

SECOND QUARTER 2021



Market Advisor

ACCURATE INFORMATION. BETTER RESULTS.

NORTHERN NEVADA MARKET UPDATE
SECOND QUARTER 2021
INDUSTRIAL VACANCY: 4.97%

mipnv.com | 775.828.4665 | Reno, Nevada



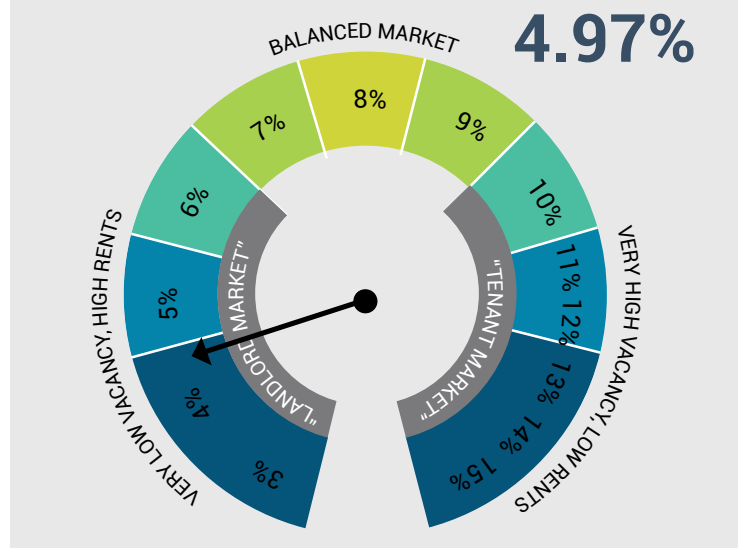
2ND QUARTER 2021: LANDLORDS RULE

The big news today in northern Nevada's industrial real estate market isn't in the statistics, it's in the real-life situation of our market and how it is affecting businesses looking to lease or buy warehouse product. We currently have a record setting lack of product due to a continued high demand over all categories of industrial space. Though construction has been generating new product, many times demand has absorbed this space before new projects have broken ground. The return-to-market product space has also been low. Many tenants that were expecting to expand or relocate within the Reno-Sparks market are finding no suitable space available and are renewing their current leases until a solution presents itself. Tenants needing immediate space are finding a combination of little available product, unprecedented pricing, increased annual rent bumps, challenging lease terms and very few concessions. In few words, we have a landlord favored market - the likes of which haven't been seen in recent history in northern Nevada.

A market vacancy that sits near 8.5% represents a balance market however, vacancy has been lower than balanced over the past several years and now the even five-year vacancy average has dipped to well below 7%, a quite landlord friendly area. In the first quarter of 2021 we reported a then record low of 5.16% vacancy. Q2 2021 produced an even lower vacancy of 4.97%. This vacancy rate is 25% lower than the five-year average and a huge 42% lower than a balanced market. As expected, this is producing rental rates that are literally changing almost weekly. Currently, many landlords are not quoting rates for available properties but rather waiting until they get a prospect to quote rates that day based on how few competing locations are remaining.

New demand for industrial space at the ideal logistical locations of Northern Nevada continued to be strong in early 2021 as supply chain demand continues to try to restore stability from the disruptive strains of the pandemic. As has been the case for several years, new big

PERCENTAGE MARKET VACANCY WHAT DOES IT MEAN?



box space leads the pack in terms of demand and overall market growth. Q4, 2020 saw a huge gross absorption of 2.4 million sf, about 38% above average. Q1, 2021 backed it up with another large gross absorption of 2.2 million sf, about 21% above average. Clearly, the demand for space in the area remains strong.

As we enter the third quarter of 2021, it appears that we will be experiencing a lull in absorption in the coming quarters as we have little to no inventory available. The fall and early winter months should see even further lowering of vacancy and increased lease rates. Rising land costs, entitlement expenses and building materials have all added into the equation. Tenants will be seeing these higher lease rates into the foreseeable future.

In addition to companies relocating to Reno or expanding their current operations in the northern Nevada market, we also seeing a strong demand for NNN-leased industrial portfolios from out-of-state investors. Low cap rates and strong national tenants resulted in 3.8 million square feet of fully leased product changing hands for \$470 million in the top five sales of the second quarter.

Quick Trends

SECOND QUARTER 2021

LEASE RATES

Steady increase in lease rates.



VACANCY

Q1 2021: 5.16%

Very low inventory over all size ranges.

Q2 2021: 4.97%



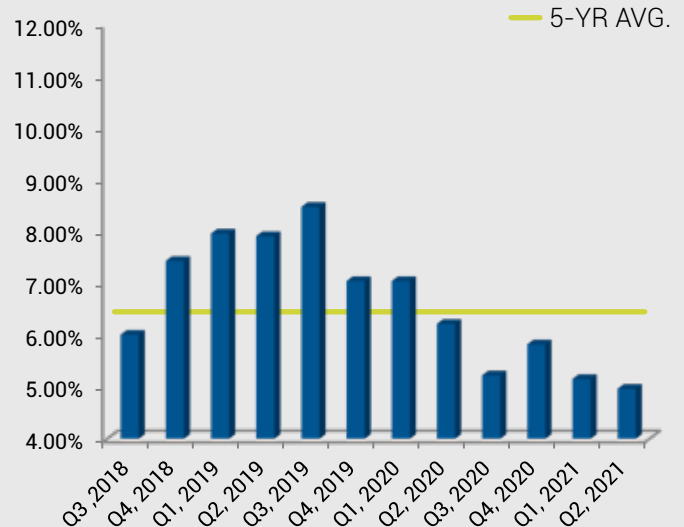
CURRENT QUARTER VACANCY ANALYSIS

Vacancy: 4.97%

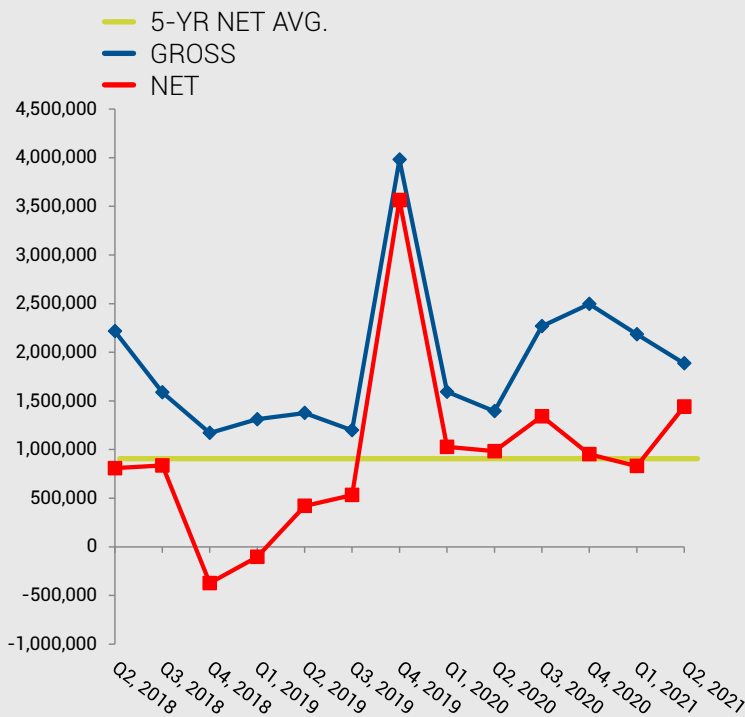


- 4% **LOWER** than Q1 2021 (5.16%)
- 20% **LOWER** than Q2 2020 (6.22%)
- 26% **LOWER** than quarterly 5-year average (6.76%)

HISTORIC VACANCY



HISTORIC GROSS & NET ABSORPTION



CURRENT QUARTER NET ABSORPTION ANALYSIS



Net Absorption: 1,441,941 SF

- 73% **HIGHER** than Q1 2021
- 47% **HIGHER** than Q2 2020
- 49% **HIGHER** than quarterly 5-year average

Net Absorption: The measure of gross absorption less the space that tenants vacated and the new, vacant construction.

CONSTRUCTION

Continued large build-to-suit and speculative construction.



MARKET VELOCITY

Solid demands continue.



OUTLOOK

Increased demand is greater than supply, yielding low inventory and increased lease rates.

WHAT'S HAPPENING WHERE? Q2 2021 SUBMARKET STATISTIC BREAKDOWN

SUB-MARKET	SIZE (SQ.FT.)	VACANT (SQ. FT)	VAC. %	GROSS ABS.	NET ABS.	SPEC CONST.	BTS CONST.	TOTAL CONST.
North Valleys	28,443,058	870,862	2.52%	981,429	894,319	659,280	0	659,280
I-80 East Corridor	20,615,942	2,515,963	11.20%	206,461	(29,703)	0	0	0
Sparks	26,228,229	1,138,101	4.35%	586,327	390,332	0	0	0
Airport	8,892,236	241,320	2.71%	115,210	110,210	0	0	0
Reno Central/West	2,202,356	65,630	2.98%	39,728	0	0	0	0
Reno South	9,927,802	263,979	2.66%	255,442	25,235	0	0	0
TOTALS	96,309,623	4,932,293	4.97%	1,885,627	1,441,941	659,280	0	659,280

SIGNIFICANT Q2 2021 TRANSACTIONS

SALES TRANSACTIONS				LEASE TRANSACTIONS		
Link Logistics - 21 Property Portfolio	Starwood Capital Group	3,143,377 SF	\$401,892,334.00	6125 Echo Avenue	FTDI West	286,487 SF
250 Lillard Drive	Southern Wine & Spirits	285,121 SF	\$29,700,000.00	425 Sydney Drive	Rocky Brands	193,440 SF
190 Resource Drive	Stag Industrial Holdings, LLC	183,435 SF	\$13,800,000.00	12475 Mustang Road	Nathan James	132,556 SF
801 E. Glendale Ave, 802 & 820 Packer	Hillcrest Properties	103,920 SF	\$13,000,000.00	455 Ingenuity Avenue	L&R Distribution	104,760 SF
2615-2697 Mill Street	Massie & Co.	97,040 SF	\$12,000,000.00	9565 N Virginia Street	Staci	100,337 SF

INDUSTRIAL CONSTRUCTION & LEASING UPDATE

2021 newest inventory that is either still under construction or just now finishing up is showing the following: Dermody Properties and Reno Land, Inc. have broken ground on The Park at McCarran, three buildings totaling 1,348,700 SF at McCarran Boulevard and Mill Street; 100% pre-leased, Avenue 55 finished construction of Ingenuity Industrial Center, three buildings totaling 659,280 square feet in Spanish Springs with no vacancy left, McKenzie Properties is currently constructing South Reno Industrial Center, three buildings totaling 136,000 square feet at Trademark Drive and Double Diamond Parkway in the South Meadows submarket and Washington Capital Management is wrapping up construction on 663,600 square feet of product at the West America Commerce Center at 727 Milan Drive in the Tahoe-Reno Industrial Center. In Fernley, Mark IV is developing a new 815,000 sf property, Panattoni is staging to build new inventory in South Meadows and a new 1.2 million sf facility is going in the North Virginia Stead area. In addition to the new space that is currently under construction there is another 5.2 million square feet of proposed and planned space waiting in the wings.



1485 Southern Way
Sparks, Nevada 89431



(775) 828-4665



Tom Miller, CCIM
tom@mipnv.com



Beki Dobson
beki@mipnv.com