

FIRST QUARTER 2015

RENO

RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

DOWN



Transactions

DOWN



Deliveries

UP



HIGHLIGHTS

- **Market Status** - Reno's retail market is stabilizing as vacancy rates have further decreased at the close of the first quarter of 2015. The Reno retail market is slowly but steadily moving toward a recovery, which will be even more apparent as the housing market and job growth continue to trend upward.
- **Construction** - During the first quarter, one project was under construction; however, there is currently 1.7 million square feet of planned retail space. At the close of 2014, there was a little over 101,000 square feet of delivered space for the year. The lack of new construction should continue to put downward pressure on vacancy rates.
- **Vacancy** - The overall vacancy rate for the first quarter came in at 11.83%, a decrease of one basis point compared to the previous quarter and a decrease of 23 basis points compared to the previous year. Within the major submarkets, the Northwest Reno and the South Virginia submarkets performed best with vacancy rates of 6.20% and 5.44%, respectively. The West Parks submarket came in with the highest vacancy rate at 22.26%.
- **Availability** - The percentage of all space being marketed at the close of the first quarter was 12.97% — a decrease of 3 basis points from the previous year. Of the major submarkets, the Northwest Reno and the South Virginia submarkets remained strongest at 6.94% and 6.53%, respectively, while the Park Lane submarket came in as the weakest of all major submarkets at 24.57% availability.
- **Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the first quarter of 2015 was \$1.18 per square foot per month, which was a \$0.02 decrease from the previous year. Lease rates have remained relatively flat and the average asking triple net

lease rate is projected to increase one percent to \$1.19 by the second quarter of 2015.

- **Absorption** - The Reno retail market recorded 3,928 square feet of positive net absorption for the first quarter. Of the major submarkets, the Meadowood submarket and the North Valleys submarkets posted positive net absorption at 41,955 square feet and 16,258 square feet, respectively. The Douglas County submarket, however, posted 26,612 square feet of negative net absorption.
- **Transaction Activity** - Sale and leasing transaction volume totaled just over 316,000 square feet for the first quarter and just over 1.5 million square feet for 2014. 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 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** - We expect vacancy to continually drop throughout 2015 since new deliveries have been kept at a minimum. The spread between vacancy and availability has continued to tighten, which is a good indicator that the market is beginning to reflect its true state and that less shadow space is available. If Reno's retail market continues to post positive statistics, such as drops in vacancy and positive net absorption figures, lease rates will rise as well. This may take a few quarters, and it relies heavily upon improvement in the housing market and employment trends.

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 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to decrease, albeit minimally, dropping to around 11.3% by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	11.83%	11.84%	12.06%	(1.91%)
Availability Rate	12.97%	13.22%	13.00%	(0.23%)
Average Asking Lease Rate	\$1.18	\$1.18	\$1.20	(1.67%)
Sale & Lease Transactions	316,764	413,111	313,243	1.12%
Gross Absorption	232,746	308,663	271,270	(14.20%)
Net Absorption	3,928	(9,565)	84,728	N/A

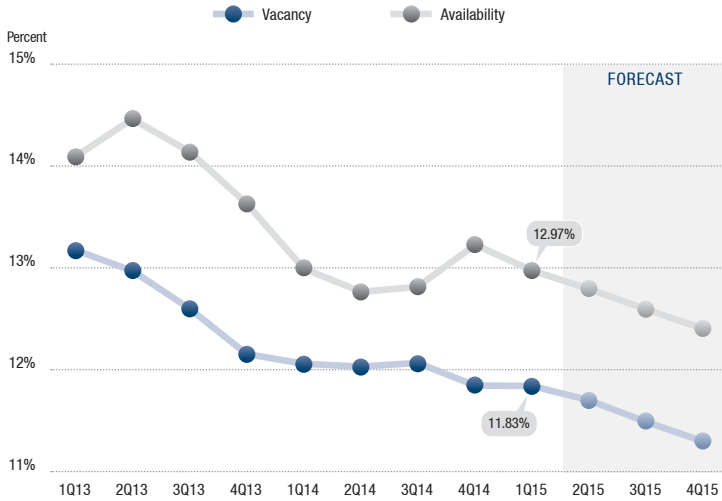
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Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com
VOIT Real Estate Services

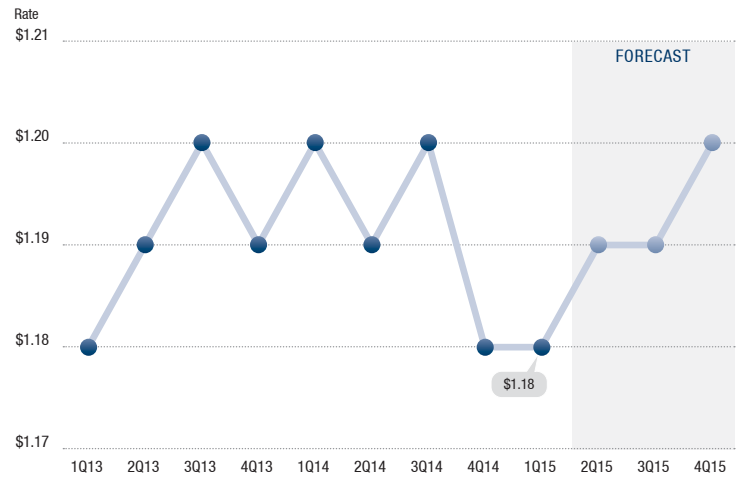
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



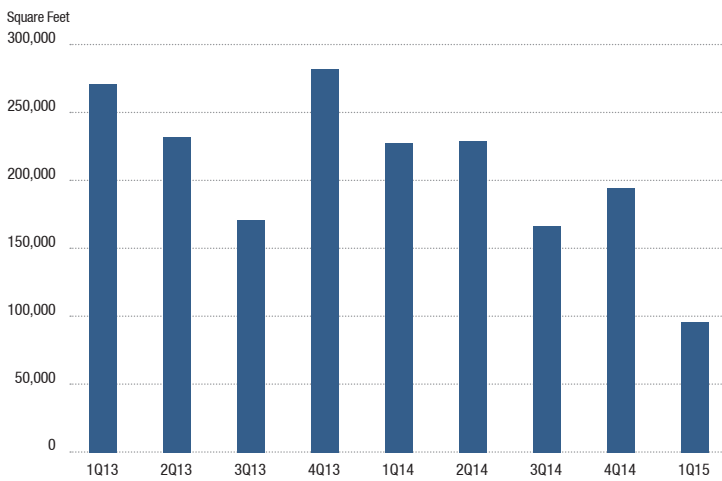
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



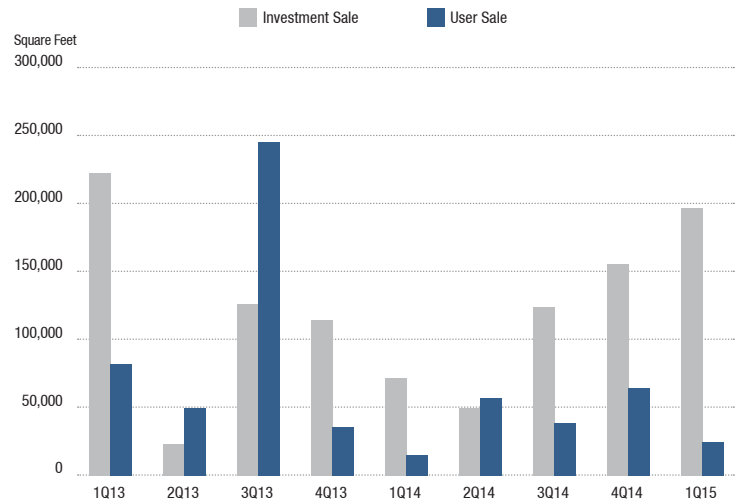
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



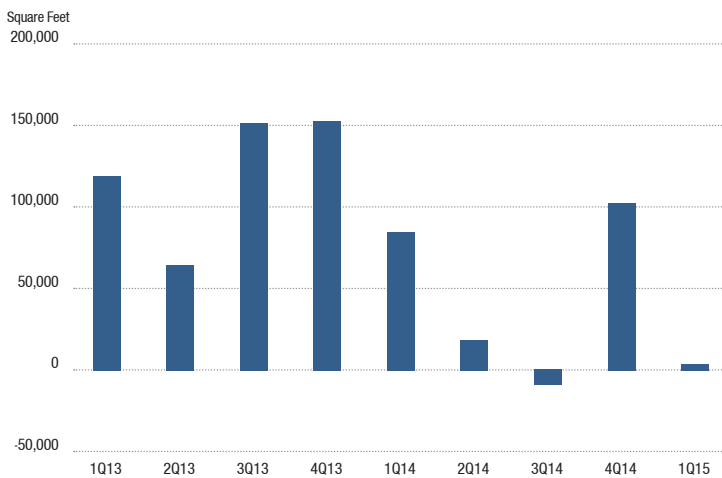
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



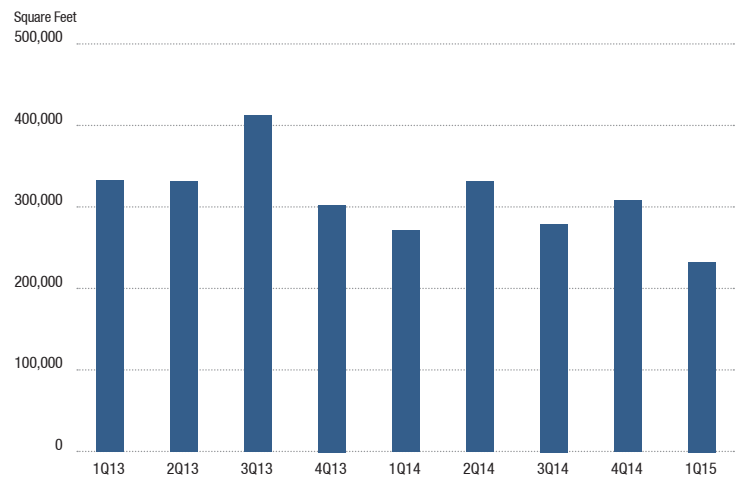
NET ABSORPTION

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



GROSS ABSORPTION

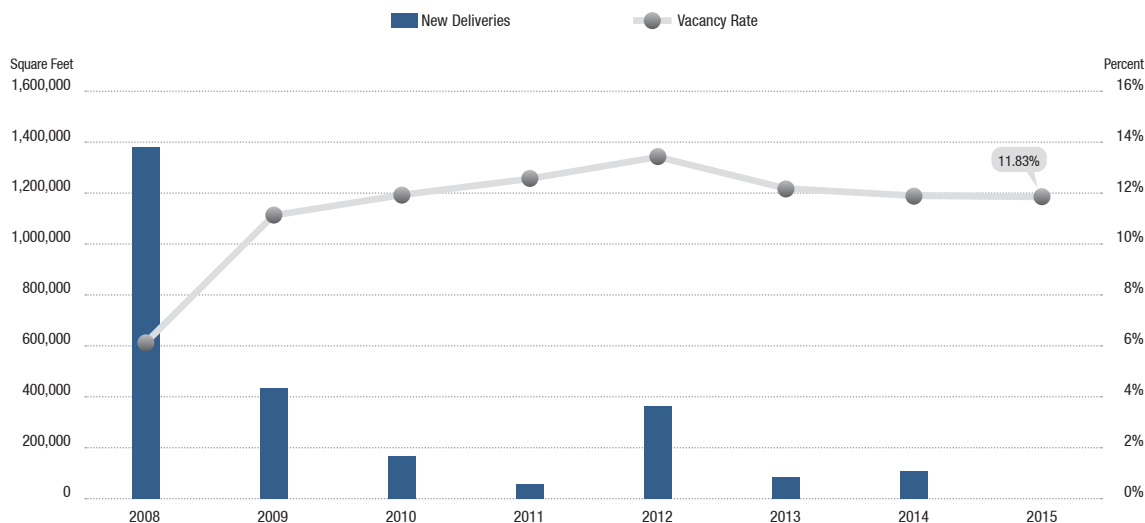
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 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													
Airport Ret	31	408,201	0	3,200	56,914	13.94%	56,914	13.94%	\$1.23	1,770	(16,562)	3,000	8,400
Carson City County Ret	205	3,714,108	0	20,000	666,237	17.94%	746,646	20.10%	\$0.90	(7,090)	31,130	21,091	160,380
Douglas County Ret	149	2,269,927	0	136,000	234,156	10.32%	288,603	12.71%	\$1.13	(26,612)	12,142	30,299	89,520
Incline Village Ret	22	414,832	0	0	13,921	3.36%	13,921	3.36%	\$2.27	0	(1,866)	0	7,064
Kietzke Ret	137	2,205,352	0	15,000	212,671	9.64%	218,991	9.93%	\$0.87	0	(5,993)	2,185	39,306
Lyon County Ret	113	1,375,594	0	116,474	91,205	6.63%	135,551	9.85%	\$0.83	(1,519)	40,118	7,288	76,702
Meadowood Ret	161	4,352,188	0	250,000	355,041	8.16%	369,275	8.48%	\$1.67	41,955	123,176	50,312	238,834
N Outlying Washoe Cty Ret	2	7,203	0	0	0	0.00%	0	0.00%	\$0.00	2,368	(2,368)	2,368	0
North Valleys Ret	82	987,147	0	241,046	49,420	5.01%	59,565	6.03%	\$1.34	16,258	10,912	16,258	21,403
Northeast Reno Ret	104	601,991	0	45,000	52,942	8.79%	66,068	10.97%	\$1.56	(6,155)	8,431	0	18,799
Northeast Sparks Ret	133	2,387,638	0	152,677	341,820	14.32%	341,267	14.29%	\$2.00	(5,764)	29,670	9,245	59,678
Northwest Reno Ret	128	1,721,749	0	0	106,718	6.20%	119,560	6.94%	\$1.57	(2,232)	22,843	28,263	55,085
Park Lane Ret	174	1,702,893	0	338,256	362,802	21.31%	418,476	24.57%	\$1.05	(11,075)	(26,018)	11,619	54,009
Reno Redevelopment Ret	68	945,332	0	0	115,470	12.21%	125,686	13.30%	\$1.37	3,831	20,247	7,343	34,792
S Outlying Washoe Cty Ret	14	183,344	0	0	8,223	4.49%	8,223	4.49%	\$1.53	0	(4,990)	0	0
South Reno Ret	148	2,573,301	0	201,400	181,257	7.04%	199,547	7.75%	\$1.63	3,819	15,108	15,668	177,936
South Virginia Ret	222	1,165,486	2,800	53,954	63,388	5.44%	76,161	6.53%	\$1.30	(5,234)	2,688	8,455	32,384
Southwest Reno Ret	40	441,436	0	0	44,733	10.13%	49,225	11.15%	\$1.30	207	12,098	7,413	29,248
Spanish Springs Ret	88	1,722,682	0	89,379	349,831	20.31%	366,224	21.26%	\$1.24	(506)	(24,871)	6,514	49,430
Sparks Industrial Ret	44	449,989	0	3,343	44,295	9.84%	27,060	6.01%	\$0.92	(3,818)	(24,632)	500	12,145
Sparks Redevelopment Ret	105	455,615	0	0	34,739	7.62%	41,875	9.19%	\$0.63	4,925	(16,925)	4,925	7,073
Storey County Ret	18	89,645	0	0	1,200	1.34%	9,912	11.06%	\$0.00	(1,200)	7,676	0	7,676
West Sparks Ret	79	1,738,349	0	78,297	386,878	22.26%	399,223	22.97%	\$1.09	0	3,586	0	46,888
Reno Market Total	2,267	31,914,002	2,800	1,744,026	3,773,861	11.83%	4,137,973	12.97%	\$1.18	3,928	215,600	232,746	1,226,752
Malls	39	2,405,496	0	189,832	181,071	7.53%	199,143	8.28%	\$2.63	(3,502)	19,234	4,562	37,889
Power Centers	81	3,056,231	0	376,838	587,013	19.21%	600,387	19.64%	\$0.99	6,393	110,057	14,958	157,032
Shopping Centers	698	14,020,257	0	320,237	1,981,000	14.13%	2,093,930	14.94%	\$1.17	13,304	(44,004)	172,812	522,103
Specialty Centers	3	91,631	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
General Retail	1,446	12,340,387	2,800	857,119	1,024,777	8.30%	1,244,513	10.08%	\$1.09	(12,267)	130,313	40,414	509,728
Reno Market Total	2,267	31,914,002	2,800	1,744,026	3,773,861	11.83%	4,137,973	12.97%	\$1.18	3,928	215,600	232,746	1,226,752

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
10525 Stead Blvd.	North Valleys	8,320	\$235.58	Albers Incorporated	R & P Byers Bypass Trust
9748 S. Virginia St.	South Reno	10,880	\$108.27	Ingram Clark Properties, LLC	J & J Real Properties, LLC
3615 Lakeside Dr.	Park Lane	7,358	\$128.43	Lakeside Drive, LLC	KC Propco, LLC
12155 Interstate 80 East	N. Outlying Washoe County	2,368	\$384.29	Sunrinder Preet	Bellann Raile
818-822 S. Virginia St.	South Virginia	9,660	\$81.57	Celadon Select Investments, LLC	Lee Tae S. & Emiko

Lease Transactions

Property Address	Submarket	Square Feet	Projected Opening Date	Tenant	Owner
109 E. Glendale Ave.	Sparks	30,400	Feb-2015	Undisclosed	Dermody Family
Damonte Ranch Town Center 1101 Steamboat Parkway, Bldg. 6	South Reno	5,540	Jan-2015	Flex Appeal	Lewis Group of Companies
4630 US Highway 50 East	Carson City	4,166	Mar-2015	Carson City Auction Company	50 Commerce Center, LLC
Caughlin Ranch 4782-4788 Caughlin Pkwy.	Southwest Reno	4,000	Feb-2015	Anytime Fitness	Kimco Realty
Plaza 50 Shopping Center 2010-2290 E. Williams	Carson City	3,207	Mar-2015	Thick Slice Pizza Company	The Hone Company

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

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