

Reno Retail, Q2 2021

Reno retail posts third consecutive quarter of occupancy gains

Vacancy **5.6%**

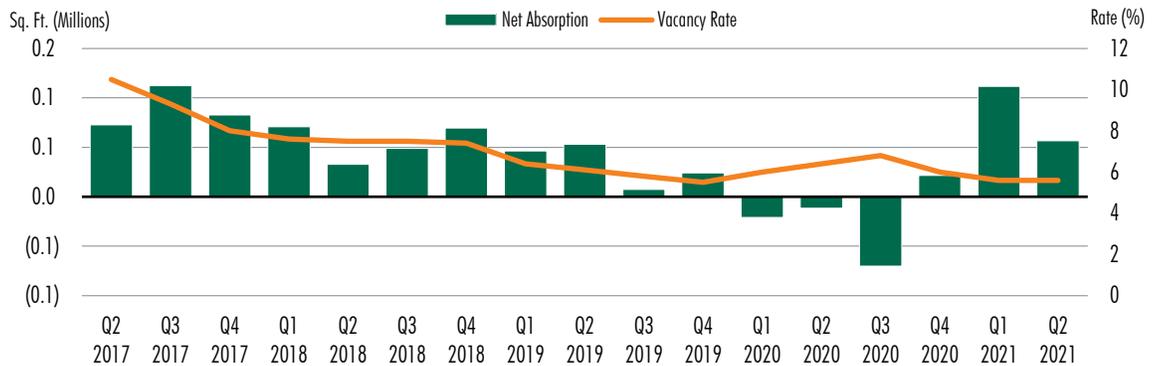
Net Absorption **56,656 SF**

Asking Lease Rate **\$1.61 PSF**

Completions **0 SF**

Figure 1: Vacancy Rate vs. Net Absorption

*Arrows indicate change from previous quarter.



Source: CBRE Research, Q2 2021.

The Reno retail market posted 56,656 sq. ft. of positive net absorption in Q2 2021, the third consecutive quarter of occupancy gains. Overall market fundamentals are holding steady with vacancy at 5.6% and the average asking lease rate at \$1.61 NNN. The availability rate decreased 80 basis points (bps) to 6.2%.

Early in the quarter, local officials announced restrictions, brought on by the COVID-19 pandemic, would be removed and businesses allowed to operate at full capacity starting June 1, 2021. The hospitality and leisure sectors have already seen significant increases in revenue as a result of pent-up demand. The Reno-Sparks Convention and Visitors Authority reported \$32.4 million in room tax revenue in April, a record high for the month. This is a positive sign for the Reno retail economy indicating tourists are visiting again in large quantities. The region continues to see an influx of new residents moving from California and other neighboring states. As of May, the Reno Association of Realtors announced the median home price reached a high of \$550,000 and is on track to reach \$600,000 by the end of the year. Reno ranked number one in the country for cash home buyers, accounting for 51% of all residential transactions.

The largest lease of the quarter was signed by Ski Pro for 20,000 sq. ft. at the Crossing at Meadowood shopping center. The tenant had been renting month-to-month for the season and opted to sign a long-term lease. Discount retailers continue to be an active tenant in the market as highlighted by Salvation Army signing a new lease for 19,370 sq. ft. at McCarran Plaza.

The region continues to be a target for investment activity as highlighted by the top sales of the quarter. The former Lowe's building, 2450 Oddie Boulevard, was purchased by Foothills Partners Inc. for \$8 million. The 225,000 sq. ft. building was part of a two-property portfolio sale including the retail space and a neighboring land component, making this the largest sale of the quarter. Another notable transaction was the sale of 151 N Sierra Street purchased by TRC Homes for \$1.9 million. Both transactions included plans for redevelopment from the buyers.

Market fundamentals are the strongest they have been since before the pandemic for the Reno retail market, a positive light after what has been a tumultuous year. The retail market is expected to continue to grow in the second half of 2021.

Figure 2: Reno Retail Market Statistics

Submarket	Gross Leaseable Area	Total Vacancy %	Total Availability %	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Central/Airport	1,588,438	7.0%	7.7%	5,578	86,895	1.25
Downtown	360,635	4.5%	4.5%	0	2,312	1.25
Meadowood	3,285,664	7.0%	7.3%	23,919	31,023	1.16
North Valleys	954,780	1.0%	1.5%	1,907	1,907	1.86
Northwest Reno	1,786,328	1.2%	1.7%	16,132	14,524	1.73
South Reno	2,519,210	4.5%	4.9%	(2,999)	(16,608)	2.13
Southwest Reno	754,844	7.3%	9.0%	1,089	5,072	1.61
Spanish Springs	1,664,402	5.3%	5.8%	0	5,414	1.99
Sparks	3,480,926	8.1%	9.1%	11,030	37,962	1.53
Market Total	16,054,315	5.6%	6.2%	56,656	168,501	1.61

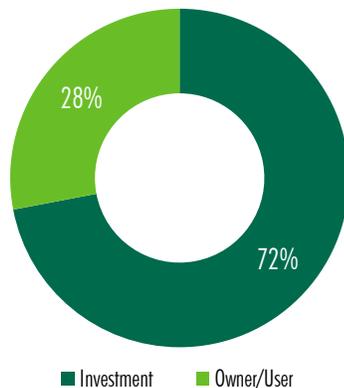
Source: CBRE Research, Q2 2021. *See survey criteria on page 4.

Figure 3: Significant Leases / Sales

Lease (Tenant)	Address	Total SF
Ski Pro	The Crossing at Meadowood	20,000
Salvation Army	McCarran Plaza	19,370
Sale (Buyer)	Address	Total SF
Foothill Partners Inc.	2450 Oddie Blvd	225,000
TRC Homes	151 N Sierra St	21,000

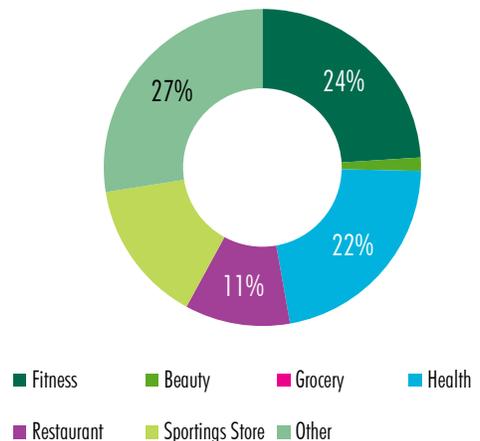
Source: CBRE Research, Q2 2021.

Figure 4: 2021 YTD Retail Sales by Type



Source: CBRE Research, Q2 2021.

Figure 5: 2021 YTD Retail Leases by Tenant Type



Source: CBRE Research, Q2 2021.

LEASE RATES

Average asking lease rates for Q2 2021 held steady at \$1.61 NNN. Across the board, all submarkets stayed at the same lease rate. Year-over-year lease rates have increased 11.8% and are expected to keep rising as the economy recovers from the short downturn caused by COVID-19 mandates.

NET ABSORPTION

The Reno retail market closed the quarter with 56,656 sq. ft. of positive absorption. The South Reno submarket was the only submarket posting negative absorption for the quarter at negative 2,999 sq. ft. While no major spaces became vacant, there was slow leasing activity in South Reno. The combination of market wide steady leasing activity and limited new product being brought to market lead to increased occupancy gains for Q2 2021.

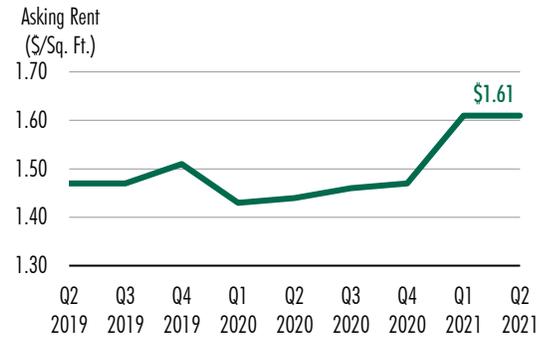
VACANCY & AVAILABILITY

The market wide vacancy rate held steady at 5.6%, while availability decreased 80 basis points (bps) to 6.2% quarter-over-quarter. Overall vacancy decreased by 12.5% year-over-year. The Central/Airport submarket had the largest quarter-over-quarter decrease of 180 bps to 7.0%. As leasing activity continues to increase, vacancy and availability are expected to decrease in the second half of 2021.

CONSTRUCTION ACTIVITY

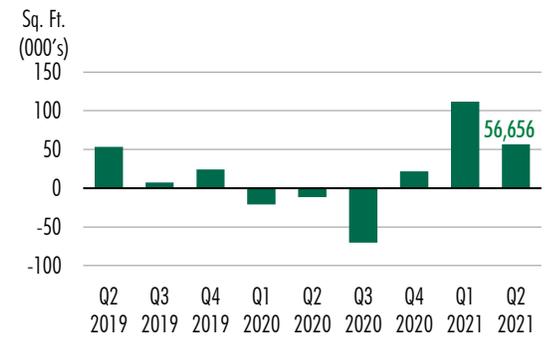
For the fifth quarter in a row, the Reno retail market did not have any new construction deliveries. However, there are several projects currently under construction across three different submarkets which Reno will eagerly await the delivery of. Keystone Commons (42,240 sq. ft.) is expected to deliver in the second half of the year, The Village at Rancharrah (59,992 sq. ft.) is finalizing tenant improvements and will deliver early in Q3 2021, and The Park at McCarran (40,000 sq. ft.) is expected to deliver late this year.

Figure 6: Lease Rates



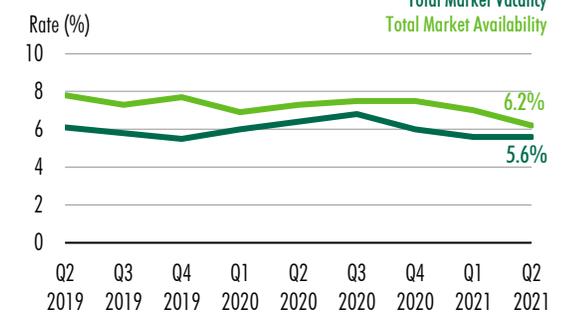
Source: CBRE Research, Q2 2021.

Figure 7: Net Absorption



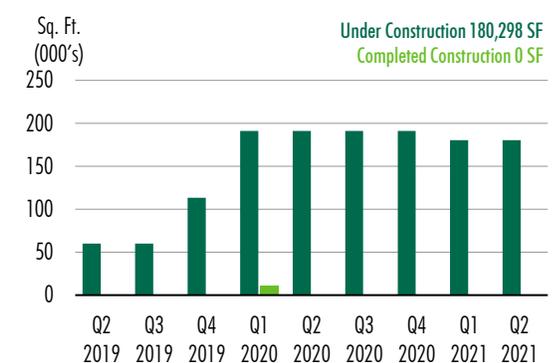
Source: CBRE Research, Q2 2021.

Figure 8: Vacancy & Availability



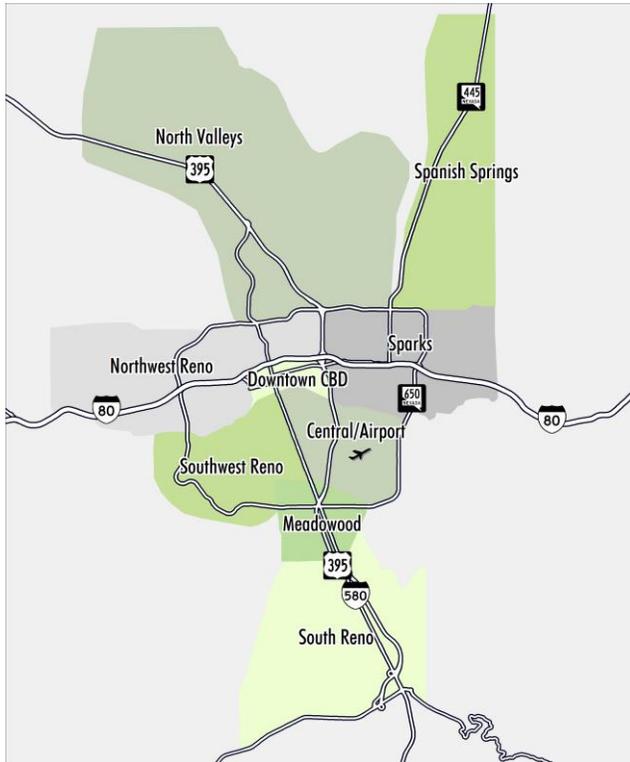
Source: CBRE Research, Q2 2021.

Figure 9: Construction Activity



Source: CBRE Research, Q2 2021.

SUBMARKET MAP



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DEFINITIONS

Average Asking Rate Direct Monthly Lease Rates, NNN. *Availability* All existing space being marketed to potential occupants, either for lease, sublease, or sale. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy.

SURVEY CRITERIA

Existing retail buildings of 10,000 sq. ft. and greater, excluding malls, are included in the survey.

*Adjustments and corrections in Q4 2020 resulted in re-drawing of submarket boundaries and the removal/addition of buildings to the tracked property base. Adjustments and corrections affect the market NRA, availability, and vacancy but not absorption.

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