

Reno Industrial

Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



Notable Lease Transactions

Tesla
USA Parkway
843,000 s.f. leased

ITS
555 Vista Boulevard
629,552 s.f. leased

Chewy
385 Milan Drive
566,660 s.f. leased

Notable Sale Transactions

Kimmie Candy
405 Edison Way
45,188 s.f. purchased

Just Refiners
620 Greg Street
30,000 s.f. purchased

LIL Holdings
1100 Terminal Way
21,552 s.f. purchased

The Reno industrial real estate market raced ahead in the first quarter of 2016, with 1,461,646 square feet of positive net absorption shaving the vacancy rate for direct spaces to 7.24%, down 1.2 percentage points year-over-year. Asking rents continued to grow across the market, reaching an average of \$0.35/s.f. on a triple-net basis market-wide and exceeding \$0.40/s.f. in the South Reno submarket. Leasing activity remained robust, with 29 transactions covering about 2.62 million square feet, including three tenants that took more than 500,000 square feet apiece. Nearly one million square feet of new industrial space was delivered this quarter, and another 1.84 million square feet was under construction in the North Valleys submarket at quarter's end, indicating the potential for further expansion in the market over the rest of the year.

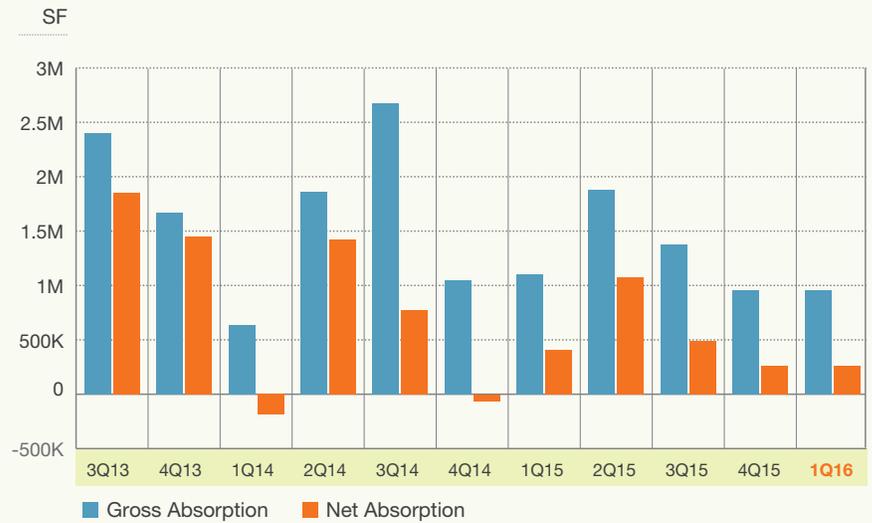
Four of Reno's six industrial submarkets reported absorption gains this quarter, led by the East I-80 Corridor, which recorded a 1.2 million square foot hike in occupied space. The runner-up was Sparks, at positive 380,190 square feet of net absorption, followed by the Airport submarket, which saw a 172,501 square foot gain in occupied industrial space that cut its vacancy rate to 5.4%. South Reno, which shed 34,452 square feet, remains the area's tightest submarket, with 97% occupancy at quarter's end. Despite the quarter's considerable gains, East I-80 registered the highest vacancy rate in the Reno market at 12.96%, with Sparks close behind at 12.28%. The North Valleys submarket, which will see a significant influx of industrial supply from new construction, dropped 259,570 square feet this quarter, upping its vacancy rate to 10.34%.

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Leasing and sales activity this quarter totaled 2,619,064 square feet over 29 transactions. The East I-80 Corridor was Reno's busiest submarket during the first three months of 2016, hosting two of the three largest lease deals in the area and 61% of the square footage taken overall. In the quarter's top transaction, Tesla grabbed an 843,000 square foot distribution center on USA Parkway which is being built to suit the electric car-maker's needs. Also in the East I-80 submarket, Chewy took 566,660 square feet at 385 Milan Drive in McCarran, a five-star distribution facility built in 2015. ITS accounted for the quarter's largest deal outside of East I-80, taking 629,552 square feet at 555 Vista Boulevard in the Sparks submarket. The average deal size this quarter was 90,313 square feet.

With approximately 2.02 million square feet of direct-lease listings on the market, the Sparks submarket had the most available space at quarter's end, while Central/West Reno, at 77,778 square feet listed, had the least. Asking bulk space rental rates were highest in South Reno, reaching \$0.48 per square foot per month at 795 Trademark Drive, and lowest in the East I-80 Corridor, at \$0.33 per square foot at 1600 East Newlands in Fernley. A total of 5.52 million square feet of Reno-area industrial real estate was available on a direct basis at the conclusion of the first quarter, with another 2.19 million square feet listed for sublease.

Absorption



Vacancy Rate



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