



REAL ESTATE SERVICES

Real People. Real Solutions.®



Industrial Market Report

Compared to 2011:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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Market Highlights

- Market Status** - Reno's industrial market has been showing significant signs of life with consecutive quarters of positive absorption and drops in vacancy. 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. The fourth quarter of 2012 capped a strong year for Reno's industrial market, as it continues to work its way back to the pre-recessionary peak.
- Absorption** - The Reno industrial market recorded positive net absorption of 156,377 square feet for fourth quarter, giving the market nearly 1.2 million square feet of positive absorption for 2012. The largest submarket in all of the region, Sparks, had 113,700 square feet of positive absorption. Also of note, the Airport submarket posted 199,753 square feet of positive absorption for the quarter.
- Construction** - At the close of the quarter, no properties were under construction, and none were delivered throughout the quarter. However, there was still 6.3 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 21 basis points from the previous quarter, coming in at 10.69%. Within the major submarkets, the Carson City County area remained highest at 13.91%, while the Airport area came in at a solid 6.83%.
- Availability** - The rate of availability for space being marketed was 15.92% at the close of the fourth quarter; down 110 basis points from the previous quarter. Like vacancy, the Carson City County submarket remained high at 17.74%, while the Airport submarket had the least available space at 10.43%.
- Lease Rates** - The average asking triple-net lease rate was \$0.30 per square foot per month for the second consecutive quarter, an indication of stability. Asking lease rates should remain near this level for the next couple of quarters, with potential increases in the latter half of 2013.
- Transaction Activity** - The total volume of industrial lease and sale transactions posted a figure of just under 1 million square feet for the quarter. Final numbers for this statistic typically have some lag time, so look for the fourth quarter of 2012 to post around 1.25 million square feet of total volume. Details of the largest transactions for 2012 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 10.6% in October 2012, down from 12% in July 2012. This compares with an unemployment rate of 10.9% for Nevada and 7.5% for the nation during the same period.
- Overall** - Reno's industrial market, since the economical downturn, has been improving slowly and steadily. 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:

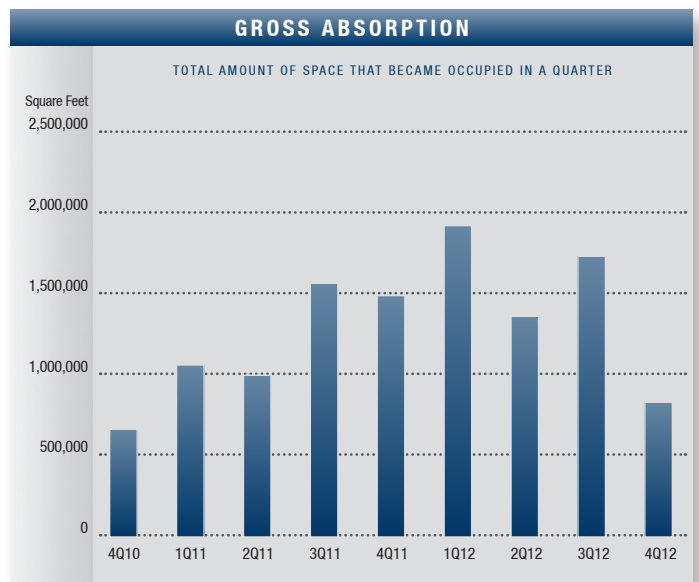
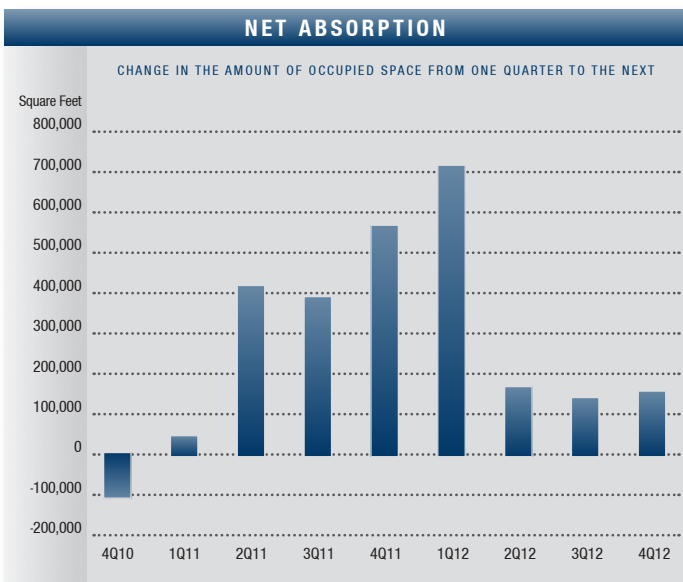
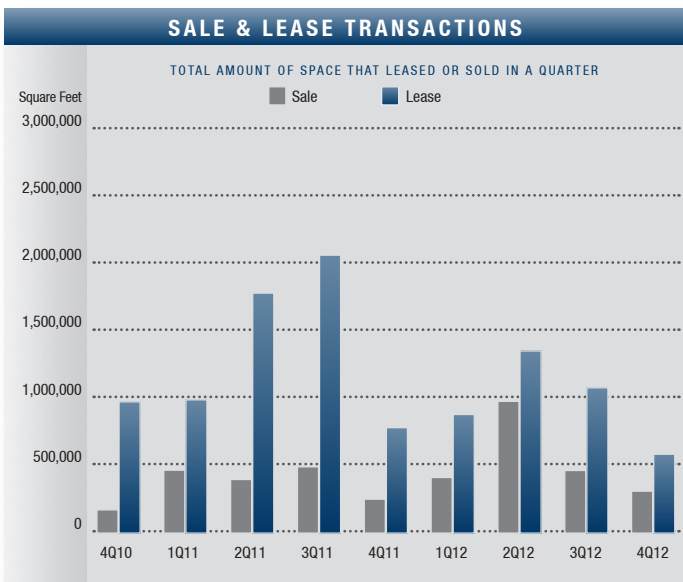
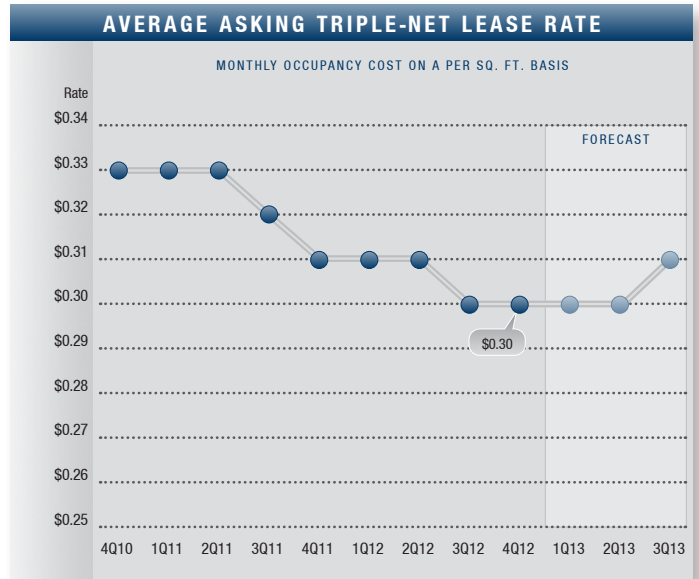
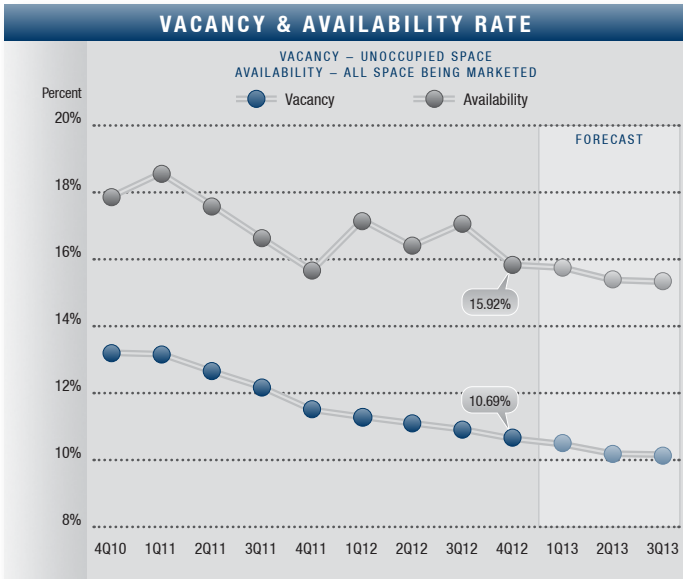
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INDUSTRIAL MARKET OVERVIEW

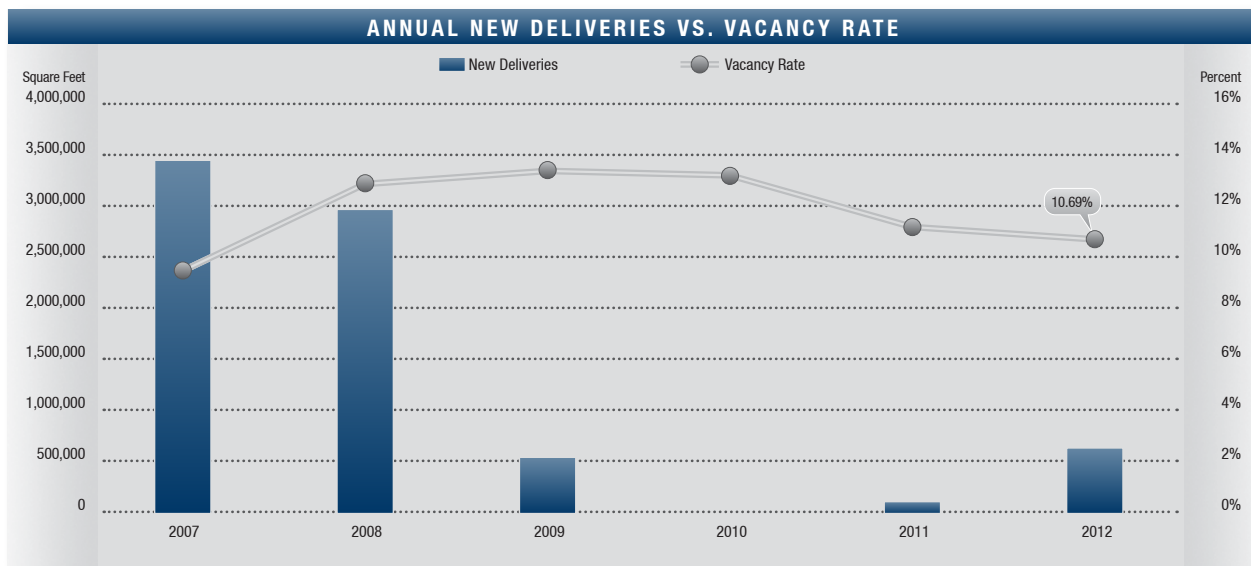
	2012	2011	2010	% of Change vs. 2011
Vacancy Rate	10.69%	11.50%	13.19%	(7.04%)
Availability Rate	15.92%	15.59%	17.94%	2.12%
Average Asking Lease Rate	\$0.30	\$0.31	\$0.33	(3.23%)
Sale & Lease Transactions	6,023,762	7,104,692	4,791,194	(15.21%)
Gross Absorption	5,774,825	5,077,789	4,583,715	13.73%
Net Absorption	1,173,906	1,420,239	198,014	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 4Q2012	Square Feet Available	Availability Rate 4Q2012	Average Asking Lease Rate	Net Absorption 4Q2012	Net Absorption 2012	Gross Absorption 4Q2012	Gross Absorption 2012
Reno Market													
Airport	148	7,133,451	0	13,000	487,249	6.83%	743,681	10.43%	\$0.28	199,753	135,739	200,885	485,279
Carson City County	119	2,891,969	0	20,160	402,286	13.91%	512,912	17.74%	\$0.40	126,299	202,310	157,210	372,118
Central	207	3,390,142	0	7,500	372,003	10.97%	450,362	13.28%	\$0.36	(7,179)	(47,991)	52,433	164,778
Douglas County	51	1,527,124	0	98,000	269,495	17.65%	427,863	28.02%	\$0.37	1,351	20,106	24,400	86,980
Fernley	32	4,096,265	0	0	293,265	7.16%	418,185	10.21%	\$0.25	23,040	11,895	23,040	68,005
Incline Village	1	23,850	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	16,300	0	16,300
North Valleys	205	15,353,300	0	1,852,800	1,615,186	10.52%	2,193,224	14.29%	\$0.25	(310,828)	51,086	23,700	1,037,582
South Lyon County	90	2,173,161	0	0	433,431	19.94%	791,543	36.42%	\$0.24	37,422	161,578	44,550	363,908
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	921,199	12.83%	876,100	12.20%	\$0.55	(42,470)	(206,099)	14,350	587,439
Sparks	574	27,235,523	0	651,195	3,195,747	11.73%	4,532,482	16.64%	\$0.28	113,700	640,859	251,617	1,879,802
Storey County	51	8,131,835	0	3,186,320	625,313	7.69%	1,807,043	22.22%	\$0.34	10,039	138,178	10,039	564,234
West Reno	30	1,375,672	0	0	103,423	7.52%	169,389	12.31%	\$0.20	5,250	19,007	5,250	52,650
Reno Market Total	1,635	82,264,831	0	6,339,975	8,795,409	10.69%	13,096,096	15.92%	\$0.30	156,377	1,173,906	807,474	5,774,825

0-29,999	1,084	12,393,768	0	170,863	1,275,776	10.29%	1,684,709	13.59%	\$0.45	134,974	192,300	258,710	939,732
30,000-49,999	161	6,121,228	0	296,920	587,096	9.59%	905,344	14.79%	\$0.43	146,427	227,861	169,047	432,463
50,000-99,999	192	13,416,816	0	470,000	1,255,508	9.36%	1,779,082	13.26%	\$0.32	72,681	105,893	118,771	669,919
100,000-199,999	109	15,201,852	0	778,250	2,256,390	14.84%	3,673,387	24.16%	\$0.25	159,537	430,541	199,476	1,148,878
200,000-299,999	37	9,220,268	0	0	1,432,703	15.54%	1,719,103	18.64%	\$0.26	(80,420)	(30,373)	0	1,075,742
300,000 Plus	52	25,910,899	0	4,623,942	1,987,936	7.67%	3,334,471	12.87%	\$0.28	(276,822)	247,684	61,470	1,508,091
Reno Market Total	1,635	82,264,831	0	6,339,975	8,795,409	10.69%	13,096,096	15.92%	\$0.30	156,377	1,173,906	807,474	5,774,825

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
2777 USA Pkwy.	Storey County	500,768	\$43.93	Conco Storage, LLC	Union Property Capital, LLC
1025 Sandhill Dr.	South Reno	263,924	\$41.30	Panattoni Development Company	Brightpoint, Inc.
9393 Gateway Dr.	South Reno	98,511	\$60.91	Duck Pond, LLC	Gateway Drive, LLC
11005 Stead Blvd.	North Valleys	181,603	\$32.76	Sierra Converting Corporation	Quad Graphics, Inc.
95 Airpark Vista Blvd.	South Lyon County	184,533	\$28.18	RPM International, Inc.	Dayton Investments, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
255 Vista Blvd. – Renewal	Sparks	336,000	Jun-12	Henry Schein, Inc.	PLDSPE, LLC
6650 Echo Ave.	North Valleys	292,500	Sep-12	BizChair	Panattoni Development Company
550 Boxington Way – Renewal	Sparks	271,152	Apr-12	Ozburn-Hessey Logistics	Selective Real Estate Investments
5360 Capital Ct.	Airport	191,207	Aug-12	Legacy Supply Chain Services	Prologis
201 Ireland Dr.	Storey County	187,200	Oct-12	PPG Industries, Inc.	Bentall Kennedy (US), LP

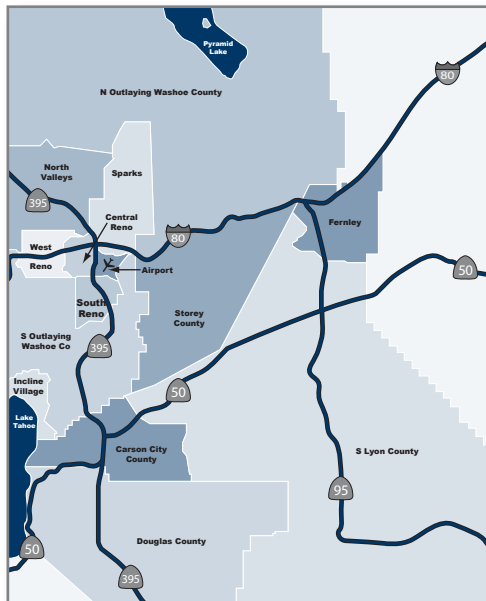
Product Type

MFG./DIST.

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

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