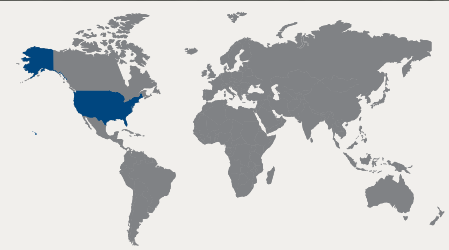




Market Research

RETAIL | SECOND QUARTER REPORT | 2009



MARKET INDICATORS

	2Q 2009	3Q 2009*
DIRECT VACANCY	↑	↓
SUBLEASE VACANCY	↓	↓
TOTAL VACANCY	↑	↓
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↑
RENTAL RATE	↓	→

*PROJECTED

Prayers Fall On Deaf Ears

Text by: Shawn Smith

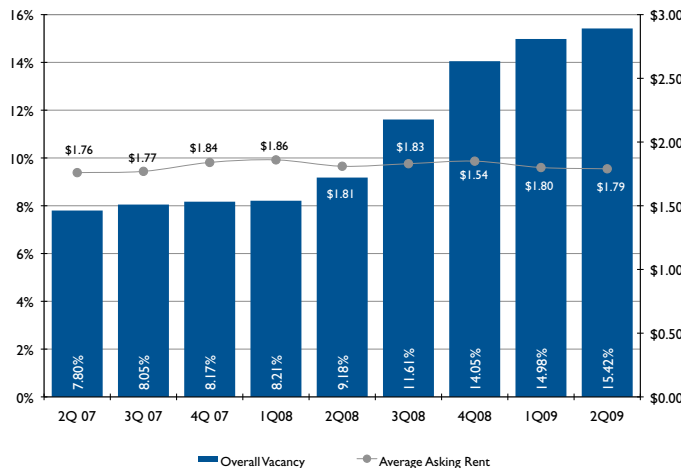
Second Quarter Overview

The united prayer of commercial real estate brokers for a positive retail quarter fell on deaf ears. The vacancy rate escalated to 15.42%, from 14.98% last quarter, but we had positive absorption of 249,752 square feet for the second quarter of 2009. The positive absorption is great news and was due to scattered infill projects, second phases of successful shopping centers and the Legends at Sparks Marina, which came online with 273,402 square feet of new construction, including over twenty new retail outlet stores.

After the retail carnage of 2008, we hoped to see a slow down of store closures. However, both national and local retail sectors continue to struggle and continue the long free fall down the rabbit hole as only a few stores have been backfilled. Grocery anchored centers have fared well as shoppers prepare more food at home and have decreased discretionary spending. Power centers, home to junior anchor boxes, have not fared well because of the reliance on disposable income. Junior anchors have led the charge in closing stores, mostly through national bankruptcies and acquisitions that represent over 900,000 square feet of vacant space.

Shop space activity has not fared well, due to a weak economy and housing market, the anchorless centers have resulted in the biggest shop tenant loss because anchors help generate traffic which helps impulse purchases for the smaller inline tenants. Shop space rents have fallen by a penny in the second quarter of 2009, to \$1.79 per square foot per month, triple net. This is a direct reflection of aggressive leasing tactics being implemented by landlords. We have also seen an increase in rent abatement and a decrease in tenant improvement dollars. Lease terms have been shortened due to landlord's hedging the turn around of the economy. If a landlord is lucky to see a five or ten year lease, the early lease

Q2 2009 VACANCY VERSUS AVERAGE LEASE RATES



Continued on page 3



www.colliersreno.com

RETAIL MARKET STATISTICS
 SECOND QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
SUBMARKET	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE 2Q2009	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	2Q2009	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST.	AVERAGE ASKING
PROPERTY TYPE TOTALS															
AIRPORT	5	208,755	12,595	6.03%	-	-	12,595	6.03%	5.55%	196,160	-	(17,996)	-	-	\$2.30
KIETZKE	9	946,533	219,100	23.15%	42,133	4.45%	261,233	27.60%	24.01%	685,300	(29,033)	(125,158)	7,782	10,400	\$1.25
MEADOWOOD	27	3,119,055	349,792	11.21%	58,197	1.87%	407,989	13.08%	13.23%	2,711,066	4,773	(47,876)	-	-	\$1.75
NORTH VALLEYS	8	415,518	41,357	9.95%	-	-	41,357	9.95%	8.65%	374,161	(5,419)	(5,039)	-	-	\$1.85
NE RENO	2	52,672	18,641	35.39%	-	-	18,641	35.39%	35.39%	34,031	-	-	-	-	\$2.65
NE SPARKS	14	1,804,281	323,462	17.93%	18,342	1.02%	341,804	18.94%	17.53%	1,462,477	199,962	200,375	273,402	-	\$1.35
NW RENO	19	1,690,756	401,725	23.76%	2,160	0.13%	403,885	23.89%	25.50%	1,286,871	42,139	39,700	20,000	-	\$2.00
PARK LANE	20	1,026,061	295,444	28.79%	5,000	0.49%	300,444	29.28%	30.56%	725,617	53,144	44,582	30,118	-	\$1.28
RENO REDEV.	9	158,391	60,118	37.96%	-	-	60,118	37.96%	37.98%	98,273	(2,450)	(2,723)	-	-	\$2.75
SOUTH RENO	15	2,134,968	161,578	7.57%	6,915	0.32%	168,493	7.89%	7.60%	1,966,475	(6,252)	(5,372)	-	-	\$2.22
S. VIRGINIA	3	116,280	10,906	9.38%	-	-	10,906	9.38%	8.13%	105,374	(1,448)	155	-	-	\$1.00
SW RENO	5	240,900	36,696	15.23%	-	-	36,696	15.23%	15.19%	204,204	(2,000)	(8,434)	-	-	\$1.45
SPARKS INDUST.	2	23,822	17,527	73.57%	-	-	17,527	73.57%	72.9%	6,295	(150)	1,194	-	-	
SPANISH SPRINGS	12	1,642,619	217,555	13.24%	-	-	217,555	13.24%	11.92%	1,425,064	(21,817)	105,408	-	20,400	\$2.83
SPARKS REDEV.	1	12,764	-	-	-	-	-	-	-	12,764	-	-	-	-	\$1.65
WEST SPARKS	15	1,681,037	55,995	3.33%	-	-	55,995	3.33%	3.59%	1,625,042	18,303	48,235	14,500	7,200	\$1.87
MARKET TOTAL	166	15,274,412	2,222,491	14.55%	132,747	0.87%	2,355,238	15.42%	14.98%	12,919,174	249,752	192,051	345,802	38,000	\$1.79

QUARTERLY COMPARISON AND TOTALS

Q2-2009	166	15,274,412	2,222,491	14.55%	132,747	0.87%	2,355,238	15.42%	14.98%	12,919,174	249,752	192,051	345,802	38,000	\$1.79
Q1-2009	164	14,895,276	2,099,584	14.10%	132,422	0.89%	2,232,006	14.98%	14.05%	12,663,270	(43,569)	(43,569)	178,789	293,590	\$1.80
Q4-2008	164	14,783,762	1,993,201	13.48%	83,722	0.57%	2,076,923	14.05%	11.61%	12,706,839	(180,106)	(225,515)	275,100	381,494	\$1.85
Q3-2008	159	14,579,349	1,617,982	11.10%	74,422	0.51%	1,692,404	11.61%	9.18%	12,886,945	(111,445)	(45,409)	277,594	779,113	\$1.83
Q2-2008	157	14,275,710	1,238,188	8.67%	72,457	0.51%	1,310,645	9.18%	8.21%	12,965,065	(91,936)	60,036	70,700	1,002,033	\$1.81

MARKET ACTIVITY

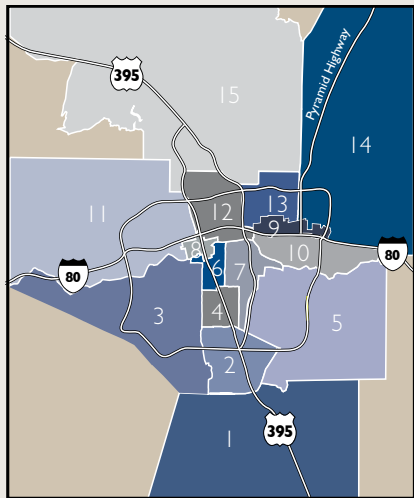
SIGNIFICANT 2009 TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
EagSummit Sierra Phase II - Mt Rose Hwy	Q209	120,994	Lowes	Regional Center
Eagle Landing	Q209	54,200	Auto Zone	Neighborhood Center
Parkside Center - 6430 S Virginia St	Q209	6,777	Cheeseburger in Paradise	Power Center
Legends at the Sparks Marina - Lincoln Way	Q209	5,852	Fuddrucker's	Regional Center

SIGNIFICANT SALES

PROPERTY ADDRESS	SQUARE FEET	BUYER/SELLER	TYPE
2890 N McCarran Blvd - CVS (APN 026 182 62)	13,524	Buyer - HKV Associates LLC Seller - North McCarran Crossing LLC	Strip Retail
690 E Prater Way	3,252	Buyer - CMD Development LLC Seller - Colonial Bank	Neighborhood Center



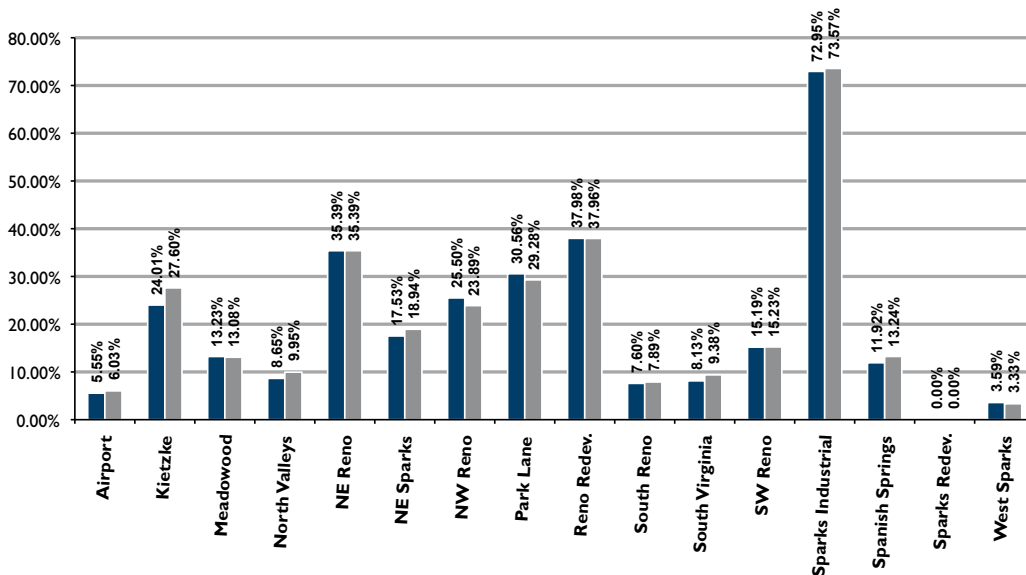
SUBMARKET MAP KEY

ID	SUBMARKET
1	South Reno
2	Meadowood
3	Southwest Reno
4	Parklane
5	Airport
6	South Virginia
7	Kietzke
8	Reno Redevelopment
9	Sparks Redevelopment
10	Sparks Industrial
11	Northwest Reno
12	Northeast Reno
13	West Sparks
14	NorthEast Sparks
15	North Valleys

termination clause may rear its ugly head and tie gross revenue of the tenants business to the lease.

It will be a couple more years until we see the end of national and local store closures. Until we absorb the existing vacant space, construction will be at a standstill for a few years. The stabilization of the housing market is also paramount, as retail needs rooftops to survive and expand. In addition, unemployment needs to show signs of a reversion and banks still need to free up capital and start lending again. Tenants are in the driver's seat and need to take advantage of the fantastic deals that could be had by locking in rock bottom lease rates, at prime retail locations, for years to come.

Q2 2009 VACANCY CHART



* Q1 2009 * Q2 2009

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
EMEA 97
Asia/Pacific 64

\$1.6 Billion in Revenue

1.1 Billion SF Under Management

12,749 Professionals

CONTACT INFORMATION

Colliers International

10765 Double R Boulevard
Suite 100
Reno, NV 89521
United States
Tel: 775-823-9666
Fax: 775-823-4699

Tim Ruffin, SIOR, CCIM

Managing Partner
Senior Vice President | Office Properties
Email: truffin@colliersreno.com
Tel: 775-823-4670

Krystal Christiaens

Research Analyst
Email: kchristiaens@colliersreno.com
Tel: 775-823-6626

Text Author:

Shawn Smith

Vice President | Retail Properties

Email: ssmith@colliersreno.com
Tel: 775-823-4662

This report and other research materials may be found on our website at www.colliersreno.com. This quarterly report is a research document of Colliers International – Reno, NV. Questions related to information herein should be directed to the Research Department at 775-823-6626. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Nevada, LLC dba Colliers International is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with 294 offices throughout 61 countries worldwide.



www.colliersreno.com