

○ April | ○ 2019

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

MONTHLY NEWSLETTER

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Report: Commercial Real Estate Well-Poised to Handle Economic Slowdown

By Meghan Hall, The Registry

Well into the current economic cycle, investors are watching their bottom lines and carefully analyzing which asset classes will prove most stable as the market matures, and eventually, corrects. According to a CMBS Second Quarter Market Outlook released by Morningstar Credit Ratings, commercial real estate is healthier and better poised to handle an economic slowdown and is less risky than the previous economic cycle, thanks in part to higher underwriting standards and steady economic fundamentals.

According to Morningstar, the past market cycle has been more moderate in several ways and has produced a more stable, and longer growth period. To start, the unemployment rate in the United States was standing at 3.8 percent, almost the lowest level in nearly 50 years and an indication of an economy that is still favorable. Additionally, states Morningstar, the current economy does not have the trappings of a normal boom and bust cycle, given that the cycle's average annual gross domestic product growth rate is at 2.3 percent, close to half of the annual average witness over previous cycles.

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Why is Everyone Predicting a Recession?

By Kelsi Maree Borland, GlobeSt.com

Economic sentiment is shifting. This year, more and more real estate professionals are predicting a recession in the next 12 months, either in late 2019 or early 2020. Christopher Thornberg of Beacon Economics, however, says that there is no recession in sight. While he predicts slowing economic growth, he also there are no imbalances that could trigger a recession in the near future.

“This year, the chance of a recession is zero. Next year, there is a small chance. Something could pop up over the year, but I have no idea what that would be. Every recession has a cause, and that cause has to be a large shock to the system. It has to be large; it has to be rapid; and it has to be sustained: a collapsing housing market; collapsing investment in the business sector; collapsing consumer spending,” Thornberg, a founding partner at Beacon Economics, tells GlobeSt.com. “For anyone who thinks the economy is about to go into a recession, my question for them is, ‘why do you think that, and what is worrying you?’ I look through the range of indicators and study them on a regular basis, and not one of these things is flashing warning.”

Thornberg doesn't know why so many people are predicting a recession; however, he has gotten used to the discussion. People have been predicting a recession for several years now. “This has been...

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WASHINGTON MULTIFAMILY NEWS

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Exclusive: Amazon Moving Thousands of Employees Out of Seattle, Relocating Key Division to Nearby City

By Monica Nickelsburg, GeekWire

Amazon plans to relocate its entire Seattle-based worldwide operations team to Bellevue, Wash., by 2023, adding thousands of employees to its new campus just across Lake Washington, according to an internal email obtained by GeekWire.

Moving a large and critical team away from Amazon's Seattle headquarters is a significant relocation of employees on its own, but it's also a weighty symbolic gesture — the clearest sign yet that the tech giant is cooling on its hometown while doubling down on a neighboring city.

"I'm excited to share the news that we're planning to migrate worldwide operations to Bellevue starting this year," said Dave Clark, the senior vice president in charge of the team, in an email to his employees Wednesday. "This move gives room to grow while maintaining the campus feel that we've come to love around South Lake Union."

Sources familiar with the plans said several thousand employees will be moving to Bellevue in the years ahead. Amazon confirmed the authenticity of the email obtained by GeekWire.

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Seattle Remains a Hot Market Among Foreign Property Investors

By Marc Stiles, Puget Sound Business Journal

An annual survey of some of the world's largest foreign institutional real estate investors shows Seattle remains a highly coveted market.

Seattle is third among cities where investors want to increase their real estate exposure — behind New York and Boston but ahead of Berlin and San Francisco.

Until several years ago, Seattle didn't make the list by AFIRE, a 200-plus member association that helps people invest in the United States. Seattle cracked the group's top 10 last year, landing at No. 3, up 12 spots from the prior year.

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Seattle Zones for Affordable Housing

By Bill Johnson, MultiHousing Pro

The Seattle city council has passed, and the mayor has signed, new zoning laws that will allow higher density housing to be built in 27 Seattle neighborhoods. The plan will affect about 6 percent of the currently single-family zoned property in the city. The changes are scheduled to go into effect April 19.

The Seattle zoning laws are aimed at increasing the city's supply of housing in general and affordable housing in particular. They follow what has become the standard playbook for cities on this issue: by-right development of higher density housing in transit corridors and mandatory affordable housing quotas.

The plan is complex, allowing different size buildings in different parts of the city. Some areas which already...

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Gilman Terrace	4/9/2019	2572 Gilman Drive West, Seattle, WA	71	1989	\$28,000,000	Private Investor
Southgate Apartments	4/1/2019	600 Lincoln Street, Bellingham, WA	60	2000	\$8,750,000	Meter Properties
Beaumont Grant	3/29/2019	8504 82nd Street SW, Lakewood, WA	267	1996	\$46,500,000	Security Properties

Summerfield Commercial Represented the Buyer and Seller in this Transaction

OREGON MULTIFAMILY NEWS

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Rent Control Likely to Push Investors Out, Tighten Supply of Rental Housing in Oregon

By Greg Frick, Portland Business Journal

When we talk about the housing crisis in Oregon, we talk about a complex issue that is, at its core, easy to understand. Oregon has a housing shortage, and so available housing costs more. The supply of housing in Oregon has not kept up with the increase in demand for housing. Scarcity drives pricing; this is the basic building block of supply and demand economics.

It's as easy to see why rent control feels like a solution to the problem: If people can't afford rising rents, why not limit how much those rents can rise? But after nearly 100 years of rent control experiments throughout the nation, all the data show that no matter what you call it — rent control or rent stabilization — it offers only a small subset of renters short-term relief, while the long-term results are much worse.

Why? Because it leads to a reduction in the available supply of rental housing in a community. Far fewer investors have the ability or the will to buy or build rental homes in a place with rent control....

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Portland's Metro Area was Tied for the 4th-Lowest Rental Vacancy Rate in 2018

By Brandon Sawyer, Portland Business Journal

Despite the many shiny new apartment buildings rising throughout the Portland metro area over the last few years, the region's rental housing vacancy rate fell to 3.8 percent last year. That ties the Rose City, Boston and Denver for the fourth-lowest rate among the nation's 75 largest metro areas, according to the U.S. Census Bureau. Fresno, Calif., Worcester, Mass., and Akron, Ohio, had the top three lowest vacancy rates. Portland's rental squeeze had eased a bit since its 20-year low in 2013 at 3.1 percent, but the influx of an estimated 27,145 new residents in 2018, on the metro area's Oregon side alone (per Portland State's Population Research Center), seems to have already absorbed much of its new apartments. Portland metro-area counties issued permits authorizing an estimated 24,475 multifamily units in 2016, 2017 and 2018 combined. It's been about 15 years since the region has had a glut of rental housing, peaking at 12.8 percent. Even during the Great Recession, Portland's annual rate rose no higher than 5.5 percent.

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Oregon has 5th Largest Income Increase of any State Over the Last 10 Years

By Lizzy Acker

...According to a report out this week from 24/7 Wall St., Oregon is one of the "13 states where incomes are booming."

"Personal income per capita climbed 17.3% in Oregon between 2008 and 2018, the fifth largest increase of any state," the report reads. "Partially as a result, the state reported a near-leading reduction of poverty."

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
The 206	2/20/2019	2451 NW 206th Ave, Hillsboro, OR	203	2014	\$54,023,677	LivCor
The Matisse	2/8/2019	3939 SW Bond Ave, Portland, OR	293	2009	\$82,800,000	Nuveen Real Estate
Cascade View Commons	1/25/2019	1220 SE Oar Ave, Lincoln City, OR	56	2014	\$7,525,000	Marathon