

YoY
Chg

12-Mo.
Forecast

4.7%

Vacancy Rate



-227K

Net Absorption, SF



\$0.53

Asking Rent, PSF



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

236.2K

Reno
Employment

6.1%

Reno
Unemployment Rate

6.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

The Reno employment market lost 13,200 jobs (-5.2%) year-over-year (YOY) through November 2020. Of the 13,200 jobs lost 6,100 (-15.9% YOY) or 46.2% of losses were in the leisure and hospitality sector. During the same time, the monthly unemployment rate increased from 2.7% to 5.4%. Notably, the current monthly unemployment rate is 40 basis points (bps) lower than the 30-year monthly average of 5.8% and 70 bps below the Q4 2020 quarterly average of 6.1%.¹ On the bright side, monthly job gains have been positive for the last seven consecutive months. All employment sectors are expected to grow at a combined rate of 1.8% in 2021 and 4.2% in 2022. Reno's economy of \$25.6 billion as measured by gross regional product is forecasted to grow 5.4% in 2021 and 8.7% in 2022, above its 10-year average of 1.9%.²

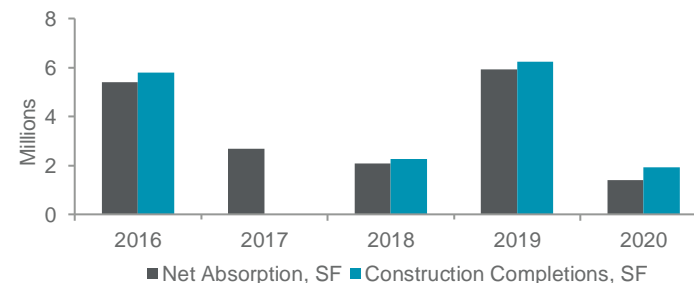
MARKET OVERVIEW

Overall vacancy decreased 10 bps quarter over quarter (QOQ) and 10 bps YOY to 4.7% in Q4 2020. The current industrial vacancy rate is 170 bps below the 5-year quarterly average of 6.4%. Vacancy in manufacturing space increased 30 bps YOY and 1,500 bps in flex space as a result of the IGT Campus, totaling 1.3 million square feet (msf), listed for sublease during Q4 2020 in South Reno submarket at 9295 Prototype Dr. Tenants absorbed the most space in Q4 2020 in North Valleys, Storey County and Airport submarkets (1.1 msf combined). However, occupancy gains in seven submarkets were not large enough to outweigh losses in two submarkets, resulting in an overall occupancy loss of 227,425 square feet (sf) in Q4 2020. On annual basis, occupancy grew by 1.4 msf in 2020, marking the 13th consecutive year of occupancy gains, averaging 2.0 msf per year. Demand remains high for warehouse and distribution (W/D) space, which recorded a 190 bps decrease in vacancy since Q4 2019. In 2020, tenants absorbed 2.4 msf of W/D space compared to 2.0 msf in 2019. Reno delivered one W/D property in Q4 2020 - a 140,000-sf building located at 9740 N. Virginia St. This brings 2020 deliveries to 1.9 msf, well below the 6.2 msf delivered in 2019. In comparison, the 10-year annual average of completions stands at 2.5 msf. As of Q4 2020, there are seven properties, or 2.1 msf, under construction across the market. Average asking rate for all product types combined grew 17.8% QOQ and increased 32.5% YOY to \$0.53 triple net on a monthly basis. Average asking rent for flex space declined 2.2% YOY but increased for W/D (+31.6%) and manufacturing (+4.7%) space.

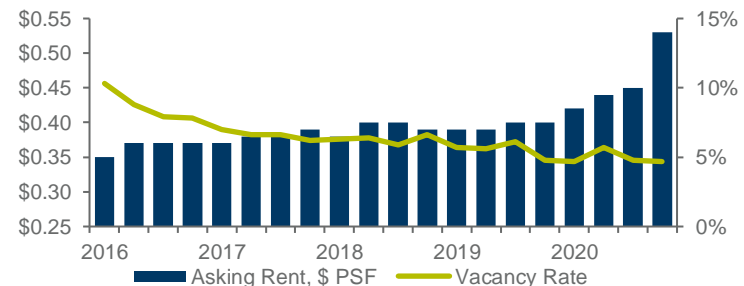
SALES ACTIVITY

The northern Nevada industrial market recorded \$1.6B (across 88 properties and 18.0 msf) in sales activity in 2019 - the highest annual volume on record. In 2020, sales totaled \$430 million (across 22 properties totaling 4.9 msf), a 74% drop YOY. Average price per sf was \$91 in 2020 compared to \$88 in 2019. Like last year, institutional buyers comprised the majority (66%) of buying activity in 2020 (vs. 68% in 2019), followed by private (21%) and cross-border investors (13%). Institutional sellers accounted for 42% of selling activity in 2020 (vs. 19% in 2019), followed by private (31%) and cross-border investors (27%).³

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	8,786,781	402,189	4.6%	79,992	59,229	0	51,050	\$0.85	\$0.69	\$0.88
Central	1,921,250	74,482	3.9%	38,555	-29,378	0	0	\$0.60	\$0.92	\$0.78
Douglas County/Carson City	5,351,872	93,568	1.7%	13,775	51,666	0	0	\$0.55	\$0.59	\$0.60
Fernley	4,798,829	76,460	1.6%	3,243	449,435	0	0	\$0.34	-	\$0.34
North Valleys	22,585,265	1,221,359	5.4%	986,103	2,061,686	767,449	1,889,625	\$0.38	\$0.43	\$0.40
South Reno	9,575,494	1,627,959	17.0%	-1,373,200	-1,697,169	27,200	0	-	\$0.93	\$0.93
Sparks	27,933,801	498,880	1.8%	-84,933	751,777	659,280	0	\$0.54	\$0.43	\$0.44
Storey County	19,249,905	760,447	4.0%	98,000	-233,512	663,600	0	\$0.48	\$0.53	\$0.53
West Reno	878,808	0	-	11,040	550	0	0	-	-	-
FLEX	8,620,598	1,602,515	18.6%	-1,181,005	-1,271,006	0	0			\$0.89
MFG	16,522,485	409,087	2.5%	63,906	324,599	0	337,537			\$0.45
W/D	75,938,922	2,743,742	3.6%	889,674	2,360,691	2,117,529	1,603,138			\$0.50
RENO TOTALS	101,082,005	4,755,344	4.7%	-227,425	1,414,284	2,117,529	1,940,675	\$0.45	\$0.50	\$0.53

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2000 S. McCarran Blvd.	South Reno	Ames	997,004	New
725 Waltham Way	Storey County	Geodis	255,000	New
2555 USA Pkwy.	Storey County	Cannon Equipment LLC	182,000	New

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4910 – 4990 Longley Ln.	Airport	501 W. 58 th Avenue LLC / GPR Ventures	331,632	\$23.2M / \$70
1000 Glendale Ave.	Sparks	Kendra LTD / Dean V. Bordigioni Trust	23,700	\$3.5M / \$148
131 – 133 Coney Island Dr.	Sparks	ARN Investments LLC / OTRE Investments LLC et al	20,000	\$2.2M / \$110

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
8800 Military Rd.	North Valleys	Uline	903,073	Dermody Properties, Inc.
10200 Military Rd.	North Valleys	Makita Power Tools	600,000	Makita USA, Inc.
North Valleys Commerce Center – Bldg. F	North Valleys	N/A	405,213	Panattoni Development

Sources: ¹www.bls.gov ²GDP as of 2020. (f) by Moody's Analytics economy.com 12/2020 ³RCA.

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