



Retail Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

UP

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Market Highlights

- Market Status** - Reno's retail market has begun to show signs of life. The market has now experienced five consecutive quarters of positive net absorption and six consecutive quarters of vacancy decreases. However, 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 significant improvement in the retail market.
- Construction** - During the fourth quarter there were three buildings, totaling 20,400 square feet of retail space, under construction. There were seven properties delivered in 2013, which continues to show some confidence, albeit minimal, in the Reno's retail market. There was still 1.5 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 fourth quarter came in at 12.80%, a decrease of 39 basis points from the previous quarter and a decrease of 104 basis points compared to the previous year. Within the major submarkets, the South Virginia and the Sparks Redevelopment submarkets performed best with vacancy rates of 6.24% and 6.29%, respectively. The Park Lane submarket came in with the highest vacancy rate at 20.70%.
- Availability** - The percentage of all space being marketed during the fourth quarter was 14.41% — a decrease of 46 basis points from the previous quarter and a decrease of 65 basis points compared to the previous year. The Sparks Redevelopment and the South Reno submarkets remained strongest at 7.20% and 7.61%, respectively, while Park Lane came in as the weakest of all major submarkets at 22.94%.
- Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the final quarter of 2013

was \$1.18 per square foot per month — a decrease of three cents from the previous quarter and a drop from the \$1.24 seen one year before. Look for rental rates to stabilize and possibly increase in coming quarters.

- Absorption** - The Reno retail market recorded 143,540 square feet of positive net absorption for the quarter and 384,995 square feet of positive net absorption for all of 2013. The Park Lane submarket posted 49,162 square feet of positive net absorption, while the South Reno submarket posted 8,817 square feet of negative net absorption.
- Transaction Activity** - Sale and leasing transaction volume totaled 284,344 square feet for the quarter. This statistic typically does have some lag time to post final numbers, so look for the fourth quarter numbers to end up around 350,000 square feet. Details of the largest transactions for all 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** - We expect that vacancy will continue to drop over the forecast, which will eventually apply enough upward pressure for asking lease rates to rise. The spread between vacancy and availability has indeed 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.

Prepared by:

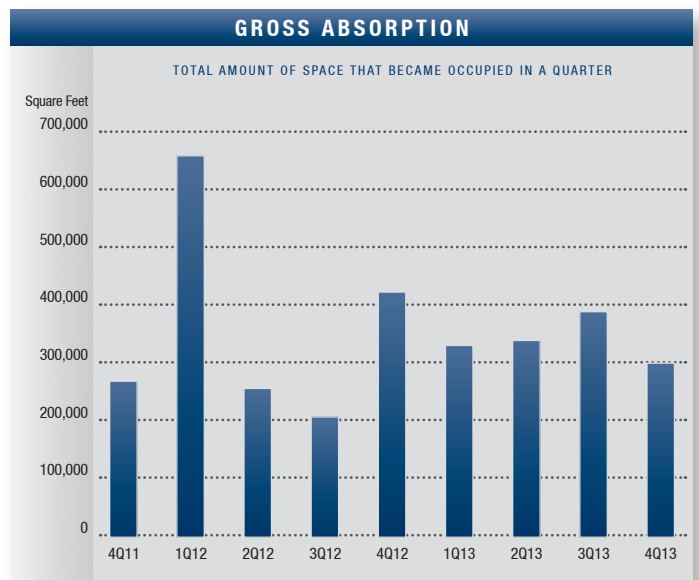
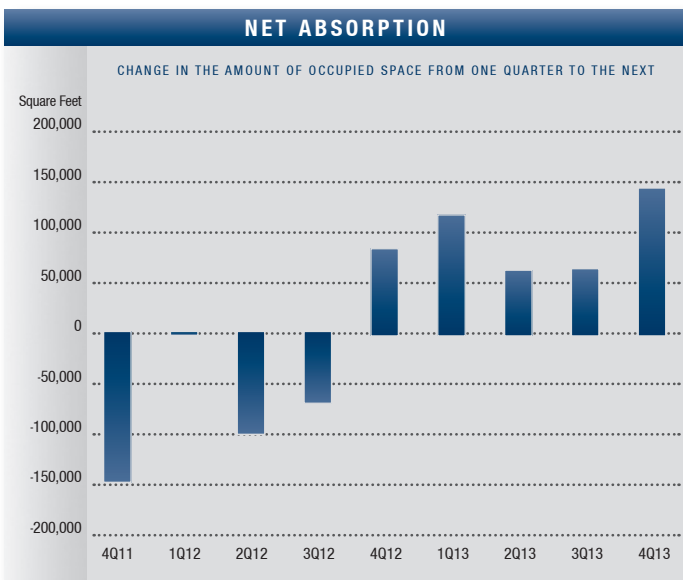
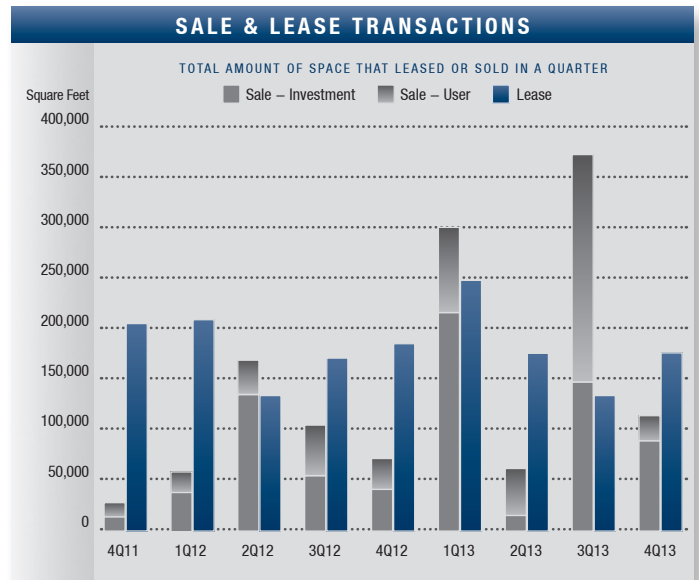
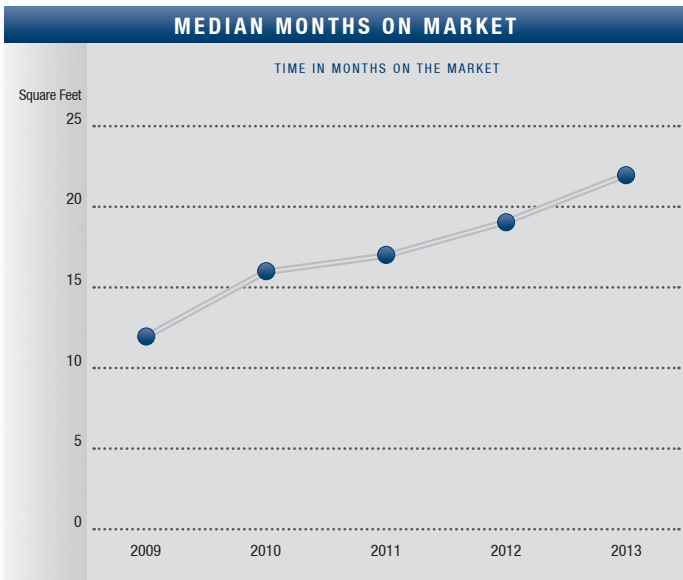
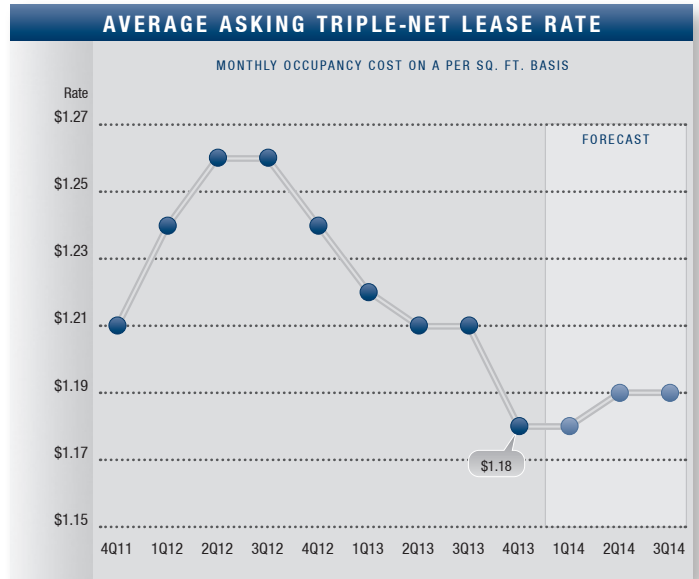
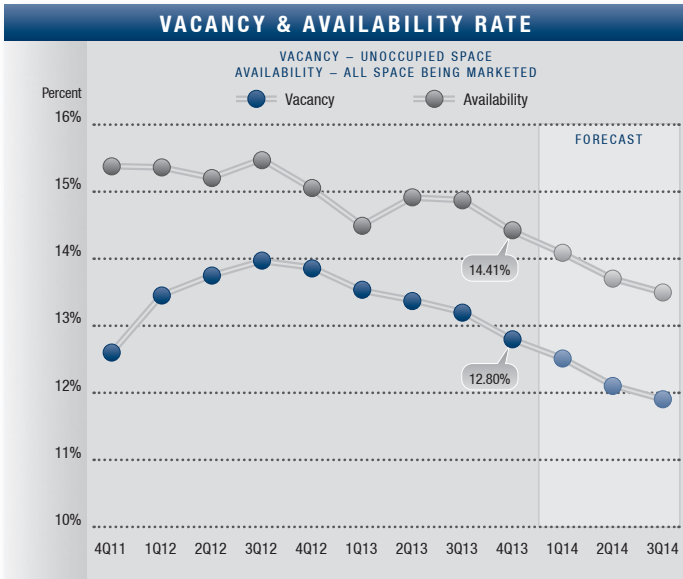
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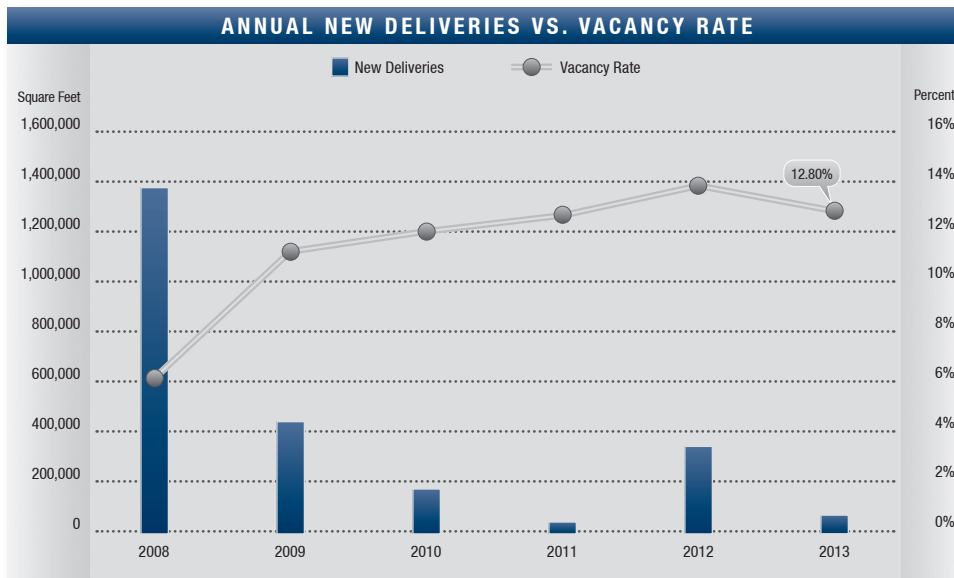
RETAIL MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Vacancy Rate	12.80%	13.84%	12.65%	(7.51%)
Availability Rate	14.41%	15.06%	15.39%	(4.32%)
Average Asking Lease Rate	\$1.18	\$1.24	\$1.21	(4.84%)
Sale & Lease Transactions	1,564,227	1,085,064	1,015,047	44.16%
Gross Absorption	1,342,025	1,534,645	1,105,599	(12.55%)
Net Absorption	384,995	(86,525)	(175,075)	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													
Airport Ret	30	405,232	0	53,723	42,122	10.39%	42,122	10.39%	\$1.26	1,272	(406)	1,272	5,366
Carson City County Ret	195	3,843,062	0	20,000	750,505	19.53%	805,054	20.95%	\$0.95	13,705	21,855	23,644	115,558
Douglas County Ret	129	2,148,376	0	136,000	201,726	9.39%	225,572	10.50%	\$1.12	10,464	39,158	14,844	87,598
Incline Village Ret	19	383,690	0	0	11,555	3.01%	11,555	3.01%	\$1.26	(581)	5,433	0	11,713
Kietzke Ret	139	2,204,375	0	15,000	208,878	9.48%	220,883	10.02%	\$0.97	14,845	11,527	26,753	60,600
Lyon County Ret	96	1,241,031	0	116,474	119,165	9.60%	255,527	20.59%	\$1.04	8,508	114	8,895	31,433
Meadowood Ret	163	4,387,345	0	0	514,627	11.73%	578,274	13.18%	\$1.28	11,298	80,473	23,697	227,136
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	76	924,230	0	220,904	55,260	5.98%	56,820	6.15%	\$1.24	9,952	29,530	12,476	93,146
Northeast Reno Ret	97	556,295	0	45,000	51,918	9.33%	58,198	10.46%	\$1.59	5,703	13,313	5,703	22,040
Northeast Sparks Ret	130	2,367,227	0	146,132	375,232	15.85%	376,304	15.90%	\$1.46	9,819	47,201	10,819	104,808
Northwest Reno Ret	124	1,715,007	6,900	0	119,429	6.96%	142,872	8.33%	\$1.46	8,252	162,244	11,452	198,158
Park Lane Ret	174	1,809,519	0	337,866	374,497	20.70%	415,168	22.94%	\$0.98	49,162	76,252	57,136	119,249
Reno Redevelopment Ret	66	818,430	0	0	165,548	20.23%	163,297	19.95%	\$1.56	2,358	5,352	2,638	17,562
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	148	2,758,331	11,000	232,406	175,311	6.36%	209,939	7.61%	\$1.56	(8,817)	13,207	2,567	46,654
South Virginia Ret	215	1,162,184	0	22,070	72,488	6.24%	109,255	9.40%	\$1.19	11,836	(4,523)	12,970	37,554
Southwest Reno Ret	41	462,739	0	0	57,038	12.33%	63,280	13.68%	\$1.33	239	(19,241)	13,388	25,553
Spanish Springs Ret	87	1,730,667	2,500	93,216	324,603	18.76%	326,763	18.88%	\$1.25	(339)	(72,600)	3,003	32,038
Sparks Industrial Ret	44	442,291	0	3,343	15,345	3.47%	52,195	11.80%	\$0.62	(4,796)	4,791	0	10,587
Sparks Redevelopment Ret	104	451,968	0	0	28,444	6.29%	32,551	7.20%	\$1.11	3,900	(6,321)	3,900	16,146
Storey County Ret	17	84,149	0	13,000	7,176	8.53%	17,728	21.07%	\$0.00	0	(3,576)	0	4,600
West Sparks Ret	79	1,749,391	0	29,120	397,089	22.70%	415,042	23.72%	\$1.06	(3,240)	(18,788)	63,062	74,526
Reno Market Total	2,189	31,838,858	20,400	1,484,254	4,076,179	12.80%	4,586,622	14.41%	\$1.18	143,540	384,995	298,219	1,342,025
Malls	23	1,926,419	0	146,132	151,651	7.87%	162,723	8.45%	\$1.82	0	14,132	0	14,132
Power Centers	81	3,063,153	0	379,648	703,463	22.97%	734,613	23.98%	\$1.02	9,006	20,859	13,418	173,500
Community Centers	224	6,892,225	0	19,000	1,095,020	15.89%	1,198,449	17.39%	\$1.12	19,466	9,477	34,090	80,564
Neighborhood Centers	205	4,533,704	2,500	148,077	422,872	9.33%	560,889	12.37%	\$1.17	17,921	13,496	36,705	198,015
Strip Centers	269	2,828,158	11,000	70,083	500,764	17.71%	555,145	19.63%	\$1.33	(12,506)	12,239	24,499	195,838
Specialty Centers	20	667,074	0	6,500	68,494	10.27%	68,036	10.20%	\$2.34	128	(4,391)	2,117	5,695
General Retail	1,367	11,928,125	6,900	714,814	1,133,915	9.51%	1,306,767	10.96%	\$1.15	109,525	319,183	187,390	674,281
Reno Market Total	2,189	31,838,858	20,400	1,484,254	4,076,179	12.80%	4,586,622	14.41%	\$1.18	143,540	384,995	298,219	1,342,025

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
The Summit, 13933 S. Virginia St.	South Reno	370,868	\$142.91	DRA Advisors, LLC	Reno Retail Co., LLC
Sparks Galleria, 125-165 Disc Dr. 750 N. Virginia St.	Spanish Springs Northeast Reno	234,782 15,067	\$111.59 \$431.41	Pine Tree Commercial Realty 750 N Virginia St, LLC	Security Management, Inc. Walgreens
North McCarran Crossing 2870-2880 Northtowne Ln.	West Sparks	14,111	\$368.51	Massie & Company	MTK LTD
Kietzke Center, 3340-3400 Kietzke Ln.	Kietzke	86,480	\$52.04	Gator Investments	Brixmor Property Group

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
Silverada Plaza, 2424 Oddie Blvd.	Goodwill	31,727	West Sparks	Renewal	Silverada Plaza, LLC
Silverada Plaza, 2424 Oddie Blvd.	Dollar Tree	27,175	West Sparks	Renewal	Silverada Plaza, LLC
North Valleys Shopping Center 100-250 Lemmon Dr.	Grocery Outlet	22,139	North Valleys	Apr-13	Gabrielsen & Company
North Valleys Shopping Center 100-250 Lemmon Dr.	Big Lots!	22,039	North Valleys	Jun-13	Gabrielsen & Company
1593 Esmeralda Ave.	COD Casino	18,400	Douglas County	Aug-14	Hellwinkel Family, 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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