

○ February | ○ 2018

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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Four Trends That Will Impact Rental Markets In 2018

By Nathaniel Kunes, Forbes

As we embark on 2018, there is a multitude of changes and trends in the real estate market that will impact all aspects of the rental industry, and it's important for real estate professionals to explore them. From investors keying into market growth areas to property managers making adjustments to meet tenant expectations, creating strategies that align with market trends will lead to greater success in 2018 and beyond.

1. Occupancy Rates Fall And Rent Growth Slows

Rent demand, while hot in major metropolitan areas, is actually slowing in most areas of the United States, especially in single-family rentals. Where we've been seeing 6–8% growth in rental prices in years past, we'll see that trajectory stall out, eventually nearing historical rent growth average (around 2%). Much of that may have to do with falling occupancy rates, which often result from increased supply in some cities as construction catches up. There is also a pent-up demand for moving as many people have been in their current rental much longer than historical trends.

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Apartment Completions Reach 30-Year High in 2017

By Brian Croce, Multifamily Executive

Apartment completions reached a 30-year high in 2017 and beat the 2016 level by 30%, according to RealPage.

Last year, 364,713 units were completed in the 150 largest U.S. metros, more than doubling the long-term average and growing the U.S. apartment stock 2.1%.

The peak in completion volume was driven by 15 metros where construction has been particularly active in urban core areas, RealPage notes. Those 15 metros contributed roughly half of the nation's new units in the past year.

Overall, the most units in 2017 were completed in Dallas (25,104), New York (22,666), and Houston (20,759). Annual completions totaled about 10,000 to 16,000 units in the typically high-supply markets of Washington, D.C.; Atlanta; Seattle; Los Angeles; Chicago; and Austin, Texas.

Absorption Focus

Despite record-high supply volumes, absorption across the top 150 markets essentially kept pace, RealPage says, holding steady at 95%. However, the data firm adds, operators have reined in their...

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WASHINGTON MULTIFAMILY NEWS

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Boom Town: Downtown Seattle has Added 60,000 New Jobs, Thousands of Apartments

By Marc Stiles, Puget Sound Business Journal

There's a reason restaurateurs are flocking to downtown Seattle: There's money to be made.

Since 2010, taxable retail sales for bars, restaurants and other entertainment businesses have increased 50 percent. Last year, downtown had more than \$1.5 billion worth of taxable retail sales generated from nightlife industries.

These are among the eye-popping numbers that the Downtown Seattle Association released Wednesday at its annual State of Downtown event, which drew 1,200 people.

"Now we have what is probably the boom of the country," Seattle Mayor Jenny Durkan said, recounting how at the recent U.S. Conference of Mayors many of her peers asked how Seattle did it. They also asked about the challenges.

"We know that (housing) affordability is really crushing parts of our city. People can't afford to live in Seattle. We see in downtown and every neighborhood that homelessness seems to be getting worse, not better," said Durkan, who added she will be coming to the business...

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Seattle-Area Rents Drop Significantly for First Time This Decade as New Apartments Sit Empty

By Mike Rosenberg, Seattle Times

Rents are dropping significantly across the Seattle area for the first time this decade, as a flood of new construction has left apartments sitting empty in Seattle's hottest neighborhoods.

The average rent across King and Snohomish counties dipped 2.9 percent in December compared with the prior quarter, according to a new quarterly landlord survey by Apartment Insights/RealData.

Rents sometimes drop by a few bucks this time of year. But the latest quarterly drop is the biggest this decade by far, and amounted to a savings of about \$50 a month for the average renter across the region.

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Seattle May Buck the Boom-Bust Cycle for the First Time, Economic Chris Mefford Says

By Emily Parkhurst, Puget Sound Business Journal

Seattle economist Chris Mefford, the founder of research firm Community Attributes, is very optimistic going into 2018. Falling unemployment is giving workers the confidence they need to negotiate higher wages, he says, which has been particularly helpful in boosting this region's economy.

He's not particularly worried about Amazon's decision to build a second headquarters elsewhere, and remains confident the company will continue to grow here.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Redtown Apartments	1/30/2018	10436 SE Carr Road, Renton, WA	52	2012	\$11,935,000	Capital Valley Investments
Quail Springs Apartments	1/31/2018	4711 Dallas Road, West Richland, WA	118	2011	\$14,200,000	Meter Properties
The Village at Lake Meridian	1/31/2018	10925 SE 256th Street, Kent, WA	177	1980	\$28,000,000	The Jacobson Company

Summerfield Commercial was involved in the Redtown and Quail Springs transactions

OREGON MULTIFAMILY NEWS

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The Key Challenge for Portland Multifamily: Affordability

By Dees Stribling, Bisnow

Portland might be a growth market for apartments, but it faces a challenge common to a lot of places that can be summed up in one word: affordability.

"The most serious challenge facing the Portland multifamily market in the coming years is the need for significantly more housing supply for people at the lowest end of the income spectrum," Home Forward Executive Director Michael Buonocore said. It is difficult for projects to be financially viable without ongoing subsidy, which is primarily, but not exclusively, provided through the federal government. "We will need more investment [through] HUD, and/or dedicated local revenue streams that support the lowest income households, or we can't make meaningful progress to end homelessness," Buonocore said.

Williams & Dame Chairman Homer Williams agrees with that assessment. "Affordable housing will be the defining issue in all local and state races. If we cannot solve it, we will need to redefine what acceptable affordable housing is," he said.

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Residential Sales Slip, Prices Grow in Portland

By Chuck Slothower, DJC Oregon

Real estate sales cooled, but prices continued to rise in 2017 in Portland's residential market as eager buyers snapped up available homes, according to newly released year-end data.

The historically low inventories of recent years eased in 2017. Portland was one of only four large markets in the U.S. that added to its homes inventory last year, according to Realtor.com data published by The New York Times.

"I would characterize it as one of the strongest markets we've had in years in terms of growth and price appreciation," said Edward Petrossian, president of the Portland Metropolitan Association of Realtors and a broker for RE/MAX Equity Group.

Closed sales fell 3.6 percent year over year, according to RMLS, a real estate listing service. Sales slipped precipitously in December, down 10.3 percent compared to December 2016.

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Hillsboro Apartments Fetch \$97.5 Million

By Chuck Slothower, DJC Oregon

A Hillsboro apartment complex has sold to a San Diego-based investment company for \$97.5 million.

Thorncroft Farms, a 340-unit, garden-style complex, was built in 1998. It's located at 2120 N.W. Thorncroft Drive, fewer than 5 miles from Intel and Nike headquarters.

The buyer was M.G. Properties Group, a San Diego firm that also owns Russellville Commons in Portland and Riverwalk at Happy Valley.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Chase Crossing	1/17/2018	275 South Garden Way, Eugene, OR	179	2012	\$27,100,000	Horizon Realty Advisors
2020 Building	1/19/2018	2020 SW Salmon, Portland, OR	56	1963	\$14,430,000	Pearl Real Estate Partners
Thorncroft Farms	1/31/2018	2120 NW Thorncroft Drive, Hillsboro, OR	340	1998	\$97,500,000	MG Properties