

4.9%
Vacancy Rate



-366K
Net Absorption, SF



\$0.94
Asking Rent, PSF



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q4 2023

274.2K
Reno Employment



4.4%
Reno Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

In Q4 2023, the Reno market recorded an employment level of 274,200 jobs and the unemployment rate increased from 3.9% in Q4 2022 to 4.4% in Q4 2023. The metro area continues to record strong growth, as the number of households rose by 2.1% year-over-year (YOY) to 206,330. Wage growth continues to bring job seekers back into the labor market, as the median household income reached \$85,375 in Q4 2023, an increase of 3.7% YOY. Reno's economy of \$29.8 billion as measured by 2023 gross metro product is forecasted to grow to \$30.9 billion in 2024 and \$32.2 billion in 2025.²

MARKET OVERVIEW

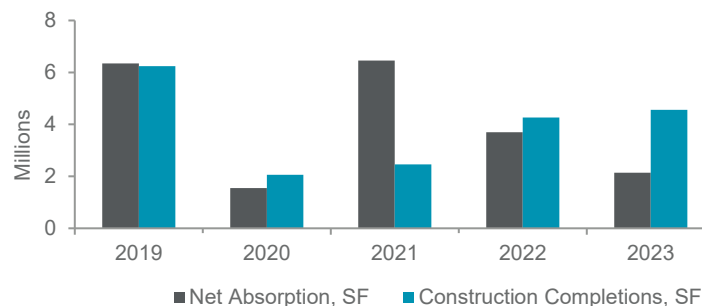
Overall vacancy climbed 140 bps quarter over quarter (QOQ) and 310 basis points (bps) YOY to 4.9% in Q4 2023. The current industrial vacancy rate is 139 bps above the five-year average of 3.5%. Vacancy within warehouse and distribution (W/D) space rose the sharpest with a 3.3% rise YOY ending the quarter at 5.1%, followed by a 320 bps climb for flex space to bring that to 5.7%, lastly manufacturing (MFG) space scaled up 240 bps leaving the vacancy rate at 3.6% as of December 2023. Deliveries helped push the vacancy rate higher in Q4 2023 as 63% of the 1.2 million square feet (msf) delivered this year was vacant at the time of writing. Occupancy gains in Q4 2023 totaled -366,131 square feet (sf) with the Sparks submarket pulling the gains down with 535,425 sf of negative absorption. Over the last five years W/D (warehouse/distribution) net absorption accounted for 64% (14.3 msf) of the total space absorbed in the market absorbed followed by MFG space netting 4.8 msf, and flex space yielding -182,076 sf. Tenants leased 1.5 msf in the fourth quarter combined across 55 deals.

The average asking rate for all product types combined decreased 3.1% QOQ but jumped up 20.5% YOY to \$0.94 per square foot (psf) triple net on a monthly basis. The average asking rent for manufacturing space surged 49% YOY, followed by an average rent rise in W/D space of 25%, while flex remained flat.. As of Q4 2023, there were nine properties under construction, totaling 1.2 msf. This figure is below the five-year quarterly average of 3.5 msf.

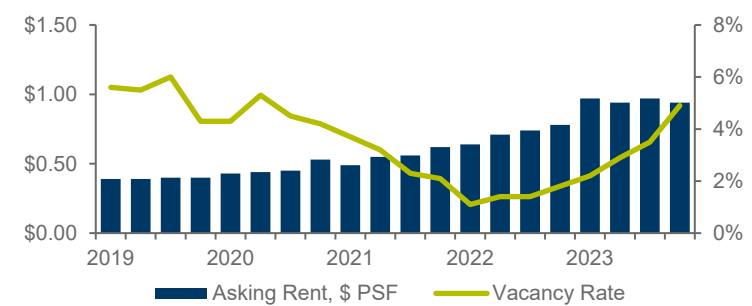
SALES ACTIVITY

The northern Nevada industrial market recorded \$137 million in sales across seven properties totaling 933,000 sf in Q4 2023. This compares to \$98.6 million in Q3 2023 (+39% QOQ) and \$104 million in Q4 2022 (+32% YOY). The average price psf was \$124 in Q4 2023 (-28% YOY) compared to \$173 recorded in Q4 2022. Private buyers comprised the majority (48%) of buying activity in 2023 (vs. 24% in 2022). Private sellers comprised the majority (56%) 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	10,140,005	510,532	5.0%	-84,893	-111,950	0	145,048	\$0.60	\$0.94	\$1.02
Central	1,967,518	124,122	6.3%	-21,606	-55,389	0	0	-	\$1.03	\$1.04
Douglas County/Carson City	6,190,750	208,039	3.4%	17,257	-141,777	0	0	\$0.86	\$0.96	\$0.94
Fernley	7,051,503	1,169,705	16.6%	463,200	571,957	0	1,485,662	-	\$0.60	\$0.61
North Valleys	25,829,304	1,203,808	4.7%	-429,072	-120,928	247,777	777,240	\$0.80	\$0.87	\$0.84
South Reno	9,619,583	85,615	0.9%	72,992	784,897	332,712	0	\$0.86	\$1.17	\$1.18
Sparks	28,913,685	1,387,022	4.8%	-535,425	-713,973	26,579	0	\$1.00	\$0.96	\$0.63
Storey County	22,165,420	816,660	3.7%	174,640	1,947,560	667,780	2,151,600	-	\$0.63	\$0.81
West Reno	953,140	23,224	-	-23,224	-23,224	0	0	-	-	-
RENO TOTALS	112,830,908	5,528,727	4.9%	-366,131	2,137,173	1,274,848	4,559,550	\$0.82	\$0.90	\$0.94
FLEX	7,229,809	413,195	5.7%	-94,910	-259,751	30,500	0			\$1.31
MFG	18,741,169	669,309	3.6%	-243,399	845,470	0	606,886			\$0.82
W/D	86,859,930	4,446,223	5.1%	-27,822	1,551,454	1,244,348	3,952,664			\$0.90
RENO TOTALS	112,830,908	5,528,727	4.9%	-366,131	2,137,173	1,274,848	4,559,550	\$0.82	\$0.90	\$0.94

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

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
385 Milan Dr. Bldg. 2	Storey County	Tesla	566,660	New
75 Pittsburgh Ave.	Storey County	T-Mobile	489,440	New
310 Pittsburgh Ave.	Storey County	Tesla	354,640	New
1900 Peru Dr.	Storey County	Arcadia Cold Storage & Logistics	254,460	New
650 Vista Blvd.	Sparks	Undisclosed	40,000	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
700 Milan Dr.	Storey County	Washington Capital Mgmt / Westcore Properties	632,130	\$82M / \$131
655 Spice Islands Dr.	Sparks	Investcorp / STAG Industrial	164,918	\$30M / \$182
2593 Mill St.	Sparks	Massie & Co. / Eric Litak	52,000	\$6M / \$115
385-395 Freeport Blvd.	Sparks	William Florentine Trust / Dorin Investment Group	41,080	\$6M / \$136
4655 Aircenter Cir.	Airport	Hamilton Company / Gaddis Family LLC	20,938	\$7M / \$325

*Part of portfolio sale

Sources: ¹www.bls.gov ²Moody's Analytics economy.com 12/2021 ³RCA ⁴CoStar.

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