

## Q121 Northern Nevada Commercial Investment Real Estate Report

### The "Brighter Days are Finally Here" Issue

With many Americans eagerly getting their Covid shots starting in January, combined with various state governors declaring that Covid restrictions would mostly be lifted by late spring, America has finally developed a strong sense of optimism. Companies are now hiring; airlines are adding summer flights and \$1,400 checks are reigning down from Washington. While this may cause a temporary bout of near-term inflation and shortages, the Fed continues to clearly state that it has no intention of raining on the current parade. In fact, in its 4/15 report titled, "Coming in Hot", Morgan Stanley predicts 1<sup>st</sup> half 2021 GDP growth at 9.6%, with full-year 2021 GDP growth projected at 8.1%, before settling down in 2022.

#### **Major Planned / Under Construction Apartments (Rowley proprietary research)**

Rowley Research Totals		Plan	Under Const.	Total
Units:	This Quarter	7,858	3,407	11,265
	Last Quarter	6,722	3,539	10,261
	<b>Net Change</b>	<b>1,136</b>	<b>(132)</b>	<b>1,004</b>
	% Change	16.9%	-3.7%	9.8%
Projects:	This Quarter	30	18	48
	Last Quarter	26	15	41
	<b>Net Change</b>	<b>4</b>	<b>3</b>	<b>7</b>
	% Change	15.4%	20.0%	17.1%

Planned Projects increased this quarter due to the identification of 2 large and 2 small developments. Units under Construction saw a small decrease due to the identification of the large Syufy development at the corner of Longley and South Virginia, more than offset by continuing completions mainly at the Lakes at Lemmon Valley, Innova, and Parq Crossing. New projects under construct consisted of 330 units at Syufy, Riverside and splitting out Base Camp at the Reno Entertainment District. While we may see 1-2 large projects moving to Under Construction in Q2, it is likely that more units will again be completed than started.

#### **The Local News Bag**

Bob Conrad wrote on March 11 at <https://thisisreno.com> that **the Reno City Council denied a development proposal to build 676 homes on ~1,000 acres west of Somersett in Verdi**. The Reno Planning Commission in 2019 denied approval of the Mortensen project. The developer and property owner sued. A court remanded the decision back to the city council. Residents were mostly opposed to the project, citing increased traffic, steep slopes, loss of open space and an added strain on police and fire. Council member Neoma Jardon, who previously took issue with the project, moved to reverse the planning commission's denial, but the reversal failed on a 5-2 vote.

Jeri Davis wrote on Feb 26 in <https://thisisreno.com> that developer **Urban Lion is planning a 34-unit apartment complex with retail space** on the current parking lot just east of Hub Coffee Roasters. For more than a decade, this portion of Washington Street has been private property unbeknownst to most people. The design will be compatible with the historic neighborhood and is expected to open in the summer of 2022.

Jason Hidalgo wrote in the Feb 25 Reno Gazette Journal (RGJ) that **Sprouts Market is opening its newest Reno store on May 12 inside the Reno Public Market** - formerly known as Shoppers Square on Plumb Lane. The 24 ksf organic grocer is just one of several tenant openings planned this year for Reno Public Market. Coldstone Creamery and Port of Subs are opening in mid-March while CVS will be in its new store by mid-April.



Amy Alonzo wrote in the April 1<sup>st</sup> RGJ that **a portion of the 7-mile Incline Flume Trail is now restored and under public ownership after a donation of 18.6 acres** of land to the Nevada Land Trust. In 2015 Cheryl and David Duffield donated the portion of the trail which runs from Tunnel Creek Road in Nevada State Park to Mt. Rose Highway. Known as the Bull Wheel property for a historic piece of logging equipment on the land, the Duffield's donation provided the missing link. The historic Bull Wheel structure was used from 1880 to 1894 to transport lumber over the mountains.

On April 7, Jason Hidalgo reported in the RGJ that Silverwing Development announced that **construction finished as scheduled on The Deco, the area's first new high-rise development since The Palladio**. The 209-unit apartment building was built around / atop a 1986 City of Sparks parking garage, which now makes up the third and fourth floors of the building. The Deco harkens back to the 1920s and 1930s, yet the inside sports plenty of modern touches and high-end amenities. The building also has a state-of-the-art security system that includes more than 200 cameras installed throughout.

Jim Krajewski wrote in the March 5 RGJ that **two NHL hockey games were delayed on Feb. 20-21 at Edgewood-Tahoe, despite cold temperatures**. The games were played on a temporary rink set up on the 18<sup>th</sup> fairway at the Edgewood Golf Course and started at noon each day to show off the lake and surrounding mountains. The intense Lake Tahoe sun forced the delays when the rink started to melt. A Zamboni machine was trucked 2,461 miles from Toronto to Stateline for the event. Afterwards, the NHL donated it to the South Tahoe Event Center. The 132 ksf center broke ground in 2020, with completion scheduled for late 2022. It will host conventions, special events, sporting events and entertainment.

In the Spring 2021 issue of the City of Reno Connect Quarterly issued on 3/25/21, the Reno Arts and Culture Commission stated that **the painting of ReTRAC Mural will begin in June**. Nationally recognized artist Brad Carney will design and lead the painting of a mural on the Plaza, inspired by the surrounding area, including the Truckee River, local flora, mountain ridges, elements of the Reno flag, and reference to the train track that runs below the space. The colors are inspired by Nevada's sunrises and sunsets. The mural will be painted directly on the ground and should last for three years with minimal maintenance.

### **Southeast Reno housing development rebrands as Talus Valley**

<https://thisisreno.com/2021/02/southeast-reno-housing-development-rebrands-as-talus-valley/>

On Feb 25 ThisIsReno reported that the Daybreak development will break ground later this year under a new name: Talus Valley. Newport Pacific Land Co. (NPL) said the new name will align the master-planned community more closely with the area's landscape. In geology, a talus is a steep slope of accumulated rock fragments formed through rocks falling and sliding down a slope – similar to the western hills and out-cropping's nearby. Talus Valley is ~1,000 acres in SE Reno extending ~2 miles from South Meadows Parkway to the Donner Springs area, accessible via Veteran's Parkway and Rio Poco Drive. Phase 1 consists of 458 single-family homes. Future phases will include multi-family, boutique / retail shops and a working alfalfa field. The project will offer product to the "missing middle," referring to the lack of affordable housing lacking in our market. NPL will be doing floodplain mitigation, consisting of floodwater storage and open space.



Jason Hidalgo wrote in the April 14<sup>th</sup> RGJ that the Reno City Council voted 6-1 to let staff continue working on a development agreement with Jacobs Entertainment to redevelop the West Fourth Street corridor (Corridor) into the Reno Neon Line District. The vote continues the review process as staff and council consider ~a dozen requests from Jacobs. The price of two City properties received attention as Jacobs paid the City \$50k to option 290 Keystone and 0 Second Street. He requested a \$2.96 million purchase price reduction for them to \$100k and an 18-month extension on its option. Proceeds from selling these properties was earmarked for the new Reno PD HQ, a new Moana Pool and an earthquake retrofit for City Hall. Staff stated they could make up ~\$2 million should the City approve this request. Council also had questions about redevelopment districts and the use of tax increments: the new tax revenue generated by new projects in a district. Jacobs requested that 40%, or up to \$20 million of the increment to be generated within Redevelopment Area 2 (RDA2), be used to fund public spaces, plazas and historic preservation. The Neon Line is mostly within RDA1, but it is fully encumbered with debt, while RDA2 is not. While such revenue is generally spent within the RDA that generated it; there are instances where the money can be redirected as long as it provides a benefit to the original location. Staff recommended milestones be created to phase out incentives should the proposed plans not pan out. Jacobs concurred. Overall, Jacobs has purchased ~70 properties, as shown below.



On Feb 24, Doug Cannon, NV Energy (NVE) President and CEO wrote an Op-Ed in The Nevada Independent. Excerpted remarks follow.

**Q121 NORTHERN NEVADA COMMERCIAL INVESTMENT REAL ESTATE REPORT, BY FLOYD ROWLEY, CPA, CCIM**      **PAGE 3 OF 6**



lines are like interstate highways for electricity. Texas did not have them beyond their border. As more energy is used, transmission lines get filled up and new lines are needed. NVE will strengthen its transmission system via its Greenlink Nevada initiative, which will install more transmission lines. Greenlink will create more capacity for additional renewable energy development, thus reducing NVE's carbon emissions. It will also lower costs by sharing energy between northern and southern Nevada. It will enable energy to be delivered into Nevada from other states when Nevada's need it most. The initiative is now under review with the PUCN, for approval soon. In Dec. 2020, the PUCN approved 3 new large-scale "solar plus energy storage" projects, the latest of 12 such solar developments since 2018 which, when complete, will provide enough energy to power more than half a million Nevada homes. NVE's renewable portfolio includes 56 geothermal, solar, solar plus storage, hydro, wind, and biomass projects in service and under development – with more on the way.

### **Reno-Sparks area will have plenty of water, despite low snowpack**

Amy Alonzo wrote in the 3/1 RGJ that, while the Tahoe Basin's snowpack is substantially below average, municipal water users can rest easy that they will have enough water going into the summer, according to the Truckee Meadows Water Authority (TMWA). They believe that, while it's looking like our second dry year in a row, our region will have normal river flows this year – and into the next. TMWA, which serves more than 440,000 people, is confident because upstream reservoirs that supply water to our region have not yet seen the impacts of the below-average snow years. The Tahoe Basin's snowpack is ~71% of median, per the Natural Resources Conservation Service's monthly measurement conducted 3/1. Our region is likely headed into its second consecutive dry summer, potentially causing an active wildfire season. As of March 1, snow at Mt. Rose measured 68", with 21" of water content, about 65% of normal. The lack of precipitation has left soil under the snow at near to record dry levels for this time of year. In the spring, snowmelt will percolate into the soil before heading into rivers and streams, likely leading to less runoff.

### **Storey County passes resolution against Innovation Zones**

Edited from: [ThisIsReno](https://thisisreno.com) March 2, 2021 By Sam Metz AP/Report for America

<https://thisisreno.com/2021/03/storey-county-passes-resolution-against-innovation-zones/>

Storey County Commissioners today voted to "oppose separatist governing control" and the carving up of the county in what is the first official statement the commission has made since Gov. Sisolak proposed creating "Innovation Zones" that he said could make Nevada an epicenter for emerging technology companies. Blockchains LLC is lobbying Sisolak and the Legislature to let tech companies that promise to invest \$1.25 billion to create these zones that would have power over law enforcement, taxation and land management decisions and initially be governed by a board with two members from the company itself. Blockchains argues its plans to build a city 12 miles east of Reno that runs on blockchain technology will empower inventors to design new applications using blockchain technology would be unduly constrained by traditional local government mechanisms. Blockchain is a digital ledger known for recording cryptocurrency transactions but is also used to securely log other records and contracts by companies and governments. The company plans to build up to 15k units in the Painted Rock area, which the county's 2016 master plan has zoned for only 3,500 homes. The county informally told the company 2 years ago that it wasn't interested in re-zoning the 3,230-acre region. On February 26 Sisolak convened a roundtable to discuss Innovation Zones and how a potential cryptocurrency transaction tax could benefit Nevada, but no bill has yet been introduced in the Legislature.

### **Reno City Council proceeds with \$11M plans for new homeless shelter, improve services**

Writing in the 3/24 RGJ, Kristin Oh reported that the Reno City Council voted 6-1 today to proceed with an \$11 million phase 2 for the new "super shelter" at the former Governor's Bowl park on E Fourth Street, to be funded with some of Reno's COVID-19 relief funds. Phase 1 consists of a 21 ksf tent shelter that can hold up to 900 people. The \$11 million budget for Phase 2 will consist of a 22 ksf building with a cafeteria and mini kitchen, security storage, supportive housing, medical services, a resource center, laundry area and a dog park. The plan for Phase 2 includes selling the existing center on Record Street, which will realize ~\$7 million. Phase 2 will be 46 ksf overall and will replace the phase 1 tent shelter. The funding plan requires that homeless services be transferred from Record Street to the new campus, and that applying for grants and community

fundraising will be used for the remaining \$4 million. The City hopes to finalize both design and financing by Sept. 1 for an October 1 groundbreaking, and closing the Record Street shelter sale by April 2022. Council also moved forward to transition homeless responsibilities to Washoe County and will initiate talks of changing camping ordinances. The Reno Area Alliance for the Homeless' 2019 Point in Time counted 1,256 homeless.

### **RTC Board Adopts the 2050 Regional Transportation Plan**

An RTC Board eNews Update reported that the Regional Transportation Commission (RTC) Board adopted the 2050 Regional Transportation Plan (Plan) at their March 19 Meeting. The purpose of the Plan is to identify long-term transportation needs for our regional transportation system for projects, programs, and services that may be implemented through 2050 due to increased population and employment growth. It builds on the 2040 Plan adopted in 2017. The Plan was developed with robust outreach and conducted with partner agencies. The Plan addresses safety, mobility, connectivity, and traffic-operations issues. Federal regulations require that this planning document be updated every 4 years. The Plan contains projects and programs for all modes of travel and identifies the projects, programs and services needed to achieve that vision which may be implemented by the RTC, NDOT and other entities. The Plan was forwarded to the Federal Highway Administration and to the Federal Transit Administration for a final review of the air quality analysis and then on to the Regional Planning Commission for a conformity determination with the Truckee Meadows Regional Plan.

### **Former golf course to become open space, revert back to wetlands**

<https://thisisreno.com/2021/03/former-golf-course-to-become-open-space-revert-back-to-wetlands/>

On March 25 Carla O'Day reported that a 30-year lease for the former Rosewood Lakes Golf Course that would preserve it as open space and restore it to its original wetlands state was approved on March 24<sup>th</sup> by the Reno City Council. The City will have the option in 2050 to renew its lease terms on the 219-acre property with the Truckee Meadows Parks Foundation (Foundation) for an additional 20 years. The Foundation will pay \$1 per year in rent. The course on Pembroke Drive, opened in 1991 and closed in June 2015 due to construction of the South East Connector. Dermody Properties had deeded the land to the city back in 1988. Since restoring the property as a golf course would be cost prohibitive, the City plans to enter into an agreement with the Foundation to rehabilitate the course into a functional wetland system, including reusing the golf cart paths as walking trails to create a public space where the community can learn about the environment and spend time in nature. The Foundation was established after the 2008 recession to support parks when municipal park budgets were taking hits. In addition to the former golf course, the project consists of three city-owned parcels across the street. City officials said development would likely happen in 2022.

### **Apartment Statistical Review (Rowley proprietary analysis)**

The Johnson Perkins Griffin's (JPG) Q121 survey inventory increased by 1 property to 98 with the addition of the North Peak Apartments. The total units in their survey grew by 354 units, or 1.4%, to 24,929. As always, JPG's data is representative of our region's multifamily market. Their survey is available at:

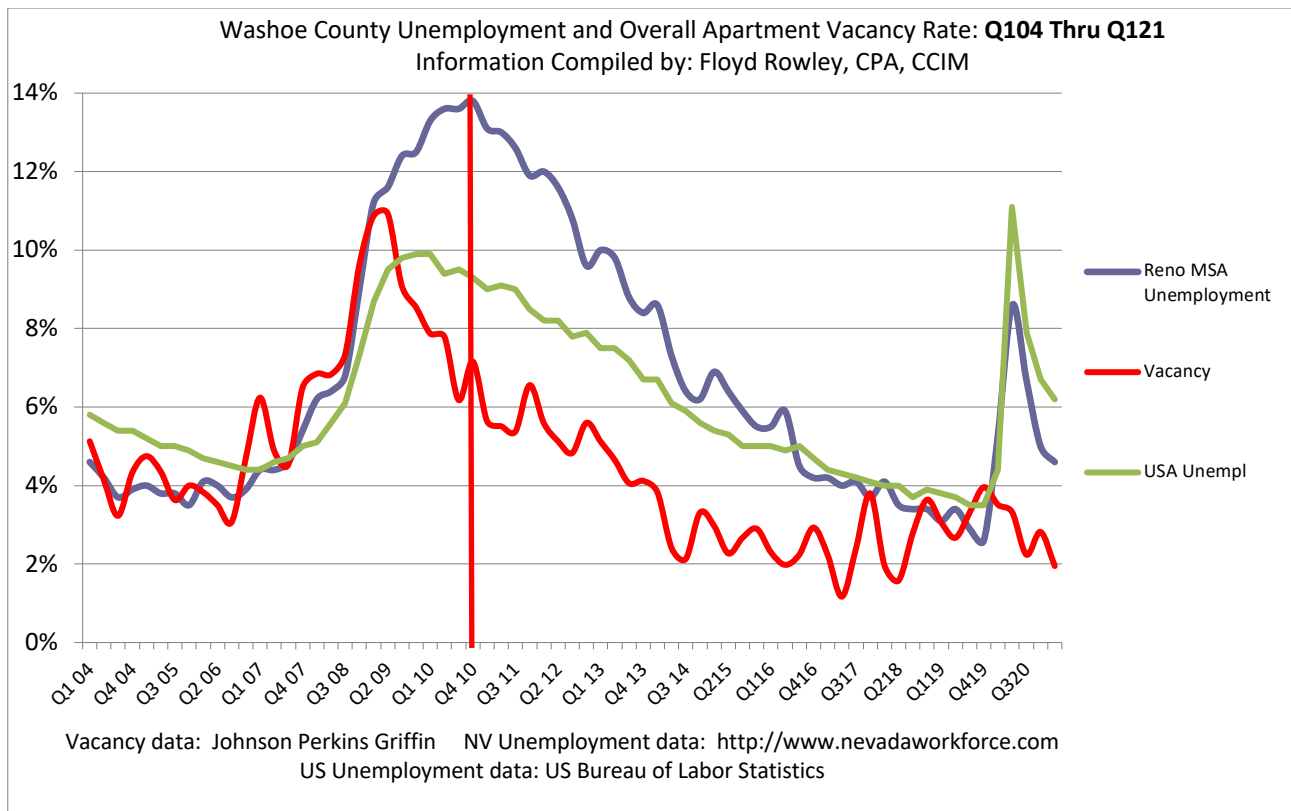
<http://jpgnv.com/wp-content/uploads/2021/04/Apartment-Survey-1st-Quarter-2021-FINAL.pdf>

Here is my analysis of JPG's survey:

- **Overall rents surged 3.2% this quarter**, increasing by \$45/unit/month to an average of \$1,469.
- **There continues to be significant rent movement within their 11 submarkets.** 8 of 11 submarkets reported rent increases, ranging from \$11 to an amazing \$117 at Lakeridge. West Reno was also very strong, reporting a \$102 rent increase. The three submarkets experiencing rent losses were SW Reno, Airport and Downtown Urban, all with very mild decreases ranging from \$4 to \$12, respectively.
- **Five submarkets (out of 11) reported vacancies under 1%!**
- **The highest reported rent, as usual, was East Sparks** – a full \$110 above Lakeridge, which recovered strongly this quarter, moving back into 2<sup>nd</sup> place at \$1,576. NW Reno edged out SE Reno for 3<sup>rd</sup> place with a \$59 increase. There are now 4 submarkets with average rents at – or above – \$1,500.
- In Q116, I started the so-called “**\$1,000 Club**”, when 4 submarkets hit that average rent /unit / month. By Q320 all 11 of the JPG submarkets' average rents exceeded \$1,000. In Q420 Brinkby Grove dropped

down to \$994. This quarter it reported a solid \$59 increase in average rent to regain membership in the "\$1,000 Club".

- **Downtown Urban continues to report the highest vacancy.** Although vacancy dropped 1 full percentage point in Q121 to 4.93%, this submarket is almost double the next highest vacancy in the survey: NW Reno weighing in at 2.49%.
- **Overall vacancy dropped significantly from 2.82% in Q420 to 1.95% this quarter.** New properties are continuing to lease up that do not meet the JPG criteria for inclusion, including INOVA and The Lakes at Lemmon Valley. They could be added to the JPG survey in Q2.



**BAD NEWS VOLUME 3:** The Governor's 3/16/20 "no eviction" order was extended - and finally expired 10/15/20. He renewed it on Dec. 15<sup>th</sup> through 3/31/21 - and again thru 5/31/21. He promised this would be the final extension. The federal CDC got into the act on 9/4/20 halting evictions through 1/31/21 - then through 3/31/21 - and again to 6/30/21. The CDC exemption merely requires a tenant "declaration" be signed - and "poof" - no eviction - no proof required. The form on the CDC website comes in 8 languages - including Somali and Amharic, an Ethiopian Semitic language. [ED: why?]

### **About the Author**

Rowley Real Estate Advisors went live on November 1, 2018 as the culmination of Floyd's brokerage career in northern Nevada. Previously, Floyd joined the Johnson Group in January 2011, after for 7+ years as Sr. Vice President for the Colliers Investment Services Group locally. Floyd represents buyers or sellers of large investment properties: apartments, office buildings, retail centers and industrial. Floyd also does leasing, sale-leasebacks and build-to suit leases. In the last ~18 years, Floyd has closed \$284 million in 98 transactions, of which ~\$110 million were apartments or apartment land. Floyd has completed 74 broker price opinions totaling \$519 million, many during the Great Recession, resulting in \$71 million of listings, mainly apartments and land, since 2009. Floyd hired his son, Trevor, as an associate on December 1, 2018. On March 1, 2021 Trevor started a position as the Development Finance Specialist for the Stitser brother companies. He was a huge contributor on property searches, flyers, tours, research, spreadsheets and cold calls. I miss him already.