

Q4
2022

OFFICE REPORT



SALES
LEASING
INVESTMENTS

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NORTHERN NEVADA

LEASING RECAP

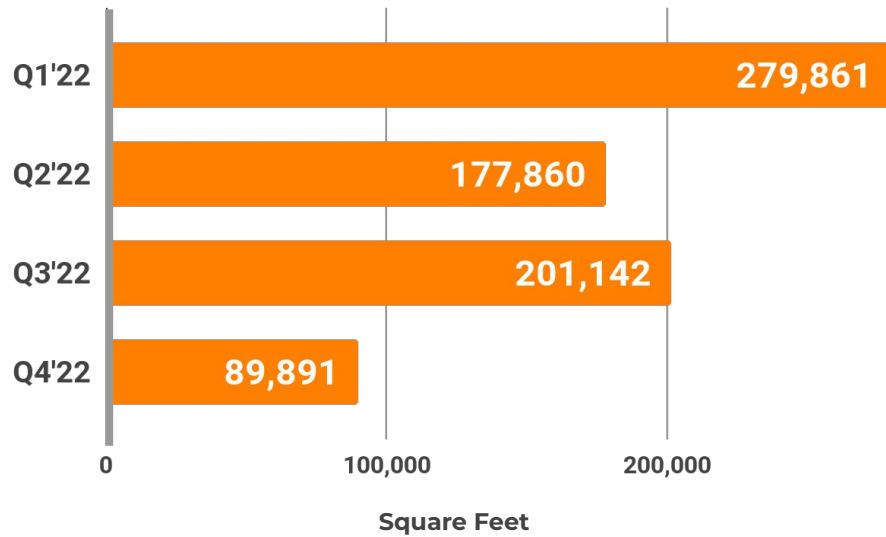
The Reno/Sparks office market ended the year with a positive but slowing net absorption per quarter, resulting in a relatively stagnant 2022. Sublease vacancy continues to rise, particularly in South Meadows, where the total vacancy, including sublease, is nearing 20%.

Construction costs remain an obstacle for tenant improvements and ground-up construction. The market has yet to see a meaningful decrease in these costs, which require higher rent for renovated or new space. While multiple Class A office projects are on the horizon for our market, the only ground-up development in 2022 was in the medical office sector.

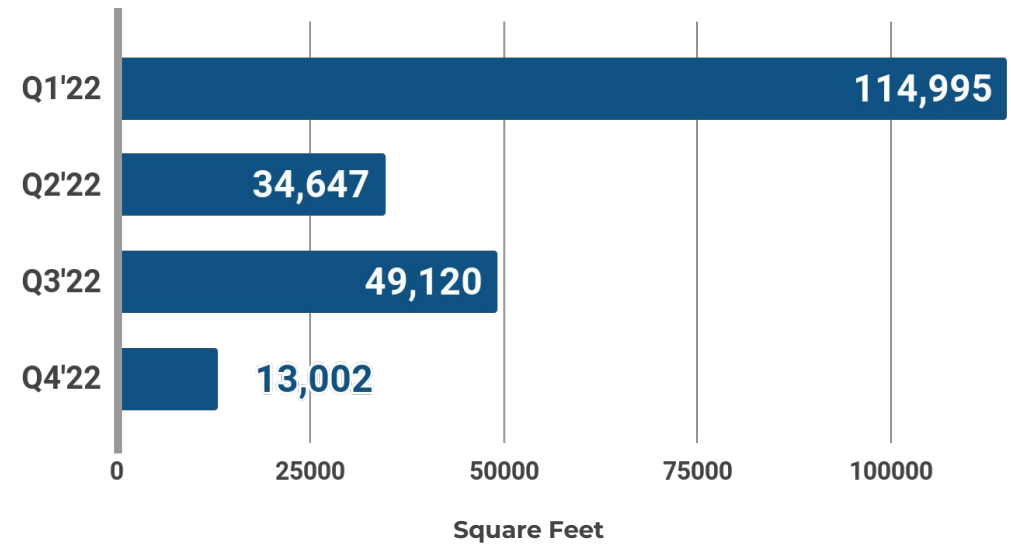
Smaller spaces, under 5,000 square feet, continue to drive the majority of leasing in the market. Announcements in the industrial markets from Tesla and Redwood materials continue to bolster job growth in the region, which should have ancillary benefits to the office market. Additionally, Ridgeline's headquarters at the newly announced 'Downtown Damonte' mixed-use project is moving through the design phases, a project that should bring a large amount of new Class A office and thousands of high-paying jobs to that submarket.

Last year, occupancy outpaced the amount of space returned to the market, but 2023 will be a telling year for both vacancy and new construction in the market.

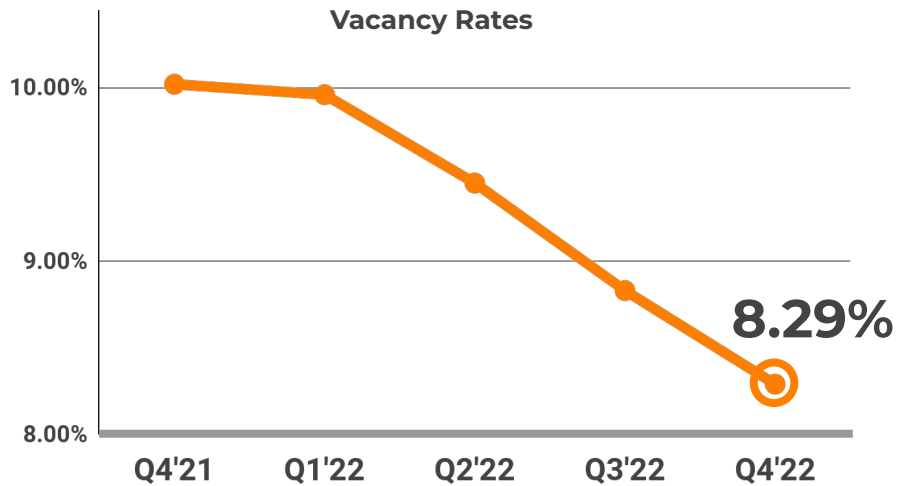
GROSS
Absorption



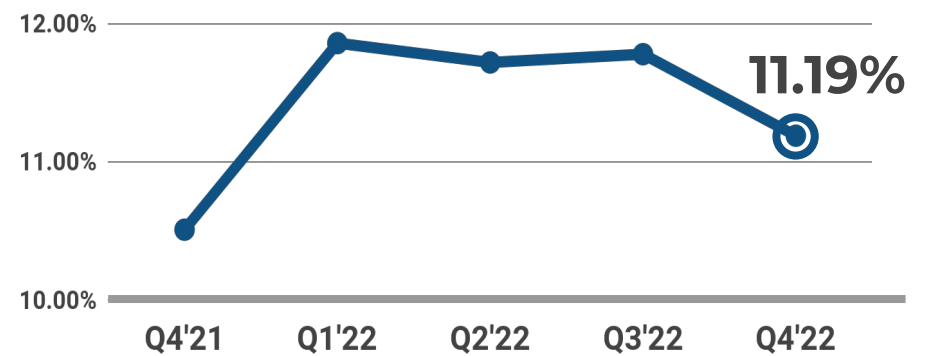
NET
Absorption



DIRECT
Vacancy Rates



WITH SUBLEASE
Vacancy Rates

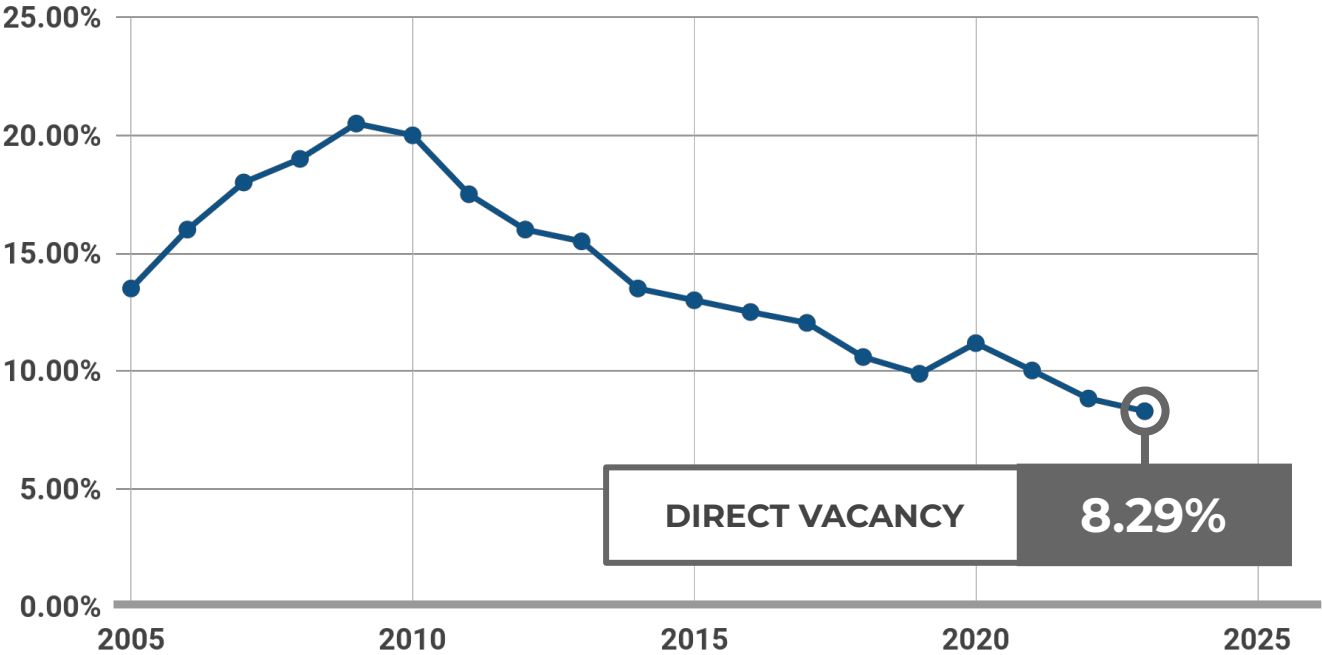


MARKET STATISTICS

Gross Absorption	89,891 SF
Net Absorption	13,002 SF
Newly Available SF	76,889 SF

VACANCY RATES	DIRECT	WITH SUBLEASE
Downtown	9.13%	10.52%
South Meadows	6.80%	16.86%
Meadowood	9.42%	10.97%
Central	4.53%	4.81%
Airport	9.37%	10.33%
OVERALL	8.29%	11.19%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



NORTHERN NEVADA OFFICE

SALES RECAP

A higher sales volume occurred and nearly 50% more transactions activity took place in the fourth quarter of 2022. The number of sales has slowly begun to increase per quarter since the largest number of 2022 came in Q1. The impact of Fed Funds rates and inflation continues to have a strong impact on the number in transactions and sales volume, seeing substantial increases from the end of Q3 to the close out of Q4 2022.

In October of 2022, the Fed Funds rate was at 3.08%, now jumping up to 4.33% in January 2023, with little to no signs of slowing down. The Fed has continued to make it known that to compete with growing inflation, rates will continue to rise as 2023 moves forward. Thus the struggle of increasing worry involving building costs, borrowing costs, and holds on construction will continue in the foreseeable future. The increase in rates and the continuing record-breaking Northern Nevada winter have slowed down construction projects and commercial property sales. The hope is that 2023 begins to show promise leading into the new year, with nothing but growth ahead.

Multi-Tenant/Larger Sales

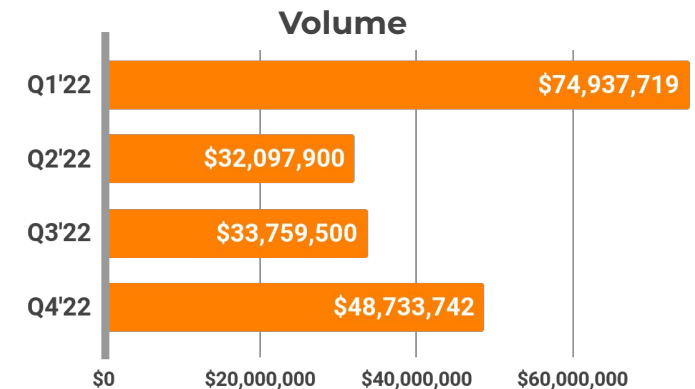
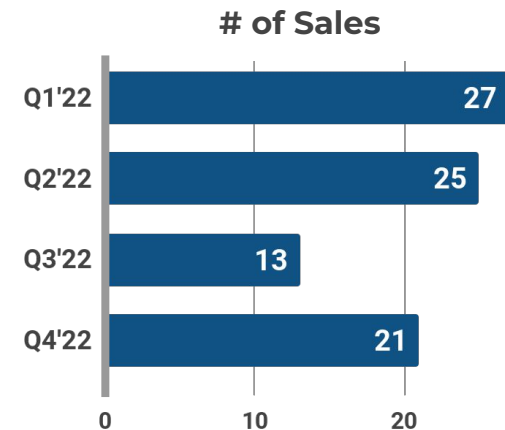
A single tenant office building at 6995 Sierra Center Pkwy sold for \$6,600,000 (\$330.15 per sq. ft.), with a reported cap rate of 5.75%. DCG represented both the buyer and seller, involving a new long term lease for McGinley and Associates.

A medical office building a few blocks from St. Mary's Regional Medical Center at 580 W 5th St. sold for \$6,592,764 (\$152.12 per sq. ft.). The parcel contains two smaller office conversions (5,938 sq. ft.) and a three-story medical outpatient building built in 2015, totalling 37,400 sq. ft.




Single Tenant/Smaller Sales

In Downtown Reno, a recently renovated 4,407 square foot office building, along with a 2,038 square foot finished basement, and high-end finishes sold for \$1,935,000 at 491 Court Street in a 1031 exchange. Thrive Wellness occupies 100% of the office space, with a 10-year lease term. DCG represented both the buyer and the seller in this transaction.

Q4

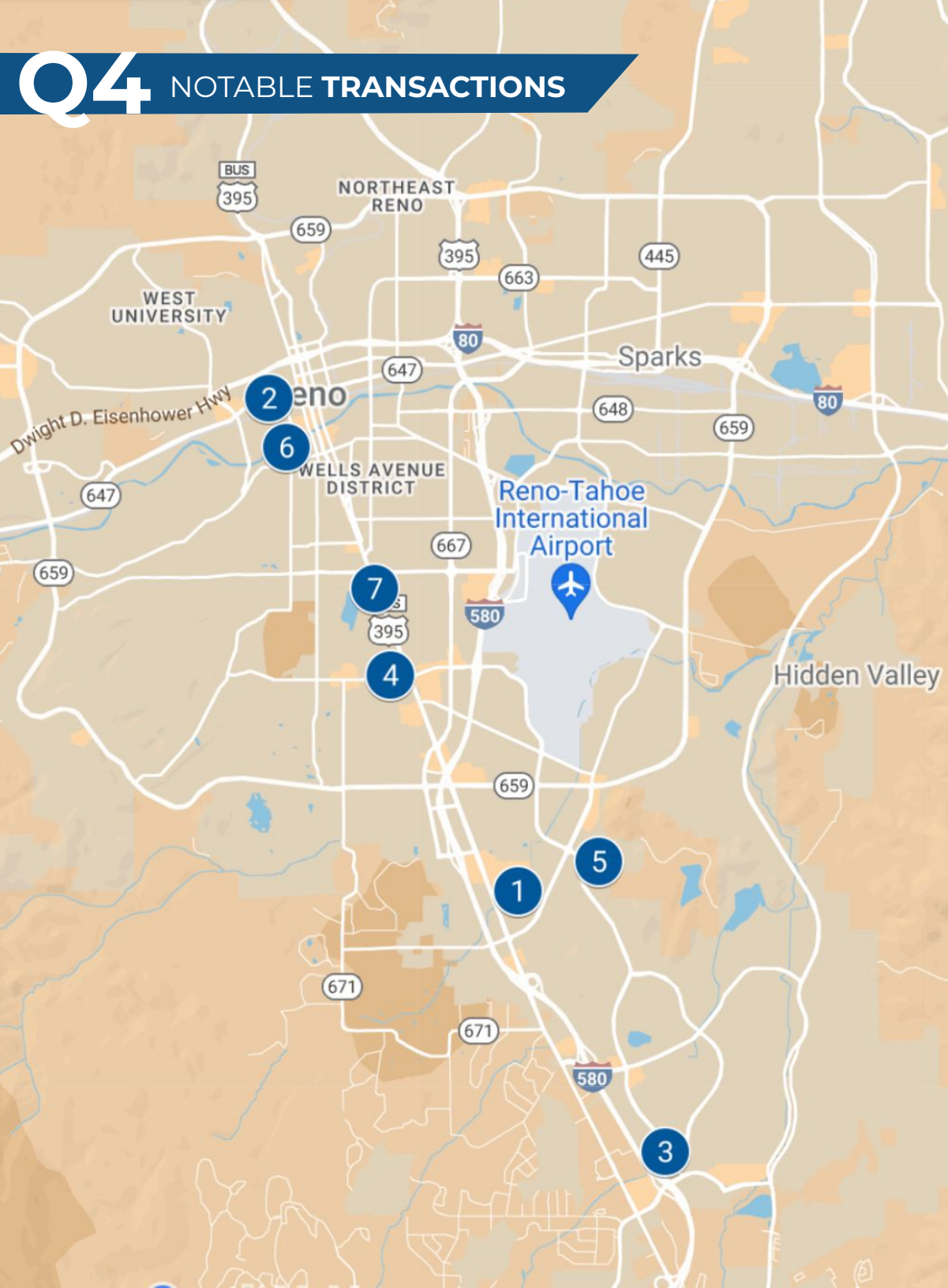


Q4 NOTABLE **SALES**

	Address/SF	Price	Details
	6995 Sierra Center Pkwy 19,806 SF	\$6,600,000 \$330.15 p/sf	A 1031 buyer purchased a single tenant office building occupied by McGinley and Associates on a new long term lease. The transaction had a reported cap rate of 5.75%. DCG represented both the buyer and the seller.
	580 W 5th St 5,938 SF	\$6,592,764 \$152.12 p/sf	Medical building which includes a parcel containing two smaller office conversion buildings. A Northern Nevada Outpatient Group purchased the property, located a few blocks from St. Mary's Regional Medical Center.
	10685 Professional Dr 10,704 SF	\$5,250,000 \$490.47 p/sf	A medical office building in the Meadowood submarket. Tenants include: Reno Vein Clinic, Eye Care Professionals, Northern Nevada Medical Surgical Properties LLC.
	255 W Moana Ln 22,536 SF	\$4,000,000 \$177.49 p/sf	The transaction has a reported cap rate of 8.13%, including the tenants: Reno Hive Coworking, State Farm, and various health care and social assistance businesses.
	5456 Reno Corporate Dr 4,039 SF	\$2,070,000 \$512 p/sf	Build to suit purchase by a local oral surgeon. Located in the RPC Medical Campus in the Meadowood submarket. DCG represented the buyer in the transaction.
	491 Court St 6,445 SF	\$1,935,000 \$300.23 p/sf	Single Tenant, Sale-Leaseback in the Downtown submarket, 5.78% cap rate. 1031 Buyer. DCG represented both Buyer and Seller in the transaction.
	2195 S Virginia St 25,432 SF	\$6,400,000 \$251.65 p/sf	Mixed-use office/retail building purchased by Reno Community Health Center, LLC. DCG represented the Seller in the transaction.

Q4 NOTABLE TRANSACTIONS

Q4



NOTABLE SALES

1. 6995 Sierra Center Pkwy
19,806 SF
\$6,600,000
\$330.15 p/sf

2. 580 W 5th St
5,938 SF
\$6,592,764
\$152.12 p/sf

3. 10685 Professional Dr
10,704 SF
\$5,250,000
\$490.47 p/sf

4. 255 W Moana Ln
22,536 SF
\$4,000,000
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5. 5456 Reno Corporate Dr
4,039 SF
\$2,070,000
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6. 491 Court St
6,445 SF
\$1,935,000
\$300.23 p/sf

7. 2195 S Virginia St
25,432 SF
\$6,400,000
\$251.65 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.

