



YoY
Chg

12-Mo.
Forecast

12.4%

Vacancy Rate

**-14.6K**

Net Absorption, SF

**\$1.77**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY
Chg

12-Mo.
Forecast

244.0KReno
Employment**4.9%**Reno
Unemployment Rate**6.0%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

The Reno employment market lost 5,900 jobs (-2.4%) year-over-year (YOY) through February 2021, with the leisure and hospitality sector accounting for most losses. During the same time, the monthly unemployment rate increased from 3.2% to 4.9%. Notably, the current monthly unemployment rate is 100 basis points (bps) lower than the 30-year monthly average of 5.9% and in line with the Q1 2021 quarterly average of 4.9%.¹ All employment sectors are forecasted to grow at a combined rate of 3.6% in 2021 and 5.4% in 2022. Reno's economy of \$26.8 billion as measured by gross regional product is forecasted to grow 4.9% in 2021 and 8.9% in 2022, above its 10-year average of 1.9%.²

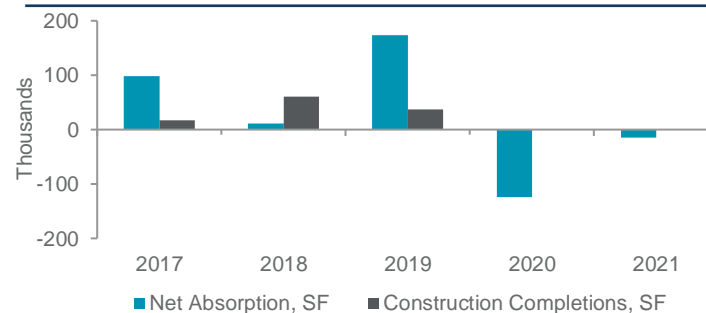
MARKET OVERVIEW

The overall vacancy, including sublease, decreased 10 bps from last quarter yet increased 330 bps from a year ago to 12.4%. Class A vacancy decreased 320 bps quarter-over-quarter (QOQ) and increased 210 bps to 10.0% YOY, while Class B vacancy increased 30 bps QOQ and 410 bps YOY to 11.3%. Vacancies are on the rise compared to a year ago as tenants look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Two submarkets ended the year with single digit vacancies: Sparks (6.4%) and South Meadows (3.0%). Occupancy grew by 15,621 square feet (sf) in Class A space; however not enough to outpace losses in Class B and C space (-30,259 sf combined), bringing overall occupancy losses to 14,648 sf market wide in Q1 2021. South Meadows, Downtown and Spark submarkets recorded occupancy gains in Q1 2021. All other submarkets recorded losses, with tenants returning the most to Central/Airport submarket. Leasing activity remained slow in Q1 2021, lacking large new deals, at 73,601 sf (33 deals), including renewals, compared to 184,976 sf (54 deals) in Q1 2020. Tenants leased 515,100 sf in 2020 combined (202 deals) of which 339,700 (178 deals) were new leases and 175,400 sf (24 deals) were renewals. New construction remains limited with one 24,000-sf Class A project located at The Village at Rancharra in Meadowood, estimated to deliver later this year. The average asking rate for all classes combined increased 1.1% over the last three months and 2.3% YOY. Class B average asking rate recorded an increase of 1.1% YOY, while Class A average rate decreased 3.0% YOY. With limited new inventory and a positive job growth, average rents are expected to increase over the 12 months.

SALES ACTIVITY

The northern Nevada office market recorded \$8.6 million in sales activity across 2 properties and 66,540 sf in Q1 2021 compared to \$18.5 million last quarter and \$20.3 million in Q1 2020. Sales in 2020 reached \$69.7 million, a 48% decrease in sales volume from \$134.1 million traded in 2019. Average price per sf was \$129 in Q1 2021 (-28% YOY) compared to 2020 quarterly average of \$180. Private buyers accounted for 100% of buying activity in Q1 2021, a trend on par with the last 10 years (vs. 100% in 2020). Private sellers accounted for 33% of selling activity in Q1 2021 (vs. 100% in 2020).³

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 (SF) | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY** (SF) | UNDE R CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|--------------------|------------------|--------------------|--------------------|----------------------|-----------------------------------------|-----------------------------|-----------------------------|-------------------|----------------------------------------|------------------------------------|
| Central/Airport | 1,724,337 | 1,085 | 347,465 | 20.2% | -32,000 | -32,000 | 7,274 | 0 | \$1.29 | - |
| Downtown | 2,394,206 | 1,745 | 340,656 | 14.3% | 4,327 | 4,327 | 11,636 | 0 | \$1.90 | \$2.09 |
| Meadowood | 2,044,187 | 15,272 | 211,490 | 11.1% | -23,512 | -23,512 | 20,945 | 24,000 | \$2.04 | \$2.63 |
| South Meadows | 1,384,407 | 3,455 | 37,780 | 3.0% | 36,372 | 36,372 | 28,964 | 0 | \$1.95 | \$2.01 |
| Sparks | 362,602 | 0 | 23,116 | 6.4% | 175 | 175 | 3,342 | 0 | \$1.10 | - |
| West Reno | 114,692 | 0 | 14,926 | 13.0% | 0 | 0 | 1,440 | 0 | \$1.00 | - |
| Class A | 1,368,776 | 4,407 | 131,938 | 10.0% | 15,621 | 15,621 | 39,258 | 24,000 | \$2.25 | |
| Class B | 4,842,449 | 14,320 | 534,877 | 11.3% | -16,946 | -16,946 | 22,773 | 0 | \$1.77 | |
| Class C | 1,813,206 | 2,830 | 308,618 | 17.2% | -13,313 | -13,313 | 11,570 | 0 | \$1.32 | |
| RENO TOTALS | 8,024,431 | 21,557 | 975,433 | 12.4% | -14,638 | -14,638 | 73,601 | 24,000 | \$1.77 | \$2.25 |

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

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-------------------------|---------------|------------------------------|--------|-----------|
| 9850 Double R Blvd. | South Meadows | Harley Davidson Credit Corp. | 28,856 | New Lease |
| 9670 Gateway Dr. | South Meadows | Patua Project LLC | 16,841 | New Lease |
| 7900 Rancharra Pkwy. | Meadowood | Kimley-Horn & Associates | 8,651 | New Lease |
| 6225 Neil Rd. | Meadows | Dan Mills Construction | 6,687 | New Lease |
| 589-599 California Ave. | Downtown | Thrive Wellness Reno | 6,051 | New Lease |

KEY SALES TRANSACTIONS Q1 2021

| SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|----------------------|---------------------------------------------------------------|--------|----------------|
| 3850 Arrowhead Dr. | Carson City Harley-Davidson Credit Corp. / CAI Investments | 96,000 | \$3.8M / \$40 |
| 1000 Sandhill Rd. | South Meadows International Game Technology/ Valley Devco LLC | 52,100 | \$5.8M / \$111 |
| 5600 Fox Ave. | North Valleys Sierra Nevada Academy Charter/Eat Snacs LLC | 16,576 | \$2.2M / \$132 |
| 5605 Riggins Ct. N. | South Meadows T & G Development LLC / Alcosta Investments LLC | 14,078 | \$2.8M / \$199 |
| 1100 California Ave. | Downtown Supremacy Holdings LLC/ Provasi Family Trust | 4,540 | \$1.7M / \$375 |

Sources: ¹www.bls.gov ²GDP as of 2021. (f) by Moody's Analytics economy.com 3/2021 ³RCA.

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