

Second Quarter 2Q15 Industrial Market Report

Q2 Overview

Second quarter was another quarter of strong gross and net absorption. Boosting numbers this quarter was the roof completion on a large build to suit transaction of 770,650sf for Petco in the Stead area. This one transaction accounted for 40% of the month's gross absorption and 72% of the month's net absorption. Aside from Petco, the quarter was positive with tenants continuing to slowly absorb existing product. Another factor skewing numbers this quarter was the addition to market of the KTR speculative 566,875 square-foot facility in the Tahoe Reno Industrial Center. Adding this property to the available inventory resulted in an increase in vacancy rate despite strong absorption. The quarter began with a vacancy rate of 8.6% and finished with a vacancy of 8.8% (8.7% excluding sublease space). Depending upon demand, this could continue as more speculative buildings are completed in the third and fourth quarters.

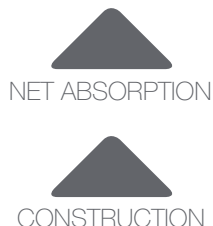
One big and many small deals

There were 46 transactions completed in the second quarter. The largest was Petco at 770,650sf the next largest transaction was Ozburn Hessey Logistics leasing 106,720sf in Sparks. The average deal size was 40,856sf. Excluding Petco, average deal size was 24,103sf which is slightly lower than average. Gross absorption for the quarter was 1,879,384sf and net absorption was 1,069,803sf. Both gross and net are above average but would be below average were it not for the Petco transaction. Significant transactions for the quarter are listed on the following page. Offsetting these transactions were new vacancies of 115,200sf by Trex, 95,200sf on Production Drive, 57,000sf by Mad River and 52,500sf by Innotrac. The activity did not change rental rates significantly. The Class A owners are looking to fill their spaces ahead of all the new projects being built and there is still competition amongst the Class B owners to keep rents in check. We are seeing a little pressure on smaller space rents as all activity is going into existing product.

Here comes the construction

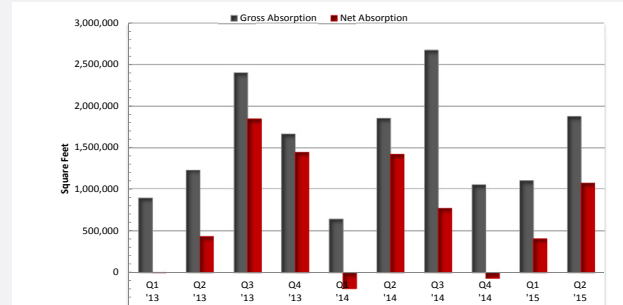
There were two buildings totaling 1,337,525sf added to inventory this quarter. In a market within industrial base of 76 million square feet, this is a significant 1.8% increase in one quarter. The second quarter was the beginning of a number of projects slated to be completed this year. We are anticipating another four speculative buildings totaling over 1.5 million sf being built this year and an additional 1.2 million sf of build-to-suits. This 2.7 million sf would represent another 3.5% increase in our inventory. Market activity is strong. We need new inventory. Luckily, developers are acting to meet market demand.

Market Trends

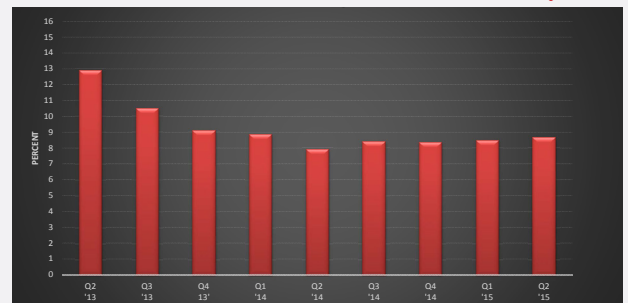


Industrial

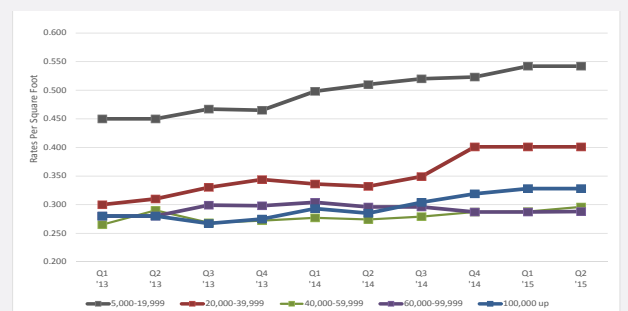
Gross & Net Absorption



Vacancy Rates



Rental Rates



50 West Liberty St. 4th Floor West Tower
Reno, NV 89501
+1 775 336 4600
www.naialliance.com

Second Quarter 2Q15

Industrial Market Report

Sales - Investors out shopping

There were two significant large sales in the second quarter. 3200 USA Parkway was a fully leased long term single tenant building. This facility generated a significant amount of interest from institutional investors. 10875 Sage Point Court was a vacant facility selling to a local developer. Each was a Class A facility. Details of these transactions are listed below. Overall, our market has far more buyers than sellers.

Q3 Forecast

Deal volume is good. We need the large users of 200,000sf and greater to resurface to fill the new (and some existing) inventory to keep our market momentum. The Tesla facility is building on a fast track and Switch has now broken ground so again the construction is brisk. Brokers, developers and economic development personnel all remain up-beat on the Northern Nevada industrial market with good reason. We have landed a number of wins and should continue to benefit from a recovering economy.

Market Overview:

SUBMARKET	TOTAL (SF)	VACANT (SF)	DIRECT AVAILABLE (%)	GROSS ABSORPTION (SF)	TOTAL AVERAGE BULK RATE (\$/SF/YR)	UNDER CONSTRUCTION (SF)
North Valleys	17,653,807	761,636	4.36%	881,061	\$0.317	1,597,610
Sparks	25,628,241	2,282,462	8.91%	667,417	\$0.282	
Airport	8,954,456	778,900	8.70%	240,497	\$0.302	
South Reno	8,963,019	259,601	2.90%	54,313	\$0.345	
Central & West Reno	1,267,960	82,625	6.52%	36,096	\$0.310	
I-80 East Corridor	14,654,788	2,595,888	17.71%	0	\$0.336	1,000,000
Totals	77,122,271	6,761,112	8.66%	1,879,384	\$0.32	2,597,610

Significant Lease Transactions:

Tenant	Address	Size	Submarket
Petco	770 Red Rock Rd.	770,650 SF	North Valleys
OHL	475 Lillard Dr.	106,720 SF	Sparks
Fidelitone	1135 Southern Way	95,200 SF	Sparks
Patagonia	665 Spice Islands Dr.	79,200 SF	Sparks
Quality Bicycle	10990 Lear Blvd.	75,000 SF	North Valleys
Brownells Inc.	4900 Ampere Dr.	63,960 SF	Airport

Significant Sales Transactions:

Buyer	Address	Price	Submarket
CBRE Investors	3200 USA Parkway	\$41,750,000 (\$59.05/sf)	I-80 East Corridor
Prologis-Exchange	10875 Sage Point Ct.	\$8,525,800 (\$46.99/sf)	North Valleys
Dean Lauren Grae Holdings, LLC	1690 Industrial Way	\$2,500,000 (\$161.29/sf)	Sparks
GS Properties, LLC	955-1007 Greg St.	\$1,550,000 (\$44.29/sf)	Sparks
CVC Concrete	695 Edison Way	\$1,050,000 (\$183.82/sf)	Airport
Arletta, LLC	250 Arletta St.	\$925,000 (\$30.86/sf)	Central/West



For Lease
 9175 Moya Blvd.
 37,048± SF | \$0.33/SF NNN



For Lease
 4910 Longley Lane
 52,500± SF | \$0.32/SF NNN



For Sale
 2393 Heybourne Road
 52,741±SF | \$3,450,000



For Lease
 995 S. McCarran Blvd.
 Greg Center Building C
 57,000±SF | \$0.33/SF NNN



For Lease
 9250 Red Rock Road
 Red Rock 200
 200,000±SF | \$0.34/SF NNN



For Lease
 North Virginia Street
 North Valleys Commerce Center
 707,660±SF | \$0.34/SF NNN

Second Quarter 2Q15 Industrial Market Report

NAI Transactions Q2

Lease 95,200sf

Fidelitone
1135 Southern Way
NAI represented the landlord

Lease 63,960sf

Brownells, Inc.
4900 Ampere Dr. #101
NAI represented the landlord

Lease 53,700sf

RanPak Corporation
4681 Aircenter Cir.
NAI represented both parties

Lease 12,240sf

Solar City
7525 Colbert Dr. #105/106
NAI represented the landlord

Lease 79,200sf

Patagonia
665 Spice Islands Dr. #101
NAI represented the landlord

Lease 63,808sf

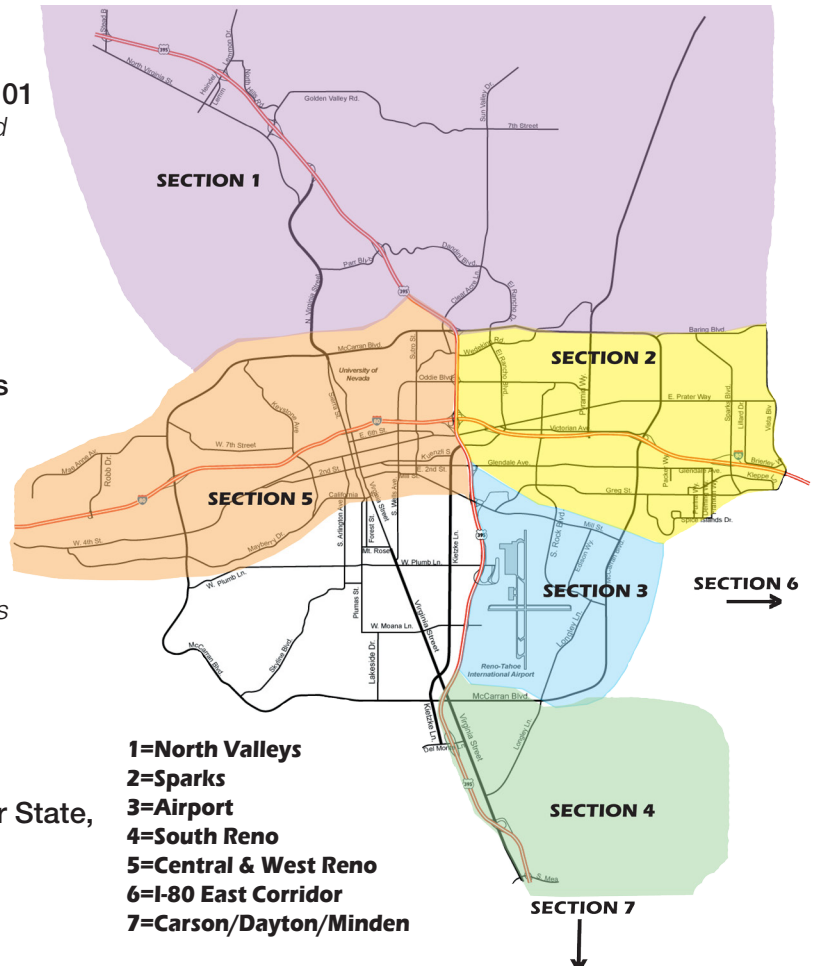
Vyper Adamas, Inc.
750 S. Rock
NAI represented the tenant

Lease 16,063sf

Paris Business Products
810 Meredith Way
NAI represented the tenant

Lease 9,600sf

Titan Wire
1285 Marietta Way
NAI represented both parties



Did You Know?

Locals use terms like The Sagebrush State, The Silver State, and the Battle Born State as nicknames for Nevada.

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



J. Michael Hoeck, SIOR

+1 775 336 4621
jmhoeck@naialliance.com



Dave Simonsen, SIOR, CCIM

+1 775 336 4667
dsimonsen@naialliance.com



Michael Nevis, SIOR, CCIM

+1 775 336 4623
mnevis@naialliance.com



Steve Kucera, CCIM

+1 775 336 4619
skucera@naialliance.com

50 West Liberty St. 4th Floor West Tower
Reno, NV 89501

+1 775 336 4600

www.naialliance.com