

RENO OFFICE

Economic Indicators

| | Q2 17 | Q2 18 | 12-Month Forecast |
|------------------------------|-------|-------|-------------------|
| Reno Employment in Thousands | 231.5 | 239.4 | ▲ |
| Reno Unemployment | 4.1% | 3.3% | ▼ |
| U.S. Unemployment | 4.3% | 3.8% | ▼ |

May 2017/2018 used to represent Q2 for Reno

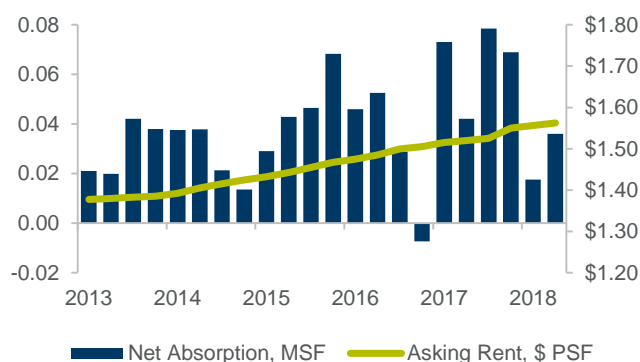
Market Indicators (All Classes)

| | Q2 17 | Q2 18 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Overall Vacancy | 9.5% | 9.6% | ▼ |
| Net Absorption (sf) | -37,873 | -7,423 | ▼ |
| Under Construction (sf) | 16,018 | 149,611 | ▲ |
| Average Asking Rent* | \$1.53 | \$1.57 | ▲ |

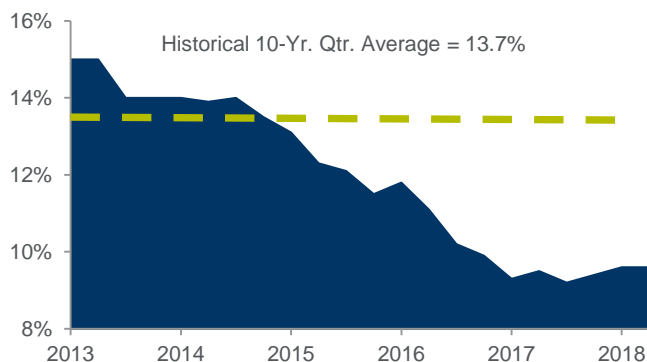
*Rental rates reflect gross rent overall \$psf/monthly

Net Absorption/Asking Rent (Gross Rent Overall, Monthly)

4-QTR TRAILING AVERAGE



Overall Vacancy – All Classes, incl. Sublease



Economy

The Reno employment market continued to record job growth, adding 7,900 jobs (+3.4%) year-over-year through May 2018.¹ Of the 7,900 jobs added, 1,800 (or 23%) were office jobs consisting of two sectors: professional and business services and financial activities. During the same time period, the unemployment rate decreased 80 basis points (bps), dropping to 3.3%. Also worth noting, the current rate is 270 bps below the 28-year average of 6.0%.

All employment sectors are expected to grow at a combined growth rate of 4.1% in 2018. Reno's economy of \$25.8 billion² as measured by gross regional product is forecasted to grow an additional 4.4% in 2018 and 3.5% in 2019, above its 10-year average of 2.2%.³

Market Overview

The overall office vacancy (including sublease) remained unchanged compared to Q1 2018 yet increased 10 bps to 9.6% from a year ago. This slight increase was driven by a 30 bps increase in sublease vacancy year-over-year while direct vacancy decreased 20 bps during the same time. Tenants occupied 3,900 sf of Class B space in Q2 yet returned 2,900 sf of Class A and 8,400 sf of Class C space, resulting in a combined negative 7,400 sf of absorption during the Q2 2018. Year-to-date tenants have absorbed over 40,500 sf of class B space, lowering Class B vacancy by 40 bps over the last six months and 80 bps over the last 12 months. Q2 was the fourth consecutive quarter of positive occupancy gains recorded in Class B space. South Meadows and Meadowood submarkets recorded the highest occupancy gains in Q2, lowering the overall vacancy 90 bps to 7.4% and 80 bps to 11.1% respectively over the last three months.

Overall vacancy in Class A space was 13.4% at the end of Q2, 630 bps higher than a year ago, as a result of 108,000 sf of Class A space returned to the market over the last four quarters combined. Two buildings, totaling 14,513 sf, located at 5443 Kietzke Ln. and 5385 Reno Corporate Dr. in Meadowood submarket were delivered in Q2. Ten buildings, totaling 149,611 sf, are currently under construction, of which five, totaling 94,000 sf, are estimated to be completed in 2018.

Average asking rent of \$1.57 per month for all classes remained nearly unchanged from Q1 2018 (\$1.56). Average asking rent of \$1.96 per month for Class A increased 2.6% during the same time, despite the increase in available Class A space.

Northern Nevada office market kicked off 2018 by recording \$101.2 million in sales activity, in line with 2017 (\$186.5 million) which was the best year since 2005. Private investors continue to be the leading buyers of office properties, accounting for nearly 80% of activity followed by REITs and institutional buyers.⁴

Outlook

- Population grew more than twice as fast as the U.S. average in 2017, owing largely to strong net migration, a trend that is expected to continue.
- Continued economic and job growth along with lower cost of living compared to neighboring states and improving industrial diversity will drive occupancy and rent growth in 2018.

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2016. (f) by Moody's Analytics economy.com ⁴Costar.

| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT NET ABSORPTION (SF) | YTD NET ABSORPTION (SF) | UNDER CONSTRUCTION (SF) | AVERAGE ASKING RENT* (ALL Classes) | AVERAGE ASKING RENT* (CLASS A) |
|-----------------|-------------|-------------------|--------------------|--------------------|----------------------|-----------------------------|-------------------------|-------------------------|------------------------------------|--------------------------------|
| Central/Airport | 153 | 2,481,252 | 38,490 | 240,443 | 11.2% | 581 | 10,908 | 0 | \$1.16 | - |
| Downtown | 149 | 4,444,288 | 3,848 | 381,968 | 8.7% | -57,841 | -46,781 | 0 | \$1.66 | \$2.02 |
| Meadowood | 152 | 3,207,396 | 37,697 | 318,389 | 11.1% | 24,604 | -46,187 | 137,575 | \$1.73 | \$1.98 |
| South Meadows | 119 | 2,097,357 | 13,775 | 141,549 | 7.4% | 28,755 | 32,616 | 0 | \$1.77 | \$1.89 |
| Sparks | 83 | 1,047,345 | 10,000 | 54,072 | 6.1% | -1,641 | 14,629 | 12,036 | \$1.32 | - |
| West Reno | 33 | 322,199 | 0 | 65,637 | 20.4% | -1,881 | 3,336 | 0 | \$1.23 | - |
| TOTAL | 689 | 13,599,837 | 103,810 | 1,202,058 | 9.6% | -7,423 | -31,479 | 149,611 | \$3.02 | \$1.57 |
| Class A | 24 | 1,888,548 | 49,305 | 203,053 | 13.4% | -2,945 | -55,625 | 40,826 | \$1.96 | |
| Class B | 393 | 7,410,623 | 8,635 | 642,801 | 8.8% | 3,914 | 40,509 | 108,785 | \$1.58 | |
| Class C | 272 | 4,300,666 | 45,870 | 356,204 | 9.3% | -8,392 | -16,363 | 0 | \$1.33 | |
| TOTAL | 689 | 13,599,837 | 103,810 | 1,202,058 | 9.6% | -7,423 | -31,479 | 149,611 | \$1.57 | |

*Rental rates reflect gross asking rents \$psf/monthly. Vacancy rate and net absorption includes direct and sublease. Inventory includes properties of 5,000 sf and larger.

Key Lease Transactions Q2 2018

| PROPERTY | SF | TENANT | LANDLORD | TRANSACTION TYPE | SUBMARKET |
|---------------------------|--------|-----------------------|------------------------------|------------------|---------------|
| 5250 S. Virginia St. | 16,559 | AT&T | Resource Mgmt. & Development | New | Meadowood |
| 5301 Kietzke Lane | 10,000 | Schwab Brokerage | Charles Schwab Corporation | New | Meadowood |
| 245 E. Liberty Street | 9,871 | Undisclosed | McKenzie Properties | New | Downtown |
| 10509 Professional Circle | 7,562 | Evergreen Bank | Thomas Louderbeck | Renewal | South Meadows |
| 10509 Professional Circle | 6,939 | Associated Management | Thomas Louderbeck | Renewal | South Meadows |

Key Sale Transactions Q2 2018

| PROPERTY | SF | BUYER | SELLER | PRICE / \$PSF | SUBMARKET |
|----------------------------|---------|--------------------------------|------------------------------|-------------------------|---------------|
| U.S. Bank Centre | 106,823 | REO Disposition LLC | LBA Realty | \$14,875,000 / \$139.25 | Meadowood |
| St. Mary's Medical Plaza | 38,456 | St Mary's Medical Building LLC | St Mary's Medical Plaza LLC | \$5,500,000 / \$143.02 | Downtown |
| 6995 Sierra Center Parkway | 19,806 | Bergmann 1999 Trust | Equilibrium LLC | \$5,500,000 / \$277.69 | Meadowood |
| 9600 Gateway Drive | 15,672 | State of Nevada | Laxalt & Nomura Building Co. | \$3,400,000 / \$216.95 | South Meadows |
| 932 Ryland Street | 7,642 | Fortress Fund Reno LLC | COP Reno LLC | \$3,768,102 / \$493.08 | Downtown |

Jolanta Campion

Director of Research, San Diego & Nevada
jolanta.campion@cushwake.com

Becca Gabriel

Research Analyst, Southwest Nevada
rebecca.gabriel@cushwake.com

6121 Lakeside Dr, Suite 160
Reno, NV 89511
Tel: 775.851.9500
Fax: 775.851.9551

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.