

RENO/SPARKS OFFICE MARKET



OVERVIEW

RENO/SPARKS'S VACANCY REMAINS UNCHANGED AT 18.0% Net Absorption Negative (834) SF in the Quarter

The Reno/Sparks Office market ended the first quarter 2009 with a vacancy rate of 18.0%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling negative (834) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 161,752 square feet. Rental rates ended the first quarter at \$19.78, a increase over the previous quarter. There was 23,982 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Reno/Sparks office market was negative (834) square feet in the first quarter 2009. That compares to negative (66,047) square feet in the fourth quarter 2008, positive 69,675 square feet in the third quarter 2008, and negative (181,784) square feet in the second quarter 2008.

Tenants moving out of large blocks of space in 2009 include: moving out of 0 square feet at ; moving out of 0 square feet at ; and moving out of 0 square feet at .

Tenants moving into large blocks of space in 2009 include: Trinet Group Inc moving into 12,667 square feet at Park Center West; Morgan Stanley moving into 10,726 square feet at NevDex Office Park - Building 3; and Washoe Legal Services moving into 8,341 square feet at .

The Class-A office market recorded net absorption of negative (27,098) square feet in the first quarter 2009, compared to positive 29,583 square feet in the fourth quarter 2008, positive 23,835 in the third quarter 2008, and positive 24,274 in the second quarter 2008.

The Class-B office market recorded net absorption of positive 24,685 square feet in the first quarter 2009, compared to

negative (73,106) square feet in the fourth quarter 2008, positive 45,727 in the third quarter 2008, and negative (172,658) in the second quarter 2008.

The Class-C office market recorded net absorption of positive 1,579 square feet in the first quarter 2009 compared to negative (22,524) square feet in the fourth quarter 2008, positive 113 in the third quarter 2008, and negative (33,400) in the second quarter 2008.

Net absorption for Reno/Sparks's central business district was negative (18,661) square feet in the first quarter 2009. That compares to negative (54,524) square feet in the fourth quarter 2008, positive 20,700 in the third quarter 2008, and negative (84,736) in the second quarter 2008.

Net absorption for the suburban markets was positive 17,827 square feet in the first quarter 2009. That compares to negative (11,523) square feet in fourth quarter 2008, positive 48,975 in the third quarter 2008, and negative (97,048) in the second quarter 2008.

Vacancy

The office vacancy rate in the Reno/Sparks market area changed to 18.0% at the end of the first quarter 2009. The vacancy rate was 18.0% at the end of the fourth quarter 2008, 17.3% at the end of the third quarter 2008, and 17.2% at the end of the second quarter 2008.

Class-A projects reported a vacancy rate of 24.1% at the end of the first quarter 2009, 21.5% at the end of the fourth quarter 2008, 24.4% at the end of the third quarter 2008, and 19.9% at the end of the second quarter 2008.

Class-B projects reported a vacancy rate of 21.3% at the end

VACANCY RATES BY CLASS 2007-2009



Source: CoStar Property®



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of the first quarter 2009, 21.7% at the end of the fourth quarter 2008, 20.5% at the end of the third quarter 2008, and 21.0% at the end of the second quarter 2008.

Class-C projects reported a vacancy rate of 10.4% at the end of the first quarter 2009, 10.5% at the end of fourth quarter 2008, 9.9% at the end of the third quarter 2008, and 9.9% at the end of the second quarter 2008.

The overall vacancy rate in Reno/Sparks’s central business district at the end of the first quarter 2009 increased to 15.2%. The vacancy rate was 14.6% at the end of the fourth quarter 2008, 12.9% at the end of the third quarter 2008, and 13.6% at the end of the second quarter 2008.

The vacancy rate in the suburban markets decreased to 19.0% in the first quarter 2009. The vacancy rate was 19.3% at the end of the fourth quarter 2008, 19.0% at the end of the third quarter 2008, and 18.6% at the end of the second quarter 2008.

Largest Lease Signings

The largest lease signings occurring in 2009 included: the 11,500-square-foot lease signed by Miller Heiman at Mt. Rose Building in the South Meadows market; the 8,341-square-foot deal signed by Washoe Legal Services at 299 S Arlington Ave in the Downtown market; and the 4,103-square-foot lease signed by Georgene Chase DDS at 3715 Lakeside Dr in the Central/Airport market.

Sublease Vacancy

The amount of vacant sublease space in the Reno/Sparks market increased to 161,752 square feet by the end of the first quarter 2009, from 141,195 square feet at the end of the fourth quarter 2008. There was 144,807 square feet vacant at the end of the third quarter 2008 and 158,103 square feet at the end of the second quarter 2008.

Reno/Sparks’s Class-A projects reported vacant sublease space of 20,716 square feet at the end of first quarter 2009, up from the 16,116 square feet reported at the end of the fourth

quarter 2008. There were 19,817 square feet of sublease space vacant at the end of the third quarter 2008, and 15,347 square feet at the end of the second quarter 2008.

Class-B projects reported vacant sublease space of 125,004 square feet at the end of the first quarter 2009, up from the 109,047 square feet reported at the end of the fourth quarter 2008. At the end of the third quarter 2008 there were 112,938 square feet, and at the end of the second quarter 2008 there were 133,737 square feet vacant.

Class-C projects reported d vacant sublease space from the fourth quarter 2008 to the first quarter 2009. Sublease vacancy went from 16,032 square feet to 16,032 square feet during that time. There was 12,052 square feet at the end of the third quarter 2008, and 9,019 square feet at the end of the second quarter 2008.

Sublease vacancy in Reno/Sparks’s central business district stood at 21,127 square feet at the end of the first quarter 2009. It was 16,819 square feet at the end of the fourth quarter 2008, 14,336 square feet at the end of the third quarter 2008, and 16,496 square feet at the end of the second quarter 2008.

Sublease vacancy in the suburban markets ended the first quarter 2009 at 140,625 square feet. At the end of the fourth quarter 2008 sublease vacancy was 124,376 square feet, was 130,471 square feet at the end of the third quarter 2008, and was 141,607 square feet at the end of the second quarter 2008.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$19.78 per square foot per year at the end of the first quarter 2009 in the Reno/Sparks market area. This represented a 0.9% increase in quoted rental rates from the end of the fourth quarter 2008, when rents were reported at \$19.61 per square foot.

The average quoted rate within the Class-A sector was \$23.75 at the end of the first quarter 2009, while Class-B rates stood at \$20.14, and Class-C rates at \$17.04. At the end of the fourth quarter 2008, Class-A rates were \$23.71 per square foot, Class-B rates were \$20.03, and Class-C rates were \$16.62.

The average quoted asking rental rate in Reno/Sparks’s CBD was \$19.12 at the end of the first quarter 2009, and \$19.90 in the suburban markets. In the fourth quarter 2008, quoted rates were \$18.84 in the CBD and \$19.78 in the suburbs.

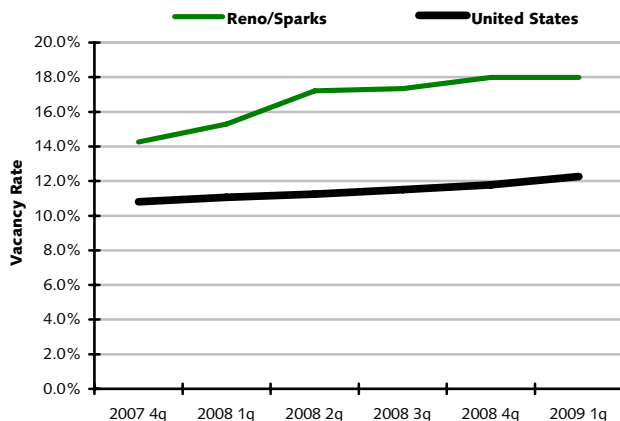
Deliveries and Construction

During the first quarter 2009, no new space was completed in the Reno/Sparks market area. This compares to two buildings totaling 10,700 square feet that were completed in the fourth quarter 2008, five buildings totaling 102,476 square feet completed in the third quarter 2008, and 43,368 square feet in five buildings completed in the second quarter 2008.

There were 23,982 square feet of office space under construction at the end of the first quarter 2009.

U.S. VACANCY COMPARISON

Past 6 Quarters



Source: CoStar Property*

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The largest projects underway at the end of first quarter 2009 were State Street Plaza, a 15,762-square-foot building with 9% of its space pre-leased, and 855 S Center St, an 8,220-square-foot facility that is 66% pre-leased.

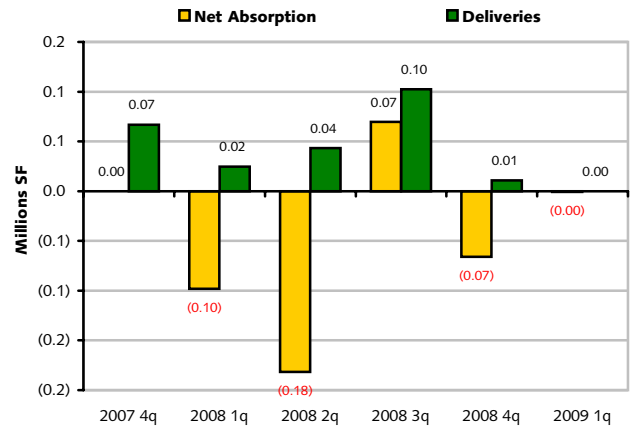
Inventory

Total office inventory in the Reno/Sparks market area amounted to 11,556,271 square feet in 819 buildings as of the end of the first quarter 2009. The Class-A office sector consisted of 1,040,986 square feet in 16 projects. There were 367 Class-B buildings totaling 6,705,392 square feet, and the Class-C sector consisted of 3,809,893 square feet in 436 buildings. Within the Office market there were 11 owner-occupied buildings accounting for 94,108 square feet of office space.

Reports compiled by: Jan Rasmussen CoStar Research Manager.

ABSORPTION & DELIVERIES

Past 6 Quarters



Source: CoStar Property