

Calm start to the year.....again

Activity was outstanding over the final two quarters of 2013 resulting in record breaking absorption numbers in 2013. Over the last few years, the first quarter has been full of surprises as companies make end of year decisions which are played out in the beginning of the following year. 2014 did not avoid the new year drama. Year-end decisions sometimes result in closing operations. In the first quarter, 34 new spaces were announced as becoming available totaling 927,007sf. Some of these new available spaces were closures and some were the result of spaces vacated by local companies expanding. The good news is there were completed deals during the quarter to balance the new vacancies which resulted in the vacancy rate starting the quarter at 9.0% and ending relatively unchanged at 8.9% (excluding sublease space, Q1 began at 8.1% and ended at 7.7%).

1st QUARTER STATISTICS

GROSS ABSORPTION - 639,606 SF

- 61% Lower than last quarter
- 28% Lower than Q1 last year
- 42% Lower than the 5 year average

NET ABSORPTION - (185,882) SF

- Last quarter: 1,449,351 SF
- Q1 last year: 5,190 SF
- 5 year average: 1,112,043 SF

TRANSACTION COUNT

- 25 Transactions
- 37% Lower than last quarter

TRANSACTION SIZE

- 25,584 SF Average
- 37% Lower than last quarter

Not all new year decisions are bad, this quarter we saw companies like Ceva Logistics (153,000sf), Tantus (28,897sf) and others, who were once marketing their spaces, announce their intent to reoccupy. Tenants reoccupying their already leased spaces do not count as gross or net absorption but the property is still removed from what is available in the market thus reducing the vacancy rate. This results in an abnormality seen this quarter of negative net absorption but a lower vacancy. Everything considered, Q1 was neutral which is acceptable looking at historical first quarter numbers and knowing the pipeline of large deals committed to the market. This year is shaping up to be reminiscent of 2013 with the exception that a large part of absorption will come from build-to-suit construction as opposed to occupancy within existing buildings. We have been writing for the last two quarters that absorption seen in 2013 cannot be duplicated in 2014 due to the lack of available space. Our market will be constrained on absorption until new construction allows for growth. Developers have responded as witnessed by the commencement of construction of the first new bulk speculative building since 2008. Dermody Properties has broken ground on a 624,000sf building in the North Valleys submarket with estimated delivery late in the third quarter. There are no signed leases on this project but with limited options for large users in the market, the prospects look good. Rental rates are stable to increasing and we see more of the same for the remainder of the year.

Trends ahead

Vacancy Rate



Net Absorption



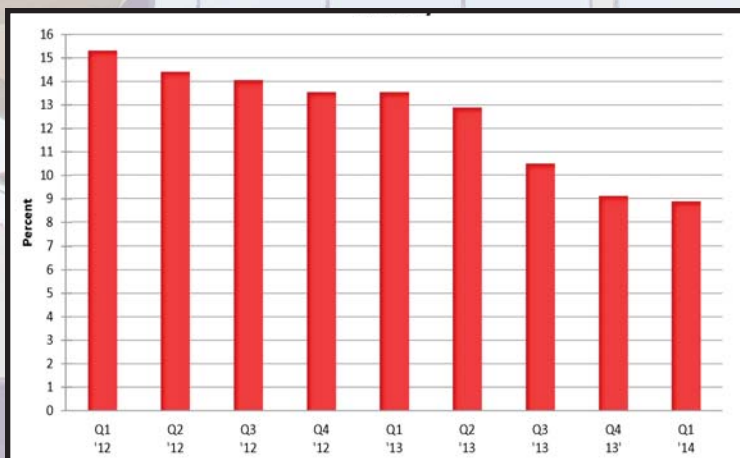
Construction



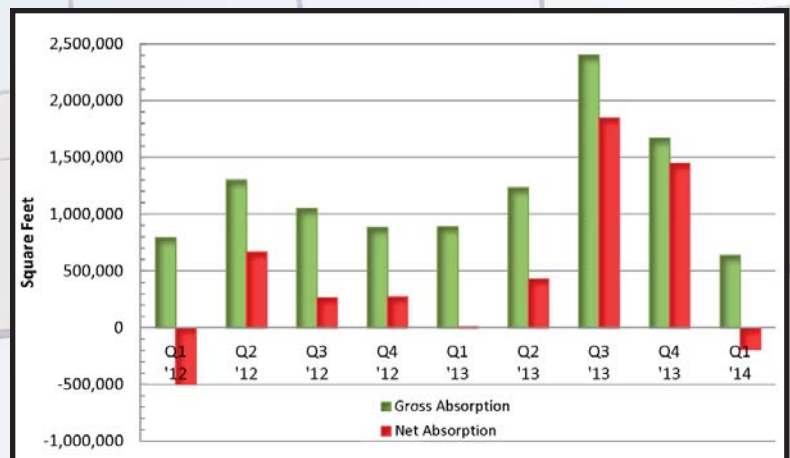
Asking Rents



VACANCY

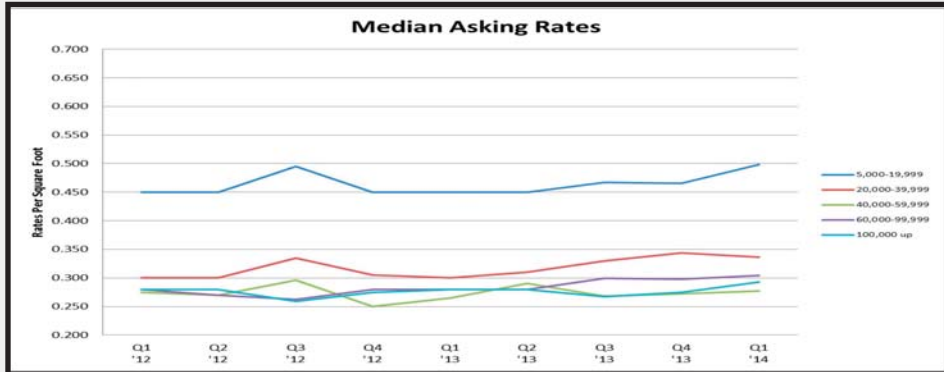


GROSS & NET ABSORPTION



Current activity levels indicate continued firming of rates. Sales activity has been very active over the past 9 months and continues to be active for all product sizes and types. At this point, most of the distressed/discounted properties have been sold. Those landlords holding their price have seen increased activity while new buildings coming to market see the ability to increase asking price above past comparable pricing due to shrinking competition. Currently, large or specialized users are forced into a build-to-suit situation. If the sales market pace continues, we will soon see the average 25,000sf to 100,000sf distribution or manufacturing user forced to consider a build-to-suit if they want to own.

MEDIAN ASKING RATES



Currently, large or specialized users are forced into a build-to-suit situation. If the sales market pace continues, we will soon see the average 25,000sf to 100,000sf distribution or manufacturing user forced to consider a build-to-suit if they want to own.

For the rest of the year.....

We are encouraged by the number of transactions looking at the market. While we may see some more closures, we anticipate the number to be limited and the positive activity to gain strength. The big change we see this year is the amount of construction. There

is currently 2.9 million sf committed or under construction in five known projects with more likely as the year progresses. There will be some new vacancy as existing tenants move to their larger build-to-suit facilities. 622,000sf, 328,000sf and 304,000sf are just a few of the vacancies that will occur as SanMar, Zulily and Randa move to their new buildings. If latter year activity matches what happened in 2013, there should be little problem absorbing these vacancies. Our market looks to continue to slowly absorb existing product and we anticipate vacancy continuing to drop throughout the year. While we continue to work on business as usual, all ears and eyes are focused these days on a pending announcement from Tesla Motors. Should Northern Nevada be selected as the site of their new 10,000,000sf, 6,500 employee lithium battery plant, this would be a game changer for the area. The impact on employment, housing and commercial space would be significant.

SIGNIFICANT BUILDING SALES

SIGNIFICANT LEASE TRANSACTIONS

TENANT	SQUARE FEET
Omnatrex	181,440
Confidential	104,074
Custom Ink	57,840
Prototype Concepts	51,136
SKS Bottle	30,900
Trek	30,672
UniPro Uniform	29,000

ADDRESS	SIZE (SF)	BUYER	PRICE	PRICE/SF
Multiple	1,029,700	Confidential	\$63,000,000	\$61.18
155 Glendale Ave	56,188	155 Glendale LLC	\$1,800,000	\$32.04
300 Kresge Lane	18,318	JKN LLC	\$600,000	\$32.75
1105 Freeport Blvd.	12,840	TKDD LLC	\$975,000	\$75.93
250 Arletta St.	9,680	Sierra Crew LLC	\$635,000	\$65.60
1700 Marietta Way	6,960	T2M3 Marietta Investments	\$740,000	\$106.32
4865 Joule St. #C4	5,000	Lillaney 2004 Trust	\$467,500	\$93.50

Q1 2014 MARKET AT-A-GLANCE

Area	Total Space (sq. ft.) 3/31/14	Vacant Rentable (sq. ft.) 3/31/14	Vacant percent 3/31/14	Gross Absorption (sq.ft) Q1	NNN Median Asking Rate* (sq.ft./month)	Total Under Construction 3/31/14	BTS Construction (sq. ft.) YTD	Spec Construction (sq. ft.) YTD
1 North Valleys	15,653,157	1,075,608	6.87%	222,618	\$0.32	624,000	0	0
2 Sparks	25,628,241	2,723,756	10.63%	266,270	\$0.38	0	0	0
3 Airport	8,954,456	1,066,767	11.91%	140,718	\$0.43	0	0	0
4 South Reno	8,892,779	542,536	6.10%	10,000	\$0.50	0	0	0
5 Central & West Reno	1,267,960	167,730	13.23%	0	\$0.43	0	0	0
6 East I-80 Corridor	12,880,903	938,012	7.28%	0	\$0.43	707,010	0	0
TOTALS	73,277,496	6,514,409	8.89%	639,606	\$0.33	1,331,010	0	0

*Asking Rates are negotiable, typically effective rates are lower

NAI AVAILABLE PROPERTIES



For Lease

911 Linda Way, Suite 101/102
10,000±SF | \$0.50/SF NNN



For Lease

962 E. Greg St. Bldg. 6
Sierra Commerce Park
27,620±SF | \$0.28/SF NNN



For Lease

1025 Sandhill Rd.
51,962±SF | \$0.32/SF NNN



For Lease

725 Greg Street
84,000±SF | \$0.29/SF NNN



For Lease

4875 Aircenter Cir. Bldg. 19
Reno Aircenter
100,276± SF | \$0.30/SF NNN



For Lease

625 Waltham Way, Bldg. 3
Patrick Industrial Park
140,000±SF | \$0.30/SF NNN

50 W Liberty 4th Floor West Tower

Reno, Nevada 89501

+1 775 336 4600

naialliance.com

Industrial Market Report First Quarter 2014

NAI Transactions Q1

Sale 156,800 SF
Clean Dried Processing
600 Lake Avenue
NAI represented buyer

Lease 57,840 SF
Custom Ink
4855 Longley Lane
NAI represented landlord

Lease 51,136 SF
Prototype Concepts
104902 Ampere Way
NAI represented landlord

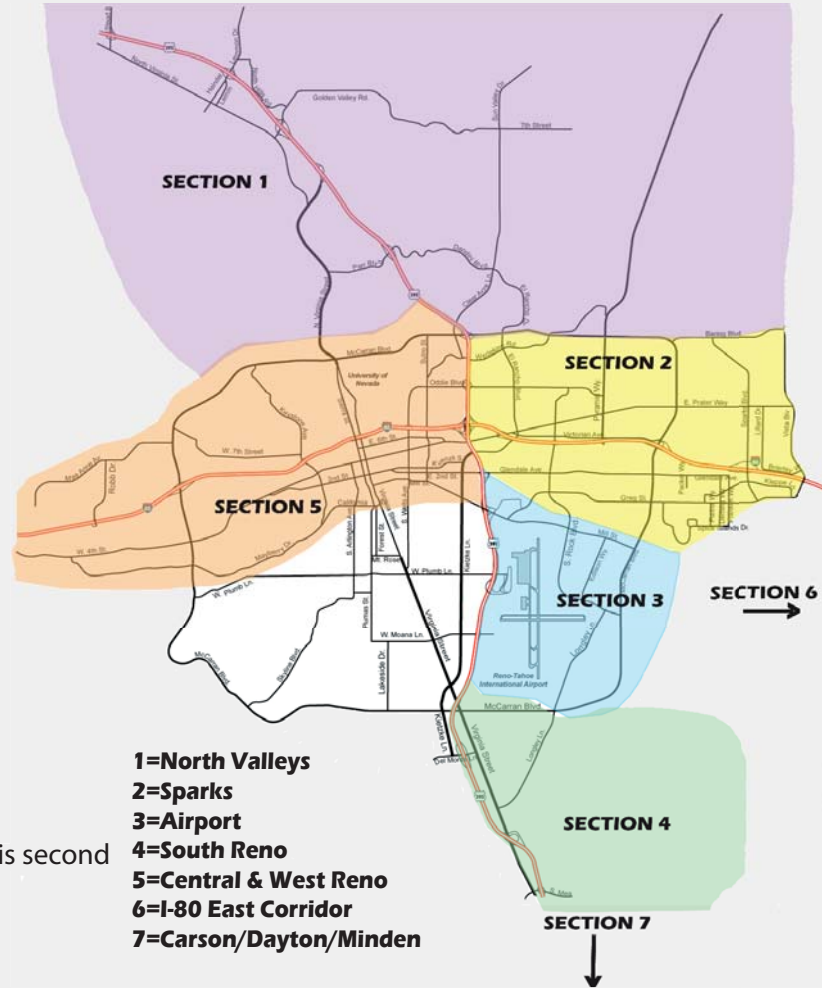
Lease 30,672 SF
Trek
655 Spice Island Drive
NAI represented landlord

Lease 11,332 SF
Napa Sonoma Trading
4792 Longley Lane
NAI represented landlord

Lease 8,600 SF
Vasko Electric
50 E. Greg Street, Ste. 111
NAI represented landlord

Lease 6,200 SF
Lilaney Trust
4865 Joule Street
NAI represented landlord

Lease 5,000 SF
Adams Polishes
740 Freeport Boulevard
NAI represented tenant



Did You Know?

Nevada is the largest gold-producing state in the nation. It is second in the world behind South Africa.

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



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 St 4th Floor West Tower
Reno Nevada 89501
+1 775 336 4600
naialliance.com