

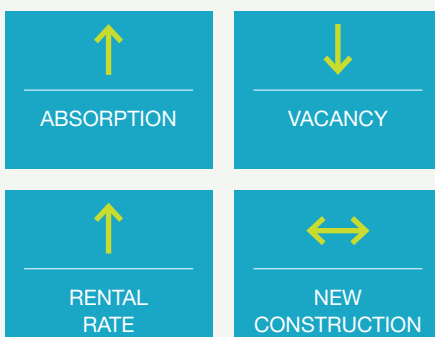
Real Estate Market Review

Reno Industrial

The Reno industrial market carried momentum through the end of 2017, heading into the new year with continuing demand from inbound tenants and local users looking to expand. Reno industrial properties reported 7,486,322 s.f. of gross absorption over the year, driving direct vacancies down to 4.81%. With demand once again racing ahead of supply, landlords are hiking rental rates. Developers are eagerly searching for developable land to accommodate tenants, especially large users, who have limited options to grow or stay in Reno. All signs point to a landlord and seller friendly market continuing into 2018.

Reno industrial properties experienced 1,357,478 s.f. of positive net absorption during the fourth quarter which dropped vacancy below 5%. The I-80 East area continues to be Reno's most rapidly growing industrial submarket (due to the Tesla expansion), and North Valleys is right behind, adding 643,957 s.f. of occupied industrial space this quarter. Throughout 2017, the North Valleys submarket had the majority of the net absorption at 2,076,723 s.f. and vacancy there plunged from 8.41% to 4.58%.

Minimal downsizing happening in the market; rather, tenants are running out of room in their current spaces and landlords are receiving site-unseen offers from expanding users. Many tenants are currently circling our market with 100,000 s.f. plus requirements. We expect to see continued demand and activity in this size range for 2018. Flex space under 20,000 s.f. also shows signs of slowing down. The size range with least amount of activity was the 60,000 to 100,000 s.f. range which we anticipate to pick back up this year.

Market Forecast Trends

Notable Lease Transactions

Trademark Global, LLC
9470 N Virginia Street, Reno
352,957 s.f. leased

Confidential Tenant
700 Milan Drive, Sparks
328,285 s.f. leased

Confidential Tenant
1600 E Newlands Road, Fernley
266,000 s.f. leased

Notable Sale Transactions

AEW
Southwest Commerce Center I-IV
1,029,000 s.f. | \$93,200,000 (\$90.57/s.f.)

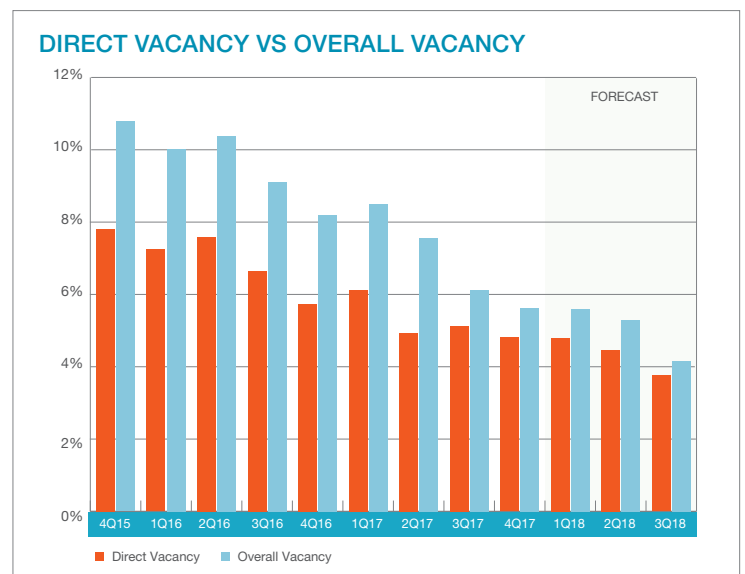
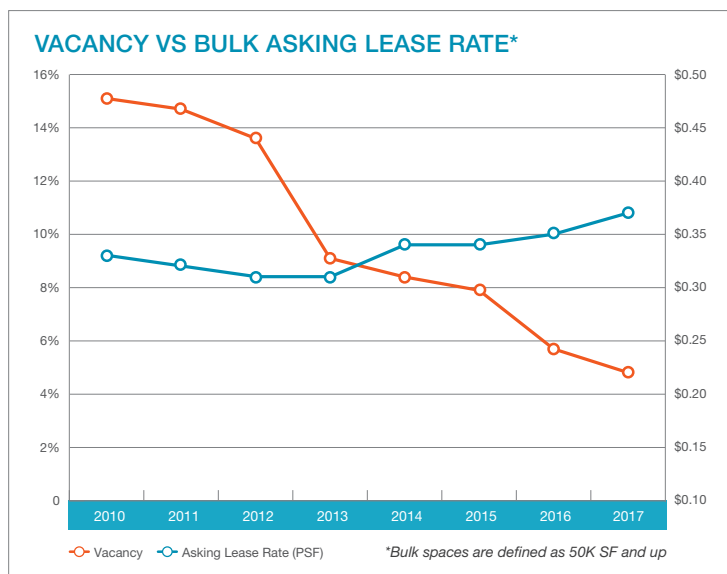
Terraza 7 LLC
12090 Sage Point Court
676,431 s.f. | \$28,708,000 (\$42.44/s.f.)

Becknell Industrial
9250 Red Rock Road
200,000 s.f. | \$13,400,000 (\$67.00/s.f.)

Area Review

Submarket Statistics

Submarket	Total SF	Direct Vacant SF	Direct Available	Gross Absorption SF	Total Average Bulk Rate	Under Construction
North Valleys	21,698,368	993,917	4.58%	762,957	\$0.37	557,957
Sparks	25,628,241	1,829,695	7.14%	400,397	\$0.36	0
Airport	8,970,456	262,934	2.93%	23,176	\$0.38	0
South Reno	9,412,811	455,498	4.84%	52,366	\$0.38	0
Central & West Reno	1,748,211	214,240	12.25%	37,539	\$0.40	0
I-80 East Corridor	18,115,432	1,051,635	5.81%	690,685	\$0.33	75,000
Total	85,573,519	4,807,919	4.81%	1,967,120	\$0.37	632,957



Industrial sales also experienced notable activity this quarter. The Southwest Commerce Center located in the desirable South Meadows market sold in December and for a record high on both a cap rate and price/square foot basis. The Class A industrial park consists of just over a million s.f. sold for \$90.57/s.f. foot at a 5.25% cap rate. Terraza 7 LLC purchased the 676,431 s.f. Sherwin William Distribution Center at 12090 Sage Point Court for \$42.44/s.f. Becknell Industrial purchased 200,000 s.f. at 9250 Red Rock Road for \$67.00/s.f. 600 Spice Island was a 72,000 s.f. owner/user sale that had a nearly full price offer within 24 hours of hitting the market. Overall, market cap rates are hitting new lows.

Availabilities at the end of the quarter totaled 4,807,919 s.f., including 4,115,242 s.f. of direct space and 692,677 s.f. listed for sublease. An additional 632,957 s.f. of new construction was added to inventory during the quarter. By submarket, Sparks reported the highest volume of availabilities, at 1,829,695 s.f., most of which was in midsize offerings smaller

than 100,000 s.f. Bulk spaces were most readily available in the I-80 East Corridor, which had 1,051,635 s.f. of available space, including two listings for more than 250,000 s.f. each.

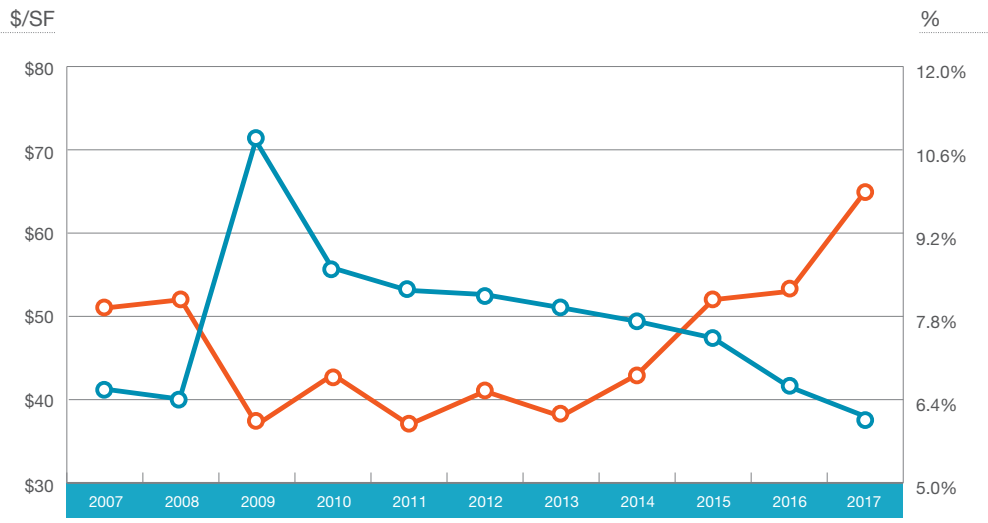
Demand accelerated again toward the end of the year, which limited the market's industrial stock. Users that don't find a suitable space, particularly those with larger requirements over 100,000 s.f., will either have to wait or leave the market until construction rises in line with demand.

As demand for space continues to eclipse the available supply, there is significant upward pressure on asking lease rates, with many landlords raising rents as we head into 2018. Quality, functional spaces in the active size brackets, including flex offerings under 20,000 s.f. are being leased within 30 days with competition among tenants pushing up rents. The trends and overall narrative for the Northern Nevada industrial market continue to move in a positive direction as we begin 2018.

Data Source: Kidder Mathews Market Research

AVERAGE SALES PRICE & CAPITALIZATION RATES

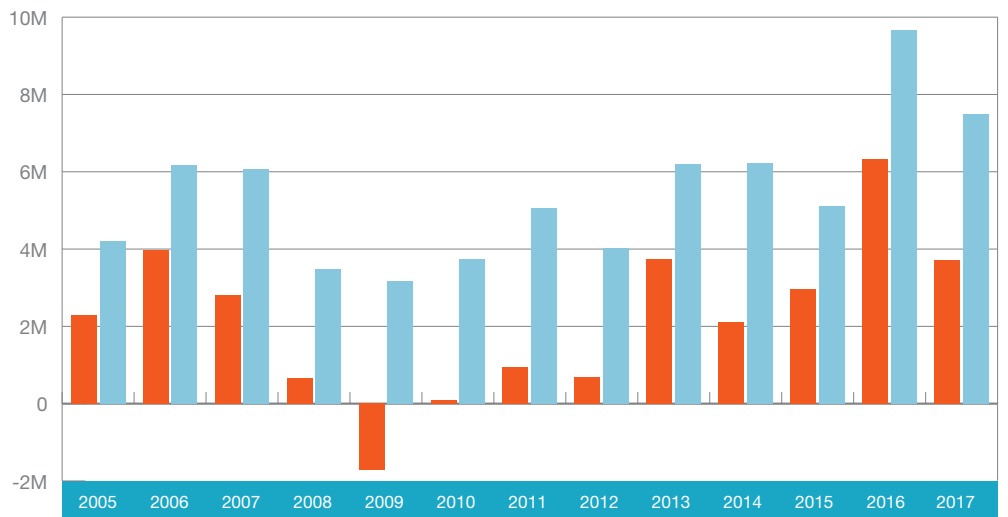
- Average Sales Price (PSF)
- Cap Rate



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

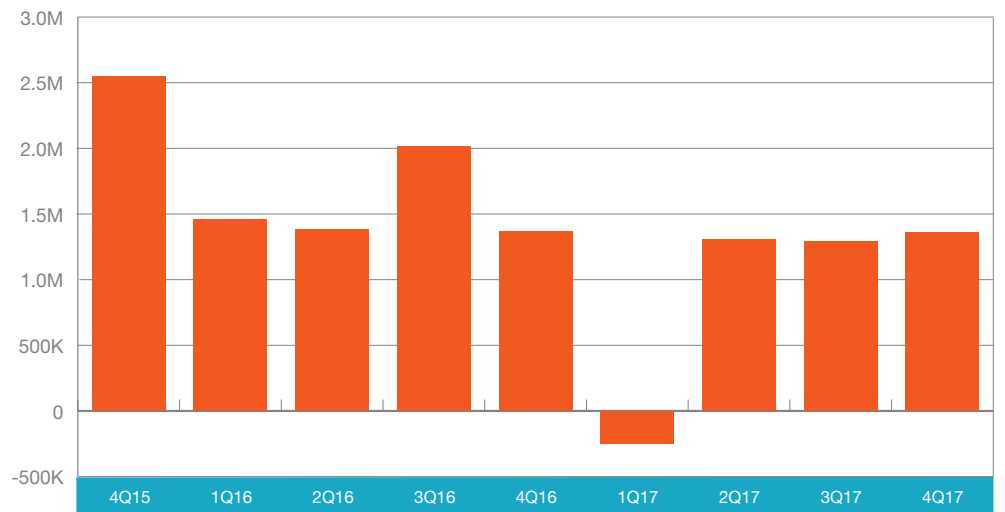
NET & GROSS ABSORPTION - HISTORICAL

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



NET ABSORPTION - QUARTERLY

- Net Absorption (SF)



Offices

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
916.970.9700

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

Reno
775.301.1300

Phoenix
602.513.5200

Contact

Mark Read
Executive VP, Brokerage
Northern CA / NV
775.301.1300
mread@kiddermathews.com

Designated Broker
Mark Read | LIC #00572743

Market Breakdown

	2017	2016	2015	Annual % Change
Vacancy Rate	4.81%	5.70%	7.80%	-38.33%
Availability Rate	5.62%	8.20%	10.80%	-47.96%
Asking Lease Rate	\$0.37	\$0.35	\$0.34	8.82%
Leased SF	5,622,093	7,989,725	4,622,101	22.50%
Sold SF	1,864,229	1,604,752	2,930,417	-36.38%
Net Absorption	3,706,385	6,322,759	2,950,050	

