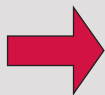


TRENDS:

Vacancy Rate



Net Absorption



Construction



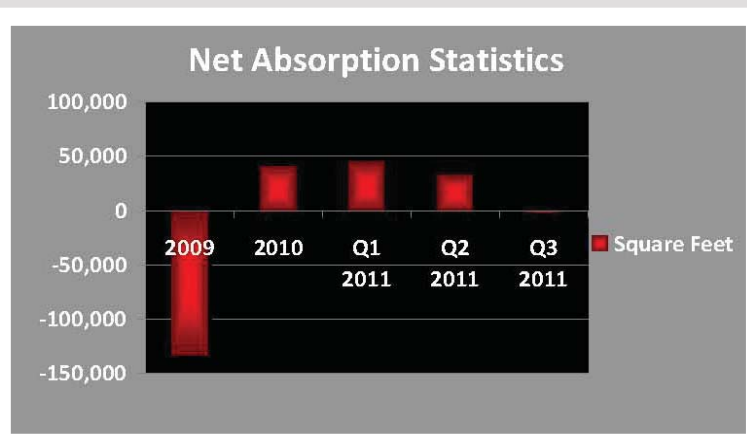
Asking Rents



VACANCY:

The U.S. economy and labor markets start – stop momentum continues to influence the local market of Northern Nevada. Coming off a relatively positive Q2, market-wide vacancy stood still at 17.88%. The one noticeable difference quarter over quarter was the reduction in available sublease space; a sign of master leases expiring and the continuation of companies taking advantage of short term sublease opportunities at advantageous pricing. Neither way presents a fortifying net absorption gain to the local office market.

The long term and very large master leases of the home builders and associated trades that signed during the residential fizz have expired or nearing expiration. This has left those building owners with the decision to market the space in its entirety or to appeal to the Northern Nevada average tenant of 3,000 to 5,000 square feet by employing creative demising plans. Those building owners that have been proactive, such as is the case in the South Meadows submarket, have been able to redesign floor plates and back fill at market rates; an imperative strategy in today's office market, if the building owner can afford to do so.



ACTIVITY:

Year to date Net Absorption stands at 77,637 square feet. There is optimism that the market may double its net absorption year over year in the office sector. The bad news; after coming off a strong Q2, the market crept backwards into a negative position for the quarter. Although a relatively small give back, the market added 906 square feet of vacancy in Q3. Many speculate that this familiar trend is the re-iteration of recessionary woes as political campaigns continue to grow bigger, stronger, faster than that of GDP. We will look to our friends in the retail sector to assist us as we all hope for a rise in consumer spending and job growth through the holiday season.

RENTAL RATES:

Pockets of the Meadowood submarket, namely the Kietzke Lane corridor, and specific buildings within the CBD, have seen gradual gains in lease rates. Although the free rent concession continues to play its key role, starting lease rates for quality space in these areas have touched the \$2.00/sf/mos mark. Quality space in these two submarkets is limited and with no sign of new construction on the horizon, there will be instances when building owners will be able to push lease rates once again.

Overall, Class A office space averages between \$1.70 - \$1.80/sf/mos. Starting at the top, there is an approximate 20% discount between product classes throughout the Truckee Meadows.

(continued on next page)



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:

Practical Investors - 10581 Double R Blvd., Building 25 - 3,506 SF

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:

Noble Studios - 50 West Liberty, Suite 1300 - 8,652

Reality Engineering - 50 West Liberty, Suite 301 - 5,453 SF

Olsen & Associates Public Relations - 427 Ridge Street - 1,555 SF

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



For Lease
50 West Liberty
Reno, Nevada



For Lease
300 East 2nd Street
Reno, Nevada



For Lease
200 South Virginia Street
Reno, Nevada



For Sale - 100% Fee Ownership
900-950 Sandhill Road
Reno, Nevada



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



For Sale - 100% Leased Investment Opportunity
455 Somersett 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

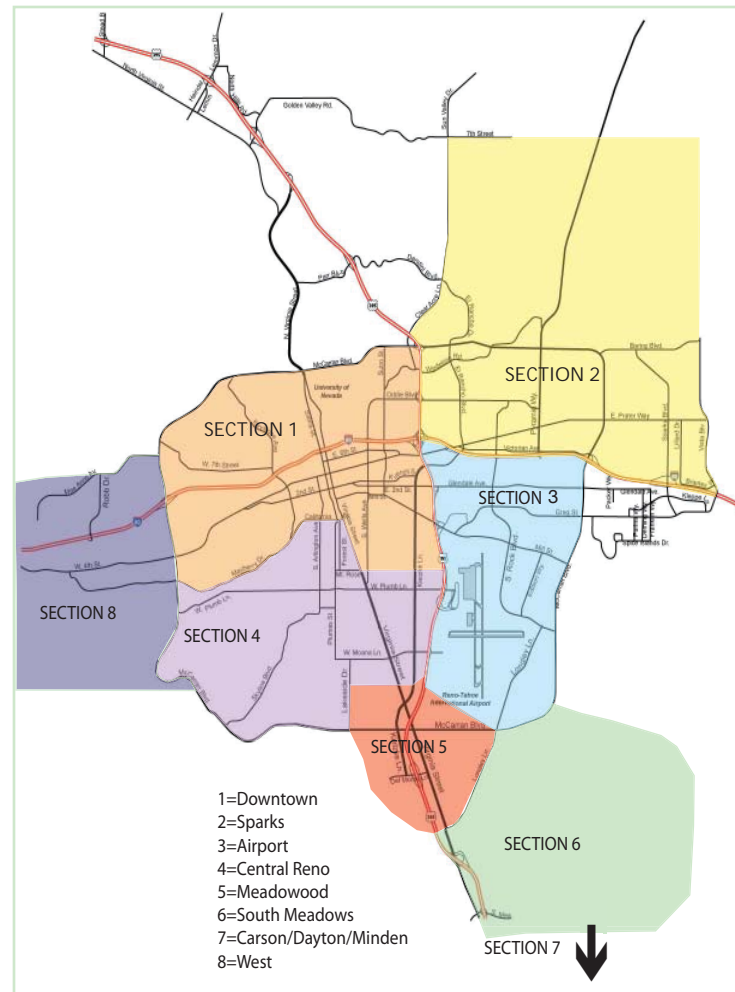
All unoccupied lease space, either direct or sublease.

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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blog.naialliance.com

Scott Shanks, SIOR
Senior Vice President
775.336.4671
sshanks@naialliance.com

Dominic Brunetti, CCIM
Vice President
775.336.4670
dbrunetti@naialliance.com

Chase Whittemore, MS
Associate
775.336.4672
cwhittemore@naialliance.com

Misty Barker-Cryer
Marketing Specialist
775.336.4643
mcryer@naialliance.com