

**Q4**  
**2023**

# OFFICE REPORT

SALES  
LEASING  
INVESTMENTS



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NORTHERN **NEVADA**

## LEASING RECAP

### Tale of Two Markets

Where does our office market struggle? The Class B and C space in South Meadows. Q4 saw multiple large spaces crash vacancy rates, namely, the Employers and Custom Ink spaces. These two added up to over 130k square feet of vacancy delivered back to a reputational large floor plate submarket.

However, the lack of supply of Class A space is benefiting those landlords with modernized offerings that have adapted to the new office occupancy culture. These owners continue to achieve strong rents based on a lack of tenant options. With zero new construction in the region due to costs and capital markets constraints, Class A rents in the Kietzke corridor exceed \$3.00 per square foot per month.

The 4th quarter ended the year with additional negative net absorption, which capped off an underwhelming 2024. Direct vacancy grew to 10.61% and current sublease vacancy to 13.82%.

The market continues to experience vacancies pre-marketed before a tenant's true lease term expires, creating shadow space across the market. Many regional tenants are successfully 'right-sizing' their occupancy needs and can reduce footprints into more efficiently designed spaces. Despite the negative headlines, lease transactions are still being completed. DCG completed two of the largest office leases in Q4, including Quest taking 19,500 sf. at 6110 Plumas and the State of Nevada Nursing Board leasing 6,758 sf. at 6005 Plumas. Both occurred in the Meadowood Submarket.

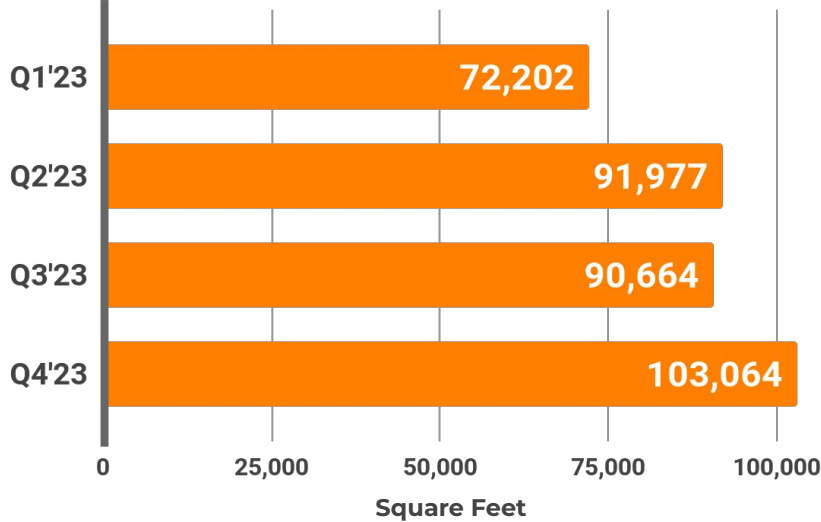
### The 2024 Forecast

The flight to a better life drives Northern Nevada commerce. Gross absorption is anchored in versatile work environments. Business executives choosing Northern Nevada as their headquarters expect top-quality office environments. As described in DCG's recent article in the Northern Nevada Business Weekly, ["New year optimism: Commercial real estate moving to modern office spaces."](#) office ownership occupancy is driven by adaptability to user demand.

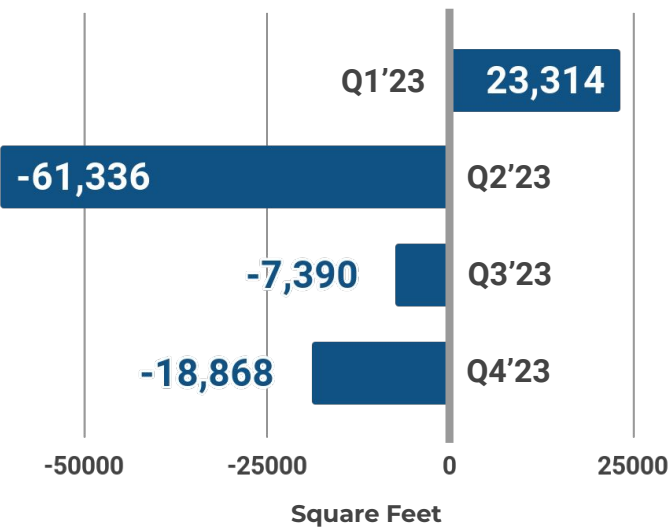
As capital markets stabilize, we expect office investor interest to elevate to match inbound - from out-of-market occupier demand. Lingering loan covenants may force unfortunate dispositions, but the reset will enable new owners to create opportunities. Those that can offer flexible lease terms will thrive on the demand for business owners seeking quality of life for their families and teams.



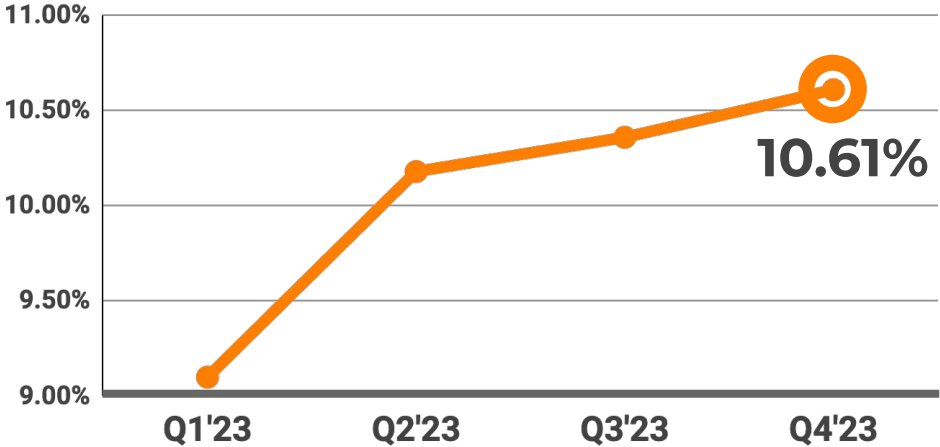
**GROSS**  
Absorption



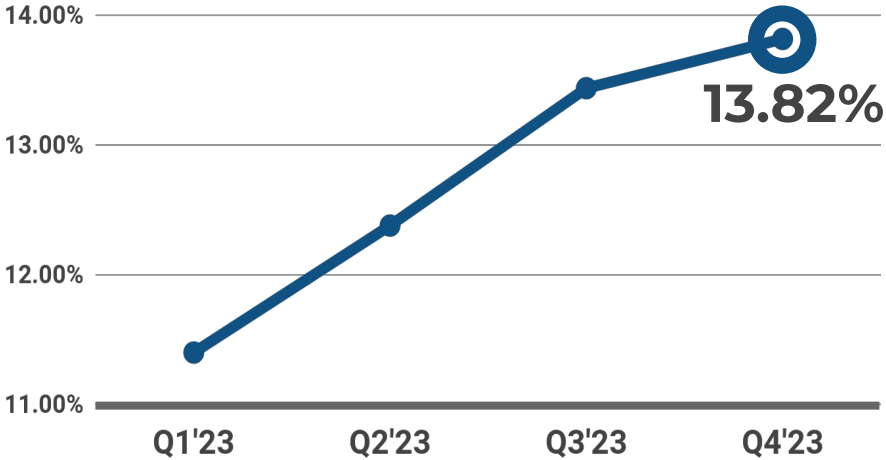
**NET**  
Absorption



**DIRECT**  
Vacancy Rates



**WITH SUBLEASE**  
Vacancy Rates

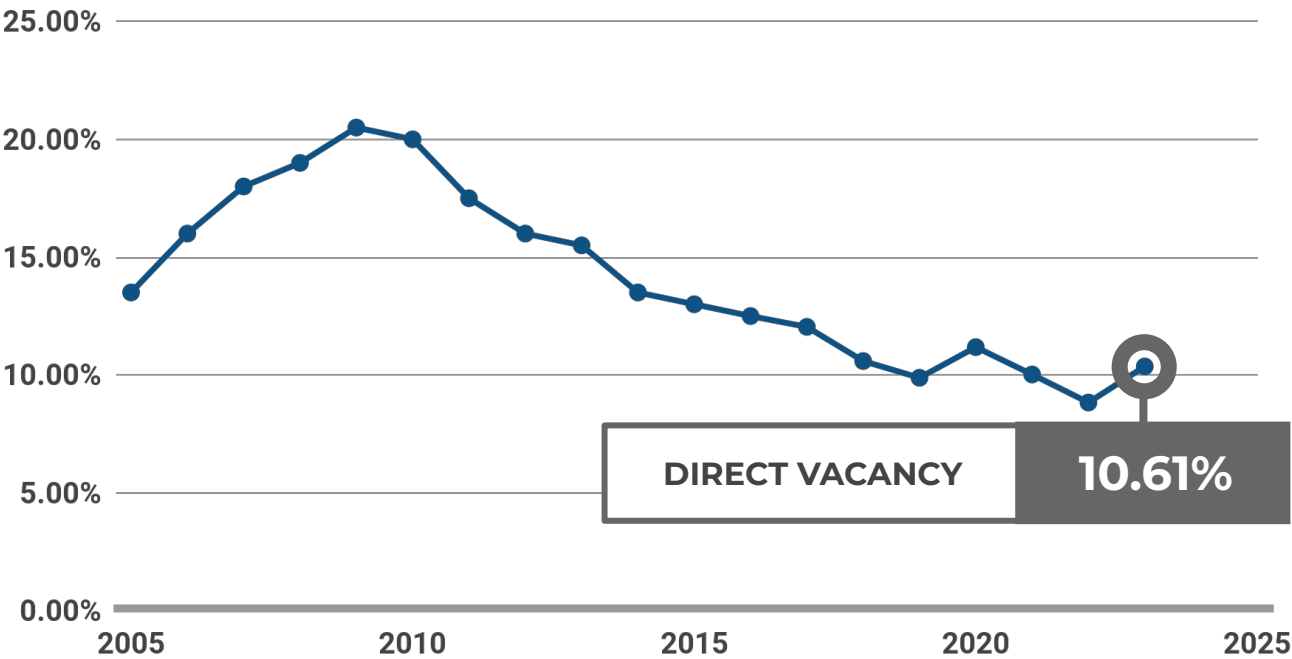


MARKET STATISTICS

Gross Absorption	103,064 SF
Net Absorption	-18,868 SF
Newly Available SF	121,932 SF

VACANCY RATES	DIRECT	WITH SUBLEASE
Downtown	11.33%	12.93%
South Meadows	19.84%	27.48%
Meadowood	8.10%	9.15%
Central	5.14%	5.14%
Airport	7.03%	13.03%
OVERALL	10.61%	13.82%

TOP 200 OFFICE BUILDING HISTORICAL VACANCY DCG



# NORTHERN NEVADA OFFICE

Q4

## SALES RECAP

**The fourth quarter of 2023 logged a welcome jump in office property sales transactions.**

Total sales volume for Q4 saw a welcome increase in both volume and the overall number of sales. Volume tallied the highest figure for any quarter this year, with \$35 million in transactions.

Year over year, the sales volume for office in Washoe County is substantially down, but Q4 2023 logged a handful of investor transactions to close the year, which may signal some renewed strength heading into a new year.

Underwriting office continues to be a challenge for investor and lenders alike. Owners are having to come to the realization that yields and therefore values have shifted, and lenders are tightening requirements and scrutinizing owner user and investor transactions. We expect to see a choppy first half of the year with renewed investor and owner user activity picking up towards the end of Q4 as interest rates potentially drop.

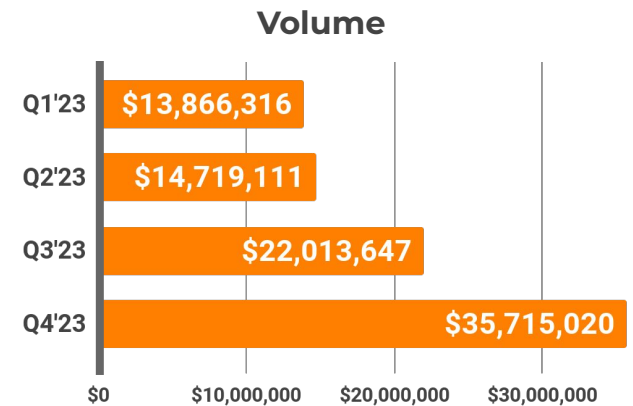
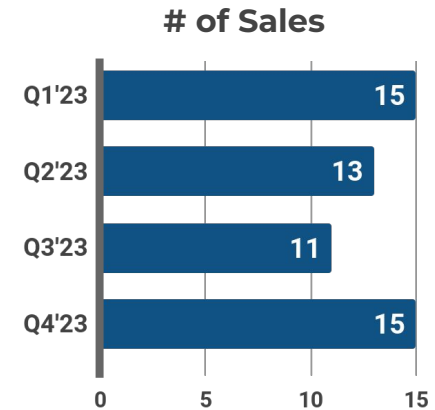
### Multi-Tenant/Larger Sales

In Q4, there were a few notable multi-tenant transactions. In the Airport submarket, an office building at 950 Sandhill Road, housing Lumos & Associates and Light and Wonder, sold at a 7.71% cap rate. Additionally, a two-story office building in the South Meadows submarket at 9210 Prototype Dr sold at a 6.12% cap rate. Tenants include Bluberi Gaming USA, Miles Construction, and Quality Services, Inc.

### Single Tenant/Smaller Sales

Q4 saw a handful of smaller office buildings trade hands in both South Meadows and the Central Reno Submarket including a 10,709 square foot building at 3690 Grant Drive , a 5,975 square foot building at 3895 Warren Way and a 3,426 square foot building at 10391 Double R Blvd.

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

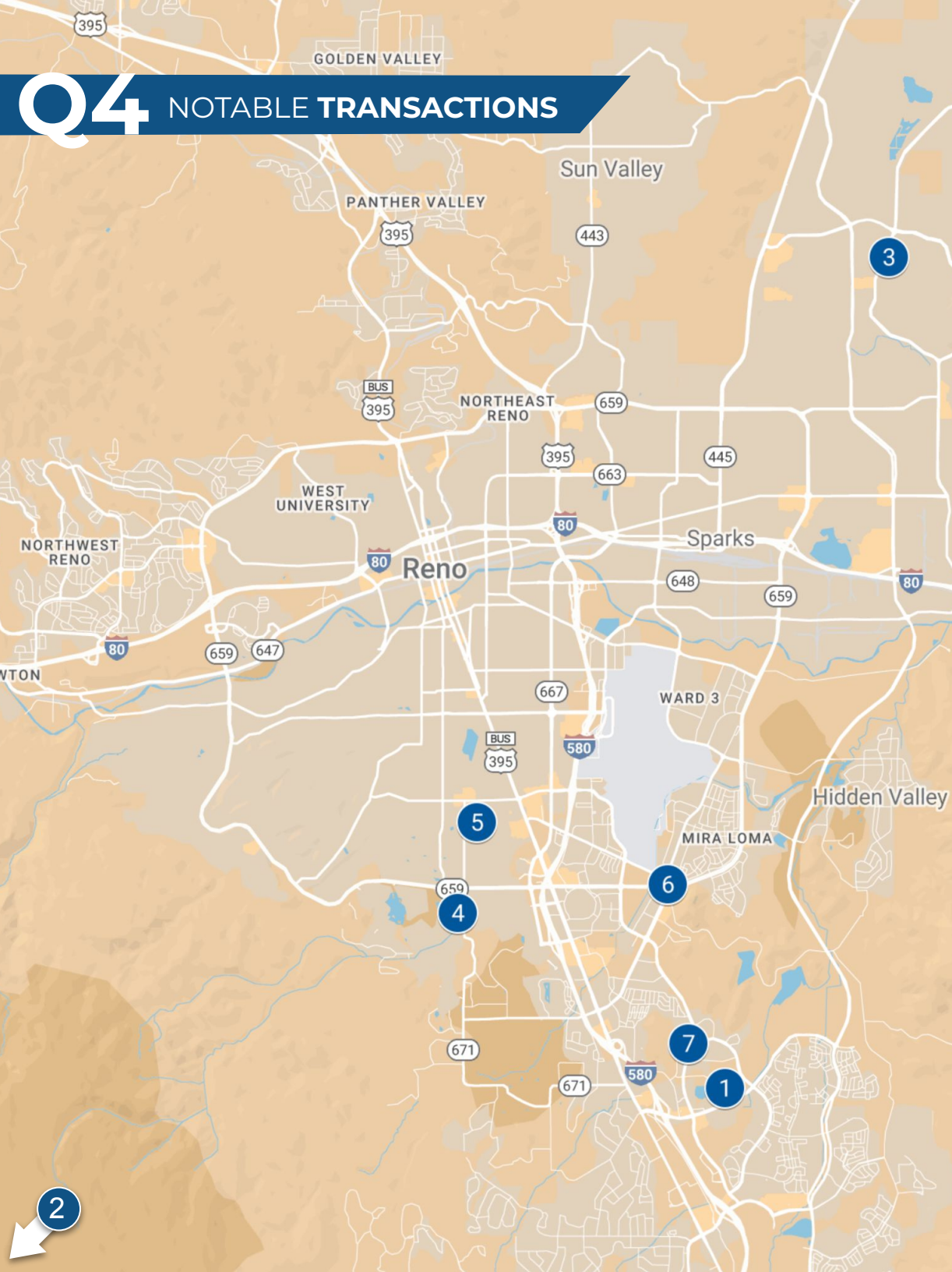


Q4 NOTABLE SALES

Address/SF	Price	Details
<b>950 Sandhill Road</b> 43,800 SF	<b>\$11,800,000</b> \$269.41 p/sf	An office building located close to S Meadows Parkway near the Nevada Department of Motor Vehicles sold for \$11,800,000 at a reported 7.71% cap rate. DCG represented buyer.
<b>250 Village Blvd</b> 9,520 SF	<b>\$4,000,000</b> \$420.17 p/sf	In Incline Village, near Alibi Ale Works and Engel & Volkers, an office building sold. At the time of sale, the building was 100% leased by tenants such as Incline Tahoe Glass, Simonian Flooring, and Costalupes Construction.
<b>4960 Vista Blvd #100</b> 5,675 SF	<b>\$2,750,000</b> \$484.58 p/sf	Sparks submarket, a freestanding office building with frontage on Vista Blvd.
<b>6119 Ridgeview Court</b> 8,265 SF	<b>\$2,000,000</b> \$241.98 p/sf	Owner User Transaction in Meadowood Submarket. Freestanding building near Lakeside and McCarran.
<b>3895 Warren Way</b> 7,716 SF	<b>\$1,800,000</b> \$233.38 p/sf	In Central Reno, on the corner of W Peckham Lane and Warren Way. Building occupied by Gunderson Law Firm, purchased as an owner-user transaction.
<b>4559 Longley Ln</b> 4,739 SF	<b>\$1,795,000</b> \$378.77 p/sf	DCG represented the buyer of an office building located on the corner of Longley Lane and Aircenter that sold at a reported 6.00% cap rate.
<b>9210 Prototype Dr</b> 8,370 SF	<b>\$1,575,000</b> \$188.17 p/sf	In the South Meadows submarket, a fully-occupied, three tenant office building sold at a reported 6.12% cap rate.

# Q4 NOTABLE TRANSACTIONS

# Q4



## NOTABLE SALES

**1. 950 Sandhill Road**  
43,800 SF  
**\$11,800,000**  
\$269.41 p/sf

**2. 250 Village Blvd**  
Incline Village  
9,520 SF  
**\$4,000,000**  
\$420.17 p/sf

**3. 4960 Vista Blvd #100**  
5,675 SF  
**\$2,750,000**  
\$484.58 p/sf

**4. 6119 Ridgeview Court**  
8,265 SF  
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**5. 3895 Warren Way**  
7,716 SF  
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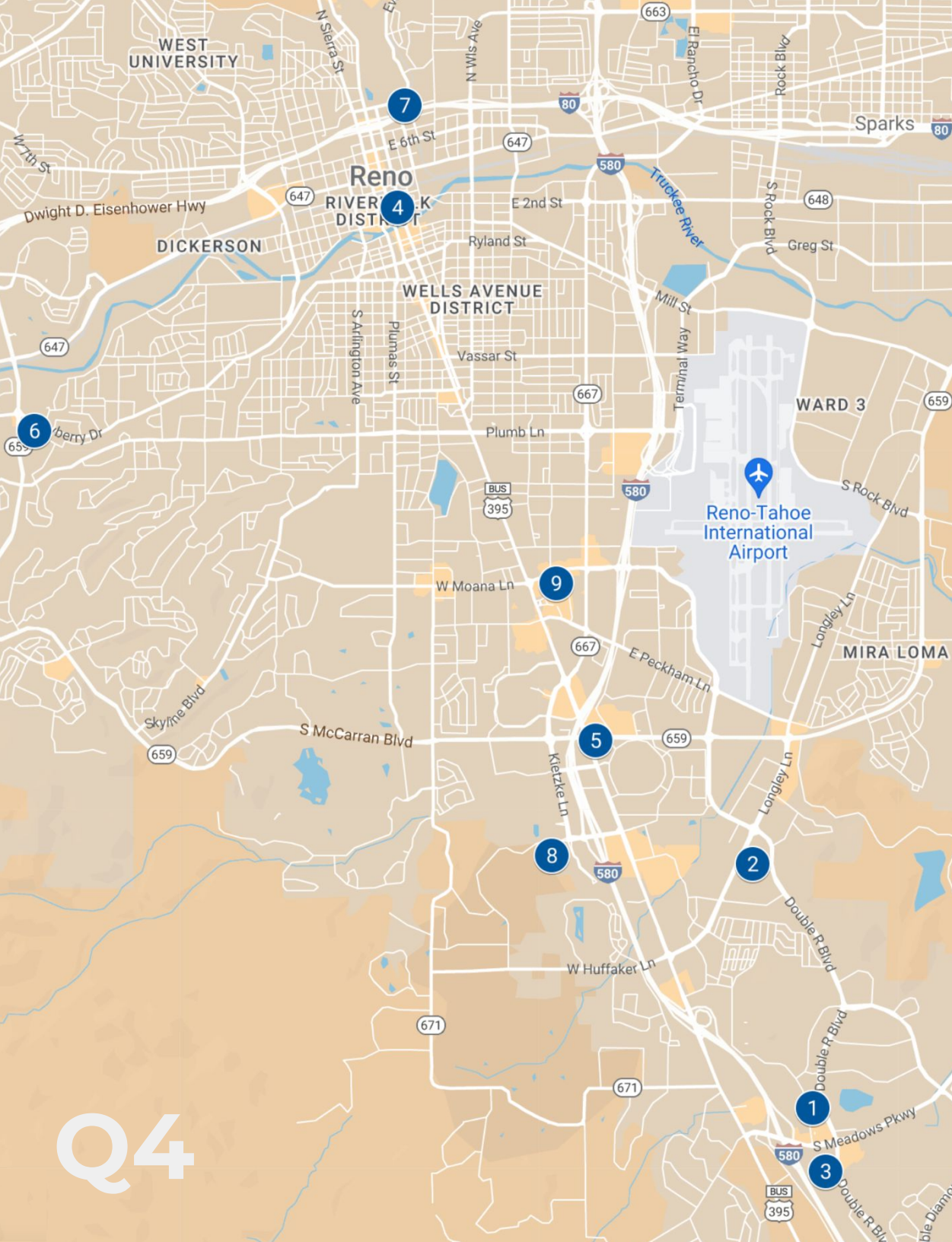
**6. 4559 Longley Ln**  
4,739 SF  
**\$1,795,000**  
\$378.77 p/sf

**7. 9210 Prototype Dr**  
8,370 SF  
**\$1,575,000**  
\$188.17 p/sf





## OFFICE DEVELOPMENTS



1

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

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.

Q4