

MARKET TRENDS

RENO INDUSTRIAL

Northern Nevada’s Industrial Market, historically known for its robust growth and strategic location, is currently facing the same issues that nearly every market across the U.S. is facing.

The market has seen a dramatic shift from the high-demand environment of previous years to a more tempered phase, marked by higher vacancy rates and a generalized slowdown in leasing activity. Broad economic uncertainties, including concerns over inflation and interest rates, along with 2024 being a presidential election year, have contributed to a more conservative approach from businesses. Some major tenants have downsized or relocated, contributing to a negative net absorption for the second quarter in a row.

Overall vacancy for the quarter increased from 8.68% in Q1 2024 to 9.77% in Q2 2024, however, a large amount of this increase came from a substantial increase in sublease availability. Sublease space increased from 949,190 SF in Q1 2024 to 1,704,566 SF in Q2 2024, a nearly 80% increase in available sublease space. This resulted in direct vacancy to only increase by 43 basis points from 7.84% to 8.27%. There is little to no new construction expected to be delivered by the end of 2024, however, which is a positive sign for our market as supply and demand should balance out, and we should see vacancy rates begin to creep down over the next few quarters.

The competitive landscape has shifted, with landlords now facing increased pressure to attract and retain tenants. Incentives such as reduced rental rates, flexible lease terms, increased lease incentives, and tenant improvement allowances have become more common as landlords seek to fill vacant spaces. Flex (5,000-19,999 SF) asking rates dropped slightly in Q2 from \$1.25/SF/month to \$1.18SF/month. Mid-Bulk (20,000-49,999 SF) saw a similar drop from \$1.05/SF/month to \$1.03SF/month and bulk (50,000 SF+) dropped from \$0.85/SF/month to \$0.84/SF/month.

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Market Summary

	2Q24	1Q24	2Q23
Direct Vacancy Rate	8.27%	7.84%	4.37%
Total Vacancy Rate	9.77%	8.68%	5.26%
Bulk Asking Lease Rate	\$0.84	\$0.85	\$0.86
Total Lease Transactions (SF)	655,581	1,867,092	1,575,815
Net Absorption	-1,174,762	-1,069,189	421,251

↓ 655K SF
LEASING ACTIVITY

↓ -1.2 M SF
NET ABSORPTION

↑ 8.27%
VACANCY RATE

↓ \$0.84
BULK ASKING RENT (AVG.)

↓ 77.9K SF
NEW DELIVERIES

Year-Over-Year Trend

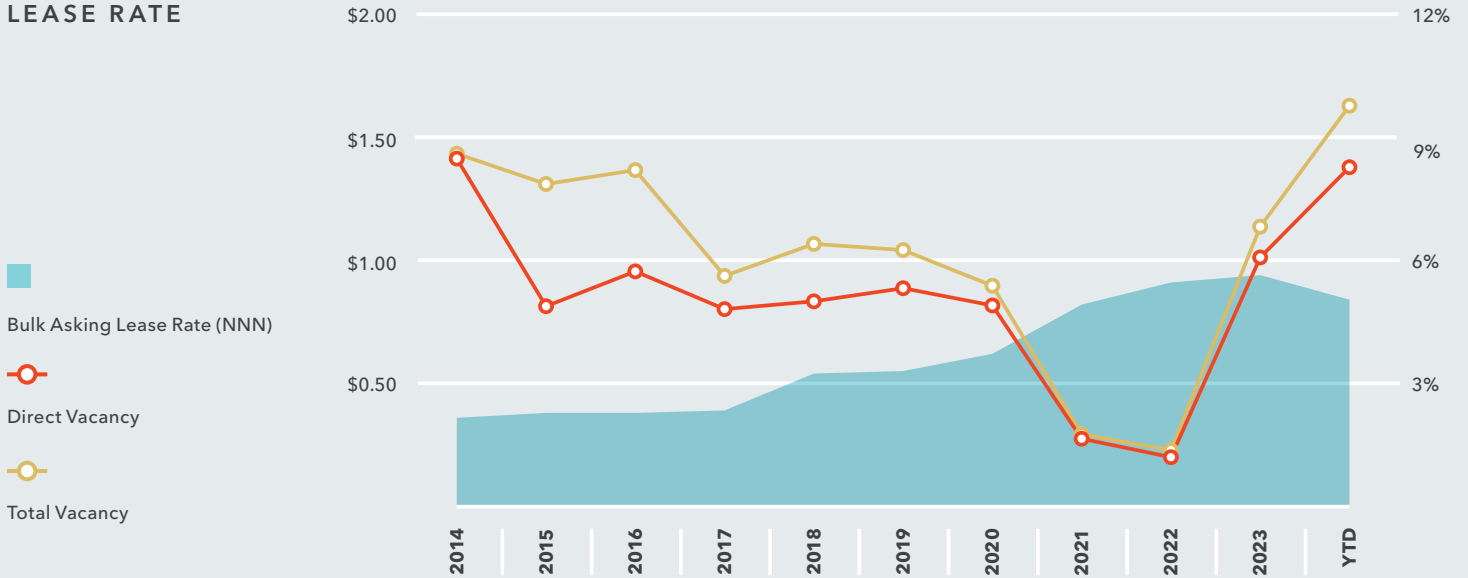
Market Highlights

DIRECT VACANCIES market wide concluded the quarter at 8.27%

AVERAGE ASKING RATES for bulk warehouse decreased to \$0.84/SF NNN

DELIVERIES in 2Q 2024 totaled 77,985 SF

VACANCY & LEASE RATE

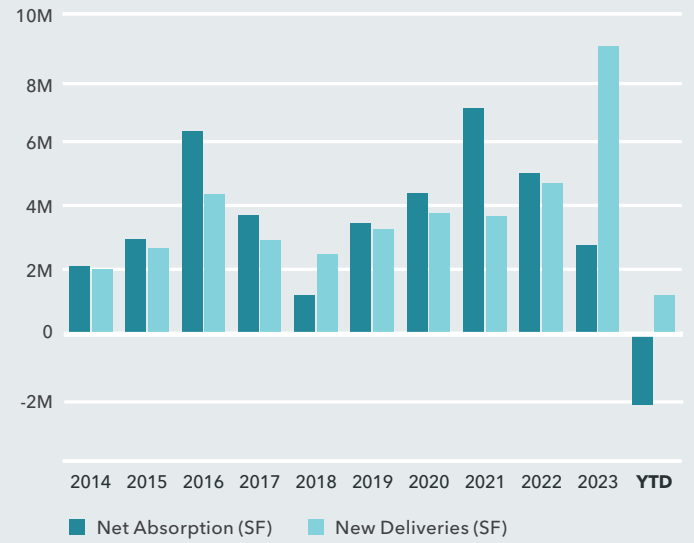


BIGGEST SALE OF THE QUARTER

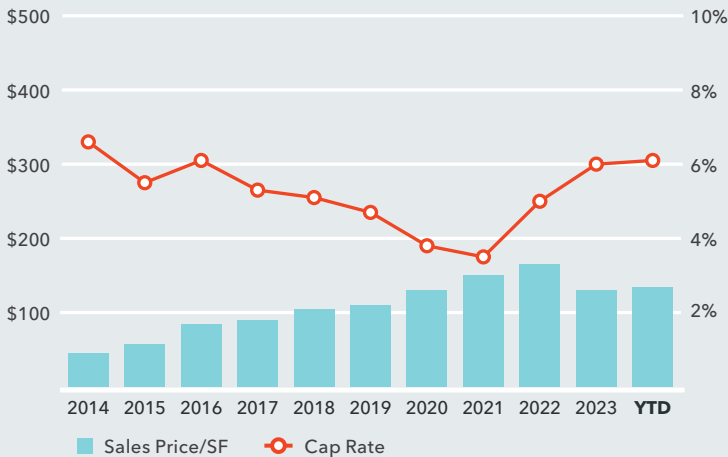
Airway Commerce Center, Reno



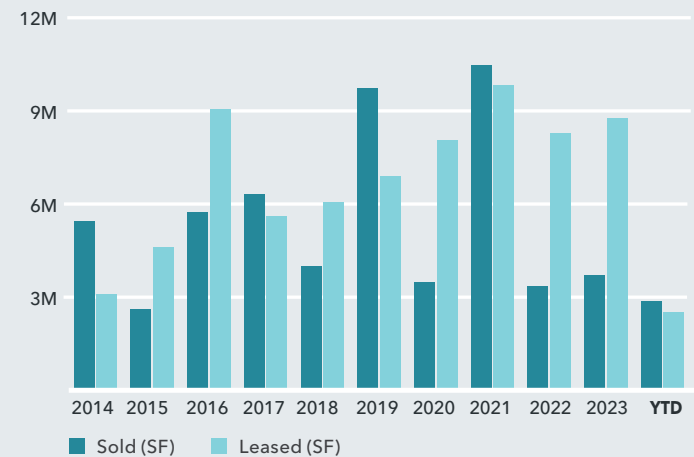
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries (SF)	Total Vacancy Rate	2Q24 Overall Net Absorption	YTD Overall Net Absorption	2Q24 Gross Absorption (SF)	YTD Gross Absorption (SF)	Bulk Rental Rate (50K+ SF)
North Valleys	31,467,560	58,300	9.91%	-740,586	-1,055,792	77,864	388,767	\$0.86
Sparks	25,383,749	-	7.34%	-145,114	-640,943	119,600	321,423	\$0.83
Airport	10,500,618	-	5.23%	97,593	65,662	193,874	263,593	\$0.80
South Reno	11,918,941	19,645	12.15%	24,543	-241,550	182,034	182,034	\$0.99
Central/West Reno	2,595,961	-	18.12%	0	-22,870	8,209	18,109	\$0.83
I-80 East Corridor	31,729,790	-	11.51%	-411,198	-348,458	74,000	1,348,750	\$0.72
Reno Total	113,596,619	77,945	9.77%	-1,174,762	-2,243,951	655,581	2,522,676	\$0.84

The shining star of the quarter was capital markets with five major sale transactions in Q2 2024 alone. The largest sale of the quarter was the shell-forward sale of the 893,632 SF Airway Commerce Center from Tolles Development to Prospect Ridge. The I-80 East Corridor submarket saw a massive uptick in activity as Caprock bought 3200 USA Parkway, a 707,010 SF former Zulily distribution center, from Manulife, Exeter bought 450 Pittsburgh Avenue, a 354,640 SF building, from Pure Development, and Clarion Partners bought a forward sale of 322,400 SF building at 500 Denmark Drive from Pure Development. Lastly, LBA bought 945 Spice Islands Drive, a 90,101 SF building, from Libitzky Properties.

Northern Nevada’s industrial market is navigating a period of increased vacancy, negative net absorption, and limited lease activity. These trends reflect broader economic uncertainties and a temporary imbalance between supply and demand. Stakeholders must adopt strategic measures to navigate this challenging landscape and position themselves for future opportunities.

BIGGEST LEASE OF THE QUARTER

605 Herz Blvd, Reno



SIGNIFICANT SALE TRANSACTIONS 2Q 2024

Property	City	SF	Buyer	Seller
Airway Commerce Center	Reno	893,632	Prospect Ridge	Tolles Development
3200 USA Parkway	McCarran	707,010	Cap Rock	Manulife
450 Pittsburgh Ave	McCarran	354,640	Exeter	Pure Development
500 Denmark Drive	McCarran	322,400	Clarion	Pure Development
945 Spice Islands	Sparks	90,101	LBA	Libitzky Properties

SIGNIFICANT LEASE TRANSACTIONS 2Q 2024

Property	City	SF	Landlord	Tenant
605 Herz Blvd	Reno	145,600	Clarion	Confidential
5360 Capital Ct.	Reno	104,207	LINK	Reno Warehousing
250 Greg St.	Sparks	82,800	IND	Polymershapes
2275 E. Newlands	Fernley	64,000	IND	Dragonfly Energy
880 N. Hills	Reno	39,800	LINK	Octillian Power Systems

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Reno AirLogistics Park Bldg 2	Reno	468,697	Q1 2025	Dermody
100 Wild Horse Canyon Drive	McCarran	436,800	Q2 2025	Beretta
1400 Electric Ave	McCarran	202,800	Q1 2025	Buzz Oates

Data Source: Kidder Mathews, 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 across Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

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COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	55M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	27 WITH MAI DESIGNATIONS

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