



OFFERING MEMORANDUM

Battle Creek — LODGES —

56-Unit Apartment Community
Located in Salem, Oregon



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Property Overview



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Battle Creek Lodges

56 Units in South Gateway Neighborhood of Salem

Introducing Battle Creek Lodges, a 56-unit apartment community in South Salem, OR. The property features spacious two-bedroom layouts averaging at 1,000 square feet. Battle Creek Lodges includes desirable apartment amenities such as fully equipped kitchens with dishwashers and stainless steel appliances, hardwood flooring, fireplaces, ceiling fans, and patios and balconies. This well-landscaped community offers residents a seasonal pool, tennis court, picnic areas, on-site laundry facilities, and off-street parking.

Nestled in the South Gateway neighborhood of Salem, and just off of Commercial Street SE, residents enjoy the serenity of suburban life without sacrificing the perks of urban convenience. Residents are just steps away from a myriad of grocery stores as well as easy access to bus lines, retail outlets, and a diverse array of restaurants. With Interstate 5 just minutes away, Battle Creek Lodges is well-placed for fast access around Salem and the greater metro area.

Property Summary

Address	1702 Madras St SE, Salem, OR 97306		
Year Built	1972	No. of Buildings	6
Unit Count	56	Stories	2
Avg Unit Size	990 SF	Lot Size	3.36 AC
Total Rentable Size	55,440 SF	Density (Units/AC)	16.67
Total Parking Spaces	90	County	Marion

Pricing Summary

Price	\$8,900,000	Per/SF	\$161
Per/Unit	\$158,929	Cap Rate	5.97%



UNIT MIX SUMMARY

Unit Type	Unit Count	Avg. Unit Size (SF)	Scheduled Rents as of 08/2024	Per SF	Recent Leases	Per SF
2 Bed / 1 Bath	56	990	\$1,343	\$1.36	\$1,452	\$1.47
Totals/Averages	56	990	\$1,343	\$1.36	\$1,452	\$1.47



AMENITIES

- » Spacious two-bedroom unit layouts
- » Fully equipped kitchens with dishwashers and disposals
- » Stainless steel appliances
- » Hardwood flooring
- » Fireplaces
- » Ceiling fans
- » Patios & balconies
- » Seasonal pool
- » Tennis court
- » Picnic areas
- » Well-maintained landscaping
- » On-site laundry facilities
- » Off-street parking



Fireplace & Hardwood Flooring



On-Site Laundry Facilities



Fully Equipped Modern Kitchens



Seasonal Pool



Lush Landscaping

An aerial photograph of a large residential complex, Battle Creek Lodges. The complex consists of several multi-story apartment buildings with grey roofs and light-colored facades. There are numerous parking lots filled with cars, a swimming pool, and several tennis courts. The area is surrounded by lush green trees and a road is visible in the foreground. A large, semi-transparent '02' is overlaid on the left side of the image.

02

Location Overview



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LOCATION OVERVIEW

Salem, Oregon

Situated at the 45th parallel within the Willamette Valley, Salem is home to the Oregon State Capitol and a community of over 177,000 residents. As the third-most populous city in Oregon, it serves as the principal city of the Salem metropolitan statistical area, covering Marion and Polk counties. The city hosts prominent educational institutions like Willamette University, Corban University, and Chemeketa Community College. Key employers include the State of Oregon and Salem Health, contributing to the city's economic vitality.

Transportation options encompass Salem Area Mass Transit for public transit, Amtrak service, and limited air travel at McNary Field.

Salem's strategic location in the fertile Willamette Valley provides residents with excellent access to outdoor recreation, including waterfalls, mountain lakes, and the Willamette River, home to the 187-mile-long Willamette Water Trail.

In the heart of one of the world's most agriculturally productive regions, Salem is renowned for its berries, hazelnuts, honeys, and cheese. The city's culinary landscape is enriched by the presence of over 700 vineyards, contributing to the acclaimed wines of the Willamette Valley wine country.

Top Salem Employers



State of Oregon
21,000 Employees



Salem-Keizer Schools
5,137 Employees



Salem Health
Hospitals & Clinics
Salem Health
5,419 Employees



Amazon
1,400 Employees



Amazon Fulfillment Center
13-Minute Drive



Salem Public Transit
1-Min Walk to Bus Lines 06, 21



Salem Hospital
14-Minute Drive



Willamette Valley Wine Country
3- to 30-Minute Drive



Downtown Salem
15-Minute Drive

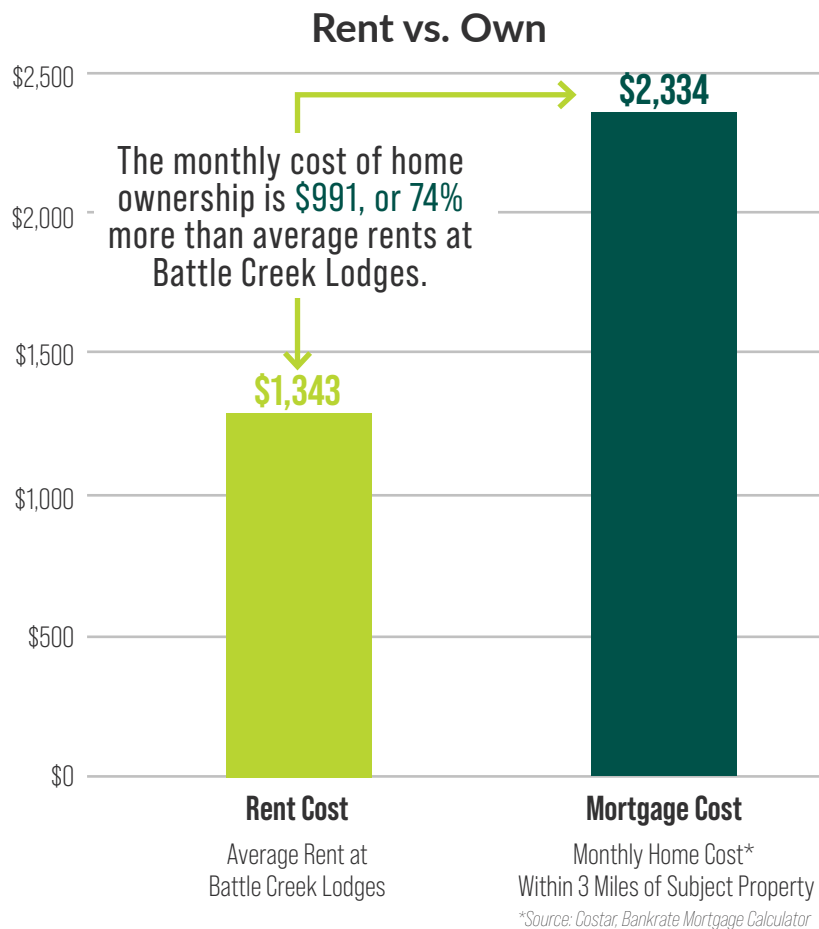


Creekside Golf Club | *6-Minute Drive*

Renters by Necessity

In a real estate landscape influenced by soaring property prices and escalating homebuying expenses, more residents are driven to rent. With mortgage rates near 8% and average home prices reaching record highs, sales of existing homes hit a 30-year low in 2023, an 18.7% decline from 2022.

Source: National Association of Realtors, Oregon Public Broadcasting



LOCATION OVERVIEW



Battle Creek
— LODGES —

Demographics

Battle Creek Lodges spacious two-bedroom layouts cater to renter lifestyles in the area



Distance from Battle Creek Lodges	1 Mile	3 Miles	5 Miles
2020 Population	14,249	57,530	108,805
2024 Population	14,558	57,504	109,615
Annual Growth 2020-2024	0.5%	0.1%	0.2%
Median Age	38.3	39.5	39
Avg Household Income	\$90,314	\$97,500	\$93,266
Median Home Value	\$358,118	\$379,575	\$373,415
Owner Occupied Households	3,414	13,790	24,643
Renter Occupied Households	2,382	7,887	16,250
Avg Household Size	2.5	2.5	2.5
Avg Household Vehicles	2	2	2

03

Operations Analysis



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OPERATIONS ANALYSIS

Income	PROJECTED OPERATIONS						Notes
	Scheduled Rents as of 08/2024			Recent Leases			
Scheduled Gross Rent	\$902,820	\$16,122		\$975,912	\$17,427		1
Less: Vacancy/Credit Loss	-\$45,141	-\$806	-5.0%	-\$48,796	-\$871	-5.0%	2
Less: Concessions	\$0	\$0	0.0%	\$0	\$0	0.0%	2
Net Rental Income	\$857,679	\$15,316		\$927,116	\$16,556		
Laundry	\$5,613	\$100		\$5,613	\$100		3
Utility Billing (RUBS)	\$38,920	\$695	50.8%	\$38,920	\$695	50.8%	4
Miscellaneous	\$20,142	\$360		\$20,142	\$360		5
Total Other Income	\$64,674	\$1,155	7.0%	\$64,674	\$1,155	6.5%	
Effective Gross Income	\$922,353	\$16,471		\$991,791	\$17,711		
Expenses	Projected Operations	Per Unit	% EGI	Projected Operations	Per Unit	% EGI	
Real Estate Taxes	\$61,317	\$1,095	6.6%	\$61,317	\$1,095	6.2%	6
Insurance	\$22,599	\$404	2.5%	\$22,599	\$404	2.3%	7
<i>Electricity</i>	\$7,573	\$135	0.8%	\$7,573	\$135	0.8%	
<i>Water/Sewer</i>	\$57,129	\$1,020	6.2%	\$57,129	\$1,020	5.8%	
<i>Garbage</i>	\$19,426	\$347	2.1%	\$19,426	\$347	2.0%	
<i>Gas</i>	\$4,912	\$88	0.5%	\$4,912	\$88	0.5%	
Total Utilities	\$89,040	\$1,590	9.7%	\$89,040	\$1,590	9.0%	8
Advertising	\$10,281	\$184	1.1%	\$10,281	\$184	1.0%	9
Administrative	\$25,200	\$450	2.7%	\$25,200	\$450	2.5%	10
Management	\$36,894	\$659	4.0%	\$39,672	\$708	4.0%	11
Payroll	\$50,000	\$893	5.4%	\$50,000	\$893	5.0%	12
Contracted Services	\$10,495	\$187	1.1%	\$10,495	\$187	1.1%	13
Landscaping	\$15,622	\$279	1.7%	\$15,622	\$279	1.6%	14
Repairs/Maintenance	\$28,000	\$500	3.0%	\$28,000	\$500	2.8%	15
Turnover	\$28,000	\$500	3.0%	\$28,000	\$500	2.8%	16
Reserves	\$14,000	\$250	1.5%	\$14,000	\$250	1.4%	17
Total Expenses	\$391,449			\$394,227			
Expenses per Unit	\$6,990			\$7,040			
% of EGI	42.4%			39.7%			
NOI (Net Operating Income)	\$530,904	\$9,480		\$597,564	\$10,671		



Income

1. Rental Income	Rental income is based on current scheduled rents, which average \$1,343 per unit, or \$1.36 per SF. Recently signed leases at the property are averaging \$1,452 per unit, or \$1.47 per SF.
2. Economic Loss	For analysis purposes, we have applied a 5.0% allocation for stabilized vacancy and credit loss, which is the market standard and is acceptable to most lenders. This allocation is inclusive of bad debt, which has been nominal.
3. Laundry Income	Laundry income is applied at \$100 per unit, which is consistent with historical collections.
4. RUBS Income	The units are metered for electricity and tenants pay this directly. The tenants are billed for water, sewer, and garbage via a monthly RUBS charge. We have applied RUBS income at 50.8% of total utilities, based on historical charge backs.
5. Miscellaneous Income	Miscellaneous income includes administrative fees, pet rent, early termination fees, etc. We have applied \$360 per unit, which is supported by the subject's recent operation.



Tennis Court



Pool & Picnic Area

Expenses

6. Real Estate Taxes

In Oregon, property taxes are levied on a fiscal year starting July 1st. Property taxes are not reassessed on sale and are limited to a 3.0% annual increase at the state level. Any annual increase in taxes above 3.0% is due to additional location or regional bond indebtedness not restricted by the state measure. Taxes are published in October each year, and taxes paid in full before November 15th receive a 3.0% discount on the gross amount. Most property owners elect to pay in full by this date to receive the discount. Projected taxes are based on the current expense increased by 3.0% to account for the increase that is likely to occur during the coming tax year, and then discounted by 3.0% which assumes payment in full.

Tax History	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025 Projected
Acct #: 532726	\$56,259	\$57,950	\$59,655	\$61,372	\$63,213
Total	\$56,259	\$57,950	\$59,655	\$61,372	\$63,213
w/ Discount	\$54,571	\$56,211	\$57,865	\$59,531	\$61,317
% Change	3.64%	3.00%	2.94%	2.88%	3.00%

7. Insurance

The existing insurance policy premium is \$22,599, or \$404 per unit. This amount is within market standards and is carried forward in projected operations.

8. Total Utilities

Tenants pay for electricity directly. The owner is responsible for common area electricity, water/sewer for the laundry machines, and utilities for vacant units. We have estimated total utilities at \$1,590 per unit.

9. Advertising

Advertising costs were approximately \$10,300 in the trailing 12 months. In projected operations, the expense is carried forward at \$184 per unit, which is within market standards.

10. Administrative

Administrative costs were approximately \$45,600 in the trailing 12 months. In projected operations, the expense is normalized at \$450 per unit, which is within market standards.

11. Management

We have applied 4.0% for fee management which is consistent with current rates quoted by reputable local management companies.

12. Payroll

Payroll is applied at \$893 per unit, which is within market standards.

13. Contracted Services

Contracted services is applied at \$187 per unit and is consistent with in-place contracts for pest control and pool service.

14. Landscaping

We have applied \$279 per unit, which is consistent with the existing monthly landscaping contract.

15. Repairs/Maintenance

General repairs and maintenance are estimated at \$500 per unit. This is consistent with current market standards and lender underwriting.

16. Turnover

Turnover is estimated at \$500 per unit. This is consistent with market standards and lender underwriting for properties of similar vintage and condition.

17. Reserves

Lenders require funds to be set aside to address future capital costs. The projected operations include \$250 per unit for reserves, which is consistent with current lender underwriting.

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LODGES

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