

○ March | ○ 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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Investors Appetite for Commercial Real Estate on the Rise in 2018

By Champaign Williams, Bisnow

Market volatility, rising interest rates and fears of upward cap rate movement have not curbed investors' appetite for commercial real estate this year.

In fact, according to a recent CBRE survey, commercial property investors are bullish about the industry's performance this year due in part to the passing of President Donald Trump's new tax law and this prolonged period of economic expansion.

Forty-five percent of those surveyed plan to ramp up their commercial real estate acquisitions in the Americas this year, and roughly 88% of respondents plan to keep pace with or increase their CRE spending in 2018, up from 83% last year. Only 12% of those surveyed plan to reduce their real estate holdings this year, down from 17% in 2017.

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Asking-Rent Growth Rises, Effective-Rent Growth Falls in Q4 2017

By Mary Salmonsens, Multifamily Executive

Asking and effective apartment rents both rose by 0.5% in the fourth quarter of 2017, resulting in year-over-year (YOY) growth of 4.2% for asking rents and 3.3% for effective rents, according to Reis's latest quarterly apartment trends report. Those figures reflect an increase of 20 basis points (bps) YOY in asking-rent growth, from 2016's 4.0%, and a decline of 30 bps YOY in effective-rent growth, from 3.6% in 2016.

The YOY effective-rent figures mark a full 250 bps drop from the market's peak of 5.8% in 2015. Reis attributes these movements to the large supply of new apartments that came on line in 2017, which drove asking prices to a premium but ultimately led to more concessions, given the competition.

Meanwhile, vacancies rose to 4.5% nationally in Q4, ending the period up 30 bps YOY.

Supply growth in the top 50 markets has roughly matched what Reis recorded in 2016. The data-analysis firm maintains that supply growth will likely slow in 2018 but sees no large decline in rent growth to follow.

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WASHINGTON MULTIFAMILY NEWS

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Seattle Apartment Market Knowledge Report Predicts Active Multifamily Market in 2018

By Jack Stubbs, The Registry

With a booming job market and a burgeoning tech industry that continues to wage a war on talent, Seattle is still viewed as an increasingly desirable place to locate. And the city's multifamily market shows no signs of slowing; instead, it's expanding geographically as rents in the downtown core continue to rise. Demographic shifts occurring throughout the city are also causing potential tenants to look further afield in the peripheral neighborhoods to find available—and affordable—inventory.

According to two reports recently released by Colliers International's Seattle Apartment Team—a 2018 Seattle Apartment Market Knowledge Report and a fourth quarter 2017 Seattle Development Pipeline Report—Seattle's residential market is poised for expansion in the year ahead as job creation, in-migration into the city, and median income growth all continue to accelerate and surpass the national average.

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A Balancing Act: Development, Transportation, Place Making

By Rico Quirindongo

Today's market looks and feels a lot like it did in 2007.

Developers are now looking more conservatively at investment opportunities. Companies are rushing to get work out of the ground because of escalating costs. The city is up-zoning neighborhoods to try to manage a need for increased density in a downtown core that continues to grow. The mayor's office, City Council, and the Office of Planning and Community Development seek to incentivize development in neighborhoods while balancing the financial burden required of the development community through the Mandatory Housing Affordability policy.

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Is Peak Construction Over? Seattle Development Declines at Fastest Rate in more than a Decade

By Mike Rosenberg, Seattle Times

Seattle's record construction boom may have peaked: Development activity across the central part of the city is declining at the fastest rate in at least 12 years.

At the end of this past year, there were 57 active projects underway in the area that stretches from South Lake Union to Sodo, according to a report released Monday by the Downtown Seattle Association. That's down from a record high of 74 projects six months prior.

The 23 percent decline amounts to the biggest six-month drop since the downtown association began its twice-a-year construction counts in 2005.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
The Chloe	3/7/2018	1408 East Union Street, Seattle, WA	117	2010	\$53,664,900	Equity Residential
Bldv Apartments	3/6/2018	2150 South 272nd Street, Kent, WA	135	1986	\$22,172,800	Private Investor
Somerset Meadows	2/23/2018	4216 North McDonald Road, Spokane Valley, WA	79	1971	\$7,925,000	Private Investor

OREGON MULTIFAMILY NEWS

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Oversupply Softens Rent Growth in Portland

By Adina Marcu, Multi-Housing News

A wave of new inventory and historically high rents moderated Portland's average rent growth to just 0.8 percent year-over-year in 2017, 170 basis points below the national rate. However, a healthy job market and strong population gains continued to sustain multifamily demand. The metro added 22,500 jobs in the 12 months ending in October, which kept the unemployment rate at 3.9 percent.

The mining, logging and construction sector added the highest number of jobs (8,100 positions), followed by the education and health services sector (4,700). Although the construction industry is facing labor shortages at the national level, local projects such as Legacy Health's \$210 million replacement and expansion of its Legacy Emanuel Medical Center and the more than 1.1 million square feet of office space under construction across the metro are helping the sector lead employment growth in Portland.

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Now is the Most Interesting Time for Portland Multifamily, Which isn't Really a Good Thing

By Dees Stribling, Bisnow

These are strange times in the Portland multifamily market, according to speakers at Bisnow's Portland Multifamily Investment and Development Summit. How strange?

After a post-recession building boom, future development plans have dropped off. Concessions have returned to the market, yet investors are still eager to buy here. Homelessness has spiked even as the local economy and job growth have boomed. All in all, an interesting market. Maybe a little too interesting, the speakers said.

Historically, Portland has seen applications for about 3,000 to 6,500 new multifamily units each year. In 2016 that number spiked to about 7,500, so there is a reasonably healthy pipeline of approved projects in the works, totaling roughly 10,000 units, according to our speakers.

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Developer: Portland Must do More to Help Homeless

By Chuck Slothower, DJC Oregon

One of Portland's most prominent developers painted a dark picture Thursday of an entire generation of retiring baby boomers with no savings who will rely on shelters or a nomadic lifestyle in RVs as high costs shut them out of the housing market.

Homer Williams, a partner in Williams & Dame Development, has become in recent years a vocal critic of Portland's homelessness crisis. City officials, business leaders and ordinary Portland residents must do much more to aid the homeless, Williams said, speaking at a Bisnow panel discussion with other developers and real-estate professionals.

Continue reading [here](#)

Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Bailey Hill Meadows	2/23/2018	1503 Bailey Hill Road, Eugene, OR	70	1979	\$6,930,000	Umbrella Properties
Oxbow 49	2/15/2018	4949 SW Landing Drive, Portland, OR	166	2016	\$51,000,000	Ares Management
Thorncroft Farms	1/31/2018	2120 NW Thorncroft Drive, Hillsboro, OR	340	1998	\$97,500,000	MG Properties Group