



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

FLAT

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Market Highlights

- Market Status** - Reno's industrial market had a slow start to 2013, with two quarters of fluctuation following two consecutive solid years in 2011 and 2012. However, despite the mediocre beginning to the year, the market picked back up in the third quarter of 2013 with significant positive figures and secured its outlook as favorable distribution hub. 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.
- Construction** - At the close of the third quarter, only one property was under construction in the Reno industrial market — a 524,800 square foot, Class A distribution center in Storey County. However, there was still 10.9 million square feet of proposed space. With build-to-suit seemingly being the only logical option out there, Reno construction will likely remain scarce or nonexistent, which should lessen upward pressure on vacancy going forward.
- Vacancy** - The vacancy rate for Reno's industrial market ended the third quarter at 10.80%, dropping 83 basis points from the previous quarter and 74 basis points from the previous year. Within the major submarkets, the Carson City County area remained highest at 15.01%, while the North Valleys area came in at a solid 10.36%.
- Availability** - Direct/sublet space being marketed was 13.58% of the total inventory at the close of the third quarter — a drop of 184 basis points from the previous quarter. This significant drop, along with the decent drop in vacancy, is important to note as both will apply upward pressure on lease rates. Like vacancy, the Carson City County submarket remained highest at 17.67%, while the North Valleys submarket had the least available space at 14.00%.
- Lease Rates** - The average asking triple-net lease rate was \$0.31 per square foot per month, marking the first increase in lease rates in over five years. Asking lease rates should remain near this level or begin to gradually increase over the next couple of quarters.
- Absorption** - The Reno industrial market recorded positive net absorption of 638,902 square feet for third quarter. This was the first positive quarter of 2013, as the first two

quarters recorded negative net absorption in excess of 625,000 square feet. The largest submarket in all of the region, Sparks, had 458,740 square feet of positive net absorption. The Storey County submarket, with only 7.9 million square feet of total inventory, also recorded 438,522 square feet of positive net absorption. Conversely, the Airport submarket posted the most negative net absorption for the quarter with 299,794 square feet.

- Transaction Activity** - The total volume of industrial lease and sale transactions posted a figure of 1.56 million square feet for the quarter; this was a vast improvement from the previous quarter's 912,000 square feet. Final numbers for this statistic typically have some lag time, so look for the quarter's numbers to end up around 1.75 million square feet of total volume. Details of the largest transactions for the third quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.3% in July 2013, down from 10.5% in Jan. 2013. This compares with an unemployment rate of 9.5% for Nevada and 7.7% for the nation during the same period.
- Overall** - Except for the first and second quarters of 2013, Reno's industrial market has been improving slowly and steadily since the economic downturn, with the significantly positive third quarter of 2013 cancelling out the negative first and second quarters. Reno may have some statistical advantages over other industrial markets in the southwest: 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.

Prepared by:

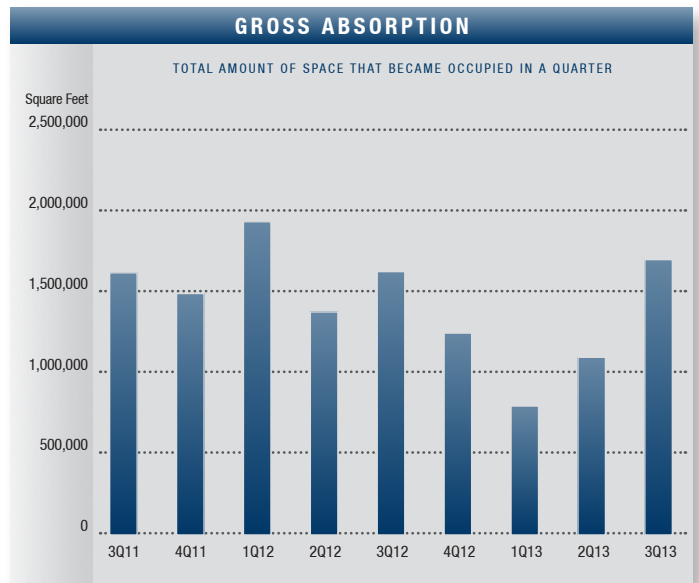
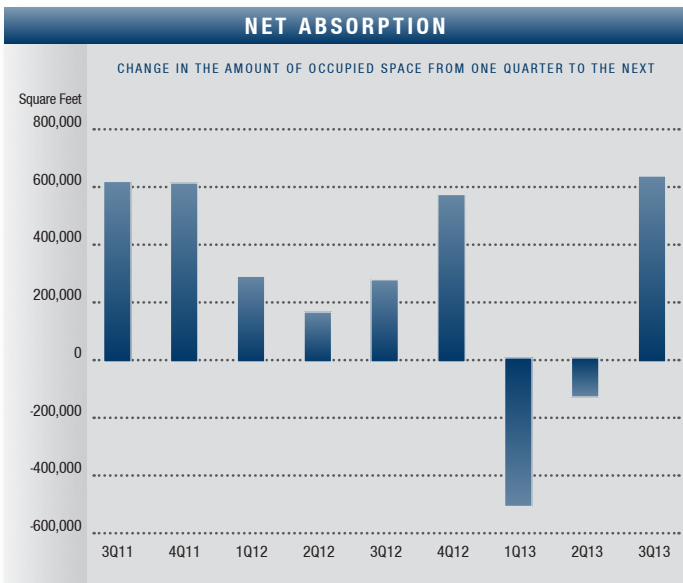
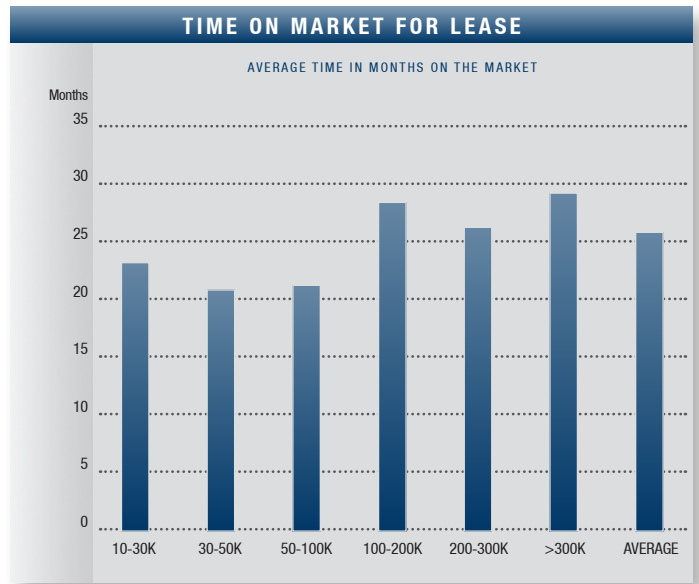
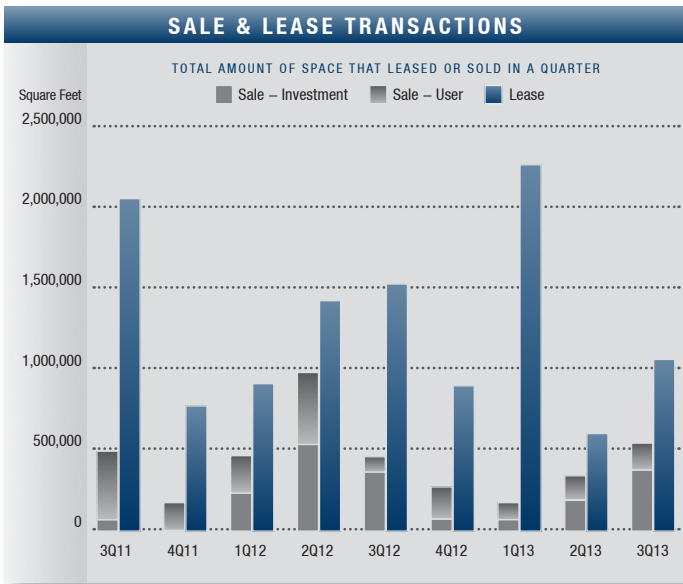
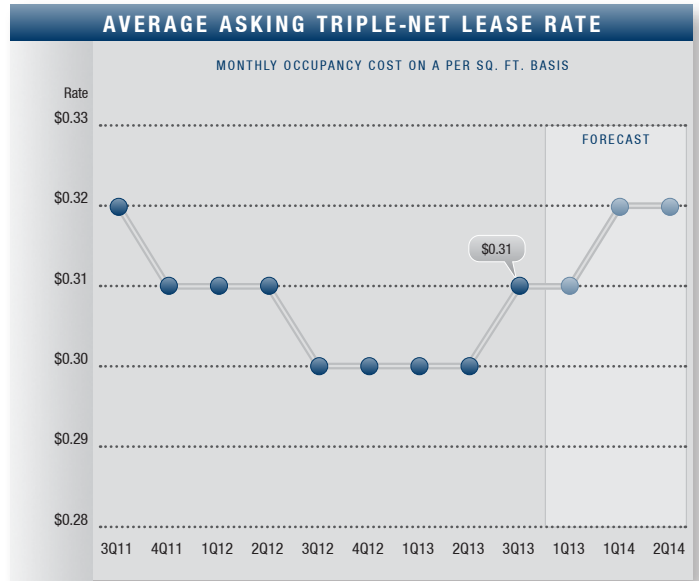
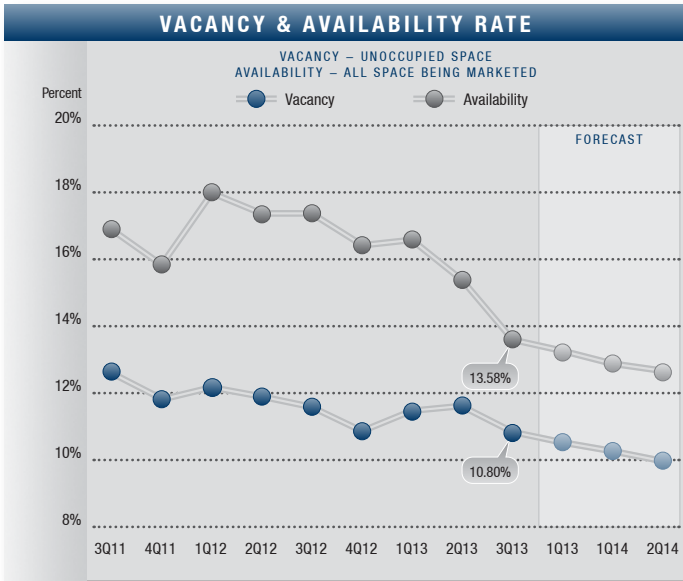
Jerry J. Holdner, Jr. — Lic.#01145748
 Vice President of Market Research
 e-mail: jholdner@voitco.com

Tyler Boyd — Lic.#01927167
 Market Research Analyst
 e-mail: tboyd@voitco.com

VOIT Real Estate Services — Lic.#01333376

INDUSTRIAL MARKET OVERVIEW

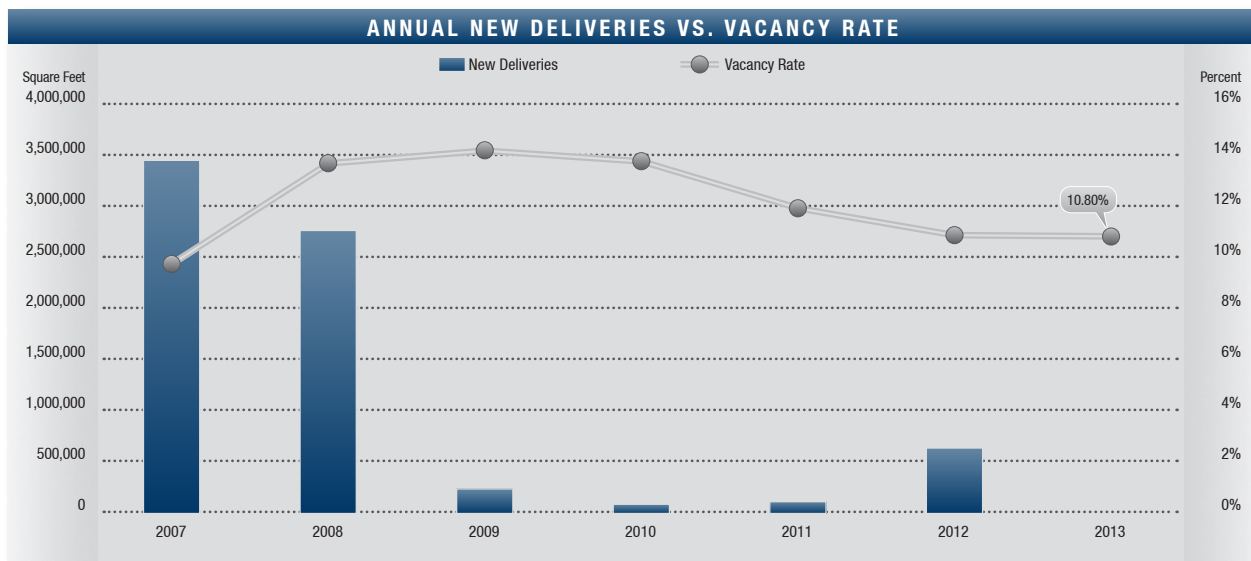
	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Vacancy Rate	10.80%	11.63%	11.56%	(6.57%)
Availability Rate	13.58%	15.42%	17.36%	(21.77%)
Average Asking Lease Rate	\$0.31	\$0.30	\$0.31	0.00%
Sale & Lease Transactions	1,559,299	912,587	1,953,400	(20.18%)
Gross Absorption	1,695,596	1,093,558	1,613,145	5.11%
Net Absorption	638,902	(125,974)	275,215	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Reno Market													
Airport	131	6,415,368	0	13,000	861,111	13.42%	928,550	14.47%	\$0.26	(299,794)	(241,529)	20,656	202,271
Carson City County	111	2,483,828	0	20,160	372,734	15.01%	438,850	17.67%	\$0.41	(14,850)	(3,672)	9,990	100,380
Central	187	2,691,967	0	15,000	375,721	13.96%	469,176	17.43%	\$0.37	23,680	(13,478)	23,721	60,348
Douglas County	46	1,453,295	0	72,000	275,962	18.99%	346,894	23.87%	\$0.39	8,622	(24,498)	10,580	53,035
Fernley	39	4,287,630	0	400,000	269,915	6.30%	279,635	6.52%	\$0.26	24,650	32,650	24,650	32,650
Incline Village	3	40,535	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Outlying Washoe County	10	222,430	0	60,000	12,000	5.39%	12,000	5.39%	\$0.00	0	0	0	0
North Valleys	175	14,461,585	0	1,881,590	1,498,637	10.36%	2,025,051	14.00%	\$0.40	84,647	(121,201)	148,314	483,462
South Lyon County	90	1,956,783	0	0	404,942	20.69%	652,542	33.35%	\$0.25	(66,150)	(26,836)	21,780	159,343
South Outlying Washoe County	9	1,278,329	0	400,000	161,353	12.62%	64,812	5.07%	\$0.00	(96,541)	(96,541)	0	0
South Reno	99	6,660,136	0	271,250	713,630	10.71%	693,792	10.42%	\$0.37	82,406	344,939	391,662	736,332
Sparks	551	26,290,537	0	1,507,895	2,975,250	11.32%	3,691,446	14.04%	\$0.28	458,740	(15,069)	602,561	1,214,356
Storey County	57	7,910,275	0	6,237,639	293,155	3.71%	633,504	8.01%	\$0.46	438,522	182,522	441,682	522,782
West Reno	25	902,378	0	0	109,850	12.17%	230,456	25.54%	\$0.35	(5,030)	(6,427)	0	9,643
Reno Market Total	1,533	77,055,076	0	10,878,534	8,324,260	10.80%	10,466,708	13.58%	\$0.31	638,902	10,860	1,695,596	3,574,602

0-29,999	1,032	11,648,994	0	152,363	1,125,002	9.66%	1,368,198	11.75%	\$0.50	76,257	23,347	169,065	543,613
30,000-49,999	154	5,843,790	0	260,620	533,116	9.12%	765,141	13.09%	\$0.42	98,623	57,483	141,260	271,778
50,000-99,999	164	11,409,751	0	618,750	1,296,603	11.36%	1,689,194	14.80%	\$0.35	(168,397)	24,968	178,866	548,829
100,000-199,999	98	13,736,379	0	769,500	2,474,468	18.01%	3,241,026	23.59%	\$0.27	(140,062)	(533,590)	143,217	358,642
200,000-299,999	32	8,029,714	0	0	1,278,340	15.92%	1,392,177	17.34%	\$0.26	337,610	430,331	628,106	1,014,379
300,000 Plus	53	26,386,448	0	9,077,301	1,616,731	6.13%	2,010,972	7.62%	\$0.29	434,871	8,321	435,082	837,361
Reno Market Total	1,533	77,055,076	0	10,878,534	8,324,260	10.80%	10,466,708	13.58%	\$0.31	638,902	10,860	1,695,596	3,574,602

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
2375 E. Newlands Dr.	Fernley	337,500	\$47.70	Cole Real Estate Investments	Panattoni Development Company
900 Waltham Way	Storey County	330,070	\$25.92	Ardagh Metal Packaging USA, Inc.	Axiall Corporation
11500 Production Dr.	North Valleys	95,200	\$47.27	Ole Mexican Foods, Inc.	Pacific Office Furnishings
200-330 Coney Island Dr.	Sparks	112,885	\$29.68	Blackfire Real Estate Investors	Nev-Ida Property Investments
795 E. Moana Ln.	Central Reno	18,720	\$93.48	Thomas Ranklin	Ranshu Parts Company

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
14551 Industry Cir.	North Valleys	176,051	Aug-13	Pacific Western Timber	Elanor Sade Trust
325 E. Nugget Ave.	Sparks	144,541	Jul-13	New West Distributing, Inc.	325 East Nugget, LLC
1280 Southern Way	Sparks	100,151	Jul-13	Southwin	Morrison Street Capital, LLC
12845 Old Virginia St.	S. Outlying Washoe County	96,541	Jul-13	Imperial Supplies, LLC	Prologis
630 Spice Islands Dr.	Sparks	87,151	Aug-13	ITS Logistics	Prologis

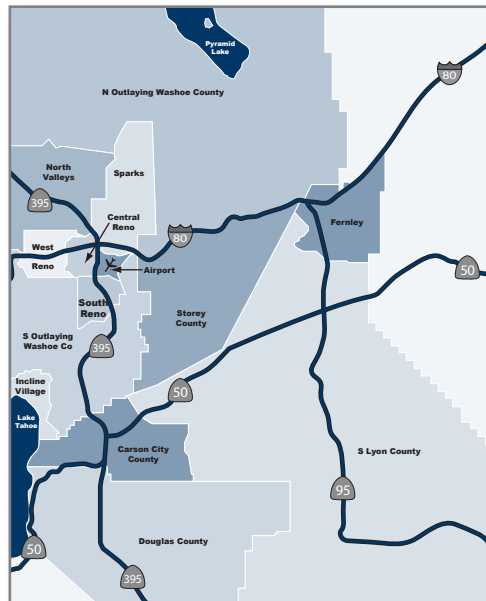
Product Type

MFG./DIST.

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

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101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
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