

o July | o 2017

SUMMERFIELD

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SUMMERFIELD COMMERCIAL SPECIALIZES IN BROKERING THE ACQUISITION AND DISPOSITION OF MULTIFAMILY ASSETS IN THE PACIFIC NORTHWEST.

MONTHLY NEWSLETTER

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2017-2018 Forecast: Class B and C Apartments Will Rule

By Yuen Yung, Multifamily Executive

Domestic and global investment in multifamily housing is on the rise throughout the United States—especially for Class B and C properties. Several contributing factors have fostered this development, including an oversupply of Class A communities in combination with a drop in demand, the rising cost of homeownership, and millennials entering the market by the millions. In the midst of this trend, foreign investors have begun to take notice and make their own plays on U.S. multifamily real estate.

The end result: Unless we see a drastic shift in the economic climate, Class B and C multifamily housing will have the greatest potential for high returns in 2017 and well into 2018.

Class A Losing Profitability as B/C Market Heats Up

Multifamily properties within different asset classes have distinctive drivers of profitability. During times of economic uncertainty or economic downturn, Class B and C properties have an edge over their Class A counterparts. This is because older properties have proven themselves to be more or less recession-proof, whereas newer properties can easily become a liability under the same economic conditions.

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Financing West Coast Multifamily Is Tough, But Here's Why Investors Keep Coming Back

By Julie Littman, Bisnow

Financing a multifamily project in the West certainly is not getting any easier. Developers are walking away from projects that do not pencil due to strict housing regulations, difficulty getting a loan and increased costs.

Developers are having a tougher time getting sufficient financing because lenders are providing construction loans at or below 60% loan-to-cost, according to Essex Property Trust Chief Financial Officer Angela Kleiman. In the previous cycle, construction loans went as high as 75% loan-to-value.

Lenders are pulling back in part because they were lending over the last two years and bank allocations to construction loans have filled up, she said. Another reason relates to market dynamics.

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MULTIFAMILY NEWS

WASHINGTON NEWS

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Affordable Housing Get a Boost From Impact Investors

By Susan Boyd, Seattle DJC

In the face of the current affordable housing crisis, entrepreneurial nonprofit housing providers are implementing new strategies to create affordable housing.

Socially motivated impact investing has supported the growth of sectors such as clean energy, global economic development and sustainable agriculture for over a decade. Only very recently have we seen adaptation of this model as a source of capital to create and preserve high-quality, sustainable affordable housing in high-cost communities like those of urban King County.

Value proposition

Today, 76 percent of households in Seattle with incomes at or below 50 percent of the area median income (\$33,600 for an individual; \$48,000 for a family of four) are spending more than half of their limited incomes on housing.

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New Towers Create a Construction Tango in Downtown Seattle

By Phil Greany, Seattle DJC

By just about any measure, the Puget Sound region registers as the nation's most active development market. Whether it's the number of tower cranes dotting our skylines, or the square-footage absorbed, the frenetic nature of development in our region is unmistakable.

Yet completing projects on time and on budget has become an art form that can go unnoticed. Amid the boom, the local construction industry faces a shrinking pool of skilled craft labor, a shortage of building components, maxed-out concrete batch plants, and increasing congestion imposed by our hourglass-shaped city.

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Bremerton's Triple Treat: Affordability, Nature, Life Balance

By Mark Goldberg, Seattle DJC

It's been widely recognized that the Puget Sound area is one of the fastest growing markets in the nation. This region's growth has been spurred for decades by many different types of industries. Seattle has long been rooted in maritime culture and, like many other coastal cities, our shipping and trade access has been a positive contributor to healthy economic expansion.

Fast-forward to today, and Seattle is being redefined as a burgeoning innovation and digital hub, where much of the nation's top technology talent and companies reside. But as our population continues to densify with thousands of new residents...

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Arterra Apartments	7/3/2017	711 West Casino Road, Everett, WA	120	1981	\$18,500,000	ColRich
Rock Creek Landing	6/30/2017	1024 North Central Ave, Kent, WA	576	1986	\$108,068,000	Grand Peaks Properties
Village at Beardslee Crossing	6/15/2017	19122 Beardslee Blvd, Bothell, WA	304	2014	\$102,500,000	Holland Partners

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OREGON NEWS

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Strong Development Softens Demand in Portland

By Bogdan Odagescu, Multi-Housing
News

Anchored by a diversifying economy and fueled by an expanding population, Portland's multifamily market remains strong despite its recent rent growth deceleration. Rents in the metro increased 2.3 percent year-over-year through May, a far cry from the January 2016 peak of 12.7 percent, as accelerated development in core submarkets has caught up with demand.

The metro is adding jobs across the board, with construction, financial activities and information recording the largest sector expansions. As the metro's economy continues to thrive and the area adds residents at double the national rate, there is no shortage of large development projects. The 600-key Hyatt Regency Convention Center hotel is expected to generate 950 hospitality jobs upon completion in 2018. Nike is continuing its headquarters expansion, with the sixth building at the Beaverton campus set to break ground this summer...

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Oregon May Strip Portland of its NIMBY Powers

By Kriston Capps, CityLab.com

People can't afford to be poor in Portland, Oregon. Nearly half of the households that rent in the Portland metro area pay too much. Almost one-quarter (24.3 percent) of these households are severely cost burdened, meaning half of their household income goes to keeping a roof over their heads. The median income of Portland metro homeowners is nearly twice that of renters: \$81,900 versus \$41,600, per a new Harvard report on housing.

Oregon has decided to do something to boost affordable housing in the state. A new law before the legislature has opened unexpected fault lines in the already fractured political debate over housing costs. The bill represents...

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HFO Sets Record with OR Sale

By Jeffrey Steele, Multi-Housing News

Portland, Ore.-based HFO Investment Real Estate has arranged the sale of Brentwood Estates Apartments in Springfield, Ore., for \$40.5 million. That sum establishes a new record as the largest dollar figure in history for a Springfield multifamily property transaction.

The sale represents a price of \$137,288 per unit and \$116.34 per square foot.

The biggest multifamily community in Springfield, Brentwood Estates is situated at 317 30th Street and is comprised of 76 two-story buildings spread across nearly 24 acres.

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Recent Transactions

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The Commons Apartments	6/30/2017	5800 NE Center Commons Way, Portland, OR	172	1999	\$13,789,034	Security Properties
Brentwood Estates	6/9/2017	317 30th Street, Springfield, OR	295	2004	\$40,500,000	Hill Properties
Bel-Aire Court Apartments	6/9/2017	12020 SW Why Worry Lane, Beaverton, OR	68	1961	\$9,275,000	Continental Partners

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