



OVERVIEW:

The Northern Nevada economic climate is showing signs of improvement, perhaps indicating that the retail vacancy rates may be near the peak. The current overall vacancy level in Reno/Sparks is at 18.52% which is slightly higher than the 18.50% the previous quarter and the 17.25% from the end of last year.

The anchor space vacancy decreased to 15.41%. In-Line shops have increased in vacancy from 22.43% last quarter to 23.07% this quarter. Total net absorption for this quarter was -39,552 square feet and the year-end total was 44,989 square feet. The total gross absorption was 130,631 square feet for this quarter and 622,189 square feet for the year-end total.

TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



RENO/SPARKS RETAIL MARKET:

There are currently 19 vacant anchor shopping center spaces over 20,000 square feet in the Reno/Sparks market. These spaces total 1,225,500 square feet, which amounts to a 15.41% vacancy rate. This is just under the highest anchor vacancy rate on record. The area has 1,252,956 square feet available of in-line shop space throughout the market. Total combined vacancy within the market now stands at 2,478,456 square feet. This is 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 with a few additional stores. Lowe's opened in the first quarter of 2012 and TJMaxx opened in the fourth quarter. In 213, Old Navy and a Galaxy IMAX Theater are planned to open as well. Wal-Mart opened their store in the north valleys in the first quarter of 2012 and is in the planning stages to upon a store in the Legends center. Most other large retail developments within the market have either been completed or put on hold.

TENANTS MOVING IN AND OUT:

The fourth quarter of 2012 saw a negative net square footage occupied with a net absorption of -39,552 square feet. For the year, net absorption was 44,989 sf. There were 36 tenants moving into space in the 4th quarter consisting of 122,048 square feet of new leases with the largest being TJ Maxx in the Legends (24,837 sf), Rue 21 in the Legends (7,332 sf) and 99 Cent Only Stores in the McCaran Plaza (18,000 sf). There were 40 tenants moving out consisting of 165,993 square feet including Scolari's Warehouse Market in the North Valley Center (41,475 sf), Office Max in the Sparks Crossing (19,719 sf) and the Ben Franklin's Crafts in Shoppers square (15,793 sf). For the full year, there were 21 more tenants moving out of spaces than moving in (139 vs 118).

INVESTMENT SALES DURING 2012:

2012 saw limited sales activity in the market. The largest transaction in the market was the June sale where Shoppers Square Annex sold the Staples and Smart and Final buildings totaling 50,300 sf for \$12.2 million or \$243/sf. Also in the second quarter, The Air Center Plaza, consisting of 51,971 sf, sold for \$3.8 million or \$73/sf. In December, Keystone Square Annex, consisting of a largely vacant two story building with 64,236 sf, sold for \$2.7 million or \$42/sf.

UNEMPLOYMENT, SALES TAX REVENUE AND HOUSING:

The areas consumer spending has been sporadic, but in general, is trending higher. Washoe County Sales Tax figures show spending in October 2012 was down 2% over the previous year, following a 9.1% increase in September. There has been marked improvement in the unemployment rates. The Reno Sparks MSA Unemployment Rate was 9.9% in November, down from 12% in July of 2012 and its record high of 14.2% in January of 2011. This shows significant improvements in job growth.

Housing sales for the period of October through December of 2012 all pointed higher. The number of re-sales of existing homes jumped during this period, increasing 7.8% over the previous year (2,210 for Oct-Dec 2012 vs. 2,050 for 2011). New home sales, increased even faster by 55% over the previous year, albeit from a much smaller base (267 for Oct-Dec 2012 vs. 172 for 2011). According to the Reno/Sparks Association of Realtors, the median sales price in October was \$181,750, up 23% from the prior year. Refinances and equity loans increased 88% over the previous year, with a total of 2,962 refinancings during the 4th quarter spurred on by extremely low interest rates.

LOOKING FORWARD:

Many of the underlying statistics look to be improving. Housing sales, housing value, and consumer spending all are trending higher, while unemployment has dropped significantly. These numbers allude to an improving local economy. The retail vacancy rates, although not showing significant improvements, are trying to establish a firm base from which to improve on. You might say, things are working their way through the system.

As the job growth continues, housing values go up and population grows, it will lead to higher sales volumes for the existing tenants. The number of tenants moving out should ease, and the tenants moving in should lead to improvements in the vacancy rates.

As we look forward, we project that there will be a slight increase in the vacancy rates during the first and possibly the second quarter of 2011. However, during the second half of the year, overall vacancy rates should decline and end the year a little below where they began.

Unfortunately, we feel that it will take some time for the improving economy to translate into lower vacancy rates. This is not good news to Landlord's, but is positive for tenants looking for good rates on good spaces.

How much time will it take and when will the retail market get to a stabilized, lower overall vacancy of say 9% from the current 18.52%? Probably longer than most people think or want to realize. In the recession of the early 90's, it only took 2 years for the overall vacancy rate to decline from 11.3% to 9.6% before it lapsed and increased again.

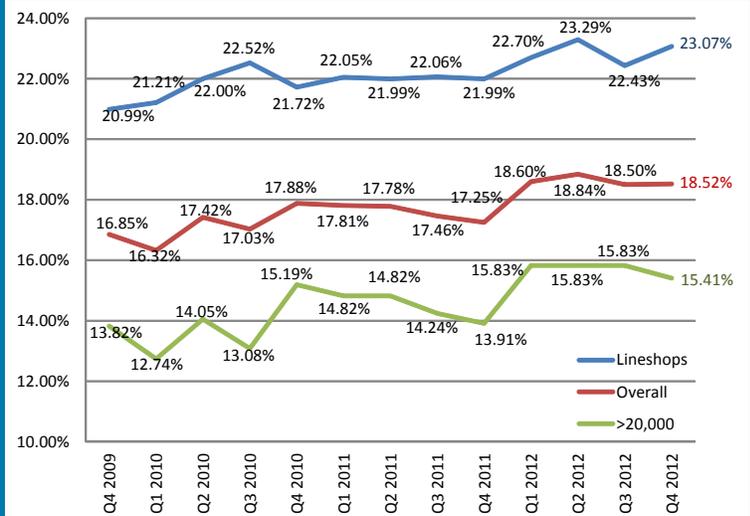
That period of time was different as the anchor vacancy was only 2% compared to 15.41% now. However, if we look at the in-line vacancy rate during that period, it took 7 years for it to decline from 20.3% to the 9% range. Today, the vacancy rates are even higher with the in-line vacancy rate at 23.07%.

The market has even farther to recover than in the 90's.

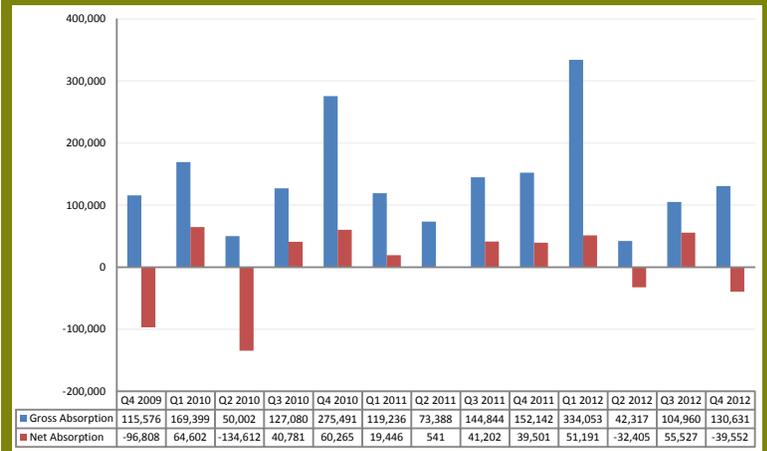
We really are in uncharted territory, but if the early 90's are any indication, it could be at least 7 years before we see normalized vacancy rates again.

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.

Vacancy Rate



Gross & Net Absorption



Market Snapshot*

	Total Square Feet (SF):	Vacant Square Feet (SF):	Vacancy Rate:
Overall Reno/Sparks Market	13,383,281 SF	2,478,456 SF	18.52%
Lineshops	5,431,184 SF	1,252,956 SF	23.07%
Buildings 20,000 or greater	7,952,097 SF	1,225,500 SF	15.41%

*All numbers exclude Regional Malls

Retail Market Report Fourth Quarter 2012

NAI Alliance
Commercial Real Estate Services, Worldwide.



For Lease

Southgate Shopping Center
NEC of S. Carson St & Clearview Dr, Carson City, Nevada



For Lease

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



For Lease

4,800 SF Freestanding Retail Building
3375 Kietzke Lane, Reno, Nevada



For Lease

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



For Lease

Sierra Town Center - 3 Spaces
6775 Sierra Center Pkwy, Reno, Nevada

Reno/Sparks Retail Market Area

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

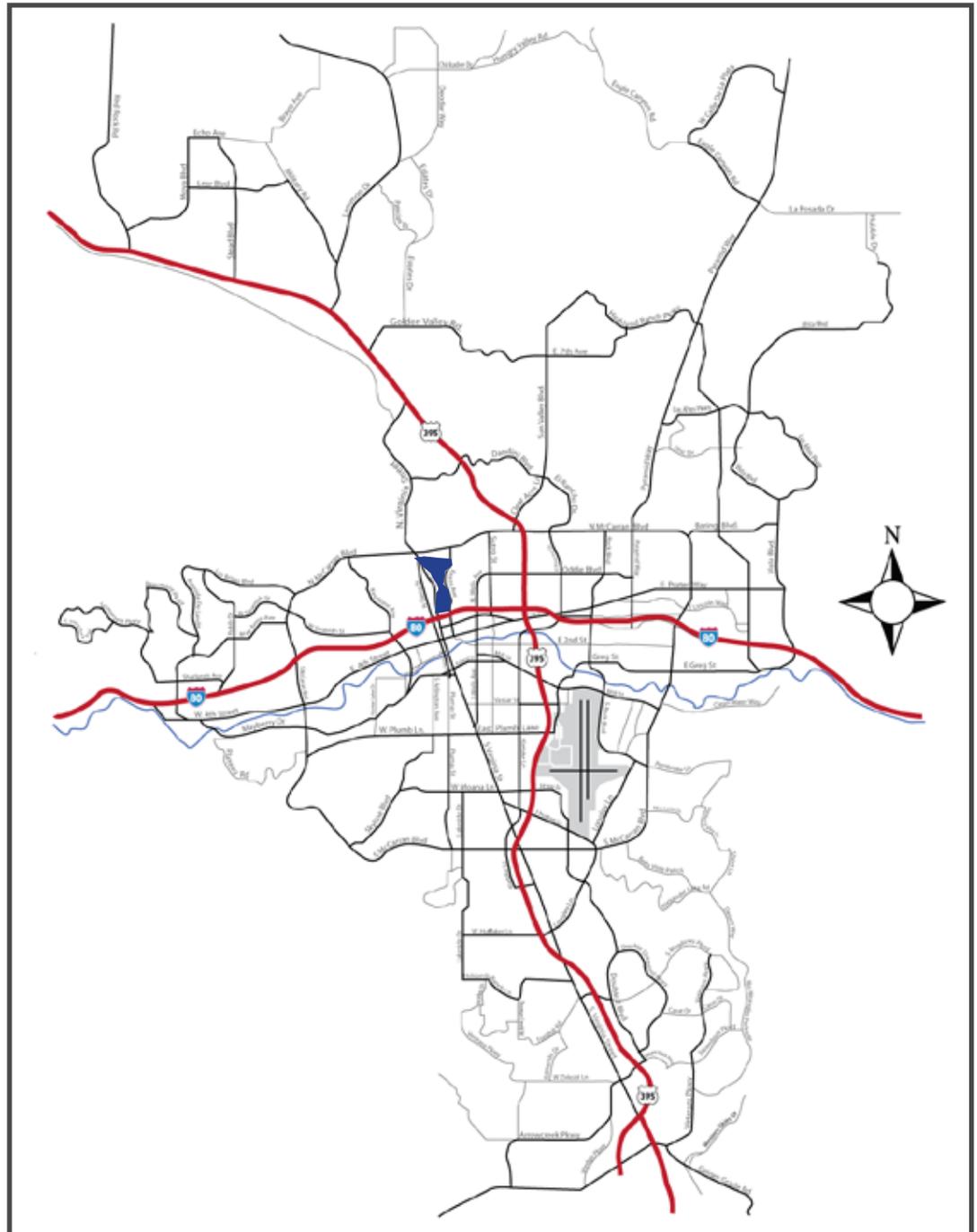
All unoccupied lease space, either direct or sublease.

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.



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