

MARKET TRENDS | RENO

INDUSTRIAL

3RD QUARTER
2020

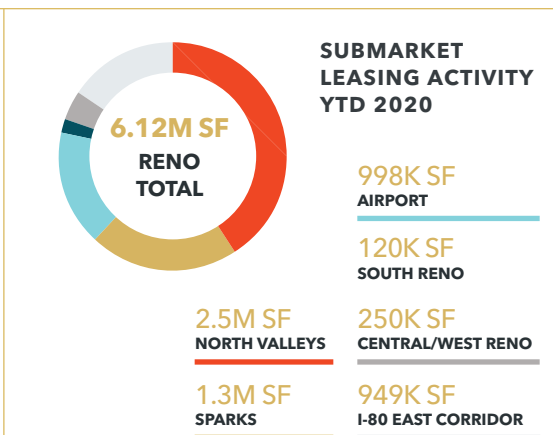
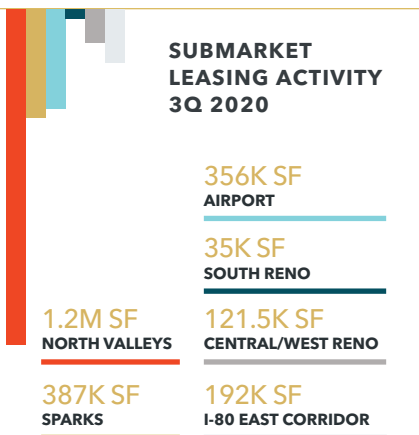
▼ ABSORPTION | ▼ VACANCY | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES

The Reno Sparks Industrial Market continues to show no signs of slowing down after the fourth consecutive quarter of over 1 Million Square Feet (SF) of positive net absorption. Strong market activity and a lack of product is creating a much-desired frenzy in all submarkets, helping account for 2,265,888 SF of gross absorption and 1,176,690 SF of positive net absorption. Direct vacancy dropped below 5% for the first time in 6 quarters, indicating that although we are still recovering from the COVID-19 global pandemic, the Reno Sparks Industrial Market has some of the strongest market fundamentals on the west coast.

The markets overall vacancy saw another significant drop in vacancy rate from Q2 2020 to Q3 2020, with overall vacancy dropping from 5.52% to 5.07% respectively. Direct vacancy followed a similar trend dropping from 5.01% in Q2 2020 to 4.73% in Q3 2020, marking the first time direct vacancy has dropped below 5% in the Reno market since Q1 of 2019. The North Valleys submarket, now the largest submarket in the Reno/Sparks MSA, accounted for 1,189,866 SF of positive net absorption in Q3 2020 which was propelled by the delivery of three large built-to-suit (BTS) buildings

that totaled 798,152 SF. The largest of these BTS was the delivery of a 466,632 SF expansion for U-Line followed by 185,000 SF delivery for Quality Bicycle in Spanish Springs and 145,520 SF delivery to a confidential user. This helped the largest submarket drop its vacancy rate by over 28% from 7.75% in Q2 2020 to 6.04% in Q3 2020. The Sparks and South Reno submarkets both saw negative net absorption during Q3 2020 however, with vacancy rates at 3.59% and 4.90% respectively, it is anticipated that both submarkets will see a strong recovery in Q4 2020.

Reno had an incredibly active third quarter with 45 deals being completed across the entire market. Of the 45 deals, 21 were in the flex size range (5,000-20,000 SF), 10 were in the mid-bulk size range (20,000-50,000 SF) and 14 were in the bulk size range (50,000+ SF), with the average deal size of 50,353 SF. Although the average deal size decreased by nearly 40,000 SF in Q3, gross absorption surpassed Q2 2020 numbers due to the significant increase



3Q 2020 MARKET HIGHLIGHTS

VACANCY significantly dropped from 5.52% in Q2 to 5.07% in Q3

ABSORPTION was abundant & went from 25 completed deals in Q2 to 45 in Q3

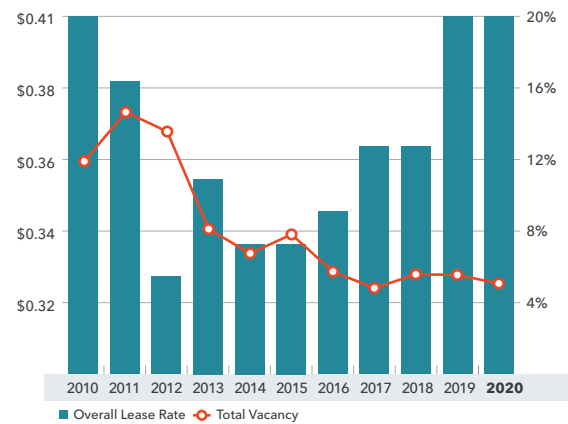
GROSS ABSORPTION was up in Q3 to 2,265,888 s.f.

in completed transactions, rising from 25 completed deals in Q2 2020 to 45 in Q3 2020, representing an 80% increase in deal volume. Average asking rates mirrored the strong market by continuing to show healthy growth. Average asking rates for flex size ranges increased from \$0.77 per SF (psf) in Q2 2020 to \$0.79 psf in Q3 2020. Mid-bulk sizes stayed flat during Q3 2020 at \$0.55 psf, and bulk size ranges saw an increase from \$0.41 in Q2 2020 to \$0.43 in Q3 2020.

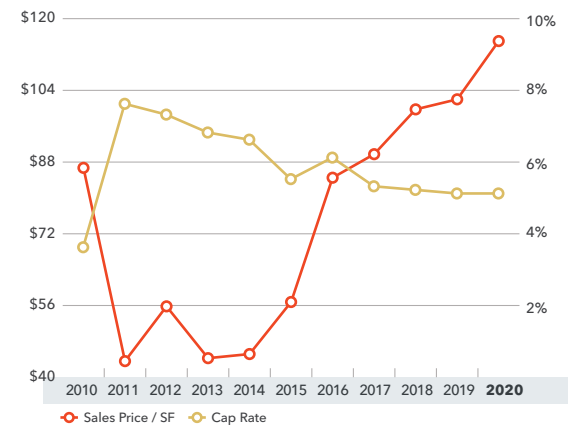
The only new deliveries in the Reno market during Q3 2020 were the three previously mentioned BTS buildings in the North Valleys. Net absorption continues to outpace new construction deliveries in 2020 with over 3.4M SF of positive net absorption and only 2.4M SF of new construction. This trend is anticipated to continue with only 600,000 SF on new construction expected to deliver before the end of year. Looking forward, there is approximately 5.6M SF of speculative construction in the pipeline for 2021 however, given the uncertainty of the COVID-19 global pandemic, only time will tell which of these will proceed forward as planned.

There was only one major investment sale during Q3 2020 and that was the sale of Longley Commerce Center to an undisclosed buyer. Longley Commerce Center was a 270,950 SF multi-tenant building that was fully stabilized at the time of sale, and sold for just under \$38M, or \$139 psf. It is likely that we will see an uptick on the amount of investment sales over the next few quarters due to the strong market fundamentals of Reno.

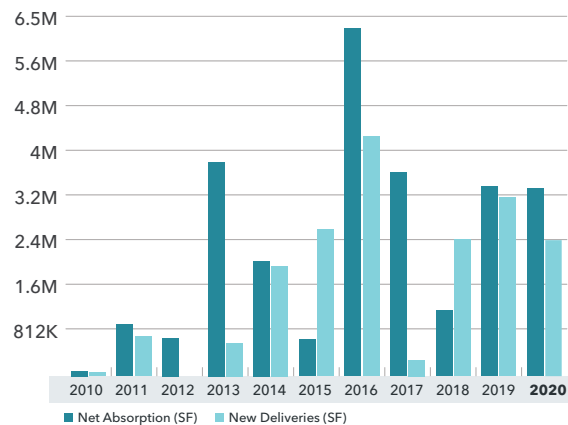
LEASE RATE, VACANCY & AVAILABILITY



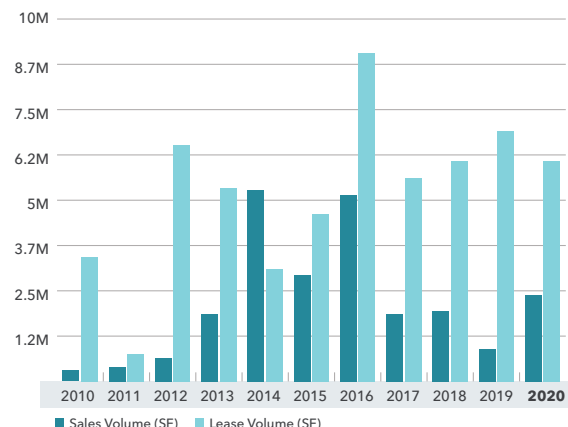
AVERAGE SALE PRICE & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALES VOLUME VS. LEASE VOLUME

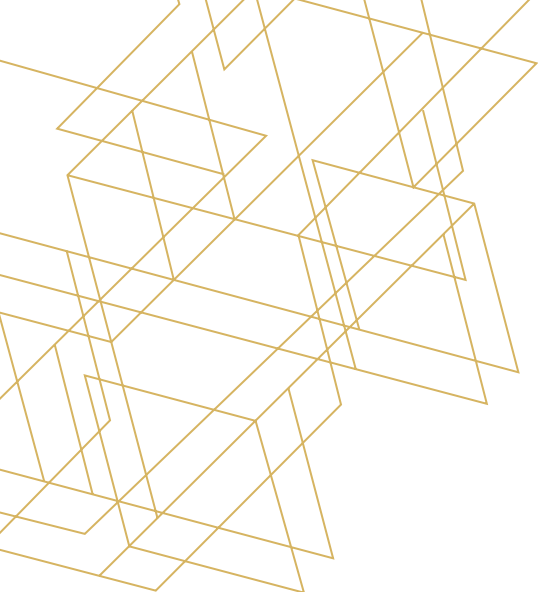


RENO SUBMARKET STATISTICS

Submarket	Total Inventory	Q3 New Deliveries (SF)	Total Vacancy Rate	Q3 Overall Net Absorption	2020 Overall Net Absorption	Q3 Gross Absorption (SF)	2020 Gross Absorption (SF)	Bulk Rental Rate *50K+ SF
North Valleys	26,513,174	798,152	6.04%	1,189,866	2,138,876	1,172,884	2,488,338	\$0.42
Sparks	25,383,749	-	3.59%	(77,863)	191,316	387,863	1,320,995	\$0.45
Airport	9,051,918	-	1.43%	120,350	282,902	356,582	998,224	\$0.36
South Reno	9,858,279	-	4.90%	(126,970)	(104,245)	35,467	120,434	\$0.54
Central/West Reno	2,166,961	-	0.89%	0	11,560	121,500	250,500	\$0.00
I-80 East Corridor	20,798,989	-	7.73%	71,307	894,665	191,592	949,239	\$0.40
Reno Total	93,773,070	798,152	5.07%	1,176,690	3,415,074	2,265,888	6,127,730	\$0.43

Market Breakdown

	3Q2020	2Q2020	2Q2019	Annual % Change
Direct Vacancy Rate	4.73%	5.01%	6.83%	-30.75%
Total Vacancy Rate	5.07%	5.52%	7.37%	-31.21%
Bulk Asking Lease Rate	\$0.43	\$0.41	\$0.39	10.26%
Total Lease Transactions (SF)	2,265,888	2,231,083	988,366	229.26%
Net Absorption	1,176,690	1,211,029	334,003	352.30%



Notable Under Construction

727 MILAN DR Sparks
663,600 s.f. | Washington Capital Mgmt

NORTH VALLEYS COMMERCE CENTER BLDG K Reno
361,993 s.f. | Panattoni Development

SAGE POINT #8 Reno
242,840 s.f. | Prologis

Notable Lease Transactions

BIG ROCK SPORTS 4980 Longley Lane
153,000 s.f.

PAMLICO 14525 Industry Circle
142,500 s.f.

HAMILTON 4910 Longley Lane
107,400 s.f.

Notable Sale Transactions

THE MOULTON COMPANY purchased the Longley Commerce Center from Panattoni.
270,950 s.f. | \$37.8M | \$139.67 p.s.f.



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The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
Director of Research
415.229.8925
gary.baragona@kidder.com

ERIC LUHRS
Regional President, Brokerage
Northern California/Nevada
415.229.8888
eric.luhrs@kidder.com

Designated Broker
Mark Read | LIC N° 00572743

KIDDER.COM

COMMERCIAL BROKERAGE

27M	ANNUAL SALES SF	450+	NO. OF BROKERS
\$9.6B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,680+	APPRAISALS ANNUALLY	37/23	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

70M+	MANAGEMENT PORTFOLIO SF	\$12B+	IN ASSETS UNDER MANAGEMENT
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