

○ September | ○ 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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### Apartment Market Has Bright Future at 2018's Midpoint

By Jay Madary, Multi-Housing News

Now that we're past the midway point of the year, it seems like a logical time to take stock of how the apartment industry is faring and the trends that may affect it during the rest of 2018 and beyond.

After years of white-hot performance, the market is currently experiencing some effects of the recent increase in new development. According to RealPage, the second quarter was the fourth consecutive quarter in which the annual rate of construction completions exceeded 300,000 apartment homes.

As a result, the national occupancy rate stood slightly lower at the end of June (95 percent) than it did one year earlier (95.3 percent). Despite the small dip, *"apartment leasing in aggregate remains very strong,"* RealPage notes.

Relatedly, national annual rent growth was 2.3 percent in the second quarter, somewhat below the increases posted during the market's recent peak. In fact, that marked the lowest annual increase over the past eight years.

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### Multifamily Rents Have Stopped Growing in Major Markets Across the Country

By Matthew Rothstein, Bisnow

Relentless multifamily construction across the country has finally hit landlords in the pocketbook.

Rent growth has slowed nationwide for the fourth straight year ending in July 2018, and the fast-growing cities of the past few years that propped up those numbers have fallen back down to earth, according to a Zillow study as reported by Bloomberg.

The drop was most pronounced in Seattle, which went from experiencing 5.3% in year-over-year rent growth in July 2017 (the top growth rate in the country) to 0.3% this July. Seattle's explosive growth thanks to Amazon and the industries that grew around it launched it closer to the upper echelon of rent prices that cities like New York, San Francisco and Washington, D.C., occupy, but those cities saw rents stop growing in the past two years, a Zillow economist told Bloomberg.

Smaller cities like Nashville, Tennessee, and Portland, Oregon, went from healthy year-over-year growth around 3% last July to slightly dropping prices a year later as the same story plays out as it did for those metros listed above. Much of the construction that chased those growing rents has...

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# WASHINGTON MULTIFAMILY NEWS

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## Bellevue Passes Seattle as the Northwest's Priciest Apartment Market

By Marc Stiles, Puget Sound Business Journal

Annual rents declined or increased slightly in nine of the Puget Sound region's 10 most expensive apartment markets, according to new year-over-year figures as of July.

Then there was downtown Bellevue, where the average rent jumped 4.6 percent to \$2,824.

That was enough to displace downtown Seattle as the priciest market in the region, according to a recent report from RentCafé.

Bellevue is still a bargain compared to the nation's most expensive market, New York City's Battery Park, where the average rent was twice as high at \$5,657.

Downtown Bellevue's high-end apartment market has been boosted by the construction of new apartments, with Two Lincoln Tower the best example. One of the penthouses was leased for \$24,300 per month, project builder Kemper Development said last summer.

Apartment developers are smitten with Redmond, which RentCafé reported is adding 1,800 units this year, a staggering 230 percent increase from last year.

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## Pace of Downtown Seattle Construction Back on the Rise

By Mike Rosenberg, Seattle Times

The number of construction crews remaking Central Seattle has picked back up in recent months but remains behind peak levels seen a year ago, when office construction topped the nation among all U.S. downtowns.

The Downtown Seattle Association uses city permit data to tally up construction totals each winter and summer for the region that spans from South Lake Union to Sodo, where the majority of Seattle's development takes place.

The number of projects underway reached a record high of 74 projects a year ago, before falling to 57 six months ago and rebounding to 65 now.

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## Seattle Dethroned as Nation's Hottest Housing Market After Nearly Two Years

By Mike Rosenberg, Seattle Times

For the first time in nearly two years, the Seattle area no longer leads the nation in home price increases.

The monthly Case-Shiller home price index, released Tuesday, showed Las Vegas had overtaken Seattle as the nation's hottest housing market.

Seattle had topped the country for 21 months in a row, the second-longest streak for any metro area in the closely-watched report's 31-year history. (Portland had done so for 23 months in the early '90s).

But the housing market here has cooled way down, with King County prices dropping from their spring highs as inventory has shot up and sales have dropped.

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### Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Deer Run at North Point	8/31/2018	1225 East Westview Ct, Spokane, WA	222	2003	\$16,980,000	Security Properties
Union Park	8/30/2018	1310 Minor Ave, Seattle, WA	84	1989	\$31,460,000	Grosvenor
The James	8/27/2018	4828 123rd Street SW, Lakewood, WA	144	1976	\$18,050,000	Forty2 LLC

# OREGON MULTIFAMILY NEWS

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## Portland's Home Prices Continue to Climb Well Into 2018

By Jon Bell, Portland Business Journal

Here's a familiar story: Portland home prices continue to climb.

According to the latest report from the Regional Multiple Listing Service, the average home price rose nearly 6 percent through August of this year versus the same time period last year. The average sales price hit \$454,500 in August, up from \$429,000 in August 2017.

Though prices were up, other areas of the market seemed to have cooled some. August's 2,760 closed sales were a little over 10 percent cooler than those of August 2017, and total market time climbed to 40 days, up from 34 days last year.

RMLS also noted that inventory was about 2.3 months this August, down from 2.4 months in July but up from 2 months in August 2017. In addition, new listings this year are up almost 3 percent over last year, while closed sales — 20,572 — have dipped by 2 percent.

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## Seattle Company Buys Tessera at Orenco Station in Hillsboro for \$85 Million

By The Editors, Rental Housing Journal

Seattle-based Security Properties and Pacific Life Insurance Company have purchased Tessera at Orenco Station, a 304-unit multifamily property built in 2014 in Hillsboro, Oregon for \$85 million, according to a release.

The acquisition was made because, "Hillsboro has excellent fundamentals with convenient access to high paying employers. With the combination of walkable retail and a location adjacent to the light rail station, we feel Tessera is well positioned to be the top asset in the market once our value-add upgrades are complete," Davis Vaughn, Senior Director at Security Properties, said in the release.

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## Strategic Student & Housing Trust Acquires \$92M Portland Asset

By Gail Kalinoski, Multi-Housing News

Strategic Student & Senior Housing Trust continues building its portfolio of senior housing assets with the acquisition of the 286-unit Courtyard at Mt. Tabor in Portland for \$92 million. It's the REIT's fourth senior housing community since entering the sector in February.

Located at 6125 and 6323 SE Division St., Courtyard at Mt. Tabor is a continuum of care senior housing community with units for independent living, assisted living and memory care residents. It's 94-percent occupied and 100-percent private pay. An expansion project will add a 23-unit memory care building starting in the fall. Situated on 7.1 acres in the Mt. Tabor submarket of Portland, the facility was built between 1999 and 2009.

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Tessera Orenco Station	9/6/2018	6523 NE Chery Drive, Hillsboro, OR	304	2014	\$85,000,000	Security Properties
Acess 15	7/20/2018	1500 NE 15th Ave, Portland, OR	202	1996	\$66,000,000	MG Properties Group
Binford Gardens	7/17/2018	6905 NE Hancock Street, Portland, OR	182	1949	\$30,729,309	Pacific Transwest Real Estate Inc.