

# Reno Industrial

## Market Summary

Trends

Absorption	↑
Vacancy	↑
Rental Rate	↑
New Construction	↑

### Notable Lease Transactions

**Thrive Market**  
700 Milan Drive  
328,285 s.f.

**Marmot Mountain**  
Military Road & Lemmon Drive  
271,832 s.f.

**Aalberts**  
8020 N Virginia Street, Building C  
224,640 s.f.

### Notable Sale Transactions

**Brennan Investment Group**  
Prologis Sparks South Portfolio  
(6 properties)  
586,866 s.f.

**ProThera**  
795 Trademark Drive  
66,559 s.f.

**Zuvo Properties**  
350 Parr Circle  
56,200 s.f.

The Reno industrial market kept on rolling in the second quarter of 2016, with 1,383,704 square feet of positive net absorption bringing the year-to-date gain in occupied space to more than 2.8 million square feet. Direct vacancies ticked up from 7.24% to 7.6% as a result of 1,568,664 square feet worth of new deliveries, but should trend back downward once those spaces are filled. Asking rents market-wide held at \$0.34, but varied widely by size, climbing above \$0.50 per square foot for smaller spaces in the tight South Reno submarket. Leasing activity increased to 1,856,042 square feet over 41 transactions, including three deals in excess of 200,000 square feet apiece. There was 1,061,792 square feet of industrial space under construction at the end of the quarter, which portends further expansion in the market over the rest of the year.

Absorption was positive across all of Reno's six industrial submarkets this quarter, led by North Valleys, which recorded an 851,816 square foot gain over the past three months, mainly from two deliveries totaling nearly 1.4 million square feet. The East-I80 corridor was this quarter's runner-up, adding 340,246 square feet of occupied industrial space for a 2.19 percentage point decline in vacancy. With approximately 1.1 million square feet available for lease in the newly delivered buildings (DERMODY LogistiCenter at 8020 North Virginia and Panattoni's North Valleys Commerce Center at 9460 North Virginia, both of which were speculative developments), North Valleys had the highest vacancy rate in the Reno market this quarter, at 14.26%. The Airport, South Reno, and Central/West Reno submarkets all came in under 5% vacancy this quarter. South Reno, the tightest submarket in the region at 2.16% vacancy, should loosen slightly with the completion of

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# Area Review

## Submarket Statistics

Submarket	Total SF	Direct Vacant SF	Direct Available	Gross Absorption SF	Total Average Bulk Rate	Under Construction
North Valleys	20,330,539	2,536,556	12.48%	1,044,927	\$0.324	0
Sparks	25,628,241	1,221,725	4.77%	313,546	\$0.303	0
Airport	8,970,456	430,982	4.80%	211,716	\$0.361	0
South Reno	8,963,019	150,870	1.68%	214,963	\$0.380	389,792
Central & West Reno	1,267,960	54,088	4.27%	0	\$0.310	0
I-80 East Corridor	15,662,788	1,670,659	10.67%	340,246	\$0.342	672,000
<b>Totals</b>	<b>80,823,003</b>	<b>6,057,880</b>	<b>7.6%</b>	<b>2,125,398</b>	<b>\$0.34</b>	<b>1,061,792</b>

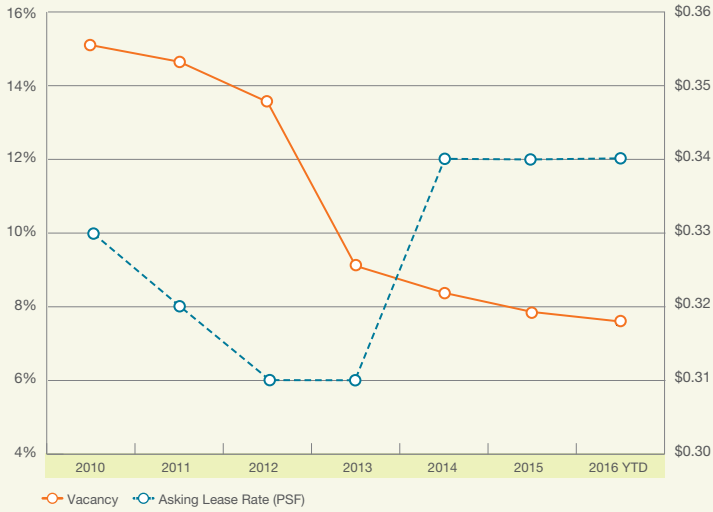
Buildings A and B at the South Valley Commerce Center, two speculative construction projects that amount to 389,200 square feet.

Leasing and sale activity this quarter totaled 2,125,398 square feet over 49 transactions, as average deal size declined to 43,375 square feet from a surge to 90,313 square feet last quarter. Thrive Market, an online healthy grocery retailer that bills itself as “Costco meets Whole Foods,” had the quarter’s largest deal, leasing 328,285 square feet of the 632,000 square foot Class A distribution center at 700 Milan Drive in the East-I80 submarket. The five next-largest deals were all concentrated in the North Valleys submarket, which accounted for nearly half of the square footage leased or sold over the past three months. Among the major deals in North Valleys, Marmot Mountain took 271,832 square feet on Military Road, Aalberts grabbed 224,640 square feet at 8020 North Virginia Street, and Tagg Logistics signed on for 181,455 square feet at 10875 Sage Point Court. The nutraceuticals maker ProThera turned in the quarter’s largest sale transaction, buying the 66,559 square foot manufacturing building at 795 Trademark Drive in South Reno for \$9.15 million. The year-to-date average sale price is approximately \$45.00 per square foot, down from \$52.16 last year when the mean was inflated by the sale of the Amazon-leased property, 8000 North Virginia Street, which traded for more than \$70 per square foot.

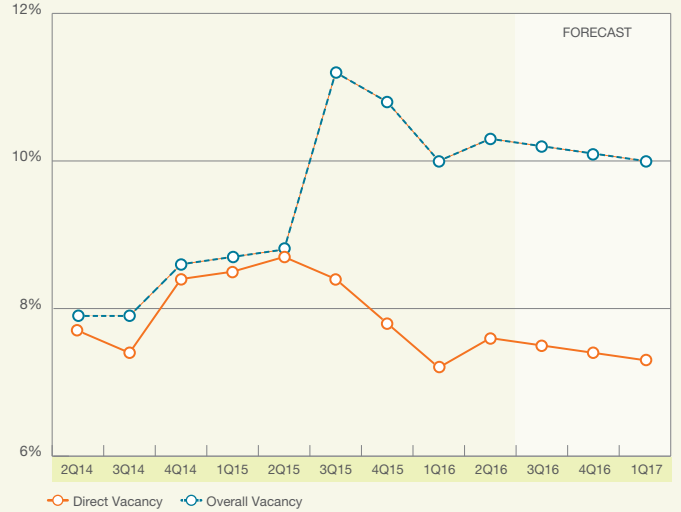
A total of 6.06 million square feet of Reno area industrial real estate was available on a direct basis at the end

of the second quarter, with another 2.25 million square feet listed for sublease. The North Valleys submarket led the region with 2,536,556 square feet of direct-lease listings on the market, but the Sparks submarket topped 3 million square feet available with subleases included. Central/West Reno had just 54,088 square feet on the market, the least of any submarket. Asking rental rates were highest in South Reno, at \$0.38 per square foot, largely because most availability is in the 5,000-20,000 square foot range. Sparks had some of the largest availabilities in the market and, consequently, the lowest average price tag at \$0.30. The newly built spaces in North Valleys were being marketed for around \$0.35 per square foot, with three listings for more than 400,000 square feet each.

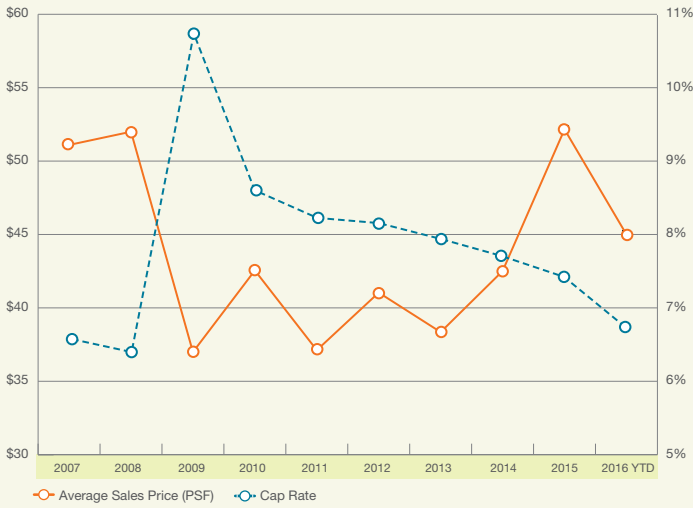
### VACANCY VS ASKING LEASE RATE



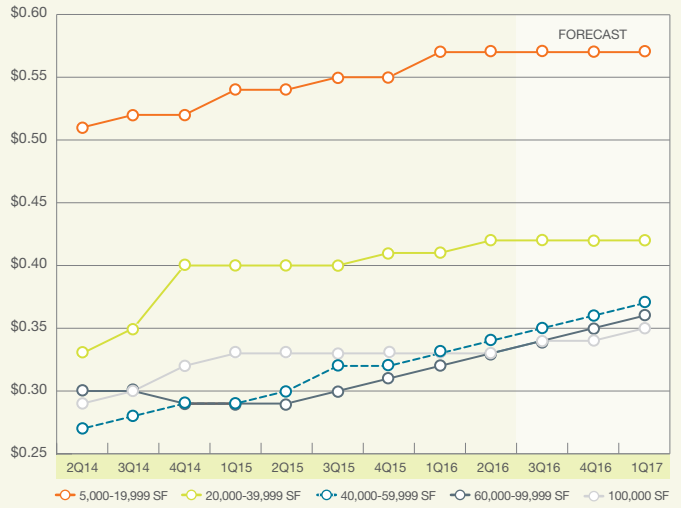
### DIRECT VACANCY VS OVERALL VACANCY



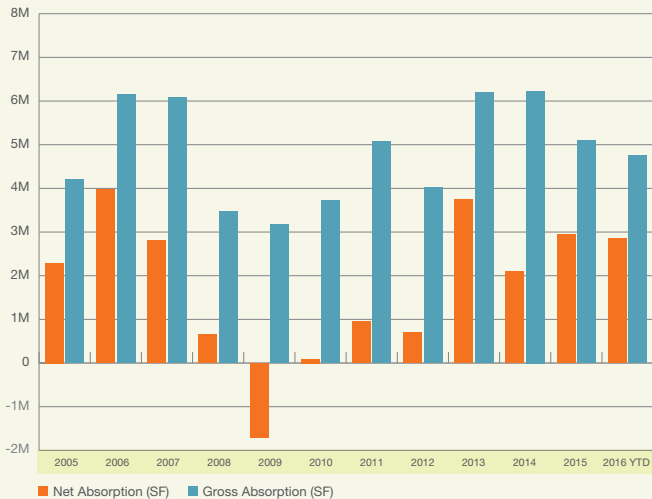
### AVERAGE SALES PRICE & CAPITALIZATION RATE



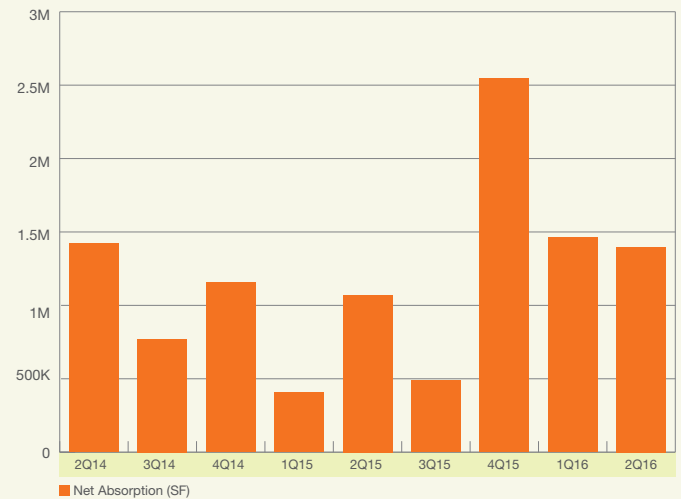
### ASKING LEASE RATE



### NET ABSORPTION - HISTORICAL



### NET ABSORPTION - QUARTERLY



**Offices**

- Seattle  
206.296.9600
- Bellevue  
425.454.7040
- South Seattle  
206.248.7300
- Tacoma  
253.722.1400
- Olympia  
360.705.2800
- Portland  
503.221.9900
- San Francisco  
415.229.8888
- Redwood Shores  
650.769.3600
- Silicon Valley  
408.970.9400
- Sacramento  
916.751.3600
- San Diego  
858.509.1200
- Orange County  
949.557.5000
- Phoenix  
602.513.5200
- Reno  
775.301.1300

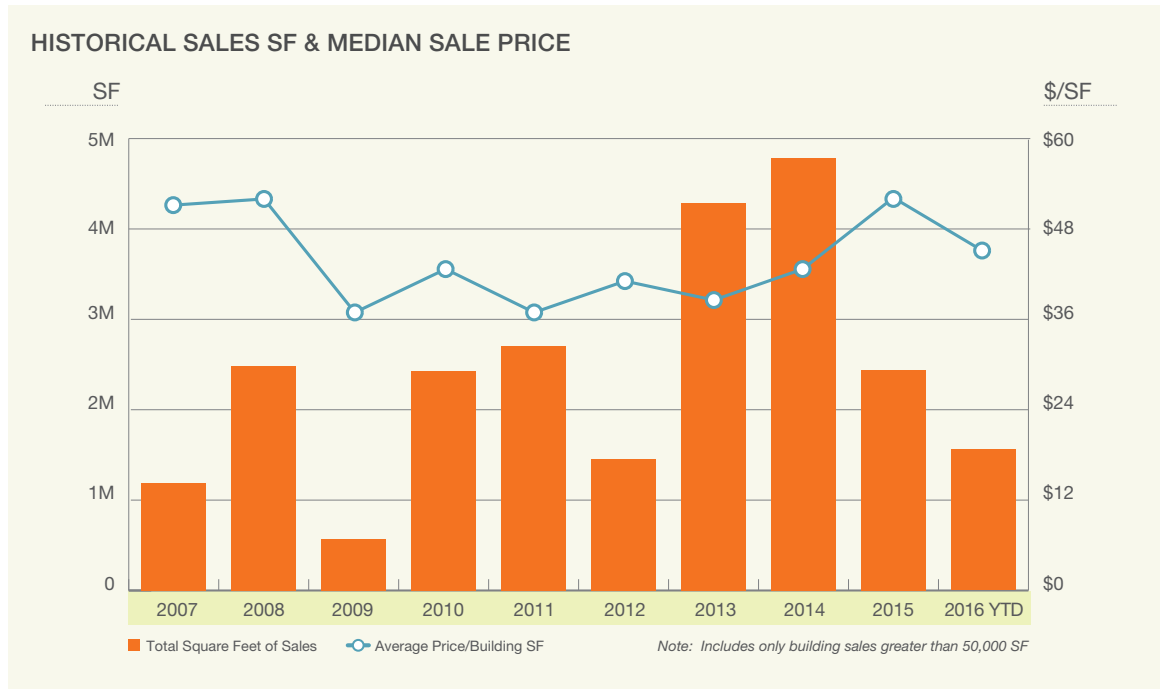
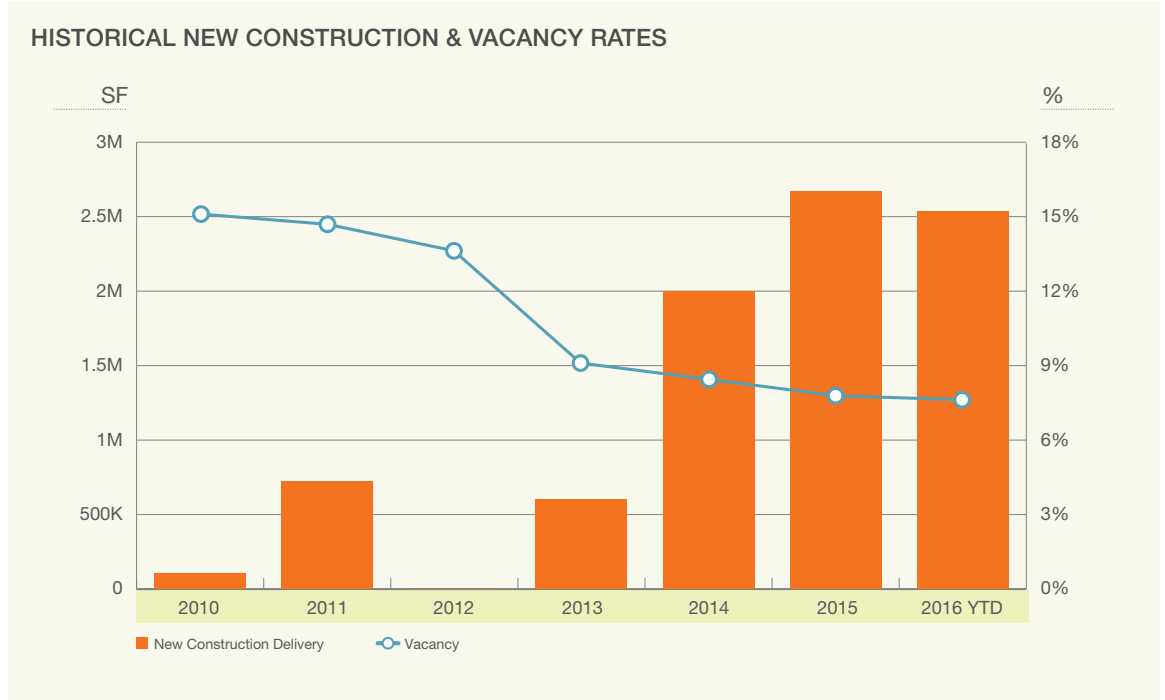
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**Market Breakdown**

	2Q 2016	1Q 2016	2Q 2015	Annual % Change
Vacancy Rate	7.60%	7.24%	8.66%	-12.59%
Availability Rate	9.45%	9.21%	11.46%	-17.54%
Asking Lease Rate	\$0.34	\$0.34	\$0.32	6.25%
Leased SF	1,847,042	1,539,673	1,481,173	24.70%
Sold SF	278,356	699,564	1,632,864	-82.95%
Net Absorption	1,383,704	1,504,722	1,069,803	29.34%



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