

Real Estate Market Review

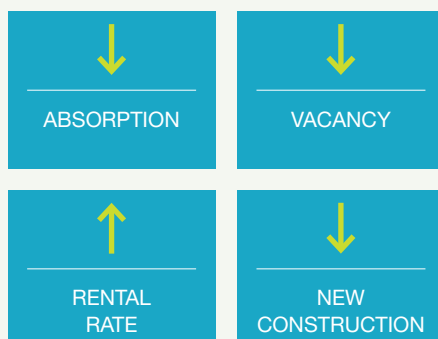
Reno Industrial

Fueled by Tesla’s continued expansion and the growth of other local industrial tenants, the Reno market kept growing during the third quarter, with more than 2.2 million square feet of gross absorption. Inbound tenant demand remains robust, as a wide array of companies are drawn to Reno’s logistical advantages and business friendly climate. Together, those factors have cut vacancies toward new record lows, and the quarter’s 1,287,761 square feet of positive net absorption pulled the direct vacancy rate to its lowest level this cycle. With leasing volume increasing and a record number of new companies visiting the Reno area, the stage is set for further absorption gains and rate hikes to preserve a landlord-friendly market into 2018.

Reno industrial properties enjoyed 1,287,761 square feet of positive net absorption during the third quarter, reducing direct vacancies to 4.69%. While the I-80 East area was Reno’s most rapidly growing industrial submarket (due to the Tesla expansion), North Valleys is on its heels, adding 602,658

square feet of occupied industrial space this quarter. In the year to date, the North Valleys submarket has seen 1,432,766 square feet of positive net absorption and vacancies there have plunged from 10.53% to 5.11% over the past 12 months. Meanwhile, Sparks fell from 11.5% to 8% vacancy during the

Market Forecast Trends



Notable Lease Transactions

Tesla
Electric Ave (TRIC)
1,000,000 s.f. expansion build-to-suit to own

Big Rock Sports
9085 Moya Boulevard
96,000 s.f. leased

NBF
10880 Lear Boulevard
79,300 s.f. leased

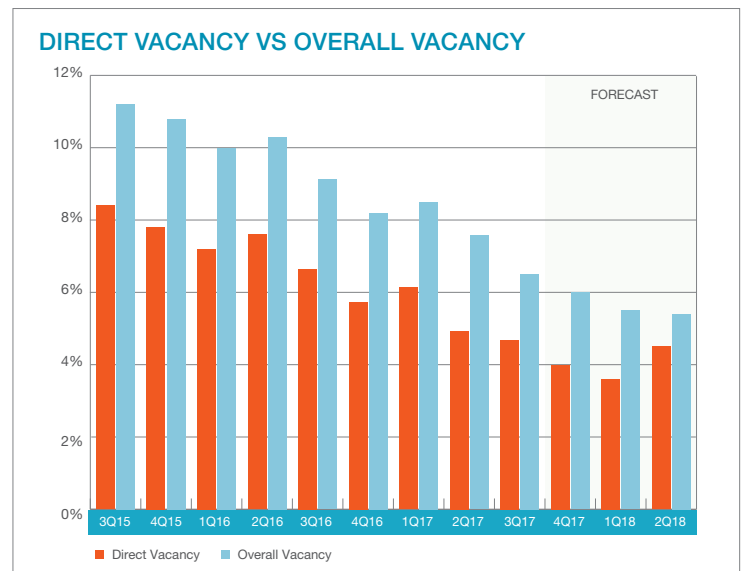
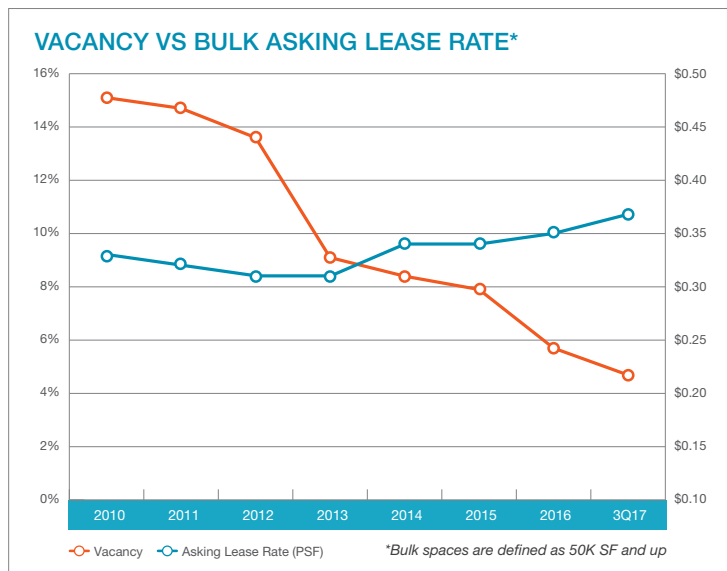
Monsoon Pacific, LLC
350 Lillard Drive
77,969 s.f. leased

Garlock
Woodland Avenue
74,800 s.f. expansion build-to-suit to own

Area Review

Submarket Statistics

Submarket	Total SF	Direct Vacant SF	Direct Available	Gross Absorption SF	Total Average Bulk Rate	Under Construction
North Valleys	21,140,411	946,917	4.48%	1,380,575	\$0.35	557,957
Sparks	25,628,241	1,307,527	5.10%	456,563	\$0.34	0
Airport	8,970,456	153,959	1.72%	177,280	\$0.38	0
South Reno	9,412,811	155,103	1.65%	126,222	\$0.42	233,000
Central & West Reno	1,748,211	217,970	12.47%	74,800	\$0.40	0
I-80 East Corridor	18,040,432	1,203,480	6.67%	11,961	\$0.35	75,000
Total	84,940,562	3,984,956	4.69%	2,227,401	\$0.37	865,957



third quarter, mostly due to the removal of a portion of the large Kmart facility, which is undergoing a major renovation. In addition, Admiral Boat Storage and Monsoon Pacific, LLC secured midsize spaces in Sparks during the quarter. Marketwide, total vacancies are down 280 basis points year over year, to 6.5%, despite more than 1.7 million square feet of new construction.

After a good second quarter, the Reno market came out of the summer with strong activity totaling 2,227,401 square feet of gross absorption over the past three months. Smaller Reno-based tenants are growing their operations in the market and more and more California-based firms are moving across the state line into business friendly Nevada. As a result, the market continues to reward developers who begin construction on spec, with ample demand to fill new buildings upon delivery.

Availabilities at the end of the quarter totaled 6,715,149 square feet, including 5,541,665 square feet of direct space and 1,173,484 square feet listed for sublease. An additional

525,957 square feet was available in buildings that are under construction. By submarket, Sparks reported the highest volume of availabilities, at 1,307,527 square feet (excluding subleases), most of which was in midsize offerings smaller than 100,000 square feet. Bulk spaces were most readily available in the I-80 East Corridor, which had 1,641,480 square feet of available space, including three listings for more than 250,000 square feet each.

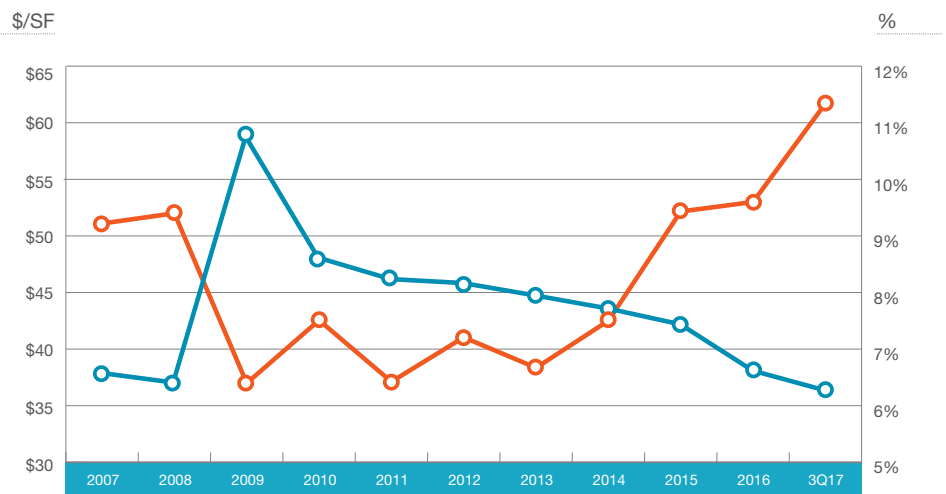
Asking rental rates averaged \$0.48 on a blended triple-net basis, a 45.0% increase from this time last year, ranging from \$0.64 for small spaces below 20,000 square feet to \$0.37 for bulk offerings over 50,000+ square feet. The market's rapid growth over the past few years is now impacting long-term tenants up for renewal, as landlords push the envelope with 20-25% rate jumps, knowing that the demand for space in Reno will refill any vacancies in short order.

Data Source: Kidder Mathews Market Research

AVERAGE SALES PRICE & CAPITALIZATION RATES

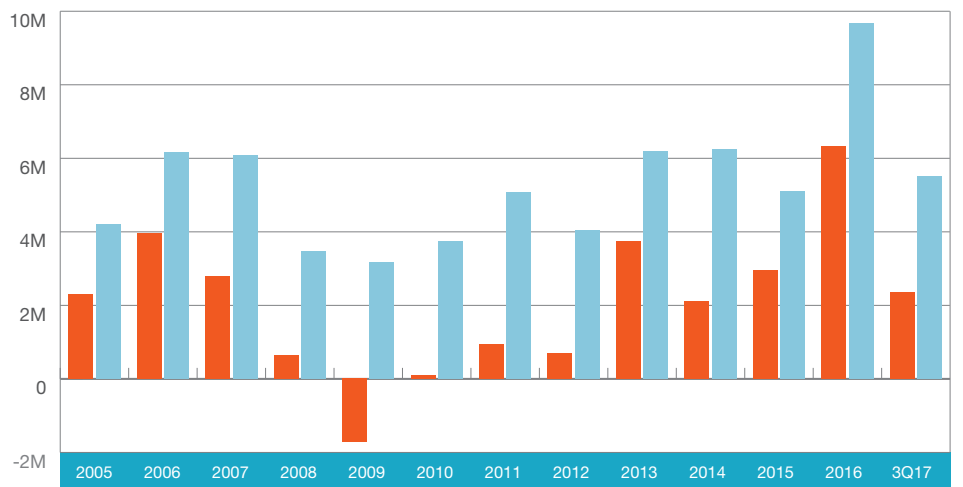
- Average Sales Price (PSF)
- Cap Rate

Note: Includes only building sales greater than 50,000 SF



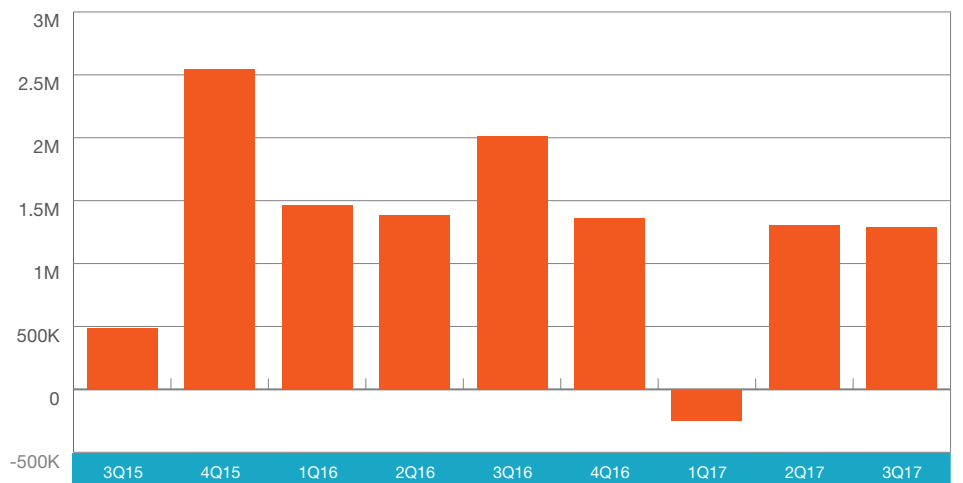
NET & GROSS ABSORPTION - HISTORICAL

- Net Absorption (SF)
- Gross Absorption (SF)



NET ABSORPTION - QUARTERLY

- Net Absorption (SF)



Offices

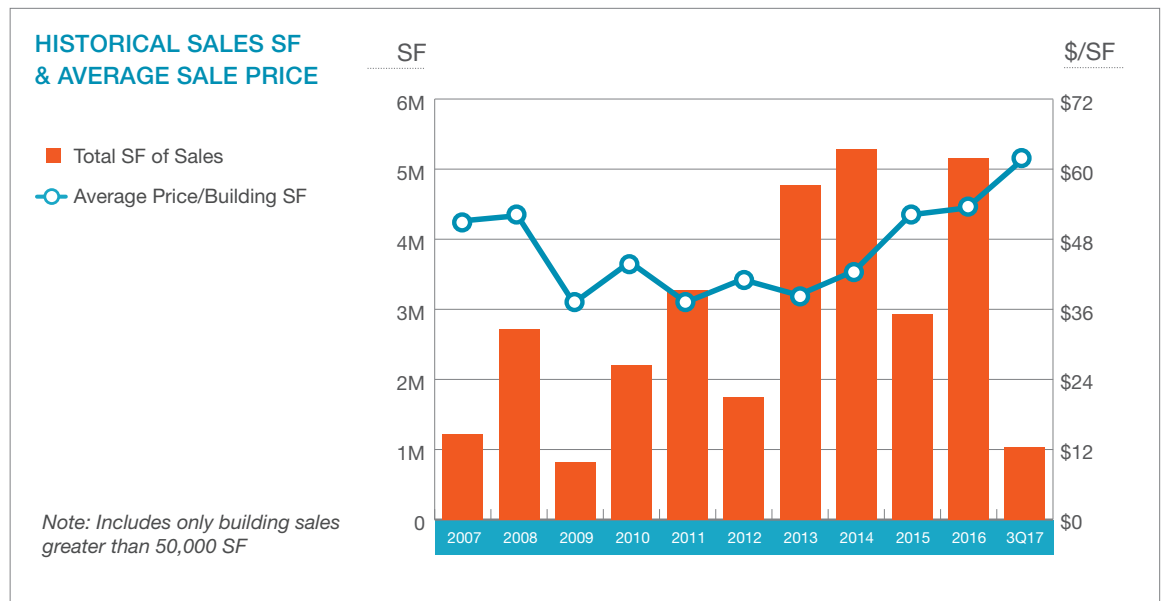
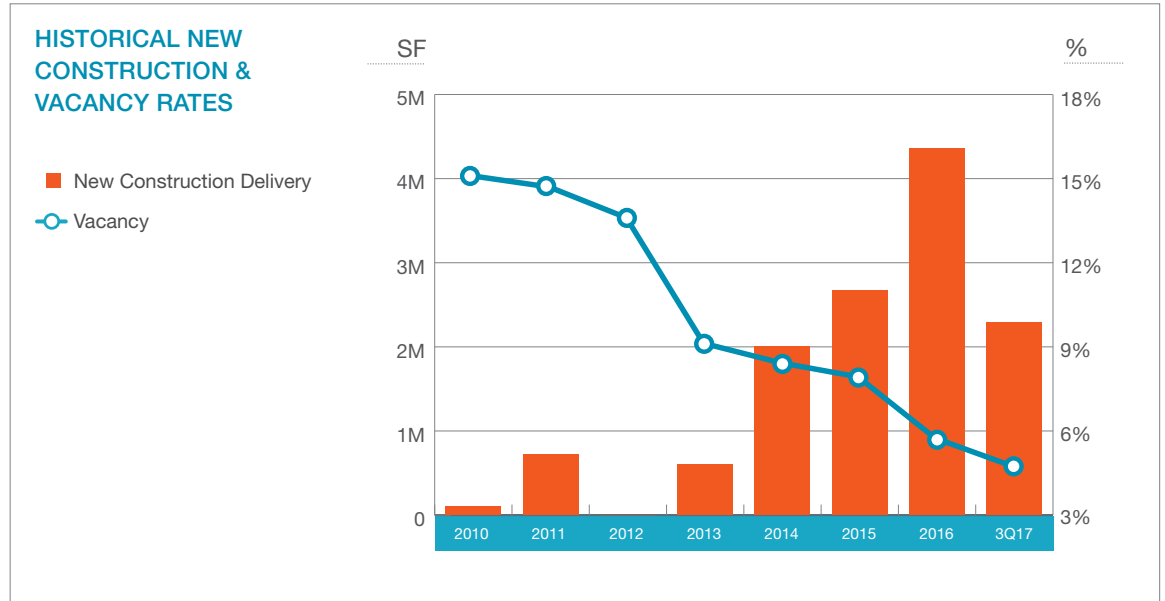
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425.454.7040
- South Seattle
206.248.7300
- Tacoma
253.722.1400
- Olympia
360.705.2800
- Portland
503.221.9900
- San Francisco
415.229.8888
- Redwood Shores
650.769.3600
- Silicon Valley
408.970.9400
- Sacramento
916.970.9700
- Roseville
916.751.3600
- Los Angeles
213.880.5250
- Commerce
323.727.1144
- Long Beach
562.472.0071
- Orange County
949.557.5000
- Inland Empire
909.764.6500
- San Diego
858.509.1200
- Carlsbad
760.430.1000
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775.301.1300
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Market Breakdown

	Q3 2017	Q2 2017	Q3 2016	Annual % Change
Vacancy Rate	4.69%	4.94%	6.64%	-29.37%
Availability Rate	6.51%	7.57%	9.11%	-28.54%
Asking Lease Rate	\$0.36	\$0.35	\$0.33	9.09%
Leased SF	1,064,665	1,975,752	2,356,346	-54.82%
Sold SF	1,162,736	126,408	2,635,219	-55.88%
Net Absorption	1,287,761	1,306,493	2,014,000	-36.06%



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