

BEND RETAIL'S RECOVERY FROM THE GREAT RECESSION

The Bend retail market has matured since the Great Recession, which officially lasted on a national level from December 2007 to June 2009. The retail landscape has experienced strong absorption, a significant amount of redevelopment or the repurposing of existing buildings, and a plethora of new construction.

INCREASED DEMAND

In Q3 of 2007, before the effects of the recession resulted in the increase in vacant retail space, the vacancy rate was at a low of 3.28% across 4.16 million square feet. At the trough (Q2 of 2009), Bend's retail market experienced a peak vacancy rate of 13.2%, representing 572,331 SF of empty space across a total of 4.33 million SF. Today, Bend's retail sector boasts a 2.88% vacancy rate across 4.60 million SF, representing a total absorption of 832,833 SF since the 2009 low. As a result, rental rates have increased, and many prospective tenants have been left with very few choices, if any. Although we did not immediately see the V-shaped recovery many were hoping for, there has been strong demand and a robust rate of absorption, which has picked up the pace, especially over the last five years.

To illustrate the tenant demand on existing sites, Big Lots replaced the 23,000 SF former Linens 'N Things location at The Forum Shopping Center in 2010. Hobby Lobby quickly obtained the 63,000 SF former Sears space at the Bend River Promenade in 2014. Ashley HomeStore leased the former 53,000 SF JC Penney space at Cascade Village Shopping Center in Q3 2021 and recently opened its doors in 2022. Black Steer also leased the former Johnny Carino's 6,722 SF building at Cascade Village and is set to open in late October 2022.

NEW CONSTRUCTION AND REDEVELOPMENT

Inventory has increased to the tune of approximately 260,500 SF since the recession by means of new construction and the redevelopment of existing properties. Killian Pacific purchased the 93,940 SF Old Mill Marketplace in 2013, later remodeling and rebranding it into The Box Factory. Only one 2,600 SF space remains available. A former wood mill on Century Drive on Bend's west side was repurposed and rebranded as the Century Center, and it is currently 100% occupied.

Regarding new construction, Wilco demolished and replaced the former Regal Cinemas east side location in 2014 with a 33,000 SF building, followed by the construction of a 14,490 SF Walgreens on the same development site. Starbucks and Washington Trust also demolished and replaced the former Ernesto's Italian restaurant. After the collapse of the former 43,000 SF Ray's Food Place building, G Group developed a 203-unit high-end apartment complex known as The Hixon with 20,000 SF of retail space on the ground floor. The Chick-Fil-A anchored Robal Road Village was completed in Q2 2020 with seven buildings totaling about 53,000 SF. One of the largest construction projects currently underway is Reed South, located at the corner of Reed Market Road and 27th Street. The roughly 30,000 SF retail center anchored by Cascade Lakes Brewing is nearing shell completion.

Demand remains strong despite the current economic headwinds. Some retailers are proceeding with caution, while others are becoming more acclimated to higher lease rates. The Bend retail market we are experiencing today is a different market than it was before the downturn of the Great Recession.

*Written by partner and broker
Russell Huntamer, CCIM*

CENTRAL OREGON

Commercial Real Estate Market Report



BEND OFFICE

3.38%
VACANCY

25,173 SF
ABSORPTION

Compass Commercial surveyed 222 office buildings totaling 2.75 million square feet for the third quarter office report of 2022. The market experienced 25,173 SF of positive absorption in Q3 2022, with a decline in vacancy rate from 4.29% in Q2 2022 to 3.38% in Q3. The vacancy rate has declined for four consecutive quarters and has not been this low since Q1 2019. There is 92,942 SF of office space currently available in the market.

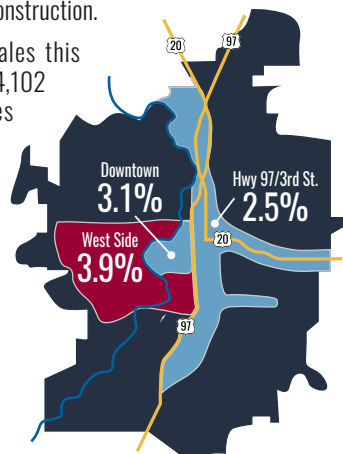
LEASING: Leasing demand has rebounded to pre-COVID levels, as is evidenced by the declining vacancy rate. The Downtown submarket experienced significant positive absorption this quarter of 20,179 SF, which is primarily attributed to increased leasing activity at Franklin Crossing in downtown Bend. Respectively, the Highway 97/3rd Street submarket experienced 11,001 SF of positive absorption largely due to Broken Top Candle Company leasing a 17,682 SF building at 2491 NE Twin Knolls Dr. The West Side submarket experienced 6,007 SF of negative absorption this quarter.

RENTS: Lease rates remain unchanged from Q2, with the high end of the market ranging from \$2.00 to \$2.85/SF/Mo. NNN and more affordable spaces ranging from \$1.40 to \$2.00/SF/Mo. NNN. As inventory continues to decline, the market may experience upward pressure on lease rates.

CONSTRUCTION: Shevlin Crossing, an approximately 45,054 SF two-building Class A office project in NorthWest Crossing, is under construction with an estimated shell delivery of Q1 2023. There are no other speculative office developments currently under construction.

SALES: There were two notable sales this quarter. An owner/user purchased a 4,102 SF office building with two suites located at 777 SW Mill View Way within the West Side submarket. The building in the off-market transaction sold for \$1,750,000, or approximately \$427/SF. Another owner/user purchased a 2,841 SF single-tenant office building located at 434 NE Norton Avenue for \$795,000, or approximately \$280/SF.

*Written by partner and broker
Jay Lyons, SIOR, CCIM*



OFFICE VACANCY RATES (Change since last quarter)
■ Increased ■ Decreased ■ No Change

BEND OFFICE NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	3RD QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
Downtown	51	494,522	3.07%	20,179	32,863
Hwy 97/3rd St.	54	677,717	2.50%	11,001	(5,612)
West Side	117	1,580,127	3.85%	(6,007)	52,905
TOTAL	222	2,752,366	3.38%	25,173	80,156



BEND RETAIL

2.88%
VACANCY

36,901 SF
ABSORPTION

Compass Commercial surveyed over 4.59 million square feet of retail space across 262 buildings. During the quarter, 36,901 SF of positive absorption was recorded, resulting in the citywide vacancy rate decreasing from 3.63% in Q2 2022 to 2.88% in Q3 2022. There is now 132,352 SF of available retail space for lease.

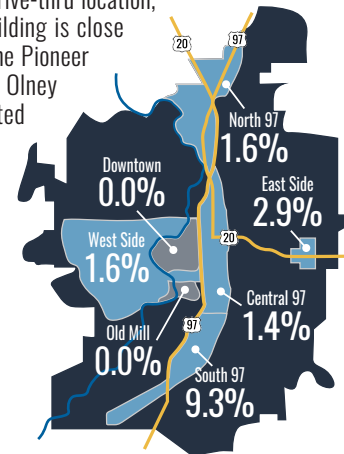
LEASING: Retail leasing picked up in Q3 after slowing slightly in the previous quarter. Overall retail vacancy dropped by almost a full percentage point in Q3, caused by over 36,000 SF of positive absorption. Each submarket with available space to lease reported an increase in leasing activity, apart from the Old Mill District and Downtown submarkets which maintained 0% vacancy rates. The East Side submarket saw a decrease in vacancy, with the leasing of the 5,378 SF former Sew Many Quilts location by Anvil Sewing. The West Side submarket saw a substantial increase in positive absorption with the leasing of a combined 6,363 SF at the Westside Yard, with new tenants including The Now Massage, Precision Chiropractic, Stone Soup, and TeaCupFuls. The Great Greek signed a new lease in the South 97 submarket at the Reed South development at the corner of Reed Market Road and 27th Street.

RENTS: The asking rental rates for Bend retail space range between \$1.15 and \$4.00/SF/Mo. NNN with the highest rates associated with drive-thru sites and new construction.

CONSTRUCTION: The Reed South project has completed the shell delivery of retail buildings A and B and the drive-thru location, and the Cascade Lakes Brewing building is close to finishing its shell construction. The Pioneer Plaza development at the corner of Olney and Wall Street has almost completed its shell construction of the 3,000 SF restaurant building and has 1,500 SF of available retail space.

SALES: Notable sales during the quarter include The Westside Café, located at 1005 Glaveston Ave sold for \$6,300,000.00 or \$625.53/SF. 181 NE Franklin Ave sold for \$2,900,000.00 or \$312.23/SF, and 135 NW Minnesota Avenue sold for \$2,875,000.00, which is \$532.41/SF.

Written by broker Eli Harrison



RETAIL VACANCY RATES (Change since last quarter)
■ Increased ■ Decreased ■ No Change

BEND RETAIL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	3RD QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
South 97	22	829,207	9.28%	5,338	8,452
Central 97	44	677,348	1.35%	3,828	582
North 97	28	1,254,493	1.63%	15,505	16,228
East Side	28	578,336	2.91%	7,818	917
West Side	55	557,075	1.62%	4,412	12,293
Old Mill District	19	265,502	0.00%	0	0
Downtown	66	434,383	0.00%	0	7,158
TOTAL	262	4,596,344	2.88%	36,901	45,630



BEND INDUSTRIAL

0.63%
VACANCY

-13,599 SF
ABSORPTION

Compass Commercial surveyed 320 Bend industrial buildings totaling 4.61 million square feet for the third quarter Bend industrial market report of 2022. The market experienced 13,599 SF of negative absorption in the quarter. At the end of Q3 2022, the overall vacancy rate stood at 0.63%, a slight increase from the 0.34% recorded in Q2 2022. There is 29,337 SF of industrial space currently available in Bend.

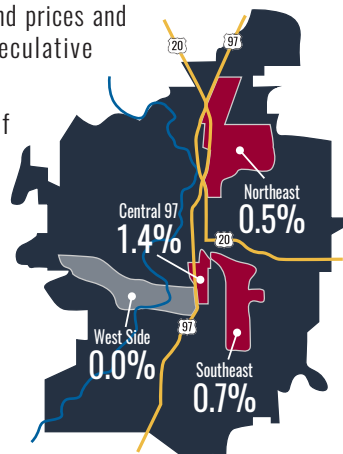
LEASING: As evidenced by the low vacancy rate, demand for industrial space remained very high during the quarter. Landlords continue to enjoy high tenant retention rates due to the lack of available and affordable alternatives. Tenants are becoming more efficient and creative with the space they occupy as rates for alternative spaces have become unaffordable for many.

RENTS: Average asking rates for Bend industrial space are between \$1.00 and \$1.25/SF/Mo. NNN*. Due to the high demand for industrial space in town, Landlords are consistently achieving rates above \$1.00 /SF/Mo. on new leases. Generally, smaller spaces under 5,000 SF will command rates on the higher end of this range.

CONSTRUCTION: There are no speculative industrial development projects underway. The construction occurring in the market is limited to owner/user development projects. Rental rates are at an all-time high, as are land prices and construction costs making speculative development risky.

SALES: There were a couple of notable industrial building sales during the quarter. An investor purchased a property located at 62988 Layton Avenue for \$1,990,000 or \$285/SF which represented a 4.0% cap rate. Another property located at 63028 Layton Avenue sold to an owner/user for \$3,430,000 or \$285/SF.

*Written by partner and broker
Graham Dent, SIOR*



BEND IND. VACANCY RATES (Change since last quarter)
Increased Decreased No Change

BEND INDUSTRIAL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	3RD QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
Southeast	143	1,685,983	0.68%	(3,983)	(1,562)
Northeast	127	2,151,516	0.52%	(2,947)	8,594
Central	38	469,915	1.42%	(6,669)	30,079
West Side	12	303,106	0.00%	0	1,710
TOTAL	320	4,610,520	0.63%	(13,599)	38,821



RDM INDUSTRIAL

1.38%
VACANCY

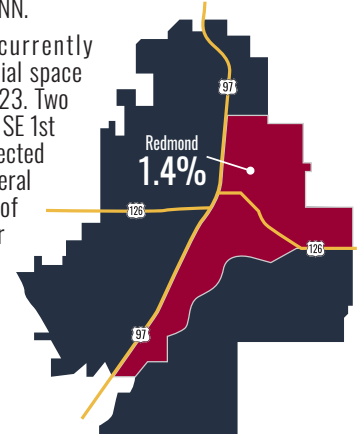
-11,250 SF
ABSORPTION

Compass Commercial surveyed 88 buildings totaling 1.66 million square feet for the third quarter Redmond industrial market report of 2022. In this quarter, the Redmond industrial market recorded negative absorption of 11,250 square feet. At the end of Q2 2022, 11,725 SF of industrial space was available in Redmond, and there is now 22,975 SF of vacant space in Q3 2022. As a result, the vacancy rate increased from 0.70% in Q2 to 1.38% in Q3.

LEASING: Activity in the Redmond industrial market showed little movement, with tenants remaining in their current spaces. The 22,975 SF currently available came on the market during Q2 and Q3. The Redmond industrial market continues to be very tight, keeping the lease rents on the higher side.

RENTS: Average asking lease rates in the Redmond industrial market are between \$0.85 and \$1.10/SF/Mo. NNN* depending on the condition of the space. Asking rates for new projects under construction will probably be between \$0.95 and \$1.25/SF/Mo. NNN.

CONSTRUCTION: There is currently 100,000 to 170,000 SF of industrial space in the pipeline for Q4 2022 and 2023. Two industrial buildings, located at 2505 SE 1st Street totaling 58,568 SF, are projected to be complete this month, and several leases are already signed. Some of these buildings will be owner/user facilities, but most will be for lease. In the last few months, lumber prices remained moderate, but steel is still higher than it was two years ago. With rising interest rates, we anticipate some slowdown in speculative construction.



*Written by partner and broker
Pat Kesgard, CCIM*

RDM IND. VACANCY RATES (Change since last quarter)
Increased Decreased No Change

REDMOND INDUSTRIAL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	3RD QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
Redmond	88	1,663,927	1.38%	(11,250)	(22,975)

Positive Absorption = Space Leased | Negative Absorption = Space Vacated
*Data sourced from CoStar



FOR LEASE

4270 SW Canal Blvd., Redmond
2,000 – 5,564 SF | \$2.15-\$2.45/SF/Mo. NNN

NEW LISTING ALERT

FOR SALE: FULLY LEASED MIXED-USE BUILDING

Exciting Investment Opportunity
in the Heart of Mountain Country
6,658 SF | \$1,300,000

Want to know when new listings like this hit the market?

Sign up for New Listing Alerts at
CompassCommercial.com/Signup



484 W Washington Ave., Sisters



NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the third quarter of 2022. For more details about our monthly transactions, please visit CompassCommercial.com/Transactions.



80
TRANSACTIONS



16
SALES



53
LEASES



\$45.1M
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Ranch Land	10804 SE Puett Rd., Paulina	9,430 AC	Undisclosed	SELLER: Dan Kemp
	Land	61485 American Ln., Bend	5.3 AC	\$3,174,435	SELLER: Dan Kemp & Luke Ross
	Retail	184 NE Franklin Ave., Bend	3,840 SF 0.11 AC	\$2,900,000	SELLER: Dan Kemp & Peter May BUYER: Bruce Churchill, Jay Lyons, Grant Schultz
	Industrial	1598 S Highway 97, Redmond	10,890 SF 0.99 AC	\$1,700,000	BUYER: Pat Kesgard & Kristie Schmitt
	Industrial	61561 American Ln., Bend	4,000 SF 1.3 AC	\$1,575,000	BUYER: Pat Kesgard & Kristie Schmitt
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Office/Industrial	2491 NE Twin Knolls Dr., Bend	17,682 SF	Broken Top Candle Company	LANDLORD & TENANT: Russell Huntamer, Terry O'Neil & Eli Harrison
	Office	NEC of NW Shevlin Park Rd. & NW Crossing Dr., Bend	7,200 SF	RBC Capital Markets, LLC	LANDLORD: Graham Dent, Jay Lyons & Grant Schultz TENANT: Jay Lyons & Grant Schultz
	Medical	NWC of York Dr. & Charbonneau St., Bend	3,540 SF	Smiles Management, LLC	LANDLORD: Jay Lyons & Grant Schultz
	Retail	550 SW Industrial Way, Bend	2,879 SF	Borgo Rosati, Inc.	LANDLORD: Russell Huntamer, Jay Lyons, Grant Schultz & Eli Harrison TENANT: Russell Huntamer, Bruce Churchill & Eli Harrison
	Retail	2680 NE Highway 20, Bend	5,378 SF	Anvil Sewing, Inc.	LANDLORD & TENANT: Peter May, Russell Huntamer & Eli Harrison



© COMPASS COMMERCIAL, INC. 2022

Published quarterly. Subscription is free via sign-up on our website. Analysis and editorial by the management and staff of Compass Commercial Real Estate Services.

Sign up or view past issues at:
[COMPASSCOMMERCIAL.COM/POINTS](https://CompassCommercial.com/Points)

Follow us on:

COMPASS
COMMERCIAL

REAL ESTATE
SERVICES

600 SW Columbia St., Ste. 6100 | Bend, OR 97702
541.383.2444 | www.CompassCommercial.com