

Reno/Sparks, NV 1Q15 Retail Market Report

MARKET OVERVIEW:

The Northern Nevada economic climate continues showing signs of improvement into the first quarter. The current overall vacancy level in Reno/Sparks decreased to 14.76% from the previous quarter of 16.59%, and is down from the previous year of 17.29% for the same period.

The anchor space vacancy decreased to 11.68%. In-Line shops decreased in vacancy to 19.14% this quarter from 20.28% last quarter. This is the first time the in-line vacancy rate has dropped below 20% in almost 6 years (since Q2 2009). Total net absorption for this quarter was 264,066 square feet, while the gross absorption was 298,936 square feet.

SALES TAX REVENUE & UNEMPLOYMENT AND HOUSING:

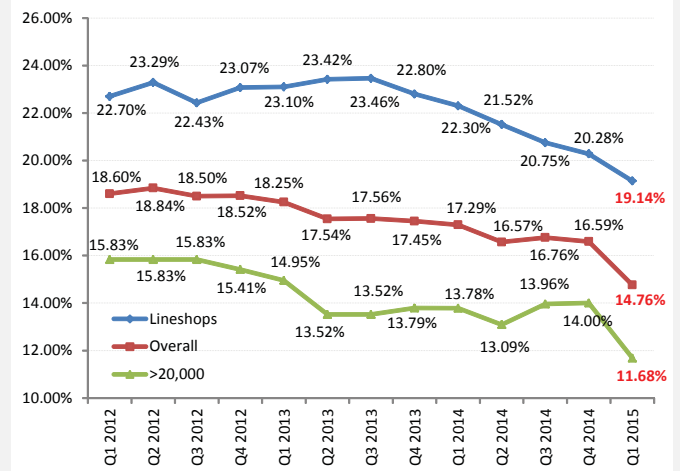
Local consumer spending has been consistently higher with positive year over year increases each month since January of 2013. Washoe County Sales Tax figures show spending in December 2014 was up 8.2% over the previous year, following an 8.9% increase in November. There has been marked improvement in the unemployment rate. The Reno Sparks MSA Unemployment Rate was 7.1% in February, down from 8.6% in February of 2014 and its record high of 14.2% in January of 2011.

The number of housing sales for the period of January through March of 2015 was lower than the previous year. The number of re-sales of existing homes decreased 2% during this period, with 33 less sales in 2015 over the same time period the previous year (1,656 for Jan. - Mar. 2015 vs. 1,689 for 2014). New home sales increased 8% over the previous year with 18 more sales occurring in 2015 (242 for Jan. - Mar. 2015 vs. 224 for 2014). According to the Reno/Sparks Association of Realtors, the median sales price for March was \$270,000, up 18.4% from the prior year.

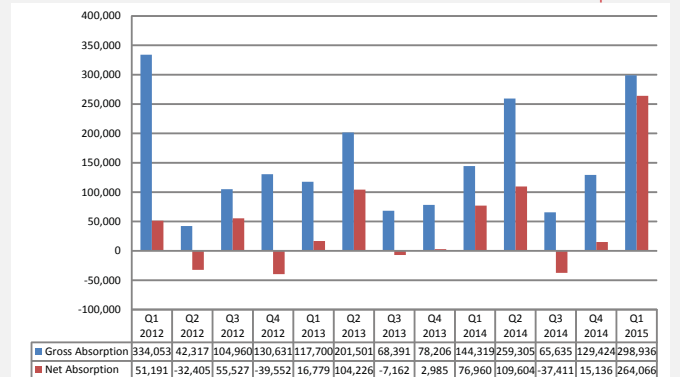


Refinance and equity loans increased 85% over the previous year, with a total of 2,469 re-financings during the 1st quarter. This uptick is a direct result of a decrease in bond rates as a result of recent turmoil around the world and a flight to quality from investors to the US Government's bonds. We expect to see the number of refinancing's decrease should interest rates increase in the future.

Vacancy Rates



Gross & Net Absorption



Trends for 1Q15



Reno/Sparks, NV 1Q15

Retail Market Report

RENO/SPARKS RETAIL MARKET:

There are currently 16 vacant anchor shopping center spaces over 20,000 square feet in the Reno/Sparks market. These spaces total 966,576 square feet, which amounts to an 11.68% vacancy rate. The area currently has 1,109,687 square feet available of in-line shop space throughout the market. Total combined vacancy within the market now stands at 2,076,263 square feet. This is still a substantial amount of vacant space that will take time to be absorbed.

NEW DEVELOPMENT:

The Legends at Sparks Marina has had many tenants open during the last few years, and continues to add stores. They are currently constructing two small pad buildings totaling 10,515 sf. Wal-Mart may open a store in the Legends center, which would occur in early 2016 should they proceed. Most other large retail developments within the market have either been completed or put on hold.

TENANTS MOVING IN AND OUT:

The first quarter of 2015 saw a net absorption of 264,066 square feet. There were 33 tenants moving into space in the 1st quarter consisting of 293,936 square feet of new leases with some of the largest ones being Nordstrom Rack (31,000 sf) in Redfield Promenade, Outlook Christian Church (16,950 sf) in the Viewcrest Center and Men Wielding Fire (9,458 sf) in the South Virginia Plaza. There were 16 tenants moving out consisting of 33,310 square feet including Famous Footwear (7,400 sf) in the Ridgeview Plaza, and three Radio Shack's in the North Hills Center (2,700 sf), Sierra Town Center (2,500 sf) and Ridgeview Plaza (2,320 sf).

INVESTMENT SALES:

There was one significant retail sale in the first quarter of 2015. The Family Dollar on Stead Blvd. sold in January for \$1,960,000 (\$235/sf) with a 6.97% cap. Two sales occurred in December of 2014. One was the Walgreens at the corner of Moana and S. Virginia. It sold for \$8.1 million or \$585.22/sf. The other sale was the Raising Caine's restaurant at Neil and S. Virginia. That sold for \$3,746,000 or \$1,103.06/sf.

LOOKING FORWARD:

Many of the underlying statistics are improving. Housing value and consumer spending continue to trend higher, while unemployment has dropped significantly. These numbers allude to an improving local economy. The retail vacancy rates have come off their highs and are generally trending lower.

Looking into the future, we expect to see gross absorption slightly down but a little higher rate of net absorption than the last four years as vacant space continues to be absorbed and the number of tenants vacating slows down.

Market Snapshot*

	Total Square Feet (SF):	Vacant Square Feet (SF):	Vacancy Rate:
Overall Reno/Sparks Market	14,071,154 SF	2,076,263 SF	14.76 %
Lineshops	5,797,255 SF	1,109,687 SF	19.14 %
Buildings 20,000 or greater	8,273,899 SF	966,576 SF	11.68 %



For Lease

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



For Lease

6,543 SF Equipped Restaurant
Sparks Crossing Shopping Center
137 Los Altos Pkwy, Sparks, Nevada



For Sub Lease

10,572 SF - Former Walgreens
Parkside Center
6450 South Virginia Street, Reno, Nevada



For Lease

45,524 SF - Former Circuit City
Firecreek Crossing
Kietzke Lane & Redfield Promenade, Reno, Nevada



Factory Stores at the Y

Neighborhood Shopping Center
South Lake Tahoe, CA
"Y" intersection of Hwy 50 & Hwy 89



For Lease

Vista Hills Shopping Center
Anchored by Walmart
NEC of Sky Vista & Lemmon Dr, Reno, 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

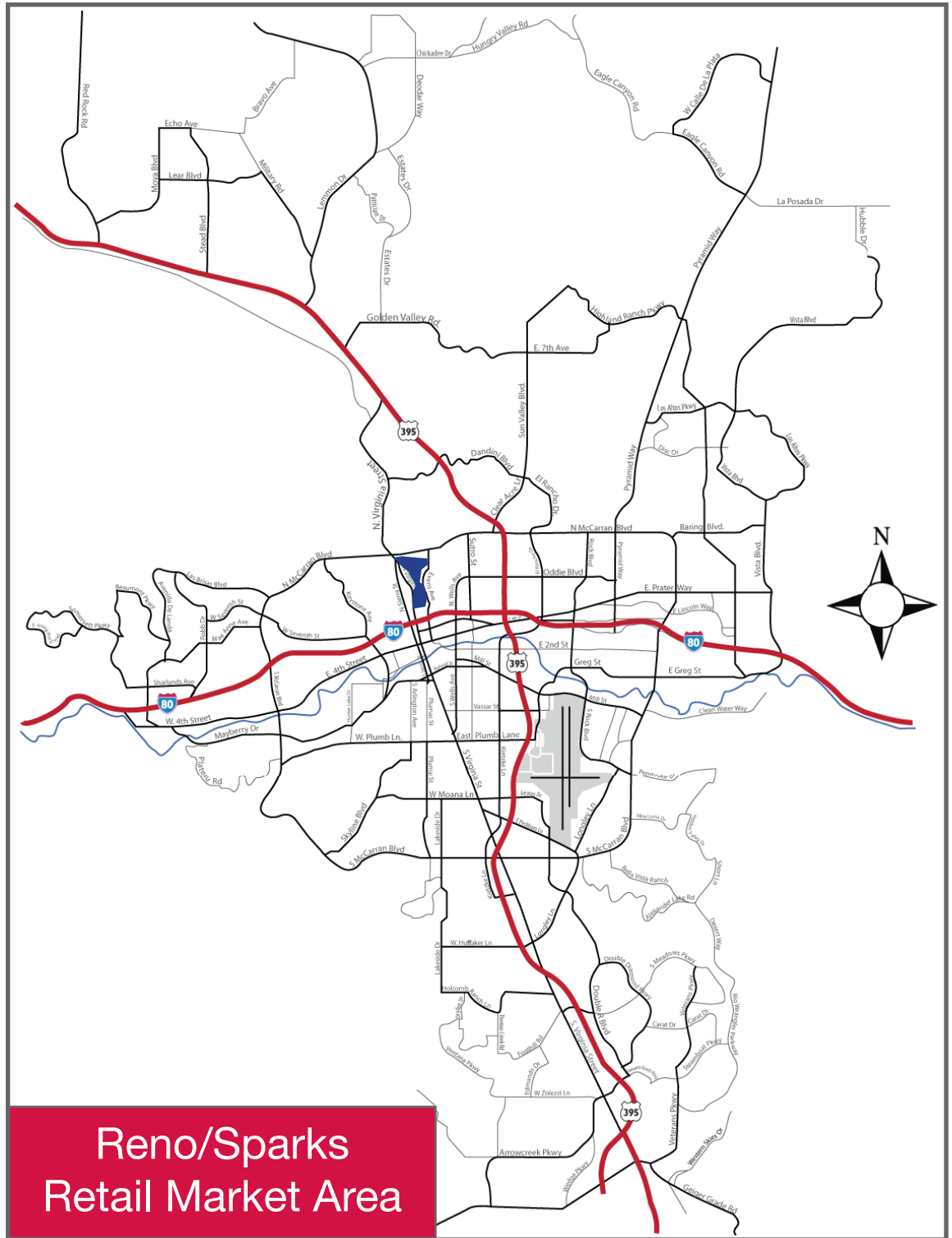
All unoccupied lease space, either direct or sublease.

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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