



11,076 SF RETAIL BUILDING | SOLD SEPTEMBER 2018

BEND'S CENTRAL DISTRICT TO FURTHER URBANIZE CITY

By Howard Friedman, CCIM

The latest census predicts that the population of Bend will be 130,000 by 2030. With just under 95,000 people currently residing in the city limits, and just 2,380 acres recently added to the Urban Growth Boundary (UGB), new density philosophies will certainly be needed to accommodate this growth.

Bend's planners have identified a handful of 'Opportunity Areas' throughout the city. Several of these, the Old Mill KorPine property, the east Greenwood District and the Bend Central District (BCD) are currently being considered by the City to become urban renewal areas, and promise to drastically alter the face of this once sleepy, logging town into a much more urban landscape, one almost unrecognizable to today's residents.

Of all these areas identified, perhaps the BCD is gaining the most traction. Brooks Resources Corporation, one of the area's premier developers, recently purchased 1.76 acres of property between Franklin and Emerson Avenues, the former Murray and Holt auto dealer, with the hopes of jumpstarting the BCD's urban renewal

process. Kirk Schueler, President of Brooks, says that although they have no definitive plans to date, some concepts have been discussed to take advantage of new zoning, such as a mixed-use residential or mixed-use office project. With building heights ranging in the 65-85 foot range (depending on location and project standards) there are a multitude of possibilities for developers to add density to the central part of town.

Schueler says, "For Brooks, the zoning is not the only opportunity. The City is starting the effort to create urban renewal districts and is putting together an advisory board to support city staff. The city makes the decisions of which opportunity area they will spend redevelopment money on, then by selling bonds, will fund improvements like roads, intersections and sewer capacities if needed. In the BCD, pedestrian improvements like sidewalks, street trees and even a proposed pedestrian bridge crossing the parkway are all on the table." Schueler also says that Brooks would not start developing with the existing

conditions in place, citing safety issues for pedestrians as a major concern.

Along with Brooks' impending plans, a couple of other properties to be revitalized by local developers are on the drawing board. The former church building that currently houses the Platypus Pub was recently purchased by Third Street Marketplace LLC, with plans to redevelop the corner of 3rd Street and Lafayette Avenue into a multi-tenant retail complex. And an as yet unnamed local company is said to be in negotiations on another large parcel in the area as well.

To get an idea of the magnitude of the changes coming to a city near you, check out [Bend's Development Code on the City's website, section 2.7.3200.](#)

As any long time resident of the area will tell you, change is inevitable. Look for some major changes in the near future.

Howard Friedman is a partner and the managing principal broker at Compass Commercial. He joined the firm in 1999.

Bend OFFICE Market

Compass Commercial surveyed 208 buildings for the third quarter 2018 office report. The buildings in the sample totaled just under 2.6 million square feet. Positive net absorption of 5,418 sq. ft. was recorded during the quarter. The vacancy rate fell as a result from 3.85% in Q2 to 3.65% in Q3 2018. There is now 94,671 sq. ft. available for lease, down from 100,089 sq. ft. in the previous quarter.

All three submarkets recorded positive net absorption in Q3. Downtown gained 832 sq. ft. of occupancy, lowering the vacancy rate once again from 2.02% to 1.86% in Q3. One building reported gains and one reported a loss in the downtown submarket. There is now only 9,095 sq. ft. for lease in that area.

The Highway 97/3rd St. corridor recorded 1,088 sq. ft. of positive absorption in the third quarter. Two buildings reported positive change

while one was negative during the quarter, lowering the vacancy rate from 2.34% to 2.18%. The largest transaction was a 1,780 sq. ft. lease in



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BEND OFFICE Net Absorption					BLDGS. OVER 3,000 SQ. FT.	
Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr. Absorption	Total 2018 Absorption	Total 2017
Downtown	49	490,261	1.9%	832	11,118	1,847
Hwy 97/3rd St.	56	688,917	2.2%	1,088	2,053	24,753
West Side	103	1,417,257	5.0%	3,498	(9,924)	45,183
TOTAL	208	2,596,435	3.7%	5,418	3,247	71,783



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Bend OFFICE Market | CONTINUED

the scenic Waterside Building on Division St. A total of 15,024 sq. ft. is now for lease in that submarket, down from 16,112 sq. ft. in Q2.

The west side submarket recorded 3,498 sq. ft. of net positive absorption in Q3, and the vacancy rate dropped from 5.22% to 4.98%. Two buildings reported positive net absorption and three reported losses, with Crane Shed Commons recording another 3,048 sq. ft. of positive absorption and the 345 Cyber Dr. Building recording 3,990 sq. ft., rendering that building 100% leased. Currently there is 70,552 sq. ft. available on the west side, down from 74,050 in Q2.

Bend RETAIL Market

Compass Commercial surveyed 256 retail buildings totaling 4,483,642 square feet for the third quarter of 2018. The citywide vacancy rate fell once more from 3.18% at the end of Q2 to 2.88% at the end of Q3 2018. A total of 25,027 sq. ft. of positive net absorption took place in the third quarter of the year.

Five out of the seven retail submarkets in Bend recorded positive net absorption, and two were negative.

The south 97 submarket recorded 730 sq. ft. of negative net absorption in the quarter with just one space showing a new vacancy. The south Hwy 97 submarket finished at 5.1% vacancy, up from the previous quarter's 5.0%.

The central 97 submarket gained ground, recording 3,823 sq. ft. of net positive absorption, with two buildings gaining occupancy in that area. The vacancy rate in the area fell from 2.6% to 2.1% as a result, with 13,866 sq. ft. left for lease.

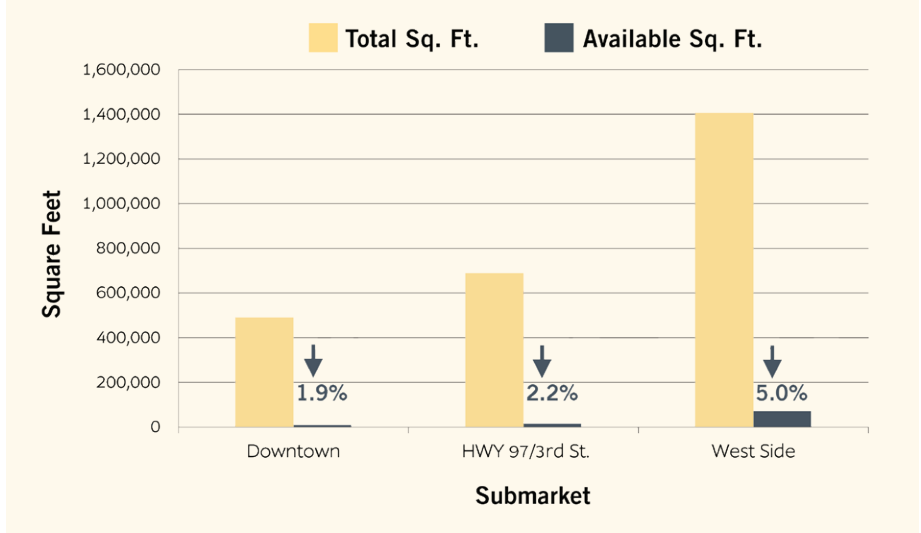
The north 97 submarket also gained ground in the quarter, recording a 2.4% vacancy rate, down from the previous quarter's 2.9%, with 28,937 sq. ft. available. Two leases, of 4,170 sq. ft. at Cascade Village Shopping Center, and 2,240 sq. ft. at Clausen Dr. were noted in the quarter for a total gain of 6,410 sq. ft.

The east side submarket recorded 6,835 sq. ft. of positive net absorption in Q3, moving the vacancy rate down from 2.3% to just 1.1%. Four buildings gained occupancy in the east side submarket in the quarter, with three of those in the Windy Knolls/Twin Knolls Dr. area.

The west side submarket vacancy rate also rose in the quarter with 8,310 sq. ft. of positive

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BEND OFFICE Vacancy

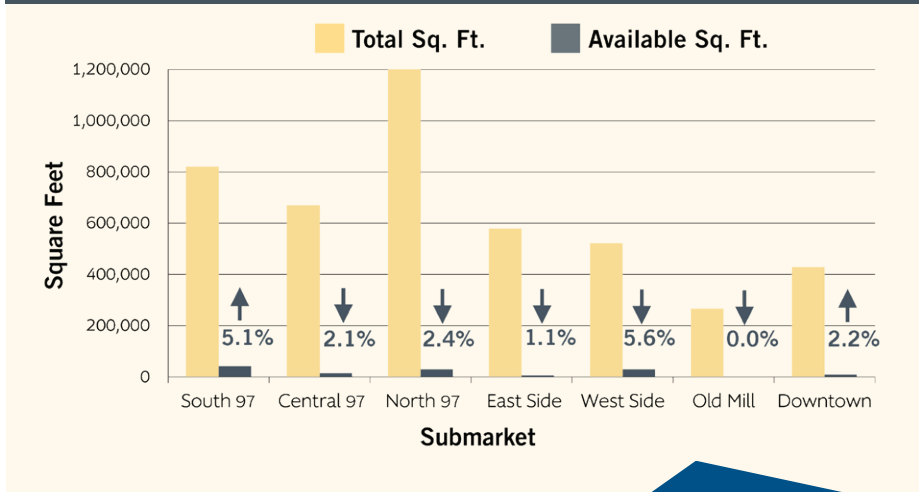


BEND RETAIL Net Absorption

BLDGS. OVER 3,000 SQ. FT.

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr. Absorption	Total 2018 Absorption	Total 2017
South 97	20	820,696	5.1%	(730)	(1,294)	6,396
Central 97	41	669,172	2.1%	3,823	3,958	4,700
North 97	28	1,200,712	2.4%	6,410	9,155	3,744
East Side	28	578,336	1.1%	6,835	(639)	4,100
West Side	55	521,841	5.6%	8,310	7,516	(22,312)
Old Mill District	19	265,502	0.0%	3,139	5,270	5,311
Downtown	65	427,383	2.2%	(2,760)	(4,214)	0
TOTAL	256	4,483,642	2.9%	25,027	19,752	1,939

BEND RETAIL Vacancy



INDUSTRIAL Market

BEND

Compass Commercial surveyed 309 buildings for the third quarter Bend industrial report, totaling nearly 4,296,000 square feet. The industrial market gained another 9,506 sq. ft. of positive net absorption in Q3, but the vacancy rate rose slightly from Q2's 1.03% to 1.173%, due to the addition of a new building to the survey. There is now 50,137 sq. ft. of industrial space available for lease in Bend, compared to 44,288 sq. ft. in Q2. As was the case in Q2, two of the four submarkets recorded positive net absorption, one was negative and one remained the same.

The southeast and northeast submarkets recorded 13,014 and 2,286 sq. ft. of positive absorption in Q3 respectively. The vacancy rate is now 1.7% in the southeast and 0.7% in the northeast submarket. Four buildings recorded positive results and none were negative in the southeast submarket, while the northeast submarket recorded two buildings with positive results and two negative in the quarter.

The central submarket recorded one new occupied space, while there were two vacancies in the area, resulting in a net loss of 5,794 sq. ft. and raising the vacancy rate from 0.4% in Q2 to 2.1% in Q3. The west side submarket remained fully leased, with the vacancy rate at 0.0%.

REDMOND

The Redmond industrial market recorded net positive absorption in Q3, resulting in the vacancy rate lowering from 3.5% in the second quarter of 2018 to 2.8% in Q3. 16,252 square feet of net positive absorption was recorded and there is now 43,875 sq. ft. available in the 82 building, 1,586,227 sq. ft. industrial market.

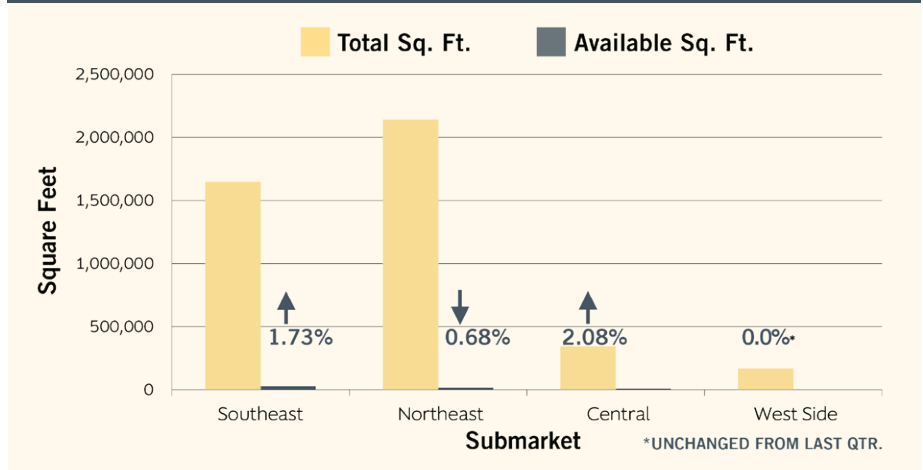
Three buildings recorded positive absorption and three were negative. The Dimeo Industrial Plaza made up its 9,000 sq. ft. loss from Q2, and a 13,900 sq. ft. lease was recorded at 611 NE Jackpine Ct., the two largest transactions in the quarter. An 8,000 sq. ft. loss was noted on SW 2nd Ct.



BEND INDUSTRIAL Net Absorption BLDGS. OVER 3,000 SQ. FT.

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr. Absorption	Total 2018 Absorption	Total 2017
Southeast	139	1,645,827	1.7%	13,014	28,849	(160)
Northeast	126	2,139,766	0.7%	2,286	107,182	135,537
Central	35	342,037	2.1%	(5,794)	(7,120)	0
West Side	9	168,240	0.0%	0	0	0
TOTAL	309	4,295,870	1.2%	9,506	128,911	135,377

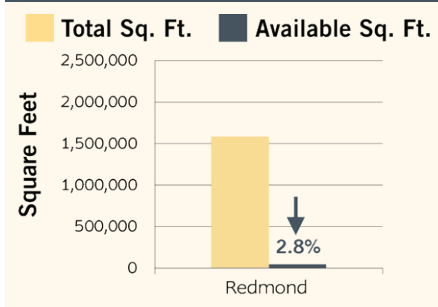
BEND INDUSTRIAL Vacancy



REDMOND INDUSTRIAL Net Absorption BLDGS. OVER 3,000 SQ. FT.

Market Area	No. Bldgs.	Total Sq. Ft.	Vac. % 3rd Qtr.	3rd Qtr. Absorption	Total 2018 Absorption	Total 2017
Redmond	82	1,586,227	2.8%	16,252	17,184	24,588

REDMOND INDUSTRIAL Vacancy



Bend **RETAIL** Market | CONTINUED FROM PAGE 2

absorption recorded. Four buildings recorded positive net absorption while none lost occupancy. The resulting vacancy rate dropped from 5.9% to 5.6%. There is now 29,237 sq. ft. available for lease in the 55 building submarket.

The Old Mill District is now 100% leased following a 3,139 sq. ft. occupancy of Free Spirit Fitness and Yoga in the remaining

space of the former Orvis location, joining Athleta in that building. All 262,500 square feet of retail space are now occupied in that submarket.

The downtown submarket was the other loser of occupancy in the quarter, recording a loss of 2,760 sq. ft. at the former Umpqua Bank location on Wall St. The vacancy brought the rate up

from 0.3% in Q2 to 2.2% in Q3. There is now 9,528 sq. ft. available for lease in the downtown submarket.

There is currently 129,040 sq. ft. of retail space available for lease city-wide, down from 142,004 sq. ft. in Q2. The city-wide vacancy rate is now just 2.88%, the third lowest since we started tracking the Bend retail market in 2008.

Notable **TRANSACTIONS**

Compass Commercial Real Estate Services negotiated the following notable transactions in the third quarter of 2018. 114 transactions (15 sales and 99 leases) were closed totaling \$28.3 million in consideration. For more details about our monthly transactions, please visit Compasscommercial.com/Transactions.

SALES

TYPE	PROPERTY	BUILDING/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
Retail	1720 Unser Blvd., Albuquerque, NM	4,500 SF / 1.12 acres	\$2,700,000	Jay Lyons & Grant Schultz / Buyer
Land	2790 NE Conners Ave., Bend	2.59 acres	\$1,798,618	Dan Kemp, Jay Lyons & Grant Schultz / Seller & Buyer
Land	Tax Lot 151304AD00302, Redmond	6.86 acres	\$1,643,519	Terry O'Neil / Buyer
Retail	3113 S Highway 97, Redmond	11,076 SF / 0.86 acre	\$1,500,000	Robert Raimondi & Russell Huntamer / Seller
Multifamily	940 NW 2nd St., Prineville	19,296 SF / 1 acre	\$1,400,000	Terry O'Neil & Gardner Williams / Buyer

LEASES

TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
Office Lease Renewal	395 SW Bluff Dr., Bend	10,657 SF	First American Title Company	Jay Lyons & Grant Schultz / Tenant
Office	20706 High Desert Ln., Bend	12,650 SF	Nanometrics	Bruce Churchill / Landlord Jay Lyons & Grant Schultz / Tenant
Industrial	20495 Murray Rd., Bend	18,435 SF	Familywise Digital, Inc.	Bruce Churchill & Dan Kemp / Landlord & Tenant
Office	721 SW Industrial Way., Bend	2,959 SF	ColeBreit Engineering, LLC	Jay Lyons & Grant Schultz / Landlord & Tenant
Retail Lease Renewal	1438 S Highway 97, Redmond	4,961 SF	Verizon Wireless	Ron Ross & Steve Toomey / Landlord