

Market Report

First Quarter 2015

The Big Picture

The National Commercial Real Estate market is on the rise with quarterly sales up 45% from last year with a sales volume of \$129B in Q1 2015. The office sector led activity with \$33.5B of sales and the Apartment sector following closely behind with \$33.0B during the quarter. The industrial sector had the strongest overall gains, with sales up 95% from last year. Cap rates of all property types continued to decline in Q1.

Notable transaction details included portfolio and entity-level transactions taking up just under 37% of transaction activity. These transactions were highly important to the run-up of asset prices that preceded the fall into the Great Financial Crisis (GFC). This activity along with lower cap rates has investors concerned that a similar downturn will take place in the future. Despite these concerns, however, analysis between transaction details from 2007 and the previous two quarters have shown that between a wide array of capital flows and long-term investment horizons the market is unlikely to see a fall of prices under the same conditions that previously caused the GFC.

The pace of portfolio and entity-level deals is likely to continue into Q2 with multiple transactions already underway during the turnover of the quarter. The GE Capital-Blackstone-Wells Fargo deal is reported at \$23.0B split between debt and equity while the KTR-Prologis deal is reported at \$5.9B and continues, along with the involvement of Norges Bank, providing an important new trend of foreign capital looking to dependability over beauty in some of their U.S. commercial real estate investments. If the known transactions go through and the GE Capital deal involves only \$9.0B in equity, the total of portfolio and entity-level transactions through late April will hit 45% of the levels from Q1. This trend, if continued, could lead to a record Q2.

Data received from Real Capital Analytics, Inc.

Market Table: Q1'15 Summary - All Property Types

Transaction Reported Closed Past 12 Months	Office		Apartment		Industrial		Retail		Hotel		Dev Sites		Total	
	Vol (\$M)	# Props	Vol (\$M)	# Props	Vol (\$M)	# Props	Vol (\$M)	# Props	Vol (\$M)	# Props	Vol (\$M)	# Props	Vol (\$M)	# Props
Tertiary West	1,448.4	144	2,105.6	254	5,768.9	298	2,044.8	196	2,142.6	115	76.3	57	14,216.5	1,064

Top Portfolio Sale

Property	Transaction	Location	Inv Vol (\$M)*	SF/Units	PPSF/PPU	Buyer
IND	Indcor Industrial Buyout 2015	Multiple	8,100.0	n/a	n/a	GIC (Govt. of Singapore) JV Global Logistic Properties



Local Industrial Market

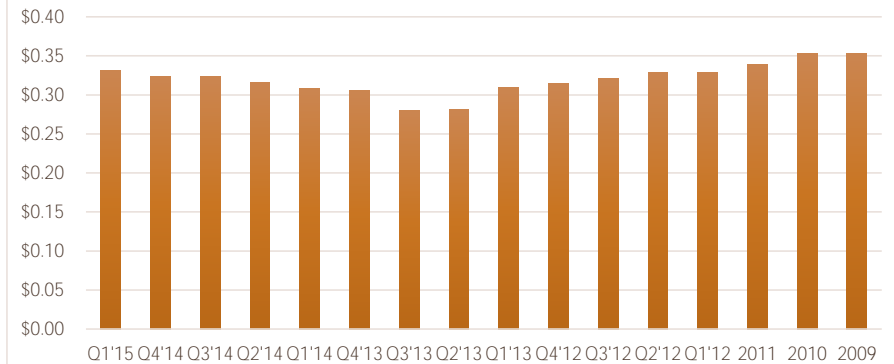
Vacancy rates in the Reno/Sparks Industrial market have risen since Q4'14. Q1 has ended with an average vacancy rate of 8.9% with net absorption totaling a positive 259,017 square feet. Rental rates have increased from Q4'14 to \$0.364 per square foot per month in Q1'15. Two buildings delivered to the market in the quarter at a total of 1,227,000 square feet including the 624,000 square foot Amazon.com building and the 603,000 square foot 450 Ingenuity Ave, both already 100% occupied. There is a remaining 5,724,000 square feet still under construction consisting of the 5,500,000 Tesla Gigafactory that is 100% preleased as well as Red Rock 200, a 200,000 square foot building that is 0% preleased.

Absorption: Net absorption totaling a positive 259,017 square feet in Q1 decreased from the reported positive 732,219 square feet in Q4'14 and a positive 889,620 in Q3'14. These lower absorption numbers for Q1'15 is consistent with previous year's performance and is caused as a hangover from the year-end and Holiday slow-down.

Vacancy: The vacancy rate in the Industrial market for Reno/Sparks increased to 8.9% at the end of the first quarter from 7.9% in both Q4'14 and Q3'14. This is due to the delivery of new construction and several closures including CEVA Logistics, Ronsho and Advanced Refining Concepts.

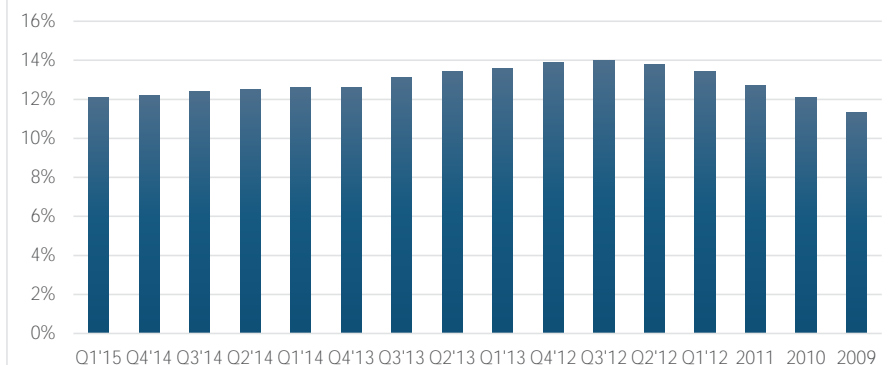
Rental Rates: The average rental rate for Q1'15 was \$0.364 per square foot per month. This was a 2.1% increase from the end of Q4'14 with rates of \$0.356 per square foot per month. The average rental rate in the Flex sector was at \$0.638 per square foot per month while warehouse rental rates averaged \$0.348 per square foot per month. Flex rates have increased 2.95% from the \$0.62 rate in Q4'14 and warehouse rates have increased just 1.7% from the \$0.342 rate in Q4'14.

Industrial Rates per Month by Quarter



Deliveries and Construction: Two building were completed, the 624,000 square foot Amazon.com building as well as a 603,000 square foot building located at 450 Ingenuity Ave, totaling 1,227,000 square feet. This is an increase from the single building totaling 707,010 square feet completed in the Q4'14 and single building totaling 70,000 square feet in Q3'14.

Industrial Vacancy Percentage by Quarter



Local Office Market

Vacancy Rates in the Reno/Sparks Office market have decreased since Q4'14. Q1 has ended with an average vacancy rate of 13.5% with net absorption totaling a positive 18,885 square feet. Rental rates have increased from Q4'14 to \$1.41 per square foot per month in Q1'15.

Absorption: Net absorption totaling a positive 18,885 square feet in Q1 decreased from the reported positive 68,773 square feet in Q4'14 and a positive 45,327 in Q3'14. The Class-A office market had a net absorption of a positive 10,768 square feet in Q1'15, increased by 48% from a positive 5,218 square feet in Q4'14. The net absorption of the Reno/Sparks central business district was a positive 7,379 square feet in Q1'15, a total of 39% of the total for the quarter.

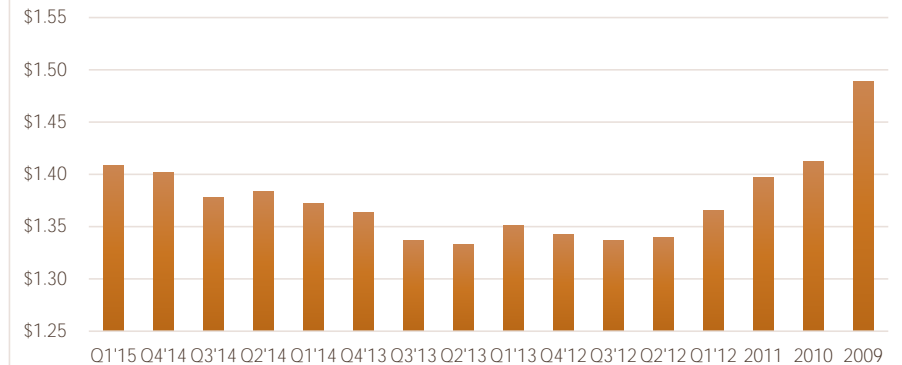
Vacancy: The vacancy rate in the office market for Reno/Sparks decreased to 13.5% at the end of the first quarter from 13.6% in Q4'14 and 14.0% in Q3'14. All asset classes have decreased from Q4'14 and each have a current vacancy of 13.1-13.7%.

Largest Lease Signings: The largest lease signings that took place during Q1'15 all took place in the Meadowood market. Transactions included a 27,000 square-foot lease signed by Coral Academy of Science at Mutual of Omaha Building, a 5,494 square-foot lease signed by Koch Industries at the Bank of America Building on S. Virginia Street and a 5,397 square-foot lease signed by Americo at 5555 S Kietzke Ln.

Rental Rates: The average rental rate for Q1'15 was \$1.408 per square foot per month. This was a 0.5% increase from the end of Q4'14 with rates of \$1.401 per square foot per month. The average rental rate in the central business district was at \$1.553 per square foot per month while the suburban market rates were \$1.367 per square foot per month. CBD rates decreased a total of .99% from the \$1.56 rate in Q4'14 and the suburban rates increased by .99% from the \$1.348 rate in Q4'14.

Inventory: The total inventory for the Reno/Sparks office market totaled in 17,795,054 square feet amongst 1,536 buildings by the end of Q1'15. There was no new construction during the quarter.

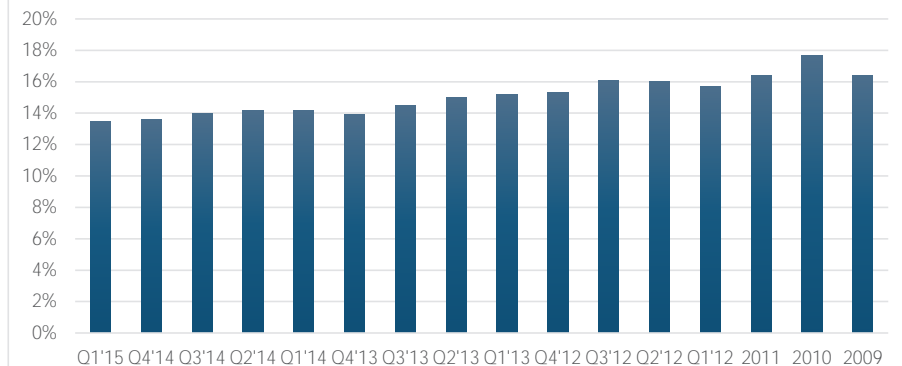
Office Rates per Month by Quarter



Total Office Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	334	4,267,154	558,669	560,725	13.1%	7,379	0	0	\$18.64
Suburban	1201	13,527,900	1,756,096	1,836,933	13.6%	11,506	0	0	\$16.47
Totals	1,539	17,795,054	2,314,765	2,397,658	13.5%	18,885	0	0	\$16.90

Office Vacancy Percentage by Quarter

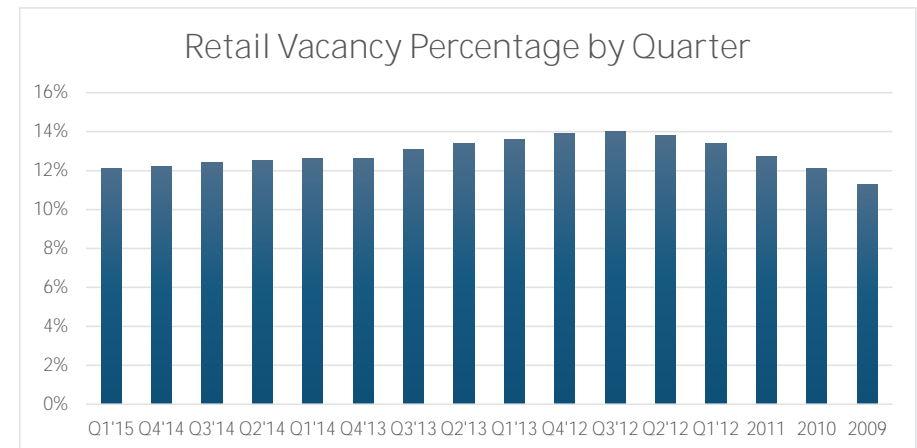
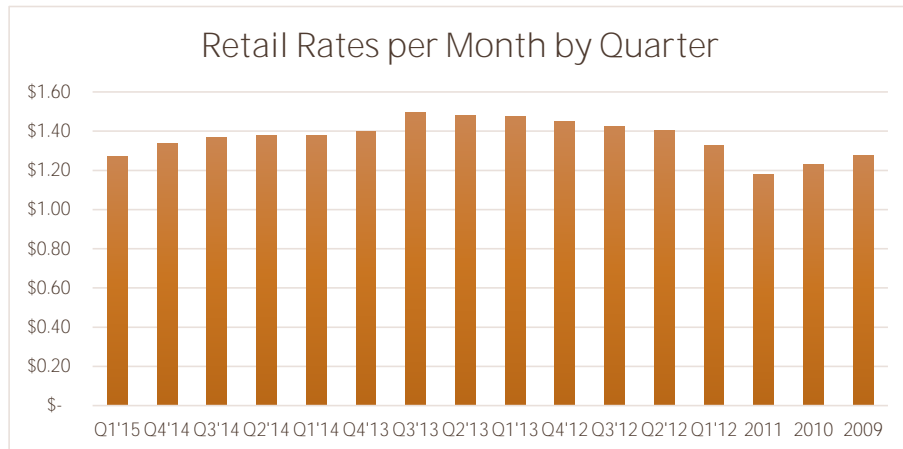


Local Retail Market

The overall vacancy rate for the Reno/Sparks Retail market decreased slightly from the 4th quarter of 2014 at 14.8% to the 1st quarter of 2015 at 14.5%. The overall vacancy rate has been on a gradual decline since the 3rd quarter of 2013. This gradual decline in vacancy has resulted in an increase in construction activity with several buildings being preleased to regional and national tenants such as Dunkin Donuts and Jimmy Johns. Another noteworthy national tenant that just recently opened in the Reno market is Nordstrom Rack, opening in the Redfield Promenade on S. Virginia Street in the Meadowood Submarket. The increase in construction activity along with more regional and national tenants entering the Reno/Sparks market is a very good indication that the Reno/Sparks market is in a recovery phase.

The average lease rate for the Reno/Sparks Retail market has remained relatively stable over the past 4 quarters, although various submarkets in the area have experienced substantial increases in asking lease rates. The average asking lease rate for the Reno/Sparks Retail market is approximately \$1.20/SF/NNN with certain submarkets demanding higher lease rates.

Data received from CoStar Group Inc.



Contacts



Thomas Y. Johnson, CCIM

Investments
775.825.3330 x105
johnsont@svn.com



Tomi Jo Lynch

Industrial
775.825.3330 x102
tomijo.lynch@svn.com



Jack Brower, CCIM

Carson City
775.883.3936 x104
browerj@svn.com



Linda Lee Reyes

Carson City
775.883.3936 x101
linda.lee@svn.com



Greg Ruzzine

Retail
775.825.3330 x108
greg.ruzzine@svn.com



Ian Cochran, CCIM

Retail
775.825.3330 x110
icochran@svn.com



Dan Shaheen

Property Management
775.883.3936 x106
dan.shaheen@svn.com

