MULTIFAMILY NW®

The Association Promoting Quality Rental Housing

APARTMENT REPORT

SPRING 2025
VOLUME 42

JUST A FEW **GREEN SHOOTS**

Jamie J. Gaylord, Director of Business Development, Affinity Property Management

As the calendar flipped over to 2025, we have seen several dramatic changes both nationally and locally. A new President immediately started with dramatic and sweeping changes to government policies and cost cutting measures which has left some market participants waiting for things to calm down. In the State of Oregon, legislation has been introduced to both change the exemption of new construction from rent control down to 7 years from its current 15 years and ban algorithmic pricing models. The State of Washington is looking at statewide rent control of 7%. Locally, our new city council of twelve members and a new Mayor took office. They got off to a fast start with new rules pertaining to our industry. As of this writing, a proposed amendment would prohibit the use of any "AI or algorithmic pricing software" in the City of Portland. While seemingly harmless, the amendment has far reaching implications to operations and stiff penalties for violating it.

Since the last rate cut in December, the Federal Reserve has maintained its Fed Funds Rate at 4.25-4.50% while the 10-year treasury has been range bound between 4.10-4.46%, currently sitting at 4.19%. There are market expectations for the Federal Reserve to have two rate cuts this year if inflation continues to lower to the target rate of two percent.

The apartment market overall has held steady on rents with a slight improvement year over year in occupancy. As the pipeline of new construction continues to shrink, both occupancy levels and rents should continue to see improvement.

The Portland/Vancouver Metro Area report includes data from over 605 properties representing 43,295 units. This is an increase of 24 properties from the Fall report and a decrease of 4,744 units. As this is the second report with an entirely new system, we expect property participation to continue to increase.

The Spring 2025 apartment market report highlights key trends affecting rental properties in the Portland Metro area and surrounding regions. Overall, the market vacancy rate has shown a decline compared to Spring 2024, suggesting improved occupancy levels. This trend is particularly significant given recent fluctuations in demand and supply. Owners and property managers should take note of how different submarkets are performing and adjust their leasing strategies accordingly.

Among the various submarkets, NW Portland continues to experience improved demand, with its vacancy rate dropping from 8.7% in Spring 2024 to 7.01% in Spring 2025, representing a 19.4% improvement. Other submarkets show similar downward trends, though some areas still face challenges in stabilizing vacancy levels.

The best-performing market in terms of occupancy is Hillsboro (North of Hwy 26), which saw its vacancy rate drop from 5.82% to 4.92%, reflecting a 15.46% improvement. In contrast, Aloha experienced the largest increase in vacancy rates, rising from 4.94% to 6.01%, a 21.66% jump. Rental rates also varied significantly, with NW Portland commanding the highest rent per square foot at $2.44, while outer NE Portland had the lowest at $1.68.

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KEY TAKEAWAYS

Steady Rents

Improved Occupancy

Slow Recovery Continues

AVERAGE RENTS PER UNIT TYPE:

| PORTLAND METRO AREA |

	SPRING 2025	SPRING 2024
STUDIO	$1,110	$1,272
1 BDRM/1 BTH	$1,332	$1,376
2 BDRM/1 BTH	$1,401	$1,416
2 BDRM/2 BTH	$1,687	$1,761
2 BDRM TH	$1,720	$1,692
3 BDRM/1 BTH	$1,543	$1,547
3 BDRM/2 BTH	$1,861	$1,906

Vacancy rates also vary by unit type, with studio apartments generally experiencing higher vacancies compared to one- and two-bedroom units. For example, NW Portland's studio vacancy rate remains at 11.56%, while one-bedroom units have a lower rate of 6.52%. Larger units, such as three-bedroom apartments, tend to have the lowest vacancy

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rates, indicating strong demand among families and groups seeking more space. The decline in overall vacancy rates suggests that rental demand has remained resilient despite economic uncertainties in the Portland market and its suburbs.

Most markets surveyed outside of the Portland area have seen their vacancy rates go down except for McMinnville/Newberg and Medford/Ashland. Of particular note, Eugene's vacancy rate came in at 3.56% and Bend saw a significant improvement moving from 8.05% to 6.02%.

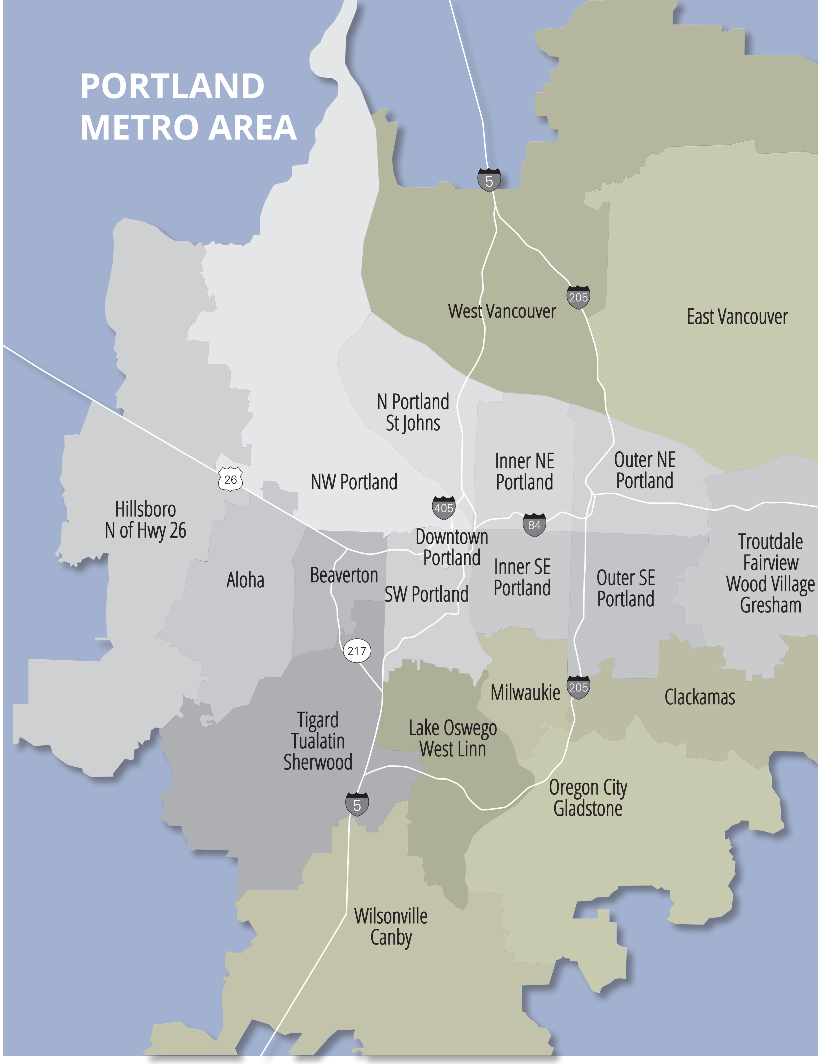
In his article "Spring 2025 – Apartment Fundamentals & Trends," **Patrick Barry** analyzes the Portland apartment market's trajectory following a sluggish 2023 and a transitional 2024. Barry highlights an uptick in sales volume, with late 2024 seeing renewed investor interest despite continued pricing hesitancy. He notes that while construction remains constrained due to financing and economic challenges, a decrease in new supply may support rent growth as vacancy rates stabilize. Looking ahead, the market is expected to recover gradually, with interest rate clarity and investor confidence playing key roles in its resurgence.

As **Amy VanderVliet** examines in her article, the Portland metropolitan area's economic trajectory following its full recovery from pandemic-related job losses in early 2023. While most industries initially rebounded, the region has since lost momentum, with employment declining by 0.5% due to broad-based job losses across most sectors except health care and government. VanderVliet highlights factors contributing to Portland's economic struggles, including slow population growth, manufacturing downturns, and major layoffs in tech and banking. While there are signs of potential reacceleration, ongoing trade risks and federal cutbacks could further challenge the region's economic stability.

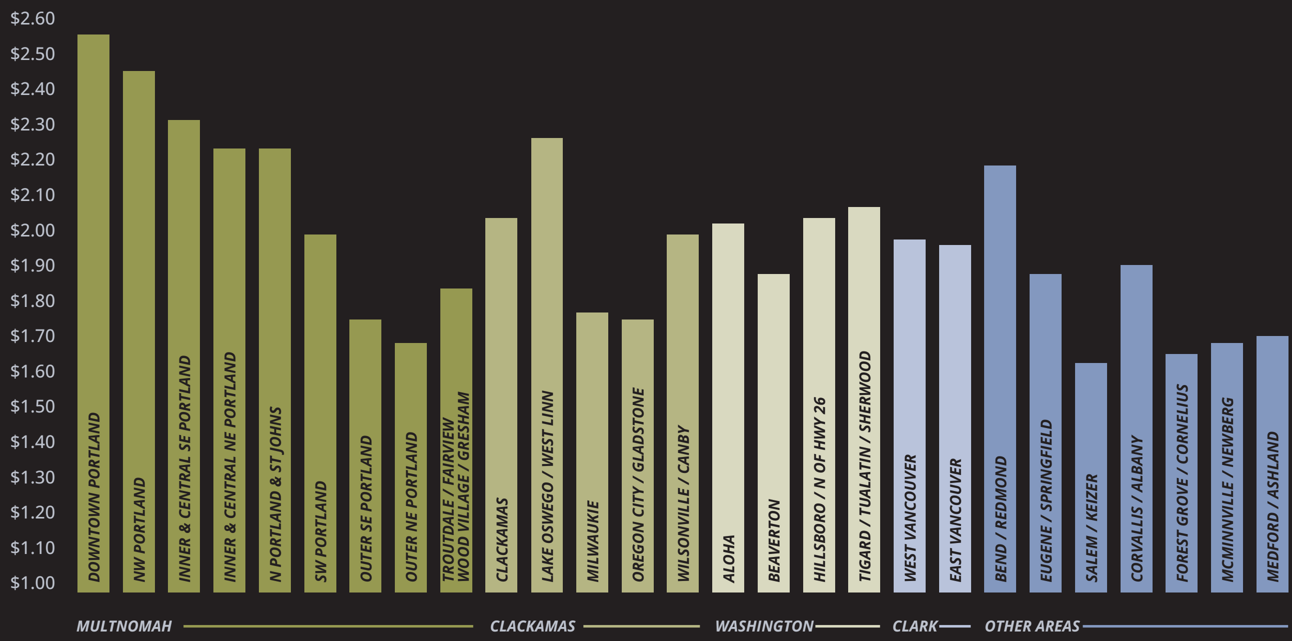
Jordan Carter of Kidder Mathews provides an unfiltered look at Portland's struggling multifamily market. He reflects on the city's past "golden era" of apartment sales from 2013 to 2022, contrasting it with today's reality of rising expenses, increasing vacancies, and declining property values. Carter critiques local policies that focus on rent caps rather than broader investment incentives, highlighting a sharp drop in sales volume and transactions. However, he notes that the market may have hit bottom, with renewed investor interest signaling a potential long-term rebound, albeit on a much slower trajectory than in past cycles.

All articles in The Apartment Report have been reprinted without edits to ensure that all opinions are presented objectively. We would like to thank the management companies and property owners who contributed their data. Their participation is crucial in maintain the accuracy and ongoing success of this report. ■

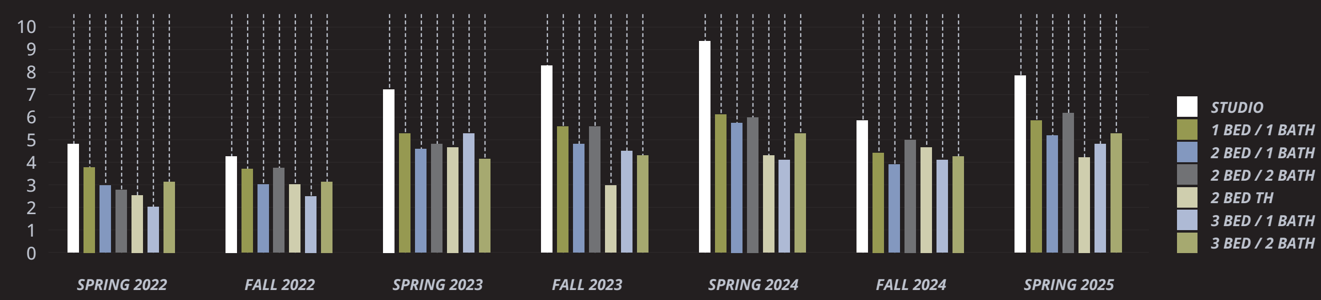
Jamie has been in the commercial real estate business for over 15 years, first starting as a commercial appraiser for Palmer, Groth and Pietka in Portland, OR. His career path turned towards commercial real estate lending as a loan and bank officer for M&T Real Estate, Inc. a subsidiary of M&T Bank based in New York. In 2002, Jamie began his career as an apartment broker with Tilbury, Ferguson and Neuburg, Inc., specializing in multifamily sales ranging from 40 to 300 units where he closed in excess of $200,000,000 in transactions. Mr. Gaylord holds a Bachelor of Science degree in Finance from Portland State University and is a licensed Principal Broker in the State of Oregon.



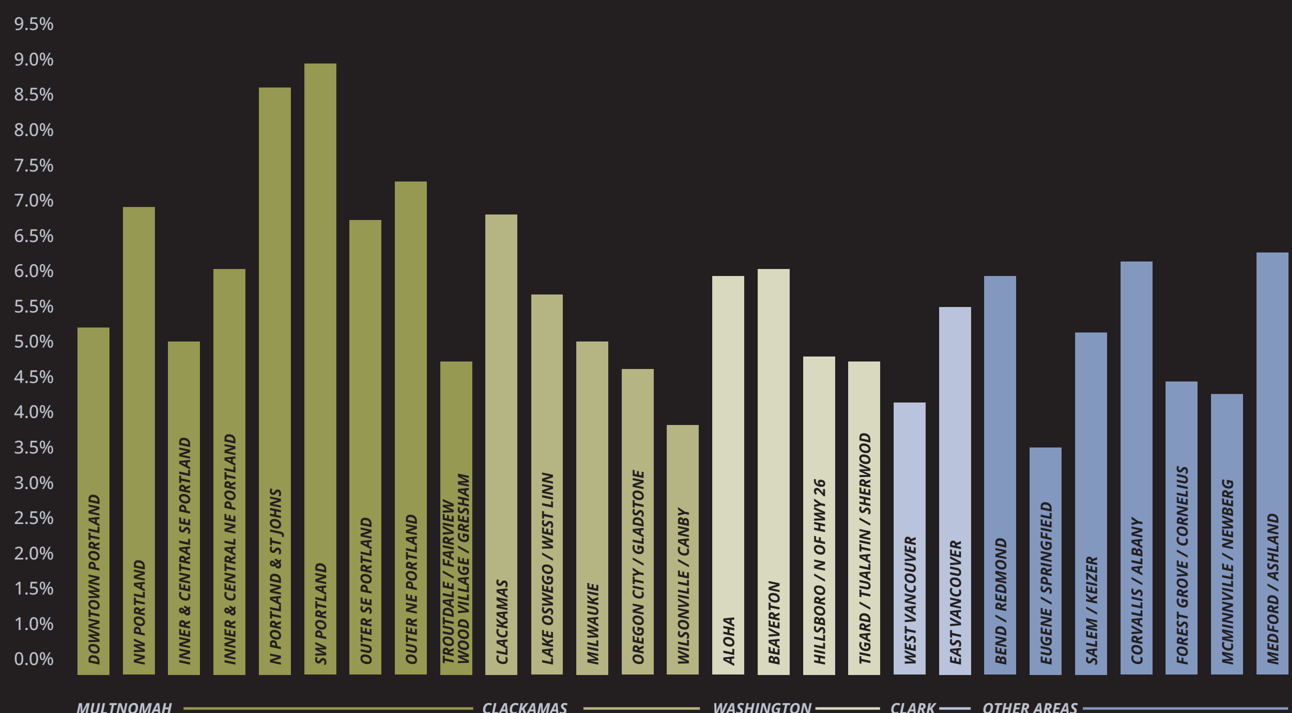
AVERAGE RENT PER SQUARE FOOT $



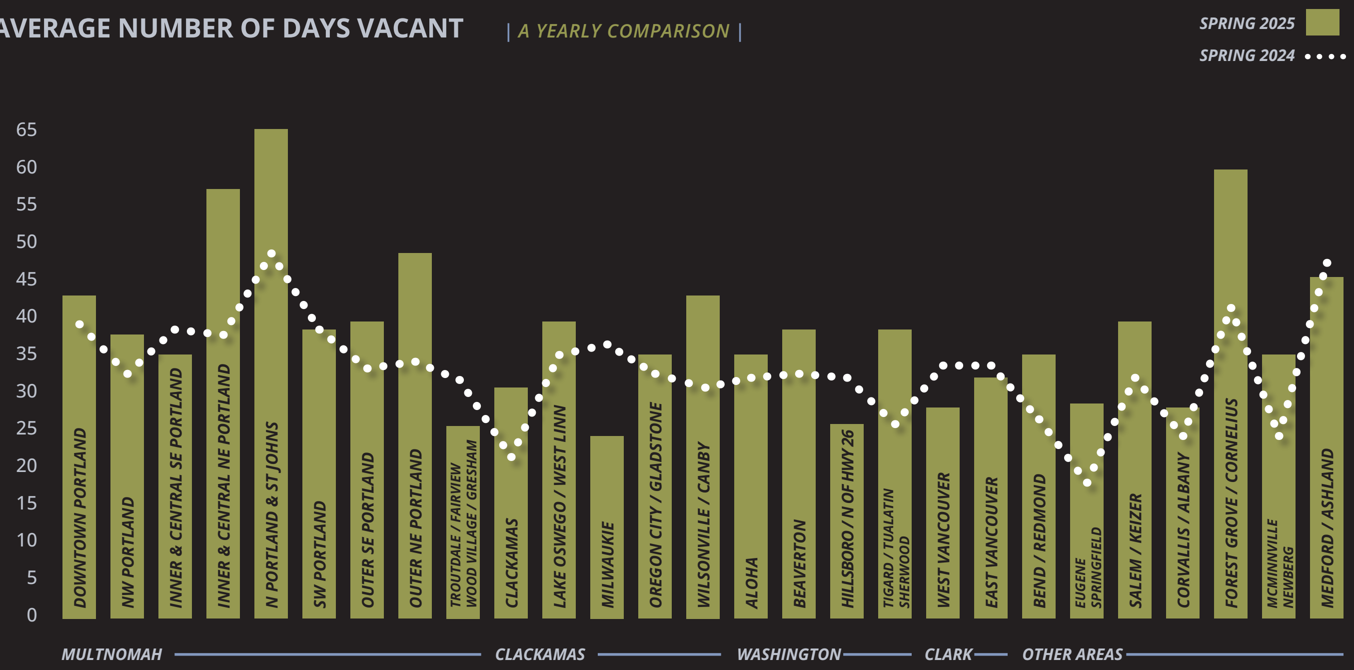
VACANCY RATE SINCE SPRING 2022 | PORTLAND / VANCOUVER METRO AREA |



AVERAGE MARKET VACANCY RATE %



AVERAGE NUMBER OF DAYS VACANT | *A YEARLY COMPARISON* |

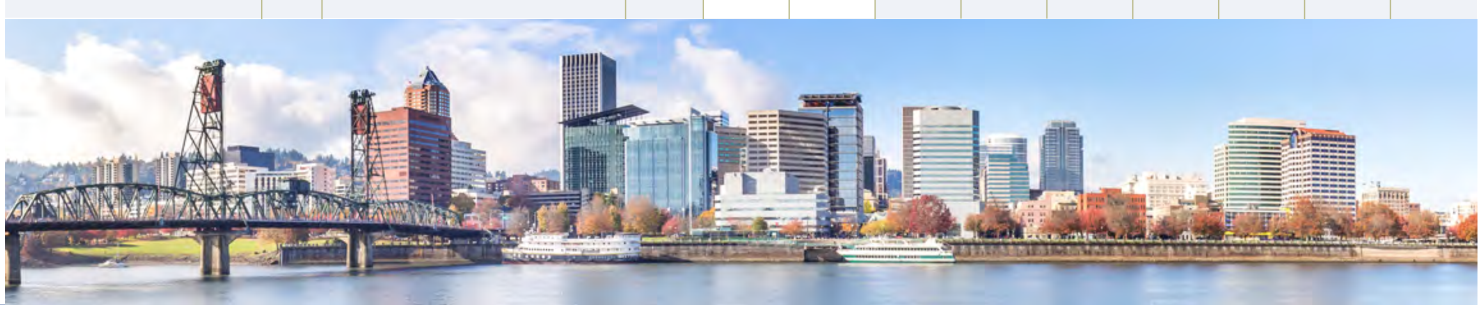


SURVEY RESULTS
SPRING 2025 *PORTLAND-VANCOUVER*

Overall, the market vacancy rate has shown a decline compared to Spring 2024, suggesting improved occupancy levels. This trend is particularly significant given recent fluctuations in demand and supply. Owners and property managers should take note of how different submarkets are performing and adjust their leasing strategies accordingly.

MULTNOMAH COUNTY

AREA NAME	# OF PROP	SURVEY DATA	ALL	SPR 24	% CHANGE	STUDIO	1BED 1BTH	2BED 1BTH	2BED 2BTH	2BED TWNHS	3BED 1BTH	3BED 2BTH
Downtown Portland	24	Avg market vacancy rate %	5.32	7.6	-30%	6.2	5.28	5	4.07	5.06	16.67	3.7
		Avg rent per sq foot $	2.56	2.86	-10%	2.95	2.46	2.19	2.54	2.3	2.49	2.81
		Avg rent per unit type $				1185	1716	1757	2872	2271	2514	5400
		Sum of units surveyed	1889	1757		398	1018	104	256	79	6	28
NW Portland	76	Avg market vacancy rate %	7.01	8.7	-19%	11.56	6.52	5.53	5.19	0	3.45	1.8
		Avg rent per sq foot $	2.44	2.69	-9%	2.7	2.49	2.05	2.28	2.29	1.76	1.58
		Avg rent per unit type $				1308	1661	1772	2413	2735	1832	2352
		Sum of units surveyed	3432	4440		730	1882	253	404	14	29	120
Inner & Central	106	Avg market vacancy rate %	5.09	6.42	-21%	8.84	5.02	2.14	5.38	0	0	0
SE Portland		Avg rent per sq foot $	2.29	2.08	10%	3.2	2.18	1.63	2.27	1.54	1.47	1.71
		Avg rent per unit type $				1239	1367	1368	2432	1350	1573	2253
		Sum of units surveyed	3007	2892		755	1351	613	93	142	31	22
Inner & Central	79	Avg market vacancy rate %	6.15	5.93	4%	7.05	6.12	3.61	8.16	2.04	25	0
NE Portland		Avg rent per sq foot $	2.2	2.21	0%	2.7	2.21	1.77	2.17	1.75	1.53	1.78
		Avg rent per unit type $				1295	1446	1506	2202	1652	1662	1940
		Sum of units surveyed	2958	2520		440	1711	427	282	49	16	33
N Portland & St Johns	18	Avg market vacancy rate %	8.64	9.25	-7%	9.21	7.61	4.68	12.5	—	0	0
		Avg rent per sq foot $	2.21	2.35	-6%	2.54	2.37	1.81	1.9	—	1.33	1.19
		Avg rent per unit type $				1390	1615	1419	2109	—	1250	1423
		Sum of units surveyed	1724	1186		430	631	235	412	—	6	10
SW Portland	35	Avg market vacancy rate %	9.09	5.26	73%	9.38	8.28	8.81	13.94	3.57	17.65	4.12
		Avg rent per sq foot $	1.98	2.13	-7%	2.71	2.12	1.87	1.75	1.61	1.82	1.7
		Avg rent per unit type $				1191	1321	1528	1739	1470	1762	1983
		Sum of units surveyed	1388	2026		99	496	382	216	32	34	129
Outer SE Portland	16	Avg market vacancy rate %	6.73	6.83	-1%	12	6.47	7.94	4.72	29.41	0	4.64
		Avg rent per sq foot $	1.74	1.45	20%	2.36	1.96	1.63	1.52	1.47	1.5	1.56
		Avg rent per unit type $				1018	1306	1374	1587	1416	1206	1853
		Sum of units surveyed	1200	711		75	371	258	318	17	10	151
Outer NE Portland	19	Avg market vacancy rate %	7.42	5.16	44%	0	8.92	7.06	6.78	6.52	6.67	7.69
		Avg rent per sq foot $	1.68	1.69	-1%	2.36	1.93	1.59	1.52	1.47	1.63	1.74
		Avg rent per unit type $				1069	1241	1429	1428	1417	1743	1913
		Sum of units surveyed	918	1351		8	239	499	59	46	15	52
Troutdale | Fairview	24	Avg market vacancy rate %	4.77	5.65	-16%	4.44	4.82	3.74	5.27	6.56	4.17	4.38
Wood Village | Gresham		Avg rent per sq foot $	1.82	1.81	1%	2.81	2.09	1.65	1.74	1.66	1.55	1.8
		Avg rent per unit type $				1245	1408	1474	1677	1722	1713	2014
		Sum of units surveyed	2473	3121		45	643	619	891	61	48	166

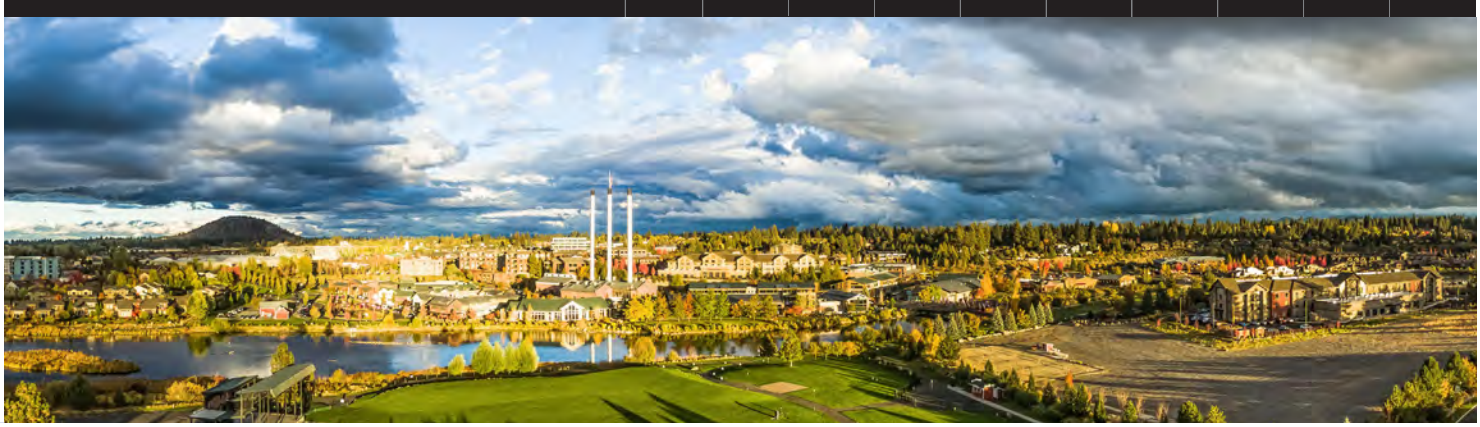


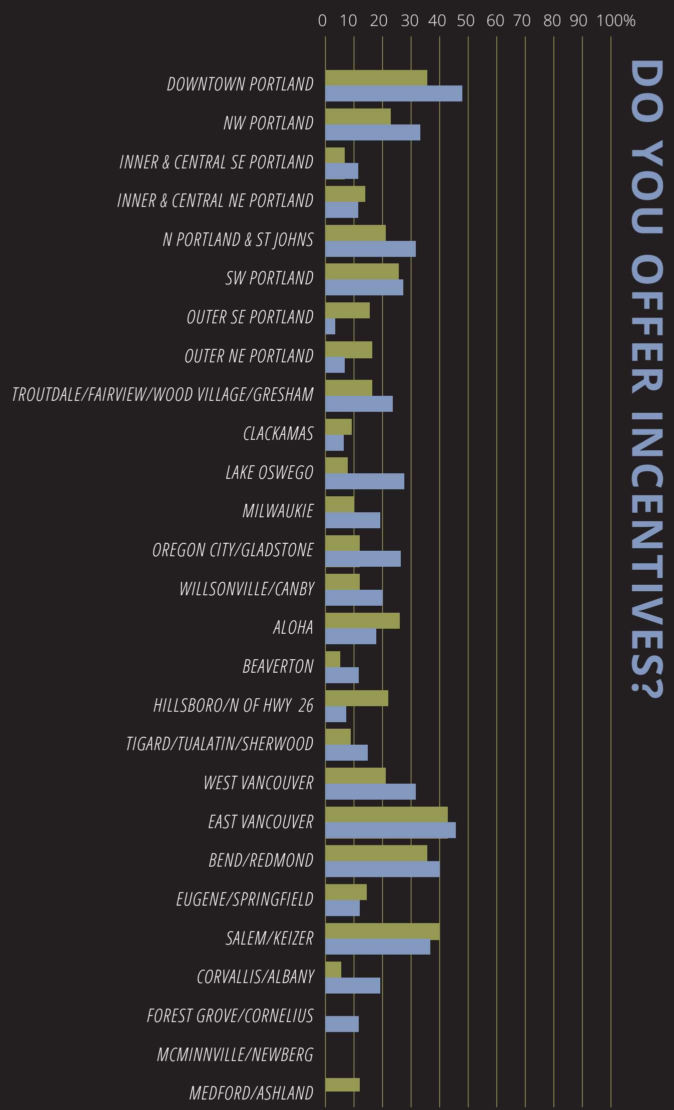
AREA NAME	# OF PROP	SURVEY DATA	ALL	SPR 24	% CHANGE	STUDIO	1BED 1BTH	2BED 1BTH	2BED 2BTH	2BED TWNHS	3BED 1BTH	3BED 2BTH
CLACKAMAS COUNTY												
Clackamas	8	Avg market vacancy rate %	6.94	5.16	34%	3.23	6.53	8.06	7.53	2.5	—	6.27
		Avg rent per sq foot $	2.03	2.01	1%	2.73	2.29	1.87	1.96	1.62	—	1.85
		Avg rent per unit type $				1356	1615	1691	1981	2098	—	2315
		Sum of units surveyed	1726	1926		31	537	325	549	80	—	204
Lake Oswego | West Linn	11	Avg market vacancy rate %	5.62	6.9	-19%	0	4.62	5.21	6.88	0	—	9.09
		Avg rent per sq foot $	2.26	2.24	1%	2.82	2.41	1.79	2.22	1.96	—	2.13
		Avg rent per unit type $				2173	1878	1529	2397	2295	—	2931
		Sum of units surveyed	943	984		14	433	96	320	14	—	66
Milwaukie	18	Avg market vacancy rate %	5.12	6.26	-18%	0	12.05	2.31	2.82	3.85	0	0
		Avg rent per sq foot $	1.77	1.91	-7%	2.75	1.96	1.74	1.54	1.45	1.44	1.42
		Avg rent per unit type $				1102	1296	1498	1594	1426	1744	1846
		Sum of units surveyed	949	926		2	324	431	98	78	12	4
Oregon City | Gladstone	9	Avg market vacancy rate %	4.67	5.49	-15%	0	2.42	2.79	7.79	10.53	3.7	5.33
		Avg rent per sq foot $	1.74	1.84	-5%	3.27	2.07	1.69	1.65	1.91	1.68	1.46
		Avg rent per unit type $				1409	1397	1465	1686	1550	1577	2045
		Sum of units surveyed	1086	1084		23	193	287	244	46	31	262
Wilsonville | Canby	8	Avg market vacancy rate %	3.99	5.31	-25%	0	4.99	3.51	3.64	—	0	3.87
		Avg rent per sq foot $	1.99	1.9	5%	3.13	2.17	1.88	1.95	—	1.88	1.82
		Avg rent per unit type $				1411	1609	1687	2002	—	1688	2190
		Sum of units surveyed	1353	2358		13	401	370	412	—	2	155
WASHINGTON COUNTY												
Aloha	26	Avg market vacancy rate %	6.01	4.94	22%	11.11	5.73	6.38	6.1	5	6.25	5.79
		Avg rent per sq foot $	2.02	1.99	2%	2.86	2.29	1.85	1.87	1.76	1.87	1.88
		Avg rent per unit type $				1394	1558	1643	1866	2325	1824	2180
		Sum of units surveyed	5262	4673		36	1827	1112	1596	140	32	519
Beaverton	43	Avg market vacancy rate %	6.21	6.65	-7%	6.42	8.08	5.9	5.68	5.34	1.67	1.2
		Avg rent per sq foot $	1.88	1.94	-3%	2.83	2.08	1.6	1.83	2.02	1.61	1.58
		Avg rent per unit type $				1568	1402	1476	1849	2004	1833	1933
		Sum of units surveyed	3038	3010		109	982	797	793	131	60	166
Hillsboro | N of Hwy 26	12	Avg market vacancy rate %	4.92	5.82	-15%	0	4.74	7.07	4.09	—	—	6.96
		Avg rent per sq foot $	2.04	2.08	-2%	2.65	2.25	1.95	1.85	—	—	1.76
		Avg rent per unit type $				1584	1652	1832	2035	—	—	2279
		Sum of units surveyed	1948	1694		28	834	270	616	—	—	200
Tigard | Tualatin Sherwood	29	Avg market vacancy rate %	4.87	4.93	-1%	2.19	5.35	5.62	3.48	1.54	4.35	10.75
		Avg rent per sq foot $	2.08	1.96	6%	3.02	2.32	1.8	1.89	1.98	1.7	1.83
		Avg rent per unit type $				1413	1520	1555	1929	1663	1747	2174
		Sum of units surveyed	3148	3323		127	1217	751	807	65	89	92
CLARK COUNTY												
West Vancouver	23	Avg market vacancy rate %	4.33	5.47	-21%	6.17	4.44	3.6	5.6	3.05	0	4.55
		Avg rent per sq foot $	1.98	1.88	5%	3.11	2.13	1.83	1.87	1.48	2.14	1.74
		Avg rent per unit type $				1161	1425	1559	1833	1551	1847	1971
		Sum of units surveyed	2066	3984		72	755	682	411	92	19	35
East Vancouver	21	Avg market vacancy rate %	5.56	6.95	-20%	3.64	4.68	5.09	7.13	4.24	0	6.9
		Avg rent per sq foot $	1.96	1.93	2%	2.57	2.27	1.79	1.83	1.78	1.74	1.79
		Avg rent per unit type $				1533	1534	1650	1861	1982	2246	2239
		Sum of units surveyed	2787	4073		110	748	766	846	165	27	125
Total avg market vacancy rate %			***5.91***	***6.17***	***-4%***	***5.07***	***6.13***	***5.20***	***6.34***	***5.25***	***5.27***	***4.58***
Total avg rent per sq foot $			***2.07***	***2.06***	***0%***	***2.84***	***2.25***	***1.77***	***1.9***	***1.75***	***1.69***	***1.75***
Total avg rent per unit type $						***1301***	***1521***	***1551***	***1945***	***1823***	***1765***	***2180***
Total sum of properties surveyed			***605***	***581***		***195***	***519***	***376***	***193***	***62***	***59***	***123***
Total sum of units surveyed			***43295***	***48039***		***3545***	***16593***	***9277***	***9623***	***1251***	***467***	***2539***

SURVEY RESULTS
SPRING 2025 *OTHER AREAS*

Most markets surveyed outside of the Portland area have seen their vacancy rates go down except for McMinnville/Newberg and Medford/Ashland. Of particular note, Eugene/Springfield vacancy rate came in at 3.56% and Bend/Redmond saw a significant improvement moving from 8.05% to 6.02%.

AREA NAME	# OF PROP	SURVEY DATA	ALL	SPR 24	% CHANGE	STUDIO	1BED 1BTH	2BED 1BTH	2BED 2BTH	2BED TWNHS	3BED 1BTH	3BED 2BTH
Bend | Redmond	12	Avg market vacancy rate %	6.02	8.05	-25%	3.91	4.25	2.42	10.17	0	5.26	6.06
		Avg rent per sq foot $	2.19	2.52	-13%	2.9	2.7	1.68	1.92	1.69	0.23	1.82
		Avg rent per unit type $				1764	1738	1312	1798	1767	229	2144
		Sum of units surveyed	974	907		128	269	165	344	16	19	33
Eugene | Springfield	55	Avg market vacancy rate %	3.56	4.3	-17%	3.39	3.15	5.44	1.27	2.97	8.7	1.86
		Avg rent per sq foot $	1.86	1.88	-1%	2.65	1.93	1.7	1.7	1.82	1.39	1.66
		Avg rent per unit type $				828	1328	1454	1749	1853	1732	1903
		Sum of units surveyed	3205	4066		342	818	862	514	335	57	277
Salem | Keizer	43	Avg market vacancy rate %	5.22	5.82	-10%	11.69	5.93	5.39	4.68	0.98	2.27	4.78
		Avg rent per sq foot $	1.63	1.65	-1%	2.37	1.73	1.56	1.68	1.52	1.44	1.52
		Avg rent per unit type $				1260	1254	1356	1624	1546	1861	1732
		Sum of units surveyed	3052	4239		83	474	1277	830	94	43	251
Corvallis | Albany	26	Avg market vacancy rate %	6.22	7.23	-14%	3.33	8.3	6.02	4.62	15.56	0	2
		Avg rent per sq foot $	1.9	1.78	7%	2.36	2.15	1.76	1.77	1.47	1.52	1.74
		Avg rent per unit type $				1175	1248	1440	1793	1440	1567	2065
		Sum of units surveyed	1603	2113		90	480	498	420	41	24	50
Forest Grove | Cornelius	5	Avg market vacancy rate %	4.5	6.6	-32%	2.7	4.62	2.99	3.57	—	8.33	12.5
		Avg rent per sq foot $	1.65	1.84	-10%	2.12	1.88	1.53	1.4	—	1.5	1.54
		Avg rent per unit type $				1135	1322	1369	1477	—	1533	1853
		Sum of units surveyed	289	403		37	65	67	84	—	12	24
McMinnville | Newberg	7	Avg market vacancy rate %	4.39	3.36	31%	—	0	0	9.47	2.13	—	0
		Avg rent per sq foot $	1.69	1.84	-8%	—	1.73	1.7	1.7	1.61	—	1.53
		Avg rent per unit type $				—	1016	1554	1677	1350	—	1539
		Sum of units surveyed	285	535		—	41	92	101	47	—	4
Medford | Ashland	5	Avg market vacancy rate %	6.37	4.18	52%	9.09	4.07	8.33	8.7	—	—	0
		Avg rent per sq foot $	1.7	1.65	3%	1.89	2.29	1.49	1.45	—	—	1.32
		Avg rent per unit type $				922	1208	1302	1478	—	—	1909
		Sum of units surveyed	455	455		33	123	36	207	—	—	56
Total avg market vacancy rate %			**4.88**	**5.87**	**-17%**	**4.55**	**4.81**	**5.27**	**5.28**	**3.51**	**4.1**	**3.35**
Total avg rent per square foot $			**1.81**	**1.87**	**-3%**	**2.56**	**2.04**	**1.64**	**1.71**	**1.72**	**1.29**	**1.59**
Total avg rent per unit type $						**1110**	**1332**	**1401**	**1687**	**1720**	**1543**	**1861**
Total sum of properties surveyed			**153**	**119**		**35**	**97**	**88**	**51**	**19**	**20**	**33**
Total sum of units surveyed			**9863**	**9896**		**713**	**2270**	**2997**	**2500**	**533**	**155**	**695**





SECTION 42
SURVEY RESULTS *SPRING 2025*

Number of Properties 132 | Number of Units 7223

UNIT TYPES	VACANCY RATE %	AVG RENT PER SQ FT $
STUDIO	12.4	2.6
1 BED 1 BATH	5.5	1.7
2 BED 1 BATH	4.6	1.4
2 BED 2 BATH	7.1	1.4
2 BED TH	6.2	1.5
3 BED 1 BATH	4.3	1.1
3 BED 2 BATH	6.6	1.3
TOTALS	**6.1**	**2.0**

LEASE UPS
SURVEY RESULTS *SPRING 2025*

Number of Properties 18 | Number of Units 2858

UNIT TYPES	VACANCY RATE %	AVG RENT PER SQ FT $
STUDIO	40.9	3.0
1 BED 1 BATH	44.7	2.4
2 BED 1 BATH	42.0	1.9
2 BED 2 BATH	50.7	2.0
3 BED 2 BATH	22.1	1.8
TOTALS	**44.0**	**3.0**

A BROKER'S **PERSPECTIVE OF THE MARKET**

Jordan Carter, Kidder Mathews

It's no secret that Portland's apartment market has been faced with a number of challenges over the last couple years. Mostly flat rent growth, rising expenses, increasing cap rates, and an overall instability in the market has impacted everyone in this business, owners, managers and brokers alike.

From roughly 2013 until 2022, most multifamily investors were hitting home runs all over the park. Looking back, I like to call that time the "Steroid Era" of multifamily sales in Portland. Fueled by rent growth from years of undersupply and a growing population, then cheap capital from abnormally low interest rates, it was a golden time to be in this business.

But then the tides turned. Unlike other markets in the country, Portland's post-covid rebound never really happened. Coupled with an influx of badly needed, but poorly timed, deliveries of new construction apartments and rapidly rising interest rates, it's been a trying last few years.

For brokers, today's market is one where you have to work twice as hard for half the production. In order to succeed, you need to be proactive and think two steps ahead. Because transactions today have landmines all around them. Instead of tiptoeing around and hoping you don't step on one, it's better to just get the mine sweeper out and find as many as you can up front and address them. Three years ago, you could get a listing and it would almost sell by itself. Today, in order to get deals closed, you better be ready, nimble, and surround yourself with a really good team who are all on their game.

Since March of 2020, the one constant in Portland has been change. For the most part, it hasn't been for the better. At a time when simply delivering more housing should be front and center, or combating rising expenses that are impacting both renters and owners, headlines from the last couple weeks still read like this: "In a hole on housing, Oregon just keeps digging"; "Portland City council weighs ban on using algorithms to set rents"; "Bill would require Oregon's multi-unit property owners to provide tenants cooling devices"; and "Washington bill to cap rent increases clears first Senate hurdle."

Problems with investments are amplified when investors are anxious from the start. They are leery of investing in a market with a recent history like ours and where headlines read like those above. We need leaders who can look at the problem holistically rather than just focusing on capping rent.

From 2021-2024, asking rents in our market increased a total of 4.5%, but expenses increased 59% during that same time (based on Jessica Greenlee's Fall 2024 MFNW Presentation). Yet here we are, reading headlines about capping rent growth and adding regulations and costs that will only further disincentivize developers from building here and buyers from investing here.

Many politicians at the local and state level seem to be ignoring the reality of what is happening to the investment market and how much long-term damage is being done. Here are some statistics illustrating what they are missing:

Since 2017, per-Costar, Portland Metro's average annual rent growth was 2.34%. That includes -1.1% in 2023, 1.3% in 2024, and 0.05% in 2025. During those same years, the average vacancy rate was 6.85%. ***Today, vacancy sits at 7.8%, a 25-year high!***

(continued on page 10)

As interest rates started rising in mid-2022, cap rates saw a steady increase as well. The average cap rate in 2022 was 4.97%, while over the last 15 months it's at 5.88%. Based on this one variable alone, values today would be 14% lower than in 2022. For many newer construction buildings, that gap is even wider. Rising cap rates, as we know, means downward pressure on values. From 2022 to 2024, the average price-per-unit was down 17% while the average price per-square-foot was down 20%. This has made for some tough conversations with owners, who have effectively watched their values slowly erode over the last three years.

As you can imagine, all of this has dramatically impacted multifamily sales. Sales volume and transactions for 5+ unit buildings in the Portland-Metro area declined from $3.3 billion (231 sales) in 2022, to $953 million (98 sales) in 2023. That's a 58% decline in transactions and a 71% drop in volume – in one year! While sales ticked up a little bit to $1.6 billion (124 sales) in 2024, annualizing sales through March of 2025, we're on track for $1.2 billion and 108 sales. Still far below averages sales over the last 10+ years.

As a broker and local market expert of nearly 20 years, my job isn't to sugarcoat these challenges. Instead, it's best to tackle them head on. Because challenges create opportunities. And that's ultimately the value proposition of Portland today. In this market, we aren't selling a brighter future for Portland tomorrow, next week, or even next month. That's not realistic. We're now measuring Portland's growth in terms of years. This seems to resonate with investors who are looking at Portland from a longer investment horizon, closer to 5-10 years.

The good news is Portland appears to be at the bottom, and investors are starting to recognize that. We've had more calls in the last six months from investors looking to get back into the market then we've had in the prior three years combined. That's the silver lining about real estate cycles – they always go back up, and we're starting to see indicators that will help the overall lull we have been in, like new apartment construction falling to its lowest level in more than a decade. While bad for the long-term health of our market, the pause should at least put downward pressure on vacancies allow rent growth to start to increase back to more normal level. Forward-thinking investors are starting to recognize these indicators, and are now looking to catch the wave.

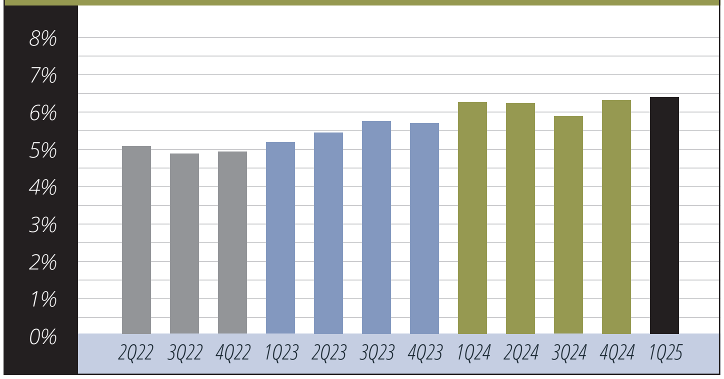
Ultimately, we're still aways out from being back to the hot market that made brokerage so exciting for so many years, but at least we seem to be close to heading in the right direction. ■

Jordan Carter is an executive vice president and shareholder in the Portland office of Kidder Mathews. Since joining Kidder Mathews in 2006, his practice has focused on the sale and acquisition of multifamily and investment properties, primarily in the Portland metropolitan area and along the I-5 corridor. While at Kidder Mathews, Jordan has been one of the most active multifamily brokers across the Pacific Northwest, having closed over 200 transactions for over $1 billion in value. Jordan's experience includes representing buyers and sellers of traditional seasoned apartment buildings, new construction and mixed-use buildings, and multifamily development land. He has been a featured speaker at several industry wide events for groups such as Multifamily NW, IREM, and the Commercial Association of Brokers.

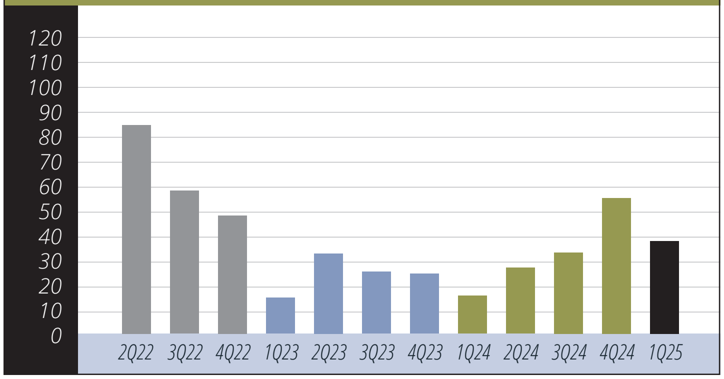
TREND REPORT
PORTLAND *METRO AREA*

CoStar: Search Criteria—Research Status: Published; Market: Portland; Prop Type: Multi Family; Sale Date: 4/1/2022–3/31/2025; unit: 5 units and greater.

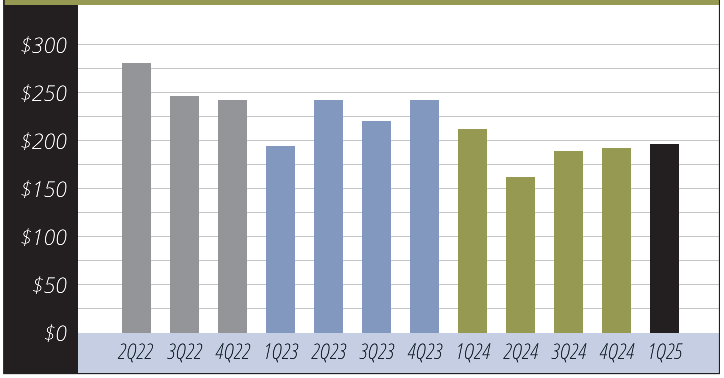
CAP RATE



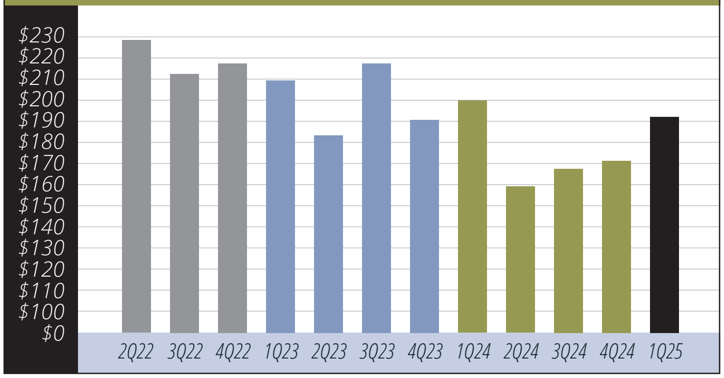
NUMBER OF TRANSACTIONS



MEDIAN PRICE PER SQUARE FOOT



MEDIAN PRICE PER UNIT *(IN THOUSANDS)*



YEAR	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
# OF TRANS	84	58	49	16	32	26	25	17	27	33	55	38
TTL $ VOLUME	$1,302,992,174	$532,084,076	$958,376,592	$172,611,044	$206,402,818	$243,679,840	$327,176,500	$277,342,500	$242,975,685	$428,618,825	$783,513,960	$435,279,000
TTL BLDG SF	3,929,555	1,978,839	3,703,068	780,802	935,726	1,056,735	1,288,773	1,168,510	1,594,256	1,847,305	3,532,805	2,156,478
TTL UNITS	4,498	2,127	3,343	787	949	1,106	1,357	1,231	1,495	1,967	3,840	2,086
AVG PRICE	$15,511,812	$9,173,863	$19,558,706	$10,788,190	$6,450,088	$9,372,302	$13,087,060	$16,314,265	$8,999,099	$12,988,449	$14,245,708	$11,454,711
AVG # OF SF	46,780	34,118	75,573	48,800	29,241	40,644	51,551	68,736	59,047	55,979	64,233	56,749
AVG $ BLDG SF	$331.59	$268.89	$258.81	$221.07	$220.58	$230.60	$253.87	$237.35	$152.41	$232.02	$221.78	$201.85
MED $ P/SF	$275.66	$241.87	$239.55	$192.19	$237.10	$222.78	$240.14	$207.26	$162.31	$188.23	$189.54	$191.91
AVG $ P/UNIT	$289,683	$250,157	$286,682	$219,328	$217,495	$220,325	$241,103	$225,299	$162,526	$217,905	$204,040	$208,667
MED $ P/UNIT	$228,619	$211,250	$217,083	$199,750	$183,378	$217,062	$190,500	$200,000	$158,242	$166,667	$170,996	$191,250
AVG # OF UNITS	54	37	68	49	30	43	54	72	55	60	70	55
ACTUAL CAP RATE	5.09%	4.95%	4.97%	5.13%	5.47%	5.73%	5.66%	6.24%	5.70%	5.41%	6.46%	6.47%
AVG GRM	13.62	11.39	14.51	11.34	—--	13.48	12.94	11.36	11.88	12.98	9.39	11.33
AVG GIM	—	—	—	—	—	—	—	—	—	—	—	—

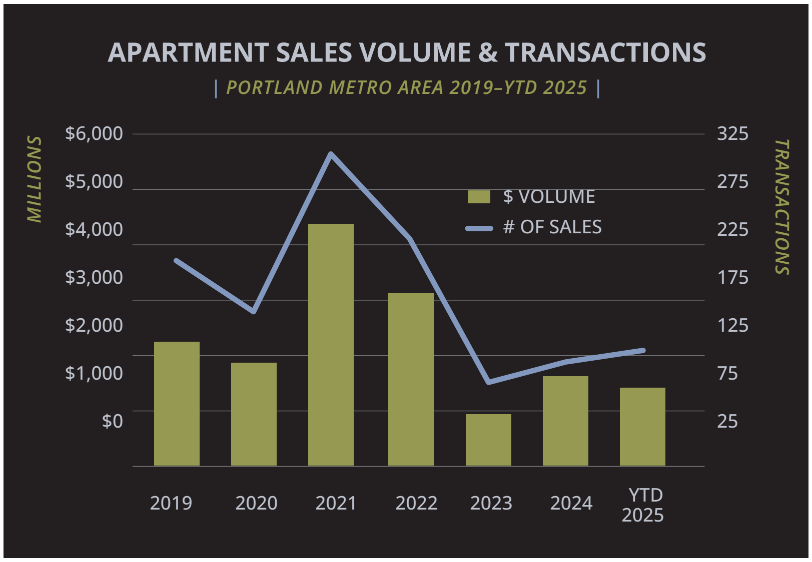
SPRING 2025 APARTMENT **FUNDAMENTALS & TRENDS**

Patrick O. Barry, Barry & Associates

After the dust settled on 2024, the apartment sales market showed a significant improvement from the lows of 2023, though it didn't look that way for most of the year. While the sales market showed signs of life, value retreated again in 2024 as buyers hesitantly re-entered the market. There's a sense of measured confidence that values and market fundamentals have bottomed out and conditions will gradually improve, albeit slowly.

APARTMENT SALES VOLUME & TRANSACTIONS

The sales market in 2023 was the slowest on record and for much of 2024, it was actually looking like it may slow further. Through September 2024, there were only 67 apartment sales across Multnomah, Washington, Clackamas, and Clark County. However, a busy 4th quarter fueled by declining interest rates resulted in around 50 additional sales. Throughout the four-county metro area, there were a total of 117 sales in 2024, or a 20 percent increase year over year. The total sales volume increased to $1.65 billion, up over 70 percent from 2023, which shows renewed institutional buyer interest.



Despite some rate increases, the momentum of late 2024 may be spilling into 2025. For YTD 2025 through March, there have been around 32 transactions across the metro area. While the data is limited, this puts us on track for 128 sales for the year. As of early 2025, local market participants have reported increased investor interest in the Portland market; however, buyers remain highly cautious and unwilling to overpay, with pricing needing to adequately reflect the perceived risks in the current environment.

According to CoStar, Portland Metro apartment values bottomed out in mid/late 2024 and will continue on a slow recovery in the coming years. While this may not be the news we want to hear, CoStar is forecasting a full recovery of 2022 peak values sometime in late 2027 or 2028.

Uncertainty remains around the timing of a sales market rebound. While investor interest has picked up, many market participants have expressed frustration that this has yet to translate into meaningful transaction volume over the past 18 months. Still, anticipated Fed rate cuts may boost activity as investors gain confidence that pricing has either stabilized or reached a floor. This growing sense of certainty—paired with the prospect of further rate reductions—should help reinvigorate the market.

Moreover, the era of "extend and pretend" is beginning to wind down. As loans mature or variable-rate debt resets, investors will be forced to make key decisions around refinancing or selling. These pressures are expected to prompt more action, particularly as both buyers and sellers begin to align on pricing and develop a clearer view of where the market is headed. Together, these dynamics are likely to support an uptick in transaction volume in the months ahead.

(continued on page 13)

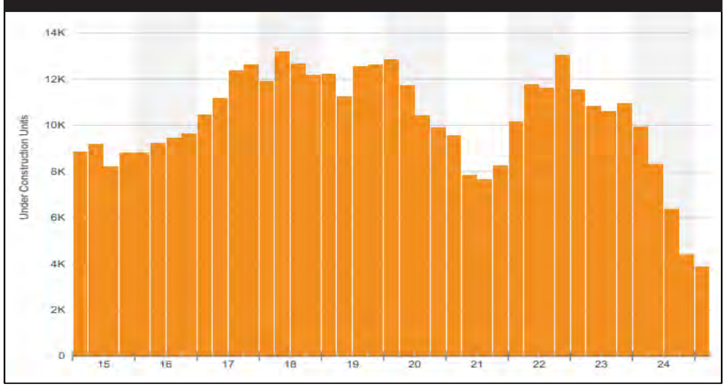
APARTMENT CONSTRUCTION

As 2025 progresses, the apartment construction sector continues to face mounting headwinds, with little sign of recovery on the horizon. While regulatory challenges and shifting demographics have long been barriers, the past 18 months have brought additional strain: elevated vacancy rates, flat rent growth, falling multifamily values, and persistently high development costs. Financing remains constrained, with few lenders willing to reenter the construction loan market. Even with modest interest rate relief, development remains financially unviable for many projects.

Compounding these challenges is Portland's sluggish job and wage growth, which has consistently lagged the national average. As development costs rise, so does the rent threshold required to justify new construction. Yet, without meaningful wage and employment gains, rent growth is likely to remain limited—further suppressing the feasibility of new supply. Together, these conditions have pushed construction activity even lower, pointing to continued softness in the development pipeline.

The number of units under construction has steadily declined for nearly 12 consecutive quarters and continues to trend downward with no clear indication of a reversal. As of spring 2025, CoStar reports approximately 3,900 units currently under construction—levels comparable to those observed in 2011 and 2012. CoStar projects that annual deliveries will decrease to 2,500 units in 2025 and 2,400 units in 2026, followed by a modest increase to 2,900 units in 2027. The primary catalysts for renewed development activity are expected to be stronger market fundamentals (i.e., rent growth and vacancy rates), improved access to financing, and stabilization in new construction values. The anticipated shortage of new supply may exert upward pressure on market fundamentals; however, rent growth may be constrained if wage levels remain below average.

UNDER CONSTRUCTION



VACANCY AND RENT TRENDS

After a challenging few years, apartment fundamentals may have reached a turning point. As seen in the Report herein, overall vacancy rates are at 5.91 percent, a decrease of 26 basis points year over year. CoStar reports that vacancies at all properties, including properties in lease up, are around 7.7 percent, though are expected to push up to 7.2 by the end of this year. As Portland Metro absorbs the glut of units completed in 2023 and 2024, vacancies are expected to show moderate declines in the coming years due to a lack of new supply.

As vacancy rates stabilize or decrease, there will be some upward pressure on rents. CoStar reports that rents declined 1.3 percent in 2023 but have increased 1.3 percent in 2024. CoStar forecasts that by the end of 2025, rents will have increased 2.4 percent. The Multifamily NW Report survey suggests that rents increased from \$2.06 to \$2.07 during the past 12 months. Based on recent appraisal assignments, professionally managed properties have shown modest—if any—rental growth. Declining turnover rents have also been a fairly common trend throughout 2024 and into YTD 2025.

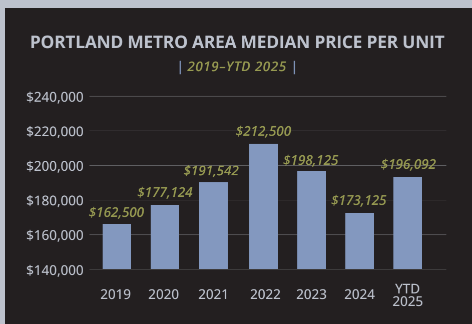
(continued on page 14)

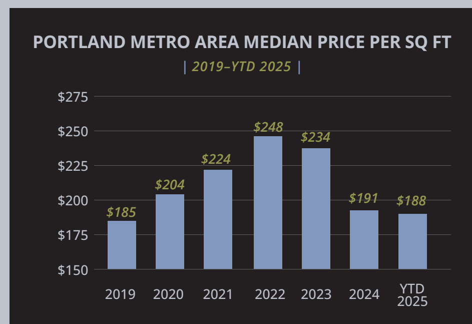
APARTMENT VALUE

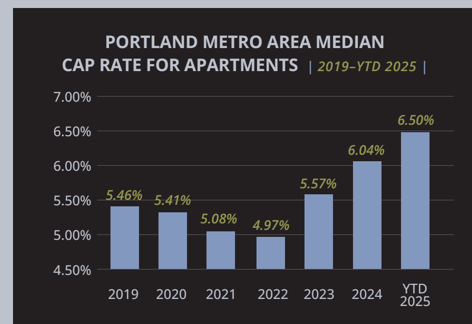
Values demonstrated a clear decline in 2024 as many current sellers are increasingly motivated for a plethora of reasons. Apartment values had a particularly strong run from 2009 to 2022 and many of the risks inherent to multifamily real estate may have been minimized. Sellers had a reality check in 2023 as values pulled back for the first time 13 years and 2024 brought further declines. Based on the 117 sales that occurred in 2024, the median price per unit has dropped to around $173,125. This is 12.6 percent below values from 2023 and 18.5 percent below peak values from 2022. Based on the 32 sales from YTD 2025 median per unit values appear to be rebounding.

The median price per Sq. Ft. declined to $191. This is 18.4 percent below values from 2023 and 23.0 percent below peak per Sq. Ft. values in 2022. The limited sales activity in YTD 2025 suggests limited changes in Sq. Ft. values, contradicting the price per unit indicators. CoStar also reports a significant increase in overall capitalization rates of around 45 basis points to 6.50 percent. In conversations with market participants, opinions have varied though most suggested declines of 10 to 30 percent from the peak in 2022. The change in values is largely dependent on building type and location.

(continued on page 15)





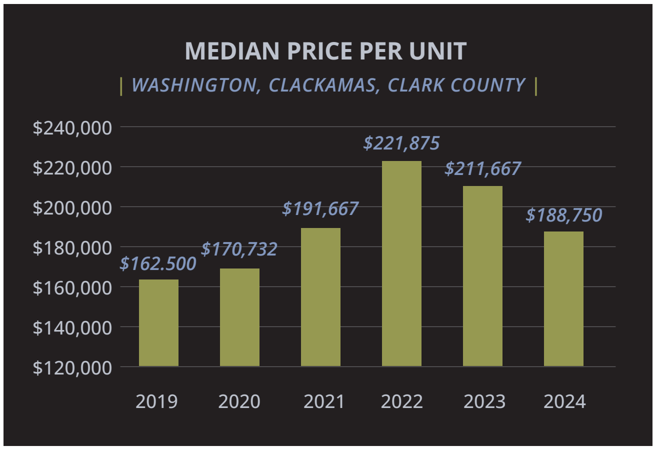


MARKET SEGMENTS
SOME HAVE FARED BETTER

Not all markets are equal, and some have fared better than others. The charts below examine suburban apartments outside Multnomah County; new apartments in the City of Portland; and the historic apartments also in the City of Portland.

SUBURBAN LOCATIONS
CLACKAMAS, CLARK & WASHINGTON COUNTIES

As challenges within the City of Portland have grown—including regulatory uncertainty, public safety concerns, and higher tax burdens—investors have increasingly favored suburban markets. While suburban property values remained relatively stable in 2023, a more noticeable decline occurred in 2024. Despite this recent softening, suburban assets are still viewed by many investors as offering a more stable long-term outlook compared to their urban counterparts.



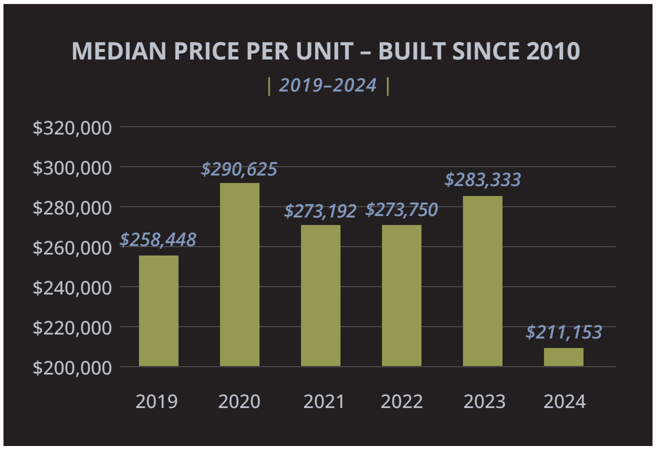
HISTORIC PORTLAND *PRE-1940*

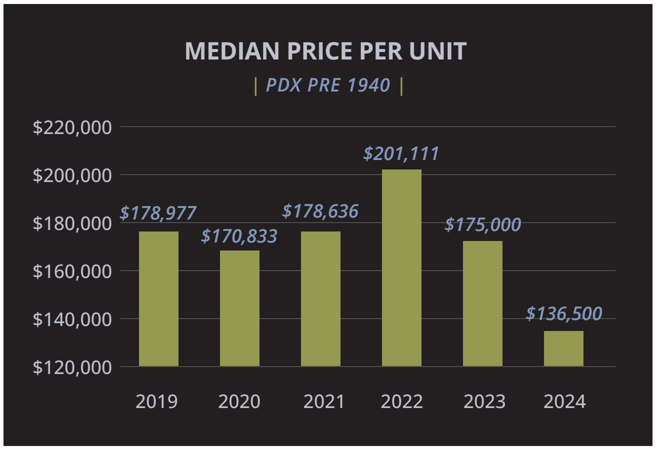
Older historic apartments in the urban core have become one of the most challenged segments of the current market, attracting interest from only a limited pool of buyers. These properties face a range of headwinds, including difficulties securing insurance coverage, smaller unit layouts that are less desirable in a work-from-home environment, livability concerns within the urban core, elevated maintenance costs, limited financing availability, and increased tax exposure from the City of Portland. The median price per unit has declined by approximately 32 percent since 2022 and remains well below 2019 values. While not presented herein, these declines are supported by changes in same property sales in recent years.

(continued on page 16)

NEW APARTMENTS *PORTLAND POST 2010*

Values for newer units in Portland have shown only modest movement in recent years, as rent growth has flattened and operating expenses have risen sharply. Many developers who had not planned to retain these assets long term are now faced with the choice of either contributing additional equity to complete a ('cash-in') refinance or accepting significantly reduced pricing in order to facilitate a sale.



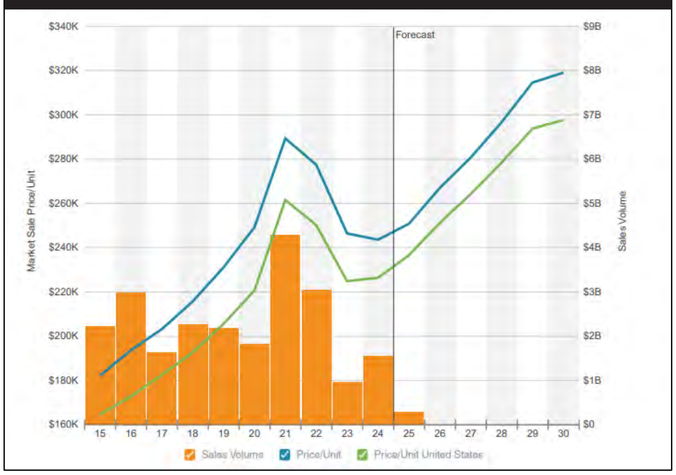


SUMMARY

The Portland apartment market continues to face headwinds, but recent trends suggest the foundation for recovery is taking shape. A surge in sales during the fourth quarter of 2024 and steady transaction activity in early 2025 reflect renewed investor interest. While values declined further in 2024, many believe pricing has reached a floor. The sharp pullback in new construction is expected to reduce future supply, supporting rent growth as vacancy rates begin to ease. Though challenges remain—particularly around financing, wage growth, and affordability—market fundamentals appear to be stabilizing. With improved clarity around interest rates and a more balanced outlook, the Portland apartment market is poised for slow but steady progress, reinforcing a cautiously optimistic view moving forward.

Patrick O. Barry (pb@barryapartmentreport.com) is a certified general appraiser with Barry & Associates, which specializes in apartment appraisal work in the Portland metropolitan area. Patrick is an engineering graduate of the University of Colorado.

SALES VOLUME & MARKET SALE PRICE PER UNIT



PORTLAND
ECONOMIC UPDATE

Amy VanderVliet

SLIPPING POST RECOVERY

The Portland metropolitan area fully regained pandemic job losses by early 2023. The recovery was broad-based, with most major industries reaching new employment highs around that time. Notable exceptions include private education, with a few private school closures and relocations; retail trade, which was going through a structural change accelerated by the pandemic; and leisure and hospitality, weighed down in part by incomplete recoveries in tourism and business travel, high rates of remote work, slowing population growth, and perhaps even labor shortages. The unemployment rate was holding steady near historic lows and incomes were rising. Although our jobs recovery lagged about two-thirds of the nation's largest metros -an unfamiliar position given our history as a leader- we entered 2023 on solid footing.

The region has lost momentum since the pandemic recovery. As of February, employment is down 0.5% (-5,800 jobs) from the post-pandemic employment peak. Although roughly one-third of these losses are due to a strike that has since ended, that doesn't change the story: the tide has changed. Losses are broad-based, with every major sector shedding jobs except private health care and government. Although the unemployment rate remains quite low, it's edged up over the year.

Meanwhile, the nation grew by 2.7% over that same period, the average large metro by 2.4%. What's going on in Portland that sets us apart from many other large metros? An incomplete list includes slow population growth; a downturn in manufacturing that has hit us harder than the nation, especially in semiconductors; major layoffs outside of manufacturing, including in company headquarters, banking, and tech; and a steep decline in housing permits, notably in structures with 5+ units.

The near-term outlook is uncertain. On the one hand, the state is showing signs of reacceleration based in part on an uptick in GDP, according to the Oregon Office of Economic Analysis (OEA). Additionally, OEA anticipates a modest rebound in migration which will lead to population growth. However, both Oregon and nation are facing headwinds related to tariffs and federal cutbacks. Oregon is more susceptible to a trade war given our relative dependence on exports. Our three largest exports are computer and electronic products, transportation equipment, and machinery- much of which is produced in the Portland metro area. The three largest export destinations are Mexico, China, and Canada. If trade policy is directed toward Pacific trading partners, and/or is focused on the tech sectors, Oregon risks a disproportionately large impact. ■

Amy Vander Vliet is an Economist for the Oregon Employment Department, covering the Portland metropolitan area. She produces and analyzes employment trends, including the unemployment rate and monthly job growth in the region's major industries.

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