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Commentary

Are Chinese, Japanese Investors Looking For Dirt In Reno?

SEPTEMBER 11, 2017 | BY NATALIE DOLCE

GlobeSt.com recently chatted with Kelly Bland, a SVP and principal with NAI Alliance, the Reno Affiliate of NAI Global, who takes a closer look at the economic boom here.



Grocery is one of the hottest retail occupiers in the Reno market right now.

Four hundred and forty eight miles to the north of the glitter on the Las Vegas Strip, Nevada's "second city," Reno, is undergoing an economic boom reminiscent of 1858 when the Comstock Lode of silver was discovered and Nevada became a prosperous mining state on par with neighboring California and its gold. That is according to Kelly Bland, a SVP and principal with NAI Alliance, the Reno Affiliate of NAI Global. In the exclusive commentary below, Bland talks about how Reno draws from the Northern California market, about quick service restaurants, about how the Tesla battery factory and the impact it has had on the market, and why foreign money is flocking.

The views expressed below are the author's own.

The Reno Sparks MSA unemployment peaked in January of 2011, at 14.2%. As recent as the fourth quarter of 2014 the overall retail vacancy for the region was 16.59%, yet anchor space was 14%. And then the "Tesla Lottery" winner was picked and it was Nevada (beating out Texas and California).

Everything changed in September of 2014 when Tesla announced it would build its battery "Gigafactory" in Reno.

Nevada purportedly offered Elon Musk's company \$400 million in tax credits to lure the battery production facility deal, an immediate boon to the region in terms of jobs. The Tesla factory, which is being built in Storey County where Virginia City, has employed thousands of construction and construction-related jobs to support the service economy. Once Tesla's factory is operational (in the initial phase), Tesla itself is expected to employ 6,500.

Tesla's \$5 billion factory currently has three floors, each with approximately 1.5 million square feet of space. Bland said there are plans to expand the factory to over 10 million square feet.

By the fourth quarter of 2016, overall retail vacancy had declined over 200 basis points, to 14.45%, while anchor space declined to 13.28 percent. Meanwhile, the MSA unemployment rate had plummeted to 4.9% and has since fallen further, to 4%. In other words, Reno Sparks is an economy at nearly full employment and the retail market is one of the beneficiaries of all those new jobs and population growth.

Employment growth has been stronger in Reno than all other Nevada cities, increasing 4.2% (9,000 new jobs) in the 12 months from March 2016 to March 2017, according to the State of Nevada Department of Employment, Training and Rehabilitation. By comparison during the same period, Las Vegas' job growth rate was 3.7% and Carson City's was 1.8% year-over-year. Tesla isn't the only game in town. Data center company Switch is building a 1.3 million-square-foot, 130-megawatt facility in Tahoe Reno Industrial Center in McCarron with plans to eventually have 7.2 million square feet of data center buildings in the park. Tesla's facility is also in Tahoe Reno Industrial Center, a huge, 107,000 acre land mass that is larger than Reno and Sparks combined. Wal-Mart stores, Alcoa Inc. and PetSmart are other big tenants in the park. In December 2016, brokers associated with Tahoe Reno Industrial Center projected that they would close contracts to occupy another 4,000 to 5,000 acres by the end of last year and into the middle of 2017. Reno's proximity to Interstate 80 and the northern gateway to California has long been a major distribution hub in the Western United States, and it will only get stronger.

Rooftops Drive Retail

There's a lot of housing stock under construction, being delivered and planned to keep up with demand.

Indeed, in 2014 there were 1,495 building permits issued for single family homes in Reno, Sparks and Washoe County combined, and 627 multifamily units, according to data collected by the Builders Association of Northern Nevada. For 2015, the numbers (permits) jumped to 2,010 and 781 respectively, then 1,988 new single-family home permits in 2016 along with 1,131 apartment units, while through June of 2017, 904 home permits and 1,067 multifamily permits were issued in the two cities and county, the builders' association reports.

However, construction of new homes and apartments remains well off the pace of earlier growth cycles. During the boom years of 2004, 2005 and 2006, 13,629 permits were pulled for single family homes in the Reno market, or an average of 4,543 per year during that three-year span, according to Don Tatro, Executive Director of the Builders Association of Northern Nevada. Even so, retail is right behind housing in Reno in the current economic expansion.

South Meadows Promenade at Gateway Drive and South Meadows Parkway is the city's newest shopping center. It is anchored by Sprouts market (which is new to Reno) and Marshall's. Chipotle Mexican Grill, a bank and other retail pads are slated for the rest of the neighborhood-serving center. Sprouts is also in the process of opening a 20,000 square-foot-store at Sparks Galleria in Sparks, adjacent to a new Marshall's and HomeGoods combination store. HomeGoods is owned by TJX, which also owns T.J. Maxx and Marshall's. The combo store at Sparks Galleria will be about 40,000-square feet.

The new Sprouts at South Meadows Promenade

In fact, grocery is one of the hottest retail occupiers in the Reno market right now. Natural Grocers, which originally started as the Vitamin Connection and was focused on just vitamins and health supplements out of Colorado, recently opened a full grocery store at Firecreek Crossing in Reno. The Reno market has a Whole Foods and a Trader Joe's.

Another big retail trend in Reno is growth in quick-service restaurants. Five Guys (burgers) recently started opening stores in the market, and Burger Me, a local concept out of Truckee on the California side, opened a restaurant on Reno's Robb Drive. Additionally, Chick Fil A is opening restaurants on McCarron Boulevard as well as one at The Legends at Sparks (the outlet mall serving the region).

Meanwhile, late last year Reno Land Inc. bought the land where the 1960s era, older generation Park Lane Mall had been located from San Francisco-based M&H Realty Partners. Park Lane had been vacant since 2009 and was taken down shortly thereafter. In its place, Reno Land is building a mixed-use project that is slated to have 1,619 apartments, about 45,000 square feet of office and 85,000 square feet of street-oriented, retail and entertainment space.



Natalie Dolce ›

Natalie Dolce, national executive editor of GlobeSt.com, is responsible for working with editorial staff, freelancers and senior management to help plan the overarching vision that encompasses GlobeSt.com, including short-term and long-term goals for the website, how content integrates through the company's other product lines and the overall quality of content.