



A Snapshot of the Pacific Northwest Multifamily Housing Market

Q4 2025 reflected a market in transition across the Pacific Northwest—marked by moderating supply, uneven demand, and continued caution from both renters and developers. While there were pockets of stabilization and even improvement, broader economic and political uncertainty continued to shape leasing behavior, pricing strategies, and construction activity.

Across the region, new supply has meaningfully slowed. In Portland-Metro, construction activity has downshifted dramatically from its recent peak—only 1,900 units were underway in Q4 compared to 12,000 at the height of 2022. Fewer than 500 units started in three of the past four quarters, positioning 2025 as the lightest delivery year since 2011. This deceleration is beginning to rebalance supply and demand, with Portland absorbing 4,946 units over the past 12 months and vacancy moving down to 7.3%, even as asking rents remained slightly negative at -1.1% year-over-year.

Vancouver/Clark County continues to be a standout submarket relative to **Portland**. Despite trailing rent growth of -0.4%, vacancy remains lower at 6.5%, and annual absorption of approximately 1,265 units is approaching its five-year average pace. Vancouver’s apartment inventory has grown by 51% over the past decade—outpacing the broader metro—yet strong population inflows are expected to allow demand to outpace new additions into 2026. While CoStar indicates that rent declines have likely reached their low point and may gradually normalize over the coming quarters, our on-the-ground experience suggests a more cautious outlook in the near term.

Salem remains the region’s most steady and predictable performer. With a vacancy rate of 5.8% and modest rent growth of 0.7%, the market is showing signs of balance. Trailing 12-month absorption of roughly 695–700 units sits above the five-year average, and with fewer competing deliveries expected over the next 18 months, rents may firm in the mid-term. Notably, Salem has achieved cumulative rent growth of 47.4% over the past decade—well above the national benchmark of 32%.

In the **Tri-Cities**, fundamentals remain solid despite recent softening. Over the past year, 565 units were delivered while approximately 600 renter households were absorbed, indicating healthy demand. Vacancy currently sits at 7.7%—slightly above its 10-year average of 7.0%—with the highest vacancy concentrated in the 4 & 5 Star segment (8.3%), compared to 4.5% in the more affordable 1 & 2 Star tier. After adding roughly

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2,000 units over the past three years, construction has slowed sharply, with only a handful of units currently underway—setting the stage for tighter supply conditions ahead.

Leasing Conditions and Traffic

Leasing traffic remains the most significant concern across markets. While seasonal winter slowdowns are expected, the softness has extended further into early 2026 than typical. Economic uncertainty and shifting consumer confidence appear to be driving a more cautious renter mindset. As a result, concessions remain prevalent in most markets—often up to two months free, supplemented by additional incentives such as move-in credits or appliances/TVs—particularly in lease-up communities. Salem continues to be the exception, where concessions are more restrained.

Homebuying Impact

Homebuyer activity has begun to reemerge as mortgage rates stabilized to more “workable” levels for many higher-income renters. This trend became visible in October, softened during the holidays, and is now gaining momentum again in early 2026. We expect Vancouver and Tri-Cities to feel the greatest vacancy pressure from this shift, given their relative affordability and growing single family inventory.

Delinquency Trends

Delinquencies increased across all markets in January, consistent with post-holiday spending patterns. Historically, these levels tend to normalize as we move through the first quarter, and we anticipate a similar trajectory this year.

Outlook

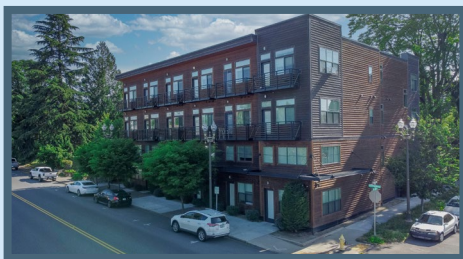
Looking ahead, the combination of slower construction, stabilizing absorption, and improving demand fundamentals suggests a gradual rebalancing across the region. However, continued economic and political uncertainty may temper the pace of recovery. Markets with disciplined supply pipelines—particularly Salem and Tri-Cities—are best positioned for near-term stability, while Vancouver and Portland should see incremental improvement as the supply overhang continues to recede.

Welcome to TMG Multifamily!

We are thrilled to welcome the following properties, which joined the TMG Family in Q4 2025:



Townes at Mill End — 20 Units — Tri-Cities, WA



Broadway Apartments — 36 Units — Vancouver, WA



Hamilton & Eliza Apartments — 44 Units — Vancouver, WA



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Vancouver, WA 98662

Portland-Metro
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Portland, OR 97201

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

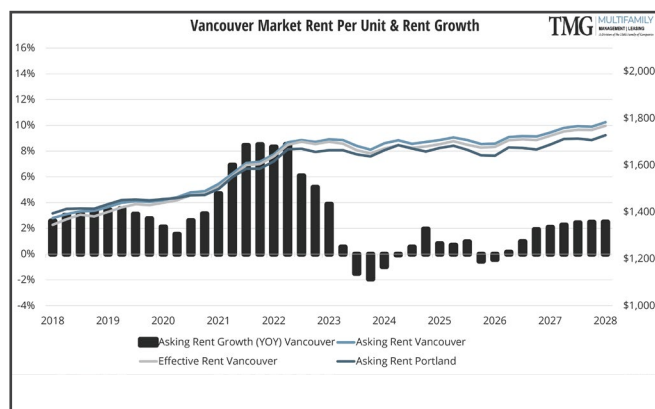
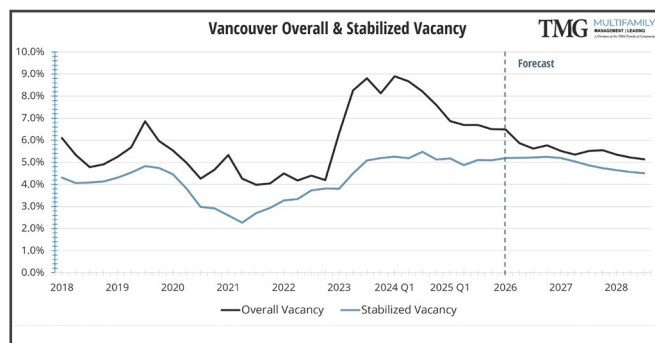
Tri-Cities
30 S Louisiana Street
Kennewick, WA 99336

VANCOUVER Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
917	1,265	6.5%	-0.4%

- ▶ Deliveries over the past decade have already lifted inventory by 51.1%, exceeding the metro's 35.2% pace and leaving Vancouver as the Portland area's largest submarket by unit count.
- ▶ Annual rent growth at -0.4% appears to have bottomed and should continue trending back toward long-run norms over the next few quarters and throughout 2026. The ten-year peak reached 8.5% in mid-2022.
- ▶ Vancouver's apartment submarket shows trailing-year absorption of 1,300 units, versus a five-year average pace of 1,400 units. With population inflows still strengthening, demand is expected to outrun new additions for the next few quarters into 2026.

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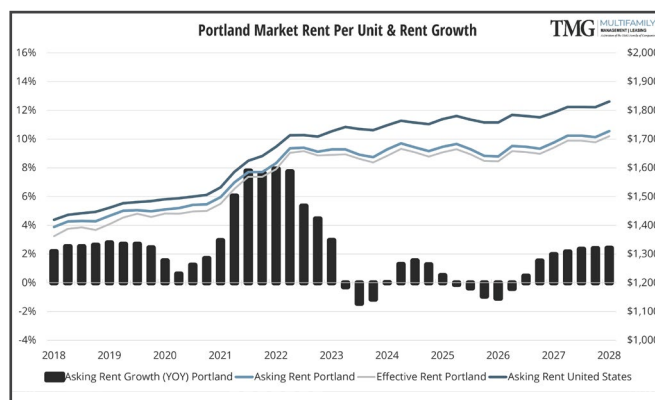
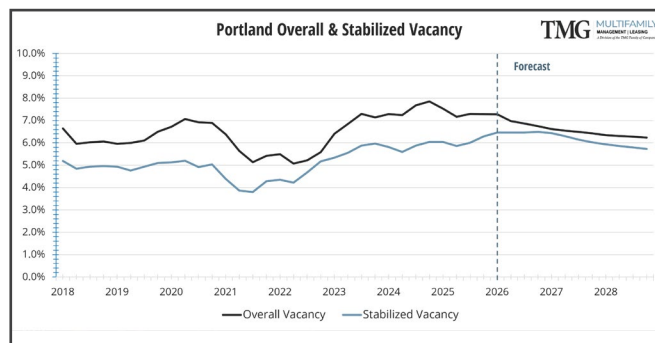


PORTLAND Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
3,948	4,946	7.3%	-1.1%

- ▶ Portland's supply and demand profile is shifting. In the fourth quarter of 2025, the market absorbed 480 units, outpacing the long-run quarterly average of 810 units. As the prior supply overhang recedes, vacancy at 7.3% is moving lower.
- ▶ Construction activity has downshifted. There are 1,900 units underway, down from the three-year high of 12,000 units in 22Q4. Starts keep sliding amid financing constraints and macro uncertainty: fewer than 500 units began in three of the past four quarters versus a decade-high of 3,400+ units in 22Q1, positioning 2025 for the lightest delivery year since 2011.
- ▶ Asking rents grew -0.9% year over year in 25Q3, reversing from the five-year low of -1.4% in 23Q3.

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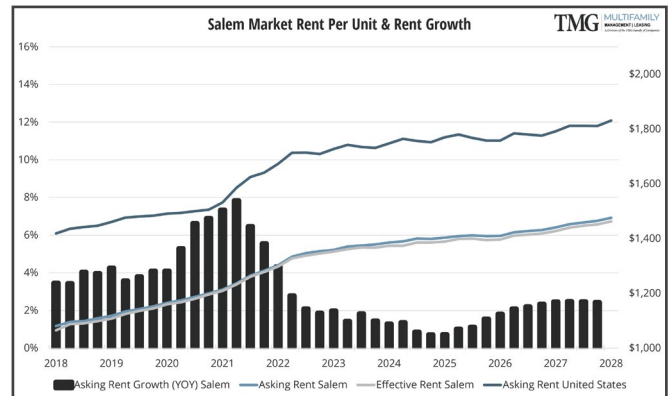
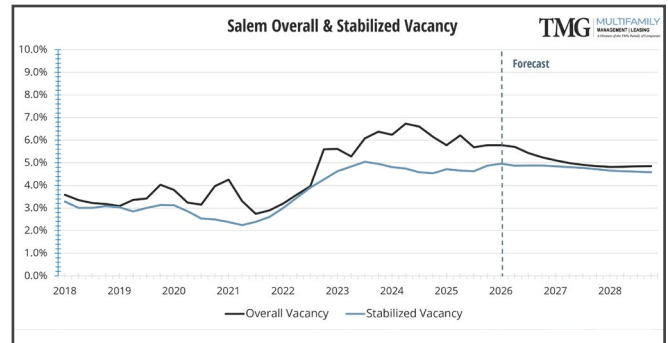


SALEM Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
626	695	5.8%	0.7%

- ▶ On multifamily fundamentals, trailing 12-month absorption equals 700 units—below the mid-2021 peak of 1,200 units but above the five-year average of 740 units.
- ▶ The vacancy rate currently hovers near 5.8%, a one-year change of -0.3%. Vacancies may have limited additional upside, as slowing starts and steady leasing suggest rates are close to a ceiling.
- ▶ Less competing supply over the next 18 months and early indications of demand stabilization imply rents could firm in the mid-term. Annual rent growth of 0.7% marks the cycle’s low point locally, yet cumulative 47.4% growth over ten years outpaces the national benchmark of 32.0%.

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TRI-CITIES Multifamily

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
565	600	7.7%	0.1%

- ▶ The Tri-Cities has seen solid growth, and new market- rate apartment communities are achieving strong lease-ups. Over the past year, the inventory has changed by 560 units, while renter households absorbed 600 units.
- ▶ As of the first quarter of 2026, Kennewick-Richland's vacancy rate stands at 7.7%. That compares to a 10-year average of 7.0%. The vacancy rate across the 4 & 5 Star quality segment stands at 8.3%, while it is 9.1% for 3 Star and 4.5% for the more affordable 1 & 2 Star tier.
- ▶ Developers added a cumulative 2,000 units over the past three years. Construction activity has dropped off significantly, however. Only a handful of units are currently under construction.

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