

THE Commercial Real Estate Profit Insider®

Newsletter/Resource for Investors & Developers in the Willamette Valley



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Investing in Commercial Real Estate is Easier Than Ever

★ By Jerry A. Jones

Principal Broker, REALTOR®

Any commercial real estate (CRE) investor will tell you: Closing a commercial property is a monumental feat.

By the time one takes ownership, there will have been a couple dozen people or more involved: The Buyer (you and potentially others!), brokers, bankers, various inspectors, property managers, in some cases, tenants, attorneys, CPAs, and more.

What's crazy is that each of these parties is a potential weak link that can blow out or derail your purchase *at any time before the documents are signed and recorded...*

In fact, most transactions have multiple roadblocks that come up... problems demanding solutions for the benefit of completing the transaction.

What's helpful is that everyone involved understands that unless money changes hands, all the efforts (and hard cash invested in getting it closed) are wasted, so ALL the principals want, and are all motivated for, that ultimate positive outcome – a closing.

As a CRE Broker, one of our most important jobs is playing Offense during the purchase process – keeping the

transaction on track while protecting the interests of our Principal, our client. We do this by anticipating problems, offering creative solutions, keeping all involved informed and holding those involved accountable to agreed-upon timelines. It's a time-intensive juggling act, often a roller coaster ride of emotions that can go sky high one minute and plunging off the cliff minutes later. Others compare it to an adrenaline-filled, high-wire balancing act. Whatever it is for you, there are usually millions of dollars on the line. Maybe for some that's not exciting or feels like too much of a responsibility, but it hits home with the brokers here in my office.

Here's the thing: If you want to invest in CRE, now you can short-cut all this. You can engage others to help get you where you want to go, diversifying your capital investments without the millions of dollars it can often take to purchase a high-quality CRE asset in a stable, government-backed & supported community – without feeling like you're holding a losing hand at a rigged poker game.

Good news! If you're a verified Accredited Investor*, you can now access a locally operated private fund investing in CRE assets in Salem,

Olympia, WA and Boise, ID.

Capitol City Opportunity Fund-I, LLC is slated to return a preferred return of 6%*, with a target internal rate of return of 10% to 13%.

It's a unique, hassle-free, low-noise method of investing in CRE assets in capital cities, right here in the Northwest. To learn more, go to: **CapitolOpportunityFund.com.**

Imagine: Potentially getting the same returns, or better, you might otherwise get, without the hands-on, stressful, or management-intensive responsibilities related to direct ownership.

Oh, and so I remain compliant: This is not an offer to purchase... **But if you have interest, contact me today.** jerry@pikesnw.com or **503-569-0074.**

*Individuals or entities can be classified as an Accredited Investor. Ask your CPA if you qualify. Or, go to the SEC's website and search "Accredited Investors." The returns mentioned are not guaranteed.



Jerry A. Jones is Principal Broker and owner of Pikes Northwest, Inc. in Salem. A serial entrepreneur, Jerry has bought, sold or started 20 companies in a number of sectors. For over two decades, he has been a private investor, lender and owner of a variety of commercial and residential projects. He enjoys all facets of commercial real estate. Email: **JERRY@PIKESNW.COM** or call: **503-588-3586.**

Want to WIN an Ankeny Hill Vineyard Gift Card?

Be the first person to email a correct answer to team@pikesnw.com.

What is the name of the largest annual relay race in the United States?

Is Your Property Manager A Criminal?

★ By Madyson Jones

Would you let an ex-con manage your property?

I want this article to be a learning lesson for you. It may ruffle some feathers, so let me preface this by saying, I do believe in second chances, and I do believe people can change for the better. HOWEVER, when you steal money, don't hold up your end of the bargain, and waste my time... a second chance is hard to come by. (Not to mention, as a building owner, it's likely costing you \$\$\$ to give a second chance.)

Where am I going with this?

Remember when I said **inspect what you expect**, this is why... We recently took over management on an investment property our clients just purchased. Not that it really matters, but one of the spaces has an existing tenant, the other vacant. Upon the deal closing, we started our process of notifying the current management company, another local professional, about the new owners' change of management. When this happens, we request a specific list of documents and necessary information. It took

weeks for us to even get a response. Weird right? It got to the point where the president of this company got involved, because we poked the bear until we got what we needed for our clients. Are you following so far? Pikes, new management, old management, no comunicado.

I have this really neat system where I can run a background check with a phone #. (Another way we ladies protect ourselves before showing a property to a stranger.)

You guessed it, I did some investigating on the folks who work at the prior management company. The main manager we dealt with had 15 criminal infractions. Nothing too alarming, other than I suggest less drinking and driving may help your work performance, and your insurance bill! More importantly, save an innocent life.

The president that I mentioned, who had to interfere, well, that was worse. Theft in the first and second degree, Criminal Mischief, Forgery in the II, Identity Theft, oh and, 3 DUIs. This person had over 50 criminal infractions on my report.

So, someone who has a record of

forgery and theft is dealing with folks' money? Their investments, their life savings, their children's inheritance?! HELL NO! I sure hope they've turned their life around, but that's the last person I would want touching my client trust accounts.

This all goes back to what I mentioned, **inspect what you expect**, ESPECIALLY when you are hiring someone like a broker or property manager, even a doctor for that matter! That saying doesn't just pertain to construction work, it applies to people, too! Anyone can show up in a suit and tie, but *do they really know what they're doing?* Do they really have your best interests in mind? Would you, should you, trust them with your million-plus dollar asset? Your cashflow from your property? Your family?

I can confirm we're ex-con free here at Pikes Northwest. We do have your best interest at heart, mind, and even soul.

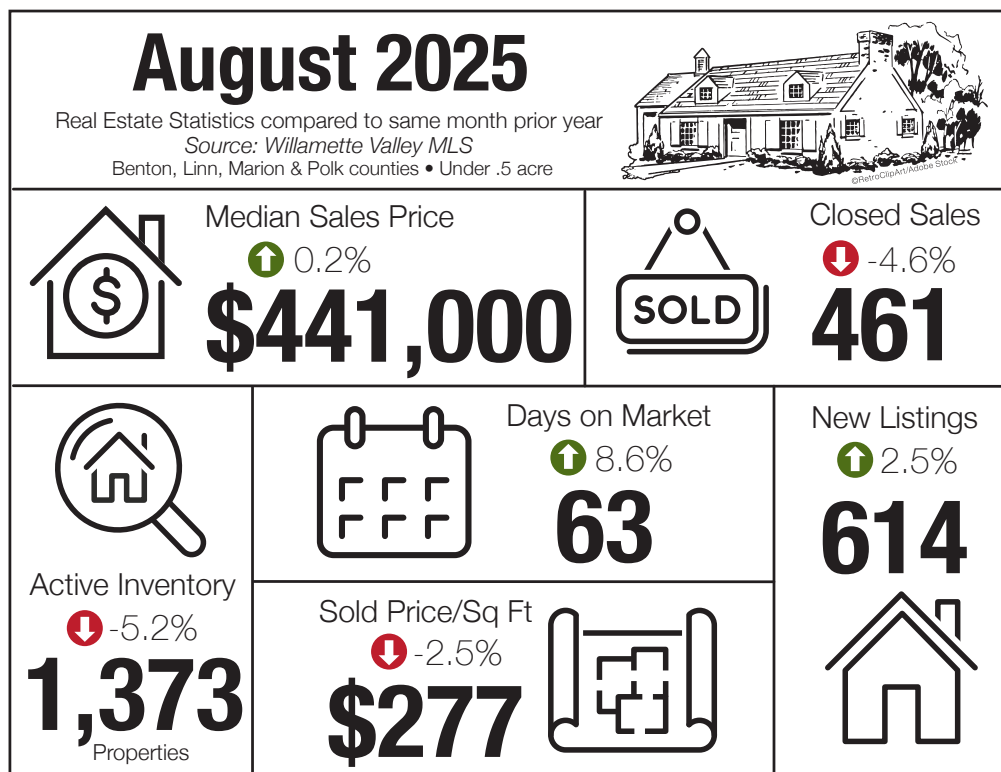
So, if this article struck a chord and didn't ruffle your feathers, pick up your phone and call us. If you're scared to call, send me an email: mady@pikesnw.com.

See you next month!



Madyson Jones is an Associate Broker at Sperry Pikes Northwest. She is a lifelong Salem resident, a graduate of Salem Academy and has been in the real estate industry for nine years.

Mady was named top producer the first year she was licensed and has owned and operated a residential property management company. Reach her at: **MADY. JONES@SPERRYCGA.COM** or call **503-508-1940**.



Thank You

Our family at Pikes NW continues to grow every month due in no small part to your generous referrals. If you have a friend, family member or colleague you feel would benefit from the amazing service we provide, we'd be honored to help.

Instant Gratification And Real Estate Investing

★ By Tom Cowan, Jr.

If you're into instant gratification, real estate investment isn't the place to be. Instant gratification is a cheeseburger and a chocolate shake.

Investing in real property is a long game, very rewarding if done well, but it takes years to see the positive results. Here is my first example: I bought my first home in 1969 for \$15,000. I checked Zillow today and the value is \$301,206. The value increased about 5.4% per year. In dollars, the difference is \$286,206. In addition to the equity, the rental income for the last 50-plus years would probably be twice that amount. Total of equity and income would be estimated to be over half a million dollars, less maintenance. Amazing result for a \$15,000 investment.

Another example: I know of a State Police Officer who was transferred all over the State of Oregon during his career. In each city he moved to, he bought a house. Usually a fixer-upper, and when he moved on, he didn't sell; he rented. It was a wash, rinse, repeat type

of thing. Over the years, he accumulated a large portfolio of income-producing properties. He and his family produced enough income that retirement came early, and they were financially set. It took years, but it was the family plan; they stuck to it, and it worked. (It's easy to see that the income from rentals eventually funded all the fixing needed and the maintenance, thus reducing the financial impact of ownership.)

These two examples are for residential properties but investing in commercial properties, in many ways, is the same. I used residential examples for many reasons. First, if you are getting into income-producing properties for the first time, this is a good place to start. Second, the properties noted had financing. They needed to be rented for enough to cover the monthly payment, the maintenance costs, overhead such as insurance, and show a profit. Third, the value of the properties benefited from an increase in value based on inflation and real property appreciation.

Fourth, the investments made were for a long period of time. Usually, real property investments, excluding extraordinary circumstances, take 5 years at a minimum to show the value of the investment, and generally, real property investments should be made for decades.

Another look at commercial real property: If, for the sake of argument, a person purchased a commercial property for \$4,000,000, assuming a 3% inflation or appreciation rate and a period of 10 years, the calculator says the value would be over \$5 million. Like the rentals noted above, the owner would be receiving income from rents to pocket less any operating and capital improvement expenses.

As an added twist, let's assume that the commercial property noted above had an owner carry financing for 50% of the purchase price. As the saying goes, a rising tide lifts all boats. Inflation or appreciation doesn't

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Pikes Celebrates 25 Years!

We had a smashing success of a Parking Lot Party to celebrate Pikes Northwest's 25th year in business!

The event attracted about 80 people over two hours. We had Cascadia Pizza's truck onsite for delicious pizza and drinks, Sweetly Baked custom cupcakes for dessert, games, a raffle where we gave away a \$150 Dutch Bros Gift Card and SWAG, and a Queen Nail pedicure to our winners. The raffle raised \$385 for the Wounded Warrior Project! Pikes Northwest will match that donation for a total of \$770 donated to our friends at WWP. An honor!

Thank you to all the owner/landlords, vendors, and friends of Pikes who attended! It was a great time, and we enjoyed having you celebrate with us, just relaxing under the perfect PNW weather on a late and lazy Thursday afternoon.

Next year, we're planning an even bigger event—you won't want to miss it! I see a "band" in our future playing at this next one. I see more folks from the Salem Real Estate Community there, too. Oh, and our amazing vendors, as well.

Thank you to all of you who attended – here's a short list, and if I missed you, I apologize in advance!

OfficeCraft, Inc.

Pacific Landscape/Mauricio & Glenn

FirstView Landscape – Jorge & Nora

Ryan Friesen/CJ Hansen

Hunter Emerick/SG Law

Chris Matheny/Matheny Law

AmeriTitle/Sam Cagle

Bell Foods Int'l – Craig Bell

K. Braff

Dutch Bros/Aaron & Jess Eastman

Pfeifer Roofing/Shawn & Brody

Laike, LLC/Jim Iverson

Bentley's/Brandon Eastman

Garth & Joan Brandaw

Three Pines Wealth Mgmt/Andrea, Alondra and Kim

Banner Homes/Steve Hurley

Baxter Jr Services

Mtn West Investments/Mikki Hittner



Instant Gratification...

(continued from page 3)

care about financing; it raises the inflationary or appreciated value based on the value, not value less balances due. You would get the benefit of all the increased value.

Risk is always an issue when putting a bunch of money into a commercial property investment. One thing we see often here at Pikes Northwest Inc. is commercial properties owned by multiple people or entities (A multi-member LLC or TIC – Tenants in Common). This method lowers the investment for each Member, spreads the risk, and still provides proportionate income and an increase in value. These “joint ventures” or investments are another way to get started in commercial properties. Since these investments are for a period of years, it isn't an investment to jump in and out of.

The best rewards often come over time and real property, whether single-family, multi-family, or commercial, is a great way to go. It ain't like a cheeseburger, but done well, you can ultimately buy as many burgers and shakes as you want.

****Editor's Note:** If you're an Accredited Investor as defined by the SEC, and looking for a 6% or better return (preferred return in this case) on your idle cash, be sure to look into the new **Capitol City Opportunity Fund-I, LLC**. You can learn more at <https://capitolopportunityfund.com>.



Tom Cowan, Jr. is a private investor, a long-time Salem resident and lifelong Oregonian. He is retired from the ODVA after a 27-plus year career culminating as the Deputy Director and COO.

Tom's also a retired Captain in the Oregon Army National Guard. He has also jointly owned and operated several businesses in the healthcare, real estate and education sectors with great success. Reach him at: **TOM@PIKESNW.COM**

Monthly Commercial Real Estate

Hot Sheet

See Our Most Current Listings at PikesNW.com/CRE

- **FOR SALE: NEW!! Historic Bishop Building**, downtown Salem, located at 145 Liberty St NE, you'll find this gorgeous investment opportunity. This mixed-use asset features 8 apartments, its major commercial space leased to a restaurant/bar, and an entire lower level ready for your imagination and additional cashflow. Listed at \$4.65M, this timeless late 1890s building is ready for its next owner to take it to the next level.
- **FOR LEASE: NEW!! Downtown Office Historic Oregon Building**. Choose from a variety of professional office spaces for lease (and sublease) – 297 SF to 1,868 SF. This historic downtown property offers convenient access to a number of downtown amenities. It's also very close to county offices, transit, parking, parks, and courts. \$1.44 to \$2.00/SF/Month, modified gross. Call for details and showings.
- **FOR LEASE: NEW!! Restaurant Space 2118 Lancaster @ SunnyLan Center**. This busy Lancaster Drive retail strip 3,149 SF RESTAURANT SPACE is ready to go. Centered in the strip with a variety of services offered, this bright and open concept is ready. Just add furniture and your restaurant concept to take advantage of this high-traffic area! Landlord incentives. Call now for more information and a showing.
- **FOR LEASE: NEW!! Ag Industrial Watson Farm Ag Industrial Storage/Manufacturing**. Formerly used for a grass seed cleaning operation, this nearly 6,400 SF metal building is ready for your farm/ag use. Great for dry storage or, use it as your seed cleaning, bagging and storage operation. Located right off Hwy 22 in Dallas, this space is ready for your ag business. \$0.50/SF NNN. Flexible lease. Call for details and showing information.
- **FOR LEASE: NEW!! Professional Office Riverside Professional Center**, 2925 River Road South, Salem. Join Salem Health, Neighborly Ventures and TAI Physical Therapy as co-tenants. Two amazing office suites to choose from are available: Suite 250 with 1,799 SF and Suite 270 with 3,249 SF. Both suites have recent remodels and have experienced light usage the last several years. Abundant natural light fills each suite. Riverside is well-maintained, elevator-served, well-parked modern office in South Salem, close to the Courthouse Fitness Center, Salem Golf Club, Illahee Country Club and minutes from Salem Health. **Call for more information.**
- **FOR LEASE: Ag Industrial** Waconda Industrial Park spaces for lease (Gervais)! This classic industrial park offers multiple opportunities for **storage and manufacturing for ag-related service businesses** and is currently undergoing a number of upgrades. Lease rates from \$0.70 to \$0.90/SF/Month NNN (\$0.09/SF). A great future retail space is available along with dry storage spaces from 1200 SF to an over 2,500 SF. Just a few spaces remain! Call for more information.

For more Hot Sheet information or a showing...

Call Jerry @ **503-569-0074** or Mady @ **503-508-9490**

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