

Q2
2023

INDUSTRIAL REPORT

SALES
LEASING
NEW CONSTRUCTION



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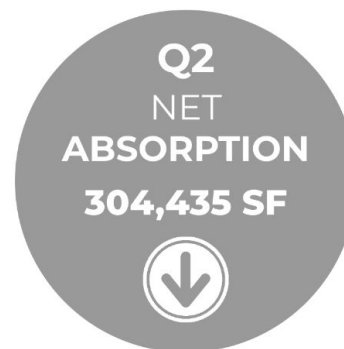
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NORTHERN NEVADA

WHERE DO WE STAND?

Q2



VACANCY

AVERAGE BULK INDUSTRIAL ASKING LEASE RATE = \$0.87 SF/MO NNN

A substantial roll out of new construction deliveries contributed to a 244 basis point increase on direct vacancy in the second quarter. Despite 52% of the new product having been leased upon delivery, there was nearly 2M sq. ft. of added vacancy alone from new construction and 326,000 sq. ft. of newly available existing product. Although tenant activity remains persistent for newly available space, we expect to see this trend to continue through the balance of the year as a steady pipeline of new construction hits the market.

ABSORPTION

Gross absorption was up 1.1M sq. ft. from Q1 for a total of 3.5M sq. ft. in the first half of the year, keeping the confidence up for landlords as demand for Northern Nevada industrial space remains resilient. Out of the 33 newly completed leases, the bulk of activity was reflected in the 5,000-30,000 sq. ft. range with the majority landing in the 5,000-10,000 sq. ft. flex category with 13 new leases over the quarter.

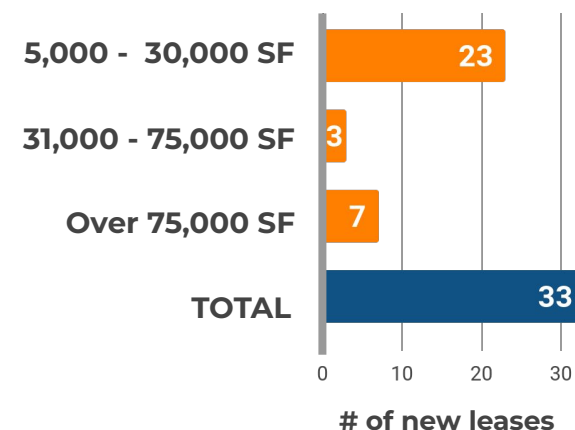
LEASE RATES | SALE PRICES

Lease rates have began to stabilize following increasing vacancy, in turn, leveling the playing field for landlord and tenant lease negotiations. However, as inventory for bulk industrial space rapidly expands east and north, buildings located within the central submarkets will continue to experience rent growth while withholding the significant competitive advantage of closer access for labor and amenities. Though overall sale volume remains down, pricing has sustained with multiple mid and big-box dispositions achieving values in the \$160-\$170 psf. range.

CONSTRUCTION

Construction activity was robust with 11 building deliveries totalling 3,279,302 sq. ft. The I-80 East submarket delivered 87% of the new space, followed by 115,000 sq. ft. in South Reno at 580 Logistics Center, 195,000 sq. ft. in Spanish Springs at Panattoni's Pyramid Pointe Commerce Center, and 100,900 sq. ft. in the Airport submarket at Locus Development Group's McCarran Business Park. Of these completions, 85% (2,816,102 sq. ft.) was speculative construction, of which 29% (821,813 sq. ft.) was preleased. Looking ahead, just two groundbreakings took place at Prologis' 709,640 sq. ft. Tahoe-Reno 5 in TRI and a 111,000 sq. ft. partial build-to-suit in North Valleys. However, several million square feet are planned to begin initial phases of construction over the next several quarters, with a large proportion taking place in North Valleys and South Reno.

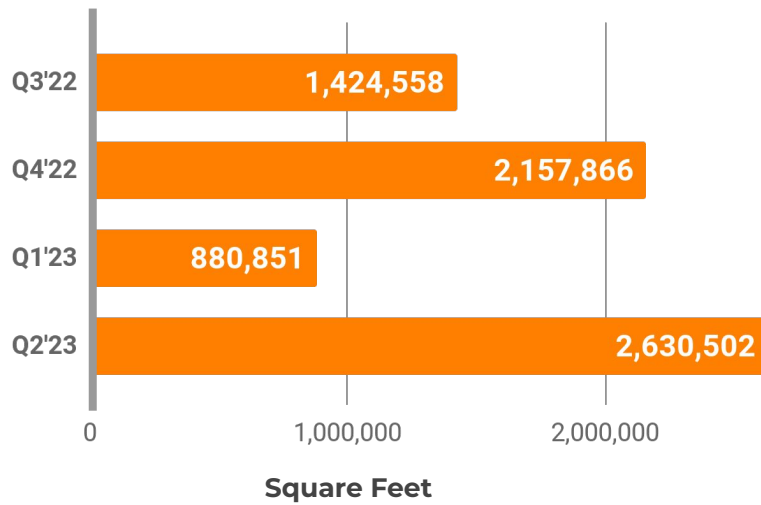
Q2 NEW LEASE TRANSACTIONS



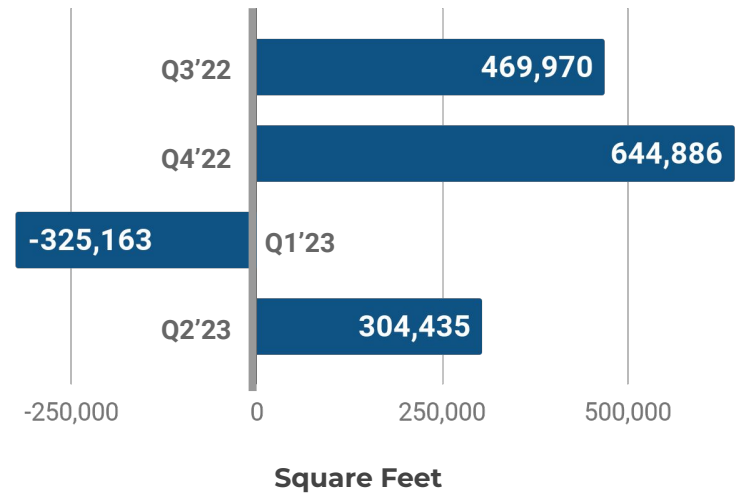
ABSORPTION & SUBMARKET VACANCIES

Q2

Gross Absorption



Net Absorption



VACANCY

Submarket	Total SF	Direct Available SF	Vacancy Rate	Completed Construction SF	Under Construction SF
North Valleys	28,468,352	505,037	1.77%	-	494,169
Sparks	27,764,650	830,448	2.99%	195,000	130,000
Airport	10,300,395	481,341	4.67%	100,900	893,107
South Reno	10,346,729	435,958	4.21%	115,000	390,240
Central-West Reno	2,090,572	94,809	4.54%	-	429,000
I-80 East Corridor	25,312,127	2,399,322	9.48%	2,868,402	5,094,980
TOTAL	104,282,825	4,746,915	4.55%	3,279,302	7431,496

NOTABLE TRANSACTIONS

Q2



Q1 2023 Industrial Sale Volume: \$8,890,000

Q2 2023 Industrial Sale Volume: \$63,910,000

SALES RECAP

Despite a significant rise in sales volume during the second quarter, the overall activity was historically low. The continued economic uncertainty impacting the financial sector suggests sales volume is anticipated to remain stagnant. The largest sale of the quarter was a 167,000 sq. ft. single tenant building on Mt Limbo St. in the North Valleys acquired by LBA Realty from Avenue 55 / Hillwood. The building sold for \$27,932,364 (\$166.86 psf) at a 5.25% cap rate. In Sparks, at 295 Lillard Drive, a 70,000 sq. ft. building sold to an owner/user for \$12,100,000 (\$172.86 psf). In the Central Reno Submarket, an owner/ user purchased the 21,300 square foot building with 0.81 +/- acre of land located at 1955 Timber Ridge Way for \$6,650,000 (\$311.32 psf).

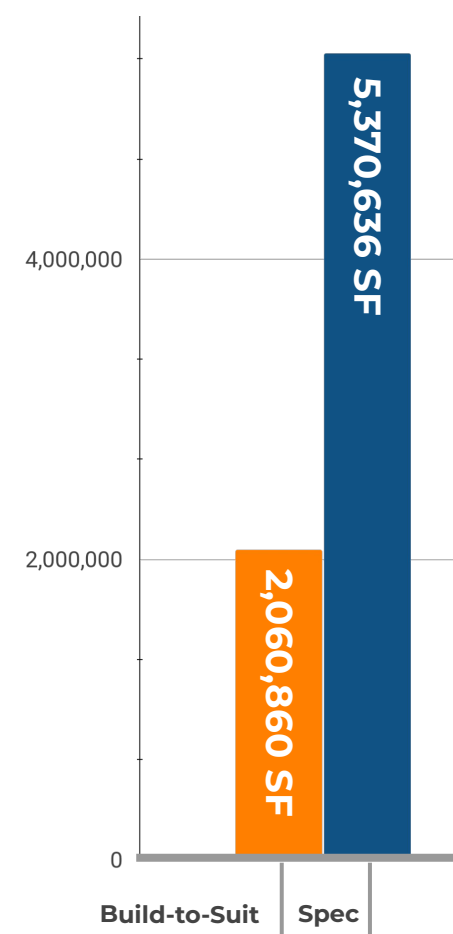
NEW CONSTRUCTION

Notable deliveries include Panattoni Development's 195,000 sq. ft. Pyramid Pointe Commerce Center in Spanish Springs, and Locus Development Group delivering 100,900 sq. ft. of high visibility infill class A flex space at McCarran Business Park in the Airport submarket. DCG Industrial is representing both developers on leasing of the projects.. In TRI, four buildings were completed, totalling 1,552,560 sq. ft. and in Fernley, three buildings totalling 1,315,842 sq. ft.

There are over 6.8 million sq. ft. of new speculative projects planned to begin initial construction phases over the next several quarters. These include Dermody Properties' two-building 1.1 million sq. ft. Reno AirLogistics Park and Panattoni Development's 1.6 million sq. ft. five-building 395 North project, both in North Valleys, and Panattoni's four-building 840,560 sq. ft. 580 South project in South Reno.

With the bulk of these upcoming projects being in North Valleys, Spanish Springs, and South Reno, the heavy concentration of I-80 East construction will be redistributed, providing tenants with a greater variety of sites to consider as they weigh various factors such as labor commute times, wages and nearby amenities against premium lease rates in these sought after submarkets.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT



NOTABLE TRANSACTIONS

Q2

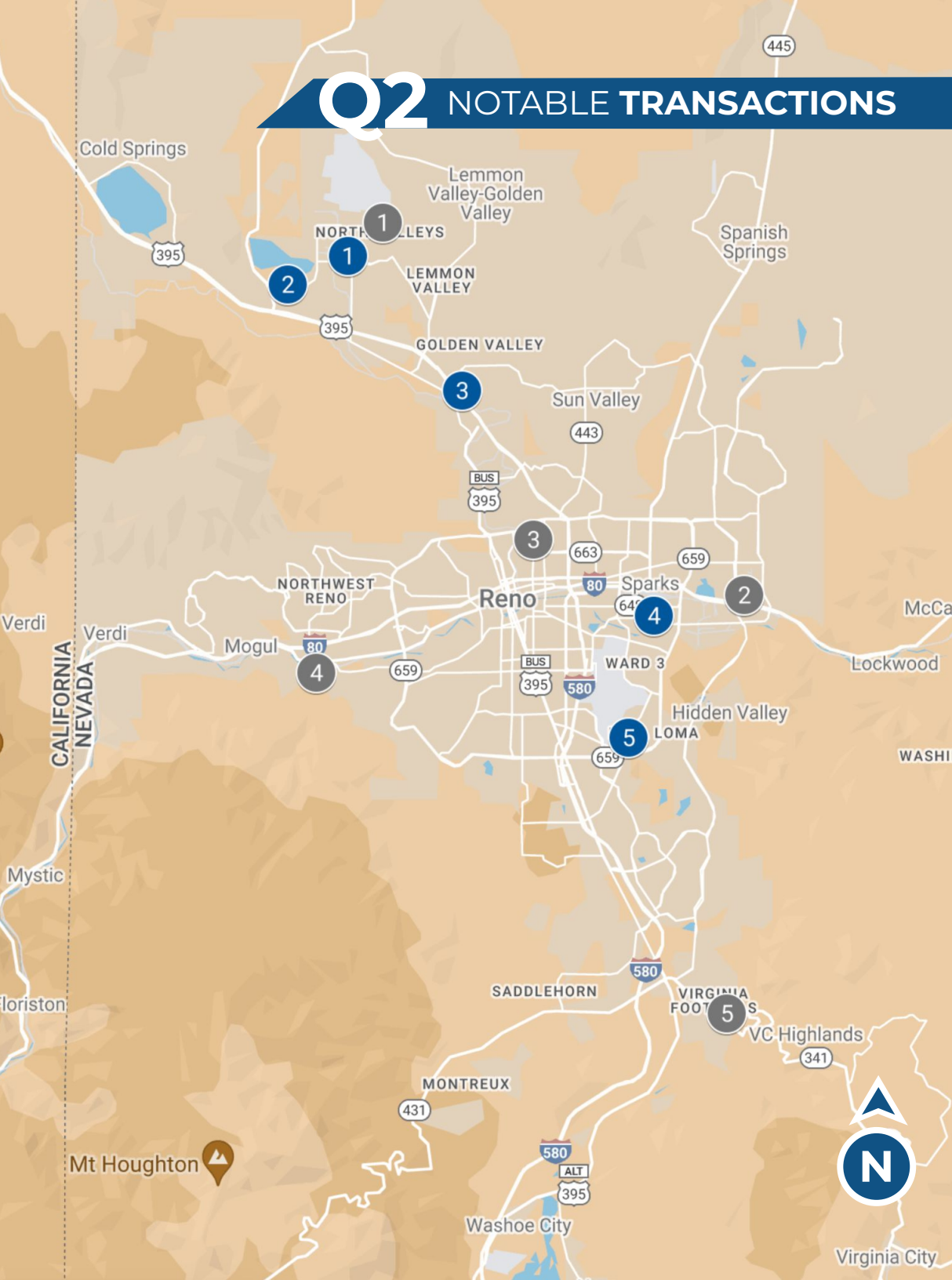
NOTABLE SALES

Address	SF	Price	Buyer	Seller
13900 Mount Limbo St	167,000 sf.	\$28,500,000	LBA Realty	Avenue 55 / Hillwood
295 Lillard Drive	70,000 sf.	\$12,100,000	Acco Engineered Systems, Inc.	FD Alpha Acquisitions, LLC.
1955 Timber Way	21,360 sf.	\$6,650,000	1955 Timber Way Property, LLC.	Timber Guys, LLC.
7935 Sugar Pine Court	21,000 sf.	\$4,500,000	Patagonia, Inc.	Forte Nevada, LLC.
14820/14830 Kivett Lane	15,168 sf.	\$4,300,000	Poulin Investments, LLC.	Merit Property Mgmt, LLC.

NOTABLE LEASES

Address	SF	Landlord	Tenant
14100 Lear	165,750 sf.	IRG	Continental
9195 Moya Boulevard	136,777 sf.	Panattoni	Tool Source
900 N Hills Blvd Suite 300-302	128,000 sf.	Link Logistics	Novo Logistics
1105 Southern Way	95,200 sf.	The Bendetti Company	Allstates Warehousing and Distribution
4855 Longley Lane	57,840 sf.	Link Logistics	SendCutSend

Q2 NOTABLE TRANSACTIONS



LEASES

1. 14100 Lear Blvd
North Valleys
Continental
165,750 SF

2. 9195 Moya Blvd
North Valleys
Tool Source
136,777 SF

**3. 900 N Hills Blvd
Suite 300-302**
North Valleys
Novo Logistics
128,000 SF

4. 1105 Southern Way
Sparks
Allstates Warehousing &
Distribution
95,200 SF

5. 4855 Longley Lane
Airport
SendCutSend
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SALES

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\$28,500,000
North Valleys
167,000 SF

2. 295 Lillard Drive
\$12,100,000
Sparks
70,000 SF

3. 1955 Timber Way
\$6,650,000
Central Reno
21,360 SF

4. 7935 Sugar Pine Court
\$4,500,000
West Reno
21,000 SF

5. 4820/14830 Kivett Lane
\$4,300,000
South Reno
15,168 SF

1

The 2nd quarter showcased multiple businesses expanding their footprint within market accounting for 35% of the absorption. Novo Logistics, Continental Tire, and Tool Source made use of newly available space in the North Valleys, each with over 100K sq. ft. building expansions. Allstates Warehousing added an additional 95K sq. ft. to their footprint in Sparks, and local CNC / Laser cutting provider Send Cut Send expanded into a new 58K sq. ft. facility near the Airport, along with several others.

2

As direct vacancy back pedals away from “extreme” to “normal” with 4-5% vacancy expected over the course of the next 6 months, new opportunities await for tenants who were forced into renewing leases due to nearly 3 consecutive years of extremely lean inventory conditions. With a speculative construction pipeline of 5.37M sq. ft. combined with 2M sq. ft. of readily available space today, companies looking to reposition themselves within the market finally have a supply pool to meet their demand.

3

New construction deliveries made a massive impact to the Northern Nevada industrial market, with 61% of of the 2022 new construction total completed in the 2nd quarter alone. The surplus of new inventory has spiked market size by 3.8% so far this year and is expected to achieve a total increase of 11.2% over the course of 2023.

4

While construction costs and industrial land prices have not pulled back substantially, some developers are trimming up their underwriting with thinner margins and offering more favorable partnership terms as a show of good faith to attract capital partners and keep development teams active.

5

Price discovery has been ongoing, without any sizeable institutional grade big box investments sales taking place in Reno-Sparks until Q2 with the disposition of a new 2022 building trading at a 5.25% cap rate, providing some indication of how cap rates have expanded since interest rates increased. Until more sales occur, many market participants will consider that sale as the benchmark.

6

The electric vehicle and battery recycling sectors have undergone rapid growth in Reno-Sparks, most recently highlighted by Tesla’s \$3.6 billion Gigafactory expansion announcement, along with facility expansions from Northern Nevada based companies, Aqua Metals and Redwood Materials. Brokers are also managing numerous space requirements for inbound EV and battery companies looking to establish operations in the market.



INDUSTRIAL NEW DEVELOPMENTS

Submarket	Completion	Project	Developer	SF	Type
North Valleys	Q3 2023	Reno Commercenter II - Bldg. 3	Majestic Realty	246,392	Spec
North Valleys	Q3 2023	Red Rock 136	Panattoni Development Co	136,760	Spec
Sparks	Q2 2024	Spanish Springs Commerce Park	Scannell Properties	130,000	BTS
Airport	Q3 2023	McCarran Business Park - Bldg A	Locus Development Group	50,450	Spec
Airport	Q3 2023	McCarran Business Park - Bldg B	Locus Development Group	50,450	Spec
Airport	Q3 2023	Airway Commerce Park - Bldg A	Tolles	140,760	Spec
Airport	Q1 2024	Airway Commerce Park - Bldg B	Tolles	439,280	Spec
Airport	Q1 2024	Airway Commerce Park - Bldg C	Tolles	199,680	Spec
Airport	Q1 2024	Airway Commerce Park - Bldg D	Tolles	113,387	Spec
South Reno	Q3 2023	Damonte Ranch 4	Prologis	390,240	BTS
South Reno	Q3 2023	580 Logistics Center	The Johnson Group	115,680	Spec
Central-West Reno	Q1 2024	LogistiCenter at I-80 West Phase II - Bldg 1	Dermody Properties	170,500	Spec
Central-West Reno	Q1 2024	LogistiCenter at I-80 West Phase II - Bldg 2	Dermody Properties	258,500	Spec
I-80 East	Q3 2023	Nevada Commerce Center - Bldg. A	Buzz Oates	463,200	BTS
I-80 East	Q3 2023	675 Waltham Way - Bldg. A	Brasa Capital	332,640	Spec
I-80 East	Q3 2023	675 Waltham Way - Bldg. B	Brasa Capital	168,480	Spec
I-80 East	Q3 2023	0 Pittsburgh Ave	Pure Development	354,640	Spec
I-80 East	Q3 2023	2625 USA Pkwy	Conco	466,200	Spec
I-80 East	Q3 2023	Victory Logistics Bldg C	Mark IV Capital	217,447	Spec
I-80 East	Q4 2023	Victory Logistics Bldg D2	Mark IV Capital	635,195	Spec
I-80 East	Q4 2023	C3 West Bldg 2	Locus Development Group	669,760	Spec
I-80 East	Q4 2023	C3 West Bldg 3	Locus Development Group	815,360	BTS
I-80 East	Q1 2024	1575 Venice Dr - Bldg. B	Buzz Oates	264,280	BTS
I-80 East	Q1 2024	Parkway Industrial Center - Bldg A	Avenue 55	434,480	Spec
I-80 East	Q1 2024	Parkway Industrial Center - Bldg B	Avenue 55	282,240	Spec
I-80 East	Q2 2024	Tahoe-Reno 5	Prologis	709,640	Spec