



Overall, NNN Asking Rent

ECONOMIC INDICATORS Q1 2021



Source: BLS

ECONOMIC OVERVIEW

The Reno employment market lost 5,900 jobs (-2.4%) year-over-year (YOY) through February 2021, with the leisure and hospitality sector accounting for most losses. During the same time, the monthly unemployment rate increased from 3.2% to 4.9%. Notably, the current monthly unemployment rate is 100 basis points (bps) lower than the 30-year monthly average of 5.9% and in line with the Q1 2021 quarterly average of 4.9%.¹ All employment sectors are forecasted to grow at a combined rate of 3.6% in 2021 and 5.4% in 2022. Reno's economy of \$26.8 billion as measured by gross regional product is forecasted to grow 4.9% in 2021 and 8.9% in 2022, above its 10-year average of 1.9%.²

MARKET OVERVIEW

Overall vacancy decreased 170 bps quarter over quarter (QOQ) and 190 bps YOY to 2.8% in Q1 2021. The current industrial vacancy rate is 320 bps below the 5-year quarterly average of 6.0%. Occupancy gains in Q1 2021 at 2.7 million square feet (msf) were the highest since the Q4 2019, with all except one submarket recording gains. Consequently, vacancy in warehouse and distribution (W/D) space decreased 60 bps over the last three months to 2.8% and decreased 50 bps in manufacturing space to 1.8%. Tenants absorbed the most space in Q1 2021 in South Reno, North Valleys and Storey County submarkets (2.5 msf combined). On annual basis, occupancy grew by 1.7 msf in 2020, marking the 14th consecutive year of occupancy gains, averaging 2.0 msf per year. Demand remains high for W/D space. Over the last four quarters combined, tenants have absorbed 4.1 msf of W/D space, resulting in a 250 bps decrease in vacancy compared to last year. Overall leasing activity picked up in Q1 2021, led by leasing of W/D space, at 2.7 msf (64 deals), including renewals, compared to 1.5 msf last quarter (69 deals). Tenants leased 7.5 msf in 2020 combined (294 deals) of which 6.3 msf (273 deals) were new leases and 1.2 msf (21 deals) were renewals. Average asking rate for all product types combined decreased 7.5% QOQ and increased 14.0% YOY to \$0.49 per square foot (psf) triple net on a monthly basis. Average asking rent for W/D space increased 10.0% YOY, followed by average rent increase in flex space (+7.7%) and manufacturing (+4.5%) space. With demand outpacing supply, average rents are poised to increase over the next 12 months. As of Q1 2021, there were seven distribution properties, totaling 1.9 msf, under construction across the market, well below the 5-year quarterly average of 4.5 msf.

SALES ACTIVITY

The northern Nevada industrial market recorded \$110 million across six properties totaling 2.1 msf in Q1 2021 compared to \$187 million in Q4 2020 and \$306 million in Q1 2020. Sales in 2020 reached \$550 million across 28 properties totaling 6.3 msf, a 66% drop YOY in sales volume. Average price psf was \$97 in Q1 2021 (+6.8% YOY) compared to 2020 quarterly average of \$91. Private buyers comprised the majority (82%) of buying activity in Q1 2021 (vs. 33% in 2020), followed by cross border (18%).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 (SF)	OVERALL WEIGHTED AVG NNN RENT (MFG)	OVERALL WEIGHTED AVG NNN RENT (W/D)	OVERALL WEIGHTED AVG NNN RENT
Airport	8,781,928	379,676	4.3%	177,224	177,224	0	0	\$0.85	\$0.64	\$0.88
Central	1,934,350	29,378	1.5%	39,136	39,136	0	0	\$0.60	\$0.92	\$0.76
Douglas County/Carson City	5,364,248	165,204	3.1%	-86,183	-86,183	0	0	\$0.60	\$0.58	\$0.60
Fernley	4,782,443	0	0.0%	63,500	63,500	0	0	-	-	-
North Valleys	22,993,555	801,491	3.5%	715,260	715,260	500,233	405,456	\$0.38	\$0.43	\$0.40
South Reno	9,575,494	261,158	2.7%	1,115,443	1,115,443	27,200	0	-	\$0.86	\$0.96
Sparks	28,010,321	457,684	1.6%	7,200	7,200	659,280	0	\$0.54	\$0.44	\$0.46
Storey County	19,310,905	750,301	3.9%	620,546	620,546	663,600	0	\$0.48	\$0.41	\$0.42
West Reno	954,168	0	-	0	0	0	0	-	-	-
FLEX	7,365,546	341,388	4.6%	-20,293	-20,293	0	0			\$0.98
MFG	17,787,278	326,012	1.8%	1,200,400	1,200,400	0	0			\$0.46
W/D	76,554,588	2,177,492	2.8%	1,472,019	1,472,019	1,850,313	405,456			\$0.44
RENO TOTALS	101,707,412	2,844,892	2.8%	2,652,126	2,652,126	1,850,313	405,456	\$0.46	\$0.44	\$0.49

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8001 N. Virginia St.	North Valleys	Chewy.com	795,926	New
9560 N. Virginia St.	North Valleys	Bender Warehousing	196,200	New
14101 Lear Blvd.	North Valleys	Undisclosed	140,000	New
127 Woodland Ave.	West Reno	Garlock Printing & Converting West	122,225	Sale/Leaseback
6650 Echo Ave.	North Valleys	Smart Warehousing	97,500	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9715 N. Virginia St.	North Valleys	Scannell / LBA Realty	187,275	\$30.0M / \$160
14101 Lear Blvd.	North Valleys	LSC Communications / Industrial Realty Group	447,410	\$29.0M / \$65
127 Woodland Ave.	West Reno	Garlock Printing & Converting / Royal Oak Realty Trust	122,225	\$11.2M / \$92
775 E Glendale Ave.	Sparks	Wombles & Owens LLC / Oliver Realty LLC	37,906	\$4.2M / \$110

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