

○ November | ○ 2017

# SUMMERFIELD

## C O M M E R C I A L

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

### MONTHLY NEWSLETTER

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## 5 Trends in Multifamily Investing for 2018

By Karlin Conklin, Multi-Housing News

As 2017 ends, it's time to predict upcoming trends in the multifamily rental market. If you're a multifamily investor, there will be a few surprises and some changes you should be prepared for. Here are five areas to follow.

### Building Renovations Stay the Course

There's a considerable amount of new construction in cities where there is demonstrated and structural job growth, including Portland, Seattle, Los Angeles and Denver. Traditionally, developers have been able to pencil in growth and get a good return for the risk of that development. New multifamily units being constructed in urban areas, urban cores or high-growth and high-job areas have caused a softening in the Class A market for the first time in years. In the new-built market, we're finally seeing a plateau where supply is meeting demand. Do we need more Class B properties built in suburban locations to meet demand? Absolutely. Are they going to get built? Probably not. The risk/return for developers just doesn't pencil. The upside to a softening market? Older existing Class B multifamily units built in the '70s, '80s and even '90s, which have been renovated will be in higher demand.

### Don't Bypass the Suburbs

As the population is forced out of the urban core, the suburbs are becoming more attractive. This represents a golden opportunity for investors to look beyond the hot cities and search Class B properties in the outer ring of cities as well. If the suburbs want to grow and be vibrant, they need to create a sense of neighborhood that includes amenities. And that has, for many communities across the country, never been a part of their planning. People want a neighborhood. They want livability. They want walkability. They want an environment that draws people together. Purchasing a building is an investment into the community. Buying distressed buildings, under-performing buildings or under-managed buildings gives an investor the opportunity to enhance those neighborhoods.

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## Top 10 Markets with the Largest Recent Rent Growth

By Robert Demeter, Multi-Housing News

In every city, rent growth is fueled by the same things: employment opportunities, population surge and housing demand. Often excessive rent growth can lead to abrupt halts or gradual rent decreases, most of the time due to too much construction or people just moving due to the high cost of living. This list includes the top 10 U.S. cities with the highest rent growth (by percentage) over the course of five years and highlights their struggle and success. Data was provided by Yardi Matrix.

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# WASHINGTON MULTIFAMILY NEWS

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## Why Seattle Real Estate Will Maintain Its Hot Streak

By Anthony Hitt, Forbes

Seattle is one of the hottest real estate markets in the country and we're betting on Seattle to maintain growth for the foreseeable future. Limited inventory coupled with significant development, high demand and a constantly evolving marketplace are just some of the reasons why. As such, Seattle represents lucrative opportunities for individual investors (as we'll see later, international investors are pouring resources into the city): real estate agents and brokers, who will find opportunities in a variety of neighborhoods for a variety of consumers, both traditional and burgeoning, like the oft-sought Laurelhurst neighborhood and the funkier areas that tend to attract younger people such as Green Lake, Ballard and Fremont; and, last but not least, real estate developers who cannot keep pace with the steady stream of buyers.

### Seattle is the fastest-growing city in the U.S.

Seattle is one of the fastest growing American cities, attracting an average of 57 new residents per day from 2015-2016.

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## Bellevue's Future: Bigger, Richer, More Diverse

By Dees Stribling, Bisnow National

Bisnow's recent Future of Bellevue event kicked off with some impressive numbers about Bellevue and its economy. In 2015, the Downtown workforce was about 46,000. By 2030, it is forecast to be 70,000. Only about 900 people lived Downtown in 2000. By 2015, 11,000 did, and by 2030, as many as 19,000 will.

But growth is more than population numbers. In Bellevue's case, diversity is growing too. The city is now the first minority-majority city in Washington state, and 42% of its residents are foreign-born, many of them essential to the tech boom. What lies ahead for the city is more growth but also more diversity.

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## Five Reasons They're Still Building Apartments in Downtown Seattle

By Marc Stiles, Puget Sound Business Journal

Another thunderclap sounded in Seattle's booming apartment market this month when Skanska bought property in Belltown for a 346-unit tower that could be up to 280 feet tall.

Skanska paid \$21.6 million for the site, which comes out to an eye-popping \$1,111 per square foot. Meanwhile, a new tower sold last week for a Puget Sound-region record as a new study found the metro area's annual rent growth was second-strongest in the country.

With so much multifamily development occurring in Seattle, it's hard to see appetite for more. But the region keeps adding jobs, and there's additional demand from an unexpected source: baby boomers seeking smaller homes in retirement.

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### Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Beaumont Apartments	11/7/2017	18300 140th Ave NE, Woodinville, WA	344	2008	\$99,492,500	MG Properties
Shorewood Heights	10/31/2017	3209 Shorewood Drive, Mercer Island, WA	646	1949/2007	\$210,000,000	Greystar
Tower 12	10/27/2017	2015 2nd Ave, Seattle, WA	314	2017	\$225,250,000	Weidner

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## Job Growth Firm, Rent Growth Totters in Portland

By Adina Marcu, Multi-Housing News

Rent growth continues to decelerate, but a healthy economy and rapidly growing population are keeping Portland's multifamily market stable. After reaching a cycle peak of 12.9 percent in January 2016, rent growth has steadily slowed due to heavy supply, mirroring nationwide trends and reaching 1.7 percent as of August 2017. Trailing the national growth rate by 70 basis points, Portland's rate is underperforming the U.S. average for the first time since 2013.

Construction is leading employment gains (9,300 positions, 14.3 percent expansion), with big-brand projects such as Amazon's 855,000-square-foot fulfillment center and Under Armour's new 70,000-square-foot campus reinforcing Portland's diversifying economy. Education and health services (7,700 jobs) and leisure and hospitality (4,300) have also expanded significantly. The metro's strong job growth is pushing up multifamily demand, especially for market-rate apartments.

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## New Apartment Units Bring Relief to Bend Rental Market

By Journal Staff, Seattle Daily Journal of Commerce

New apartments have eased the tight rental market in Bend, pushing local rental properties to offer discounts to entice prospective renters to sign leases.

The discounts come after six months of low vacancies in the Bend rental market, the Bulletin reported.

Some 695 new apartments have been completed in Bend from Jan. 1, 2016 and Oct. 4, according to the city's Community Development Department.

With more units in the market, Andee Jesse, owner of A Superior Property Management Company LLC, said prices have dropped for her single-family houses and multifamily properties and the company is changing lease terms.

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## Portland, Salt Lake City Rank No. 1 and No. 2 As Safest Places to Live

By The Editors, Rental Housing Journal

Portland and Salt Lake City rank No. 1 and No. 2 as the safest places to live in the U.S. to avoid natural disasters, and Seattle comes in at No. 5, according to a new report.

The Top 10 Safest Places to avoid natural disasters were analyzed and used eight risk factors from the data to determine the list, according to Sperling's BestPlaces. They looked at the 50 largest metro areas for the report.

The risk factors were weighted by severity and frequency of the threat with the top threats at the top, such as tornados and hurricanes, then flooding and earthquakes, and drought, hail, wind and wildfires which were considered less impactful.

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### Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Heatherwood	10/24/2017	765 SE Mount Hood Hwy, Gresham, OR	264	1997	\$58,000,000	Kennedy Wilson
Barclay Village Apartments	9/14/2017	775 Cascade Street, Oregon City, OR	146	1986	\$18,750,000	Virtu Investments
Latitude Apartments	9/13/2017	8411 SE Causey Ave, Happy Valley, OR	232	2015	\$58,000,000	Kennedy Wilson