

FIGURES | RENO INDUSTRIAL | Q3 2024

Right-sizing and new sublease offerings continued to impact the market

▲ 10.5%

Vacancy Rate

▼ (1.8M)

SF Net Absorption

▲ 1.7M

SF Under Construction

▼ \$0.86

NNN / Lease Rate
Existing Properties

▲ 94K

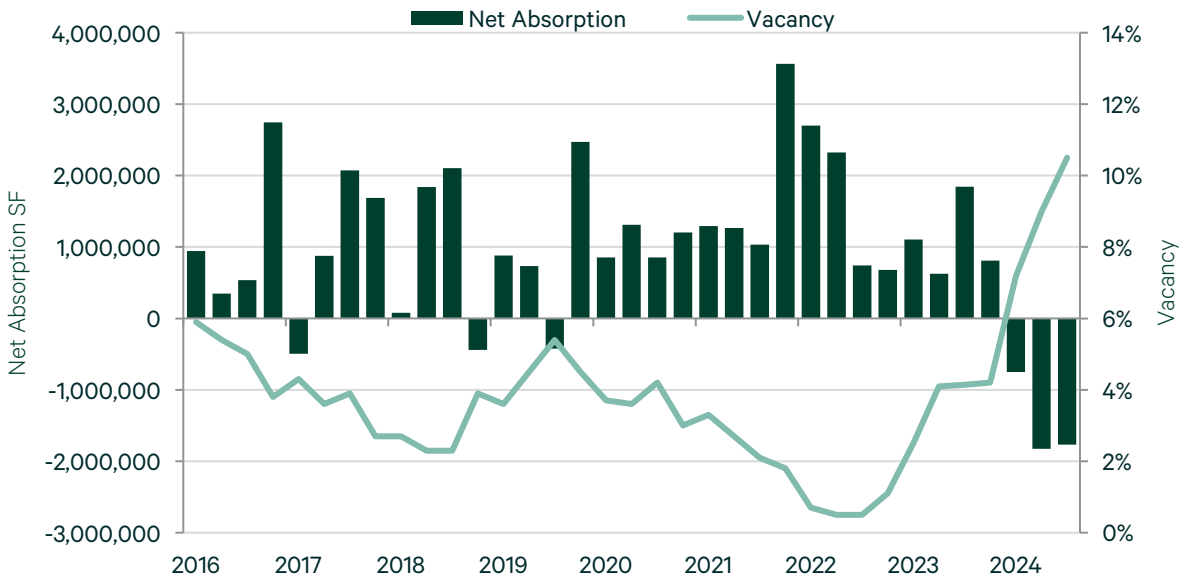
Industrial Using Employment
Reno Market

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The Reno region is home to 573,000 residents with a labor force of 293,000. During Q3 2024, the industrial sector provided 94,000 jobs, accounting for 33% of total employment in the region. The unemployment rate ended Q3 2024 at 4.6%, down 130 basis points (bps) from the previous quarter.
- The overall net absorption of the Reno industrial market closed Q3 2024 at negative 1.8 million sq. ft., the third consecutive quarter in negative territory.
- New construction starts slowed due to continued high cost of construction, elevated interest rates, and supply chain delays.
- The average direct asking rate closed the quarter at \$0.86 per sq. ft. monthly on a NNN basis (NNN).
- Newly found interest by institutional investors in the region have led to cap rate compression.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024

INDUSTRIAL OVERVIEW

The Reno industrial market was comprised of approximately 115 million sq. ft. at the close of Q3 2024. There was one space of 40,000 sq. ft. of new product delivered to the market in Q3 2024. The construction pipeline had 1.7 million sq. ft. underway with another 16.5 million sq. ft. in various planning stages.

The overall average asking lease rates closed Q3 2024 at \$0.86 NNN. Central/Airport and South Reno posted the highest average asking rates at \$0.99 NNN and \$1.06 NNN, respectively.

During Q3 2024, the overall vacancy rate increased to 10.5%, while the availability rate reached 11.6%. Notably, this quarter marked the third instance of negative absorption since Q3 2019, resulting in negative 1.8 million sq. ft. of net absorption. Sublease space continued to flow into the market, which represented 2.7 million sq. ft. of the total available space.

Despite stable demand, the market continued to face challenges due to an influx of lease expirations and further right-sizing by existing users. Nevertheless, several new leases and sales exceeding 100,000 square feet were signed. EQT Exeter purchased two portfolios for over 1.4 million sq. ft., shown on the top sales for the quarter.

Looking ahead, vacancy and availability rates appeared to have peaked and are expected to decline in the last quarter of 2024 and into 2025 as recently vacated spaces begin to lease. Institutional owners will continue to show interest in the region, and sales activity is expected to increase in Q4 2024 and into 2025, driven by interest rate cuts and the conclusion of the 2024 Election. Additionally, the Reno market is not expecting most of the new deliveries until early 2025.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q3 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Central / Airport	10,787,034	5.0	5.4	80,860	(64,463)	0.99
Bulk	8,125,560	5.1	5.5	109,255	(120,316)	0.96
Flex	2,661,474	4.5	5.0	(28,395)	55,853	1.08
East Valley	31,689,887	10.7	12.0	(245,000)	(76,828)	0.76
Bulk	31,567,200	10.7	12.1	(245,000)	(76,828)	0.76
Flex	122,687	0.0	0.0	0	0	0.00
North Valley	27,069,264	12.2	13.1	(695,858)	(2,290,762)	0.87
Bulk	26,840,308	12.3	13.3	(704,212)	(2,290,762)	0.87
Flex	228,956	0.0	0.0	8,354	0	0.00
South Reno	11,170,701	14.4	14.7	(201,503)	(159,665)	1.06
Bulk	9,186,650	16.6	16.9	(184,080)	(162,762)	1.04
Flex	1,984,051	4.1	4.6	(17,423)	3,097	1.37
Sparks	30,918,395	8.4	10.1	(626,598)	(1,675,336)	0.85
Bulk	27,957,143	8.9	10.6	(608,195)	(1,667,144)	0.83
Flex	2,961,252	4.1	4.7	(18,403)	(8,192)	1.11
West Reno	3,053,123	20.0	20.0	(80,776)	(80,776)	0.92
Bulk	2,644,063	23.1	23.1	(80,776)	(80,776)	0.92
Flex	409,060	0.0	0.0	0	0	0.0
Market Total	114,688,404	10.5	11.6	(1,768,875)	(4,347,830)	0.86
Bulk	106,320,924	11.0	12.2	(1,713,008)	(4,398,588)	0.85
Flex	8,367,480	3.9	4.3	(55,867)	50,758	1.17

Source: CBRE Research, Q3 2024

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	Address	SF Leased	Type
Grove Collaborative	10855 Lear Blvd, Reno	168,000	New Lease
Nathan James Furniture	9470 N Virginia St, Reno	135,200	New Lease
True Up Co.	9355 Gateway Dr, Reno	115,680	New Lease
Lincoln Electric	1170 Trademark Dr, Reno	67,375	Renewal

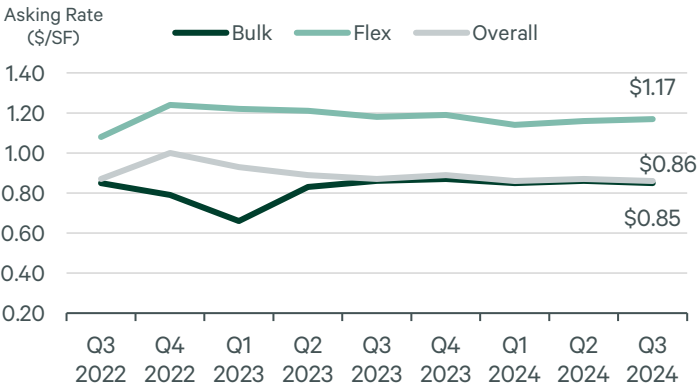
Source: CBRE Research, Q3 2024

FIGURE 4: Notable Sale Transaction Q3 2024

Buyer	Address	SF Sold	Sale Price
EQT Exeter	2 Property Portfolio, McCarran	1,089,400	\$140M
EQT Exeter	450 Pittsburgh Ave, McCarran	354,640	\$53.9M
CapRock	2 Property Portfolio, Sparks	176,700	\$25.5M

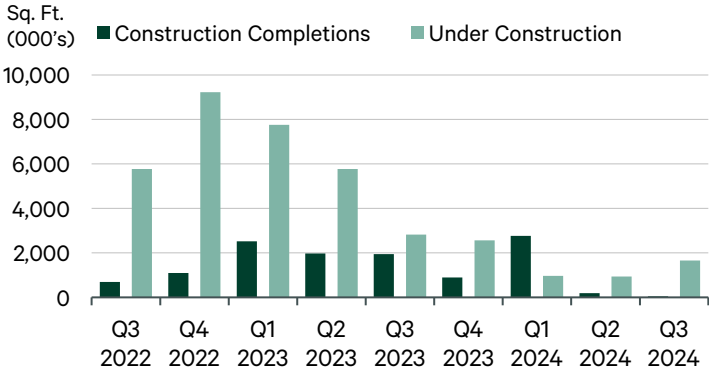
Source: CBRE Research, Q3 2024

FIGURE 5: Asking Rates



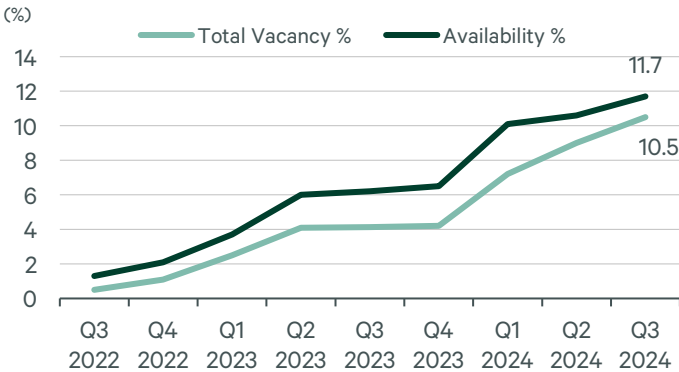
Source: CBRE Research, Q3 2024

FIGURE 7: Construction Activity



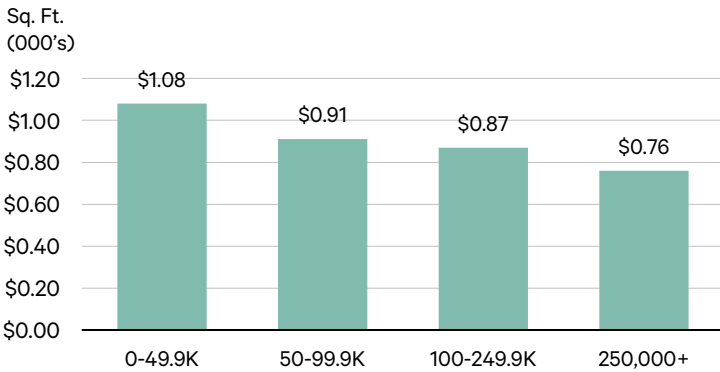
Source: CBRE Research, Q3 2024

FIGURE 6: Vacancy & Availability



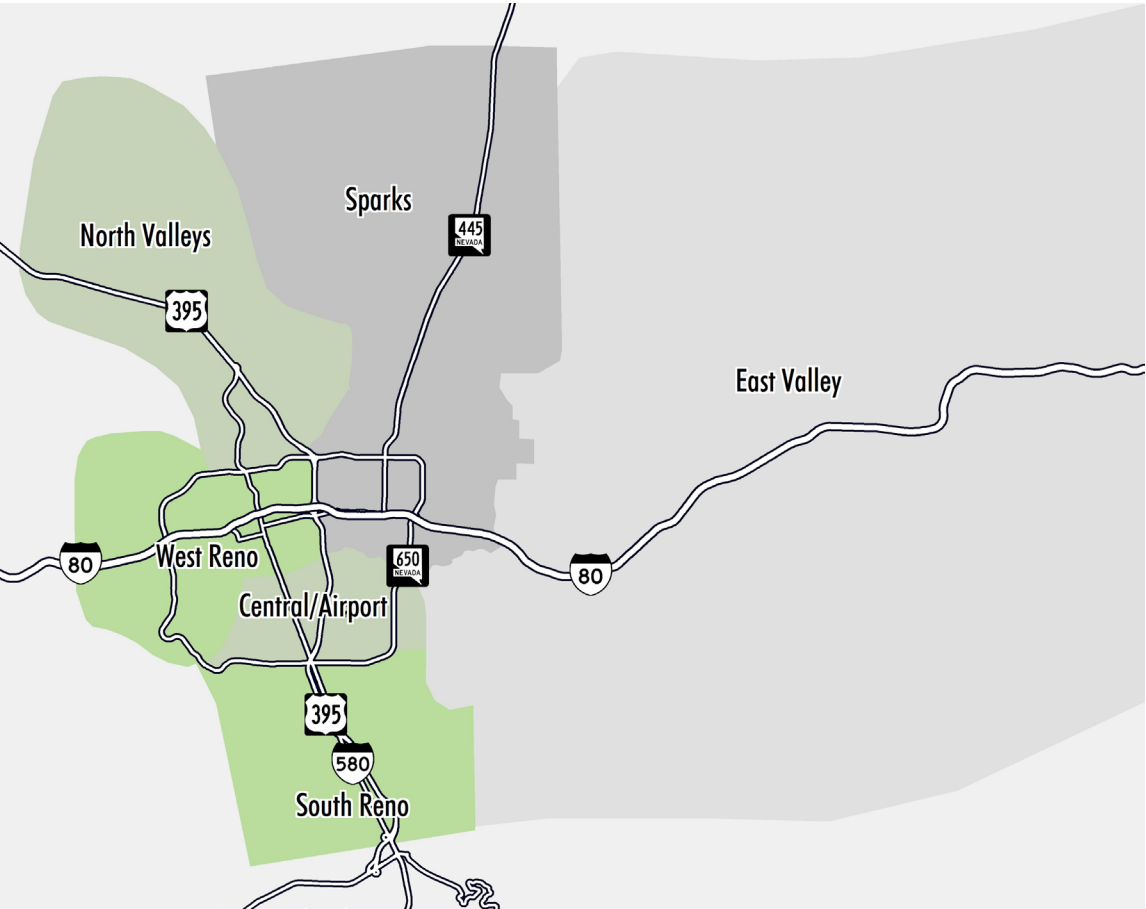
Source: CBRE Research, Q3 2024

FIGURE 8: Average Asking Rates by Size Segment (Sq. Ft.)



Source: CBRE Research, Q3 2024

Submarket Map



Source: CBRE Research, Location Intelligence

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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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