

3.0%
Vacancy Rate



1.4M
Net Absorption, SF



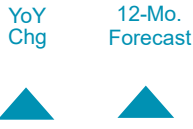
\$0.95
Asking Rent, PSF



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q2 2023

270.1K
Reno Employment



4.3%
Reno Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew by 8,980 jobs or +3.4% year-over-year (YOY) between May 2022 and May 2023. During the same time, the monthly unemployment rate increased from 3.3% to 4.3%. The current monthly unemployment rate is 80 basis points (bps) higher than the U.S. quarterly average of 3.6%. The Reno employment sectors are expected to grow at a combined rate of 2.6% in 2023, while professional & business services employment is forecasted to grow 5.7% with service-producing 2.5%. 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 \$31.6 billion in 2024, as a comparison the 10-year average is \$25.0 billion.²

MARKET OVERVIEW

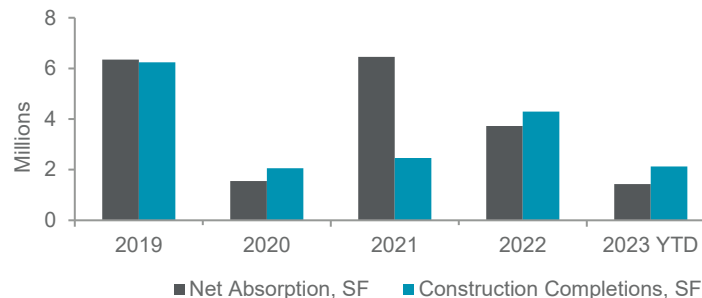
Overall vacancy increased 80 bps quarter over quarter (QOQ) and 160 bps YOY to 3.0% in Q2 2023. The current industrial vacancy rate is 40 bps below the five-year average of 3.4%. Vacancy within flex space rose the most with a 2.0% rise YOY ending the quarter at 3.8%, followed by a 1.7% climb for manufacturing space to bring that to 1.9%, lastly warehouse and distribution (W/D) space saw an increase of 1.6% leaving the vacancy rate at 3.2% as of June 2023. Deliveries did not impact vacancy rate as the one Q2 delivery in this was fully leased. Occupancy gains in Q2 2023 totaled 1.4 million square feet (msf) with only one submarket recording positive gains. The Storey county submarket brought occupancy gains market wide into the black with their 558,380 sf of positive absorption. Over the past five years W/D (warehouse/distribution) net absorption dominated the market with 13 msf absorbed followed by MFG (manufacturing) space netting 6.5 msf, and flex space yielding -59,712 square feet (sf). Tenants leased 686,184 sf in the second quarter combined across 50 deals. Of note, the largest deal was a renewal for GEODIS at 450 Lillard Dr.

The average asking rate for all product types combined decreased 2.1% QOQ but ballooned 40% YOY to \$0.95 per square foot (psf) triple net on a monthly basis. The average asking rent for manufacturing space surged 45% YOY, followed by an average rent rise in W/D space of 36%, and a 3.2% (YOY) increase in the average rent for flex space. As of Q2 2023, there were eight properties under construction, totaling 2.6 msf. This figure is below the five-year quarterly average of 3.8 msf.

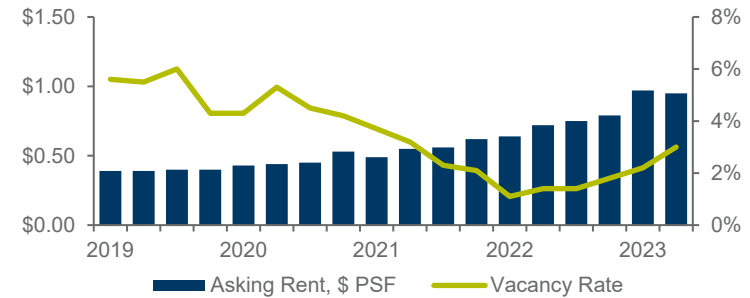
SALES ACTIVITY

The northern Nevada industrial market recorded \$25.5 million in sales across 10 properties totaling 244,000 sf in Q2 2023.⁴ This compares to \$4.3 million in Q1 2023 and \$183 million in Q2 2022. The average price psf was \$157 in Q2 2023 (-2% YOY) compared to \$160 recorded in Q2 2022. Private buyers comprised the majority (67%) of buying activity in 2023 (vs. 24% in 2022). Private sellers comprised the majority (100%) of selling activity (vs. 69% in 2022).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 YTD (SF)	AVG ASKING NNN RENT (MFG)	AVG ASKING NNN RENT (W/D)	AVG ASKING NNN RENT (ALL TYPES)
Airport	10,180,694	479,000	4.7%	-78,275	-40,453	0	145,048	-	\$0.91	\$1.09
Central	1,967,518	122,823	6.2%	-32,607	-52,324	0	0	-	\$1.07	\$1.08
Douglas County/Carson City	6,177,490	238,130	3.9%	-27,121	-132,167	0	0	\$0.90	\$0.95	\$0.97
Fernley	5,662,727	259,243	4.6%	-3,243	-3,243	1,268,215	0	-	\$0.60	\$0.60
North Valleys	25,804,801	784,815	3.0%	-227,718	130,815	111,000	777,240	-	\$1.02	\$1.02
South Reno	9,557,463	133,469	1.4%	-1,966	744,731	199,680	0	\$0.90	\$1.08	\$1.16
Sparks	28,812,046	689,007	2.4%	-58,070	-158,364	0	0	-	\$0.90	\$0.63
Storey County	21,230,564	566,660	2.7%	558,380	963,500	1,053,400	1,200,040	-	\$0.65	\$0.98
West Reno	953,916	23,774	-	-23,774	-23,774	0	0	-	-	-
RENO TOTALS	110,347,219	3,296,921	3.0%	105,606	1,428,721	2,632,295	2,122,328	\$0.90	\$0.87	\$0.95
FLEX	7,337,891	276,876	3.8%	-73,348	-125,342	0	0			\$1.30
MFG	18,783,394	356,928	1.9%	-211,670	1,149,408	0	606,886			\$0.90
W/D	84,225,934	2,663,117	3.2%	390,624	404,655	2,632,295	1,515,442			\$0.87
RENO TOTALS	110,347,219	3,296,921	3.0%	105,606	1,428,721	2,632,295	2,122,328	\$0.90	\$0.87	\$0.95

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
450 Lillard Dr.	Sparks	GEODIS	513,122	Renewal
14100 Lear Blvd.	North Valleys	Undisclosed	160,750	New
9235 Moya Blvd.	North Valleys	Undisclosed	136,777	New
00 Stead Blvd.	North Valleys	Undisclosed	100,000	New
650 Vista Blvd.	Sparks	HLC	112,000	Renewal

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Bently Science Park*	Douglas Couty	Bently Holdings California, LP / Foley Family Wines Inc.	113,813	\$12.1M / \$106
1955 Timber Way	Central	Grant Davis / Jai Xiao	48,035	\$6.6M / \$137
1070 Matley Ln.	Airport	Data Forms Inc. / Reno Printing	27,865	\$2.3M / \$81
7935 Sugar Pine Ct.	West Reno	Charlotte Forte / Patagonia	21,000	\$4.5M / \$214

*Part of portfolio sale

JEFF PLATTS

Research Analyst, Nevada

Tel: +1 702 605 1852 / jeff.platts@cushwake.com

JEFF COOLEGGE

Senior Research Manager

Mountain States

Tel: +1 602 224 4448 / jeffrey.cooledge@cushwake.com

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