

	YoY Chg	12-Mo. Forecast
8.9% Vacancy Rate	▼	▲
21K Net Absorption, SF	▲	▼
\$1.93 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
270.1K Reno Employment	▲	▲
4.2% Reno Unemployment Rate	▲	▬
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew 10,100 jobs or +4% year-over-year (YOY) between February 2022 and February 2023. During the same time, the monthly unemployment rate increased from 2.9% to 4.2%. The current monthly unemployment rate is 70 basis points (bps) higher compared to the U.S. quarterly average of 3.5%. The Reno employment sectors are expected to grow at a combined rate of 1.3% in 2023, while leisure & hospitality employment is forecasted to grow 1.9% with service-producing 1.3%. Reno's economy of \$29.0 billion as measured by 2022 gross regional product is forecasted to grow to \$30.2 billion in 2023 and \$31.2 billion in 2024, as a comparison the 10-year average is \$25.0 billion.²

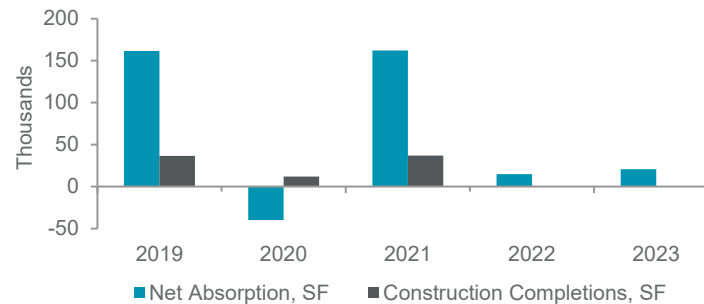
MARKET OVERVIEW

The overall vacancy, including sublease, decreased 50 bps from last quarter and 130 bps from a year ago to 8.9%. Class A vacancy decreased 670 bps quarter-over-quarter (QOQ) and 440 bps YOY to 8.1%, while Class B vacancy increased 60 bps QOQ but decreased 140 bps YOY to 9.9%. Five submarkets ended the quarter with single-digit vacancies: Sparks (3.1%), West Reno (5.6%), Central/Airport (5.8%), Meadowood (7.9%) and South Meadows (9.2%). The Reno office market reported positive absorption continuing the trend for the past four quarters including this one. Occupancy grew by 90,993 square feet (sf) in Class A space but decreased by 43,180 sf in Class B space and 27,111 sf in Class C space, bringing overall occupancy gains across all classes to 20,702 sf market-wide in Q1 2023. 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 Rancharra in Meadowood. The average asking rate for all classes combined decreased by \$0.03 (-1.5%) over the last three months and increased by \$0.06 (+3.2%) YOY. Class A average asking rate recorded a decrease of \$0.02 (-0.9%) YOY, while Class B average rate recorded an increase of \$0.02 (+1.1%) YOY.

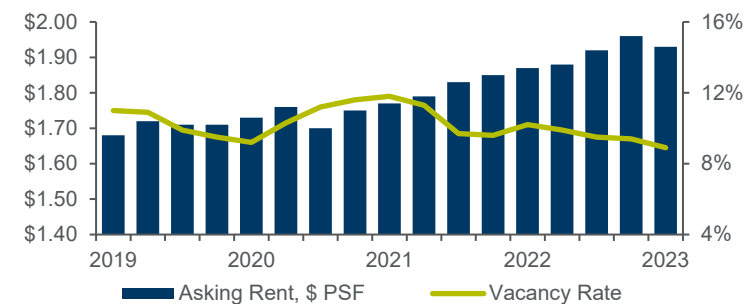
SALES ACTIVITY

The northern Nevada office market recorded \$8.8 million in sales activity in Q1 2023 compared to \$31.5 million in Q4 2022 and \$50 million in Q1 2022. The average price per sf was \$261 in Q1 2023 (-10% YOY) compared to the Q1 2022 average of \$287. Out of the 89,000-sf transacted in Q1 2023, 61% (54,360 sf) was sold in the Central/Airport submarket.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)	UNDER CONSTR UCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central/Airport	1,568,684	20,097	71,631	5.8%	502	502	22,116	0	\$1.40	-
Downtown	2,517,650	14,575	296,213	12.3%	-9,851	-9,851	21,833	0	\$2.00	\$2.04
Meadowood	2,106,577	17,538	149,444	7.9%	-41,302	-41,302	26,197	10,235	\$2.11	\$2.89
South Meadows	1,427,316	12,453	119,300	9.2%	65,140	65,140	5,253	0	\$2.05	\$2.22
Sparks	361,872	0	11,339	3.1%	5,253	5,253	3,943	0	\$1.16	-
West Reno	151,909	0	8,446	5.6%	960	960	0	0	\$1.00	-
RENO TOTALS	8,134,008	64,663	656,373	8.9%	20,702	20,702	79,342	10,235	\$1.93	\$2.24
Class A	1,537,863	19,418	105,403	8.1%	90,993	90,993	23,151	0	\$2.24	-
Class B	4,897,351	31,245	451,424	9.9%	-43,180	-43,180	48,501	10,235	\$1.92	-
Class C	1,698,794	14,000	99,546	6.7%	-27,111	-27,111	7,690	0	\$1.33	-
RENO TOTALS	8,134,008	64,663	656,373	8.9%	20,702	20,702	79,342	10,235	\$1.93	\$2.24

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

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5190 Neil Rd.	Meadowood	UNR School of Medicine	7,740	Renewal
200 S. Virginia St.	Downtown	State of NV Dept of Tourism	5,500	New
6880 S. McCarran Blvd.	Meadowood	Alta Vista	5,429	New
595 Double Eagle Ct.	Meadowood	Spanish Springs Construction	5,253	New
5470 Kietzke Ln.	Meadowood	Cardinal Financial	4,238	New

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1055 Moana Ln.	Central/Airport	Beck LLC / David Piccinini	12,604	\$1.5M / \$123
979 Pyramid Way	Sparks	Benjamin Garol / Tamara E. Barengo	5,774	\$1.9M / \$320
16580 Wedge Pky.	South Meadows	Fiane Phillips Ferree Diane Ferree / Ryan Murphy	4,312	\$760K / \$176
804 Mill St.	Downtown	Undisclosed	2,944	\$640K / \$217
707 Pyramid Way	Sparks	Walter Czerkies / Undisclosed	1,647	\$460 / \$279

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

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