



# Market Research

RETAIL | FOURTH QUARTER | 2009



## MARKET INDICATORS

	4Q 2009	1Q 2010*
VACANCY	↑	↑
SUBLEASE VACANCY	↑	↑
ABSORPTION	↓	↔
CONSTRUCTION	↓	↔
LEASE RATES	↑	↓

\*Projected

So Long.....Farewell.....Adieu....2009!!

## Fourth Quarter Overview

The retail market in Northern Nevada, like most of the nation, continued to show softness. According to the International Council of Shopping Centers (ICSC), the national retail vacancy rate at year-end 2009 was 12.6%. Northern Nevada was not so lucky. Overall vacancy rates ticked up throughout the year and ended at another all-time high of 16.37% compared to 2008's year-end figure of 14.05%.

Of the 15.4 million square feet of retail space tracked by Colliers, line-shops were the most challenging, especially in un-anchored centers, with 1.7 million square feet available. This represents approximately 500 storefronts that have gone dark or have never been leased, caught in the downturn. The year recorded eighteen anchor spaces (over 25,000 square feet) and sixteen junior anchor spaces (10,000-24,999 square feet), representing 1.3 million square feet of available space.

The good news for 2009 was the opening of 308,000 square feet at Legends at Sparks Marina and the 63,000 square foot expansion of Shopper's Square. These projects pushed our net absorption numbers up to 126,000 square feet, compared to the negative 60,000 square feet recorded in the fourth quarter of 2008.

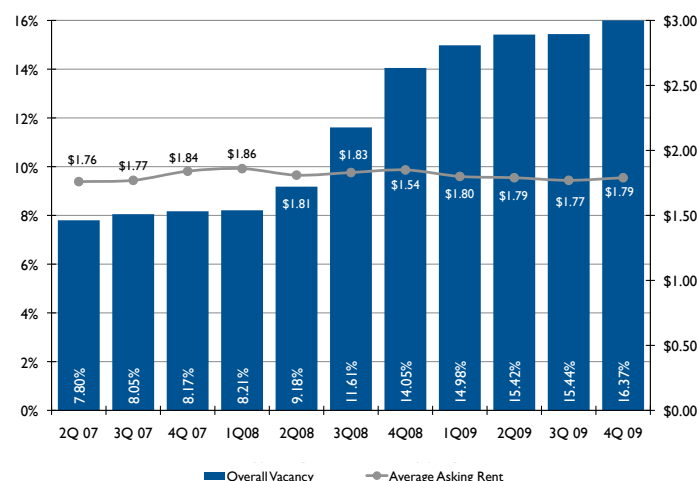
Christmas sales also brought a bit of holiday cheer. ICSC reported that the holiday season proved more successful for U.S. chain stores than most pundits had expected. Same store sales for the month of December rose 2.8% over December 2008. This was the strongest monthly sales gain since April 2008. Home related items, footwear and electronics were the big winners. Tenants in the Reno trade area that posted noteworthy gains include; TJ Maxx, Ross, Costco, Marshall's, GameStop and Dollar Tree.

## Hold On, Baby, Hold On!

A top priority for landlords and brokers alike is holding onto current tenants. If there is a common mantra for 2009 and 2010, it would be, "hold on to your tenants and work with those with a viable

*Continued on page 2*

Q4 2009 VACANCY VERSUS AVERAGE LEASE RATES



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business model". There are fewer and fewer users to back-fill empty spaces and none of these deals are cheap for landlords. While we do not believe that the era of mom and pops is fading away, this segment has been hit particularly hard by the recession.

## Deals Aplenty

There has never been a better time for active retailers and restaurants to lease space. Rents are at the lowest levels in ten years and in many cases, 30% less than the peak in 2005 and 2006. To make deals, landlords are being more creative and in addition to lower rent, are offering increased tenant improvement allowances, more time to build out spaces and free rent.

For the time being, rent relief requests to landlords continue coming from existing tenants. The market will remain a "tenant's market" through 2010 and perhaps into 2011. However, there are a few benefits that can be sought in connection with work-outs for property owners such as "blending and extending the lease" and the renegotiation of lease provisions that have previously tied the landlord's hands, including; co-tenancy, use restrictions, continuous operation, relocation, early termination, caps on operating expenses and percentage rent.

## Rents

Monthly average asking rents at year-end were \$1.79 per square foot, down from \$1.85 in 2008. Median monthly rents were \$1.60 per square foot compared to last year's figure of \$1.85. Declining rents were most prevalent in the Park Lane, Kietzke and Spanish Springs submarkets. Meanwhile, there are still a few trophy locations that command the rental rates of a few years ago.

## Construction And Proposed New Developments

Despite the difficult economy, developers continued to remodel existing centers and build new ones, adding just over a half million square feet of retail to our inventory in 2009.

The Legends at Sparks Marina has been responsible for much of the new construction, absorption numbers and tenant activity in the past year. They added, to their already impressive lineup of tenants and amenities, 300,000 square feet of new retail space; including, Saks Fifth Avenue, Off 5th, Off Broadway Shoes, Nike Store, Forever 21, Fuddruckers, Best Buy and Cadillac Ranch, to name a few.

### RETAIL MARKET STATISTICS FOURTH QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION		CONSTRUCTION		RENT
QUARTER	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE 4Q2009	RATE PRIOR QUARTER	CURRENT OCCUPIED SQUARE FEET	4Q2009	YEAR TO DATE	COMPLETED THIS QUARTER	UNDER CONST.	AVERAGE ASKING
QUARTERLY COMPARISON AND TOTALS															
Q4 - 2009	177	15,406,130	2,369,790	15.38%	151,850	0.99%	2,521,640	16.37%	15.44%	12,884,490	(60,377)	125,865	-	225,000	\$1.79
Q3 - 2009	169	15,309,141	2,213,924	14.46%	150,350	0.98%	2,364,274	15.44%	15.42%	12,944,867	25,693	186,242	10,400	69,020	\$1.77
Q2 - 2009	166	15,274,412	2,222,491	14.55%	132,747	0.87%	2,355,238	15.42%	14.98%	12,919,174	249,752	192,051	345,802	38,000	\$1.79
Q1 - 2009	164	14,895,276	2,099,584	14.10%	132,422	0.89%	2,232,006	14.98%	14.05%	12,663,270	(43,569)	(43,569)	178,789	293,590	\$1.80
Q4 - 2008	164	14,783,762	1,993,201	13.48%	83,722	0.57%	2,076,923	14.05%	11.61%	12,706,839	(180,106)	(225,515)	275,100	381,494	\$1.85
Q3 - 2008	159	14,579,349	1,617,982	11.10%	74,422	0.51%	1,692,404	11.61%	9.18%	12,886,945	(111,445)	(45,409)	277,594	779,113	\$1.83
Q2 - 2008	157	14,275,710	1,238,188	8.67%	72,457	0.51%	1,310,645	9.18%	8.21%	12,965,065	(91,936)	60,036	70,700	1,002,033	\$1.81

### MARKET ACTIVITY

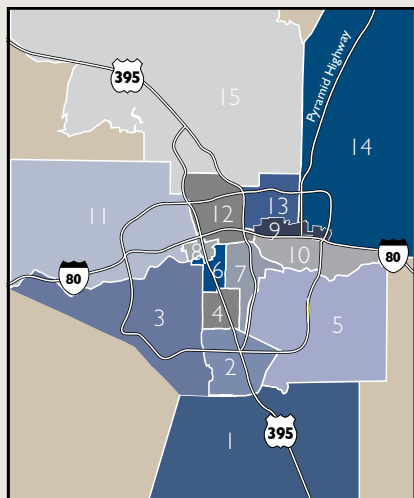
SIGNIFICANT FOURTH QUARTER 2009 TRANSACTIONS

#### SIGNIFICANT LEASES

PROPERTY ADDRESS	SQUARE FEET	TENANT	TYPE
Southtowne Crossing	4,848	Heidi's Restaurant	Power Center
Coliseum Meadows	3,300	Leslie's Poolmart	Strip Retail

#### SIGNIFICANT SALES

PROPERTY ADDRESS	SQUARE FEET	BUYER/SELLER	TYPE
701 S Virginia	9,568	Buyer - 701 South Virginia LLC Seller - Genesis Development ENTRPR Inc	Strip Retail
80 E Victorian Ave.	5,556	Buyer - PCR RSR LLC Seller - Famille Holdings	Freestanding
677 S Virginia St	5,324	Buyer - 701 South Virginia LLC Seller - Pro-Teams Inc	Freestanding



SUBMARKET MAP KEY

ID	SUBMARKET
1	South Reno
2	Meadowood
3	Southwest Reno
4	Parklane
5	Airport
6	South Virginia
7	Kietzke
8	Reno Redevelopment
9	Sparks Redevelopment
10	Sparks Industrial
11	Northwest Reno
12	Northeast Reno
13	West Sparks
14	NorthEast Sparks
15	North Valleys

Other projects of significance include the 63,300 square foot expansion to Shoppers Square, anchored by Staples and Smart and Final Extra; Walgreen's at Paradise Plaza in Sparks; Staples at the Canyon Center in northwest Reno and Bully's and shop space at Eagle Landing in Spanish Springs.

Super Wal-Mart is currently under construction on their 225,000 square foot super store on Glendale Avenue. Additionally, they closed escrow on land in Lemmon Valley and plan a new store opening in 2011.

The Freight House District in Downtown Reno is moving forward. SK Baseball has lived up to their promises by opening the stadium a year early and proceeding with the entertainment venue adjacent to the Reno Aces Ballpark which will include four new restaurants. The restaurants include a sports bar, a beer garden, Los Arroyos and a restaurant/music venue with the feel of an industrial loft.

During the same time last year, over four million square feet of new retail space was proposed. Of the numerous proposed projects, we do not foresee any significant new construction within the next eighteen to twenty-four months with the exception of future phases of The Legends, Summit Sierra, Wal-Mart, the redevelopment of Park Lane Promenade and future buildings in Eagle Landing. This can be perceived as good news as the lack of construction will bring the market vacancy back in balance with market demand.

## Is The Shift To Thrift - The New Normal?

While the shift to thrift may not be permanent, it will be with us for a while. Consumers are cutting back, buying less expensive items and shopping at discount stores. According to McKinsey & Co., a national consulting firm, 59% are eating out less, 48% have stopped buying "high-end" brands, 53% are using more coupons, 38% are buying more in bulk and 26% are visiting dollar stores more frequently.

So, what does that mean to the retail industry? This shift is what is driving the real estate strategy for many retailers. Growth in the dollar store sector will outpace all others. Retailers that focus on necessities and lower price points will outperform those retailers that do not; such as luxury retailers, high-end beauty salons and

upscale restaurants.

## Backfilling Big Boxes On The Horizon

The loss of anchor and junior anchors has been a concern for landlords over the past two years. Although 2009 did not see the same level of closures as 2008, we still watched with heavy hearts as Gottschalk's, Sports Authority, Circuit City, Home & Garden Direct and Long's shuttered their doors.

Activity was slow in this sector. However, with landlords re-visiting deal economics, we are starting to see new tenant interest. Kohls closed escrow on the dark Mervyn's building in Carson City, Goodwill leased the former Comp USA space, Cash & Carry back-filled their sister company's former Smart & Final location and there is activity on several of the other vacant anchor and junior anchor spaces around the market. Some of the interest is from retailers new to our market working to fill an unmet demand.

## Tenants Opening /Closing

We expect transactional activity to be on the rise throughout 2010; however, we may also see more store closures on the horizon. As you can see in the tables contained on the following pages, new deals were signed as others closed shop. Who will be next? We suspect more video rental stores and jewelers to name a few. Who will be expanding? Value priced retailers, automotive, discounters, dollar concepts, rent-to-own furniture, franchised fast food and casual restaurants, wireless and service users should lead the pack.

## British Invasion

The big retail buzz over the last several years has been the invasion of the British grocer, Fresh & Easy. While there was much fanfare of their imminent arrival in our market, the opening of any stores locally has yet to materialize; primarily because they are retooling their stores to meet customer demand and distribution channels. Fresh & Easy has over 130 stores already open in Las Vegas, California and Arizona. They have secured four locations in Reno and Sparks; however, there have been no opening date announcements. Rumors are that it will be 2011 before they open in Northern Nevada.

## Let The Recovery Begin!

It is tough going out there, but we are seeing improvements albeit small. While we are still in the midst of a recovery, retail will rebound and we should see the end of deal paralysis and the start of recovery in 2011. Although 2010 has not started out well with the closing of Safeway at Firecreek Crossing, three Hollywood Video locations, one Bully's and one Chili's, we are happy to say goodbye to 2009 and "let the recovery begin"!

### 2009 SIGNIFICANT RETAIL OPENINGS

Retailer	Shopping Center/Location	Retailer	Shopping Center/Location
Goodwill	6401 S. Virginia St.	GNC	Legends at the Sparks Marina
Smart & Final Extra	Shopper's Square Expansion	Lucky Nails	Legends at the Sparks Marina
Staples	Shopper's Square Expansion	Harry & Davids	Legends at the Sparks Marina
Staples	Canyon Center	Old Farmer's Almanac	Legends at the Sparks Marina
Best Buy	Legends at the Sparks Marina	Samsonite Factory Outlet	Legends at the Sparks Marina
Off Broadway Shoes Warehouse	Legends at the Sparks Marina	Cadillac Ranch	Legends at the Sparks Marina
Forever 21	Legends at the Sparks Marina	FreshBerry Frozen Yogurt Café	Legends at the Sparks Marina
Fuddrucker's	Legends at the Sparks Marina	Patsy Grimaldi's Coal Brick Oven Pizzeria	Legends at the Sparks Marina
Adidas	Legends at the Sparks Marina	Olive Garden	Legends at the Sparks Marina
Banana Republic Factory Store	Legends at the Sparks Marina	Subway	Legends at the Sparks Marina
Gap Outlet	Legends at the Sparks Marina	Rack and Pinz Carter's	Legends at the Sparks Marina
Michael Kors	Legends at the Sparks Marina	Gymboree Outlet	Legends at the Sparks Marina
Nike Factory Store	Legends at the Sparks Marina	OshKosh B'Gosh	Legends at the Sparks Marina
Guess Factory Store	Legends at the Sparks Marina	Bose Factory Store	Legends at the Sparks Marina
Tommy Hilfiger	Legends at the Sparks Marina	Game Stop	Legends at the Sparks Marina
Kenneth Cole	Legends at the Sparks Marina	Sprint	Legends at the Sparks Marina
Saks Fifth Avenue Off 5th	Legends at the Sparks Marina	Fresh & Easy (Land Sale)	Los Altos Crossing
Volcom	Legends at the Sparks Marina	AutoZone	Eagle Landing
Converse	Legends at the Sparks Marina	Cheeseburger Island Style	6430 S. Virginia St.
Easy Spirit	Legends at the Sparks Marina	Consignment Furniture	500 E. Moana Ln.
Nine West Outlet	Legends at the Sparks Marina	Heidi's Restaurant	SouthTowne Crossing
Skechers USA Outlet	Legends at the Sparks Marina	Dickey's BBQ	Shopper's Square
Vans	Legends at the Sparks Marina	Dickey's BBQ	Summit Sierra Mall
Ann Taylor Factory	Legends at the Sparks Marina	Panda Express	Shopper's Square Expansion
BCBG Max Azria	Legends at the Sparks Marina	Subway	Palladio
BCB Girls	Legends at the Sparks Marina	Subway	Eagle Landing
Jane New York	Legends at the Sparks Marina	Manny & Olga's Pizza	Eagle Landing
Kasper	Legends at the Sparks Marina	Cash & Carry	115 Kietzke Ln.
Lane Bryant Outlet	Legends at the Sparks Marina	Dollar Tree	Sparks Crossing
Styles for Less	Legends at the Sparks Marina	Tuesday Morning	Sparks Crossing
Bath & Body Works	Legends at the Sparks Marina		

## RETAIL TENANT ACTIVITY Q4 2009

OPENED	LEASES EXECUTED/COMPLETED	PENDING ACTIVITY	CLOSED
Goodwill Industries	Super Wal-Mart Tribal Land	Super Wal-Mart North Valleys	Anne Taylor Loft
Dickey's Barbeque	JC&C Wireless-	Ross	Aldo Shoes
Cheeseburger in Paradise	U-Swirlz Yogurt	Kohl's in Carson	Pick Up Stix
Forever 21	Leslie's Pool Mart	Popeye's	Asian Bistro
Fresh Berry	Heidi's (relocation)	Firestone	Pita Pit (Sparks)
Styles for Less	Peg's Ham & Eggs	Dollar Tree	Fox Pizza
Off Broadway Shoes	Fresh & Easy—Los Altos	Fast Food Restaurants	Name Droppers
Subway	Dollar Tree (relocation)	Casual Dining Restaurants	
Pizza Balls	T-Mobile	Great Basin Brewery	
Consignment Store of Reno	Dotty's	Ultimate Electronics	
Manny & Olga's Pizza	China King Restaurant	Hobby Lobby	
Cadillac Ranch	Cricket	O'Rileys/Kragen	
	Century 21	Discount Tire	
	Auto Zone		
	Walgreen's		
	Denny's		
	IMAX Theater		
	Fuji Sushi		
	Anytime Fitness		

## Q4 RETAIL AT A GLANCE

Total Inventory *:	15,406,130/SF
Overall Vacancy (%):	16.40%
Monthly Average "Asking" Rents:	\$1.79
Monthly NNN:	\$0.28 - \$0.90
2009 Yearend Net Absorption:	125,865/SF
2009 Completed Construction:	527,209/SF
Under Construction:	225,000/SF
Large Land Parcels:	\$6 - \$10/SF
Asking Pad Prices:	\$10 - \$25/SF
Large Land Parcels:	\$8 - \$12/SF
Asking Pad Prices:	\$12 - \$25/SF
Annual Ground Rents (I.E. restaurant pad):	\$45,000 - \$100,000
Unemployment (Reno-Sparks MSA)	13.1%

\*Excludes Regional malls and centers under 10,000/SF

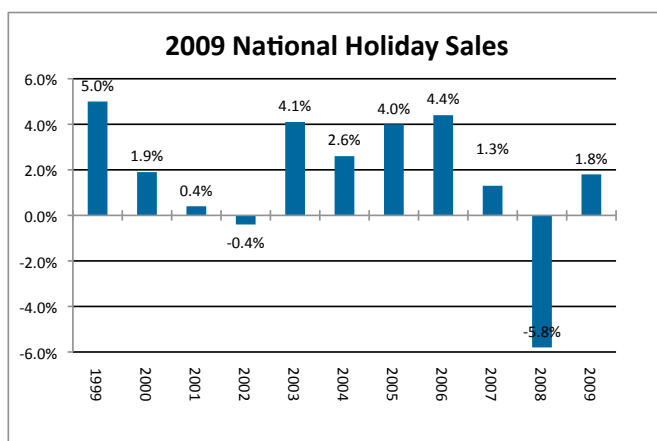
## 2009 COMPLETED CONSTRUCTION

Legends at the Sparks Marina	307,894
Shoppers Square	63,000
Pioneer Meadows	28,313
Eagle Landing	15,194
Los Altos Crossing	27,028
Paradise Plaza	21,900
North McCarran Crossing	22,180
Southtowne Crossing	12,000
Canyon Center	20,000
Giroux Plaza	10,400

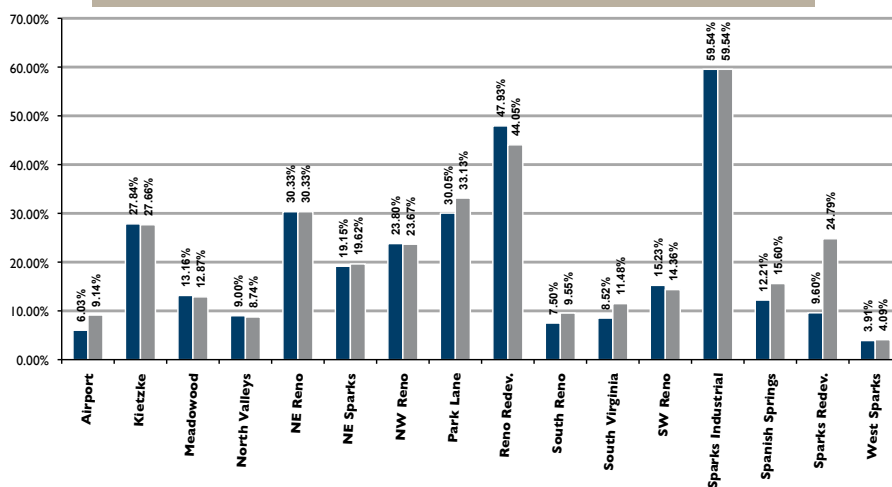
## 2009 RETAIL CLOSURES

Retailer	# of Locations	Retailer	# of Locations
AAA	1	Household Finance	1
Aldo Shoes	1	Keva Juice	1
Anne Taylor Loft	1	Longs	5
Arbys	2	Mattress Store	1
Asian Bistro	1	Name Droppers	1
Baja Fresh	1	Papa Johns	1
Ben & Jerry's	1	Paper Moon	1
Circuit City	2	Pick Up Stix	1
ClearWire	1	Pita Pit	2
Cold Stone	1	PostNet	1
DMV Express	1	Spanish Springs Sushi	1
Dollar Loan	2	Sports Authority	1
Dominos	3	Straw Hat Pizza	1
Fox Pizza	1	Subway	1
Gottschalks	2	Sunsation	1
Great Basin Federal C.U.	1	Sunshine Cleaners	1
Greater Nevada Credit Union	1	Tequila Beach	1
Green Onion	1	TGI Fridays	1
Hollywood Video	1	Washoe Wine	1
Home and Garden Direct	1		

HOLIDAY SALES CHART



Q4 2009 VACANCY CHART



■ 3Q 2009 ■ 4Q 2009

294 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTSUSA 94  
Canada 22  
Latin America 17  
EMEA 97  
Asia/Pacific 64

\$1.6 Billion in Revenue

1.1 Billion SF Under Management

12,749 Professionals

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