



## Retail Market Report

Compared to the Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates



UP

Transactions

DOWN



Deliveries

DOWN



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### Market Highlights

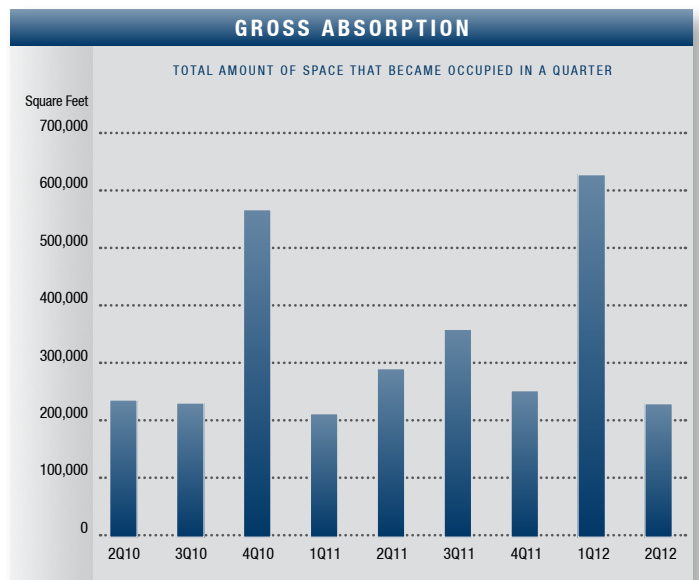
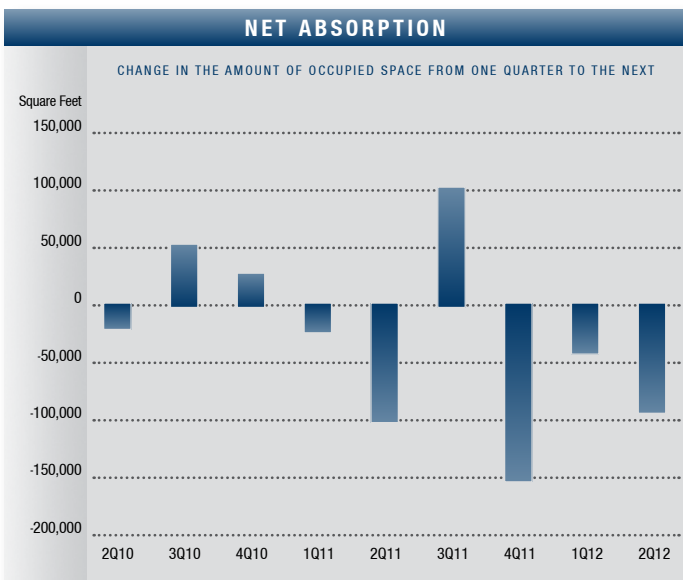
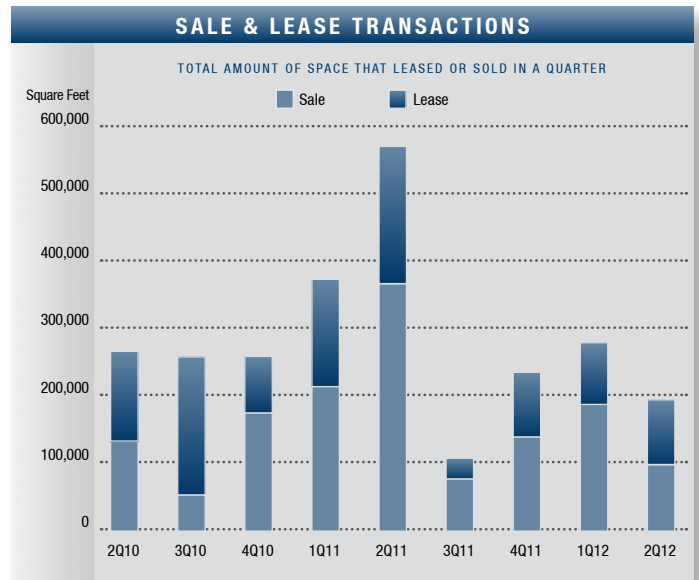
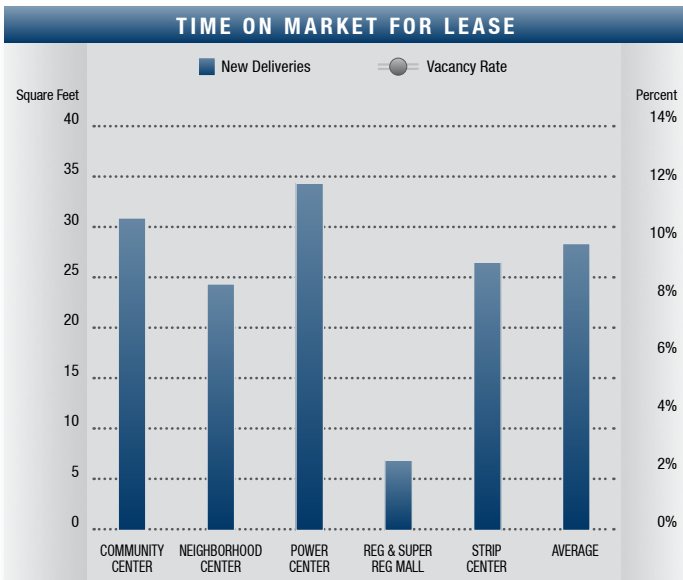
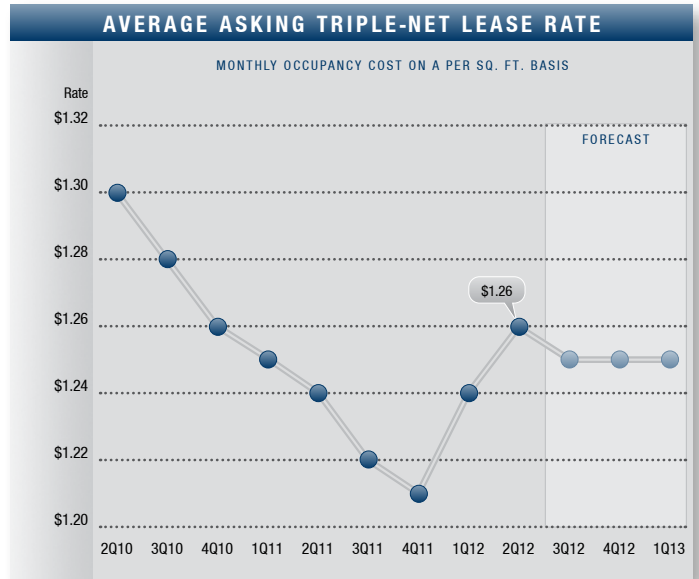
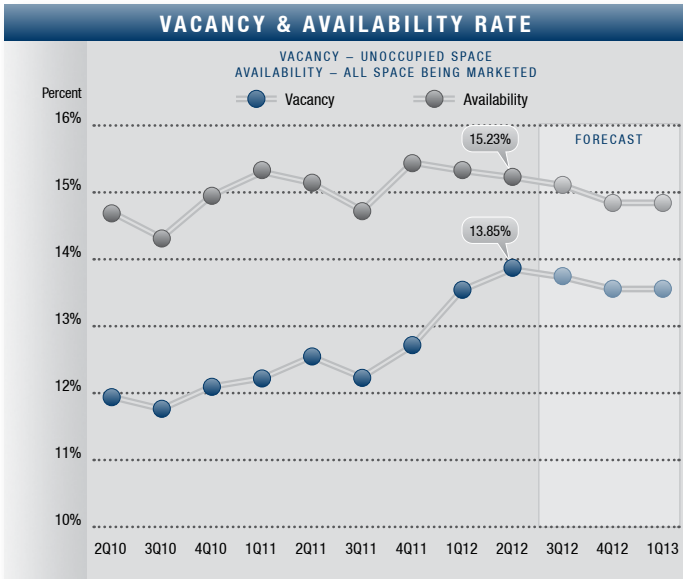
- Market Status** - Reno's retail market continued its progression towards stabilization during the second quarter of 2012. Vacancy ticked up only minimally, while availability went down. Sales and leasing activity remained low in the second quarter of 2012, in comparison to 2011; however the numbers for the quarter have yet to fully come in. While many fundamentals point towards stabilization, the housing market and job growth remain a drag on Reno's local economy, and both need to show promise for solid improvement in the retail market.
- Construction** - Currently, there are no retail properties under construction in the Reno/Sparks area. There were two properties, Lowe's at Legends at Sparks Marina and Walmart at 250 Vista Knoll Pkwy., delivered during the first quarter of 2012 and totaling 255,230 square feet.
- Vacancy** - The overall vacancy rate came in at 13.85%, an increase of 29 basis points since first quarter of 2012 and 113 basis points since year-end 2011. Within the major submarkets, the South Reno and South Virginia submarkets performed best with vacancy rates of 5.18% and 6.92%, respectively. The Park Lane submarket came in with the highest vacancy rate at 23.65%.
- Availability** - The percentage of all space being marketed was 15.23% in the second quarter of 2012 — a drop of 13 basis points from the previous quarter and 21 basis points from year-end 2011. Similar to vacancy, the South Reno and South Virginia submarkets remained strongest, posting the lowest availability rates, while Park Lane came in as the weakest of all major submarkets.
- Lease Rates** - The average asking triple-net lease rate in the Reno retail market was \$1.26 per square foot per month in the second quarter of 2012 — an increase of \$0.02 from the previous quarter and \$0.05 from year-end 2011. Within the major submarkets, the highest average asking rate was \$1.56 in both Northeast Sparks and South Reno, while the region's lowest asking rates were found

in the South Virginia and Kietzke submarkets at \$0.93 and \$0.97, respectively. We are forecasting that the average lease rate for all submarkets will stay around \$1.25 for the near future.

- Absorption** - The Reno retail market posted 93,107 square feet of negative net absorption for the second quarter of 2012. Within the major submarkets, Douglas County and Northeast Sparks recorded 17,292 and 13,731 square feet, respectively, of positive net absorption, while Meadowood posted a large negative net absorption figure of 60,644 square feet.
- Transaction Activity** - Sale and leasing transaction volume totaled 191,740 square feet. Though this was a smaller figure, typically, this statistic does have some lag time to post final numbers, so look for the second quarter numbers to end up around 250,000 square feet. Details of the largest transactions for the second quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 11.5% in May 2012, up from 11.4% in April 2012 and down from 12.9% in May 2011. This compares with an unemployment rate of 11.6% for Nevada and 7.9% for the nation during the same period.
- Overall** - We expect that vacancy will remain around the mid-13% and availability rates at 15%. The market has begun to show signs of solid stability and should remain in its current condition for a year or two. However, there has been a positive fundamental trend occurring over the past few quarters: availability rates have been decreasing, while vacancy rates have been only increasing slightly. This indicates that shadow space has come on to the market and should keep the region from any unpleasant vacancy surprises in the near future. However, consumer spending will always be directly correlated with job growth and the housing marketing, so until those both improve, Reno's retail market will remain stagnant.

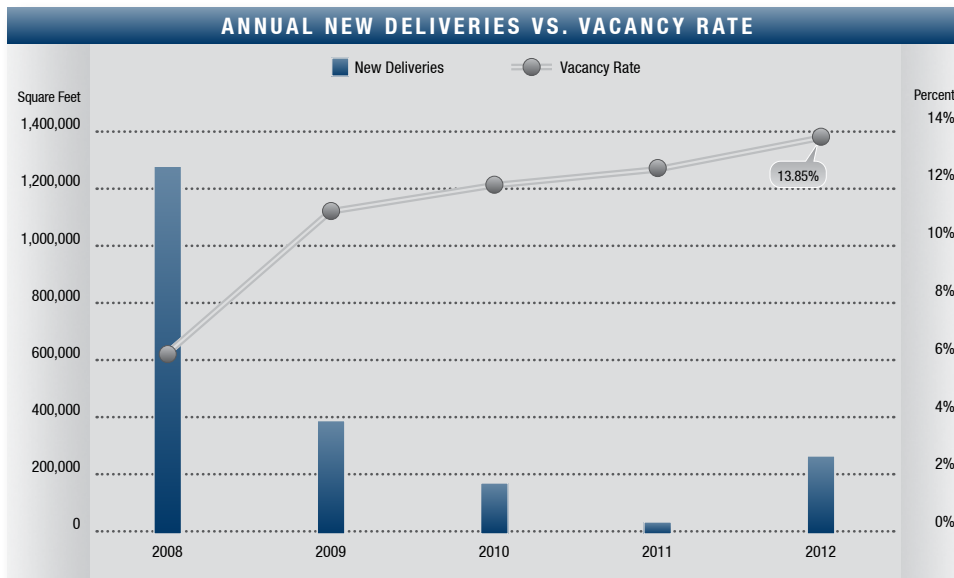
### RETAIL MARKET OVERVIEW

	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Total Vacancy Rate	13.85%	13.56%	12.56%	10.27%
Availability Rate	15.23%	15.36%	15.15%	0.53%
Average Asking Lease Rate	\$1.26	\$1.24	\$1.24	1.61%
Sale & Lease Transactions	191,740	377,055	567,817	(66.23%)
Gross Absorption	226,505	625,980	289,282	(21.70%)
Net Absorption	(93,107)	(42,294)	(100,306)	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 2Q2012	Square Feet Available	Availability Rate 2Q2012	Average Asking Lease Rate	Net Absorption 2Q2012	Net Absorption 2012	Gross Absorption 2Q2012	Gross Absorption 2012
<b>Reno Market</b>													
Airport Ret	30	393,742	0	53,723	43,014	10.92%	43,014	10.92%	\$1.38	(6,672)	(8,666)	4,800	6,544
Carson City County Ret	170	3,747,566	0	25,926	772,943	20.63%	857,274	22.88%	\$1.02	(3,007)	19,614	12,635	65,692
Douglas County Ret	115	2,091,022	0	31,363	217,198	10.39%	237,132	11.34%	\$1.41	17,292	27,165	20,227	65,008
Incline Village Ret	14	330,534	0	0	15,788	4.78%	15,788	4.78%	\$0.50	(537)	563	301	1,401
Kietzke Ret	139	2,209,904	0	0	225,492	10.20%	224,046	10.14%	\$0.97	(26,145)	18,232	7,202	72,460
Lyon County Ret	76	1,086,992	0	854,935	116,021	10.67%	145,983	13.43%	\$1.01	(20,673)	(30,081)	0	6,282
Meadowood Ret	168	4,422,087	0	0	604,648	13.67%	682,816	15.44%	\$1.20	(60,644)	(117,927)	23,112	63,633
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	68	882,575	0	791,254	48,185	5.46%	96,389	10.92%	\$1.30	4,117	161,652	5,617	168,588
Northeast Reno Ret	95	556,989	0	38,000	68,312	12.26%	86,588	15.55%	\$1.33	5,323	11,343	15,400	22,787
Northeast Sparks Ret	123	2,311,997	0	260,359	393,578	17.02%	423,456	18.32%	\$1.56	13,731	74,590	38,215	169,809
Northwest Reno Ret	121	1,715,517	0	135,800	278,339	16.22%	302,267	17.62%	\$1.39	(143)	96	11,023	30,636
Park Lane Ret	178	1,813,071	0	345,866	428,759	23.65%	444,677	24.53%	\$1.04	(1,136)	(43,117)	13,194	22,461
Reno Redevelopment Ret	65	975,085	0	0	163,243	16.74%	171,463	17.58%	\$1.52	(7,336)	(22,381)	9,890	12,788
S Outlying Washoe Cty Ret	10	162,385	0	0	12,054	7.42%	12,054	7.42%	\$1.53	0	0	0	0
South Reno Ret	143	2,735,216	0	184,700	141,800	5.18%	161,465	5.90%	\$1.56	(20,657)	(26,880)	15,389	53,572
South Virginia Ret	211	1,138,249	0	0	78,751	6.92%	88,397	7.77%	\$0.93	(15,633)	(29,924)	7,219	11,712
Southwest Reno Ret	36	447,782	0	0	42,857	9.57%	54,893	12.26%	\$1.45	1,976	(5,709)	3,842	8,628
Spanish Springs Ret	85	1,677,560	0	163,718	235,734	14.05%	244,607	14.58%	\$1.61	14,976	41	17,411	35,693
Sparks Industrial Ret	42	435,946	0	3,343	17,636	4.05%	27,386	6.28%	\$1.64	(5,072)	(4,419)	0	1,997
Sparks Redevelopment Ret	105	447,854	0	0	35,133	7.84%	41,633	9.30%	\$1.16	0	(506)	0	1,956
Storey County Ret	10	50,215	0	199,200	1,600	3.19%	1,600	3.19%	\$1.15	9,679	9,679	9,679	9,679
West Sparks Ret	77	1,730,938	0	29,120	402,811	23.27%	413,564	23.89%	\$1.33	7,454	(168,766)	11,349	21,159
<b>Reno Market Total</b>	<b>2,082</b>	<b>31,368,061</b>	<b>0</b>	<b>3,117,307</b>	<b>4,343,896</b>	<b>13.85%</b>	<b>4,776,492</b>	<b>15.23%</b>	<b>\$1.26</b>	<b>(93,107)</b>	<b>(135,401)</b>	<b>226,505</b>	<b>852,485</b>
Malls	21	1,858,810	0	260,359	162,839	8.76%	196,417	10.57%	\$1.82	0	50,795	0	103,000
Power Centers	81	3,024,756	0	384,448	704,395	23.29%	752,667	24.88%	\$1.23	(68,936)	(90,548)	24,726	50,975
Community Centers	215	6,854,071	0	190,526	1,130,884	16.50%	1,196,613	17.46%	\$1.18	5,215	(46,916)	46,346	122,003
Neighborhood Centers	175	4,264,416	0	767,517	366,655	8.60%	444,299	10.42%	\$1.44	6,159	(26,535)	15,628	72,026
Strip Centers	293	3,094,298	0	238,916	564,126	18.23%	608,725	19.67%	\$1.35	(9,224)	(422)	50,935	119,630
Specialty Centers	20	689,683	0	0	20,935	3.04%	20,935	3.04%	\$0.00	(14,000)	(20,935)	0	0
General Retail	1,277	11,582,027	0	1,275,541	1,394,062	12.04%	1,556,836	13.44%	\$0.98	(12,321)	(840)	88,870	384,851
<b>Reno Market Total</b>	<b>2,082</b>	<b>31,368,061</b>	<b>0</b>	<b>3,117,307</b>	<b>4,343,896</b>	<b>13.85%</b>	<b>4,776,492</b>	<b>15.23%</b>	<b>\$1.26</b>	<b>(93,107)</b>	<b>(135,401)</b>	<b>226,505</b>	<b>852,485</b>

Lease rates are on a triple-net basis.



## RECENT TRANSACTIONS

## Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
210 N. Sierra St.	Reno Redevelopment	51,000	\$21.57	Strange Land, Inc.	Thomas Ogden CPA
5280 Longley Ln.	Airport	4,212	\$237.42	Pulmonary Medicine Associates	ArchCrest Commercial Partners
1065 S. Virginia St.	South Virginia	14,000	\$56.07	Elmore Family Trust	Epperson Family Trust
1995 E. Prater Way	Northeast Sparks	4,606	\$141.12	Horizon Christian Church	Mountain America Federal Credit Union
1073 N. Rock Blvd.	West Sparks	6,912	\$49.91	168 Asian Market	Bank of America

## New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
5695 S. Virginia St.	99 Cent Only	Discount Store	Meadowood	Summer 2012	DB Investments, Ltd.
100 N. Sierra St.	YMCA	Fitness Center	Reno Redevelopment	Now Open	Sierra First Partners, LLC
892-900 W. 5th St.	Circle of Life Hospice Thrift Store	Thrift Store	Northwest Reno	Summer 2012	Spartan Enterprises
Sparks Crossing – 295 Los Altos Pkwy.	The Blind Onion Pizza & Pub	Restaurant/Bar	Spanish Springs	Now Open	AIG Baker Sparks, LLC
4796 Caughlin Pkwy.	China Star	Restaurant/Bar	Southwest Reno	Now Open	Kimco Realty Corporation

**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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