

## MARKET CHANGE

*Compared to 2013:*

**Vacancy**

**DOWN**



**Net Absorption**

**POSITIVE**



**Lease Rates**

**UP**



**Transactions**

**DOWN**



**Deliveries**

**UP**



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## HIGHLIGHTS

- **Market Status** - Reno's office market reflected even greater stability at the close of the fourth quarter of 2014, as the overall vacancy rate has decreased and lease rates have increased. The current vacancy rate of 13.75% is the lowest seen since 2008. Given the combination of these positive factors, this market is moving quickly toward a full recovery.
- **Construction** - There were no office buildings under construction or delivered in the Reno office market at the end of the fourth quarter. Nonetheless, there is currently 558,560 square feet of proposed office development. The lack of new development will allow vacancy rates to further stabilize in future quarters.
- **Vacancy** - The market's vacancy rate for the fourth quarter decreased by 38 basis points to finish the quarter at 13.75%, which is the lowest rate since 2008. The vacancy rate is still 30 basis points lower than it was one year ago. Within the major submarkets, the Meadowood and South Meadows submarkets performed best with vacancy rates of 10.58% and 11.48%, while the Sparks submarket had one of the highest vacancy rates of 16.39%.
- **Availability** - The percentage of total space being marketed at the end of the fourth quarter was 16.71%, which is 12 basis points lower than the previous quarter. Within the major submarkets, the Meadowood and Carson City submarkets looked best at 14.77% and 15.44%, while the Sparks submarket lagged behind with an availability rate of 20.56%.
- **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 \$1.50 per square foot per month, which was an impressive \$0.03 increase from the previous quarter. The region's highest average asking rate, within the major submarkets, was \$1.67 in the Downtown submarket, while the lowest was \$0.89 in the Sparks submarket. Lease rates in Class A and Class B buildings both increased by three cents while lease rates in Class C buildings rose by four cents in comparison to last quarter.
- **Absorption** - The Reno office market posted positive net absorption of 68,020 square feet for the fourth quarter of 2014. Within the major submarkets, the Meadowood and Carson City submarkets posted the highest positive net absorption numbers at 38,783 square feet and 34,207 square feet. The Downtown submarket, on the other hand, had the highest negative absorption of 28,992 square feet.
- **Transaction Activity** - Total square footage of lease and sale transaction volume increased from the previous quarter to 391,016 square feet. 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 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Reno-Sparks MSA was 6.4% in November 2014, down from 8.3% in January 2014. This compares with an unemployment rate of 6.9% for Nevada and 5.8% for the nation during the same period.
- **Overall** - Reno's office market performed much better this quarter in comparison to last quarter as vacancy further decreased, net absorption was positive and lease rates improved by an impressive three cents overall. Reno offers 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 17.20% vacancy. As job growth continues to improve in Reno, further stability in the Reno office market is expected.

## FORECAST

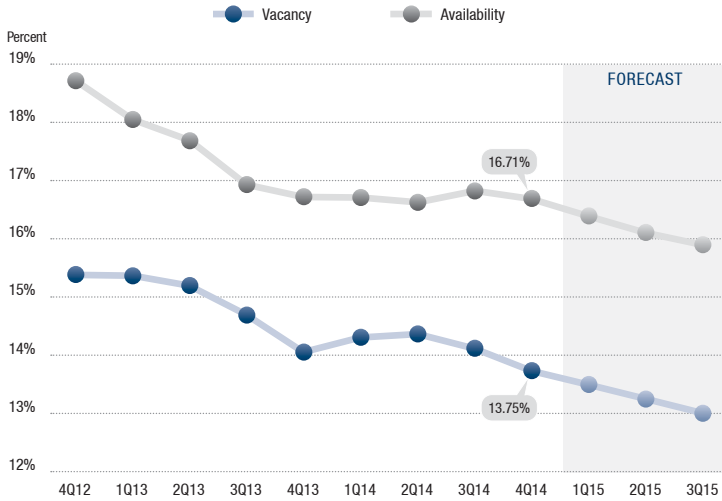
- **Employment** - We anticipate job growth of around 1.2%, or 2,100 jobs, in the Reno / Sparks area by 2015. The occupational groups with the fastest growth rates are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by 1% to 3% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping by 75 basis points, to around 13.0%, by the end of the third quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	13.75%	14.05%	15.38%	(2.14%)
Availability Rate	16.71%	16.74%	18.72%	(0.18%)
Average Asking Lease Rate	\$1.50	\$1.44	\$1.48	4.17%
Sale & Lease Transactions	1,449,124	2,010,140	1,828,197	(27.91%)
Gross Absorption	948,953	1,343,707	1,372,237	(29.38%)
Net Absorption	57,936	254,001	204,512	N/A

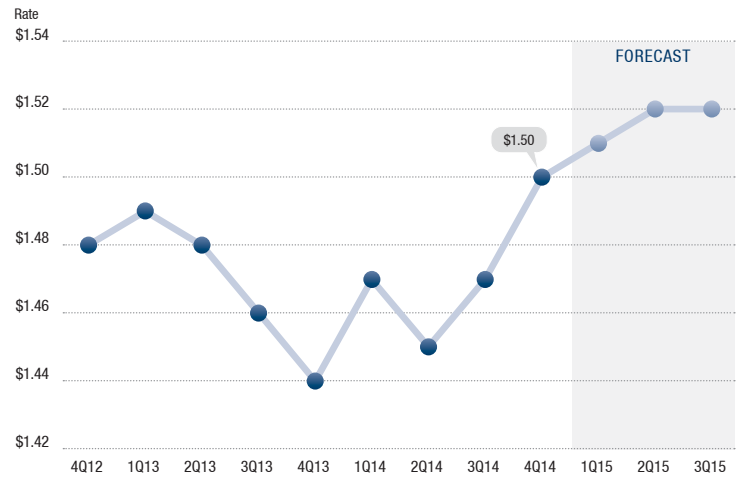
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



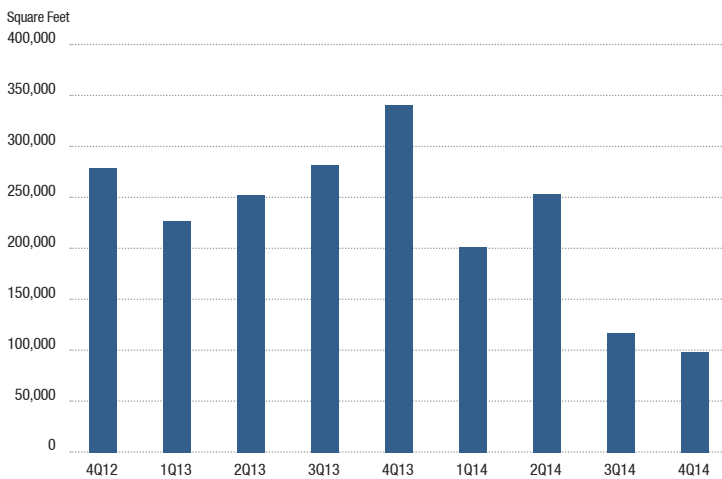
## AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



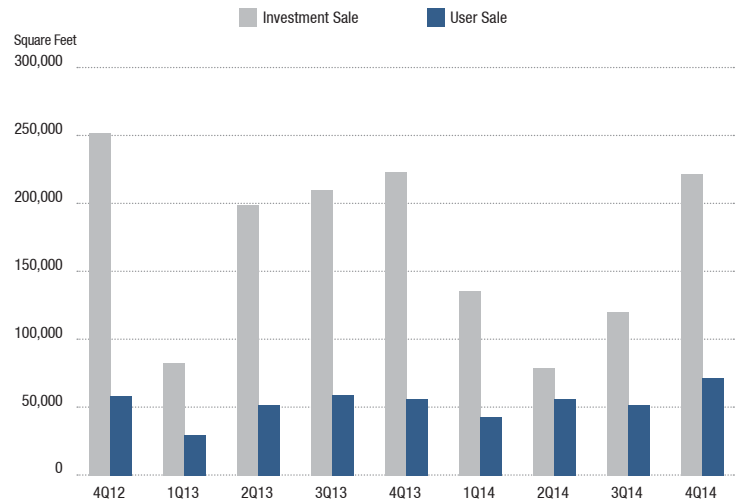
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



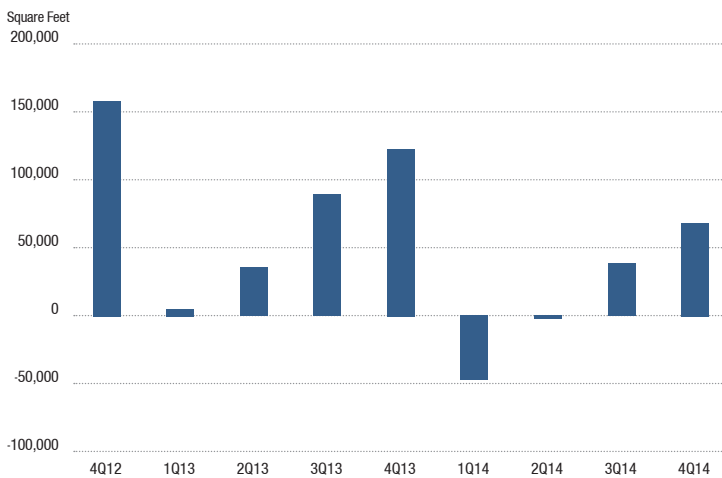
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



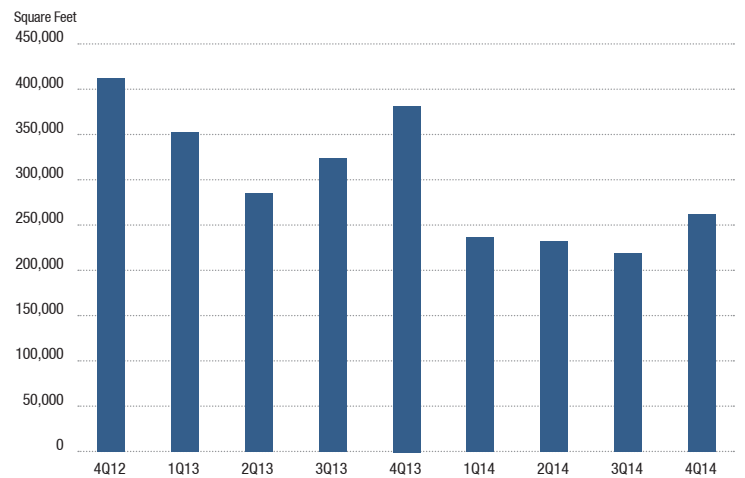
## NET ABSORPTION

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

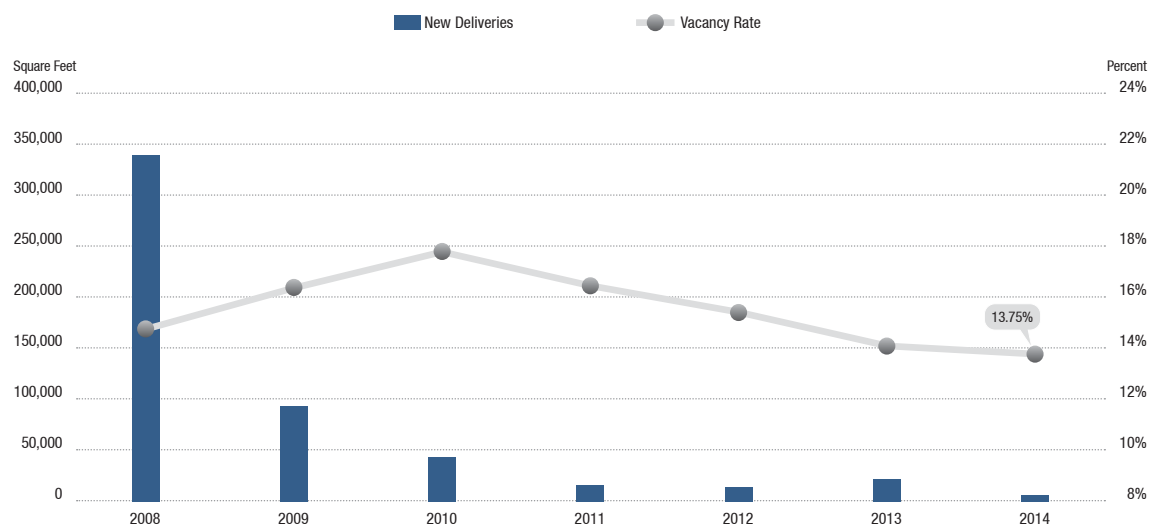


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
<b>Reno Market Total</b>													
Carson City County	186	2,142,957	0	16,000	303,459	14.16%	330,950	15.44%	\$1.11	34,207	25,796	59,172	106,445
Central/Airport	249	2,820,361	0	14,392	423,813	15.03%	472,740	16.76%	\$1.14	(2,272)	(28,063)	16,830	135,610
Douglas County	64	534,715	0	6,545	95,153	17.80%	104,784	19.60%	\$1.20	(1,761)	(12,081)	6,319	26,487
Downtown	334	4,255,536	0	30,553	589,071	13.84%	699,987	16.45%	\$1.67	(28,992)	(6,576)	38,457	188,000
Incline Village	32	331,473	0	0	56,141	16.94%	65,454	19.75%	\$1.68	(1,750)	(14,838)	4,264	18,683
Lyon County	40	203,050	0	12,000	40,203	19.80%	45,203	22.26%	\$0.00	1,800	6,008	3,000	10,153
Meadowood	189	3,218,244	0	279,036	340,631	10.58%	475,180	14.77%	\$1.62	38,783	28,668	76,400	184,263
North Outlying Washoe County	4	98,132	0	0	31,595	32.20%	31,595	32.20%	\$0.00	3,042	8,493	3,042	8,493
North Valleys	21	139,299	0	0	12,387	8.89%	15,152	10.88%	\$1.63	1,572	5,987	1,572	5,987
South Outlying Washoe County	21	198,580	0	0	7,738	3.90%	7,738	3.90%	\$1.45	0	6,999	0	14,071
South Meadows	178	2,346,569	0	176,034	269,461	11.48%	395,787	16.87%	\$1.65	10,555	30,560	28,353	178,052
Sparks	166	1,182,024	0	0	193,707	16.39%	242,984	20.56%	\$0.89	14,287	12,892	22,063	58,589
Storey County	3	30,408	0	24,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West Reno	43	355,462	0	0	91,287	25.68%	95,487	26.86%	\$0.00	(1,451)	(5,909)	1,680	14,120
<b>Reno Market Total</b>	<b>1,530</b>	<b>17,856,810</b>	<b>0</b>	<b>558,560</b>	<b>2,454,646</b>	<b>13.75%</b>	<b>2,983,041</b>	<b>16.71%</b>	<b>\$1.50</b>	<b>68,020</b>	<b>57,936</b>	<b>261,152</b>	<b>948,953</b>

Class A	20	1,549,319	0	102,000	218,248	14.09%	266,421	17.20%	\$1.83	5,218	4,672	10,770	67,869
Class B	736	10,211,460	0	456,560	1,428,295	13.99%	1,725,119	16.89%	\$1.51	(516)	11,234	133,981	528,487
Class C	774	6,096,031	0	0	808,103	13.26%	991,501	16.26%	\$1.30	63,318	42,030	116,401	352,597
<b>Reno Market Total</b>	<b>1,530</b>	<b>17,856,810</b>	<b>0</b>	<b>558,560</b>	<b>2,454,646</b>	<b>13.75%</b>	<b>2,983,041</b>	<b>16.71%</b>	<b>\$1.50</b>	<b>68,020</b>	<b>57,936</b>	<b>261,152</b>	<b>948,953</b>

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

### ANNUAL NEW DELIVERIES VS. VACANCY RATE



## MAJOR TRANSACTIONS OF 2014

## Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
2874 N Carson St.	Carson City	B	73,975	\$263.60	Griffin-American Healthcare REIT II, Inc.	Eagle Medical Plaza CAM, LLC
4126 Technology Way – 4 Properties	Carson City	B	98,746	\$101.27	Holly Property Management	DGD Development
950 Sandhill Dr.	South Meadows	B	42,129	\$180.40	2860 LRSE, LLC	Panattoni Development Company
5250 Kietzke Ln. – 2 Properties	Meadowood	B	18,732	\$363.02	Stephen D. Hall, CPA	Digestive Health Associates
880 Ryland St.	Downtown	B	19,339	\$274.24	Massie & Company	Ryloc Investments, LLC

## Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
Reno Technology Center 9390 Gateway Dr.	South Meadows	A	17,395	Apr-14	Great Call, Inc.	Reno Technology Center 1, LLC
800 Haskell St.	Downtown	C	16,800	Nov-14	Undisclosed	Rosenbaum Trust
6160 Plumas St.	Meadowood	B	13,974	Apr-14	Undisclosed	Gonzo Properties, LLC
3700 Barron Ln.	Meadowood	B	12,815	Mar-14	Network Services Solutions	Network Services Solutions, LLC
555 Double Eagle Ct.	South Meadows	C	11,500	Jun-14	Connections Academy	Jelich Double Eagle, LLC

## PRODUCT TYPE

**CLASS A**

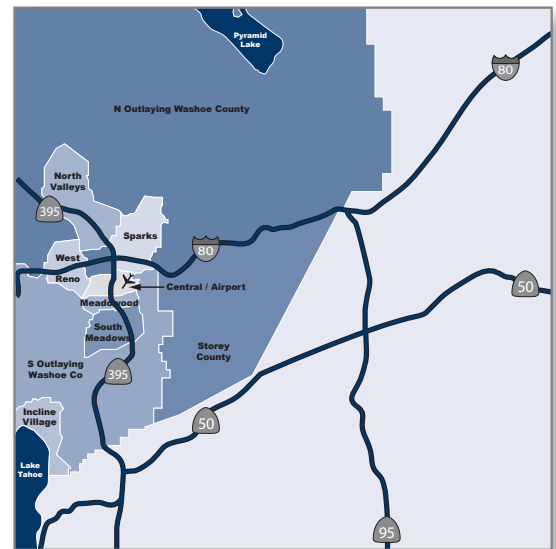
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

**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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