

# FOURTH QUARTER 2014

## RENO

# RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

DOWN



Transactions

DOWN



Deliveries

UP



To view available properties or electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Bianca Cruz**  
Market Research Analyst  
e-mail: [bcruz@voitco.com](mailto:bcruz@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- **Market Status** - Reno's retail market is stabilizing as vacancy rates have further decreased at the close of the fourth quarter of 2014. The Reno retail market is slowly but steadily moving toward a recovery, which will be even more apparent as the housing market and job growth continue to trend upward.
- **Construction** - During the fourth quarter, no projects were under construction; however, there is currently 1.7 million square feet of planned retail space. At the close of 2014, there was a little over 101,000 square feet of delivered space for the year. The lack of new construction should continue to put downward pressure on vacancy rates.
- **Vacancy** - The overall vacancy rate for the fourth quarter came in at 12.31%, a decrease of 19 basis points compared to the previous quarter and a decrease of 40 basis points compared to the previous year. Within the major submarkets, the Northwest Reno and the South Virginia submarkets performed best with vacancy rates of 6.03% and 6.16%, respectively. The West Parks submarket came in with the highest vacancy rate at 22.05%.
- **Availability** - The percentage of all space being marketed during the fourth quarter was 13.60%—a decrease of 57 basis points from the previous year. Of the major submarkets, the Northwest Reno and the South Virginia submarkets remained strongest at 6.55% and 7.74%, respectively, while the Park Lane submarket came in as the weakest of all major submarkets at 23.95% availability.
- **Lease Rates** - The average asking triple-net lease rate in the Reno retail market for the fourth quarter of 2014 was \$1.18 per square foot per month, which was a \$0.02 decrease from the previous quarter. Lease rates have remained relatively flat, but the average asking triple net lease rate is projected to increase one percent to \$1.19 by the second quarter of 2015.
- **Absorption** - The Reno retail market recorded 85,370 square feet of positive net absorption for the fourth quarter. Of the major submarkets, the Meadowood submarket and the Lyon County submarkets posted positive net absorption at 44,340 square feet and 25,560 square feet, respectively. The Spanish Springs submarket, however, posted 36,213 square feet of negative net absorption.
- **Transaction Activity** - Sale and leasing transaction volume totaled just over 361,000 square feet for the fourth quarter and just over 1.5 million square feet for 2014. This statistic can have some lag time in being reported, so look for fourth quarter 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** - We expect vacancy to continually drop throughout 2015 since new deliveries have been kept at a minimum. The spread between vacancy and availability has continued to tighten, which is a good indicator that the market is beginning to reflect its true state and that less shadow space is available. If Reno's retail market continues to post positive statistics such as drops in vacancy and positive net absorption figures, lease rates will continually rise as well. This may take a few quarters, and it relies heavily upon improvement in the housing market and employment trends.

## FORECAST

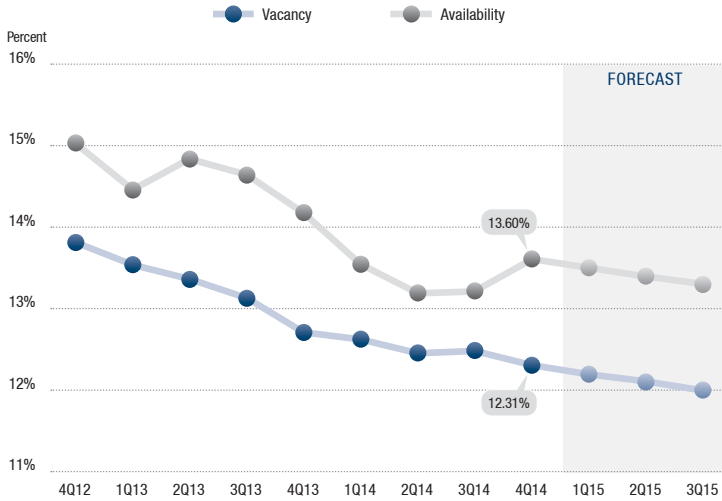
- **Employment** - We anticipate job growth of around 1.2%, or 2,100 jobs, in the Reno/Sparks area by 2015. The occupational groups with the fastest growth rates are education administrators, engineering managers, business operations specialists, and wholesale and retail buyers.
- **Lease Rates** - Expect average asking lease rates to increase by 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to decrease, albeit minimally, dropping to around 12% by the end of the third quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	12.31%	12.71%	13.82%	(3.15%)
Availability Rate	13.60%	14.17%	15.03%	(4.02%)
Average Asking Lease Rate	\$1.18	\$1.19	\$1.19	(0.84%)
Sale & Lease Transactions	1,512,484	2,992,127	1,577,588	(49.45%)
Gross Absorption	1,226,752	1,381,403	1,564,445	(11.20%)
Net Absorption	215,600	430,291	(70,129)	N/A

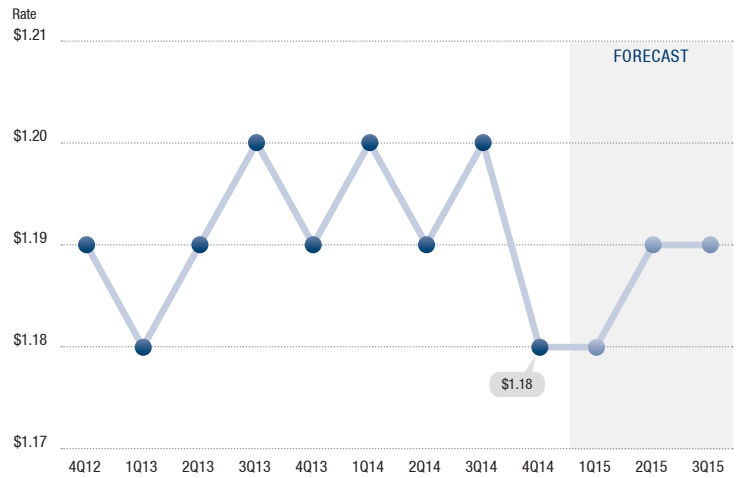
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



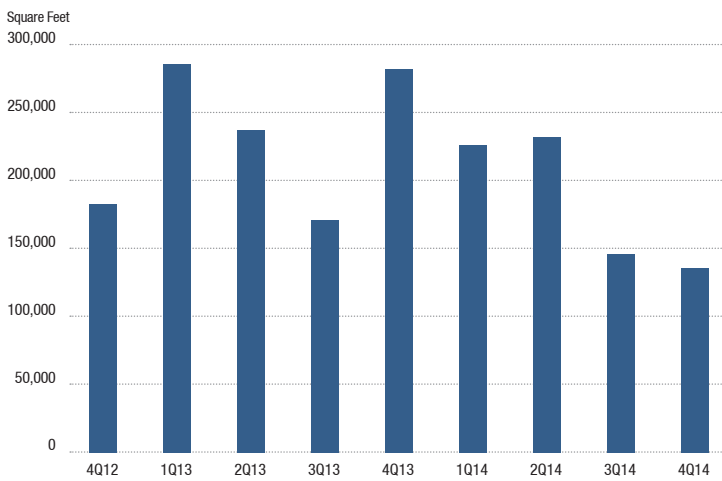
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



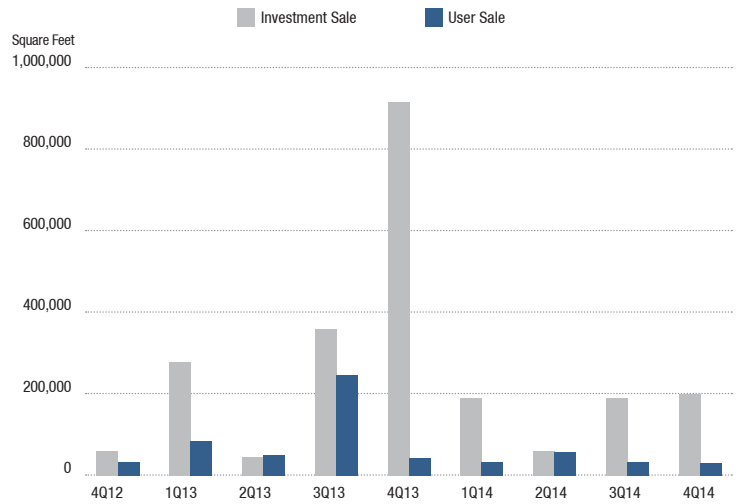
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



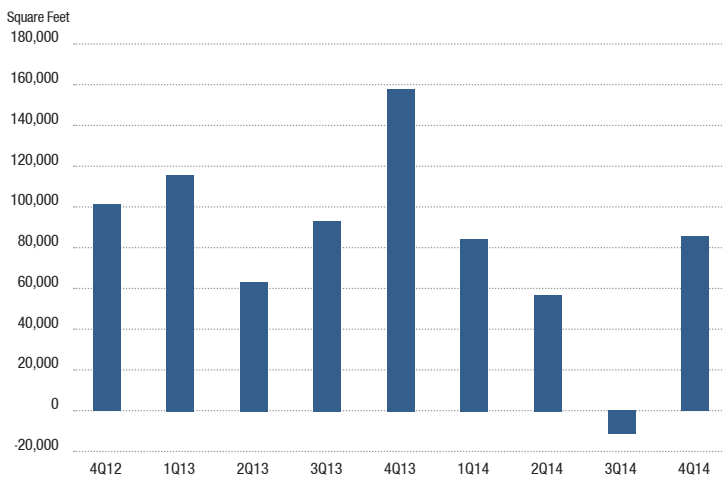
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



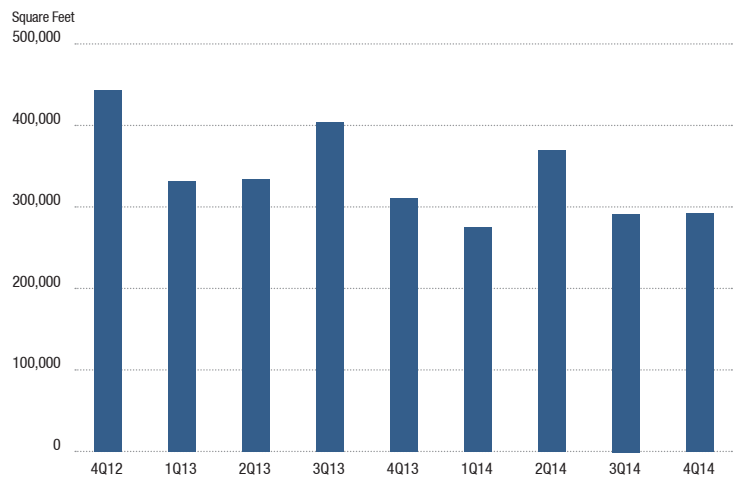
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## GROSS ABSORPTION

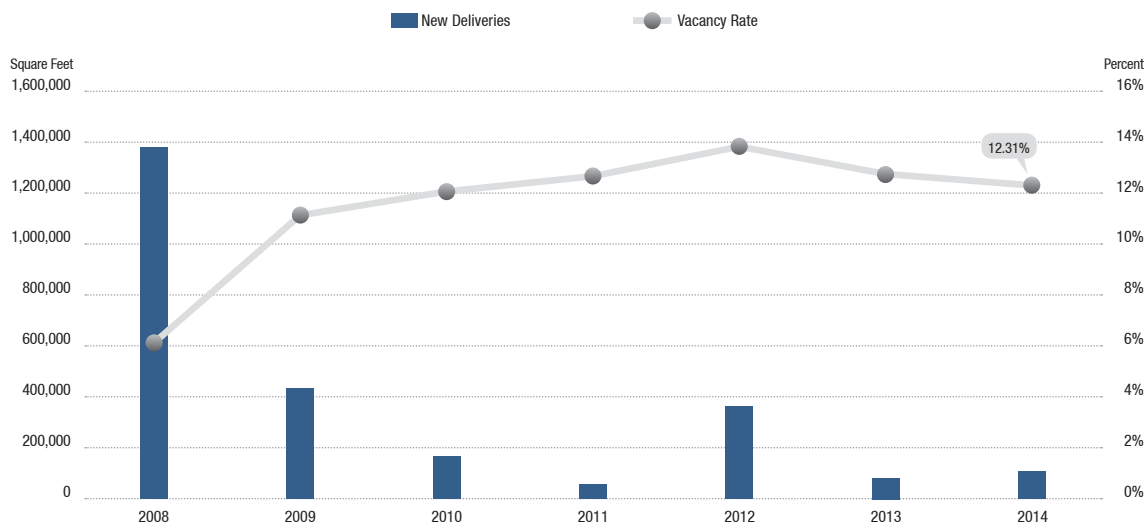
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	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</b>													
Airport Ret	31	408,232	0	24,923	52,528	12.87%	52,528	12.87%	\$1.19	(1,731)	(10,406)	1,471	6,896
Carson City County Ret	204	3,786,093	0	20,000	744,655	19.67%	781,380	20.64%	\$0.93	25,215	6,850	32,823	72,970
Douglas County Ret	147	2,254,869	0	136,000	212,013	9.40%	277,527	12.31%	\$1.19	19,422	8,538	26,207	74,906
Incline Village Ret	22	414,832	0	0	11,221	2.70%	11,221	2.70%	\$2.00	2,689	834	2,689	7,064
Kietzke Ret	138	2,206,904	0	15,000	226,665	10.27%	235,170	10.66%	\$0.92	(5,365)	(17,787)	5,256	26,282
Lyon County Ret	108	1,338,191	0	116,474	111,546	8.34%	141,534	10.58%	\$0.84	13,592	14,058	14,792	48,002
Meadowood Ret	163	4,406,861	0	250,000	426,455	9.68%	438,295	9.95%	\$1.30	(376)	103,686	29,437	182,448
N Outlying Washoe Cty Ret	2	7,203	0	0	2,368	32.88%	2,368	32.88%	\$0.00	0	(2,368)	0	0
North Valleys Ret	76	924,361	0	257,446	49,728	5.38%	56,793	6.14%	\$1.35	0	5,532	0	14,823
Northeast Reno Ret	98	558,727	0	45,000	46,787	8.37%	53,067	9.50%	\$1.64	1,628	5,131	4,400	15,499
Northeast Sparks Ret	133	2,386,744	0	152,677	325,592	13.64%	326,664	13.69%	\$1.91	23,417	40,134	23,417	54,951
Northwest Reno Ret	130	1,732,226	0	0	110,100	6.36%	139,444	8.05%	\$1.51	7,393	17,229	13,135	42,818
Park Lane Ret	175	1,833,331	13,625	324,831	365,812	19.95%	412,114	22.48%	\$1.00	(11,340)	2,152	45,733	72,295
Reno Redevelopment Ret	67	838,576	0	0	138,887	16.56%	147,703	17.61%	\$1.57	(2,529)	24,061	2,746	33,392
S Outlying Washoe Cty Ret	15	188,334	0	0	13,213	7.02%	13,213	7.02%	\$1.53	0	(4,990)	0	0
South Reno Ret	147	2,622,340	39,466	209,140	221,018	8.43%	237,523	9.06%	\$1.33	(37,044)	(44,608)	14,433	31,953
South Virginia Ret	218	1,150,197	0	67,874	67,712	5.89%	85,312	7.42%	\$1.39	1,061	3,589	13,411	29,888
Southwest Reno Ret	41	462,739	0	0	54,395	11.76%	47,996	10.37%	\$1.35	(1,049)	2,643	3,525	16,607
Spanish Springs Ret	89	1,732,329	0	89,379	315,761	18.23%	302,486	17.46%	\$1.25	6,598	11,342	9,978	32,595
Sparks Industrial Ret	43	442,324	0	3,343	37,400	8.46%	42,050	9.51%	\$0.56	6,219	(22,055)	6,219	10,645
Sparks Redevelopment Ret	104	452,130	0	0	39,664	8.77%	42,664	9.44%	\$1.34	(13,702)	(11,220)	6,260	12,778
Storey County Ret	17	84,149	0	0	1,076	1.28%	11,628	13.82%	\$0.00	0	6,100	0	6,100
West Sparks Ret	79	1,738,355	0	62,805	390,375	22.46%	400,328	23.03%	\$1.03	4,660	(4,310)	13,660	35,234
<b>Reno Market Total</b>	<b>2,247</b>	<b>31,970,047</b>	<b>53,091</b>	<b>1,774,892</b>	<b>3,964,971</b>	<b>12.40%</b>	<b>4,259,008</b>	<b>13.32%</b>	<b>\$1.20</b>	<b>38,758</b>	<b>134,135</b>	<b>269,592</b>	<b>828,146</b>
Malls	40	2,501,870	0	189,832	207,944	8.31%	220,516	8.81%	\$2.63	8,842	12,291	11,727	30,954
Power Centers	81	3,056,231	13,625	363,413	616,011	20.16%	632,426	20.69%	\$1.03	7,169	87,452	9,918	101,347
Shopping Centers	705	14,193,192	0	369,854	2,047,646	14.43%	2,129,373	15.00%	\$1.17	(5,148)	(52,464)	134,009	355,974
Specialty Centers	3	91,631	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
General Retail	1,418	12,127,123	39,466	851,793	1,093,370	9.02%	1,276,693	10.53%	\$1.14	27,895	86,856	113,938	339,871
<b>Reno Market Total</b>	<b>2,247</b>	<b>31,970,047</b>	<b>53,091</b>	<b>1,774,892</b>	<b>3,964,971</b>	<b>12.40%</b>	<b>4,259,008</b>	<b>13.32%</b>	<b>\$1.20</b>	<b>38,758</b>	<b>134,135</b>	<b>269,592</b>	<b>828,146</b>

Lease rates are on a triple-net basis.

## ANNUAL NEW DELIVERIES VS. VACANCY RATE



## MAJOR TRANSACTIONS OF 2014

## Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
770 S. Meadows Pkwy.	South Reno	57,896	\$207.07	Sunstone Double Diamond, LLC	Situs Holdings, LLC
Tractor Supply Company 1645 State Route 88	Douglas	19,097	\$284.86	Westlake Farms, Inc.	California Gold Development Corp.
Double R Galleria 9333 Double R Blvd.	South Reno	36,542	\$146.41	Double R SC, LLC	Double R Galleria, LLC
7175 S. Virginia St.	Meadowood	38,373	\$117.27	Td South Virginia Street Properties	Snider Family Trust
5212 Sparks Blvd. – 5 Properties	Spanish Springs	44,870	\$96.96	BH Los Altos, LLC	Capital Asset Management, LLC

## Lease Transactions

Property Address	Submarket	Square Feet	Projected Opening Date	Tenant	Owner
JC Penney Home Store 5685 S. Virginia St.	Meadowood	50,000	Jan-14	Hobby Lobby	Gloor George & Gigi
Firecreek Crossing 4827-4875 Kietzke Ln.	Meadowood	31,850	May-14	Natural Grocers	Firecreek Crossing of Reno, LLC
Redfield Promenade 4879-4995 S. Virginia St.	Meadowood	31,000	Feb-14	Nordstrom Rack	Kimco Realty Corporation
Plaza 50 Shopping Center 2010-2290 E. Williams	Carson City	24,570	Feb-14	99 Cents Only	The Hone Company
Viewcrest Shopping Center 3605-3697 Kings Row	Northwest Reno	22,150	Oct-14	Undisclosed	Nev-Ida Property Investments

**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).

To view available properties,  
please visit:

[www.voitco.com](http://www.voitco.com)

## Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 [www.voitco.com](http://www.voitco.com)

**Voit**  
REAL ESTATE SERVICES

Anaheim, CA  
714.978.7880

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Los Angeles, CA  
424.329.7500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

Real People.  
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.