

MARKET TRENDS | **RENO**

MULTIFAMILY

2ND QUARTER
2022

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

Year-over-year change

Multifamily performance remained strong in July despite economic deceleration in some other markets. According to Yardi Matrix, the average asking rent nationally increased \$19, bringing overall rent to a new all-time high of \$1,706.

When compared to Reno-Sparks, asking rents increased by \$47, bringing the overall rent to \$1,680. Rent growth also increased by 2.88% since Q1 2022 while vacancy remained flat compared to last quarter at 2.66%. The single-family sector continues to grow on par with multifamily as homeownership becomes out of reach for more households.

Average rents increased slightly to 2.88% in Q2 2022 compared to Q1 2022 and up slightly year-over-year to \$1,680 in Q2 2022 compared to \$1,607 in Q2 2021, a 4.5% increase. Whether or not the Reno-Sparks apartment market will see more concessions will largely depend on the vacancy rate. A recent survey of a few (class A) apartments in downtown Sparks reported vacancies as high as 19%.

With debt markets continuing to spiral out of control, it is already having a punishing effect with local deal volume. A total of 10 multifamily properties traded in the second quarter of 2022 which amounted to \$34,663,000 in volume. One key sale was a senior project - Mountain Lake Estates - 131 total units which traded for \$22,005,000 (or \$168,287 per unit).

Yahoo Finance indicated that the Fed has now moved in four consecutive meetings to increase borrowing costs in America, extending its effort to dampen household and business spending. The goal: to wrangle inflation running at rates unseen since the early 1980's. Short-term borrowing rates are now between 2.25% and 2.50%, comparable to levels in 2019.

The Reno apartment market will continue to experience heightened demand and deliveries. With 5,158 major apartment projects under construction and 5,450 units in the planning stages, there appears to be no slowdown on the development side. With the eviction moratoriums related to Covid 19 now in the rear-view mirror, the rising prices of fuel and other everyday expenses are beginning to take its toll. Johnson Perkins Griffin commented that "It is likely that vacancy rates will begin to increase once all eviction moratoriums are lifted. Rental rates, which have continued to increase since the last recession, will likely begin to stabilize, and ultimately decrease over the next several quarters." To that end, we will experience strong headwinds this year due to inflation and the rising interest rate environment.

Market Breakdown

	2Q 22	1Q22	2Q21	Annual % Change
New Construction	878	208	1,299	-32.41%
Under Construction	3,684	3,684	1,482	148.58%
Vacancy Rate	2.66%	2.66%	1.63%	63.19%
Average Asking Rents	\$1,680	\$1,633	\$1,607	4.54%
Average Price / Unit	\$209,730	\$212,009	\$150,447	39.40%
Cap Rates	5.1%	4.9%	5.5%	-7.27%
Net Absorption	(36)	(58)	510	-107.06%

Average Monthly Rent

Unit Size	2Q22	1Q22	2Q21
Studio	\$1,161	\$1,150	\$1,007
1 Bedroom	\$1,488	\$1,460	\$1,419
2 Bedroom	\$1,697	\$1,644	\$1,611
3 Bedroom	\$2,251	\$2,180	\$2,174

SUBMARKET STATISTICS

Submarket	Total Units	2Q 2022 Vacancy Rate	1Q 2022 Vacancy Rate	2Q 2022 Avg Rental Rate	1Q 2022 Avg Rental Rate
Downtown	4,234	7.40%	2.96%	\$1,717	\$1,691
Airport	8,500	1.07%	1.43%	\$1,507	\$1,421
Close-In Southwest	4,398	2.33%	2.35%	\$1,245	\$1,245
Southwest Reno	1,872	3.12%	4.08%	\$1,737	\$1,737
Northwest Reno	7,674	2.21%	2.37%	\$1,716	\$1,654
Northeast Reno	3,068	2.04%	3.93%	\$1,490	\$1,426
Southeast Reno	5,015	1.64%	2.04%	\$1,743	\$1,714
West Sparks/North Valley	9,474	3.58%	2.83%	\$1,513	\$1,453
East Sparks	6,561	3.39%	2.89%	\$1,895	\$1,846
Reno-Sparks Total Market	50,796	2.66%	2.66%	\$1,680	\$1,633

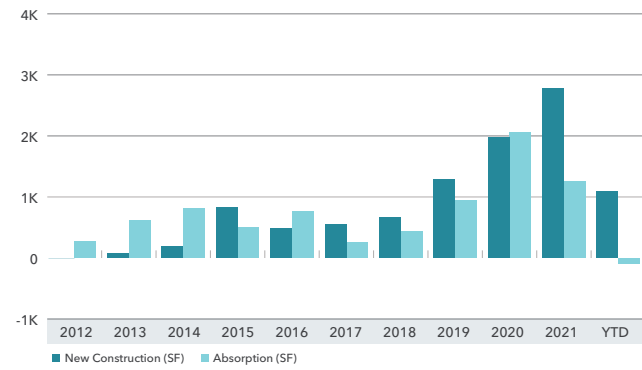
SIGNIFICANT SALE TRANSACTIONS

Property	Submarket	# of Units	Sale Price	Price/Unit	Buyer	Seller
Mountain Lakes Estates	South Meadows	131	\$22,005,000	\$167,977	Reno Retirement Living, LLC	Propero III Reno, LLC
123 Wonder St	Midtown Reno	8	\$2,600,000	\$325,000	The 2012 Walls Grandchildren's GST Trust	Bhagat Family Trust
128 Ralston St	Riverwalk	12	\$2,020,000	\$168,333	Riverwalk 155, LLC	Dung and Ly Truong

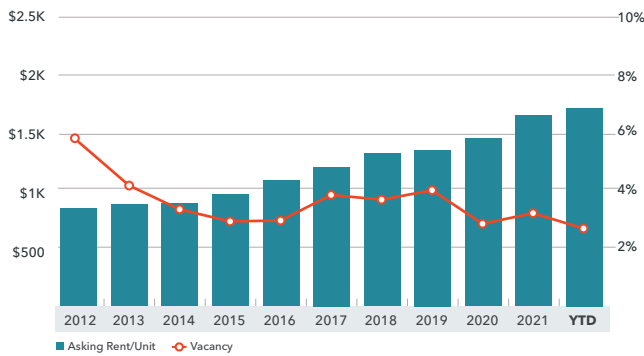
SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	# of Units	Landlord	Expected Delivery Date
Reno City Center	219 N Center St	Downtown	530	CAI Investments, LLC	3Q 2022
Double R Apartments	9200 Double R Blvd	Southeast Reno	440	Oakmont Properties	3Q 2022
Basecamp at RED	2100 Basecamp Way	Southwest Reno	340	Lyon Management Group	3Q 2022
The Halcyon @ Reno	7900 S Virginia St	Southeast Reno	330	Syufy Enterprises, Ltd	4Q 2022
The Lakes at Lemmon Valley (Phase II)	7711 Sky Vista Pkwy	West Sparks/North Valleys	280	Bluth Development	4Q 2022

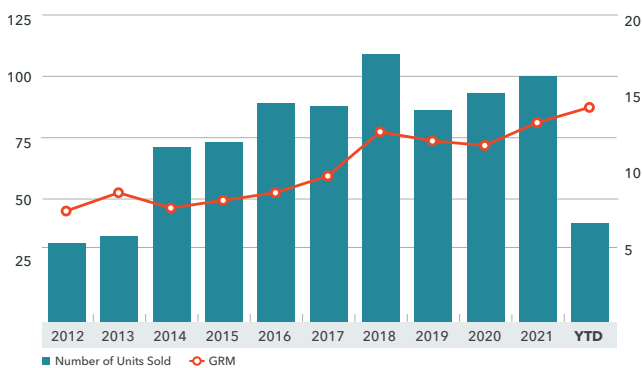
NEW CONSTRUCTION & ABSORPTION



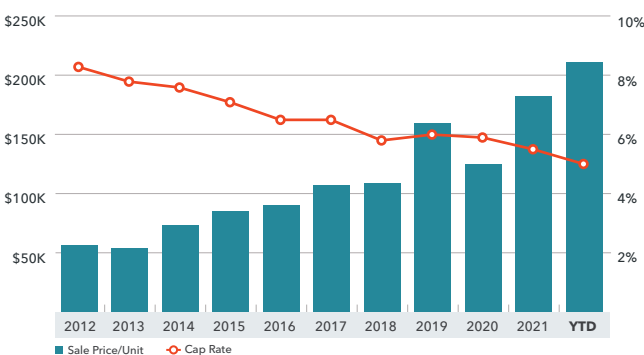
AVERAGE ASKING RENT/UNIT & VACANCY RATE



NUMBER OF UNITS SOLD & GRM



AVERAGE SALE PRICE/UNIT & CAP RATES



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COMMERCIAL BROKERAGE

49.7M
ANNUAL SALES SF

43.7M
ANNUAL LEASING SF

470+
NO. OF BROKERS

\$10.9B
ANNUAL TRANSACTION VOLUME

VALUATION ADVISORY

2,600+
APPRAISALS ANNUALLY

50/25
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.

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