

OFFERING MEMORANDUM

SIMPSON STREET APARTMENTS

12 Units • Portland, Oregon



HFO
Build your legacy.

20
YEAR
ANNIVERSARY

www.hfore.com • (503) 241.5541



ASSET SUMMARY

Address	420 NE Simpson Street
City, State	Portland, Oregon 97211
County	Multnomah
Year Built	2020
Total Units	12
Approx NR Sq Ft	8,884 sq ft
Avg Unit Size	740 sq ft
Tax Lot	R136439

PRICING

Price	\$2,790,000
Per Unit	\$232,500
Per Sq Ft	\$314

Tours and Inquiries:

All tours and inquiries regarding the Simpson Street Apartments are to be directed to HFO Investment Real Estate at **(503) 241.5541**.

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Licensed in the states of Oregon and Washington.

OFFERING SUMMARY

Portland continues to be one of the strongest multifamily investment markets in the nation. With one of the highest inbound migration rates nationally, its relatively low cost of living, high quality of life, and a looming housing shortage, the area's apartment market is poised for long-term appreciation. **The Simpson Street Apartments is an ideal opportunity to acquire a turn-key asset in this growing market.**

Newly built in early 2020, the property pairs attractive floor plans with top-of-the-line finishes. The Simpson Street Apartments feature a diverse unit mix of studios, one-bedroom flats, and two-bedroom townhome units. All apartments include high-end finishes like quartz countertops, wood-grained luxury vinyl plank flooring, stainless steel appliances, dishwashers, garbage disposals, and in-unit washers and dryers.



INVESTMENT HIGHLIGHTS

Unlike older apartment assets whose aging building systems require ongoing expensive capital improvements, the Simpson Street Apartments offer investors an excellent opportunity to acquire a genuinely turn-key, cash-flowing investment property with:

- New roofs
- New windows
- New siding
- New plumbing
- And new electrical systems

As a newly constructed building, the Simpson Street Apartments are also exempt from city and state rent control laws that cap rent increases and are uniquely poised to capture the growing demand for housing in Portland. Located in close-in Northeast Portland, the Simpson Street Apartments are immediately adjacent to a major grocery store, nearby parks, and mass transit options. The trendy Alberta Arts District – with its locally renowned restaurants, bars, and boutique shops – is also just a short stroll away.

UNIT MIX

Unit Type	Unit Count	Avg Sq Ft	Total Sq Ft	% of Total Units
Studios	1	425	425	8.3%
1 Bedrooms	5	487	2,435	41.7%
2 Bedrooms	6	1,004	6,024	50.0%
Total / Averages	12	740	8,884	100.0%

PROPERTY HIGHLIGHTS

- New construction
- In-unit washer & dryer
- Stainless steel appliances
- Outstanding Alberta location
- Gated with security code access



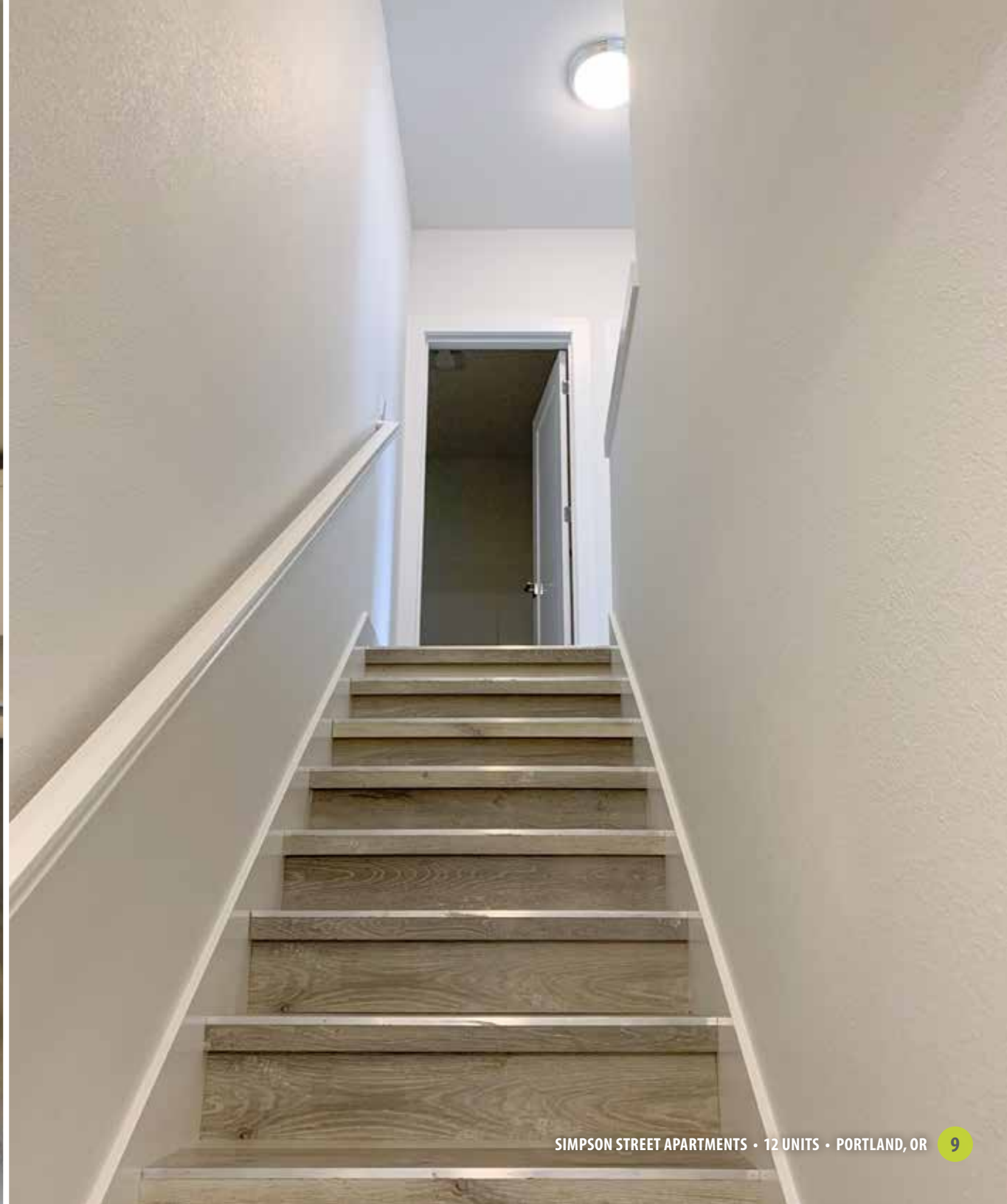












LOCATION

The Simpson Street Apartments is down 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.

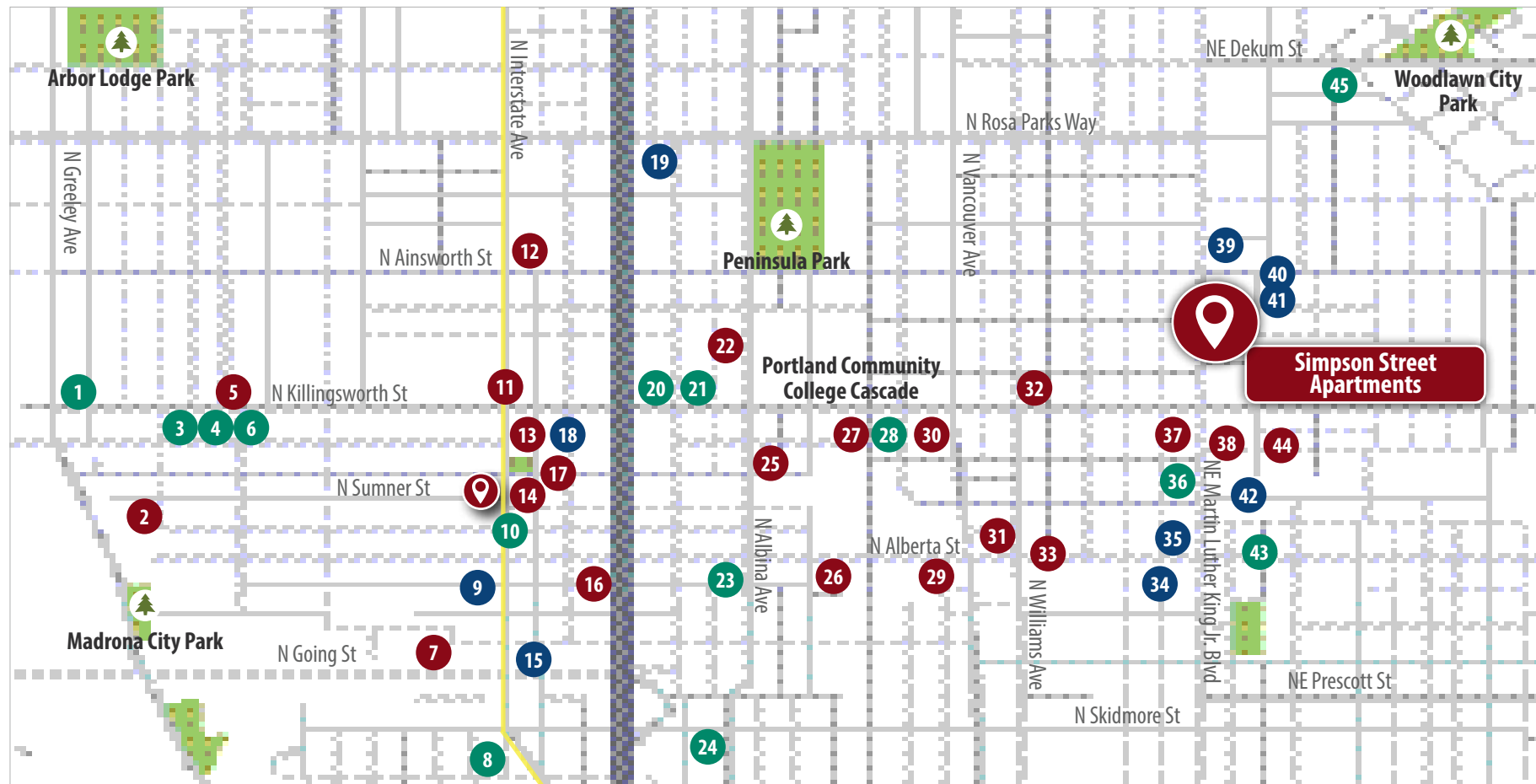


IN THE VICINITY

Restaurants and Dining

Shopping/Entertainment

Lifestyle Services



- | | | | |
|-----------------------------------|--|------------------------------------|--|
| 1. Mio Sushi | 13. Trillium Charter School | 25. Jefferson High School | 37. Multnomah County Health Department |
| 2. Adidas | 14. Aprende con Amigos Preschool | 26. Humboldt School | 38. Portland Police Department |
| 3. Milk Glass Market | 15. U.S. Bank | 27. Rosemary Anderson | 39. Walgreens |
| 4. Backyard Social | 16. Peninsula Children's Learning Center | 28. McMenamin's Chapel Pub | 40. Wells Fargo |
| 5. Lucky Labrador Tap Room | 17. Patton Square City Park | 29. North Portland Wellness Center | 41. Safeway |
| 6. Overlook Veterinarian Hospital | 18. United Advantage NW Federal Credit Union | 30. Multnomah County Library | 42. 7-Eleven |
| 7. Beach Elementary | 19. New Seasons Market | 31. Work Source Portland Metro | 43. Pizza Hut |
| 8. Fire on the Mountain | 20. Viena Lao Oriental Food Center | 32. Children's Community Center | 44. United States Postal Office |
| 9. Miller Paint | 21. Saraveza | 33. North Portland Bible College | 45. Breakside Brewery |
| 10. Patton Maryland | 22. Public Services Education Building | 34. Alberta Abbey | |
| 11. Yellow Max Line | 23. Victoria Bar | 35. Natural Grocers | |
| 12. Ockley Green Middle School | 24. Prost | 36. Old Town Brewing | |

AMENITY MAP

Restaurants and Dining

Shopping/Entertainment

Lifestyle Services



1. Javier's Tacos
2. Black Rock Coffee
3. Sutton's Tire & Chain
4. **Lombard Animal Hospital**
5. Georgie's Ceramic & Clay
6. Taco Bell
7. Teriyaki Heaven
8. Mongolian Grill
9. Sturgeon Frank's Guide Services
10. Sit Stay Fit
11. Willamette Valley Aquatic Club
12. Double J Tire Center
13. The High Water Mark
14. **Firehouse**
15. Classic Foods
16. Upcycles
17. Koken Market
18. Oregon Kombucha
19. Woodlawn Coffee & Pastry
20. **Breakside Brewery**
21. Cafe Eleven
22. Henry V
23. Parr Lumber
24. Starbucks
25. Walgreens
26. Ta-Dah
27. Popeye's Louisiana Kitchen
28. **Safeway**
29. Western Union
30. Fluff & Gravy Records
31. Bank of America
32. Fish Fusion
33. **Wells Fargo**
34. Bennie's Little Kicker BBQ
35. Wing's World Chicken & Waffles
36. KFC
37. Subway
38. Boost Mobile
39. Dream Nails
40. US Bank
41. Van's Auto Shop
42. ReClaim It!
43. Rose City Ballet School
44. Top Nails
45. Nana's Scoop Shop
46. U-Haul
47. Knockout Taco
48. Catalina's
49. Piedmont Station Food Carts
50. Salvation Army
51. PDX Tea
52. Multnomah County Health Department
53. **Portland Police Department**
54. J P's Framing & Gallery
55. **US Post Office**
56. Gino's Teriyaki
57. Amigo's Produce Market
58. Norell Design
59. Elevated Coffee
60. Boys & Girls Club
61. O'Reilly Auto Parts
62. Curious Comedy Theater
63. Horn of Africa
64. **Old Town Brewing**
65. Scout & Co.
66. 7-Eleven
67. Southern Styles & Barber
68. Pizza Hut
69. Wing Street
70. AAA Heating & Cooling, Inc
71. Motorcycle Tire & Wheel
72. Caravan - The Tiny House Hotel
73. Dog Gone Happy
74. I Am Yoga
75. Cupcake Jones
76. Gumba
77. Carioca Bowls
78. Gojo
79. The Grilled Cheese Grill
80. **Radio Room**
81. Bamboo Sushi NE
82. DesiPDX
83. Lula's Breakfast Cart
84. **Natural Grocers**

PORTLAND MARKET SNAPSHOT



4.4%

Metro-area vacancy



38.3%

Metro area renter-occupied housing rate



4.2%

Year-over-year rent growth*



\$75,599

Median household income (2018)**



8,360

New Portland residents (2018-2019)



4,474

Portland residents per square mile



54%

Millennials 25-34 in Portland with a bachelor's degree or higher



#2

for Oregon in Migration in US (2019*)**

PORTLAND METRO AREA

The Portland Metro Area is one of the strongest apartment markets in the nation, as reflected in strong year-over-year rent growth and consistently tight vacancy. New apartment construction has not caught up to the housing demand created by in-migration.

*Multifamily NW Apartment Report (April 2019 to April 2020)

**Latest figures available from the U.S. Census Bureau American Community Survey (2018)

*** United Van Lines annual survey (2019 results)

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.

PORTLAND REGION

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. The U.S. Census Bureau pegged Portland's Q1 2020 vacancy rate at 5.2% and the U.S. average at 6.6%.

The Multifamily NW Apartment Report survey proved average Spring 2019-20 year-over-year rent growth—not accounting for concessions—at 4.2%.

SKILLED WORKFORCE & STRONG EMPLOYMENT

The city of Portland was the 6th best educated major city in the U.S. in 2017, with 21% of adults having an advanced college degree, lagging behind only Washington DC, Seattle, Boston, Atlanta and San Francisco.

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.

PORTLAND RANKINGS

Portland consistently receives glowing reviews and rankings from the media.



2019 lists include:

No.1

Best Food City in America

– WalletHub (2019) –

No.2

Best Cities for Foodies

– Sperlings (2019) –

No.2

Fiscally Fit Cities

– Sperlings 2019 (FISCALLY not physically) –

No.4

Best City for an Active Lifestyle

– Wallethub –

No.4

Best Cities for a Healthy Retirement

– Sperlings (2019) –

No.5

Best Places for Business and Careers

– Forbes (2015-2019) –

No.5

Best Cities to Work from Home

– Yahoo Finance (2020) –

No.7

U.S. Cities with Lowest Startup Costs

– Embroker (2019) –

No.7

Healthiest Cities to Live

– Thrillist.com –

No.7

Best Cheap Destinations in the U.S.

– U.S. News and World Report –

No.8

Best Place to Live in the U.S.

– U.S. News and World Report –

No.8

Fittest Cities in America

– CBS News –

No.9

Best Foodie Cities in the USA

– U.S. News and World Report –

2018 lists include:

- **No.1 Restaurant City of the Year** – Bon Appetit
- **No.3 Healthiest City in the U.S.** – Active.com
- **No.4 Best City for Biking** – Fast Company
- **No.5 Fittest Cities in America** – American College of Sports Medicine



PORTLAND REGION

HIGH TECH & CHIP MANUFACTURING

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

With over 20,000 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 1.1 million square foot factory 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 2020 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 1,898 employees, and a new 70,000 SF outpost of **Under Armour**. Under Armour has moved 100 employees into an iconic former YMCA.

GOVERNMENT

The **U.S. Federal Government** is among Portland largest employers, with 18,300 workers. The State of Oregon gives employment to an additional 15,100 residents in government and education.

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 18,885 employees, and **The Oregon Health Sciences University** (OHSU), with 17,556 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 \$245.62 million in 2018.

MANUFACTURING

In trucking and transportation, **Daimler Trucks**—with nearly 2,800 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.

TOP AREA EMPLOYERS



____ 20,000 area employees ____

Intel is the area's largest private employer. Recently, following a five year, \$6 billion expansion, the company unveiled vast, long-term plans for future growth.



____ 18,885 area employees ____

Providence is a non-profit network of hospitals, health plans, physicians, clinics and related services. It operates in Alaska, Washington, Oregon, Montana and California. It was originally founded by the Sisters of Providence in Montreal Quebec in 1843.



____ 17,556 area employees ____

Oregon Health Sciences University (OHSU) leads the way in government-funded healthcare — and secures numerous grants for the advancement of health sciences. OHSU recently acquired a \$1 billion gift for cancer research.

Grants from the National Institutes of Health have held steady from around \$184 million in 2011 to \$245 million in 2018. This infuses the economy with jobs and income from outside the Portland MSA.



____ 9,777 area employees ____

Fred Meyer offers one-stop shopping at 133 multi-department stores in four western states.



____ 13,500 area employees ____

Kaiser has 35 medical facilities, 18 dental offices and 1,400 doctors in the Pacific Northwest. It employs more than 10,000 in the Portland metro region and serves 11.8 million members nationally. Kaiser is headquartered in Oakland, California.



____ 11,404 area employees ____

Legacy is a locally-owned nonprofit based in Portland, Oregon. It is the only health system covering the Portland/Vancouver area south to Salem with multiple hospitals and a hospital dedicated to exclusively serving children.



____ 12,000 area employees ____

Nike is in the midst of a \$1 billion expansion of its Beaverton world headquarters. The company is adding 1.3 million square feet of office space and parking for 3,300 vehicles. Construction on the final parts of this expansion will wrap up in 2020.



____ 7,600 area employees ____

With nearly 50,000 students, Portland Public Schools is Oregon's largest district. Portland is currently in the midst of a massive voter-approved high school and middle school reconstruction and modernization program.

In 2017 voters approved \$790 million in taxes to rebuild one middle school and three high schools. The bond was in addition to a \$480 million bond in 2012 for a similar program.

OPERATIONS ANALYSIS

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Income	Current Scheduled Rents			Projected Operations			Note
Scheduled Gross Rent	\$192,840	\$16,070		\$220,200	\$18,350		1
Less: Vacancy/Credit Loss	-\$9,642	-\$804	-5.0%	-\$11,010	-\$918	-5.0%	2
Net Rental Income	\$183,198	\$15,267		\$209,190	\$17,433		3
Other Income	\$2,076	\$173		\$2,076	\$173		
Includes: Utility Billing (RUBs)	\$0	\$0		\$0	\$0		
Includes: Miscellaneous	\$2,076	\$173		\$2,076	\$173		
Gross Operating Income	\$185,274	\$15,440		\$211,266	\$17,606		
Expenses	Projected Operations	Per Unit	% GOI	Projected Operations	Per Unit	% GOI	
Real Estate Taxes	\$22,200	\$1,850	12.0%	\$22,200	\$1,850	10.5%	4
Insurance	\$2,400	\$200	1.3%	\$2,400	\$200	1.1%	
Total Utilities	\$7,800	\$650	4.2%	\$7,800	\$650	3.7%	
Fee Management	\$11,116	\$926	6.0%	\$12,676	\$1,056	6.0%	5
Maintenance/Repairs	\$5,400	\$450	2.9%	\$5,400	\$450	2.6%	
Turnover	\$1,800	\$150	1.0%	\$1,800	\$150	0.9%	
Reserves	\$3,000	\$250	1.6%	\$3,000	\$250	1.4%	6
Total Expenses	-\$53,716	-\$4,476	-29%	-\$55,276	-\$4,606	-26%	
Net Operating Income (NOI)	\$131,558	\$10,963	71%	\$155,990	\$12,999	74%	

OPERATIONS ANALYSIS

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1. RENTS

Rents are based on a June 2020 rent roll and an average of \$1,339 per unit or \$1.81 per sq ft. Projected rents are based on market-rate rents at comparable properties in the area. Construction on the building finished amidst the coronavirus pandemic. To lease-up quickly, asking rents were lowered to a more attractive price point during an uncertain economic time. Market rate rents are more than 10% higher at other similar new construction properties. This property is exempt from local and state rent control laws for the next 15 years.

Type	Units Count	Avg Sq Ft	Average Scheduled Rents	Scheduled Rents per Sqft	Market Rate Rents	Market Rate Rents per Sq Ft
0 Bedroom / 1 Bathroom	1	425	\$1,050	\$2.47	\$1,100	\$2.47
1 Bedroom / 1 Bathroom	5	487	\$1,205	\$2.47	\$1,350	\$2.47
2 Bedroom / 1.5 Bathroom	6	1,004	\$1,499	\$1.49	\$1,750	\$1.49
Total / Average	12	740	\$1,339	\$1.81	\$1,529	\$2.07

2. VACANCY

The projected operations include a market-rate vacancy of 5.0%.

3. OTHER INCOME

Other Income includes miscellaneous charges. The property is not currently charging RUBs. Other Income totals \$2,076.

4. PROPERTY TAXES

The Simpson Street Apartment has not been fully assessed for property taxes. Projections are based off of a tax calculation and are a rough estimate of taxes to be assessed. The total is \$22,000 or \$1,850 per unit.

5. FEE MANAGEMENT

The management fee has been projected at 6.0% of GOI, which represents standard independent, third-party management costs for properties in the metro area similar to the Simpson Street Apartments.

6. RESERVES

Lenders require that reserves be set aside to address future capital costs associated with any property as it ages. We have included reserves of \$250 per unit or \$3,000 annually in projected operations.

OFFER TERMS

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Please do not disturb the residents.

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HFO

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Passion • Collaboration • Specialization

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