

MARKET TRENDS | RENO

INDUSTRIAL

4TH QUARTER
2020

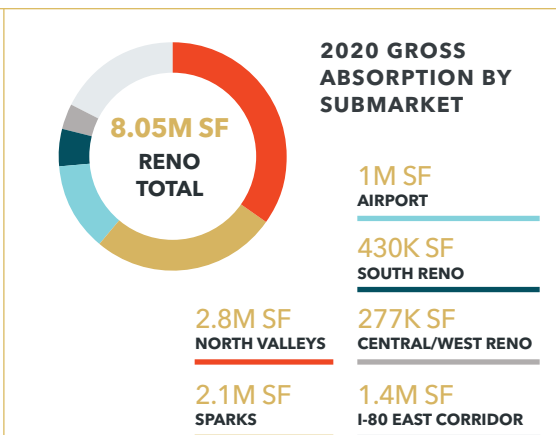
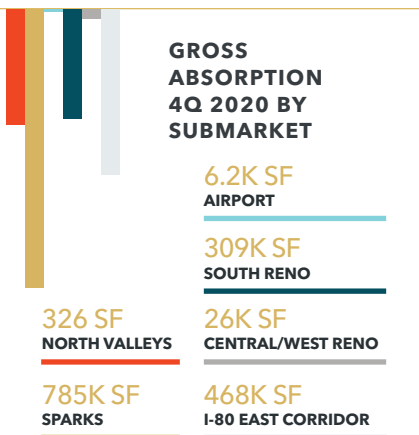
▼ ABSORPTION | ▲ VACANCY | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES

The Reno/Sparks industrial market finished 2020 with the same strength it had throughout the entire year, with overall vacancy holding strong at 5.38% and direct vacancy at 4.90%. 41 deals were completed during the fourth quarter with an average deal size of nearly 47,000 square feet (SF) and total gross absorption of 1,921,514 SF. Even with the delivery of nearly 1.3M SF of new construction, Reno saw a positive net absorption of 921,694 SF, bringing the total net absorption for 2020 to 4,336,768 SF.

The Reno/Sparks industrial market continued to see solid activity across all size ranges, with 19 of the 41 completed deals in the flex size range (5,000 - 20,000 SF), 13 deals in the mid-bulk size range (20,000 - 50,000 SF), and nine deals in the bulk size range (50,000+ SF). The North Valleys submarket once again outperformed all other submarkets with 438,238 SF of positive net absorption despite the delivery of 621,733 SF of new construction. The Sparks submarket followed closely with 388,994 SF of positive net absorption, bringing the overall vacancy in that submarket to 2.06%, the lowest vacancy rate amongst all submarkets. The Airport, South Reno, and Central/West Reno submarkets (historically some

of Reno's strongest submarkets) saw a slight negative absorption in 4Q. However, that can likely be attributed to such a low vacancy rate that is skewed by just a few small givebacks throughout the quarter.

Landlords are continuing to push rates as the overall availability of space across all Reno submarkets is rapidly shrinking while strong market fundamentals continue to push demand. The flex market continues the strong upward push with average asking rates rising for the fourth consecutive quarter. The mid-bulk size range saw the greatest gain in asking rates, jumping from \$0.55/SF in 3Q to over \$0.60/SF at the end of 4Q, representing nearly a 10% jump in rates. The bulk size range also saw a significant rise in asking rates between 3Q and 4Q, increasing from \$0.43/SF to \$0.445/SF, respectively. Overall rates, inclusive of every product type in Reno/Sparks, increased by 13.23% from 4Q 2019 to 4Q of 2020.



4Q 2020 MARKET HIGHLIGHTS

OVERALL VACANCY held strong at 5.38%, with direct vacancy at 4.90%

NORTH VALLEYS & SPARKS outperformed other submarkets with 438,238 SF & 388,994 SF of positive net absorption respectively.

ASKING RATES for the mid-bulk size range jumped from \$0.55/SF in 3Q 2020 to \$0.60/SF in 4Q 2020.

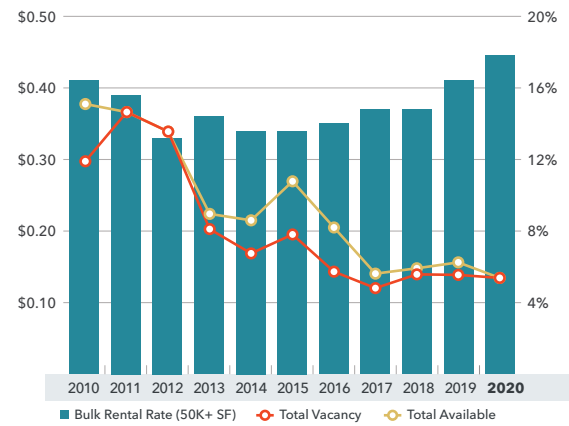
Given the low vacancy rate and high demand for space in the Reno market, rates are expected to see continued growth in 2021 and into the foreseeable future.

Reno had three new deliveries in 4Q, totaling 1,285,333 SF. The North Valleys accounted for nearly half of the new deliveries, totaling 621,733 SF. Panattoni Development Company delivered a 361,993 SF Class A building in the North Valleys Commerce Center and Prologis delivered a 259,740 SF built-to-suit building to a confidential user. The remaining 663,600 SF was delivered by the L.A. Carpenters Union and Tolles Development Company in the I-80 East submarket. Looking ahead to 2021, there is roughly 4M SF of planned spec development and 1.8M SF of built-to-suit construction expected to deliver by year's end.

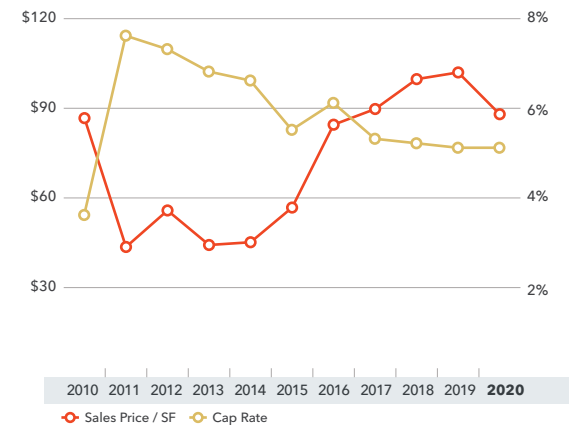
There were two notable investment sales that closed 4Q. The first was the acquisition of Dermody Properties' LogistiCenter 395 Phase II Building 1 by Black Creek, bringing their total holdings in the area to over 2.1M square feet. The 722,512 square foot purchase closed for \$93.75/SF which reportedly represented a 4.5% cap on in-place NOI. The second sale was the acquisition by LBA Logistics of the Mustang Industrial Park in the I-80 East from Scannell Properties. The 564,000 SF building traded for \$79/SF and will increase LBA's portfolio to 2.4M SF in Reno/Sparks. On the owner/user front, UPS purchased 45 & 55 Vista Boulevard in Sparks from Fortuna Realty (Dalfen) for \$69.50/SF. Overall, Institutional Investment sales were tempered due to the COVID-19 pandemic but will likely increase in 2021 given the abundance of capital seeking industrial product on the West Coast.

2020 was an unprecedented year in nearly every aspect as market dynamics were forced to be malleable due to the global pandemic and the uncertainty that was brought with it. Despite this challenge, the Reno/Sparks Industrial Market showed incredible resiliency and strength as it weathered the storm and continued to grow. 2021 picked up right where 2020 left off with an abundance of activity in the market and significant leasing already underway. With many new tenants competing for the limited number of available spaces in the market, and the hopeful light at the end of the tunnel with the COVID-19 pandemic, 2021 looks to be another successful year for the Reno/Sparks MSA.

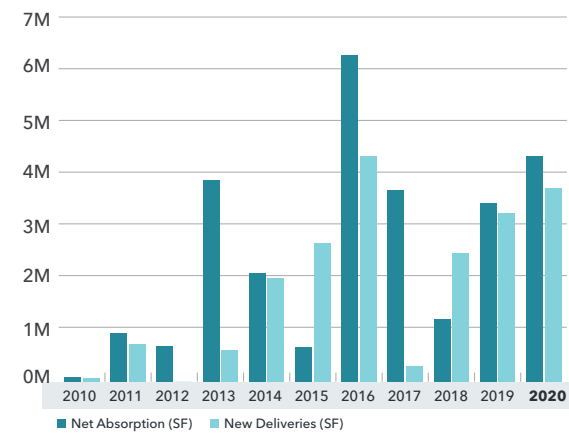
BULK RENTAL RATE, VACANCY, & AVAILABILITY



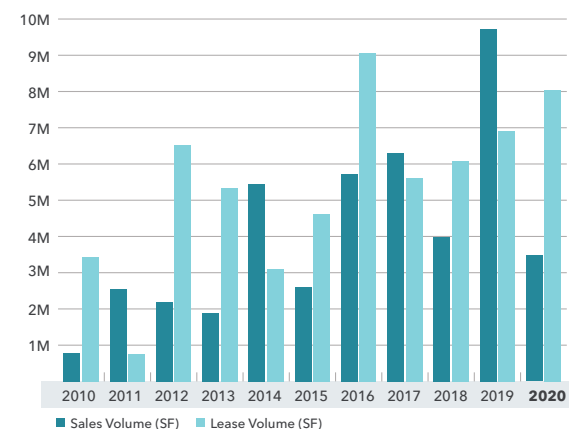
AVERAGE SALE PRICE & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALES VOLUME VS. LEASE VOLUME

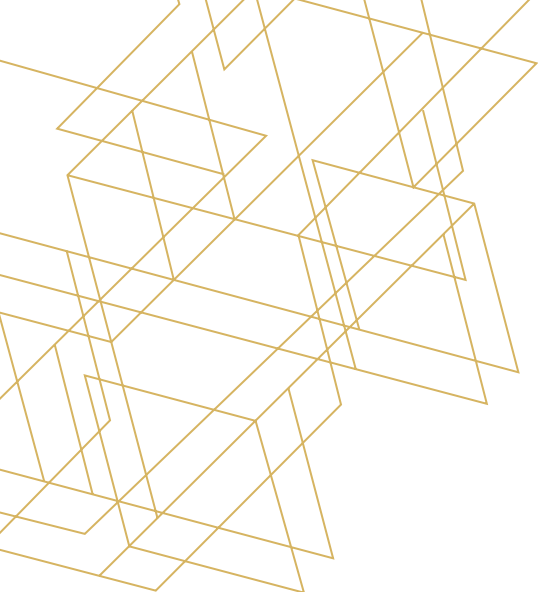


RENO SUBMARKET STATISTICS

Submarket	Total Inventory	4Q New Deliveries (SF)	Total Vacancy Rate	4Q Overall Net Absorption	2020 Overall Net Absorption	4Q Gross Absorption (SF)	2020 Gross Absorption (SF)	Bulk Rental Rate *50K+ SF
North Valleys	27,134,907	621,733	6.58%	438,238	2,577,144	326,263	2,814,601	\$0.447
Sparks	25,383,749		2.06%	388,994	580,310	785,471	2,106,466	\$0.490
Airport	9,051,918		2.17%	(67,074)	215,828	6,200	1,004,424	\$0.480
South Reno	9,858,279		5.20%	(29,713)	(133,958)	309,280	429,714	\$0.513
Central/West Reno	2,166,961		2.12%	(26,800)	(15,240)	26,104	276,604	\$0.00
I-80 East Corridor	21,462,589	663,600	9.57%	218,049	1,112,714	468,196	1,417,435	\$0.396
Reno Total	95,058,403	1,285,333	5.38%	921,694	4,336,768	1,921,514	8,049,244	\$0.445

Market Breakdown

	4Q 2020	4Q 2019	4Q 2018	Annual % Change
Direct Vacancy Rate	4.90%	5.01%	6.83%	7.39%
Total Vacancy Rate	5.38%	5.52%	7.37%	-11.23%
Bulk Asking Lease Rate	\$0.445	\$0.41	\$0.39	8.54%
Total Lease Transactions (SF)	1,921,514	2,231,083	988,366	-13.88%
Net Absorption	921,694	1,211,029	334,003	-23.90%



Notable Under Construction

THE PARK AT MCCARRAN Airport
1,200,000 s.f. | Dermody

RENO LOGISTICS CENTER Reno
1,100,000 s.f. | North Point

447 INGENUITY AVE BUILDING A Reno
650,000 s.f. | Avenue 55

Notable Lease Transactions

CONFIDENTIAL 550 Milan Dr
610,400 s.f.

CONFIDENTIAL 1402 S McCarran Blvd
374,400 s.f.

CONFIDENTIAL 12475 Mustang Road
318,660 s.f.

Notable Sale Transactions

CLARION purchased Lear Industrial Center from Panattoni.
1,424,100 s.f. | \$117.3M | \$82.37 p.s.f.



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

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COMMERCIAL BROKERAGE

23M	ANNUAL SALES SF	470+	NO. OF BROKERS
\$8B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,800+	APPRAISALS ANNUALLY	39/20	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

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