

FIGURES | RENO | Q4 2022

Reno Office Figures

▲ 11.4%
Vacancy Rate

▼ (9K)
SF Net Absorption

▶ 0
Construction Completions

▲ \$1.98
Full-Service Gross / Lease Rate
Existing Properties

▲ 53K
Office Using Employment
Reno Region

Note: Arrows indicate change from previous quarter.

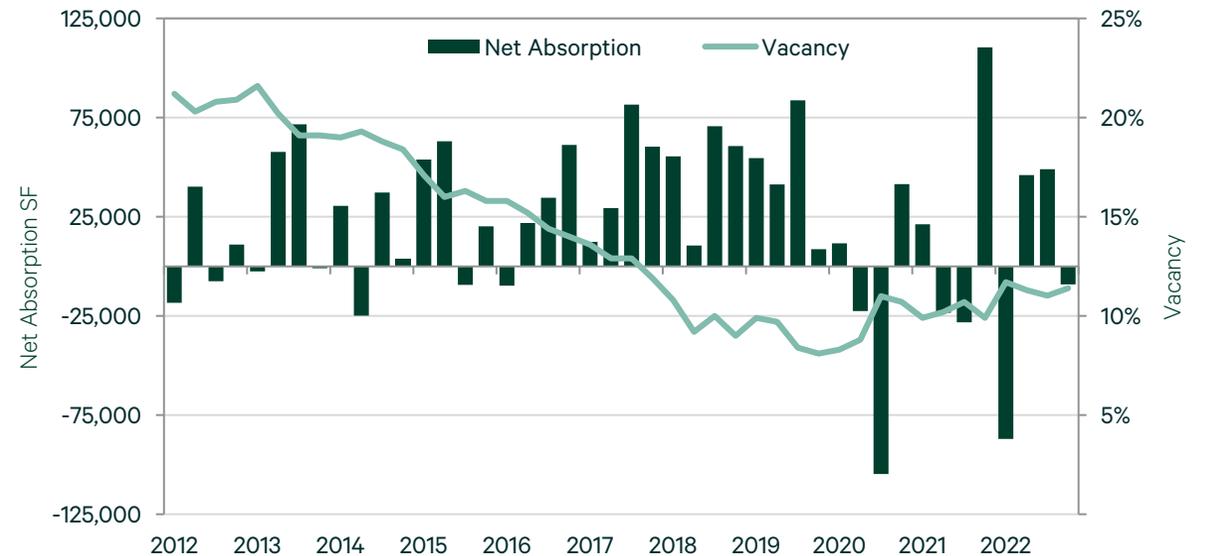
RENO EMPLOYMENT

The Reno region is home to approximately 566,000 residents with a labor force of 283,200. At the close of Q4 2022, the total resident employment was 274,900, up by 2,500 jobs from Q3 2022. Reno's total market employment adds another 18,000 to the employment base, the net result of inbound / outbound commuting into the city. The unemployment rate for Reno residents in Q4 2022 is 2.9%, a 20-basis-point (bps) increase from Q3 2022. Office sector jobs in Reno/Sparks are forecasted to add 200 jobs quarter-over-quarter, bringing total office using jobs to approximately 53,300.

OFFICE OVERVIEW

In Q4 2022, the Reno office market posted neutral results across market fundamentals. Businesses continue to embrace hybrid work policies, which had led to many large companies giving back space across the region. Despite some companies choosing to downsize their footprint in the market, the limited availability of Class A space continues to drive lease rates up as developers rush to meet the demand for top tier space. The Reno Office market continues to demonstrate its resiliency in comparison to larger metro markets, despite a slight increase in vacancy and availability in Q4 2022.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

OFFICE OVERVIEW (continued)

The Reno office market reported slight shifts in vacancy and availability in Q4 2022. Vacancy reported an increase of 40 bps from Q3 2022, closing the quarter at 11.4%. Availability also increased to a market-wide rate of 14.8%; a 110 bps increase from 13.7% in Q3 2022.

The combination of new tenants and investors in the market led to several notable transactions in Q4 2022. Erickson OB/GYN signed at 635 Innovation Dr for 29,442 sq. ft. in the Meadowood submarket. An undisclosed co-working company also signed a lease at 206 N Virginia St for 22,700 sq. ft. in the Downtown submarket. Both Erickson OB/GYN and the undisclosed co-working company are pre-leases in buildings currently under construction and are expected to deliver in 2023.

Direct asking lease rates increased to \$1.98 in Q4 2022. Class A rents decreased by \$0.03 to \$2.18, and Class B rents decreased by \$0.02 to \$1.88. Most of the leasing activity in Q4 2022 occurred in Class B properties, which is attributable to the absence of large new deals at existing spaces. Net absorption totaled negative 9,103 sq. ft. in Q4 2022 due to a lack of large signing in existing buildings. South Reno experienced the least amount of occupancy gains in the market in Q4 2022, posting negative 21,582 sq. ft. of net absorption.

Construction in the Reno region had no new deliveries in Q4 2022. However, Reno City Center is currently under construction and is expected to deliver in 2023. This mixed-use development will feature 105,000 sq. ft. of new Class A space. Q4 2022 demonstrated the resilience of the Reno office market – and with large blocks of Class A space expected to deliver next year, the Reno/Sparks market is poised for a year of improved leasing activity moving into 2023.

FIGURE 2: Submarket Statistics

	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Direct Asking Rate (\$)	Q4 Net Absorption	YTD Net Absorption
Airport	750,126	10.1	10.4	1.21	533	38,579
Class A	32,376	0	0	0	0	0
Class B	398,234	14.8	15.1	1.24	(4,179)	13,258
Central	602,601	6.0	8.2	1.58	2,813	23,951
Class A	0	0	0	0	0	0
Class B	290,135	9.2	9.8	1.68	0	(895)
Downtown	1,405,903	9.9	13.2	2.09	13,599	48,273
Class A	887,484	7.5	10.9	2.30	17,199	50,711
Class B	273,830	20.4	26.2	1.85	(3,600)	(8,164)
Meadowood	1,691,242	10.9	12.7	2.04	(7,877)	45,961
Class A	841,274	14.3	15.0	2.18	9,183	49,784
Class B	755,728	7.8	8.4	2.05	(18,090)	(7,853)
South Reno	1,401,086	16.8	24.7	2.12	(21,582)	(174,981)
Class A	990,231	19.9	30.5	2.11	(22,488)	(152,401)
Class B	410,855	9.3	10.8	2.18	906	(22,580)
Sparks	93,693	0	0	0	0	0
Class A	0	0	0	0	0	0
Class B	93,693	0	0	0	0	0
West Reno	196,268	16.1	16.1	2.35	3,411	17,202
Class A	14,493	0	0	0	0	0
Class B	44,311	48.1	48.1	2.65	0	11,151
Reno Office Market	6,140,919	11.4%	14.8%	\$1.98	(9,103)	(1,015)
Class A	2,765,858	13.9%	19.0%	\$2.18	3,894	(51,906)
Class B	2,266,786	11.5%	12.8%	\$1.88	(24,963)	(15,083)

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Type
Erickson OB/GYN	635 Innovation Dr Reno	29,442	New Lease
Undisclosed Co-Working	206 N Virginia St Reno	22,700	New Lease
Juniper Services	5435 Kietzke Ln Reno	10,235	New Lease

Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	Address	SF Sold	Sale Price
Granite CRE	255 W Moana Ln Reno	22,536	\$4.0M
Stefanie Ann McKnight	1955 Baring Blvd Sparks	5,779	\$1.4M
Kenneth James Killingsworth	3785 Baker Ln Reno	5,598	\$1.3M

Source: CBRE Research

FIGURE 5: Lease Rates



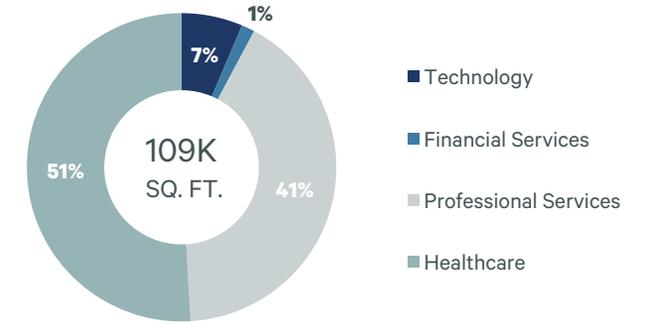
Source: CBRE Research

FIGURE 6: Vacancy & Availability



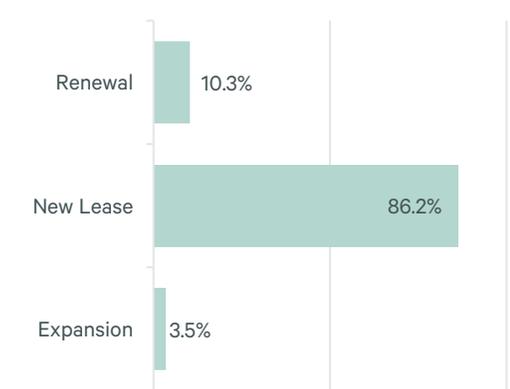
Source: CBRE Research

FIGURE 7: Top 20 Leases of the Quarter by Industry



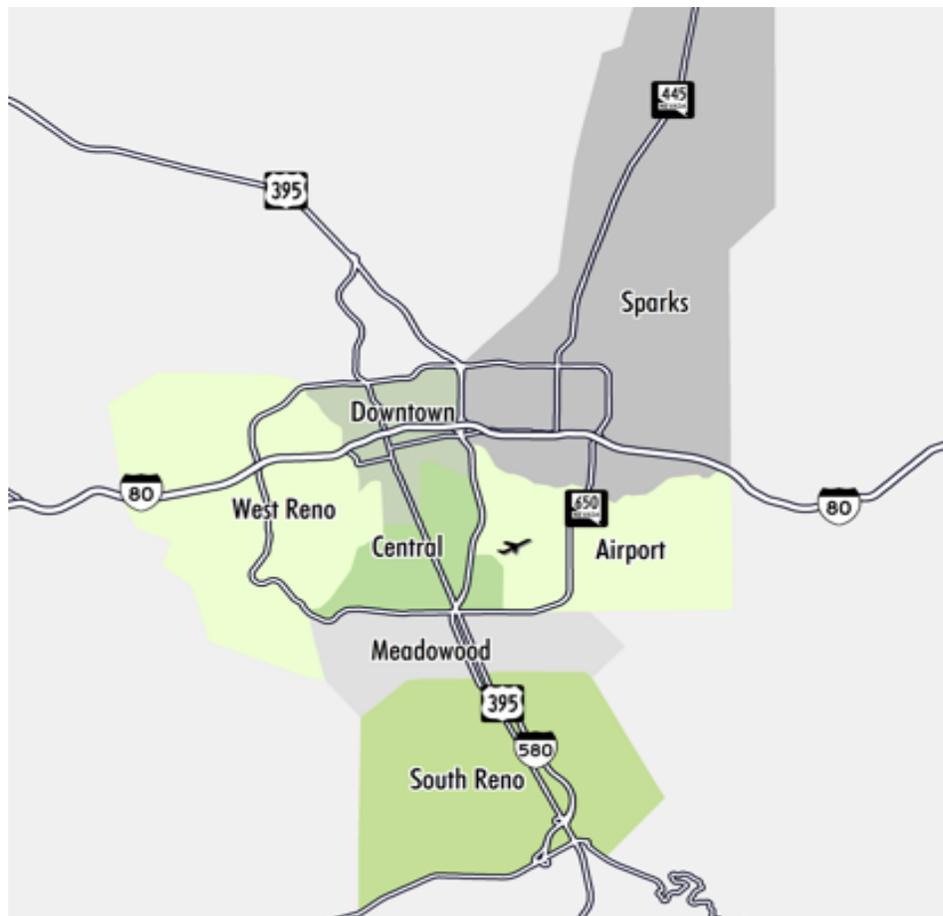
Source: CBRE Research

FIGURE 8: Leases by Type



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Annual Lease Rates, Full-Service Gross. Availability All existing space being marketed for lease. **Total Vacancy Rate Direct Vacancy + Sublease Vacancy.** **CBD Central Business District;** consists of Financial District and South Financial District submarkets.

CBRE’s market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in the Reno region, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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