

RENO INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Reno Employment	247k	261k	▲
Reno Unemployment	4.2%	3.7%	▼
U.S. Unemployment	4.1%	3.8%	▼

February 2018/2019 used to represent Q1 for Reno.

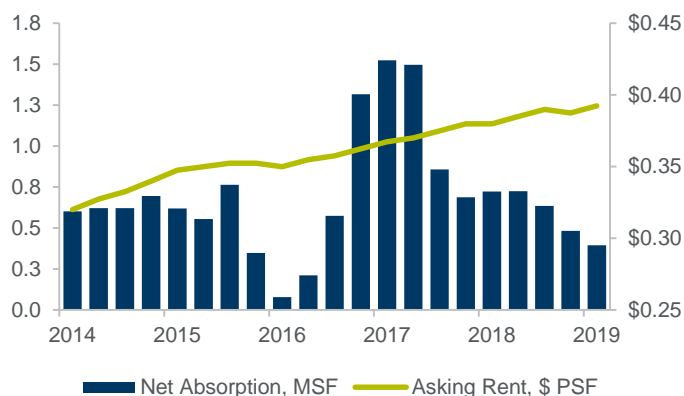
Market Indicators (All Product Types)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	6.3%	5.5%	▼
Net Absorption (sf)	746k	1.4M	▲
Under Construction (sf)	5.0M	5.03M	▲
Average Asking Rent	\$0.37	\$0.39	▲

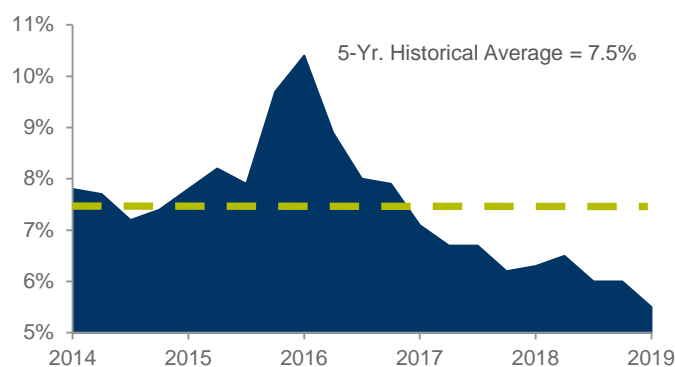
*Rental rates reflect triple net asking \$psf/monthly.

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Reno employment market continued to record job growth, adding 14,200 jobs (+5.9%) year-over-year through February 2019.¹ During the same time period, the unemployment rate decreased 50 basis points (bps), dropping to 3.7%. Also worth noting, the current rate is 220 bps below the 29-year average of 5.9%. All employment sectors are expected to grow at a combined growth rate of 3.4% in 2019. Reno's economy of \$26.6 billion² as measured by gross regional product is forecasted to grow an additional 4.8% in 2019, above its 10-year average of 2.3%.³

Market Overview

Industrial vacancy, including sublease, decreased 50 bps from last quarter and 80 bps from a year ago and is currently at the lowest level on record. Overall vacancy in Q1 2019 for manufacturing and warehouse and distribution space was at the lowest levels on record at 2.5% and 6.2%, respectively. Occupancy gains of 1.4 msf in warehouse and distribution space and 35,900 sf in manufacturing space were slightly offset by tenants returning 32,600 sf of flex space, resulting in an overall quarterly occupancy growth of 1.4 msf across all submarkets. This was the 12th consecutive quarter of positive occupancy growth during which tenants have absorbed 11.6 msf combined across all submarkets, averaging 966,400 sf per quarter.

During Q1 2019, tenants absorbed the majority of space in North Valleys and Storey County submarkets, over 1.4 msf combined. Central (0.9%) and West Reno (1.8%) submarkets maintained the lowest overall vacancy rates in Q1. The average asking rent was the highest in Central (\$0.75) and West Reno (\$0.62) submarkets, well above the market average of \$0.38 per square foot per month on a triple net basis. Two warehouse projects - an 802,000-sf property at 9550 N. Virginia St. in North Valleys and a 630,000-sf property at 425 E. Sydney Dr. in Storey County - were completed in Q1 2019. The North Valleys project was 100% pre-leased to the S&S Activewear company back in Q3 2018. Of the 5.0 msf currently under construction, the Tesla Gigafactory located at 2641 Portofino Dr. accounts for 3.8 msf with 100% pre-leased and is estimated to be completed by the end of 2019. The next biggest project currently under construction is the Polaris building, a 475,000-sf manufacturing building in the Fernley submarket.

Sales Activity

Reno industrial market recorded \$24 million in sales activity in Q1 2019 compared to \$323 million in Q1 2018, marking a slow start of the year. Private investors accounted for all 2019 industrial buying activity.⁴ Despite a decrease in sales volume, pricing remained steady. The average price per sf was \$84 for Q1 2019 compared to \$80 a year ago.

Outlook

- Over 1.4 msf were delivered in Q1 2019, relieving some pressure on tenants faced with limited supply. The pipeline of 5.0 msf set to be completed by the end of 2019 is a welcome addition.
- Reno's labor force shows no signs of slowing down, with over 48,000 jobs added in the past 5 years alone. Demand for industrial space will continue to flourish supported by the healthy business climate and record job growth. The Reno industrial market benefits from its close proximity to several states. Economic expansion, including migration of skilled workers from nearby states, no personal income tax and low business costs will attract continued interest in the market.

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2017. (f) by Moody's Analytics economy.com ⁴RCA.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Types)
Airport	180	8,615,903	59,000	508,874	6.6%	-2,592	-2,592	0	\$0.56
Central	80	1,833,342	0	16,761	0.9%	7,894	7,894	0	\$0.75
Douglas County/ Carson City	148	4,997,458	15,675	158,480	3.5%	-11,044	-11,044	0	\$0.47
Fernley	31	4,281,928	0	206,118	4.8%	0	0	950,000	\$0.31
North Valleys	123	20,069,414	0	726,728	3.6%	1,046,745	1,046,745	0	\$0.39
South Reno	125	9,480,326	142,200	313,988	4.8%	-74,885	-74,885	285,053	\$0.45
Sparks	415	27,757,181	13,650	1,831,552	6.6%	109,874	109,874	0	\$0.36
Storey County	54	14,021,955	0	1,048,955	7.5%	358,875	358,875	3,800,000	\$0.36
West Reno	20	869,308	0	15,700	1.8%	-19,319	-19,319	0	\$0.62
TOTAL	1,176	91,926,815	230,525	4,827,156	5.5%	1,415,548	1,415,548	5,035,053	\$0.39
FLEX	243	8,465,462	30,075	317,952	4.1%	-32,564	-32,564	0	\$0.85
MFG	112	11,697,179	0	290,150	2.5%	35,970	35,970	4,275,000	\$0.38
W/D	821	71,764,174	200,450	4,219,054	6.2%	1,412,142	1,412,142	760,053	\$0.37
TOTAL	1,176	91,926,815	230,525	4,827,156	5.5%	1,415,548	1,415,548	5,035,053	\$0.39

*Rental rates reflect triple net asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes properties of 10,000 sf +.

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
555 Milan Dr.	566,875	Home Depot	Prologis	New	Storey County
2275 E. Newlands Dr.	256,000	Webstaurant Store	Libitzky Property Companies	Sublease	Fernley
1381 Capital Blvd.	126,268	KP Aviation	Prologis	Sublease	Airport
2070 Brierley Way	110,000	LAT Sportswear	Prologis	New	Sparks
2801 Conestoga Dr	100,343	Stellar Snacks	Kirschner Ag	Sublease	Carson City

Key Sale Transactions Q1 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Colony Capital National Industrial Portfolio	1,023,050	Colony Capital, Inc.	Dermod Properties, Inc.	\$73,939,149 / \$72	North Valleys, Sparks
205 E. Parr Blvd	192,226	Brockway LLC	Bender Warehouse Co.	\$12,302,000 / \$64	North Valleys
790 Sutro St.	35,000	Destiny Center	Stan Lucas	\$1,350,000 / \$39	Central
450 Sutro St. & 1250 E. 6 th St.	28,940	Sutro Partners LLC	Retiremen LLC	\$2,180,000 / \$75	Central
9728 S. Virginia St.	19,440	Scandia Realty Group 3 LLP	TGR1 LLC	\$3,292,000 / \$169	South Reno

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