



Q2
2022

**OFFICE
REPORT**



**SALES
LEASING
INVESTMENTS**

DOMINIC BRUNETTI, CCIM

dbrunetti@dicksoncg.com
775.850.3109 **OFFICE**
775.240.1192 **CELL**
S.58419

SCOTT SHANKS, SIOR

sshanks@dicksoncg.com
775.850.3102 **OFFICE**
775.846.1019 **CELL**
S.66593

PATRICK RIGGS

priggs@dicksoncg.com
775.220.4957 **CELL**
S.180878

NORTHERN NEVADA

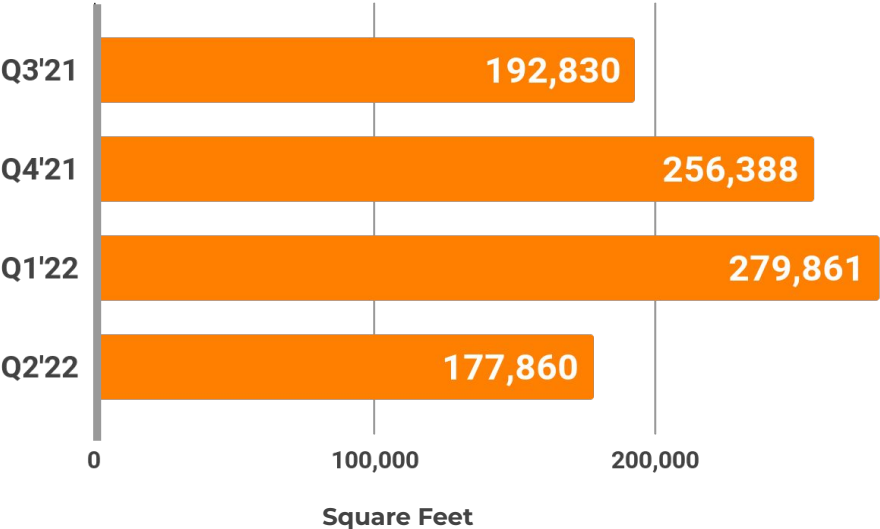
DOWNTOWN OFFICE ON THE RISE

The Reno office leasing market experienced another strong quarter in Q2 gaining 34,647 square feet in positive net absorption. The office market remains stable as we round out the first half of 2022 with momentum heading into the fall and winter months. Following the strong activity in Q1, the Downtown submarket experienced another flurry of lease deals most notably at 300 E 2nd Street - Park Center Tower as tenants LegalMatch (10,900 sqft) and Tahoe Truckee Lumber (7,404 sqft) relocated to take advantage of what the Downtown core has to offer.

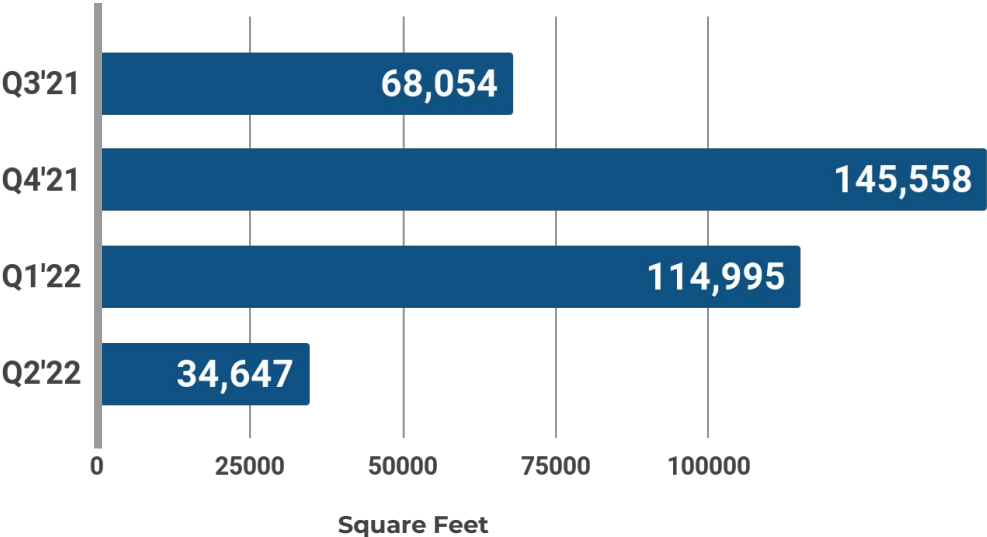
Is this recent Downtown activity a sign of what is to come or a trend that will pass? The DCG Office Team believes the former. Like LegalMatch and other growing Downtown tenants such as Clear Capital, ITS Logistics, and LP Insurance, these companies are focused on not only bringing employees back to the office but providing a more balanced workplace environment. Although hybrid work models are still being explored, the office is still home base and must be a place employees enjoy. Creating an environment with a sense of excitement and community remains to be a key pillar in helping companies retain and recruit talent.

A brand new, state-of-the-art building is another factor that attracts tenants and assists in ensuring employee happiness. Will new office construction commence in Northern Nevada? At 9.45% direct vacancy, some would think so, but Economics 101 are leading us down a different path. Without substantial preleasing, an endeavor that has not historically been successful in our market, we foresee new construction standing still.

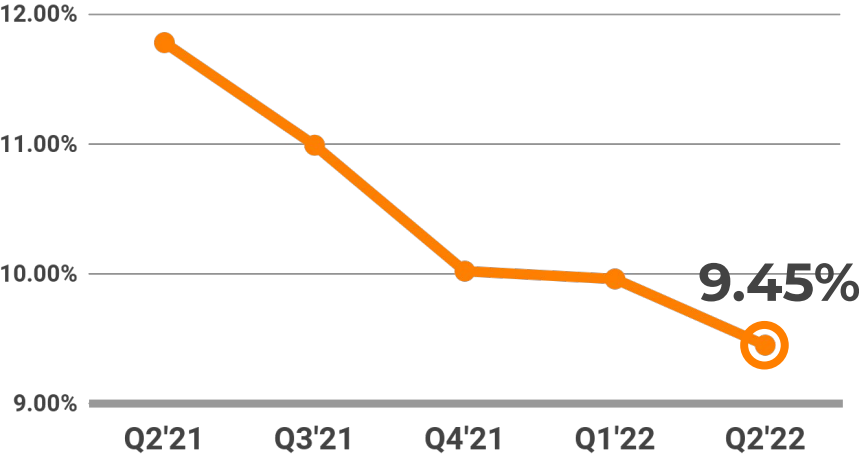
GROSS
Absorption



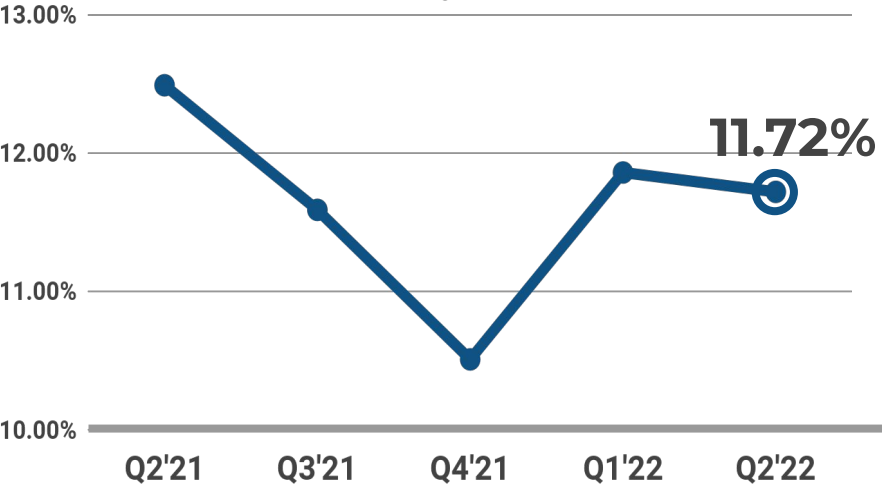
NET
Absorption



DIRECT
Vacancy Rates



WITH SUBLEASE
Vacancy Rates



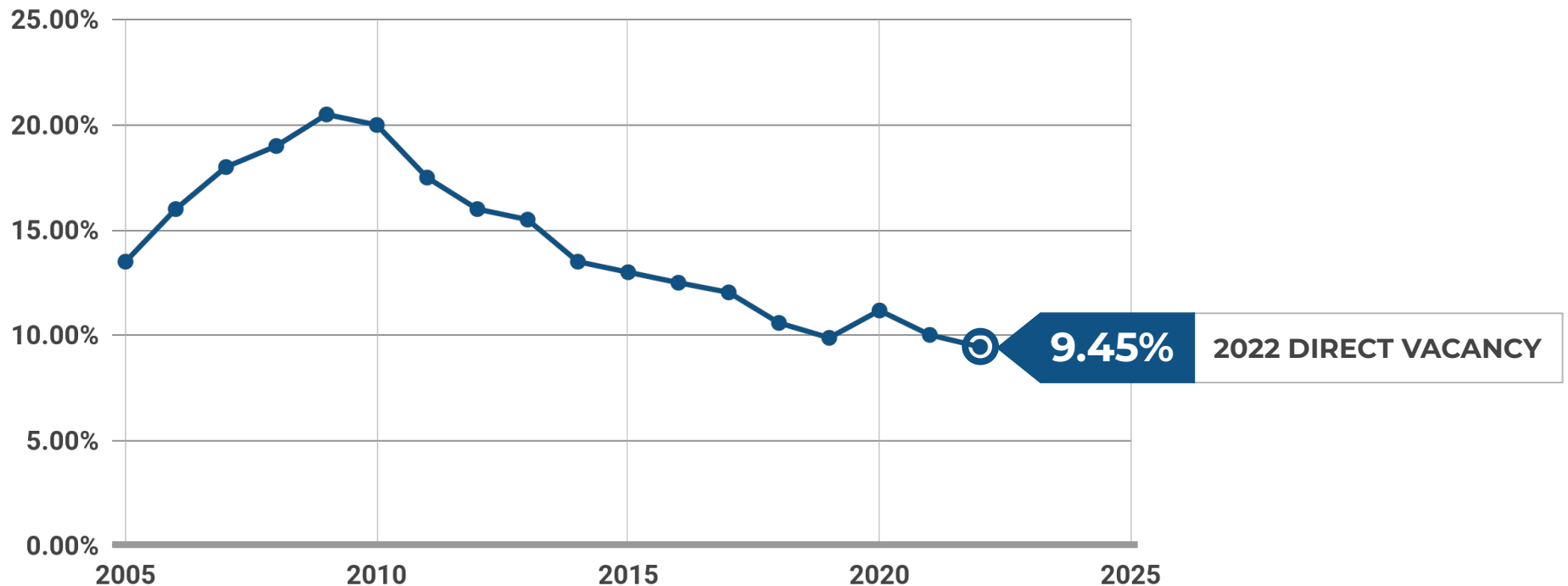
MARKET STATISTICS

Gross Absorption	177,860 SF
Net Absorption	34,647 SF
Newly Available SF	143,213 SF

VACANCY RATES

	DIRECT	WITH SUBLEASE
Downtown	12.15%	12.54%
South Meadows	7.54%	16.66%
Meadowood	9.59%	11.13%
Central	5.76%	5.76%
Airport	10.27%	10.27%
OVERALL	9.45%	11.72%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



NORTHERN NEVADA OFFICE

SALES RECAP

Office sales saw a decrease in sales transaction volume and the number of transactions in the second quarter of 2022. The number of sales has declined for four consecutive quarters, and the overall volume in Q2 was the lowest we have seen in six quarters. The increases in the Fed Funds rate are understandably impacting decisions for both owner-users obtaining financing and investor return requirements.

Since April, the Fed Funds rate has gone from 0.5 to 2.5% in July 2022. The Fed has been transparent about projected increases and is projecting two more increases of 50 bps and 25 bps by the end of the year. We are witnessing underwriting on cap rates, and buyer pricing expectations continue to be fluid, but the return expectations and cap rates from 6 to 12 months ago have shifted. Hopefully, we will see inflation subside, and we can level out interest rates in the market for stability's sake.

Multi-Tenant/Larger Sales

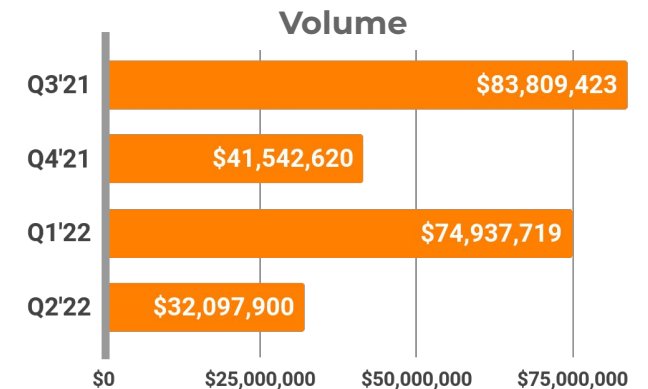
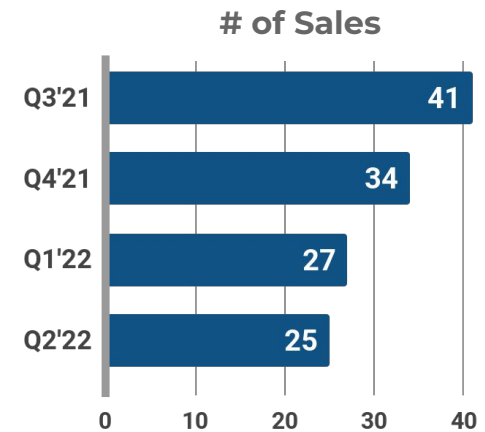
In the Airport Submarket, the 30,000-square-foot building at 1195 Corporate Boulevard sold for \$3,230,000 (\$107 per sq. ft). The building was built in 1984 and was most recently used as a charter school.

Single Tenant/Smaller Sales

A small portfolio of medical office buildings was sold to various investors, including 6144 Mae Anne Avenue, 5354 Reno Corporate Drive, and 10639 Professional Circle. Please see page 6 for more transaction details.

There was an investment sale of a multi-tenant office building just south of Midtown. The building is home to Gabbart and Woods Structural Engineers of Reno and CWX Architects Inc. and was 100% leased at sale.

Q2



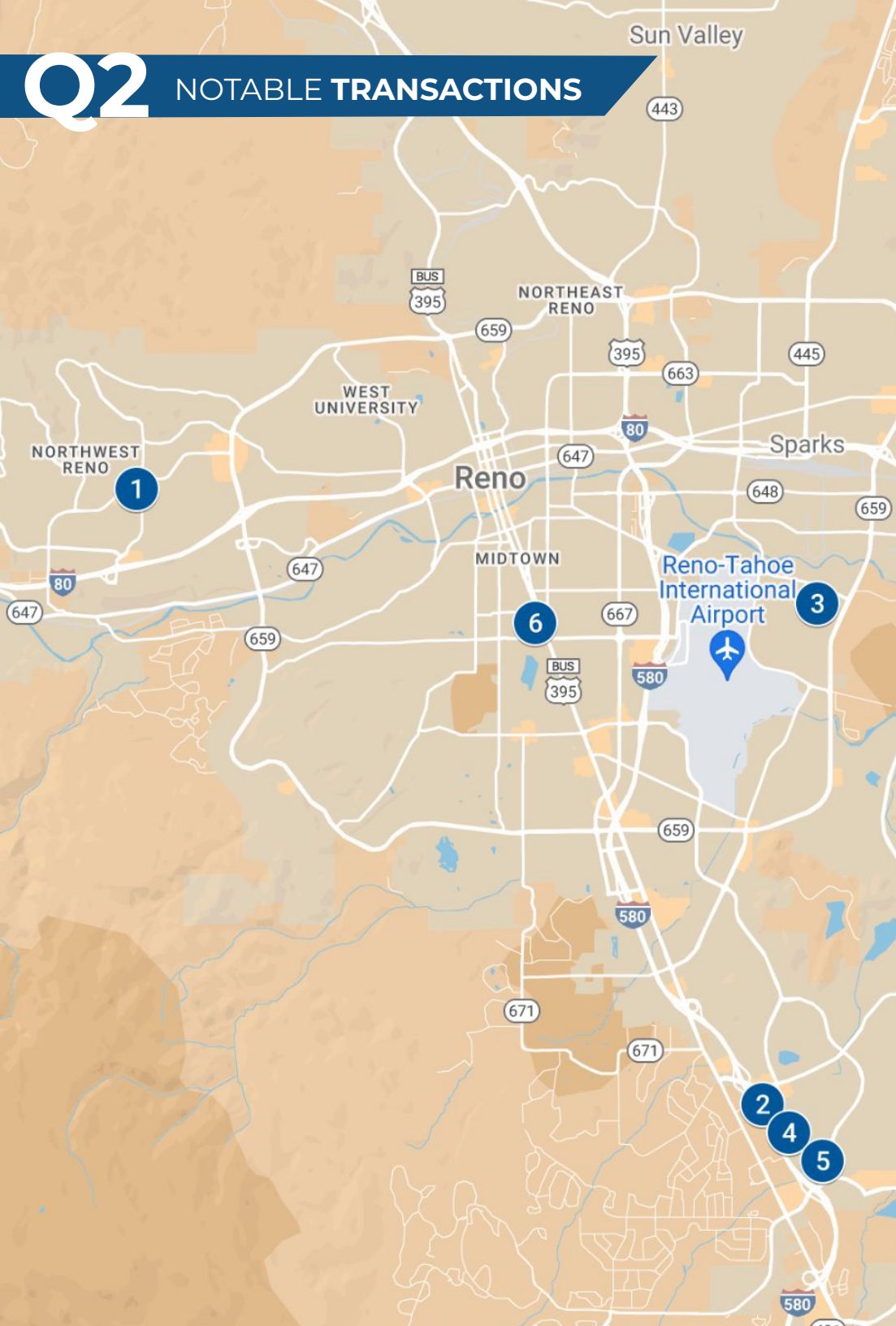
Q2 NOTABLE SALES

Address/SF	Price	Details
6144 Mae Anne Ave 8,755 SF	\$4,448,000 \$508.05 p/sf	The one-story suburban office building is currently occupied by Liberty Dialysis Northwest Reno. Currently leased at 100% with a lease of 66 months remaining.
1195 Corporate Boulevard 30,000 SF	\$3,230,000 \$107 p/sf	The property was built in 1984 and was extensively renovated in 2014. Vacant building, last built out as a charter school, being redeveloped into light industrial property.
10395 Double R. Boulevard 7,172 SF	\$2,300,000 \$320.69 p/sf	A one-story medical office property, owner user sale, being vacant at time of sale. Located near Reno Technology Center, Renown hospital and Home Town Health Offices.
10639 Professional Circle 5,987 SF	\$2,000,000 \$334.06 p/sf	The investment sale of a one-story medical office building, that was fully leased at sale. DCG represented the buyer.
10593 Double R. Boulevard 3,506 SF	\$1,340,000 \$382.20 p/sf	The investment sale of a one-story medical office building. Located near dental practice locations, the building was sold with 0% being leased out.
1680 Montclair Ave 3,090 SF	\$1,230,000 \$398.06 p/sf	An investment sale of a multi-tenant office building located in the airport submarket. The property was 100% leased at sale.

Q2

NOTABLE TRANSACTIONS

Q2



NOTABLE SALES

1. 6144 Mae Anne Ave
8,755 SF
\$4,448,000
\$508.05 p/sf

2. 10369 Professional Circle
5,987 SF
\$2,000,000
\$334.06 p/sf

3. 1195 Corporate Blvd
30,000 SF
\$3,230,000
\$107 p/sf

4. 10395 Double R Blvd
7,172 SF
\$2,300,000
\$320.69 p/sf

5. 10593 Double R Blvd
3,506 SF
\$1,340,000
\$382.20 p/sf

6. 1680 Montclair Ave
3,090 SF
\$1,230,000
\$398.06 p/sf

1

Village at Rancharrah Transformed into a community at 7100 Rancharrah Parkway on a 141 acre property with 49,000 SF. Currently has one office building space available with 4,436 SF.

2

New UHS Hospital Full service hospital at intersection of Double R Blvd and Longley Ln is projected to be 350,000 SF of hospital and medical office space after the initial phase. The new hospital, opening in 2022, will include 200 private patient rooms and 262 beds.

3

New Renown Expansion of South Meadows Hospital Renown plans to expand its 16.164 acre hospital site at 10101 Double R Blvd with 154,000 gross SF of new surgery rooms, public spaces, new facade and upgrades for the Medical Center. Majority of this project should be done by fall of 2023.

4

Reno City Center Former Harrah's property being redeveloped by CAI investments. Plans call for a mixed-use complex with 530 apartments, 150,000 square feet of office space and 78,500 square feet of retail (including a potential grocery store). The large plaza in front of Harrah's will be transformed to public green space with open seating.

5

223 Court Street - Kimpton hotel project being developed by CAI, starting in May 2021, 40,000 square feet of class A office space, upscale international boutique hotel with 271 rooms, and 45 branded residential units.

6

Skypointe Southeast corner of McCarran Boulevard and South Virginia Street, will offer a six story building with 180,000 SF of office space and 50,000 SF of energized retail and restaurant space.

7

Mayberry Gardens Office Project - 5 building, 23,200 square foot office and medical development. Under construction.

8

UNR Gateway Project - At the northern tip of downtown, the University has acquired all the land for the proposed Gateway Project that will include a new Life Sciences building, College of Business and a parking structure with a skyway bridge connecting to the path on Manzanita Lake. A new RTC Rapid transfer station is also part of this multi-block development project.

9

RED (Reno Experience District)

Tech campus includes 4 proposed buildings totaling 382,000 square feet
One 6-story building offers ±132,000 sq. ft. of rentable workspace
Two 5-story buildings offer ±220,000 sq. ft. of rentable workspace
One 1-story building offers ±30,000 sq. ft. of rentable workspace

10

Bonde Lane

Single-story Medical Office, ±30,000-35,000 sq. ft. Construction commencing January 2022.

11

Panasonic Energy of North America (PENA) Headquarters

The 94,483 SF existing building at 645 East Plumb Lane is being renovated to become PENA's division headquarters and will feature state-of-the-art engineering labs, employee recruitment and training facilities, and other support functions.

OFFICE NEW DEVELOPMENTS

