



FOR LEASE: Downtown Class A Office Space | 735 SW 6th Street, Redmond | 3,550 - 11,718 SF

A LOOK AHEAD AT TRENDS SHAPING 2025

Commercial real estate fundamentals appear to be in relatively good shape as we enter 2025, with even the distressed office sector showing signs of life as we enter the new year. Our industry has suffered significant shocks over the last few years from the pandemic, high inflation, rising interest rates and rapidly rising construction costs. It is tempting to say that we're in for a period of stability, but no one has a crystal ball and there are always potential risks on the horizon. This article provides insights into what may lie ahead in both the national and local real estate markets in 2025.

OFFICE

The office sector nationwide has undergone an extended period of transition, grappling with the challenges of redefining how office space is used in a post-COVID world. Remote work initially experienced significant growth during the pandemic, with many employees opting to work from home or adopting hybrid models. This trend has been a major contributor to the national office vacancy rate reaching 20.9%, according to Cushman Wakefield's Q4 2024 Marketbeat report. While the Bend office market has faced similar challenges, it has performed better than most, reporting a Q4 vacancy rate of just 5.7%. In 2025, we expect the market to stabilize with increased leasing activity as businesses continue refining their office strategies. Encouragingly, the remote work trend now appears to have leveled off and may begin to reverse, giving us optimism for greater long-term stability in the office market. With

limited speculative development, the few new office projects and vacant spaces in existing buildings are well positioned to absorb both current and future demand.

RETAIL

Retail continues to transform due to e-commerce growth and changing consumer behaviors. That said, the national retail market remains strong with activity expected to increase in markets with population and job growth. In those markets, rising asking rents and longer-term leases should be expected. In Q4 2024, the national retail vacancy rate sits at 5.4% according to Cushman Wakefield's Q4 2024 Marketbeat report. Central Oregon's retail market continues to see demand from both local and national retailers. Demand from food and beverage users also remains strong despite the tight labor market and increased wage demand. Bend's retail vacancy rate sits at 6.2% as of Q4, however that rate is skewed by the recent Costco vacancy as noted in this report. The retail is expected to remain steady in 2025.

INDUSTRIAL

The national industrial market is expected to return to pre-pandemic levels of demand in 2025. According to CBRE's Industrial & Logistics 2025 Market Outlook: "Leasing activity should stabilize at just above 800 million sq. ft. in 2025." While down from

(Continued on page 4)

CENTRAL OREGON

Commercial Real Estate Market Report



BEND OFFICE



5.72%
VACANCY



-25,781 SF
ABSORPTION

Compass Commercial surveyed 225 office buildings totaling 2.78 million SF for the fourth quarter office report of 2024. The market experienced 25,781 SF of negative absorption in Q4, raising the vacancy rate from 4.79% in Q3 to 5.72% in Q4. This quarter reverses the positive absorption seen in Q2 and Q3 of this year. Available sublease space decreased from 84,143 SF in Q3 to 67,704 SF in Q4, with the availability rate rising slightly from 7.81% to 8.16%.

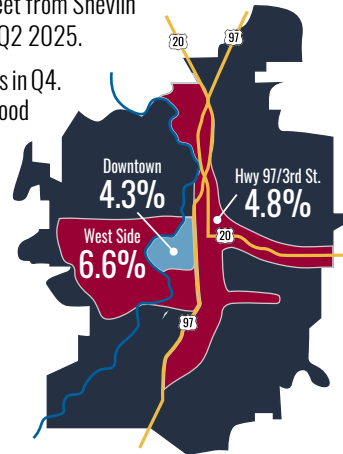
LEASING: Leasing demand has shown some signs of improvement with increased activity in certain segments of the market, but was offset by tenants downsizing or leaving the market completely. The West Side submarket was impacted the most with 22,044 SF of negative absorption in Q4. The Highway 97/3rd Street submarket had 5,595 SF of negative absorption, while The Downtown submarket was the outlier with 1,858 SF of positive absorption.

RENTS: Lease rates remain flat, with high-end spaces ranging from \$2.00 to \$3.05/SF/Mo. NNN and more affordable space ranging from \$1.40 to \$2.00/SF/Mo. NNN.

CONSTRUCTION: Construction continues on two Taylor Brooks developments: The first is Shevlin Crossing - Building B, a 26,000 SF two-story office building in NorthWest Crossing. The second is a 6,413 SF single-story medical office building across the street from Shevlin Crossing. Both are set for delivery in Q2 2025.

SALES: There were three notable sales in Q4. A 3,068 SF office at 477 NE Greenwood Ave. sold in December for \$254/SF. The buyer was Hillsdale College, and the intended use is unknown. An owner/user purchased a 29,000 SF multi-tenant office at 395 SW Bluff Dr., fully leased at the time of sale, for \$302/SF. An investor purchased a 4,668 SF single-tenant medical office at 2564 NE Courtney Dr., leased at the time of sale, for \$533/SF.

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



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



BEND RETAIL



6.20%
VACANCY



-147,276 SF
ABSORPTION

Compass Commercial surveyed nearly 4.74 million SF of retail space across 272 buildings for the fourth quarter retail report of 2024. Overall vacancy spiked, mainly due to the 156,729 SF former Costco location hitting the market. This pushed the city's vacancy rate from 3.15% in Q3 to 6.20% in Q4, bringing total available space to 293,887 SF. Excluding Costco, the vacancy rate would have slightly decreased to 2.89%, indicating continued demand in Bend's retail sector.

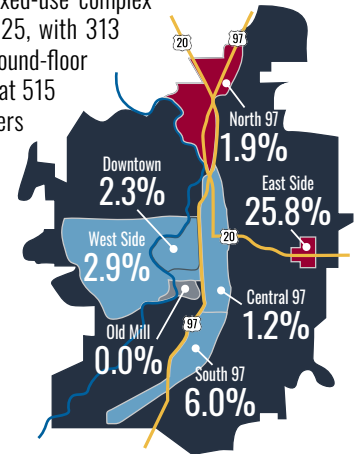
LEASING: As noted above, the overall vacancy rate in Bend increased in Q4. East Side vacancy went from 4.71% in Q3 to 25.81%, with 155,729 SF of negative absorption. Most submarkets saw declining vacancy rates, with the Central 97 submarket dropping from 2.55% to 1.23%. Market fundamentals remain strong across most submarkets.

RENTS: Asking rental rates in Bend range from \$1.00 to \$3.75/SF/Mo. NNN, with an average of \$2.20/SF/Mo. NNN. Excluded from these rates are three outliers: a 21,376 SF building at 355 NE 2nd St., priced at \$0.50/SF/Mo. NNN, and the under-construction retail pads at Gateway North, priced between \$4.17 and \$5.00/SF/Mo. NNN.

CONSTRUCTION: Q4 saw the opening of the new Costco at Gateway North, with progress on adjacent retail buildings totaling +/- 23,000 SF. These buildings are part of a 52-acre development that will include multi-family units. Killian Pacific's Jackstraw mixed-use complex is set for completion in October 2025, with 313 apartments and 16,885 SF of ground-floor retail space. The Terava apartments at 515 Century Dr., completed in Q4, offers 129 units, with move-ins scheduled for mid-February.

SALES: Notable sales this quarter include the Crux Brewery building at 50 SW Division St., which sold for \$499.09/SF in December. Crux will remain as a tenant in part of the building. Discount Tires acquired 2 acres of land next to the Walmart in Redmond for \$12.63/SF in October.

Written by broker Eli Harrison



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	4TH QTR. ABSORP. SF	TOTAL YTD ABSORP. SF
Downtown	52	501,917	4.26%	1,858	10,639
Hwy 97/3rd St.	54	677,036	4.79%	(5,595)	(14,626)
West Side	119	1,599,178	6.57%	(22,044)	(2,480)
TOTAL	225	2,778,131	5.72%	(25,781)	(60,240)

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	6.03%	2,508	2,011
Central 97	45	681,348	1.23%	8,975	16,063
North 97	28	1,228,168	1.89%	(8,788)	(6,461)
East Side	31	718,744	25.8%	(155,729)	(161,654)
West Side	59	569,606	2.90%	4,036	9,368
Old Mill District	19	265,502	0.00%	0	0
Downtown	67	440,415	2.26%	1,722	(4,021)
TOTAL	272	4,739,188	6.20%	(147,276)	144,694

BEND INDUSTRIAL

3.99% VACANCY -95,332 SF ABSORPTION

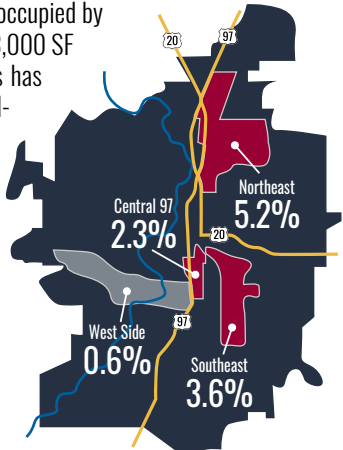
Compass Commercial surveyed 324 industrial buildings totaling 4.70 million square feet for the fourth quarter of 2024. The market experienced 95,332 of negative absorption during the quarter resulting in an overall vacancy rate of 3.99%, up from 2.04% in Q3 2024. There is now 187,929 SF of industrial space currently available in Bend.

LEASING: The increase in overall vacancy is primarily due to a few larger blocks of space hitting the market in the Northeast submarket. As a result, the vacancy rate in the Northeast jumped from 1.32% in Q3 2024 to 5.17% this quarter. That is the highest vacancy rate that submarket has recorded since Q4 2017. Although the Northeast was impacted the most, leasing activity across all submarkets remained relatively stagnant with each of them giving space back this quarter except for the West Side which remained unchanged from Q3.

RENTS: The average asking lease rate for standard industrial space was \$1.07/SF/Mo. NNN at the end of Q3 2024, down from \$1.12/SF/Mo. NNN from Q3. Asking lease rates for new construction are starting at \$1.75/SF/Mo. NNN, assuming a basic shell delivery.

CONSTRUCTION: The Midway project located at the corner of SE Wilson Ave. and SE 9th St. remains under construction with delivery slated for early to mid-summer 2025. Midway consists of three buildings, one of which will be occupied by Blackstrap, leaving approximately 23,000 SF of space to be leased. Taylor Brooks has broken ground on a 38,000 SF building in Juniper Ridge. This speculative project is expected to be completed by summer 2025. Another speculative project in Juniper Ridge being developed by Empire Construction & Development was under construction during the quarter. This project consists of approximately 15,410 SF and is 100% pre leased.

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	146	1,738,907	3.58%	(10,358)	(10,355)
Northeast	129	2,186,083	5.18%	(84,199)	(75,045)
Central	36	469,915	2.29%	(775)	(8,097)
West Side	13	309,466	0.55%	0	4,462
TOTAL	324	4,704,371	3.99%	(95,332)	(89,035)

RDM INDUSTRIAL

3.41% VACANCY 11,867 SF ABSORPTION

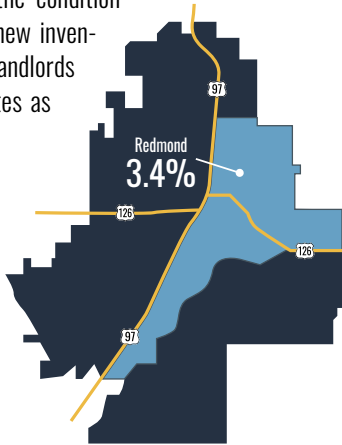
Compass Commercial surveyed 94 buildings totaling 1.79 million square feet for the fourth quarter Redmond industrial market report of 2024. The Redmond industrial market experienced 11,867 SF of absorption resulting in the vacancy rate decreasing from 4.19% in Q3 2024 to 3.41% in Q4 2024. There is now 61,149 SF of available space.

LEASING: Demand for space in the Redmond industrial market has softened with tenants seeking spaces between 1,500 SF and 5,000 SF. Leasing activity decreased throughout the last two quarters with more spaces coming available than being leased.

RENTS: Lease rates in the Redmond industrial market have stabilized at the top of the market. Average asking rates are between \$0.90 and \$1.25/SF/Mo. NNN depending on the condition and size of the space. Due to the new inventory coming on the market, some landlords are offering short-term reduced rates as an incentive.

CONSTRUCTION: We anticipate a slower roll out of new speculative construction in 2025. In the last 10 quarters, we have observed a significant amount of square footage that was built as owner/user buildings or pre-leased space.

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	94	1,790,938	3.41%	11,867	(13,869)

Positive Absorption = Space Leased | Negative Absorption = Space Vacated



FOR LEASE

Large Office Suite on Bend's West Side
1160 SW Simpson Ave., Bend
5,000 SF | \$2.00/SF/Mo. NNN

A LOOK AHEAD AT TRENDS SHAPING 2025
(continued)



the record levels of 2021 and 2022, this level of expected activity significantly outpaces pre-pandemic levels. That said, not all product is equal. Demand for newly constructed industrial space is expected to lead to a rise in vacancy for older product. According to CBRE: “Buildings constructed before 2000 accounted for more than 100 million sq. ft. of negative absorption in 2024, while those completed after 2022 posted more than 200 million sq. ft. of positive absorption. This trend will continue in 2025 as long as there still is first-generation space to lease.” Cushman Wakefield’s Q4 2024 Marketbeat report highlights a nationwide industrial vacancy rate of 6.7%. As of Q4 2024, Bend’s vacancy rate is outpacing the national average at 4.0%. Redmond’s is similar at 3.4%. With a modest amount of product currently under construction or in the pipeline, Central Oregon’s industrial market should remain strong in the year ahead.

MULTIFAMILY

While sale transactions have slowed across all asset classes due to rising interest rates, multifamily fundamentals remain solid. According

to Cushman Wakefield’s Q4 2024 Marketbeat report, the average multifamily vacancy rate ended at 8.9%. Low vacancy, coupled with reduced interest rates, should drive demand for multifamily properties in 2025. The Central Oregon market mirrors the national market with strong leasing demand and declining vacancy. According to CoStar, 529 units were delivered in 2024. Despite the significant increase in inventory, Bend’s current Q4 vacancy rate sits at 7.2%, down from the recent peak of 10.8% in Q3 of 2023. The following quote from CoStar’s most recent multifamily report is extremely telling: “Among apartment markets with inventories under 10,000 units, Bend landed among the top 10 performing markets, a cohort that spanned the Pacific Northwest, Midwest, and Sun Belt regions.” For all these reasons, look for investment demand and sale activity to increase in the year to come.

While we expect that economic growth in 2025 will ignite a new real estate cycle, time will tell if that proves to be true. Regardless, we look forward to helping our clients identify opportunities and navigate change to meet and exceed their goals in 2025.

Written by partner and broker Jay Lyons, SIOR, CCIM



	Q4 2023		Q4 2024	
	U.S.	BEND	U.S.	BEND
	13.5%	5.66%	20.90%	5.72%



	Q4 2023		Q4 2024	
	U.S.	BEND	U.S.	BEND
	4.04%	3.10%	5.40%	6.20%

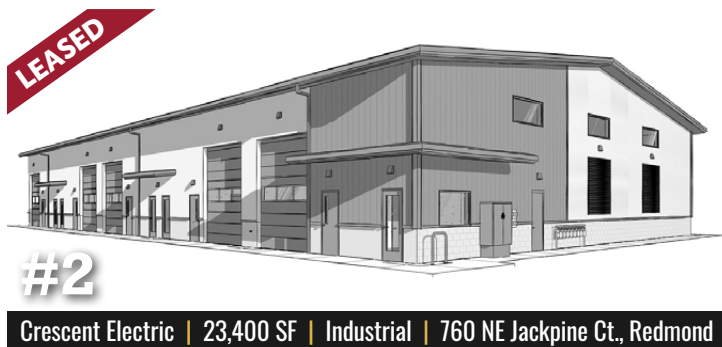


	Q4 2023		Q4 2024	
	U.S.	BEND	U.S.	BEND
	5.67%	1.99%	6.70%	3.99%



	Q4 2023		Q4 2024	
	U.S.	BEND	U.S.	BEND
	7.58%	9.42%	8.90%	7.20%

TOP 5 SALE & LEASE LISTINGS CLOSED IN 2024





22022 Nelson Rd. & 63140 Dickey Rd., Bend



NEW LISTING ALERT

FOR SALE: INCOME-GENERATING PROPERTY

100% Leased Multi-Use Investment Opportunity

10.77 AC | Cap Rate: 5.65% | \$3,750,000

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

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



NOTABLE TRANSACTIONS

Compass Commercial Real Estate Services negotiated the following notable transactions in the fourth quarter of 2024. For more details about our monthly transactions, please visit CompassCommercial.com/Transactions.



78
TRANSACTIONS



7
SALES



60
LEASES



\$43.9M
CONSIDERATION

	TYPE	PROPERTY	BLDG/LOT SIZE	PRICE	COMPASS COMMERCIAL REPRESENTED
SALE TRANSACTIONS	Retail	50 SW Division St., Bend	8,881 SF 1.57 AC	\$4,400,000	SELLER: Peter May, Dan Kemp, Emilio Tiscareno & Pat Kesgard
	Multifamily 20-Units	2002 SW Canyon Dr., Redmond	29,600 SF 1.46 AC	\$4,300,000	SELLER & BUYER: Dan Kemp
	Land	Halle Properties Walmart Pad Sites, Redmond	87,120 SF 2 AC	\$1,100,000	SELLER: Dan Kemp, Peter May & Emilio Tiscareno
	Land	SW Deerhound Ave., Redmond	75,794 SF 1.74 AC	\$700,000	SELLER: Graham Dent & Jay Lyons BUYER: Matt Sichel & Graham Dent
	Airport Hangar	730 W Barclay Dr., Sisters	1,175 SF 0.02 AC	\$240,000	SELLER: Robert Raimondi
	TYPE	PROPERTY	SF LEASED	LESSEE	COMPASS COMMERCIAL REPRESENTED
LEASE TRANSACTIONS	Restaurant	530 SW 6th St., Redmond	2,119 SF	Confidential	LANDLORD: Luke Ross, Ron Ross & Terry O'Neil TENANT: Russell Huntamer & Eli Harrison
	Office	501 SW Hill St., Bend	42,920 SF	Confidential	LANDLORD: Bruce Churchill TENANT: Jay Lyons
	Office	745 NW Mount Washington Dr., Bend	3,477 SF	Miller & Hopp Attorneys at Law	LANDLORD: Jay Lyons & Grant Schultz TENANT: Jay Lyons
	Office	Moda Building 360 SW Bond St., Bend	9,376 SF	Morrison-Maierle, Inc.	LANDLORD: Russell Huntamer, Eli Harrison & Jay Lyons TENANT: Jay Lyons
	Retail	Robinson Building 563 SW 13th St., Bend	4,680 SF	Giant Loop, LLC	LANDLORD & TENANT: Terry O'Neil & Graham Dent



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