



MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates

DOWN



Transactions



UP

Deliveries



FLAT

HIGHLIGHTS

- Market Status** - The Reno industrial market's vacancy rate is currently 9.10%, which is 24 basis points higher than one year ago. Lease rates decreased by one cent during the second quarter, and are just under 3% lower than they were one year ago. Reno's industrial market continues to attract large companies such as Tesla 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 second quarter, seven properties were under construction in the Reno industrial market for a total of 7,420,960 square feet. The most notable project is the 5.5 million square foot Tesla gigafactory in Sparks. During the first quarter two properties were delivered for a total of 1,227,000 square feet. With an estimated 16.1 million square feet of planned industrial space, Reno has positioned itself as a growing regional large warehouse market.
- Vacancy** - The vacancy rate for Reno's industrial market ended the quarter at 9.10%, increasing by 80 basis points from the previous quarter, but only up 24 basis points from the previous year's figure of 8.86%. Within the major submarkets, Fernley was the highest at 18.66%, while Central Reno and South Reno came in at a solid 4.05% and 4.78%, respectively.
- Availability** - Direct/sublet space being marketed was 10.52% of the total inventory at the close of the quarter — a decrease of 107 basis points from the previous year. Of the major submarkets, the Fernley availability rate was the highest at 21.41%, while South Reno had one of the lowest available rates at 4.07%.
- Lease Rates** - The average asking triple-net lease rate was \$0.33 per square foot per month, which was down one cent from the previous quarter and the previous year. Asking lease rates are expected 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 125,026 square feet during the second quarter of 2015, giving the market a total of over 4.4 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, Sparks recorded 333,105 square feet of positive net absorption, while South Reno had the second highest net absorption of 164,914 square feet.
- Transaction Activity** - The total volume of industrial leasing and sales activity came in at 2,543,074 square feet for the second 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 6.7% in April 2015, down from 7.4% in January 2015. This compares with an unemployment rate of 7.1% for Nevada and 5.3% for the nation during the same period.
- Overall** - Reno's industrial market continues to stay strong as the overall vacancy rate remains stable, 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 60 basis points, to around 8.5% by the end of the first quarter of 2016.

OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Vacancy Rate	9.10%	8.30%	8.86%	2.71%
Availability Rate	10.52%	10.87%	11.59%	(9.23%)
Average Asking Lease Rate	\$0.33	\$0.34	\$0.34	(2.94%)
Sale & Lease Transactions	2,543,074	1,258,842	1,633,315	55.70%
Gross Absorption	1,242,144	2,238,477	880,378	41.09%
Net Absorption	(125,026)	819,624	(124,451)	N/A

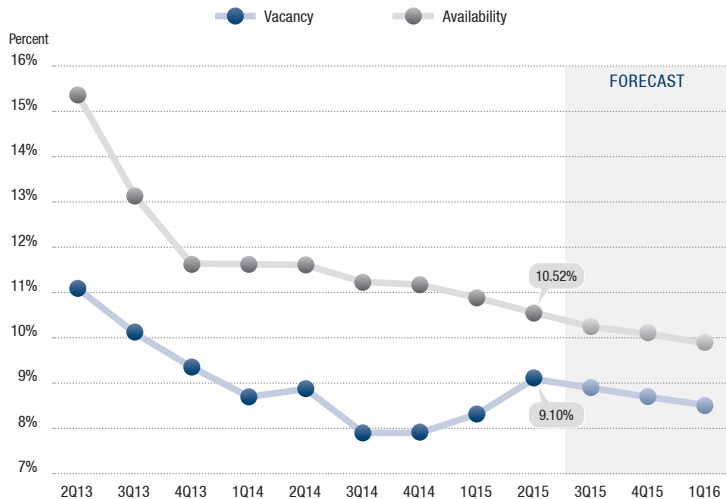
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Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com
VOIT Real Estate Services

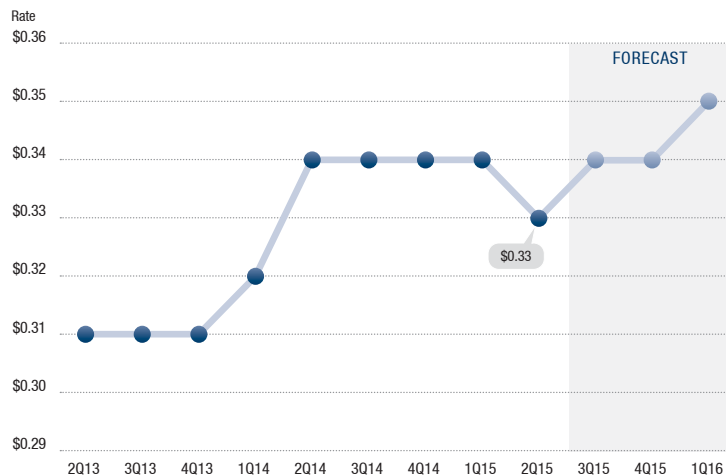
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



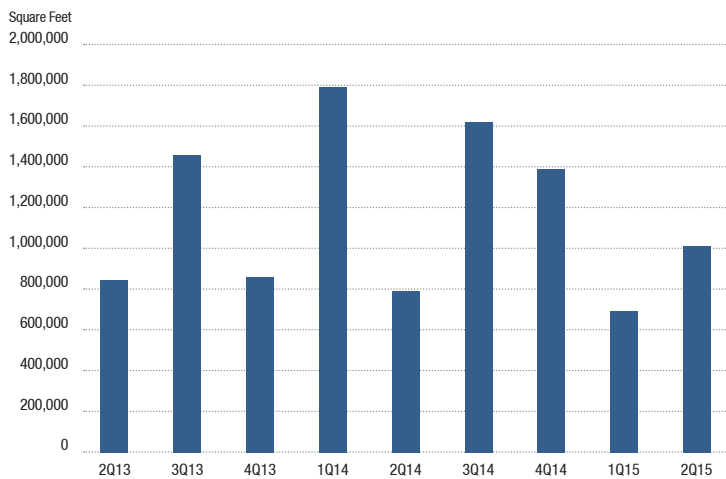
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



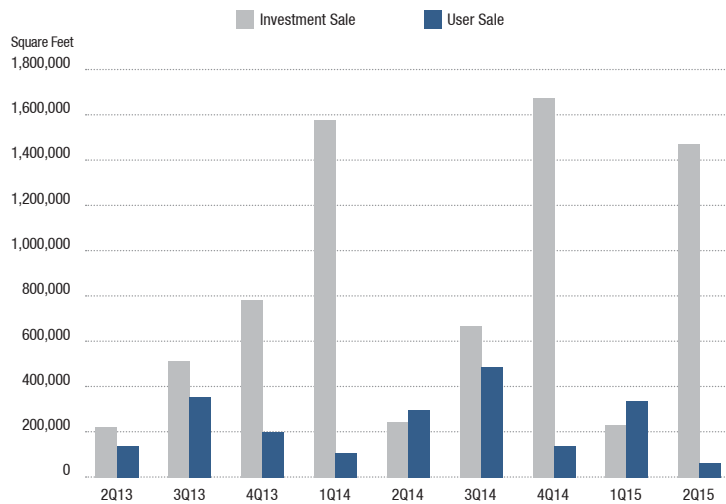
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



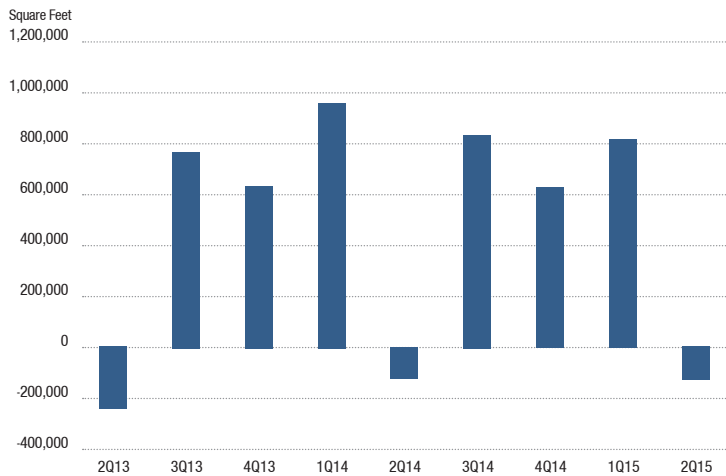
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



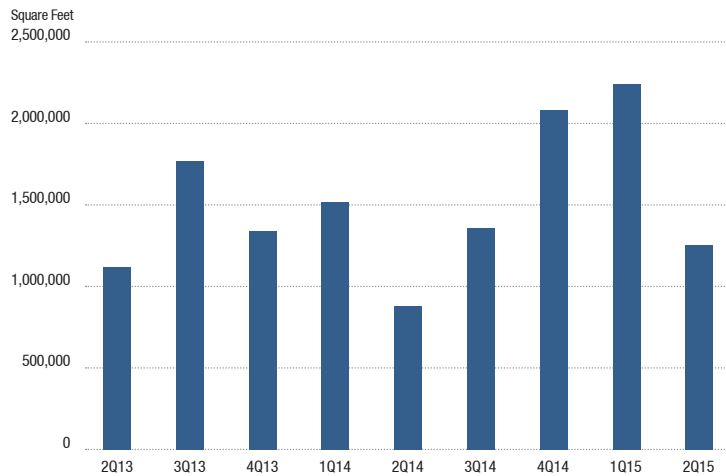
NET ABSORPTION

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



GROSS ABSORPTION

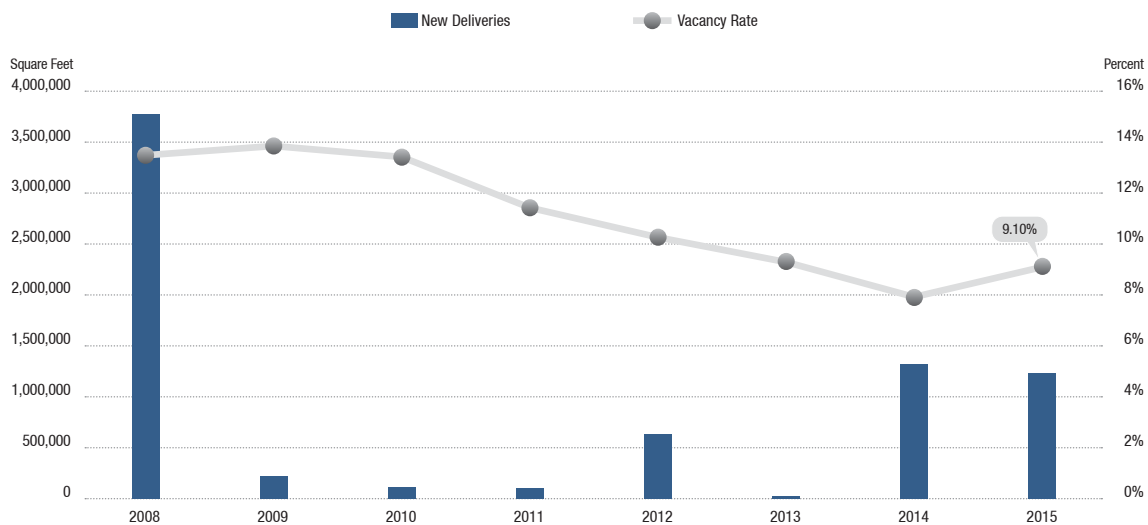
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2015	Square Feet Available	Availability Rate 2Q2015	Average Asking Lease Rate	Net Absorption 2Q2015	Net Absorption 2015	Gross Absorption 2Q2015	Gross Absorption 2015
Reno Market													
Airport	134	6,476,658	0	13,000	723,940	11.18%	693,706	10.71%	\$0.36	52,515	159,160	110,077	331,338
Carson City County	128	2,837,047	0	20,160	520,444	18.34%	579,079	20.41%	\$0.43	(82,641)	(82,526)	22,800	48,160
Central	190	2,595,077	0	15,000	105,118	4.05%	147,634	5.69%	\$0.38	6,390	(12,119)	41,613	41,613
Douglas County	53	1,501,228	24,000	72,000	74,946	4.99%	97,586	6.50%	\$0.48	4,465	43,705	55,665	96,712
Fernley	41	4,183,116	0	400,000	780,575	18.66%	895,775	21.41%	\$0.33	(586,560)	(589,560)	0	0
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	0	0	0
North Valleys	175	14,990,205	1,596,960	3,813,814	837,924	5.59%	1,024,780	6.84%	\$0.24	62,197	566,070	123,197	1,001,287
South Lyon County	101	2,150,706	0	0	337,771	15.71%	454,559	21.14%	\$0.24	(55,426)	(11,686)	6,810	62,010
South Outlying Washoe County	9	1,276,989	0	1,325,000	5,000	0.39%	5,000	0.39%	\$0.00	0	45,612	0	45,612
South Reno	102	6,959,603	0	147,246	332,482	4.78%	282,930	4.07%	\$0.40	164,914	299,002	202,166	342,406
Sparks	561	27,027,478	0	1,607,895	2,230,321	8.25%	2,875,814	10.64%	\$0.33	333,105	297,930	679,816	1,511,483
Storey County	61	10,009,957	5,800,000	8,596,244	1,410,696	14.09%	1,431,956	14.31%	\$0.35	(10,185)	(10,190)	0	0
West Reno	25	899,778	0	0	15,800	1.76%	43,770	4.86%	\$0.00	(13,800)	(13,800)	0	0
Reno Market Total	1,595	81,204,227	7,420,960	16,070,359	7,388,937	9.10%	8,546,509	10.52%	\$0.33	(125,026)	691,598	1,242,144	3,480,621
0-29,999	1,080	12,187,336	24,000	533,453	768,076	6.30%	935,949	7.68%	\$0.52	(103,512)	(73,138)	184,658	301,084
30,000-49,999	164	6,241,148	0	268,620	495,434	7.94%	803,442	12.87%	\$0.42	(1,950)	(8,840)	124,825	218,010
50,000-99,999	163	11,375,869	0	698,750	1,094,722	9.62%	1,252,579	11.01%	\$0.34	34,118	146,875	235,099	397,007
100,000-199,999	98	13,851,777	0	933,250	1,536,199	11.09%	1,638,531	11.83%	\$0.32	89,545	(176,337)	200,745	464,833
200,000-299,999	30	7,482,724	424,640	240,500	559,444	7.48%	995,946	13.31%	\$0.32	75,798	127,120	126,282	204,652
300,000 Plus	60	30,065,373	6,972,320	13,395,786	2,935,062	9.76%	2,920,062	9.71%	\$0.31	(219,025)	675,918	370,535	1,895,035
Reno Market Total	1,595	81,204,227	7,420,960	16,070,359	7,388,937	9.10%	8,546,509	10.52%	\$0.33	(125,026)	691,598	1,242,144	3,480,621

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
8000 S. Virginia St. – Amazon.com	North Valleys	624,000	\$72.52	Lion Industrial Trust	Dermody Properties, Inc.
3200 USA Pkwy. – Zulily	Storey County	707,010	\$59.05	Allstate Investments, LLC	USAA Real Estate Company
1690 Industrial Way	Sparks	15,500	\$161.29	Daniel Burns	Carlsen Investments, LLC
4984 Joule St.	Airport	35,785	\$55.39	Peppermill Casinos, Inc.	Nortom Corporation
995-1007 Greg St.	Sparks	34,200	\$45.32	GS Properties, LLC	Waldo Giacomini & Sons, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
905-1485 Southern Way – Renewal	Sparks	149,600	May-2015	MicroMetl Corporation	NBS-Reno Industrial OPCP, LLC
475 Lillard Dr.	Sparks	106,720	Apr-2015	OHL	The Blackstone Group, LP
905-1485 Southern Way	Sparks	92,500	Jun-2015	Fidelitone Order Fulfillment	NBS-Reno Industrial OPCP, LLC
10990 Lear Blvd.	North Valleys	87,500	Jun-2015	Undisclosed	Global Logistic Properties, LTD
10990 Lear Blvd.	North Valleys	75,000	Jun-2015	Undisclosed	Global Logistic Properties, LTD

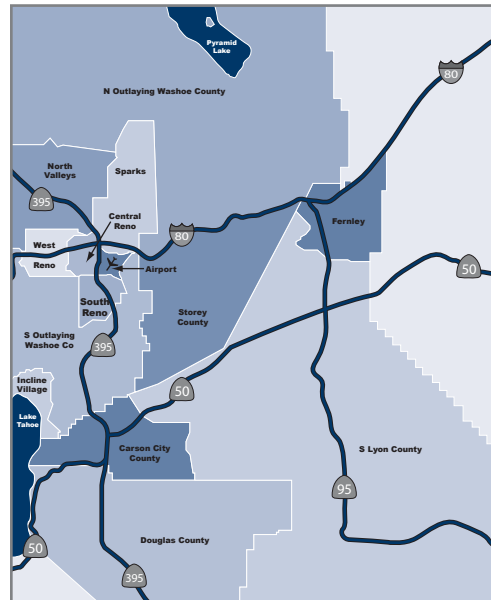
PRODUCT TYPE

MFG. / DIST.

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

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