



REAL ESTATE SERVICES

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Retail Market Report

Compared to the Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates



FLAT

Transactions



FLAT

Deliveries



FLAT

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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

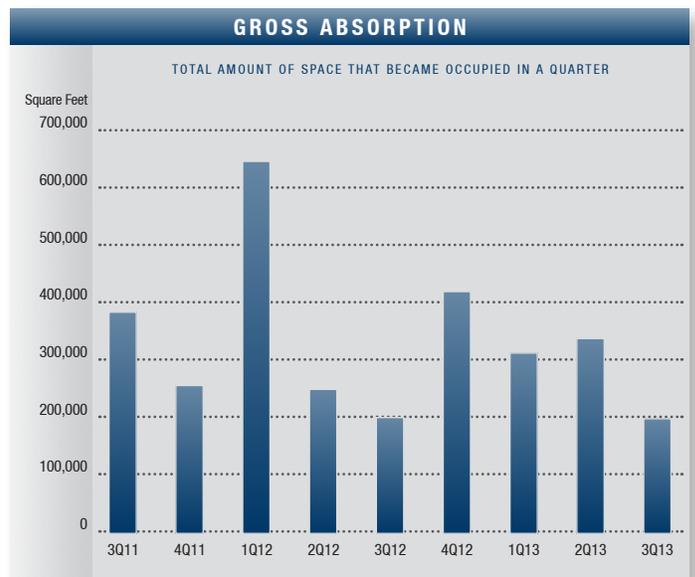
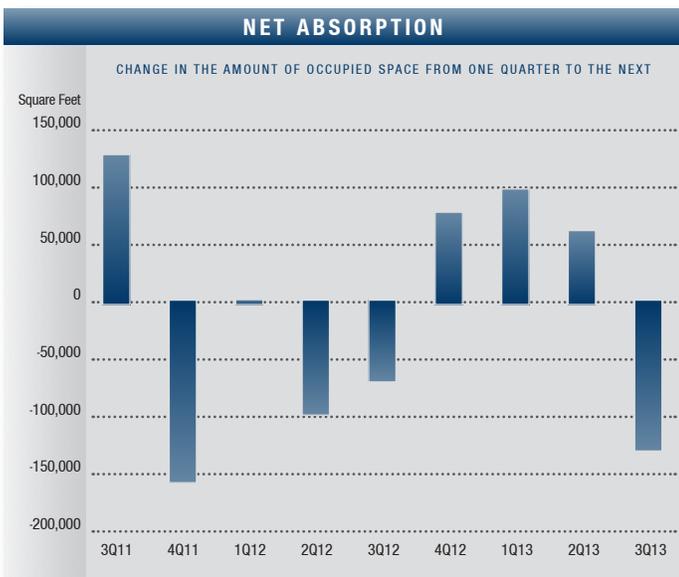
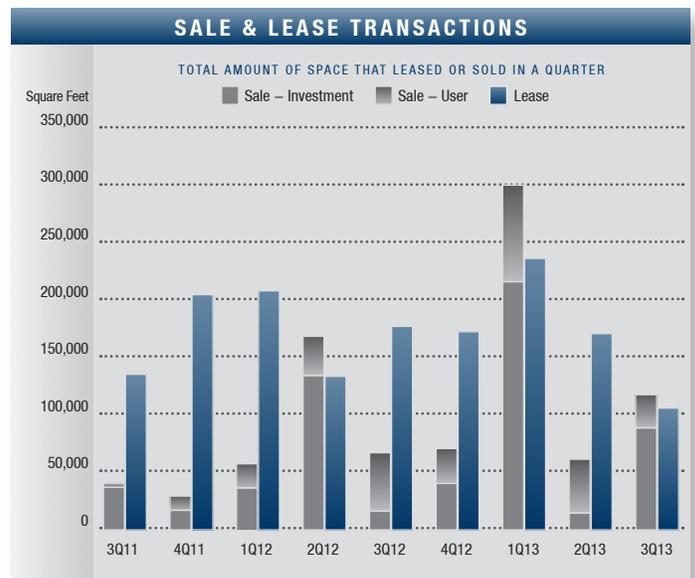
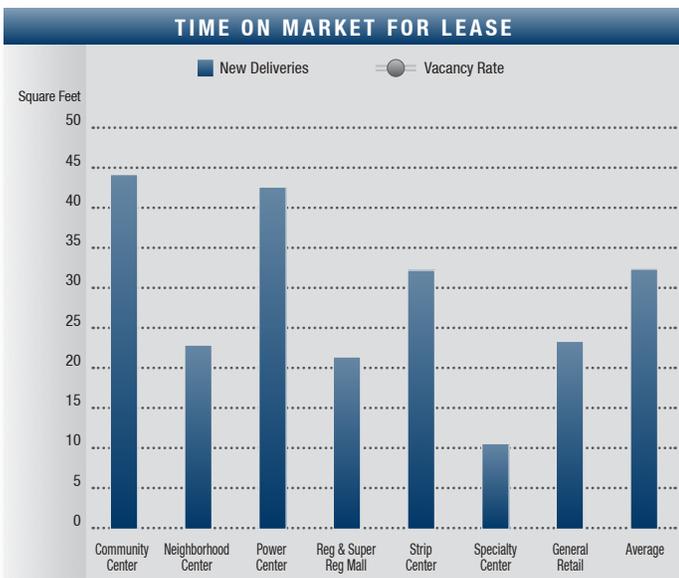
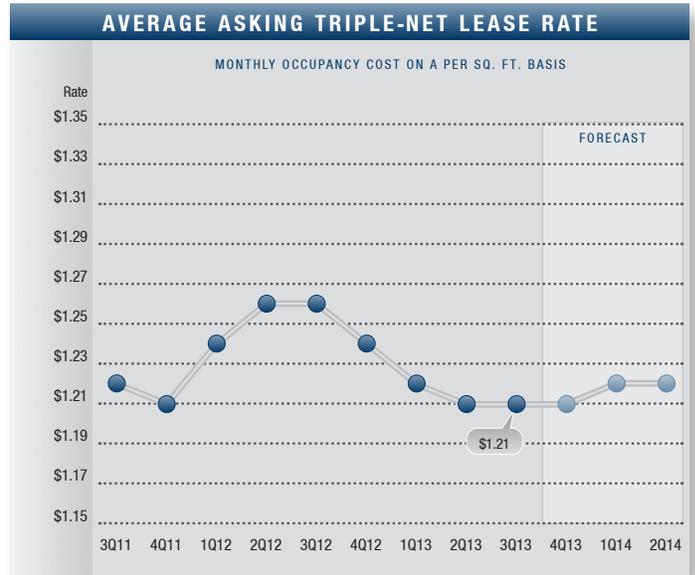
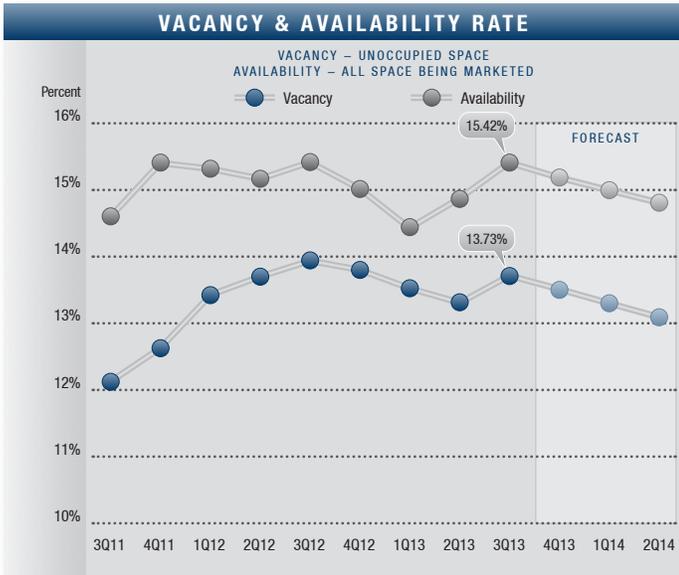
- Market Status** - In the third quarter of 2013, Reno's Retail market unfortunately took a step backward with a large negative net-absorption figure and a rise in vacancy. However, prior to this quarter the market had three consecutive quarters with positive net absorption. The housing market's slow recovery and limited job growth remain a strain on Reno's local economy, and both need to show promise for consistent improvement in the retail market.
- Construction** - During the third quarter there were four buildings, totaling 21,532 square feet of retail space, under construction. There were no properties delivered in the second or third quarter, but there were three buildings, totaling 21,362 square feet, delivered in the first quarter of 2013. There was still 1.8 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 third quarter came in at 13.73%, an increase of 40 basis points from the previous quarter but a decrease of 20 basis points compared to the previous year. Within the major submarkets, the Sparks Redevelopment and South Virginia submarkets performed best with vacancy rates of 7.27% and 7.37%, respectively. The Park Lane submarket came in with the highest vacancy rate at 22.68%.
- Availability** - The percentage of all space being marketed during the third quarter was 15.42% — an increase of 55 basis points from the previous quarter but essentially the same as 2012's third quarter rate. The Sparks Redevelopment and the South Reno submarkets remained strongest at 6.97% and 7.39%, respectively, while Park Lane came in as the weakest of all major submarkets at 25.10%.
- 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 — the same figure from the previous quarter and a drop from the \$1.26 seen one year ago. Look for rental rates to continue to stabilize and possibly increase in coming quarters.

- Absorption** - The Reno retail market recorded 129,978 square feet of negative net absorption for the quarter. The Douglas County submarket posted 16,039 square feet of positive net absorption, while the Spanish Springs submarket posted 25,470 square feet of negative net absorption.
- Transaction Activity** - Sale and leasing transaction volume totaled 219,908 square feet for the quarter. This statistic typically does have some lag time to post final numbers, so look for the third quarter numbers to end up around 250,000 square feet. Details of the largest transactions for the third quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 9.3% in July 2013, down from 10.5% in Jan. 2013. This compares with an unemployment rate of 9.5% for Nevada and 7.7% for the nation during the same period.
- Overall** - We expect that vacancy will remain high around 13% and availability rates at the 14–15% range for the near future in the Reno retail market. The spread between vacancy and availability has tightened, 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 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.

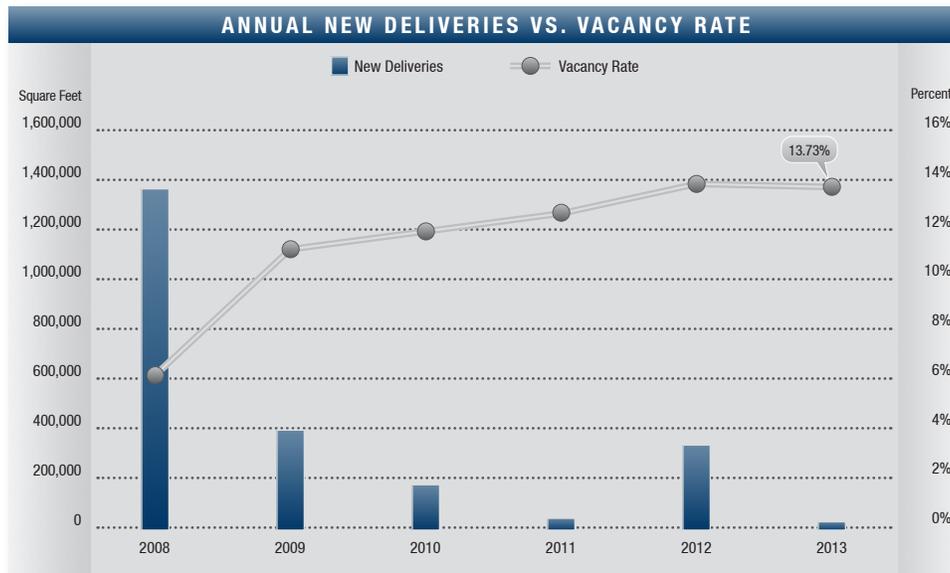
RETAIL MARKET OVERVIEW

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	13.73%	13.33%	13.93%	(1.44%)
Availability Rate	15.42%	14.87%	15.43%	(0.06%)
Average Asking Lease Rate	\$1.21	\$1.21	\$1.26	(3.97%)
Sale & Lease Transactions	219,908	228,322	240,449	(8.54%)
Gross Absorption	193,942	334,539	197,381	(1.74%)
Net Absorption	(129,978)	60,594	(69,194)	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Reno Market													
Airport Ret	30	405,232	0	53,723	43,394	10.71%	43,394	10.71%	\$1.25	(1,678)	(1,678)	794	4,094
Carson City County Ret	191	3,826,005	0	17,000	764,210	19.97%	805,304	21.05%	\$1.14	(22,999)	7,650	21,021	91,414
Douglas County Ret	128	2,130,152	0	0	210,440	9.88%	213,371	10.02%	\$1.18	16,039	30,444	18,111	72,773
Incline Village Ret	18	378,227	0	0	10,974	2.90%	10,974	2.90%	\$1.17	4,287	6,014	6,476	11,713
Kietzke Ret	140	2,206,726	0	0	223,723	10.14%	242,130	10.97%	\$0.99	(22,256)	(3,318)	3,000	33,847
Lyon County Ret	93	1,187,280	0	125,476	127,673	10.75%	268,190	22.59%	\$1.04	(6,721)	(16,696)	1,200	14,036
Meadowood Ret	163	4,400,235	0	0	532,319	12.10%	602,036	13.68%	\$1.30	(23,657)	62,781	13,693	200,939
N Outlying Washoe Cty Ret	2	6,959	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North Valleys Ret	73	909,504	6,500	619,137	65,212	7.17%	61,293	6.74%	\$1.24	(2,231)	4,478	1,490	65,570
Northeast Reno Ret	97	556,295	0	48,000	57,621	10.36%	63,901	11.49%	\$1.59	3,987	7,610	9,106	16,356
Northeast Sparks Ret	128	2,354,308	0	233,273	358,067	15.21%	359,139	15.25%	\$1.46	(10,269)	37,382	23,795	93,989
Northwest Reno Ret	124	1,734,595	0	135,800	307,789	17.74%	340,948	19.66%	\$1.46	(10,857)	(18,166)	5,837	20,388
Park Lane Ret	174	1,813,185	0	345,866	411,241	22.68%	455,112	25.10%	\$0.91	3,450	21,290	28,026	56,313
Reno Redevelopment Ret	66	818,430	0	0	167,906	20.52%	181,720	22.20%	\$1.59	(4,407)	2,994	280	14,924
S Outlying Washoe Cty Ret	14	186,360	0	0	8,223	4.41%	8,223	4.41%	\$1.53	0	0	0	0
South Reno Ret	145	2,750,064	0	178,700	161,059	5.86%	203,137	7.39%	\$1.48	6,096	18,591	12,056	38,419
South Virginia Ret	214	1,147,325	0	0	83,375	7.27%	113,714	9.91%	\$1.08	(14,091)	(20,110)	7,251	24,584
Southwest Reno Ret	39	455,989	0	0	57,277	12.56%	57,597	12.63%	\$1.33	(10,183)	(19,480)	3,225	11,665
Spanish Springs Ret	87	1,730,667	0	132,716	320,422	18.51%	321,079	18.55%	\$1.23	(25,470)	(68,419)	22,105	29,035
Sparks Industrial Ret	43	438,965	0	3,343	10,549	2.40%	18,599	4.24%	\$0.98	2,300	8,787	3,300	9,787
Sparks Redevelopment Ret	102	437,196	0	0	32,224	7.37%	30,488	6.97%	\$1.29	(9,198)	(13,757)	4,736	12,282
Storey County Ret	16	82,893	0	193,000	7,176	8.66%	17,728	21.39%	\$0.00	(400)	(3,576)	1,200	4,100
West Sparks Ret	79	1,749,391	0	29,120	393,849	22.51%	469,444	26.83%	\$1.25	(1,720)	(15,548)	7,240	11,464
Reno Market Total	2,166	31,705,983	6,500	2,115,154	4,354,723	13.73%	4,887,521	15.42%	\$1.21	(129,978)	27,273	193,942	837,692
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	712,469	23.26%	742,946	24.26%	\$1.17	(7,671)	11,853	20,551	160,082
Community Centers	224	6,894,235	0	4,000	1,079,951	15.66%	1,163,415	16.88%	\$1.18	(18,140)	(13,503)	11,494	43,974
Neighborhood Centers	205	4,533,704	0	550,777	441,501	9.74%	573,330	12.65%	\$1.14	(28,265)	667	29,127	161,310
Strip Centers	264	2,789,296	6,500	188,693	495,837	17.78%	561,210	20.12%	\$1.33	(19,338)	5,292	59,904	158,390
Specialty Centers	20	690,674	0	0	68,622	9.94%	75,614	10.95%	\$1.75	0	(4,519)	0	3,578
General Retail	1,349	11,808,942	0	753,963	1,404,692	11.90%	1,608,283	13.62%	\$1.11	(56,564)	13,351	72,866	296,226
Reno Market Total	2,166	31,705,983	6,500	2,115,154	4,354,723	13.73%	4,887,521	15.42%	\$1.21	(129,978)	27,273	193,942	837,692

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
750 N. Virginia St.	Northeast Reno	15,067	\$431.41	750 N. Virginia St., LLC	Walgreens
2870-2880 Northtowne Ln.	West Sparks	14,111	\$368.51	Massie & Company	MTK, Ltd.
4855 Summit Ridge Dr.	Northwest Reno	166,318	\$24.05	Sierra Field Services, Inc.	Sears Roebuck & Company
The Palladio, 50 N. Sierra St.	Reno Redevelopment	19,637	\$170.60	Wray Family Trust	The Picerne Group
Shops at the Village, 625-665 Booth St.	Southwest Reno	50,582	\$65.80	Long Liou	Bank of America

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
The North Valleys Center, 100-250 Lemmon Dr.	Grocery Outlet	Grocer	North Valleys	Now Open	Gabrielsen & Company
The North Valleys Center, 100-250 Lemmon Dr.	Big Lots!	Discount Store	North Valleys	Now Open	Gabrielsen & Company
1593 Esmeralda Ave.	Undisclosed	Undisclosed	Douglas County	Fall 2013	Hellwinkel Family, LLC
3355 Kietzke Ln.	Reno Tahoe Auto Group	Auto Sales	Park Lane	Now Open	Lithia Real Estate, Inc.
101 Ambrose Ln.	Dollar General	Discount Store	Lyon County	Now Open	MFI Investors Nevada, 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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REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663
949.644.8648
www.voitco.com
Lic.#01333376

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