

INDUSTRIAL

2ND QUARTER
2020

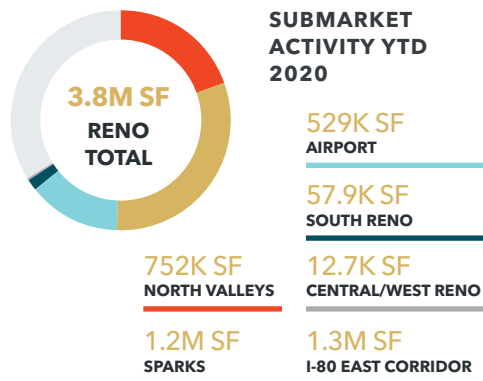
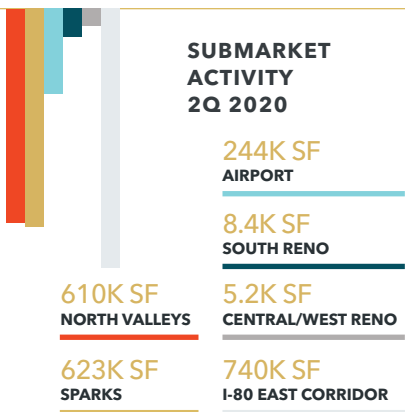
▲ **ABSORPTION** | ▼ **VACANCY** | ▲ **RENTAL RATE** | ▼ **CONSTRUCTION DELIVERIES**

The Reno Sparks Industrial Market continued to show incredible resiliency during the second quarter of 2020, even in the face of the COVID-19 Pandemic. With continued growth off a strong first quarter, the second quarter in Reno saw an even greater increase in gross absorption of 2.23M square feet (SF), up from 1.6M SF in Q1. Of this, Reno/Sparks had 1,211,029 of positive net absorption across the entire market, with the majority of contributions coming from two of our largest submarkets, the North Valleys and I-80 East Corridor with 579,371 SF and 524,518 SF of net absorption respectively.

The market's overall vacancy dropped nearly 12%, or 74 basis points, between Q1 2020 and Q2 2020 from 6.26% down to 5.52%. Direct vacancy saw an even greater decrease, dropping 76 basis points, or nearly 13% from the previous quarter, from 5.77% to 5.01%. All six submarkets within the Reno/Sparks industrial market saw either a decrease in vacancy rate or remained flat from the previous quarter, indicating a strong quarter market-wide. The I-80 East Corridor saw the biggest change from the previous quarter with a vacancy rate dropping from 10.59% down to 8.07%. The driving force behind

the huge decrease in vacancy within this submarket was a 610,400 SF lease to a confidential user in a Class A building that was built by the Carpenters Union and Tolles Development. The North Valley's submarket followed closely behind with nearly 609,696 SF of gross absorption, which equated to 579,371 SF of positive net absorption. This dropped this submarket's vacancy rate from 8.08% to 7.75%.

Much like the previous few quarters, Reno has continued to show great strength across all size ranges. There were 25 deals completed in the Reno/Sparks MSA during Q2 2020, with an average deal size of 89,243 SF. This represents an increase of 73% from the previous quarter. Of the 25 completed deals, nine were in the flex size range (5,000-20,000 SF), five were in the mid-bulk size range (20,000-50,000 SF) and eleven were completed in the bulk size range (50,000+ SF). Average asking rates for the flex size ranges stayed flat at \$0.77 PSF however mid-bulk saw a slight decrease from the previous



2Q 2020 MARKET HIGHLIGHTS

VACANCY dropped nearly 12%, from 6.26% down to 5.52%

ABSORPTION had an even greater increase at 2.23M. Up from 1.6M SF in Q1

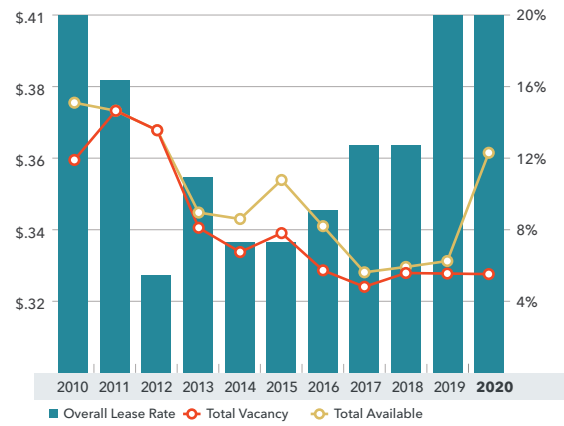
CONSTRUCTION continued to push forward with their planned development despite the uncertainty of COVID-19

quarter from \$0.58 down to \$0.55. Bulk rates saw a slight increase from \$0.40 to \$0.41 during the same period as the demand for bulk continues to remain high in the Reno market.

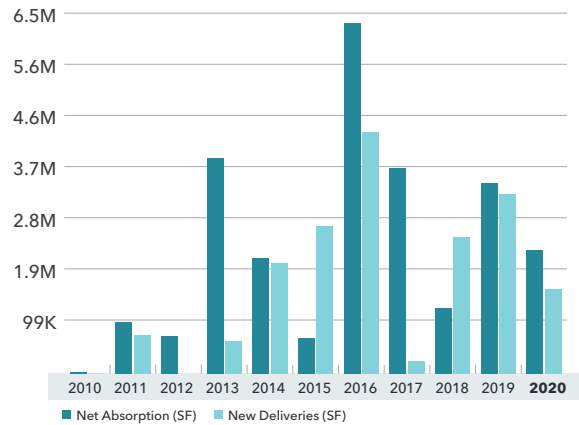
The majority of developers in the Reno/Sparks market continued to push forward with their planned development despite the uncertainty of COVID-19. Panattoni Development Company delivered two more buildings in their Class A North Valleys Commerce Center in Q2 2020. Both buildings, twin 229,378 SF front loaders, were the only two speculative deliveries Reno saw across the entire market this quarter. With these two deliveries, the North Valleys surpassed Sparks as the largest submarket in the Reno/Sparks MSA with just over 25.7M SF. The North Valleys still has nearly 4M SF of planned construction in the pipeline, ensuring it will continue to be the largest submarket in the Reno/Sparks MSA for many years. Across the entire market, Reno delivered 558,756 SF of new product however, with 1.2M SF of net absorption, a strong demand for new Class A product exists.

There were no significant investment sales completed in the 2nd quarter of 2020. At the beginning of the quarter, there were 4 portfolios marketed for sale, all of which were taken off market due to COVID-19. It is likely that these properties will come back on the market in the 3rd quarter of 2020 given the strong market fundamentals, however time will tell.

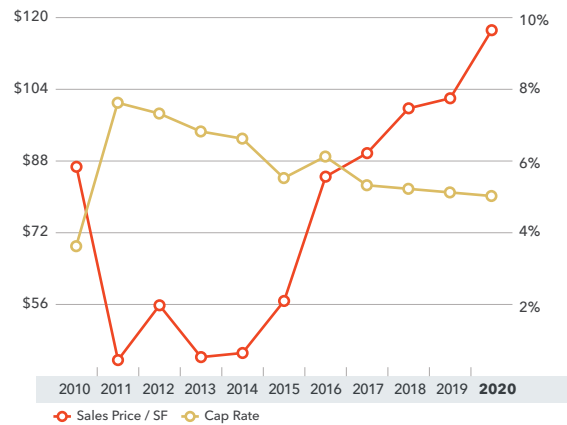
LEASE RATE, VACANCY & AVAILABILITY



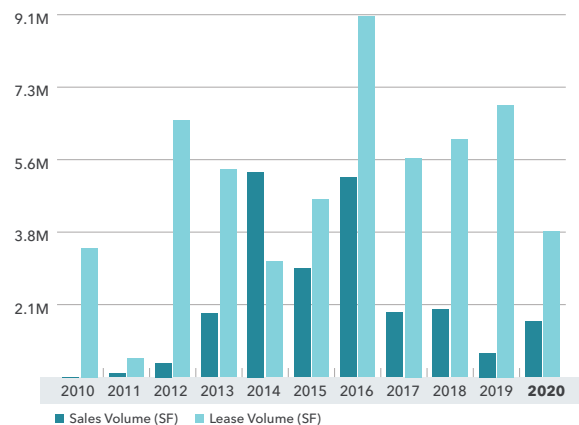
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALE PRICE & CAP RATES



SALES VOLUME VS. LEASE VOLUME

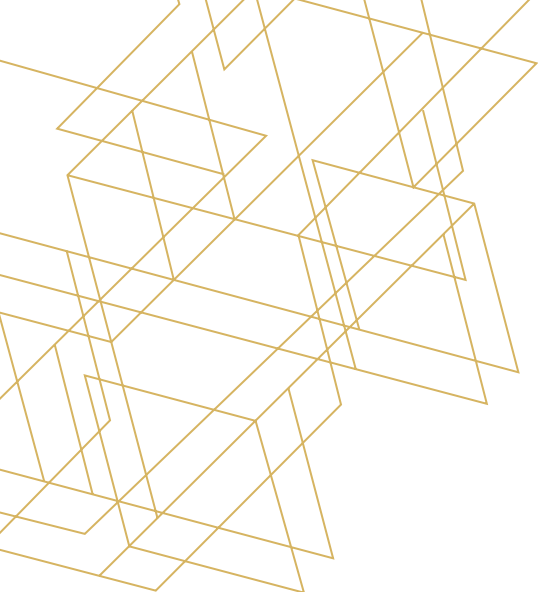


RENO SUBMARKET STATISTICS

Submarket	Total Inventory	New Deliveries (SF)	Direct Vacancy Rate	Total Vacancy Rate	Q2 Overall Net Absorption	2020 Overall Net Absorption	Q2 Gross Absorption (SF)	2020 Gross Absorption (SF)	Bulk Rental Rate *50K+ SF
North Valleys	25,715,022	538,756	6.67%	7.75%	579,371	949,010	609,696	752,266	\$0.40
Sparks	25,383,749	20,000	3.08%	3.29%	81,155	269,179	623,409	1,168,678	\$0.42
Airport	9,051,918	-	2.76%	2.76%	26,022	162,552	244,404	529,464	\$0.36
South Reno	9,858,279	-	3.61%	3.61%	(37)	22,725	8,400	57,900	\$0.48
Central/West Reno	2,166,961	-	0.00%	0.89%	0	11,560	5,154	12,654	\$0.00
I-80 East Corridor	20,798,989	-	7.47%	8.07%	524,518	823,358	740,020	1,306,075	\$0.40
Reno Total	92,974,918	558,756	5.01%	5.52%	1,211,029	2,238,384	2,231,083	3,827,037	\$0.41

Market Breakdown

	2Q20	1Q20	2Q19	Annual % Change
Direct Vacancy Rate	5.01%	5.77%	6.88%	-27.18%
Total Vacancy Rate	5.52%	6.26%	7.42%	-25.61%
Bulk Asking Lease Rate	\$0.41	\$0.38	\$0.39	5.13%
Total Lease Transactions (SF)	2,231,083	1,595,954	2,132,156	4.64%
Net Absorption	1,211,029	1,027,355	170,032	N/A



Notable Under Construction

727 MILAN DRIVE Sparks
663,600 s.f. | Washington Capital Mgmt

NORTH VALLEYS COMMERCE CENTER BLDG J Reno
138,240 s.f. | Panattoni Development

NORTH VALLEYS COMMERCE CENTER BLDG K Reno
361,993 s.f. | Panattoni Development

Notable Lease Transactions

TESLA 550 Milan Dr., McCarran
610,400 s.f.

CONFIDENTIAL 1402 S. McCarran Blvd., Sparks
374,400 s.f.

LASKO 10875 Sage Point Ct., Reno
181,455 s.f.



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COMMERCIAL BROKERAGE

27M	ANNUAL SALES SF	450+	NO. OF BROKERS
\$9.6B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,680+	APPRAISALS ANNUALLY	37/23	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

70M+	MANAGEMENT PORTFOLIO SF	\$12B+	IN ASSETS UNDER MANAGEMENT
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