

FOR SALE: Pinnacle Medical Office Building | 2450 NE Mary Rose Pl., Bend | 36,653 SF | \$25,737,226 | 4.50% Cap Rate

OPPORTUNITY UNLOCKED: REDMOND'S EMERGENCE

The successes of Bend's commercial real estate market over the last ten years are well documented. Land supply is anemic, and the barriers to entry for developers looking to add much-needed inventory have become costly and, in many cases, prohibitive. As a result, developers and businesses have looked 17 miles north to the City of Redmond, where land is in greater supply, and the cost of housing is substantially more affordable than in Bend.

UNLOCKING REDMOND'S INDUSTRIAL MARKET

Redmond's growth, particularly in the industrial sector, has been explosive in the current real estate cycle. Redmond's industrial vacancy rate peaked in 2008 (post-financial crisis) at 31.4%. By 2014, the market was in serious recovery mode, with vacancies dipping to 10%, followed by a drop to sub-5% vacancies by 2016. This year, the vacancy rate for Redmond industrial averaged 1.54%, and developers can't deliver enough space to meet the surging demand. According to Redmond Economic Development Inc. (REDI), since 2018, the market has received 265,478 square feet of speculative industrial space, with an additional 135,588 square feet of space in the pipeline (under construction, permitted and planned). Those projects combined will increase Redmond's industrial inventory by nearly 28%.

On the owner-occupied front, 12 industrial projects totaling 288,320 square feet have been delivered since 2018, with three projects currently under construction slated to add another 58,350 square feet. Tax incentives and other cost-saving programs, especially for traded sector employers, have lured large corporate users to Redmond. Companies such as BASX, Medline, Performance Pro Supply, Composite Approach, and Stratus Aircraft, among many others, have decided to make Redmond their home in Central Oregon.

And the momentum continues to build. According to REDI, there are ten projects in various stages of land use planning that total a whopping 537,815 square feet, the largest of those being the Wild Mike's Pizza production facility. Anticipated to break ground in mid-2023, that project alone totals 300,000 square feet, is estimated to cost \$40 million and create 114 new jobs.

Home to the region's main commercial airport, Robert's Field, Redmond has become a destination for the aerospace industry. The aerospace/aviation industry is one of the fastest-growing industries in the City, behind building products and consumer goods. A sign of continued investment by the City into this industry is the recent announcement of their plans for a \$200 million expansion of the airport facilities over the next 5-10 years.

THE LAND OF OPPORTUNITY

At the intersection of two major highway systems, Hwy 97 and Hwy 126, Redmond's access to surrounding communities is simple and efficient, which bodes well for distribution and commerce but also for people living in Redmond and commuting (particularly to Bend). The rising costs of housing options in Bend have made this commute more appealing to the younger workforce and those with families, a trend likely to continue.

In 1998, Compass Points dubbed Redmond "The Land of Opportunity." To the City's credit, they've unlocked that opportunity since the dark days of 2008 and 2009. The market that used to be known as the "alternative" (to Bend) by commercial real estate investors, developers and tenants may soon emerge as the preference.

*Written by president and broker
Graham Dent, SIOR*

CENTRAL OREGON

Commercial Real Estate Market Report



BEND OFFICE

3.09%
VACANCY

7,542 SF
ABSORPTION

Compass Commercial surveyed 223 office buildings totaling 2.76 million square feet for the fourth quarter office report of 2022. The market experienced 7,542 SF of positive absorption in Q4 2022, with a decline in vacancy rate from 3.38% in Q3 2022 to 3.09% in Q4. The vacancy rate has now declined for five consecutive quarters with Q4 having the third lowest vacancy rate since Compass started tracking vacancy percentages in 1993. There is 85,430 SF of office space currently available in the market.

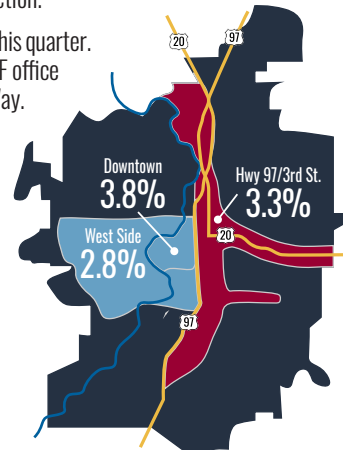
LEASING: Leasing demand remains very strong as evidenced by the vacancy rate declining for five consecutive quarters. While the Downtown and Highway 97/3rd Street submarkets submarket experienced negative absorption this quarter of 3,740 SF and negative 5,494 SF respectively, the Westside submarket more than made up for it with 16,776 SF of positive absorption.

RENTS: Lease rates remain steady with the high end of the market ranging from \$2.00 to \$3.00/SF/Mo. NNN and more affordable space ranging from \$1.40 to \$2.00/SF/Mo. NNN. The tight market will result in upward pressure on lease rates and firm responses from landlords negotiating new leases.

CONSTRUCTION: Shevlin Crossing, an approximately 45,054 SF two-building Class A office project in NorthWest Crossing, is under construction and continues to move towards completion. RBC Capital Markets leased 7,200 SF of the second floor in Q3 2022. There are no other speculative office developments currently under construction.

SALES: There were three notable sales this quarter. An owner/user purchased the 10,292 SF office building located at 747 SW Mill View Way. The building sold for \$3,500,000, or approximately \$340/SF. Another owner/user purchased a single-tenant building and the adjacent parking lot located at 39 NW Louisiana Avenue for \$1,700,000 or approximately \$472/SF. Finally, an owner/user purchased the multi-tenant building located at 1693 SW Chandler Avenue for \$7M or \$458/SF. All three sales were off-market transactions.

Written by partner and broker
Jay Lyons, SIOR, CCIM



BEND OFFICE NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	4TH QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
Downtown	52	504,150	3.76%	(3,740)	29,123
Hwy 97/3rd St.	54	677,717	3.31%	(5,494)	(11,106)
West Side	118	1,580,127	2.79%	16,776	69,691
TOTAL	223	2,761,994	3.09%	7,542	87,708



BEND RETAIL

2.67%
VACANCY

9,345 SF
ABSORPTION

Compass Commercial surveyed over 4.60 million square feet of retail space across 263 buildings for the fourth quarter retail report of 2022. The market experienced 9,345 SF of positive absorption, resulting in the citywide vacancy rate decreasing from 2.88% in Q3 2022 to 2.67% in Q4 2022. There is now 123,007 SF of available retail space for lease.

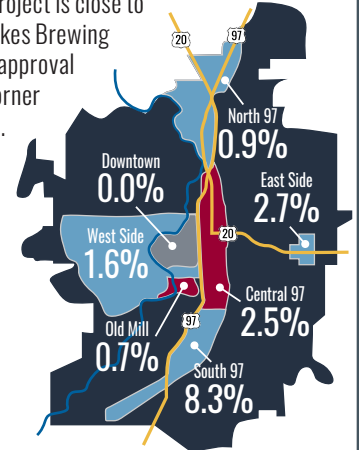
LEASING: Leasing in the retail sector remained constant in Q4 with four of the seven submarkets showing positive absorption and an overall decrease in the market vacancy rate. The Old Mill District was one of the few submarkets that saw an increase in vacancy, with 1,940 SF becoming available at the former Simply Mac space. Downtown maintained its 0% vacancy rate. The East Side submarket experienced a decrease in vacancy with the leasing of 3,990 SF to Sherwin Williams at The Forum and 2,326 SF leased to Breathe Deep Dental at Reed South. New leases were signed at the Cascade Village Shopping Center with Cascade Medical Spa taking the former 3,014 SF Massage Envy space and The Chicken Shanty leasing the former 1,493 SF Jamba Juice location, which contributed to the 9,604 SF of positive absorption in Northern submarket in Q4.

RENTS: The asking rental rates for Bend retail space continue to hold steady between \$1.15 and \$4.00/SF/Mo. NNN with the highest rates associated with drive-thru sites and new construction.

CONSTRUCTION: The Reed South project is close to shell completion with the Cascade Lakes Brewing building. Costco received site plan approval for their new development at the corner of Cooley Road and US Highway 20. The new development is expected to contain a 188,035 SF main building with an adjacent gas station and car wash, as well as three separate outbuildings totaling 17,850 SF.

SALES: In October of 2022, the 2,814 SF building at 123 NE Greenwood Avenue sold for \$350,000 or \$124.38/SF.

Written by partner and broker
Russell Huntamer, CCIM



BEND RETAIL NET ABSORPTION

BLDGS. OVER 3,000 SF

MARKET AREA	NO. BLDGS.	TOTAL SF	VAC. RATE	4TH QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
South 97	22	829,207	8.32%	7,950	16,402
Central 97	44	677,348	2.47%	(7,572)	(6,990)
North 97	28	1,254,493	0.86%	9,604	25,832
East Side	28	578,336	2.74%	1,003	1,920
West Side	56	562,129	1.55%	300	12,593
Old Mill District	19	265,502	0.73%	(1,940)	(1,940)
Downtown	66	434,383	0.00%	0	7,158
TOTAL	263	4,601,398	2.67%	9,345	54,975



BEND INDUSTRIAL



0.43%
VACANCY



2,803 SF
ABSORPTION

Compass Commercial surveyed 318 Bend industrial buildings totaling 4.61 million square feet for the fourth quarter of 2022. The market experienced just 2,803 SF of positive absorption in the quarter. At the end of Q4 2022, the overall vacancy rate stood at 0.43%, a slight decrease from the 0.63% recorded in Q3 2022. There is 19,765 SF of industrial space currently available in Bend.

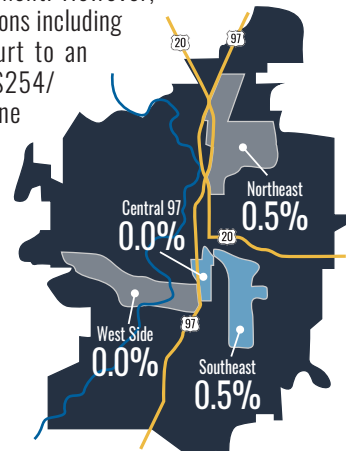
LEASING: New leasing activity during the quarter was limited only by the lack of available space. Supply constraints in Bend are forcing some companies to consider relocating to surrounding markets such as Redmond and Sisters, two communities who have benefited from Bend's anemic industrial supply.

RENTS: The average asking rate for Bend industrial space is \$1.14/SF/Mo. NNN*. Premier industrial space is commanding rates between \$1.25-\$1.35/SF/Mo.

CONSTRUCTION: There are no speculative industrial development projects underway in Bend. However, there is one speculative project under construction in Tumalo. That project, located at 64435 Strickler Avenue totals 26,400 SF and is slated to be completed in May 2023.

SALES: Sales activity began to decline at the end of 2022 due to the rising interest rate environment. However, there were a few notable transactions including the sale of 20511 Builder's Court to an owner/user for \$1,200,000 or \$254/SF. Additionally, the Bend-La Pine School District purchased two buildings located at 588 and 606 SE Glenwood for a total of \$1,100,000 or \$198/SF. Lastly, ODOT purchased the building located at 63257 Nels Anderson Rd for \$6,700,000 or \$192/SF under eminent domain as part of the Hwy 97 north corridor re-alignment project.

Written by partner and broker
Graham Dent, SIOR



BEND 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 YTD ABSORP. SF
Southeast	143	1,685,983	0.51%	2,856	1,294
Northeast	127	2,151,516	0.52%	(53)	8,541
Central	36	469,915	0.00%	0	36,748
West Side	12	303,106	0.00%	0	1,710
TOTAL	318	4,610,520	0.43%	2,803	48,293



RDM INDUSTRIAL



3.25%
VACANCY



25,595 SF
ABSORPTION

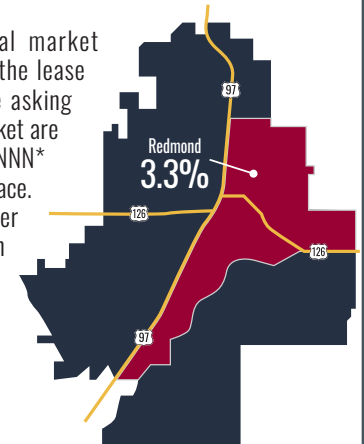
Compass Commercial surveyed 89 buildings totaling 1.72 million square feet for the fourth quarter Redmond industrial market report of 2022. This quarter, we added a new industrial park located at 2405 SW 1st Street totaling 58,568 SF. This new addition resulted in positive absorption of 25,595 SF in Q4 and an increase in vacancy rate from 1.38% in Q3 to 3.25% in Q4. There is now 55,948 SF of vacant space in Q4.

LEASING: Activity in the Redmond industrial market showed some movement, although some tenants remained in their current spaces. The 55,948 SF currently available is largely due to the addition of the new 58,568 SF industrial park, of which 19,400 SF was leased within the quarter, leaving a total of 39,168 SF available. We anticipate the extra space will be absorbed over the next few quarters.

RENTS: The Redmond industrial market continues to be very strong with the lease rates on the higher side. Average asking rates in the Redmond industrial market are between \$0.85 and \$1.10/SF/Mo. NNN* depending on the condition of the space. Asking rates for new projects under construction will probably be between \$0.95 and \$1.25/SF/Mo. NNN.

CONSTRUCTION: There is currently 50,000 SF to 70,000 SF of industrial space in the pipeline for Q1 and Q2 2023, primarily located in southeast Redmond.

Written by partner and broker
Pat Kesgard, CCIM



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 YTD ABSORP. SF
Redmond	89	1,722,495	3.25%	25,595	2,620

Positive Absorption = Space Leased | Negative Absorption = Space Vacated

*Data sourced from CoStar

FOR LEASE Class A Office/Retail Space
100 W Lundgren Mill Dr., Sisters
1,090-7,790 SF | \$2.00/SF/Mo. NNN



TOP 5 SALE & LEASE LISTINGS CLOSED IN 2022



NEW LISTING ALERT

FOR LEASE: SHELL MEDICAL OFFICE SPACE

Class A Medical Building Near St. Charles
4,000 SF | \$3.17/SF/Mo. NNN

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

Sign up for New Listing Alerts at
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1342 NE Medical Center Dr., Bend



NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the fourth quarter of 2022. For more details about our monthly transactions, please visit CompassCommercial.com/Transactions.



72
TRANSACTIONS



8
SALES



53
LEASES



\$37.9M
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Land	20130 Badger Rd., Bend	6.58 AC	\$8,000,000	BUYER: Dan Kemp
	Multifamily	1280 SE Nehalem St., Portland	12,000 SF	\$5,900,000	BUYER: Ron Ross
	Land	SW Airport Way and SW 19th St., Redmond	8.86 AC	\$4,270,000	SELLER: Pat Kesgard & Kristie Schmitt BUYER: Bruce Churchill
	Retail	1808 Pioneer Parkway, Springfield	4,672 SF 0.76 AC	\$3,800,000	BUYER: Pat Kesgard & Kristie Schmitt
	Industrial	20511 Builders Ct., Bend	4,716 SF 0.78 AC	\$1,200,000	BUYER & SELLER: Ron Ross & Luke Ross
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Industrial	SW Commerce Ct., Prineville	7,560 SF	Rosendin Electric, LLC	LANDLORD: Bruce Churchill
	Retail	The Forum Shopping Center 2550-2680 NE Hwy 20, Bend	3,990 SF	Sherwin Williams Co.	LANDLORD: Russell Huntamer, Peter May & Eli Harrison
	Office	695 NW York Dr., Bend	2,712 SF	Bend Proth Management, LLC	LANDLORD: Dan Kemp, Jay Lyons & Grant Schutlz
	Office	Reed South 21175 & 21185 SE Reed Market, Bend	2,326 SF	Breathe Deep Dental	LANDLORD: Russell Huntamer, Bruce Churchill & Eli Harrison
	Retail	Pioneer Plaza 1484 NW Wall St., Bend	1,523 SF	30 Minute Hit	LANDLORD: Russell Huntamer, Peter May, Ron Ross & Eli Harrison



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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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