



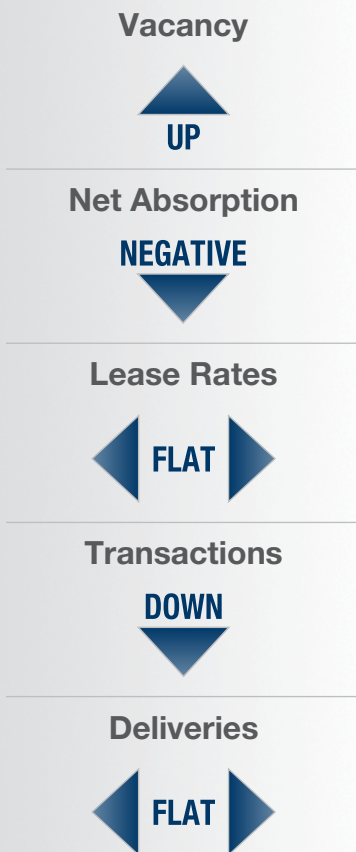
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Retail Market Report

Compared to the Previous Quarter:



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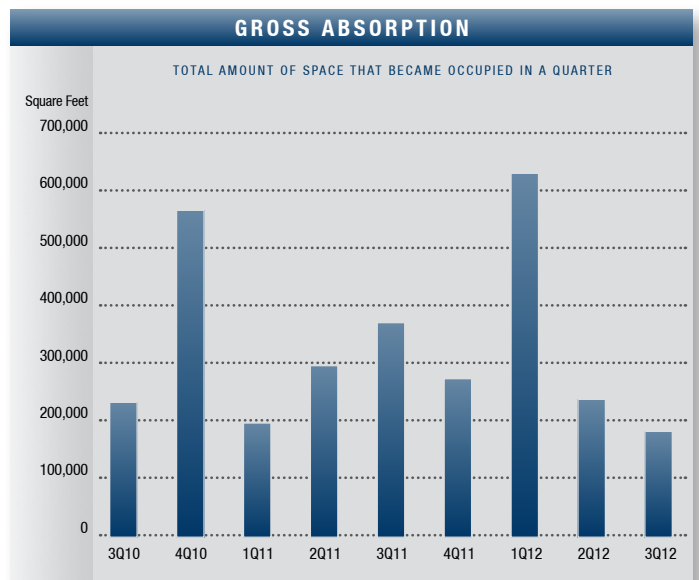
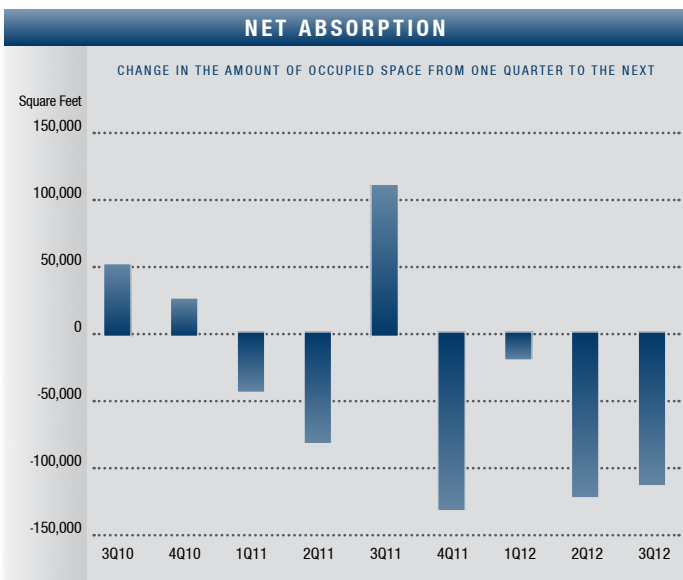
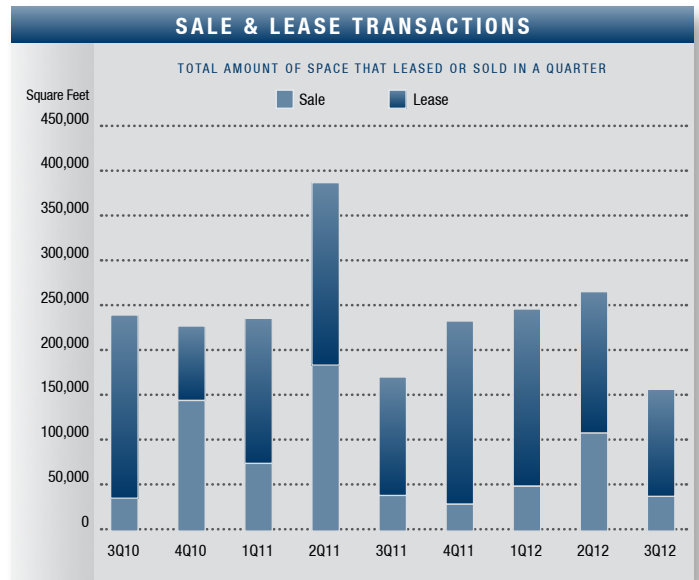
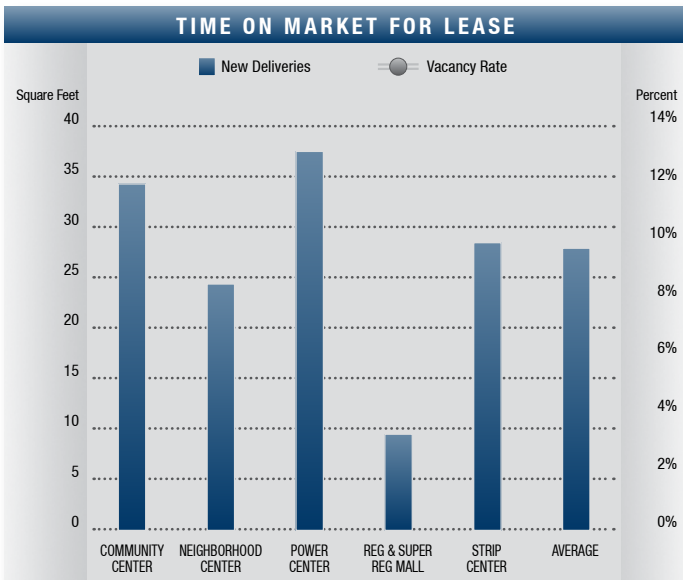
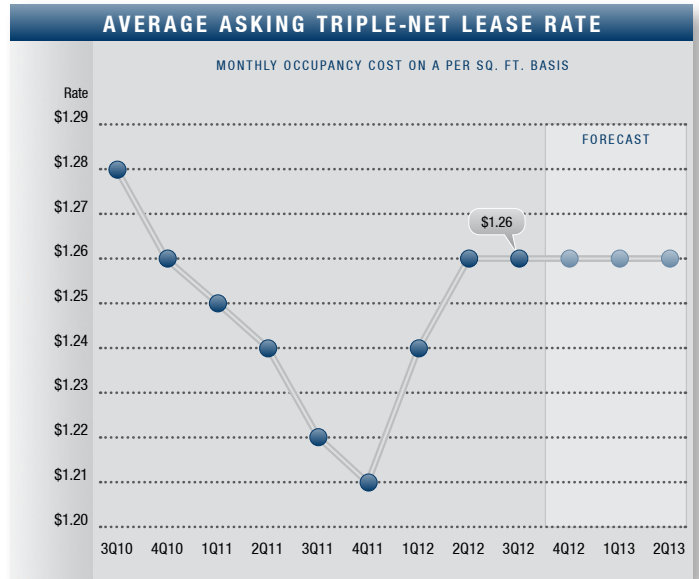
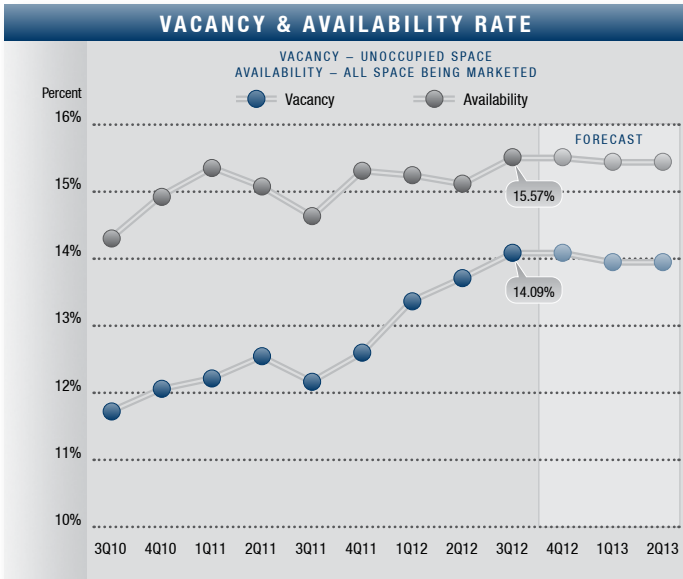
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Market Highlights

- Market Status** - Reno's retail market unfortunately continues to be a model for the old saying "one step forward, two steps backwards". During the third quarter of 2012, vacancy ticked up slightly for the fourth consecutive quarter after it was speculated to have peaked around the middle of 2011. While some fundamentals—such as lease rates, vacancy/availability spread, and transaction activity—do indeed 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.
- Lease Rates** - The average asking triple-net lease rate in the Reno retail market was \$1.26 per square foot per month in the third quarter of 2012—no change from the previous quarter and an increase of \$0.05 from year-end 2011.
- Absorption** - The Reno retail market posted 112,452 square feet of negative net absorption for the third quarter of 2012. Out of the past four quarters, three quarters have had over 137,000 square feet of negative net absorption. This has been one of the major reasons why vacancies have risen over the past year.
- Transaction Activity** - Sale and leasing transaction volume totaled 154,201 square feet. Though this was a smaller figure, typically this statistic does have some lag time to post final numbers, so look for the third quarter numbers to end up around 200,000 square feet. Details of the largest transactions for the third quarter can be found on the back page of this report.
- 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., totaling 255,230 square feet, delivered during the first quarter of 2012. There still is 2.9 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 came in at 14.09%, an increase of 34 basis points from the previous quarter and 150 basis points since year-end 2011. Within the major submarkets, the South Virginia and South Reno submarkets performed best with vacancy rates of 5.28% and 6.07%, respectively. The Park Lane submarket came in with the highest vacancy rate at 22.39%.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 12% in July 2012, up from 11.4% in April 2012 and down from 12.9% in May 2011. This compares with an unemployment rate of 12% for Nevada and 8.2% for the nation during the same period.
- Overall** - We expect that vacancy will remain high around 14% and availability rates at mid-15%. The spread between vacancy and availability has tightened significantly, which is a good indicator that the market is beginning to reflect it's true state and that less shadow space is out there. 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.
- Availability** - The percentage of all space being marketed was 15.57% in the third quarter of 2012—an increase of 44 basis points from the previous quarter and 35 basis points from year-end 2011. Similar to vacancy, the South Virginia and South Reno submarkets remained strongest at 6.64% and 8.03%, respectively, while Park Lane came in as the weakest of all major submarkets at 24.35%.

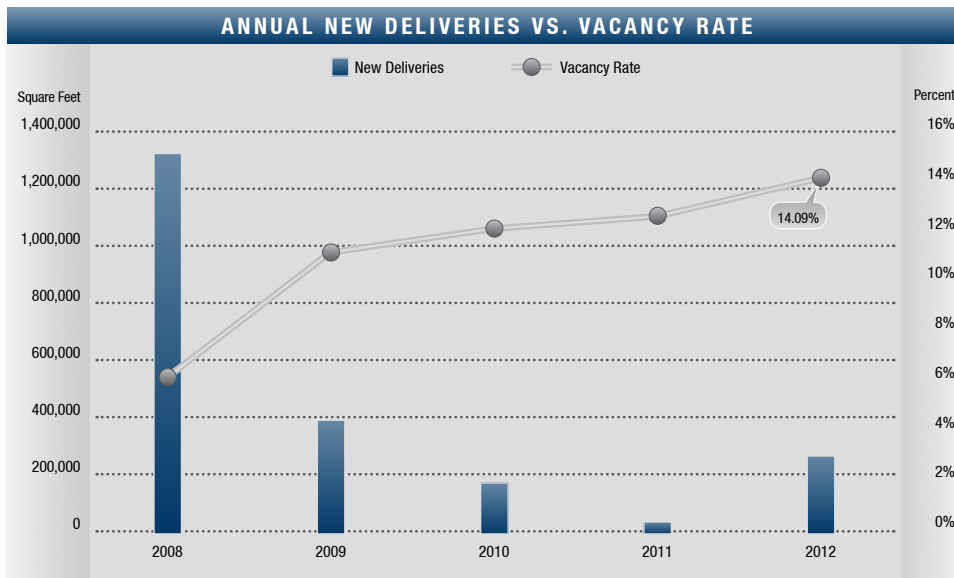
RETAIL MARKET OVERVIEW

	3Q12	2Q12	3Q11	% of Change vs. 3Q11
Total Vacancy Rate	14.09%	13.74%	12.17%	15.78%
Availability Rate	15.57%	15.13%	14.68%	6.06%
Average Asking Lease Rate	\$1.26	\$1.26	\$1.22	3.28%
Sale & Lease Transactions	154,201	265,125	169,272	(8.90%)
Gross Absorption	176,742	233,913	369,460	(52.16%)
Net Absorption	(112,452)	(121,398)	111,476	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 3Q2012	Square Feet Available	Availability Rate 3Q2012	Average Asking Lease Rate	Net Absorption 3Q2012	Net Absorption 2012	Gross Absorption 3Q2012	Gross Absorption 2012
Reno Market													
Airport Ret	31	406,933	0	53,723	44,104	10.84%	44,104	10.84%	\$1.34	(1,090)	(9,756)	880	7,424
Carson City County Ret	177	3,768,790	0	25,926	777,495	20.63%	828,825	21.99%	\$1.07	(7,851)	10,463	20,848	86,540
Douglas County Ret	123	2,130,213	0	0	215,853	10.13%	231,992	10.89%	\$1.42	(21,249)	28,510	990	65,998
Incline Village Ret	16	356,436	0	0	18,888	5.30%	18,888	5.30%	\$0.87	(1,800)	(2,537)	0	1,401
Kietzke Ret	139	2,209,875	0	0	235,051	10.64%	248,425	11.24%	\$0.94	(2,872)	8,673	13,999	86,459
Lyon County Ret	81	1,109,165	0	704,935	104,414	9.41%	176,286	15.89%	\$1.01	11,607	1,926	11,607	17,889
Meadowood Ret	169	4,450,902	0	0	661,008	14.85%	714,682	16.06%	\$1.25	(57,860)	(174,287)	14,486	79,619
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	69	888,610	0	787,754	55,018	6.19%	103,222	11.62%	\$1.27	(6,833)	154,819	7,484	176,072
Northeast Reno Ret	98	567,316	0	38,000	64,177	11.31%	85,434	15.06%	\$1.30	4,135	15,478	6,135	28,922
Northeast Sparks Ret	123	2,315,103	0	258,110	425,514	18.38%	444,092	19.18%	\$1.41	(31,936)	22,155	11,744	186,159
Northwest Reno Ret	122	1,717,517	0	135,800	278,554	16.22%	299,922	17.46%	\$1.33	5,529	(119)	5,529	36,165
Park Lane Ret	180	1,820,291	0	345,866	407,564	22.39%	443,329	24.35%	\$1.01	19,575	(21,922)	27,237	49,698
Reno Redevelopment Ret	67	1,028,961	0	0	184,787	17.96%	188,238	18.29%	\$1.58	(21,544)	(43,925)	280	13,068
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	2,753,644	0	184,700	167,117	6.07%	221,093	8.03%	\$1.57	(24,819)	(52,197)	657	55,531
South Virginia Ret	212	1,139,043	0	0	60,139	5.28%	75,585	6.64%	\$1.20	18,612	(11,312)	20,969	32,681
Southwest Reno Ret	39	457,148	0	0	41,857	9.16%	53,893	11.79%	\$1.45	1,000	(4,709)	1,850	10,478
Spanish Springs Ret	86	1,687,870	0	162,516	252,917	14.98%	260,750	15.45%	\$1.47	(1,400)	(17,142)	16,442	52,135
Sparks Industrial Ret	42	435,946	0	3,343	17,636	4.05%	27,386	6.28%	\$1.38	0	(4,419)	0	1,997
Sparks Redevelopment Ret	105	447,854	0	0	27,933	6.24%	32,933	7.35%	\$1.16	7,200	6,694	7,200	9,156
Storey County Ret	11	52,282	0	199,200	6,100	11.67%	7,940	15.19%	\$1.15	(4,500)	5,179	0	9,679
West Sparks Ret	78	1,732,006	0	31,000	399,167	23.05%	409,040	23.62%	\$1.30	3,644	(165,122)	8,405	29,564
Reno Market Total	2,122	31,643,125	0	2,930,873	4,457,347	14.09%	4,928,113	15.57%	\$1.26	(112,452)	(253,550)	176,742	1,036,635
Malls	21	1,858,810	0	258,110	156,651	8.43%	185,229	9.96%	\$1.82	6,188	56,983	6,188	109,188
Power Centers	81	3,044,157	0	384,448	759,598	24.95%	797,745	26.21%	\$1.23	(55,203)	(145,751)	16,541	67,516
Community Centers	215	6,859,165	0	155,663	1,105,809	16.12%	1,174,966	17.13%	\$1.18	1,179	(46,946)	22,211	145,516
Neighborhood Centers	177	4,265,929	0	758,195	413,502	9.69%	487,508	11.43%	\$1.44	(36,703)	(73,382)	16,227	88,253
Strip Centers	295	3,086,061	0	238,916	587,227	19.03%	616,758	19.99%	\$1.35	12,356	(10,116)	36,586	157,716
Specialty Centers	20	690,674	0	0	40,134	5.81%	84,515	12.24%	\$0.00	(19,199)	(40,134)	0	0
General Retail	1,313	11,838,329	0	1,135,541	1,394,426	11.78%	1,581,392	13.36%	\$0.98	(21,070)	5,796	78,989	468,446
Reno Market Total	2,122	31,643,125	0	2,930,873	4,457,347	14.09%	4,928,113	15.57%	\$1.26	(112,452)	(253,550)	176,742	1,036,635

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
912 & 915 Jacks Valley Rd.	Douglas County	54,606	\$100.72	Shaheen Family Trust	Nevada State Bank
6395 S. McCarran Blvd.	Meadowood	6,723	\$386.73	Reno Covenant Group, LLC	Dart 6395, LLC
6770 S. McCarran Blvd.	Meadowood	9,672	\$77.54	CW Capital Asset Management, LLC	NRES-NV1, LLC
1515 Oddie Blvd.	West Sparks	3,865	\$103.49	Norther NV Comstock Investors, LLC	Nevada Pizza Village Associates, LLC
221 Keystone Ave.	Northwest Reno	2,156	\$115.96	Peter Tomaino	First Financial Bank

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
5695 S. Virginia St.	99 Cent Only	Discount Store	Meadowood	Now Open	DB Investments, Ltd.
100 N. Sierra St.	Kor Fitness	Fitness Center	Reno Redevelopment	Now Open	Sierra First Partners, LLC
1700 Victorian Ave.	The Mob Syndicate	Clothing Store	Sparks Redevelopment	Fall 2012	FE Choquette, LLC
892-900 W. 5th St.	Circle of Life Hospice Thrift Store	Thrift Store	Northwest Reno	Now Open	Spartan Enterprises
Sparks Crossing 295 Los Altos Pkwy.	The Blind Onion Pizza & Pub	Restaurant/Bar	Spanish Springs	Now Open	AIG Baker Sparks, LLC

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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