

MARKET TRENDS

RENO INDUSTRIAL

The Northern Nevada Industrial Market is bracing as the enormous amount of new speculative construction deliveries that have been in the pipeline for the past few years, delivering nearly 2.8M SF of new construction in the second quarter of 2023 alone.

This brings the year-to-date total of new deliveries to 4.75M SF, marking the most SF delivered in a single year since 2007. With the tremendous amount of new construction hitting the market, it's no surprise that overall vacancy rate rose by 212 basis points from 3.14% in Q1 2023 to 5.26% in Q2 2023. Direct vacancy saw a similar increase, rising 191 basis points from 2.46% to 4.37% in the same period.

ASKING RATES

As expected with the large increase in vacancy, average asking rates fell slightly from the previous quarter. Flex rates (5,000 SF - 19,999 SF) dropped from \$1.34 PSF/Month in Q1 2023 to \$1.32 PSF/Month in Q2 2023. Mid-bulk rates (20,000 SF - 49,999 SF) had a similar drop over the same period, going from \$1.22 PSF/Month to \$1.16 PSF/Month. Bulk rates (50,000 SF+) also slightly decreased from \$0.92 to \$0.86 last quarter. Activity did, however, remain strong with 20 new deals being completed in Q2 2023, with an average deal size of 78,791 SF. The flex market saw the greatest amount of activity with nine deals last quarter, followed by five deals in the mid-bulk size range and six deals in bulk.

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Market Summary

	2Q23	1Q23	2Q22
Direct Vacancy Rate	4.37%	2.46%	0.99%
Total Vacancy Rate	5.26%	3.14%	1.02%
Bulk Asking Lease Rate	\$0.86	\$0.92	\$0.75
Leasing Activity (SF)	1,575,815	2,349,124	2,136,986
Net Absorption (SF)	421,251	58,677	1,411,003

↓ 1.58M SF
LEASING ACTIVITY

↑ 421K SF
NET ABSORPTION

↑ 5.26%
VACANCY RATE

↓ \$0.86
BULK ASKING RENT (AVG)

↑ 2.8M SF
NEW DELIVERIES

Forecast Trend

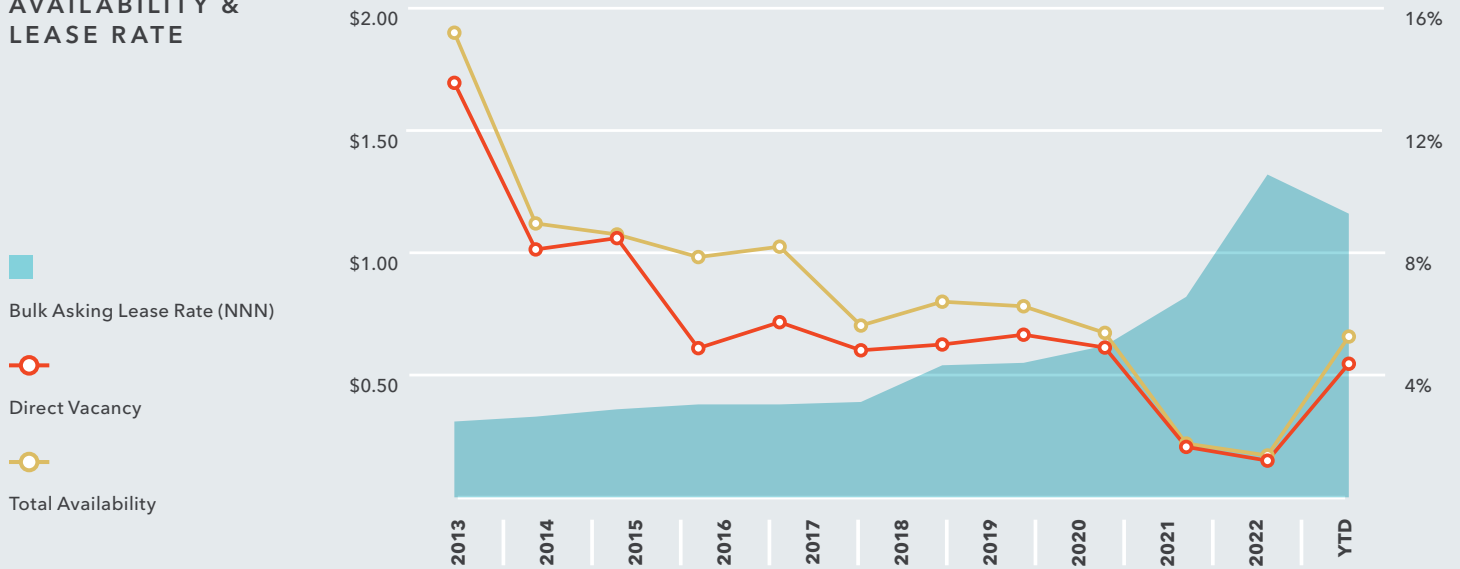
Market Highlights

DIRECT VACANCIES market wide concluded the quarter at 4.37%

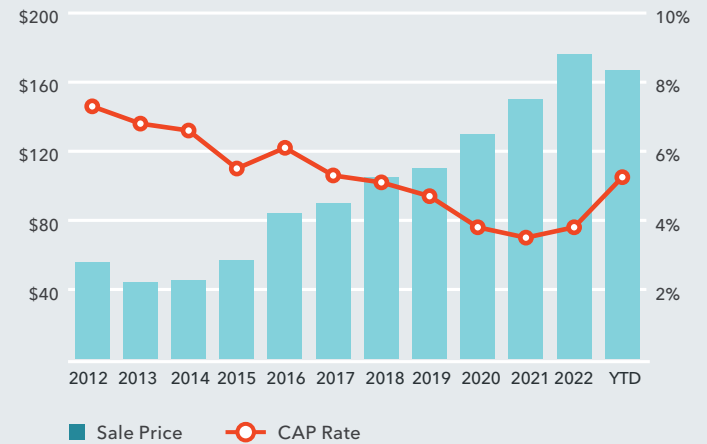
AVERAGE ASKING RATES for bulk warehouse dropped to \$0.86/SF NNN

DELIVERIES in 2Q 2023 totaled 2.8M SF

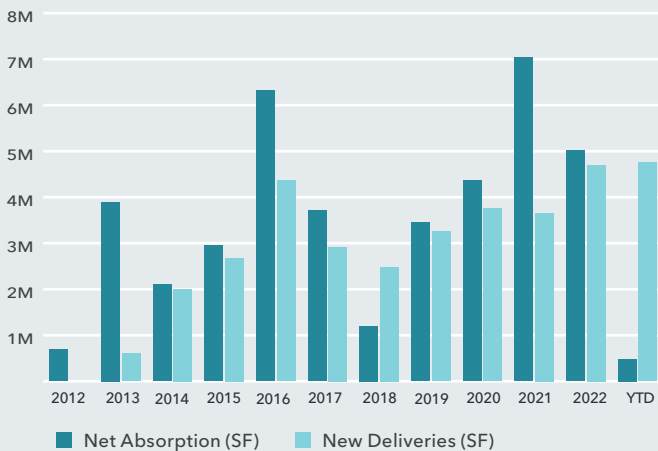
VACANCY, AVAILABILITY & LEASE RATE



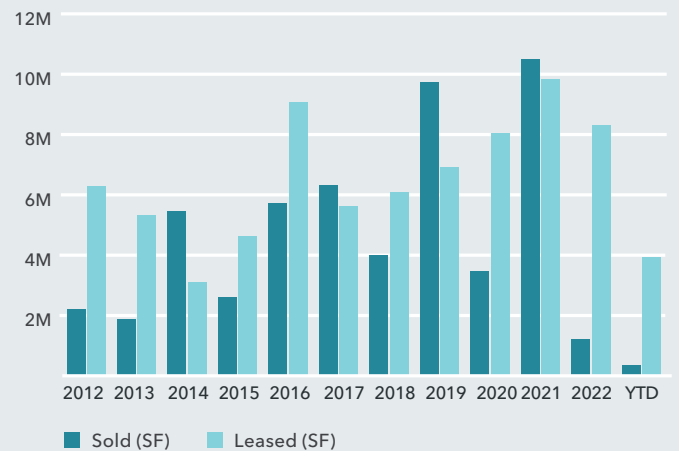
AVERAGE SALES PRICE/SF & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries	Total Vacancy Rate	2Q 23 Net Absorption	YTD Net Absorption	2Q 23 Gross Absorption	YTD Gross Absorption	Bulk Rental Rate (50K+SF)
North Valleys	30,775,608		2.33%	-38,548	-489,555	293,750	868,173	\$0.84
Sparks	25,383,749		1.68%	-28,844	5,051	185,112	362,860	N/A
Airport	10,500,618	100,000	4.99%	-149,398	-199,126	89,293	209,030	\$0.93
South Reno	10,543,399	291,980	4.06%	203,448	224,614	112,140	228,193	\$1.10
Central/West Reno	2,166,961		9.73%	-210,927	-210,927	0	12,923	\$0.85
I-80 East Corridor	28,795,400	2,407,422	11.74%	645,520	1,149,871	895,520	2,243,760	\$0.77
Reno Total	108,165,735	2,799,402	5.26%	421,251	479,928	1,575,815	3,924,939	\$0.86

NEW DELIVERIES

The Northern Nevada Industrial Market saw the highest delivery of new product in the market's history with 2,799,402 SF of new construction, of which over 2.3M SF of it was speculative development. The I-80 East Corridor accounted for over 2.4M SF of the new deliveries which drove the vacancy rate in the submarket from 6.13% in Q1 2023 up to 11.74% in Q2 2023, marking the highest vacancy in that submarket since Q4 2019. Of the 4.75M SF of new construction delivered YTD, nearly 4.25M SF of that was delivered to the I-80 East submarket which represents almost 90% of all the product delivered this year. Even with 2.8M SF of new construction delivered in Q2 alone, over 1M SF, or 38%, was pre-leased at the time of delivery, indicating strong market fundamentals.

Mark IV delivered three buildings at their Victory Logistics District in Fernley, NV, totaling just over 1M SF and Tolles Development delivered their 489,440 SF spec building in the Tahoe Reno Industrial Center. Buzz Oates delivered their 463,200 SF build-to-suit building to Bear Paw and Avenue 55 delivered their fully leased 432,320 SF spec building in the Tahoe Reno Industrial Center. McKenzie Development delivered the last two of their six building South Reno Industrial project, totaling 251,380 SF and Locus Development delivered the last two of their five building project at the McCarran Business Park.

There was one major investment sale in the market during the second quarter which was the sale of 167,400 SF building in the North Valleys that sold for just over \$166.85 PSF. There were also a handful of owner/user sales last quarter, most notably the 70,000 SF sale of 295 Lillard Way in Sparks to ACCO Engineered Systems, Inc for \$173 PSF. We expect to see sales activity slowly start to gain traction in the coming quarters with inflation coming down and the Fed potentially lowering interest rates.

TOP SALE TRANSACTIONS 2Q 2023

Property	City	SF	Buyer	Seller
13900 Mount Limbo St	Reno	167,000	LBA	Avenue 55
295 Lillard Way	Sparks	70,000	Acco Engineering	Fort Deerborn
7935 Sugar Pine Court	Reno	21,000	Patagonia	Forte Nevada

TOP LEASE TRANSACTIONS 2Q 2023

Property	City	SF	Landlord	Tenant
Nevada Commerce Center A	Fernley	463,200	Buzz Oates	Bear Paw
I-80 Patrick DC	McCarran	432,320	Avenue 55	Confidential
14100 Lear Blvd	Reno	165,750	IRG	Continental
900 N. Hills	Reno	128,000	Link	Novo Logistics
1105 Southern Way	Sparks	95,200	SW LLC	Allstates Warehousing

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Comstock Commerce Center	McCarran	815,360	Q3 2023	Locus Development Group
Airway Commerce Center	Reno	439,280	Q1 2024	Prospect Ridge
Parkway Industrial Center	McCarran	434,480	Q1 2024	Avenue 55
Boomtown 1	Reno	275,000	Q1 2024	Dermody
Majestic II	Reno	246,392	Q4 2024	Majestic

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 SF
ASSET SERVICES	53M MANAGEMENT PORTFOLIO SF	771+ ASSETS UNDER MANAGEMENT	250+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,600+ ASSIGNMENTS ANNUALLY	46 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS

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