Kidder Mathews

MARKET TRENDS

RENO *INDUSTRIAL*

The Northern Nevada Industrial Market (NNIM) was tried and tested in 2023 as it weathered the highest volume of new construction deliveries the market has ever seen.

8,996,471 SF of new construction was delivered throughout the year, which was more than 2.5 times greater than the 5-year average of 3.5M SF. As expected, the onslaught of new deliveries drove the vacancy rate up higher for the fifth consecutive quarter, with overall market vacancy rising to 6.82% and direct market vacancy rising to 6.07%. Looking ahead to 2024, the construction pipeline is nearly non-existent, with potentially very little product being delivered next year. Assuming limited construction deliveries, it is likely that the market will see a compression in vacancy rates given the five-year average net absorption for the market is 4.5M SF

In 2023, there were 105 new deals completed market wide which was a substantial increase from only 92 deals completed in 2022. The flex market (5,000 – 19,999 SF) led the way with 53 new deals completed, and both mid-bulk (20,000 – 49,999 SF) and bulk (50,000+ SF) posted impressive numbers with 24 new deals and 28 new deals, respectively. The I-80 East Corridor submarket, which includes the Tahoe Reno Industrial Center (TRIC), was the biggest benefactor of a tight market in 2023. The submarket grew 6,143,322 SF, or a 25% increase in market size, in 2023 alone, and had a positive net absorption of 4,160,370 SF. The only other submarket that saw a positive net absorption for the year was the South Reno submarket, which delivered 1,690,497 SF, or a 16.5% increase in market size, and had a positive net absorption for the year of 821,286 SF. All four quarters in 2023 posted positive net absorption, with Q4 having a positive net absorption of 411,361 SF, bringing the total for the year to 2,741,871 SF. Average asking rates had a strong quarter as all size ranges saw an increase in rates from the previous quarter. Flex rates increased from $1.27 to $1.30 PSF/Month, Mid-Bulk rates increased from $1.06 to $1.08 PSF/Month and bulk rates rose from $0.91 to $0.94 PSF/Month.

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Market Summary

	4Q23	3Q23	4Q22
Direct Vacancy Rate	6.07%	4.99%	1.21%
Total Vacancy Rate	6.82%	5.52%	1.37%
Bulk Asking Lease Rate	$0.94	$0.91	$0.91
Total Lease Transactions (SF)	1,942,007	2,882,633	1,853,032
Net Absorption	411,361	1,819,129	1,179,504

4Q 2023

↑ *1.9M SF* LEASING ACTIVITY

↓ *411K SF* NET ABSORPTION

↑ *6.82%* VACANCY RATE

↑ *$0.94* BULK ASKING RENT (AVG)

↓ *2M SF* NEW DELIVERIES

Forecast Trend

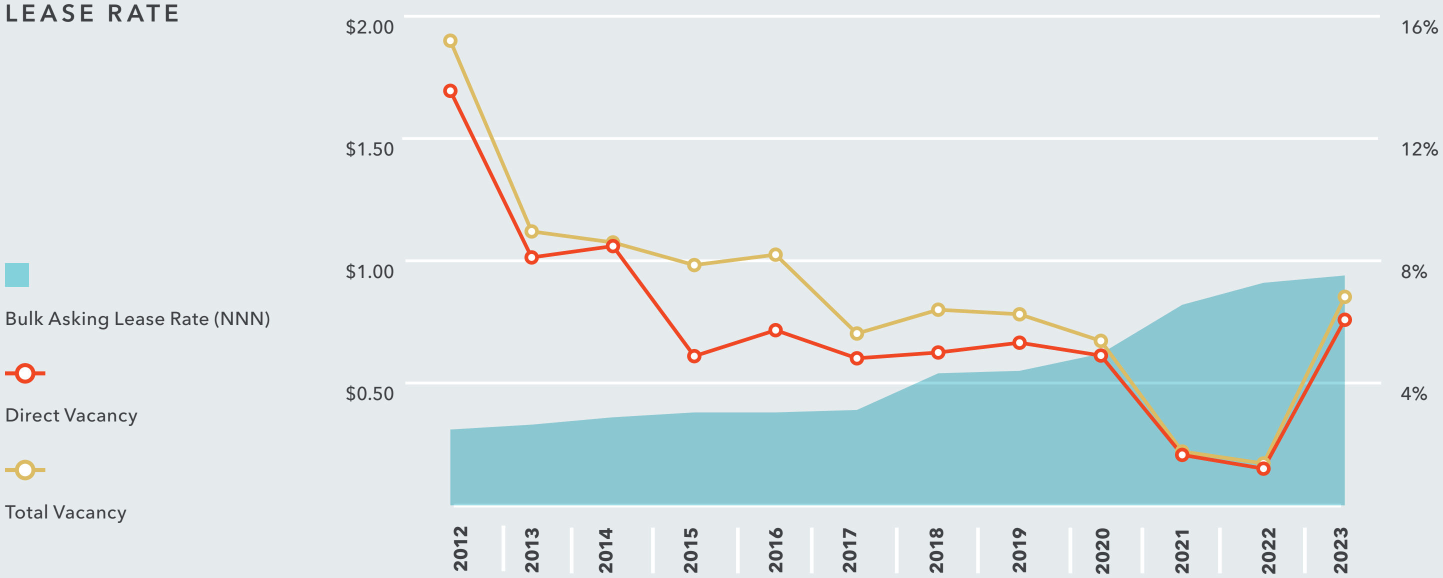
Market Highlights

DIRECT VACANCIES market wide concluded the quarter at 6.07%

AVERAGE ASKING RATES for bulk warehouse increased to $0.94/SF NNN

DELIVERIES in 4Q 2023 totaled 2M SF

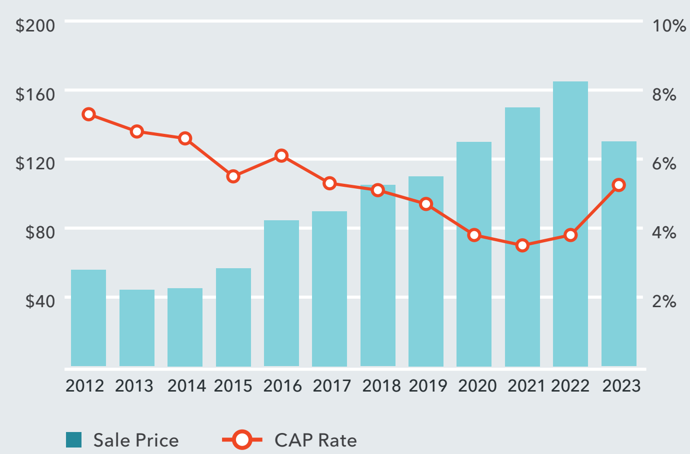
VACANCY & LEASE RATE



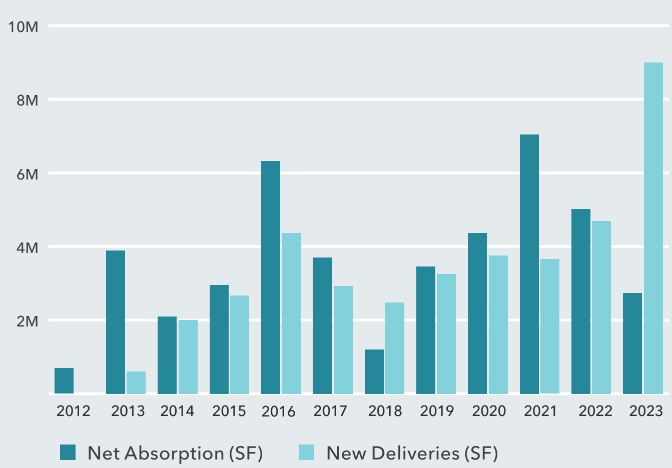
BIGGEST SALE OF THE QUARTER

700 Milan Dr, Mccarren

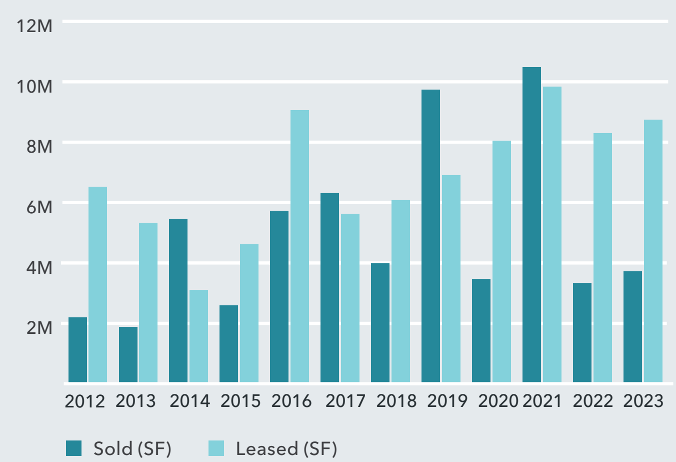
AVERAGE SALES PRICE/SF & CAP RATES



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries	Total Vacancy Rate	4Q23 Net Absorption	2023 Net Absorption	4Q23 Gross Aborption	2023 Gross Absoption	Bulk Rental Rate (50K+SF)
North Valleys	31,409,260	-	6.38%	-586,705	-1,141,052	120,000	1,353,728	$0.95
Sparks	25,383,749	-	4.81%	-666,861	-790,334	256,347	823,287	$0.94
Airport	10,500,618	-	5.86%	-106,249	-289,779	159,989	465,766	$0.93
South Reno	11,826,916	1,142,757	9.43%	539,669	821,286	398,785	723,746	$1.04
Central/West Reno	2,595,961	429,000	17.24%	125,208	-18,620	85,380	131,226	$0.95
I-80 East Corridor	30,690,910	410,750	7.38%	1,106,299	4,160,370	921,506	5,251,826	$0.79
Reno Total	**112,407,414**	**1,982,507**	**6.82%**	**411,361**	**2,741,871**	**1,942,007**	**8,749,579**	**$0.94**

As previously reported, the NNIM posted another massive quarter of new deliveries with 1,982,507 SF across the market. The South Reno submarket saw the greatest volume of new deliveries with 1,142,757 SF of new construction, which was a more than 10% increase in submarket size. Tolles Development delivered the last three buildings at Airway Commerce Park, totaling 752,517 SF and Prologis delivered the built-to-suit 390,240 SF building for Dragonfly Energy. Dermody delivered two buildings at the LogistiCenter at I-80 West, totaling 429,000 SF in the Central/West Reno submarket and Pure Development delivered their second building in the Tahoe Reno Industrial Center at 1600 Peru Drive, a 410,750 SF stand-alone building.

Capital markets did see a nice uptick in activity at the end of 2024 with 3 large institutional sales in the fourth quarter. Westcore bought 700 Milan Drive in TRIC, a fully occupied 632,080 SF industrial building for $82.5M at a 4.6% cap rate on in-place rents. DRA Advisors bought the South Sparks portfolio, a 585,718 SF multi-building portfolio, for $91.2M, or approximately $156/SF, at a 6.25% cap rate on in-place rents. Finally, STAG Industrial bought 655 Spice Islands Drive, a 164,918 SF multi-tenant building in Sparks for $29.9M, or approximately $181/SF, which was a 4.3% cap rate on in-place rents.

BIGGEST LEASE OF THE QUARTER

385 Milan Dr, Mccarran

TOP SALE TRANSACTIONS 4Q 2023

Property	City	SF	Buyer	Seller
700 Milan Drive	McCarran	632,080	Westcore	Washington Capital
Sparks South Portfolio	Sparks	585,718	DRA	RGA
655 Spice Islands Drive	Sparks	164,918	STAG Industrial	Bendetti

TOP LEASE TRANSACTIONS 4Q 2023

Property	City	SF	Landlord	Tenant
385 Milan Dr.	McCarran	566,866	Prologis	Confidential
0 Old Virginia	Reno	390,240	Prologis	Dragonfly
450 Pittsburgh Ave	McCarran	354,640	Pure Dev.	Confidential
755 Lillard Dr.	Sparks	163,200	Starwood	Cannon Equipment LLC
3300 Airway Drive	Reno	113,432	Tolles	Marvin Logistics

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
C3 West Building 5	McCarran	815,360	Q4 2024	Locus
2175 USA Parkway	McCarran	709,640	Q4 2024	Prologis
Conco - Milan	McCarran	650,000	Q4 2024	Conco
Reno AirLogistics Park Bldg 2	Reno	468,697	Q1 2025	Dermody
Parkway Industrial Center	McCarran	434,480	Q2 2024	Avenue 55

Data Source: Kidder Mathews

Kidder Mathews

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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	2,800+ ASSIGNMENTS ANNUALLY	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS

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

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