

Q3
2023

OFFICE REPORT

SALES
LEASING
INVESTMENTS



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NORTHERN NEVADA

LEASING RECAP

ABSORPTION

The Q3 Reno Office market stayed on trend from last quarter ending with negative net absorption of 7,390 sqft. 50% of the gross absorption for Q3 came from 1 transaction. That transaction was the Ormat Technologies purchase of 6884 Sierra Center Parkway at 45,231 sqft in the Meadowood Submarket. Outside of this transaction, additional larger space leasing was quiet for Q3. The remaining gross absorption from this quarter came entirely from lease transactions under 5,000 sqft.

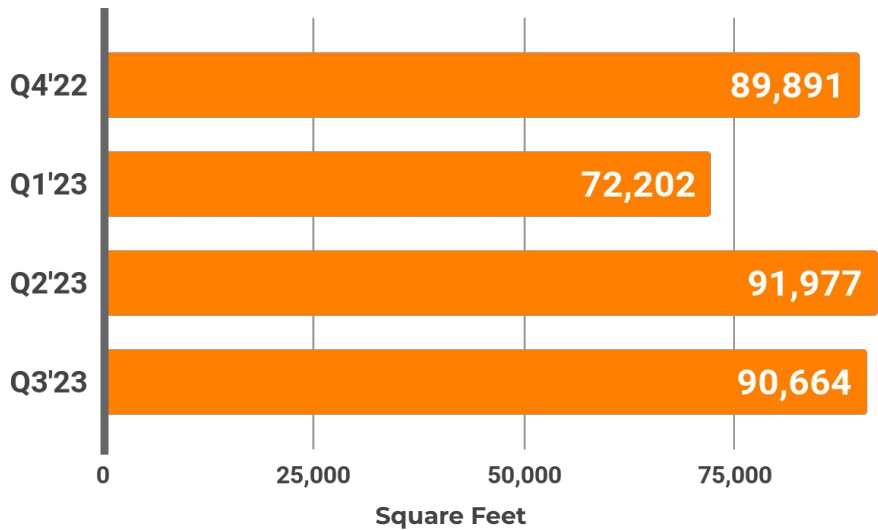
NEW VACANCY

66% of the total new vacancy for this quarter came from officially counting the 57,000 sqft exit of Custom Ink at 9390 Gateway. For the second straight quarter, we saw a 50,000 sq ft+ vacancy officially hit the South Meadows submarket. Last quarter we counted the Employer's 79,248 sq ft vacancy at 10375 Professional Circle. The other more notable vacancies to hit this quarter were also both in South Meadows submarket with HDR's (7,754 sqft) exit at 9805 Double R and MD Labs (6,833 sqft) at 10765 Double R. However, both tenants remain in the South Meadows submarket as HDR moved to 10615 Professional Circle and MD Labs consolidated to their office at 10715 Double R.

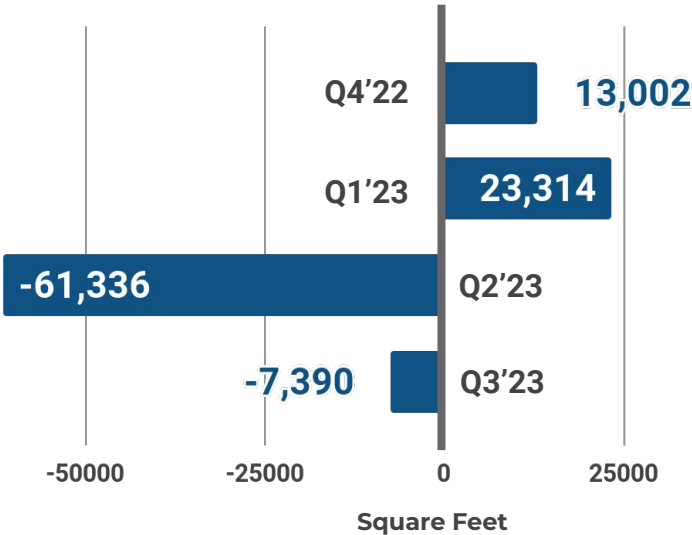
MARKET INSIGHT

Overall, the flight-to-quality theme is still playing out as we expected in the Reno Office market. The suburban South Meadows submarket continues to see more headwinds with big vacancies and shadow space while the Class A properties in the Meadowood and Downtown submarkets get the majority of the activity and absorption.

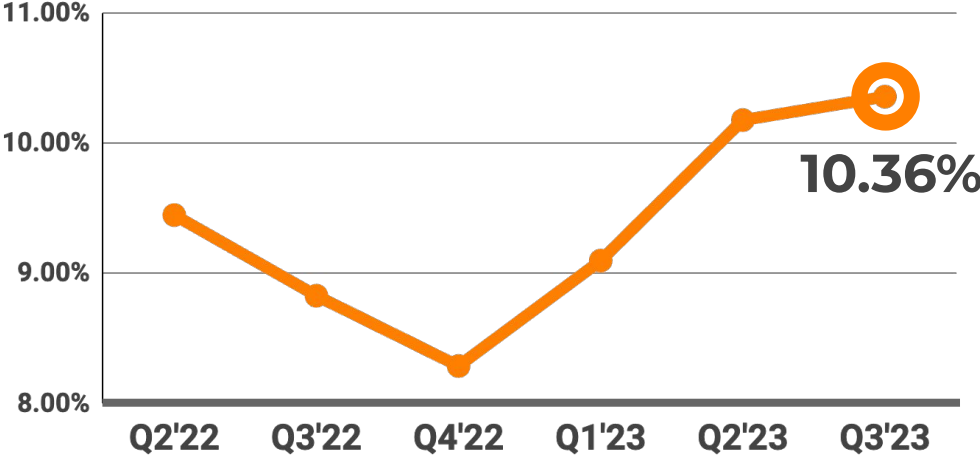
GROSS
Absorption



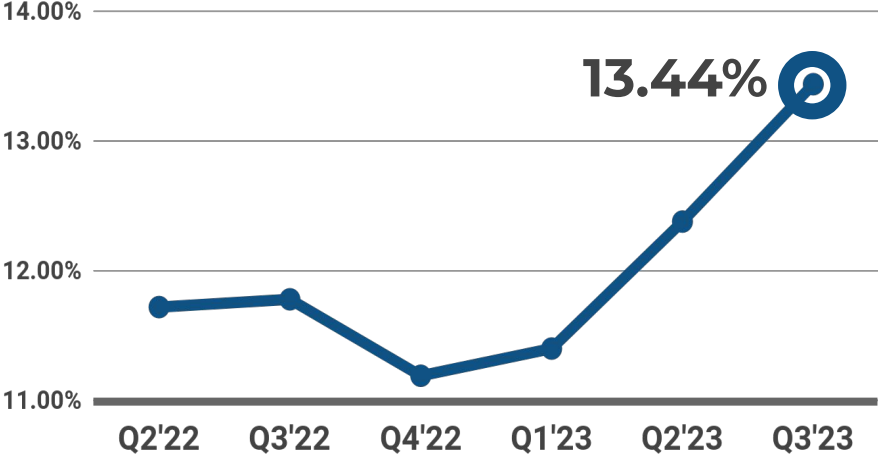
NET
Absorption



DIRECT
Vacancy Rates



WITH SUBLEASE
Vacancy Rates

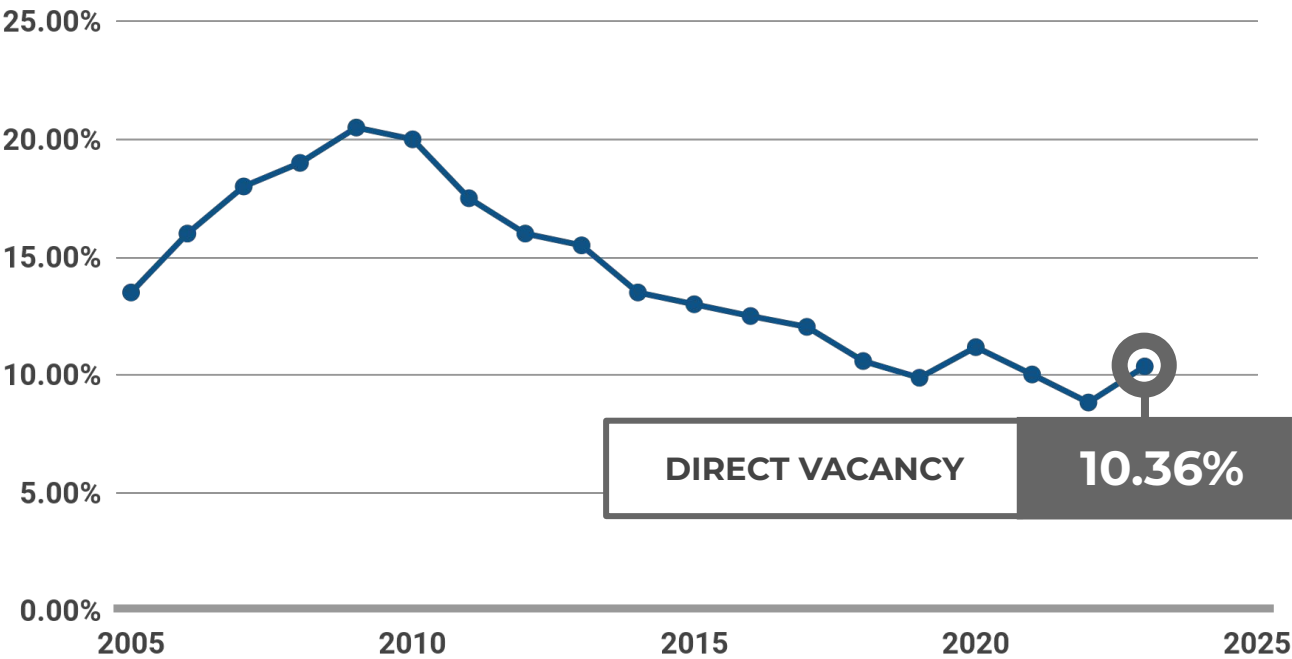


MARKET STATISTICS

Gross Absorption	90,664 SF
Net Absorption	-7,390 SF
Newly Available SF	98,054 SF

VACANCY RATES	DIRECT	WITH SUBLEASE
Downtown	11.95%	13.44%
South Meadows	15.89%	22.86%
Meadowood	8.22%	9.26%
Central	4.80%	4.80%
Airport	9.30%	15.51%
OVERALL	10.36%	13.44%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



NORTHERN NEVADA OFFICE

Q3

SALES RECAP

The third quarter of 2023 saw a continued, gradual decline in office property sales transactions.

Total sales volume from Q2 to Q3 increased slightly over the quarter (\$7mm increase), even though the total number of transactions in Washoe County decreased slightly from Q2.

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.

We expect the remainder of the year to remain relatively stagnant from a sales transaction standpoint.

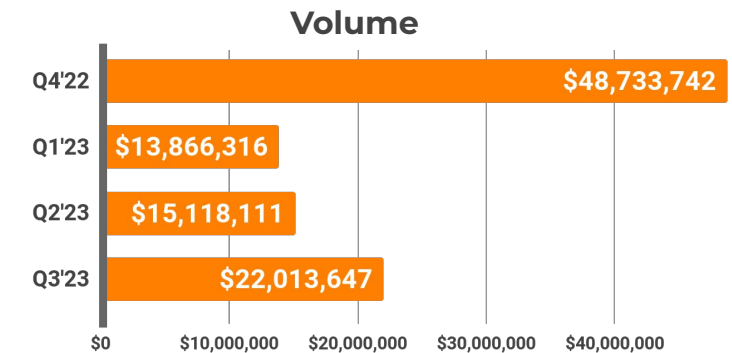
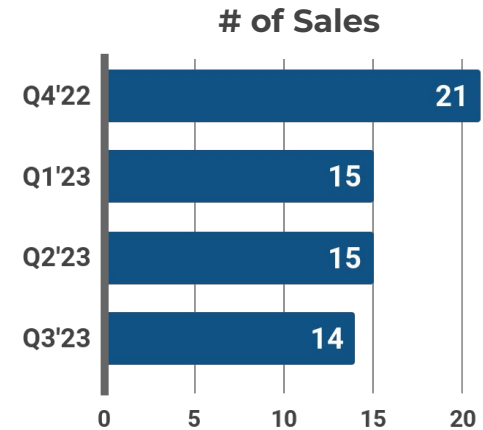
Multi-Tenant/Larger Sales

In Q3, there was only one notable multi-tenant transaction. In the Downtown submarket, a two-story office building at 275 Hill Street, housing Washoe Public House and Belle Business Services, sold at a 6.50% cap rate. Additionally, one significant owner-user transaction accounted for 45% of the total sales volume for the quarter. This property was purchased by Ormat Technologies at 6884 Sierra Parkway Drive.

Single Tenant/Smaller Sales

Q3 saw a handful of smaller office buildings trade hands in both Downtown and the Central Reno Submarket including a 7,306 square foot building at 525 E Moana Lane , a 3,166 square foot building at 325 W Liberty Street and a 1,326 square foot building at 995 Forest Street.

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



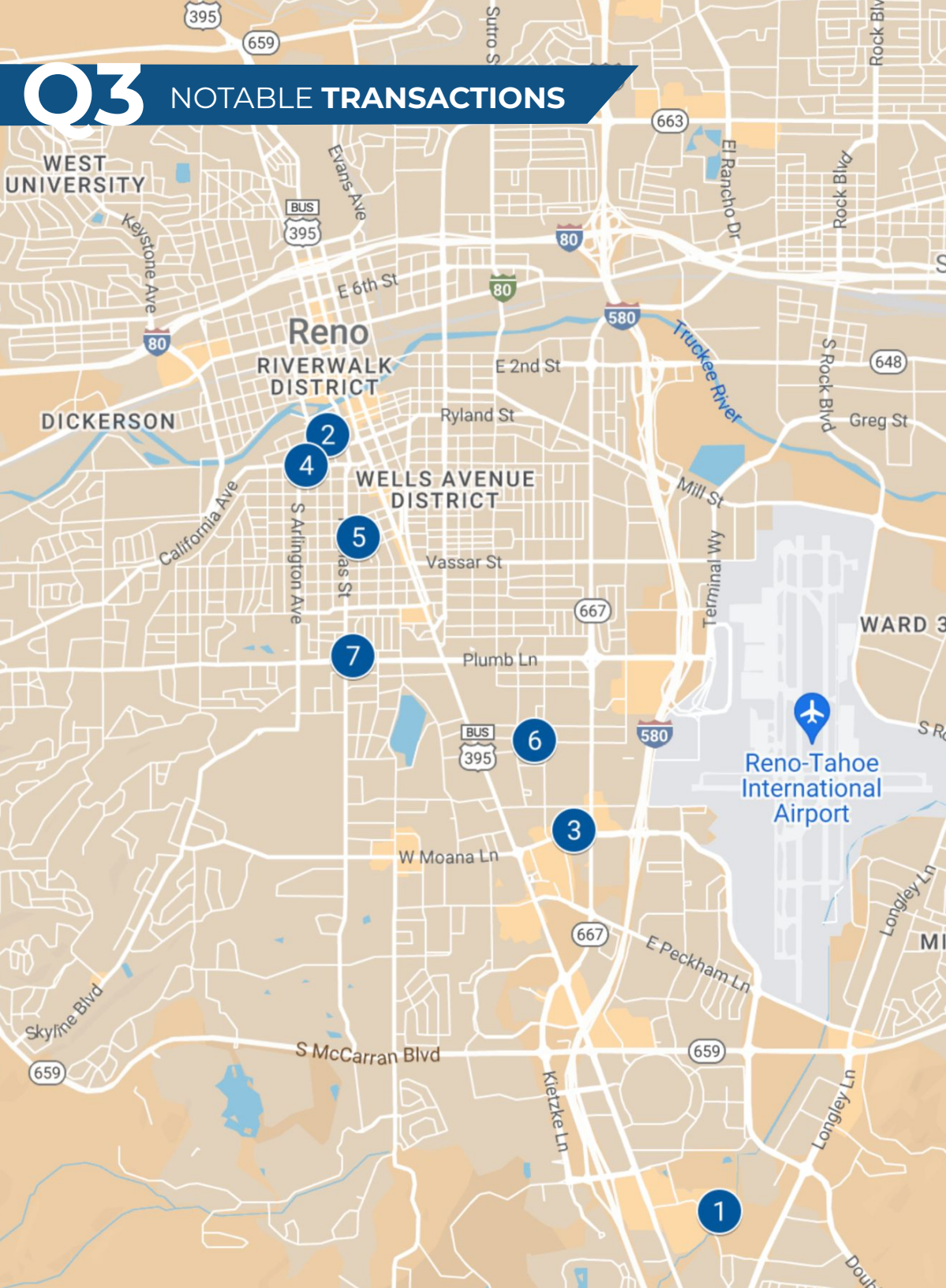
Q3 NOTABLE **SALES**

Address/SF	Price	Details
6884 Sierra Center Pkwy 45,167 SF	\$9,900,000 \$219.19 p/sf	Owner User transaction of an office building previously occupied by Intuit in the Meadowood submarket. The property was purchased by Ormat Technologies.
275 Hill Street 16,878 SF	\$6,000,000 \$348.07 p/sf	In Downtown Reno, a multi-tenant building occupied by Washoe Public House, Belle Business Services & SimpleTech. 6.50% Cap Rate.
525 E Moana Lane 7,306 SF	\$1,638,178 \$224.22 p/sf	In Central Reno, a medical office building was sold to the owners of the adjacent property, BoBo's Mogul Mouse Ski, Board and Patio.
325 W Liberty Street 3,166 SF	\$1,050,000 \$219.19 p/sf	Owner User transaction in Downtown Reno.
995 Forest Street 1,326 SF	\$650,000 \$272.88 p/sf	Investment transaction in Downtown Reno. 3 tenant building with short term leases in place. Purchased as an assemblage by adjacent property owner.
239 Linden Street 1,809 SF	\$630,000 \$348.26 p/sf	In the Central Reno submarket, an investment transaction on a building occupied by Cardinal Tax Services and Glacier Peak.
441 W Plumb Lane 3,072 SF	\$585,953 \$126.28 p/sf	Owner user transaction in the Central Reno submarket.

Q3

NOTABLE TRANSACTIONS

Q3



NOTABLE SALES

1. 6884 Sierra Center Pkwy

45,167 SF

\$9,900,000

\$219.19 p/sf

2. 275 Hill Street

16,878 SF

\$6,000,000

\$348.07 p/sf

3. 525 E Moana Lane

7,306 SF

\$1,638,178

\$224.22 p/sf

4. 325 W Liberty Street

3,166 SF

\$1,050,000

\$219.19 p/sf

5. 995 Forest Street

1,326 SF

\$650,000

\$272.88 p/sf

6. 239 Linden Street

1,809 SF

\$630,000

\$348.26 p/sf

7. 441 W Plumb Lane

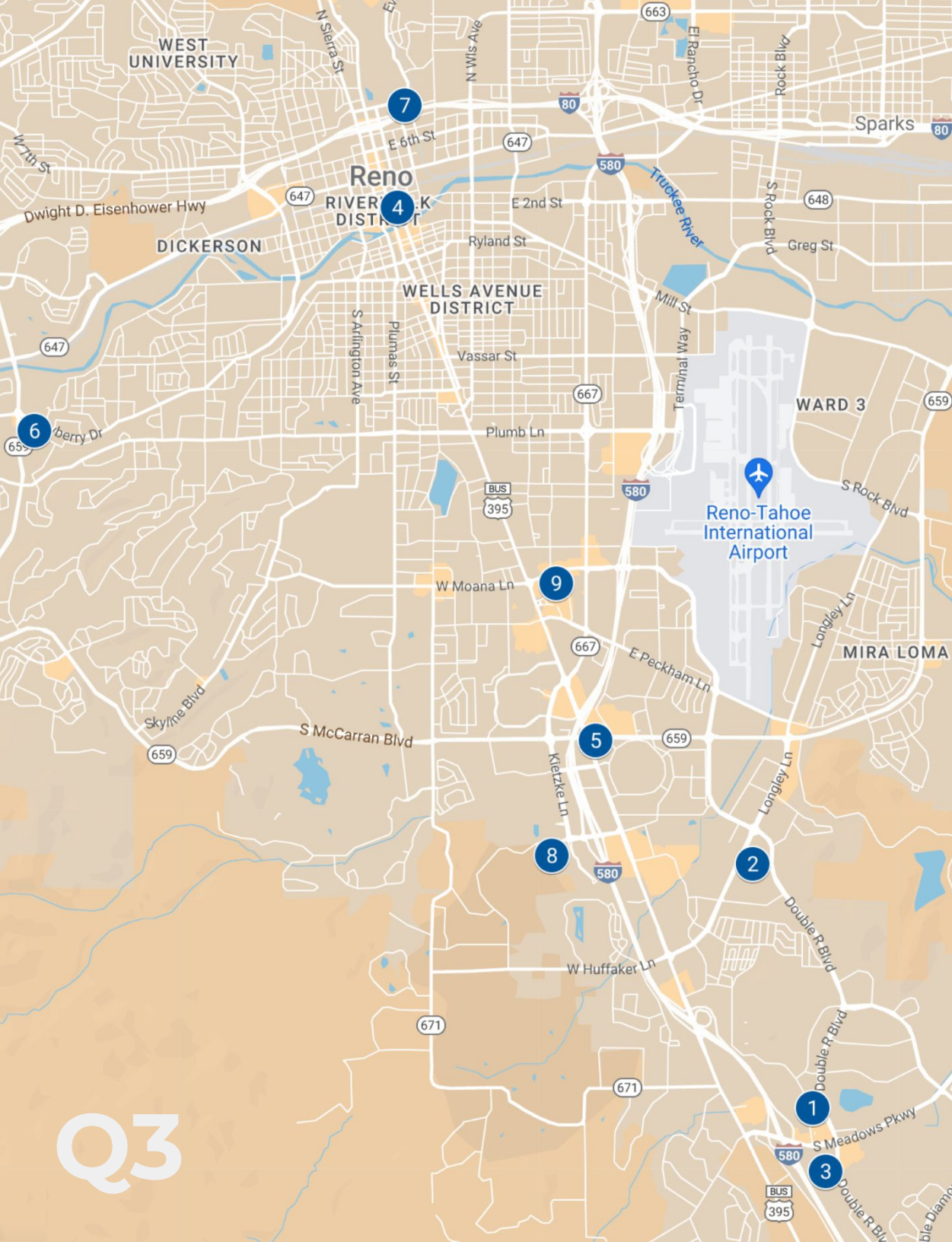
3,072 SF

\$585,953

\$126.28 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.

Q3