



# Preserving Housing Choice and Opportunity

## A STUDY OF APARTMENT BUILDING SALES AND RENTS IN THE SW CORRIDOR

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An important component of the housing stock affordable to lower-income households is unsubsidized, market-provided rental housing that rents at lower cost. In fact, the great majority of households who are income-eligible for housing subsidies do not receive any government assistance with housing and live in market-rate housing. This sector of the market — commonly called NOAH or Naturally Occurring Affordable Housing — has increasingly been the focus of policy and programmatic action to protect and expand housing affordability.

In a hot housing market like the Portland region, NOAH-type units can be converted and upgraded to higher rent levels. A complex can be purchased to be upgraded and rebranded, especially if it is in a desirable location. This upscaling can displace large numbers of households/families at once; a single real estate transaction could result in the eviction of hundreds of people.

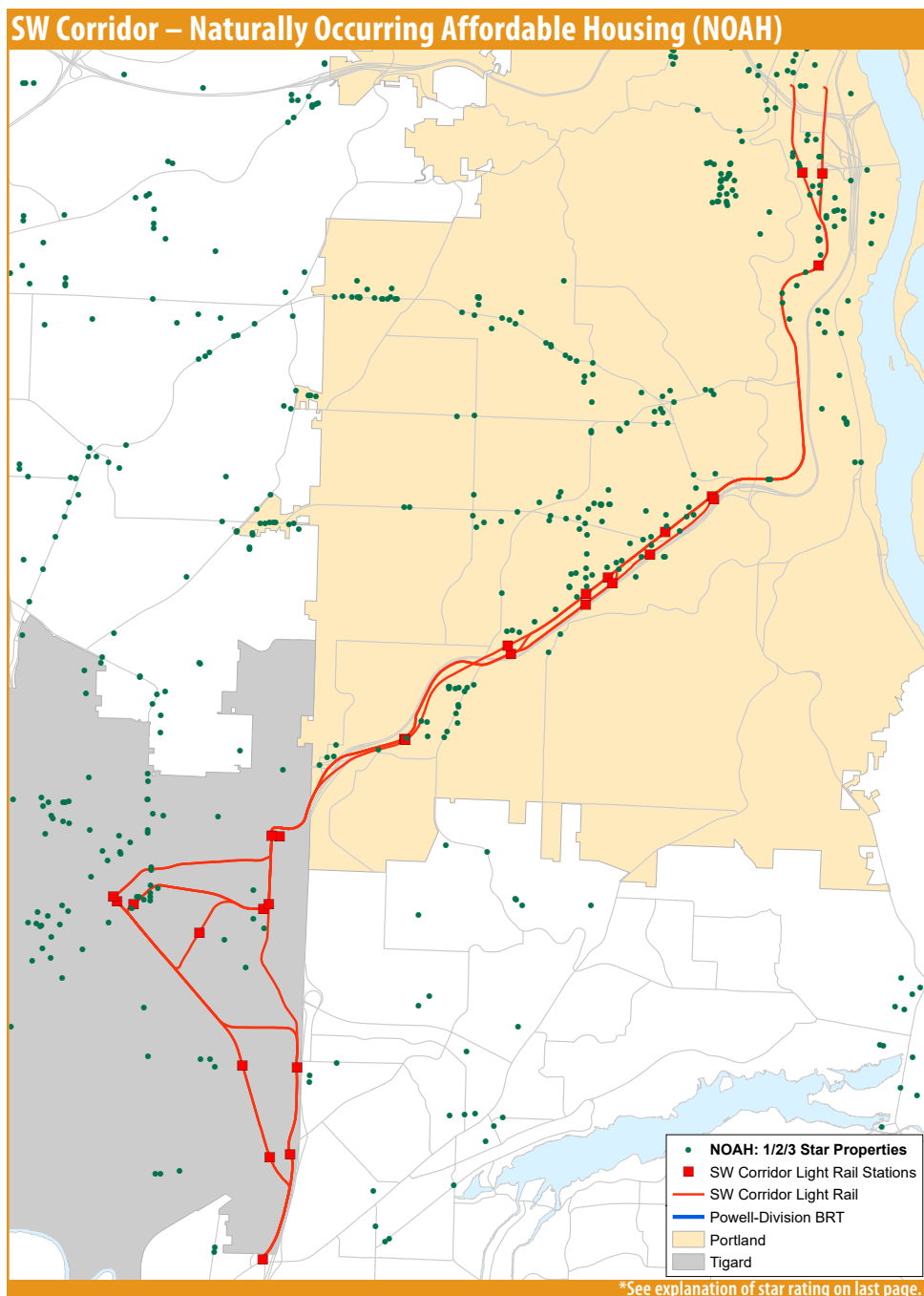
This report assesses the current inventory of lower cost, lower quality rental buildings in the region, focusing on the Southwest Corridor where new light rail is being planned to serve the many households in these buildings. The report focuses on market activity, tracking sales of multifamily rental properties over the past decade. Naturally occurring affordable housing is at risk for loss to upscaling; even buildings that are not renovated have increasing rents that may soon become out of reach for low- to moderate-income renters. Given the distribution of NOAH and where communities of color live, loss of this precarious housing will disproportionately affect people of color who rent.



This summary is from a report entitled  
*Preserving Housing Choice and Opportunity:  
A study of apartment building sales and  
rents in the SW Corridor*

Loss of NOAH occurs especially in neighborhoods that are accessible and amenity-rich, and in contexts of gentrification. New transit service changes the accessibility of an area, making it more attractive for investment; supporting new development and often increasing property values<sup>1</sup>. The existing literature suggests that new transit investments can create affordable housing problems for the very residents who depend most on transit: lower income households and people of color<sup>2</sup>. Public investments — sometimes even just the announcement of a planned investment — increase the investment potential of a neighborhood<sup>3</sup>.

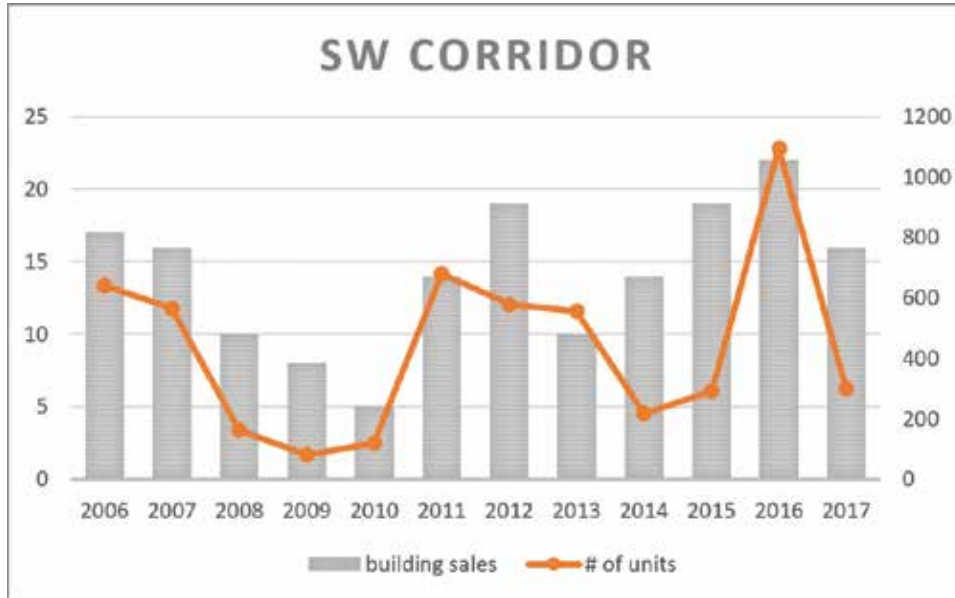
Best practice is to consider preserving units that are *market affordable* and unregulated as a challenge to be addressed in concert with public transit investments. Transit-oriented development that is equitable and inclusive provides opportunities for low- and moderate income households, renters, immigrants, and people of color who more often depend on transit service to access jobs, school, and services<sup>4</sup>. Preserving affordable housing can be more cost effective than new construction; it can prevent displacement of tenants already in place, and sustainably makes use of existing buildings. A number of effective funding tools are reviewed in this report including a local fund with a successful track record of preserving the long-term affordability of NOAH.



### NOAH sales show precariousness of this rental housing at a regional scale

- **Active transactions of multifamily rental properties have been disproportionately NOAH.** There have been over 2,000 transactions of NOAH buildings in the Portland metro area from 2006 to 2017 — more than 68,000 units of housing. These sales are accelerating, with over 20 percent occurring in just the last 18 months.
- **Sales prices for multifamily rental properties have increased substantially, making preservation of affordable rents more challenging.** Regionally, the average sale price increased by 78 percent between 2010 and 2017; during this period there was a 43-percent increase in the average asking rent.
- **Multifamily housing properties in racially diverse and low-income neighborhoods have been a target for sales activities.** Nearly half of the rental units sold were in low-income tracts; and nearly 60 percent were in racially diverse tracts. Almost all of these sales were to two and three star NOAH type properties.

## Number of rental housing properties and units sold per year in the SW Corridor from 2006 to 2017 as of August 2017



### NOAH in the SW Corridor

- Approximately 11,400 units of naturally occurring affordable housing (NOAH) exist along the Southwest Corridor in 327 properties, home to renters with affordable rent. NOAH accounts for 93 percent of existing apartment buildings along the corridor. At the regionwide scale, these buildings represent over 9 percent of the market affordable rental units in the metro region.
- During the last five years, the corridor shows a split of very low- and very high-income renter households. After 2010, 81 percent of newly built multifamily housing units in the corridor were luxury apartments. Although 70 percent of units existing in the corridor are currently affordable to families with low to moderate income, the recent influx of high income renters and housing market investment made in the corridor suggests that upscaling of NOAH will become more attractive with the coming public investment in high speed transit.
- Recent apartment sales of NOAH type housing in SW corridor are increasing and rising in price per unit. The average sale price along the corridor skyrocketed significantly, with a 274-percent increase.
- When upscaling of NOAH happens along the corridor, the most vulnerable households will be low-income renters of color having large size family. Two-thirds of corridor NOAH sales are in low-income census tracts; nearly 40 percent are in racially diverse areas.
- If we consider NOAH as most susceptible to upscaling, there is the potential for over 11,000 rental units to be upgraded in the corridor. Over 4,000 of these units are located in large buildings of more than 100 units, with the potential to displace large numbers of renters with one building sale.





Sold 2006-17 Units Buildings		Star Rating and Description*	
0	0	★ Possibly functionally obsolete. May require significant renovation.	
2,335	129	★★ Purely functional with little or no landscaping or exterior spaces.	
1,792	31	★★★ Average aesthetics and finishes, with a few shared facilities and spaces; modest landscaping.	
801	6	★★★★ Higher end finishes, representing recent trends and standards in design.	
353	4	★★★★★ Luxury end of multi-family construction.	
<b>5,281</b>	<b>170</b>	<b>Total number of units and buildings sold in SW Corridor, 2006-17</b>	

Source: CoStar Multi-Family Property Database

\*The star rating system used by CoStar is a five-star scale that is based on the design and construction of buildings, dwelling units, site and property amenities.

#### Footnotes:

- Hook, Walter, Stephanie Lotshaw, and Annie Weinstock. 2013. "More Development for your Transit Dollar: An Analysis of 21 North American Transit Corridors." Report for the Institute for Transportation and Development Policy. Retrieved (4/14/15) from: [https://www.itdp.org/wp-content/uploads/2013/11/More-Development-For-Your-Transit-Dollar\\_ITDP.pdf](https://www.itdp.org/wp-content/uploads/2013/11/More-Development-For-Your-Transit-Dollar_ITDP.pdf)
- Dawkins, C., & Moeckel, R. (2016). "Transit-Induced Gentrification: Who Will Stay, and Who Will Go?" Housing Policy Debate, 1-18.
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- Pollack, Stephanie, Barry Bluestone, and Chase Billingham. 2010. Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change. Report of the Dukakis Center for Urban and Regional Policy, Northeastern University.

