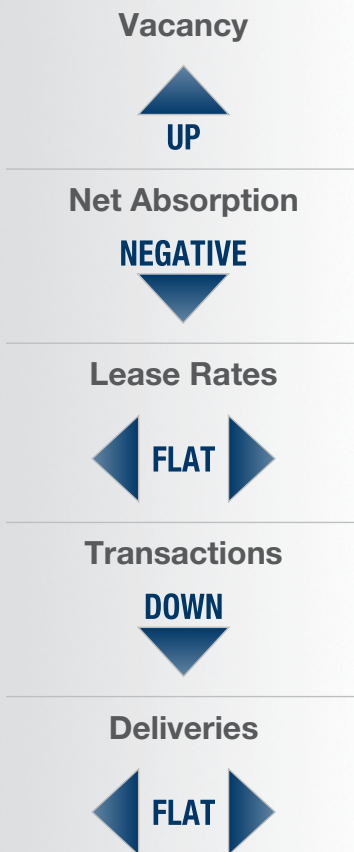




Industrial Market Report

Compared to the Previous Quarter:



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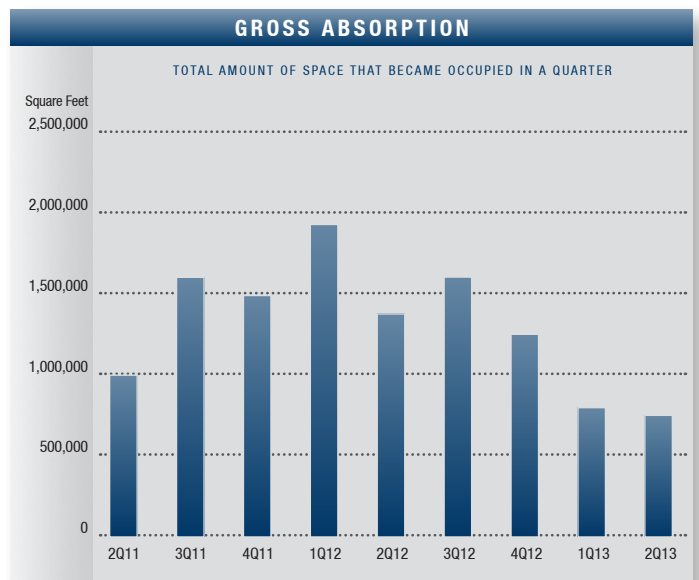
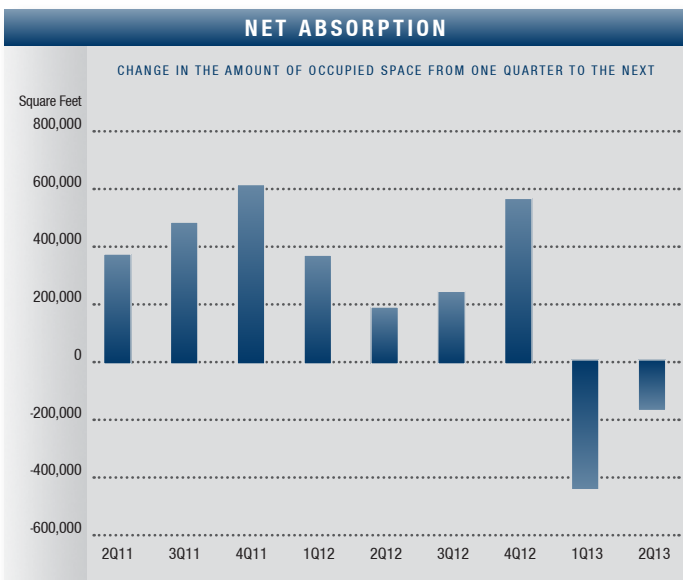
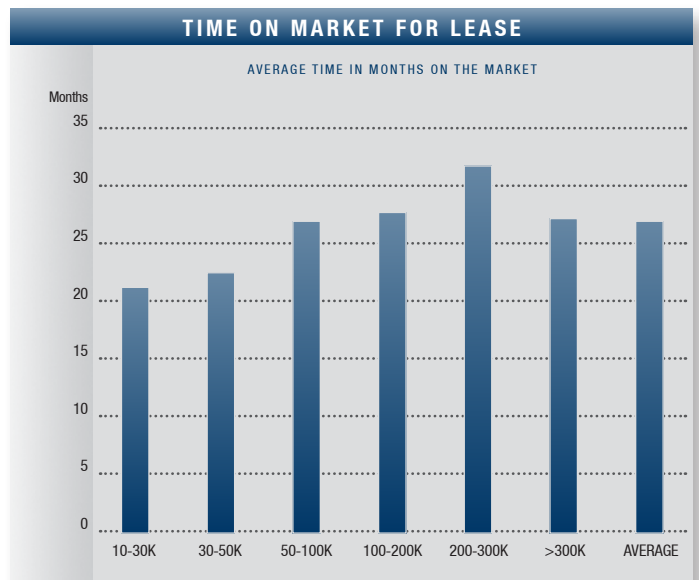
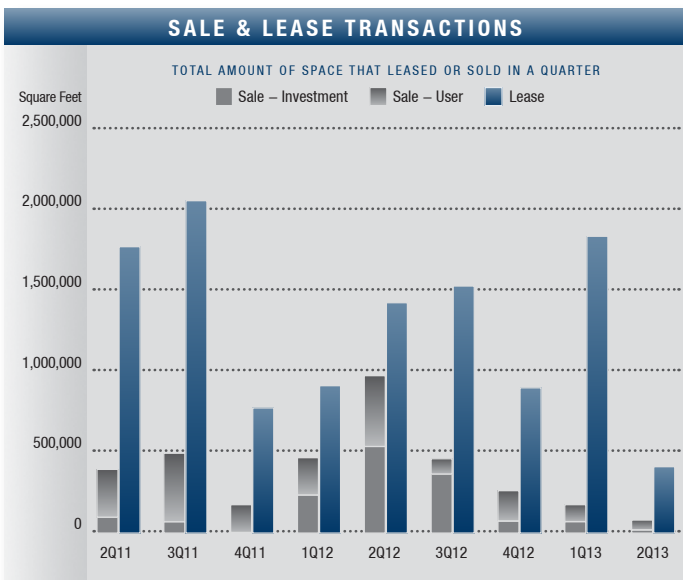
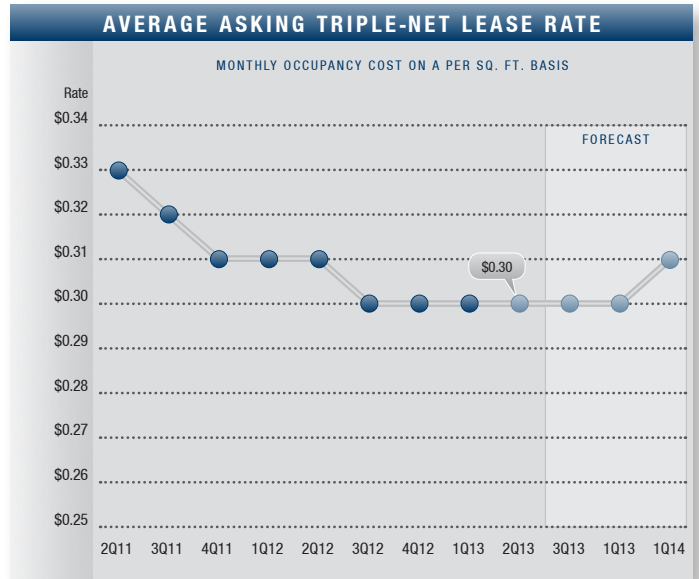
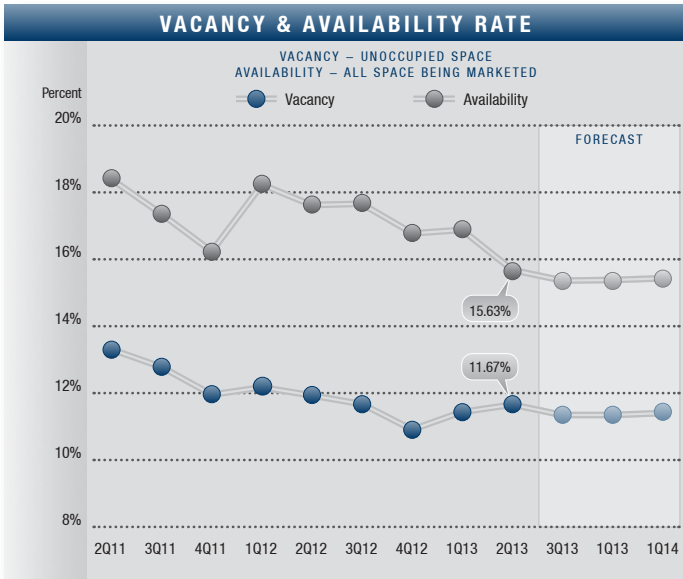
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Market Highlights

- Market Status** - Reno's industrial market has fluctuated in 2013 after two solid years in 2011 and 2012. However, despite the slow start to the year, Reno's outlook as an industrial distribution hub is favorable. 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.
- Absorption** - The Reno industrial market recorded negative net absorption of 166,634 square feet for second quarter. This was the second consecutive quarter of negative net absorption, following a string of seven consecutive quarters of significant positive net absorption during 2011 and 2012. The largest submarket, by far, in all of the region, Sparks, had 55,637 square feet of positive net absorption. Conversely, the smaller Storey County submarket posted 260,000 square feet of negative net absorption for the quarter.
- Construction** - At the close of the second quarter, no properties were under construction, and none were delivered throughout the quarter. However, there was still 8.1 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, which should lessen upward pressure on vacancy going forward.
- Transaction Activity** - The total volume of industrial lease and sale transactions posted a figure of only 451,132 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 750,000 square feet of total volume. Details of the largest transactions for the second quarter of 2013 can be found on the back page of this report.
- Vacancy** - While total vacancy in the Reno industrial market rose by 22 basis points during the second quarter to 11.67%, it was down 2.26% compared to the same quarter last year. Within the major submarkets, the Carson City County area remained highest at 15.16%, while the Airport area came in at a solid 9.06%.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.7% in April 2013, down from 10.5% in Jan, 2013. This compares with an unemployment rate of 9.5% for Nevada and 7.1% for the nation during the same period.
- Availability** - The rate of availability for space being marketed was 15.63% at the close of the second quarter; a drop of 123 basis points from the previous quarter. This significant drop, along with the rise in vacancy, is important to note, as the decrease in the overall spread between vacancy and availability means the market has less shadow space and reflects its true conditions more accurately. Like vacancy, the Carson City County submarket remained highest at 18.90%, while the Airport submarket had the least available space at 12.53%.
- Overall** - Reno's industrial market, since the economical downturn, had been improving slowly and steadily but so far 2013 has been a bit of a set back. However, 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.
- Lease Rates** - The average asking triple-net lease rate was \$0.30 per square foot per month for the fourth consecutive quarter, an indication of stability. Asking lease rates should remain near this level for the next couple of quarters, with potential increases in 2014.

INDUSTRIAL MARKET OVERVIEW

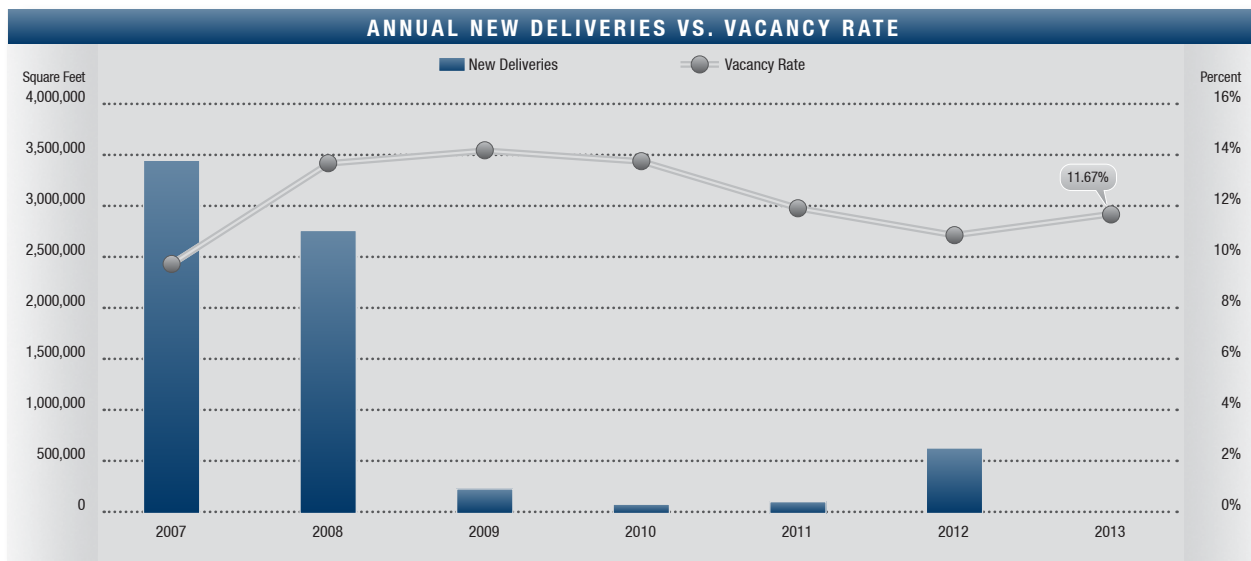
	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Vacancy Rate	11.67%	11.45%	11.94%	(2.26%)
Availability Rate	15.63%	16.87%	17.60%	(11.19%)
Average Asking Lease Rate	\$0.30	\$0.30	\$0.31	(3.23%)
Sale & Lease Transactions	451,132	1,981,317	2,367,997	(80.95%)
Gross Absorption	738,040	789,878	1,367,539	(46.03%)
Net Absorption	(166,634)	(441,112)	193,446	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 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
Reno Market													
Airport	134	6,445,671	0	13,000	583,990	9.06%	807,813	12.53%	\$0.23	(41,175)	(68,635)	69,032	108,847
Carson City County	108	2,448,658	0	20,160	371,284	15.16%	462,700	18.90%	\$0.40	(12,656)	(9,822)	43,940	74,590
Central	186	2,686,422	0	7,500	396,101	14.74%	497,716	18.53%	\$0.35	(6,573)	(37,058)	1,427	36,627
Douglas County	46	1,453,295	0	72,000	284,584	19.58%	351,108	24.16%	\$0.38	(42,222)	(33,120)	6,340	42,455
Fernley	38	4,269,728	0	0	293,265	6.87%	302,985	7.10%	\$0.25	0	7,900	0	7,900
Incline Village	3	40,535	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	0	0	0
North Valleys	176	14,474,019	0	1,881,590	1,476,784	10.20%	1,943,789	13.43%	\$0.32	34,843	(99,348)	46,242	107,148
South Lyon County	87	1,933,538	0	0	332,992	17.22%	690,703	35.72%	\$0.26	(42,420)	44,414	16,694	138,163
South Outlying Washoe County	9	1,278,329	0	0	64,812	5.07%	161,312	12.62%	\$0.00	0	0	0	0
South Reno	99	6,669,113	0	451,000	804,217	12.06%	1,116,951	16.75%	\$0.43	141,289	257,864	223,164	349,300
Sparks	552	26,258,581	0	614,895	3,437,075	13.09%	4,420,781	16.84%	\$0.27	55,637	(413,844)	324,558	572,845
Storey County	54	8,113,098	0	4,992,014	865,077	10.66%	1,100,574	13.57%	\$0.35	(260,000)	(254,700)	0	80,400
West Reno	25	899,988	0	0	104,820	11.65%	225,426	25.05%	\$0.20	6,643	(1,397)	6,643	9,643
Reno Market Total	1,524	77,361,709	0	8,112,159	9,027,001	11.67%	12,093,858	15.63%	\$0.30	(166,634)	(607,746)	738,040	1,527,918

0-29,999	1,023	11,585,537	0	144,863	1,216,091	10.50%	1,519,186	13.11%	\$0.46	(49,383)	(71,262)	192,008	350,748
30,000-49,999	154	5,856,373	0	260,620	642,259	10.97%	898,794	15.35%	\$0.43	(21,970)	(41,140)	74,932	130,518
50,000-99,999	162	11,232,419	0	618,750	1,190,368	10.60%	1,493,344	13.29%	\$0.32	31,607	76,195	127,854	350,752
100,000-199,999	98	13,730,612	0	618,250	2,273,011	16.55%	3,890,250	28.33%	\$0.24	(10,455)	(269,083)	37,650	210,475
200,000-299,999	33	8,240,250	0	0	1,624,170	19.71%	1,969,742	23.90%	\$0.26	250,596	13,594	250,596	307,146
300,000 Plus	54	26,716,518	0	6,469,676	2,081,102	7.79%	2,322,542	8.69%	\$0.28	(367,029)	(316,050)	55,000	178,279
Reno Market Total	1,524	77,361,709	0	8,112,159	9,027,001	11.67%	12,093,858	15.63%	\$0.30	(166,634)	(607,746)	738,040	1,527,918

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
890 E. Patriot Blvd.	South Reno	21,635	\$53.15	LV Holdings, LLC	Randall & Barbara Venturcci
5576 Bighorn Dr.	Carson City County	8,700	\$54.83	Bighorn Property Management, LLC	Building Energy Savings Technology
1555 Pittman Ave.	Sparks	5,056	\$74.17	Philip Brown	Guinzail Family Trust
14010 Mt. Anderson St.	North Valleys	4,000	\$52.13	14010 Mount Anderson, LLC	Sorensen Trust
2222 Park Pl.	Douglas County	3,140	\$54.62	Seemore Properties, LLC	Laurence & Lillian Friese

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
14551 Industry Cir.**	North Valleys	224,000	Apr-13	Diversified Distribution Systems, LLC	Elanor Sade Trust
1240 Icehouse Ave.	Sparks	35,520	Apr-13	The Generator	McKenzie Properties
1480-1498 Kleppe Ln.	Sparks	32,000	May-13	N/A	Prologis
5980 Alpha Ave.	North Valleys	26,000	May-13	N/A	John Haskett
1200 Freeport Blvd.	Sparks	14,000	Apr-13	N/A	Powell Family Trust

**VRES DEAL

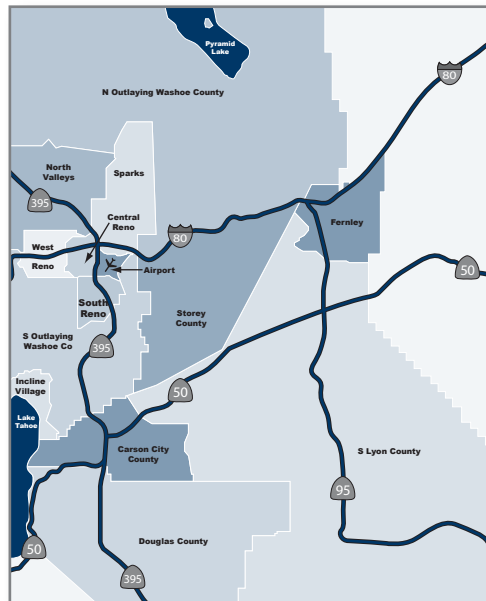
Product Type

MFG./DIST.

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

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