



SECOND QUARTER 2014

RENO

OFFICE

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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HIGHLIGHTS

- **Market Status** - Reno's office market reflected slightly less stability than the previous quarter, but this market has been fluctuating over the past several years. Given the inconsistencies in this market in previous quarters, it would not be unlikely for next quarter's numbers to be positive as well. As the market slowly improves, we expect a steady recovery for the Reno office market.
- **Construction** - There were no office buildings under construction or delivered in the Reno office market at the end of the second quarter. The lack of new development will allow for vacancy rates to further stabilize in future quarters. There was still, however, 588,275 square feet of proposed office development.
- **Vacancy** - The market's vacancy rate for the second quarter increased by 30 basis points to finish the quarter at 14.52%, but still 67 basis points lower than it was one year ago at 15.19%. Within the major submarkets, the Sparks submarket remained high at 17.05%, while the Meadowood submarket came in at 12.36%.
- **Availability** - The percentage of total space being marketed at the end of the second quarter was 16.87%, which was a slight increase from the previous quarter, but still 84 basis points less than the previous year. Within the major submarkets, the Sparks submarket remained highest at 21.24%, while the Meadowood submarket recorded 15.91% availability.
- **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 \$1.45 per square foot per month, which was \$0.02 lower than the previous quarter. The region's highest average asking rate within the major submarkets was \$1.66 in the Downtown area, while the lowest was \$0.79 in the Sparks submarket. Although lease rates in Class A and Class B buildings decreased slightly, lease rates in Class C buildings rose by two cents.
- **Absorption** - The Reno office market posted negative net absorption of 55,798 square feet for the second quarter of 2014. Within the major submarkets, however, Downtown posted the highest positive net absorption at 26,594 square feet.
- **Transaction Activity** - Total square footage of lease and sale transaction volume decreased from the previous quarter to 179,239 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 second quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 7.4% in May 2014, down from 8.3% in January 2014. This compares with an unemployment rate of 7.9% for Nevada and 6.3% for the nation during the same period.
- **Overall** - Although Reno's office market shows plenty of room for improvement, Reno does offer a few major draws for prospective tenants: lower tax rates for businesses, and numerous opportunities to move up in quality, as class A buildings remain at 15.97% vacancy. As job growth continues to improve in Reno, further stability in the Reno office market is expected.

FORECAST

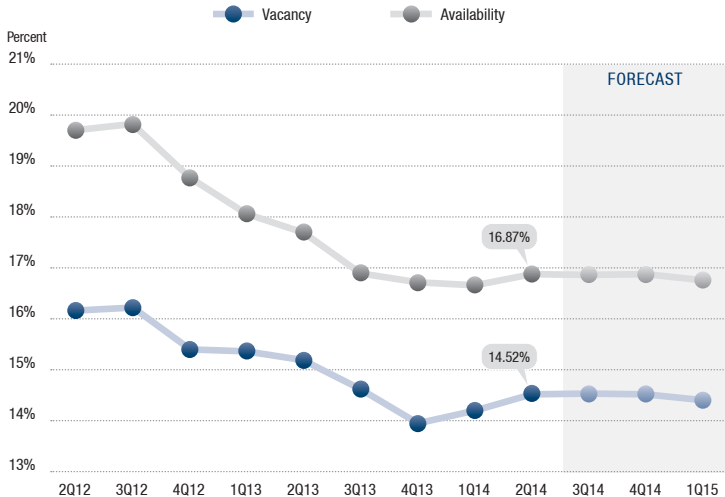
- **Employment** - We anticipate job growth of around 1.2%, or 2,100 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rate are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by 1%–3% by 2015.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 11 basis points, to around 14.41% by 2015.

OVERVIEW

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	14.52%	14.22%	15.19%	(4.41%)
Availability Rate	16.87%	16.66%	17.71%	(4.74%)
Average Asking Lease Rate	\$1.45	\$1.47	\$1.48	(2.03%)
Sale & Lease Transactions	179,239	356,850	502,278	(64.31%)
Gross Absorption	199,665	229,359	284,781	(29.89%)
Net Absorption	(55,798)	(44,048)	36,171	N/A

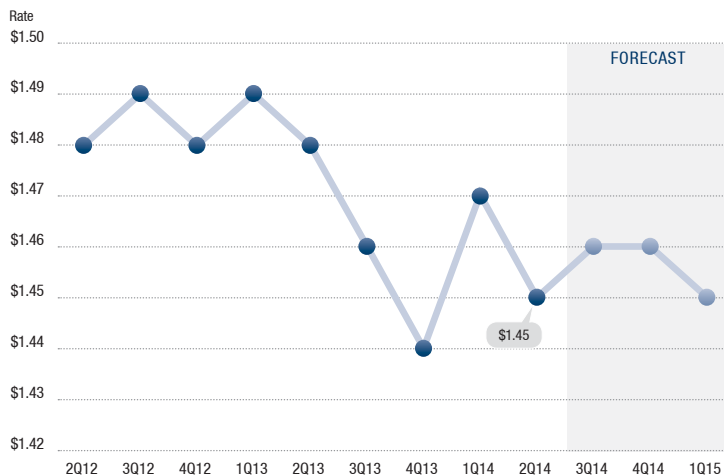
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



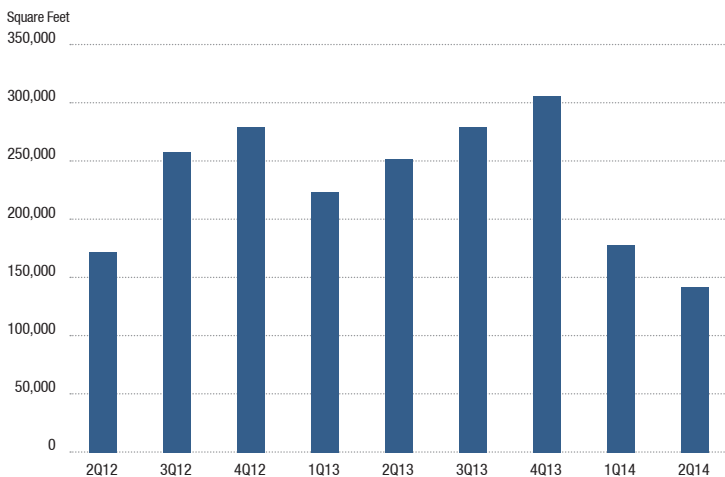
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



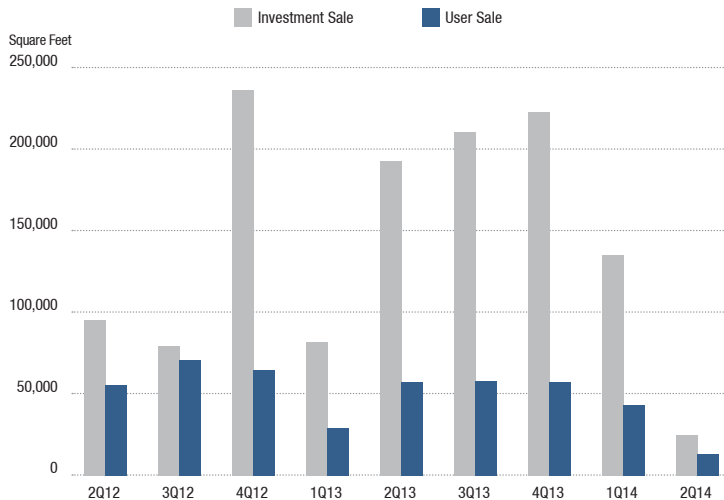
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



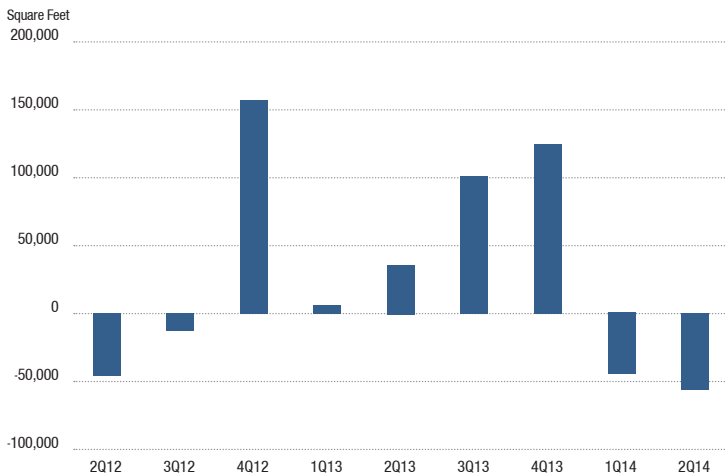
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



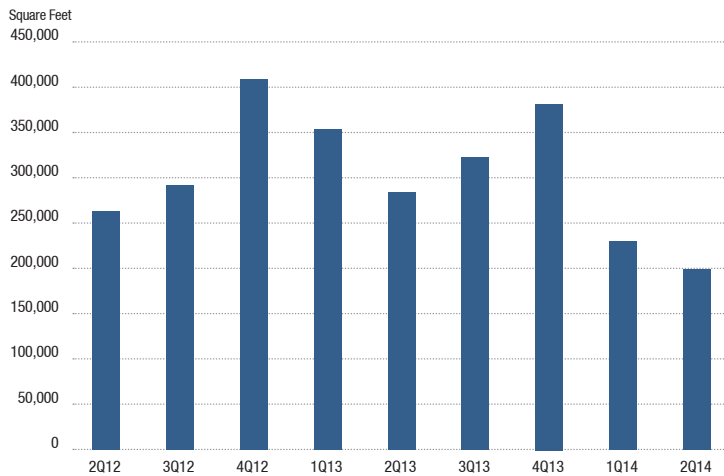
NET ABSORPTION

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

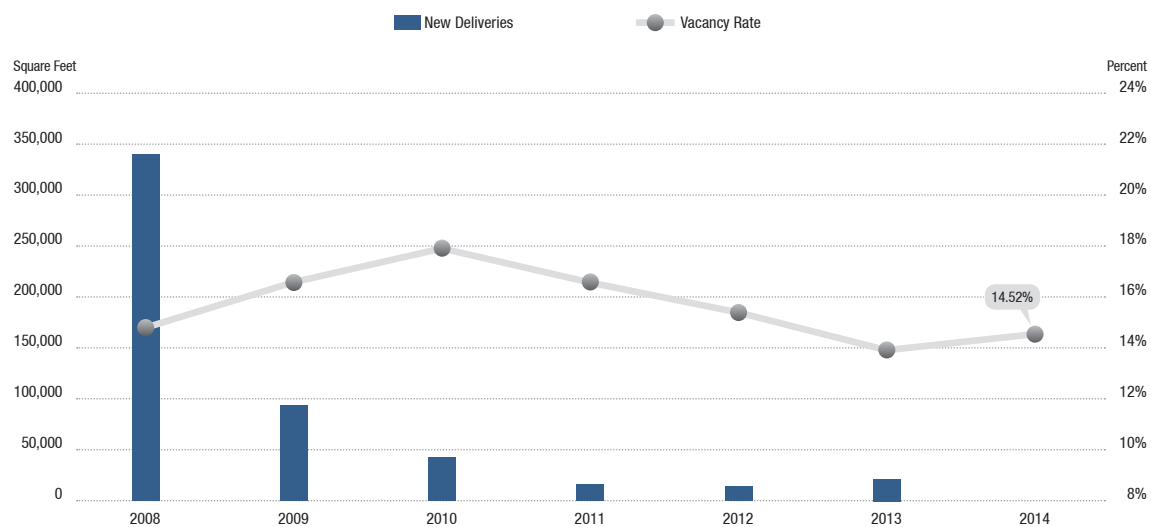


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2014	Square Feet Available	Availability Rate 2Q2014	Average Asking Lease Rate	Net Absorption 2Q2014	Net Absorption 2014	Gross Absorption 2Q2014	Gross Absorption 2014
Reno Market Total													
Carson City County	182	2,116,897	0	16,000	348,144	16.45%	355,114	16.78%	\$1.06	(15,186)	(21,189)	9,119	31,470
Central/Airport	249	2,826,071	0	14,392	418,327	14.80%	458,233	16.21%	\$1.11	(52,154)	(23,177)	36,303	90,122
Douglas County	60	522,419	0	6,545	97,365	18.64%	104,845	20.07%	\$1.79	(12,406)	(20,449)	3,751	9,765
Downtown	331	4,231,114	0	30,553	565,680	13.37%	673,900	15.93%	\$1.66	26,594	14,215	60,458	114,499
Incline Village	31	325,015	0	0	44,995	13.84%	54,961	16.91%	\$2.00	372	(3,692)	3,336	14,109
Lyon County	39	192,946	0	12,000	40,558	21.02%	45,558	23.61%	\$0.00	(1,500)	5,653	0	7,153
Meadowood	189	3,213,467	0	279,036	397,069	12.36%	511,206	15.91%	\$1.56	(6,812)	(39,822)	21,560	42,441
North Outlying Washoe County	4	98,132	0	0	35,717	36.40%	35,717	36.40%	\$0.00	0	4,371	0	4,371
North Valleys	21	139,299	0	0	15,974	11.47%	15,974	11.47%	\$1.63	0	0	0	0
South Outlying Washoe County	20	196,563	0	24,054	13,396	6.82%	12,738	6.48%	\$1.45	0	841	0	5,431
South Meadows	179	2,268,017	0	181,695	305,049	13.45%	379,538	16.73%	\$1.59	(5,113)	(10,689)	41,591	78,375
Sparks	167	1,201,994	0	0	204,961	17.05%	255,356	21.24%	\$0.79	7,242	(4,162)	14,847	19,788
Storey County	3	30,408	0	24,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	42	355,826	0	0	85,124	23.92%	85,876	24.13%	\$0.00	3,165	(1,746)	8,700	11,500
Reno Market Total	1,517	17,718,168	0	588,275	2,572,359	14.52%	2,989,016	16.87%	\$1.45	(55,798)	(99,846)	199,665	429,024

Class A	19	1,496,319	0	102000	239,026	15.97%	246,315	16.46%	\$1.84	(21,963)	(16,106)	6,484	31,506
Class B	730	10,151,924	0	486275	1,440,581	14.19%	1,667,777	16.43%	\$1.46	24,737	(25,989)	119,330	247,858
Class C	768	6,069,925	0	0	892,752	14.71%	1,074,924	17.71%	\$1.25	(58,572)	(57,751)	73,851	149,660
Reno Market Total	1,517	17,718,168	0	588,275	2,572,359	14.52%	2,989,016	16.87%	\$1.45	(55,798)	(99,846)	199,665	429,024

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
151 Country Estates Circle	Meadowood	B	6,716	\$223.35	Undisclosed	K C & Sunshine Investments, LLC
907 N. Mountain St.	Carson City	B	14,586	\$42.85	Undisclosed	Evan L. Allred
Country Club Centre 120 Country Club Dr.	Incline Village	C	2,616	\$222.86	Mcp Ent's, LLC	Valhalla Property Holdings
305 W. Moana Ln.	Central/Airport	B	5,220	\$68.42	Clark Real Estate & Investments	Eugene J. Wait, Jr.
321 Broadway Blvd.	Downtown	C	3,175	\$101.42	Wlm, LLC	Mark Associates, Inc.

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
Reno Technology Center 9390 Gateway Dr.	South Meadows	A	17,395	Apr-14	Great Call, Inc.	Reno Technology Center 1, LLC
785 W. 6th St.	Downtown	C	5,592	Apr-14	Undisclosed	Junior Achievement of Northern Nevada
Museum Towers 100 W. Liberty St.	Downtown	B	5,385	Jun-14	Undisclosed	Chawin Property, Inc.
Stonewood Office 932-936 Southwood Blvd.	Incline Village	B	4,812	May-14	PDL BioPharma, Inc.	932936, LLC
Mountain View Corporate Centre 5470 Kietzke Ln.	Meadowood	A	3,760	Jun-14	Undisclosed	Templeton Group

PRODUCT TYPE

CLASS A

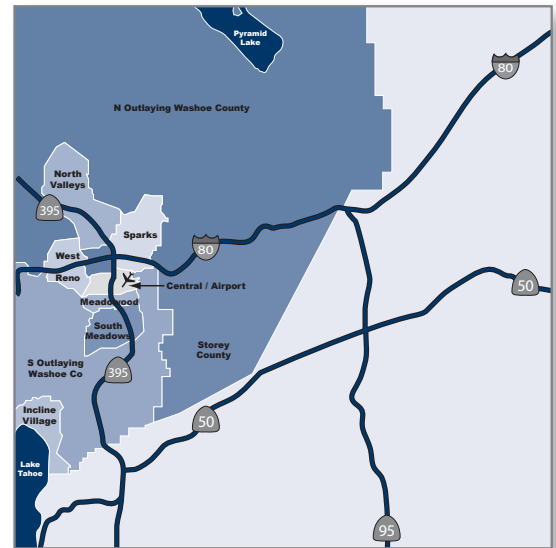
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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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