



JOHNSON  
ECONOMICS



MARKET ANALYSIS FOR  
HIGH DENSITY RESIDENTIAL AND COMMERCIAL USES  
IN THE FOX RIDGE ROAD PLANNING AREA,  
MCMINNVILLE, OREGON

PREPARED FOR  
CITY OF MCMINNVILLE,  
APRIL 2023

JOHNSON ECONOMICS, LLC

621 SW Alder St, Suite 506  
Portland, Oregon 97205



**JOHNSON  
ECONOMICS**

**TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>II.</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
	RENTAL APARTMENTS .....	1
	OWNERSHIP HOUSING .....	2
	COMMERCIAL SPACE .....	3
	CONCLUSIONS .....	3
<b>III.</b>	<b>RENTAL HOUSING.....</b>	<b>5</b>
	MARKET TRENDS .....	5
	SURVEY OF COMPARABLES .....	7
	ACHIEVABLE PRICING .....	12
	ABSORPTION.....	13
<b>IV.</b>	<b>OWNERSHIP HOUSING .....</b>	<b>14</b>
	MARKET TRENDS.....	14
	SURVEY OF COMPARABLES .....	16
	ACHIEVABLE PRICING .....	21
	ABSORPTION .....	23
<b>V.</b>	<b>COMMERCIAL SPACE.....</b>	<b>24</b>
	MARKET TRENDS.....	24
	SURVEY OF COMPARABLES .....	26
	HOUSEHOLD SUPPORT.....	31
	ABSORPTION .....	36
	ACHIEVABLE PRICING .....	37
<b>VI.</b>	<b>CONCLUSIONS .....</b>	<b>38</b>
	FEASIBLE USES .....	38
	FEASIBLE BUILDING FORMATS.....	38
	LOCATION OF USES.....	40



## I. INTRODUCTION

This report presents a market and feasibility analysis for residential and commercial uses in the Neighborhood Activity Center (NAC) envisioned within the Fox Ridge Road planning area in McMinnville, Oregon. The main objectives of the study are to provide market overviews; generate reliable assumptions with respect to achievable pricing and absorption; and outline feasible uses, scale, and development forms within the NAC. The residential analysis is focused on high-density uses, evaluating rental and ownership housing separately.

The market analysis is organized in three main sections: Rental Housing, Ownership Housing, and Commercial Space. For each use, we provide an overview of market trends, conduct a survey of comparable properties, and analyze achievable pricing and absorption within the NAC. Residential absorption estimates draw in part on conclusions from the most recent Housing Needs Analysis completed for the City of McMinnville (ECONorthwest, 2019). Identification of feasible uses, development forms, and scale is provided in the Conclusions.

## II. EXECUTIVE SUMMARY

### RENTAL APARTMENTS

#### MARKET TRENDS

Demand for rental housing increased over the last decade, reflecting higher thresholds to homeownership and strong millennial household formation. McMinnville has not seen the same development response to this demand as most other cities, and the city experienced a decline in multifamily development over the last decade. The apartment shortage has resulted in a low vacancy rate, currently 1.2% - well below the 5.0% that typically represents a balanced market. In comparison, vacancy rates in the Salem and Portland metro areas are currently 3.9% and 4.5%, respectively.

Rent levels in McMinnville are relatively low, with monthly averages of \$1,200 per unit and \$1.41 per square foot. This may have deterred some new development over the past decade. However, the low vacancy rates suggest that many properties are priced below market-clearing levels.

#### SURVEY OF COMPARABLES

JOHNSON ECONOMICS surveyed five apartment projects of relatively recent vintage in McMinnville for this analysis. Together, the properties have only three vacant units, representing a vacancy rate of 0.7%. This is unusually low, indicating capacity for additional supply and rent growth. The average rent level across the properties is \$1,524 per unit and \$1.66 per square foot. Some of the properties exhibit clear indications of underpricing.

#### ACHIEVABLE PRICING

We estimate that a new mid-market apartment project with surface parking in the NAC can achieve monthly rents in the range of \$1,380-\$1,750 per unit in today's market, depending on unit type and size, with per-square-foot (PSF) rents in the \$1.59-1.98 range. These rates are adequate to support traditional walk-up structures, but likely not adequate for more costly formats like elevator buildings with tuck-under or podium parking. We estimate that rental townhomes can achieve rents around \$2,000 per unit and \$1.59 PSF, plus premiums of \$100-150 for attached garages.

FIGURE 2.1: ACHIEVABLE RENTAL PRICING (1Q23)

Unit Type	Units	Unit Allocation	Average Unit Size	Rent per Unit	Rent per Square Foot
1B/1b Apt	50	30%	700	\$1,384	\$1.98
2B/2b Apt	70	42%	900	\$1,604	\$1.78
3B/2b Apt	30	18%	1,100	\$1,752	\$1.59
3B/2b TH	15	9%	1,300	\$1,957	\$1.51
<b>Total/Avg.</b>	<b>165</b>	<b>100%</b>	<b>912</b>	<b>\$1,596</b>	<b>\$1.75</b>

SOURCE: JOHNSON ECONOMICS



**ABSORPTION**

In the current low-vacancy market, we estimate that an apartment project in the NAC could achieve absorption of around 200 units in a year. Assuming a less pressured market in future years, we estimate that around 150 units can be absorbed in a year, plus around 15 rental townhomes. With two phases separated by 1-2 years of stabilized phase-one operations, we would assume that a project of twice this scale could be built within the NAC.

**OWNERSHIP HOUSING**

**MARKET TRENDS**

For-sale attached homes were harder hit during the 2008-09 recession than detached homes due to buyers in this segment generally being younger and more sensitive to layoffs and tightened credit standards. However, the market for attached homes has since recovered, though construction of new attached homes has been very limited in McMinnville. Thus, attached homes represent a smaller share (6%) of all homes sales in McMinnville currently than 10 years ago (10%).

Both attached and detached homes have been undersupplied in McMinnville over the past 10 years, resulting in significant declines in the market time for listed units. In 2022, the median market time was 10 days, while 60-90 days is generally considered to represent a balanced market. The undersupply has caused rapid price gains, as in all other parts of the region, with the median price of attached homes gaining 11.6% per year on average over the past 10 years. In 2022, the median price of attached homes in McMinnville was \$369,000, or \$264 PSF.

**SURVEY OF COMPARABLES**

JOHNSON ECONOMICS surveyed five subdivisions in McMinnville for this analysis. Three are townhome projects built out between 2004 and 2009, while two are newer detached-home projects with homes built over the past three years. Adjusting sales prices from the past three years to current values using the county median, the homes range from around \$243,000 to \$710,000, or \$188 to \$322 PSF. The average value is \$412,000 per home and \$243 PSF.

**ACHIEVABLE PRICING**

Based on the resale prices in the surveyed townhome subdivisions and new-home prices in the detached-home subdivisions (adjusted based on typical townhome discounts), we estimate that townhomes in the NAC in the current market would represent pricing in the range of \$360,000 to \$440,000, or \$243-258 PSF. This is likely adequate to support construction of suburban townhomes with a mid-market profile in the NAC.

**FIGURE 2.2: ACHIEVABLE OWNERSHIP PRICING, 1Q23**

2-STORY TH. Type	UNIT MIX				PRICING	
	Units (#)	Units (%)	Home Size	Lot Size	Per Home	Per SF
2B/2.5b	10	33%	1,400	2,000	\$361,400	\$258
3B/2.5b	10	33%	1,600	2,500	\$400,400	\$250
3B/2.5b	10	33%	1,800	3,000	\$436,600	\$243
<b>Total</b>	<b>30</b>	<b>100%</b>	<b>1,600</b>	<b>2,500</b>	<b>\$399,467</b>	<b>\$250</b>

SOURCE: JOHNSON ECONOMICS

**ABSORPTION**

Assuming a normalization of mortgage rates in future years, we estimate that around 15 for-sale townhomes can be absorbed annually in the NAC. This assumes that the supply of new townhomes continues to be limited elsewhere in the city.



## COMMERCIAL SPACE

### MARKET TRENDS

As in most other places, the shift to online shopping has constrained commercial development in McMinnville in recent years. 2006 was the last year with a substantial amount of new supply, when 81,000 square feet were added to the market. Over the past 10 years, only 34,000 square feet have been completed, according to CoStar. However, 87,000 square feet were absorbed on a net basis over this period, resulting in declining vacancy. The current vacancy rate is 1.8%, which is unusually low. This compares to 2.0% in Salem Metro and 3.5% in Portland Metro. Lease rates have risen in recent years, roughly in pace with general inflation.

### SURVEY OF COMPARABLES

JOHNSON ECONOMICS surveyed six commercial properties with a neighborhood orientation for this study: two just south of the NAC at the 2<sup>nd</sup> Street/Hill Road intersection (built 1990 and 2009), and four from other parts of the Portland-Salem region (built 2008-22). The latter represent some of the most recent commercial developments in peripheral suburban locations in the region. Annual PSF lease rates at the two McMinnville properties are \$18 (modified gross) and \$27.36 (full service). The four regional comparables represent lease rates in the \$23.50-28.00 range (triple net).

### ABSORPTION

Current traffic volumes and household counts around the NAC indicate inadequate support for new construction commercial space in the NAC. However, following the completion of 570 housing units in the Fox Ridge planning area, a commercial center in the NAC would be the closest shopping location for an estimated 1,500 households. At that point, we expect a small commercial project with 5,000-10,000 square feet to be feasible in the NAC, primarily with food/beverage and service tenants. Additionally, we expect a daycare center and possibly a gas station with a convenience store to be feasible around the same time.

### ACHIEVABLE PRICING

The surveyed comparables and the households sales estimates for the area around the NAC indicate lease rates in the low end of what can support new construction, likely requiring cost-effective designs and features. Based on today's market rates, we would expect lease rates in the \$24-27 range (NNN) to be achievable, with somewhat lower rates for a daycare center.

FIGURE 2.3: POTENTIAL TENANTS AND ACHIEVABLE PRICING (1Q23)\*, SUBJECT SITE

#	MAJOR CATEGORY	CATEGORY	SQ.FT.	FAR	ACRES	RATE LOW	RATE HIGH
1	Eating/drinking places	Restaurant	2,800	0.25	0.3	\$25.00	\$27.00
2	Eating/drinking places	Restaurant/coffee	1,500	0.25	0.1	\$25.00	\$27.00
3	Personal care	Hair/nail/spa salon	1,500	0.25	0.1	\$24.00	\$26.00
4	Health/medical services	Physician/chiropractor	1,500	0.35	0.1	\$24.00	\$26.00
5	Professional/financial services	Real estate/insurance	1,000	0.35	0.1	\$24.00	\$26.00
6	Education	Daycare/preschool	4,000	0.30	0.3	\$22.00	\$24.00
<b>Total:</b>			<b>12,300</b>		<b>1.0</b>	<b>\$22.00</b>	<b>\$27.00</b>

\* Achievable lease rates are annual NNN rates per square foot.

SOURCE: JOHNSON ECONOMICS

## CONCLUSIONS

### FEASIBLE USES

This analysis indicates adequate market support for rental apartments, rental townhomes, ownership townhomes, and commercial space in the NAC. With a single-phase, 12-month absorption period, we estimate that 170 housing units are feasible in the NAC. We would expect these to require roughly eight acres of land. A strip mall and daycare center may need another acre of land, while an additional acre might be absorbed by a gas station with convenience store. Together, these uses would bring the total size of the NAC to roughly 10 acres.



FIGURE 2.4: POTENTIAL LAND ABSORPTION

FEASIBLE USES				Res. Density	Com.	Land Need
LAND USE	Scale	Unit	(U/Ac)	FAR	(Acres)	
Rental apartments	150	Units	28			5.4
Rental townhomes	15	Units	14			1.1
Ownership townhomes	15	Units	10			1.5
Retail space	8,300	SF		0.27		0.7
Daycare center	4,000	SF		0.30		0.3
Gas station w/conv. store	5,000	SF		0.15		0.8
<b>Total</b>						<b>8.9 (9.7)</b>

SOURCE: JOHNSON ECONOMICS

We expect there will be potential for a larger residential component, at roughly twice the indicated scale, assuming absorption over a three- to four-year period. This would shorten the time needed to develop adequate support for the commercial component. However, the land need for the NAC would then likely increase to around 17-18 acres.

#### FEASIBLE BUILDING FORMATS

Based on the anticipated market support and pricing, rental apartments in the NAC are likely to be of a three-story walk-up format with surface parking. The rental townhomes will likely be two-story structures, either with or without attached garages. The ownership townhomes are most likely to be two-story structures with attached garages.

Commercial space for food/beverage and service tenants is most likely to have a standard single-story strip mall format, while a daycare center is most likely to be a single-story building with a gable roof.

#### LOCATION OF USES

Commercial activity in the NAC will depend on good exposure to auto traffic, and will therefore need a location near one of the major Hill Road intersections, either at Wallace Road or Fox Ridge Road. Assuming future development of the high school site, the Wallace Road intersection will likely provide the strongest exposure, positioning the commercial component to capture demand from residents east of Hill Road in addition to Fox Ridge residents. This will require a site and road layout that provides easy access between Fox Ridge Road and the commercial center.

Both rental apartments and townhomes function well adjacent to commercial uses from a market standpoint. However, we therefore recommend rental apartments closest to the commercial section, as rental housing tends to benefit more from this proximity.



### III. RENTAL HOUSING

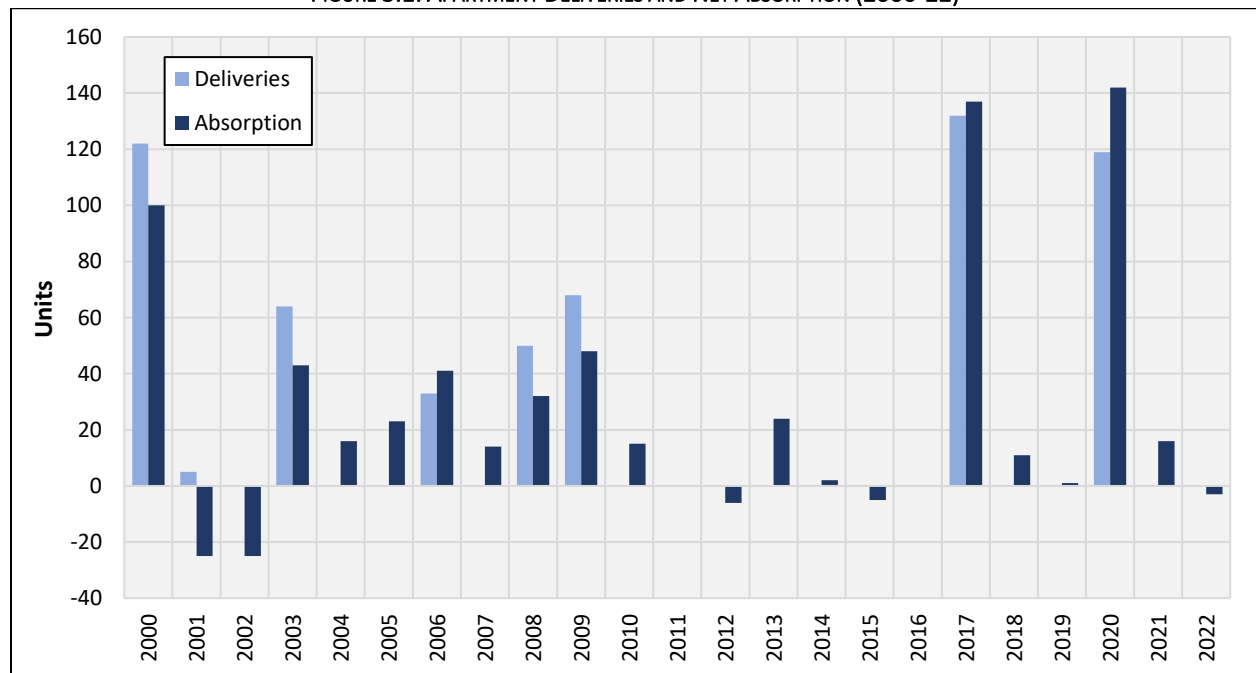
#### MARKET TRENDS

##### SUPPLY AND DEMAND

Demand for rental housing increased notably during the last decade, following the foreclosure crisis and recession in the late 2000s. Stricter credit conditions resulted in fewer households qualifying for mortgages, while rapidly rising college tuition and rents made it more difficult – especially for young households – to save up for the higher downpayment requirements. Thus, segments of the previous homeowner market were now relegated to the rental market. Early in the decade, there was excess supply of ownership housing left over from the foreclosures. Many of these were bought by investors and turned into rentals. As the ownership market recovered and these homes appreciated rapidly, many investors sold the homes – predominantly to owner-occupants. This reduced the supply of single-family rentals, forcing many renters into apartments. Thus, most markets saw strong gains in apartment demand over the decade, which in many places was met by a record construction pace.

McMinnville has not seen the same increase in apartment construction as most other parts of the region. Multifamily building permits for buildings with five or more units averaged 40 units annually over the past decade, compared to 60 units annually during the 2000s (likely including some condominium flats). According to CoStar, which tracks most rental apartment properties with online listings, the supply of new apartments in McMinnville over the past decade was roughly on par with the supply in the prior decade. The new supply was generally absorbed quickly. Net market absorption was as high as 140 units annually in 2017 and 2020, when large new projects were completed. The market absorption has been constrained by a lack of new supply over the past two years, as it was in the first half of the last decade. Note that the CoStar data does not include all recent projects in McMinnville. The Housing Needs Analysis recently completed for the City of McMinnville estimates a need for 75 new multifamily units annually over the coming years – most of which will be rental apartments.

FIGURE 3.1: APARTMENT DELIVERIES AND NET ABSORPTION (2000-22)



SOURCE: CoStar, JOHNSON ECONOMICS

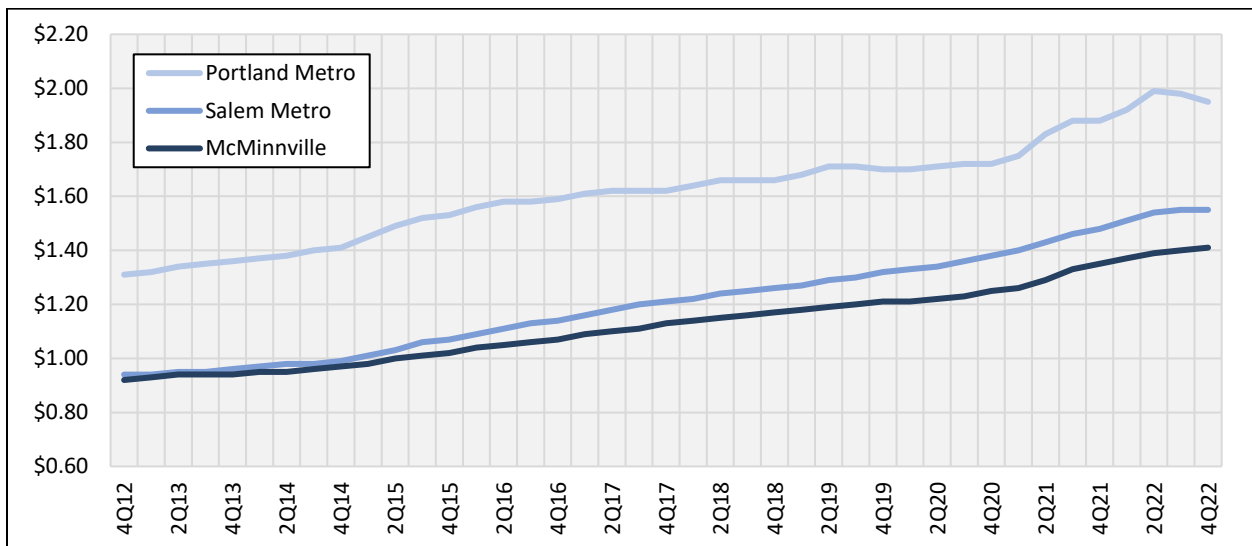
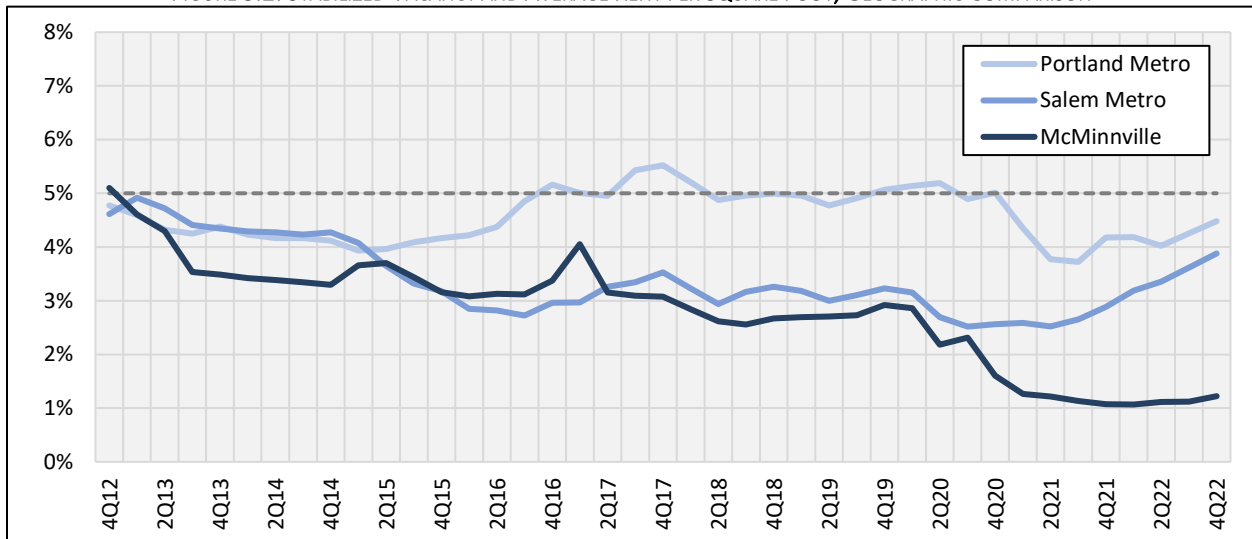


**VACANCY AND RENT GROWTH**

Reflecting the limited new supply, apartment properties in McMinnville have seen a decline in vacancy rates over the past 10 years, with a current rate of 1.2%, according to CoStar. A 5.0% rate is generally considered to represent a balanced market, where supply matches demand, and rent growth is kept in line with general income growth. McMinnville has not been at this level since late 2012, when its vacancy rate was on par with that of the Portland and Salem metro areas. Over the following 10 years, the city followed the Salem market for a while, but has diverged from the Salem trend over the past three years. The current low vacancy rate indicates considerable pent-up demand.

One of the factors that has likely sustained strong occupancy in McMinnville is its relatively affordable rent levels. According to CoStar, its average rent level for market-rate units is currently \$1,200 per unit and \$1.41 per square foot. This is well below the average in the Salem and Portland markets. Moreover, properties in McMinnville have not raised their rents as quickly as most properties in these markets, despite stronger occupancy. Over the past five years, the market-wide rent growth has averaged 4.5% per year. The current low vacancy rate suggests that the market is somewhat underpriced currently. The relatively low rents may have deterred new development over the past decade.

**FIGURE 3.2: STABILIZED VACANCY AND AVERAGE RENT PER SQUARE FOOT, GEOGRAPHIC COMPARISON**



SOURCE: CoStar, JOHNSON ECONOMICS





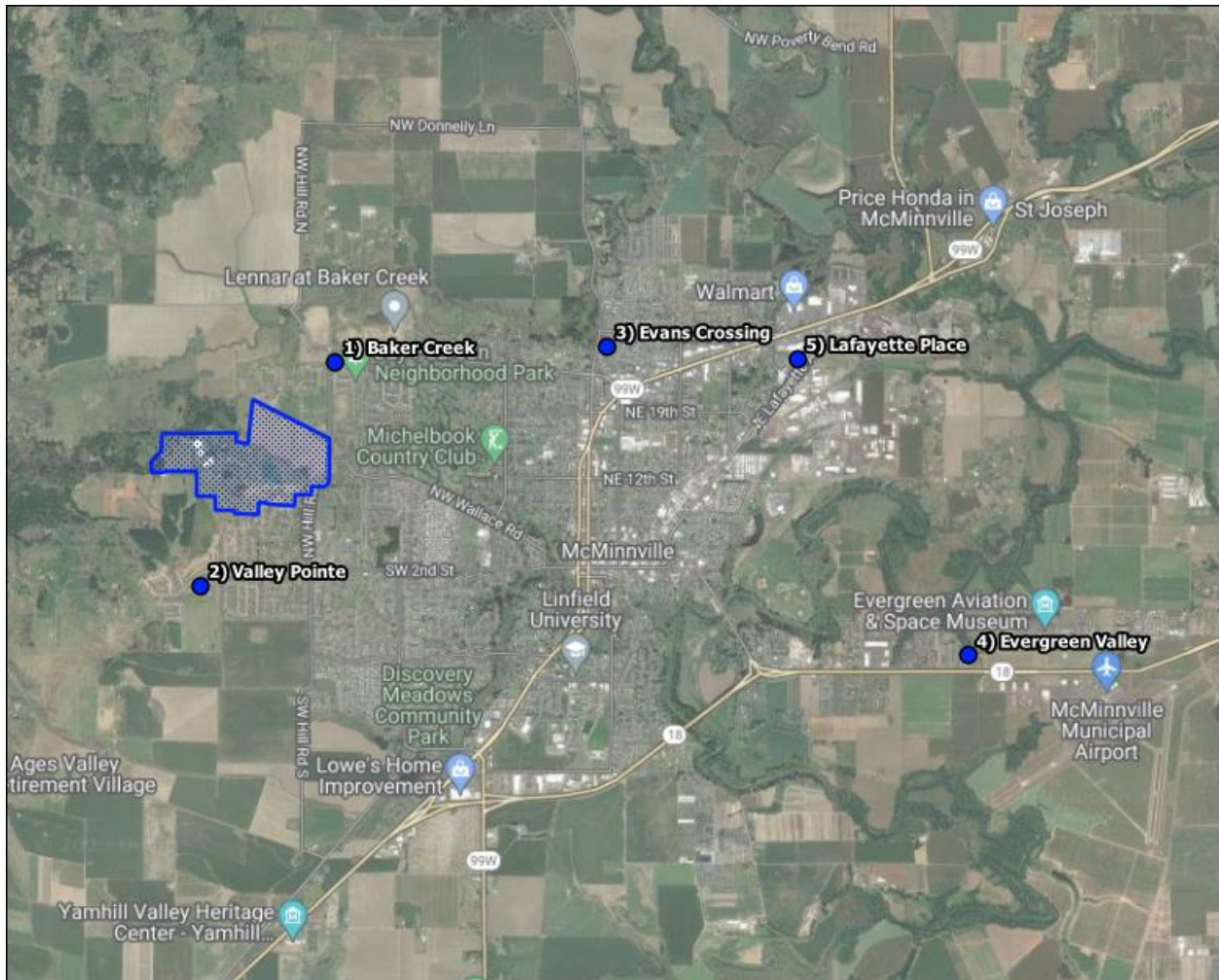
## SURVEY OF COMPARABLES

### COMPARABLES

JOHNSON ECONOMICS surveyed five apartment projects of relatively recent vintage in McMinnville for this analysis. Three of these opened over the past three years, while one opened in 2016 and one in 2009. The projects represent a typical suburban, walk-up format, with multiple two- or three-story buildings. None of the projects include ground-floor commercial space, which is not represented at apartment projects in suburban parts of McMinnville.

The following map shows the locations of the surveyed properties. Detailed profiles of the projects are included over the next pages, followed by a rent and vacancy summary.

FIGURE 3.3: MAP OF SURVEYED APARTMENT PROPERTIES



SOURCE: JOHNSON ECONOMICS



FIGURE 3.4: PROFILES OF SURVEYED APARTMENT PROPERTIES

## 1 - BAKER CREEK APARTMENTS

2005 NW 23rd St, McMinnville, OR



**YEAR BUILT:** 2021  
**TOTAL UNITS:** 70  
**PARKING SPACES/UNIT:** 1.64  
**OCCUPANCY:** 98.6%  
**AVERAGE RENT/SF:** \$1.47

### Project Amenities

Clubhouse  
 Playground  
 Lawn/park  
 On-site management

### Unit Amenities

Vinyl plank flooring  
 Solid surface countertops  
 Stainless steel appliances  
 9-foot ceilings, washer/dryer  
 Balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
<b>1B/1b</b>	11	16%	750	0	100%	\$1,200	\$1,200	\$1,200	\$1.60
<b>2B/2b</b>	54	77%	952	1	98%	\$1,400	\$1,400	\$1,400	\$1.47
<b>3B/2b</b>	5	7%	1,204	0	100%	\$1,575	\$1,575	\$1,575	\$1.31
<b>Tot./Avg:</b>	<b>70</b>	<b>100%</b>	<b>938</b>	<b>1</b>	<b>99%</b>	<b>\$1,200</b>	<b>\$1,575</b>	<b>\$1,381</b>	<b>\$1.47</b>

## 2 - VALLEY POINT

2825 SW 2nd St, McMinnville, OR



**YEAR BUILT:** 2009  
**TOTAL UNITS:** 68  
**PARKING SPACES/UNIT:** 1.69  
**OCCUPANCY:** 100.0%  
**AVERAGE RENT/SF:** \$1.69

### Project Amenities

Park  
 Playground  
 (Pets not allowed)

### Unit Amenities (Renovated)

Laminate counters, white appliances  
 Carpet and vinyl flooring  
 Washer/dryer hookups  
 9' and vaulted ceilings  
 Patio/balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
<b>2B/1b</b>	34	50%	832	0	100%	\$1,400	\$1,400	\$1,400	\$1.68
<b>2B/2b</b>	34	50%	918	0	100%	\$1,550	\$1,550	\$1,550	\$1.69
<b>Tot./Avg:</b>	<b>68</b>	<b>100%</b>	<b>875</b>	<b>0</b>	<b>100%</b>	<b>\$1,400</b>	<b>\$1,550</b>	<b>\$1,479</b>	<b>\$1.69</b>



### 3 - EVANS CROSSING APARTMENTS

2501 NE Evans St, McMinnville, OR



**YEAR BUILT:** 2020  
**TOTAL UNITS:** 119  
**PARKING SPACES/UNIT:** 1.61  
**OCCUPANCY:** 99.2%  
**AVERAGE RENT/SF:** \$1.65



#### Project Amenities

Laundry room  
 Dog park  
 On-site management



#### Unit Amenities

Vinyl plank, carpet flooring  
 Laminate countertops  
 White appliances  
 9-foot ceilings  
 Balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
<b>1B/1b</b>	18	15%	704	0	100%	\$1,350	\$1,350	\$1,350	\$1.92
<b>2B/1b</b>	24	20%	940	1	96%	\$1,450	\$1,450	\$1,450	\$1.54
<b>2B/2b</b>	77	65%	965	0	100%	\$1,575	\$1,575	\$1,575	\$1.63
<b>Tot./Avg:</b>	<b>119</b>	<b>100%</b>	<b>920</b>	<b>1</b>	<b>99%</b>	<b>\$1,350</b>	<b>\$1,575</b>	<b>\$1,523</b>	<b>\$1.65</b>

### 4 - EVERGREEN VALLEY APARTMENTS

725 SE Ford St, McMinnville, OR



**YEAR BUILT:** 2020  
**TOTAL UNITS:** 66  
**PARKING SPACES/UNIT:** 1.74  
**OCCUPANCY:** 100.0%  
**AVERAGE RENT/SF:** \$1.78



#### Project Amenities

Playground  
 Dog park



#### Unit Amenities

Granite countertops  
 Vinyl and carpet flooring  
 Stainless steel appliances  
 8-foot ceilings, A/C  
 Balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
<b>2B/2b</b>	66	100%	952	0	100%	\$1,695	\$1,695	\$1,695	\$1.78
<b>Tot./Avg:</b>	<b>66</b>	<b>100%</b>	<b>952</b>	<b>0</b>	<b>100%</b>	<b>\$1,695</b>	<b>\$1,695</b>	<b>\$1,695</b>	<b>\$1.78</b>



## 5 - LAFAYETTE PLACE

2349 NE Lafayette Ave, McMinnville, OR



**YEAR BUILT:** 2016  
**TOTAL UNITS:** 132  
**PARKING SPACES/UNIT:** 1.57  
**OCCUPANCY:** 99.2%  
**AVERAGE RENT/SF:** \$1.73



### Project Amenities

Community lounge  
 Fitness room  
 Dedicated surface parking  
 (Pets not allowed)



### Unit Amenities

Tile countertops, cherry wood cabinets  
 Carpet and vinyl plank flooring  
 Black appliances, washer/dryer  
 A/C, ceiling fan, 8'/vaulted ceilings  
 Balcony/patio w/storage

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
<b>1B/1b</b>	36	27%	725	1	97%	\$1,395	\$1,395	\$1,395	\$1.92
<b>2B/2b</b>	96	73%	952	0	100%	\$1,595	\$1,595	\$1,595	\$1.68
<b>Tot./Avg:</b>	<b>132</b>	<b>100%</b>	<b>890</b>	<b>1</b>	<b>99%</b>	<b>\$1,395</b>	<b>\$1,595</b>	<b>\$1,540</b>	<b>\$1.73</b>

SOURCE: Property managers/agents, property websites, Craigslist, RealPage, CoStar, JOHNSON ECONOMICS

FIGURE 3.5: RENT AND OCCUPANCY SUMMARY, SURVEYED APARTMENT PROPERTIES

Project Name/ Location	Year	Occupancy	UNIT CHARACTERISTICS					RENT CHARACTERISTICS				
			Type	Units	Mix	Sq. Ft.	Vacant	Low Rent	High Rent	Avg. Rent	Avg. Rent Per SF.	
<b>1) Baker Creek Apts.</b> 2005 NW 23rd St, McMinnville, OR	2021	99%	1B/1b	11	16%	750	0	0%	\$1,200	\$1,200	\$1,200	\$1.60
			2B/2b	54	77%	952	1	2%	\$1,400	\$1,400	\$1,400	\$1.47
			3B/2b	5	7%	1204	0	0%	\$1,575	\$1,575	\$1,575	\$1.31
			<b>Tot./Avg:</b>	<b>70</b>	<b>100%</b>	<b>938</b>	<b>1</b>	<b>1%</b>	<b>\$1,200</b>	<b>\$1,575</b>	<b>\$1,381</b>	<b>\$1.47</b>
<b>2) Valley Pointe</b> 2825 SW 2nd St, McMinnville, OR	2009	100%	2B/1b	34	50%	832	0	0%	\$1,400	\$1,400	\$1,400	\$1.68
			2B/2b	34	50%	918	0	0%	\$1,550	\$1,550	\$1,550	\$1.69
			<b>Tot./Avg:</b>	<b>68</b>	<b>100%</b>	<b>875</b>	<b>0</b>	<b>0%</b>	<b>\$1,400</b>	<b>\$1,550</b>	<b>\$1,479</b>	<b>\$1.69</b>
<b>3) Evans Crossing Apts.</b> 2501 NE Evans St, McMinnville, OR	2020	99%	1B/1b	18	15%	704	0	0%	\$1,350	\$1,350	\$1,350	\$1.92
			2B/1b	24	20%	940	1	4%	\$1,450	\$1,450	\$1,450	\$1.54
			2B/2b	77	65%	965	0	0%	\$1,575	\$1,575	\$1,575	\$1.63
			<b>Tot./Avg:</b>	<b>119</b>	<b>100%</b>	<b>920</b>	<b>1</b>	<b>1%</b>	<b>\$1,350</b>	<b>\$1,575</b>	<b>\$1,523</b>	<b>\$1.65</b>
<b>4) Evergreen Valley</b> 725 SE Ford St, McMinnville, OR	2020	100%	2B/2b	66	100%	952	0	0%	\$1,695	\$1,695	\$1,695	\$1.78
			<b>Tot./Avg:</b>	<b>66</b>	<b>100%</b>	<b>952</b>	<b>0</b>	<b>0%</b>	<b>\$1,695</b>	<b>\$1,695</b>	<b>\$1,695</b>	<b>\$1.78</b>
<b>5) Lafayette Place</b> 2349 NE Lafayette Ave, McMinnville, OR	2016	99%	1B/1b	36	27%	725	1	3%	\$1,395	\$1,395	\$1,395	\$1.92
			2B/2b	96	73%	952	0	0%	\$1,595	\$1,595	\$1,595	\$1.68
			<b>Tot./Avg:</b>	<b>132</b>	<b>100%</b>	<b>890</b>	<b>1</b>	<b>1%</b>	<b>\$1,395</b>	<b>\$1,595</b>	<b>\$1,540</b>	<b>\$1.73</b>

SOURCE: Property managers/agents, property websites, Craigslist, RealPage, CoStar, JOHNSON ECONOMICS



### OCCUPANCY

All five of the surveyed properties are at least 99% occupied. In total, only three units out of 455 are currently vacant. This represents a vacancy rate of 0.7% (99.3% occupancy). This is unusually low, indicating capacity for additional supply and rent growth.

### RENTS

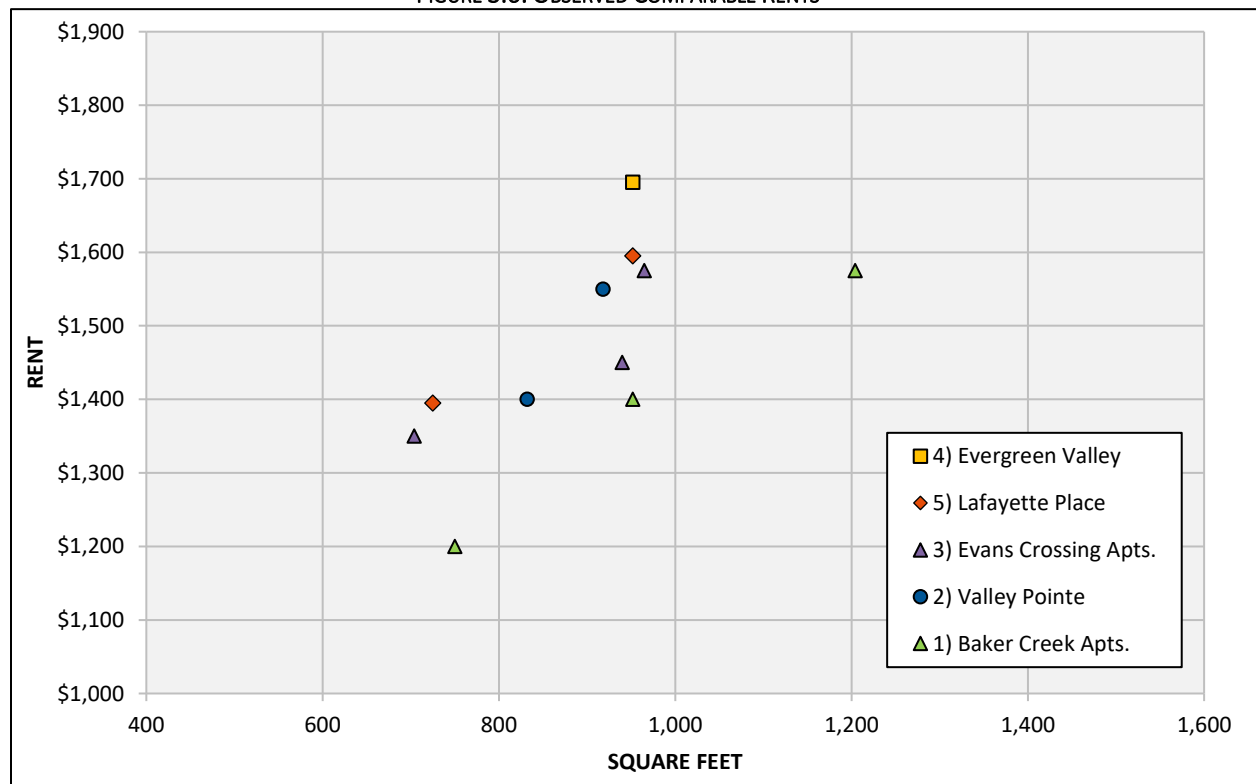
Rents at the surveyed properties range from \$1,200 to 1,600 per month and \$1.31 to \$1.92 per square foot (PSF). The average rent level in the sample is \$1,524 per unit and \$1.66 per square foot. None of the properties currently offer any rent concessions.

With 5.0% vacancy typically regarded to represent market-clearing rent levels, the current low vacancy rates indicate that the properties are priced below market levels.

Rents are generally highest at the properties in the east, which are near highways, employment, and services. The lowest rent levels are Baker Creek Apartments, despite this being the newest project in the sample (built 2021). This property thus appears particularly underpriced. The highest rent levels are represented by Evergreen Valley (built 2020), which is located near the McMinnville Airport. Between these two properties are the three remaining properties, which all have similar rent levels. These include Valley Pointe, which is located south of Fox Ridge along SW 2<sup>nd</sup> Street. The project is somewhat dated (built 2009), but benefits from a location adjacent to the West Hills Neighborhood Park. Taking into account that this property is 100% leased, significantly higher market-clearing rents should be achievable for a new project with a similar location.

The following scatter plot displays the observed rents as a function of square footage, with each plot representing the average for a specific unit type.

**FIGURE 3.6: OBSERVED COMPARABLE RENTS**



SOURCE: Property managers/agents, property websites, Craigslist, RealPage, CoStar, JOHNSON ECONOMICS



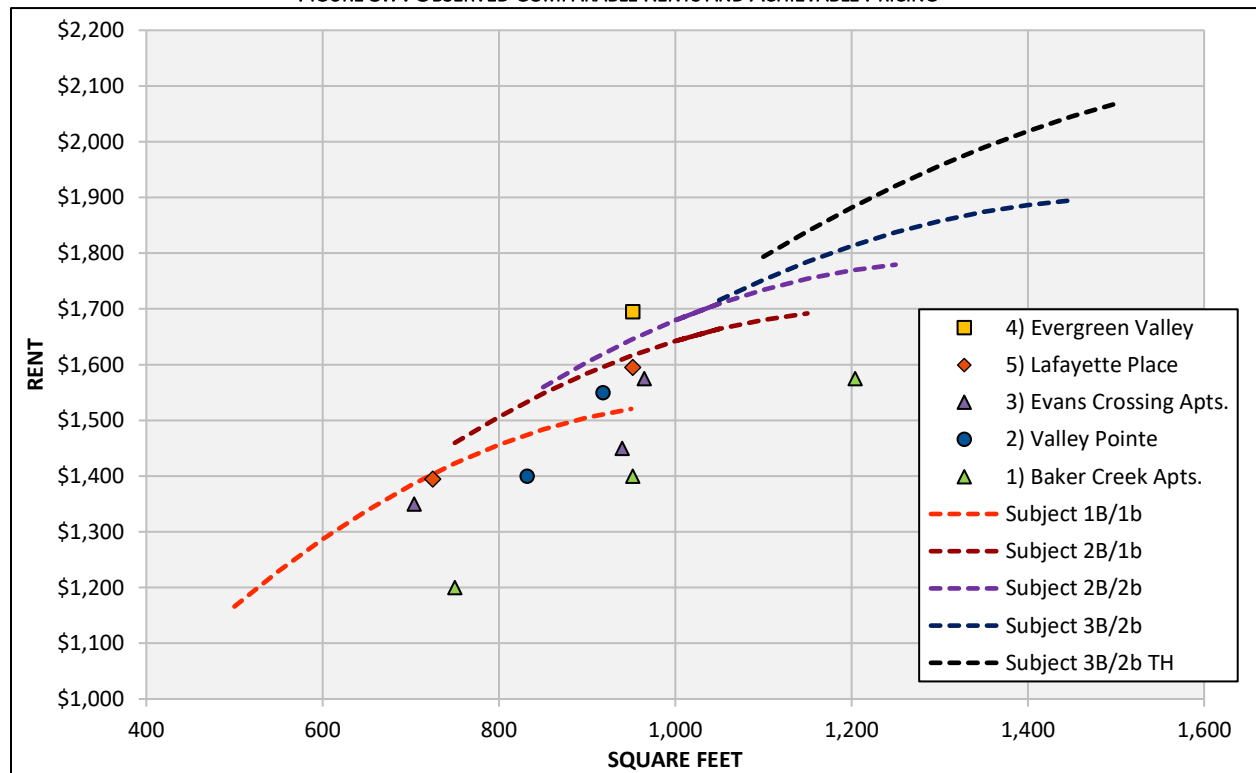
## ACHIEVABLE PRICING

Achievable pricing in the Neighborhood Activity Center (NAC) will depend on the standard, profile, and amenities of the community. In the following, we assume a nearby park and on-site amenities attractive to renters, as well as a mid-market apartment profile with surface parking. Though none of the comparables include townhomes, we include rent estimates for three-bedroom townhome units based on typical rent differentials to regular apartment flats. We do not assume that a commercial center is in place at the time of lease-up, which could generate rent premiums.

With the mentioned assumptions, we would expect rental apartments within the NAC to achieve pricing in the upper end of the sample. Access to a park and commercial amenities is expected to partly offset the greater distance to employment and major commercial areas. We would expect rents below Evergreen Valley, which is a recent project with a Highway 18 location, but just above Lafayette Place, which is seven years old, though it benefits from proximity to a large commercial area (Walmart, WinCo, Safeway).

The following chart displays our rent estimates as a function of unit type and square footage, alongside rents from the comparables. Rent examples for different unit types and sizes are shown on the next page. These rates are based on market rents as of 1Q23. We would expect the achievable rent levels to move with the wider market prior to market introduction. The estimates reflect 12-month contracts with utilities billed separately.

FIGURE 3.7: OBSERVED COMPARABLE RENTS AND ACHIEVABLE PRICING



SOURCE: Property managers/agents, property websites, Craigslist, RealPage, CoStar, JOHNSON ECONOMICS

With a program consisting of one- to three-bedroom apartments ranging in size from 700 to 1,100 square feet, plus three-bedroom townhomes with 1,300 square feet (see next page), the estimates indicate monthly rent levels ranging from \$1,384 to \$1,957 per unit and \$1.51 to \$1.98 PSF. With the suggested unit mix, this translates into an average rent level of \$1,596 per unit and \$1.75 PSF. We expect this to be adequate to support traditional two and three-story walk-up structures with surface parking, but not adequate for more costly formats like elevator buildings with tuck-under or podium parking.



FIGURE 3.8: ACHIEVABLE PRICING, 1Q23

Unit Type	Units	Unit Allocation	Average Unit Size	Rent per Unit	Rent per Square Foot
1B/1b Apt	50	30%	700	\$1,384	\$1.98
2B/2b Apt	70	42%	900	\$1,604	\$1.78
3B/2b Apt	30	18%	1,100	\$1,752	\$1.59
3B/2b TH	15	9%	1,300	\$1,957	\$1.51
<b>Total/Avg.</b>	<b>165</b>	<b>100%</b>	<b>912</b>	<b>\$1,596</b>	<b>\$1.75</b>

SOURCE: JOHNSON ECONOMICS

## ABSORPTION

### MARKET-WIDE ABSORPTION

The historical absorption data presented earlier in this section reflected annual net absorption of around 140 units in the two most recent years with significant amounts of new supply. According to Costar, 137 units were absorbed on a net basis in 2017, when 132 new units were delivered (Lafayette Place) and the city-wide vacancy rate averaged 3.3%. In 2020, 142 units were absorbed when 119 units were delivered and the vacancy rate averaged 2.2%.

The current vacancy rate in McMinnville is 1.2%, according to CoStar. This additional market pressure indicates that absorption higher than 140 units can be achieved, assuming adequate supply.

According to the Census Bureau, there are 2,600 rental apartment households in McMinnville currently. At the current vacancy rate, these households can absorb 165 additional units before the vacancy rate climbs above the 5.0% that represents a balanced market. Additionally, with a current vacancy rate around 1.0%, there is also significant pent-up demand from prospective renters unable to find units that match their needs. Thus, we would expect the current annual absorption potential to be well above 200 units, not taking into account new demand from population growth.

According to the most recent Housing Needs Analysis (HNA) conducted for the City of McMinnville (ECONorthwest, 2019), population growth in the city is projected to generate a need for 75 new multifamily units (mostly apartments) annually in coming years. Demand for other housing forms is projected to grow by roughly 150 units annually. The total housing need is thus estimated to grow by around 225 units per year. Over the past 15 years, the city has only been able to produce housing at this level once, in 2019, based on issued building permits. Over the past five years, the new housing supply has averaged roughly 175 units annually. In markets with undersupply of housing, the unmet demand typically filters down to the least costly housing form (rental apartments) as the least affluent households are priced out of the more expensive housing forms. Thus, it is not unlikely that McMinnville in coming years will see additional apartment demand from an undersupplied single-family market. The potential market-wide apartment absorption may therefore be higher than the 75 units annually indicated by the HNA.

Demand for attached homes is estimated to grow by 27 units annually, according to the HNA. We will assume that 50% of this will be for rental units, indicating annual absorption of around 15 attached rental homes (the current rental percentage in this category is 71%, according to Census Bureau, but includes renter-occupied for-sale homes).

### SUBJECT SITE ABSORPTION

Given the current demand pressures, we would expect a single-phase apartment project in McMinnville to absorb up to 200 units annually in the current market. If additional supply were to ease the pressures to the point where the market-wide vacancy rate reaches 5.0%, we would assume that around 100 units could be absorbed annually. As McMinnville's vacancy rate has stayed well below 4.0% since 2013, we regard the latter scenario to be unlikely. We therefore expect a project with around 150 apartments to be feasible in the NAC with an absorption period of around 12 months in coming years. Additionally, we would assume that around 15 rental townhomes can be absorbed annually. We would assume that up to 300 apartments and 30 townhomes may be feasible over a period of three to four years, assuming two-phase approach with one to two years of stabilized phase-one operations.



## IV. OWNERSHIP HOUSING

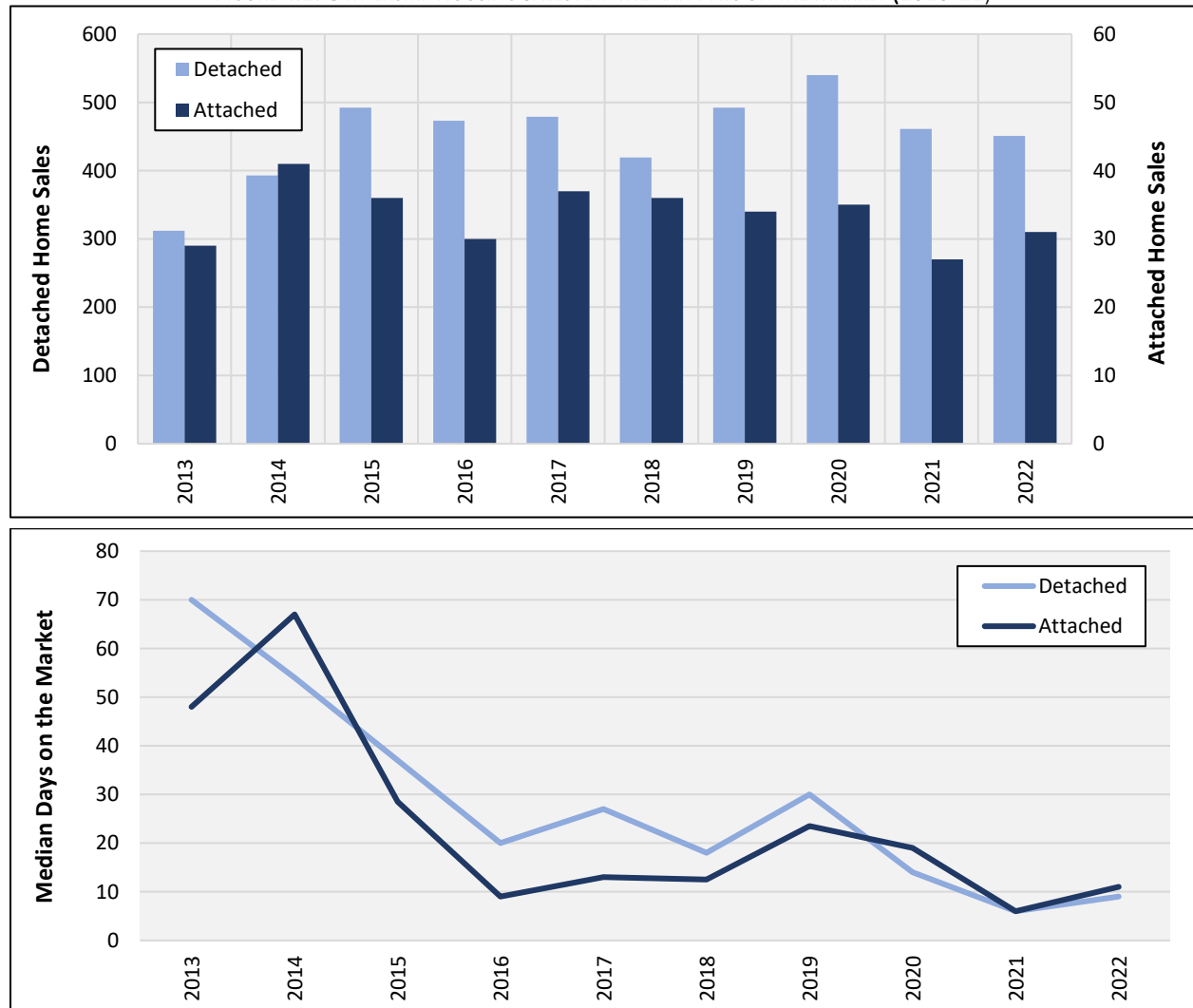
### MARKET TRENDS

#### SALES VELOCITY

Detached single-family homes currently account for 94% of all home sales in McMinnville, while attached homes account for 6%. The latter made up roughly 10% of all sales transactions early in the last decade. Based on records from the Regional Multiple Listing System (RMLS), the total sales volume has been fairly stable at around 500 transactions per year over the past 10 years.

The stable sales pace masks the increase in demand that has taken place over this period. This is evident in the decline in market time for listed units. In 2013 the median time between listing and sale was 68 days. By 2021, the median had fallen to 6 days. There was a slight increase to 10 days in 2022, and sales so far in 2023 indicate a continued increase, reflecting the impact of higher mortgage rates. Attached homes have generally sold quicker than detached homes over the past decade, though there has been little difference between the two in recent years. A median market time of 60-90 days is generally considered to represent a balanced market in terms of supply and demand.

FIGURE 4.1: OWNERSHIP HOUSING SALES AND MEDIAN DAYS ON THE MARKET (2013-22)



SOURCE: RMLS, JOHNSON ECONOMICS

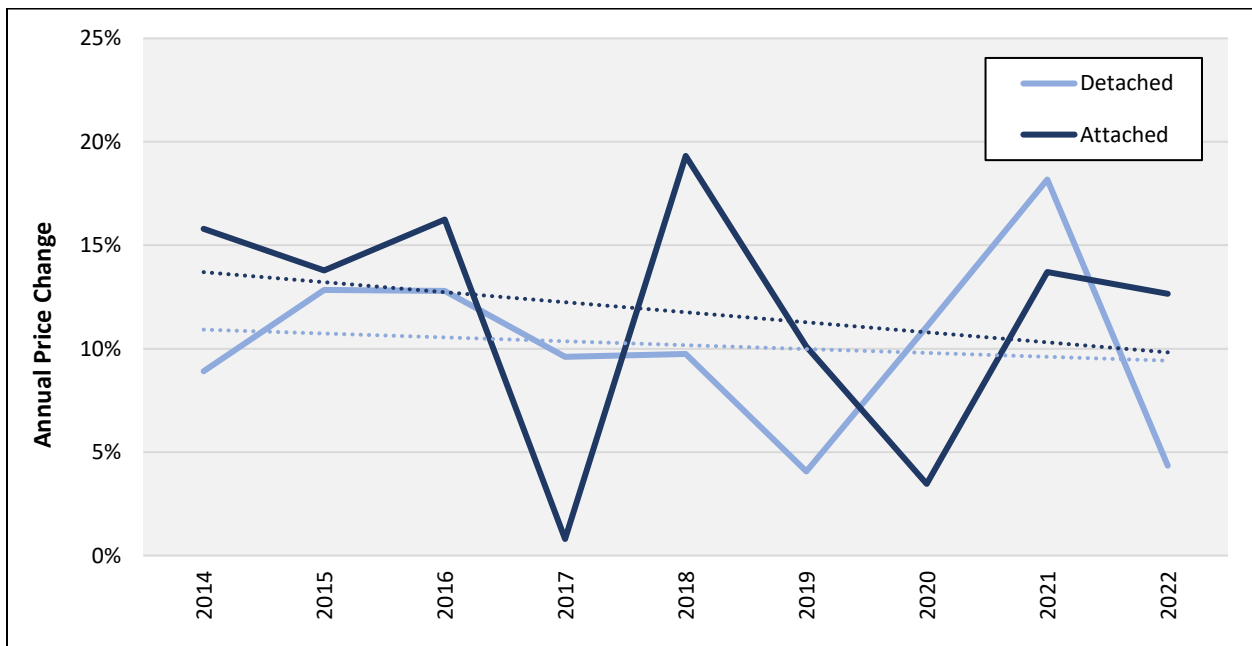
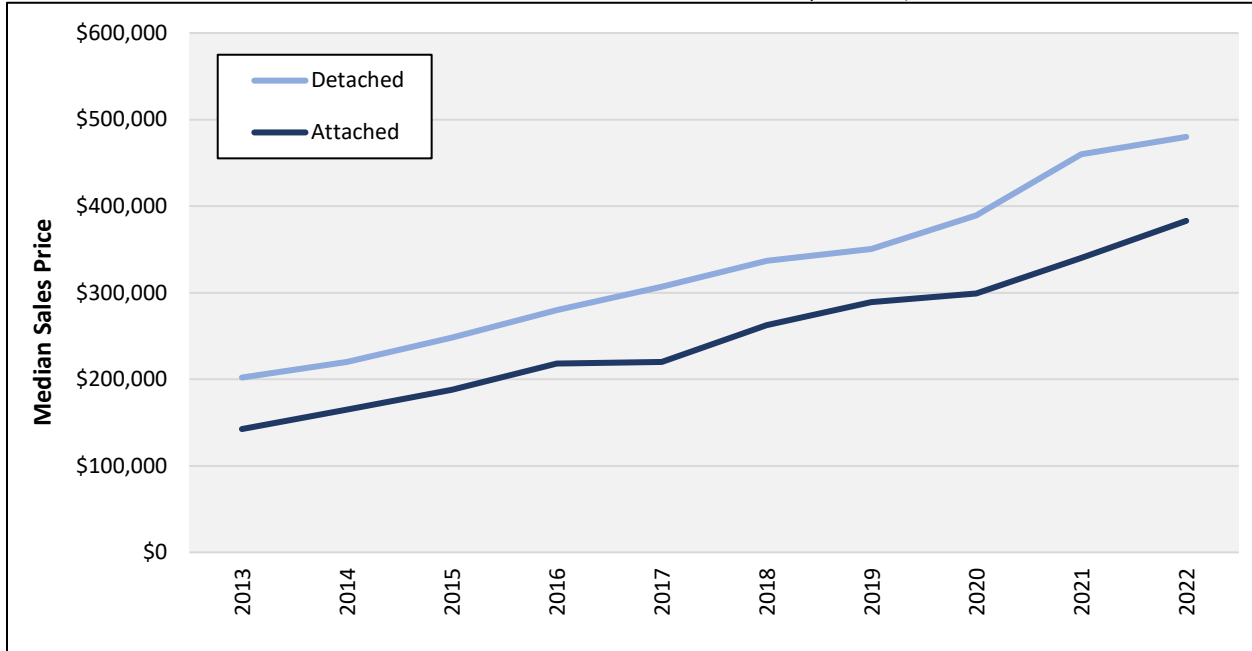




### SALES PRICES

Sales prices in McMinnville have risen rapidly over the past 10 years, as they have all across the Pacific Northwest. Attached homes have seen the strongest gains, with an average annual price increase of 11.6%. This might reflect that attached home values were more depressed in the wake of the 2008-09 recession due to the loss of demand from young buyers. Detached homes have gained 10.1% annually over the same period. Median prices in 2022 were \$453,000 for detached homes and \$369,000 for attached homes. On per-square-foot (PSF) basis, the median was \$280 for detached homes and \$264 for attached homes.

FIGURE 4.2: OWNERSHIP HOUSING PRICE TRENDS (2013-22)



SOURCE: RMLS, JOHNSON ECONOMICS



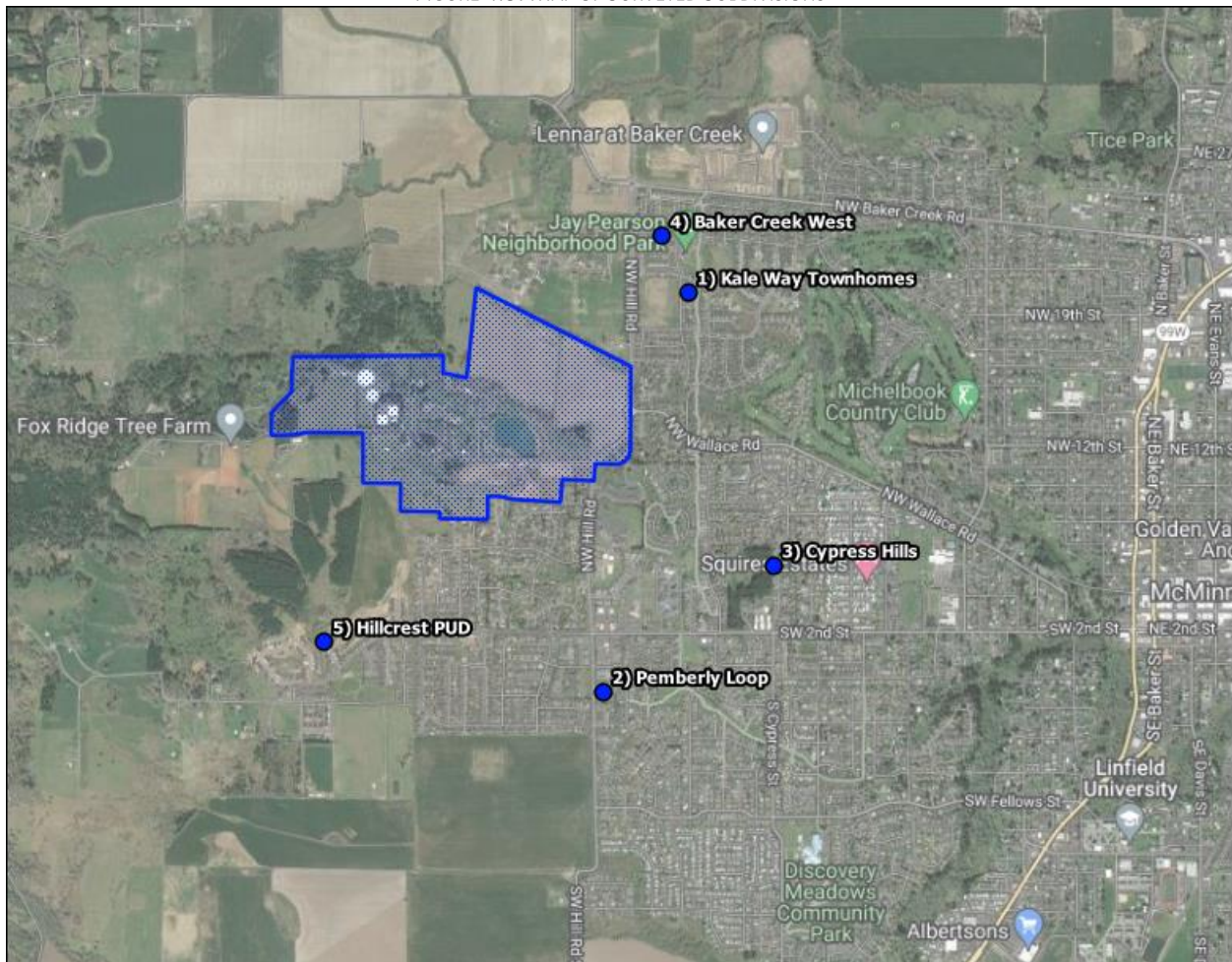
## SURVEY OF COMPARABLES

### COMPARABLES

JOHNSON ECONOMICS surveyed five subdivisions in McMinnville for this analysis. Three are suburban, two-story townhome projects, built out between 2004 and 2009 (#1-3). In the following pricing analysis, we will rely on resale transactions within these subdivisions. Due to the lack of more recent townhome projects, we have included two recent detached-home projects near the Fox Ridge area (#4-5). We will use new-home transactions from these projects in order to provide additional pricing references for townhomes, taking into account typical price differentials between the two housing types. The following map shows the locations of the surveyed subdivisions.

Details on each project is included over the next pages. We have included the most recent sales transactions within each subdivision, with estimates of current value based on trended price estimates, using an index of monthly median sales prices in Yamhill County (the county dataset reflects the same price trend as McMinnville, but with more data points and less random fluctuations).

FIGURE 4.3: MAP OF SURVEYED SUBDIVISIONS



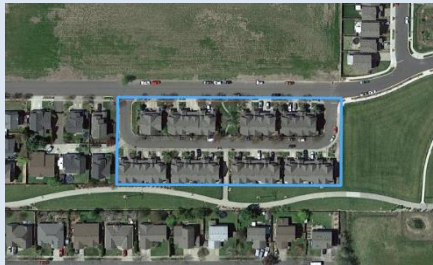
SOURCE: JOHNSON ECONOMICS





FIGURE 4.4: PROFILES OF SURVEYED SUBDIVISIONS

### 1 - KALE WAY TOWNHOMES

*NW Yohn Ranch Dr, NW Kale Way, McMinnville, Oregon*







**TYPE:** 2-Story Townhomes

**YEAR BUILT:** 2006-07

**TOTAL LOTS:** 27

**AVERAGE LOT SIZE:** 2,139

**AVERAGE PRICE/SF:** \$238

**Community Amenities**

Adjacent park w/playground  
Walking trail  
(No HOA fees)

**Typical Unit Amenities**

Laminate plank, carpet, vinyl floors  
Granite and laminate countertops  
Walk-in pantry  
Stainless appliances  
Patio, A/C

Street Address	Lot Size (SF)	BUILDING DETAILS			SALES PRICE & CURRENT VALUE			
		Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF
1952 Nw Yohn Ranch	2,178	1,444	2	2.1	10/28/2022	\$379,000	\$356,017	\$247
2022 Nw Kale Way	2,613	1,359	2	2.1	7/22/2022	\$380,000	\$340,792	\$251
2000 Nw Yohn Ranch	2,178	1,444	3	2.1	6/8/2021	\$325,000	\$323,233	\$224
2050 Nw Yohn Ranch	2,178	1,431	3	2.1	4/9/2021	\$315,000	\$326,241	\$228
2006 Nw Kale Way	2,613	1,444	3	2.1	8/31/2020	\$295,000	\$332,860	\$231

### 2 - PEMBERLY LOOP

*SW Pemberly Loop, McMinnville, Oregon*







**TYPE:** 2-Story Townhomes

**YEAR BUILT:** 2007-09

**TOTAL LOTS:** 21

**AVERAGE LOT SIZE:** 2,607

**AVERAGE PRICE/SF:** \$206

**Community Amenities**

(HOA fees: \$75/mo.)

**Typical Unit Amenities**

Laminate, tile, carpet flooring  
Tile, laminate countertops  
Black appliances  
Gas fireplace  
Vaulted ceilings, A/C, patio

Street Address	Lot Size (SF)	BUILDING DETAILS			SALES PRICE & CURRENT VALUE			
		Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF
416 Sw Pemberly Loc	4,791	1,930	3	2.1	7/29/2022	\$425,000	\$381,149	\$197
339 Sw Pemberly Loc	2,178	1,503	3	2.1	3/11/2022	\$355,000	\$328,698	\$219
336 Sw Pemberly Loc	1,742	1,597	3	2.1	11/15/2021	\$357,000	\$348,977	\$219
417 Sw Pemberly Loc	2,178	1,732	3	2.1	3/25/2021	\$329,000	\$347,780	\$201
433 Sw Pemberly Loc	2,178	1,732	3	2.1	12/28/2020	\$299,150	\$325,612	\$188
423 Sw Pemberly Loc	2,178	1,732	3	2.1	4/15/2020	\$300,000	\$352,613	\$204



### 3 - CYPRESS HILLS

NW Cypress St at W 6th St, McMinnville, Oregon



**TYPE:** 2-Story Townhomes  
**YEAR BUILT:** 2004  
**TOTAL LOTS:** 20  
**AVERAGE LOT SIZE:** 2,591  
**AVERAGE PRICE/SF:** \$239

#### Community Amenities

Backing forested hill  
(No HOA fees)

#### Typical Unit Amenities

Laminate plank, carpet, vinyl flooring  
 Laminate countertops  
 White appliances, el. range  
 Vaulted ceilings, split level entry  
 Deck

Street Address	Lot Size (SF)	BUILDING DETAILS			SALES PRICE & CURRENT VALUE			
		Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF
527 Nw Cypress St	2,613	1,480	3	2.1	2/3/2023	\$380,000	\$380,000	\$257
675 Nw Cypress St	1,742	1,306	2	2.1	5/27/2022	\$379,500	\$340,178	\$260
563 Nw Cypress St	2,613	1,480	3	2.1	7/2/2021	\$338,000	\$332,697	\$225
575 Nw Cypress St	2,613	1,480	3	2.1	5/24/2021	\$340,000	\$345,049	\$233
511 Nw Cypress St	1,742	1,308	2	2.0	2/1/2019	\$243,000	\$305,657	\$234
667 Nw Cypress St	2,613	1,480	3	2.1	10/19/2018	\$265,000	\$336,751	\$228

### 4 - BAKER CREEK WEST

NW Baker Creek Rd & NW Hill Rd, McMinnville, Oregon



**TYPE:** 2-Story Detached  
**YEAR BUILT:** 2019+  
**TOTAL LOTS:** 125  
**TYPICAL LOT SIZE:** 4,000  
**AVERAGE PRICE/SF:** \$269

#### Community Amenities

Neighborhood park  
 Playground  
 Trails  
 (HOA fees: \$28/mo.)

#### Typical Unit Amenities

Laminate plank, carpet flooring  
 Quartz/tile countertops  
 Stainless appliances, kitchen island  
 Gas fireplace/range, walk-in closet  
 9-foot ceilings, A/C

Street Address	Lot Size (SF)	BUILDING DETAILS			SALES PRICE & CURRENT VALUE			
		Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF
1939 Nw Haun Dr	3,049	1,532	3	2.1	2/10/2023	\$429,000	\$429,000	\$280
2276 Nw Woodland C	3,049	1,525	3	2.1	1/27/2023	\$420,000	\$423,776	\$278
2003 Nw 21St St	3,049	1,526	3	2.1	9/15/2022	\$442,000	\$406,946	\$267
2398 Nw Matteo Dr	3,484	1,498	3	2.1	6/30/2022	\$435,500	\$388,016	\$259
1984 Nw 21St St	3,049	1,498	3	2.1	5/20/2022	\$440,000	\$394,409	\$263
2316 Nw Matteo Dr	3,484	1,498	3	2.1	3/30/2022	\$424,000	\$392,585	\$262



## 5 - HILLCREST PD (PART)

SW 2nd St, Valley's Edge St, NW Brookside St, McMinnville, Oregon



**TYPE:** 1- & 2-Story Detached  
**YEAR BUILT:** 2019+  
**TOTAL LOTS:** 94  
**TYPICAL LOT SIZE:** 9,000  
**AVERAGE PRICE/SF:** \$281

### Community Amenities

Neighborhood Park  
 Playground  
 Views  
 (No HOA fees)

### Typical Unit Amenities

Hardwood, laminate, carpet flooring  
 Stone countertops  
 Stainless appliances, kitchen island  
 Gas fireplace/range  
 9-foot ceilings, A/C, deck

Street Address	Lot Size (SF)	BUILDING DETAILS			SALES PRICE & CURRENT VALUE			
		Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF
2837 Nw Mt Ashland Ln	6,969	2,548	4	2.1	1/31/2023	\$650,000	\$655,844	\$257
2893 Nw Mt Ashland Ln	6,969	2,538	4	2.1	1/3/2023	\$703,900	\$710,229	\$280
2999 Nw 2Nd St	12,632	1,620	3	2.0	12/8/2022	\$525,000	\$521,284	\$322
2842 Nw Mt Ashland Ln	8,276	2,727	4	2.1	12/5/2022	\$650,000	\$645,399	\$237
2848 Nw Mt Ashland Ln	8,276	2,504	4	2.1	11/23/2022	\$650,000	\$626,073	\$250
115 Sw Blue Heron Ct	8,276	1,729	4	2.1	10/31/2022	\$499,900	\$469,586	\$272

SOURCE: RMLS, Yamhill County, Google Earth, JOHNSON ECONOMICS



FIGURE 4.5: RECENT HOME SALES SUMMARY, SURVEYED SUBDIVISIONS

SUBDIVISION	Location	Property Address	Lot Size (SF)	HOME TYPE			HOME PRICES				
				Size (SF)	Beds	Baths	Date	Price (\$)	Curr. Value	\$/SF	
<b>1) Kale Way Townh.</b>		1952 Nw Yohn Ranch Dr	2,178	1,444	2	2.1	10/28/2022	\$379,000	\$356,017	\$247	
		NW Yohn Ranch Dr	2,613	1,359	2	2.1	7/22/2022	\$380,000	\$340,792	\$251	
		NW Kale Way	2,178	1,444	3	2.1	6/8/2021	\$325,000	\$323,233	\$224	
		McMinnville, OR	2050 Nw Yohn Ranch Dr	2,178	1,431	3	2.1	4/9/2021	\$315,000	\$326,241	\$228
			2006 Nw Kale Way	2,613	1,444	3	2.1	8/31/2020	\$295,000	\$332,860	\$231
		<i>Townhomes, 2006-07</i>	2030 Nw Yohn Ranch Dr	2,178	1,359	2	2.1	8/2/2019	\$275,000	\$337,239	\$248
<b>2) Pemberly Loop</b>		416 Sw Pemberly Loop	4,791	1,930	3	2.1	7/29/2022	\$425,000	\$381,149	\$197	
		SW Pemberly Loop	2,178	1,503	3	2.1	3/11/2022	\$355,000	\$328,698	\$219	
		McMinnville, OR	336 Sw Pemberly Loop	1,742	1,597	3	2.1	11/15/2021	\$357,000	\$348,977	\$219
			417 Sw Pemberly Loop	2,178	1,732	3	2.1	3/25/2021	\$329,000	\$347,780	\$201
		<i>Townhomes, 2007-09</i>	433 Sw Pemberly Loop	2,178	1,732	3	2.1	12/28/2020	\$299,150	\$325,612	\$188
<b>3) Cypress Hills</b>		527 Nw Cypress St	2,613	1,480	3	2.1	2/3/2023	\$380,000	\$380,000	\$257	
		NW Cypress St	1,742	1,306	2	2.1	5/27/2022	\$379,500	\$340,178	\$260	
		McMinnville, OR	563 Nw Cypress St	2,613	1,480	3	2.1	7/2/2021	\$338,000	\$332,697	\$225
			575 Nw Cypress St	2,613	1,480	3	2.1	5/24/2021	\$340,000	\$345,049	\$233
		<i>Townhomes, 2004</i>	511 Nw Cypress St	1,742	1,308	2	2.0	2/1/2019	\$243,000	\$305,657	\$234
<b>4) Baker Creek West</b>		1939 Nw Haun Dr	3,049	1,532	3	2.1	2/10/2023	\$429,000	\$429,000	\$280	
		NW Baker Creek Rd	2276 Nw Woodland Dr	3,049	1,525	3	2.1	1/27/2023	\$420,000	\$423,776	\$278
		NW Hill Rd	2003 Nw 21St St	3,049	1,526	3	2.1	9/15/2022	\$442,000	\$406,946	\$267
		McMinnville, OR	2398 Nw Matteo Dr	3,484	1,498	3	2.1	6/30/2022	\$435,500	\$388,016	\$259
			1984 Nw 21St St	3,049	1,498	3	2.1	5/20/2022	\$440,000	\$394,409	\$263
		<i>SF Detached, 2019+</i>	2316 Nw Matteo Dr	3,484	1,498	3	2.1	3/30/2022	\$424,000	\$392,585	\$262
<b>5) Hillcrest PD</b>		2837 Nw Mt Ashland Ln	6,969	2,548	4	2.1	1/31/2023	\$650,000	\$655,844	\$257	
		SW 2nd St	2893 Nw Mt Ashland Ln	6,969	2,538	4	2.1	1/3/2023	\$703,900	\$710,229	\$280
		Valley's Edge St	2999 Nw 2Nd St	12,632	1,620	3	2.0	12/8/2022	\$525,000	\$521,284	\$322
		McMinnville, OR	2842 Nw Mt Ashland Ln	8,276	2,727	4	2.1	12/5/2022	\$650,000	\$645,399	\$237
			2848 Nw Mt Ashland Ln	8,276	2,504	4	2.1	11/23/2022	\$650,000	\$626,073	\$250
		<i>SF Detached, 2019+</i>	2842 Nw Mt Ashland Ln	8,276	2,727	4	2.1	12/5/2022	\$650,000	\$645,399	\$237

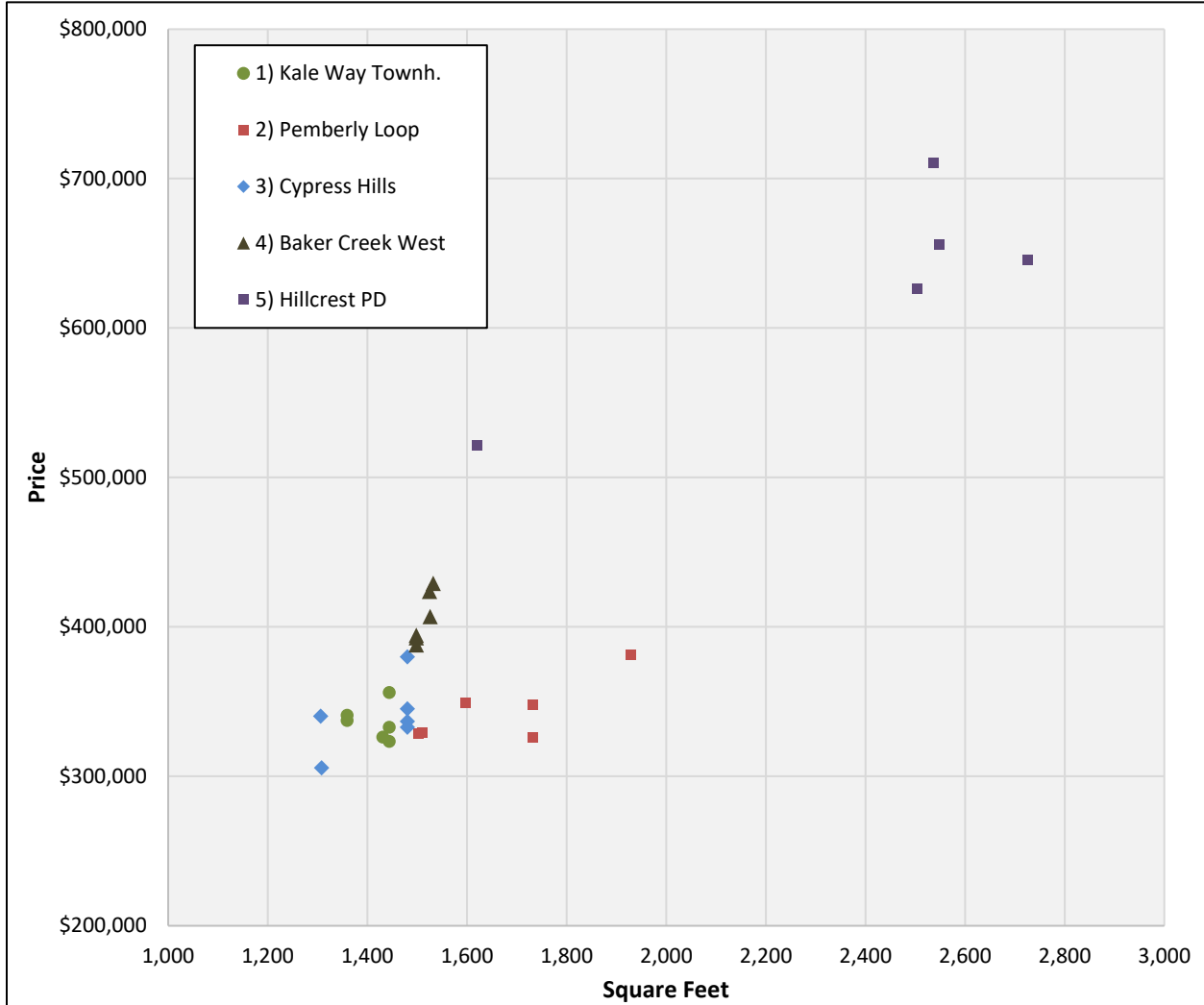
SOURCE: RMLS, Yamhill County, JOHNSON ECONOMICS

Adjusted to current values, the most recent sales transactions at the surveyed projects range from around \$243,000 to \$710,000 per home and \$188 to \$322 per square foot (PSF). The average value is \$412,000 per home and \$243 PSF.

The three townhome projects represent the lowest current values, reflecting the housing form and that these are resale transactions of homes built in the 2000s. The lowest values are represented by Pemberly Loop, which is the only of the townhome projects with HOA fees (\$75/mo.). Hillcrest, which is without HOA fees, represents the highest values, also when adjusted for home size. This reflects its detached-home format, its relatively upscale home features, and its large share of single-story homes – which sell at a premium on PSF basis. The following scatter plot displays the sales prices adjusted to current levels as a function of square footage.



FIGURE 4.6: RECENT SALES PRICES ADJUSTED TO CURRENT LEVELS, SURVEYED SUBDIVISIONS



SOURCE: RMLS, Yamhill County, JOHNSON ECONOMICS

## ACHIEVABLE PRICING

Achievable pricing in the NAC will depend on the standard, profile, and amenities of the community, as well as parks and amenities at the site. In the following, we make the same assumptions as for the rental housing regarding amenities and market positioning. These include the assumption that no commercial amenities will be in place at time of sale.

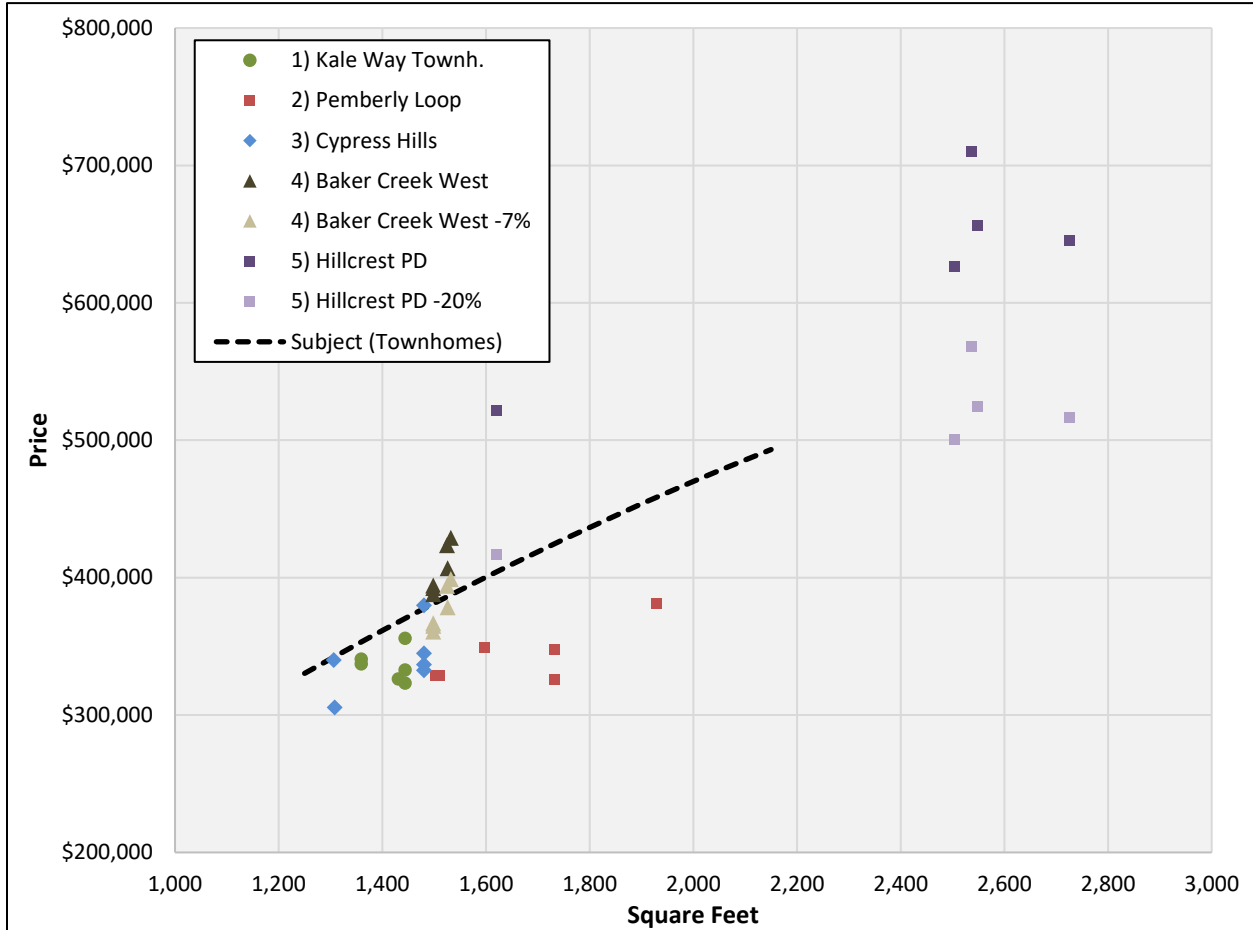
In order to assist the process of estimating achievable pricing, we first adjust the detached-home values from Hillcrest and Baker Creek West to be representative of townhomes. For this, we rely on price differentials observed by JOHNSON ECONOMICS in detailed analyses of master plan projects with multiple housing forms. We generally observe discounts of 5-15% for suburban townhomes relative to detached homes of similar size and features. The discount depends on the lot size and width of the homes.

For the detached homes at Baker Creek West, we apply a 7% discount, due to the relatively small lots and narrow homes. At Hillcrest, which has much larger lots and wider homes, we apply a 20% discount in order to also account for its single-story homes and relatively upscale features, which exceed our mid-market assumptions for the NAC.



The following chart displays our estimates of achievable townhome pricing in today’s market in the NAC, alongside the current values at the comparables – including the adjusted detached-home values. We assume pricing above the three townhome projects, due to their age (built 2004-09), but in line with the values adjusted to reflect townhome pricing at Baker Creek West and Hillcrest.

FIGURE 4.7: ADJUSTED COMPARABLE PRICING AND ACHIEVABLE SUBJECT PRICING



SOURCE: RMLS, Yamhill County, JOHNSON ECONOMICS

With two- and three-bedroom townhomes ranging in size from 1,400 to 1,800 square feet, the analysis indicates achievable pricing ranging from around \$360,000 to \$440,000, or \$243-258 PSF. With the following mix, which is estimated to represent a two-year absorption period (see next page), this translates into an average home price of around \$400,000 per home and \$250 PSF. This is likely adequate for suburban townhomes with a mid-market profile.

FIGURE 4.8: ACHIEVABLE OWNERSHIP PRICING, 1Q23

2-STORY TH.	UNIT MIX				PRICING		
	Type	Units (#)	Units (%)	Home Size	Lot Size	Per Home	Per SF
	2B/2.5b	10	33%	1,400	2,000	\$361,400	\$258
	3B/2.5b	10	33%	1,600	2,500	\$400,400	\$250
	3B/2.5b	10	33%	1,800	3,000	\$436,600	\$243
	<b>Total</b>	<b>30</b>	<b>100%</b>	<b>1,600</b>	<b>2,500</b>	<b>\$399,467</b>	<b>\$250</b>

SOURCE: JOHNSON ECONOMICS





## **ABSORPTION**

As discussed in the section on rental housing, the most recent Housing Needs Analysis for McMinnville includes a projected need for 27 attached single-family homes annually, which we assume will be split 50/50 between rentals and ownership. Thus, we assume a city-wide absorption potential of roughly 15 for-sale townhomes and duplexes per year. Given the very limited supply of new attached homes in McMinnville in recent years, we would assume that the NAC can capture all of this demand, absorbing around 15 townhomes annually.



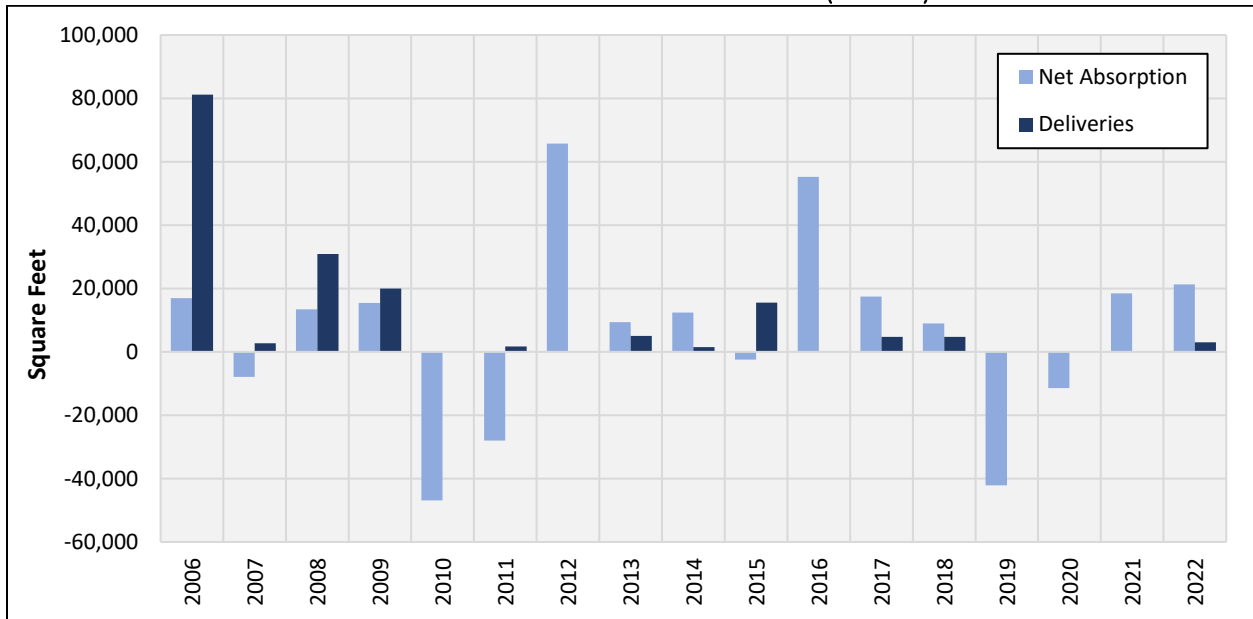
## V. COMMERCIAL SPACE

### MARKET TRENDS

The retail market in McMinnville has seen limited development activity in recent years. According to CoStar, 2006 was the last year with a significant amount of new space delivered, when 81,000 square feet were completed. Over the past 10 years, only 34,000 square feet have been completed, reflecting limited demand due to increasing online competition. However, 87,000 square feet have been absorbed on a net basis over this period, suggesting stronger demand than reflected in the development activity. This has eaten into the inventory of vacant space in the city.

The net absorption has been uneven in recent years, with declines in 2019 and 2020 followed by gains in 2021 and 2022. Roughly 20,000 square feet were absorbed on a net basis in each of the last two years, above the annual average of 8,700 square feet over the past 10 years.

FIGURE 5.1: RETAIL DELIVERIES AND NET ABSORPTION (2006-22)

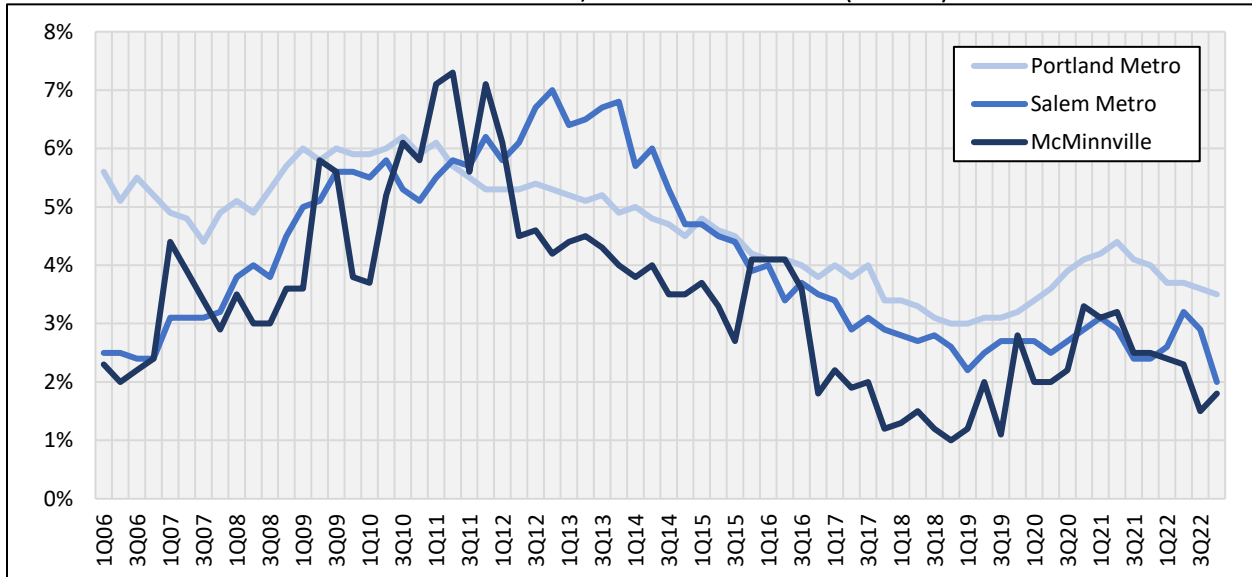


SOURCE: CoStar, JOHNSON ECONOMICS

The small size of the McMinnville market leads to wide fluctuations in the vacancy rate when spaces are vacated or become occupied. However, the city has generally exhibited low vacancy over the past decade – lower than in the Portland Metro and Salem Metro markets (see chart next page). The rate peaked at 7.3% in 2011, and thereafter fell to 1.0% in early 2019. This is unusually low. The rate rose again early in COVID, but has since fallen back to 1.8% as of year-end 2022. This is on par with the Salem Metro vacancy rate, but well below the Portland Metro rate. The low vacancy rate indicates potential for additional supply.



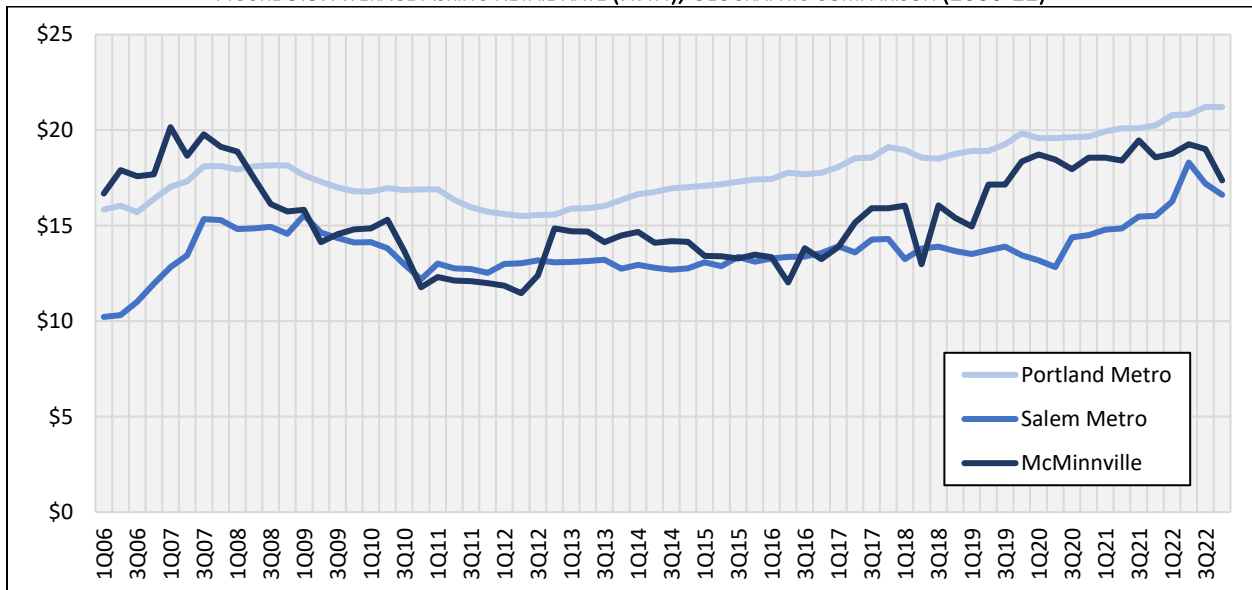
FIGURE 5.2: RETAIL VACANCY, GEOGRAPHIC COMPARISON (2006-22)



SOURCE: CoStar, JOHNSON ECONOMICS

Average lease rates reported by CoStar will reflect the space available for lease at any given time. In McMinnville, the average rate has generally exceeded the average in the Salem Metro Area, but been lower than in the Portland Metro Area. The McMinnville average trended higher at a relatively rapid pace during the second half of the last decade, and thereafter saw more moderate gains over the 2020-22 period, before falling to \$17.36 at year-end 2022. This recent decline may be a function of short-term fluctuations rather than underlying market softness. If we follow the trendline, the market has averaged 5.9% annual rent growth over the past five years. If we use the actual quarterly averages, the annual rent growth was 1.6%. The average of the two (3.8%) is identical to general inflation over this period. In comparison, Portland Metro averaged 2.1% annual rent growth while Salem Metro averaged 3.1% annually over this period.

FIGURE 5.3: AVERAGE ASKING RETAIL RATE (NNN), GEOGRAPHIC COMPARISON (2006-22)



SOURCE: CoStar, JOHNSON ECONOMICS



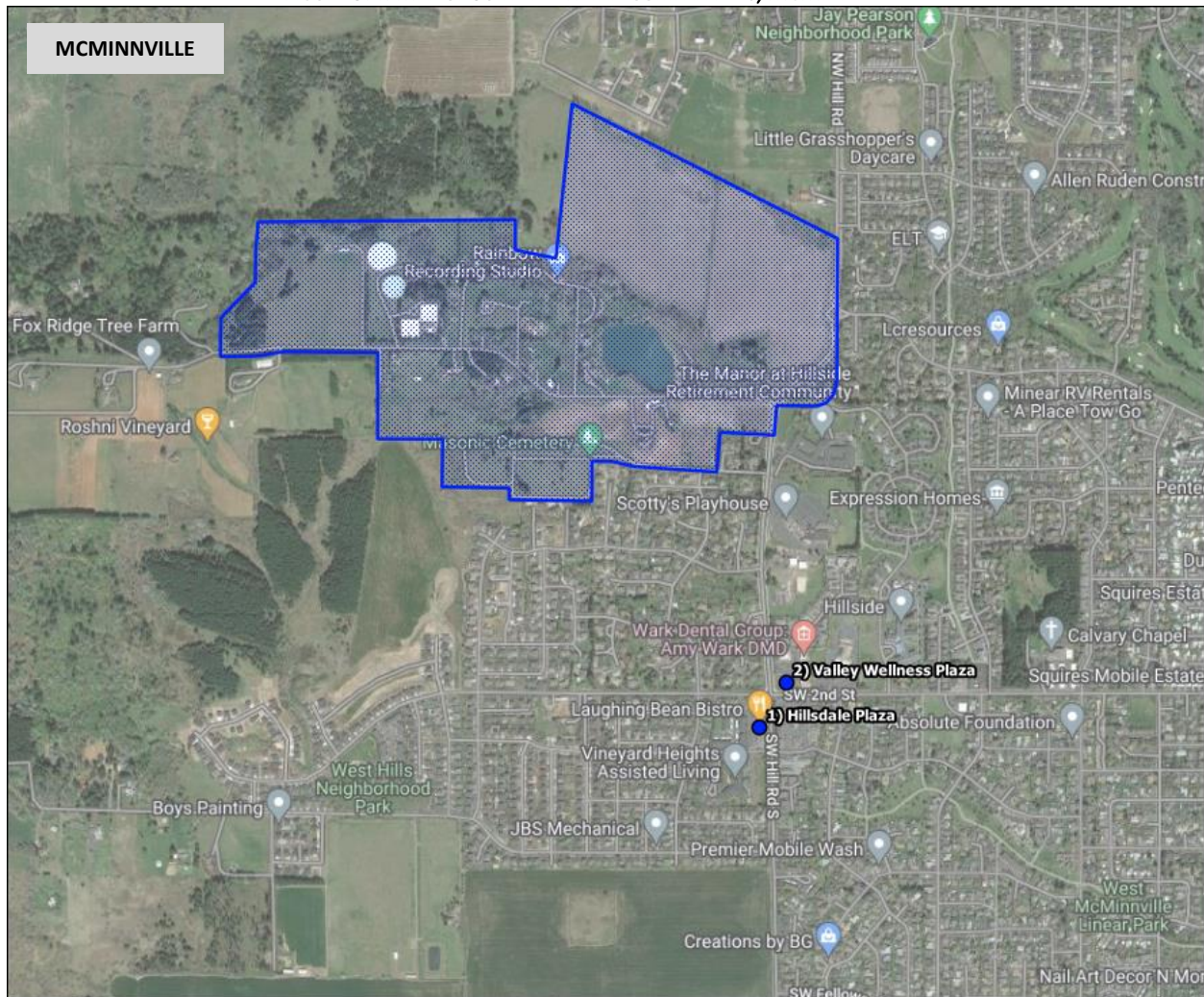
## SURVEY OF COMPARABLES

### COMPARABLES

Recent commercial projects in McMinnville are few in number and generally located along Highway 99 or in Downtown, both of which represent stronger environments for commercial uses than the subject site. In our survey of comparables, we have therefore focused on suburban retail properties with a neighborhood orientation. We have included two such properties near the subject site on NW Hill Road in McMinnville. These were built in 1990 and 2009.

In order to provide reference points from newer projects, we have included four newer properties from other parts of the Portland-Salem region that represent locations somewhat similar to the subject site. However, it should be mentioned that there are few examples of recent commercial developments along roads with traffic volumes comparable to the subject site (3,200 AADT in 2021). The four properties included from outside McMinnville have daily traffic volumes ranging from 10,000 to 20,000, and are located in Salem, Beaverton, and Felida (unincorporated Clark County, Washington). Maps from each of these areas are included over the next pages, followed by profiles of the retail properties.

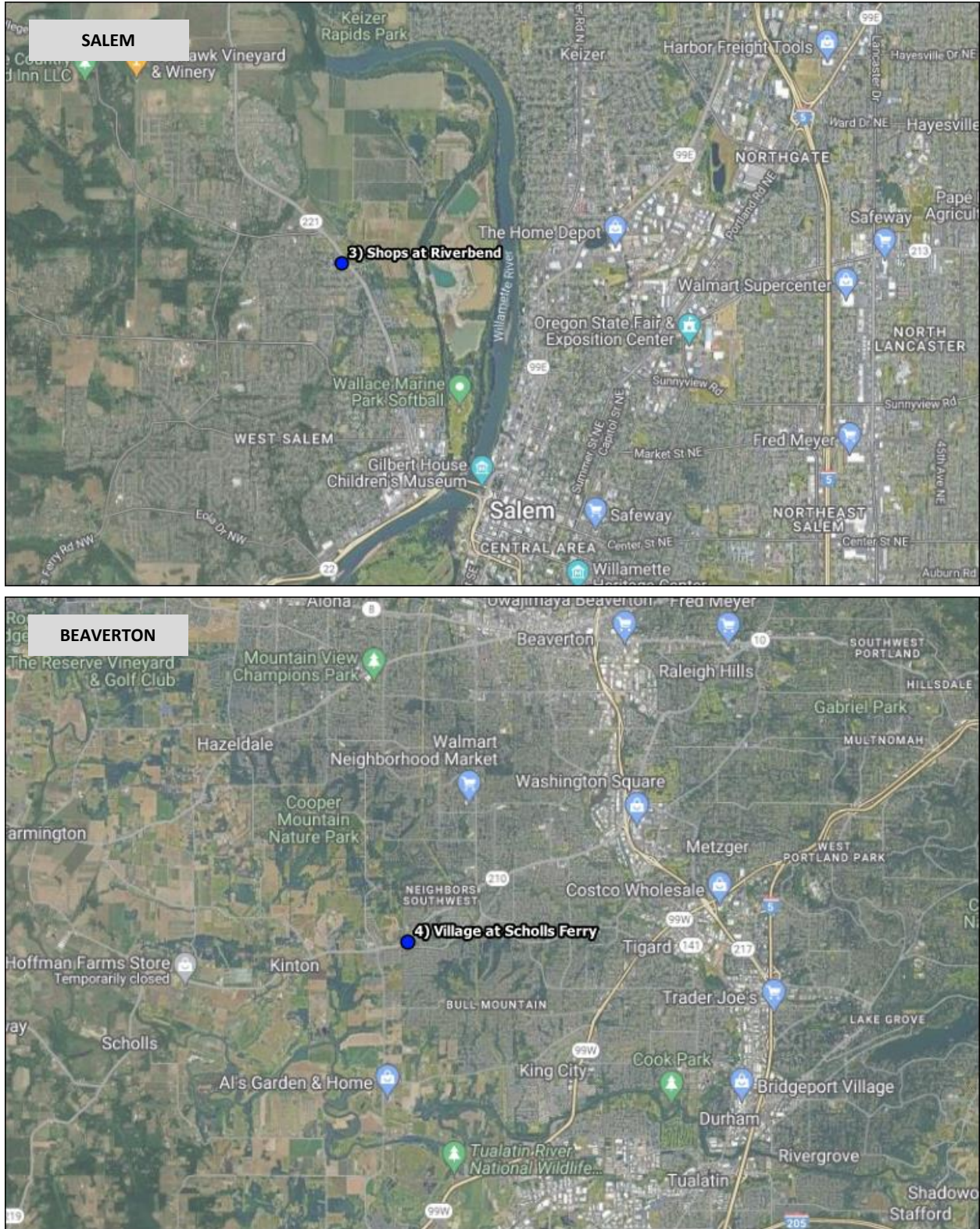
FIGURE 5.4: MAP OF SURVEYED RETAIL COMPARABLES, MCMINNVILLE



SOURCE: Google Earth, JOHNSON ECONOMICS



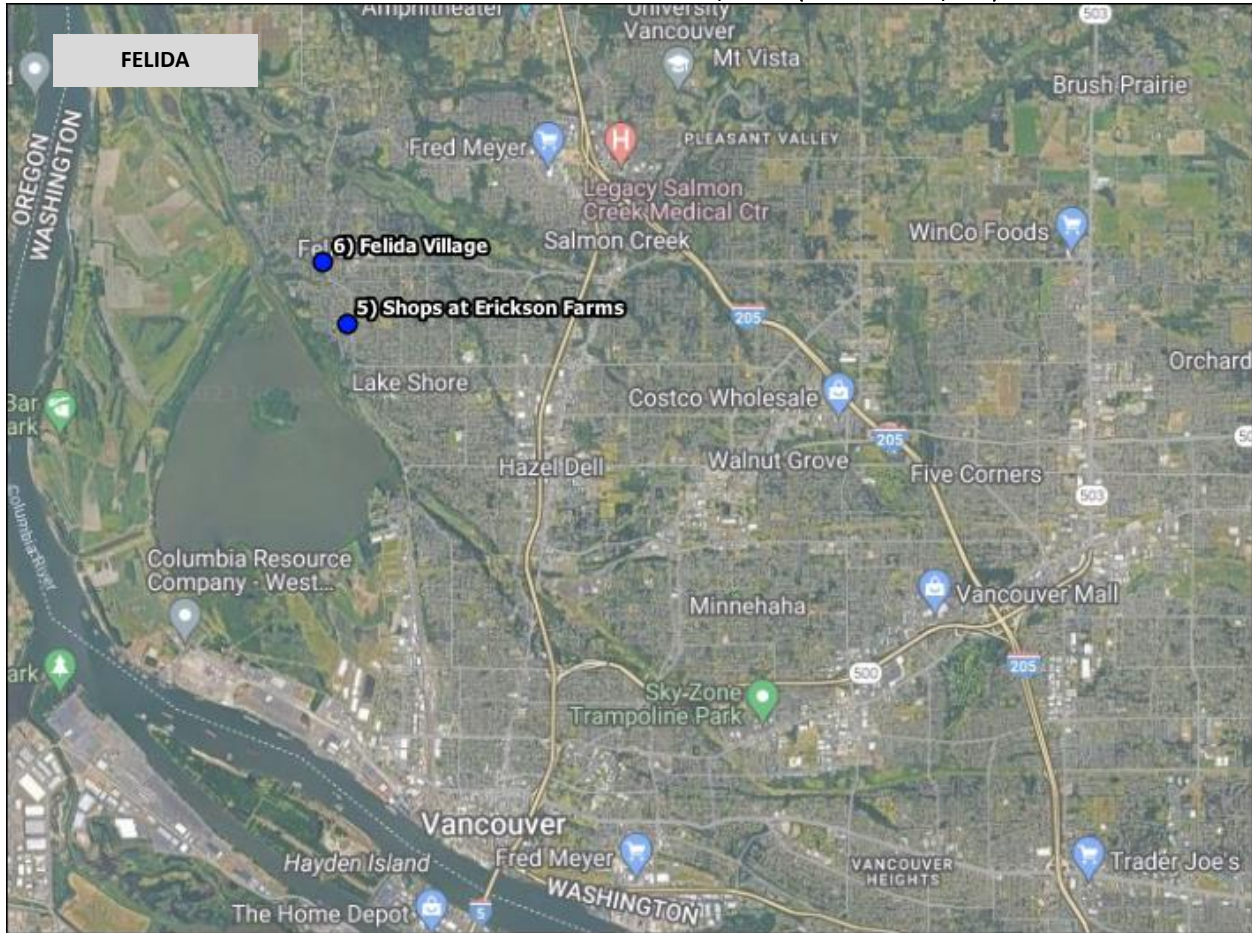
FIGURE 5.5: MAP OF SURVEYED RETAIL COMPARABLES, SALEM AND BEAVERTON



SOURCE: Google Earth, JOHNSON ECONOMICS



FIGURE 5.6: MAP OF SURVEYED RETAIL COMPARABLES, FELIDA (CLARK COUNTY, WA)



SOURCE: Google Earth, JOHNSON ECONOMICS

FIGURE 5.7: PROFILES OF SURVEYED RETAIL COMPARABLES

1) HILLSDALE PLAZA	
2274 SW 2nd St, McMinnville, OR	
Type:	Gabled suburban
Year built:	2009
Total RBA SF:	5,000
Parking/1,000 SF:	7.6
Street frontage 1:	SW 2nd St
Street frontage 2:	SW Hill Rd
Street 1 AADT:	8,200
Street 2 AADT:	3,200
Available SF:	0
Available %:	0%
Lease type:	MG
Asking lease rate:	\$18.00 (3Q22)
Current equiv. rate*:	\$18.00
2,447 SF leased in August 2022 at \$18 MG ask. Tenants: Valley Oasis Massage, Laughing Bean Bistro.	






## 2) VALLEY WELLNESS PLAZA

2191 NW 2nd St, McMinnville, OR

Type:	Medical Office
Year built:	1990
Total RBA SF:	13,900
Parking/1,000 SF:	7.5
Street frontage 1:	SW 2nd St
Street frontage 2:	SW Hill Rd
Street 1 AADT:	8,200
Street 2 AADT:	3,200
Available SF:	981
Available %:	7%
Lease type:	FS
Asking lease rate:	\$27.36
Current equiv. rate*:	\$27.36

Notes: Tenants: Ability Physical Therapy, McMinnville Family Eye Care, Columbia Allergy, Providence Heart Clinic.



## 3) SHOPS AT RIVERBEND

1221 Riverbend Rd, Salem, OR

Type:	Strip mall
Year built:	2022
Total RBA SF:	10,780
Parking/1,000 SF:	7.3
Street frontage 1:	Wallace Rd NW
Street frontage 2:	Riverbend Rd
Street 1 AADT:	19,600
Street 2 AADT:	1,000
Available SF:	1,296
Available %:	12%
Lease type:	NNN
Asking lease rate:	\$25.00
Current equiv. rate*:	\$25.00

Notes: Strip mall with four 1,300-SF spaces and food cart pod with dining pavilion and spaces for 15 carts (all leased).

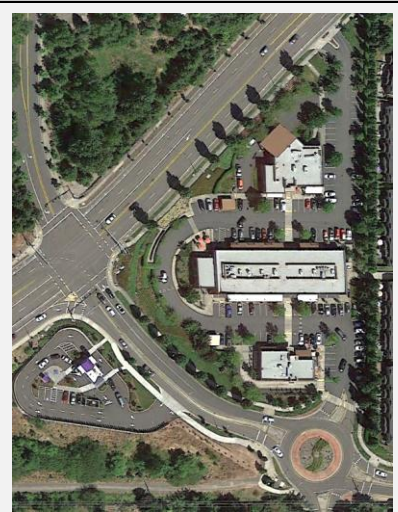


## 4) VILLAGE AT SCHOLLS FERRY

16315 SW Barrows Rd, Beaverton, OR

Type:	Neighborhood Ctr
Year built:	2008
Total RBA SF:	53,126
Parking/1,000 SF:	2.2
Street frontage 1:	SW Scholls Ferry Rd
Street frontage 2:	SW Barrows Rd
Street 1 AADT:	18,300
Street 2 AADT:	6,377
Available SF:	7,335
Available %:	14%
Lease type:	NNN
Asking lease rate:	\$28.00
Current equiv. rate*:	\$28.00

Notes: 3 bldgs (one 2-story on slope). Adjacent Dutch Bros. Tenants: Hillside Pub, Casa Lola Kitchen, Biscuits Café, Edward Jones, Inspired Life, Twist Spa ++





<b>5) ERICKSON FARMS</b>	
10722 NW Lakeshore Ave, Vancouver, WA	
Type:	Neighborhood Center
Year built:	2017-19
Total RBA SF:	34,376
Parking/1,000 SF:	5.1
Street frontage 1:	NW Lakeshore Ave
Street frontage 2:	NW 106th St
Street 1 AADT:	9,923
Street 2 AADT:	
Available SF:	0
Available %:	0%
Lease type:	NNN
Asking lease rate:	\$23.50
Current equiv. rate*:	\$23.50
Notes: Tenants: Los Potrillos, Mahoney Public House, Arktana, Creed Coffee, Nail Kitchen Spa, Windermere, Lakeshore Learning Center, Grapes & Growlers.	



<b>6) FELIDA VILLAGE</b>	
3600-04 NW 119th St, Vancouver, WA	
Type:	Neighborhood mixed-use
Year built:	2016
Total RBA SF:	10,600
Parking/1,000 SF:	3.8
Street frontage 1:	NW 36th Ave
Street frontage 2:	NW 119th St
Street 1 AADT:	11,100
Street 2 AADT:	4,500
Available SF:	0
Available %:	0%
Lease type:	NNN
Negotiated lease rate:	\$24.70
Current equiv. rate*:	\$24.70
Notes: Retail with office and apartments above. Office leased at \$20 in late 2021; retail at \$24 in 2020. Mt. Tabor Brewing, VX Vinos, Studio V, Barre3, Edward Jones.	



SOURCE: JOHNSON ECONOMICS

### KEY OBSERVATIONS

The two comparables from McMinnville are located at the intersection of NW 2<sup>nd</sup> Street and SW Hill Road, as part of a commercial cluster at this intersection. The traffic volume at this intersection is in the low end of what can support new commercial development in today's market. Estimates from ODOT (2021) indicate 8,200 daily trips on 2<sup>nd</sup> Street and 3,200 on Hill Road. The retail building at the southwest corner – Hillsdale Plaza, built in 2009 – most recently advertised an annual asking rate of \$18.00 modified gross per square foot (PSF) in late 2022. This likely represents a triple-net (NNN) rate below \$16.00 PSF, which is well below the typical threshold for supporting new construction. However, the building has a basic profile without strong tenant visibility or signage potential due to its gabled roof and low ceiling height. A modern retail building would likely capture higher rents.

The medical office building at the northeast corner of the 2<sup>nd</sup>/Hill intersection – Yamhill Valley Wellness Plaza – is older (1990) but built to a higher standard. It currently has a small suite available at a \$27.36 full-service asking rate. Converted to triple-net terms, this may reflect a rate in the low \$20s. Again, more modern space would likely capture somewhat higher rates.





To our knowledge, the best example of a recent commercial development with a neighborhood orientation on a site with similar traffic exposure is the Shops at Erickson Farms in Felida, north of Vancouver, Washington. Felida is one of the most affluent suburban areas in Clark County. The project sits along Lakeshore Avenue, centrally within a large residential area that was without commercial amenities prior to its opening in 2017. The nearest commercial options are in the I-5 corridor, two-three miles to the east. In comparison, Hill Road is roughly two miles from Highway 99. The current daily traffic volume on Lakeshore Avenue is 9,900, which means that the project has one of the lowest traffic volumes among newer retail centers in the suburban parts of the Portland-Salem area. The relatively low lease rates, \$23.50, are reflective of the limited traffic exposure. The rates have remained at this level since opening. The property totals 34,000 square feet (fully leased), including office/daycare buildings. Most tenants are food/beverage and service establishments. Felida’s relatively affluent household base has contributed to the support for the project.

Felida Village is a mixed-use project located along the same road, with slightly higher traffic volumes (11,100 AADT). It was built in 2016 and includes 10,600 square feet of commercial space (mostly ground-floor retail) plus eight apartments on the second floor. While most mixed-use projects are built in more urban areas, near transit centers, or along roads with more pedestrian/bike traffic, this project is a unique example of a mixed-use project along a suburban arterial road with moderate traffic. Current lease rates average \$24.70 NNN for ground-floor space and \$19.25 for second-floor office space. Tenants include a brewpub and service providers. As with Erickson Farms, the relatively affluent household base in Felida and the distance to larger commercial centers have helped the project.

The Village at Scholls Ferry in Beaverton is a larger project, totaling 53,000 square feet. It also has a neighborhood orientation, but benefits from higher traffic exposure (18,000 AADT). However, at the time it was built in 2008, it was at the western periphery of Beaverton, with farmland to the west. Traffic volumes on Scholls Ferry Road were likely much lower than today. It leased up at rates in the \$26-32 range. The current asking rate is \$28.00, with 7,000 square feet vacant. Tenants are mainly food/beverage and service providers.

The Shops at Riverbend is a smaller project with one retail building (5,200 SF) for four smaller tenants plus a food cart pod and a dining pavilion. It is located along Wallace Road in West Salem, with average daily traffic of roughly 20,000. The asking rate for the retail space is \$25.00 NNN, with only one space left. Current tenants include a nail salon and flower shop, plus the food carts.

**FIGURE 5.8: SUMMARY OF SURVEYED RETAIL PROPERTIES**

PROPERTY	ADDRESS	TRAFFIC	YEAR	TOTAL	AVAIL.	LEASE RATE		
		AADT	BUILT			FLOORS	RETAIL SF	(%)
1) Hillsdale Plaza	2274 SW 2nd St, McMinnville, OR	8,200	2009	1	5,000	0%	\$18.00	MG
2) Valley Wellness Center	2191 NW 2nd St, McMinnville, OR	8,200	1990	1	13,900	7%	\$27.36	FS
3) Shops at Riverbend	1221 Riverbend Rd, Salem, OR	13,300	2021+	1	46,100	0%	\$25.00	NNN
4) Village at Scholls Ferry	16315 SW Barrows Rd, Beaverton, OR	18,300	2008	2	53,126	14%	\$28.00	NNN
5) Shops at Erickson Farms	10722 NW Lakeshore Ave, Vancouver, WA	9,900	2017-19	1	34,376	0%	\$23.50	NNN
6) Felida Village	3600-04 NW 119th St, Vancouver, WA	11,100	2016	1	10,600	0%	\$24.70	NNN

SOURCE: Brokers; developers; online media; CoStar; JOHNSON ECONOMICS

## HOUSEHOLD SUPPORT

Support for commercial establishments in the Neighborhood Activity Center (NAC) will come from the surrounding household base, both within and outside the Fox Ridge area. In order to evaluate this support, we estimate the sales generated by the surrounding households, today and in the future. We also evaluate current and future traffic flows past the site, before we in the next section estimate the amount of commercial space that is feasible within the NAC.

### NEIGHBORHOOD TRADE AREA

The first step in this analysis is to delineate the geographic area from which the NAC is likely to capture household spending. For this determination, we assume that each household in the surrounding area will use the nearest



commercial center, as measured in drive time (Google Maps). Though households in reality conduct their shopping at multiple locations, we assume that the nearest commercial center has the advantage in capturing shopping traffic from the household if the type of retail or service is provided at this location. The delineated trade area for the NAC represents the drive-time mid-points between the NAC and other commercial centers. And though households within this trade area will do much of their shopping outside this area, establishments within the NAC will also attract customers from outside the area. We assume that the trade area boundary represents the points where these in- and outflows of demand offset each other. We refer to this trade area as the Core Trade Area (CTA).

In the delineation of the CTA, we take into account both existing and planned commercial centers. The existing commercial cluster around 2<sup>nd</sup> Street and Hill Road limits the trade area to the south, while the planned commercial center on Baker Creek Road and Hill Road limits the trade area to the north. The nearest alternatives to the east are in the Highway 99 corridor. For each center or commercial area, we use the nearest main intersection when estimating drive times (Wallace Rd/Hill Rd for the NAC). The resulting trade area delineation for the NAC is shown below.

FIGURE 5.9: NAC COMMERCIAL CORE TRADE AREA (CTA)



SOURCE: Google Earth, Metro, JOHNSON ECONOMICS



### SUPPORT FOR COMMERCIAL ACTIVITIES

A geographic analysis of assessor data indicates that there are 915 housing units within the CTA currently. In the following, we present estimates of supported employment and spending in retail and service categories that typically take place in commercial buildings, based on averages from suburban and rural parts of Oregon and Washington states. We also provide estimates for future support, assuming the increase of 567 housing units in the Fox Ridge area. This assumption is based on the preceding residential analysis and includes 150 rental apartments, 30 townhomes, and 387 detached single-family homes (80 acres with 9,000-square-foot lots). At that point, the housing inventory in the CTA will have grown to almost 1,500.

Employment and sales estimates are converted to square footage based on typical/average ratios observed in various surveys and studies conducted by Johnson Economics. These include employment density surveys, surveys published in trade publications, and analyses of financial reports from retailers. Per-square-foot spending estimates are updated annually to account for inflation. Note that there is significant variation in space utilization between different types of establishments within each category.

The estimates of current and future commercial support are presented over the next two pages. Categories in grey font are retail/service formats that would either be inconsistent with the type of neighborhood center envisioned in the NAC or that require a mall or downtown location in the current retail market.

In most categories, the support estimated to be generated by the households within the CTA represents less than one average-size establishment. Based on the current household count, only two categories exhibit support for at least one establishment: full- and limited-service restaurants. Each is estimated to have support for roughly two establishments. This means that restaurant spending by the households currently living in the CTA should total the average sales of around four restaurants. However, it does not mean that there is market support for four restaurants in the NAC currently. Neighborhood centers can only capture a portion of the restaurant spending by surrounding households, as some restaurant spending takes place in conjunction with shopping at larger centers or as part of travel or destination visits to downtown restaurants. A qualitative evaluation is required to estimate the amount of household spending that can be captured in the NAC. The same is true for the other categories as well. Based on the current-year sales estimates, we believe there is inadequate support for new construction commercial space in the NAC currently.

In the estimates of future support, the model indicates that five additional categories will have CTA support equivalent to at least one average-size establishment. These are all service categories, representing medical, professional, and personal service providers. These indicate potential for a small commercial center in the NAC. In the following, we will evaluate which of these are likely to capture adequate demand with a NAC location.



FIGURE 5.10: CURRENT SUPPORT FOR COMMERCIAL ACTIVITIES, NAC CTA (2023)

CURRENT COMMERCIAL POTENTIAL		MARKET SUPPORT			
Category	Major Category	Establish-ments	Employ-ment	An. Sales (\$1,000)	Square Feet
Physician/clinic	Health services	1.0	18	\$3,127	12,387
Grocery	Everyday goods	0.3	19	\$6,584	11,351
Hardware/materials/garden	Home/garden	0.4	7	\$2,057	10,203
<b>FS restaurant</b>	<b>Eating/drinking places</b>	<b>2.0</b>	<b>37</b>	<b>\$2,468</b>	<b>5,494</b>
Fitness	Fitness/dance/martial arts	0.4	7	\$387	5,241
<b>LS restaurant</b>	<b>Eating/drinking places</b>	<b>1.8</b>	<b>30</b>	<b>\$2,241</b>	<b>4,021</b>
Bank	Bank	0.4	8	\$1,095	2,208
Chiropractor/physical therapy	Health services	0.8	6	\$609	2,082
Dentist	Health services	0.9	7	\$1,103	1,987
Pet supplies	Hobby/leisure/pets	0.1	1	\$255	1,706
Hair/nail/spa	Personal care	0.8	4	\$233	1,492
Used goods	Used goods	0.2	4	\$342	1,466
Insurance	Financial/legal/insurance	0.7	5	\$835	1,234
Bar/pub	Eating/drinking places	0.3	3	\$277	980
Convenience	Everyday goods	0.4	2	\$677	966
Pet care/grooming	Personal care	0.2	1	\$56	953
Coffee/juice/ice cream	Eating/drinking places	0.6	7	\$442	753
Wireless	Wireless	0.4	6	\$2,438	705
Gas station	Gas station	0.4	4	\$3,873	699
Specialty foods/drinks	Everyday goods	0.4	3	\$534	670
Vet/animal clinic	Health services	0.3	4	\$573	662
Attorney	Financial/legal/insurance	0.3	2	\$481	579
Optic/vision	Health services	0.2	1	\$153	550
Martial arts	Fitness/dance/martial arts	0.1	1	\$81	442
Brewery/winery/distillery	Eating/drinking places	0.1	1	\$50	414
CPA	Financial/legal/insurance	0.3	2	\$202	389
Mortgage/title	Financial/legal/insurance	0.2	2	\$491	344
Tanning	Personal care	0.1	1	\$61	300
Delivery/mailbox	Other service	0.1	1	\$124	287
Financial advisor/broker	Financial/legal/insurance	0.3	2	\$448	282
Drycleaning/laundry/alterations	Other service	0.2	1	\$107	195
Dance/aerobic/yoga/music	Fitness/dance/martial arts	0.1	1	\$49	185
Flowers	Home/garden	0.1	0	\$34	156
Health/supplements	Everyday goods	0.1	0	\$64	98
Supercenter/warehouse club	Everyday goods	0.1	16	\$7,472	8,181
Discount department store	Everyday goods	0.1	5	\$1,041	7,627
Furniture/home goods	Home/garden	0.3	3	\$903	6,683
Auto service/carwash	Auto service/care	0.8	6	\$961	3,738
Sporting goods	Hobby/leisure/pets	0.2	2	\$372	3,714
Pharmacy	Everyday goods	0.2	3	\$1,162	2,902
Auto parts	Auto parts	0.4	4	\$1,068	2,571
Motor vehicle dealer	Motor vehicle dealer	0.3	9	\$7,636	2,399
Hobby/games/toys	Hobby/leisure/pets	0.2	2	\$204	1,710
Discount store	Everyday goods	0.1	2	\$206	1,622
Movie theater	Entertainment	0.0	1	\$132	1,198
Clothing	Clothing/accessories/cosmetics	0.2	3	\$456	1,006
Office supplies	Office/electronics/appliances	0.0	1	\$138	871
Department store	Clothing/accessories/cosmetics	0.0	1	\$34	844
Discount clothing/home store	Clothing/accessories/cosmetics	0.0	1	\$363	835
Electronics/appliances	Office/electronics/appliances	0.0	0	\$191	797
Real estate agent	Financial/legal/insurance	0.3	1	\$692	408
Shoes	Clothing/accessories/cosmetics	0.1	1	\$191	389
Music	Hobby/leisure/pets	0.0	0	\$63	276
Gifts	Hobby/leisure/pets	0.1	1	\$93	275
Other	Other service	0.2	1	\$86	258
Cosmetics	Clothing/accessories/cosmetics	0.0	1	\$88	172
Books	Hobby/leisure/pets	0.0	0	\$65	153
Photography	Other service	0.0	0	\$19	132
Jewelry	Clothing/accessories/cosmetics	0.1	0	\$111	115
Travel	Other service	0.1	0	\$38	111
Printing	Other service	0.0	1	\$85	107
Other entertainment	Entertainment	0.0	0	\$10	30
Payday Loans	Financial/legal/insurance	0.0	0	\$69	18
<b>Total</b>		<b>19</b>	<b>268</b>	<b>\$56,498</b>	<b>120,620</b>

SOURCE: U.S. Commerce Department, U.S. Census Bureau, U.S. BLS, JOHNSON ECONOMICS



FIGURE 5.11: FUTURE SUPPORT FOR COMMERCIAL ACTIVITIES, NAC CTA (+567 HOUSEHOLDS)

FUTURE COMMERCIAL POTENTIAL, +567 HOUSEHOLDS		MARKET SUPPORT			
Category	Major Category	Establish-ments	Employ-ment	Sales (\$1,000)	Square Feet
Physician/clinic	Health services	1.6	30	\$5,084	20,138
Grocery	Everyday goods	0.5	31	\$10,704	18,455
Hardware/materials/garden	Home/garden	0.6	11	\$3,345	16,588
<b>FS restaurant</b>	<b>Eating/drinking places</b>	<b>3.2</b>	<b>60</b>	<b>\$4,013</b>	<b>8,933</b>
Fitness	Fitness/dance/martial arts	0.6	12	\$629	8,521
<b>LS restaurant</b>	<b>Eating/drinking places</b>	<b>3.0</b>	<b>49</b>	<b>\$3,644</b>	<b>6,537</b>
Bank	Bank	0.7	13	\$1,780	3,590
<b>Chiropractor/physical therapy</b>	<b>Health services</b>	<b>1.4</b>	<b>10</b>	<b>\$991</b>	<b>3,386</b>
<b>Dentist</b>	<b>Health services</b>	<b>1.5</b>	<b>12</b>	<b>\$1,793</b>	<b>3,231</b>
Pet supplies	Hobby/leisure/pets	0.2	2	\$415	2,774
<b>Hair/nail/spa</b>	<b>Personal care</b>	<b>1.3</b>	<b>6</b>	<b>\$379</b>	<b>2,425</b>
Used goods	Used goods	0.3	7	\$556	2,383
<b>Insurance</b>	<b>Financial/legal/insurance</b>	<b>1.1</b>	<b>9</b>	<b>\$1,357</b>	<b>2,007</b>
Bar/pub	Eating/drinking places	0.5	5	\$450	1,593
Convenience	Everyday goods	0.7	4	\$1,100	1,570
Pet care/grooming	Personal care	0.3	2	\$91	1,549
Coffee/juice/ice cream	Eating/drinking places	1.0	11	\$719	1,224
Wireless	Wireless	0.6	10	\$3,964	1,146
Gas station	Gas station	0.6	7	\$6,296	1,136
Specialty foods/drinks	Everyday goods	0.7	6	\$868	1,089
Vet/animal clinic	Health services	0.5	7	\$931	1,076
Attorney	Financial/legal/insurance	0.5	3	\$782	942
Optic/vision	Health services	0.3	2	\$248	895
Martial arts	Fitness/dance/martial arts	0.2	2	\$132	719
Brewery/winery/distillery	Eating/drinking places	0.1	1	\$81	673
CPA	Financial/legal/insurance	0.5	4	\$329	632
Mortgage/title	Financial/legal/insurance	0.3	3	\$798	560
Tanning	Personal care	0.2	2	\$99	487
Financial advisor/broker	Financial/legal/insurance	0.5	3	\$728	459
Drycleaning/laundry/alterations	Other service	0.3	1	\$173	317
Dance/aerobic/yoga/music	Fitness/dance/martial arts	0.2	2	\$80	301
Flowers	Home/garden	0.1	0	\$55	254
Health/supplements	Everyday goods	0.1	1	\$104	159
Delivery/mailbox	Other service	0.0	1	\$201	82
Supercenter/warehouse club	Everyday goods	0.1	27	\$12,148	13,301
Discount department store	Everyday goods	0.1	7	\$1,693	12,401
Furniture/home goods	Home/garden	0.5	5	\$1,469	10,865
Auto service/carwash	Auto service/care	1.3	9	\$1,562	6,077
Sporting goods	Hobby/leisure/pets	0.3	3	\$605	6,038
Pharmacy	Everyday goods	0.3	5	\$1,889	4,718
Auto parts	Auto parts	0.7	7	\$1,736	4,180
Motor vehicle dealer	Motor vehicle dealer	0.5	15	\$12,415	3,900
Hobby/games/toys	Hobby/leisure/pets	0.3	3	\$332	2,781
Discount store	Everyday goods	0.2	3	\$335	2,637
Movie theater	Entertainment	0.0	1	\$214	1,947
Clothing	Clothing/accessories/cosmetics	0.3	5	\$741	1,635
Office supplies	Office/electronics/appliances	0.1	1	\$224	1,416
Department store	Clothing/accessories/cosmetics	0.0	1	\$55	1,371
Discount clothing/home store	Clothing/accessories/cosmetics	0.0	2	\$591	1,357
Electronics/appliances	Office/electronics/appliances	0.1	1	\$311	1,295
Real estate agent	Financial/legal/insurance	0.5	2	\$1,124	663
Shoes	Clothing/accessories/cosmetics	0.1	2	\$311	633
Music	Hobby/leisure/pets	0.1	1	\$102	449
Gifts	Hobby/leisure/pets	0.2	1	\$151	448
Other	Other service	0.3	2	\$140	419
Cosmetics	Clothing/accessories/cosmetics	0.1	1	\$143	280
Books	Hobby/leisure/pets	0.0	1	\$105	249
Photography	Other service	0.1	0	\$31	214
Jewelry	Clothing/accessories/cosmetics	0.1	1	\$181	186
Travel	Other service	0.1	1	\$61	180
Printing	Other service	0.1	1	\$138	174
Other entertainment	Entertainment	0.0	0	\$16	48
Payday Loans	Financial/legal/insurance	0.0	0	\$113	30
<b>Total</b>		<b>31</b>	<b>435</b>	<b>\$91,857</b>	<b>195,724</b>

SOURCE: U.S. Commerce Department, U.S. Census Bureau, U.S. BLS, JOHNSON ECONOMICS



**TRAFFIC VOLUMES**

Traffic flows also have some bearing on the ability of a site to capture commercial demand. We therefore include a brief analysis of current and future traffic flows past the site. Based on our surveys of retail centers built over the past 10 years, we find that most auto-oriented suburban centers require daily traffic volumes of 10,000-15,000 before sales levels can sustain lease rates that can support the cost of new construction. However, projects that function as neighborhood or village centers in underserved residential areas or with good pedestrian access can find adequate support at lower traffic levels (e.g., Forest Heights Village, Portland; Crescent Village, Eugene; Avimor, Boise; Issaquah Highlands, Issaquah).

The most recent traffic counts on Hill Road are from just south of SW Tamarack Road, where the 2021 ODOT count was 3,200 AADT. The closest recent count on Wallace Road was 2,800 AADT just west of Cypress Road, also from 2021. We will assume that these counts reflect the current traffic level at the Hill/Wallace intersection. These traffic counts would in most cases be inadequate for auto-oriented commercial users.

Development of the Fox Ridge area will generate additional traffic past the site. Trip generation varies with housing format. Based on the preceding residential analysis, we will assume that the Neighborhood Activity Center (NAC) will include 150 multifamily units and 30 attached single-family units (15 rental; 15 ownership). Based on typical trip generation rates, these will increase the traffic volume by around 1,250 daily trips. For the remaining residential portion of the Fox Ridge area, we will assume that 80 acres will be developed over a 10-year period, creating 387 detached units (9,000-SF lots). These will generate an estimated 3,700 trips. Not taking into account other development in the city, the daily trip count on Hill Road should then be around 8,000. A new high school within the Fox Ridge area would add to this count. Other development on the westside will further increase the traffic volume.

**FIGURE 5.12: ESTIMATED DAILY TRIPS PAST THE SUBJECT SITE, GENERATED BY FUTURE HOUSING**

	HOUSING UNITS				TRIPS			
	SFD	SFA	MF	Total	SFD	SFA	MF	Total
					9.5/u.	8.1/u.	6.7/u.	
Existing								<b>3,200</b>
Fox Ridge NAC	0	30	150	180	0	243	1,005	<b>1,248</b>
Fox Ridge Low-Density	387	0	0	387	3,678	0	0	<b>3,678</b>
<b>Total</b>	<b>387</b>	<b>30</b>	<b>150</b>	<b>567</b>	<b>3,678</b>	<b>243</b>	<b>1,005</b>	<b>8,126</b>

*SOURCE: Institute of Traffic Engineers, City of McMinnville, JOHNSON ECONOMICS*

As mentioned, the current traffic volume on Hill Road would in most cases be inadequate to support auto-oriented commercial activity. However, a daily traffic volume around 8,000, plus additional high-school traffic, is likely adequate for a small neighborhood center that can rely on pedestrian/resident traffic as well as pass-by arterial traffic. Tenants are most likely to be independent establishments or local chain. National chains typically seek locations with higher traffic volumes.

**ABSORPTION**

As indicated, the NAC will only be able to capture a portion of the commercial demand generated within the CTA. Residents in this area will continue to visit major shopping centers outside the CTA, and they will continue to combine shopping with other activities outside the CTA. However, with anticipated household count and traffic volumes, we regard it likely that some establishments will find adequate support in the NAC. Food/beverage and service providers are the most likely tenants. We expect 5,000-10,000 square feet to be feasible, assuming a location by the Hill/Wallace intersection with good access from Hill Road as well as residential portions of Fox Ridge. We would plan for spaces in the range of 1,000-3,000 square feet (see next page), with a strip mall the most likely format.



We also expect potential for a daycare in a separate building within the NAC, given the increase in number of families in this area as Fox Ridge is built out. In total, this indicates potential for a commercial area of roughly 1.0 acre. We would assume that at least 400 residential units will have to be completed within the Fox Ridge area before a commercial center of this size becomes feasible.

**FIGURE 5.13: POTENTIAL TENANTS AND ACHIEVABLE PRICING (1Q23)\*, SUBJECT SITE**

#	MAJOR CATEGORY	CATEGORY	SQ.FT.	FAR	ACRES	RATE LOW	RATE HIGH
1	Eating/drinking places	Restaurant	2,800	0.25	0.3	\$25.00	\$27.00
2	Eating/drinking places	Restaurant/coffee	1,500	0.25	0.1	\$25.00	\$27.00
3	Personal care	Hair/nail/spa salon	1,500	0.25	0.1	\$24.00	\$26.00
4	Health/medical services	Physician/chiropractor	1,500	0.35	0.1	\$24.00	\$26.00
5	Professional/financial services	Real estate/insurance	1,000	0.35	0.1	\$24.00	\$26.00
6	Education	Daycare/preschool	4,000	0.30	0.3	\$22.00	\$24.00
<b>Total:</b>			<b>12,300</b>		<b>1.0</b>	<b>\$22.00</b>	<b>\$27.00</b>

\* Achievable lease rates are annual NNN rates per square foot.

SOURCE: JOHNSON ECONOMICS

Additionally, there may also be potential for a gas station with a convenience store within the NAC. Though the CTA households alone may provide inadequate support, the lack of a gas station west of Highway 99 suggests potential for a gas/convenience option along Hill Road. This may absorb another acre of land. We are aware of other neighborhood gas/convenience projects currently in development on sites with traffic volumes comparable to the estimated future traffic count on Hill Road (e.g., Camas Station at the northwest corner of NW 16<sup>th</sup> Avenue and Brady Road in Camas, 7,600 + 6,100 AADT).

## ACHIEVABLE PRICING

The above estimates of absorption potential include the inherent assumption of ability to pay lease rates that can justify new construction. However, based on our survey of comparables and our estimates of market support, we would expect the achievable lease rates to be in the low end of what can support new construction, requiring cost-effective design and building formats. Based on current market rates, we would assume rates in the \$24-27 range for ground-floor commercial space (NNN), with somewhat lower rates for a daycare building, as shown in the table above. These rates can be expected to increase with the market prior to market introduction.



## VI. CONCLUSIONS

### FEASIBLE USES

The preceding analysis indicates adequate market support for rental apartments, rental townhomes, ownership townhomes, and commercial space in the Fox Ridge Neighborhood Activity Center (NAC). In the current market, we would expect a single-phase 200-unit apartment project to be feasible with a 12-month absorption horizon, given the current apartment shortage and limited development pipeline in McMinnville. For a more long-term assumption, we regard a 150-unit apartment project plus 15 rental townhomes and 15 ownership townhomes to be feasible within a one-year absorption period. We expect a project of this scale to require roughly eight acres of land.

Following additional residential buildout of the Fox Ridge area, we expect a small commercial center of 5,000-10,000 square feet, plus a separate daycare center, to be feasible within the NAC. We expect these uses to absorb around one acre of land. A gas station with a convenience store may also become feasible, absorbing another acre or so.

In total, this indicates potential for a Neighborhood Activity Center that spans 9-10 acres. With a multi-phase approach to the residential components, with absorption over a three- to four-year period, we would expect that the scale of the residential development could be doubled, increasing the size of the NAC to 17-18 acres.

FIGURE 6.1: POTENTIAL LAND ABSORPTION

FEASIBLE USES			Res. Density	Com.	Land Need
LAND USE	Scale	Unit	(U/Ac)	FAR	(Acres)
Rental apartments	150	Units	28		5.4
Rental townhomes	15	Units	14		1.1
Ownership townhomes	15	Units	10		1.5
Retail space	8,300	SF		0.27	0.7
Daycare center	4,000	SF		0.30	0.3
Gas station w/conv. store	5,000	SF		0.15	0.8
<b>Total</b>					<b>8.9 (9.7)</b>

SOURCE: JOHNSON ECONOMICS

### FEASIBLE BUILDING FORMATS

#### RENTAL APARTMENTS

Current market rents indicate that rental apartments within the NAC are most likely to be three-story walk-up structures with surface parking. Higher rent levels would likely be needed to support taller and more costly formats like elevator buildings and tuck-under or podium parking.







### RENTAL TOWNHOMES

We expect rental townhomes both with and without attached garages to be feasible in the NAC, most likely two stories tall. The achievable rent estimates provided for rental townhomes earlier in the report assume surface parking. Attached garages would likely generate additional rent premiums (\$100-150/mo.).



### OWNERSHIP TOWNHOMES

We also expect ownership townhomes to be feasible. These typically represent a somewhat higher standard in terms of design and finishes than rental townhomes, and typically include attached garages. Two-story homes are most common, but three-story structures might also be feasible.



### COMMERCIAL SPACE

At the estimated achievable lease rates, a multi-tenant strip mall is the most likely commercial format in the NAC. Freestanding single-tenant buildings generally represent higher construction costs, but may be viable with cost-effective features (e.g., gable roof, smaller windows). One possible exception is a gas/convenience project, which is likely to a standard gas station format. The most likely format for a daycare is a gable-roof, single-story structure.





### **MIXED-USE POTENTIAL**

Vertical mixed-use projects with residential units above ground-floor commercial space are best suited for urban locations with significant bike and pedestrian traffic. In locations where the commercial tenants are dependent on auto traffic, the mixed-use format can be difficult to combine with the needs for visibility, signage, and parking convenience. These buildings usually do not offer the kind of signage surround that makes a logo stand out, while the upper floors tend to distract from the signage, especially if they include balconies. Moreover, suburban commercial tenants generally need convenient parking in front of the stores in order to maximize the capture of auto traffic. They also need clearly separated residential and commercial parking. Certain uses, like restaurants, may also require additional accommodation (e.g., soundproofing, ventilation) in order to limit nuisance for residents. Due to the cost and rent impacts of these factors, we do not expect vertical mixed-use projects to be feasible in the NAC. However, as shown by Felida Village in the previous section, low-cost versions of this format may be possible, though Felida Village has been helped by a relatively affluent surrounding household base.

### **LOCATION OF USES**

Commercial activity in the NAC will depend on good exposure to auto traffic, and will therefore need a location near one of the major Hill Road intersections, either at Wallace Road or Fox Ridge Road. Assuming future development of the high school site, the Wallace Road intersection will likely provide the strongest exposure, positioning the commercial component to capture demand from residents east of Hill Road in addition to Fox Ridge residents. This will require a site and road layout that provides easy access between Fox Ridge Road and the commercial center.

Both rental apartments and townhomes function well adjacent to commercial uses from a market standpoint. However, rental housing tends to benefit more from this proximity, as renters tend to value access higher than homeowners. The latter, who typically include a large share of families, tend to place greater emphasis on safety, and will often prefer separation from commercial traffic. We therefore recommend rental apartments closest to the commercial section.