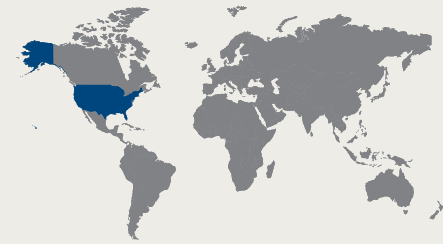




# Market Research

INDUSTRIAL | SECOND QUARTER | 2007



## MARKET INDICATORS

	2Q 2007	3Q 2007*
DIRECT VACANCY	↑	↑
SUBLEASE VACANCY	↓	↑
TOTAL VACANCY	↑	↑
NET ABSORPTION	↑	↔
CONSTRUCTION	↑	↔
RENTAL RATE	↔	↔

\*PROJECTED

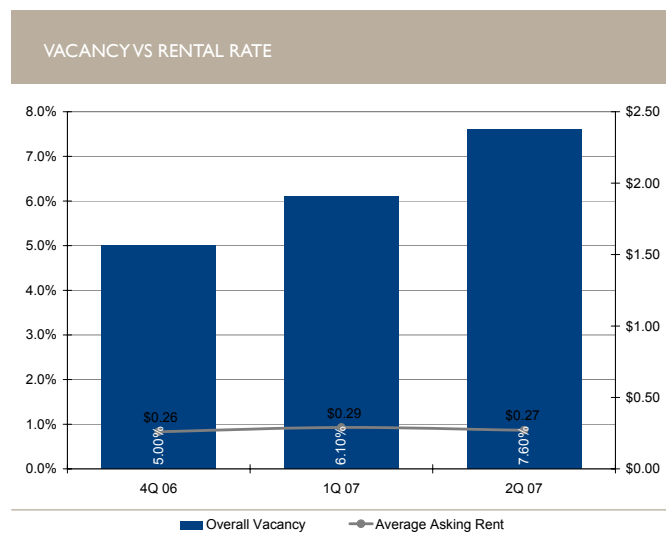
## Vacancy Rates Rise as New Construction is Completed

### Summary

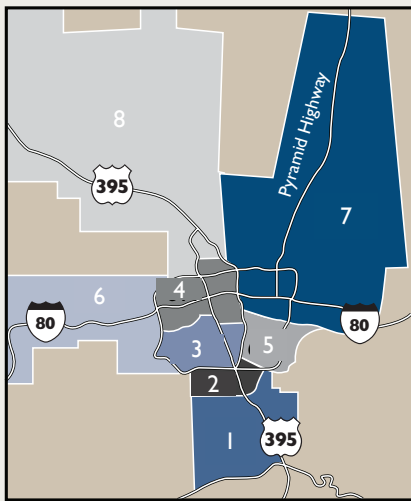
The greater Reno/Sparks industrial real estate market had a slow start, but as the second quarter drew to a close activity began to increase. The completion of multiple speculative construction projects, adding a total of 1,575,530 square feet, increased the Colliers industrial database inventory to 64,021,083 square feet raising total vacancy 1.3% from 6.1% to 7.4% at the end of the second quarter. Net absorption registered positive at 459,872 square feet when compared to last quarter's negative absorption of 25,578 square feet.

As several companies expand out of Reno/Sparks into the outer submarkets of Stead and McCarran, nearly 200,000 square feet of sublease space is being made available in the Sparks submarket and 600,000 square feet total when combining all submarkets. For example, with the move of The Tire Rack, Parts Unlimited, and ACH Foam Technology, large spaces will become available in Sparks. With other moves to come, this will increase the vacancy rate in this tight submarket. It will be interesting to see how these available spaces fair in competition to newly completed product with stronger building fundamentals in the outer submarkets.

The inventory of buildings for lease has increased, especially in the mid-range sized available spaces from 30,000 to 60,000 square feet. Larger industrial spaces in excess of 100,000 square feet remain in supply in all of our submarkets. However, even with the increase in leasable space there are still very few buildings for sale in all size ranges.



www.colliersreno.com



### SUBMARKET MAP KEY

ID	SUBMARKET
1	South Meadows
2	Meadowood
3	Southwest Reno
4	Downtown
5	Airport
6	West Reno
7	Sparks
8	Northwest Reno

## Construction

1,575,530 square feet of new industrial product was completed this quarter. This new construction tripled the amount of finished product in the first quarter with another 2,701,301 square feet currently under construction.

### Completed Construction Q2 2007:

- **Stead:** 429,000 square feet was completed in the Lear industrial Center developed by Panattoni Construction.
- **McCarran:** 601,750 square feet was completed at 2555 USA Parkway, 300,000 square feet was completed at 775 Waltham Way, and 30,000 square feet was completed at 96 Megabyte Drive.
- **Airport:** 214,780 square feet was completed at Brookside Corporate Center.

### Under Construction Q2 2007:

- **McCarran:** USA Industrial Center is preparing to tilt walls on the USA Industrial Center Phase II. We expect several new speculative projects to be announced in the coming quarters.
- **Spanish Springs:** The most recent announcement is the Spanish Springs Industrial Center development being constructed by SP Development. This will bring 136,000 square feet of office/warehouse units to market for lease or sale. With the first Phase to be completed in August. Spanish Springs Corporate Park, developed by Tarragon, is getting ready to tilt walls on 407,500 square feet and starting to do site work on 141,000 square feet in Phase II.

## Land

Industrial land continues to remain scarce in the Reno and Sparks area with only a handful of small in-fill pieces available in the price range of \$5.31 to \$20 per square foot. Users and developers demanding acreage at price points that makes sense are looking to the Tahoe Reno Industrial Center (TRIC), Fernley, Spanish Springs, and Stead submarkets. TRIC 8 miles east of Sparks has an abundant supply of land available from \$2.25 to \$5.00 per square foot. Spanish Springs Business Center still has 160 acres of land to offer in a price range of \$4 to \$6 per square foot depending on size. Stead has 63 acres of land available in various independently owned parcels ranging from \$3 to \$6.50 per square foot.

## Deals

The most significant news in the first quarter was the announcement of DP Partners portfolio being offered for sale with the second quarter bidding to be completed and the closing in mid-July the question on everyone's mind was 'Who will purchase the portfolio?' Anticipation grew when finally the new owner of the largest portfolio in Nevada was publicly announced, Prologis. This change in ownership will inevitably bring significant changes to the local brokerage community. The Dermody group will embark on a new business plan offering a more entrepreneurial approach to development.

In addition to the sale of the DP partners portfolio, there was 1,868,923 square feet of significant deals finalized this quarter as listed in the table below:

## MARKET ACTIVITY

### SIGNIFICANT SECOND QUARTER TRANSACTIONS

#### SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
Tahoe Reno Industrial Center	6/2007	853,000	PetSmart	Warehouse Distribution
14525 Industry Circle	5/2007	334,500	DDS	Warehouse Distribution
14291 Lear Boulevard	6/2007	134,018	Freightliner	Industrial
6640 Echo Court, Bldg. 4	5/2007	88,000	Cardinal Health	Industrial
795 Trademark	6/2007	75,257	MXI	Warehouse Distribution

#### SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER/SELLER	TYPE
14331 Lear Boulevard	4/2007	38,850	Logistics Dist. Svcs./Master-Halco	Light Industrial
1695 Industrial Way	4/2007	19,600	Lucas Valley, LLC/S&E Properties	Light Industrial
9736 S Virginia Street	5/2007	5,440	James and Evelyn Partridge	Light Industrial

## INDUSTRIAL MARKET STATISTICS

### SECOND QUARTER 2007

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
CLASS	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	R. RATE	SQUARE FEET	R. RATE	SQUARE FEET	RATE 2Q-2007	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	2Q-2007	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST	AVERAGE ASKING
<b>SUBMARKETS</b>															
<b>AIRPORT</b>															
IND.	186	6,785,743	340,268	5.0%	-	0.0%	340,268	5.0%	3.3%	6,445,475	93,987	5,902	214,780	-	\$0.32
R&D/FLEX	1	60,636	6,650	11.0%	-	0.0%	6,650	11.0%	11.0%	53,986	-	(6,650)	-	-	\$0.65
W/D	35	2,361,332	215,006	9.1%	-	0.0%	215,006	9.1%	5.1%	2,146,326	(95,655)	(7,155)	-	145,000	\$0.25
<b>TOTAL</b>	<b>222</b>	<b>9,207,711</b>	<b>561,924</b>	<b>6.1%</b>	<b>-</b>	<b>0.0%</b>	<b>561,924</b>	<b>6.1%</b>	<b>3.8%</b>	<b>8,645,787</b>	<b>(1,668)</b>	<b>(7,903)</b>	<b>214,780</b>	<b>145,000</b>	<b>\$0.30</b>
<b>DOWNTOWN</b>															
IND	41	632,586	62,100	9.8%	-	0.0%	62,100	9.8%	3.1%	570,486	(37,366)	(56,916)	-	-	\$0.48
R&D/FLEX	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	10	604,054	95,154	15.8%	-	0.0%	95,154	15.8%	14.2%	508,900	(9,452)	(4,452)	-	-	\$0.33
<b>TOTAL</b>	<b>51</b>	<b>1,236,640</b>	<b>157,254</b>	<b>12.7%</b>	<b>-</b>	<b>0.0%</b>	<b>157,254</b>	<b>12.7%</b>	<b>8.5%</b>	<b>1,079,386</b>	<b>(46,818)</b>	<b>(61,368)</b>	<b>-</b>	<b>-</b>	<b>\$0.41</b>
<b>MCCARRAN</b>															
IND	11	1,364,530	750,774	55.0%	-	0.0%	750,774	55.0%	2.3%	613,756	(101,961)	582,566	931,750	821,068	\$0.31
R&D/FLEX	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	-	-	-	-	-
W/D	1	420,000	-	0.0%	-	0.0%	-	0.0%	0.0%	420,000	-	(10,514)	-	491,400	\$0.32
<b>TOTAL</b>	<b>12</b>	<b>1,784,530</b>	<b>750,774</b>	<b>42.1%</b>	<b>-</b>	<b>0.0%</b>	<b>750,774</b>	<b>42.1%</b>	<b>1.5%</b>	<b>1,033,756</b>	<b>(101,961)</b>	<b>572,052</b>	<b>931,750</b>	<b>1,312,468</b>	<b>\$0.31</b>
<b>MEADOWOOD</b>															
IND	35	1,397,717	24,907	1.8%	-	0.0%	24,907	1.8%	2.4%	1,372,810	13,687	19,174	-	-	\$0.32
R&D/FLEX	1	16,870	16,870	100.0%	-	0.0%	16,870	100.0%	100.0%	-	-	-	-	-	\$0.98
W/D	13	1,694,941	37,486	2.2%	1,000	0.1%	38,486	2.3%	5.0%	1,656,455	46,888	24,164	-	-	\$0.27
<b>TOTAL</b>	<b>49</b>	<b>3,109,528</b>	<b>79,263</b>	<b>2.5%</b>	<b>1,000</b>	<b>0.0%</b>	<b>80,263</b>	<b>2.6%</b>	<b>4.4%</b>	<b>3,029,265</b>	<b>60,575</b>	<b>43,338</b>	<b>-</b>	<b>-</b>	<b>\$0.30</b>
<b>NORTHWEST</b>															
IND	54	2,378,525	15,765	0.7%	-	0.0%	15,765	0.7%	0.3%	2,362,760	22,228	22,228	-	-	\$0.25
R&D/FLEX	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	19	2,256,869	242,645	10.8%	-	0.0%	242,645	10.8%	19.3%	2,014,224	193,595	347,575	-	-	\$0.23
<b>TOTAL</b>	<b>73</b>	<b>4,635,394</b>	<b>258,410</b>	<b>5.6%</b>	<b>-</b>	<b>0.0%</b>	<b>258,410</b>	<b>5.6%</b>	<b>3.4%</b>	<b>4,376,984</b>	<b>215,823</b>	<b>369,803</b>	<b>-</b>	<b>-</b>	<b>\$0.24</b>
<b>SOUTH MEADOWS</b>															
IND	63	3,589,720	154,283	4.3%	-	0.0%	154,283	4.3%	4.9%	3,435,437	22,773	9,992	-	-	\$0.26
R&D/FLEX	4	56,600	2,544	4.5%	-	0.0%	2,544	4.5%	4.5%	54,056	-	-	-	-	\$1.00
W/D	18	2,199,428	-	0.0%	220,375	10.0%	220,375	10.0%	16.0%	1,979,053	156,254	(63,121)	-	-	\$0.30
<b>TOTAL</b>	<b>85</b>	<b>5,845,748</b>	<b>156,827</b>	<b>2.7%</b>	<b>220,375</b>	<b>3.8%</b>	<b>377,202</b>	<b>6.5%</b>	<b>9.0%</b>	<b>5,468,546</b>	<b>179,027</b>	<b>(53,129)</b>	<b>-</b>	<b>-</b>	<b>\$0.27</b>
<b>SOUTHWEST</b>															
IND	4	62,419	-	0.0%	-	0.0%	-	0.0%	5.2%	62,419	3,270	-	-	-	\$0.60
R&D/FLEX	1	33,307	2,315	7.0%	-	0.0%	2,315	7.0%	13.2%	30,992	2,085	(1,440)	-	-	\$0.65
W/D	2	39,922	20,914	52.4%	-	0.0%	20,914	52.4%	52.4%	19,008	-	-	-	-	\$0.77
<b>TOTAL</b>	<b>7</b>	<b>135,648</b>	<b>23,229</b>	<b>17.1%</b>	<b>-</b>	<b>0.0%</b>	<b>23,229</b>	<b>17.1%</b>	<b>16.1%</b>	<b>112,419</b>	<b>5,355</b>	<b>(1,440)</b>	<b>-</b>	<b>-</b>	<b>\$0.50</b>
<b>SPARKS</b>															
IND	348	11,951,080	343,485	2.9%	133,115	1.1%	476,600	4.0%	4.2%	11,474,480	37,143	(103,254)	-	442,616	\$0.26
R&D/FLEX	4	100,214	-	0.0%	-	0.0%	-	0.0%	8.6%	100,214	-	8,584	-	-	\$0.52
W/D	130	15,311,624	968,392	6.3%	58,545	0.4%	1,026,937	6.7%	5.2%	14,284,687	(237,365)	(198,368)	-	411,217	\$0.20
<b>TOTAL</b>	<b>482</b>	<b>27,362,918</b>	<b>1,311,877</b>	<b>4.8%</b>	<b>191,660</b>	<b>0.7%</b>	<b>1,503,537</b>	<b>5.5%</b>	<b>4.7%</b>	<b>25,859,381</b>	<b>(200,222)</b>	<b>(293,038)</b>	<b>-</b>	<b>853,833</b>	<b>\$0.23</b>
<b>STEAD</b>															
IND	29	2,680,413	439,342	16.4%	-	0.0%	439,342	16.4%	6.5%	2,241,071	137,036	(12,458)	429,000	390,000	\$0.26
R&D/FLEX	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	26	6,179,729	380,005	6.1%	182,510	3.0%	562,515	9.1%	12.5%	5,617,214	207,000	109,750	-	-	\$0.25
<b>TOTAL</b>	<b>55</b>	<b>8,860,142</b>	<b>819,347</b>	<b>9.2%</b>	<b>182,510</b>	<b>2.1%</b>	<b>1,001,857</b>	<b>11.3%</b>	<b>15.3%</b>	<b>7,858,285</b>	<b>344,036</b>	<b>97,292</b>	<b>429,000</b>	<b>390,000</b>	<b>\$0.25</b>
<b>WEST RENO</b>															
IND	73	1,743,944	6,966	0.4%	-	0.0%	6,966	0.4%	0.7%	1,736,978	5,725	6,052	-	-	\$0.68
R&D/FLEX	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	3	98,880	-	0.0%	-	0.0%	-	0.0%	0.0%	98,880	-	-	-	-	-
<b>TOTAL</b>	<b>76</b>	<b>1,842,824</b>	<b>6,966</b>	<b>0.4%</b>	<b>-</b>	<b>0.0%</b>	<b>6,966</b>	<b>0.4%</b>	<b>0.7%</b>	<b>1,835,858</b>	<b>5,725</b>	<b>6,052</b>	<b>-</b>	<b>-</b>	<b>\$0.64</b>

## INDUSTRIAL MARKET STATISTICS

### SECOND QUARTER 2007

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
CLASS	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	R. RATE	SQUARE FEET	R. RATE	SQUARE FEET	RATE 2Q-2007	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	2Q-2007	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST	AVERAGE ASKING
<b>MARKET TOTAL</b>															
IND	844	32,586,677	2,137,890	6.6%	133,115	0.4%	2,271,005	7.0%	3.6%	30,315,672	196,522	473,286	1,575,530	1,653,684	\$0.30
R&D/FLEX	11	267,627	28,379	10.6%	-	0.0%	28,379	10.6%	11.4%	239,248	2,085	494	-	-	\$0.21
W/D	257	31,166,779	1,959,602	6.3%	462,430	1.5%	2,422,032	7.8%	8.5%	28,744,747	261,265	197,879	-	1,047,617	\$0.23
<b>TOTAL</b>	<b>1,112</b>	<b>64,021,083</b>	<b>4,125,871</b>	<b>6.4%</b>	<b>595,545</b>	<b>0.9%</b>	<b>4,721,416</b>	<b>7.4%</b>	<b>6.1%</b>	<b>59,299,667</b>	<b>459,872</b>	<b>671,659</b>	<b>1,575,530</b>	<b>2,701,301</b>	<b>\$0.27</b>

### QUARTERLY COMPARISON AND TOTALS

2Q-07	1,112	64,021,083	4,125,871	6.4%	595,545	0.9%	4,721,416	7.4%	6.1%	59,154,289	459,872	671,659	1,575,530	2,701,301	\$0.27
1Q-07	1,102	62,668,792	2,869,493	4.6%	954,017	1.5%	3,823,510	6.1%	5.0%	58,845,282	-25,578	-25,578	530,550	2,853,998	\$0.29
4Q-06	1,103	61,943,264	2,339,483	3.8%	732,921	1.2%	3,072,404	5.0%	5.4%	58,870,860	45,156	2,510,137	354,202	2,924,498	\$0.26
3Q-06	-	61,490,967	2,763,358	4.5%	538,097	0.09%	3,301,455	5.4%	4.7%	58,727,609	-518,626	2,464,981	-	-	-
2Q-06	-	61,011,398	2,244,732	3.7%	639,317	1.0%	2,884,049	4.7%	6.1%	57,637,498	1,495,870	2,983,607	-	-	-
1Q-06	-	61,011,398	3,740,602	6.1%	-	-	3,740,602	6.1%	6.8%	57,270,796	893,214	1,487,737	-	-	-
4Q-05	-	60,332,284	3,743,064	6.2%	-	-	3,743,064	6.2%	-	57,150,657	594,523	-	-	-	-



Photograph courtesy of Dave Hughes, Intermountain Slurry Seal

#### Reno ReTRAC Project - Completed Spring 2006

The ReTRAC Project creates an opportunity to resolve environmental, public health, and safety issues in the Truckee Meadows area associated with increased number and length of trains. This regional infrastructure project enhances the State of Nevada's warehousing core and our nationwide rail transportation infrastructure, creates jobs, economic development, warehousing expansion, and increases tax revenues. The project also minimizes the impacts from pedestrian conflicts, emergency vehicle delay and vehicular delay, whistle warning noise and air quality conflicts.

The ReTRAC project consists of a 33-foot deep train trench to isolate train traffic from vehicular traffic in downtown Reno. The ReTRAC project includes two mainline tracks constructed to permit maximum train speeds of 60 miles per hour; an access road adjacent to and on the south side of the tracks; and the construction of 11 street crossings built as "bridges" across the top of the trench.

Source: [www.renoretrac.com](http://www.renoretrac.com)

Trends

Major corporations will continue to consider Northern Nevada as a location for their distribution centers in the western states directly or through third party logistics groups (3PLs). This is due to an increasing amount of product coming from outside the U.S. through western ports. We will also continue to see local companies moving toward outlying areas causing an increase in the industrial vacancy. This opens opportunities for smaller companies to grow into spaces within the core submarket.

Looking toward the future, we believe that construction will abate while new existing space is absorbed in the outer areas. Competition between the newly constructed big boxes will hold asking rents steady and reduce effective contract rents for long term tenants through concessions. With the sale of the DP Partners portfolio there may be more product offered for sale in the future providing ownership opportunities for users and investors. Logically this will moderate purchase prices.

As mentioned earlier, it will be interesting to see if the vacated buildings will be rapidly absorbed. Because the industrial core is located within city limits, surrounded by a greater labor pool, and located in the flood zone, it begs the question: Will companies choose to relocate their staff to outlying areas given the cost of gas, or will companies choose to remain in town and pay higher rental rates in trade for convenience?

267 OFFICES IN 57 COUNTRIES  
ON 6 CONTINENTS

USA 95  
Canada 17  
Latin America 17  
Asia Pacific 52  
EMEA 85

\$63.5 billion in annual transaction volume  
672.9 million square feet under management  
10,171 Professionals

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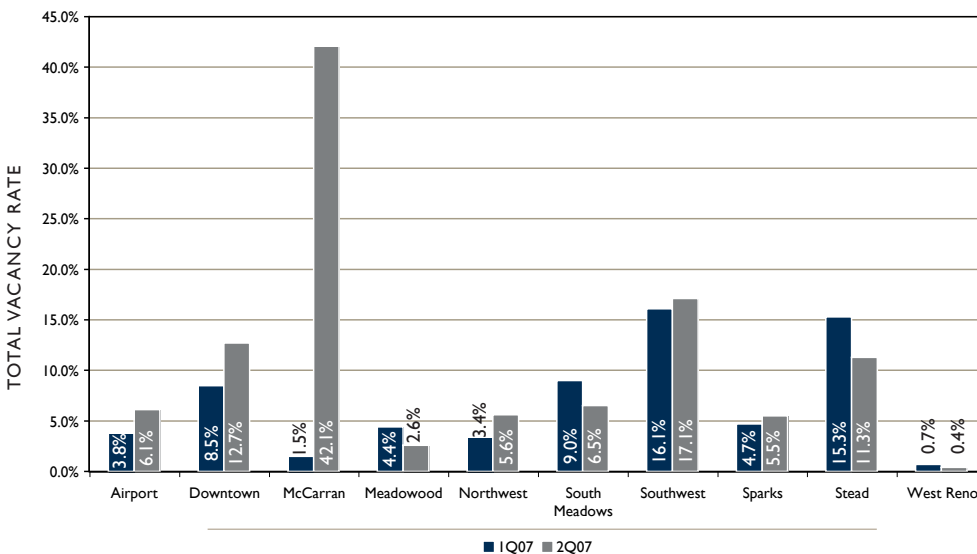
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TOTAL VACANCY RATES BY SUBMARKET  
1Q2007 VS 2Q2007



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