

Q1
2022

INDUSTRIAL REPORT



SALES
LEASING
NEW CONSTRUCTION



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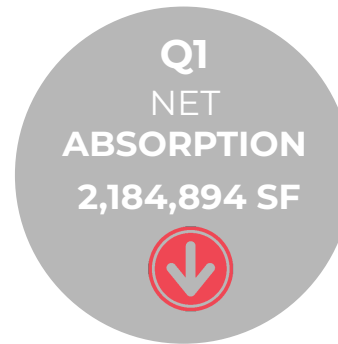
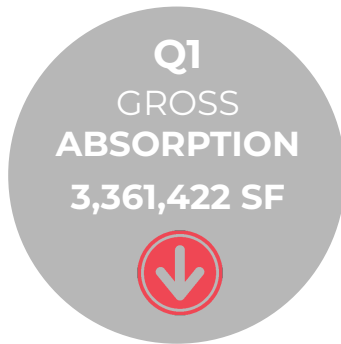
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NORTHERN NEVADA

WHERE DO WE **STAND?**

Q1



AVERAGE BULK INDUSTRIAL LEASE RATE = \$0.58 SF/MO NNN

VACANCY

After two consecutive quarters of over 2 million square feet of net absorption, the Northern Nevada industrial market has reached record low direct vacancy rounding out the quarter at 1%, forcing extremely challenging conditions for expanding and relocating users in the market.

ABSORPTION

Despite blistering low vacancy rolling into 2022, the first quarter continued with robust absorption with over 3.4 million square feet of gross absorption and only 1,176,528 square of new vacancy, most of which was spoken for by end of the quarter. The inventory shortage will likely force lower absorption through the middle of the year until the next wave of new construction deliveries hit the market in Q4 and Q1 2023.

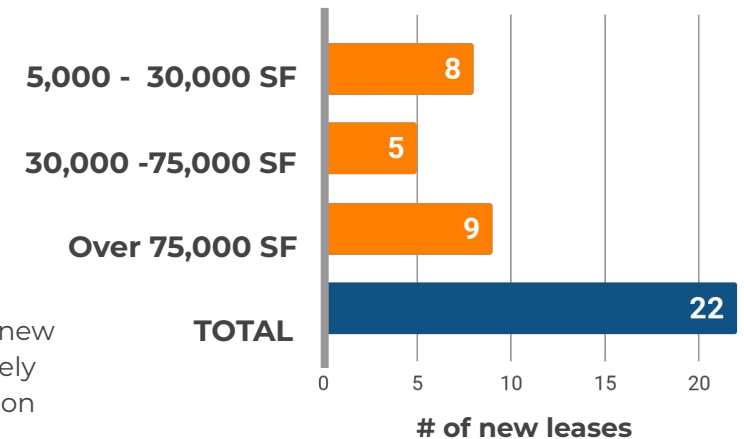
LEASE RATES | SALE PRICES

Lease rates have continued to skyrocket over the last 12 months with 20% rent growth on big-box space, 30% increases for mid-bay product, and 40-45% increases in various flex categories. Additionally, landlord's are continuing to push frothy annual escalations at 4-5% pending lease term, and even 6% in some cases for turnkey flex product.

CONSTRUCTION

A heavy pipeline of speculative new construction hit the market in the first quarter with six buildings totaling 1.53 million square feet, including an 815,215 square foot building at Mark IV Capital's Victory Logistics District in Fernley. Demand for the new class A product provided color with an astonishing 70% pre-lease rate, and the remaining 30% likely slated for Q2 absorption. Looking forward, established developers in the market remain full steam with 4 million square feet under construction, of which 3 million is expected to be completed by year-end.

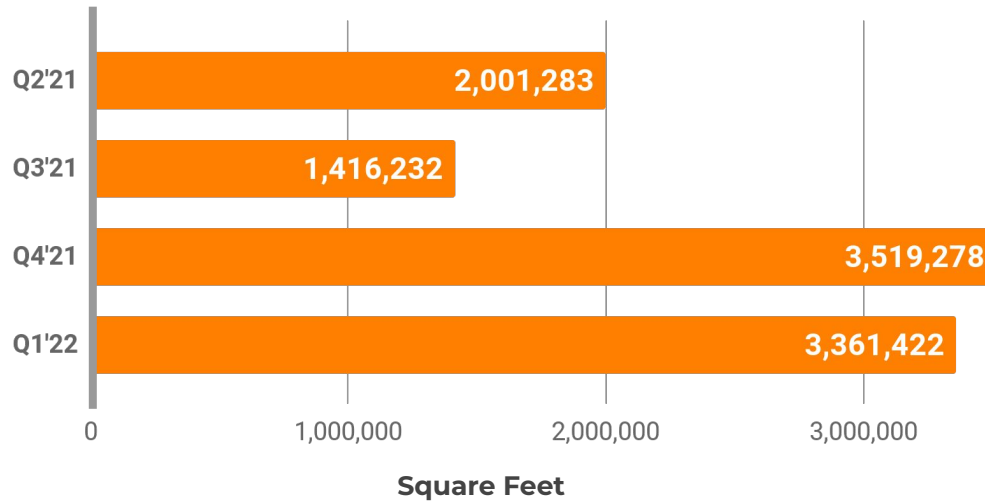
Q1 NEW LEASE TRANSACTIONS



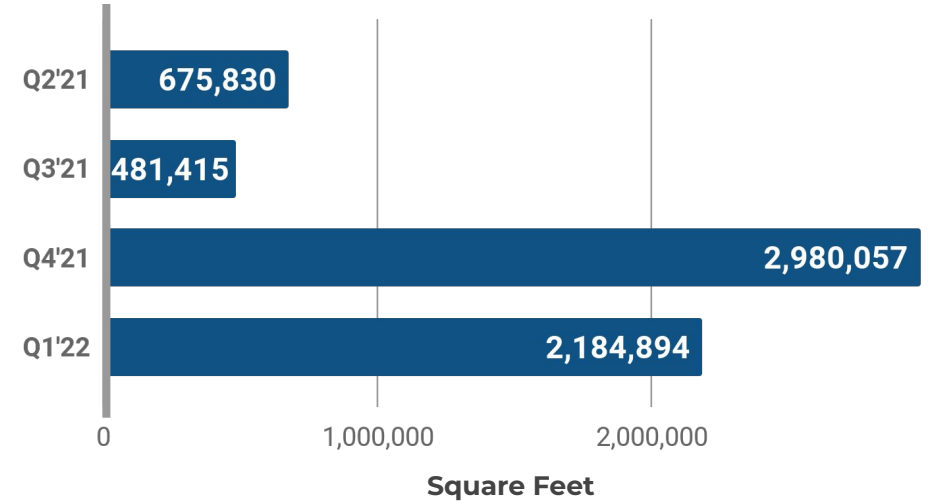
ABSORPTION & SUBMARKET VACANCIES

Q1

Gross Absorption



Net Absorption



VACANCY

Submarket	Total SF	Direct Available SF	Vacancy Rate	Completed Construction SF	Under Construction SF
North Valleys	27,705,887	454,282	1.64%	669,637	945,678
Sparks	26,961,290	227,153	0.84%	-	594,360
Airport	9,847,799	54,757	0.56%	-	351,696
South Reno	9,838,909	58,832	0.60%	52,700	396,690
Central-West Reno	2,090,572	12,391	0.59%	-	-
I-80 East Corridor	20,297,299	158,411	0.78%	815,215	1,741,040
TOTAL	96,741,756	965,826	1.00%	1,537,552	4,029,464

NOTABLE TRANSACTIONS

Q1



Q4 2021 Industrial Sale Volume: \$257,565,013

Q1 2022 Industrial Sale Volume: **\$21,851,869**

SALES RECAP

Sale volume in the first quarter was slow with only 7 total transactions totaling \$21,851,869. The top sale of the quarter was in the Sparks submarket where a 38,150 sf building at 280 Greg St was purchased by Silverstone IP LLC for \$7,858,422 (\$205.99 psf). In the airport submarket, a 27,600 sf building located at 975 Terminal Way was purchased by Fablewacos LLC for \$3,800,000 (\$137.68 psf). DCG represented the seller in the purchase of 9744 S Virginia St, a 10,880 sf leased flex building that sold to an investor as a 1031 exchange for \$3,115,000 (\$286.31 psf) at an estimated 4.5% cap rate.

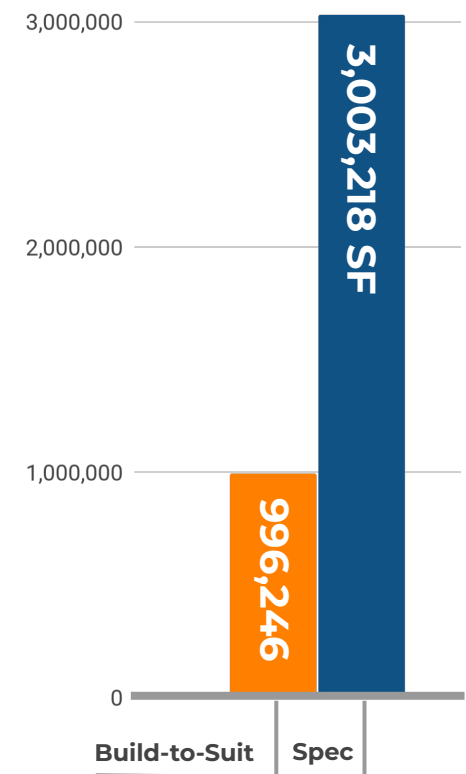
NEW CONSTRUCTION

In addition to the Mark IV completion of Building A in Fernley, the North Valleys took on 3 new buildings: Majestic Realty's Reno Commerce Center Buildings 1 and 2 - 269,843 and 245,354 square feet respectively, and Prism Realty Corporation's 154,440 square foot Building C at North Valleys Commerce Center. In South Reno, McKenzie Properties put the roof on their 25,500 and 27,200 square foot buildings, adding some much needed flex inventory to central Reno/Sparks.

Two buildings broke ground during the quarter, each on spec by Majestic Realty: the 246,392 square foot Building 3 at Reno Commerce Center II and the 694,640 square feet at 155 Milan Dr. Both are scheduled for Q4 completion.

Five upcoming spec groundbreaking announcements totaling 1.4 million square feet brings the proposed pipeline over 7.3 million square feet. In Fernley, Victory Logistics District's Buildings B(223,100 SF), C(122,400 SF) and D2(635,195 SF) and in the Tahoe Reno Industrial Center, Brass Cap Development's 675 Waltham Way(257,290 SF) and 655 Waltham Way(168,480 SF) are each scheduled to break ground in Q2, with completion by Q2 2023. The momentum of industrial growth into the northern and eastern submarkets is continuing at a vigorous pace.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT



NOTABLE TRANSACTIONS

Q1

NOTABLE SALES

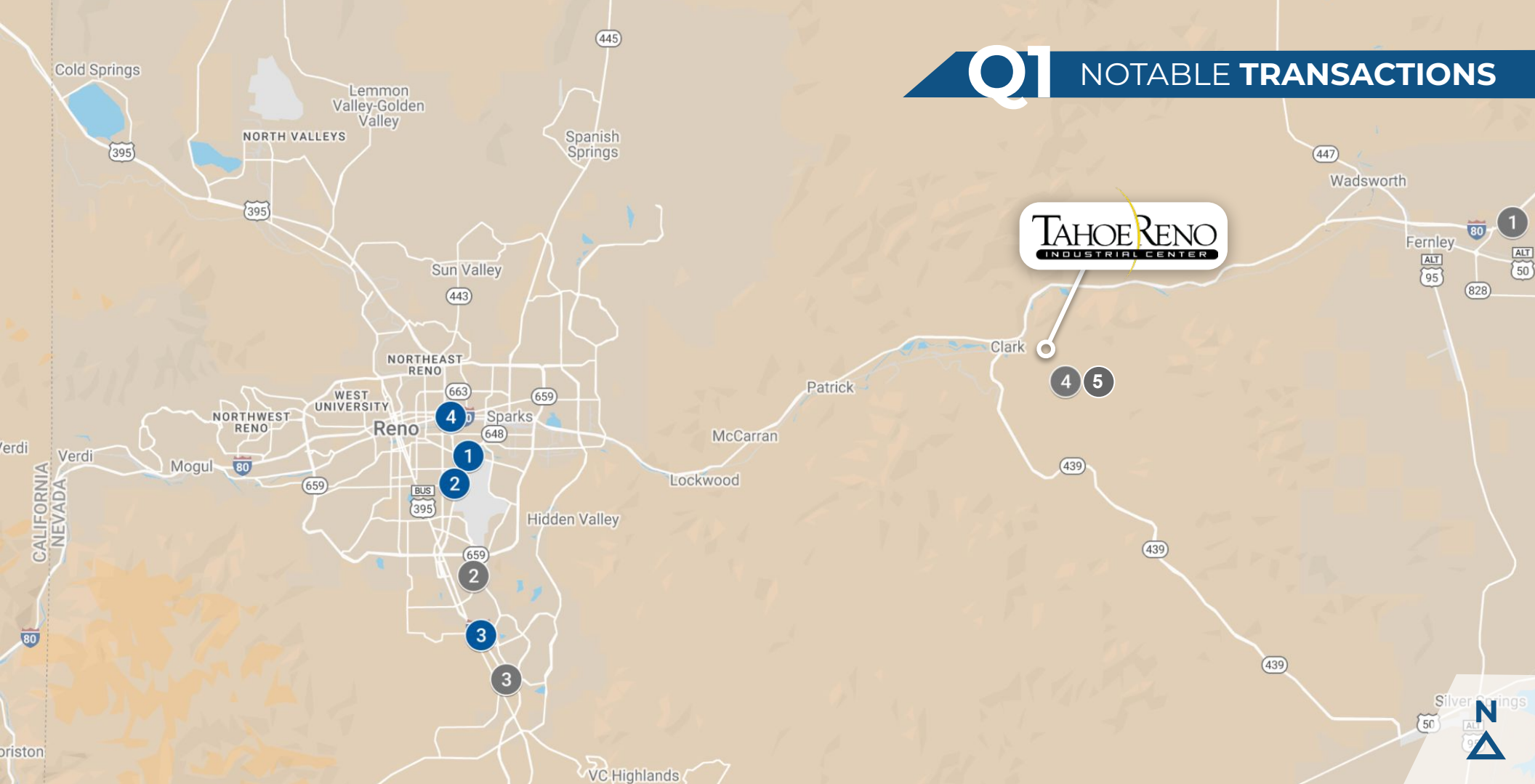
Address	SF	Price	Buyer	Seller
280 Greg St	38,150 sf	\$7,858,422	Silverstone IP LLC	Barta Investments Inc
975 Terminal Way	27,600 sf	\$3,800,000	Fablewacos LLC	975 Terminal Way LLC
9744 S Virginia St	10,880 sf	\$3,115,000	Gran Tee Investments LLC	Palomar Lanes
2403 E 4th St	12,679 sf	\$2,138,947	RPPH Real Estate LLC	Frank & Lisa Jaramillo

NOTABLE LEASES

Address	SF	Landlord	Tenant
1895 Duffy Rd	812,215	Mark IV	Confidential
3450 Airway Dr	396,535	AEW	ITS Logistics
0 Old Virginia	390,240	Prologis	DragonFly Energy
727 Milan Dr	302,680	Carpenters Union	Pregis
727 Milan Dr	180,470	Carpenters Union	STORD

Q1

NOTABLE TRANSACTIONS



LEASES

1. 1895 Duffy Rd
I-80 East
Mark IV
Confidential
815,215 SF

2. 3450 Airway Dr
Airport
AEW
ITS Logistics
396,535 SF

3. 0 Old Virginia Rd
South Reno
Prologis
DragonFly Energy
390,240 SF

4. 727 Milan Dr
I-80 East Corridor
Carpenters Union
Pregis
302,680 SF

5. 727 Milan Dr
I-80 East Corridor
Carpenters Union
STORD
180,470 SF

SALES

1. 280 Greg St
Sparks
Silverstone IP LLC
38,150 SF

2. 975 Terminal Way
Airport
Fablewacos LLC
27,600 SF

3. 9744 S Virginia St
South Reno
Gran Tee Investments LLC
10,880 SF

4. 2403 E 4th St
Central Reno
RPPH Real Estate
12,679 SF

1

Despite over 4 million square feet of new construction pipeline underway, the bulk of new product deliveries will not come online until either year end or beginning of 2023, which will continue to cap vacancy over the next two quarters, strengthening the position of any landlord with upcoming availability.

2

Tenant creditworthiness will continue to drive the attention of landlords as competitive multiple offer scenarios will afford them the opportunity to sit and wait for the strongest occupant, while simultaneously reaping the benefits of rapidly rising rental rates.

3

Although overall sale volume over the quarter was down 90%, primarily due to lack of readily available opportunities, rumors of several large portfolio sales close to finalization are expected to produce astonishing highmark comps for the Northern Nevada industrial market within the upcoming months.

4

Preleasing will continue to suppress the vacancy rate through 2022. New construction deliveries will hold pace to deliver another 3 million square feet this year, though the current rate of new deliveries will struggle to get ahead and produce surplus available inventory in the near term.

5

The long term horizon suggests the national industrial market is entering into a position to experience cooling rental rate growth as owners and occupiers cope with the above average volume of new completions hitting the market over the next 12 to 18 months. Assuming the high pace of new deliveries will *eventually* outpace demand, we can expect a growing inventory to stabilized vacancy and market conditions over the next 12-24 months..

6

Macroeconomic conditions, including rising interest rates, may produce some nationwide hesitancy from investors in the short term, however the fundamentals of the industrial market, and specifically Reno/Sparks, will continue to yield strong demand over the medium and long term, as organizations engage in supply chain optimization and onshoring of production.