

INDUSTRIAL

4TH QUARTER
2021

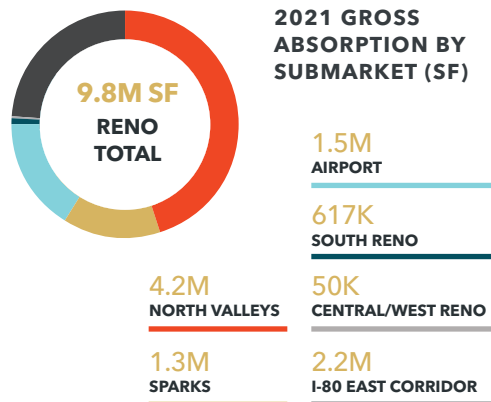
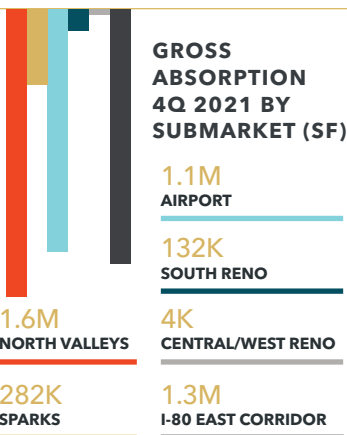
▲ ABSORPTION | ▼ VACANCY | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES

2021 came to an end with more momentum and activity than ever before seen in the Reno/Sparks Industrial market. What was once thought of as unattainable in Reno has become the norm as nearly every record or statistic has been shattered as the market continues to show no signs of slowing. Both direct and overall vacancy rates plummeted from the previous quarter, with overall vacancy shedding 91 basis points and falling to 1.76%, and direct vacancy shedding 89 basis points and falling to 1.65 %, both all-time lows for Reno.

The industrial market posted a fourth quarter gross absorption of 4,459,758 SF and had a positive net absorption of 3,604,541 SF, more than the previous three quarters of 2021 combined. Cumulatively, 2021 saw a total gross absorption of 9,842,949 SF and a positive net absorption of 7,036,845 SF. The North Valleys submarket was once again the market leader with 1,683,235 SF of positive net absorption in Q4 2021, netting a positive 3,567,302 SF for the year. The I-80 East Corridor submarket followed suite with 577,920 SF of positive net absorption in Q4 with an annual total of 1,480,536 SF. The four remaining

submarkets in the Reno/Sparks MSA all ended the year with a healthy positive net absorption as well, ultimately driving vacancy rates to the lowest in the market's history.

Not surprisingly, given the lack of space available in the market, the total number of deals fell slightly from the previous few quarters with only 30 deals completed in Q4 2021. All size ranges saw healthy activity with flex space (5,000 - 20,000 SF) accounting for 11 deals in Q4, mid-bulk space (20,000 - 50,000 SF) account for 4 deals and bulk space (50,000+ SF) account for 15 deals. Thanks, in part, to a number of pre-leased deals that had been carried over until their buildings were delivered, the average deal size nearly tripled to 148,659 SF. Dermody Properties delivered their first building in the Park at McCarran with the 997,000 SF pre-lease to a confidential tenant followed closely by Northpointe's 795,926 SF pre-lease to another confidential tenant in the North Valleys. Scannell delivered their 464,360 SF pre-leased building in Spanish Springs to a confidential tenant and Washington Capital leased nearly half their building (302,680 SF) at 727 Milan in the Tahoe Reno Industrial Center (TRIC).



4Q 2021 MARKET HIGHLIGHTS

OVERALL VACANCY sheds 91 basis points quarter-over-quarter to 1.76%.

MID-BULK RATES increased 11.3% from \$0.733/SF in 3Q21 to \$0.816/SF in 4Q21.

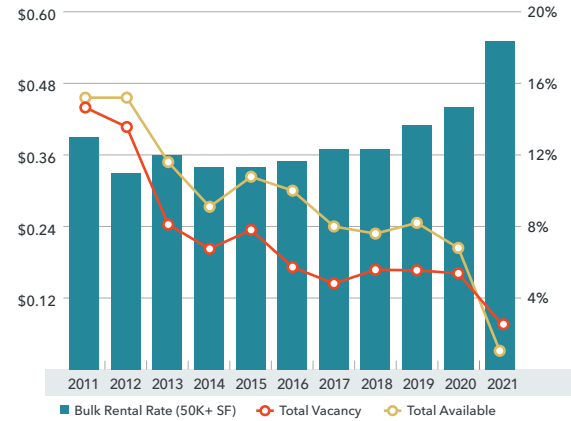
2.8M SF of new construction deliveries, bringing yearly total to

With the tremendous activity and limited availability across all size ranges, it's no surprise to see the average asking rates skyrocket in the manner they did. In Q4 2021, flex space rates increased from \$0.923/SF to \$0.975/SF, a 5.6% increase from Q3 2021. Mid-Bulk rates increased from \$0.739/SF to \$0.853/SF, a 15.4% increase and bulk rates increased from \$0.733/SF to \$0.816/SF, an 11.3% increase from the previous quarter. More staggering was the average asking rate increase during 2021 where flex space saw rates increase from \$0.862/SF to \$0.975/SF (13.1%), mid-bulk rates increase from \$0.611/SF to \$0.853/SF (39.7%) and bulk rates increase from \$0.468/SF to \$0.586/SF (25.1%). As the current total market availability hovers around 1.7M SF, and very limited new construction expected to deliver in 2022, rent growth should continue to accelerate as the Landlord's holding the few remaining available spaces push to set the new high-water mark in Reno.

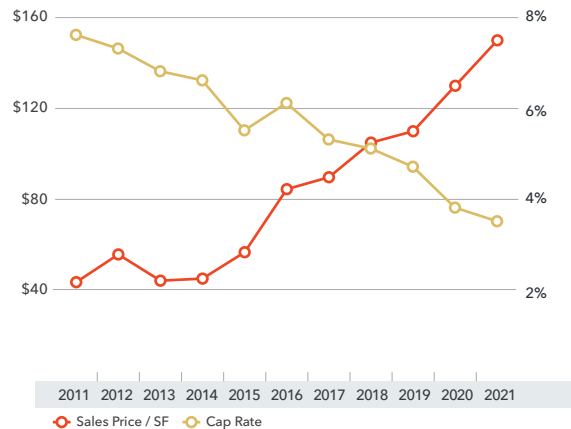
Although the COVID-19 pandemic appeared to stymie construction somewhat, the Reno/Sparks industrial market still delivered 2,772,486 SF of new construction in Q4, bringing the yearly total to 3,653,966 SF. With the activity of Reno growing at an unprecedented level, the deficit between new construction and net absorption was (3,382,879 SF), a problem that will likely persist well into 2023. The North Valleys submarket accounted for 2,572,962 SF of the new construction deliveries for the year which represents over 70% of all deliveries for the year. There is over 3M SF of new construction currently being developed, with an additional 4.2M SF proposed in the pipeline however the vast majority of this will likely not hit the market until 2023 or later, and has a strong chance of pre-leasing well before the building is delivered.

There were several notable sale transactions in Q4 2021. The most significant was the sale of the 1,629,177 SF JC Penny Distribution Center to LBA Realty for \$150,950,354. Other notable sales include the 872,720 SF PetSmart Distribution Center at 1200 Venice Way in McCarran, NV and 187,878 SF facility located at 550 Spice Islands in Sparks, NV. These properties were sold for \$72,723,607 (\$83.52/SF) and \$17,206,581 (\$91.51/SF) respectively. Both properties were purchased by GIC Real Estate from Exeter.

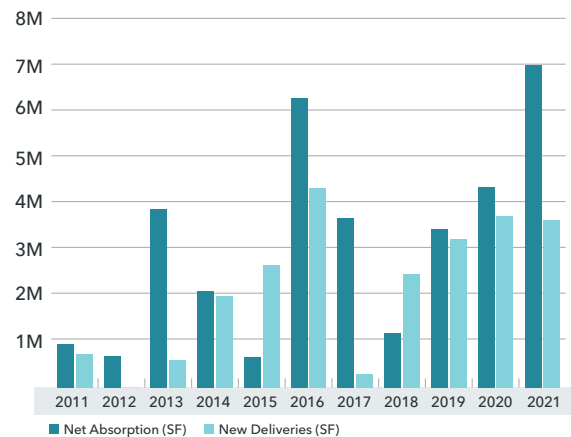
BULK RENTAL RATE, VACANCY, & AVAILABILITY



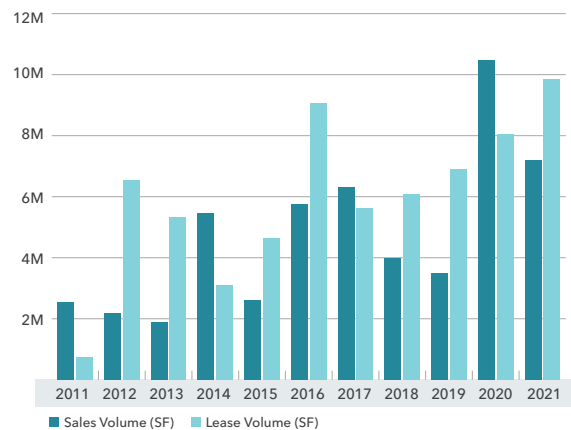
AVERAGE SALE PRICE & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALES VOLUME VS. LEASE VOLUME



RENO SUBMARKET STATISTICS

| Submarket | Total Inventory | 4Q21 New Deliveries (SF) | Total Vacancy Rate | 4Q21 Overall Net Absorption | 2021 Overall Net Absorption | 4Q21 Gross Absorption (SF) | 2021 Gross Absorption (SF) | Bulk Rental Rate*50K+ SF |
|--------------------|-------------------|--------------------------|--------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|
| North Valleys | 29,707,869 | 1,775,482 | 2.66% | 1,683,235 | 3,567,302 | 1,622,529 | 4,174,251 | \$0.595 |
| Sparks | 25,383,749 | - | 0.74% | 93,365 | 334,672 | 282,646 | 1,266,591 | - |
| Airport | 10,048,922 | 997,004 | 0.17% | 1,133,161 | 1,176,645 | 1,139,357 | 1,486,728 | - |
| South Reno | 9,942,279 | - | 1.66% | 116,860 | 431,690 | 132,585 | 617,367 | \$0.85 |
| Central/West Reno | 2,166,961 | - | 0.00% | 0 | 46,000 | 4,000 | 50,113 | - |
| I-80 East Corridor | 21,462,589 | - | 2.67% | 577,920 | 1,480,536 | 1,278,641 | 2,247,899 | \$0.487 |
| Total | 98,712,369 | 2,772,486 | 1.76% | 3,604,541 | 7,036,845 | 4,459,758 | 9,842,949 | \$0.586 |

Market Breakdown

| | 4Q 2021 | 3Q 2021 | 4Q 2020 | Annual % Change |
|-------------------------------|-----------|-----------|-----------|-----------------|
| Direct Vacancy Rate | 1.65% | 2.54% | 5.38% | -69.33% |
| Total Vacancy Rate | 1.76% | 2.67% | 4.90% | -64.08% |
| Bulk Asking Lease Rate | \$0.586 | \$0.553 | \$0.445 | 31.69% |
| Total Lease Transactions (SF) | 4,459,758 | 1,430,462 | 1,921,514 | 132.10% |
| Net Absorption | 3,604,541 | 1,213,048 | 921,694 | N/A |

TOP SALE TRANSACTIONS FOR 4Q 2021

| Property | City | Square Feet | Sale Price | Price Per SF | Buyer | Seller |
|-----------------------------|----------|-------------|---------------|--------------|-----------------|--|
| JcPenney - 11111 Stead Blvd | Reno | 1,629,177 | \$150,950,354 | \$92.65 | LBA | Cooper Property CTL Pass Through Trust |
| 1200 Venice Way | McCarran | 870,720 | \$72,723,607 | \$83.52 | GIC Real Estate | EQT Exeter |
| 550 Spice Islands Dr | Sparks | 187,878 | \$17,206,581 | \$91.51 | GIC Real Estate | EQT Exeter |

TOP LEASE TRANSACTIONS FOR 4Q 2021

| Property | City | Square Feet | Landlord | Tenant |
|-----------------------|---------------|-------------|--------------------|--------------|
| Park at McCarran | Reno | 997,000 | Dermody | Confidential |
| Reno Logistics Center | North Valleys | 795,926 | Ave. 55 | Confidential |
| 2200 E Newlands | I-80 East | 481,401 | IRG | Confidential |
| SSBC | North Valleys | 464,360 | Scannell | Confidential |
| 727 Milan | I-80 East | 302,680 | Washington Capital | Confidential |

TOP UNDER CONSTRUCTION

| Property | City | Square Feet | Delivery Date | Owner |
|-----------------------|-----------|-------------|---------------|---------------|
| Victory Logistics | I-80 East | 815,000 | Q1 2022 | Dermody |
| 1500 Waltham Way | I-80 East | 596,400 | Q3 2022 | Mohr Partners |
| South Reno Industrial | Reno | 445,520 | Q1 2023 | McKenzie |



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.

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

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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

44/23

TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

64M

MANAGEMENT PORTFOLIO SF

\$11B

IN ASSETS UNDER MANAGEMENT

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