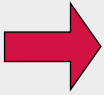




TRENDS:

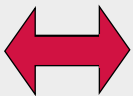
Vacancy Rate



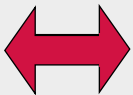
Net Absorption



Construction



Asking Rents

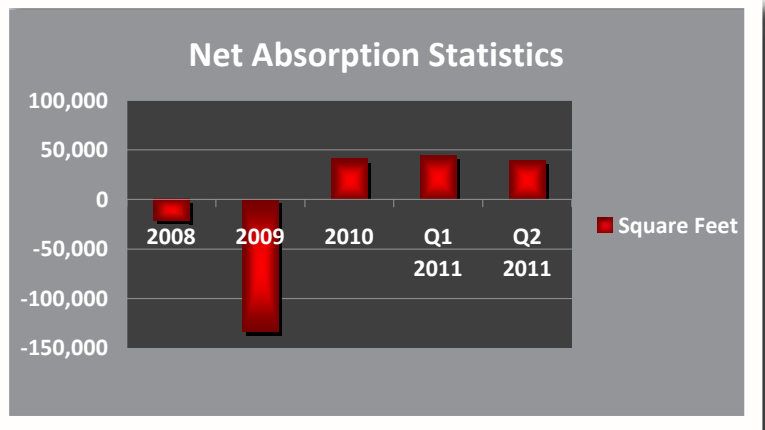


VACANCY AND ABSORPTION:

Slight increases in the vacancy rates of the Central Reno and Airport Submarkets were not nearly deep enough to cut into the overall positive quarter that the Reno/Sparks Office market experienced in Q2. Overall, the office market saw 39,421SF of positive net absorption, which decreased the overall vacancy in Q1 from 18.23% to 17.71% in Q2. If this trend in positive net absorption continues, we should see a 2% drop in vacancy this year. These positive signs in decreased vacancy rates were the result of the South Meadows and Downtown Submarkets, which had 30,391SF and 17,127SF respectively, of positive net absorption.

ACTIVITY:

Even though the South Meadows Submarket experienced a very positive quarter, there is still a cautionary tale in the form of shadow vacancy-space available for sublease- within this submarket. The Downtown Submarket continues to pick up steam. New tech companies, new restaurants, and private investments all added to the buzz surrounding downtown Reno. The Downtown Submarket continues to benefit from low relatively rental rates and companies relocating into Downtown from Class B, and C properties.



RENTAL RATES:

Until the office market experiences several positive quarters in a row of declining vacancy, rental rates should stay relatively flat. Moreover, we could even see a slight decrease in rental rates within some submarkets. The South Meadows submarket poses the most threat to decreased rental rates as thousands of square feet are set to hit the market in the coming months. The arrival of new vacancy by years end, coupled with the continuous shadow inventory that has plagued this submarket will cause for the sustained aggressiveness the landlords are practicing to win deals. Do not be surprised if a few buildings even lower the asking rental rate in the South Meadows submarket. In that submarket, rental rates are \$1.30-\$1.65/sf/month full service gross. In the Meadowood submarket, rental rates remained flat in Q2, ranging from \$1.45-\$1.85/sf/month on a full service gross lease. In the Central Reno submarket, rates did not change, ranging from \$1.25-\$1.45/sf/month full service gross. The Downtown submarket remained flat in Q2, ranging from \$1.40-\$2.00/sf/month full service gross.

(continued on next page)



Office Market Report | Second Quarter 2011

SIGNIFICANT 2011 TRANSACTIONS:

Meadowood Submarket:

Ormat Technologies - 6225 Neil Road, Suite 100, 200, 201, 203 & 300 - 18,079 SF

MetLife - 6151 Lakeside Drive - 5,312 SF

H Dindsa Retina Eye Center - 5470 Kietzke Lane, Suite 102 - 4,000±SF

The Holder Hospitality Group - 5355 Kietzke Lane, Suite 103 - 3,266 SF

Cornerstone Retirement Group - 5525 Kietzke Lane, Suite 103 - 2,890 SF

Behavioral Health Resources - 1495 Ridgeview Drive, Suite 210 - 2,377 SF

Avisen Securities - 6880 S. McCarran Blvd., Suite 3 - 2,172 SF

Airport Submarket:

Konica Minolta - 5580 Mill Street, Suite 1200-1400 - 7,550 SF

Kautz Environmental - 1140 Financial Blvd., Suite 100 - 3,957 SF

Chrysalis - 5595 Equity Ave., Suite 400 - 3,440 SF

Northshore Construction - 1140 Financial Blvd., Suite 700 - 2,100 SF

South Meadows Submarket:

Bauserman - 500 Damonte Ranch Pkwy, Suite 657-658 - 9,622 SF

Online Techstores.com, Inc. - 10381 Double R. Blvd. - 7,850 SF

Greater Nevada Credit Union - 9790 Gateway Drive, Suite 120 - 5,400 SF

Professional Billing Services - 800 S. Meadows Pkwy, Suite 500 - 2,878 SF

Dr. Fisher - 9476 Double R Blvd., Suite A - 2,812 SF

Muzea Insider Consulting - 9650 Gateway Drive, Suite 100 - 1,979 SF

Downtown Submarket:

Fusion Contact Centers - 300 East Second Street - Suite 1200 - 13,000 SF

Legal Concierge, Inc. - 1 East Liberty Street, Suite 600 - 12,827 SF

Muckel Anderson - 300 East Second Street, Suite 690 - 6,700 SF

Western Asbestos Settlement Trust - 300 East Second Street, Suite 1410 - 4,097 SF

My New Place - 300 East Second Street - 5,000 SF

Office Market Report Featured Properties



For Lease
50 West Liberty
Reno, Nevada



For Lease
300 East 2nd Street
Reno, Nevada



For Lease
200 South Virginia Street
Reno, Nevada



For Lease
1 East Liberty
Reno, Nevada



For Sale - 100% Leased Investment Opportunity
175 Salomon Circle
Sparks, Nevada



For Sale - 100% Leased Investment Opportunity
455 Somerset Parkway
Reno, Nevada



Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate is requested; for retail, a triple net rate is requested; for industrial, a NN basis is requested.

Building Class

Class A Product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

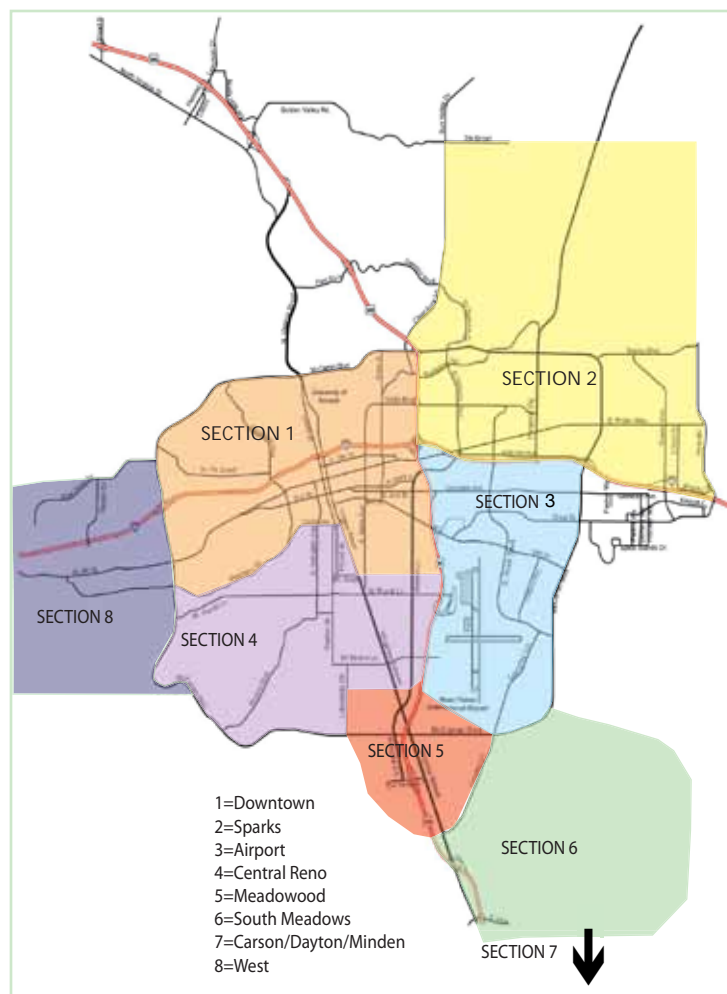
All unoccupied lease space, either direct or sublease.

SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.



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