COMMERCIAL BROKERS ASSOCIATION

2025 CBA ANNUAL MEMBER MEETING

Thursday, March 13, 2024

2:00 to 3:00pm

In Person at CBA Offices (Lynnwood) and Via Zoom Webinar

Presenters:

- **Mike Azose,** Azose Commercial, CBA Board Chair
- **Steve Scranton,** Washington Trust, Chief Economist
- **Chris McDougall,** CBA, President & CEO

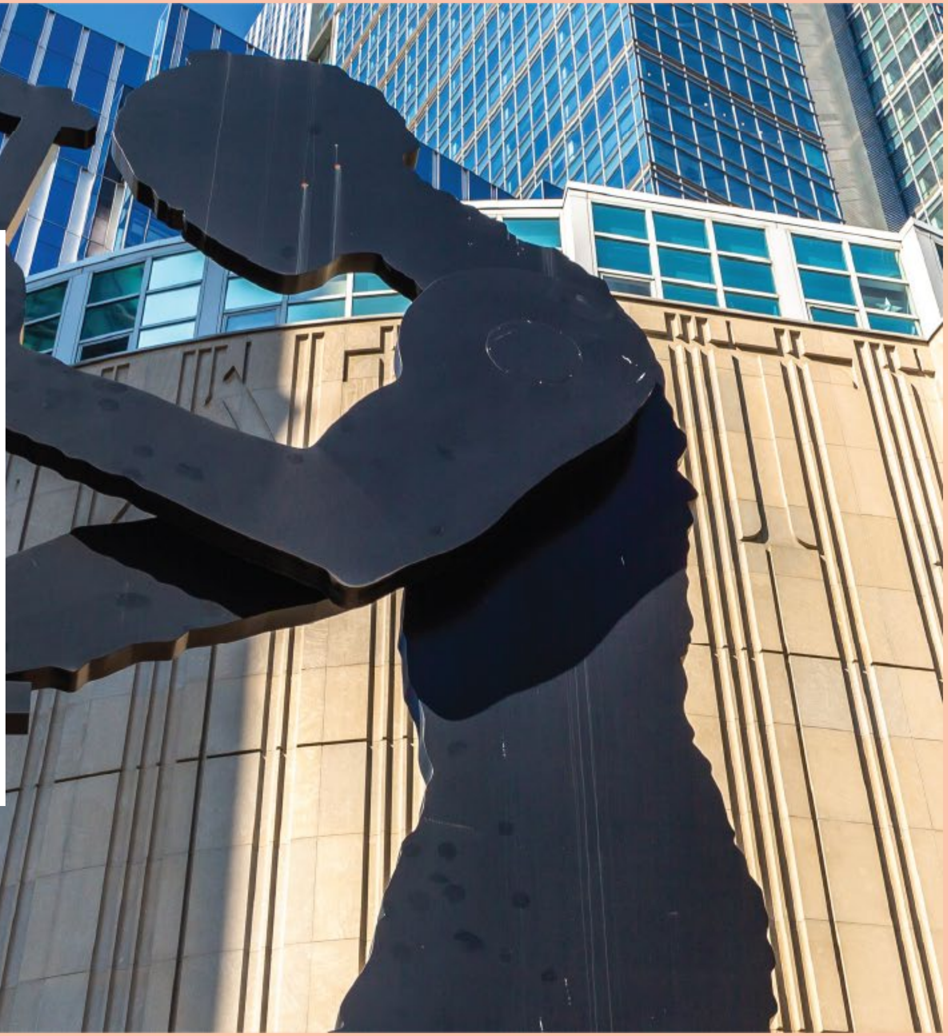
HOUSEKEEPING ITEMS…

- All attendees are muted during the webinar
- Presentation will last about 45-50 minutes
- For those online, questions can be submitted via the Q&A function in Zoom and will be answered at the end of the presentation

MEETING AGENDA

- Board Chair Introduction & Comments
- Economic Update
- State of the Association
- Question & Answer

BOARD CHAIR INTRODUCTION & COMMENTS



2025 BOARD CHAIR

Mike Azose, Azose Commercial (Mercer Island, WA)

CBA’s Value to the Market & its Members

2025 BOARD OFFICERS

Board Chair
Mike Azose
Azose Commercial

Incoming Board Chair
Alison Beddard
Cushman & Wakefield

Immediate Past Chair
Casey Brazil
Kiemle Hagood

Treasurer
Billy Sleeth
Newmark

2025 BOARD SLATE (BY VOTE OF MEMBERS)

3-Year Terms through 2027

Dave Black
NAI Black

Alison Beddard
Cushman & Wakefield

Jim Bowles
Lee & Associates

Steven Chattin
Berkadia

Tiffini Connell
West Coast Commercial

Billy Sleeth
Newmark

2025 BOARD NEW ADDITIONS

Full Board Members

Will Frame
Kidder Mathews
(Fulfilling Wallace's term '26)

Kevin Skillestad
KBC Advisors
(Fulfilling Roy's Term '25)

Ex-Officio Board Member

Gregory Kovsky
IBA
(Business Opportunities)

SPECIAL THANKS TO…

- **Casey Brazil**, 2024 Board Chair!
- Outgoing Board Members
  - **Jeff Johnson,** NAI Black (24 years)
  - **Mike Roy,** KBC Advisors (5 years)
  - **Monica Wallace,** Kidder Mathews (9 years)

2025 BOARD OF DIRECTORS

Members

- Michael Azose, Azose Commercial (‘25)
- Alison Beddard, Cushman & Wakefield (‘27)
- Dave Black, NAI Black (‘27)
- Jim Bowles, Lee & Associates (‘27)
- Casey Brazil, Kiemle Hagood (‘26)
- Brooks Burton, Windermere (‘26)
- Steven Chattin (‘27)
- Tiffini Connell, West Coast Commercial (‘27)
- Brian Finnegan, WestCom Properties (‘25)
- Will Frame, Kidder Mathews (‘26)
- John Miller, CBRE (‘26)
- Tina Pappas, NAI Puget Sound Properties (‘26)
- Kevin Skillestad, KBC Advisors (‘25)
- Billy Sleeth, Newmark Knight Frank (‘26)
- Mark Thygesen, NAI Puget Sound Properties (‘25)
- Arvin VanderVeen, Colliers (‘26)

Ex-Officio Members

- Riley Benge, Washington REALTORS (Legislative)
- Paul Chiles, Chiles & Co. (Arbitration Chair)
- Steve Cory, Fidelity National (Title)
- LeAnn Hume, Cushman & Wakefield (Boise)
- Janel Jensen, Unico Properties (Ownership)
- Gregory Kovsky, IBA (Business Opportunities)
- Dave Magee, CBRE (Events & Education)
- Andy Mathews, Stoel Rives (Legal Counsel)
- Jennifer Thrower, DSC Capital (Finance)

BOARD MEMBER COMPANIES

CBRE

km Kidder Mathews

Colliers

CUSHMAN & WAKEFIELD

NAI Puget Sound Properties

WestCoast Commercial REALTY

NAI Black

Windermere REAL ESTATE

LA LEE & ASSOCIATES

NEWMARK

WestCom PROPERTIES INC Commercial Real Estate

BERKADIA®

a Azose COMMERCIAL PROPERTIES

[KIEMLEHAGOOD

KBCADVISORS

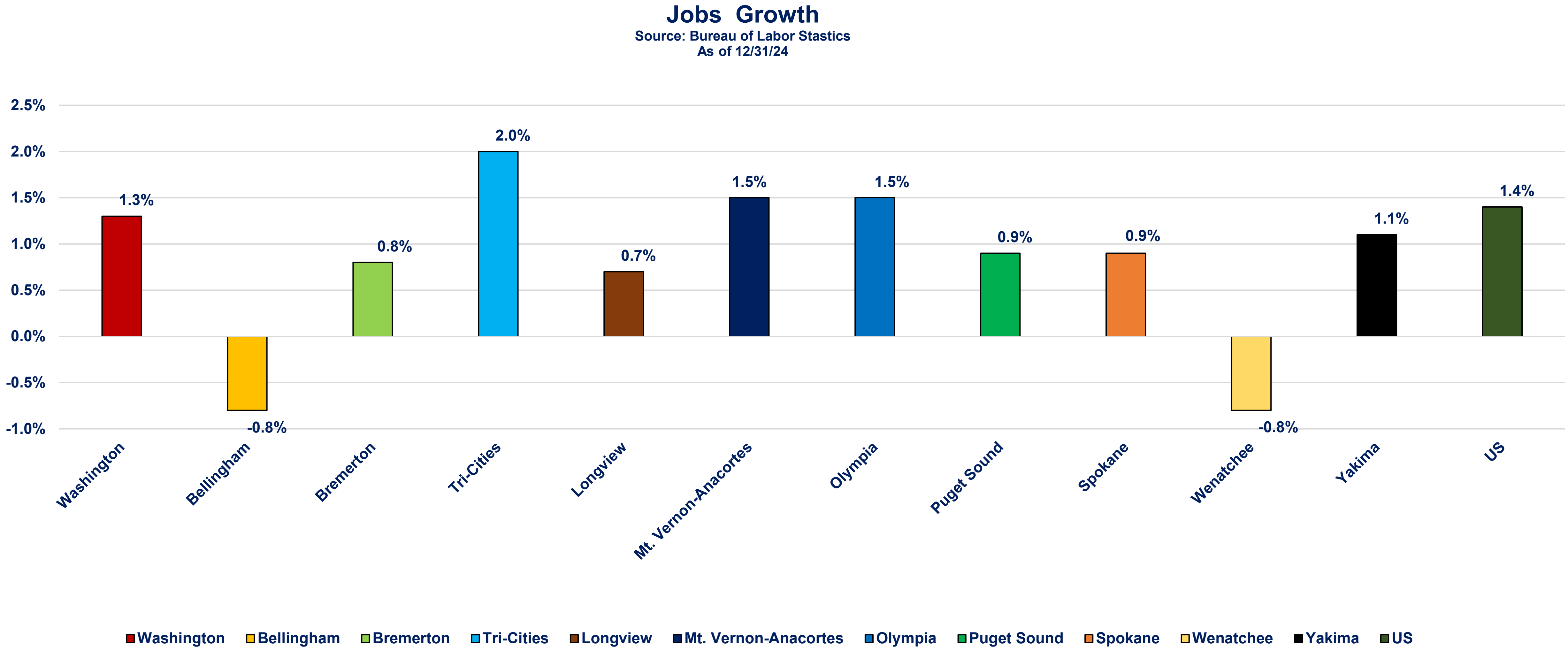
ECONOMIC UPDATE

Steve Scranton,
Chief Economist
Washington Trust Bank

Current State of the US and Idaho Economies

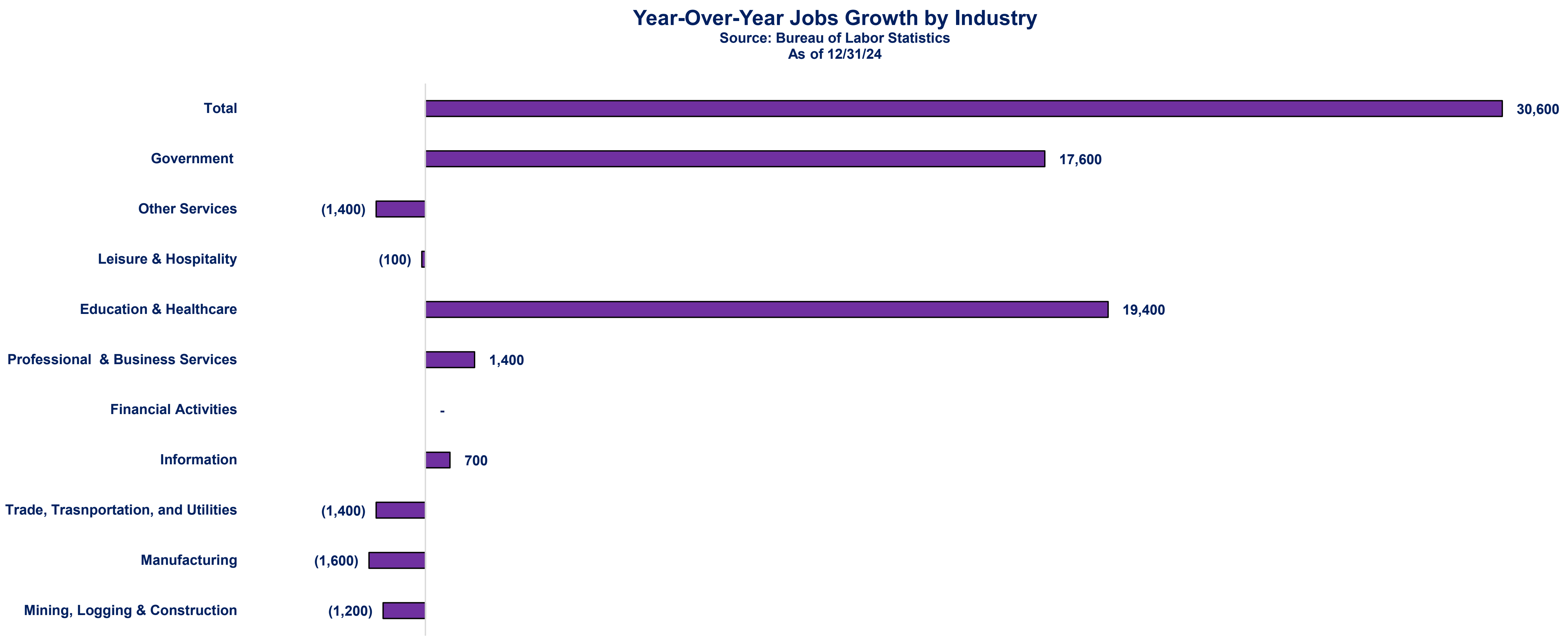
Jobs

Washington Jobs Growth is Slightly Slower Than the US

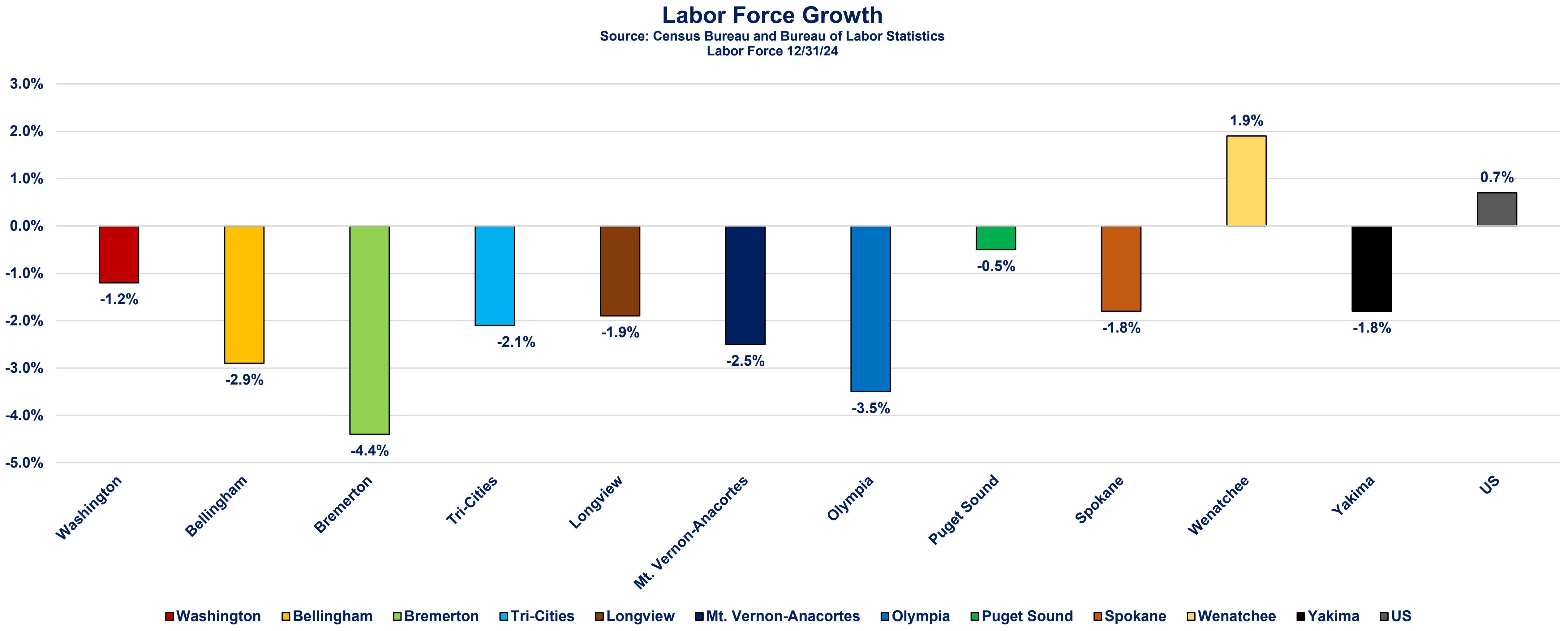


Washington Trust Bank
Member FDIC

Jobs Growth is Concentrated

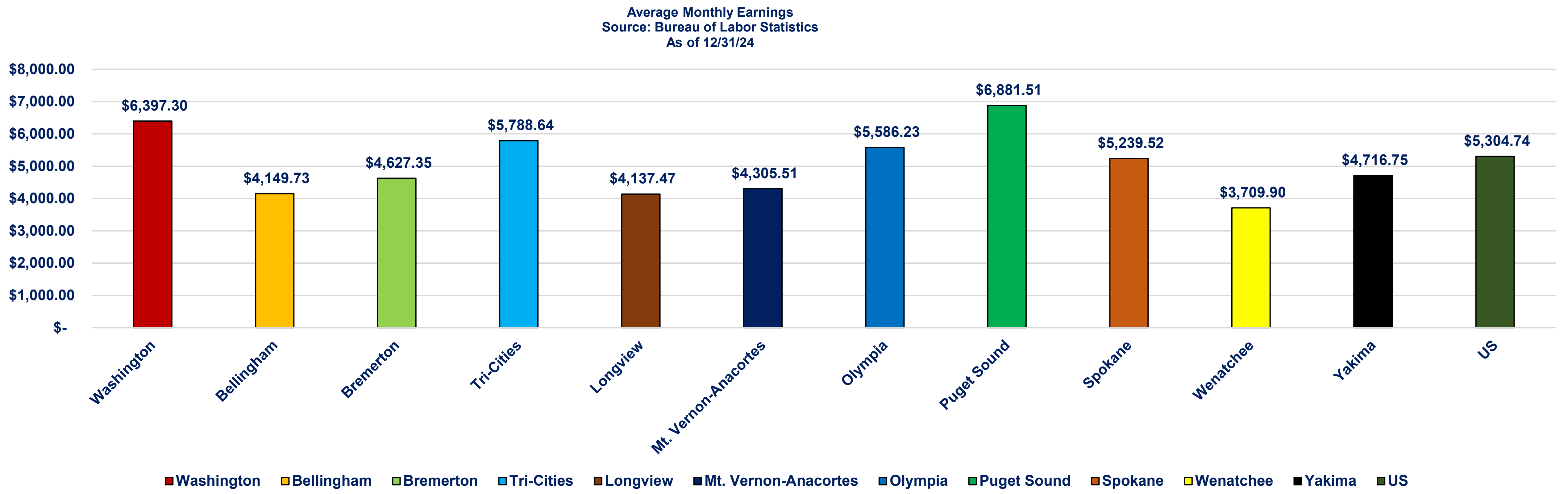


Labor is Migrating to Other States



Income

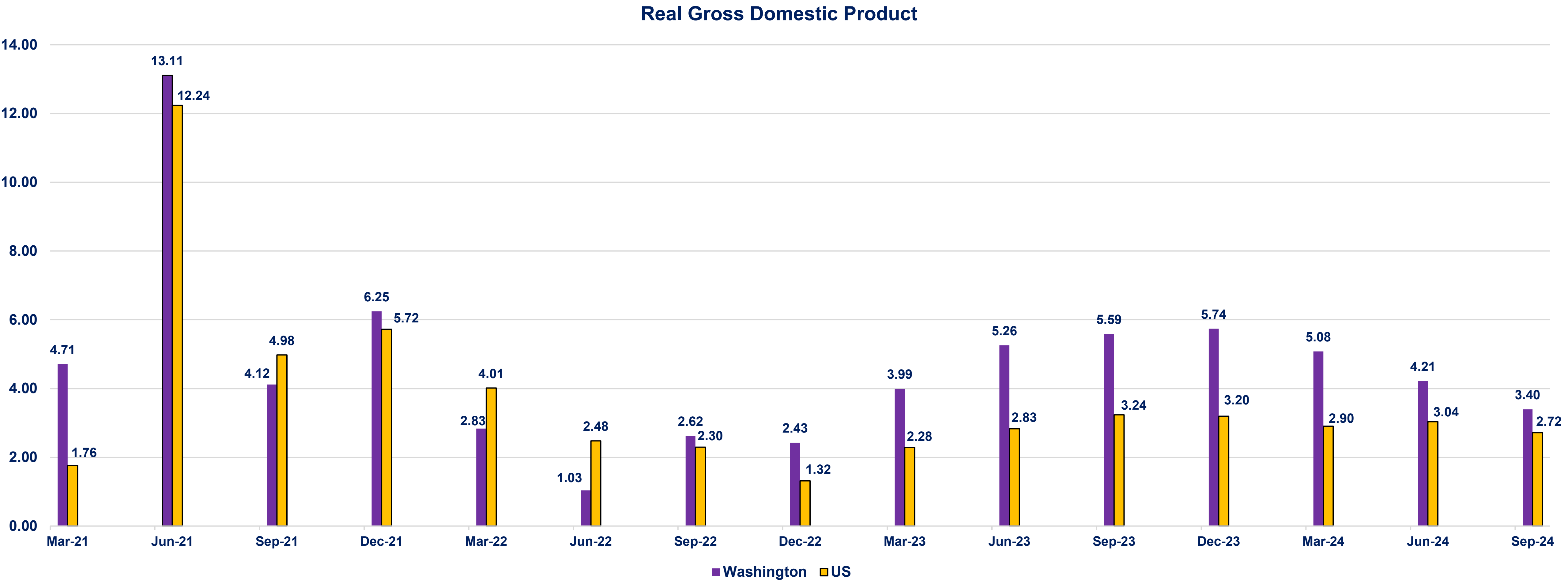
Only Three Regions Have Average Monthly Wages Above the US



Washington Trust Bank
Member FDIC

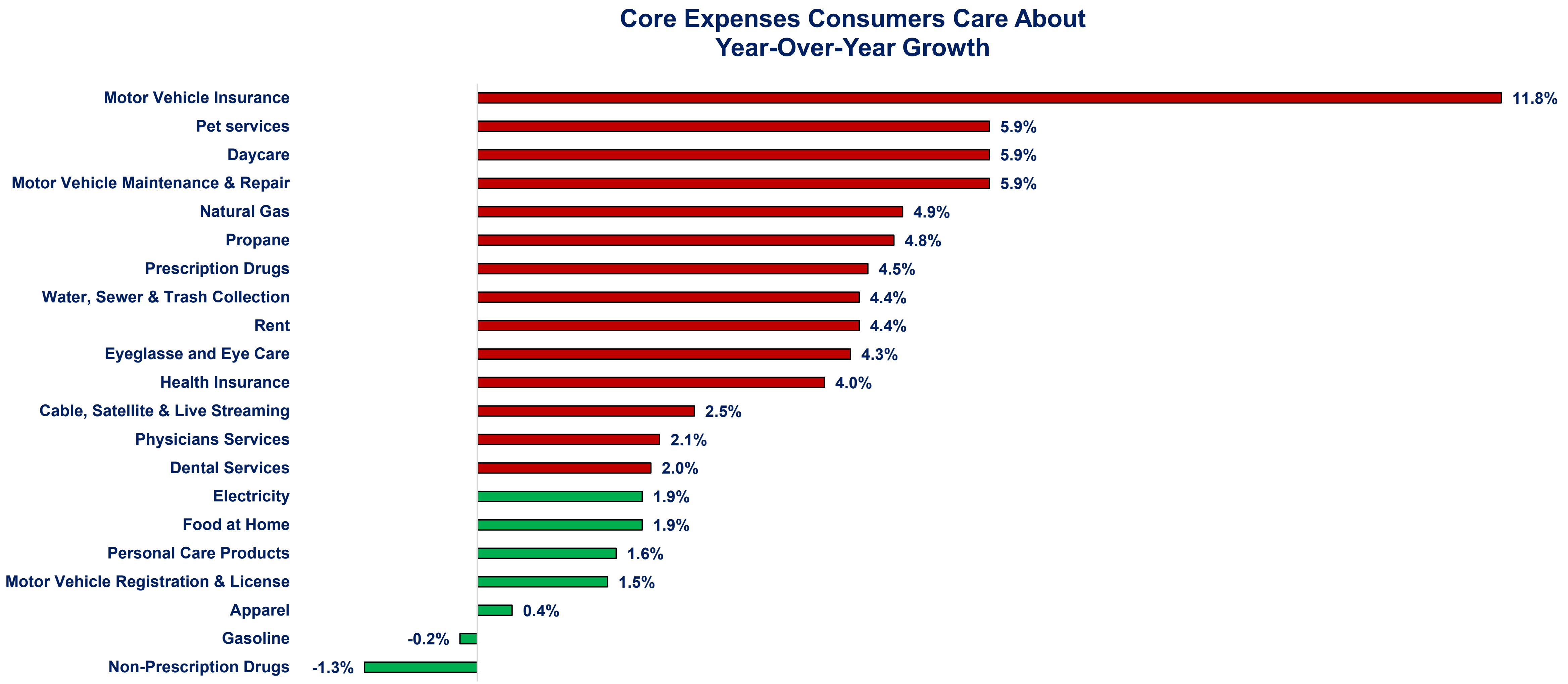
Economic Growth

Washington's Economy Has Consistently Outperformed the US Since the 2nd Half of 2022

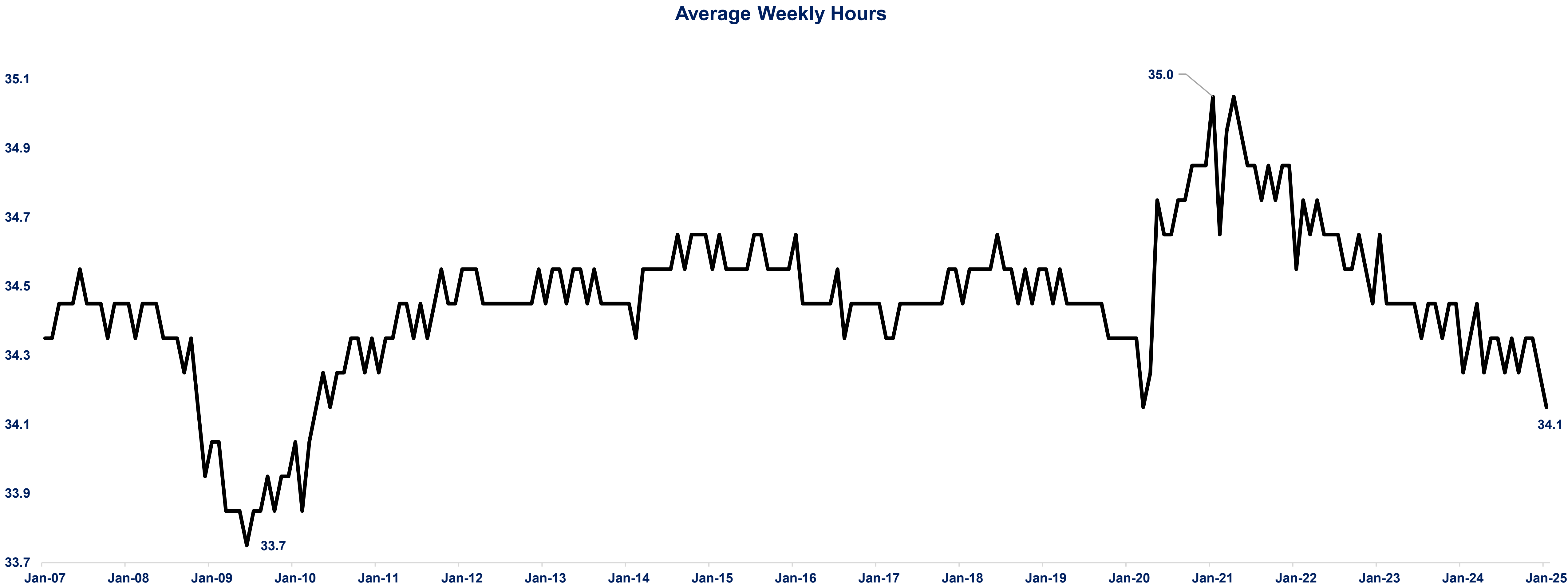


Risks to Monitor

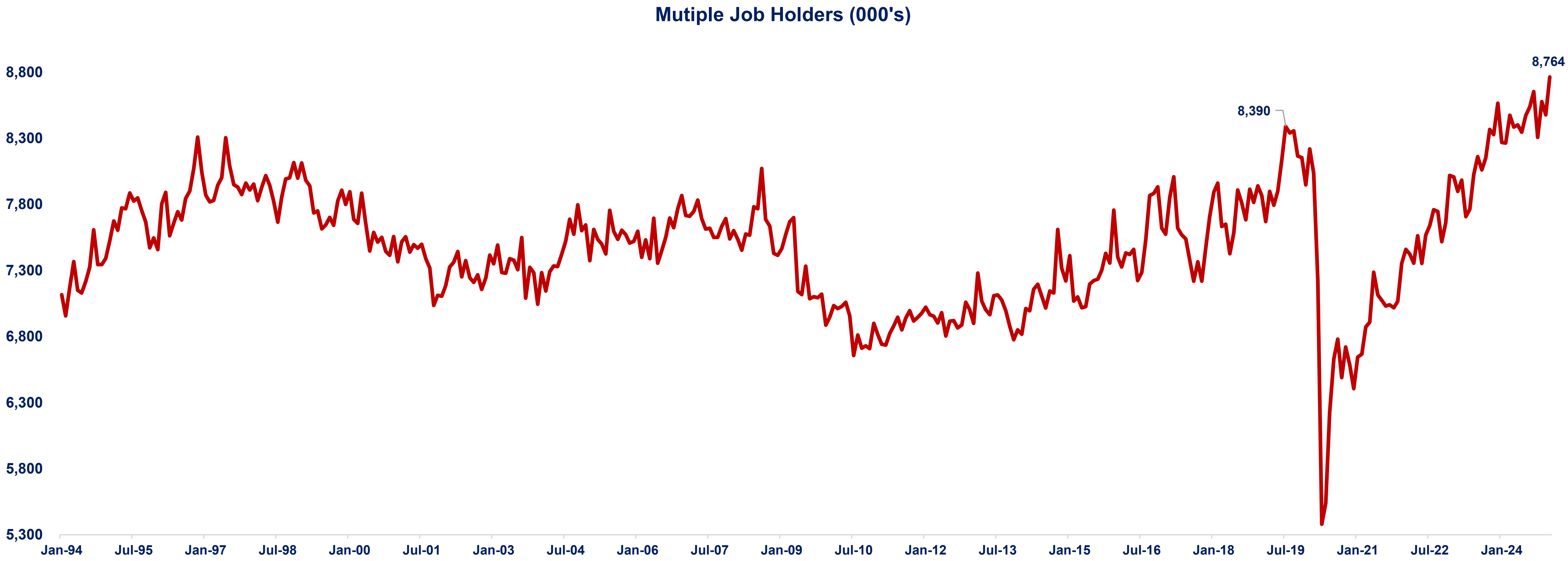
Consumer’s Inflation Does Not Match The Official Rate



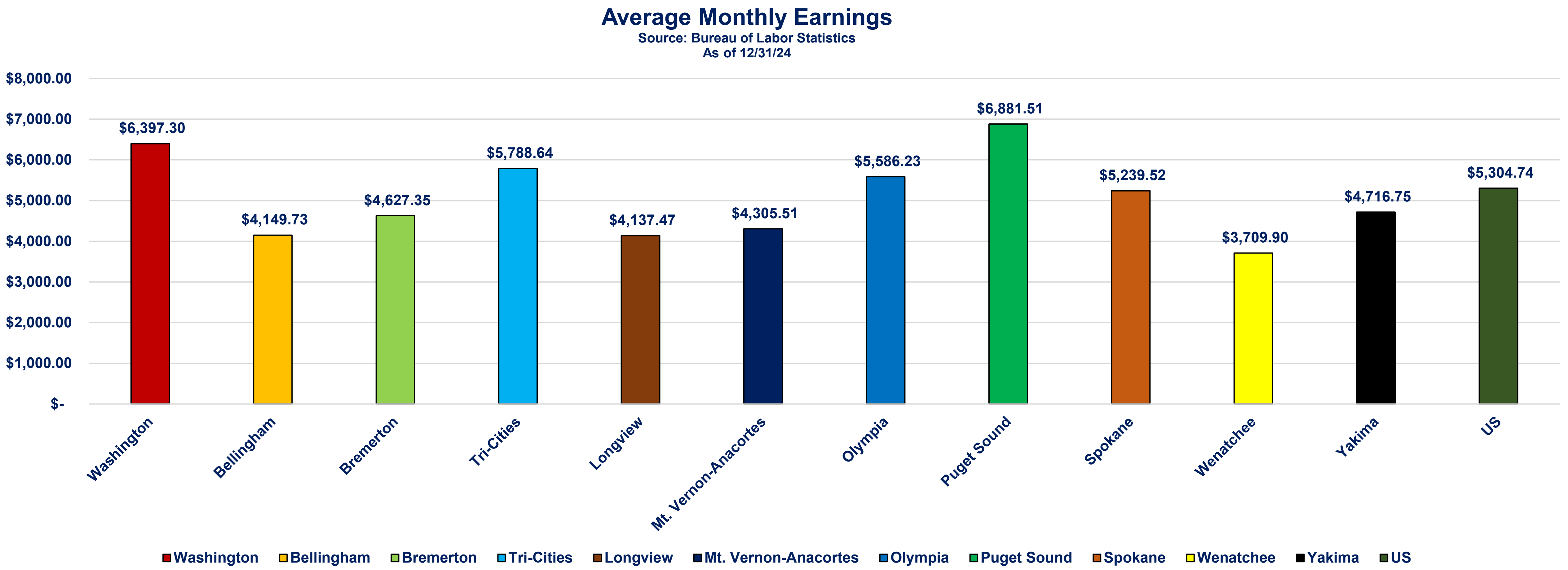
Consumer Under Stress-Hours Have Been Cut



Consumers Under Stress
Multiple Job Holders are At All-Time Highs

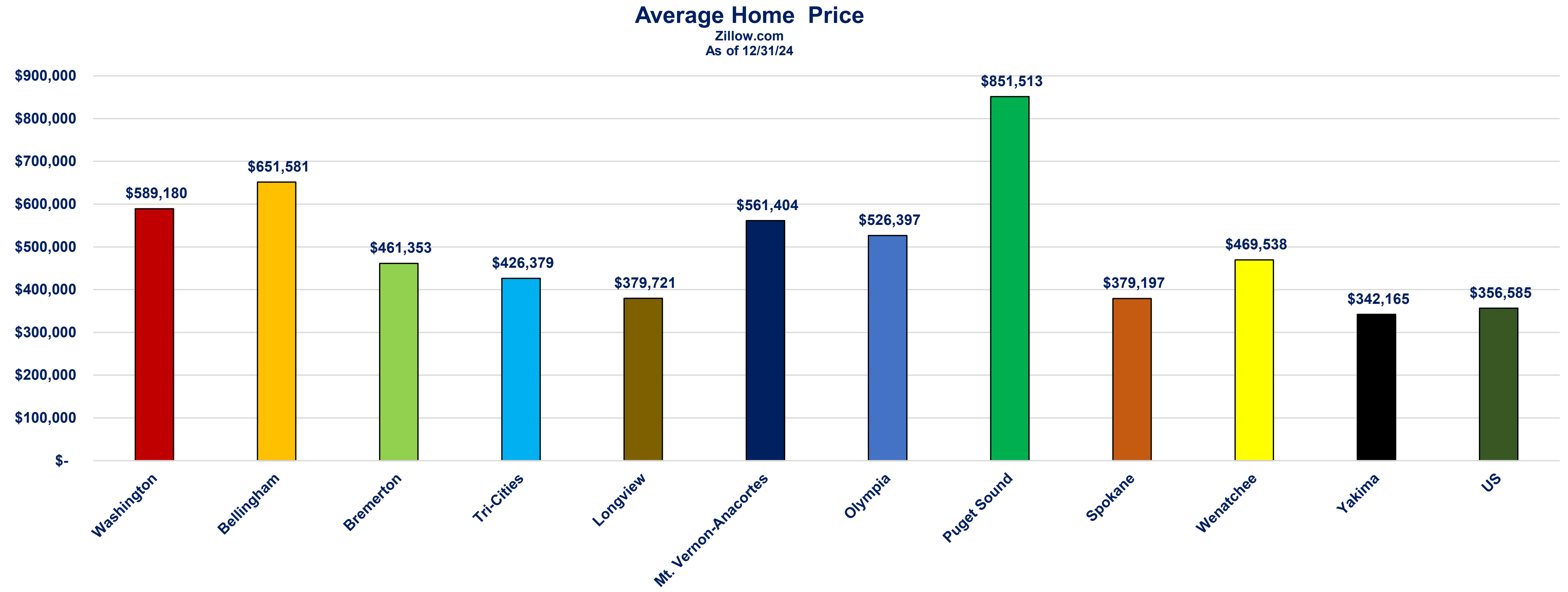


With The Majority of the Regions in Washington Experiencing Wages Below the US….

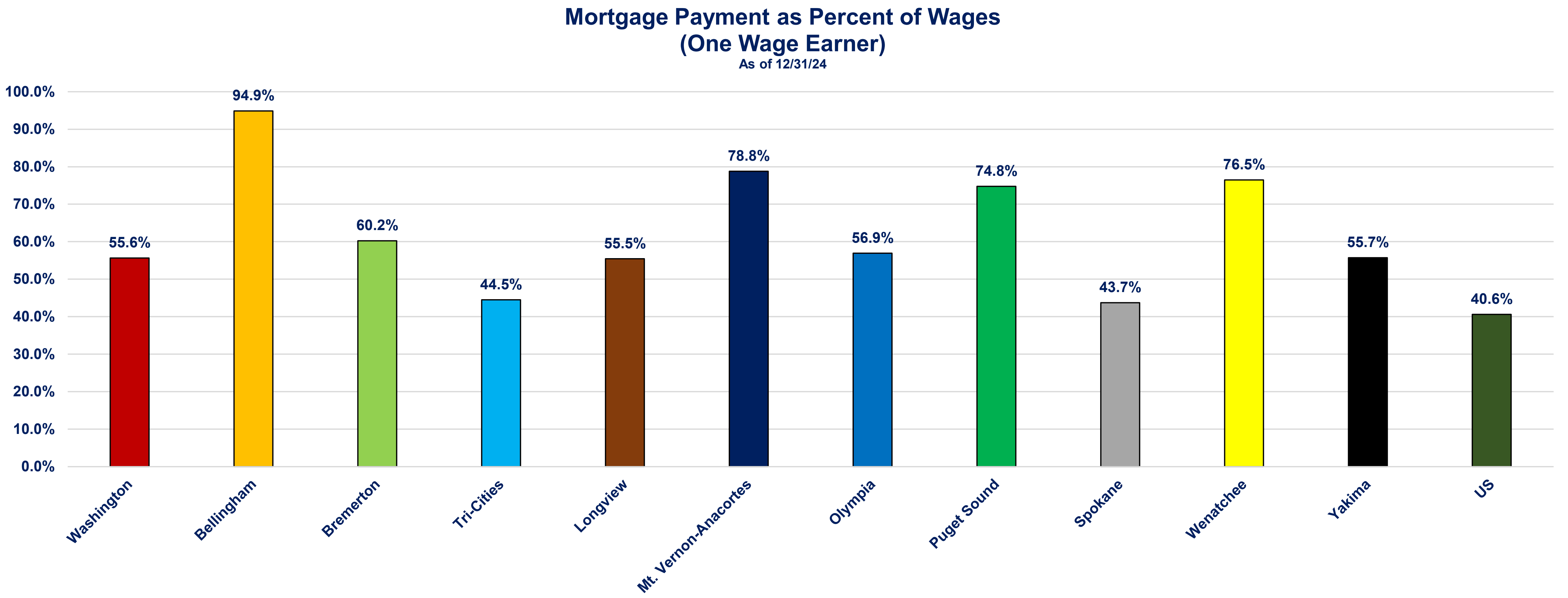


Washington Trust Bank
Member FDIC

…But Higher Average Home Prices Except for Yakima…



Housing Affordability is an Issue for All Regions of Washington



What Should We Expect For Interest Rates?

Outlook For Interest Rates

- **Short-term rates will follow Federal Reserve moves.**
  - Expect the Federal Reserve to move cautiously until inflation progresses or jobs growth weakens.
  - Market forecast: Fed Funds at 4.0% by end of 2025 versus 4.5% now.

- **Long-term rates will be more dependent on inflation progress.**
  - Plan for 10-year Treasury to remain between 3.5% to 5.0%
  - Plan for 30-year mortgage rates to remain between 6.0% to 7.5%
  - Refinancing of maturing commercial real estate loans will remain a challenge.

- **Decline in rates benefits borrowers, hurts savers**

The Facts About Tariffs

Tariffs

- Tariffs are a tax paid by businesses
  - A 25% tariff on imported steel is a 25% tax on imported steel.
    - Revenue for the US, tax for US businesses/consumers

- US Imports = $3.3 Trillion
  - 25% Tariff = $825 billion revenue to the US, tax to US business/consumer

Washington Trade Data

- Source: Department of Commerce, International Trade Administration
  - https://www.trade.gov/trade-data-analysis

- Total Imports: $62.1 billion 25% tariff = $15.5 billion

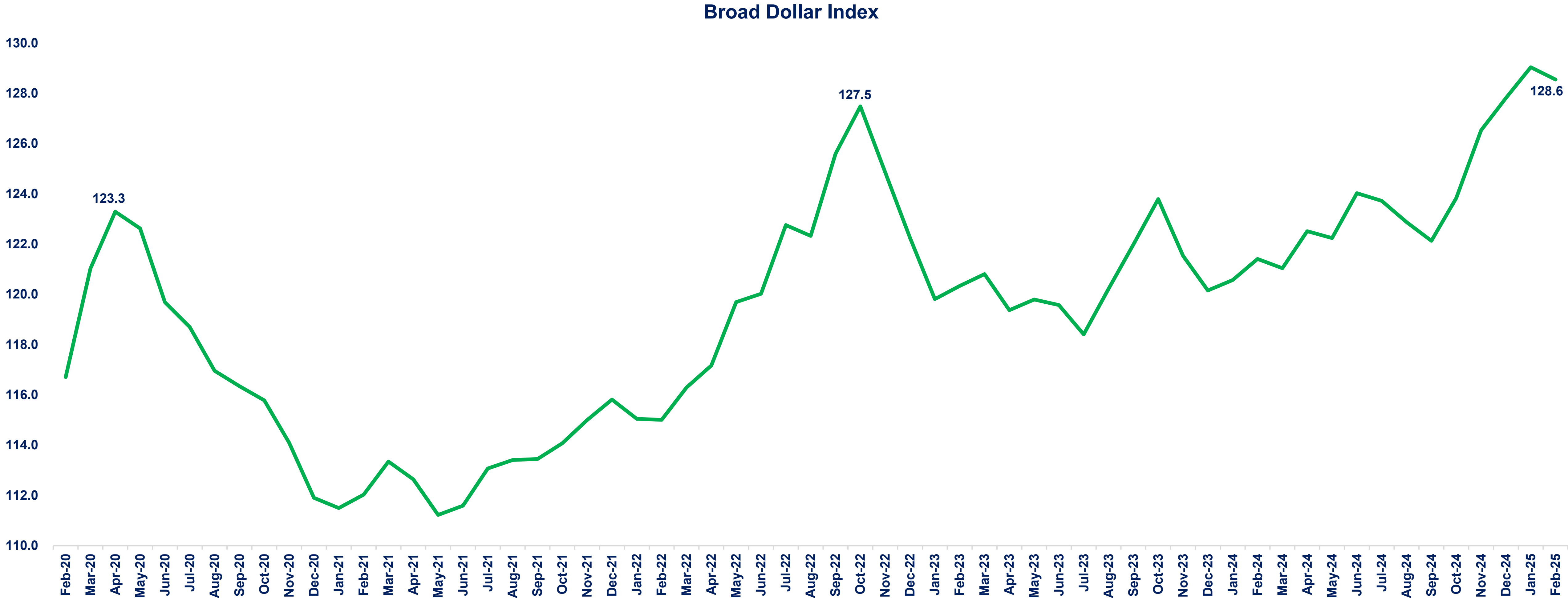
- Top Five Import Countries
  - Canada $17.8 billion
  - China $11.2 billion
  - South Korea $7.3 billion
  - Japan $6.8 billion
  - Vietnam $1.8 billion

Washington Trade Data

- Top Five Imports
  - Oil & Gas: $10.2 billion (Canada)
  - Motor Vehicles: $10.0 billion (Japan & South Korea)
  - Misc. Mfg. Commodities $3.5 billion (China & Vietnam)
  - Apparel $2.1 billion (Vietnam & China)
  - Ag & Construction Machinery $2.0 billion (China, Japan & Vietnam)

What About the Dollar?

Dollar Strength Will Help Offset Tariffs on Imports but Hurt Exports



Threats and Opportunities

Threats

- **Deportation**
  - Any reduction in working immigrants will impact our labor pool.
  - Agriculture, Construction and Leisure & Hospitality most at risk.
- **Housing**
  - Affordability
  - Supply
- **Inflation**
  - It is not conquered yet
- **Interest rates**
  - It's the bond market not the Federal Reserve

Threats

- Stagflation?
  - Will tariffs cause higher inflation and slower growth?
- Supply chain disruptions
  - Trade wars
- Tariffs (or other taxes)
  - Every dollar paid in taxes is a dollar less available to spend.

Corporate Real Estate Threats

- Government policy
  - Washington has developed an image that it is a business unfriendly state.
- Maturing Debt
  - The process is not completed.
- Interest Rates
  - Stagflation is not a recipe for lower interest rates.
- Migration
  - If labor force continues to move out of Washington, demand for corporate real estate is impacted.

Opportunities

- **Aerospace and Deep Space**
  - Private enterprise driven
- **Fiscal Spending**
  - Biden era acts (Chips, Infrastructure, IRA) still distributing funds.
- **De-regulation**
  - Every dollar not spent on compliance function is a dollar available for spending or investment.

Opportunities

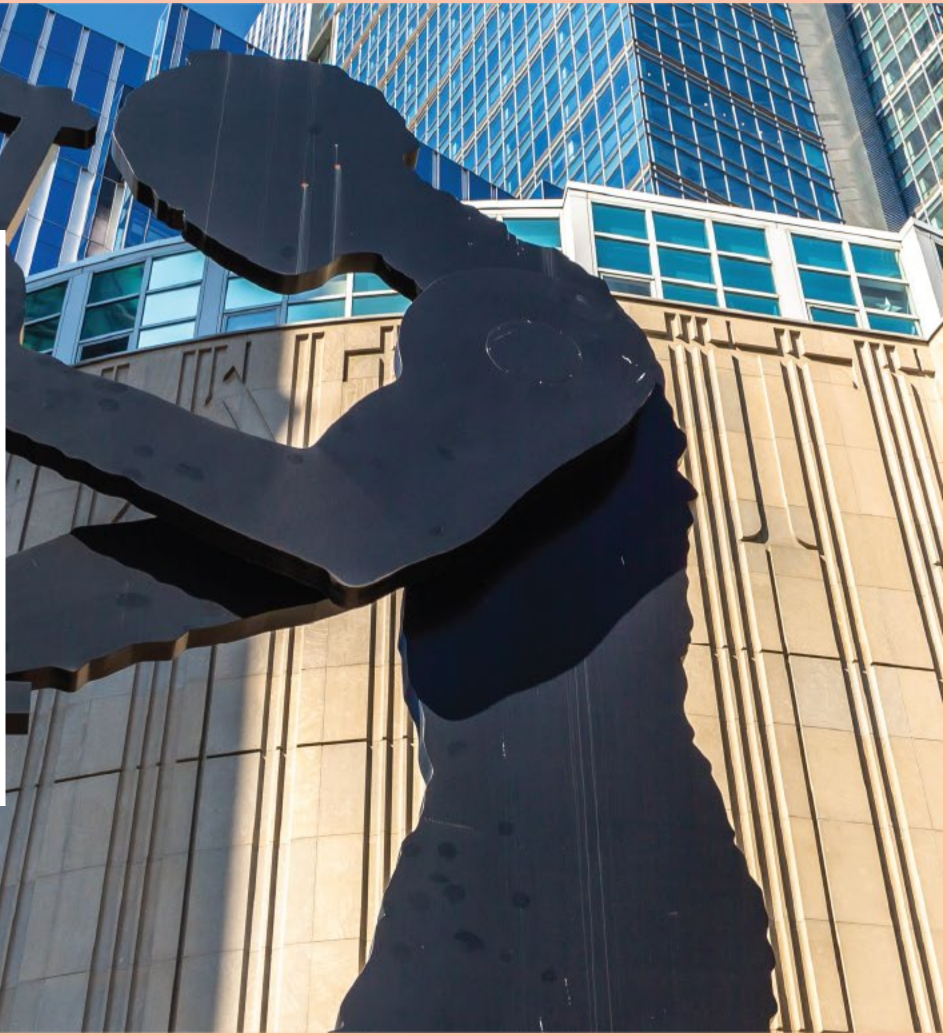
- Fiscal Policy
  - Energy
    - "Drill Baby Drill"
    - Nuclear-US Energy Information Administration projects nuclear generation will increase 22% between 2022 and 2050.
      - AI needs energy.
- Technology
  - Physical AI
    - Adaptive learning robotics
- Have we begun a 4^{th} industrial revolution?

Corporate Real Estate Opportunities

- Boom loop?
  - Is the doom loop over?
- Investors
  - Investors still have cash ready for a “deal”.
- Ownership transition
  - Properties are slowly changing hands to new owners.

Closing Thoughts

- Economy starts the year on solid footing.
  - Ignore the noise of politics.
  - Remain focused on your business.
- Impact of new fiscal policy remains to be seen.
  - Tariffs and deportation are negative risks.
  - Tax cuts and reduced regulation are positive risks.
- Consumer remains the key for economic growth.
- Prepare for the threats; look for the opportunities.

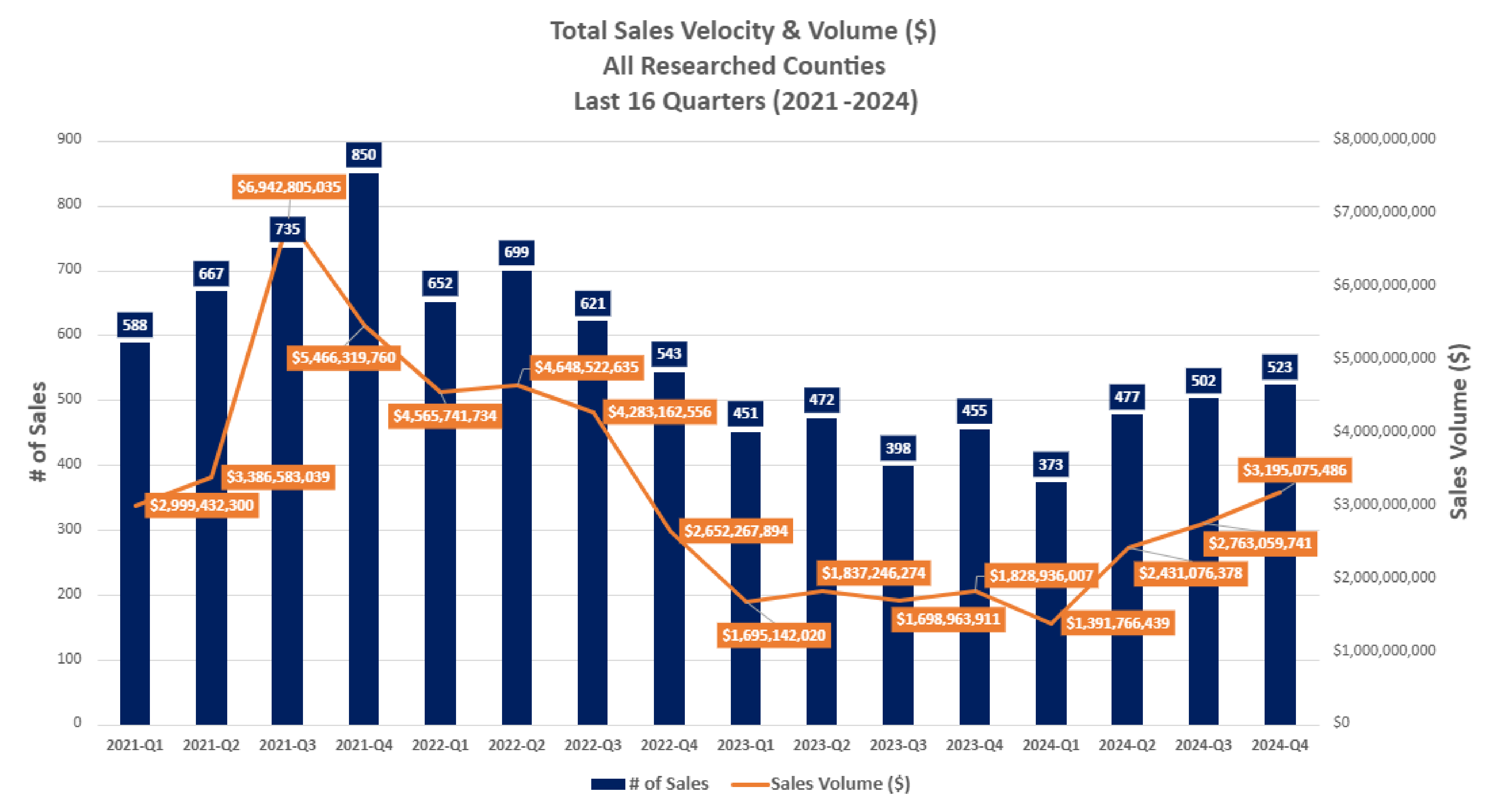


STATE OF THE ASSOCIATION

Chris McDougall,
President & CEO, CBA

2024 IN REVIEW – CHALLENGING MARKETS

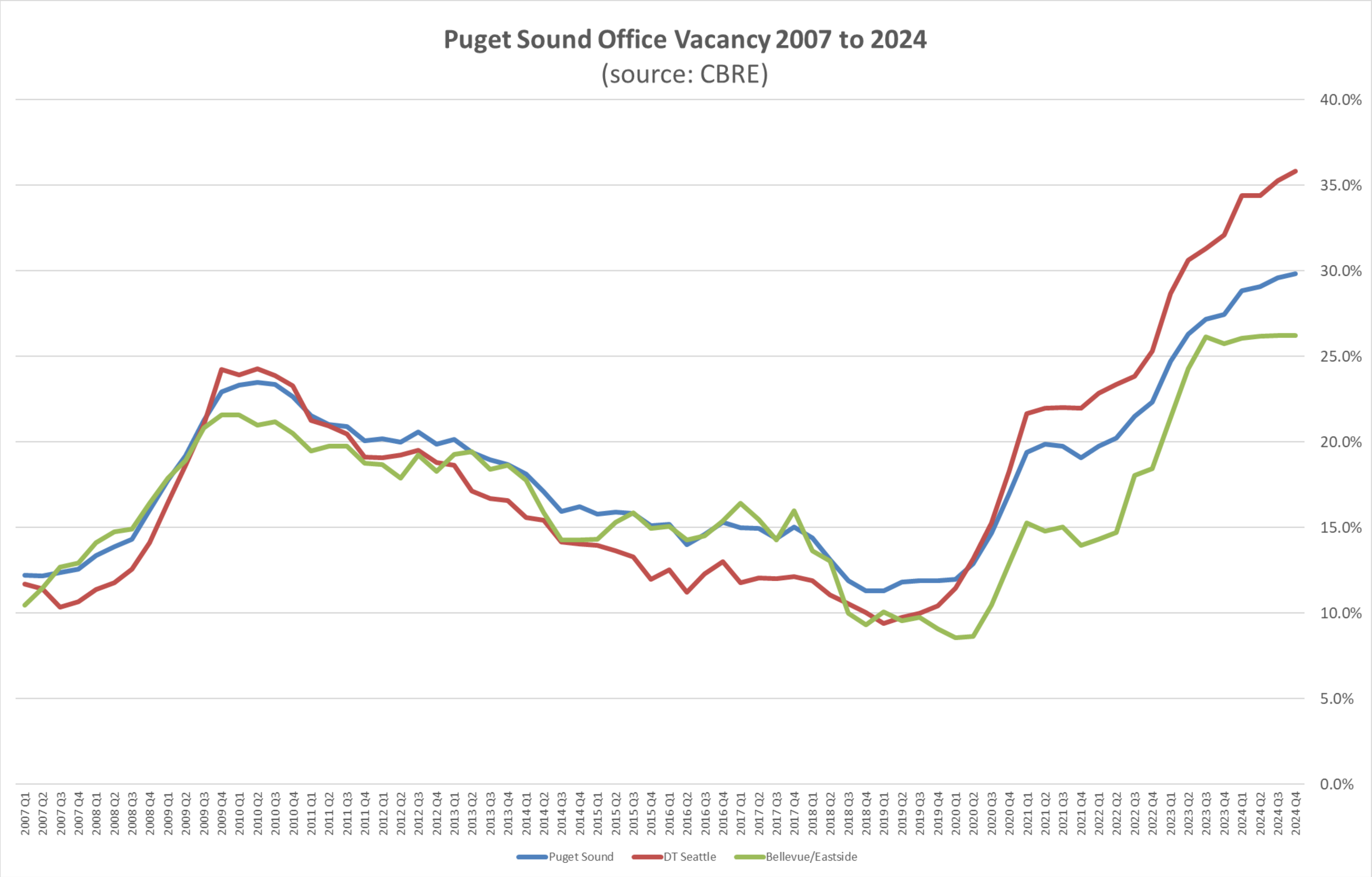
2024 UPTICK DRIVEN BY MULTIFAMILY (40% OF $ VOLUME)



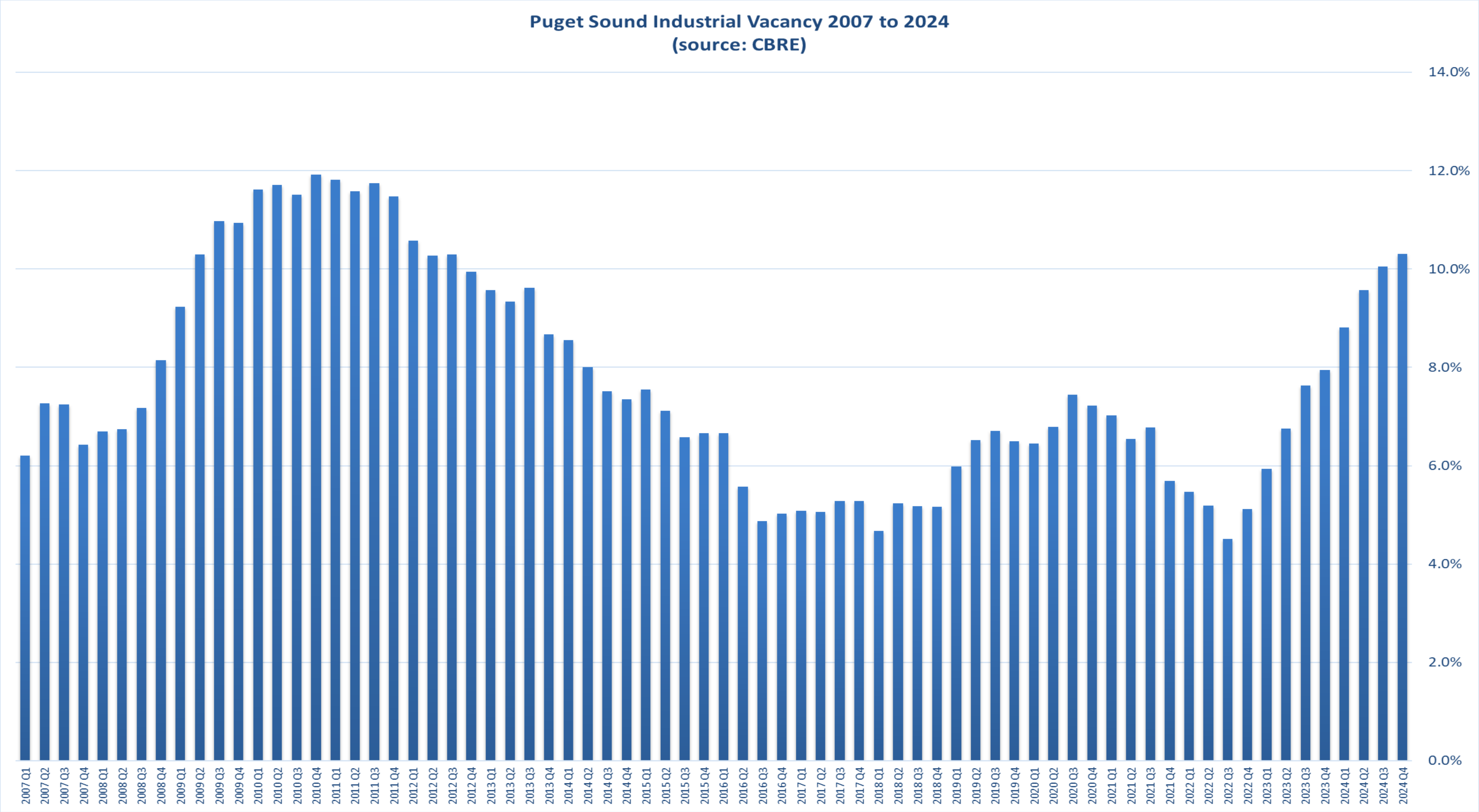
CRE Sales Rebounding

- Recovery has begun
  - Peak: 3Q21
  - Trough: 1Q24
- 38% increase in '24 dollar volume
- Multifamily leading asset class
- Interest rates still key factor
- Institutions becoming active in the market again
  - 33 Trx over $50M in '24 vs. 14 in '23
  - 64% of these trx multifamily

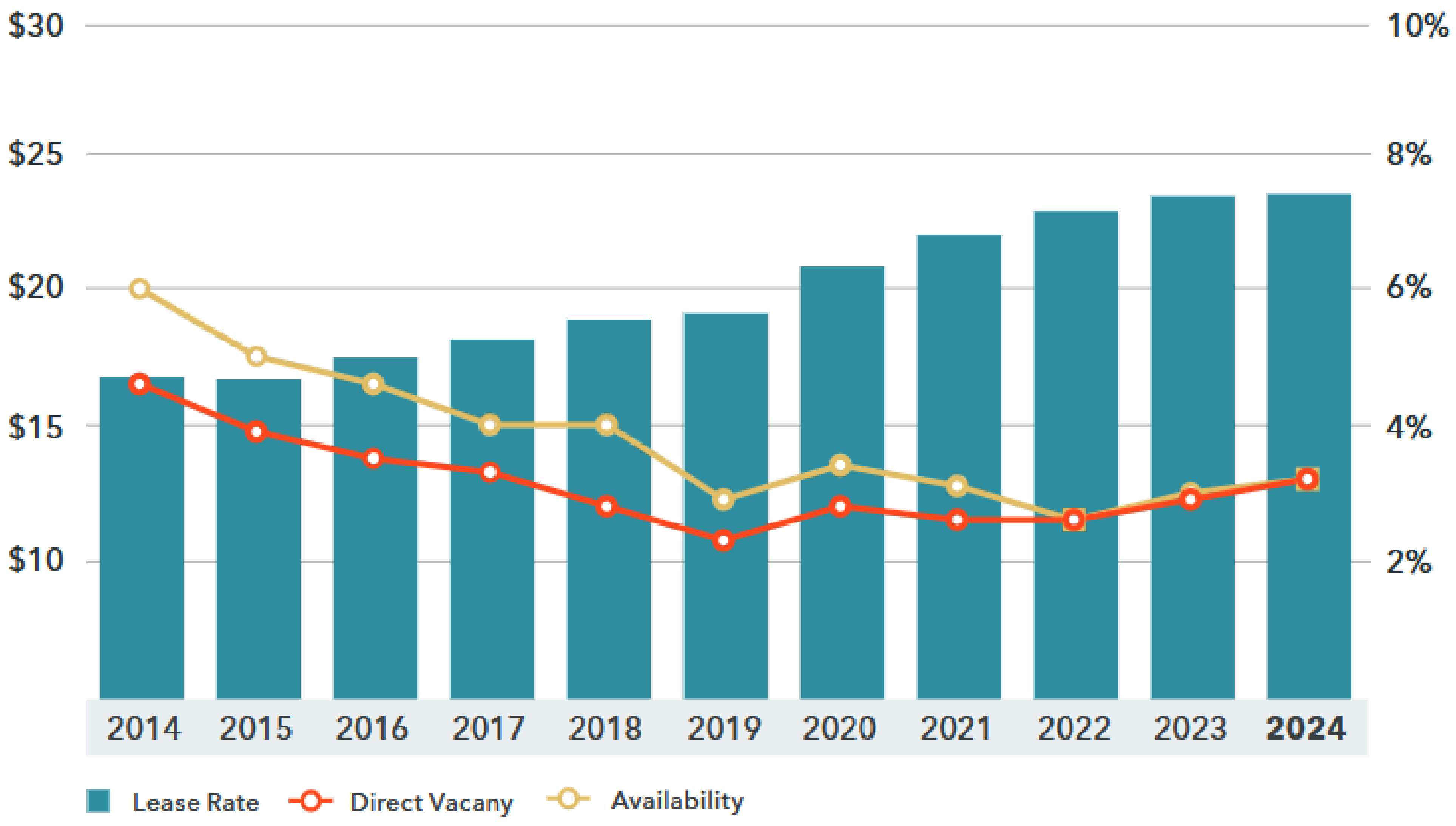
OFFICE LEASING – BAD TO WORSE IN PUGET SOUND



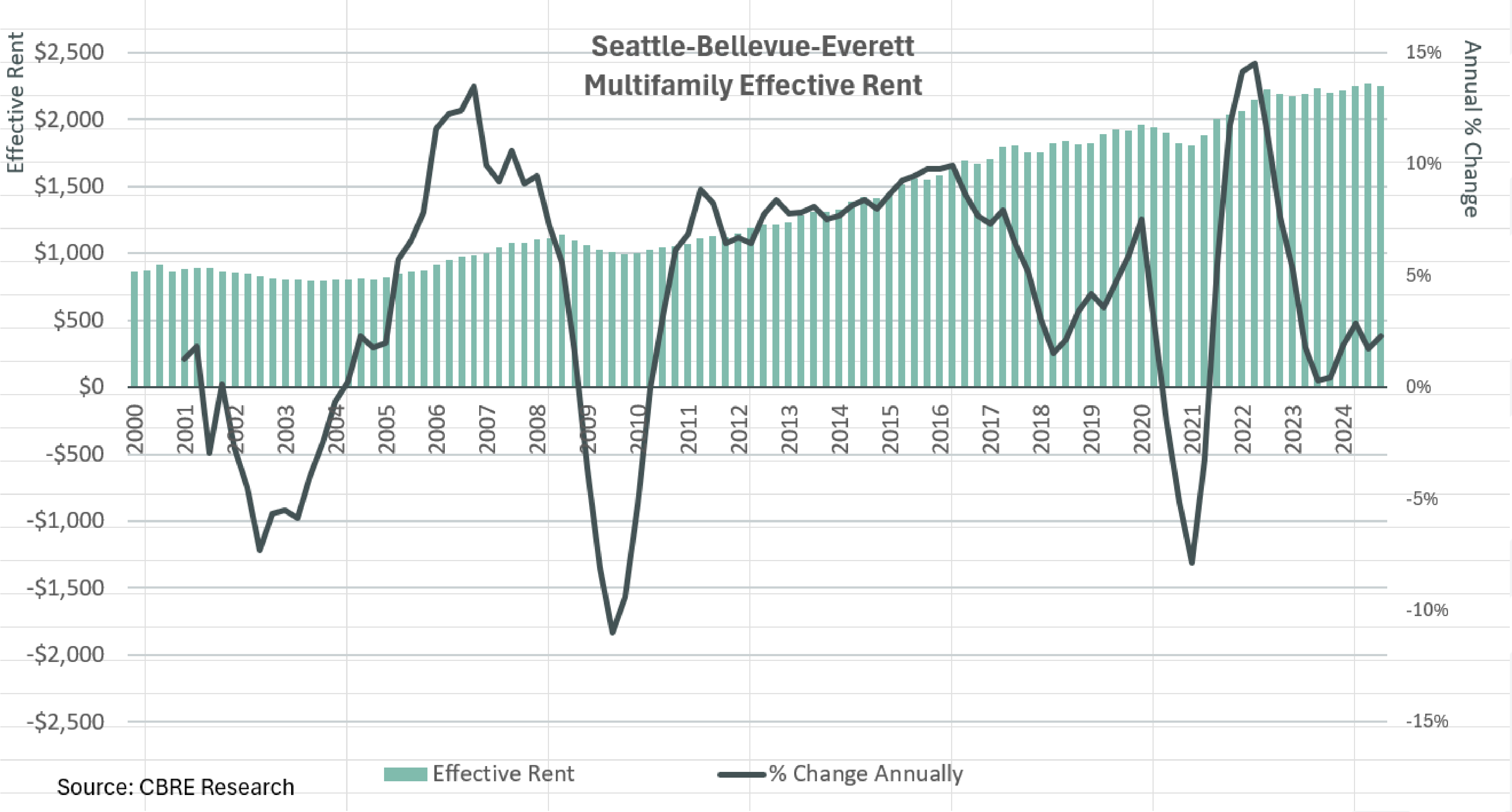
INDUSTRIAL LEASING – FURTHER SOFTENING



RETAIL LEASING: STRONGEST SECTOR

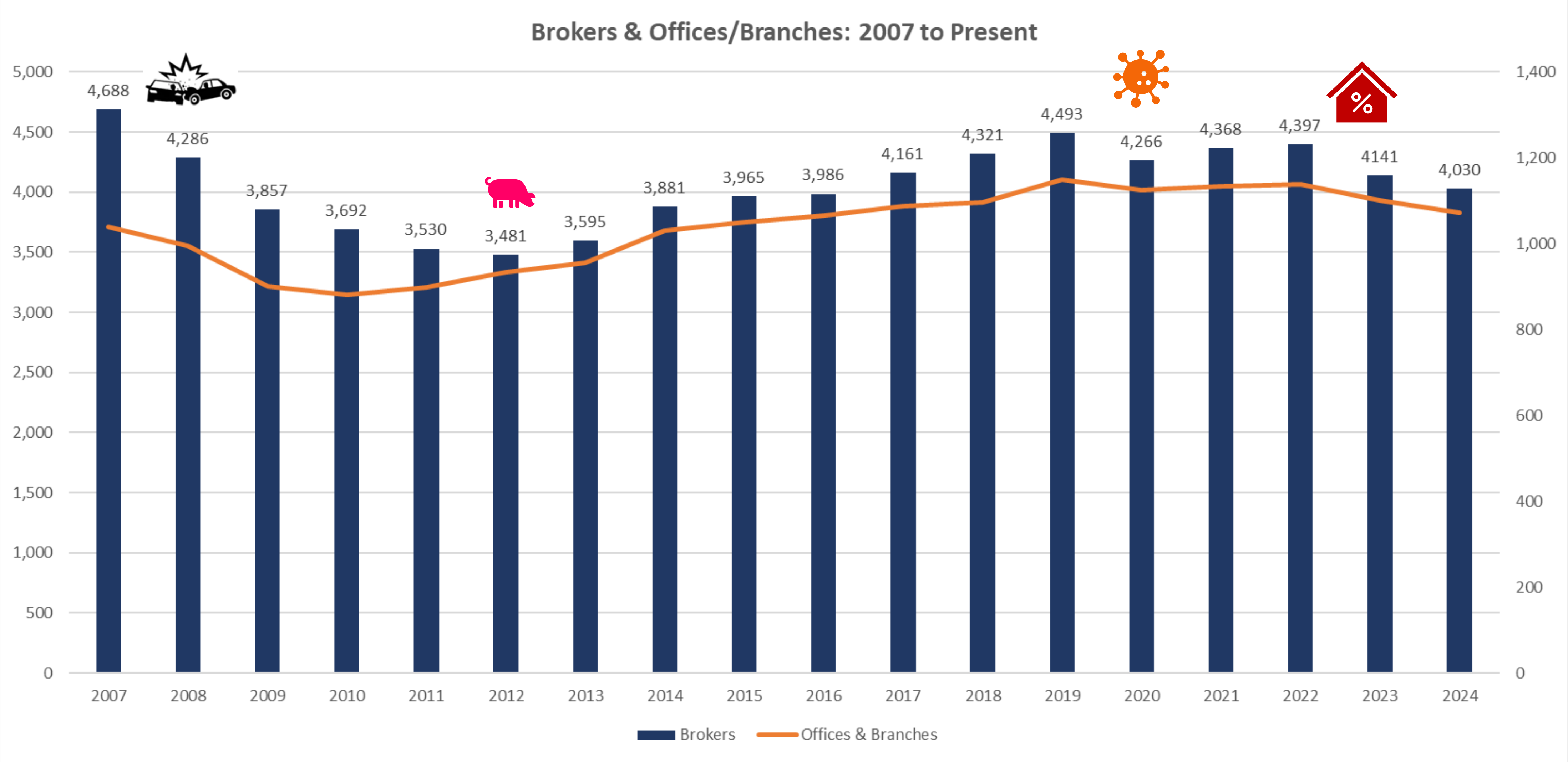


APARTMENT RENTS NORMALIZING



Source: CBRE Research

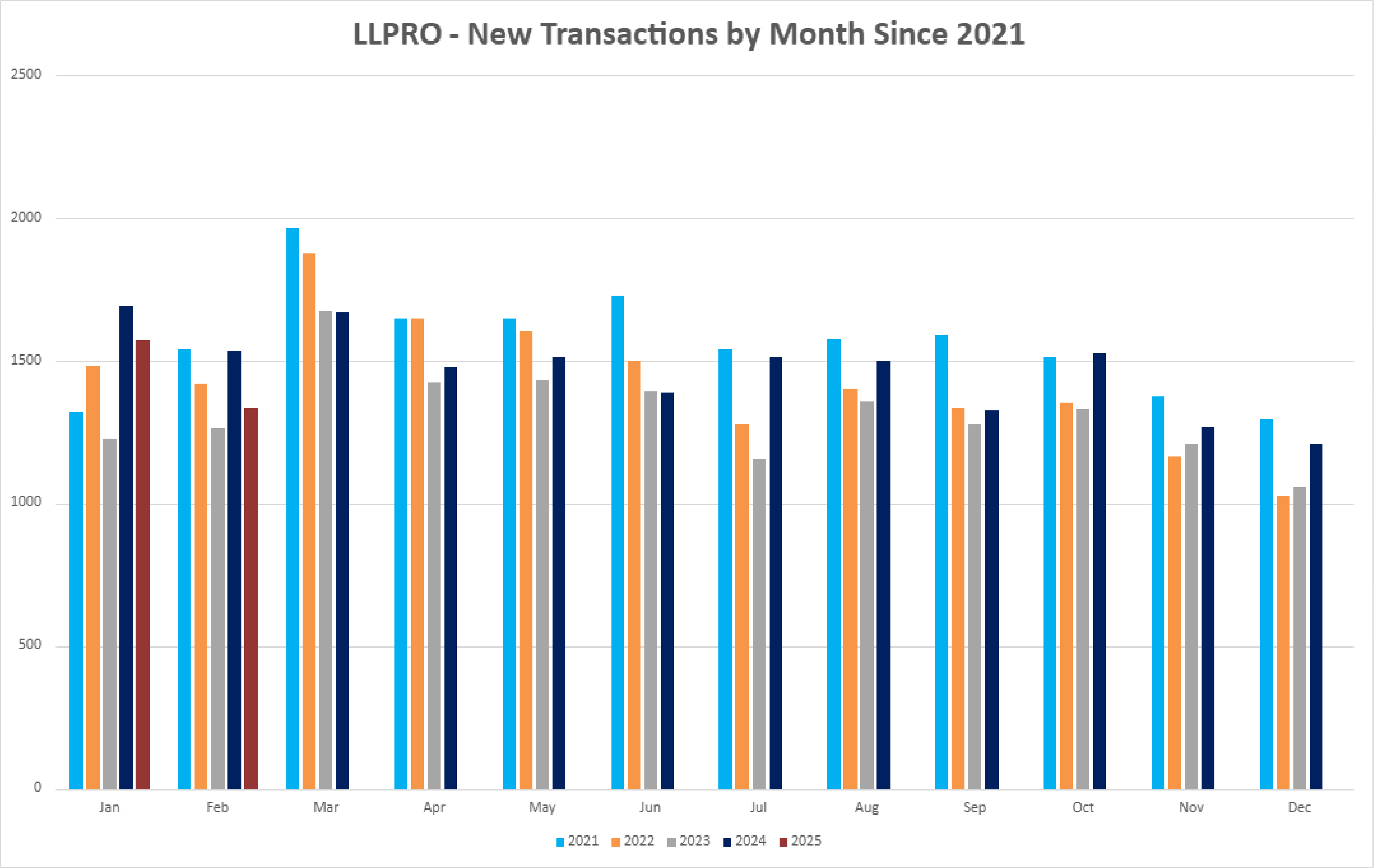
MEMBERSHIP DOWN LAST TWO YEARS



- Interest rate increases, slowing of RE markets putting downward pressure on membership levels (9.6% correction)
- Drops coming primarily from small independents, residential firms & resi-mercial brokers, NOT core commercial firms
- Historically, CBA membership tracks with the macro economy and housing market
- Early signs of recovery in membership so far in 2025

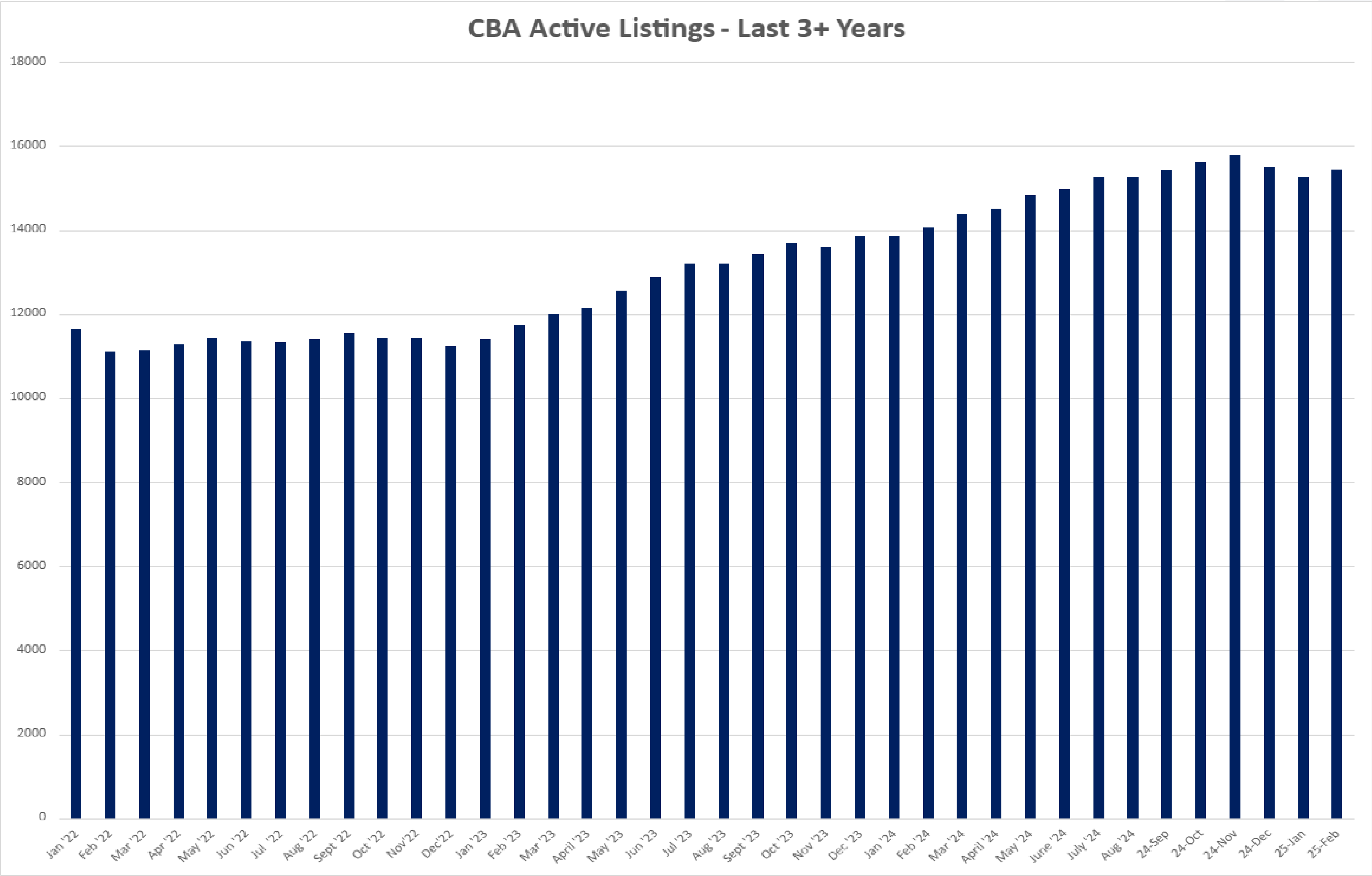
OPTIMISM: LLPRO ACTIVITY INCREASED IN 2024

- Leading indicator of market activity and start of recovery
- New TRX counts up 11.4% in 2024 than '23
  - 13% higher in 2H24
  - 10 of 12 months higher usage than '23
  - 7 of 12 months higher usage than '22
- Increased usage of LLPRO tracks with increasing number of CRE sales



ACTIVE LISTINGS – COUNTS SURGE LAST 2 YRS

- Total listings up 42% since Feb. ‘22 (low) to Nov. ‘24(high)
- 15,492 active end of 2024
  - 77% lease
  - 23% sale
- Lease listings up 47% from lows
  - IND 99%
  - OFF 58%
  - RET 27%
- Sale listings up 40% since Jan. ’23 (low)
  - IND 76%
  - OFF 46%
  - RET 42%
  - MF 38%
  - LND 33%



KEY ACCOMPLISHMENTS IN 2024

CBAC – Commercial Brokers Advocacy Council of Washington
- New Strategic Partnership between CBA and WSCAR
- New Nonprofit Provides Legislative Advocacy on behalf of all CBA Members (Commercial Brokers)
- Paid for by dues collected from CBA Members ($5 monthly/member)
- Contracts with Washington REALTORS as lobbyist – best
- 12-member board, including 2 CBA Board representatives (John Miller & Tina Pappas)

Continuing Education Included in Member Dues
- All CBA Digital classes (recorded and live webinars) are now included as a member benefit
- Over 50 clock hours (WA) available in recorded, certified classes on ExceedCE platform
- Monthly live webinars offered (3 to 4 clock hours each)
- Additional $5 monthly/member

Association Management Business Line Sunset
- Due to challenging market conditions for local chapters of most orgs CBA was providing 3rd party association management services, Board elected to shut down this business line
- It is not the best use of CBA member dues to subsidize the chapters of other real estate organizations in the market and potentially take away from services provided to members

Expanded CMA’s (Sale Comps) Market Research Coverage
- Now includes Skagit and Whatcom Counties
- Added Multi-family to Kitsap, Thurston, Spokane

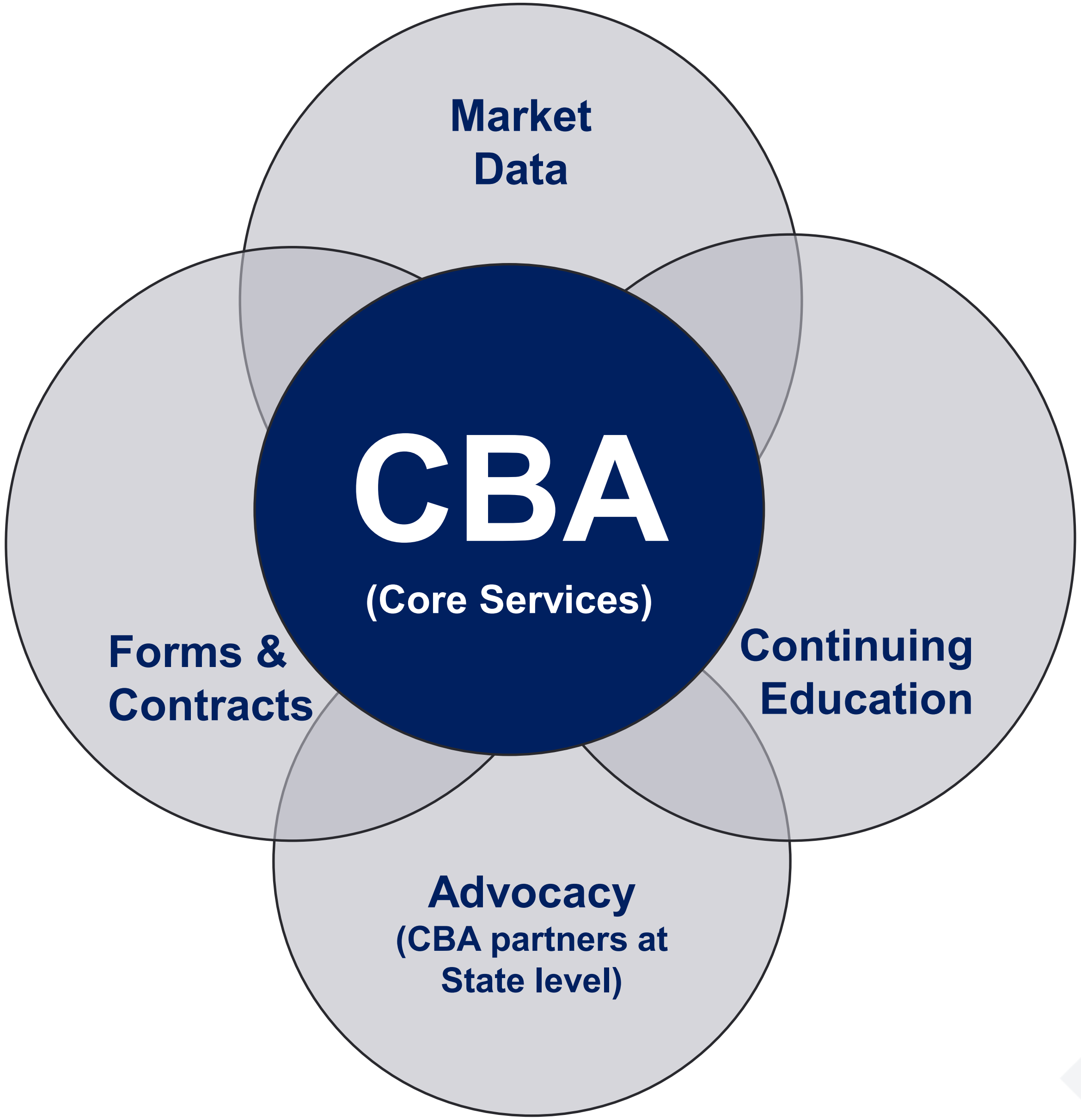
2025 – POSITIONING FOR THE UPSWING

CBA IS RELEVANT IF IT PROVIDES…

- **Essential** Business Tools
- **Invaluable** Service & Support
- **Trusted** Relationship & Partnership
- **Reasonable** Pricing

STREAMLINED VALUE PROPOSITION

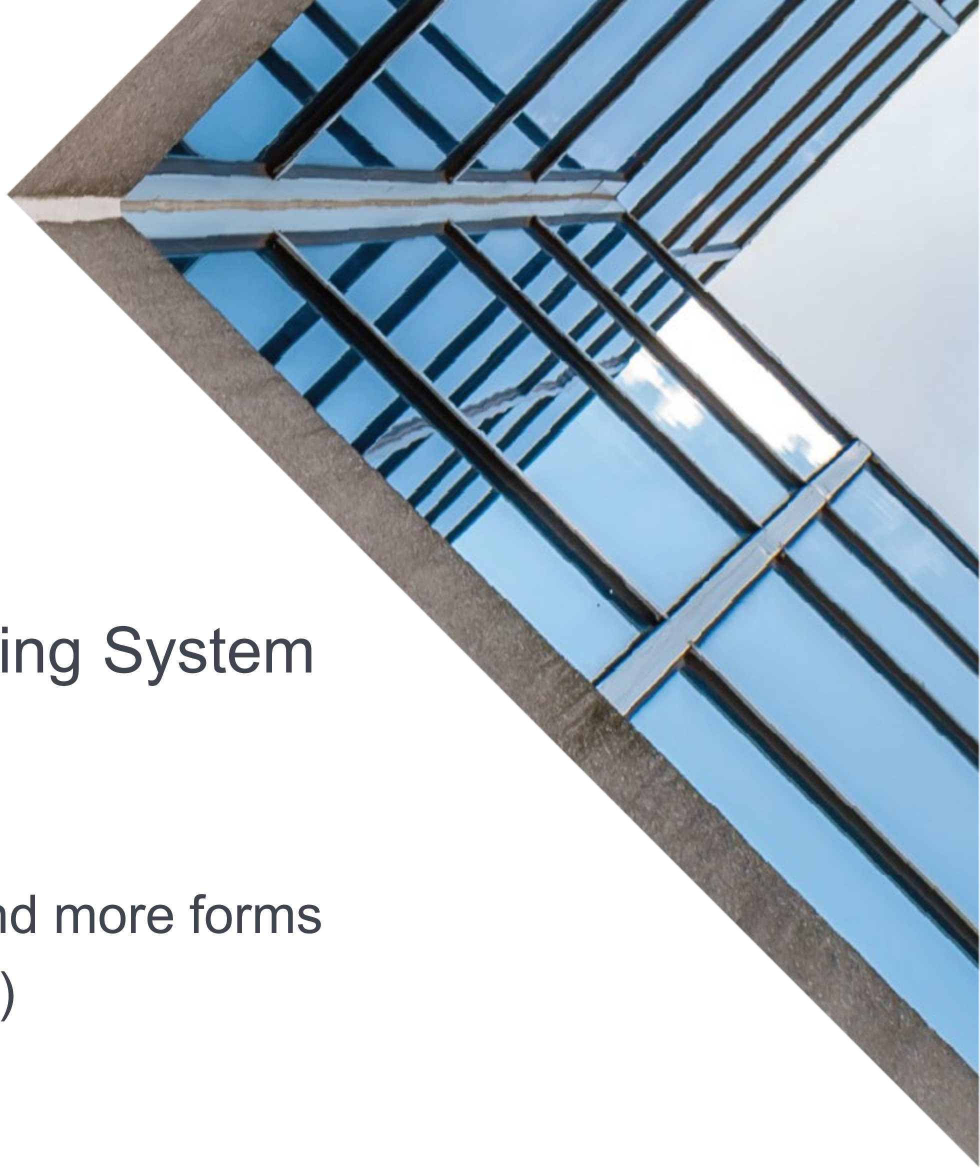
- Dues provide unlimited use of Data, Forms, and Online Education
- CBAC Advocacy fees/dues collected from members and contracted with lobbyist
- Optional Add on fees for Moody's PRO product
- Move at the "Speed of Trust"



STRATEGIC PRIORITIES…

2025 and beyond

- Market Penetration & Recoup Members
  - WA: Brokers & Affiliates; Central and SW WA
  - ID: Boise and Resi-mercial
- Evaluate Market Expansion in PNW (OR)
- Implement NEW Association Management & Billing System
- More Data & Enhanced Tools
  - Proprietary data and research, such as more CMA’s
  - LLPRO – Keep investing in enhanced user features and more forms
  - Moody’s PRO Offering to Members (Loans & analytics)
- Education
  - Idaho Certification of CBA Classes
  - More Content & Webinars
- Member Engagement (especially Next Generation of Brokers)



AFTER 48 YEARS, CBA IS THE ONLY CRE PLATFORM IN THE NORTHWEST THAT…

- Is **Independently Owned and Governed** by its members
- Has **Rules & Regulations** providing the basis for **transparency** and **cooperation** among members
- Partners with and provides the **best-in-class resources** for market research, listings services, legal contracts, education, and industry advocacy
- Acts as **THE HUB** for the local commercial real estate community and offers the most **trusted source** of information
- Provides the most **comprehensive** and **market standard** library of CRE legal forms and contracts in Washington and Idaho
- Proudly provides **locally based team** of research and support professionals and staff
- Is **NOT beholden** to **outside investors**, **stock prices**, or **shareholder returns** on investment
- Strives to provide ALL members **essential tools** and **personalized service** for the most **reasonable price** in the market

QUESTION & ANSWER

THANK YOU!

We appreciate your membership and continued support. You make CBA the largest & most successful commercial MLS in the country!!!