FIRST QUARTER 2015
RENO
INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy

UP

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

UP

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HIGHLIGHTS

- **Market Status -** The Reno industrial market's vacancy rate is currently 8.77%, which is 7 basis points lower than one year ago. Lease rates remained unchanged during the first quarter, but are still 6.25% higher than they were one year ago. Reno's industrial market continues to strengthen as companies such as Tesla continue to choose the Reno-Sparks area to build their businesses. Good access to the Western states, efficient transportation links, a liberal tax structure, and minimal regulations have allowed the metro to increase its prominence as a local and regional distribution hub for many years to come.
- **Construction -** At the close of the first quarter, three properties were under construction in the Reno industrial market for a total of 5,724,000 square feet. The most notable project is the 5.5 million square feet Tesla gigafactory in Sparks. During the first quarter two properties were delivered for a total of 1,227,000 square feet. With an estimated 12.6 million square feet of planned industrial space, Reno has positioned itself as a growing regional warehouse market.
- **Vacancy -** The vacancy rate for Reno's industrial market ended the quarter at 8.77%, increasing by 77 basis points from the previous quarter, due to some new product that was delivered, but still down 7 basis points from the previous year's figure of 8.84%. Within the major submarkets, Carson City County was the highest at 15.85%, while Central Reno and Fernley came in at a solid 3.74% and 4.56%.
- **Availability -** Direct/sublet space being marketed was 10.47% of the total inventory at the close of the first quarter — a decrease of 129 basis points from the previous year. Of the major submarkets, the Carson City County availability rate was the highest at 19.92%, while North Valleys had one of the lowest available rates at 7.30%.
- **Lease Rates -** The average asking triple-net lease rate was $0.34 per square foot per month, which remained unchanged from the previous quarter; however, this figure is still two cents higher than one year ago. Asking lease rates are expected to continue to gradually increase over the next couple of quarters as demand for industrial space in Reno increases.
- **Absorption -** The Reno industrial market recorded positive net absorption of 507,342 million square feet during the first quarter of 2015, giving the market a total of over 4.1 million square feet of positive absorption over the past seven quarters. Given that Reno is a growing regional warehouse market, absorption is expected to increase in future quarters. Of the major submarkets, Storey County recorded 249,795 square feet of positive net absorption, while South Reno had the second highest net absorption of 134,088 square feet.
- **Transaction Activity -** The total volume of industrial leasing and sales activity came in at 862,022 square feet for the first quarter. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. Details of the largest transactions for the quarter can be found on the back page of this report.
- **Employment -** The unemployment rate in the Reno-Sparks MSA was 7.4% in January 2015, down from 8.8% in January 2014. This compares with an unemployment rate of 7.1% for Nevada and 5.8% for the nation during the same period.
- **Overall -** Reno's industrial market continues to stay strong as the overall vacancy rate continues its downward trend and is lower than pre-recession rates. The advent of the Tesla gigafactory is expected to lure more businesses into the Reno-Sparks area. Among other factors, Nevada does not regulate trucking operations as strictly as California, which has led to more logistics firms operating in the region, at a significant savings compared to California-based operators. The combination of these factors has made Reno one of the leaders in manufacturing, distribution and logistics.

FORECAST

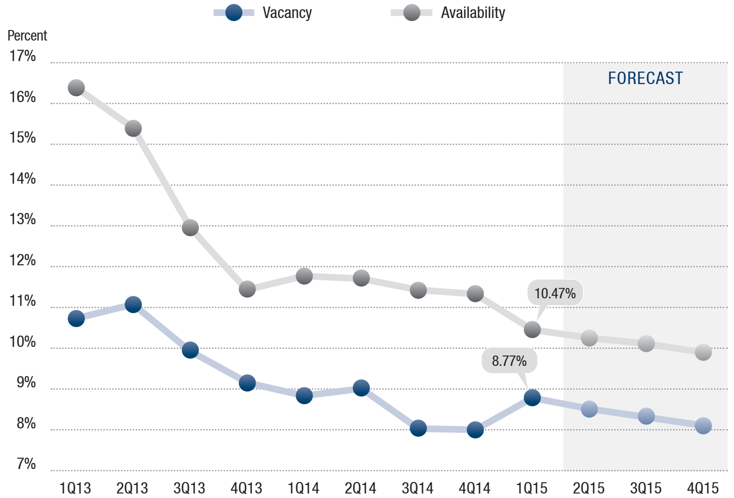
- **Employment -** We anticipate job growth of above 2%, or 4,000 jobs, in the Reno/Sparks area in 2015. The occupational groups with the fastest growth rates are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates -** Expect average asking lease rates to increase by 3% to 5% over the next four quarters.
- **Vacancy -** We anticipate the vacancy rate continuing to remain steady in the coming quarters, dropping by 65 basis points, to around 8.1% by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Vacancy Rate	8.77%	8.00%	8.84%	(0.79%)
Availability Rate	10.47%	11.30%	11.76%	(10.97%)
Average Asking Lease Rate	$0.34	$0.34	$0.32	6.25%
Sale & Lease Transactions	862,022	2,993,168	3,500,934	(75.38%)
Gross Absorption	1,858,217	2,084,485	1,264,447	46.96%
Net Absorption	507,342	668,304	733,578	N/A

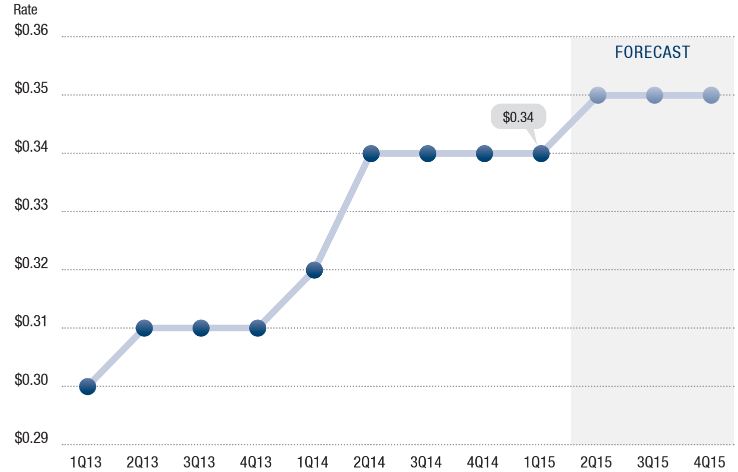
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



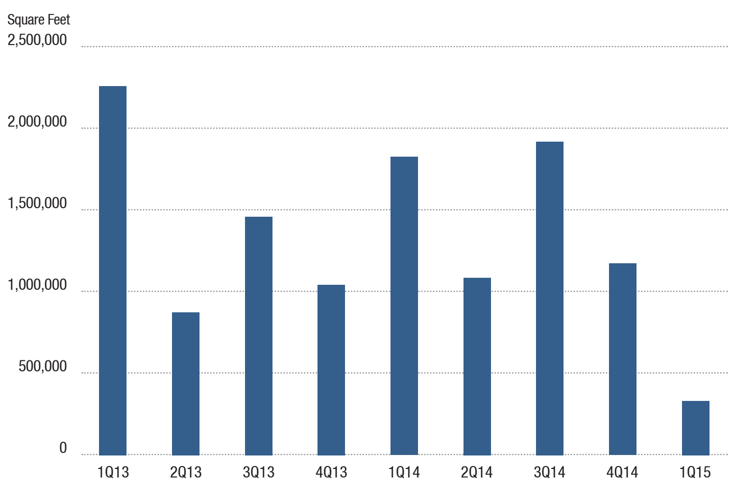
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



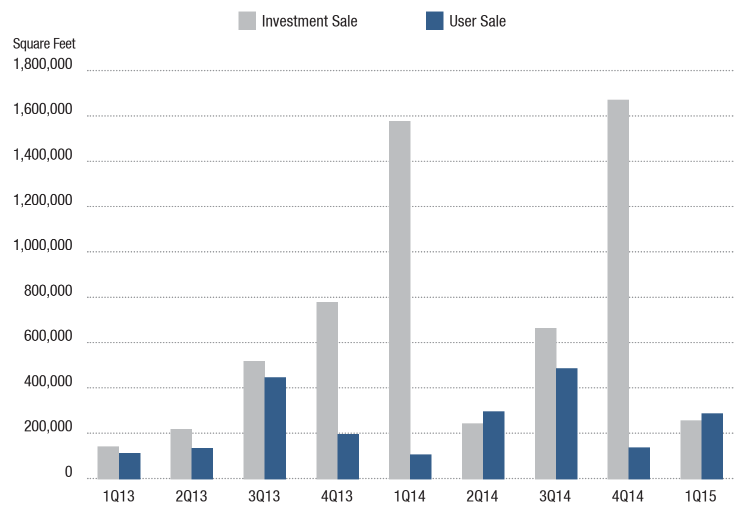
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



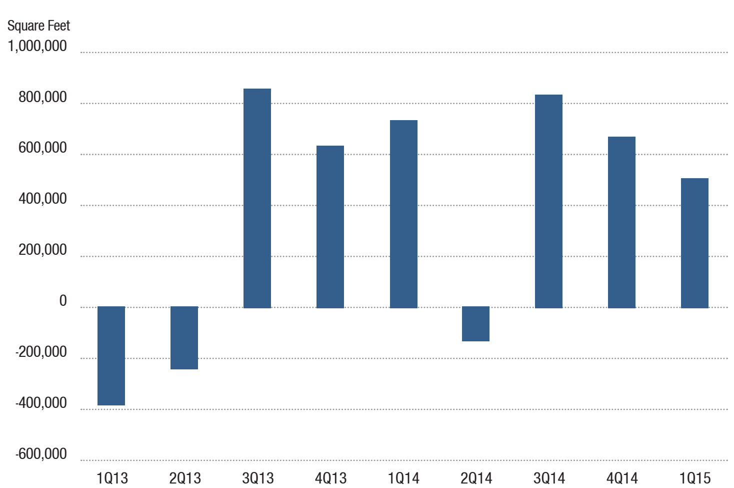
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



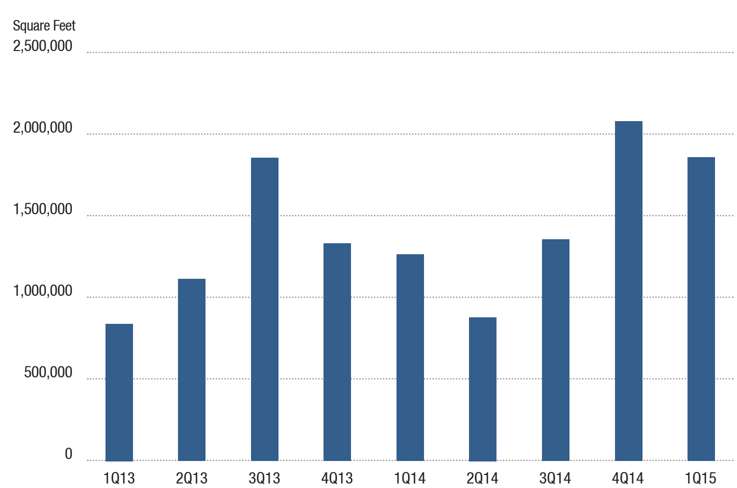
NET ABSORPTION

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



GROSS ABSORPTION

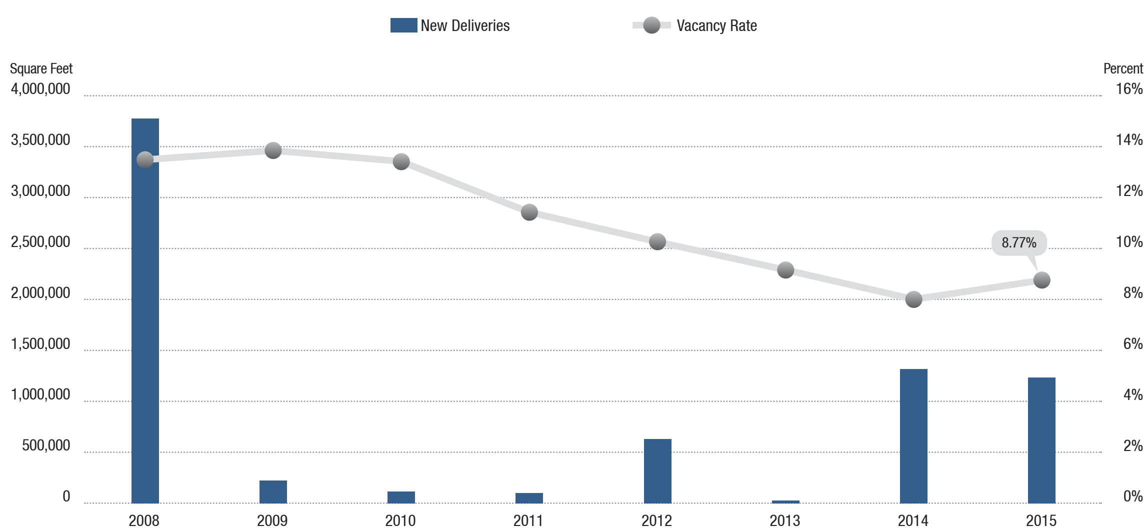
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Reno Market													
Airport	133	6,440,754	0	13,000	776,515	12.06%	761,420	11.82%	$0.35	106,585	(3,947)	221,201	333,036
Carson City County	125	2,762,009	0	20,160	437,803	15.85%	550,091	19.92%	$0.46	115	(30,205)	25,360	76,519
Central	190	2,595,077	0	15,000	97,012	3.74%	197,320	7.60%	$0.37	(4,013)	104,317	0	164,027
Douglas County	52	1,498,022	24,000	72,000	78,911	5.27%	193,892	12.94%	$0.43	39,240	21,304	41,047	113,964
Fernley	41	4,191,116	0	400,000	191,015	4.56%	792,875	18.92%	$0.35	0	(6,480)	0	184,035
Incline Village	3	40,535	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	0
North Outlying Washoe County	12	255,850	0	60,000	13,920	5.44%	13,920	5.44%	$0.61	0	(1,920)	0	25,920
North Valleys	175	14,989,933	200,000	2,910,314	1,428,921	9.53%	1,094,951	7.30%	$0.37	(120,127)	403,307	254,090	619,767
South Lyon County	100	2,137,585	0	0	281,845	13.19%	411,233	19.24%	$0.25	43,740	(169,669)	55,200	70,477
South Outlying Washoe County	9	1,276,989	0	470,000	5,000	0.39%	5,000	0.39%	$0.00	45,612	19,200	45,612	19,200
South Reno	101	6,941,705	0	139,946	482,258	6.95%	502,289	7.24%	$0.37	134,088	153,901	140,240	264,168
Sparks	558	26,994,790	0	1,607,895	2,431,406	9.01%	3,006,028	11.14%	$0.31	12,307	525,157	825,667	1,482,208
Storey County	60	9,443,297	5,500,000	6,929,802	833,851	8.83%	855,111	9.06%	$0.35	249,795	680,841	249,800	1,689,996
West Reno	25	899,178	0	0	2,000	0.22%	43,800	4.87%	$0.65	0	131,750	0	131,750
Reno Market Total	**1,584**	**80,466,840**	**5,724,000**	**12,638,117**	**7,060,457**	**8.77%**	**8,427,930**	**10.47%**	**$0.34**	**507,342**	**1,827,556**	**1,858,217**	**5,175,067**
0-29,999	1,073	12,111,463	24,000	437,553	647,990	5.35%	970,255	8.01%	$0.60	43,870	210,734	115,426	695,370
30,000-49,999	161	6,128,654	0	268,620	450,484	7.35%	688,826	11.24%	$0.43	(11,890)	(1,010)	88,185	226,745
50,000-99,999	163	11,381,864	0	698,750	1,037,984	9.12%	1,444,026	12.69%	$0.33	112,697	(40,501)	161,848	681,975
100,000-199,999	98	13,864,402	0	933,250	1,559,262	11.25%	1,793,644	12.94%	$0.33	(209,400)	355,918	264,088	1,148,139
200,000-299,999	30	7,482,724	200,000	465,140	611,360	8.17%	788,242	10.53%	$0.31	51,322	303,172	78,370	429,440
300,000 Plus	59	29,497,733	5,500,000	9,834,804	2,753,377	9.33%	2,742,937	9.30%	$0.33	520,743	999,243	1,150,300	1,993,398
Reno Market Total	**1,584**	**80,466,840**	**5,724,000**	**12,638,117**	**7,060,457**	**8.77%**	**8,427,930**	**10.47%**	**$0.34**	**507,342**	**1,827,556**	**1,858,217**	**5,175,067**

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
2400 & 2500 Valley Road	Central Reno	161,840	$33.98	Sterlin-Reno 2, LLC	2450 Valley Road, LLC
240-250 S. Stanford Way	Sparks	158,574	$25.86	EE Technologies	Sanport Development, Inc.
400 Western Road	North Valleys	61,152	$38.43	Sierra Alliance Partners	Oce, LLC
9748 Virginia Street, Unit C & D	South Reno	35,415	$95.00	The Spa & Sauna Company	Nevada Spas & Billiards
55 Coney Island	Sparks	14,205	$56.32	Iron Mountain Drive, LLC	Brandt Investments, LTD

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Reno Aircenter 4999 Aircenter – Building 22	Airport	66,000	Feb-2015	Accelerated Care Plus, Corp.	Global Logistic Properties, LTD
Logisticourt at Silver Lake 12035 Moya Blvd., Building 1	North Valleys	52,500	Jan-2015	Turn 14 Distribution, Inc.	Resource Management & Development, Inc.
Prologis Sparks South 910-990 Meredith Way, Building 3	Sparks	42,150	Feb-2015	Masco, Inc.	Prologis
1480-1498 Kleppe Lane	Sparks	32,000	Jan-2015	Undisclosed	Prologis
Vista Industrial Park 650 Vista Blvd., Building 3	Sparks	24,000	Feb-2015	Undisclosed	Global Logistic Properties, LTD

PRODUCT TYPE

MFG. / DIST.

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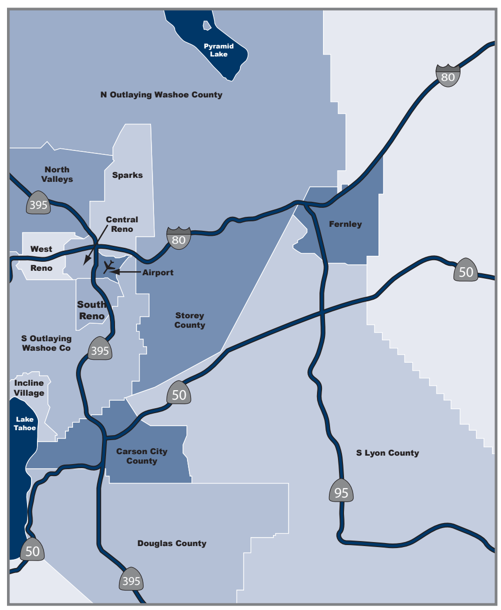

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