INDUSTRIAL WAREHOUSE INVESTMENT

Offering Summary - $4,995,000.00

305 East Glendale Avenue, 840-890 Bergin Way,
Sparks, Nevada 89431
±121,348 Sq. Ft. Facility

FOR MORE INFORMATION

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Property Highlights

- Unparalleled locational advantage
- High visibility to prime intersection
- In established, stabilized submarket
- Close to all logistical support services
- Possible repositioning value-added opportunity, now or in the future
- Offered at a fraction of replacement costs
- Reno-Sparks, Nevada is a highly desirable logistical location
- Sparks industrial real estate market is highly active with stabilized rents

The Project

Miller Industrial Properties has been selected as the exclusive listing agent to represent an investment sale of 305 East Glendale Avenue /840-890 Bergin Way, Sparks, Nevada (the "Property"). Built in 1970, county records indicates a footprint of 121,348 square feet. The facility is has two current tenants, both on month to month leases. One long term tenant occupies 15,200 square feet and the other tenant occupies a 20,000 square foot portion. **This property represents a rare single building investment opportunity in the large portfolio dominated Reno-Sparks, Nevada industrial real estate market.**

Property Summary /History

The property is located in the epicenter of the Sparks, Nevada business market, close to Interstate 80 freeway and adjacent to one of the most highly traveled intersections in Reno-Sparks (41,600 cars per day). This property could not be in a more advantageous location. The property has been long held by an out of state investor and throughout that ownership, the asset has significantly fallen behind its competition on both regular building maintenance as well as updating of property amenities and features. However, the "bones" of the project appear sound, making this single parcel asset a prime candidate for either an upgrade to current class B real estate warehouse standards or possible complete market repositioning.

The month to month status of both tenants allow for complete flexibility to renegotiate with those parties, remove or relocate them as needed.

Building Specifications:

- 121,348 sq. ft
- Clear Height: 24'
- Sewer/Water: Three (3) Locations
- 2 Concrete Shear Walls
- Sprinklers: Scheduled system, ESFR upgrade probable
- APN: 034-257-13
- Docks: 24
- Warehouse Heat: Gas Fired Reznor
- Electrical: TBD
- Built in 1970
- Drive-Ins: 1
- 40x40' Column Spacing
- 3,150 sq. ft. office

Project Rent Roll

Occupied Suites							
Suite	Tenant	Lease Start	Expiration	Square Feet	Monthly Rent	Rent PSF/Mo.	Monthly OPEX
305	California Industrial Rubber	03-01-2010	02-28-2015	15,200	$4,961.00	$3.92	$0.00
830	Vacant	-	-	15,000	-	-	-
840	Vacant	-	-	9,548	-	-	-
850	Vacant	-	-	35,886	-	-	-
890A	Vacant	-	-	25,714	-	-	-
890B	Victory Woodworks	09-01-2007	08-31-2010	20,000	$3,840.00	$2.30	$1,106.00
Totals:				**121,348**	**$8,801.00**	**$6.22**	**$1,106.00**
Total Square Feet Leased: 35,200							
Total Square Feet Vacant: 86,148							

Relevant Market Data

Reno-Sparks, Nevada Historical Industrial Real Estate Absorption
Total **Class B 40,000 SF Warehouse** Gross Absorption over 9 Quarters: 927,768 square feet
Average **Class B 40,000 SF Warehouse** Gross Absorption per Year: 206,172 square feet

Total **Class B 40,000 SF Warehouse** Net Absorption over 9 Quarters: -153,848 square feet

Reno-Sparks, Nevada Historical Return to Market
Total Return to Market, **All Warehouse Sizes** over 18 Quarters: 18,235,639 square feet
Average Return to Market, **All Warehouse Sizes**, per Year: 4,961,640 square feet

Total **Class B 40,000 SF Warehouse** Return to Market over 9 Quarters: 1,081,616 square feet
Average **Class B 40,000 SF Warehouse** Return to Market per Year: 480,720 square feet

Project Development

The property offers development options. The two existing concrete shear walls provide an excellent, highly secure demising wall to accommodate three 40,000 sq. ft. users, all having four concrete walls defining their space. Each space will have sufficient dock doors as well as readily available existing infrastructure for new or upgraded office modules.

This option would offer the quickest property to market time frame, least cost, yet still offering several size options of 121,348 sf, 80,000 sf and 40,000 sf.

Alternatively, the location, size, dock count and visibility offers the option to possibly reposition the property in the market. By planning for alternative demising of the property, the property may accommodate a different tenant count and still offer adequate docks. Adding demising walls could increase the tenant count as well as possibly increase the rental rate, as smaller spaces should command higher rents. A market repositioning could also create an opportunity to possibly bring the asset up to flex status. This would maximize the benefit of the location and visibility of the property, subject to parking requirement restraints.

This option would require a higher investment of capital and a somewhat longer time to market, but offer a new product into the Sparks submarket flex inventor, achieving higher rents than the larger sized spaces.

Commercial Real Estate Market - Reno/Sparks, NV

The overall industrial real estate market has a strong current level of transaction velocity. Before 2014 the Reno-Sparks area was well into the economic recovery phase. Several new build-to-suit projects were emerging with more on the negotiating table. Speculative big-box warehouse construction started up again with developers teaming up with large pension fund managers willing to put spec inventory on the market. To date, spec inventory has been absorbed prior to completing the projects, encouraging more spec activity. However, this activity has been largely directed at big box users. There is only one new project designed for the 50,000 square foot tenant and even that one was absorbed by one big box tenant. While absorption continues throughout the market size ranges, it's logical to assume the next size range that will become scarce are the mid-sizes from 75,000 - 30,000 square feet and smaller.

The property is located in the heart of the Sparks, Nevada submarket. As the areas largest submarket at over 25,000,000 square feet total, with a vacancy rate of 7.76%, right at the overall market average. This submarket is dominated by class B inventory due to the general age of the market. Some class A product exists in this submarket and these have a low vacancy rate due to the proximity to the freeway, services and a favorable location for employees.

Northern Nevada - Logistical Hub

Northern Nevada is ideally located to serve the majority of the eleven western states with overnight delivery service to 53-million people and two-day delivery to 63-million people in the outlying areas.

Northern Nevada has easy port access from Oakland and Long Beach, California. Over sixty freight carriers are located in northern Nevada and both Union Pacific and Santa Fe railroads link 23 states as well as major gateway to the east, every major west coast and gulf coast port and all six gateways to Mexico.

Interstate 80 connects the east and west coasts from Philadelphia to San Francisco. US Highway 395 connects southern California with Seattle, both running through northern Nevada.

Business Friendly Nevada

The Tax-Foundation ranked Nevada as the third most business friendly state due to its favorable tax climate.

- No corporate income tax
- No personal income tax
- No inventory tax
- Sales tax abatements / state incentives
- Personal property tax abatements / state incentives
- Skilled workforce
- Affordable employee housing
- Abundant outdoor adventure activities
- World class attractions and entertainment
- Temperate climate, minimizes air conditioning costs
- Low humidity
- Clean air
- Highly reliable power
- Business friendly state leadership

State of Nevada Recent Economic Development Successes

- TESLA Lithium Battery Gigafactory - 600 Acres/10M Sq. Ft.
- Google - 1,210 Acres
- Switch Data Center - 1,000 Acres
- Apple iCloud Storage Center - 345 Acres
- RackSpace - 150,000 Sq. Ft.

Reno-Tahoe International Airport has nine airlines serving international air travel. FedEx, DHL and UPS all provide air cargo service.

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A Stabilized Reno-Sparks Industrial Market Emerges

If you have been following the Reno–Sparks industrial real estate market growth over the past few years, you are familiar with names like Zulily.com, Amazon.com, Jet.com, Chewy.com (noticing an E-commerce pattern?), Petco, Sanmar, ITS Logistics and the like.

Those seven projects alone consumed over 4.5 million square feet of vacant space.

The good news is that when these large users move into space, the size of the deal really moves the needle and vacancy drops. However, any market that has been experiencing growth through these large transactions is also subject to a perceived downturn when these large deals don't sign up on any given quarter. This is what the Q1 numbers of 2017 are showing.

While market activity was again quite strong and gross absorption was still reasonably respectable, we just didn't finalize that many large transactions in this quarter to continue to lower the vacancy rate. In fact, we are reporting the same vacancy rate as last quarter at 7.8%. But allow us to put Q1's performance into perspective. While Panattoni added 221,000 sf of new speculative construction in South Meadows and the market returned over 1,000,000 sf, of vacated space, we still absorbed enough space to maintain the same vacancy rate. Only by comparing Q1's performance to the record setting quarters of 2016 can we say the absorption performance was down.

Quarterly gross absorption, the measure of all vacant space newly occupied in the quarter, was 1,243,406 sf. This is 21% lower than the five-year average. However, that average has been bolstered by new high record amounts of gross absorption in several past quarters. Quarterly net absorption, which is the measure of gross absorption minus the space that tenants vacated and the new, vacant construction accounted for this period, was an anemic 153,304 sf. This is 78% lower than the five-year average and almost 90% lower than the similar quarter in 2016. Since net absorption is what changes the vacancy rate, the amount of change to vacancy is statistically insignificant in a market size of over 82,000,000 sq ft. Overall, asking pricing has remained slightly landlord favored as big box availability softens.

The Stead submarket received significant absorption with four transactions. Fosdick Fulfillment vacated its Mt. Anderson facility for a 270,000 sf space on Military Road, while ACH Foam moved from TRIC right into the ex-Fosdick space in Stead. High Quality Organics expanded again into 12755 Moya and Birdrock Waxman took 64,000 sf at 14525 Industry Circle. Stead nets an absorption of about 283,000 sf with these deals. The Sparks submarket repeated its typical high volume of transactions with six move ins and ten move outs, netting a net loss of occupancy of about 127,000 sf. We are expecting the absorption numbers to bounce back to more average levels as 2017 transpires.

Another factor we are seeing in the market is the moderate slowing of new warehousing breaking ground. Several quarters ago, it seemed like new roofs were popping up everywhere you looked and quickly absorbed. There are signs from some developers that a mild easing off on the portfolio expansion accelerator may be in order with respect to new, speculative warehousing. Still, several new projects are in the wings with some actually breaking ground now, as Prologis re-enters the local development market with a new 240,000 sf spec facility in Stead and Panattoni's new 356,000 sf building in the north valleys likely starting out of the ground soon. Scannell Properties is also considering entering the speculative market by possibly starting a new 564,000 sf warehouse next to the new FedEx facility in Mustang, which will open late next summer. Numerous other build to suit locations remain ready to go if demand continues.

Sub-Market	Size	Vacant	Vac. %	Gross Abs.	Net Abs.	Spec BTS	BTS Const.	Total Const.
North Valleys	20,849,933	1,387,982	6.66%	682,490	565,490	0	0	0
I-80 East Corridor	15,900,765	1,976,845	12.43%	195,300	(104,700)	0	0	0
Sparks	25,568,949	1,985,025	7.76%	52,447	(595,615)	0	0	0
Airport	8,872,036	516,908	5.83%	86,577	66,577	0	0	0
Reno Central/West	1,631,606	401,683	24.62%	11,664	11,664	221,000	0	221,000
Reno South	9,433,105	313,680	3.33%	214,928	209,888	0	0	0
TOTALS	82,256,395	6,418,561	7.80%	2,063,168	153,304	221,000	0	221,000

Statistics as of Q1 2017 - Northern Nevada Industrial Market

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