



## Industrial Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

DOWN

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### Market Highlights

- Market Status** - Reno's industrial market had a slow start to 2013, with two negative quarters following two solid years in 2011 and 2012. However, despite the mediocre beginning to the year, the market picked back up in the second half of 2013 with positive figures and secured its outlook as 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 fourth quarter, only one property was under construction in the Reno industrial market—a 524,000 square foot, Class A distribution center in Storey County. However, there was still 13.6 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 year at 10.18%, dropping 27 basis points from the previous quarter and 54 basis points from the previous year. Within the major submarkets, the Airport area remained highest at 13.52%, while the North Valleys area came in at a solid 8.45%.
- Availability** - Direct/sublet space being marketed was 12.32% of the total inventory at the close of the fourth quarter—a drop of 99 basis points from the previous quarter. This significant drop in availability, along with the decrease in vacancy, is important to note, as both will provide solid demand to the region. Lease rates have responded positively to the demand with an increase to finish 2013. The Carson City County availability rate submarket remained highest at 17.36%, while the Central Reno submarket had the least available space at 10.19%.
- Lease Rates** - The average asking triple-net lease rate was \$0.32 per square foot per month, marking the second increase in lease rates in many quarters. Asking lease rates should continue to stabilize and gradually increase over the next couple of quarters.
- Absorption** - The Reno industrial market recorded positive net absorption of 206,965 square feet for fourth quarter and 431,610 square feet for all of 2013. The third and fourth quarters were vital to the continuance of the market's

recovery, as the first half of 2013 recorded negative net absorption. The North Valleys submarket recorded 219,536 square feet of positive net absorption, while the largest submarket, by far, in all of the region, Sparks, retreated a bit with 195,843 square feet of negative net absorption. Most impressively for 2013, the South Reno submarket—containing only 6.6 million square feet of inventory—recorded 371,792 square feet of positive net absorption throughout the year.

- Transaction Activity** - The total volume of industrial leasing activity came in at just over 500,000 square feet for the fourth quarter, producing a total of 4.7 million square feet for 2013, nearly equal to 2012's total. Sales activity came in at just over 162,000 square feet in the fourth quarter, down some compared to the near 200,000 square feet posted in 2012. 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 all of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 8.8% in October 2013, down from 9.3% in July 2013. This compares with an unemployment rate of 9.2% for Nevada and 7.0% 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 positive second half 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, despite a rise in vacancy and availability during 2014 when a few large projects will be delivered to the region. 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:

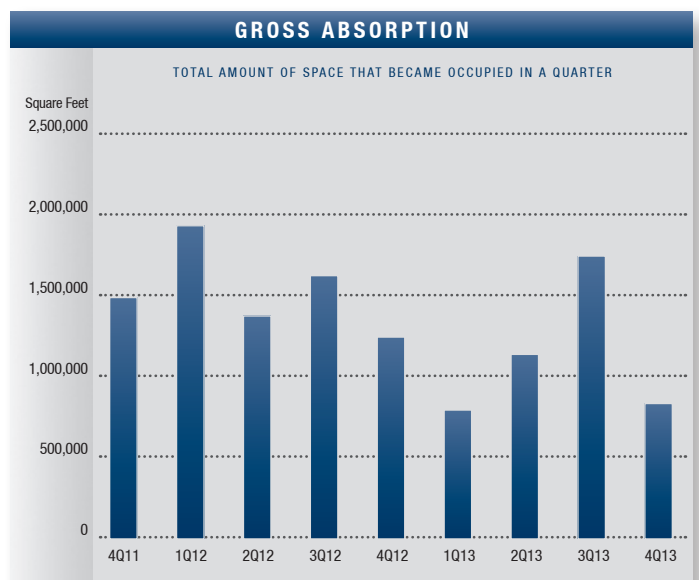
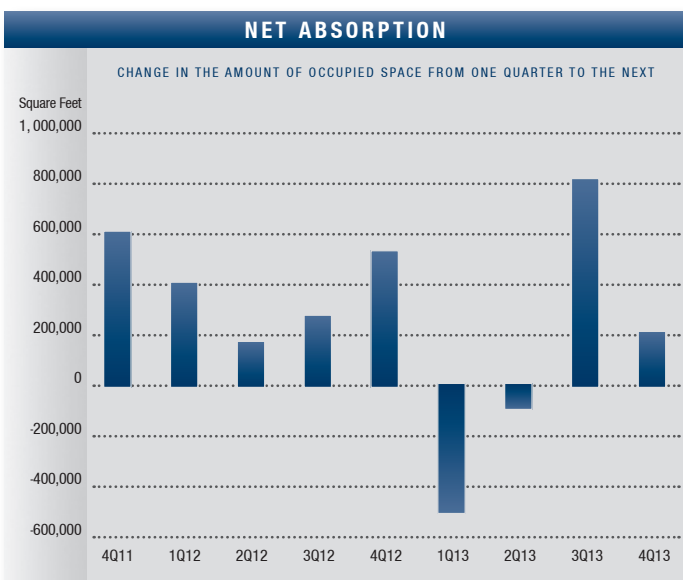
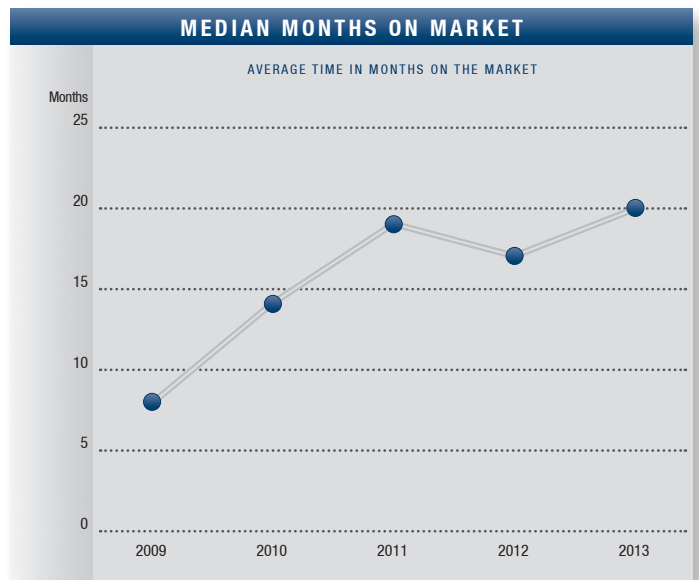
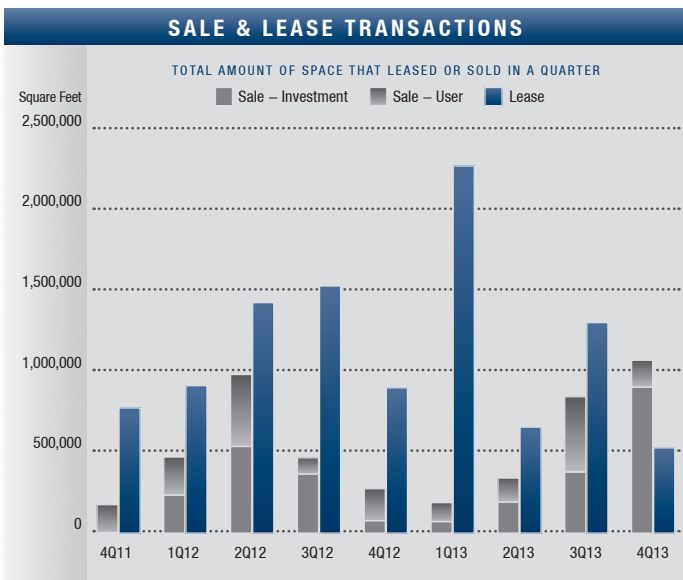
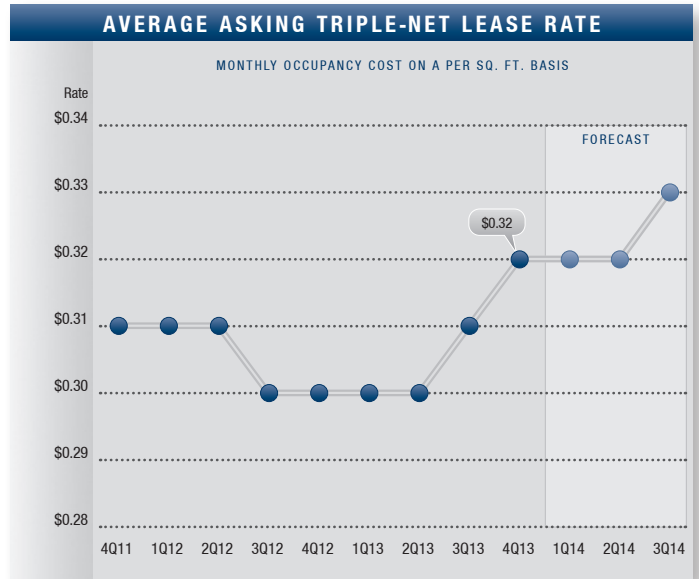
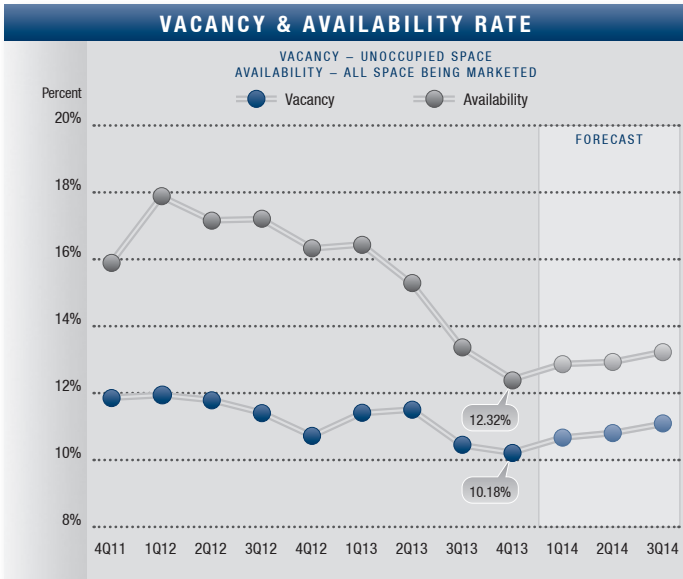
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### INDUSTRIAL MARKET OVERVIEW

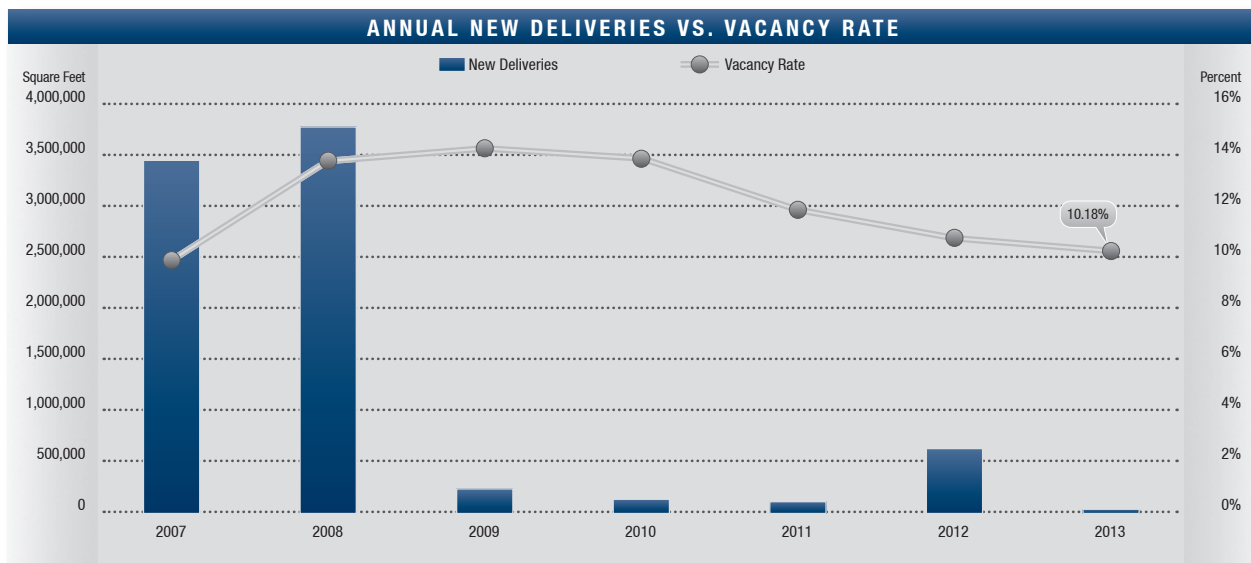
	2013	2012	2011	% of Change vs. 2012
Vacancy Rate	10.18%	10.72%	11.82%	(5.04%)
Availability Rate	12.32%	16.31%	15.87%	(24.46%)
Average Asking Lease Rate	\$0.32	\$0.30	\$0.31	6.67%
Sale & Lease Transactions	7,045,261	6,812,861	7,005,301	3.41%
Gross Absorption	4,473,168	6,142,079	5,083,555	(27.17%)
Net Absorption	431,610	1,380,293	1,634,162	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
<b>Reno Market</b>													
Airport	131	6,404,899	0	13,000	866,157	13.52%	879,809	13.74%	\$0.27	(5,046)	(246,575)	40,082	242,353
Carson City County	113	2,514,066	0	20,160	317,641	12.63%	436,357	17.36%	\$0.50	44,643	72,256	56,284	175,699
Central	187	2,562,472	0	15,000	249,816	9.75%	261,139	10.19%	\$0.42	3,161	(10,317)	14,141	74,548
Douglas County	46	1,453,295	0	72,000	207,555	14.28%	270,335	18.60%	\$0.37	44,131	43,909	44,131	121,442
Fernley	39	4,287,630	0	400,000	263,435	6.14%	263,435	6.14%	\$0.26	6,480	39,130	6,480	39,130
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	610,500	12,000	5.39%	12,000	5.39%	\$0.00	0	0	0	0
North Valleys	175	14,462,794	0	3,488,590	1,222,301	8.45%	1,485,451	10.27%	\$0.40	219,536	155,135	230,536	713,938
South Lyon County	90	1,965,125	0	0	338,152	17.21%	659,540	33.56%	\$0.24	8,202	39,954	8,202	167,545
South Outlying Washoe County	9	1,276,989	0	400,000	69,812	5.47%	69,812	5.47%	\$0.00	91,541	(5,000)	96,541	96,541
South Reno	99	6,656,624	0	271,250	684,997	10.29%	690,012	10.37%	\$0.37	18,582	371,792	45,082	781,414
Sparks	551	26,302,280	0	1,607,895	3,170,093	12.05%	3,677,098	13.98%	\$0.29	(194,843)	(175,347)	139,165	1,388,055
Storey County	57	7,910,175	524,000	6,684,989	298,677	3.78%	639,104	8.08%	\$0.46	(5,522)	177,000	140,078	662,860
West Reno	25	902,378	0	0	133,750	14.82%	138,116	15.31%	\$0.35	(23,900)	(30,327)	0	9,643
<b>Reno Market Total</b>	<b>1,535</b>	<b>76,961,692</b>	<b>524,000</b>	<b>13,583,384</b>	<b>7,834,386</b>	<b>10.18%</b>	<b>9,482,208</b>	<b>12.32%</b>	<b>\$0.32</b>	<b>206,965</b>	<b>431,610</b>	<b>820,722</b>	<b>4,473,168</b>

0-29,999	1,035	11,692,089	0	152,363	974,059	8.33%	1,145,172	9.79%	\$0.53	126,398	186,525	229,604	792,251
30,000-49,999	154	5,843,790	0	300,620	457,492	7.83%	742,233	12.70%	\$0.42	49,348	167,672	84,854	415,442
50,000-99,999	164	11,417,751	0	678,750	1,170,010	10.25%	1,494,510	13.09%	\$0.37	18,649	151,561	122,549	671,378
100,000-199,999	97	13,607,065	0	904,500	2,372,873	17.44%	3,101,532	22.79%	\$0.28	(22,549)	(556,139)	138,201	496,843
200,000-299,999	32	8,029,714	0	448,500	1,201,899	14.97%	1,328,004	16.54%	\$0.26	76,441	514,992	103,336	1,117,715
300,000 Plus	53	26,371,283	524,000	11,098,651	1,658,053	6.29%	1,670,757	6.34%	\$0.29	(41,322)	(33,001)	142,178	979,539
<b>Reno Market Total</b>	<b>1,535</b>	<b>76,961,692</b>	<b>524,000</b>	<b>13,583,384</b>	<b>7,834,386</b>	<b>10.18%</b>	<b>9,482,208</b>	<b>12.32%</b>	<b>\$0.32</b>	<b>206,965</b>	<b>431,610</b>	<b>820,722</b>	<b>4,473,168</b>

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Prologis Reno/Sparks Portfolio	Reno/Sparks	8,490,396	\$50.35	The Blackstone Group	Prologis
2375 E. Newlands Dr.	Fernley	337,500	\$47.70	Cole Corporate Income Trust, Inc.	Panattoni Development Company
9085 Moya Blvd.	North Valleys	335,859	\$39.90	KTR Capital Partners, LP	Panattoni Development Company
900 Waltham Way	Storey County	330,070 *	\$34.84	Ardagh Metal Packaging USA, Inc.	Axiall Corporation
10875 Sage Point Ct.	North Valleys	181,400	\$34.18	Inteplast Group, Ltd.	Carlisle Companies, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2375 E. Newlands Dr.	Fernley	337,500	Jan-13	Trex Company	Panattoni Development Company
1175 Trademark Dr.	South Reno	274,037	Feb-13	FedEx	Prologis
550 Boxington Way	Sparks	271,119	Jan-13	Key Logistics	Selective Real Estate Investments
725 Waltham Way	Storey County	255,041	Feb-13	Mars Petcare	Prologis
14551 Industry Cir. **	North Valleys	224,051	Apr-13	Diversified Distribution Systems, Inc.	Sade Trust

\* (add. 49 acres of land)  
 \*\*VRES DEAL \*\*

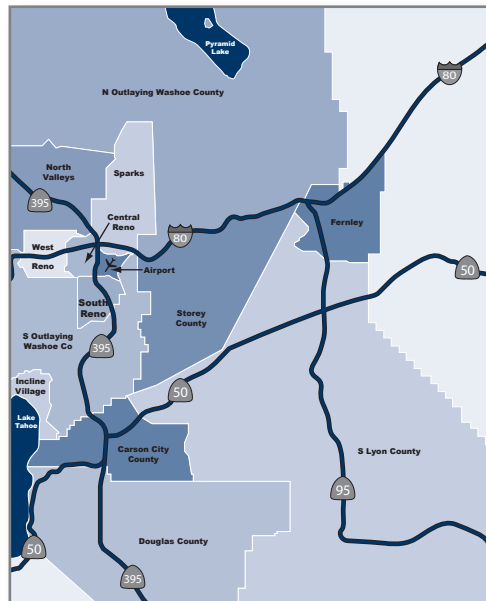
Product Type

MFG./DIST.

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

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