

Contents

Q3 MARKET SUMMARY

- 2 Bend Office Market
- 3 Bend Retail Market
- 4 Bend & Redmond Industrial Markets

COMPASS NEWS

- 5 High Profile Mixed-Use Property on the Market
Nonprofit Spotlight: The American Red Cross
- 6 Team Spotlight
Connecting Bend with Business
- 7 Notable Transactions

COVER STORY CONTINUED

$$NPV = -C_0 + \frac{C_1}{1+r} + \frac{C_2}{(1+r)^2} + \dots + \frac{C_T}{(1+r)^T}$$

-C₀ = Initial Investment r = Discount Rate
C = Cash Flow T = Time

Year	Cash Flow	Discount Rate of 8%	Present Value
1	\$100,000	x 0.9259	= \$92,593
2	\$103,000	x 0.8573	= \$88,306
3	\$106,090	x 0.7938	= \$84,218
4	\$109,273	x 0.7350	= \$80,319
5	\$112,551	x 0.6806	= \$76,600
6	\$115,927	x 0.6302	= \$73,054
7	\$119,405	x 0.5835	= \$69,672
8	\$122,987	x 0.5403	= \$66,446
9	\$126,677	x 0.5002	= \$63,370
10	\$1,130,477	x 0.4632	= \$523,630
Total Present Value:			\$1,218,207
Less Purchase Price: (\$1,200,000)			
Net Present Value:			\$18,207

- 8 Utilizing Investment Analysis Tools – To Determine the Best Property for You

UTILIZING INVESTMENT ANALYSIS TOOLS

To Determine the Best Property for You

By Jay Lyons, CCIM

As the Central Oregon real estate market continues to improve, demand for commercial investment properties continues to increase. When looking for the right property to buy, investors typically have two goals in mind: protect the initial capital that's invested and generate a competitive return on that investment. Every investment inherently has risk and commercial real estate is no different. There is a direct correlation between the level of risk and expected return on investment.

How an investor chooses to analyze an investment property is often dependent on the property itself or the individual investor. Following are three methods to determine if a property is the right investment for you.

Direct Capitalization

The direct capitalization approach or income approach to value utilizes a capitalization rate or "cap rate" to convert income into a property's value. The property's net operating income (the annual income generated by an income-producing property after taking into account all income collected from operations, and deducting all expenses incurred from operations) is divided by the cap rate to determine the value.

NOI / Cap Rate = Value

As an example, if a property has a net operating income of \$100,000 and it can be purchased for \$1,200,000, an investor would divide \$100,000 by \$1,200,000 to arrive at a cap rate of 8.33%.

The cap rate is the rate of return on investment for a single year of income (assuming the property is purchased with no debt). Cap rates are market driven by similar investment sales in the marketplace. They reflect the risk of an



investment and vary from market to market and by product type. A low cap rate typically indicates a safer investment with a quality tenant or tenants in place. Conversely, a higher cap rate is usually an indication of greater risk due to a lesser quality of tenants or leases that may be close to expiring. While the cap rate provides an investor with a quick way to compare investment properties, it's a "snapshot" view of the investment opportunity and does not account for future income and expenses. The income value of a property is quick to calculate. It is often used first to narrow down the available options and then one of the following methods below is employed to provide the data for a final decision.

Net Present Value (NPV)

Calculating the net present value for a property is another way to determine if a particular investment opportunity meets an investor's criteria. This method of valuation utilizes an investor chosen discount rate (rate of return) to determine the present value of anticipated future cash flows. Once the present value of those cash flows is calculated, the initial investment (purchase price) is subtracted from the present value to arrive at the net present value. If the result is positive, the desired rate of

Continued on page 8

Bend Office Market



Compass Commercial surveyed 207 office buildings for the third quarter 2014 office survey. The buildings in the sample totaled 2,509,340 square feet. The citywide office vacancy rate started at 11.44% at the end of Q2 2014 and stayed moderately the same with vacancy inching slightly down to 11.37% at the end of Q3 2014. **Still, this represents the tenth consecutive drop in the citywide office vacancy producing**

the lowest rate since the first quarter of 2008, when Bend's office vacancy stood at 11.18%. The survey results showed that 285,366 sq. ft. of space is now available for lease, compared to 287,002 sq. ft. at the end of Q2 2014.

This quarter, 10,209 sq. ft. of positive net absorption took place, compared to 17,726 sq. ft. of positive absorption in the previous quarter. We continue to be optimistic that the trend in office absorption will continue, and as such, lease rates will move back

up to maintain a more tolerable price for landlords, which is great news for owners who have seen office rates decline by up to 40% since the start of the recession.

Downtown

Compass Commercial surveyed 49 downtown office buildings totaling 490,121 sq. ft. for the Q3 survey. Downtown office has consistently had the lowest vacancy factor in the sector and is currently at 7.10%, which is slightly up from 6.45% last quarter. A total of 3,174 sq. ft. of negative absorption occurred this quarter. So far this year we are still experiencing a great improvement with the vacancy dropping from the 2013 year-end vacancy of 11.64%.

Hwy 97/3rd Street

The Highway 97/3rd Street corridor recorded a negative absorption of 7,677 sq. ft. due primarily to the Forest Service vacating their space in Red Oaks Square at 1230 NE Third Street. 56 buildings included in the survey showed the vacancy rate at a slight increase from 14.51% last quarter to 15.65% in Q3 2014.

West Side

The west side submarket was the shining star this quarter showing a positive absorption of 21,060 sq. ft. This is a nice reversal from the negative absorption of 14,549 sq. ft. in Q2. The largest absorption occurred at 1001 SW Emkay Dr. with over 14,000 sq. ft. of positive absorption.

Bend Retail Market



Compass Commercial surveyed 257 retail buildings totaling 4,496,751 sq. ft. for the third quarter 2014 retail update. **The citywide vacancy dropped slightly from 8.58% in Q2 2014 to 8.05% this quarter.** Market conditions continue to improve overall in the retail sector both in terms of absorption and in terms of increased lease rates.

The retail market absorbed 23,508 sq. ft. of net-leased space in the third quarter. This puts us in positive ground for the year, which is encouraging considering that Ray's Food Place vacated its building at Westside Village shopping center earlier in the year.

Four of the seven retail market areas surveyed experienced positive absorption over the quarter, two lost ground, and one remained the same.

The strongest submarkets for the quarter were the North and South 97 corridors, which combined, absorbed nearly 33,000 sq. ft. created primarily by Ashley Furniture in the Cascade Village Shopping Center and Ross Dress for Less in Pioneer Crossing.

The Central Highway 97 submarket was the largest loser with negative absorption of 13,881 sq. ft. The majority of this was a clerical correction. Without that, we would be slightly positive. **Downtown Bend** lost 3,013 sq. ft. but remains very healthy with a vacancy rate of only 2.41%, the lowest of all retail submarkets. **The Old Mill District** remained unchanged. **The east side** also experienced a slight improvement.

Downtown's third quarter vacancy rate showed the best occupancy at 2.41% and was followed by the Central corridor at 4.59%, the Old Mill District with 6.07%, the east side with 6.50%, South Highway 97 with 7.57%, North Highway 97 with 11.13% and the west side at 13.08%.

NET ABSORPTION BY SUBMARKET — 3RD QUARTER 2014

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr Absorption	Absorption YTD	Total 2013
South 97	19	810,744	7.57%	12,444	42,976	27,492
Central 97	44	678,944	4.59%	(13,881)	(13,107)	20,727
North 97	29	1,199,295	11.13%	19,655	20,754	(103,356)
East side	29	590,267	6.50%	2,845	4,310	9,359
West side	54	560,394	13.08%	5,458	(29,776)	5,230
Downtown	65	424,617	2.41%	(3,013)	2,538	19,589
Old Mill District	17	232,490	6.07%	0	1,897	(8,172)
Total	257	4,496,751	8.05%	23,508	29,592	(29,131)

RETAIL NEWS

- **Jersey Mike's Subs** recently opened for business at 143 SW Century Dr. in the Century Village shopping center on Bend's west side.
- Fans of chicken wings can get their fix at soon to open **Chicken Bonz** also located at 143 SW Century Dr.
- The second location of **Jackson's Corner**

- is slated to open before the end of the year at Neff Place on Bend's east side.
- **Nicole Michelle Décor**, a retail boutique with unique gifts and home goods is now open at 1132 Newport Ave. in Bend.
- Tenant Improvements are moving ahead at **Hobby Lobby** set to open early next year at Bend River Promenade.

NET ABSORPTION BY SUBMARKET — 3RD QUARTER 2014

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr Absorption	Absorption YTD	Total 2013
Downtown	49	490,121	7.10%	(3,174)	45,621	(148)
Hwy 97/3rd St.	56	673,207	15.65%	(7,677)	3,003	37,554
West side	102	1,346,012	10.79%	21,060	73,594	89,348
TOTAL	207	2,509,340	11.37%	10,209	122,218	126,754

Office buildings over 3,000 square feet

Q3 2014 IN SUMMARY

What a great comeback story! This is a very unusual quarterly report in that all markets surveyed (retail, office, and industrial) experienced positive absorption and decreased vacancy this quarter. Of course, some of the submarkets were

negative, yet each market category remained positive as a whole. This speaks volumes about the economic picture in Central Oregon. With that said, we expect to have more good news to come. **Stay tuned.**



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. 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.

PARTNERS:
Howard Friedman, CCIM, Principal Broker, President
John Keba, CPM®, ARM®, VP Property Management
Bruce Kemp, CCIM, Principal Broker
Pat Kesgard, CCIM, Principal Broker
Krista Polvi, CPM®, Regional Property Manager
Darren Powderly, CCIM
Erich Schultz, SIOR, Principal Broker
Stephen Toomey, CCIM, Principal Broker
Gardner Williams, SIOR, Principal Broker
Lupita Wesseler, Director of Operations

BROKERS:
Graham Dent, Broker
Russell Huntamer, Broker
Dan Kemp, Broker
Peter May, CCIM, Business Broker
Jay Lyons, CCIM, Broker
Terry O'Neil, Broker
Robert Raimondi, Broker, ABR®
Ron Ross, CCIM, Principal Broker
Joel Thomas, Associate Broker

ASSET & PROPERTY MANAGEMENT:
Herb Arathoon, CPM®, Regional Property Mgr.
Debbi Bracken, Operations Coordinator
William Bergen, Accounting Assistant
Tara Duncan, CCIM, Regional Property Mgr.
Susan Gibbons, Staff Accountant
Luke Ross, Property Manager
Paul M. Weaver, Regional Property Manager

CONSTRUCTION SERVICES:
Steve Hendley, Managing Partner
Paul Grady, Project Manager
Bill Perkins, Superintendent
Tom Snell, Superintendent

BROKER SERVICES:
Ellisse Dickey, Graphic Designer
Sandi Mickel, Administrative Assistant
Lisa Nielsen, Creative Director
Jennifer Ortado, Marketing Manager

SUBSCRIBE:
www.compasscommercial.com
info@compasscommercial.com



Select Listings | RETAIL



LEASE: Prime Retail on HWY 97 in Bend
 3,140 SF near Revere Ave., long term lease available
\$1,900/Mo. NNN | PAT KESGARD



LEASE: Rare Downtown Bend Retail Space
 2 suites, 2,600 - 6,845 SF on the west side of Wall St.
\$1.95/SF/Mo. NNN | GRAHAM DENT



LEASE: Brookwood Meadow Plaza in Bend
 1,254 - 3,758 SF in neighborhood shopping center
\$1.40/SF/Mo. NNN | RUSSELL HUNTAMER



LEASE: Restaurant/Office in Sisters
 4,616 SF restaurant & 2,856 SF (divisible) office space
\$0.50 - \$0.90/SF/Mo. NNN | HOWARD FRIEDMAN

Bend Industrial Market



Compass Commercial surveyed 297 buildings for the third quarter 2014 industrial market update. The buildings in the sample totaled 4,121,032 square feet. **The citywide industrial vacancy fell this quarter to 7.96%, down from 8.23% in Q2 2014.** Approximately 328,144 sq. ft. of space is now available for lease, down slightly from 339,068 sq. ft. at the end of Q2 2014. **This is the lowest vacancy we have experienced in years and we are now in a range that we consider normal and healthy for our market.** That being said, the expectation is that we will be entering into a phase where new construction will start to make sense

again. This presents a challenge, as the lease rates are still lower than necessary for new construction to provide an adequate return on investment for developers. Expect lease rates to continue to rise as vacancies continue to tighten. We expect to see more owner/user buildings followed by speculative building in the near future.

The upturn in absorption in the third quarter was the result of 10,924 sq. ft. of positive net leasing. Since the high of 20.0% in Q3 2010, we have now had 13 quarters of positive absorption and three quarters of negative absorption.

The third quarter surveys showed that three submarkets had positive absorption and one experienced negative absorption.

NET ABSORPTION BY SUBMARKET — 3RD QUARTER 2014

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr Absorption	Absorption YTD	Total 2013
Southeast	135	1,660,706	5.29%	10,940	65,124	6,782
Northeast	118	1,946,618	11.94%	(7,147)	82,775	(28,865)
Central	36	345,468	1.16%	4,071	1,663	27,877
West side	8	168,240	2.28%	3,060	2,171	1,204
TOTAL	297	4,121,032	7.96%	10,924	151,733	6,998

Industrial buildings over 3,000 square feet

Redmond Industrial Market



The third quarter 2014 Redmond industrial survey included 76 buildings totaling 1,469,230 square feet. The vacancy rate now stands at 15.85%, compared to 18.30% in Q2 2014. **This is a significant statistic, as the last time the vacancy rate was below 20%**

in Redmond was the 4th Quarter of 2007, seven years ago! Positive net absorption for this quarter was at a mere 913 sq. ft. but there has been substantial interest in larger spaces over 20,000 sq. ft. Historically, Redmond industrial leasing has lagged from a year to 18 months behind Bend. We are now seeing a much higher volume of interest in Redmond and lease rates have

NET ABSORPTION BY SUBMARKET — 3RD QUARTER 2014

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr Absorption	Absorption YTD	Total 2013
Redmond	76	1,469,230	15.85%	913	28,904	93,517

Industrial buildings over 3,000 square feet

The southeast submarket recorded 10,940 sq. ft. of positive net absorption in the third quarter, and the vacancy rate fell from 5.95% to 5.29% as a result. Three buildings reported positive absorption and only two lost tenants out of 135 buildings surveyed in that submarket. The greatest gain was a building at 615 SE Glenwood Dr. that recorded 5,870 sq. ft. of leasing.

The northeast submarket suffered our only negative absorption for the quarter at 7,147 sq. ft. The primary reason for this was PV Powered vacating their 30,000 sq. ft. facility and reducing their occupancy by taking space at the 20,720 sq. ft. Brinson Boulevard location. If not for that loss, we would have had approximately 23,000 sq. ft. of positive absorption as the balance of the submarket had good positive activity.

The 36 buildings surveyed in the central submarket reported one gainer of 4,071 sq. ft. and no losses, which resulted in a vacancy rate of 1.16%, in an area with 345,468 sq. ft. of total inventory. The central submarket showed the lowest vacancies of all, followed by the west side submarket at 2.28%.

We now anticipate challenges finding suitable locations for industrial tenants in the near future in all markets, but especially in the two submarkets referenced above.



started to move up. In general, the lease rates in Redmond remain approximately 35% below lease rates in Bend, which now provides some significant motivation for companies to consider Redmond. That along with the benefits of Redmond Municipal Airport – Roberts Field provides a bright outlook for the Redmond industrial market in the years to come.

HIGH PROFILE MIXED-USE PROPERTY ON THE MARKET



Compass Commercial Real Estate Services has listed for sale the mixed-use property located at **1133 NW Wall Street** at the corner of Newport Avenue in downtown Bend. The asking price is \$8,364,000.

Ron Ross, CCIM and **Erich Schultz, SIOR** are leading the Compass Commercial team representing the listing.

The 52,534 square foot investment property includes two buildings that house a mix of residential, office, retail and restaurant space. The main building is anchored by Columbia Bank as a ground floor tenant along with restaurants Super Burrito and a new Café soon to open in the former Alpenglow space. The two top floors of the main building contain 12 residential townhome units and the smaller of the two buildings is wholly leased by RBC Wealth Management. The

entire property is currently 86% occupied.

The residential vacancy rate in Bend is at less than 1% and downtown living is at a premium, which Ross noted to be a key factor in the building's ability to provide steady income for an owner.

"The residential units in this property have been a key component in providing stable returns for the owners during the recession and substantial income increases during the current recovery," said Ross. The townhome units were built to condominium standard which Ross said provides additional upside potential for an investor willing to convert the property.

Constructed in 2003-2004, the property's 1.55 acre site was once occupied by the historic Pilot Butte Inn and the unique architectural style of the current buildings represent the mill town heritage of Bend's past.

The property has served as a single Oregon holding owned by a San Francisco area investment group since 2008. The ownership decided to sell the investment to place more emphasis on properties closer to the Bay Area.

For more information regarding this listing contact Ron Ross, CCIM or Erich Schultz, SIOR at 541.383.2444.

Select Listings | INDUSTRIAL



SALE: Corporate & Business Sites
Seven lots in Juniper Ridge on Bend's north end
1.67 to 6.28 Acres | BRUCE KEMP



SALE: Condo Style Hangar at Bend Airport
3,600 SF, end cap w/gas heat, skylights & 2 man doors
\$245,000 | ROBERT RAIMONDI



SALE: Single Tenant Investment Opportunity
51,642 SF on 2.43 acres with established tenant
\$4,690,000 | JAY LYONS



SALE: Industrial Owner/User Opportunity
16,340 SF, 1.6 ac., highly visible from HWY 20 in Bend
\$1,199,000 | RON ROSS

NONPROFIT SPOTLIGHT | The American Red Cross



The American Red Cross is a non-profit organization funded by donations and powered by volunteers.

Many people are aware that the Red Cross provides life-saving blood to hospitals and provides health and safety trainings such as First Aid/CPR/AED.

What many do not know is that their local Red Cross chapter also maintains a crew of trained volunteers on call 24/7 to respond to the needs of local residents displaced from their homes due to disasters such as house fires, floods or winter storms.

These trained volunteers also deploy out to other communities across the nation to help during large disasters and provide free services to teach disaster preparedness trainings tailored for youth, adults, senior citizens and businesses.

Central Oregon's Red Cross volunteers provided the following free services to our community over the last year:

- Provided lodging, food, clothing, mental health services and support to 177 local residents displaced from their homes due to house fires, wildfire and winter storm events
- Provided schools, churches, government agencies, businesses and community groups with Disaster

Continued on page 7

TEAM SPOTLIGHT

Welcome New Team Members



Ellisse Dickey

Ellisse Dickey has joined the company as a full-time **graphic designer** after working part-time with our Marketing team for more than a year. Ellisse was previously a concierge with Eagle Crest Resort and a graphic designer at Rocky Mountain Products.



Paul Grady

Paul Grady joined Compass Commercial Construction Services as **project manager** working to streamline the construction management process as the number of tenant improvement and client projects continues to increase. Most recently, Paul worked for TMT Construction. Between 2001 and 2004, Paul worked for Les Schwab as a project manager for new construction.



Paul M. Weaver

Paul M. Weaver comes to Compass Commercial's **Property Management** team from the Bellevue/Seattle area of Washington where he spent a substantial portion of his career with one of the region's largest real estate firms. Paul's more than 18 years of real estate experience in all aspects of commercial property management are a great asset. Throughout his career, Paul has managed multiple types of commercial properties. 

CONNECTING BEND WITH BUSINESS

Carolyn Eagan is the City's Dedicated Business Advocate

Content provided by *BEDAB (Bend Economic Development Advisory Board)*



Carolyn Eagan

Since the fallout from the great recession, Bend has focused efforts on recruiting businesses in the key industries of aviation, outdoor products, technology, advanced manufacturing and biotech. Members of the Compass

Commercial team work closely with partners in economic development, through the **Bend Economic Development Association Board (BEDAB), Economic Development for Central Oregon (EDCO)** and other community partners focused on bringing jobs to our local economy.

Carolyn Eagan, the City of Bend's Business Advocate connects people to opportunities. As the City of Bend's Business Advocate, it's the focal point for her career and a major boon to local businesses.

Even as a young person studying economics at the University of Pennsylvania, Eagan noticed disconnects and missed opportunities all around her. Philadelphia's inner core was dying, jobs were moving to the suburbs, and bus lines were being cut.

"How are they supposed to stay employed if they can't get to work?" she wondered.

It's this kind of insight that's driving the City of Bend's efforts to connect economic development with infrastructure planning, a realistic fee structure and quick turnaround times on new projects.

Her philosophies and plans are based on a solid foundation of knowledge about development in Bend.

Eagan first moved to Oregon to pursue a Master's degree in transportation from Portland State University in 1999, but then settled in Bend in 2004 to work as a transportation planner for a local engineering firm.

When the economy crashed in 2008, she found herself out of a job.

"It was difficult to swallow at the time," she said, "but it helped me find my way back to my passion for economic opportunity."

After working for the Oregon Employment Department as the regional economist in Bend for three and a half years, the City of Bend hired Carolyn in 2012 to take on the role of business advocate.

"My time with the employment department helped me understand what's driving the local economy," said Eagan. "It helped me understand the local needs and opportunities."

For example, she said, since 2000, the percent of income generated by wage-based jobs has dropped from 65 percent to 56 percent. The local economy is too reliant on investment income, rental income, and government support via unemployment and pensions. And of the wage-based jobs that we do have, she says, we're overly dependent on success in three sectors: retail, tourism, and health care.

"Although we want to continue to see those sectors thrive, what we really need is growth in other sectors. We need to diversify our economic base with a focus on living wage jobs," she said.

The city will find it by developing industries in five key areas, she said: aviation, outdoor products, software and technology, advanced manufacturing, and biotech.

"These are the industries that present the greatest opportunity, and where we have infrastructure to build on," she said.

But for those industries to develop, it became clear that the city of Bend needed to take a lead role in developing a road map for success.

Following the crash, City Manager Eric King reached out to local business leaders for advice. Their response was that the city should take a leadership role in shaping its own destiny. Through King's initiative, the city

Continued on page 8

Q3 2014 NOTABLE TRANSACTIONS

Compass Commercial negotiated 88 transactions in the third quarter of 2014 for a total consideration of \$35.7 million. Below is a selection of notable transactions Compass Commercial negotiated from July through September 2014. This is a sampling of transactions, as we hold some information in confidence per the wishes of our clients.

- 1) **3148 N Highway 97, Bend, 46,609 SF Retail Lease**
Lessor: RPP Bend I, LLC represented by Russell Huntamer, Broker and Steve Toomey, CCIM
Lessee: Hobby Lobby Stores, Inc.
- 2) **15 NW Oregon Avenue, Bend, 12,770 SF Office Building Sale, \$2,900,000**
Seller: John Souther and Dave Souther
Buyer: Tom Anderson represented by Erich Schultz, SIOR, Steve Toomey, CCIM and Jay Lyons, CCIM
- 3) **149 SE 9th Street, Bend, 75,000 SF Industrial Building Sale, \$2,540,000**
Seller: Kirkpatrick, Knop et al represented by Howard Friedman, CCIM, Pat Kesgard, CCIM and Joel Thomas, Broker
Buyer: Undisclosed
- 4) **2796 NW Clearwater Drive, Bend, 8,573 SF Office Building Sale, \$1,650,000**
Seller: American Licorice Company represented by Darren Powderly, CCIM
Buyer: Third Division Properties, LLC represented by Steve Toomey, CCIM Erich Schultz, SIOR and Jay Lyons, CCIM represented both parties
- 5) **945 NW Wall Street, Bend, 6,845 SF Retail Building Sale, \$1,500,000**
Seller: Robert G. and Gail M. Olsen represented by Graham Dent, Broker and Steve Toomey, CCIM
Buyer: William Sundermeier
- 6) **4150 SW Pacific Coast Highway, Waldport, 6,606 SF Motel Sale, \$1,170,000**
Seller: Lisa Clayton
Buyer: Cape Cod Cottages of Waldport Howard Friedman, CCIM represented both parties
- 7) **20676 Carmen Loop, Bend, 10,800 SF Industrial Building Sale, \$1,130,000**
Seller: Dennis W. Balzer REV
Buyer: Ameracle Development LLC represented by Robert Raimondi, ABR, Broker
- 8) **929 SW Simpson Avenue, Bend, 7,464 SF Office Lease**
Lessor: Dr. Charles Bonnett
Lessee: Crawmer's Critterz, Inc. represented by Russell Huntamer, Broker
- 9) **20545 Murray Road, Bend, 72,000 SF Industrial Lease**
Lessor: Hogue and Storch represented by Pat Kesgard, CCIM
Lessee: ProBuild Company represented by Erich Schultz, SIOR and Jay Lyons, CCIM
- 10) **2139 NE Third Street, Bend, 5,402 SF Restaurant Building Sale, \$1,000,000**
Seller: Joseph Gee represented by Joel Thomas, Broker and Pat Kesgard, CCIM
Buyer: Dave Williams

NONPROFIT SPOTLIGHT | The American Red Cross

Continued from page 5

- Preparedness Training (reaching over 3,658 people)
- Relayed 64 emergency messages to local families that have a service member deployed
- Maintained 11 supply trailers throughout Central Oregon. These trailers are equipped and ready to provide mass shelter and feeding in the event of a community-wide disaster

The fact is that home fires are the biggest disaster threat in this country and the Red

Cross responds to help an affected family every eight minutes.

Two Life Saving Tips

The Red Cross urges every household to take two simple life saving steps: check their existing smoke alarms and practice fire drills at home.

You can also help people affected by fires and other crises by making a donation to support Red Cross Disaster Relief. Visit redcross.org/Bend, or call 541-749-4195. 

Select Listings | **OFFICE**



SALE: Keystone Building in NorthWest Crossing
13,631 SF, Gold LEED Certified, high visibility on the main roundabout in fast growing & prestigious area
\$3,995,000 | PETER MAY



SALE: Downtown Bend Landmark
2 buildings at the corner of Wall St. & Newport Ave.
\$8,364,000 | ERICH SCHULTZ



LEASE: Mt. Washington Center, Suite 300
3,477 SF high quality office in NorthWest Crossing
\$0.95/SF/Mo. NNN | HERB ARATHOON



LEASE: Riverpointe 2 - Downtown Bend
20,258 SF, divisible, Class A office on the river
\$1.40/SF/Mo. NNN | KRISTA POLVI

Continued from page 1

return can be achieved. If the result is negative, the desired rate of return cannot be achieved. The formula is copied below along with an example that uses a discount rate of 8%, \$100,000 cash flow in year one with 3% annual escalations and a sales price of \$1,000,000 at the end of year 10.

$$NPV = -C_0 + \frac{C_1}{1+r} + \frac{C_2}{(1+r)^2} + \dots + \frac{C_T}{(1+r)^T}$$

$-C_0$ = Initial Investment r = Discount Rate
 C = Cash Flow T = Time

Year	Cash Flow	Discount Rate of 8%			Present Value
1	\$100,000	x	0.9259	=	\$92,593
2	\$103,000	x	0.8573	=	\$88,306
3	\$106,090	x	0.7938	=	\$84,218
4	\$109,273	x	0.7350	=	\$80,319
5	\$112,551	x	0.6806	=	\$76,600
6	\$115,927	x	0.6302	=	\$73,054
7	\$119,405	x	0.5835	=	\$69,672
8	\$122,987	x	0.5403	=	\$66,446
9	\$126,677	x	0.5002	=	\$63,370
10	\$1,130,477	x	0.4632	=	\$523,630
Total Present Value:					\$1,218,207
Less Purchase Price:					(\$1,200,000)
Net Present Value:					\$18,207

The net present value of \$18,207 indicates that another \$18,207 could potentially be applied to the purchase price and the investor would still achieve the desired 8% rate of return over the 10 year period. This calculation helps an investor determine the present day value of a series of cash flows at a chosen discount rate, but requires accurate assumptions to project those future cash flows.

Internal Rate of Return (IRR)

Calculating a property's internal rate of return allows an investor to determine the interest rate that's equivalent to the cash flows expected from a particular property after the initial investment. Another way of explaining it is that it allows investors to compare alternative investments based on their yield. This calculation utilizes the initial purchase price, future cash flows and the future sales price to determine an investor's return on the initial investment. The formula is copied below along with an example that uses the same purchase price, cash flows and future sales price that were used in the net present value calculation.

$$IRR: 0 = CF_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \frac{CF_3}{(1+r)^3} + \frac{CF_n}{(1+r)^n}$$

Year "0" represents the purchase price of \$1,200,000 while year 10 represents the annual cash flow of \$130,477 combined with the projected sales price of \$1,000,000. In this scenario, the subject property provides an internal rate of return of 8.23%. This IRR would then be compared with the IRR's of other properties or investment opportunities to determine which investment provides the greatest return.

The analysis tools discussed in this article allow investors to compare alternative investment properties in order to determine which property provides the greatest return on investment. For

Year	Cash Flow
0	(\$1,200,000)
1	\$100,000
2	\$103,000
3	\$106,090
4	\$109,273
5	\$112,551
6	\$115,927
7	\$119,405
8	\$122,987
9	\$126,677
10	\$1,130,477
IRR:	8.23%

a first time investor unfamiliar with analyzing commercial real estate, these calculations can be complex and often times confusing. A Compass Commercial broker can assist in analyzing alternatives in order to help an investor make an informed decision.

Jay Lyons has extensive experience working through complex and challenging investment transactions across all product types (office, industrial, retail and multi-family). He enjoys helping clients acquire or dispose of real estate assets to achieve and exceed their individual real estate objectives. 🍷

CONNECTING BEND WITH BUSINESS

Continued from page 6

formed the Bend Economic and Development Advisory Board and created the business advocate position to help orchestrate the effort. BEDAB undertook a lengthy process to set a vision and develop a plan for actively shaping Bend's economic future.

Ultimately they decided on the theme of "Bend: the lifestyle city cultivating tomorrow's economy." And with the knowledge that access to resources was going to be key in bringing about the change they were seeking, they decided to develop the Bend for Business Website.

"I'd encourage anyone looking at starting a business, growing a business, or relocating a business to take advantage of the resources available through the Bend for Business website," says Eagan of the website that will launch soon. "And if you're not sure where to begin, give me a call and we'll navigate the process together."

In many cases, she said, the city can provide the needed business support resources. In other cases it's going to be Economic Development for Central Oregon, the Bend Chamber of Commerce, the Small Business Development Center or Visit Bend. 🍷