



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



Q1 2010 OVERVIEW:

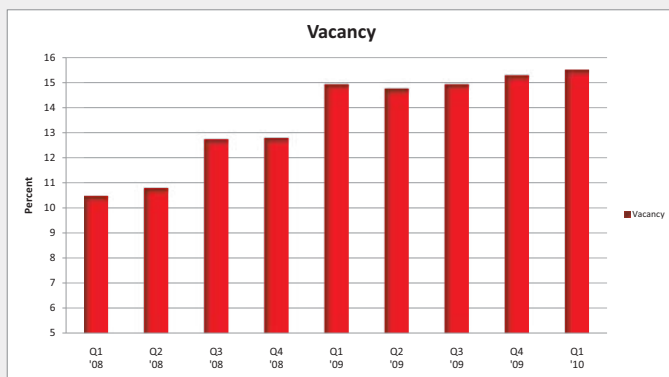
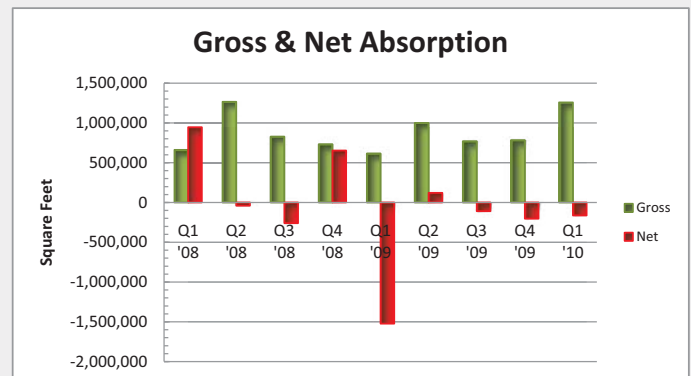
After failing health during 2008 and remaining comatose for all of 2009, the Northern Nevada industrial market began to show a pulse during the first quarter of 2010. More inquiries and more market tours resulted in almost normal activity. That said, however, vacancy inched up and net absorption was again negative, albeit much less than the previous quarter.

ACTIVITY:

Thirty-six lease and sale transactions for new occupancy were logged during Q1, totaling just over 1.25 million square feet of space. This is the most active quarter we've seen in almost two years. The largest transaction was the Diapers.com lease for the entire 566,820 square foot McShane building in the Tahoe-Reno Industrial Center. This building had remained vacant since completion in December 2007. Diapers.com expanded out of 162,000 square feet of space in Sparks. Another noteworthy expansion was Microflex's relocation from 65,000 square feet in Sparks to 133,000 square feet of leased space in the Sage Point Business Park in Stead. These were the two largest transactions of the quarter. Despite these two defections, Sparks, still by far the largest submarket, had the largest number of transactions (18), totaling almost 330,000 square feet. The 36 transactions this quarter represents a 13% increase over the previous quarter and is the largest number of transactions since Q2 of 2007, just before the market took ill.

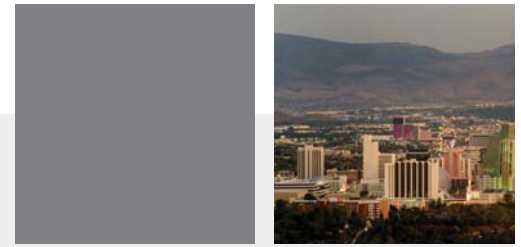
NET ABSORPTION:

The amount of occupied space in the Reno/Sparks-Fernley industrial market declined by another 163,612 during Q1, following negative net absorption of 204,222 square feet during the last quarter of 2009. Since the beginning of 2008, total market occupancy has dropped by almost 1.25 million square feet. The largest contributors to negative net absorption during Q1 were Dell Computers vacating 330,000 in the Patrick Business Park (Tahoe-Reno Industrial Center) and Cat Logistics leaving 110,000 square feet in Sparks. Altogether 49 spaces totaling more than 1.4 million square feet were added to the available space supply during the quarter, more than offsetting the 1.25 million square feet of new activity. Once again, Sparks lost more occupancy than all other submarkets, over 300,000 square feet.



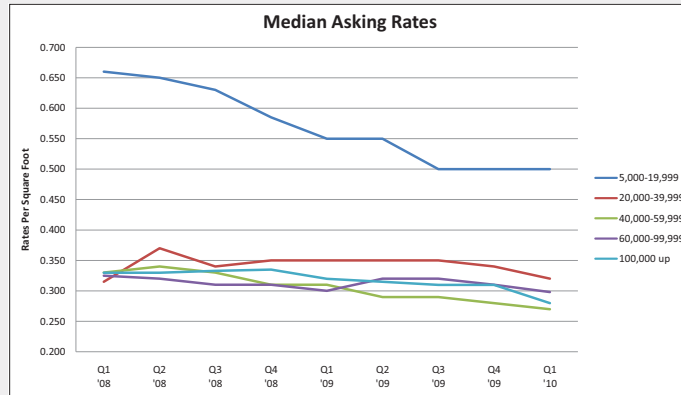
VACANCY:

Not to be outdone by negative net absorption, the market ended the year with a 15.29% vacancy rate (more than 11 msf) increasing from 14.92% a quarter earlier. The highest amount of vacancy continues to be in Sparks, the largest submarket, with almost 3.9 million square feet vacant. Unfortunately, because Sparks is also the oldest submarket, many of the vacant spaces are smaller and/or functionally obsolete. Almost 64% percent are 20,000 sf or smaller and less than 3% were built in 2000 or later. The second highest amount of vacancy is in the East I-80 Corridor, where almost 1.8 million square feet of the total 2.7msf available is new, never occupied space that developers built during the construction frenzy of 2005-2007.



CONSTRUCTION:

Not a single industrial building was completed during the first quarter of 2010 and no speculative buildings are planned for the entire year. No surprise here. Industrial contractors accustomed to ground up construction are competing strenuously for tenant improvements.



LEASE RATES:

Spaces under 20,000 square feet have experienced the greatest decline in asking rates since early 2008 – more than 23%. However, as the accompanying graph illustrates, asking rates for spaces larger than 20,000 square feet have declined only slightly. This belies the fact that, although institutional landlords have not yielded to dwindling demand by lowering asking rates, we continue to leases with effective rates substantially lower than published asking rates.

OUTLOOK:

More is being written and discussed by economists and others suggesting the worst of the Great Recession is behind us. The Q1 statistics for industrial properties in our market give some credence to that supposition and, although they are not necessarily an indication the market will improve much in the near term, it probably won't get any worse. We may just bounce along the bottom for one or two more quarters. Although we know of several large spaces that will become vacant in the second quarter, there are also some sizable lease and/or purchase requirements kicking around. If a few come to fruition, we may begin to see positive net absorption and a significant reduction of large available spaces - enough to spark new construction, no, but maybe enough to firm up rents to the point where construction might be worth considering by late 2011 or in 2012.

Q1 2010 MARKET AT-A-GLANCE

Area	Total Space (sq. ft.) 3/31/10	Vacant Rentable 3/31/10 (sq. ft.)	Vacant percent 3/31/10	Gross Absorption (sq.ft.) Q1	Net Absorption (sq.ft.) Q1	NNN Median Asking Rate (sq.ft./yr)	Under Construction 3/31/10	BTS Construction (sq. ft.) ytd	Spec Construction (sq. ft.) ytd
1 North Valleys	15,167,417	2,339,565	15.42%	230,061	101,292	\$3.84	0	0	0
2 Sparks	25,436,366	4,177,958	16.43%	329,387	-302,624	\$4.80	0	0	0
3 Airport	8,954,456	868,038	9.69%	34,794	-107,531	\$6.00	0	0	0
4 South Reno	8,892,779	890,612	10.02%	37,674	-4,725	\$8.28	0	0	0
5 Central & West Reno	1,392,104	353,981	25.43%	58,518	11,565	\$5.04	0	0	0
6 East I-80 Corridor	12,200,003	2,548,903	20.89%	566,820	138,411	\$3.96	0	0	0
TOTALS	72,043,125	11,179,057	15.52%	1,257,254	-163,612	\$5.32	0	0	0



For Lease

4910 Longley Lane
52,500± sf | \$0.27 NNN



For Sale or Lease

240-250 S. Stanford Way
158,574± sf | \$31.22 psf or \$0.19 NNN



Just Reduced For Sale or Lease

690 Kresge Lane
15,740± sf | \$92.12 or \$0.75 psf



For Lease

12995 Echo Court
106,250± sf | \$0.32 NNN



For Lease

2555 USA Parkway
125,875± sf | Call for pricing



For Sale

305 Western Road
66,240± sf | \$44.53 psf

NAI Alliance

Commercial Real Estate Services, Worldwide.

First Quarter NAI Industrial Team Transactions

Lease Renewal 208,591 s.f.

Innotrac
4910 Longley Lane
NAI represented landlord

Lease Renewal 156,484 s.f.

Henry Schein
250 Vista Blvd., Suite 103-104
NAI represented tenant

Lease 10,000 s.f.

TruGreen
605 Boxington Way
NAI represented tenant

Lease 6,120 s.f.

Screen Printing Systems, Inc.
527 Dunn Circle
NAI represented tenant

Lease Renewal 5,120 s.f.

Sparks Foursquare Church
230 B Coney Island Drive-
NAI represented both parties

Lease Renewal 181,500 s.f.

Henry Schein
255 Vista Blvd., Suite 101
NAI represented tenant

Lease 76,795 s.f.

Intechra
9085 Moya Blvd. #100
NAI represented landlord

Lease Renewal 10,000 s.f.

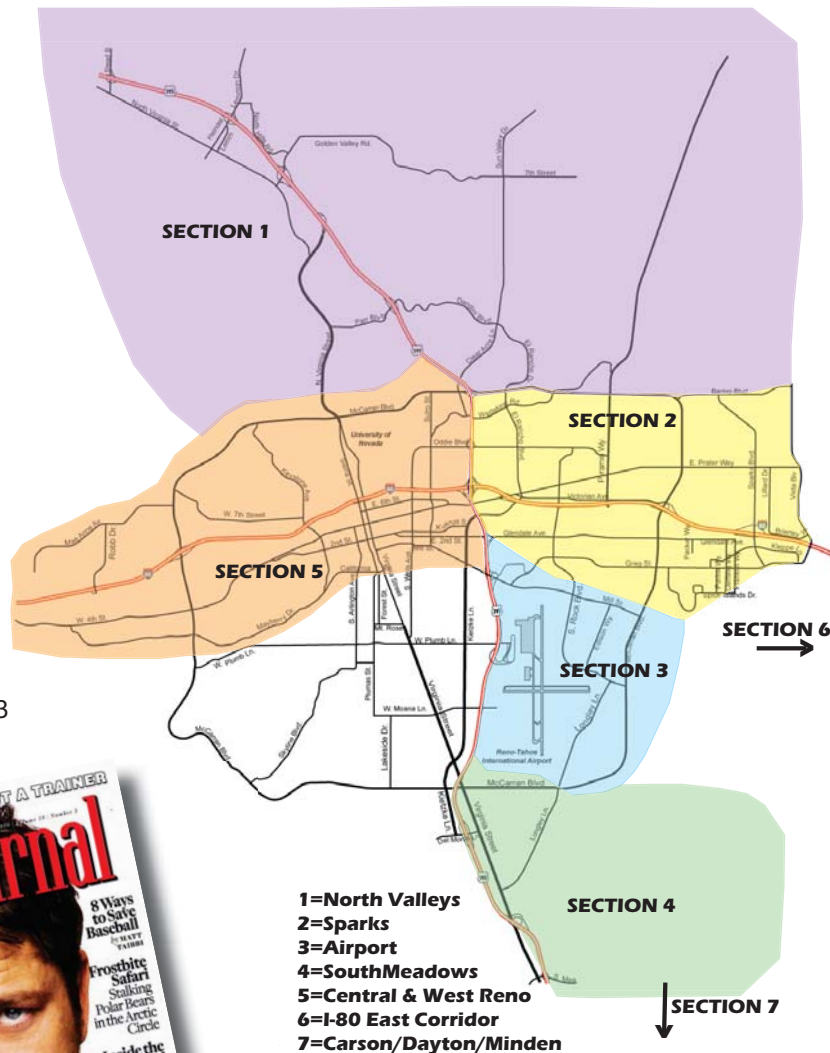
Garate Enterprises
855 Joule Street
NAI represented landlord

Lease 5,120 s.f.

Reliakor Services of Nevada
310A Coney Island Drive
NAI represented landlord

Lease 4,956 s.f.

Gilson Auto Body
2205 Glendale Ave, Suite 143
NAI represented landlord



Citing close proximity to skiing, Lake Tahoe, white water parks, AAA Baseball and the downtown revitalization, we agree.....

Reno is one of the “Best Places to Live”



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