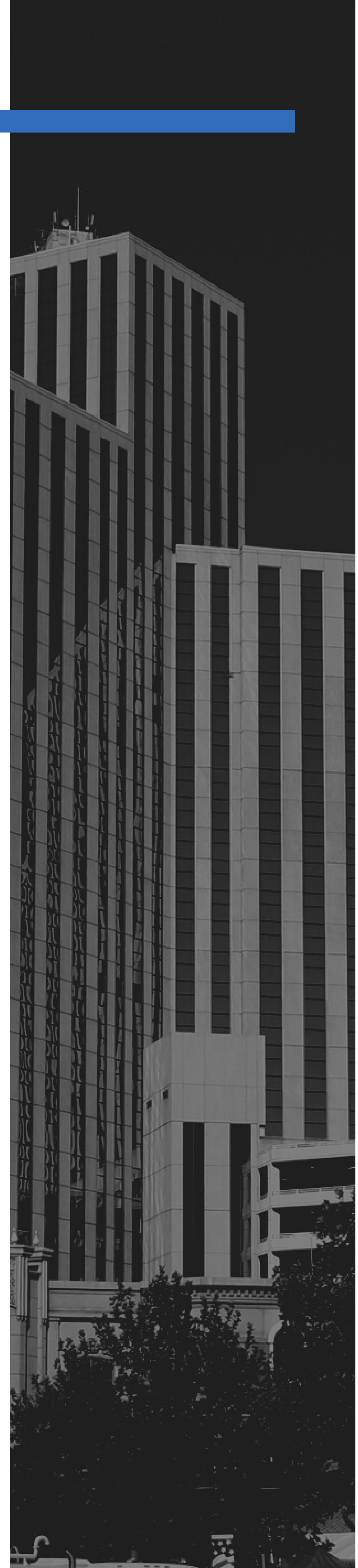
SPRING 2023

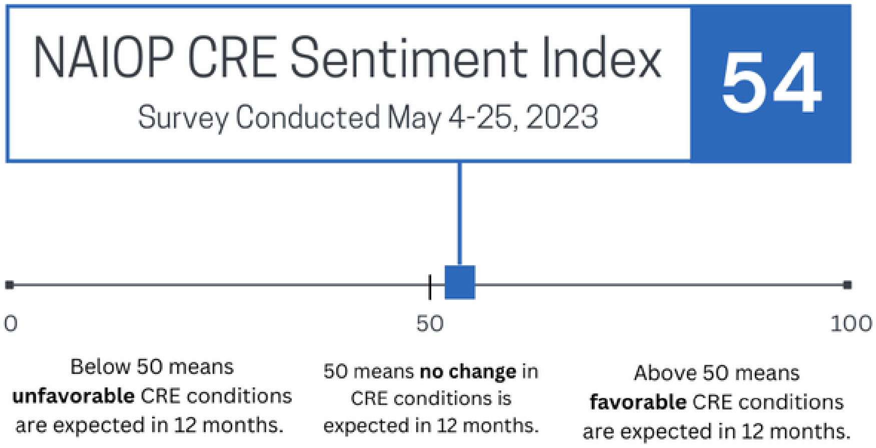
THE NAIOP NORTHERN NEVADA CRE SENTIMENT INDEX

LOCAL INDUSTRY LEADERS' OUTLOOK FOR COMMERCIAL REAL ESTATE



NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
NORTHERN NEVADA CHAPTER

FIGURE 1



KEY FINDINGS

The NAIOP CRE Sentiment Index for Northern Nevada in May 2023 is 54. The score obtained by NAIOP's national survey for the same period was 47. While the national score was consistent with Fall 2022, local responses indicated a gain of 10 points compared to the same period. This reading suggests that respondents expect local conditions to be consistent and slightly favorable over the next 12 months.

Respondents expect stable or higher interest rates, higher cap rates, and a decrease in the supply of equity and debt over the next year.
Respondents predict an increase in cap rates and a contraction in the supply of equity and debt than seen in the previous year (see Figure 3).

Their outlook for occupancy rates, face rents and effective rents is also less optimistic, though they still expect rents to grow (see Figure 2).

Respondents also expect a deterioration in general industry conditions over the next 12 months. The score for general industry conditions (42) is calculated separately from the CRE Sentiment Index and may reflect respondents' outlook for other factors that affect the commercial real estate industry, such as macroeconomic conditions. In Fall 2022, the local score was 30 so there is noted improvement, though the score does indicate a contraction is expected. The national score for the same period was also 42.

The May survey indicates that respondents expect an improvement in construction cost inflation over the next year. Respondents predict that construction material and

KEY FINDINGS (CONT.)

labor costs will remain constant or improve compared to rates seen in 2022.

Due to a more pessimistic outlook for development conditions, developers plan to decrease deal volume over the coming year. Developers and building owners plan to complete less dollar volume of new projects and transactions over the next year as in the past year.

Most respondents expect to be most active in projects or transactions related to industrial properties over the next year. Multifamily properties attracted the next-largest share of interest, followed by office and retail properties.

FIGURE 2: SENTIMENT INDEX COMPONENT SCORES: OCCUPANCY, RENTS, CONSTRUCTION COSTS

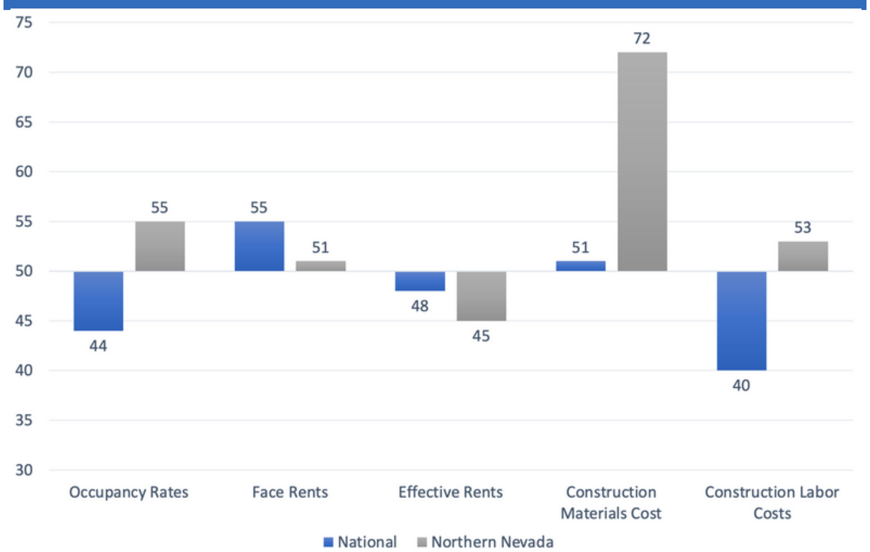


FIGURE 3: SENTIMENT INDEX COMPONENET SCORES: EQUITY, DEBT, CAP RATES, EMPLOYMENT

DIRECT FROM SURVEY PARTICIPANTS

“Due to the increase in interest rates and with the economic environment slowing, I would expect to see a slowdown in real estate activity. I think the office market will be challenged, as companies' occupancy requirements have changed due to COVID, not to mention some of the other economic factors (bank disruption, etc.).”

"The apartment market may become stagnant on the rent side, as more of the Class A buildings are completed and leased up. Notwithstanding, COVID also really changed the Reno/Sparks market with so many companies and workers moving to the area. Thus, I see the Reno/Sparks market, in particular, a little insulated compared to other west coast markets.”

“It seems like "Reno/Sparks" is now on the map. For better or worse, I also see the Reno/Sparks area as becoming a little San Jose with a different emphasis on our industry. Areas such as Carson City and Fernley should follow along similar trends as Reno/Sparks , but on a smaller and more affordable scale.”

“[There is a] need to restart the influx of new businesses.”

“I don't see a 2008 repeat. But free money is gone.”

“The troubled bid-ask dilemma is amongst us and has brought investment transactions to an acute halt. Office vacancy is on the rise; there is no way around the negative force of work from home or hybrid strategies. Industrial and manufacturing will continue as the CRE product leader.”