

## MARKET CHANGE

*Compared to the Previous Quarter:*

Vacancy



UP

Net Absorption



POSITIVE

Lease Rates



UP

Transactions



UP

Deliveries



UP

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## HIGHLIGHTS

- **Market Status** - The Reno industrial market continued to display signs of recovery in the first quarter of 2014. Vacancy showed an impressive 139-basis-point drop compared to the previous year. The first quarter also marked the third consecutive quarter of positive net absorption for the market. These promising figures are further proof that Reno's industrial market has secured its outlook as a favorable distribution hub. Good access to the Western states, efficient transportation links, a liberal tax structure, and minimal regulations have allowed the metro to grow as a local and regional distribution hub.
- **Construction** - At the close of the first quarter, only one property was under construction in the Reno industrial market — a 707,010-square-foot, Class-A distribution center in Storey County. Long term, Reno has positioned itself as a growing regional warehouse market, which could lead to greater development opportunities.
- **Vacancy** - The vacancy rate for Reno's industrial market ended the quarter at 9.91%, up 11 basis points from the previous quarter but down 139 basis points from the previous year's figure of 11.30%. Within the major submarkets, South Lyon County remained highest at 18.77%, while the South Outlying Washoe County area came in at a solid 5.47%.
- **Availability** - Direct/sublet space being marketed was 12.49% of the total inventory at the close of the first quarter — an increase of 59 basis points from the previous quarter but 23.37% lower than 2013's first quarter rate of 16.30%. This significant drop in availability will continue to put upward pressure on lease rates in coming quarters. Of the major submarkets, the South Lyon County availability rate remained highest at 34.59%, while North Valleys had one of the lowest available rates at 6.48%.
- **Lease Rates** - The average asking triple-net lease rate was \$0.33 per square foot per month, the highest rate seen since 2012.
- **Absorption** - The Reno industrial market recorded positive net absorption of 369,302 square feet for the first quarter, which marked the third quarter of consecutive net absorption, totaling almost 1.7 million square feet. The North Valleys submarket recorded 217,579 square feet of positive net absorption, while the largest submarket in all of the region, Sparks, had the second highest net absorption of 142,706 square feet.
- **Transaction Activity** - The total volume of industrial leasing activity came in at 658,984 square feet for the first quarter, while sales activity came in at approximately 1.7 million square feet. It is noteworthy that the first quarter's number of investment sales rose to 1.6 million square feet, the greatest amount of investment sales activity in a single quarter in the past two years. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher in the next report. Details of the largest transactions for the first quarter of 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 8.8% in February 2014, down from 9.1% in January 2014. This compares with an unemployment rate of 8.5% for Nevada and 6.7% for the nation during the same period.
- **Overall** - Reno's industrial market has been improving slowly and steadily. Reno may have some statistical advantages over other industrial markets in the southwest: 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. 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.

## FORECAST

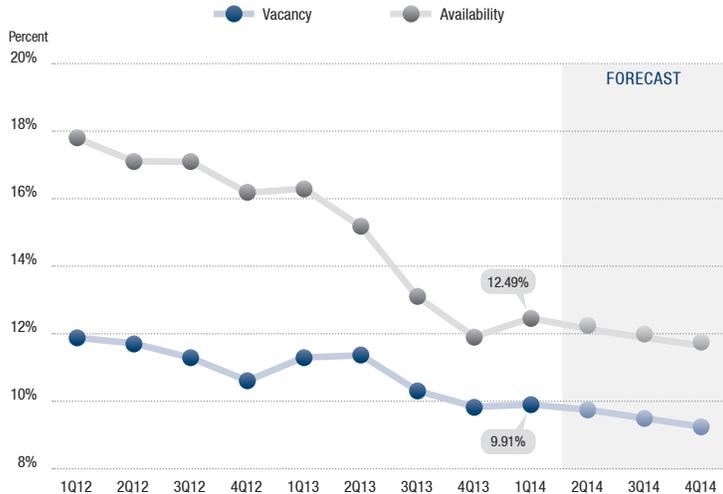
- **Employment** - We anticipate job growth of around 1.4%, or 2,800 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rate are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by another 8%–10% by 2015, as demand increases.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 70 basis points, to around 9.25%, by 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	9.91%	9.80%	11.30%	(12.30%)
Availability Rate	12.49%	11.90%	16.30%	(23.37%)
Average Asking Lease Rate	\$0.33	\$0.32	\$0.30	10.00%
Sale & Lease Transactions	2,340,332	1,810,364	2,536,694	(7.74%)
Gross Absorption	932,249	995,027	784,798	18.79%
Net Absorption	369,302	377,520	(489,718)	N/A

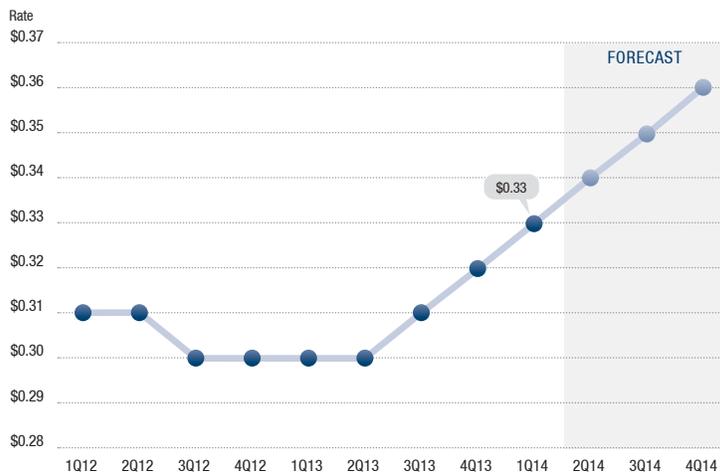
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



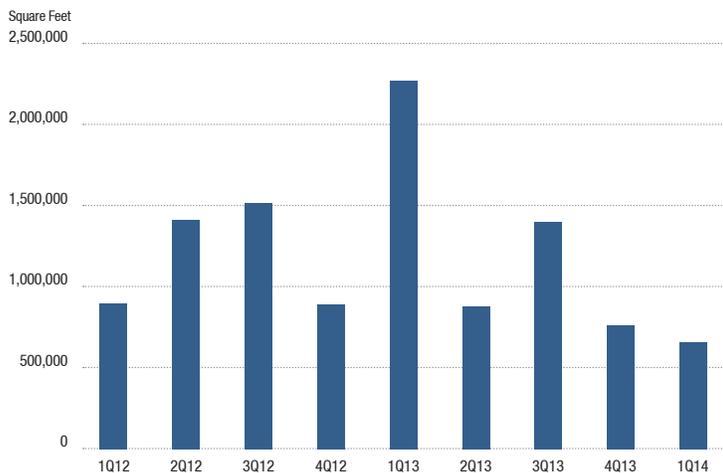
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



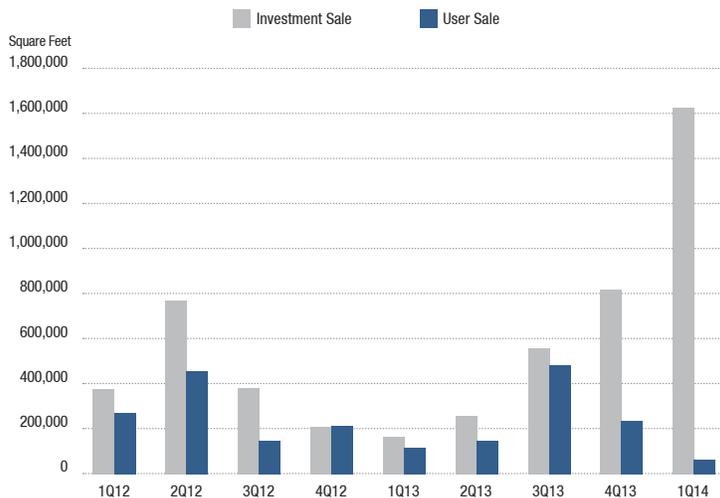
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



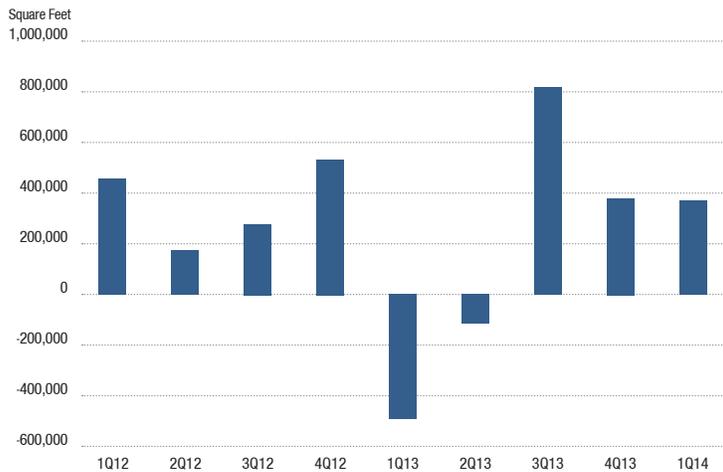
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



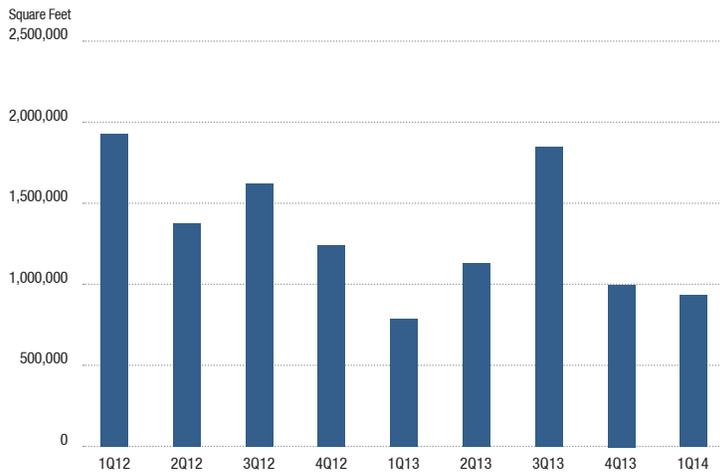
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## GROSS ABSORPTION

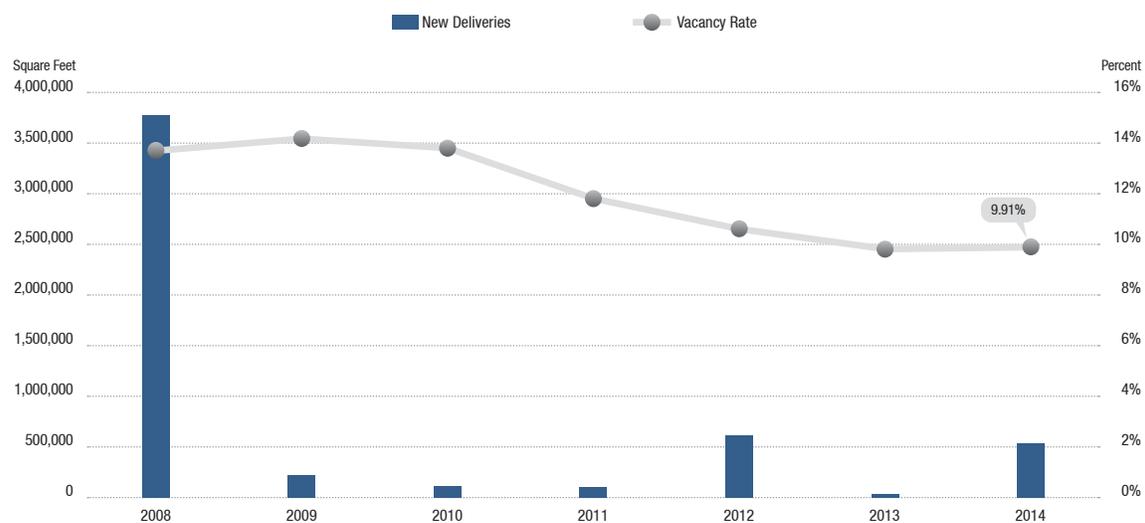
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
<b>Reno Market</b>													
Airport	131	6,405,079	0	13,000	848,895	13.25%	871,798	13.61%	\$0.30	17,262	(246,575)	38,282	242,353
Carson City County	115	2,538,538	0	20,160	344,591	13.57%	447,571	17.63%	\$0.50	(15,700)	72,256	13,830	175,699
Central	189	2,598,055	0	15,000	159,247	6.13%	185,862	7.15%	\$0.37	84,669	(10,317)	87,535	74,548
Douglas County	48	1,466,228	0	72,000	211,955	14.46%	268,135	18.29%	\$0.39	(4,400)	43,909	20,560	121,442
Fernley	40	4,291,970	0	400,000	267,775	6.24%	267,775	6.24%	\$0.26	(3,840)	39,130	0	39,130
Incline Village	3	40,535	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Outlying Washoe County	10	222,430	0	60,000	0	0.00%	7,700	3.46%	\$0.00	12,000	0	12,000	0
North Valleys	175	14,450,673	0	3,514,854	954,722	6.61%	935,958	6.48%	\$0.75	217,579	155,135	232,939	713,938
South Lyon County	93	2,031,461	0	0	381,302	18.77%	702,690	34.59%	\$0.23	(42,350)	39,954	6,300	167,545
South Outlying Washoe County	9	1,276,989	0	400,000	69,812	5.47%	69,812	5.47%	\$0.00	0	(5,000)	0	96,541
South Reno	99	6,743,938	0	291,196	745,811	11.06%	651,498	9.66%	\$0.38	(46,864)	371,792	28,440	781,414
Sparks	550	26,323,583	0	2,357,895	2,764,697	10.50%	3,718,420	14.13%	\$0.31	142,706	(175,347)	484,123	1,388,055
Storey County	58	8,434,975	707,010	6,822,339	817,877	9.70%	1,454,364	17.24%	\$0.49	5,600	177,000	5,600	662,860
West Reno	24	886,678	0	0	131,110	14.79%	124,436	14.03%	\$0.35	2,640	(30,327)	2,640	9,643
<b>Reno Market Total</b>	<b>1,544</b>	<b>77,711,132</b>	<b>707,010</b>	<b>13,966,444</b>	<b>7,697,794</b>	<b>9.91%</b>	<b>9,706,019</b>	<b>12.49%</b>	<b>\$0.33</b>	<b>369,302</b>	<b>431,610</b>	<b>932,249</b>	<b>4,584,695</b>
0-29,999	1,042	11,774,372	0	198,573	1,005,926	8.54%	1,164,592	9.89%	\$0.50	(36,467)	186,525	156,739	792,251
30,000-49,999	156	5,921,023	0	300,620	466,867	7.88%	715,010	12.08%	\$0.44	(5,175)	167,672	63,107	415,442
50,000-99,999	162	11,293,567	0	678,750	1,178,023	10.43%	1,415,643	12.53%	\$0.40	(84,829)	151,561	123,920	671,378
100,000-199,999	98	13,789,313	0	904,500	2,053,151	14.89%	2,635,817	19.11%	\$0.29	319,722	(556,139)	412,432	496,843
200,000-299,999	32	8,029,714	0	448,500	1,037,025	12.91%	836,430	10.42%	\$0.26	0	514,992	0	1,117,715
300,000 Plus	54	26,903,143	707,010	11,435,501	1,956,802	7.27%	2,938,527	10.92%	\$0.31	176,051	(33,001)	176,051	979,539
<b>Reno Market Total</b>	<b>1,544</b>	<b>77,711,132</b>	<b>707,010</b>	<b>13,966,444</b>	<b>7,697,794</b>	<b>9.91%</b>	<b>9,706,019</b>	<b>12.49%</b>	<b>\$0.33</b>	<b>369,302</b>	<b>431,610</b>	<b>932,249</b>	<b>4,584,695</b>

Lease rates are on a triple-net basis.

## ANNUAL NEW DELIVERIES VS. VACANCY RATE



## MAJOR TRANSACTIONS

### Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Southwest Commerce Center (6 Properties)	South Reno	1,029,700	\$61.18	Massachusetts Mutual Life Insurance Company	MEPT (Multi-Employer Property Trust)
2335 Market St.	Central Reno	21,583	\$133.21	Chester Real Estate, LLC	Alan Rock
155 Glendale Ave.	Sparks	56,188	\$32.04	Schnabel Ventures	Hanover Street Capitol, LLC
527 Coney Island Dr.	Sparks	6,951	\$106.46	Tom Baumbach	Mark Temen
250 Arletta St.	Central Reno	10,240	\$62.01	Sierra Crew, LLC	Colligan CJ Trust

### Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
240-250 S. Stanford Way	Sparks	104,574	Feb-14	Warehouse Services, Inc.	Pomona Industry Center, LLC
1195 Trademark Dr.	South Reno	102,500	Jan-14	AmeriSource Bergen	The Blackstone Group
525-745 Coney Island Dr.	Sparks	101,673	Jan-14	Genco I, Inc.	The Blackstone Group
10991 Lear Blvd.	North Valleys	72,027	Jan-14	Genco	The Blackstone Group
4855 Longley Ln.	Airport	57,840	Jan-14	Custom Ink	The Blackstone Group

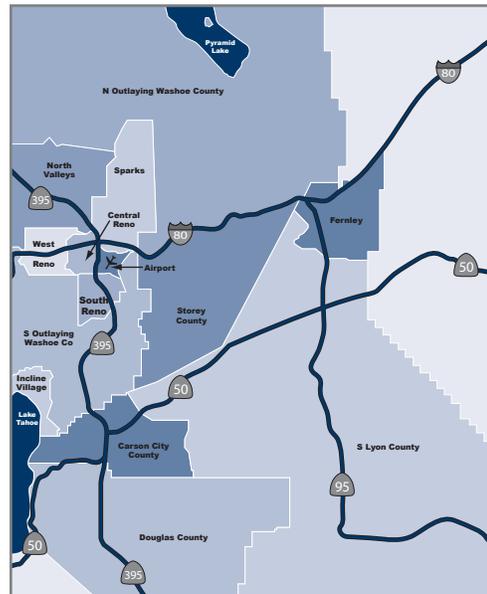
## PRODUCT TYPE

### MFG./DIST.

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

To view available properties, please visit:

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