

## MARKET TRENDS

# RENO INDUSTRIAL

*Northern Nevada's Industrial Market (NNIM) continued to feel the effects of a robust construction pipeline that has been relentless for the past few quarters.*

In the third quarter of 2023, another 2,259,172 square feet (SF) of new construction was delivered, bringing the 2023 YTD total of new construction deliveries to 7,013,964 SF, nearly 1.5M more SF delivered than any other year in the market's history. Of the 2,259,172 SF of new construction delivered in the third quarter, 1,778,369 SF was pre-leased at the time of delivery, equating to nearly 79%. This tremendous amount of pre-leasing helped stymie the effect that the massive amount of growth had on the market's vacancy. Overall vacancy rose only 29 basis points from 5.26% to 5.55% from Q2 to Q3 2023, respectively, and direct vacancy had a slightly greater increase over the same period, rising from 4.37% to 5.02%. There is still a staggering 4M SF currently under construction with an additional 5M SF of planned construction in the pipeline so it is likely that the market will continue to see the same slight softening for the next few quarters until the construction pipeline balances itself out.

Overall activity in the NNIM showed great resiliency with the most deals since Q2 2021, having 35 deals completed market wide. 18 of the deals were completed in the flex market (5,000 SF - 19,999 SF), 10 of the deals were completed in the mid-bulk market (20,000 SF - 49,999 SF) and 7 of the deals were completed in the bulk market (50,000 SF and greater), with the average deal size during Q3 2023 at 82,361 SF. As expected, the general rise in vacancy rates is continuing to put pressure on market asking rates. The flex and mid-bulk markets both saw slight decreases in average asking rates, with flex rates dipping from \$1.32 PSF/Month in Q2 to \$1.27 PSF/Month in Q3 and mid-bulk rates falling from \$1.16 PSF/Month to \$1.06 PSF/Month during the same period. Bulk rates, however, continued their upward push as they rose another \$0.04 PSF/Month in just one quarter, rising from \$0.87 PSF/Month to \$0.91 PSF/Month.

continued on page 3

## Market Summary

	3Q23	2Q23	3Q22
Direct Vacancy Rate	5.02%	4.37%	0.98%
Total Vacancy Rate	5.55%	5.26%	1.52%
Bulk Asking Lease Rate	\$0.91	\$0.86	\$0.73
Leasing Activity (SF)	2,882,633	1,575,815	1,334,327
Net Absorption (SF)	1,819,129	421,251	712,479

↑ **2.8M SF**  
LEASING ACTIVITY

↑ **1.8M SF**  
NET ABSORPTION

↑ **5.02%**  
VACANCY RATE

↑ **\$0.91**  
BULK ASKING RENT (AVG)

↓ **2.3M SF**  
NEW DELIVERIES

Forecast Trend

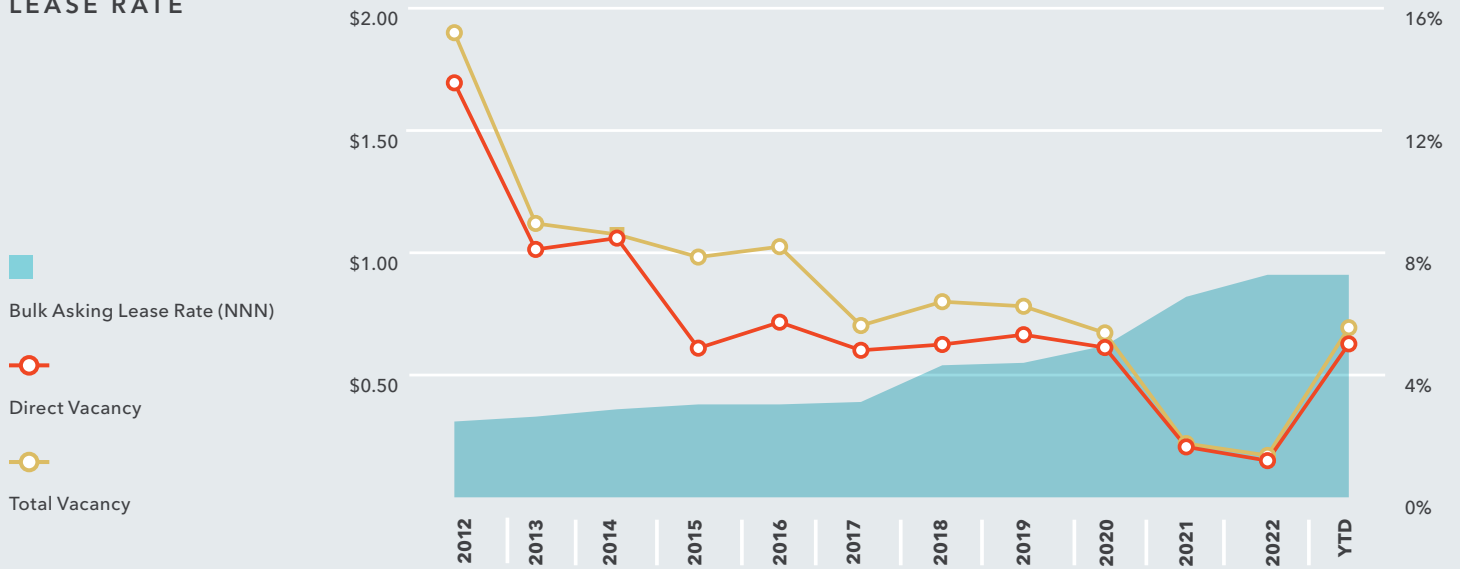
## Market Highlights

**DIRECT VACANCIES** market wide concluded the quarter at 5.02%

**AVERAGE ASKING RATES** for bulk warehouse increased to \$0.91/SF NNN

**DELIVERIES** in 3Q 2023 totaled 2.26M SF

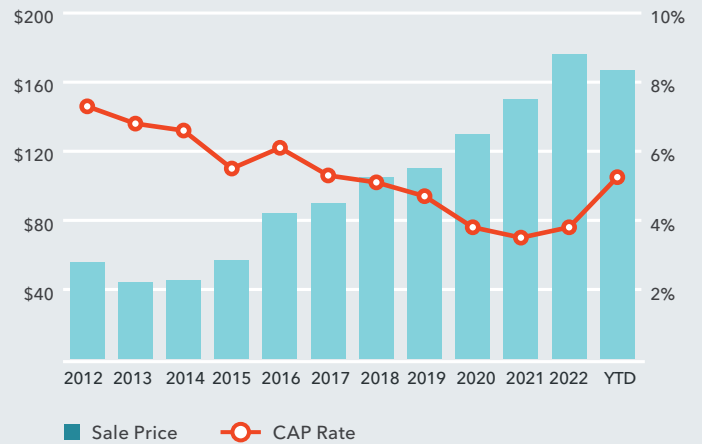
## VACANCY & LEASE RATE



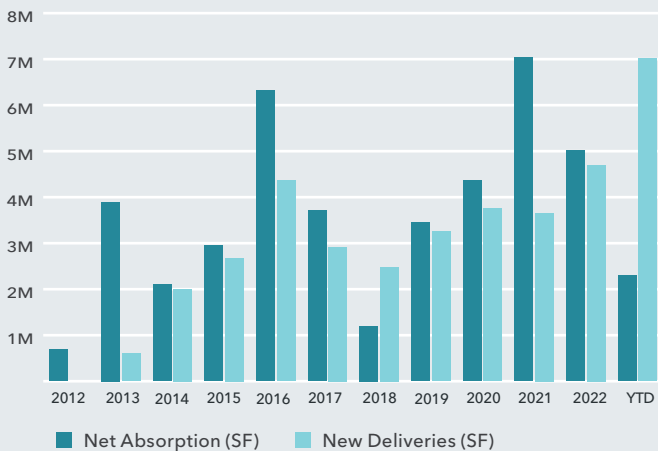
### BIGGEST SALE OF THE QUARTER

4775 Aircenter Cir, Reno

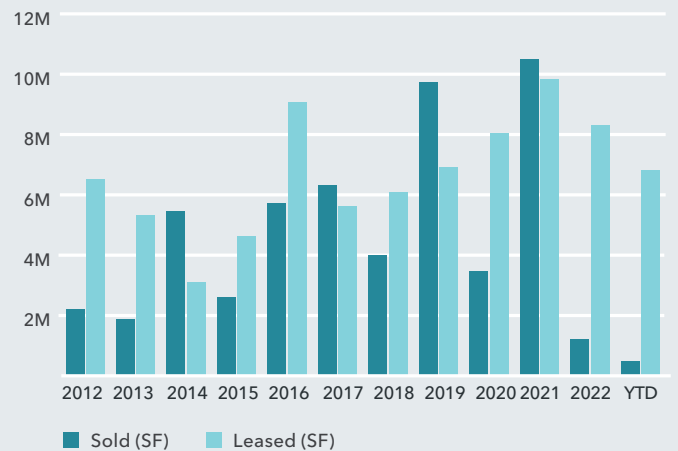
## AVERAGE SALES PRICE/SF & CAP RATES



## NET ABSORPTION & NEW DELIVERIES



## SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries	Total Vacancy Rate	3Q23 Net Absorption	YTD Net Absorption	3Q23 Gross Absorption	YTD Gross Absorption	Bulk Rental Rate (50K+SF)
North Valleys	31,409,260	633,652	4.51%	-64,792	-554,347	365,555	1,233,728	\$0.94
Sparks	25,383,749	-	2.19%	-128,524	-123,473	204,080	566,940	\$1.10
Airport	10,500,618	-	6.48%	-156,617	-355,743	96,747	305,777	\$0.97
South Reno	10,684,159	140,760	3.47%	197,763	422,377	96,768	324,961	\$1.11
Central/West Reno	2,166,961	-	6.64%	67,099	-143,828	32,923	45,846	\$0.90
I-80 East Corridor	30,280,160	1,484,760	9.78%	1,904,200	3,054,071	2,086,560	4,330,320	\$0.78
<b>Reno Total</b>	<b>110,424,907</b>	<b>2,259,172</b>	<b>5.55%</b>	<b>1,819,129</b>	<b>2,299,057</b>	<b>2,882,633</b>	<b>6,807,572</b>	<b>\$0.91</b>

As previously stated, nearly 1.8M SF of the 2.25M SF of product delivered this quarter was pre-leased by the time the building was delivered. The two largest transactions of the quarter, an 815,360 SF speculative building and a 669,760 SF built-to-suit building, developed by Locus Development Group, were both leased by Redwood Materials in the Tahoe Reno Industrial Center (TRIC). The third largest building was also located in TRIC, a 489,440 SF building that was leased by Tellworks at 75 Pittsburgh. In the North Valley’s submarket, Panattoni Development Company delivered their

fully leased 136,777 SF building to Tool Source Warehouse. Other notable deliveries in Q3 included Majestic’s 246,392 SF building in the North Valley’s submarket, Panattoni’s 195,000 SF flex building in Spanish Springs and Tolles Development’s 140,760 SF flex building at Airway Commerce Center.

As expected, capital markets are still inactive for the most part which will likely continue well into 2024.

BIGGEST LEASE OF THE QUARTER

*C3 West Building 3, Mccarran*



## TOP SALE TRANSACTIONS 3Q 2023

Property	City	SF	Buyer	Seller
4775 Aircenter Circle	Reno	104,835	NM ALNCE LLC	TESSCO

## TOP LEASE TRANSACTIONS 3Q 2023

Property	City	SF	Landlord	Tenant
C3 West Building 3	McCarran	815,360	Locus	Redwood Materials
C3 West Building 2	McCarran	669,760	Locus	Redwood Materials
75 Pittsburgh Ave	McCarran	489,440	Dalfen	Tellworks
9195 Moya Blvd	Reno	136,777	Panattoni	Tool Source
2275 E. Newlands	Fernley	112,000	Cottonmill	Confidential

## TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
C3 West Building 5	McCarran	815,360	Q3 2024	Locus
2175 USA Parkway	McCarran	709,640	Q3 2024	Prologis
Airway Commerce Park Building B	Reno	439,280	Q4 2023	Tolles/Prospect Ridge
Parkway Industrial Center	McCarran	434,480	Q1 2024	Avenue 55
1600 Peru Drive	McCarran	410,750	Q2 2024	Pure Development

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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<b>COMMERCIAL BROKERAGE</b>	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>21</i> WITH MAI DESIGNATIONS

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