

Declining vacancy sets stage for growth

HIGHLIGHTS

- Operating conditions in the Portland multifamily market recorded a mixed performance during the third quarter, as vacancy improved while rents inched lower. Year to date, multifamily completions have tapered off. Projects totaling roughly 4,200 units have come online to this point in 2025, down 9% from the same period of last year.
- The vacancy rate continued to decrease during the third quarter, declining by 20 basis points to 4.9%. During the past year, vacancy is down 10 basis points. Vacancy has operated in a tight band since the beginning of 2023, ranging between 4.9% and 5.4%.
- Asking rents inched lower in recent months after rising during the second quarter. Apartment rents decreased by 0.2% during the third quarter to \$1,777 per month. Year over year, rents have dipped by 1.1%.
- Sales activity returned to traditional levels to this point in the year following light volume in 2023 and 2024. Sales velocity since the beginning of 2025 is outpacing levels recorded in the same period of 2024 by 46%. Year to date, the median sale price is \$209,200 per unit, up 5% from last year.

PORTLAND MULTIFAMILY MARKET OVERVIEW

Development in the Portland multifamily market has tapered off year to date, allowing already strong vacancy conditions to further improve. Vacancy closed the third quarter at 4.9%, as the rate dropped below 5% for the first time since the fourth quarter of 2023. While lighter levels of new supply have played a role in elevated occupancy, operators are also prioritizing occupancy over increasing rental rates. Since the fourth quarter of last year, asking rents have ranged between \$1,771 per month to \$1,782 per month. Lake Oswego has emerged as a top submarket in the Portland metro during the past year, posting tight vacancy alongside rising rents. Asking rents in this area closed the third quarter at \$2,388 per month, up 2.1% annually, while the vacancy rate in this submarket is 3.3%, one of the lowest rates in the region.

Activity continued to accelerate in the Portland multifamily investment market, as total sales during the third quarter outpaced levels recorded in the second quarter by 23%. Properties continue to change hands at a strong clip in Troutdale/Gresham, as this area leads the region in sales activity to this point in the year, slightly outpacing the traditional stronghold, Vancouver. Investors have targeted older, lower vacancy properties in Troutdale/Gresham; of the properties that changed hands in this submarket so far this year, nearly all were 1970s, 1980s, 1990s, and early 2000s builds, almost all of which are recording sub-5% vacancy rates. This localized trend was reflected across the entire market. Through the third quarter of 2025, properties built between 1970 and 2009 account for nearly 75% of all transactions. In 2024, this figure was 56% and in the year before that, these vintages made up just 43% of sales.

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **2,619**

UNITS DELIVERED (YTD) **4,228**

MARKET FUNDAMENTALS



VACANCY RATE **4.9%**

YEAR-OVER-YEAR CHANGE **-10bps**

ASKING RENTS **\$1,777**

YEAR-OVER-YEAR CHANGE **-1.1%**

TRANSACTION ACTIVITY (YTD)



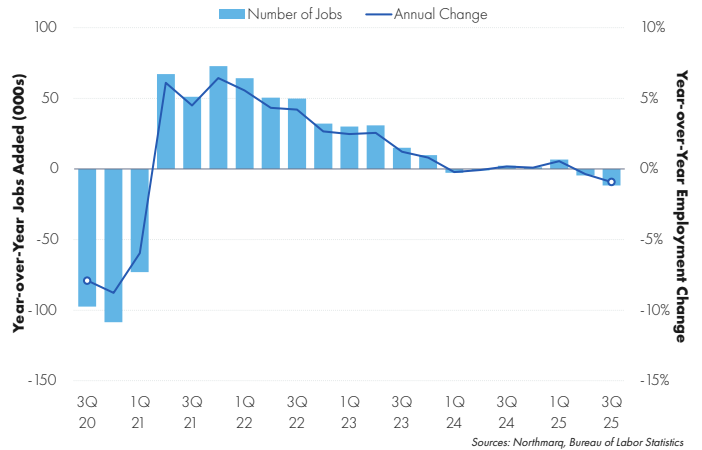
MEDIAN PRICE PER UNIT **\$209,200**

EMPLOYMENT

- Total employment in Portland has declined in recent periods. Year over year, job losses for 11,700 positions were recorded, a decrease of 0.9%. Employment growth has been muted since the beginning of 2024.
- During the past year, employers in the professional and business services sector cut 2,600 positions, a decrease of 1.3%. Total employment in the sector is currently at pre-pandemic levels.
- Lam Research recently opened a 120,000 square foot building in Tualatin. The site has a capacity for 700 workers, some of whom will be relocated from the company’s existing locations.
- **FORECAST:** Total employment is projected to decline by 1,000 jobs during 2025, a decrease of 0.1%.

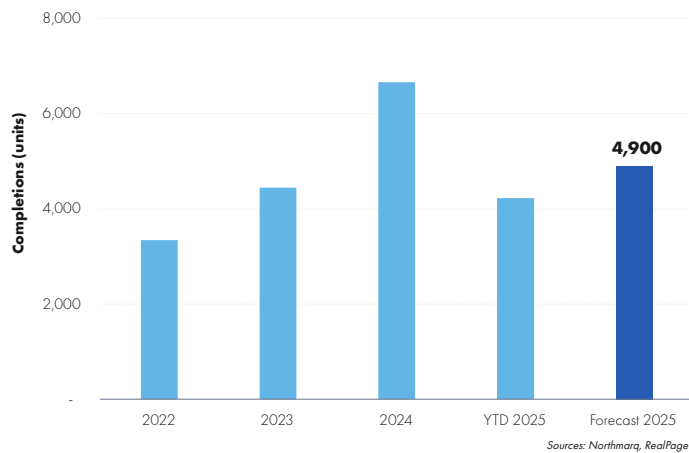
Job growth has been muted since the beginning of 2024.

EMPLOYMENT OVERVIEW



Construction activity in Portland is down 9% from last year.

DEVELOPMENT TRENDS

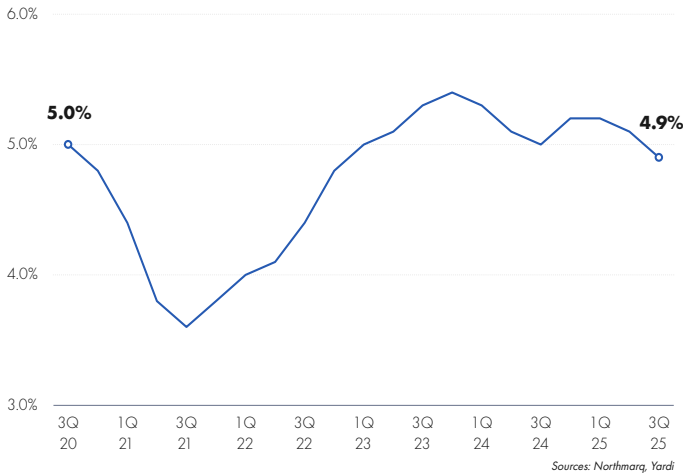


DEVELOPMENT & PERMITTING

- While the pace of multifamily deliveries picked up in recent months, total completions year to date remain below last year’s trend. Projects totaling roughly 4,200 units have come online to this point in the year, down 9% from the same period of 2024.
- Construction activity in Portland has dropped off dramatically continues to taper off. Projects totaling approximately 2,600 units are currently under construction. One year ago, more than 6,500 units were in the pipeline.
- Multifamily permitting was limited in recent months as there has been a substantial pullback in permitting since the second half of 2023. Developers pulled permits for nearly 400 units during the third quarter after permits for roughly 900 units were issued in the second quarter.
- **FORECAST:** Projects totaling 4,900 units are expected to come online in 2025, lagging last year’s peak levels by 26%, but similar to the market’s annual average since 2015 of 5,200 units. Looking ahead, supply growth is forecast to decline sharply. Projects totaling less than 2,000 units are currently slated for completion in 2026.

Top-tier vacancy continued to improve in recent months.

VACANCY TRENDS



VACANCY

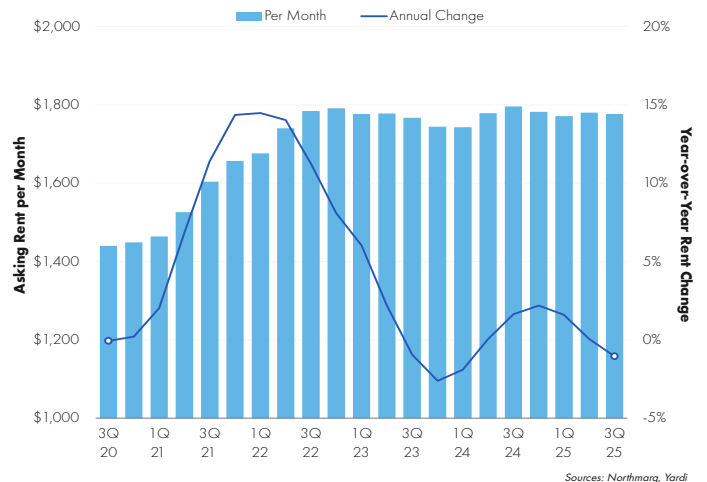
- The vacancy rate in Portland has performed well in recent periods. During the third quarter, the rate continued to decline, trending lower by 20 basis points to 4.9%. Year over year, area vacancy is down 10 basis points.
- Vacancy conditions improved in many submarkets during the past year, with the St. Johns/University Park area recording the steepest decline. The vacancy rate in this area closed the third quarter at 5.4%, down 310 basis points from levels recorded one year ago.
- Top-tier vacancy continued to improve in recent months, as the vacancy rate for Class A properties declined by 20 basis points during the third quarter to 5.1%. During the past year, the rate for top-tier assets trended lower by 70 basis points.
- **FORECAST:** The vacancy rate is projected to close the year at 5.0%, down 20 basis points annually. Vacancy conditions have been generally stable during the past few years, trending lower since peaking at 5.4% during the fourth quarter of 2023.

RENTS

- Asking rents in Portland inched lower in recent months after ticking higher in the previous quarter. Apartment rents declined by 0.2% during the past three months to \$1,777 per month. During the past 12 months, rents dipped 1.1%.
- Downtown Portland posted rent gains during the past year while most areas recorded decreases. Year over year, asking rents in Downtown Portland rose by 2.0% to \$2,256 per month. Additionally, this area is currently recording the second highest asking rents in the region, trailing only Lake Oswego.
- Class A rents have been on an overall downturn since peaking at \$2,173 per month during the second quarter of 2023. During the past year, Class A rents have dipped by 2.0% to \$2,080 per month.
- **FORECAST:** Area rents are projected to continue to trend lower through the end of the year. Local rents are expected to finish 2025 at \$1,765 per month, down 1.0% annually.

Year over year, asking rents in Downtown Portland rose by 2.0%.

RENTS TRENDS

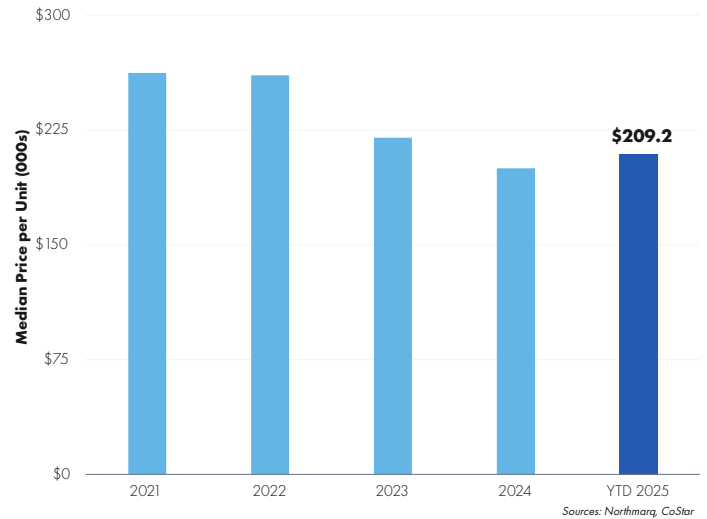


MULTIFAMILY SALES

- The pace of multifamily sales in Portland accelerated 23% from the second quarter to the third quarter as momentum builds. After limited activity in 2023 and 2024, total sales to this point in the year are in line with the region’s trailing 10-year average for the period.
- Year to date, pricing has ticked higher after declining in 2024. The median sale price is \$209,200 per unit to this point in 2025, up 5% from last year. Overall pricing continues to lag levels recorded from 2021-2023. In 2021 and 2022, the median price in each year was roughly \$260,000 per unit.
- Transaction volume has accelerated alongside activity. Properties totaling more than \$900 million have been sold since the start of 2025. During the same period last year, approximately \$700 million worth of assets changed hands.
- Cap rates ticked higher in recent months, averaging 6.0% during the third quarter. In the preceding 18 months, rates had been averaging between 5.3% and 5.6%.

The median sale price is \$209,200 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

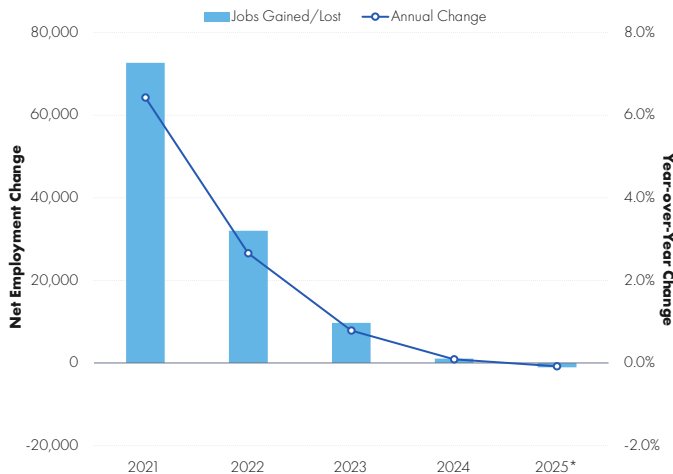
| PROPERTY NAME | STREET ADDRESS | YEAR BUILT | UNITS | SALES PRICE | PRICE/UNIT |
|-------------------------|---|------------|-------|--------------|------------|
| Oak Hill Apartments | 15800 N.W. Union Road, Portland | 1991 | 164 | \$36,300,000 | \$221,341 |
| Prairie Home Apartments | 12101 N.E. 116th St., Vancouver | 2023 | 120 | \$26,460,280 | \$220,502 |
| Veri Vancouver | 8011 N.E. Fourth Plain Blvd., Vancouver | 1988 | 97 | \$22,750,000 | \$234,536 |
| Cathedral Gardens | 8652 N. Swift Way, Portland | 1971 | 124 | \$21,750,000 | \$175,403 |

LOOKING AHEAD

Multifamily developers are on track to complete 4,900 units in 2025, lagging levels recorded last year by 26%, while closely tracking historical norms. This will likely be the last year of substantial deliveries for some time. Multifamily permitting has been lighter during the past two years, and the development pipeline has just 2,600 units under construction. In the near term, new builds should continue to lease at a solid clip, keeping the vacancy rate at around 5.0%. As the market works through the recent supply growth, vacancy may begin to decline later next year. Once vacancy begins to improve more significantly, rents are expected to advance again. Asking rents are projected to decline by 1.0% in 2025 after rising by 2.2% in 2024.

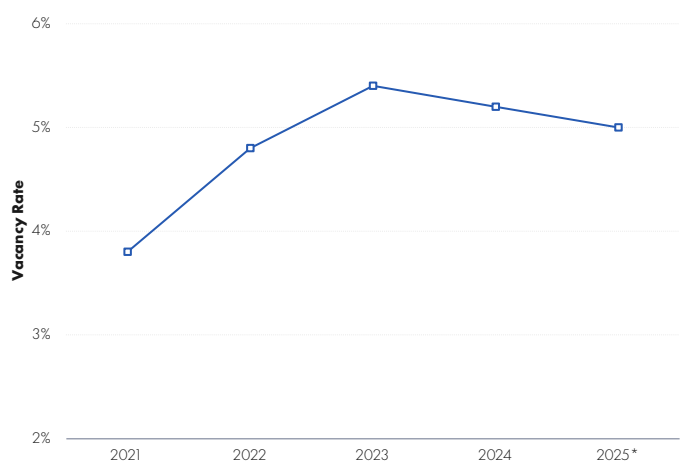
Looking ahead into the fourth quarter, sales activity will likely lag levels recorded during the past three months, but total sales for the full year will exceed total sales from both 2023 and 2024. Investors will likely continue to target properties built before 2010, but there may be an uptick in sales for newer Class A product as they stabilize. Prior to this year, 2020s vintage assets made up roughly 25% of total sales from 2022-2024. Recent builds should continue to stabilize in the coming quarters, creating more opportunities for the acquisition of top-tier properties. Cap rates should average in the mid-5% range during the fourth quarter and into 2026, following a brief uptick during the third quarter.

EMPLOYMENT FORECAST



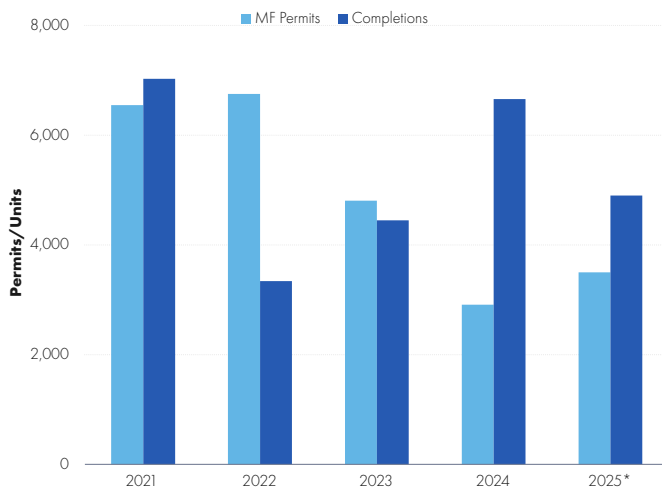
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



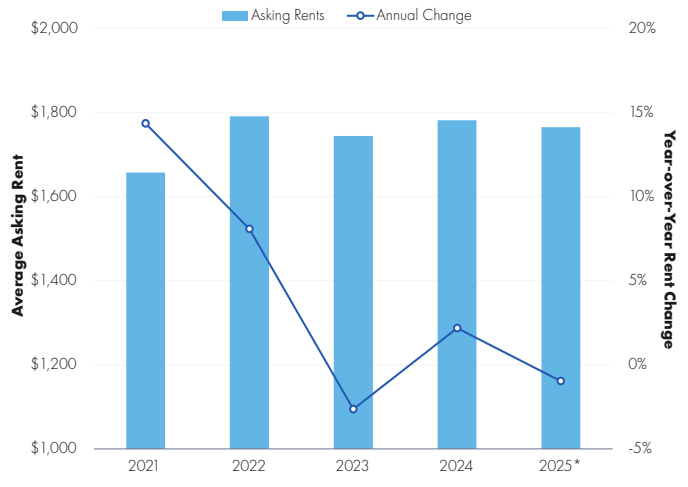
* Year End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, RealPage, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



FOR MORE INFORMATION, PLEASE CONTACT

ROBERT BLACK

Senior Vice President—Investment Sales
503.564.7178
rblack@northmarq.com

STUART OSWALD

Managing Director—Debt + Equity
425.974.1055
soswald@northmarq.com

JOE KINKOPF

Senior Vice President—Investment Sales
206.333.4031
jkinkopf@northmarq.com

BEN BIGGERS

Investment Analyst—Debt + Equity
425.974.1056
bbiggers@northmarq.com

STEVE FISCHER

Senior Vice President—Investment Sales
425.830.2254
sfischer@northmarq.com

TYLER SMITH

Senior Vice President—Investment Sales
206.333.2724
tsmith@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

SAM TIFFANY, *Market Analyst* | 602.955.7102 | stiffany@northmarq.com

ABOUT NORTHMARQ

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over \$78 billion and has completed \$69.5 billion in transactions over the past three years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report. ©2025. All rights reserved.