

Q4 NORTHERN NEVADA

2021

INDUSTRIAL REPORT

SALES

LEASING

CONSTRUCTION



JOEL FOUNTAIN, SIOR

jfountain@dicksoncg.com
775.850.3136 OFFICE
775.287.8127 CELL
S.78024

BAKER KRUKOW

bkrukow@dicksoncg.com
775.624.7876 OFFICE
775.300.5804 CELL
S.183091

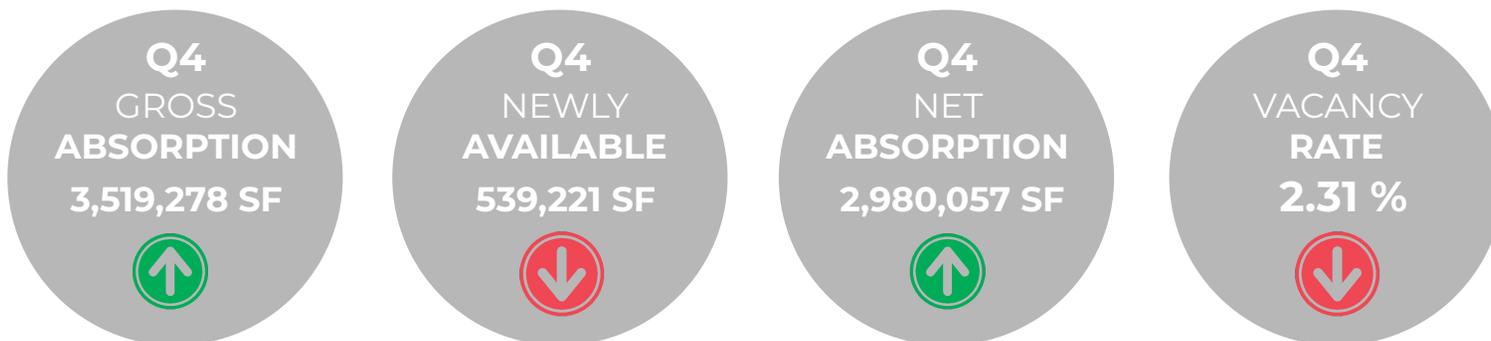
NICK KNECHT

nknecht@dicksoncg.com
775.850.3032 OFFICE
775.338.1369 CELL
BS.145559



WHERE DO WE **STAND?**

Q4



AVERAGE BULK INDUSTRIAL LEASE RATE = \$0.55 SF/MO NNN

VACANCY

With 5 consecutive quarters of declining vacancy, 2021 finalized at a blistering 2.31%, testing the grit of many tenants and owner-users in search of new space. Particular submarkets, such as the North Valleys, Central-West Reno, Airport, and South Reno are experiencing extreme inventory shortages with sub 1% vacancy.

ABSORPTION

The fourth quarter posted the highest absorption of the year with 2,980,057 square feet of net absorption, and an average of over 2.2 million square feet of gross absorption per quarter rounding out the year. VERY little new availability (539,221 sf) returned to market providing few opportunities for new existing space heading into the beginning of the year.

LEASE RATES | SALE PRICES

While lease rates in Northern Nevada steadily rise, our region continues to trend below national averages, allowing for a competitive edge against many neighboring markets. The average lease rate for bulk industrial space is up 11% from the beginning of the year and over 30% increases for mid-bay product in our market. Sale prices also continue upward as overall sale volume remains strong with over \$257 million of sale volume produced during the quarter.

CONSTRUCTION

Two new completions totalled 1,792,930 square feet during the fourth quarter. In the North Valleys, NorthPoint Development completed the 795,926 square foot build-to-suit for Chewy.com. In the Airport submarket, Dermody Properties and Reno Land Development completed the 997,004 build-to-suit for an undisclosed tenant at Park at McCarran. 5 million square feet is expected for 2022 completion, of which 60% is expected to be spoken for by the end of Q1 2022.

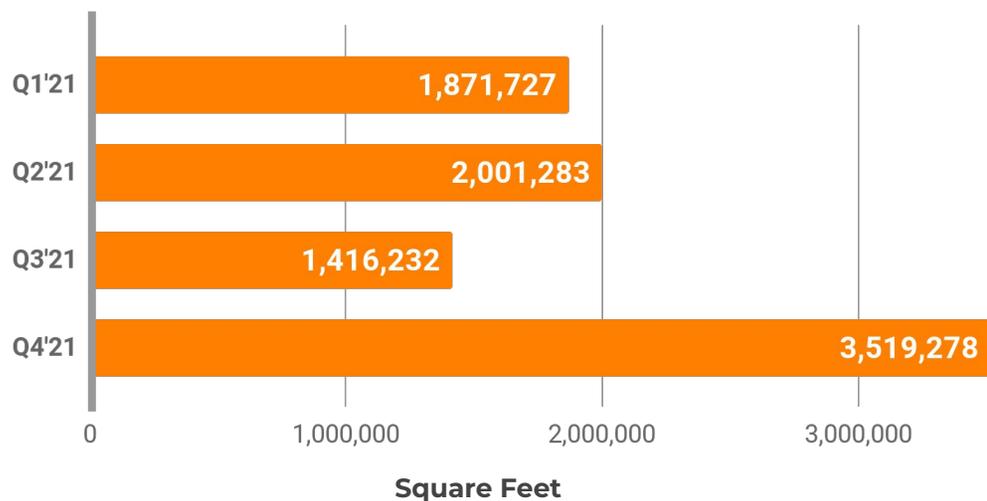
Q4 NEW LEASE TRANSACTIONS



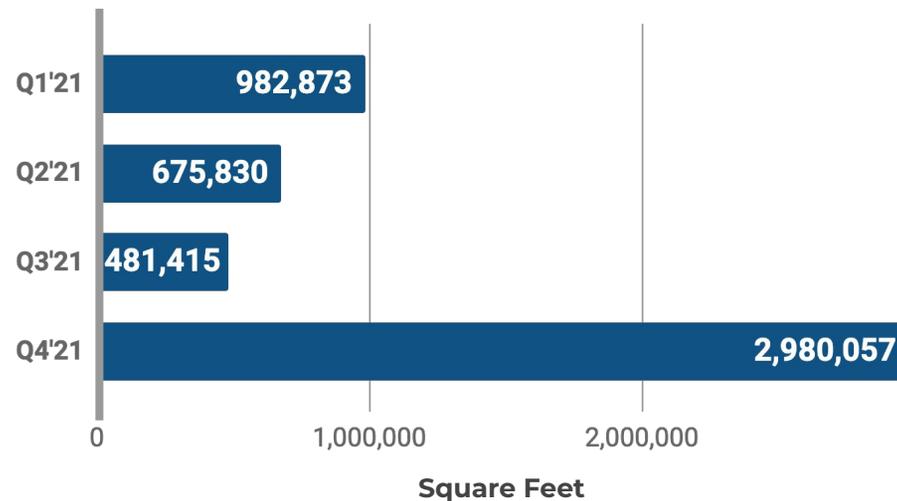
ABSORPTION & SUBMARKET VACANCIES

Q4

Gross Absorption



Net Absorption



VACANCY

Submarket	Total SF	Direct Available SF	Vacancy Rate	Completed Construction SF	Under Construction SF
North Valleys	27,036,250	159,600	0.59%	795,926	1,368,923
Sparks	26,961,290	544,256	2.02%	-	549,360
Airport	9,847,799	77,857	0.79%	997,004	351,696
South Reno	9,786,209	81,398	0.83%	-	449,390
Central-West Reno	2,090,572	12,391	0.59%	-	-
I-80 East Corridor	19,482,084	1,328,129	6.82%	-	1,412,200
TOTAL	95,204,204	2,203,631	2.31%	1,792,930	4,176,569

NOTABLE TRANSACTIONS



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

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

SALES RECAP

Sales volume spiked in the fourth quarter with over \$257 million in transactions. The top leading sale transactions included the 1,556,880 square foot JCPenney Distribution Center in the North Valleys, which sold for \$150,950,354 (\$96.96 psf) to LBA Realty at a reported 5.79% cap rate. This was part of a six building 10.1 million square foot distribution portfolio that sold for \$557.2 million. In TRIC a 872,720 square foot building located at 1200 Venice Way sold for \$72,723,607 (\$83.52 psf) to GIC Real Estate. In South Reno, Blackstone, one of the world's leading investment firms, purchased a single-tenant 98,720 square foot warehouse on 4.55 acres of land at 8770 Technology Way for \$19,590,362 (\$199.35 psf). This was part of a \$3.2 billion portfolio acquisition consisting of 112 properties across the country.

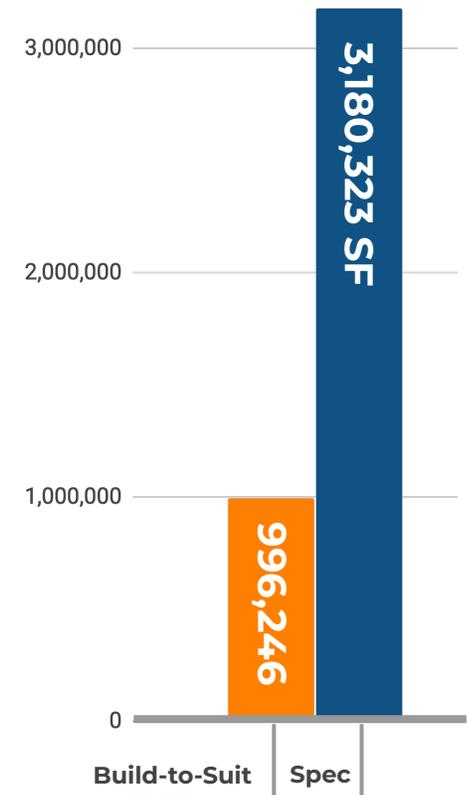
NEW CONSTRUCTION

The two completions by NorthPoint Development and Dermody Properties/Reno Land Development are exemplary of the demand for big box distribution hub placement in Northern Nevada, and they mark the largest single building completions in our market since 2018.

Four buildings broke ground during the quarter: Avenue 55's 167,400 square foot Mt Limbo Industrial Center in North Valleys and McKenzie Properties' 3-building South Reno Industrial project totaling 396,690 square feet, both of which are speculative projects. Expected completions for 2022 total just under 5 million square feet, 33% which is build-to-suit and/or pre-leased with an additional 27% which we expect will have leases finalized within the next few months based on the high volume of proposal submissions occurring at each project.

Looking forward, the 2023 outlook will feature several sought after projects in the premier South Reno and West Reno submarkets. One of which will include Dermody Properties' LogistiCenterSM at I-80 West Phase II, featuring a 429,000 square foot 2-building project fronting Interstate 80. The project's anticipated groundbreaking is March/April 2022 with estimated completion in Q1/Q2 2023. DCG's Industrial Team is representing Dermody Properties on all leasing activity for the project.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT



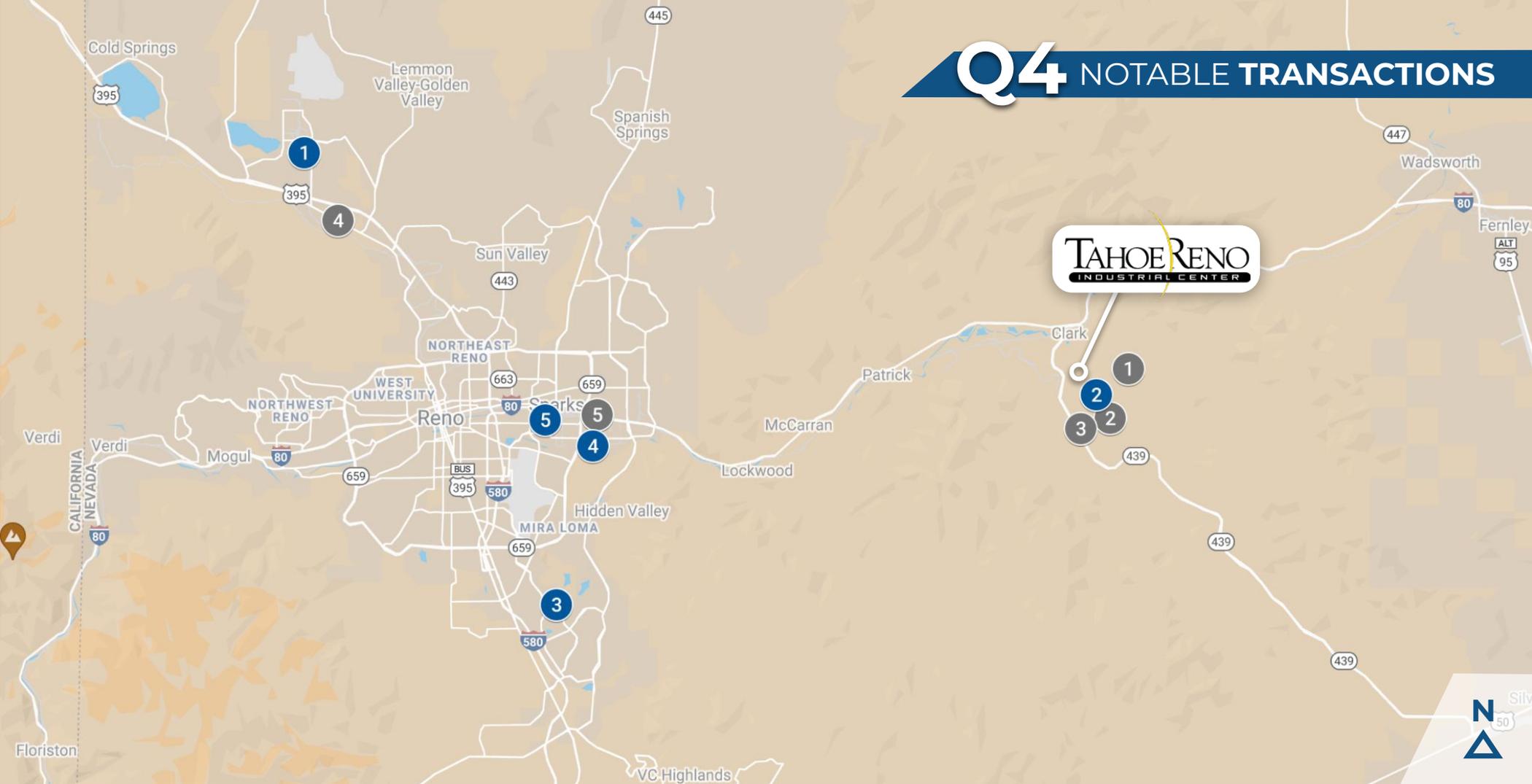
NOTABLE TRANSACTIONS

Q4

NOTABLE SALES				
Address	SF	Price	Buyer	Seller
11111 Stead Blvd	1,556,880 sf	\$150,950,354	LBA Realty	Copper Property CTL Pass Through Trust
1200 Venice Way	872,720 sf	\$72,723,607	GIC Real Estate	EQT Exeter
8770 Technology Way	98,720 sf	\$19,590,362	Blackstone	WPT
550 Spice Islands Dr	174,878 sf	\$17,206,581	GIC Real Estate	EQT Exeter
1248-1300 Glendale	44,505 sf	\$8,673,000	Glendale Ave Properties	Casazza SLV, LLC.

NOTABLE LEASES			
Address	SF	Landlord	Tenant
727 Milan Dr	302,680	Washington Capital	Confidential
425 E Sydney Dr	274,560	Conco	STORD
27777 USA Pkwy	220,000	Conco	STORD
9575 N Virginia St	138,240	Panattoni	Redfield Manufacturing
1141 E Glendale Ave	134,766	LBA	JFC dba Drake Anthony Co.

Q4 NOTABLE TRANSACTIONS



LEASES

- | | | |
|---|--|--|
| <p>1. 727 Milan Dr
TRIC
Confidential
302,680 SF</p> | <p>2. 425 E Sydney Dr
TRIC
STORD
274,560 SF</p> | <p>3. 2777 USA Pkwy
TRIC
STORD
220,000 SF</p> |
| <p>4. 9575 N Virginia St
North Valleys
Redfield Manufacturing
138,240 SF</p> | <p>5. 1141 E Glendale
Sparks
JFC DBA Drake Anthony Co.
134,766 SF</p> | |

SALES

- | | | |
|--|--|--|
| <p>1. 1111 Stead Blvd
North Valleys
LBA Realty
1,556,880 SF</p> | <p>2. 1200 Venice Way
TRIC
GIC Real Estate
872,720 SF</p> | <p>3. 8770 Technology Way
South Reno
Blackstone
98,720 SF</p> |
| <p>4. 550 Spice Island Dr
Sparks
GIC Real Estate
178,874 SF</p> | <p>5. 1248-1300 Glendale Ave
Sparks
Glendale Ave Properties LLC
44,505 SF</p> | |

1

2021 was another record setting year in Northern Nevada with over 8.8 million square feet of direct gross absorption and more than \$991,000,000 in sales. However, as white hot demand continues to outpace supply, 2022 will be faced with a new set of challenges as inventory shortages have become the primary focus within the market.

2

Industrial investors remained bullish on Northern Nevada's industrial market with 13 transactions north of \$10 million, including 2 north of \$100 million, with a total of just over 7,300,000 square feet combined at an average sale price of of \$121.38 psf.

3

With over 6 million square feet of planned new construction on the horizon for 2023, tenants looking for the upper hand in securing space will be forced to engage site searches 12 to 18 months from target occupancy, and in many cases, be prepared to make a lease commitment within a few months following.

4

As opportunity for future industrial growth continues to wane within the primary Reno/Sparks submarkets, many of the outlying markets such as Fernley, Carson City, and Minden/Gardnerville are experiencing a new wave of interest from developers and users looking for creative opportunities to establish a new footprint within the Northern Nevada market.

5

Alongside the steady pipeline of big-box construction, a surplus of planned new projects are ramping up that will deliver new flex space and mid-bay inventory as increasing rents within the product classes begin to support underwriting for these higher price per square foot single building projects.

6

Industrial real estate valuations nationally will remain relatively insulated from the prospect of federal interest rate increases and global liquidity contraction. Cap rate compression may slow, but the tailwinds behind the industrial sector will keep the asset class well positioned as a favorite amongst institutional capital allocators.