

Real Estate Market Review

Reno Retail

The retail market in the greater Reno area looks promising closing out the first quarter. Tightening vacancy market-wide continues to drive lease rates upward, and has developers scrambling. Reno's improving economy and growing local workforce, investors and owner/users alike are recognizing that the Reno area is an exceptional location for new and expanding business ventures.

In the first quarter, Reno experienced just shy of 1.9 million s.f. positive net absorption in direct leases. A few of the top lease transactions for the quarter include: an undisclosed tenant (believed to be Big Lots) leasing over 31 thousand s.f. in the Spanish Springs shopping center on Disc Drive; 39,448 s.f. at 601 East 4th Street leased by Arco Enso; and 6,101 s.f. in the Smith's Shopping Center on South Meadows Parkway leased by another undisclosed tenant.

Direct vacancy in the Reno retail market fell from 6.1% in the fourth quarter of 2017 to 5.8% in the first quarter of 2018, with the support of 108,942 s.f. positive net absorption. The Spanish Springs submarket was the market leader with 35,786 s.f. in net absorption, leasing 34,998 s.f. in direct lease spaces.

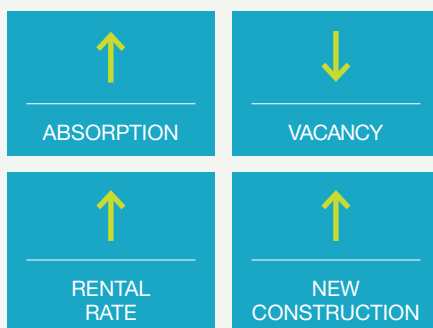
An upsurge in lease rates continues to be an ongoing result with the decline in vacancy. Tenant requirements for mid-size retail space have driven the average lease rate to \$1.23/s.f. NNN market-wide. Southwest Reno is leading the retail market in rates, with \$2.00 NNN/s.f., while the Sparks submarket registered \$0.99/s.f.

The Reno retail market posted 26 transactions in both owner/user and investment sales, totaling 281,259 s.f. The 2018 first quarter average sales price was \$170.44/s.f., at an average cap rate of 5.19%. The largest investment purchase of the quarter was at 3310 South McCarran, a purchase by Arnon Raphael as a multi-property portfolio for \$13,482,334, at a 7% cap rate.

With over 25 million s.f. of retail inventory, only 7.4% is available. In the first quarter, The Reno retail market delivered 16,630 s.f. of new retail construction. 5,000 s.f. is located at Legends at Sparks Marina, 4,600 s.f. landed at 468 South Meadows Parkway for a Maverik station, and 3,030 s.f. was constructed at 404 North McCarran Boulevard for Raising Cane's, to name a few.

The Reno retail real estate market continues to benefit from the Tesla effect, and both local and out of state investors see Reno thriving. Local businesses are expanding their existing spaces and are opening additional spaces as the local economy and population increase.

Data Source: Kidder Mathews Market Research

Market Forecast Trends

Notable Lease Transactions

Undisclosed Tenant
1312 Disc Drive
30,112 s.f. leased

Acro Enso
601 E 4th Street
9,448 s.f. leased

Undisclosed Tenant
770-111 South Meadows Parkway
6,101 s.f. leased

Notable Sale Transactions

Arnon Raphael (Asta LLC)
3310 S McCarran Boulevard
Mira Loma Shopping Center
*Part of multi-property sale
84,076 s.f. | \$13,482,334 or \$160.36/s.f.
7.0% cap rate

ARE Lakeridge Pointe DE LLC
6135 Lakeside Drive
The Shops at Barley Ranch
29,242 s.f. | \$5,075,000 or \$173.55/s.f.

Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

El Segundo
310.807.0880

Commerce
323.727.1144

Long Beach
562.472.0071

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

Phoenix
602.513.5200

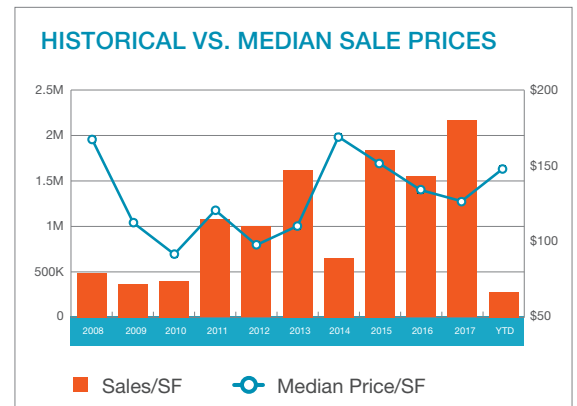
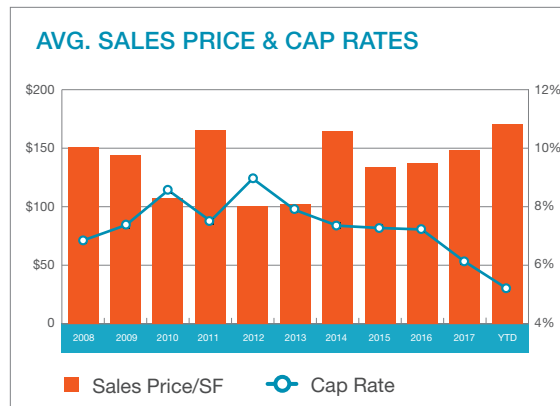
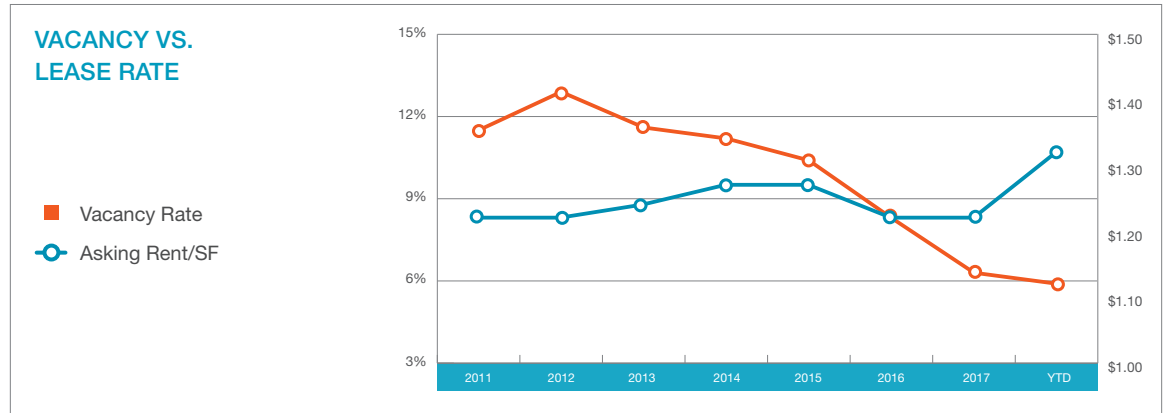
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Market Breakdown

	1Q18	4Q17	1Q17	Annual % Change
Direct Vacancy Rate	5.80%	6.10%	7.90%	-26.58%
Asking Lease Rate	\$1.23	\$1.22	\$1.25	-1.60%
Direct Leased SF	150,626	255,742	157,272	-4.26%
Sold SF	281,259	220,672	295,192	-4.72%
Net Absorption	108,942	95,625	53,056	1.05%



Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Q1 Net Absorption	Q1 Direct Leasing Activity	YTD Net Absorption	YTD Direct Leasing Activity	NNN Lease Rate (Overall)
North Valleys	999,591	3.4%	-741	1,824	216	1,824	\$1.18
Spanish Springs	1,738,442	6.2%	35,786	34,998	35,786	34,998	\$1.00
Northwest Reno	2,465,205	2.8%	11,620	10,260	11,620	10,260	\$1.15
Sparks	5,203,609	6.1%	11,116	24,840	19,455	24,840	\$0.99
Central Reno	6,415,974	7.9%	14,913	26,049	14,913	26,049	\$1.45
Southwest Reno	494,169	2.6%	4,838	6,038	4,838	6,038	\$2.00
Airport	396,005	7.0%	8,984	15,918	8,984	15,918	\$1.28
South Reno	7,300,336	5.0%	25,514	30,699	32,123	30,699	\$1.26