

5.6%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

1.3M

Net Absorption, SF



\$0.44

Asking Rent, PSF



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q2 2020

215.4K

Reno
EmploymentYoY
Chg12-Mo.
Forecast

18.2%

Reno
Unemployment Rate

13.0%

U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

The Reno employment market lost 29,000 jobs (-11.7%) year-over-year (YOY) through May 2020.¹ During the same time period, the monthly unemployment rate increased from 3.1% to 16.0%. Notably, the current monthly unemployment rate is nearly three times the 30-year average of 5.8% and 220 basis points (bps) below the Q2 2020 average of 18.2%. All employment sectors are expected to shrink at a combined rate of -11.2% in 2020 and grow 1.1% in 2021. Reno's economy of \$26.7 billion as measured by gross regional product is forecasted to shrink -6.9% in 2020 and grow 3.4% in 2021, above its 10-year average of 2.4%.²

MARKET OVERVIEW

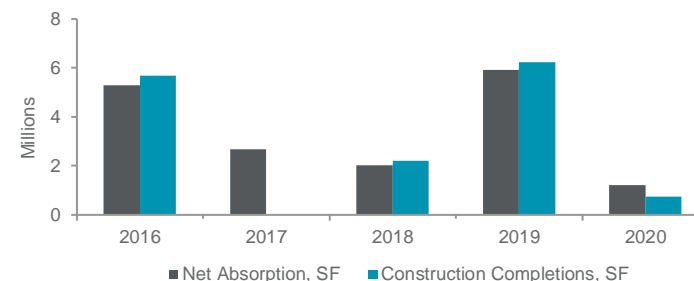
Overall vacancy in Q2 2020 increased 90 bps from last quarter and remained unchanged since last year at 5.6%. The current industrial vacancy rate is 120 bps below the 5-year quarterly average of 6.8%. While both flex and manufacturing properties experienced increased vacancy rates YOY (+120 bps and +90 bps, respectively), warehouse/distribution properties saw a 20-bps decline in vacancy YOY. Sparks, the largest submarket by inventory, recorded its lowest vacancy rate since data has been available at 2.5%. The Sparks submarket also recorded the most positive net absorption in Q2 2020 at 1.1 million square feet (msf). Elsewhere, tenants absorbed space in the Douglas County/Carson City, North Valleys and Fernley submarkets – over 842,800 square feet (sf) combined. Reno delivered three properties, or 742,600 sf, in Q2 2020: one warehouse/distribution and two manufacturing buildings. Looking ahead, the Reno submarket has over 2.6 msf under construction with 75% of current construction in the North Valleys submarket. Rental rates continue to climb in the Reno market, with a 12.8% growth YOY. Average asking rent for flex space declined 7.7% YOY but increased for manufacturing (+20.5%) and warehouse/distribution (+8.1%) YOY.

The northern Nevada industrial market recorded \$1.6B in sales activity in 2019- the highest annual volume on record. As of mid-2020, sales totaled \$309 million (14 properties totaling 3.6 msf) compared to \$289 million traded in the first half of 2019. Average price per sf was \$90 in 2020 compared to \$88 in 2019. Like last year, institutional buyers comprised the majority (77%) of buying activity in 2020 (vs. 68% in 2019).

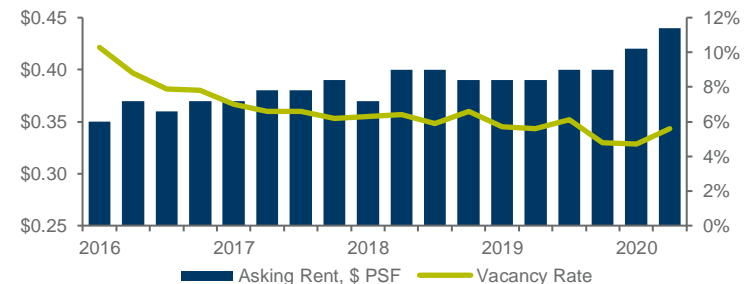
OUTLOOK

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NNN RENT (MFG)	OVERALL WEIGHTED AVG NNN RENT (W/D)	OVERALL WEIGHTED AVG NNN RENT
Airport	8,743,126	528,526	6.0%	-185,979	118,117	0	51,050	\$0.85	\$0.41	\$0.57
Central	1,890,370	51,371	2.7%	-3,454	-6,267	0	0	-	\$0.95	\$0.98
Douglas County/Carson City	5,350,010	113,428	2.1%	88,148	45,784	0	0	\$0.51	\$0.58	\$0.54
Fernley	4,797,078	259,895	5.4%	266,000	266,000	0	0	\$0.34	\$0.30	\$0.41
North Valleys	21,387,174	1,741,104	8.1%	488,657	533,532	1,933,181	691,527	\$0.42	\$0.39	\$0.39
South Reno	9,579,891	411,900	4.3%	-219,653	-234,033	0	0	-	\$0.63	\$0.68
Sparks	27,885,703	703,592	2.5%	1,144,876	764,596	659,280	0	\$0.54	\$0.40	\$0.41
Storey County	19,113,905	1,718,792	9.0%	-218,470	-273,582	0	0	\$0.48	\$0.39	\$0.39
West Reno	878,808	11,040	1.3%	-10,490	-10,490	0	0	-	\$0.67	\$0.67
TOTAL	99,626,065	5,539,648	5.6%	1,349,635	1,203,657	2,592,461	742,577	\$0.47	\$0.40	\$0.44
FLEX	8,579,594	393,364	4.6%	-130,281	-63,943	0	0			\$0.84
MFG	16,459,175	617,827	3.8%	167,628	115,859	0	337,537			\$0.47
W/D	74,587,296	4,528,457	6.1%	1,312,288	1,151,741	2,592,461	405,040			\$0.40
TOTAL	99,626,065	5,539,648	5.6%	1,349,635	1,203,657	2,592,461	742,577	\$0.47	\$0.40	\$0.44

*Rental rates reflect weighted net asking \$psf/month FLEX = Flex MFG = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
550 Milan Dr.	Storey County	Tesla	610,400	New
4615 Echo Ave.	North Valleys	Continental Tire	252,000	New
1381 Capital Blvd.	Airport	The Jay Group Inc.	126,916	New

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Dean Foods Reno Portfolio	Central	Dean Foods Company / Producers Dairy Foods Inc.	88,915	\$3.7M / \$42
Velocity Dealership Portfolio	Sparks	Stuart R. Engs Jr. / Velocity Vehicle Group	57,481	\$6.5M / \$113
705 Trademark Dr.	South Reno	Reno Investments II LLC / Late Out LLC	20,000	\$3.0M / \$150

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
North Valleys Commerce Center – Bldg. F	North Valleys	N/A	405,040	Panattoni Development
6125 Echo Ave.	North Valleys	N/A	286,487	Becknell Industrial
1285 Corporate Blvd.	Airport	N/A	51,050	John Galt Ents LLC

Sources: ¹www.bls.gov ²GDP as of 2019. (f) by Moody's Analytics economy.com 6/2020 ³RCA.

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