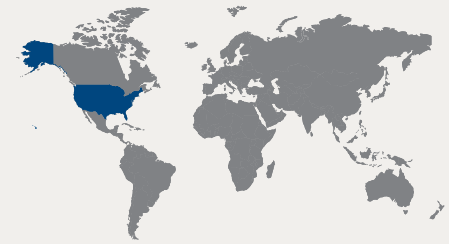




Market Research

INDUSTRIAL | SECOND QUARTER REPORT | 2009



MARKET INDICATORS

	2Q 2009	3Q 2009*
DIRECT VACANCY	↑	↑
SUBLEASE VACANCY	↓	↓
TOTAL VACANCY	↑	↑
NET ABSORPTION	↑	↑
CONSTRUCTION	↓	↔
RENTAL RATE	↔	↔

*PROJECTED

Downward Trend Continues, But at a Slower Pace

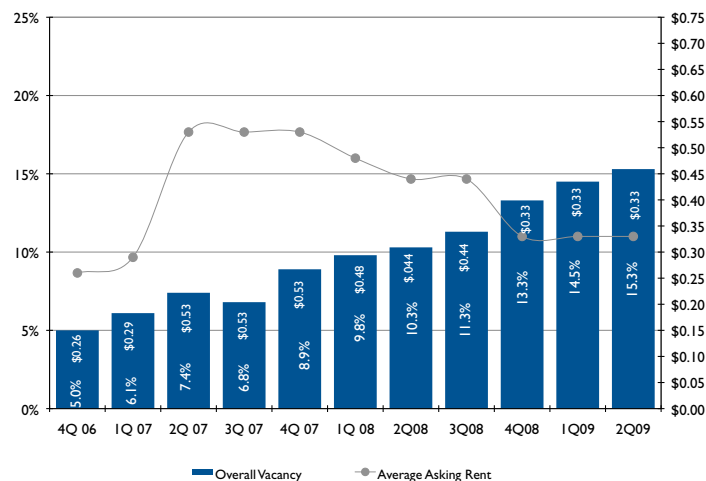
Author: Michael J. McCabe, SIOR

The industrial real estate market continued on a downward trend in the second quarter of 2009. We experienced our seventh straight quarter of increased vacancy and our third straight quarter of negative net absorption. As we strive to find positive news in our market analysis, we observe that the sublease vacancy rate decreased 23% since the first quarter of this year, our market welcomed a new major industrial tenant this quarter 235,000 square feet, and, overall, the velocity of the downward trend appears to be decelerating. While net absorption was negative again this quarter, it was significantly less negative than the previous two quarters. While the overall vacancy rate increased, it increased at a significantly smaller percentage than the past several quarters. Also, no new speculative industrial construction was started this quarter, which will help stabilize our vacancy rate in the coming quarters.

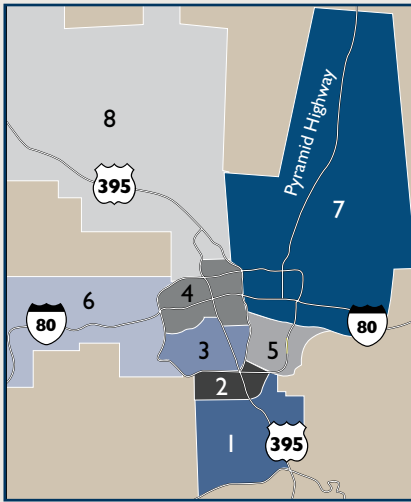
Of the 73,235,709 square feet of industrial property tracked by the Colliers Research Department, 15.3% is vacant and/or being offered for sublease. This represents a 5.5% increase over the vacancy rate at the end of last quarter (14.5%). As previously mentioned, the sublease vacancy rate decreased 23% since last quarter. We hope this trend continues as it is partially representative of companies who may be ceasing local operations in our market due to difficult economic conditions. Given no new industrial construction starts and nothing in the construction pipeline, future vacancy rate increases will be limited to companies who down-size or close operations.

Net absorption registered a negative 696,231 square feet this past quarter. Despite seventeen completed lease transactions (new and renewals), above 5,000 square feet, totaling 824,133 square feet, and only two sale transactions, the second quarter of 2009 continued a trend of strong market contraction which started in the fourth quarter of 2008. In 2009, year to date, we have experienced a negative net absorption of 1,860,890 square feet, as compared to the same time last year when we were at a positive 781,612 square feet of net absorption. The shining star transaction this quarter is the 235,000 square foot lease completed with STS, a new market tenant, at 201 Ireland Drive in the Tahoe Reno Industrial Center. The next largest transaction was a 155,000 square foot lease with

VACANCY VS RENTAL RATE



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

Fosdick Distribution at Dermody Properties’ 545,000 square foot building in Stead, at 12035 Moya Boulevard. As the first lease transaction in this speculative building, Fosdick Distribution made a lateral move from the neighboring Lear Industrial Center.

Despite an overall 25% - 30% decrease in construction costs, no new speculative construction projects started this quarter. We expect any industrial construction starts in the near-term will be isolated to build-to-suit projects for companies in the very unique position to be able to capitalize on the exceptional market dynamics for tenants and buyers.

There continues to be strong downward pressure on rental and sale rates. The current market continues to offer unprecedented opportunities for industrial tenants new to our market or existing tenants whose leases are expiring. Renewal rates and rates offered by landlords on all types of industrial facilities, including state-of-the-art new industrial facilities have reached levels not seen before in decades. While lease transactions are being done well below the pro-forma rates on new projects, landlords are able to offer these rates and seem to have done a good job of adjusting their expectations to win leasing tenants. The sale market also offers users exceptional opportunities. SBA financing is still available and we are starting to see more bank-owned properties being offered for sale in the marketplace. We expect to see this become more frequent as shorter-term loan maturities continue to come due in the coming quarters and years.

One bright-spot in the market has been the amount of leasing activity recently in the Tahoe

Reno Industrial Center (TRIC). While this massive industrial park, located eight miles east of Sparks, was once a cause for perceived concern regarding workforce and support services, it is now a thriving submarket complete with gas stations, retail, hospital services, fire and police services, etc. Many new industrial park tenants are extremely happy with the results of moves they have made from Reno and Sparks proper to take advantage of the new, high-cube, warehouse space being offered. These new park tenants include various third party logistics firms that are employee-intensive and rely heavily upon supply chain partners such as UPS and FedEx, whose main distribution hubs are located in Sparks proper.

Our forecast for the foreseeable future includes much of the same market activity. We expect leasing activity to remain significant, but that the resulting market impact will be flat or negative. Industrial tenants will continue to take advantage of favorable leasing conditions to either trade-up into like-sized spaces or contract into smaller spaces. We expect a continued stream of industrial properties sold as more properties become available for sale. Overall vacancy may increase slightly, but the large jumps from new speculative construction completions are over for the time being. Construction starts will remain flat until market fundamentals change. While it continues to be a very challenging time for landlords and sellers, it also remains an unprecedented time for tenants and buyers. We urge these groups to make the most of this time as our market will eventually change for the stronger and these opportunities will no longer be available.

MARKET ACTIVITY

SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

ADDRESS	DATE	SQUARE FOOTAGE	TENANT	PROPERTY TYPE
201 Ireland Dr	06/09	234,000	STS	Warehouse/Dist
12035 Moya Blvd	06/09	155,180	Fosdick Distribution	Warehouse/Dist
6650 Echo Ct	06/09	97,500	Burrows Packaging Division	Industrial
2777 USA Parkway	06/09	77,500	Propak Logistics	Warehouse/Dist

SIGNIFICANT SALES

ADDRESS	DATE	SQUARE FOOTAGE	BUYER/SELLER	PROPERTY TYPE
6640 Echo Ct	04/09	429,000	Buyer - Panattoni Investments LLC ETAL / Seller - Barry B Trust / Raymond L	Warehouse Dist
1140 Corporate Dr	06/09	7,680	Buyer - Incline Development Inc. / Seller - GymQuest Inc	R&D

INDUSTRIAL MARKET STATISTICS

SECOND QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
TYPE	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	R RATE	SQUARE FEET	R RATE	SQUARE FEET	RATE 2Q-2009	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	2Q-2009	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST	AVERAGE ASKING
SUBMARKETS															
Airport															
Industrial	205	7,432,215	562,959	7.6%	56,659	0.8%	619,618	8.3%	7.8%	6,812,597	(51,548)	(131,051)	-	-	\$0.69
R&D/Flex	2	69,685	3,501	5.0%	-	0.0%	3,501	5.0%	0.0%	66,184	(3,501)	(3,501)	-	-	\$0.65
W/D	37	2,460,120	537,515	21.8%	-	0.0%	537,515	21.8%	20.4%	1,922,605	(36,053)	(375,969)	-	-	\$0.33
TOTAL	244	9,962,020	1,103,975	11.1%	56,659	0.6%	1,160,634	11.7%	10.9%	8,801,386	(91,102)	(510,521)	-	-	\$0.52
Downtown															
Industrial	60	1,333,998	315,219	23.6%	-	0.0%	315,219	23.6%	25.5%	1,018,779	(10,590)	(102,454)	-	-	\$0.52
R&D/Flex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W/D	10	498,017	74,000	14.9%	-	0.0%	74,000	14.9%	14.9%	424,017	-	26,997	-	-	\$0.38
TOTAL	70	1,832,015	389,219	21.2%	-	0.0%	389,219	21.2%	22.2%	1,442,796	(10,590)	(75,457)	-	-	\$0.49
McCarran															
Industrial	25	2,112,480	169,810	8.0%	-	0.0%	169,810	8.0%	10.1%	1,942,670	(22,651)	(15,771)	-	-	\$0.48
R&D/Flex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W/D	9	4,447,119	1,864,780	41.9%	-	0.0%	1,864,780	41.9%	53.3%	2,582,339	311,500	398,143	-	-	\$0.33
TOTAL	34	6,559,599	2,034,590	31.0%	-	0.0%	2,034,590	31.0%	42.0%	4,525,009	288,849	382,372	-	-	\$0.34
Meadowood															
Industrial	36	1,447,547	84,984	5.9%	23,280	1.6%	108,264	7.5%	4.1%	1,339,283	(48,568)	(22,528)	-	-	\$0.60
R&D/Flex	4	65,680	5,710	8.7%	-	0.0%	5,710	8.7%	29.0%	59,970	13,360	22,170	-	-	\$1.10
W/D	14	1,854,516	43,335	2.3%	105,612	5.7%	148,947	8.0%	10.0%	1,705,569	36,064	52,791	-	-	\$0.45
TOTAL	54	3,367,743	134,029	4.0%	128,892	3.8%	262,921	7.8%	7.8%	3,104,822	856	52,433	-	-	\$0.53
Northwest															
Industrial	54	2,659,939	123,435	4.6%	-	0.0%	123,435	4.6%	3.5%	2,536,504	(29,435)	(29,435)	-	-	\$0.73
R&D/Flex	-	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	19	2,258,100	133,905	5.9%	-	0.0%	133,905	5.9%	7.6%	2,124,195	37,000	-	-	-	\$0.31
TOTAL	73	4,918,039	257,340	5.2%	-	0.0%	257,340	5.2%	5.4%	4,660,699	7,565	(29,435)	-	-	\$0.51
South Reno Corridor															
Industrial	36	2,780,245	184,669	6.6%	5,359	0.2%	190,028	6.8%	7.7%	2,590,217	16,885	(95,185)	-	-	\$0.75
R&D/Flex	-	-	-	-	-	0.0%	-	-	-	-	-	-	-	-	-
W/D	14	2,355,485	30,440	1.3%	64,812	2.8%	95,252	4.0%	4.0%	2,260,233	-	(95,252)	-	-	\$0.37
TOTAL	50	5,135,730	215,109	4.2%	70,171	1.4%	285,280	5.6%	6.0%	4,850,450	16,885	(190,437)	-	-	\$0.62
Southwest															
Industrial	11	273,414	28,472	10.4%	-	0.0%	28,472	10.4%	10.0%	244,942	(148,210)	(137,912)	-	-	\$0.38
R&D/Flex	1	33,307	6,712	20.2%	-	0.0%	6,712	20.2%	20.2%	26,595	-	-	-	-	\$0.74
W/D	2	44,258	27,690	62.6%	-	0.0%	27,690	62.6%	57.1%	16,568	(2,440)	(2,440)	-	-	\$0.72
TOTAL	14	350,979	62,874	17.9%	-	0.0%	62,874	17.9%	16.9%	288,105	(150,650)	(140,352)	-	-	\$0.57
Sparks															
Industrial	365	12,725,622	829,553	6.5%	151,383	1.2%	980,936	7.7%	6.8%	11,744,686	15,557	(298,730)	-	-	\$0.53
R&D/Flex	4	100,214	-	0.0%	7,500	0.0%	7,500	7.5%	7.5%	92,714	-	-	-	-	\$0.43
W/D	138	16,225,667	3,101,834	19.1%	662,098	4.1%	3,763,932	23.2%	18.1%	12,461,735	(853,892)	(1,002,888)	-	-	\$0.31
TOTAL	507	29,051,503	3,931,387	13.5%	820,981	2.8%	4,752,368	16.4%	13.1%	24,299,135	(838,335)	(1,301,618)	-	-	\$0.36
Stead															
Industrial	32	3,130,076	253,100	8.1%	-	0.0%	253,100	8.1%	12.1%	2,876,976	125,900	167,600	-	-	\$0.34
R&D/Flex	-	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	28	6,939,748	1,482,015	21.4%	171,400	2.5%	1,653,415	23.8%	21.2%	5,286,333	(180,725)	(335,270)	-	-	\$0.28
TOTAL	60	10,069,824	1,735,115	17.2%	171,400	1.7%	1,906,515	18.9%	18.4%	8,163,309	(54,825)	(167,670)	-	-	\$0.29
West Reno															
Industrial	74	1,757,827	22,499	1.3%	4,375	0.2%	26,874	1.5%	1.7%	1,730,953	3,566	(11,755)	-	-	\$0.58
R&D/Flex	-	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
W/D	4	230,430	33,650	14.6%	-	0.0%	33,650	14.6%	34.0%	196,780	131,550	131,550	-	-	\$0.53
TOTAL	78	1,988,257	56,149	2.8%	4,375	0.2%	60,524	3.0%	3.4%	1,927,733	135,116	119,795	-	-	\$0.55

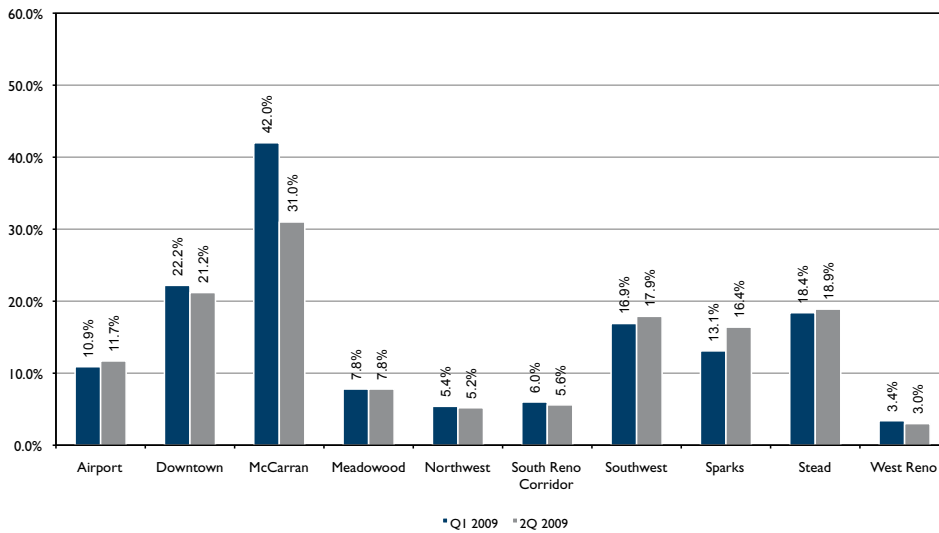
INDUSTRIAL MARKET STATISTICS
SECOND QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
TYPE	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	R. RATE	SQUARE FEET	R. RATE	SQUARE FEET	RATE 2Q-2009	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	2Q-2009	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST	AVERAGE ASKING
MARKET TOTAL															
Industrial	898	35,653,363	2,574,700	7.2%	241,056	0.7%	2,815,756	7.9%	7.7%	32,837,607	(149,094)	(677,221)	-	-	\$0.57
R&D/Flex	11	268,886	15,923	5.9%	7,500	2.8%	23,423	8.7%	12.4%	245,463	9,859	18,669	-	-	\$0.72
W/D	275	37,313,460	7,329,164	19.6%	1,003,922	2.7%	8,333,086	22.3%	20.9%	28,980,374	(556,996)	(1,202,338)	-	-	\$0.32
TOTAL	1,184	73,235,709	9,919,787	13.5%	1,252,478	1.7%	11,172,265	15.3%	14.5%	62,063,444	(696,231)	(1,860,890)	-	-	\$0.38

QUARTERLY COMPARISON AND TOTALS

Q2-09	1,184	73,235,709	9,919,787	13.5%	1,252,478	1.7%	11,172,265	15.3%	14.5%	62,063,444	(696,231)	(1,860,890)	-	-	\$0.38
Q1-09	1,151	71,253,090	8,766,966	12.3%	1,546,927	2.2%	10,313,893	14.5%	13.3%	60,939,197	(1,000,859)	(1,000,859)	32,000	-	\$0.33
Q4-08	1,149	71,355,490	8,223,293	11.5%	1,259,789	1.8%	9,483,082	13.3%	11.3%	61,872,408	(904,683)	206,717	565,550	536,000	\$0.33
Q3-08	1,143	70,561,347	7,245,147	10.3%	741,862	1.1%	7,987,009	11.3%	10.2%	62,574,338	329,788	1,111,400	797,825	1,101,550	\$0.44
Q2-08	1,138	69,298,382	6,250,327	9.0%	803,505	1.2%	7,053,832	10.2%	9.8%	62,244,550	274,839	781,612	566,875	1,887,375	\$0.44

TOTAL VACANCY RATES BY SUBMARKET
Q1 2009 VS. Q2 2009



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

Krystal Christiaens
Research Analyst
Email: kchristiaens@colliersreno.com
Tel: 775-823-6626

This report and other research materials may be found on our website at www.colliersreno.com. This quarterly report is a research document of Colliers International – Reno, NV. Questions related to information herein should be directed to the Research Department at 775-823-6626. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Nevada, LLC dba Colliers International is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with 293 offices throughout 61 countries worldwide.



www.colliersreno.com