

MARKET TRENDS

RENO INDUSTRIAL

The Northern Nevada Industrial Market (NNIM) closed with the same strength and resiliency that has seemingly become the norm over the past two years, posting another direct vacancy rate below one percent at .98% for the second straight quarter. For the first time in seven quarters, net absorption did not outpace new construction however that was solely attributed to the sublease of a 538,720 SF pre-leased building in the North Valleys. Activity is still at an all-time high, rates have soared to historical heights and new construction is nearly 100% pre-leased by the time the building delivers.

The lack of inventory is finally starting to slow the momentum of the market as the number of deals dropped by over 35% from 29 deals completed in Q2 2022 to only 19 deals completed in Q3 2023. Limited inventory is also to blame for the lower gross and net absorptions for the third quarter, posting 1,334,327 SF and 713,479 SF, respectively. Activity remained balanced amongst all size ranges with flex space (5,000-20,000 SF) accounting for eight of the completed deals, mid-bulk (20,000-50,000 SF) accounting for seven of the completed deals and bulk (50,000+ SF) accounting for four of the completed deals this quarter. Not surprisingly, the North Valleys submarket and I-80 East Corridor submarkets had the greatest impact on net absorption with 126,146 SF and 675,669 SF, respectively. The other four submarkets are hovered around a net zero absorption with a few coming in slightly negative and a few coming in slight positive however, this was due to the fact that there was nearly zero vacancy in these submarkets and no new construction has recently been delivered.

Average asking rates continued their historical climb as the low vacancy is creating a simple supply and demand problem. Flex and mid-bulk asking rates saw another double digit increase quarter-over-quarter with flex increasing by 11.2% and mid-bulk increasing by 14.7%. Bulk rates did slightly drop by 2.7% from \$0.75 PSF/Month to \$0.73 PSF/Month however that is more due to limited inventory where one underpriced building skews the numbers significantly. The overall

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MARKET SUMMARY

	3Q22	2Q22	3Q21	Annual Change
Direct Vacancy Rate	0.98%	0.99%	2.54%	-61.42%
Total Vacancy Rate	1.52%	1.02%	2.67%	-43.07%
Bulk Asking Lease Rate	\$0.73	\$0.75	\$0.55	32.01%
Total Lease Transactions (SF)	1,334,327	2,136,986	1,430,462	-6.72%
Net Absorption	712,479	1,411,003	1,213,048	N/A

↓ **1.3M SF**
LEASING ACTIVITY

↓ **712K SF**
NET ABSORPTION

↓ **0.98%**
DIRECT VACANCY RATE

↑ **\$0.73**
ASKING RENT (AVG)

↑ **1.2M SF**
NEW DELIVERIES

Year-Over-Year Trend

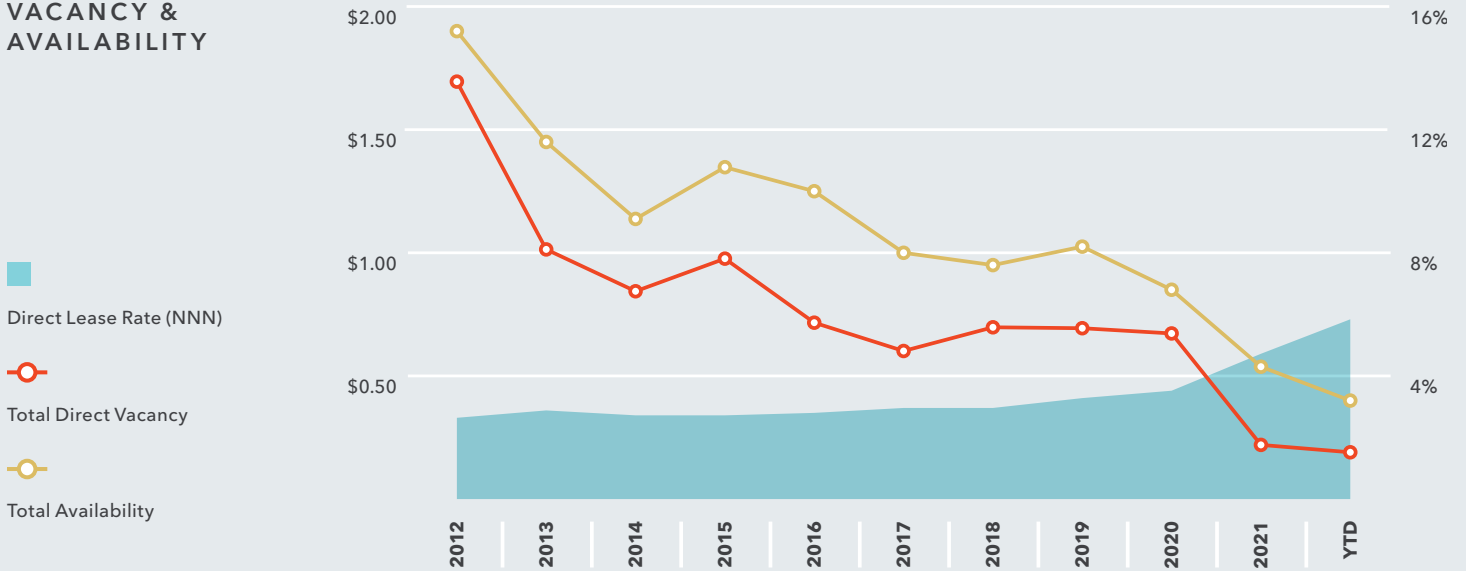
MARKET HIGHLIGHTS

The direct vacancy rate was below 1% at .98% for the second straight quarter

Average asking rates continued their historical climb to \$0.73 PSF

While the lack of inventory is starting to slow the momentum, activity is still at an all-time high

LEASE RATE, VACANCY & AVAILABILITY

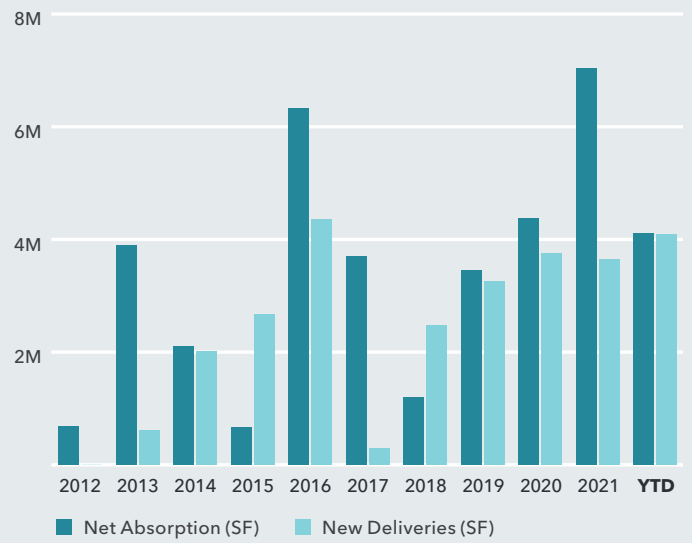


BIGGEST LEASE OF THE QUARTER

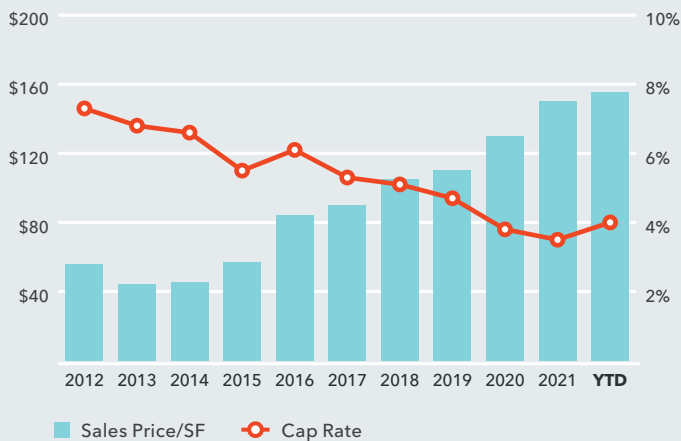
9295 Prototype Dr



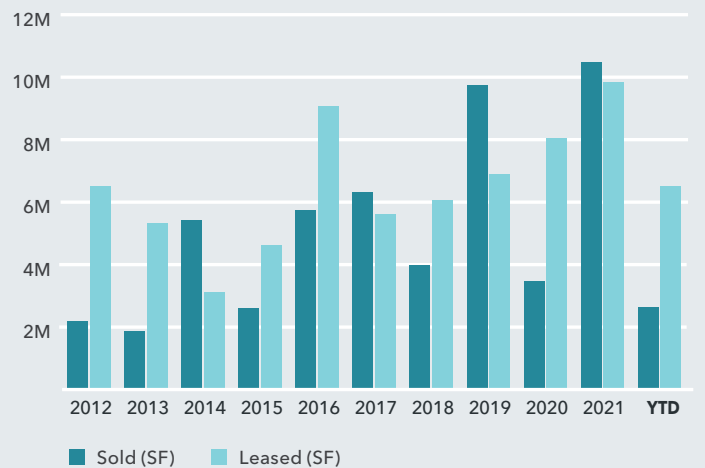
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE

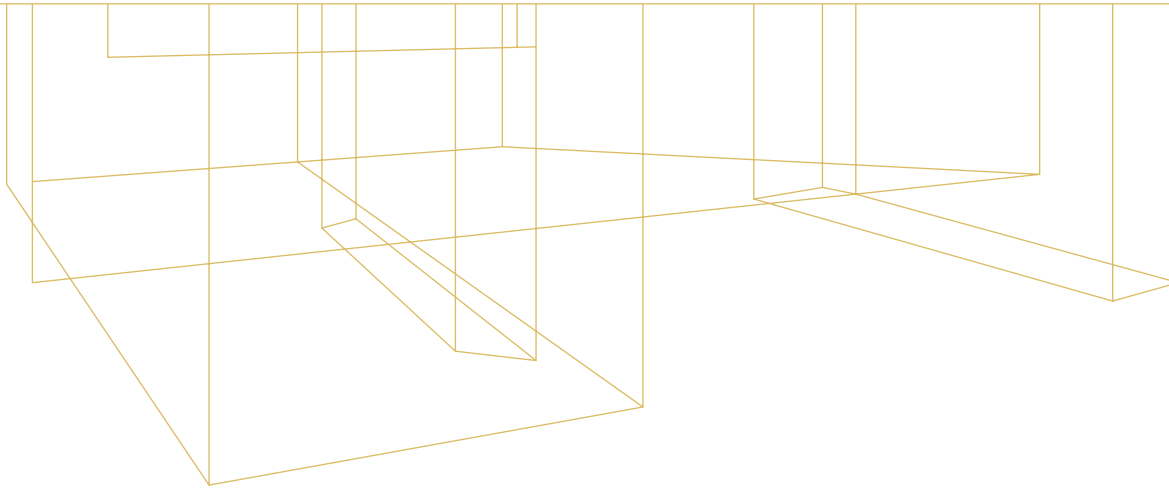


SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries	Total Vacancy Rate	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q 22 Gross Absorption	YTD Gross Absorption	Bulk Rental Rate (50K+SF)
North Valleys	30,568,429	706,120	2.61%	126,146	852,171	763,868	1,840,012	\$0.715
Sparks	25,383,749	-	1.05%	-93,100	-77,483	112,320	1,020,889	-
Airport	10,400,618	-	1.34%	-12,812	228,552	8,746	362,519	\$0.85
South Reno	9,994,979	-	0.63%	16,576	154,585	247,133	834,899	-
Central/West Reno	2,166,961	-	0.00%	0	0	76,385	180,385	-
I-80 East Corridor	23,402,948	528,744	1.21%	675,669	3,388,354	125,875	2,200,561	\$0.65
Reno Total	101,917,684	1,234,864	1.52%	712,479	3,388,354	1,334,327	6,439,265	\$0.73



asking rate for the third quarter increased by 17.2%, jumping from \$1.16 PSF/Month in Q2 to \$1.36 PSF/Month. There are a few buildings expected to deliver in the fourth quarter however with pre-leasing remaining very active and very little competing product, it is likely that rates will continue to climb even higher in the coming months.

Construction had the highest new deliveries since Q4 2021 however every square foot of the 1,234,864 SF of new construction delivered this quarter was leased at the time of delivery. Prologis' 538,720 SF building in the North Valley's submarket pre-leased significantly in advance of the delivery but has since come back to the market as a sublease. This

was the sole driving factor to the discrepancy between overall and direct vacancy this quarter, accounting for over 50 basis points of vacancy due to the sublease. The general construction pipeline is still very healthy with nearly 6M SF of speculative construction planned to deliver over the next 18-24 months. If activity remains even close to as high as it has been in the recent quarters though, most, or all, of this product will be leased well before the delivery of the building, leaving an already constrained market with very little inventory.

There were no significant investment sales in the third quarter.

TOP LEASE TRANSACTIONS 3Q 2022

Property	City	SF	Landlord	Tenant
9295 Prototype Drive	Reno	220,533	IGT	Full Tilt Warehousing
0 Mt. Limbo	Reno	167,400	Avenue 55	Undisclosed
2555 USA Parkway	McCarran	125,875	Prologis	TLS Supply Chain

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Comstock Commerce Center	McCarran	815,360	Q2 2023	Locus Development Group
Majestic Reno Commercecenter III	McCarran	692,720	Q4 2022	Majestic Realty
395 North	Reno	465,920	Q4 2023	Panattoni Development

Data Source: EDD, CoStar



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

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COMMERCIAL BROKERAGE	<i>\$10.9B</i> TRANSACTION VOLUME ANNUALLY	<i>49.7M</i> ANNUAL SALES SF	<i>43.7M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>52M</i> MANAGEMENT PORTFOLIO SF	<i>875+</i> ASSETS UNDER MANAGEMENT	<i>270+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>47</i> TOTAL APPRAISERS	<i>24</i> WITH MAI DESIGNATIONS

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