

MARKET TRENDS

RENO INDUSTRIAL

The Northern Nevada Industrial Market (NNIM) has witnessed a notable increase in vacancy rates over the past year, primarily due to economic uncertainties and shifting market conditions.

At the end of the first quarter of 2024, the overall vacancy rate stands at 8.68%, reflecting a 186-point increase from the last quarter. For the first time in 23 quarters, since Q2 of 2018, the Northern Nevada Industrial Market posted a negative net absorption for the quarter.

Despite the uptick in vacancy rates, Reno has experienced a surge of new construction deliveries in its industrial market. Four new industrial properties were completed last quarter, adding 1,111,260 square feet (SF) of leasable space to the market. This brings the total new construction delivered over the previous two years to a staggering 13,638,902 SF, which represents more than a 13% increase in total market size. This influx of new construction signifies ongoing investor confidence in the region's long-term economic prospects and the demand for industrial real estate.

In response to heightened vacancy rates and increased sublease availability, industrial rental rates in Reno have undergone a slight decrease in recent months. While still competitive compared to national averages, landlords have become more flexible in their pricing strategies to attract tenants and fill vacant spaces. Market wide flex rates (5,000-19,999 SF) decreased \$0.05 PSF/month last month from \$1.30 PSF/month to \$1.25 PSF/month. Mid-bulk rates saw a slightly smaller decrease, dropping from \$1.08 PSF/month to \$1.05 PSF/month, and bulk rates dropped \$0.09 PSF/month from \$0.94 PSF/month to \$0.85 PSF/month.

The two premier bulk submarkets, the North Valleys submarket and I-80 East Corridor submarket, hold the majority of the vacancy with the North Valleys sitting at just over 2.3M SF of vacancy and the I-80 East Corridor sitting at more than 3.2M SF of vacancy. With the delivery of over 1M SF of new product in the I-80 East Corridor last quarter, the submarket officially took over the spot as the largest submarket in the NNIM. The North Valleys is holding strong, however, with average asking rates across the submarket holding at \$0.95 PSF/month whereas the I-80 East Corridor submarket has an average asking rate across

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Market Summary

	1Q24	4Q23	1Q23
Direct Vacancy Rate	7.84%	6.07%	2.46%
Total Vacancy Rate	8.68%	6.82%	3.14%
Bulk Asking Lease Rate	\$0.85	\$0.94	\$0.92
Total Lease Transactions (SF)	1,867,092	1,942,007	2,349,124
Net Absorption	-1,069,189	411,361	58,677

↓ 1.9M SF
LEASING ACTIVITY

↓ -1.1M SF
NET ABSORPTION

↑ 8.68%
VACANCY RATE

↓ \$0.85
BULK ASKING RENT (AVG.)

↓ 1.1M SF
NEW DELIVERIES

Year-Over-Year Trend

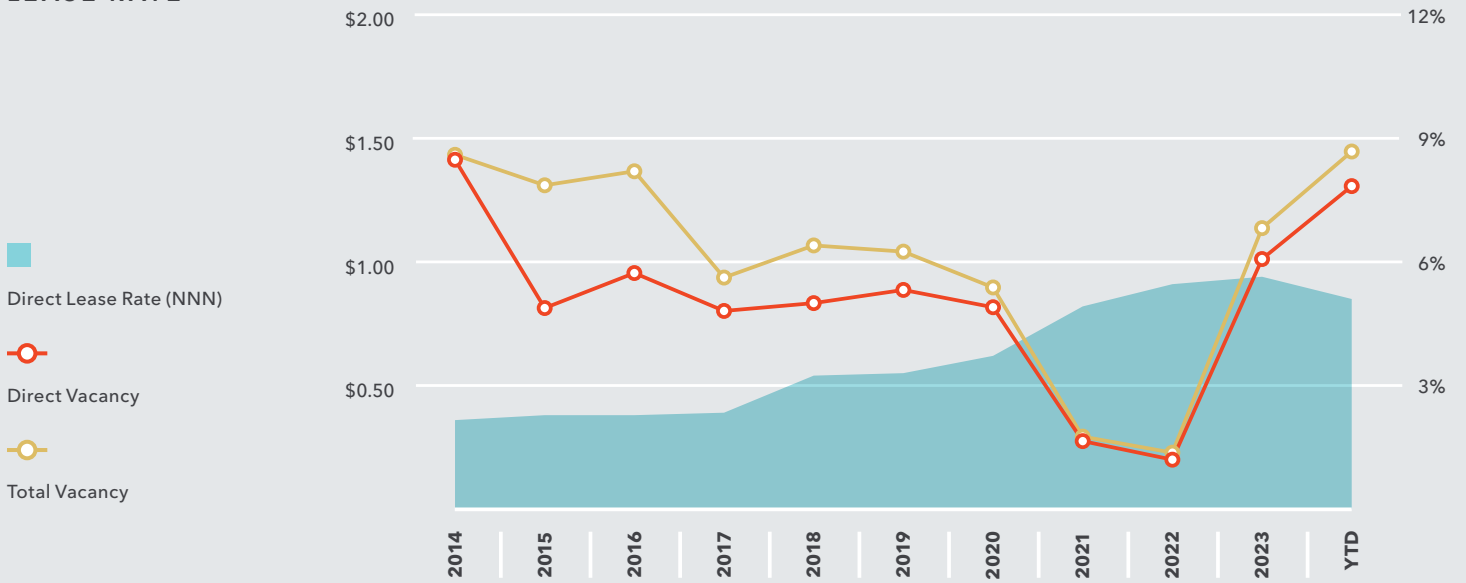
Market Highlights

DIRECT VACANCIES market wide concluded the quarter at 7.84%

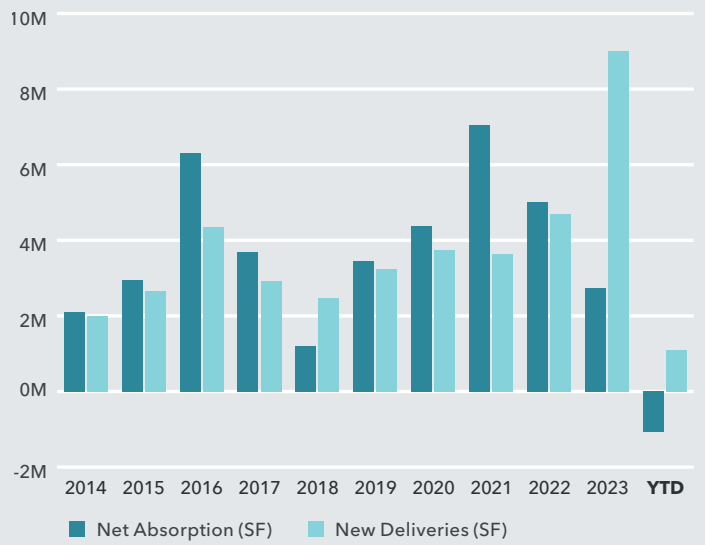
AVERAGE ASKING RATES for bulk warehouse decreased to \$0.85/SF NNN

DELIVERIES in 1Q 2024 totaled 1.1M SF

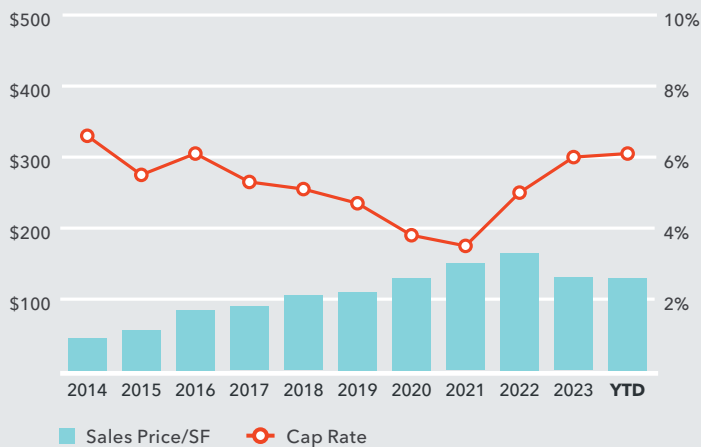
VACANCY & LEASE RATE



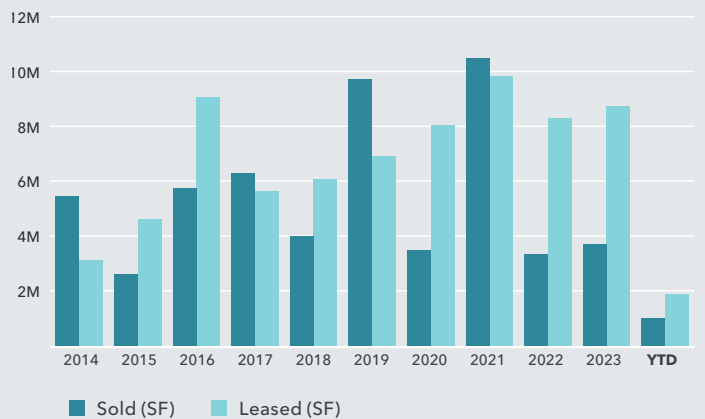
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries (SF)	Total Vacancy Rate	1Q24 Overall Net Absorption	YTD Overall Net Absorption	1Q24 Gross Absorption (SF)	YTD Gross Absorption (SF)	Bulk Rental Rate (50K+ SF)
North Valleys	31,409,260	–	7.38%	-315,206	-315,206	310,900	310,900	\$0.89
Sparks	25,383,749	–	6.77%	-495,829	-495,829	201,823	201,823	\$0.77
Airport	10,500,618	–	6.16%	-31,931	-31,931	69,719	69,719	\$0.86
South Reno	11,899,296	72,380	12.21%	-266,093	-266,093	–	–	\$1.02
Central/West Reno	2,595,961	–	18.12%	-22,870	-22,870	9,900	9,900	\$0.87
I-80 East Corridor	31,729,790	1,038,880	10.22%	62,740	62,740	1,274,750	1,274,750	\$0.72
Reno Total	113,518,674	1,111,260	8.68%	-1,069,189	-1,069,189	1,867,092	1,867,092	\$0.85

the entire submarket at \$0.75 PSF/month. The core submarkets, Sparks, Airport and South Reno, are all showing extreme resilience despite an uptick in vacancy with the average asking rate for all three submarkets firmly holding around \$1.10 PSF/month.

Looking ahead, the new construction supply for the NNIM is coming to a screeching halt with less than 1M SF of new construction expected to be delivered for the remainder of the year. The onslaught of new deliveries has tested the market like never before with over 22M SF of new construction being delivered since 2020, growing the market from just over 91M SF to over 113.5M SF in just a few

short years, a staggering 24% increase in total market size. Overall, Northern Nevada’s Industrial Market continues to evolve amidst changing economic conditions, with an influx of new construction and adjustments in rental rates shaping the landscape for tenants and investors alike.

Capital markets was limited to one sale in the first quarter of 2024. Kin Properties bought 10 Isidor Court in Spanish Springs from Scannell Properties, a fully occupied 461,581 SF industrial building for \$43.1M at a 5.63% cap rate on in-place rents.

BIGGEST LEASE OF THE QUARTER

1600 Peru Drive, McCarran



SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	City	SF	Buyer	Seller
10 Isidor Court	Spanish Springs	461,581	Kin Properties	Scannell
20 Isidor Court	Spanish Springs	130,000	Confidential	Scannell
350 Salomon Circle	Sparks	73,084	Ivy Properties	Elliott Company

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	City	SF	Landlord	Tenant
1600 Peru Drive	McCarran	410,750	Pure	Confidential
2625 USA Parkway	McCarran	272,760	Conco	Valeo
725 Waltham Way	McCarran	255,000	LINK	Radio Systems
2555 USA Parkway	McCarran	182,000	PLD	TLS
38 Isidor Court	Spanish Springs	102,000	Avenue 55	Greenworks

SIGNIFICANT 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
855 Milan Drive	McCarran	650,000	Q4 2024	Conco
Reno AirLogistics Park Bldg 2	Reno	468,697	Q1 2025	Dermody
1400 Electric Ave	McCarran	202,800	Q1 2025	Buzz Oates

Data Source: EDD, CoStar



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	51M SF MANAGEMENT PORTFOLIO SIZE	750+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

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