TMG Multifamily MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

At first glance, the vacancy numbers for Q2 are a bit shocking! As you dig deeper into the reports for all markets, there are reasons behind those numbers. Once parsed out, they show a more positive path forward for lower vacancies and higher rent growth (albeit slower than 2022-2023) in Vancouver, Portland, Salem, and Tri-Cities.

Portland had an 11% increase in delivered units from Q1 to Q2 and a 34% increase in absorption for the same period. Vancouver had a 4% increase in delivered units and a 19% increase in absorption. Salem exhibited the largest increase in delivered units over Q1 with an increase of 49% and an absorption of 42%. Tri-Cities had a 43% increase in delivered units with a 12% increase in absorption. It is notable that Pasco makes up 540 of the newly delivered units for Tri-Cities and more in that area are proposed.

All markets except Vancouver are in positive asking rent growth with Tri-Cities leading at 2.4%. Vancouver is one of the PNW markets that has continuously shown increased population growth as well as apartment inventory that trends towards luxury, specifically at the Vancouver Waterfront. Vancouver will likely exhibit a positive asking rent growth in Q3 as the summer leasing season heats up. Vancouver's average rent increased from $1,620 in Q1 2024 to $1,670 in Q2 2024 and is slightly higher than Portland Metro.

Concessions are still prevalent and have increased in both the number of properties offering concessions as well as the dollar amounts of those concessions. The industry standard of offering a 1 month rent concession for properties in lease-up is still going strong and many have stretched that to 2 months. The number of lease-ups offering concessions has prompted some stabilized properties to do the same, especially those that are in locations with multiple new lease-ups. However, the concession amounts for stabilized properties appear to be limited to "specials" and are less than 1 month's rent.

Delinquencies were up slightly in all markets in June 2024 over May 2024. However, Q1 2024 had higher delinquent amounts overall than Q2 2024. As the economy battles inflation, we may see a continuing uptick in delinquencies.

Properties are getting no relief from increasing expenses. Property taxes, insurance, replacements for carpet, LVT, and products like doors, paint and general supplies have all increased. This is in addition to the increased onsite wages that began a fast trajectory in 2020 and continue, although onsite wages are leveling out in tandem with overall employment numbers.

While current vacancy rates may seem high, the projected decrease in delivered units for late 2024 and 2025 should increase demand overall, reducing vacancy rates. Class A units in some markets may be negatively affected if the home sales market catches fire later this year.

Jump to Vancouver Report | Jump to Portland Report | Jump to Salem Report | Jump to Tri-Cities Report

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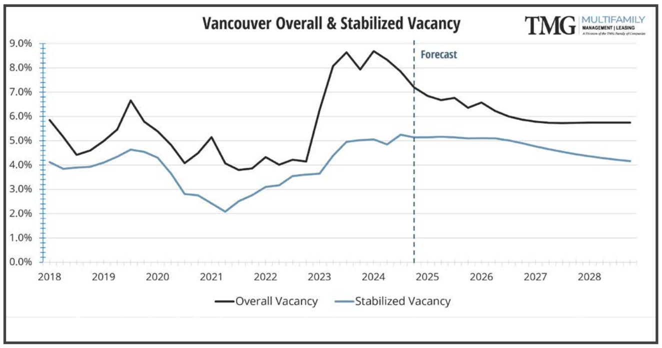
VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,773	1,562	8.3%	-0.5%



- Rent growth reactively slowed as landlords competed for tenants during 2023 and lost some pricing power. However, trailing 12-month growth now equates to -0.5%, above the five-year low mark of -2.3%.
- Over the past year, net deliveries have slowed and equate to 1,800 units, which has brought vacancies of 8.3% down, for a one-year change of 0.2%. Average vacancies over the past five years equate to 5.8%.
- Vancouver rents of $1,670/month are slightly above the larger metro average.

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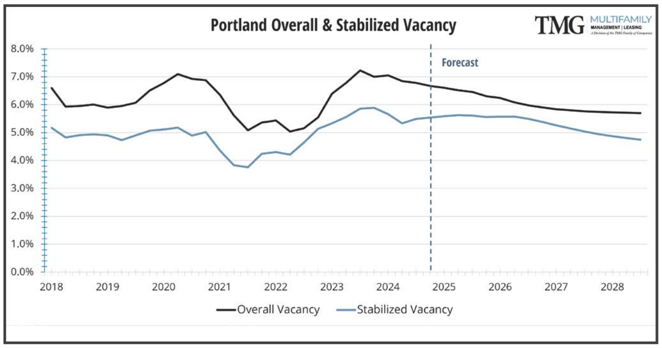
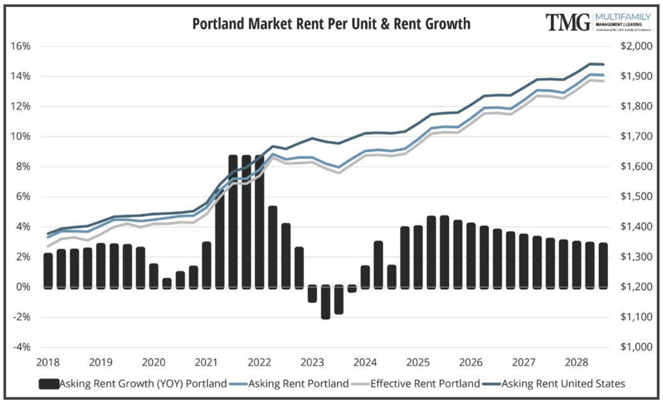
PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
6,179	5,699	6.8%	1.3%



- As the entrenched weak demand that plagued the market over the past 18 months bottoms out, trailing 12-month absorption now totals 5,700 units, a drastic increase from the 1,700-unit low mark in 23Q2.
- Portland's 5,900 units currently underway represent a 40% drop from the previous three-year high mark of 12,000 units reached in late 2022.
- As the previously heavy imbalance witnessed from mid-2022 to mid-2023 recalibrates, vacancies of 6.8% have inched below their previous 10-year high of 7.2% in mid-2023.



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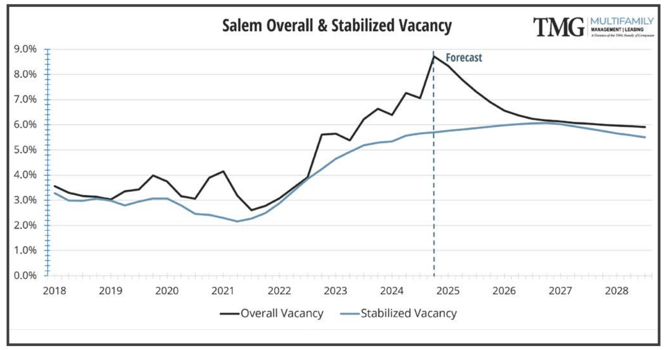
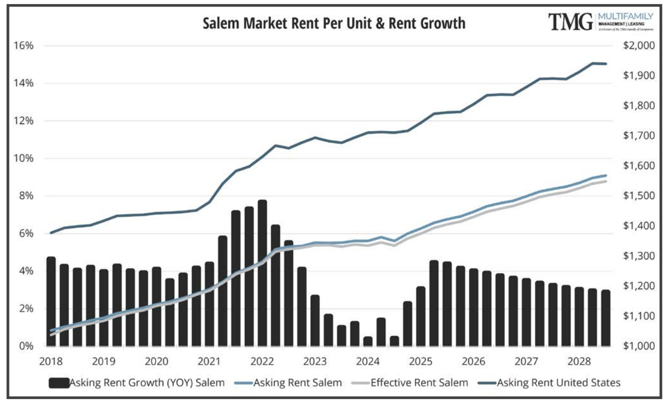
SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,335	**736**	**7.3%**	**0.4%**

- ▶ While absorption remains below its mid-2021 peak of 1,300 units, trailing 12-month activity of 740 units runs ahead of the five-year average of 550 units.
- ▶ Salem's multifamily vacancy rate is currently hovering around 7.3%, reflecting a one-year change of 1.8%.
- ▶ Annual rent growth of 0.4% reflects the lowest performance mark over the past decade. Still, cumulative growth over the same period of 57.8% significantly outpaces the national performance of 39.6%.





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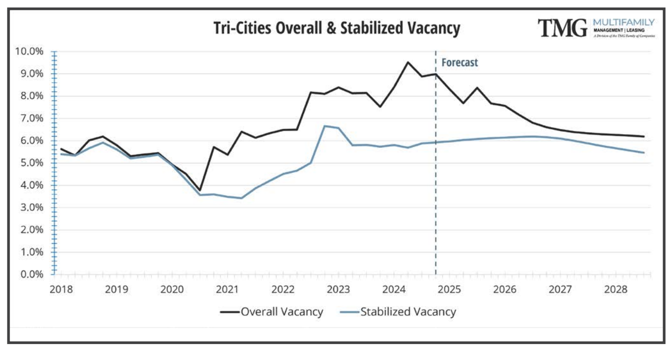
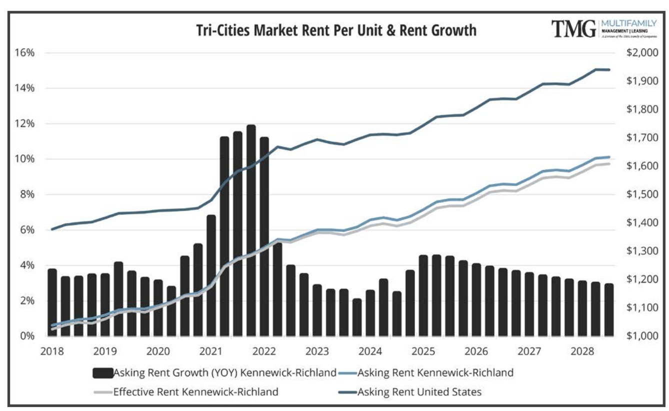
TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
897	**634**	**9.5%**	**2.4%**

- ▶ In the Kennewick-Richland multifamily market, developers added about 900 units over the past 12 months, while households absorbed 630 units.
- ▶ Rents have steadily risen in the Tri-Cities, and rent growth over the past 12 months came in at 2.4%. That compares to the national benchmark of 1.0% over the same period.
- ▶ The Tri-Cities is expected to outpace the nation and other Pacific Northwest metros for economic growth, and the population is projected to expand more rapidly on a percentage basis than that of the nation. Along with strong income growth, this could push the average rent growth close to the metro's 10-year average of 4.5% within the next two years.





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