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*Economic Drivers & CRE Trends*

**FEBRUARY 25**

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<b>7:00AM</b>	NETWORKING
<b>7:30AM</b>	BREAKFAST SERVED
<b>7:45AM</b>	PROGRAM BEGINS
<b>9:30AM</b>	CONCLUSION

# FORUM LINEUP

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## SHERMAN SHERMAN JOHNNIE & HOYT, LLP

Since 1949, Sherman Sherman Johnnie & Hoyt, LLP has provided high-quality legal services to individuals and businesses in all aspects of General Business, Litigation Resolution, and Real Estate & Land Use Law, including land development and construction. With locations in Salem, Dallas, and Silverton, Oregon, the firm's attorneys use a collaborative approach to provide efficient and cost-effective solutions to client issues.

Sherman Sherman Johnnie & Hoyt's real estate practice spans the full spectrum of commercial and residential real estate transactions, including development, investment, sales, leasing, financing, and construction. With extensive experience in the development area, SSJH seeks to cut through the red tape which too often stands between an opportunity and a completed profitable project. To facilitate acquisition of property SSJH will form and maintain entities, provide support and guidance during negotiations, and actively participate in due diligence investigations. Once property is acquired, they navigate through the complex, often multijurisdictional process of obtaining land use approvals and entitlements. They then facilitate the smooth and successful completion of projects by preparing construction contracts that appropriately allocate liability and risks both during and after construction.

For over 70 years, Sherman Sherman Johnnie & Hoyt, LLP has been built on the pursuit of legal excellence, personal integrity, and community service. In addition to General Business, Litigation & Dispute Resolution, and Real Estate and land Use Law, SSJH offers diverse solutions in Agriculture Law, Creditor's Rights, and Estate Planning and administration.

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### **MARK HOYT • OWNER/PARTNER**

**SHERMAN, SHERMAN JOHNNIE & HOYT, LLP**



Here, representing the firm is Partner, Mark Hoyt. He is proud to be the Marion County Bar Association - Past President, SEDCOR - Former Board Chair, Member Executive Committee - Oregon State Bar - Member of Construction, Real Estate and Land Use, Litigation, Business Litigation Sections, Marion/Polk CASA - Former President, Abiqua School Foundation Board of Trustees - Former President, Illahe Hills Country Club - Former President, and Salem Chamber of Commerce - Executive Leadership Council Member.

# FORUM SPEAKERS



## MAYOR JULIE HOY WELCOME

Julie Hoy was elected Salem Mayor in May of 2024. She had previously been elected as Salem City Councilor in May of 2022, serving two years in office. She was born and raised in the Pacific Northwest. She has lived in the same northeast Salem neighborhood for more than thirty years. Julie has worked as a musician, composer, and performer most of her life. She has volunteered in schools for more than 25 years and served non-profits since 2001, working to break the cycle of poverty for some in Oaxaca and Chiapas. In 2017, Julie and her husband purchased a small family restaurant in Salem. While incredibly rewarding, this business journey has also been challenging, navigating government requirements while trying to keep her staff employed and her customers satisfied. Julie believes our community is best served when everyone gets involved.



## TOM HOFFERT MASTER OF CEREMONIES

Tom Hoffert serves as CEO of the Salem Area Chamber of Commerce and the 2025 President for the Oregon State Chamber of Commerce Board of Directors, representing the 122 various chambers of commerce in Oregon. Prior to the Salem Chamber, Tom spent 14 years in food manufacturing, distribution, and customer fulfillment at Don Pancho Authentic Mexican Foods. Tom is a graduate in Business from Western Oregon University and also has his certificate in Nonprofit Management from the U.S. Chamber of Commerce. Tom is active in local politics and a strong advocate for small business in Oregon. In his leisure, Tom serves as a high school, collegiate, and professional lacrosse official and sits on the national subcommittee for officials within U.S. Lacrosse. Tom was born and raised in Salem and resides just outside of the downtown area with his dog Laci.



## CURT ARTHUR, SIOR OFFICE MARKET | SVN COMMERCIAL ADVISORS LLC

Curt Arthur, SIOR is a commercial real estate veteran with over \$1 billion in closed transactions. He leads the industrial division within our company. He specializes in assisting clients with large-scale office and industrial real estate transactions. Curt serves as the Chairman of the Advisory Board for SVN International and currently serves as Chairman for the SVN National Industrial Product Council. Curt also sits on the office and distressed asset product councils. Curt is a Past President of several non-profit boards including the Chamber of Commerce, Boys & Girls Club Foundation, the American Red Cross, and many others. He serves on the board of directors for the Strategic Economic Development Corporation (SEDCOR) and is a member of the President's Council for Chemeketa Community College. Curt serves on the Professional Standards committee for the local and state Realtor organizations and teaches commercial real estate curriculum for SVN, and the Oregon Realtors Association.



## BLINN CARSTENSEN AGRICULTURAL MARKET | AGWEST FARM CREDIT

Blinn Carstensen is the Senior Vice President for Northwest Farm Credit Services' Western Oregon region. He has spent a total of 17 years with Northwest FCS in various roles throughout Washington and Oregon. During that time Blinn has provided financing to farmers and agribusinesses in several industries including nursery, hazelnuts, grass seed, vineyard/winery, and forest products. He has degrees in accounting and international business from Whitworth University. Blinn grew up on a dryland wheat farm in Eastern Washington and now resides in Silverton with his wife and two children.



## ERIK ANDERSSON INDUSTRIAL MARKET | SEDCOR

Erik Andersson is the president of Strategic Economic Development Corporation, a nonprofit organization of business and community leaders committed to the economic vitality of Marion, Polk and Yamhill counties. With more than 30 years of experience in economic development, Erik's background includes work in the utility industry, serving as economic development manager for Tacoma Public Utilities and Pacific Power. He also was the regional coordinator for Oregon Gov. Ted Kulongoski's Economic Revitalization Team and a Business Development Officer with Business Oregon. His volunteer work in economic development includes serving as a SEDCOR board member; as a president for Oregon Economic Development Association; chair for the Oregon Infrastructure Finance Authority; and a board member of Restore Oregon and Rural Development Initiatives. In 2014, Erik was awarded the Oregon Economic Developer of the Year.



## NICK WILLIAMS, CCIM RETAIL MARKET | SVN COMMERCIAL ADVISORS LLC

Nick leads our office division team at SVN Commercial Advisors. He came into commercial real estate with a background in finance and non-profit leadership. Nick brings his deep relationships in the region and experience in negotiation to the SVN Commercial Advisors team with a desire to position Willamette Valley businesses and investors within their highest potential for profitability. Before transitioning to SVN Commercial Advisors, Nick served as Chief Executive Officer for the Salem Area Chamber of Commerce, the region's largest and most influential business association. In his time with SVN Commercial Advisors, Nick has abundant deal volume in the office/medical, industrial, and retail asset classes. Nick earned the coveted CCIM (Certified Commercial Investment Manager) Designation in April of 2024. Nick was named 2023's Commercial Realtor of the Year by the Mid-Valley Association of Realtors and the 2024 Bill Frey Memorial Transaction of the Year by that organization. Nick also earned Achiever Status with SVN International Corporation in 2023 and 2024.



## KATHERINE POWELL BANZ, MAI PRINCIPAL | POWELL BANZ VALUATION LLC

Katherine Powell Banz, MAI is a Principal and Certified General Appraiser with Powell Banz Valuation, LLC. She is licensed in Oregon and Washington and has performed a diverse range of commercial valuation assignments throughout the Northwest since joining the firm in 2002. Katie and her husband (Jon Banz, MAI, AI-GRS) purchased the business in January 2014 and rebranded the company Powell Banz Valuation, LLC. Katie and Jon continue the family legacy. Professional experience includes a wide variety of valuation-related work, including consultation, appraisal, expert witness testimony, and feasibility analysis of income-producing properties; including retail, office, development land, industrial, single and multi-family residential, and special use properties such as churches and schools. Katie graduated from Linfield College (McMinnville, Oregon) in 1997 with a Bachelor of Arts degree. Following college, she worked as a graphic artist and project manager with the Boeing Company in Seattle until joining Powell Valuation Inc. in 2002.



## ERIC TEMPLETON RESIDENTIAL DEVELOPMENT | AMERTITLE

Eric Templeton is a Senior Vice President with AmeriTitle and oversees its 31-branch Oregon Division. He began his career with the company in Bend in 2000 as its Corporate Controller and then made the move to Salem in 2005 to manage the Willamette Valley operations. Eric took on additional branches and regions over the next several years and has been in his current role since the company restructured in 2022. Outside of his professional role, Eric is passionate about community involvement and business advocacy and sits on the boards of both the Salem Area Chamber of Commerce and the Boys & Girls Club, Marion and Polk Counties.



## OVERVIEW

The Salem office market has a vacancy rate of 5.2% as of the first quarter of 2025. Over the past year, the market's vacancy rate has risen above the 5% mark only because the 12-month absorption rate was -69,000 SF. The 5-year average vacancy rate is just 4.4% including Covid-19 years. Our prediction of rising vacancy rates post-Covid is accurate but it's happening at a much slower pace than anticipated. The availability rate, combining vacancy with sublease opportunities, is at 5.9%.

As of the first quarter of 2025, there is 33,000 SF of office space under construction in Salem. In comparison, the market has averaged 14,000 SF of under-construction inventory over the past 10 years.

The Salem office market contains roughly 11.7 million SF of inventory. The market has approximately 250,000 SF of 4 & 5 Star inventory, 6.1 million SF of 3 Star inventory, and 5.3 million SF of 1 & 2 Star inventory.

Market rents in Salem finished the year at \$1.92 per square foot, up 3.7% from 2023. Class "A" properties are averaging \$2.35 per SF citywide with the top properties downtown ranging from \$2.50 to \$3.00 per SF.

## LEASING

The amount of leasing transactions was down 8% for the year. 206,154 SF of office or medical space was leased, down 64,000 SF from 2023. With the decline in overall market activity, we have seen an increase in incentives like rent abatement and additional tenant improvement allowances to attract the smaller pool of tenants that were in the market this past year. Many landlords have adopted a \$5.00 per SF, per year of term philosophy for improvements. This also incentivized tenants to sign longer-term leases to obtain higher allowances.

	Asking Rent Per SF	Market Vacancy	Leasing Activity	Average Size
2024	\$1.94	5.2	146	1,425
2023	\$1.92	4.8	142	1,907
2022	\$1.89	4.8	160	1,535


## HIGHLIGHTED LEASES FOR THE YEAR WERE:



3993 Fairview Industrial Drive SE • Institute of Technology • 21,800 SF



4600 25th St. NE • Centria Healthcare • 13,000 SF



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## SALES

Rising interest rates resulted in a 69% drop in office building sale volume since early 2022 with less than \$40 million in closed sales in 2024 compared to \$125 million in the 12 months ending Q1, 2023. The average purchase price per square foot continues to rise though ending the year at \$173 per SF. in Salem. In South Salem, that number is \$208 per SF. with many sales approaching \$300 per SF.

### HIGHLIGHTED SALES FOR THE YEAR WERE:



2720 Commercial St. SE • Petra Commercial Properties, LLC  
18,015 SF - \$3,400,000 (\$189/SF)



4747 Skyline Road S • Salem Gastro  
9,020 SF - \$2,700,000 (\$300/SF)

## MEDICAL

On the medical front, Salem Health witnessed additional growth in 2024 as it acquired Willamette Urology in December on the heels of adding Hope Orthopedic in late 2023. They signed a long-term sale/leaseback for their State Street headquarters making the former Country Companies regional office in South Salem, purchased in 2021 and planned to be the new location of Hope plus a surgical center, expendable. Hospital officials say they are evaluating alternative uses for the property. Expect this trend to continue as independent practices struggle with rising labor and practice costs, difficulty recruiting, and growing regulatory and administrative burdens.

## OUTLOOK

For the first time in years, we have a new professional office/medical building under construction. The 29,841 SF building at 835 Commercial St. SE will bring close to 15,000 SF of speculative space to the market with advertised rates of \$2.35 full service, less janitorial.



As we sense a slight dip in interest rates for 2025, we would expect to see additional projects come off the drawing table and into reality. However, we are unsure if any of these will include speculative space. Still, any new construction will be a welcome addition to the market.

Should interest rates fall expect to see a similar drop in capitalization rates of office investment which typically lag 6-9 months after rates move.

Leasing should see an uptick as market conditions continue to improve and it would not surprise us to see a double-digit increase in leasing volume this coming year.



## 2024 RECAP

Agriculture producers in the Willamette Valley faced a dynamic and rapidly changing environment during 2024. On the positive side, growing conditions were generally good in the region, and the US economy remains resilient with solid growth, low unemployment, and strong equity markets.

There are also several headwinds that farmers are facing. After a post-COVID boom in commodity prices, there has been a decrease in prices for most ag commodities, however, farmers are still dealing with persistently elevated input prices. Agricultural producers also tend to be more directly impacted by federal policies for immigration, trade, and even climate change policies. Heading into 2025 it seems there may be more downside risks than upside opportunities for the ag economy.

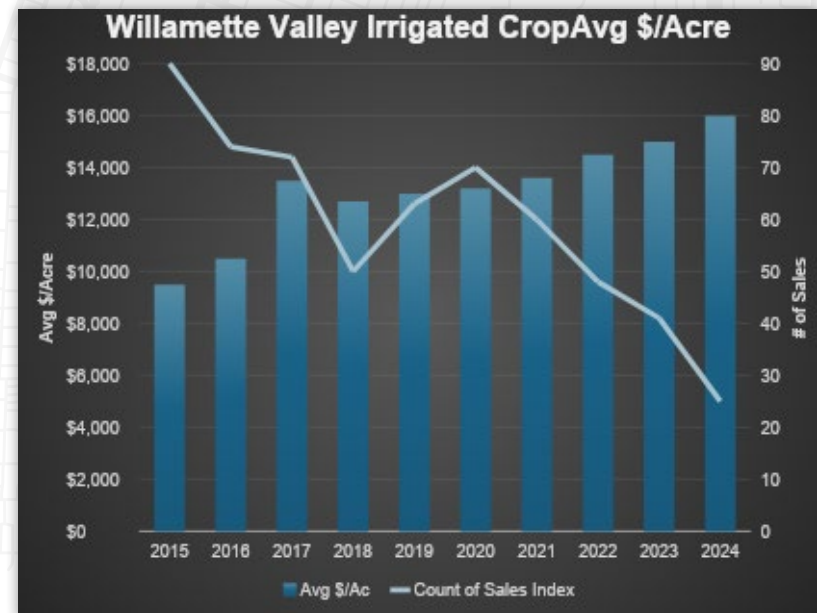
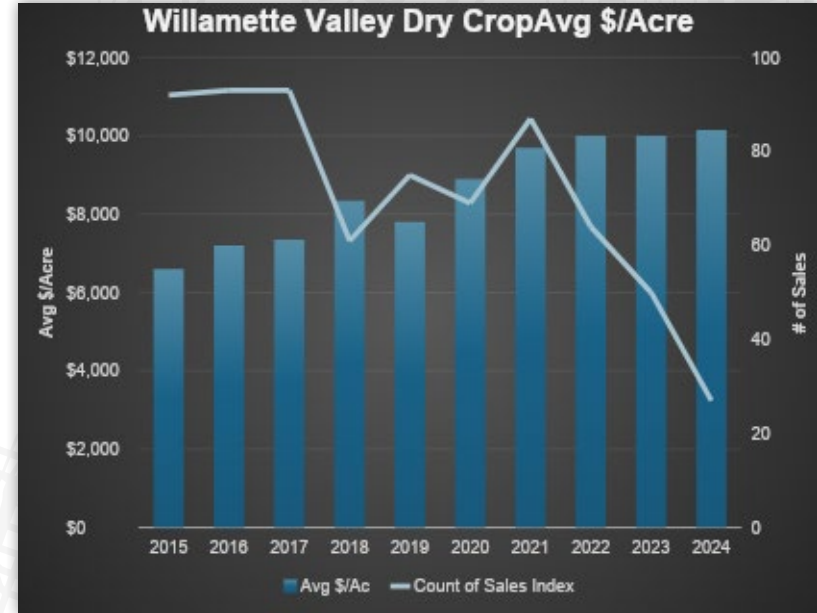
## COMMODITY SUMMARY

Grass seed growers experienced an average year in terms of yield and quality. In 2024, the industry struggled to balance seed availability with market demand. During COVID-19, demand surged unexpectedly, leading to high prices and increased production. However, in 2023, demand decreased without a corresponding reduction in production, resulting in slow shipments and inventory buildup in Oregon. Consequently, prices dropped, and the supply-demand imbalance persisted through 2024. As we enter 2025, reduced acreage and hopes for improved demand aim to reduce inventories and stabilize prices by 2026.

Overall yields and quality were good for Oregon blueberry producers during 2024. Blueberries for the fresh market enjoyed a good growing year with generally average yields overall and demand for blueberries was solid throughout the season. Late-season blueberries enjoyed especially strong pricing as Peru's blueberry crop came in later than in recent history. The result is that 2024 was a profitable year for most growers in the blueberry industry.

Nursery producers continue to benefit from a strong overall product demand. Additionally, pressures from input costs and labor availability have muted industry expansion, which has helped to keep supply and demand in balance. Strength in the general economy would continue to support profitable operations for nursery producers.

The Oregon hazelnut industry experienced a significant price rebound in 2024 along with a consolidation of hazelnut processors. Hazelnut prices for the 2024 crop rose to 75-90 cents per pound, marking a more than 60% increase from last year's minimum price of 45-55 cents per pound. This recovery brings prices back to levels last seen three years ago and puts prices above breakeven for most growers. The improvement was largely driven by reduced harvests in Turkey and Italy, as well as a stabilization in global demand after COVID. However, financial challenges in the industry led to the closure of Firestone Processing and the divestment of Hazelnut Growers of Oregon, which was acquired by George Packing. There is ample processing capacity in the industry, and the market outlook is favorable thanks to healthy demand in the US and abroad.





## AG REAL ESTATE TRENDS

For the past decade agricultural real estate in the Willamette Valley has consistently increased. This trend continued in 2024 with the average sale price per acre for irrigated properties in the Willamette Valley once again increasing over the prior year. Despite this trend, increased interest rates and lower farm profitability expectations are headwinds for ag producers that have the potential to impact ag real estate values. Offsetting these weaknesses is the low inventory of available properties and plenty of existing operations with healthy balance sheets as well as outside investors with capital who continue to see ag real estate as a good long-term investment. Outside investors continue to compete with area operators when land becomes available, especially for larger properties with good soils and water rights.

Although demand continues to be strong for most property types, buyers are more cautious than in the recent past. One example is in hazelnut plantings. Market prices for planted hazelnut acres have seen some softening after lower hazelnut prices that were realized on the 2022 and 2023 crops.

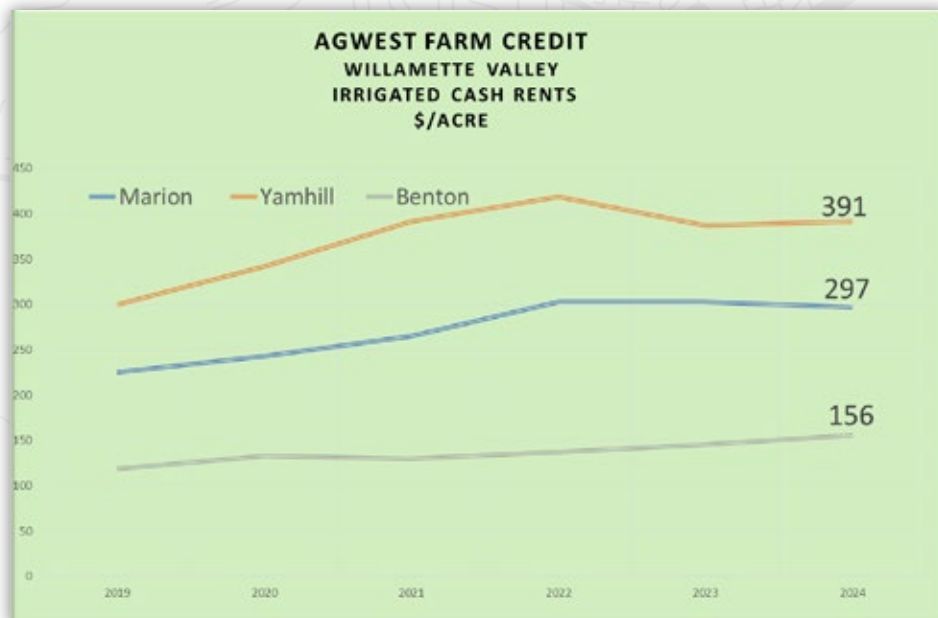
Willamette Valley land rents for ag lands have stabilized during the past three years. County-level land rents during the past five years show the difference in valuations for

different production areas across the Willamette Valley.

For 2024 average cash rents in the Willamette Valley were mostly stable. The average cash rent in Marion County was \$297/acre as reported by the USA, this was down slightly from the prior two years, and while this is off from the peak, it is only a 2% decrease YOY and is still up 30+% from cash rent in 2019. In Benton County, the average rents in 2024 were \$156/acre which is up from the prior year and 30% above 2019. The trend for rent in Yamhill County reflects the impact of the availability of highly desired vineyard sites. In 2024 average cash rent in Yamhill County was \$391/acre, up slightly from \$487/acre in 2022, and up 30% from 2019.

These three counties were selected to highlight variability in land rents reflecting different soil types and suitability for varying crops. Sales price data for these areas show a similar relationship. Premium vineyard sites command strong prices, while Marion County values reflect high-quality soils and sites that support higher-value crops such as nurseries, hazelnuts, or blueberries. Benton County values reflect lower quality growing conditions more likely to grow grass seed, hay, or row crops.

In summary, 2024 presented a mixed bag for agricultural producers in the Willamette Valley. While favorable growing conditions and a resilient U.S. economy provided some stability, farmers are facing challenges, including declining commodity prices and persistently high input costs. Federal policies on immigration, trade, and a strong dollar all represent potential challenges for producers. As we move into 2025, the outlook remains cautious, with more potential risks than opportunities for seeming to face ag producers. Despite these challenges, farmland in the Willamette Valley should remain an attractive investment given high-quality soils, favorable climate, and proximity to transportation and shipping.



\*Source: USDA/NASS





## 2024 SUMMARY – SALEM MSA INDUSTRIAL MARKET

At the beginning of 2024, economists and business owners were at odds over whether there was a recession and if so, when would we be coming out of it. Interest rates remained high, not only driving costs of construction higher but also forcing industry to delay investment. Yet at year's end, the data shows a relatively stable industrial market, with little change in market rents and a nearly 15% increase in the amount of rentable buildable square footage. 2023 ended with a negative absorption rate, indicating that more property was being vacated than newly leased; one year later, the vacancy rate decreased, and absorption in the Salem region industrial real estate market returned to positive. But overall, the data reflects a stable market over the past twelve months, nothing like the volatility of the previous decade.

CURRENT QUARTER - SALEM <i>Data from CoStar (12/24)</i>	Logistics	Specialized Industrial	Flex	Market
Rentable Buildable Area	23,693,400	11,717,029	1,556,823	39,967,252
Vacancy Rate	7.1%	2.1%	3.7%	5.4%
Market Rent	\$9.27	\$9.54	\$14.93	\$9.58
Availability Rate	7.6%	2.1%	5.8%	5.8%
Net Absorption (SF)	57,225	(1,300)	(3,786)	52,139

Moreover, there are highly visible projects currently under construction which send a positive signal that the Salem region's industrial sector continues to diversify and grow. But with these investments come future challenges with respect to the inventory of greenfield industrial sites in the Salem Metropolitan Statistical Area.

## 2024 ACTIVE PROJECTS

Over the past twelve months, construction activity has peaked at Salem's Mill Creek Corporate Center, with previously announced projects like the Dollar General distribution facility and Gensco's HVAC production and warehouse facility visibly near completion. Agility Robotics' RoboFab facility has been established in 70,000 square feet of PacTrust space and is expected to be in production in early 2025. The company made the decision to consolidate its Tangent, Oregon operations into its new Salem facility, bringing more jobs to the community.

Agriculture and food-related businesses made significant investments in the Salem market in 2024. Reser's Don Pancho Authentic Mexican Foods is moving its production facilities across town to the former NORPAC Salem manufacturing plant now owned by Lineage Logistics. Don Pancho is investing in significant improvements to its new facility and is expected to begin transferring production in early 2025.

In the spring of 2024, Wilco Farmers' Cooperative in Donald announced its intended divestment from their hazelnut processing operation, Hazelnut Growers of Oregon, which would leave as many as a quarter of Oregon's hazelnut farmers without processing capacity. In September, George Packing Company acquired the Hazelnut Growers of Oregon operations from Wilco in Donald which allowed the impacted farmers to process their

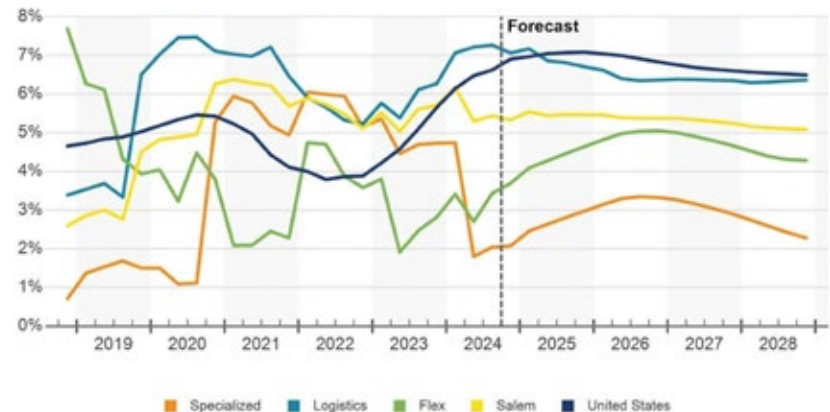
2024 harvests. The company is planning significant additional investment in machinery, equipment, and infrastructure in the 125,000 square feet of space over the next two years.

Equipment engineering and manufacturing company GK Machine began construction of its new, 140,000-square-foot building in Donald in 2024. The company's relocation to a new facility has freed up its current facility for redevelopment as the Donald Industrial Center, where Pacific Lumber & Truss is planning an expansion of its operations.

The warehouse and distribution sector continues to be a major economic driver in the Salem market, largely due to the region's proximity to major transportation and freight channels. 2025 will finally see the opening of the 3.8 million square foot Amazon distribution facility in Woodburn. The company began construction in July 2021, intending to have the Woodburn site operating by the end of 2023, but the company opted to install more advanced robotics. The five-story warehouse, called PDX8, is the largest building by square footage in the state of Oregon, and Amazon's largest facility in the Northwest.

## VACANCY RATE

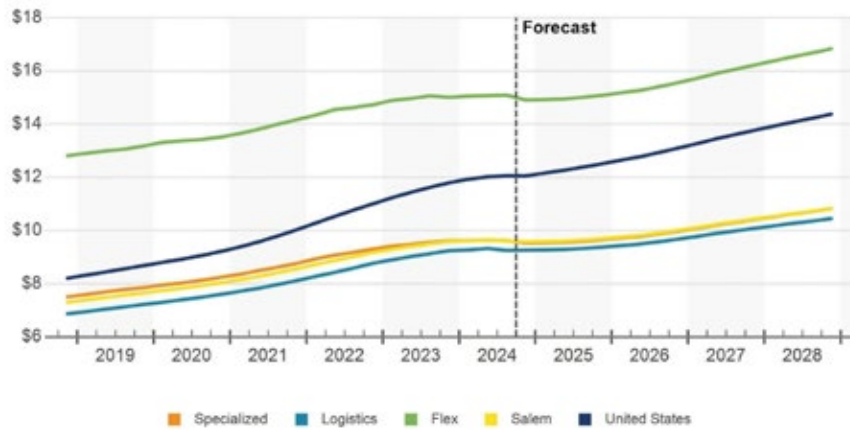
The Salem region ends the year with an average industrial vacancy rate of 5.4%, down a percentage point from this time last year and consistent with the market's 5-year average of 5.5%. In comparison, the vacancy rate in the Portland market increased over the same period, to 6.2%, the sharpest vacancy expansion of the last decade. Salem's net absorption over the past year is 381,000 square feet, nearly double the historical average of 200,000 square feet. This provides a stark contrast to the negative 2.8 million net absorption in the Portland market. As a reminder, that means nearly 3 million more square feet of industrial space was vacated than newly leased in the Portland market.



[SALEM MARKET INDUSTRIAL VACANCY RATE - INDUSTRIAL, COURTESY OF COSTAR]

CoStar forecasts that Salem's industrial vacancy rates will be relatively stable over the next few years, remaining around its average between 5 and 6%. To the north of us, Co-Star expects further increases in Portland market vacancies as it weathers a slow period for new tenant expansions, peaking at the end of 2025 before beginning a slight downward trend in early 2026.

## RENT OVERVIEW



[SALEM MARKET RENT PER SQUARE FOOT - INDUSTRIAL, COURTESY OF COSTAR]

CoStar reports that Salem Market Industrial Rents showed little change year over year in Salem, consistent with national figures between 2024-2025. Salem's average asking rate of \$9.58/SF for industrial is about 20% lower than the National Index of \$12/SF. In the Portland market, the average industrial rate is \$11.69, comparable to the National Index. Nationally, industrial rents grew 2.3% over the past year, but in Salem, there has been no change over the past 12 months. Rent increases in the Portland market have dramatically slowed down, falling to 1% at the end of 2024, well below the 10-year average of 5.4%. As tenant demand drops in the Portland market, rent growth will likely slow further there, making the Salem market a relatively more attractive real estate investment market.

## ON THE HORIZON

As the fourth quarter of 2024 ends, there is 1.4 million SF of industrial space under construction in the Salem market, largely represented by projects in Salem, Donald, and Woodburn. With many of the previous years' recruitment successes having moved into their facilities or finishing up construction, the pipeline of active prospects will need to be refreshed. For two decades Salem has relied heavily on the 600-acre Mill Creek Corporate Center for new industrial developments; where will the next decades' growth occur? We need to ensure the region has a diverse variety of greenfield sites and buildings to meet the needs of a variety of industries in the future.

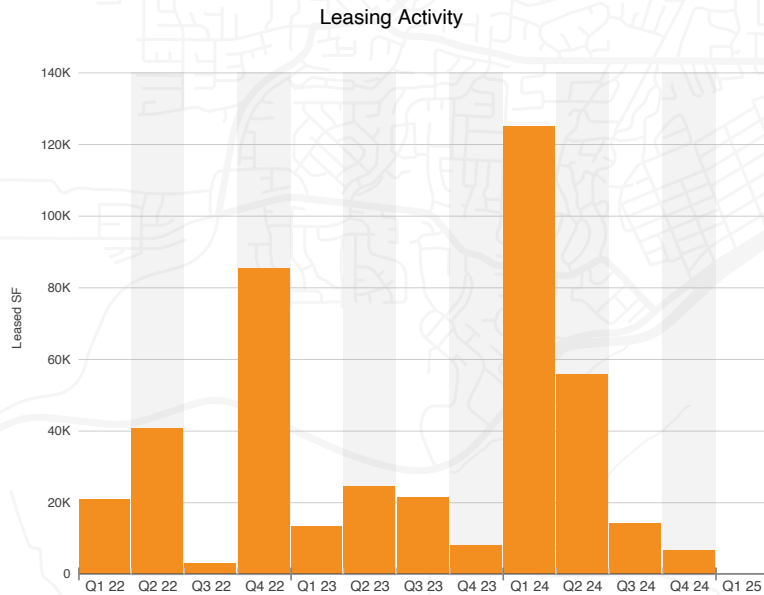
Announced late in 2023, Portland General Electric is partnering with the Confederated Tribes of the Warm Springs Reservation to complete a major transmission upgrade, funded in part by a \$250 million investment from the U.S. Department of Energy. This project will increase the capacity of the Bethel-Round Butte transmission line, a crucial artery in the region's transmission system. Such a major increase in power capacity will provide future development opportunities for the Salem market which could bring significant private sector investment.





## RETAIL MARKET OVERVIEW

Salem's retail environment in 2024 saw a decline in both the square footage leased, deal volume, and average lease size. In 2023, there were 87 deals completed for 197,184 SF being absorbed and an average of 2,266 SF per transaction. In 2024, those numbers were 69 transactions, 128,878 SF total for an average of 1,867 SF per transaction. This equates to a reduction of nearly 18% of space per lease. Comparing Salem's retail market to Olympia Washington, there were 22 lease transactions in 2024 averaging 7,809 SF. Boise Idaho was home to 98 retail leases averaging 3,637 SF, detailing how small of a footprint a Salem retail tenant will lease down to for the sake of profitability.

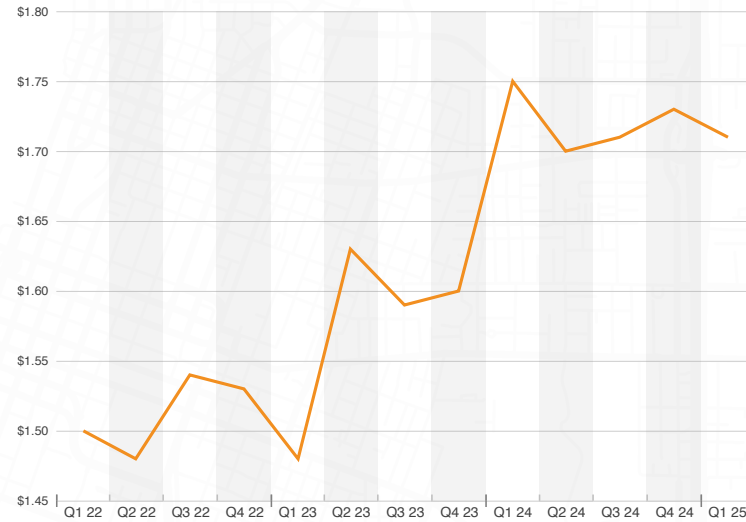


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Retail rents in Salem rose 2.2% YOY from 2023 to 2024 as the rate of inflation diminished from 4% at this time last year. This particular KPI is on par with Boise (2.3%) and Olympia (2.1%) and on par with macroeconomics and the consumer pricing index. The graph below shows average rents per square foot, adjusted for inflation. We see a current downward trend due to somewhat anemic leasing activity in Q3 and Q4 of 2024.

Direct Rent Per SF



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## NOTABLE LEASE TRANSACTIONS

The largest lease in the market of 2024 took place at 1965-1985 Lancaster Dr NE. La Popular leased 11,000 SF of space at Sunnyview Center. This 5-year transaction was executed in June and had a start date of September, allowing time for the improvements. Asking rents were \$1.58 per SF, and parties agreed to \$1.42/SF NNN - a 10% discount.

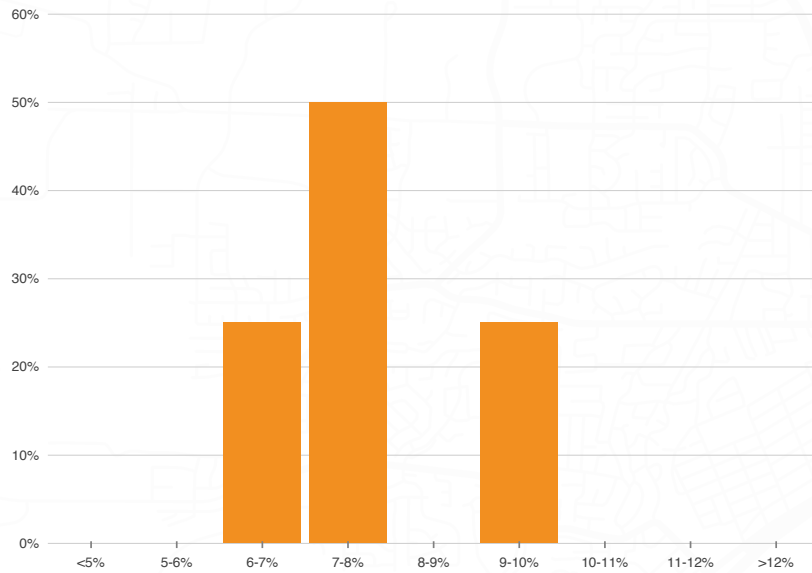
Trader Joe's has a new neighbor in South Salem, Ulta Beauty, who leased 10,977 SF direct from the retail center's ownership group Phillips Edison & Company. Rate and term were withheld. Ulta was established in 1990 and has grown to 56,000 total employees across 1,985 locations. This location will employ 20 people. Rounding out the most notable lease transactions is 3385 Lancaster Dr NE. The former Knecht's Auto Parts is now operating as Mega Laundromat, who executed a 10 year lease in exchange for greatly reduced year one rents. The property was marketed at \$1.17 triple net per month, and parties agreed to a 31% discount of \$0.80 per square foot. The building totals 6,573 square feet and was on the market for 13 months.



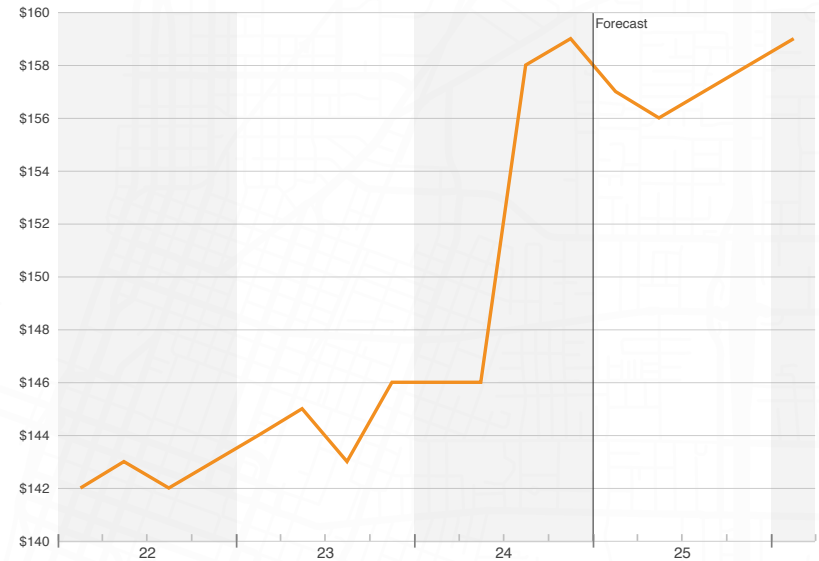
**"CCIM" stands for "Certified Commercial Investment Member,"**

which is a professional designation signifying expertise in commercial and investment real estate, indicating that the holder has completed advanced coursework in financial analysis and market analysis, demonstrating extensive experience in the commercial real estate industry; essentially, it means they are a recognized expert in commercial investment properties.

Cap Rate Distribution



Market Sale Price Per SF



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**SALE TRENDS**

The retail asset sale environment showed signs of life in 2024, with 36 transactions having closed in the year compared to a low point of 20 transactions having closed in 2023. Sale volume soared to \$38m collectively, up from \$26.7m the year prior. Additionally, pricing per square foot and cap rates came more in alignment with what we would deem as a buyer's market as sellers collectively came to the conclusion that a cap rate in the 5's simply wasn't in attainable with the current capital environment. The average price per square foot in 2024 was \$72, and the average cap rate was 7.8%.

**NOTABLE SALES**

Lancaster Marketplace, home of B&G Bingo, WinCo, and Coastal Farm & Ranch closed on December 15th for \$12.25m. The 109,415 SF center was built in 1991 and is the former home of Shopko. The seller (Rhino Investments out of Henderson, NV) stabilized the property by adding Coastal, and is on an acquisition streak over the past five years having acquired \$703.9m and disposed of \$380.8m during that period.



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As was well documented in local media, Salem Center closed August 8 of 2024 to a group of local investors. The transaction value was \$10m for the 188,000 SF collection, equating to \$53.19 per square foot. The seller, Macy's Retail Holdings LLC, has tallied \$687m in dispositions over the past 5 years. It was announced early in January that the downtown Salem location would be shuttering at the end of February of this year.

Rounding out notable sales is the Pointe at Glen Creek. The West Salem Home of OnPoint Community Credit Union, Mud Bay, and DaVita Dialysis closed on August 27th for \$8.85m, equating to \$531 per square foot and a 6.7% cap rate. The property, built in 2019, was sold to Pliska Investments based in Gresham.

**CONCLUSION**

Expect further stabilization and additional transactional velocity in 2025 as federal monetary policy becomes more predictable. With the hope of a sound economy, tenants occupying retail space should be expected to expand. I believe that we've reached a low point in average square footage per lease, and cap rates should have reached their peak with some loosening of monetary policy. While our vacancy rate, currently at 3.6%, is low - it was at 2.4% last year. With no notable retail projects currently under construction, I predict that vacancy should reach the low 2's again by this time next year.



## SALEM/KEIZER MSA MULTI-FAMILY APARTMENTS WITH 5 OR MORE UNITS - A YEAR IN REVIEW

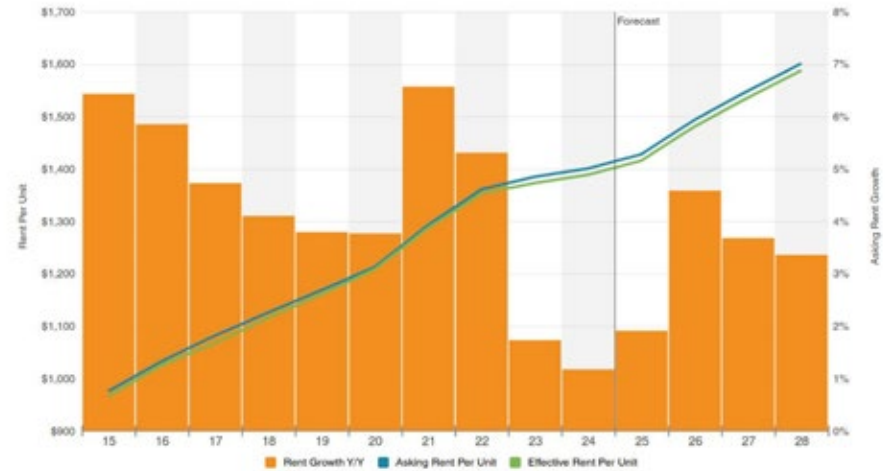
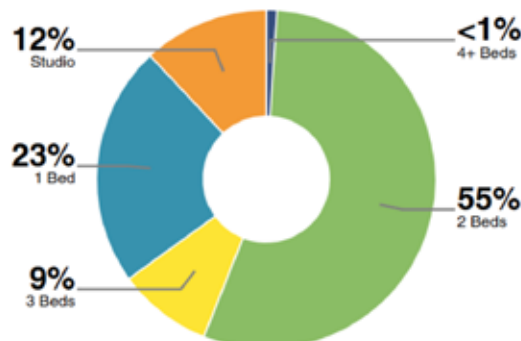
INVENTORY UNITS	UNDER CONSTRUCTION	12 MO ABSORPTION	VACANCY RATE	MARKET RENT/UNIT
36,254 <span>+3%</span>	1,160 <span>-47%</span>	1,184 <span>+144%</span>	6.3% <span>-0.4% pt</span>	\$1,400 <span>+1.1%</span>
Prior Year 35,187	Prior Year 2,185	Prior Year 486	Prior Year 6.7%	Prior Year \$1,385
RENT GROWTH	SALE PRICE/UNIT	CAP RATE	SALES VOLUME	
1.18% <span>-0.55% pt</span>	\$178K <span>+4%</span>	6.04% <span>+0.08% pt</span>	\$64.3M <span>-43%</span>	
Prior Year 1.73%	Prior Year \$171K	Prior Year 5.96%	Prior Year \$112.9M	

### SALE TRENDS

Increased Interest rates and limited available financing options kept many buyers on the sidelines in 2024, resulting in lackluster sales volume of only **\$64.3 million**; a decrease of **-43%** over the prior year and the lowest transaction volume since 2018. With the increased cost of capital, multi-family capitalization rates have also increased. The average capitalization rate for an apartment property in the MSA crossed the 6% threshold in 2024, the first time since 2018.

Sales activity is expected to change course later in 2025 as the Federal Housing Finance Agency (which oversees Freddie Mac and Fannie Mae) anticipates stronger multi-family financing availability. With continued strong fundamentals, the multi-family sector is projected to remain a preferred property type among institutional and private investors alike. However, noting the Salem/Keizer MSA typically reflects smaller transactions with local or regional buyers, as opposed to larger investment grade sales, the market is more susceptible to swings in buying power.

The average sale price per unit for apartment properties throughout the Salem/Keizer MSA increased slightly in 2024, reaching \$178,036 per unit, significantly higher than the average price per unit experienced in 2020 (\$114,820) and before. Price appreciation has been slow but steady since 2021 (+5.3%). Drilling down further, the luxury market has remained stable over the past three years, with an average price point of roughly



\$225,000 per unit. Mid-level properties transact near the average, with mature complexes experiencing an overall decline in pricing, dropping 7.5% since 2021, with an average price per unit of \$124,697 in 2024. While price appreciation has occurred overall, a valley remains between buyer and seller expectations, with the sale to asking price differential exceeding -10%; the deepest it's been in over 10 years.

### RENT TRENDS

The average asking rent for an apartment unit in the Salem/Keizer MSA was \$1,400 per month in 2024. Two-bedroom units continue to comprise the majority of units in the MSA, with 55% of the total; followed by 1BR units (23%), studios (12%), and 3BR units (9%). The average rent for a 2BR unit is \$1,426, with 3BR units reaping \$1,733 per month. While micro units have been well received in the local market, renters still prefer an additional bedroom and/or office in order to better facilitate a remote work lifestyle.

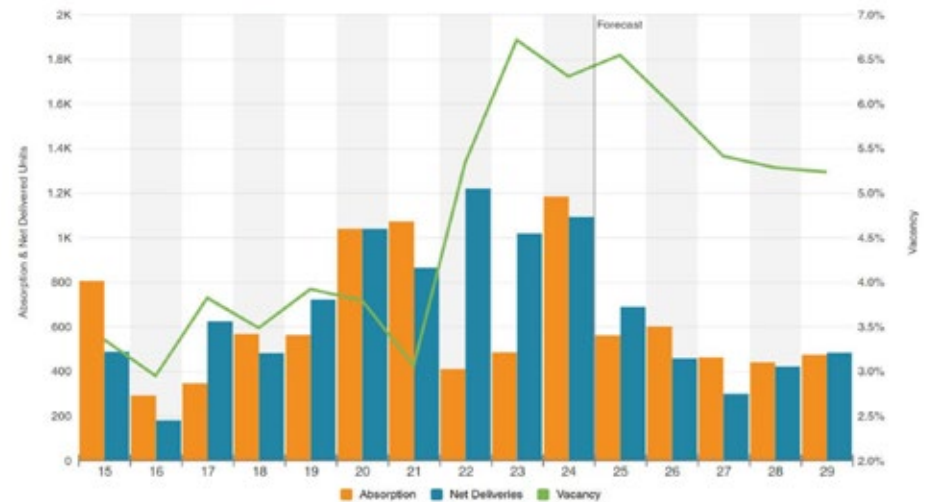
Consistent new apartment inventory over the past few years has resulted in higher vacancy, rent concessions, and the lowest rent growth reported over the last decade. While rents have steadily increased, year-over-year (YOY) rent growth registered only 1.18% in 2024. Cumulative growth over the past five years totaled over 18%. The primary contributors to lagging rent appreciation over the past two years are continued economic uncertainty, inflation, and a steady delivery of new product. Many households that would have otherwise moved, have delayed a move

until fears of a recession and inflation subside. As deliveries are projected to decline over the next few years, vacancy should tighten up and rent growth will increase. However, it is unlikely rent growth will reach the limit imposed by Oregon's rent control legislation in the near to mid-term.

## ABSORPTION, DELIVERIES & VACANCY

Apartment construction has been consistent, with over 1,000 new units delivered in four of the past five years. New units continue to be absorbed, with positive absorption reported each year. However, the additional product has put pressure on mature units, resulting in a spike in vacancy beginning in 2022. While the average 2024 vacancy rate of 6.3% remains above the industry benchmark for frictional vacancy of 5%, it reflects a slight decrease as compared to 2023 (6.7%). Landlords continue to offer concessions in order to increase absorption and fill vacant units.

2024 welcomed 1,092 new units to the MSA, of which 503 units were delivered in Salem/Keizer. New inventory over the prior five years totals 5,235 units or approximately 14% of all units in the MSA. As of mid-January 2025, there were 1,160 units under construction throughout the MSA, with 574 of those in Salem/Keizer. The largest new development in the MSA is Allison Way Apartments in Woodburn (586 units), slated for completion in mid-2025. In Salem, the largest project currently under construction (anticipated to enter the market in Q2 2025) is East Park Apartments (369 units) in East Salem. Rolling absorption during construction remains commonplace, and



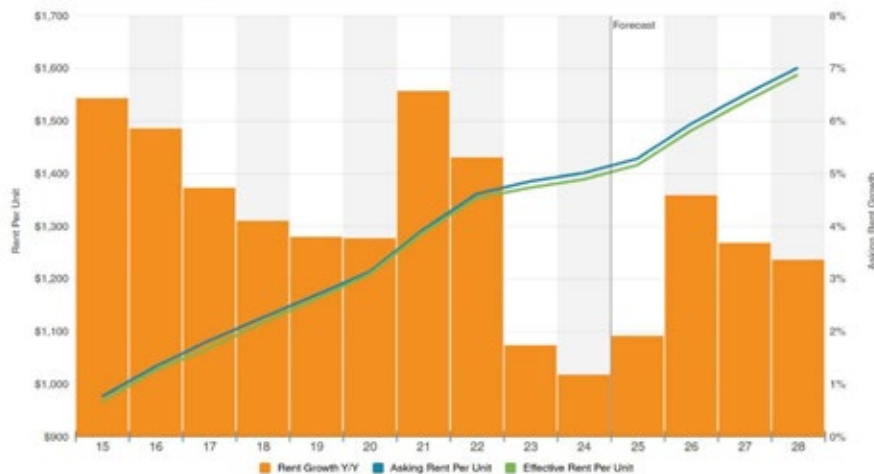
savvy marketing efforts continue to promote positive net absorption; however, the timeline from construction through stabilization remains lengthy at two or more years, depending on the number of units to be absorbed.

Looking forward, new apartment construction is anticipated to decrease; however, several projects are in various stages of the planning and construction pipeline. While most offer fewer than 75 units, notable new developments within and near the Salem CBD include the former Salem City Hall site that is slated to be developed with the High Street Apartments (105 units in 2027), the former Union Gospel Mission site to be developed with Block 50 (140 Phase 1 units & 90 units in Phase 2; timeline uncertain), Block 45 (295 Commercial St SE; development plans anticipated to progress in late 2025), the Cartwright Building with 42 units under construction at Commercial and Bush Streets SE, and The Cannery on the former Truitt site with 382 units planned.

## CONCLUSION

The multi-family market continues to be an investor favorite amongst the commercial property types. Additional interest rate cuts should spur transaction activity in the coming year, further boosted by expanded financing options as lenders increase available funds. However, limited near-term rent growth and increasing property expenses (notably property insurance and utilities) may result in stagnant property pricing and values.

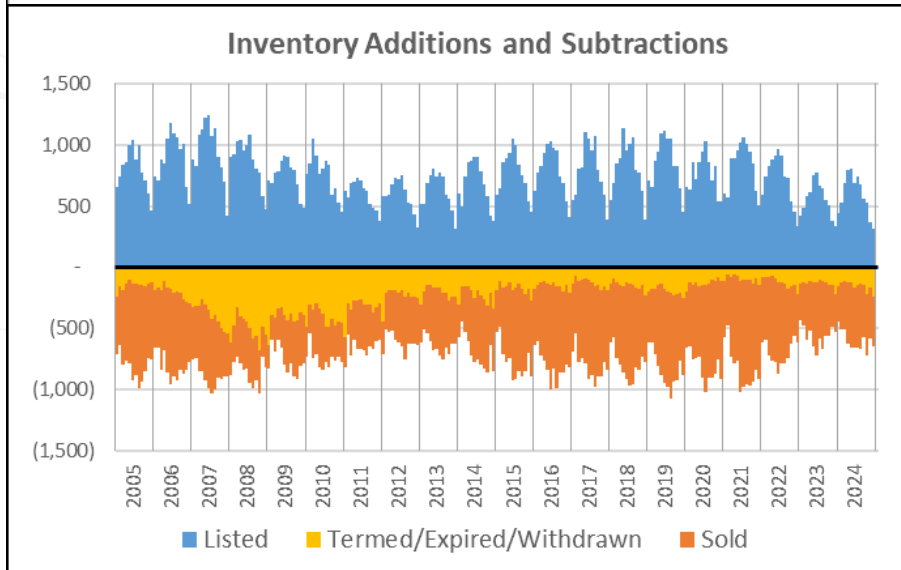
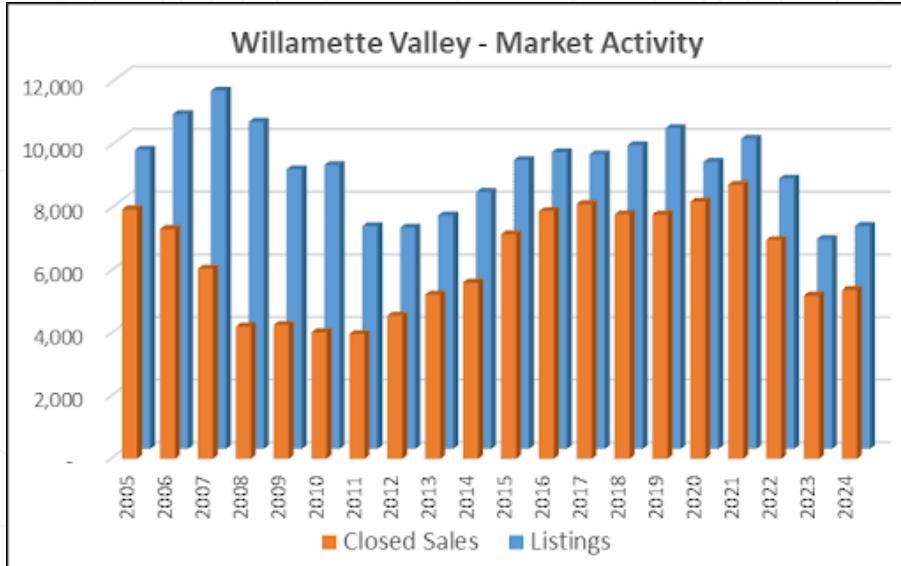
Market Rent Per Unit & Rent Growth





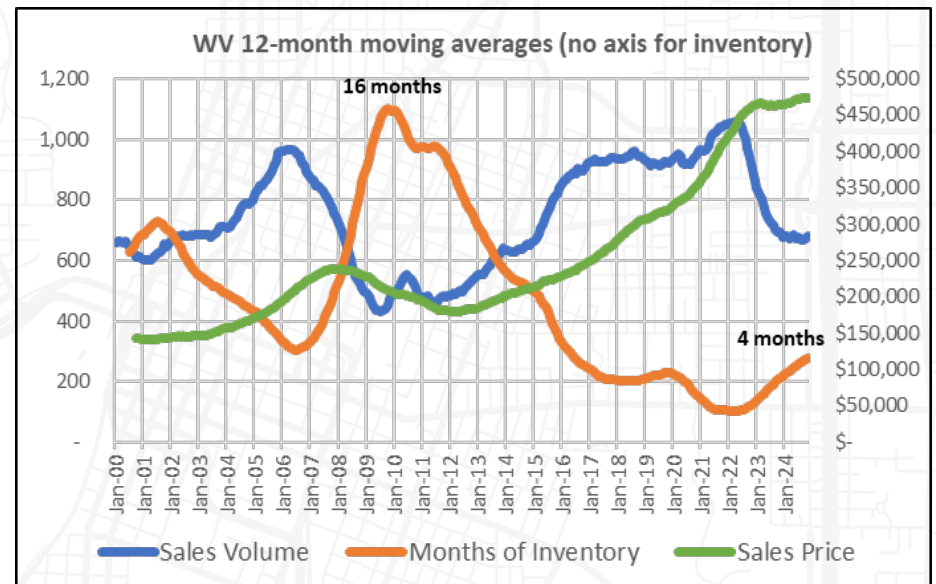
### RESIDENTIAL MARKET ACTIVITY

Listings in 2024 were up 6.2% over 2023 while closed sales had a more-modest gain of 3.4%. Unsold listings leaving the market (terminations, expirations, and withdrawals) were up 15.2% over the prior year and accounted for 26% of all listings for the year. The aforementioned activity resulted in a listing inventory of 1,402 on 12/31, about 100 units below the 2023 year-end number.



### INVENTORY

While the number of active listings has been relatively static over the past few years, inventory in terms of months' supply is trending upward due to the decrease in sales volume. We averaged about a four-month supply over the last year, slightly higher than pre-COVID levels. But this level of inventory gain has not applied any significant downward pressure on pricing. Generally, we would see a rise in listing activity during periods of record-high prices (thus raising inventory levels beyond buyer demand and forcing a price correction), but would-be sellers are staying put for now in order to preserve their low-interest mortgages.



The last time we saw a period of sales volume decline like we've experienced the past few years was 2006 to 2009 when inventory levels increased from 4 to 13 months, kicking off the price correction needed to move on to the recovery and expansion phases of the cycle. In contrast, the current drop in sales volume moved the listing supply from 2 to just 4 months, slowing price appreciation but not yet shifting market control from sellers to buyers.

### PRICING

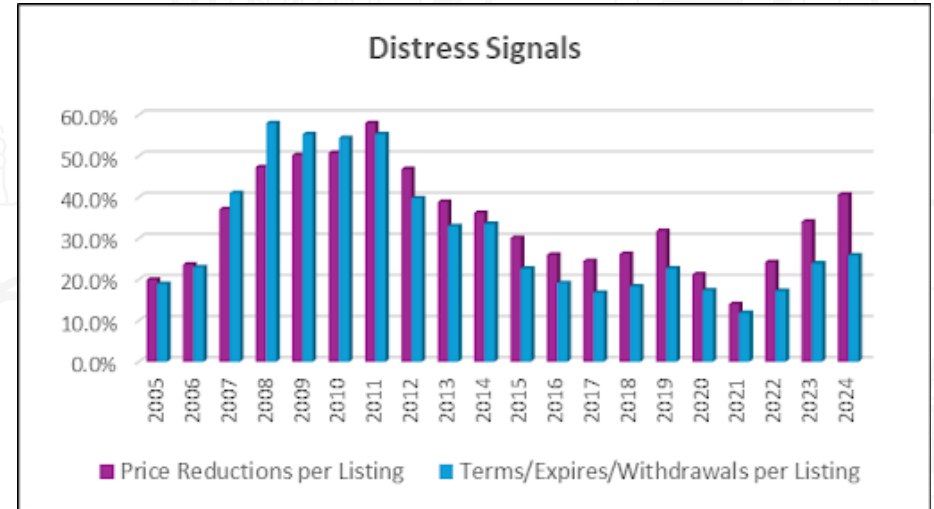
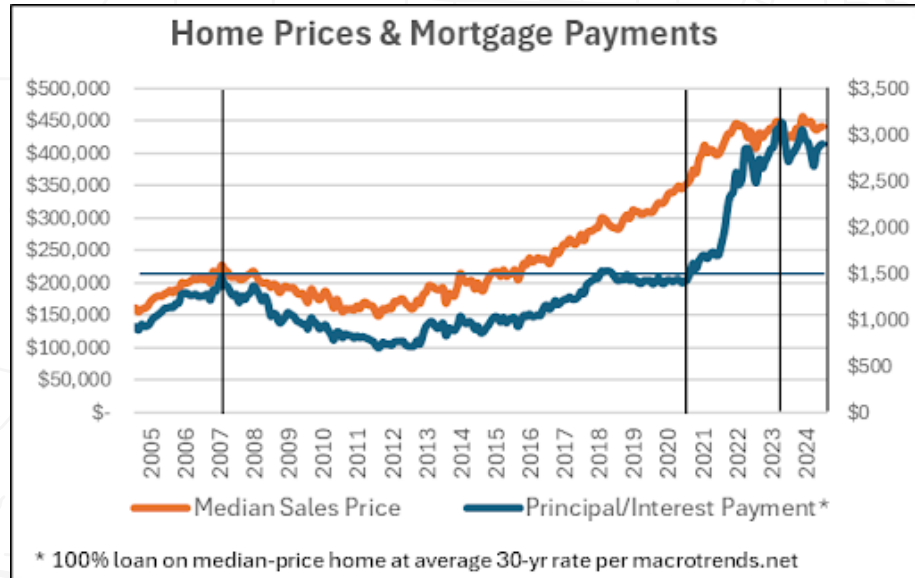
The median sales price in the Willamette Valley was \$443K in 2024, up 1.8% from \$435K in 2023. Our monthly sales-price median peaked in May at \$457K, and July saw a record-breaking median of \$294 per square foot. 2024 marks the 13th consecutive year of price appreciation in the Willamette Valley, but the average growth rate of 1.3% over the past two years was a much-needed reprieve considering that we have had six double-digit growth years during that stretch.



## AFFORDABILITY

Several factors are causing an affordability issue in the residential housing market. As mentioned before, low inventory levels create sellers-market conditions and keep prices at record-high levels. Additionally, the significant interest rate hikes over the last few years have hurt affordability in two ways. Would-be sellers are less apt to list their homes, which keeps inventory low and prices high. And then, of course, those high rates reduce buyers' purchasing power.

While home prices have outpaced wages over the past two decades thanks to thirteen straight years of price appreciation, we are due for a cooling-off period that should bring things back in line. It would take about a 9% drop in home prices to bring housing back in line with wages. That downturn should have started in 2020, but it was interrupted by our response to COVID: increased buyer demand, huge injections of cash into the economy from government stimulus programs and sustained low mortgage rates,



Event	Month	Median Price	Avg30-Yr Rate	P&I Payment	Avg OR Wage	Hrs/Mo Needed	% of FT Hours
Prior Price Peak	Jul-07	228,000	6.7%	\$1,470	\$20.57	95	55%
Rate Floor	Dec-20	350,000	2.7%	\$1,414	\$29.52	64	37%
Rate Ceiling	Oct-23	435,000	7.8%	\$3,128	\$34.61	121	70%
Present	Dec-24	442,000	6.9%	\$2,896	\$36.30	106	61%

Sources: Median Price: WMLS Avg Rates: macro trends.net Avg Wages: BOU

Period	Years	Price Change		Payment Change		Wage Change	
		Annually	Total	Annually	Total	Annually	Total
\$ Peak to % Floor	13.4	4.0%	53.5%	-0.3%	-3.8%	3.2%	43.5%
% Floor to Ceiling	2.8	8.6%	24.3%	42.8%	121.2%	6.1%	17.2%
% Ceiling to Now	1.2	1.4%	1.6%	-6.3%	-7.4%	4.2%	4.9%
Last Peak to Now	17.4	5.4%	93.9%	5.6%	97.1%	4.4%	76.5%

## LAND DEVELOPMENT

New subdivision applications to the City of Salem have been down significantly this year, with Salem receiving applications for three townhome developments of between 7 and 23 units, one 11 lot / 22 unit attached single-family project along the 13th fairway at Creekside Golf Club, and a very large 552 lot single-family development on the SW corner of the former Fairview Training Center at the corner of Battle Creek Rd & Reed Rd SE. This large subdivision is proposed by Holt Homes, a large volume Pacific NW home builder which is a subsidiary of Japanese conglomerate Sekisui House, Ltd. Sekisui House is America's fifth-largest home builder and also owns Richmond American Homes.

## MULTI-FAMILY

Local multifamily production continues to remain strong, in spite of national trends which have seen fewer apartment units built across the country due to higher borrowing costs and difficulties in obtaining financing. Salem saw 634 new apartment units in 2024, nearly double what was built in 2023. Elsewhere in the region, multifamily production saw a decline, largely due to a lack of multifamily activity in the Woodburn market compared to years prior.

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- 3 Include, respect, and support all members of the commercial real estate industry.
- 4 Honor my commitments.
- 5 Personify and uphold the SVN brand.
- 6 Resolve conflicts quickly, positively and effectively.
- 7 Take personal responsibility for achieving my own potential.
- 8 Excel in my market area and specialty.
- 9 Focus on the positive and the possible.
- 10 Nurture my career while valuing the importance of family, health, and community.

# thank you!



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