

Real Estate Market Review

Reno Office

The Reno/Sparks area office market had continued to post decreases in vacancies and a positive net absorption for the quarter. The 2017 year showed major gains from 2016 in both leasing and sales. Northern Nevada shows no signs of slowing down.

Reno/Sparks had a solid fourth quarter with 63,589 square feet of positive net absorption, and year-to-date net absorption of 426,540 square feet.

Vacancy plummeted from a reported 11.6% in 2016 to 9.1% in 2017, and continues to decline while new tenants are coming into the area from all over the country; especially our California and Oregon neighbors.

There was a slight decrease to 8.9% in vacant availabilities for the fourth quarter, but far from the 9% reported in the third quarter. With a total marketwide 19,184,700 square feet of inventory in the Reno/Sparks area, at the end of the fourth quarter, the total vacancy of 1,698,160 square feet left the annual vacancy rate at 11% for 2017.

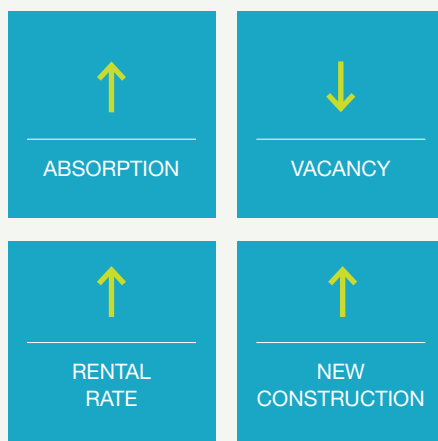
At the end of the fourth quarter, there were 65,900 square feet of office space under construction. 5520 Kietzke Lane is the largest building underway currently at 40,826 square feet and is half pre-leased, and

ABA Services leased the newly delivered 4,168 square feet at 5375 Reno Corporate Drive prior to completion of the building.

The average asking gross overall lease rate in the Reno/Sparks office real estate market at the end of 2017, for all building classifications, was \$1.49 per square foot, per month. Class A buildings had a gross overall asking lease rate of \$1.99 per square foot, per month. The large disparity in lease rates depending upon the class of projects is typical in any market, but particularly in our relatively small geographic area. As the Reno/Sparks area continues to sprawl and grows in size, the disparity will continue to become an issue. Tenants who have employees needing to drive greater distances to get to work will have a harder time finding “convenient” office locations to accommodate where employees can find affordable housing.

Source: Costar

Market Forecast Trends



Notable Lease Transactions

LRES
9790 Gateway Drive, Reno NV
±8,241 s.f. leased

First National Collection Bureau
50 West Liberty Street, Reno NV
7,000 s.f. leased

Undisclosed Tenant
10439 Double R Blvd, Reno NV
±7,850 s.f. leased

Undisclosed Tenant
5390 Kietzke Lane, Reno NV
±7,579 s.f. leased

Notable Sale Transactions

Massie Kids IV Properties LLC
515 Double Eagle Court, Reno NV
14,169 s.f. / \$1,759,000 | \$124.00/s.f.

KPS3 Holdings LLC
500 Ryland Street, Reno NV
10,922 s.f. / \$1,200,000 | \$110/s.f.

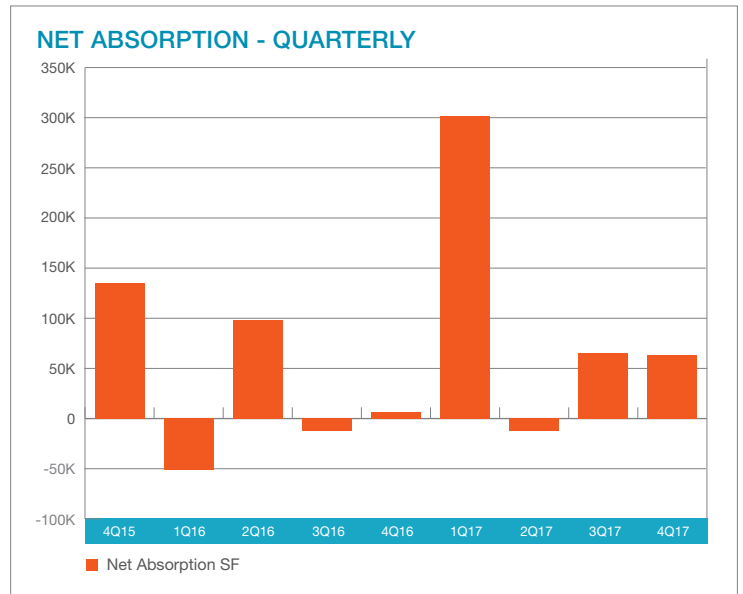
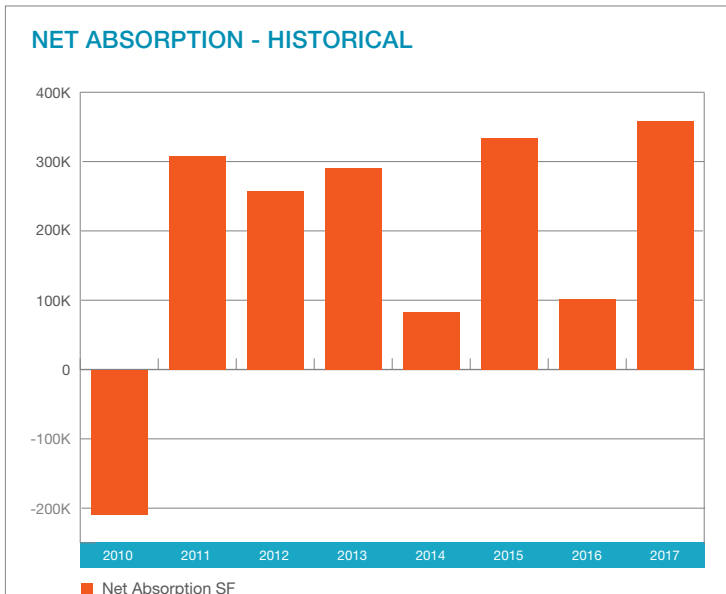
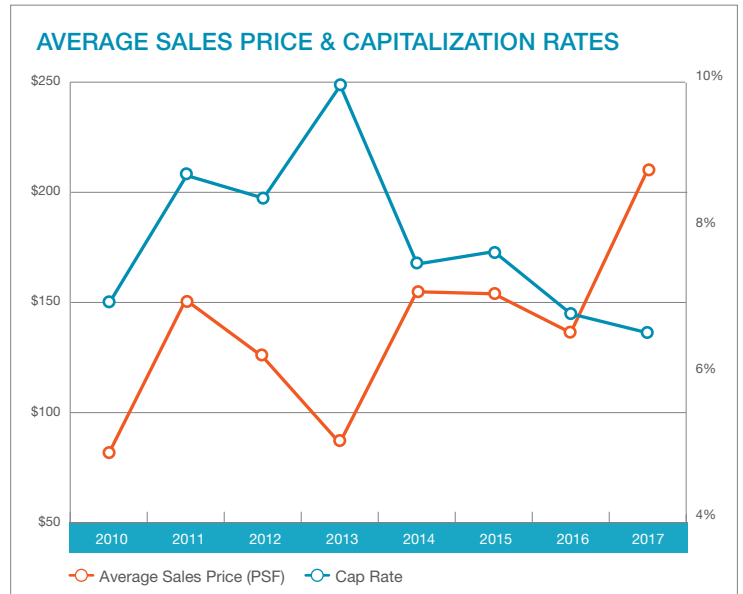
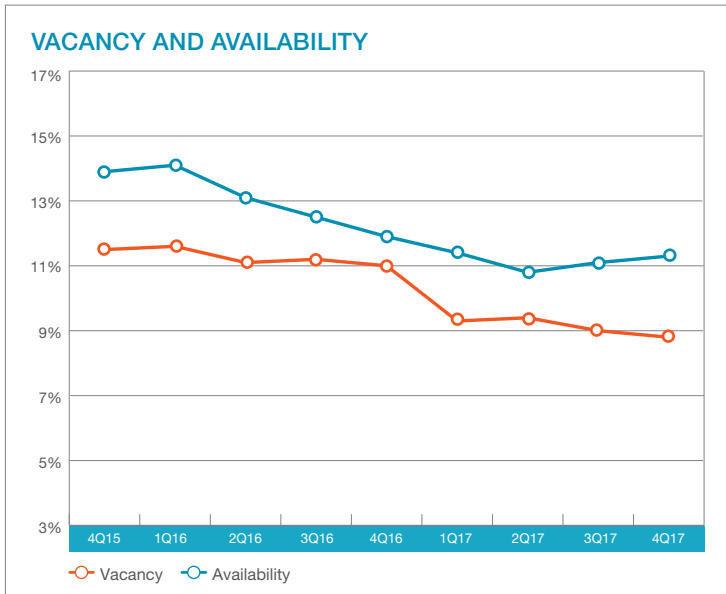
Hermco Inc. *Portfolio Sale
595 Kietzke Lane, Reno NV
10,752 s.f. / \$6,690,000 | \$117.88/s.f.

Leroy & Debra Del Don Trust
604 W Moana Lane, Reno NV
13,304 s.f. / \$2,680,000 | \$201.44/s.f.

Area Review

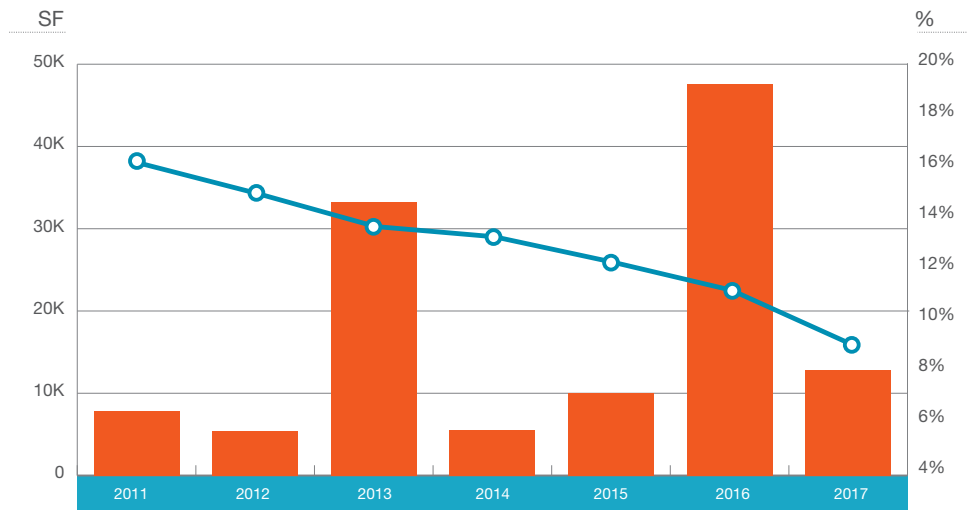
Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy Rate	Q4 Net Absorption	YTD Net Absorption	YTD Leasing Activity	Rental Rate
Central/Airport	293,117	10.40%	19,744	82,707	188,119	\$1.17
Downtown	363,140	7.40%	53,550	91,592	350,500	\$1.66
Meadowood	331,937	9.80%	-38,882	6,421	312,612	\$1.78
South Reno	203,613	8.70%	6,387	11,692	236,816	\$1.66
Sparks	96,671	7.60%	11,473	166,215	41,051	\$1.29
West Reno	79,683	21.40%	11,317	-1,810	33,164	\$1.19
Total	1,368,161	9.10%	63,589	356,817	1,162,262	\$1.55
Class A	161,134	9.90%	6,196	30,634	190,914	\$2.00
Class B	787,459	10.10%	4,984	257,498	688,696	\$1.57
Class C	419,568	7.50%	52,409	361,247	282,652	\$1.36



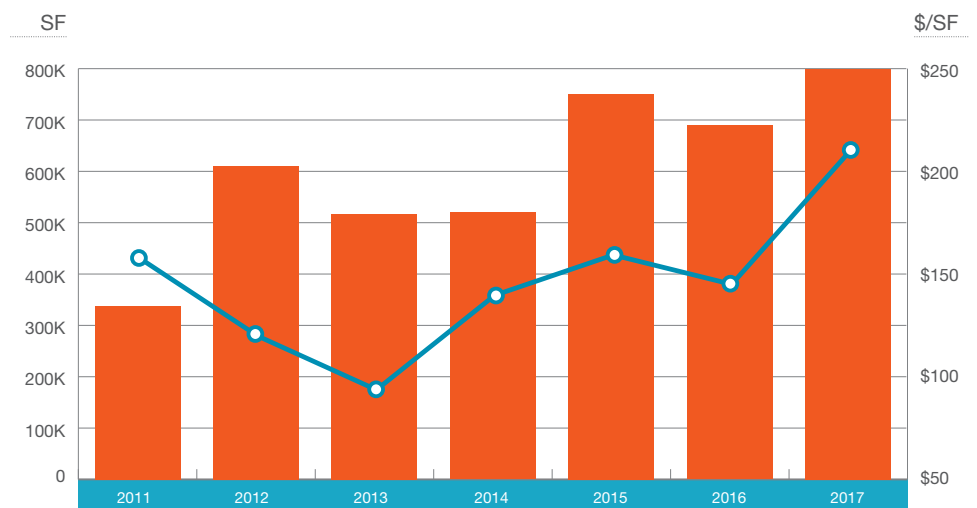
HISTORICAL NEW CONSTRUCTION & VACANCY RATE

- New Deliveries
- Vacancy



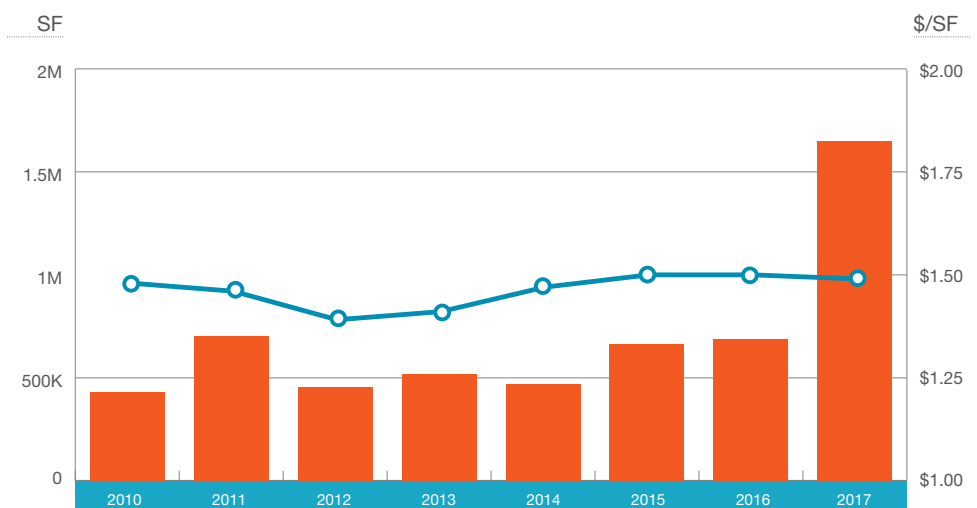
HISTORICAL SALES ACTIVITY & MEDIAN SALES PRICE

- Sales Activity
- Median Price/Building SF



HISTORICAL LEASING ACTIVITY & ASKING LEASE RATES

- Leasing Activity
- Monthly Lease Rate



Market Breakdown

Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

Commerce
323.727.1144

Long Beach
562.472.0071

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

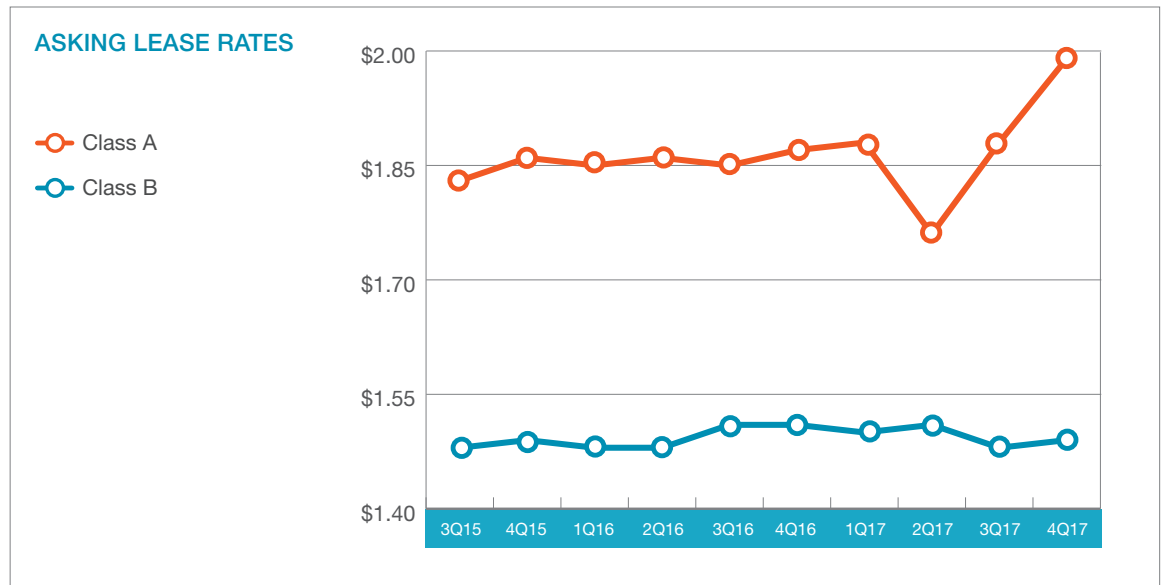
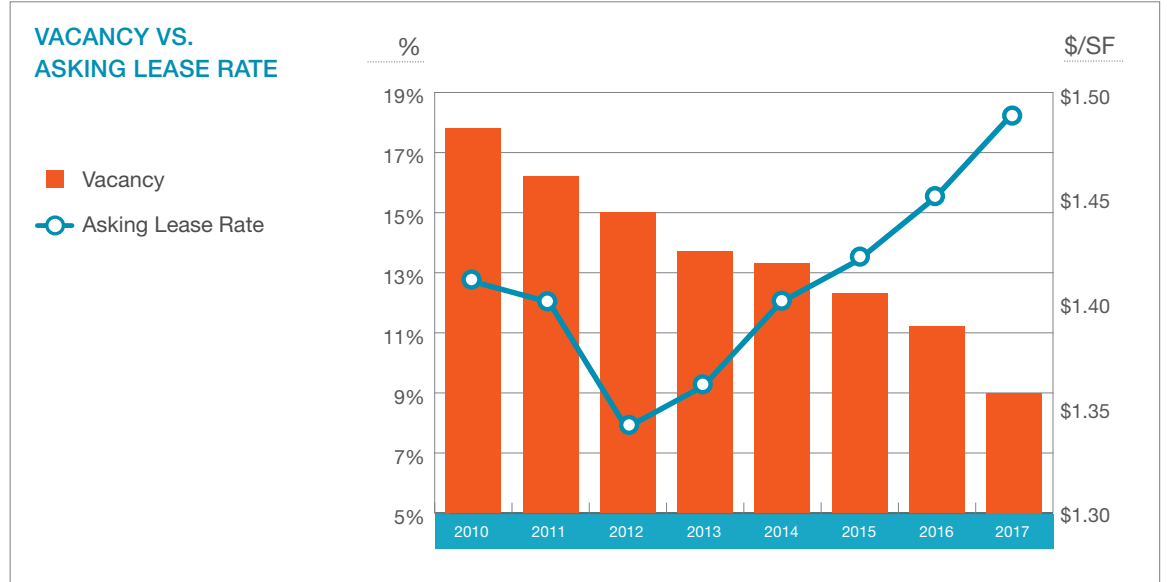
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	2017	2016	2015	Annual % Change
Vacancy Rate	9.10%	11.60%	11.20%	-18.75%
Availability Rate	11.30%	12%	14.20%	-20.42%
Asking Lease Rate	\$1.49	\$1.51	\$1.48	4.73%
Leased SF	1,650,277	1,022,720	1,039,136	58.81%
Sold SF	799,536	689,265	751,304	6.42%
Net Absorption	349,778	8,871	282,375	23.87%



Designated Broker
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