

1906 SE TACOMA

6 Units • Portland, Oregon

OFFERING MEMORANDUM



EXECUTIVE SUMMARY



Exceptional Location. 1906 SE Tacoma is just minutes away from one of the Sellwood Neighborhood’s destination retail corridors and is near a MAX Orange Line light rail station connecting downtown Portland to Milwaukie. The property is within walking and biking distance of New Seasons Market—the popular regional grocery store—as well as numerous highly rated pubs, Italian and Asian eateries, food carts and boutique shops. The Springwater on the Willamette Trail, a biking and jogging trail along the Willamette river connecting Sellwood to Portland’s central eastside, is less than a mile away from the building, as are the Sellwood Riverfront Park, Oaks Bottom Wildlife Refuge and Oaks Bottom Amusement Park.



Unique, spacious apartment units. 1906 SE Tacoma features generously appointed and spacious apartment units—a rarity in the Portland market where most new construction projects focus on small studios and one-bedroom apartments. A majority of the units are larger two- and three-bedroom units ranging between 956 square feet and 1,255 square feet. The overall average size is 915 square feet. Every apartment includes a private deck, air conditioning, energy efficient tankless water heaters, washer/dryer, and modern finishes and appliances.



Strong local and regional market drivers. Portland remains one of the most robust apartment markets in the nation. More than 2,400 people move to the area each month. Unemployment is at a historical low of 3.7%, and the demand for housing is high. Portland is adding college graduates to the working population twice as fast as major cities like Los Angeles. Downtown Portland’s major high-tech employers include Viewpoint, New Relic, Puppet Labs, Smarsh, Jama Software and Urban Airship.

ASSET SUMMARY

Property	1906 SE Tacoma
Location	1906 SE Tacoma Street Portland, Oregon 97202
County	Multnomah
Total Units	6
Year Built	2018
Parking	2 garages & 3 surface spots
Total NR Sq Ft	5,086
Average Unit Size	848 Sq Ft
Lot Size	0.11 acres

OFFERING SUMMARY

Price	\$2,390,000
Price per Unit	\$398,333
Price per Sq Ft	\$470
Projected Cap Rate	4.55%

FOR MORE INFORMATION

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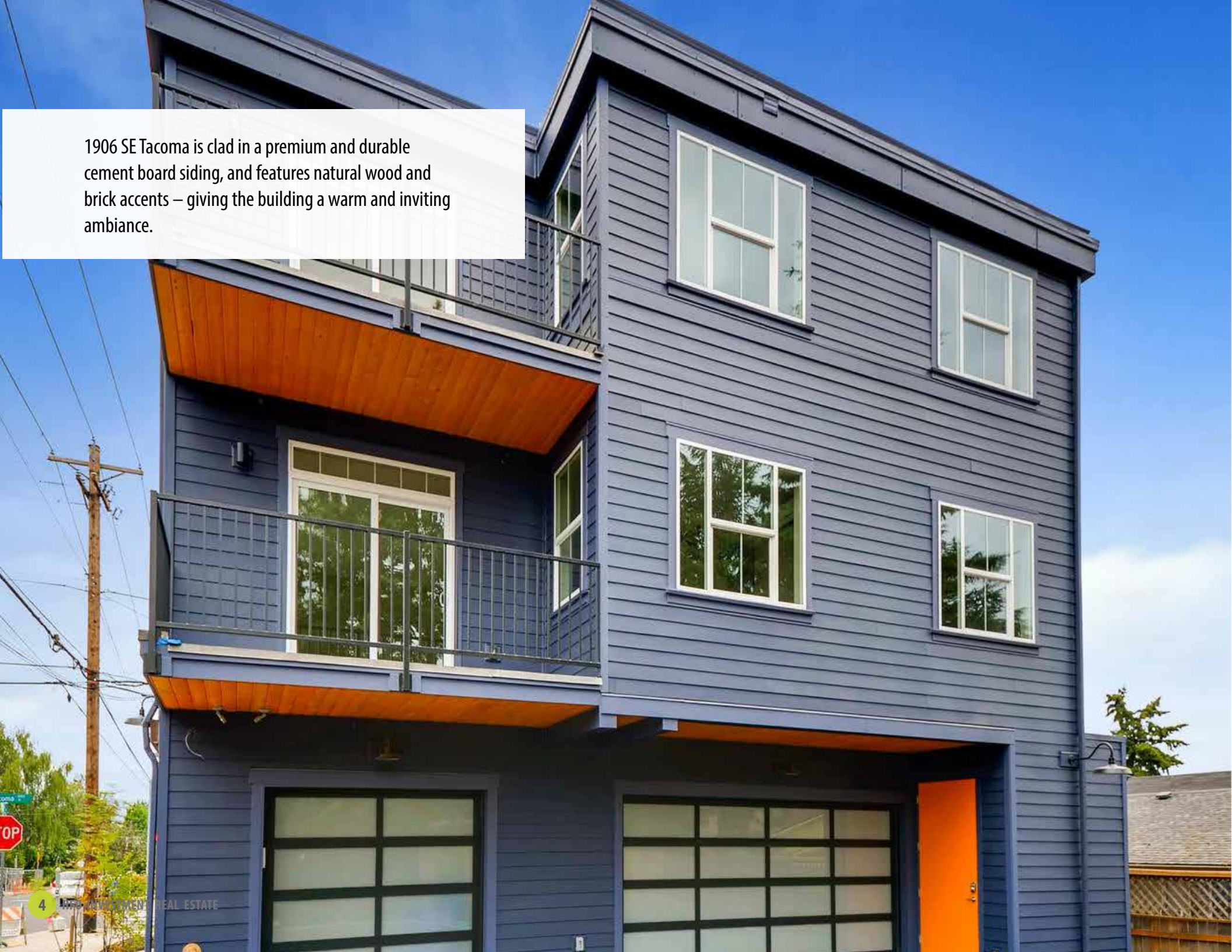
THE ASSET

1906 SE Tacoma is a brand-new high-end apartment property in the picturesque Sellwood neighborhood of SE Portland. Located within easy walking distance to numerous boutique retailers, restaurants, pubs and the popular Portland-based grocer New Seasons Market, 1906 SE Tacoma is also less than a half-mile from the newest MAX light rail station connecting Sellwood to downtown Portland with the rest of Greater Portland.

The 6-unit property features a mix of two one-bedroom units, three two-bedroom units and one three-bedroom unit. Each apartment has a private deck/balcony, luxury vinyl plank flooring, stainless steel appliances, in-unit washer/dryer, high efficiency ductless air conditioning/heating units, tankless water heaters, and stylish light fixtures. The property also has two full garages and off-street vehicle and bike parking for tenants.



1906 SE Tacoma is clad in a premium and durable cement board siding, and features natural wood and brick accents – giving the building a warm and inviting ambiance.



STOP

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RENTAL MANAGEMENT REAL ESTATE



Large windows and vaulted 9-foot ceilings allow for ample natural daylight, while the units' premium finishes – such as luxury wood-grained plank flooring, custom wood cabinetry, tile backsplashes and designer light fixtures – provide a modern touch of home.





ASSET DETAILS

CONSTRUCTION SUMMARY

Year Built	2018
No. Of Buildings	1
Stories	3
Construction Type	Wood frame
Foundation	Slab on grade
Exterior Walls	Hardi plank siding
Laundry Service	In-unit
HVAC	High-efficiency ductless mini splits
Water Heater	High-efficiency tankless water heater
Parking	2 garages & 3 surface spots

SITE SUMMARY

City	Portland
County	Multnomah
Jurisdiction	City of Portland
Tax Lot Number	R267896
Zoning	R1 – Residential 1,000

UNIT MIX SUMMARY

Unit Type	Unit Count	Average Sq Ft	Approximate Net Rentable Sq Ft	% of Total Units
1 Bedroom / 1 Bathroom	1	567	567	16.6%
1 Bedroom / 1 Bathroom	1	583	583	16.6%
2 Bedroom / 1 Bathroom	2	956	1,912	33.3%
2 Bedroom / 1 Bathroom	1	1,172	1,172	16.6%
3 Bedroom / 1 Bathroom	1	1,255	1,255	16.6%
Totals / Averages	6	915	5,086	100%

All of 1906 SE Tacoma's apartments are large one-, two-, and three-bedroom flats averaging 915 square feet. Each unit includes a private outdoor deck or patio. Apartments include the following amenities:

- Modern finishes
- Marble countertops
- Stainless steel appliances
- Private decks
- In-unit washer & dryer
- Open Kitchens
- Air conditioning
- Two large vehicle garages; off-street parking

SOUTHEAST PORTLAND

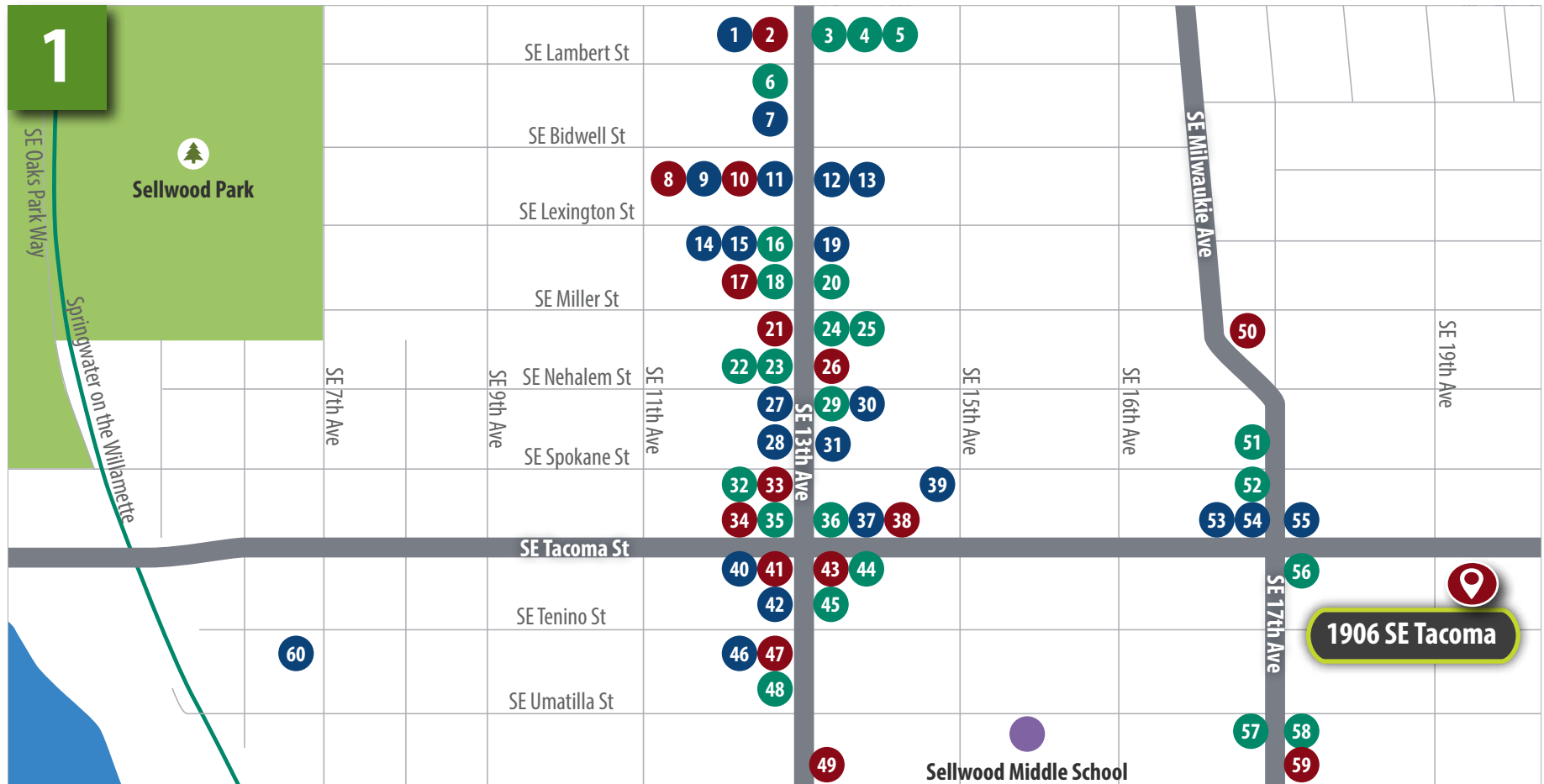


NEARBY VICINITY

Restaurants and Dining

Shopping/Entertainment

Lifestyle Services



- | | | | | |
|-----------------------------------|--|--------------------------------------|--------------------------------------|---|
| 1. Oodles for Kids | 13. RE/MAX Equity Group | 25. The Portland Bottle Shop | 37. Columbia Sportswear Outlet Store | 49. Sellwood Medical Clinic |
| 2. Creative Minds Learning Center | 14. Cloud Cap Games | 26. Sellwood Yoga | 38. The UPS Store | 50. Classical Ballet Academy |
| 3. Reverend's BBQ | 15. Blue Kangaroo Coffee Roasters | 27. Sock Dream | 39. Sellwood Community Center | 51. Jakes Place |
| 4. Foot Traffic Sellwood | 16. Collage Outlet | 28. The Sellwood Collective Antiques | 40. New Seasons Market Sellwood | 52. Bertie Lou's Cafe |
| 5. A Cena Ristorante | 17. Tilde | 29. Opa Pizzeria | 41. Kim's Taekwon-Do Portland | 53. Old Portland Hardware & Architectural |
| 6. Wei Wei - A Taste Of Taiwan | 18. Thai Lahna | 30. Chrisman Framing - Sellwood | 42. Consignment Gallery | 54. Miller Paint Company |
| 7. Sellwood Market | 19. Unique Antique | 31. Sellwood Soap Company | 43. KeyBank | 55. 7-Eleven |
| 8. Umpqua Bank | 20. Jade Bistro, Teahouse & Patisserie | 32. Gino's | 44. Bellagios Pizza | 56. Mio Sushi |
| 9. Savory Spice Shop | 21. Sellwood Cycle Repair | 33. Cat Hospital of Portland, Inc | 45. Sellwood Public House | 57. Sellwood Inn Pub |
| 10. Bishops Barbershop | 22. Tea Chai Te' | 34. Portofino | 46. American At Heart | 58. Piece of Cake Bakery |
| 11. Sellwood Antique Mall | 23. Grand Central Bakery | 35. OnPoint Community Credit Union | 47. Sellwood Flower Company | 59. Sellwood Pet Supply |
| 12. Multnomah County Library | 24. Nama Ramen | 36. Starbucks | 48. Either/OR | 60. Boys & Girls Clubs of Portland |

SELLWOOD

Restaurants and Dining

Shopping/Entertainment

Lifestyle Services



- San Felipe Taqueria
- Portland U-Brew & Pub
- Allergy Associates Research Center
- Dairy Queen
- Powell Veterinary Center
- Vaya Creative
- Quality Food Center
- 13 Virtues Brewing Company
- Westmoreland True Value Hardware
- Bank of America
- Papa Murphy's Take 'N' Bake Pizza
- H&R Block
- Moreland Vision Source
- Relish Gastropub
- Samurai Lunch Box
- US Post Office
- Bible Club PDX
- Cosmo Lounge
- Kay's Bar
- PDX Sliders
- Oaks Bottom Public House
- Nectar Frozen Yogurt Lounge
- Wells Fargo Bank
- Fat Albert's Breakfast Cafe
- Moreland Theatre
- Limelight Restaurant & Lounge
- Laurelwood Brewpub
- Stickers Asian Cafe
- Saburo's Sushi House
- FedEx Office Print & Ship Center
- Pizzicato Pizza
- Starbucks
- Fuchsia
- Coco & Toulouse Go Shopping
- U.S. Bank
- Stars Antiques Mall
- Silver Lining
- Snap Fitness
- YogaRIOT
- Classic Thai Cuisine
- Plaid Pantry
- Moreland Veterinary Hospital
- ReSale Art.com
- The Pool & Spa House
- Wallace Books
- Nurture Salon
- Rose City Coffee Company
- Bowl of Thistles
- Sellwood Grooming & U Wash

SELLWOOD | MORELAND



Sellwood has a small-town feel and a strong sense of community pride. It feels a little less hipster-y than the rest of the SE area—but there’s still a kid-friendly anything-goes vibe. While the Sellwood neighborhood maintains a strong family-friendly reputation, Moreland combines urban hustle and bustle with a strong sense of sustainability and community.

From coffee roasters to locally-owned bookshops to a wide swath of antique stores, the neighborhood is a browser’s paradise. No need to rush through this area—it invites you to slow down, take your time, and enjoy the sights.

The eclectic mix of antiques and collectables at Stars Antique Mall is like an endless estate sale, while the breakfast cafe Fat Albert’s, among other Moreland restaurants, offers hurry-free nosing.

The residents of the Sellwood-Moreland neighborhood tend to be highly educated – 57% of adults hold a bachelor’s degree or higher, while 28.8% hold a graduate or professional degree. The median household income is \$73,393, above the average for the rest of Portland. According to a 2016 Gallup survey, 80% of neighborhood residents say they always feel safe and secure. Locals enjoy walking around

their family-oriented neighborhood, which achieves a WalkScore of 75. Approximately 43% of neighborhood residents rent their homes, and 93% of students attend their local public schools.

School-age residents of 1906 SE Tacoma attend Duniway Elementary, Sellwood Middle School, and Cleveland High School. Students at all their schools outperform their statewide peers on English, Math, and Science exams. 85% of students at Cleveland High School graduate within 4 years, a higher graduation rate than the state average.

PORTLAND MARKET SNAPSHOT



The following market conditions have made Portland one of the strongest multifamily markets in the nation for several years:

- The Metro Area's vacancy rate has consistently ranked among the nation's lowest. Multifamily NW's Fall 2017 Report cited average vacancy for NW Portland and the Inner Eastside to be 4.7%.*
- Overall rent growth for the Portland Metro Area Q3 2016-2017 was 6.37%. Since fall 2012 rents have grown by 45.6%.*
- Significant in-migration continues: After three consecutive years in the #1 spot, Oregon was the #2 most popular destination for people moving within the United States in 2016.
- The inventory of for-sale housing was less than two months throughout 2015 and 2016.

The Portland Metro Area is experiencing historically high demand for housing, and it's no secret that developers have been working to meet demand. In 2016:

- 28 properties, totaling **2,863 units**, completed construction in **Portland's core.**

*Source: Multifamily NW Apartment Reports

RENT COMPARABLES



1906 SE TACOMA STREET

1906 SE Tacoma Street, Portland, OR

Total Units: 6 Avg Sq ft: 933
 Year Built: 2018 Avg Rent: \$1,937
 Avg Rent/Sq ft: \$2.08

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
1 BED / 1 BATH	2	575	\$1,395	\$2.43
2 BED / 1 BATH	3	1,064	\$2,145	\$2.02
3 BED / 1 BATH	1	1,255	\$2,395	\$1.91
Average	6	933	\$1,937	\$2.08



MADISON AT SELLWOOD

1315 SE Umatilla Street, Portland, OR

Total Units: 21 Avg Sq ft: 1101
 Year Built: 2014 Avg Rent: \$1,808
 Avg Rent/Sq ft: \$1.64

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
2 BED / 2 BATH	21	1,101	\$1,808	\$1.64
Average	21	1101	\$1,808	\$1.64

RENT COMPARABLES



GALAXIE AT SELLWOOD

7400 SE Milwaukie Avenue, Portland, OR

Total Units: 74
 Year Built: 2016
 Avg Sq ft: 587
 Avg Rent: \$1,386
 Avg Rent/Sq ft: \$2.36

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
0 BED / 1 BATH	53	511	\$1,225	\$2.40
1 BED / 1 BATH	7	590	\$1,460	\$2.47
2 BED / 1 BATH	12	815	\$1,853	\$2.28
2 BED / 2 BATH	2	1,212	\$2,581	\$2.13
Average	74	587	\$1,386	\$2.36



MORELAND ROSE

7625 SE Milwaukie Avenue, Portland, OR

Total Units: 13
 Year Built: 2017
 Avg Sq ft: 539
 Avg Rent: \$1,264
 Avg Rent/Sq ft: \$2.35

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
1 BED / 1 BATH	12	520	\$1,230	\$2.37
2 BED / 1 BATH	1	765	\$1,675	\$2.19
Average	13	539	\$1,264	\$2.35

RENT COMPARABLES



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7510 SE MILWAUKIE AVENUE

7510 SE Milwaukie Avenue, Portland, OR

Total Units: 30
 Year Built: 2018
 Avg Sq ft: 585
 Avg Rent: \$1,296
 Avg Rent/Sq ft: \$2.22

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
0 BED / 1 BATH	6	400	\$995	\$2.49
1 BED / 1 BATH	18	575	\$1,295	\$2.25
2 BED / 1 BATH	6	800	\$1,600	\$2.00
Average	30	585	\$1,296	\$2.22



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VELO APARTMENTS

7339 SE Milwaukie Avenue, Portland, OR

Total Units: 14
 Year Built: 2014
 Avg Sq ft: 580
 Avg Rent: \$1,287
 Avg Rent/Sq ft: \$2.22

Unit type	Units	Sq Ft	Rent	Rent/Sq Ft
1 BED / 1 BATH	11	530	\$1,198	\$2.26
2 BED / 1 BATH	2	762	\$1,595	\$2.09
2 BED / 2 BATH	1	762	\$1,650	\$2.17
Average	14	580	\$1,287	\$2.22



OPERATIONS ANALYSIS

Unit Mix				
Unit Type	Units	Sq Ft	Market Rent	Market Rent per Sq Ft
1 Bedroom / 1 Bathroom	1	567	\$1,395	\$2.46
1 Bedroom / 1 Bathroom	1	583	\$1,395	\$2.39
2 Bedroom / 1 Bathroom	2	956	\$1,995	\$2.09
2 Bedroom / 1 Bathroom	1	1,172	\$2,295	\$1.96
3 Bedroom / 1 Bathroom	1	1,255	\$2,395	\$1.91
Total/Average	6	915	\$1,912	\$2.15

Income	Current Scheduled Rents	Per Unit	% GOI	Notes
Scheduled Gross Rent	\$137,640	\$22,940		1
Less: Vacancy/Credit Loss	-\$6,882	-\$1,147	-5.00%	2
Net Income	\$130,758	\$21,793		
<i>Includes: Parking</i>	\$6,000	\$1,000		
<i>Includes: Utility Billing (RUBs)</i>	\$5,415	\$903		
<i>Includes: Miscellaneous</i>	\$2,100	\$350		
Total Other Income	\$13,515	\$2,253		3
Effective Annual Income - Residential	144,273	24,046		

OPERATIONS ANALYSIS

Expenses	Projected Operations	Per Unit	% GOI	Notes
Real Estate Taxes	\$12,600	\$2,100	8.7%	4
Insurance	\$1,200	\$200	0.8%	
Total Utilities	\$5,700	\$950	4.0%	
Fee Management	\$9,635	\$1,606	6.7%	5
Landscaping	\$1,200	\$300	0.8%	
Maintenance/Repairs	\$2,700	\$450	1.9%	
Turnover	\$1,080	\$180	0.7%	
Reserves	\$1,500	\$250	1.0%	6
Total Estimated Expenses	-\$35,615	-\$5,936	-25%	
Total Estimated NOI	\$108,658	\$18,110	75%	



OPERATIONS ANALYSIS

1. RENTS

1906 SE Tacoma projects average rents at \$1,912 per unit or \$2.15 per square foot. The average unit size at 1906 SE Tacoma is 915 square feet.

2. VACANCY, CONCESSIONS, & BAD DEBT

For underwriting purposes operations are adjusted for a 5.0% vacancy rate based on lender underwriting requirements.

3. OTHER INCOME

Other income assumes stabilization of the asset. The largest sources of other income are monthly resident utility bill-backs (RUBs) and parking.

- RUBs are anticipated to capture 95% of the water, sewer, garbage and gas costs associated with 1906 SE Tacoma. The average charge to residents is \$75 per unit per month resulting in collection of approximately \$5,415 annually.



OPERATIONS ANALYSIS

EXPENSES

1906 SE Tacoma has not yet stabilized its operations. The expenses are based on market expenses for new construction along with the following adjustments. The adjustments bring the operating expenses to an average \$5,936 per unit. The costs driving the expenses include property taxes and fee management.

4. PROPERTY TAXES

Property taxes are one of the largest expenses incurred by an asset in the State of Oregon. New construction and recent sales have pushed property values to historic highs in many markets. Below is a discussion of potential tax values for 1906 SE Tacoma and how those may be assessed based on values for comparable stabilized assets. The table below summarizes potential tax values based on projected operations and projected NOI.

The table below summarizes a range in tax values based on the 2017/2018 millage rate of 25.0131 for the 201 levy code area (East of Willamette River) in which 1906 SE Tacoma is located. The 2017 Changed Property Ratio is 32.97%—a value used to calculate property taxes for new construction.

Historically, assessors were known to use cap rates higher than market rates since they are assessing a wider area and range of multifamily properties. However, this is no longer true. Using the 5.25% cap rate, the range in tax values falls between \$2,092 and \$3,089 per unit. The property taxes at 1906 SE Tacoma are estimated at \$2,100 per unit.

5. FEE MANAGEMENT, ADMINISTRATIVE, ADVERTISING

The management fee has been adjusted to a market rate of 7.0% of the scheduled gross rent. 1906 SE Tacoma is a self-contained property with fewer than 30 units. It may not require a full-time manager and a leasing agent once stabilized. In addition to the management expense, we projected administrative and advertising expenses in our overall management fee cost.

6. RESERVES

Lenders require reserves and the operations include reserves at \$250 per unit. The total cost for 1906 SE Tacoma is \$1,500.

TAX ANALYSIS NEW DEVELOPMENT		
Range of Tax Impact	Low	High
Est. NOI (without taxes)	\$118,000	\$118,000
Cap Rate (Assessor's Rate)	5.25%	5.25%
Millage Rate	25.0131	25.0131
Loaded Cap	7.75%	5.25%
Change of Property Ratio	32.97%	32.97%
Projected Assessed Value (ASV)	\$501,910	\$741,040
Potential Tax Liability	\$12,554	\$18,536
Taxes per Unit	\$2,092	\$3,089

1906 SE TACOMA

ASSET SUMMARY

Property	1906 SE Tacoma
Location	1906 SE Tacoma Street Portland, Oregon 97202
Total Units	6
Year Built	2018
Total NR Sq Ft	5,086 sq ft
Average Unit Size	848 sq ft

TOURS AND INQUIRIES

Please do not disturb tenants.

All tours and inquiries regarding 1906 SE Tacoma are to be directed to HFO Investment Real Estate at **(503) 241.5541**.

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OFFERING SUMMARY

Price	\$2,390,000
Price per Unit	\$398,333
Price per Sq Ft	\$470
Cap Rate	4.55%







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