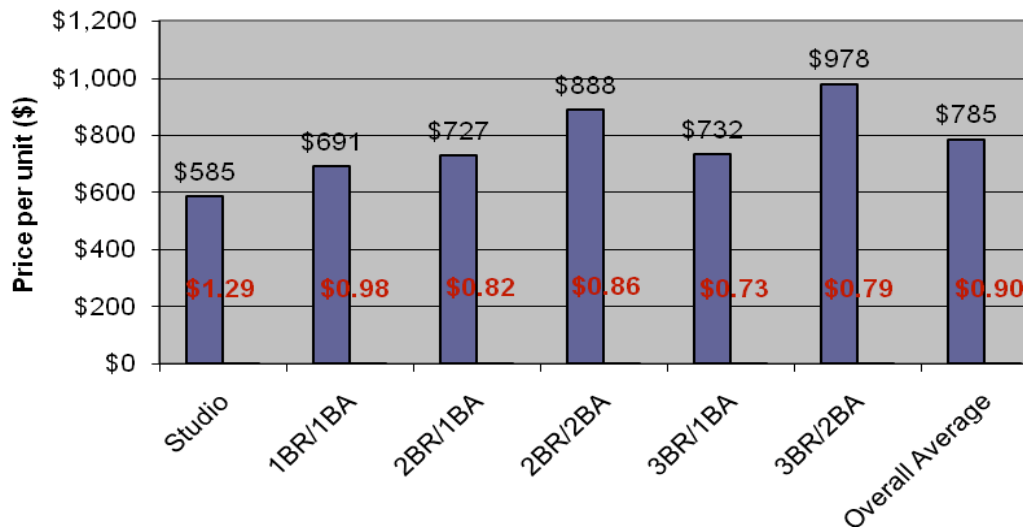


Multifamily Market Analysis

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According to Norris, Beggs & Simpson's Fourth Quarter 2009 Multifamily Report, the overall average multifamily vacancy rate has increased in the fourth quarter to 5.43% from 4.63% in the third quarter, and is up from 4.7% this time last year. The average rents for the quarter are \$691(\$0.98/SF) for a 1BR/1BA, \$727 (\$0.82/SF) for a 2BR/1BA, \$888 (\$0.86) for a 2BR/2BA and \$978 (\$0.79) for a 3BR/2BA. These numbers are up slightly from the previous quarter. Average 2BR/2BA new units rent for \$1,230 per unit, an increase of \$11 over last quarter. Seasoned 2 BR/2BA units rent for an average \$830 per unit, which is an increase of only \$4 over last quarter.

Metro-Wide Average Rents Fourth Quarter 2009

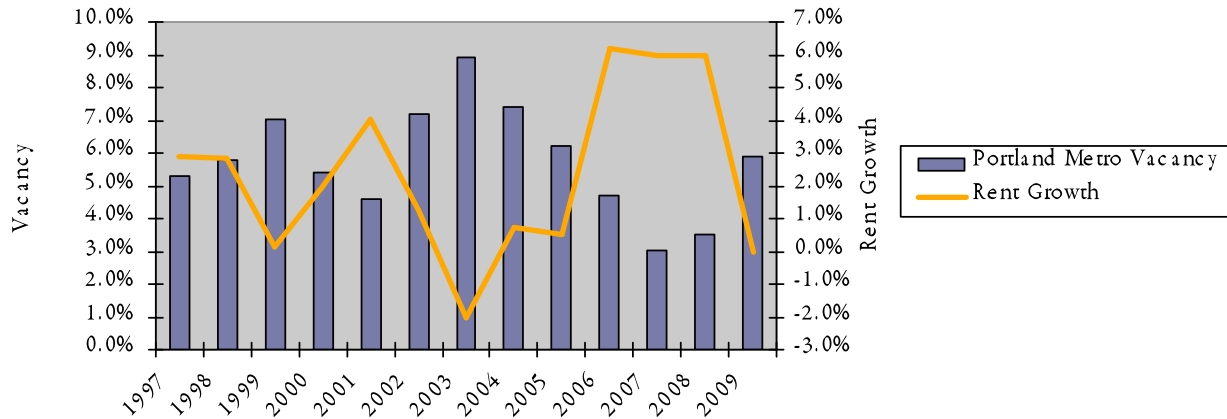


Source: Norris, Beggs & Simpson "Portland Area Multifamily Report Fourth Quarter, 2009"

The poor economy and high unemployment rates continue to result in high multifamily vacancies. Fourth quarter vacancies, according to Norris, Beggs & Simpson's Multifamily report, range from 4.59% to 6.77% across the Portland market.

Concessions, in the form of free rent and free parking, remain commonplace although rental rates have stabilized somewhat. The primary cause of the high vacancies is the economic downturn's strong negative effect on renter affordability.

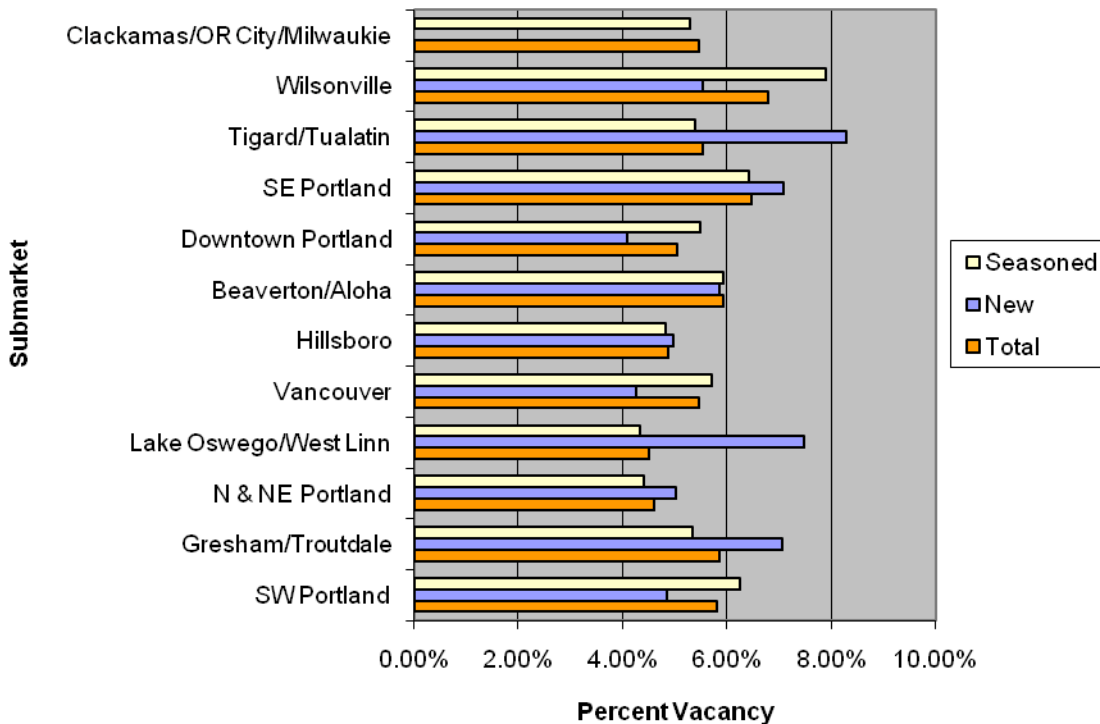
Portland Metro Vacancy and Year on Year Rent Growth



Source: Mark D Barry, The Barry Apartment Report, Winter 2010

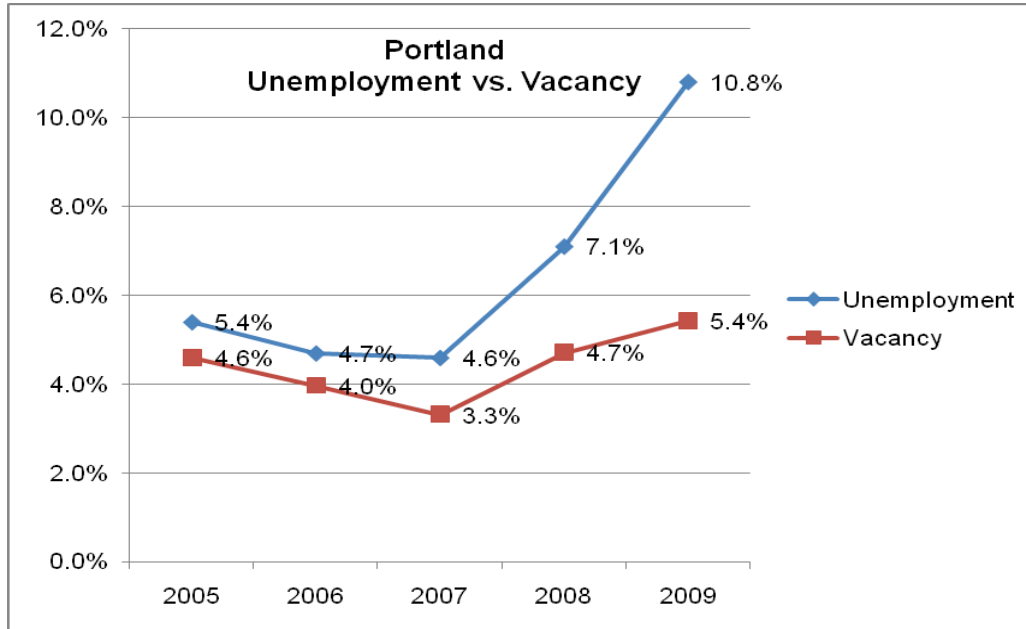
The Wilsonville submarket shows the highest total vacancy rate at 6.77%, while Lake Oswego/West Linn has the lowest submarket vacancy at 4.50%. Tigard/Tualatin has the highest new unit vacancy at 8.28%, while downtown Portland has the lowest new unit vacancy at 4.09%.

Fourth Quarter 2009 Submarket Vacancy



Source: Norris, Beggs & Simpson "Portland Area Multifamily Report Fourth Quarter, 2009

According to Mark Barry in his Winter 2010 *Barry Apartment Report*, the high local unemployment rates are having a strong negative impact on vacancies, as shown in the charts below. The rise in the unemployment rate from 7.1% in 2008 to 10.8% in 2009 suggests that vacancy rates might continue to rise until unemployment levels stabilize and decline.



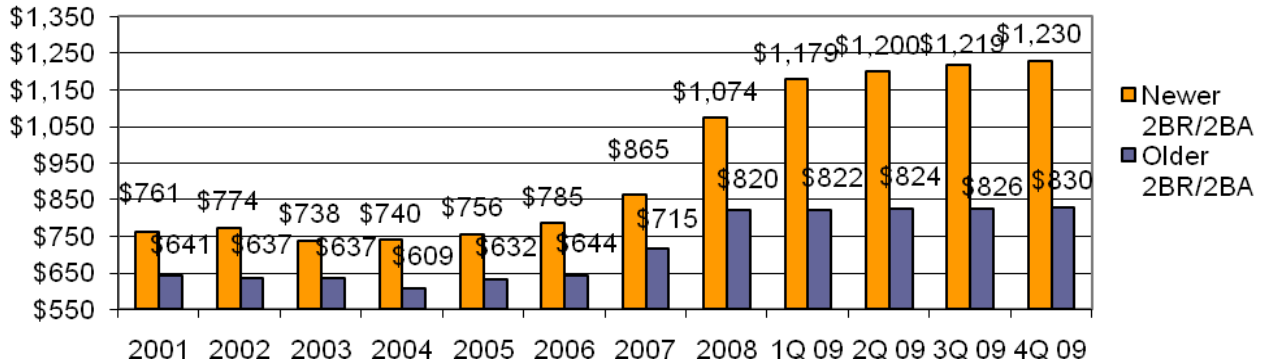
Source: Norris, Beggs & Simpson "Portland Area Multifamily Report 4th Quarter (2009, 2008, 2007, 2006, 2005), U.S. Bureau of Labor Statistics (Nov 2009, 2008, 2007, 2006, 2005)

Vacancies are up not necessarily because residents are moving from Portland, but due to tenants doubling up, moving in with family, or moving into single-family rental homes. According to Mark Barry, condominium conversions are also having an impact on vacancy rates. The glut of conversions from condominiums to rentals has put pressure on the higher end of the rental market and has caused effective rentals to be 15%-30% below pro forma.

To prevent tenants from fleeing, landlords are still resorting to concessions. Two months worth of free rent concessions as well as free parking are commonplace throughout the Portland metro area. Colliers International states in its midyear report that, "some new buildings even guarantee that if a tenant loses his/her job, they can end their lease agreement without penalties, early termination fees or adverse impact on credit." The widespread discounting produces net effective rents, including parking and rent concessions in select buildings throughout the metro area, ranging from 5.6% to 16.8% lower.

One of the driving factors behind the vacancy issue is affordability. According to Colliers International, the middle-income work force that drives demand for multifamily rental housing earns between 50% and 80% of median family income (MFI). The 2009 MFI for a single-person in Portland is \$49,000. Assuming rents are a 30% of gross income, the individual could afford a monthly rent of between \$613 and \$980. Options are very limited within this price range in the Portland area as studios and one-bedrooms are between \$710 and \$740 and higher-range luxury options are in excess of \$1,000.

Average Portland Metro Rents



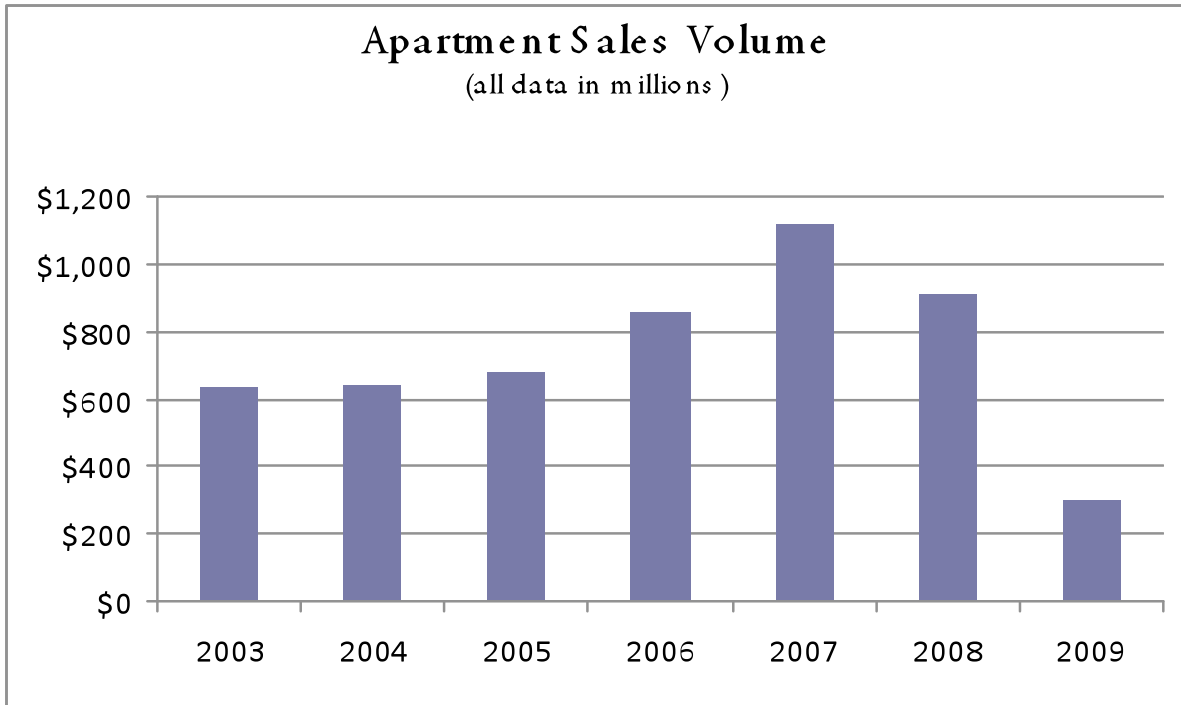
*Source: Norris & Stevens "Portland Metro Area Multifamily Report, Fourth Quarter 2009"

Norris, Beggs & Simpson’s list of major apartment sale transactions for the fourth quarter includes the biggest apartment purchase of 2009 in the Portland metropolitan area. The Cyan was sold by Gerding-Edlen to Dallas based Behringer Harvard for \$65,000,000 (\$184,659/unit). The Cyan, building with 352 units and 6,000 square feet of retail space, is located adjacent to Portland State University and is expecting to receive LEED Gold certification.

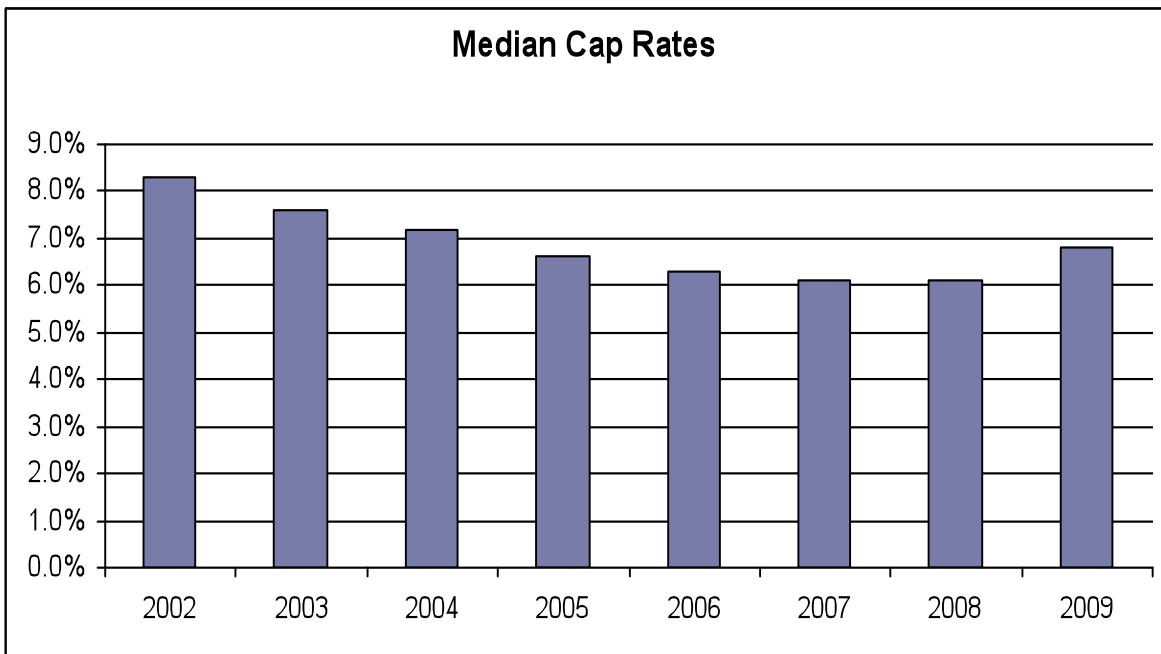
According to Mark Barry, apartment sales volumes are down significantly relative to the past six years. Total sales volume for the Portland metro area in 2009 is estimated to be \$300 million as compared to the decade high of \$1,115 million in 2007. Apartment values have also declined as the median cap rate increased for the first time in the 8 years. Cap rates increased from 6.1% in 2007 and 2008 to 6.8% in 2009. Similarly, multifamily land sales for future development have also dried up. However, as NBS indicates in its report, it expects sales to accelerate once the availability of financing increases.

MAJOR SALE TRANSACTIONS					
Buyer	Building	Price	Units	Price/Unit	Submarket
Behringer Harvard	Cyan/PDX	\$65,000,000	352	\$184,659	Downtown Portland
Foxfam LLC	Discovery Park Apartments	\$15,167,500	210	\$72,226	Vancouver
JB Matteson	London Flats Apartments	\$12,165,000	146	\$83,322	Vancouver
Steeple Chase Apartments	Steeple Chase Apartments	\$4,094,500	111	\$36,887	Vancouver
DEA Properties-Mountains LLC	The Mountains	\$1,895,000	36	\$52,639	Vancouver
William V DeBellis Revocable Living Trust	Multnomah Garden Apartments	\$1,500,000	20	\$75,000	Southwest Portland
DSS Investment Properties LLC	15710-15714 SE Stark St.	\$1,012,500	18	\$56,250	Southeast Portland

*Source: Norris & Stevens "Portland Metro Area Multifamily Report, Fourth Quarter 2009"



Source: Mark D Barry, The Barry Apartment Report, Winter 2010

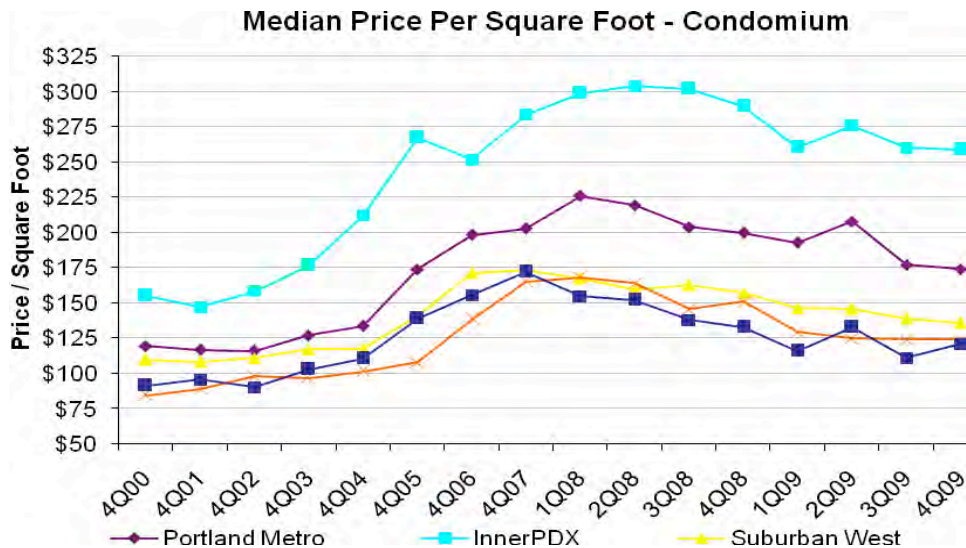
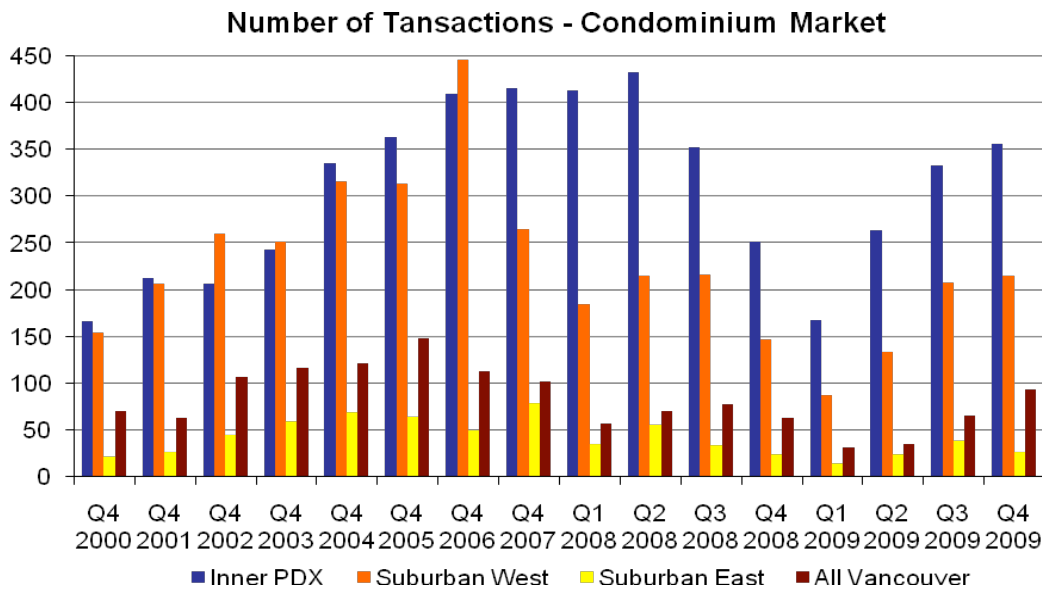


Source: Mark D Barry, The Barry Apartment Report, Winter 2010

Condominium and Attached Market

The number of condominium sales in the Portland metropolitan market is up both quarterly and annually. Across the metropolitan area, the number of sales is up 4.1% for the quarter while the number of Vancouver sales increased 42.4%.

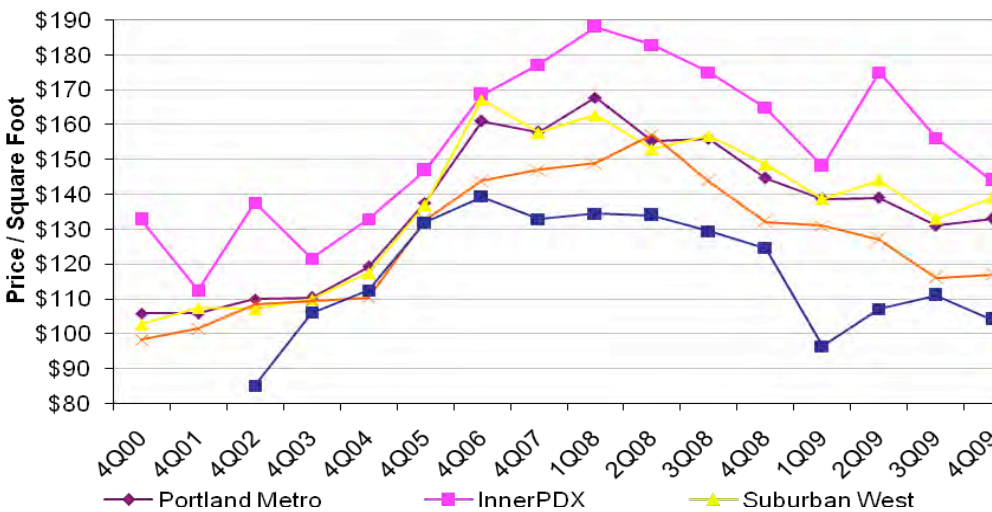
However, the prices at which those sales have occurred are down. The Portland metropolitan area's price per square foot is at \$174, a decrease of 1.7% quarterly and 12.9% annually. The median price per Portland condominium unit is \$184,000, down 2.5% from the third quarter. Vancouver, at a price per square foot of \$121, is up 9.0% for the quarter, but down 8.9% for the year. Vancouver's median price per condominium is up to \$118,150 a decrease of 6.9% for the quarter.



Results for single-family attached housing are down for the quarter, but up annually. The number of attached home sales in the Portland metropolitan area decreased 7.0% from the third quarter to 370. The number of sales of attached homes is up 5.9% annually with a median price of \$192,750.

The Vancouver area saw both quarterly (24.7%) and annual (210%) increases as the number of attached homes sold increased to 96. For Portland, price-per-square-foot numbers (\$133) are up 1.5% from the third quarter but down 8.0% annually. Vancouver, at \$104 per square foot, saw a quarterly decrease of 6.3% and an annual decrease of 16.5%. The median price for attached homes in Vancouver was \$169,000.

Median Price Per Square Foot - Attached



Number of Transactions - Attached Single Family

