NAI Black’s roots have been in Spokane for over 50 years. We’re committed to being an active partner in the Inland Northwest’s great history and its vibrant future. NAI Black is proud to manage, lease and market for sale commercial real estate properties throughout Spokane and the region. We look forward to our continued role in building a dynamic and vital Inland Northwest.
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"NAI Black sailed through 2014 with another record year in revenue. It truly was a year in which we hit on all cylinders."

Dave Black  
CCIM, SIOR  
CEO, NAI Black

A New Coeur d’Alene Office, a Record Year, and the Majority of Listings in Spokane County.

We have three primary business entities, which are Black Commercial, Inc., our brokerage company with its retail, industrial, office, investment, and business opportunity divisions; Black Realty Management, Inc., which manages six million square feet of commercial property and over 2,000 apartment units; and Black Realty, Inc., which undertakes commercial building and land development projects.

NAI Black sailed through 2014 with another record year in revenue. Our clients made good money, as did our brokers. We helped our customers and clients in an unprecedented number of ways. It truly was a year in which we hit on all cylinders.

Black Commercial had a stellar year as a result of hard work by all of our 28 brokers. In 2014, we opened an office in the Coeur d’Alene market led by Jim Koon, who was joined later in the year by Steve Ridenour, bringing the total in that office to three. The office is well-located, across the street from the Coeur d’Alene Resort and City beach, overlooking the lake in the CDA Chamber of Commerce building. This new office establishes NAI Black as a dominant brokerage company in that market.

Through the efforts of our Spokane brokerage team, we are now fortunate to be marketing the majority of the properties listed in Spokane County. This high volume of listings enabled us to help our clients lease, buy, and sell a record volume of properties in 2014.

Black Realty Management had a wonderful year, as well. Our new
head of multifamily management, Kim Sample, did a great job with our existing clients and added significant new business to our management portfolio. Working with Kim is Jeff Swanson, who continues to provide top service to our largest apartment clients. Our Senior Vice President, Tom Hix, continues to do an outstanding job in the receivership, office, and retail property markets; and, with David Wright managing retail; Kevin Guthrie managing office; and Heidi Irvine and Jason Jackson managing a variety of properties, all have done incredible jobs with their commercial clients. Our accounting staff, led by our CFO, Gloria Ries, continues to do an amazing job for all of our clients. Our maintenance company, led by Tom Hix, continues to flourish, saving our clients thousands of dollars on routine maintenance assignments.

On the development side of things, we also had a good number of projects come to fruition. Most notably, Target Center, called “Regal Plaza at Palouse” on the South Hill, was finished on time and on budget. This project added 13 new tenants to the South Hill retail market. We also developed a new store for Rosauer’s in Suncrest, which opened at Thanksgiving 2014. Our Black Commercial President, Jeff Johnson, finished a 48-unit apartment project called Wandermere Glen, and our multifamily residential team is working to complete the lease-up of that project. Our residential subdivision business, led by Bryan Walker, was a market leader with new phases at Twin Bridges, Bing Crosby’s old estate, the acquisition and planning of the recently acquired Painted Hills golf course, and additional projects for long time clients.

It was an honor to be selected by Inland Business Catalyst Magazine’s readers as the number one commercial real estate company in the Inland NW and to be listed as the largest commercial real estate firm in the area again by the Spokane Journal of Business. Additionally, we are thankful to be selected by our franchisor, NAI Global, as one of the top companies in the NAI network. Thank you to all of our clients, customers, loyal staff, brokers, and employees. You are simply the best! We could not do it without you, and it’s a real pleasure for me to continue to lead this fine company into the future!

David R. Black
NAI Black, Chief Executive Officer
Spokane’s retail real estate market accelerated its recovery from recession struggles through the end of 2014, and witnessed an increase in average leasing market rental rates in most areas of Spokane. This was based on significant new and re-development projects. Additionally, the market place witnessed a spike in leasing of second-generation and repositioned large box retail space.

Initiative 502 legalized the sale, possession, and use of recreational marijuana in Washington State, which precipitated a growing demand for retail store fronts. Municipal codes placed constraints on where these shops could locate, which has thus far led to increased demand for smaller suites in what has mostly been second-generation centers.

The South Hill saw Target open its doors in conjunction with the completion of 38,000 square feet of additional retail pad space, 97% leased at year-end to a mix of strong, mostly “new to our market” tenants, including Numerica Credit Union, Ezell’s Chicken, Anthony’s Beach Cafe, and Mod Pizza. Rents on the pad spaces started at $30 per square foot NNN. Demand continues to outpace supply on the South Hill, with vacancy under 3% in that submarket. We anticipate additional new development on Regal, spilling east along the north side of 57th Avenue. The average rental rates on Spokane’s South Hill climbed to $20 per square foot.

Spokane’s north market had a 13.84% vacancy factor with average rental rates of $16.25 per square foot during 2014. Northtown Mall started renovation of its north façade, paving the way for new QSR tenants to fill a longstanding void of food options in and near Spokane proper’s largest shopping center. The north side will also be home to Spokane’s second Trader Joe’s store, slated for a 2015 opening at Franklin Park Mall in space currently occupied by Rite Aid. Rite Aid will relocate to the southeast corner of Division and Central Avenue. Additionally, Party City added a second store in our market, taking space at Northpointe Center. Skecher’s Outlet will add a corporate store in Heritage Village at the Y.

In the CBD, the Grand Hotel Spokane, just south of the expanding Convention Center, caused available retail space demand to increase as the Marriott Collection Series Hotel will re-shape the future of downtown Spokane. Shortly after the announcement of the Grand Hotel, both the Bennett Block and the former Huppin’s building undertook renovations with the intent of catering to what will be a growing number of visitors to the city.

**“The outlook for the balance of 2015 bodes well for all segments of Spokane’s retail market.”**

Stephen B. Pohl  
C. Brian Anderson  
David B. Wright CPM®
and an expansion of high-traffic blocks east from River Park Square. The CBD had average lease rates of $13.82 per square foot with a vacancy factor of 8.35%.

In Spokane Valley, new retailers and restaurants continue to focus on the Sullivan corridor and the Spokane Valley Mall as opportunities for new space. Party City, Café Rio, and DXL have opened in the Evergreen Crossing west of the Valley Mall, with Staples relocating its Valley store to the same center. The Valley market experienced an average lease rate of $12.25 per square foot with a vacancy factor of 8.27%, demonstrating improved market conditions.

The recovering market also brought increased attention to second-generation space. Opportunity Center at Pines and Sprague welcomed a mix of tenants catering to cost-conscious consumers, with Value Village, Grocery Outlet, and Dollar Tree filling a total of nearly 60,000 square feet. Similarly, Hillyard Market-place, in the near northeast portion of the market and anchored by Safeway, saw the addition of Ace Hardware in a former State liquor store space, while Verizon and Panda Express split a suite previously occupied by Blockbuster. We will likely see an increase in the re-tenanting of similar second-generation space in 2015, causing us to anticipate continued growth in all quadrants.

The West Plains continues to attract growing interest from national retailers with an average lease rate of $15.92 per square foot and a vacancy factor of 7.5%. Buttressed by the expanding Northern Quest Casino attractions, strong housing growth, and a blossoming industrial job market, the West Plains has become a target market for retailers, hotels, and food service. Most of these still confidential deals remain in the genesis stages, and will likely be consummated in the late first quarter of 2015. The outlook for the balance of 2015 bodes well for all segments of Spokane’s retail market.
As the Market Improves, Look for Increasing Rents and Lower Vacancy Rates.

Spokane’s office market experienced slow but steady improvement throughout 2014. With vacancy rates declining and rental rates increasing slightly, landlords are beginning to see light at the end of what has been a six-year tunnel. Tenants had been enjoying a world of ample, free rent and tenant improvement packages, but with a lack of new construction and increasing demand by office space users, the office leasing market is finally beginning to flip back in the landlord’s favor.

Certain segments of the office market have improved more than others. The overall CBD market vacancy dropped from 494,189 square feet to 397,133 square feet, or about a 26% improvement over the past year. Class A vacancy was reduced by 4%, Class B vacancy was reduced by 30%, and Class C vacancy was reduced by 13%. Some landlords in the periphery of the CBD have pushed their Class B rental rates higher than the CBD Class B rental rates, which has helped attract tenants into the CBD office market. This tells us that tenants are still rate-sensitive.

Due to improved occupancy in the suburban office markets, landlords have begun to give fewer incentives and are holding firmer on their rents. In turn, the CBD market, which has to battle the element of added cost of paid parking, has improved as well. For instance, in the fall of 2013, CBD Class B office space had a vacancy of 19.51%, which has improved today to 15.01%. Other submarkets such as the Valley, which have larger blocks of vacant space, have also improved due to the increased demand for large, contiguous floor plates and a limited supply of space. Currently, there are less than 25 options in Spokane County for space over 10,000 square feet, and less than five options for space over 30,000 square feet. A new influx of major U.S. corporations with a need for back office and call center space are considering Spokane. These companies are attracted to Spokane’s low cost office space, a highly productive available labor force, and our low cost of living. With a lack of large space options in the market, don’t be surprised to see new build-to-suit office projects in the near future for some quality new tenants. When the Spokane office survey [made up of 522 office buildings containing 13,588,813 total square feet] was updated in the fall of 2014, it reflected an overall vacancy rate decrease of 5.4% from the fall of 2013. A very solid improvement in the office market.

The vacancy rate for small office space under 1,500 square feet has decreased substantially over the last year. With satellite offices becoming
more popular and numerous small start-up businesses coming out of their homes, small offices are starting to command premium rents. Executive offices are also in high demand and reaching levels of close to 100% occupancy. Office building sales have remained steady with a slight increase in sales prices. There are two factors behind this: the first being the lack of supply of properties for sale, and the second is sellers increasing their asking prices as the market has improved. There is very high demand for owner-user office properties under 10,000 square feet with attractive SBA financing helping drive demand for these properties. As the market continues to improve in 2015, we anticipate that it will be a year of increasing rents, lower vacancy rates, and possibly some new office construction.

Medical Office

In 1989, the Spokane community dared to dream of developing a health, science, education, and research center to serve as an economic engine for our city. We are seeing the results of that vision 26 years later. The University District has grown into a reality. Moving forward, national and state economic and political decisions shaping health care will be a factor in the future growth of this area. Nationally, potential changes in legislative direction will result in variations to the way Obama Care gets rolled out, which will determine how health care is delivered in Spokane. We are seeing new alternatives to traditional third-party health insurance plans, such as Employer Health Ownership Plan (EHOP), hospitals teaming up with insurance companies to provide new forms of coverage, and physicians switching to direct primary care for a flat annual fee rather than billing insurance companies. This may require physicians to acquire new office space.

Overall, we expect to see the growth of medical services continue in the Spokane region. The Spokane Eye Clinic moved its Valley office to the River View Corporate Center, and Providence moved forward with its out-patient surgery center in the Providence Medical Park in the Valley. Behavioral service provider CHAS added and upgraded clinics throughout Spokane. With the 15% growth in the availability in the market, the vacancy rate increased to 13.24% equaling 310,618 square feet. This increase is also a reflection of some medical tenants moving from medical office buildings into formerly non-medical Class A office space. This move is driven by lower rental rates around $19 per square foot compared to medical office rental rates, which have increased up to $25 to $30 per square foot in “medical office buildings”. Providence’s new medical office building in the Spokane Valley added 140,000 square feet to the market, increasing vacancy. Providence’s new building is a nice addition, but it resulted in the relocation of a number of medical practices that were previously located in privately owned office buildings. Medical office users need quality office space that allows them to efficiently run their practices, but also provides them with manageable overhead. Surveyed rental rates have increased about 20% over the last year to an average of about $24 per square foot on a full-service basis. We expect to see the medical office market continue to slowly absorb space and their rents to remain stable in 2015.
As Economy Strengthens, Demand for Industrial Space Continues to Improve.

NAI Black and its market survey partners surveyed 27,991,891 square feet of industrial space contained in 1,231 buildings in our fall 2014 survey. The areas surveyed are divided into six sections: West, CBD, North, East, Valley, and Liberty Lake. The average vacancy rate for these areas combined was 5.89%, which was a significant drop from the 9.41% a year earlier. That is almost one million square feet of net absorption of vacant space in 2014! What a great improvement in what has been a very flat and stagnant industrial market for many years.

A substantial part of this industrial space absorption came from I-502 marijuana growers leasing space for secure indoor greenhouse operations. This increase in occupancy has already resulted in an increase in industrial rent rates from $0.25 to $0.30 per square foot.

The largest drop in vacancy rates occurred in the east section (immediately east of CBD to Havana), with vacancy dropping from 15.03% in the fall of 2013 to 8.18% in 2014. Another large drop was in the West Plains section of the survey. The 2014 fall vacancy rate in the West Plains ended the year at only 2.05%, down from a vacancy rate of 7.68% in the fall of 2013. With over four million square feet surveyed in the west, that is an absorption of approximately 240,000 square feet, which is a big improvement in an area of the market that has been very stagnant.

100,000 square feet of this absorption was to I-502 tenants.

As the national economy continues to strengthen in 2015, we anticipate that demand for industrial space will continue to improve. That improvement, with an overall vacancy rate of 5.89%, should push rents higher as tenants continue to absorb space.

Industrial land sales have been slow as well, with only a few users purchasing land to construct buildings for their businesses. Land prices vary widely, from as low as $1 per square foot in outlying areas, to as high as $5 per square foot in high density, mature industrial areas close to I-90. Cap rates on the few industrial investment sales that have taken place in the market have been in the range of 8% to 10%. Increased occupancy levels of industrial buildings and rising prices should see more sales as 2015 progresses. We anticipate increased activity in all areas of the industrial market in 2015, with rents continuing to increase as the result of lower vacancy and higher demand.
Speculative development in Spokane County? That’s right! In 2014, the industrial market saw two speculative projects come out of the ground: McKinzie Business Park and Playfair Commerce Park. These are the first industrial projects to enter the market since the beginning of the Great Recession.

McKinzie is located close to I-90 in the City of Liberty Lake. The construction is concrete block with decorative metal siding and 12’x12’ ground level overhead doors. Each unit is 1,500 square feet and considered a “front loader”, meaning the overhead door is in front of the unit and has an office/reception area and restroom. Units can be combined for additional warehouse space, which is clear span and has a clear height of 18’.

Playfair Commerce Park is located on the former Playfair racetrack, once owned by the City of Spokane. The first spec building was built on a 4.89-acre lot with 70,625 square feet of warehouse. Each bay of the full concrete tilt-up building was designed to be 7,500 square feet with a dock high door in the rear and a ground level door in the front, with 750 square feet of office. With a minimum 24’ clear height throughout the warehouse space, this building will be able to accommodate numerous industrial requirements. With over 25 acres of remaining land for development, the developer plans to build two additional buildings in 2015, totaling over 100,000 square feet.

Due to the cost of construction, both these project’s asking rates are above current market rates on existing industrial buildings. Even so, by the end of 2014, Playfair had leased 55,500 square feet and McKinzie had leased 3,000 square feet, indicating tenants are willing to pay more for new high quality construction. If the vacancy rate continues to decrease in 2015, we expect rates to increase, and more buildings to be coming out of the ground.
Downtown Grows Along with Grand Hotel Spokane, Riverfront Park, and the University District.

Downtown Spokane is rebounding and on the verge of exceeding everyone’s expectations. As we look forward to 2015/2016, let’s first review what was accomplished in 2014. Downtown Spokane experienced a surge of real estate leasing activity; property sales; and, new and rehabilitation development activity, as well.

This surge came about after some well-intentioned and capable development projects were side-lined due to regulatory issues and/or tough to obtain financing during the recession. Developers, investors, office, retail, commercial tenants, and business owners who weathered the recession and had cash were able to purchase properties or lease space from motivated sellers and landlords at attractive prices and terms, providing for a lot of activity in the market in 2014.

Many development projects started in 2014 are still visible as they are being completed or still under construction. These projects have attracted new patrons, customers, and tourists to the Cork District, the International District, the U-District, the East Periphery, the Convention Center, and the Downtown Core.

Just visit Main Avenue and you will witness a surge of new activity, including redevelopment of some of downtown Spokane’s iconic historic buildings like the former Huppin’s building, the Dutch’s building, the Bennett Block, and the Globe building. Other rehab projects continuing to take shape in 2015 include the rehab of the Hutton Building, the Sherwood building, Havermale Park, and the Holley Mason building. In addition, there have been upgrades to, and the rehab of, modern buildings like the Wells Fargo tower and the former EWU building, now the home of Pyrotek. It has been very exciting to see the large cranes scattered across the downtown skyline during 2014 and continuing into 2015.

New projects include the nearly completed 716-room Grand Hotel Spokane (a part of the Marriott Autograph Collection) and the 90,000 square foot expansion of the Convention Center. Both of these projects will have a positive long-term impact on downtown. The Grand Hotel will have a pedestrian skywalk connecting it to the Convention Center and to the Performing Arts Center. This new skywalk will expand Spokane’s second floor skywalk system of 16 skywalks. Spokane is fortunate to provide...
residents and visitors with one of the largest skywalk systems in the United States. Our skywalk system connects Spokane’s downtown core shopping areas, office buildings, food, entertainment, and parking garages, allowing pedestrians easy weather-protected access to the majority of downtown.

On the east periphery of downtown, the University District continues to expand. With completion of WSU’s $79M Pharmaceutical & Biomedical Building, the new Gonzaga student housing dorm, and a multitude of new private developments, the U-District will continue to anchor Spokane’s position as an educational hub.

Adding to the business developments, downtown Spokane voters recently approved a $64.3M bond measure that will revamp downtown Spokane’s famous Riverfront Park, a 100-acre park that is surrounded on both sides by the Spokane River. This investment in Riverfront Park is an important addition to the overall attraction of downtown Spokane as a location for national conventions, tourism, and regional events.

As 2015 begins, we expect to see solid growth in downtown Spokane. The current investments being made in downtown Spokane will continue to attract new businesses, residents, developers, national and local retailers, conventions, and tourism. The outlook for downtown is great!
Spokane is experiencing a boom time for apartment owners. With over 2,200 new units coming on the market in the last three years, including 707 new units in 2013, it would be expected that the strong occupancy rates seen for the last two years would have begun to trend down with supply finally catching up and surpassing demand. However, this has not been the case. In a limited survey, current occupancy in the Spokane region was found to be at historical highs, averaging over 98% in some areas.

All of this new construction has also led to an increase in overall rental rates, although there is a divide between new apartment rents and older apartment rents; sometimes as much as $0.25 per square foot. The increase in new construction rents has allowed many owners of existing properties to raise rents. A rising tide lifts all ships.

Despite low interest rates that usually drive single-family home demand, a large segment of the population now have a preference for the flexibility and upgraded amenities that come with renting versus owning. We expect this apartment demand to continue, but with another 874 units currently permitted or under construction and another 1,087 units planned, it seems inevitable that we will see supply catch up with demand sometime next year. Rental rates should still remain strong throughout 2015.

**Spokane County**

Within the last 12 months we have seen continued upward trending in rents, despite historically high levels of new construction. Concessions were practically non-existent. Property owners and developers are still viewing this as a green light to build more apartments, and lenders are still on board.

Average rents for all unit types for March 2014 in the Spokane area were $739. By summer 2014, average rents had risen to $842. This hike is largely due to new construction coming online at considerably higher rental rates. The increase in rents was nearly $0.10 per square foot.

The average overall vacancy rate in March 2014 was 3.5%, which dropped to 2% by summer (well below the 5% vacancy rate viewed by many as a point of equilibrium). Looking at unit type, the lowest vacancies seen were studio units at 0.0% and three-bedroom/two-bath units with vacancies at 1.4%.

Apartment sales in Spokane County totaled $66,000,000 in 2014. A few larger sales helped increase the sales volume for the year. Those larger sales included the sale of the 210-unit Eagle Rock Apartments, the 132-unit Rock Creek Apartments in Cheney, and the 196-unit Canyon Bluff...
Apartments in Spokane. The average price per unit of the properties sold in Spokane County in 2014 was about $45,000. This number is still well below the high water mark set in 2007 of $50,000 per unit.

Additionally, there were two large projects sold in Pullman, Washington (Whitman County), home of WSU. One was a 284-unit that sold for $10,000,000 and the other was a package of two complexes under one ownership that sold for $30,000,000. Demand by investors for apartment properties of all sizes remains strong in the Spokane region.

Kootenai County

In December of 2013, Kootenai County had an average apartment vacancy rate of 2.8%. By summer of 2014, it had fallen to 1.8%, mostly due to absorption of new construction in the area. The majority of new apartment construction in Kootenai County has been in the affordable, low-income housing sector.

The highest vacancy in the summer was seen in the three-bedroom/two-bath units with vacancy rates at 4.5%. This is largely due to new construction not being fully absorbed and the availability of duplexes, single-family homes, and townhomes in the same price range or lower.

2015 Forecast

The 2015 forecast for Metropolitan Spokane is for some softening of occupancy rates toward the end of the year due to continued new construction. We anticipate rental rates to be flat or slightly increased in the submarkets where the majority of new construction will occur, including, but not limited to, the Spokane Valley where the vast majority of current construction is taking place. Rental rates elsewhere in the area should see a modest uptick. As is typical in these cycles, there will likely be trickle down impacts upon Class A, B, and C markets as tenants move up to the newly created inventory. There is minimal growth in population, employment, or job creation forecast for the Spokane area in 2015. This could combine with increased inventory to deflate the market slightly.

Kootenai County can expect to see vacancy rates continue to be stable with minimal rental rate increases. Not as much construction is scheduled in 2015 for Kootenai County, but the absorption of new construction generally has a greater impact on both Post Falls and Coeur d'Alene having less overall inventory.
Higher Real Estate Values and a **Solid Recovery** from Recessionary Prices.

The investment real estate market continued to gain momentum across the United States in 2014. This momentum was driven by steady improvement in the national economy, increased investor confidence, and investors seeking higher yields than could be found in other investment options. The gentle easing of lending guidelines also contributed toward directing the flow of capital into real estate investments. Most regional banks have worked through their bad real estate loans and are increasing their appetite for investment real estate. This increased lending activity will contribute to moving the real estate investment market forward. As the U.S. economy continues its steady move through the recovery stage, the demand for investment real estate should remain strong through 2015.

Due to the increasing demand for investment real estate, there was a steady compression of cap rates throughout 2014, resulting in higher real estate values and a solid recovery from recessionary prices. Even with rising prices, investors will continue to turn toward a rebounding real estate market as fixed income yields remain historically low.

The Spokane real estate investment market remained active during 2014 with strong demand from investors searching for most property types. Local investor demand has been the highest for properties in the price range of $500,000 to $2,000,000. Additionally, regional investors, predominately from Western Washington, Oregon, and California, have been active in secondary markets like Spokane, as cap rates have reached record levels in major West Coast cities. These investors are usually seeking properties in the $5,000,000 to $20,000,000 price range. Properties at that price point tend to come on the market less frequently in Spokane, but can be found from time to time by persistent investors. With cap rates going down and prices going up, investors who were reluctant to sell during the recession loosened their belts a bit and took advantage of the higher market demand and an opportunity to get optimum value for their properties.

Being a conservative community, Spokane has many buy and hold investors, resulting in a market with less inventory than some communities our size. Despite this fact, investment properties continue to change hands as investors’ needs change and prices rise. Each property segment in Spokane has seen different levels of interest from investors based on local market conditions. As an example, Spokane’s industrial
investment market has been flat for many years due to low industrial rents and higher than normal vacancy rates. With I-502 users (marijuana growers) filling industrial space that was vacant for many years, rents are now moving upward and should continue to do so as the local economy continues to strengthen. Reduced vacancy and increased rents should result in more investor interest in industrial properties.

There has also been a lack of investor interest in office buildings during the recession. The Spokane office market has struggled through the recession with high vacancy rates and a low demand for office space. This lack of demand for office space by tenants has resulted in a substantial compression of office rents and the compression of office property values as well. As both the industrial and office rental markets improve, valuations will stabilize and should allow sellers the opportunity to free up “trapped capital”.

The most active part of the non-residential investment market has been the sale of single and multi-tenant retail properties. These properties have been in high demand and have changed hands as sellers have taken the opportunity to capitalize on higher values. During 2014, these properties have been trading at cap rates in the 7% to 8.5% range. Cap rates for industrial and office properties have traded in the 8.5% to 10% range.

For 2015, we anticipate increased activity in the Spokane area investment property market as investors continue to seek the yields offered by real estate and sellers take advantage of a rising market.
Small Business Transactions are Up. Sellers are Earning Higher Sales Prices on Average.

As expected, business sales increased steadily in 2014 for NAI Black. In addition to the increase in sales, the businesses that sold were sold closer to asking price than previous years’ sales trends. Demand in the Spokane market to buy quality businesses has surpassed supply, creating a sellers’ market environment.

Our business brokerage team sold 11 businesses in 2014 compared to eight in 2013, and overall business sales increased 27% compared to the previous year. This local progression coincided with increased sales across the country, according to the BizBuySell.com Insight Report, a nationally recognized economic indicator that tracks the health of the U.S. small business economy. After each quarter, BizBuySell.com collects and analyzes data from tens of thousands of small business sales’ and listings’ prices reported by cooperating business brokers across the United States. BizBuySell.com’s Third Quarter 2014 Insight Report indicates that business sales are on track for a record-breaking year. As in the Spokane market, sellers are now earning a higher percentage of asking price, as well as larger multiples on cash flow. The full results are included in BizBuySell.com’s Q3 2014 Insight Report. A combined 1,987 closed transactions were reported in the third quarter of 2014, which shows a 17.9% increase from 2013, as well as the largest number of small business sales recorded in a third quarter since BizBuySell.com began measuring data in 2007.

For larger transactions, we are achieving multiples of four to five times Earnings Before Interest Taxes Depreciation and Amortization (EBITDA). At this pricing level (technically called Invested Capital and is defined as equity plus interest-bearing debt), the seller is generally responsible for paying off all interest-bearing debt, or if the debt is assumed by the buyer, the portion of debt assumed reduces the selling price.

Transactions involving local financial buyers (individuals) have seen the use of traditional, SBA, and seller financing to consummate transactions. Seller financing is generally small in comparison to the total transaction, and provides the seller with an alternative investment (a note with 5% to 6% interest rates) and terms that are generally seven years or less. These notes are secured by a personal guarantee from the buyer and the stock or assets of the company depending on the form of transaction.
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