

Third Quarter 2015 Industrial Market Report

Q3 Overview

Our market maintained steady activity during the third quarter. Large deals missing in the first and second quarters reemerged in the third quarter. In addition, three new speculative buildings were completed. On a negative note, two large subleases were added to the market. The quarter began with a vacancy of 8.7% and ended slightly less at 8.4% so the new activity outweighed the new construction added to the market. Vacancy changes dramatically when one factors in the sublease space. The second largest building in our market, Kmart's former distribution facility of 1,557,709sf is now available for sublease. When counting sublease space, overall market vacancy is 11.2%. In summary, market activity continues to be strong. General sentiment amongst brokers and developers remains highly positive and we anticipate a strong finish to the year.

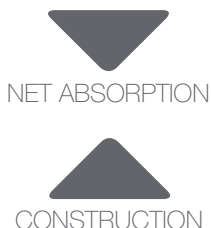
Q3 Market Activity

The first half of the year was relatively quiet in terms of large transactions. The tide turned in the third quarter. Jet.com, Tagg Logistics, Bi Nutraceuticals, OHL and US Cabinets all completed transactions in excess of 100,000sf. In total, there were 43 transactions completed for the quarter totaling 1,374,664sf. This compares favorably with prior quarters and it was encouraging to see the big deals back in the market. Offsetting this activity was a higher than normal number of move-outs. There were 26 existing spaces that were brought back to market in Q3 with the largest most significant impact being the 1,557,709sf sublease of the former Kmart distribution facility in Sparks. Other returns to market included 181,000sf at Sage Point, 169,000sf at 400 Parr Boulevard and 136,000sf at 1450 E. Greg Street. Except for the Kmart sublease, move-in's outweighed move-out's and new construction enabling direct vacancy to drop for the quarter. Net Absorption for the quarter was 487,565sf excluding Kmart's vacancy and -1,070,144sf including Kmart's vacancy. Rental rates continue to firm for deals less than 100,000sf. We have not seen any give on rent in excess of 100,000sf but may if the new buildings and sublease spaces don't fill quickly.

Construction

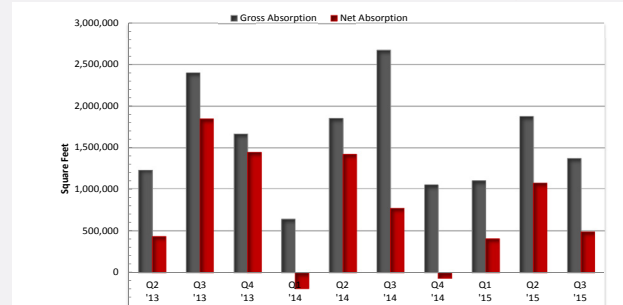
It is the building season. Developers wanting to take advantage of nice weather completed numerous speculative building projects in the third quarter. Dermody Properties completed two buildings on North Virginia in the North Valleys submarket next to the new Amazon building. One building was 402,320sf and the other building was 224,624sf. In addition, the roof was completed on the Panattoni speculative building of 200,000sf in front of the new Petco building, also in the North Valleys. Total spec construction added to the inventory base this quarter was 836,960sf. All of these buildings are currently vacant and therefore the new construction served to increase the area vacancy rate.

Market Trends

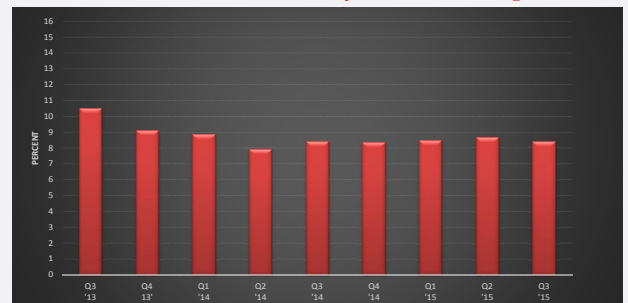


Industrial

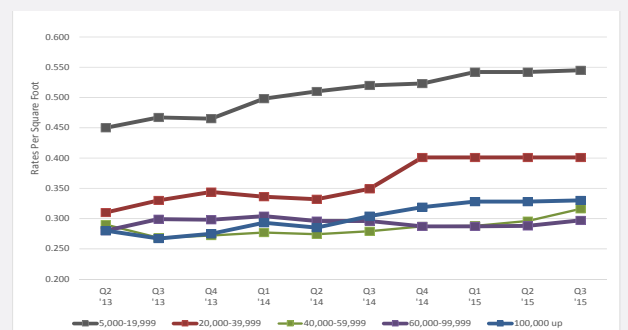
Gross & Net Absorption (excluding sublease)



Vacancy Rates (excluding sublease)



Rental Rates



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Sale Activity

Sale activity was relatively quiet in the third quarter. Most of the transactions were smaller owner-user purchases. Overall, we are seeing a divide between interested buyers with aggressively low expectations and Tesla affected sellers with aggressively high expectations. The feverish buying activity over the past twelve months seems to have calmed. Interest remains strong but the buyers get cold feet once inventory and price is researched. Significant sale transactions for the third-quarter can be viewed on the Sales table below.

Q4 Forecast

Reno will be hitting on all cylinders next year as Tesla supplier activity is added to an already busy market. Thanks to new development, we now have the available inventory to accommodate what we think will be a very strong demand in the fourth quarter of this year as well as into 2016. More and bigger users on the way should be the story for the next 15 months.

Market Overview:

SUBMARKET	TOTAL (SF)	VACANT (SF)	DIRECT AVAILABLE (%)	GROSS ABSORPTION (SF)	TOTAL AVERAGE BULK RATE (\$/SF/YR)	UNDER CONSTRUCTION (SF)
North Valleys	18,490,767	1,880,118	10.17%	200,040	\$0.317	707,660
Sparks	25,628,241	3,739,107	14.59%	380,506	\$0.282	
Airport	8,954,456	432,387	4.83%	407,073	\$0.302	
South Reno	8,963,019	274,643	3.06%	53,445	\$0.345	
Central & West Reno	1,267,960	67,188	5.30%	20,600	\$0.310	
I-80 East Corridor	14,654,788	2,274,773	15.2%	313,000	\$0.336	1,165,000*
Totals	77,959,231	8,668,216	8.4%	1,374,664	\$0.32	1,872,660

*1st phase Tesla estimated 1MM SF

Significant Lease Transactions:

Tenant	Address	Size	Submarket
Jet.com	2777 USA Parkway	160,000 SF	I-80 East Corridor
Tagg Logistics	10855 Lear Blvd.	153,000 SF	North Valleys
Bi Nutraceuticals	625 Waltham Way	140,000 SF	I-80 East Corridor
OHL	350 Lillard Dr.	132,450 SF	Sparks
US Cabinets	1381 Capital Blvd.	126,268 SF	Airport
Legacy Sports	4674 Aircenter Cir.	50,000 SF	Airport

Significant Sales Transactions:

Buyer	Address	Price	Submarket
Vista Buena Holdings, LLC	1445 South Meadows Pkwy	\$4,000,000 (\$75.88)	South Reno
Verdure Asset Corp	9240 Prototype Dr.	\$2,500,000 (\$54.07)	South Reno
Stalder Trust, Annamarie	8690 Technology Way	\$1,875,000 (\$105.93/sf)	South Reno
4058 S McCarran LLC	4058 S. McCarran Blvd..	\$1,250,000 (\$94.03/sf)	Airport
JSS Ventures LLC	125 E. Glendale Ave.	\$1,150,000 (\$87.35/sf)	Sparks
Jubilacion De Casas LLC	55 Silicon Dr.	\$1,100,000 (\$84.62/sf)	I-80 Eas Corridor



For Lease

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



For Sale

350 Parr Circle
56,200± SF | \$2,750,000



For Lease

150 E. Greg St.
Greg Center Building B
73,205±SF | \$0.34/SF NNN



For Lease

4995 Joule St.
79,563±SF | \$0.30/SF NNN



For Lease & For Sale

400-450 Parr Blvd.
169,027±SF | \$0.285/SF NNN
\$7,944,269



For Sublease

1400 S. McCarran Blvd.
Kmart Distribution Center
1,556,709±SF | \$Negotiable/SF NNN

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NAI Transactions

Q3

Lease 140,000sf

Bi Nutraceuticals
625 Waltham Way #101
NAI represented the landlord

Lease 45,000sf

Sonwil Distribution
4745 Longley Lane
NAI represented both parties

Lease 27,000sf

Strategic Equipment
4995 Aircenter #102
NAI represented the landlord

Lease 19,200sf

Dynamex Operations
1095 Spice Islands #105
NAI represented the landlord

Lease 50,000sf

Legacy Sports
4674 Aircenter Circle
NAI represented the landlord

Lease 35,000sf

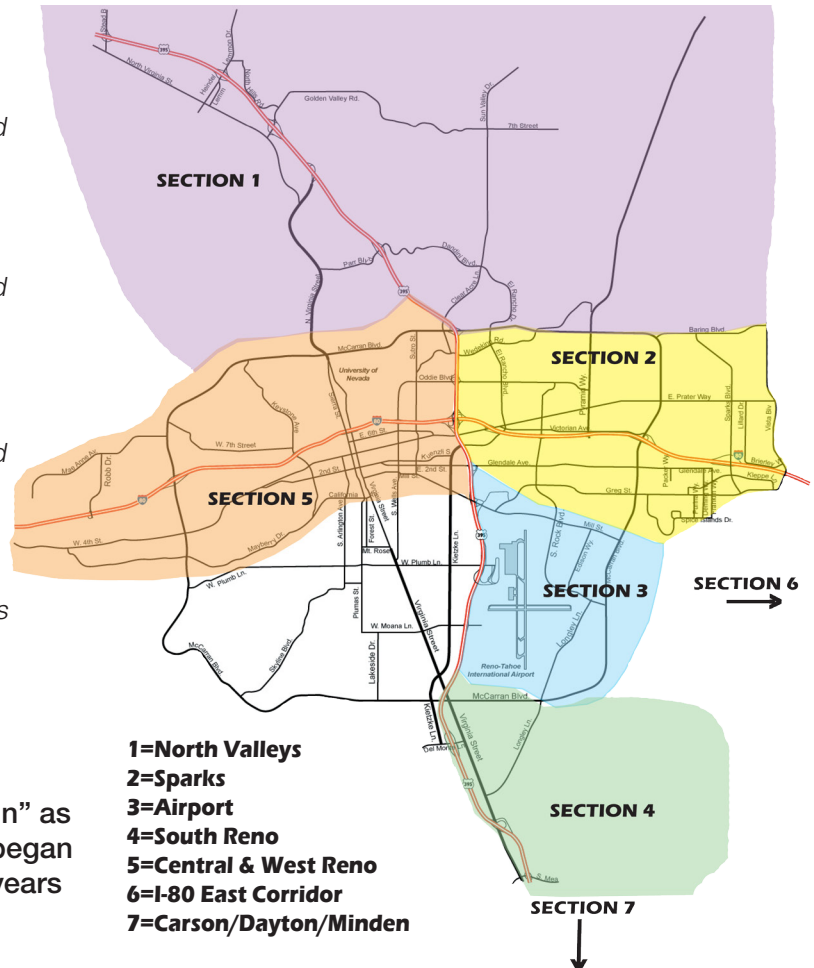
Meri Meri
4945 Aircenter #101
NAI represented the landlord

Lease 20,000sf

Cintas Corporation
1312 Capital Blvd. #102
NAI represented the landlord

Lease 16,998sf

Critical Converting
4796 Longley Lane
NAI represented both parties



Did You Know?

While Samuel Clemens took the penname “Mark Twain” as a reporter working for the “Territorial Enterprise,” he began his writing career as a reporter in the Midwest some years before moving to Virginia City in 1862.

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



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