

## MARKET CHANGE

*Compared to the Previous Quarter:*

**Vacancy**



**UP**

**Net Absorption**

**NEGATIVE**



**Lease Rates**



**UP**

**Transactions**



**DOWN**

**Deliveries**



**DOWN**

*To view available properties or electronic versions of current or past market reports, please visit:*

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Bianca Cruz**  
Market Research Analyst  
e-mail: [bcruz@voitco.com](mailto:bcruz@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- **Market Status** - Reno's office market continued on the path towards stability in the first quarter of 2014, displaying some fluctuation in fundamentals. While the first quarter posted some negative absorption, the previous quarter marked the fifth consecutive quarter with positive net absorption, a trend we expect to resume. Vacancy increased from the previous quarter, while asking lease rates also increased. As unemployment rates continue to drop, we expect the Reno office market to further stabilize and recover.
- **Construction** - There were no office buildings under construction in the Reno market at the end of the first quarter. There was still, however, 588,275 square feet of proposed office development. The lack of construction should continue to ease upward pressure on vacancy and downward pressure on lease rates.
- **Vacancy** - The market's vacancy rate for the first quarter increased by 27 basis points to finish the quarter at 14.34%; however, the vacancy rate was still 110 basis points lower than the previous year's rate. Within the major submarkets, the West Reno submarket remained high at 24.95%, while the South Outlying County submarket looked best at 6.82%.
- **Availability** - The percentage of total space being marketed at the end of the first quarter was 16.73%, which did not change from the previous quarter. Within the major submarkets, the Sparks submarket remained highest at 20.71%, while the Central/Airport submarket looked best at 15.04%.
- **Lease Rates** - At the end of the first quarter, the average asking full-service gross lease rate across all 3 building classes and 14 submarkets came in at \$1.47 per square foot per month — three cents higher than the previous quarter.

The region's highest average asking rate within the major submarkets was \$1.65 in the Downtown area, while the lowest was \$0.80 in the Sparks submarket. Lease rates in Class B buildings rose by two cents, and lease rates in Class C buildings rose by three cents from the previous quarter.

- **Absorption** - The Reno office market posted negative net absorption of 47,603 square feet for the first quarter of 2014. Within the major submarkets, however, Central/Airport posted the highest positive net absorption at 28,977 square feet.
- **Transaction Activity** - Total square footage of lease and sale transaction volume decreased from the previous quarter to 302,593 square feet. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. Details of the largest transactions for the first quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 8.8% in February 2014, down from 9.1% in January 2014. This compares with an unemployment rate of 8.5% for Nevada and 6.7% for the nation during the same period.
- **Overall** - Although Reno's office market got off to a slow start for the first quarter of 2014, Reno does offer a few major draws for prospective tenants: lower tax rates for businesses, in comparison to neighboring states, and numerous opportunities to move up in quality — as class A buildings remain at 16.38% vacancy. As job growth continues to improve in Reno, further stability in the Reno office market is expected.

## FORECAST

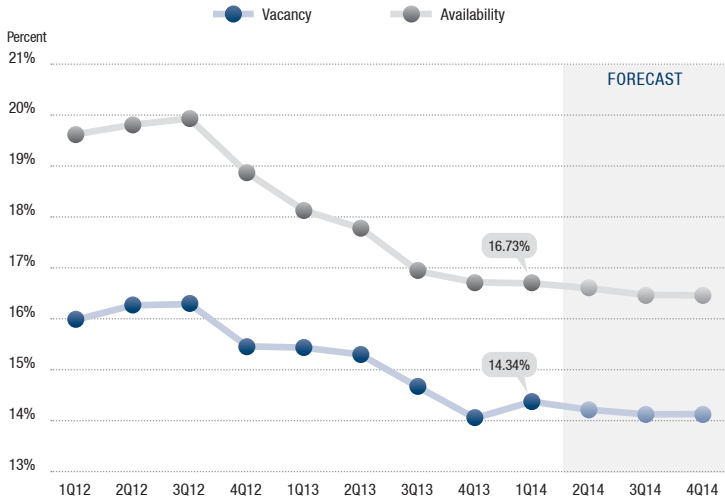
- **Employment** - We anticipate job growth of around 1.4%, or 2,800 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rate are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by another 1%–3% by 2015.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 21 basis points, to around 14.13%, by 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	14.34%	14.07%	15.44%	(7.12%)
Availability Rate	16.73%	16.73%	18.15%	(7.82%)
Average Asking Lease Rate	\$1.47	\$1.44	\$1.49	(1.34%)
Sale & Lease Transactions	302,593	529,197	381,761	(20.74%)
Gross Absorption	233,146	362,047	355,192	(34.36%)
Net Absorption	(47,603)	119,554	5,921	N/A

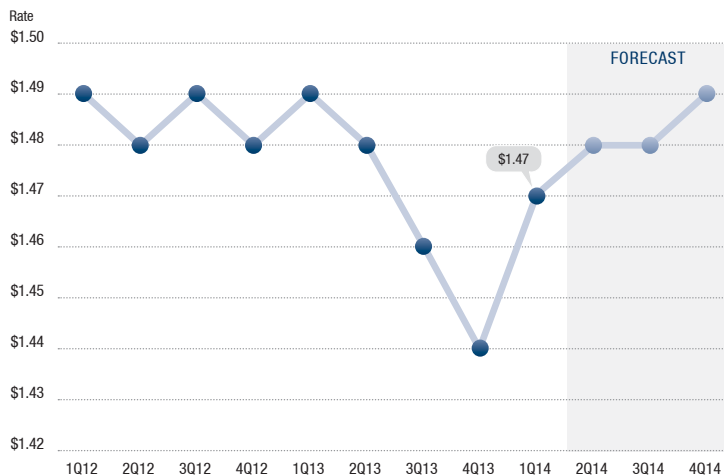
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



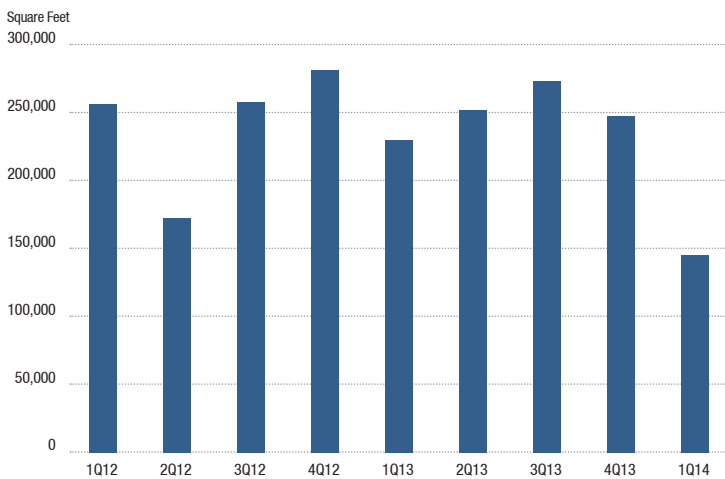
## AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



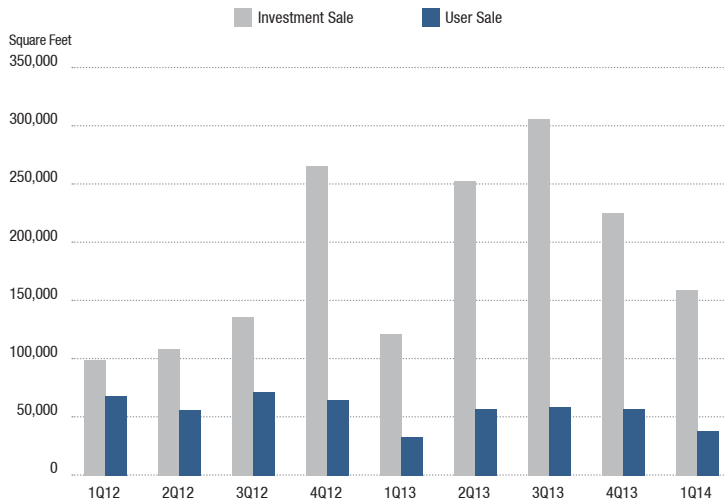
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



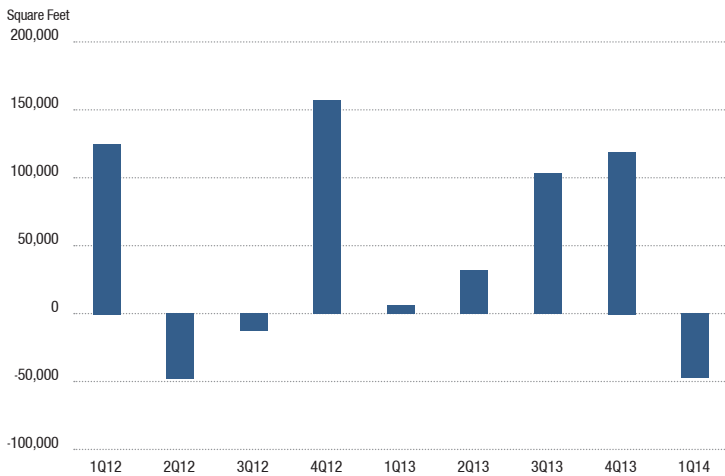
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



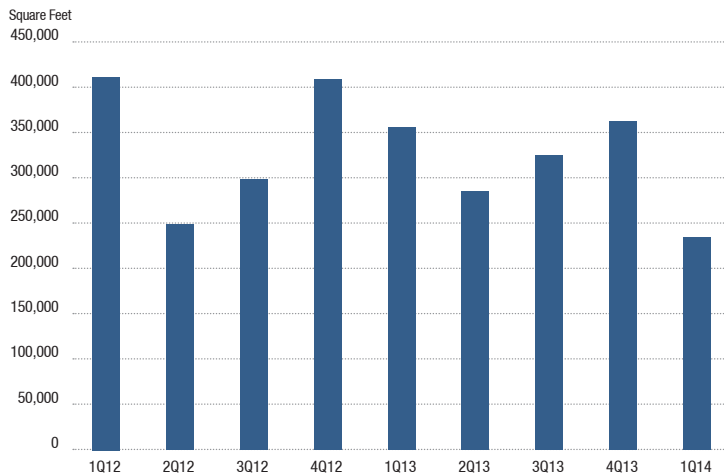
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER

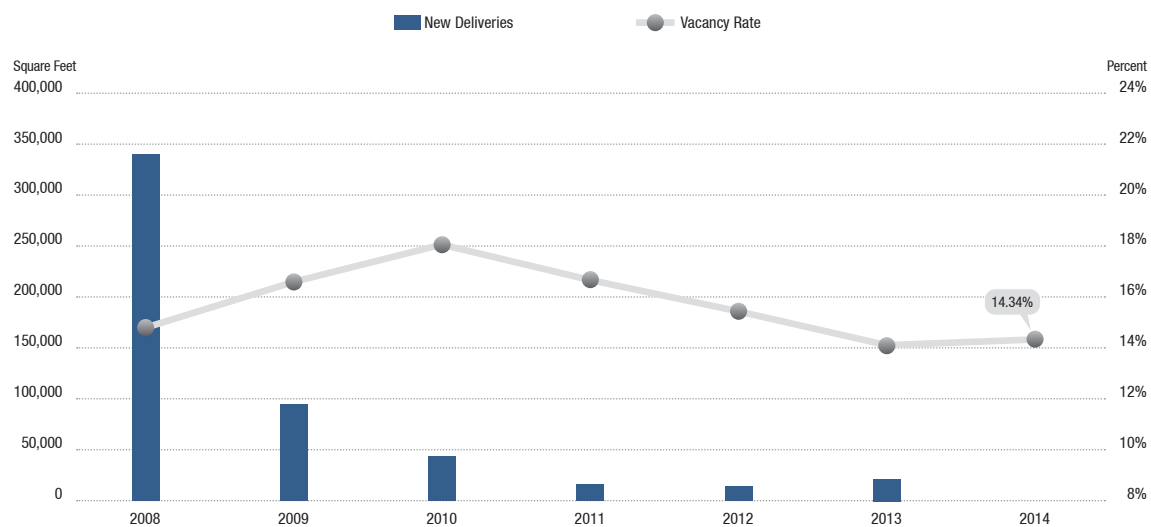


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
<b>Reno Market Total</b>													
Carson City County	182	2,137,573	0	16,000	339,320	15.87%	354,917	16.60%	\$1.11	(11,675)	19,957	16,838	100,934
Central/Airport	249	2,824,732	0	14,392	366,173	12.96%	424,724	15.04%	\$1.10	28,977	74,979	53,819	230,484
Douglas County	60	522,419	0	6,545	84,959	16.26%	92,990	17.80%	\$1.79	(8,043)	(19,508)	6,014	11,388
Downtown	327	4,184,943	0	30,553	592,174	14.15%	697,394	16.66%	\$1.65	(17,079)	27,623	49,341	212,016
Incline Village	31	325,015	0	0	45,367	13.96%	54,203	16.68%	\$2.00	(4,064)	26,780	10,773	42,205
Lyon County	38	186,902	0	12,000	39,058	20.90%	47,858	25.61%	\$0.00	7,153	15,738	7,153	24,109
Meadowood	189	3,206,724	0	279,036	396,440	12.36%	496,135	15.47%	\$1.60	(25,193)	28,902	34,881	210,071
North Outlying Washoe County	4	107,679	0	0	35,717	33.17%	35,717	33.17%	\$0.00	4,371	(10,206)	4,371	12,082
North Valleys	20	131,981	0	0	15,974	12.10%	15,974	12.10%	\$0.00	0	34,762	0	37,517
South Outlying Washoe County	20	196,563	0	24,054	13,396	6.82%	14,977	7.62%	\$1.48	841	(2,194)	5,431	6,037
South Meadows	178	2,268,597	0	181,695	304,220	13.41%	384,080	16.93%	\$1.57	(5,576)	55,865	36,784	338,073
Sparks	166	1,198,756	0	0	212,203	17.70%	248,310	20.71%	\$0.80	(12,404)	7,568	4,941	63,151
Storey County	2	23,730	0	24,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	41	353,826	0	0	88,289	24.95%	88,289	24.95%	\$0.00	(4,911)	10,418	2,800	29,548
<b>Reno Market Total</b>	<b>1,507</b>	<b>17,669,440</b>	<b>0</b>	<b>588,275</b>	<b>2,533,290</b>	<b>14.34%</b>	<b>2,955,568</b>	<b>16.73%</b>	<b>\$1.47</b>	<b>(47,603)</b>	<b>270,684</b>	<b>233,146</b>	<b>1,317,615</b>

Class A	19	1,496,319	0	102,000	217,063	14.51%	245,151	16.38%	\$1.85	5,857	12,633	25,022	203,564
Class B	731	10,175,138	0	486,275	1,486,647	14.61%	1,696,756	16.68%	\$1.48	(53,081)	145,635	132,515	700,961
Class C	757	5,997,983	0	0	829,580	13.83%	1,013,661	16.90%	\$1.23	(379)	112,416	75,609	413,090
<b>Reno Market Total</b>	<b>1,507</b>	<b>17,669,440</b>	<b>0</b>	<b>588,275</b>	<b>2,533,290</b>	<b>14.34%</b>	<b>2,955,568</b>	<b>16.73%</b>	<b>\$1.47</b>	<b>(47,603)</b>	<b>270,684</b>	<b>233,146</b>	<b>1,317,615</b>

The lease rates are based on a full-service gross basis.

### ANNUAL NEW DELIVERIES VS. VACANCY RATE



## MAJOR TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
Eagle Medical Center 2874 N. Carson St.	Carson City County	B	73,975	\$263.60	Griffin-American Healthcare REIT II, Inc.	Eagle Medical Plaza CAM, LLC
4114-4150 Technology Way	Carson City County	B	293,023	\$37.54	Holly Property Management	DGD Development
Northern Nevada Corporate Center 10539 Professional Cir.	South Meadows	A	43,312	\$113.13	Riverbank Holdings, LLC	Assured Lender Services, Inc.
444-445 S. Virginia St.	Downtown	C	15,500	\$206.45	Family Trust & Elizabeth S T Massie	Dp Partners South Virginia I L
Aspen Meadows Office Complex 5605 E. Riggins Ct.	Meadowood	C	13,451	\$59.48	Corporate Service Center	Wee Bee Partners, LLC

## Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
Center for Advanced Medicine B 1500 E. 2nd St.	Downtown	B	13,036	Mar-14	University Health System	PMB Real Estate Services
Bank of America Plaza 50 W. Liberty St.	Downtown	A	9,651	Jan-14	Undisclosed	Basin Street Properties
1677 Hot Springs Rd.	Carson City County	C	7,200	Jan-14	Undisclosed	McGrath Charles
419 W. Plumb Ln.	Central/Airport	B	6,010	Feb-14	Vietnam Veterans of California	Courage Sans Peur Trust
3427 Goni Rd.	Carson City	B	5,672	Feb-14	Undisclosed	Pearce Family, LLC

## PRODUCT TYPE

## CLASS A

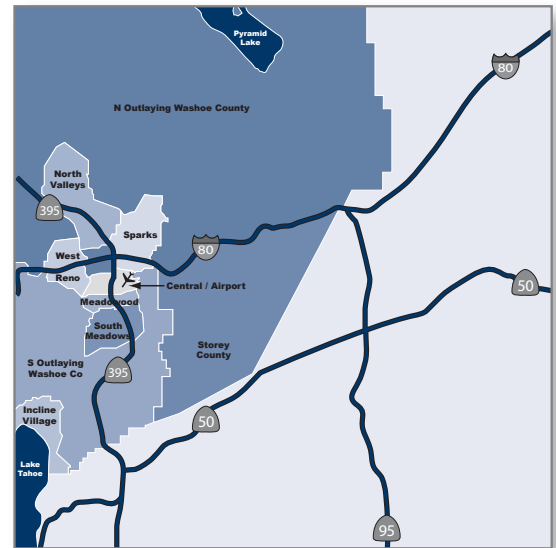
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

## CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

## CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.



## Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com

# Voit

REAL ESTATE SERVICES

Anaheim, CA  
714.978.7880

Commerce, CA  
323.558.5400

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

Real People.  
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2014 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.