



TMG Multifamily MARKET PULSE

A Snapshot of the Pacific Northwest Multifamily Housing Market

In September 2022, the U.S. rental market experienced *single-digit* growth for the second month in a row. The median rent growth across the top 50 metros slowed to 7.8% year-over-year. It is the lowest growth rate in 16 months but still more than 2X faster than the growth rate seen just before the pandemic hit in March 2020.

The *increase in interest rates* is now affecting the demand for rental housing. With fewer renters leaving the rental market for homeownership, vacancy rates continue to remain low, keeping rental price growth elevated but still off the highs of previous months. We are starting to see moderation in asking rents. The in-place rents (tenants currently in a lease) will likely have significant rent increases ahead of them before they catch up to the growth in the asking rents we've seen. *Inflation is effectively outpacing the wage growth* renters have seen over the past 18 months and we may begin to see delinquency rates climb higher in 2023.

Builders are still ramping up multifamily production and the supply of housing in 2023 is predicted to increase, albeit not enough to tip the scales significantly. The increase in interest rates for permanent financing on new apartments in 2023 may necessitate higher rents in order to capture the original return most builders projected early on, just one more reason rent growth will continue.

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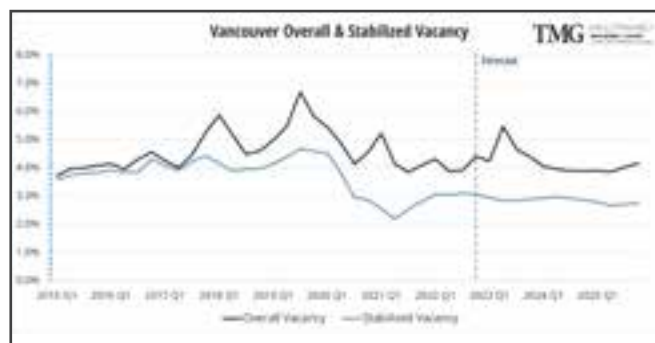
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VANCOUVER *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
741	713	3.9%	5.9%

- ▶ Vancouver has garnered increased attention from developers and investors in recent quarters, which has fueled a busy supply pipeline.
- ▶ Outsized net absorption of new units has given landlords pricing leverage in the near-term.
- ▶ Year over year rent growth in Vancouver stands at 5.9%, compared with 5.2% in the wider Portland metro.
- ▶ Average vacancies over the past five years equate to 4.8%.
- ▶ Vancouver rents currently sit at an average of \$1,620/unit, in line with the larger metro area.

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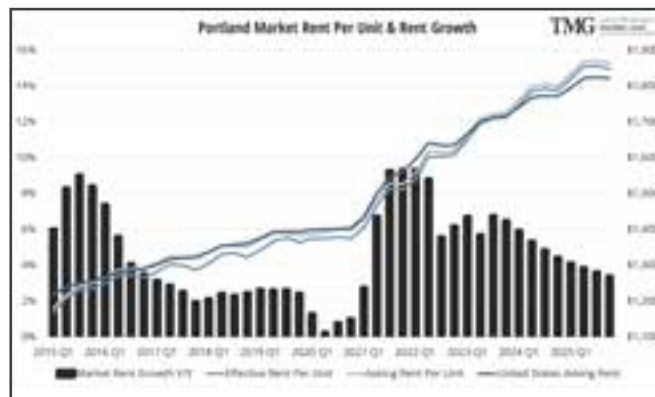


PORTLAND *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
3,517	4,213	4.6%	5.2%

- ▶ Strong leasing activity in the Portland metro area persisted into the historically busy summer months.
- ▶ Occupancy has climbed to 95.4% metro-wide, well above historical averages, and giving rents the runway needed to surpass record highs.
- ▶ Market rent has reached \$1,610/unit per month, reflecting year-over-year growth of 5.2% compared to the national index posted average of 5.3%.
- ▶ Leasing has cooled from the record-setting mid-2021 performance, though vacancies still remain below the frictional 5% mark.

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MANAGEMENT | LEASING
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Salem
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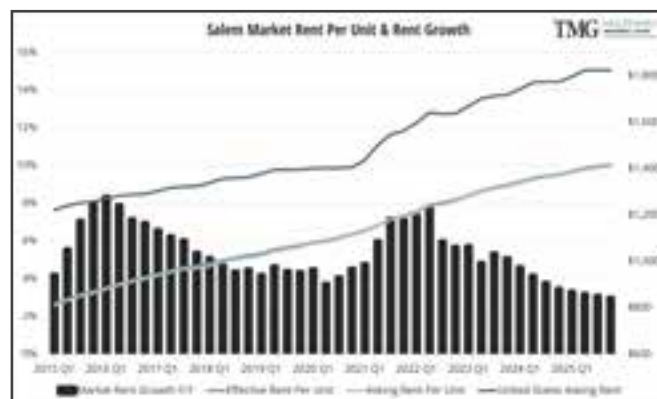
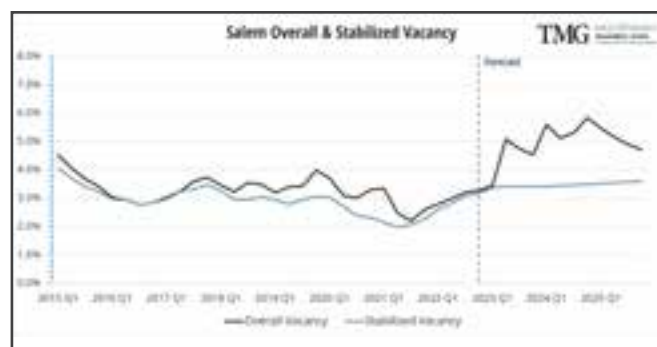
Tri-Cities
30 S Louisiana Street
Kennewick, WA 99336

SALEM *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
524	251	3.2%	5.9%

- ▶ Continued demand in Oregon’s capital city has fueled strong rent growth and cumulative rent gains over the past 10 years.
- ▶ Salem’s vacancy rate has remained under 6% for over a decade. Going into the fourth quarter of 2022, Salem’s 3.2% vacancy rate is still well below the current national average of 5.4%.
- ▶ Rent growth in the Salem market equates to 5.5% year-over-year. Average yearly rent growth over the prior five years equates to 5.2%, eclipsing the national index of 4.3%.

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TRI-CITIES *Multifamily*

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
277	166	4.8%	4.4%

- ▶ Rent growth accelerated last year, reaching double digits, but this growth has decelerated.
- ▶ Average market rents are growing slower than the rest of the nation. Rents rose 7.4% over the past 12 months, compared to a national average of 9.5%.
- ▶ Average monthly rent now sits at \$1,310/unit, with a wide range between 1 & 2 star rents, which average \$1,010, and 4 & 5 star rents, which average \$1,580.
- ▶ Vacancy rate sits at 4.0% in Tri-Cities, fluctuating somewhat over the past decade but generally trending downward over the long term.

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