



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



OVERVIEW:

The Northern Nevada retail market is showing continued softness, as is much of the nation. The current vacancy level in Reno/Sparks reached an all time high in the first quarter at 14.69% which is up from 13.12% the previous quarter. In fact, the vacancy rate is 3.4% higher than in any previous downturns since 1990. Anchor spaces have seen an increase in vacancy from 10.58% last quarter to 12.00% this year. These are the highest overall and anchor vacancy rates since we began tracking market statistics in 1990. In-Line shops have increased in vacancy from 16.77% last quarter to 18.52% this year. Total net absorption for the first quarter of 2009 was -84,929 square feet and the total gross absorption was only 123,354 square feet. During the first quarter of this year, the only anchor to open was Best Buy at the Legends at Sparks Marina.

UNEMPLOYMENT, SALES TAX REVENUE AND HOUSING:

The downturn in the housing market and increases in job loss have impacted spending levels. Washoe County Sales Tax figures show spending in January '09 was down 17.1% over the previous year and down 12.7% for the fiscal year to date. The Washoe County Unemployment rate was at 11.2% at the end of the 1st quarter.

One bright spot in the market is the volume of existing homes sales. During the first quarter, home re-sales within the market increased 18% over the previous year to a total of 1,134 sales. However, when combined with the number of new home sales to get a full picture of total sales, the total sales are still 9% lower than the same period last year. The median home price in Washoe County in February was \$201,600, a 28% decrease from the previous year.

RENO/SPARKS RETAIL MARKET:

Reno/Sparks currently has 17 vacant shopping center spaces over 20,000 square feet for a total of 881,274 square feet. That amounts to a 12% vacancy rate, the highest anchor vacancy since we began tracking the market beginning in 1990. The area has 954,858 square feet available in line shop space throughout the market. This is a substantial amount of vacant space that will take time to be absorbed.

Although we don't think we have reached the high water mark on the total vacancy, it does appear that the increase in the vacancy rate is moderating as we enter the 2nd quarter. If the national economy doesn't get much worse, we don't expect anchor space vacancy to increase sharply within our market. However, as the recession continues, we expect the local tenants to continue to struggle and more vacant units in that size category are expected.

FINANCING AND INVESTOR OPPORTUNITIES:

There has been a lot of press on the troubles within the commercial real estate market. Much of the trouble is due to commercial mortgage backed securities (CMBS) that are coming due without the ability for the owners to effectively refinance. Owners with smaller loans with local or regional banks have a better chance of getting loans renewed. Watch for continued stress within all sectors of the commercial real estate market as these CMBS or conventional loans mature. The industry is hopeful that the government will offer some of the TALF funds with extended loan terms to shore up the onslaught of these CMBS loans maturing before 2011. We expect more property to be offered for sale as owners realize that their income has moderated, cap rates have increased, values have decreased, and lenders are requiring more equity among the few actually making loans in the market. The positive for some of these owners is that CMBS loans with longer, ten year terms will allow some owners to ride out the most volatile market conditions.



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TENANT OPPORTUNITIES:

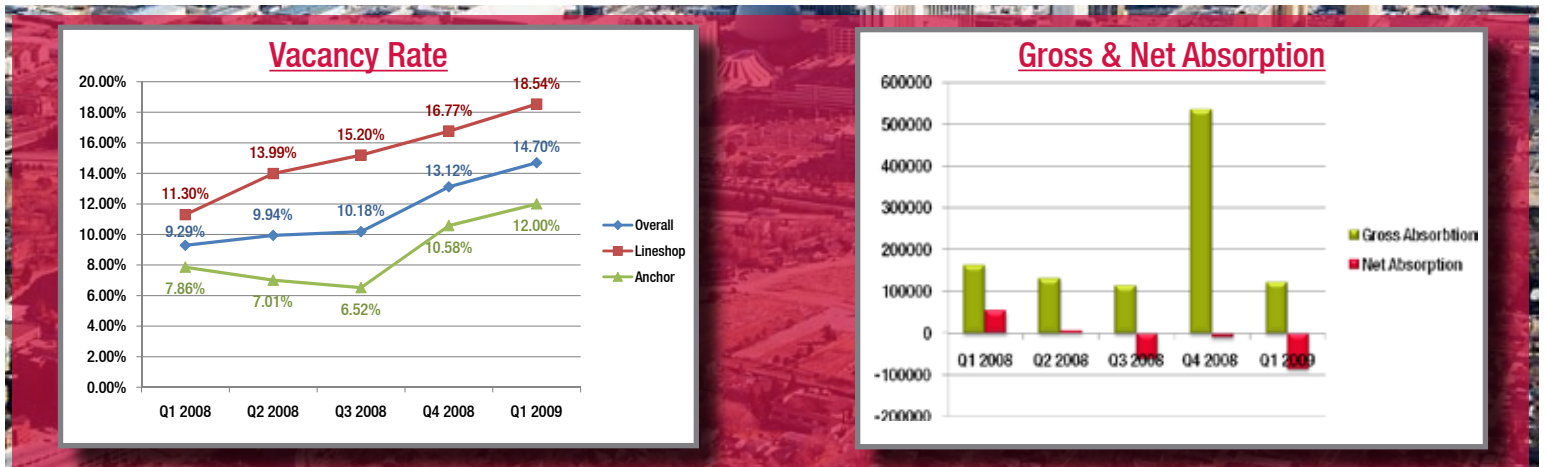
Smart tenants who want to survive for the long term are using this market distortion as an unprecedented opportunity to upgrade their business location. Landlord's have begun to get much more motivated to attract new tenants as well as retain existing tenants. With guidance from professionals who know the current market conditions and what is being negotiated, Tenants have been able to upgrade their spaces and lock in lower rates. If tenants can survive in the current market, they will be well positioned to capitalize during the recovery with fewer competitors. Hang in there!

LANDLORD RECOMMENDATION:

With the current market conditions, it is more important than ever to retain your existing tenants. Get creative, get involved and be proactive. Unfortunately, there is widespread denial among owners who believe they can wait this market out. All sides are hoping that something magical will happen to make everything better. It is our view that we are in for a bit of a prolonged correction where consumer spending will be at a reduced level for some time to come. It should recover off of the recent lows, but will stabilize at reduced levels from the go-go years. The sooner you deal with the reality of the situation, the sooner you can stabilize your asset and help in the improvement of the market.

PITCH:

We work with our clients to provide the most timely, accurate and complete sense of the market possible so they can make more informed decisions. We assist our clients to see what is coming down the road at them, and help position them properly. We get ahead of the market so our clients can respond before their competition, leading to higher profits over the long run. This report is a sample of what we can provide you with to better understand the local retail marketplace. We hope you appreciate it and find it useful. Please let us know how we can assist you further.



Market Snapshot*

	Total Square Feet (SF):	Vacant Square Feet (SF):	Vacancy Rate:
Overall Reno/Sparks Market	12,497,873 SF	1,836,132 SF	14.69%
Lineshops	5,154,816 SF	954,858 SF	18.52%
Buildings 20,000 or greater	7,343,057 SF	881,274 SF	12.00%

*All numbers exclude Regional Malls

Retail Market Report Featured Properties



For Lease

Former Mervyn's Building - 79,239 sq.ft.
6895 Sierra Center Parkway, Reno, Nevada



For Lease

Palladio
First Street & Sierra Street, Reno, Nevada (Downtown)



For Lease

Firecreek Crossing
Kietzke Lane & Redfield Promenade, Reno, Nevada



For Sale - For Lease

100 N. Sierra Street
Reno, Nevada (Downtown)



For Lease

Ironhorse Shopping Center
McCarran Boulevard & Prater Way, Sparks, Nevada



For Lease

Former Mervyn's Building - 60,580 sq.ft.
3871 South Carson Street, Carson City, Nevada

