

Q4
2023

INDUSTRIAL
REPORT



SALES
LEASING
NEW CONSTRUCTION

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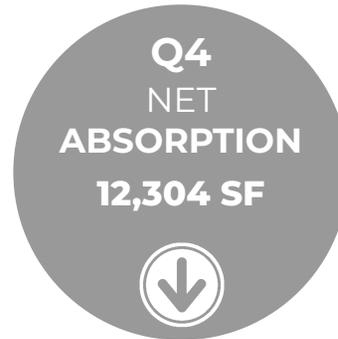
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NORTHERN NEVADA



WHERE DO WE STAND?

Q4



VACANCY

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

A swell of new speculative development reaching completion at year-end, along with four notable existing building turnovers in North Valleys and Sparks pushed vacancy up 191 basis points in the 4th quarter, and over the course of the year the market saw a 423 basis point increase. However, the recent elevation in vacancy provides a warm welcome of diverse inventory throughout each of the submarkets allowing tenants flexibility to choose from new construction, or second & third generation buildings types to accommodate their space needs.

ABSORPTION

2023 gross absorption surpassed the historical year of new construction completions by 595,000 sq. ft., and was the highest in the past decade finishing the year at 8,938,773 sq. ft. Net absorption inevitably was down year-over-year due to the heavy onslaught of speculative construction with building lease up likely trickling into early 2024.

LEASE RATES | SALE PRICES

Though overall new lease completions in the bulk space category were down in the 4th quarter there were several notable highmark lease comps landing north of \$0.90 sf/mo. Mid-bulk asking rates continue to hover around \$1.00 - \$1.15 sf/mo and flex space at \$1.35 - \$1.50 sf/mo pending size, age, and location. Though, a decrease in flex rates are expected due to increased inventory. An upswing in sales volume produced several noteworthy sale comps with several large scale investment assets achieving \$130-\$155 psf., and a few smaller owner-user acquisitions at \$220- \$240 psf.

CONSTRUCTION

Seven new building completions totaled 1,853,837 sq. ft. of new product to the market in the 4th quarter, contributing to one of the highest historical years for industrial construction in Northern Nevada with a staggering year end total of 8,344,458 sq. ft.. With a runway of 6.9M sq. ft. of available inventory heading into 2024, multiple anticipated new construction starts have paused until further lease-up of competing spec projects is achieved. Currently there is 2.3M sq. ft. slated for delivery over the next 12 months.

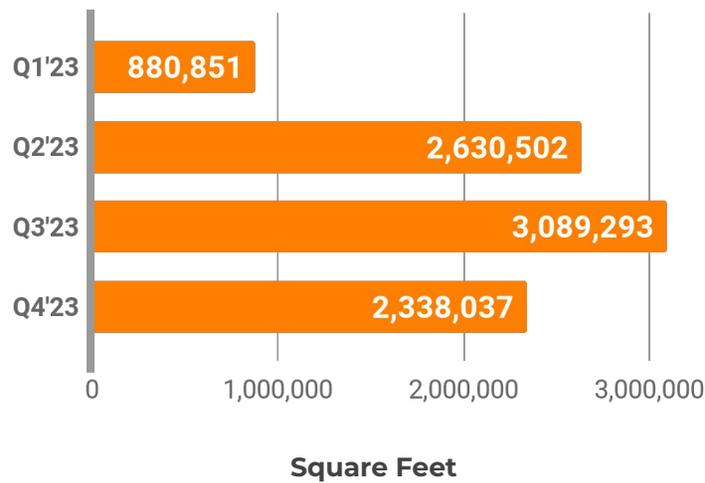
Q4 NEW LEASE TRANSACTIONS



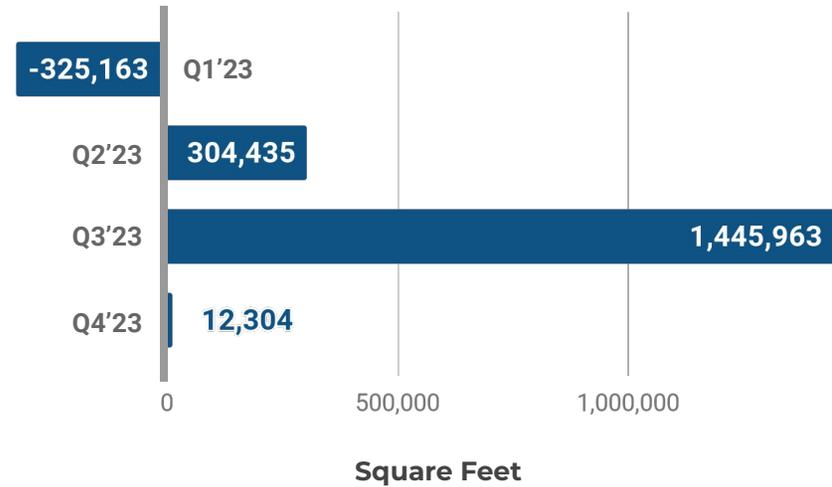
ABSORPTION & SUBMARKET VACANCIES

Q4

Gross Absorption



Net Absorption



VACANCY

Submarket	Total SF	Direct Available SF	Vacancy Rate	Completed Construction SF	Under Construction SF
North Valleys	28,962,521	1,480,046	5.11%	-	526,997
Sparks	27,894,650	1,220,574	4.38%	130,000	-
Airport	11,193,502	1,312,783	11.73%	752,347	-
South Reno	10,736,969	417,827	3.89%	390,240	168,320
Central-West Reno	2,261,072	174,674	7.73%	170,500	258,500
I-80 East Corridor	27,732,457	2,286,695	8.25%	410,750	3,186,900
TOTAL	108,781,171	6,892,599	6.34%	1,853,837	4,140,717

NOTABLE TRANSACTIONS



Q3 2023 Industrial Sale Volume: \$44,410,000

Q4 2023 Industrial Sale Volume: \$248,332,810

SALES RECAP

There was a significant spike in sale volume quarter-over-quarter with an impressive increase of 459%. Notably, for the first time in two years sale volume surpassed a substantial milestone of \$200 million in a single quarter. The slight softening of interest rates lead to several larger transactions year end, highlighted by a 7 building portfolio purchase by DRA Advisors, totaling 585,718 sq. ft. in Sparks for \$91.2M (\$155 psf). Washington Capital sold a 630,130 square foot building in the Tahoe Reno Industrial Center to Westcore for \$82.5M (\$133 psf). Also in the Sparks submarket, Stag Industrial Holdings purchased a 164,918 sq. ft. building for \$29,935,000 (\$181.51 psf). Only a few owner-user acquisitions were completed in the 4th quarter, highlighted by local HVAC provider Fleet Heating and Air purchasing a 27,000 sq. ft. building with excess land on Aircenter from Hamilton Medical for \$6.8M. DCG represented the Buyer and Seller in the transaction.

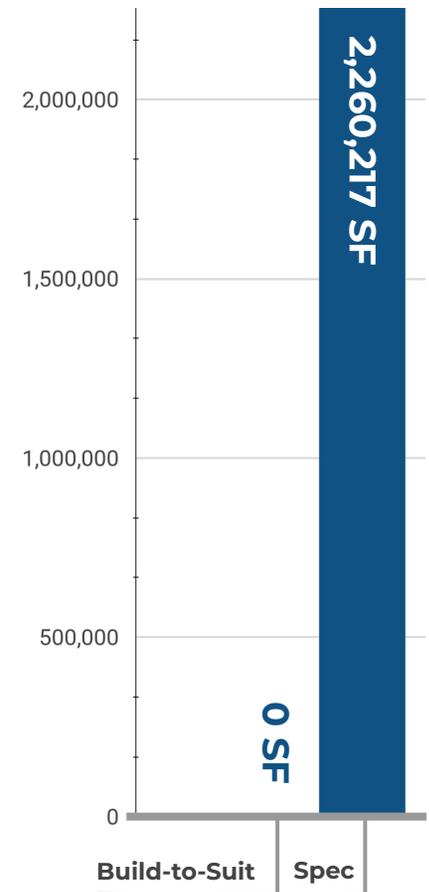
NEW CONSTRUCTION

4th quarter deliveries were concentrated with several infill projects in the Central-West Reno, South Reno, and Airport submarkets. In West Reno, Dermody Properties delivered the 170,500 sq. ft Building 1 at LogistiCenter at I-80 West Phase II, which had 50% of the building pre-leased. In South Reno, Prologis completed the 390,240 sq. ft. build-to-suit for Dragonfly Energy, and in the Airport submarket, Tolles Development Company put the roof on the remaining 3 spec buildings at Airway Commerce Center, totalling 752,347 sq. ft.

Additional completions included Monin Syrup's 130,000 sq. ft. build-to-suit expansion in the Spanish Springs Business Center, while Pure Development continued to expand their newfound presence in Northern Nevada with the delivery of their second spec building in TRI at 410,750 sq. ft..

Four spec buildings broke ground totalling 794,277 sq. ft in the 4th quarter. In the North Valleys, Dermody Properties kicked off the first phase at Reno AirLogistics Park with a 468,697 sq. ft. cross dock building planned for late 2024 completion. Adjacent to the Stead airport, phase one will consist of two buildings totalling 1.1 million sq. ft., with several subsequent phases planned to continue to deliver logistics space in this sought after submarket. In TRI, Buzz Oates broke ground on two buildings, at 64,480 sq. ft. and 202,800 sq. ft.

UNDER CONSTRUCTION SPEC VS BUILD-TO-SUIT



NOTABLE TRANSACTIONS

Q4

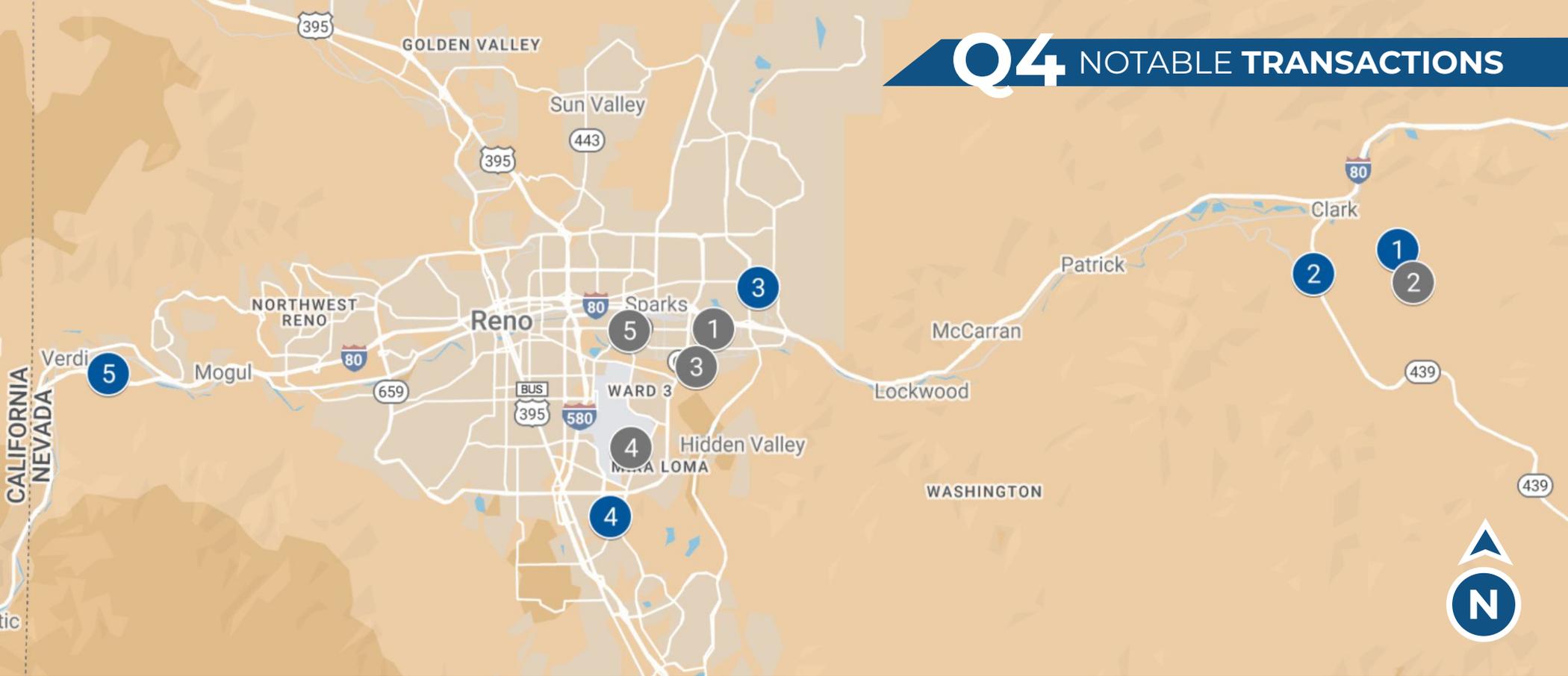
NOTABLE SALES

Address	SF	Price	Buyer	Seller
980 Packer Way/ 1400 Kleppe Ln Portfolio	585,718 sf.	\$91,200,000	DRA Advisors	Seagate
700 Milan Dr	632,130 sf.	\$82,500,000	Westcore	Washington Capital
655 Spice Islands Dr	164,918 sf.	\$29,935,000	Stag Industrial Holdings	Bendetti
4655 Aircenter Cir (DCG Represented Buyer & Seller)	27,710 sf.	\$6,800,000	Fleet Heating and Air	Hamilton Medical
1651 & 1581 Glendale Ave (DCG Represented Buyer)	48,139 sf.	\$6,550,000	Western Nevada Supply	Questar Corporation

NOTABLE LEASES

Address	SF	Landlord	Tenant
385 Milan Dr	566,866 sf.	Prologis	Confidential
450 Pittsburgh Ave	354,640 sf.	Pure	Confidential
755 Lillard Dr (DCG Represented Tenant)	163,200 sf.	Starwood	Cannon Equipment
3300 Airway Dr Bldg D	113,342 sf.	Tolles Development	Marvin Logistics
8800 Boomtown Garson Rd (DCG Represented Landlord)	85,380 sf.	Dermody Properties	Daikin

Q4 NOTABLE TRANSACTIONS



LEASES

1. 385 Milan Dr

TRIC
Confidential
566,866 SF

2. 450 Pittsburgh Ave

TRIC
Confidential
354,640 SF

3. 755 Lillard Dr

Sparks
Cannon Equipment
163,200 SF

4. 3300 Airway Dr Bldg D

Airport
Marvin Logistics
113,342 SF

5. 8800 Boomtown Garson Rd

West Reno
Daikin
85,380 SF

SALES

1. 980 Packer Way & 1400 Kleppe Ln Portfolio

\$91,200,000
Sparks
585,718 SF

2. 700 Milan Dr

\$82,500,000
TRIC
632,130 SF

3. 655 Spice Islands Dr

\$29,935,000
Sparks
164,918 SF

4. 4655 Aircenter Cir

\$6,800,000
Airport
27,710 SF

5. 1651 & 1581 Glendale Ave

\$6,550,000
Sparks
48,139 SF

1

Vacancy increased from 2.11% to 6.34% YTD due to excess supply of new spec construction inventory and tenant demand stabilizing in Q3 & Q4. However, a decrease in new construction deliveries for 2024 backed by slower rent growth is expected to improve absorption of new supply, and is expected to bring vacancy down over the course of the year.

2

Leasing activity in 2023 was led by small box spaces ranging from 5,000-30,000 sq. ft., which constituted 71% of all lease transactions. The heightened activity level is attributed to tenants facing high mark-to-market rent adjustments during renewal negotiation. Paired with ample inventory selection to consider, this has provided tenants with the opportunity to improve the functionality of their facilities and operations.

3

There was a substantial decrease in investment activity during 2023 due to significant changes in interest rates and cap rates spiking 200 basis points over the course of the year. However, a momentum gain at year end was observed with \$203M of investment volume providing many with optimism heading into the new year.

4

Sublease inventory continued to rise throughout 2023, which ended the year just under 900,000 sq. ft. Eight of the twenty sublease spaces at the end of Q4 are within the 10,000-50,000 sq. ft. size range while three availabilities exceed 100,000 sq. ft. These along with the the upcoming shut down of the 707,010 sq. ft. Zulily distribution center in TRI will provide tenants with more flexible options for shorter lease terms and below market lease rates.

5

Industrial development land acquisitions were significantly down in 2023 with only six deals completed, at an average of \$8.59 psf. with a few notable sales north of \$10 psf. There has been a surge in the transaction volume for data center sites in the region, with several transactions occurring in 2023. Sites that can meet demand for those power needs will still hold value in the face of uncertainty for spec development.

6

In response to an increasing need to source raw material for lithium ion batteries locally, given political and humanitarian challenges from sourcing abroad, Northern Nevada continues to cater to the recycling of existing batteries for the extraction of their resources. Companies like AquaMetals, Redwood Materials, and American Battery Technology Company each substantially expanded their footprints within the market during 2023 to continue to develop their proprietary technologies and expand their recycling capacities.

Submarket	Delivery	Project	Developer	SF	Type
South Reno	Q3 2024	9735 Double R Blvd	McKenzie Properties	72,380	Spec
South Reno	Q3 2024	Gateway Dr - Bldg A	McKenzie Properties	55,620	Spec
South Reno	Q3 2024	Gateway Dr - Bldg B	McKenzie Properties	40,320	Spec
Central-West Reno	Q1 2024	LogistiCenter at I-80 West Phase II - Bldg 2	Dermody Properties	258,500	Spec
North Valleys	Q1 2025	Reno AirLogistics Park - Bldg 2	Dermody Properties	468,697	Spec
North Valleys	Q2 2024	875 Panther Dr	Sierra Development	58,300	Spec
Sparks	Q1 2025	LogistiCenter at Kiley Ranch - Bldg 1	Dermody Properties	197,732	Spec
I-80 East	Q3 2024	Parkway Industrial Center - Bldg A	Avenue 55	434,480	Spec
I-80 East	Q3 2024	Parkway Industrial Center - Bldg B	Avenue 55	282,240	Spec
I-80 East	TBD - On Hold	Tahoe-Reno 5	Prologis	709,640	Spec
I-80 East	TBD - On Hold	Tahoe-Reno 6	Prologis	327,180	Spec
I-80 East	Q1 2024	1600 Peru Dr	Pure Development	410,750	Spec
I-80 East	Q2 2024	500 Denmark Dr	Pure Development	322,400	Spec
I-80 East	Q4 2024	1575 Venice Dr - Bldg A	Buzz Oates	64,480	Spec
I-80 East	Q4 2024	1400 Electric Ave	Buzz Oates	202,800	Spec
I-80 East	TBD - On Hold	Nevada Commerce Center - Bldg B	Buzz Oates	641,920	Spec
I-80 East	TBD - On Hold	Nevada Commerce Center - Bldg C	Buzz Oates	96,720	Spec
I-80 East	TBD - On Hold	Nevada Commerce Center - Bldg D	Buzz Oates	105,040	Spec