

Reno Office

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Reno Employment	226.7	236.7	▲
Reno Unemployment	4.1%	3.7%	▼
U.S. Unemployment	4.7%	4.1%	■

Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	8.9%	9.3%	▼
YTD Net Absorption (sf)	+88,142	-21,445	▲
Under Construction (sf)	6,018	82,857	▲
Average Asking Rent*	\$1.51	\$1.57	▲

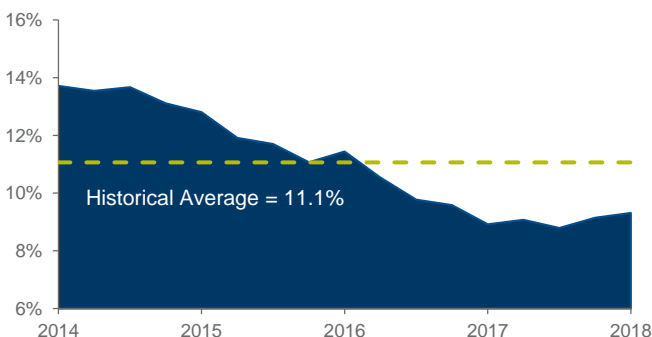
*Rental rates reflect gross asking \$psf/month

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Northern Nevada economy saw continued growth throughout first quarter of 2018. Unemployment fell 40 basis points (bps) year-over-year (from 4.1% to 3.2%) as the Reno MSA employment grew by 10,000 jobs for the period. Economic growth is expected to continue as companies like Google, Tesla and Switch continue to invest in new facilities in the region. Similarly, the U.S. unemployment rate declined by 60 bps year-over-year, reporting a rate of 4.1% at the close of the first quarter 2018.

Market Overview

The Reno office market demonstrated continued growth during the first quarter 2018 despite recording -21,445 square feet (sf) of net absorption. Class A space returned to the market as the overall class A vacancy rate increased to 12.2%. This is likely a short-term phenomenon as Class A product has historically had the markets lowest vacancy rates.

Asking rents remained at \$1.57 monthly, per square foot full service for the second consecutive quarter but have grown 4.0% year-over-year. The increase in available Class A space has not greatly affected asking rates which remain above \$2.00 for the second consecutive quarter, a first for the market.

While there were no deliveries this quarter, the market has five projects under development for nearly 83,000 sf. The Meadowood submarket accounts for four of the five projects totaling 77,000 sf.

Despite the negative net absorption, leasing activity was strong during Q1 2018, totaling 233,000 sf. Two deals exceeded 15,000 sf with only one new deal of that size, NV State Medical Examiners at 9600 Gateway Dr.

Investors were active during the quarter as 18 office properties traded for more than \$50M in total volume. The large number of high-value assets pushed the average price/sf above the \$200 mark for the first time since Q1 2017.

Outlook

- Local economic growth will continue to drive real estate values in Northern Nevada as employment growth and low cost of living draw residents from California and beyond.
- Both occupancy and rental rates are expected to increase through the balance of 2018.

MARKETBEAT

Reno

Office Q1 2018



SUBMARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	YTD LEASING ACTIVITY(sf)	UNDER CONSTRUCTION	AVERAGE ASKING RENT (ALL CLASSES)	AVERAGE ASKING RENT (CLASS A)
Central/Airport	2,482,294	0	269,471	10.9%	17,978	17,978	54,080	0	\$1.20	\$0.00
Meadowood	3,191,504	40,941	338,079	11.9%	-61,622	-61,622	50,805	76,839	\$1.78	\$2.13
Downtown	4,426,477	2,113	340,463	7.7%	856	856	64,944	0	\$1.60	\$2.06
South Meadows	2,087,603	21,844	157,336	8.6%	5,090	5,090	38,885	0	\$1.73	\$1.81
Sparks	1,085,423	10,000	55,481	6.0%	16,253	16,253	24,242	6,018	\$1.29	\$0.00
Class Breakdown										
Class A	1,868,101	49,766	178,309	12.2%	-46,390	-46,390	12,331	40,826	\$2.00	
Class B	7,096,343	15,132	609,996	8.8%	29,491	29,491	161,193	42,031	\$1.57	
Class C	4,308,857	10,000	372,525	8.9%	-4,546	-4,546	59,432	0	\$1.31	
TOTAL	13,273,301	74,898	1,160,830	9.3%	-21,445	-21,445	232,956	82,857	\$1.57	\$2.00

*Rental rates reflect full service gross asking \$psf/month

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6995 Sierra Center Pkwy, Reno	19,940	Stantec	Renewal	Meadowood
9600 Gateway Dr, Reno	15,672	NV State Medical Examiners	New	South Meadows
9480 Gateway Dr, Reno	6,873	Undisclosed	New	South Meadows
241 Ridge St, Reno	6,844	Manhard Consulting	New	Downtown
6900 S McCarran Blvd, Reno	6,725	Bradley, Drendel, & Jeanney	Renewal	Meadowood

Key Sales Transactions Q1 2018

PROPERTY	SF	BUYER / SELLER	PRICE / \$PSF	SUBMARKET
10375 Professional Cir, Reno	79,552	Pinecone Holdings LLC / American Industrial Center	\$25,300,000 / \$318	South Meadows
300-328 S Wells Ave, Reno	39,234	S3 Development Co / Christine Schiff	\$4,400,000 / \$112	Downtown
3500 Lakeside Ct, Reno	31,000	Yc Lakeside Plaza LLC / Tall Pine Co Ltd	\$2,125,000 / \$69	Central/Airport
9222 Prototype Dr, Reno	15,672	Abruzzo Prototype LLC / Kirby & Altmann	\$3,400,000 / \$217	South Meadows
5590 Kietzke Ln, Reno	14,670	ROC Investments LLC / Par Properties, LLC	\$5,500,000 / \$375	Meadowood

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