

MARKETBEAT

Reno

Industrial Q3 2018



RENO INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Reno Employment in Thousands	242.8	250.8	▲
Reno Unemployment	4.0%	3.7%	▼
U.S. Unemployment	4.4%	3.9%	▼

August 2017/2018 used to represent Q3 for Reno

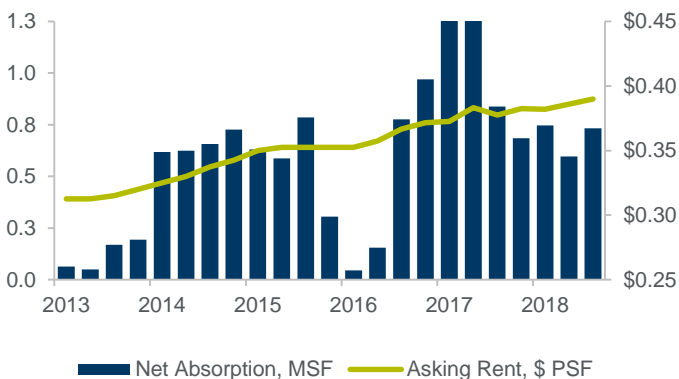
Market Indicators (All Product Types)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	6.8%	6.3%	▼
Net Absorption (sf)	626K	-177K	▲
Under Construction (sf)	4.6M	6.4M	▼
Average Asking Rent	\$0.38	\$0.40	▲

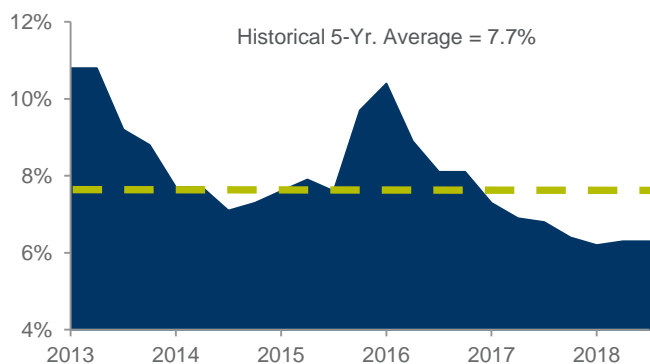
*Rental rates reflect triple net asking \$psf/monthly

Net Absorption/Asking Rent (Triple Net, Monthly)

4-QTR TRAILING AVERAGE



Overall Vacancy – All Product Types, incl. Sublease



Economy

The Reno employment market continued to record job growth, adding 9,100 jobs (+3.9%) year-over-year through August 2018.¹ During the same time period, the unemployment rate decreased 30 basis points (bps), dropping to 3.7%. Also worth noting, the current rate is 230 bps below the 28-year average of 6.0%.

All employment sectors are expected to grow at a combined growth rate of 3.9% in 2018. Reno's economy of \$26.6 billion² as measured by gross regional product is forecasted to grow an additional 5.7% in 2018 and 4.6% in 2019, above its 10-year average of 2.2%.³

Market Overview

Industrial vacancy (including sublease) decreased 20 bps from Q2 2018 and 50 bps from a year ago. Year-to-date tenants have absorbed 858,100 sf with the majority of it in manufacturing space (+635,466 sf), followed by warehouse (+288,394 sf) and distribution space (+288,394 sf). Consequently, overall vacancy for manufacturing product has dropped to 2.7% from 3.9% a year ago. During the Q3 2018, tenants absorbed the majority of space in North Valleys, South Reno and Storey County submarkets, combined 265,000 sf. At the end of Q3 2018, overall vacancy was the lowest in North Valleys submarket (3.5%) followed by South Reno (4.0%) and Airport (5.2%) submarkets.

The largest lease signed in Q3 2018 was the largest speculative lease signing in the history of Nevada: the 802,113-sf lease signed by S&S Activewear at North Valleys Commerce Center.

Completions in the Q3 of 2018 included the 52,000-sf Bedrosians at 6970 Longley Lane in South Reno as well as the 7,200-sf Prater Industrial Flex Condos in Sparks. This brings the total year-to-date deliveries to 712,000 sf. Of the 6.4 msf currently under construction, the Tesla Gigafactory located at 2641 Portofino Dr. accounts for 3.8 msf with 100% pre-leased and is estimated to be completed in Q3 2019. The 802,113-sf North Valley Commerce Center at 9550 N. Virginia St., which is now 100% pre-leased, is the second largest project with an estimated completion in March 2019.

Sales Activity

Reno industrial including flex market kicked off 2018 by recording \$439 million in sales activity year-to-date compared to \$320 million during the first nine month of 2017. Cross border investors from China have been the leading buyers in 2018 year-to-date, accounting for 55% of activity, closely followed by private buyers (41%).⁴

Outlook

- Construction has started to respond to the demand, relieving some pressure on tenants by adding more inventory selection to the pipeline in the coming year.
- With significant positive job creation, in addition to low business and living costs compared to neighboring states, occupancy and rent growth is expected to continue through the end of 2018.

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2016. (f) by Moody's Analytics economy.com ⁴RCA.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Types)
Airport	202	8,781,947	128,100	328,851	5.2%	-9,070	-75,133	0	\$0.53
Central	123	2,124,943	0	117,578	5.5%	10,024	45,184	27,000	\$0.56
Douglas County/ Carson City	203	5,491,136	100,343	218,970	5.8%	-5,091	-23,767	0	\$0.47
Fernley	36	4,306,459	256,000	465,635	16.8%	-193,302	-150,800	475,000	\$0.31
North Valleys	156	19,032,184	251,550	405,116	3.5%	128,775	890,223	1,238,481	\$0.36
South Reno	146	9,472,126	128,404	245,933	4.0%	100,194	-44,351	184,078	\$0.50
Sparks	505	28,732,311	19,850	2,283,040	8.0%	-224,097	504,958	0	\$0.42
Storey County	64	13,803,535	748,875	180,000	6.7%	36,016	-288,214	4,430,240	\$0.36
West Reno	27	918,343	0	0	0.0%	0	0	0	\$0.83
TOTAL	1,462	92,662,984	1,663,122	4,245,123	6.3%	-176,599	858,100	6,354,799	\$0.40
FLEX	305	8,850,710	17,204	358,115	4.2%	-29,933	-65,760	0	\$0.82
MFG	126	11,797,527	100,343	220,005	2.7%	20,501	635,466	4,275,000	\$0.41
W/D	1,031	72,014,747	1,515,575	3,667,003	7.2%	-167,167	288,394	2,079,799	\$0.38
TOTAL	1,462	92,662,984	1,663,122	4,245,123	6.3%	-176,599	858,100	6,354,799	\$0.40

*Rental rates reflect triple net asking rents \$psf/monthly. Vacancy rate and net absorption includes direct and sublease. Inventory includes properties of 5,000 sf and larger.

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
North Valleys Commerce Center	802,113	S&S Activewear	Panattoni Development Co.	New Lease	North Valleys
350 Lillard Dr.	55,200	Geodis Logistics	Dalfen America Corp.	New Lease	Sparks
Sierra Commerce Park, Bldg. 6	53,664	Codale Electric Supply	The Blackstone Group LP	New Lease	Sparks
Vista Industrial Park, Bldg. 7	45,000	Packaging Corp of America	Prologis	Renewal	Sparks

Key Sale Transactions Q3 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
550 Mallory Way	120,000	Gerardo Figueroa	Cal Storage Inc.	\$4,200,000 / \$35.00	Carson City County
1555-1645 Crane Way	201,800	Anderson Nevada LLC	Ulrich Fuchs	\$3,000,000 / \$14.87	Sparks
155 Glendale Ave.	56,188	Justin & JoAnne Chao	Blackfire Investments	\$5,900,000 / \$105.00	Sparks
2185 Park Place	28,030	James Loudspeaker LLC	Jrs Turbine Blading & Parts LLC	\$2,325,000 / \$82.95	Douglas County
Spanish Springs Industrial Center	25,625	Lanza/Miller Rivlin	Kic Retirement Fund	\$2,050,000 / \$80.00	Sparks
4840 Mill St.	16,676	Turner Land Co.	Barta Properties	\$1,860,000 / \$111.54	Airport

Jolanta Campion

Director of Research, San Diego & Nevada
jolanta.campion@cushwake.com

Brian Armon, SIOR, CCIM

Managing Partner, Northern Nevada
brian.armon@cushwake.com
6121 Lakeside Dr., Suite 160
Reno, NV 89511
Tel: 775.851.9500 Fax: 775.851.9551

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