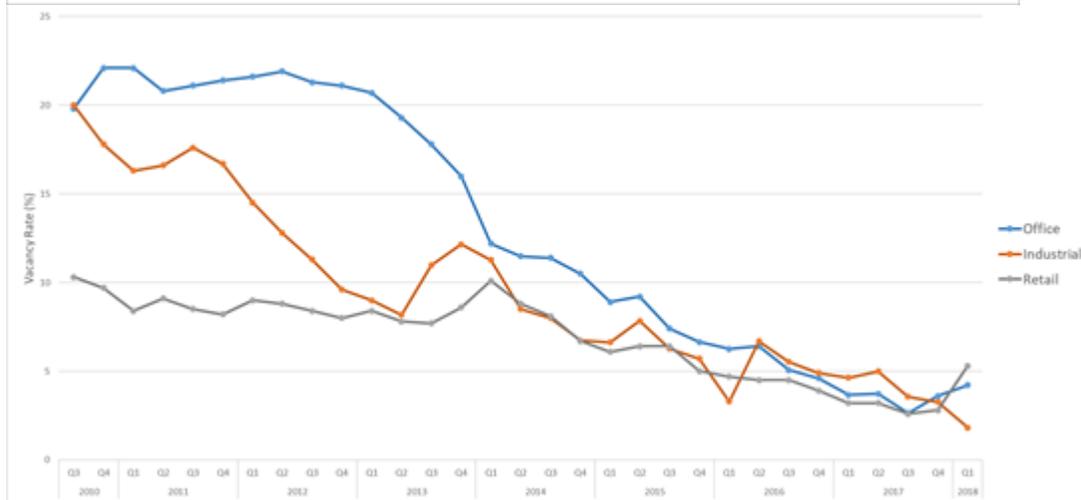
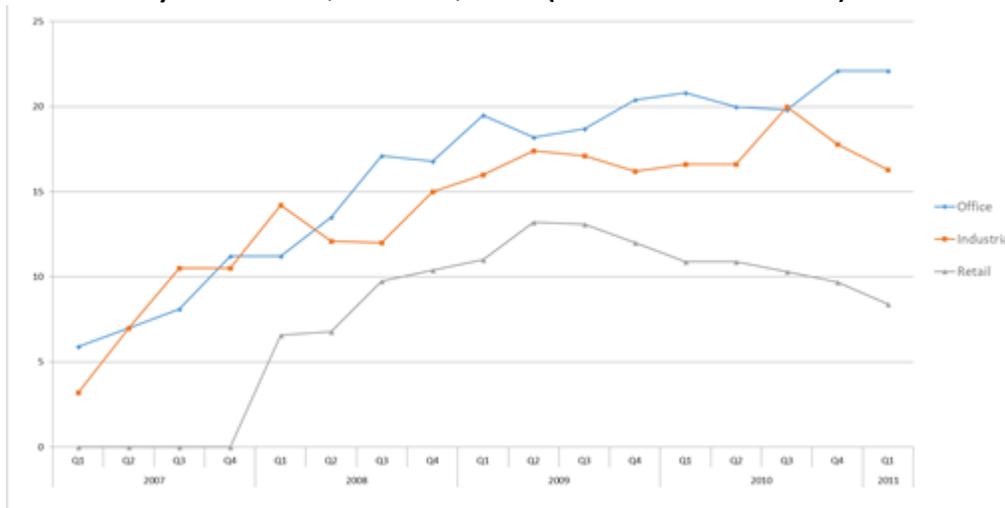


Attachment J. EDCO Central Oregon Industrial Lands Summary

Construction of industrial and light industrial space in the Central Oregon region over the past two decades can best be described as lumpy. Leading up to the Great Recession, the area saw considerable new inventory of buildings available for lease or occupied by businesses that constructed them. Between 2008-2001, light industrial or business parks in the tri-county region saw virtually no new construction or property sales. Starting in late 2017, there has been renewed sales and construction activity in the face of record low vacancy rates.

Employment Land Vacancy rates from 2007 – Q1 2011 (Bend-Redmond Market)
Land Vacancy rates from Q3 2010 – Q1 2018 (Bend-Redmond market)

Employment



Historical, region-wide construction, absorption and vacancy data for industrial buildings is not available, however, periodic market surveys (usually quarterly, summarized above) have been conducted since 1996 by Compass Commercial Real Estate Services, the largest commercial brokerage in Central Oregon. Those surveys have not in the past and currently do not include Sisters, La Pine, Crook or Jefferson Counties but vacancy trends seen in those communities follow closely the largest two cities in the region. In fact, vacancy rates in the smaller communities are often consistently lower than those in the larger cities simply because there has been virtually no new building construction of heavy or light industrial space and there is little churn (turnover) in the local market. Current vacancy rates (Q3, 2019) for industrial space in Bend are 1.6% with three of four submarkets in the community below 1%.

Redmond Q3 vacancy rates are 3.8%, down from 4.6% the previous quarter. Office vacancy rates in Bend are at 3.9%. With so few buildings and spaces available to occupy, low vacancy rates represent lost economic development opportunities as new, relocating or expanding businesses are able to uncover few workable options.

Over the past nine years, the Central Oregon area has seen a steady trend of strong absorption through lease or owner-occupation, of more than 3 million square feet of light or heavy industrial buildings, with the largest component of that total being in the form of new, owner-occupied data centers in Prineville. According to Compass Commercial reports for the Bend-Redmond market, 624,837 sf of new industrial (33 buildings) and in Bend only, 223,218 sf of office (9 buildings) were constructed between 2010-2019. EDCO is currently tracking new spec and owner-occupied light industrial and office space. Over the past 12 months, 168,000 sf of light industrial space has been constructed in Bend, Sisters and Redmond. 461,399 sf is under construction or is in permitting or land use process. While this has the potential to balance the supply-demand equation for businesses needing space, it has not yet materially impacted vacancy rates in these communities due to the increasing needs of businesses.

In the face of strong demand and limited new inventory, industrial land prices in Central Oregon, specifically Bend, Sisters and to a lesser degree, Redmond, are again among the highest in Oregon. Currently light industrial land in Bend is selling in the range of \$6.50 per square foot (sf) for unimproved, large or problematic (typography, utilities, road access, etc.) to \$13.50 per sf for finished lots. In Redmond, those prices range from \$3.50 - \$5.00 and Sisters \$1.90 to \$6.00.

During that same nine-year period, the region has seen horizontal development of approximately 210 acres of finished industrial and light industrial lots on land that has been within urban growth boundaries for decades but had not yet been developed.

An important and longstanding issue that is often not reported either in UGB expansion applications or periodic employment land inventories, is the frequent conversion of industrially-zoned land to other uses. This has happened across the region with regularity, including Sisters. In 2014, more than half of the Three Sisters Business Park was rezoned from light industrial to residential. Justification for this change was the lull in lot sales and construction activity during and the years following the recession. Other examples of recent zone changes include Bend's rezone of more than 100 acres from light industrial (LI) to mixed employment (ME) in various parts of the city, which allows retail and residential uses. Similarly, creation of the Bend Central District (BCD) has made longstanding light and heavy industrial uses there permitted but non-conforming, meaning that expansion of manufacturing businesses there is not straightforward. More than 80 acres recently added to industrial land inventory through UGB expansion in southeast Bend is already in the process of being converted from industrial and light industrial land to mixed employment. This is particularly concerning since the base industries and employers that EDCO is charged with helping to development and support can often only operate on industrially-zoned land according to state and local land use laws. As a result of both strong demand and conversion, we have seen a continued upward pressure on light industrial land prices (as noted above) resulting from a constrained supply.