

INDUSTRIAL

**2ND QUARTER
2021**

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

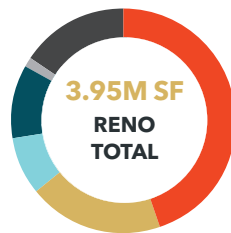
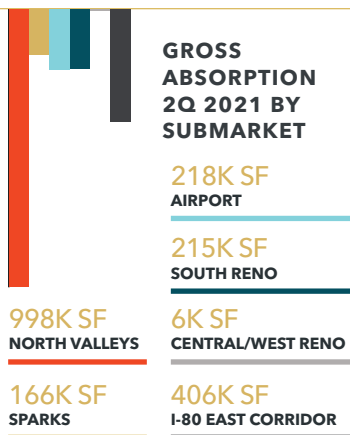
The Reno Sparks Industrial Market closed the second quarter of 2021 with the same strength and resiliency that has been a staple for this market for the past few years. Strong market activity and a dwindling supply of product has pushed rents to an all-time high while posting a record low market vacancy rate.

The market recorded 2,008,590 square feet (SF) of gross absorption and had a positive net absorption of 773,365 SF. This helped propel the drop in overall vacancy by 10 basis points from Q1 2021 to 3.94%, the first time the Reno/Sparks market has fell below the 4% overall vacancy mark. All six submarkets in the Reno/Sparks MSA posted a positive net absorption, with the North Valleys submarket once again accounting for nearly 60% of the markets total net absorption, or 417,788 SF.

As previously stated, the Reno/Sparks industrial market saw overall vacancy drop below 4% for the first time with 3.94%. Direct vacancy saw an even greater decrease from last quarter, dipping from 3.83% in Q1 2021 to 3.65% in Q2 2021. The North Valley's

submarket continued to be the submarket leader in positive net absorption but was closely followed by the South Reno and Sparks submarkets, with 167,874 SF and 136,738 SF, respectively. The largest deal of the quarter belonged to Becknell Industrial with the leasing of their 286,487 SF Class A facility in the North Valleys to FTDI West. Most impressive was the resiliency of the North Valley's submarket as it combatted 623,800 SF of new construction deliveries while posting the largest positive net absorption of any submarket.

Deal activity continued the strong trend with another 38 deals completed in Q2 2021. Of the 38 deals, 13 were in the flex size range (5,000 - 20,000 SF), 8 were in the mid-bulk size range (20,000 - 50,000 SF) and 17 were in the bulk size range (50,000+ SF), showing strong growth in all size ranges. The average deal size for Q2 2021 was 52,858 SF which shows a significant growth from the 45,213 SF average of Q1 2021. Average asking rates in the flex size range saw a slight decline from \$0.86/SF down to \$0.825/SF however



2Q 2021 MARKET HIGHLIGHTS

OVERALL VACANCY lowered slightly to 3.94%, with direct vacancy at 3.65%

NORTH VALLEYS & SOUTH RENO outperformed other submarkets with 417,788 SF & 167,874 SF of positive net absorption respectively.

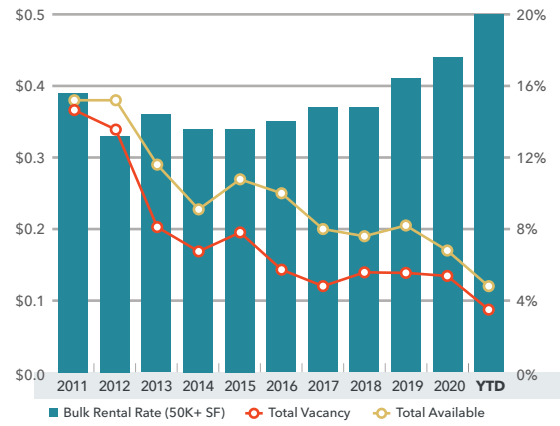
ASKING RATES for the mid-bulk size range jumped from \$0.468/SF in 1Q 2021 to \$0.495/SF in 2Q 2021.

both mid-bulk and bulk asking rates saw a significant quarter over quarter increase with mid-bulk increasing from \$0.61/SF to \$0.675/SF (10.5% increase) and bulk increasing from \$0.468/SF to \$0.495/SF (5.7% increase).

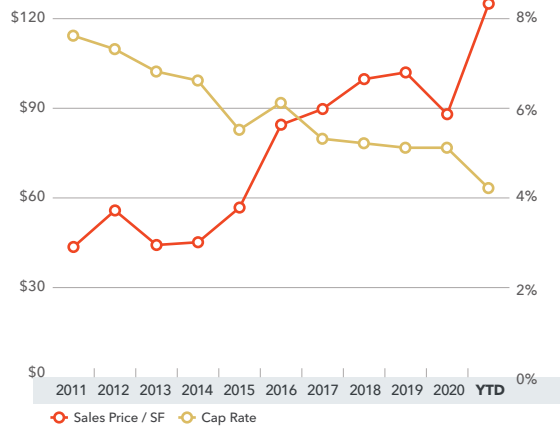
Four new deliveries were recorded for Q2 2021 which accounted for 707,800 SF of new construction, bringing the total market size for the Reno/Sparks MSA up to 95,939,883 SF. The majority of the new deliveries occurred in the North Valleys submarket. Avenue 55 delivered their final two buildings of their 3-building complex in Spanish Springs with a 419,040 SF building and 66,560 SF building, and Panattoni delivered the last building in their North Valley's Commerce Center with a 138,200 SF building. The only other delivery this quarter was McKenzie Development's 84,000 SF building off Double Diamond Parkway. The overall construction pipeline looks healthy with over 7.5M SF of new construction anticipated to be delivered in the next year or two however the major concern is the gap of new construction that Reno is going to experience due to the COVID-19 pandemic. When Reno first faced the pandemic early last year, much of the construction that was planned was immediately placed on hold as developers weighed their options. Although most projects were only put on hold for a quarter or two, this pause created a gap in new deliveries that could stunt growth given the lack of product available. More importantly, much of the new product that is planned to deliver in the next few quarters is already spoken for with preleasing occurring at an astronomical rate.

There was one significant portfolio sale this quarter with Starwood Capital Group purchasing a 19-building portfolio from Link Logistics (Blackstone) totaling 3.42 million square feet with bulk of the portfolio in our core submarkets. The cap rate was 4.20% setting a new record low for portfolio sales in Northern Nevada. This trend continues to highlight the overall interest and strength of the Northern Nevada Industrial market.

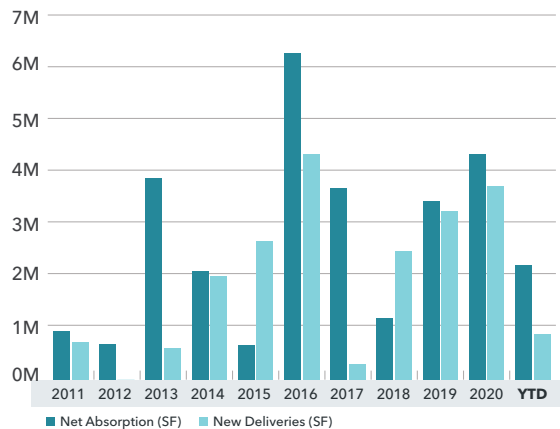
BULK RENTAL RATE, VACANCY, & AVAILABILITY



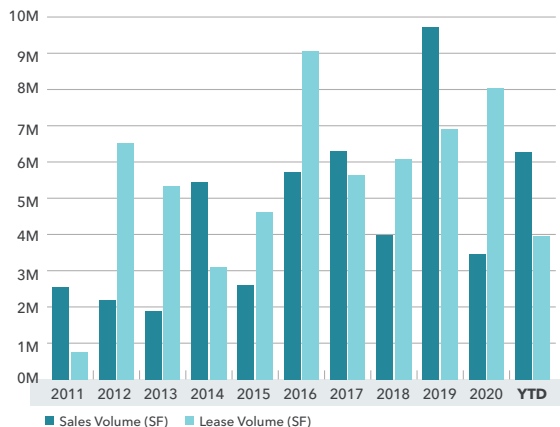
AVERAGE SALE PRICE & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALES VOLUME VS. LEASE VOLUME



RENO SUBMARKET STATISTICS

Submarket	Total Inventory	2Q21 New Deliveries (SF)	Total Vacancy Rate	2Q21 Overall Net Absorption	YTD Overall Net Absorption	2Q21 Gross Absorption (SF)	YTD Gross Absorption (SF)	Bulk Rental Rate*50K+ SF
North Valleys	27,932,387	623,800	4.03%	417,788	1,456,200	998,174	1,763,845	\$0.488
Sparks	25,383,749	-	1.19%	136,738	222,198	165,463	775,780	N/A
Airport	9,051,918	-	0.90%	2,701	115,011	217,943	331,421	N/A
South Reno	9,942,279	84,000	3.29%	167,874	270,291	215,069	421,553	\$0.65
Central/West Reno	2,166,961	-	0.23%	1,390	40,990	6,385	46,113	N/A
I-80 East Corridor	21,462,589	-	9.03%	46,874	114,566	405,556	614,017	\$0.448
Total	95,939,883	707,800	3.94%	773,365	2,219,256	2,008,590	3,952,729	\$0.495

Market Breakdown

	2Q 2021	1Q 2021	2Q 2020	Annual % Change
Direct Vacancy Rate	3.65%	3.83%	5.01%	-27.15%
Total Vacancy Rate	3.94%	4.04%	5.52%	-28.62%
Bulk Asking Lease Rate	\$0.495	\$0.468	\$0.400	23.75%
Total Lease Transactions (SF)	2,008,590	1,944,139	2,231,083	-9.97%
Net Absorption	773,365	1,445,891	1,211,029	N/A

Notable Under Construction

THE PARK AT MCCARRAN

Sparks | 1,348,700 SF | Dermody

RENO LOGISTICS CENTER

Reno | 1,100,000 SF | North Point

VICTORY LOGISTICS

Reno | 815,000 SF | Avenue 55

9455 N VIRGINIA

Reno | 515,000 SF | Majestic



Notable Under Construction

6125 ECHO AVE

Reno | 286,487 SF | Becknell Industries | FTDI West

425 E SYDNEY

McCarran | 193,440 SF | Conco | Rocky Brands

12475 MUSTANG RD

Sparks | 132,556 SF | LBA | Nathan James

455 INDENUITY AVE

Reno | 104,760 SF | Avenue 55 | L&R

9565 N VIRGINIA ST

Reno | 100,337 SF | Panattoni | Staci

Notable Sale Transaction

MULTIPLE ADDRESSES

Sparks/McCarran | 3.4M SF | \$430,000,000 | \$125 PSF
Starwood purchased from Link



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COMMERCIAL BROKERAGE

23M

ANNUAL
SALES SF

460+

NO. OF
BROKERS

\$8B

ANNUAL
TRANSACTION
VOLUME

42M

ANNUAL
LEASING SF

VALUATION ADVISORY

1,800+

APPRAISALS
ANNUALLY

40/19

TOTAL NO.
APPRAISERS/MAI'S

ASSET SERVICES

70M

MANAGEMENT
PORTFOLIO SF

\$12B

IN ASSETS UNDER
MANAGEMENT

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