

Advantage

QUARTER 3 2016 | VOL. 4 ISSUE 3

Into Year Eight, Loaded with Uncertainty

by John W. Mitchell

The eighth year of this upturn has commenced—a rare occurrence as business cycles go. The weak first quarter was revised up to show a 1.1% annualized growth rate and the shock of minimal employment growth in May (38,000 later revised down to 11,000) was eased by the estimated 287,000 job gain first reported for June. Rising hourly earnings, falling initial unemployment claims and declines in the number of people part-time for economic reasons are consistent with ongoing labor market improvement. In my travels, help wanted signs seem to sprout like cannabis shops in Oregon and Washington. Concurrently, the Brexit vote on June 23rd casts a cloud over the world economy. Uncharted territory, years of implementation and a weakening of performance in Great Britain (or what some now refer to as Little England) and the EU are probable. No one knows how this will play out and what the institutional arrangements will ultimately be. Via exchange rates and interest rates, we, in this distant land, have already been impacted.

First quarter growth was driven by consumption, housing, intellectual property, state/local spending, and a decline in imports. There was ongoing weakness in other investment categories. Employment is continuing to increase but at a slower rate than was seen last year or in the first quarter. Headline inflation continued

to run below the Fed's target at 1% in June, but the core rose 2.3%. Energy prices have moved up from February lows and signs of dollar stabilization before the Brexit vote suggested that the Fed's "two-increase plan" outlined in March was on track. The combination of the May employment report and the

British decision scrambled the outlook again. Moves will be data driven and cautious with the 'Lower Longer Chorus' again warming up. The plodding 2% growth rate anticipated for 2016 looks better as one scans other locales in the western world.

The weakness in investment is unsettling: some is energy and/or export related, but one wonders about the state of animal spirits with global risks and the uncertainty of the domestic political/policy scene.

The region continues to be at or near the top of the pack for employment with Oregon replacing Idaho as number one in the May data. Idaho and Washington were numbers four and five respectively according to *Job Growth Update*. Personal income in the first quarter rose 1% from the fourth quarter of 2015: Washington had the most rapid rise in the nation at 1.5%; Oregon was seventh at 1.2%; and, Idaho trailed the nation at



0.7% with sharp declines in farm earnings. In the FHFA's House Price Index for the first quarter, Portland was ninth with a 13.03% gain; Seattle was 12th at 12.63%; and, Boise was 27th at 9.95%.

Portland and Seattle lead the Case Shiller house price data for large metropolitan areas.

The region remains on a roll as the nation cautiously enters the eighth year of the

upturn. Low headline inflation; interest rates at levels not seen for millenniums; presidential candidates with high negatives; and, an unfolding shock to the global economy will, once again, test the resiliency of the U.S.

"The region remains on a roll as the nation cautiously enters the eighth year of the upturn."

Northwest Bank Contacts OREGON

Jamie Shulman | 503.906.3940
President & Chief Operating Officer
jamie.shulman@northwest-bank.com

Tom Lee | 503.906.3943
SVP, Commercial Banking Manager
tom.lee@northwest-bank.com

Laurel Lukesh | 503.905.3222
VP, Commercial Real Estate
Relationship Manager
laurel.lukesh@northwest-bank.com

Judy Hutchison | 503.905.3211
VP, Commercial Relationship Manager
judith.hutchison@northwest-bank.com

Tyler Tietz | 503.906.3950
VP, Commercial Relationship Manager
tyler.tietz@northwest-bank.com

Scott Wells | 503.906.3953
VP, Commercial Relationship Manager
scott.wells@northwest-bank.com

Dolores McKinnon | 503.906.3957
VP, SBA Relationship Manager
dolores.mckinnon@northwest-bank.com

Angela DeVita | 503.905.3210
VP, Treasury Management Officer
angela.devita@northwest-bank.com

Krista Kahmann | 503.905.3217
AVP, Customer Service Manager
krista.kahmann@northwest-bank.com

Thomas Lujan | 503.906.3951
Customer Service Representative
thomas.lujan@northwest-bank.com

Lisa Bain-Poulton | 503.906.3954
Customer Service Representative
lisa.bain-poulton@northwest-bank.com





Beutler Exchange Group, LLC

CLIENT SPOTLIGHT

BEUTLER EXCHANGE GROUP OWNER LOVES FAST-PACED EXCHANGE WORK

For more than two decades, Toija (pronounced "Toy-uh") Beutler did transactional work for a 1031 tax-deferred exchange company, an affiliate of a title company. She loved the work and the 'fast and furious' pace of real estate.

So in 2014 at the age of 60, Beutler took a leap.

"As is the case with large national companies, sometimes the business model changes, and decisions are made that work well for the large corporation but not so well for the local customers," says Beutler. "So, in 2014, after 22 years with the same company, I started my own so that we could continue to provide the caliber of customer service our clients have come to expect. I say 'we' because the team came with me."

With extensive expertise in her field, however, she wasn't intimidated by stepping out on her own.

"Starting the business was actually pretty easy," says Beutler. "I had done the work for so many years that I knew what went into a successful operation. I made my 'To

Do' list and started checking things off. The biggest hurdle was my own thinking. Never in my wildest imagination had I considered starting a business at the age of 60."

Beutler Exchange Group's work arises from a small section of the tax code: IRC §1031, which enables taxpayers to sell an investment property and, as long as they reinvest in another property, defer the payment of capital gains tax on the old property. In addition to not paying tax on the gain, clients also achieve important business goals or personal goals in purchasing the replacement property, according to Beutler. Therefore, these types of transactions require a bank that understands her industry.

"The bank staff are there every day to make this happen and make us look good."

"IRS rules require us to hold client sale proceeds until they are ready to purchase their new property," says Beutler. "Northwest Bank's commitment to customer service enables us to deliver client funds on a timely basis which is critical to their 1031 experience and our reputation. The bank staff are there every

day to make this happen and make us look good."

Having participated in several projects and properties throughout the Northwest, Beutler says it's the "community" of players that keeps her passion for the business going.

"What we enjoy most is the consultative process with our client and their team - lender, real estate professional, attorney, accountant, etc. - in structuring the exchange," says Beutler. "The intellectual challenge of evaluating a client's circumstance and fitting them into the 1031 'box.' Sometimes it feels like we are pulling rabbits out of hats. I love those days."

Learn more at www.beutlerexchange.com.



FAST FACTS

Founder & Owner: Toija Beutler

Date Founded: 2014

Website: beutlerexchange.com

Meeting Customer Expectations for Convenience

Consumers and businesses alike are increasingly accustomed to paying bills and making purchases 24 hours a day, anytime and anywhere. Property managers and HOAs, professional and retail companies, and even non-profits should consider whether their current collection processes meet their customers' needs – or, whether a change might be good for loyalty, strained staff workloads, and the bottom line.

So, how do you make that decision?

Talk with your customers:

Determine if convenience is a significant motivator. For example, for a non-profit, would making it easier to contribute money increase donations? Or, for property managers, would providing residents more options on how to pay rent keep them from moving?

Consider the impact of change:

Adopt new external services to manage the collection of payments and free up valued employee time to concentrate on growing your business.

Determine the right services to offer:

How do your customers want to pay? Check? Credit card? Online bill pay? Phone? There are many payment processing solutions to choose from – including portals, remote deposit, ACH and Lockbox. Each solution has pro's and con's, so having a banking partner to advise you on your best solution matters. Partner with us and we'll help you determine the services that work best for your customers and your business.

Who can I contact to learn more?

Contact your local Northwest Bank office or Treasury Management professional for a full review to learn how we can help you create the right plan!

Jumbo CD Offering

Northwest Bank is offering special rates on new jumbo certificates of deposit (CDs) for businesses and individuals looking for an attractive short-term return.

These CDs are perfect for clients who are in between projects, considering their next move in a volatile market, or who just want a better rate.

With a minimum deposit of \$100,000, these rates are available on CDs opened between now and September 30, 2016.

Contact your local Northwest Bank Customer Service Representative for more details.



New to the Northwest Bank team!

Janet Berg

Janet Berg, our new **Vice President** and **CRE Loan Administrator**, joins Northwest Bank with 33 years of banking experience. She's a Valseltz, Oregon native, has four grandchildren and one on the way. She's a member of the Salem Audubon Society and can be found, along with her husband, Peter, out birding as often as possible.

Dolores McKinnon

Dolores McKinnon (fka Harold), recently joined our Oregon team as a **Vice President** and **SBA Relationship Manager**. Dolores is a veteran of SBA lending with 20 years of commercial banking experience, 15 of those years as a lender. Dolores will focus on generating government-guaranteed loans under the SBA and USDA loan guaranty programs. She will target small business within the Portland metropolitan and SW Washington markets. Dolores is a native Oregonian, has a daughter headed to university, and will soon enjoy some free time. She likes to travel, bike, hike, and enjoys home cooking.

Mark Thomas

Mark Thomas, Vice President of Service Quality and Marketing, joins the bank with 30 years of marketing, sales and communications experience in the technology industry and agencies in Seattle and New York. He and his wife, Lisa, have two daughters and love to spend their spare time renovating a 100 year-old home and exploring Whidbey Island.



A Cultivation of Community with the Portland Japanese Garden

The Portland Japanese Garden is in the midst of The Cultural Crossing campaign: a \$33.5 million project to help evolve its mission and offer more opportunities for people to connect with the culture, art, and people of Japan while enjoying the Garden as a haven of beauty.

"The Cultural Crossing expansion will ensure the Garden remains a tranquil place, while also providing new facilities to better serve our mission of education about Japanese garden arts and culture," says CEO Stephen D. Bloom. "It includes four new LEED certified buildings, classrooms, a library, and a Tea Café that will serve Japanese tea."

Bloom cites the Garden's relationship with Northwest Bank as an asset in realizing the success of the expansion.

"The confidence and common goals between Northwest Bank and the Portland Japanese Garden allows us to take on the expansion in a way that would not be possible otherwise," he says.

The idea for the Garden dates back to 1959 when Portland became a sister city to Sapporo, Japan, which created an interest for Portland residents in the people and culture of Japan. Soon after, several local civic and business leaders at the time decided it would be beneficial for the city to have a traditional Japanese garden. In 1963, the Portland Mayor, Terry Shrunn, created a commission to establish the Garden on the site of the former Washington Park Zoo as a means to help heal wounds from the past and bridge American and Japanese cultures.

"It is rewarding to know that today we are fulfilling the vision of those founders," says Bloom. "We are leading the way to an international understanding and recognition of the Japanese garden as a unique cultural tradition that transcends borders to reconnect people with the restorative power and beauty of nature."

It was Takuma Tono, a Tokyo Agricultural University professor and internationally recognized authority on Japanese landscape design, who was commissioned to design and supervise the Garden's development. To develop the Garden, he had to transform a barren cement space into a lush, green oasis. Tono, together with nine successive Garden directors and curators from Japan, have guided its growth for more than 50 years with a watchful eye and steady hand.

"When you enter the Garden, the desired effect is to realize a sense of peace, harmony, and tranquility and to experience the feeling of being a part of nature," says Bloom. "Northwest Bank understands the importance of the Garden's role in an increasingly frantic and urban world. We are proud to have them as partners in achieving our mission and improving the quality of life for all of us here in the Pacific Northwest."

Learn more at www.japanesegarden.com.

Letter from the President & COO by Jamie Shulman

Hiring: Importance of Cultural Fit



Recently, I was reflecting back on my recruiting and hiring practices and how they have evolved for me over the years. When I first became a hiring manager, the general criteria I looked for was very skill-specific, including technical knowledge, performance results, and past objective data. Calling on references, my goal was to confirm or refute data the candidate shared. But, over time, the concept of "cultural fit" became more important.

Cultural fit centers around an individual's ability to fit within a team; understand the big picture mission, vision, core values; and to balance those team concepts with individual achievement. At Northwest Bank, our culture is branded externally as: Exceptional Service, Experienced Bankers, and Customized Solutions.

These days, my criteria for cultural fit is ranked (most-to-least important) on:

1. Energy and enthusiasm: While I can teach sales and credit, I can't teach people how to be nice to each other and smile. Beyond that, does the candidate demonstrate the motivation to not just meet - but exceed - the job description and their goals?
2. Integrity and empathy: Can the candidate put themselves in the position of our clients, shareholders, and fellow employees; help them achieve their connected goals; and always act with honesty and high professional standards?

3. Capacity and willingness to learn: Does the candidate suggest that they know everything? If so, they are probably not a good cultural fit. However, a candidate that has both the capacity and willingness to learn is often one that will work well in a team environment.
4. References: Reach out to personal and professional references to determine how the candidate fit into the culture that they interacted with them. And, if you were their manager, would you hire this person again?
5. Community: Is the candidate invested in their community, including both professional connections and non-profit volunteerism? I've often shared the opinion that anyone who spends time in the for-profit world needs to spend a little time in the non-profit world as well.
6. Clear understanding of the job: Possess technical skills, industry knowledge and experience to exceed their defined goals and job description.

As I shared above, #6 used to be #1 on my list. While objective skills are important, my best (and favorite) employees over the years - those that fit within company culture - exceeded my expectations on criteria #1 - #5.

Some food for thought as you add talent to your own organization. As always, let us know how we can be of help.

Jamie Shulman,
President & Chief Operating Officer

Northwest Bank

4900 MEADOWS ROAD, STE. 410 LAKE OSWEGO, OR 97035

HOURS: MONDAY - FRIDAY 9:00AM - 5:00PM

503.906.3939 • FAX: 503.906.3938

NORTHWEST-BANK.COM