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A YEAR
IN REVIEW

NORTHERN NEVADA
2022 COMMERCIAL MARKET REPORT

NOTABLE NEW & EXPANDED COMPANIES IN 2022



Tesla

Manufacturing Expansion
3,000 Jobs Expected



Dragonfly Energy
Manufacturing
150 Jobs



Standvast
Manufacturing
200 Jobs



Valley Service Electronics
Manufacturing
140 Jobs



Redwood Materials
Manufacturing Expansion
700 Jobs



Foot Locker

Foot Locker
Logistics & Distribution
212 Jobs



Fyrn
Manufacturing
100 Jobs

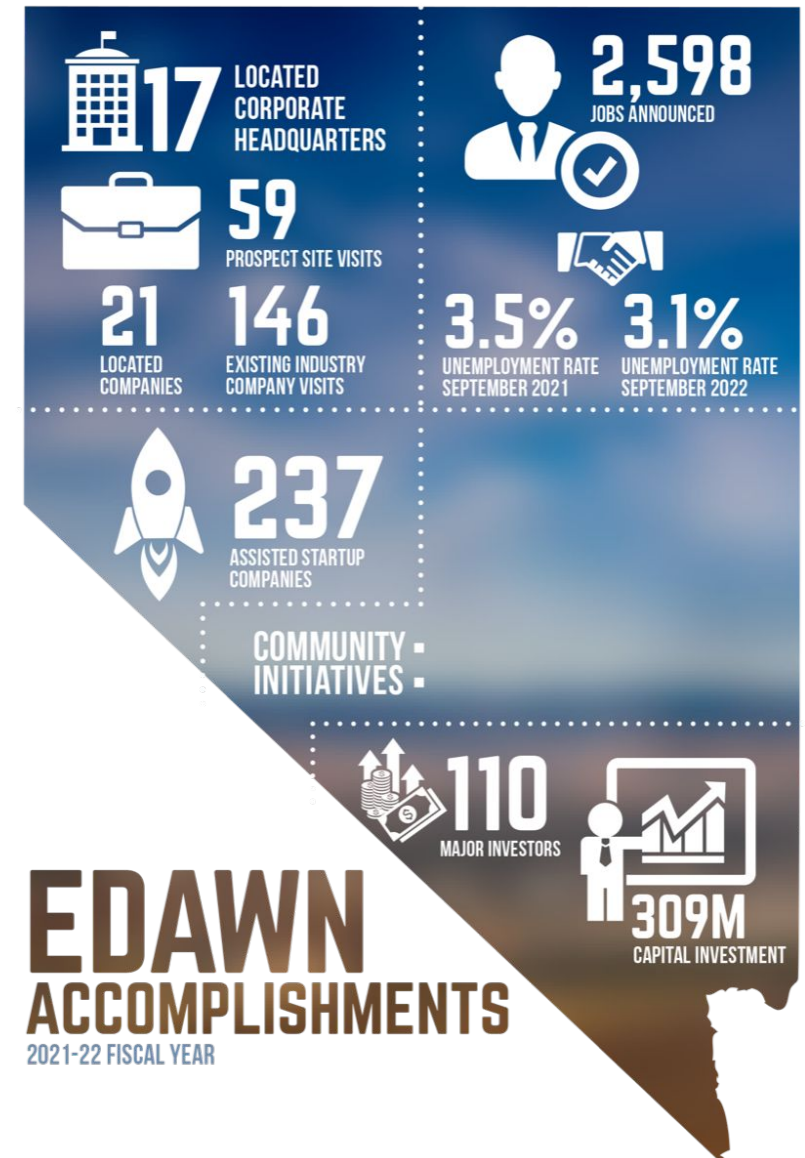


NCCI
Back Office & Business Support
100 Jobs

RENO RANKED #20

BEST PERFORMING CITIES 2022

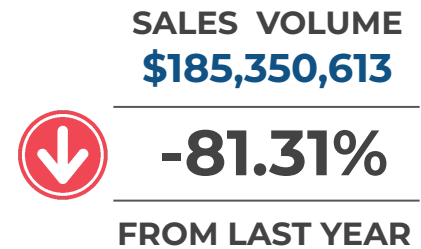
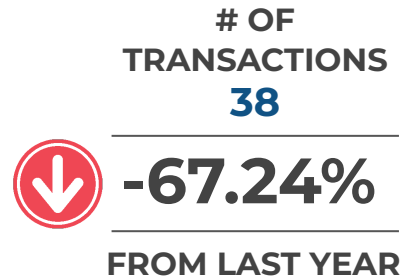
Milken Institute's Best-Performing Cities 2022



INDUSTRIAL

SALES RECAP

Sales volume for 2022 was the lowest we've seen since 2015. There was a 67% decrease in the number of sales transactions and an 81% decrease in overall sales volume, both significant drops from 2021. Both owner user and investment sales are included in this figure. As experienced on the national level, the downward shift was directly attributed to the continuation of interest rate spikes causing a significant hike in cost of debt and 100+ bps CAP rate increases within the capital markets. Ultimately, this lead to extremely challenging conditions for investors and owner-users in seek of industrial assets.

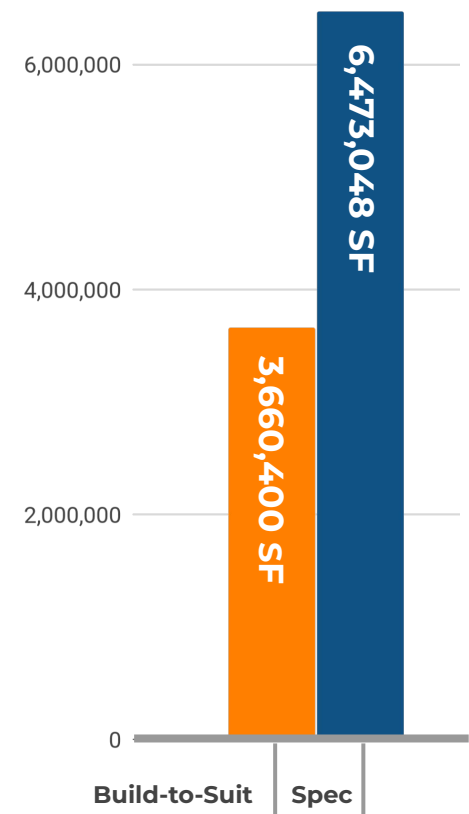


NEW CONSTRUCTION

2022 delivered 5.4 million sq. ft. of new industrial product, of which 24% was build-to-suit and 76% was speculative development. Looking back to the period from 2020-2021, 50% of new completions took place in the North Valleys and 19% in the I-80 East submarket. This year, primarily due to land availability, that reversed with 26% in North Valleys and 47% in the I-80 East Corridor. The 2023-2024 pipeline of current and proposed construction indicates 15% of volume to be delivered in the North Valleys and 61% in the I-80 East submarket.

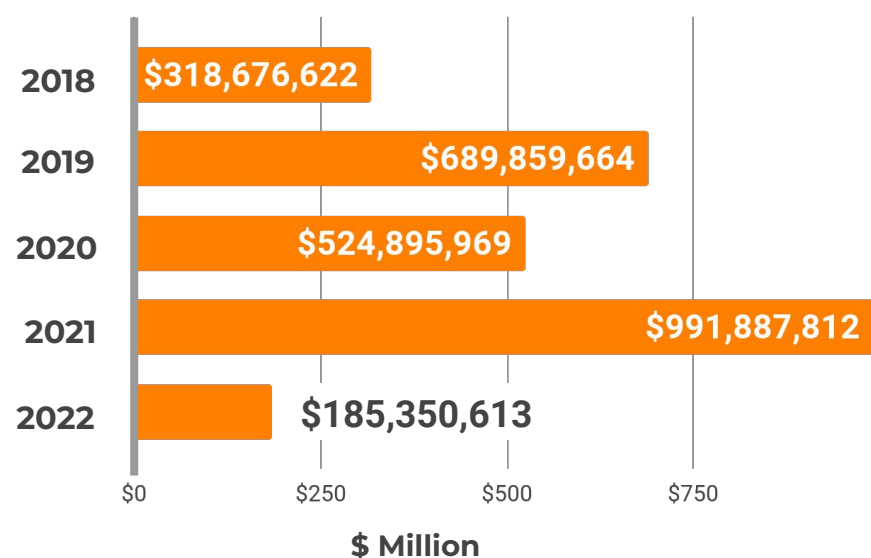
The steady stream of construction deliveries over the next two years has potential to provide stabilization to rent growth. A rise in vacancy rates within the primary submarkets would be expected as new product comes online. Counteracting this will be the level of pre-leasing activity.. In the event demand continues to outpace supply, as it did in 2022 with 95%+ pre-lease on new construction, a continuation of extremely tight market conditions will persist throughout the duration of 2023 and beyond.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT

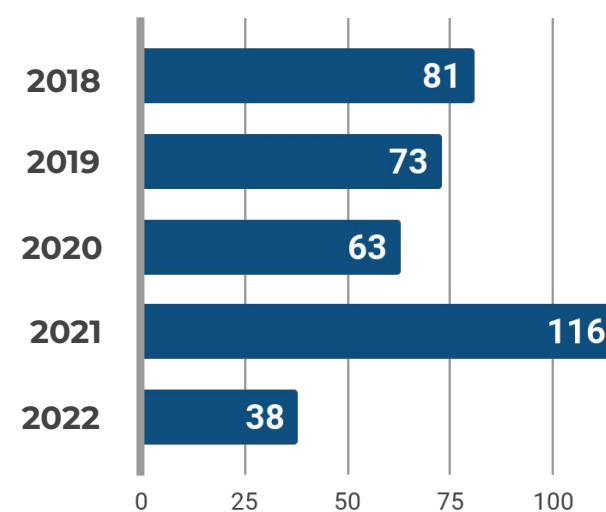


PROJECT	SIZE	SALE PRICE	BUYER
8760 Technology Way	151,409 SF	\$21,958,500	Chesapeake Spice Company
850 North Hills Blvd	131,537 SF	\$20,340,590	BA Leasing BSC, LLC
1 Eric Circle	133,701 SF	\$16,600,000	Weber Metal Inc.
1645 Crane Way	56,353 SF	\$13,579,000	NewLake Capital Partners Inc.
4-Property Portfolio at 625 Spice Islands Dr	40,800 SF	\$6,900,000	Outdoor Storage Investments
8690 Technology Way	17,701 SF	\$5,400,000	1031 Exchange Buyer

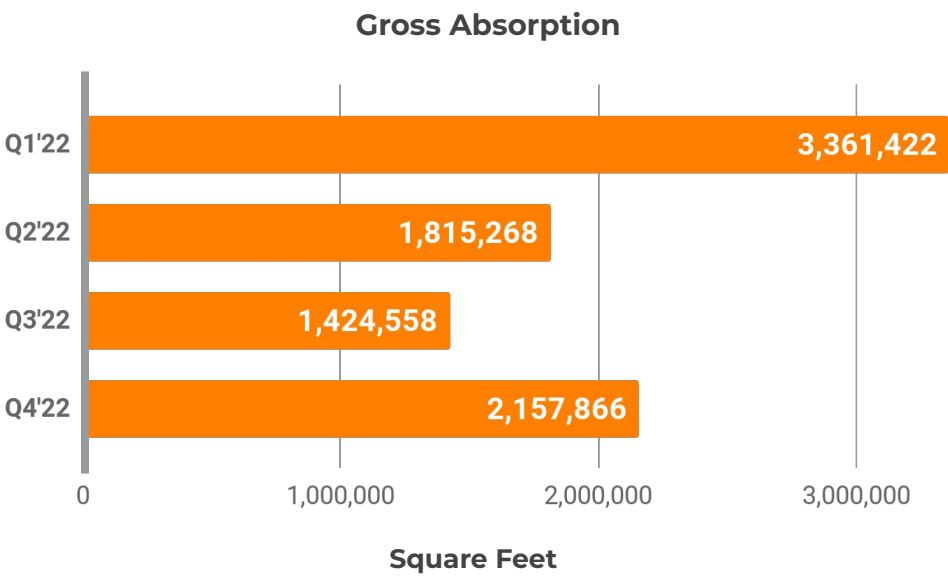
TRANSACTION **VOLUME**
YEAR OVER YEAR



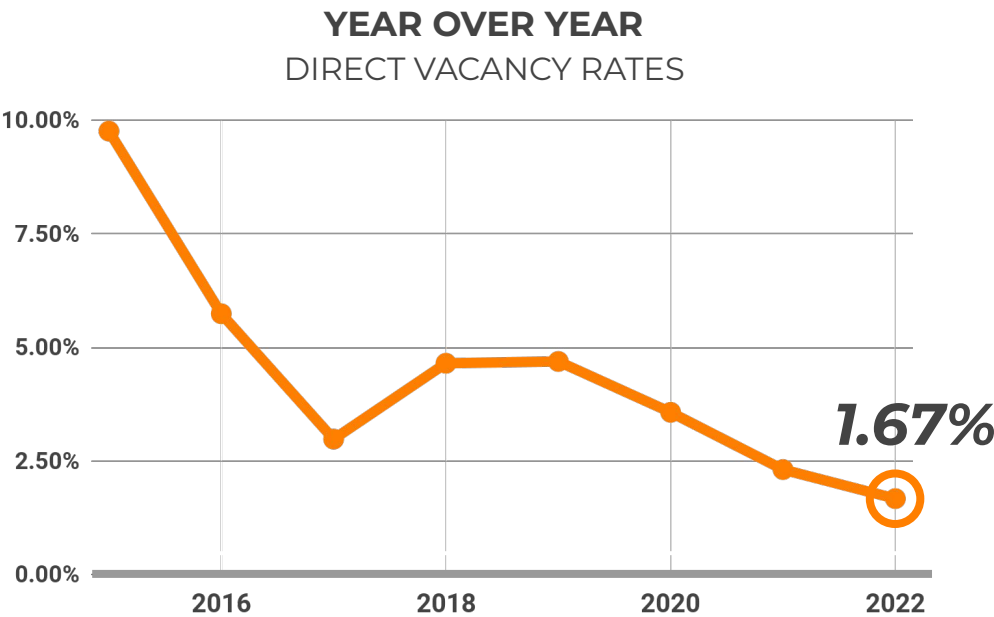
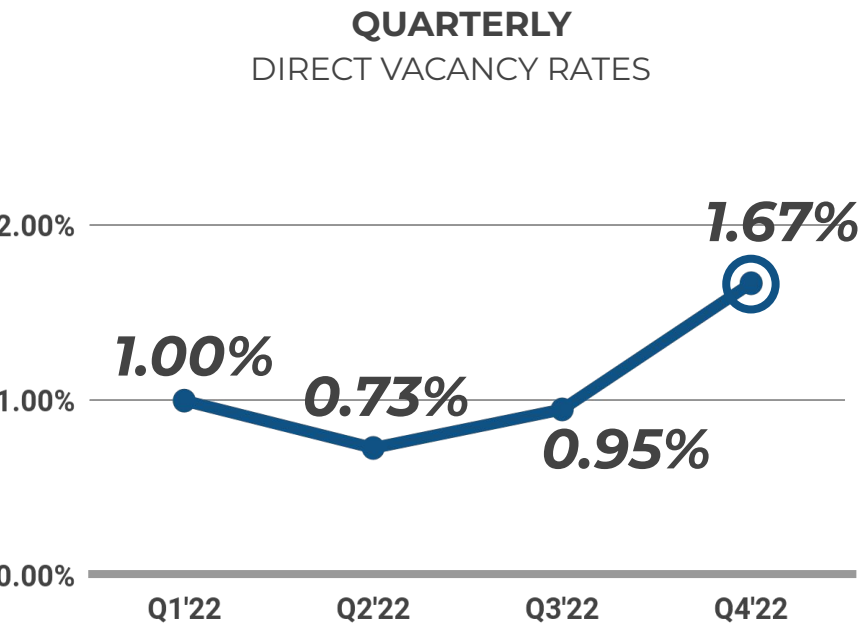
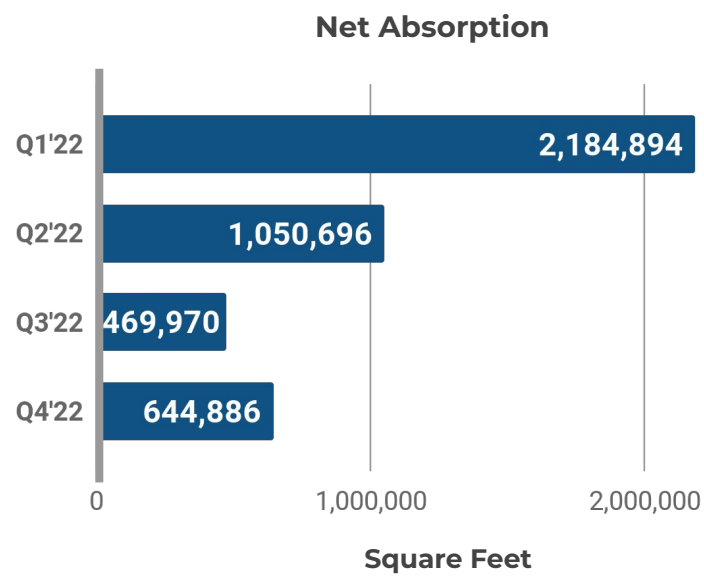
NUMBER OF **SALES**
YEAR OVER YEAR



ABSORPTION & VACANCIES



INDUSTRIAL



OFFICE

SALES RECAP

After a robust 2021 & 2022, office sales had a 22% decline. From an owner-user perspective, the rising interest rate environment has dramatically changed the cost of borrowing. Inflationary pressures and limited labor in the trades have kept building costs high for ground-up construction, tenant improvements, and building renovations.

On the investment front, there are limited options, but many sellers in both office and medical office are still clinging to values seen in 2021 as buyer expectations have narrowed. With the ability to get a 4%+ return in the fixed-income market, investors demand higher cap rates, forcing sellers to either sit on the sidelines or adjust to the times. We are still seeing strong interest in leased office buildings, but buyers are finding tighter lending requirements for office investments, including lower LTVs and higher coverage ratios than previous markets.

OF TRANSACTIONS
86



-44.51%

FROM LAST YEAR

TRANSACTION VOLUME
\$189,103,861



-22.17%

FROM LAST YEAR

AVERAGE P/SF
\$306.94



+2.68%

FROM LAST YEAR

AVERAGE CAP RATE



5.8%

YEAR OVER YEAR

LEASING RECAP

The Reno/Sparks office market ended the year with a positive but slowing net absorption per quarter, resulting in a relatively stagnant 2002. Sublease vacancy continues to rise, particularly in South Meadows, where the total vacancy, including sublease, is nearing 20%.

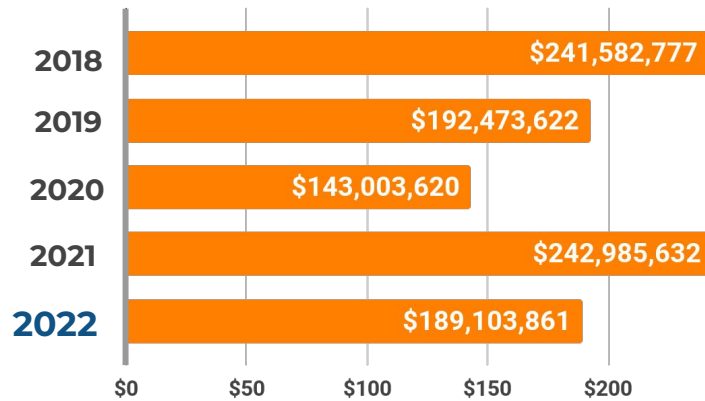
Construction costs remain an obstacle for tenant improvements and ground-up construction. The market has yet to see a meaningful decrease in these costs, which require higher rent for renovated or new space. While multiple Class A office projects are on the horizon for our market, the only ground-up development in 2022 was in the medical office sector.

Smaller spaces, under 5,000 square feet, continue to drive the majority of leasing in the market. Announcements in the industrial markets from Tesla and Redwood materials continue to bolster job growth in the region, which should have ancillary benefits to the office market. Additionally, Ridgeline's headquarters at the newly announced 'Downtown Damonte' mixed-use project is moving through the design phases, a project that should bring a large amount of new Class A office and thousands of high-paying jobs to that submarket.

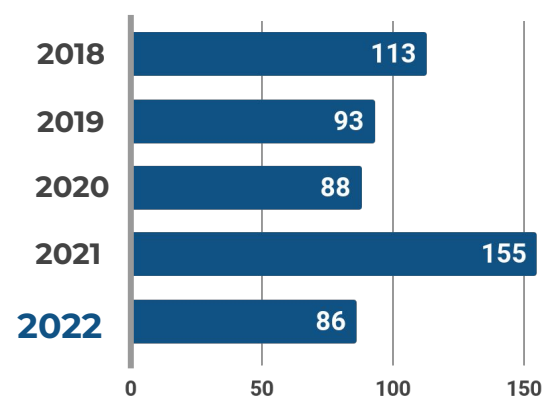
Last year, occupancy outpaced the amount of space returned to the market, but 2023 will be a telling year for both vacancy and new construction in the market.

OFFICE

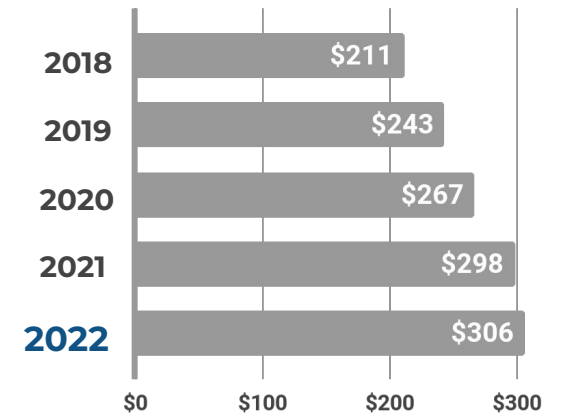
TRANSACTION **VOLUME**
YEAR OVER YEAR



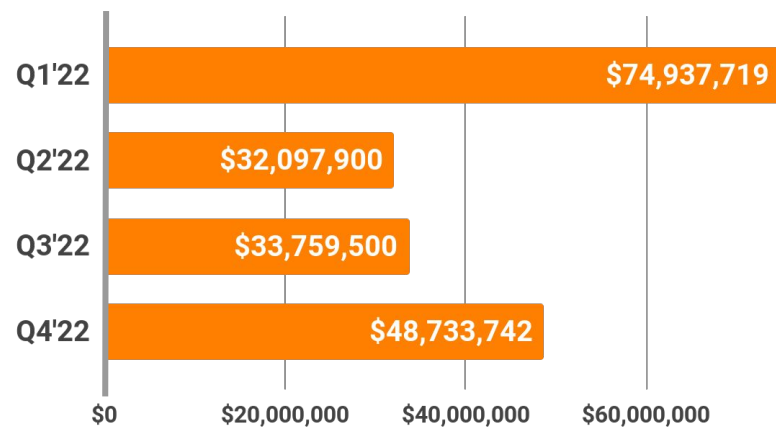
NUMBER OF **SALES**
YEAR OVER YEAR



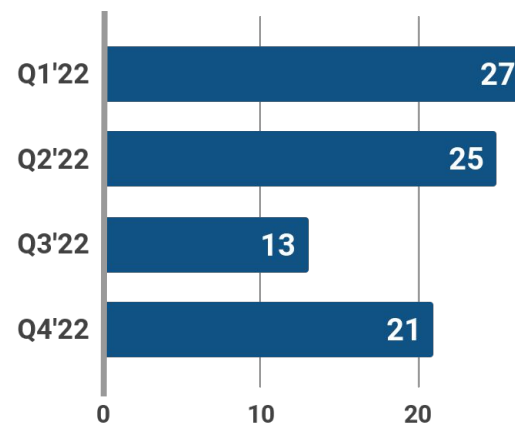
AVERAGE **P/SF**
YEAR OVER YEAR



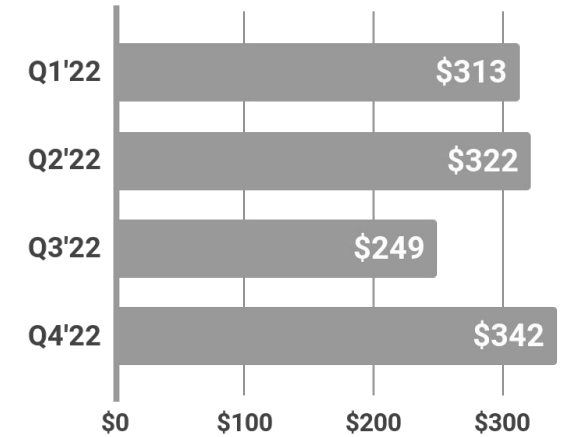
TRANSACTION **VOLUME**



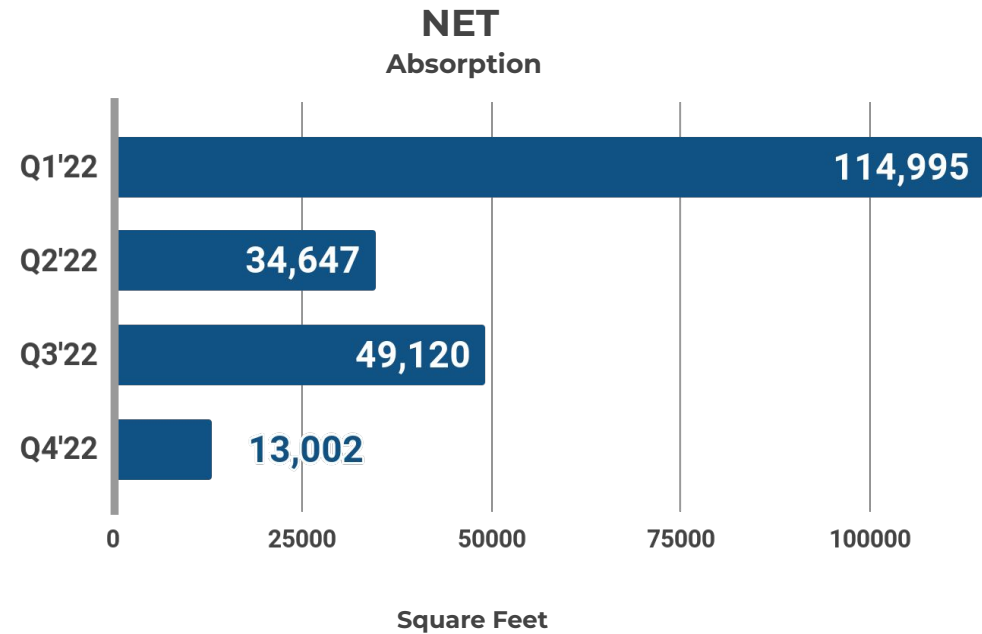
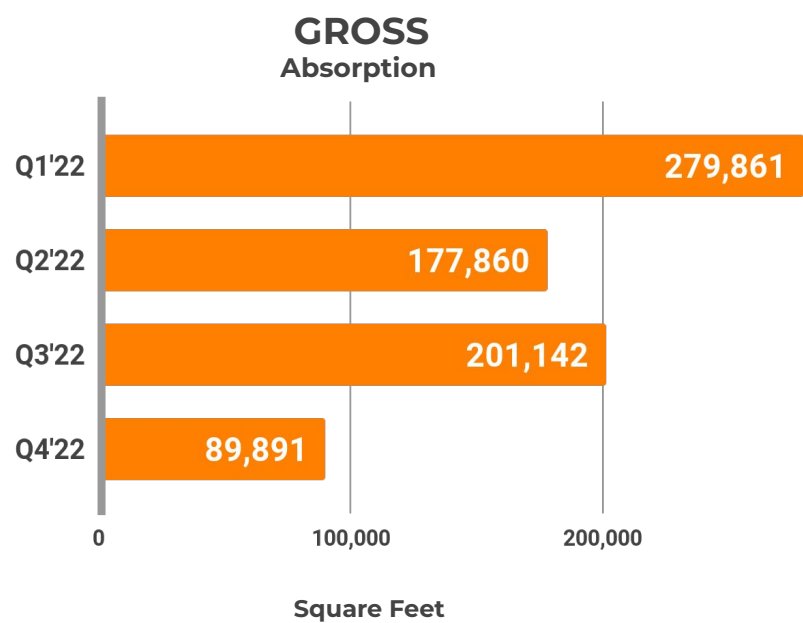
NUMBER OF **SALES**



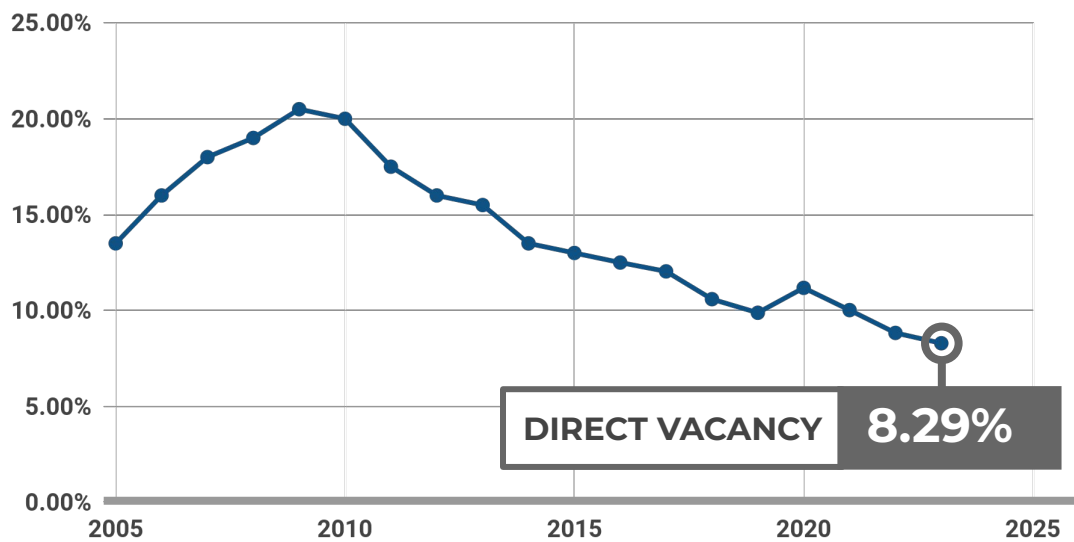
AVERAGE **P/SF**



OFFICE



TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG





VACANCY RATES	DIRECT	WITH SUBLEASE
Downtown	9.13%	10.52%
South Meadows	6.80%	16.86%
Meadowood	9.42%	10.97%
Central	4.53%	4.81%
Airport	9.37%	10.33%
OVERALL	8.29%	11.19%



TOP SALES 2022

OFFICE

ADDRESS & SF	PRICE PSF	NOTES
7900 Rancharrah Parkway 24,000 SF	\$14,000,000 \$583.33 psf	The two-story, Class A building completed by Tolles Development Group in 2021. Tenants include CBRE, RE/MAX Professionals, and Kimley Horn. The reported cap rate was 5.31%.
1865-1895 Plumas Street 37,410 SF	\$11,945,000 \$319.29 psf	Sold with a 5.50% cap rate. Tenants include Nevada Disability Advocacy, Pure Infusion Suites of Reno, Reno Realty.
 6995 Sierra Center Parkway 19,991 SF	\$6,600,000 \$300.15 psf	Single Tenant Office building occupied by McGinley and Associates. Purchased by Sierra Nevada Media Group with a reported cap rate of 5.75%. DCG represented both buyer and seller of this transaction.
580 W. 5th Street 12,389 SF	\$6,592,764 \$152.12 psf	A parcel containing two smaller office conversion buildings totaling 5,938 sq. ft. and a three-story 37,400 sq. ft. medical outpatient building.
255 W. Moana Lane 22,536 SF	\$4,000,000 \$177.49 psf	Tenants included Reno Hive Coworking, State Farm, and various health care and social assistance businesses. The transaction had a reported cap rate of 8.13%.
6140 Plumas Street 27,676 SF	\$3,900,000 \$140.92 psf	The tenant, Ormat Technologies, exercised a purchase option, making the acquisition an owner-user deal.
 5140 Longley Lane 7,159 SF	\$2,282,000 \$396.98 psf	DCG represented the seller in the transaction and the office was fully vacant at sale.

RETAIL



INVESTMENT ACTIVITY






Similar to office, retail had decreased investment volume and number of sales in 2022, as compared to the prior year, but actually saw a slight increase in the average price per square foot per transaction. There was only one large shopping center sale in 2022; the Ironhorse Center in Sparks which was purchased by Rhino Holdings, who also purchased the Summit at Sierra in early 2023. The remainder of the transactions for 2022 were smaller neighborhoods or inline centers and STNL transactions.

The shift in buyer and seller expectations on cap rates is a large reason for the decrease in volume. On the owner-user side, increased borrowing costs are contributing to slower sales. We are beginning to see both buyers and sellers come to grips with today's cap rates and appropriately priced centers are seeing demand as the market inventory is still low.

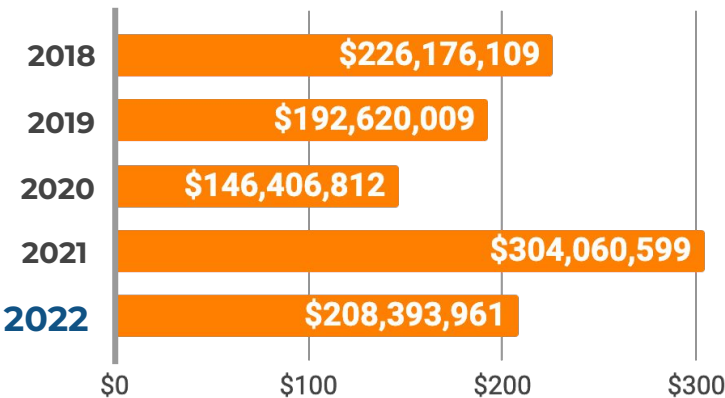


LEASING RECAP

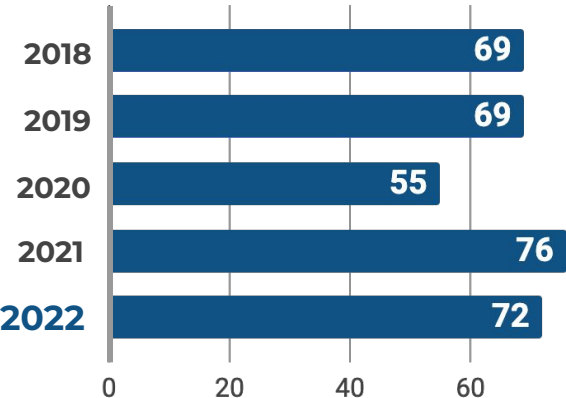
Although retail leasing has been relatively slow, the small amount of absorption and lack of new construction has produced a sub 5% vacancy rate overall. Infill in nature, new projects continue to be strategically placed, based on demand and residential growth. We've seen progress on existing projects like Reno Public Market and West End Commons, and growth in outlying suburban areas like Spanish Springs, North Valleys and South Reno for service like Grocery and Medical. Rising costs in ground-up construction and tenant improvements continue to nudge lease rates upward.

Overall Vacancy Rate:		4.3%
Neighborhood Center Vacancy:		5.8%
Power Center Vacancy:		4.4%
Strip Center:		4.9%
General Retail Vacancy: Free Standing		3.0%

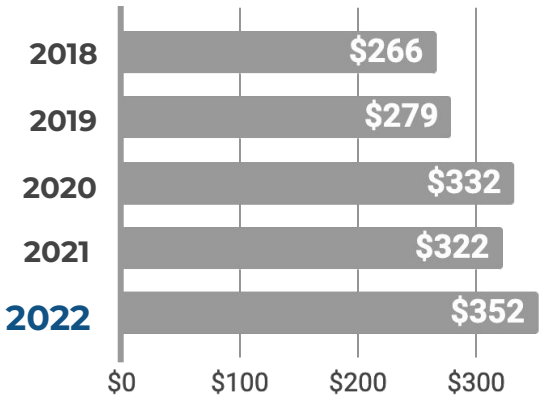
TRANSACTION VOLUME YEAR OVER YEAR



NUMBER OF SALES YEAR OVER YEAR



AVERAGE P/SF YEAR OVER YEAR



NEIGHBORHOOD CENTER

ADDRESS & SF	PRICE PSF	NOTES
7111 S. Virginia Street (51,000 SF)	\$10,500,000 (\$205.88 psf)	51,000 square foot neighborhood shopping center. The property consists of four retail/office buildings on a single 4.39 acre lot. Had a reported 7.83% cap rate at time of sale.
777 S. Center Street (21,194 SF)	\$9,800,000 (\$462.40 psf)	The property is located in the center of the Midtown district on the corner of Cheney and Center Street. The sale had a reported cap rate of 5.75%.
2323 & 2295 S. Virginia Street (30,944 SF)	\$9,300,000 (\$300.54 psf)	Tenants include Men's Wear, Shanghai Bistro, and American Family Insurance with a reported cap rate of 6.75% per Costar.

STNL

ADDRESS & SF	PRICE PSF	NOTES
5390 Longley Lane (33,683 SF)	\$8,600,000 (\$255.32 psf)	A former Fitness Connection Gym, with plans to be redeveloped into a multi-tenant and multi-discipline medical building.
6895 Sierra Center Parkway (78,816 SF)	\$7,500,000 (\$95.16 psf)	Occupied by Need 2 Speed (indoor go karts) featured a large vacancy at time of sale.
955 Harvard Way & 900 Kietzke Lane (48,601 SF)	\$15,500,000 (\$318.92 psf)	Corwin's acquisition of Reno GMC Buick Cadillac and the associated real estate.
3215 Mill Street (8,990 SF)	\$4,000,000 (\$444.94 psf)	An auto body shop sold as an investment, to an institutional investor with the sale condition as Triple Net Investment.
5090 Smithridge Drive (5,645 SF)	\$3,000,000 (\$531.44 psf)	Chili's on an absolute NNN ground lease, located on the signalized corner of S. McCarran Blvd. and S. Virginia St.

SHOPPING CENTER

ADDRESS & SF	PRICE PSF	NOTES
583-589 E. Prater Way & 651 N. McCarran Blvd (117,585 SF)	\$18,000,000 (\$153.08 psf)	The Ironhorse Shopping Center in Sparks. The cap rate was reported at 7.50%.
3150 Vista Blvd (23,149 SF)	\$8,400,000 (\$362.87 psf)	Non-Anchored Shopping Center in Sparks. Tenants included Guild Mortgage, CPR Dental, StateFarm, Goodwill. A reported 6.17% cap rate.

OF TRANSACTIONS

72



-5.26%

FROM LAST YEAR

TRANSACTION VOLUME

\$208,393,961



-31.46%

FROM LAST YEAR

AVERAGE P/SF

\$352.41



+9.99%

FROM LAST YEAR

MULTIFAMILY

SALES RECAP

After a robust start to the year, multifamily investors and owners in the second half of the year have had to reevaluate their valuations and their strategy as we've seen the most aggressive rate hikes in 30 years in 2022, which has created issues with underwriting and shrunk values overnight.

Buyers are being forced to change underwriting and debt assumptions, increase exit cap rates and utilize more conservative rent increases. Many Sellers are still clinging to yesterday's prices which led to the decline in deal volume in the latter part of 2022 and will impact transaction activity this year. Many Sellers are reluctant to transact as they generally still have strong occupancy and are operating likely with a lower interest rate as compared to today's rates.

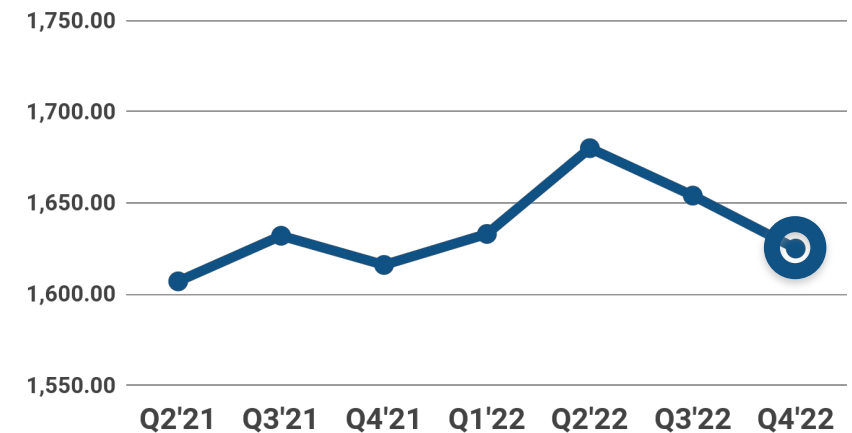
RENT & VACANCY

Average rental rates dipped from a high of \$1,675 in Q2 to \$1,625 in Q4, following the usual cycle at year end. Overall vacancy ended the year basically the same as last year, going down slightly from 3.18% to 3.04%.

As new apartment product continues to enter the market, we expect rents to flatten out and have more normal growth as opposed to the double digit percentage increases of years past.

As our local economy continues to attract employees, the need for high-quality multifamily housing will remain strong for the foreseeable future, especially in a higher interest rate environment where purchasing a home has become more expensive.

AVERAGE APARTMENT RENTAL RATE TRENDS



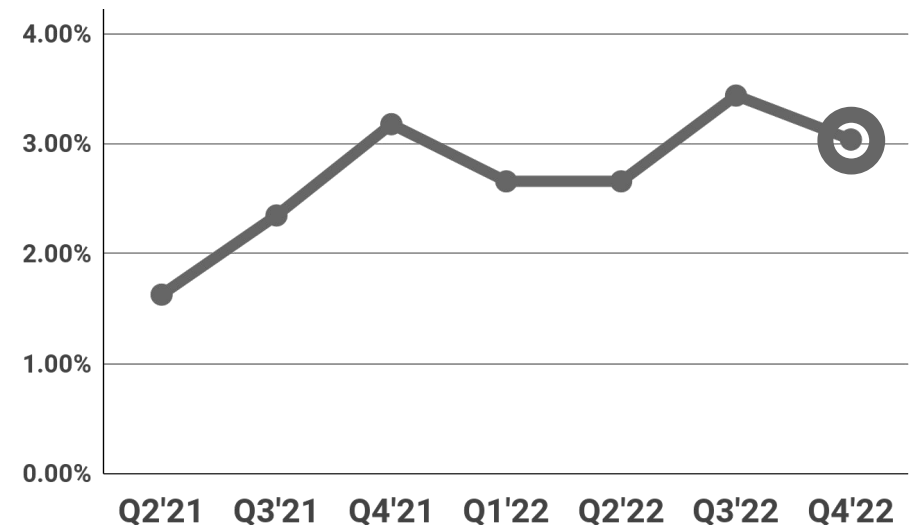
Q4'22 Reno Multifamily
Average Rental Rate

\$1,625

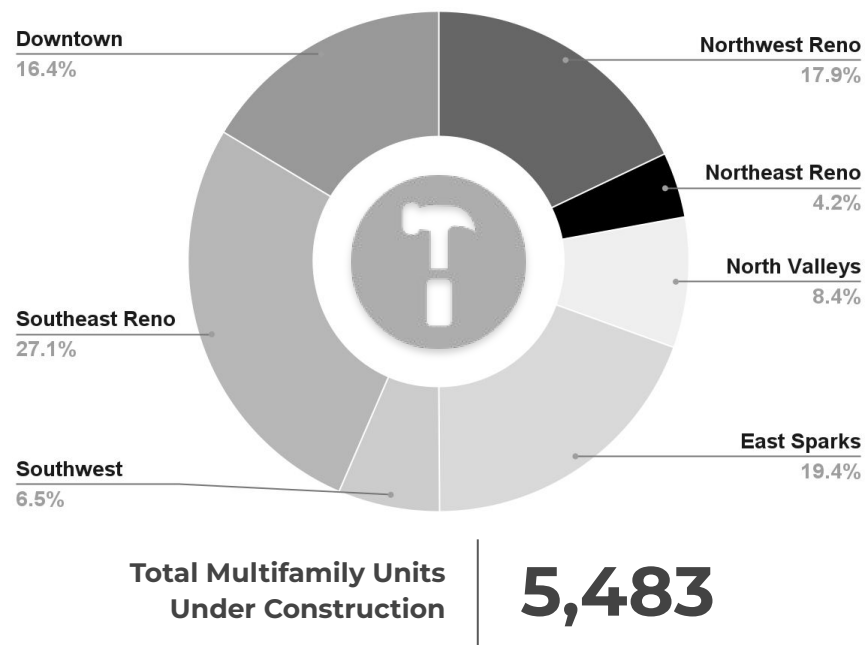
VACANCY RATES

Q4'22 Reno Multifamily
Average Vacancy

3.04%



UNDER CONSTRUCTION



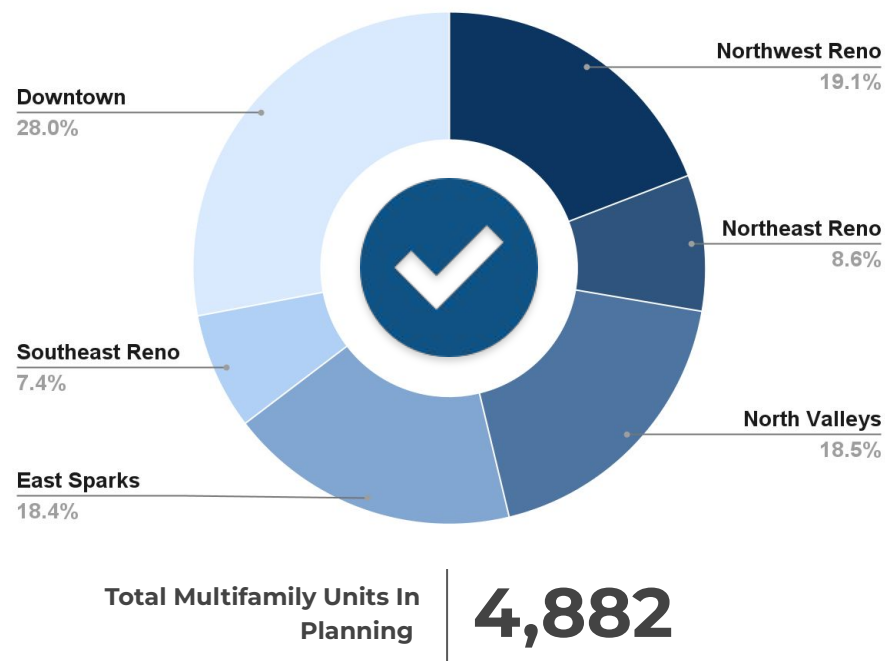
MULTIFAMILY



NEW CONSTRUCTION

Total units planned or under construction decreased from 10,529 units in Q4 2021 to 10,365 units in Q4 of 2022. Tighter underwriting and cost of construction continue to be the most influential factors hindering new multifamily supply. On the demand side, job growth continues to increase, adding 4,800 jobs in 2022, as corporations expand or desire to move to the area. Nevada inbound moves have been some of the highest in the nation and affordability issues in Single Family housing push demand higher for multifamily inventory.

PLANNED CONSTRUCTION



OF TRANSACTIONS

52



-24.63%

FROM LAST YEAR

TRANSACTION VOLUME

\$869,004,792



+1.63%

FROM LAST YEAR

AVERAGE P/UNIT

\$217,184



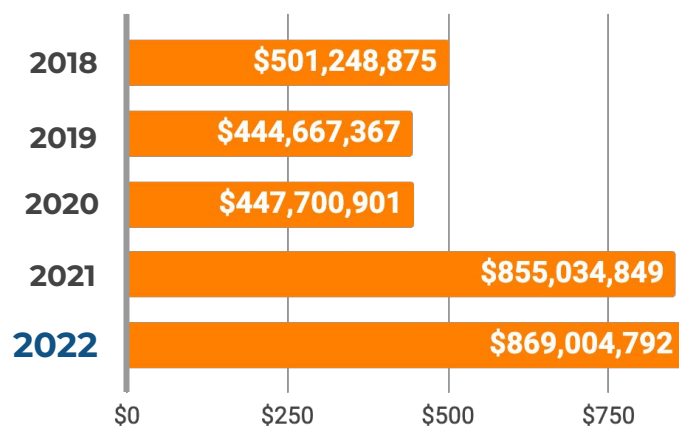
+23.33%

FROM LAST YEAR

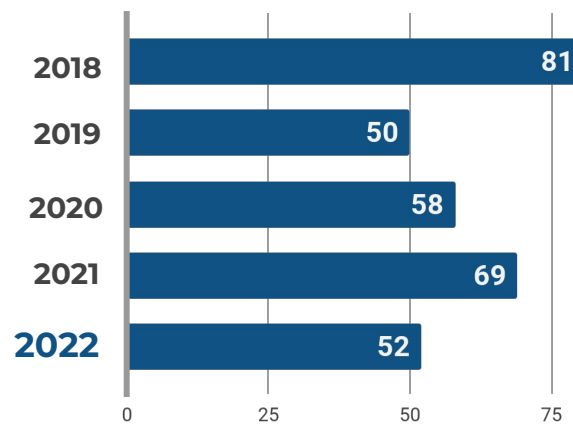
*DATA PROVIDED BY JOHNSON PERKINS GRIFFIN APARTMENT SURVEY

ADDRESS	SALE PRICE	UNITS	\$/UNIT	SUBMARKET	YEAR BUILT	NOTES
North Peak Apartments 8001 Military Rd	\$302,500,000	1,069	\$282,974	North Valleys	2019	MG Properties purchased from ERGS Properties as an 8-Property Portfolio Sale.
Integra Peaks 875 Damonte Ranch Pkwy	\$118,500,000	300	\$395,000	South Reno	2022	A completion in November of 2022, on 12.10 acres.
Apex at Sky Valley 1555 Sky Valley Dr	\$101,250,000	300	\$337,500	West Reno	Renovated 2021	Formerly known as Silver Ridge, now Apex at Sky Valley across 13 buildings.
Steamboat Apartments 3302 Skyline Blvd	\$56,000,000	205	\$273,171	South West Reno	1973	Ascent on Steamboat. Renovated in 2006.
Peaks at the Park 950 Nutmeg Place	\$47,000,000	213	\$220,657	South Reno	1979	Peaks at the Park Apartments. 92% occupied at time of sale.

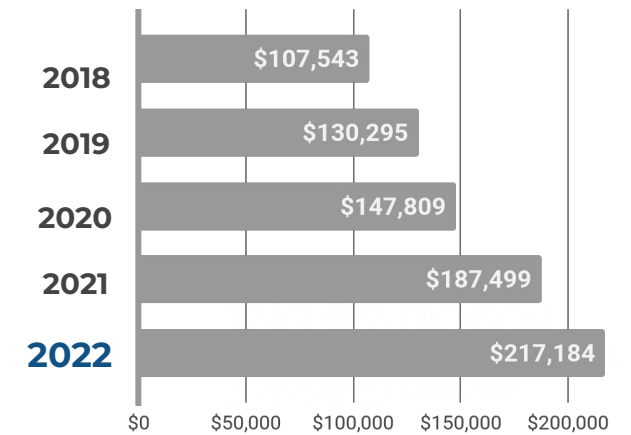
TRANSACTION **VOLUME**
YEAR OVER YEAR



NUMBER OF **SALES**
YEAR OVER YEAR



AVERAGE **P/UNIT**
YEAR OVER YEAR



INDUSTRIAL LAND

With our industrial market experiencing historically low vacancy, and a large amount of distribution, e-commerce, and manufacturing companies choosing to consider the region, we've seen continued demand by local and national developers for suitable industrial land. The Reno/Sparks submarket has limited availability of larger industrial parcels, keeping land sales occurring wherever there is available property.

ADDRESS	SUBMARKET	SALES PRICE	ACREAGE	PRICE/SF	NOTES
Wingfield Hills Road	Sparks	\$22,000,000	87.07	\$5.80	California Based LDK Ventures, with plans for a 7-building speculative project totaling 1.3 million square feet.
Reno Park Boulevard	North Valleys	\$20,625,706	131.29	\$3.61	Panattoni acquisition for 1+ million square foot project titled project Max.
Gateway Drive	South Meadows	\$4,181,107	7.12	\$13.49	Purchased by Johnson Development Associates for an industrial project.
420 Ingenuity Avenue	Sparks	\$2,824,604	11.18	\$5.80	Acquisition by Panattoni for 195,000 sf spec building in Spanish Springs Industrial Park.
9515 N. Virginia Street	North Valleys	\$1,992,000	19.91	\$2.30	Acquisition by Majestic Realty
Moya Boulevard	North Valleys	\$1,451,419	8.33	\$4.00	Panattoni purchase of 8.33 acres in North Valleys submarket.
US Highway 395 North	North Valleys	\$1,344,700	5.85	\$5.28	Mohr Capitals acquisition of North Valleys site.

COMMERCIAL LAND

Although industrial land sales still continued at a strong pace in 2022, office and retail land sales have slowed due to changes in the capital markets coupled with the cost of construction remaining relatively similar. Developers are sharpening their pencil on what they can pay for land to make a project make sense, while landowners are still adjusting to the changes in valuations and fluctuations in both the capital markets and the overall economy.

ADDRESS	SUBMARKET	SALES PRICE	ACREAGE	PRICE/SF	NOTES
0 N. Virginia St	North Valleys	\$3,500,000	6.00	\$13.40	Across the highway from Sierra Sage Golf, near North Valley Self Storage. These parcels combined total 6 acres and are surrounded by multiple storage warehousing businesses.
0 Double Diamond Pkwy	South Meadows	\$1,849,000	2.73	\$15.54	The sale of a planned development land sale, located off of Double Diamond Pkwy near the newly developed DMV in South Meadows.
Tierra Del Sol Pkwy	Spanish Springs	\$3,684,239	5.83	\$14.50	A gaming operator out of Fallon purchased the 5.83 acres, a few miles from Spanish Springs High School.

MULTIFAMILY & SENIOR LIVING

LAND

Total units planned or under construction ended the year at 10,365 total units. Despite higher interest rates, land prices and construction costs, our market continues to see demand for new multifamily units. With 4,800 new jobs added in 2022, Nevada inbound moves have been some of the highest in the nation as affordability issues in single-family housing push demand higher for multifamily inventory.



ADDRESS	SUBMARKET	SALES PRICE	ACREAGE	PRICE/SF	NOTES
205 Silver Lake Rd	North Valleys	\$3,400,000	13.52	\$5.77	The Inland Group acquired the mixed-use land with plans for a 290-unit affordable housing development. DCG represented the ownership group in the sale.
0 Military Rd	North Valleys	\$1,250,000	8.01	\$3.58	An 8 acre parcel purchased by Dr Horton with future plans for multi-family project.
1160 Damonte Ranch Pkwy / Steamboat Pkwy	South Meadows	\$19,900,000	19.31	\$24.00/ \$20.64	A 482- unit Palomino Apartments complex, currently under construction with Metcalf Builders as the contractor.
Steamboat Pkwy	South Meadows	\$10,000,000	33.71	\$6.81	Sale of three parcels next to the UNR Redfield campus. Future development for a 361-unit apartment community.

SUBDIVISION & RESIDENTIAL LAND

Single-family residential land prices continue to increase moving into 2023. We are still only pulling about half of the annual permits, thus availability and lot supply will continue to be an issue in 2023. With higher interest rates combined with expensive construction costs, expect new home builders to decrease output 20%-30% in 2023.

AREA	SUBMARKET	SALES PRICE	ACREAGE	PRICE/LOT	NOTES
53 lot portfolio sale	Spanish Springs	\$5,939,712	3.93	\$112,070	In Spanish Springs, DR Horton purchased 53 final map lots.
0 Oppio Ranch Pkwy	Spanish Springs	\$6,193,800	18.36	\$3,096,900	A residential lot development company with operations in 52 markets and 20 states purchased the two lots.

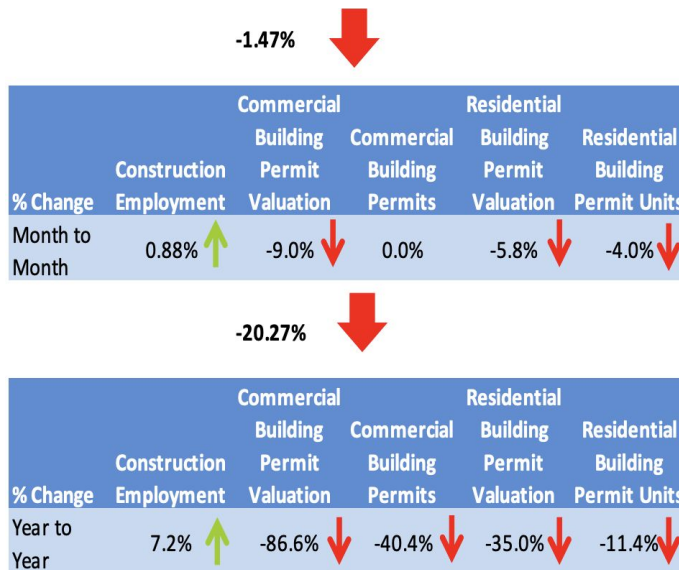


ECONOMIC OVERVIEW

Construction Index

December 2022

Provides historical and current trends for the construction industry in the Reno MSA region.



CONSTRUCTION INDEX

Reno MSA Construction Index declined between November and December 2022, as construction in the region continued to slow compared to record levels of activity in 2017-2019, and late 2020, into 2021.

The index shows a decline of 1.47% between November and December 2022. The index declined by 20.27% compared to the same month in the previous year (December 2021 and 2022). Construction employment in the region increased both compared to previous month's levels and previous year, as existing projects continue to be constructed and those pending due to lack of construction labor are coming to market.

However, future construction activity, as represented by commercial and residential permit numbers and valuation are showing a significant slowdown in the near future. All measures of building permits (with the exception of commercial permits) declined both compared to the previous month and previous year.



WASHOE COUNTY AREA

UNEMPLOYMENT

The U.S. Bureau of Labor Statistics Unemployment Rate for Washoe County was 3.4% for December 2022. The Washoe County unemployment rate continued to outpace the 3.5% United States national rate, and 5.2% State of Nevada rate. The unemployment rate for Washoe County in December 2021 was 2.4% reflecting a year over year decline of 1.0%.

The Reno-Sparks MSA's Year-over-year unemployment rate and employment continued to show improvement and signal its growing economy, which ranks 40th nationally.

Washoe County Unemployment Rate continues to outpace the United States and State of Nevada rates, Bloomberg economic models predict a recession by October of 2023, and the State of Nevada revenue exceeds projections by \$1 Billion.

ABOUT DCG

Institutional Experience. Local Knowledge.

Dickson Commercial Group has been working the Northern Nevada market for nearly

40 years with over **1,500 transactions** and **\$3.5 billion in transaction volume** over the last 8 years.

Our seasoned group of real estate professionals offers broad based market knowledge, proven problem solving capabilities and resourcefulness with a complete focus on commercial real estate. We work as a team in the truest sense of the word. We collaborate to find the best solutions, and we exploit the targeted knowledge of each agent.

Our multifaceted brokerage provides local, national and international clients the full array of commercial real estate services.



DCG is a proud member of CORFAC International, a global network comprised of 71 privately held commercial real estate firms. The CORFAC offices collectively close an average of 10,000 lease and sales transactions valued in excess of \$9.0 billion annually, totaling 500 million square feet closed and 65 million square feet managed worldwide.



Society of Industrial and Office Realtors® (SIOR), is the world's leading industrial and office brokerage association with over 3,600 members located in 722 cities and 42 countries.

Awards



Agent Affiliations



BROKERAGE SERVICES

Market segments served

- Industrial
- Flex
- Office
- Medical Office
- Retail
- Multifamily
- Land
- Investment Services
- Property Management

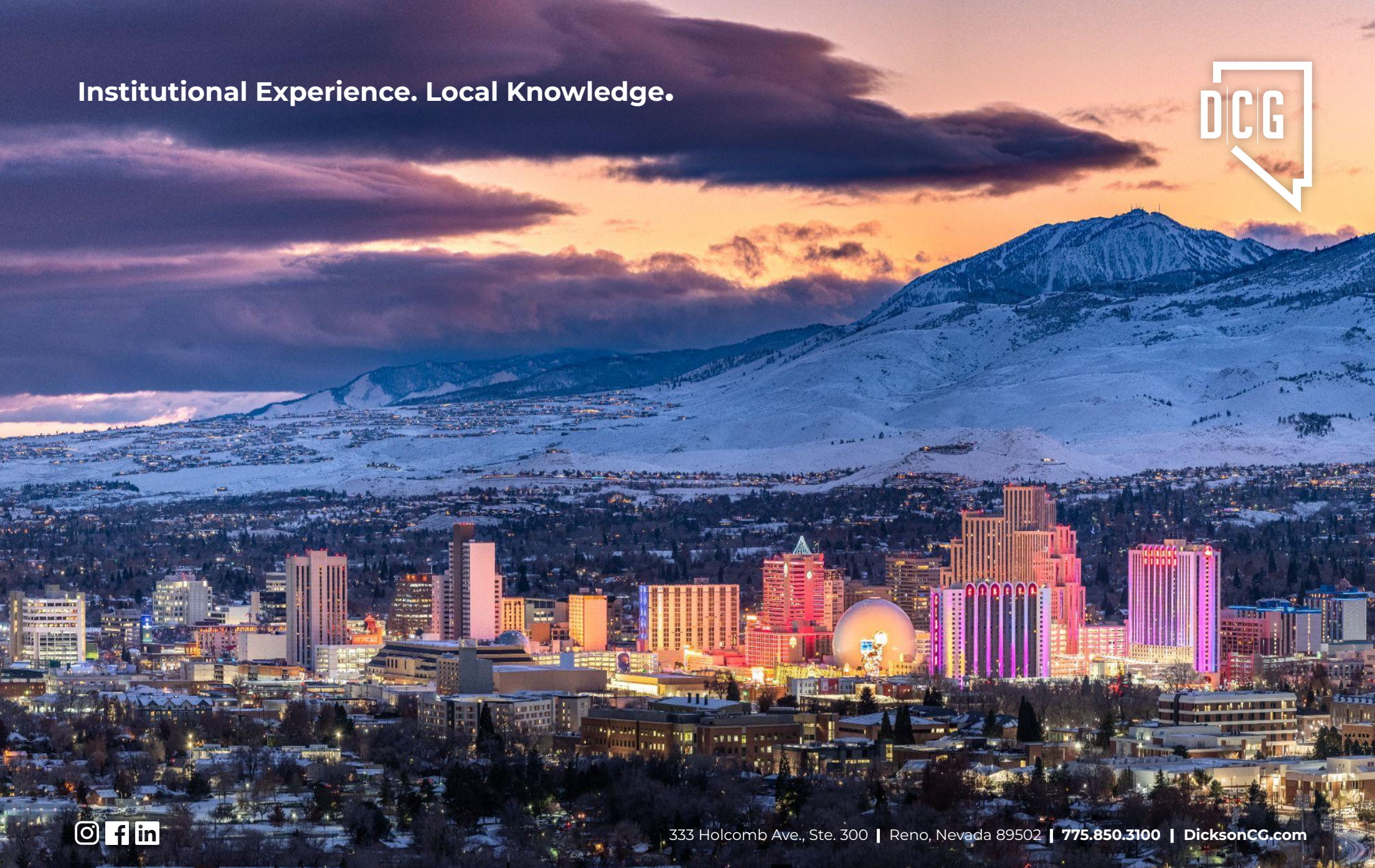


Services Provided

- Listing for Sale or Lease
- Tenant and Buyer Representation
- Market Analysis
- Feasibility Studies
- Site Studies
- Relocation Coordination
- Development Process Consultation
- Financing Consultation



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