- **SSB 5749 – Methods of Rental Payments:** Landlords are required to accept a personal check, cashier's check, or money order for any payment of rent made by a tenant by mail, unless an accessible onsite location to pay rent is available or unless the landlord or landlord's agent has received a rent check from the tenant in the previous 9 months that was returned for insufficient funds or account closure.
- **ESHB 2064 – Security Deposit Options:** Creates requirements around the use of security deposit alternatives and provides transparency of the product to tenants including maximum insurance coverage, and clearly identifies tenants remain liable for unpaid rent and damages, despite paying a "fee in lieu of a security deposit." This means that the property is the insured and the leasing consultants are considered the insurance agents. There is no real direct relationship with the insurer and the tenant.

Oregon: The following became effective the moment it was passed:

- **SB 1536 – Emergency Heat Relief Bill:** Signed into law on March 24, 2022 amending the Oregon Residential Landlord Tenant Act to limit restrictions on renter use of portable cooling devices from May to September of each year. It also requires that housing providers provide cooling devices in new construction.

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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