



## Industrial Market Report

Compared to the Previous Quarter:



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### Market Highlights

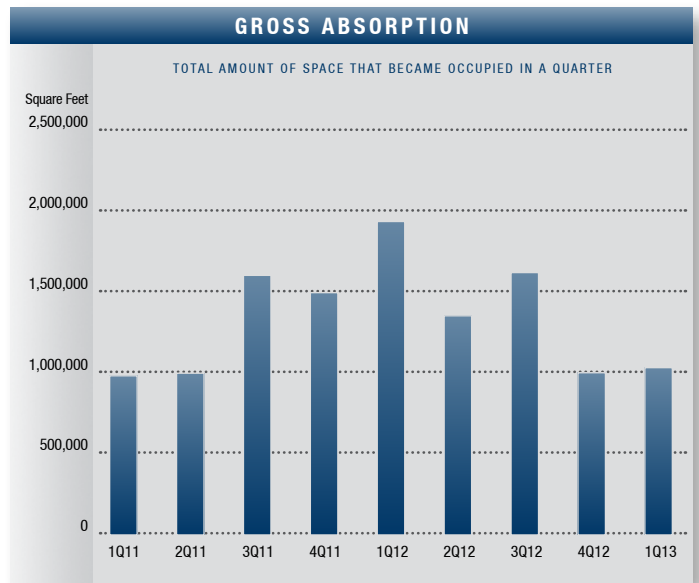
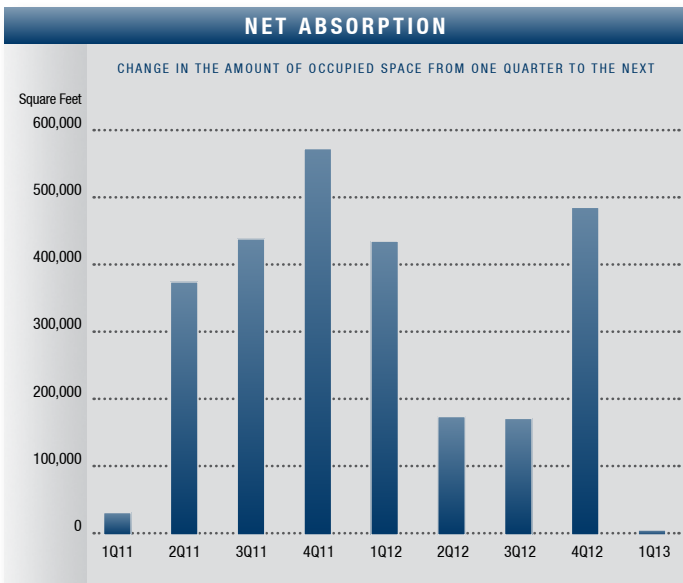
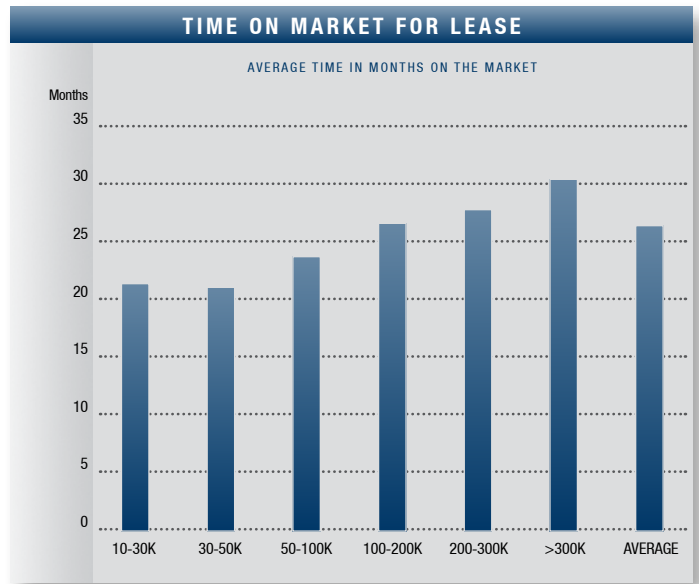
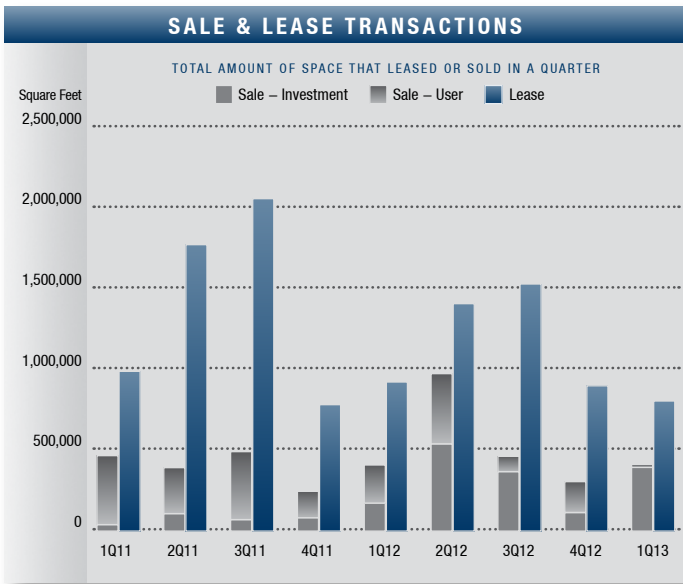
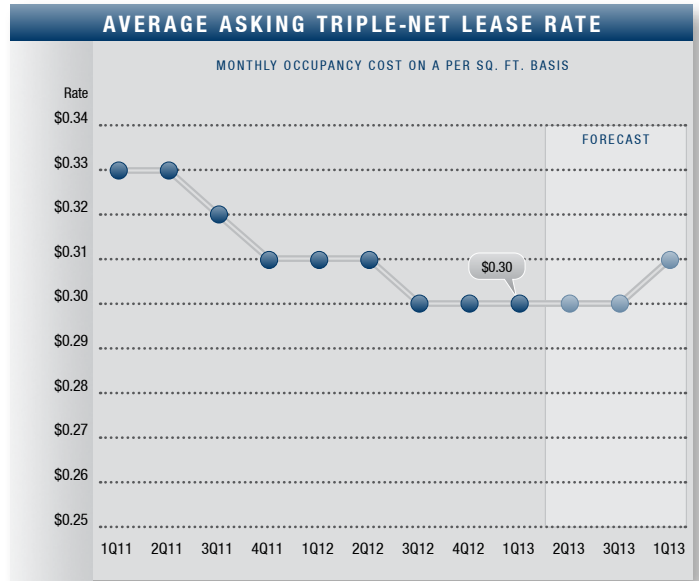
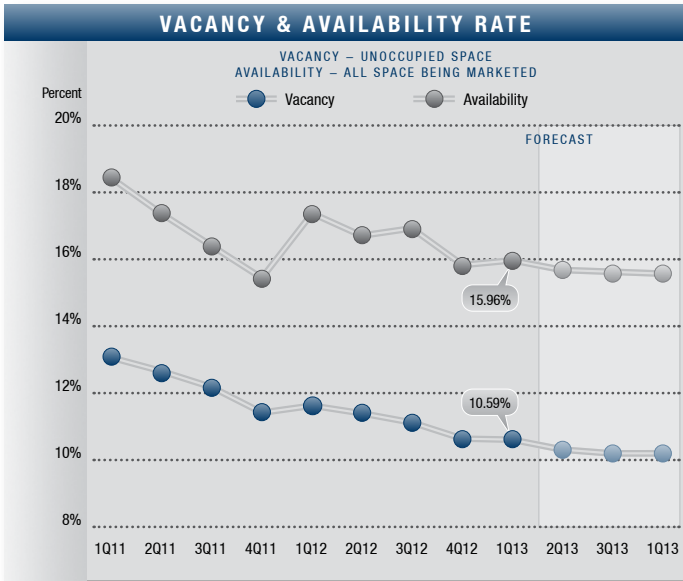
- Market Status** - Reno's industrial market has been showing significant signs of life with consecutive quarters of positive absorption and drops in vacancy. Good access to the Western states, efficient transportation links, liberal tax structure, and minimal regulations have allowed the metro to grow as a local and regional distribution hub. Despite the first quarter numbers appearing underwhelming, they are still minimally positive—and this reflects the stability in the Reno industrial market.
- Construction** - At the close of the first quarter, no properties were under construction, and none were delivered throughout the quarter. However, there was still 7.8 million square feet of proposed space. With build-to-suit seemingly being the only option out there for Reno construction, look for construction to remain scarce or nonexistent.
- Vacancy** - Total vacancy remained the same from the previous quarter, coming in at 10.59%. Within the major submarkets, the Carson City County area remained highest at 13.92%, while the Airport area came in at a solid 7.12%.
- Availability** - The rate of availability for space being marketed was 15.96% at the close of the first quarter; up 18 basis points from the previous quarter. Like vacancy, the Carson City County submarket remained highest at 18.28%, while the Airport submarket had the least available space at 10.17%.
- Lease Rates** - The average asking triple-net lease rate was \$0.30 per square foot per month for the third consecutive quarter, an indication of stability. Asking lease rates should remain near this level for the next couple of quarters, with potential increases in late 2013.
- Absorption** - The Reno industrial market recorded positive net absorption of 3,588 square feet for first quarter.

This marks the ninth consecutive quarter of positive net absorption. During 2012, the market recorded a total of 1.17 million square feet of positive net absorption. The largest submarket, by far, in all of the region, Sparks, had 256,319 square feet of negative net absorption. Conversely, the North Valley submarket posted 105,156 square feet of positive net absorption for the quarter.

- Transaction Activity** - The total volume of industrial lease and sale transactions posted a figure of about 1.2 million square feet for the quarter. Final numbers for this statistic typically have some lag time, so look for the quarter's numbers to end up around 1.4 million square feet of total volume. Details of the largest transactions for the first quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.6% in Dec. 2012, down from 10.8% in Sep. 2012. This compares with an unemployment rate of 9.8% for Nevada and 8.1% for the nation during the same period.
- Overall** - Reno's industrial market, since the economical downturn, has been improving slowly and steadily. Because Nevada doesn't regulate interstate trucking, Reno is able to attract trucking operations away from California, where it is regulated. Many trucking and logistics firms have terminals in the region, where they operate at a significant savings compared to California-based operators. Trucking shipments from Reno to 10 of the 11 Western states can be serviced within two days. Expect Reno's industrial market to continue its improvement with positive absorption and drops in vacancy. Within the tertiary markets, Reno may soon become "the gateway to the west" and be viewed as one of the leaders in distribution and logistics.

### INDUSTRIAL MARKET OVERVIEW

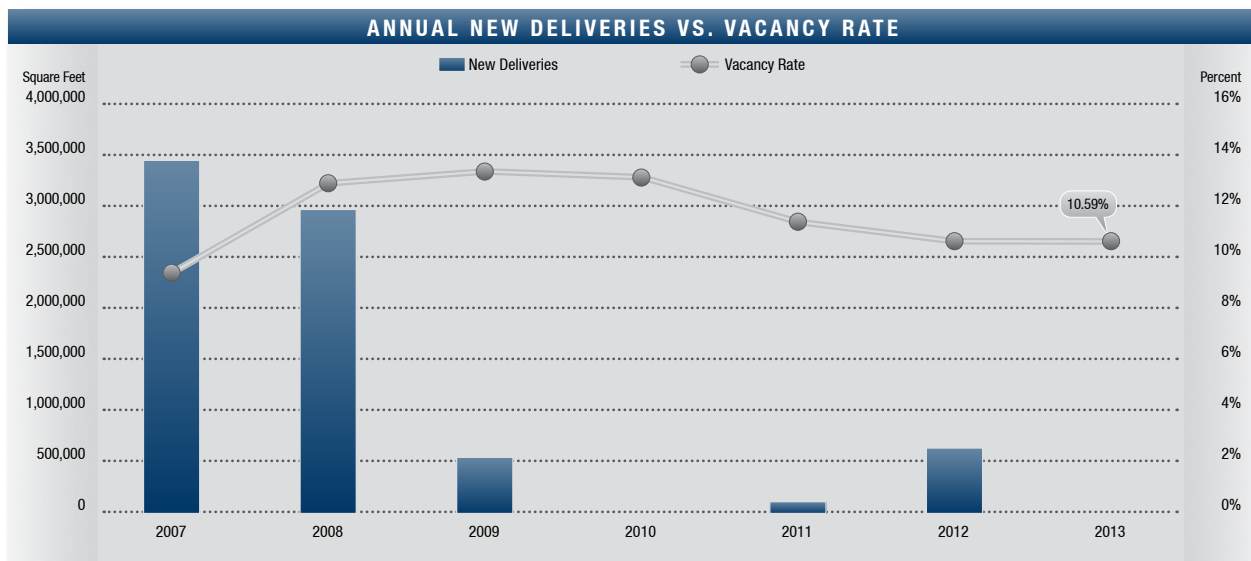
	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Vacancy Rate	10.59%	10.59%	11.59%	(8.63%)
Availability Rate	15.96%	15.78%	17.30%	(7.75%)
Average Asking Lease Rate	\$0.30	\$0.30	\$0.31	(3.23%)
Sale & Lease Transactions	1,192,845	1,178,582	1,298,775	(8.16%)
Gross Absorption	1,007,122	998,766	1,927,825	(47.76%)
Net Absorption	3,588	481,968	430,187	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
<b>Reno Market</b>													
Airport	148	7,197,768	0	13,000	512,391	7.12%	732,202	10.17%	\$0.27	(25,142)	135,739	42,619	485,279
Carson City County	121	2,910,916	0	20,160	405,102	13.92%	531,998	18.28%	\$0.40	(2,016)	202,310	32,900	372,118
Central	207	3,391,931	0	7,500	379,153	11.18%	474,786	14.00%	\$0.35	(20,110)	(47,991)	35,200	164,778
Douglas County	52	1,646,768	0	98,000	284,503	17.28%	454,147	27.58%	\$0.38	2,766	20,106	29,779	86,980
Fernley	43	4,452,576	0	0	293,265	6.59%	418,185	9.39%	\$0.25	7,900	11,895	7,900	68,005
Incline Village	2	33,335	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Outlying Washoe County	7	390,734	0	60,000	12,000	3.07%	12,000	3.07%	\$0.00	0	16,300	0	16,300
North Valleys	205	15,353,300	0	2,001,550	1,560,780	10.17%	2,191,351	14.27%	\$0.25	105,156	51,086	296,856	1,037,582
South Lyon County	92	2,194,596	0	0	346,597	15.79%	702,278	32.00%	\$0.26	57,734	161,578	119,369	363,908
South Outlying Washoe County	12	1,359,286	0	0	64,812	4.77%	161,312	11.87%	\$0.00	0	30,938	0	95,750
South Reno	108	7,182,519	0	451,000	860,680	11.98%	1,130,298	15.74%	\$0.52	60,519	(206,099)	70,080	587,439
Sparks	577	27,293,341	0	651,195	3,424,149	12.55%	4,626,225	16.95%	\$0.27	(256,319)	640,859	294,419	1,879,802
Storey County	52	8,137,935	0	4,467,214	536,413	6.59%	1,633,143	20.07%	\$0.34	70,100	138,178	75,000	564,234
West Reno	30	1,379,433	0	0	100,423	7.28%	166,389	12.06%	\$0.20	3,000	19,007	3,000	52,650
<b>Reno Market Total</b>	<b>1,656</b>	<b>82,924,438</b>	<b>0</b>	<b>7,769,619</b>	<b>8,780,268</b>	<b>10.59%</b>	<b>13,234,314</b>	<b>15.96%</b>	<b>\$0.30</b>	<b>3,588</b>	<b>1,173,906</b>	<b>1,007,122</b>	<b>5,774,825</b>

0-29,999	1,098	12,505,441	0	170,863	1,224,682	9.79%	1,630,707	13.04%	\$0.44	(27,112)	192,300	160,840	939,732
30,000-49,999	166	6,318,106	0	296,920	608,470	9.63%	929,035	14.70%	\$0.41	(12,071)	227,861	41,250	432,463
50,000-99,999	195	13,617,382	0	618,750	1,238,038	9.09%	1,712,971	12.58%	\$0.31	24,070	105,893	223,140	669,919
100,000-199,999	109	15,261,268	0	778,250	2,304,472	15.10%	3,839,629	25.16%	\$0.24	(48,082)	430,541	181,264	1,148,878
200,000-299,999	36	8,946,050	0	0	1,814,454	20.28%	1,942,785	21.72%	\$0.26	(331,001)	(30,373)	744	1,075,742
300,000 Plus	52	26,276,191	0	5,904,836	1,590,152	6.05%	3,179,187	12.10%	\$0.28	397,784	247,684	399,884	1,508,091
<b>Reno Market Total</b>	<b>1,656</b>	<b>82,924,438</b>	<b>0</b>	<b>7,769,619</b>	<b>8,780,268</b>	<b>10.59%</b>	<b>13,234,314</b>	<b>15.96%</b>	<b>\$0.30</b>	<b>3,588</b>	<b>1,173,906</b>	<b>1,007,122</b>	<b>5,774,825</b>

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
9900-9950 N. Virginia St.	North Valleys	260,000	\$23.27	Kirribili, LLC	Ventura Investment Company
1650 Linda Way	Sparks	25,200	\$49.60	Sparks Holdings, LLC	Crown Beverages, Inc.
7875 N. Virginia St.	North Valleys	25,000	\$33.00	American Millwork Company	Branch Banking & Trust Company
8985 Double Diamond Pkwy., Unit B-7	South Reno	5,512	\$63.50	Dennis Grose	Double Diamond Commercial Center
2207 Bellanca St.	Douglas County	24,000	\$10.00	Storey Family Trust	Wild Goose, LP

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2375 E. Newlands Dr. – Renewal	Fernley	337,500	Jan-13	Trex Company	Panattoni Development Company
201 Ireland Dr.	Storey County	187,200	Jan-13	PPG Industries, Inc.	Bentall Kennedy US, LP
625 Waltham Way	Storey County	180,000	Feb-13	Nevada Distribution Company	Prologis
1150 Trademark Dr.	South Reno	56,800	Jan-13	Bella Four Bakery	Prologis
6645 Echo Ave.	North Valleys	56,550	Mar-13	Firestone	Panattoni Development Company

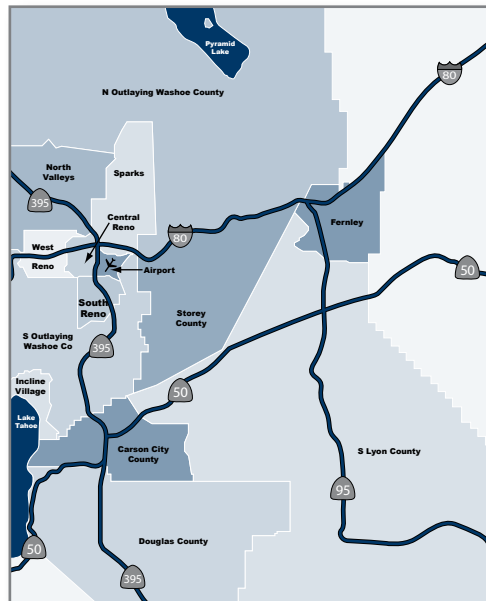
Product Type

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

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