

# FIRST QUARTER 2014

## RENO

# RETAIL

## MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

DOWN

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## HIGHLIGHTS

- **Market Status** - Reno's retail market is slowly and steadily improving. The market has now experienced six consecutive quarters of positive net absorption and seven consecutive quarters of vacancy decreases. The Reno retail market, however, will see even more significant improvements as the housing market and job growth trend upward.
- **Construction** - During the first quarter, there was a total of 17,900 square feet of retail space under construction. At the close of the first quarter, there was 6,900 square feet of retail space delivered. The slowdown in construction should continue to alleviate upward pressure on vacancy.
- **Vacancy** - The overall vacancy rate for the first quarter came in at 12.77%, a decrease of 7 basis points from the previous quarter and a decrease of 85 basis points compared to the previous year. Within the major submarkets, the South Virginia and the Northwest Reno submarkets performed best with vacancy rates of 5.51% and 6.45%, respectively. The West Parks submarket came in with the highest vacancy rate at 22.02%.
- **Availability** - The percentage of all space being marketed during the first quarter was 13.84% — a substantial decrease of 72 basis points from the previous quarter and a decrease of 86 basis points compared to the previous year. Of the major submarkets, the South Reno and the Northwest Reno submarkets remained strongest at 7.74% and 7.83%, respectively, while West Sparks came in as the weakest with a 22.94% availability rate.
- **Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the first quarter of 2014 was \$1.20 per square foot per month — a significant increase of four cents from the previous quarter.
- **Absorption** - The Reno retail market recorded 22,037 square feet of positive net absorption for the first quarter, giving the market almost half a million square feet of positive absorption over the past six quarters. Of the major submarkets, the Northeast Sparks submarket posted 16,602 square feet of positive net absorption, while the Douglas County submarket posted 22,443 square feet of negative net absorption.
- **Transaction Activity** - Sale and leasing transaction volume totaled 368,183 square feet for the first quarter, a decrease from the previous quarter. This statistic can have some lag time in being reported, so look for first quarter 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** - We expect vacancy to continually drop throughout 2014 since new deliveries have been kept at a minimum. The spread between vacancy and availability has tightened, which is a good indicator that the market is beginning to reflect its true state and that there is less shadow space. If Reno's retail market can continue to post positive statistics such as drops in vacancy and positive net absorption figures, lease rates will continue to rise. This may take a few quarters and relies heavily upon improvement in the housing market and employment trends.

## FORECAST

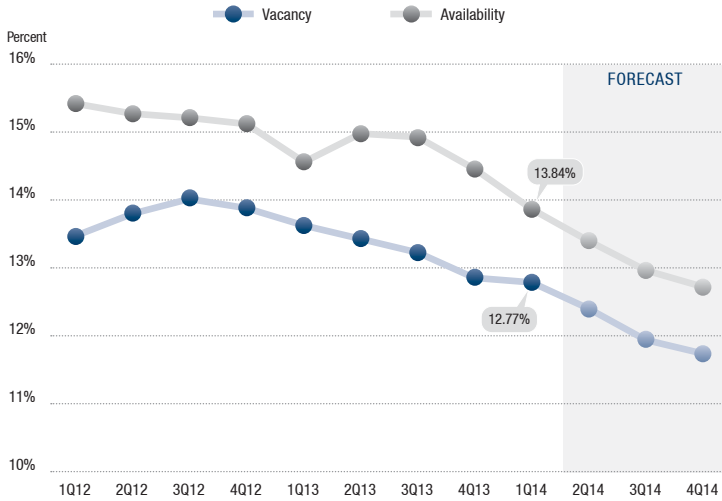
- **Employment** - We anticipate job growth of around 1.4%, or 2,800 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rate are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by 2%–4% by 2015.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 100 basis points, to around 11.75%, by 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	12.77%	12.84%	13.62%	(6.24%)
Availability Rate	13.84%	14.45%	14.56%	(4.95%)
Average Asking Lease Rate	\$1.20	\$1.18	\$1.22	(1.64%)
Sale & Lease Transactions	368,183	736,348	681,244	(45.95%)
Gross Absorption	218,830	298,719	324,701	(32.61%)
Net Absorption	22,037	144,040	111,569	N/A

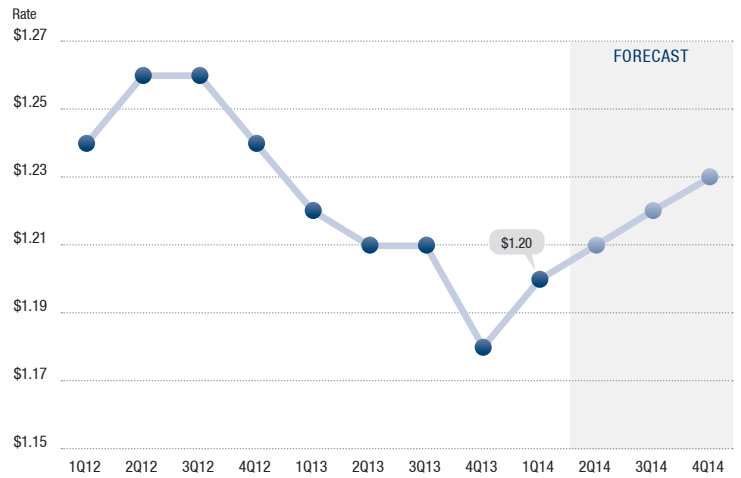
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



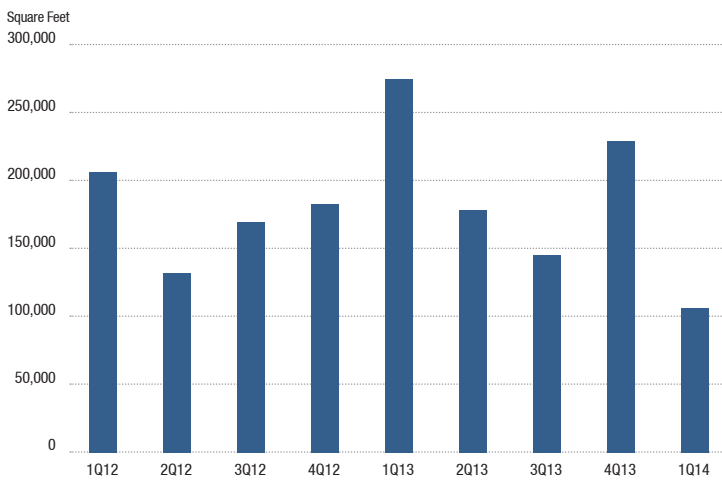
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



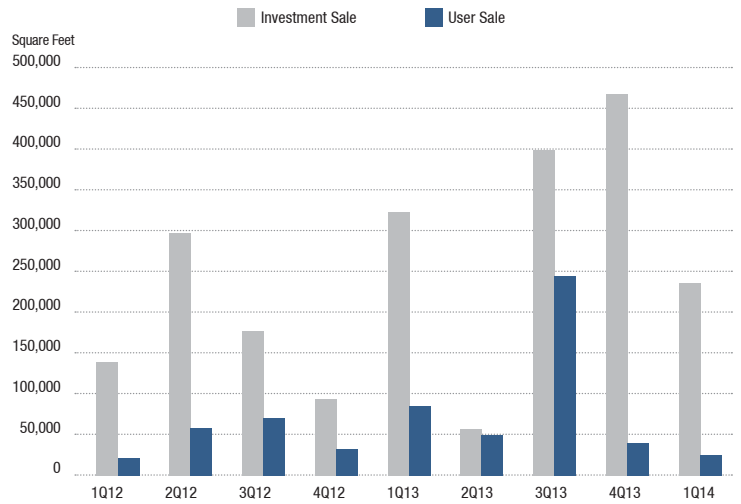
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



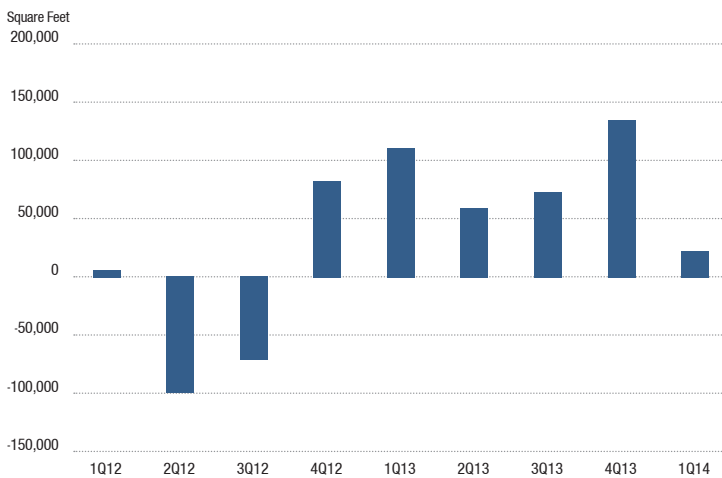
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



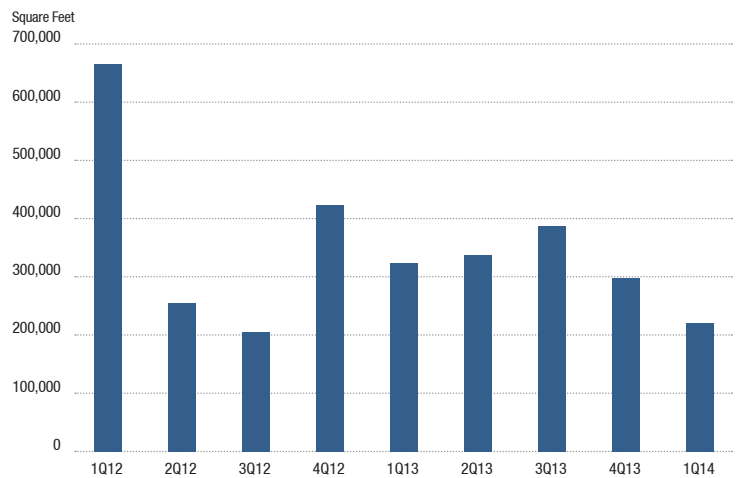
## NET ABSORPTION

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



## GROSS ABSORPTION

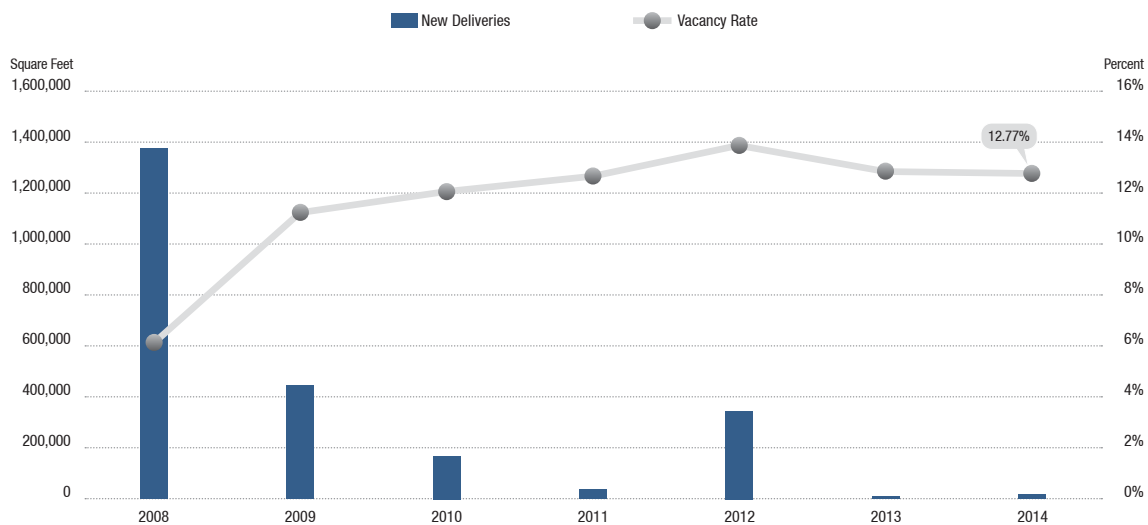
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	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</b>													
Airport Ret	31	408,232	0	53,723	42,582	10.43%	40,083	9.82%	\$1.13	(460)	(406)	1,299	5,366
Carson City County Ret	196	3,846,887	0	20,000	739,807	19.23%	762,578	19.82%	\$0.94	10,698	21,855	14,185	115,558
Douglas County Ret	134	2,180,557	0	136,000	226,569	10.39%	257,800	11.82%	\$1.19	(22,443)	39,158	14,474	87,598
Incline Village Ret	19	383,690	0	0	15,155	3.95%	15,155	3.95%	\$1.26	(3,600)	5,433	0	11,713
Kietzke Ret	138	2,199,565	0	15,000	208,633	9.49%	217,138	9.87%	\$0.99	245	11,527	6,050	60,600
Lyon County Ret	99	1,271,463	0	116,474	109,684	8.63%	145,993	11.48%	\$0.86	192	114	24,431	31,433
Meadowood Ret	163	4,387,535	0	0	517,776	11.80%	578,336	13.18%	\$1.23	12,365	80,473	21,207	227,136
N Outlying Washoe Cty Ret	2	6,959	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Valleys Ret	76	924,230	0	220,904	47,662	5.16%	49,222	5.33%	\$1.29	7,598	29,530	12,621	93,146
Northeast Reno Ret	97	556,295	0	45,000	52,664	9.47%	58,944	10.60%	\$1.62	(746)	13,313	1,750	22,040
Northeast Sparks Ret	132	2,381,017	0	152,677	356,026	14.95%	354,507	14.89%	\$1.77	16,602	47,201	17,402	104,808
Northwest Reno Ret	126	1,719,819	6,900	0	110,962	6.45%	134,665	7.83%	\$1.46	8,967	162,244	13,008	198,158
Park Lane Ret	174	1,809,519	0	337,866	376,363	20.80%	412,913	22.82%	\$0.98	(1,866)	76,252	6,339	119,249
Reno Redevelopment Ret	66	820,777	0	0	141,557	17.25%	151,773	18.49%	\$1.55	23,991	5,352	23,991	17,562
S Outlying Washoe Cty Ret	15	188,334	0	0	13,213	7.02%	13,213	7.02%	\$1.53	(4,990)	0	0	0
South Reno Ret	147	2,622,331	11,000	232,406	171,982	6.56%	203,042	7.74%	\$1.51	3,329	13,207	19,627	46,654
South Virginia Ret	214	1,161,957	0	22,070	64,077	5.51%	102,960	8.86%	\$1.19	6,411	(4,523)	11,053	37,554
Southwest Reno Ret	41	460,087	0	0	58,968	12.82%	66,637	14.48%	\$1.33	(1,930)	(19,241)	1,987	25,553
Spanish Springs Ret	88	1,727,582	0	89,379	339,936	19.68%	342,096	19.80%	\$1.26	(15,333)	(72,600)	0	32,038
Sparks Industrial Ret	44	444,740	0	3,343	44,119	9.92%	48,769	10.97%	\$0.59	(28,774)	4,791	3,426	10,587
Sparks Redevelopment Ret	104	452,098	0	0	32,424	7.17%	28,962	6.41%	\$1.11	(3,980)	(6,321)	1,856	16,146
Storey County Ret	17	84,149	0	13,000	2,676	3.18%	13,228	15.72%	\$1.00	4,500	(3,576)	4,500	4,600
West Sparks Ret	80	1,752,355	0	29,120	385,828	22.02%	402,061	22.94%	\$1.06	11,261	(18,788)	19,624	74,526
<b>Reno Market Total</b>	<b>2,203</b>	<b>31,790,178</b>	<b>17,900</b>	<b>1,486,962</b>	<b>4,058,663</b>	<b>12.77%</b>	<b>4,400,075</b>	<b>13.84%</b>	<b>\$1.20</b>	<b>22,037</b>	<b>384,995</b>	<b>218,830</b>	<b>1,342,025</b>
Malls	40	2,501,862	0	152,632	205,585	8.22%	221,001	8.83%	\$2.62	14,560	14,132	21,552	14,132
Power Centers	81	3,056,231	0	379,648	705,079	23.07%	736,929	24.11%	\$1.03	(1,616)	20,859	4,330	173,500
Shopping Centers	703	14,284,122	11,000	263,969	2,003,244	14.02%	2,179,210	15.26%	\$1.19	11,033	35,212	102,528	474,417
Specialty Centers	3	91,631	0	0	0	0.00%	0	0.00%	\$0.00	0	(4,391)	0	5,695
General Retail	1,376	11,856,332	6,900	690,713	1,144,755	9.66%	1,262,935	10.65%	\$1.14	(1,940)	319,183	90,420	674,281
<b>Reno Market Total</b>	<b>2,203</b>	<b>31,790,178</b>	<b>17,900</b>	<b>1,486,962</b>	<b>4,058,663</b>	<b>12.77%</b>	<b>4,400,075</b>	<b>13.84%</b>	<b>\$1.20</b>	<b>22,037</b>	<b>384,995</b>	<b>218,830</b>	<b>1,342,025</b>

Lease rates are on a triple-net basis.

## ANNUAL NEW DELIVERIES VS. VACANCY RATE



## MAJOR TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
7693-7699 S. Virginia St. (4 Properties)	Meadowood	26,337	\$151.87	Longley Partners, LLC	Sierra Town On Virginia, LLC
Sierra Town Center 6865 Sierra Center Pkwy.	Meadowood	44,883	\$50.69	Rocks Consign Furniture, LLC	Security Management, Inc.
105 Jackdaw Ln.	Washoe Valley	4,400	\$479.09	DL Lakeshore, LLC	Rumsey Development
10300 S. Virginia St.	South Reno	6,000	\$203.75	PLWLI, LLC	Joseph E. Trombley
1600 Victorian Ave.	Sparks Redevelopment	2,136	\$561.80	Jackson Food Stores, Inc.	Park Avenue Realty, LLC

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Plaza 50 Shopping Center 2010-2290 E. Williams	Carson City County	24,570	May-14	99 Cent Only	The Hone Company
607 S. Main St.	Lyon County	6,464	Mar-14	Undisclosed	Action Associates, Inc.
892-900 W. 5th St.	Northwest Reno	6,375	May-14	Title Loans	Spartan Apartments, LLC
Former National Restaurant 3205 Retail Dr.	Carson City County	5,998	Apr-14	Undisclosed	Bernhard Family Trust
Frontier Plaza 1901-1947 N. Carson St.	Carson City County	5,000	Feb-14	Undisclosed	North Carson Street, 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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