



The Quad at Skyline Ridge

GROWTH & NEW CONSTRUCTION IN CENTRAL OREGON

The 2020 COVID-19 crisis caused businesses to pivot how they are operating. Those who were hit the hardest have been unable to keep their doors open. However, the Central Oregon commercial market is remaining strong with new construction popping up all over the area.

So far in 2020, 55 commercial properties have been constructed. According to CoStar data, 43 commercial properties are currently proposed or under construction for a total of 1,085,079 square feet (SF). We are expecting to see this increase in demand for commercial space continue in Bend and Redmond's commercial real estate industry over the next few years.

NEW AND PROPOSED CONSTRUCTION

Six **office** buildings are proposed or under construction in Bend and Redmond. We added five new buildings at District 2 East in NorthWest Crossing to the Points survey this quarter. The complex is now 67% leased with 17,380 SF of remaining space available for lease between two buildings.

10 new **industrial** complexes are coming to Bend and Redmond. We added a 12,556 SF industrial building on 693 SE Glenwood Avenue in Bend to the survey, with 2,780 SF still available for lease. A 5.54-acre parcel at 18th Street and Brinson Boulevard may accommodate users up to 100,000 SF of proposed industrial space.

Retail appears to have the largest increase in demand with 15 projects underway. East End, located at 1462 NE Cushing Drive, is 82% leased to restaurant and retail tenants. Construction in the suites is expected to be complete by spring of 2021. Other new retail complexes include Pioneer Marketplace on Wall Street and Olney Avenue as well as the former Applebee's on 3197 N Highway 97, known as

the Bend River Village. The Bend River Village is currently under construction and 50% leased.

The **hospitality** and **multifamily** industries continue to grow as well. There are seven hotels and three multifamily properties that are proposed or under construction.

WHAT IS CAUSING THIS INFLUX IN DEMAND FOR COMMERCIAL PROPERTIES?

The personal finance website Wallethub ranks Bend as the fastest growing medium-sized city in the U.S. and as the second fastest growing city overall. These rankings are a telltale sign of Bend's demand for new construction.

Partner and principal broker Howard Friedman, CCIM commented, "with the pandemic chasing people out of big cities like Seattle and the Bay Area, there has been a population surge in Central Oregon. People are moving away from problems associated with big cities while still telecommuting to their jobs in those areas."

"Two things create demand on space: existing businesses expanding and new businesses entering the marketplace," partner and broker Dan Kemp, CCIM states. "We are first in job growth and first in the growing number of businesses, which puts the focus on the need for more inventory to accommodate the growth."

*Written by Lauren Evans
Data Sources CoStar
and Wallethub*

CENTRAL OREGON

Commercial Real Estate Market Report



BEND OFFICE

▲ 7.50%
VACANCY

▼ -20,557 SF
ABSORPTION

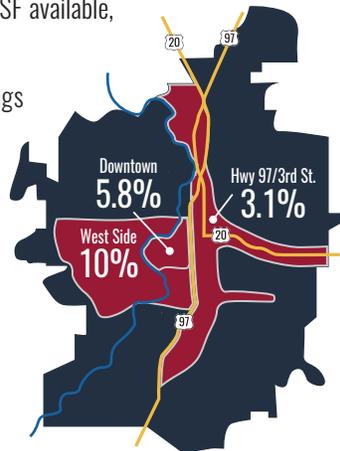
Compass Commercial surveyed 218 buildings for the third quarter 2020 Bend office report, totaling 2,731,655 square feet (SF). Negative net absorption of 20,557 SF was recorded during the quarter, and the vacancy rate rose to 7.50%, up from 5.48% in Q2 2020. There is now 204,963 SF available for lease, up from 145,601 SF in Q2.

DOWNTOWN: One building recorded negative absorption and one building added occupancy in the quarter. Downtown lost 3,300 SF of net leasing, raising the vacancy rate from 5.08% in Q2 to 5.75% in Q3. There is currently 28,194 SF of available office space compared to 24,894 SF in Q2.

HWY 97/3RD ST: One building added occupancy and five were negative for a net loss of 6,710 SF. The vacancy rate rose from 2.16% to 3.14% as a result.

WEST SIDE: Nine buildings reported positive net absorption and fourteen were negative. The West Side recorded negative net absorption of 10,547 SF. The vacancy rate rose from 7.14% to 9.97%. Currently there is 155,287 SF available, up from 105,935 SF in Q2.

NOTE: There were six new buildings added to the West Side survey this quarter. Five new buildings came online at District 2 East in NorthWest Crossing. A building at 325 SW Cyber Drive, former home to owner Grace BioLabs, was sold to an investor in Q3 who plans to refurbish the building and possibly add another on the excess land.



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



BEND RETAIL

▲ 3.38%
VACANCY

▼ -2,192 SF
ABSORPTION

Compass Commercial surveyed 260 buildings for the third quarter 2020 Bend retail report, totaling 4,523,652 square feet (SF). The citywide vacancy rate rose slightly, from 3.09% at the end of Q2 to 3.38% at the end of Q3. There is currently 152,798 SF of retail space available, up from 139,843 SF in Q2 2020. Three submarkets were positive, three were negative and one remained unchanged in the third quarter.

SOUTH 97: One building gained occupancy and two were down in Q3. The submarket recorded 2,615 SF of negative net absorption in Q3 and finished at 7.73% vacancy, up from 6.15% in the previous quarter.

CENTRAL 97: 1,635 SF of net negative absorption was noted, with just one vacancy recorded in Q3. As a result, the vacancy rate moved up slightly, from 2.39% in Q2 to 2.63% in Q3.

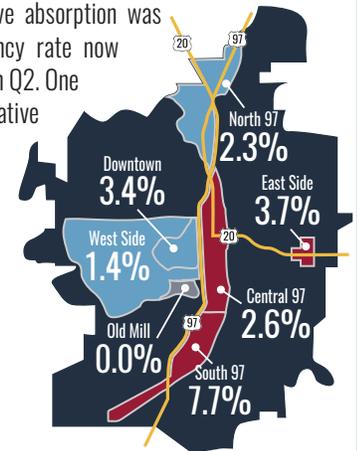
NORTH 97: The submarket gained 4,256 SF of occupancy in the quarter. The vacancy rate is now 2.23%, down from 2.59% in Q2 with 26,829 SF available. One space was occupied at the Bend River Promenade in Q3.

EAST SIDE: 5,612 SF of net occupancy was lost with one space becoming empty and one filling. The vacancy rate is now 3.75%, up from 2.78% in Q2 with 21,680 SF available for lease.

WEST SIDE: 654 SF of net positive absorption was recorded in the quarter. The vacancy rate now stands at 1.44%, down from 1.56% in Q2. One building was positive and one was negative resulting in 7,739 SF available.

OLD MILL DISTRICT: The vacancy rate remained at 0.00% in Q3 for the second quarter in a row.

DOWNTOWN: Positive net absorption of 2,760 SF was noted in Q3 with one building adding occupancy. The vacancy rate now stands at 3.37%, down from 4.00% in the previous quarter. Currently there is 14,636 SF available.



RETAIL 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 2020 ABSORP. SF
Downtown	49	490,261	5.75%	(3,300)	(8,065)
Hwy 97/3rd St.	55	683,917	3.14%	(6,710)	(1,209)
West Side	114	1,557,477	9.97%	(10,547)	(36,720)
TOTAL	218	2,731,655	7.50%	(20,557)	(45,994)

BEND RETAIL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	3RD QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
South 97	22	829,973	7.73%	(2,615)	(8,177)
Central 97	43	675,687	2.63%	(1,635)	9,945
North 97	28	1,200,712	2.23%	4,256	(4,756)
East Side	28	578,336	3.75%	(5,612)	(8,877)
West Side	54	539,059	1.44%	654	5,276
Old Mill District	19	265,502	0.00%	0	0
Downtown	66	434,383	3.37%	2,760	(3,754)
TOTAL	260	4,523,652	3.38%	(2,192)	(10,343)



BEND INDUSTRIAL

3.47%
VACANCY

53,008 SF
ABSORPTION

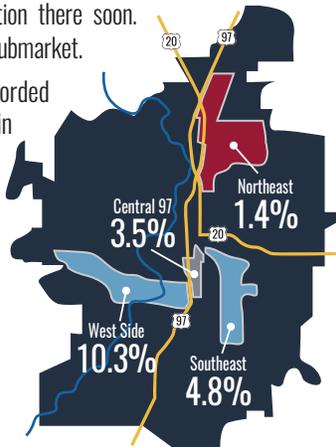
Compass Commercial surveyed 320 buildings for the third quarter 2020 Bend industrial report, totaling 4,612,306 square feet (SF). The industrial market gained a healthy 53,008 SF of net positive absorption in Q3, and the vacancy rate dropped from 3.80% in Q2 to 3.47% in Q3. Four new buildings were added to the survey in Q3 and there is now 159,853 SF of industrial space available for lease in Bend, compared to 170,716 SF in Q2.

SOUTHEAST: 28,973 SF of positive net absorption was recorded, and the vacancy rate is now 4.76%, down from 5.35% in Q2. Six buildings gained occupancy and two lost occupancy in Q3. There is now 80,352 SF available for lease compared to 89,745 SF in Q2. One newly built 12,556 SF building at 693 SE Glenwood Avenue was added with 2,780 SF still available for lease.

NORTHEAST: 20,129 SF of negative net absorption was recorded in Q3. One building reported positive absorption and two were negative with a 24,749 SF vacancy noted on 18th Street, the largest in the survey. The vacancy rate now stands at 1.41%, up from 0.46% in Q2 with 29,999 SF available in the 2,133,516 SF submarket.

CENTRAL: Three buildings gained occupancy and one saw negative net absorption for a total of 38,935 SF of positive net absorption in Q3. The vacancy rate remained at 3.54% due to the addition of three buildings at the newly built High Desert Industrial Park on NE 4th Street. Seven new buildings are tentatively scheduled for completion there soon. 54,567 SF is currently available in the submarket.

WEST SIDE: This submarket recorded 5,229 SF of net positive absorption in Q3. There is currently 32,866 SF available compared to 58,964 SF recorded in Q2. The vacancy rate dropped to 10.27%, down from 17.29% in Q2. The seemingly large vacancy rate in this small 13-building submarket is mostly due to the addition of The Quad at Skyline Ridge, formerly the Bend Bulletin Building, which is being reconfigured and has nearly 23,000 SF of industrial space still for lease.



BND 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 2020 ABSORP. SF
Southeast	143	1,688,769	4.76%	28,973	(20,084)
Northeast	126	2,133,516	1.41%	(20,129)	(4,424)
Central	38	469,915	3.54%	38,935	(3,546)
West Side	13	320,106	10.27%	5,229	(3,227)
TOTAL	320	4,612,306	3.47%	53,008	(31,281)

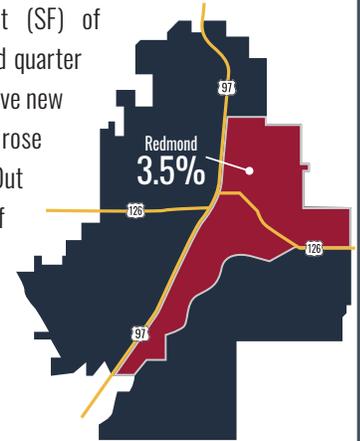


RDM INDUSTRIAL

3.50%
VACANCY

-23,063 SF
ABSORPTION

REDMOND: The Redmond Industrial market experienced 23,063 square feet (SF) of negative net absorption in the third quarter of 2020 with two new leases and five new vacancies noted. The vacancy rate rose to 3.50%, up from 2.10% in Q2. Out of Redmond's industrial sector of 1,654,385 SF total leasable space, there is now 58,447 SF available for lease. There are 87 buildings in the Redmond industrial market that were surveyed.



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 2020 ABSORP. SF
Redmond	87	1,654,385	3.50%	(23,063)	(10,838)



FOR LEASE

Pioneer Marketplace
 NEC of Wall St. & Olney Ave., Bend
 1,500 - 6,000 SF



NEW LISTING ALERT

FOR SALE: GROCERY OUTLET BLDG.
Large Retail Building with Great Parking
13,936 SF | \$2,350,000

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798 NW 5th Street, Redmond



NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the third quarter of 2020. For more details about our monthly transactions, please visit CompassCommercial.com/Transactions.



62
TRANSACTIONS



19
SALES



36
LEASES



\$56.4M
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Multifamily	The 27 Elm NW 27th St. & NW Elm Ave., Redmond	58 Units 2.76 AC	\$13,200,000	SELLER: Dan Kemp, Pat Kesgard & Kristie Schmitt
	Multifamily	Sandstone Apartments 1215 NW Portland Ave., Bend	14,650 SF 0.67 AC	\$3,350,000	SELLER: Joel Thomas, Adam Bledsoe
	Industrial	63025 OB Riley Rd., Bend	27,000 SF 1.8 AC	\$2,950,000	SELLER: Pat Kesgard, Kristie Schmitt BUYER: Graham Dent
	Industrial	350 NE Addison Ave., Bend	15,000 SF 1.71 AC	\$2,850,000	BUYER: Terry O'Neil
	Office	325 SW Cyber Dr., Bend	6,609 SF 0.72 AC	\$2,225,000	SELLER: Howard Friedman
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Industrial	63028 Sherman Rd., Bend	19,029 SF	Wildhorse Harley Davidson	LANDLORD: Robert Raimondi & Luke Ross
	Retail	916 NE 3rd St., Bend	2,546 SF	Lucy's Taco Shop	LANDLORD & TENANT: Russell Huntamer & Terry O'Neil
	Office	320 SW Upper Terrace Dr., Bend	4,544 SF	Century Insurance Group, LLC	LANDLORD: Bruce Churchill & Adam Bledsoe
	Retail	210 SW Century Dr., Bend	1,434 SF	Academy West Breathing Performance	LANDLORD: Peter May & Russell Huntamer TENANT: Ron Ross
	Industrial	1090 NE 11th St., Redmond	13,206 SF	Seasonal Marketing Inc.	TENANT: Joel Thomas



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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.

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