

## MARKETBEAT

# Reno

Industrial Q2 2019



### RENO INDUSTRIAL

#### Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Reno Employment	242k	256k	▲
Reno Unemployment	3.4%	3.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

May 2018/2019 used to represent Q2 for Reno.

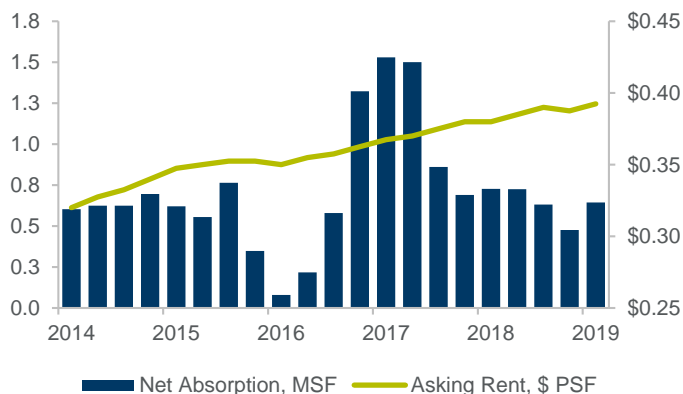
#### Market Indicators (All Product Types)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	6.5%	5.2%	▼
Net Absorption (sf)	128k	217k	▲
Under Construction (sf)	5.9M	7.3M	▼
Average Asking Rent	\$0.40	\$0.39	▲

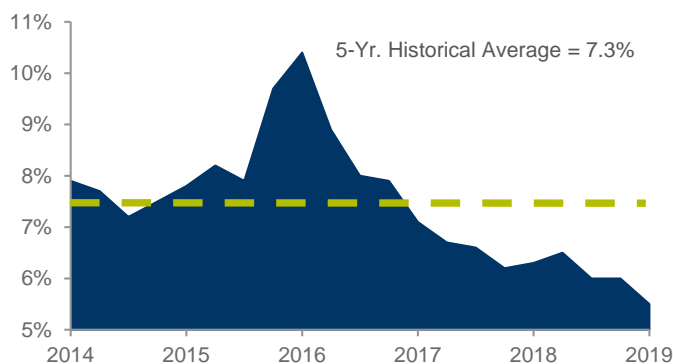
\*Rental rates reflect triple net asking \$psf/monthly.

#### Net Absorption/Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economic Overview

The Reno employment market continued to record job growth, adding 14,600 jobs (+6.0%) year-over-year through May 2019.<sup>1</sup> During the same time period, the unemployment rate decreased 40 basis points (bps), dropping to 3.0%. Also worth noting, the current rate is 290 bps below the 29-year average of 5.9%. All employment sectors are expected to grow at a combined growth rate of 5.2% in 2019. Reno's economy of \$26.6 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 4.6% in 2019, above its 10-year average of 2.3%.<sup>3</sup>

### Market Overview

Industrial vacancy, including sublease, decreased 30 bps from last quarter and 130 bps from a year ago and is currently at the lowest level on record at 5.2%. Both flex and warehouse and distribution space recorded the lowest overall vacancy rates in Q2 2019 of 3.6% and 5.8%, respectively. Tenants absorbed 198,100 square feet (sf) of warehouse and distribution space, 28,300 sf of manufacturing space while returning 9,300 sf of flex space across all submarkets, resulting in overall occupancy gains of 217,100 sf in Q2 compared to 1.4 million square feet (msf) in Q1. Despite lower activity compared to last quarter, Q2 market the 13<sup>th</sup> consecutive quarter of positive occupancy growth during which tenants have absorbed 11.8 msf combined, averaging 909,200 sf per quarter.

South Reno and Douglas County/Carson City submarkets recorded the highest occupancy gains in Q2 2019, recording 200,000 sf and 115,900 sf gains, respectively. Despite tenants returning 128,400 sf this quarter, the North Valleys submarket experienced the most growth year-to-date, with over 918,300 sf in positive absorption. Notably, the North Valleys submarket trails Storey County in terms of total sf currently under construction at 1.7 msf compared to 4.4 msf. Storey County's biggest project, the Tesla Gigafactory, accounts for 52.1% of all Reno industrial sf being developed. The Gigafactory, located at 2641 Portofino Dr., is set for a completion by the end of 2019 and is entirely pre-leased by Tesla. While manufacturing and warehouse and distribution rents have seen decreases since last year, flex rents have grown a remarkable 9.6% since Q2 2018. West Reno (\$0.69), Airport (\$0.53), and Douglas County/Carson City (\$0.53) currently boast the highest market rents compared to the market average of \$0.39 per sf per month on a triple net basis.

### Sales Activity

Reno's industrial market picked up the pace after a slow start of 2019, with \$221 million traded in Q2 2019. Compared to \$130 million traded in Q2 2018, this quarter's impressive sales mark a 70% year-over-year increase. Despite a decrease in year-to-date sales volume (\$289M 2019YTD vs. \$454M 2018YTD), the average price per sf increased 8% to \$85 psf in Q2 compared to \$78 psf a year ago. Institutional buyers led the way accounting for 86% of buying activity, followed by private investors (13%).<sup>4</sup>

### Outlook

- With over 7.3 msf currently under construction, the Reno industrial pipeline continues its impressive growth. Vacancy will see a slight increase in late 2019 due to the amount of projects set to deliver by year-end.
- The Reno industrial market benefits from its close proximity to several states and the overall health of the U.S. economy. Record job growth and a robust business climate show no signs of slowing down through the end of 2019.

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup>bea.gov <sup>3</sup>GDP as of 2017. (f) by Moody's Analytics economy.com <sup>4</sup>RCA.

[www.cushmanwakefield.com](http://www.cushmanwakefield.com) | 1

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	8,615,609	33,000	470,233	5.8%	-6,311	-8,903	0	\$0.53
Central	82	1,904,860	0	66,479	3.5%	-43,809	-36,715	0	\$0.52
Douglas County/ Carson City	148	4,996,658	17,175	130,738	3.0%	115,963	104,919	0	\$0.53
Fernley	31	4,281,928	0	199,638	4.7%	3,240	3,240	950,000	\$0.33
North Valleys	123	20,069,479	70,070	704,584	3.9%	-128,426	918,319	1,675,830	\$0.38
South Reno	126	9,496,527	43,200	112,107	1.6%	200,008	125,123	270,975	\$0.47
Sparks	415	27,785,089	6,673	1,858,228	6.7%	72,021	181,895	0	\$0.36
Storey County	54	14,021,955	259,500	843,240	7.9%	1,375	360,250	4,410,400	\$0.36
West Reno	20	878,808	0	16,250	1.8%	3,069	-16,250	0	\$0.69
<b>TOTAL</b>	<b>1,179</b>	<b>92,050,913</b>	<b>429,618</b>	<b>4,401,497</b>	<b>5.2%</b>	<b>217,130</b>	<b>1,631,878</b>	<b>7,307,205</b>	<b>\$0.39</b>
FLEX	243	8,467,980	23,848	284,861	3.6%	-9,320	-41,884	0	\$0.91
MFG	114	11,802,500	0	349,091	3.0%	28,329	64,299	4,275,000	\$0.39
W/D	822	71,780,433	405,770	3,767,545	5.8%	198,121	1,609,463	3,032,205	\$0.37
<b>TOTAL</b>	<b>1,179</b>	<b>92,050,913</b>	<b>429,618</b>	<b>4,401,497</b>	<b>5.2%</b>	<b>217,130</b>	<b>1,631,878</b>	<b>7,307,205</b>	<b>\$0.39</b>

\*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 Q2 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
1190 Trademark Dr.	198,000	Grove Collaborative Inc.	GIC Real Estate	New	South Reno
2555 USA Parkway	100,000	Zulily LLC	Prologis	Sublease	Storey County
980-988 Packer Way	60,586	Legend Inc.	Brennan Investment Group	Renewal	Sparks
1335 Alexandria Ct.	30,715	AeroSpec	Margo Anastassatos	New	Storey County
890 Bergin Way	12,400	ServiceMaster	Tyco Construction	New	Sparks

## Key Sale Transactions Q2 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Northwestern Mutual Nevada Industrial Portfolio	1,772,288	Blackstone	Northwestern Mutual Life Insurance	\$157,800,000 / \$89	South Reno, Sparks
1200 Venice Way	827,710	Exeter Property Group	Spirit Realty Capital	\$54,000,000 / \$65	Storey County
1150 Southern Way	40,040	Hsing H. Cheng & Tomoko Umemitsu	Genova Products Inc.	\$3,085,000 / \$77	Sparks
4655 Aircenter Circle	28,688	Hamilton Company	Reno A&E LLC	\$3,215,000 / \$112	Airport
2530 Wrondel Way	21,942	The Kraft/Haug Living Trust 2005	IOSLVR LTD	\$2,220,000 / \$101	Central Reno

### Jolanta Campion

Director of Research, San Diego & Nevada  
jolanta.campion@cushwake.com

### Brian Armon, SIOR, CCIM

Managing Partner, Northern Nevada  
brian.armon@cushwake.com  
6121 Lakeside Dr, Suite 160  
Reno, NV 89511  
Tel: 775.851.9500 Fax: 775.851.9551

### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.