

MARKET TRENDS | **RENO**

MULTIFAMILY

**1ST QUARTER
2022**

▲ VACANCY | ▲ RENTAL RATE | ▼ ABSORPTION | ▲ CONSTRUCTION DELIVERIES

Year-over-year change

A total of 24 multifamily properties traded in the first quarter of 2022 which amounted to \$418,370,000 in volume. One key sale was ERGS properties, a portfolio sale of eight different multifamily assets totaling 1,077 total units which traded for \$302,000,000 (or \$280,409 per unit).

The Reno apartment market is projected to continue to experience heightened demand and deliveries. Just under 4,500 apartment units are currently under construction, with just over 6,000 units in the planning stages. An estimated 933 units are forecast to be absorbed in 2022 compared to 1,514 units absorbed in 2021 down 62% year over year. Due to the (Covid-19) eviction moratoriums being lifted, it is likely that vacancy rates may increase somewhat according to Johnson Perkins-Griffin. JPG stated that rental rates, which have continued to increase since the last recession, may begin to stabilize, or even decrease slightly.

Average rents increased slightly, up 1.05% in Q1 2022 compared to Q1 2021 but were notably up year-over-year to \$1,633 in Q1 2022 compared to \$1,469 in Q1 2021, an 11% increase. Rent growth over the past two years was even higher among studio and one-bed apartments averaging \$1,150 for studios and \$1,460 for one-bed units in Q1 2022 compared to \$873 for studios and \$1,194 for one-bed units in Q1 2020, a 27% increase. All unit types experienced decreases in vacancies as the average vacancy for all unit types fell to 2.66% in Q1 2022 compared to 3.18% in Q4 2021.

Cap rate expansion will start taking center stage in 2022. Mortgage rates in April hit 5%, the highest level since February 2011, continuing a stunning ascent since the start of 2022. The New York Times reported that policymakers project five more similarly sized moves over the course of 2022 as inflation has reached a 40-year high, signaling that they are prepared to pull back support for the economy markedly. The rapid rise in interest rates inflames an already menacing affordability crisis.

We will face some strong headwinds this year due to inflation and the rising interest rate environment. The Fed is already poised to deliver two back-to-back half-point interest rate hikes in May and June alone. Rising interest rates will negatively impact the debt proceeds that buyer's will be able to borrow for new deals because it stresses the debt service coverage ratios that lenders require. Accordingly, expect proceeds to be closer to 65% as compared to the 70-75% that we've been enjoying. Cap rate expansion will start affecting core deals the most. To that end, buying a core deal at a 3.25-3.5% cap rate where there is no ability to add value and increase rents will be a tough proposition. Nevertheless, with little inventory available and investment capital waiting to deploy, demand will continue for the foreseeable future.

Market Breakdown

	1Q 22	4Q21	1Q21	Annual % Change
New Construction	208	549	0	N/A
Under Construction	4,464	4,068	2,011	121.98%
Vacancy Rate	2.66%	3.18%	1.95%	36.41%
Average Asking Rents	\$1,633	\$1,616	\$1,469	11.16%
Average Price / Unit	\$217,479	\$207,000	\$187,270	16.13%
Cap Rates	4.9%	5.0%	6.0%	-18.33%
Net Absorption	163	(167)	527	-69.07%

Average Monthly Rent

Unit Size	1Q22	4Q21	1Q21
Studio	\$1,150	\$1,058	\$944
1 Bedroom	\$1,460	\$1,436	\$1,306
2 Bedroom	\$1,644	\$1,634	\$1,476
3 Bedroom	\$2,180	\$2,151	\$1,961

SUBMARKET STATISTICS

Submarket	Total Units	1Q 2022 Vacancy Rate	4Q 2021 Vacancy Rate	1Q 2022 Avg Rental Rate	4Q 2021 Avg Rental Rate
Downtown	4,234	2.96%	4.77%	\$1,691	\$1,657
Airport	8,708	1.43%	1.79%	\$1,421	\$1,517
Close-In Southwest	4,398	2.35%	3.40%	\$1,245	\$1,221
Southwest Reno	1,872	4.08%	4.87%	\$1,737	\$1,678
Northwest Reno	7,674	2.37%	2.74%	\$1,654	\$1,661
Northeast Reno	3,068	3.93%	1.96%	\$1,426	\$1,432
Southeast Reno	5,015	2.04%	2.39%	\$1,714	\$1,708
West Sparks/North Valley	9,474	2.83%	3.29%	\$1,453	\$1,435
East Sparks	6,561	2.89%	3.69%	\$1,846	\$1,791
Reno-Sparks Total Market	51,004	2.66%	3.18%	\$1,633	\$1,616

SIGNIFICANT SALE TRANSACTIONS

Property	Submarket	# of Units	Sale Price	Price/Unit	Buyer	Seller
Portfolio Sale (8 Properties)	Multiple	1,085	\$302,500,000	\$278,802	MG Properties	ERGS, Inc
Ascent on Steamboat	Southwest Reno	204	\$56,000,000	\$274,510	Ascent P&E, LLC	Cerna 1100, LLC
Portfolio Sale (3 Properties)	Multiple	60	\$12,700,000	\$211,667	UW 405 Grand Canyon, LLC	GC28, LLC
Casabella Townhomes	Downtown Riverwalk	16	\$8,500,000	\$531,250	JT Orchard, LLC	CLC West First Properties, LLC
Moran Apartments	Airport	28	\$6,375,000	\$227,679	Bohrs, LLC	725-745 Moran Street, LLC

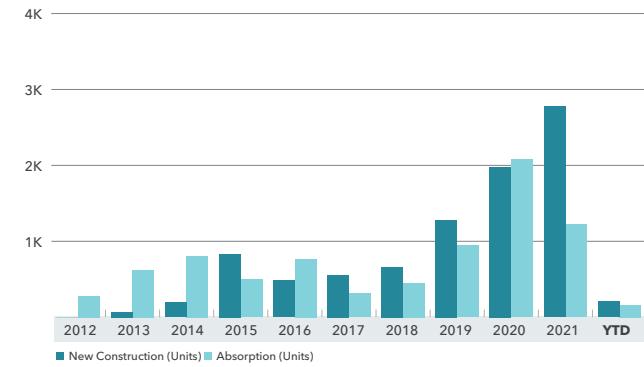
SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	# of Units	Landlord	Expected Delivery Date
Reno City Center	219 N Center St	Downtown	530	CAI Investments, LLC	1Q 2022
Double R Apartments	9200 Double R Blvd	Southeast Reno	440	Oakmont Properties	2Q 2022
Basecamp at RED	2100 Basecamp Way	Southwest Reno	340	Lyon Management Group	2Q 2022
The Halcyon @ Reno	7900 S Virginia St	Southeast Reno	330	Syufy Enterprises, Ltd	3Q 2022
The Lakes at Lemmon Valley (Phase II)	7711 Sky Vista Pkwy	West Sparks/North Valleys	280	Bluth Development	3Q 2022

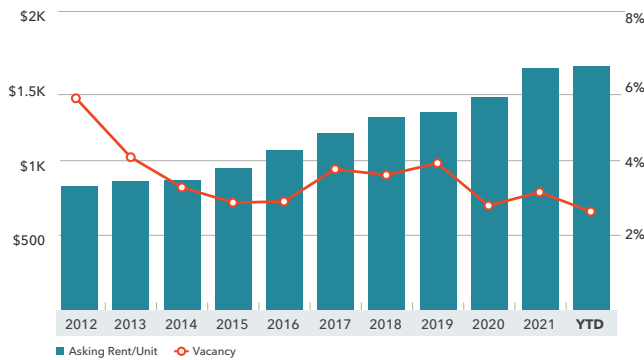
RECENT COMPLETIONS

Property	Address	Submarket	# of Units	Owner	Delivery Date
Vintage at Sanctuary	301 Gentry Way	Airport	208	GreenStreet Companies	1Q 2022

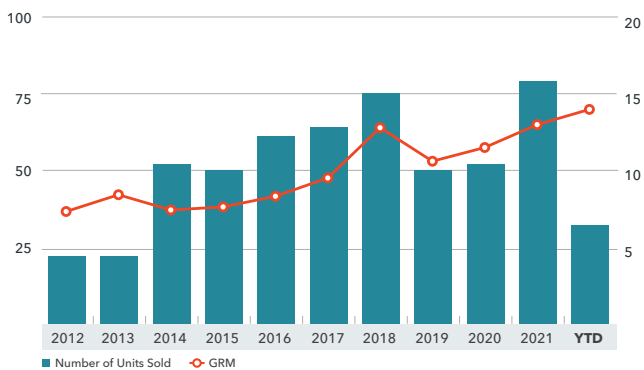
NEW CONSTRUCTION & ABSORPTION



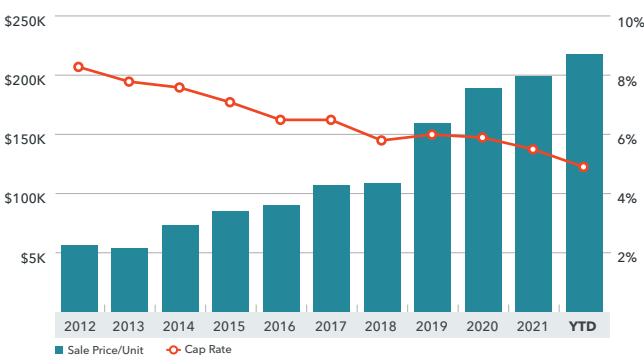
AVERAGE ASKING RENT/UNIT & VACANCY RATE



NUMBER OF UNITS SOLD & GRM



AVERAGE SALE PRICE/UNIT & CAP RATES



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 Industrials in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

49.7M
ANNUAL SALES SF

43.7M
ANNUAL LEASING SF

460+
NO. OF BROKERS

\$10.9B
ANNUAL TRANSACTION VOLUME

VALUATION ADVISORY

2,600+
APPRAISALS ANNUALLY

51/24
TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M
MANAGEMENT PORTFOLIO SF

\$11B
IN ASSETS UNDER MANAGEMENT

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

GARY BARAGONA
Director of Research
415.229.8925
gary.baragona@kidder.com

ERIC LUHRS
Regional President, Brokerage
Northern California & Nevada
408.970.9400
eric.luhrs@kidder.com

Designated Broker: Brad Lancaster | LIC N° B.0144389.CORP

KIDDER.COM



This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.