

SECOND QUARTER 2015

RENO

RETAIL

MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates

DOWN



Transactions



UP

Deliveries



FLAT

HIGHLIGHTS

- **Market Status** - Reno's retail market is stabilizing as vacancy rates have further decreased at the close of the second 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 second quarter, one project was under construction; however, there is currently 1.5 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 second quarter came in at 11.86%, a slight increase of eight basis points compared to the previous quarter and a decrease of 15 basis points compared to the previous year. Within the major submarkets, the North Valleys and the South Virginia submarkets performed best with vacancy rates of 4.28% and 5.11%, 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 second quarter was 13.00%—an increase of 25 basis points from the previous year. Of the major submarkets, the South Reno and the South Virginia submarkets remained strongest at 7.98% and 6.68%, respectively, while the Park Lane submarket came in as the weakest of all major submarkets at 23.76% availability.
- **Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the second quarter of 2015 was \$1.16 per square foot per month, which was a \$0.03 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 first quarter of 2016.
- **Absorption** - The Reno retail market recorded 37,072 square feet of negative net absorption for the second quarter. Of the major submarkets, Spanish Springs and the Sparks posted positive net absorption at 35,580 square feet and 30,400 square feet, respectively. The Kietzke submarket, however, posted 84,331 square feet of negative net absorption.
- **Transaction Activity** - Sale and leasing transaction volume totaled just over 519,000 square feet for the second quarter and just over 760,000 square feet for 2015 so far. 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 quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 6.7% in April 2015, down from 7.4% in January 2015. This compares with an unemployment rate of 7.1% for Nevada and 5.3% 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 11.6% by the end of the first quarter of 2016.

OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Total Vacancy Rate	11.86%	11.78%	12.01%	(1.25%)
Availability Rate	13.00%	12.90%	12.75%	1.96%
Average Asking Lease Rate	\$1.16	\$1.18	\$1.19	(2.52%)
Sale & Lease Transactions	519,284	242,176	356,642	45.60%
Gross Absorption	316,013	245,274	330,381	(4.35%)
Net Absorption	(37,072)	12,824	18,406	N/A

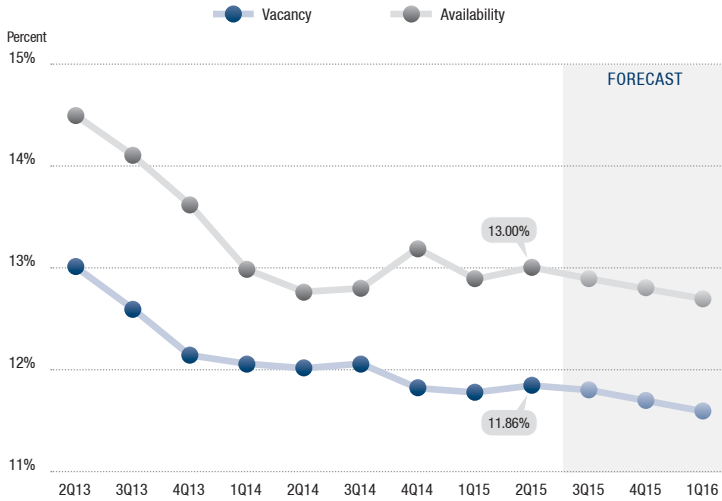
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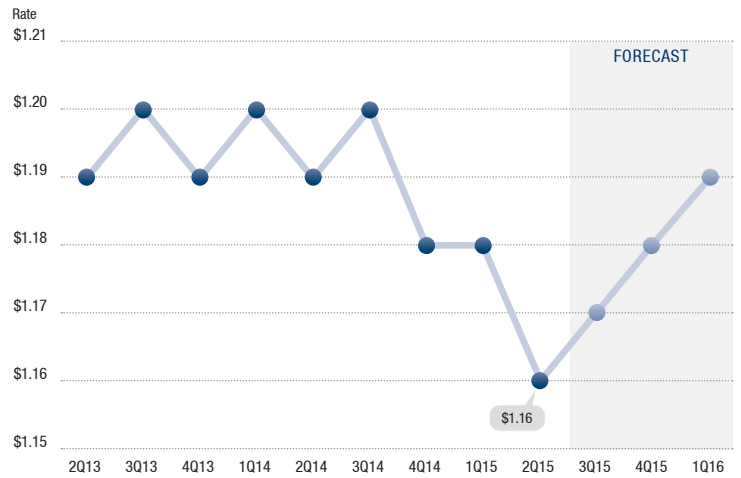
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



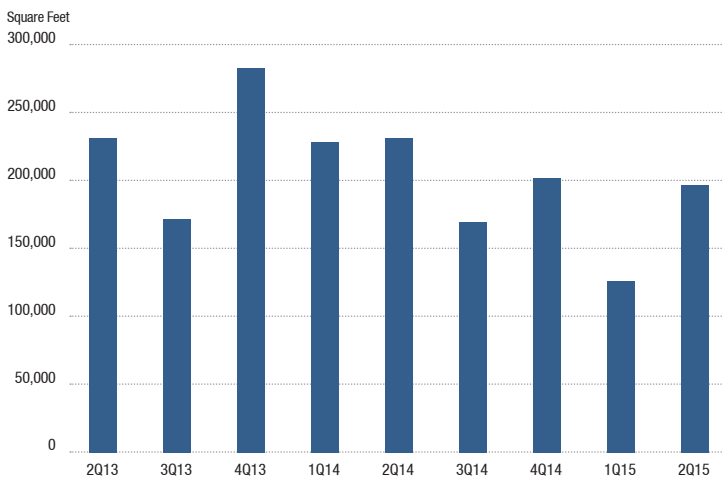
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



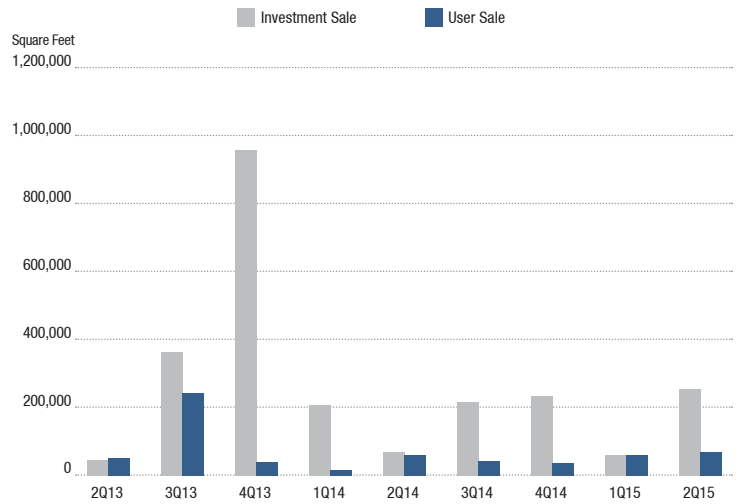
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



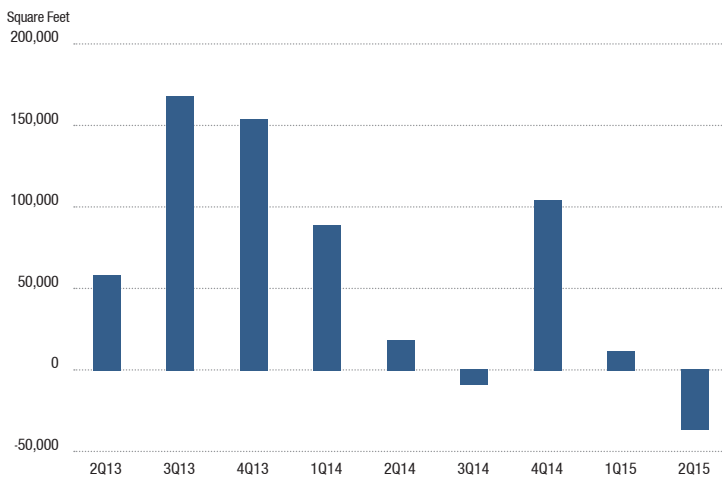
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



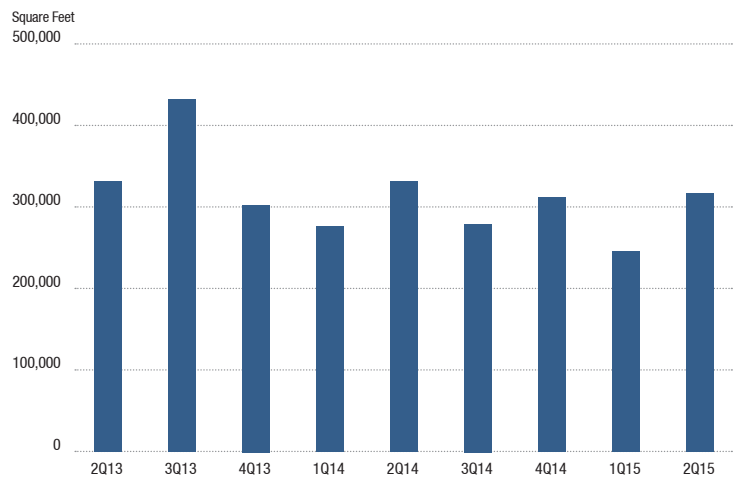
NET ABSORPTION

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



GROSS ABSORPTION

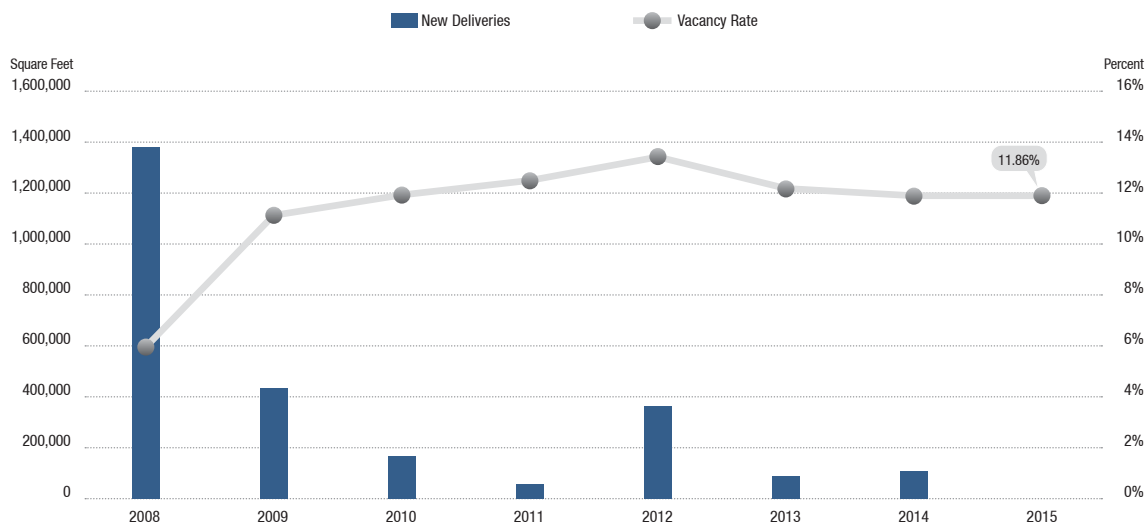
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2015	Square Feet Available	Availability Rate 2Q2015	Average Asking Lease Rate	Net Absorption 2Q2015	Net Absorption 2015	Gross Absorption 2Q2015	Gross Absorption 2015
Reno Market													
Airport Ret	31	408,231	0	3,200	52,913	12.96%	48,661	11.92%	\$1.33	3,126	5,771	4,630	8,505
Carson City County Ret	217	3,917,804	0	20,000	675,354	17.24%	767,902	19.60%	\$0.89	(3,476)	(5,807)	34,114	59,364
Douglas County Ret	159	2,343,410	0	136,000	245,028	10.46%	302,470	12.91%	\$1.11	(10,872)	(37,484)	5,114	35,413
Incline Village Ret	23	416,954	0	0	18,167	4.36%	18,167	4.36%	\$1.96	0	(4,246)	0	0
Kietzke Ret	138	2,214,156	0	15,000	298,602	13.49%	314,889	14.22%	\$0.98	(84,331)	(85,931)	18,548	20,733
Lyon County Ret	118	1,422,682	0	116,474	93,460	6.57%	134,494	9.45%	\$0.83	(255)	(1,774)	3,887	11,175
Meadowood Ret	161	4,357,185	0	17,024	328,916	7.55%	323,744	7.43%	\$1.67	24,545	68,080	57,922	108,234
N Outlying Washoe Cty Ret	2	7,203	0	0	0	0.00%	0	0.00%	\$0.00	0	2,368	0	2,368
North Valleys Ret	82	987,147	0	241,046	42,242	4.28%	48,391	4.90%	\$1.29	7,178	23,436	7,178	23,436
Northeast Reno Ret	106	614,862	0	45,000	65,450	10.64%	73,663	11.98%	\$1.29	(12,008)	(18,163)	6,250	6,250
Northeast Sparks Ret	133	2,387,638	0	152,677	338,328	14.17%	329,988	13.82%	\$2.00	292	(2,272)	11,838	19,983
Northwest Reno Ret	129	1,773,239	0	0	140,102	7.90%	151,754	8.56%	\$1.47	(30,128)	(34,016)	18,804	50,067
Park Lane Ret	174	1,702,893	0	338,256	356,481	20.93%	404,667	23.76%	\$1.02	4,575	(4,754)	13,050	24,669
Reno Redevelopment Ret	65	766,835	0	0	112,611	14.69%	125,077	16.31%	\$1.31	(900)	2,931	3,723	11,066
S Outlying Washoe Cty Ret	16	190,050	0	0	8,223	4.33%	8,223	4.33%	\$1.53	0	0	0	0
South Reno Ret	151	2,619,378	0	245,175	193,583	7.39%	208,989	7.98%	\$1.61	(13,825)	(8,507)	14,846	32,269
South Virginia Ret	224	1,169,134	27,685	25,135	59,696	5.11%	78,044	6.68%	\$1.26	1,353	(1,542)	7,236	18,030
Southwest Reno Ret	41	450,043	0	0	42,253	9.39%	45,795	10.18%	\$1.34	4,380	4,987	4,450	12,263
Spanish Springs Ret	89	1,725,482	0	92,379	316,451	18.34%	333,056	19.30%	\$1.30	35,580	35,074	53,494	60,008
Sparks Industrial Ret	44	449,989	0	3,343	13,895	3.09%	25,558	5.68%	\$0.87	30,400	26,582	30,400	30,900
Sparks Redevelopment Ret	105	456,205	0	0	28,303	6.20%	35,439	7.77%	\$0.85	6,436	11,361	6,436	11,361
Storey County Ret	18	89,645	0	0	1,200	1.34%	9,912	11.06%	\$0.00	0	(1,200)	1,200	1,200
West Sparks Ret	79	1,727,929	0	78,297	386,020	22.34%	395,965	22.92%	\$1.13	858	858	12,893	12,893
Reno Market Total	2,305	32,198,094	27,685	1,529,006	3,817,278	11.86%	4,184,848	13.00%	\$1.16	(37,072)	(24,248)	316,013	560,187
Malls	39	2,405,496	0	189,832	183,871	7.64%	201,943	8.40%	\$2.63	(2,800)	(6,302)	0	4,562
Power Centers	82	3,083,080	0	376,838	555,431	18.02%	555,936	18.03%	\$0.99	25,247	37,975	39,113	58,826
Shopping Centers	698	14,018,824	0	383,258	2,023,959	14.44%	2,139,039	15.26%	\$1.15	(43,427)	(29,655)	159,393	334,239
Specialty Centers	3	91,631	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
General Retail	1,483	12,599,063	27,685	579,078	1,054,017	8.37%	1,287,930	10.22%	\$1.09	(16,092)	(26,266)	117,507	162,560
Reno Market Total	2,305	32,198,094	27,685	1,529,006	3,817,278	11.86%	4,184,848	13.00%	\$1.16	(37,072)	(24,248)	316,013	560,187

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
8155-8195 S. Virginia St.	South Reno	75,357	\$112.80	Leon Capital Group	Rowell Family, LLC
6255 Sharlands Ave.	Northwest Reno	46,205	\$114.45	Joe Scolari Properties	ROTMA
Silverada Plaza 2424 Oddie Blvd.	West Sparks	73,414	\$55.85	Hart Snyder Holdings, LLC	Blackfire Real Estate Investors
Canyon Center 10310 N. McCarran Blvd.	Northwest Reno	7,300	\$356.16	Sierra Summit Properties, LLC	Gluchaich Family Trust
In-N-Out Burgers 8215 S. Virginia St.	South Reno	3,253	\$433.91	In-N-Out Burgers	Rowell K C & C L R Trust

Lease Transactions

Property Address	Submarket	Square Feet	Projected Opening Date	Tenant	Owner
Sparks Crossing 227-263 Los Altos Pkwy.	Spanish Springs	20,182	Jun-2015	Home Express Discount Furniture	Inland Real Estate Corporation
Firecreek Crossing 4891 Kietzke Lane	Meadowood	14,000	Apr-2015	Undisclosed	Firecreek Crossing of Reno, LLC
1090 Kietzke Lane	Kietzke	11,641	Jun-2015	Carpenter's Music World	Sterling Living Trust
Longley West Plaza 7675-7689 S. Virginia St.	Meadowood	9,595	Apr-2015	Napa Sonoma	Longley Partners, LLC
555 E. 4th St.	Northeast Reno	7,250	Jun-2015	Bodega Nightclub	George E Lorton

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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