MARKETBEAT

RENO

Office Q4 2022

	YoY Chg	12-Mo. Forecast
10.2% Vacancy Rate	▲	▲
-4K Net Absorption, SF	▼	▼
$1.96 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
259.2K Reno Employment	▲	▲
3.2% Reno Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew 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 grow 1.5% with service-producing 1.3%. Reno's economy of $28.9 billion as measured by 2022 gross regional product is forecasted to grow to $29.7 billion in 2023 and $30.9 billion in 2024, as a comparison the 10-year average is $25.0 billion.[2]

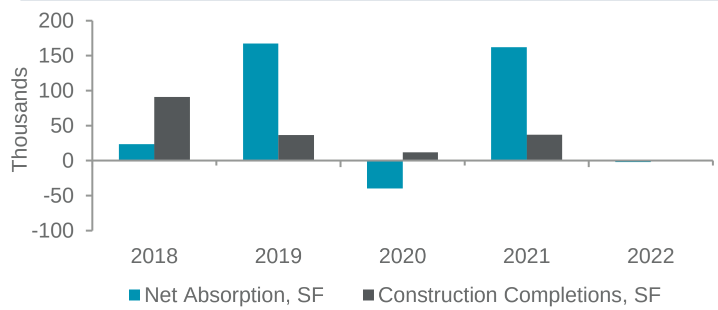
MARKET OVERVIEW

The overall vacancy, including sublease, increased 40 bps from last quarter and increased the same amount from a year ago to 10.2%. Class A vacancy decreased 10 bps quarter-over-quarter (QOQ) and 920 bps YOY to 16.8%, while Class B vacancy decreased 50 bps QOQ and decreased 180 bps YOY to 9.8%. Four submarkets ended the quarter with single-digit vacancies: Sparks (4.5%), West Reno (6.2%), Meadowood (7.0%) and Central/Airport (8.2%). The Reno office market reported negative absorption for the first time since Q1 2022. Occupancy grew by 7,139 square feet (sf) in Class A space but decreased by 4,844 sf in Class B space and 6,557 sf in Class C space, bringing overall occupancy losses across all classes to 4,262 sf market-wide in Q4 2022. Consistent with the quarters negative absorption year-to-date (YTD) absorption totals sit at negative 2,128 sf. New construction remains tight with one project under construction market-wide. IronCrest at Mountain View Corporate Center will consist of a Class B 10,235 sf office project that is already preleased to Juniper Services. This is the first new office project under construction since the Q4 2021 delivery of the 24,000 sf Class A project located at The Village at Rancharrah in Meadowood. The average asking rate for all classes combined increased by $0.04 (+2.1%) over the last three months and increased by $0.11 (+6%) YOY. Class A average asking rate recorded a decrease of $0.04 (-1.7%) YOY, while Class B average rate recorded an increase of $0.05 (+3.3%) YOY.

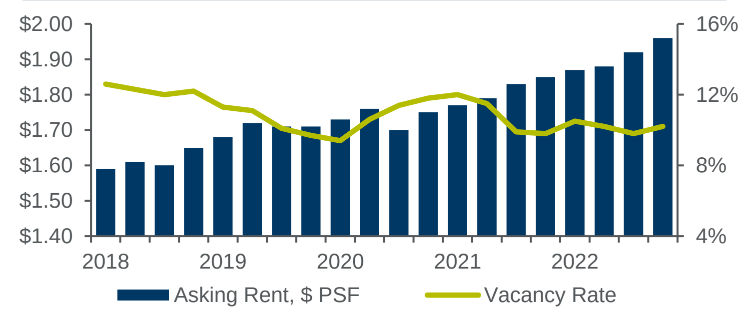
SALES ACTIVITY

The northern Nevada office market recorded $10.6 million in sales activity in Q4 2022 compared to $25.7 million last quarter and $30.6 million in Q4 2021. The average price per sf was $292 in Q4 2022 (+22% YOY) compared to the Q4 2021 average of $239. Private buyers accounted for 100% of buying activity in 2022 (vs. 78% in 2021). Private sellers accounted for 100% of activity in 2022 (vs. 88% in 2021).[3]

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



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CUSHMAN & WAKEFIELD

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)***	UNDER CONSTR UCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central/Airport	1,596,656	21,182	110,490	8.2%	-13,479	33,082	131,237	0	$1.43	-
Downtown	2,530,039	11,041	294,437	12.1%	14,199	42,126	188,811	0	$2.07	$2.20
Meadowood	2,067,854	17,852	126,544	7.0%	3,596	57,621	154,426	10,235	$2.13	$2.88
South Meadows	1,428,078	115,974	102,938	15.3%	-9,259	-138,261	92,616	0	$2.07	$2.25
Sparks	361,872	0	16,207	4.5%	-53	-7,102	9,258	0	$1.20	-
West Reno	151,909	960	8,446	6.2%	734	10,406	16,679	0	$1.05	-
RENO TOTALS	**8,136,408**	**167,009**	**659,062**	**10.2%**	**-4,262**	**-2,128**	**593,027**	**10,235**	**$1.96**	**$2.34**
Class A	1,522,867	88,974	167,428	16.8%	7,139	-114,741	102,070	0	$2.34	-
Class B	4,914,747	64,035	417,180	9.8%	-4,844	91,520	411,286	10,235	$1.90	-
Class C	1,698,794	14,000	74,454	5.2%	-6,557	21,093	79,671	0	$1.35	-
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*Rental rates reflect full service asking. **Leasing statistics include renewals. ***Not reflective of U.S. Tables*

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
950 Sandhill Rd.	South Meadows	Lumos & Associates	20,521	New
100 W. Liberty St.	Downtown	Signature Bank	11,406	New
3620 Mayberry Dr.	West Reno	Lineage Trust Company	8,144	New
645 Sierra Rose Dr.	Meadowood	Confidential	4,160	New
245 E. Liberty St.	Downtown	Open Mountain Energy	3,760	New

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
255 W. Moana Ln.	Central/Airport	Aleksandr Vetushko / Granite CRE, Inc.	22,536	$4M / $177
6995 Sierra Center Pkwy.	Meadowood	Roger A. Bergmann 1999 Trust / Sierra Nevada Media Group	19,806	$6.6M / $333

Sources: [1]www.bls.gov [2] Moody's Analytics economy.com 12/2021 [3] RCA and CoStar.

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