MARKET REPORT

Multifamily

Portland Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

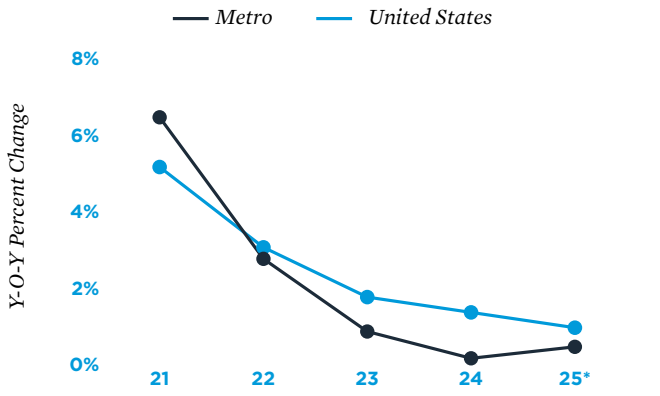
2Q/25

Minimal Construction Lets Vacancy Descend, but Market Lacks Demographic, Job Market Thrust

Budget apartments recovering the most. Gains in Portland's apartment performance are still Class C-oriented. The tier led amid declines across classes with a 130-basis-point vacancy reduction year over year in March. Class C rents also recorded annual growth of 1.2 percent, on par with a year earlier, while the Class A mean rent continued to recede. Accordingly, roughly 26 percent of Class A units offered concessions as of March. While this is down from last year's peak, other tiers began improving earlier. Concession use may also fall further this year due to fewer deliveries. Considering Portland's static population growth and net migration, 2025's performance gains are most likely to come from equilibrating demand within the metro, or otherwise from new household formation.

Washington rent control impacts supply differently. Washington's new rent control policy may subdue some development, while the longer runway of Oregon's exemptions could shift some supply pressure back over the Columbia River. Its rent cap excludes properties for the first 15 years of their operations instead of 12 years like in Washington. Vancouver's recent supply boom began after Oregon passed their own rent control legislation in 2019. Since then, its inventory has grown 30 percent compared with the overall metro's 15 percent growth. Vancouver's eventual maturity may dovetail with this supply-side headwind. Even so, on the demand-side, the advantage of Washington's lack of income tax remains.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook

4,800 JOBS
will be created

EMPLOYMENT:

Total employment in the Portland metro will rise by 0.4 percent — 30 basis points above 2024's pace. Partly behind this improvement, the white-collar sector will gain jobs on net for the first time since 2022.

3,300 UNITS
will be completed

CONSTRUCTION:

This year's 1.4 percent inventory growth rate brings around half of 2024's additions. From 2014 to 2021, when the metro was experiencing peak construction, the average annual pace of expansion was 2.5 percent.

30 BASIS POINT
decrease in vacancy

VACANCY:

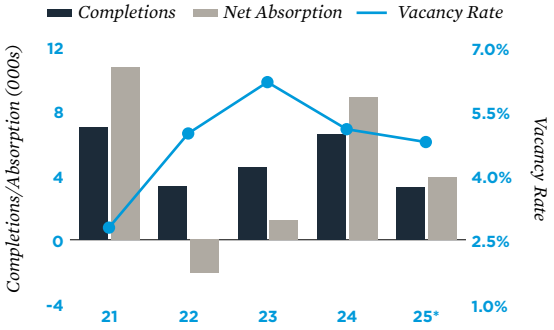
Vacancy compresses to 4.8 percent — Portland's lowest level since 2.8 percent in 2021. While net absorption declines from last year, construction also falls back, allowing for another year of improvement, if modest.

0.5% INCREASE
in effective rent

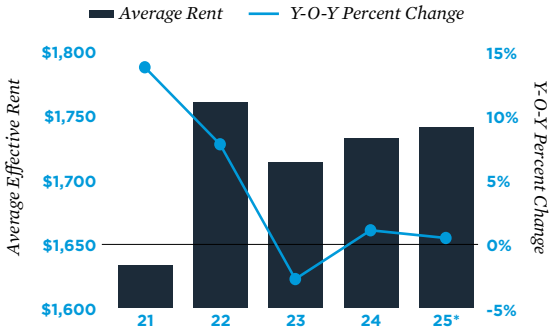
RENT:

The average effective rent rises to $1,741 per month this year. An uptick in the degree of the average concession since the summer of 2024 may constrain rent growth.

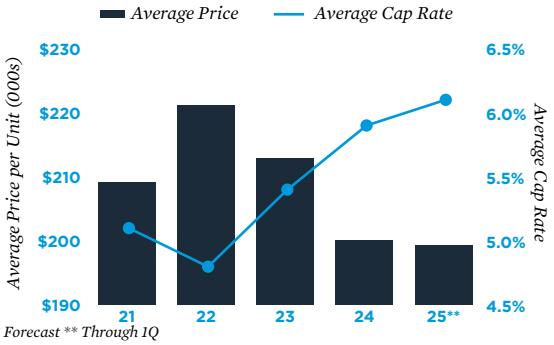
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: $250

1Q 2025 — 12-Month Period

CONSTRUCTION

6,268 units completed

- Roughly 1,300 more apartments were completed over the past year compared with the prior period. A 200 percent increase in permit issuances over the same time span hints at an elevated pipeline several years out.
- East Beaverton and Vancouver saw their stock expand the fastest, both at close to a 4 percent year-over-year growth rate.

VACANCY

110 basis point decrease in vacancy Y-O-Y

- The Lake Oswego-Tualatin-Wilsonville submarket recorded the steepest annual vacancy decline as of March, falling by 180 basis points. Northwest Portland was the only submarket to post an increase of 20 basis points.
- At 5.2 percent as of the first quarter this year, the metro vacancy rate remains 20 basis points above the 2014-2019 average.

RENT

0.8% increase in the average effective rent Y-O-Y

- The market's average effective rent stood at $1,729 per month in March 2025, recovering from a 2.2 percent drop from 2023 to 2024.
- Central Portland and East Beaverton recorded the fastest rent growth among submarkets, with increases of 2.3 and 2.4 percent, respectively, despite the former's higher vacancy and average monthly rent.

Investment Highlights

- Transaction velocity rose 70 percent in the 12-month period ended March 2025, compared with the same span in 2024. Trades of properties between $1 million and $10 million rose by about 60 percent, while those valued above $20 million roughly doubled. Class A trades rose about a third, compared with roughly 80 percent growth in Class B/C tiers, as the increase in transactions above $20 million extended beyond just top-tier assets.
- Vancouver noted the most transactions among Portland submarkets during the year ended in March, with activity doubling from the previous period. The area recorded the highest rate of rent growth in March outside of Central Portland — up 1.8 percent year over year despite high construction activity. This upward swing may have raised the submarket's profile.
- Following a lull in the 12 months ended March 2024, Downtown Portland and Beaverton have seen a resurgence in exchanges. The former's steady rent growth amid high but falling vacancy may have given investors confidence in the location. Even so, those pursuing low vacancy rates will likely look toward Beaverton, which features the metro's lowest rate.