



Market Watch

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Northern Nevada Market Overview

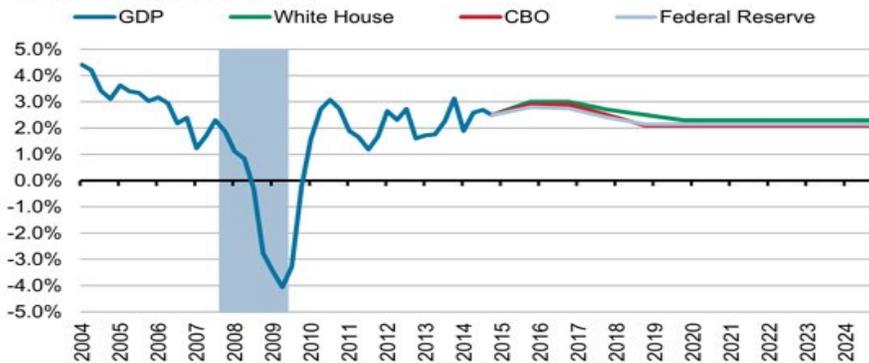
1st Edition 2016

RETAIL MARKET REPORT

Local experts are bullish on Nevada & appears only U.S. or global activities can cause a negative affect locally. Here is a global view.

* Looking Up

Year-over-year economic growth and forecasts from the White House, Congressional Budget Office and Federal Reserve. The Fed reports a range of forecasts -- only the midpoint of that range is shown.



*Source: White House, CBO, Federal Reserve, Labor Depart. | WSJ.com

2015 AT A GLANCE

Throughout 2015, economic headlines were dominated by questions about whether the Fed Reserve Board of governors would raise interest rates. Signs of growth led to a hike in the federal funds target rate. During the last meeting of the year, Board members settled the issue by raising the target funds rate by a quarter percent in response to limited but sustained signs of growth.

Some of these signs included an improving housing sector as both the number of house sold & home prices were generally on the rise throughout the year & slow but steady improvement in the jobs arena, with unemployment falling to 5% by year's end. Inflation remained low & gas prices dropped to an average retail price of about \$2.00 a gallon, both of which helped contribute to solid consumer confidence numbers. However, manufacturing & industrial production were notable exceptions to the good news, posting annual declines towards year's end.

Perhaps because of the mixed signals, equity investors experienced a roller coaster throughout the year. Markets posted strong gains in February, reached a trough in late summer, peaked briefly in October, & finished the year with another dip. The Nasdaq was the year's only respectable finisher, while the Russell 2000 & Global Dow took the hardest hits. The S&P was nearly flat, & the Dow lost a little more than 2%. In other markets, the hike in interest rates didn't seem to affect Treasury prices too dramatically as the yield on the benchmark 10-year bond ended the year just 9 basis points higher than where it started. Oil prices continued to fall in 2015, closing the year at less than \$40 a barrel. Although a boom to consumers at the pump, the drop in energy prices influenced the overall market declines. Gold posted its third consecutive yearly decline in 2015, finishing the year about \$120 per ounce

lower than where it started. On the other hand, the US Dollar gained strength against many of its major trading partners, closing about 9% higher, on average, than at year-end 2014. This strength led to weaker exports, as international consumers were less interested in purchasing higher priced US goods.

Globally, terrorist activity at home & abroad remained in the headlines & kept the world on edge, while economic troubles in China & Greece captured investor attention. China's economy, the world's second largest, experienced a slowdown that prompted several government interventions & sent shockwaves throughout international markets. Greece, forced to close its banks & stock market at mid-year amid heated negotiations with its European creditors, was eventually able to work out a deal resulting in even more stringent austerity measures.

As 2016 gets underway, several questions weigh on the minds of investors:

- Will the Fed see fit to raise rates again?
- Will oil prices continue to fall, & if so, how long will they go?
- Will a strong dollar continue to drag down exports?
- Will the election of a new US President have an impact on the markets?
- Will the world's second largest economy be able to right its ship?

CITICENTER DOWNTOWN PROPERTY

Not long ago this property wedged between Plaza, 4th & Center Streets, was our city bus transit center. The Reno Aces owners were supposed to purchase & develop it, but that never happened. Mayor Hillary Schieve wants to present the problem property to an Institute of City Design append for ideas before coming back & soliciting developers.

This is a tough property to develop with no on-site parking, surrounded by pawn shops, smoke shops a bowling alley, the public can't use & a ballroom & events center that are not in full-time use. Then again, it is a half block from major hotel-casinos, it is on the walking route for pro-bowlers using the bowling stadium, concert goes off to the Events Center & people attending special events at the ballroom. It also borders the Re-TRAC Master Plan which encourages east-west pedestrian foot traffic along 3rd St to Plaza Street. The property has 2 decent buildings, both with restrooms with a plaza between the buildings, what could this become? This property is a key piece in creating the east-west greenbelt from the hotels/casinos to the ballpark district, & should encourage walkability along this corridor by providing something enticing to pedestrians. Hopefully, the public & local media will have the opportunity to weigh in on proposed concepts submitted by the private developers. Could this project be treated like the Virginia Street Bridge? Public input directs the city council to tell developers what they'd like to see here?

STREET CAR PROJECT

The RTC board seemed to deny the Street Car Project funding for further study, & directed Streetcar Coalition to work with the community to raise funding. RTC is not going to spearhead any further studies regarding the project. RTC's last estimate put the cost at about \$30million per mile. A suggestion for streetcar/trolley car on wheels was mentioned, but RTC has not discussed & alternatives at this time.

UNIVERSITY CENTER REGIONAL PLAN

The current plan adopted in 2005, for the most part turns its back on the downtown area & focuses future development to the east of the university, but...things have changed a lot since then...IBM smarter Cities Challenge, Mayor's Institute of City Design & a new Council Strategic Plan Priority all coming together to propose closing the gap between downtown & UNR, to develop a university gateway & a University Town image. Now there's a plan to expand RTC Rapid north to UNR & expand the university boundary into the downtown core.

Campus Gateway District is between 8th, 9th, Evans & Virginia Streets. Public-private partnership opportunities exist (UNR, the city & private development). This includes creating such effects as a gateway presence along Virginia St. between 8th & 9th, vacating alleyways, unifying landscape just to say a bit. The plans also call for making Center Street pedestrian only between 8th & 9th Streets & incorporating RTC's plans to expand RAPID up N. Virginia St. creating several multi-modal hubs in the process.

One of Reno's last groupings of Victorian style homes are in the area of the UNR Gateway District. Should this historical area be preserved? Most of these properties are already owned by UNR. They are working on purchasing all of them. Because UNR is a state entity, their permitting & demolition permits are not subject to City of Reno review, nor is UNR subject to local permitting regulations.

University District (south of I-80), the key focus here is UNR-related development, but with no UNR ownership in the near term. This requires private & public partnerships between the City & private entities – UNR should play a stimulant role to show commitment. With the university's projected growth in students there is a huge demand for private sector housing in the university district. Details on the 'Downtown Action Plan' will be release this month. They hope to have the plan done in 7 months. The plan will focus on challenges related to blight, homelessness, weekly motels, & the positives like an increase in housing options, investments, etc. The RFP will be set not to exceed \$100,000.

RETRAC COVERS

The council approved the Nevada Museum of Art to hold a meeting to discuss the community input. The Nevada Museum of Art wants to host in its new skyroom. Guests will include 24 nationally known architects & designers who will come up with concepts. This will happen in the next 6 weeks or so. It will be an 8-hour brainstorming session that will be recorded. Once the ideas are flushed out there will be input from the public & those directly neighboring the trench covers. Then go back through the process, the Redevelopment Advisory Board, maybe the Ward One Neighborhood Advisory Board & the city council. Once approved, funding options can be discussed. Rumor has it there has been discussion about neighborhood improvement grants & maybe surrounding property owners contributing.

RAAB REPORT (RENO AGENCY ADVISORY BOARD)

Originally the Siegel Group had plans to take full control of West Street Plaza, aka Brick Park, but now they have scaled it down to 2,500/SF. Both RRAB & the Parks & Rec Commission recommended not to sell Brick Park to Siegel Group. At the February 24th Council Meeting the minutes from the RAAB meetings & the Parks & Rec commission along with proposals/ options to both lease & sell the land will head the meeting. An updated appraisal of the property will be present to determine the proper lease/price of the 2,500/SF & what the listing price should be, if the counsel chooses that option.

RENO RENTS ON THE UP SWING

Reno ranks #3 for increases in apartment costs for January February 2016, according to apartment search company, Abodo. Nevada was recently mentioned as #7 nationwide for movers, by national moving company, United Van Lines.



Copy & Paste into Browser: <http://vsbreno.com/vsb-cam/>

Watch LIVE construction progress of the new Virginia Street Bridge. The image is updated every 15 minutes.

New Additions:

Pertici Industries - Italian-based door & window manufacturer @ 5350 Capital Court, #107. Pacific North America, a subsidiary of the Tuscany based company chose northern Nevada because we have a great labor market & it will be easy to scale up their operations to reach their customers in 11 western states. They are a fully-stocked subsidiary, with approximately 5,000/SF of office, showroom & warehouse space. The full working showroom with machinery, particularly for the aluminum & PVC door & window industry.

50 S. Virginia Street (Original Post Office) The Basement- grand opening Saturday, Feb 20 - Mom & Pop Nevada businesses - amazing shops! 2nd & 3rd floors - have been designed for office space. A lecture hall will be ready in for speakers & music in a couple months.

Stark & Associates Commercial Real Estate/TCN - Nevada Properties has joined the Stark Enterprises, Inc. family. Located at 214 West Robinson Street in Carson City, they will be known as **Stark & Associates Northern Nevada Properties**. Stark Enterprises, Inc. formed in 1996, is the parent company of Stark & Associates Commercial Real Estate, Stark Realty Homes & Land, a residential real estate company and Tenant Rep. U.S., a national commercial real estate search organization.

Up & Coming:

Virginia Street Bridge Ribbon Cutting will be Tuesday, April 12, 2016 @ 11am - stay tuned for more details.

Cal Neva is now looking at May 2016 to reopen – they will offer a refurbished non-smoking casino with table games & slots. The Frank Sinatra Room to be restored & upgraded.

Kauboi Izakaya, a new Japanese Restaurant in Midtown. Owners of LuLou's are opening this informal style eatery, along the lines of a tavern or a pub. Cooking on Japanese charcoal grilled foods, dumplings, noodles, rice dishes & NO sushi of any sort. Coming in April between the Chocolate Walrus & Sierra Nevada Chocolate.

Construction/Change:

1401 Midtown/Tonopah Lofts - Located on the corner of Tonopah & W. Pueblo Streets, a massive project - backside is Tonopah Lofts, a group of 4 duplexes creating 8 residences, lot sizes averaging 1,594/SF. The flip side is 1401 Midtown - the former 9,000/SF Heritage Bank building will be expanded into a 21,000/SF office/retail space—confirmed tenants are; Bristlecone Holdings headquarters, a high tech company with a unique way to calculate a loan risk, Morgan's Lobster Shack - This Truckee restaurant & seafood shack has a 4-star rating & SDL Jewelry - will be Reno's largest - at over 5,000/SF - independent jewelry store.

Hudson Project

Center Lodge has been purchased! Purchased by Allyson & Victor Rameker, owners of Desert Wind Homes, specializing in housing communities & in-fill.

Pine Foods & Spirits Building—Liquor store is gone & fencing is up around the property.

The Historic Hudson Building — The brown paint has been blasted off exposing the original brick. Massive interior demolition is happening.

10 State Street - Has been purchased & the faux-stone façade on the first floor is being removed by construction workers.

Pine Street Apartments - Interior renovations are in progress now.

Siena/Renaissance Hotel - The interior façade of the Siena has come down.

Rumors:

Rockbar headed to the Virginian - Rockbar Theater—a one-of-a-kind concert venue from San Jose is expanding to Reno, as the main entertainment venue for the Virginian—Currently this location is being converted the Siegel Groups 'Siegel Suites' model of residences.

The Hudson Building - Originally slated for lofts, may end up being retail.

Student Housing Project beginning Downtown - Between 6th & 7th Streets & between Center & Lake Streets.