

Trends *ahead*

Vacancy Rate



Net Absorption



Construction



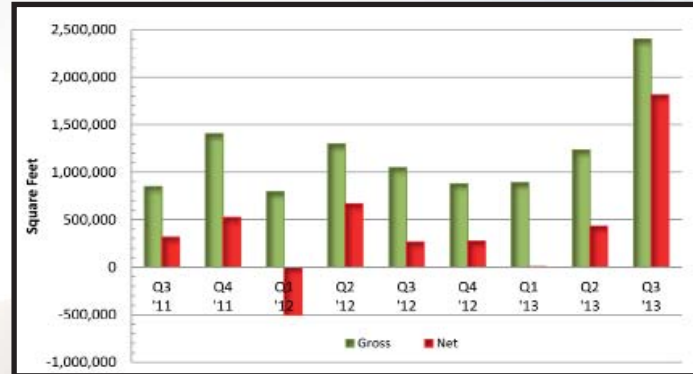
Asking Rents



A RECORD BREAKING QUARTER

At the end of the second quarter, the stars were aligning and anticipation was building for a long overdue superstar quarter. To the relief of all but the tenants negotiating for space in the market, the third quarter played out even better than expected. Exceptional activity, including nine transactions greater than 95,000 square feet, led to a substantial drop in the vacancy rate. Vacancy started the quarter at 13% and finished at 10.5% (excluding sublease space, vacancy is 9.6%). After slowly chipping away at the vacancy rate for many quarters, it was a welcome relief to make a large stride to equalize the market in just a single quarter. Our market is viewed as balanced when vacancy is in the 8-10% range. We have been above 10% since Q1 of 2008. Timing could not have been better for IndCor which concluded a purchase of a 9.5 million square foot portion of the ProLogis/Lehman portfolio during the quarter. Vacancy is tightening and rental rates are experiencing upward pressure. We are not at the point of having prospects lined up at each quality vacancy but there is a sense that the landlords have a better position at the negotiation table. The bargains have nearly disappeared.

GROSS & NET ABSORPTION



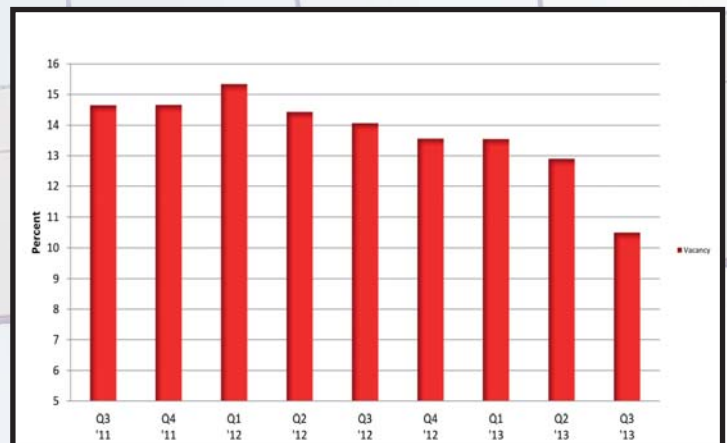
SIGNIFICANT TRANSACTIONS

- | | |
|-------------------------------|-------------------------|
| 1. Ardagh | 330,000 SF |
| 2. Fed Ex | 274,000 SF |
| 3. Key Logistics | 271,152 SF |
| 4. Myers Industries | 189,000 SF (Reoccupied) |
| 5. Pacific Western Timbers | 176,000 SF |
| 6. Genco | 102,000 SF |
| 7. SouthWin | 100,160 SF |
| 8. Grainger (Imperial Supply) | 96,500 SF |
| 9. Ole Foods | 95,200 SF |

CONSTRUCTION

- 537,800 SF Currently under construction
 - 524,800 SF Distribution building
 - 13,000 SF Service building
- 624,000 SF New spec just announced for 2014 completion

VACANCY



3rd QUARTER STATISTICS

GROSS ABSORPTION - 2,401,938 SF

- 95% Higher than last quarter
- 128% Higher than Q3 last year
- 252% Higher than the 5 year average

NET ABSORPTION - 1,814,680 SF

- 319% Higher than last quarter
- 581% Higher than Q3 last year
- 4,119% Higher than the 5 year average

TRANSACTION COUNT

- 48 Transactions
- 30% Higher than last quarter
- 45% Higher than the 5 year average

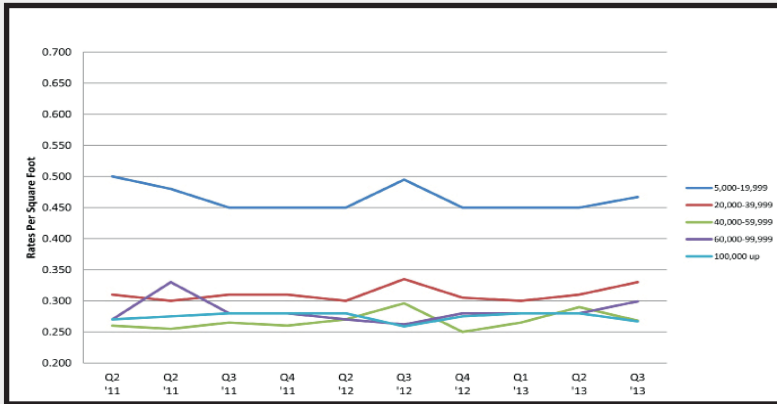
TRANSACTION SIZE

- 50,040 SF Average
- 66% Higher than the 5 year average

Industrial Market Report

Third Quarter 2013

MEDIAN ASKING RATES



Note: With quality more expensive projects absorbing, the older less expensive properties remaining are weighted heavier resulting in a decrease in average asking rates in some product types. Overall, asking rates are increasing.

SIGNIFICANT SALES

Address	Size	Buyer	Price	Price/SF
900 Waltham Wy.	330,070	Ardagh	\$11,500,000	\$34.84
11500 Production Dr.	95,000	Ole Foods	\$4,500,000	\$51.84
130 Woodland Ave.	61,600	Ridgetop Partners	\$2,000,000	\$32.47
260 Logan	56,000	Western Lithium	\$1,575,000	\$28.13
1550 Hymer Ave.	32,000	Truckee-Tahoe Lumber	\$750,000	\$23.44
245 Telegraph St.	25,521	LMT Mercer	\$850,000	\$33.31
395 Freepoint Blvd.	20,540	William E. Florentine	\$1,850,000	\$90.07
4715 Longley Ln.	14,403	Flowers Baking Co.	\$792,500	\$55.02
750 Trademark Dr.	14,020	Gymnastics NV	\$1,100,000	\$78.46
9738 S. Virginia St.	10,880	Sierra Holdings	\$1,030,000	\$94.67

In addition to the above building sales, a very large institutional sale controlled by Lehman Brothers Holdings Inc. was completed this quarter. The sale included 64 properties consisting of 9.5 million square feet located in Reno and Sparks. The portfolio was sold to Blackstone Real Estate Partners and will be managed by their national industrial portfolio company, IndCor Properties.

Q3 2013 MARKET AT-A-GLANCE

Area	Total Space (sq. ft.) 9/30/13	Vacant Rentable (sq. ft.) 9/30/13	Vacant percent 9/30/13	Gross Absorption (sq. ft.) Q3	Net Absorption (sq. ft.) Q3	NNN Median Asking Rate* (sq. ft./month)	Total Under Construction 9/30/13	BTS Construction (sq. ft.) YTD	Spec Construction (sq. ft.) YTD
1 North Valleys	15,653,157	1,947,853	12.44%	306,400	142,850	\$0.34	0	0	0
2 Sparks	25,588,241	3,035,051	11.86%	956,230	642,957	\$0.25	0	0	0
3 Airport	8,954,456	1,137,734	12.71%	50,412	-198,831	\$0.40	0	0	0
4 South Reno	8,892,779	576,997	6.49%	547,675	640,253	\$0.47	0	0	0
5 Central & West Reno	1,267,960	273,804	21.59%	98,151	102,640	\$0.32	13,000	0	13,000
6 East I-80 Corridor	12,356,103	688,719	5.57%	443,070	429,670	\$0.36	524,800	0	524,800
TOTALS	72,712,696	7,660,158	10.5%	2,401,938	1,814,680	\$0.36	537,800	0	537,800

WHAT TO EXPECT AHEAD

Activity within large spaces has taken a breather. However, the development community is dusting off their building plans and getting ready to roll them out on the table for the next wave. The new concern is one of timing. Tenants want the spaces up and waiting for them to fit up but developers want pre-leasing before commencing a new project so we are in a timing dilemma. Financial constraints will inhibit pure speculative development, forcing large tenants to start searching well ahead of a lease expiration, delay a move, or select another city with product available. Regretfully, we may actually lose a few prospects to other cities with available space but on the whole, this is a good and safe situation which will reduce the likelihood of overbuilding in the future. Having survived the Great Recession, business continues to push forward through concerns of Obamacare and large federal deficit spending to expand their operations. Contract and survive is out.....grow and grab market share is in. We see rental rates increasing, build-to-suit interest increasing and strong investment sales activity. Q4 activity will be down from an incredible Q3 (difficult to sustain). We anticipate Q4 gross absorption and net absorption will be lower but respectable and the year to finish just below 10% vacancy.

Industrial Market Available Properties



For Lease
625 Waltham Way, Building 3
Patrick Industrial Park
140,000±SF | \$0.30/SF NNN



For Lease
4875 Aircenter Circle, Building 19
Reno Aircenter
100,276±SF | \$0.30/SF NNN



For Lease
4675-4681 Aircenter Circle, Building 17
Reno Aircenter
86,200±SF | \$0.30/SF NNN



For Sale
400 Western Road
61,152±SF | \$1,995,000



For Lease
1025 Sandhill Road
51,962± SF | Lease \$0.32/SF NNN



For Lease
9085 Moya Boulevard
28,800±SF | \$0.29/SF NNN

Industrial Market Report

Third Quarter 2013

Transactions Q3

Sale 330,070 SF

Ardagh
900 Waltham Way
NAI represented buyer

Lease 100,160 SF

SouthWin
1280 Southern Way
NAI represented landlord

Lease 52,741 SF

NV Filtration Systems
2393 Heybourne
NAI represented landlord

Lease 22,400 SF

Z-Line
984 E. Greg Street
NAI represented landlord

Lease 176,000 SF

Pacific Western Timbers
14551 Industry Circle
NAI represented landlord

Sale 61,600 SF

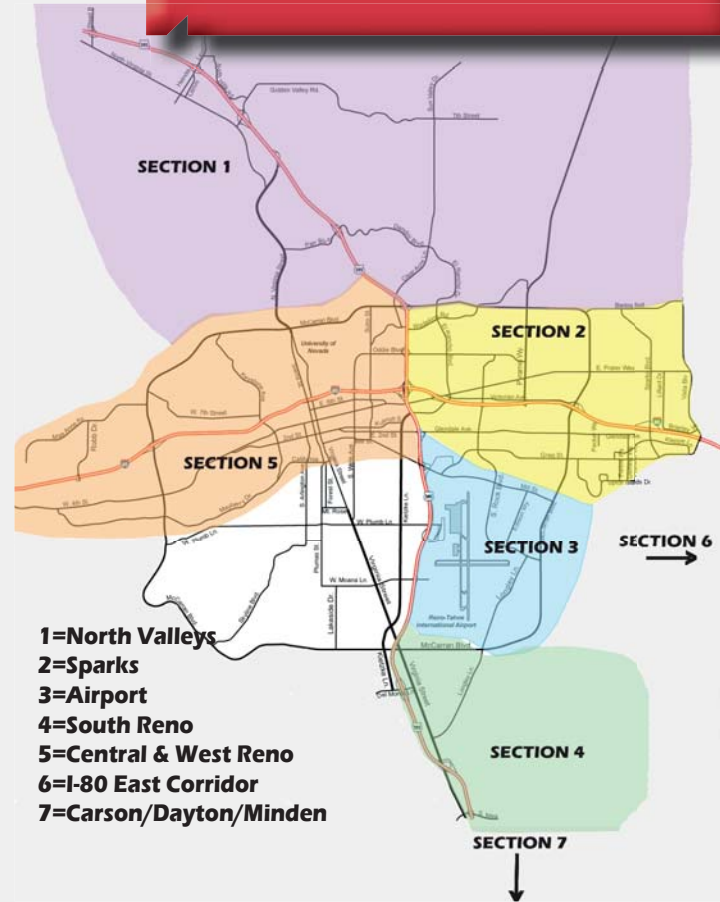
Ridgetop Partners
130 Woodland Avenue
NAI represented buyer

Lease 28,080 SF

Hays Truck Museum
2615 Mill Street
NAI represented landlord

Sale 15,996 SF

Gymnastics Nevada
750 Trademark Drive
NAI represented buyer



Did You Know?

Nevada is the seventh largest state with 110,540 square miles, 85% of them federally owned including the secret Area 51 near the little town of Rachel.

*Fun facts taken from www.50states.com/facts/nevada.htm

Welcome Steve to Our Team

The NAI Alliance Industrial Properties Group is please to welcome Steve Kucera to the Team. Steve has previously worked for Prologis, Jones Lang LaSalle, and Cushman & Wakefield. He brings a great deal of experience to the group and will be specializing in Industrial Agency and Tenant presentation.



J. Michael Hoeck, SIOR

+1 775 336 4621
jmhoeck@naialliance.com



Dave Simonsen, CCIM, SIOR

+1 775 336 4667
dsimonsen@naialliance.com



Michael Nevis, CCIM

+1 775 336 4623
mnevis@naialliance.com



Steve Kucera

+1 775 336 4619
skucera@naialliance.com



50 W Liberty 4th Floor West Tower
Reno, Nevada 89501
+1 775 336 4600

naialliance.com