



YoY
Chg

12-Mo.
Forecast

9.9%

Vacancy Rate

**15,700**

Net Absorption, SF

**\$1.69**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY
Chg

12-Mo.
Forecast

265kReno
Employment**2.7%**Reno
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Source: BLS, November 2019

ECONOMIC OVERVIEW

The Reno employment market continued to record job growth, adding 10,100 jobs (+4.0%) year-over-year (YOY) through November 2019.¹ During the same time period, the unemployment rate decreased 50 basis points (bps), dropping to 2.7%. Notably, the current unemployment rate is 310 bps below the 30-year average of 5.8%. All employment sectors are expected to grow at a combined growth rate of 2.3% in 2020 and 0.2% in 2021. Reno's economy of \$28.2 billion² as measured by gross regional product is forecasted to grow an additional 3.6% in 2020 and 3.5% in 2021, above its 10-year average of 3.3%.³

MARKET OVERVIEW

The overall office vacancy, including sublease, decreased 210 bps from a year ago to 9.9% yet increased 40 bps from last quarter. Meadowood, South Meadows and Sparks all posted single-digit vacancy rates in Q4 2019. The South Meadows submarket posted an unprecedented 2.4% vacancy rate - 510 bps lower than its 5-year quarterly average of 7.5%. Q4 2019 marked the fourth consecutive quarter of positive occupancy growth in Reno, bringing 2019 annual occupancy gains to 246,000 square feet (sf) – mostly in the Meadowood (172,000 sf) and South Meadows (63,600 sf) submarkets. Overall Class A vacancy dropped to 8.6%, marking the lowest vacancy since data became available in 2007. Q4 2019 was only the second time Class A has ever recorded a single-digit vacancy rate (the first was in Q3 2019). Over the last 12 months, Class B vacancy rate decreased 200 bps to 7.9%, while Class C recorded a 120-bps increase to 15.4%. The Reno office added 77,400 sf of new product in 2019. Currently there are no properties under construction. The average asking rent for all classes was \$1.69 per square foot per month in Q4 2019, a 1.8% YOY increase. The average asking rent for Class C properties increased 8.9% YOY, followed by 4.9% for Class A and 1.2% for Class B.

The northern Nevada office market recorded \$115 million in sales activity across 18 properties and 543,200 sf in 2019, a 40% decrease in sales volume from \$190 million traded in 2018. Average price per sf was \$232 in 2019 compared to \$201 in 2018. Average cap rate was 7.4% compared to 6.4% in 2018. Similar to last 10 years, private buyers accounted for the majority (80%) of buying activity in 2019 (vs. 91% in 2018) followed by institutional buyers (14%).⁴

OUTLOOK

Reno will remain a regional and national standout over the next several years even as job growth slows. Longer term, low business costs, population gains and improving industrial diversity will ensure that Reno remains one of the West's top performers. Reno's record-low vacancy rate is expected to maintain its downward trend into 2020. With no new office construction on the horizon, rental rates will rise as tenants compete for space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central/Airport	1,686,932	3,625	270,093	16.2%	-46,912	-6,061	101,165	0	\$1.25	-
Downtown	2,326,846	1,816	271,308	11.7%	-1,472	5,971	138,042	0	\$1.82	\$2.01
Meadowood	2,059,432	8,127	154,596	7.9%	57,539	172,190	214,147	0	\$1.85	\$2.48
South Meadows	1,219,881	0	29,069	2.4%	1,338	63,603	77,601	0	\$1.93	\$1.96
Sparks	380,242	0	17,370	4.6%	950	-101	30,706	0	\$1.19	-
West Reno	95,406	0	10,822	11.3%	4,247	10,406	1,495	0	\$1.16	-
TOTAL	7,768,739	13,568	753,258	9.9%	15,690	246,008	563,156	0	\$1.69	\$2.15
Class A	1,494,007	0	129,017	8.6%	49,805	135,976	134,479	0	\$2.15	
Class B	4,362,206	9,943	333,905	7.9%	30,074	112,824	358,823	0	\$1.68	
Class C	1,912,526	3,625	290,336	15.4%	-64,189	-2,792	69,854	0	\$1.35	
TOTAL	7,768,739	13,568	753,258	9.9%	15,690	246,008	563,156	0	\$1.69	\$2.15

*Rental rates reflect full service asking. **Leasing statistics include renewals.

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1301 Cordone Ave.	Central/Airport	Washoe County School District	10,413	New
9855 Double R Blvd.	South Meadows	AFSCME	2,590	New
132 Airmotive Way	Central/Airport	Meridian Health Counseling, LLC	2,585	New
1155 W. 4 th St.	Downtown	USA Rehab Center	2,556	New
100 W. Liberty St.	Downtown	Grant Thornton	2,427	Renewal**

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
645 E. Plumb Lane	Central/Airport	Majestic Bell LLC / Industrial Realty Group, LLC	84,261	\$8,100,000 / \$96
1155 W. 4 th ST.	Downtown	Keystone One LLC / West End Reno LLC	64,236	\$5,000,000 / \$78
1201 Corporate Blvd.	Central/Airport	Honor Those Who Serve LLC / 1802 North Carson Street LLC	20,000	\$1,900,000 / \$95
1855 Sullivan Lane	Sparks	Woodgate Investments LLC / Serpa M&M 1999 Trust	14,432	\$900,000 / \$62

Sources: ¹www.bls.gov ² bea.gov ³ GDP as of 2018. (f) by Moody's Analytics economy.com 11/2019 ⁴ RCA.

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