

Q3 2021 NORTHERN NEVADA

INDUSTRIAL REPORT

SALES

LEASING

CONSTRUCTION



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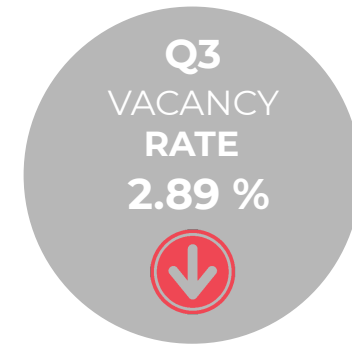
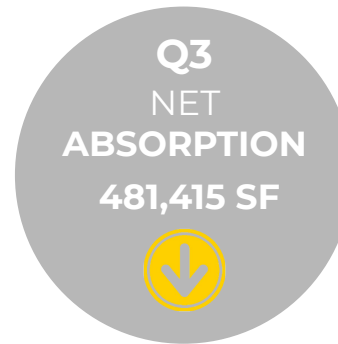
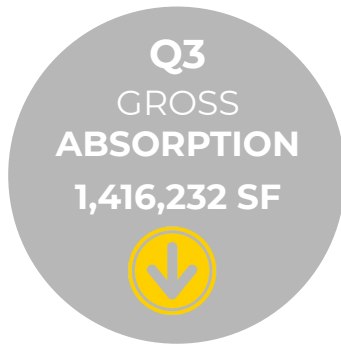
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WHERE DO WE **STAND?**

Q3



AVERAGE BULK INDUSTRIAL LEASE RATE = \$0.53 SF/MO NNN

VACANCY

Direct vacancy declined for the 12th consecutive month by 26 basis points from the previous quarter. The Central - West Reno and South Reno submarkets continue to hold the lowest vacancy with an average of 0.85% combined, while the I-80 East Corridor holds the highest vacancy at 7.13%, attributed to three large standing vacancies totaling over 1.3 million square feet.

ABSORPTION

Leasing activity remained steady with 37 new lease transactions totaling 1,416,232 square feet of direct gross absorption over the quarter. The Sparks submarket captured the bulk of the activity with over 550,000 square feet of gross absorption between 15 new leases.

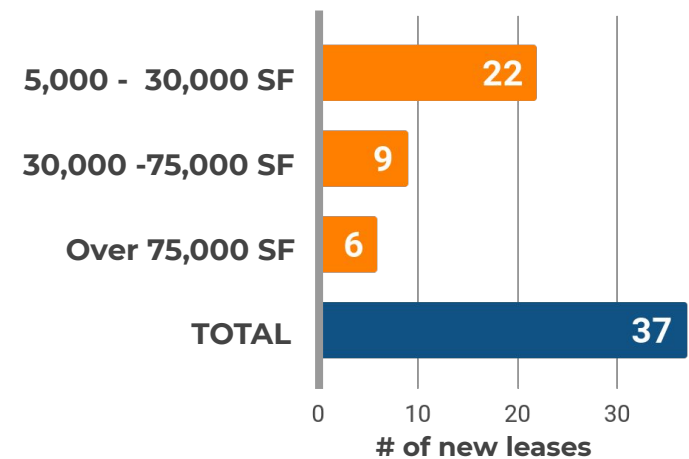
LEASE RATES | SALE PRICES

Lease rates continue to spike across the board with a minimum of \$0.05 sf/mo increases quarter-over-quarter in every size category. Scarcity of existing vacancy over 50,000 square feet leading into the 2nd half of the year has driven asking rates from low \$0.50's sf/mo to upper \$0.50's, and in some cases north of \$0.60 sf/mo for the premier central submarkets. Sale volume was down in Q3, however, sale prices have continued to climb.

CONSTRUCTION

Speculative construction remains red hot with over 3.1 million square feet scheduled for delivery Q1 & Q2 2022, primarily targeted in the I-80 East Corridor and North Valleys submarkets. Pre-lease activity remains extremely strong per a recent case study performed by DCG, which tracked 13 recent and scheduled spec deliveries totaling 4.7 million square feet, of which 62% were pre-leased prior to building completion. Build-to-suit construction also remains highly active with 2,257,290 square currently underway.

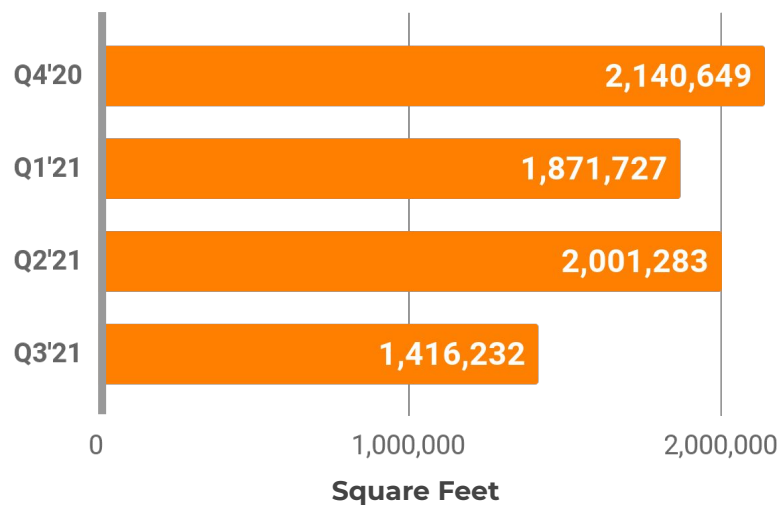
Q3 NEW LEASE TRANSACTIONS



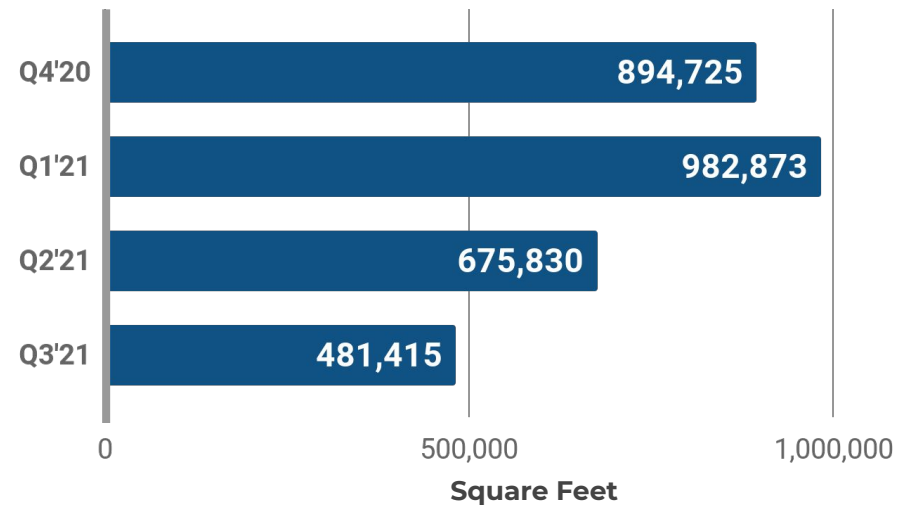
ABSORPTION & SUBMARKET VACANCIES

Q3

Gross Absorption



Net Absorption



VACANCY

Submarket	Total SF	Direct Available SF	Vacancy Rate	Completed Construction SF	Under Construction SF
North Valleys	26,240,324	399,700	1.52%	-	1,997,449
Sparks	26,961,290	598,978	2.22%	-	549,360
Airport	8,850,795	161,918	1.83%	-	1,348,700
South Reno	9,786,209	146,140	1.49%	84,000	52,700
Central - West Reno	2,090,572	4,174	0.20%	-	-
I-80 East Corridor	19,482,084	1,388,504	7.13%	-	1,412,200
TOTAL	93,411,274	2,699,414	2.89%	84,000	5,405,409

NOTABLE TRANSACTIONS



Q2 2021 Industrial Sale Volume: \$523,279,048

Q3 2021 Industrial Sale Volume: \$108,162,191

SALES RECAP

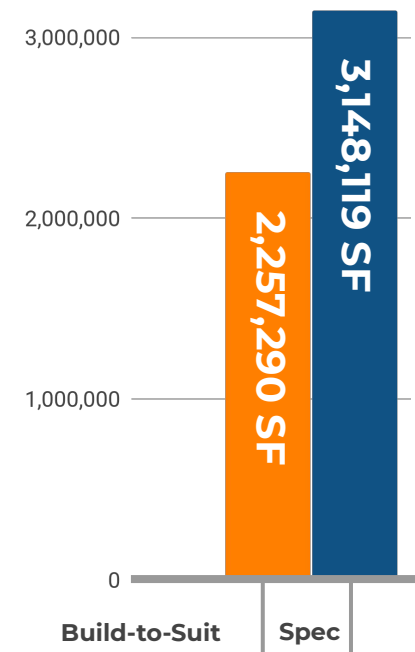
Despite an increase in the number of completed sale transactions, with a total of 39, sale volume in the third quarter dipped over \$400 million due to limited bulk portfolio sale activity as seen in the previous quarter. Among the highlights was Basin Street Properties' disposition of their 129,767 square foot multi-tenanted flex park at Mill & McCarran. Hidden Valley LLC. acquired the 5 building project for \$26,325,000 (\$202.17 psf) at a 5.5% cap rate. DCG represented Basin Street Properties in the transaction. The Sparks submarket achieved several notable sales including a 3 building disposition by Tolles Development Company on Icehouse Ave for a total of \$13,400,000 (\$108.58 psf). Additionally, a two-asset portfolio totaling 14,760 square feet on 6.029 acres located at 1610-1630 Kleppe Ln sold to an undisclosed buyer for \$5,450,000. The property was 100% leased at the time of sale and DCG represented the seller in the transaction.

NEW CONSTRUCTION

One building completion took place during the third quarter with McKenzie Properties' 84,000 square foot spec building in the South Reno submarket at 8895 Double Diamond Pkwy. The building was 50% preleased with a lease for the remaining half nearing finalization. While new completions are decelerating through the remainder of 2021, the 3.1 million square feet of planned spec completions come 2022 will deliver some welcomed relief for tenants.

Three buildings broke ground in the third quarter, including Scannell's 464,360 square foot build to suit and 130,000 square foot spec building in the Spanish Springs Business Center, scheduled for Q2/Q3 2022 completion. In the I-80 East Corridor, Mohr Capital began site work on their 596,400 square foot spec project at 1500 Waltham Way, with a scheduled spring 2022 completion.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT



NOTABLE TRANSACTIONS

Q3

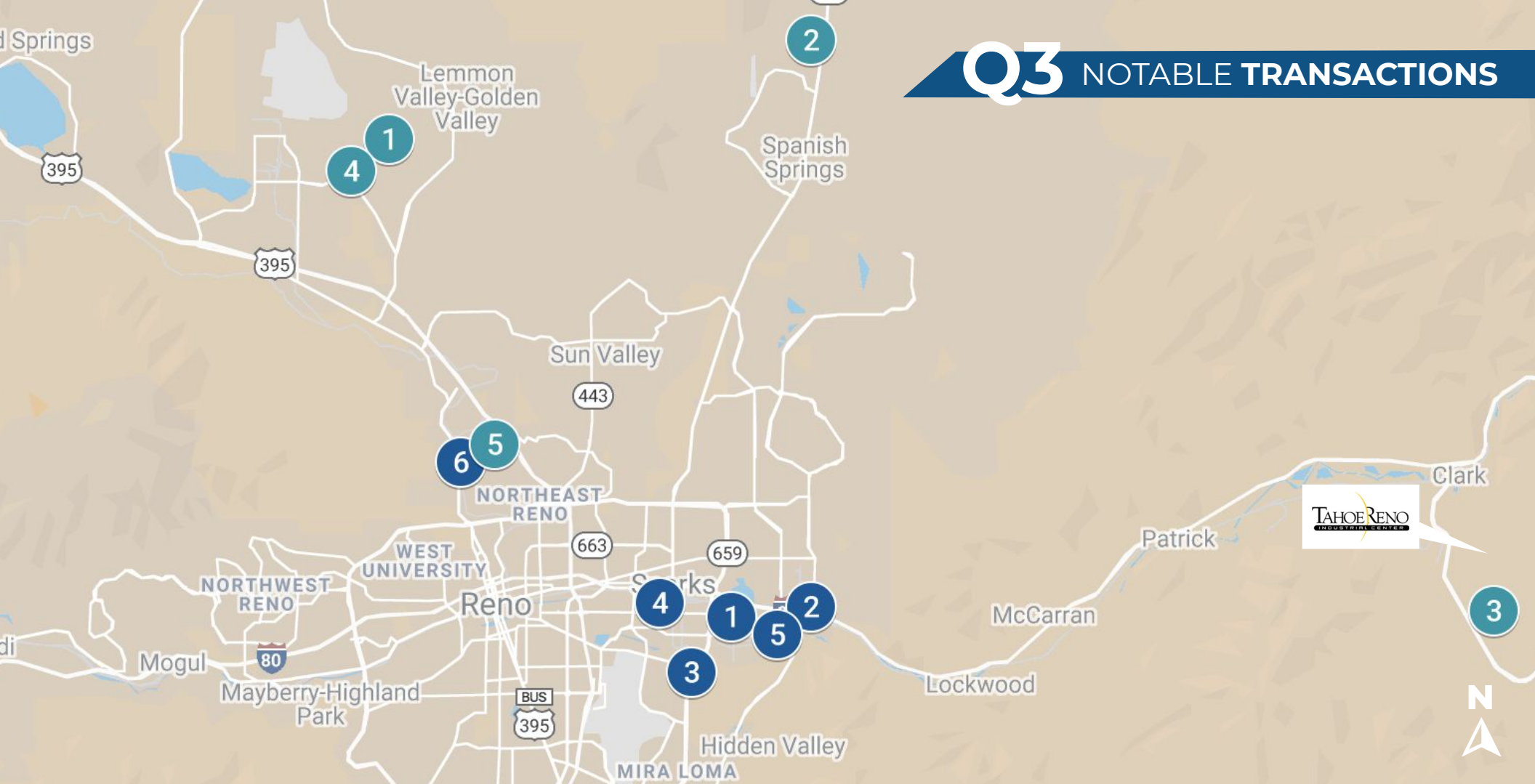
NOTABLE SALES

Address	SF	Price	Buyer	Seller
1140-1170 Financial Boulevard	129,767 sf	\$26,235,000	Hidden Valley LLC	Basin Street Properties
1210-1280 Icehouse Avenue	123,400 sf	\$13,400,000	TVG-Icehouse LLC	Tolles Development
802-820 Packer Way	103,916 sf	\$13,000,000	Hillcrest Properties of Reno, LLC	Bayside Mountain View LLC
276 Parr Boulevard	9,632 sf + 8 ac	\$9,425,000	SFG ISF Reno Parr LLC	Parr Blvd LLC
831 Deming Way	61,770 sf	\$6,290,000	TVG-Glendale LLC	Humason Family Trust
1610-1630 Kleppe Lane.	14,760 sf + 6 ac	\$5,450,000	Undisclosed	Community Foundation

NOTABLE LEASES

Address	SF	Landlord	Tenant
Sage Point 7	531,886	Prologis	GameStop
455 Ingenuity Ave	209,520	Avenue 55	Geodis Logistics LLC
425 E Sydney Dr	162,240	Conco	Rocky Brands
10991 Lear Blvd	87,110	Starwood	EFP Corp
365 Parr Cir	83,876	365 Holdings LLC	Mittera Group, Inc

Q3 NOTABLE TRANSACTIONS



LEASES

1. Sage Point 7
North Valleys
GameStop
531,886 SF

2. 455 Ingenuity Ave
Spanish Springs
Geodis Logistics LLC
209,520 SF

3. 425 E Sydney Dr
TRIC
Rocky Brands
162,240 SF

4. 10991 Lear Blvd
North Valleys
EFP Corp
87,110 SF

5. 365 Parr Cir
Reno
Mittera Group, Inc
83,876 SF

SALES

1. 802-820 Packer Way
Sparks
Hillcrest Properties of
Reno, LLC
103,916 SF

2. 1610/1630 Kleppe Ln
Sparks
14,760 SF + 6 AC

**3. 1140-1170 Financial
Boulevard**
Airport
Hidden Valley LLC
129,767 SF

4. 1210-1280 Icehouse Ave
Sparks
123,400 SF

5. 831 Deming Way
Sparks
Reactor Way Properties
61,770 SF

6. 276 Parr Boulevard
North Valleys
9,632 SF + 8 AC

1

Although many businesses are facing increasing challenges due to supply chain delays, demand for warehouse space remains at an all time high in Northern Nevada with over 5.2 million square feet of direct new leases year-to-date.

2

The hunt for new land development opportunities is the consistent “talk of the town” as the influx of relocating and expanding business continues to flood the market with limited space to occupy. Owner-users and developers are forced to consider challenging land sites, at higher than desired land basis, and commonly tied with lengthy and risky entitlement timelines.

3

With the hotly contested California gubernatorial recall election finally decided, we anticipate California businesses to continue to look at neighboring states for relocation, such as Nevada, for more favorable tax and business conditions.

4

Supply chain disruption and availability of construction materials has forced several new developments to postpone until greater certainty of delivery dates and pricing exists. In many cases uncertainties with winter weather conditions will force groundbreakings to push out to spring 2022.

5

Total lease transaction volume increased quarter-over-quarter with 37 total newly completed leases. Leading the pack was the 5K-15K square foot flex category with 18 new lease transactions, followed by 11 leases in the 20K-40K square foot mid-bay category.