

## RENO/SPARKS RETAIL MARKET



## OVERVIEW

## RENO/SPARKS'S VACANCY INCREASES TO 9.7%

### Net Absorption Negative (71,711) SF in the Quarter

The Reno/Sparks retail market experienced a moderate decline in market conditions in the first quarter 2009. The vacancy rate went from 9.0% in the previous quarter to 9.7% in the current quarter. Net absorption was negative (71,711) square feet, and vacant sublease space increased by 5,686 square feet. Quoted rental rates decreased from fourth quarter 2008 levels, ending at \$20.04 per square foot per year. A total of three retail buildings with 83,436 square feet of retail space were delivered to the market in the quarter, with 1,338,164 square feet still under construction at the end of the quarter.

#### Net Absorption

Retail net absorption was largely negative in Reno/Sparks first quarter 2009, with negative (71,711) square feet absorbed in the quarter. In fourth quarter 2008, net absorption was negative (51,391) square feet, while in third quarter 2008, absorption came in at negative (44,564) square feet. In second quarter 2008, positive 20,518 square feet was absorbed in the market.

Tenants moving out of large blocks of space in 2009 include: Meals & More moving out of 1,944 square feet at 3120 E Hwy 50; Planet Beach Tanning moving out of 1,400 square feet at 1475 E Prater Way; and moving out of 0 square feet at .

Tenants moving into large blocks of space in 2009 include: Walgreen's moving into 14,820 square feet at Eagle Landing Shopping Center - BLDG. 10; Fresh & Easy moving into 14,000 square feet at Fresh N Easy; and Paddy & Irene's Irish Pub moving into 9,558 square feet at 902 Victorian Ave.

#### Vacancy

Reno/Sparks's retail vacancy rate increased in the first

quarter 2009, ending the quarter at 9.7%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 7.5% in the second quarter 2008, to 7.7% at the end of the third quarter 2008, 9.0% at the end of the fourth quarter 2008, to 9.7% in the current quarter.

The amount of vacant sublease space in the Reno/Sparks market has trended up over the past four quarters. At the end of the second quarter 2008, there were 46,336 square feet of vacant sublease space. Currently, there are 75,295 square feet vacant in the market.

#### Largest Lease Signings

The largest lease signings occurring in 2009 included: the 12,648-square-foot-lease signed by Blue Kangaroo at Blue Kangaroo; the 9,558-square-foot-deal signed by Paddy & Irene's Irish Pub at 902 Victorian Ave; and the 4,800-square-foot-lease signed by Powerhouse Gyms at 6275 Sharlands Ave.

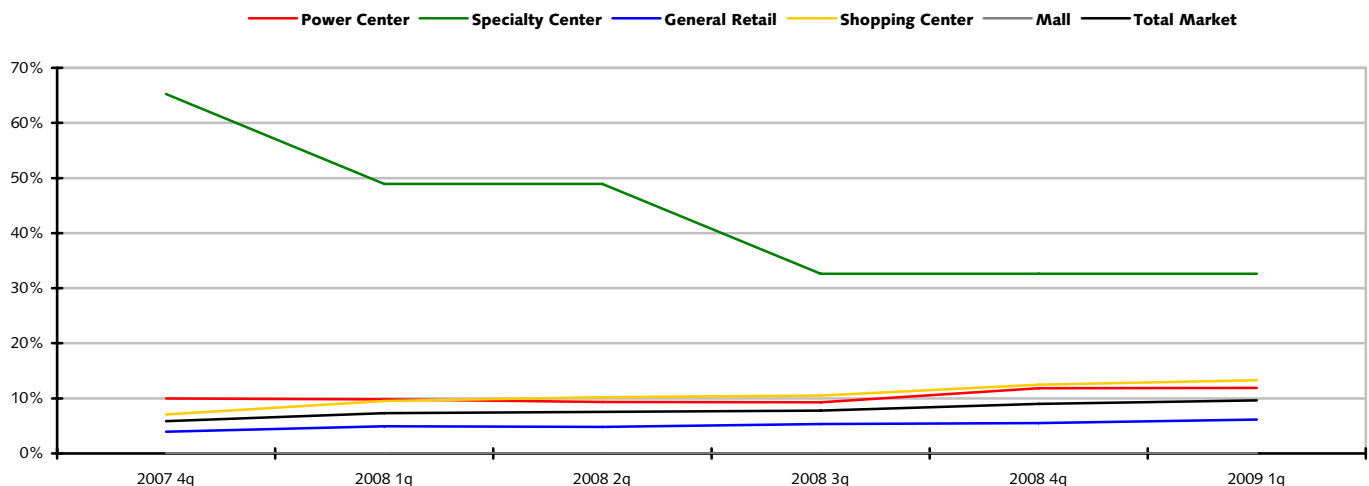
#### Rental Rates

Average quoted asking rental rates in the Reno/Sparks retail market are down over previous quarter levels, and down from their levels four quarters ago. Quoted rents ended the first quarter 2009 at \$20.04 per square foot per year. That compares to \$20.11 per square foot in the fourth quarter 2008, and \$20.44 per square foot at the end of the second quarter 2008. This represents a 0.3% decrease in rental rates in the current quarter, and a 2.00% decrease from four quarters ago.

#### Inventory & Construction

During the first quarter 2009, three buildings totaling 83,436 square feet were completed in the Reno/Sparks retail

## VACANCY RATES BY BUILDING TYPE 2007-2009



Source: CoStar Property®



# RENO/SPARKS RETAIL MARKET

## OVERVIEW

market. Over the past four quarters, a total of 426,208 square feet of retail space has been built in Reno/Sparks. In addition to the current quarter, four buildings with 247,323 square feet were completed in fourth quarter 2008, three buildings totaling 14,688 square feet completed in third quarter 2008, and 80,761 square feet in seven buildings completed in second quarter 2008.

There were 1,338,164 square feet of retail space under construction at the end of the first quarter 2009.

Some of the notable 2009 deliveries include: Eagle Landing Shopping Center - BLDG. 10, a 63,292-square-foot facility that delivered in first quarter 2009 and is now 100% occupied, and 2890 Northtowne Ln, a 13,625-square-foot building that delivered in first quarter 2009 and is now 100% occupied.

The largest projects underway at the end of first quarter 2009 were I-80 & Sparks Blvd, a 1,200,000-square-foot building with 98% of its space pre-leased, and Shopper's Square - Phase II, a 62,300-square-foot facility that is 88% pre-leased.

Total retail inventory in the Reno/Sparks market area amounted to 22,937,021 square feet in 1,137 buildings and 162 centers as of the end of the first quarter 2009.

### Shopping Center

The Shopping Center market in Reno/Sparks currently consists of 154 projects with 10,740,227 square feet of retail space in 283 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing (30,004) square feet and delivering 63,292 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 12.5% at the end of the fourth quarter 2008 to 13.3% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 10.2% at the end of the second quarter 2008, to 10.5% at the end of the third quarter 2008, to 12.5% at the end of the fourth quarter 2008, and finally to 13.3% at the end

of the current quarter.

Rental rates ended the first quarter 2009 at \$21.75 per square foot, up from the \$21.65 they were at the end of fourth quarter 2008. Rental rates have trended up over the past year, going from \$21.39 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled (93,102) square feet over the past four quarters. In addition to the negative (30,004) square feet absorbed this quarter, negative (5,634) square feet was absorbed in the fourth quarter 2008, negative (21,322) square feet was absorbed in the third quarter 2008, and negative (36,142) square feet was absorbed in the second quarter 2008.

### Power Centers

The Power Center average vacancy rate was 11.9% in the first quarter 2009. With negative (1,200) square feet of net absorption and no new deliveries, the vacancy rate went from 11.8% at the end of last quarter to 11.9% at the end of the first quarter.

In the fourth quarter 2008, Power Centers absorbed negative (47,494) square feet, delivered no new space, and the vacancy rate went from 9.3% to 11.8% over the course of the quarter. Rental started the quarter at \$21.25 per square foot and ended the quarter at \$16.73 per square foot.

A year ago, in first quarter 2008, the vacancy rate was 9.8%. Over the past four quarters, Power Centers have absorbed a cumulative (39,374) square feet of space and delivered cumulative 0 square feet of space. There was no sublease space over that same period, and rental rates have gone from \$21.25 to \$12.61.

At the end of the first quarter 2009, there was no space under construction in the Reno/Sparks market. The total stock of Power Center space in Reno/Sparks currently sits at 1,865,357 square feet in four centers comprised of 11 buildings.

No space was under construction at the end of the first quarter 2009.

### General Retail Properties

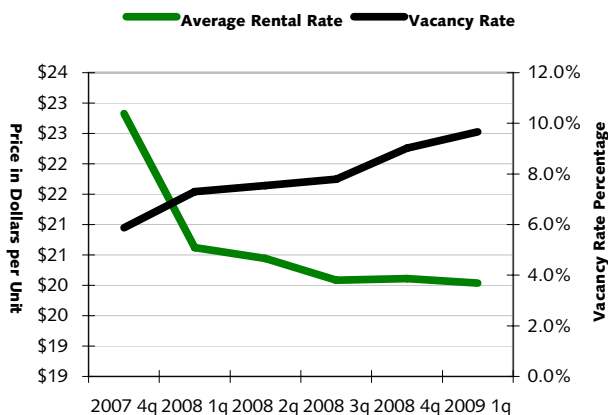
The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 6.2% at the end of first quarter 2009. There was a total of 540,823 square feet vacant at that time. The General Retail sector in Reno/Sparks currently has average rental rates of \$17.22 per square foot per year. There are 1,800 square feet of space under construction in this sector, with 20,144 square feet having been completed in the first quarter. In all, there are a total of 836 buildings with 8,755,270 square feet of General Retail space in Reno/Sparks.

### Specialty Centers

There are currently two Specialty Centers in the Reno/Sparks market, making up 85,866 square feet of retail space. In this report the Specialty Center market is comprised of Outlet

## U.S. VACANCY COMPARISON

### Past 6 Quarters



Source: CoStar Property\*

# RENO/SPARKS RETAIL MARKET



## OVERVIEW

Center, Airport Retail and Theme/Festival Centers.

Specialty Centers in the Reno/Sparks market have experienced no net absorption in 2009. The vacancy rate currently stands at 32.6%, and rental rates average \$21.00 per square foot.

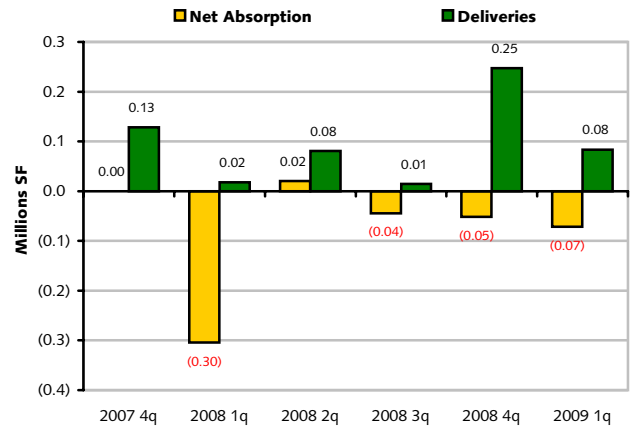
### Malls

Malls recorded net absorption of 0 square feet in the first quarter 2009. This net absorption number, combined with no new space that was built in the quarter, caused the vacancy rate to go from 0.0% a quarter ago to 0.0% at the end of the first quarter 2009. Rental rates went from \$0.00 per square foot to \$0.00 per square foot during that time. In this report the Mall market is comprised of two Lifestyle Center, Regional Mall and Super Regional Malls.

Reports compiled by: Jan Rasmussen CoStar Research Manager.

## ABSORPTION & DELIVERIES

### Past 6 Quarters



Source: CoStar Property