



MARKET CHANGE

Compared to Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



HIGHLIGHTS

- **Market Status** - Reno's office market reflected even greater stability at the close of the first quarter of 2015, as the overall vacancy and availability rates decreased. The current vacancy rate of 13.65% is the lowest seen since 2008. Given the combination of these positive factors, this market is moving quickly toward a full recovery.
- **Construction** - There were no office buildings under construction or delivered in the Reno office market at the end of the first quarter. Nonetheless, there is currently over 550,000 square feet of proposed office development. The lack of new development will allow vacancy rates to further stabilize in future quarters.
- **Vacancy** - The market's vacancy rate for the first quarter decreased by three basis points to finish the quarter at 13.65%, which is the lowest rate since 2008. The vacancy rate is 66 basis points lower than it was one year ago. Within the major submarkets, the Meadowood and South Meadows submarkets performed best with vacancy rates of 10.90% and 12.12%, while the Sparks submarket had one of the highest vacancy rates of 16.57%.
- **Availability** - The percentage of total space being marketed at the end of the first quarter was 16.31%, which is 21 basis points lower from the previous quarter. Within the major submarkets, the Meadowood and Downtown submarkets looked best at 14.25% and 14.77%, while the Sparks submarket lagged behind with an availability rate of 20.41%.
- **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 \$1.49 per square foot per month, which was a \$0.01 decrease from the previous quarter. The region's highest average asking rate within the major submarkets, was \$1.68 in the South Meadows submarket, while the lowest was \$0.89 in the Sparks submarket. Lease rates in Class A space remained at \$1.83 per square foot per month, Class B dropped to \$1.47 while lease rates in Class C buildings remained stable at 41.30 when compared to last quarter.
- **Absorption** - The Reno office market posted positive net absorption of 4,378 square feet for the first quarter of 2015. Within the major submarkets, the North Valleys and Downtown submarkets posted the highest positive net absorption numbers at 12,387 square feet and 10,193 square feet. The South Meadows submarket, on the other hand, had the highest negative absorption of 23,884 square feet.
- **Transaction Activity** - Total square footage of lease and sale transaction volume decreased from the previous quarter to 252,701 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 fourth quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 7.4% in January 2015, down from 8.8% in January 2014. This compares with an unemployment rate of 7.1% for Nevada and 5.8% for the nation during the same period.
- **Overall** - Reno's office market remained stable this quarter in comparison to last quarter as vacancy further decreased, net absorption was positive and lease rates decreased by one cent. Reno offers 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 14.02% 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 above 2%, or 4,000 jobs, in the Reno/Sparks area in 2015. The occupational groups with the fastest growth rates are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by 1% to 3% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 45 basis points, to around 13.2%, by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	13.65%	13.68%	14.31%	(4.61%)
Availability Rate	16.31%	16.52%	16.72%	(2.45%)
Average Asking Lease Rate	\$1.49	\$1.50	\$1.47	1.36%
Sale & Lease Transactions	252,701	477,849	388,493	(34.95%)
Gross Absorption	177,216	285,997	231,535	(23.46%)
Net Absorption	4,378	71,815	(53,528)	N/A

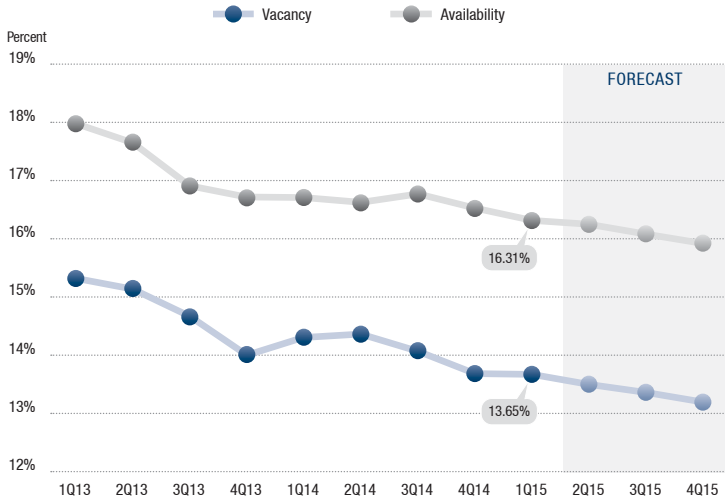
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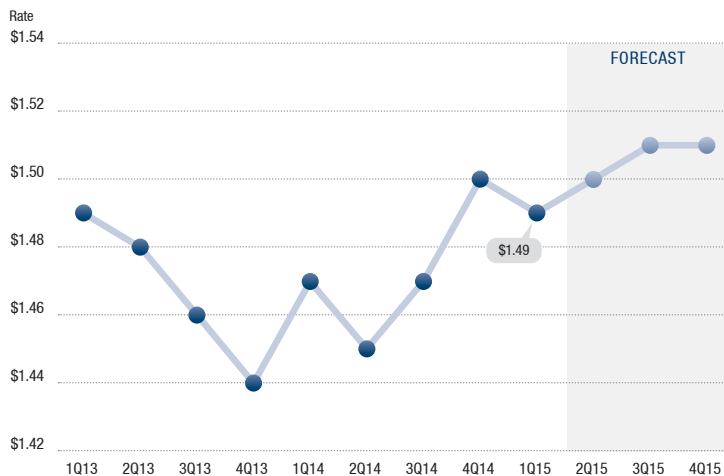
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



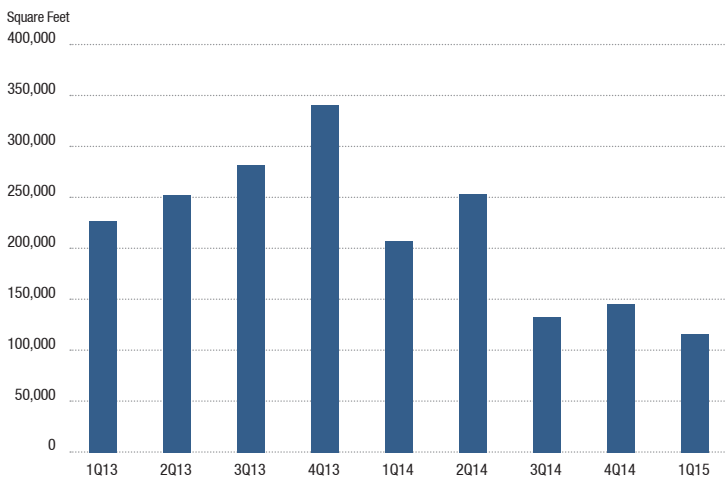
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



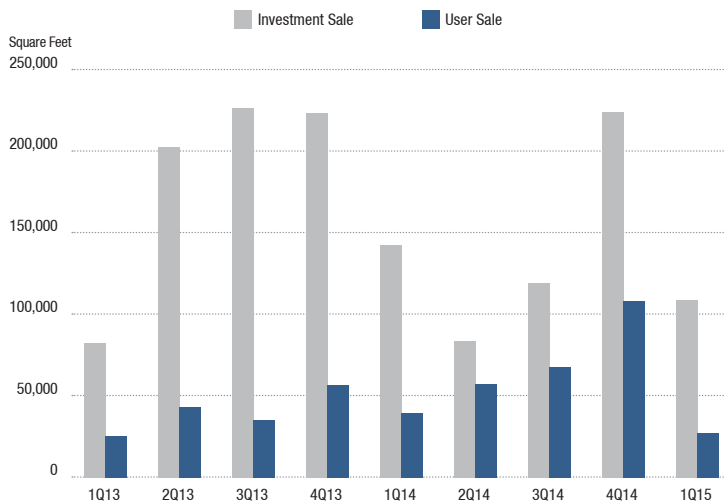
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



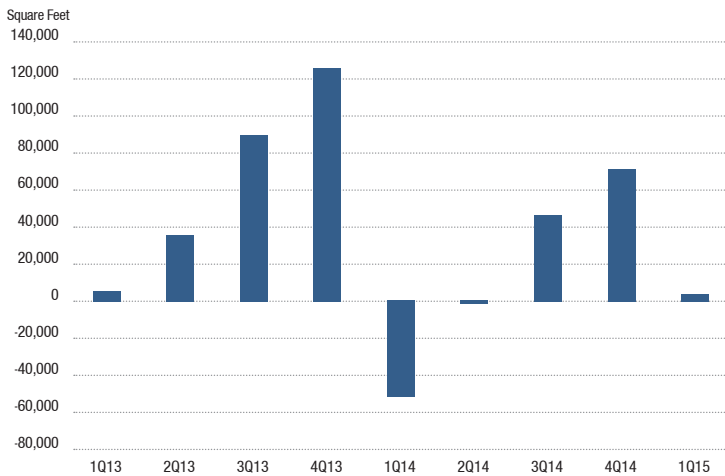
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



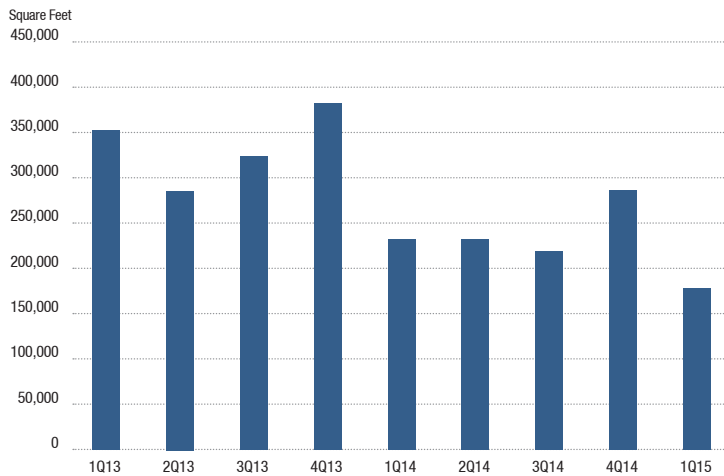
NET ABSORPTION

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

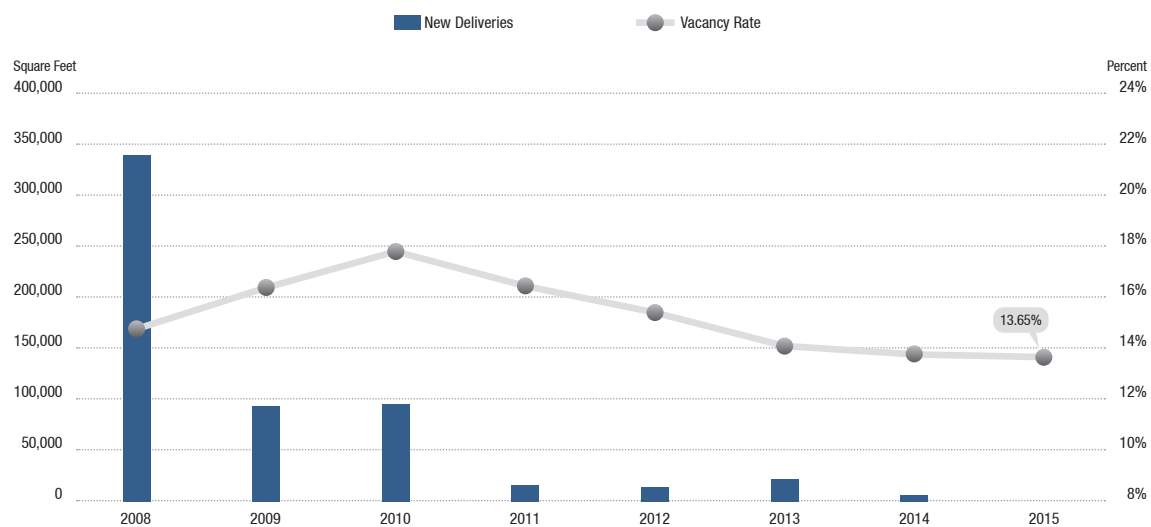


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Reno Market Total													
Carson City County	190	2,168,259	0	16,000	309,857	14.29%	333,714	15.39%	\$1.11	3,818	25,796	22,433	106,445
Central/Airport	249	2,820,279	0	14,392	422,748	14.99%	479,812	17.01%	\$1.16	1,065	(28,063)	33,849	135,610
Douglas County	65	538,279	0	6,545	92,414	17.17%	99,105	18.41%	\$1.22	(1,281)	(12,081)	1,719	26,487
Downtown	334	4,246,805	0	30,553	557,911	13.14%	627,433	14.77%	\$1.65	10,193	(6,576)	50,087	188,000
Incline Village	33	339,393	0	0	57,426	16.92%	66,739	19.66%	\$1.68	(1,285)	(14,838)	0	18,683
Lyon County	40	203,050	0	12,000	38,903	19.16%	43,903	21.62%	\$0.00	1,300	6,008	1,300	10,153
Meadowood	191	3,216,320	0	279,036	350,532	10.90%	458,260	14.25%	\$1.62	6,274	28,668	34,425	184,263
North Outlying Washoe County	4	98,132	0	0	32,716	33.34%	32,716	33.34%	\$0.00	(1,121)	8,493	0	8,493
North Valleys	22	139,468	0	0	0	0.00%	2,765	1.98%	\$1.63	12,387	5,987	12,387	5,987
South Outlying Washoe County	21	198,580	0	0	7,738	3.90%	7,738	3.90%	\$1.45	0	6,999	0	14,071
South Meadows	180	2,355,139	0	170,016	285,433	12.12%	428,801	18.21%	\$1.68	(23,884)	30,560	19,729	178,052
Sparks	168	1,187,522	0	0	196,795	16.57%	242,398	20.41%	\$0.89	(3,088)	12,892	1,287	58,589
Storey County	3	30,408	0	24,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	43	355,462	0	0	91,287	25.68%	95,487	26.86%	\$0.00	0	(5,909)	0	14,120
Reno Market Total	1,543	17,897,096	0	552,542	2,443,760	13.65%	2,918,871	16.31%	\$1.49	4,378	57,936	177,216	948,953

Class A	20	1,549,756	0	102,000	217,221	14.02%	279,617	18.04%	\$1.83	1,027	4,672	1,027	67,869
Class B	743	10,233,291	0	450,542	1,428,674	13.96%	1,641,993	16.05%	\$1.47	(2,579)	11,234	102,224	528,487
Class C	780	6,114,049	0	0	797,865	13.05%	997,261	16.31%	\$1.30	5,930	42,030	73,965	352,597
Reno Market Total	1,543	17,897,096	0	552,542	2,443,760	13.65%	2,918,871	16.31%	\$1.49	4,378	57,936	177,216	948,953

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
MountainView Corporate Centre 5470 Kietzke Lane + 5.5 Acres	Meadowood	A	55,049	\$170.36	McKenzie Properties	Templeton Group
10345 Professional Circle	South Meadows	A	59,602	\$159.39	NevDex Properties	Jim Chance
500 Damonte Ranch Parkway	South Meadows	B	8,030	\$238.85	Drake Family Trust	South Meadows Ents, LLC
6778 S. McCarren Boulevard	Meadowood	B	9,672	\$124.07	Brookfield School	Ribeiro Family Trust
231 Flint Street	Downtown	C	5,901	\$177.94	Decamilla Family Trust	TGR-SG1, LLC

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
Mutual of Omaha Building 6275 Neil Road	Meadowood	B	27,000	Feb-2015	Coral Academy of Science	Business Properties Group
615 Riverside Drive	Downtown	C	7,839	Feb-2015	Undisclosed	R & R Advertising, LLC
Bank of America Building 5905 S. Virginia Street	Meadowood	B	5,494	Feb-2015	Koch Industries	Cypress Management
3427 Goni Road	Carson City	B	5,300	Mar-2015	Undisclosed	Pearce Family, LLC
RTTC Town Center 10345 Professional Circle	South Meadows	A	5,283	Mar-2015	Undisclosed	NevDex Properties

PRODUCT TYPE

CLASS A

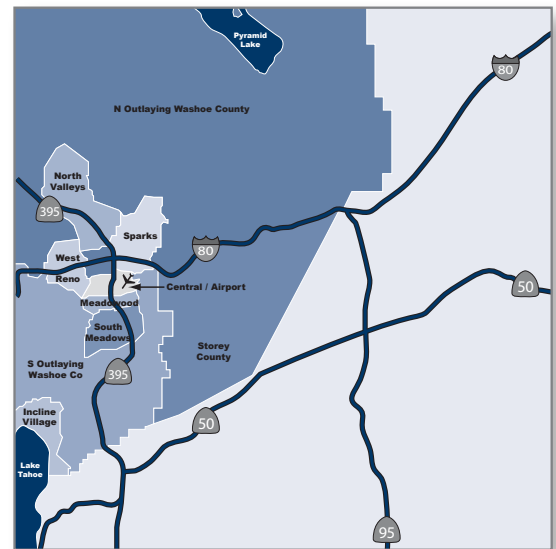
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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.



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