



PORTLAND, OR

PLUM LENDING MARKET SPOTLIGHT



PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

PLUM MARKET SPOTLIGHT - PORTLAND, OR

- The Portland-Vancouver-Hillsboro MSA is the largest MSA within the state of Oregon and is home to 2.5 million residents.
- Multifamily rents have increased from \$1,400/unit in Q1 2020 to over \$1,600/unit in Q1 2023 (+14%). Industrial rents climbed from \$9.25/SF to \$11.50/SF (+24%) over the same time period.
- Portland's office vacancy rate has increased from approximately 7% in Q1 2020 to over 15% in Q1 2023, coinciding with ten consecutive quarters of negative net absorption.
- The city of Portland holds a Aaa credit rating from Moody's.
- Portland's job market is anchored by well-known national employers such as Nike, Intel, Adidas, Columbia Sportswear, Alaska Airlines, Fisher Investments, and more.

Market Rent Δ by Property Type - Portland			
Property Type	Q1 2020	Q1 2023	% Δ
Multifamily	\$1,400	\$1,600	14.3%
Industrial	\$9.25	\$11.50	24.3%
Office	\$28.00	\$28.50	1.8%
Retail	\$22.00	\$24.00	9.1%



PLUM MARKET SPOTLIGHT - PORTLAND, OR

Commercial Real Estate Trends

Multifamily: Despite market rent increasing by 14% from pre-COVID levels, multifamily rent growth in Portland appears to be slowing down, as annual rent growth has declined to below 1% amid a surge in deliveries. The current construction pipeline of over 8,000 units (4% of total inventory) suggests that rent growth is likely to continue to slow across the metro. Occupancy has declined by 150 bps over the past year, from approximately 95% in Q1 2022 to 93.5% in Q1 2023.

Office: Portland's office market has been hit hard over the past three years. Sales volume has been anemic and cap rates are climbing. Market rent growth has remained positive, but net effective rents are down significantly as landlords have been forced to offer substantial TI packages to land tenants. Leasing brokers in the market are indicating that demand for suburban offices in suburbs like Lake Oswego, Beaverton, and Vancouver has been stronger than demand for offices located within the CBD. This could point to more pain for the Portland office market as a whole, as approximately 25% of Portland's office supply is located in the CBD.

Retail: Against the backdrop of the significant amount of pain in the office sector, Portland's retail sector has held up very well. Market vacancy across the metro remains below 4%, and net absorption has remained positive over the past six quarters. Sales volume in 2022 eclipsed \$4.5B, the highest annual sales volume for the Portland retail market in history. Market rent growth remains below inflation, but cap rates have continued to hover at all-time lows.

Industrial: The industrial market in Portland has been the city's top-performing sector over the past three years. Vacancy rates across the metro remain below 3.5%, despite a surge in deliveries. It has been over 12 years since the last quarter that Portland's industrial market experienced negative net absorption. The city's geographical constraints will mitigate any long-term risk to overall performance.

For more information speak with a Loan Specialist today: www.plumlending.com



PLUM[®]

CAPITAL TO LOCAL MARKETS

PLUM MARKET SPOTLIGHT - PORTLAND, OR

Sales Activity

Multifamily:

In March 2023, Westridge Lofts (Vancouver submarket) sold for \$31,000,000, or \$310,000 per unit. The property was built in 2021 and was 97.5% occupied at the time of sale. The seller was Romano Capital.

In February 2023, Mist Wood Apartments (Gresham/Troutdale submarket) sold for \$13,550,000 (4.4% cap rate), or approximately \$276,500 per unit. The buyer completed a 1031 exchange with the purchase.

Hospitality:

In February 2023, The Heathman Hotel in downtown Portland sold for \$45,000,000, or approximately \$298,000 per key. The ten-story hotel was built in 1927 and is situated on 0.25 acres on SW Broadway Street. The buyer was Rockbridge Capital out of Columbus, Ohio. The seller was Pebblebrook Hotel Trust (NYSE: PEB).

Retail:

In February 2023, Progress Square sold for \$15,700,000 (6.25% cap rate), or approximately \$376/SF. Progress Square is a 41,000 SF neighborhood center located in the Beaverton submarket that was 97% leased at sale. The property was built in 1976 and is situated on 2.67 acres of land.

In February 2023, Tigard Towne Square sold for \$11,290,000 (5.73% cap rate), or approximately \$223/SF. The property is anchored by Trader Joe's and Planet Fitness and was 82% leased at the time of sale. The property was built in 1988 and is situated on 4.4 acres of land in the Tigard submarket.

LEARN MORE ABOUT OUR [ESG/PACE PROGRAM](#)



PLUM[®]

CAPITAL TO LOCAL MARKETS