

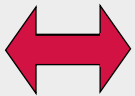


TRENDS:

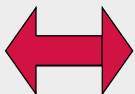
Vacancy Rate



Net Absorption



Construction



Asking Rents

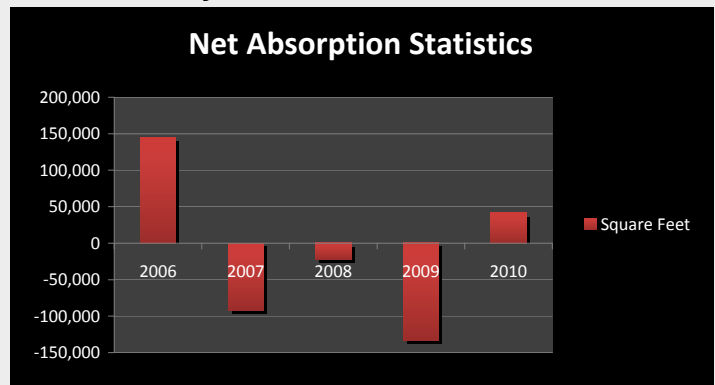


OVERVIEW:

We heard it again last week from a business colleague in the telco sector; every time it feels like the overall health of the market is improving; a national disaster, political eruption, or other news worthy event impedes momentum and causes for a retreat of attitude and the effect of hesitation to trickle back into Northern Nevada. After a surprisingly active December, do we dare hold our breath as activity continues to increase?

VACANCY AND ABSORPTION:

Ending 2009 with a record high overall vacancy rate of 18.74%; 20.52% including sublease space, the office market is beginning to see positive activity ending 2010 at 17.72%; 20.13% including sublease space. Most of the activity has been internally driven, with upgrades in space classification being optimized as lease rates continue to trade at ten-year lows. The Downtown submarket has recently seen a good deal of activity as more businesses are attracted to the revitalization of Downtown Reno and the amenities offered. Overall pricing continues to be stagnant, but this should improve as vacancy declines due to no new construction in place or planned.



ACTIVITY:

The activity producing most benefit is that of local expansions and new businesses to our community. Notable transactions for the quarter included leases by Western Title Company (10,228 sf), Delphi Asset Management (5,524 sf), Greater Nevada Credit Union (5,400 sf) and Stifel Nicolaus & Company (5,117 sf).

(continued on next page)



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ADDITIONAL SIGNIFICANT 2010 TRANSACTIONS:

Meadowood Submarket

Western Title - 5390 Kietzke Lane - 10,228 SF

ProLogis - 5190 Neil Road - 6,104 SF

Delphi Asset Management- 5525 Kietzke Lane - 5,524 SF

Land Home Financial - 5345 Kietzke Lane - 6,214 SF

MBA Architecture & Interior Design - 6151 Lakeside Drive - 4,196 SF

South Meadows Submarket

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

Gaming Control Board - 9790 Gateway Drive - 10,000 SF

Interdent - 800 South Meadows Parkway - 6,317 SF

Downtown Submarket

Jones Vargas - 300 East Second Street - 25,500 SF

3G Studios - 300 East Second Street - 9,609 SF

NAI Alliance Commercial Real Estate Services - 50 West Liberty Street - 8,900 SF

Stifel Nicolaus & Company - 50 West Liberty Street - 5,117 SF

KPSI3 - 50 West Liberty Street - 2,142 SF

Nevada Mining Association - 201 West Liberty Street - 3,135 SF

LEASE RATES:

Although conditions are looking more favorable, building owners are continuing to be aggressive with low rental rates and sale prices to fill buildings. The market will need to experience a few more quarters of declining vacancy before landlords firm up rents. The median asking rents for Class A office space was \$1.58 per square foot, Full Service, while median asking rents for Class B and Class C office space ranged between \$1.20 and \$1.30, Full Service. Effective rates are negotiated 10% to 25% below asking rates.

OUTLOOK:

The pattern of stabilization we are experiencing is approximately 1 year old. Yes, in its infancy, but we remain optimistic. The end of 2010 brought us into positive net absorption of approximately 50,000 square feet. The first positive within this data set since 2006. Baby steps indeed, but as no new speculative construction was built or planned and the build-to-suits for Williams Gaming and Customs Immigration Services are complete, we look to cautiously develop this trend through 2011.

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 Lease
5525 Kietzke Lane
Reno, Nevada



For Sale
8610 Technology
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

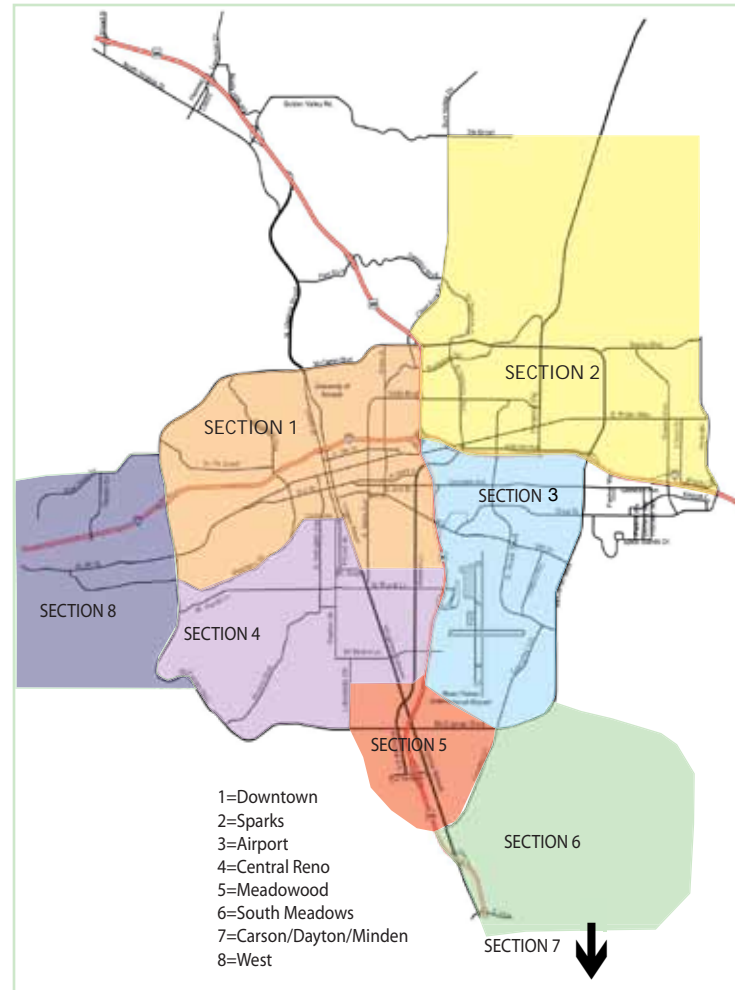
All unoccupied lease space, either direct or sublease.

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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