



TMG Multifamily MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

Are things looking up? It may not “feel” like it but overall, the markets in all four areas have improved slightly over Q4 2023.

Vancouver had a significant decrease in delivered units, causing a reduction in vacancy from 8.2% in Q4 2023 to 7.1% in Q1 2024. Vancouver’s 12 month asking rent, while still in negative territory, gained a few points from a -2.5. to a -1.7.

Portland also had a reduction in delivered units causing a slight decrease in vacancy rate but a significant improvement in the 12 month asking rents from a -1.9% to a -.05%.

Higher-end properties (4- & 5-star) face higher vacancy rates and concessions compared to lower-rated properties (1-, 2-, or 3-star), attributed to economic conditions and housing affordability. This may turnaround in future quarters as potential homebuyers (higher wage earners) continue to be driven to the rental market as interest rates remain high and single-family home inventory remains low.

Concessions and reduced asking rent are still at play, especially on new deliveries. As I mentioned last quarter, concessions and incentives on higher end properties impacts stabilized properties, prompting some to also offer concessions. Lease-up absorption continues at a much slower pace than the highs of 2021- 2022.

It’s intriguing to see Salem and Tri-Cities maintaining positive asking rent growth despite experiencing minor changes in vacancy rates and delivered units. Salem’s consistent performance, despite its lower average rent compared to other areas and national averages, underscores its resilience in the real estate market. Traffic has picked up in all four areas, as is seasonally expected, but again at a slower pace than in the last 2 years. The reported exit of population from Portland-Metro contrasts with potential in-migration to Vancouver and Tri-Cities. These two areas appear poised to continue to absorb additional units in 2024.

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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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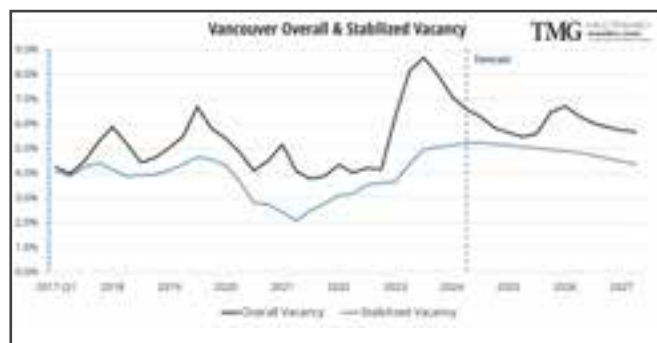
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VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,698	1,270	7.1%	-1.7%

- ▶ Annual rent growth of -1.7% has corrected sharply from its 10-year peak of 9.0%.
- ▶ While buyers remain opportunistically active across a range of newer and smaller assets, total sales volume over the preceding 12-month period of \$194 million is trending well below the previous five-year peak of \$946 million.
- ▶ 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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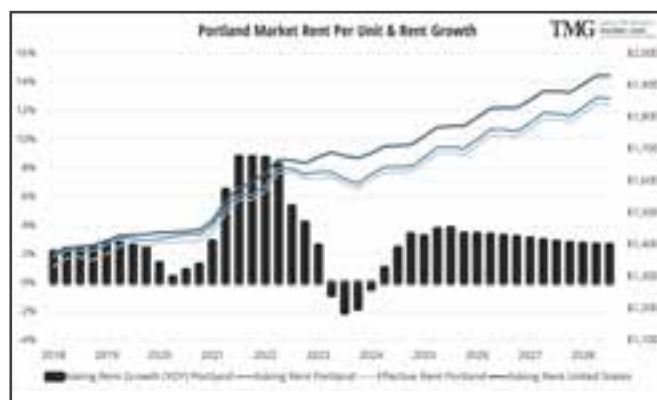


PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
5,554	3,772	6.9%	-0.5%

- ▶ On a trailing 12-month basis, entrenched weak demand is even more visible. Absorption as of the second quarter of 2024 totals 3,800 units, and 5,400 new units have delivered in the past year.
- ▶ Minimal new construction and tenant relocations for affordability reasons have boosted occupancies slightly.
- ▶ Vacancy rates for 4 & 5 Star properties have climbed to 9.0%, while 1, 2, and 3 star vacancies equate to 6.2% and 5.4%, respectively.

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Portland, OR 97224

Salem
698 12th Street SE, Ste. 240A
Salem, OR 97301

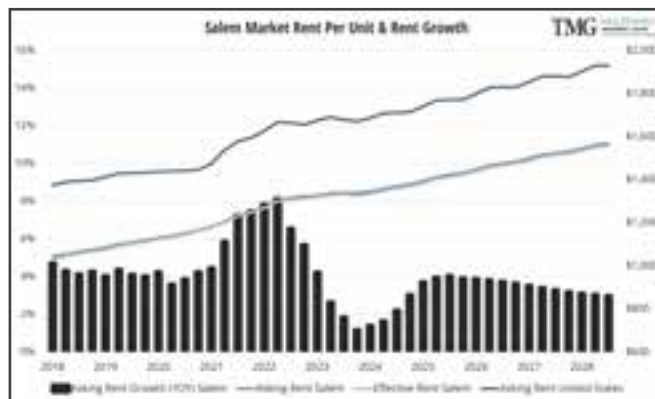
Tri-Cities
30 S Louisiana Street
Kennewick, WA 99336

SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
679	426	6.8%	1.4%

- ▶ Trailing 12-month absorption equates to 440 units, versus Salem’s 10-year average rate of 500 units.
- ▶ Salem’s multifamily vacancy rate is currently hovering around 6.8%, a result of a steady string of larger deliveries over the past two years. As of Q1 2024, cumulative rent growth over the past 10 years of 60.7% significantly outpaces the national performance of 39.4%.
- ▶ The region’s average asking rent of \$1,340/month is also well below the National Index of \$1,690/month, and this adds to the metro’s relative affordability.

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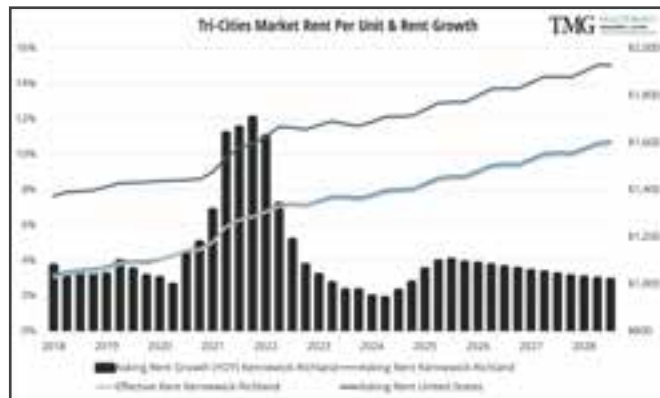


TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
515	555	7.7%	1.9%

- ▶ The vacancy rate in the Tri-Cities has been as low as 3.7% in 2020. Since then, a wave of construction and hotel conversions were not met with enough demand to keep vacancies from increasing, and the overall vacancy now sits at 7.7%.
- ▶ Average market rent in the metro sits at \$1,370/month. The market’s 12-month rent growth now sits at 1.7%, down from an all-time high of 12.0%, reached in 2021.
- ▶ About one in five existing market-rate apartment units in the area have been completed in the past 10 years. Average market rent sits at \$1,350/month per unit, compared to the national benchmark of \$1,660/month per unit.

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