



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 15.64% which is up from 14.69% the previous quarter. In fact, the vacancy rate is 4.3% higher than in any previous downturns since 1990. Anchor spaces have seen an increase in vacancy from 12.00% last quarter to 12.79% 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 18.54% last quarter to 19.63% this year. Total net absorption for the second quarter of 2009 was 42,119 square feet and the total gross absorption was 204,636 square feet. The absorption numbers were helped in the second quarter by the opening of approximately 134,000 square feet within 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 April '09 was down 22.7% over the previous year and down 15.7% for the fiscal year to date. The Washoe County Unemployment rate was at 11.8% as of June 2009. One bright spot of retail sales is the sporting goods category which was up 15.3% in April and is up 35.8% for the fiscal year to date. A good portion of this increase in sales is likely attributable to the addition of Scheel's to the market last year.

Another bright spot in the market is the volume of existing homes sales. During the second quarter, home re-sales within the market increased 33% over the previous year for a total of 1,817 sales. However, when combined with the number of new home sales to get a full picture of total sales, the total sales for the second quarter (2,050) were up only 6.9% over the same period last year. That's not quite as rosy as the re-sale figures alone, but still a positive direction for the residential market. A large portion of the current re-sales continue to be foreclosed homes or short sales. The median home price in Washoe County in June was \$181,950, a 31% decrease from the previous year.

RENO/SPARKS RETAIL MARKET:

Reno/Sparks currently has 19 vacant shopping center spaces over 20,000 square feet for a total of 942,464 square feet. That amounts to a 12.79% vacancy rate, the highest anchor vacancy since we began tracking the market beginning in 1990. The area has 1,036,974 square feet available in-line shop space throughout the market. Total combined vacancy within the market now stands at 1,979,438 square feet. 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 slowing as we enter the 3rd 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.

NEW DEVELOPMENT – LEGENDS AT THE SPARKS MARINA:

The gross and net absorption numbers were sustained this quarter primarily due to the opening of the latest phase of the Legends at Sparks Marina. A total of 134,000 square feet opened in 24 stores, including Saks Fifth Avenue Off 5th, Gap, Banana Republic Factory Store, Nike, Olive Garden, Tommy Hilfiger, Ann Taylor and several others. The third quarter absorption figures will also be buoyed by another phase opening with this development.

(continued on next page)



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TENANTS MOVING IN AND OUT:

Even in these challenging economic times, the entrepreneurial spirit has not been crushed. Restaurants were one of the most active categories that continued to open including Jolt-N-Java, Formagio Pizza, Bruggo's Pizza, and Jack's Restaurant and Cantina. Personal finance companies such as Maverick Finance, tire stores such as Discount Tires and Drug stores such as Walgreen's also continued to open up new locations. During the second quarter, 52 tenants moved into space for a combined total of 203,000 square feet.

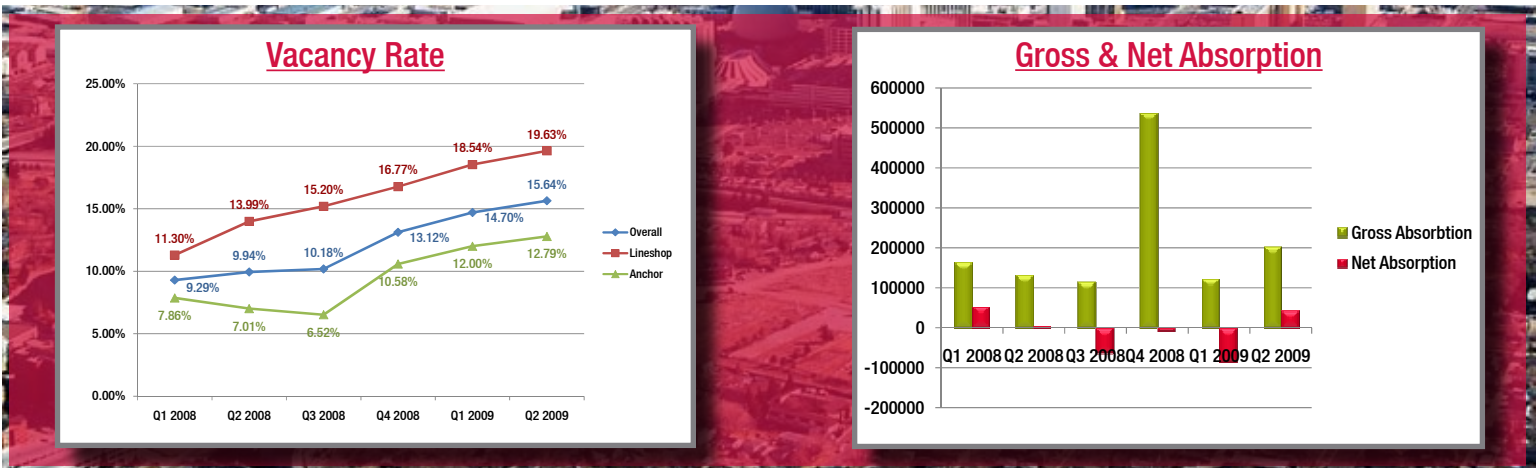
On the other hand, it was not a good time to be in the mattress business or owning a tanning salon as several of these businesses closed down. Even state agencies such as the DMV Express closed down two local locations. During the second quarter, a total of 58 tenants vacated their spaces for a combined total of 162,000 square feet.

WEATHERING THE STORM:

The recession continues to batter the consumer, business owner and is moving into the building owner's realm. The higher vacancies along with the decreases in lease rates are putting additional pressure on cash flow for owners. Properties that are more highly leveraged and leased to tenants with top of the market rents are more at risk for default should their tenants vacate or as leases roll and reset at lower market rents. It is imperative for owners to work with tenants to preserve those who have a viable business model. There needs to be cooperation between Landlords and tenants so that both can weather the storm. Tenants need to continue to hang in there and fulfill their obligations as best they can. Once the storm clouds recede, there will be a lot fewer competitors than before. Tenants and Landlords should then be rewarded for their perseverance.

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	12,653,568 SF	1,979,438 SF	15.64%
Lineshops	5,282,143 SF	1,036,974 SF	19.63%
Buildings 20,000 or greater	7,371,425 SF	942,464 SF	12.79%

*All numbers exclude Regional Malls

Retail Market Report Featured Properties



For Lease

Damonte Ranch Town Center
Damonte Ranch & Steamboat Parkway, Reno, Nevada



For Lease

Marina Marketplace
Prater Way & Sparks Boulevard, Sparks, Nevada



For Sale

I-80 & Robb Drive Land - 48.8 acres
Reno, Nevada



For Sale

US 395 & Stodick Parkway Land - 46,145 SF
Gardnerville, Nevada



For Lease

State Street
170 South Virginia Street, Reno, Nevada (Downtown)



For Lease

Southgate Shopping Center
South Carson Street & Clearview Drive, Carson City, Nevada



Methodology/Definitions

Absorption (Net)

The change in occupied space in a given time period.

Market Size

Includes all existing retail shopping centers (excluding regional malls) within the market consisting of 20,000 square feet or larger.

Overall Vacancy

All unoccupied lease space, either direct or sublease.

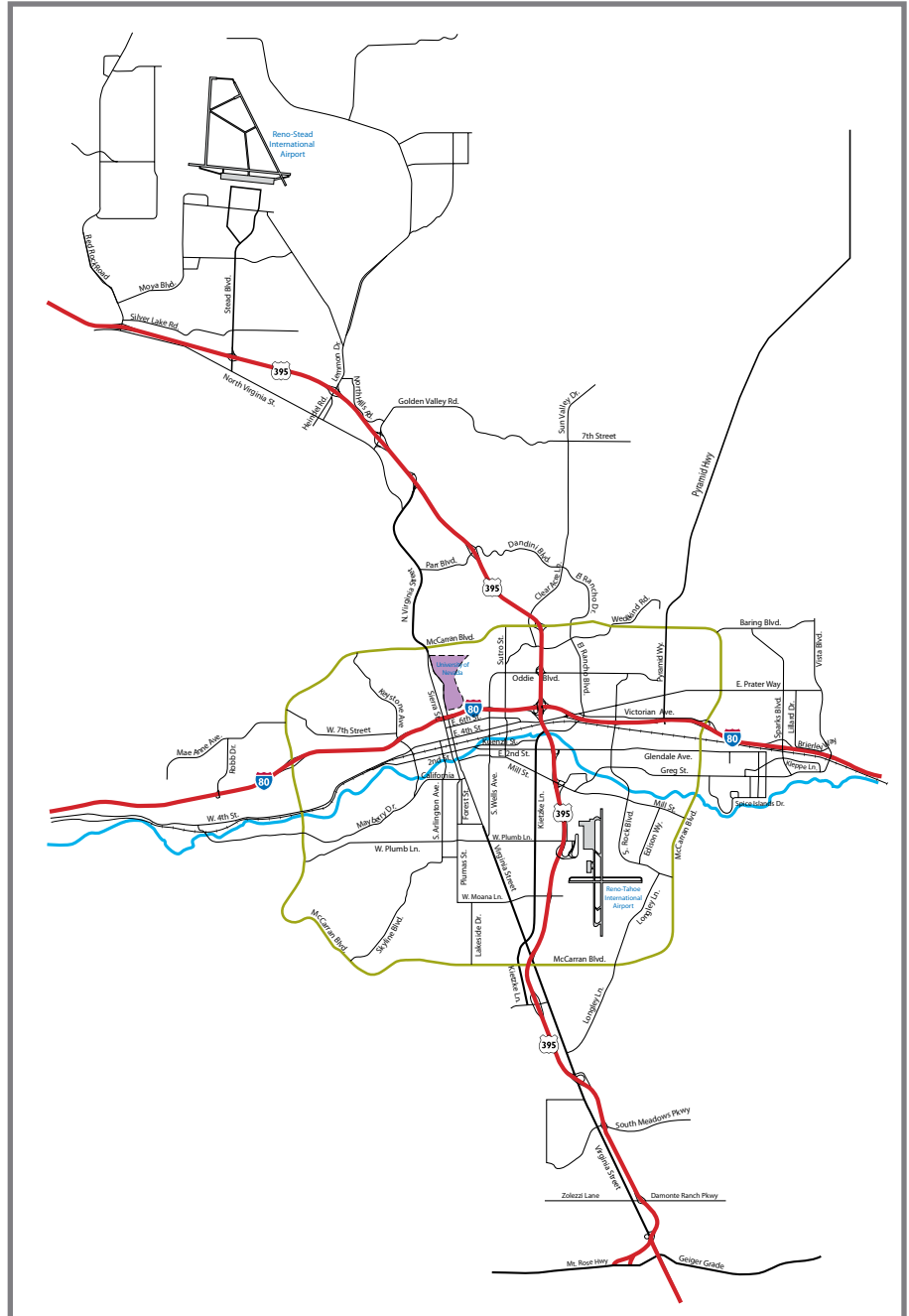
SF/PSF

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.

Reno/Sparks Retail Market Area



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