

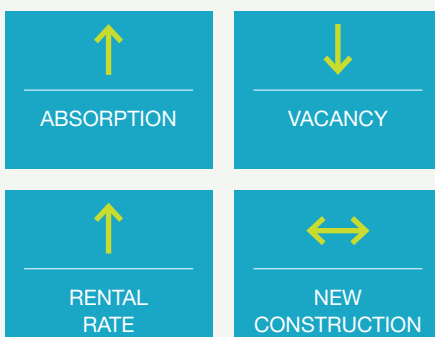
Real Estate Market Review

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.)

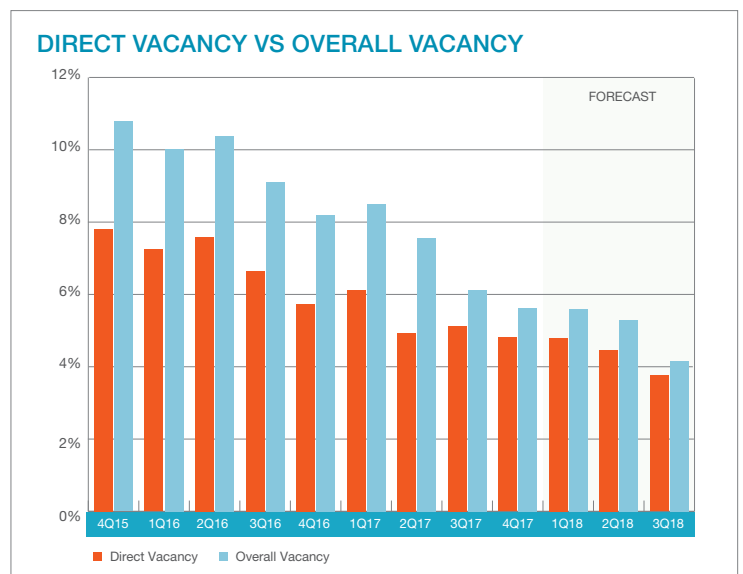
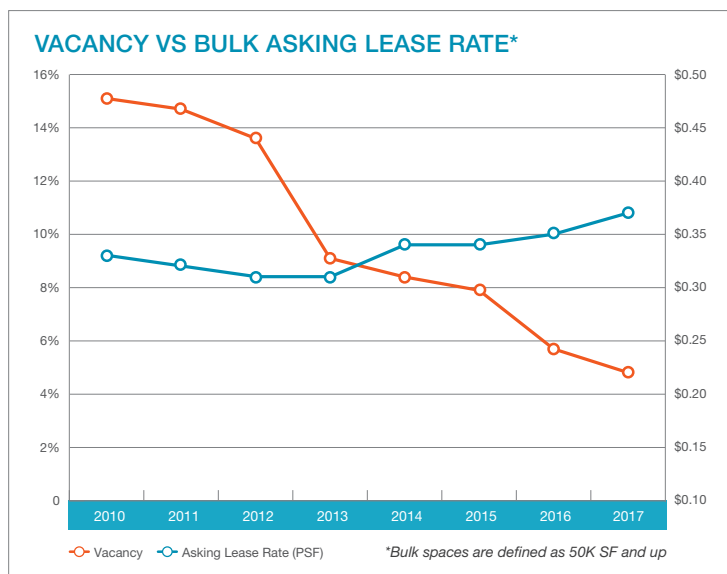
Terraza 7 LLC
12090 Sage Point Court
676,431 s.f. | \$28,708,000 (\$42.44/s.f.)

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.

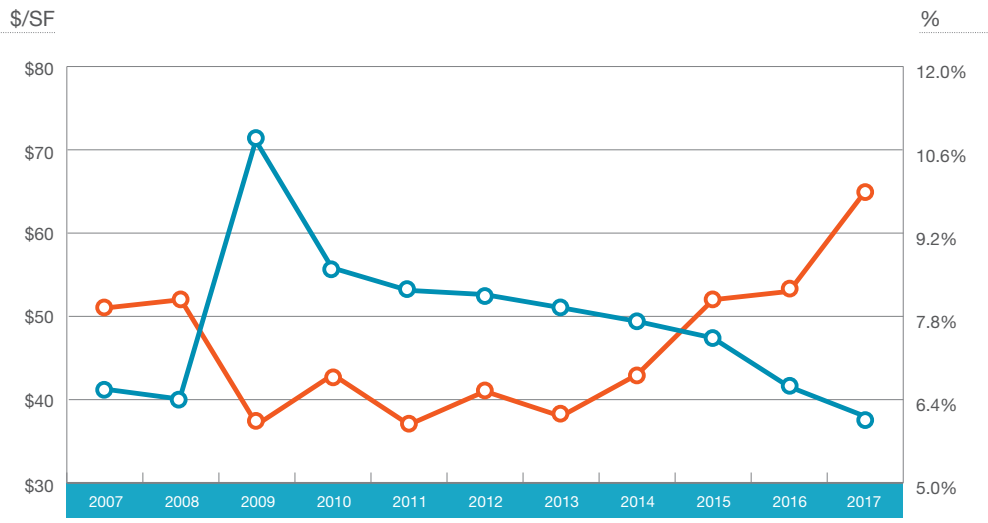
Demand accelerated again toward the end of the year, which limited the market's industrial stock. Users that don't find a suitable space, particularly those with larger requirements over 100,000 s.f., will either have to wait or leave the market until construction rises in line with demand.

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

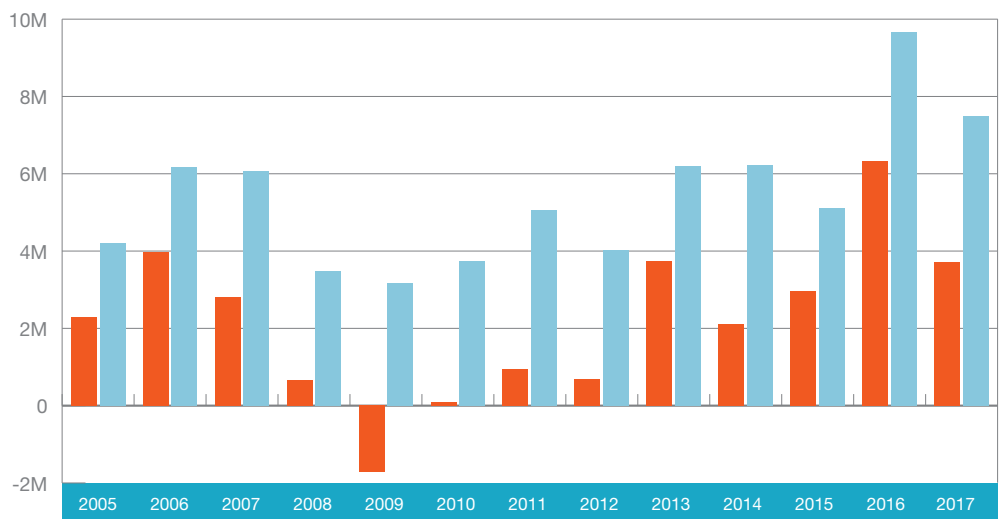
- Average Sales Price (PSF)
- Cap Rate



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

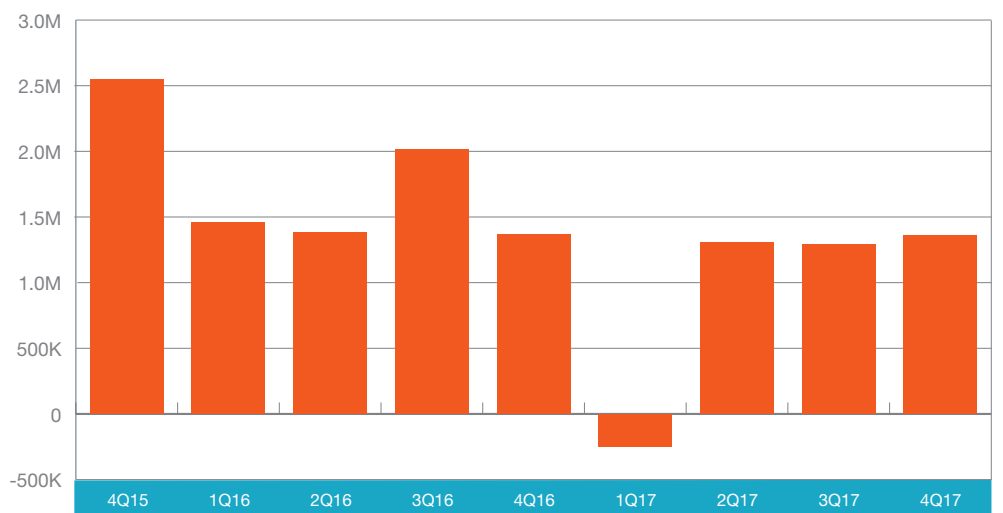
NET & GROSS ABSORPTION - HISTORICAL

- 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

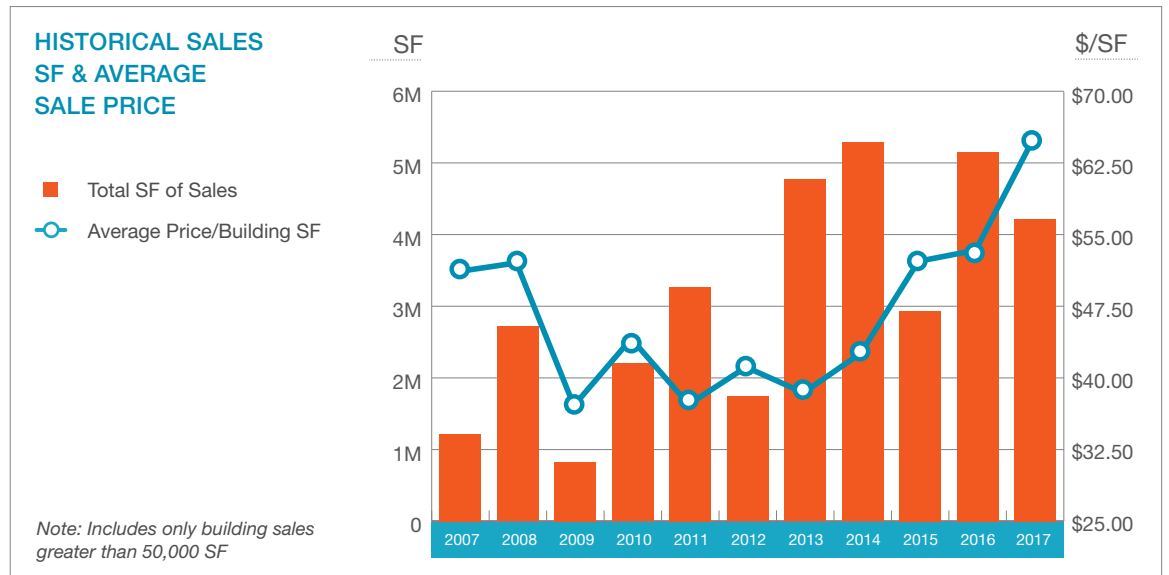
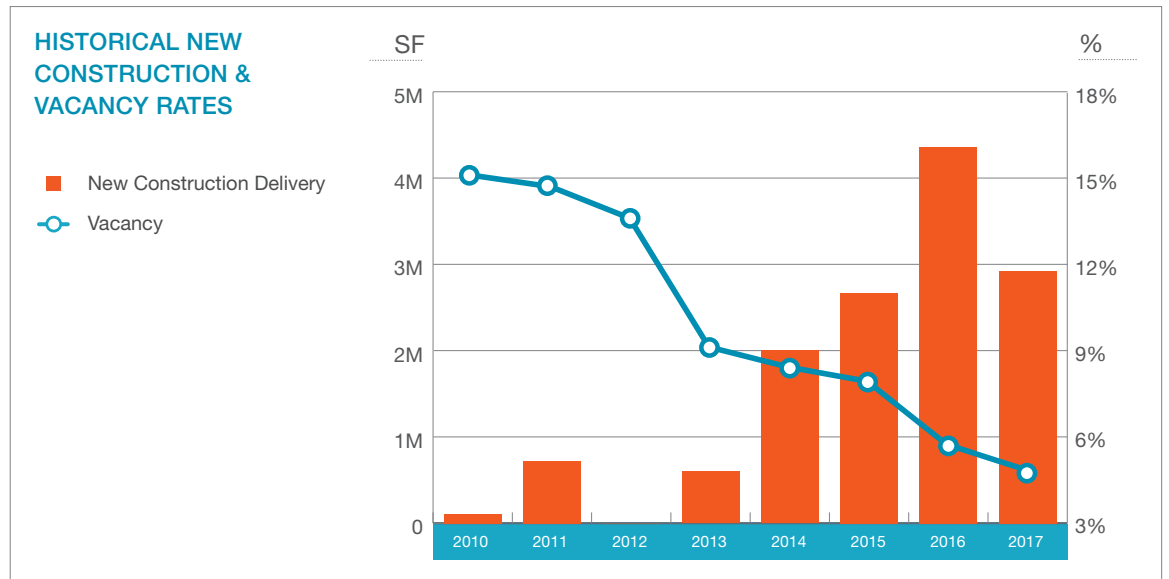
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Market Breakdown

| | 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 | |



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