TMG*Multifamily* MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

Year-over-year rent growth continues across all markets, with vacancy rates remaining within a few basis points of Q3 levels. Current projections suggest that vacancy rates are approaching their peak, driven by the completion of the majority of new housing deliveries and a significant reduction in anticipated new construction starts.

An analysis of rents by unit type in all 4 markets reveals that studios achieve the highest per-square-foot (PSF) rent; however, the oversupply of vacant studios surpasses all other unit types. In recent years, developers have significantly increased the inclusion of studios in their projects, leveraging their high PSF rent potential. Despite this, studios historically experience higher vacancy rates during economic uncertainty compared to other unit types.

Luxury multifamily developments continue to outpace mid-tier (3-star) projects, with one-month concessions standard in all markets. In densely clustered areas, concessions of two to three months are increasingly common to increase absorption. The increased dollar value of concessions coupled with reduced qualifications in some luxury properties is beginning to draw tenants from mid-tier properties.

Delinquency rates increased across all markets in Q4, which aligns with seasonal trends.

Despite the supply shock, the multifamily sector demonstrated resilience in Q4 with a 0.2% increase in effective rent and only a 10-basis-point (bps) rise in vacancy rates. As new completions are expected to slow in 2025, vacancy rates are anticipated to decline further, with stronger rent growth projected in the coming year.

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

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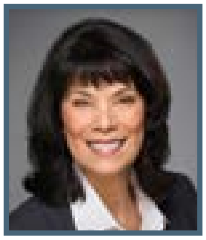

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VANCOUVER*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,715	**1,640**	**7.8%**	**1.6%**

- Rents of $1,680/month have eclipsed the larger metro average rate of $1,650/month. Cumulative rent gains in Vancouver amount to approximately 44.2% over the past decade, comfortably outpacing metro growth of 36.8%.
- Higher-end supply has primarily delivered on the south side of the submarket over the past two years, particularly clustered south of downtown, near the transforming waterfront area. More additions are forthcoming as developers target wealthier renters who want to be located close to upscale amenities with an easy drive across the river into Portland.Asking rents in Vancouver have grown by 1.6% annually as of the first quarter of 2025, which is a drop from the 10-year high mark of 8.7% achieved in mid-2022.
- As of the first quarter of 2025, there are 900 units under construction, which make up a healthy amount of the Portland metro's total pipeline of 4,000 units. These projects will expand existing inventory in Vancouver by around 2.3%.

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PORTLAND*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
7,957	**6,464**	**7.4%**	**1.1%**

- With entrenched weak demand that plagued the market over the past 18 months dissipating, trailing 12-month absorption now totals 6,500 units, a drastic increase from the 1,800-unit low mark in 23Q2.
- New supply impacts will be felt differently by quality segment. With around four luxury units under construction for every 3 Star units in the pipeline, heavy future competition is likely to put concentrated downward pressure on rent growth at high-end offerings. Additionally, vacancy rates in the 4 & 5 Star segment are nearly 300 basis points above metro averages. Given elevated construction activity, Northwest Portland, Southeast Portland, and Southwest Portland will grapple with much longer runways to equilibrium, particularly at the top of the quality range.
- Oregon's statewide law regarding annual rent increases was just amended to cap rents at a maximum 10% increase. However, this rent increase cap is a premium to the metropolitan area's historical average performance of 2.4%.

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SALEM*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
998	898	6.4%	1.3%

- Absorption in Salem remains below its mid-2021 peak of 1,300 units, but trailing 12-month activity of 900 units now runs ahead of the five-year average of 650 units by a large margin.
- Salem's vacancy rate is currently hovering around 6.4%, reflecting a one-year change of 0.2%. While vacancies could have more room to run, slowing construction starts and stabilizing leasing suggest rates are close to a ceiling.
- Over the past decade, cumulative rent growth in Salem has reached 56.7%, versus the national performance of 37.3%.

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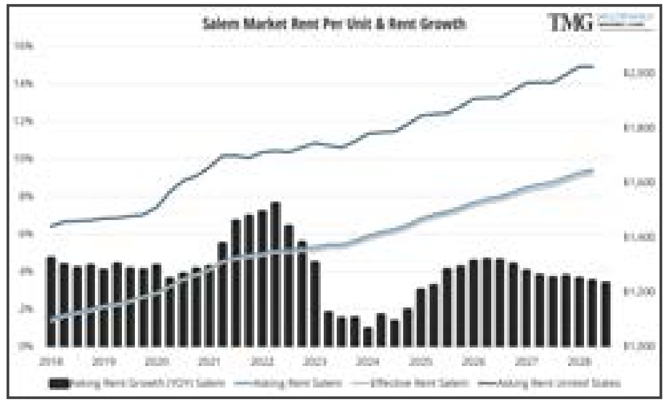

TRI-CITIES*Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,094	908	8.3%	2.8%

- The Tri-Cities' vacancy rate remains elevated at 8.3%, having risen from a low of about 3% in 2021 to above 8% by the middle of 2022. Since then, vacancy has generally hovered between 8% and 9%, with spikes attributed to periods of increased completions.
- The pace of absorption makes the Tri-Cities the fastest growing small metro west of Colorado. The number of units under construction in this region is also the highest among those metros. Despite the elevated pace of new construction, the strong absorption that the market has led to strong rent growth. Over the past 12 months, the average asking rent in the market increased by 2.8%. That compares to a national rate of 1.0%. With the pace of construction starting to slow, rent growth in the Tri-Cities could accelerate, and it should remain one of the top small metro areas in the country by this measure.
- Access to job opportunities and a strong entrepreneurial spirit have boosted apartment demand as residents move to the area. Metros in Central Washington have seen the strongest job growth in the state, with the TriCities and neighboring Yakima topping that list. As a result, the Tri-Cities continues to see an influx of residents.

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