



*FOR SALE: Redmond Office Building - Investment Opportunity | 153 SW 5th Street, Redmond | 4,138 SF | 0.35 AC | \$1,450,000*

## ***BEND'S COMMERCIAL REAL ESTATE RESILIENCE: A 2024 OUTLOOK***

Bend consistently demonstrates its resilience amid challenges faced by other commercial markets nationwide. While the commercial real estate market in Bend has exhibited a slight deceleration from the vigorous pace of the past three years, it is minor in comparison to most of the country, and more indicative of a constructive transition towards a balanced market. This article provides insights into what may lie ahead in Bend's office, industrial, retail, and multifamily sectors in 2024.

### **OFFICE**

Nationally, the office sector is undergoing a period of transition, grappling with the challenges of defining its post-COVID existence. Remote work is experiencing significant growth with 12.7% of full-time employees opting to work from home and an additional 28.8% embracing a hybrid work model, as reported by Forbes Key Remote Work Statistics. Projections indicate that 32.6 million Americans will be working from home by 2025. This shift is a key factor contributing to the national average office vacancy rate rising to 13.6%.

While the broader office market is facing increased vacancy rates, Bend has demonstrated a more resilient stance. In 2023, there was a modest 1.72%

increase in vacancy, resulting in an overall office vacancy rate of 5.66% — less than half of the national average. Our forecast anticipates that the Bend office market will maintain its relative stability.

### **RETAIL**

The retail sector demonstrated robust performance throughout 2023, and this positive trend should persist in 2024. In contrast to the substantial growth observed in multifamily construction over the past decade, new retail construction has remained relatively restrained. Over the last 10 years, the retail inventory monitored in our quarterly survey has experienced a mere 4% increase. Consequently, vacancy rates in 2023 saw a modest uptick of 0.56%, reaching 3.10%. Given the limited inventory coupled with sustained strong demand, the retail sector is well-positioned for success in 2024. Nevertheless, the retail sector is not devoid of challenges, as businesses work through workforce-related obstacles and contend with recent legislative changes that impact both minimum wage regulations and scheduling practices.

*(Continued to page 4)*

**CENTRAL OREGON**

## **Commercial Real Estate Market Report**



## BEND OFFICE



**5.66%**  
VACANCY



**-21,418 SF**  
ABSORPTION

Compass Commercial surveyed 226 office buildings totaling 2.78 million square feet for the fourth quarter office report of 2023. The market experienced 21,418 SF of negative absorption in Q4 which resulted in an increase in vacancy rate from 4.88% in Q3 to 5.66% in Q4. This is the fourth consecutive quarter with negative absorption and an increase in vacancy. Through 2023, the Bend office market experienced 60,240 SF of negative absorption. With a number of sublease listings expiring and becoming direct lease listings, the amount of available sublease space decreased from 106,427 SF in Q3 to 57,963 SF in Q4. The reduction in sublease inventory modestly offset the increase in direct lease inventory and resulted in a decreased availability rate of 7.75%.

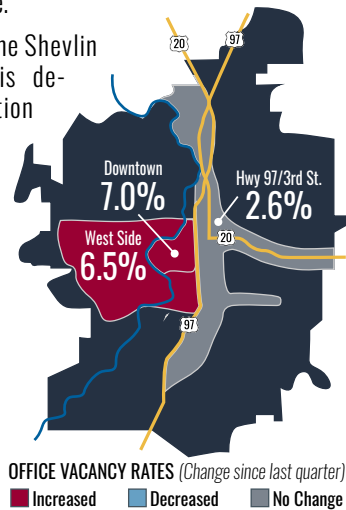
**LEASING:** Leasing demand remains slow across all submarkets and suite sizes. The West Side submarket took the biggest hit in Q4 with 20,067 SF of negative absorption. The Downtown submarket experienced 1,351 SF of negative absorption while the Hwy 97/3rd Street submarket was unchanged from the previous quarter.

**RENTS:** Lease rates remain flat with the high end of the market ranging from \$2.00 to \$3.05/SF/Mo. NNN and more affordable space ranging from \$1.40 to \$2.00/SF/Mo. NNN. Rate reductions continue to be more of the exception than the rule.

**CONSTRUCTION:** Building B of the Shevlin Crossing office development is designed, but timing for construction is market dependent. A 6,427 SF office building across the street from Shevlin Crossing is in the planning stages. There are no other speculative office developments under construction or proposed.

**SALES:** There were no notable office sales this quarter.

*Written by partner and broker  
Jay Lyons, SIOR, CCIM*



## BEND RETAIL



**3.10%**  
VACANCY



**-13,102 SF**  
ABSORPTION

Compass Commercial surveyed over 4.64 million square feet of retail space across 267 buildings in Bend to compile the fourth quarter retail report of 2023. The Bend retail market experienced an increase in overall vacancy during the fourth quarter of 2023, from 2.54% in Q3 of 2023 to 3.10% in Q4. There is now 143,689 SF of available retail space for lease in Bend.

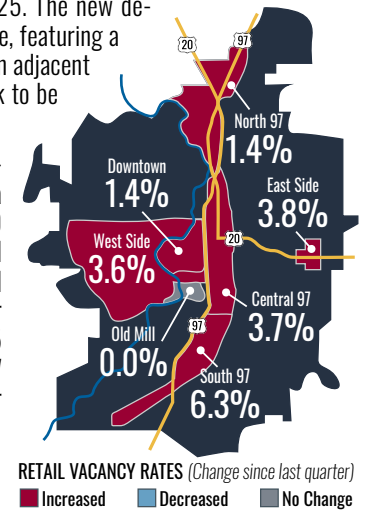
**LEASING:** On the leasing front, with the exception of the Old Mill District which maintained its 0% vacancy rate, each Bend retail submarket experienced an increase in vacancy in Q4 2023. The East Side submarket saw the largest increase going from 2.25% in Q3 to 3.77% in Q4, despite 3,322 SF of positive absorption. Conversely, the Central submarket experienced the largest negative absorption with 6,412 SF coming back on the market. Other submarkets experienced small upticks in vacancy, including the North 97 submarket which increased by only 0.05% to 1.36% in Q4.

**RENTS:** The asking rental rates for Bend retail space continue to hold steady between \$1.40 and \$4.58/SF/Mo. NNN, with the highest rates associated with drive-thru sites and new construction.

**CONSTRUCTION:** Vertical construction continues to progress for Killian Pacific's new mixed-use complex, The Jackstraw, next to the Box Factory on the West Side. This project will feature 313 high-end residential units and 16,976 SF of ground floor retail space. The shell is still on schedule to be completed in the fall of 2025. The new development at 515 SW Century Drive, featuring a 129-unit apartment complex and an adjacent 1,625 SF retail building, is on track to be completed in the summer of 2024.

**SALES:** The 16.1 acres of commercial land in Pahlisch Home's Petrosa development sold for \$8,000,000 or \$114/SF. The 8,100 SF retail center known as Neff Place, located at 1500 NE Cushing Drive, sold for \$3,850,412, or \$475/SF. A 3,095 SF building located at 1002 NW Bond Street sold for \$1,730,000 or \$557.35/SF, at a 5.41% cap rate.

*Written by broker  
Eli Harrison*



### 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	53	508,987	7.01%	(1,351)	(11,890)
Hwy 97/3rd St.	54	677,717	2.63%	0	4,630
West Side	119	1,593,392	6.52%	(20,067)	(52,980)
<b>TOTAL</b>	<b>226</b>	<b>2,780,096</b>	<b>5.66%</b>	<b>(21,418)</b>	<b>(60,240)</b>

### 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	23	835,405	6.27%	(615)	23,585
Central 97	44	677,348	3.66%	(6,412)	(8,077)
North 97	28	1,228,168	1.36%	(660)	(5,893)
East Side	30	632,015	3.77%	3,322	5,631
West Side	56	562,129	3.57%	(5,812)	(11,316)
Old Mill District	19	265,502	0.00%	0	229
Downtown	67	440,415	1.35%	(2,925)	91
<b>TOTAL</b>	<b>267</b>	<b>4,640,982</b>	<b>3.10%</b>	<b>(13,102)</b>	<b>4,250</b>





# BEND INDUSTRIAL



**1.99%**  
VACANCY



**19,153 SF**  
ABSORPTION

Compass Commercial surveyed 321 Bend industrial buildings totaling 4.65 million square feet for the fourth quarter of 2023. The market experienced 19,153 SF of positive absorption during the quarter resulting in an overall vacancy rate of 1.99%, down from 2.40% in Q3 2023. There is now 92,628 SF of industrial space currently available in Bend.

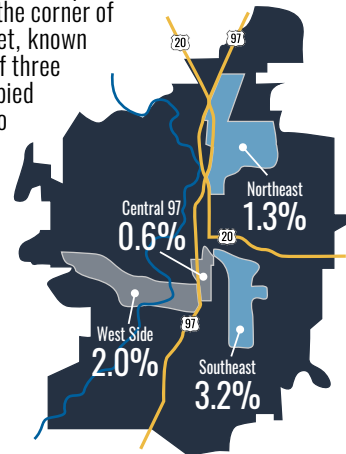
**LEASING:** A handful of small leases were executed during the quarter but, leasing activity was relatively limited. The positive absorption recorded during the quarter was driven by one larger lease totaling 12,790 SF in the Southeast submarket. While still a landlord's market, particularly among buildings with smaller industrial units, there are more options for tenants today than there were one year ago when the vacancy rate stood at a mere 0.43%. This vacancy creep is a healthy way for the market to rebalance to a normal amount of supply which, assuming steady demand, should increase the amount of leasing activity overall.

**RENTS:** The average asking lease rate decreased from \$1.09/SF/Mo. NNN in Q3 to \$1.05/SF/Mo. NNN at the end of Q4. This decrease is driven by a softening demand and an increase in supply as noted above. With more options to choose from, tenants have regained some leverage in lease negotiations. Landlords are also beginning to compete with some sublease space, which is typically advertised at rates below spaces offered on a direct basis. There are a handful of highly specialized industrial/flex spaces commanding between \$1.25 and \$1.50/SF/Mo. NNN.

**CONSTRUCTION:** In Bend, there is one speculative industrial project underway at the corner of SE Wilson Avenue and SE 9th Street, known as the Midway project. It consists of three buildings, one of which will be occupied by Blackstrap. The remaining two flex buildings totaling 27,789 SF will be delivered in spring 2025.

**SALES:** One property, located at 90 SE Bridgeford Boulevard sold for \$2,380,000 or \$216/SF. Another building located at 1044 SE Paiute Way traded for \$2,075,000 or \$244/SF and another building located at 63353 Nels Anderson Road sold for \$2,800,000 or \$389/SF.

*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	145	1,698,957	3.22%	15,723	(40,396)
Northeast	128	2,177,841	1.34%	3,430	(17,898)
Central	36	469,915	0.57%	0	(2,680)
West Side	12	303,106	2.03%	0	(6,165)
<b>TOTAL</b>	<b>321</b>	<b>4,649,819</b>	<b>1.99%</b>	<b>19,153</b>	<b>(67,139)</b>



# RDM INDUSTRIAL



**1.13%**  
VACANCY



**580 SF**  
ABSORPTION

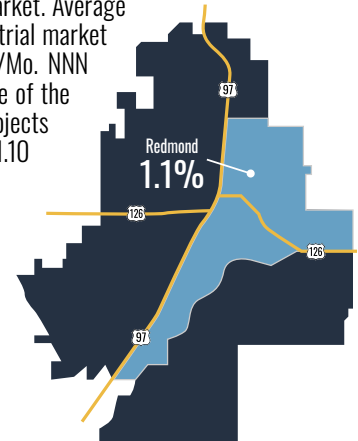
Compass Commercial surveyed 91 buildings totaling 1.75 million square feet for the fourth quarter Redmond industrial market report of 2023. The Redmond industrial market experienced 580 SF of positive absorption, resulting in the vacancy rate decreasing from 1.16% in Q3 2023 to 1.13% in Q4. There is now 19,671 SF of available space.

**LEASING:** Activity in the Redmond industrial market continues to show strength with a demand for industrial space. The market remains tight with very limited spaces available between 1,500 SF and 5,000 SF. Two new industrial buildings are now on the market for lease as of January 10, 2024. Each building is in the range of 10,000 SF and will probably lease up quickly as the buildings are completed.

**RENTS:** The Redmond industrial market continues to be strong with a slight increase at the top of the market. Average asking rates in the Redmond industrial market are between \$0.90 and \$1.25/SF/Mo. NNN depending on the condition and size of the space. Asking rates for new projects under construction are between \$1.10 and \$1.25/SF/Mo. NNN.

**CONSTRUCTION:** There is currently 30,000 SF to 50,000 SF of industrial space in the pipeline for Q1 and Q2 2024. This report does not provide square footage of owner user buildings that either have been built or are under construction.

*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	91	1,746,335	1.13%	580	43,117

Positive Absorption = Space Leased | Negative Absorption = Space Vacated



## FOR LEASE

**Class A West Side Office**  
 360 SW Bond Street, Bend  
 2,000-44,439 SF | \$2.25-2.35/SF/Mo. NNN

# BEND'S COMMERCIAL REAL ESTATE RESILIENCE: A 2024 OUTLOOK

(continued)



## INDUSTRIAL

The industrial sector has witnessed a parallel narrative on both local and national scales. Despite a substantial increase in inventory, demand has consistently outpaced supply. This trend became particularly pronounced in Bend in 2022, when vacancy rates plummeted to less than half a percent, indicating an unbalanced market condition. In 2023, efforts to replenish inventory showed modest improvement, with year-end vacancy rates standing at 1.99%. However, this figure remains below the threshold for a healthy market.

## MULTIFAMILY

Over the past 24 months, investment real estate, particularly the multifamily sector, has experienced a downturn due to rapidly rising interest rates and construction and land costs. Nationwide, CBRE

predicts a 5% - 15% decline in values, attributing it to an anticipated increase of 25 - 50 basis points in capitalization rates. In Bend, robust multifamily construction activity over the last decade has doubled the inventory, leading to a 9.4% vacancy rate in Q4 of 2023, according to CoStar. Scheduled deliveries are expected to expand inventory by an additional 9.8%, contributing to a softening market throughout 2024, with vacancy rates projected to decrease starting in 2025.

Bend's commercial real estate market displays resilience amid national challenges. Despite a minor deceleration, the office sector remains strong compared to the national average. The retail sector is well-positioned for success with limited inventory, while the industrial sector faces consistent demand. The multifamily sector experiences a softening in 2024, yet Bend's overall outlook is positive.

*Written by partner and broker Dan Kemp, CCIM*



### OFFICE VACANCY

Q4 2022		Q4 2023	
U.S.	BEND	U.S.	BEND
12.40%	3.09%	13.50%	5.66%



### RETAIL VACANCY

Q4 2022		Q4 2023	
U.S.	BEND	U.S.	BEND
4.16%	2.67%	4.04%	3.10%



### INDUSTRIAL VACANCY

Q4 2022		Q4 2023	
U.S.	BEND	U.S.	BEND
3.91%	0.43%	5.67%	1.99%



### MULTIFAMILY VACANCY

Q4 2022		Q4 2023	
U.S.	BEND	U.S.	BEND
6.48%	7.87%	7.58%	9.42%



# TOP 5 SALE & LEASE DEALS CLOSED IN 2023





## NEW LISTING ALERT

**FOR SALE: OLD MILL DISTRICT DEVELOPMENT LAND**  
Rare Development Land with Land Use Approval  
0.54 AC | \$1,789,000

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

Sign up for New Listing Alerts at  
[CompassCommercial.com/Signup](https://CompassCommercial.com/Signup)



274 SW Bluff Drive, Bend



## NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the fourth quarter of 2023. For more details about our monthly transactions, please visit [CompassCommercial.com/Transactions](https://CompassCommercial.com/Transactions).



**90**  
TRANSACTIONS



**18**  
SALES



**62**  
LEASES



**\$36.5M**  
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Land	Petrosa 21350 & 21380 NE Butler Market Rd., Bend	16.1 AC	\$8,000,000	SELLER: Russell Huntamer, Bruce Churchill & Eli Harrison BUYER: Bruce Churchill
	Restaurant	1275 Interquest Parkway, Colorado Springs, CO	3,288 SF 1.96 AC	\$5,343,066	BUYER: Pat Kesgard & Kristie Schmitt
	Retail	Neff Place 1500 NE Cushing Dr., Bend	8,100 SF 1.17 AC	\$3,850,412	SELLER & BUYER: Jay Lyons, Russell Huntamer & Eli Harrison
	Industrial	90 SE Bridgeford Blvd., Bend	11,000 SF 0.52 AC	\$2,380,000	SELLER & BUYER: Ron Ross, Terry O'Neil & Luke Ross
	Retail	1002 NW Bond St., Bend	3,261 SF 0.07 AC	\$1,725,000	BUYER: Jay Lyons & Grant Schultz
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Industrial	1036 Paiute Way, Bend	12,790 SF	Confidential	LANDLORD: Graham Dent & Jay Lyons TENANT: Jay Lyons
	Medical Office	2088 NE Kim Lane, Bend	3,913 SF	Peak Management Group, LLC	LANDLORD & TENANT: Jay Lyons & Grant Schultz
	Retail	Westside Yard 210 SW Century Dr., Bend	1,894 SF	Sweathouz Infrared Sauna Studio	LANDLORD: Russell Huntamer, Peter May & Eli Harrison TENANT: Russell Huntamer & Eli Harrison
	Retail	150 NE Bend River Mall Dr., Bend	5,473 SF	Inspire Fitness, LLC	LANDLORD: Kristie Schmitt & Pat Kesgard
	Office	The Quad at Skyline Ridge 1777 SW Chandler Ave., Bend	13,245 SF	Redoxblox, Inc	LANDLORD: Dan Kemp & Peter May TENANT: Jay Lyons & Grant Schultz



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