

FIRST QUARTER 2021



# Market Advisor

ACCURATE INFORMATION. BETTER RESULTS.

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NORTHERN NEVADA MARKET UPDATE  
FIRST QUARTER 2021  
INDUSTRIAL VACANCY: 5.16%

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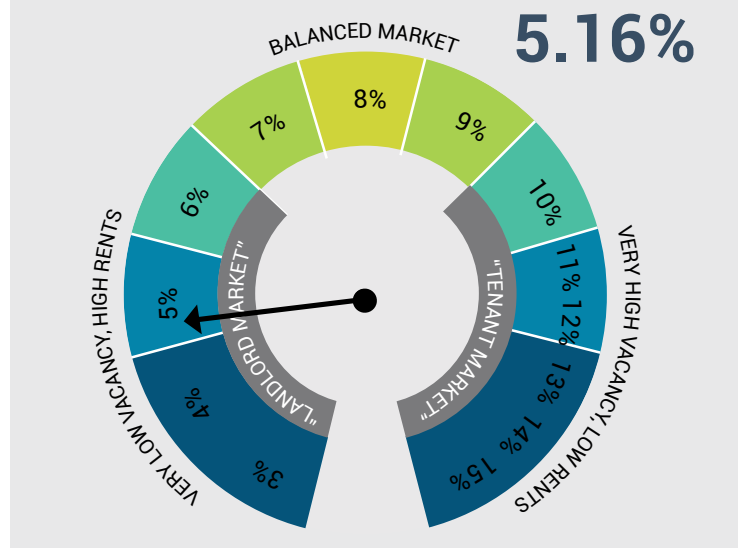
## FIRST QUARTER 2021: LOW VACANCY, INCREASED RENTAL RATES & BOOMING INDUSTRIAL CONSTRUCTION

As the supply chain continued to work towards restored stability from the disruptive strains of the pandemic, new demand for industrial space in the ideal logistical locations of northern Nevada continued to be strong. Consistent with the last several years, new big box space leads the pack in terms of demand and overall market growth. Q4-2020 saw a huge gross absorption of 2.4 million square feet, roughly 38% above our five-year gross absorption average. Q1-2021 backed it up with another large gross absorption of 2.2 million square feet, about 21% above the northern Nevada five-year average.

Demand for industrial space in the northern Nevada market remains strong and developers continue to struggle to try to meet the demand on the supply side of available inventory. Due to the amount of new warehousing built in the past five years within the city limits, outlying areas are now the focus for construction.

As we enter the second quarter of 2021, there is currently 4.8 million square feet of new industrial product under construction. Dermody Properties and Reno Land, Inc. have broken ground on The Park at McCarran, three buildings totaling 1,348,700 square feet at McCarran Boulevard and Mill Street, Avenue 55 is wrapping up construction of Ingenuity Industrial Center, three buildings totaling 659,280 square feet in Spanish Springs, with an estimated occupancy date of late Q3 2021, McKenzie Properties began grading for 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 continues construction on 663,600 square feet of product at the West America Commerce Center on Milan Drive in the Tahoe-Reno Industrial Center. In Fernley, Mark IV is developing a new 815,000 square feet property, Panattoni is staging to build new inventory in South Meadows and a new 1.2 million square foot facility

## PERCENTAGE MARKET VACANCY WHAT DOES IT MEAN?



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.

The return of product to the market was 38% over five-year average at 1,350,000 square feet. This was due to two large properties returned to market; the former DynaGraphics printing facility in Fernley at 423,000 square feet and a 328,000 square foot big-box warehouse located at 700 Milan in TRI Center. This over-average return to market produced a net absorption of 830,000 square feet, about 10% below market average.

The industrial vacancy rate now sits at a very low 5.1%, which is 20% below average. With these low vacancy rates being the norm for a few years now, lease rates have continued to climb. However, not all of the lease rate increases are due to low vacancy; much of the increases are due to rising development costs. Rising land costs, entitlement expenses and increases in building material costs have all added into the equation. Our prediction is that tenants will be seeing these higher lease rates into the foreseeable future.

## Quick Trends

FIRST QUARTER 2021

### LEASE RATES

Steady increase in lease rates.



### VACANCY


Q4 2020: 5.83%



Spotty inventory over most size ranges.

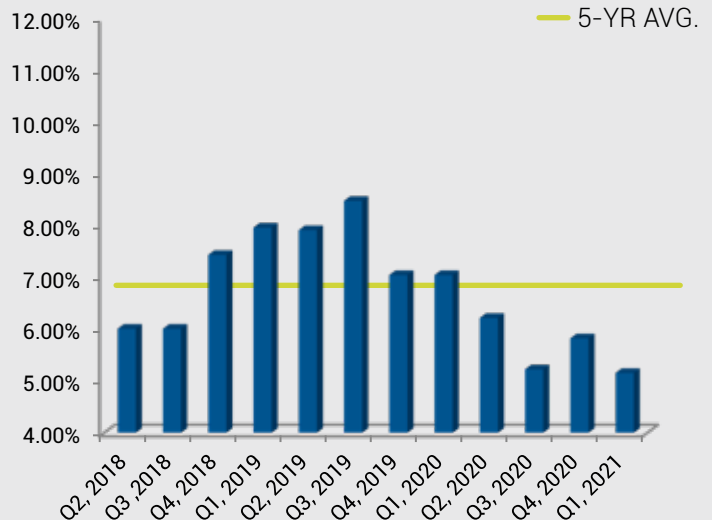
Q1 2021: 5.16%

## CURRENT QUARTER VACANCY ANALYSIS

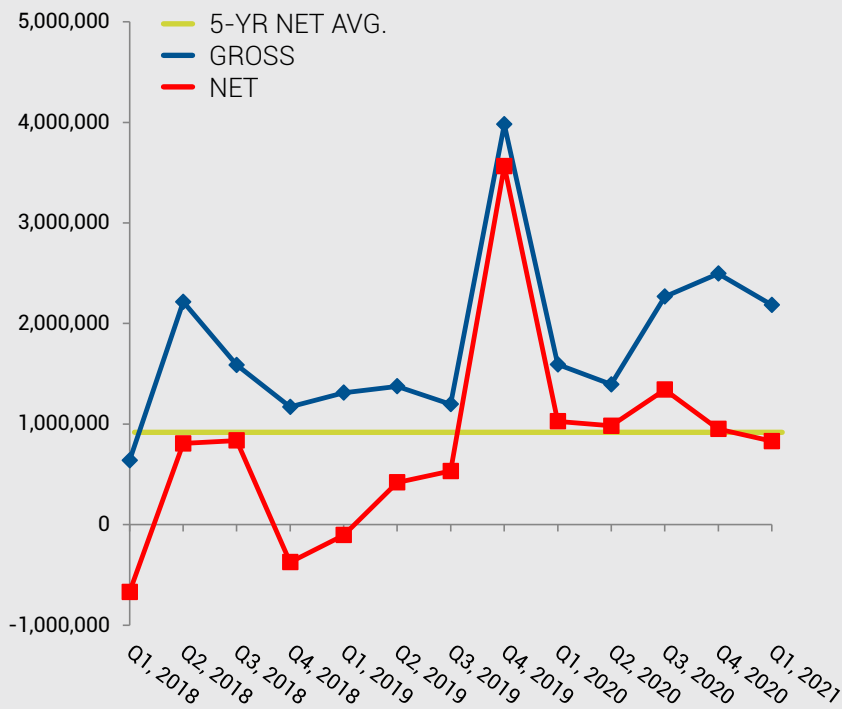
Vacancy: 5.16% 

- 12% **LOWER** than Q4 2020 (5.83%)
- 27% **LOWER** than Q1 2020 (7.05%)
- 26% **LOWER** than quarterly 5-year average (6.99%)

## HISTORIC VACANCY



## HISTORIC GROSS & NET ABSORPTION



## CURRENT QUARTER NET ABSORPTION ANALYSIS

Net Absorption: 830,121 SF

- 13% **LOWER** than Q4 2020
- 19% **LOWER** than Q1 2020
- 11% **LOWER** 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?

### Q1 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	3.06%	981,429	894,319	200,000	0	200,000
I-80 East Corridor	20,615,942	2,515,963	12.20%	206,461	(629,703)	0	0	0
Sparks	25,568,949	1,138,101	4.45%	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
<b>TOTALS</b>	<b>95,650,343</b>	<b>4,932,293</b>	<b>5.16%</b>	<b>2,184,597</b>	<b>830,121</b>	<b>200,000</b>	<b>0</b>	<b>200,000</b>

## SIGNIFICANT Q1 2021 TRANSACTIONS

SALES TRANSACTIONS				LEASE TRANSACTIONS		
9715 N. Virginia Street	LBA Realty	187,275 SF	\$30,000,000.00	9560 N. Virginia Street	Bender Warehouse	196,220 SF
14101 Lear Boulevard	Industrial Realty Group, LLX	417,410 SF	\$29,000,000.00	9585 N. Virginia Street	Kitchen Cabinet Designers	188,247 SF
127 Woodland Avenue	Royal Oak Realty, LLC	48,000 SF	\$11,220,000.00	1802 Brierly Way	Fosdick Fulfillment	180,446 SF
9240 Prototype Drive	Vendure Asset Group	46,237 SF	\$7,000,000.00	2500 Peru Drive	LINICO	136,000 SF
775 East Glendale Avenue	Oliver Realty, LLC	37,906 SF	\$4,200,000.00	6650 Echo Avenue	Smart Warehousing	97,500 SF

## NAVIGATING THE CURRENT MARKET; OUR ADVICE TO TENANTS

With the current vacancy and lease rates, we offer our best advice to tenants and if you are expanding, new to the area or simply renewing, our recommendations are very similar. First and foremost understand that landlords pretty much hold all the cards right now. Now more than ever, tenants need all the help they can get. Find an experienced, local based tenant agent and get them on your team ASAP. No matter when you plan your renewal, expansion or looking for new space, the sooner you have a strong advocate in your corner, the better. There could possibly be compelling reasons to select certain timing for your transaction that you were unaware of. There may be provisions in your lease that your agent can beneficially use to your advantage that you may have not been aware of. During this time of low vacancy and high rents, your agent can help create as much leverage as possible in the negotiation when tenants need it the most.



1485 Southern Way  
Sparks, Nevada 89431



(775) 828-4665



Tom Miller, CCIM  
tom@mipnv.com



Beki Dobson  
beki@mipnv.com