

THIRD QUARTER 2020



Market Advisor

ACCURATE INFORMATION. BETTER RESULTS.

NORTHERN NEVADA MARKET UPDATE
THIRD QUARTER 2020

INDUSTRIAL VACANCY: 5.23%

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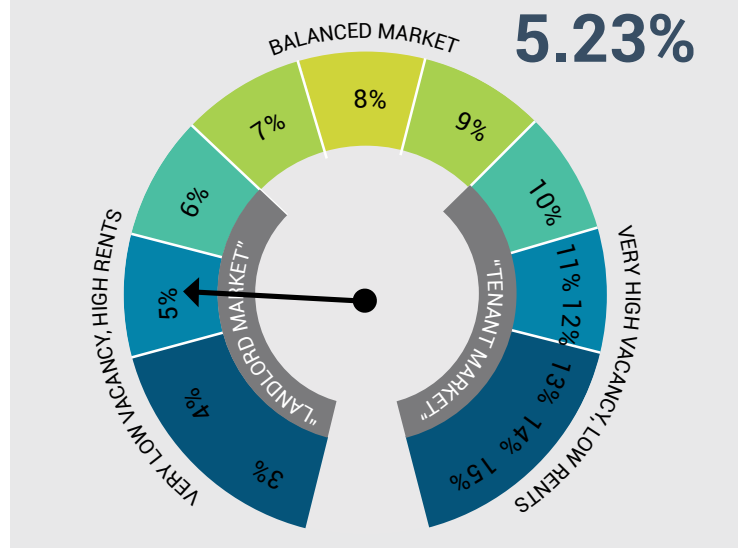
Q3-2020: NEVADA INDUSTRIAL MARKET SHOWS ITS STRENGTH

As the 2020 Covid-19 Pandemic continues to cause stress and uncertainty in many areas of our personal lives and in our careers and businesses, the northern Nevada industrial real estate market has dusted itself off and is now steam rolling along. While our market saw a hiccup or two in April and May, by the third-quarter of 2020 we are again hitting on all cylinders. The number of transactions in Q3 doubled from the number of transactions in Q2-2020 and absorption increased by 65% over the previous quarter and 30% over the five-year running absorption average.

While 2019 had strong market absorption that drove the vacancy rate down, the third quarter of 2020 achieved double the absorption as the third quarter of 2019. Although the return to market space was at just about the five-year running average of 900,000 SF, the amount of added new construction was only slightly over half of the five-year average at 436,000 SF. These factors resulted in a full point drop in the overall market vacancy rate from 6.22% in Q2-2020 to 5.2% in Q3-2020.

As vacancy in the northern Nevada industrial real estate market continues to drop, market lease rates will inevitably continue to creep upwards. We continue to see a strong demand in all size ranges, especially for the newest locations, which have continued to be absorbed as quickly as they are built. Building and portfolio owners continue filling their vacancies with longer term, credit tenants at, or very close to, asking rates. Prospective tenants and businesses who are looking to enter the Reno-Sparks market and are seeking anything less than a five-year lease term, those with shaky credit and financials, and start-up companies are finding it increasingly challenging to locate a landlord willing to accept them. Northern

PERCENTAGE MARKET VACANCY WHAT DOES IT MEAN?



Nevada remains a very landlord friendly industrial market where transactions are based on term length, tenant size, length of time in business, and credit strength.

Going forward, we may see a bit of slowdown in new property development. This slowdown is primarily due to the latest development areas becoming built out, with little land available for new construction. It is also difficult to predict how willing institutional funding will be to venture into new \$50-\$100 Million project until we begin to see a continued trend of virus decline and until the United States economy begins to show signs of being less volatile. If these institutional funding sources start to pump the brakes on their commercial real estate investment portfolios and the current demand remains constant, it is safe to say that we can expect to see a fairly rapid market shift with continued rising prices, increased selectivity on tenants and sudden shortages in Class A product with tenants experiencing a competition to secure the most desirable spaces as they come available.

Quick Trends

THIRD QUARTER 2020

LEASE RATES

Mild increase in lease rates.



VACANCY

Q2 2020: 6.22%

Spotty inventory over some size ranges.

Q3 2020: 5.23%



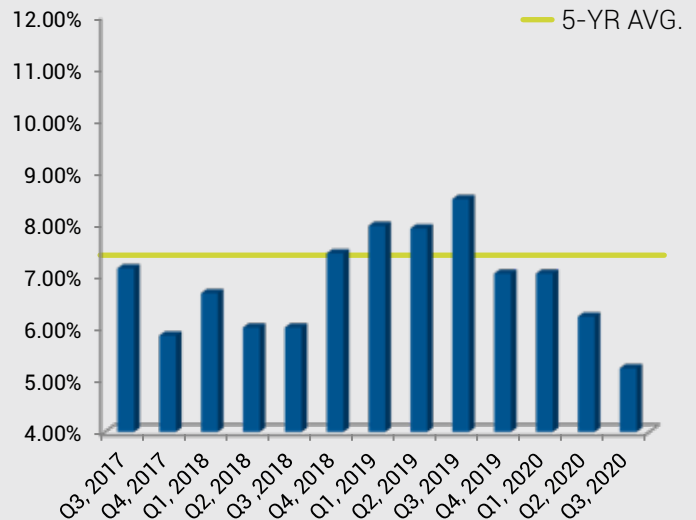
CURRENT QUARTER VACANCY ANALYSIS

Vacancy: 5.23%

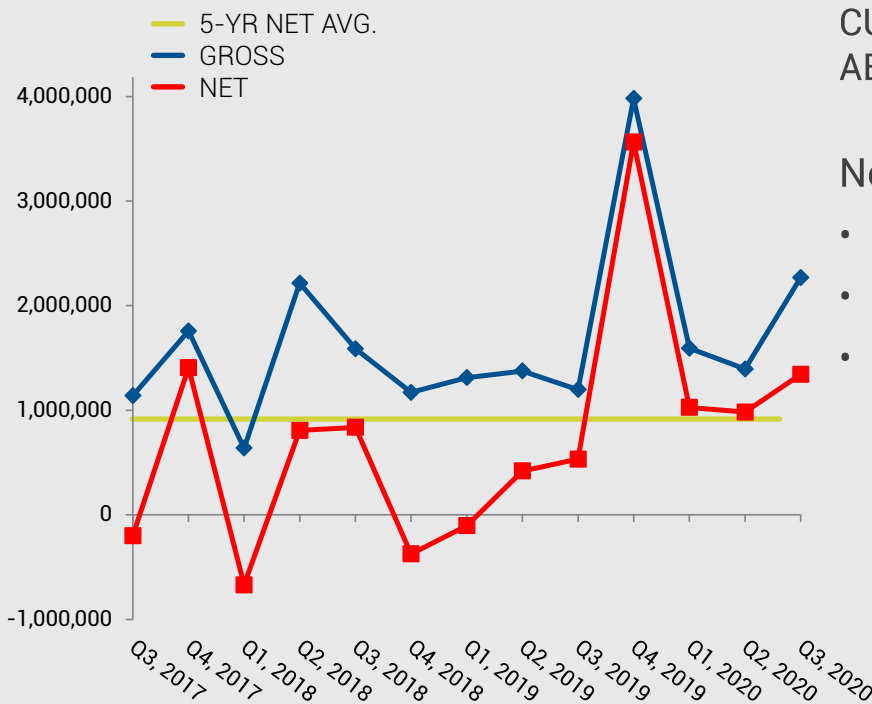


- 16% **LOWER** than Q2 2020 (6.22%)
- 38% **LOWER** than Q3 2019 (8.48%)
- 28% **LOWER** than quarterly 5-year average (7.31%)

HISTORIC VACANCY



HISTORIC GROSS & NET ABSORPTION



CURRENT QUARTER NET ABSORPTION ANALYSIS



Net Absorption: 1,341,558 SF

- 36.5% **HIGHER** than Q2 2020
- 1.5x **HIGHER** than Q3 2019
- 39% **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? Q3 2020 SUBMARKET STATISTIC BREAKDOWN

SUB-MARKET	SIZE (SQ.FT.)	VACANT (SQ. FT)	VAC. %	GROSS ABS.	NET ABS.	SPEC CONST.	BTS CONST.	TOTAL CONST.
North Valleys	26,637,858	156,857	1.59%	1,172,895	1,155,913	436,368	0	436,368
I-80 East Corridor	20,615,942	2,537,116	12.31%	193,256	71,307	0	0	0
Sparks	25,568,949	1,811,084	7.08%	387,863	(77,863)	0	0	0
Airport	8,892,236	332,039	3.73%	356,582	120,350	0	0	0
Reno Central/West	2,202,356	66,153	3.00%	122,386	37,386	0	0	0
Reno South	9,927,802	168,845	1.70%	34,465	34,465	0	0	0
TOTALS	93,845,143	4,908,532	5.23%	2,267,447	1,341,558	436,368	0	436,368

SIGNIFICANT Q3 2020 TRANSACTIONS

SALES TRANSACTIONS				LEASE TRANSACTIONS		
6550 Longley Lane	The Moulton Group	270,950 SF	\$37,844,000.00	6550 Echo Avenue	Continental Tire	257,740 SF
615 Spice Islands Drive	Jeanine Landsinger Trust	26,000 SF	\$4,780,000.00	1802 Brierly Way	Fosdick Fulfillment	180,456 SF
670 E 6th Street	Ritter Properties	60,976 SF	\$3,600,000.00	4980 Longley Lane	Big Rock Sports	153,000 SF
1100 Terminal Way	Fadi Anbouba	21,662 SF	\$2,600,000.00	14525 Industry Circle	Pamlico Air	142,500 SF
1400 Marietta Way6	Mt Howard Family Trust	14,000 SF	\$1,850,000.00	1381 Capital Boulevard	Jay Group	126,268 SF

LATE 2020 - EARLY 2021 CONSTRUCTION AND FORECAST

Despite 2020 being both a year of an uncertainty due to the pandemic and an election year, development has not slowed down in the northern Nevada industrial sector. Slated for the remainder of 2020 and 2021 is approximately 5.1 million square feet of new construction consisting of primarily big-box projects: Avenue 55 at Spanish Springs finishing two buildings totaling 630,000 SF; Prologis' project at Military Road with two buildings totaling 770,000 SF; West America Commerce Center in the Tahoe-Reno Industrial Center (TRIC) for 610,000 SF; Dermody Properties developing The Park at McCarran with two buildings at 1.1 million SF and a build-to-suit project on Military Road totaling 841,000 SF; a new project in Stead on Echo Avenue for 286,000 SF; new projects in the wings with 490,000 SF in TRIC for Conco; and another 1.2 million SF in the North Valleys submarket by a Southern Californian developer.

As we have stated in past quarters, the forecast for the northern Nevada industrial market is almost completely dictated by the national and global economy. As we enter late 2020 and early 2021, the United States remains in a state of reservation as we face a post-election limbo and the arrival of an effective Covid-19 vaccine and promising therapeutics. We are hopeful that by year end we will have a much clearer picture of that situation. Until that time, we are only making wild guesses on economic forecasts.



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