

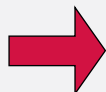


TRENDS:

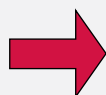
Cap Rates



Transaction Volume



Interest Rates



Asking Rents

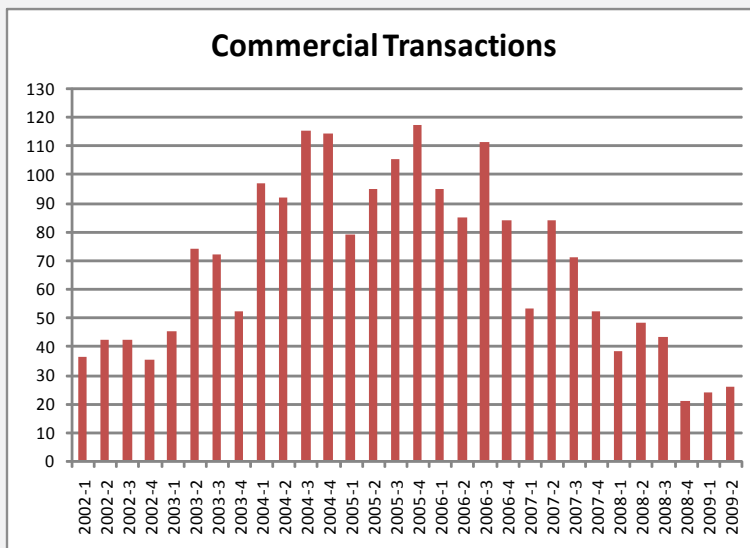


Northern Nevada Investment Market Summary:

The second quarter of 2009 has come and gone, and it ultimately lived up to its minimal expectations. Commercial transactions continued to remain well below their quarterly average and the outlook for the next quarter is very much the same. Owner occupied deals year to date are accounting for over 80% of all commercial transactions, and the remaining investment deals that are getting done are very revealing of investor mentality in these uncertain economic times.

There are currently over 100 commercial investment properties available for sale in the Reno/Sparks region. With that amount of volume there is an extremely diverse selection of investment deals that could potentially suit any investment strategy.

The numerous investment options in the market would lead one to believe that the transactions getting done would be a snap shot of what's available, when in reality that couldn't be farther from the truth. The average commercial investment deal year to date sold at a 7.75% cap rate and had an average term of 14 years with 100% occupancy. The cap rate spread on these deals is from 6.38% - 8.22%, which is well below the market average asking of 9%-10%. The data is indicating that the investors who are willing to part with their money all want core investments that have relatively minimal risk. Investors are achieving what they believe are fair risk adjusted returns on core commercial real estate assets, and sellers are getting very fair sales prices considering the current turmoil in the commercial real estate environment. The bid-ask spread for core properties seems to be narrowing much faster than the other asset classes. Value-add and Opportunistic properties still have large bid-ask spreads and as a result those deals aren't getting done. The sellers/buyers of value-add and opportunistic properties will have to find their pricing if we are going to see any increase in transaction volume and diversity.



Key Rates*

Mortgage

30 yr Fixed5.37%
15 yr Fixed4.84%
1 yr ARM4.05%

U.S. Treasuries

1 year0.00%
5 year2.63%
10 year3.13%
30 year4.25%

Municipal Bonds

5 year2.19%
10 year3.53%
20 year4.49%
30 year4.86%

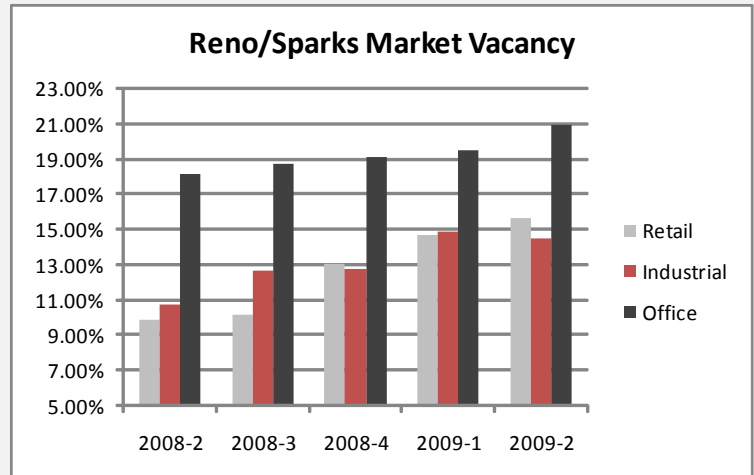
*Bloomberg.com 6/30/2009

Quarterly Spotlight - Eagle Medical Center:

Eagle Medical Center is the premier medical office building in the Carson Valley and arguably Northern Nevada. This project was a large undertaking that required several occasions when a meeting of minds had to occur before the deal could get done. The due diligence process on this deal was truly one for the record books. The fact that the buyer was all the way from New York coupled with the selling group being comprised of twelve different doctor groups created a communications quagmire that took a great deal of persistence and negotiating from all interested parties. In the end the doctors were rewarded with the successful disposition of their asset, a 100% leased, 75,863 square foot medical office building; and the buyer was able to acquire the asset at an attractive cap rate that will provide a manageable basis and stable future cash flows due to the high quality of building and future demand.

Vacancy:

One of the few bright spots over the last quarter was the decrease in the overall industrial vacancy rate. While it is too early to tell whether or not this is a sign of a market turn around or merely a bouncing on the bottom, it is still a positive sign that the industrial market is starting to level off. One of the possible reasons for this turn around in vacancy rate is the willingness of industrial landlords to get tenants into their buildings. Many landlords are accepting market offers and have considerably lowered the lease rate expectations. Many of these lower rents are achieved through an effective rate as opposed to an actual lease rate. Landlords are offering free term up front to help ease the tenant's costs and then over the term include significant rent increases to try and preserve the properties future value. Ultimately the willingness of landlords is going to be the determining factor for getting deals done. The market is starting to homogenize from the tenants perspective and it's up to landlords to accept the new norm.



Office Vacancy 2008-Q3: 18.8%
 Office Vacancy 2008-Q4: 19.2%
 Office Vacancy 2009-Q1: 19.5%
 Office Vacancy 2009-Q2: 21.0%

Industrial Vacancy 2008-Q3: 12.7%
 Industrial Vacancy 2008-Q4: 12.8%
 Industrial Vacancy 2009-Q1: 14.9%
 Industrial Vacancy 2009-Q2: 14.5%

Retail Vacancy 2008-Q3: 10.2%
 Retail Vacancy 2008-Q4: 13.1%
 Retail Vacancy 2009-Q1: 14.7%
 Retail Vacancy 2009-Q2: 15.6%

Lease Comparables:

Tenant Use	Submarket	Leased SF	Building SF	Lease Term	Asking Rate	Actual Rate	Lease Type	Comments
Industrial (Logistics)	East Reno	77,500	260,000	5 years	\$0.34	\$0.33	NNN	\$0.01 annual increases and \$8 PSF TI allowance, 3 months of free rent
Industrial	North Valleys	155,150	545,550	N/A	\$0.34	\$0.25	NNN	N/A
Industrial Flex	Sparks	4,978	37,438	3 years	\$0.58	\$0.44	NNN	3 year option
Office	Meadowood	1,454	19,806	5 years	\$2.00	\$1.75	FS	\$.05 annual increase, 2 months free rent, \$7 TI PSF allowance
Office	Downtown	2,461	19,260	5 years	\$1.49	\$1.45	FS	4% annual increases, \$5 PSF TI allowance
Office (Renewal)	South Meadows	11,500	48,000	3 years	\$2.24	\$1.67 Effective rate	FS	4 months free rent, this renewal represents the decline in market rents and what it takes to keep major tenants occupying space
Retail (Bar)	Downtown	1,245	16,000	5 years	\$1.75-\$2.00	\$1.60	NNN	3% annual increases
Retail	Sparks	1,273	12,583	5 years	\$2.00	\$1.90	NNN	3% annual increases with a 5 year option to renew at last rent
Retail	Downtown	3,200	8,800	10 years	\$2.00	\$1.75	NNN	3% annual increases with two 5 year options to renew at last rent

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Investment Market Report Featured Properties



For Sale (Sister property sold Q1:09)
\$4,125,000 - 7.20% Cap Rate, 100% Leased 10 Year NNN
780 Trademark Drive (South Meadows)



For Sale
\$10,500,000 - Great upside potential
300 South Virginia Street (Downtown)



For Sale
\$6,410,000 - 100% Leased Medical Office Building
236 W. 6th Street (Downtown) - Seller Financing Available



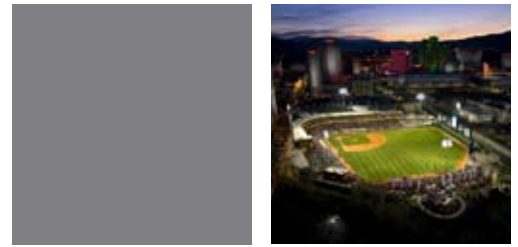
For Sale (PRICE REDUCED)
~~\$3,800,000~~ **\$2,800,000** - Prime downtown location
100 N. Sierra Street (Downtown)



For Sale
\$5,700,000 - Virginia Lake Crossing
South Virginia & Plumb Lane (Central)



SOLD
\$17,500,000 - Eagle Medical Center
2874 S. Carson Street, Carson City, NV



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 was requested; for retail, a triple net rate requested; for industrial, a NN basis.

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.

Stabilized Cap Rate

Net operating income (NOI) divided by total investment cost. Stabilized net operating income represents expected operating revenue less expected operating expenses and other expense incurred upon achieving occupancy of ninety-five percent (95%).

Cap Rate

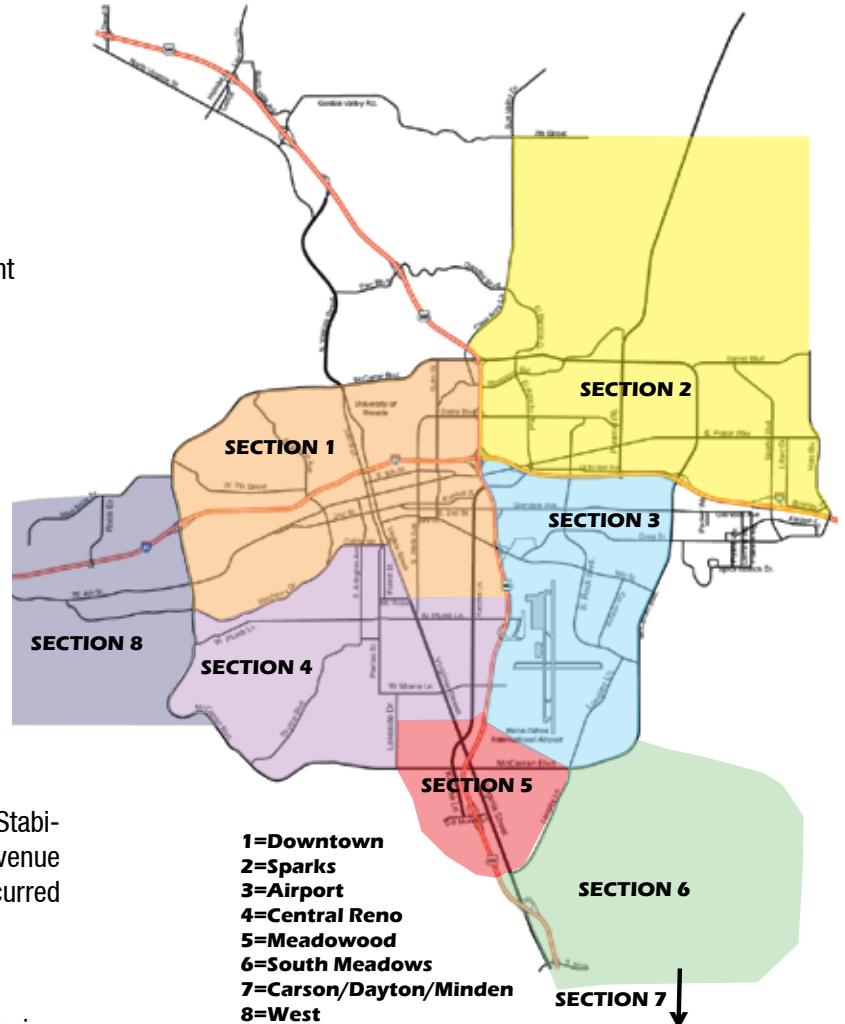
A ratio calculated by dividing net operating income/ sales price. The percentage is a measure of how long it will take to pay the property off, or become fully capitalized.

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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