

o December | o 2017

SUMMERFIELD

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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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Chief Economists: 2018 Could Be The 'Best year of the Entire Expansion'

By Ethan Rothstein, Bisnow

One year ago, researchers for the top commercial real estate brokerages in the country were at a loss for predicting what 2017 would bring under President Donald Trump. After a year of relative stability, optimism has returned for a big 2018 for property markets.

"I feel like next year might be the best year of the entire expansion," Cushman & Wakefield Chief Economist Ken McCarthy said. "The U.S. economy seems to be picking up. With tax reform passing, you should see more investment. Europe is doing well, Asia is doing well. Next year could be the best year of the entire cycle." If the economy were to dive tomorrow, we would have just experienced the third-longest recovery in modern U.S. history, McCarthy said. But fundamentals are strong enough to break a record, he said.

"We'll be the second-longest [expansion ever] by mid-2018 and longest by mid-2019. That's not far off," he said. "Just because it's long doesn't mean it has to end. There's no such thing as duration as destiny. It's long because it was slow. I'm pretty comfortable that this will be the longest expansion in history."

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5 Multifamily Development Trends Shaping 2018

By Dan Doyle, Multi-Housing News

This time last year, multifamily developers were all asking themselves the same question: When will the apartment-building frenzy taper off?

While certain markets have experienced slower absorption rates with labor shortages and high construction costs hindering the production of new units, the demand for multifamily development in certain sectors is still strong. Here are five multifamily development trends shaping 2018:

Increased Segmentation

The key to a successful lease-up is to differentiate your product to appeal to the demands of your market's unique resident base. For the past few years, the industry has been heavily weighted at the top end of the market, but in 2018, I predict that we'll see an increase in demand to serve the middle market.

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WASHINGTON MULTIFAMILY NEWS

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These Trends Will Affect The Seattle Market in 2018

By Allison Nagel, Bisnow

Seattle's 2017 has been marked by the most construction cranes in the nation, steady office demand from tech companies and rising multifamily rents due to short supply as more people move to the area. Here are some of the trends that will affect the city moving into 2018.

Growing Investor Interest In Smaller Cities

Smaller and secondary markets are expected to draw real estate investment in 2018 due to relative affordability and a young, skilled workforce, according to the ULI and PwC Emerging Markets report. The report lists Seattle as the nation's top market for real estate based on its tech industry, labor force, livability and cost, among other factors. These secondary markets have had higher levels of in-migration than gateway cities, giving them strong population growth.

Growing Population And The Headaches That Come With It

Seattle's growth has led to challenges, such as increased traffic and a lack of affordable housing. The labor force is expected to grow by around 34,000 new households for 2017, according to Marcus & Millichap. This will create continued challenges when it comes to congestion, housing and schools.

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On the Block: Affordable Housing Developers Say GOP Tax Overhaul Could Be 'Earth-Shattering'

By Dees Stribling, Bisnow National

The final details of the federal tax overhaul won't be known until the U.S. House and Senate reconcile their bills, with the stated goal of a White House signing ceremony before Christmas, but affordable housing developers are nervously watching two key components.

First is the federal low-income housing tax credit, or LIHTC (pronounced "lie-tech"). Created in 1986 as part of the last major tax reform act, it allows investors to lower their taxes by investing in affordable housing development. (LIHTC comes in 4 percent and 9 percent versions, but the latter is less commonly awarded.) Those credits are bought and sold on the market.

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Rents Rising Fast in Spokane County

By Journal Staff, DJC Seattle

Higher rents are becoming an issue in Spokane County, where a new report says half of renters are spending over 30 percent of their income on rent.

Rents in the Spokane market have increased notably over the past year and a half. That's according to Terri Anderson, co-director of the Spokane Tenants Union.

The Spokesman-Review reports that rents in Spokane are rising while wages remain stagnant.

Besides stagnant incomes, Spokane is facing another factor that's driving up rent: low apartment vacancy and high demand.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Heath Ridge	12/1/2017	20407 68th Ave West, Lynnwood, WA	107	1969	\$19,500,000	Private Investor
Atlas Apartments	11/28/2017	525 NW Gilman Blvd, Issaquah, WA	344	2017	\$134,700,000	Kennedy Wilson
Brampton Court	11/9/2017	1470 Birchwood Ave, Bellingham, WA	171	1992	\$25,000,000	The Royce Group Inc.

OREGON MULTIFAMILY NEWS

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The City Just Approved Its Largest Affordable Housing Project in 50 Years

By Dirk VanderHart, The Portland Mercury

Portland City Council today approved the largest affordable housing project the city's seen in five decades, a 12-story, 240-unit development in one of Portland's most desirable areas. It was far more tense than you would expect.

Once it's finished in 2019, the project in question—known for now as Block 45 and located at Northeast Grand and Hassalo—will inject hundreds of affordable units into the booming Lloyd District, near streetcar and MAX lines and a short distance from the city center. But as council considered an ordinance approving \$5.1 million in urban renewal money (and dedicating land) to leverage tens of millions of dollars from other sources, two questions served as sticking points: Is Block 45's price tag too high, and will it run contrary to the city's brand-new emphasis on housing homeless residents?

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New Bend Apartment Projects Proposed

By Heather Roberts, KBND.com

As Bend continues to struggle with a lack of affordable housing and historically low retail vacancy rates, a couple of projects now in development could bring some relief to both markets.

Russell Huntamer, with Compass Commercial Real Estate, says one is in the works at the former site of Ray's Food Place on Century Drive. After sitting vacant for several years and a major roof collapse in January, the grocery store was torn down in March. Huntamer tells KBND News, "The most likely plan, right now, that's being considered is about 25,000 square feet of retail on the ground floor, with up to 180 apartments above that – four to five stories. And then the same thing goes for the five acres east of the Box Factory." The Box Factory is on NW Arizona Ave. Huntamer adds, "Where Atlas Cider, Immersion Brewing and Strictly Organic with the drive-through, that location there – five acres to the east of there, about 25,000 square feet of retail on the ground floor, and about 180 apartments above it, as well."

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Facebook Set To Spend Hundreds of Millions in 900K-Square-Foot Prineville Campus Expansion

By Andy Giegerich, Portland Business Journal

Facebook said Tuesday morning it will boost its already-sizable Prineville campus by more than 80 percent.

The company said it will add nearly 1 million square feet of data center facilities by 2021. It will start building its fourth data center at the site this month. Work on the fifth building is expected to start next year.

...The social media company didn't give an exact cost but said it represents hundreds of millions. Facebook said the existing data center, which employs 200-plus workers, represents a \$1 billion-plus investment.

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Recent Transactions

Apartment	Transaction Date	Address	Units	Built	Price	Buyer
Arbor Heights	12/11/2017	15025 SW Royalty Parkway, Tigard, OR	348	1997	\$81,000,000	Security Properties
Hallwood Apartments	11/29/2017	7415 SW Hall Blvd, Beaverton, OR	76	1986	\$12,250,000	Trion Properties
Gresham Park	11/20/2017	805 NE Kane Drive, Gresham, OR	51	1991	\$8,800,000	Private Investor