



2018 Greater Spokane **Market Report**



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.



NAI Black

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“It’s really exciting to think about the future of our city and we look forward to our continued role in building it.”



Dave Black CCIM, SIOR
CEO, NAI Black

A New All-Time High for NAI Black.

I am pleased to announce that 2017 was another amazing year for NAI Black. As most people know, our company is a “3-legged stool”, which includes brokerage, property management, and development; and we had a record year in all three arenas. I am constantly amazed at how hard our people work, and I am very thankful for their dedication and loyalty.

The gross commission revenue from our brokerage group reached a new all-time high in 2017! This was the result of a vibrant local and national economy, diligent service to our clients by our hard-working brokerage team, and growing our business to new clients in Eastern Washington and Northern Idaho. Also contributing to our success was our affiliation with the NAI Global network, which allows us to connect with the nation’s top commercial brokerage firms to better serve our clients in and outside the Inland Northwest. We are very proud of our brokerage team led by Jeff Johnson. Our top five brokers in 2017 were Jon Jeffreys (office leasing specialist), Chris Bell (retail specialist), James S. Black III (investment property specialist), Darren Slackman (industrial specialist), and Bryan Walker (retail and special property sales and leasing). Congrats to our top five! Additionally, I would like to extend a huge thanks to our wonderful clients who helped us achieve our success over the last year!

In property management, we obtained numerous new accounts during the year, maintaining our position as the dominant retail management firm in Spokane. Most impressive; however, was the growth of our multifamily portfolio led by Kim Sample’s residential group. We helped clients from Seattle with the management and lease-up of their Cheney School Lofts project, and we are excited to have been selected as the property manager/leasing agent for the Ridpath, which is in the process of being redeveloped. We now manage over 2,500 units. Integral to our multifamily growth has been our 35 dedicated site employees/ community managers who do maintenance and leasing at our clients’ projects. Recently, we updated our residential and commercial management technology platform allowing us to better serve our tenants and owners alike. Our property management group is supported by a strong team of property managers, administrative assistants, and ten maintenance engineers led by Tom Hix. The team also includes a brilliant accounting staff of eight, led by Gloria Ries, CPA.

We enjoyed a strong year in development with the completion of our Heritage North project at the Division “Y” in Spokane and our Pasco retail project. Both of those projects included build-to-suits for Aspen



Dental. We also built for Petco, Wells Fargo, and Mod Pizza. In addition, we are in the process of completing a high-end, 68-unit multifamily project on the South Hill at 57th and Palouse Highway, and Jeff Johnson completed a 72-unit apartment project in Cheney. At year end, we acquired the former Safeway neighborhood center at Argonne and Mission and will be repositioning that property with a new Altitude trampoline entertainment center.

I think back to the days in the mid-80s when I had to borrow on my line of credit to make payroll, and feel blessed to have stayed the course and just kept going. I am stoked about the new Trump-led tax legislation and feel it will be great for all taxpayers and our economy in general. There is no bad real estate, one just has to live long enough.

I am very excited about Spokane and the projects that the City has in process, such as the \$64.3 million Riverfront Park renovation, street repairs, storm water infrastructure with parks on top of them, as well as the proposed new sports complex on the north bank. It’s really exciting to think about the future of our City and we look forward to our continued role in building it.

As a company, we continue to give back to our community by our involvement in community boards, service organizations, and charities. Among these is our participation in the Bite 2 Go program feeding elementary school children; our active role in Greater Spokane, Inc.; the Downtown Spokane Partnership; and the Boy Scouts of America.

The Inland Northwest is poised for continued growth due to our quality of life and business-friendly climate. I feel blessed to be a part of it.

David R. Black
NAI Black, Chief Executive Officer

RETAIL

“With steady in-migration and job growth, Spokane appears poised for solid growth for our retail businesses.”



Christopher D. Bell SIOR



David B. Wright CPM®

The Spokane Retail Market is Poised for **Another Strong Year** in 2018.

The Central Business District (CBD) continues to be a strong retail market. Shoppers come to downtown Spokane from around the region to shop, dine, and enjoy entertainment. Downtown's draw has been strengthened by the renovation of Riverfront Park and the growth of Kendall Yards just across the river. Retail space options are becoming more limited, which resulted in a year-end vacancy rate of 9.83%. Recent retail rental rates averaged \$15.09 per square foot per year, but with the limited availability of Class A spaces, rents for prime spaces are closer to \$25 per square foot NNN. River Park Square continues to be the dominant retail property in the CBD and there is a lot of excitement surrounding the opening of the M apartments and ground floor retail in that building anchored by Nike Outlet.

North Spokane continues to be the market most retailers look to locate in first, based on strong demographics and high traffic counts on Division Street. Vacancy rates in the North submarket finished 2017 at 8.24%. Average rental rates for year-end 2017 were \$17.28 per square foot per year. New construction rental rates are between \$28 to \$33 per square foot per year depending on the credit of the tenant, Landlord's Work, and Tenant Improvement Allowances. Costco's new store under construction on the Newport Highway is set to open June 2018 and is already attracting interest from new-to-market tenants who want to be part of this new development. The Costco project



should be a catalyst for additional new development along Highway 2 from Hawthorne Road on the south to Hastings Road on the north.

The South Hill remains one of the most difficult markets for retailers to enter due to a low supply of available spaces. Vacancy is still the lowest of any submarket area in Spokane with a vacancy rate of 4% and average rental rates at \$18.76 per square foot. New construction rental rates on the South Hill are as high as \$33 per square foot NNN. Developers are taking advantage of the high demand and low inventory of available space with new retail projects under construction or proposed on Regal Street and 57th Avenue.

The Spokane Valley submarket vacancy rate is 5.38%. Rental rates averaged \$12.79 per square foot with new construction rental rates close to \$30 per square foot per year. Two transactions of note in the Valley at year-end were leases signed with Flying Squirrel and Altitude Trampoline Park entertainment venues. Flying Squirrel leased 29,000 square feet at Sullivan Square Shopping Center at Sprague and Sullivan. Altitude leased 30,000 square feet of the former Safeway space at the Argonne and Mission Shopping Center.

The vacancy rate for the West Plains retail submarket is 10.68% and recent rental rates are up to \$16.84 per square foot per year. The region's largest employer, Fairchild Air Force Base located in the West Plains, continues to have a positive impact on retail in that area. New housing growth in the West Plains, along with the new \$40 million Spokane Tribe Casino, will also contribute to a solid West Plains retail market.

There were a number of noted retail transactions in 2017, including the opening of My Fresh Basket high-end market and deli in Kendall Yards. Other retail tenants opening locations in Spokane last year were Orange Theory Fitness, Sweeto Burrito, and Carl's Jr., along with Boeing Employees Credit Union opening a number of retail branches.

With steady in-migration and job growth, Spokane appears poised for solid growth for our retail businesses.

“The sale of office buildings seemed to lead the headlines last year...Umpqua Bank...Guardian Life ...Itron Campus.”



Thomas P. Hix CPM®



Jon J. Jeffreys SIOR

Spokane's Office Market Remains Steady.

Those who know Spokane understand that it is not our nature to be overly optimistic. With that in mind, let us pass on to you our most trusted knowledge of the office market. Many of our local economists expect continued growth in 2018. Labor markets continued to tighten with the unemployment rate down to 4.2%. Occupations in healthcare and skilled construction will remain very strong. The tight labor market is also translating into wage increases. So, what has this economic growth done to the Spokane office market? The overall total office market, CBD/suburban, and medical office was flat again in 2017 with 15.23% vacancy; or approximately 2,182,522 square feet of vacant space on the market. Spokane's office market has been at this vacancy level for the past three years.

The medical office sector showed the strongest growth with this market absorbing 85,723 square feet in 2017. The current vacancy is 8.97% with the average rental rates around \$22.29 per square foot.

The Class A CBD market was at 10.22% vacancy; or approximately 119,298 square feet. Class B increased to 348,195 vacant square feet and Class C increased to 33,956 vacant square feet. The CBD total vacancy remained flat for the year with 16.62% vacancy.

The suburban office market remained flat in 2017 at 16.53%, with the strongest section being the periphery of CBD at 15.28% vacancy; however, this market did absorb 72,966 square feet. The Valley showed the second strongest growth with 53,439 square feet of absorption. One of the reasons these sectors showed growth is their availability of free parking to tenants and the ability to accommodate the larger floor plate tenants.

Spokane, as a whole, has plenty of 1,000-5,000 square foot blocks of space but very few large blocks of vacant contiguous space over 10,000 feet. As a result, almost all new office construction has been for large, single-tenant users. We expect that until the office market strengthens, most new construction will be build-to-suits for single-tenant users. Medical office space, on the other hand, will continue to see growth in new construction as vacancy is low and the demand for owner-user sites is high. The only thing that will slow down the medical office development is lack of zoned building sites.

Zoned land for office buildings continues to be a scarce commodity. As Spokane continues its slow but steady growth, office building owner-users (the majority of those being medical and dental practices)



have been the main drivers of suburban office building development. Over the years, those users have bought up the existing inventory of sites zoned for office development in the north, south, and downtown periphery markets. There is still a good availability of office land in the Valley and the West Plains. Land prices continue to increase as supply goes down. We recently closed the sale of a medical office building site in the Valley at Sprague and Barker that sold for \$9 per square foot.

In addition to a shortage of office building sites, it is also becoming harder to find owner-user office buildings to purchase. Investors are now competing heavily with users for office buildings under \$2,000,000. This trend will probably continue in 2018 and prices for small office buildings should enjoy solid appreciation in the years ahead.

With the increased demand for investment real estate by out of town investors, we have seen cap rates for office buildings continue to decrease. We are seeing cap rates for leased medical office buildings around 6.5% and for quality general office buildings around 7.5%.

In 2017 there were some notable leases signed. Safeco Insurance expanded into another 62,000 foot build-to-suit building at the Meadowood Technology Campus, Northwestern Mutual leased 20,000 feet of a new build-to-suit building at the Pincroft Business Park, and Guardian Life Insurance downsized to approximately 35,000 feet at 605 East Holland.

The sale of office buildings seemed to lead the headlines last year. Some notable sales were the sale of the approximately 102,000 square foot former Umpqua Bank Building at 111 North Wall for \$6,550,000, the approximate 100,000 square foot former Guardian Life Insurance Building at 777 West Magnesium, and the approximate 140,000 square foot former Itron Campus at 2818 North Sullivan, which sold for \$5,500,000.

Expect to see market vacancy decrease and rental rates continue to climb for newer and higher quality office product.

“Lease rates are at all-time highs and vacancy rates are at all-time lows.”



Heidi A. Irvine



Darren Slackman SIOR



Drew Ulrick

Is this the **New Normal** for the Spokane Industrial Market?

The Spokane industrial market has seen dramatic changes over the last three years since the passing of Initiative 502 (*legalizing recreational marijuana*). Lease rates are at all-time highs and vacancy rates are at all-time lows. So, what can we expect from the industrial market in 2018? More of the same.

NAI Black and its market survey partners surveyed 29,129,419 square feet of industrial space contained in 1,318 buildings in our fall 2017 survey. The average vacancy rate for the entire survey was a record low 2.16%, down from 4.33% for the same period a year earlier.

Spokane County has now maintained a vacancy rate below 6% for over 36 months, which is uncharted territory for the Greater Spokane market. This continued low vacancy has resulted in a significant increase in new lease rates and renewal rates. This shortage, which started in Spokane, has also made its way across the state line into Post Falls and Coeur d'Alene. Tag Jacklin of Riverbend Commerce Park reports a vacancy rate of 1% in their industrial space.

With construction costs continuing to increase and lenders still not loosening their lending practices on speculative development, vacancy rates will remain low and lease rates will continue to climb. Dean Stuart, the Marketing Director at the Spokane Business and Industrial Park, has seen his rates increase nearly 50% over the last three years. Rates are now pushing \$0.50 per square foot NNN at SIP. That same space was only \$0.35 per square foot NNN three years ago. And the days of free rent and short-term leases of less than five years are long gone. Dean said the Park's vacancy rate is 1.5%; the lowest in the 17 years he has been at the Spokane Industrial Park.

With low vacancy in the market, owner-users of industrial space will have very limited options when they have a need for additional space to meet the growing needs of their business. In addition to a low inventory of space for lease, there is also a very scarce inventory of owner-user buildings to purchase. Growing companies who need industrial space will most likely need to consider purchasing land and constructing a new building, especially if they need more than 20,000 square feet.



Tenants are also facing limited space options when their leases are up for renewal. If the tenant has run out of written renewal options in their lease, they could be stuck paying significantly more rent for the space they have been occupying for years. Tenants should be checking their leases 12 months prior to lease expiration to determine if they have the right to renew. It will be important for them to have plenty of lead time to find alternative space if they are unable to come to terms with their current landlord.

The largest industrial project underway in Spokane is the Playfair Commerce Park. LB Stone Properties continues their success into 2018 with two new buildings coming out of the ground. The first is a 75,000 square foot building scheduled to be complete by May 1, 2018, and the second, a 60,000 square foot building, should be done by August 1, 2018. Out of the 171,000 square feet they have built to-date, only 14,000 square feet is available for lease. The current asking rent for that space is \$0.67 per square foot NNN.

On the investment side of the market, rents have finally increased to a level that supports new spec development. In addition to the LB Stone projects, we are beginning to see the construction of some smaller multi-tenant light industrial buildings. In North Spokane's "The Yard", a private developer has constructed two buildings of 17,000 square feet and 14,000 square feet with a third phase planned for 2018. Asking rents range from \$0.50 to \$0.55 per square foot on warehouse and \$1.00 to \$1.10 per square foot on office. In Liberty Lake, another developer has added three buildings totaling 41,000 square feet in the McKenzie Business Park with five more buildings planned. Spaces in those buildings range from 1,500 up to 15,000 square feet. The asking rents are \$0.70 to \$0.75 per square foot NNN blended, depending on bay size and build out.

As long as the State of Washington continues with its support of Initiative 502, industrial warehouse rates will remain high and space will be difficult to find for the immediate future. ■

DOWNTOWN

“Investors looking for redevelopment properties today will now need to start looking at the outer fringes of the CBD...”



Mark C. McLees



Stephen B. Pohl

Downtown Spokane: Building on Success.

Retailing in the downtown core continues to build on its past success. On Main, the new “M” mixed use project, formally the Macy’s Department Store, has announced a NIKE Factory Store will open there later this year. The M will provide a combination of needed downtown residential housing and repositioned retail space on the first floor. Just east, across the street from the M, the historic Bennett Block recently opened the first Chronic Taco in the market, taking the last ground floor retail space next to the previously opened Carhartt store. Then across the street to the south, the iconic Crescent Building welcomed back T-Mobile with their state-of-the-art retail concept fronting Main. NAI Black was fortunate to play a key role in attracting these retailers to our vibrant downtown economy.

In 2017, the Nordstrom-anchored River Park Square Shopping Center welcomed Tomato Street Restaurant, Pendleton, and Spokane Teachers’ Credit Union. The downtown Spokane shopping core continues to enjoy a national retail presence due to its success in attracting shoppers from Eastern Washington, North Idaho, Western Montana, and British Columbia.

The retail market downtown addresses both street and skywalk levels. During 2017, the vacancy for street-level retail space dropped to 10.2% versus the prior year of 12%, with the skywalk retail space also approaching 11% compared to 15% during 2016. While there are opportunities to lease quality space in the downtown core, the market vacancy is clearly tightening.

The Spokane Transit Authority (STA) completed its exciting Downtown Plaza renovation in May of 2017, creating new retail opportunities on the street level for both national and local retailers. Metro PCS joined existing tenants Subway, Pizza Rita and Joe’s Mini Market. STA has been a key player in the downtown core during the year. The Central Line that was approved in 2016 by taxpayers, with nearly one million riders projected on the six-mile route passing through downtown, is a significant transit enhancement and will provide an economic boost to downtown businesses. Construction is slated to start next year.

With the positive growth in downtown Spokane, the supply of unique and historic downtown buildings available for redevelopment have become extremely scarce. Investors looking for redevelopment properties today will now need to start looking at the outer fringes of the CBD and to other neighborhoods adjacent to downtown for



redevelopment opportunities. Areas just starting to attract the attention of investors and developers include the International District east of downtown along Sprague and the north periphery along Monroe Street north of the River, adjacent to Kendall Yards.

A couple key catalysts to downtown Spokane’s growth are the \$64 million Riverfront Park redevelopment and continued growth of The University District. With growing enrollment at the colleges located in the U-District and the addition of the WSU School of Medicine, the U-District continues to add to its educational offerings. The much anticipated University District Bridge connecting the U-District to East Sprague will create a great connection to redevelopment opportunities south of the rail road tracks in the area bounded by Sprague Avenue on the north and Third Avenue on the south.

The other significant compliment to Downtown Spokane is Kendall Yards, just across the Spokane River top of the northwest of the CBD. While the downtown core is steadily adding residential living opportunities, Kendall Yards, with unobstructed, coveted views of the Spokane River, proximity to the Centennial Trail, is a quickly growing master-planned residential and business community. Providing upscale urban residential lifestyle living, the current estimated 1,200 residents have become a reciprocal asset to the evolving success of our downtown businesses. Kendall Yard’s new 28,000 square foot My Fresh Basket grocery store opened in mid-2017, adding a much needed downtown grocery venue.

Downtown Spokane truly embraces “live, work, play.” We anticipate continued growth in and around downtown Spokane as it continues to build on its past successes! ■

INVESTMENT

“We feel with the continued strong local and national economy, investor confidence should remain high.”



James S. Black III CCIM



Jim A. Orcutt

Continued High Demand for Investment Properties.

Investor demand in Spokane and Coeur d'Alene continued to be strong in 2017 with economic factors such as low unemployment, low borrowing costs, and appreciating property values. The appetite for investment property remains extremely high.

Investors chasing yield have turned to tertiary markets like Spokane and Coeur d'Alene in hopes of finding higher cap rates (rates of return), which in turn has increased prices and values and created a shortage of investment-grade real estate to buy. As a result, this has also created seller reluctance to sell, as many property owners are unable to find acceptable exchange properties. Many sellers are not interested in losing their income stream, taking their proceeds, paying capital gains/recapture taxes, and having CD returns in the 1% range.

A couple of deals that highlighted these low cap rates in 2017 was the sale of the Carl's Jr. ground lease at Maple and Northwest Boulevard. This asset had 20 years left on the ground lease and the property traded at a 4.5% cap. Another highlight included the sale of Hayford Crossing shopping center anchored by Dollar Tree, Pawn 1, and Grocery Outlet. The property sold for \$9.3 million, which equated to a 6.15% cap. A local real estate developer/investor also bought the southeast corner of 29th Avenue and Regal on the South Hill for \$2.6 million, which equated a 6% cap. Two of the tenants included Millers Hardware and Little Caesar's Pizza.

Looking to 2018, the Federal Reserve appears to be poised to continue to slowly increase interest rates. This could put some pressure on cap rates to increase slightly. We feel with the continued strong local and national economy, investor confidence should remain high. Investors are going to continue to actively pursue quality investment real estate to place funds. ■

REGIONAL

“In 2018, we expect another record year in sales of commercial real estate volume with prices continuing to rise.”



Jim Koon



Steve Ridenour

Coeur d'Alene and Kootenai County.

The commercial real estate market in Kootenai County continues to be on solid ground with brisk activity in most sectors of the market, especially commercial land sales.

The Coeur d'Alene MLS reported 90 commercial land sales in 2017, which represents just a portion of overall land sales. Retail, office, and industrial users and developers recognize that there will soon be a barrier to entering this market if they don't get a foothold now. This demand is helping generate a land rush for strategically located parcels.

The industrial lease market is still very strong with less than 3% vacancy and continued demand. We are seeing a few new industrial projects coming out of the ground in 2018 to fill the gap, and lease rates are inching up on industrial space.

The Kootenai County office market has been flat the past year, and we expect to see more of the same in 2018. While the vacancy rate hovers in the 5% area, activity for Class A and B space was down in 2017 from 2016, and we see no new office projects on the horizon in 2018. However, the medical office field continues to expand with new facilities being built at the Riverstone development in Coeur d'Alene. Additionally, there are a number of medical office projects proposed in Hayden.

Kootenai County's retail market has some positive growth coupled with setbacks with the departure of Kmart and Sports Authority. Restaurants expanding into the market include Popeye's, Domino's, Sweeto Burrito, Firehouse Subs, Momo Sushi Wok Grill, and five new mom and pop eateries. In addition, there are a few new local brew pubs that all seem to be holding their own. There are very few vacancies in anchored shopping center inline space, and the strip mall market is stable. The Sports Authority space in the Silver Lake Mall was filled by a call center and the vacant Kmart building is receiving interest from national retailers.

Multifamily is booming in Kootenai County, as well as senior housing developments, and interest continues by local and out of state developers for more projects.

In 2018, we expect another record year in sales of commercial real estate volume with prices continuing to rise. The industrial and retail markets should continue with steady absorption, and we have guarded optimism on the office market. ■

APARTMENTS

“Apartment living continues to attract millennials... empty nesters... students... new residents to the County, and households waiting to buy homes.”



Kim Sample ARM



Mitch D. Swenson CCIM

Another Prosperous Year of Strong Rental Rate Growth.

The year 2017 ended on a strong note for multifamily housing in Spokane County with the average rental rate for all apartment types reaching \$886 per month, which is an increase of nearly 4% from the fall of 2016.

Spokane County's median household income saw a 9.3% jump in 2017. As per EWU's Institute for Public Policy and Economic Analysis, this median income growth is most likely due to the addition of new jobs being added to the Spokane County workforce and not due to a surge in personal household earnings.

A 1.9 month supply in the single-family home inventory was reported for November 2017 by the Spokane Association of Realtors, which is down from a 2.3 month supply of single-family homes when compared to November 2016.

Not surprisingly, apartment living continues to attract millennials, empty nesters looking for lifestyle/location changes, students living off-campus, new residents to the County, and households waiting to buy homes. What is unexpected is a modest 8.5% increase in high income households (defined as those earning over \$100,000 per year) seeking new apartment living opportunities in Spokane County.

Combine the increase in new employment, a decrease in home ownership opportunities, and then augment this powerful combination with the continuing general progression to apartment living by many of the demographic groups as noted above, we end up with a very healthy multifamily market in Spokane County at year-end 2017.



2017 Apartment Statistics

In 2017, approximately 2,129 apartment units were under construction or nearing construction completion; of these, 465 units were rent-restricted apartments. Another 1,114 units in 2017 were proposed and likely to be built, with 305 of these units to be rent-restricted apartments, bringing to market a potential of 3,243 new apartments within a short span of time.

Overall vacancy rates in fall 2017 rose to an average of 2.9%, which is an increase from the same time period last year of 1.6%. By fall, some submarkets impacted by new multifamily construction saw higher vacancy rates, and the reappearance of some rental concessions emerged in the market place. This reappearance of a limited amount of rental concessions may be in response to winter weather on its way, a decrease in absorption rates with the addition of new multifamily units, and higher rent properties attempting to attract new renters.

2018 Forecast Spokane County

The 2018 forecast in the Spokane County multifamily market is for another strong year. Average rental rates should see a continuance of growth; however, as in 2017, there is also the potential for flattening of rental rates in the areas absorbing the largest amount of the proposed new multifamily construction. We may see continuing small pockets of increased vacancy rates and minor upticks in concessions throughout the various locations with new construction impacts; however, even with these secondary influences, the overall apartment market for 2018 looks to be another prosperous year with steady rental rate growth and stable occupancy rates. ■

Source for reported rental and occupancy rates: Runstad Center for Real Estate Studies / University of Washington.
Source for reported new, permitted and proposed apartment construction, Spokane County: Valbridge Property Advisors.
Source for single family home inventory: Spokane Association of Realtors November 2017 report.
Source for reported 8.5% increase in higher-income tenants: Apartment List 2017 Market Trends, Spokane.

BUSINESS OPPORTUNITIES

“Today’s buyers desire a company with legitimate bookkeeping, dispersed customer concentration, and management in place.”



Scott Martin



John T. Powers III

Transactions More Challenging, Opportunities Increasing.

In 2017, we saw increased listing activity on behalf of business sellers. Despite the increase in the number of businesses listed for sale, we still experienced difficulty in completing transactions in the small to middle market transaction size. Businesses in this range have a value of less than \$5.0 million.

We are in the process of selling several companies priced at three to five times EBITDA (Earnings Before Interest Taxes Depreciation and Amortization). With businesses priced at the three to five times EBITDA level, the seller is generally responsible for paying off all debt at closing. We just completed a transaction for the sale of a local manufacturing company, and it closed at a multiple of just over three times EBITDA plus the appraised value for the seller’s real estate. It took one failed transaction and a total of two years to find the right buyer.

Finding the right buyer is our primary challenge in today’s market for businesses valued at under \$1.0 million. Problems include the uniqueness of the business, which limits the universe of potential buyers, the transferability of contracts, and buyers who are unable to obtain external financing. If the seller is willing to finance a portion of the sale and carry a note, that increases the number of potential buyers. Seller-financing today is in the form of a note with interest rates in the 5-6% range and up to ten years of term. The buyer provides a personal guarantee of the note and pledges the stock or assets of the company.

Achieving the expectations of today’s baby boomer sellers is also a continued challenge. Baby boomers interested in selling their businesses seem to have unrealistic pricing goals, desiring multiples of five to eight times EBITDA. Buyers shy away from overpriced businesses that would equate to “just buying a job”. Today’s buyers desire a company with legitimate bookkeeping, dispersed customer concentration, and management in place. They expect the business to provide a solid return on their investment.

With the US economic outlook positive, we are optimistic for increased business sales in 2018. ■

NAI Black Principals & Brokers



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Chief Financial Officer



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2018

Greater Spokane Market Report

The world's largest commercial
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