

FIGURES | RENO | Q1 2023

Reno Industrial Figures

▲ 2.5%
Vacancy Rate

▲ 1.1M
SF Net Absorption

▲ 7.8M
SF Under Construction

▼ \$0.93
NNN / Lease Rate
Existing Properties

▲ 90K
Industrial Using Employment
Reno Market

Note: Arrows indicate change from previous quarter.

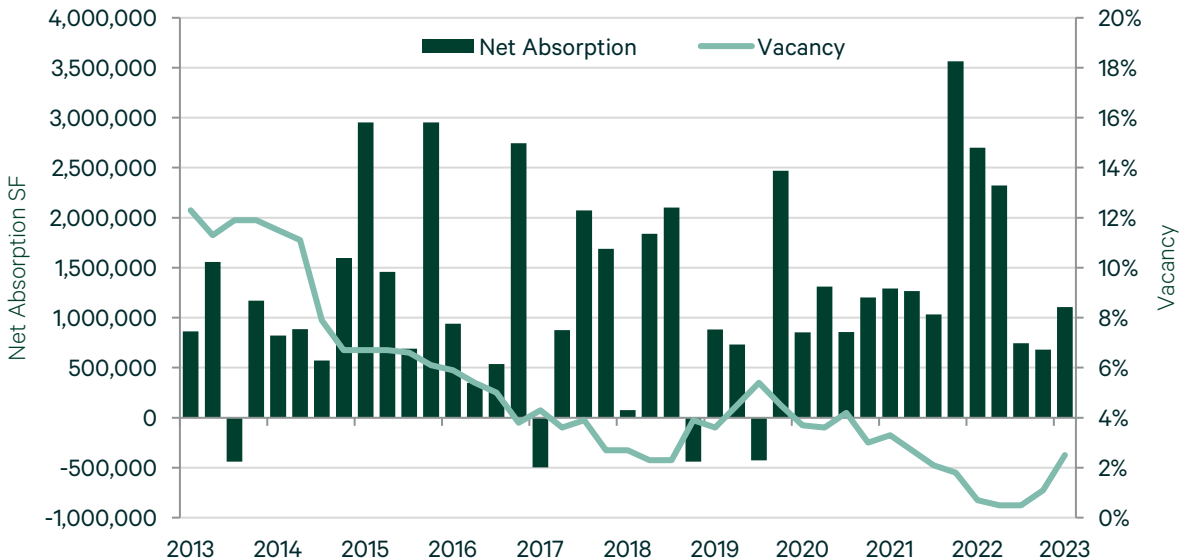
EMPLOYMENT

The Reno region is home to 570,700 residents with a labor force of 284,400. At the close of Q1 2023, the total resident employment was 273,900, up by 4,600 jobs from Q1 2022. The industrial sector is currently providing 90,000 jobs, accounting for 33% of total employment in the region. The unemployment rate ended Q1 2023 at 3.7%, up from 2.6% in Q1 2022.

INDUSTRIAL OVERVIEW

The Reno Industrial market finished Q1 2023 with strong market fundamentals, posting the 14th consecutive quarter of positive net absorption. The East Valley submarket remains the most desirable location in Reno for occupiers, posting 1.2 million sq. ft. of positive net absorption in Q1. Average asking lease rates closed the quarter at \$0.93 per sq. ft. on a monthly, NNN basis. On the supply side, 2.5 million sq. ft. of product was delivered to the market with another 7.8 million sq. ft. currently under construction. Reno continues to be one of the most active development markets in the country due favorable tax haven and proximity to all Californian markets.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

Market-wide vacancy and availability rose slightly in Q1 2023. The vacancy rate increased 140 basis points (bps) to 2.5% and the availability rate followed suit, increasing 160 bps to 3.7%. Average asking lease rates closed the quarter at \$0.93 NNN. Leases exceeding 100,000 sq. ft. continue to yield high rents. However, leases under 100,000 have shown a mild reductions in lease rates.

The Reno market closed out Q1 2023 with a total of 1.1 million sq ft. of net absorption, maintaining the market’s robust occupancy growth. Q1 2023 demonstrated a bifurcated market with a strong influx of bulk tenants and a modest decrease in flex space users. The Hub Group accounted for the largest transaction of the quarter at Sage Point Bldg 7, Reno for 531,886 sq. ft. The next largest transaction was a 332,640-sq.-ft. new lease by a Symbia Logistics in 655 Waltham Way, McCarran. As preleased projects are expected to be delivered in 2023, the Reno industrial market is expected to continue the trend of positive net absorption well into next year. The timely delivery of preleased projects has been subjected to recent inclement weather conditions, resulting in a delay ranging from three to six months for several projects.

Industrial sales activity in the Reno market continues to remain bleak due to the current rate hikes by the Fed. The top sale transaction in Q1 2023 was with an owner/user sale totaling \$18.7 million and 130,000 sq. ft. at Spanish Springs Commerce Park, Spanish Springs. The next largest sale was completed by Aqua Metals who purchased of a 21,050-sq.-ft. building located at 2999 Waltham Way, Sparks for \$4.3 million.

Reno delivered ten new industrial buildings totaling 2.5 million sq. ft. in Q1 2023. The construction pipeline remains plentiful, with a variety of projects totaling over 7.8 million sq. ft. currently under construction and 13.9 million sq. ft. in various planning stages. However, the market is witnessing persistent fluctuations in completion timelines, attributed to the ongoing supply chain barriers and adverse weather conditions.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Central / Airport	10,686,134	3.0	4.0	(136,683)	(136,683)	1.00
Bulk	8,125,560	2.6	3.8	(67,916)	(67,916)	0.75
Flex	2,560,574	4.2	4.9	(68,767)	(68,767)	1.09
East Valley	25,531,626	4.1	6.4	1,240,030	1,240,030	0.60
Bulk	25,408,939	4.1	6.4	1,240,030	1,240,030	0.80
Flex	122,687	0.0	0.0	0	0	0.00
North Valley	26,057,507	0.9	1.3	(77,251)	(77,251)	0.00
Bulk	25,828,551	0.9	1.3	(77,251)	(77,251)	0.00
Flex	228,956	0.0	0.0	0	0	0.00
South Reno	9,758,909	5.1	5.7	173,983	173,983	1.32
Bulk	7,774,858	6.0	6.5	174,764	174,764	1.22
Flex	1,984,051	1.4	2.7	(781)	(781)	1.52
Sparks	30,576,436	1.7	3.0	(107,349)	(107,349)	1.14
Bulk	27,625,184	1.8	3.0	(100,923)	(100,923)	1.04
Flex	2,951,252	1.4	2.1	(6,426)	(6,426)	1.23
West Reno	2,624,123	0.1	0.1	13,347	13,347	1.00
Bulk	2,215,063	0.0	0.0	12,923	12,923	0.70
Flex	409,060	0.4	0.4	424	424	1.00
Market Total	105,234,735	2.5	3.7	1,106,077	1,106,077	0.93
Bulk	96,978,155	2.5	3.7	1,181,627	1,181,627	0.66
Flex	8,256,580	2.2	2.9	(75,550)	(75,550)	1.22

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q1 2023

Tenant	Address	SF Leased	Type
Hub Group	Sage Point Bldg 7, Reno	531,886	New Lease
Symbia Logistics	655 Waltham Way, McCarran	332,640	New Lease
Confidential	2777 Usa Pkwy, McCarran	282,500	New Lease
Protective Industrial Products	2625 Usa Pkwy, McCarran	193,440	New Lease

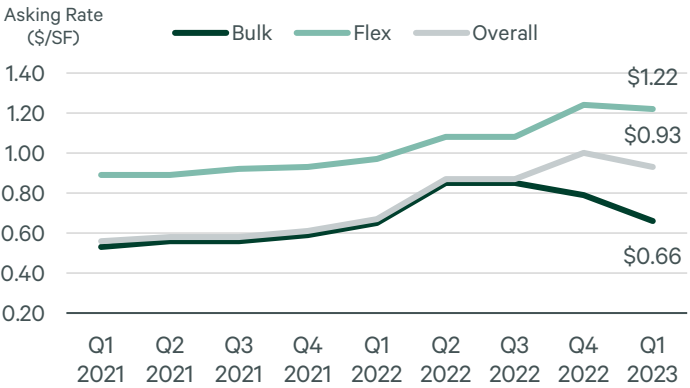
Source: CBRE Research

FIGURE 4: Notable Sale Transaction Q1 2023

Buyer	Address	SF Sold	Sale Price
Owner/User	Spanish Springs Commerce Park, Spanish Springs	130,000	\$18.7M
Aqua Metals	2999 Waltham Way, Sparks	21,050	\$4.3M

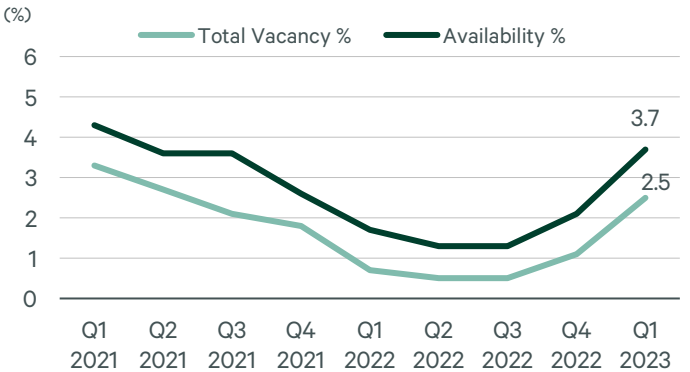
Source: CBRE Research

FIGURE 5: Asking Rates



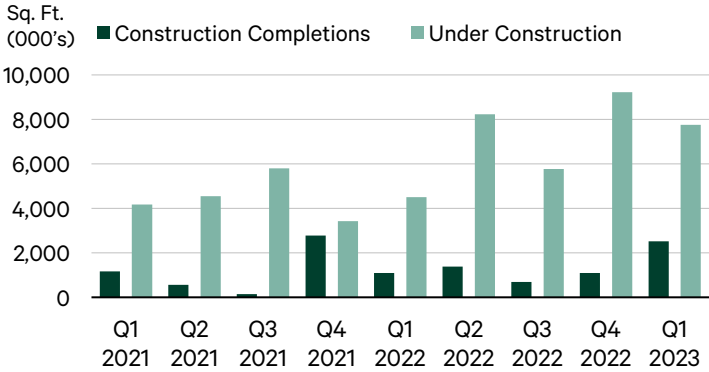
Source: CBRE Research

FIGURE 6: Vacancy & Availability



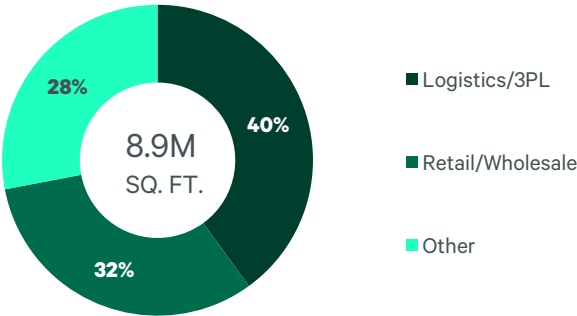
Source: CBRE Research

FIGURE 7: Construction Activity



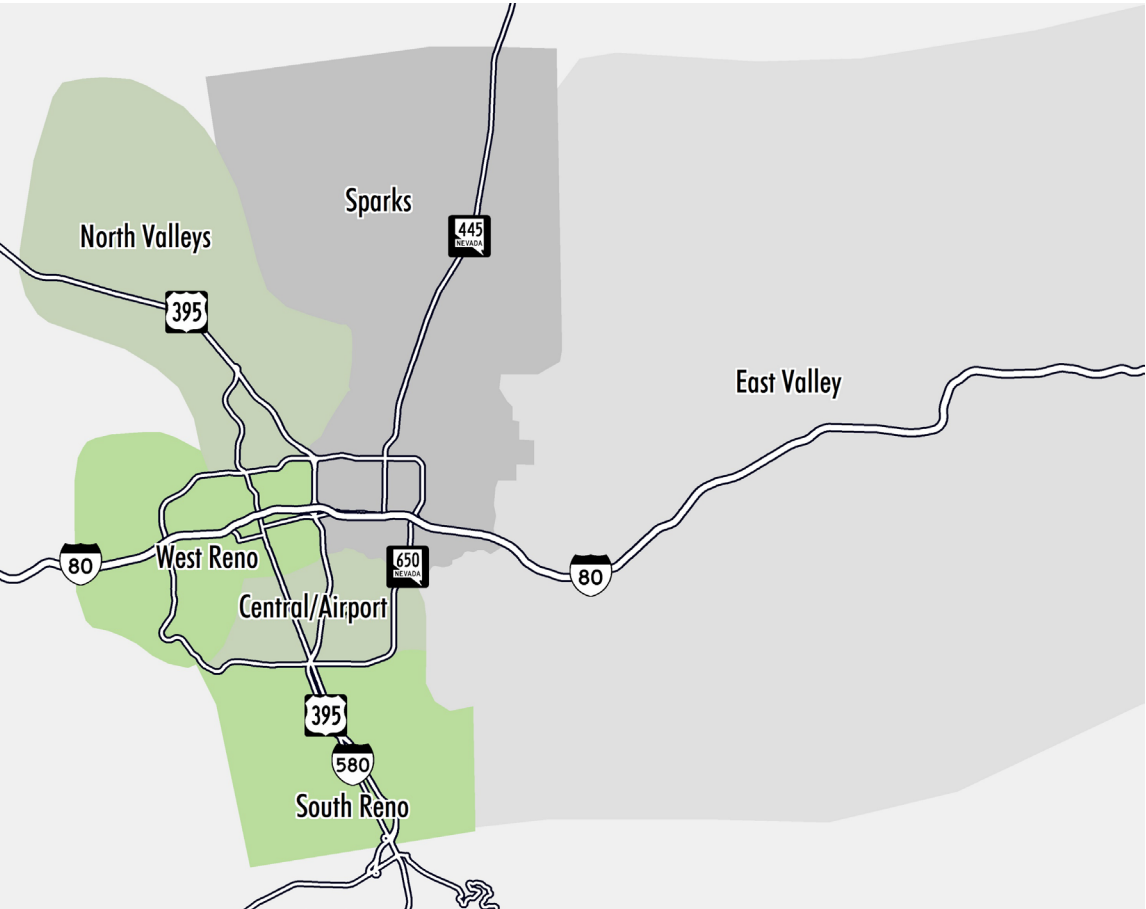
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Year by Industry (Q2 2022- Q1 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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