

RENO/SPARKS INDUSTRIAL MARKET



OVERVIEW

RENO/SPARKS'S VACANCY INCREASES TO 13.1% Net Absorption Negative (320,700) SF in the Quarter

The Reno/Sparks Industrial market ended the first quarter 2009 with a vacancy rate of 13.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (320,700) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 687,469 square feet. Rental rates ended the first quarter at \$4.65, a decrease over the previous quarter. A total of one building delivered to the market in the quarter totaling 60,000 square feet, with 0 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Reno/Sparks Industrial market was negative (320,700) square feet in the first quarter 2009. That compares to positive 85,874 square feet in the fourth quarter 2008, negative (243,339) square feet in the third quarter 2008, and negative (456,910) square feet in the second quarter 2008.

Tenants moving out of large blocks of space in 2009 include: 1800Diapers Inc. moving out of (24,780) square feet at 250 Vista Blvd, Cat Pa Corporation moving out of (4,054) square feet at West Spice Ind Park #14, and moving out of square feet at .

Tenants moving into large blocks of space in 2009 include: Husqvarna Professional Products Inc moving into 90,000 square feet at 12040 Moya Blvd, one 800 Diapers moving into 85,510 square feet at 360 Lillard Dr, and Dassault Falcon moving into 40,000 square feet at 365 S Rock Blvd.

The Flex building market recorded net absorption of negative (85,890) square feet in the first quarter 2009, compared to negative (77,906) square feet in the fourth quarter 2008, negative (26,304) in the third quarter 2008, and negative (81,109) in the

second quarter 2008.

The Warehouse building market recorded net absorption of negative (234,810) square feet in the first quarter 2009 compared to positive 163,780 square feet in the fourth quarter 2008, negative (217,035) in the third quarter 2008, and negative (375,801) in the second quarter 2008.

Vacancy

The Industrial vacancy rate in the Reno/Sparks market area increased to 13.1% at the end of the first quarter 2009. The vacancy rate was 12.4% at the end of the fourth quarter 2008, 11.3% at the end of the third quarter 2008, and 10.9% at the end of the second quarter 2008.

Flex projects reported a vacancy rate of 13.6% at the end of the first quarter 2009, 12.4% at the end of the fourth quarter 2008, 11.1% at the end of the third quarter 2008, and 10.6% at the end of the second quarter 2008.

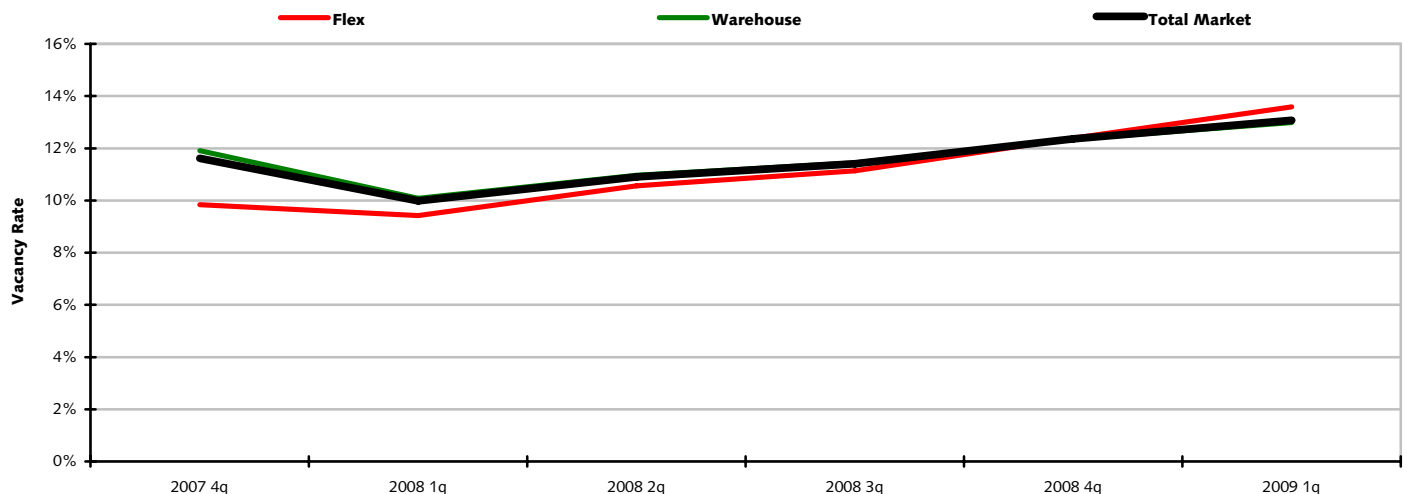
Warehouse projects reported a vacancy rate of 13.0% at the end of the first quarter 2009, 12.4% at the end of fourth quarter 2008, 11.4% at the end of the third quarter 2008, and 11.0% at the end of the second quarter 2008.

Largest Lease Signings

The largest lease signings occurring in 2009 included: the 20,400-square-foot lease signed by Kinedyne at 640 Maestro Dr in the Meadowood market; the 13,800-square-foot deal signed by Hardwood Warehouse at 95 E Glendale in the Sparks market; and the 11,500-square-foot lease signed by Alta Manufacturing at 55 Greg St in the Sparks market.

Sublease Vacancy

VACANCY RATES BY BUILDING TYPE 2007-2009



Source: CoStar Property®



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The amount of vacant sublease space in the Reno/Sparks market decreased to 687,469 square feet by the end of the first quarter 2009, from 863,956 square feet at the end of the fourth quarter 2008. There was 759,588 square feet vacant at the end of the third quarter 2008 and 911,889 square feet at the end of the second quarter 2008.

Reno/Sparks's Flex projects reported vacant sublease space of 40,440 square feet at the end of first quarter 2009, up from the 31,904 square feet reported at the end of the fourth quarter 2008. There were 18,674 square feet of sublease space vacant at the end of the third quarter 2008, and 8,776 square feet at the end of the second quarter 2008.

Warehouse projects reported decreased vacant sublease space from the fourth quarter 2008 to the first quarter 2009. Sublease vacancy went from 832,052 square feet to 647,029 square feet during that time. There was 740,914 square feet at the end of the third quarter 2008, and 903,113 square feet at the end of the second quarter 2008.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$4.65 per square foot per year at the end of the first quarter 2009 in the Reno/Sparks market area. This represented a 3.1% decrease in quoted rental rates from the end of the fourth quarter 2008, when rents were reported at \$4.80 per square foot.

The average quoted rate within the Flex sector was \$9.12 per square foot at the end of the first quarter 2009, while

Warehouse rates stood at \$4.31. At the end of the fourth quarter 2008, Flex rates were \$9.64 per square foot, and Warehouse rates were \$4.43.

Deliveries and Construction

During the first quarter 2009, one building totaling 60,000 square feet were completed in the Reno/Sparks market area. This compares to four buildings totaling 659,367 square feet that were completed in the fourth quarter 2008, one building totaling 16,885 square feet completed in the third quarter 2008, and 16,000 square feet in one building completed in the second quarter 2008.

There were 0 square feet of Industrial space under construction at the end of the first quarter 2009.

The only delivery in 2009 has been 635 E Nugget Ave, a 60,000-square-foot facility that delivered in first quarter 2009 and is now 42% occupied.

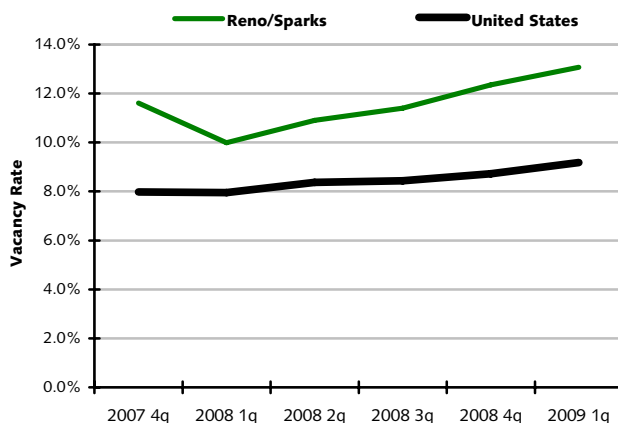
Inventory

Total Industrial inventory in the Reno/Sparks market area amounted to 52,296,059 square feet in 947 buildings as of the end of the first quarter 2009. The Flex sector consisted of 7,164,718 square feet in 235 projects. The Warehouse sector consisted of 45,131,341 square feet in 712 buildings. Within the Industrial market there were eight owner-occupied buildings accounting for 3,151,628 square feet of Industrial space.

Reports compiled by: Jan Rasmussen CoStar Research Manager.

U.S. VACANCY COMPARISON

Past 6 Quarters



Source: CoStar Property