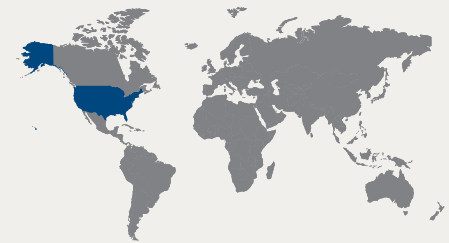


Market Research

INDUSTRIAL | FIRST QUARTER REPORT | 2010



MARKET INDICATORS

	1Q 2010	2Q 2010*
DIRECT VACANCY	↑	↓
SUBLEASE VACANCY	↑	↑
TOTAL VACANCY	↑	↓
DEMAND	↓	↑
ASKING RATES	↓	→

*PROJECTED

Summary

The industrial real estate market continued a gradual downward slide in the first quarter of 2010.

Our overall and sublease vacancy rates continued to inch up, absorption was negative and we saw continued downward pressure on net effective rental rates as landlords continue to offer abated rent, early occupancy, tenant improvements, forward commitments, phased take-downs and other leasing incentives to secure new tenants and retain existing tenants. Competition amongst industrial landlords of all property product types ranging from office/warehouse flex, to mid-market, to high-cube properties, continues to be fierce. While tenants seeking new industrial facilities are rare, the most aggressive, flexible and responsive landlords are closing deals in this market.

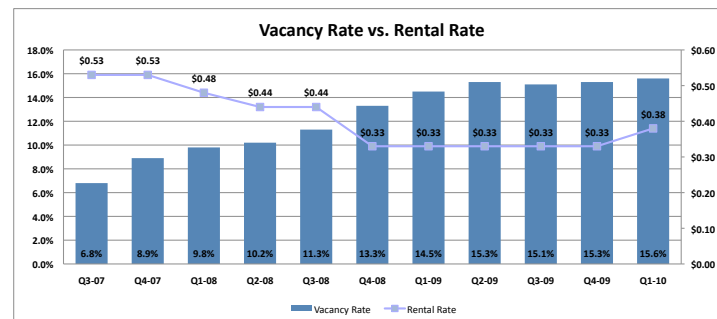
A significant amount of transfer or sale transactions occurred in Washoe County this past quarter. The majority of these were owner/user purchases or successful debt restructuring and, as a general rule, values appear to be down about 40% from the peak of our industrial market in 2006 and 2007.

Industrial investment opportunities remain rare in our market and, those that we do see, peg cap rates in the 8% range and above for less stabilized properties. We have seen a slight up-tick in the REO and bank-owned listings to sell industrial facilities indicating a higher rate of default and foreclosure.

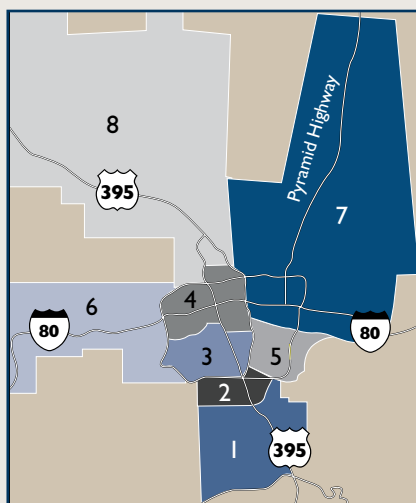
Given the vast supply of industrial properties being offered for lease, sublease and sale, no new speculative construction was started this past quarter, which is not surprising. Underwriting existing construction costs with today's market lease and sale rates is impossible.

Industrial land sales have been extremely scarce. There continues to be a significant amount of industrial land being offered for sale in all submarkets and we are seeing sellers beginning to adjust their prices down to the 'new market' values. This gives us hope that more land transactions may happen in the coming quarters.

VACANCY VS RENTAL RATE



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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

In the current market conditions, industrial tenants and buyers continue to be 'value oriented' and are looking for more and/or better industrial facilities for less money. These opportunities do exist and deals are being closed that achieve these goals. Tenants who secure long-term leases in this market will look like financial geniuses in several years.

Closed Lease Transactions

Seventeen new lease transactions above 5,000 SF were closed this past quarter totaling 1.15 million square feet taken off the market. (This is a positive data point given that a total of 2.04 million square feet was leased in all of 2009.) The largest transaction this past quarter was a lease on the 566,875 SF McShane building in the Tahoe Reno Industrial Center. One tenant secured the entire building on an ultra-aggressive phased take down approach. The most notable impact of this lease transaction is that it narrows the list of huge, high-cube, spaces ready and available today. The two largest high-cube spaces remaining are the 632,000 SF West America Commerce Center in the Tahoe Reno Industrial Center and approximately 400,000 SF remaining in Dermody Property's 545,000 SF building in the North Valley submarket. (There is a 400,000 SF lease transaction pending on this building which we expect will further narrow this list in our current second quarter of 2010.) The next largest lease transaction in the first quarter was 134,018 SF closed by the Reno Industrial Team at 14291 Lear Boulevard. Next in line was 133,000 SF at 12055 Sage Point in the Lear Industrial Center. The following is a list of the seventeen lease transactions completed in the first quarter. For additional transaction data, please contact the Reno Industrial Team.

Closed Sale Transactions

There were eleven sale transactions of (I) Industrial and (IC) Industrial Commercial - zoned properties in Washoe county in the first quarter of 2010. Financing for buyers is available but loan-to-values are down significantly and valuation underwriting criteria is much more conservative than the past few years. SBA financing continues to be an option for user buyers of the appropriate size.

Vacancy

The overall vacancy rate increased from 15.3% at the end of the 4th quarter of 2009 to 15.6% at the end of the first quarter. Despite a healthy amount of square footage leased in our market, there were some large new vacancies putting vacant space back onto the market. These included 330,000 SF vacated at 725 Waltham Way in McCarran by Dell Computers, 112,000 SF vacated at 750 Purina Way by Coates and Clark and 110,000 SF vacated at 2070 Brierly Way in Sparks. All three of these new vacancies are owned by Prologis, the market's largest industrial landlord. There were also a host of smaller spaces put back onto the market, as well as new sublease space, as companies seek to reduce operating expenses by closing facilities during their current lease terms. The sublease vacancy rate increased from 1.36% to 1.87% this past quarter, indicating an increase in the number of companies seeking to sublease unwanted space.

MARKET ACTIVITY

SIGNIFICANT FIRST QUARTER TRANSACTIONS

SIGNIFICANT LEASES

ADDRESS	DATE	SQUARE FOOTAGE	TENANT	PROPERTY TYPE
555 Milan Drive	3/10 (est)	566,875	Diapers.com	Warehouse
14291 Lear Boulevard,	1/10	134,018	Daimler Trucks North America	Manufacturing
12055 Sage Point Ct,	3/10	133,000	Barrier Safe Solutions International, Inc.	Warehouse
9085 Moya Blvd,	3/10 (est)	76,795	Intechra	Manufacturing
5360 Capital Court,	1/10	72,500	PetEdge, Inc.	Industrial

SIGNIFICANT SALES

ADDRESS	DATE	SQUARE FOOTAGE	BUYER/SELLER	PROPERTY TYPE
4750 Joule Street	2/10	25,600	Buyer - 4750 Joule Street, LLC/Seller -Western Swagelock Co	Warehouse
1076 Telegraph Street	3/10	16,905	Buyer - Telegraph Storage Partners, LLC/Seller -Airport Telegraph, LLC	Warehouse
475 E Greg Street	2/10	5,040	Buyer - G&R, LLC/Seller -TSRC Properties, Ltd	Industrial

INDUSTRIAL MARKET STATISTICS

FIRST QUARTER 2010

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
TYPE	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE IQ-2010	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	IQ-2010	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST	AVERAGE ASKING
SUBMARKETS															
Airport															
Industrial	205	7,432,215	543,526	7.31%	66,432	0.89%	609,958	8.2%	6.8%	6,822,257	(101,586)	(101,586)	-	-	\$0.72
R&D/Flex	2	69,685	-	0.00%	-	0.00%	-	0.0%	5.0%	69,685	3,501	3,501	-	-	\$-
Whs/Dist	37	2,460,120	461,124	18.74%	-	0.00%	461,124	18.7%	18.9%	1,998,996	4,840	4,840	-	-	\$0.34
TOTAL	244	9,962,020	1,004,650	10.08%	66,432	0.67%	1,071,082	10.8%	9.8%	8,890,938	(93,245)	(93,245)	-	-	\$0.56
Downtown															
Industrial	61	1,349,775	315,382	23.37%	-	0.00%	315,382	23.4%	22.5%	1,034,393	(15,777)	(15,777)	-	-	\$0.45
Whs/Dist	11	507,467	94,152	18.55%	-	0.00%	94,152	18.6%	16.3%	413,315	(11,470)	(11,470)	-	-	\$0.41
Total	72	1,857,242	409,534	22.05%	-	0.00%	409,534	22.1%	20.8%	1,447,708	(27,247)	(27,247)	-	-	\$0.44
McCarran															
Industrial	25	2,112,480	632,252	29.93%	45,000	2.13%	677,252	32.1%	28.7%	1,435,228	(71,760)	(71,760)	-	-	\$0.41
Whs/Dist	9	4,447,119	1,375,405	30.93%	100,000	2.25%	1,475,405	33.2%	43.7%	2,971,714	466,875	466,875	-	-	\$0.34
Total	34	6,559,599	2,007,657	30.61%	145,000	2.21%	2,152,657	32.8%	38.8%	4,406,942	395,115	395,115	-	-	\$0.36
Meadowood															
Industrial	36	1,447,547	100,380	6.93%	18,780	1.30%	119,160	8.2%	4.2%	1,328,387	(58,182)	(58,182)	-	-	\$0.54
R&D/Flex	4	65,680	7,820	11.91%	16,870	25.69%	24,690	37.6%	37.6%	40,990	-	-	-	-	\$0.80
Whs/Dist	14	1,854,516	100,098	5.40%	124,741	6.73%	224,839	12.1%	6.5%	1,629,677	(104,565)	(104,565)	-	-	\$0.60
Total	54	3,367,743	208,298	6.19%	160,391	4.76%	368,689	10.9%	6.1%	2,999,054	(162,747)	(162,747)	-	-	\$0.59
Northwest															
Industrial	55	2,666,569	162,060	6.08%	-	0.00%	162,060	6.1%	5.5%	2,504,509	(15,020)	(15,020)	-	-	\$0.55
Whs/Dist	19	2,258,100	192,535	8.53%	24,000	1.06%	216,535	9.6%	8.5%	2,041,565	(24,000)	(24,000)	-	-	\$0.29
Total	74	4,924,669	354,595	7.20%	24,000	0.49%	378,595	7.7%	6.9%	4,546,074	(39,020)	(39,020)	-	-	\$0.40
South Reno Corridor															
Industrial	36	2,780,245	222,832	8.01%	-	0.00%	222,832	8.0%	7.8%	2,557,413	(5,460)	(5,460)	-	-	\$0.61
Whs/Dist	14	2,355,485	58,400	2.48%	64,812	2.75%	123,212	5.2%	5.2%	2,232,273	-	-	-	-	\$0.50
Total	50	5,135,730	281,232	5.48%	64,812	1.26%	346,044	6.7%	6.6%	4,789,686	(5,460)	(5,460)	-	-	\$0.57
Southwest															
Industrial	11	273,414	28,472	10.41%	-	0.00%	28,472	10.4%	10.4%	244,942	-	-	-	-	\$0.38
R&D/Flex	1	33,307	7,182	21.56%	-	0.00%	7,182	21.6%	17.4%	26,125	(1,370)	(1,370)	-	-	\$0.75
Whs/Dist	2	44,258	4,880	11.03%	-	0.00%	4,880	11.0%	68.1%	39,378	25,250	25,250	-	-	\$1.18
Total	14	350,979	40,534	11.55%	-	0.00%	40,534	11.5%	18.4%	310,445	23,880	23,880	-	-	\$0.54
Sparks															
Industrial	367	12,953,665	1,144,996	8.84%	155,813	1.20%	1,300,809	10.0%	9.3%	11,652,856	(102,437)	(102,437)	-	-	\$0.49
R&D/Flex	4	100,214	8,584	8.57%	7,500	0.00%	16,084	16.0%	7.5%	84,130	(8,584)	(8,584)	-	-	\$0.43
Whs/Dist	138	16,237,667	2,911,634	17.93%	555,949	3.42%	3,467,583	21.4%	20.5%	12,770,084	(133,250)	(133,250)	-	-	\$0.29
Total	509	29,291,546	4,065,214	13.88%	719,262	2.46%	4,784,476	16.3%	15.5%	24,507,070	(244,271)	(244,271)	-	-	\$0.34
Stead															
Industrial	34	3,191,676	254,582	7.98%	-	0.00%	254,582	8.0%	8.3%	2,937,094	10,000	10,000	-	-	\$0.33
Whs/Dist	28	6,939,748	1,187,992	17.12%	263,870	3.80%	1,451,862	20.9%	20.7%	5,487,886	(15,675)	(15,675)	-	-	\$0.27
Total	62	10,131,424	1,442,574	14.24%	263,870	2.60%	1,706,444	16.8%	16.8%	8,424,980	(5,675)	(5,675)	-	-	\$0.28
West Reno															
Industrial	74	1,757,827	143,328	8.15%	-	0.00%	143,328	8.2%	6.8%	1,614,499	(23,294)	(23,294)	-	-	\$0.62
Whs/Dist	4	230,430	47,340	20.54%	-	0.00%	47,340	20.5%	16.9%	183,090	(8,400)	(8,400)	-	-	\$0.45
Total	78	1,988,257	190,668	9.59%	-	0.00%	190,668	9.6%	8.0%	1,797,589	(31,694)	(31,694)	-	-	\$0.58
Industrial	904	35,965,413	3,547,810	9.86%	286,025	0.80%	3,833,835	10.7%	9.6%	32,131,578	(383,516)	(383,516)	-	-	\$0.51
R&D/Flex	11	268,886	23,586	8.77%	24,370	9.06%	47,956	17.8%	15.4%	220,930	(6,453)	(6,453)	-	-	\$0.67
Whs/Dist	276	37,334,910	6,433,560	17.23%	1,133,372	3.04%	7,566,932	20.3%	20.8%	29,767,978	199,605	199,605	-	-	\$0.31
Total	1,191	73,569,209	10,004,956	13.60%	1,443,767	1.96%	11,448,723	15.6%	15.3%	62,120,486	(190,364)	(190,364)	-	-	\$0.38

MARKET TOTAL

Q1 10	1,191	73,569,209	10,004,956	13.60%	1,443,767	1.96%	11,448,723	15.6%	15.3%	62,120,486	(190,364)	(190,364)	-	-	\$0.38
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QUARTERLY COMPARISON AND TOTALS

Q1-10	1,191	73,569,209	10,004,956	13.60%	1,443,767	1.96%	11,448,723	15.6%	15.3%	62,120,486	(190,364)	(190,364)	-	-	\$0.38
Q4-09	1,191	73,517,637	10,258,088	13.95%	1,000,271	1.36%	11,258,359	15.3%	15.1%	62,259,278	(197,889)	(1,946,984)	-	-	\$0.33
Q3-09	1,188	73,309,407	9,909,090	13.52%	1,151,380	1.57%	11,060,470	15.1%	15.3%	62,248,937	111,795	(1,749,095)	-	-	\$0.33
Q2-09	1,184	73,235,709	9,919,787	13.55%	1,252,478	1.70%	11,172,265	15.3%	14.5%	62,063,444	(696,231)	(1,860,890)	-	-	\$0.33
Q1-09	1,151	71,253,090	8,766,966	12.30%	1,546,927	2.20%	10,313,893	14.5%	13.3%	60,939,197	(1,000,859)	(1,000,859)	32,000	-	\$0.33

Absorption

Absorption registered a negative 190,364 total SF in the first quarter of 2010. Overall, more industrial space was vacated than was occupied.

In the fourth quarter of 2009 we felt we had reached a point of stabilization with a positive 111,000 SF of absorption after three straight previous quarters of negative absorption. While the negative absorption was slight, it does indicate continued instability in the market. Had we not had the huge lease transaction of the McShane building to offset the market this quarter, the negative absorption would have been significantly greater.

Construction

No new speculative construction started in the first quarter of 2010.

Trends

Industrial tenants and buyers are playing a mean game of tug-of-war with industrial landlords and sellers to determine 'fair market value' in today's dynamic market. Many transactions go un consummated due to large gaps between these parties' expectations.

Landlord's cash for tenant improvements is scarce and it still costs a significant amount of money to construct tenant improvements. As such, tenants are finding their best values in facilities that they can use 'as-is' or with minimal tenant improvements.

In order to remain competitive, landlords are

bringing new space to the market in pristine condition with painted warehouse walls, polished warehouse floors, efficient lighting and rehabilitated office build-out with new paint, carpet and a high degree of general conditioning.

Forecast

Until our local and national business climate recovers, the Reno Industrial Team expects vacancy to inch up and down by small increments over the coming quarters.

We expect some large lease transactions to be completed on the positive side and, on the negative side, industrial tenants will continue to right-size, offer space for sublease, and, in some cases, close operations.

Downward pressure will continue on rents and increased leasing incentives will be seen as landlord motivation continues to grow in an effort to provide cash flow to support their debt service and business overhead.

Construction will be limited to build-to-suits.

We expect that, in the coming quarters, we will begin to see more attractive investment and user purchase opportunities in our industrial market for buyers with equity and investors with patience to ride the current market out to better times.

For continued questions, market updates, and/or industrial market data, please contact the Reno Industrial Team.

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada & Latin America 39
Greater Asia 64
EMEA 97

\$48.1 billion in annual
transaction volume

1.1 billion square feet
under management

Over 12,700 Professionals

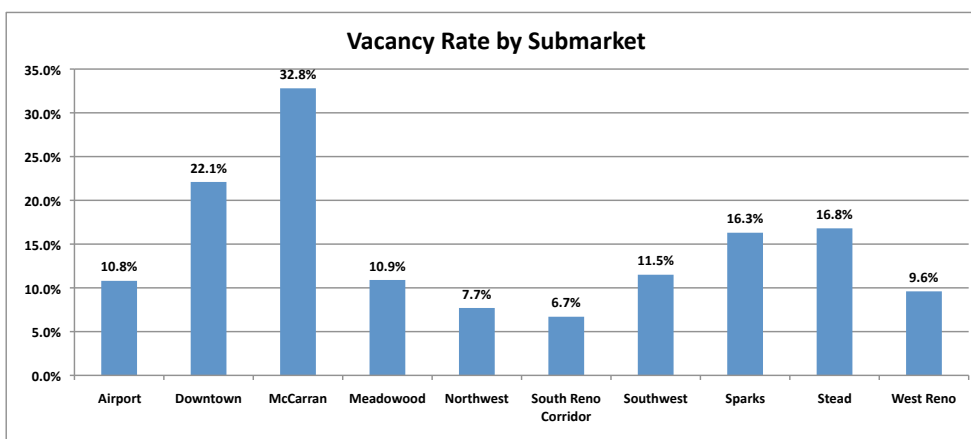
CONTACT INFORMATION

Colliers International
10765 Double R Boulevard
Suite 100
Reno, NV 89521
United States
Tel: 775-823-9666
Fax: 775-823-4699

Tim Ruffin, SIOR, CCIM
Managing Partner
Senior Vice President | Office Properties
Email: truffin@colliersreno.com
Tel: 775-823-4670

Contributing Author
Aaron Somer, CCIM
Associate
Email: asomer@colliersreno.com
Tel: 775-823-4665

TOTAL VACANCY RATES BY SUBMARKET
Q4 2009 VS. Q1 2010



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