

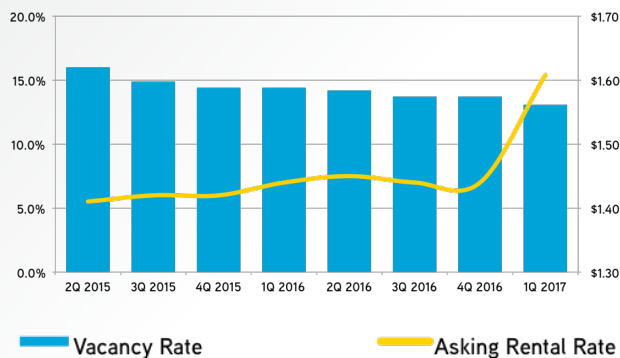
Off To A Steady Start

- > Vacancy rates remain healthy with a downward trend at 13.1 percent
- > The market saw negative net absorption of 10,468 sf
- > Office construction is on the rise with 15,316 sf completed this quarter

The first quarter office market may be a bit difficult to compare to the previous quarters, not because the market is not doing well, but because our database went through an extensive renovation to achieve the most accurate and up to date information. The

Colliers Reno office is proud to have a full time researcher dedicated to delivering accurate data for our clients to show the health of the market as it relates to information that helps our clients make the best real estate decisions. The change in the statistical database was an increase in the buildings we track, as well as eliminating buildings that do not qualify in our set. Our standards include office buildings over 10,000 square feet, excluding medical and government buildings. We now track 228 buildings in six submarkets.

Historical Vacancy Rates and Asking Lease Rates



Due to a change in reporting standards, variations in the total building base during the first quarter 2017 are not reflective of actual changes in the market.

Market Indicators

Unemployment Rate
Nevada

10-Year Nominal
Interest Rate

National Consumer
Confidence



2.28



124.9



Market Indicators

Relative to prior period

Q1 2017

Q2 2017*

Vacancy



Net Absorption



Completions



Rental Rate



*Projected

Summary Statistics

Q4 2016 Reno Market	Previous Quarter	Current Quarter
Vacancy Rate	13.7%	13.1%
Asking Rent (PSF, FS*)	\$1.44	\$1.61
Net Absorption (SF)	6,912	(10,468)
New Completions (SF)	-	15,316

Overall Asking Rents

Per Square Foot (FS*)	Previous Quarter	Current Quarter
Class A	\$1.62	\$1.81
Class B	\$1.45	\$1.71
Class C	\$1.25	\$1.30

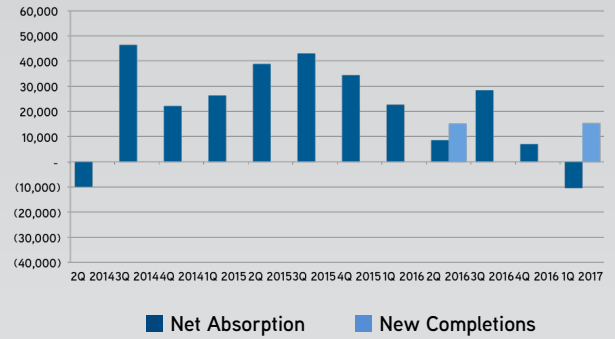
*Full Service (FS)

The vacancy is still healthy and trending downward at 13.1 percent for total vacancy and 12.3 percent when sublease space is removed. There are a number of tenants in the market and many are expanding so we anticipate the absorption will definitely be cancelled out next quarter, if not, we will be ahead year to date. In addition, the average asking rental rate is at a healthy \$1.61 per square foot per month full service. This number may not represent the true average since many of the properties, especially in the Meadowood Submarket do not disclose an asking price but from inked deals we know those rates are well in the \$2.00 per square foot full service range.

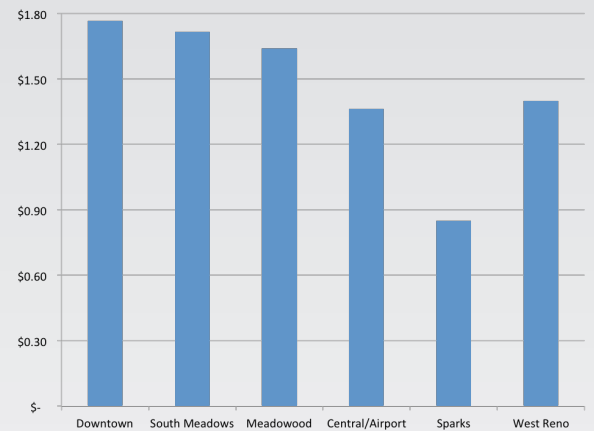
Absorption

The dynamics of the market during the first quarter continue the sentiment of holding steady. Unfortunately, the market gave back more space than it absorbed but it was a small amount, roughly 10,500 square feet. Class A buildings registered a positive net absorption of 11,884 square feet, while the market saw negative absorption in Class B buildings at 11,450 and Class C buildings at 10,902 square feet. The South Reno submarket has the greatest absorption with 7,351 positive square feet. The market saw the 10,719 square foot renewal for Cisco Systems at 9850 Double R. In the Central Reno submarket, the market also saw positive absorption with 5,301 square feet. Two spaces were leased at 675 W Moana for a total of 9,537 square feet, which helped contribute to this absorption. It is worth noting that due to our new database, some buildings were added to our data, including 1475 Terminal Way within the Central Reno submarket. Following the Central Reno submarket, was the Downtown submarket that saw 3,513 square feet positive absorption. Downtown had a lot of activity, including a 3,727 square foot lease to Swift Communications at 50 W. Liberty Street. Heading south, the South Reno submarket ended the quarter at negative 7,351 square feet. Even with the negative absorption, the market did see activity with a 6,622 square foot lease to the startup software service company CC2BE at 575 Double Eagle. The submarket also saw Legal Match occupy a 7,500 square foot space at 885 Trademark. Finally, the Meadowood submarket came in last with negative 29,368 square feet absorption mostly due to the give back of tenant's spaces finally registering. This included 13,000 square feet from Charles Schwab at 5190 Neil Road as well as space at Nev Dex.

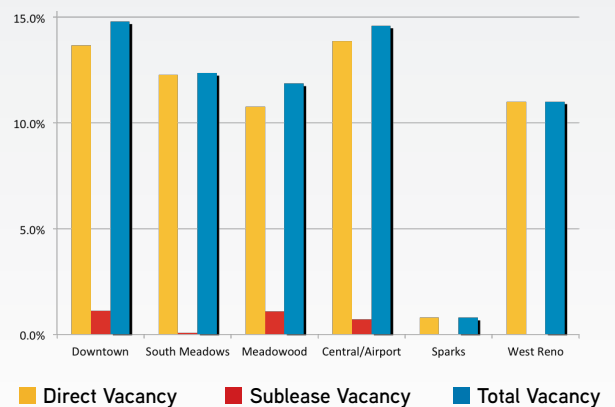
Historical Net Absorption vs. Completions*



Leasing Rates by Submarket*



Total Vacancy vs Direct and Sublease Vacancy*



*Due to a change in reporting standards, variations in the total building base during the first quarter 2017 are not reflective of actual changes in the market.

Vacancy Rates

The market is continuing to maintain a healthy downward trend for vacancy at 13.1 percent overall and 12.3 percent direct vacancy. Within the submarkets, Meadowood saw the lowest vacancy with 11.1 percent, followed by South Reno at 12.5 percent, Downtown at 14.1 percent, and Central Reno at 17.6 percent.

Construction

Office construction is on the rise with 15,316 square feet completed by Tanamera at 5560 Longley Lane for the Longley Professional Campus this quarter and more buildings scheduled later in the year. McKenzie has broken ground on a 40,000 square foot office building in the Meadowood submarket off of Kietzke Lane, which is anticipated to be completed in the first quarter of 2018. Infrastructure construction began at Rancharra with Charles Schwab anticipated to be the first office at the site to break ground with a 10,000 square foot branch/office building.

Sales

Office sales remain strong with Par Tolles of Tolles Development buying a six building portfolio consisting of 241 Ridge Street, 201 Liberty Street, 275 Hill Street, 100 & 140 Washington Street, and 1301 Cordone. The portfolio totaled 136,412 square feet and was purchased for \$22,300,000. This portfolio was sold by AMH Properties and represented by Alex Hose. The market also saw the sale of a 190,575 square foot building at 645 N. Arlington Street for \$66,500,000 and estimated to be a 6.77 percent Cap Rate.

241 Ridge Street

34,407 sf - \$5,781,247

\$168.03 psf - *Investment, part of portfolio sale*

Sale Date: 2/23/2017

Sold To: TDC Reno Office 1-DE SPE LLC



201 W Liberty Street

28,557 sf - \$5,647,698

\$197.77 psf - *Investment, part of portfolio sale*

Sale Date: 2/23/2017

Sold To: TDC Reno Office 1-DE SPE LLC



100 & 140 Washington Street

24,464 sf - \$4,564,935

\$186.60 psf - *Investment, part of portfolio sale*

Sale Date: 2/23/2017

Sold To: TDC Reno Office 1-DE SPE LLC



Significant Sale Activity



Significant Lease Activity

PROPERTY ADDRESS	SIZE	TENANT	TYPE
9850 Double R Boulevard, Suite 100	10,719	Cisco Systems	Renewal
50 W Liberty Street, Suite 350	9,418	Rogue Gaming Studio	Restructure
885 Trademark Drive	7,500	Legal Match	New
675 W Moana Lane, Suite 201	7,090	Amplify Relations	New
50 W Liberty Street, Suite 1st Floor	6,646	Anytime Fitness	New
575 Double Eagle Court, Suite 2nd Floor	6,622	CC2BE	New
200 S Virginia Street	6,379	Next Generation Internet	New
825 Maestro Drive	5,470	Pbs West LLC	New

Market Comparisons - Reno

Office Market

CLASS	BLDGS	TOTAL RBA	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	TOTAL VACANCY RATE	TOTAL VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING RENTAL RATE
DOWNTOWN														
A	4	540,478	81,587	15.1%	7,128	1.3%	88,715	16.4%	14.1%	12,809	12,809	-	-	\$1.95
B	16	568,765	68,989	12.1%	3,882	0.7%	72,871	12.8%	19.3%	(2,675)	(2,675)	-	-	\$1.88
C	11	191,265	27,079	14.2%	3,691	1.9%	30,770	16.1%	4.5%	(6,621)	(6,621)	-	-	\$1.47
Total	31	1,300,508	177,655	13.7%	14,701	1.1%	192,356	14.8%	13.9%	3,513	3,513	-	-	\$1.77
SOUTH MEADOWS SUBMARKET														
A	39	1,224,357	165,763	13.5%	1,061	0.1%	166,824	13.6%	15.1%	10,507	10,507	15,316	-	\$1.73
B	9	252,410	15,617	6.2%	-	0.0%	15,617	6.2%	4.2%	(3,156)	(3,156)	-	-	\$1.70
C	-	-	-	-	-	-	-	-	0.0%	0	-	-	-	-
Total	48	1,476,767	181,380	12.3%	1,061	0.1%	182,441	12.4%	12.5%	7,351	7,351	-	-	\$1.72
MEADOWOOD SUBMARKET														
A	46	1,888,860	152,109	8.1%	9,875	0.5%	161,984	8.6%	11.1%	(14,469)	(14,469)	-	-	\$1.85
B	19	449,735	99,768	22.2%	15,564	3.5%	115,332	25.6%	24.6%	(14,899)	(14,899)	-	-	\$1.43
C	-	-	-	-	-	-	-	-	0.0%	0	-	-	-	-
Total	65	2,338,595	251,877	10.8%	25,439	1.1%	277,316	11.9%	13.8%	(29,368)	(29,368)	-	-	\$1.64
CENTRAL/AIRPORT SUBMARKET														
A	3	86,173	17,686	20.5%	-	0.0%	17,686	20.5%	10.3%	3,037	3,037	-	-	\$1.45
B	30	994,123	110,883	11.2%	13,248	1.3%	124,131	12.5%	18.1%	9,280	9,280	-	-	\$1.49
C	37	770,818	128,306	16.6%	-	0.0%	128,306	16.6%	17.7%	(7,016)	(7,016)	-	-	\$1.15
Total	70	1,851,114	256,875	13.9%	13,248	0.7%	270,123	14.6%	17.6%	5,301	5,301	-	-	\$1.36
SPARKS SUBMARKET														
A	1	32,581	-	0.0%	-	-	-	0.0%	0.0%	0	-	-	-	-
B	2	32,919	-	0.0%	-	0.0%	-	0.0%	0.0%	0	-	-	-	-
C	1	14,432	629	4.4%	-	0.0%	629	4.4%	32.7%	0	-	-	-	\$0.85
Total	4	79,932	629	0.8%	-	0.0%	629	0.8%	10.0%	0	-	-	-	\$0.85
WEST RENO SUBMARKET														
A	-	-	-	-	-	-	-	-	11.3%	0	-	-	-	-
B	3	43,102	-	0.0%	-	0.0%	-	0.0%	0.0%	0	-	-	-	-
C	7	98,504	15,590	15.8%	-	0.0%	15,590	15.8%	29.1%	2,735	2,735	-	-	\$1.40
Total	10	141,606	15,590	11.0%	-	0.0%	15,590	11.0%	19.2%	2,735	2,735	-	-	\$1.40
DOWNTOWN SUBMARKET														
A	4	540,478	81,587	15.1%	7,128	1.3%	88,715	16.4%	14.1%	12,809	12,809	-	-	\$1.95
B	16	568,765	68,989	12.1%	3,882	0.7%	72,871	12.8%	19.3%	(2,675)	(2,675)	-	-	\$1.88
C	11	191,265	27,079	14.2%	3,691	1.9%	30,770	16.1%	4.5%	(6,621)	(6,621)	-	-	\$1.47
Total	31	1,300,508	177,655	13.7%	14,701	1.1%	192,356	14.8%	13.9%	3,513	3,513	-	-	\$1.77
SUBURBAN TOTAL														
A	89	3,231,971	335,558	10.4%	10,936	0.3%	346,494	10.7%	12.6%	(925)	(925)	15,316	-	\$1.68
B	63	1,772,289	226,268	12.8%	28,812	1.6%	255,080	14.4%	16.7%	(8,775)	(8,775)	-	-	\$1.54
C	45	883,754	144,525	16.4%	-	0.0%	144,525	16.4%	19.2%	(4,281)	(4,281)	-	-	\$1.13
Total	197	5,888,014	706,351	12.0%	39,748	0.7%	746,099	12.7%	14.8%	(13,981)	(13,981)	-	-	\$1.45
MARKET TOTAL														
A	93	3,772,449	417,145	11.1%	18,064	0.5%	435,209	11.5%	12.8%	11,884	11,884	15,316	-	\$1.81
B	79	2,341,054	295,257	12.6%	32,694	1.4%	327,951	14.0%	17.3%	(11,450)	(11,450)	-	-	\$1.71
C	56	1,075,019	171,604	16.0%	3,691	0.3%	175,295	16.3%	15.4%	(10,902)	(10,902)	-	-	\$1.30
Total	228	7,188,522	884,006	12.3%	54,449	0.8%	938,455	13.1%	14.7%	(10,468)	(10,468)	15,316	-	\$1.61

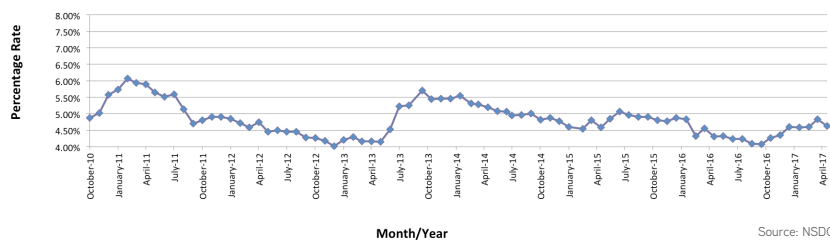
QUARTERLY COMPARISON AND TOTALS

*Q1-17	228	7,188,522	884,006	12.3%	54,449	0.8%	938,455	13.1%	14.7%	(10,468)	(10,468)	15,316	-	\$1.61
Q4-16	197	7,026,162	964,838	13.7%	65,833	0.9%	1,030,671	14.7%	14.5%	10,097	69,337	-	-	\$1.44
Q3-16	197	7,026,162	959,072	13.7%	57,622	0.8%	1,016,694	14.5%	15.2%	28,258	59,240	-	-	\$1.45
Q2-16	197	6,967,994	990,192	14.2%	71,143	1.0%	1,061,335	15.2%	15.9%	8,372	30,982	-	-	\$1.44
Q1-16	197	6,932,905	998,564	14.4%	103,519	1.5%	1,102,083	15.9%	16.1%	22,610	22,610	-	-	\$1.42
Q4-15	198	7,078,032	1,021,174	14.4%	116,883	1.7%	1,138,057	16.1%	16.0%	34,442	127,682	-	-	\$1.42
Q3-15	198	7,078,032	1,055,616	14.9%	78,502	1.1%	1,134,118	16.0%	16.0%	42,876	93,240	-	-	\$1.41

*Due to a change in reporting standards, variations in the total building base during the first quarter 2017 are not reflective of actual changes in the market

SBA 504 Loan Rate: 2010 to Present

Courtesy of Tim Ruffin/Melissa Molyneux - Colliers International | www.nevadadoffice.com



Source: NSDC

396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **36**

EMEA: **111**

ANZ: **43**

\$2.6

billion in
annual revenue*

2.0

billion square feet
under management

15,000

professionals
and staff

*All statistics are for 2016 and include affiliates

About Colliers International

Colliers International Group Inc. (NASDAQ and TSX: CIGI) is an industry-leading global real estate services company with more than 15,000 skilled professionals operating in 68 countries. With an enterprising culture and significant employee ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice that help clients accelerate their success. Colliers has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 12 consecutive years, more than any other real estate services firm.

For the latest news from Colliers, visit Colliers.com or follow us on Twitter (@Colliers) and LinkedIn.

colliers.com/reno

Copyright © 2017 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

COLLIERS INTERNATIONAL | RENO

100 West Liberty Street
Suite 740
Reno, Nevada 89501 | USA
+1 775 823 9666
www.colliers.com/reno

MARKET CONTACTS:

Melissa Molyneaux, SIOR, CCIM
Executive Managing Director & Senior Vice
President | Reno
+1 775 823 4674
melissa.molyneaux@colliers.com

Fay O'Neil
Research Analyst
+1 775 823 4671
fay.oneil@colliers.com



Accelerating success.