

# 2018 Ends On A High Note

- > Northern Nevada continues to see strong activity from manufacturers and distributors
- > Industrial construction in Northern Nevada remained strong in 2018 at 2.4 million square feet
- > Lease rates and sale prices continue to climb due to lack of product

## The Northern Nevada Industrial Market finished strong in 2018 with healthy absorption numbers.

Gross and net absorption posted 1.2 million and 675,775 square feet, respectively, bringing the 2018 total gross absorption to 5.6 million square feet and net absorption to 2.2 million square feet. Inventory remains limited, especially in the smaller size ranges, as evident by the year ending at 5.67 percent vacancy rate.

### Market Indicators

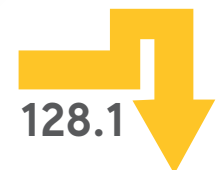
Unemployment Rate - Nevada



10-Year Nominal Interest Rate



National Consumer Confidence



### Market Indicators

Relative to prior period

Q4 2018

Q1 2019\*

Vacancy



Net Absorption



Completions

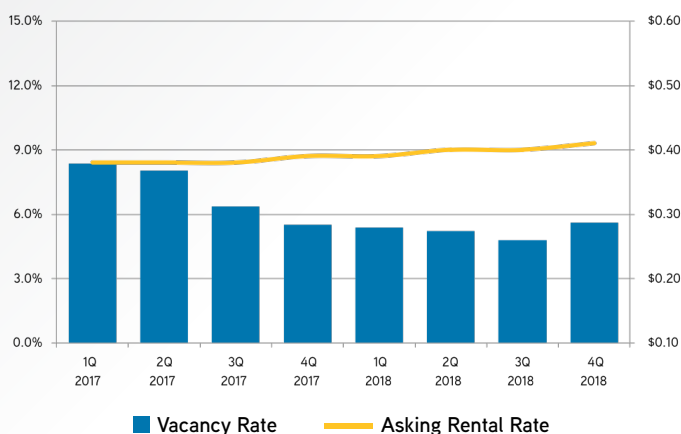


Rental Rate



\*Projected

### Historical Vacancy Rates and Asking Lease Rates



As vacancy decreases in high demand size ranges, rental rates are slowly starting to increase.

### Summary Statistics

Q4 2018 Reno Market	Previous Quarter	Current Quarter
Vacancy Rate	4.86%	5.67%
Asking Rent (PSF)	\$0.40	\$0.41
Net Absorption (SF)	1,072,965	675,775

### Overall Asking Rents

Per Square Foot	Previous Quarter	Current Quarter
Warehouse	\$0.36	\$0.36
Distribution	\$0.37	\$0.38
Flex	\$0.68	\$0.70

## Lease Rates

Lease rates continue to rise for industrial product up to 100,000 square feet. This size range offers little availability in the market, leaving tenants with limited options and higher lease rates ranging between \$0.37 and \$0.50 per square foot per month NNN and operating expenses between \$0.07 and \$0.10 per square foot per month.

While the market is seeing high lease rates in the lower size ranges, Northern Nevada continues to be the low cost provider for the West Coast for big-box product. Asking rates for product 300,000 square feet and above are stable at \$0.36 per square foot per month NNN with operating expenses between \$0.06 and \$0.08 per square foot per month.

## Vacancy

After reaching a historic low of 4.86 percent in the third quarter of 2018, vacancy slightly increased at the end of the year to 5.67 percent. This was due to a large amount of product coming to the market before year-end, which was a welcomed event given the lack of product. Small and midsize product up to 50,000 square feet will continue to be restricted for some time.

## Owner-User Purchases

Owner-User purchases in 2018 were rare with very few existing buildings available for sale and the product that does hit the market comes with a heavy price tag. Users are then left with a new construction alternative, but that comes at an even higher price in a location that may not be as optimal. This gives some justification for the new market comparable sales pricing, but little comfort to users.

## Investment Sales

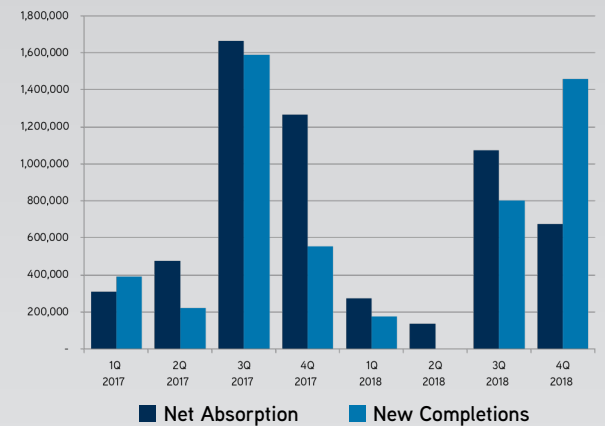
Investors continue to seek out industrial product in Northern Nevada with 2.5 million square feet of industrial investment product exchanging in 2018. The most notable was the sale of the North Valleys Commerce Center Buildings A & C from Panattoni/CalSTRS to Prism Realty. The property was approximately at a 5.0 percent cap rate when it sold. This is a low benchmark for Class A product in the market and new sales are already working to push this even lower. Other Class A transactions sold between 5.25 and 6.0 percent and Class B between 6.0 and 6.5 percent.

## Construction

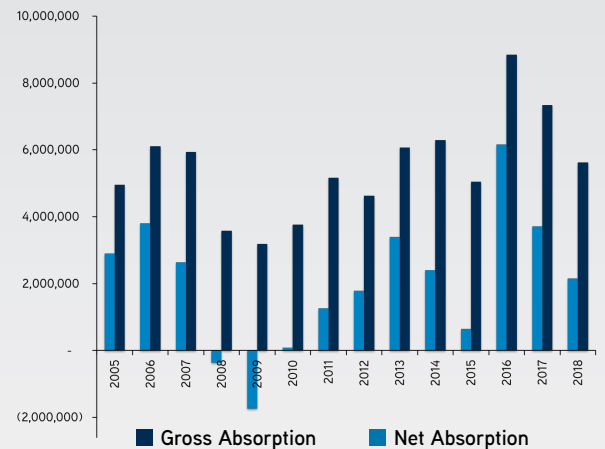
The market saw little product delivered over the course of 2018 with construction costs continuing to increase. This kept fewer options available for users for a majority of the year, however, some relief came at the end of 2018 with 1.4 million square feet of product being delivered for a total of 2.4 million square feet. This seems to be on trend with the historical average of the last couple of years.

There is currently 1.8 million square feet of new construction scheduled to be delivered in 2019. With the addition of the 800,000 square feet under construction at the McCarran Commerce Center, 2019 is on track to deliver around the historical average.

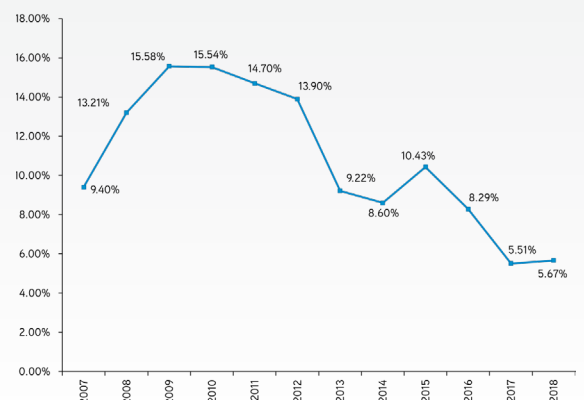
## Historical Net Absorption vs. New Completions



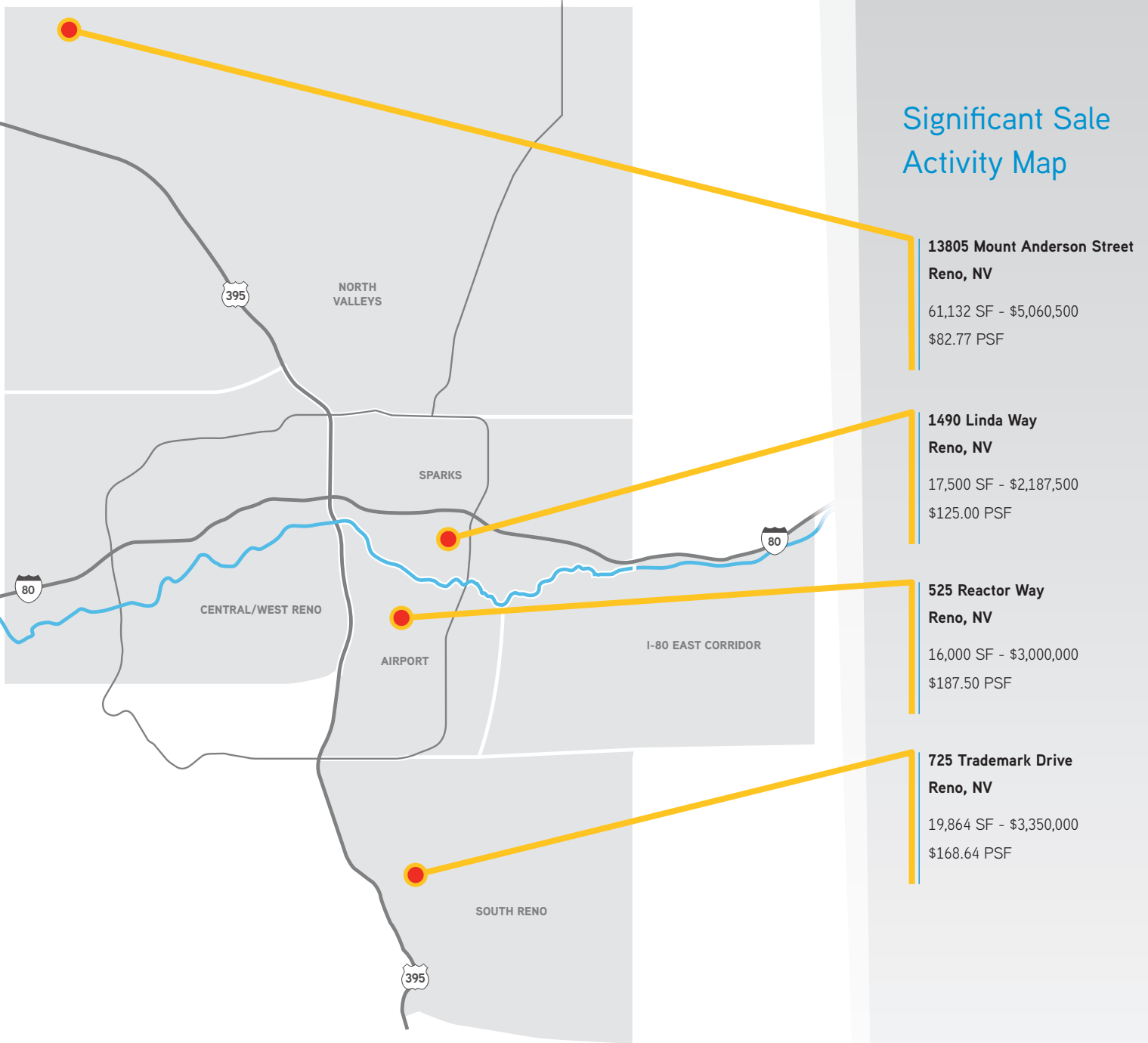
## Historical Gross Absorption vs. Net Absorption



## Historical Vacancy



## Significant Sale Activity Map



### Q4 2018 Significant Lease Activity

PROPERTY ADDRESS	SIZE	TENANT	TYPE
555 Milan Drive	566,875	Confidential	Distribution
2555 USA Parkway	85,875	CASS Inc	Distribution
350 Lillard Drive, Suite 171	77,281	Tobi.com	Distribution
19805 Mount Anderson Street	62,500	Sustainable Furniture	Manufacturing
4910 Longley Lane	52,500	Hamilton Company	Distribution

## Market Comparisons - Reno

### INDUSTRIAL MARKET

TYPE	BLDG	TOTAL INVENTORY	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUB VACANCY RATE	TOTAL VACANT SF	VACANCY RATE TOTAL	NET ABSORPTION CURRENT QTR	NET ABSORPTION YTD	COMPLETIONS SF	UNDER CONSTRUCTION SF	ASKING RENT
<b>AIRPORT SUBMARKET</b>													
Total	141	8,958,038	386,492	4.3%	126,268	1.4%	512,760	5.72%	73,123	(193,248)	-	-	\$0.41
<b>CENTRAL &amp; WEST RENO</b>													
Total	467	2,119,227	372,942	17.6%	-	0.0%	372,942	17.60%	29,872	243,725	391,750	-	\$0.43
<b>NORTH VALLEYS</b>													
Total	252	19,894,714	1,112,038	5.6%	-	0.0%	1,112,038	5.59%	-	966,064	436,368	184,600	\$0.39
<b>SOUTH RENO</b>													
Total	166	9,774,617	231,181	2.4%	106,000	1.1%	337,181	3.45%	8,000	181,280	-	270,975	\$0.43
<b>SPARKS</b>													
Total	166	28,716,251	1,202,911	4.2%	27,007	0.1%	1,229,918	4.28%	(27,970)	708,835	-	-	\$0.39
<b>I-80 EAST CORRIDOR</b>													
Total	186	18,343,624	976,240	5.3%	438,000	2.4%	1,414,240	7.71%	592,750	252,653	630,240	1,035,000	\$0.38
<b>MARKET TOTAL</b>													
<b>TOTAL</b>	<b>1,378</b>	<b>87,806,471</b>	<b>4,281,804</b>	<b>4.9%</b>	<b>697,275</b>	<b>0.8%</b>	<b>4,979,079</b>	<b>5.67%</b>	<b>675,775</b>	<b>2,159,309</b>	<b>1,458,358</b>	<b>1,490,575</b>	<b>\$0.41</b>

### QUARTERLY COMPARISON AND TOTALS

Q4 - 18	1,378	87,806,471	4,281,804	4.9%	697,275	0.8%	4,979,079	5.67%	675,775	2,159,309	1,458,358	1,490,575	\$0.41
Q3 - 18	1,374	86,348,113	2,935,546	3.4%	1,260,950	1.5%	4,196,496	4.86%	1,072,965	1,483,534	802,113	1,066,608	\$0.40
Q2 - 18	1,373	85,546,000	3,206,398	3.7%	1,260,950	1.5%	4,467,348	5.22%	135,982	410,569	-	1,868,721	\$0.40
Q1 - 18	1,373	85,546,000	3,720,480	4.3%	882,850	1.0%	4,603,330	5.38%	274,587	274,587	174,493	1,868,721	\$0.39
Q4 - 17	1,372	85,371,507	3,677,592	4.3%	1,025,832	1.2%	4,703,424	5.51%	1,264,402	3,714,429	552,957	-	\$0.39

## 2017-2019 Construction Activity

DEVELOPER	SITE	TENANT	SQUARE FEET	LOCATION	DELIVERY	TYPE
Scannell Properties	OnTrac North Valleys	On Trac	185,000	North Valleys	Q2 2019	BTS
Panattoni	North Valleys Commerce Center Building E	TBD	313,220	North Valleys	Q3 2019	Spec
Ryan Companies	Crossroads Industrial Park	Polaris	475,000	Fernley	Q2 2019	BTS
Scannell Properties	Mustang Industrial Park	TBD	560,000	East Sparks	Q2 2019	Spec
Panattoni	Longley Commerce Center	TBD	270,975	South Reno	Q2 2019	Spec
Dermody Properties	Logisticenter I-80 Building 4	TBD	208,000	West Reno	Q4 2018	Spec
Dermody Properties	Logisticenter I-80 Building 3	TBD	183,750	West Reno	Q4 2018	Spec
Conco	245 E. Sydney Drive	TBD	630,240	TRIC	Q4 2018	Spec
Dermody Properties	LogistiCenter at 395 Phase II Bldg 2	TBD	436,368	North Valleys	Q4 2018	Spec
Panattoni	North Valleys Commerce Center Building D	S&S Activewear	802,113	North Valleys	Q3 2018	Spec
McKenzie Properties	843 Trademark Drive	Elite Spice	174,793	South Reno	Q1 2018	BTS
-	Garlock Expansion	Garlock Printing	74,000	West Reno	Q4 2017	BTS
Q&D	Spanish Springs	Walkenhorst	75,000	Spanish Springs	Q4 2017	BTS
Q&D	Spanish Springs	Clausen Coatings	125,000	Spanish Springs	Q4 2017	BTS
Panattoni	North Valleys Commerce Center Building C	Trademark Global	353,000	North Valleys	Q4 2017	Spec
Prologis	Sage Point 5	NBF/ Turn 14	240,500	North Valleys	Q3 2017	Spec
Dermody Properties	Logisticenter I-80 Building 2	Masonite	182,000	West Reno	Q3 2017	Spec
Dermody Properties	Logisticenter I-80 Building 1	Patagonia	221,000	West Reno	Q2 2017	Spec
Montane / Tesla	Tesla Building 4	Tesla Motors	30,000	TRIC	Q2 2017	BTS
F&P / Tesla	Tesla Building 2	Tesla Motors	1,000,000	TRIC	Q2 2017	BTS
McKenzie Properties	Golden Valley Fulfillment Center	ID Tech Camps	61,875	North Valleys	Q2 2017	Spec
McKenzie Properties	Golden Valley Fulfillment Center	Arnold Dental Supply	84,996	North Valleys	Q2 2017	Spec
McKenzie Properties	Golden Valley Fulfillment Center	Vacant	84,996	North Valleys	Q2 2017	Spec

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# 69 countries

## \$2.7

billion in  
annual revenue\*

## 2.0

billion square feet  
under management

## 15,400

professionals  
and staff

## \$2.7

billion in  
annual revenue\*

\*All statistics are for 2017, are in U.S. dollars and  
include affiliates

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