



TRENDS:

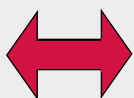
Vacancy Rate



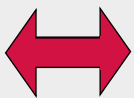
Net Absorption



Construction



Asking Rents



VACANCY:

Although our year end net absorption of 38,000 square feet did not contest that of over 120,000 square feet in 2011, the deal activity, as depicted below, was consistent. The favorable news is that this marks our third consecutive year of positive net absorption within the office sector. Ending the year with an overall market vacancy of 16.34%, activity exceeded our predictions.

In detail, here is how each submarket performed:

SUBMARKET	VACANCY	OBSERVATIONS
Downtown	16.24%	Down from 22% in 2010; the newer generation companies enjoy the urban work-style. Walk to meetings – Walk to lunch – Great influx of new retail.
South Meadows	17.93%	Down from 20% in 2010; this submarket was affected most by residential real estate. Home builders are no longer a significant office user.
Meadowood	13.83%	The consistent performer. Accessibility and convenience.
Central Reno	20.16%	Most affected by flight to quality.
Airport	16.03%	The low-cost leader positively influenced by airport and transportation infrastructure improvements.

The Meadowood submarket, namely the Kietzke Lane & S. McCarran Boulevard corridor, continues to lead the way standing at 13.83% vacancy. Institutional tenants continue to endorse this area as it provides multiple Class A options with freeway visibility and access.

The Downtown submarket and CBD office buildings continue to attract the major law firms due to proximity to government buildings and court houses, the professional services firms that desire to work near the people they do business with daily e.g., financial services, commercial real estate brokerage, architecture and accounting and the newer generation companies that enjoy the activities downtown generates to create a fun work environment e.g. technology, public relations and social media.

ACTIVITY:

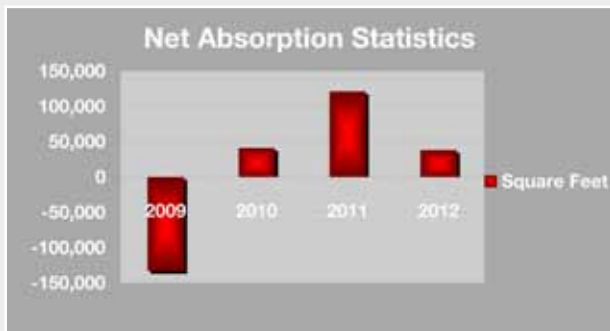
Admittedly, our Office Properties Group took additional time than in the past to gather Northern Nevada's year end office market numbers and comprehensively discuss the trends. Much of this information was revealed in Scott Shanks' (SIOR and Senior Vice President) presentation to over 350 community leaders at the Builder's Association of Northern Nevada's annual forecast. Yet, no matter what the story the data illustrates, the crystal ball is still influenced by post election doubts and anxiety heading into the Silver States' 77th legislative session where education, health care and taxes will be the predominate topics. Governor Sandoval's State of the State address reported economic improvement, with much more work on the horizon. As we ramp up to gain momentum on these issues in 2013, let's not forget to celebrate the wins of 2012.

Congratulations to companies such as:

Apple	Majen Training	Scientific Games International
Axia Home Loans	McCarthy & Holthus, LLP	Snell & Wilmer, LLP
Browhawn Law	One Contact Inc.	Video Game Technologies
Brownstein Hyatt Farber Schreck, LLP	Online Tech Stores	3G Studios
California Transplant Donor Network	Pestmaster Servicesand many more
Coupa Software	Raymond James	
Imortgage	Rogue Gaming	



Office Market Report | End of Year 2012



These are some of the companies new or expanding in our region. In our opinion, Mr. Mark Verbeck, Coupa Software's Chief Financial Officer, delivered a very impactful message at the Economic Development Authority of Western Nevada's January 16th luncheon in his announcement of relocating Coupa's financial operations from San Mateo, Ca to Reno; the talent pool is here, the tax climate is beneficial and the proximity to California is ideal.

THE OUTLOOK:

The Governor stated it perfectly in his address to the state: progress is just going to take more work. There is no magic potion, just maximizing the work and live attributes the community has to offer. The office market of Northern Nevada

will continue to see gradual growth in occupancy with no new construction planned. The Meadowood and Downtown submarkets are prime candidates for building re-positions as the market stays steady in its rebound. The theory is that we trail the Bay Area by twelve months; if this is the case, 2013 will be a good year.

2012 OFFICE TRANSACTIONS:

Meadowood/Central Reno Submarket:

- Wells Fargo Advisors - 13,532 SF
- Rope, LLC - 10,222 SF
- Axia Home Loans - 3,265 SF
- Video Gaming Technologies - 9,950 SF
- Video Gaming Technologies Expansion - 8,050
- Egghart & Associates - 8,316 SF
- H Dhindsa Retina Eye Center - 4,926 SF
- imortgage - 4,843 SF
- TNT Construction - 2,356 SF
- California Donor Network - 2,182 SF
- Scott T. Weed, DDS, PLLC - 2,003 SF
- Muzea Insider Consulting Services - 1,200 SF

Airport Submarket:

- Henry Shein - 75,000 SF
- Bank of America - 6,360 SF
- Hire Dynamics - 3,822 SF
- Majen Training - 2,415 SF
- F & P Construction - 2,100 SF
- Scientific Games International - 834 SF
- TLC Financial - 610 SF
- RGIS, LLC - 465 SF

South Meadows Submarket:

- RVW Holdings, LLC - 6,647 SF
- Beckett, Yott, McCarty & Spann - 3,764 SF
- KBA Enterprises - 40,746
- Exchange Intermediary, Inc. - 17,631 SF
- Miller Heiman - 11,500 SF
- Elizabeth S. Massie Trust - 7,900 SF
- Atley Group LLC - 6,482 SF
- Robert V. Willmes, II Trustee - 4,964
- Professional Billing Services - 2,878 SF
- Summit View Hospice - 1,861 SF
- Security National Mortgage Company - 1,346 SF
- World Strides - 1,283 SF

Downtown Submarket:

- The P.E.T. Family Trust - 15,689 SF
- Browhawn Law - 1929 SF
- Routt Dialysis, LLC - 11,074 SF
- Snell & Wilmer LLP - 4,933 SF
- Brownstein Hyatt Farber Schreck, LLP - 2,090 SF
- 590 Real Estate Group - 1,595 SF
- HMC Group - 1,500 SF
- McCarthy & Holthus, LLP - 1,027 SF
- Certified CPR - 646 SF
- Fair Share Alliance - 628 SF
- 7Q10, Inc. - 603 SF
- Evolve Litigation - 147 SF
- Paralegal Plus - 119 SF
- Josh Peterson - 97 SF



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
1005 Terminal Way
Reno, Nevada



For Lease
825 Maestro Drive
Reno, Nevada



For Lease
100 & 140 Washington Street
Reno, Nevada



Methodology/Definitions

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 NNN 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

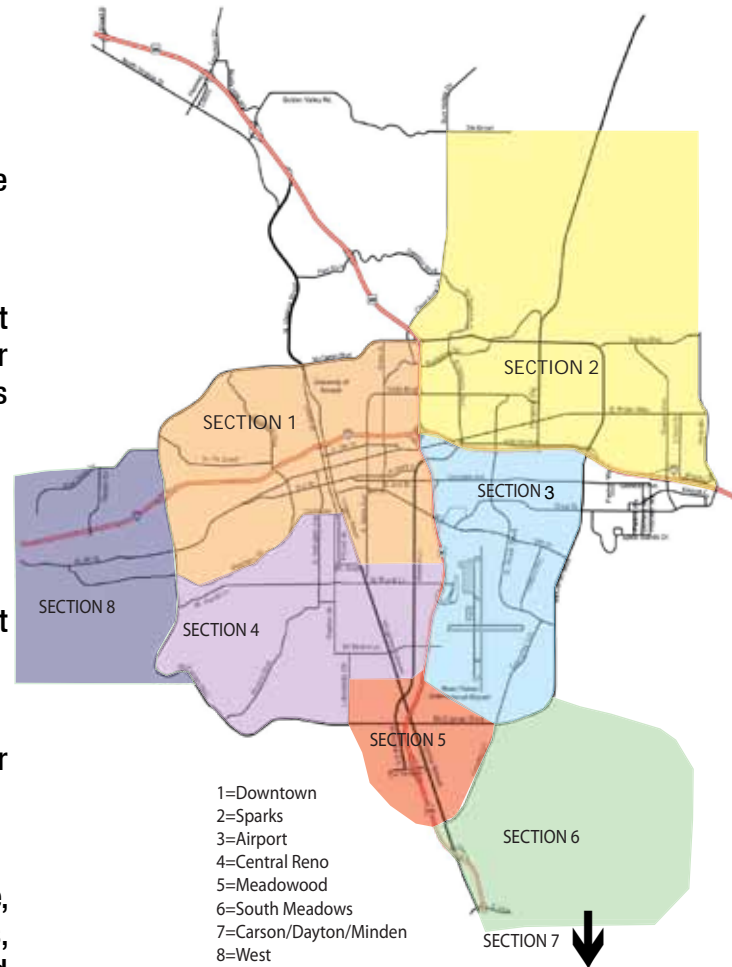
Space currently available for lease directly with the landlord or building owner.

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.



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Q4 2012 Office Market At A Glance

Area	Submarket	Direct Available Square Feet	Direct Vacancy Percent	Net Absorption
1	Downtown	271,915	16.24%	6,039
3	Airport	229,114	16.03%	13,932
4	Central Reno	168,115	20.16%	965
5	Meadowood	275,849	13.83%	-4,882
6	South Meadows	276,321	17.93%	21,817
TOTAL		1,221,314	16.34%	38,000

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