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## 2014 SUMMARY / 2015 FORECAST

By Erich Schultz, SIOR

It's official – the worm has turned. In the current market, buyers and tenants no longer hold all of the cards, as landlords and sellers now have equal or greater leverage in negotiations. As you know, real estate is cyclical. So this phenomenon was destined to occur. There should be no hard feelings though, as the change signals a greatly improved economy. Landlords and sellers are entitled to make a profit – something that has escaped most investors for the past six years or so. Read below to get our perspective on where the market is in the cycle.

### Industrial Market Review

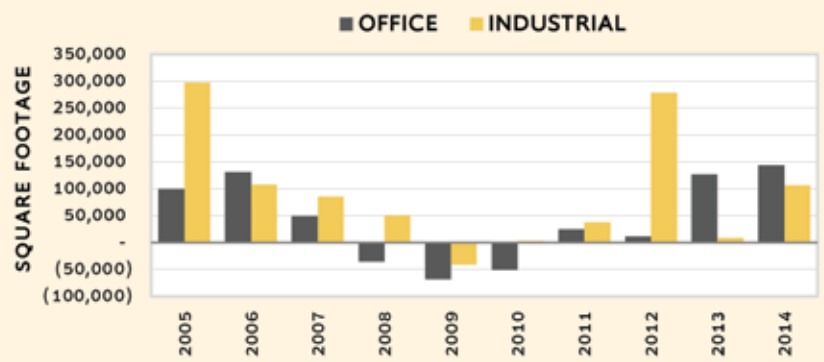
The Bend industrial market began its recovery in 2013 and continued to gain momentum this past year. Since the end of 2013, net absorption increased from 6,998 square feet to 160,729 square feet by the end of 2014. The activity in 2014 is consistent with “normal” activity for Bend.

Bend's overall industrial vacancy rate dropped from 12.3% to 6.8%. As available inventory has decreased, rental rates have continued to improve. Today, rates start at \$0.45 per square foot per month, triple net for larger and older properties and around \$0.55 to \$0.65 per square foot per month, triple net for smaller and newer buildings.

### Office Market Review

This past year marked the beginning of the end of the recession for the office market as this product market is roughly one year behind that of industrial. In 2014, absorption increased from 126,754 square feet to 143,700 square feet. The vacancy rate dropped from 16% at the end of 2013 to 10.5% and rents have started to firm up. Today, office rates

### BEND OFFICE & INDUSTRIAL ABSORPTION BY YEAR



start at \$1.20 per square foot per month, triple net and go as high as \$1.70 per square foot per month, triple net.

Significant new construction is still a ways off. Land owners are holding out for top dollar, which makes development financially unfeasible (and un-financeable in some cases). In addition, the supply of land in Bend remains constricted as a wearisome seven-year effort to expand the Urban Growth Boundary continues. The little inventory of industrial land that Bend has available is priced from \$5.00 to \$15.00 per square foot. Construction costs have continued to creep up while labor, materials and government fees seem to increase regardless of the state of the economy or demand. Rents have not increased at the same rate and do not yet support these cost levels.

### Looking Ahead

With a shortage of new construction on the drawing board, rents for both office and industrial product types will go up in 2015. As absorption continues to benefit from the improved local and national economies, rents will only continue to escalate in the short to mid-term and vacancies will continue to drop.

As rents rise, expect developers to start aggressively

*Continued on page 8*

## Bend Office Market



Compass Commercial surveyed 209 buildings for the fourth quarter office report. The buildings in the sample totaled nearly 2.53 million square feet. The fourth quarter recorded 21,482 sq. ft. of positive absorption, causing Bend's office vacancy rate to decrease from 11.3% to 10.5% as a result. **This is the 10th consecutive quarter of positive absorption.** There is now just over 266,000 sq. ft. of available space for lease.

### Downtown

The **downtown submarket** recorded a modest 2,528 sq. ft. of positive net absorption in the fourth quarter. The office vacancy rate downtown now stands at 7.0%. **The last time downtown had an office vacancy rate in single digits was nearly eight years ago!** There are some storm clouds on the horizon however. Karnopp Peterson will be relocating from its long-time home at 1201 NW Wall Street in the spring. This will free up all three floors of

this building (24,000 sq. ft. total) for one or more tenants. The building is also available for sale.

### Highway 97/3rd Street

The **Highway 97/3rd Street corridor** recorded 1,888 sq. ft. of positive net absorption in the fourth quarter. Empire Corporate Park stood out as the top performer with over 5,000 sq. ft. reported leased spread over two of its buildings. The vacancy rate decreased slightly and now stands at 15.2%.

### West Side

The **west side submarket**, which contains 53.5% of the general office inventory, recorded 17,066 sq. ft. of positive net absorption. The vacancy rate dropped to 9.5% from 10.7% as a result. Nine buildings reported positive net absorption. The 1001 SW Emkay Drive building was the top performer in this submarket with several new tenants signing leases totaling about 12,000 sq. ft. in this high tech hub. 🏢

### NET ABSORPTION BY SUBMARKET — 4TH QUARTER 2014

| Market Area    | No. Bldgs. | Total Sq. Ft.    | Vac. % 4th Qtr. | 4th Qtr. Absorption | Absorption YTD | Total 2013     |
|----------------|------------|------------------|-----------------|---------------------|----------------|----------------|
| Downtown       | 50         | 497,121          | 6.99%           | 2,528               | 48,149         | (148)          |
| Hwy 97/3rd St. | 56         | 679,297          | 15.24%          | 1,888               | 4,891          | 37,554         |
| West side      | 103        | 1,353,295        | 9.47%           | 17,066              | 90,660         | 89,348         |
| <b>TOTAL</b>   | <b>209</b> | <b>2,529,713</b> | <b>10.53%</b>   | <b>21,482</b>       | <b>143,700</b> | <b>126,754</b> |

*Office buildings over 3,000 square feet*



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Compass Commercial Real Estate Services is a full-service commercial real estate firm with expertise in all aspects of the business. *Compass Points* is published to inform our clients, partners and colleagues of trends, activity and opportunities in the Central Oregon commercial real estate and business markets.

*Compass Points* is published quarterly by Compass Commercial Real Estate Services, 600 SW Columbia Street, Suite 6100, Bend, Oregon 97702. (541) 383-2444. Subscription is free via sign-up on our website, [www.compasscommercial.com](http://www.compasscommercial.com). All material in *Compass Points* is copyrighted, unless otherwise noted.

*Analysis and editorial by the management, staff and associates of Compass Commercial Real Estate Services.*

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# Bend Retail Market



Compass Commercial surveyed 259 retail buildings totaling over 4.5 million sq. ft. for the fourth quarter 2014 retail report.

**The citywide vacancy dropped significantly from 8.3% in Q3 to 6.7% at the end of the year due to 73,637 sq. ft. of net positive absorption.** This brought the 2014 total to a respectable 92,000 sq. ft. of positive absorption.

**Compass Commercial breaks the Bend**

**retail market down into seven submarkets.**

All but one, the downtown submarket, reported positive absorption for Q4. The north Highway 97 submarket was the strongest for the quarter, recording 57,636 sq. ft. of absorption due to Hobby Lobby's lease of the former Sears space at the Bend River Promenade. In comparison, the other submarkets came in with between 2,000 and 9,000 sq. ft. of absorption. Despite the previously mentioned negative quarterly result downtown, this area has the lowest vacancy rate (3.2%) of the submarkets. 🏡

## NET ABSORPTION BY SUBMARKET — 4TH QUARTER 2014

| Market Area       | No. Bldgs. | Total Sq. Ft.    | Vac. % 4th Qtr. | 4th Qtr. Absorption | Absorption YTD | Total 2013      |
|-------------------|------------|------------------|-----------------|---------------------|----------------|-----------------|
| South 97          | 19         | 810,744          | 6.49%           | 8,742               | 51,718         | 27,492          |
| Central 97        | 46         | 687,899          | 5.90%           | 2,027               | (22,528)       | 20,727          |
| North 97          | 29         | 1,199,319        | 6.33%           | 57,636              | 78,390         | (103,356)       |
| East side         | 29         | 590,267          | 6.01%           | 2,913               | 7,223          | 9,359           |
| West side         | 54         | 561,294          | 12.08%          | 5,497               | (24,279)       | 5,230           |
| Downtown          | 65         | 424,617          | 3.16%           | (3,178)             | (640)          | 19,589          |
| Old Mill District | 17         | 232,490          | 6.07%           | 0                   | 1,897          | (8,172)         |
| <b>Total</b>      | <b>259</b> | <b>4,506,630</b> | <b>6.66%</b>    | <b>73,637</b>       | <b>91,781</b>  | <b>(29,131)</b> |

## RETAIL AND RESTAURANT BITES

- **Martolli's Pizza Restaurant** will soon be open for business in Northwest Crossing at 2755 NW Crossing Drive, Suite 101. *Lessor represented by Erich Schultz, SIOR; Tenant represented by Howard Friedman, CCIM.*
- Owners of the former **SOBA** restaurant will re-open a similar concept next month in their new location at 932 NW Bond St. in downtown Bend, the site previously occupied by Caldera Grille. *Tenant represented by Herb Arathoon, CPM® and Luke Ross, Broker.*
- **Zen Bend: Yoga, Kung Fu, Tai Chi** – Martial Arts studio is now open at Brookwood Meadow Plaza in SW Bend. Visit their Facebook page for class schedules. Lessor and Tenant



Zen Bend: Yoga, Kung Fu, Tai Chi

represented by John Keba, CPM®, ARM® and Russell Huntamer, Broker.

- **Revolv'r** men's clothing is opening soon and **The Bridal Suite** wedding dresses and formal wear has opened in downtown Bend in the former location of Roberts on Wall Street. *Lessor represented by Graham Dent, Broker and Howard Friedman, CCIM.* 🏡

## Select Listings | Retail



**LEASE: Lowe's Town Square Plaza in Bend**  
1,200–4,200 SF retail suites w/drive-thru off HWY 97  
**\$2.50–\$2.75/SF/Mo. NNN | PETER MAY**



**SALE/LEASE: High Traffic Retail Corner**  
12,039 SF retail/restaurant bldg. near Walgreens, Wilco and Costco on HWY 20 & 27th St. in Bend  
**\$1,900,000 | \$0.75–\$1.00/SF/Mo. NNN**  
**Restaurant: \$5,000/Mo. NNN | RON ROSS**



**SALE: Prineville 76 Station**  
Gas station, convenience store and car wash  
**\$1,390,000 | DAN KEMP**



**LEASE: Bend River Promenade**  
1,100–4,524 SF retail – HOBBY LOBBY NOW OPEN!  
**\$12–\$27/SF/Yr. NNN | RUSSELL HUNTAMER**

## Bend Industrial Market



Compass Commercial surveyed 301 buildings for the year-end industrial report. The buildings in the sample totaled over 4.12 million square feet.

**The citywide industrial vacancy rate decreased from 8% to 6.7% in the fourth quarter of 2014.** At the end of 2013, the vacancy rate was 12.25%. There is roughly 278,000 sq. ft. of available space for lease. For the year, there was 161,000 sq. ft. of positive net absorption. This suggests the available inventory represents less than a two-year supply.

### Southeast

**The southeast submarket** recorded 7,400 sq. ft. of positive net absorption in the fourth quarter. The vacancy rate fell slightly as a result and now stands at 2.9%. Only eight of

the 139 buildings surveyed have any vacancy. The largest space leased was 4,000 sq. ft. on Glenwood Drive. Few options remain available in this submarket with the largest availability being 9,300 sq. ft. Rental rates continue to increase and now range from \$0.55 to \$0.60 per square foot per month, on a triple net basis.

### Northeast

**The northeast submarket** recorded 11,000 sq. ft. of positive net absorption in the last 90 days of the year, where the vacancy rate is now 11.4%. This area of town contains 80% of the vacancy in the city. Still, just nine of the 118 buildings in this submarket reported having any vacancy. Most of these are big spaces appealing to the less common larger tenants. Rental rates in this area of town range from \$0.45 to \$0.60 per square foot per month, on a triple net basis.

### Central

**The central submarket** recorded 3,928 sq. ft. of negative net absorption placing the vacancy rate at 2.3%. Less than 8,000 sq. ft. remain available in this submarket and just two of the 36 buildings in this submarket reported having any vacancy.

### West Side

**There was no availability of industrial space in the west side submarket at the end of the year.** The only available remaining industrial building at the end of Q3 was a 3,839 square foot space on Century Drive that leased in Q4. The vacancy rate at the end of 2013 was at 3.4%. 🍌

### NET ABSORPTION BY SUBMARKET — 4TH QUARTER 2014

| Market Area  | No. Bldgs. | Total Sq. Ft.    | Vac. % 4th Qtr. | 4th Qtr. Absorption | Absorption YTD | Total 2013   |
|--------------|------------|------------------|-----------------|---------------------|----------------|--------------|
| Southeast    | 139        | 1,659,902        | 2.92%           | 7,398               | 63,248         | 6,782        |
| Northeast    | 118        | 1,946,618        | 11.37%          | 10,961              | 93,736         | (28,865)     |
| Central      | 36         | 345,468          | 2.30%           | (3,928)             | (2,265)        | 27,877       |
| West side    | 8          | 168,240          | 0.00%           | 3,839               | 6,010          | 1,204        |
| <b>TOTAL</b> | <b>301</b> | <b>4,120,228</b> | <b>6.74%</b>    | <b>18,270</b>       | <b>160,729</b> | <b>6,998</b> |

*Industrial buildings over 3,000 square feet*

## FACTORY BUILT

### Manufacturing Still Drives Bend's Economy

Source: *BendforBusiness.com*

From bullets to beer to bikes, Bend is a manufacturing town. With more than 175 manufacturing companies in the region making an extremely wide variety of products, it's not an understatement to say the industry is the backbone of Central Oregon.

"We were built on manufacturing. We have the bones of a manufacturing town. We are workers," said Carolyn Eagan, Bend Business Advocate with the City of Bend. "Maybe we look different than we did, but manufacturing really is part of our identity."

That identity was once wood product manufacturing, with the Brooks-Scanlon and the Shevlin-Hixon mills claiming the title of two of the largest pine mills in the world. Lumber production faded in the 1980's but continues on in Central Oregon in the form of secondary wood product generation.

The rise of many other sorts of manufacturing is Bend's story now. From clusters in biotech, outdoor products, aviation and, of course, beer, the manufacturing industry, which faced hardships during the recession, is going strong.

## Redmond Industrial Market



In the fourth quarter, Compass Commercial surveyed 76 industrial buildings totaling nearly 1.47 million square feet. **Six buildings reported a combined 79,000 sq. ft.**

**of positive absorption this quarter.** The

Redmond Mill Site reported a total of 35,000 sq. ft. leased to several tenants. In addition, the Dimeo Building on Veterans Way and 1830 1st Street both signed leases during the quarter. The activity caused the vacancy rate to drop from 15.9% to 10.5%. There is now 154,000 sq. ft. of available space for lease. 🍌

### NET ABSORPTION BY SUBMARKET — 4TH QUARTER 2014

| Market Area    | No. Bldgs. | Total Sq. Ft.    | Vac. % 4th Qtr. | 4th Qtr. Absorption | Absorption YTD | Total 2013    |
|----------------|------------|------------------|-----------------|---------------------|----------------|---------------|
| <b>Redmond</b> | <b>76</b>  | <b>1,469,230</b> | <b>10.48%</b>   | <b>78,951</b>       | <b>107,854</b> | <b>93,517</b> |

*Industrial buildings over 3,000 square feet*

*Continued on page 5*

## COMPASS COMMERCIAL REAL ESTATE SERVICES RECEIVES PRESTIGIOUS AMO® ACCREDITATION

*Only Property Management Firm in Central Oregon to Hold Elite Real Estate Management Recognition*



Compass Commercial Asset and Property Management recently received the prestigious **ACCREDITED MANAGEMENT ORGANIZATION® (AMO®)**

**accreditation** from The Institute of Real Estate Management (IREM®) for excellence in property management services.

**John Keba, CPM®, ARM®, Vice President of Property Management**, spearheaded the accreditation process on behalf of Compass Commercial Real Estate Services. Keba oversees the firm's management of over 1.6 million square feet of office, medical, commercial, retail and industrial properties throughout Central Oregon.

"Our organization is extremely honored to have earned this prestigious accreditation," said Keba. "The highly recognized industry-wide AMO® certification goes a long way in elevating the level of standards our existing and future clients can expect in working with our organization. Achieving the AMO® firm status assures our clients that their assets are receiving the highest level of professional management service."

AMO® accreditation is the only award given to real estate management firms that demonstrate to clients their ability to go beyond industry standards by proactively working to set them. This includes exhibiting

a high level of performance, experience, stability and financial accountability while having at least one CERTIFIED PROPERTY MANAGER (CPM®) in an executive position. Compass Commercial Real Estate Services counts three CPM® designees among its Asset and Property Management team.

IREM® maintains the stringent AMO® accreditation standards by reviewing accredited firms every three years. In addition, AMO® firms must abide by a strictly enforced rigorous Code of Professional Ethics. The AMO® accreditation places Compass Commercial Real Estate Services amongst an elite group of only 550 firms worldwide with such a distinction and the only AMO® firm based in Central Oregon.

"We are very proud of this designation and grateful to John for his diligent work in meeting and exceeding the AMO® standards," said **Howard Friedman, CCIM, president of Compass Commercial Real Estate Services**. "At Compass Commercial, we do everything in our power to ensure we are providing the best service to our clients and in property management this includes doing everything possible for the benefit of the property owners we work with and the tenants who entrust their businesses to us. This designation shows we have been successful in meeting the industry's most stringent standards and it is gratifying to all of us to enjoy this recognition." 


## FACTORY BUILT | Manufacturing Still Drives Bend's Economy

*Continued from page 4*

It's not hard to see why. Bend, with its exceptional quality of life, large workforce in the area, and relatively low tax rate, is also placing a high premium on ensuring the businesses that move to and operate in Central Oregon are fully supported.

Economic Development for Central Oregon (EDCO) has served this industry for more than 25 years. The organization focuses heavily on business retention and expansion, offering educational events, networking

opportunities and creative solutions for growing industries.

The result is a dynamic and growing manufacturing industry that's achieving critical goals in Bend. The living wage jobs and diverse employment opportunities provided by the industry are ensuring that no matter how many destination resorts and golf courses go up in the region, we will always stay true to our roots as a town that works. 

### Select Listings | Industrial



**LEASE: East Side Industrial Space in Bend**  
Ste. 9, 1,660 SF w/6 private offices and roll-up door  
**\$0.75/SF/Mo. NNN | HERB ARATHOON**



**LEASE: Reed Market Business Park**  
New 8,400 SF industrial bldg. available Spring 2015  
**\$0.59/SF/Mo. NNN | TERRY O'NEIL**



**LEASE: East Empire Industrial Park**  
24,749 SF high-end industrial w/8,000 SF office  
**\$0.55/SF/MO. NNN | GARDNER WILLIAMS**



**LEASE: Large Industrial/Office Building**  
5,000 SF warehouse plus 2,960 SF office in Sisters  
**\$0.55/SF/Mo. NNN | JOEL THOMAS**

## COMPASS COMMERCIAL RECOGNIZES 2014 TOP PERFORMERS

### Schultz Receives Top Producer Award



Compass Commercial Real Estate Services is pleased to announce that **Erich Schultz, SIOR** received the firm's Top Broker status for 2014.

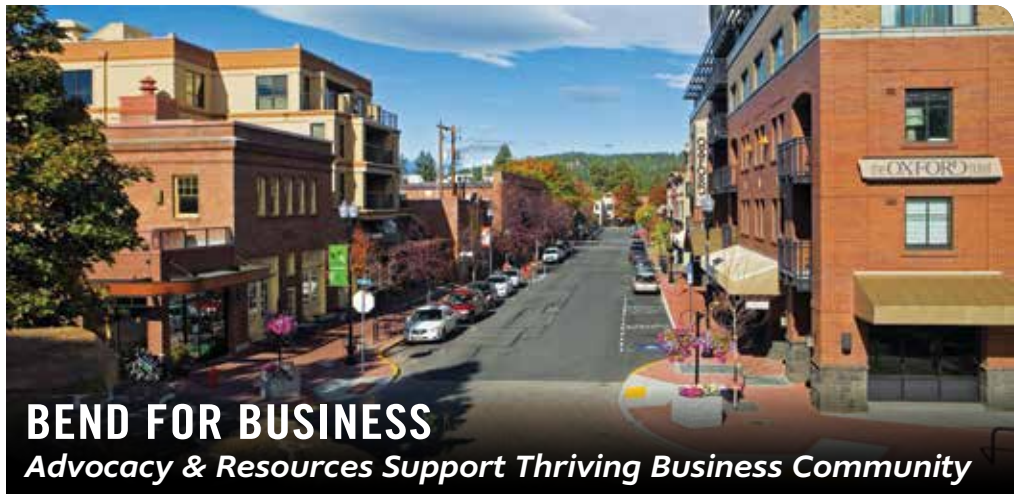
**Erich Schultz, SIOR** Schultz negotiated several notable transactions throughout the year including the lease of 815 Bond Street to BMC in the Old Mill District, the sale of 2731 SW Airport Way in Redmond and the sale of American Licorice's former offices in NorthWest Crossing.

In addition to awarding the top producer, Compass Commercial gave accolades to members of its team in the following categories:

- 2014 Largest Sale Transaction of the Year awarded to **John Keba, CPM®, ARM®** and **Patrick Kesgard, CCIM** for negotiating the sale of Mt. Bachelor Plaza.
- 2014 Largest Lease Transaction of the Year awarded to **Russell Huntamer, Principal Broker** and **Stephen Toomey, CCIM** for leasing space in Bend River Promenade to Hobby Lobby.

The company also recognized the following members of its team for excellence in service and outstanding performance.

- **Graham Dent, Broker**
- **Steve Hendley, Construction Services Manager**
- **Terry O'Neil, Broker**
- **Luke Ross, Property Manager**
- **Sandi Mickel, Administrative Assistant**



If you have ever pondered starting or expanding your business in Bend, now is an opportune time to make those aspirations real.

Since forming the Bend Economic Development Advisory Board (BEDAB) in 2009, the city has continued to support business growth in Bend by implementing a strategic plan centered on economic development and business advocacy.

BEDAB's plan assembled a dynamic "Bend for Business" team with **Economic Development for Central Oregon, Bend Chamber of Commerce, the Small Business Development Center, Visit Bend** and the **City of Bend** all working together through one board and several committees to maximize opportunities and

contribute to enhancing the success of Bend's business community.

Through the collective knowledge of all the business organizations at the BEDAB table, the group identified five core industries that Bend is ready to serve: The outdoor industry, aviation and aerospace, technology and software, bioscience and advanced manufacturing. Coordinated economic development efforts continue to advance with each business support group contributing to lure these industries to town.

Through the "Bend for Business" plan, the city has provided business owners with expanded resources, including having a full-time business advocate on staff, increased communication and a new website that offers

*Continued on page 8*

## NONPROFIT SPOTLIGHT | *Central Oregon Sparrow Clubs*



Compass Commercial is pleased to continue our support of Central Oregon Sparrow Clubs this year. Sparrow Clubs exist to set the stage for simple yet heroic acts of kindness in our schools and amongst our youth by empowering kids to help other children in medical need. If you are unfamiliar with this inspirational organization, Sparrow Clubs take the concept of paying it forward to new levels by gaining corporate support to engage schools in fundraising efforts and community service in the name of their Sparrow family.

### Introducing Miro

This year, we're joining with Buckingham Elementary School to sponsor Miro. Miro is a delightful boy who is an artistic and driven little four-year old. His story has warmed our hearts and we are pleased to support Buckingham Elementary School as they donate over 256 hours toward community service in exchange for our support of Sparrow Clubs. We invite you to learn more about Sparrow Clubs and read more about Miro and his family's journey. **Visit [www.sparrowclubs.org](http://www.sparrowclubs.org)** 



## KESGARD AWARDED COBA 2014 REALTOR OF THE YEAR



Patrick Kesgard, CCIM

Compass Commercial Real Estate Services is pleased to announce that Partner Broker, **Patrick Kesgard, CCIM** was recognized by the Central Oregon Builders Association (COBA) as the **2014 Realtor of the Year**,

an award sponsored by Hayden Homes at COBA's annual Excellence Awards held on January 22, 2015.

COBA members nominated its 29 award recipients judged on their involvement in COBA, industry accomplishments and civic activities.

"Being recognized by my peers at COBA is a tremendous honor and I'm thrilled to receive this acknowledgment," said Kesgard. "2014 was a remarkable year for our industry and I look forward to continuing to work with members of COBA in serving our community and providing my clients with extraordinary service." 🍌

## Q4 2014 NOTABLE TRANSACTIONS

Compass Commercial closed 76 transactions in the fourth quarter of 2014 for a total consideration of \$29.8 million. Below are some of the significant transactions Compass Commercial negotiated October through December. This is a sampling of transactions as we hold some information in confidence per the wishes of our clients.

- 1) **61379 S. Highway 97, Bend, Retail Building Sale, \$4,500,000**  
**Seller:** Mt. Bachelor Plaza, LLC, represented by John Keba, CPM® ARM®  
**Buyer:** Jean Pozzi, represented by Pat Kesgard, CCIM
- 2) **2115 NE Wyatt Court, Bend, Medical Office Lease**  
**Lessor:** Morningside Medical Building, LLC represented by Bruce Kemp, CCIM, Daniel Kemp, Broker & Peter May, CCIM  
**Lessee:** Northwest Brain & Spine represented by Bruce Kemp, CCIM & Daniel Kemp, Broker
- 3) **60851 Brosterhous Road, Bend, Residential Land Sale, \$2,125,000**  
**Seller:** Kim D. Ward, LLC  
**Buyer:** Te Amo Rapido, LLC  
 Both parties represented by Bruce Kemp, CCIM & Daniel Kemp, Broker
- 4) **2084 NE Professional Court, Bend, Medical Office Lease**  
**Lessor:** Kim D. Ward, LLC represented by Pat Kesgard, CCIM & Darren Powderly, CCIM  
**Lessee:** Mosaic Medical represented by Peter May, CCIM, Russell Huntamer, Principal Broker & Darren Powderly, CCIM
- 5) **2731 SW Airport Way, Redmond, Office Building Sale, \$2,000,000**  
**Seller:** Campus Building B, LLC represented by Erich Schultz, SIOR, Jay Lyons, CCIM & Darren Powderly, CCIM  
**Buyer:** Central Christian School
- 6) **906 - 1006 SE 9th Street, Bend, Industrial Building Sale, \$1,710,000**  
**Seller:** Juniper Ridge Bend L& Company, LLC  
**Buyer:** Flex Pack  
 Both parties represented by Bruce Kemp, CCIM, Robert Raimondi, Broker & Daniel Kemp, Broker
- 7) **16161 Burgess Road, La Pine, Hotel/Motel Sale, \$1,500,000**  
**Seller:** J Bar J Properties represented by Pat Kesgard, CCIM & Joel Thomas, Broker  
**Buyer:** LowCal Industries, LLC
- 8) **4430 106th Street, SW Suite 102, Mukilteo, WA Office Building Sale \$1,320,000**  
**Seller:** Theodore Haines  
**Buyer:** Wachenberg Investments, LLC represented by Pat Kesgard, CCIM & Joel Thomas, Broker
- 9) **2804 SW 6th Street, Redmond, Office Building Sale, \$960,000**  
**Seller:** R5 Investments, LLC represented by Russell Huntamer, Principal Broker, Peter May, CCIM & Darren Powderly, CCIM  
**Buyer:** High Desert Education Service District represented by Peter May, CCIM
- 10) **63165 NE 18th Street, Bend, Land Sale, \$950,000**  
**Seller:** Columbia State Bank  
**Buyer:** Steidl Triplex, LLC represented by Ron Ross, CCIM & Terry O'Neil, Broker

### Select Listings | Office



#### LEASE: East Side Office Space

Excellent location near the Forum Shopping Center, 4 suites available from 1,630-3,634 SF

**\$0.75-\$0.85/SF/MO. NNN | TARA DUNCAN**



#### LEASE: Deschutes Business Center

5,780 SF in high visibility office complex in Bend

**\$1.00/SF/Mo. NNN | ROBERT RAIMONDI**



#### LEASE: Class A Medical/Office Space

Up to 5,900 SF in NE Bend near St. Charles

**\$1.29/SF/Mo. NNN | PAT KESGARD**



#### SALE/LEASE: Collins Orchard Building

9,235 SF office bldg. near Sawyer Park and HWY 97

**\$925/Mo. Gross | \$1.15-\$1.20/SF/Mo. NNN  
\$1,440,000 | ERICH SCHULTZ**

*Continued from page 6*

a one-stop portal to access key business organizations and related information.

BEDAB's advocacy is also helping businesses streamline communication with the city to get answers at key stages of planning and development.

**"Business owners are able to get the timely attention of the city when seeking help with critical issues such as zoning, fees or ordinance concerns,"** said Erich

Schultz, a partner at Compass Commercial Real Estate Services who serves as BEDAB's Vice Chair. **"BEDAB brings these issues directly before the Bend City Council or to the right department, which provides incredible support to businesses at crucial planning stages."**

The plan appears to be working. In 2014, over 1,200 new businesses registered in the City of Bend – a 20 percent increase over 2013

and a 40 percent increase over 2012.

Visit [www.bendforbusiness.com](http://www.bendforbusiness.com) to learn more about BEDAB's successes and find information about the business organizations and local resources to help you realize your vision in Bend.

Visit [www.compasscommercial.com](http://www.compasscommercial.com) to connect with a broker to help you find the ideal space for your business. 🍌

## 2014 SUMMARY / 2015 FORECAST

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looking for sites for their next projects. We expect that the first developers that get projects started will be those with some sort of cost advantage, such as contractors who can contribute their fees toward a project, or owners with a low basis in their land.

### A Growing Trend

If you believe that Colorado's experience over the past two years offers a preview of what we can expect to unfold in Oregon, then the industrial market will see new demand from an increasing number of marijuana growers. Still, banks and credit unions face the prospect that federal regulators will shut them down for doing business with marijuana enterprises. Today, landlords may be in violation of their loan covenants if they lease to a tenant in the pot industry. New construction based upon pre-leasing to growers cannot be financed by banks. The dicey conflict between state

and federal laws will need correction before owners can move forward with confidence in this arena. Still some property owners are currently benefitting from the industry. Those with no bank debt can do as they please. However, depositing rent into a bank account from marijuana based tenants could be an issue. Others may throw caution to the wind in order to capture the premium rents that these tenants are willing to pay. Well-financed participants in the marijuana industry will be buying property as well.

### Redmond and Prineville

Price conscious industrial space users may have to give Redmond or Prineville serious consideration. There is greater availability in Redmond as the vacancy rate is 10.5%. Base rents range from \$0.30 to \$0.40 per square foot per month, triple net. Industrial land in Redmond is more affordable as well. Sites can be acquired for \$2.50 to \$5.00 per

square foot. Prineville rents are even less. They range from \$0.15 to \$0.30 per square foot per month, triple net. Land prices range from \$1.00 to \$3.00 per square foot.

### Multifamily

The lack of available land is affecting the multifamily/residential market as well. Reports over the last 12 to 18 months have shown Bend's apartment vacancy rate standing at 1% or less. Normally, developers would be constructing projects to take advantage of the supply imbalance and a few are. However, there is even less land zoned for multifamily development than there is industrial land. Developers from across the state and beyond have come, they have seen and they have left empty handed for the most part. Meanwhile, those landlords that are holding existing apartments are enjoying historically high rents.

### Hospitality

Hospitality is one product type that has felt the least amount of impact from the lack of availability and high cost of land. In 2014, a new Hampton Inn & Suites completed construction and opened on the west side of the Deschutes River in the Old Mill District. Spring Hill Suites has proposed a development between the Old Mill District and downtown, while a My Place Hotel in the Old Mill District is in the pre-development stage. According to Visit Bend, the citywide hotel occupancy rate is about 69% and the average daily rate and citywide revenue per available room are in record territory. Mixed-use zoned land in the Old Mill District and surrounding area is trading for \$20 to \$25 per square foot. 🍌

**BEND OFFICE & INDUSTRIAL VACANCY RATE BY YEAR**

