

FIGURES | RENO | Q4 2022

Reno Industrial Figures

▲ 1.1%
Vacancy Rate

▼ 681K
SF Net Absorption

▲ 9.2M
SF Under Construction

▲ \$1.00
NNN / Lease Rate
Existing Properties

▲ 89K
Industrial Using Employment
Reno Market

Note: Arrows indicate change from previous quarter.

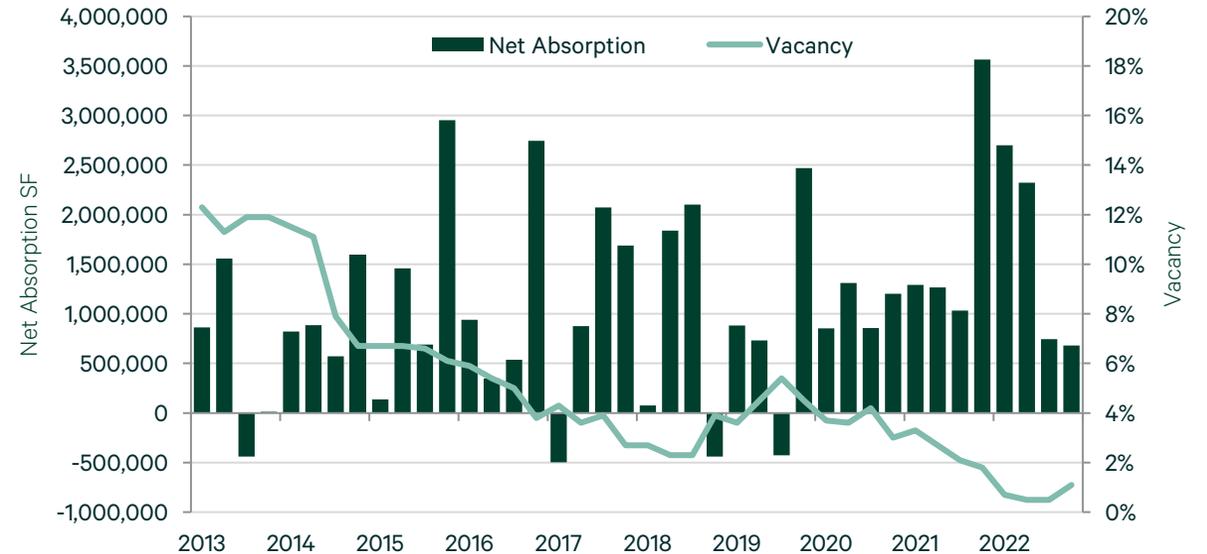
EMPLOYMENT

The Reno region is home to 568,800 residents with a labor force of 281,800. At the close of Q4 2022, the total resident employment was 273,300, up by 7,400 jobs from Q4 2021. The industrial sector is currently providing 89,000 jobs, accounting for 32% of total employment in the region. The unemployment rate ended Q4 2022 at 3.0%, down from 3.1% in Q4 2021.

INDUSTRIAL OVERVIEW

The Reno Industrial market finished the quarter with strong market fundamentals, posting the thirteenth consecutive quarter of positive net absorption. The East Valley submarket remains the most sought out location in Reno for occupiers, posting 714,750 sq. ft. of positive net absorption for the quarter. Average asking lease rates increased \$0.13 quarter-over-quarter, ending the year at a record high of \$1.00 per sq. ft. monthly on a NNN basis. On the supply side, 1.1 million sq. ft. of product was delivered to the market with 9.2 million sq. ft. currently under construction.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

Market-wide vacancy and availability slightly rose in Q4 2022. The vacancy rate increased 50 basis points (bps) to 1.1% and the availability rate followed suit, increasing 80 bps to 2.1%. Average asking lease rates increased 15% quarter-over-quarter to \$1.00 NNN. Flex rates posted a 33% year-over-year increase, closing the quarter at \$1.24 NNN. High tenant demand coupled with limited tenant ready available space escalated average asking rates over the last year. Smaller sized occupiers have been most affected by the rise of asking rates, contributing to the rise of vacancy and availability this quarter.

The Reno market closed out the Q4 2022 with a total of 680,845 sq. ft. of net absorption, maintaining the market's strong leasing transactions. The Webstaurant Store accounted for the largest transaction of the quarter at 265 Milan Dr, Sparks for 692,720 sq. ft. The next largest transaction was a 669,760 sq. ft. new lease by a confidential tenant in the East Valley submarket. As preleased projects are expected to be delivered in 2023, the Reno industrial market is expected to continue the trend of positive net absorption well into next year.

Industrial sales activity in the Reno market remained ample in Q4 2022. Dalfen Industrial led the top notable sale transaction with the purchase of the 596,400 sq. ft. Class A building for \$79.6 million at 1500 Waltham Way in McCarran. The next largest sale was completed by Golden Opportunity Investments with the purchase of the 19,200 sq. ft. building located at 635 Denmark Dr. in Sparks. All but institutional grade net lease sales have come to a halt based off the current debt market.

Reno delivered three buildings totaling 1.1 million sq. ft. of new industrial product to the East Valley and Sparks submarkets in Q4 2022. 96% of the 1.1 million sq. ft. delivered this quarter was pre-leased. The largest delivery occurred at 265 Milan Dr. in Sparks for 692,720 sq. ft, all of which was preleased to The Webstaurant Store. Reno's construction pipeline had a variety of projects totaling over 9.2 million sq. ft. currently under construction and 12.8 million sq. ft. in various planning stages. However, the market continues to experience prolonged and constantly changing completion dates due to supply chain constraints. Despite prolonged construction, most of the projects under construction are slated to deliver by Q1 2024.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q4 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Central / Airport	10,686,134	1.7	3.0	7,258	399,881	0.71
Bulk	8,125,560	1.8	2.3	0	271,101	0.68
Flex	2,560,574	1.5	5.1	7,258	128,780	1.25
East Valley	23,522,216	1.2	3.6	714,750	2,981,926	0.80
Bulk	23,399,529	1.2	3.7	714,750	2,981,926	0.80
Flex	122,687	0.0	0.0	0	0	0.00
North Valley	25,994,328	0.3	0.5	66,440	1,708,045	1.30
Bulk	25,765,372	0.3	0.5	66,440	1,708,045	1.30
Flex	228,956	0.0	0.0	0	0	0.00
South Reno	9,250,409	1.8	2.4	(53,286)	160,278	1.32
Bulk	7,266,358	1.9	2.5	(41,802)	156,098	1.37
Flex	1,984,051	1.4	2.1	(11,484)	4,180	1.20
Sparks	30,985,092	1.4	2.1	(39,195)	1,163,046	1.13
Bulk	28,033,840	1.4	2.1	(46,054)	1,157,177	0.96
Flex	2,951,252	1.1	2.0	6,859	5,869	1.24
West Reno	2,624,123	0.6	0.6	(15,122)	32,913	0.74
Bulk	2,215,063	0.6	0.6	(12,923)	35,112	0.70
Flex	409,060	0.5	0.5	(2,199)	(2,199)	1.00
Market Total	103,062,302	1.1	2.1	680,845	6,446,089	1.00
Bulk	94,805,722	1.1	2.1	680,411	6,309,459	0.79
Flex	8,256,580	1.2	2.8	434	136,630	1.24

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Type
The Webstaurant Store Inc.	265 Milan Dr, Sparks	692,720	New Lease
Confidential	C3 West Bldg 2, Reno	669,760	New Lease
Tagg Logistics	10755 Lear Blvd, Reno	531,886	New Lease
Rinnai America Corp.	9456 N Virginia St, Reno	154,440	New Lease

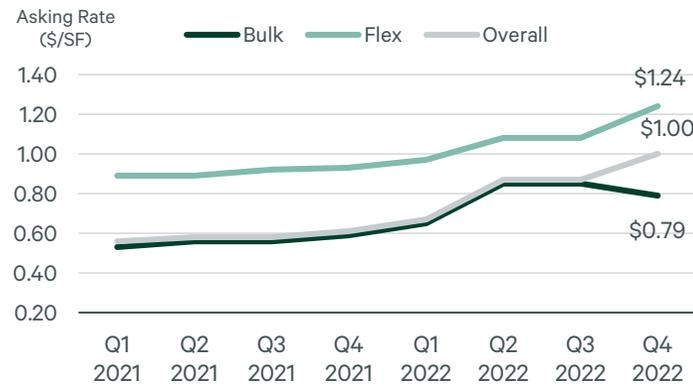
Source: CBRE Research

FIGURE 4: Notable Sale Transaction Q4 2022

Buyer	Address	SF Sold	Sale Price
Dalfen Industrial	1500 Waltham Way, McCarran	596,400	\$79.6M
Golden Opportunity Investments	635 Denmark Dr, McCarran	19,200	\$8.4M
24 Freeport LLC	390 Freeport Blvd, Sparks	17,556	\$4.3M

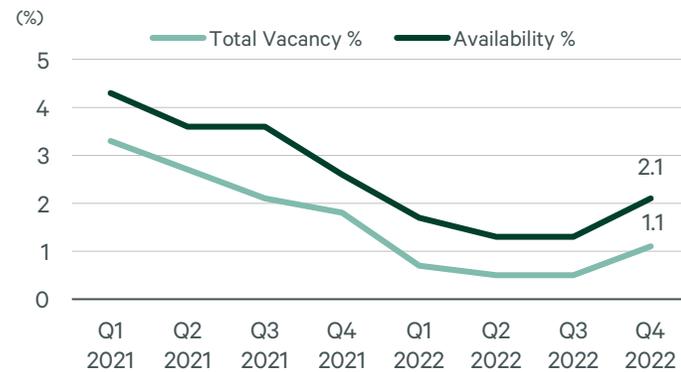
Source: CBRE Research

FIGURE 5: Lease Rates



Source: CBRE Research

FIGURE 6: Vacancy & Availability



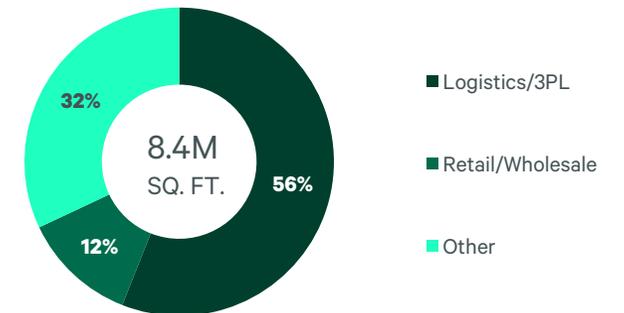
Source: CBRE Research

FIGURE 7: Construction Activity



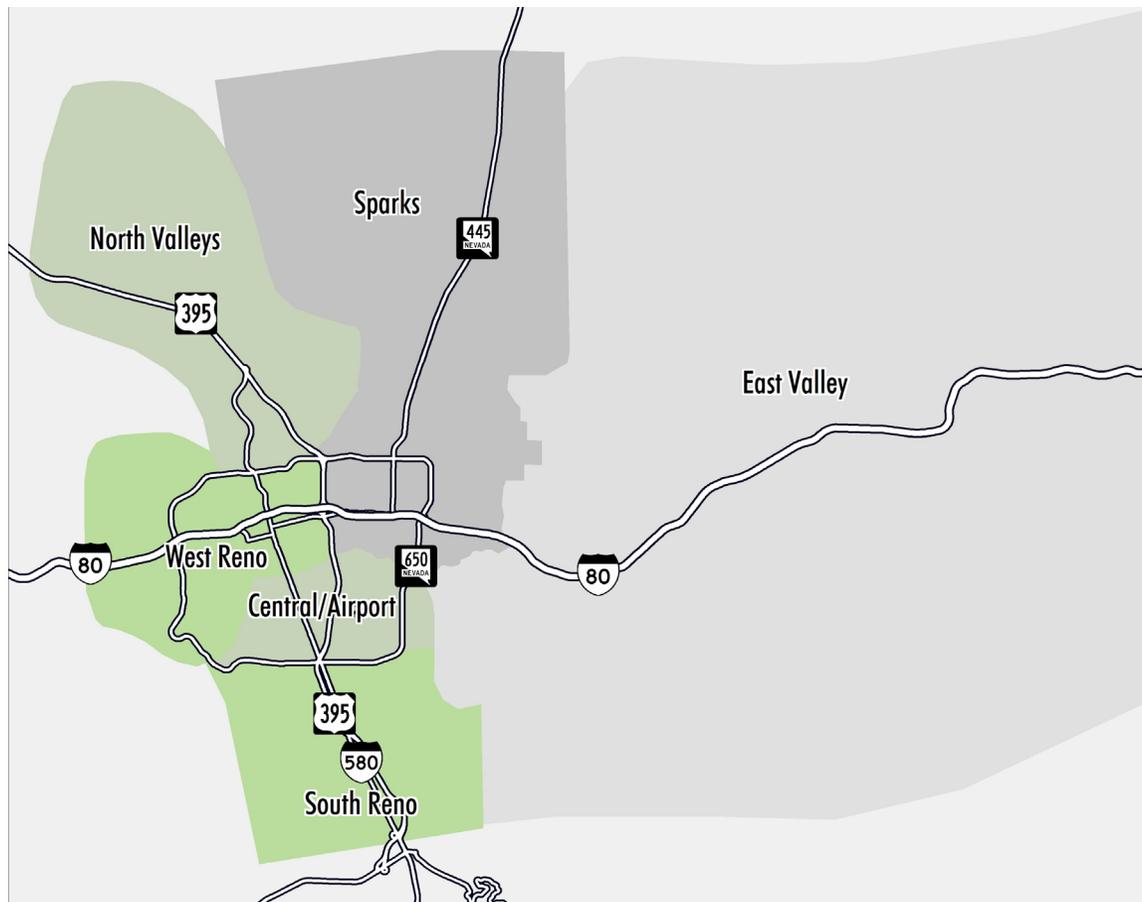
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Year by Industry (Q1 2022- Q4 2022)



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate: Direct Monthly Lease Rates, Triple Net (NNN). Availability: All existing space being marketed for lease. Total Vacancy Rate: Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including 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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