

OVERVIEW:

The Northern Nevada economic climate is showing signs of improvement, providing further evidence that the retail vacancy rates have receded from the peak of the recession. The improvements in the vacancy rates continued during the fourth quarter. The current overall vacancy level in Reno/Sparks decreased slightly to 17.45% from the previous quarter of 17.56%. However, it was down from the previous year of 18.52%.

The anchor space vacancy is currently at 13.79%. In-Line shops have decreased in vacancy to 22.80% this quarter from 23.46% last quarter. Total net absorption for this quarter was 2,985 square feet, while the gross absorption was 78,206 square feet. For the year, net absorption was 117,873 square feet and gross absorption was 465,798 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 October 2013 was up 9.2% over the previous year, following a 10% increase in September. There has been marked improvement in the unemployment rate. The Reno Sparks MSA Unemployment Rate was 8.2% in November, down from 9.4% in November of 2012 and its record high of 14.2% in January of 2011.

The number of housing sales for the period of September through November of 2013 continued to outpace the previous year, however, at a slower pace than previous quarters. The number of re-sales of existing homes increased 6% during this period, with 117 more sales in 2013 over the same time period the previous year (2,111 for Sept. - Nov. 2013 vs. 1,994 for 2012). New home

Trends *ahead*

Vacancy Rate



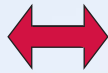
Net Absorption



Construction



Asking Rents



sales increased 8% over the previous year with 21 more sales occurring in 2013 (284 for Sept. - Nov. 2013 vs. 263 for 2012). According to the Reno/Sparks Association of Realtors, the median sales price in November was \$224,900, up 24.3% from the prior year.

Refinances and equity loans decreased 47% over the previous year, with a total of 1,360 refinancings during the 4th quarter. This pullback is a direct result of an uptick in interest rates following the Fed's comments about reeling in their monthly bond buying program. With interest rates rising nearly a full percentage point since May, it has taken a large segment of the refinance market off the table. We expect to see the number of refinancing's decrease as interest rates continue to increase in the future.

RENO/SPARKS RETAIL MARKET:

There are currently 17 vacant anchor shopping center spaces over 20,000 square feet in the Reno/Sparks market. These spaces total 1,128,572 square feet, which amounts to a 13.79% vacancy rate. The area currently has 1,274,951 square feet available of in-line shop space throughout the market. Total combined vacancy within the market now stands at 2,403,523 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. A Galaxy IMAX Theater is under construction and is planned to open in 2014. Wal-Mart is also in the planning stages to open a store in the Legends center. 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 fourth quarter of 2013 saw a positive net square footage occupied with a net absorption of 2,985 square feet. There were 23 tenants moving into space in the 4th quarter consisting of 74,406 square feet of new leases with the largest being VF Outlet (28,368 sf) and Famous Footwear (4,798 sf) in the Legends, and McDonald's in the Eagle Landing (4,618 sf). There were 18 tenants moving out consisting of 75,221 square feet including JC Penney Furniture (50,915 sf), Bronx Pizzeria in the Longley West (3,600 sf), and Hong Kong Kitchen in the Iron Horse Shopping Center (1,576 sf).

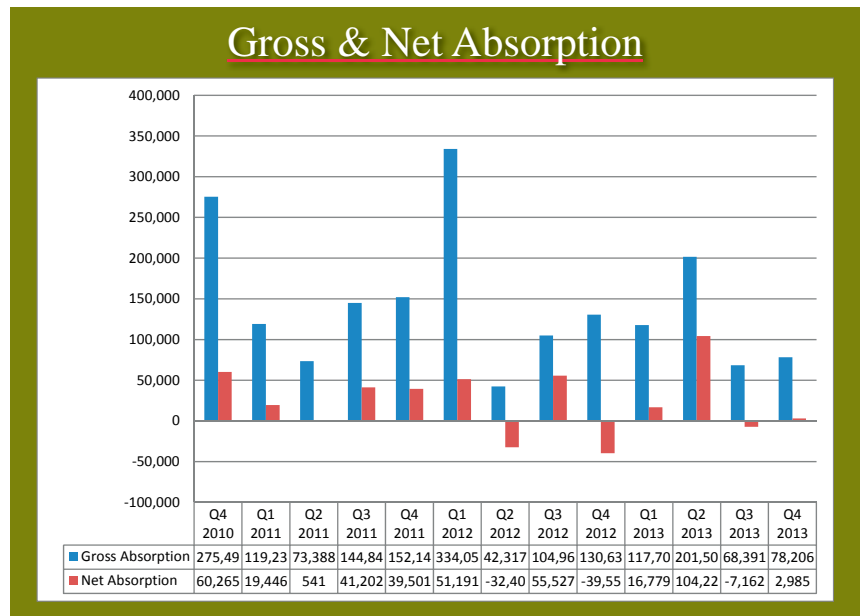
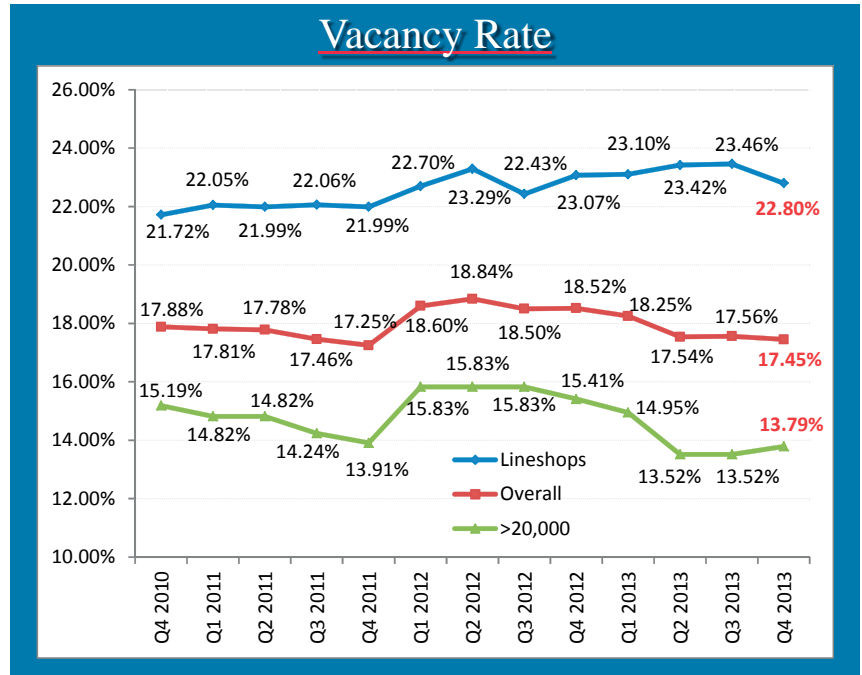
INVESTMENT SALES:

There were a few significant sales in the second half of 2013. The largest sale was the Sparks Galleria which sold for \$26.2 million. 24 Hour Fitness on Neil Road (24,000 sf) sold in July for \$3.3 million or \$139/sf. The shops at North McCarran Crossing (14,111 sf) sold in August for \$5.2 million or \$369/sf (7.8% cap). The Shops at the Village (45,057 sf) also sold in August at auction for \$3.328 million or \$69.24/sf.

LOOKING FORWARD:

Many of the underlying statistics are improving. Housing value and consumer spending are trending higher, housing sales are increasing, while unemployment has dropped significantly. These numbers allude to an improving local economy. The retail vacancy rates have come off their highs and are trending lower. You might say, things are working their way through the system.

As we look forward, we project that there will be a steady decrease in the vacancy rates through the end of next year as the economy



continues to improve. We also expect to see a higher rate of both gross and net absorption than the last three years as vacant space continues to be absorbed and a few select projects are constructed.

Market Snapshot*

| | Total Square Feet (SF): | Vacant Square Feet (SF): | Vacancy Rate: |
|-----------------------------|-------------------------|--------------------------|---------------|
| Overall Reno/Sparks Market | 13,774,214 SF | 2,403,523 SF | 17.45% |
| Lineshops | 5,593,000 SF | 1,274,951 SF | 22.80% |
| Buildings 20,000 or greater | 8,181,208 SF | 1,128,572 SF | 13.79% |

*All numbers exclude Regional Malls

Retail Market Report

Fourth Quarter 2013



For Sale \$1,250,000

2,697 SF Bar/Restaurant Building with Drive Thru
 Building expandable by 3,000 SF
 8030 S. Virginia St, Reno NV



For Lease

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



3809 N. Carson St., Carson City, NV



2205 W. 4th Street, Reno NV

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

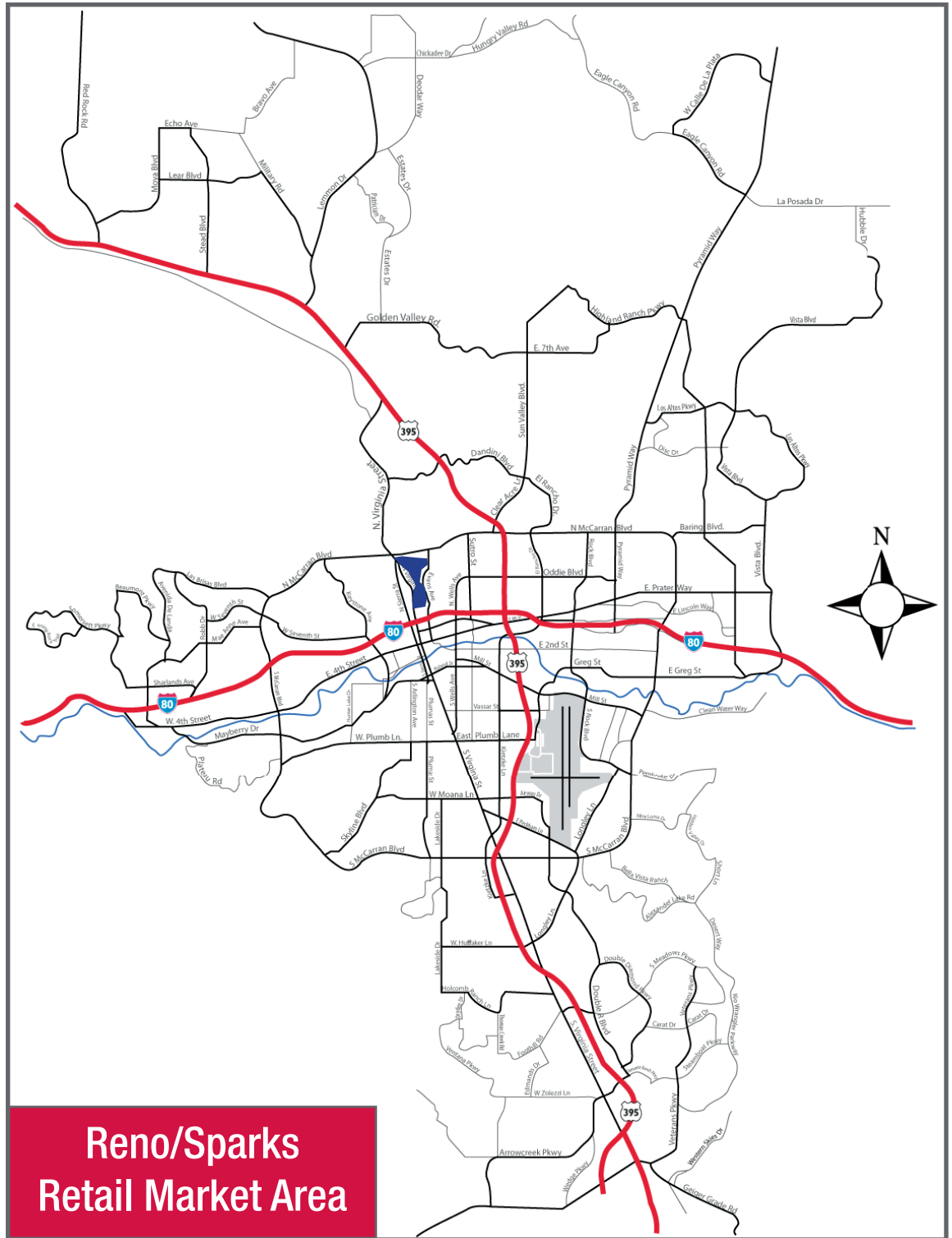
All unoccupied lease space, either direct or sublease.

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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