

YoY
Chg

12-Mo.
Forecast

1.7%

Vacancy Rate

**284K**

Net Absorption, SF

**\$0.79**

Asking Rent, PSF



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q4 2022

YoY
Chg

12-Mo.
Forecast

259.2KReno
Employment**3.2%**Reno
Unemployment Rate**3.7%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew by 8,100 jobs or +3.2% year-over-year (YOY) between December 2021 and December 2022. During the same time, the monthly unemployment rate decreased from 3.3% to 3.2%. The current monthly unemployment rate is 50 basis points (bps) lower compared to the U.S. quarterly average of 3.7%. The Reno employment sectors are expected to grow at a combined rate of 1.3% in 2023, while trade; transportation & utilities employment is forecasted to increase by 1.5% with service-producing 1.3%. Reno's economy of \$28.9 billion as measured by 2022 gross regional product is forecasted to climb to \$29.7 billion in 2023 and \$30.9 billion in 2024, as a comparison the 10-year average is \$25.0 billion.²

MARKET OVERVIEW

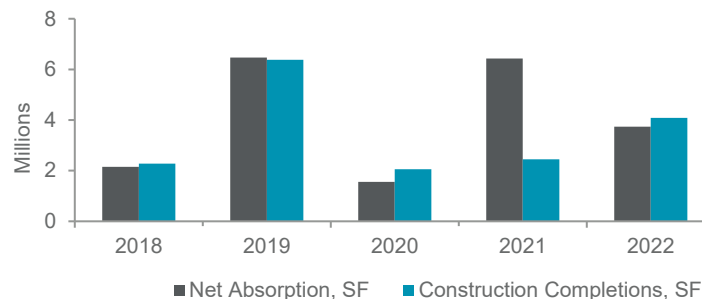
Overall vacancy increased 30 bps quarter over quarter (QOQ) and decreased 40 bps YOY to 1.7% in Q4 2022. The current industrial vacancy rate is 260 bps below the five-year quarterly average of 4.1%. Occupancy gains in Q4 2022 totaled 284,047 square feet (sf) with four of the nine submarkets recording positive gains. Vacancy within warehouse and distribution (W/D) space increased 40 bps QOQ to 1.8%, while the manufacturing (MFG) rate increased 30 bps and flex rate increased by 10 bps to end the quarter at 1.0% and 2.8%, respectively. The majority of the 284,047 sf of net absorption occurring in Q4 2022 was concentrated in the Sparks, Storey County, and Douglas County/Carson City submarkets totaling 617,750 sf. Over the past five years W/D net absorption dominates the market with more than 15 million square feet (msf) absorbed followed by MFG space netting 5 msf, and Flex space netting 180,000 sf. Tenants leased 1.2 msf in Q4 2022 combined across 38 deals. Of note, all leases were new deals. Year-to-date leasing totals are close 9.4 msf with 99.5% attributed to new leasing activity.

The average asking rate for all product types combined increased 5.3% QOQ and surged 27.4% YOY to \$0.79 per square foot (psf) triple net on a monthly basis. The average asking rent for W/D space increased 35.8% YOY, followed by an average rent rise in flex space of 22.9% YOY. Rents for manufacturing space swelled by 19.1% YOY. As of Q4 2022, there were nine properties under construction, totaling 3.4 msf. This figure is below the five-year quarterly average of 4 msf.

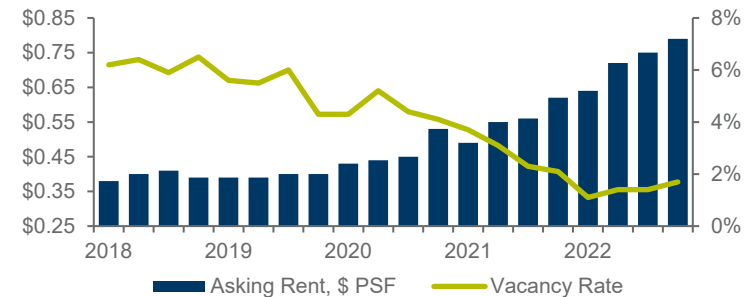
SALES ACTIVITY

The northern Nevada industrial market recorded \$92 million in sales across three properties totaling 2.9 msf sf in Q4 2022. This compares to \$136 million in Q3 2022 and \$397 million in Q4 2021. Year-to-date sales activity totaled 422 million compared to \$1 billion in 2021. The average price psf was \$170 in Q4 2022 (+37% YOY) compared to \$124 recorded in Q4 2021. Institutional buyers comprised the majority (61%) of buying activity in 2022 (vs. 23% in 2021). Institutional sellers comprised the majority (68%) of selling activity (vs. 61% in 2021).³

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



MARKETBEAT RENO



Industrial Q4 2022

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 YTD (SF)	AVG ASKING NNN RENT (MFG)	AVG ASKING NNN RENT (W/D)	AVG ASKING NNN RENT (ALL TYPES)
Airport	10,032,575	283,195	2.8%	68,146	1,247,470	145,048	1,202,430	\$0.47	\$1.06	\$0.97
Central	1,960,382	111,857	5.7%	-29,326	-111,428	0	0	-	\$1.13	\$1.14
Douglas County/Carson City	6,100,425	85,507	1.4%	78,263	-12,596	0	0	\$0.95	\$0.98	\$0.97
Fernley	5,646,427	256,000	4.5%	-256,000	559,000	635,195	815,000	-	\$0.60	\$0.60
North Valleys	24,946,287	118,700	0.5%	-86,000	1,764,428	840,419	1,220,009	-	\$1.10	\$1.10
South Reno	9,542,438	179,310	1.9%	-30,523	-607,012	0	136,700	-	\$1.27	\$1.24
Sparks	28,546,181	534,148	1.9%	277,285	175,998	0	66,560	\$0.95	\$0.97	\$0.63
Storey County	20,780,615	282,500	1.4%	262,202	723,130	1,743,960	646,100	-	\$0.45	\$0.50
West Reno	955,104	0	-	0	0	0	0	-	-	-
RENO TOTALS	108,510,434	1,851,217	1.7%	284,047	3,738,990	3,364,622	4,086,799	\$0.55	\$0.72	\$0.79
FLEX	7,258,889	200,588	2.8%	-12,718	53,865	0	30,500			\$1.29
MFG	18,120,431	175,060	1.0%	61,330	-637,102	531,886	225,848			\$0.55
W/D	83,131,114	1,475,569	1.8%	235,435	4,322,227	2,832,736	3,830,451			\$0.72
RENO TOTALS	108,510,434	1,851,217	1.7%	284,047	3,738,990	3,364,622	4,086,799	\$0.55	\$0.72	\$0.79

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
265 W. Milan Dr.	Storey County	The Webstaurant Store, Inc.	692,720	New
10755 Lear Blvd.	North Valleys	Confidential	531,886	New
9456 N. Virginia St.	North Valleys	Rinnai	154,440	New
850 N. Hills Blvd.	North Valleys	US Foods	131,535	New
Isidor Ct.	Sparks	Confidential	97,000	New

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Tahoe-Reno Industrial Center	Sparks	Mohr Capital / Dalfen Industrial	596,400	\$79.6M / \$133
9500 Gateway Dr.	South Reno	Bruce De Jong / Jason Freise	43,500	\$8M / \$185
380-390 Freeport Blvd.	Sparks	380/390 Freeport LLC / 24 Freeport LLC; Reno Freeport LLC	17,556	\$4.3M / \$242

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