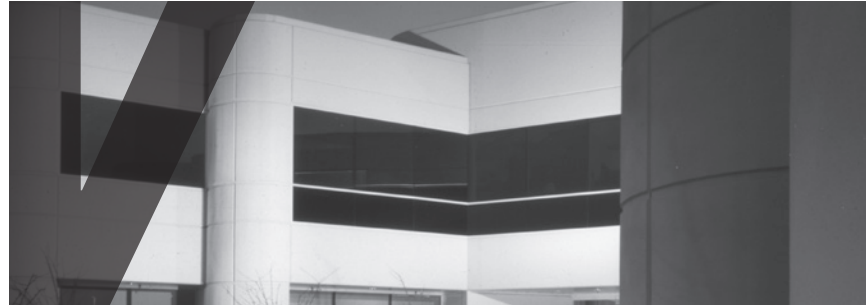




REAL ESTATE SERVICES

Real People. Real Solutions.®



Office Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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Market Highlights

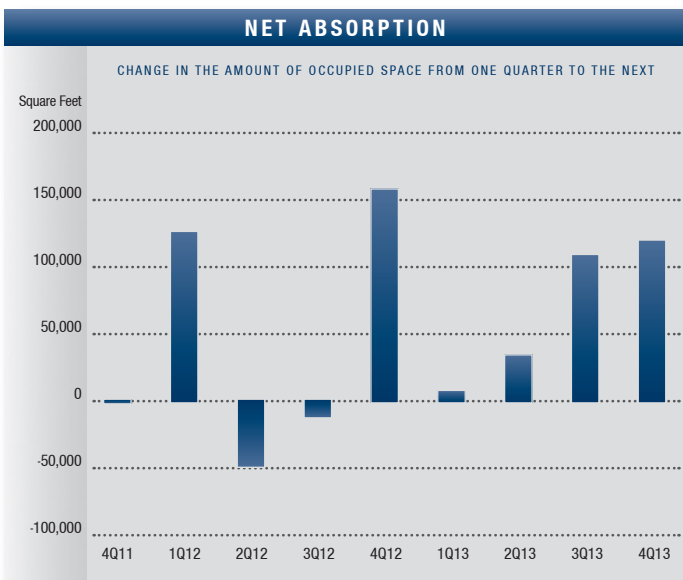
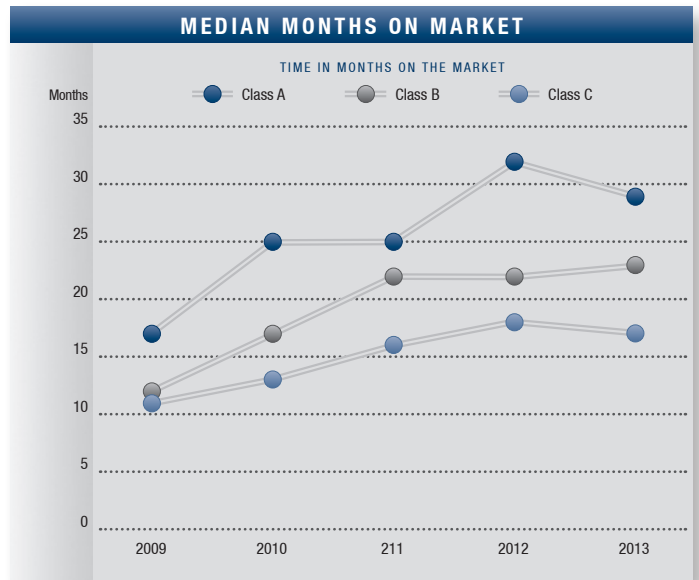
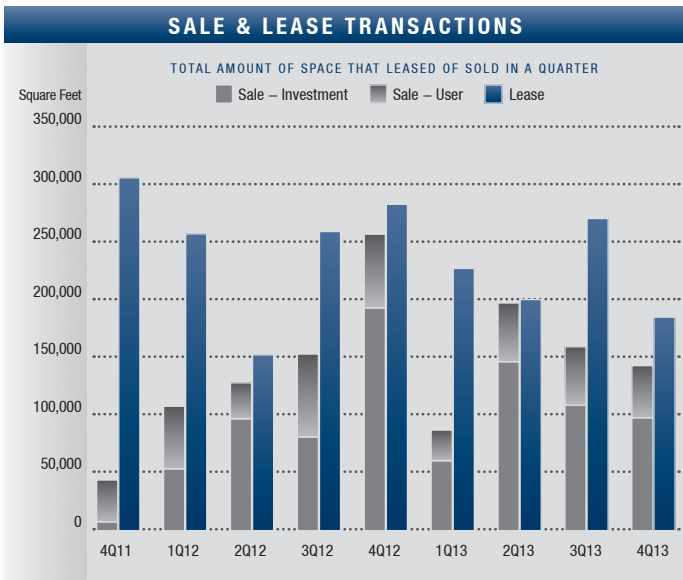
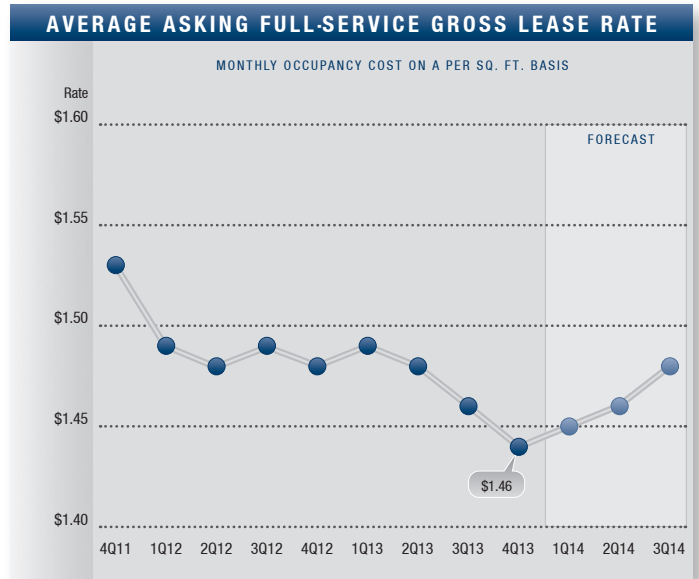
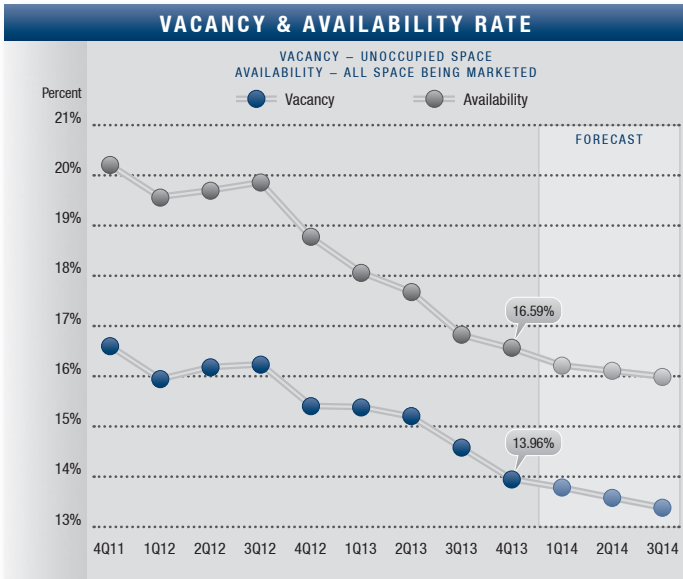
- Market Status** - The fourth quarter of 2013 reflected stability and showed that Reno's office market is slowly improving. Because this market has been fluctuating over the past several years, we expect a long-term recovery in this market to be a bit tempered, despite five consecutive positive quarters of net absorption.
- Construction** - There were no office buildings under construction in the Reno market at the end of the fourth quarter. There was still 1.5 million square feet of proposed projects. However, other than possible build-to-suits, don't look for those proposed projects to come to fruition anytime soon.
- Vacancy** - The market's vacancy rate for the fourth quarter dropped by 62 basis points to finish the quarter at 13.96%, marking the first time the vacancy rate has dropped below 14% since mid-2008. Within the major submarkets, the Sparks submarket remained very high at 16.74%, while the Meadowood submarket looked best at 11.32%.
- Availability** - The percentage of total space being marketed at the end of the fourth quarter was 16.59% — a decrease of 23 basis points from the previous quarter. Within the major submarkets, the Sparks submarket remained highest at 20.47%, while the Meadowood submarket looked best at 13.92%.
- Lease Rates** - At the end of the fourth quarter, the average asking full-service gross lease rate across all 3 building classes and 14 submarkets came in at \$1.44 per square foot per month, a drop from the \$1.46 seen in the previous quarter and the \$1.48 seen in 2012. While this is an area of concern for the landlords in the region, we do predict this rate to be at or near rock bottom since demand has picked up over the last year. The region's highest average asking rate, within the major submarkets, was \$1.65 in the Downtown area, while the lowest was \$0.55 in the

Sparks submarket. Lease rates in Class A buildings did rise by one cent from the previous quarter.

- Absorption** - The Reno office market posted positive net absorption of 119,854 square feet for the quarter and 270,684 square feet for all of 2013. The second and third quarters of 2012 withstanding, every quarter since the third quarter of 2010 has posted some figure of positive absorption.
- Transaction Activity** - Total square footage of lease and sale transaction volume has remained fairly steady over the past nine quarters, with a peak during the fourth quarter of 2012. Final numbers for this statistic typically have some lag time, so look for the fourth quarter to post over 400,000 square feet of total volume — marking only the fourth quarter out of the last nine to top 400,000 square feet of activity. Details of the largest transactions of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Reno-Sparks MSA was 8.8% in October 2013, down from 9.3% in July 2013. This compares with an unemployment rate of 9.2% for Nevada and 7.0% for the nation during the same period.
- Overall** - Reno's office market has been gradually moving towards recovery, with sustained decreases in vacancy and availability rates and positive net absorption, which will lead to eventual rent increases. While these are good signs, continued job growth will be needed to allow further stability. Reno does offer a few major draws for prospective tenants: lower tax rates for businesses (in comparison to neighboring states) and numerous opportunities to move up in quality (as class A buildings remain at 15.15% vacancy). Some large companies such as Apple and Urban Outfitters are moving their distribution centers into the area — which in the long term could raise the level of Reno's attractiveness.

OFFICE MARKET OVERVIEW

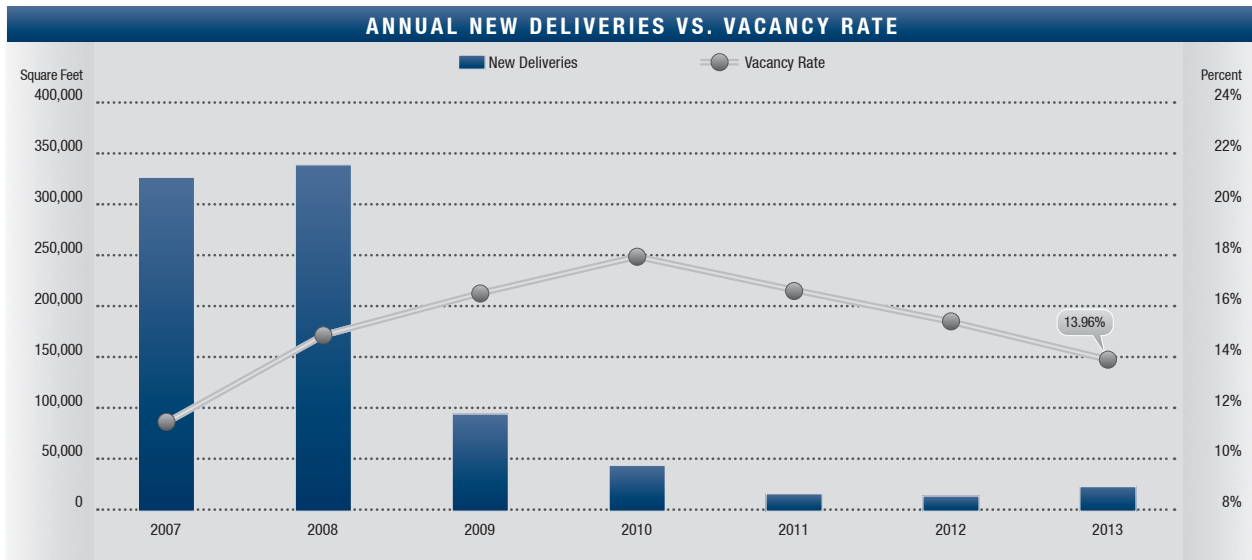
	2013	2012	2011	% of Change vs. 2012
Total Vacancy Rate	13.96%	15.39%	16.59%	(9.29%)
Availability Rate	16.59%	18.76%	20.22%	(11.57%)
Average Asking Lease Rate	\$1.44	\$1.48	\$1.53	(2.70%)
Sale & Lease Transactions	1,451,167	1,607,018	1,452,302	(9.70%)
Gross Absorption	1,317,615	1,361,871	1,417,321	(3.25%)
Net Absorption	270,684	222,570	259,703	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
Reno Market Total													
Carson City County	182	2,174,475	0	16,000	320,297	14.73%	345,780	15.90%	\$1.07	4,419	19,957	20,578	100,934
Central/Airport	248	2,819,682	0	14,392	396,889	14.08%	459,713	16.30%	\$1.13	(43,163)	74,979	46,717	230,484
Douglas County	57	490,652	0	6,545	72,266	14.73%	73,384	14.96%	\$1.79	(3,500)	(19,508)	0	11,388
Downtown	327	4,203,900	0	30,553	574,895	13.68%	726,433	17.28%	\$1.65	30,571	27,623	54,436	212,016
Incline Village	31	338,423	0	0	41,303	12.20%	47,952	14.17%	\$2.00	7,903	26,780	10,694	42,205
Lyon County	38	186,902	0	12,000	46,211	24.72%	55,011	29.43%	\$0.00	(3,740)	15,738	900	24,109
Meadowood	189	3,180,117	0	279,036	360,090	11.32%	442,629	13.92%	\$1.45	31,123	28,902	67,764	210,071
North Outlying Washoe County	4	107,679	0	25,000	40,088	37.23%	35,717	33.17%	\$0.00	0	(10,206)	0	12,082
North Valleys	20	131,981	0	0	15,974	12.10%	15,974	12.10%	\$0.00	10,428	34,762	10,428	37,517
South Outlying Washoe County	21	209,063	0	24,054	14,237	6.81%	14,237	6.81%	\$1.38	0	(2,194)	0	6,037
South Meadows	178	2,268,597	0	181,695	302,353	13.33%	383,735	16.92%	\$1.57	83,062	55,865	122,145	338,073
Sparks	164	1,190,438	0	0	199,299	16.74%	243,655	20.47%	\$0.55	957	7,568	12,395	63,151
Storey County	2	23,730	0	881,162	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	41	353,800	0	0	83,378	23.57%	88,696	25.07%	\$0.00	1,794	10,418	10,623	29,548
Reno Market Total	1,502	17,679,439	0	1,470,437	2,467,280	13.96%	2,932,916	16.59%	\$1.44	119,854	270,684	356,680	1,317,615

0													
Class A	19	1,496,319	0	102,000	226,629	15.15%	258,500	17.28%	\$1.86	57,726	12,633	72,975	203,564
Class B	732	10,162,230	0	1,368,437	1,410,211	13.88%	1,667,113	16.40%	\$1.46	29,233	145,635	189,649	700,961
Class C	751	6,020,890	0	0	830,440	13.79%	1,007,303	16.73%	\$1.20	32,895	112,416	94,056	413,090
Reno Market Total	1,502	17,679,439	0	1,470,437	2,467,280	13.96%	2,932,916	16.59%	\$1.44	119,854	270,684	356,680	1,317,615

The lease rates are based on a full-service gross basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
1 E. Liberty St.	Downtown	A	82,856	\$72.17	GBS Advisors, Inc.	US Bank
10615 Professional Cir.	South Meadows	B	45,200	\$102.88	NevDex Properties	South Meadows Investments, LLC
601 Sierra Rose Dr.	Meadowood	B	18,348	\$147.16	Sierra Nevada Nephrology	Branch Banking & Trust Company
610 Waltham Way	Storey County	B	22,250	\$95.80	Q & R, LLC	David Imburgia
9855 Double R Blvd.	South Meadows	B	12,664	\$159.90	Dr. Dwarakanath Vuppalapati, MD	Stark & Associates

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
9390 Gateway Dr.	South Meadows	A	51,280	Sep-13	Customink	Reno Technology Center 1, LLC
9390 Gateway Dr.	South Meadows	A	18,539	Mar-13	Great Call, Inc.	Reno Technology Center 1, LLC
5310 Kietzke Ln.	Meadowood	B	14,000	Nov-13	Undisclosed	NevDex Properties
1 E. Liberty St.	Downtown	A	13,000	Aug-13	Pacific Business Centers	GBS Advisors, Inc.
5955 Tyrone Rd.	Meadowood	C	9,450	Jul-13	Christian Fellowship Church of Reno	Ami Partners, LLC

Product Type

CLASS A

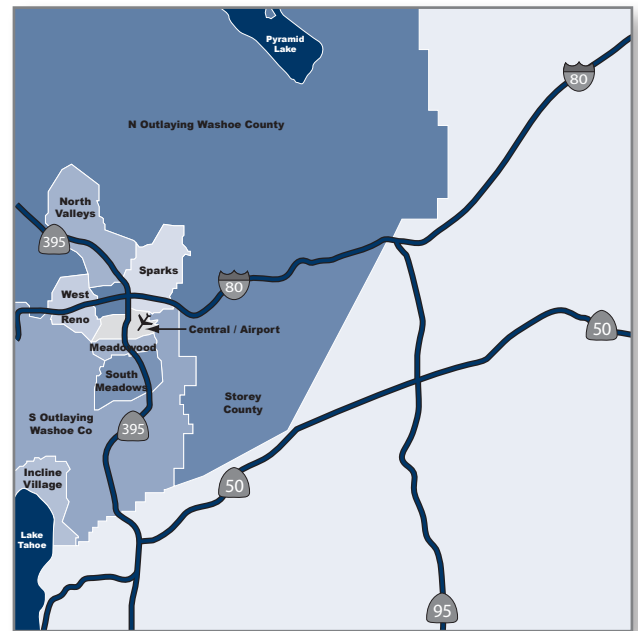
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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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