



## THE EFFECTS OF COVID-19 ON COMMERCIAL REAL ESTATE

The world has changed dramatically in the last five months. No one anticipated or planned for the COVID-19 pandemic. **How has the commercial real estate market been affected?**

### INDUSTRIAL

In our Q2 survey results, the vacancy rate rose slightly, with around 12,000 SF of occupancy lost. So far, this is not a significant change. We still see robust construction in the Bend and Redmond areas, which has a direct correlation to the industrial sector.

### RETAIL

Contrary to rumors of massive retail shutdowns, our vacancy rate rose slightly, losing only 3,000 SF of net occupancy in Q2. It may be too soon to ascertain the effects of the new gathering rules on the retail and restaurant industry. Summer is typically the busiest time in Central Oregon, so we may have to wait until the fall and winter to see.

### OFFICE

We have witnessed the greatest impact on vacancy rates in the office market. Over 29,000 SF of space came up for lease in Q2, as a result of businesses downsizing or not expanding due to the pandemic. Not many tenants have defaulted on rent, but we are seeing more leases ending without renewal.

Our statistics did not reflect the businesses attempting to sublease their space, causing our data to not appear as drastic as we thought. When taking these businesses into account, the 7.14% vacancy rate we reported for the west side office market is closer to 12%.

### MULTIFAMILY

Leading up to March of 2020, the local multifamily market was vigorous and healthy, with property valuations and rents rising steadily and consistently. Vacancy rates were between 2% and 4% and are holding steady today. New construction remains robust on projects that are already in the pipeline. Investor demand remains strong, and sellers are still in short supply.

Multifamily continues to be a favored asset class. So, what has changed? The uncertainty about tenant's ability to pay rent is elevated slightly from pre-COVID-19. Once government stimulus programs run out, this may become more of an issue. Tours and inspections of occupied units pose a challenge during transactions.

### CENTRAL OREGON REAL ESTATE OVERVIEW

The CRE market is still tracking in a positive direction for the most part. Tours are done with social distancing and other preventative measures in place, however unlike residential real estate, where many home tours generally take place, commercial tours are typically fewer, sometimes virtual, and often in vacant spaces, so the risks are less. **Central Oregon continues to be a haven for businesses and investors** looking to escape big city issues, so we are confident that the region will survive, and once again thrive.

*Written by Howard Friedman,  
CCIM, Ron Ross, CCIM and  
Graham Dent, Partner*

### CENTRAL OREGON

## Commercial Real Estate Market Report



## BEND OFFICE



**5.48%**  
VACANCY



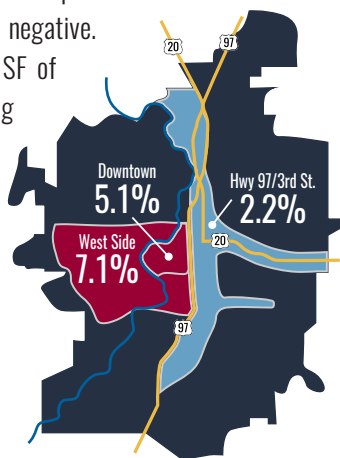
**-29,175 SF**  
ABSORPTION

Compass Commercial surveyed 212 office buildings for the second quarter 2020 Bend report. The buildings in the sample totaled 2,658,027 square feet (SF). A negative net absorption of 29,175 SF was recorded during the quarter with a vacancy rate of 5.48%, up from 4.11% in Q1 2020. There is now 145,601 SF available for lease, up from 108,367 SF in Q1.

**DOWNTOWN:** Three buildings recorded negative absorption and no buildings added occupancy in the quarter. Downtown lost 6,953 SF of occupancy, raising the vacancy rate from 3.66% in Q1 to 5.08% in Q2. There is currently 24,894 SF of available office space in the downtown area, compared to 17,941 SF in Q1.

**HWY 97/3RD ST:** Four buildings added occupancy while two buildings lost occupancy, creating a net change of 2,347 SF being leased. The vacancy rate fell from 2.91% to 2.16% as a result.

**WEST SIDE:** Four buildings reported positive net absorption and eleven were negative. The West Side recorded 24,569 SF of space that came available during the quarter. This caused the vacancy rate to rise from 4.83% to 7.14%. Currently, there is a total of 105,935 SF available in the West Side submarket which is up from 70,395 SF in Q1.



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	2ND QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Downtown	49	490,261	5.08%	(6,953)	(4,765)
Hwy 97/3rd St.	55	683,917	2.16%	2,347	5,501
West Side	108	1,483,849	7.14%	(24,569)	(26,173)
<b>TOTAL</b>	<b>212</b>	<b>2,658,027</b>	<b>5.48%</b>	<b>(29,175)</b>	<b>(25,437)</b>



## BEND RETAIL



**3.09%**  
VACANCY



**-3,028 SF**  
ABSORPTION

Compass Commercial surveyed 259 retail buildings totaling nearly 4,519,289 square feet (SF) for the second quarter of 2020. The citywide vacancy rate rose slightly, from 3.01% at the end of Q1 2020 to 3.09% at the end of Q2. There is currently 139,843 SF of retail space available citywide, up from 135,866 SF in Q1.

**SOUTH 97:** One building gained occupancy while two lost in Q2. The submarket recorded 1,019 SF of space as vacant during Q2 and finished at 6.15% vacancy, up from 6.02% in the previous quarter.

**CENTRAL 97:** 11,473 SF of positive absorption was gained with four new leases and one vacancy noted in Q2. As a result, the vacancy rate moved down from 4.11% in Q1 to 2.39% in Q2.

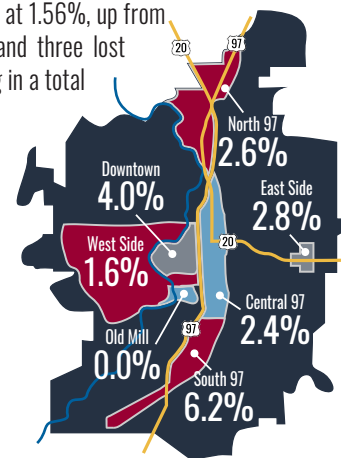
**NORTH 97:** The submarket lost 9,012 SF of occupancy in the quarter. The vacancy rate is now 2.59%, up from 1.84% in Q1 with 31,085 SF available. Two spaces came up for lease in Q2.

**EAST SIDE:** 2,025 SF of occupancy was lost on the East Side with one space becoming vacant. The vacancy rate is now 2.78%, up from 2.43% in Q1 with 16,068 SF available for lease.

**WEST SIDE:** 3,365 SF of negative net absorption was recorded in the quarter. The vacancy rate now stands at 1.56%, up from 0.93% in Q1. One building gained and three lost occupancy on the West Side resulting in a total of 8,393 SF available.

**OLD MILL DISTRICT:** One lease of 1,000 SF was noted, filling the final available space in the Old Mill District. The vacancy rate is now once again 0% in Q2, down from 0.38% in Q1.

**DOWNTOWN:** Negative net absorption of 80 SF was noted in Q2 due to a survey correction. There was no leasing activity in the quarter, and the vacancy rate stands at 4.0%. Currently there is 17,396 SF available.



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	2ND QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
South 97	21	825,610	6.15%	(1,019)	(5,562)
Central 97	43	675,687	2.39%	11,473	11,580
North 97	28	1,200,712	2.59%	(9,012)	(9,012)
East Side	28	578,336	2.78%	(2,025)	(3,265)
West Side	54	539,059	1.56%	(3,365)	4,622
Old Mill District	19	265,502	0%	1,000	0
Downtown	65	434,383	4.0%	(80)	(6,514)
<b>TOTAL</b>	<b>259</b>	<b>4,519,289</b>	<b>3.09%</b>	<b>(3,028)</b>	<b>(8,151)</b>





# BEND INDUSTRIAL



**3.8%**  
VACANCY



**-12,277 SF**  
ABSORPTION

Compass Commercial surveyed 316 industrial buildings for the second quarter 2020 report, totaling 4,493,791 square feet (SF). The industrial market lost 12,277 SF of net negative absorption in Q2, and the vacancy rate rose from 3.27% in Q1 to 3.80% in Q2 2020. There is now 170,716 SF of industrial space available for lease in Bend, compared to 146,439 SF in Q1.

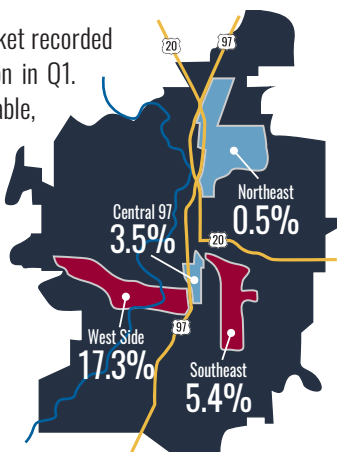
**SOUTHEAST:** 27,916 SF of negative net absorption was recorded, and the vacancy rate is now 5.35%, up from 3.0% in Q1. Six buildings lost occupancy in the quarter with none adding tenants. There is now a total of 89,745 SF available for lease, compared to 49,829 SF in Q1.

**NORTHEAST:** 14,885 SF of net positive absorption was recorded in Q2. Three buildings gained while one lost occupancy. A 15,000 SF lease was noted on Mercury Place as the largest in the submarket. The vacancy rate now stands at just 0.46%, down from 1.16% in Q1 with 9,870 SF available in the 2.1 million SF submarket.

**CENTRAL:** Two spaces were occupied for a total of 7,500 SF of positive net absorption for Q1. The vacancy rate now stands at 3.54%, down from 5.72% in Q4. There is a total of 12,137 SF available.

**WEST SIDE:** The West Side submarket recorded 6,746 SF of net negative absorption in Q1.

There is currently 58,964 SF available, compared to 52,218 SF of space in Q1. The vacancy rate stands at 17.29%, up from 15.31% in Q1. Again, the seemingly large vacancy rate in this small 13 building submarket is mostly due to the addition of the new Cascades Tech Center, formerly the Bend Bulletin Building, that is being reconfigured and currently has over 50,000 SF of industrial space 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	2ND QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Southeast	142	1,676,203	5.35%	(27,916)	(49,057)
Northeast	126	2,133,516	0.46%	14,885	15,705
Central	35	343,037	3.54%	7,500	(9,137)
West Side	13	341,035	17.29%	(6,746)	(58,964)
<b>TOTAL</b>	<b>316</b>	<b>4,493,791</b>	<b>3.8%</b>	<b>(12,277)</b>	<b>(101,453)</b>



# RDM INDUSTRIAL

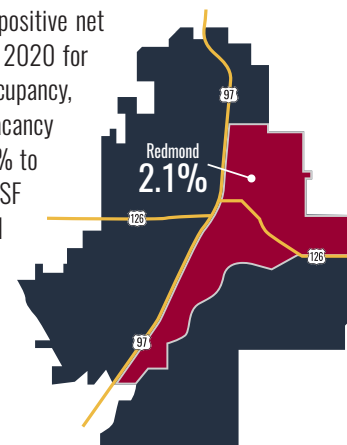


**2.1%**  
VACANCY



**10,225 SF**  
ABSORPTION

**REDMOND:** The Redmond Industrial market gained 10,225 square feet (SF) of positive net absorption in the second quarter of 2020 for a fourth straight gain in quarterly occupancy, with three new leases noted. The vacancy rate rose slightly however, from 1.7% to 2.1%, due to an additional 17,206 SF building on NE 11th Street being added to the survey. Out of Redmond's industrial sector of 1,654,385 SF total leasable space, there is now just 35,384 SF available for lease, just a three quarter supply at current leasing activity levels. There are now 87 buildings in the Redmond industrial market that we survey.



**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	2ND QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Redmond	87	1,654,385	2.1%	10,225	12,225



**FOR LEASE**  
The Design Center  
2127 S Hwy 97, Redmond  
1,286-17,367 SF



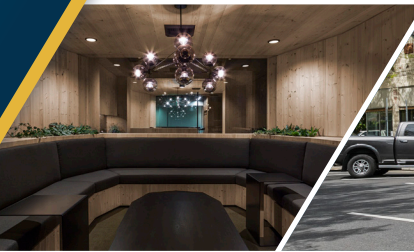
## NEW LISTING ALERT

### FOR SALE: 919 NW BOND

Downtown Bend Investment Opportunity  
12,909 SF | \$5,125,000

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like this hit the market?

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919 NW Bond Street, Bend



## NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the second quarter of 2020. For more details about our monthly transactions, please visit [CompassCommercial.com/Transactions](https://CompassCommercial.com/Transactions).



**75**  
TRANSACTIONS



**14**  
SALES



**52**  
LEASES



**\$28.8M**  
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Office	Country Club Professional Center, Eugene	68,733 SF	\$8,625,000	BUYER: Ron Ross & Terry O'Neil
	Land	NEC of SW Bradbury Dr. & SW Shevlin Hixon Dr., Bend	2.91 AC	Undisclosed	SELLER: Jay Lyons & Grant Schultz
	Land	2473 NW Marken St., Bend	5.36 AC	\$2,500,000	SELLER: Dan Kemp
	Office	20380 Halfway Rd., Bend	5,032 SF	\$1,262,000	SELLER: Howard Friedman, Jay Lyons & Grant Schultz BUYER: Dan Kemp & Adam Bledsoe
	Land	63575 Hunnell Rd., Bend	2.15 AC	\$796,000	SELLER: Bruce Churchill
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Land	3000 S Highway 97, Redmond	186,000 SF	Grace Delight of Oregon, LLC	TENANT: Ron Ross
	Retail	20205 Powers Rd., Bend	1,446 SF	National Guard of Oregon	LANDLORD & TENANT: Pat Kesgard & Kristie Schmitt TENANT: Russell Huntamer
	Office	1005 SW Disk Dr., Bend	1,410 SF	Undisclosed	LANDLORD: Howard Friedman, Jay Lyons & Grant Schultz
	Industrial	126 NE Emerson Ave., Bend	6,050 SF	Style 8 Design, LLC	LANDLORD & TENANT: Graham Dent
	Industrial	62999 NE Layton Ave., Bend	3,132 SF	Handy Dan's ReSpa	LANDLORD: Terry O'Neil & Luke Ross



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