

	YoY Chg	12-Mo. Forecast
<b>11.9%</b> Vacancy Rate	▲	▲
<b>-4K</b> Net Absorption, SF	▲	▼
<b>\$1.88</b> Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
<b>271.1K</b> Reno Employment	▲	▲
<b>4.3%</b> Reno Unemployment Rate	▲	▲
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

### ECONOMIC OVERVIEW

Nonfarm employment grew 8,000 jobs or +3.0% year-over-year (YOY) between August 2022 and August 2023. During the same time, the monthly unemployment rate increased from 3.6% to 4.3%. The current monthly unemployment rate is 60 basis points (bps) higher compared to the U.S. quarterly average of 3.7%. The Reno employment sectors are expected to grow at a combined rate of 2.2% in 2023, while education & health services employment is forecasted to grow 5.5% with service-producing 2.3%. Reno's economy of \$28.7 billion as measured by 2022 gross regional product is forecasted to grow to \$29.9 billion in 2023 and \$31.0 billion in 2024, as a comparison the 10-year average is \$25.0 billion.<sup>2</sup>

### MARKET OVERVIEW

The overall vacancy, including sublease, increased 10 bps from last quarter and 310 bps from a year ago to 11.9%. Class A vacancy increased 280 bps quarter-over-quarter (QOQ) and 750 bps YOY to 20.3% while Class B vacancy rate decreases 90 bps QOQ but increased 190 bps YOY to 10.8%. Four submarkets ended the quarter with single-digit vacancies: Sparks (2.3%), West Reno (5.4%), Central/Airport (7.4%), and Meadowood (9.4%). The Reno office market reported negative absorption for the third quarter in a row. Occupancy fell by 40,113 square feet (sf) in Class A space, rose by 39,372 sf in Class B space, and fell by 3,059 sf in Class C space, bringing overall occupancy losses across all classes to -3,800 sf market-wide in Q3 2023. New construction shows slight growth with a new 102,000 sf, three story office building underway at 210 Edison Way. In addition, the Mt. View Business Center located at 5435 Kietzke Ln. delivered in September 2023 that is 100% occupied by Great Basin Oral and Facial Surgery. In March of this year an 87,000-sf medical office building was delivered 36% pre-leased to Erickson OBGYN Associates, Ltd. 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 Rancharrah in Meadowood. This brings the total under construction value to 101,819 sf market-wide. The average asking rate for all classes combined decreased by \$0.04 (-2.1%) over the last three months and by \$0.06 (-3.1%) YOY. Class A average asking rate recorded a decrease of \$0.02 (-0.9%) YOY, while Class B average rate recorded a decrease of \$0.08 (-4.2%) YOY.

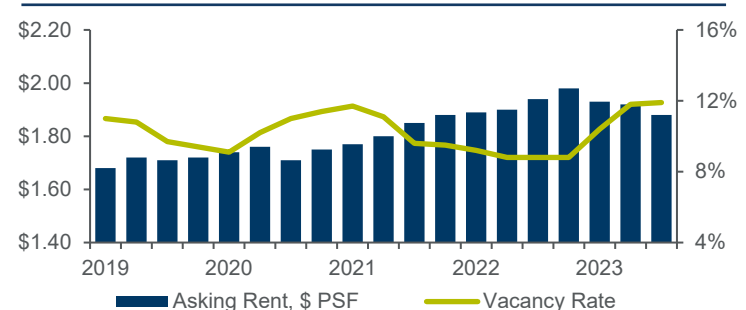
### SALES ACTIVITY

The northern Nevada office market recorded \$28 million in sales activity in Q3 2023 compared to \$3 million in Q2 2023 and \$29.6 million in Q3 2022. The average price per sf was \$252 in Q3 2023 (-14% YOY) compared to the Q2 2022 average of \$293. The leading buyers of office properties in 2023 were private investors (76% vs. 100% in 2022). Private sellers accounted for 100% of activity so far in 2023 (vs. 100% in 2022).<sup>3</sup>

### 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 CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central/Airport	1,587,800	14,000	103,612	7.4%	-13,592	-13,876	78,032	101,819	\$1.40	-
Downtown	2,447,217	25,191	287,454	12.8%	24,431	-1,675	56,587	0	\$2.01	\$1.88
Meadowood	2,280,371	11,607	202,954	9.4%	26,386	65,208	109,846	0	\$2.19	\$2.76
South Meadows	1,453,258	75,683	249,225	22.4%	-39,041	-199,517	74,179	0	\$1.87	\$2.28
Sparks	361,872	0	8,178	2.3%	-1,024	6,775	22,034	0	\$1.33	-
West Reno	151,909	960	7,289	5.4%	-960	1,157	1,157	0	\$1.05	-
<b>RENO TOTALS</b>	<b>8,282,427</b>	<b>127,441</b>	<b>858,712</b>	<b>11.9%</b>	<b>-3,800</b>	<b>-141,928</b>	<b>341,835</b>	<b>101,819</b>	<b>\$1.88</b>	<b>\$2.28</b>
Class A	1,727,069	51,410	298,614	20.3%	-40,113	-49,552	77,445	101,819	\$2.28	-
Class B	4,866,411	62,031	462,007	10.8%	39,372	-63,207	197,881	0	\$1.82	-
Class C	1,688,947	14,000	98,091	6.6%	-3,059	-29,169	66,509	0	\$1.41	-
<b>RENO TOTALS</b>	<b>8,282,427</b>	<b>127,441</b>	<b>858,712</b>	<b>11.9%</b>	<b>-3,800</b>	<b>-141,928</b>	<b>341,835</b>	<b>101,819</b>	<b>\$1.88</b>	<b>\$2.28</b>

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

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9850 Double R Blvd.	South Meadows	Gainwell	11,641	New
9850 Double R Blvd.	South Meadows	Harley Davidson Financial Services	10,719	New
9440 Double R Blvd.	South Meadows	CalNevada Towing	5,621	New
2700 Mill St.	Central/Airport	B.I. Inc.	4,174	New
5250 Neil Rd.	Meadowood	Compassion Care Hospice Las Vegas	3,885	New

## KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6884 Sierra Center Pkwy.	Meadowood	SC Reno Ventures LLC / Ormat Technologies Inc.	45,167	\$9.9M / \$219
275 Hill St.	Downtown	Tolles Development Company / SFG Capital LLC	23,441	\$6M / \$256
1090 S. Rock Blvd.	Sparks	Plaza 800 Partners LLC / Oddie Project	10,536	\$7.6M / \$722
5435 Kietzke Ln.	Meadowood	Yetis LLC / Sierra Oral Surgery Partners LLC	10,347	\$4.9M / \$477

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup>Moody's Analytics economy.com 12/2021 <sup>3</sup>RCA and CoStar.

## JEFF PLATTS

Research Analyst, Nevada

Tel: +1 702 605 1852 / [jeff.platts@cushwake.com](mailto:jeff.platts@cushwake.com)

## JEFF COOLEGGE

Senior Research Manager

Mountain States

Tel: +1 602 224 4448 / [jeffrey.cooledge@cushwake.com](mailto:jeffrey.cooledge@cushwake.com)

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