

Office Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
e-mail: jholdner@voitco.com

Tyler Boyd — Lic.#01927167
Market Research Analyst
e-mail: tboyd@voitco.com

VOIT Real Estate Services — Lic.#01333376

Market Highlights

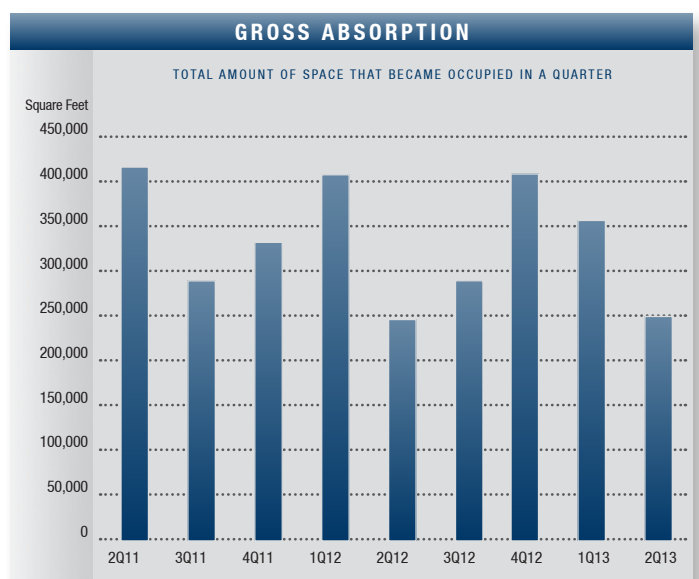
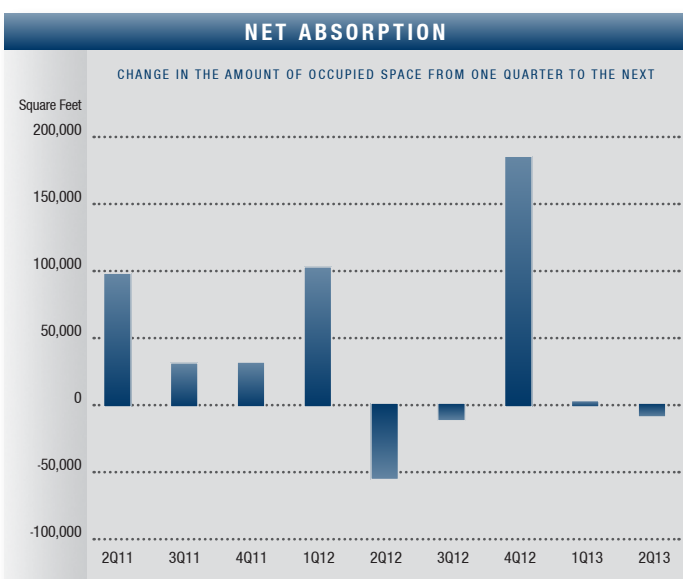
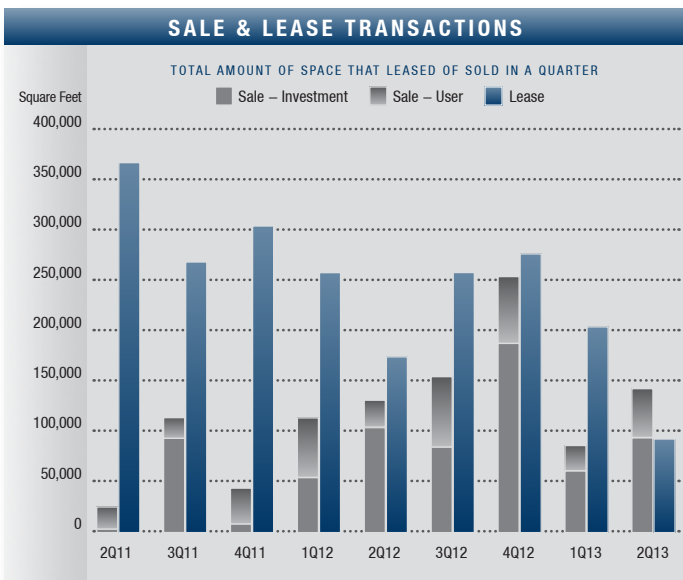
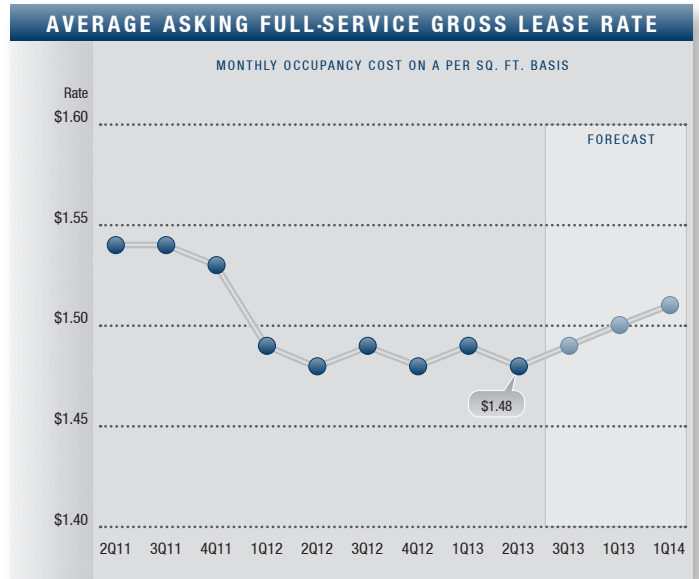
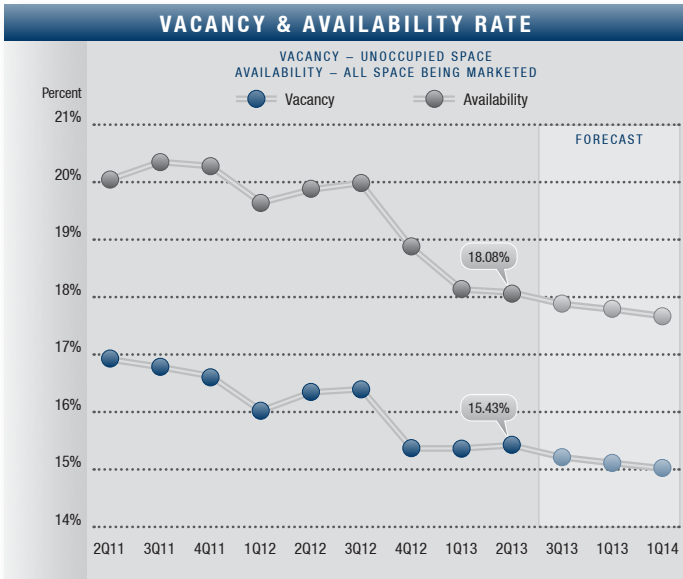
- Market Status** - The second quarter of 2013 reflected stability and the definition what a fundamentally “sideways” quarter really means. Vacancy and net absorption remained basically flat, which isn’t always a bad thing in the nascent stages of recovery. The past few years this market has been like a yo-yo, and we expect a long-term recovery in this market to be moderate and slow moving.
- Construction** - One office property was under construction in the Reno market at the end of the second quarter — a 5,468 class B project in the South Meadows submarket. There was still 1.4 million square feet of proposed projects. However, other than possible build-to-suits, don’t look for those proposed projects to come to fruition anytime soon.
- Vacancy** - The market’s vacancy rate for the second quarter rose only 8 basis points to finish the quarter at 15.43%. Within the major submarkets, Sparks and South Meadows submarkets remained very high at 18.79% and 16.51%, respectively, while the Meadowood submarket posted the lowest rate at 14.09%.
- Availability** - The percentage of total space being marketed at the end of the second quarter was 18.08% — a decrease of 7 basis points from the previous quarter. Within the major submarkets, the Sparks and South Meadows submarkets remained very high at 22.56% and 21.13 %, respectively, while the Meadowood submarket looked best at 15.82%.
- Lease Rates** - At the end of the second quarter, the average asking full-service gross lease rate across all 3 building classes and 14 submarkets came in at \$1.48 per square foot per month, a drop from the \$1.49 seen in the previous quarter but the same as the same quarter

of 2012. The region’s highest average asking rate, within the major submarkets, was \$1.66 in the Downtown area, while the lowest was \$0.65 in the Sparks submarket. Lease rates in Class A buildings did rise by \$0.04 from the previous quarter.

- Absorption** - The Reno office market posted negative net absorption of 8,030 square feet during the second quarter. Other than this quarter, the second and third quarters of 2012, every quarter since the third quarter of 2010 has posted some figure of positive absorption.
- Transaction Activity** - Total square footage of lease and sale transaction volume has remained fairly steady over the past nine quarters with a peak during the second quarter of 2011. Final numbers for this statistic typically have some lag time, so look for the second quarter to post around 300,000 square feet of total volume. Details of the largest transactions for the second quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.7% in April 2013, down from 10.5% in Jan. 2013. This compares with an unemployment rate of 9.5% for Nevada and 7.1% for the nation during the same period.
- Overall** - In the near future, Reno’s office market will likely continue to fluctuate some as it continues on its gradual path to recovery. However, 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 18.12% vacancy). Some large companies such as Apple and Urban Outfitters are moving their distribution centers into the area — which in the long term could raise the level of Reno’s attractiveness.

OFFICE MARKET OVERVIEW

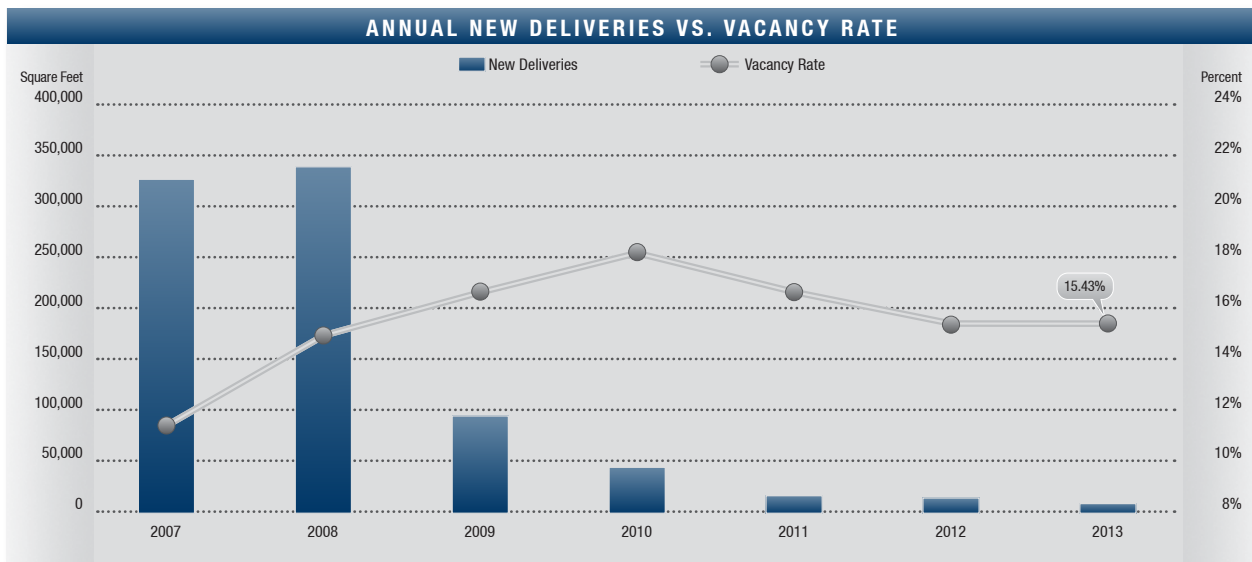
	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	15.43%	15.35%	16.32%	(5.45%)
Availability Rate	18.08%	18.15%	19.86%	(8.96%)
Average Asking Lease Rate	\$1.48	\$1.49	\$1.48	0.00%
Sale & Lease Transactions	230,427	286,056	301,858	(23.66%)
Gross Absorption	249,658	350,757	244,979	1.91%
Net Absorption	(8,030)	2,936	(54,912)	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 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
Reno Market Total													
Carson City County	179	2,281,993	0	3,000	345,227	15.13%	364,569	15.98%	\$1.06	18,039	473	35,034	45,162
Central/Airport	245	2,800,527	0	14,392	429,416	15.33%	507,040	18.11%	\$1.09	3,309	59,704	19,535	108,762
Douglas County	58	524,253	0	6,545	63,684	12.15%	66,652	12.71%	\$1.79	(6,864)	(11,426)	4,924	9,743
Downtown	319	4,092,415	0	0	589,461	14.40%	722,830	17.66%	\$1.66	19,003	4,422	42,054	88,237
Incline Village	31	338,423	0	0	45,251	13.37%	60,112	17.76%	\$2.11	16,792	17,377	18,695	24,945
Lyon County	38	186,902	0	12,000	44,061	23.57%	52,861	28.28%	\$0.00	1,581	17,888	1,581	17,888
Meadowood	190	3,186,745	0	279,036	448,972	14.09%	504,248	15.82%	\$1.57	(56,519)	(92,365)	36,134	73,236
North Outlying Washoe County	6	112,026	0	0	44,202	39.46%	41,635	37.17%	\$1.70	(2,884)	(14,320)	0	7,968
North Valleys	16	96,028	0	0	11,747	12.23%	11,747	12.23%	\$0.00	7,913	17,989	7,913	17,989
South Outlying Washoe County	21	201,082	0	24,054	8,806	4.38%	8,806	4.38%	\$0.00	0	3,237	0	3,237
South Meadows	177	2,262,090	5,468	200,195	373,452	16.51%	477,908	21.13%	\$1.58	(6,874)	(15,222)	65,227	158,600
Sparks	163	1,200,684	0	0	225,555	18.79%	270,928	22.56%	\$0.65	(2,261)	10,147	14,932	35,898
Storey County	2	23,730	0	881,162	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	40	351,694	0	0	94,894	26.98%	102,482	29.14%	\$0.00	735	(2,998)	3,629	8,750
Reno Market Total	1,485	17,658,592	5,468	1,420,384	2,724,728	15.43%	3,191,818	18.08%	\$1.48	(8,030)	(5,094)	249,658	600,415

Class A	19	1,501,077	0	102,000	272,058	18.12%	296,472	19.75%	\$1.78	(235)	(32,796)	41,878	109,620
Class B	728	10,135,772	5,468	1,318,384	1,545,591	15.25%	1,775,350	17.52%	\$1.53	41,630	39,845	142,483	310,714
Class C	738	6,021,743	0	0	907,079	15.06%	1,119,996	18.60%	\$1.21	(49,425)	(12,143)	65,297	180,081
Reno Market Total	1,485	17,658,592	5,468	1,420,384	2,724,728	15.43%	3,191,818	18.08%	\$1.48	(8,030)	(5,094)	249,658	600,415

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



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
1 E. Liberty St.	Downtown	B	82,856	\$72.17	GBS Advisors, LLC	US Bank
2025 Silverada Blvd.	Sparks	B	17,824	\$107.13	Mentors of Montessori	SP Center, LLC
500 Double Eagle Ct.	South Meadows	B	12,192	\$98.43	Nevada Area Council Boy Scouts	Swift Management, Inc.
108 E. Proctor St.	Carson City County	B	9,508	\$115.93	Carson City Nevada	Fireside Investors
3641 GS Richards Blvd.	Carson City County	B	10,553	\$71.54	Renown Health, Inc.	Wells Fargo Bank

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
690 E. Plumb Ln.	Central / Airport	C	9,130	May-13	N/A	Schild Investments, Inc.
5340 Kietzke Ln.	Meadowood	B	6,884	May-13	N/A	NevDex Properties
1 California Ave.	Downtown	B	5,932	Apr-13	Lifecare Hospitals	Oroz Family Trust
236 W. 6th St.	Downtown	B	5,781	May-13	Pulmonary Medical Associates	St. Mary's Medical Plaza, LLC
160 W. Huffaker Ln. – Renewal	South Meadows	B	5,700	Apr-13	Mann Mortgage	SFG Office Building, LLC

Product Type

CLASS A

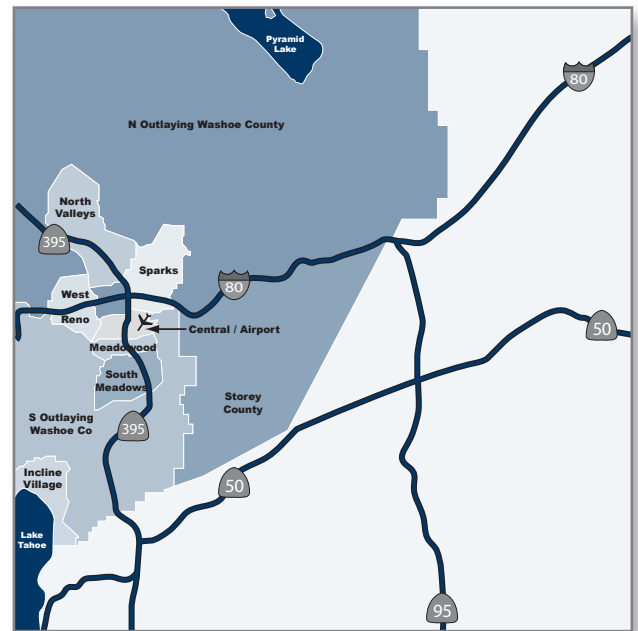
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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

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
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

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.