

Northern Nevada Industrial Real Estate
Warehousing / Distribution / Manufacturing Shell Market

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Market Status & Forecast - Reno - Sparks, Nevada and surrounding markets
August, 2010

Current Market: 2010 continues with records for our Industrial Market; record highs in vacancy and record lows for absorption of inventory. Overall activity was spotty at best; firms left the market at a record level, new firms filled in the voids to net a zero for positive growth.. Many firms put westward expansions on hold and existing tenants down sized. Even with zero new speculative construction, vacancy grew to an all time high of 15.6% up from 15.5% last quarter. The I-80 East corridor has over 22% of vacancy as buildings built in 2007 remain 100% vacant.

Activity: 2010 activity is slightly over 2.5 million S.F., lowest volume in almost 20 years ! National economic woes settled into our market, driving down the average deal size by almost 20%. Annually and for the first time, the overall market occupancy decreased slightly, as manufactures and distributors left the market with plant closing and consolidation.

Lease Rates: Obviously, those firms expanding, entering the market or extending their leases reaped transactions of a lifetime. Not only were lease rates very tenant friendly, but concession brought effective lease rates to levels we have not seen.

Average Pricing: 5-15ksf: \$.55, 15-40ksf: \$.32, 40-60ksf: \$.30, 60-100ksf: \$.28, 100ksf+: \$.28/sf/mo./nnn. Taxes, Insurance and maintenance charges on new space are about \$.075/sf/mo. Expect rents to maintain until vacancy drops; then increase sharply. .

2010 Outlook – If we have not learned that the expert’s predictions are pretty useless by now, we haven’t been paying attention. However, the vacancy rates mandate that lease rates will remain at low levels through the start of 2011, at least. There are a few large deals floating in the market that could knock down the vacancy rates quickly IF the go down. Also we are starting to notice an occasional landlord reluctance to meet any and all pricing – which is good for the market’s health. Some debt markets are softening as well. As always we remain hopeful, but we’re not making any major capital expenditures yet.