

Trends ahead

Vacancy Rate



Net Absorption



Construction



Asking Rents



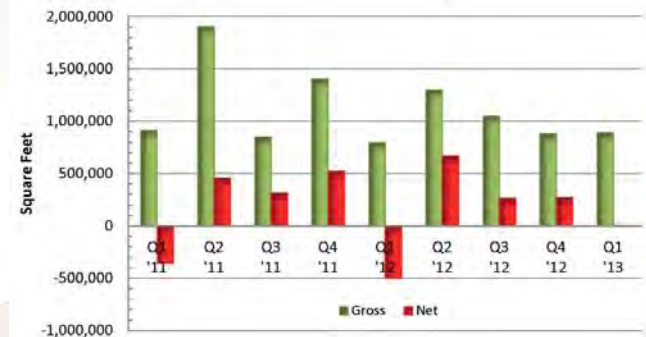
OVERVIEW

Our market is pointed in the right direction toward slow steady growth. We began the year with 13.6% vacancy and we remain there today. When sublease space is excluded, direct vacancy sits at 11.73%. The neutral net absorption number (+5,190sf) for the quarter does not reflect the positive activity throughout the market. Although positive absorption was expected, a neutral first quarter this year is better than the first quarter of the prior 3 years which recorded negative net absorption and an increase in vacancy. In prior years we started negative and gradually turned positive as the year progressed. This year we are not starting in a hole but starting level with encouraging market activity. It appears we are headed for a good year.

MARKET ACTIVITY

There were two large transactions over 100,000sf completed in the first quarter. Mars Pet Food expanded close to their manufacturing facility within the Tahoe Reno Industrial Center leasing 255,000 sf at 625 Waltham Way and Nevada Distribution Systems relocated and leased 180,000 sf in a neighboring building located at 725 Waltham Way. Overall, there were 26 transactions completed totaling 890,372 sf. The transaction quantity was spread evenly between small, medium and large deals which is a sign of market health. There were a few closures for the quarter which balanced the numbers. Anderson Merchandisers announced they would be vacating a 274,037 sf facility in South Meadows and Redemtech closed a facility on Spice Island Drive of 164,000sf. Net absorption for the quarter was 5,190sf. Average annual net absorption over the past 13 years was 1,428,705 sf. We have not been able to exceed the average since the recession began 2008. Looking out over the 9 month horizon, we should meet or exceed the average in 2013. With an improving housing sector and record corporate profits, the only limitation appears to be lack of product.

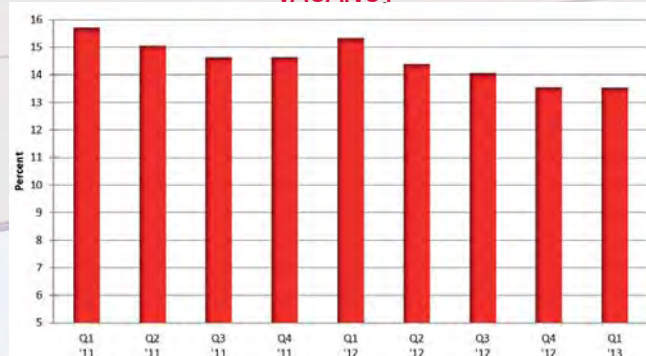
GROSS & NET ABSORPTION



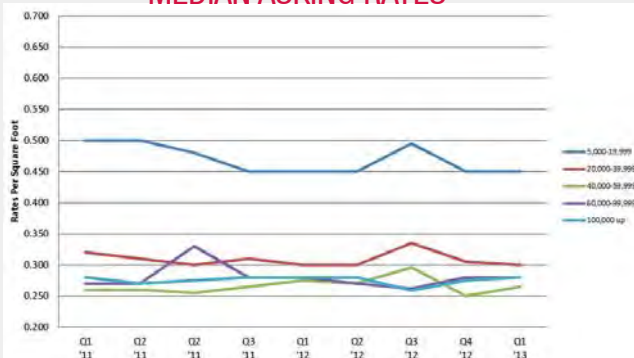
RENTAL RATES

At this point, rental rates have not headed higher, but we foresee an increase in rents for some product types in the near future. There are a number of large users inquiring or touring the few remaining class A buildings for lease. Once these buildings lease, new construction at higher rates will soon follow. Currently, the largest space in the market is 400,000 sf. This space is very close to concluding a lease transaction for 60% of the space. The next largest space is 390,000 sf. With multiple users considering a lease, this space should be filled soon. With most of the other large class A spaces in one form of negotiation, Reno is dangerously close to not having the product to accommodate large industrial users. With rental rates in large class A industrial buildings is tightening, there's not much change amongst class B&C or smaller product. There continues to be a high vacancy within class B & C product as well as smaller buildings. While interest and showings have increased, there is still little upward pressure foreseen on rents within these categories like we see within the class A bulk buildings.

VACANCY



MEDIAN ASKING RATES



SALES

There was one significant investor sale this quarter. Morgan sold a 103,136sf two building multi tenant complex to Industrial Realty Group for \$5,750,000 (\$55.75/sf). This asset sold for an 8.2% cap rate on 2013 NOI. Sales for the quarter include ABC Supply company's purchase of a 25,200 square-foot facility at 1650 Linda Way for \$1,250,000, Denis Grosz's purchase of a 5,512 square-foot building at 8985 Double Diamond Pkwy., and a user purchase of a 5,040 square-foot building at 1681 East Glendale Ave. Brokers, bankers and appraisers are all working with groups to buy buildings at low prices with low interest rates. Purchasing remains attractive for users looking for value and investors looking for return. The big sale news that will likely happen in the second or third quarter of this year is Prologis' disposition of 9.5M sf in Northern Nevada. The Reno assets are combined with assets in Las Vegas and Pennsylvania for a total sale of 17.7M sf. This will likely be the largest industrial transaction nationwide since 2007 and may result in an ultimate breakup of the Northern Nevada holdings to several different owners.

LAND AND CONSTRUCTION

This sector has been very quiet over the last five years. The long wait is nearly over, with the tightening of quality big box space, new buildings are needed. Dermody Properties is poised to be the first to build a large speculative building with 620,000sf on the drawing boards within a new park under contract. Timing will be either year end or beginning of 2014. This is very exciting news for our market. Those contractors that have made it through the desert are positioned now that the mirage of building plans is real. Between existing building expansions, new build to suits and possible speculative construction, 2013 is shaping up to be an active year for construction.

WHERE ARE WE HEADED?

Market optimism is increasing. Users have begun to realize that this environment might not be as bad as predicted. There are still some major government fiscal concerns on the horizon but for now it appears that the headwinds that slowed our market have turned to tailwinds fueling it. Corporate earnings, housing, business investment and unemployment are all trending in the right direction helping our economy. It does not appear that the feds money printing party will cease anytime soon and disrupt the economy's momentum. We are off to a good start and 2013 appears to be a very good year for the Reno industrial market.

Q1 2013 MARKET AT-A-GLANCE

Area	Total Space (sq. ft.) 3/31/13	Vacant Rentable (sq. ft.) 3/31/13	Vacant percent 3/31/13	Gross Absorption (sq. ft.) Q1	Net Absorption (sq. ft.) Q1	NNN Median Asking Rate* (sq. ft./month)	Total Under Construction 3/31/13	BTS Construction (sq. ft.) YTD	Spec Construction (sq. ft.) YTD
1 North Valleys	15,653,157	2,127,416	13.59%	56,500	56,457	\$0.30	0	0	0
2 Sparks	25,588,241	4,031,889	15.76%	283,367	-99,298	\$0.29	0	0	0
3 Airport	8,954,456	863,194	9.64%	10,701	-56,729	\$0.40	0	0	0
4 South Reno	8,892,779	1,294,533	14.56%	104,804	-211,972	\$0.495	0	0	0
5 Central & West Reno	1,267,960	281,774	22.22%	0	-29,703	\$0.32	0	0	0
6 East I-80 Corridor	12,356,103	1,253,347	10.14%	435,000	346,435	\$0.35	0	0	0
TOTALS	72,836,840	9,852,153	13.55%	890,372	5,190	\$0.33	0	0	0

*Asking Rates are negotiable, typically effective rates are lower

**Industrial Market
Available Properties**



For Lease
14551 Industry Circle
400,000±sf | \$0.15/sf NNN



For Sale
400 Parr Blvd
168,927±sf | \$4,900,000



For Lease
1025 Sandhill
103,924±sf | Call for Pricing



For Lease
6645 Echo Ave
50,750±sf | Call for Pricing



For Sale or Lease
690 Kresge
15,740± sf | \$0.60/sf IG | \$990,000



For Sale
2393 Heybourne
52,741±sf | \$3,700,000

Transactions *Q1*

Renewal 83,765sf

Stajac
4955 Joule St
NAI represented landlord

Lease 35,520sf

The Generator
1240 Icehouse
NAI represented landlord & tenant

Sale 103,136sf

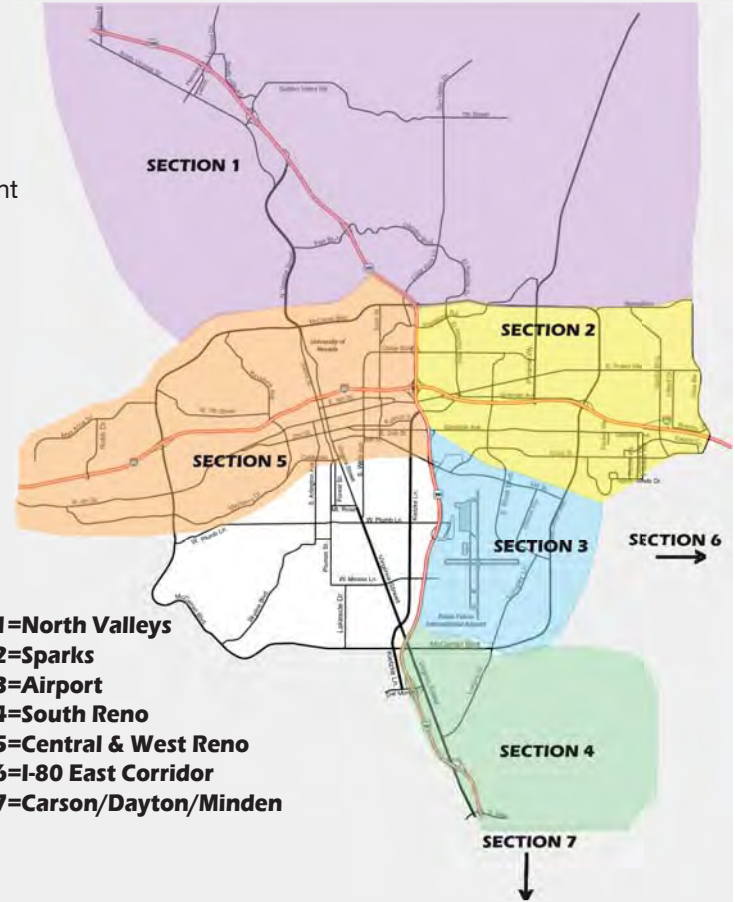
Industrial Realty Group
Greg St Commerce Center
NAI represented landlord

Renewal 51,500sf

North Safety
875 E Patriot Blvd
NAI represented landlord

Renewal 5,000sf

Office Plus
705 Trademark Dr
NAI represented landlord



Did You *Know?*

Nevada has more than 44,000 acres of man-made reservoirs, 2,760 miles of streams and 14 designated wilderness areas covering 798,067 acres. Talk about a wild state!

**Fun facts taken from <http://www.nevada-landmarks.com/facts.htm>*

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