

City of Salem
Urban Development Department
350 Commercial Street NE
Salem, OR 97301

RE: Multiple-Unit Housing Tax Incentive Program Application

To Whom It May Concern,

Enclosed please find our completed application for the multiple-unit housing tax incentive program for our proposed development at 420 Center St. NE in Salem, Oregon.

If during your review of the application any additional information might be helpful, please don't hesitate to reach out. We'd be happy to answer any questions that might come up during this process and are excited about the positive impact the proposed development would have on the Downtown area.

We appreciate the opportunity to work with the City of Salem on this new project and thank you for your consideration.

A handwritten signature in dark ink, appearing to read "Steve Deacon", with a stylized flourish at the end.

Sincerely,
Steve Deacon, Manager
DD Salem Center Two, LLC

Application for Multiple-Unit Housing Tax Incentive Program – SRC 2.790

City of Salem, Urban Development Department
350 Commercial Street NE, Salem, OR 97301

I. Applicant Information (If the applicant is an LLC, S-Corps or similar member company, please provide legal documentation of the LLC's formation and list of members, authorized to sign on LLC's behalf)

Name: Steve Deacon	Title: Manager	
Company: DD Salem Center Two, LLC		
Street: 901 NE Glisan Street, Suite #100	City, State, Zip Code: Portland, OR 97232	
Phone: 503-297-8791	E-mail: steve.deacon@deacon.com	FAX: N/A

II. Applicant's Representative Information (if different than above)

Name: Steve Deacon	Title: Manager	
Company: DD Salem Center Two, LLC		
Street: 901 NE Glisan Street, Suite #100	City, State, Zip Code: Portland, OR 97232	
Phone: 503-297-8791	E-mail: steve.deacon@deacon.com	FAX: N/A

III. Property Information

Project is located within the designated program boundary: ☒ Yes ☐ No

Applicant has site control: ☒ Yes ☐ No

Address: 420 Center St. NE, Salem, OR 97301

Map: Volume 1, Page 20 Block: 23 Subdivision: Section 22, Township 7 South, Range 3 West

Note: If property is only a fraction of a platted lot, indicate this fact and provide a metes and bounds description of the portion of the lot to be used.

Current use(s) of site:
Retail

If existing housing is being removed, please explain why:
N/A

Current zoning: CB Assessor's property account number(s): R2207401

Parcel size: ~ 29,850 square feet

IV. Project Information

Anticipated construction start date: 2/1/2022	Anticipated completion date: 8/1/2023		
Desired effective date (tax year) for the Multi-Unit Housing Incentive Program: 2024-2025			
Number, size, and type of dwelling units proposed:			
37 1 bedroom units	570 Square feet	Median sales price	\$1,350.00 Rental rate
7 2 bedroom units	830 Square feet	Median sales price	\$1,750.00 Rental rate
3 bedroom units	Square feet	Median sales price	Rental rate
113 Other units	418 Square feet	Median sales price	\$1,050.00 Rental rate

Total building square footage: 87,323	Dimensions of building: L-Shaped, see included plans
Building covers ~ 50% percentage of the lot.	
Amount of open space to be included: ~ 3,000 square foot roof top community deck	
Method of construction: Five story slab on grade wood framed	
Type of materials: Fiber cement panels, with profiled metal panels on a base of concrete tile with maximized windows	
Is other public financial assistance being requested for the project? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
If so, please list the amount and type of existing or anticipated sources of funds requested:	
We have received a \$749,999 grant from the Urban Renewal Agency to assist in the funding of the construction hard costs which will help make the re-development economically feasible.	
V. Public Benefits (Please check all that apply)	
<input checked="" type="checkbox"/>	Units sales prices or rental rates accessible to a broad range of mixed incomes
<input type="checkbox"/>	Recreation facilities
<input checked="" type="checkbox"/>	Open space
<input checked="" type="checkbox"/>	Common meeting rooms
<input type="checkbox"/>	Daycare facilities
<input type="checkbox"/>	Facilities supportive of the arts
<input type="checkbox"/>	Facilities for the handicapped
<input type="checkbox"/>	Special architectural features
<input type="checkbox"/>	Service/commercial use permitted and needed but unavailable for economic reasons
<input type="checkbox"/>	Dedication of land or facilities for public use
<input checked="" type="checkbox"/>	Development or redevelopment of underutilized or blighted property
<input type="checkbox"/>	Provision of pedestrian-oriented design features
<input checked="" type="checkbox"/>	Extra costs associated with infill or redevelopment
<input type="checkbox"/>	Development in structures that may include ground level commercial space
<input type="checkbox"/>	Development on sites with existing single-story commercial structures
<input type="checkbox"/>	Development on existing surface parking lots
<input type="checkbox"/>	LEED certification of the project
<input type="checkbox"/>	Provision of parking spaces within the structure
<input checked="" type="checkbox"/>	Provision of amenities and/or programs supportive of the use of mass transit
Please attach the following and label as Exhibits A-F	
<input checked="" type="checkbox"/>	Legal Description, labeled as Exhibit A
<input checked="" type="checkbox"/>	Evidence of Site Control, labeled as Exhibit B
<input checked="" type="checkbox"/>	A description of the project including information regarding the size and type of units, target population, parking and circulation plans, private and public access, and public benefits of the project, labeled as Exhibit C
<input checked="" type="checkbox"/>	A site plan, drawn to a minimum scale of 1" = 20', which shows in detail the development plan of the entire project. Refer to SRC2.810 (3) and (5), labeled as Exhibit D
<input checked="" type="checkbox"/>	Letter from the City of Salem Public Works Department stating the proposed use can be served by existing sewer and water service, labeled as Exhibit E
<input checked="" type="checkbox"/>	Documents to explain the proposed public benefits, including economic feasibility studies and market studies when appropriate, labeled as Exhibit F

Office Use Only	
Pre-Application date: _____	Fee received: _____
Date final application received: _____	Received by: _____
Urban Development Contact: _____	Pre-Application Conference Date: _____
	Meeting Summary Letter sent on: _____
Date of correspondence to abutting property owners and appropriate affected parties, city departments, etc.: _____	
Correspondence sent to: _____	
Council Hearing date: _____	
<input type="checkbox"/> Approved? <input type="checkbox"/> Denied? <input type="checkbox"/> Other: _____	
Comments:	<div style="border: 1px solid black; height: 100px; width: 100%;"></div>

I certify that the above statements are true, accurate, and complete to the best of my knowledge and belief.

Applicant's Signature:  _____ Date: Tuesday, September 21, 2021

Applicant's Name (Please print or type here): Steve Deacon

Applicant's Title (Please print or type here): Manager

Fill out form with Adobe Acrobat or print out and fill-in.

After completing form print, sign, and mail or bring to: Clint Dameron, 503.540.2404
350 Commercial Street NE
Salem, OR 97301

EXHIBIT A – Legal Description

EXHIBIT "A"

Parcel 1:

A parcel of land lying in Block 23, Salem, in the Southwest Quarter of the Southeast Quarter of Section 22, Township 7 South, Range 3 West of the Willamette Meridian, in the City of Salem, County of Marion, State of Oregon, more particularly described as follows:

Beginning at the Northwest corner of Block Twenty-three (23), Salem, as recorded in Volume 1, page 20, Book of Town Plats, City of Salem, Marion County, Oregon; thence South 67°26' East, along the North line of said Block Twenty-three(23), 203.0 feet; thence South 22°32' West, parallel with the Easterly line of said block, 111.25 feet; thence South 20°55'43" East 1.05 feet; thence South 69°04'22" West 56.65 feet; thence North 67°26' West, parallel with the Northerly line of said Block 23, 162.60 feet to the Westerly line of said Block 23; thence North 22°32' East, along the Westerly line of said Block 23, 151.0 feet to the point of beginning.

Parcel 2:

Easement for the benefit of Parcel 1 as created by Construction, Operation and Reciprocal Easement Agreement dated September 1, 1978 and recorded January 18, 1979 as Document No. Reel 153, page 1947 and amended by First Amendment to Construction, Operation and Reciprocal Easement Agreement dated April 26, 1979 and recorded May 2, 1979 as Document No. Reel 166, page 393, also shown in Compliance Certificate dated February 27, 1981 and recorded May 12, 1981 as Document No. Reel 249, page 1337, and Second Amendment to Construction, Operation and Reciprocal Easement Agreement dated October 16, 1986 and recorded October 20, 1986 as Document No. Reel 497, page 26 in for access and encroaching footings over, under and across the land described therein. Subject to the terms, provisions and conditions set forth in said instrument.

EXHIBIT B – Evidence of Site Control

AFTER RECORDING RETURN TO:

Deacon Development

901 NE Glisan Street

Portland, OR 97232

SEND TAX STATEMENTS TO:

Deacon Development

901 NE Glisan Street

Portland, OR 97232

420 Center Street NE, Salem, OR 97301

REEL 4207 PAGE 350
MARION COUNTY
BILL BURGESS, COUNTY CLERK
06-17-2019 11:00 am.
Control Number 555781 \$ 96.00
Instrument 2019 00026388

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SPECIAL WARRANTY DEED - STATUTORY FORM
(INDIVIDUAL or CORPORATION)

Nordstrom, Inc., a Washington corporation, Grantor, conveys and specially warrants to GoMacGo, LLC, an Oregon limited liability company, as to an undivided 25% interest, and DD Salem Center Two, LLC, an Oregon limited liability company, as to an undivided 75% interest, as tenants in common, Grantee, the following described real property free and clear of encumbrances created or suffered by the grantor except as specifically set forth below:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

The true consideration for this conveyance is zero dollars. However, the actual consideration consists of other value given or promised which is the whole of the consideration.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

SPECIAL WARRANTY DEED - STATUTORY FORM

(continued)

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

Dated 6.12.19

Nordstrom, Inc.,
a Washington corporation

BY: [Signature]
Name/Title: Sheryl Garland, Corporate Secretary

State of Washington
County of King

This instrument was acknowledged before me on June 12, 2019 by
Sheryl Garland as the Corporate Secretary of Nordstrom, Inc.

[Signature]
Notary Public - State of Washington
My Commission Expires: 11-19-20

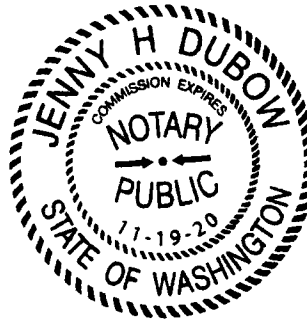


EXHIBIT "A"

Parcel 1:

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Parcel 2:

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REEL: 4207

PAGE: 350

June 17, 2019, 11:00 am.

CONTROL #: 555781

State of Oregon
County of Marion

I hereby certify that the attached
instrument was received and duly
recorded by me in Marion County
records:

FEE: \$ 96.00

**BILL BURGESS
COUNTY CLERK**

THIS IS NOT AN INVOICE.

After recording return to:

DD Salem Center Two, LLC
Attn: Manager
901 NE Glisan Street, Suite 100
Portland, OR 97232

REEL 4492 PAGE 40
MARION COUNTY
BILL BURGESS, COUNTY CLERK
05-20-2021 12:11 pm.
Control Number 655736 \$ 96.00
Instrument 2021 00030717

**Until a change is requested
send all tax statements to:**

DD Salem Center Two, LLC
Attn: Manager
901 NE Glisan Street, Suite 100
Portland, OR 97232

STATUTORY WARRANTY DEED

GoMacGo, LLC, an Oregon limited liability company, as to an undivided 25% interest, Grantor, conveys and warrants to DD Salem Center Two, LLC, an Oregon limited liability company, Grantee, all of its interest in and to the real property located in Marion County, Oregon, legally described on the attached Exhibit A free of encumbrances, except covenants, conditions, restrictions, easements and encumbrances of record as of the date hereof.

The true and actual consideration for this conveyance is \$1,000,000.00.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

[Signature page follows]

Dated May 20, 2021

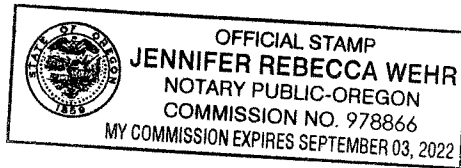
GRANTOR:

GOMACGO, LLC,
an Oregon limited liability company

By: [Signature]
Name: Patrick Carney
Title: member

STATE OF OREGON)
) ss.
County of Mason)

The foregoing instrument was acknowledged before me this 20th day of May, 2021 by Patrick Carney, as the Member, on behalf of GoMacGo, LLC, an Oregon limited liability company.



[Signature]
Notary Public for Oregon
My commission expires: 9.3.2022

Exhibit A

LEGAL DESCRIPTION

A parcel of land lying in Block 23, Salem, in the Southwest Quarter of the Southeast Quarter of Section 22, Township 7 South, Range 3 West of the Willamette Meridian, in the City of Salem, County of Marion, State of Oregon, more particularly described as follows:

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REEL: 4492

PAGE: 40

May 20, 2021, 12:11 pm.

CONTROL #: 655736

State of Oregon
County of Marion

I hereby certify that the attached
instrument was received and duly
recorded by me in Marion County
records:

FEE: \$ 96.00

**BILL BURGESS
COUNTY CLERK**

THIS IS NOT AN INVOICE.

EXHIBIT C – Project Description

Project Description: The project represents a redevelopment of the former Nordstrom building, an underutilized and vacant building located at 420 Center Street. The building has been vacant since early 2018 and has consistently been subject to vandalism, graffiti, loitering and camping. Exacerbated by the Covid-19 pandemic, the retail market has significantly declined and is no longer a viable option for this property for the foreseeable future.

The current redevelopment plan is to demolish the existing building and replace it with a new 5-story urban multi-family building consisting of approximately 157 market rate apartment units, and approximately 18 on-site parking spaces. The unit mix will consist of 113 studio units averaging 418 square feet, 37 one-bedroom units averaging 570 square feet, and 7 two-bedroom units averaging 830 square feet.

Apartments: The building will be five stories of slab on grade with wood framing. The exterior building materials will consist of fiber cement panels with profiled metal paneling on a base of concrete tile, with notable emphasis on maximizing window and glazing on both street frontages. The apartment units themselves will consist of stainless-steel kitchen appliances, washers and dryers in the units, luxury vinyl plank flooring, quartz countertops and quality hardware, fixtures and finishes. Some of the units will have their own balcony.

Common Areas: The common areas will consist of a lobby with comfortable seating, rooftop deck, resident community room for gatherings, pet area, parcel storage system and bike storage with a bike repair station and bike/dog wash.

- **Rooftop Deck:** The large rooftop deck will provide residents and guests an outdoor gathering space with spectacular views of downtown Salem and the Riverfront City Park and will include amenities such as an outdoor grill, fire pit and lounge seating.
- **Resident Community Room:** The resident community room will offer residents and their guests an indoor space for gathering and events. It will also provide the property manager with space to hold monthly events aimed at residents getting to know their neighbors and building community within the building. The room will be equipped with WiFi, a large screen television, sound system and kitchen appliances able to support large community gatherings.
- **Alternative Modes of Transportation:** To accommodate bicyclists the building will be equipped with ample bike storage, a bike repair station and a bike wash.
- In addition, to encourage and to make it easy for residents to use alternative modes of transportation the lobby will be equipped with a large screen monitor for the purpose of displaying TransitScreen (www.transitscreen.com). TransitScreen displays 24/7 real-time arrival information for nearby trains (Amtrak), buses (Cherriots), bicycle and electric scooter sharing systems (Lime, Bolt and Spin), ridesharing systems (Uber, Lyft) and carsharing companies (Zipcar). It also

displays nearby neighborhood businesses (coffee shops, post office, etc.) and gives the walking distance and walking time to each.

Target Population: This project is best positioned to target younger, price sensitive renters rather than more mature, upscale renters. The aim is to provide an affordable price point but still offer some of those higher end finishes and amenities, providing a best of both worlds experience to tenants. The site offers good access to off-site parking with surrounding public parking garages and will promote mass transit avenues as mentioned above, something more palatable to younger tenant profile. The primary focus will be towards single, middle income young adults but the offering certainly will still appeal to older renters wanting to take advantage of the lower price point that still offers higher end finishes and amenities that typically would come with higher rents.

Parking and Circulation: The project will have 18 enclosed parking spaces for tenants that can be accessed via a private drive aisle from Center Street. Additionally, we intend to facilitate monthly parking passes for residents thru the City that will allow them to utilize the surrounding public parking garages. Price-sensitive renters are usually willing to walk a couple blocks for parking when the monthly rates are more affordable. The project will also have ample bike storage to encourage alternative modes of transportation and will utilize the aforementioned TransitScreen to make it easy for residents to use alternative modes of transportation.

Private and Public Access: The building will have five different access points for residents from the public right away along Liberty and Center Streets, including one access point for guests to enter the community room off of Liberty Street. There will also be two access points for the residents to enter the building from the interior parking lot.

Public Benefits:

- **Lower Unit Rental Rates:** The proposed project will provide 157 market rate apartment units in a value range not well represented in the designated core area, and which are supported by the included economic and market study. The project is best positioned to target younger, price sensitive renters. The plan is to provide an affordable price point but still offer some of those higher end finishes and amenities, providing a best of both worlds experience to tenants. The primary focus will be towards single, middle income young adults but the offering certainly will still appeal to older renters wanting to take advantage of the lower price point that still offers higher end finishes and amenities that typically would come with higher rents.

- **Open Space:** The project will include a roof top garden deck and open space that will be approximately 3,000 square feet in size. The large open area will provide residents and guests an outdoor gathering space with spectacular views of downtown Salem and the Riverfront City Park and will include amenities such as an outdoor grill, fire pit and lounge seating surrounded abundantly with garden planters.
- **Common Meeting Rooms:** The project will include a shared community room that will offer residents and their guests an indoor space for gathering and events. It will also provide the property manager with space to hold monthly events aimed at residents getting to know their neighbors and building community within the building. The room will be equipped with WiFi, a large screen television, sound system and kitchen appliances able to support large community gatherings.
- **Redevelopment of Underutilized or Blighted Property:** The existing building is obsolete and deteriorating. As mentioned above, the building has been vacant since early 2018 and has consistently been subject to vandalism, graffiti, loitering and camping. Exacerbated by the Covid-19 pandemic, the retail market has significantly declined and is no longer a viable option for the foreseeable future.
- **Extra Costs Associated with Redevelopment:** To prepare the property for redevelopment the existing Nordstrom building will need to be demolished. Due to the size and depth of the existing footings, deep excavation and significant structural fill will be required to support the proposed building. These extra costs are estimated to add an additional cost of \$1,100,000 to \$1,400,000 to the project. Additionally, the new 2021 Oregon Energy Efficiency Specialty Code (OEESC), based on ASHRAE Standard 90.1 - 2019, has been adopted and becomes mandatory after the six-month phase-in period ends on Oct. 1, 2021. These new required energy code requirements are estimated to add an additional cost of \$648,000 (\$4,000 per apartment unit) to the project.
- **Provision of Amenities Supportive of Mass Transit:** To encourage and to make it easy for residents to use alternative modes of transportation the lobby will be equipped with a large screen monitor for the purpose of displaying TransitScreen (www.transitscreen.com). TransitScreen displays 24/7 real-time arrival information for nearby trains (Amtrak), buses (Cherriots), bicycle and electric scooter sharing systems (Lime, Bolt and Spin), ridesharing systems (Uber, Lyft) and carsharing companies (Zipcar). It also displays nearby neighborhood businesses (coffee shops, post office, etc.) and gives the walking distance and walking time to each.

EXHIBIT D – Site Plan

NEW APARTMENT BUILDING
CENTRAL CITY

SHEET:

A1.01

CENTER ST NE

420 CENTER ST. NE
15,581 SF

LIBERTY ST NE

LOADING

CONTACT

CONTACT

CONTACT

CONTACT

CONTACT

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CONTACT

CONTACT

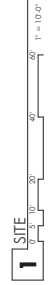


EXHIBIT E – Public Works Letter



Public Works Department

555 Liberty Street SE / Room 325 • Salem OR 97301-3513 • Phone 503-588-6211 • Fax 503-588-6025

September 17, 2021

Stephanie Gittings
Deacon Development, LLC
901 NE Glisan Street, Suite 100
Portland OR 97232

Delivered via email: Stephanie.Gittings@deacon.com

**SUBJECT: Availability of Public Water and Sewer Services at:
420 Center Street NE, Salem OR 97301**

To Whom It May Concern:

This letter is furnished in response to your request for a commitment from the City of Salem Public Works Department to provide water and sanitary sewer for the site located at 420 Center Street NE, Salem, Oregon 97301. The City of Salem will provide water and sewer at the developer's cost for future multi-family use on the subject property pursuant to conditions established through the site plan review, building plan review, and other regulatory development processes.

If there are any questions or additional information required, please contact me.

Sincerely,

Glenn Davis, PE, CFM
Chief Development Engineer

JP\\fileshare2\\PWGroup\\pubwks\\PLAN_ACT\\Will Serve Letters\\420 Center St NE_Will Serve.docx

cc: File

**Transportation and Utility
Operations**

1410 20th Street SE / Building 2
Salem OR 97302-1209
Phone 503-588-6063
Fax 503-588-6480

Parks Operations

1460 20th Street SE / Building 14
Salem OR 97302-1209
Phone 503-588-6336
Fax 503-588-6305

**Willow Lake Water Pollution
Control Facility**

5915 Windsor Island Road N
Keizer OR 97303-6179
Phone 503-588-6380
Fax 503-588-6387

EXHIBIT F – Other Documents

1. Powell Banz Market Study
2. Drawings & Elevations
3. Renderings



POWELL BANZ
VALUATION

VALUATION SERVICES

Real Estate Appraisal
Consulting
Litigation
Estate Planning
Feasibility Analysis
Rent Surveys

PROPERTY TYPES

Land
Subdivisions
Multi-Family
Single-Family
Industrial
Office
Medical
Retail
Public
Religious
Parks / Open Space
Farms / Agricultural
Specialty

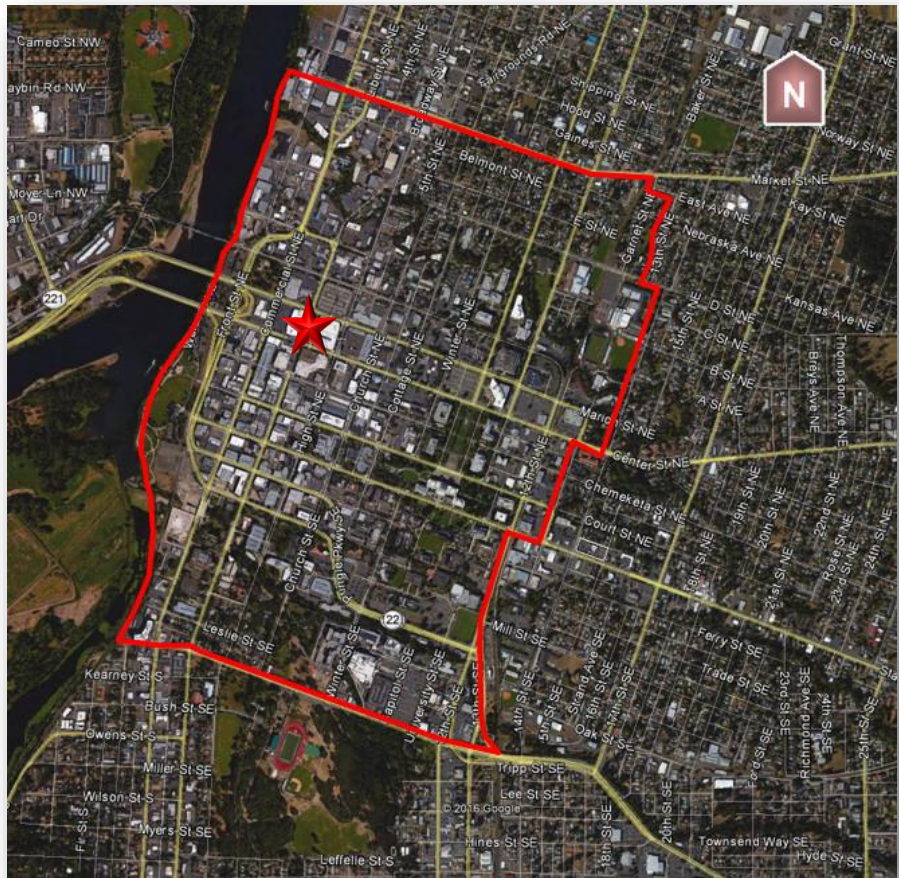
SERVING

Oregon
Washington
Idaho
Northern California

Powell Banz Valuation, LLC

201 Ferry Street SE, Suite 300
Salem, Oregon 97301
(503) 371-2403 voice
(503) 371-2613 fax
www.powellbanz.com

MARKET STUDY



Salem CBD Aerial Google earth

SALEM CBD APARTMENT MARKET STUDY

Salem, Oregon

PREPARED FOR

Ian Lewallen, Finance Manager
Deacon Development, LLC
901 NE Glisan Street, Suite 100
Portland, Oregon 97232

PREPARED BY

Katherine Powell Banz, MAI
PBV LLC File Number: P211257

POWELL BANZ VALUATION, LLC



July 21, 2021

Ian Lewallen, Finance Manager
Deacon Development, LLC
901 NE Glisan Street, Suite 100
Portland, Oregon 97232

RE: SALEM CBD APARTMENT MARKET STUDY
Salem, Oregon

Dear Mr. Lewallen:

It is our understanding Deacon Development, LLC is considering developing a 156 unit apartment complex at 420 Center Street NE within the Salem Central Business District in Salem, Oregon.

As requested, pertinent information relevant to the multi-family sector of the Salem Central Business District was gathered. The scope of work included compiling the following information.

- Competing supply of newer product;
- Proposed and developing apartment construction;
- Rent survey focusing on newer studios, one and two bedroom units;
- Market projection of rent growth and vacancy in two years;
- Vacancy survey for newer apartment projects;
- Concessions being offered at newer projects;
- Utilities included in rent;
- Complex amenities and finishes;
- Appliance package;
- Absorption timelines for new construction;
- Suggestions for how to separate the subject units from the competition.

The findings of this Market Study, presented on the following pages will assist in the planning and development of the proposed apartment complex.

MARKET STUDY

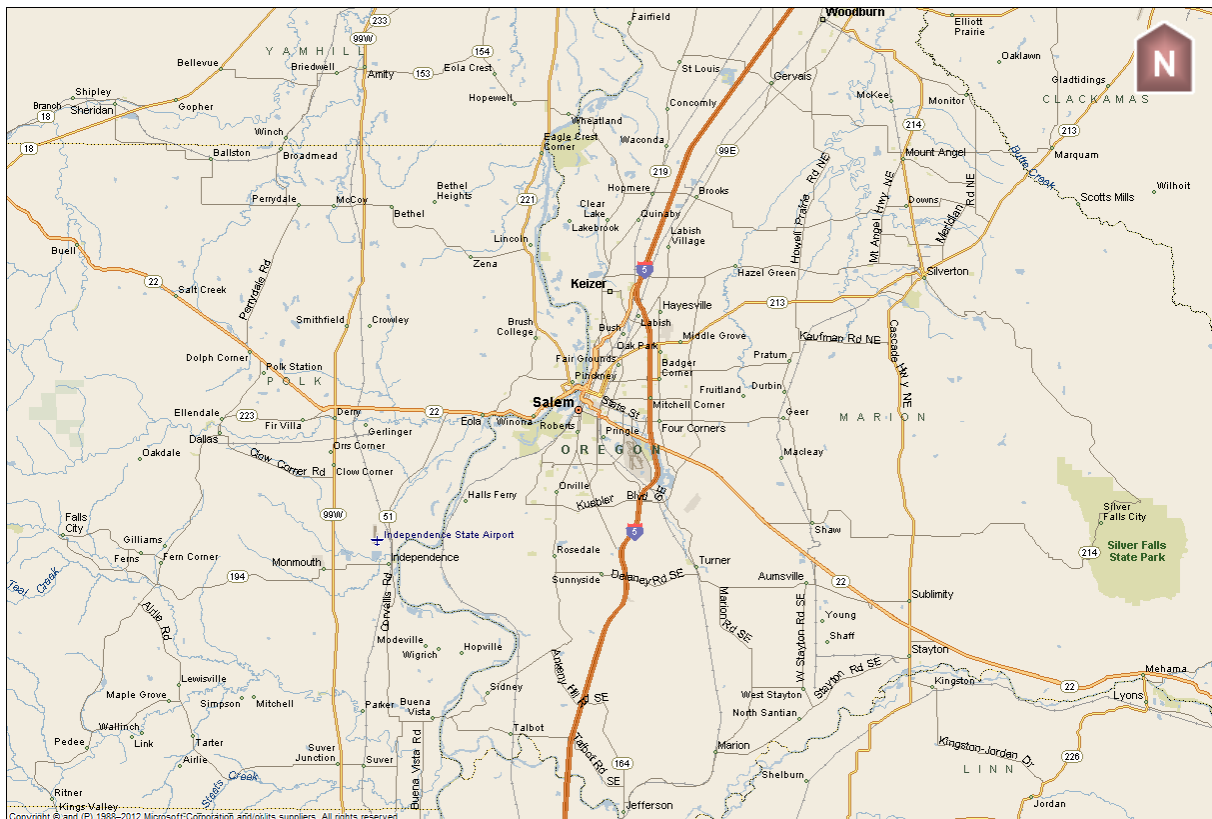
The purpose of this study is to survey the multifamily housing market in Salem, Oregon, specifically within the Salem Central Business District.

MARKET CONSIDERATIONS

The subject's broad marketplace is identified as the Salem MSA, Oregon, which is located in Marion and Polk Counties. The analysis initially focuses on key sectors in the broader Salem MSA market, narrowing to the local Salem CBD neighborhood, followed by analysis of the multifamily sector.

REGIONAL DESCRIPTION – SALEM MSA (MARION & POLK COUNTIES)

The Salem Metropolitan Statistical Area (Salem MSA) includes all of Marion and Polk Counties and covers roughly 1,900 square miles. Salem, the capital city of Oregon, is situated midway between Portland and Eugene along Interstate 5 in the heart of the Willamette Valley.



The Portland Metropolitan Area is about 50 miles to the north and the Eugene/Springfield Metro Area is roughly 60 miles to the south. The Pacific Ocean is 50 miles west with the Cascade Mountains approximately 50 miles to the east. The incorporated city of Keizer is located adjacent to the North Salem city limits.

MARKET STUDY (continued)

Salem's topography is generally level throughout the central business district, North and East Salem. The elevation is 171 feet above sea level at the State Capitol. Both West and South Salem have rolling hills with elevations as high as 1,000 feet. Soil and subsoil conditions are generally stable and conducive to development. Smaller bedroom communities located on the periphery of the Salem MSA offer similar physical characteristics with regard to topography. These smaller communities generally include a central business district and surrounding agricultural land. Topography is level to rolling.

CLIMATE

The Salem MSA climate is mild throughout the entire year with an average yearly high of 62.3 degrees and the average yearly low of 41 degrees. Salem has an average rainfall of around 39.1 inches, 70% of which falls between the months of November and March. Only about 6% of the rainfall is between June and August where the average high is 82 degrees and the average low is around 48.3.

POPULATION

The chart presented below illustrates population trends for the State of Oregon and Salem MSA during the past several years, as well as the annual percentage change since 2010.

As the chart illustrates, Oregon, Polk County, and Marion County grew between 0.39% and 1.04% per year from 2010 through 2020. Salem and Keizer experienced annual population growth of 0.94% and 0.01%, respectively, over the same time period.

POPULATION TRENDS												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Overall Annual % Change 2019-20
OREGON	3,837,300	3,857,625	3,883,735	3,919,020	3,962,710	4,013,845	4,076,350	4,141,100	4,195,300	4,236,400	4,268,055	1.12%
POLK COUNTY	75,495	75,965	76,625	77,065	77,735	78,570	79,730	81,000	82,100	82,940	83,805	1.10%
MARION COUNTY	315,900	318,150	320,495	322,880	326,150	329,770	333,950	339,200	344,035	347,760	349,120	1.05%
SALEM	155,100	155,710	156,455	157,770	159,265	160,690	162,060	163,480	165,265	167,400	168,970	0.89%
KEIZER	36,570	36,715	36,735	36,795	36,985	36,985	37,505	38,345	38,505	38,580	38,585	0.55%

Source: Certified Estimates July 1, 2020 Portland State University Population Research Center

EMPLOYMENT AND ECONOMY

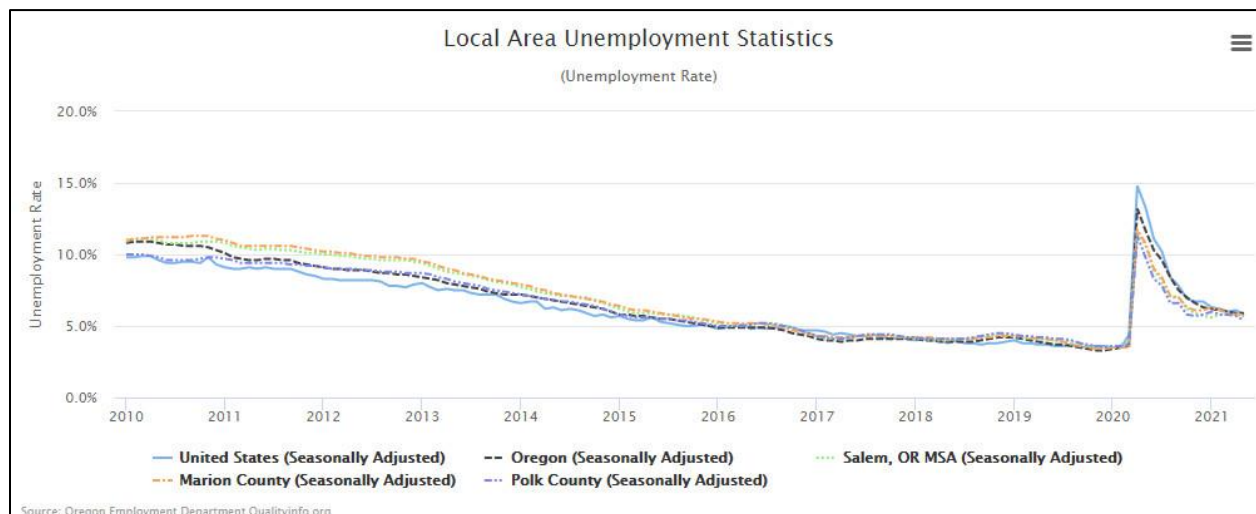
Prior to COVID-19, the Salem/Keizer MSA had generally recovered from the Great Recession. According to the Oregon Employment Department, the Salem MSA economy began to slow in early 2008. Hardest hit industries were construction, professional and business services, and manufacturing; however, as the national recession deepened, job loss in the Salem MSA spread to other sectors previously thought immune. Over the course of the next few years; however, employment gains were consistent amongst virtually all sectors of the economy.

MARKET STUDY (continued)

Unemployment rates in the Salem MSA have historically been consistent with statewide levels, falling above the national average. Unemployment skyrocketed during 2008, peaked in 2009, and remained relatively stable throughout 2010. Throughout the Great Recession, Oregon had one of the highest unemployment rates in the nation. Recessionary trends began to slow and more meaningful gains in employment for the Salem MSA occurred beginning in 2011. As of March 2020, the Salem MSA unemployment was 3.5%, which is slightly above the state of Oregon at 3.3% (as reported by <https://www.qualityinfo.org/>). In May 2021, the U.S. unemployment rate was 5.8%, as reported by the Bureau of Labor Statistics.

After the onset of the Coronavirus in the United States in March 2020, Salem/Keizer MSA unemployment spiked to 13.1% in April 2020, as social distancing mandates forced many service related businesses to close and layoff workers. Since the peak, unemployment has steadily decreased, measuring 5.8% in May 2021.

The following charts reflect economic indicators in the Salem MSA (Marion and Polk Counties), as produced by the State of Oregon Employment Department (www.qualityinfo.org):



Unemployment Rate for Salem, OR MSA (Seasonally Adjusted)													
Year	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	10.9	10.9	11.1	11.1	11.1	11.0	10.8	10.8	10.8	10.8	10.9	10.9	10.9
2011	10.3	10.8	10.6	10.5	10.4	10.3	10.4	10.4	10.3	10.3	10.2	10.1	10.1
2012	9.8	10.0	10.0	9.9	9.9	9.8	9.7	9.7	9.6	9.6	9.6	9.6	9.5
2013	8.6	9.4	9.2	9.0	8.8	8.7	8.6	8.5	8.4	8.2	8.1	8.0	7.9
2014	7.1	7.7	7.6	7.4	7.3	7.2	7.1	7.1	7.0	7.0	6.8	6.6	6.4
2015	5.8	6.2	6.0	5.9	5.9	5.9	5.8	5.8	5.8	5.7	5.6	5.4	5.3
2016	5.0	5.2	5.0	5.0	5.0	5.1	5.2	5.2	5.2	5.0	4.9	4.7	4.4
2017	4.3	4.3	4.1	4.1	4.1	4.2	4.3	4.4	4.4	4.4	4.4	4.3	4.2
2018	4.2	4.1	4.1	4.0	4.0	4.0	4.1	4.1	4.2	4.3	4.4	4.4	4.4
2019	3.9	4.3	4.2	4.1	4.1	4.0	4.0	4.0	3.9	3.8	3.6	3.5	3.5
2020	6.9	3.5	3.7	3.9	11.6	10.6	8.9	8.1	7.0	7.0	6.2	5.9	5.7
2021		5.6	5.8	5.8	5.8	5.8							

MARKET STUDY (continued)

Salem MSA Current Labor Force and Industry Employment					
	April 2021	March 2021	April 2020	--Change From--	
				March 2021	April 2020
Labor Force Status					
Civilian labor force	209,956	209,105	194,724	851	15,232
Unemployed	12,593	13,181	22,469	-588	-9,876
Unemployment rate	6.0%	6.3%	11.5%	-0.3	-5.5
Unemployment rate (seasonally adjusted)	5.9%	5.8%	11.6%	0.1	-5.7
Employed	197,363	195,924	172,255	1,439	25,108
Nonfarm Payroll Employment					
Total nonfarm employment	167,900	166,700	153,300	1,200	14,600
Total nonfarm employment (seasonally adjusted)	166,900	166,500	152,900	400	14,000
Total private	126,500	125,600	112,200	900	14,300
Mining, logging, and construction	13,500	13,100	12,200	400	1,300
Mining and logging	600	600	600	0	0
Construction	12,900	12,500	11,600	400	1,300
Manufacturing	11,300	11,500	10,900	-200	400
Durable goods	5,600	5,800	5,400	-200	200
Nondurable goods	5,700	5,700	5,500	0	200
Food manufacturing	3,500	3,600	3,600	-100	-100
Trade, transportation, and utilities	29,500	29,400	26,200	100	3,300
Wholesale trade	4,000	3,900	4,000	100	0
Retail trade	18,500	18,500	16,000	0	2,500
Transportation, warehousing, and utilities	7,000	7,000	6,200	0	800
Information	1,500	1,500	1,200	0	300
Financial activities	6,800	6,800	6,900	0	-100
Professional and business services	15,100	14,700	13,300	400	1,800
Administrative and support services	8,000	7,900	6,600	100	1,400
Education and health services	30,800	30,700	28,200	100	2,600
Health care and social assistance	27,100	27,100	25,200	0	1,900
Leisure and hospitality	12,700	12,700	9,000	0	3,700
Accommodation and food services	11,700	11,700	8,000	0	3,700
Other services	5,300	5,200	4,300	100	1,000
Government	41,400	41,100	41,100	300	300
Federal government	1,500	1,500	1,500	0	0
State government	20,700	20,600	20,300	100	400
State education	900	900	900	0	0
Local government	19,200	19,000	19,300	200	-100
Indian tribal	1,400	1,500	1,600	-100	-200
Local education	11,100	10,900	11,300	200	-200

As the chart illustrates, Government remains the top industry within the Salem/Keizer MSA; followed by Education and Health Services; Trade, Transportation and Utilities; and Leisure and Hospitality, which edged out Professional and Business Services over the past year.

MARKET STUDY (continued)

The following chart presents the major area employers in the Salem MSA, as well as the top Willamette Valley Traded Sector Employers:

Major Employers	Top Willamette Valley Traded Sector Employers
State of Oregon	T-Mobile USA Inc.
Salem-Keizer School District	Wells Fargo Phone Bank
Salem Hospital	May Trucking Company
Chemeketa Community College	Don Pancho Authentic Mexican Foods
Marion County	Kettle Foods Inc. / Diamond Foods
Federal Government	United Technologies
City of Salem	Cascade Steel
Kaiser Permanente	Panasonic Eco Solutions Solar America
State Accident Insurance Fund (SAIF)	Garmin AT Inc.
	Portland General Electric
	Willamette Valley Fruit Company LLC
	Summit Sportswear Inc
	Oregon Fruit Products Co Inc
	ATI Cast Products Salem
	Columbia Helicopter

Source: City of Salem & SEDCOR

MARKET UNCERTAINTY DUE TO COVID-19

Beginning in March 2020, the COVID-19 pandemic emerged in the United States, resulting in elevated unemployment, social distancing guidelines, cancelled in-person schooling, on-line education, and cancellations of all large gatherings and events. Most businesses instituted "work from home" measures and/or alternate work schedules for employees.

Over the course of the year, guidelines were heightened, then reduced to varying degrees based on case volume and deaths. After a surge in cases in fall 2020, a two week "freeze" was implemented on November 18, 2020, which limited restaurants and bars to take-out service only, closed gyms, outdoor recreational facilities, mandated work from home when possible, and limited grocery/retail stores to 75% capacity.

Following the two week "freeze", a new metric system was announced classifying counties into four groups:

- Lower Risk
- Moderate Risk
- High Risk
- Extreme Risk

MARKET STUDY (continued)

The following map illustrates Oregon's most current COVID-19 risk levels by county:

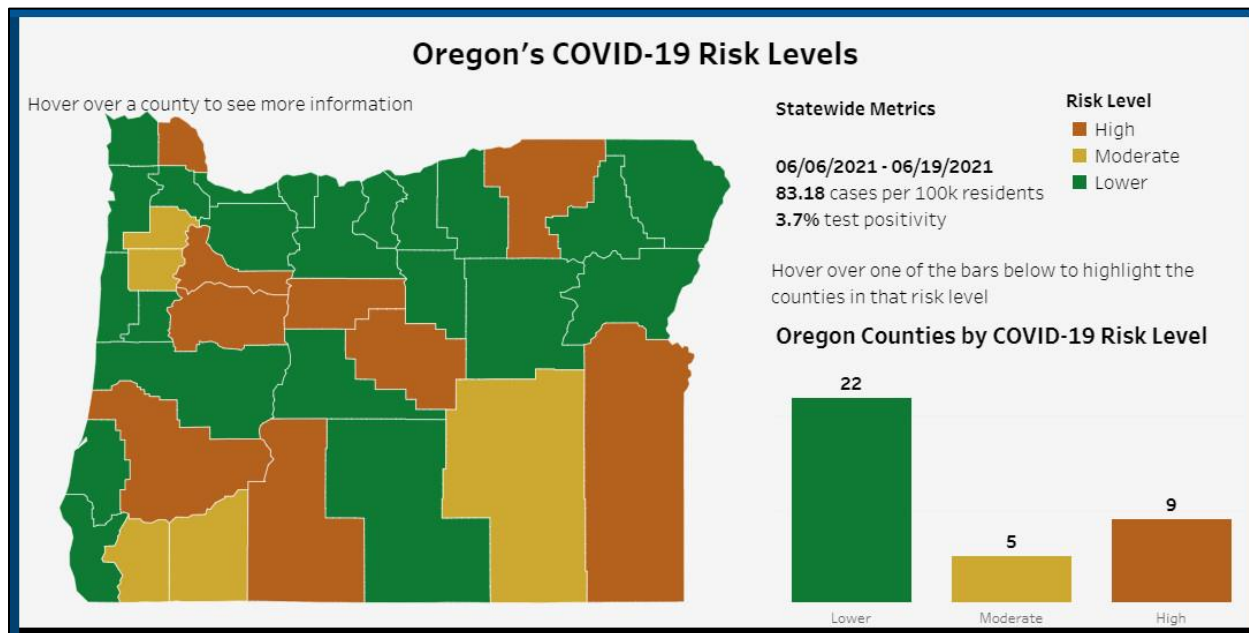


Image courtesy of the Oregon Health Authority: <https://coronavirus.oregon.gov/Pages/living-with-covid-19.aspx>

Marion County is located within the **“High Risk”** category, while Polk County carries a **“Moderate Risk”** level.

- Eating and drinking establishments are able to operate under the following restrictions:
- Limit indoor dining to 25% capacity or 50 people, whichever is less;
- Outdoor dining allowed with a 75-person maximum;
- Six people per party and per table maximum, limit two households;
- 11:00 p.m. closing time.

The metrics for a county to “move” to a lower risk category include: lower rates per 100,000 residents (for counties with over 30,000 people) or numbers of COVID-19 cases (for counties with under 30,000 people) in the last 14 days and decreased test positivity percentages. Metrics must fall within specified ranges for a county to be “downgraded” to the next level. These metrics are re-evaluated every two weeks to determine if a county may move to a different classification.

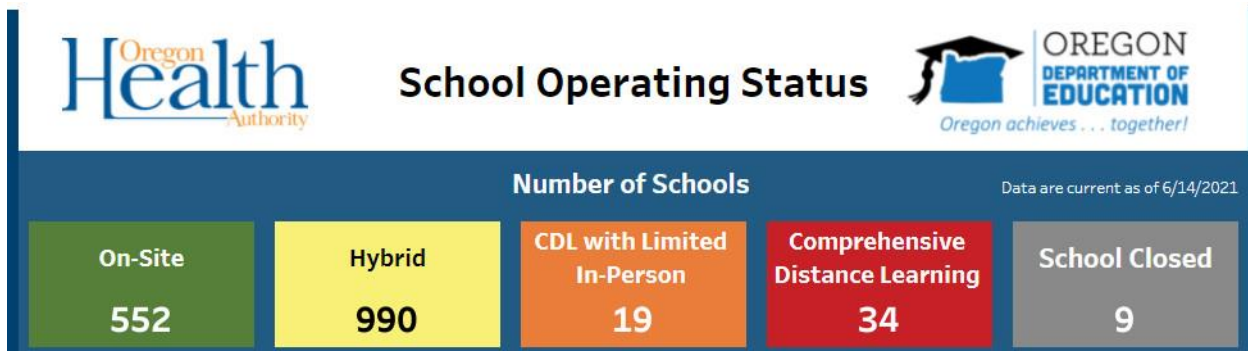
MARKET STUDY (continued)

The following table summarizes COVID-19 status for Oregon as of June 22, 2021.



Source: <https://public.tableau.com/profile/oregon.health.authority.covid.19#!/vizhome/OregonCOVID-19Update/CaseandTesting>

Oregon is moving forward to resume operations of schools throughout the state. The Oregon Health Authority most recent School Operating Status as of June 14, 2021 is provided below:



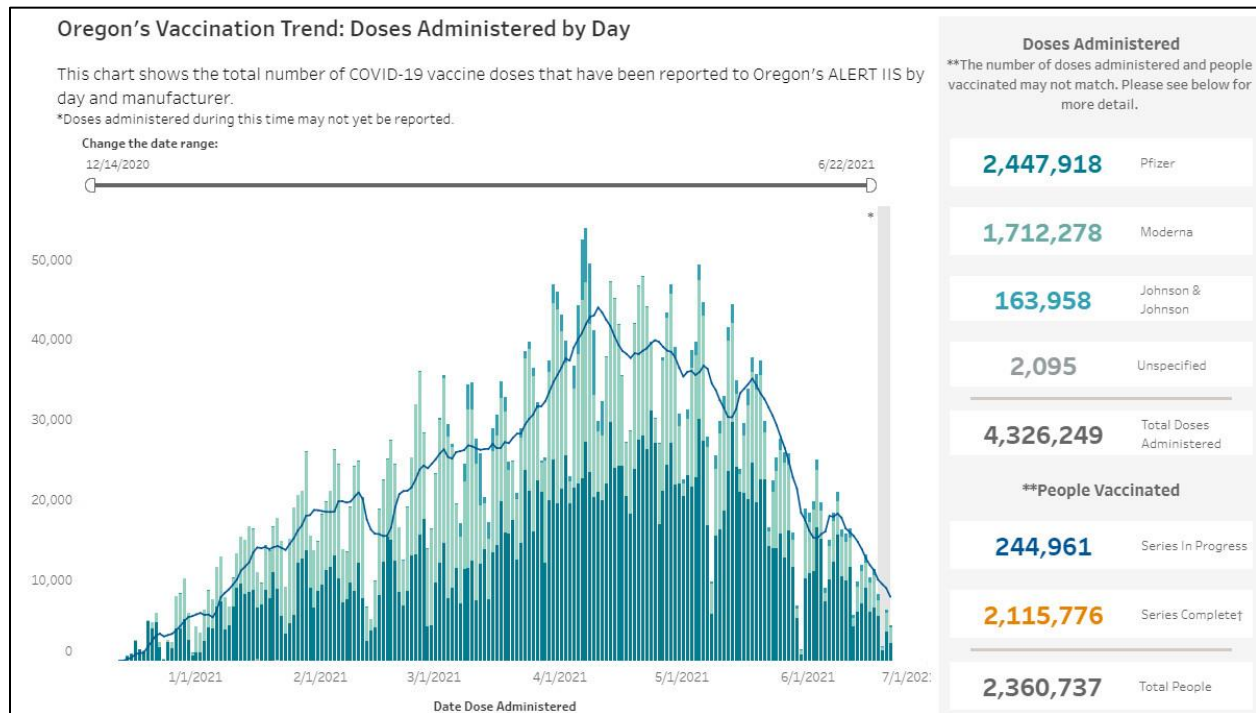
Source:

<https://public.tableau.com/profile/oregon.health.authority.covid.19#!/vizhome/OregonSchoolsReopeningStatus/SchoolReopeningMap>

COVID-19 Vaccine – Two mRNA vaccines were shown in clinical studies to be about 95% effective in preventing COVID-19 in adults, which resulted in the FDA approving both vaccines in December 2020. The Pfizer-BioNTech and Moderna vaccines require two shots (with the second shot administered after 21 days and 28 days, respectively), per FDA guidance.

The first COVID-19 vaccine in Oregon was administered on December 16, 2020; since then, 4,326,249 doses have been administered across Oregon to 2,360,737 people, with 2,115,776 people fully vaccinated as of June 22, 2021 (per PSU's July 1, 2020 population estimate, Oregon's population is 4,268,055).

MARKET STUDY (continued)

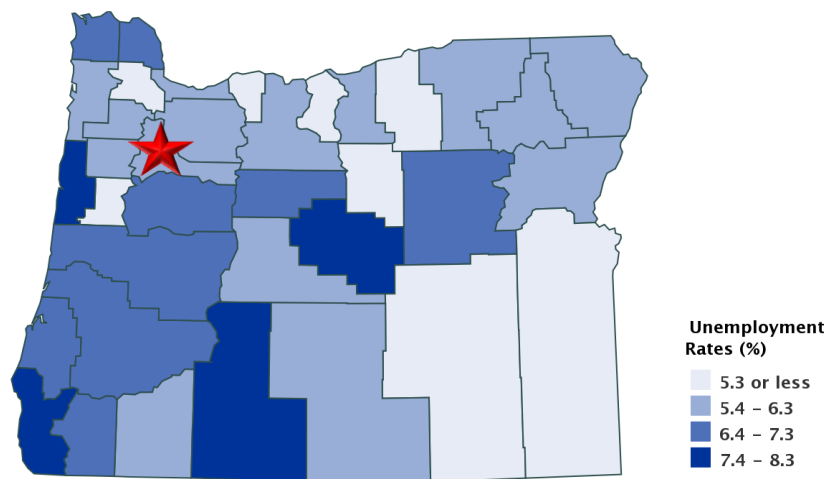


Source: <https://public.tableau.com/app/profile/oregon.health.authority.covid.19/viz/OregonCOVID-19VaccinationTrends/OregonStatewideVaccinationTrends>

In Marion County, 146,341 people were fully vaccinated as of June 19, 2021 (most recent available). In Polk County, 39,213 people were fully vaccinated as of June 19, 2021.

UNEMPLOYMENT RESULTING FROM COVID-19

Seasonally Adjusted Unemployment Rate, May 2021



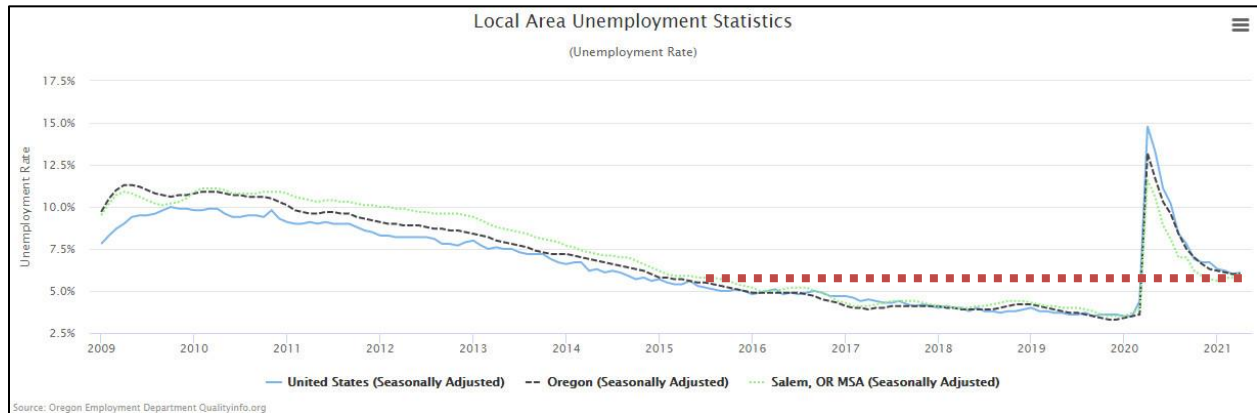
Oregon Employment Department, Local Area Unemployment Statistics

The COVID-19 pandemic resulted in massive layoffs and a corresponding spike in unemployment claims since businesses were forced to close their doors in mid-March 2020.

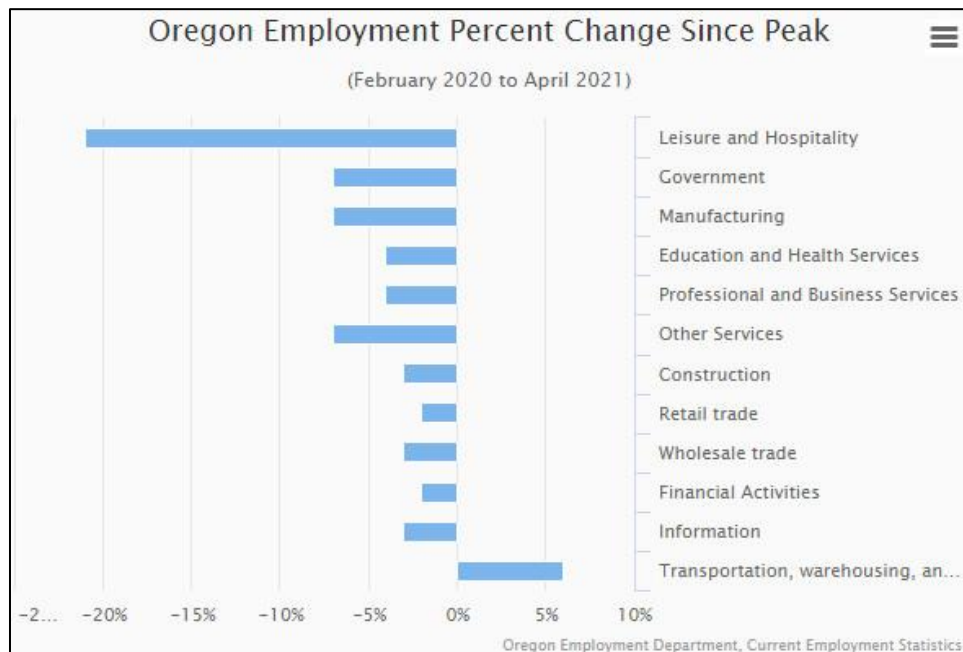
MARKET STUDY (continued)

Qualityinfo.org reports the Salem MSA registered a May 2021 unemployment rate of 5.8%. During the pandemic, unemployment in the Salem MSA peaked in April 2020 at 13.1% and decreased each month until reaching 5.6% in January 2021.

The following Unemployment Graph illustrates US, Oregon, and the Salem MSA unemployment trends from 2009 through April 2021. The current US rate of 5.8% is slightly below the current Oregon statewide rate of 5.9% and similar to the current Salem MSA rate of 5.8%. The current rate in the Salem MSA roughly aligns with unemployment statistics last witnessed in May 2015 as illustrated by the red dashed trend line in the following graph.



The following chart illustrates the percent change in unemployment by industry as of between the peak and April 2021, highlighted by employment levels decreasing by over 20% in the leisure and hospitality-related industries which includes eating and drinking establishments.



This illustrates the massive impact placed on the bars, restaurants, and the leisure/hospitality industry due to the pandemic, followed by government, manufacturing services. In contrast, employment levels have increased in the transportation, warehousing, and utilities sector by a reported 6%.

MARKET STUDY (continued)

On December 27, 2020, Congress passed and the president signed a \$900 billion COVID-relief bill, which provides stimulus checks of \$600 for individuals (\$1,200 for couples; \$600 for dependent children under 17) who make \$75,000 (individual) or \$150,000 (couples) or less. The payments phase out for incomes over these levels. Additionally, the bill provides \$120 billion in unemployment insurance and extends the Federal Pandemic Unemployment Compensation Program to March 14, 2021, which provides \$300 per week for all workers receiving unemployment benefits. Benefit eligibility is increased from 13 to 24 weeks, and state unemployment benefits may be claimed for up to 50 weeks under certain qualifying programs. The rental eviction moratorium was extended through January 31, 2021; eligible renters can apply for up to 12 months of rental assistance from a fund of about \$25 billion.

The bill also includes \$325 billion in small business funds, including \$284.5 billion for Paycheck Protection Program (PPP) loans; the maximum loan amount to each business is \$2 million. The bill includes \$20 billion for businesses in low income communities and another \$15 billion for live venues, independent movie theaters, and cultural institutions.

While less publicized, the health care industry benefits from a provision, which provides for a one-time, one-year increase in the Medicare physician fee schedule of 3.75%; this benefits all healthcare providers which accept Medicare payments. There is also \$3 billion in additional grants for hospitals and health care providers for lost revenue related to COVID-19 in 2020.

The bill also includes funding for COVID-19 related services such as contact tracing, vaccine distribution, testing, therapies, and medical product supply chain monitoring. These items also may benefit the health care industry. While this bill results in substantial spending, it is overall smaller than the CARES Act passed previously.

On March 11, 2021, President Biden signed into law new COVID-19 stimulus legislation. The IRS will immediately begin sending relief checks to those who qualify. The law also boosts funding for COVID-19 vaccine distribution. Below are three major payments that the new legislation authorizes for families and individuals struggling through the pandemic:

1. A \$1,400 stimulus check will be sent out to millions of Americans. However, the eligibility rules have tightened. There is now a hard ceiling on income levels designed to exclude higher earners from receiving a check.
2. Federal unemployment checks will be extended into fall 2021 (September 6th). The \$300 weekly unemployment benefits will also come with a reduced tax burden for households earning below \$150,000 per year.
3. The new law also expands the child tax credit that currently allows a \$2,000 claim for children under 17 years of age. The plan will extend the benefit to lower income families who wouldn't receive the credit before. Families can now claim up to \$3,600 per year for children under 6 and up to \$3,000 per year for children between the ages of 6 and 17.

While both financial markets and unemployment data reflect a potential recovery towards pre-pandemic levels, there is still significant uncertainty in all markets.

MARKET STUDY (continued)

Continued recovery, including the probability of another downturn, is dependent upon many factors, including, but not limited to:

- The impact of reopening schools and colleges, resulting in additional “waves” of the virus;
- The impact of the flu season and how it interacts with COVID-19;
- The time to administer a vaccine to a great enough proportion of the population to gain confidence in probable herd immunity.

At this stage of the COVID-19 event, it remains difficult to ascertain if an adjustment of any kind is warranted in the valuation of real estate. Prices have remained stable despite low sales volume. The impact has likely negated any upward trend in sale prices that have been exhibited in recent years. Continued monitoring of market trends is advisable as this global event continues to unfold.

GOVERNMENT/CITY SERVICES

Salem's charter-form of government features a City Council with eight Councilors, presided over by a Mayor who is elected at-large for a two-year term. The City Council appoints the City Manager. City services include a police force of 189 commissioned officers and a fire department with 11 stations staffed by around 160 fire fighters.

Salem's water supply comes from the North Santiam River, which flows from the Cascade Mountain Range into the Willamette River. It is fluoridated and lightly chlorinated. The Salem Secondary Treatment Plant was put into operation in late 1964 to meet the city's sewage disposal needs, and has a daily capacity of 42 million gallons. Portland General Electric and Salem Electric Company provide electric service. Natural gas is available from Northwest Natural Gas Company and telephone service is available through Qwest Inc. The City of Keizer features a Mayor and City Council. Keizer provides water and police protection, while the City of Salem provides sewer service. The Keizer Fire District provides fire protection.

TOURISM

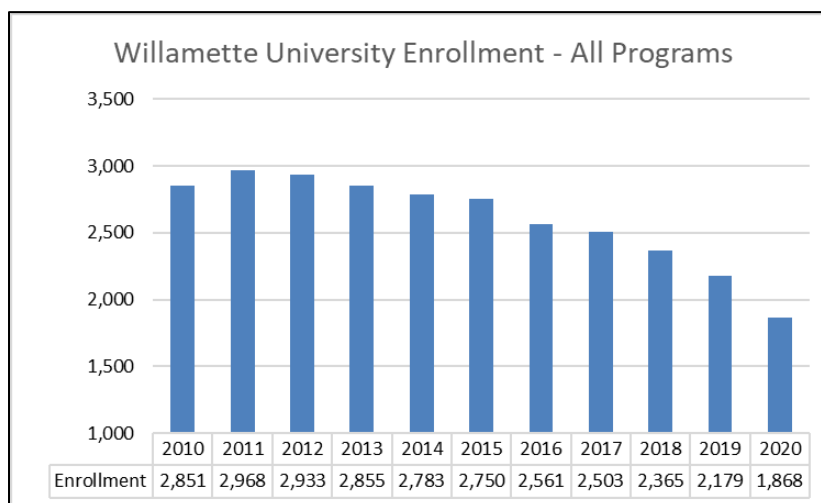
Tourism also provides substantial economic benefits to the Salem-Keizer area. Historic and state governmental landmarks attract local, national and some international visitors. Salem continues to have an influx in tourism in late-August, due to the Oregon State Fair. **The Grand Hotel** includes nearly 200 rooms and suites. The hotel opened in May 2005 in conjunction with the opening of the well-received Bentley's Grill restaurant and lounge. The hotel is sited adjacent to the **Salem Convention Center** in the Central Business District, sharing underground parking. The Convention Center includes over 30,000 SF of meeting space, with 14 rooms that can be utilized separately or as for one large event. Any community organization, business, or function may host an event at the Center.

MARKET STUDY (continued)

EDUCATION

Salem-Keizer Public Schools is the second largest district in the State with more than 43,000 students. It provides a sound educational foundation for students in kindergarten through 12th grade. **Chemeketa Community College** in Northeast Salem offers one and two-year occupational programs in about 40 fields; enrollment is approximately 10,151 students.

Willamette University is the oldest university in the west, located on 60 acres in Salem's Central Business District. It is a private independent university with a 2020-2021 enrollment of 1,303 undergraduate students, 332 college of law students, and 153 Atkinson Graduate School of Management students. Willamette University's total enrollment for all programs is reportedly 1,868 as of October 2020 (most recent data available).



Source: Willamette University Factbooks: <https://willamette.edu/offices/ir/factbooks/index.html>

Also located in Salem is the former Western Baptist College, whose name was changed to Corban College in 2005, and has since been changed to **Corban University** and had a 2019-20 enrollment of 2,750 students (most recent available). **Western Oregon University** is a public liberal arts university, located 20 minutes west of Salem, in Monmouth. Enrollment at Western Oregon University for the Fall 2020 totaled approximately 4,554 students (most recent available).

PROPERTY TAXES

In November 1996, Oregon voters approved a property tax limitation measure (Measure 47) which went into effect during the 1997/98 tax year. Under the provisions of this measure, property taxes at July 1, 1997 were reduced to the smaller of the 1994/95 tax, or the 1995/96 tax, less ten percent. Tax increases for subsequent years was limited to three percent per year, with exceptions for new construction, major remodeling, annexations and rezoning. On May 21, 1997, voters approved a re-write of Measure 47 in the form of Measure 50. This revision effectively rolled back assessed values and tax levies freezing tax rates to 1995/96 levels. In addition, appreciation was capped at three percent per year.

MARKET STUDY (continued)

RESIDENTIAL MARKET

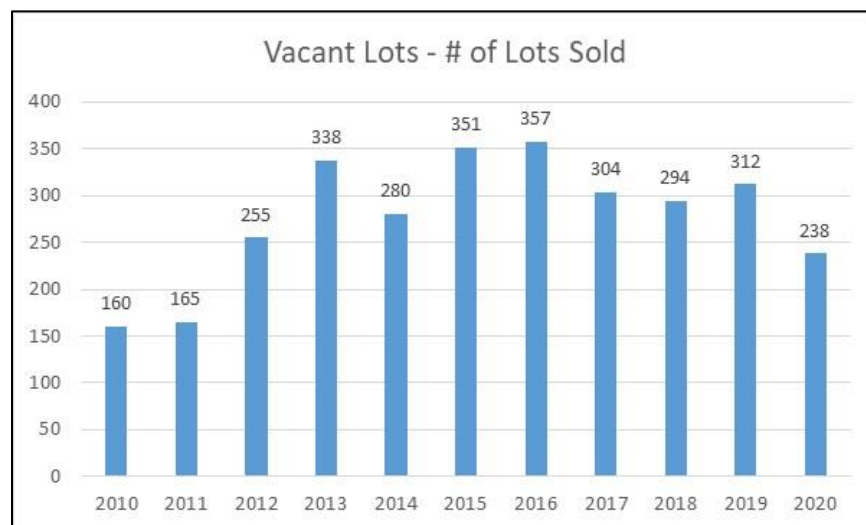
Single family Residential Lots – After several years of healthy absorption leading up to the Great Recession, new construction generally stopped between 2009 and 2012. Developers offered significant discounts to builders willing to buy lots in bulk through the recession. Development resumed beginning in 2013. New construction has increased and numerous new single-family subdivisions are in the planning and development phase throughout the MSA. There are over 600 single family lots in varying stages of development at the Northstar development in NE Salem at the corner Kale Road and Cordon Road. DR Horton is the developer. Further, there are currently an additional 1,500 lots at the former Pictsweet mushroom plant in East Salem.

The following table illustrates Willamette Valley lot sale statistics from 2010 through the end of 2020 as provided by Willamette Valley Multiple Listing Service. The statistics presented are intended to be a reflection of vacant lot sales in general.

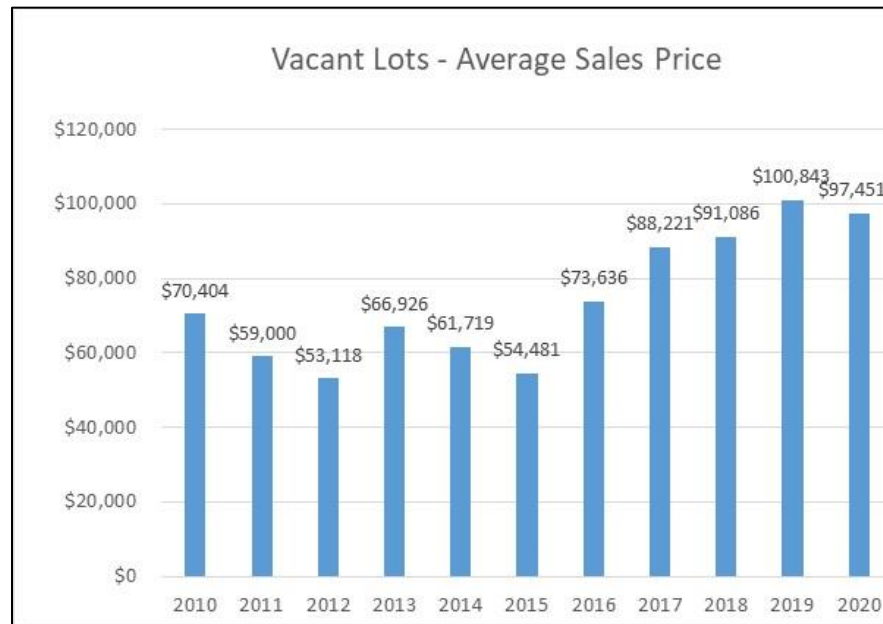
WVMLS Lot Statistics 2010 - 2020				
Year	Lots Sold	Avg \$/Lot	DOM*	Lots Listed
2010	160	\$70,404	168	846
2011	165	\$59,000	234	576
2012	255	\$53,118	263	615
2013	338	\$66,926	283	609
2014	280	\$61,719	252	394
2015	351	\$54,481	304	367
2016	357	\$73,636	302	290
2017	304	\$88,221	218	564
2018	294	\$91,086	204	359
2019	312	\$100,843	169	193
2020	238	\$97,451	240	117

*Days on Market

The trends are illustrated in the following charts:



MARKET STUDY (continued)



In 2020, the number of lots sold decreased slightly from 2019 and the average sale price decreased to \$97,451, a 3.36% decrease over the previous year, or -0.28% per month. The number of lots sold in 2020 was the lowest since 2011. Note, the average price per lot set a 10 year high in 2019. The slight decline in average price in 2020 remains the highest average lot price over the 10 year period, with the exception of the 2020 high. This is most likely a sign of declining lot inventory.

Single Family Homes - According to the *Willamette Valley Multiple Listing Service (WVMLS)*, the average sale price of a **single family** home sold in the Salem/Keizer market area decreased between 2007 and 2012. Consistently lowered interest rates stimulated residential expansion to unprecedented levels prior to the recession, with new subdivisions being developed throughout the Salem MSA, including the small bedroom communities of Dallas, Stayton, Sublimity, etc. However, the economic downturn that began in 2008 stalled new development of single family homes and sale prices began to decline.

Recovery emerged in 2013, and has continued annually through year-end 2020; prices have increased between 6.09% and 11.64% per year. The 2016 average sale price finally surpassed the average price as reported at the height of the market in 2007. 2018 experienced the greatest price increase since 2007.

HOUSING TRENDS (AVERAGE SALES PRICE BY AREA)															
AREA	NEIGHBORHOOD	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
10	KEIZER	\$229,379	\$231,879	\$204,747	\$200,449	\$186,257	\$177,231	\$200,691	\$212,451	\$228,235	\$256,083	\$276,990	\$300,836	\$326,521	\$353,596
20	CENTRAL	\$157,079	\$153,849	\$144,558	\$121,048	\$110,633	\$101,111	\$121,602	\$141,510	\$145,819	\$168,057	\$200,287	\$227,446	\$243,738	\$267,145
30	NORTH A	\$206,858	\$191,029	\$172,070	\$164,755	\$150,713	\$131,690	\$152,181	\$162,746	\$187,193	\$209,396	\$227,936	\$272,368	\$306,112	\$330,865
35	NORTH B	\$199,803	\$192,505	\$184,831	\$174,089	\$153,768	\$155,072	\$165,920	\$183,966	\$201,911	\$229,343	\$255,348	\$285,643	\$307,356	\$339,967
40	SOUTHEAST	\$276,266	\$256,201	\$225,732	\$221,513	\$195,084	\$195,026	\$216,998	\$229,231	\$256,625	\$284,586	\$309,156	\$347,463	\$353,171	\$390,190
50	SOUTH	\$311,226	\$288,442	\$259,896	\$254,274	\$239,344	\$244,789	\$261,056	\$264,105	\$301,696	\$322,094	\$355,927	\$388,438	\$392,446	\$443,888
60	WEST	\$294,995	\$257,827	\$246,132	\$232,493	\$207,383	\$203,201	\$231,284	\$235,298	\$252,158	\$277,550	\$317,059	\$342,803	\$366,047	\$393,251
90	MARION COUNTY	\$249,100	\$231,951	\$210,748	\$195,465	\$192,224	\$195,128	\$198,411	\$222,347	\$249,230	\$271,827	\$293,538	\$333,395	\$354,161	\$398,937
95	POLK COUNTY	\$232,396	\$222,252	\$198,532	\$196,252	\$171,895	\$181,584	\$195,440	\$207,252	\$235,510	\$250,752	\$272,446	\$302,417	\$321,707	\$352,988
AVERAGE		\$239,678	\$225,104	\$205,250	\$195,593	\$178,589	\$176,092	\$193,731	\$206,545	\$228,709	\$252,188	\$278,743	\$311,201	\$330,140	\$363,425
Annual % Change		-	-6.47%	-9.67%	-4.94%	-9.52%	-1.42%	9.10%	6.61%	10.73%	10.27%	10.53%	11.64%	6.09%	10.08%

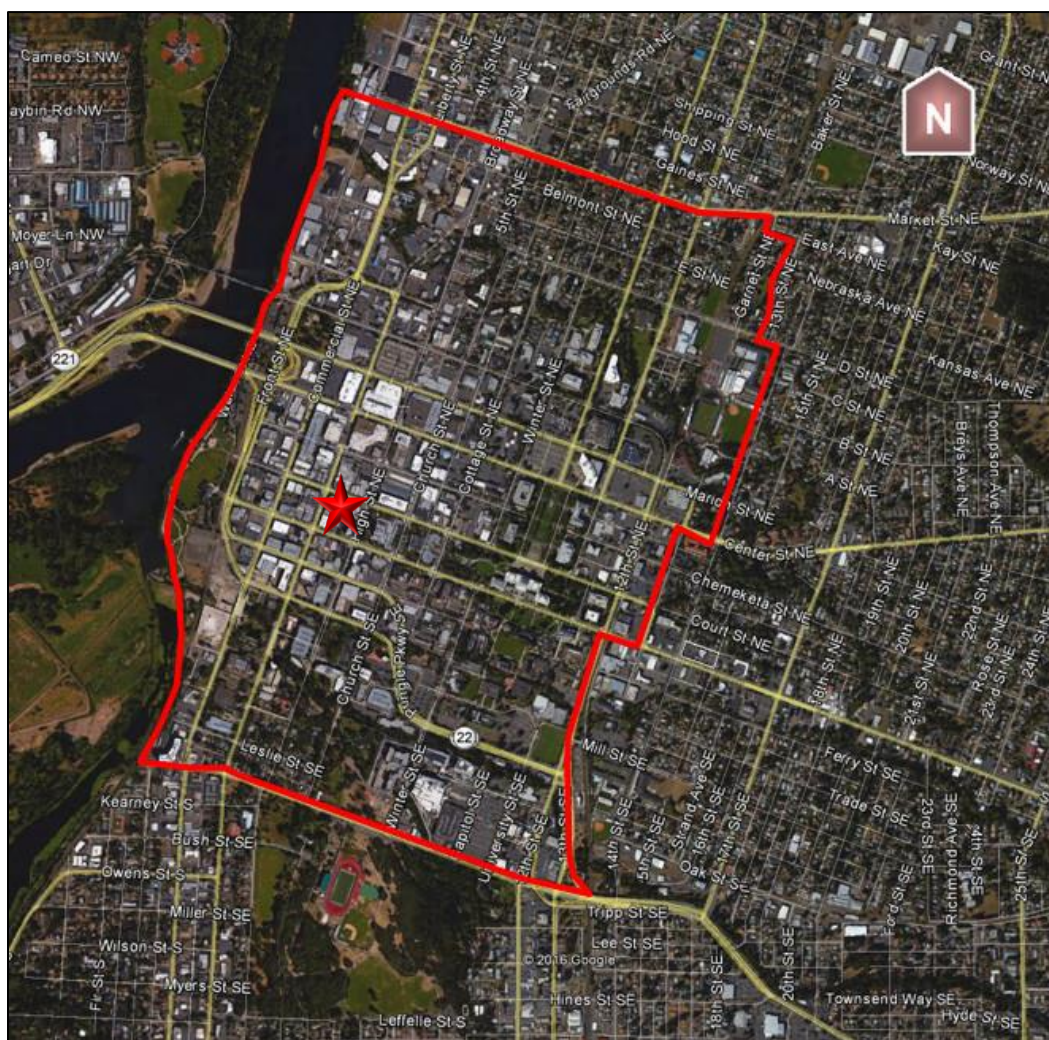
Source: Willamette Valley Multiple Listing Service - Annual Statistics

The **multifamily** sector is discussed in greater detail within the following market study.

MARKET STUDY (continued)

Salem MSA Regional Summary - The Salem/Keizer Metropolitan Statistical Area is a typical state capital with high government employment resulting in relatively stable employment rates and lower instability in real estate markets. Recessionary trends and uncertainty regarding financing generally stalled new development from 2008 through 2012. However, the market has since recovered and new development in most property types is occurring throughout the MSA. Beginning in 2018; however, residential and retail markets in competing regional areas such as Portland began to slow. The trend will likely filter down to the smaller markets within the Salem MSA. Going forward, stabilization is likely; however, the ongoing COVID-19 pandemic may have lasting impacts on the local economy. A wait and see approach is recommended over the mid-term.

NEIGHBORHOOD DESCRIPTION – SALEM CENTRAL BUSINESS DISTRICT

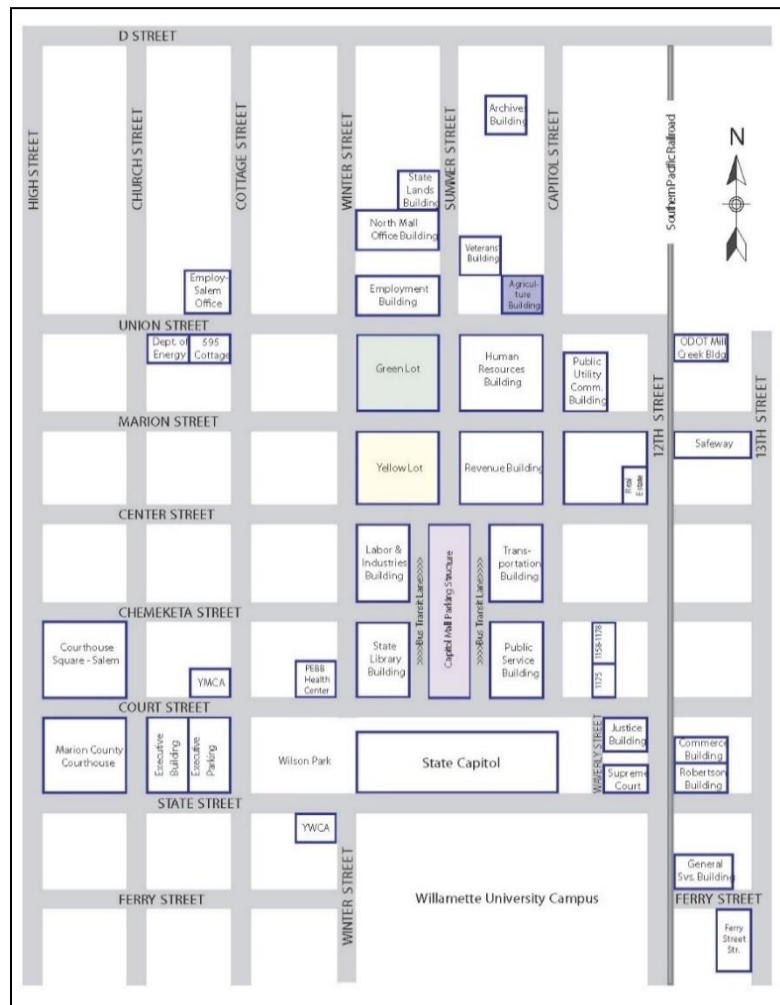


A neighborhood is defined as a geographic area characterized by a similarity of users and/or uses within which any change has a direct and immediate effect on the subject and its value or marketability. The subject neighborhood is identified as **the Salem Central Business District (CBD)**, a portion of the Salem-Keizer Metropolitan Statistical Area (MSA), which generally extends from the Willamette River on the west to 13th Street on the east and from Mission Street on the south to Market Street on the north.

MARKET STUDY (continued)

This area includes the original settlement of Salem with several of the commercial and residential buildings over 100 years old. This area also includes the State of Oregon Capitol and Mall, including State facilities such as the Supreme Court, Department of Commerce, Public Services, Department of Transportation, Department of Education, Department of Agriculture, Department of Human Resources, and Department of Revenue. The Marion County Courthouse and City Civic Center are also situated in the neighborhood. Willamette University, a small, private college, occupies several blocks in the southeast portion of the neighborhood, as does Salem Hospital. The Salem Convention Center is located within the southwest quadrant of the neighborhood.

The **Capitol Mall** consists of about 45 acres and extends north from State Street to D Street and between Winter and Capitol Streets. A 1,250-space underground parking structure was added in 1992 under the Capitol Mall's center courtyard. The State owns about 2.5 million square feet of office space in the CBD, exclusive of the Capitol and Judicial Buildings. The map below depicts the Capitol Mall:



Map Courtesy of the State of Oregon

The State of Oregon Facilities Division completed a major \$20.7 million building project located in the North Mall portion of the State Capitol in 2003; the centerpiece includes a 115,000 SF multi-story office building which houses approximately 450 employees of the Housing and Community Development, Parks and Recreation, and Water Resources departments.

MARKET STUDY (continued)

Another State of Oregon project included the acquisition and relocation of seven single-family residences in the immediate area of the 2003 state office building project just north of Mill Creek. These residences were renovated for State agencies' use and serve as a buffer, softening the transition from the residential Grant neighborhood north of D Street, toward the Capitol Mall to the south.

Although Salem has several suburban malls, the CBD has retained retail tenants by development of Salem Center, a five-block assemblage of older, historic buildings and new development converted into an urban mall with adjacent parking garages, all connected by "sky-bridges." Department stores in the Center include Macy's, Kohl's, Ross, and numerous smaller shops. Liberty Plaza, a retail/office building, is connected by a sky-bridge to the former JC Penney and the Chemeketa Parkade.

After **Nordstrom** shuttered its doors in the Salem market in April 2018, the two-story, 72,000 SF anchor location adjacent to the Salem Center Mall in downtown Salem was sold to a regional and local investment team in June 2019 for a reported price of \$3.2 million (\$44/SF). A March 2019 article in the Statesman Journal reported the buyers hope to "transform the space into something good for the downtown area." They were reportedly attracted to the property based on its location in the urban renewal zone and opportunity zone. Future plans for the site have not been publicly reported.

In summer 2020, the **JC Penney** location in downtown Salem also closed as part of a nationwide cutback closing 154 locations nationwide. **TJ Maxx** also relocated to the Willamette Town Center campus in Northeast Salem.

Kristen Retherford, Urban Renewal Director for the City of Salem, has stated that both the Nordstrom and JC Penny buildings would qualify for urban renewal grants.

The City encourages preservation and revitalization of the CBD and has added parking structures, streetscape improvements, and parks. The Downtown Parking District operates three free short-term parking garages, which encourage downtown shopping. Parking has long been an issue in the downtown core, with the Downtown Advisory Board assessing a mere 10,000 parking stalls located in the CBD. Employees in the CBD are able to secure long term parking in the parkades payable via monthly rates ranging from \$15 to \$75 per month plus a one-time set-up fee. Existing street parking carries a two-hour time limit, which is enforced by daily patrols.

There are several parks in the area. **Wilson Park** occupies a city block west of the State Capitol and north of Willamette University. **Riverfront Park** is a redevelopment of an old industrial area, containing 22 acres located along the Willamette River. This park bounds the CBD along its westerly boundary. **Bush Pasture Park** is a 90.5-acre mixed-use urban park that comprises the southern tip of the neighborhood and includes Willamette University athletic fields. The park includes four lighted tennis courts, several playground areas, the Historic Bush House/Museum, Bush Greenhouse and gardens, Bush Barn Art Center and Gallery, Soap Box Derby track, walking/jogging/bike paths, picnic areas, and horseshoe courts. **Deepwood Museum & Gardens** (built in 1894) forms the eastern portion of the park, situated on approximately four acres.

Transportation in the CBD is via surface streets with a grid system. Because of congestion, most streets in the neighborhood are one-way and are generally three or four lanes with parking lanes on most streets.

Commercial and Liberty Streets combine to provide the major north-south arterial couplet in the CBD that connects the neighborhood to residential areas in the south

MARKET STUDY (continued)

(South Salem) and north (Keizer). 12th Street provides additional access to the south. Fairgrounds Road provides access to the northeast residential neighborhoods.

Mission Street (Santiam Highway 22), State Street, Center Street, D Street, and Market Street all connect the CBD with Interstate 5 and East Salem. Marion and Center Streets combine to provide an east-west couplet within the CBD and bridges across the Willamette River to West Salem. The Marion/Center couplet also provides a route to the ocean beaches (State Route 22) from Interstate 5, via Mission, State, or Center Streets.

CBD development includes a variety of uses typical of a downtown core area. Retail and office uses dominate the area with residential uses concentrated on the fringes of the neighborhood. Some detached single-family residential development still exists in the core although it is minimal. Restoration of apartments located above street level retail in historic CBD buildings is becoming more common; examples of above-level apartments include the renovated Wild Pear building on State Street, the Bishop Building on Liberty Street, the Vernon Jewelers building located on the corner of Liberty and Court Streets, and the PGE/Yeater Buildings fronting Liberty Street NE.

Other examples of mixed-use development in the downtown core include the former Montgomery Ward building (Salem Arts Building) and the Metropolitan. The historic **McGilchrist and Roth Buildings** at the northeast corner of Liberty and State Streets were renovated in 2014. The 44,000 SF project included lower level commercial space and nine second floor apartments. The commercial space includes the Archive coffee shop and bar and a candy store. In 2016, Ritter's, a full service restaurant with bar and event space, opened in the corner retail/restaurant space previously occupied by Gayle's Italian Market.

Newer mixed-use projects include **295 Church Street** (2008 completion) and **The Rivers** (2010 completion), both of which are residential condominium projects. On the southern fringe of the neighborhood is **The Meridian**, a multi-story mixed used office, retail and residential condominium development. The building was completed in 2009 but remained largely vacant for several years. In 2012, the project sold. The professional office units were leased and the residential condominium units are now operating as apartment rental units.

Notable office development includes **Riverview Place** located along Ferry Street. The three-story building with street-level covered parking was completed in 2008. It is partially owner occupied by a local development firm. Ground broke in 2008 for **Waterplace** located on the former Tudor Rose site on Liberty Street along Pringle Creek. The 41,440 SF project was completed in 2010 and offers six levels of office space, a landscaped roof garden, street level space for a fine dining establishment and a creek side plaza. The building was designed to obtain a LEED Gold Certification, the second highest award for sustainability. The project was reportedly 75% pre-leased and achieved stabilization within one year.

MARKET STUDY (continued)

In 2007, the former Boise Cascade industrial site sold and was re-zoned as the South Waterfront Mixed Use zone, created by the City of Salem to promote development of this property. In 2009 and 2010, the original Boise Cascade property improvements were demolished. In 2014, the City of Salem announced its intent to buy riverfront land and private developer Mountain West Investment Corporation announced commencement of development of a multi-family project at the former Boise site.



This is a public/private venture in which the City negotiated a \$2 million purchase of 3.8 acres of land for park expansion. The City completed construction of the \$10 million Peter Courtney Minto Island Bicycle and Pedestrian Bridge, illustrated in the previous aerial photo, in late 2017. This bridge connects 1,300 acres of parks and more than 20 miles of off-street trails in downtown, West, and South Salem.

The developer constructed Phase 1 of **South Block**, which includes 168 apartment units and 15,000 +/- SF of commercial space in the south portion of the site; the first phase of apartments was completed in August 2015. Construction of Phase II was completed in January 2017 and included an additional 63 units. Stabilization was achieved by the end of February 2017.



Ticor Title leased 9,945 SF of ground-level commercial space in Phase 1 of the South Block project for a five-year term with a base starting rent of \$2.44 per SF, full service; occupancy began in November 2015. The developer planned to use the City's multiple unit housing tax incentive program for this portion of the project. Future plans for the northern portion of the site include a 38,000 SF post-acute rehabilitation center (Marquis). **Park Front**, a four-story, 23,070 SF professional office building, was completed in spring 2018. According to pre-leasing marketing materials, construction was expected to cost an estimated \$8.5 million; the building was fully absorbed prior to completion of construction.

Currently under construction (2021) is the **Gerry Frank Salem Rotary Amphitheater** at Riverfront Park. It is expected to be completed by summer 2021 and will be owned and operated by the City of Salem once completed. Part of the project was adding 55 additional parking spaces south of the existing parking lot near the Carousel. The new amphitheater is expected to help draw in higher-profile artists to perform and take advantage of the increased capacity compared to the Park's former outdoor venue.



MARKET STUDY (continued)

Another new construction project is the redevelopment at **245 Court Street NE**. Demolition began in 2017 of the former office building on the site to make way for a five-story, 43,790 SF mixed-use project with 40 apartments (the Court Yard) and street level commercial space in a free-standing building, as well as 42 parking spaces. The project was expected to cost about \$9 million (\$206/SF) to construct, according to a proposal submitted to the City of Salem's Urban Renewal Agency Board, which provided a \$740,000 Opportunity Grant to the developer. The apartments were completed in late spring 2019 while construction of two retail/restaurant spaces on the same tax lot were completed in mid-2020, now occupied by La Familia Cider and Azul's Tacos.



At the corner of Ferry and Church Streets SE, the former Barrick Funeral Home building was demolished for the construction of a new **Starbucks** location with a drive-through and on-site parking. Construction was completed in March 2017. The 21,562 SF site was purchased in January 2016 for \$585,000 (\$27/SF). According to public records, the building is approximately 1,920 SF.



Recent renovation projects include **SAIF's High Street Building**, which began a full-scale seismic remodel, full interior retrofit, and floor-area expansion in 2016. This project was completed in 2018. Additionally, SAIF's 440 Church Street Building was renovated between 2018 and 2019.



In December 2016, **Pacific Office Automation** announced its acquisition of 260 Liberty Street NE in downtown Salem, in the immediate vicinity of the Salem Center Mall. The building had been vacant for almost a decade. POA has since renovated the west and portions of the north and east facades, installed all new structural components, and partially renovated the interior to reflect an office buildout for POA, as well as shell retail/restaurant space on the street level, with open office areas on the second floor and lower level. The building is

partially owner-occupied. One available street level tenant space was leased to Chronic Tacos, with occupancy anticipated for summer 2020; however, the space remains vacant as of spring 2021 – likely due to the COVID-19 pandemic. The second floor space is currently offered for lease at \$1.85 per SF per month full service less janitorial (modified gross), with the lower level offered at \$0.90 per SF, "as is". The building is elevator served. The renovation cost was projected to be roughly \$1.6 million.

MARKET STUDY (continued)

The building immediately adjacent to the north was also acquired in the same transaction; however, future plans for the site located at the southeast corner of Liberty and Chemeketa Streets NE remain unknown at this time. The building was razed in summer 2017. A local developer is in the due diligence phase regarding a possible mixed retail with upper level apartment unit development.

In 2006, a fire destroyed the McMahon's Furniture store located at the southwest corner of Commercial and State Streets. The property sold as bare land in June 2006. In December 2012, the site sold again, this time for \$53 per SF. The buyer, KOZ Development, recently completed construction (March 2021) of **Koz on State**, a mixed-use project with 148 units and 5,300 SF of ground floor retail. The unit mix includes 10 two-bedrooms (with laundry in units), two one-bedrooms, and 136 studios. The building features a courtyard that provides a secluded gathering area for the building's residents to congregate and socialize. The units include fully appointed kitchens and bathrooms and are furnished with full/queen size beds. The studio spaces have murphy beds, which allow the space to live larger. The building permit application was approved in June 2019, with construction commencing in early Fall 2019. Construction was completed in March 2021. Lease up commenced in Spring 2021 and is ongoing at this time.



In December 2018, a Portland development team announced plans to build a \$43 million hotel in downtown Salem at the corner of Commercial and Ferry Streets SE, northwest adjacent from the convention center. Per an article in the Statesman Journal, the property will have studio and one-bedroom suites, with an emphasis on extended-stay guests. The former auto repair shop and parking structure on the site was demolished in July 2019; in August 2019, the developers applied for a Property

Line Adjustment and Class 3 Site Plan Review for the project; the application reports the building will be seven stories, with 126 rooms and above-ground structured parking. The project is identified as the **Holman Riverfront Park Hotel**.

The Salem Family YMCA is currently gathering funding to build a new two-story, 51,000 SF building (rendering pictured right, courtesy of CB Two Architects). According to the FAQ document on the Y's building campaign page, this new structure is intended to replace the current YMCA building and will have amenities such as a natatorium, a childcare area, classrooms, and a



rooftop running track, as well as typical exercise areas. The organization originally planned to invest \$26.5 million into the development project but scaled back costs by \$6 million due to challenges surrounding funding. Demolition was completed in fall 2019, with construction commencing at that time. During the construction period, the YMCA

MARKET STUDY (continued)

will be working with the Kroc Center to ensure continued access to facilities that their members pay for.

Industrial uses in the CBD have largely disappeared as such users have relocated to suburban areas. There is a small pocket of older industrial uses along the Willamette River near Union Street.

The **Salem Hospital** is located along the southerly fringe of the CBD. Additions to the campus in the last decade include a new patient center, parking structures and numerous outbuildings to service the changing health industry.

In 2010, Salem Hospital purchased the former Oregon School for the Blind for \$6 million from the State of Oregon. The 8.67-acre site is located at the corner of Church and Mission Streets across from the Willamette University Stadium, Bush Park and adjacent to the southwest quadrant of the Salem Hospital Campus. In 2016, construction was completed on the new **Outpatient Rehabilitation Center** (pictured at right courtesy of Salem Health), hospital hospitality house, and a garden, which includes commemoration of the site's former purpose and an inclusive outdoor therapy area for adults and children. The building opened to the public in early 2016.



In 2019, Salem Hospital announced plans to build a new, seven-story tower, to be connected east of the existing emergency room building to accommodate the growing demand for hospital services in the region. The building will add 150 capacity beds, with outpatient services on the first floor. Per an article in the *Salem Reporter*, completion is anticipated by 2022. Construction is anticipated to cost about \$235 million, and began in 2020. The presence of the hospital is a defining force in the neighborhood, and is one of Salem's largest employers.

Courthouse Square is located within the heart of the CBD and it is a one-block project flanked by Court, Church, Chemeketa and High Streets. The property is jointly owned by Marion County and Salem Area Mass Transit and encompasses 2.65 acres. It includes the five-story Courthouse Square office building with underground parking structure, the adjacent City of Salem two-lane **Transit Mall**, and an excess land component referred to as the "North Block". Completed 2000, the building improvement includes a gross building area of 157,094 SF. The building and site improvements (including the office building, underground parking garage, and transit mall) were closed in 2010 due to safety concerns from foundation integrity issues (cracking/deteriorating). A multi-year remediation was completed in 2014. The entire project has since reopened.

North of the heart of the CBD has also seen recent activity. In June 2017, the Mid-Willamette Valley Community Action Agency (MWVCAA) purchased the vacant former Coldwell Banker building located at the corner of Commercial and Front Streets. It now serves as the home of MWVCAA's **ARCHES Program Drop-In Day Center**, which provides support services for people experiencing homelessness including daily lunches, information, and access to community resources.

MARKET STUDY (continued)

This is a complimentary use to the new **Union Gospel Mission (UGM) men's shelter**, which is currently under construction along Commercial Street north of Division Street, across the street from ARCHES. Between 2012 and 2015, UGM acquired multiple surrounding properties to form a 2.32 AC parcel, anchored by the 1.47 AC site of the existing UGM retail store. The new facility will replace the downtown shelter, which is too small and outdated to meet current needs. Per the UGM website, they have raised about \$9.7 million of the \$15 million project budget. Construction is currently underway (2020 commencement), with demolition complete and construction in progress.

In 2016, the Salem City Council voted to pursue the Delon/O'Brien site as the new location for the **City of Salem Police Headquarters**. The eight AC property includes 17 parcels located within a four-block area on the northerly fringe of the Central Business District. The parcels were formerly utilized as automobile dealerships. The parcels are zoned for a variety of commercial uses and would also permit mixed-use development. The property is viewed as a gateway, separating the commercial downtown core from the more residential neighborhoods to the north.



The initial construction cost estimate for the proposed 150,000 SF police facility was over \$80 million. Salem residents declined a bond measure for the proposed facility in November 2016. According to the City of Salem, in February 2017, Salem City Council voted to put a \$61.8 million bond on the May 2017 ballot. The \$20.2 million overall reduction is 25 percent less than the original \$82 million cost of the 2016 bond. The May 2017 bond passed. The site and building design phase began in February 2018. According to the City of Salem, construction began in January 2019 and will continue through early 2021.

In a March 2019 Statesman Journal article, it was announced that the site of the former Greyhound terminal on Church Street in the CBD will be developed with **Hope Plaza**, a \$10 million project to help domestic and sexual violence survivors that includes 20 units of affordable and transitional housing with first floor businesses that will provide job training, etc. to survivors. Construction is anticipated to start in 2021, with opening anticipated in 2022.

The **Front Street Industrial District** partly overlaps the north edge of the Salem CBD. Front Street is the main north to south arterial in the immediate neighborhood, while Commercial and Liberty Streets combine to provide the major north-south arterial couplet, connecting the CBD and South Salem with Keizer to the north. Commercial and Liberty Streets are lined with a mix of development types, including light industrial, auto repair, service commercial, small offices, and older single family homes that are interspersed throughout the area. Heading closer to the downtown area, development transitions into retail and office uses, typical of most downtown core areas.

MARKET STUDY (continued)

The Front Street neighborhood was developed in the 1850s by transportation and industrial users capitalizing on proximity to the Willamette River. Prior to the 1970s urban renewal, both sides of Front Street, from Ferry Street on the south to Market Street on the north, were developed with industrial users. The improvement of Front Street, relocating rail lines and the development of the Front Street Bypass, eliminated most of the older industrial uses. The largest of these uses is the Truitt Bros, Inc. multi-building food processing facility.

Overall, the Central Business District (CBD) is characterized as the commercial core of Salem. The trend in the area appears to be away from industrial uses and toward more retail, office and mixed-use apartment/commercial development to support the private and public sector. The neighborhood is essentially 100% built-up with re-development opportunities available for those willing to purchase older, under-improved properties for renovation/restoration.

The neighborhood/city benefits from the relatively stable government dominated employment conditions inherent in Salem, the State Capitol, and the surrounding communities. Recent new development and redevelopment within the CBD and the larger Salem/Keizer MSA bodes well for the overall outlook of the larger MSA. Salem is well positioned for continued future growth.

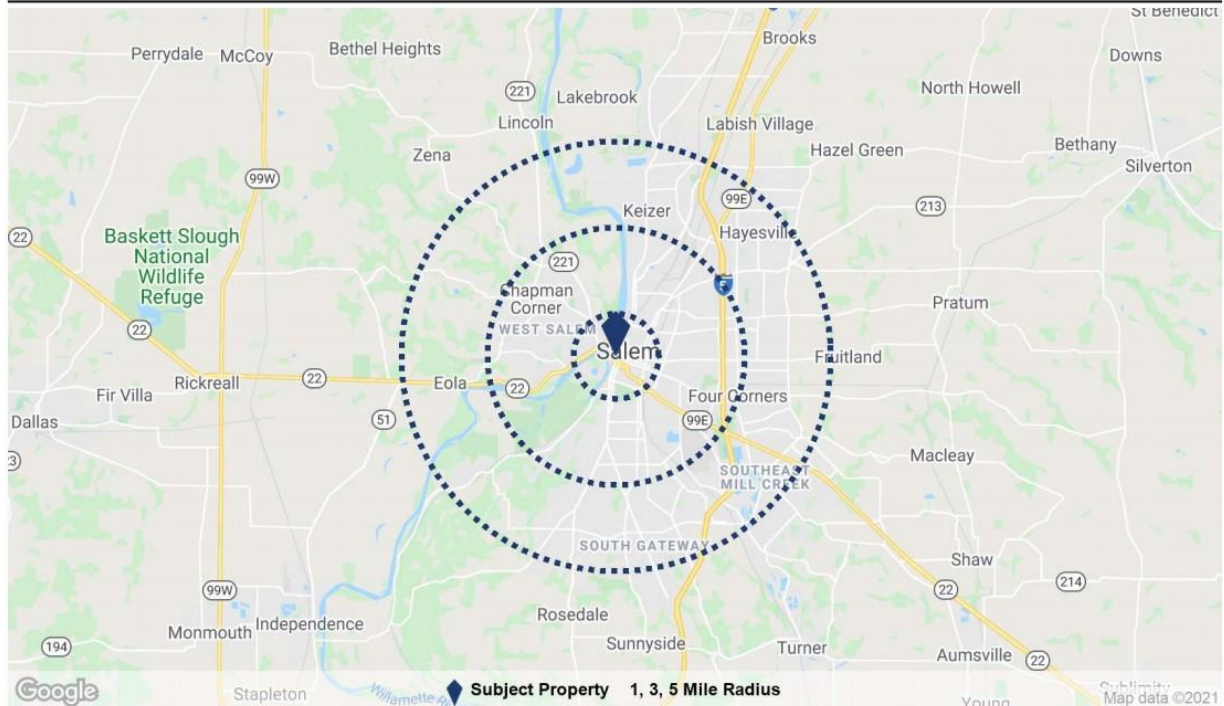
MARKET STUDY (continued)

DEMOGRAPHIC OVERVIEW – SALEM CENTRAL BUSINESS DISTRICT

The following demographic statistics are centered in the Salem CBD. The demographic summary includes one, three and five mile data points for population, households, housing, age and education, as well as ethnicity.

Population (1 mi)	Avg. HH Size (1 mi)	Avg. Age (1 mi)	Med. HH Inc. (1 mi)
8,629	1.9	37	\$48,587

DEMOGRAPHIC RADIUS RINGS

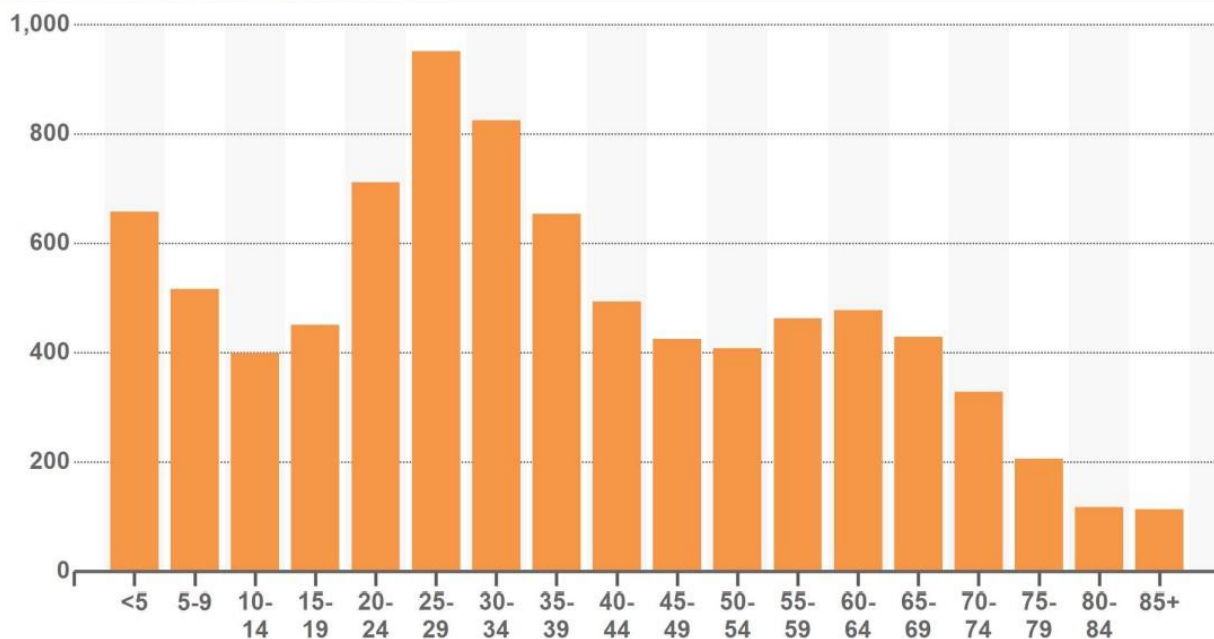


DEMOGRAPHIC SUMMARY

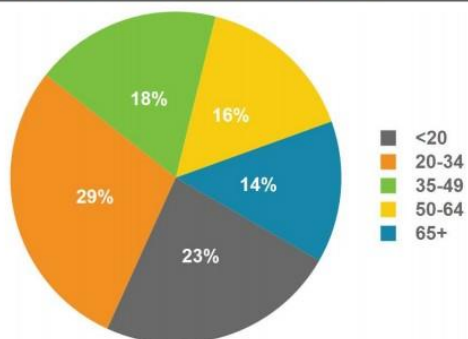
Population	1 Mile	3 Mile	5 Mile
2021 Population	8,629	101,934	239,850
2026 Population	9,152	107,952	254,251
Pop Growth 2021-2026	6.1%	5.9%	6.0%
2021 Average Age	37	38	38
Households			
2021 Households	3,751	38,554	87,811
2026 Households	3,999	40,839	93,041
Household Growth 2021-2026	6.6%	5.9%	6.0%
Median Household Income	\$48,587	\$61,685	\$63,369
Average Household Size	1.9	2.5	2.6
Average HH Vehicles	1	2	2
Housing			
Median Home Value	\$264,459	\$272,908	\$270,209
Median Year Built	1956	1970	1977

MARKET STUDY (continued)

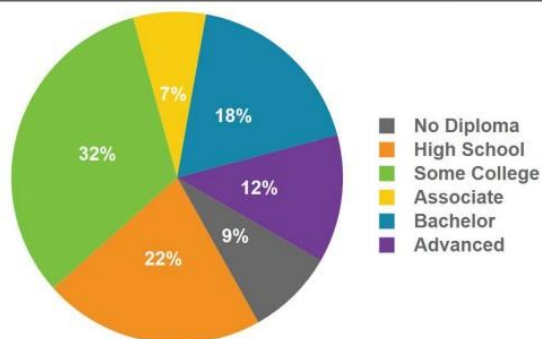
POPULATION BY AGE GROUP IN 1 MILE RADIUS



POPULATION BY AGE IN 1 MILE RADIUS



POPULATION BY EDUCATION IN 1 MILE RADIUS



SALEM MULTI-FAMILY SUPPLY & DEMAND

Existing – Rental housing choices in Salem consist of apartments and single family housing. Construction generally forms a range from the 1950s to new construction.

Consideration of supply and demand factors must also include location characteristics. The Salem CBD location with very good proximity to Interstate 5 via Salem Parkway and Highway 22 links the immediate neighborhood to Albany, Corvallis to the south and the Portland metro area to the north. Multifamily development within Salem has a very good affordability rating when compared to the nearby population and employment centers of the Corvallis MSA and Portland MSA. Multifamily development exhibits pent up demand based on very low vacancy rates, specifically for newer apartment complexes. The stabilized apartment properties surveyed in the course of this analysis reflect an average vacancy of 0.78%. A large amount of Salem MSA residents routinely commute to Albany, Corvallis and the Portland MSA solidifying the renter base in Salem ensuring local occupancy levels. As the Oregon State Capitol and Marion County Seat, Salem is well positioned to capture renters desiring close proximity to government employers as well as other Willamette Valley employment centers.

MARKET STUDY (continued)

The City of Salem recently updated Salem's design standards for multifamily housing as a result of the Multifamily Housing Design project. The project aimed to help meet community housing needs by removing barriers to the development of multifamily housing and ensuring that new development is compatible with our neighborhoods. The City Council approved the multifamily housing design code changes in February 2020. The changes:

- Provide greater flexibility in how multifamily design standards can be met.
- Create new design standards for small multifamily housing projects.

Per the City of Salem:

"According to the 2015 Salem Housing Needs Analysis, the Salem area is expected to grow by nearly 60,000 people by 2035. This growing population will need a mix of smaller and less expensive units, and more housing types, including more multifamily housing, according to the study.

The community and City of Salem recognized the need to increase affordable housing options as part of the recent strategic planning initiative. The 2017 Salem Strategic Plan, which articulates goals for the City, identified affordable housing as a priority.

Here are a few examples how the City is encouraging more housing choices in Salem:

Financial Incentives

- Salem offers incentives to encourage more housing choices downtown.
- Salem City Council authorized a program that offers property tax exemptions for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income residents and support the availability of low-income housing units in the City.

Land Supply and Land Use Regulations

- The City is working to increase the amount of land that can be developed into multifamily housing. The 2015 Housing Needs Analysis showed that the Salem area has a projected 207-acre deficit of land for multifamily housing based on a 20-year population projection.
- As part of the "Our Salem Vision 2021" program, the City has proposed a new Mixed Use zone that will allow multifamily units in areas that were previously dedicated to commercial uses. A new interactive proposed Comprehensive Plan Map has been published and the City is accepting public feedback before finalizing the revised zoning designations. A link to the interactive map is provided:
<https://salem.maps.arcgis.com/apps/webappviewer/index.html?id=36df9887a275455fbc8d34f055dd090e>
- In July 2017, the City changed its rules to allow accessory dwelling units, also known as mother-in-law units, in Salem."

MARKET STUDY (continued)

The Rent Survey findings presented in the following analysis illustrates there is significant **pent-up demand for good quality rentals at market rates within the Salem CBD and surrounding neighborhoods.**

The following Salem CoStar apartment survey and specific Salem CBD apartment survey focusing on newer construction market rate rental complexes illustrate the current state of the Salem apartment market.

CoStar was surveyed regarding multifamily supply within the subject's specific **Salem** marketplace. The CoStar data query conducted in June 2021 included apartments within Salem in order to illustrate a measurable sampling of the larger Salem market. The following statistics illustrate market trends over the prior five years since the second quarter 2016.

The survey includes 21,940 existing apartment units. The CoStar Analytics tool bar below provides a snapshot of the Salem apartment market as of June 2021.

Buildings	Avg. Rent Per Unit		Avg. Rent Per SF	Avg. Vacancy Rate	
655	\$1,159		\$1.32	2.9%	

SUMMARY STATISTICS					
Leasing Units	Survey	5-Year Avg	Inventory in Units	Survey	5-Year Avg
Vacant Units	615	691	Existing Units	21,940	20,732
Vacancy Rate	2.9%	3.4%	12 Mo. Const. Starts	354	415
12 Mo. Absorption Units	698	364	Under Construction	324	448
			12 Mo. Deliveries	518	395

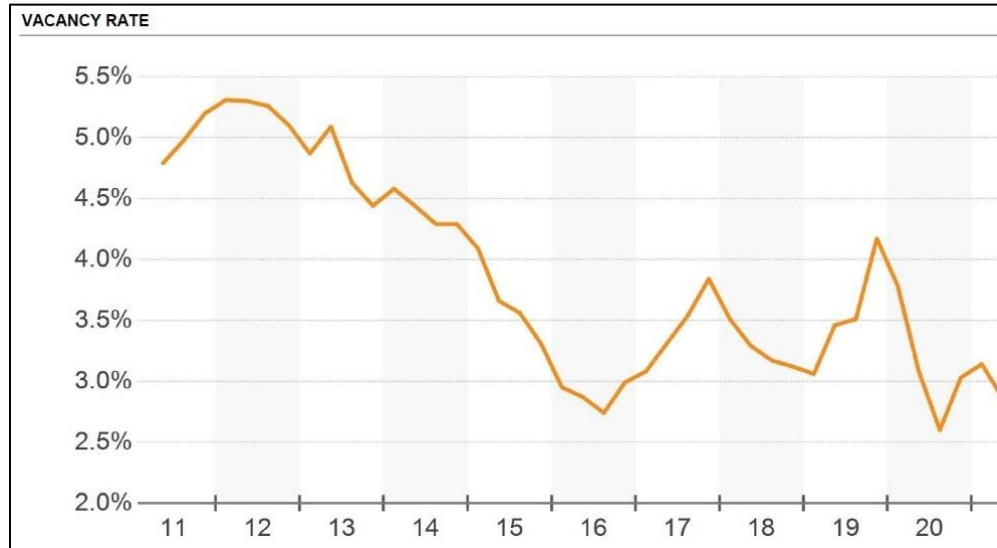
Rents	Survey	5-Year Avg	Sales	Past Year	5-Year Avg
Studio Asking Rent	\$1,161	\$1,098	Sale Price Per Unit	\$134,037	\$104,926
1 Bed Asking Rent	\$982	\$871	Asking Price Per Unit	\$163,360	\$94,701
2 Bed Asking Rent	\$1,174	\$1,032	Sales Volume (Mil.)	\$39	\$50
3+ Bed Asking Rent	\$1,540	\$1,401	Cap Rate	6.3%	6.1%
Concessions	0.3%	0.7%			

The CoStar Overview for the Salem apartment market is summarized as follows.

"The strength of Salem's apartment sector is helping the metro weather this period of uncertainty amidst lingering effects of the pandemic. For the past decade, Salem has exhibited a tight and growing apartment market. The local vacancy rate of 3.0% as of the second quarter of 2021 is substantially below both nearby Portland's performance and the national figure. Continued demand for apartments has fueled rent growth, now performing near the top of all Oregon metros, and cumulative rent gains outpace Portland's performance. With developers seeking to capitalize on Salem's strong fundamentals, the metro has seen significant new supply in the past decade. New communities have exhibited rapid lease-up. However, institutional investment seldom targets Salem, and even the largest transactions often involve local individual investors."

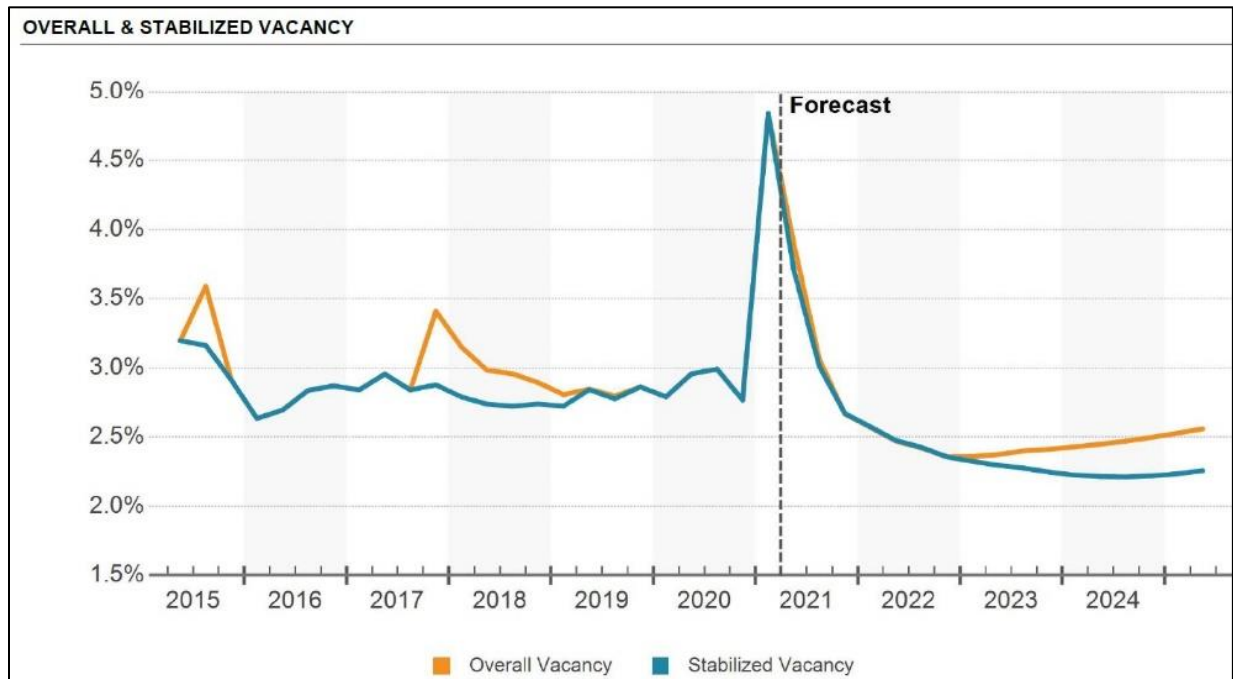
MARKET STUDY (continued)

The CoStar graph below illustrates **vacancy** trends since 2011.



Current statistics reflect overall market vacancy of **2.9%** over the prior year, versus 3.4% over the prior 5-year survey period. The current vacancy rates are below market expected stabilized rates of 5%, illustrating pent up demand in the Salem apartment market.

Vacancy Forecast - The CoStar forecast estimates vacancy remaining below 3.0% through 2024 as illustrated in the following vacancy forecast graph. The forecast indicates the current vacancy of 2.9% will continue to trend downward through 2021. In 2022, vacancy is forecast to fall below 2.5% and remain above 2.0% through 2024.



MARKET STUDY (continued)

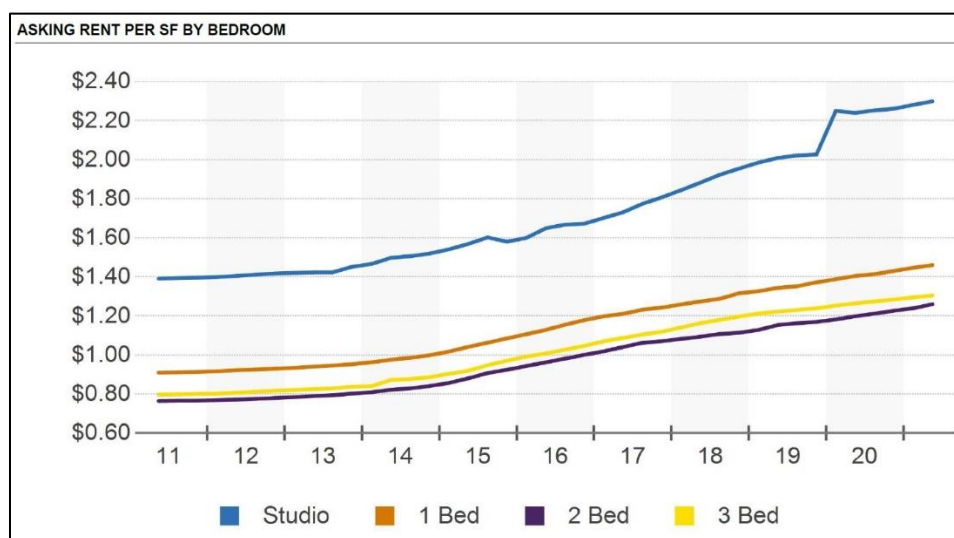
CoStar presents the following observations specifically with regards to vacancy within the Salem market:

"Salem's strong position prior to the pandemic helped to mitigate some of the worst effects of the outbreak. Salem boasts exceptionally low vacancies, consistently far below both the Portland rate and the national rate. Despite ongoing development, local vacancy has remained under 6% for over a decade. The strong demand for multifamily housing has persisted despite a median single-family home price below \$350,000.

Amazon delivered a 1-million-SF distribution center in fall 2018, with 1,000 full-time workers, which could fuel further demand in regional multifamily. The distribution center is located in the East Submarket, which has approximately 4,924 units, or about 19% of market inventory. The North Place Apartments will add an additional 324 units to the submarket in early summer 2021. The complex is already pre-leasing, with average rents hovering around \$1,700 per month. The metro contains several colleges and universities, notably Willamette University and Western Oregon University, and their impact on multifamily housing is inelastic but limited. At Western Oregon University, 75% of the 4,600 undergraduates live off campus, in comparison to 40% of the 1,800 undergraduates at Willamette University. In response to the coronavirus pandemic, both universities transitioned to online instruction midway through the spring semester. Both will offer in-person instruction for the 2021 fall semester.

In February 2019, Oregon passed a statewide annual rent growth cap of 7% plus inflation. The law affects apartments at least 15 years old and went into immediate effect upon passage. This is the first instance of statewide rent control across the United States. The law also placed strong restrictions on evicting tenants without cause. Additionally, if a tenant is evicted without cause, landlords are required to pay the tenant a relocation fee equivalent to one month's rent."

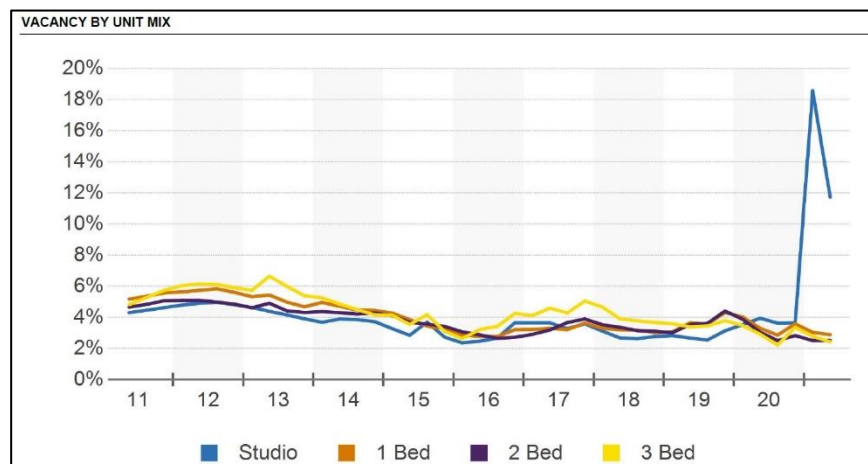
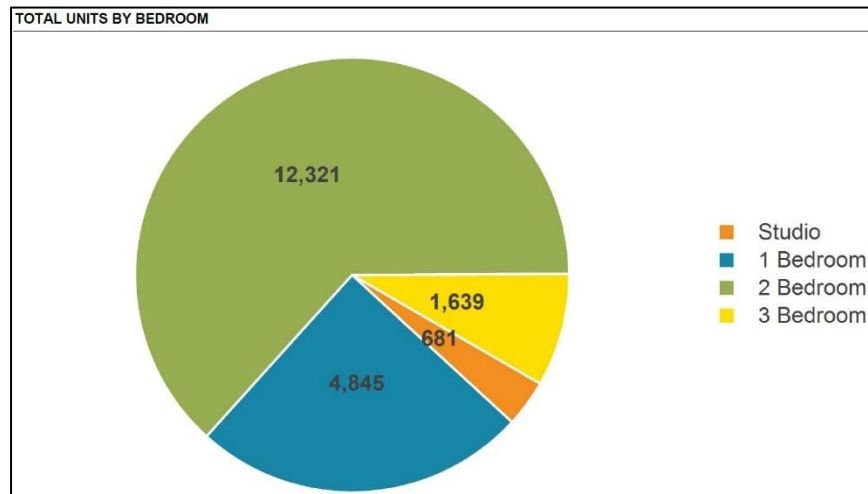
The following CoStar Analytics chart illustrates trends in **asking rent per SF by Bedroom** over the survey period.



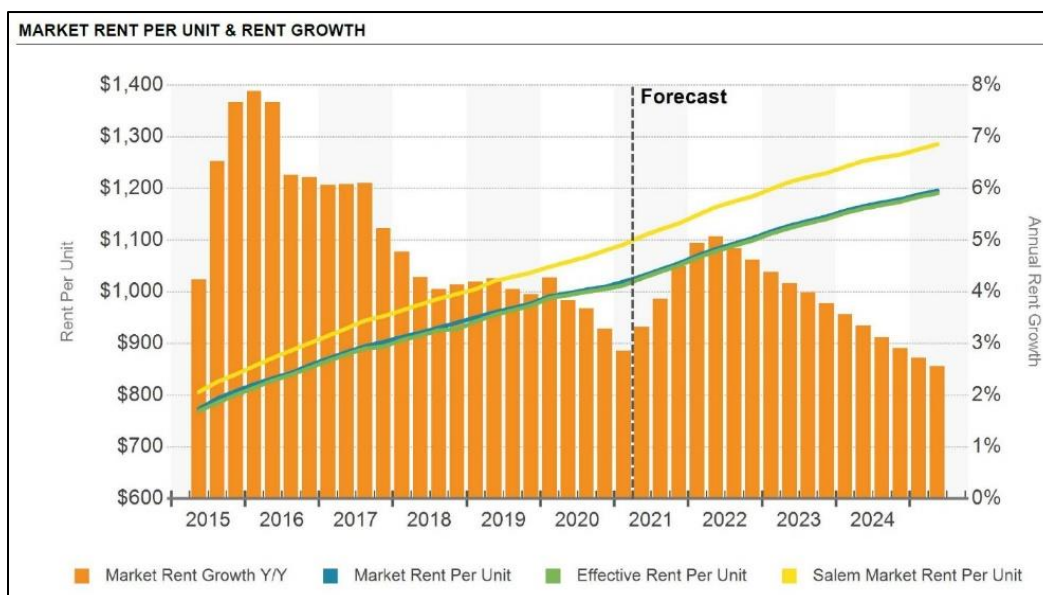
The studio unit type measurably outperforms the other unit types. It is noted, the studio unit type is almost exclusively found in the Salem CBD sub-market.

MARKET STUDY (continued)

However, it is important to note, the studio unit type reflects a relatively small percentage of the overall unit type mix. In addition, the studio unit type vacancy rate skyrocketed during the pandemic, as illustrated in the following charts.

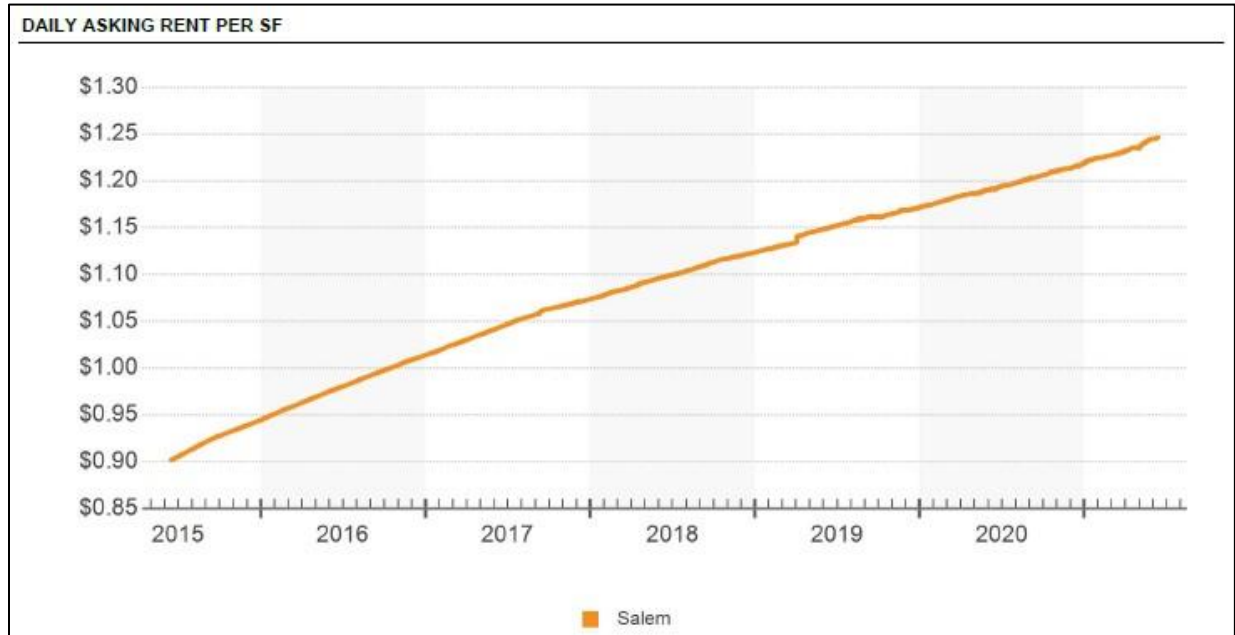


CoStar forecasts increasing Salem market rent per unit through 2024.



MARKET STUDY (continued)

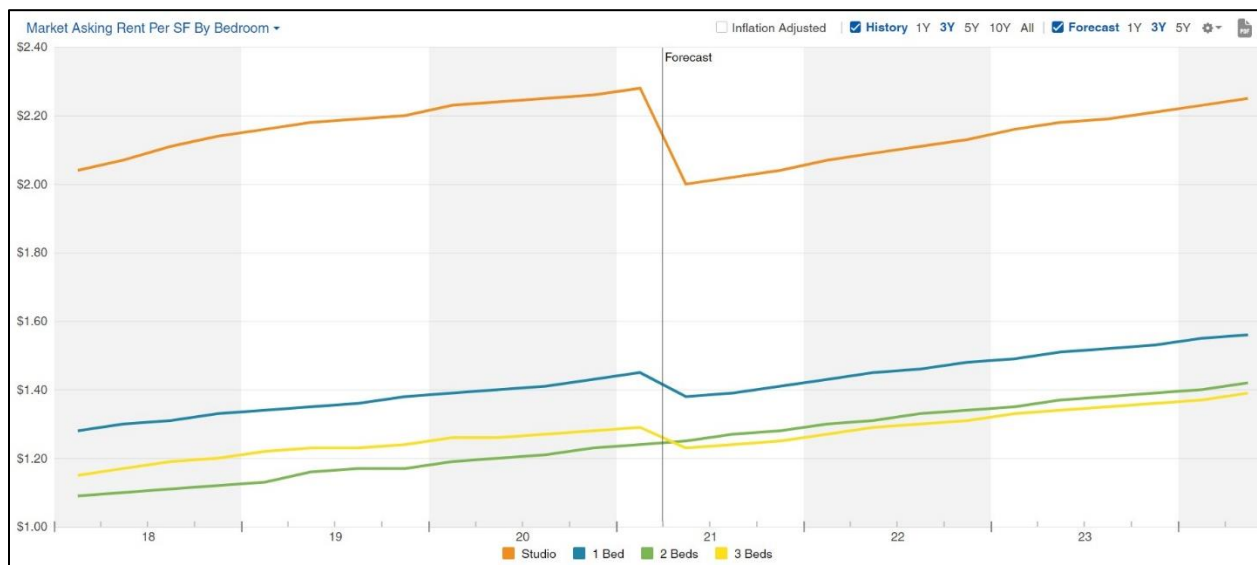
The following CoStar graph illustrates trends in average daily asking rent per SF for the Salem apartment market.



Rents have consistently increased since 2015. Per CoStar:

"As of the second quarter of 2021, rent growth in Salem is 4.9% year-over-year, with local gains benefiting from consistently tight vacancies. Following the general trend across Oregon, average year-over-year gains have steadily dropped from the high of 2016, when annual rent growth reached 8.6%. Asking rents are still about one-third higher in the nearest major market, Portland, which is less than an hour away. However, since 2011, cumulative rent growth in Salem has reached 52%. Annual rent growth in Salem is typically below the statewide rent cap of 7% plus inflation, and current performance is no exception."

The following chart illustrates historic and forecast trends in asking rent per SF by bedroom since 2018.



MARKET STUDY (continued)

The following tables illustrate the asking rent per SF history for the prior three years and forecast for the next three years by bedroom.

3 Year History				
Ask Rent/SF by Bed	Q1 2018	Q1 2021 QTD	% Increase	%/Year
Studio Asking Rent	\$2.04	\$2.28	11.76%	3.92%
1 Bed Asking Rent	\$1.28	\$1.45	13.28%	4.43%
2 Bed Asking Rent	\$1.09	\$1.24	13.76%	4.59%
3+ Bed Asking Rent	\$1.15	\$1.29	12.17%	4.06%

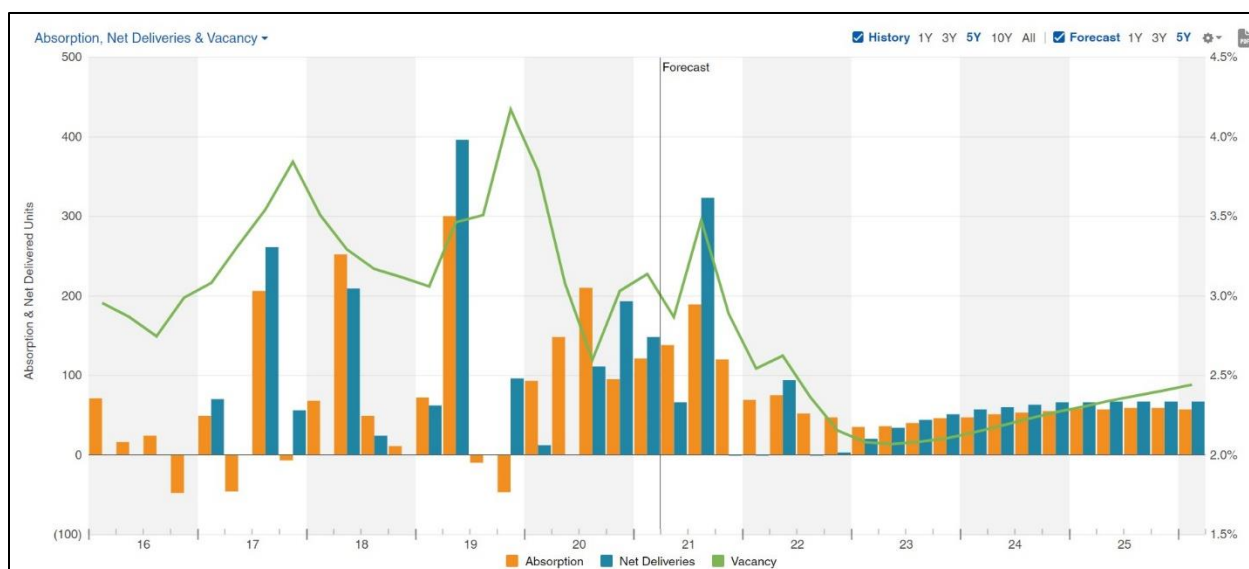
3 Year Forecast				
Ask Rent/SF by Bed	Q2 2021 QTD	Q2 2024	% Increase	%/Year
Studio Asking Rent	\$2.30	\$2.25	-2.17%	-0.72%
1 Bed Asking Rent	\$1.46	\$1.56	6.85%	1.37%
2 Bed Asking Rent	\$1.26	\$1.42	12.70%	2.54%
3+ Bed Asking Rent	\$1.30	\$1.39	6.92%	1.38%

The prior three years supports an annual average increase ranging from 3.92% to 4.59% depending on specific unit type. However, the three year forecast supports a modest increase of 1.37% to 2.54% for the one, two and three bedroom unit types, while the studio unit type asking rent rate per SF is anticipated to decline over the next three years, according to CoStar.

It is unclear why the CoStar graph shows a decline from Q1 2021 to Q2 2021 since the corresponding rents per SF are similar. A prior CoStar query conducted Q4 2020 illustrated similar declines in forecasted rents that never materialized. CoStar forecasts increasing asking rents per SF by bedroom for Salem through 2024.

Unit rents have consistently increased over the survey period. **Percentage increases by unit type have ranged from 3.92% to 4.59% per year.** Demand for the one and two bedroom unit types has resulted in increasing rents surpassing studio and three bedroom styles on a percentage basis. However, the asking rent per SF for the studio unit type measurably exceeds the rents achieved for the one, two and three bedroom unit types.

The following chart illustrates CoStar reporting of **Absorption, Net Deliveries & Vacancy** since 2016. As is apparent, Salem has experienced spikes of measurable new apartment development over the prior 5 years.



Overall, the existing supply of multifamily units in Salem reflects high occupancy with vacancy rates below market expected stabilized levels of 5%. Pent up demand is apparent despite new construction for market rent projects over the prior five years.

Asking rents per SF and per unit by bedroom type have consistently increased over the survey period. In the Salem market, the one and two bedroom unit types have

MARKET STUDY (continued)

outperformed studio and three bedroom styles in terms of rent increases on a percentage basis. **Current market conditions for the multifamily sector indicate new construction would be well received in the near term.**

MARKET PARTICIPANTS

Knowledgeable market participants in the Salem/Keizer MSA report very high occupancy levels for all types of multi-family projects, regardless of year built characteristics or unit mix. However, newer projects remain more desirable and command higher rental rates.

New apartment development typically includes upgraded interior finishes such as granite counter tops and enhanced appliance packages to include stainless steel finishes. In-unit washer/dryers have become standard in new projects. These amenities insure higher rent rates. Demand for new units is very high, despite the strong rent levels.

Market participants report a lack of multi-family properties offered for sale. When properties do become available, investor interest and high demand typically accelerates marketing/exposure time. Most multi-family properties rarely make it to the market. Rather they are trading hands via broker to broker contact, without being officially listed. It has also become commonplace for savvy investors to reach out to property owners to facilitate potential sales of properties that are not listed.

Market participants were interviewed regarding the current status for real estate market conditions in the Salem/Keizer MSA and larger region for multifamily development land and apartment properties specifically in light of the ongoing coronavirus pandemic.

AJ Nash, Principal Broker, Tradition Real Estate Partners, represents a client of a recent multifamily land sale in Salem, Oregon. He reports "With the clients I serve, we have not had a noticeable impact on land sales. There has been hopes on the buy side that Seller's would be willing to negotiate more, but with respect to multi-family and industrial ground... it has remained steady in my sphere."

Troy Morris, Principal Broker Excel Real Estate, reports "We have experienced little impact on multifamily land/multifamily properties as a result of COVID-19. Timelines for due diligence & closing have extended slightly."

Stacy Leighty, MDI Property Management, oversees leasing at **White Oak Apartments** located at 1881 Wiltsey Road SE. The project is visible from the Commercial Street SE/Wiltsey Road SE intersection in Salem. It is comprised of 111 apartment units: 24 one bedrooms and the remainder two bedroom units. Initial construction commenced in November 2019. The complex includes a clubhouse with fitness center, sauna, office, common area kitchen and a sport court. This project commenced rolling delivery of



buildings with initial occupancy beginning July 10, 2020. Two buildings containing 27 units received certificates of occupancy with absorption of 23 units as of the initial occupancy date. Property management representatives reported brisk leasing activity despite the ongoing coronavirus pandemic. This project was fully leased up at the time the final Certificate of Occupancy was issued.

MARKET STUDY (continued)

Derrick Mossman, SMI Property Management, reports "The properties I personally manage in my portfolio (which are mid-to upper end rents) are faring pretty well with plenty of late payments but most tenants are getting the rent paid in the same month. That isn't the case with all the properties we manage, however. Vacancy is not higher than normal. If anything, it might be better than normal. It seems that more tenants are staying put, whether because they don't want to move during the pandemic, or because by staying put, they don't have to pay rent at this time."

Adam Smith, HFO Real Estate, is one of the brokers for South Vista Apartments, a recent Salem apartment sale. He reports: "The property has not seen any COVID related economic vacancies to speak of. It has been performing very strongly. Overall, yes, Covid has hurt the multifamily segment, but it has fared far better than retail and office. South Vista is one of the nicest complexes in southeast Salem. It has benefitted from a strong tenant base that has resulted in zero delinquencies."

Laura DiSante, C&R Real Estate, is a property manager for multiple Salem MSA apartment complexes. She reports minimal impact to upper end multifamily residential units under C&R management. Properties hit hardest have primarily been low income complexes.

Hazel Hollow is a 30 unit apartment complex located in Jefferson, Oregon, which is part of the Salem MSA. This property completed construction, was fully absorbed and pending sale during the ongoing coronavirus pandemic, with no negative impact as a result of the economic uncertainty during the health crisis.

Jen McDonnell, Property Manager, Homestead Real Estate, oversees a portfolio of 660 Salem MSA rental housing units throughout Marion and Polk Counties. She reported vacancy averaging 8% in 2021 for properties under management, which is the highest vacancy rate she has experienced during her management career. Ms. McDonnell noted the majority of their portfolio properties are located in Monmouth, which is heavily impacted by the student population of Western Oregon University.

Denise Jensen, Property Management Associate, Atlas Management, oversees a newly constructed multifamily property with a total of six units located in the Salem MSA. She reported the units achieved initial occupancy in the third quarter 2020 and have remained fully occupied. She noted one tenant filed paper work indicating assistance from a local non-profit. No tenants are past due in rent payments at this time. Ms. Jensen oversees a portfolio of rental SFRs located throughout the Willamette Valley and none of her properties have been impacted by the coronavirus pandemic.

Geoff Johnson, Property Manager, Premium Property Management, reports "Overall, we have seen a busier than average fall and winter in terms of turnover rate but cannot point to the pandemic as the reason. Conversely, the ones that do vacate are filling quicker than they ever have. We're not tracking late payments at this time due to the restrictions in doing so."

Gabe Johansen, SMICRE, is the owner of SMI Property Management. He reports minimal vacancy in complexes under SMI management. When vacancies do occur, they are promptly filled. He also noted the ability to raise rents upon turnover due to high market occupancy and pent-up demand. He indicated the pandemic has elevated occupancy due to tenant uncertainty and the desire to maintain a stable living environment. There are tenants that have become past due during the pandemic; however, they are mostly following state guidance with mandates currently preventing eviction for tenants with past due rents. The subject property was not offered on the open market.

MARKET STUDY (continued)

A real estate investor and owner of a multifamily property in the Salem MSA that sold in March 2021 reported two tenants were delinquent in rent as a result of the ongoing coronavirus pandemic. The negotiations for the recent sale resulted in a credit to the buyer to partially off-set unpaid back rent.

Crawford Crossing Apartments is a 130 unit multifamily project located in Turner, Oregon set on the banks of Turner Lake just south of Salem. This complex has delivered 82 units to date, all of which were leased up as buildings were completed. The property representative reported the last building delivered leased up in 33 minutes after the property manager placed the listing for vacant units on the internet. The project is scheduled for completion of construction in August 2021.

Timber Ridge Apartments is a multiphase 284 unit complex located in northeast Albany constructed in 2019 and 2020. The property representative reported stabilized occupancy was achieved quickly for each phase as buildings were completed. Occupancy rates held steady at 95% to 97% since the on-set of the pandemic. However, the property representative reported since May 2021 the project reached full occupancy with no notices to vacate pending.

A multifamily developer active throughout Oregon is pending development of a multiphase development in Albany. Lumber prices have increased 63% since construction of an apartment complex completed in 2020 prompting consideration of delaying commencement of construction.

A multifamily developer with an approved shovel ready 100 unit project in Stayton has decided to wait on commencement of construction due to the drastic increase in lumber and commodity pricing.

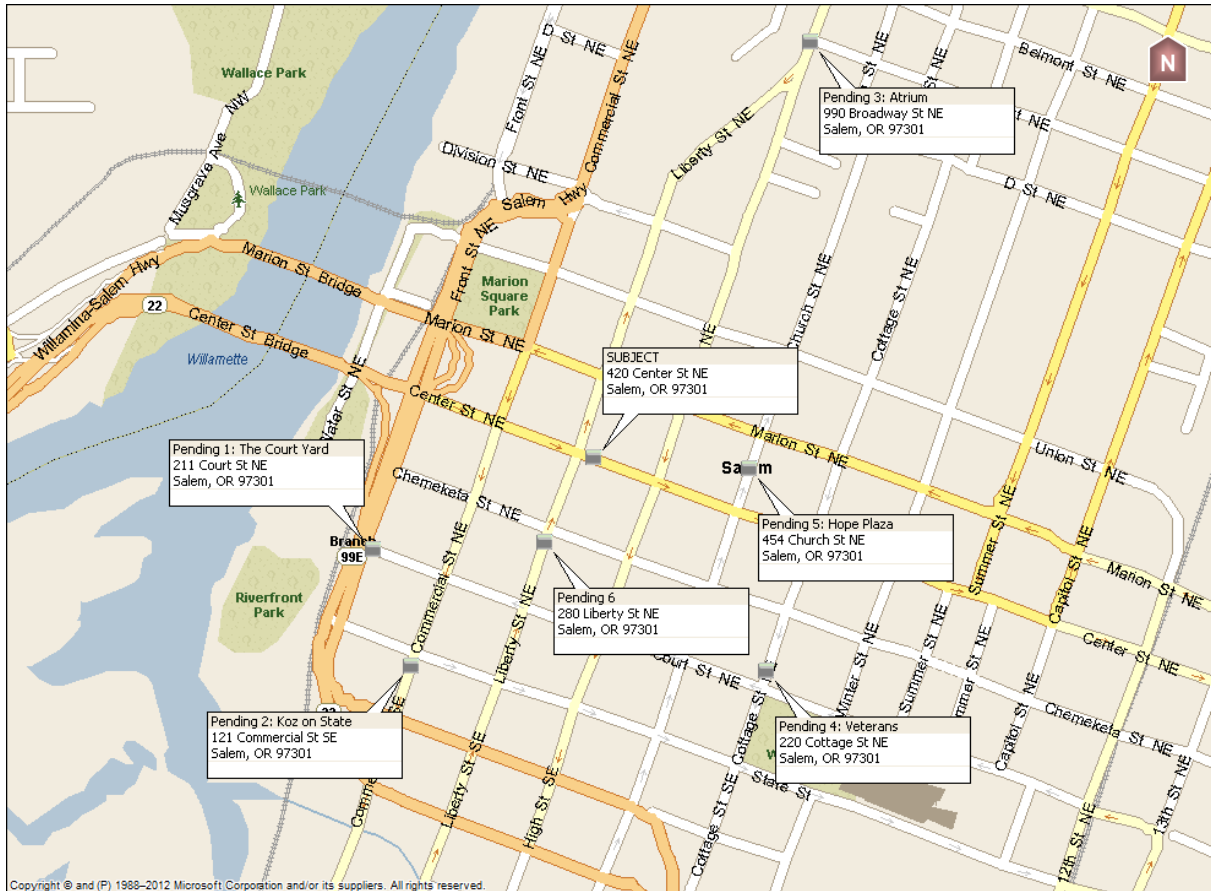
SALEM CBD DEVELOPING APARTMENT INVENTORY

The City of Salem Planning Department was queried regarding developing multifamily projects specifically within the subject's Salem CBD sub-market. The following table illustrates Salem multifamily proposed, planned and/or pending development activity from 2017 through 2021.

Bryce Bishop, Planner, City of Salem (503-540-2399), facilitated identification of the following information. Note, these projects are in various stages to include developer inquiry, preliminary planning, under construction, completion of construction and pending lease-up.

Salem CBD Developing Inventory					
No.	Property Identification	Apt Units	Address	Description	Status
1	The Court Yard	40	245 Court St NE	Mixed use retail/apartment complex.	Construction complete 2019, fully stabilized.
2	Koz on State	148	121 Commercial St SE	Micro apartment units.	Construction complete 3/2021, lease-up underway.
3	Atrium Apartments	23	990 Broadway St NE	Mixed use retail/apartment complex.	Under construction, completion expected 8/2021.
4	YMCA Veterans Housing	34	220 Cottage St NE	Apartments dedicated to veterans.	Approved by City of Salem Planning Department.
5	Hope Plaza	20	454 Church St NE	Mixed use commercial/apartment	Demolition complete to make way for development.
6	Former Wells Fargo	Unknown	280 Liberty St NE	Potential commercial/apartment complex. Site listed for sale: undisclosed asking price.	2018 pre-application conference with city; 2019 pre-application conference with city; unknown future plans.
7	SUBJECT	156	420 Center St NE	Hi-rise apartment complex	Preliminary planning.
Total Units		421			

MARKET STUDY (continued)



Bryce Bishop was queried regarding additional potential apartment projects within the CBD. He reported knowledge of entities interested in multifamily development within the CBD; however, he stated he was not at liberty to discuss specific details.



In addition, multiple knowledgeable market participants, developers, landlords and realtors were asked about potential apartment development in the CBD. Three individuals reported hearing about future redevelopment of the former Nordstrom building with conversion to multifamily use. One other site for potential multifamily development is 2.14 acres of future commercial development land being purchased by the Urban Renewal Agency of the City of Salem for mixed-use redevelopment. The site is bounded by Center Street NE on the north, Commercial Street NE on the east, Chemeketa Street NE on the south and Front Street NE on the west, as illustrated in the aerial photo at left. Specific development plans are not known; however, the site is ideally suited for street level commercial use and above grade dwelling units. No other known multifamily developments specific to the Salem CBD were reported in the course of research for this assignment.

MARKET STUDY (continued)

Combined, the seven identified projects listed on the previous page, including the subject, total **421 units**, which would have an impact on local inventory. However, it is noted the Court Yard is fully stabilized and Koz on State anticipates stabilized operations to occur by September 2021 given absorption of units to date. The Atrium is anticipated to be available for occupancy in August 2021. The YMCA and Hope projects are dedicated to affordable housing and deemed not direct competition to the subject. The subject's development timeline would result in absorption taking place more than one year in the future. There are no known pending apartment projects slated for the Salem CBD that would be direct competition to the subject property.

PROPOSED DEVELOPMENT PHOTOGRAPHS



1. The Court Yard, Salem, OR (Photo 12566-51)



2. Koz on State, Salem, OR (Photo 12828-6)



3. Atrium Apartments, Salem, OR (Photo 12828-1)



4. YMCA Veterans Site, Salem, OR (Photo 12828-7)



5. Hope Plaza Site, Salem, OR (Photo 12828-16)



6. Former Wells Fargo Site, Salem, OR (Photo 12828-9)

PROPOSED DEVELOPMENT PHOTOGRAPHS

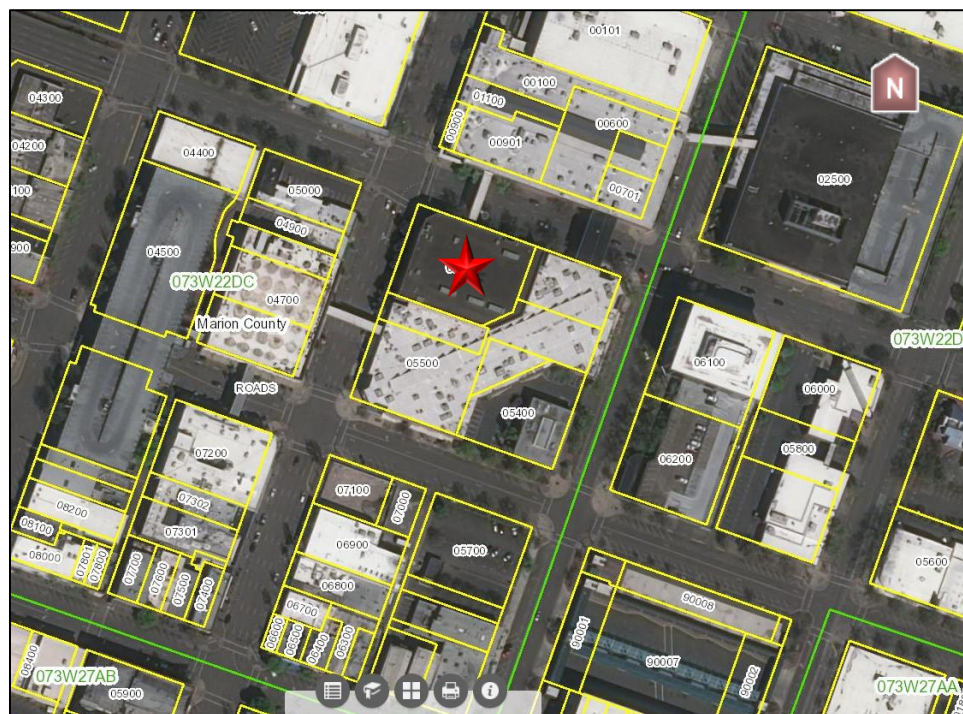
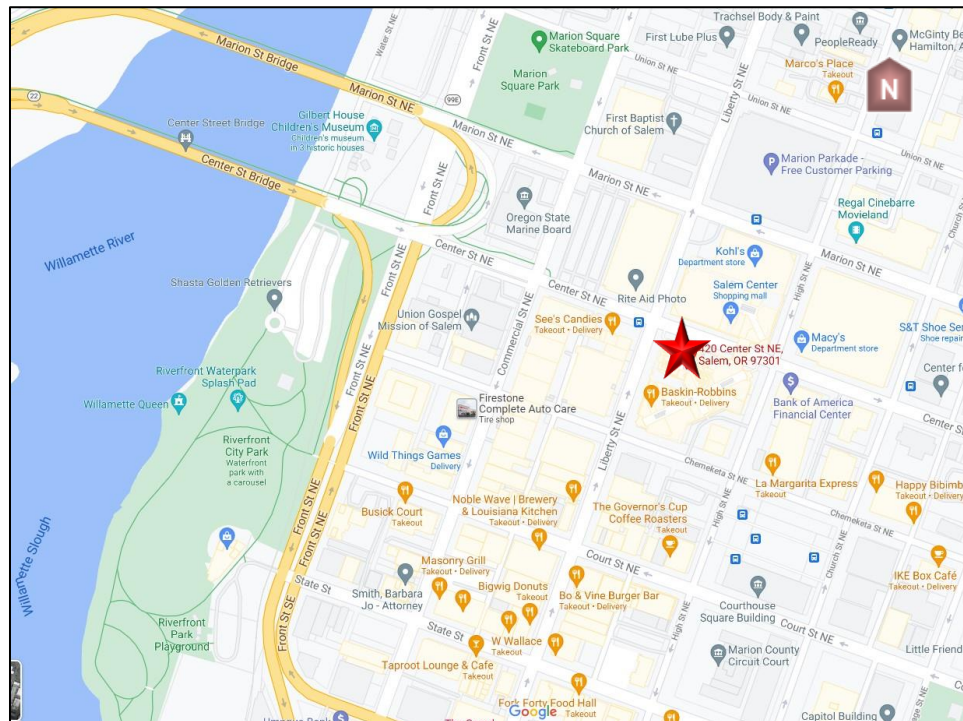


7. Subject Site, Salem, OR
(Photo 12828-13)

MARKET STUDY (continued)

SUBJECT PROPERTY

The subject property is the site of a proposed five-story apartment complex situated at 430 Center St NE, Salem, Oregon. The site is a signalized intersection at the southeast corner of Center Street NE and Liberty Street NE. The existing improvements are the former Nordstrom department store that will be demolished to make way for the proposed apartment complex. The following map exhibit and OR Map aerial of the site illustrate the subject's orientation.



SUBJECT PHOTOGRAPHS



1. Southeast view of subject property, existing structure to be demolished. (Photo 12566-13)



2. Street scene: view east on Center Street NE, subject at right of roadway. (Photo 12828-12)



3. View southeast of north elevation of existing structure to be demolished. (Photo 12828-15)



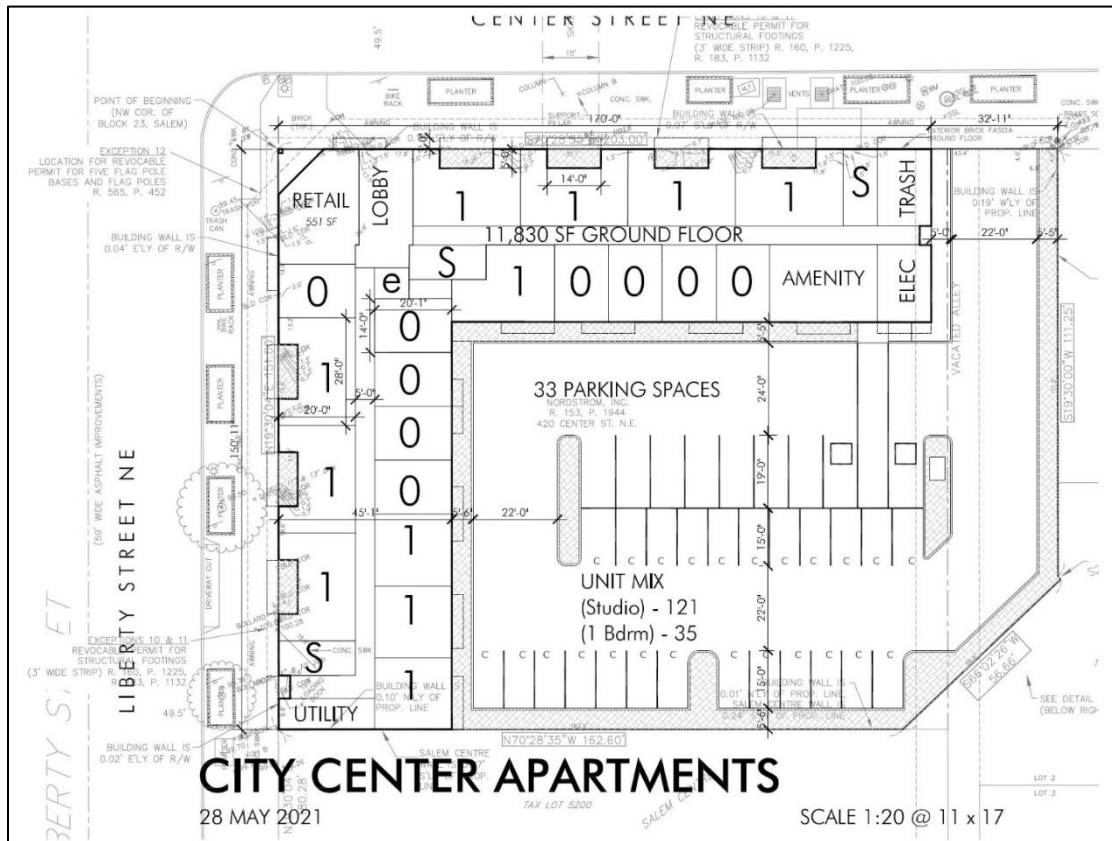
4. Street scene: view north on Liberty Street NE, subject at right of roadway. (Photo 12828-11)



5. View northeast of west elevation of existing structure to be demolished. (Photo 12828-10)

MARKET STUDY (continued)

The following Preliminary Site Plan and Floor Plan illustrate the potential layout of a 156-unit complex in one, five story building that will be elevator served.

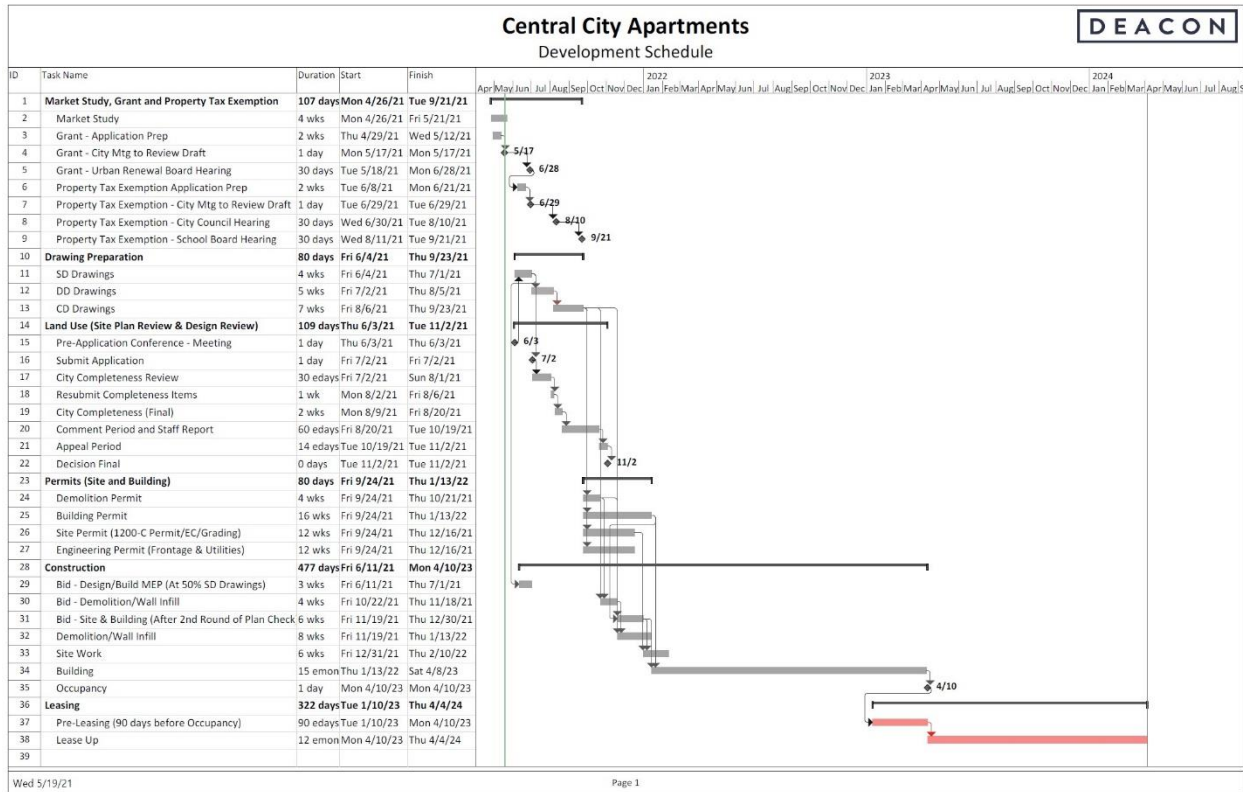


MARKET STUDY (continued)

The following building summary indicates the unit mix will contain a total of 156 apartment units comprised of 121 studios (77.56% of the unit mix) and 35 one bedroom units (22.44% of the units mix). The proposed development schedule follows the building summary.

CITY CENTER APARTMENTS				28-May-21			
GROUND FLOOR				SUMMARY			
Residential Lobby	1	432	432	Site Area	29,839	2.17	FAR
Retail	1	551	551	Building GSF	64,830		
Stairs	3	180	540	Retail	551	0.85%	
Elevator	1	72	72	Studios	121	34,952	53.91%
Residential Corridor	1	516	516	1 Bdrm	35	15,672	24.17%
Residential Corridor	1	788	788	Amenity/Trash		860	1.33%
Amenity	1	580	580	Lobby		432	0.67%
Trash	1	280	280	Elec/Utility		481	0.74%
Electrical Room	1	281	281	Corridors/Elev/Stairs		10,212	15.75%
Utility Room	1	200	200			63,160	97.42%
Studio	8	281	2248				
Studio	1	334	334	Total Units	156	50,624	324.5 SF Avg
One Bedroom	1	455	455	Efficiency		11,985	18.49%
One Bedroom	3	372	1116				
One Bedroom	7	491	3437	Parking Spaces	33 provided		
					0.21 per unit		
Total GSF			11,830				
SECOND FLOOR				FOURTH FLOOR			
Stairs	3	180	540	Stairs	3	180	540
Elevator	1	72	72	Elevator	1	72	72
Residential Corridor	1	1462	1462	Residential Corridor	1	1462	1462
Studio	23	301	6923	Studio	23	301	6923
Studio	3	324	972	Studio	3	324	972
Studio	1	281	281	Studio	1	281	281
Studio	1	334	334	Studio	1	334	334
One Bedroom	1	507	507	One Bedroom	1	507	507
One Bedroom	1	436	436	One Bedroom	1	436	436
One Bedroom	1	491	491	One Bedroom	1	491	491
One Bedroom	1	398	398	One Bedroom	1	398	398
One Bedroom	2	417	834	One Bedroom	2	417	834
Total GSF			13,250	Total GSF			13,250
THIRD FLOOR				FIFTH FLOOR			
Stairs	3	180	540	Stairs	3	180	540
Elevator	1	72	72	Elevator	1	72	72
Residential Corridor	1	1462	1462	Residential Corridor	1	1462	1462
Studio	23	301	6923	Studio	23	301	6923
Studio	3	324	972	Studio	3	324	972
Studio	1	281	281	Studio	1	281	281
Studio	1	334	334	Studio	1	334	334
One Bedroom	1	507	507	One Bedroom	1	507	507
One Bedroom	1	436	436	One Bedroom	1	436	436
One Bedroom	1	491	491	One Bedroom	1	491	491
One Bedroom	1	398	398	One Bedroom	1	398	398
One Bedroom	2	417	834	One Bedroom	2	417	834
Total GSF			13,250	Total GSF			13,250

MARKET STUDY (continued)



SALEM CENTRAL BUSINESS DISTRICT APARTMENT SURVEY

CoStar, apartments.com, WVMLS, the City of Salem Planning Department, real estate professionals, market participants and the appraiser's database were queried in order to determine market rate comparable apartment properties within the **Salem CBD** similar to the subject's proposed development. Emphasis was placed on newer complexes located within the Salem downtown core offering a variety of unit types and desirable amenities.

Seven rental housing complexes were identified for the purposes of this analysis. The scope of work for this assignment included a survey conducted by Powell Banz Valuation staff regarding unit mix, current occupancy, current rental rates, project amenities, utility fees, etc. The tables on the following pages summarize the findings and the Rent Comparable Map illustrates the locations of the comparables relative to the subject site. Photographs of the comparable properties are also included.

MARKET STUDY (continued)

The table below summarizes vacancy at the seven comparable properties, which represent newer construction apartment complexes located in the Salem CBD market.

No.	Name Location	Year Built	Units	Stories	Vacancy %
1	The Meridian 777 Commercial St SE Salem, OR	2009 2014	89	6	1 1.12%
2	McGilchrist Roth Building 102-120 Liberty Street NE Salem, OR	1916 2014 reno	9	2	0 0.00%
3	South Block 315 Commercial St SE Salem, OR	2015 & 2016	174	4	1 0.57%
4	The Court Yard 211 Court St NE Salem, OR	2019	40	5	1 2.50%
5	Parke 325 325 13th St NE Salem, OR	1960 2020	32	6	1 3.13%
6	Koz on State 121 Commercial St SE Salem, OR	Mar-21	148	6	75 50.68% Lease-up
7	Atrium Apartments 990 Broadway St NE Salem, OR	Proposed 8/20/2021	23	3	Proposed Tours start 8/2021
Total Surveyed Units/Vacant Units			515		
Total Excluding Comparables 6 & 7			344		4
Vacancy (%) Excluding Comparables 6 & 7					1.16%

The total surveyed vacancy does not include vacancy for Comparables 6 (Koz on State) and 7 (Atrium) since Koz is in lease-up and Atrium is under construction, scheduled for completion August 20, 2021. There were four vacant units in the stabilized properties, reflecting **1.16% vacancy**. This vacancy rate is considered frictional and a sign of pent-up demand within this market.

RENT COMPARABLE SURVEY

No.	Name Location	Year Built	Units	Stories	Vacancy %	Move-in Specials	Common Amenities	Utilities in Rent	Unit Type	Avg Size (SF)	Units	Mix %	Avg Ask Rent/Month	Avg \$/SF
1	The Meridian 777 Commercial St SE Salem, OR	2009 2014	89	6	1 1.12%	None reported	WD, secure entry, secure pkg \$50-\$105/Mo Elev ator, fitness, Lounge, some view units	Utility Fee Varies	1BR/1BA 2BR/1BA 2BR/2BA 3BR/2.5BA	819 1,173 1,387 2,393	24 60 4 1	27% 67% 4% 1%	\$1,600 \$2,199 \$2,299 \$3,299	\$1.95 \$1.87 \$1.66 \$1.38
2	McGilchrist Roth Building 102-120 Liberty Street NE Salem, OR	1916 2014 reno	9	2	0 0.00%	None reported	WD, secure entry Secure parking Storage	w/s/g	Studio 1BR/1BA 2BR/1.5BA 2BR/2BA	386 750 910 1,765	1 1 4 3	11% 11% 44% 33%	\$850 \$1,250 \$1,693 \$2,500	\$2.20 \$1.67 \$1.86 \$1.42
3	South Block 315 Commercial St SE Salem, OR	2015 & 2016	174	4	1 0.57%	None reported	WD, some balconies, courtyard, lounge secure entry, under bldg pkg, storage \$35 fitness, city views, dog park, pets allowed	w/s/g Utility Fee Varies	Studio 1BR/1BA 2BR/1.5BA 2BR/2BA 3BR/2BA	465-634 641-721 940 975-1,330 1,370-1,601	36 24 2 38 74	21% 14% 1% 22% 43%	\$1,164-\$1,319 \$1,390-\$1,405 \$1,618 \$1,670-\$2,294 \$2,384-\$2,534	\$2.26 \$2.05 \$1.72 \$1.72 \$1.66
4	The Court Yard 211 Court St NE Salem, OR	2019	40	5	1 2.50%	None reported	WD, secure entry, balconies Secure pkg fee \$75-\$100/Mo, bike storage Elev ator, some Willamette River views Pets allowed	w/s/g	Studio 1BR/1BA 2BR/1BA 2BR/2BA	540 829 1,010 1,323	8 20 4 8	20% 50% 10% 20%	\$1,260 \$1,550 \$2,020 \$2,125	\$2.33 \$1.87 \$2.00 \$1.61
5	Parke 325 325 13th St NE Salem, OR	1960 2020	32	6	1 3.13%	None reported	WD, secure entry, balconies elev ator, CAC, city views Open & covered parking, pets allowed	w/s/g	1BR/1BA 2BR/1BA	700 1,050	27 5	84% 16%	\$1,458 \$1,999	\$2.68 \$3.43
6	Koz on State 121 Commercial St SE Salem, OR	Mar-21	148	6	75 50.68% Lease-up	None reported	undry on each floor, secure entry, partial furni Elev ator, bike & storage space, courtyard Fitness center, no parking, pets allowed	w/s/g electricity wifi	Studio 1BR/1BA 2BR/1BA	294 427 653	136 2 10	92% 1% 7%	\$920 \$1,180 \$1,605	\$3.13 \$2.76 \$2.46
7	Atrium Apartments 990 Broadway St NE Salem, OR	Proposed 8/20/2021	23	3	Proposed Tours start 8/2021	None reported	WD, secure entry Courtyard On-site parking, pets allowed	w/s/g \$25/mo Utility Fee	Studio 1BR/1BA 2BR/1BA	308-430 480-686 743-771	16 5 2	70% 22% 9%	\$950-\$1,025 \$1,250 \$1,600	\$2.68 \$2.14 \$2.11
Total Surveyed Units/Vacant Units			515											
Total Excluding Comparables 6 & 7			344		4									
Vacancy (%) Excluding Comparables 6 & 7					1.16%									

APARTMENT RENT COMPARABLE PHOTOGRAPHS



1. The Meridian, Salem, OR (Photo 12828-4)



2. McGilchrist Roth Building, Salem, OR (Photo 12760-2)



3. South Block, Salem, OR (Photo 12828-3)



4. The Court Yard, Salem, OR (Photo 12566-51)



5. Parke 325, Salem, OR (Photo 12828-2)



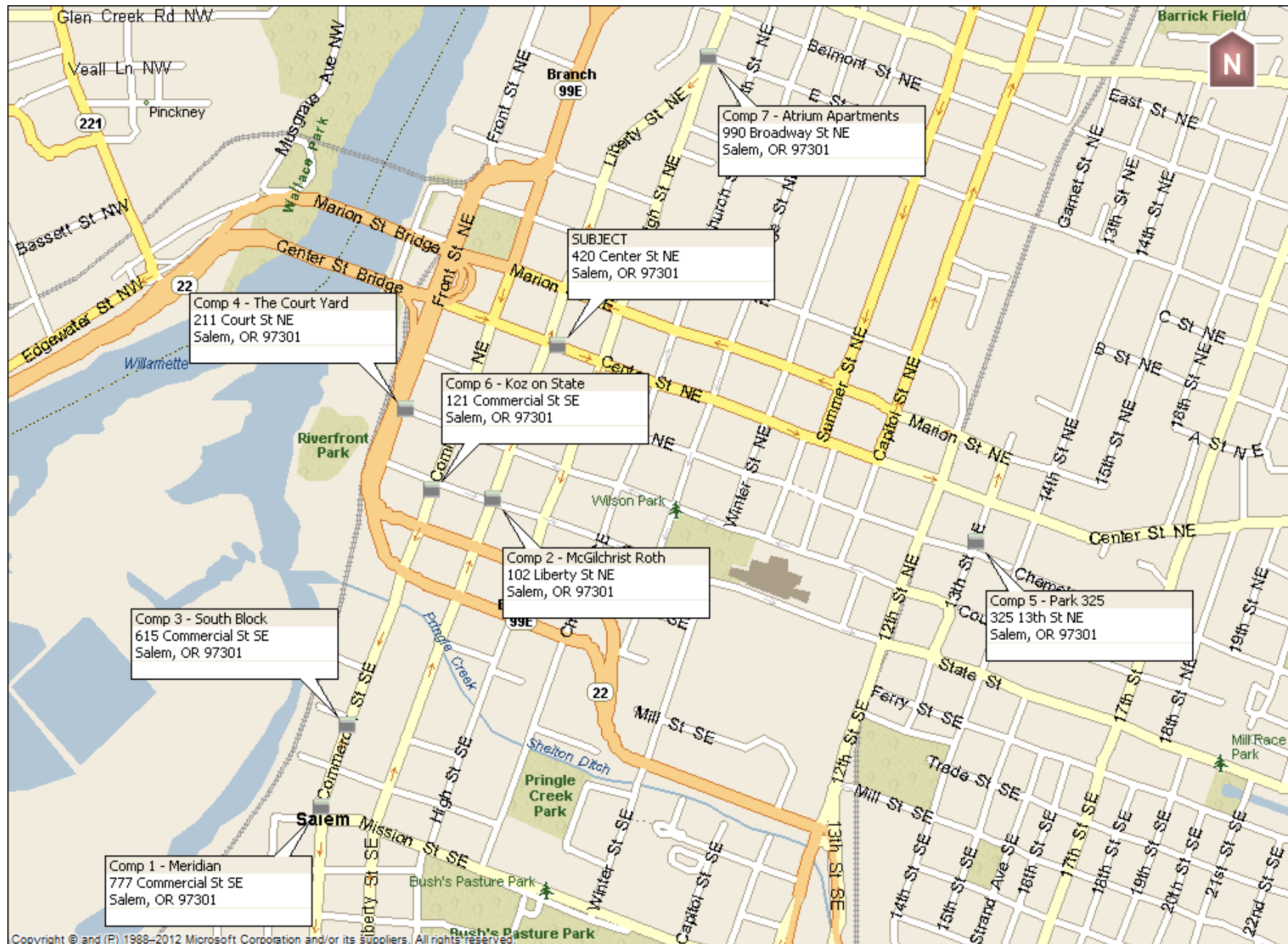
6. Koz on State, Salem, OR (Photo 12828-6)

APARTMENT RENT COMPARABLE PHOTOGRAPHS (continued)



7. Atrium Apartments, Salem, OR (Photo 12828-1)

RENT COMPARABLE MAP – SALEM CBD



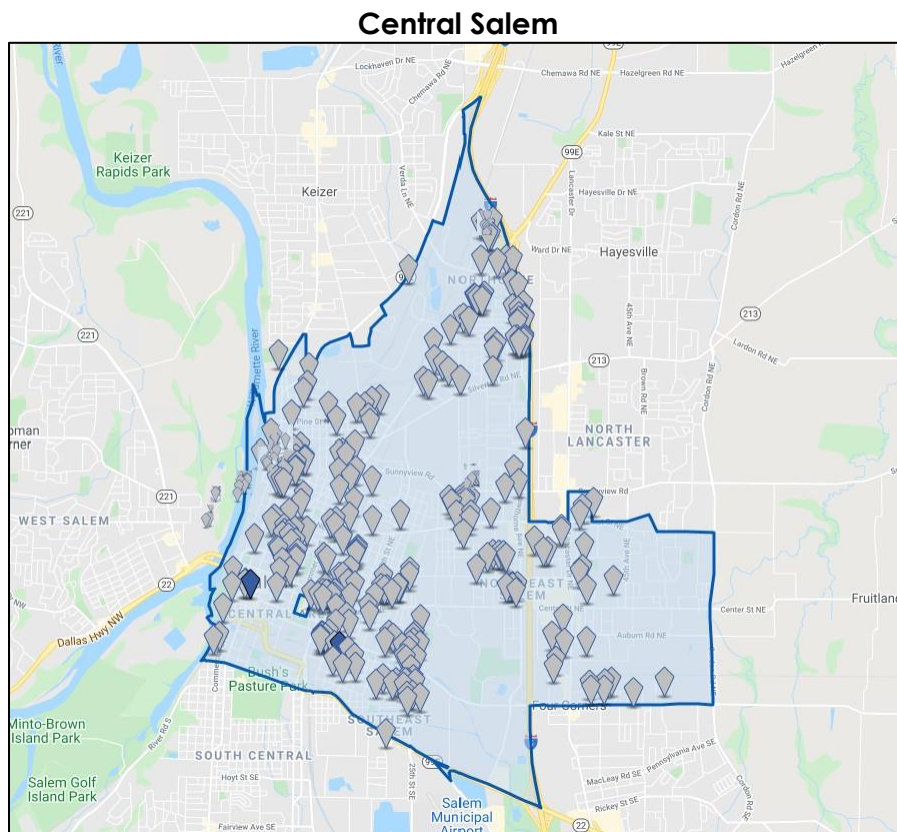
MARKET STUDY (continued)

Occupancy Rates – A total of 515 units were surveyed in seven complexes ranging in size from nine to 148 units built between 2009 and 2021. Comparable 6 is in lease-up and Comparable 7 is currently nearing completion of construction. As a result, vacancies at these properties are not included in the total survey vacancy statistic of 0.78%. The surveyed complexes contain studio, one, two and three bedroom units.

The stabilized comparables exhibit vacancy rates ranging from **0% to 3.13%**. Four vacant units were reported in the stabilized properties equating to an overall **average vacancy rate of 1.16%**, reflecting frictional vacancy and pent up demand. The survey was conducted in June 2021. At the time of the survey, several property representatives reported upon notice of vacancy, multiple applications are submitted by potential tenants and the units are effectively rented/reserved prior to actual vacancy. Several managers reported maintaining waiting lists. In addition, some property representatives reported knowledge of future vacancies in the coming months.

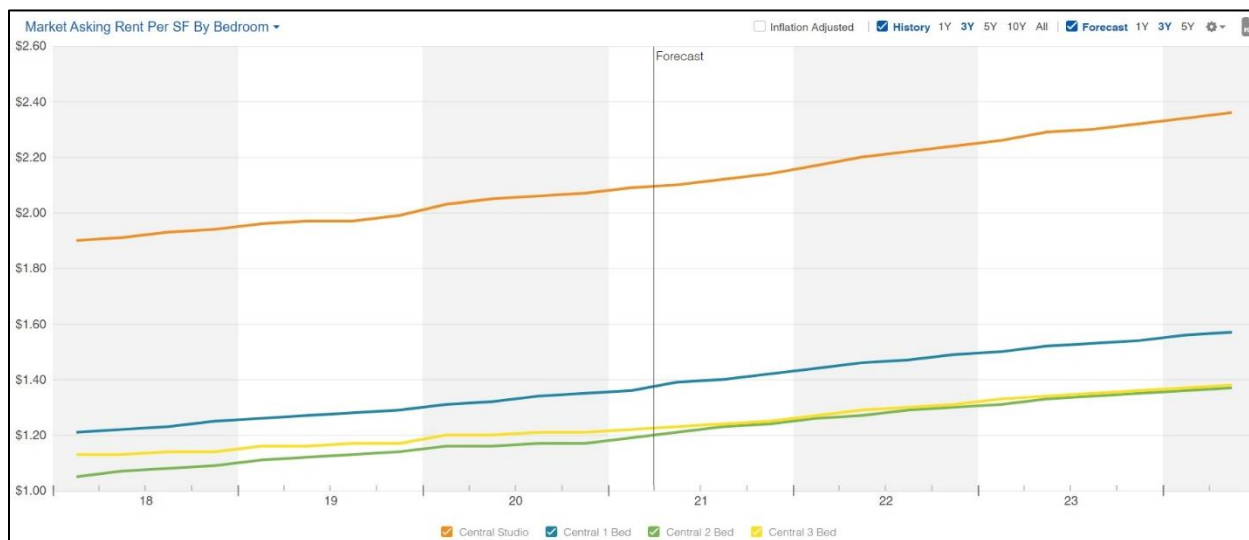
The current occupancy statistics in newer complexes in the Salem CBD indicate pent up demand. However, it is noted lenders and market participants' expectations include provisions for vacancy and credit loss over a typical holding period, or the economic life of the property, regardless of current market indications. Based on these factors, the data, combined with market expectations, supports a stabilized occupancy rate of 95% to 97%.

Central Salem Rent & Vacancy Trending – In order to analyze rent and vacancy historical trending and forecasts, it is necessary to broaden the market area to include the Central Salem market. This market area includes the subject's specific Salem CBD location, as well as surrounding area, as illustrated in the following map generated by CoStar.



MARKET STUDY (continued)

Rent Trending – The following CoStar graph illustrates three-year rent trending specifically for the larger **Central Salem** apartment submarket. The graph reflects the average asking rent per SF by bedroom unit type from Q1 2018 through Q1 2021 as well as forecasted rent trending from Q2 2021 through Q2 2024. This survey data was queried through CoStar and includes all types of apartments throughout the Central Salem market.



The following tables illustrate the Central Salem asking rent per SF history for the prior three years and forecast for the next three years by bedroom.

3 Year History - Central Salem				
Ask Rent/SF by Bed	Q1 2018	Q1 2021	% Increase	%/Year
Studio Asking Rent	\$1.90	\$2.09	10.00%	3.33%
1 Bed Asking Rent	\$1.21	\$1.36	12.40%	4.13%
2 Bed Asking Rent	\$1.05	\$1.19	13.33%	4.44%
3+ Bed Asking Rent	\$1.13	\$1.22	7.96%	2.65%

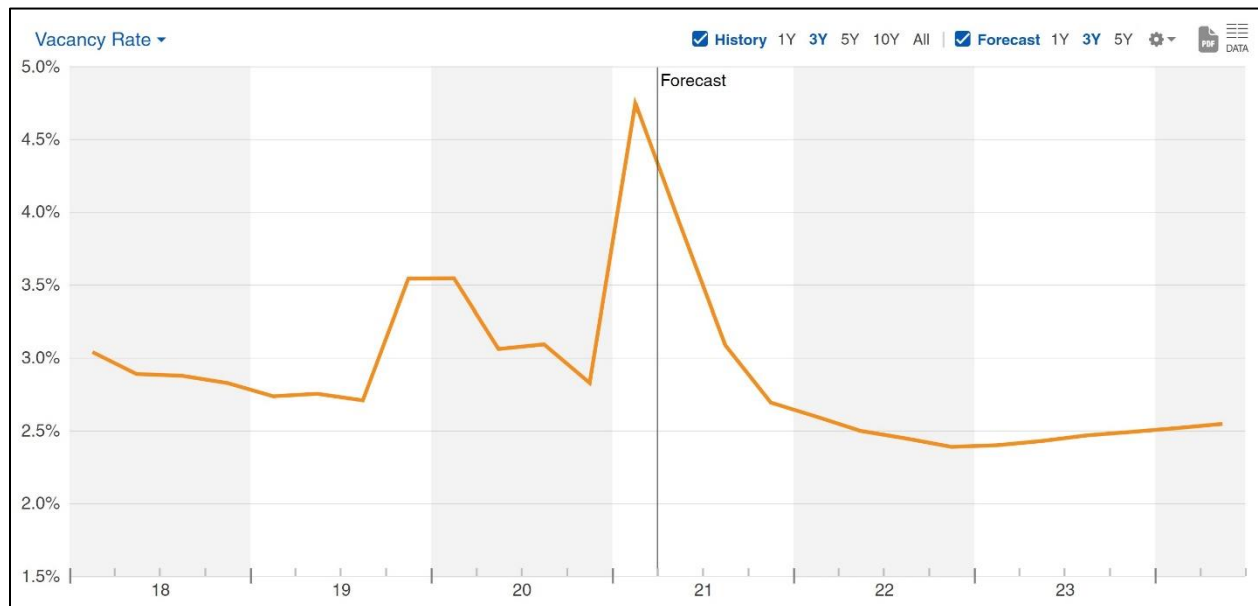
3 Year Forecast - Central Salem				
Ask Rent/SF by Bed	Q2 2021	Q2 2024	% Increase	%/Year
Studio Asking Rent	\$2.10	\$2.36	12.38%	4.13%
1 Bed Asking Rent	\$1.37	\$1.57	14.60%	2.92%
2 Bed Asking Rent	\$1.20	\$1.37	14.17%	2.83%
3+ Bed Asking Rent	\$1.22	\$1.38	13.11%	2.62%

Within the larger Central Salem market, the prior three year history supports an annual average increase ranging from 2.65% to 4.44% depending on specific unit type. The three year forecast supports average annual increase ranging from 2.62% to 4.13% depending upon unit type, according to CoStar.

Overall, Central Salem rents across all unit types have increased over the three-year survey period and rents are forecasted to increase over the coming three-year period. However, the anticipated rent appreciation falls short of the maximum rent increase per rent control legislation.

MARKET STUDY (continued)

Central Salem Vacancy Trends - The CoStar graph below illustrates Central Salem **vacancy** history over the prior three years, as well as forecasted vacancy over the following three years.



Current statistics reflect overall market vacancy in Central Salem of **4.0% for Q2 2021 QTD**. Note, this vacancy rate is measurably higher than the 1.16% vacancy rate as reported by newer apartment complexes within the subject's specific Salem CBD submarket. The current vacancy rates reflect an improvement from the peak vacancy of 4.74% reported during the height of the pandemic for Central Salem.

Central Salem Vacancy Forecast - The CoStar forecast estimates vacancy trending downward through the remaining 2021 calendar year. The rate falls below 3.0% during Q4 2021 as illustrated in the vacancy forecast graph. The forecast indicates vacancy will remain below 3.0% through the forecast period extending to 2024.

APARTMENT UNIT RENTAL INCOME

The subject's proposed apartment complex is anticipated to be comprised of studio and one bedroom units. However, the most similar comparables within the Salem CBD contain studio, one, two and three bedroom units. In the following analysis, the current asking rents for the comparable properties are arrayed for each unit type to illustrate a likely rental range for the subject units.

PROJECT CHARACTERISTICS

Typically, rent levels are impacted by a variety of components such as the age of comparables, unit size, amenities, utilities included in rent, and concessions. The following characteristics are evident at the comparable properties.

- **Concessions** – None of the market comparables reported concessions or move-in specials. This is a direct reflection of the high occupancy rates prevalent in the marketplace.

MARKET STUDY (continued)

- **Utilities** – Typically, multifamily projects include water, sewer and garbage in the rental rate. However, the trend in new multifamily construction sometimes includes some form of utility billing in addition to the base rental rate. The following table illustrates utilities in rent for the comparables.

No.	Name Location	Year Built	Units	Utilities in Rent	Unit Type
1	The Meridian 777 Commercial St SE Salem, OR	2009 2014	89	Utility Fee Varies	1BR/1BA 2BR/1BA 2BR/2BA 3BR/2.5BA
2	McGilchrist Roth Building 102-120 Liberty Street NE Salem, OR	1916 2014 reno	9	w/s/g	Studio 1BR/1BA 2BR/1.5BA 2BR/2BA
3	South Block 315 Commercial St SE Salem, OR	2015 & 2016	174	w/s/g Utility Fee Varies	Studio 1BR/1BA 2BR/1.5BA 2BR/2BA 3BR/2BA
4	The Court Yard 211 Court St NE Salem, OR	2019	40	w/s/g	Studio 1BR/1BA 2BR/1BA 2BR/2BA
5	Parke 325 325 13th St NE Salem, OR	1960 2020	32	w/s/g	1BR/1BA 2BR/1BA
6	Koz on State 121 Commercial St SE Salem, OR	Mar-21	148	w/s/g electricity wifi	Studio 1BR/1BA 2BR/1BA
7	Atrium Apartments 990 Broadway St NE Salem, OR	Proposed 8/20/2021	23	w/s/g \$25/mo Utility Fee	Studio 1BR/1BA 2BR/1BA

Comparables 1 and 3 bill utility fees, which vary by unit type and/or utility usage. Comparables 2, 4 and 5 include landlord-paid water, sewer and garbage in the base rent rate. The per unit rent rate for Comparable 6 includes landlord-paid water, sewer, garbage, electricity and wifi. Comparable 7 is nearing completion of construction and will reportedly bill a utility fee of \$25 per unit per month in addition to the base rent rate.

- **Pets** – All of the comparable complexes allow pets (dog/cat) with a limit of two pets. Pet fees generally range from \$20 to \$25 per month and all of the complexes allowing pets include a one-time pet deposit typically ranging from \$250 to \$500.
- **Application Fees/Deposits** – All of the complexes charge application fees ranging from \$40 to \$50 per applicant. Deposits vary but generally range from \$500 to one month's rent.

MARKET STUDY (continued)

- **Amenities** - Project amenity characteristics are summarized as follows.

No.	Name Location	Year Built	Units	Common Amenities
1	The Meridian 777 Commercial St SE Salem, OR	2009 2014	89	WD, secure entry, secure pkg \$50-\$105/Mo Elevator, fitness, Lounge, some view units
2	McGilchrist Roth Building 102-120 Liberty Street NE Salem, OR	1916 2014 reno	9	WD, secure entry Secure parking Storage
3	South Block 315 Commercial St SE Salem, OR	2015 & 2016	174	WD, some balconies, courtyard, lounge secure entry, under bldg pkg, storage fitness, city views, dog park, pets allowed
4	The Court Yard 211 Court St NE Salem, OR	2019	40	WD, secure entry, balconies Secure pkg fee \$75-\$100/Mo, bike storage Elevator, some Willamette River views Pets allowed
5	Parke 325 325 13th St NE Salem, OR	1960 2020	32	WD, secure entry, balconies elevator, CAC, city views Open & covered parking, pets allowed
6	Koz on State 121 Commercial St SE Salem, OR	Mar-21	148	Laundry on each floor, secure entry, partial furnish Elevator, bike & storage space, courtyard Fitness center, no parking, pets allowed
7	Atrium Apartments 990 Broadway St NE Salem, OR	Proposed 8/20/2021	23	WD, secure entry Courtyard On-site parking, pets allowed

- **On-Site Management** – All of the comparables have some form of on-site management available for tenant assistance.
- **Appliances** – All of the comparables have stainless steel kitchen appliance packages with quartz or similar solid surface countertops. Koz on State has studio size kitchen appliances limited to a 2-burner electric stovetop, mid-size refrigerator and microwave oven due to the micro suite design.
- **Washer/dryer in unit** – All but one of the comparables include in-unit washer/dryer appliances. Landlord provided laundry appliances have become standard for new construction. While it is difficult to quantify a premium associated with landlord provided laundry appliances, the appraiser's database includes rental information from throughout the greater Oregon region in which some complexes may offer the option to have landlord provided laundry appliances. In these cases, landlords may charge a \$25 to \$60 per month premium to provide laundry appliances. It has been reported by multifamily developers, laundry appliances are included in new construction since the appliance suppliers typically offer advantageous pricing for appliance packages that include laundry appliances.
- **Bathrooms** – The comparables offer a variety of bathroom counts from the standard one bath configuration up to 2.5 baths.
- **Secure Entry** – All of the comparables offer a secure entry point.

MARKET STUDY (continued)

- **Fitness** – Fitness rooms are offered at three of the comparable properties. It is noted there are several fitness facilities available in the Salem CBD. It is noted all fitness rooms have been closed to tenants as a result of the ongoing Coronavirus pandemic.
- **Secure Parking/Garage**– Secure parking and/or covered parking is offered at Comparables 1, 2, 3, 4 and 5. Comparables 1 and 4 have an additional charge for secure parking ranging from \$50 to \$105 per month. Comparable 6 does not offer on-site parking. Comparable 7 will have on-site parking available for tenants. There are several city owned parkades in the CBD which offer covered parking for a monthly fee for properties that do not offer on-site parking.
- **Storage** – Comparables 2, 3 and 6 offer storage for tenants.
- **Bike Storage** – Comparables 4 and 6 have secure bike storage available for tenant use.
- **Lounge** – Comparables 1 and 3 have lounges available for tenant use.
- **Balconies** – Comparables 3, 4 and 5 have balconies.
- **Courtyard** – Comparables 3, 6 and 7 each have a common area outdoor courtyard available for tenant use.
- **Pets** – All of the comparables allow a maximum of two pets, charge a one-time deposit ranging from \$250 to \$500 per pet, and a monthly additional pet rent per pet ranging from \$20 to \$25 per month.

MARKET STUDY (continued)

PROJECT MIX

Unit Mix - The following table illustrates unit mix, the percentage breakdown by unit type and average unit size by unit type.

No.	Name Location	Year Built	Units	Unit Type	Avg Size (SF)	Units	Mix %	Avg Ask Rent/Month	Avg \$/SF
1	The Meridian 777 Commercial St SE Salem, OR	2009 2014	89	1BR/1BA	819	24	27%	\$1,600	\$1.95
				2BR/1BA	1,173	60	67%	\$2,199	\$1.87
				2BR/2BA	1,387	4	4%	\$2,299	\$1.66
				3BR/2.5BA	2,393	1	1%	\$3,299	\$1.38
2	McGilchrist Roth Building 102-120 Liberty Street NE Salem, OR	1916 2014 reno	9	Studio	386	1	11%	\$850	\$2.20
				1BR/1BA	750	1	11%	\$1,250	\$1.67
				2BR/1.5BA	910	4	44%	\$1,693	\$1.86
				2BR/2BA	1,765	3	33%	\$2,500	\$1.42
3	South Block 315 Commercial St SE Salem, OR	2015 & 2016	174	Studio	465-634	36	21%	\$1,164-\$1,319	\$2.26
				1BR/1BA	641-721	24	14%	\$1,390-\$1,405	\$2.05
				2BR/1.5BA	940	2	1%	\$1,618	\$1.72
				2BR/2BA	975-1,330	38	22%	\$1,670-\$2,294	\$1.72
				3BR/2BA	1,370-1,601	74	43%	\$2,384-\$2,534	\$1.66
4	The Court Yard 211 Court St NE Salem, OR	2019	40	Studio	540	8	20%	\$1,260	\$2.33
				1BR/1BA	829	20	50%	\$1,550	\$1.87
				2BR/1BA	1,010	4	10%	\$2,020	\$2.00
				2BR/2BA	1,323	8	20%	\$2,125	\$1.61
5	Parke 325 325 13th St NE Salem, OR	1960 2020	32	1BR/1BA	700	27	84%	\$1,458	\$2.68
				2BR/1BA	1,050	5	16%	\$1,999	\$3.43
6	Koz on State 121 Commercial St SE Salem, OR	Mar-21	148	Studio	294	136	92%	\$920	\$3.13
				1BR/1BA	427	2	1%	\$1,180	\$2.76
				2BR/1BA	653	10	7%	\$1,605	\$2.46
7	Atrium Apartments 990 Broadway St NE Salem, OR	Proposed 8/20/2021	23	Studio	308-430	16	70%	\$950-\$1,025	\$2.68
				1BR/1BA	480-686	5	22%	\$1,250	\$2.14
				2BR/1BA	743-771	2	9%	\$1,600	\$2.11

The dominate apartment unit types for the Salem CBD are the studio, one bedroom and two bedroom unit types. Five of the seven comparables offer these unit types, underscoring a market preference.

The **studio** unit type is offered at five of the newer complexes within the Salem CBD market. The studio unit type ranges from an average size of 294 to 634 SF making up 11% to 92% of the unit mix at these properties. Rent rates range from \$850 to \$1,319 per month and from \$2.20 to \$3.13 per SF per month. Note: Comparable 6 has a 92% studio unit mix. This property completed construction in March 2021 and is in lease-up. This high percentage of studio units is untested in this market. Of the stabilized properties surveyed, the high percentage for studio units (excluding Comparable 6) is 21%. Comparable 7 is under construction, anticipated for completion August 2021. The studio unit mix at this property is 70%, representing another high for the Salem CBD market.

The **one bedroom** unit type ranges from 1% to 84% of the unit mix in the comparables surveyed which offer this unit type. The one bedroom unit size ranges from 427 to 829 SF. Rents range from \$1,180 to \$1,600 per month, and from \$1.67 to \$2.76 per SF. All of the comparables offer this unit type.

MARKET STUDY (continued)

The **two bedroom/one bath** unit type ranges from 9% to 67% of the unit mix. Average unit size ranges from 653 to 1,173 SF. Rents range from \$1,600 to \$2,195 per month, and from \$1.87 to \$3.43 per SF. Five of the comparables offer two bedroom/one bath units.

The **two bedroom/1.5 bath** unit type ranges from 1% to 44% of the unit mix. Average unit size ranges from 910 to 940 SF. Rents range from \$1,618 to \$1,683 per month, and from \$1.72 to \$1.86 per SF. Only two of the comparables offer two bedroom/1.5 bath units, indicating a market preference for the two bedroom/one or two-bath configuration.

The **two bedroom/two bath** unit type ranges from 4% to 33% of the unit mix. Average unit size ranges from 975 to 1,765 SF. Rents range from \$1,670 to \$2,500 per month, and from \$1.42 to \$1.72 per SF. Four of the comparables offer this unit type.

The **three bedroom/two bath** unit type is underrepresented in this market. Only Comparable 3 offers this unit type, which makes up 43% of the unit mix at this property, or 74 units. The unit sizes range from 1,370 to 1,601 SF with rents ranging from \$2,384 to 2,534 SF, averaging \$1.66 per SF.

The **three bedroom/2.5 bath** unit type is underrepresented in this market. Only Comparable 1 offers this unit type, which makes up 1% of the unit mix at this property, or one unit. The unit measures 2,393 SF with monthly rent of \$3,299 SF, or \$1.38 per SF.

Salem CBD Market Unit Mix - The following chart summarizes the overall percent allocation of unit types based on the total number of units surveyed.

Unit Type	No. of Units	Mix %
Studio	197	38.25%
1BR/1BA	103	20.00%
2BR/1BA	81	15.73%
2BR/1.5BA	6	1.17%
2BR/2BA	53	10.29%
3BR/2BA	74	14.37%
3BR/2.5BA	1	0.19%
Total	515	100%

Based on newer construction complexes in the Salem CBD market, the **studio unit is the dominate unit type** with **38.25%** of the total comparable unit mix. It is noted Comparable 6 completed construction in March 2021 and is in lease-up. Comparable 7 is under construction, anticipated for completion August 2021. Excluding these two new entrants to the Salem CBD market, the market unit mix is summarized as follows.

Unit Type	No. of Units	Mix %
Studio	45	13.08%
1BR/1BA	96	27.91%
2BR/1BA	69	20.06%
2BR/1.5BA	6	1.74%
2BR/2BA	53	15.41%
3BR/2BA	74	21.51%
3BR/2.5BA	1	0.29%
Total	344	100%

MARKET STUDY (continued)

Up until recently, the one bedroom/one bath unit type was the dominate unit type in the Salem CBD, with 27.91% of the unit mix. It is also important to note that the unit mix for Comparable 6 is exclusively micro apartments, a previously untested multifamily product in the larger Salem MSA region.

UNIT RENT INDICATORS

Studio Units – The comparable asking rent rates for the studio unit type are arrayed below.

Studio Rent Comp Array		
Comparable	Avg Rent/Mo	Avg Rent/SF/Mo
2	\$850	\$2.20
3	\$1,164-\$1,319	\$2.26
4	\$1,260	\$2.33
6	\$920	\$3.13
7	\$950-\$1,025	\$2.68
Low	\$850	\$2.20
High	\$1,319	\$3.13
Avg	\$1,070	\$2.52

The comparables form a range from \$850 to \$1,319 per unit per month, or from \$2.20 to \$3.13 per SF per month, averaging \$2.52 per SF per month. Given the subject's anticipated new construction, it should fall at the upper end of the range, supporting studio rent ranging from **\$2.52 to \$3.13 per SF per month**.

One Bedroom Units – The comparable asking rent rates for the one bedroom unit type are arrayed below.

One Bed Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
1	\$1,600	\$1.95
2	\$1,250	\$1.67
3	\$1,390--\$1,405	\$2.05
4	\$1,550	\$1.87
5	\$1,458	\$2.68
6	\$1,180	\$2.76
7	\$1,250	\$2.14
Low	\$1,180	\$1.67
High	\$1,600	\$2.76
Avg	\$1,381	\$2.16

The comparables form a range from \$1,180 to \$1,600 per unit per month, or from \$1.67 to \$2.76 per SF per month, averaging \$2.16 per SF per month. Given the subject's anticipated new construction, the subject's rents for this unit type should fall toward the upper end of the range, supporting one bedroom rent ranging from **\$2.16 to \$2.76 per SF per month**.

MARKET STUDY (continued)

Two Bedroom/One Bath Units – The comparable asking rent rates for the two bedroom/one bath unit type are arrayed below.

Two Bed/One Bath Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
1	\$2,199	\$1.87
4	\$2,020	\$2.00
5	\$1,999	\$3.43
6	\$1,605	\$2.46
7	\$1,600	\$2.11
Low	\$1,600	\$1.87
High	\$2,199	\$3.43
Avg	\$1,885	\$2.37

The comparables form a range from \$1,600 to \$2,199 per unit per month, or from to \$1.87 to \$3.43 per SF per month, averaging \$2.37 per SF per month. Given the subject's anticipated new construction, the subject's rents for this unit type should fall toward the upper end of the range, supporting two bedroom rent ranging from **\$2.37 to \$3.43 per SF per month**.

Two Bedroom/1.5 Bath Units – This unit type is underrepresented in newer Salem CBD complexes. Nevertheless, the comparables asking rent rates for the two bedroom/1.5 bath unit type are arrayed below.

Two Bed/1.5 Bath Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
2	\$1,693	\$1.86
3	\$1,618	\$1.72

The comparable asking rents range from \$1,618 to \$1,693 per unit per month, or \$1.72 to \$1.86 per SF per month.

Two Bedroom/Two Bath Units – The comparables asking rent rates for this unit type are arrayed below.

Two Bed/Two Bath Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
1	\$2,299	\$1.66
2	\$2,500	\$1.42
3	\$1,670-\$2,294	\$1.72
4	\$2,125	\$1.61
Low	\$2,125	\$1.42
High	\$2,299	\$1.72
Avg	\$2,178	\$1.60

The comparables form a range from \$2,125 to \$2,299 per unit per month, or from to \$1.42 to \$1.72 per SF per month, averaging \$1.60 per SF per month. Given the subject's anticipated new construction, the subject should fall toward the upper end of the range, supporting a rent ranging from **\$1.60 to \$1.72 per SF per month**.

MARKET STUDY (continued)

Three Bedroom/Two Bath Units – Only one of the Salem CBD comparables offers the three bedroom/two bath unit type, with the following rent range for this unit type. However, Comparable 3 contains 74 three bed/two bath units, which have historically enjoyed full occupancy, reportedly with vacancies promptly filled upon turnover.

Three Bed/Two Bath Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
3	\$2,384-\$2,534	\$1.66

The comparable forms a range from \$2,384 to \$2,534 per unit per month, averaging \$1.66 per SF per month for this unit type.

Three Bedroom/2.5 Bath Units – Only one of the Salem CBD comparables offers the three bedroom/2.5 bath unit type, with the following rent range for this unit type.

Three Bed/2.5 Bath Rent Comp Array		
Comparable	Rent/Mo	Rent/SF/Mo
1	\$3,299	\$1.38

The comparable rent for this unit type is \$3,299 per unit per month, or \$1.38 per SF per month for this unit type.

The most likely market rent ranges by unit type for the Salem CBD market are summarized as follows.

Likely Rent Range by Unit Type	
Unit Type	Rent/SF/Mo Range
Studio	\$2.52 - \$3.13
1 Bed	\$2.16 - \$2.76
2 Bed/1 Bath	\$2.37 - \$3.43
2 Bed/1.5 Bath	\$1.72 - \$1.86
2 Bed/2 Bath	\$1.60 - \$1.72
3 Bed/2 Bath	\$1.66
3 Bed/2.5 Bath	\$1.38

The likely rent range by unit type presents a relatively broad range of rents on a price per SF basis. Once the subject unit types, sizes and other complex amenities are determined, it will be possible to define a narrowed rent range for each unit style.

Note, the pricing above reflects a per SF unit pricing scenario for illustrative purposes only. It is not intended to be a conclusion of rental rates.

MARKET STUDY (continued)

ABSORPTION RATES

The industry standard for absorption is 12 units per month when supply and demand are in balance. The chart below illustrates absorption rates within Willamette Valley apartment projects which have achieved stabilized operations from 2014 to 2021. At the request of the property representatives, project characteristics remain confidential.

ABSORPTION	
Location	Units/Mo
Dallas	12.97
Albany	36.59
Albany	27.00
Albany	11.42
Albany	34.00
Corvallis	6.67
Corvallis	12.00
Eugene	15.80
Eugene	22.50
Eugene	30.00
Independence	11.00
Keizer	6.00
Keizer	26.00
Lebanon	4.33
Lebanon	16.00
Lebanon	18.00
Lebanon	24.00
Lebanon	18.00
Lincoln City	30.00
Lincoln City	27.00
Lincoln City	30.00
Lincoln City	15.00
Monmouth	2.57
NE Salem	16.00
Salem CBD	31.50
Salem CBD	29.20
SE Salem	25.00
SE Salem	27.75
West Salem	26.00
Salem CBD	6.33
NE Salem	6.67
Newberg	5.00
Jefferson	27.00
Industry Average	12.00

While the subject's specific location is the Salem CBD, absorption rates for newer complexes throughout the Willamette Valley are considered since the multifamily market throughout the valley exhibits high occupancy rates regardless of location, with new apartment product well received throughout the larger market area. Absorption rates throughout the valley range from 2.57 to 36.59 units per month.

The Albany comparables range from 11.44 to 36.59 units per month. These projects launched aggressive pre-marketing efforts and the phased construction process facilitated rapid stabilized operations.

Five Lebanon complexes are represented setting a range from 4.33 to 24.00 units per month. The project averaging 4.33 units per month falls toward the lower end of the range of the absorption comparables. Construction was completed during the holidays which measurably slowed absorption. The most recent phase of Cascade Ridge totaled 24 units and was completed at the end of 2020. Management representatives reported a six week (1.5 month) absorption period, which is equivalent to 18 units per month. Lease-up was facilitated by aggressive marketing during the construction cycle. The location adjacent to the Western University Medical Campus and Lebanon Community Hospital, combined with the established nature of the complex and seasoned professional property management, expedited absorption. The Lebanon high absorption rate is set by Cedar Ridge, a 36 unit complex located at 2400 S 12th Street. Construction was completed in early 2021. Management representatives reported a six week absorption period, equating to 24 units per month.

The Keizer comparables reflect absorption rates ranging from 6.33 to 26 units per month. The high is set by a complex located in the immediate vicinity of Keizer Station. Property

representatives reported the location along the stem of I-5 attracted tenants commuting to work in the Portland area that found the Keizer rental rates more affordable than those at Portland multifamily complexes.

MARKET STUDY (continued)

Hazel Hollow, a 30-unit complex completed in 2020, is located in the Jefferson market, just south of Salem, part of the Salem MSA. This complex was completed with stabilized operations achieved within 30 days, reflecting absorption of 27 units per month. The property was sold to an investor in December 2020, shortly after achieving stabilized operations.

Crawford Crossing is a 130-unit complex currently under construction in Turner, adjacent to the Salem UGB. Completion of construction is anticipated for August 2021 and units are being delivered as buildings are complete. To date, 82 units have been leased with extremely short lease-up periods. The property representative reported the last building that was completed was offered on-line for rent and all units were absorbed within 33 minutes.

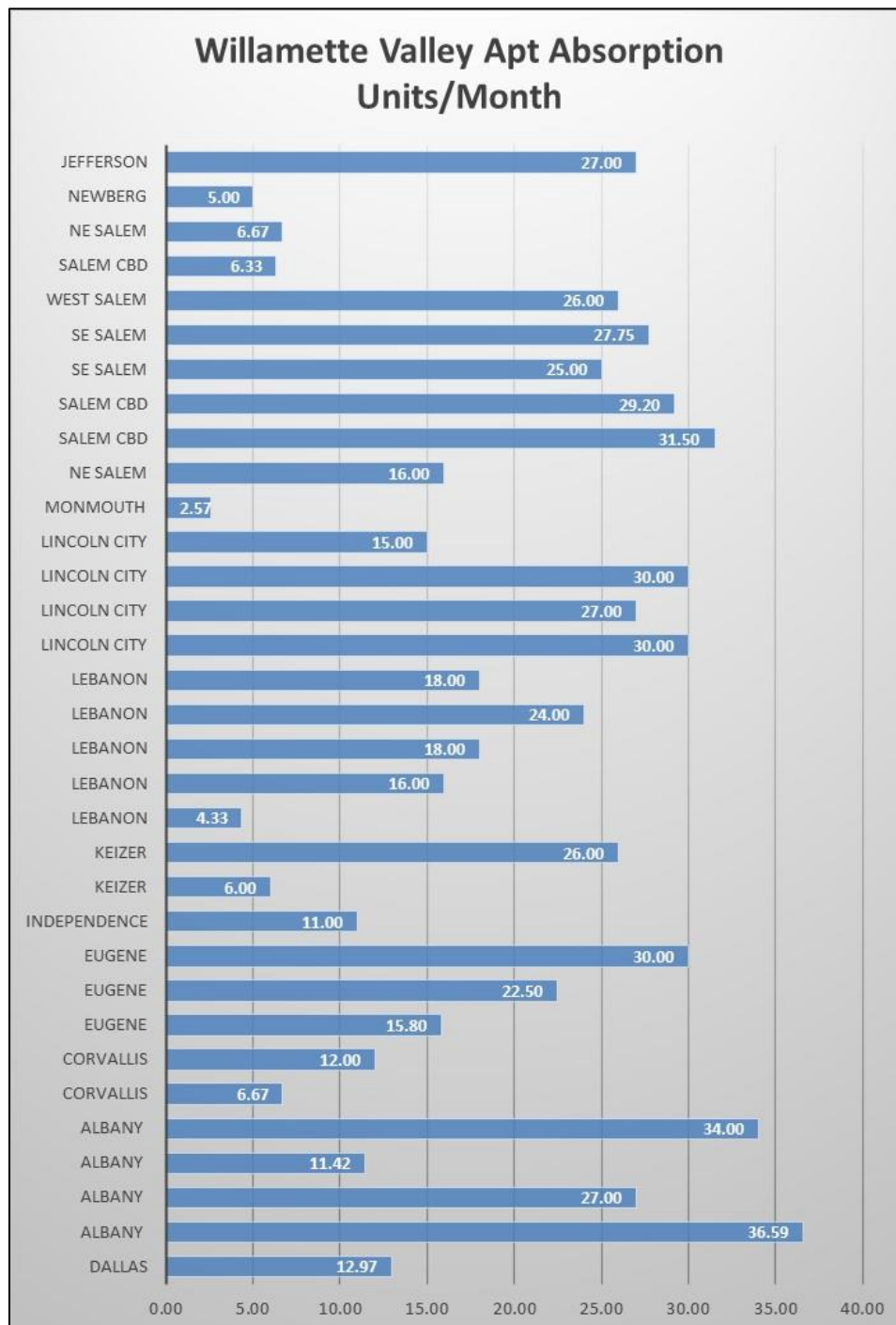
The **Salem** comparables have absorption rates ranging from **6.33 to 31.50 units per month**. In suburban Salem, recent new apartment development has experienced absorption rates ranging from 25 to 27.75 units per month.

- One of the high absorption indicators is set by **South Block Phase II** located in the Salem CBD at **31.50 units per month**. The 63-unit project was completed at the end of December 2016 and fully absorbed by the end of February 2017. The developer maintained a wait list that carried over from the first phase of the project with aggressive marketing during Phase II construction.
- The **Court Yard**, located in the Salem CBD and completed in 2019, experienced a nine-month absorption period averaging 6.33 units per month.
- Property representatives at **Koz on State** report construction was completed in March 2021 with 73 units rented as of mid-June (50.68% vacancy), indicating absorption of 29.20 units per month. This complex is weighted toward the studio unit type which makes up 92% of the unit mix, or 136 units. Prior to completion of construction of this complex, the Salem CBD had an inventory of 45 studio units in newer complexes. Market participants are watching closely absorption of this property since it is the first to offer micro apartment units to the Salem CBD. The property manager reported the one and two bedroom units were the first to rent, followed by the studio units. Full occupancy is hoped to be achieved by September 2021.
- The **Atrium Apartments** is located on the fringe of the Salem CBD. This 23-unit complex is anticipated to reach completion of construction August 2021. Diversified Property Management has been pre-marketing the complex and reports 135 inquiries to date from prospective tenants. This project is also heavily weighted toward the studio unit type with 70% of the total units.
- **Parke 325** is a 32-unit complex located in the Salem CBD. It underwent a full conversion from office use and renovation to reflect nearly new condition in 2020. While the property representative declined to report specific absorption, it is reported all units were promptly rented upon completion of construction.
- The **McGilchirst & Roth Buildings** contains nine apartment units in a mixed use building centrally located in the Salem CBD. This complex historically operates at full occupancy. Property representatives report unit vacancies are promptly filled upon turnover, typically with no advertising via word of mouth.

MARKET STUDY (continued)

It is noted several recently constructed multifamily complexes with high unit counts implement rolling construction schedules in which buildings are issued Temporary Certificates of Occupancy (TCO) during the construction cycle, facilitating early occupancy and contracting the stabilization process. One of the Salem comparables commenced construction in November 2019 with initial tenant occupancy facilitated by TCO in July 2020. The 100+ unit complex was issued the final Certificate of Occupancy in November 2020 after reaching stabilized operations. Absorption averaged 27.75 units per month.

The following graph illustrates absorption rates reflected in the previous chart.



MARKET STUDY (continued)

The table below illustrates the minimum, maximum, median and average absorption rates reflected by the comparables.

ABSORPTION	
Location	Units/Mo
Industry Average	12.00
Minimum	2.57
Maximum	36.59
Median	18.00
Average	19.31

A well-conceived project should align near the industry average, comparable average and comparable median rates (12.00 to 19.31 units/month). Noting recent CBD absorption rates, absorption of approximately **30 units per month** may be attainable. This assumes market based asking rents and an aggressive professional marketing effort launched during construction. In addition, a pre-leasing marketing effort would result in more rapid overall absorption given current pent-up demand.

During the absorption process, it is common for property managers to offer rent incentives or concessions in order to accelerate lease-up. The following rent incentives/concessions have been reported by Willamette Valley property representatives:

- One to two months free rent applied over the first year lease rate;
- Refer a friend rent incentive;
- Discount or free membership to nearby athletic club;
- Flat screen TV with move-in;
- One year in-unit wi-fi service;
- First application fee credited toward rent if unit rented within 24 hours of tour;
- Discounted application fee;
- Visa gift card of \$250 to \$500 depending on lease term of 12, 15, or 18 months;
- Month-to-month minimum 6 month lease pays premium of \$300;
- Current tenant bonus/rent credit of \$1,000 for referring a new tenant;
- Existing tenants receive a bedroom ceiling fan for renewing lease;
- Concierge services such as package service, complimentary coffee bar, DVD and book lending library, etc.;
- Resident events such as seasonal BBQs, holiday parties.
- "Try before you buy" fully furnished short-term vacation unit rentals, also available as an amenity to existing tenants' visiting friends/family.

MARKET STUDY (continued)

Amenities - Suggested amenities to maintain a competitive advantage, as well as to distinguish the subject from other newer Salem CBD apartment complexes, include:

- Secure entry;
- Studio, one bedroom & two bedroom unit mix;
- Elevator served floors for three or more stories;
- Stainless steel appliance package;
- In-unit laundry appliances;
- Air conditioning;
- LVP or similar flooring;
- Quartz or similar solid surface countertops;
- Balconies;
- Common area courtyard, fire pit and seasonal BBQ areas;
- Concierge and package service;
- Fitness room;
- Common area bike storage/bike wash area;
- Up to two pets per unit with associated one time deposit and monthly rental fees;
- Outdoor pet park;
- Pet washing station;
- On-site secure parking;
- On-site guest parking;
- Electric car charging station;
- Extra storage.

MARKET STUDY CONCLUSION

Based on the findings contained in this study, the local Salem CBD market has experienced recent multifamily development. Despite this, vacancy rates for newer apartment complexes remain well below anticipated stabilized levels, indicating frictional vacancy, a shortage of supply and pent-up demand. The Salem CBD market has exhibited the ability for new construction to absorb units rapidly with a professional marketing effort. There is limited evidence of measurable developing newer apartment in the near term in the subject's market area. The Salem CBD benefits from the relatively stable government dominated employment conditions associated with the State Capitol, the presence of Salem Hospital as a large employer and other private employers.

MARKET STUDY (continued)

The subject's proposed location in the heart of the Salem CBD at a signalized intersection has excellent proximity to a wide variety of commercial services, the Willamette River and multiple area parks. Multifamily development within Salem has a very good affordability rating when compared to the nearby population and employment centers of Albany, Corvallis and the Portland metro area. Multifamily development exhibits pent up demand based on very low vacancy rates. The stabilized Salem CBD apartment properties surveyed in the course of this analysis reflect an average vacancy of 1.16%. Vacancy is forecast to remain below 2.5% for the Salem market through 2024.

A large amount of Salem residents routinely commute to Albany, Corvallis and the Portland MSA solidifying the renter base in Salem and ensuring local occupancy levels. Salem is well positioned to capture renters desiring close proximity to other Willamette Valley employment centers.

No routine rent specials or concessions to spur tenancy were reported by established stabilized complexes in the larger Salem market. Despite the presence of two comparables recently entering the Salem CBD market, no routine rent specials were reported by area property managers.

While there are several proposed multifamily developments slated for the Salem CBD, the number of units planned and development ready appears modest given current occupancy levels and overall apartment inventory. Standard unit types at the majority of complexes are studio, one and two bedroom units. Landlord-paid utilities are typically included in the base rent rate; however, some complexes implement some form of utility billing system in addition to the base rent which off-sets the landlord's overall utility expenditures. Appliance packages routinely include stainless steel appliances as well as in unit laundry appliances and air conditioning. Various amenities are available in newer Salem CBD complexes, such as secure entry, elevator served floors, courtyard and/or balconies, pet friendly play areas, bike accommodations and on-site parking.

A professional marketing effort launched well in advance of completion of construction, combined with wait lists, is advised in order to facilitate expedited absorption of the planned units. In addition, rent concessions should be considered in order to spur tenancy. Absorption indicators for the larger market support robust absorption indicators as high as 30 units per month for new construction.

The subject's new construction presents an opportunity to provide superior rental housing, when compared to seasoned multifamily projects in a larger rental housing market that currently exhibits pent up demand. Historic rent rates and forecasted rent rates indicate continued increases in rents for the Salem CBD market on a price per SF basis through 2024.

Historic vacancy indicators and vacancy forecasting models indicate pent-up demand and very low vacancy for the Salem CBD market.

Overall, the subject's proposed development appears well positioned to capture market share for the residential rental sector in the Salem CBD market area. The forecast for the local market supports development of the proposed project within a two year timeframe.

MARKET STUDY (continued)

If any questions arise concerning this market study, please contact the undersigned.

Sincerely,

POWELL BANZ VALUATION, LLC



Katherine Powell Banz, MAI
OR State Certified General Appraiser
No. C000897
Expiration Date: August 31, 2022

Enclosures:
Professional Service Agreement

CERTIFICATION OF APPRAISAL

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this agreement.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective personal interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I, Katherine Powell Banz, MAI have not made a personal exterior inspection of the property that is the subject of this report.
- Shelly Montagne provided significant real property appraisal assistance to the person signing this report.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Katherine Powell Banz, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Katherine Powell Banz, MAI
OR Certified General Real Estate Appraiser
License No. C000897
Expiration Date: August 31, 2022

July 21, 2021

Date

PROFESSIONAL SERVICE AGREEMENT



April 27, 2021

Bid Number: B4011

Ryan Schera
Development Manager
Deacon Development, LLC
901 NE Glisan St, Suite 100
Portland, OR 97232
ryan.schera@deacon.com

Dear Mr. Schera:

Thank you for considering Powell Banz Valuation, LLC for the appraisal assignment identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it via fax or e-mail, thereby indicating your authorization for us to proceed with this assignment.

The following is a list of information we will need to begin our analysis. Please forward with the agreement as soon as possible.

- Signed Professional Service Agreement
- Preliminary building plans and unit mix
- Anticipated timeline for development

Our ability to honor the terms of this agreement will require your response by April 29, 2021. If you have questions regarding the enclosed, please feel free to contact me. We look forward to working with you.

Respectfully,

POWELL BANZ VALUATION, LLC

A handwritten signature in blue ink that reads 'Katherine Powell Banz'.

Katherine Powell Banz, MAI
Principal
+1 (503) 371-2403
kbanz@powellbanz.com

Professional Service Agreement**Bid Number: B4011****Property:** Salem CBD Apartment Market Analysis**Location:** Salem, Oregon**Client:** Deacon Development, LLC**Contact:** Ryan Schera

Scope of Work: A Market Study prepared in accordance with the Appraisal Institute and Uniform Standards of Professional Appraisal Practice. The study will present a survey of the Salem CBD market, reporting the following information:

1. Competing supply of newer product;
2. Proposed & developing apartment construction;
3. Rent survey focusing on newer studios, 1BR, and 2BR units;
4. Market projection of rent growth and vacancy in 2 years;
5. Vacancy survey for newer apartment projects;
6. Concessions being offered at newer projects;
7. Utilities included in rent;
8. Complex amenities & finishes;
9. Appliance package;
10. Absorption timelines for new construction;
11. Suggestions for how to separate the subject units from the competition.

Intended Use: Decision making

Intended Users: Subject ownership, and the client's legal & accounting professionals

Copies: One (1) Electronic Final Appraisal in PDF format.
Two (2) hard copies (upon request). Additional copies will be billed at a rate of \$75 each.

Professional Fee: \$6,800.00

Retainer: \$0

Terms: Commencement of the appraisal process will begin upon receipt of the signed Professional Service Agreement, retainer and any requested materials. The fee for the appraisal is due upon delivery of the report. Past due accounts will accrue a late payment charge of 1.5% per month, compounded monthly. In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorney's fees and costs, including those incurred upon appeal. This agreement shall be governed by and construed in accordance with the laws of the State of Oregon, and the venue of any action arising from this agreement shall be in Marion County, Oregon.

Delivery: 8-10 weeks from the return of the Professional Service Agreement.

Modification or Cancellation: *Changes in the Scope of Work, pre-trial conferences, trial preparation and testimony will be billed separately at the stated hourly rates below.*

If the assignment is cancelled prior to completion, for any reason, the client will be billed at a minimum \$500 or for all time expended prior to cancellation. Billing rates are \$150 per hour for associate time, \$200 per hour for senior associate time, \$250 per hour for designated associate time and \$300 per hour for principal time. If the client delays completion of the assignment beyond 90 days, the fee will be renegotiated.

Professional Service Agreement**Bid Number: B4011****Property:** Salem CBD Apartment Market Analysis**Location:** Salem, Oregon**Client:** Deacon Development, LLC**Contact:** Ryan Schera
POWELL BANZ
 VALUATION

**Hazardous Waste
Disclaimer:**


Powell Banz Valuation, LLC does not assume any duty to analyze or examine the property or adjacent property for the possible presence of toxic or hazardous substances or materials and accepts no liability regarding the issue. This appraisal report will contain a comprehensive disclaimer to this effect.

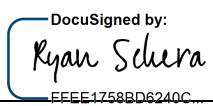
Liability:

Powell Banz Valuation, LLC's responsibilities are rendered and limited to the client. Liability is limited to the fee actually received for the services requested herein.

I, Katherine Powell Banz, MAI, Principal of Powell Banz Valuation, LLC, agree to the above terms, assuming the Professional Service Agreement and retainer are returned by April 29, 2021.

I, Ryan Schera, on behalf of Deacon Development, LLC, agree to the above stated terms and authorize Powell Banz Valuation, LLC to prepare the above referenced appraisal.

 April 27, 2021
 Katherine Powell Banz, MAI Date

DocuSigned by:
 4/28/2021
 Ryan Schera Development Manager Date

APPRAISER QUALIFICATIONS



POWELL BANZ VALUATION

EXPERIENCE & QUALIFICATIONS

The firm concentrates on complex commercial, industrial and multi-family valuation assignments for government, corporations and individuals. Work has been performed on a national scale. This is a sample of clients served:

Financial:

AKT, LLP
Bank of America
Bank of the Pacific
Bank of the West
Banner Bank
Church Extension Plan
Citizens Bank
CitiGroup
CIT Small Business Lending
Continental Bank
Evangelical Christian Credit Union
First Bank
First Community Credit Union
First Federal, McMinnville
First Interstate Bank, N.A.
HomeStreet Bank
JPMorgan Chase Bank, NA
Northwest Community Credit Union
OnPoint Community Credit Union
Oregon Coast Bank
OSU Federal Credit Union
Pioneer Trust Bank, N.A.
Regents Bank
Riverview Community Bank
Siuslaw Bank
Umpqua Bank
Washington Federal
Wells Fargo Bank
Willamette Community Bank
Willamette Valley Bank

Governmental:

Benton County
Bonneville Power Administration
City of Albany
City of Coos Bay
City of Corvallis
City of Eugene
City of Lincoln City
City of Newport
City of Salem
City of Silverton
City of Sweet Home
City of Woodburn
Dallas School District
Douglas County
FDIC

Federal Home Loan Bank
Klamath County
Lane County
Marion County
Military Dept. - State of Oregon
Mount Angel School District
Oregon Attorneys General
Oregon Dept. of Parks & Recreation
Oregon Dept. of Transportation
Oregon Division of State Lands
Oregon Dept. of General Services
Polk CDC
Port of Portland
Riverdale School District
Salem/Keizer School District
U.S. Army Corps of Engineers
U.S. Bureau of Land Management
U.S. Dept. of Interior
U.S. Marshall's Office
U.S. Forest Service
Washington Dept. of Fish & Wildlife
Woodburn School District
Yamhill County Housing Authority

Insurance/Medical:

Corvallis Clinic
Good Samaritan Hospital (Corvallis)
SAIF
Salem Health
Samaritan Albany General Hospital
Samaritan Health Services
St. Paul Fire & Marine

General:

Arnold, Gallagher, PC
Catholic Community Services
Martinis & Hill
McDonalds Corporation
Roth's Fresh Market
MDH Management LLC
Saalfeld Griggs PC
Feibleman & Case, PC
First American Title
Morrow Equipment
Sherman, Sherman, Johnnie & Hoyt
Mtn. West Development Corp.
State Farm Insurance Co.
GHR Lawyers



Katherine Powell Banz, MAI is a Principal and Certified General Appraiser with Powell Banz Valuation, LLC. Katie 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. In 2014 Katie and her husband, Jonathan Banz, MAI, AI-GRS purchased the business and rebranded the company Powell Banz Valuation, LLC.

Katie's professional experience includes a wide variety of valuation-related work, including consultation, appraisal, expert witness testimony, appraisal review, 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 was the 2018 President of the Greater Oregon Chapter of the Appraisal Institute (GOCAI). She was an active GOCAI Board Member from 2012-2020. Katie also volunteered as a Region Representative for the Appraisal Institute Region 1 from 2017-2020, and is serving on the 2021 Region 1 Nominating Committee.

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.

In her spare time, Katie enjoys reading, gardening, striving to live a creative life, and spending time with her husband and Great Danes.

EXPERTISE & SERVICES

- Real Estate Valuation
 - Professional & Medical Office
 - Retail
 - Industrial
 - Subdivision Analysis
 - Multi-Family
 - Lodging
 - Special Purpose Properties
- Expert Witness Testimony
- Eminent Domain and Condemnation
- Market Analysis & Feasibility Studies
- Appraisal Review



kbantz@powellbanz.com
503-371-2403

AFFILIATIONS

- State of Oregon Certified General Appraiser, #C000897
- State of Washington Certified General Appraiser (#1101856)
- Designated Member of the Appraisal Institute (#480999)
- State of Oregon Supervising Appraiser
- Greater Oregon Chapter of the Appraisal Institute - GOCAI:
 - 2019/2020 Region 1 Representative
 - 2019 Past President
 - 2018 President
 - 2017 Vice President
 - 2016 Treasurer
 - 2015 Secretary
 - 2012- 2014 Board Member
- Board Member -Deepwood Museum & Gardens, Salem, OR (2014-2019)

EDUCATION / DESIGNATION

- MAI - Appraisal Institute
- B.A. - Linfield College

APPRAISER CERTIFICATION



Appraiser Certification and Licensure Board

State Certified General Appraiser

28 hours of continuing education required

KATHERINE J BANZ
POWELL BANZ VALUATION, LLC
201 FERRY ST SE STE 300
SALEM, OR 97301

License No.: C000897

Issue Date: September 01, 2020

Expiration Date: August 31, 2022

Chad Koch, Administrator

LIBERTY ST NE

CENTER ST NE

420 CENTER ST. NE
15,581 SF



LOADING

COMPACT

COMPACT

COMPACT

COMPACT

COMPACT

COMPACT

COMPACT

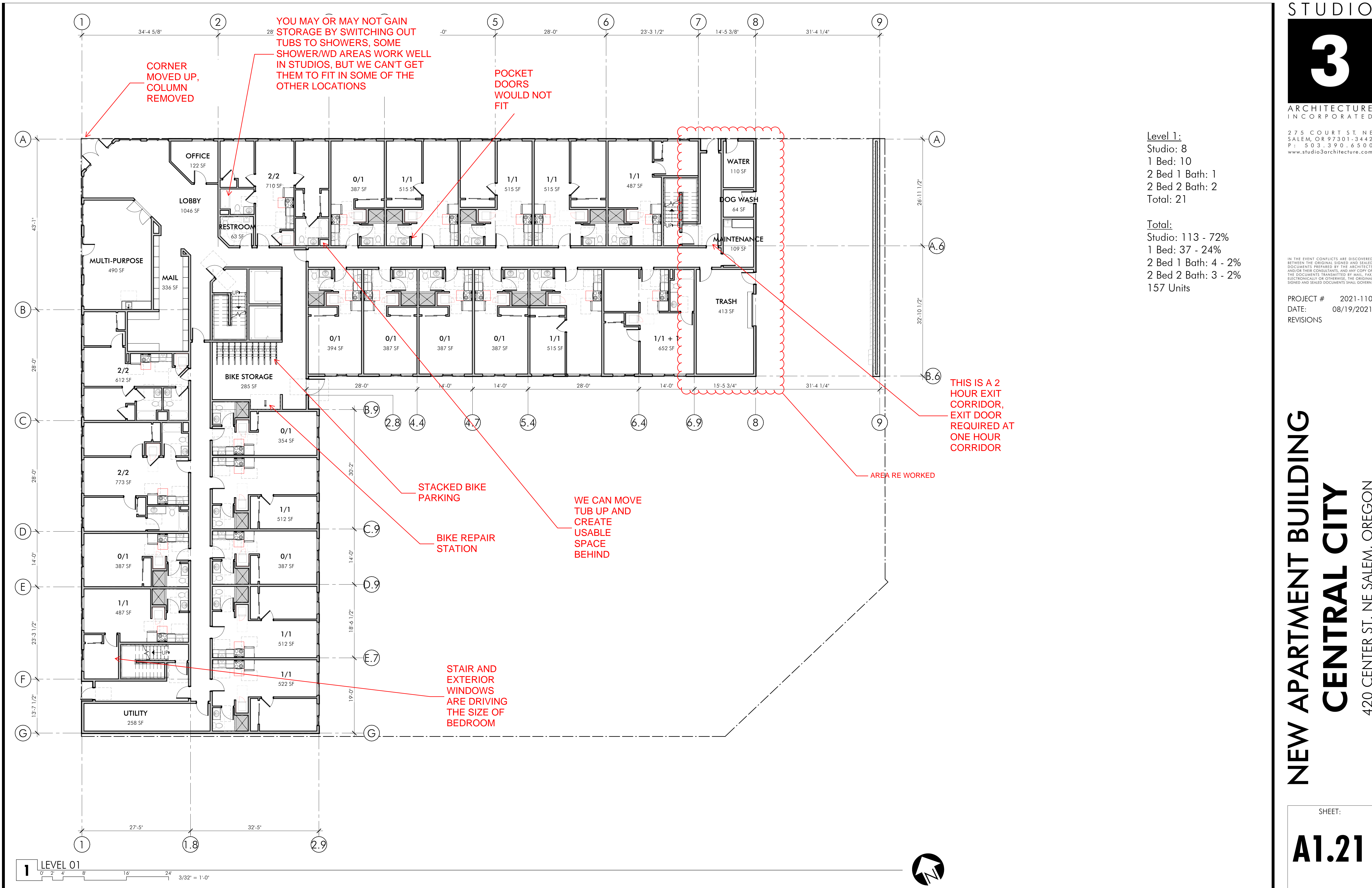
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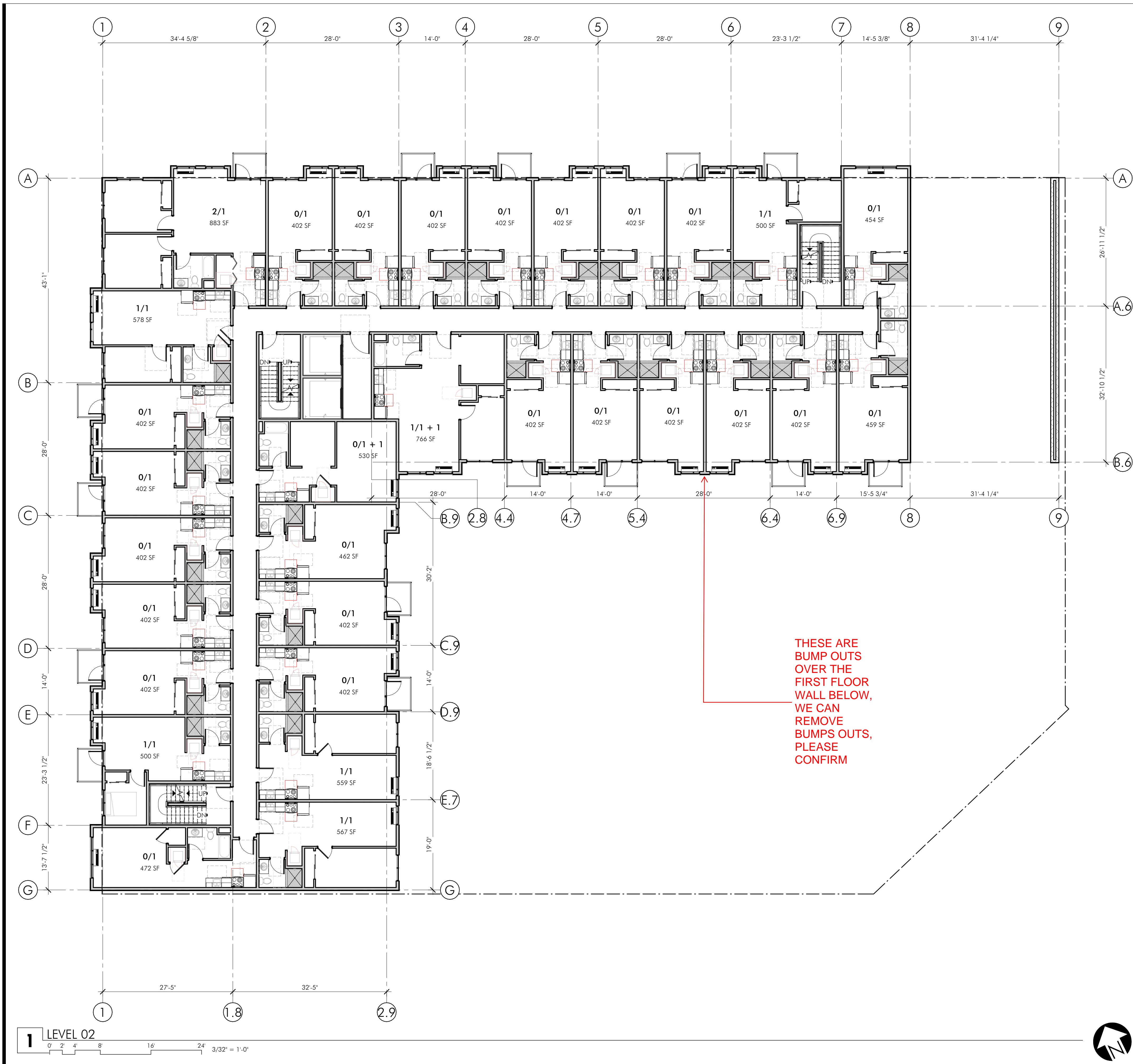
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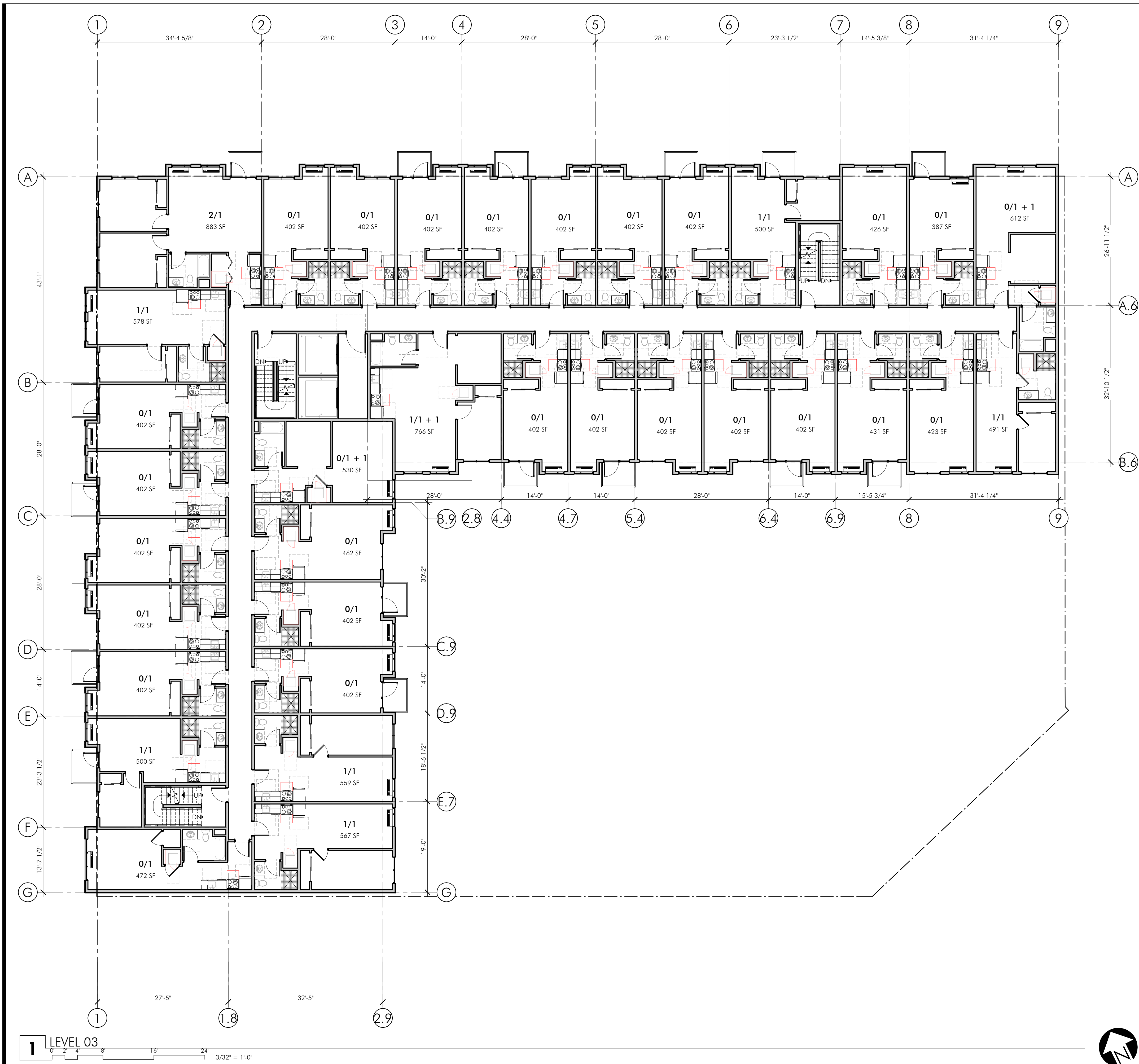




Level 2:
Studio: 24
1 Bed: 6
2 Bed 1 Bath: 1
Total: 31

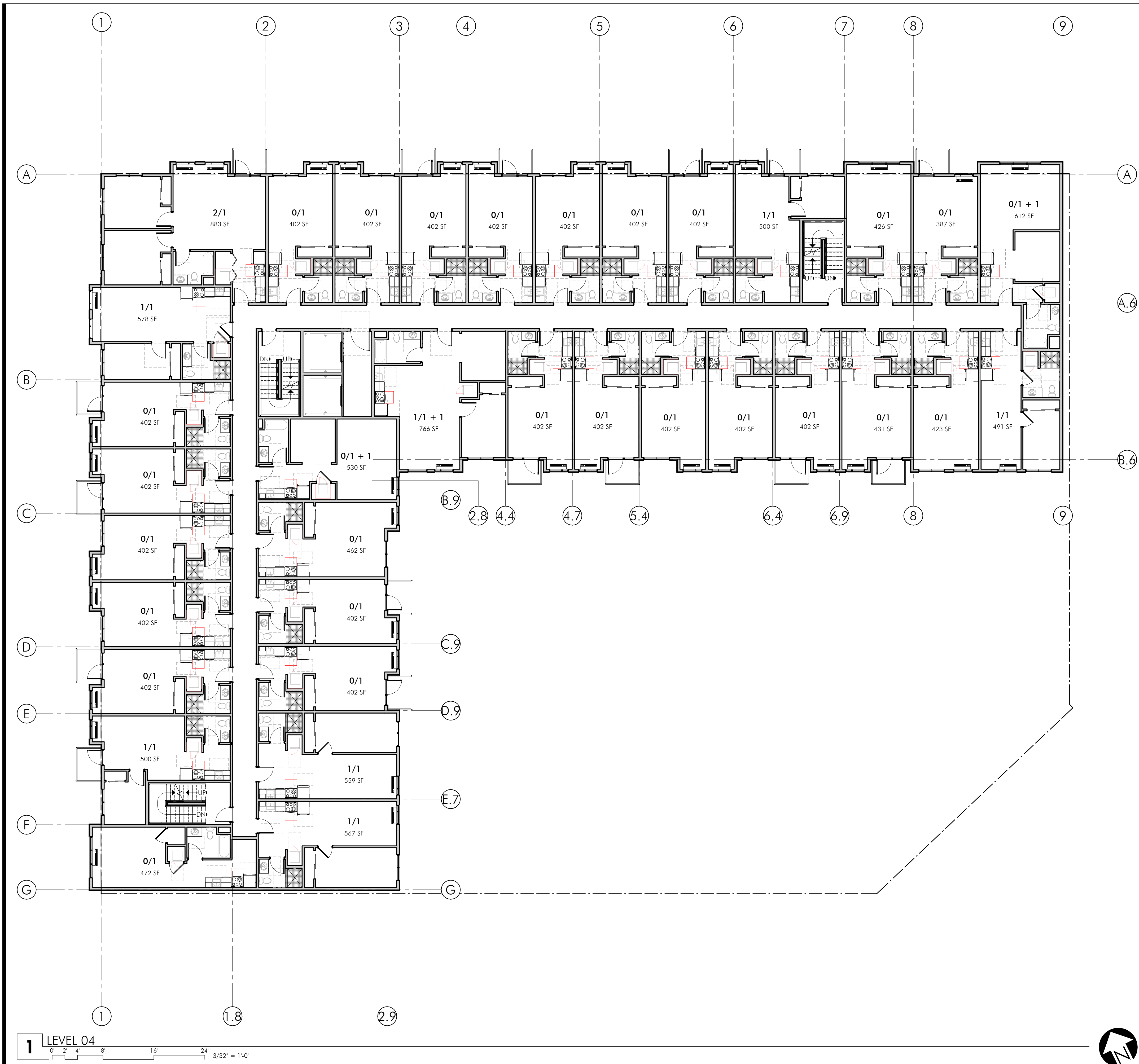
Total:
Studio: 113 - 72%
1 Bed: 37 - 24%
2 Bed 1 Bath: 4 - 2%
2 Bed 2 Bath: 3 - 2%
157 Units

NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON



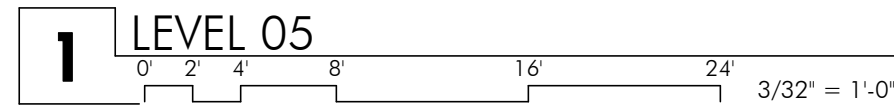
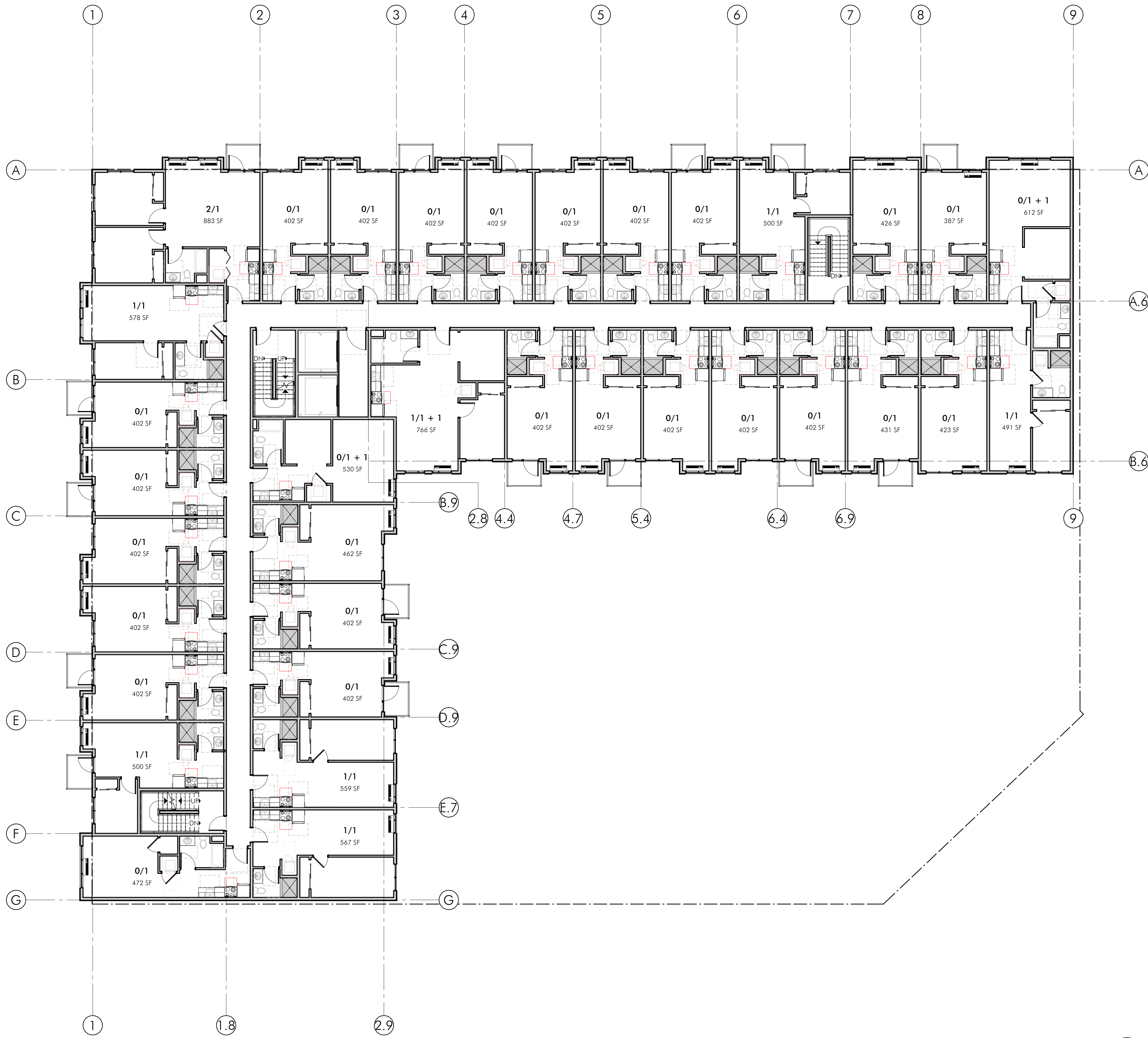
Level 3:
Studio: 27
1 Bed: 7
2 Bed 1 Bath: 1
Total: 35

Total:
Studio: 113 - 72%
1 Bed: 37 - 24%
2 Bed 1 Bath: 4 - 2%
2 Bed 2 Bath: 3 - 2%
157 Units



Level 3:
Studio: 27
1 Bed: 7
2 Bed 1 Bath: 1
Total: 35

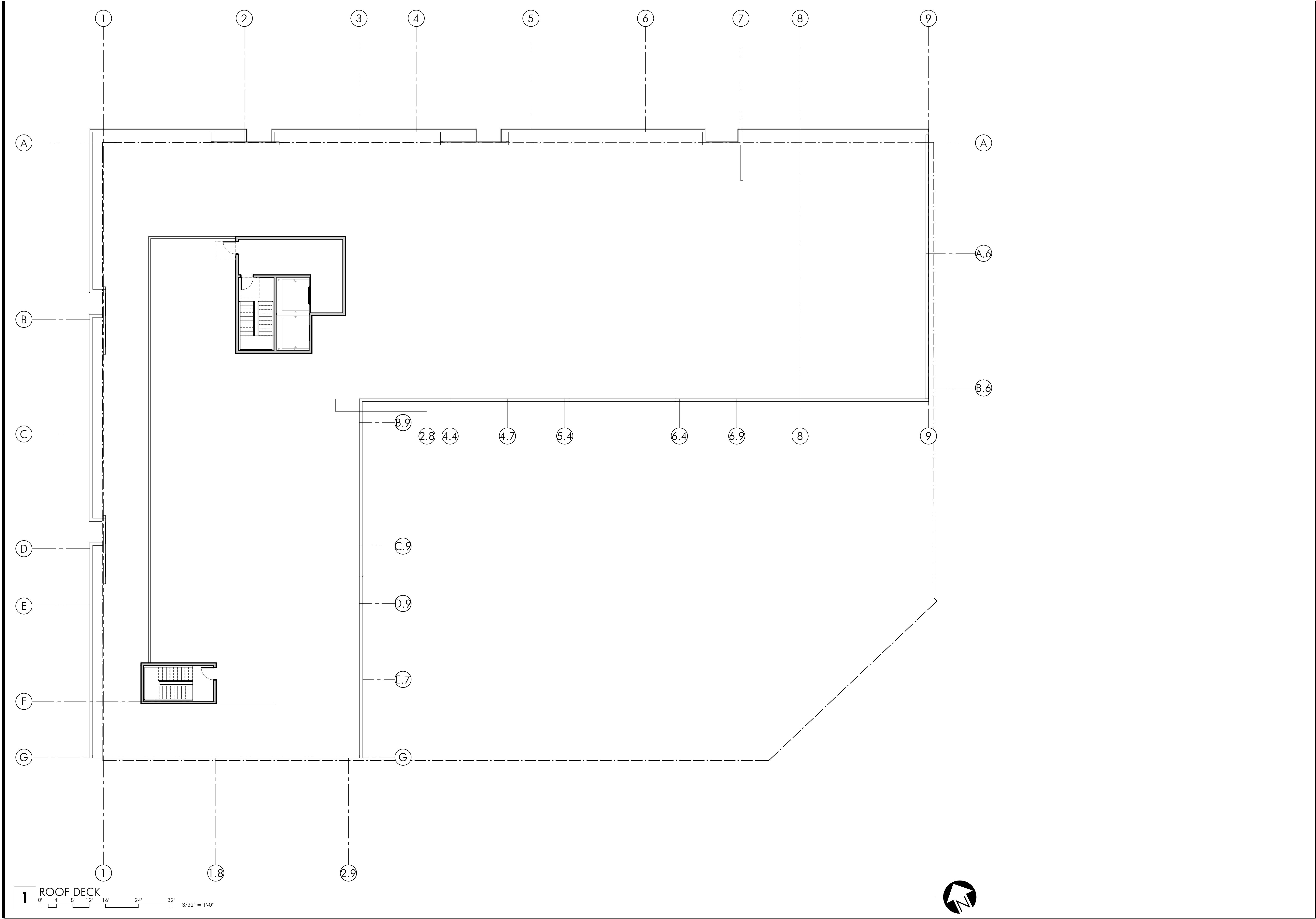
Total:
Studio: 113 - 72%
1 Bed: 37 - 24%
2 Bed 1 Bath: 4 - 2%
2 Bed 2 Bath: 3 - 2%
157 Units



Level 3:
Studio: 27
1 Bed: 7
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Studio: 113 - 72%
1 Bed: 37 - 24%
2 Bed 1 Bath: 4 - 2%
2 Bed 2 Bath: 3 - 2%
157 Units

NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON



NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON

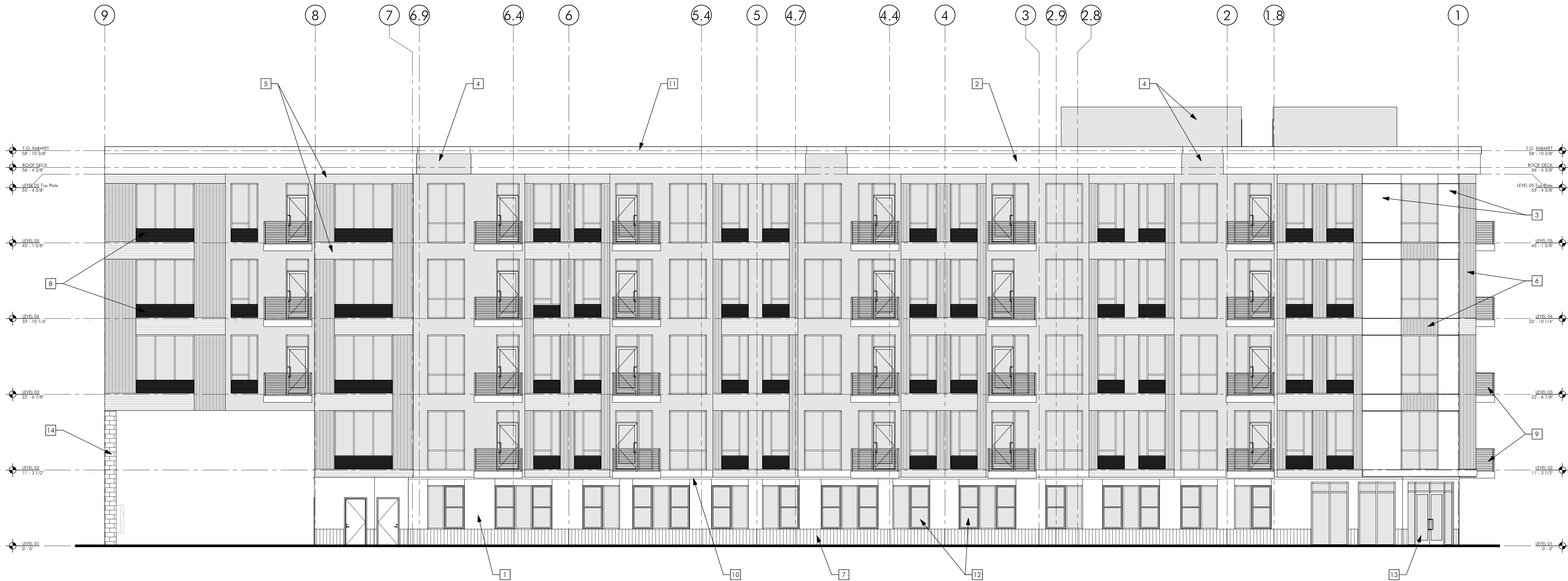
NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST., NE SALEM, OREGON

SHEET:

A2.01

ELEVATION NOTES:

- 1 FIBER CEMENT PANEL. COLOR 1.
- 2 FIBER CEMENT PANEL. COLOR 2.
- 3 FIBER CEMENT PANEL. COLOR 3.
- 4 FIBER CEMENT PANEL. COLOR 4.
- 5 PROFILED, HORIZONTALLY ORIENTED METAL PANEL. COLOR 1.
- 6 PROFILED, VERTICALLY ORIENTED METAL PANEL. COLOR 1.
- 7 VERTICAL CONCRETE TILE, "BOARD FORM LOOK".
- 8 PTHP GRILL.
- 9 SUSPENDED BALCONY W/ CABLE RAIL.
- 10 BELLY BAND.
- 11 PREFINISHED METAL CAP.
- 12 VINYL WINDOW, TYP.
- 13 ALUMINUM STOREFRONT.
- 14 CONCRETE MASONRY UNIT.



1 NORTH ELEVATION
0' 5' 10' 20' 40' 60'
1/8" = 1'-0"

NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON

SHEET:

A2.02

ELEVATION NOTES:

- 1 FIBER CEMENT PANEL. COLOR 1.
- 2 FIBER CEMENT PANEL. COLOR 2.
- 3 FIBER CEMENT PANEL. COLOR 3.
- 4 FIBER CEMENT PANEL. COLOR 4.
- 5 PROFILED, HORIZONTALLY ORIENTED METAL PANEL. COLOR 1.
- 6 PROFILED, VERTICALLY ORIENTED METAL PANEL. COLOR 1.
- 7 VERTICAL CONCRETE TILE, "BOARD FORM LOOK".
- 8 PTHP GRILL.
- 9 SUSPENDED BALCONY W/ CABLE RAIL.
- 10 BELLY BAND.
- 11 PREFINISHED METAL CAP.
- 12 VINYL WINDOW, TYP.
- 13 ALUMINUM STOREFRONT.
- 14 CONCRETE MASONRY UNIT.



1 EAST ELEVATION

0' 5' 10' 20' 40' 60' 1/8" = 1'-0"

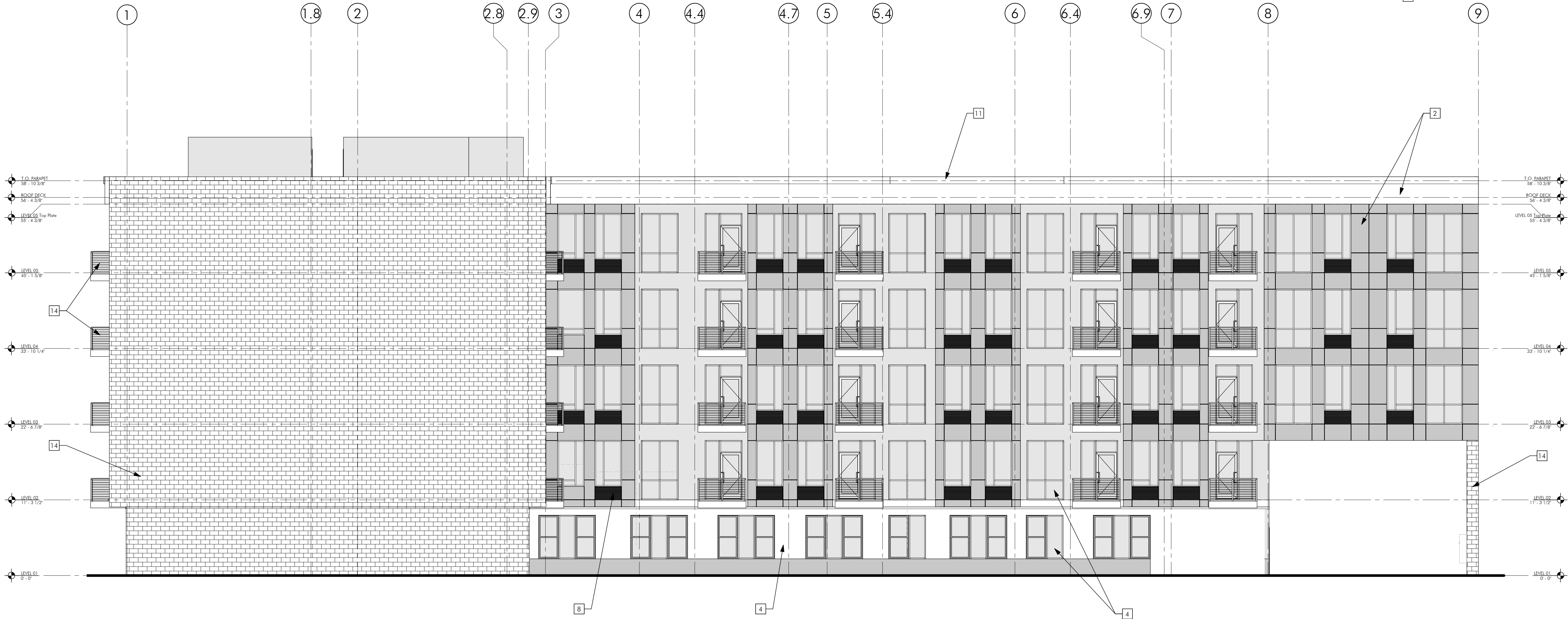
NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON

SHEET:

A2.03

ELEVATION NOTES:

- 1 FIBER CEMENT PANEL. COLOR 1.
- 2 FIBER CEMENT PANEL. COLOR 2.
- 3 FIBER CEMENT PANEL. COLOR 3.
- 4 FIBER CEMENT PANEL. COLOR 4.
- 5 PROFILED, HORIZONTALLY ORIENTED METAL PANEL. COLOR 1.
- 6 PROFILED, VERTICALLY ORIENTED METAL PANEL. COLOR 1.
- 7 VERTICAL CONCRETE TILE, "BOARD FORM LOOK".
- 8 PTHP GRILL.
- 9 SUSPENDED BALCONY W/ CABLE RAIL.
- 10 BELLY BAND.
- 11 PREFINISHED METAL CAP.
- 12 VINYL WINDOW, TYP.
- 13 ALUMINUM STOREFRONT.
- 14 CONCRETE MASONRY UNIT.



NEW APARTMENT BUILDING
CENTRAL CITY
420 CENTER ST. NE SALEM, OREGON

SHEET:

A2.04

ELEVATION NOTES:

- 1 FIBER CEMENT PANEL. COLOR 1.
- 2 FIBER CEMENT PANEL. COLOR 2.
- 3 FIBER CEMENT PANEL. COLOR 3.
- 4 FIBER CEMENT PANEL. COLOR 4.
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