

RENO INDUSTRIAL

The Northern Nevada Industrial Market (NNIM) entered a very different period in Q1 2023, compared to the previous few years, with global inflation concerns and a recession looming.

Capital markets were still near a standstill; however, market fundamentals and strong belief in the market's resiliency propelled many developers to push forward with their planned projects. At the start of 2023, approximately 7.5M SF of speculative construction in the pipeline was expected to be delivered in the next 12-24 months. A market totaling just over 100M SF represents a 7% increase in total market size. With the most robust development pipeline that the market has ever had, it was anticipated that vacancy would rise as more product became available. As expected, the overall vacancy rate jumped 177 basis points from 1.37% in Q4 2022 to 3.14% in Q1 2023, and direct vacancy jumped 126 basis points from 1.20% to 2.46% during the same period.

Seven buildings, six located in the I-80 East submarket and one in the South Reno submarket, were delivered in Q1 2023, totaling 1.95M SF of new speculative construction. Most impressive was that over 53% of the new speculative construction delivered was preleased at the time of delivery. The market fundamentals of the NNIM are so strong that even with the delivery of over 25% of the speculative pipeline in one quarter, the market still posted a positive net absorption number for the first quarter of 2023.

Looking ahead, roughly 5.5M SF of speculative construction is expected to deliver by the end of 2024, making it likely that total market availability will steadily rise over the next few quarters. With some of the strongest market fundamentals on the west coast, however, this will likely be considered anything but positive as the strength and resiliency of the NNIM has been tested and proven repeatedly.

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Market Summary

	1Q23	4Q22	1Q22	Annual Change
Direct Vacancy Rate	2.46%	1.21%	1.63%	50.92%
Total Vacancy Rate	3.14%	1.37%	1.64%	91.46%
Bulk Asking Lease Rate	\$0.92	\$0.91	\$0.60	53.33%
Leasing Activity (SF)	2,349,124	1,853,032	2,967,952	-20.85%
Net Absorption (SF)	58,677	1,179,504	1,264,657	N/A

1Q 2023

↓ **2.3M SF**
LEASING ACTIVITY

↓ **58.7K SF**
NET ABSORPTION

↑ **2.46%**
VACANCY RATE

↓ **\$0.92**
BULK ASKING
RENT (AVG)

↑ **1.96M SF**
NEW DELIVERIES

Forecast Trend

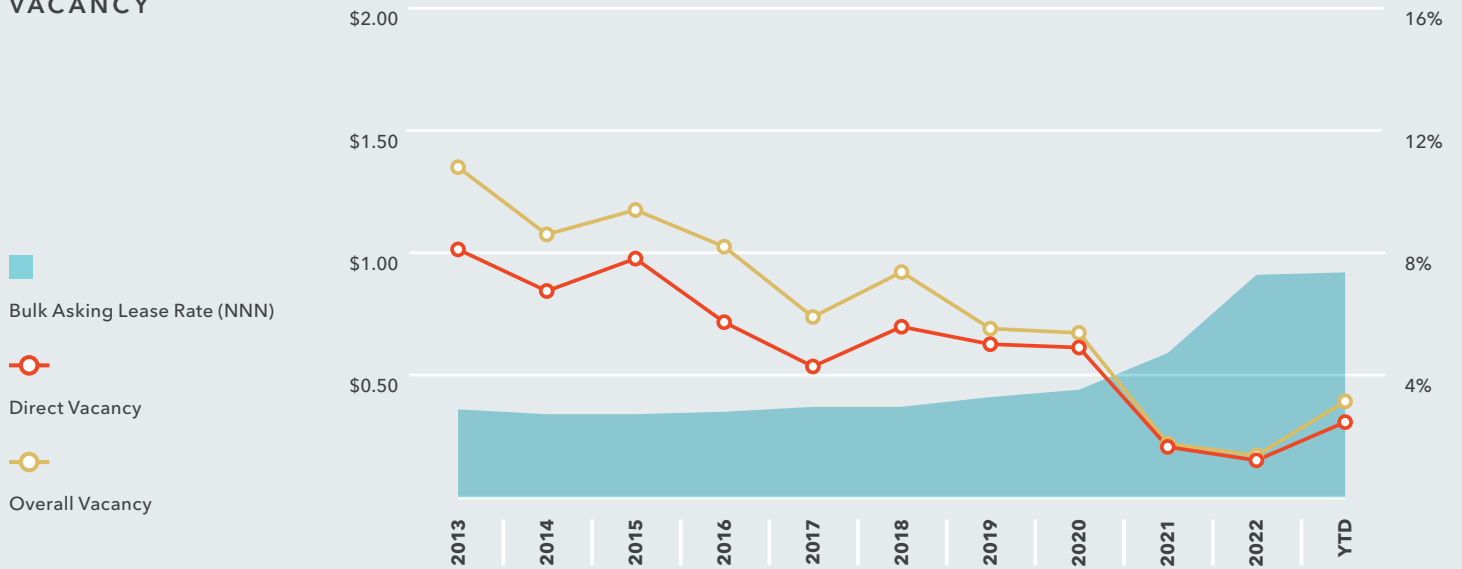
Market Highlights

DIRECT VACANCIES market wide concluded the quarter at 2.46%

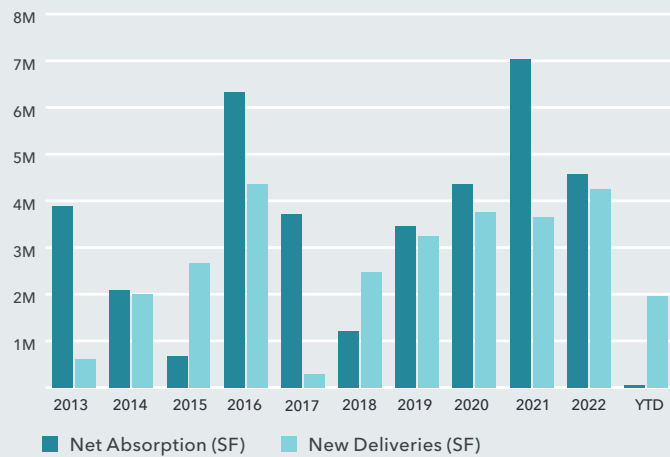
AVERAGE ASKING RATES for bulk warehouse rose to \$0.92/SF NNN

DELIVERIES in 1Q 2023 totaled 1.96M SF

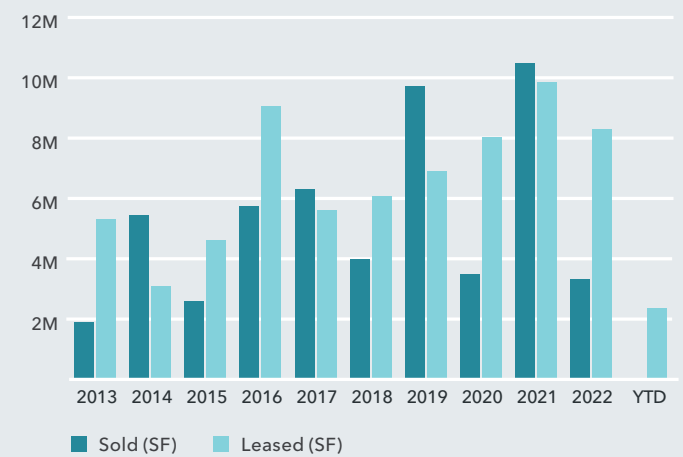
LEASE RATE & VACANCY



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASING ACTIVITY



BIGGEST LEASE OF THE QUARTER

Sage Point 7, Reno, NV



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries	Total Vacancy Rate	1Q 23 Net Absorption	YTD Net Absorption	1Q 23 Gross Absorption	YTD Gross Absorption	Bulk Rental Rate (50K+SF)
North Valleys	30,775,608	-	2.21%	-451,007	-451,007	574,423	574,423	\$0.93
Sparks	25,383,749	-	1.57%	33,895	33,895	177,748	177,748	N/A
Airport	10,400,618	-	2.64%	-49,728	-49,728	119,737	119,737	\$1.00
South Reno	10,251,419	115,000	3.31%	21,166	21,166	116,053	116,053	\$1.13
Central/West Reno	2,166,961	-	0.00%	0	0	12,923	12,923	N/A
I-80 East Corridor	26,387,978	1,840,390	6.13%	504,351	504,351	1,348,240	1,348,240	\$0.70
Reno Total	105,366,333	1,955,390	3.14%	58,677	58,677	2,349,124	2,349,124	\$0.92

ASKING RATES

As expected, average asking rates slightly dipped from Q4 2022 to Q1 2023 as more product became available. Flex rates (5,000 SF - 19,999 SF) dropped from \$1.44 PSF/month in Q4 2022 to \$1.34 PSF/Month in Q1 2023. Mid-bulk rates (20,000 SF - 49,999 SF) had a similar drop over the same period, going from \$1.29 PSF/month to \$1.22 PSF/month. Bulk rates (50,000 SF+) did however slightly increase from \$0.91 to \$0.92 last quarter. Although the average asking rate slightly lowered in Flex and Mid-Bulk, it is important to note each size range's unprecedented year-over-year growth.

Flex rates increased by 14.5% year-over-year from \$1.17 PSF/month to \$1.34 PSF/month from Q1 2022 to Q1 2023. Mid-bulk rates increased by 35.5% year-over-year, increasing from \$0.90 PSF/month to \$1.22 PSF/month over the same period, and bulk rates increased by an even greater amount of 52.8% from \$0.60 PSF/month to \$0.92 PSF/month.

There has been such tremendous growth in the Northern Nevada industrial market since 2020 that there was bound to be a natural dip and plateau back towards more moderate growth. If demand stays strong and market fundamentals don't change, there will likely be a slight plateau for the next few quarters as more product is delivered, followed by a generalized increase that is more in line with a healthy market.

NEW DELIVERIES

As previously stated, the first quarter of 2023 had a tremendous number of new deliveries, with 1,955,390 SF of speculative construction being delivered, making this the second-largest quarter for new deliveries in the history of the NNIM and the most since Q4 2021. Conco's 466,200 SF building in the Tahoe Reno Industrial Center (TRIC) was the largest building delivered last quarter, followed closely by Pure Development's 354,640 SF building and Brasa Capital's 332,460 SF building, both of which are also located in TRIC. Over 1M SF of the new speculative development was preleased at the time of delivery, representing 53%. Although, roughly 5.5M SF of new speculative construction is still underway, more than 1M SF of that is already preleased, representing nearly 20% of the remaining product coming to market.

As expected, the quarter was quiet on capital markets as there was no significant sale activity in NNIM. We expect this to continue through the end of the year as Fed continues to increase rates to combat inflation.

TOP LEASE TRANSACTIONS 1Q 2023

Property	City	SF	Landlord	Tenant
Sage Point 7	Reno	531,886	Prologis	HUB Group
655 Waltham Way	McCarran	332,640	Brasa	Symbia
2777 USA Parkway	McCarran	282,500	Conco	Tesla
1525 Venice Drive	McCarran	264,280	Buzz Oates	Aurora Parts
2624 USA Parkway	McCarran	193,440	Conco	PIP

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Comstock Commerce Center	McCarran	815,360	Q3 2023	Locus Development Group
Victory Logistics Building D-2	Fernley	634,540	Q4 2023	Mark IV
75 Pittsburgh	McCarran	489,440	Q2 2023	Tolles Development
Airway Commerce Center	Reno	439,280	Q1 2024	Prospect Ridge
Parkway Industrial Center	McCarran	434,480	Q1 2024	Avenue 55

Data Source: Kidder Mathews



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

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COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS

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