
Juniper Ridge Market Assessment

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Prepared for: City of Bend

Final Report

ECONorthwest

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1. Executive Summary

The City of Bend is interested in understanding the opportunities and barriers for new employment focused development in Juniper Ridge. The purpose of this market assessment is to (1) shed light on the regional market for employment lands, and (2) to help understand the needs and desires of the types of businesses that would locate to Juniper Ridge.

To gain perspective on potential employment land growth trends and the implications for development in Juniper Ridge, ECONorthwest staff along with a contracted sub-consultant interviewed a set of stakeholders, including existing Juniper Ridge tenants, elected officials, economic development professionals and brokers. Key points from the interviews are summarized below and more in-depth details in chapter 6 Private Sector Perspectives on Juniper Ridge.

Employment lands include a mix of employment uses. These uses are entirely commercial and may feature a higher concentration of industrial, office/flex, or retail businesses. Retail businesses in the area typically serves workers nearby.

1.1 Development Opportunities and Constraints

1.1.1 Juniper Ridge provides great opportunities for select industry sectors

Businesses best positioned to derive a premium or locational advantage from Juniper Ridge are:

- **Businesses that seek room for future expansion opportunities.** Some businesses seek land where it can accommodate their current business needs while having the opportunity to expand their operational footprint as business grows. The region’s concentration of manufacturing and construction/resources are expected to grow. For these reasons, Juniper Ridge will be an attractive location for businesses in these industries.
- **Businesses that seek amenity-rich location for employees.** When asked about why they chose to locate to Juniper Ridge, current office/flex tenants cited the Bend and broader Deschutes County area’s year-round recreational activities, views, and growing research and development firms as a key reason for why they chose to locate to the area. Meanwhile, tech and research and development industries attract talent from outside the region by offering a rewarding life-work balance, this points to a particular opportunity for industrial flex/office businesses to locate to Juniper Ridge.
- **Traditional industrial users that need proximity to the highway or major commercial airport.** Juniper Ridge provides direct access to Highway 97 and is a few miles away from Central Oregon’s commercial airport. Industrial users that require an easy connection to the highway system will be drawn to Juniper Ridge location.

1.1.2 However, development constrains have limited Juniper’s potential

Juniper Ridge is well-positioned to develop into the employment district that the City envisions, provided that planning for the area can address the following barriers:

- **Financial challenges and required infrastructure.** The current allowed uses and design requirements, infrastructure costs, and terrain challenges could be prohibitive to new development, limiting new growth in the area. The combination of infrastructure costs, strict use and design regulations, and development costs create a formidable financial barrier to development.
- **The regulatory environment.** Stakeholders repeatedly pointed to overly restrictive CC&R’s that are ill-suited for industrial uses as barriers to development in Juniper Ridge. CC&R’s should be simple, flexible, and tailored to the needs of industrial users. Several stakeholders expressed that they would be interested in developing portions of Juniper Ridge where the CC&R’s less restrictive.
- **Communicating the vision for Juniper Ridge.** Stakeholders stated that encouraging development in Juniper Ridge would require clear communication with developers and coordination with the existing users, Les Schwab and Suttera. Stakeholders stressed that attracting development to the area would require the City and the Urban Renewal Agency to be transparent about its long-range plans and its planned investments for Juniper Ridge.

1.2 Summary: Real Estate Market Outlook

The city of Bend has seen increasing population growth and economic expansion since the Great Recession. Employment figures across all sectors have increased in the past few years keeping unemployment at a low rate. These trends have translated to a rapid recovery and expansion of the region’s economy over the last ten years. Consequently, Bend’s commercial real estate market has experienced increases in demand for a diverse range of users.

Below we provide a high-level trends summary of Bend’s commercial real estate submarket.

- **Industrial:** Rents have risen to a historic high in 2019, and vacancy rates have declined steadily since 2010. Small sporadic levels of construction activity since the Great Recession and very low vacancy rates signal a constrained market supply with possible increases in rents.
- **Office:** Rents have increased since the Great Recession to an all-time high in 2019, and vacancies have declined since 2012. Falling vacancy rates signal demand for office space and possible upward pressure on rents. The majority of office space across Bend was developed prior to 2009, but construction has increased slightly between 2014 and 2018, with a drop off in construction activity in 2019. Bend is home to a large number of small businesses (under nine employees) and businesses that are looking for flexible workspaces.

- **Flex:** Bend's flex real estate market is small but followed a similar pattern as its industrial real estate market with vacancy rates declining since 2008 and rents per square foot reaching peak levels in 2019. These trends signal possible demand for flex space.

1.3 Implications for Juniper Ridge

Our research suggests that there is current demand for new industrial and office/flex development in the Central Oregon region both in the near-term and long-term. Combining input from regional industry data and economic development efforts, we see specific opportunity for Juniper Ridge to capture industrial development for manufacturing and construction businesses but also to continue to support larger warehousing and wholesale users that might be attracted to the district. As businesses across Bend continue to grow, space will become a more pressing issue with limited options for businesses to scale up to medium and large size buildings to satisfy business expansion needs.

While Bend has been proactive in providing more land for developers to meet commercial demand in Juniper Ridge, the area faces infrastructure and other barriers to development. Juniper Ridge is a unique industrial area with the ability to support the region's growing manufacturing industry. However, meeting zoning, design standards, and CC&R requirements has been prohibitive to some businesses. Juniper Ridge has experienced some development, with Suttera and Les Schwab's office/flex uses locating to the area. This suggests that demand for industrial development at Juniper Ridge will come from similar uses already established in the area, including office/flex and research and development uses. These users require space for office with other programmatic space for warehouse or industrial component. Juniper Ridge is more likely to attract users that have a higher share of office/flex, research and development, and accessory retail uses within their business model that can afford higher rents that are needed to development in the area.

The growth in the food manufacturing and processing sub-sector indicates that approaches to zoning and use allowances should be evaluated in Juniper Ridge to support unique needs of these business types. Accessory use allowances and allowances for tasting rooms and small retail components associated with the primary production use should be considered as opportunities for Juniper Ridge to capture those businesses that are looking to scale up in their space needs but also still need a public facing physical component to their businesses.

2. Introduction

The City of Bend contracted with a consultant team led by ECONorthwest to provide assistance with understanding the opportunities and barriers for employment lands in Juniper Ridge—a 500-acre city owned area, zoned and identified for industrial and business uses, located in the city’s northeast corner. At the direction of the City, the project seeks to shed light on the regional market for employment lands, identify innovative solutions to Juniper Ridge’s barriers to development, and produce a realistic and action-oriented development strategy.

This market assessment is a preliminary deliverable for the project. The purpose of this report is to provide market, land use, and regulatory context about Juniper Ridge to ensure an informed and grounded development strategy. The key questions that guide this assessment are:

- What are the current, near-term, and long-term market conditions that are necessary to support new development at Juniper Ridge?
- What kinds of businesses are expanding or moving to Bend?
 - Which business might be best positioned to take advantage of competitive advantages in Juniper Ridge?
 - What are their building/site and operational needs that impact location decisions?
- How does Juniper Ridge compare to other regional employment areas? And what role does Juniper Ridge play in the growing economy of Central Oregon?

This assessment is written for the intended audience of City of Bend staff and leadership.

2.1 COVID-19 and Juniper Ridge

Currently, COVID-19 has slowed and even paused economic activity across several sectors of the economy. We foresee that this will have an effect on Central Oregon’s economic expansion and commercial real estate, but the extent of this effect is not yet known. Fundamental demand drivers that lead to new development—population growth and economic expansion—are expected to continue on their current upward trajectory in Bend. The pre-COVID-19 upward trajectory growth indicates growing demand for new development in the short and long-term. Therefore, we believe that our market assessment and analysis for Juniper Ridge presented in this document still holds true specially for the following sections:

- Employment Area Comparison
- Deschutes County Industrial Demand Assessment
- Private Sector Comparison
- Conclusion for Market Potential

While COVID-19 could have a greater influence on commercial real estate, the findings in the following section could differ slightly post-COVID-19:

- Market Conditions and Trends

2.2 Data and Methods

In this assessment we drew from a variety of data sources to compile an understanding of the Bend commercial real estate market for industrial properties. Source citations can be found on each page where quantitative data is presented. We also relied on stakeholder interviews to fill in the gaps between data, and tell the local, qualitative story. We conducted these interviews in early Spring of 2020. The interviewees ranged from developers and real estate brokers, to economic development officials, and business representatives. Interview summary points and quotes are included both within sections, and at times in call-out boxes in the summary pages for each section. Mixing the qualitative input from locals with on-the-street knowledge and perspectives is fundamental to understanding the complete story of Bend’s commercial real estate market and opportunities for Juniper Ridge.

2.3 Organization of this Report

The remainder of this document is organized into the following chapters:

- **Chapter 3. Employment Area Comparison** describes Juniper Ridge’s competitive market position to other employment areas in the Central Oregon region.
- **Chapter 4. Market Conditions and Trends – Central Oregon Employment Areas** presents information about the local, commercial and industrial market. It presents real estate market trends that will likely influence development in Juniper Ridge.
- **Chapter 5. Deschutes County Industrial Demand Assessment** presents information about the region’s economic trends and summarizes the drivers that will influence future demand for industrial land.
- **Chapter 6. Private Sector Perspectives to Juniper Ridge** summarizes the private sectors’ perspectives to business needs and implications for development in Juniper Ridge.
- **Chapter 7: Conclusion for Market Potential** summarizes Juniper Ridge’s competitive advantages and disadvantages, and findings about the market potential and development implications to Juniper Ridge.

3. Employment Areas Comparison

The purpose of this section is to help clarify Juniper Ridge’s competitive position in the Central Oregon Market for industrial and office/flex land; which are commonly described as “employment lands.” There are several employment areas within Central Oregon that are direct competitors to Juniper Ridge. That is, commercial and industrial businesses seeking a new location are likely to compare a location at Juniper Ridge with those in several other similar employment areas. Each of these areas has advantages and disadvantages to Juniper Ridge for commercial and industrial uses.

There are three cities in the Central Oregon region that contain the majority of competitive employment lands—Bend, Redmond, and Prineville. A broader view of Juniper Ridge’s competitive trade area might consider areas farther afield. However, given the lack of a connection to an interstate highway and the time/distance barriers of crossing the Cascade Range to the west or accessing other markets to the east (e.g., Boise) the Central Oregon region creates a unique situation for businesses.

Below we have summarized each competitive employment area in Bend, Redmond, and Prineville to Juniper Ridge.

3.1.1 Bend Employment Land Summaries

- **The Northwest Crossing** employment area is a recently incorporated land that is mostly vacant with several businesses taking root that include Hydro Flask and AKS Engineering and Forestry. This employment area is zoned for commercial and light industrial use on small lots. The area is surrounded by a growing residential community to the east and north. Situated at the city’s western edge, the area has no direct access to Highway 97—the main transportation route in Central Oregon.
- **The Brinson Boulevard Industrial Employment Area** is zoned Industrial Light and Industrial Park. This large employment center borders Highway 97, Empire Avenue, and NE 18th Street. Located next to Highway 97, this area provides direct access to the state highway system and therefore has above average connections to the greater region. The Brinson Area is home to many mid- to large-sized commercial and industrial businesses, including research and development firms. The area is almost completely built out with limited vacant land left for new development. Several area businesses include Jeld-Wen Windows & Doors and Capsugal research and development offices.
- **The Southeast Expansion Area** is an area recently brought into Bend’s Urban Growth Boundary (UGB). The expansion area is approximately 479 acres of vacant land that allows for a range of new development including residential, commercial, and industrial uses. Located on the southeast corner of the city, the Southeast Expansion Area has limited access to Highway 97. Although, after planned enhancements to area roadways are completed, the area should have sufficient connections to Highway 97.

- **The (Department of State Lands) DSL Property** is a future community in southeast Bend. The DSL Property is approximately 362 acres of vacant land. The master planned community will allow for a range of new development including residential, commercial and industrial uses. The DSL Property has limited convenient access to major roadways or highways. The property was sold by the State of Oregon in April 2020.

3.1.2 Redmond Employment Land Summary

- **The Highway 97 Corridor Employment Area** is a large contiguous industrially zoned land adjacent to Highway 97 and Redmond Municipal Airport. Located next to Central Oregon’s only regional airport with commercial service, the employment area offers convenient regional access to air, ground, and rail transportation systems. The employment area currently contains a range of vacant and shovel-ready properties. Several employers in area include PCC Schlosser, Consumer Cellular, and Medline ReNewal.

3.1.3 Prineville Employment Land Summary

- **The Prineville Airport Industrial Employment Area** is located southwest of Prineville and surrounds Prineville’s City Airport. Located next to the airport and State Highway 126, the employment area offers convenient regional access to air and ground transportation opportunities. The Prineville Airport Industrial Employment Area is the location of some of the largest data centers in the state of Oregon including Facebook and Apple data centers and the Les Schwab Production and Distribution Center.

Exhibit 1. Comparison of Employment Areas in Central Oregon.

Source: ECONorthwest; Bend Comprehensive Plan, City of Bend; Redmond Zoning Map ; Prineville Zoning Map

Employment Area	Location	Size	Predominant Uses	Anchor Tenants
Juniper Ridge	Bend, OR	500 acres	<ul style="list-style-type: none"> • Flex office • Vacant land 	<ul style="list-style-type: none"> • Les Schwab Headquarters (office) • Suterra (office/R&D/manufacturing)
Brinson Boulevard Industrial	Bend, OR	415 acres	<ul style="list-style-type: none"> • Flex office • Industrial • Vacant land 	<ul style="list-style-type: none"> • Jeld-Wen Windows & Doors • Capsugal (office/R&D)
Northwest Crossing	Bend, OR	21 acres (employment area land)	<ul style="list-style-type: none"> • Flex office • Vacant land 	<ul style="list-style-type: none"> • Hydro Flask HQ’s • AKS Engineering & Forestry
The Southeast Expansion Area	Bend, OR	246 total acres	<ul style="list-style-type: none"> • Vacant 	<ul style="list-style-type: none"> • None
The DSL Property	Bend, OR	139 total acres	<ul style="list-style-type: none"> • Vacant 	<ul style="list-style-type: none"> • None

The Highway 97 Corridor	Redmond, OR	1600 total acres	<ul style="list-style-type: none"> • Flex office • Industrial • Vacant land 	<ul style="list-style-type: none"> • PCC Schlosser • Medline ReNewal (office/R&D)
The Prineville Airport Industrial	Prineville, OR	1600 total acres	<ul style="list-style-type: none"> • Warehouse • Vacant land 	<ul style="list-style-type: none"> • Facebook Data Center • Apple Data Center • Les Schwab Production & Distribution Center

3.1.4 Juniper Ridge Competitive Advantage

In comparison to its peer employment areas, the Juniper Ridge employment area has some distinct competitive advantages. Juniper Ridge’s prime location adjacent to Highway 97 and connectivity to the regional highway network, and ease of access from other residential and commercial areas throughout Deschutes County is the area’s largest competitive attribute. These are crucially important factors for industrial, flex office, and other types of businesses that will consider locating in Juniper Ridge.

Close proximity to a large community like Bend means that employers have access to a reliable workforce with a range of skilled workers. The area’s adjacency to Highway 97 means that products produced in Juniper Ridge can easily get on their way to Portland or other larger markets throughout the West Coast and Mountain West. Juniper Ridge’s location at the very north end of Bend also provides relatively traffic-free access to the Redmond airport and goods leaving the area will have some time savings as they head north to reach Interstate 84.

However, it is not just Bend that stands to benefit from new development in Juniper Ridge. The employment area, with its plentiful vacant land and high-quality locational attributes, is a regional asset. Already, in the few developments that present today, there are hints of the regionally supportive role that the area plays. The headquarters of Les Schwab tires located prominently at the southern entrance to the area is a prime example. Given options to locate elsewhere in the region (or even outside of the region), Juniper Ridge was chosen due to its proximity to the company’s workforce. With Bend’s small but rapidly growing economy, we expect other locally based firms that are scaling up to consider Juniper Ridge as an attractive location to grow and continue to contribute to the local economy.

4. Market Conditions and Trends - Central Oregon Employment Areas

This section summarizes the current and recent historical real estate conditions for the industrial/flex and office market in the Bend-Redmond Metropolitan Statistical Area (MSA), which makes up the majority of Central Oregon's employment lands market.

4.1 Summary Market Fundamentals

The Bend-Redmond Metropolitan Statistical Area (MSA) is a rapidly growing metropolitan area in Central Oregon with a sizable industrial/flex and office market. According to CoStar, a national commercial real estate database, the Bend-Redmond MSA had about 8.9 million square feet of existing industrial/flex space with an additional 110,000 square feet under construction or proposed as of the first quarter of 2020. In addition, there is about 5.5 million square feet of existing office space with an additional 34,900 square feet under construction or proposed as of the first quarter of 2020.

With low vacancy rates and rising rents across all commercial real estate submarkets, the Bend-Redmond MSA real estate market is performing exceptionally well, but in need for more supply to support growing demand. Exhibit 2 summarizes the current state of Bend-Redmond MSA's commercial real estate market.

4.1.1.1 Low vacancy rates signal near-term limited supply and potential rent escalation.

Exhibit 2. Current state of Bend-Redmond MSA commercial real estate market, 2020 Q1

Source: CoStar

Real estate submarket	Inventory (buildings)	Total existing space (sq. ft.)	Available space (sq. ft.)	Proposed or under construction (sq. ft.)	Avg. building size (sq. ft.)	Rent per sq. ft.	Vacancy rate
Industrial/Flex	580	8,900,000	520,000	110,000	15,345	\$8.67	3.8%
Office	613	5,500,000	269,000	34,900	8,972	\$25.83	3.2%

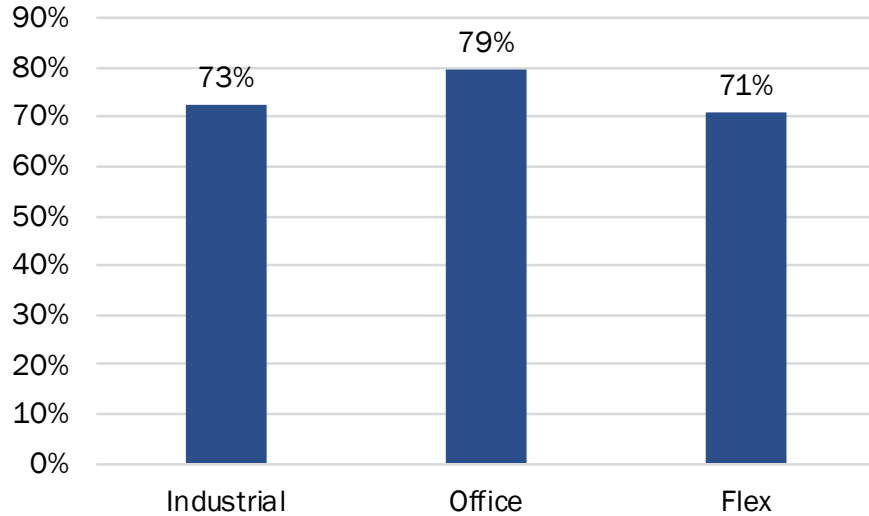
Bend, the largest city in Central Oregon, is a major commercial and employment hub for the Bend-Redmond MSA and the greater Central Oregon region. Exhibit 3 shows the share of square feet in each commercial sector located in Bend versus elsewhere in the Bend-Redmond MSA.

4.1.1.2 The Majority of Bend-Redmond MSA’s commercial space is located in Bend.

About three-quarters of the Bend-Redmond MSA industrial, office, and flex space is located in Bend.

Exhibit 3. Share of commercial square feet located in Bend, 2019

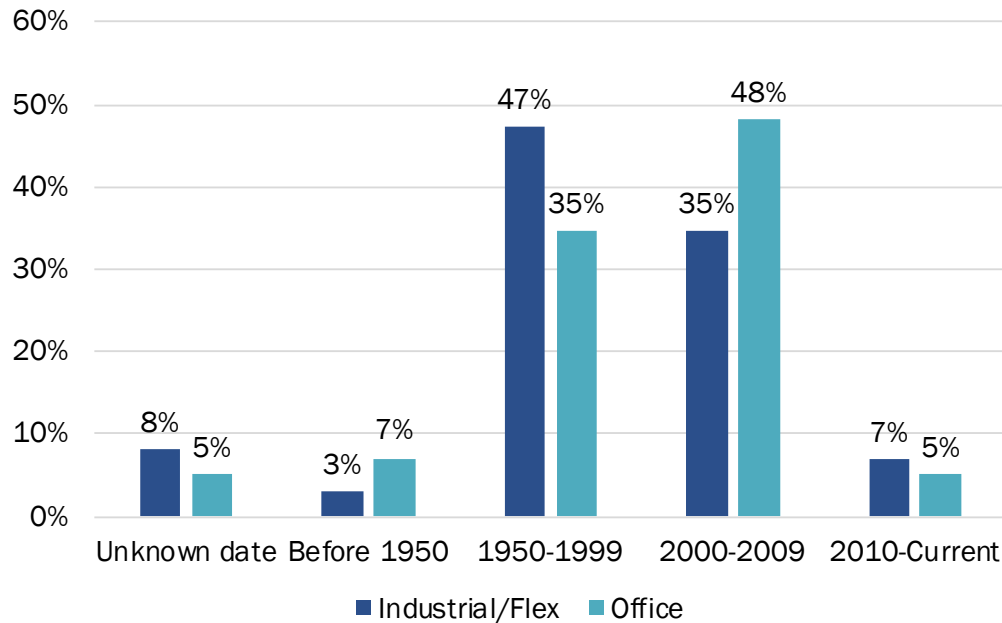
Source: CoStar



4.1.1.3 Limited commercial construction has occurred in Bend since 2010.

Exhibit 4. Commercial square footage as share of total square footage, Bend, by time period and submarket

Source: CoStar



Bend’s existing industrial/flex stock is older than its office stock with nearly half of the city’s industrial square footage built between 1950 and 1999. Bend experienced a considerable boom

in its office real estate submarket between 2000 and 2009 with nearly half of the city’s existing square footage added during that time. Comparatively little commercial square footage has been added in Bend since the Great Recession.

4.1.2 Recent Developments

Exhibit 5 shows representative examples of commercial buildings recently completed in Bend. On average, the newer commercial space in Bend had higher rents than the greater Bend-Redmond MSA.

Exhibit 5. Examples of New Commercial Buildings, Bend, 2020 Q1

Source: CoStar



INDUSTRIAL

61438 American Ln - American Lane Industrial

Year built: 2019

Estimated¹ rent: \$9-10 per sq. ft.

61438 American Ln is a fully leased warehouse with 8,400 sq. ft. of rentable building area. Multiple Tenants currently occupy the building. It is part of an industrial complex owned by American Lane Investors LLC in Bend’s Old Farm District.

OFFICE

400 SW Bond St

Year built: 2020

Rent: \$29.40 per sq. ft. NNN (Asking)

This recently completed office building was about 70 percent leased in the first quarter of 2020. The building is located near central Bend and has 21,909 sq. ft. of rentable building area and 65 surface parking spaces.



FLEX

2777 NW Lolo Dr - District 2 West

Year built: 2019

Estimated rent: \$20-25 per sq. ft.

District 2 West has 33,251 square feet of rentable building area and is fully leased. District 2 West is located in west Bend and has 95 surface parking spaces.

¹ CoStar estimates building rents based on the asking rent for the most recent tenant move-ins.

4.2 Commercial Real Estate Trends

This section details Bend's commercial real estate conditions and identifies market drivers and trends that will influence the market appeal and viability of employment lands in Juniper Ridge which is composed of a mix of commercial uses. Commercial real estate is any non-residential property used for commercial profit-making purposes. It includes office, industrial, flex space, retail, and hotel development types.

4.2.1 Summary of Trends

Bend has experienced rising rents and falling vacancy rates across all its commercial real estate sectors. Below we provide a high-level trends summary of Bend's commercial real estate submarket.

- **Industrial:** Industrial rents have increased 23 percent since the 2007 pre-recession peak, while vacancies have declined since 2010. However, there has been sporadic levels of construction since the Great Recession, but net absorption has been positive since 2010.
- **Office:** Office rents have increased 11 percent since the 2007 pre-recession peak, while vacancies have declined since 2012. The majority of office space was developed prior to 2009, but construction has increased slightly since 2014 with a drop off in 2019. Bend features a large amount of small businesses (under nine employees) and businesses that are looking for flexible workspaces.
- **Flex:** Bend has a small inventory of flex space that can often lead to extreme variations in lease and vacancy rate trends. Flex rents have increased 24 percent since the 2007 pre-recession peak, while vacancy rates have fluctuated between 12 and 0.2 percent post-Great Recession. Flex space is characterized as a building that provides space for office, warehouse, and light industrial uses all in one. Flex real estate properties are often found in industrial and business parks.

The exhibits below show historical trends in Bend's industrial, office, and flex real estate submarkets. In some exhibits, Deschutes County is included as a comparator geography. However, trends in Deschutes County generally mirror trends in Bend, as Bend's real estate market makes up a sizable share of Deschutes County's. In general, the commercial real estate analysis shows trends in Triple-Net (NNN) rents, vacancy rates, and net deliveries and absorption. A brief summary these terms are described below.

- **Triple-Net (NNN)²:** Represents annual rents on a per square foot basis no including any pass-through expenses such as taxes, insurance, and any utilities or maintenance costs.
- **Vacancy Rates:** Represent how much space on a per square foot basis is vacant within a submarket.
- **Deliveries:** Represent the total amount of new square foot of each product type that has been added to the market on an annual basis.
- **Absorption:** Represent annual net new occupancy or vacancy of space accounting for deliveries.

4.2.2 Industrial Submarket

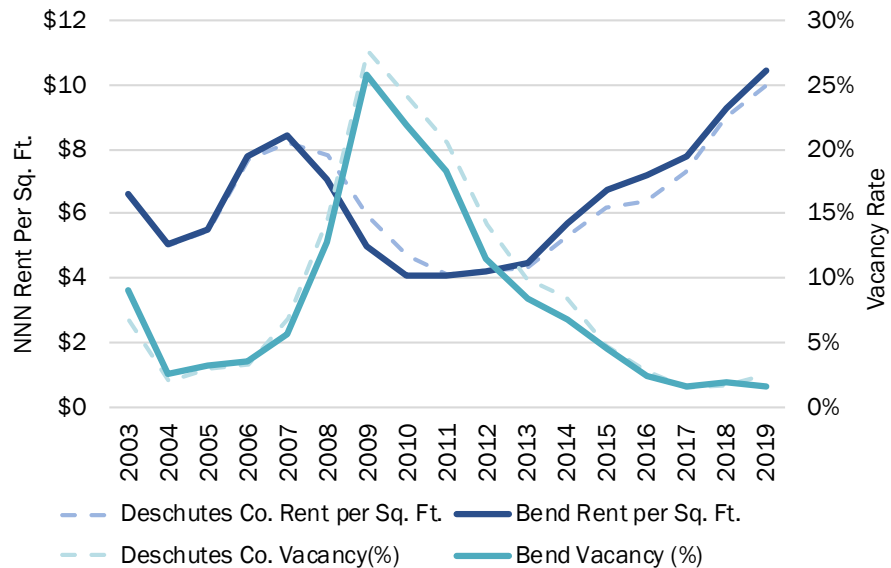
4.2.2.1 Very low vacancy rates signal a constrained market supply and future rent escalation.

Industrial rents on a per square foot basis have risen steadily over the last decade while vacancy rates have fallen over the same timeframe.

Trends in Bend and Deschutes County closely mirror one another.

Exhibit 6. Industrial Rent per Square Foot and Vacancy Rate, Bend, 2003 through 2019

Source: CoStar

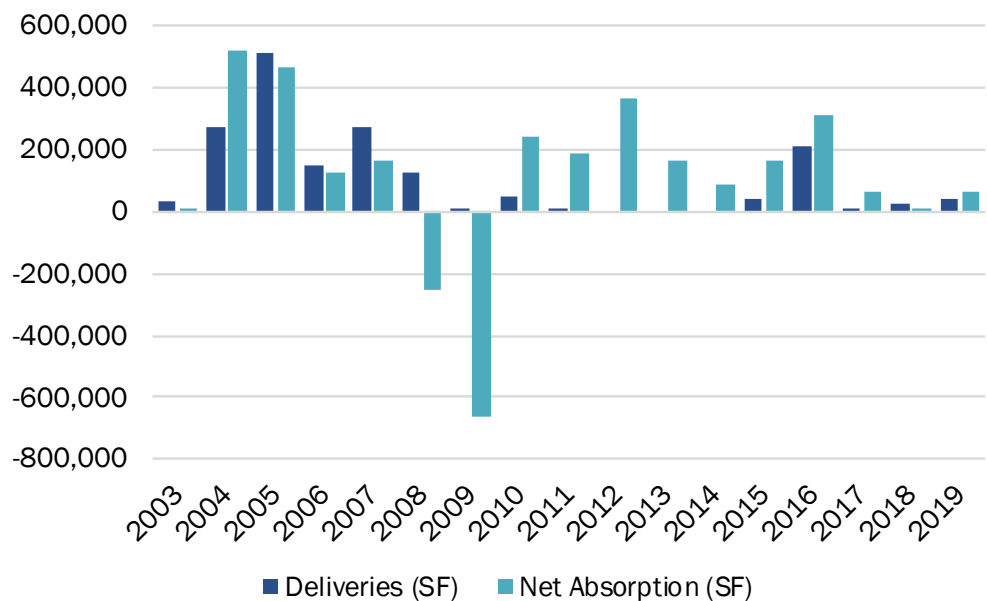


Net absorption in Bend has been positive since 2010, but little industrial square footage has been delivered to the market since the Great Recession.

Ongoing absorptions paired with limited deliveries indicates high occupancy rates and constrained supply.

Exhibit 7. Industrial Deliveries and Absorption (square feet), Bend, 2003 through 2019

Source: CoStar



4.2.3 Office Submarket

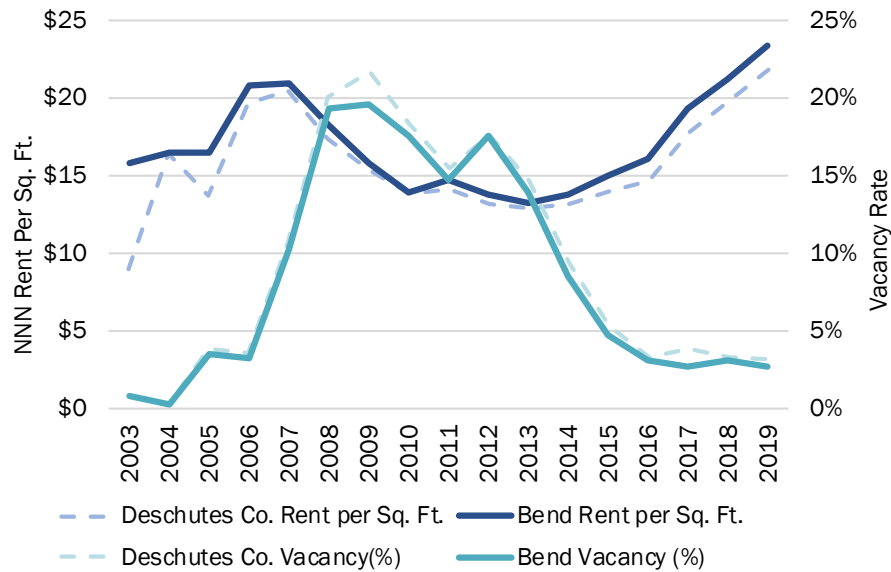
4.2.3.1 Falling vacancy rates signal demand for office space and possible upward pressures on rent.

As with industrial properties in Bend, office rents on a per square foot basis have been on the rise in the last decade while vacancy rates have been falling.

Office rents per square foot are slightly higher on average in Bend than they are in Deschutes County.

Exhibit 8. Office Rent per Square Foot and Vacancy Rate, Bend, 2003 through 2019

Source: CoStar



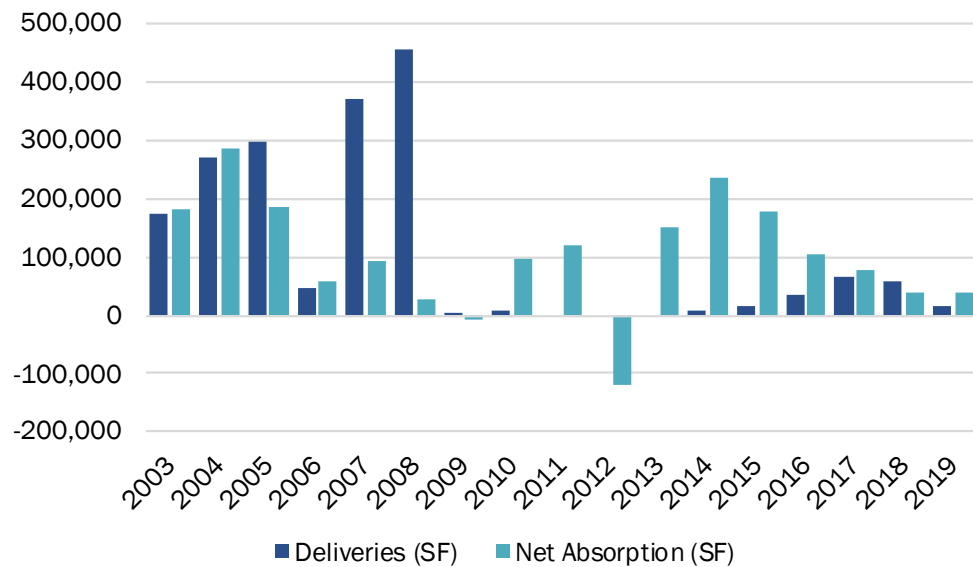
Net absorption of office square feet has been positive since 2014.

However, net absorption has been trending down in recent years as deliveries of office square feet were generally on the rise.

This indicates that added new supply of office space added to the market is broadly being absorbed by the market.

Exhibit 9. Office Deliveries and Absorption (square feet), Bend, 2003 through 2019

Source: CoStar



4.2.4 Flex Submarket

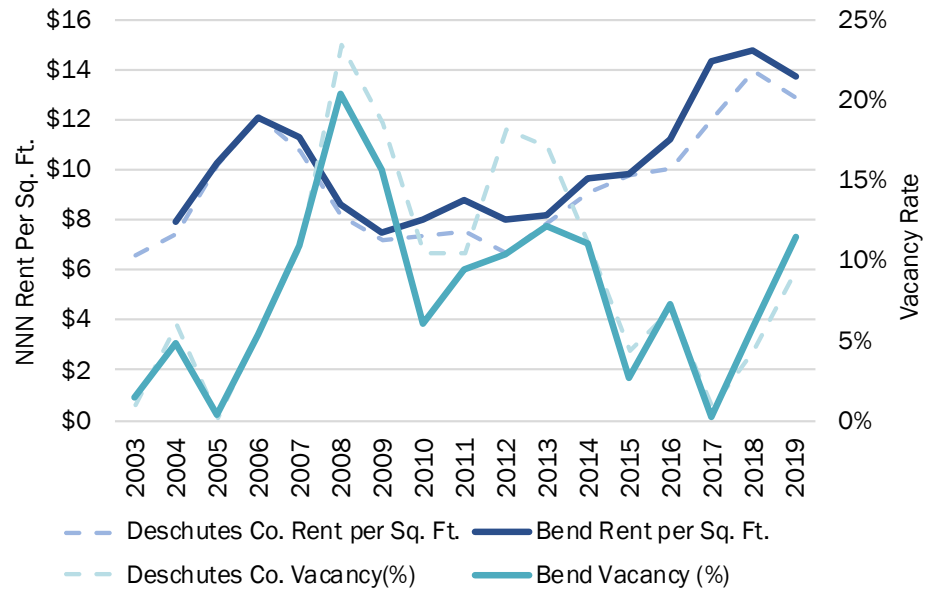
4.2.4.1 Falling vacancy rates and rising rents signal possible demand for flex space.

Flex space rents on a per square foot basis have been on the rise in the last decade while vacancy rates have been falling.

There was a slight increase in the vacancy rate that occurred in 2019 as nearly 40,000 square feet of new flex space was added to the market and has not yet been absorbed.

Exhibit 10. Flex Rent per Square Foot and Vacancy Rate, Bend, 2003 through 2019

Source: CoStar

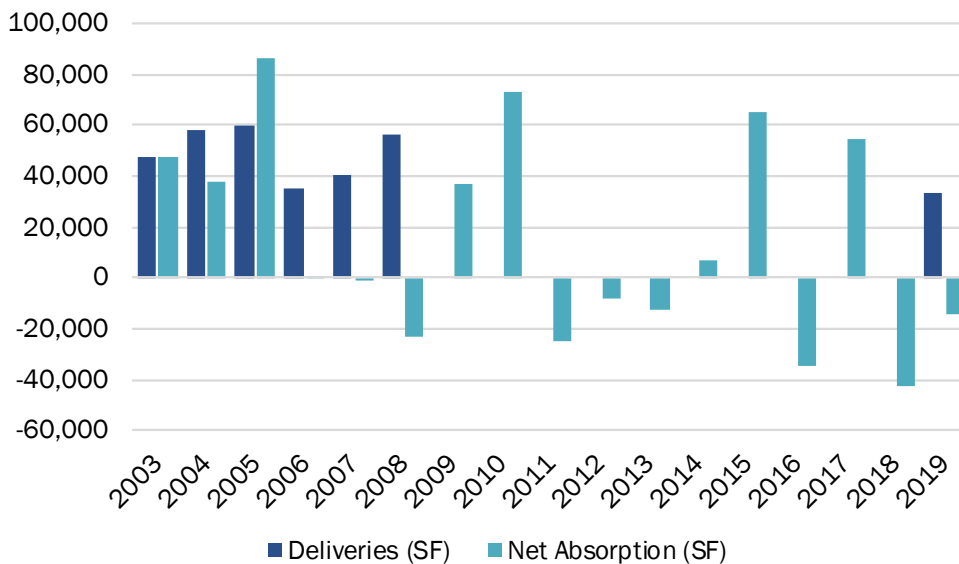


There have been few deliveries to the flex submarket since the Great Recession, with the only deliveries occurring in 2019.

Net absorption in the flex submarket has been erratic over the last decade and was negative in 2019.

Exhibit 11. Flex Deliveries and Absorption (square feet), Bend, 2003 through 2019

Source: CoStar



5. Deschutes County - Industrial Demand Assessment

In this section, we examine the economic drivers and trends that will influence future industrial development activity in Bend.

5.1 Drivers of Industrial Land Demand

Demand for industrial space is primarily influenced by two demand drivers: local growth and production (creating the need for local serving businesses), and distribution to external markets (creating demand for externally-oriented businesses). Industrial land users that serve these two sources of demand have different land and site needs.

5.1.1.1 Local serving businesses

These businesses grow as a result of population and employment growth in the region. As the region grows, consumption increases, which in turn, creates a need for more products and services, such as wholesale trade to supply local businesses, construction to build more buildings, and transportation and storage to move and store those goods. This growth drives demand for more industrial space within the region.

5.1.1.2 Externally-oriented businesses

These businesses serve the larger state and even global economy by producing, storing, and transporting goods. Because the source of this demand is external from the local economy, demand for industrial space locally will only be realized if local sites have a comparative advantage over other locations. As a result, the industrial land supply and other factors, such as the cost of electricity, regional transportation accessibility, or tax policy, play an important role in shaping external oriented demand for industrial space. In addition to bringing new investment to the regional economy, externally-oriented businesses typically employ a larger number of people than local serving industrial uses, which makes them attractive for economic development. Attracting even one or two externally-oriented businesses will have sizable economic benefits for the region because these businesses provide secure, long-term jobs and a steady source of tax revenue.

5.1.2 Industrial Demand Factors

This section looks at the factors generating local-serving demand for industrial land, including population and economic trends in the region.

5.1.2.1 Gross Domestic Product (GDP)

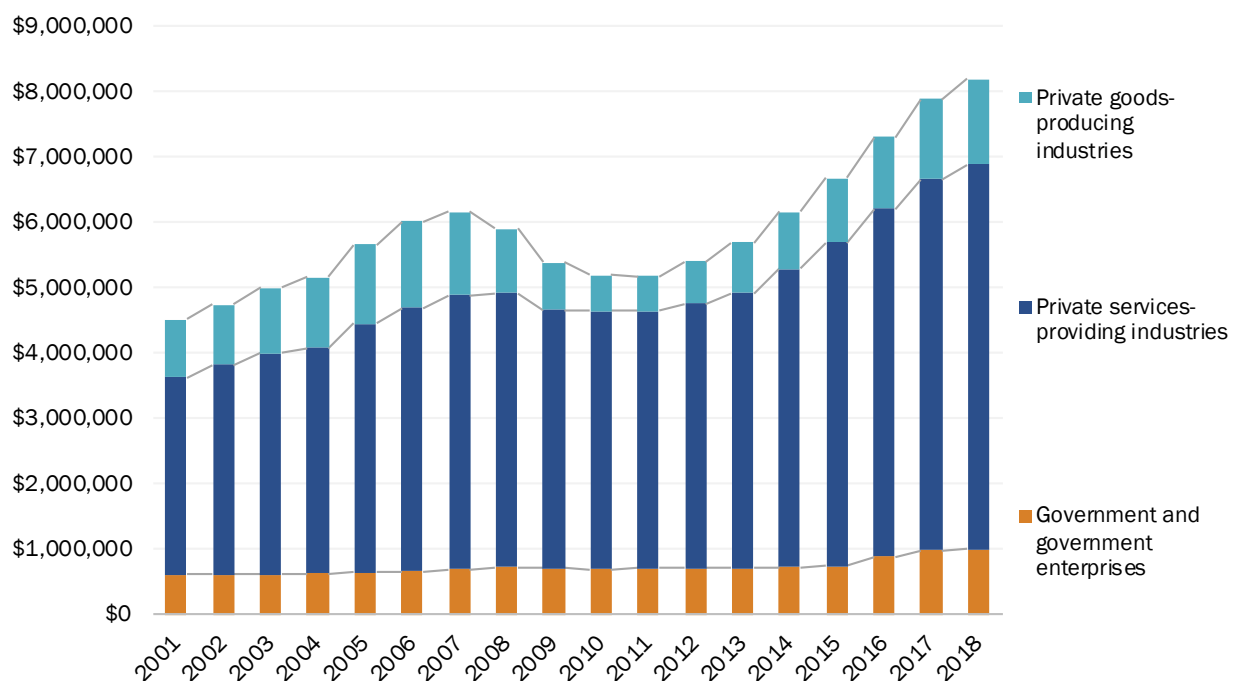
Gross Domestic Product measures the value of economic activity within a specific geography. It is the sum of the market values of all final goods and services produced in an economy

during a period of time. Since Deschutes County is primarily a service-providing economy, private goods-producing industries (such as manufacturing) made up about 16 percent of the County’s total economic output in 2018. However, despite this concentration in services, the County’s GDP still grew by 82 percent from 2001 to 2018, as shown in Exhibit 12.

In 2001, Deschutes County’s total economic output was about \$4.5 billion and it increased to about \$8.2 billion by 2018. During this time frame, the share of goods-producing industries contributing to the County’s total GDP declined as the share of services-providing industries increased. In 2001, goods-producing industries made up 20 percent of total GDP and in 2018, it made up 16 percent. Alongside this decrease, government and government enterprises’ share of total GDP also declined from 14 percent in 2001 to 12 percent in 2018. The share of service-providing industries grew by about five percentage points over the analysis period (67 percent to 72 percent).

Exhibit 12. Real Gross Domestic Product (thousands of Chained 2012 Dollars), Deschutes County, 2001 – 2018

Source: The Brookings Institution Export Monitor, 2018.



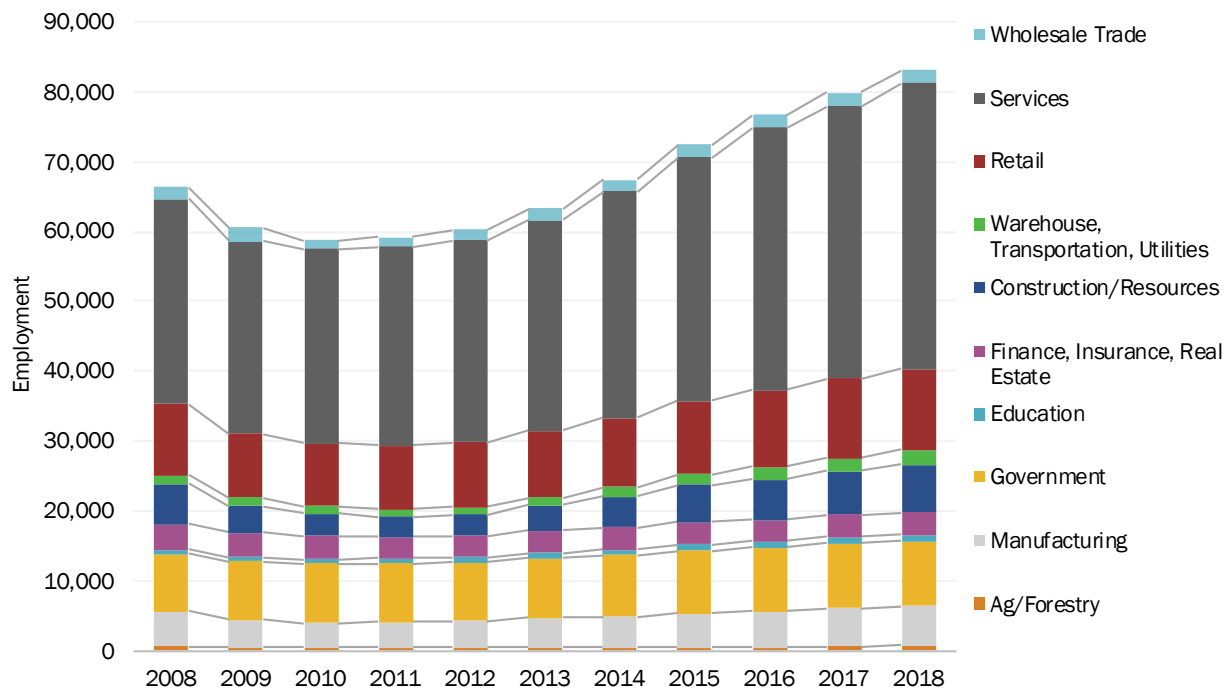
5.1.2.2 Employment Trends

Total covered employment in Deschutes County steadily increased over the last decade, growing by about 25 percent (over 16,800 jobs). The Great Recession had a sizable impact on the County’s employment, as shown in Exhibit by the dip in jobs in 2009 and 2010. However, since the County’s 2010 low-point of 58,800 covered employees, employment grew to 83,100 employees in 2018 (a 41 percent increase).

All major employment sectors had varying growth patterns over the 2008 to 2018 analysis period. Warehousing, transportation, and utilities grew the most over the analysis period, increasing by about 74 percent, followed by education and services (39 percent each), and then agriculture and forestry (33 percent). It is worth noting, however, that these large growth industries made up less than five percent of the County’s overall employment in 2018. The largest sectors by employment in 2018 included services (48 percent of total covered employment), retail (14 percent), and government (11 percent).

Exhibit 13. Covered Employment by Major NAICS Sector, Deschutes County, 2008 – 2018

Source: Oregon Employment Department, Quarterly Census of Employment and Wages (QCEW).



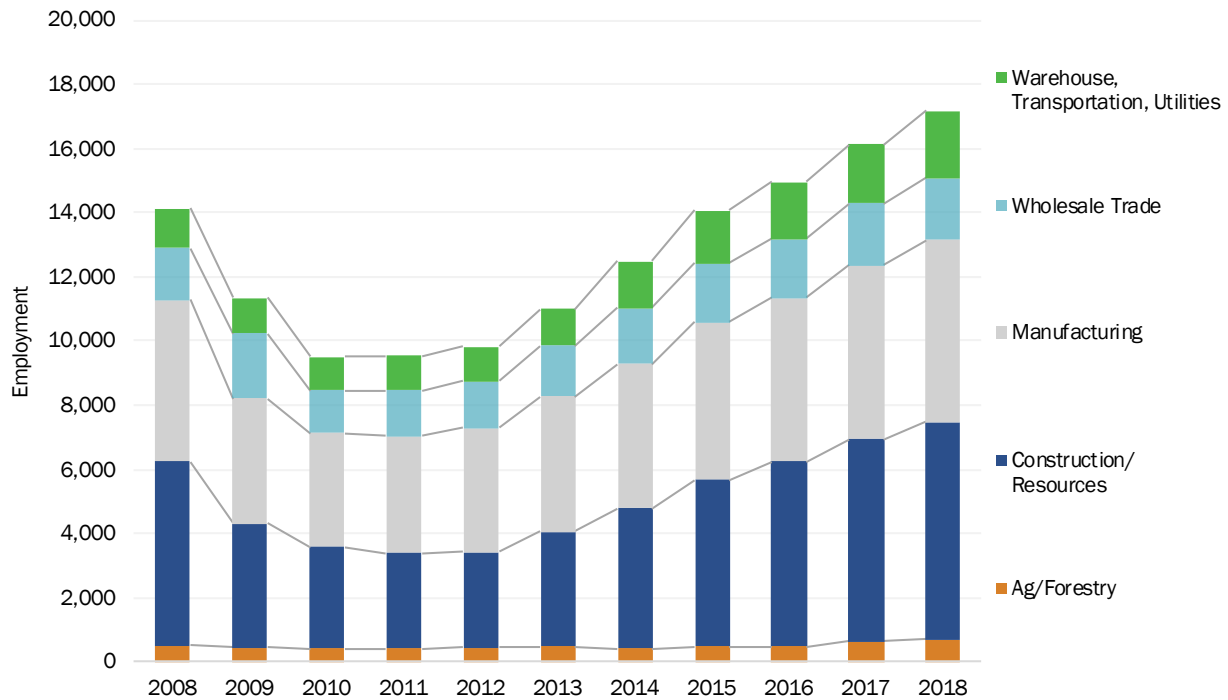
5.1.2.3 Industrial Employment Sectors

There are several employment sectors that correspond generally to employment types commonly found in industrially zoned areas. These include wholesale trade, warehouse, transportation and utilities, manufacturing, construction/resources, and agriculture/forestry. In this section, we examine recent historical trends in these sectors.

Industrial employment levels have increased in recent years in Deschutes County. The Great Recession (ending in 2009) stymied industrial growth through 2012, but annual year-over-year employment growth started to pick up steam again in 2013. Relative to the County’s recession low industrial employment of about 9,500 covered employees in 2010, it increased by about 81 percent to 17,200 employees in 2018.

Exhibit 14. Industrial Sector Employment, Deschutes County, 2008 – 2018

Source: Oregon Employment Department, Quarterly Census of Employment and Wages (QCEW).

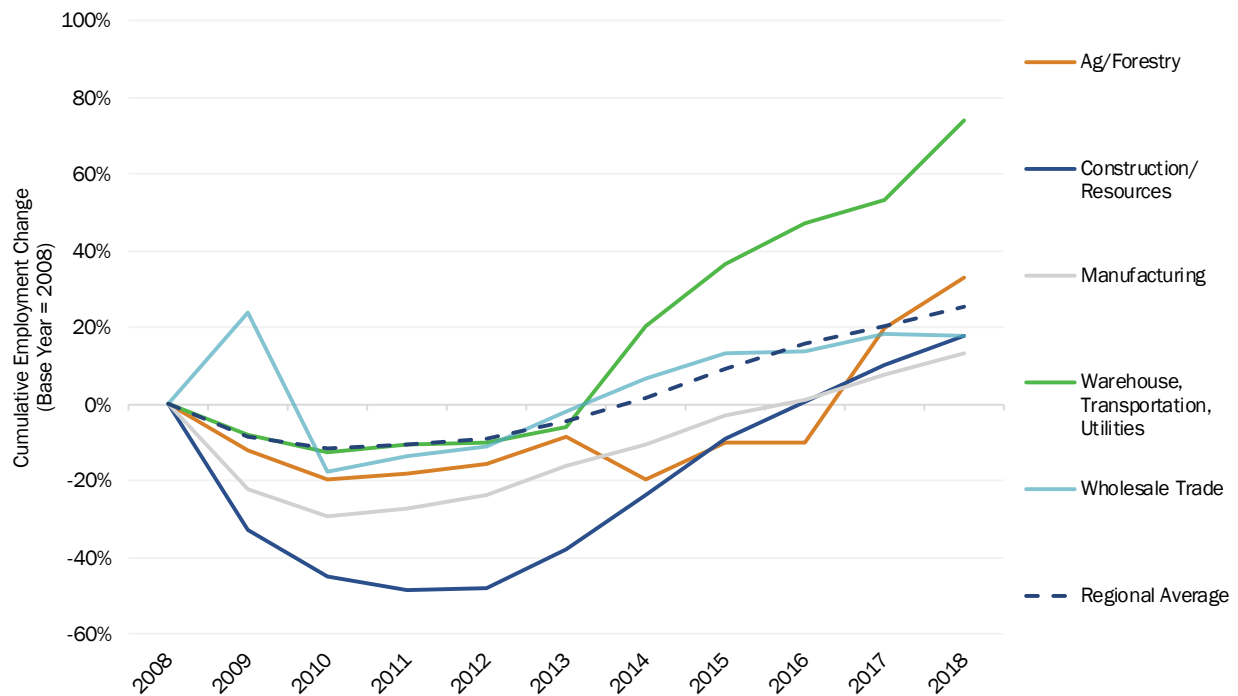


Many of the industrial-focused employment sectors have had sizable increases in employment since 2008, a couple of which exceeded the County’s total regional employment average by 2018 (Exhibit).

Some industrial employment sectors have few jobs in the region, and therefore, any growth appears to be significant, even though few new jobs were created. For example, the warehouse, transportation, and utilities sector had about 1,210 employees in 2008. When employment in this sector reached its relative peak in 2018 (at about 2,110 employees), the proportional employment growth relative to 2008 reached about 74 percent. This growth rate is large, but 900 new employees over a decade in a region with over 83,000 total covered jobs is a comparatively small net gain in employment.

Exhibit 15. Cumulative Percent Employment Change by Industrial Sector, Deschutes County, 2008 – 2018

Source: Oregon Employment Department, Quarterly Census of Employment and Wages (QCEW).



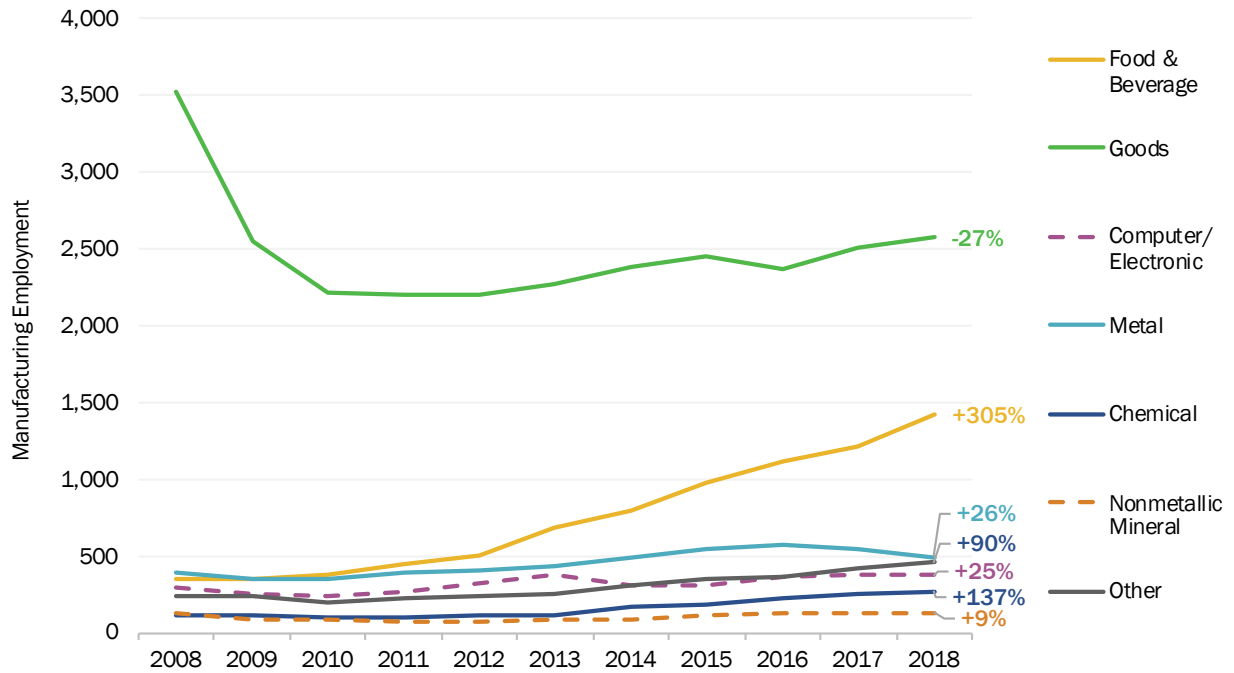
The largest industrial-focused employment sectors in Deschutes County have historically been construction/resources and manufacturing. Today, these two employment sectors comprise 73 percent of all industrial sector jobs in the County.² These two sectors have seen net gains in employment in the past decade. From 2008 to 2018, construction/resources employment grew by about 18 percent (1,030 jobs), and the manufacturing sector grew by approximately 13 percent (670 jobs).

The manufacturing employment sector can be further broken down into subsectors. Exhibit 16 shows how employment levels in these subsectors have shifted since 2008. Three manufacturing subsectors—goods, beverage and tobacco, food, and metal—together make up the majority of all manufacturing jobs in Deschutes County. The food and beverage sector has consistently grown on a year-over-year basis, whereas the other manufacturing sub-sectors have fluctuated annually, some years increasing and in other years decreasing, likely the result of individual business moving to other parts of the region or closing entirely.

² Source: Oregon Employment Department, Quarterly Census of Wages (QCEW). (2018 data)

Exhibit 16. Manufacturing Sector Employment, Deschutes County, 2008 – 2018

Source: Oregon Employment Department, Quarterly Census of Employment and Wages (QCEW).

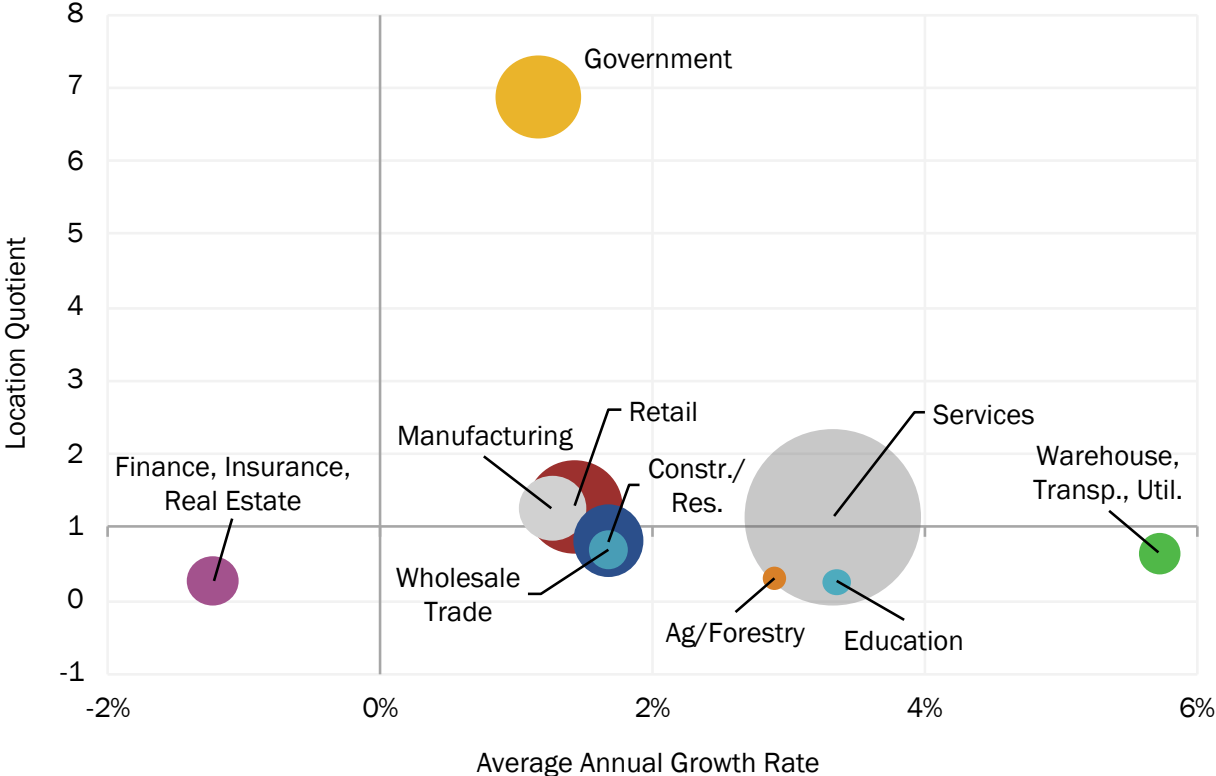


5.1.2.4 Deschutes County Employment Location Quotient

Location quotients measure the concentration of jobs in a sector compared to a statewide average. A value of 1.0 signifies that the sector possesses the same level of employment concentration as the state. Values above 1.0 indicate a sector is more concentrated than the state average. The size of the bubble represents the number of jobs within that sector. Sectors with sizable employment and higher than average concentration represent strengths for the region. Fast growing sectors, even if they are not large, represent potential opportunity areas. Exhibit 17 shows the local concentration of jobs by sector (location quotient) along with measures of industry size and average annual employment change in Deschutes County.

Exhibit 17. Employment Concentration and Change by Sector, Deschutes County, 2008 – 2018

Source: Oregon Employment Department, Quarterly Census of Employment and Wages (QCEW).



Key findings from the location quotient chart include:

- **The warehouse, transportation, and utilities sector** had the highest average annual growth rate at 5.7 percent per year.
- **The finance, insurance, and real estate sector**, a service-providing sector, decreased by about 1.2 percent per year on average.
- **The government sector** is the most concentrated sector in Deschutes County with a location quotient value of 6.9.
- **The services sector**, Deschutes County’s largest employment sector grew by about 3.3 percent annually and it is slightly more specialized than the state as a whole with a location quotient value of 1.14.

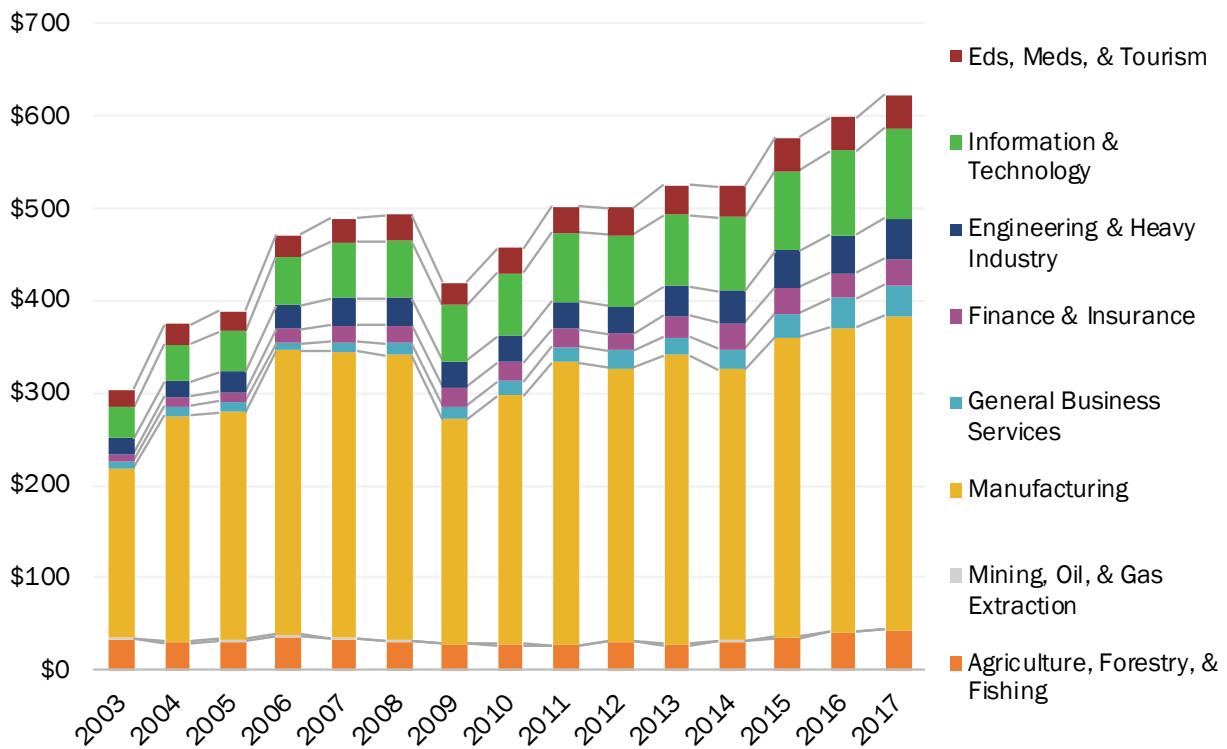
5.1.2.5 Deschutes County Regional Exports

Manufacturing generates the highest value of exports for Deschutes County. In 2018, this sector generated nearly \$340 million, 54 percent of the County’s total exports for that year. Compared to 2003, manufacturing’s share of total exports declined by about six percentage points, which indicates a diversification of exports from the local economy. Information and technology is the County’s second largest export market, which generated approximately \$99 million in 2018 (or 16 percent of the County total), followed by agriculture, forestry, and fishing (seven percent).

Across the analysis period of 2003 to 2017, total real exports increased by 105 percent, from \$304 million to \$622 million. Exhibit 18 details the real exports of each major employment sector.

Exhibit 18. Exports by Sector in Real Dollars (Millions), Deschutes County, 2003 – 2017

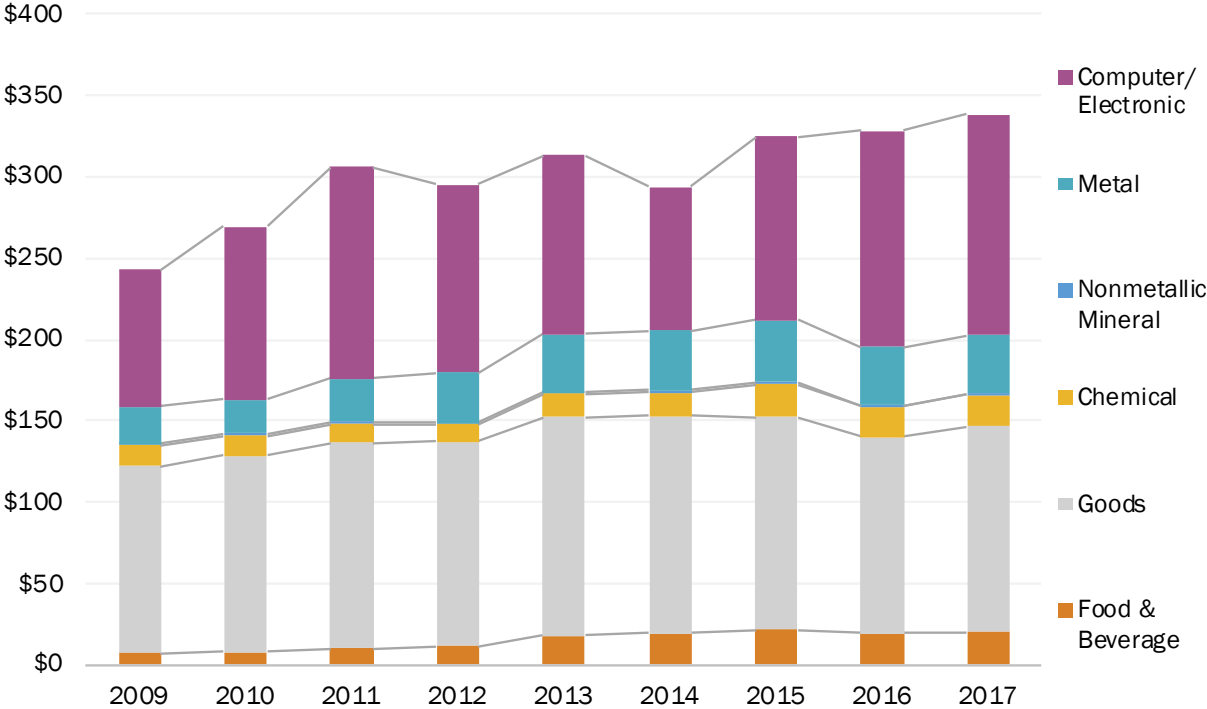
Source: Brookings Institution, Export Monitor, 2018.



Of all manufacturing subsectors where data are available, computer and electronic manufacturing made up the largest share of Deschutes County exports in 2018 with a total value of \$136 million. In the last two years (2016 and 2017), this sector has overtaken goods manufacturing as the County’s largest industrial subsector exporter. Together, these two sectors generated 78 percent of the County’s total exports in 2018. Exhibit 19 shows the change in real exports for each manufacturing subsector over the 2009 to 2017 period.

Exhibit 19. Exports by Manufacturing Subsector in Real Dollars (Millions), Deschutes County, 2009 – 2017

Source: Brookings Institute, Export Monitor, 2018.



5.2 Potential Future Demand in Deschutes County

Deschutes County saw considerable growth in the last decade. Population, GDP, and employment figures have all increased in the past few years keeping unemployment rate at a low rate. Like many communities across the northwest, employment is anchored in the service sector, but Deschutes County has an important cluster of employment in manufacturing that typically require industrial land.

Overall, the prospect for continued economic growth in the Deschutes County region is positive. The area is located along an interstate highway and in close proximity to Central Oregon’s commercial airport. The natural beauty of the snow-capped mountain ranges and year-round outdoor recreation activities will continue to draw visitors and new residents who seek a good work-life balance. Notable challenges include providing an adequate supply of land for new development and absent of neighboring metros to draw workforce from, providing housing that is affordable to new residents is important. Established local industries, such as information and technology manufacturers like NatroMetrics, are poised for future growth.

6. Private Sector Perspectives on Juniper Ridge

To gain perspective on potential employment lands growth trends and the implications for development in Juniper Ridge, ECONorthwest staff along with a contracted sub-consultant interviewed a set of stakeholders, including existing Juniper Ridge tenants, elected officials, economic development professionals and brokers. The interview list includes:

Exhibit 20. Stakeholder Interview List

Interviewee	Affiliation	Expertise
Katy Brooks	Bend Chamber of Commerce	Economic Development
Roger Lee	Economic Development for Central Oregon	Economic Development
Kevin Spencer	Empire Construction	Developer
Todd Taylor	Taylor NW	Developer
Kirk Schueler	Brooks Resources	Developer
Aman Khapoya	Suterra	Vice President
Don Thuren	Thuren Fabrication	Business Owner
Mike Forbis	Bend Mailing Systems	Business Owner
David Swan	Swan Industries	Business Owner
Douglas Collver II	Western Roller Corporation	Business Owner
Jimmy	Sbarra	Business Owner

6.1 Summary Themes

The following section summarizes common themes discussed by multiple stakeholders in regard to implications for future development of Juniper Ridge. Key themes from these conversations are summarized below. To protect the anonymity of individual respondents, quotes and information are not attributed to any one individual.

6.1.1 Key Themes from Local Expert Interviews

- **Interrelated challenges related to regulations, planned vision, and financial barriers impede development at Juniper Ridge.** Interviewees mentioned three key barriers to development:
 - **The regulatory environment.** Stakeholders repeatedly pointed to overly restrictive CC&R's that are ill-suited for industrial uses as barriers to

development in Juniper Ridge. CC&R's should be simple, flexible, and tailored to the needs of industrial users. Several stakeholders expressed that they would be interested in developing portions of Juniper Ridge where the CC&R's less restrictive.

- **Communicating the vision for Juniper Ridge.** Stakeholders stated that encouraging development in Juniper Ridge would require clear communication with developers and coordination with the existing users, Les Schwab and Suttera, at Juniper Ridge. Stakeholders stressed that attracting development to the area would require the City to be transparent about its long-range plans and its planned investments for Juniper Ridge.
- **Financial challenges and required infrastructure.** The current allowed uses and design requirements, infrastructure costs, and terrain challenges could be prohibitive to new development, limiting new growth in the area. The combination of infrastructure costs, strict use and design regulations, and development costs create a formidable financial barrier to development.
- **Freight access to Highway 97 is important.** Stakeholders highlighted the importance of infrastructure improvements, particularly freight roadway access in and out of Juniper Ridge. Given the area's proximity to residential neighborhoods, stakeholders stressed the importance of multiple roadway connections, specifically to highway 97.
- **Juniper Ridge's employment area is large, subdividing it into 20-50 acre sized parcels is the sweet spot.** The City should sell or lease manageably sized parcels of 20 to 50 acres to developers. Stakeholders emphasized the importance of making smaller-sized parcels available to developers. Most stakeholders recommended parcel sizes of 20 to 50 acres. These smaller parcels allow flexibility for businesses to master plan specific parcels and expand their footprint in the future or simply acquire additional land in phases for larger projects. Stakeholders noted, however, that the City may want to retain some larger parcels (50+ acres) to attract large anchor employers.
- **Stakeholders recommended the City focus on local businesses already operating in Bend rather than trying to lure in "big fish."** Light industrial and research and development firms make up a sizable share of Bend's economy and the majority of businesses in Bend have fewer than 20 employees. The City should focus on supporting and growing these local businesses rather than focusing on attracting large, outside firms.
- **The City should be prepared to work on a long planning horizon and expect challenges in developing Juniper Ridge.** Several stakeholders opined that developing Juniper Ridge properly was possible, but it would take time and careful planning. Stakeholders emphasized the importance of realistic goals and expectations for the area and stated that the City should operate on a long planning horizon of 10 to 20 years. Stakeholders also stated that starting with small-scale projects and developing the area incrementally would be the most successful strategy for Juniper Ridge.

- **Juniper Ridge should be integrated into surrounding residential communities and be developed in a way that allows it to serve those communities and to accommodate the area's growing employment base.** While development on Juniper Ridge is intended to primarily be industrial, stakeholders spoke about the importance of allowing for professional office buildings and mixed-use developments that could better integrate with and serve the existing residential communities near Juniper Ridge. These mixed-use developments, restaurants, and cafes would also accommodate the area's growing employment base as more industrial development comes to Juniper Ridge.

7. Conclusion for Market Potential

Like most communities across Oregon, Bend’s economy is changing. Bend’s concentration in tourism in the Central Oregon region has led to an increase in service-based employment in both retail and food services. The region’s manufacturing base and its strong rebound from the Great Recession has enabled the emergence of many food and beverage manufactures and a growing advanced manufacturing sector cluster.

Juniper Ridge is one of the largest predominantly vacant employment lands in the Central Oregon region. The City-owned 500-acre employment land is located northeast of the city and zoned industrial and business park. Juniper Ridge’s existing users are office/flex and research and development businesses. Juniper Ridge is envisioned to serve as a major employment area for Bend and the greater Central Oregon region, with opportunity to attract a diversity of business types and sizes that provide with well-paying jobs. The current users of Juniper Ridge have set a precedent to the type of businesses and quality that the city envisions the area to become.

The City of Bend is interested in understanding the opportunities and barriers for new employment focused development in Juniper Ridge. The purpose of this market assessment is to (1) shed light on the regional market for employment lands, and (2) to help understand the needs and desires of the types of businesses that would locate to Juniper Ridge.

7.1 Central Oregon Commercial and Industrial Demand

The focal point of this market assessment is to uncover the nature of regional demand for employment lands and the development prospect for Juniper Ridge. After synthesizing both quantitative and qualitative data we arrived at the following findings.

7.1.1 Findings and Implications

7.1.1.1 There is current demand for new development in the Central Oregon region—both in the near term and long term

Fundamental demand drivers that lead to new development—population growth and economic expansion—are expected to continue on their current upward trajectory. The pre-COVID-19 upward trajectory growth indicates growing demand for new development in the short and long-term. Absorption for commercial and industrial space has been positive since 2010, although at lower levels than before the Great Recession. Absorption levels have remained above what the market has been able to deliver.

Currently, COVID-19 has slowed and even paused economic activity across several sectors of the economy. We foresee that this will have an effect on Central Oregon’s economic expansion but the extent of this effect is yet unknown.

Demand for new industrial space will come from the consistent year-over-year growth of manufacturing, construction/resources, warehouse, transportation and utilities, and wholesale trade that will demand larger share of industrial space in the future.

7.1.1.2 Juniper Ridge provides great opportunities for select industry sectors

Several of the region’s industrial sectors have seen growth in the past few years. Top businesses positioned to derive a premium or locational advantage from Juniper Ridge are:

- **Businesses that seek room for future expansion opportunities.** Some businesses seek land where it can accommodate their current business needs while having the opportunity to expand their operational footprint as business grows. The region’s concentration of manufacturing specially the food and beverage sector are expected to grow. For these reasons, Juniper Ridge will be an attractive location for more food and beverage businesses.
- **Businesses that seek amenity-rich location for employees.** When asked about why they chose to locate to Juniper Ridge, current office/flex tenants cited the area’s year-round recreational activities, views, and growing research and development firms as a key reason to why they chose to locate to the area. Meanwhile, tech and research and development industries attract talent from outside the region by offering a rewarding life-work balance, this points to a particular opportunity for industrial flex/office businesses to locate to Juniper Ridge.
- **Traditional industrial users that need proximity to the highway or major commercial airport.** Juniper Ridge provides direct access to Highway 97 and is a few miles away from Central Oregon’s commercial airport. Industrial users that require an easy connection to the highway system will be drawn to Juniper Ridge location.

7.1.1.3 Despite Demand, Juniper Ridge faces some development challenges

Our conversations with several stakeholders indicate interest by local businesses to expand and build in Juniper Ridge. However, stakeholders repeatedly pointed to two primary challenges to new industrial development. First, the combination of infrastructure and development costs along with strict use and design regulations create a high financial barrier to development, especially for small local businesses. Second, overly restrictive CC&R’s restrict the type of projects that can get built limiting the potential and types of businesses set for the future of Juniper Ridge.

The table below summarizes the opportunities and challenges for new development in Juniper Ridge.

Exhibit 21. Industrial Development Opportunities and Challenges

Source: ECONorthwest

Opportunities	Challenges
<ul style="list-style-type: none"> ▪ Vacant Land ▪ Good access to Highway 97 ▪ Opportunity to accommodate medium to large (50+ acres) businesses needs ▪ Existing office/flex uses will attract similar types of businesses 	<ul style="list-style-type: none"> ▪ Infrastructure constraints ▪ Restrictive CC&R’s ▪ Unclear goals and vision for Juniper Ridge

7.2 Implications for Achieving New Development in Juniper Ridge

Our research suggests that there is current demand for new industrial and office/flex development in the Central Oregon region both in the near-term and long-term. Combining input from regional industry data and economic development efforts, we see specific opportunity for Juniper Ridge to capture industrial development for manufacturing and construction businesses but also to continue to support larger warehousing and wholesale users that might be attracted to the district. As businesses across Bend continue to grow, space will become a more pressing issue with limited options for businesses to scale up to medium and large size buildings to satisfy business expansion needs.

While Bend has been proactive in providing more land for developers to meet commercial demand in Juniper Ridge – the area faces infrastructure and other barriers to development. Juniper Ridge is a unique industrial area with the ability to support the region’s growing manufacturing industry. However, meeting zoning, design standards, and CC&R requirements has been prohibitive to some businesses. Juniper Ridge has experienced some development, with Suttera and Les Schwab’s office/flex uses locating to the area. This suggests that demand for industrial development at Juniper Ridge will come from similar uses already established in the area, including office/flex and research and development uses. These users require space for office with other programmatic space for warehouse or industrial component. Juniper Ridge is more likely to attract users that have a higher share of office/flex, research and development, and accessory retail uses within their business model that can afford higher rents that are needed to development in the area.

The growth in the food manufacturing and processing sub-sector indicates that approaches to zoning and use allowances should be evaluated in Juniper Ridge to support unique needs of these business types. Accessory use allowances and allowances for tasting rooms and small retail components associated with the primary production use should be considered as opportunities for Juniper Ridge to capture those businesses that are looking to scale up in their space needs but also still need a public facing physical component to their businesses.