

FIGURES | RENO | Q2 2023

# Reno Industrial Figures

▲ 4.1%

Vacancy Rate

▼ 626K

SF Net Absorption

▼ 5.8M

SF Under Construction

▼ \$0.89

NNN / Lease Rate  
Existing Properties

▲ 92K

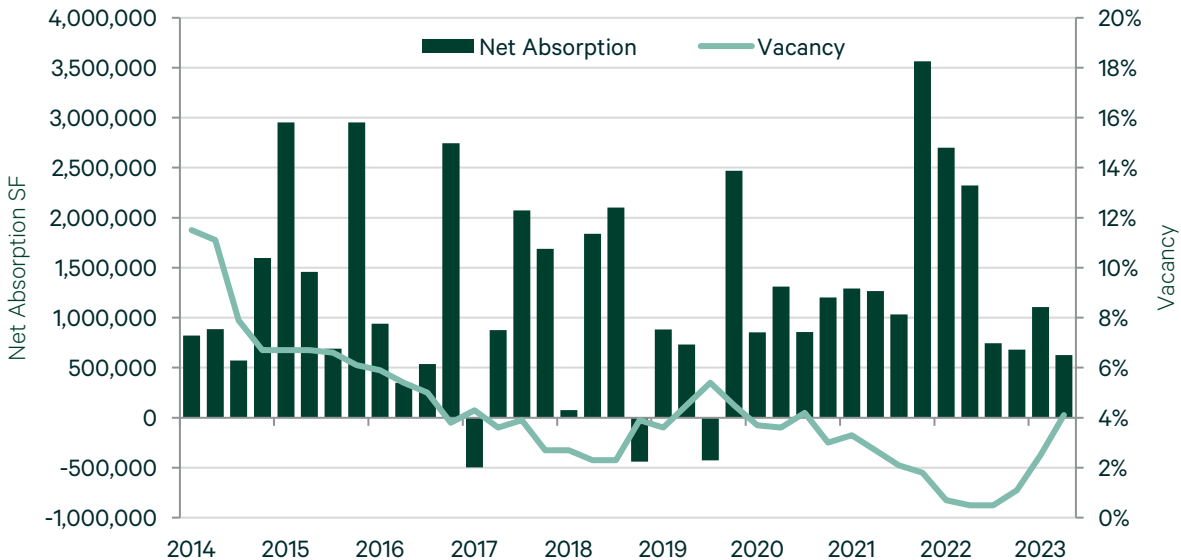
Industrial Using Employment  
Reno Market

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The Reno region is home to 574,900 residents with a labor force of 291,600. The industrial sector provided 91,800 jobs, accounting for 32% of total employment in the region. The unemployment rate ended Q2 2023 at 4.0%, up 20 basis points (bps) from the previous quarter.
- The overall net absorption of the Reno industrial market closed Q2 2023 at 625,676 sq. ft. compared to 1,106,077 sq. ft. in Q1 2023. As preleased construction projects deliver, the market continues to see healthy absorption numbers.
- New construction starts have slowed due to continued high cost of construction, interest rate pressure, and supply chain delays. In turn, renewal activity has accelerated.
- Investment sales were scarce during Q2 2023 as sellers have not adjusted pricing expectations to meet the elevated cost to finance building purchases.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

The Reno industrial market is comprised of 108.3 million sq. ft. The market has substantially grown over the last five years, adding over 20.5 million sq. ft. of new inventory. The construction pipeline remains plentiful, with a variety of projects totaling over 5.8 million sq. ft. currently underway and 13.9 million sq. ft. in various planning stages. Additionally, both vacancy and availability rates increased quarter-over-quarter to 4.1% and 6.0%, respectively.

The overall average asking lease rates closed the quarter at \$0.89 per sq. ft. on a monthly, NNN basis. Leases exceeding 100,000 sq. ft. continue to yield higher rents. However, leases under 100,000 have shown mild reductions in lease rates.

The industrial tenant demand remained stable in Q2 2023. For the first time in several quarters, sublease space returned to the market as tenants adjusted to market and overall economic conditions. Industrial sale activity remained sparse due the Fed’s move to increase interest rates. As a result, only one institutional sale transacted in Q2 2023.

The Reno market totaled 625,676 sq ft. of net absorption during Q2 2023, maintaining the market’s ongoing robust occupancy growth. This activity demonstrated a bifurcated market with a strong concentration of activity in the core growth markets of East Valley, South Reno, and North Valley submarkets while the others experienced negative absorption.

Looking forward, the Reno industrial market will continue to experience strong market fundamentals as construction projects continue to prelease ahead of delivery. However, the market is witnessing persistent fluctuations in completion timelines, attributed to the ongoing supply chain issues and destabilizing economic conditions. The heightened tour and deal activity experienced over the past two years will likely adjust back to what was seen in the years leading up to the pandemic.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Central / Airport	10,686,134	3.8	5.2	(87,307)	(223,990)	1.01
Bulk	8,125,560	3.9	5.4	(101,004)	(168,920)	0.99
Flex	2,560,574	3.6	4.6	13,697	(55,070)	1.11
East Valley	28,138,858	9.1	13.8	459,957	1,699,987	0.73
Bulk	28,016,171	9.2	13.9	459,957	1,699,987	0.73
Flex	122,687	0.0	0.0	0	0	N/A
North Valley	26,515,088	1.8	2.4	219,062	141,811	0.85
Bulk	26,286,132	1.8	2.4	219,062	141,811	0.85
Flex	228,956	0.0	0.0	0	0	N/A
South Reno	9,789,849	4.4	4.8	101,618	275,601	1.11
Bulk	7,774,858	5.2	5.4	66,525	241,289	1.07
Flex	2,014,991	1.2	2.5	35,093	34,312	1.40
Sparks	30,583,395	1.6	2.5	49,616	(57,733)	1.15
Bulk	27,632,143	1.6	2.5	41,086	(59,837)	1.13
Flex	2,951,252	1.1	2.1	8,530	2,104	1.24
West Reno	2,624,123	4.5	6.3	(117,270)	(103,923)	1.07
Bulk	2,215,063	5.3	7.3	(117,270)	(104,347)	1.07
Flex	409,060	0.4	0.4	0	424	1.00
Market Total	108,337,447	4.1	6.0	625,676	1,731,753	0.89
Bulk	100,049,927	4.3	6.2	568,356	1,749,983	0.83
Flex	8,287,520	1.8	2.8	57,320	(18,230)	1.21

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q2 2023

Tenant	Address	SF Leased	Type
Pittsburg Paint & Glass	201 Ireland Dr, McCarran	187,200	Renewal
Continental	14100 Lear Blvd, Reno	160,750	New Lease
Tool Source Warehouse	9235 Moya Blvd, Reno	136,777	New Lease
Panasonic	900 N Hills Blvd, Reno	128,000	New Lease

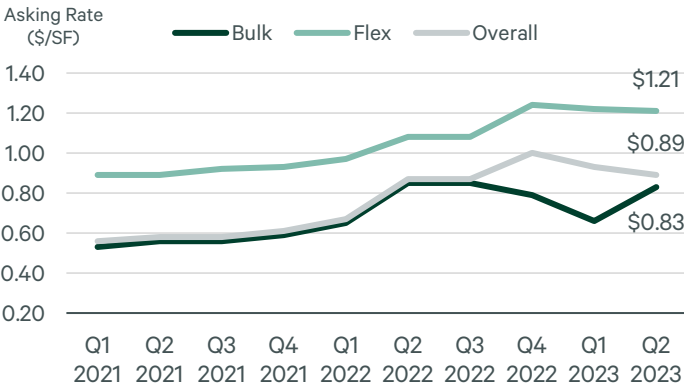
Source: CBRE Research

FIGURE 4: Notable Sale Transaction Q2 2023

Buyer	Address	SF Sold	Sale Price
LBA Logistics	13900 Mt. Limbo St, Reno	167,400	\$28.5M
Jai Xiao Fei	1955 Timber Way, Reno	48,035	\$2.5M
Patagonia	7935 Sugar Pine Ct, Reno	21,000	\$4.5M

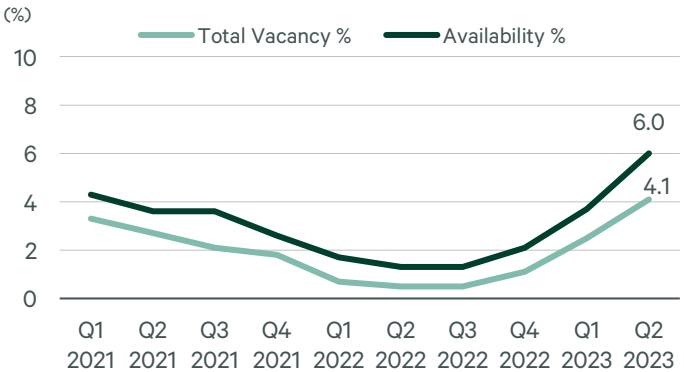
Source: CBRE Research

FIGURE 5: Asking Rates



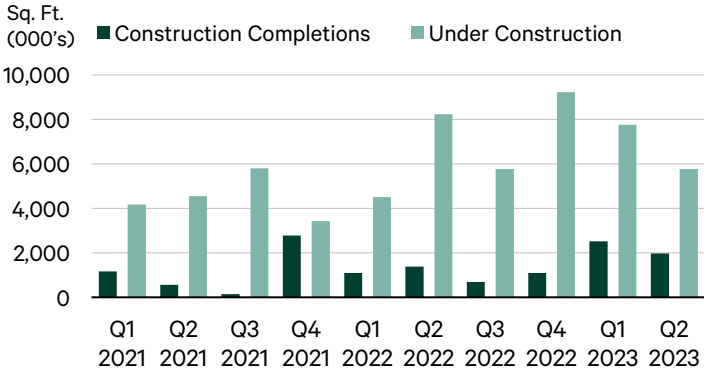
Source: CBRE Research

FIGURE 6: Vacancy & Availability



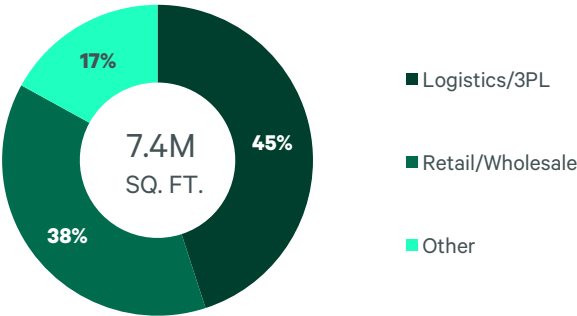
Source: CBRE Research

FIGURE 7: Construction Activity



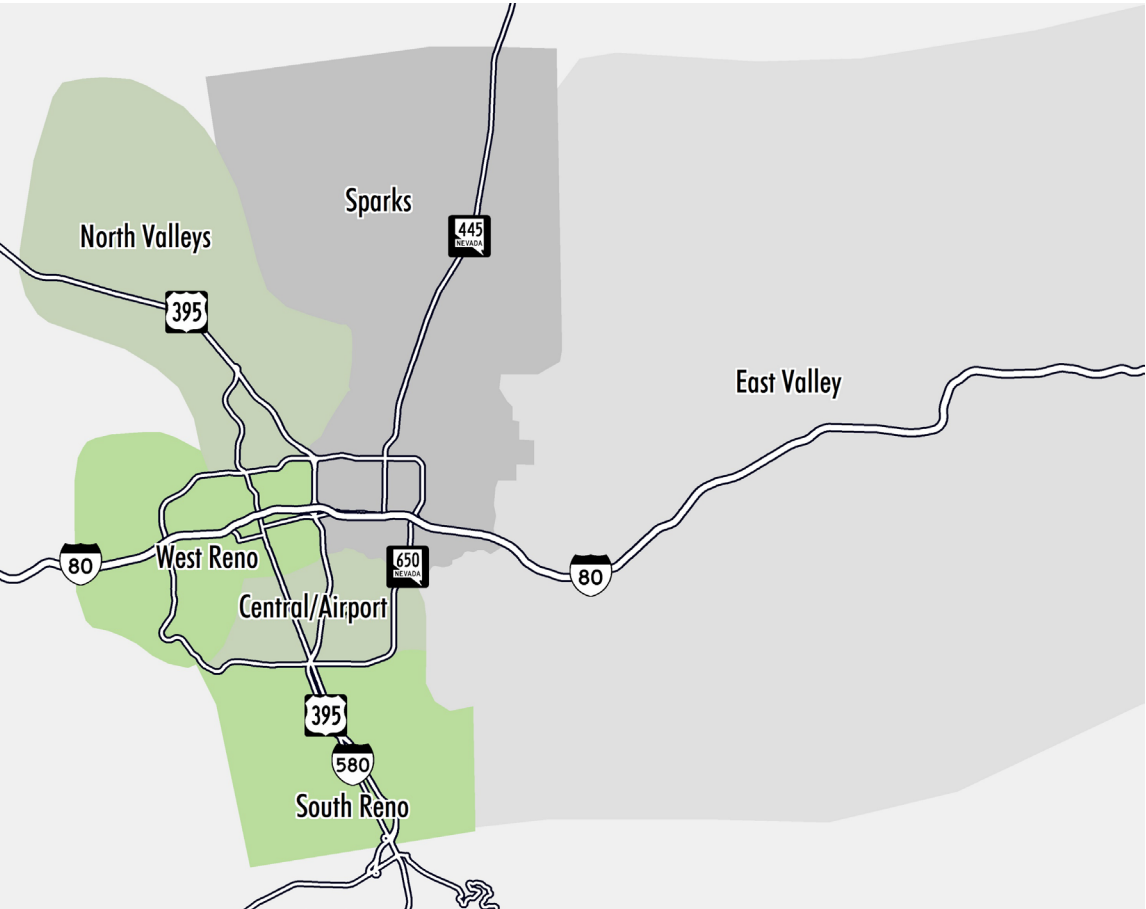
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Year by Industry (Q3 2022- Q2 2023)



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate: Direct Monthly Lease Rates., Triple Net (NNN). Availability: All existing space being marketed for lease. Total Vacancy Rate: Direct Vacancy + Sublease Vacancy.

CBRE’s market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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