



# TMG Multifamily MARKET PULSE

## A Snapshot of the Pacific Northwest Multifamily Housing Market

Vancouver and Tri-Cities' vacancy rates are slightly down from Q3. Portland had a negligible increase, while Salem, still enjoying the lowest vacancy rate among the four markets, had the highest increase in vacancies since Q3. The Salem and Tri-Cities markets were still producing rent growth at 1.5% and 2.1% respectively. Vancouver enjoys an above-average rent over the Portland/Metro markets at \$1620 per unit. However, Vancouver's negative rent growth is the highest at 2.5%.

Incentives and concessions have been at play since Q2, along with reduced security deposits and other move-in costs. The slowdown in absorption, combined with extended lease-up times for new construction projects, is leading investors to offer significant concessions. This, in turn, is impacting stabilized properties, which are offering concessions to remain competitive in the market.

All markets saw a decrease in delivered units for Q4, except Tri-Cities, which experienced a 7% increase. Developers are waiting in the wings with approved projects in all markets. However, construction financing is challenging. Lenders will continue to underwrite very conservatively, basing their assessments on current market conditions rather than future growth expectations.

The Freddie Mac Multifamily 2024 Outlook projects an expected gross income growth of 2.1% for the year; *"The Outlook indicates an elevated multifamily supply pipeline, with peak completions predicted in 2024, will moderate potential rent gains, which are expected to be positive in the year ahead, although below longer-run averages. The Outlook also forecasts 2024 vacancy rates will be modestly higher than average but notes a more stable interest rate environment could help spur transaction volume in 2024, with demand for rentals driven by prevailing demographic trends and expensive for-sale housing"*. Despite a predicted peak year for deliveries, vacancy rates are expected to remain relatively stable in 2024 at 5.7%, 40 basis points higher than the 2000 to 2022 average.

**Comment:** All four markets were affected by the very recent ice, snow, and windstorms. Many properties had severe exterior and interior damage. The aftermath will involve some large capital expenditures and related insurance claims, as well as vacancy loss due to "down" units being restored.

*2024 is going to be a bumpy ride!*

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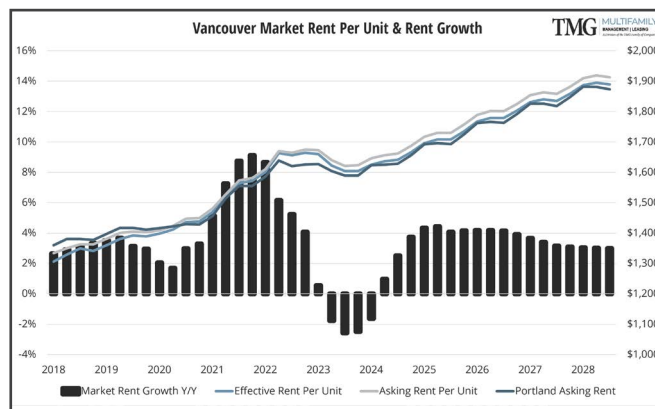
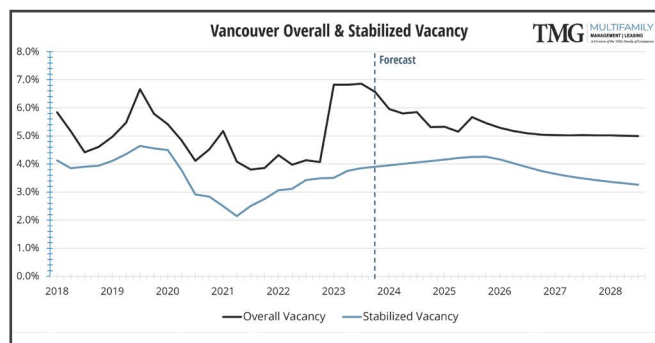
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# VANCOUVER Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
<b>2,965</b>	<b>1,426</b>	<b>8.2%</b>	<b>-2.5%</b>

- ▶ Trailing 12-month net deliveries have pushed vacancies to 8.2%, a one-year change of 3.9%. For reference, average vacancies over the past five years equate to 5.6%.
- ▶ Rent growth has reactively slowed as landlords compete for tenants and lose some pricing power. Resulting annual rent growth of -2.5% has corrected sharply from its ten-year peak of 9.1% achieved in mid-2022.
- ▶ Vancouver rents of \$1,620 per unit are slightly above the large Portland-metro area average, and cumulative rent gains are still comfortably outpacing the larger metro growth.

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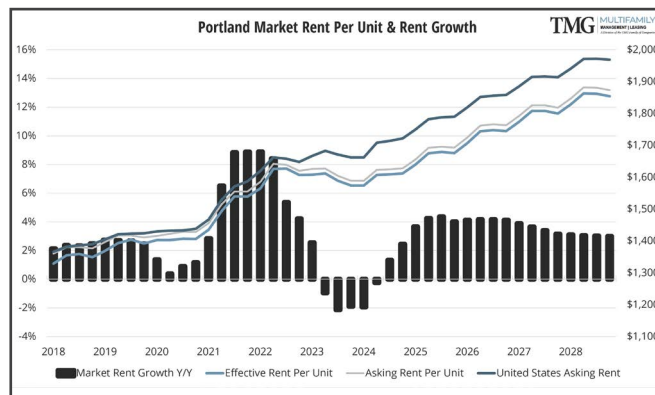
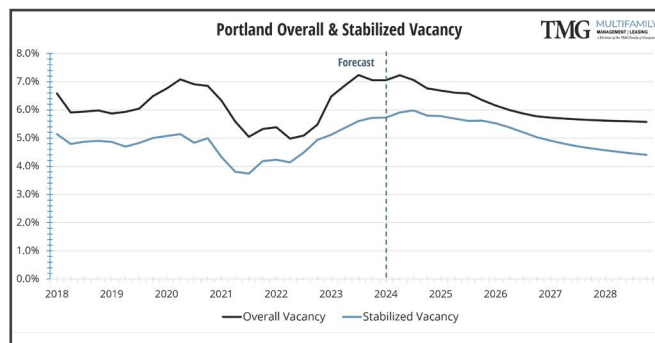


# PORTLAND Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
<b>6,932</b>	<b>3,068</b>	<b>7.1%</b>	<b>-1.9%</b>

- ▶ 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 7.1% 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 \$1,590 per unit, reflecting year-over-year growth of -1.9%, compared to the national index posted average growth of 0.8% over the same period.

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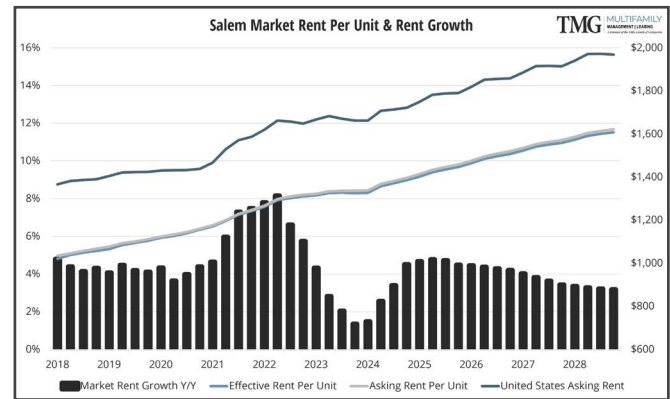
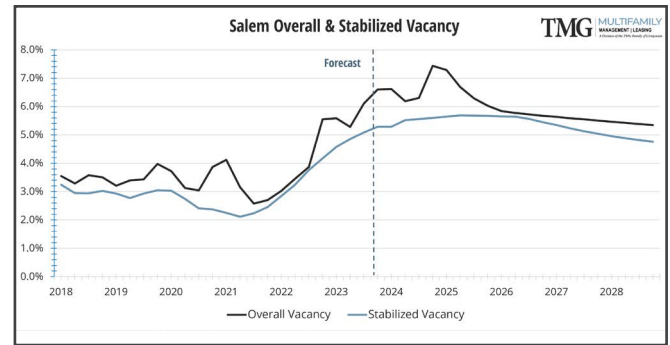


# SALEM Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
<b>707</b>	<b>356</b>	<b>6.6%</b>	<b>1.5%</b>

- ▶ A relatively tight, but growing apartment market in recent years has positioned Salem's vacancy rate near 6.6%, compared to the current national index of 7.5%, 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 \$1,340/month per unit, well below the national index of \$1,660/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
<b>534</b>	<b>586</b>	<b>7.4%</b>	<b>2.1%</b>

- ▶ With a wave of construction significantly outpacing demand, the vacancy rate for market-rate apartments has risen dramatically.
- ▶ The overall vacancy rate sits at 7.4%. 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 \$1,350/month per unit, compared to the national benchmark of \$1,660/month per unit.

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