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Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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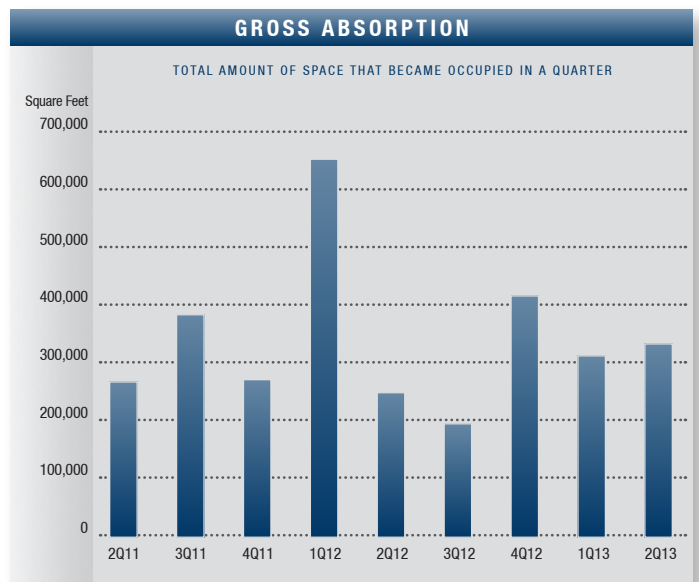
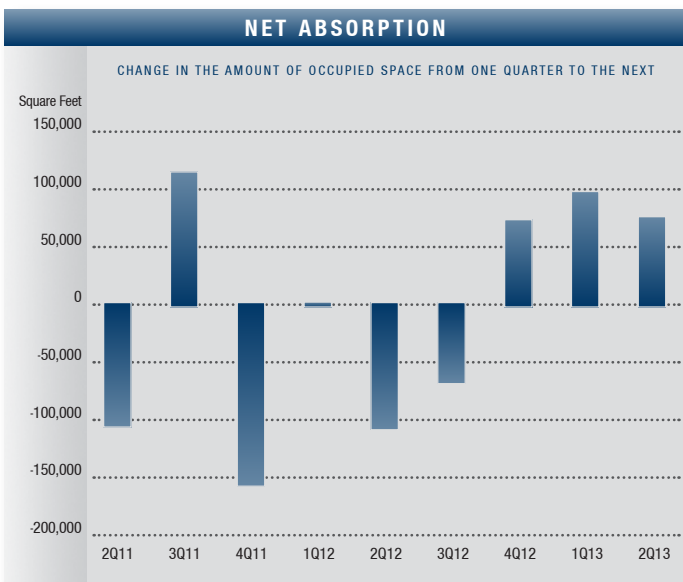
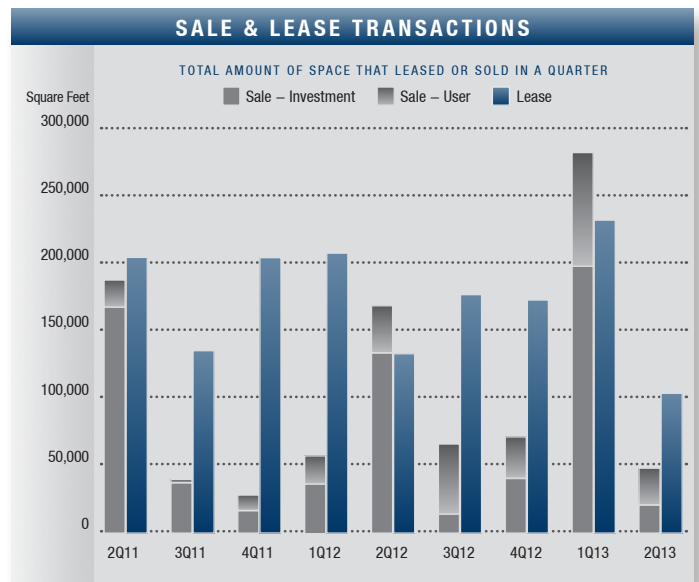
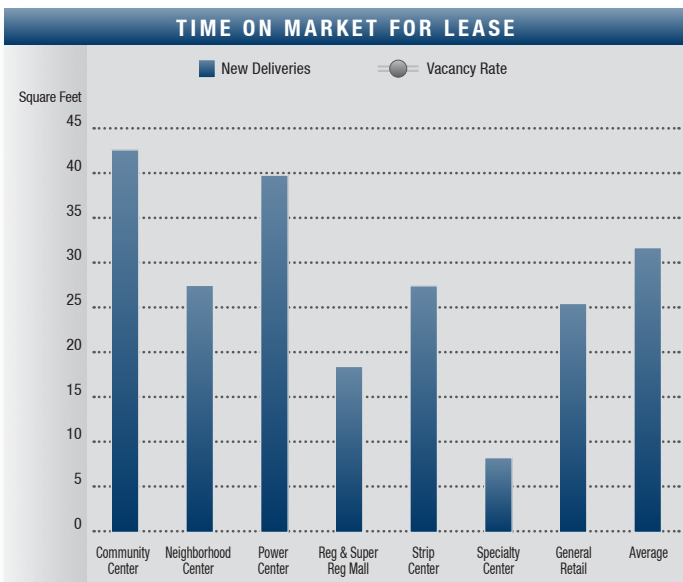
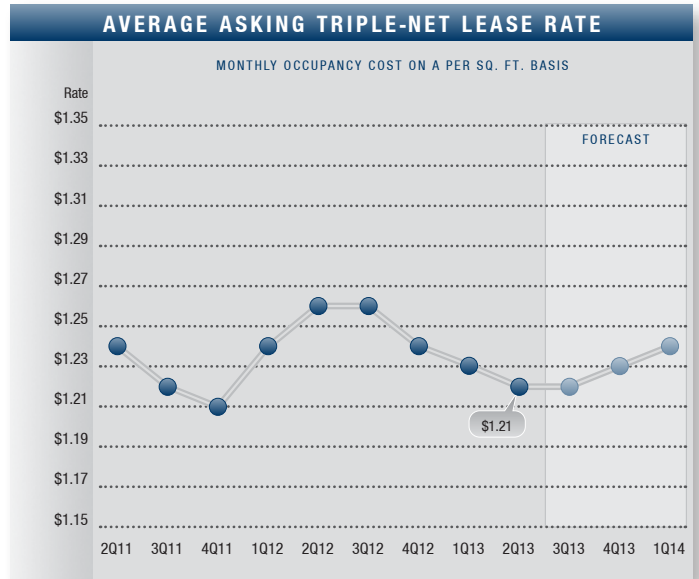
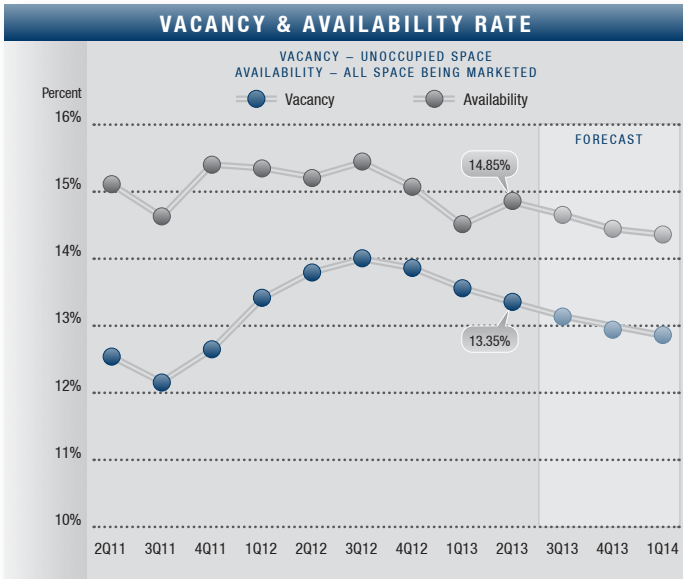
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Market Highlights

- Market Status** - In the second quarter of 2013, Reno's retail market posted its third consecutive quarter of positive net absorption and drop in vacancy. This is essential to note considering less than half of all the quarters since the beginning of 2009 have reported positive net absorption. While the fundamentals were generally positive during the second quarter, the housing market and job growth remain a strain on Reno's local economy, and both need to show promise for solid improvement in the retail market.
- Construction** - During the second quarter there was a 6,500 square foot strip center in the North Valleys submarket under construction. There were no properties delivered in the second quarter, but there were two buildings totaling 11,760 square feet delivered in the first quarter of 2013. There was still 2.1 million square feet of proposed projects in the region, but other than possible build-to-suits, don't look for these projects to come to fruition anytime soon.
- Vacancy** - The overall vacancy rate for the second quarter came in at 13.35%, a decrease of 24 basis points from the previous quarter and a decrease of 44 basis points compared to one year ago. Within the major submarkets, the Sparks Redevelopment and South Virginia submarkets performed best with vacancy rates of 3.86% and 5.72%, respectively. The Park Lane submarket came in with the highest vacancy rate at 22.86%.
- Availability** - The percentage of all space being marketed during the second quarter was 14.85% — an increase of 34 basis points from the previous quarter but a decrease of 37 basis points compared to one year ago. Similar to vacancy, the Sparks Redevelopment and South Virginia submarkets remained strongest at 4.54% and 6.47%, respectively, while Park Lane came in as the weakest of all major submarkets at 25.28%.
- Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the quarter was \$1.21 per square foot per month — a drop from the \$1.22 seen in the previous quarter and from the \$1.26 seen one year ago. Look for possible rent increases to finish out 2013.
- Absorption** - The Reno retail market recorded 75,283 square feet of positive net absorption for the quarter. The Meadowood submarket posted 51,714 square feet of positive net absorption, while the Spanish Springs submarket posted 20,970 square feet of negative net absorption.
- Transaction Activity** - Sale and leasing transaction volume totaled 148,061 square feet for the quarter. This statistic typically 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 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** - We expect that vacancy will remain high around 13% and availability rates at the 14% range. The spread between vacancy and availability has tightened significantly, which is a good indicator that the market is beginning to reflect its true state and that less shadow space is out there. If Reno's retail market can continue to post positive statistics such as drops in vacancy and positive net absorption figures, eventually lease rates will solidify and begin the rise. This may take a few quarters, and it relies heavily upon improvement in the housing marketing and the employment of the local economy.

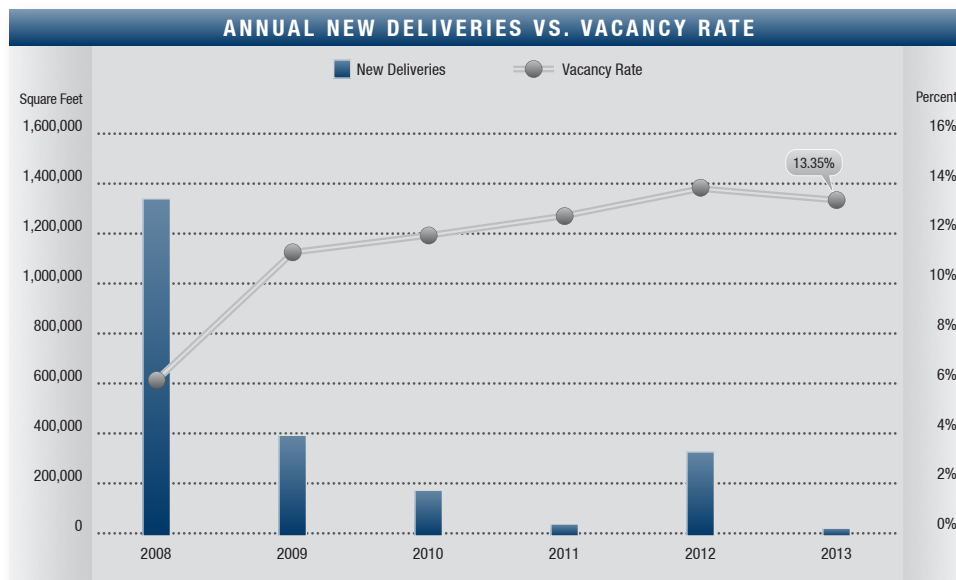
RETAIL MARKET OVERVIEW

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	13.35%	13.59%	13.79%	(3.19%)
Availability Rate	14.85%	14.51%	15.22%	(2.43%)
Average Asking Lease Rate	\$1.21	\$1.22	\$1.26	(3.97%)
Sale & Lease Transactions	148,061	512,023	299,096	(50.50%)
Gross Absorption	330,687	309,011	243,409	35.86%
Net Absorption	75,283	97,457	(108,792)	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													
Airport Ret	30	405,232	0	53,723	41,716	10.29%	41,716	10.29%	\$1.34	2,100	0	2,100	3,300
Carson City County Ret	189	3,808,576	0	17,000	728,276	19.12%	773,776	20.32%	\$1.13	9,286	41,584	23,804	69,793
Douglas County Ret	127	2,125,927	0	0	227,131	10.68%	231,791	10.90%	\$1.19	18,605	12,453	30,840	52,810
Incline Village Ret	17	372,849	0	0	14,761	3.96%	9,185	2.46%	\$1.17	(663)	1,627	1,137	5,137
Kietzke Ret	140	2,212,836	0	0	209,567	9.47%	219,159	9.90%	\$1.02	3,425	18,938	9,934	30,847
Lyon County Ret	92	1,205,680	0	125,476	117,292	9.73%	285,249	23.66%	\$1.04	2,970	(7,715)	7,736	11,436
Meadowood Ret	163	4,400,235	0	0	508,222	11.55%	582,939	13.25%	\$1.32	51,714	86,878	109,485	187,246
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	73	908,399	6,500	619,137	62,981	6.93%	64,301	7.08%	\$1.28	(4,907)	6,709	45,640	64,080
Northeast Reno Ret	97	556,030	0	48,000	61,608	11.08%	74,689	13.43%	\$1.48	(2,563)	3,623	0	7,250
Northeast Sparks Ret	126	2,346,953	0	233,273	347,798	14.82%	350,495	14.93%	\$1.46	19,614	47,651	26,344	70,194
Northwest Reno Ret	123	1,731,861	0	135,800	295,032	17.04%	329,271	19.01%	\$1.43	(2,942)	(6,809)	9,778	14,551
Park Lane Ret	174	1,813,259	0	345,866	414,537	22.86%	458,427	25.28%	\$0.91	14,912	17,994	15,653	28,287
Reno Redevelopment Ret	66	818,150	0	0	163,499	19.98%	170,313	20.82%	\$1.57	5,905	7,401	10,755	14,644
S Outlying Washoe Cty Ret	11	169,658	0	0	8,223	4.85%	8,223	4.85%	\$1.53	0	0	0	0
South Reno Ret	145	2,760,948	0	178,700	176,290	6.39%	199,747	7.23%	\$1.47	(1,640)	12,495	6,791	26,363
South Virginia Ret	210	1,138,734	0	0	65,137	5.72%	73,727	6.47%	\$1.14	926	(2,872)	14,427	17,333
Southwest Reno Ret	38	456,741	0	0	45,394	9.94%	47,794	10.46%	\$1.21	(7,600)	(7,597)	1,200	8,440
Spanish Springs Ret	87	1,721,004	0	132,716	298,608	17.35%	306,168	17.79%	\$1.19	(20,970)	(42,949)	4,150	6,930
Sparks Industrial Ret	43	438,965	0	3,343	12,849	2.93%	20,899	4.76%	\$1.02	6,487	6,487	6,487	6,487
Sparks Redevelopment Ret	101	436,216	0	0	16,821	3.86%	19,821	4.54%	\$2.42	(1,354)	1,646	1,046	7,546
Storey County Ret	14	73,517	0	193,000	5,576	7.58%	16,128	21.94%	\$0.00	2,300	(2,976)	2,300	2,800
West Sparks Ret	78	1,737,382	0	29,120	402,929	23.19%	416,082	23.95%	\$1.25	(20,322)	(21,828)	1,080	4,224
Reno Market Total	2,145	31,643,987	6,500	2,115,154	4,224,247	13.35%	4,699,900	14.85%	\$1.21	75,283	172,740	330,687	639,698
Malls	23	1,926,419	0	233,273	151,651	7.87%	162,723	8.45%	\$1.82	0	14,132	0	14,132
Power Centers	81	3,062,713	0	384,448	704,798	23.01%	741,748	24.22%	\$1.15	18,150	19,524	86,888	139,531
Community Centers	218	6,857,733	0	4,000	1,064,911	15.53%	1,152,246	16.80%	\$1.17	6,581	8,487	23,126	31,330
Neighborhood Centers	188	4,358,104	0	550,777	400,895	9.20%	440,637	10.11%	\$1.16	(1,758)	25,039	81,103	130,903
Strip Centers	288	3,054,062	6,500	188,693	494,350	16.19%	645,432	21.13%	\$1.29	21,311	32,819	57,146	100,916
Specialty Centers	20	690,674	0	0	75,557	10.94%	82,549	11.95%	\$1.75	(6,554)	(4,519)	0	3,578
General Retail	1,327	11,694,282	0	753,963	1,332,085	11.39%	1,474,565	12.61%	\$1.09	37,553	77,258	82,424	219,308
Reno Market Total	2,145	31,643,987	6,500	2,115,154	4,224,247	13.35%	4,699,900	14.85%	\$1.21	75,283	172,740	330,687	639,698

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Sharon Square, 910 Robb Dr.	Northwest Reno	3,542	\$1,129.31	Jacksons Food Stores, Inc.	30 Ohm Place
Spanish Springs, 8995 La Posada Dr.	Spanish Springs	6,516	\$537.14	Jacksons Food Stores, Inc.	Desi Moreno Trust
1505 N. Virginia St.	Northeast Reno	2,981	\$396.18	Jef Enterprises, LLC	Highland Properties 913, LLC
1065 S. Virginia St.	South Virginia	14,000	\$73.21	A-Squared Properties, LLC	1065 South Virginia Street, LLC
Skyridge Plaza, 150 E. Main St.	Lyon County	18,748	\$53.34	John W Wasserburger	Heritage Bank of Nevada

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
1593 Esmeralda Ave., Minden	N/A	N/A	Douglas County	Fall 2013	Hellwinkel Family, LLC
Reno Town Mall 4001-4045 S. Virginia St.	Reno-Sparks Convention and Visitors Authority	Meeting Hall	Meadowood	Fall 2013	Roter Investments of Nevada
101 Ambrose Ln., Dayton	Dollar General	Discount Store	Lyon County	Summer 2013	National Retail Properties, LP
Mills Parks Shopping Center 1442 E. Williams St.	Rent-A-Center	Furniture Store	Carson City County	Now Open	Mills Park Center, LLC
295 S. Kietzke Ln.	Sierra Aquatics	Sporting Goods	Kietzke	Now Open	Debard Family Trust

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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