



Grove Restaurant Space | 2838 NW Crossing Drive | 2,892 SF - \$3.15/SF/Mo. NNN

SETTING A LEGACY FOR COMMERCIAL REAL ESTATE

25th
1996-2021
ANNIVERSARY

This year, Compass Commercial Real Estate Services celebrates its 25th year as Central Oregon's premier commercial real estate firm. Since its founding in 1996, the company has grown from just four real estate brokers to a total of 16. The company has a full in-house marketing and admin staff, an Asset & Property Management department with Facilities Management and a Construction Services department, totaling over 40 people in the company.

WHERE DID IT ALL BEGIN?

In 1996, a couple of local brokers came together and founded Compass Commercial Real Estate Services. These founders shared a vision to raise the level of service in the industry by turning their attention to address the client's needs first. They understood the importance of providing their customers with the most up-to-date information and knowledge in the real estate market.

Partner and principal broker Howard Friedman, CCIM wrote in the Compass Points Q2 2016 report, "a decision was born to survey local commercial real estate vacancies and trends quarterly to provide the information as a valuable resource."

Compass Commercial's founders began surveying commercial properties in 1993 when there was just 1.2 million square feet of existing industrial space in Bend. Bend office space was added in 1994 followed by surveying Redmond industrial buildings in 1995. In 2008, retail became a booming industry in the Central Oregon region adding the final property type to the survey.

WE'VE COME A LONG WAY IN 25 YEARS

Today, Compass Commercial's brokers survey a total of 13.5 million square feet and 885 Buildings in Bend and Redmond. Compass Commercial Asset & Property Management currently manages over two million square feet of commercial property. The Compass Commercial Construction Services division handles projects of all sizes, from small tenant improvements to ground-up construction.

In 2020, Compass Commercial rebranded with a new logo. The compass symbol remains in the design as it is symbolic of the company's goals; to guide, advise and serve our clients to help them meet their unique real estate objectives. New division logos with individual colors were added to highlight the departments within the Compass Commercial brand.

Additionally, Property Management recently implemented Yardi Voyager software. Yardi allows owners to see how their asset is performing and tenants to create maintenance requests, pay rent online and much more.

Compass Commercial has held its position as an advisor in the Central Oregon commercial real estate industry, providing data references to local media as well as to clients to make informed business decisions involving real estate.

Written by Lauren Evans, Communications Specialist at Compass Commercial

NEXT UP

Howard Friedman gives us a 2020 recap and 2021 forecast.

CENTRAL OREGON

Commercial Real Estate Market Report

COMPASS
COMMERCIAL

REAL ESTATE SERVICES

2020 SUMMARY / 2021 FORECAST



This is the time of year we regularly look back at the previous year's forecast, but oh what a year it has been! Here is what we predicted a year ago for 2020:

"We believe 2020 will start the decade out strong, evidenced by another big growth spurt in Bend in several areas... Rents will be strong for new construction, which could raise existing buildings' rates as well, and values will remain at all-time highs. Cap rates should stabilize but remain historically low and, in a nutshell, we feel that Central Oregon will remain a great place to invest in."

We weren't wrong that we would start out strong, but that only lasted a couple months as the COVID-19 pandemic took hold in March. Although some have struggled, and we are not out of the woods yet, things have not fared all that poorly in many sectors in Central Oregon.

SUMMARIZING THE 2020 MARKET



At the end of 2019, the vacancy rate was 4.02% in Bend's office market, and by the end of 2020 it climbed to 7.41%. We lost 43,338 SF of leased office space, which represents about 1.60% of the 2.7 million square foot city-wide total. Lease rates dipped slightly by year's end as Landlords scrambled to fill vacant spaces, with most 2nd generation spaces now listed for \$1.50 – \$2.00/SF/Mo. NNN depending on location and quality. At the close of Q4 2020, there was 202,417 SF available for lease compared with 105,218 SF at the end of 2019.



Retail vacancies in Bend also rose from a rate of 2.90% at the end of 2019 to 5.81% in Q4 2020. In the fourth quarter of 2019 there was 130,743 SF of retail space available for lease, while Q4 2020 saw 261,827 SF on the market. Lease rates held steady, but restaurants and bars struggled to stay open with the state restrictions in place barring indoor dining. Those establishments that had a robust take-out business or could offer outdoor seating fared better than those who could not offer those amenities. Most, if not all, brick and mortar food and beverage locations (not including food carts) suffered. Rents for second

generation space were in the \$1.50 – \$2.50/SF/Mo. NNN range with new construction asking for \$2.50 – \$3.50/SF/Mo. NNN or more due to continued high land and construction prices.



Bend's Industrial sector held its own in 2020, one bright spot in an otherwise tenuous market. The vacancy rate was 2.30% at the end of 2020, rising slightly from 1.55% at the end of 2019, but falling consistently from Q2 2020 when the rate had risen to 3.80%. We saw just under 9,000 SF of net positive absorption for the year, as rental rates held steady with asking rents in the \$0.85 – \$1.15/SF/Mo. NNN range in 2020. There was just 106,105 SF available at the end of the year out of the 4.6 million square feet that we survey - a healthy market.



Redmond saw industrial vacancy rates climb to 4.30% up from 1.90% at the end of 2019, with 71,075 SF available for lease up from 30,403 SF at the end of 2019. Rental rates held steady in 2020 with most in the \$0.65 – \$0.75/SF/Mo. NNN range.

2020 SUMMARY / 2021 FORECAST



2021 SUPPLY VS. DEMAND



Bend's office market will probably not see much new development in 2021, as more vacancies pop up throughout the city due to companies downsizing to meet the new demand of at-home workers.



Several new retail projects will pop up in Bend in 2021. The Westside Yard on Century Drive is a LEED Silver mixed-use development comprised of 20,654 SF of commercial space on the ground floor. Pioneer Marketplace at the corner of Olney Avenue and Wall Street will feature 6,000 SF of retail and restaurants. Additionally, the 3rd Street Marketplace is a 7,000 SF development with four retail spaces and is expected to include a new Starbucks.



The industrial market should remain steady with increased multi-family and affordable housing projects continuing into the new year along with new home construction projects.



And in Redmond, industrial will continue to be the mainstay employer of the area renowned for its bioscience, aviation and aerospace businesses, building products manufacturing, and food and beverage production.

WHAT'S THE FORECAST?

Our crystal ball is taking a hiatus this year, but our hope is that with COVID vaccines becoming available to the general population by late spring, summer may prove to be the start of an economic recovery in Central Oregon. We have every reason to believe that our area will continue to grow and prosper, especially now in the new 'work from anywhere' climate. We have seen an influx of city dwellers land in our neck of the woods, and those new residents will need goods and services to maintain their newly found lifestyle we all have become accustomed to.

Written by Howard Friedman

Howard Friedman is a Partner and the managing Principal Broker for Compass Commercial. He also served as President of the Board of Directors of the Bethlehem Inn homeless shelter in Bend in 2019-2020, and is currently vice-chairman of the Board at MBSEF.

919 BOND BUILDING
FOR SALE: 12,909 SF | \$5,125,000
LEASE: 2,085 SF | \$2.00/SF/Mo. NNN



BEND OFFICE

7.41%
VACANCY

2,546 SF
ABSORPTION

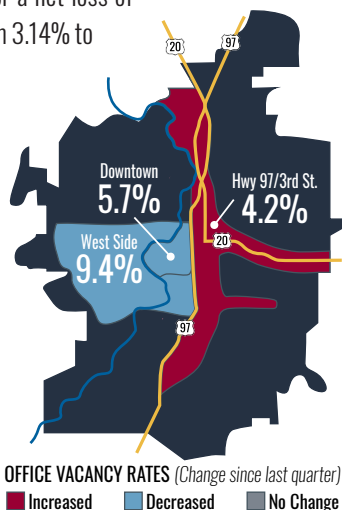
Compass Commercial surveyed 218 buildings for the fourth quarter 2020 office report. The buildings in the sample totaled over 2.73 million square feet. Positive net absorption of 2,546 SF was recorded during the quarter and the vacancy rate dropped slightly, moving from 7.50% in Q3 to 7.41% in Q4. There is now 202,417 SF available for lease, down from 204,963 SF in Q3.

Two submarkets recorded positive net absorption in the period and one submarket was negative.

DOWNTOWN: 240 SF of net leasing was gained, lowering the vacancy rate from 5.75% in Q3 to 5.70% in the last quarter of 2020, reversing a negative trend that, not surprisingly, started in Q2. Two buildings recorded negative results and one was positive in the quarter. There is currently 27,954 SF of available office space in the downtown area compared to 28,194 SF in Q3.

HWY 97/3RD ST: In the Hwy 97 corridor, three buildings added occupancy and six were negative for a net loss of 6,969 SF. The vacancy rate rose from 3.14% to 4.16% as a result.

WEST SIDE: The submarket recorded positive net absorption of 9,275 SF and the vacancy rate fell from 9.97% to 9.37%. Ten buildings reported positive net absorption and six were negative. Currently there is 146,012 SF available on the west side, down from 155,287 SF in Q3.



BEND OFFICE NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	4TH QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Downtown	49	490,261	5.70%	240	(7,825)
Hwy 97/3rd St.	55	683,917	4.16%	(6,969)	(8,178)
West Side	114	1,557,477	9.37%	9,275	(27,445)
TOTAL	218	2,731,655	7.41%	2,546	(43,448)



BEND RETAIL

5.81%
VACANCY

-88,377 SF
ABSORPTION

Compass Commercial surveyed 259 retail buildings totaling over 4.5 million square feet for the fourth quarter of 2020. The citywide vacancy rate rose for the fourth quarter in a row from 3.38% at the end of Q3 to 5.81% at the end of Q4, mainly due to one large vacancy noted in the North 97 submarket. An increase of 88,377 SF of vacancy was recorded. There is now 261,827 SF of retail space now available citywide, up from 152,798 SF in Q3.

SOUTH 97: 12,300 SF of negative net absorption was recorded in Q4. Two buildings lost occupancy in Q4 and the submarket finished at 9.27% vacancy, up from 7.73% in the previous quarter.

CENTRAL 97: 11,418 SF of negative net absorption was recorded from three new vacancies in Q4. The vacancy rate moved from 2.63% in Q3 to 4.37% in Q4.

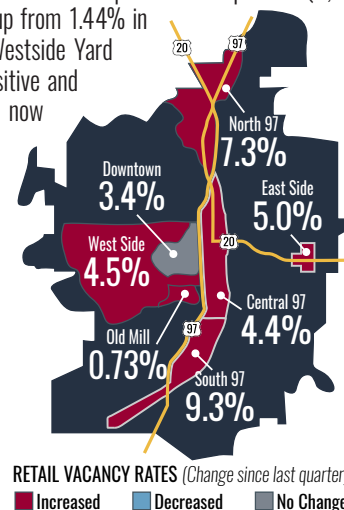
NORTH 97: 60,291 SF of net absorption was lost with two vacancies recorded. Most notably, JCPenney's 2020 bankruptcy forced the national chain to close many of its stores, including Bend's 58,000-SF location at the Cascade Village Shopping Center. The vacancy rate now stands at 7.26%, up from 2.23% in Q3, with 87,120 SF now available in the submarket.

EAST SIDE: The submarket lost 6,698 SF of negative absorption in Q4, raising the vacancy rate from 3.75% in Q3 to 4.91% in Q4. One building gained occupancy and three gained vacancy. There is now 28,378 SF available for lease.

WEST SIDE: The submarket gained 4,270 SF of net positive absorption in Q4, but the vacancy rate rose to 4.47% up from 1.44% in Q3 due to the addition of the new Westside Yard to the survey. Two buildings were positive and two were negative, with 24,121 SF now available, up from just 7,739 SF in Q3.

OLD MILL DISTRICT: There was one vacancy of 1,940 SF in the quarter, moving the vacancy rate from 0.00% in Q3 to 0.73% at the end of the year.

DOWNTOWN: No movement was recorded in Q4, but an additional 1,919 SF is available at Putnam Pointe due to Village Interiors taking up new residence on Wall Street. Currently, there is 14,636 SF available in the downtown area, with an unchanged vacancy rate of 3.37%.



BEND RETAIL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	4TH QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
South 97	22	824,373	9.27%	(12,300)	(20,477)
Central 97	42	667,792	4.37%	(11,418)	(1,473)
North 97	28	1,200,712	7.26%	(60,291)	(65,047)
East Side	28	578,336	4.91%	(6,698)	(15,575)
West Side	54	539,059	4.47%	4,270	9,546
Old Mill District	19	265,502	0.73%	(1,940)	(1,940)
Downtown	66	434,383	3.37%	0	(3,754)
TOTAL	259	4,510,157	5.81%	(88,377)	(98,720)



BEND INDUSTRIAL

2.30%
VACANCY

40,262 SF
ABSORPTION

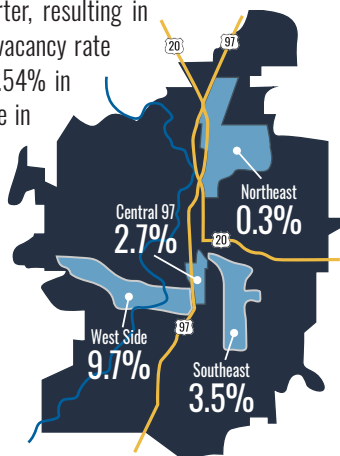
Compass Commercial surveyed 320 buildings for the fourth quarter 2020 industrial report, totaling 4,609,320 square feet. The industrial market gained 40,262 SF of net positive absorption in Q4 and the vacancy rate fell from 3.47% in Q3 to 2.30% in Q4. There is now 108,105 SF of industrial space available for lease in Bend, compared to 159,853 SF in Q3. All four submarkets recorded positive net absorption in Q4 2020.

SOUTHEAST: The southeast submarket recorded 10,098 SF of positive net absorption, and the vacancy rate is now 3.49%, down from 4.76% in Q3. Two buildings added occupancy and one added a vacancy in the quarter. There is now 58,768 SF available for lease, compared with 80,352 SF in Q3 in the submarket. One building was removed from the survey due to it being sold to an owner/user, and one new building was added in the Carmen Loop area.

NORTHEAST: In the northeast submarket, 24,499 SF of net positive absorption was recorded. Two buildings reported positive absorption and one was negative. The vacancy rate now stands at just 0.26%, down from 1.41% in Q3 with only 5,500 SF available in the 2.1 million SF northeast submarket.

CENTRAL: The central submarket also gained ground, with just one space of 3,955 SF leasing up in the quarter, resulting in positive net absorption for Q4. The vacancy rate now stands at 2.70% after being 3.54% in Q3. There is now 12,681 SF available in the 38-building central submarket.

WEST SIDE: The west side submarket gained 1,710 SF of positive net absorption in Q4, resulting in a 9.73% vacancy rate, down from 10.27% in the third quarter. There is now 31,156 SF of space available in the 320,106 SF west side submarket. One lease took place in the quarter.



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	4TH QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Southeast	143	1,685,783	3.49%	10,098	(9,986)
Northeast	126	2,133,516	0.26%	24,499	20,075
Central	38	469,915	2.70%	3,955	409
West Side	13	320,106	9.73%	1,710	(1,517)
TOTAL	320	4,609,320	2.30%	40,262	8,981



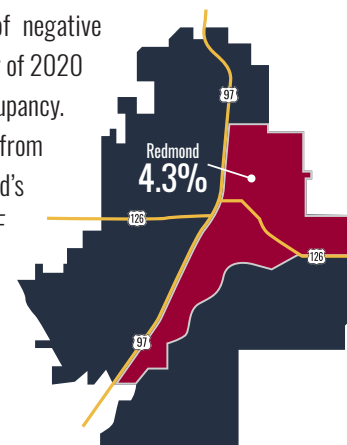
RDM INDUSTRIAL

4.30%
VACANCY

-3,086 SF
ABSORPTION

REDMOND: The Redmond industrial market experienced 3,086 square feet of negative net absorption in the fourth quarter of 2020 for a second straight loss in occupancy.

The vacancy rate rose as a result, from 3.50% to 4.30%. Out of Redmond's industrial sector of 1,663,927 SF total leasable space, there is now 71,075 SF available for lease. There are 88 buildings in the Redmond industrial market that we tally. Four buildings recorded positive absorption and two were negative in Q4.



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	4TH QTR. ABSORP. SF	TOTAL 2020 ABSORP. SF
Redmond	88	1,663,927	4.30%	(3,086)	(13,924)



FOR LEASE

West Side Flex Space
 561 NW York Dr., Bend
 6,360 SF | \$1.75/SF/Mo. NNN






NEW LISTING ALERT

FOR SALE: REDMOND MEDICAL BLDG.
 Owner User Opportunity with lease potential
 11,978 SF | \$2,400,000

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





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

244 NW Kingwood Ave., Redmond



NOTABLE TRANSACTIONS

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

<div><div>85 TRANSACTIONS</div><div>10 SALES</div><div>68 LEASES</div><div>\$29.9M CONSIDERATION</div></div>					
SALE TRANSACTIONS	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
	Office	777 NW Wall St., Bend	19,215 SF 0.62 AC	\$4,300,000	SELLER: Howard Friedman, Jay Lyons, & Grant Schultz
	Land	Brinson Blvd., Bend	15.3 AC	\$3,509,609	SELLER: Pat Kesgard & Kristie Schmitt BUYER: Bruce Churchill
	Land	Sisters Forest Service Land Hwy 20 & Pine St., Sisters	31.56 AC	\$2,848,244	SELLER: Graham Dent & Robert Raimondi
	Retail	62929 N Hwy 97, Bend	8,409 SF 0.87 AC	\$1,700,000	SELLER: Graham Dent, Jay Lyons & Grant Schultz BUYER: Ron Ross & Terry O'Neil
	Retail	1990 S Hwy 97, Redmond	500 SF 0.39 AC	\$1,650,000	BUYER: Pat Kesgard & Kristie Schmitt
LEASE TRANSACTIONS	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
	Office	404 SW Columbia St., Bend	4,783 SF	Prime Lending	LANDLORD: Jay Lyons & Grant Schultz TENANT: Graham Dent
	Industrial	545 SE Bridgeford Blvd., Bend	12,950 SF	PG Long Flooring, LLC	LANDLORD: Dan Kemp & Luke Ross TENANT: Graham Dent
	Industrial	693 SE Glenwood Dr., Bend	9,058 SF	SmartyPits	LANDLORD: Ron Ross, Terry O'Neil & Luke Ross TENANT: Peter May & Dan Kemp
	Office	1000 SW Indian Ave., Redmond	3,616 SF	VEP OR 1, LLC	LANDLORD: Terry O'Neil
	Retail	1462 NE Cushing Dr., Bend	1,168 SF	Three Sisters Nails, LLC	LANDLORD: Russell Huntamer, Jay Lyons & Grant Schultz TENANT: Joel Thomas