

**Q2**  
**2023**

# OFFICE REPORT

SALES  
LEASING  
INVESTMENTS



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NORTHERN **NEVADA**

## LEASING RECAP

### **Vacancy in South Meadows**

South Meadows is seeing a large amount of direct vacancy, shadow space, and sublease space. The second quarter saw a large increase in direct vacancy, largely attributable to employers vacating nearly 80,000 square feet at Professional Circle. This is one of a few large vacancies expected in South Meadows in 2023.

### **Downtown Active**

Although Q2 posted a large increase in direct vacancy, we did see a few notable lease transactions this quarter in the key submarkets. In Downtown, Basin Street Properties landed NCE Engineering who vacated 10,880 square feet at 1885 Arlington to move to 300 East 2nd Street and in the Meadowood Submarket, Assured Partners signed a new lease for 8,300 square feet at NevDex.

### **Class A holding strong**

Due to a scarcity of new office developments in our market over the last decade, Reno/Sparks' premier Class A buildings continue to perform relatively well. Their resilience can be attributed to the limited availability of higher quality spaces in the market. We expect to see this “flight to quality” trend for the foreseeable future and do not see a pullback in lease rates for quality Class A space.

### **Work from Home**

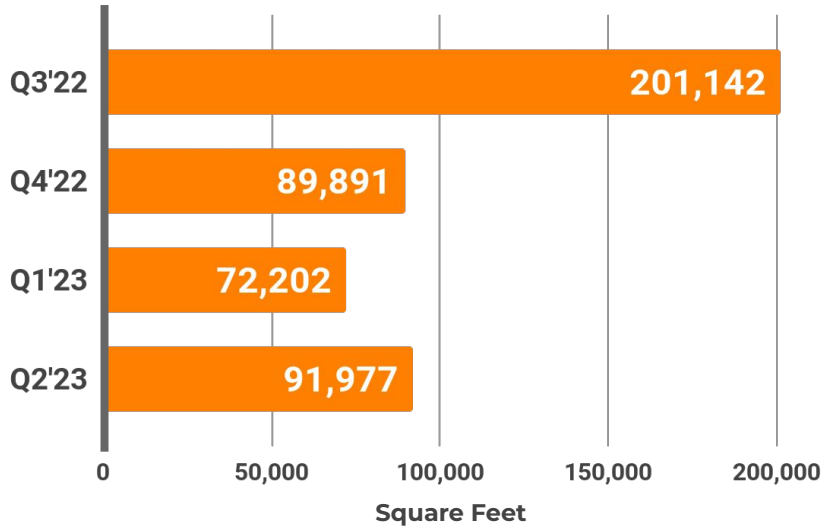
The ongoing challenge for employers remains the management of hybrid scheduling and work from home (WFH) initiatives. Companies are realizing that WFH has its drawbacks, prompting a push—supported by compelling data—to have employees back in the office for at least three days a week. These challenges have led tenants to seek more flexibility, aiming for shorter lease terms, given the uncertainty surrounding their long-term space requirements.

### **Construction Costs**

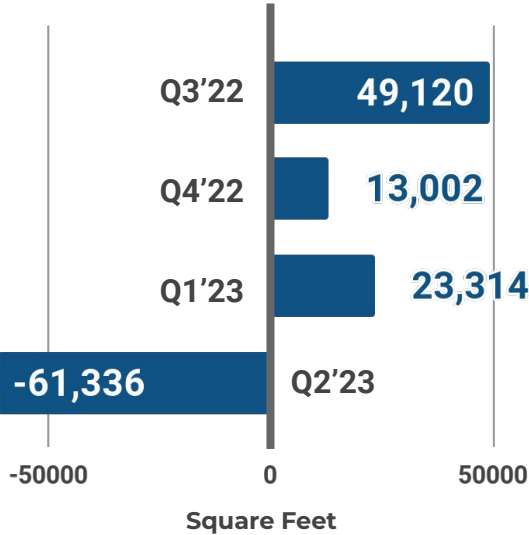
Continue to be an issue in our market. In order to attract employees back to the office, companies want to have quality, attractive space. Which is expensive to build right now and makes the economics difficult to overcome for landlords and tenants. The cost of construction has kept lease rates high for any space that requires significant tenant improvements. Current construction costs also continue to be a hurdle for any ground up development in the market.



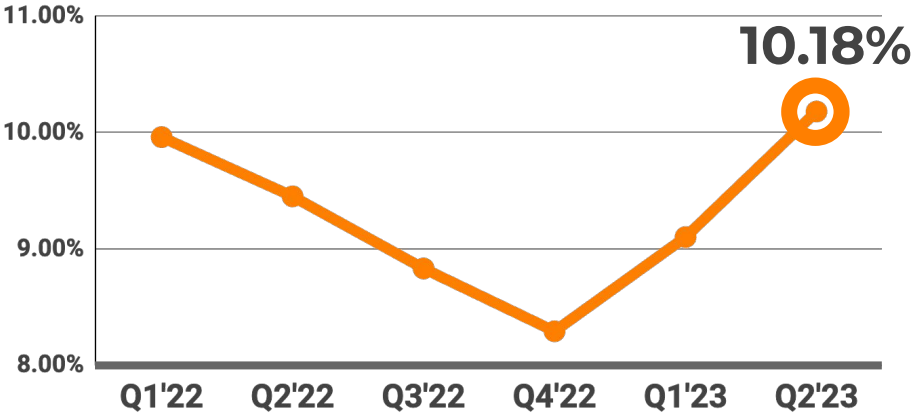
**GROSS**  
Absorption



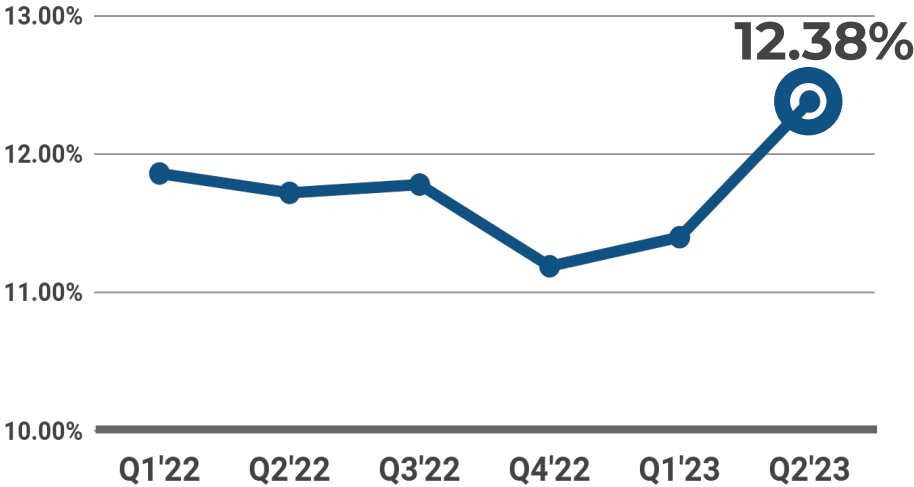
**NET**  
Absorption



**DIRECT**  
Vacancy Rates



**WITH SUBLEASE**  
Vacancy Rates

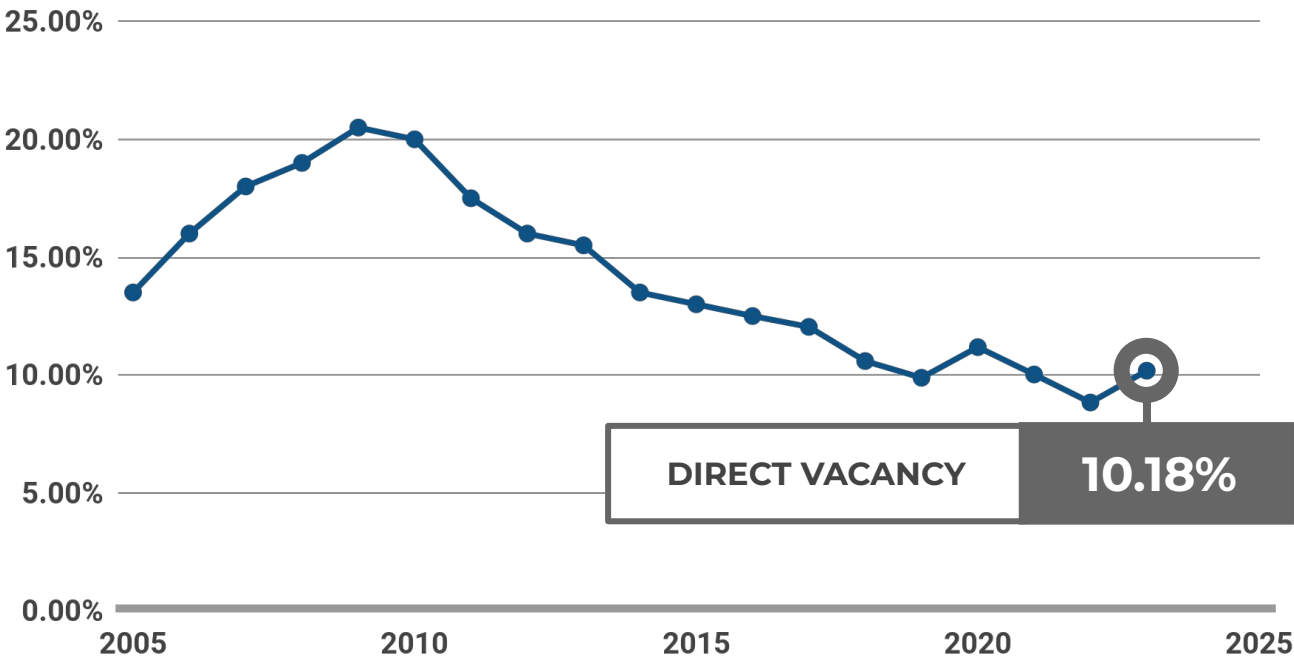


MARKET STATISTICS

Gross Absorption	91,977 SF
Net Absorption	-61,336 SF
Newly Available SF	153,313 SF

VACANCY RATES	DIRECT	WITH SUBLEASE
Downtown	11.74%	13.56%
South Meadows	10.81%	18.25%
Meadowood	10.82%	11.58%
Central	4.81%	5.14%
Airport	9.74%	10.40%
OVERALL	10.18%	12.38%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



# NORTHERN NEVADA OFFICE

Q2

## SALES RECAP

### Q2 of 2023 continued a slow trend for office sales transactions.

Volume increased slightly over Q1 (\$2mm increase), and the number of transactions was the same as in Q1 at 15.

The interest rate environment continues to challenge owner-users and investors alike. In speaking with other brokers in the industry, the escrow pipelines continue to look slow as compared to previous years. The concerns over office underwriting and the opportunity to achieve 5%+ in treasury-type investments continue to keep the spread too large for the bid-ask gap between many investors and sellers in the investment market.

With possibly one more interest rate hike coming in 2023, we expect the remainder of the year to remain relatively stagnant from a sales transaction standpoint.

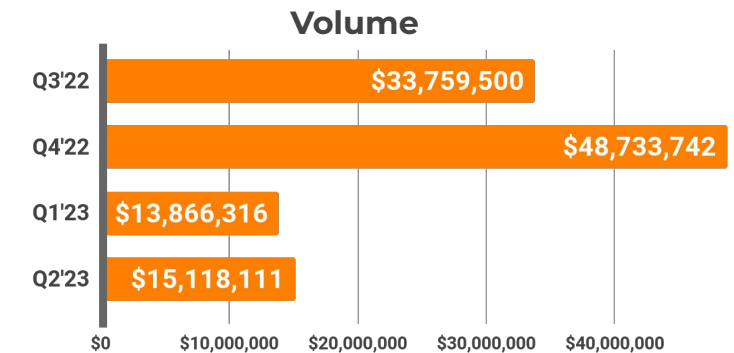
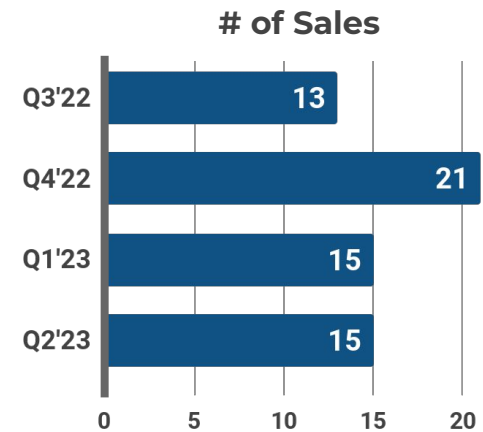
### Multi-Tenant/Larger Sales

There was only one notable multi-tenant building trade hands in Q2. In the Downtown submarket, a three-story building at 204 Marsh was purchased as an owner-user transaction which included Pellett Construction and Menicucci Insurance.

### Single Tenant/Smaller Sales

Q2 saw a handful of garden office buildings that transacted in both South Meadows and the Meadowood Submarket including a behavioral therapy group build-to-suit in the RPC Campus at 5540 Reno Corporate Drive, a 4,700 square foot building at 9120 Double Diamond and 3,500 square foot building at 7480 Longley Lane.

*\*See the next page for transaction detail and pricing.*



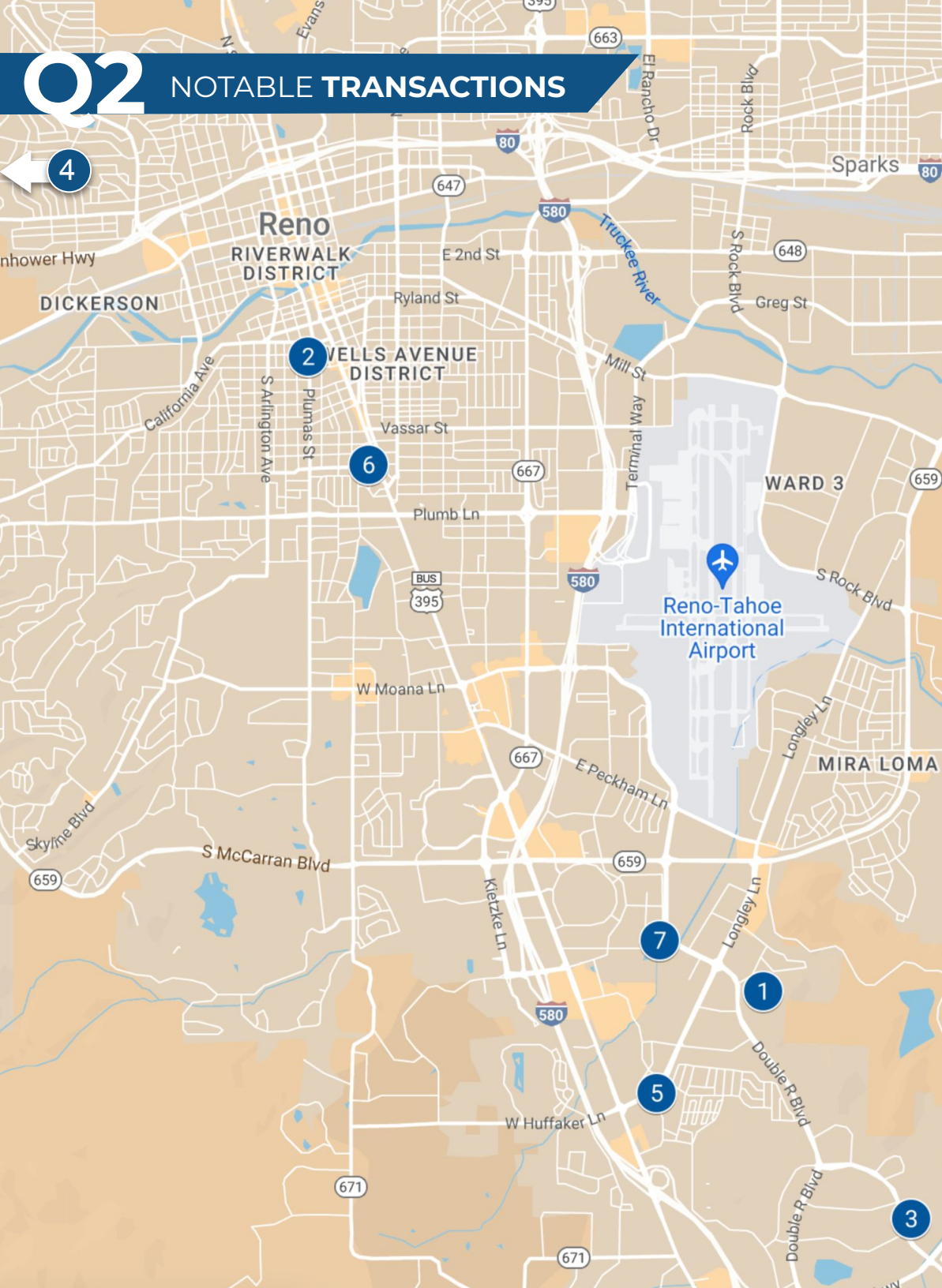
Q2 NOTABLE **SALES**

Address/SF	Price	Details
<b>5540 Reno Corporate Dr</b> 6,596 SF	<b>\$3,158,061</b> \$478.78 p/sf	A behavioral therapy group closed on a build-to-suit building in the RPC Campus at 5540 Reno Corporate Drive.
<b>204 Marsh Ave</b> 8,639 SF	<b>\$2,159,750</b> \$250.00 p/sf	Three-story building in the Downtown Submarket, purchased as an owner-user transaction which included Pellett Construction and Menicucci Insurance.
<b>9120 Double Diamond Pkwy</b> 4,732 SF	<b>\$1,525,000</b> \$322.27 p/sf	In South Meadows, a three-tenant building near the South Reno DMV.
<b>6190 Mae Anne Ave</b> 5,625 SF	<b>\$1,412,000</b> \$251.02 p/sf	In Northwest Reno, freestanding building acquired by a local dental user.
<b>7480 Longley Lane</b> 3,460 SF	<b>\$1,050,000</b> \$303.47 p/sf	Owner user transaction in South Meadows.
<b>75 Mount Rose Street</b> 4,068 SF	<b>\$1,039,300</b> \$255.48 p/sf	In the Downtown submarket, building was formerly used as a dental office.
<b>5985 Home Gardens Drive</b> 2,813 SF	<b>\$910,000</b> \$323.50 p/sf	Owner user transaction in the Meadowood submarket. <b>DCG represented the buyer.</b>



# Q2 NOTABLE TRANSACTIONS

# Q2



## NOTABLE SALES

**1. 5540 Reno Corporate Drive**  
6,956 SF  
**\$3,158,061**  
\$478.78 p/sf

**2. 204 Marsh Avenue**  
8,639 SF  
**\$2,159,750**  
\$250.00 p/sf

**3. 9120 Double Diamond Pkwy**  
4,732 SF  
**\$1,525,000**  
\$322.27 p/sf

**4. 6190 Mae Anne Ave**  
5,625 SF  
**\$1,412,000**  
\$251.02 p/sf

**5. 7480 Longley Lane**  
3,460 SF  
**\$1,050,000**  
\$303.47 p/sf

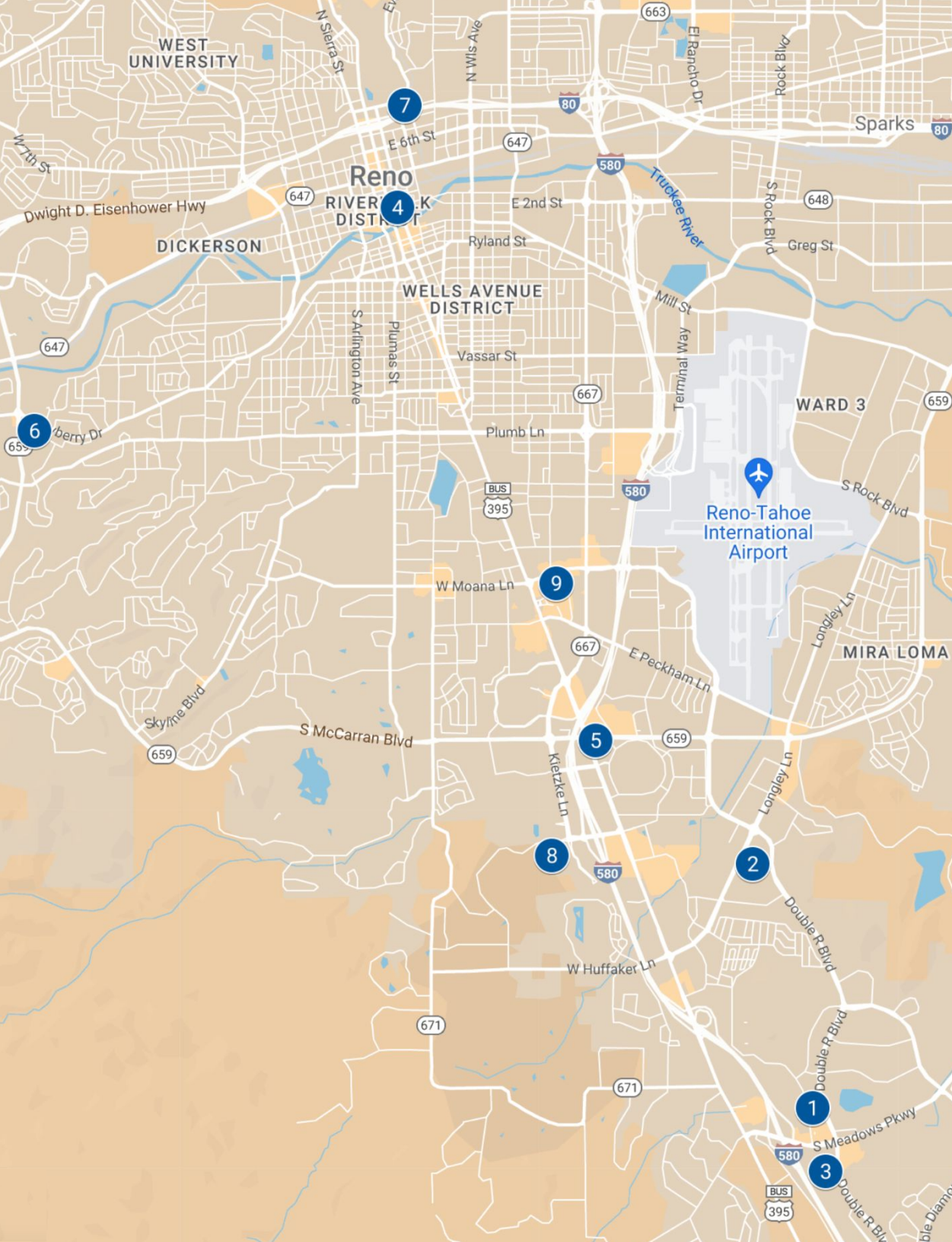
**6. 75 Mount Rose Street**  
4,068 SF  
**\$1,039,300**  
\$255.48 p/sf

**7. 5985 Home Gardens Drive**  
2,813 SF  
**\$910,000**  
\$323.50 p/sf





## OFFICE NEW DEVELOPMENTS



1

**Downtown Damonte**- 73-acre mixed-use development with 150,000 SF of Class A office space.

2

**Northern Nevada Sierra Medical Plaza**- 87,000 SF of new medical office building equipped with Class A medical/office space.

3

**Renown Expansion of South Meadows Hospital**- 154,000 SF of new surgery rooms, public spaces, new facade, and upgrades for the Medical Center. Expected Fall 2023.

4

**Reno City Center**- Mixed-use complex with 150,000 SF of office space.

5

**Skypointe**- Six story building with 180,000 SF of office space.

6

**Mayberry Gardens Office Project**- Five building, 23,200 SF office and medical development.

7

**UNR Gateway Project**- Includes a new Life Sciences building, College of Business, and a parking structure with a skyway bridge.

8

**Bonde Lane** - Single-story Medical Office, ±30,000-35,000 SF.

9

**Panasonic Energy of North America (PENA) Headquarters**- The 94,483 SF existing building is being renovated to become PENA's division headquarters.