

Reno/Sparks, NV 3Q14 Retail Market Report

MARKET OVERVIEW:

The Northern Nevada economic climate continues showing signs of improvement, however, in the retail sector momentum stalled in the third quarter. As result the current overall vacancy level in Reno/Sparks increased to 16.76% from the previous quarter of 16.57%, but it was still down from the previous year of 17.56% for the same period.

The anchor space vacancy increased slightly to 13.96%. In-Line shops decreased in vacancy to 20.75% this quarter from 21.52% last quarter. Total net absorption for this quarter was -37,411 square feet, while the gross absorption was 65,635 square feet.

UNEMPLOYMENT, SALES TAX REVENUE 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 July 2014 was up 6.5% over the previous year, following a 7.3% increase in June. There has been marked improvement in the unemployment rate. The Reno Sparks MSA Unemployment Rate was 6.4% in September, down from 8.9% in September of 2013 and its record high of 14.2% in January of 2011.

The number of housing sales for the period of July through September of 2014 was lower than the previous year. The number of re-sales of existing homes decreased over 5.8% during this period, with 139 less sales in 2014 over the same time period the previous year (2,247 for July – Sept. 2014 vs. 2,386 for 2013). New home sales decreased 22.9% over the previous year with 71 fewer sales occurring in 2014 (239 for July – Sept. 2014 vs. 310 for 2013). According to the Reno/Sparks Association of Realtors, the median sales price in August was \$250,000, up 13.6% from the prior year.

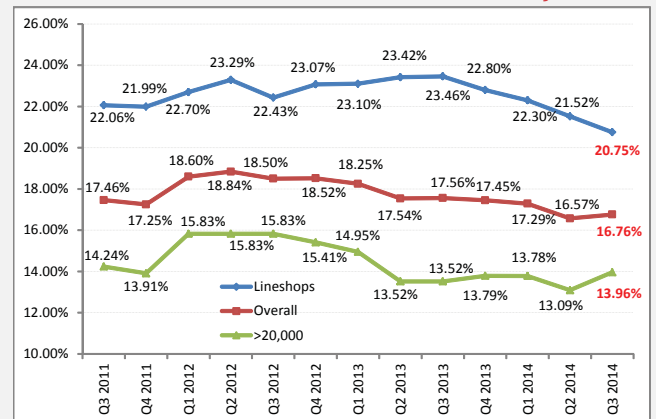
Refinance and equity loans increased 7.8% over the previous year, with a total of 1,800 re-financings during the 3rd quarter. This uptick is a direct result of a decrease in bond rates as a result of recent turmoil around the world and a flight to quality from investors to the US Government's bonds. We expect to see the number of refinancing's decrease should interest rates increase in the future.



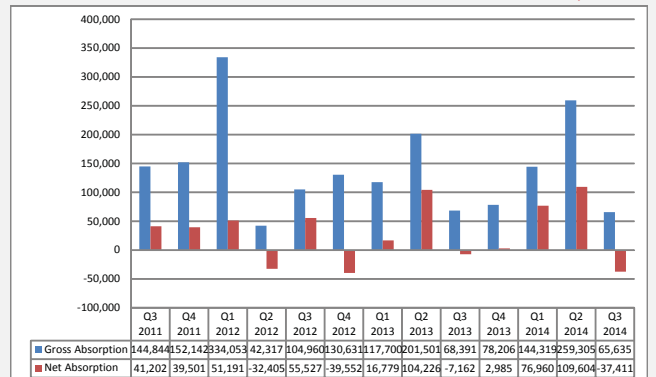
RENO/SPARKS RETAIL MARKET:

There are currently 18 vacant anchor shopping center spaces over 20,000 square feet in the Reno/Sparks market. These spaces total 1,142,788 square feet, which amounts to a 13.96% vacancy rate. The area currently has 1,192,597 square feet available of in-line shop space throughout the market. Total combined vacancy within the market now stands at 2,335,385 square feet. This is still a substantial amount of vacant space that will take time to be absorbed.

Vacancy Rates



Gross & Net Absorption



Trends for 3Q14



Reno/Sparks, NV 3Q14

Retail Market Report

NEW DEVELOPMENT:

The Legends at Sparks Marina has had many tenants open during the last few years, and continues to add stores. Wal-Mart is in the planning stages to open a store in the Legends center, likely to occur in 2015. Most other large retail developments within the market have either been completed or put on hold. However, there are a few smaller developments that have recently occurred including 18,630 sf of line shops at the Sky Vista Wal-Mart in Lemmon Valley and 11,520 sf of new buildings in the Southcreek center at Foothill Road.

TENANTS MOVING IN AND OUT:

The second quarter of 2014 saw a negative net square footage occupied with net absorption of -37,411 square feet. There were 17 tenants moving into space in the 3rd quarter consisting of 53,221 square feet of new leases with the largest being Hancock Fabrics (7,000 sf) in Firecreek Crossing, Yellow House Furniture (6,400 sf) in the Coliseum Meadows and Invictus Computer Games (5,616 sf) in the Viewcrest Center. There were 16 tenants moving out consisting of 101,426 square feet including Scolari's (50,528 sf) in the Spanish Springs Town Center, Office Depot (20,000 sf) in the Airport Square Shopping Center, and The Mattress Store (3,950 sf) in the Smithridge Plaza.

INVESTMENT SALES:

There were a couple of significant retail sales in the 3rd quarter of 2014. The Del Monte Center sold in July for \$3,700,000 or \$114.58/sf. The building consisted of 32,293 square feet, shadow anchored by Good Will Superstore. The retail properties on the NEC of Sparks Blvd. and Los Altos sold in August for \$4,700,000. It consisted of 35,120 sf of buildings and 9.97 acres of land. There were several undeveloped parcels that were included in this sale.

LOOKING FORWARD:

Many of the underlying statistics are improving. Housing value and consumer spending are trending 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, although they stalled during the current quarter and showed a negative net absorption.

As we look forward, we project that the vacancy rate will be stressed as an additional Scolari's building will be closed. Scolari's has announced that they will close their Southwest Pavilion location by year end. This will add an additional 47,000 sf of available space onto the market in the anchor category. However, this will be partially offset by the Natural Grocers opening in late October in 32,000 sf in the Firecreek Crossing Shopping Center.

Looking into the future, we expect to see a higher rate of both gross and net absorption than the last three years as vacant space continues to be absorbed. Although this is expected to be the trend in general, there may be quarters that don't perform quite as well as the ripple of the Scolari's closures continues to affect the market.

At NAI Alliance, we work with our clients to provide the timeliest, most accurate and complete sense of the market possible so they can make more informed decisions. We assist our clients to see where the market is going, and help position them properly. We help our clients react quicker than the competition, guiding them to achieve 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	15,482,682 SF	2,335,385 SF	16.76%
Lineshops	5,746,867 SF	1,192,597 SF	20.75%
Buildings 20,000 or greater	8,188,605 SF	1,142,788 SF	13.96%



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



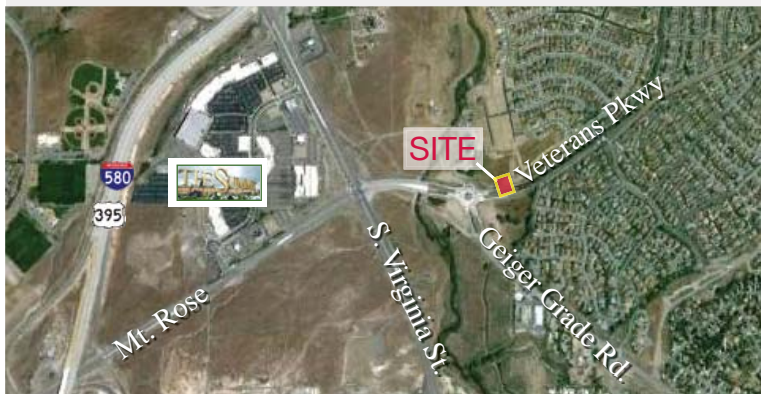
For Sale

Combined Price \$1,324,000 & 8.4% CAP Rate
Investment Property - Two Restaurant Buildings
Carson City and Reno, Nevada



For Lease

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



Land for Sale or Lease

0.87 Acres at NE Corner Veterans Parkway / Geiger Grade
South Reno Nevada



Newly Completed!

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

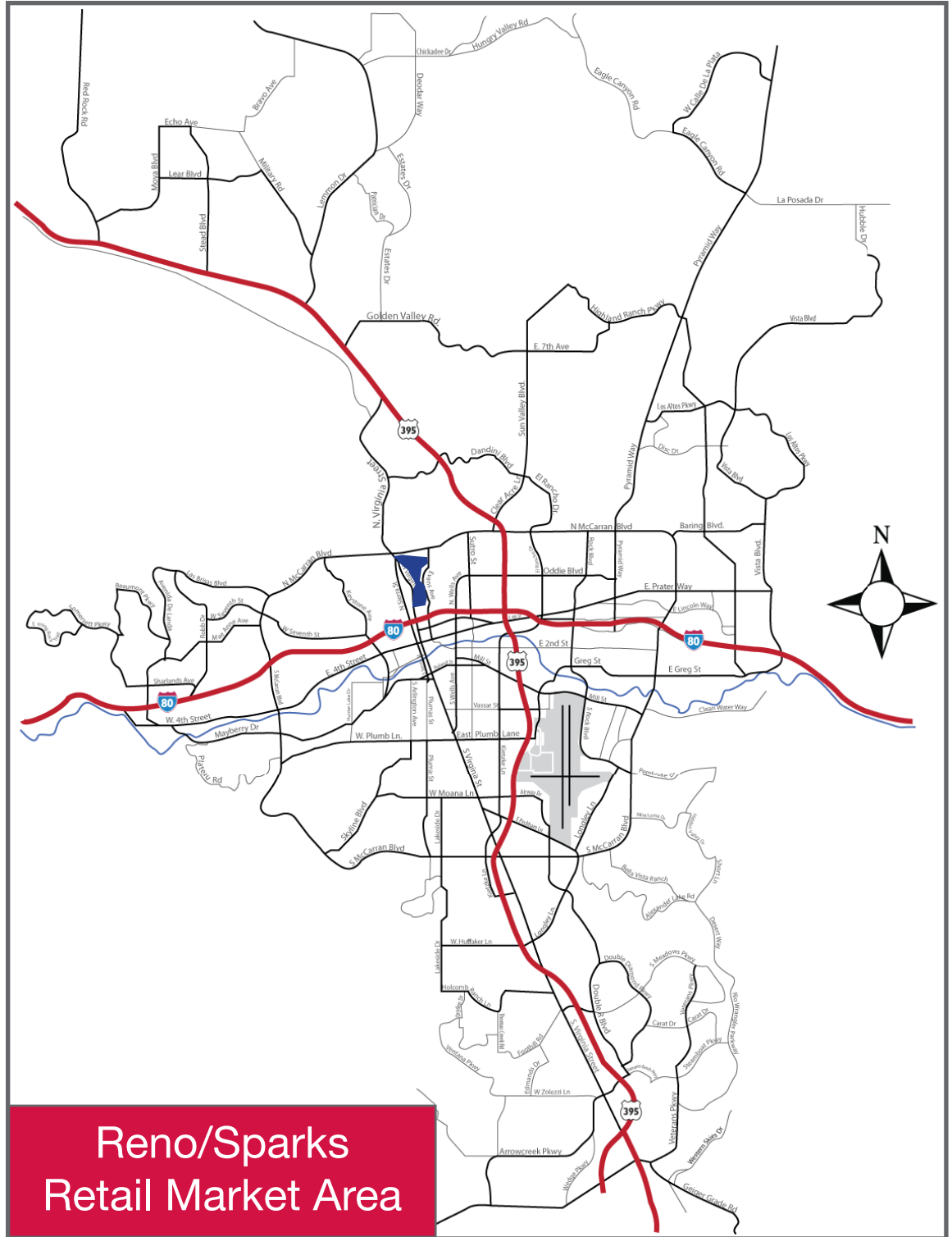
All unoccupied lease space, either direct or sublease.

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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