BIGGEST LITTLE INDUSTRIAL REPORT

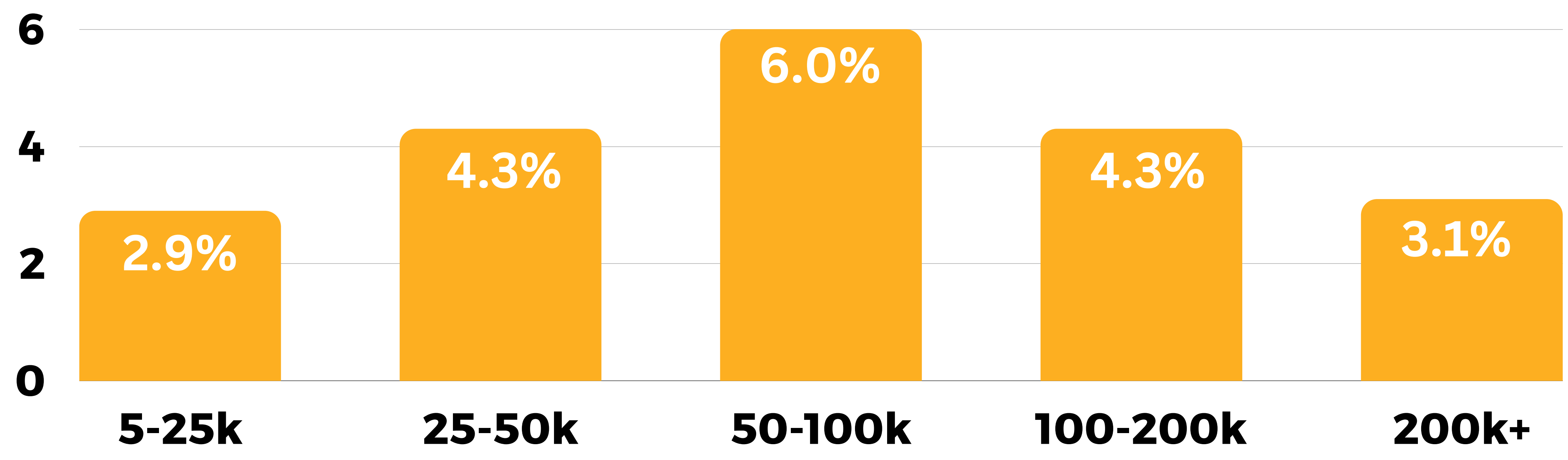
Q3 2023

Square Ft	Monthly Rent PSF	Avg Sale PSF
5-25k	$1.24	$231
25-50k	$1.06	$214
50-100k	$0.96	$167
100-200k	$0.83	$121
200k +	$0.71	$113

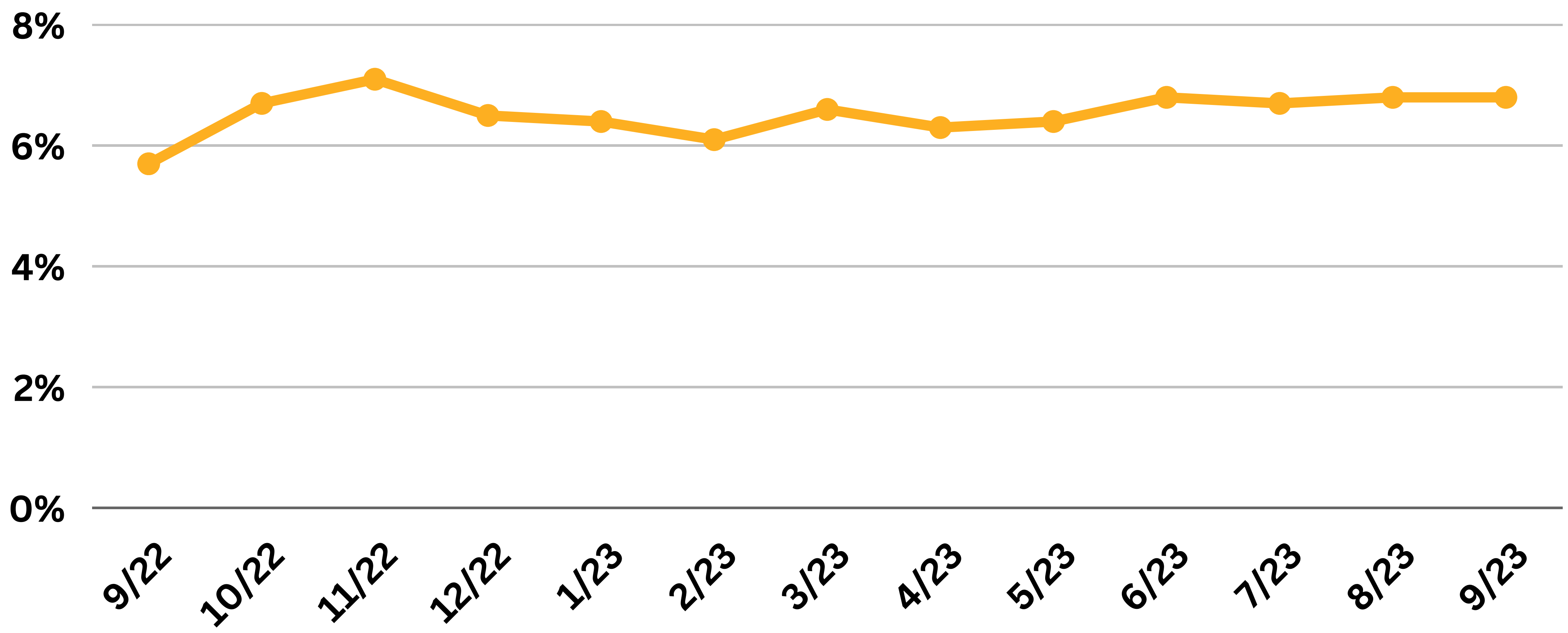
CHANGES SINCE LAST QUARTER

2.3 million square feet were delivered in Q3, mostly in the outlying submarkets such as North Valleys, Spanish Springs and East Sparks at the Tahoe Reno Industrial Center. As these new developments come to market, vacancy rates have risen closer to our historical market norms. This slight increase provides more options to tenants looking to relocate to the hot Northern Nevada market, which has been somewhat lacking for several years.

VACANCY RATES



INTEREST RATES



Our advice for tenants:

Lease rates dropped marginally but remain elevated, demand for industrial space is steady. Purchase values have normalized but higher interest rates are limiting competition from investors for purchase opportunities. If you considered owning, now is the time to buy and secure real estate before the return of a seller's market. Refinancing in late 2024 or early 2025 when rates recede is a strategy to reduce fixed costs.

For lease renewals, landlords have been raising rates which has forced some companies to downsize or spurring a flight to quality. However, to attract new lease tenants, landlords have been more accommodating with decreased annual escalation rates and longer rent abatement incentives. Strong credit will win the day.

Our advice for landlords:

As expected with the increase of inventory and continued upward pressure on market rate, Q3 has seen lease rate moderation. Lease renewals are still experiencing anywhere from 35% - 50% higher rates and in some cases more! This is pushing tenants out to the market, seeking reprieve for the higher-than-anticipated costs and has them seeking a higher quality property or location. An efficient way to navigate through the increased inventory and potential volatile market is to offer more favorable lease terms and incentives for high-quality, creditworthy tenants. Deals will continue to get done with these adjustments.

On the sale & investment side, the rising cost of capital has decreased transaction volume and it's anticipated to remain low through Q4 and well into 2024. Development pipelines are starting to dry up because of the higher capital return requirements, more projects are moving to BTS or stuck in planning phase with much less speculative activity. Cap rates for stabilized class A are 6% with more risky or local credit purchases reaching well into the mid 7's to meet the higher costs of capital. Watch Inflation and job reports which should signal the feds to begin declining interest rates, as this could spark more activity for investors.