



REAL ESTATE SERVICES

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# Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

FLAT

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## Market Highlights

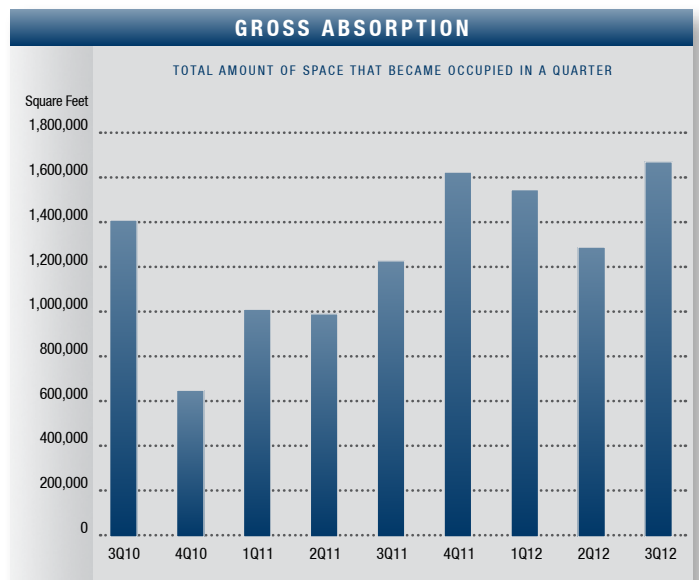
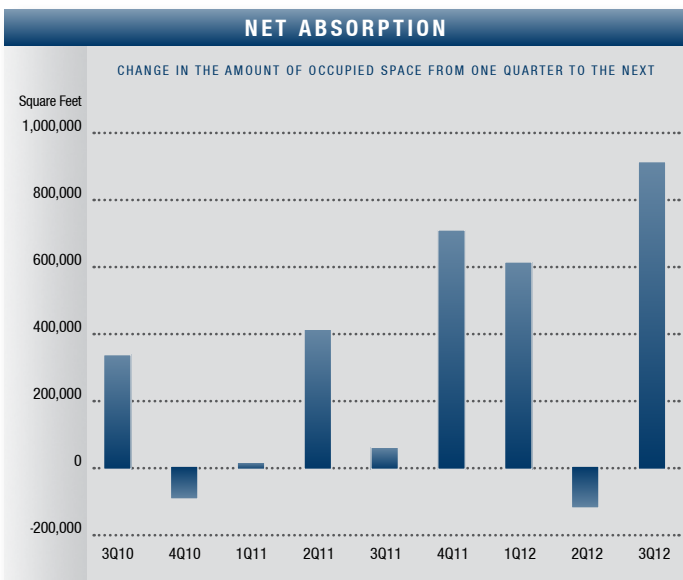
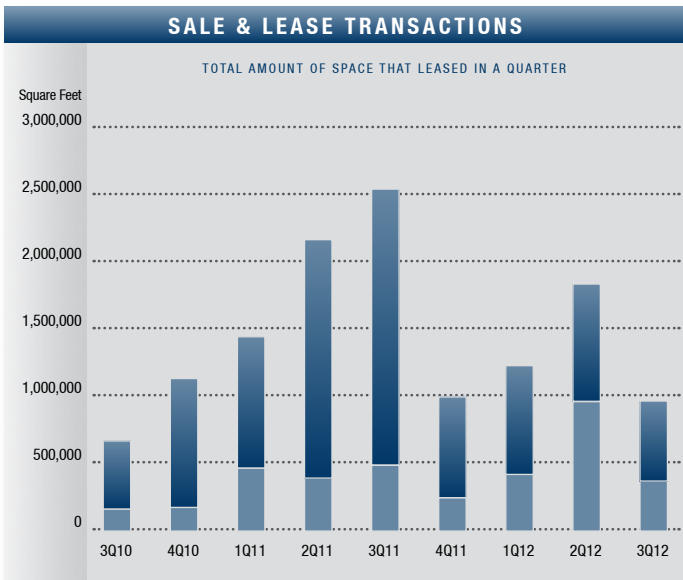
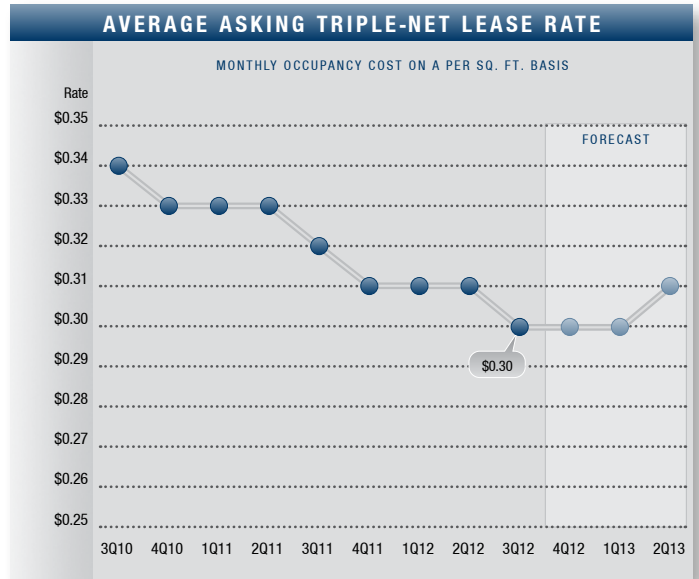
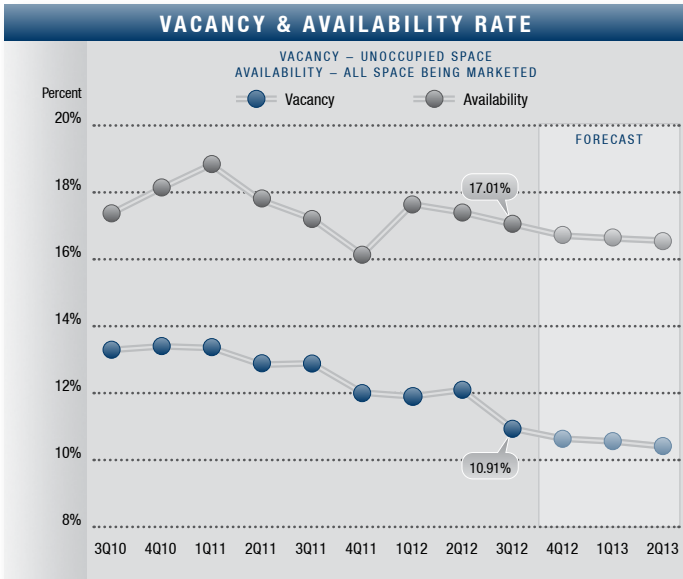
- Market Status** - Reno's industrial market has been a yo-yo since the recession hit. Fortunately enough, the third quarter of 2012, following a poor second quarter, was the best statistical quarter over the last five years. Vacancy went down by over 1%, and net absorption posted a positive figure of 919,534 square feet. Despite the recent volatility, the third quarter of 2012 reflects a big step in the right direction 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 construction to remain scarce or nonexistent.
- Vacancy** - Total vacancy decreased by 113 basis points from the previous quarter, coming in at 10.91%. Within the major submarkets, the Carson City County area remained highest at 18.28%, while the North Valleys area came in at a solid 8.50%.
- Availability** - The rate of availability for space being marketed was 17.01% at the close of the third quarter; down 30 basis points from the previous quarter. Like the vacancy rates, the Carson City County submarket remained high at 22.69% during the third quarter, while the Airport submarket had the least available space at 11.54%.
- Lease Rates** - The average asking triple-net lease rate was \$0.30 per square foot per month for the third quarter; a drop of \$0.01 from the previous three quarters where it sat at \$0.31. Asking lease rates should remain near this level for the foreseeable future.
- Absorption** - The Reno industrial market recorded positive net absorption of 919,534 square feet for third quarter. The largest submarket in all of the region, Sparks, had 307,074

square feet of positive absorption. Also of note, the Storey County submarket posted 411,934 square feet of positive absorption for the quarter.

- Transaction Activity** - The total volume of industrial lease and sale transactions posted a figure of less than 1 million square feet. Final numbers for this statistic typically have some lag time, so look for the third quarter of 2012 to post around 1.25 million square feet of total volume. Details of the largest transactions for the third quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 12% in July 2012, up from 11.4% in April 2012 and down from 12.9% in May 2011. This compares with an unemployment rate of 12% for Nevada and 8.2% 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 of recent quarters has been heavily influenced by the presence of or the lack of large transactions. On the positive side, the third quarter did see a huge figure of net absorption due to the move-ins of some large spaces that were signed in the fourth quarter of 2011. Sequentially, the vacancy rate dipped below 11%. However, on the negative side, transaction activity was low in the third quarter and may cause this great quarter to not have the long lasting impact that we would all hope for. 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

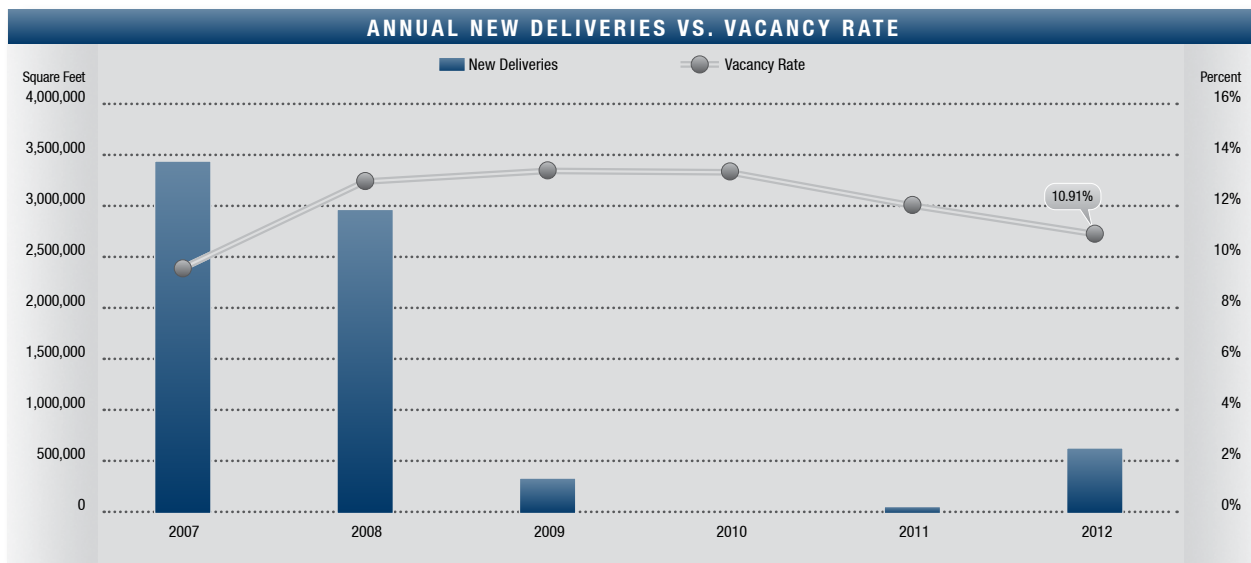
	3Q12	2Q12	3Q11	% of Change vs. 3Q11
Vacancy Rate	10.91%	12.04%	12.86%	(15.16%)
Availability Rate	17.01%	17.41%	17.21%	(1.16%)
Average Asking Lease Rate	\$0.30	\$0.31	\$0.32	(6.25%)
Sale & Lease Transactions	946,839	1,827,456	2,529,847	(62.57%)
Gross Absorption	1,666,635	1,283,225	1,223,970	36.17%
Net Absorption	919,534	(120,670)	63,848	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 3Q2012	Square Feet Available	Availability Rate 3Q2012	Average Asking Lease Rate	Net Absorption 3Q2012	Net Absorption 2012	Gross Absorption 3Q2012	Gross Absorption 2012
<b>Reno Market</b>													
Airport	148	7,133,451	0	13,000	687,002	9.63%	823,158	11.54%	\$0.28	58,943	(64,014)	158,241	197,394
Carson City County	114	2,645,939	0	20,160	483,791	18.28%	600,238	22.69%	\$0.45	(57,576)	70,011	49,596	211,014
Central	206	3,379,132	0	7,500	362,424	10.73%	489,739	14.49%	\$0.29	4,634	(41,912)	33,176	110,245
Douglas County	49	1,488,544	0	98,000	283,106	19.02%	445,152	29.91%	\$0.36	(14,302)	4,395	6,878	62,380
Fernley	32	4,096,265	0	0	316,305	7.72%	441,225	10.77%	\$0.25	3,240	(11,145)	3,240	44,965
Incline Village	1	23,850	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
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	15,341,821	0	1,852,800	1,304,358	8.50%	2,274,296	14.82%	\$0.25	176,290	361,914	261,600	880,882
South Lyon County	88	2,130,673	0	0	460,953	21.63%	863,290	40.52%	\$0.25	(44,044)	123,556	76,283	318,358
South Outlying Washoe County	12	1,359,286	0	0	64,812	4.77%	161,312	11.87%	\$0.00	0	30,938	0	95,750
South Reno	108	7,182,519	0	451,000	774,805	10.79%	981,776	13.67%	\$0.55	81,984	(59,705)	144,085	454,713
Sparks	574	27,175,339	0	651,195	3,376,377	12.42%	4,820,220	17.74%	\$0.28	307,074	557,279	510,641	1,617,985
Storey County	48	8,751,039	0	3,781,003	766,313	8.76%	1,940,328	22.17%	\$0.35	411,934	415,993	422,895	438,395
West Reno	30	1,375,416	0	0	108,673	7.90%	174,639	12.70%	\$0.20	(8,643)	13,757	0	47,400
<b>Reno Market Total</b>	<b>1,621</b>	<b>82,466,308</b>	<b>0</b>	<b>6,934,658</b>	<b>9,000,919</b>	<b>10.91%</b>	<b>14,027,373</b>	<b>17.01%</b>	<b>\$0.30</b>	<b>919,534</b>	<b>1,417,367</b>	<b>1,666,635</b>	<b>4,495,781</b>

0-29,999	1,071	12,215,799	0	170,863	1,406,616	11.51%	1,891,244	15.48%	\$0.45	(68,081)	39,466	217,116	681,928
30,000-49,999	161	6,119,089	0	296,920	736,064	12.03%	1,021,305	16.69%	\$0.46	31,084	69,873	143,692	262,416
50,000-99,999	191	13,283,164	0	470,000	1,394,139	10.50%	2,001,303	15.07%	\$0.31	11,100	23,012	194,951	540,948
100,000-199,999	109	15,256,455	0	778,250	2,384,627	15.63%	3,609,577	23.66%	\$0.25	211,148	307,724	302,593	942,302
200,000-299,999	37	9,220,268	0	0	1,248,359	13.54%	1,695,503	18.39%	\$0.26	276,668	153,971	306,668	824,366
300,000 Plus	52	26,371,533	0	5,218,625	1,831,114	6.94%	3,808,441	14.44%	\$0.28	457,615	823,321	501,615	1,243,821
<b>Reno Market Total</b>	<b>1,621</b>	<b>82,466,308</b>	<b>0</b>	<b>6,934,658</b>	<b>9,000,919</b>	<b>10.91%</b>	<b>14,027,373</b>	<b>17.01%</b>	<b>\$0.30</b>	<b>919,534</b>	<b>1,417,367</b>	<b>1,666,635</b>	<b>4,495,781</b>

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
1025 Sandhill Dr.	South Reno	263,924	\$41.30	Panattoni	Brightpoint, Inc.
9290 Prototype Dr.	South Reno	29,339	\$63.06	Cavist Manufacturing	Overmier Trust
955 Deming Way	Sparks	18,000	\$88.89	Capurro Investments, LLC	Thiessens Family Trust
80-84 Coney Island Dr.	Sparks	19,029	\$44.14	Coney Island 84, LLC	CI Properties, LLC
224 E. Sydney Dr.	Storey County	13,760	\$33.07	N/A	N/A

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5360 Capital Ct.	Airport	191,207	Aug-12	Legacy Supply Chain Services	Prologis
1450 E. Greg St. – Renewal	Sparks	136,207	Jul-12	Dayco	Prologis
725 Waltham Way	Storey County	75,000	Sep-12	Dynarex	Prologis
4945 Aircenter Cir.	Airport	35,000	Aug-12	Packaging Corp of America	Prologis
902-930 Kleppe Ln.	Sparks	27,920	Aug-12	Care Line, Inc.	USAA Real Estate Company

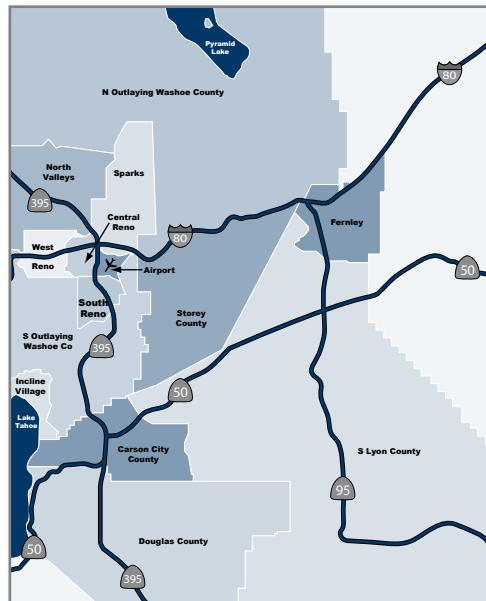
Product Type

MFG./DIST.

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