

MARKET TRENDS | RENO

INDUSTRIAL

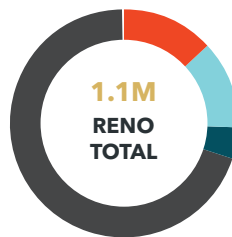
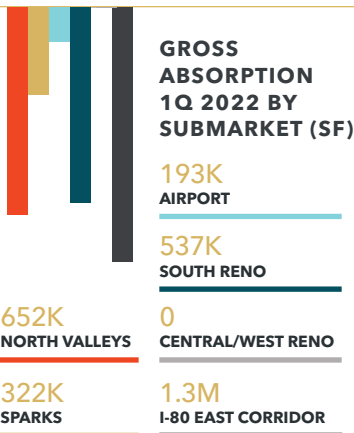
1ST QUARTER
2022

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

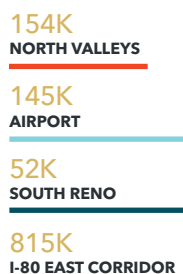
The Northern Nevada Industrial Market closed the first quarter of 2022 with the same strength it ended 2021 with, posting another impressive quarter with positive net absorption and a vacancy rate below that of the previous quarter. The overall vacancy rate dropped twelve (12) basis points from 1.76% down to 1.64% in Q1, the fifth consecutive quarter that overall vacancy rate dropped. The Industrial Market saw 2,967,952 square feet (SF) of gross absorption and posted 1,264,872 SF of positive net absorption. Gross absorption was nearly 2.5x greater than net absorption during the first quarter of 2022 due to the incredible leasing velocity across all size ranges.

Space is becoming available and being leased within the same quarter, creating a net zero impact on net absorption. More concerning however is that of the 1.63M SF of total vacancy in the market, at the time of writing this report, roughly 750,000 SF of the product has either already been leased, or has a lease out for signature, accounting for nearly 45% of the remaining market vacancy.

The lack of inventory was not able to slow the momentum of the market with 29 total deals completed in the first quarter of 2022, and an average deal size of 102,343 SF. Activity was spread throughout all size ranges with flex space (5,000-20,000 SF) accounting for 7 deals, mid-bulk space (20,000-50,000 SF) accounting for 8 deals and bulk (50,000 SF +) accounting for the majority with 14 deals. Both the Sparks submarket and the Central/West Reno submarket posted negative net absorption in the first quarter of 2022 however this is can be deceiving as a 374,400 SF space in Sparks that was brought on as inventory this quarter has already been leased. The other four submarkets all posted positive net absorption with the I-80 East Corridor submarket leading the way with 875,960 SF of positive net absorption, followed closely by the North Valley's submarket with 470,914 SF. The North Valley's submarket and the South Reno submarket saw the largest drops in vacancy rates with the North Valleys dropping 107 basis points to 1.59%, and South Reno dropping 113 basis points to 0.53%. For the first time ever, all six submarkets have a vacancy rate below 2.5%, with the total market vacancy rate slightly lower than last quarter at 1.64%.



1Q 2022 NEW DELIVERIES



1Q 2022 MARKET HIGHLIGHTS

OVERALL VACANCY sheds 12 basis points quarter-over-quarter to 1.64%.

FLEX RATES increased 20% from \$0.816 PSF to \$1.00 PSF.

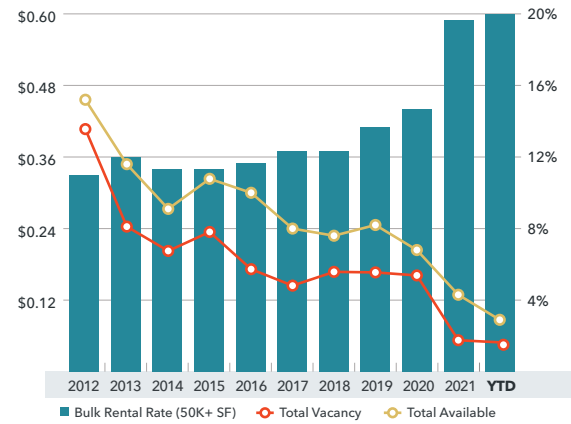
1.1M SF of new construction deliveries, bringing yearly total to 1.1M SF.

Average asking rates continued their unprecedented growth through the first quarter as every size range saw even more growth than the previous quarter. In Q1 2022, flex rates increased from \$0.975 PSF to \$1.17 PSF, an incredible 20% increase. Mid-Bulk rates increased from \$0.853 PSF to \$0.90 PSF, a 5.5% increase, and bulk rates jumped from \$0.586 PSF to \$0.60 PSF, a 2.4% increase. With pre-leasing at an all-time high, and very little product expected to deliver for the remainder of 2022, it is expected that asking rates are going to continue to climb over the next few quarters as overall vacancy continues its downward trend.

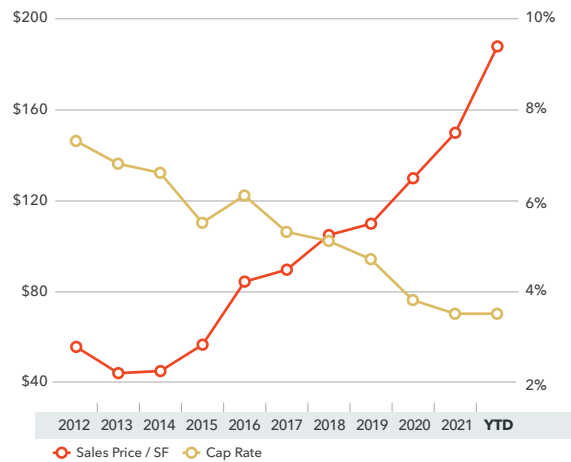
Mark IV's 815,125 SF speculative building at Victory Logistics District was delivered this quarter and was pre-leased prior to delivery. Dermody's second building at The Park at McCarran, a 145,048 SF spec building, was delivered this quarter and was also pre-leased prior to delivery. Other deliveries this quarter including Prism delivering their 154,440 SF building in the North Valleys and McKenzie delivering their two flex buildings in their South Reno Industrial project, totaling 52,700 SF, in South Reno. Impressively, however, was the markets strength to weather 1,167,403 SF of new construction deliveries and still outpace it with a higher positive net absorption, marking the fifth consecutive quarter that net absorption has been greater than new construction deliveries. This is likely a trend that will continue for the duration of 2022 with only roughly 1M SF of new construction anticipated to deliver over the remainder of the year. Looking ahead, there is over 6.5M SF of new construction in the pipeline, with the vast majority of it delivering in 2023, and some even scheduled to deliver in 2024.

There were no significant investment sales in the first quarter.

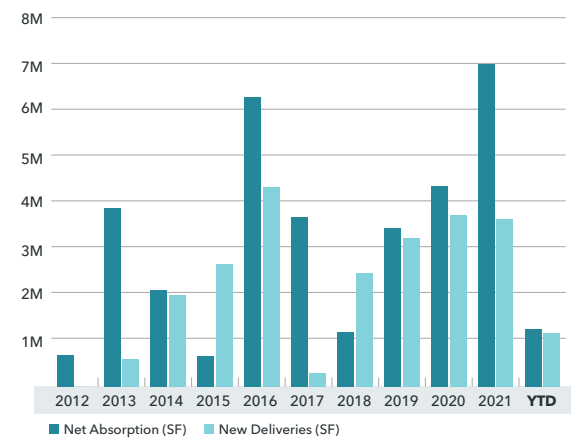
BULK RENTAL RATE, VACANCY, & AVAILABILITY



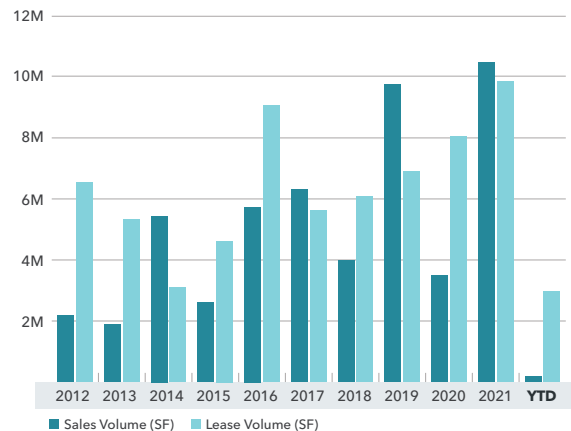
AVERAGE SALE PRICE & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALES VOLUME VS. LEASE VOLUME

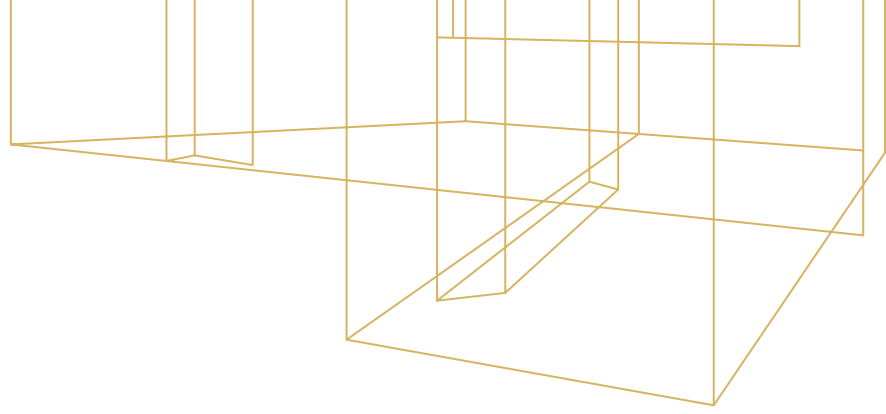


RENO SUBMARKET STATISTICS

Submarket	Total Inventory	1Q22 New Deliveries (SF)	Total Vacancy Rate	1Q22 Overall Net Absorption	2021 Overall Net Absorption	1Q22 Gross Absorption (SF)	2021 Gross Absorption (SF)	Bulk Rental Rate*50K+ SF
North Valleys	29,862,309	154,440	1.59%	470,914	3,567,302	652,791	4,174,251	\$0.640
Sparks	25,383,749	-	2.10%	-343,610	334,672	322,709	1,266,591	\$0.55
Airport	10,193,970	145,048	0.40%	120,981	1,176,645	193,384	1,486,728	N/A
South Reno	9,994,979	52,700	0.53%	165,351	431,690	537,038	617,367	N/A
Central/West Reno	2,166,961	-	1.14%	-24,724	46,000	-	50,113	N/A
I-80 East Corridor	22,277,804	815,215	2.30%	875,960	1,480,536	1,262,030	2,247,899	\$0.590
Total	99,879,772	1,167,403	1.64%	1,264,872	7,036,845	2,967,952	9,842,949	\$0.600

Market Breakdown

	1Q 2022	4Q 2021	1Q 2021	% Change From Previous Year
Direct Vacancy Rate	1.63%	1.65%	3.83%	-57.44%
Total Vacancy Rate	1.64%	1.76%	4.04%	-59.41%
Bulk Asking Lease Rate	\$0.600	\$0.586	\$0.468	28.21%
Total Lease Transactions (SF)	2,967,952	4,459,758	1,944,139	52.66%
Net Absorption	1,264,657	3,604,541	1,445,891	N/A



TOP LEASE TRANSACTIONS FOR 1Q 2022

Property	City	Square Feet	Landlord	Tenant
1895 Duffy	Fernley	815,215	Mark IV	Confidential
3450 Airway Drive	Reno	396,535	AEW	Confidential
727 Milan	McCarran	180,470	Tolles	Confidential
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1960 S. McCarran	Reno	145,048	Dermody	Confidential

TOP UNDER CONSTRUCTION

Property	City	Square Feet	Delivery Date	Owner
LogistiCenter - Stead	Reno	1,127,080	Q3 2023	Dermody
Airway Commerce Park	Reno	893,107	Q3 2023	Tolles
1500 Waltham Way	McCarran	596,400	Q3 2022	Mohr Partners
South Reno Industrial	Reno	392,820	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

49.7M ANNUAL SALES SF

460+ NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

51/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT

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