

# BRENTWOOD & PINECREST APARTMENTS

22 Units • Portland, Oregon

OFFERING MEMORANDUM





# INVESTMENT SUMMARY



Brentwood & Pinecrest Apartments is a unique 22-unit community in North Portland that offers an investor a well maintained asset with potential to increase rents. The asset was completed in 1965 and consists of two adjacent buildings. The property offers spacious one- and two-bedroom floor plans. Brentwood & Pinecrest Apartments offers original hardwood floors throughout the spacious floor plans. The units have a lot of natural light, ample storage space, and remodeled kitchens.

Brentwood & Pinecrest Apartments' rents currently average \$1,230 per unit or \$2.04 per square foot. Brentwood & Pinecrest Apartments' large units—with new finishes and amenities throughout—make this an attractive home for tenants from throughout the Portland metropolitan area.

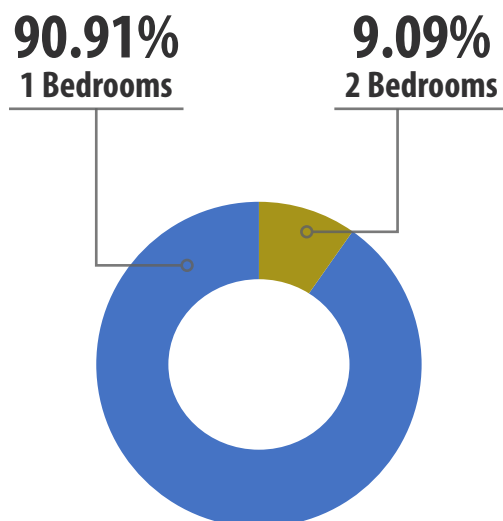
Brentwood & Pinecrest Apartments has been well maintained throughout the years. Remodeled units feature new granite counter tops, appliances and fixtures, as well as new cabinets. In the past year, the owners have spent over \$985,000 on capital improvements, including:

- New electrical
- New decks
- New cabinets, appliances, and granite countertops
- New fixtures throughout the units
- Landscaping upgrades

# INVESTMENT SUMMARY

## ASSET SUMMARY

Property	Brentwood & Pinecrest Apartments
Location	565-587 N Rosa Parks Way Portland, OR 97217
County	Multnomah
Total Units	22
Year Built	1939/1965
Stories	2 stories
Approx. NR Sq Ft	13,295
Average Sq Ft	604
Acreage	0.53



## PROPERTY HIGHLIGHTS

- Newly remodeled units
- Granite counter tops
- New wood vinyl flooring
- New cabinets
- New appliances
- On-site laundry room
- Off-street parking
- Bike parking

## PRICING

Price	\$3,890,000
Price Per Unit	\$176,818
Per Square Foot	\$293
Cap Rate	5.75%

Brentwood & Pinecrest has an existing loan to be assumed. The loan placed December 2016 and is interest only through January 2020.

Financing	Existing loan
Lender	Freddie Mac
Start date	December 2016
Original Balance	\$2,932,000
Rate	4.45%
Term (Yrs)	10
Amortization (Yrs)	30
Interest Only (IO)	Through January 2020
Payment (IO)	\$10,872
Payment (Amort.)	\$14,769

## FOR MORE INFORMATION

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## Brentwood Apartments





**Pinecrest Apartments**

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# LOCATION

Brentwood & Pinecrest Apartments is directly across the street from Peninsula Park. Peninsula Park is a 16.2 acre community park with amenities including basketball and tennis courts, picnic tables, rest areas, walking trails, a soccer field, softball field, and a unique reservable wedding site. The park also includes a community pool which is open in the summertime. There is a distinctive 100 year-old fountain in the center of an extremely large, sunken rose garden.



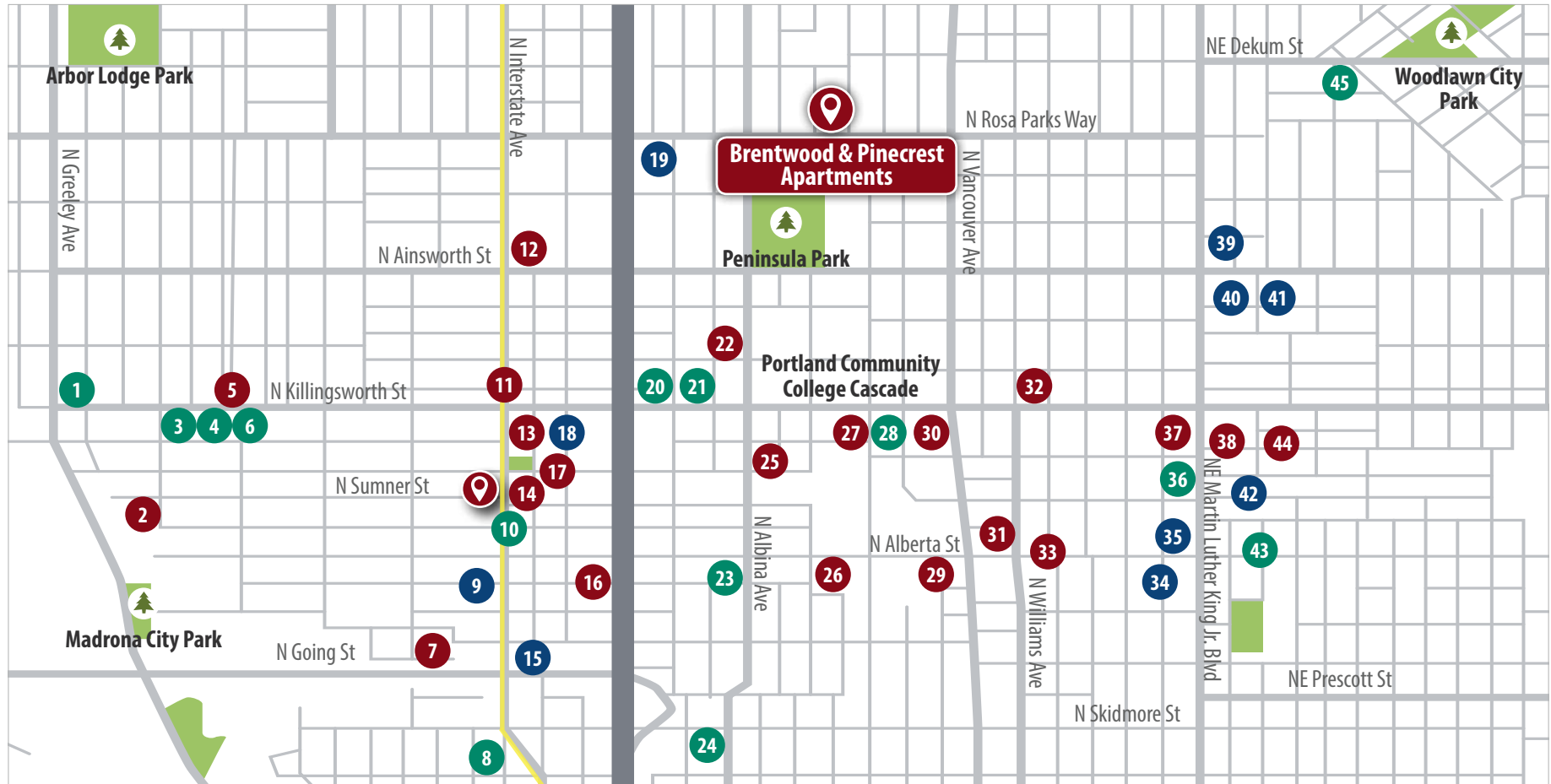


# NEARBY VICINITY

Restaurants and Dining

Shopping/Entertainment

Lifestyle Services



1. Mio Sushi
2. Adidas
3. Milk Glass Market
4. Backyard Social
5. Lucky Labrador Tap Room
6. Overlook Veterinarian Hospital
7. Beach Elementary
8. Fire on the Mountain
9. Miller Paint
10. Patton Maryland
11. Yellow Max Line
12. Ockley Green Middle School

13. Trillium Charter School
14. Aprende con Amigos Preschool
15. U.S. Bank
16. Peninsula Children's Learning Center
17. Patton Square City Park
18. United Advantage NW Federal Credit Union
19. New Seasons Market
20. Viena Lao Oriental Food Center
21. Saraveza
22. Public Services Education Building
23. Victoria Bar
24. Prost

25. Jefferson High School
26. Humboldt School
27. Rosemary Anderson
28. McMenamin's Chapel Pub
29. North Portland Wellness Center
30. Multnomah County Library
31. Work Source Portland Metro
32. Children's Community Center
33. North Portland Bible College
34. Alberta Abbey
35. Natural Grocers
36. Old Town Brewing

37. Multnomah County Health Department
38. Portland Police Department
39. Walgreens
40. Wells Fargo
41. Safeway
42. 7-Eleven
43. Pizza Hut
44. United States Postal Office
45. Breakside Brewery



# OVERLOOK

The Overlook neighborhood is a residential, transit-oriented neighborhood in North Portland. 53% of neighborhood residents have a bachelor's degree or higher, 18% have a graduate or professional degree, and 91% have at least a high school diploma. 12% of workers in the neighborhood commute via public transit, twice the regional average. 80% of Overlook residents report always feeling safe and secure in the neighborhood. Overlook has a Walk Score of 90, a Transit Score of 51, and a Bike Score of 81.

Overlook is in the 94th percentile in Oregon for accessibility of jobs, goods, and services. The median household income is \$52,674. Nearby major employers include Adidas, Legacy Emanuel, Randall Children's Hospital, and the Portland School District.

Most of the housing stock in Overlook was built before 1940 – the median year built is 1939. 54.3% of households in the neighborhood are renters, and the majority of rental units are 1 or 2 bedrooms. The average household size is 2.26 residents, and 21.3% of households have children.

Students at Madrona Hills attend Beach Elementary School, Ockley Green Middle School, and Jefferson or Roosevelt High School. Beach Elementary School is located just over a half mile from Madrona Hills, while Ockley Green and Jefferson High are both located approximately a mile from Madrona Hills.

## EMPLOYERS

The Legacy Emanuel Hospital, Children's Hospital and Health Center, located in North Portland, offers nationally acclaimed neurosciences care, which includes treatment for strokes and brain trauma. Emanuel is also Oregon's burn center and its campus is home to the Randall Children's Hospital. Legacy's five medical campuses employ an estimated 13,000 metro-area residents.

- In June of 2017, Legacy had a groundbreaking for a new \$210 million project on its NE Portland Campus. The building will offer 260,000 square feet of space on four floors including new operating rooms, MRI and ICU facilities. Another 80,000 square feet of existing space will be remodeled following completion of the new building, which is expected to open in 2019.
- In August of 2017, **Legacy Emmanuel** announced plans to develop a 1.7-acre block bounded by North Williams and Vancouver Avenues and N. Russell and Knott Streets. The parcel will include affordable housing, medical facilities, shops and community space. Details have yet to be completed.
- **Randall Children's Hospital** at Legacy Emanuel has a neonatal unit for newborns, a cancer treatment center and children's emergency center. It is a nine-story building completed in 2012 and the \$242 million project was Portland's costliest development on the inner east side since reconstruction of the Lloyd Center shopping mall 20 years earlier.
- **Adidas** has been hiring sportswear professionals in its American headquarters in North Portland since 2001. The origins of Adidas go back to Germany in the early 20th century. Like Nike's Phil Knight, Adi Dassler started small. In his mother's kitchen, he developed a revolutionary new type of sports shoe. Registered for patent in 1924, Dassler's shoe design was well-received. Production was curtailed by World War II, but the company restarted in 1949. Adidas now has approximately 1,700 employees in the Portland Metro Area, making it the second largest footwear and apparel company in the region.

Adidas's North American sales have been growing quickly over the last few years, and the company is starting to outperform some of its top rivals. In the third quarter of 2017, the company's North America revenue rose by 31%, topping \$1 billion, and its footwear market share doubled. Adidas broke ground on the expansion of its Portland campus in the Overlook neighborhood in August of 2018. The expansion will allow Adidas to increase its Portland workforce from 1,700 to 2,800 employees.





# ARBOR LODGE—PIEDMONT—WOODLAWN



The Arbor Lodge, Piedmont, and Woodlawn neighborhoods are located in North and Northeast Portland along the northern portions of I-5 and NE Martin Luther King Jr. Boulevard. The neighborhoods are connected to the central business district via the yellow line MAX train along Interstate Avenue, as well as a number of buses and the Vancouver and Williams bike lanes.

Local parks including Woodlawn Park and Peninsula Park include a number of amenities, such as a swimming pool and a rose garden. Woodlawn Park is located in what is known as the Dekum Triangle – an amenity-rich area with a number of popular bars and restaurants, as well as a farmer’s market on Saturdays during the summer.

49.8% of Piedmont neighborhood residents are homeowners, and 48% of adults in the neighborhood have a bachelor’s degree or higher.

Additionally, 15.1% of adults in the neighborhood have a graduate or professional degree, above regional and national averages, and a 15% increase since 2000. Median household income in the neighborhood is \$49,464 and the average household size is approximately 2.3 people per household. 80% of residents report feeling safe and secure in the neighborhood.

Piedmont is in the 94th percentile for the state of Oregon for accessibility of jobs, goods, and services. The neighborhood has a walk score of 64, a transit score of 58, and a bike score of 90. A new bike path along N Rosa Parks was completed this Spring and has been a welcome addition to the area. Residents report average commute times of about 25 minutes. 12% of workers commute by public transit.



# PORTLAND METRO SNAPSHOT

## PORTLAND REGION

Oregon's largest city, Portland, is near the confluence of the Willamette and Columbia Rivers. The Portland Metro Area consists of four counties: Multnomah, Washington, Clackamas, and Clark County, Washington.

### APARTMENT MARKET

The Portland Metro Area consistently ranks among the nation's lowest for apartment vacancy rates according to the U.S. Census Bureau and other third-party services like REIS, MPF Research, and Axiometrics. The U.S. Census Bureau pegged Portland's Q3 2018 vacancy rate at 4.5% and the U.S. average at 7.1%.

REIS forecast 2018 Portland metro year-over-year rents growth at 3.0% and the Multifamily NW Apartment Report survey proved average October 2017-18 year-over-year rent growth at 3.3%.

### SKILLED WORKFORCE & STRONG EMPLOYMENT

In a 2018 WalletHub report comparing 150 of the largest U.S. metros, Portland is listed as the 15th most educated city in America. More than half of Multnomah County workers have a college degree, well ahead of the national average of 38.5%.

According to the State of Oregon's Employment Department, Portland enjoys one of the fastest job growth rates in the Pacific Northwest, and the entire nation. Data indicates the area added 31,000 jobs in 2016, 28,000 jobs in 2017, and 29,000 in 2018.

### DIVERSIFIED ECONOMY

Portland is home to the headquarters of Fortune 500 companies Nike and Lithia Motors. Fortune 1000 companies headquartered here include Columbia Sportswear, Greenbrier Cos. and Portland General Electric. Fortune 500 companies based outside Oregon with major operations here are Precision Castparts and Intel.

Tech and software companies continue to relocate their operations here or open major outposts in Portland. These companies enjoy Portland's educated workforce, affordable high quality of life, and a low cost of doing business compared to the Bay Area.

Companies which have opened major branches in Portland include Airbnb, Google, Squarespace, Mozilla, Simple, Survey Monkey, Salesforce and New Relic, Inc. Portland's tech startup companies include Viewpoint, Jama Software, Thetus, Urban Airship, Acquia, Elemental Technologies, Act-On, Puppet Labs, and The Clymb.

## TOP 10 LISTS

Portland consistently receives glowing reviews and rankings from the media.

### 2019 lists include:

- **#4 Best City for an Active Lifestyle** (*Wallethub*)
- **#7 Healthiest Cities to Live** (*Thrillist.com*)
- **#7 Best Cheap Destinations in the U.S.** (*U.S. News and World Report*)
- **#8 Best Place to Live in the U.S.** (*U.S. News and World Report*)
- **#8 Fittest Cities in America** (*CBS News*)
- **#9 Best Foodie Cities in the USA** (*U.S. News and World Report*)

### 2018 lists include:

- **#1 Restaurant City of the Year** (*Bon Appetit*)
- **#1 Best Foodie City in America** (*Wallethub & Travepulse*) **#6** (*Jetsetter*)
- **#3 Healthiest City in the U.S.** (*Active.com*)
- **#3 Best Place for Business and Careers** (*Forbes*)
- **#4 Best City for Biking** (*Fast Company*)
- **#9 Top City for Entrepreneurs and Start-Ups** (*Business.org*) **#23** (*CNBC*)
- **#10 Greenest City in America** (*Newsweek*)
- **#10 Most Entrepreneurial State** (*Amazon.com*)
- **#15 Most Educated City in America** (*Wallethub*)

# PORTLAND MARKET SNAPSHOT

## MAJOR EMPLOYERS

### GOVERNMENT

The **U.S. Federal Government** is Portland metro's overall largest employer, with 20,500 workers. The State of Oregon gives employment to an additional 14,000 residents.

### HIGH TECH & CHIP MANUFACTURING

Attracted by the Portland area's educated workforce and relative low cost of doing business, tech companies continue moving to Portland—opening major branches and, in some cases, relocating to the area entirely.

With over 19,300 employees, **Intel** is the area's largest private employer. Intel acquired its first Portland location in 1974. The company is currently expanding its presence with forthcoming D1X microprocessor chip facilities at the Ronler Acres Campus in Hillsboro. This is part of a five-year, \$6 billion expansion, and is part of the company's long-term plans for growth. Intel is the largest property taxpayer in Washington County, with payments of approximately \$30 million a year.

Other notable Portland-area high-tech companies include ON Semiconductor and Tektronix.

### SPORTSWEAR

**Nike** has its world headquarters in Beaverton and employs 12,000 Portland-area residents. The company designs, develops and manufactures footwear, apparel, equipment and accessories. From here, Nike orchestrates production and design for one of the world's most recognizable brands. In 2019 Nike will complete a \$1 billion expansion of its Washington County campus.

Nike's two key competitors have a major local presence as well. Those employers include the North American headquarters of **Adidas** with 1,200 employees, and a new 70,000 SF outpost of **Under Armour**. Under Armour has moved 100 employees into an iconic former YMCA.

### HEALTHCARE AND RESEARCH

Health services are another major employment sector for the Portland area. The top healthcare employers in the area are **Providence Health Systems**, with 17,543 employees, and **The Oregon Health Sciences University** (OHSU), with 16,200 workers. OHSU is the recent recipient of a total of \$1 billion in donations for cancer research from over 10,000 Oregon donors. Grants from the National Institutes of Health totaled \$182.7 million in 2016.

### MANUFACTURING

In trucking and transportation, **Daimler Trucks**—with nearly 3,000 area workers—has big plans for the Portland area. The company recently spent \$150 million renovating its Portland facility and invests heavily in research and development, including autonomous driving.





# OPERATIONS ANALYSIS

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Income	Current Scheduled Rents			Projected Operations			Note
<b>Scheduled Gross Rent</b>	<b>\$324,666</b>	<b>\$14,758</b>		<b>\$342,540</b>	<b>\$15,570</b>		1
Less: Vacancy/Credit Loss	(\$16,233)	(\$738)	-5.0%	(\$17,127)	(\$779)	-5.0%	2
<b>Net Rental Income</b>	<b>\$308,433</b>	<b>\$14,020</b>		<b>\$325,413</b>	<b>\$14,792</b>		
Other Income	\$34,118	\$1,551		\$34,118	\$1,551		3
Includes: Laundry	\$4,479	\$204		\$4,479	\$204		
Includes: Utility Billing (RUBs)	\$12,987	\$590	71.3%	\$12,987	\$590	71.3%	
Includes: Miscellaneous	\$16,651	\$757		\$16,651	\$757		
<b>Gross Operating Income</b>	<b>\$342,550</b>	<b>\$15,570</b>		<b>\$359,531</b>	<b>\$16,342</b>		
Expenses	Projected Operations	Per Unit	% GOI	Projected Operations	Per Unit	% GOI	
Real Estate Taxes	\$31,377	\$1,426	9.2%	\$31,377	\$1,426	8.7%	4
Insurance	\$5,078	\$231	1.5%	\$5,078	\$231	1.4%	5
Total Utilities	\$23,874	\$1,085	7.0%	\$23,874	\$1,085	6.6%	6
Fee Management	\$34,255	\$1,557	10.0%	\$35,953	\$1,634	10.0%	
Landscaping	\$3,796	\$173	1.1%	\$3,796	\$173	1.1%	
Maintenance/Repairs	\$6,100	\$277	1.8%	\$6,100	\$277	1.7%	
Turnover	\$8,739	\$397	2.6%	\$8,739	\$397	2.4%	
Reserves	\$5,500	\$250	1.6%	\$5,500	\$250	1.5%	7
<b>Total Expenses</b>	<b>(\$118,718)</b>			<b>(\$120,416)</b>			
Expenses per Unit	(\$5,396)			(\$5,473)			
% of Gross Operating Income	34.7%			33.5%			
<b>Net Operating Income (NOI)</b>	<b>\$223,832</b>			<b>\$239,114</b>			

# OPERATIONS ANALYSIS

## BRENTWOOD & PINECREST APARTMENTS • 22 UNITS • PORTLAND, OREGON

### 1. RENTS

Rents are based on an April 2019 rent roll. Current scheduled rents average \$1,230 per unit or \$2.04 per square foot. The projected rents are based on the highest achieved rate. Projected rents average \$1,298 or \$2.15 per square foot.

RENT ROLL ANALYSIS: MARKET RENTS							
Unit Type	Unit Count	Square Feet	Average Scheduled Rents	Average Scheduled Rents per Sq Ft	Average Market Rent	Average Market Rent per Sq Ft	% Change
1 Bedroom / 1 Bathroom Flat	5	550	\$1,204	\$2.19	\$1,230	\$2.24	2.2%
1 Bedroom / 1 Bathroom Flat	15	600	\$1,203	\$2.01	\$1,290	\$2.15	6.7%
2 Bedroom / 1 Bathroom Flat	1	645	\$1,495	\$2.32	\$1,495	\$2.32	0.0%
2 Bedroom / 1.5 Bathroom Townhome	1	900	\$1,495	\$1.66	\$1,550	\$1.72	3.5%
<b>Totals / Averages</b>	<b>22</b>	<b>604</b>	<b>\$1,230</b>	<b>\$2.04</b>	<b>\$1,298</b>	<b>\$2.15</b>	<b>5.2%</b>

### 2. VACANCY, CONCESSIONS, AND BAD DEBT/RECOVERY

Brentwood & Pinecrest Apartments experienced above market-rate vacancy due to the renovations at the property. The projected operations stabilized the vacancy at 5.0%.

### 3. OTHER INCOME

Other Income includes administrative fees, month-to-month income, laundry income and utility charges (RUBs). Projected other income is based on April 2019 trailing 3-month collections which totaled \$39,937.



# OPERATIONS ANALYSIS

## BRENTWOOD & PINECREST APARTMENTS • 22 UNITS • PORTLAND, OREGON

### 4. PROPERTY TAXES

Oregon's property taxes are evaluated on a fiscal year starting July 1. Property tax values for the 2018-2019 tax year were published in October. In Oregon, property taxes are not reassessed on sale and are limited to a 3.0% annual increase at the state level. Property taxes paid before November 15th each year receive a 3.0% discount. Most investors take advantage of this discount.

The 2018-2019 gross property taxes for Brentwood & Pinecrest totals \$32,347. The net property taxes for the 2018-2019 tax year, after the 3% discount, total \$31,377 and are included in the projected operations.

TAX HISTORY		
Tax Year	2017/2018	2018/2019
Account #		
R208000	\$12,386	\$12,923
R207983	\$18,617	\$19,424
<b>Total</b>	<b>\$31,003</b>	<b>\$32,347</b>
<b>% Change</b>	<b>27.41%</b>	<b>4.15%</b>

### 5. INSURANCE

Property insurance reflects the current policy premium of \$5,078 annually or \$231 per unit.

### 7. MANAGEMENT FEE

The fee management includes administration, advertising and payroll costs. The management fee has been adjusted to reflect costs for a property that is managed by an independent, third-party management company. The total management is projected at 10% of GOI (Gross Operating Income).

### 8. RESERVES

Lenders require reserves be set aside to address future capital costs associated with any property as it ages. The projected operations include reserves of \$250 per unit, or \$5,500 annually.

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## TOURS AND INQUIRIES

**Please do not disturb tenants.**

All tours and inquiries regarding Brentwood & Pinecrest Apartments are to be directed to HFO Investment Real Estate at **(503) 241.5541**.

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# HFO

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