

INVESTMENT FORECAST

Multifamily
Portland

IPA

INSTITUTIONAL
PROPERTY
ADVISORS


2022


Newcomers Strengthen Rental Demand; Regionally High Yields Drive Sales Activity

Strong population growth stimulates leasing in the apartment sector.

Portland offers a less dense, more affordable environment for residents looking to relocate from other higher-cost West Coast markets. Robust in-migration spurred record levels of demand for rentals last year, with net absorption reaching a 20-year high in 2021. Projections for 2022 suggest this momentum will carry on. The metro will continue to add jobs and attract new residents at a pace well above the national average. Additionally, housing shortages across the metro have resulted in single-family home prices surging to over six times the median household income, above the overall U.S. measure. This will likely delay homeownership for prospective first-time buyers, further bolstering rental demand in the near term. While developers ramped up multifamily construction in each of the past 10 years, deliveries are anticipated to decline in 2022, falling below the trailing-five-year average. Reduced construction activity in Portland will steer more renters to existing properties, allowing vacancy to contract near a historical low this year.

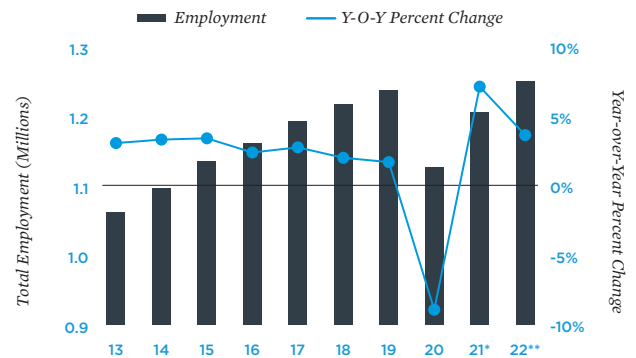
Investors shift focus to well-located suburban assets. Portland's affordability and high first-year returns relative to other major West Coast markets are garnering interest from local and national investors alike. The metro's apartment sector remained resilient during the health crisis and rebounded swiftly, accelerating transaction velocity to a 20-year high in 2021 despite concerns over rent control laws in the state of Oregon. Near-term supply pressure and a prolonged recovery from the pandemic have softened deal flow in Downtown Portland, while record low vacancy rates and vigorous renter demand are shifting investors' focus to the suburbs. Vancouver, Beaverton, Hillsboro and Aloha all observed an uptick in activity as these submarkets registered double-digit rent growth in 2021. The combination of low interest rates and the underperformance in other property types has lifted valuations, with the average sale price exceeding \$200,000 per unit for the first time in the metro's history. This could potentially result in a rise in listings across the metro as owners look to capitalize on current pricing. Robust in-migration and further tightening fundamentals will likely sustain high levels of buyer demand this year.

21.3%  2021 share of local population between 20 and 34 years old

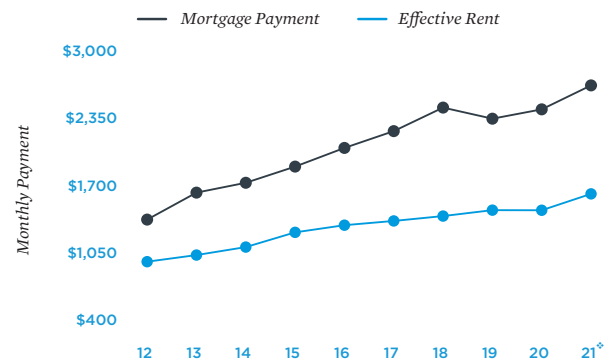
35.8%  of local population hold bachelor's degree or higher*

\$520,500  2021 median home price

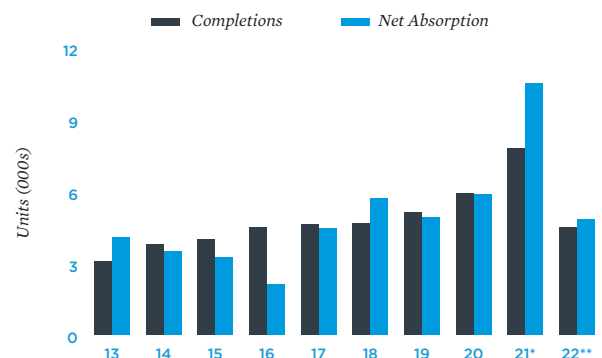
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q

**2021: 25+ years old

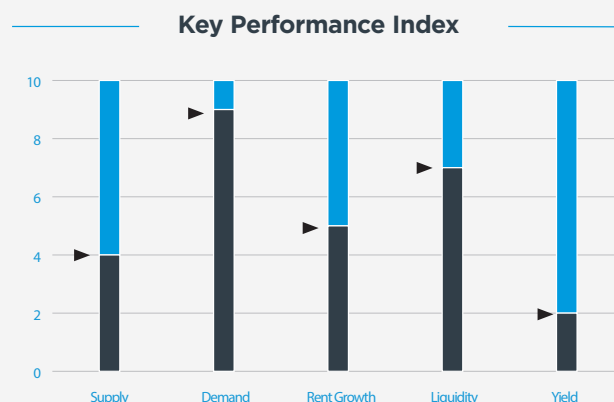
Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

2022 Investment Outlook

Compared to the Key Performance Index measured before the pandemic, Portland has improved both its supply and demand scores, highlighting the market's strong position. In 2022, the pace of new supply is projected to slow considerably, paving the way for vacancy compression.

Investor demand for Portland multifamily assets remains solid, supporting a steady flow of transactions. Liquidity scores as a 7 on the 2022 Index, which is near the top of the pack when comparing to all markets. The yield score is relatively low at 2, though.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2022 Market Forecast

Employment

43,500 jobs



Metro 3.6%

U.S. 2.5%

Construction

as % of inventory*



Metro 2.0%

U.S. 2.2%

Class A Vacancy

Down 20 bps



Metro 4.2%

U.S. 3.6%

Class A Rent

\$1,909
per month



Metro 4.2%

U.S. 7.5%

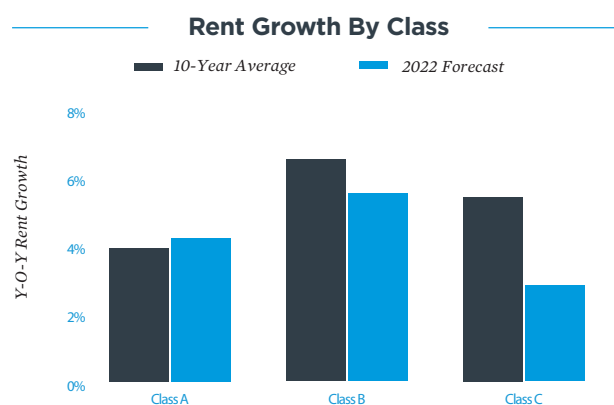
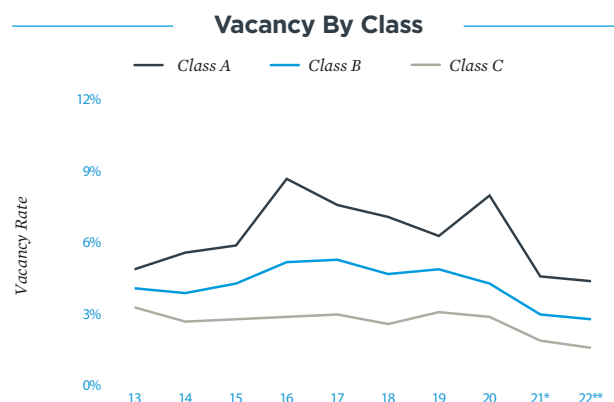
Investment

3-yr. avg. activity
\$20+ million



Deals: 26

Volume: \$1.4 Billion



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2021
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics