



## MARKET CHANGE

*Compared to the Previous Quarter:*

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates



UP

Transactions

DOWN



Deliveries

DOWN



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## HIGHLIGHTS

- **Market Status** - The Reno industrial market's vacancy rate is currently 9.52%, which is 168 basis points lower than one year ago. Lease rates are also on the rise as they have shown an increase of 9.68% from one year ago. 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 second quarter, three properties were under construction in the Reno industrial market—a 707,010 square foot, Class A distribution center in Storey County, a 624,000 square foot, Class A warehouse in North Valleys, and a 70,000 square foot, Class B distribution center in South Reno. All three properties are expected to be delivered this fall. Long term, Reno has positioned itself as a growing regional warehouse market with great potential for further development.
- **Vacancy** - The vacancy rate for Reno's industrial market ended the quarter at 9.52%, increasing by 15 basis points from the previous quarter, but still down 168 basis points from the previous year's figure of 11.20%. Within the major submarkets, South Lyon County remained highest at 16.84%, while the Central Reno area came in at a solid 3.87%.
- **Availability** - Direct/sublet space being marketed was 12.29% of the total inventory at the close of the second quarter, a drop of 308 basis points from the previous year. 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 25.63%, while North Valleys had one of the least available rates at 7.17%.
- **Lease Rates** - The average asking triple-net lease rate was \$0.34 per square foot per month, marking the highest average asking rate since 2011. 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 negative net absorption of 121,545 square feet for the second quarter of the year. Given that Reno is a growing regional warehouse market, absorption may continue to fluctuate in future quarters leaning toward more positive figures. Of the major submarkets, Sparks recorded 96,893 square feet of positive net absorption, while Central Reno had the second highest net absorption of 58,736 square feet.
- **Transaction Activity** - The total volume of industrial leasing and sales activity came in at 471,781 square feet for the second quarter. This statistic can have some lag time in being reported, so look for second quarter figures to end up somewhat higher in the next report. Details of the largest transactions for the second quarter of 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 7.4% in May 2014, down from 8.3% in January 2014. This compares with an unemployment rate of 7.9% for Nevada and 6.3% for the nation during the same period.
- **Overall** - Reno's industrial market has been improving slowly and steadily. Vacancies have continually been on a downward trend since construction has been kept at a minimum. Among other factors, Reno has some statistical advantages over other industrial markets in the southwest since Nevada doesn't regulate interstate trucking. Thus, Reno has been able to attract trucking operations away from California, where it is regulated. In addition, many trucking and logistics firms have terminals in the region where they operate at a significant savings compared to California-based operators. Within the tertiary markets, Reno is quickly becoming one of the leaders in distribution and logistics.

## FORECAST

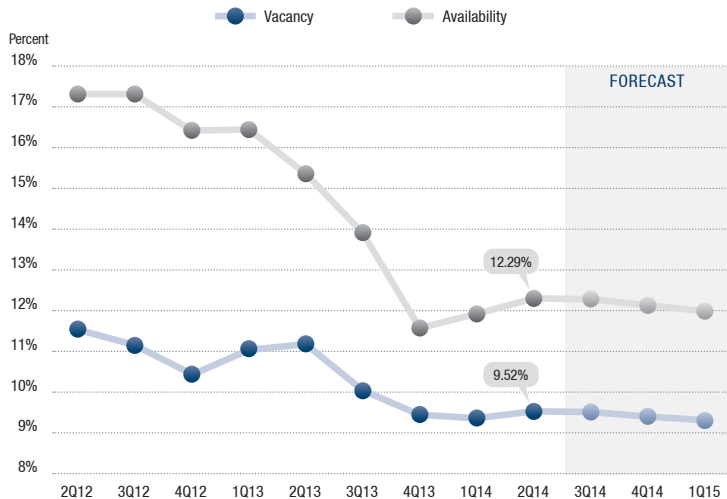
- **Employment** - We anticipate job growth of around 1.2%, or 2,100 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rate are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by another 3%–5% by 2015 as demand increases.
- **Vacancy** - We anticipate the vacancy rate continuing to remain steady in the coming quarters, dropping by 22 basis points, to around 9.30% by 2015.

## OVERVIEW

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	9.52%	9.37%	11.20%	(15.00%)
Availability Rate	12.29%	11.94%	15.37%	(20.04%)
Average Asking Lease Rate	\$0.34	\$0.32	\$0.31	9.68%
Sale & Lease Transactions	471,781	2,570,521	1,230,006	(61.64%)
Gross Absorption	1,144,039	1,090,853	1,135,623	0.74%
Net Absorption	(121,545)	552,434	(97,709)	N/A

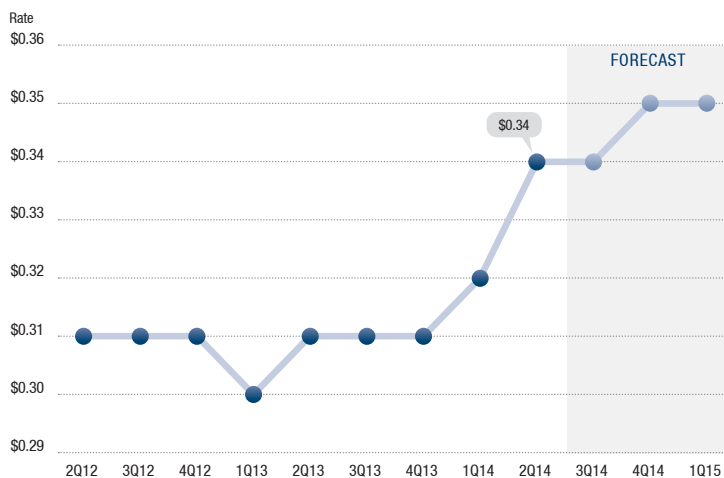
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



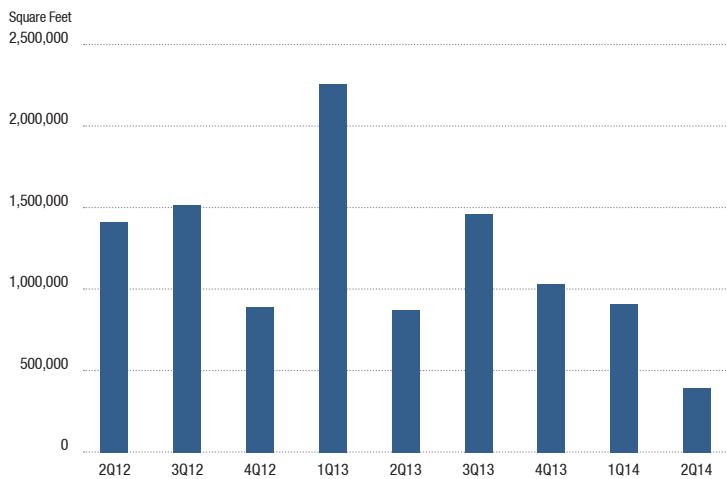
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



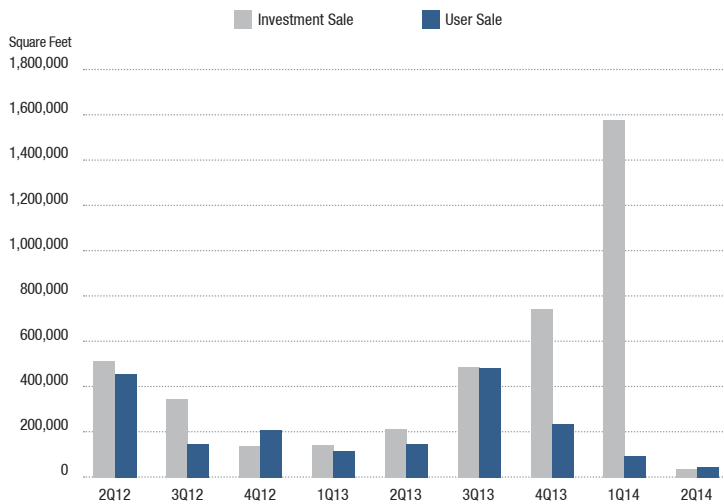
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



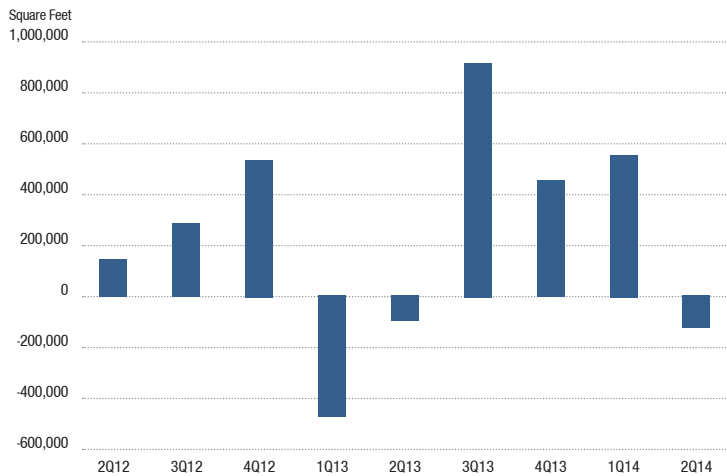
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



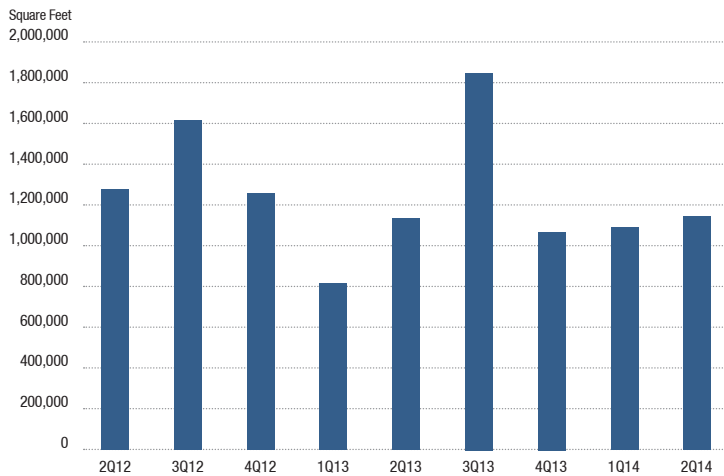
## NET ABSORPTION

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



## GROSS ABSORPTION

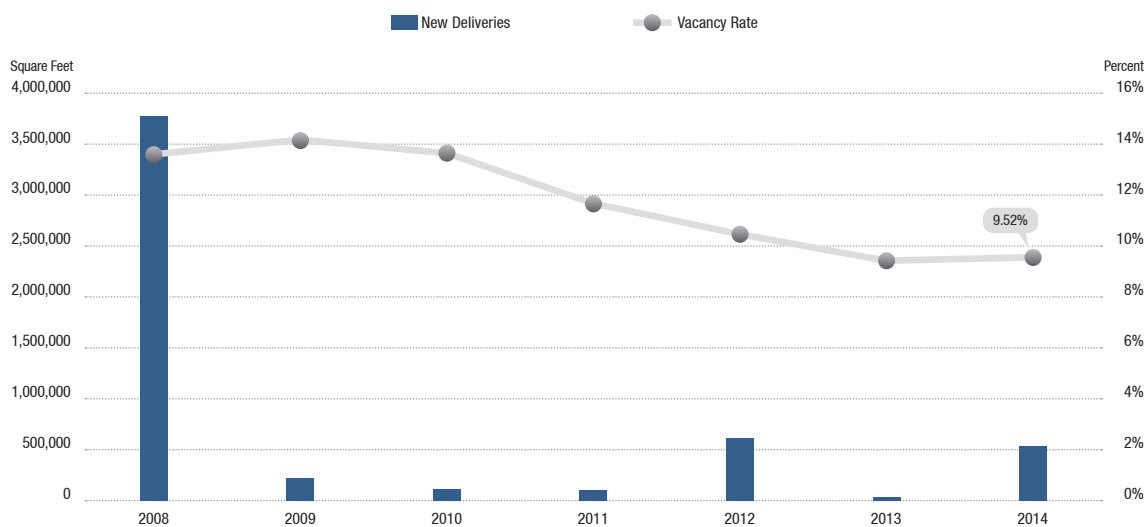
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2014	Square Feet Available	Availability Rate 2Q2014	Average Asking Lease Rate	Net Absorption 2Q2014	Net Absorption 2014	Gross Absorption 2Q2014	Gross Absorption 2014
<b>Reno Market</b>													
Airport	132	6,473,824	0	13,000	807,685	12.48%	810,426	12.52%	\$0.35	44,610	61,972	208,005	246,387
Carson City County	119	2,601,750	0	20,160	383,445	14.74%	459,031	17.64%	\$0.43	(23,188)	(52,154)	14,622	28,452
Central	189	2,598,055	0	15,000	100,511	3.87%	220,670	8.49%	\$0.31	58,736	109,055	71,446	124,631
Douglas County	48	1,466,578	0	72,000	201,869	13.76%	263,169	17.94%	\$0.39	(414)	(5,814)	7,466	27,026
Fernley	41	4,297,514	0	400,000	187,775	4.37%	789,635	18.37%	\$0.35	0	(3,240)	0	600
Incline Village	3	40,535	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Outlying Washoe County	11	236,350	0	60,000	13,920	5.89%	21,620	9.15%	\$0.50	(13,920)	(1,920)	0	12,000
North Valleys	173	14,442,343	624,000	2,890,854	961,105	6.65%	1,035,577	7.17%	\$0.45	(6,383)	211,196	111,827	341,406
South Lyon County	94	2,043,349	0	0	344,085	16.84%	523,673	25.63%	\$0.24	22,217	(5,133)	26,449	32,749
South Outlying Washoe County	9	1,276,989	0	470,000	69,812	5.47%	50,612	3.96%	\$0.00	0	0	0	0
South Reno	99	6,743,938	70,000	139,946	757,077	11.23%	658,818	9.77%	\$0.38	2,734	(58,130)	13,424	41,864
Sparks	553	26,323,739	0	2,357,895	2,641,947	10.04%	3,681,800	13.99%	\$0.31	96,893	194,647	499,760	905,497
Storey County	59	8,765,045	707,010	6,805,045	856,747	9.77%	978,649	11.17%	\$0.38	(313,870)	(33,270)	180,000	460,600
West Reno	24	886,678	0	0	120,070	13.54%	120,070	13.54%	\$0.33	11,040	13,680	11,040	13,680
<b>Reno Market Total</b>	<b>1,554</b>	<b>78,196,687</b>	<b>1,401,010</b>	<b>13,243,900</b>	<b>7,446,048</b>	<b>9.52%</b>	<b>9,613,750</b>	<b>12.29%</b>	<b>\$0.34</b>	<b>(121,545)</b>	<b>430,889</b>	<b>1,144,039</b>	<b>2,234,892</b>
0-29,999	1,051	11,908,027	0	198,573	965,346	8.10%	1,204,274	10.11%	\$0.55	28,512	18,013	177,399	331,538
30,000-49,999	156	5,914,404	0	268,620	468,332	7.92%	708,267	11.98%	\$0.43	(18,030)	(17,140)	21,834	96,006
50,000-99,999	162	11,314,316	70,000	748,750	1,228,891	10.86%	1,598,217	14.13%	\$0.35	(56,868)	(152,697)	237,558	361,478
100,000-199,999	98	13,796,513	0	933,250	1,939,704	14.06%	2,341,296	16.97%	\$0.31	129,789	336,610	428,326	715,897
200,000-299,999	32	8,029,714	0	448,500	938,103	11.68%	809,176	10.08%	\$0.28	98,922	98,922	98,922	98,922
300,000 Plus	55	27,233,713	1,331,010	10,646,207	1,905,672	7.00%	2,952,520	10.84%	\$0.33	(303,870)	147,181	180,000	631,051
<b>Reno Market Total</b>	<b>1,554</b>	<b>78,196,687</b>	<b>1,401,010</b>	<b>13,243,900</b>	<b>7,446,048</b>	<b>9.52%</b>	<b>9,613,750</b>	<b>12.29%</b>	<b>\$0.34</b>	<b>(121,545)</b>	<b>430,889</b>	<b>1,144,039</b>	<b>2,234,892</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
Hilltop Industrial Center 400-450 W. Parr Blvd.	North Valleys	168,927	\$25.75	Pfiilp-Parr Boulevard, LLC	Marketview Properties LV, LLC
7970 Security Circle	North Valleys	24,791	\$50.42	Rosen Materials, LLC	Sun Chemical Corporation
11975 Interstate 80 E.	N. Outlying Washoe County	12,000	\$92.67	Hensler Family Trust	CFS Investments
5201 Convair Dr.	Carson City County	19,800	\$52.53	Ntp Resources, LLC	Joyce Buck
527 Dunn Circle	Sparks	12,240	\$65.03	DLJ Dunn Circle, LLC	Turner Development Corporation

### Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1381 Capital Blvd.	Airport	105,214	Apr-14	Lawson Products	Lawson Products, Inc.
4990 Aircenter Circle	Airport	70,400	May-14	Merck Order Fulfillment Center	N & D Trading Corporation
4900-4904 Ampere Dr.	Airport	51,136	Apr-14	Prototype Concepts	Ampere Reno, LLC
695 Vista Blvd.	Sparks	39,567	Jun-14	Undisclosed	The Blackstone Group
1095 Spice Islands Dr.	Sparks	28,800	May-14	Tantus, LLC	1095 Spice Island, LLC

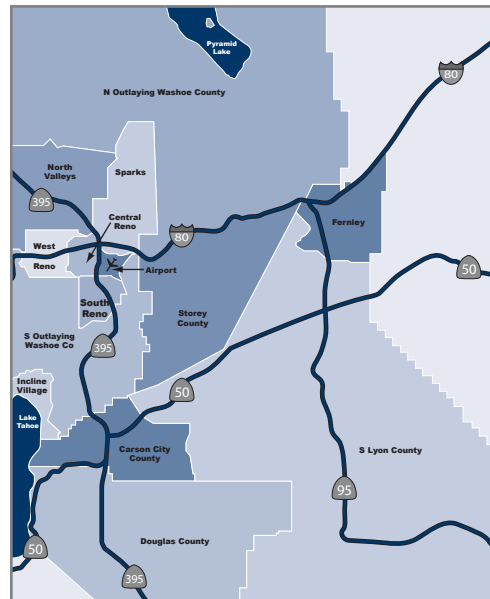
## PRODUCT TYPE

### MFG. / DIST.

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

To view available properties, please visit:

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