

○ August | ○ 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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National Multifamily Report - Summer 2019

By IvyLee Rosario, Multi-Housing News

The multifamily market continues to perform positively as we head into the third quarter of 2019. Much like what was predicted back in January, the sector's rent growth percentages keep increasing. At mid-year, growth has stabilized at more than 3 percent and according to Yardi Matrix's Summer 2019 U.S. Multifamily Outlook, rents are expected to increase 2.6 percent for the full year. This would be the seventh year in a row that surpasses the 2.5 percent long-term average.

The Southwest and South still continue to dominate the market, largely due to having faster-growing economies and affordable housing. Year-over-year, the top performers include Las Vegas with a rent growth of 8.4 percent, Phoenix (8.1 percent), Tucson (6.1 percent), Tacoma (5.7 percent) and Winston-Salem (4.8 percent). Smaller markets such as Tacoma, Albuquerque and Sacramento *"are all benefiting from their proximity to expanding tech markets facing rising affordability issues,"* according to the report. Combined, these metros added 1,300 units through June.

Apartments aimed at the middle- and lower-class continue to thrive when it comes to rent growth. New supply is concentrated in the Lifestyle category but the largest demand comes from Renter-by-Necessity. Rents in this segment rose 3.8 percent year-over-year, while Lifestyle hit just shy

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Federal Reserve Cuts Rates for 1st Time Since Recession

By Holly Dutton, Commercial Property Executive

Taking a step not seen since the Great Recession, the Federal Reserve announced on Wednesday afternoon that it will lower interest rates by 25 basis points. The widely expected move comes as the U.S. economy is in the midst of its longest sustained period of economic growth. The Fed cited what it called "implications of global developments" and "muted inflation pressures" as factors in its decision to lower the benchmark federal funds rate.

Powell's announcement comes on the heels of a June announcement from the Fed meeting that hinted at future rate cuts if the current economic expansion continued to weaken. Most observers predicted that a rate cut would follow the two-day meeting of the Federal Open Market Committee.

This past December, Federal Reserve Chairman Jerome Powell announced the fourth and final interest rate hike of 2018, a quarter-point hike from 2.25 to 2.5 percent. At the time, Powell cited a healthy U.S. job market and the economy's strong growth as reasons for the increase, which was also intended to help tame inflation. The bank also cut the projected number of hikes for 2019 from three to two.

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WASHINGTON MULTIFAMILY NEWS

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Expedia's Exit Was Just The Beginning

By Paxtyn Merten, Puget Sound Business Journal

Expedia Group's departure was a "punch in the gut" for Bellevue, former city councilman Kevin Wallace said.

In 2015, Expedia announced its relocation to Seattle, which meant 6 percent of downtown Bellevue's workforce would move to the other side of Lake Washington and 6 percent of its office space would be vacated.

It's a huge issue any time a company that large leaves, said Wallace, who oversees development for Wallace Properties. Broderick Group Principal Grant Yerke said at the time that Expedia's move would be ominous for developers of the three office towers that were under construction. Those projects are now completely leased, one by Amazon, and a wave of big-name companies and startups establishing bases throughout the Eastside has quashed any concerns about the future of Bellevue. In fact, downtown Bellevue is amid the biggest period of growth it's ever seen.

"The Eastside couldn't be any different of a place today," Yerke said. "People thought that would be the beginning of the end. What's happened since then has been transformative."

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Seattle Is The Third Most Gentrifying U.S. City - But That Might Not Be As Bas As You Think, Study Finds

By Gene Balk / FYI Guy, Seattle Times

And in Seattle, you see it everywhere — formerly modest neighborhoods transformed by luxury apartment buildings, trendy restaurants, crossfit gyms and so on.

So maybe it's not too much of a surprise that a new national study ranks Seattle, among 100 large cities in the U.S., third for the degree of gentrification we've experienced since 2000.

But the study also has a more unexpected finding: The effects of gentrification aren't as dire as people often think. In fact, on balance, it may do more good than harm.

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Sound Transit Identifies Alternatives for Tacoma Dome Link Extension

By Journal Staff, Seattle Daily Journal of Commerce

The Sound Transit Board of Directors has identified preferred station locations and alignments, and alternatives to study for the 9.7-mile Tacoma Dome Link Extension project.

The preferred location is the first choice of stations and alignments for the project. The alternatives are options that Sound Transit could use if there is a fatal flaw with the preferred location.

They will be studied in the draft environmental impact statement for the project, Sound Transit said in a press release. The final EIS is anticipated to be complete in 2022.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Washington Square 2	8/19/2019	2433 George Washington Way, Richland, WA	88	1994	\$11,960,000	Kaz Enterprises Inc
Majestic Bay Townhomes	8/13/2019	2459 South 216th Street, Des Moines, WA 98198	81	1980	\$17,960,000	New Standard Equities
2nd & John	8/12/2019	200 2nd Ave West, Seattle, WA 98119	80	2019	\$39,920,000	Pillar Communities

Summerfield Represented both the Buyer and Seller in this Transaction

OREGON MULTIFAMILY NEWS

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Oregon Revamps Its Housing Laws

By Andrew Stephens, MultiHousing Pro

The governor of Oregon is expected to sign into law several bills to address housing issues in the state. Two bills, HB 2001 and HB 2003 have the potential to transform Oregon's neighborhoods.

Eliminating single-family zoning

The most controversial of the bills is HB 2001, which effectively bans single-family zoning in Oregon's larger cities. Cities with populations above 25,000 people must now allow duplexes, triplexes, fourplexes, townhouses and cottage clusters to be built in neighborhoods which were previously zoned for single family housing only. These cities have until July 1, 2022 to modify their local ordinances and planning rules to implement this change. Cities with populations between 10,000 and 25,000 people must allow duplexes to built in neighborhoods which were zoned for single family homes. These smaller cities have only until July 1, 2021 to implement this change.

Interestingly, both support and opposition to this bill was bipartisan with significant numbers of members of both parties voting for it and against it.

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Portland Multifamily Report - Summer 2019

By Adina Marcut, Multi-Housing News

The metro added 21,800 jobs in the 12 months ending in March, a 1.8 percent year-over-year increase, with education and health services leading growth (6,100 jobs). Meanwhile, manufacturing gained 4,500 positions and Intel's campus expansion in Hillsboro is set to further boost employment. The company is planning a multibillion-dollar facility estimated to employ 1,750 people. Despite labor shortages and rising development costs, the construction segment recorded the largest year-over-year increase through March, adding 2,800 positions for a 4.0 percent expansion.

While Oregon's new rent control law could impact Portland's fundamentals in the longer run, transactions were the first to feel the pinch going into 2019, with only \$143 million in multifamily assets trading this year through May. With 6,900 units slated for completion in 2019, we expect the average Portland rent to rise 1.9 percent this year, one of the lowest rates among major U.S. metros.

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Commercial Real Estate Forecast: Tracking Portland Multifamily Trends and Transactions

By Patrick Barry, Portland Business Journal

The Portland multifamily market has experienced exceptional growth in recent years. However, 2019 has seen some transition in the Portland-area apartment market.

Vacancies have crept up and increase in rents has slowed. Despite declining interest rates and solid job growth, apartment sales volume has dropped, and the political climate in the city of Portland may be impacting investor interest.

Continue reading [here](#)

Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Halsey Station	8/15/2019	1700 NE 162nd Ave, Portland, OR 97230	124	1986	\$20,800,000	Thayer Residential
The Frank Estate	7/31/2019	6506 SW Firlock Way, Portland, OR 97223	309	1990	\$84,390,000	Prime Group
Tempo West	7/22/2019	5808 Beaverton Hillsdale Hwy, Portland, OR 97221	56	1973	\$10,750,000	Arrowroot Real Estate