

Q3
2022

OFFICE REPORT



SALES
LEASING
INVESTMENTS

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NORTHERN NEVADA

WORK FROM WHERE?

The acronyms are becoming a bit annoying:

“WFH” = Work From Home

“WFA” = Work From Anywhere

“RWP” = Remote WorkPlace

“BBB” = Blah Blah Blah

The last one being our favorite, of course, because it really depicts the revelation that COVID was the #1 reason for keeping employees away from the office. Turn to current day; are corporations and property owners being forced to accept this as a long term-lingering issue? The Northern Nevada office market is facing over 500,000+ square feet of sublease space that will become a real estate problem in the near future. As community leaders, do you want to see this happen? Do we recognize the ramifications? What initiatives are in place to attract office users versus warehouse distribution users to the community (to help correct the wage versus cost of living issue)?

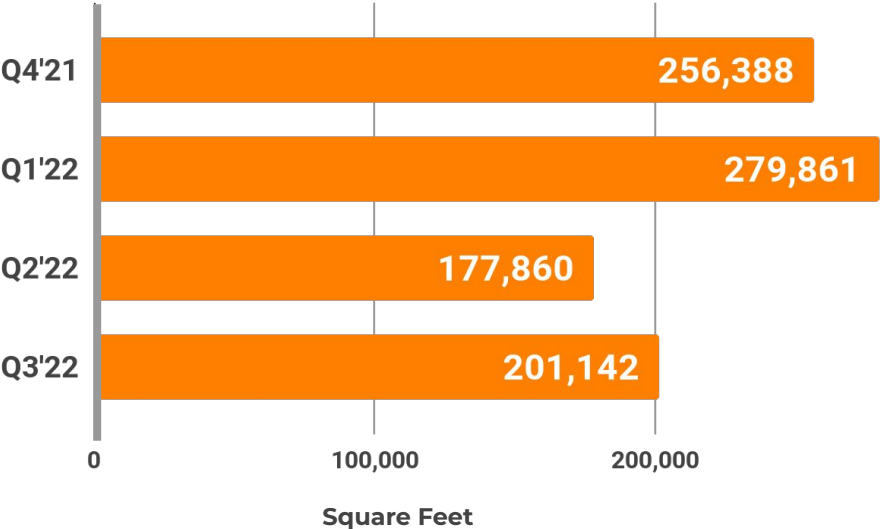
The fallout is ‘almost’ over; those that want to work from home, those companies that can provide the ultra-convenience, those that believe it is now become a standard - we wish you luck. It may not be next month, but it will be relatively soon in the history of how people work together, in tandem, for one cause, for one company (that pays them to do so), will be back together creating.

As the market enjoys nearly 50,000 SF of positive net absorption (does not include sublease space) for Q3 2022 and the base vacancy rate remains healthy at 9%, please keep these few factors in mind:

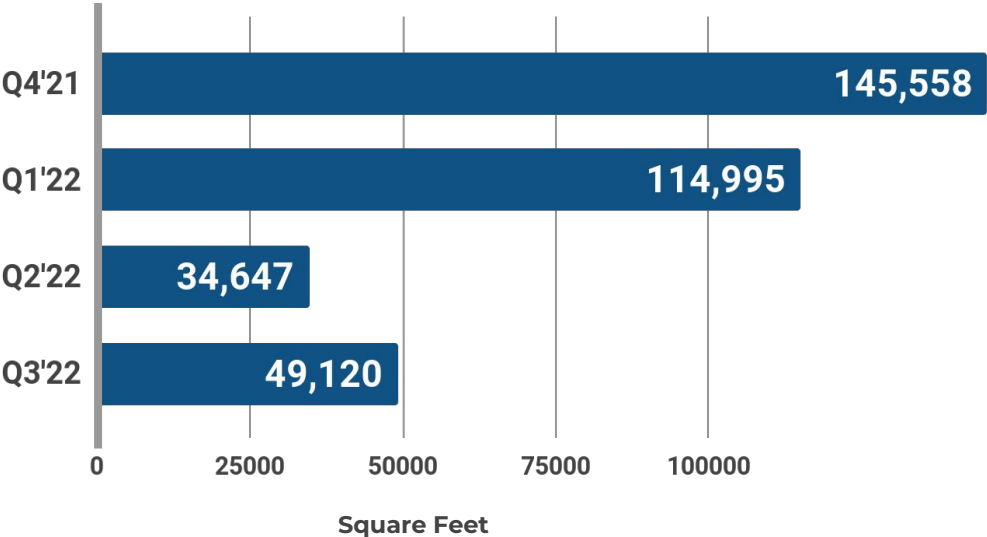
- **Landlords that are not considering short term leases are behind the times.**
- **Tenants that expect generous tenant improvements are not realistic.**
- **Office construction improvement costs are at an all time high.**
- **Office user inquiry under 4,000 SF are at an all time high (Class A).**
- **10,000+ SF vacancies are at an all time high.**

In summary, where do you work from and what is your next move as an office tenant or landlord?

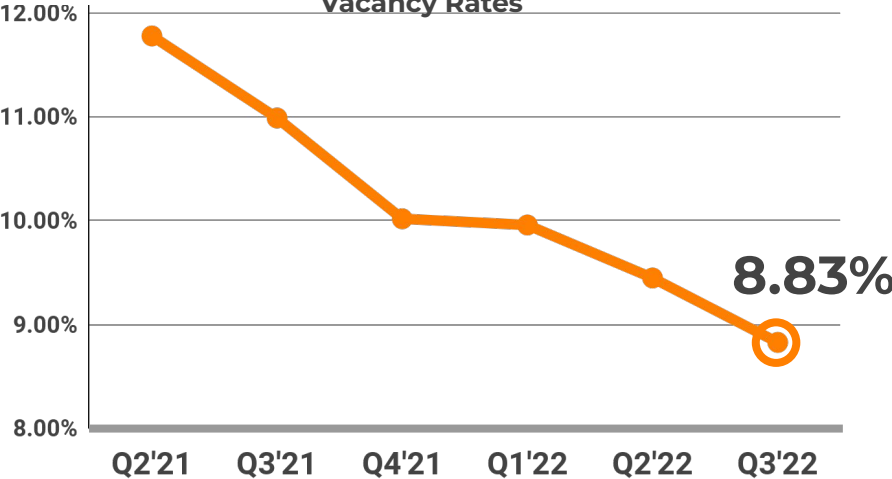
GROSS
Absorption



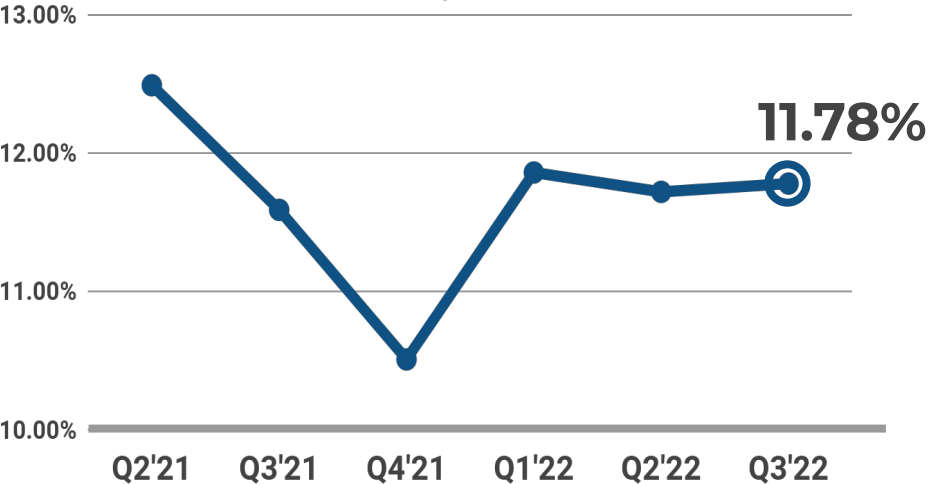
NET
Absorption



DIRECT
Vacancy Rates



WITH SUBLEASE
Vacancy Rates



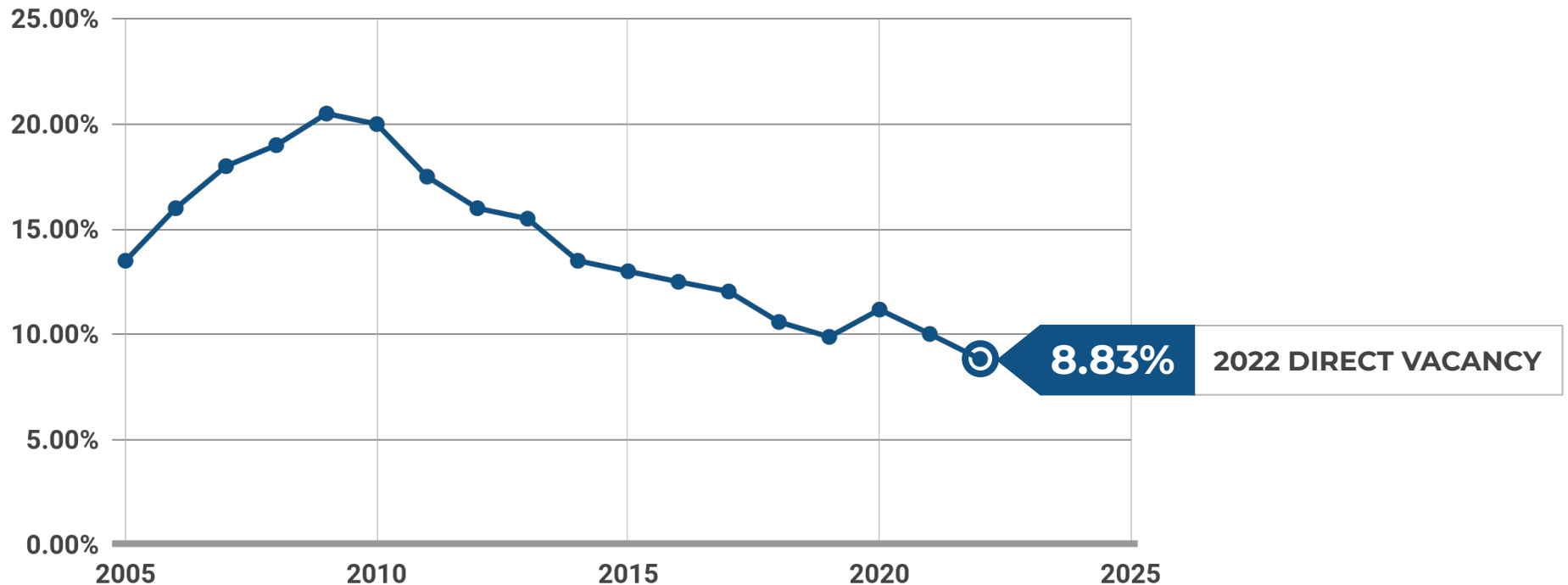
MARKET STATISTICS

Gross Absorption	201,142 SF
Net Absorption	152,022 SF
Newly Available SF	49,120 SF

VACANCY RATES

	DIRECT	WITH SUBLEASE
Downtown	9.98%	10.72%
South Meadows	6.80%	18.92%
Meadowood	8.95%	10.20%
Central	8.01%	8.01%
Airport	9.91%	10.46%
OVERALL	8.83%	11.78%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



NORTHERN NEVADA OFFICE

SALES RECAP

A slightly higher sales volume occurred and nearly half the transactions took place in the third quarter of 2022. The number of sales has continued to decline more each quarter, and the overall volume in Q3 was among the lowest we've seen in seven quarters. The impact of Fed Funds rates and inflation increases have continued to create a substantial impact on decisions for both investor returns and owner-users obtaining proper financing.

The Fed Funds rate has now jumped from 0.5 in April to 3.08% in October 2022. The Fed has continued to speak on the decisions of rate increases, projecting increases of rates throughout 2022 in order to combat inflation. Some of the biggest impacts of this have been the increasing amount of borrowing costs, which is concerning for investors and businesses. This has led to the slowing down of construction projects and sale of commercial properties. Hopefully, inflation will begin to decrease, and we can find a level ground for interest rates for market stability.

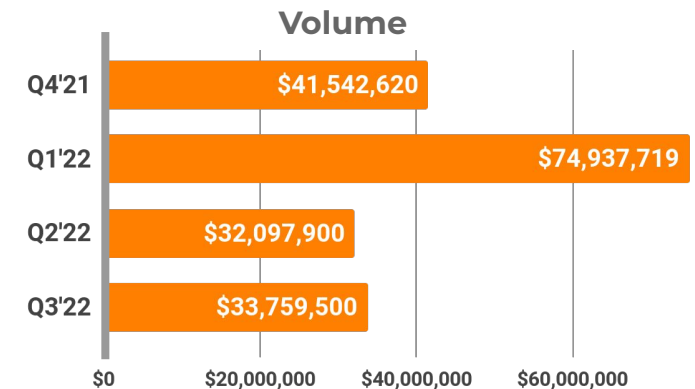
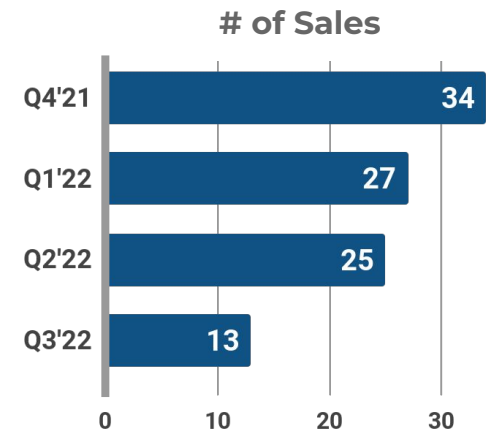
Multi-Tenant/Larger Sales

A garden office development at Plumas Quail included the sale of two properties at 1855 & 1865-1895 Plumas Street for \$11,945,000. The two properties sold with a reported cap rate of 6.2% with tenants including Nevada Disability Advocacy, Pure Infusion Suites of Reno, and Reno Realty.



In the Central Airport Submarket, there was a multi-tenant two-story office building sale at 620 East Plumb Lane. DCG is expected to offer leasing services for remaining spaces aside from the buyer's occupancy.

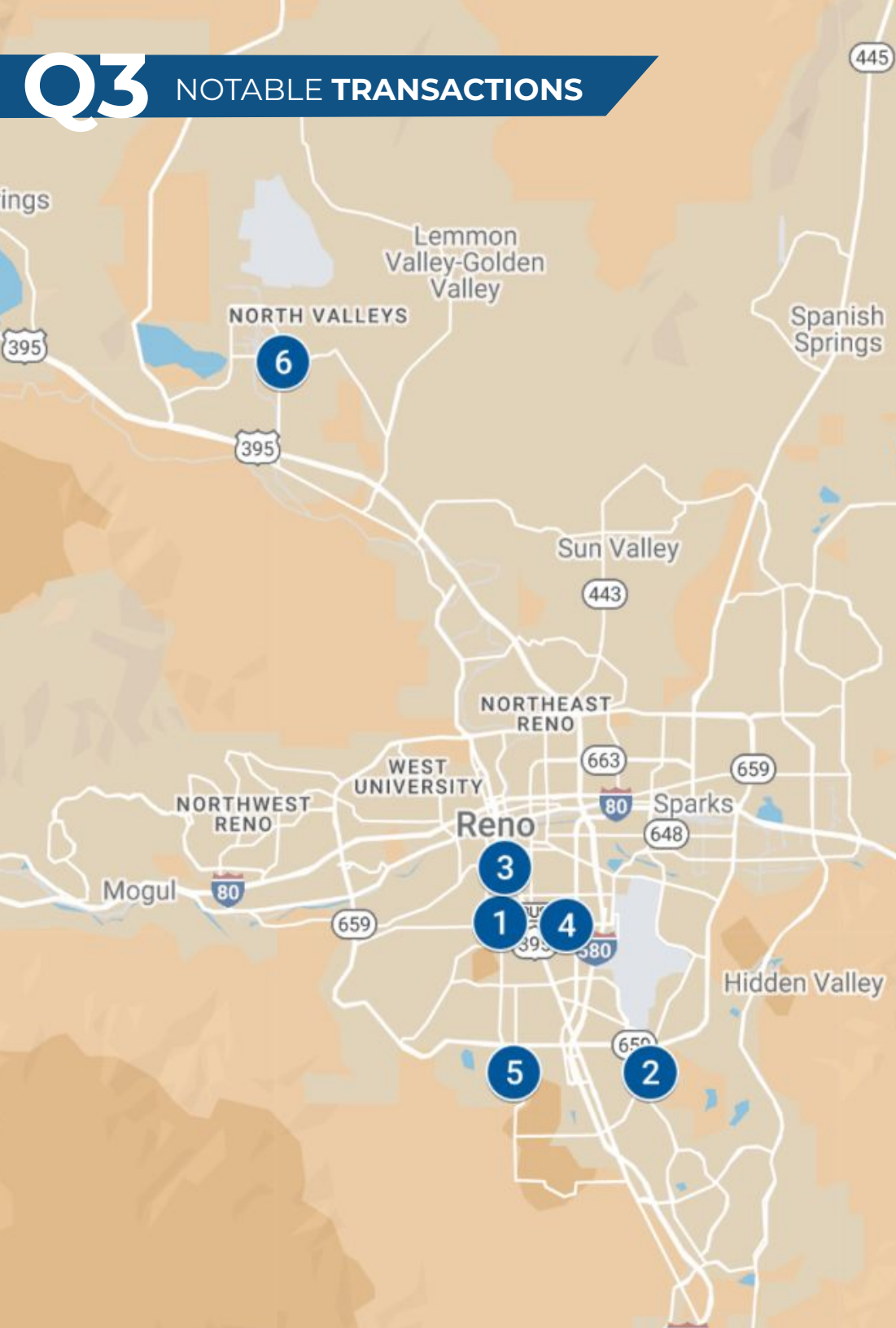
Single Tenant/Smaller Sales

The Meadowood Submarket saw a few notable owner-user transitions in Q3. Ormat Technologies acquired a 27,676 square foot building located at 6140 Plumas Street for \$3,900,000. Also, DCG represented the Seller of a 7,159 square foot freestanding office building located at 5410 Longley Lane, which sold for \$2,282,000.



Q3 NOTABLE SALES

Address/SF	Price	Details
1869-1895 Plumas St. 37,458 SF	\$11,945,000 \$318.89 p/sf	A multi-building garden office development called Plumas Commons sold with a cap rate of 6.20%. It features professional and medical office spaces, located on the northwest corner of Plumb Ln. and Plumas St.
 5410 Longley Ln. 7,159 SF	\$2,282,000 \$396.98 p/sf	The property is located in the Longley Professional Campus in the Meadowood Submarket, in close proximity to Northern Nevada Sierra Medical Center. DCG represented the seller in this transaction.
575 Forest St. 7,870 SF	\$1,850,000 \$235.07 p/sf	A two-story office building in Downtown Reno, most recently renovated in 2017. Located between MidTown and the central business district, being 100% occupied at time of sale.
 620 East Plumb Ln. 4,968 SF	\$950,000 \$191.22 p/sf	A multi-tenant, two-story office building located in the Central Airport Submarket. The buyer is retaining plans to occupy part of the building with DCG offering leasing services for remaining spaces.
6140 Plumas St. 27,676 SF	\$3,900,000 \$140.92 p/sf	An office building located in the Meadowood Submarket. The tenant, Ormat Technologies exercised a purchase option, making the acquisition an owner-user deal.
13600 Stead Blvd. 4,575 SF	\$1,050,000 \$229.51 p/sf	An owner-sale of an office building in the North Valleys Submarket. The property is occupied by Higher Vision Church.



NOTABLE SALES

1. 1869-1895 Plumas St.
37,458 SF
\$11,945,000
\$318.89 p/sf

2. 5410 Longley Ln.
7,159 SF
\$2,282,000
\$396.98 p/sf

3. 575 Forest St.
7,870 SF
\$1,850,000
\$235.07 p/sf

4. 620 East Plumb Ln.
4,968 SF
\$950,000
\$191.22 p/sf

5. 6140 Plumas St.
27,676 SF
\$3,900,000
\$140.92 p/sf

6. 13600 Stead Blvd.
4,575 SF
\$1,050,000
\$229.51 p/sf

- 1 Downtown Damonte** 73-acre mixed-use retail, office and residential. It will likely include 244,000 square feet of retail space and 150,000 square feet of Class A office space as well as a sprawling technology campus and world-class companion animal dog training facility.
- 2 New UHS Hospital** Full service hospital at intersection of Double R Blvd and Longley Ln is a 350,000 SF hospital and medical office space and 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.

