



MARKET CHANGE

Compared to 2013:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

UP

HIGHLIGHTS

- **Market Status** - The Reno industrial market's vacancy rate is currently 8.20%, which is 81 basis points lower than one year ago. Lease rates remained unchanged during the fourth quarter, but are still 9.68% higher than they were one year ago. Reno's industrial market continues to strengthen as companies such as Tesla continue to choose the Reno-Sparks area 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 fourth quarter, two properties were under construction in the Reno industrial market—a 624,000 square foot, Class A warehouse in North Valleys and a 603,000 square foot, Class A distribution center in Sparks. The delivery dates for these properties range from January to May of 2015. The fourth quarter also had 707,010 square feet of delivered space—a Class A Distribution center for the company Zulily in Storey County. With an estimated 17.6 million square feet of planned industrial space, Reno has positioned itself as a growing regional warehouse market.
- **Vacancy** - The vacancy rate for Reno's industrial market ended the quarter at 8.20%, increasing by 21 basis points from the previous quarter, but still down 81 basis points from the previous year's figure of 9.01%. Within the major submarkets, South Lyon County remained highest at 24.27%, while North Valleys and Fernley came in at a solid 4.50% and 4.55%.
- **Availability** - Direct/sublet space being marketed was 11.58% of the total inventory at the close of the fourth quarter—an increase of 24 basis points from the previous year. Of the major submarkets, the South Lyon County availability rate remained highest at 32.55%, while North Valleys had one of the least available rates at 6.88%.
- **Lease Rates** - The average asking triple-net lease rate was \$0.34 per square foot per month, which remained

unchanged from the previous quarter; however, this figure is still three cents higher than one year ago. Asking lease rates are expected to continue to gradually increase over the next couple of quarters as demand for industrial space in Reno increases.

- **Absorption** - The Reno industrial market recorded positive net absorption of 1.8 million square feet for 2014, which is an increase of 800,000 square feet in comparison to last year's absorption figure. Given that Reno is a growing regional warehouse market, absorption is expected to increase in future quarters. Of the major submarkets, Sparks recorded 216,785 square feet of positive net absorption, while South Reno had the second highest net absorption of 111,253 square feet.
- **Transaction Activity** - The total volume of industrial leasing and sales activity came in at 2,524,585 square feet for the fourth quarter. This statistic can have some lag time in being reported, so look for fourth quarter figures to end up somewhat higher in the next report. Details of the largest transactions for 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 6.4% in November 2014, down from 8.3% in January 2014. This compares with an unemployment rate of 6.9% for Nevada and 5.8% for the nation during the same period.
- **Overall** - Reno's industrial market continues to stay strong as the overall vacancy rate has continued its downward trend and is still 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 around 1.2%, or 2,100 jobs, in the Reno/Sparks area by 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 another 3% to 5% by 2015 over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to remain steady in the coming quarters, dropping by 15 basis points, to around 8.05% by the end of the third quarter of 2015.

OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	8.20%	9.01%	10.28%	(8.99%)
Availability Rate	11.58%	11.34%	16.45%	2.12%
Average Asking Lease Rate	\$0.34	\$0.31	\$0.31	9.68%
Sale & Lease Transactions	9,090,699	8,187,172	7,499,914	11.04%
Gross Absorption	5,175,067	5,120,691	6,184,692	1.06%
Net Absorption	1,827,556	1,007,205	1,468,582	N/A

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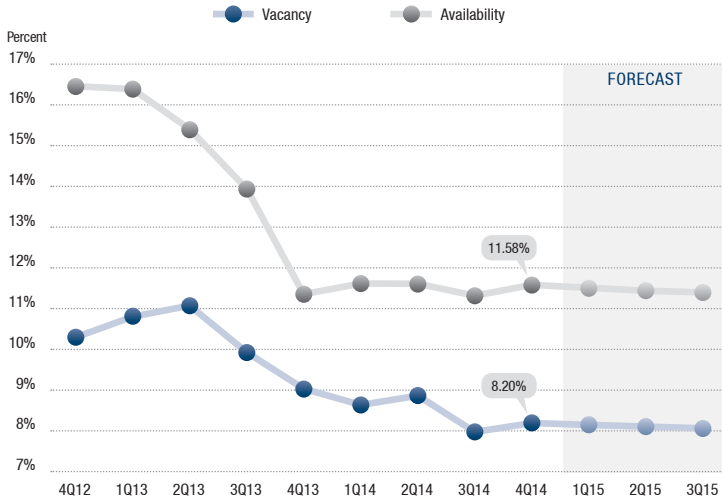
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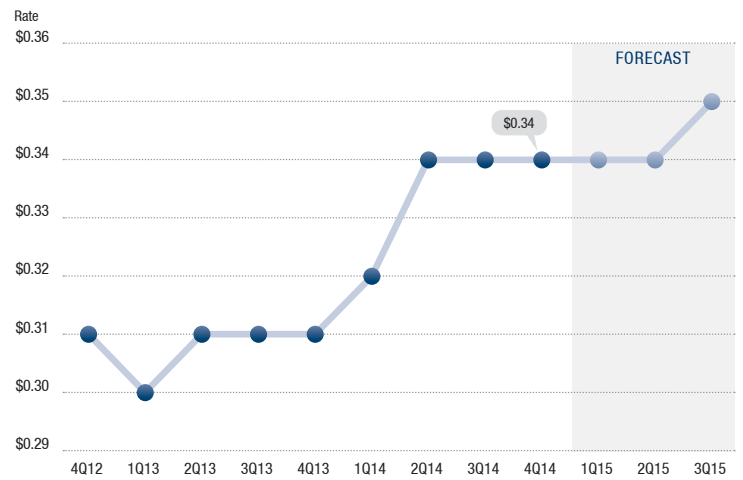
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



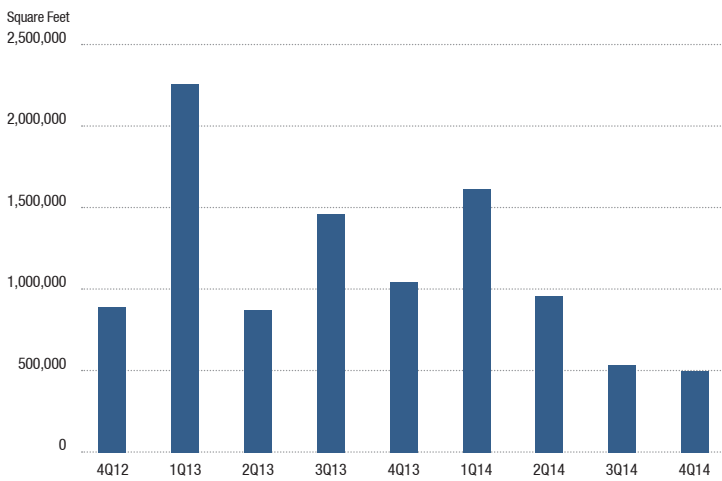
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



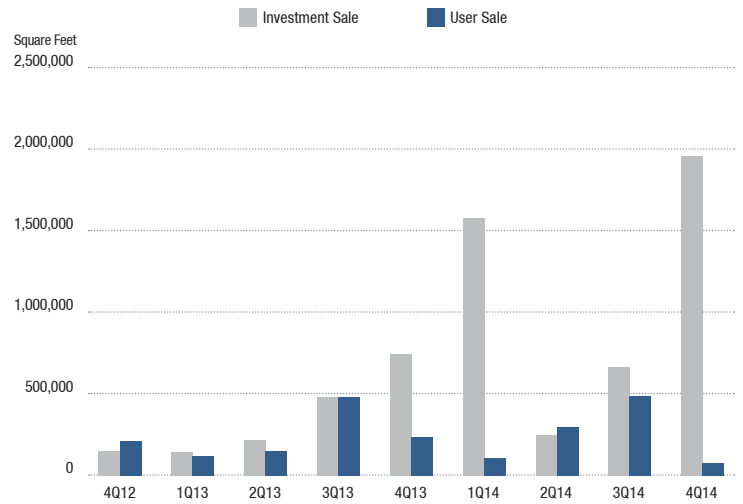
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



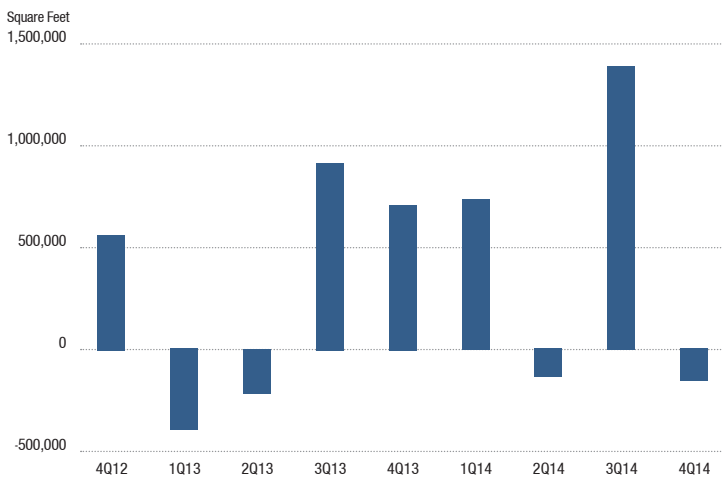
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



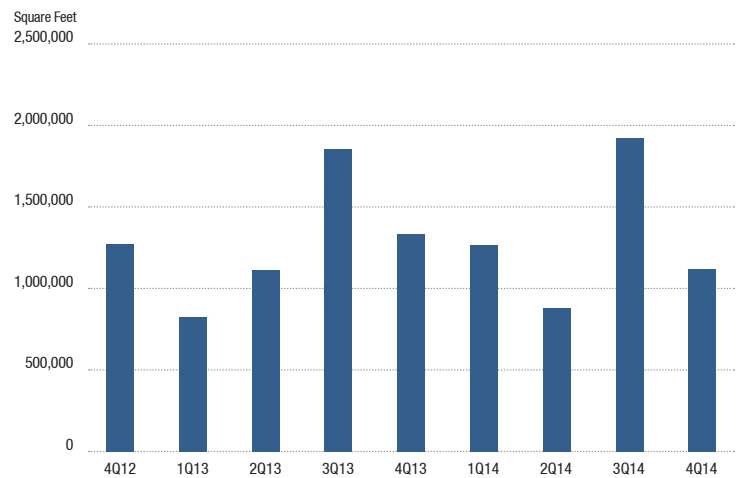
NET ABSORPTION

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



GROSS ABSORPTION

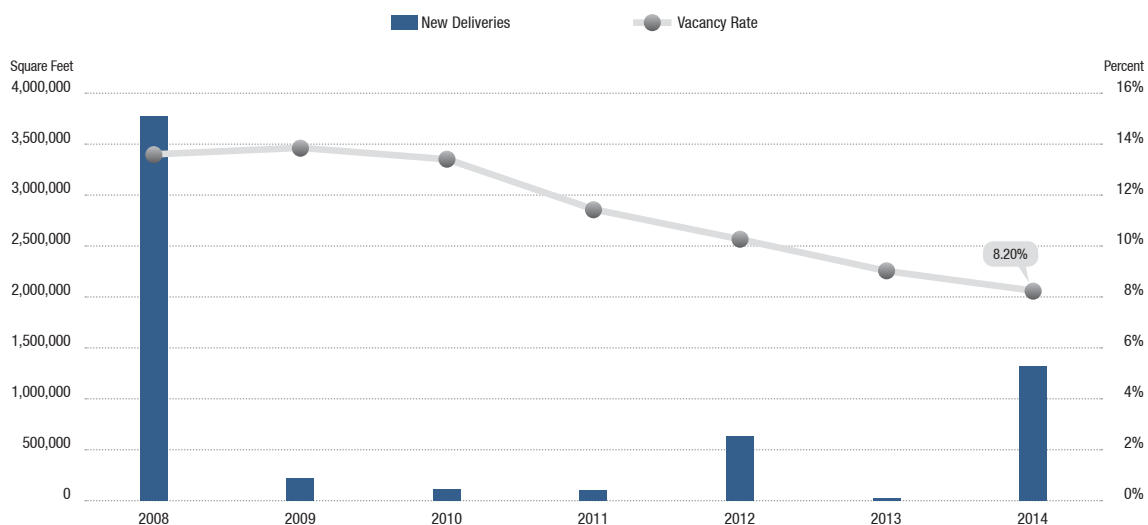
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
Reno Market													
Airport	133	6,440,754	0	13,000	873,500	13.56%	988,881	15.35%	\$0.35	(61,294)	(3,947)	15,568	333,036
Carson City County	120	2,607,486	0	20,160	356,446	13.67%	440,132	16.88%	\$0.42	3,465	(30,205)	20,495	76,519
Central	189	2,589,056	0	15,000	92,499	3.57%	191,947	7.41%	\$0.36	(7,270)	104,317	40,330	164,027
Douglas County	51	1,484,038	0	72,000	178,151	12.00%	252,439	17.01%	\$0.41	(31,562)	21,304	24,938	113,964
Fernley	41	4,201,616	0	400,000	191,015	4.55%	792,875	18.87%	\$0.36	(186,675)	(6,480)	0	184,035
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%	21,620	8.45%	\$0.61	(13,920)	(1,920)	0	25,920
North Valleys	174	14,385,322	624,000	3,110,314	647,294	4.50%	989,907	6.88%	\$0.36	(46,039)	403,307	23,761	619,767
South Lyon County	97	2,125,225	0	0	515,821	24.27%	691,809	32.55%	\$0.25	(156,058)	(169,669)	37,028	70,477
South Outlying Washoe County	9	1,276,989	0	470,000	50,612	3.96%	5,000	0.39%	\$0.00	0	19,200	0	19,200
South Reno	100	6,894,120	0	139,946	615,046	8.92%	534,833	7.76%	\$0.37	111,253	153,901	121,526	264,168
Sparks	556	26,360,707	603,000	1,607,895	2,090,559	7.93%	3,333,975	12.65%	\$0.32	216,785	525,157	312,937	1,482,208
Storey County	60	9,443,297	0	11,783,825	849,646	9.00%	875,826	9.27%	\$0.37	(14,230)	680,841	496,055	1,689,996
West Reno	25	899,178	0	0	2,000	0.22%	30,000	3.34%	\$0.65	23,900	131,750	23,900	131,750
Reno Market Total	1,570	79,004,173	1,227,000	17,692,140	6,476,509	8.20%	9,149,244	11.58%	\$0.34	(161,645)	1,827,556	1,116,538	5,175,067
0-29,999	1,064	12,045,336	0	427,553	754,021	6.26%	1,033,669	8.58%	\$0.62	53,550	210,734	171,673	695,370
30,000-49,999	159	6,033,516	0	268,620	475,834	7.89%	724,703	12.01%	\$0.44	9,739	(1,010)	60,596	226,745
50,000-99,999	162	11,294,393	0	698,750	1,142,363	10.11%	1,600,194	14.17%	\$0.34	(25,430)	(40,501)	106,464	681,975
100,000-199,999	98	13,864,402	0	933,250	1,609,818	11.61%	2,155,978	15.55%	\$0.32	(409,224)	355,918	57,800	1,148,139
200,000-299,999	30	7,502,845	0	665,140	733,853	9.78%	731,765	9.75%	\$0.30	95,568	303,172	95,568	429,440
300,000 Plus	57	28,263,681	1,227,000	14,698,827	1,760,620	6.23%	2,902,935	10.27%	\$0.33	114,152	999,243	624,437	1,993,398
Reno Market Total	1,570	79,004,173	1,227,000	17,692,140	6,476,509	8.20%	9,149,244	11.58%	\$0.34	(161,645)	1,827,556	1,116,538	5,175,067

Lease rates are on a triple-net basis.

ANNUAL NEW DELIVERIES VS. VACANCY RATE



MAJOR TRANSACTIONS OF 2014

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
3450 Airway Dr. – 6 Properties	South Reno	1,029,700	\$61.18	TR Reno, LLC	MEPT Southwest Commerce Center I-IV, LLC
901-909 E. Glendale Ave.	Sparks	1,173,900	\$33.65	LBA Realty	US Inst Real Estate Equities, LP
Fernley Industrial Park 190 Resource Dr.	Fernley	183,435	\$51.52	ZLoop Nevada, LLC	Are Accessories, LLC
525-745 Coney Island Dr.	Sparks	294,333	\$31.60	Ranshu Parts Company	IndCor Properties, Inc.
1381 Capital Blvd.	Airport	233,072	\$36.90	Ktr Reno, LLC	Lawson Products, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Tahoe Reno Industrial Center 3200 USA Pkwy.	Storey County	707,010	Jan-14	Zulily	US Real Estate, LP
West America Commerce Center 700 Milan Dr.	Storey County	303,870	Jun-14	Chewy.com	Development Arts, LLC
Tahoe Reno Industrial Center 2555 USA Pkwy.	Storey County	182,000	Nov-14	Jacobson Companies, Inc.	Prologis
1381 Capital Blvd.	Airport	105,214	Jun-14	Lawson Products	Lawson Products, Inc.
240-250 S. Stanford Way	Sparks	104,574	Feb-14	Undisclosed	Pomona Industry Center, LLC

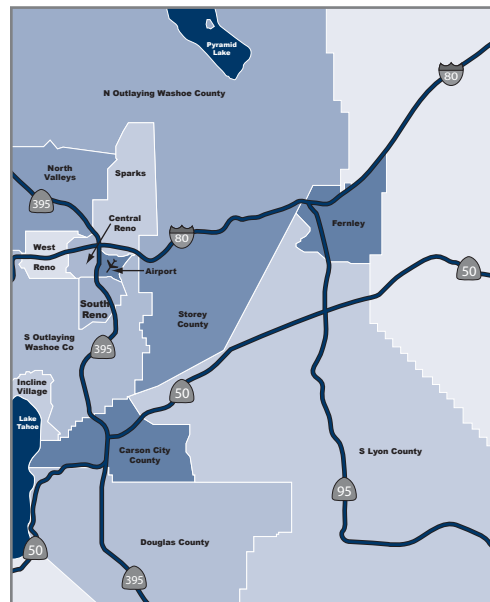
PRODUCT TYPE

MFG. / DIST.

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

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