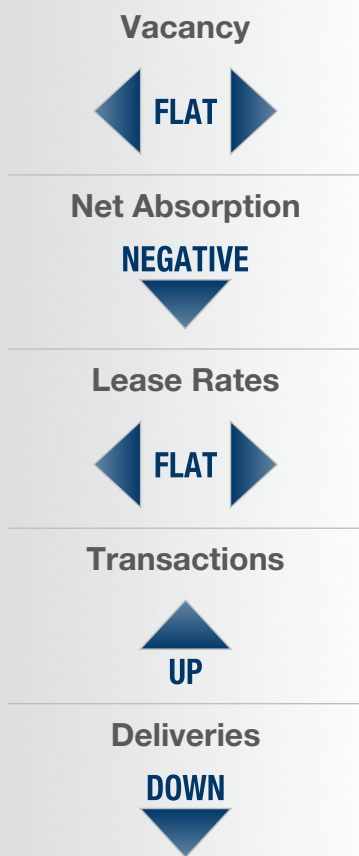




## Industrial Market Report

Compared to the Previous Quarter:



To view available properties or electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
 Vice President of Market Research  
 e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tyler Boyd**  
 Market Research Analyst  
 e-mail: [tboyd@voitco.com](mailto:tboyd@voitco.com)

VOIT Real Estate Services — Lic.#01333376

### Market Highlights

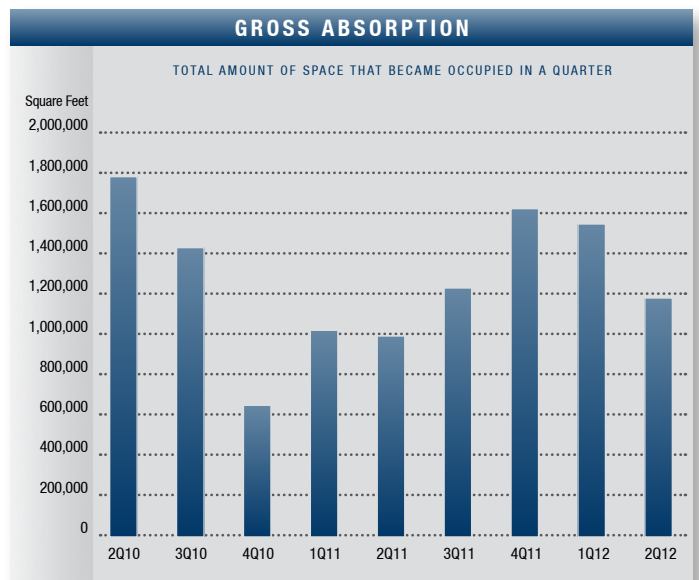
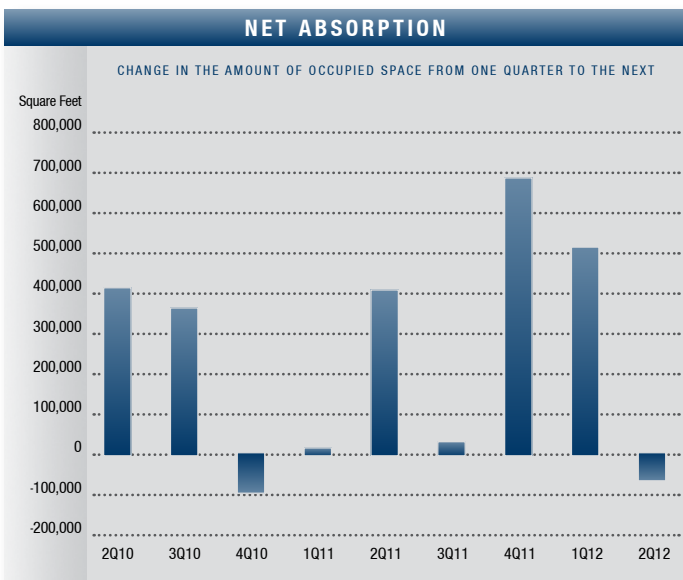
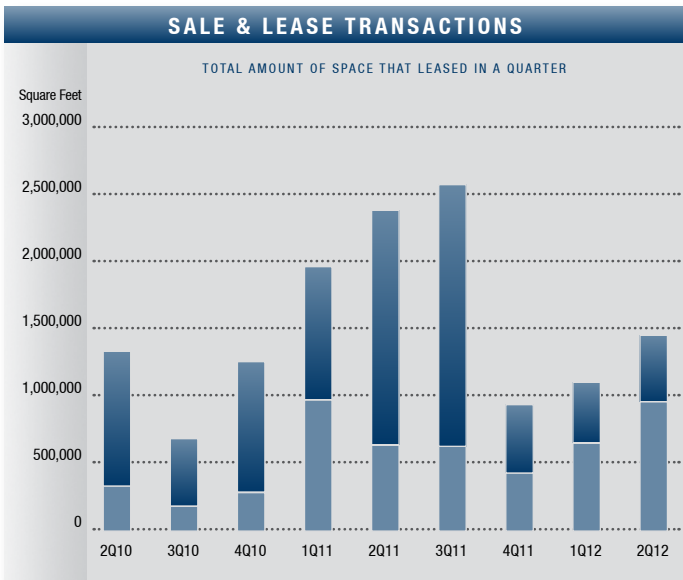
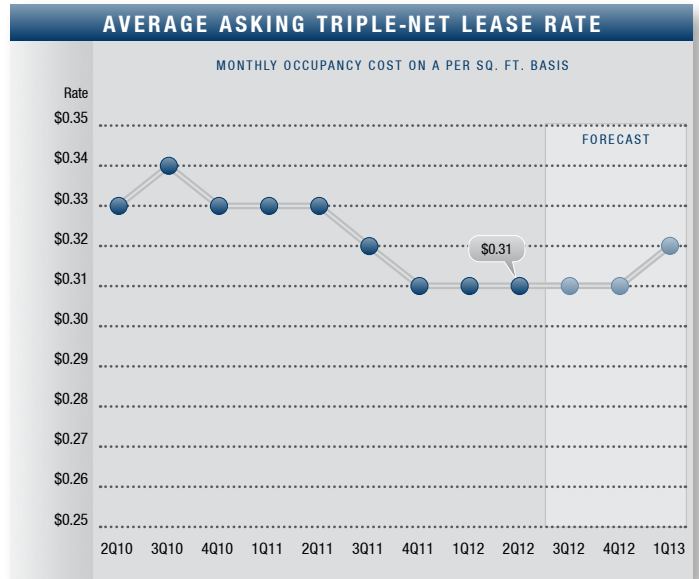
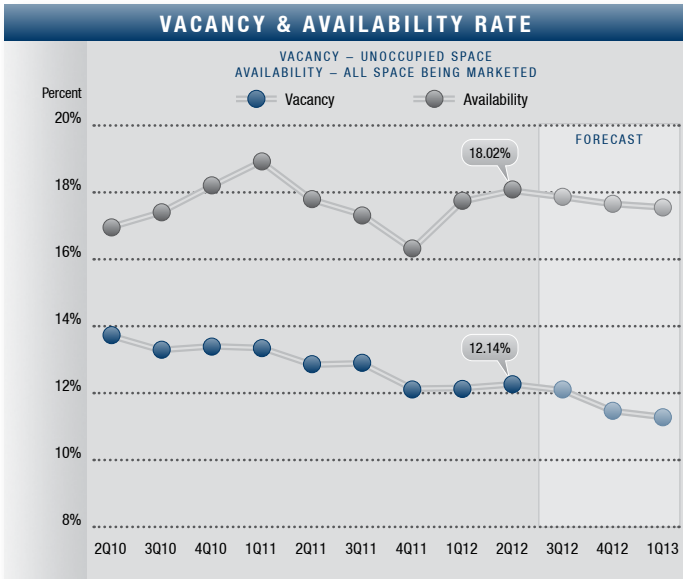
- Market Status** - While 2011 proved to be a year of significant improvement for the Reno industrial market, with two of the quarters posting over 400,000 square feet of positive net absorption, the second quarter of 2012 was less exciting — displaying a mix of both positive and negative indicators. Transaction volume improved again for the second consecutive quarter, net absorption was barely negative, and lease rates were unchanged from the previous two quarters. The second quarter of 2012 reflects stabilization of the recent volatility in the Reno industrial market.
- Construction** - At the close of the quarter, no properties were under construction and none were delivered throughout the quarter. However, there is still 6.9 million square feet of proposed space. With build-to-suit seemingly being the only option out there for Reno construction, look for activity to remain scarce or nonexistent.
- Vacancy** - Total vacancy increased by only 8 basis points from the previous quarter — coming in at 12.14%. Within the major submarkets, the South Lyon County area remained highest at 22.63%, while the North Valleys area came in at a solid 9.65%.
- Availability** - The rate of availability for space being marketed was 18.02% at the close of the second quarter; up 15 basis points from the first quarter. Like the vacancy rates, the South Lyon County submarket remained high at 39.11% during the second quarter, while the Central submarket had the least available space at 13.54%.
- Lease Rates** - The average asking triple-net lease rate was \$0.31 per square foot per month for the second quarter; the same as the previous two quarters. Asking lease rates should remain at this level for the foreseeable future.
- Absorption** - The Reno industrial market recorded negative net absorption of 67,910 square feet for second quarter.

The largest submarket in all of the region, Sparks, had 197,886 square feet of positive absorption, while the North Valleys submarket posted a negative 268,229 square feet of net absorption.

- Transaction Activity** - The total volume of industrial lease and sale transactions improved for the second quarter in a row — posting 1.4 million square feet. Notably, both the second and third quarters of 2011 saw over 2 million square feet of activity. Details of the largest transactions for the second quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 11.5% in May 2012, up from 11.4% in April 2012 and down from 12.9% in May 2011. This compares with an unemployment rate of 11.6% for Nevada and 7.9% for the nation during the same period.
- Overall** - Reno's industrial market, since the economical downturn, has been all over the place — with solid, positive quarters followed by flat or negative quarters. It is has been tough to forecast exactly what will occur in the next quarter, mainly because the outcome has been heavily influenced by the presence of or the lack of large transactions. On the positive side, the second quarter did still see continued improvement in transaction volume and basically no change in vacancy — despite not having any large transactions like 2011's fourth quarter did, with Urban Outfitters and Now Foods. However, on the negative side, availability remained high in the second quarter, which will likely hinder rent growth in coming quarters. Reno may stand to benefit from the exodus of companies fleeing the recent tax increases in California, and as online retail sales become more prevalent, Reno may be viewed as a distribution location for the west coast.

### INDUSTRIAL MARKET OVERVIEW

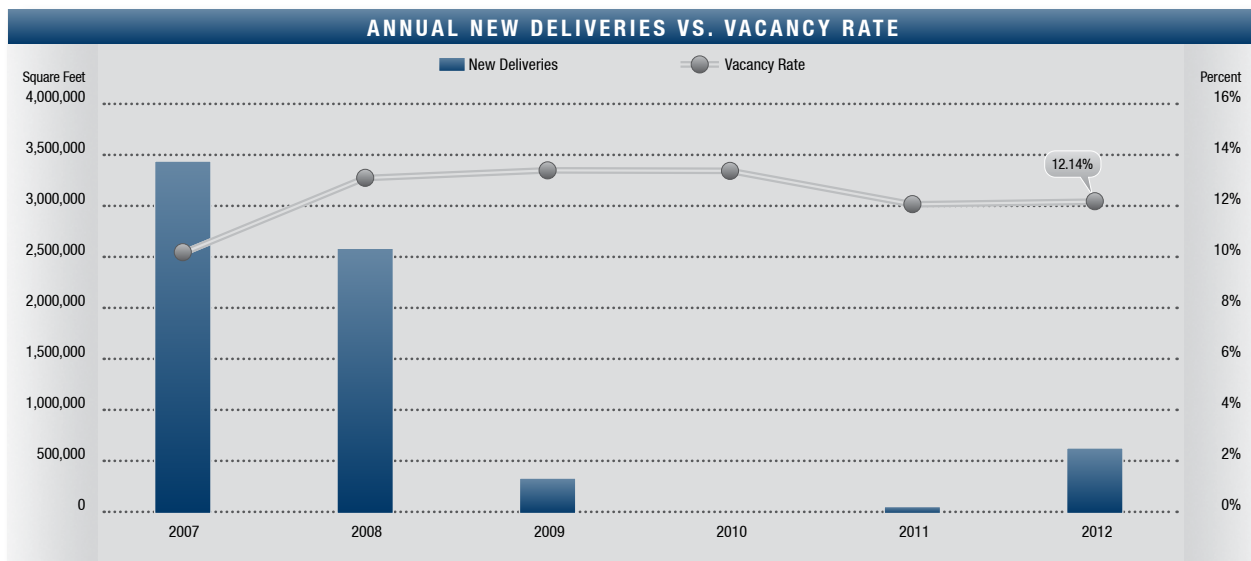
	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Vacancy Rate	12.14%	12.06%	12.87%	(5.67%)
Availability Rate	18.02%	17.87%	17.88%	0.78%
Average Asking Lease Rate	\$0.31	\$0.31	\$0.33	(6.06%)
Sale & Lease Transactions	1,431,834	1,096,215	2,377,313	(39.77%)
Gross Absorption	1,171,557	1,542,021	981,769	19.33%
Net Absorption	(67,910)	514,448	408,972	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 2Q2012	Square Feet Available	Availability Rate 2Q2012	Average Asking Lease Rate	Net Absorption 2Q2012	Net Absorption 2012	Gross Absorption 2Q2012	Gross Absorption 2012
<b>Reno Market</b>													
Airport	149	7,196,427	0	13,000	745,945	10.37%	1,002,857	13.94%	\$0.27	(41,354)	(122,957)	21,917	39,153
Carson City County	108	2,558,680	0	20,160	416,623	16.28%	510,897	19.97%	\$0.46	97,914	141,899	107,214	155,938
Central	204	3,341,377	0	1,000	359,308	10.75%	452,343	13.54%	\$0.29	31,071	(42,496)	31,071	72,469
Douglas County	47	1,412,845	0	72,000	268,804	19.03%	350,427	24.80%	\$0.37	(20,989)	10,497	4,388	47,302
Fernley	32	4,096,018	0	0	354,470	8.65%	369,190	9.01%	\$0.33	(19,480)	(49,310)	41,725	41,725
North Outlying Washoe County	6	383,034	0	60,000	12,000	3.13%	12,000	3.13%	\$0.00	0	16,300	0	16,300
North Valleys	205	15,338,719	0	1,852,800	1,480,648	9.65%	2,394,418	15.61%	\$0.21	(268,229)	185,624	107,500	619,282
South Lyon County	81	2,033,071	0	0	460,109	22.63%	795,046	39.11%	\$0.27	143,762	139,100	189,054	213,575
South Outlying Washoe County	12	1,359,286	0	0	64,812	4.77%	215,792	15.88%	\$0.00	(64,812)	30,938	0	95,750
South Reno	107	7,204,171	0	451,000	821,479	11.40%	1,012,889	14.06%	\$0.54	(132,579)	(106,879)	237,429	312,181
Sparks	571	26,082,379	0	651,195	3,522,332	13.50%	4,956,277	19.00%	\$0.29	197,886	253,324	382,359	1,037,003
Storey County	48	8,748,039	0	3,741,003	1,220,404	13.95%	2,376,607	27.17%	\$0.34	(13,500)	(6,902)	1,500	15,500
West Reno	30	1,375,416	0	0	125,030	9.09%	169,996	12.36%	\$0.20	22,400	(2,600)	47,400	47,400
<b>Reno Market Total</b>	<b>1,600</b>	<b>81,129,462</b>	<b>0</b>	<b>6,862,158</b>	<b>9,851,964</b>	<b>12.14%</b>	<b>14,618,739</b>	<b>18.02%</b>	<b>\$0.31</b>	<b>(67,910)</b>	<b>446,538</b>	<b>1,171,557</b>	<b>2,713,578</b>

10,000-29,999	1,056	12,083,868	0	118,363	1,339,218	11.08%	1,815,142	15.02%	\$0.42	(14,576)	79,884	172,024	405,585
30,000-49,999	161	6,113,012	0	296,920	842,630	13.78%	1,071,199	17.52%	\$0.45	13,259	24,503	101,826	148,724
50,000-99,999	188	13,086,906	0	470,000	1,422,740	10.87%	2,051,572	15.68%	\$0.33	(124,520)	(108,289)	97,438	250,796
100,000-199,999	108	15,082,061	0	778,250	2,460,515	16.31%	3,556,716	23.58%	\$0.25	340,177	271,836	479,093	739,869
200,000-299,999	37	9,220,268	0	280,000	1,498,132	16.25%	1,889,674	20.49%	\$0.25	(32,550)	(95,802)	244,376	517,698
300,000 Plus	50	25,543,347	0	4,918,625	2,288,729	8.96%	4,234,436	16.58%	\$0.28	(249,700)	274,406	76,800	650,906
<b>Reno Market Total</b>	<b>1,600</b>	<b>81,129,462</b>	<b>0</b>	<b>6,862,158</b>	<b>9,851,964</b>	<b>12.14%</b>	<b>14,618,739</b>	<b>18.02%</b>	<b>\$0.31</b>	<b>(67,910)</b>	<b>446,538</b>	<b>1,171,557</b>	<b>2,713,578</b>

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
2777 USA Pkwy., McCarran	Storey County	500,768	\$43.93	Conco Storage, LLC	Union Property Capital, LLC
11005 Stead Blvd., Reno	North Valleys	181,603	\$32.76	Sierra Converting Corporation	Quad Graphics, Inc.
230 Lyon Dr., Fernley	Fernley	34,925	\$77.31	Agri/America, Inc.	Poly Multi, LP
1060-1100 Telegraph St., Reno	Airport	55,985	\$36.53	Telegraph Storage	The Middlesex Corporation
955 Greg St., Sparks	Sparks	10,000	\$85.00	Shafer Equipment Company	Jurach Family Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
550 Boxington Way, Sparks	Sparks	271,152	Apr-12	Ozburn-Hessey Logistics	Selective Real Estate Investments
2070 Brierley Way, Sparks	Sparks	110,000	May-12	Alfa Aesar	Prologis
880 N. Hills Blvd., Reno	North Valleys	77,000	Apr-12	Thrift Books	IndCor Properties, Inc.
1045 Telegraph St., Reno	Airport	23,048	Jun-12	N/A	Malkmus Trust
800 Stillwell Rd., Reno	Central Reno	19,500	May-12	N/A	800 Stillwell Partners, LLC

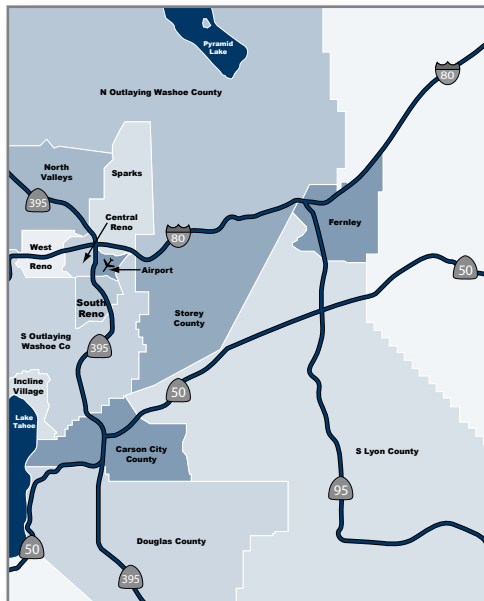
Product Type

MFG./DIST.

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

To view available properties, please visit:

[www.voitco.com](http://www.voitco.com)



Please Contact Us for Further Information

Anaheim, CA  
714.978.7880

Commerce, CA  
323.201.4494

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.309.0782

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way  
Newport Beach, CA 92663

949.644.8648  
[www.voitco.com](http://www.voitco.com)  
Lic.#01333376

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.