

YoY Chg 12-Mo. Forecast

11.6%
Vacancy Rate



-141K
Net Absorption, SF



\$1.90
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

270.1K
Reno Employment



4.3%
Reno Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew 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 compared to 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

The overall vacancy, including sublease, increased 190 bps from last quarter and 170 bps from a year ago to 11.6%. Class A vacancy increased 760 bps almost doubling quarter-over-quarter (QOQ) and 120 bps YOY to 16.0% while Class B vacancy rate increased only 50 bps QOQ and 150 bps YOY to 11.7%. Four submarkets ended the quarter with single-digit vacancies: Sparks (3.1%), West Reno (4.8%), Central/Airport (6.5%), and Meadowood (8.4%). The Reno office market reported negative absorption for the second quarter in a row. Occupancy fell by 109,297 square feet (sf) in Class A space, 16,236 sf in Class B space, and 16,351 in Class C space, bringing overall occupancy losses across all classes to -141,884 sf market-wide in Q2 2023. New construction shows slight growth with a new 101,000 sf, three story office building underway at 210 Edison Way. In addition, IronCrest at Mountain View Corporate Center will consist of a Class B 10,235 sf office project that is already preleased to Juniper Services. These are the first new office projects under construction since the Q4 2021 delivery of the 24,000 sf Class A project located at The Village at Rancharra in Meadowood. This brings the total under construction value to 112,054 sf market-wide. The average asking rate for all classes combined decreased by \$0.01 (-0.5%) over the last three months but, increased by \$0.02 (+1.1%) YOY. Class A average asking rate recorded an increase of \$0.02 (+0.9%) YOY, while Class B average rate recorded an increase of \$0.04 (+2.1%) YOY.

SALES ACTIVITY

The northern Nevada office market recorded \$3.2 million in sales activity in Q2 2023 compared to \$11 million in Q2 2022. The average price per sf was \$224 in Q2 2023 (-17% YOY) compared to the Q2 2022 average of \$271. The leading buyers of office properties in 2023 were private investors (100% vs. 100% in 2022). Private sellers accounted for 100% of activity so far in 2023 (vs. 100% in 2022).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	1,572,800	18,998	82,978	6.5%	-3,211	-709	55,543	101,819	\$1.34	-
Downtown	2,518,781	15,521	330,803	13.7%	-33,544	-46,376	41,369	0	\$2.05	\$1.81
Meadowood	2,111,844	24,559	152,327	8.4%	-1,650	-37,923	50,313	10,235	\$2.15	\$2.87
South Meadows	1,427,031	60,372	242,276	21.2%	-107,133	-83,450	17,692	0	\$1.94	\$2.46
Sparks	361,872	0	11,339	3.1%	3,654	8,907	14,362	0	\$1.09	-
West Reno	151,909	0	7,289	4.8%	-	960	1,157	0	\$1.00	-
RENO TOTALS	8,144,237	119,450	827,012	11.6%	-141,884	-158,591	180,436	112,054	\$1.90	\$2.28
Class A	1,522,582	43,693	199,983	16.0%	-109,297	6,841	28,456	101,819	\$2.28	-
Class B	4,918,745	61,757	516,191	11.7%	-16,236	-122,968	114,307	10,235	\$1.92	-
Class C	1,702,910	14,000	110,838	7.3%	-16,351	-42,464	37,673	0	\$1.37	-
RENO TOTALS	8,144,237	119,450	827,012	11.6%	-141,884	-158,591	180,436	112,054	\$1.90	\$2.28

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10345 Professional Circ.	South Meadows	Maxim Healthcare Services	6,584	New
9400 Gateway Dr.	South Meadows	Maxim Healthcare Services	5,830	Renewal
6121 Lakeside Dr.	Meadowood	Reno Psychiatric Associates	4,893	New
10615 Professional Cir.	South Meadows	HDR Engineering Inc.	4,889	New
5905 S. Virginia St.	Meadowood	12 B Residential	4,843	New

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Reno Corporate Dr.	Meadowood	Tanamera Development / Landslide LLC	40,000	\$3.2M / \$79

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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