SUMMARY AND EDITORIAL

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Ron Ross, from Compass Commercial Real Estate Services, provides a review and forecast for Central Oregon's commercial real estate markets. He says in 2013, the industrial market should expect to see a drop in industrial vacancy rates and a slight rise in rental rates. He forecasts that retail occupancy will rise and rates will be expected to climb a bit. In the Central Oregon office market, Mr. Ross expects a one to two percent drop in vacancy and for lease rates to remain stable.

In our single family housing report, RMLS student fellow **Evan Abramowitz** reports that the market recovery continues, with improving home sales, and increasing upward pressure on prices. In the Portland metropolitan area, the median sales price continues to sputter upward to $315,320 for new homes and $287,000 for existing homes. Central Oregon is seeing signs of improvement, but wild swings in sales and prices from quarter-to-quarter provided little confidence in knowing how strong any recovery will be. The Willamette Valley and I-5 corridor continue to be challenged by stagnant or slightly declining prices.

In the multi-family housing report, Abramowitz finds a market that "has everything going for it." He reports that rents have increased in the U.S. by just under four percent. At 2.1 percent, Portland vacancies are among the lowest in the country.

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The region continues to attract young migrants who seem hesitant to commit to homeownership. He finds that new construction continues to lag behind demand, but several new projects in the pipeline are expected in the next year.

In our commercial market report, OAR Student Fellow **George McCleary** finds a market that has improved modestly in 2012, with general economic conditions continuing a slow upward climb. Fundamentals have improved, and unemployment has dropped almost a full percent, to 7.8 percent. Vacancy is down and 100,000 square feet of space was delivered to the market, although speculative construction is still nearly nonexistent. He concludes that new space is unlikely to be developed before demand increases, forcing lease rates higher.

McCleary's retail report finds overall retail vacancy rate of 5.7 percent, up three tenths of a percentage from the same period last year. Absorption totaled 141,586 square feet for the year, and rents are up by 0.4 percent to $15.83 per square foot. He predicts that measures are expected to improve in 2013. Mixed-use projects drove much of the retail development in 2012, and that most development was build-to-suit or owner-user oriented. Speculative retail construction remains mostly absent, save for smaller infill projects, or ground floors of apartment buildings.

In the industrial report, McCleary that fourth quarter of 2012 was the tenth straight quarter of positive absorption in the Portland industrial/flex market. It also, however, saw the lowest number of leasing deals since the third quarter of 2003. Although there is a lack of space in certain classes, lease rates are generally still not supportive of speculative construction, as has been in the case for the past four years. Developers have constructed facilities, but nearly all development has been built-to-suit. This is expected to continue in the months to come, with market fundamentals eventually arriving at levels that support speculative development.

I hope you enjoy this latest issue of the Center for Real Estate Quarterly Report and find it useful. The Report is grateful to the Oregon Association of Realtors (OAR) for their continued support. ■