

○ January | ○ 2019

# 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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### Are Apartments Still a Good Investment in 2019?

By Lee Kiser, Forbes

Yes, apartments are still a good investment, but for more fundamental reasons than during the past eight years. What I mean by this is apartments have always been a good investment. Unlike other commercial real estate investments, apartments are tied much more to residential trends and demographics. Starting in 2010 and continuing through early 2018, the fallout from the crash and recession created an imbalance in homeownership that gave rise to an increase in apartment rental rates. The rent increase directly correlates to an increase in the value of apartment buildings. But apartments are still a good investment for traditional reasons versus heavy appreciation, even with changing circumstances such as rising interest rates, rising property taxes and a potential recession. If investors focus on property fundamentals, hone their investment strategy and conservatively underwrite for today's market, apartments are still a high-performing investment in 2019.

A normalization of value appreciation in apartments is usually related to a projection of flatness in net operating income (NOI). Historically, flatness of NOI is anticipated when two primary drivers occur: rent softness (meaning rents are not growing well) and anticipated interest rate increases. The current market seems to have both of these factors. Current rent softness comes from years of rent growth...

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### Here's Why the Multifamily Cycle Still Has Room to Run

By Erika Morphy, GlobeSt.com

In its December 2018 multifamily report, Yardi Matrix theorizes that the multifamily asset class could be on a trajectory much like hotels, which have had nine consecutive years of above-trend revenue growth. "Hotels benefit from business profitability and travel, but also from lifestyle changes that lead individuals to spend more on experiences," the report said.

#### Unabated Demand

So it goes with the multifamily sector, which just wrapped up its eighth straight year of robust performance. It is an impressive record but it also leads to the question of just how long this cycle can go. One reason Yardi Matrix thinks it still has legs is the unabated demand for apartments, which is partly influenced by changing lifestyle preferences.

There are other factors too of course: student loan debt that limits first-time homebuyers and retirees downsizing and moving into rentals are also driving demand. Overall, since the beginning of the run in 2011, some 8.9 million households have formed in the US, an annual average of 1.1 million.

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# WASHINGTON MULTIFAMILY NEWS

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## Microsoft Pledges \$500 Million for Affordable Housing in Seattle Area

By Karen Weise, The New York Times

The Seattle area, home to both Microsoft and Amazon, is a potent symbol of the affordable housing crisis that has followed the explosive growth of tech hubs. Now Microsoft, arguing that the industry has an interest and responsibility to help people left behind in communities transformed by the boom, is putting up \$500 million to help address the problem.

Microsoft's money represents the most ambitious effort by a tech company to directly address the inequality that has spread in areas where the industry is concentrated, particularly on the West Coast. It will fund construction for homes affordable not only to the company's own non-tech workers, but also for teachers, firefighters and other middle- and low-income residents.

Microsoft's move comes less than a year after Amazon successfully pushed to block a new tax in Seattle that would have made large businesses pay a per-employee tax to fund homeless services and the construction of affordable housing. The company said the tax created a disincentive to create jobs. Microsoft, which is based in nearby Redmond, Wash., and has few employees who work in the city, did not take a position on the tax.

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## Seattle's Construction Crane Count Dips, But City Still Tops U.S. Markets

By Marc stiles, Puget Sound Business Journal

With 59 construction cranes dotting the city's skyline in November, Seattle remains atop the latest Rider Levett Bucknall Crane Index.

Seattle, which has led the biannual index for three consecutive years, had six fewer cranes than in May but 14 more than in November 2017. RLB releases the November count in January and the May count in July.

...Of Seattle's 59 cranes, 25 were for mixed-use projects, while 15 were for residential, 10 for commercial developments and the rest divided among health care, hospitality and transportation jobs.

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## Durkan Unveils Funding Plan For The \$711M Waterfront Redevelopment

By Jon Silver, DJC Seattle

Seattle Mayor Jenny Durkan said on Thursday she will send legislation to the City Council that completes funding to redevelop the downtown waterfront.

If passed, the legislation will help ensure that full construction begins this year.

The city is planning to create 20 acres of new and improved public space and shoreline habitat, and improve connections between downtown and Elliott Bay.

The \$711 million waterfront redevelopment coincides with demolition of the Alaskan Way Viaduct, which will take place over the coming months.

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### Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Mark on 8th	1/10/2019	285 8th Ave North, Seattle, WA	174	2016	\$74,100,000	Equity Residential
Grammercy Apartments	12/21/2018	11908 SE 175th Street, Renton, WA	382	1985	\$87,150,000	Bridge Investment Group
Deer Creek Apartments	12/20/2018	6117 112th Street East, Puyallup, WA	256	1999	\$48,500,000	Goodman Real Estate

# OREGON MULTIFAMILY NEWS

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## Demand for Housing Outpaces Supply in Portland

By Adina Marcut, Multi-Housing News

Portland continues to have a healthy multifamily market, due to a strong economy and positive demographics. This year through September, the metro added more than 3,700 units, already exceeding last year's deliveries. Despite the construction spree, occupancy in stabilized properties rose 60 basis points, a sign that demand for rental housing—especially for working-class units—continues to outpace an already surging supply increase.

The metro added roughly 30,000 jobs in the 12 months ending in July, with education and health services (16,000) leading the way, boosted by recently completed projects such as Knight Cancer Institute's \$190 million research facility in Portland's South Waterfront. The 2.9 million square feet of office space underway also spurred construction employment, which rose at the second-fastest rate (7.8 percent year-over-year), with the addition of 5,500 jobs.

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## Portland Sets Record For New Apartments, But Housing Costs Still Burden For Many

By Elliot Njus, The Oregonian

Portland built thousands of apartments in 2017, helping slow rent increases to levels not seen since 2011. But housing remains out of reach for many in the city, according to an annual report from the city's Housing Bureau released Wednesday.

It's the fourth year the city has produced the report, assembled from a combination of city, proprietary and census data. It's also the first year that covers the period when a city affordable housing mandate known as inclusionary zoning policy took effect.

Developers built some 7,300 homes during the year, most of them apartments. That's more than any of the past 15 years — about 50 percent more than the year prior and double the number built during the typical year in the 2000s.

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## What We're Watching in 2019: The Big Stories in Real Estate

By Jon Bell, Portland Business Journal

This year could be the year of opportunity for real estate in Portland — Opportunity Zones, that is.

For the past few years, the development scene in Portland has hummed right along.

But at the same time, market watchers and developers have wondered just how much longer this extended development cycle could possibly last. Some slowing — fueled in part by rising construction costs, a tight labor market and new affordable housing mandates — has caused some developers to ease off the gas.

Recently, however, the federal government added a little...

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### Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Sanctuary Apartments	12/19/2018	4940 SW Landing Drive, Portland, OR	149	2017	\$58,300,000	Security Properties
Hogan Woods	12/12/2018	1645 NE 20th Street, Gresham, OR	100	1992	\$17,500,000	Kinsel Ameri Properties
Domaine at Villebois	12/7/2018	28900 SW Villebois Drive, Wilsonville, OR	274	2008	\$69,500,000	MG Properties Group