



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

UP

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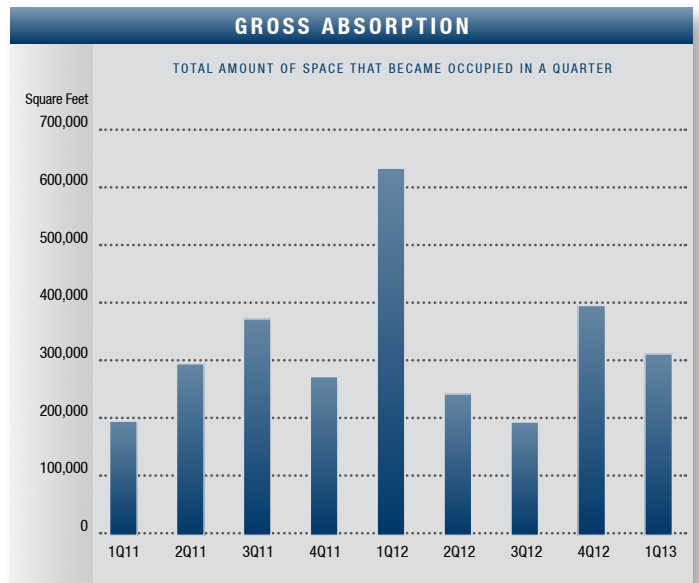
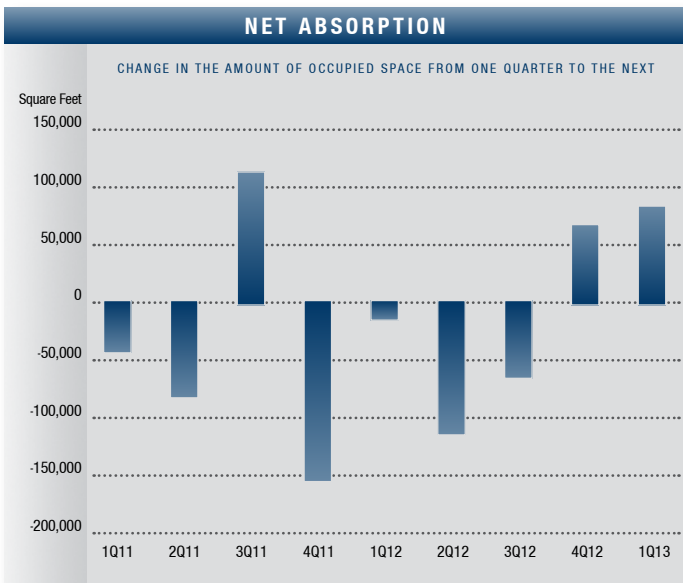
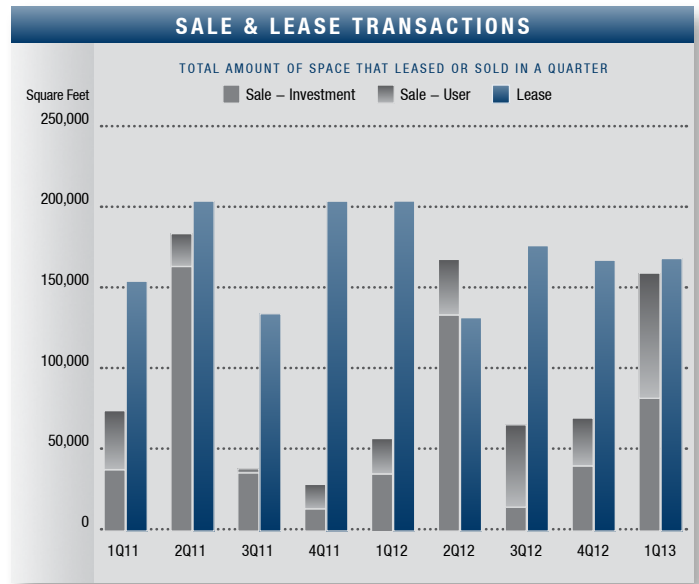
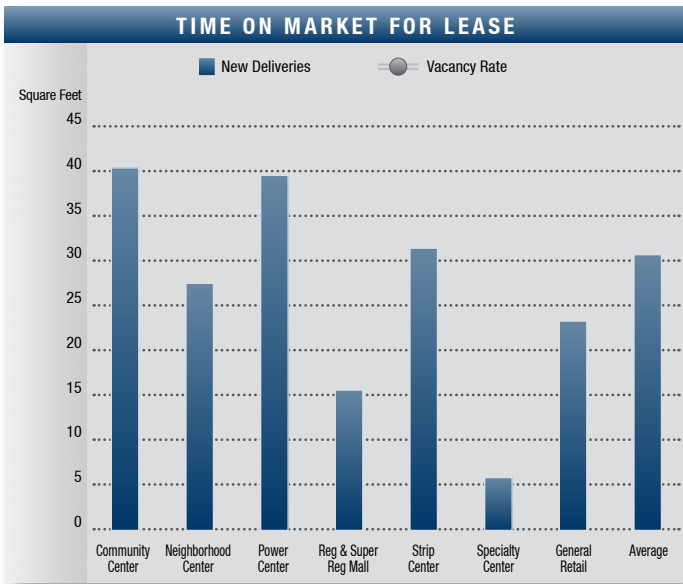
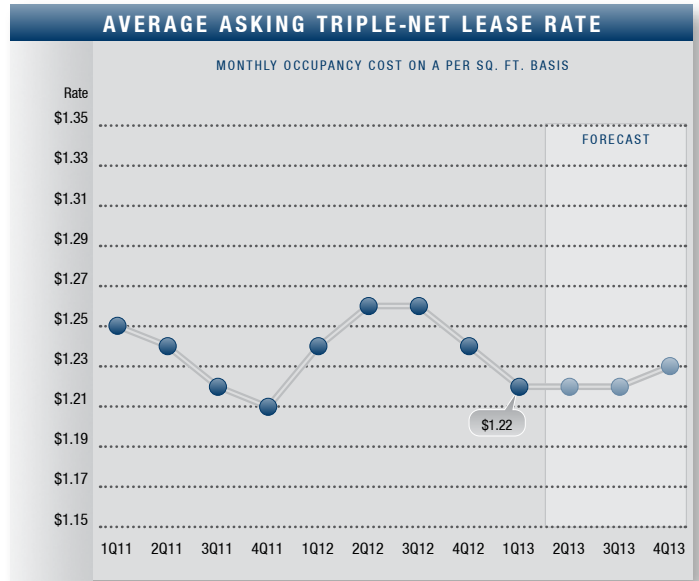
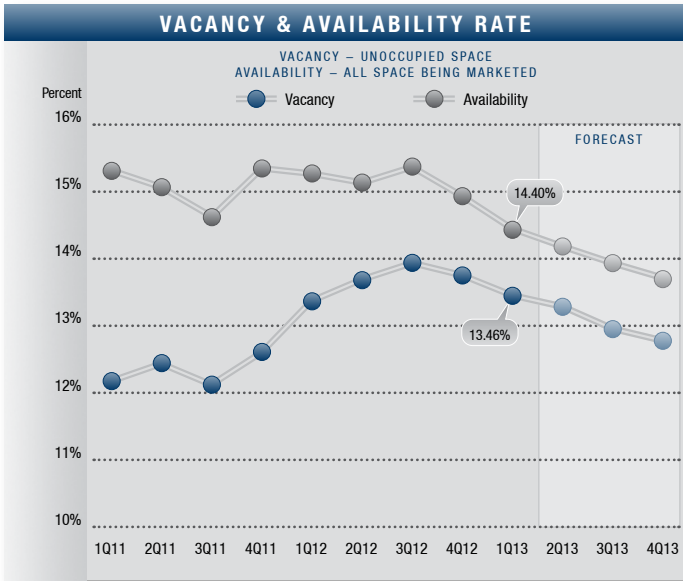
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Market Highlights

- Market Status** - In the first quarter of 2013, Reno's retail market posted its second consecutive quarter of positive net absorption and drop in vacancy. This is essential to note considering only 5 quarters, including this first quarter of 2013, have reported positive net absorption since the beginning of 2009. While these fundamentals were positive during the first quarter, the housing market and job growth remain a strain on Reno's local economy, and both need to show promise for solid improvement in the retail market.
- Lease Rates** - The average asking triple-net lease rate in the Reno retail market was \$1.22 per square foot per month in the first quarter of 2013 — a drop from the \$1.24 seen in the previous quarter and one year ago.
- Absorption** - The Reno retail market recorded 82,067 square feet of positive net absorption for the first quarter. The Meadowood submarket posted 73,537 square feet of positive net absorption, while the Spanish Springs submarket posted 21,979 square feet of negative net absorption.
- Transaction Activity** - Sale and leasing transaction volume totaled 326,488 square feet for the first quarter. This was an above average figure compared to the last three years. Also, this statistic typically does have some lag time to post final numbers, so look for the first quarter numbers to end up around 350,000 square feet. Details of the largest transactions for the first quarter of 2013 can be found on the back page of this report.
- Construction** - During the first quarter there was a 6,500 square foot strip center in the North Valleys submarket under construction. Also, a 4,400 square foot freestanding building in the North Valleys submarket was delivered. There was still 2.33 million square feet of proposed projects in the region, but other than possible build-to-suits, don't look for these projects to come to fruition anytime soon.
- Vacancy** - The overall vacancy rate for the first quarter came in at 13.46%, a decrease of 29 basis points from the previous quarter but still an increase of 10 basis points compared to one year ago. Within the major submarkets, the Sparks Redevelopment and South Virginia submarkets performed best with vacancy rates of 2.41% and 5.80%, respectively. The Park Lane submarket came in with the highest vacancy rate at 24.21%.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.6% in Dec. 2012, down from 10.8% in Sep. 2012. This compares with an unemployment rate of 9.8% for Nevada and 8.1% for the nation during the same period.
- Overall** - We expect that vacancy will remain high around 13% and availability rates at around 14%. The spread between vacancy and availability has tightened significantly, which is a good indicator that the market is beginning to reflect its true state and that less shadow space is out there. If Reno's retail market can continue to post as drops in vacancy and positive net absorption figures, eventually lease rates will solidify and begin the rise. This may take a few quarters or up to a year, and it relies upon improvement in the housing market and the employment in the local economy.

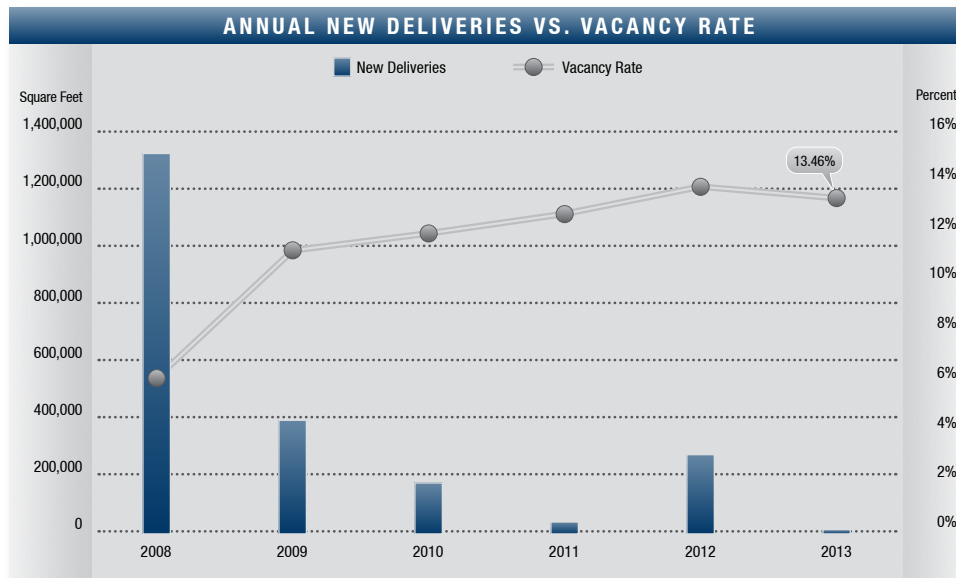
RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	13.46%	13.75%	13.36%	0.75%
Availability Rate	14.40%	14.93%	15.26%	(5.64%)
Average Asking Lease Rate	\$1.22	\$1.24	\$1.24	(1.61%)
Sale & Lease Transactions	326,488	235,694	261,955	24.64%
Gross Absorption	306,037	392,985	630,380	(51.45%)
Net Absorption	82,067	67,232	(17,446)	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
Reno Market													
Airport Ret	31	406,933	0	53,723	43,816	10.77%	41,716	10.25%	\$1.34	(2,100)	(7,368)	1,200	10,712
Carson City County Ret	190	3,820,746	0	17,000	748,150	19.58%	820,106	21.46%	\$1.13	29,398	16,710	43,089	157,843
Douglas County Ret	124	2,119,117	0	0	251,740	11.88%	257,302	12.14%	\$1.16	(13,036)	3,519	21,970	78,765
Incline Village Ret	17	372,849	0	0	14,098	3.78%	14,098	3.78%	\$1.17	2,290	(37)	4,000	4,335
Kietzke Ret	140	2,212,836	0	0	213,792	9.66%	228,480	10.33%	\$0.99	14,713	15,219	20,113	105,478
Lyon County Ret	93	1,220,456	0	339,935	118,912	9.74%	193,662	15.87%	\$0.96	(10,035)	7,463	3,700	29,520
Meadowood Ret	168	4,436,296	0	0	521,563	11.76%	508,872	11.47%	\$1.33	73,537	(108,379)	116,134	107,842
N Outlying Washoe Cty Ret	1	4,835	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Valleys Ret	70	896,010	6,500	629,137	57,074	6.37%	58,394	6.52%	\$1.33	(144)	149,419	6,680	181,673
Northeast Reno Ret	99	560,003	0	48,000	59,045	10.54%	72,126	12.88%	\$1.44	6,186	2,910	7,250	34,422
Northeast Sparks Ret	127	2,323,685	0	219,141	379,919	16.35%	365,087	15.71%	\$1.44	1,398	47,850	29,718	221,042
Northwest Reno Ret	126	1,740,467	0	135,800	293,590	16.87%	320,389	18.41%	\$1.38	(5,367)	4,668	4,773	58,900
Park Lane Ret	179	1,819,518	0	345,866	440,529	24.21%	456,548	25.09%	\$0.95	(7,998)	(23,547)	1,554	75,845
Reno Redevelopment Ret	67	1,031,198	0	0	170,855	16.57%	180,121	17.47%	\$1.56	45	(30,038)	3,889	31,710
S Outlying Washoe Cty Ret	11	169,658	0	0	8,223	4.85%	8,223	4.85%	\$1.53	0	4,331	0	11,104
South Reno Ret	145	2,766,547	0	178,700	174,650	6.31%	193,907	7.01%	\$1.53	14,635	(74,291)	20,072	89,018
South Virginia Ret	212	1,139,043	0	0	66,063	5.80%	71,231	6.25%	\$1.16	(3,798)	(13,438)	2,906	35,747
Southwest Reno Ret	39	459,757	0	0	38,969	8.48%	40,944	8.91%	\$1.23	(1,172)	(649)	6,065	18,692
Spanish Springs Ret	87	1,721,004	0	137,516	277,638	16.13%	310,431	18.04%	\$1.20	(21,979)	(19,884)	2,780	63,978
Sparks Industrial Ret	43	438,965	0	3,343	19,336	4.40%	27,386	6.24%	\$1.33	0	(6,119)	0	3,697
Sparks Redevelopment Ret	103	440,156	0	0	11,967	2.72%	14,967	3.40%	\$1.49	6,500	16,160	6,500	19,822
Storey County Ret	12	66,441	0	193,000	1,600	2.41%	12,152	18.29%	\$0.95	500	9,679	500	14,179
West Sparks Ret	79	1,738,918	0	29,120	382,607	22.00%	397,400	22.85%	\$1.24	(1,506)	(147,056)	3,144	52,414
Reno Market Total	2,163	31,905,438	6,500	2,330,281	4,294,136	13.46%	4,593,542	14.40%	\$1.22	82,067	(152,878)	306,037	1,406,738
Malls	22	1,897,779	0	219,141	165,783	8.74%	176,855	9.32%	\$1.75	(14,132)	58,889	0	117,282
Power Centers	81	3,064,206	0	384,448	722,948	23.59%	696,930	22.74%	\$1.14	1,374	(105,195)	52,643	77,996
Community Centers	219	6,860,452	0	4,000	1,069,867	15.59%	1,144,542	16.68%	\$1.17	3,531	(14,961)	8,204	181,790
Neighborhood Centers	186	4,306,276	0	779,038	389,097	9.04%	404,266	9.39%	\$1.19	26,372	(79,957)	49,375	116,180
Strip Centers	289	3,018,425	6,500	188,693	527,107	17.46%	574,808	19.04%	\$1.39	10,627	25,089	41,539	238,267
Specialty Centers	20	690,674	0	0	69,003	9.99%	75,995	11.00%	\$1.75	2,035	(71,038)	3,578	19,199
General Retail	1,346	12,067,626	0	754,961	1,350,331	11.19%	1,520,146	12.60%	\$1.09	52,260	34,295	150,698	656,024
Reno Market Total	2,163	31,905,438	6,500	2,330,281	4,294,136	13.46%	4,593,542	14.40%	\$1.22	82,067	(152,878)	306,037	1,406,738

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Shoppers Square – 355 E. Plumb Ln.	Park Lane	50,300	\$242.54	Gershman Properties, LLC	Real Estate Affiliates, Inc.
912 & 915 Jacks Valley Rd.	Douglas County	54,606	\$100.72	Shaheen Family Trust	Nevada State Bank
Air Center Plaza – 3923 S. McCarran Blvd.	Airport	51,515	\$73.76	DBB Holdings, Inc.	Wells Fargo Bank
6395 S. McCarran Blvd.	Meadowood	6,723	\$386.73	Reno Covenant Group, LLC	Dart 6395, LLC
9570 S. McCarran Blvd.	Northwest Reno	14,920	\$105.56	DBB Holdings, Inc.	Cornerstone Developments Partners, Inc.

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
5695 S. Virginia St.	99 Cent Only	Discount Store	Meadowood	Now Open	DB Investments, Ltd.
Ironhorse SC – 635 E. Prater Way	Family Dollar	Discount Store	Northeast Sparks	Winter 2013	Iron Horse Kohala, LLC
100 N. Sierra St.	Kor Fitness	Fitness Center	Reno Redevelopment	Now Open	Sierra First Partners, LLC
6850 S. McCarran Blvd.	New Horizons	Daycare	Meadowood	Now Open	Edmondson Family Trust
1700 Victorian Ave.	The Mob Syndicate	Clothing Store	Sparks Redevelopment	Fall 2012	FE Choquette, LLC

General Retail: Typically single-tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

Mall: Retail centers which provide shopping goods, general merchandise, apparel, furniture, and home furnishings in full depth and variety. Malls are generally built around one or more full-line department stores as the major drawing powers. However, some malls, such as lifestyle centers, lack major anchors and instead rely on trendier, upscale retail to draw business from nearby affluent neighborhoods.

Power Center: The center typically consists of several freestanding anchors and only a minimum amount of small specialty tenants. 250,000–600,000 SF and is dominated by several large anchors, including discount department stores, off-price stores, and warehouse clubs.

Shopping Center: Combination of the following retail types:

Strip Center: An attached row of stores or service outlets managed as a coherent retail entity. May be configured in a straight line, L, or U shape. On-site parking usually in front of stores.

Neighborhood Center: Centers providing convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day needs of surrounding neighborhood. Generally 30,000–100,000 square feet in size.

Community Center: Centers offering a wider range of apparel and goods than community centers. Often anchored by supermarkets, super drugstores, or discount department stores. Usually configured in a straight line or L or U shape. Generally 100,000–350,000 square feet in size.

Specialty Center: Centers focused on a particular specialty or theme. Examples include Airport Retail (a center using an airport as its main draw), Outlet Center (a center of bigger chain stores often found in malls selling their own merchandise at a discount), and Theme/Festival Center (centers built around a unifying theme, often appealing most to tourists).

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