

FIGURES | RENO INDUSTRIAL | Q1 2024

# Multiple big box deliveries and new sublease offerings impact the market

▲ 7.2%

Vacancy Rate

▼ (753K)

SF Net Absorption

▼ 626K

SF Under Construction

▼ \$0.86

NNN / Lease Rate  
Existing Properties

► 93K

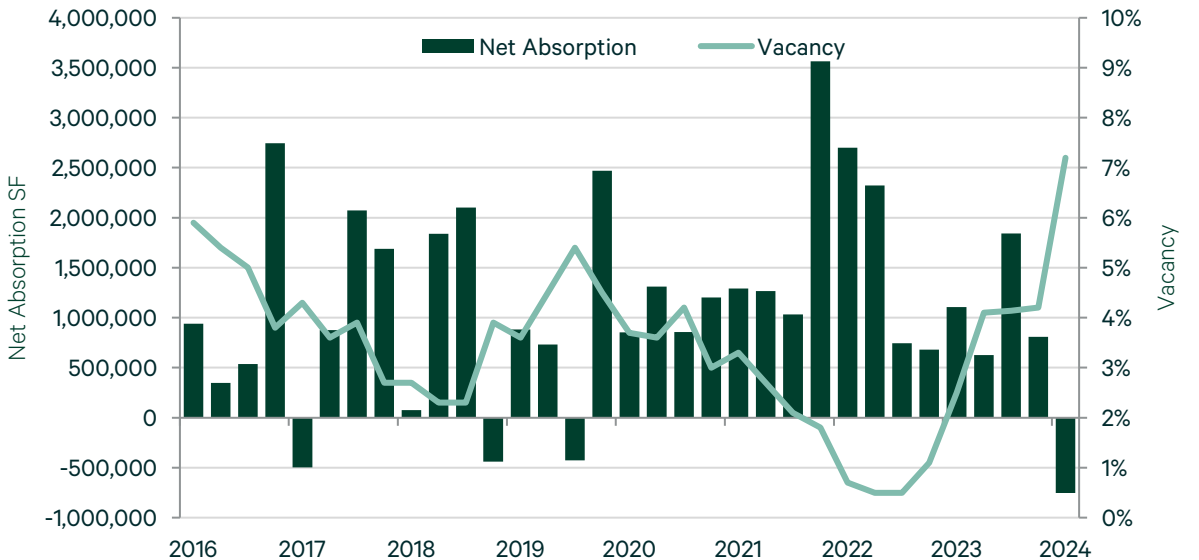
Industrial Using Employment  
Reno Market

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The Reno region is home to 574,000 residents with a labor force of 294,000. During Q1 2024, the industrial sector provided 93,000 jobs, accounting for 32% of total employment in the region. The unemployment rate ended Q1 2024 at 5.4%, up 50 basis points (bps) from the previous quarter.
- The overall net absorption of the Reno industrial market closed Q1 2024 at negative 753,000 sq. ft., the first negative quarter in over four years.
- 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).
- Tenant requirements have subsided during the quarter as few larger users were actively engaging the market compared to recent quarters.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2023

INDUSTRIAL OVERVIEW

The Reno industrial market was comprised of approximately 114 million sq. ft. at the close of Q1 2024. There was over 2.7 million sq. ft. of new product delivered to the market in Q1 2024. The construction pipeline had over 960,000 sq. ft. underway with another 17.3 million sq. ft. in various planning stages.

The overall average asking lease rates closed Q1 2024 at \$0.86 NNN. West Reno and South Reno posted the highest average asking rates at \$0.96 NNN and \$1.01 NNN, respectively.

During Q1 2024, the overall vacancy rate increased to 7.2%, while the availability rate reached 10.1%. Notably, this quarter marked the first instance of negative absorption since Q3 2019, resulting in -752,000 sq. ft. of net absorption. Despite stable demand, the market faced challenges due to an influx of 2.7 million square feet in deliveries, significant lease expirations, and the introduction of new sublease space. In addition, multiple 3PL companies rightsized their portfolio over the last quarter to adjust to post-pandemic demand. Nonetheless, multiple leases and sales exceeding 100,000 sq. ft. signed as noted in the top leases and sales tables.

Looking forward, vacancy and availability are expected to decline as newly delivered projects begin to lease. Additionally, the Reno market is not expecting any new deliveries until late 2024 to early 2025. The demand for electric vehicle (EV) and related supply chain manufacturing, along with data center users will continue to drive growth in the Reno market, specifically in the East Valley as the Tahoe Reno Industrial Center expands.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Central / Airport	10,787,034	5.8	7.1	(156,384)	(156,384)	0.96
Bulk	8,125,560	6.3	7.8	(216,939)	(216,939)	0.95
Flex	2,661,474	4.3	5.0	60,555	60,555	1.05
East Valley	31,689,887	8.5	13.1	609,993	609,993	0.77
Bulk	31,567,200	8.6	13.1	609,993	609,993	0.77
Flex	122,687	0.0	0.0	0	0	0.00
North Valley	27,009,257	6.8	8.8	(889,707)	(889,707)	0.86
Bulk	26,780,301	6.9	8.8	(889,707)	(889,707)	0.86
Flex	228,956	0.0	3.5	0	0	0.00
South Reno	11,042,701	10.6	13.1	143,038	143,038	1.01
Bulk	9,058,650	12.1	15.0	136,404	136,404	0.99
Flex	1,984,051	3.9	4.6	6,634	6,634	1.37
Sparks	30,918,395	4.5	7.3	(451,030)	(451,030)	0.87
Bulk	27,957,143	4.5	7.6	(451,053)	(451,053)	0.85
Flex	2,961,252	3.9	4.8	23	23	1.11
West Reno	3,053,123	17.6	19.1	(8,209)	(8,209)	0.96
Bulk	2,644,063	20.0	21.6	0	0	0.95
Flex	409,060	2.0	3.1	(8,209)	(8,209)	1.55
Market Total	114,500,397	7.2	10.1	(752,299)	(752,299)	0.86
Bulk	106,132,917	7.5	10.5	(811,302)	(811,302)	0.85
Flex	8,367,480	3.8	4.6	59,003	59,003	1.14

Source: CBRE Research, Q1 2024

FIGURE 3: Notable Lease Transactions Q1 2024

Tenant	Address	SF Leased	Type
Confidential	1600 Peru Dr, Sparks	410,750	New Lease
Kuehne & Nagle	2555 USA Pkwy, McCarran	307,000	Renewal/Expansion
Valeo North America	2625 USA Pkwy, McCarran	272,760	New Lease
Radio Systems	725 Waltham Way, McCarran	255,000	New Lease

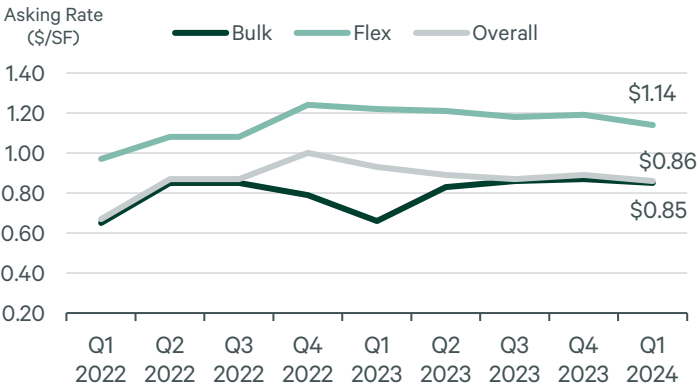
Source: CBRE Research, Q1 2024

FIGURE 4: Notable Sale Transaction Q1 2024

Buyer	Address	SF Sold	Sale Price
Kin Properties	10 Isidor Ct, Sparks	464,360	\$53.2M
Paris Lash Academy	350 Salomon Cir, Sparks	73,084	\$10.3M
Construction Materials Engineers	300 Sierra Manor Dr, Reno	32,432	\$5.1M

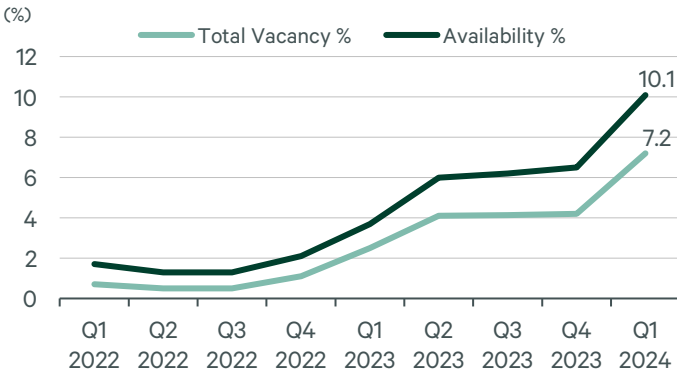
Source: CBRE Research, Q1 2024

FIGURE 5: Asking Rates



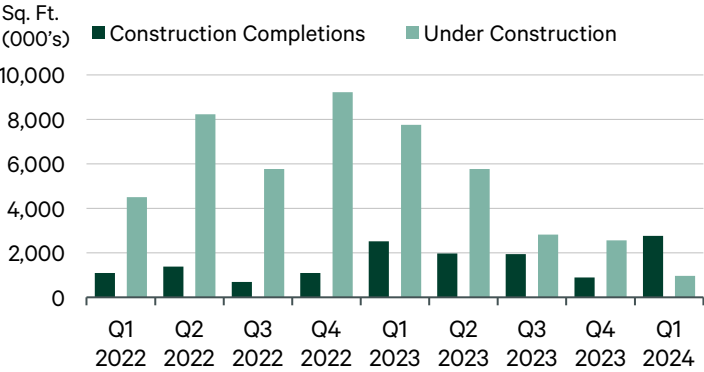
Source: CBRE Research, Q1 2024

FIGURE 6: Vacancy & Availability



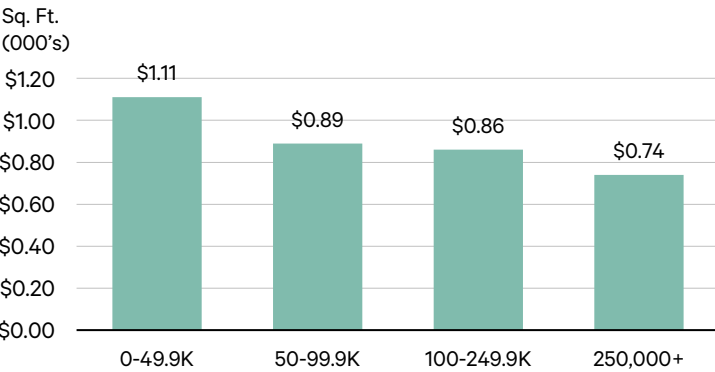
Source: CBRE Research, Q1 2024

FIGURE 7: Construction Activity



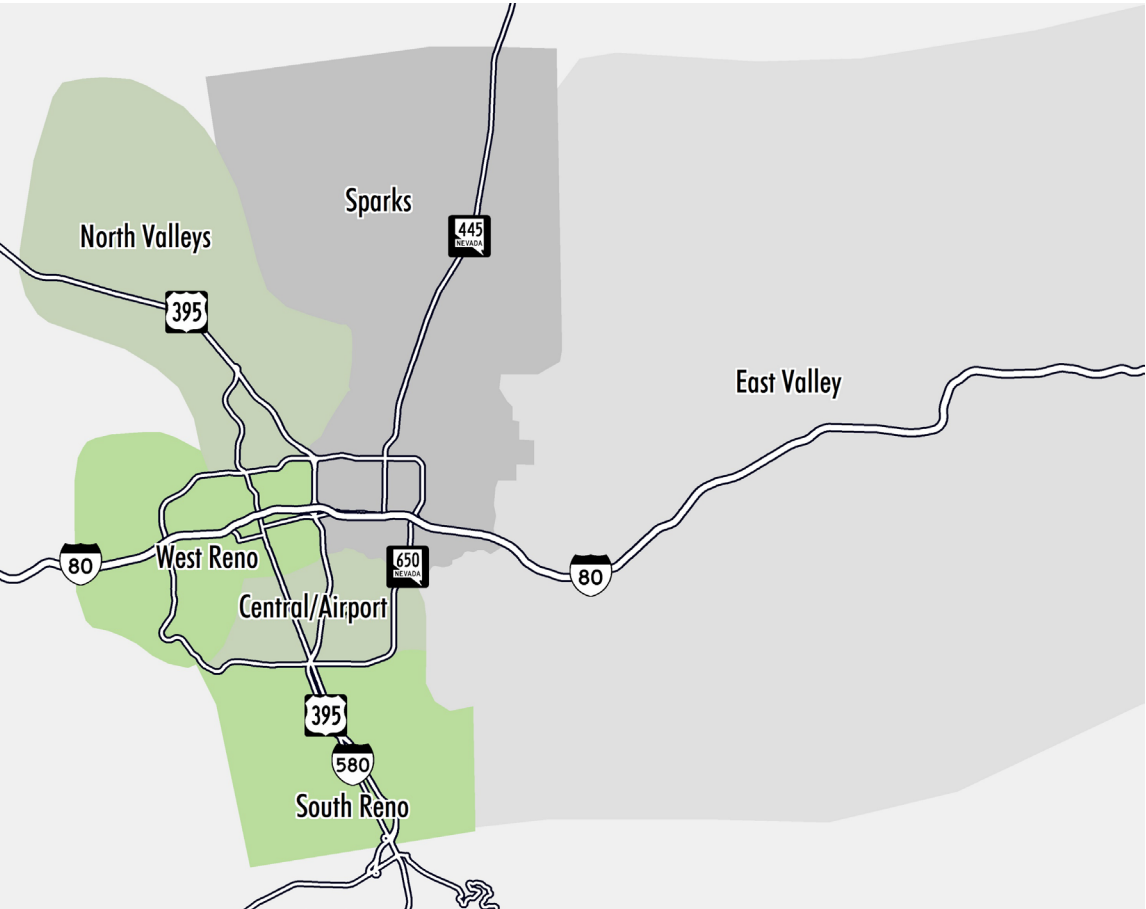
Source: CBRE Research, Q4 2023

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



Source: CBRE Research, Q4 2023

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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