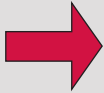


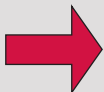


TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



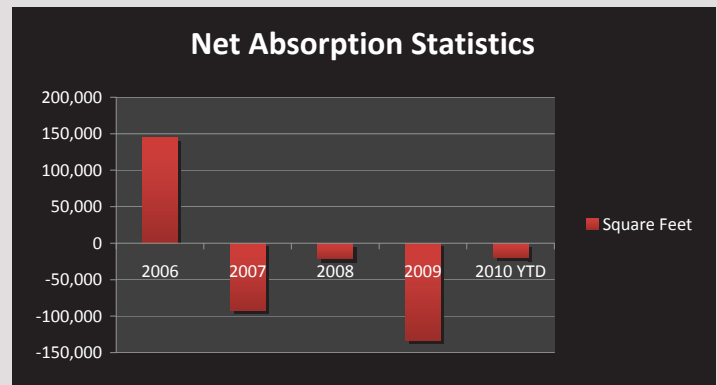
OVERVIEW:

The good news, the stabilization pattern is forming. The not so good news; the pattern of stabilized vacancy rates has the Northern Nevada Office Market hovering in the mid 19% range; 19.9% this quarter to be exact. The respective vacancy rates since EOY 2007, soon after this geographic experienced the initial fall out of the financial crisis has fluctuated from a low of 18.2% to a high of 20.5% EOY 2009. The first half of 2010 hasn't evolved into the vacancy absorption period we all hoped for, but it has proven to be a continuation of stabilization.

VACANCY AND ABSORPTION:

The overall market vacancy increased from 19.58% to 19.84% from the high of 20.5% EOY 2009.

Two of the top three submarkets Meadowood (14.9%) and South Meadows (28.2%) remained relatively flat while downtown increased from 19.3% to 22.81% due to the moves of Washoe County and State of Nevada as mentioned below.



ACTIVITY:

The first half of the market was driven by the federal government representing more than 90,000 square feet of lease transactions. The majority of these will have a positive impact on market statistics once the ink is dry and tenant improvements are complete creating a growth in the traceable market by nearly 75,000 square feet of new and occupied space.

Most recently, Washoe County moved its public defender's office out of One California, the former bank and office building at the intersection of California Avenue and S. Virginia Street, to their building located at 350 S. Center Street. Additionally, the State of Nevada moved the Department of Public Safety's parole and probation from 10 State Street to a 33,000 square foot office facility at 475 Valley Road, the former office of Machabee Office Interiors. This move was revered by local political and business leaders as it took a use not complimentary to the central business district (CBD) to a more efficient and economical building located on the east side of downtown. Both moves could be perceived to create additional vacancy in the CBD, but show the economic and social prudence our local governments are taking in times when budgets are constrained and more capable locations are available for these specific uses.

(continued on next page)



Office Market Report | Second Quarter 2010

Outside of the public sector, the volume of leasing transactions has remained consistent with years past. Utilizing the number of transactions year to date compared to the same period in years past, tenants are focusing on maximizing occupancy costs by upgrading location or simply engaging landlords to 'push the envelope' in the categories of turn-key tenant improvements or free rent.

SIGNIFICANT Q2/2010 TRANSACTIONS:

Meadowood Submarket

Land Home Financial - 5345 Kietzke Lane - 6,214 SF

South Meadows Submarket

Interdent - 800 South Meadows Parkway - 6,317 SF

Downtown Submarket

KPSI3 - 50 West Liberty Street - 2,142 SF

Carson City:

Davita - 3246 North Carson Street - 8,480 SF

LEASE RATES:

The impact on lease rates isn't over but the marketing war of 'which building advertises the lowest lease rate' has subsided. Although there are pocket developments maintaining \$1.75 - \$2.00 full service gross asking rates, there are buildings next door offering \$1.45 full service gross asking rates for the same product type. The days of negotiation by a tenant offering a Letter of Intent are over. It is now about the game of the Request for Proposal. Brokers will shortlist the top 5 office properties for their respective client and approach landlords for what they believe is fair market value. The transactions of Q2 2010, for Class A product, have all landed within the \$1.40 - \$1.65 full service gross range on an effective basis, to include the free rent concession offered by landlords. This is a pattern we will continue to see throughout 2010.

Office Market Report Featured Properties



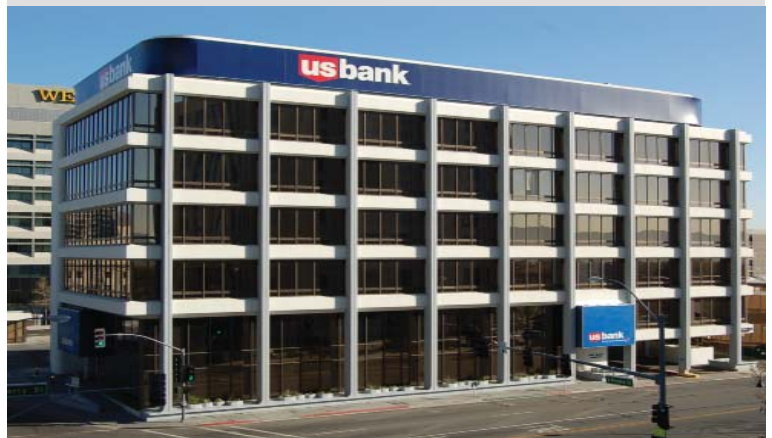
For Lease
50 West Liberty
Reno, Nevada



For Lease
300 East 2nd Street
Reno, Nevada



For Sale and/Or For Lease
500 Damonte Ranch Pkwy, Suite 703 & Suite 944
Reno, Nevada



For Lease
1 East Liberty
Reno, Nevada



For Lease
5525 Kietzke Lane
Reno, Nevada



For Sublease
425 Maestro Drive
Reno, Nevada



Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate is requested; for retail, a triple net rate is requested; for industrial, a NN basis is requested.

Building Class

Class A Product is office Space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office Space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

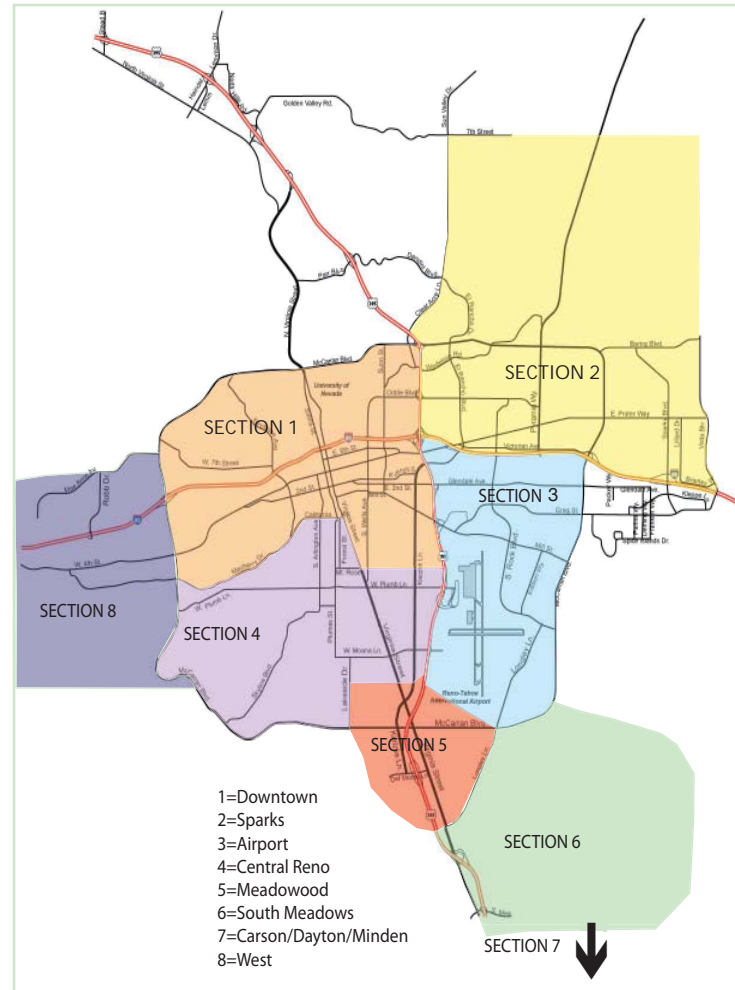
All unoccupied lease space, either direct or sublease.

SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.



VIEW OUR **blog**

blog.naialliance.com

Scott Shanks, SIOR
Senior Vice President
775.336.4671
sshanks@naialliance.com

Dominic Brunetti, CCIM
Vice President
775.336.4670
dbrunetti@naialliance.com

Janna Page
Associate
775.336.4672
jpage@naialliance.com

Misty Barker-Cryer
Marketing Specialist
775.336.4643
mcryer@naialliance.com