

BOARD OF REGENTS  
BRIEFING PAPER

- 1. Agenda Item Title:** University of Nevada, Reno - Authorization to Sell  
Properties Located in the Stead Area, City of Reno, Nevada

**Meeting Date:** December 3 - 4, 2015

**2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

Summary: The University of Nevada, Reno is seeking Board of Regents pre-approval to sell up to ten parcels of property in the Stead industrial area at or above their recently appraised (October 15, 2015) values and to allow the Chancellor or his Designee to sign all necessary sale related documents.

Real estate activity in the Stead market has increased of late and the University is aware of several missed opportunities for a sale of property due to potentially extended timeframes associated with Board approval. The elapsed time between a signed Purchase and Sale Agreement and final Board approval can, depending upon meeting dates, take up to five months which is unresponsive to the needs of most buyers. The University believes this request for pre-approval is very much in keeping with the Board's expressed goal of becoming more efficient and effective in our business processes.

Background of Properties: The subject properties were part of an Air Force Base which was deactivated in 1966. The land and buildings were donated by the United States Government to the University of Nevada, Reno in 1968. For many years the buildings on the property were primarily utilized by the University as part of Job Corps, which itself relocated in 2003. The buildings on the properties are over 50 years old and located over 10 miles from University of Nevada, Reno's main campus. The properties have been underutilized and generally vacant for the last several years. There are no long-term foreseeable uses of these properties identified in the University's Master Plan.

In January of 2013, upon obtaining written approval from the Chancellor to hire a broker and market the properties, a request for proposal was issued and Stark & Associates was selected. The listing agreement was terminated by the University one year later due to a lack of offer activity. A new request for proposal was issued and awarded to NAI Alliance in early 2015.

Current Challenges to Selling Properties: Potential buyers have opted to not initiate negotiations, or have even terminated negotiations, based on the length of time required for final Board of Regents' approval, which can range from 2 to 5 months depending on meeting dates. Examples of challenges that have had an effect on a potential Buyer's willingness to proceed include:

- 1031 property exchange deadlines.
- Buyers' immediate or near-term use of the property.
- Buyers' reluctance to go through the process and expense of due diligence, knowing the Board of Regents can ultimately deny the sale.
- Brokers not presenting properties to potential Buyers due to the perceived length of the approval process.

Requesting Pre-Approval to Sell Properties: Board of Regents pre-approval to sell the properties would result in more customary negotiation and acquisition timeframes to expedite occupancy requirements, financing and other property development needs. According to Broker feedback, sales currently take from 30 to 90 days from initial offer to close of escrow, including standard due diligence periods of 15 to 60 days. Pre-approval to sell would put the Nevada System of

Higher Education in a better position to maximize sale prices and increase the probability of closing sales.

Prior to the Chancellor approving and executing any sale documents, the Resolution requires that he consult with the Investment and Facilities Committee Chair and with the Vice Chancellor for Legal Affairs. The University will provide a status report on sales to the Board approximately every six months.

Conditions of the Pre-Approval would be:

- Properties must be sold at or above appraised value.
- Appraised value must have been assessed within one year of the sale.
- Appraiser must have an MAI commercial designation.
- Both the University of Nevada, Reno and Nevada System of Higher Education General Counsels must approve all contracts and closing documentation prior to execution.
- Chancellor or Designee would be required to sign all documentation required for the sale of the property.
- Notice to the Board of Regents would be given upon close of sale.

Location of Properties: The subject properties are located in the Stead Area of the City of Reno. (Exhibits 1 & 2).

Appraisal: An updated appraisal was completed in October of 2015, and the current market values, as determined by the comparison sales approach are attached (Exhibit 3). Appraised values are listed in the table below:

General Property Identification and Site Description: The subject area consists of ten (10) properties listed below:

<b>APN#</b>	<b>Acres</b>	<b>Address</b>	<b>Appraised Value</b>
086-143-05	12.492	Echo Ave	\$1,200,000.00
086-142-04	3.896	13905 Mount Vida St	\$480,000.00
086-951-01	1.7513	Texas Ave	\$190,000.00
086-151-08	1.3015	Fox Ave	\$140,000.00
086-151-07	2.31	5600 Fox Ave	\$515,000.00
086-154-04 & 086-130-04	38.82 & 7.76	Military Road/Mt. Limbo	\$3,800,000.00
086-951-04	0.927	5210 Alpha Ave	\$115,000.00
086-951-02 & 086-951-03	0.5317 & 0.4289	5257 Bravo Ave	\$265,000.00

Resolution: The University seeks approval of a Resolution authorizing the Chancellor or his Designee to approve and execute documentation to sell the above referenced properties for an amount no lower than the appraised values, and to sign corresponding escrow and title documents associated with the sale(s) and close of escrow. (Exhibit 4.)

**2. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

University of Nevada, Reno President Marc Johnson is requesting:

1. Board of Regents' Pre-approval to sell ten properties in the Stead area of Reno, Nevada for a sale price at or above current appraised value with status reports provided by the University of Nevada, Reno to the Board approximately every six months.
2. Board of Regents' approval of a resolution authorizing the Chancellor or his Designee to approve and execute, after consultation with the Investment and Facilities Committee

Chair and the Vice Chancellor of Legal Affairs, documentation to sell the properties for an amount no lower than the appraised values, and to sign corresponding escrow and title documents associated with the sale(s) and close of escrow.

**3. IMPETUS (WHY NOW?):**

- Pre-Approval will allow for response to potential buyers within commercially acceptable timeframes, which will allow for negotiation of the highest and best terms for the properties.
- The properties are not located within the master plan of the University.
- Properties have no intended use for UNR future plans.
- Properties are vacant and have no current primary users or occupants.
- Properties would require substantial additional investment if they were to be retained for an occupied use.

**4. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- Sale of the properties will provide proceeds for the University of Nevada, Reno.
- Properties will only be sold at a sales price higher or equal to the appraised value.

**5. POTENTIAL ARGUMENTS AGAINST THE REQUEST RECOMMENDATION:**

None

**6. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

Pass on the opportunity to pre-approve sale at this time, and risk the following:

1. Loss of potential buyers to other purchase options in the area with more favorable transaction timeframes.
2. Further deterioration of the properties
3. Liability of unoccupied, unmonitored properties
4. Incurring the cost of ongoing expenses of maintaining the properties, including landscaping and repairs

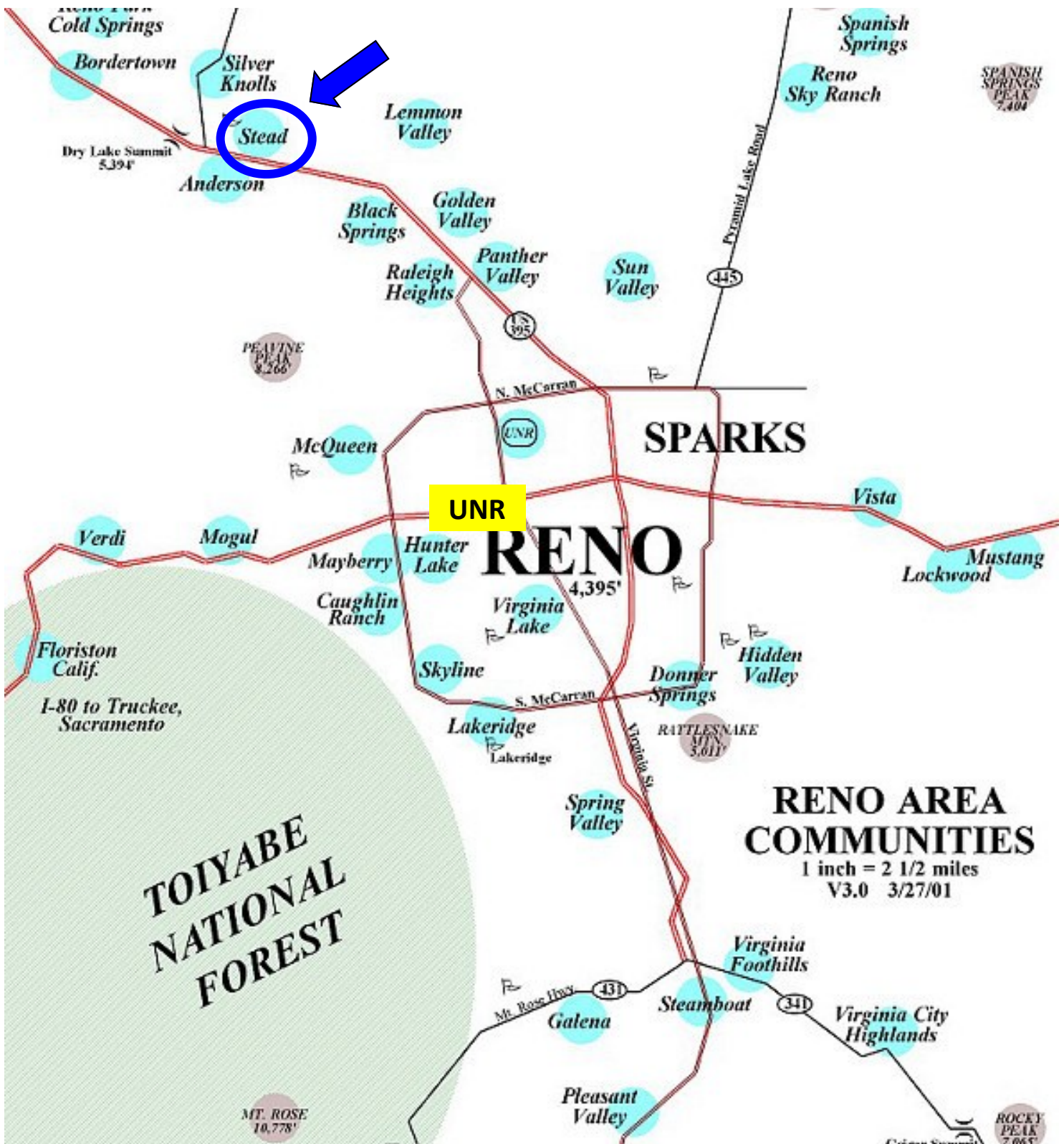
**7. COMPLIANCE WITH BOARD POLICY:**

Consistent With Current Board Policy: Title #4 Chapter #10 Section #1.9  
 Amends Current Board Policy: Title # \_\_\_\_\_ Chapter # \_\_\_\_\_ Section # \_\_\_\_\_  
Other: \_\_\_\_\_  
Fiscal Impact: Yes \_\_\_ No X\_\_\_\_  
Explain: Proceeds resulting from sale of the properties.

\_\_\_\_ Reviewed by Chancellor

\_\_\_\_ Reviewed by General Counsel as to form

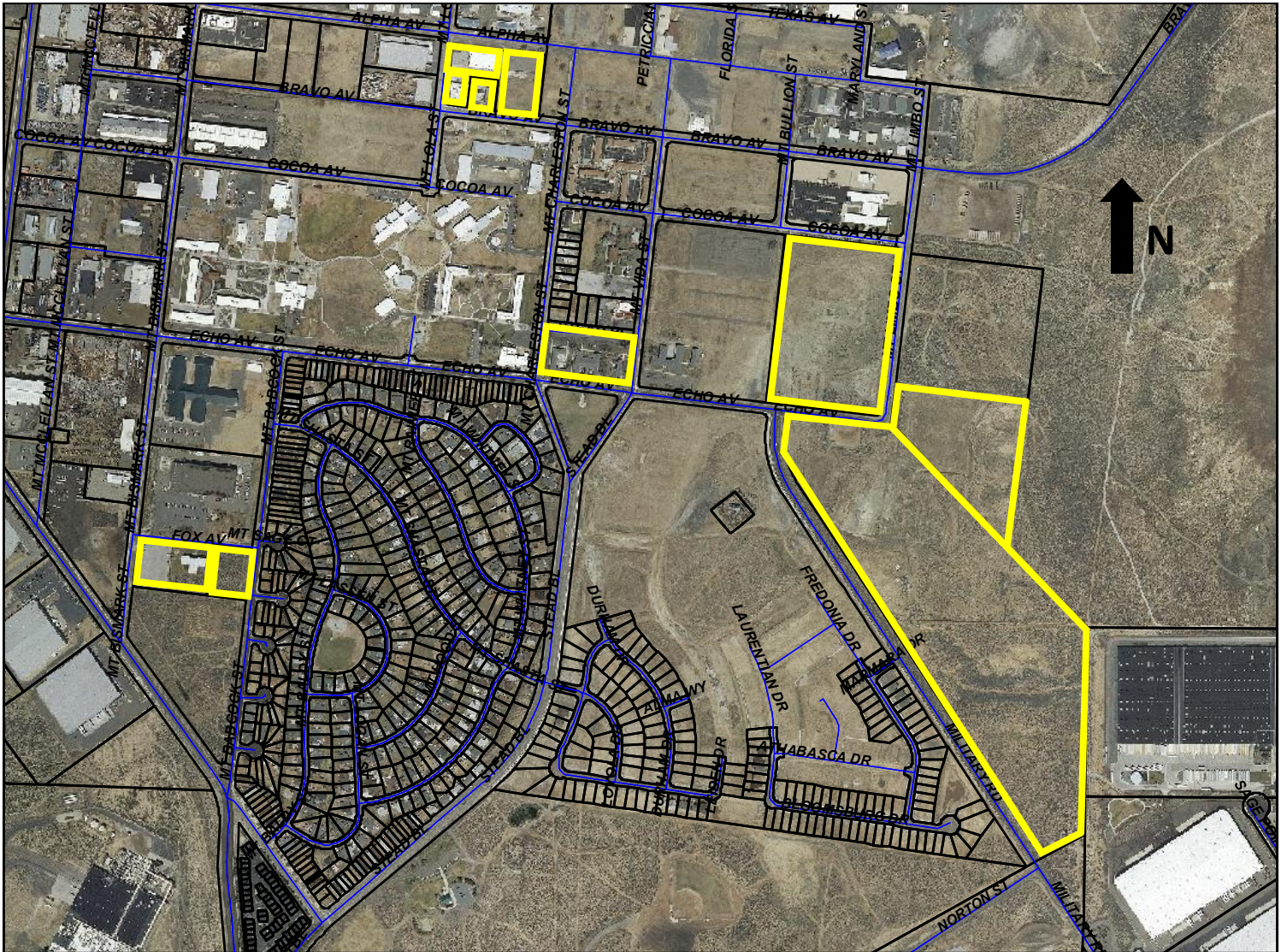
**EXHIBIT 1**  
**Stead Properties**  
**University of Nevada, Reno**





# EXHIBIT 2

## Stead Properties



Stead Properties are shown in the yellow lines



JOHNSON | PERKINS | GRIFFIN  
REAL ESTATE APPRAISERS & CONSULTANTS

AN UPDATE APPRAISAL OF

UNIVERSITY OF NEVADA  
STEAD PROPERTIES

LOCATED ON

Military Road, Echo Avenue, Mt. Limbo, Alpha Avenue,  
Bravo Avenue, Mt. Babcock Street and Fox Avenue  
Reno, Washoe County, Nevada

OWNED BY

UNIVERSITY OF NEVADA  
BOARD OF REGENTS

PREPARED FOR

UNIVERSITY OF NEVADA, RENO



An Update Appraisal Of

# UNIVERSITY OF NEVADA STEAD PROPERTIES

LOCATED ON

Military Road, Echo Avenue, Mt. Limbo, Alpha Avenue,  
Bravo Avenue, Mt. Babcock Street and Fox Avenue  
Reno, Washoe County, Nevada

OWNED BY

UNIVERSITY OF NEVADA  
BOARD OF REGENTS

Prepared For

University Of Nevada, Reno

For The Purpose Of  
Estimating Market Value  
As Of  
October 16, 2015





October 20, 2015

Via Email: [tmiller@unr.edu](mailto:tmiller@unr.edu)

Mr. Troy Miller, Director of Real Estate  
 Business Center North  
 University of Nevada, Reno/239  
 95 North Center Street  
 Reno, Nevada 89557-0239

Re: University of Nevada Stead Properties

Dear Mr. Miller:

This is in response to your request for an update appraisal of the University of Nevada Stead properties, generally located on Military Road, Echo Avenue, Mt. Limbo, Alpha Avenue, Bravo Avenue, Mt. Babcock Street and Fox Avenue, Reno, Washoe County, Nevada. The subject properties are owned by the University Of Nevada Board Of Regents.

The following charts summarize the individual subject properties.

**VACANT LAND PROPERTIES SUMMARY**

<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>
L-1	086-154-04 SEC Military Road and Echo Avenue; 086-130-04 East side Mt. Limbo at Echo Avenue	Urban Residential Industrial IB	38.82 Ac. 1,690,995 SF 7.76 Ac. <u>338,026 SF</u> 46.58 Ac.
L-2	086-143-05 West side Mt. Limbo between Echo Ave. and Cocoa Ave.	Industrial 1C	12.492 Ac. 544,152 SF



<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>
L-3	086-142-04 North side Echo Ave., between Mt. Vida and Mt. Charleston	Urban Residential MF - 43	3.896 Ac. 160,710 SF
L-4	086-951-01 South side Alpha Ave., north side Bravo Ave., 263' E. of Mt. Lola St.	Industrial IC	1.7513 Ac. 76,287 SF
LS-5	086-151-08 West side Mt. Babcock St., 850' N. of Mt. Anderson St.	Industrial IC	1.3015 Ac. 56,694 SF

### IMPROVED PROPERTIES SUMMARY

<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>
I-1	086-151-07 5600 Fox Avenue	Industrial IC	2.31 AC 100,624 SF
I-2	086-951-04 5210 Alpha Avenue	Industrial IC	.927 Ac. 40,378 SF
I-3	086-951-03 5257 Bravo Ave. 086-951-02 5257 Bravo Avenue	Industrial IC Industrial IC	.4289 Ac. 18,684 SF .5317 Ac. 23,162 SF

This update appraisal is being prepared for the purpose of estimating the Fee Simple Market Value of each of the subject properties as of a current date of valuation. The appraisal report will be utilized to assist the client in establishing a reasonable asking price with respect to the subject properties, as well as for internal management purposes. Any other use of the appraisal report requires the written authorization of this appraiser.

This is an update appraisal which is intended to be utilized in conjunction with the prior appraisal of the subject properties prepared on December 17, 2014, with an effective date of November 12, 2014.

The intended users of this report include the University Of Nevada Board Of Regents, the University of Nevada, Reno, and their designated representatives. The client of this assignment is the University of Nevada, Reno.

The appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an appraisal report. In addition, this report is intended to comply with the reporting requirements of



Advisory Opinion AO-3, a new assignment of a prior assignment of the Uniform Standards of Professional Appraisal Practice. As such, it will present summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop the appraiser’s opinion of value. Supporting documentation concerning the subject data, reasoning and analysis will be retained in this appraiser’s file. The depth of the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein. This appraisal firm is not responsible for unauthorized use of the report.

This report sets forth pertinent data, statistics and other information considered necessary to establish the market value of the each of the subject properties’ fee simple interest as of the effective date of valuation

After careful consideration of all data available and upon thorough personal inspection of the subject properties and the comparable properties analyzed, it is my opinion that the Market Value of the each of the subject properties fee simple interest, as of October 16, 2014, is:

**VACANT LAND MARKET VALUE CONCLUSIONS**

<b>Subject Identification</b>	<b>A.P.N. Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>	<b>Market Value Conclusion</b>
L-1	086-154-04 SEC Military Road and Echo Avenue; 086-130-04 East side Mt. Limbo at Echo Avenue	Urban Residential I Industrial IB	38.82 Ac. 1,690,995 SF 7.76 Ac. <u>338,026 SF</u> 46.58 Ac	\$3,800,000
L-2	086-143-05 West side Mt. Limbo between Echo Ave. and Cocoa Ave.	Industrial IC	12.492 Ac. 544,152 SF	\$1,200,000
L-3	086-142-04 North side Echo Ave., between Mt. Vida and Mt. Charleston	Urban Residential MF – 43	3.896 Ac. 160,710 SF	\$480,000
L-4	086-951-01 South side Alpha Ave., north side Bravo Ave., 263’ E. of Mt. Lola St.	Industrial IC	1.7513 Ac. 76,287 SF	\$190,000
LS-5	086-151-08 West side Mt. Babcock St., 850’ N. of Mt. Anderson St.	Industrial IC	1.3015 Ac. 56,694 SF	\$140,000





**IMPROVED PROPERTIES MARKET VALUE CONCLUSIONS**

<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>	<b>Market Value Conclusion</b>
I-1	086-151-07 5600 Fox Avenue	Industrial IC	2.31 AC 100,624 SF	\$515,000
I-2	086-951-04 5210 Alpha Avenue	Industrial IC	.927 Ac. 40,378 SF	\$115,000
I-3	086-951-03 5257 Bravo Ave. 086-951-02 5257 Bravo Avenue	Industrial IC	.4289 Ac. 18,684 SF .5317 Ac. 23,162 SF	\$265,000

**WATER RIGHTS MARKET VALUE CONCLUSION**

<b>Typical Amounts</b>	<b>Indicated Value</b>
.047AF to 13.98 AF	\$6,500 / Acre Foot

Respectfully Submitted,

Reese Perkins, MAI, SRA  
 Nevada Certified General Appraiser  
 License Number A.0000120-CG



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**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

**Effective Date Of Valuation: October 16, 2015**

**VACANT LAND MARKET VALUE CONCLUSIONS**

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L-1	086-154-04 SEC Military Road and Echo Avenue; 086-130-04 East side Mt. Limbo at Echo Avenue	Urban Residential I Industrial I3	38.82 Ac. 1,690,995 SF 7.76 Ac. <u>338,026 SF</u> 46.58 Ac	\$3,750,000
L-2	086-143-05 West side Mt. Limbo between Echo Ave. and Cocoa Ave.	Public Facility PF	12.492 Ac. 544,152 SF	\$1,150,000
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L-4	086-951-01 South side Alpha Ave., north side Bravo Ave., 263' E. of Mt. Lola St.	Public Facility PF	1.7513 Ac. 76,287 SF	\$190,000
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**WATER RIGHTS MARKET VALUE CONCLUSION**

<b>Typical Amounts</b>	<b>Indicated Value</b>
<b>.047AF to 13.98 AF</b>	<b>\$6,500 / Acre Foot</b>



### **PURPOSE OF APPRAISAL**

The purpose of the appraisal is to estimate the Market Value of the fee simple estate of each of the subject properties as of a current date of valuation.

### **INTENDED USE OF APPRAISAL**

The intended users of the appraisal report include the University of Nevada, Board of Regents, the University of Nevada, Reno and their designated representatives. The intended use of the appraisal report is to assist the client in establishing a reasonable asking price with respect to the each of the subject properties as well as for internal management purposes. The client in this appraisal assignment is the University of Nevada, Reno.

### **PROPERTY RIGHTS APPRAISED**

The appraisal report will address the fee simple market value of each of the subject properties. Fee Simple estate is defined as “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”<sup>1</sup>

### **EFFECTIVE DATE OF VALUATION**

The opinions of value, as set forth in this report, apply as of October 16, 2015.

### **COMPLETION DATE OF REPORT**

This report was completed on October 20, 2015.

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<sup>1</sup> Source: The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 78.

### **MARKET VALUE DEFINED**

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- 3) A reasonable time is allowed for exposure in the open market;
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>2</sup>

### **TYPE OF REPORT**

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* for an appraisal report. As such, it presents only summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the subject data, reasoning and analysis will be retained in this appraiser's file. The depth of the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein. The appraisal firm is not responsible for unauthorized use of the report.

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<sup>2</sup> Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696, 12CFR Part 34.42(f)



This is an update appraisal report which is intended to comply with the reporting requirements of Advisory Opinion AO-3, a new assignment of prior assignment, of the Uniform Standards of Professional Appraisal Practice. It is intended that this update appraisal report be utilized in conjunction with the original appraisal report of the subject properties prepared by this appraiser on December 17, 2014, with an effective date of October 16, 2014.





## SCOPE OF APPRAISAL

The preparation of this appraisal included:

- Identification, inspection and analysis of each of the subject properties;
- Identification and analysis of the subject neighborhood;
- Completion of a highest and best use analysis for each of the subject properties;
  
- Valuation Analysis for the Vacant Land Parcels including:
  - Analysis of similar land sales and listings;
  - Preparation of a Sales Comparison Approach to value to arrive at the Market Value of the individual vacant land parcels;
  
- Valuation Analysis for the Improved Properties including:
  - Research and analysis of recent comparable property sales and listings;
  - Preparation of a Sales Comparison Approach to arrive at the Market Value of each of the improved subject properties;
  - Valuation analysis of the Market Value of the excess land associated with 5600 Fox Avenue;
  - Correlation of the approaches to value to arrive at the Market Value of each of the improved subject properties;
- Preparation of the appraisal report in accordance with Standards Rule 2-2(a) and Advisory Opinion AO-3of the Uniform Standards of Professional Appraisal Practice.

## EXTRAORDINARY ASSUMPTIONS

An Extraordinary assumption is defined as “An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”<sup>3</sup> In the preparation of this appraisal assignment, no extraordinary assumptions were made.

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<sup>3</sup> Source: USPAP 2012-2013 Edition, Definitions; The Appraisal Foundation, Page 3.



## **HYPOTHETICAL CONDITIONS**

A hypothetical condition is defined as: “A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis.”<sup>4</sup> In the preparation of this appraisal assignment, no hypothetical conditions were utilized.

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<sup>4</sup> Source: USPAP 2014-2014 Edition, Definitions; The Appraisal Foundation, pg. U3.



### RENO-SPARKS AREA MAP



**RENO-SPARKS AREA ANALYSIS AND DESCRIPTION**

The Reno-Sparks metropolitan area is situated on the eastern slopes of the Sierra Nevada Mountain Range in a large valley known as the Truckee Meadows. Two major freeways serve the region. Interstate 80 runs in an east-west direction through Reno, while U.S. 395/I-580 runs in a north-south direction through Reno. The following summarizes Reno’s vicinity to other major metropolitan areas in the region.

**Miles Between Reno & Major Metropolitan Areas**

Market	Direction From Reno	Miles From Reno
San Francisco	West/Southwest	190± Miles
Los Angeles	Southwest	450± Miles
Portland	Northwest	440± Miles
Salt Lake City	East	520± Miles
Las Vegas	Southeast	450± Miles
Phoenix	Southeast	745± Miles

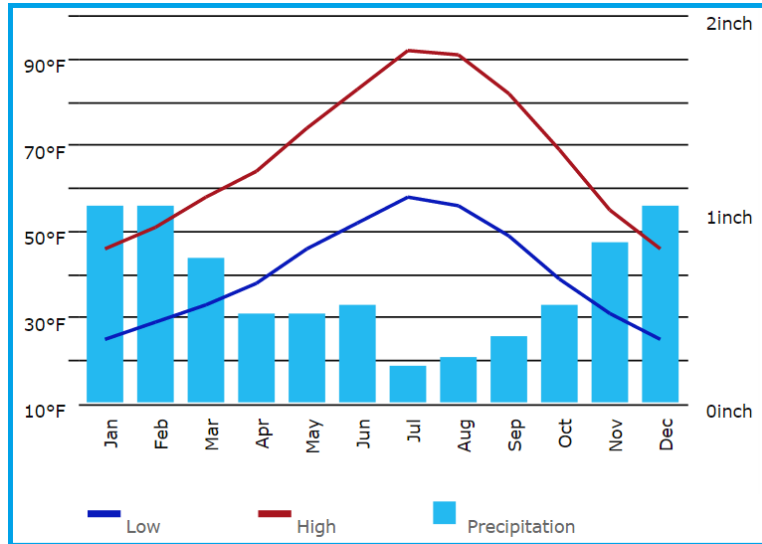
McCarran Boulevard is a ring road that encircles the Reno-Sparks area and facilitates access between the various quadrants of the region. Overall, the Reno-Sparks area has very good roadway and highway access.

The Reno-Sparks metropolitan area’s location is a positive amenity due to its proximity to major California markets, as well as the recreational and scenic amenities afforded by its proximity to the Sierra-Nevada Mountains and Lake Tahoe. Lake Tahoe is a 45-minute drive from downtown Reno and is the second largest alpine lake in the world, with 72 miles of Lake Frontage. Lake Tahoe also offers the greatest concentration of downhill skiing facilities in North America.

The Truckee Meadows is located at an elevation of approximately 4,400 feet above sea level and offers a semi-arid climate. The following chart summarizes weather data for the Reno area.



**Reno Weather Data**



**Reno weather averages**

Annual high temperature:	67.6°F
Annual low temperature:	40.1°F
Average temperature:	53.85°F
Average annual precipitation - rainfall:	7.39 inch
Days per year with precipitation - rainfall:	50 days
Annual hours of sunshine:	3483 hours
Av. annual snowfall:	22 inch

The primary source of water for the region is the Truckee River, which originates at Lake Tahoe, approximately 30 miles southwest of Reno, and terminates at Pyramid Lake approximately 30 miles north of Sparks. The river flows through the heart of downtown Reno and along the southern edge of Sparks. The Truckee River is a major recreational and scenic amenity for the region.

**Population, Growth and Employment**

Since 1970, the Truckee Meadows have been one of the fastest growing areas in the nation, with the population increasing by over 100% by 1990. According to the Nevada State Demographer’s Office at the University of Nevada, the population of Washoe County was estimated to be 427,204 in 2012. The following summarizes historical population estimates for the region.



**Historical Population Estimates**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Reno	206,735	214,371	220,613	223,012	218,143	217,282	222,801	229,859	232,243	235,371
Sparks	85,618	87,846	89,449	91,684	91,237	92,331	92,302	90,214	91,551	92,396
Unincorporated	104,491	106,868	107,999	109,137	107,252	107,766	106,490	107,131	108,530	109,030
Washoe County	396,844	409,085	418,061	423,833	416,632	417,379	421,593	427,204	432,324	436,797

Source: Nevada State Demographer

The downturn in the economy has particularly impacted the labor force in Nevada, although over the past two years unemployment has decreased significantly. Unemployment rates for the United States, Nevada and its three largest metropolitan statistical areas are summarized on the following chart.

**Unemployment Data**

(Source: Nevada Department of Employment, Training & Rehabilitation)

Area	Annual 2009	Annual 2010	Annual 2011	Annual 2012	Annual 2013	Annual 2014	May 2015
United States	9.25%	9.63%	8.95%	8.07%	7.38%	6.17%	5.31%
Nevada	11.31%	13.53%	13.07%	11.17%	9.54%	7.75%	6.56%
Las Vegas MSA	13.76%	13.76%	13.28%	11.26%	9.61%	7.81%	6.61%
Reno-Sparks MSA	11.11%	12.96%	12.66%	11.05%	9.41%	7.45%	6.14%
Carson City MSA	11.05%	13.48%	13.27%	11.74%	10.34%	8.49%	6.93%
Elko MSA	6.28%	7.70%	7.24%	6.33%	6.13%	7.09%	4.78%

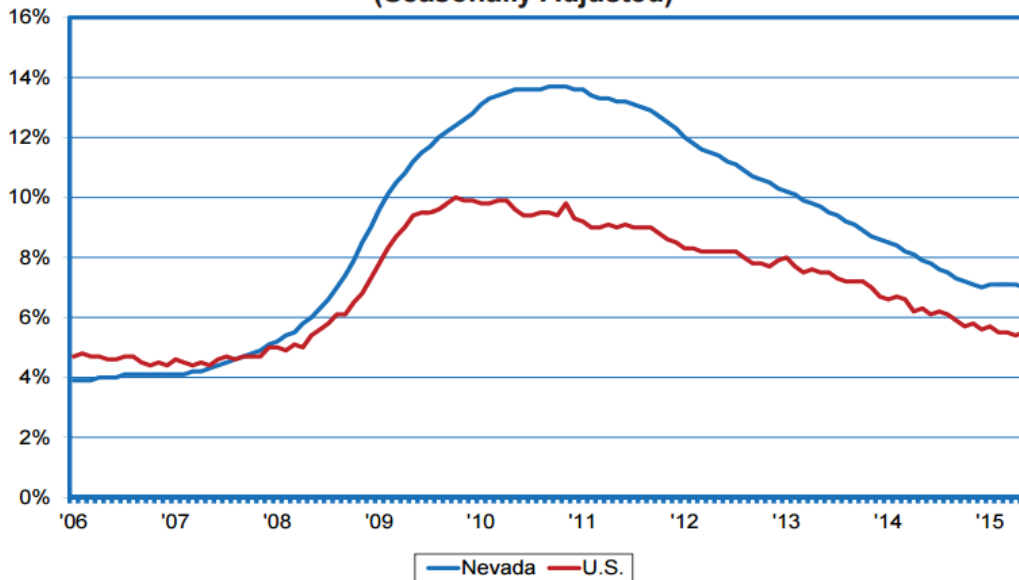
The unemployment rate for Washoe County and Nevada has historically averaged between 1% and 2% below the national average. However, with the economic downturn which began in 2008, Nevada was one of the hardest hit in the nation and currently has among the highest unemployment rate in the country. Improvement is expected in Nevada’s employment outlook, but remains below the pre-recession peak. The following chart summarizes the unemployment rate gap between the State of Nevada and the United States.





## Unemployment Gap-United States Versus Nevada

Unemployment Rate: Nevada vs. U.S.  
(Seasonally Adjusted)



Nevada offers one of the most liberal tax structures in the country. Nevada levies no personal or corporate income tax. Nevada’s Freeport law exempts from taxation merchandise warehoused, assembled or processed in the State of Nevada. Real estate taxes in the State of Nevada are limited by State constitution to a maximum of \$5 per \$100 of assessed valuation. The assessed valuation is 35% of the Assessor’s estimate of the taxable value of the property.

Although not in Washoe County, construction of the new Tesla Gigafactory in nearby Storey County within the Tahoe Reno Industrial Center is expected to have a huge impact on the entire region. On September 5, 2014, Tesla announced that the Tahoe Reno Industrial Park (TRIC), located east of Sparks, had landed the coveted Gigafactory. Over \$1.25 billion in State of Nevada incentives were approved for development of the project. In return, Tesla will be required to complete \$5 billion in capital investments on the facility through 2028. The cost for the building and site infrastructure will be \$1.1 billion. Machinery and equipment will account for the remaining \$3.9 billion, including materials processing and product assembly. Once the 5.5 million square foot facility reaches full operation, it will produce enough batteries for 500,000 Tesla electric cars each year. As part of the deal, the USA Parkway extension will be fast-tracked; this \$43 million project will extend USA Parkway from its current terminus in TRIC, to U.S. Highway 50 in Silver Springs, greatly reducing travel times between Interstate 80

and U.S. Highway 50. In January 2015, Las Vegas-based Switch announced plans to build a 3 million square foot data center project in the same industrial center. The project is expected to be built in phases with a total of \$1 billion in investment with it.

### Gaming and Tourism Market

It is estimated that the Reno-Sparks area currently offers approximately 25,000 hotel and motel rooms. The vast majority of the hotel-casino facilities are located within the downtown Reno core area. As a result, this area is one of the primary employment centers in the Reno-Sparks area. Additional hotel-casino developments are located in southern Reno along South Virginia Street including the Atlantis Casino resort and the Peppermill Hotel/Casino. The Grand Sierra Resort is located on the Reno-Sparks border and John Ascuaga’s Nugget is located east of Reno in central Sparks. It is noted that the Nugget was recently purchased by a new owner and is undergoing major renovations.

The following chart summarizes the most recent data available for gaming revenue for the Reno-Sparks/Washoe County area, as well as other areas within the state.

**Gaming Win Data**  
(Source: Nevada Gaming Control Board)

Area	Current Period			Fiscal Year-to Date		
	5/1/15 to 5/31/15	5/1/14 to 5/31/14	% Change	7/1/14 to 5/31/15	7/1/13 to 5/31/14	% Change
<b>Statewide</b>	1,003,548,230	971,220,551	3.33%	10,217,822,434	10,319,820,723	-0.99%
<b>Clark County</b>	870,045,920	841,600,419	3.38%	8,845,735,179	8,979,655,231	-1.49%
LV Strip	601,198,083	592,963,057	1.39%	5,883,314,554	6,080,728,236	-3.25%
Downtown	44,574,376	38,610,722	15.45%	479,753,148	465,030,678	3.17%
North Las Vegas	21,246,493	18,481,989	14.96%	245,083,346	237,788,165	3.07%
Laughlin	38,881,575	38,288,160	1.55%	431,579,594	419,843,430	2.80%
Boulder Strip	61,612,097	55,770,208	10.47%	715,773,638	707,182,524	1.21%
Mesquite	9,942,663	9,653,153	3.00%	106,807,854	103,662,963	3.03%
Balance of County	92,590,632	87,833,130	5.42%	983,423,046	965,419,235	1.86%
<b>Washoe County</b>	70,629,476	68,962,620	2.42%	701,896,449	681,139,220	3.05%
Reno	52,877,677	52,082,973	1.53%	513,911,203	498,243,400	3.14%
Sparks	10,786,647	10,527,587	2.46%	112,154,430	109,356,628	2.56%
North Lake Tahoe	1,765,135	1,837,836	-3.96%	23,331,751	23,437,267	-0.45%
Balance of County	5,200,016	4,514,224	15.19%	52,499,066	50,101,924	4.78%
<b>South Lake Tahoe</b>	16,150,457	17,320,995	-6.76%	198,397,639	192,212,817	3.22%
<b>Elko County</b>	24,171,673	22,024,821	9.75%	242,550,263	239,323,935	1.35%
Wendover	15,811,520	14,268,784	10.81%	158,180,189	154,408,244	2.44%
Balance of County	8,360,154	7,756,038	7.79%	84,370,074	84,915,691	-0.64%
<b>Carson Valley Area *</b>	9,281,957	8,618,391	7.70%	91,250,470	88,862,733	2.69%
<b>Other</b>	13,268,747	12,693,305	4.53%	137,992,434	138,626,787	-0.46%

Within the past decade, legalized gaming has continued to spread across the country and gaming revenues for northern Nevada have been impacted. The opening of several Indian casinos in the State of California in recent years and the proposed openings of several other Indian Casinos in California have had a dramatic effect on the gaming economy in the Reno-Sparks area. Over the past decade, several casinos in the downtown Reno market, including the Sundowner Hotel Casino, the Comstock Hotel Casino, Fitzgerald, and the Golden Phoenix Hotel Casino, have closed.

The following summarizes data provided by the Reno-Sparks Convention and Visitors Authority, regarding visitor counts for the Reno-Sparks area.

**Estimated Visitor Counts-Reno/Sparks Area**  
**Source: Reno-Sparks Convention and Visitors Authority**

Month	2005	2006	2007	2008	2009	2010	2011 *	2012 *	2013 *	2014 *	2015
January	370,232	374,601	359,999	333,022	315,092	294,059	299,173	281,231	321,606	299,638	343,067
February	391,020	392,051	384,426	370,723	295,138	328,058	321,307	341,375	320,629	317,344	333,754
March	455,989	439,528	447,820	392,945	347,408	386,010	351,791	361,802	379,107	366,211	372,914
April	423,478	426,346	412,427	368,515	355,994	361,443	357,305	383,750	373,910	374,077	364,488
May	426,084	442,604	444,338	386,746	383,952	384,619	373,994	381,261	410,307	409,936	402,554
June	484,017	476,803	466,676	405,058	407,199	443,619	407,326	439,008	464,030	442,926	-
July	515,986	478,819	467,583	423,823	392,702	420,724	424,276	447,787	464,634	463,891	-
August	490,844	487,293	485,625	455,120	419,108	407,140	419,488	462,034	465,526	460,178	-
September	501,916	473,713	471,151	415,503	425,876	420,555	417,120	446,791	429,600	430,243	-
October	447,094	407,275	435,218	399,343	370,325	358,623	347,074	371,788	370,259	383,157	-
November	377,414	350,151	374,977	316,383	307,233	290,725	297,589	293,121	321,139	326,680	-
December	381,479	371,935	347,351	316,117	334,396	310,695	316,657	326,467	343,766	356,925	-
<b>Totals</b>	<b>5,265,553</b>	<b>5,121,119</b>	<b>5,097,591</b>	<b>4,583,298</b>	<b>4,354,423</b>	<b>4,406,270</b>	<b>4,345,141</b>	<b>4,536,415</b>	<b>4,664,514</b>	<b>4,631,195</b>	<b>1,816,777</b>

**Residential Market**

The residential market in the Reno-Sparks area grew tremendously in the 1990’s and this growth continued until 2006, when the residential housing crisis began. The downturn in the residential market had a tremendous impact on residential development and sales within the Reno-Sparks market, resulting in very limited new construction for the past five years. Although the residential real estate market has struggled there are signs of recovery. The existing residential home sales and prices are on the rebound. Market activity has increased significantly in Northern Nevada in recent months and the residential market is on the rebound after a long period of decline. Sale offers are reported at or above list prices and sellers are receiving multiple offers.

The June 2015 Market Report presented by the Reno/Sparks Association of Realtors reports that, “June 2015 unit sales was another record June, exceeded only by June 2005’s unit sales,” said Dave Hansen, 2015 RSAR president. “We continue to see a steady increase in the average median sales price since the bottom of the market in January 2012. Although the price curve rose rapidly in 2012, it has flattened out. This is a good thing and indicates the market may be stabilizing.” The commentary and charts below summarize data for the Reno-Sparks residential market, through June 2015; this data was provided by the Reno-Sparks Association of Realtors, and Multiple Listing Service.

### **Market Report Commentary-*Reno Sparks Association of Realtors***

August unit sales at 505 are down 21.8% from July and down 12.6% compared to August 2014.

The median price was down less than 1% to \$290,000 compared to \$290,735 in July. Median sales price was up 16% from August 2014.

New listings in August are down 11.9% at 704 compared to July and up 6.0% from August 2014. The total number of new listings reported during the peak listing season, April – August, were up 6% compared to the same five month period in 2014.

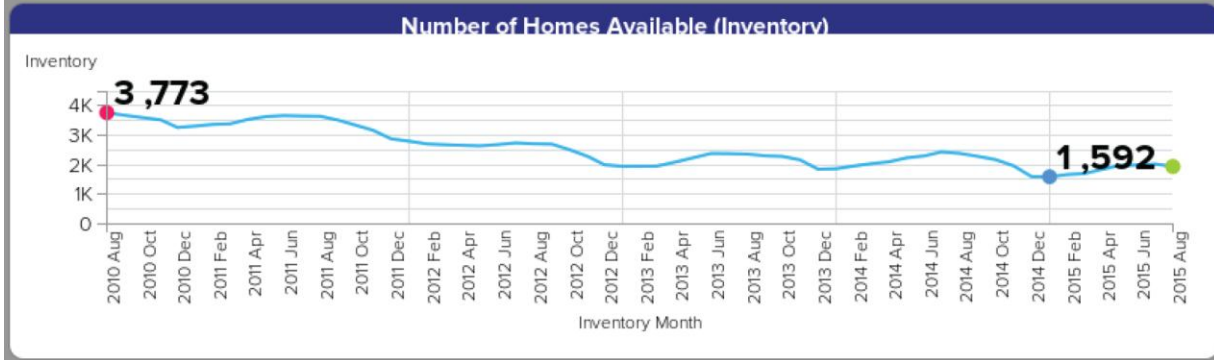
The Reno market remains in a seller’s market with 3.8 months’ supply of inventory. Month’s supply of inventory is the time it would take to exhaust the active and pending inventory at the current rate of sales.

### **Conclusions**

- August 2015 sales are the lowest unit sold for an August since 2010.
- August median price remained level with July at \$290,000. This continues the trend of a flattening in the median price, which we see as stabilizing of the market.
- EDawn recently released the EPIC Report (Northern Nevada Regional Growth Study 2015-2016). The report projects that by 2019, the five county study areas (Washoe, Storey, Carson, Douglas and Lyon counties) are forecasted to have an additional 42,395 residents for a total of 638,302. This is a jump of 7.1 percent during the five-year study period from 2015 through 2019, or 1.4 percent growth per year. Other projectors for the area include 52,370 full- and part-time jobs, and 16,787 households. If the projections are correct, the Northern Nevada area can look forward to strong economic drivers for the community for the next five years.



### Reno-Sparks August 2015 Residential Data (Source: Reno-Sparks Association of Realtors)





Improvement in the residential market is stimulating new construction. Most of the bulk finished lots within the market have been purchased by developers; most of these lots were bank owned during the depression. With job growth projected at over 50,000 new jobs in the coming years, demand for new housing in the area is expected to be extremely strong.

### Multifamily Market

The following summarizes data from the *Apartment Survey*, which is a quarterly survey conducted by Johnson-Perkins & Associates. The 2<sup>nd</sup> Quarter 2015 Survey indicates an overall vacancy rate of 2.27%, and an average overall rent of \$920.

#### Average Size, Average Rent & Average Vacancy Rate By Unit Type

	STUDIOS	1 BED/ 1 BATH	2 BED/ 1 BATH	2 BED/ 2 BATH	3 BED/ 2 BATH	TOWNHOME	TOTALS
Average SF-By Unit Type	406 SF	719 SF	848 SF	1,039 SF	1,265 SF	1,288 SF	885 SF
Average Rent-By Unit Type	\$562	\$816	\$823	\$1,040	\$1,251	\$1,143	\$920
Average Rent/SF-By Unit Type	\$1.38	\$1.13	\$0.97	\$1.00	\$0.99	\$0.89	\$1.04
Indicated Vacancy Rate-By Unit Type	1.95%	2.19%	1.88%	2.38%	2.85%	4.44%	2.27%

#### Overall Average Rent & Vacancy-Prior & Current Quarter

	1 <sup>st</sup> Quarter 2015	2 <sup>nd</sup> Quarter 2015	Change
Average Vacancy	2.97%	2.27%	<b>-70 Basis Points</b>
Average Rent	\$889	\$920	<b>+\$31 or +3.49%</b>

#### Comparison Of Rental Rates & Vacancy Rates To Prior Quarter

UNIT TYPE	AVERAGE RENT			AVERAGE VACANCY		
	1 <sup>st</sup> Qtr. 2015	2nd Qtr. 2015	Result	1 <sup>st</sup> Qtr. 2015	2nd Qtr. 2015	Result
Studio	\$565	\$562	-\$3	1.65%	1.95%	+0.30%
1 Bedroom/1 Bath	\$790	\$816	+\$26	2.55%	2.19%	-0.36%
2 Bedroom/1 Bath	\$810	\$823	+\$13	3.11%	1.88%	-1.23%
2 Bedroom/2 Bath	\$997	\$1,040	+\$43	3.35%	2.38%	-0.97%
3 Bedroom/2 Bath	\$1,209	\$1,251	+\$42	3.32%	2.85%	-0.47%
Townhouse	\$1,107	\$1,143	+\$36	4.10%	4.44%	+0.34%
<b>TOTALS</b>	<b>\$889</b>	<b>\$920</b>	<b>+\$31</b>	<b>2.97%</b>	<b>2.27%</b>	<b>-0.70%</b>

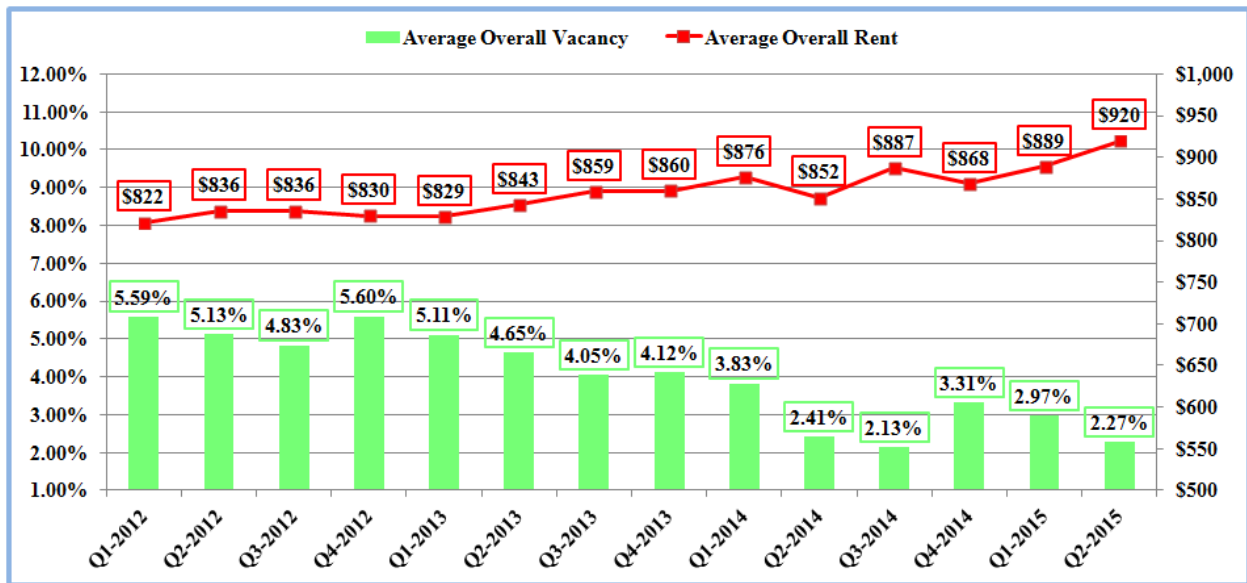




### Rental And Vacancy Rates By Sub-Market Area

Area	Sub-Market	AVERAGE RENT			AVERAGE VACANCY		
		1st Qtr. 2015	2nd Qtr. 2015	Result	1st Qtr. 2015	2nd Qtr. 2015	Result
1	Northwest Reno	\$934	\$978	+\$44	2.86%	2.19%	-0.67%
2	Northeast Reno	\$830	\$854	+\$24	2.89%	2.81%	-0.08%
3	W. Sparks/N. Valley	\$778	\$795	+\$17	1.26%	2.60%	+1.34%
4	East Sparks	\$993	\$1,019	+\$26	5.32%	2.69%	-2.63%
5	West Reno	\$801	\$818	+\$17	1.33%	0.44%	-0.89%
6	Southwest Reno	\$786	\$806	+\$20	3.83%	3.72%	-0.11%
7	Brinkby/Grove	\$686	\$686	=	3.64%	4.02%	+0.38%
8	Airport	\$752	\$788	+\$36	1.25%	1.43%	+0.18%
9	Lakeridge	\$942	\$1,020	+\$78	1.92%	1.28%	-0.64%
10	Southeast Reno	\$931	\$963	+\$32	2.64%	1.46%	-1.18%
<b>Overall Reno-Sparks</b>		<b>\$889</b>	<b>\$920</b>	<b>+\$31</b>	<b>2.97%</b>	<b>2.27%</b>	<b>-0.70%</b>

### Overall Reno/Sparks Rent & Vacancy Data-All Unit Types



### Overall Reno-Sparks Market Averages-All Unit Types (Based Upon Units Surveyed)

Category	2 <sup>nd</sup> Quarter 2015 Overall Reno-Sparks Averages
Average Square Feet Per Unit Surveyed	885± Square Feet
Average Rent For Units Surveyed	\$920 Per Month
Average Rent Per Square Foot For Units Surveyed	\$1.04 Per Square Foot
Average Overall Vacancy Rate For Units Surveyed	2.27%

## **Industrial Market**

In an effort to diversify the economic base of the area, community leaders have focused upon the expansion of the industrial segment of the economy. The industrial industry has experienced substantial growth over the past decade as a result of the region's central location, good transportation, infrastructure and liberal tax laws. At the present time, over 500 major U.S. and foreign corporations have headquarters or located large facilities in the area, including Amazon.com, International Gaming Technology (IGT), Barnes and Noble, Patagonia, Sherwin Williams, Wal-Mart Distribution Center, J.C. Penney's Catalog Distribution Center, and R.R. Donnelley, one of the nation's largest publishers.

On September 5, 2014, Tesla announced that the Tahoe Reno Industrial Park (TRIC), located east of Sparks, had landed the coveted Gigafactory. Over \$1.25 billion in State of Nevada incentives were approved for development of the project. In return, Tesla will be required to complete \$5 billion in capital investments on the facility through 2028. The cost for the building and site infrastructure will be \$1.1 billion. Machinery and equipment will account for the remaining \$3.9 billion, including materials processing and product assembly. Once the 5.5 million square foot facility reaches full operation, it will produce enough batteries for 500,000 Tesla electric cars each year. As part of the deal, the USA Parkway extension will be fast-tracked; this \$43 million project will extend USA Parkway from its current terminus in TRIC, to U.S. Highway 50 in Silver Springs, greatly reducing travel times between Interstate 80 and U.S. Highway 50.

As most major cities in the western portion of the United States are located within relatively close proximity and driving time to Northern Nevada, the Reno-Sparks area is a major distribution warehousing center. This development is further being enhanced by the favorable tax environment in the state of Nevada. Leases for industrial users in the Reno-Sparks market are typically based upon triple net lease terms. The CBRE *Reno Industrial MarketView 2<sup>nd</sup> Quarter 2015* report indicates the following:



### Commentary-CBRE Reno Industrial MarketView 2<sup>nd</sup> Quarter 2015

The Northern Nevada industrial market experienced yet another strong quarter. Q2 2015 net absorption exceeded 1 million sq. ft. and the vacancy rate remained below 7.0% for the third consecutive quarter. Additionally, both completed and under construction numbers were in excess of 1.5 million sq. ft.- all signs of the return to a healthy, stabilized market.

For the second consecutive quarter, the Northern Nevada industrial market did not record a single lease transaction over 100,000 sq. ft. However, during that same time frame there have been approximately 80 new transactions between 5,000 and 100,000 sq. ft. As larger users continue to favor new construction opportunities, these historical “bread and butter” spaces have experienced the most activity.

Sale activity was dominated by institutional investment acquisitions, highlighted by the sale of Amazon’s recent build-to-suit. Dermody Properties sold the 624,000 sq. ft. building at 8000 N Virginia Street to Clarion Partners as a single tenant net leased investment.

Investment opportunities should remain strong. At least two, and possibly three, portfolios totaling over 3 million sq. ft. are expected to come to market by year’s end.

Over 1.5 million sq. ft. of industrial product was delivered during Q2 2015, the highest number seen since 2008. Petco’s 770,000 sq. ft. build-to-suit was completed, representing the largest absorption figure in a single building for the quarter. Prologis completed a 566,660 sq. ft. building in the Eagle Valley Commerce Center and Conco expanded 2777 USA Parkway with a 300,000 sq. ft. building; both speculative projects. Up to this point, speculative construction had been geared towards large, 200,000 sq. ft. and above users. That will change when Avenue 55 breaks ground on the second phase of Spanish Springs Corporate Park next quarter. The 411,000 sq. ft. multi-tenant project will accommodate the 30,000 – 100,000 sq. ft. user.

As the market continues to strengthen, expect vacancy rates to remain stable just below 7.0%. Positive net absorption should also trend upward as new speculative construction catered to larger users is delivered and occupied.

The following charts summarize the overall and submarket industrial markets, and include data related to rental rates and vacancies. The data is from the *CBRE Reno Industrial MarketView 2<sup>nd</sup> Quarter 2015*.



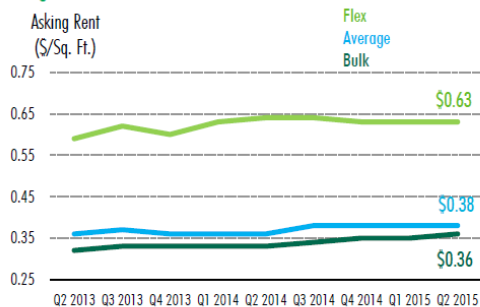
### Industrial Rents & Vacancies By Submarket

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Central / Airport	9,712,658	5.5	7.3	184,213	426,314	0.49
Bulk	7,148,503	6.0	8.4	156,091	377,648	0.45
Flex	2,564,155	3.9	4.2	28,122	48,666	0.70
East Valley	13,576,873	14.4	16.8	(10,183)	(588,560)	0.34
Bulk	13,454,186	14.3	16.7	0	(588,560)	0.34
Flex	122,687	28.1	28.1	(17,993)	(7,810)	0.55
North Valley	15,789,332	3.0	5.3	768,800	881,316	0.39
Bulk	15,465,320	2.9	5.3	768,800	862,447	0.38
Flex	324,012	8.7	8.7	(22,080)	(3,211)	0.50
South Reno	9,217,894	3.0	3.6	43,258	132,678	0.51
Bulk	7,218,906	2.7	3.0	5,642	76,994	0.38
Flex	1,998,988	4.3	5.8	37,616	55,684	0.84
Sparks	28,542,440	7.0	8.0	444,783	638,857	0.35
Bulk	25,496,816	7.4	8.3	399,183	555,516	0.34
Flex	3,045,624	4.0	5.1	40,600	78,341	0.53
West Reno	1,694,299	2.1	5.1	26,300	101,976	0.49
Bulk	1,181,593	0.8	4.6	15,500	94,726	0.47
Flex	512,706	5.0	6.4	10,800	7,250	0.51
<b>Market Total</b>	<b>78,533,496</b>	<b>6.7</b>	<b>8.3</b>	<b>1,457,171</b>	<b>1,592,581</b>	<b>0.38</b>
<b>Bulk</b>	<b>69,965,324</b>	<b>7.0</b>	<b>8.7</b>	<b>1,345,216</b>	<b>1,378,771</b>	<b>0.36</b>
<b>Flex</b>	<b>8,568,172</b>	<b>4.6</b>	<b>5.5</b>	<b>77,065</b>	<b>178,920</b>	<b>0.63</b>

Source: CBRE Research, Q2 2015.

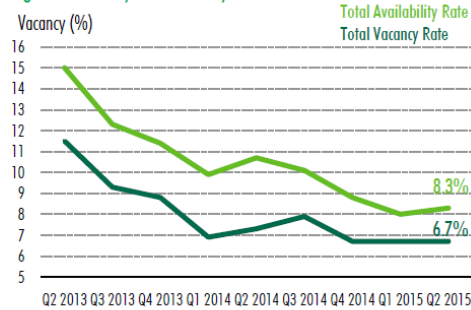
### Historical Industrial Data

Figure 4: Lease Rates



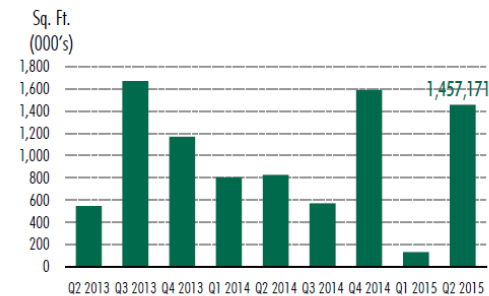
Source: CBRE Research, Q2 2015.

Figure 6: Vacancy & Availability



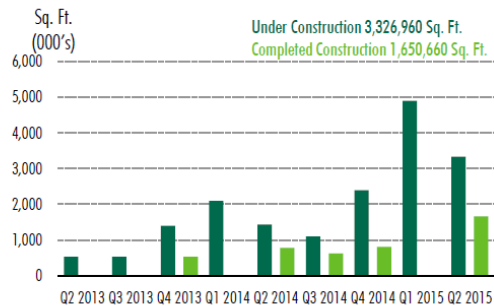
Source: CBRE Research, Q2 2015.

Figure 5: Net Absorption



Source: CBRE Research, Q2 2015.

Figure 7: Construction Activity



Source: CBRE Research, Q2 2015.



## Retail Market

The Reno-Sparks area now offers three regional shopping centers and more than 100 neighborhood or local shopping centers. The three major regional centers are Meadowood Mall, the Summit Sierra Mall, and the Legends at Sparks Marina.

According to the Nevada Department of Taxation 2010/2011 to 2013/2014 fiscal taxable sales show an increase from year-to-date numbers for each of the past four years. The following chart summarizes taxable sales totals for Washoe County from 1997/1998 (fiscal years).

### Washoe County Taxable Sales History

Fiscal Year	Taxable Sales	Percentage Change
1997/1998	\$4,377,547,590	3.22%
1998/1999	\$4,679,515,860	6.90%
1999/2000	\$4,966,612,920	6.14%
2000/2001	\$5,194,146,044	4.58%
2001/2002	\$5,292,178,588	1.89%
2002/2003	\$5,481,582,915	3.47%
2003/2004	\$6,003,368,280	9.52%
2004/2005	\$6,660,263,045	10.6%
2005/2006	\$7,268,593,250	9.13%
2006/2007	\$7,202,640,557	-0.91%
2007/2008	\$6,823,700,706	-5.3%
2008/2009	\$5,707,791,051	-16.35%
2009/2010	\$5,176,981,699	-9.30%
2010/2011	\$5,282,936,232	2.05%
2011/2012	\$5,522,605,351	4.54%
2012/2013	\$5,824,726,136	5.47%
2013/2014	\$6,370,684,534	9.37%
2014/2015 Thru April 2015	\$5,617,848,269	7.10%

(Based Upon Prior Year To Date)

Source: Nevada Department of Taxation

Leases for retail space in the Reno-Sparks market are typically based upon triple net lease terms or modified gross lease terms. Under triple net lease terms, tenants typically pay a base rental rate, and are also responsible for paying most operating expenses associated with the property, including utilities, taxes, insurance, management, typical repairs and maintenance, and other expense items. In multi-tenant projects, these additional fees are most often billed back to tenants; these are often referred to as Common Area Maintenance (CAM) fees. The CBRE *Reno Retail MarketView 2<sup>nd</sup> Quarter 2015 Report* indicates the following:



### Commentary-CBRE Reno Retail MarketView 2<sup>nd</sup> Quarter 2015

According to CBRE Econometric Advisors, national retail sales have grown by 15.5% annualized. At the halfway mark in 2015, unemployment in the Reno/Sparks MSA is down 110 basis points (bps) from this time last year and approaching its lowest levels since the winter of 2014. These two statistics have helped provide a nice tailwind for the Reno retail market's strong quarterly performance.

The Reno retail market continued a healthy absorption trend set in Q1 2015. After a rough patch of negative net absorption in Q4 2014, Reno absorbed 51,096 sq. ft., marking the second consecutive quarter of positive net absorption. This quarter, net absorption was augmented by nearly 11,000 sq. ft. in the completion of two pad sites at Legends at Sparks Marina. Both pads were fully leased at the time of completion, pushing year-to-date net absorption to 81,886 sq. ft. This leasing activity has helped drive vacancy down to 14.3%, the lowest level since Q3 2011.

It was an active quarter for deals in smaller spaces, while big box activity slowed. Scolari's closed at Sharon Square and was almost immediately purchased by St. Mary's with plans to convert the retail space into medical use. This was the only big box activity during the quarter as well as the only owner/user sale transaction thus far during 2015. Across town, the Scolari's at Southwest Pavilion sold to an investor, signifying that investment activity remains strong and continues to grow, as investors comprised 80% of sales year-to-date.

With Tesla's Gigafactory and Switch's Supernap facility both being constructed, the anticipated influx of consumers, new residents and investors to the Reno market will certainly be a boon for retail. This should increase demand for space and possibly start cutting down on the already thinning supply of big box space. Tesla expects to be manufacturing batteries in the fall, which could translate to a strong winter for retailers and restaurants.

The following charts summarize the overall and submarket retail markets, and include data related to rental rates and vacancies. The data is from the *CBRE Reno Retail MarketView 2<sup>nd</sup> Quarter 2015*.

## Retail Rents & Vacancies By Submarket

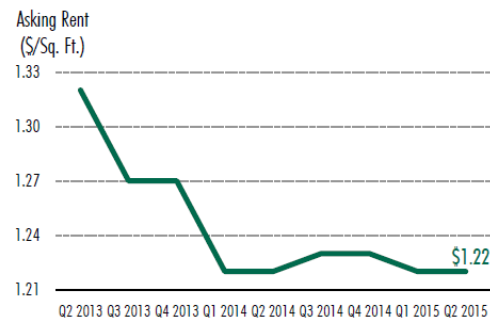
Figure 2: Reno Retail Market Statistics

Submarket	Gross Leaseable Area	Total Vacancy %	Total Availability %	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Central/Airport	1,914,668	26.0	29.4	733	(2,332)	1.19
Downtown	367,732	12.7	15.5	0	5,300	1.54
Meadowood	3,488,187	7.4	10.7	14,117	13,386	1.34
North Valleys	791,887	7.1	10.1	3,486	2,036	1.44
Northwest Reno	1,813,641	7.1	7.2	4,929	11,072	1.36
South Reno	2,433,854	13.8	13.8	5,930	9,906	1.38
Southwest Reno	770,827	15.7	16.5	(1,917)	8,233	1.16
Spanish Springs	1,612,633	20.0	20.0	9,868	11,638	1.32
Sparks	3,790,556	17.3	17.3	13,950	22,647	1.02
<b>Market Total</b>	<b>16,983,985</b>	<b>14.3</b>	<b>15.6</b>	<b>51,096</b>	<b>81,886</b>	<b>1.22</b>

Source: CBRE Research, Q2 2015.

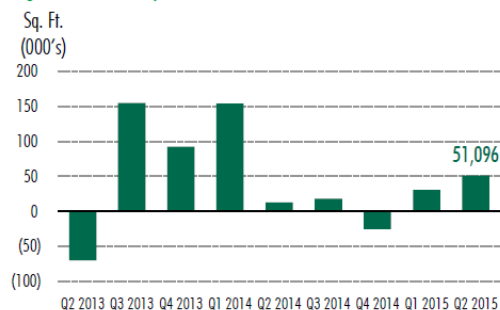
## Historical Retail Data

Figure 6: Lease Rates



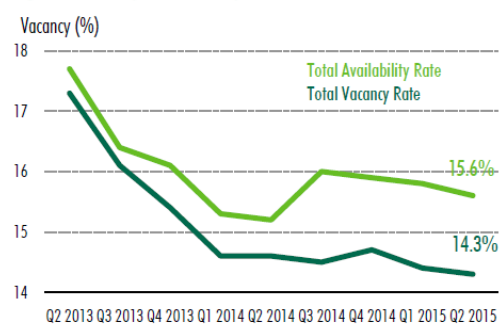
Source: CBRE Research, Q2 2015.

Figure 7: Net Absorption



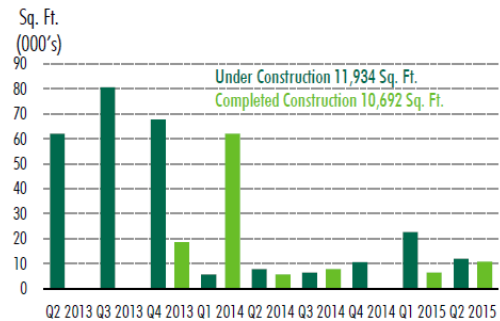
Source: CBRE Research, Q2 2015.

Figure 8: Vacancy & Availability



Source: CBRE Research, Q2 2015.

Figure 9: Construction Activity



Source: CBRE Research, Q2 2015.



## Office Market

The Reno-Sparks office market consists of a variety of product types, from older second and third generation properties, to new, high-end Class A office space. Leases for professional office uses in the Reno-Sparks market are typically based upon full service gross lease terms or modified gross lease terms. Under full service gross lease terms, owners are responsible for all operating costs associated with the building. Typically, these leases incorporate base year expense stops, with tenants responsible for any increases in operating expenses over the base year. Under modified gross lease terms, the tenant is typically responsible for utilities and janitorial service. Due to increases in utility expenses, many property owners now market properties on modified gross lease terms, with some even marketing properties on triple net lease terms, in which the tenant is responsible for all operating expenses associated with the building. The CBRE *Reno Office MarketView 2<sup>nd</sup> Quarter 2015 Report* indicates the following:

### Commentary-CBRE Reno Office MarketView 2<sup>nd</sup> Quarter 2015

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Airport	595,842	7.4	12.7	4,730	10,595	1.09
Class A	32,376	-	-	-	-	-
Class B	390,215	4.9	12.9	2,007	9,047	1.16
Central	606,823	30.1	32.5	(26,250)	(14,462)	1.31
Class A	-	-	-	-	-	-
Class B	315,224	24.8	29.5	(4,584)	(4,965)	1.53
Downtown	1,368,293	19.0	20.0	25,167	(3,904)	1.56
Class A	810,695	11.3	12.0	18,188	(14,159)	1.96
Class B	260,636	34.8	37.9	11,701	15,312	1.34
Meadowood	1,779,416	13.1	17.9	53,336	86,298	1.59
Class A	1,100,707	9.6	12.6	40,912	38,183	1.87
Class B	480,469	18.5	28.6	14,750	50,107	1.58
South Reno	1,415,443	15.4	21.1	4,296	40,739	1.67
Class A	1,114,863	15.5	22.8	10,579	39,164	1.67
Class B	300,580	15.0	15.0	(6,283)	1,575	1.60
Sparks	158,351	7.0	7.0	1,820	(2,274)	1.23
Class A	-	-	-	-	-	-
Class B	93,693	9.9	9.9	-	(4,094)	1.35
West Reno	37,495	14.4	14.4	-	-	1.40
Class A	14,493	-	-	-	-	-
Class B	23,002	23.4	23.4	-	-	1.40
<b>Market Total</b>	<b>5,961,663</b>	<b>16.0</b>	<b>19.8</b>	<b>63,099</b>	<b>116,992</b>	<b>1.52</b>
<b>Class A</b>	<b>3,073,134</b>	<b>12.0</b>	<b>15.9</b>	<b>69,679</b>	<b>63,188</b>	<b>1.78</b>
<b>Class B</b>	<b>1,863,819</b>	<b>18.1</b>	<b>23.6</b>	<b>17,591</b>	<b>66,982</b>	<b>1.47</b>

Source: CBRE Research Q2 2015.

The following charts summarize the overall and submarket office markets, and include data related to rental rates and vacancies. The data is from the CBRE *Reno Office MarketView 2<sup>nd</sup> Quarter 2015*.





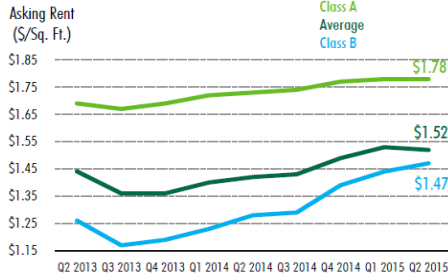
### Office Rents & Vacancies By Submarket

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Airport	595,842	7.4	12.7	4,730	10,595	1.09
Class A	32,376	-	-	-	-	-
Class B	390,215	4.9	12.9	2,007	9,047	1.16
Central	606,823	30.1	32.5	(26,250)	(14,462)	1.31
Class A	-	-	-	-	-	-
Class B	315,224	24.8	29.5	(4,584)	(4,965)	1.53
Downtown	1,368,293	19.0	20.0	25,167	(3,904)	1.56
Class A	810,695	11.3	12.0	18,188	(14,159)	1.96
Class B	260,636	34.8	37.9	11,701	15,312	1.34
Meadowood	1,779,416	13.1	17.9	53,336	86,298	1.59
Class A	1,100,707	9.6	12.6	40,912	38,183	1.87
Class B	480,469	18.5	28.6	14,750	50,107	1.58
South Reno	1,415,443	15.4	21.1	4,296	40,739	1.67
Class A	1,114,863	15.5	22.8	10,579	39,164	1.67
Class B	300,580	15.0	15.0	(6,283)	1,575	1.60
Sparks	158,351	7.0	7.0	1,820	(2,274)	1.23
Class A	-	-	-	-	-	-
Class B	93,693	9.9	9.9	-	(4,094)	1.35
West Reno	37,495	14.4	14.4	-	-	1.40
Class A	14,493	-	-	-	-	-
Class B	23,002	23.4	23.4	-	-	1.40
<b>Market Total</b>	<b>5,961,663</b>	<b>16.0</b>	<b>19.8</b>	<b>63,099</b>	<b>116,992</b>	<b>1.52</b>
<b>Class A</b>	<b>3,073,134</b>	<b>12.0</b>	<b>15.9</b>	<b>69,679</b>	<b>63,188</b>	<b>1.78</b>
<b>Class B</b>	<b>1,863,819</b>	<b>18.1</b>	<b>23.6</b>	<b>17,591</b>	<b>66,982</b>	<b>1.47</b>

Source: CBRE Research Q2 2015.

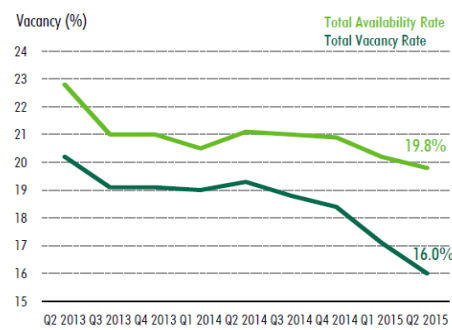
### Historical Office Data

Figure 4: Lease Rates



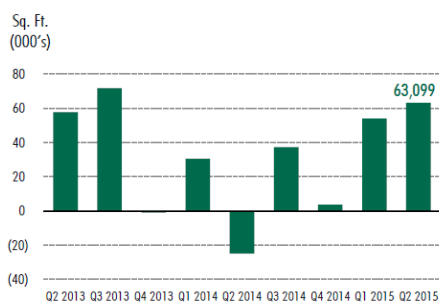
Source: CBRE Research, Q2 2015.

Figure 6: Vacancy & Availability



Source: CBRE Research, Q2 2015.

Figure 5: Net Absorption



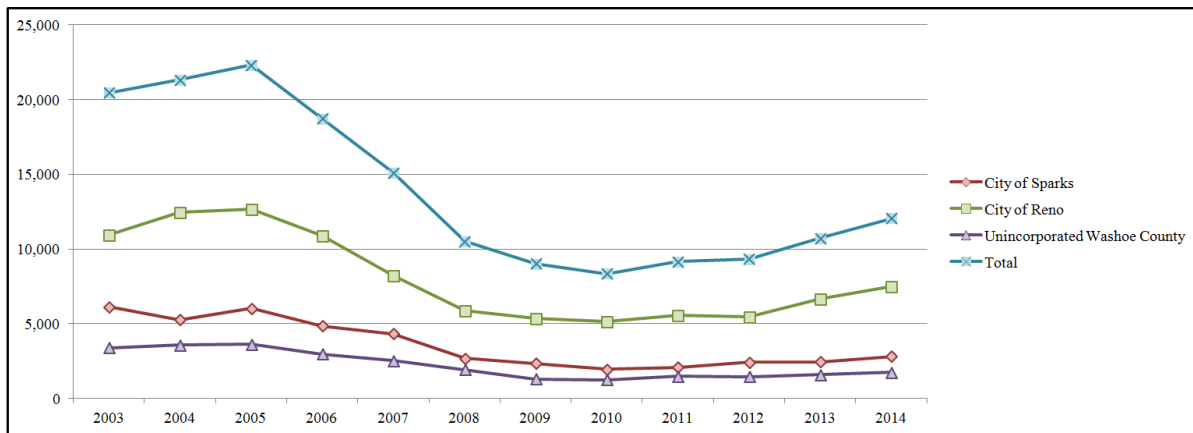
Source: CBRE Research, Q2 2015.

### Construction Activity

Construction activity in the area was limited during the housing crisis, but has shown signs of recovery. Within the Reno-Sparks market, building permits issued began to drop in 2006, and dropped every year thru 2010; beginning in 2011, building permit activity has increased thru 2014. As the chart and graph below indicates, at the peak of the market in 2005, 22,313 total building permits were issued in Washoe County, including the City of Reno and the City of Sparks. In 2014, the latest full calendar year, 12,056 building permits, or 46% less than 2005, were issued.

**Building Permits Issued  
(Reno, Sparks & Unincorporated Washoe County)**

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City of Sparks	4,456	6,120	5,278	6,030	4,858	4,322	2,693	2,338	1,946	2,078	2,415	2,451	2,818
City of Reno	8,613	10,964	12,457	12,662	10,891	8,240	5,891	5,371	5,149	5,570	5,454	6,670	7,504
Unincorporated Washoe County	3,893	3,395	3,591	3,621	2,980	2,549	1,926	1,304	1,259	1,502	1,457	1,597	1,734
<b>Total</b>	<b>16,962</b>	<b>20,479</b>	<b>21,326</b>	<b>22,313</b>	<b>18,729</b>	<b>15,111</b>	<b>10,510</b>	<b>9,013</b>	<b>8,354</b>	<b>9,150</b>	<b>9,326</b>	<b>10,718</b>	<b>12,056</b>
% Change From Prior Year	---	20.73%	4.14%	4.63%	-16.06%	-19.32%	-30.45%	-14.24%	-7.31%	9.53%	1.92%	14.93%	12.48%



### Transportation

The Reno-Tahoe International Airport serves the Reno-Sparks area. The airport offers daily departures to over 30 North American destinations with non-stop or one-stop service. This level of service is normally found in cities with populations four to five times the size of the Reno-Sparks area. The following chart summarizes passenger statistics for the Reno-Tahoe International Airport.



### Reno-Tahoe International Airport Statistics

Total Passengers						Total Enplaned Passengers					
May-15						May-15					
	Passengers		% Diff.	Passengers		Month	2013	2014	2015	% Diff.	
	2013	2014		2015							
JAN	264,265	241,181	-8.7%	246,571	2.2%	JAN	133,686	121,700	124,505	2.3%	
FEB	259,299	228,035	-12.1%	234,763	3.0%	FEB	129,283	113,777	117,750	3.5%	
MAR	306,139	278,172	-9.1%	277,477	-0.2%	MAR	154,633	142,542	141,314	-0.9%	
<b>1st Quarter</b>	<b>829,703</b>	<b>747,388</b>	<b>-9.9%</b>	<b>758,811</b>	<b>1.5%</b>	APR	140,153	132,183	128,088	-3.1%	
APR	279,418	266,800	-4.5%	256,823	-3.7%	MAY	146,562	139,349	137,132	-1.6%	
MAY	295,494	282,277	-4.5%	276,969	-1.9%	JUN	162,824	158,827			
JUN	328,755	316,720	-3.7%			JUL	165,268	162,090			
<b>2nd Quarter</b>	<b>903,667</b>	<b>865,797</b>	<b>-4.2%</b>			AUG	160,570	159,664			
JUL	333,321	332,242	-0.3%			SEP	145,740	147,458			
AUG	322,083	318,965	-1.0%			OCT	132,741	134,946			
SEP	283,800	284,931	0.4%			NOV	114,162	112,573			
<b>3rd Quarter</b>	<b>939,204</b>	<b>936,138</b>	<b>-0.3%</b>			DEC	131,328	128,295			
OCT	262,473	266,701	1.6%			<b>TOTAL</b>	<b>1,716,950</b>	<b>1,653,404</b>			
NOV	227,213	225,384	-0.8%			<b>YTD Total</b>	<b>649,551</b>	<b>648,789</b>	<b>-0.1%</b>		
DEC	270,051	263,682	-2.4%								
<b>4th Quarter</b>	<b>759,737</b>	<b>749,592</b>	<b>-1.3%</b>								
<b>TOTAL</b>	<b>3,432,311</b>	<b>3,298,915</b>	<b>-3.9%</b>								
<b>YTD Total</b>		1,296,465		1,292,603	-0.3%						

Total Cargo						
May-15						
	Cargo in Pounds		% Diff.	2015		% Diff.
	2013	2014		Pounds	Metric	
JAN	10,269,546	10,303,380	0.3%	10,113,421	4,587	-1.8%
FEB	8,635,807	9,486,697	9.9%	9,418,781	4,272	-0.7%
MAR	9,457,376	9,758,391	3.2%	10,381,009	4,708	6.4%
<b>1st Quarter</b>	<b>28,362,729</b>	<b>29,548,468</b>	<b>4.2%</b>	<b>29,913,211</b>	<b>13,566</b>	<b>1.2%</b>
APR	8,639,232	9,876,465	14.3%	10,416,248	4,724	5.5%
MAY	9,398,212	10,269,963	9.3%	10,459,643	4,744	1.8%
JUN	9,001,339	9,679,744	7.5%			
<b>2nd Quarter</b>	<b>27,038,783</b>	<b>29,826,172</b>	<b>10.3%</b>			
JUL	10,149,807	10,863,843	7.0%			
AUG	10,859,694	10,853,726	-0.1%			
SEP	9,689,115	10,127,014	4.5%			
<b>3rd Quarter</b>	<b>30,698,616</b>	<b>31,844,583</b>	<b>3.7%</b>			
OCT	10,834,930	11,429,538	5.5%			
NOV	10,099,499	10,664,398	5.6%			
DEC	13,998,438	15,776,073	12.7%			
<b>4th Quarter</b>	<b>34,932,867</b>	<b>37,870,009</b>	<b>8.4%</b>			
<b>TOTAL</b>	<b>121,032,995</b>	<b>129,089,232</b>	<b>6.7%</b>			
<b>YTD Total</b>		49,694,896		50,789,102	23,034	2.2%

Total Deplaned Passengers					
May-15					
Month	2013	2014	2015	% Diff.	
					JAN
FEB	130,016	114,258	117,013	2.4%	
MAR	151,506	135,630	136,163	0.4%	
APR	139,265	134,617	128,735	-4.4%	
MAY	148,932	142,928	139,837	-2.2%	
JUN	165,931	157,893			
JUL	168,053	170,152			
AUG	161,513	159,307			
SEP	138,060	137,480			
OCT	129,739	131,755			
NOV	113,051	112,811			
DEC	138,723	135,387			
<b>TOTAL</b>	<b>1,715,368</b>	<b>1,651,699</b>			
<b>YTD Total</b>		646,914	643,814	-0.5%	

Enplaned Passengers & Load Factor					
Airline	Enplaned PAX	May-15	May-14	Diff.	
Alaska/Horizon	15,791	78.4%	81.1%	-2.7	
Allegiant Air	1,659	76.9%	92.8%	-16.0	
American	18,119	90.7%	88.9%	1.8	
Delta	9,512	87.5%	86.0%	1.5	
jetBlue	404	89.8%	n/a	n/a	
Southwest	61,413	70.4%	72.1%	-1.8	
United	17,028	92.2%	90.8%	1.4	
US Airways	12,239	82.7%	79.0%	3.7	
Volaris	967	63.0%	n/a	n/a	

NOTE: Volaris' enplaned load factor for May 2015 is 63%. Total load factor for the airline is 70.6%.

The Reno-Sparks area also has adequate rail service and bus service. The area has excellent access to trucking facilities, with over 60 firms serving the Reno area. Rail service through the area is provided by Union Pacific Railroad. The rail lines pass through downtown Reno with most of the rail traffic involving freight transportation. Additionally, Amtrak provides passenger rail service to the area.

### Hospitals, Education and Public Services

The Reno-Sparks area has four private general hospitals and one Veterans' Administration hospital. While the area is considered to have good hospital facilities, the hospitals in Nevada are some of the more expensive in the country. The two largest hospitals, St.



Mary's and Renown, have both opened satellite hospitals in south Reno, and have both undergone major expansions at their main facilities.

The Washoe County School District provides public schools. The University of Nevada-Reno is situated on a 200-acre campus just north of downtown Reno. There are approximately 19,000 students currently enrolled at the University. The area is also served by the Truckee Meadows Community College, which has an enrollment of approximately 10,000 students per year.

Each of the municipalities in the Reno-Sparks area offers police and fire protection. Both the police and fire protection is highly rated. Municipal recreational facilities in the Reno-Sparks area include a number of golf courses, several indoor/outdoor swimming pools, numerous public parks and several public libraries. RTC Ride provides public transportation to the region.

### **Summary**

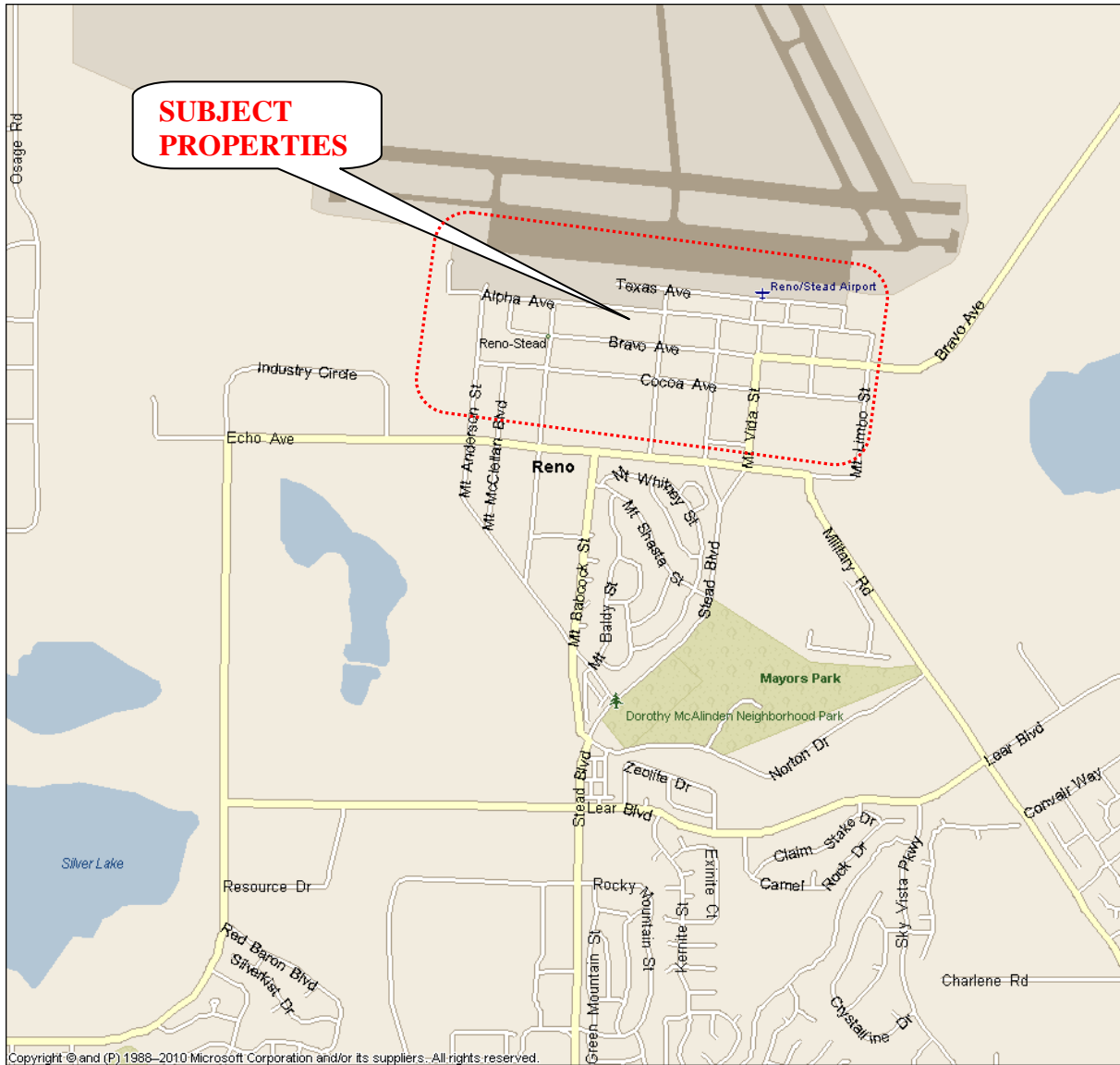
In summary, the Reno-Sparks area has experienced rapid population growth over the past several decades due to the excellent quality of life. Historically, the gaming industry has been the principal economic base for the area. With the legalization of gaming across the United States, the area's principal industry is experiencing a major challenge.

In response to this challenge, the National Bowling Stadium and Downtown Events Center have been built, the Reno-Sparks Convention Center has been expanded and renovated, special events have been expanded, the City of Reno is actively supporting downtown revitalization, and a AAA professional baseball stadium was completed in April of 2009. Tesla began construction on their new Gigafactory just east of Sparks in the Tahoe Reno Industrial Park in 2014. The area has experienced success in broadening the economic base with the expansion of the hi-tech and back office industries.

The recent economic recession has had a negative impact on most sectors of the local economy. However, signs point to a recovery in most sectors of the market, with for-sale and for-rent residential market recoveries, and recoveries in the commercial and industrial sectors of the marketplace. Unemployment has continued to drop, and construction activity has continued to increase. Positive signs are apparent in the local and regional economy.



### NEIGHBORHOOD MAP



## NEIGHBORHOOD DESCRIPTION

The subject properties are located in the Stead area of the City of Reno which is situated in a region known as the North Valleys Area. The Stead area is located approximately ten miles northwest of the downtown Reno core area and approximately thirteen miles northwest of the downtown Sparks core area. Commute time to Stead from the Reno-Sparks area is approximately 10 to 15 minutes. The major roadway between Reno-Sparks and the Stead area is Interstate 580 (U.S. 395).

Interstate 580 is a four-lane, two-way, limited access freeway. There are full interchanges from Interstate 580 into the subject neighborhood at the Golden Valley, Lemmon Valley, Stead, and Red Rock exits. Interstate 580 also provides good access from the subject neighborhood to northern and southern California. As it intersects with Interstate 80, a major east-west freeway, the subject neighborhood has good access to the Reno-Sparks area as well as other portions of the western United States.

Stead is a former Air Force Base that was deactivated in 1966. Upon closure, the Air Force Base was deeded by the United States Government to the City of Reno and the University of Nevada. The Stead area was subsequently incorporated into the Reno city limits. The Stead area can be separated into two areas. The first area is the old Stead Air Force Base which includes former military housing and older industrial utilizations. The newer portion of the Stead area can be distinguished by newer housing subdivisions, such as Sky Vista, and the Silver Lake Business Center, which has been developed with modern, industrial facilities.

The Reno-Stead Airport is a 5,000 acre general aviation facility that serves as a reliever airport for Reno-Tahoe International Airport. The Reno-Stead Airport has been adequately maintained over the years and is presently utilized for general aviation purposes. The Reno-Tahoe Airport Authority indicates that long range plans involve using the Reno-Stead Airport for the majority of the general aviation traffic in the area. The airport also hosts the Reno National Championship Air Races, one of the Reno area's largest tourist events.

Approximately 200 aircraft are based at the Reno-Stead Airport. The airfield earned an Airport Safety Award in 2006 from the Federal Aviation Administration in recognition of its safety enhancements, tenant relations and community outreach. Located approximately 15 miles north of Reno, Reno-Stead Airport is working to develop itself as a major economic hub in the North Valleys. Recent improvements have included a new air tanker facility opened by the



Bureau of Land Management, as well as 9,000 feet of new runway and upgrades to runway lighting. Several on-airport road reconstructions have improved access and security. Construction of the new Reno-Stead Airport terminal building was recently completed, the two-story, 12,000± square foot terminal building includes an emergency operation center, administrative offices, community conference room and a pilot's lounge.

The Federal Aviation Administration has recently announced that the State of Nevada has been approved as a national test site for commercial drones. Two airport sites in Southern Nevada will participate and two in the north including Reno-Stead Airport and the Fallon Naval Air Station located 60 miles east of Reno-Sparks. The designation means the State will serve as one of only six sites in the United States where manufacturers of drones can test their products and potential users can try them out for applications such as fire fighting, search and rescue or delivering retail products. The State will also be working with the FAA on testing how to integrate commercial drones into NextGen; the FAA's evolving air traffic control system. Rod Hooper, Executive Director, Common Northern Nevada Development Authority, says "Northern Nevada has a head start because the area's manufacturing base already has many businesses working with the Aerospace and Defense Industry connected to Military UAV's (Unmanned Aerial Vehicles). Overall, it is felt that the Reno-Stead Airport is well positioned for incoming drone business. The Reno-Stead Airport comes with a number of advantages including existing infrastructure; aviation experience as the decades long location for the annual Reno National Championship Air Races, it has an identified air space corridor because of the air races and it is far from military air space which demands much stricter security." Steven Hill, Executive Director of the Governor's Office of Economic Development, says "he believes the real boom to the economy will be landing more permanent businesses with manufacturing, research and development and other operations and bringing permanent jobs with them."<sup>5</sup>

The portion of the old Air Force Base facility deeded to the University of Nevada is primarily used for the Sierra Nevada Job Corps Training Center facility. Many of the old military barracks house students who attend the training center and a number of the other buildings are used for a variety of vocational training purposes. Additionally, the Nevada Terawatt Facility of the University of Nevada is located in the subject neighborhood.

The Stead area is primarily a suburban bedroom community for the Reno-Sparks area. Residential development in the Stead area is primarily average quality single family and multi-

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<sup>5</sup> Source: Northern Nevada Business Weekly – January 6, 2014, Reno Gazette Journal (January 5, 2014).





family uses. Since the mid-1970s, several large subdivisions have been developed including Sierra Sage, Granite Hills, Eldorado Villas, the Silver Lake Subdivision, Learen Estates and most recently, Sky Vista. The Sky Vista master plan community is located in the most southeasterly portion of Stead. In addition to single family residential development, the Stead area has experienced apartment development. The development of Sky Vista is anticipated to increase the market acceptance of multi-family housing in the Stead area. The installation of Sky Vista Parkway between Lemmon Drive and Stead Boulevard through Sky Vista subdivision has increased the linkage with the Lemmon Valley area.

The Stead area has historically experienced limited commercial development. The Stead Boulevard corridor near U.S. 395 includes low intensity residential, office, school and older retail uses. There is limited availability of land for commercial development along Stead Boulevard near U.S. 395. The train tracks to the west of Stead Boulevard limit the developable depth of parcels along the west side of Stead Boulevard. The competing commercial sites on Lemmon Drive and Golden Valley Drive have more extensive existing retail development. In addition, these competing developments have anchor stores with national tenants and generally have superior curb appeal as compared to the retail developments on Stead Boulevard near U.S. 395.

There is an 89,265± square foot shopping center located at the Lemmon Drive/ Highway 395 interchange, just outside of the Stead neighborhood. The Lemmon Drive interchange shopping area is also experiencing further development at the intersection of Lemmon Drive and Sky Vista Parkway with a service station, a Walgreen's and a Smith's Grocery Store, a Smith's gas station, a Bank of America Bank branch, Starbuck's Coffee, Jack-in-the Box and McDonald's fast food restaurants and various in-line retailers. A new super Wal-Mart was constructed at this intersection. A new O'Reilly's Auto Parts is located on Lemmon Drive across the street from the Jack-in-the Box. Further to the south on North Hills Boulevard near Golden Valley Drive is the North Hills Shopping Center, an 114,515± square foot neighborhood commercial shopping center, which is anchored by a Raley's store.

The Stead Plaza Shopping Center is located on the west side of Stead Boulevard. This small neighborhood shopping center contains approximately 30,000 square feet of gross building area. Located immediately to the north of the Stead Plaza Shopping Center is a Terrible's convenience store, and self-service gas facility located on the southeast corner of Stead Boulevard and Lear Boulevard. Also located on this corner is the Stead Marketplace shopping



center. Further to the north, at the northwest corner of Stead Boulevard and Silver Lake Boulevard, is the Silver Lake Center, an unanchored 11,506± square foot shopping center.

The Sky Vista Planned Unit Development also has 15± acres of undeveloped commercial land located on Sky Vista Boulevard in the central portion of the Sky Vista subdivision.

Although the subject neighborhood has experienced limited commercial development, Stead has experienced significant industrial development. The majority of the industrial development in the Stead area has occurred subsequent to the deeding of the Air Force Base facility to the City of Reno and the University of Nevada. The late William Lear, a prominent aviation entrepreneur, purchased a large portion of the facility and began to renovate a number of the old military buildings for his aviation-related business. Mr. Lear also purchased the southern portion of Stead for industrial and single family residential development.

In 1968, J.C. Penney Company purchased a 203± acre site from Mr. Lear and developed a 1.6 million± square foot catalog distribution center. Craftsman West Press developed a 170,000± square foot facility in 1997 immediately south of J. C. Penney. In late 1984, the R.R. Donnelley Company purchased a 119± acre site located north of the J.C. Penney catalog distribution center. R.R. Donnelley Company is one of the world's largest printing companies.

The Union Pacific Land Company purchased 393± acres located west and northwest of the J. C. Penney Company site. This industrial park was subsequently purchased by Dermody Properties. This development is known as the Silver Lake Business Center. Several companies have constructed facilities in the Silver Lake Business Center, including the Spirolite Company, Freightliner Mercedes Benz Corporation, Hidden Valley Ranch Company and Kleerdex. Additionally, General Motors, V.E.K.A., B-Line Systems, Sally Beauty and Barnes Industries have built facilities adjacent to the Silver Lake Business Center.

The Lear Industrial Center contains 100± acres located at the west terminus of Echo Avenue, southwest of the Reno Stead Airport property. The Lear Industrial Center has been developed with a 390,000± square foot multi-tenant industrial building and has enough land to build up to 1.8 million square feet. The LogistiCourt development is proximate to the Lear Industrial Center and involves over 500,000 square feet of multi-tenant industrial space. Trammel Crow purchased 17.097± acres on Echo Avenue, proximate to the Lear Industrial

Center, and has constructed a speculative 334,500± square foot distribution warehouse on the site.

DP Partners/Dermody Properties developed the Sage Point Business Park, which is anchored by the Sherwin Williams Distribution Center located on Military Road in Lemmon Valley. The Red Rock Business Center is located near Red Rock Road on Moya Boulevard. Just to the south of the Red Rock Business Center, is a Centex Homes high density single family residential subdivision.

DP Partners/Dermody Properties is currently developing the LogistiCenter 395, a 90 plus acre industrial park located at U.S. 395 and Lemmon Drive in Lemmon Valley. Construction of the first phase, a 624,000± square foot distribution-warehouse, was recently completed and has been leased to Amazon.com. Additional phases will include a 402,320± square foot building and a 224,640± square foot building.

One of the primary problems hindering development in the Reno-Stead area is a limited water supply. The Truckee Meadows Water Authority services properties within incorporated Reno-Stead. The Truckee Meadows Water Authority will not accept new annexations to the service area until the water supply infrastructure is upgraded.

Vidler Water Company completed the North Valley's Water Importation project, which is capable of delivering approximately 8,000 acre feet of water from the Fish Springs Ranch, approximately 32 miles north of Reno. The Washoe County Commission has accepted the water rights, wells and pipeline system, as well as easements donated by Vidler Water Company. Initially, water service will be provided to residential properties in Lemmon Valley.

The Reno-Stead Sewer Treatment plant provides sewer service to Stead. Natural gas service and electricity are provided by NV Energy. Telephone service is provided by various carriers.

Recreation facilities in the Stead area include the Sierra Sage Golf Course, Mayor's Park, and the 85± acre North Valley Regional Park. Other public facilities located in Reno-Stead include a small branch library, operated by the Washoe County Library System, and a branch of the U.S. Post Office.

There are three elementary schools and one middle school located in the subject neighborhood. The new North Valleys High School is located on Golden Valley Road, southeast of the subject neighborhood.

The City of Reno furnishes public services to the Stead area. The Reno City Police Department provides police protection and fire protection. The Regional Transportation Commission provides bus service to Stead. Public services in the subject neighborhood are considered to be adequate.

As indicated in the Reno-Sparks Area analysis, and the CBRE Reno Industrial Market View Third Quarter 2014, the North Valleys sub-market, in which the subject property is located, contains approximately 15,142,412± square feet of industrial space, in comparison to the total Reno-Sparks market, which contains approximately 76,496,483 square feet. The overall vacancy rate in the North Valleys, including sub-lease space, is indicated to be 6.7%. The average rental rate, based upon NNN terms is \$0.36 per square foot per month.

The CBRE Reno Retail Market View Third Quarter 2014 Retail Report indicates that the North Valley sub-market contains approximately 791,887± square feet of retail space. In comparison, the total Reno-Sparks market contains approximately 17,065,590 square feet. The North Valleys is currently experiencing an 11.6% overall vacancy rate, including sub-lease space. The average rental rate is \$1.47 per square foot per month, NNN.

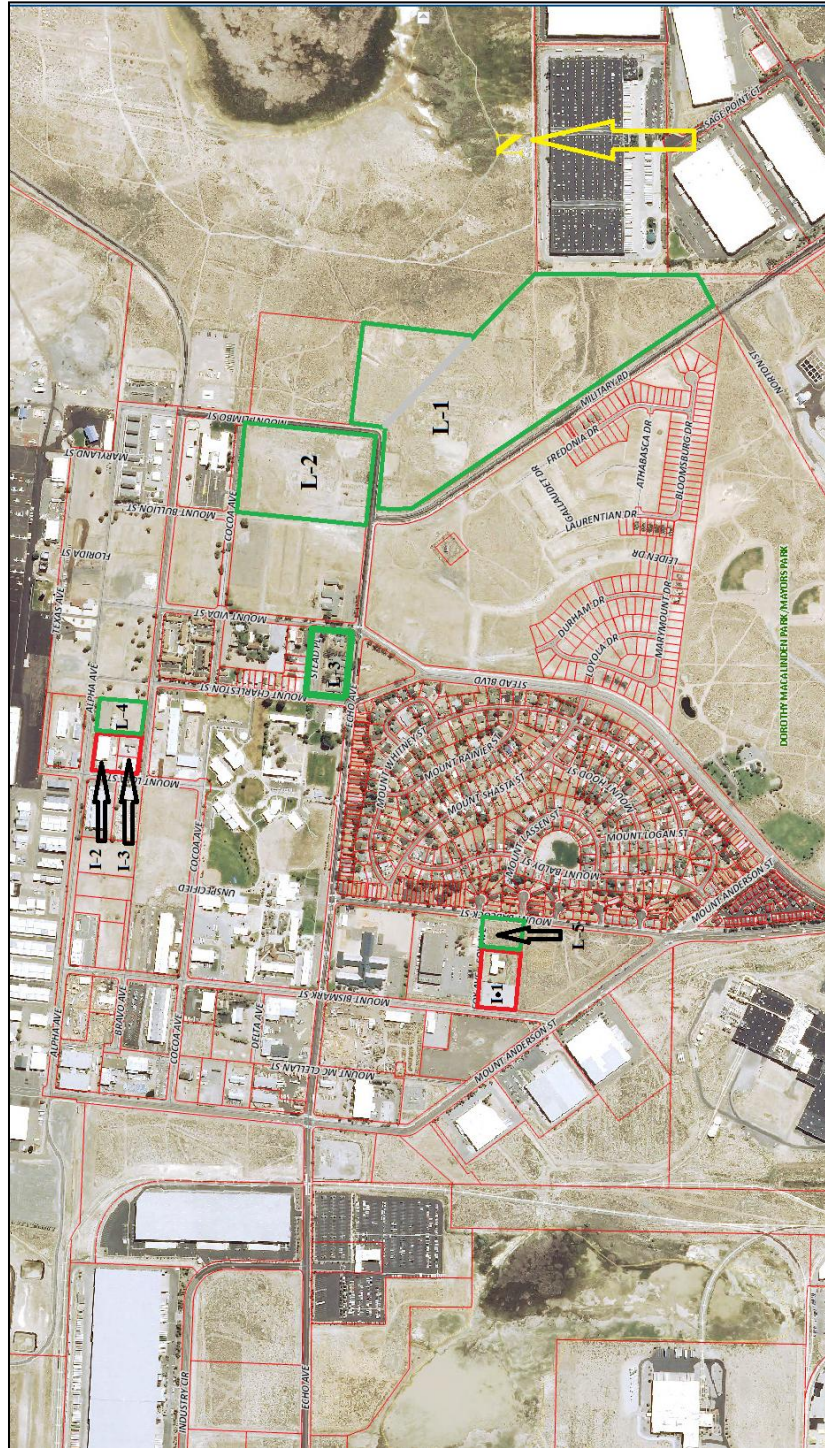
There is minimal professional office space located in the North Valley area, which is primarily residential and industrial in character. Professional office utilizations are principally owner occupied or associated with the University of Nevada or the Sierra Nevada Job Corp.

In summary, the Stead area is located approximately ten miles northwest of the downtown Reno core area and driving time to the employment centers in Reno and Sparks is approximately 10 to 15 minutes. Access to the area is provided by the U.S. 395 Freeway and is considered to be good. Primary land uses in the Stead area are industrial and residential developments. Secondary land uses include commercial, public and recreational uses. Utilities are generally immediately available to the subject neighborhood. In recent years, the Stead area has experienced a reasonably strong industrial market, with several companies having constructed medium to large size facilities in the area.





### SUBJECT PROPERTIES AERIAL MAP





**GENERAL PROPERTY IDENTIFICATION AND SITE DESCRIPTION**

The subject properties consist of five identifiable vacant land parcels, and three improved properties, which are summarized in the following chart.

**VACANT LAND PROPERTIES SUMMARY**

<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>
L-1	086-154-04 SEC Military Road and Echo Avenue; 086-130-04 East side Mt. Limbo at Echo Avenue	Urban Residential I Industrial IB	38.82 Ac. 1,690,995 SF 7.76 Ac. <u>338,026 SF</u> 46.58 Ac.
L-2	086-143-05 West side Mt. Limbo between Echo Ave. and Cocoa Ave.	Industrial IC	12.492 Ac. 544,152 SF
L-3	086-142-04 North side Echo Ave., between Mt. Vida and Mt. Charleston	Urban Residential MF - 43	3.896 Ac. 160,710 SF
L-4	086-951-01 South side Alpha Ave., north side Bravo Ave., 263' E. of Mt. Lola St.	Industrial IC	1.7513 Ac. 76,287 SF
LS-5	086-151-08 West side Mt. Babcock St., 850' N. of Mt. Anderson St.	Industrial IC	1.3015 Ac. 56,694 SF

**IMPROVED PROPERTIES SUMMARY**

<b>Subject Identification</b>	<b>Assessor's Parcel Number Location</b>	<b>Master Plan Zoning</b>	<b>Land Area</b>
I-1	086-151-07 5600 Fox Avenue	Industrial IC	2.31 AC 100,624 SF
I-2	086-951-04 5210 Alpha Avenue	Industrial IC	.927 Ac. 40,378 SF
I-3	086-951-03 5257 Bravo Ave. 086-951-02 5257 Bravo Avenue	Industrial IC Industrial IC	.4289 Ac. 18,684 SF .5317 Ac. 23,162 SF

**Owner of Record** University of Nevada Board of Regents

**Flood Zone**

According to the Federal Emergency Management Agency’s Flood Insurance Rate Maps, Community Panel Nos. 32031C 2819G, 32031C 2825G, and 32031C 2838G, the subject properties are located in a Flood Zone “X”. A Flood Zone “X” is an area of minimal flooding. A Flood Zone “X” designation does not place any restrictions on development, and in addition, federal flood insurance is not required.

**Utilities**

Utility Service	Provider	Availability
Electricity	NV Energy / UNR	Available
Natural Gas	NV Energy	In-Street (Available)
Telephone	AT & T	In-Street (Available)
Water	Truckee Meadows Water Authority (TMWA)	In-Street (Available)
Sewer	City of Reno	In-Street (Available)
Waste Disposal	Waste Management	Service Available
Internet	Various Providers	Service Available

All utilities are available or reasonably available to the subject properties. Electricity is provided by a master utility meter and distribution system owned by the University of Nevada to Subject Properties I-2 and I-3. It is this appraisers understanding that it may be necessary to dedicate these utilities structures to NV Energy. For the purposes of this appraisal, it is assumed that electrical services are available to Subject Properties I-2 and I-3.

It is recommended that a utility survey be prepared with respect to the subject properties..

**Earthquake Zone**

The City of Reno has adopted the *International Building Code*. The International Building Code does not directly address earthquake hazards by geologic regions. However, it requires that all building plans be reviewed by a structural engineer to assess earthquake issues. As a result, for the purposes of this analysis, it is being assumed that the subject property is not impacted by earthquake hazards to a greater degree than is typical for the Reno-Sparks area.

**Tax Data**

At the present time the subject property is owned by the University Of Nevada Board Of Regents and is exempt from taxation. However, if the subject were to be transferred to private



ownership, the owner would be required to pay real estate taxes. Because of this possibility, the Washoe County Assessor's Office is required to appraise the property for tax purposes.

**Estimated Taxable and Assessed Land Values**

**Vacant Parcels**

<b>Subject I.D.</b>	<b>Assessor's Parcel Number Location</b>	<b>Land Area</b>	<b>2015-2016 Assessed Value</b>	<b>2015-2016 Taxable Value</b>	<b>2015-2016 Tax</b>	<b>2015-2016 Tax (Private Ownership)</b>
L-1	086-154-04 SEC Military Road and Echo Avenue	38.82 Ac. 1,690,995 SF	\$135,870	\$388,200	\$0	\$4,972.85
	086-130-04 East side Mt. Limbo at Echo Avenue	7.76 Ac. <u>338,026 SF</u> 46.58 Ac.	\$106,478	\$304,222	\$0	\$3,879.10
L-2	086-143-05 West side Mt. Limbo between Echo Ave. and Cocoa Ave.	12.492 Ac. 544,152 SF	\$257,111	\$734,604	\$0	\$9,410.26
L-3	086-142-04 North side Echo Ave., between Mt. Vida and Mt. Charleston	3.896 Ac. 160,710 SF	\$211,221	\$603,488	\$0	\$7,730.69
L-4	086-951-01 South side Alpha Ave., north side Bravo Ave., 263' E. of Mt. Lola St.	1.7513 Ac. 76,287 SF	\$60,076	\$171,646	\$0	\$2,198.79
LS-5	086-151-08 West side Mt. Babcock St., 850' N. of Mt. Anderson St.	1.3015 Ac. 56,694 SF	\$44,647	\$127,562	\$0	\$1,634.05





**Improved Parcels**

Subj. I.D.	A.P.N. Location	Land Area	Gross Building Area	Gross Building Area	2015-2016 Land Assessed	2015-2016 Improvements Assessed	Total Assessed Value	2015-2016 Taxable Value	2015-2016 Tax	2015-2016 Tax Private Ownership
I-1	086-151-07 5600 Fox Avenue	2.31 AC 100,624 SF	Office	14,994 SF	\$79,241	\$154,861	\$234,102	\$688,864	\$32.62	\$8,600.76
I-2	086-951-04 5210 Alpha Avenue	.927 Ac. 40,378 SF	11,408± SF	11,408 SF	\$31,798	\$153,007	\$184,805	\$528,014	\$0	\$6,763.87
I-3	086-951-03 5257 Bravo Ave.; 086-951-02 5257 Bravo Avenue	.4289 Ac. 18,684 SF .5317 Ac. 23,162 SF	Industrial Flex Garage	9,600 SF 3,200 SF	\$14,714 \$18,240	\$211,637 \$33,271	\$226,351 \$51,511	\$648,718 \$147,174	\$4.54	\$8,289.01 \$1,885.30

In the 2005 Legislative session, a new law regulating increases in real property taxes was signed into law. The Governor signed AB 489 into law on April 6, 2005. This bill provides for a partial abatement of property taxes. The level of abatement is based on the type and use of the property. For primary residences, the abatement equals the amount of taxes that exceed last year’s tax bill plus 3%. If the property contains rental units and the rent on all units within the property are at or below the fair market rent for the county in which the dwelling is located, as most recently published by the United States Department of Housing and Urban Development (HUD), the abatement equals the amount of taxes which exceed last year’s tax bill plus 3%.

Most other properties (rental units where the rent exceeds the HUD guidelines, commercial, industrial, vacant land, mixed use, etc.) are subject to abatement at a higher level, which is calculated by comparing the lesser of;

1. The average percentage of change in the assessed valuation of all taxable property in the county as determined by the Department of Taxation, over the fiscal year in which the levy is made and the nine immediately preceding fiscal years; or
2. Eight percent; or
3. Twice the percentage of increase in the Consumer Price Index (All Items) for the immediately preceding calendar year, whichever is greater.



### **Special Assessments**

According to the Washoe County Treasurer's office, there are no special assessments owing against the subject property.

### **Easements**

In the preparation of this appraisal assignment, a preliminary title report was not available. For the purposes of this appraisal, it is assumed the subject properties are subject to normal public utility easements which would not adversely affect their overall developmental potential.

### **Soils Conditions**

A soils report was not available to me; however, as the improved subject properties and the surrounding properties are developed with a variety of industrial uses, it is assumed that the subject sites are not adversely affected by soil conditions to a greater degree than is typical for the subject neighborhood.

### **Topography**

With the exception of subject property L-1 and L-5, the balance of the subject properties have generally level topography at street grade. Subject Property L-1 has moderately sloping, irregular topography. Subject Property L-5 has gently sloping topography in an upward direction towards Mt. Babcock Street.

### **Hazardous Substances**

My standard on-site inspection of the subject properties did not reveal any readily apparent evidence which would suggest the presence of contaminants or hazardous wastes.

Subject Property L-1 was formerly a portion of the Dodd/Beale Fire Academy. A Certificate of Completion, Voluntary Clean-up Program has been issued by the Nevada Division of Environmental Protection, with an effective date of October 31, 2007. Based upon surrounding industrial and residential utilizations, it appears that the subject property has adequate soils for development. For the purposes of this appraisal, it is assumed that the subject properties are not negatively impacted by the existence of toxic materials or hazardous waste.

### **Public Services**

The subject properties have adequate access to all public services. Fire protection is provided by the Reno Fire Department. Police protection is provided by the Reno Police Department. Public transportation is provided by RTC Ride, a regional mass transportation system. RTC Ride maintains a number of bus stops in the subject neighborhood.

### **Subject Sales History**

There have been no arms-length transactions of record with respect to the subject properties in the past 10 years. A listing agreement has been entered into with NAI Alliance, who is currently marketing the subject properties.

Subject Property L-1, which contains 46.48± acres, is currently available for an asking price of \$4,565,306 or \$2.25 per square foot. Subject Property L-2, which contains 12.492± acres, is currently available with an asking price of \$1,332,958, or \$2.45 per square foot. Subject Property L-3, which is improved with 3 buildings containing a gross building area of 19,500± square feet and a land area of 160,710± square feet is currently available for \$550,000 or \$28.21 per square foot of gross building area. The asking price based upon the land area of 160,710± square feet is indicated to be \$3.42 per square foot.

Subject Property I-1, 5600 Fox Avenue, is available for \$600,000. The subject property contains a gross building area of 14,944± square feet, indicating an asking price of \$40.15 per square foot, including excess land.

Subject Property I-2, 5210 Alta Avenue, has been marketed with an asking price of \$285,000. Based upon the gross building area of 11,408± square feet, the asking price is \$24.98 per square foot of gross building area. There is a current purchase agreement which has been executed between the University of Nevada and Kevin Kemble and Ken Kemble. The proposed sale price is indicated to be \$260,000, or \$22.79 per square foot.

Subject Property I-3, located at 5257 Bravo Avenue, and consisting of two parcels identified as 086-951-03 and 02 is currently available with an asking price of \$375,000 or \$29.30 per square foot of gross building area based upon a building size of 12,800± square feet.

On August 19, 2015, an offer to purchase the Subject Property I-3 was made with a proposed sale price of \$300,000.



Subsequently the buyer proposed two purchase options. Option 1 would eliminate A.P.N. 086-951-02 from the proposed purchase and reduce the sale price by \$91,057. The adjusted sale price for A.P.N. 086-951-03 would be \$226,443.

Option 2 would be for the purchase of A.P.N. 086-951-032 and 03 with the reduction in the total price to \$231,443.

Subject property L-5 is currently available with an asking price of \$160,000 or \$2.82, based upon its gross land area of 56,694± square feet.

### **Surrounding Development**

The subject properties are located within the former Stead air force base, which is improved with a variety of older industrial oriented utilizations and service buildings. Generally, these improvements are fair to average quality and are currently in poor to average condition. Additional development proximate to the subject properties includes a variety of industrial uses, the Sierra Nevada Job Corps training facility, Reno Fire Station No. 9, a transfer station for Waste Management, as well as the Mayor's Park ball fields.

Located to the north of the subject properties is the Reno-Stead airport and its surrounding support facilities.

The properties located to the south and to the west of the subject ownership include industrial uses, manufacturing and distribution facilities, generally which were developed in the late 1990s and 2000s.

Residential utilizations, which were developed in the 1950s and 1970s, are located to the east of Mt. Babcock Street and to the west of Military Road.



**SUBJECT PROPERTY L-1  
SUBJECT PHOTOGRAPHS**



**VIEW OF MILITARY ROAD FACING IN A NORTHWESTERLY DIRECTION  
(SUBJECT ON RIGHT)**



**VIEW OF SUBJECT PROPERTY L-1 FACING IN A NORTHERLY DIRECTION  
FROM MILITARY ROAD**



**SUBJECT PHOTOGRAPHS**



**VIEW OF MILITARY ROAD FACING SOUTHEASTERLY FROM ECHO AVENUE**



**VIEW OF SUBJECT PROPERTY FACING SOUTHEASTERLY**





**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT PROPERTY FACING SOUTHEASTERLY FROM MILITARY ROAD AND ECHO AVENUE**



**VIEW OF NORTHERLY PORTION OF A.P.N. 086-154-05**





**SUBJECT PHOTOGRAPHS**



**VIEW OF ECHO AVENUE FACING EASTERLY FROM MILITARY ROAD**



**VIEW OF ECHO AVENUE FACING IN A WESTERLY DIRECTION FROM  
MT. LIMBO**



**SUBJECT PHOTOGRAPHS**



**VIEW OF A.P.N. 086-130-04 FACING SOUTHEASTERLY FROM MT. LIMBO**



**VIEW OF A.P.N. 086-130-04 FACING IN AN EASTERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



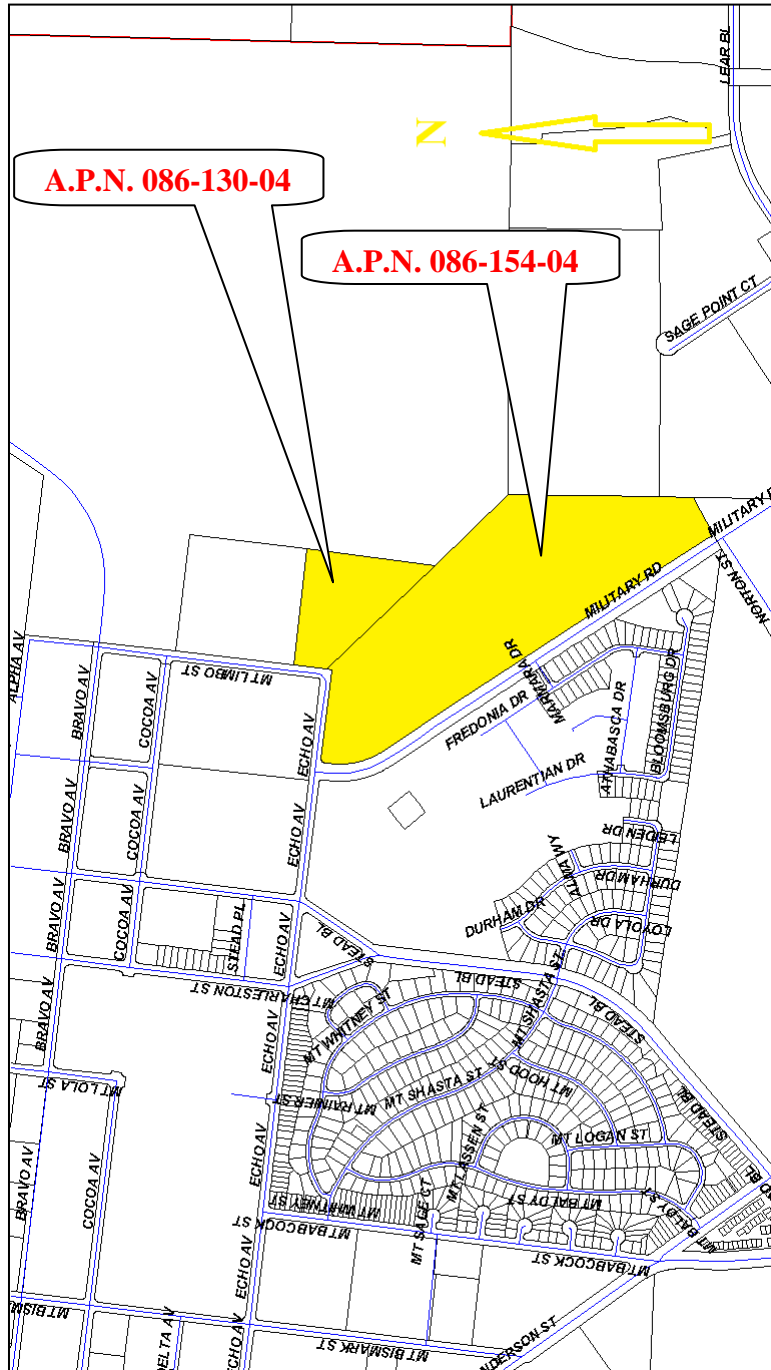
**VIEW OF MT. LIMBO FACING IN A NORTHERLY DIRECTION FROM  
ECHO AVENUE**



**VIEW OF MT. LIMBO FACING IN A SOUTHERLY DIRECTION TOWARDS  
ECHO AVENUE**



**ASSESSOR'S PARCEL MAP**  
**A.P.N. 086-154-04 and A.P.N. 086-154-04**  
**Subjects Highlighted In Yellow**



**Land Area: 46.58 Acres (2,029,025± Square Feet)**



**PROPERTY IDENTIFICATION AND SITE DESCRIPTION  
 SUBJECT PROPERTY L-1**

<b>Property Type</b>	Vacant Industrial Land
<b>Location</b>	The southeast corner of Military Road and Echo Avenue, and the east side of Mt. Limbo at Echo Avenue, Reno, Washoe County, Nevada
<b>Legal Description</b>	Portions of Sections 29 and 32, T21N, R19E, MDB&M.
<b>Assessor's Parcel Numbers</b>	086-154-04 and 086-130-04
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	
086-154-04	38.82± acres (1,690,995± square feet)
086-130-04	<u>7.76± acres (338,026± square feet)</u>
Total Land Area	46.58± acres (2,029,025± square feet)
<b>Shape</b>	Irregular
<b>Street Improvements/Access</b>	Military Road, Echo Avenue and Mt. Limbo Street abut the subject property. All three roadways are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters.
<b>Topography</b>	Moderately sloping, irregular.
<b>Zoning</b>	
086-154-04	I
086-130-04	IB
<b>Master Plan</b>	
086-154-04	Urban Residential
086-130-04	Industrial
<b>Highest and Best Use</b>	Industrial development as demand warrants.



**SUBJECT PROPERTY L-2  
SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY FROM  
ECHO AVENUE**



**VIEW OF ECHO AVENUE FACING EASTERLY FROM MILITARY ROAD**



**SUBJECT PHOTOGRAPHS**



**VIEW OF ECHO AVENUE FACING IN A WESTERLY DIRECTION FROM  
MT. LIMBO**



**OVERALL VIEW OF SUBJECT PROPERTY L-2 FACING NORTHWESTERLY FROM  
ECHO AVENUE AND MT. LIMBO**





**SUBJECT PHOTOGRAPHS**



**VIEW OF MT. LIMBO FACING NORTHERLY FROM ECHO AVENUE**



**VIEW OF MT. LIMBO FACING SOUTHERLY TOWARDS ECHO AVENUE**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING SOUTHWESTERLY FROM  
MT. LIMBO AND COCOA AVENUE**



**VIEW OF COCOA AVENUE FACING WESTERLY FROM MT. LIMBO**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A SOUTHEASTERLY DIRECTION FROM COCOA AVENUE**

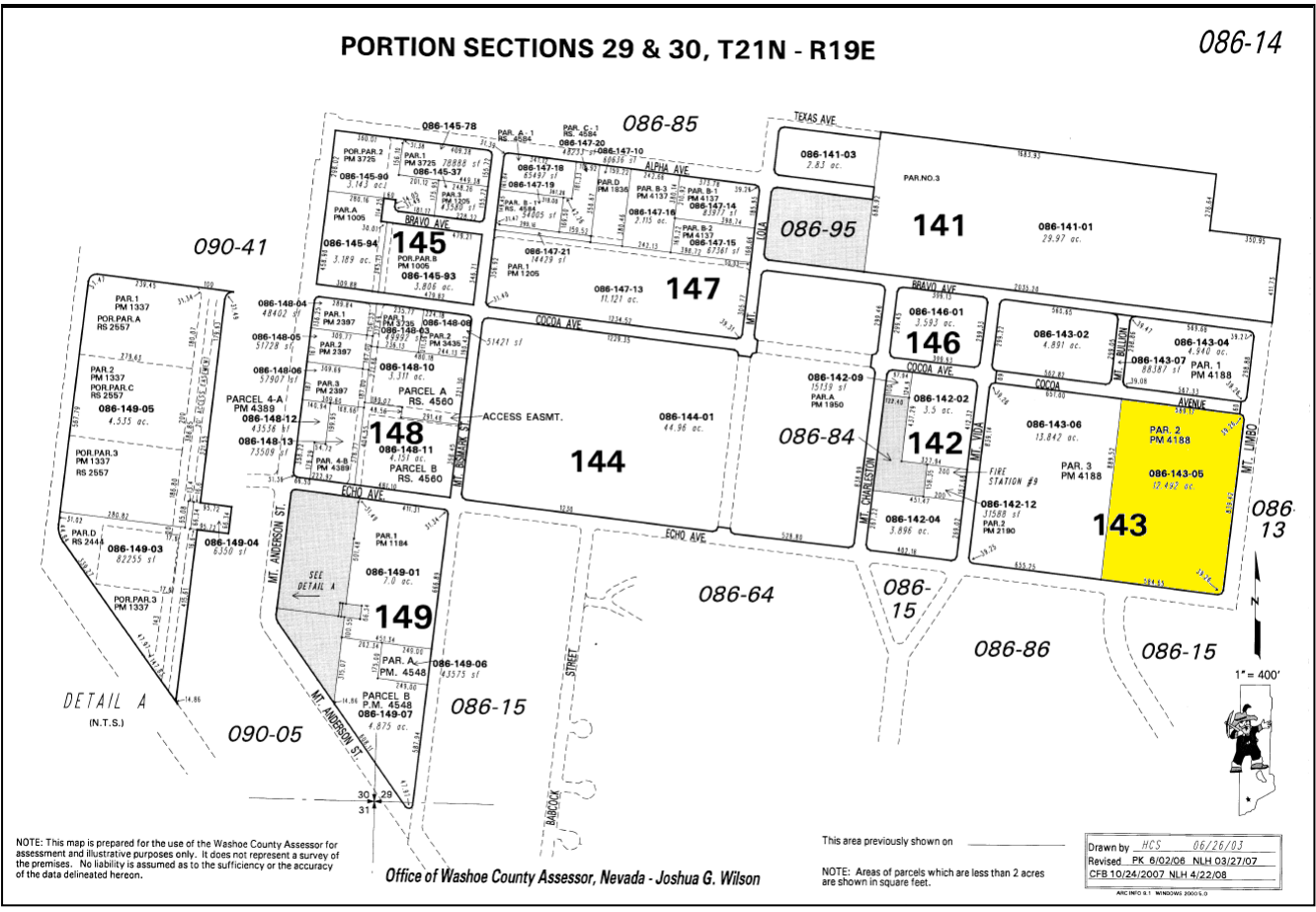


**VIEW OF COCOA AVENUE FACING IN AN EASTERLY DIRECTION**



**JOHNSON | PERKINS | GRIFFIN**  
 REAL ESTATE APPRAISERS & CONSULTANTS

**ASSESSOR'S PARCEL MAP  
 A.P.N. 086-143-05**



Land Area: 12.492± Acres (544,152± Square Feet)





**PROPERTY IDENTIFICATION AND SITE DESCRIPTION  
SUBJECT PROPERTY L-2**

<b>Property Type</b>	Vacant Industrial Land
<b>Location</b>	The west side of Mt. Limbo between Echo Avenue and Cocoa Avenue, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel 2, Parcel Map 4188
<b>Assessor's Parcel Number</b>	086-143-05
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	12.492± acres (544,152± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Echo Avenue, Mt. Limbo and Cocoa Avenue all of which are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters.
<b>Topography</b>	Level to gently sloping
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	Industrial development as demand warrants.



**SUBJECT PROPERTY L-3  
SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A SOUTHWESTERLY  
DIRECTION FROM MT. VIDA**



**VIEW OF MT. VIDA FACING IN A SOUTHERLY DIRECTION TOWARDS**



**ECHO AVENUE  
SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A NORTHWESTERLY  
DIRECTION FROM ECHO AVENUE AND MT. VIDA**



**VIEW OF MT. VIDA FACING IN A NORTHERLY DIRECTION FROM  
ECHO AVENUE**





**SUBJECT PHOTOGRAPHS**



**VIEW OF ECHO AVENUE FACING WESTERLY FROM MT. VIDA**



**VIEW OF MT. CHARLESTON FACING IN A SOUTHERLY DIRECTION TOWARDS  
ECHO AVENUE**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING SOUTHEASTERLY FROM  
MT. CHARLESTON**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY FROM  
MT. CHARLESTON AND ECHO AVENUE**



**SUBJECT PHOTOGRAPHS**

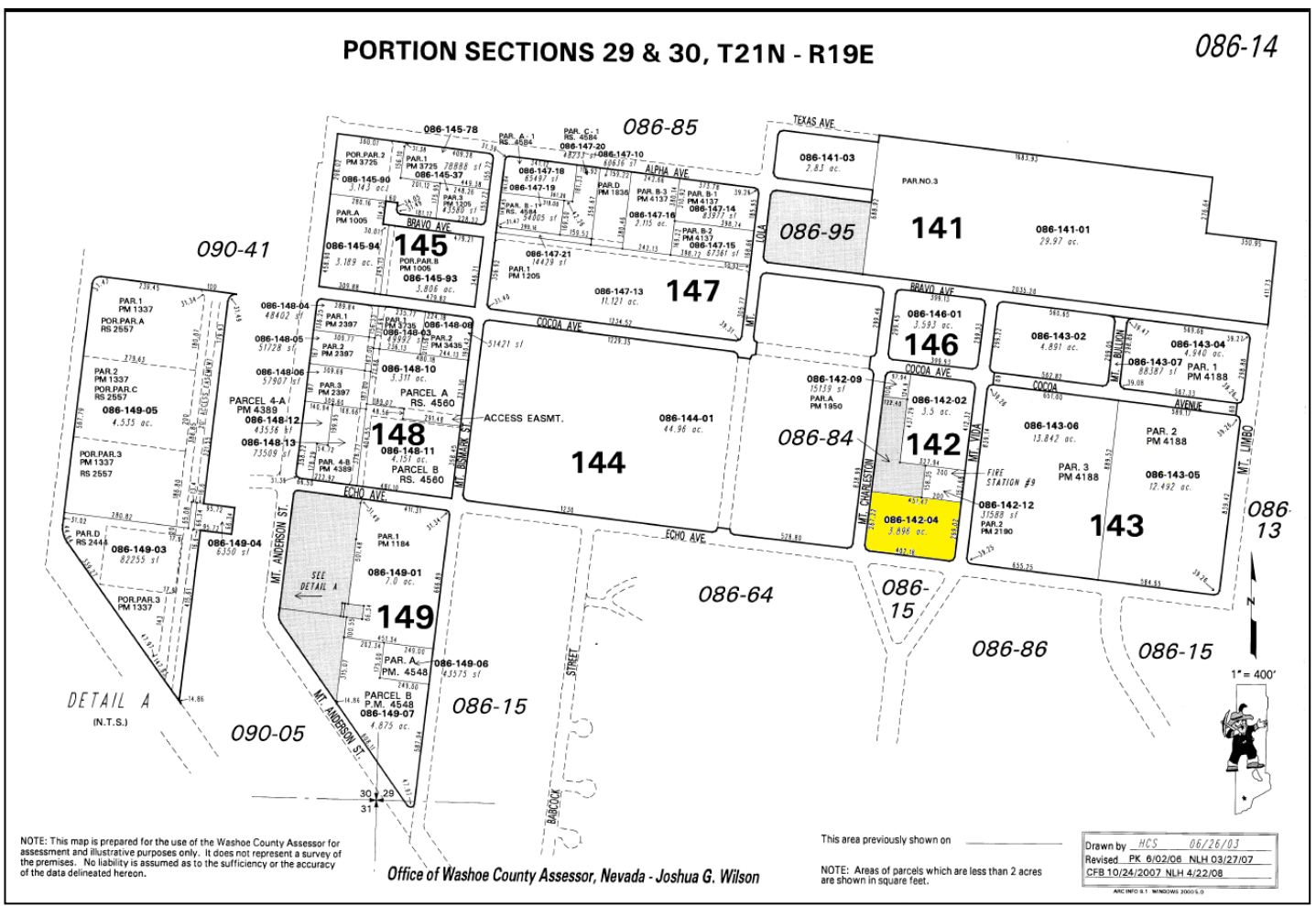


**VIEW OF ECHO AVENUE FACING EASTERLY**





ASSESSOR'S PARCEL MAP  
A.P.N. 086-142-04



Land Area: 3,896± (160,710± Square Feet)



**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**  
**SUBJECT PROPERTY L-3**

<b>Property Type</b>	Industrial/Mixed Use parcel of land improved with three dilapidated buildings.
<b>Address</b>	13905 Mt. Vida Street, Reno, Washoe County, Nevada
<b>Location</b>	The north side of Echo Avenue, between Mt. Vida Street and Mt. Charleston Street, Reno, Washoe County, Nevada
<b>Legal Description</b>	A portion of Section 29, T21N, R19E, MDB&M.
<b>Assessor's Parcel Number</b>	086-142-04
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	3.896± acres (160,710± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Echo Avenue, Mt. Vida and Mt. Charleston, all of which are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters. In addition, alley access is provided along the northerly property line.
<b>Topography</b>	Generally level, slightly above grade.
<b>Zoning</b>	MF-43
<b>Master Plan</b>	Urban Residential
<b>Highest and Best Use</b>	Mixed Use development as demand warrants.



**SUBJECT PHOTOGRAPHS  
SUBJECT PROPERTY L-4**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY  
FROM BRAVO AVENUE**



**VIEW OF BRAVO AVENUE FACING IN A WESTERLY DIRECTION**





**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY  
FROM BRAVO AVENUE**



**VIEW OF BRAVO AVENUE FACING IN AN EASTERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A SOUTHWESTERLY DIRECTION FROM ALPHA AVENUE**



**VIEW OF ALPHA AVENUE FACING IN A WESTERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING SOUTHEASTERLY  
FROM ALPHA AVENUE**



**VIEW OF ALPHA AVENUE FACING IN AN EASTERLY DIRECTION**



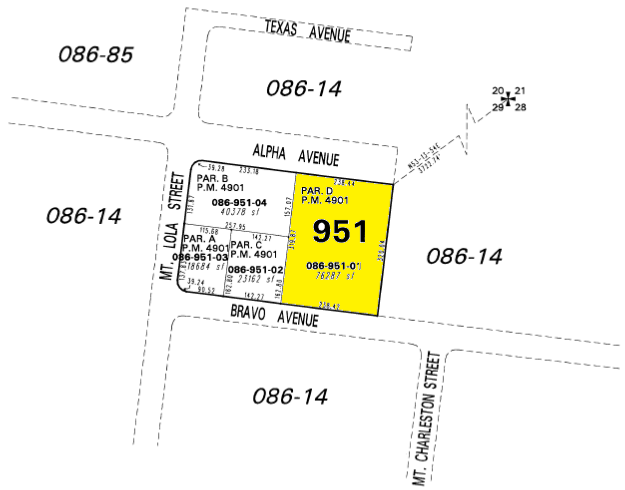


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ASSESSOR'S PARCEL MAP  
A.P.N. 086-951-01

086-95

A POR. OF THE W 1/2 OF SEC. 29,  
T21N - R19E



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Joshua G. Wilson

This area previously shown on 086-14

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	MLH 04/22/08
Revised	
ARC/INFO 8.1 WIN95 2005.0	

Land Area: 1.7513± Acres (76,287± Square Feet)



**PROPERTY IDENTIFICATION AND SITE DESCRIPTION  
SUBJECT PROPERTY L-4**

<b>Property Type</b>	Vacant Industrial Land
<b>Location</b>	The south side of Alpha Avenue and the north side of Bravo Avenue, 263 feet east of Mt. Lola Street, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel D, Parcel Map 4901
<b>Assessor's Parcel Number</b>	086-951-01
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	1.7513± acres (76,287± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Echo Avenue to the south and Alpha Avenue to the north. Both are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters.
<b>Topography</b>	Level, above grade.
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	Industrial/mixed use development as demand warrants.



**SUBJECT PROPERTY L-5  
SUBJECT PHOTOGRAPHS**



**VIEW OF FOX AVENUE FACING EASTERLY (SUBJECT ON RIGHT)**



**OVERALL VIEW OF SUBJECT PROPERTY FACING SOUTHEASTERLY FROM  
FOX AVENUE**





**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHWESTERLY FROM  
MT. BABCOCK**



**VIEW OF MT. BABCOCK FACING IN A NORTHERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT PROPERTY FACING SOUTHWESTERLY FROM  
MT. BABCOCK**



**VIEW OF MT. BABCOCK FACING IN A SOUTHERLY DIRECTION**





**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**  
**SUBJECT PROPERTY L-5**

<b>Property Type</b>	Vacant industrial land.
<b>Location</b>	The west side Mt. Babcock Street, 850 feet north of Mt. Anderson Street, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel C, Parcel Map 5089
<b>Assessor's Parcel Number</b>	086-151-08
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	1.3015± acres (56,694± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Mt. Babcock a 2-way, 2-lane asphalt paved roadway. Secondary access is provided via the easterly terminus of Fox Avenue.
<b>Topography</b>	Level to gently sloping towards Mt. Babcock Street.
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	Industrial development as demand warrants.





**SUBJECT PROPERTY I-1  
SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY FROM  
MT. BISMARK**



**VIEW OF MT. BISMARK FACING IN A NORTHERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**VIEW OF MT. BISMARK FACING IN A SOUTHERLY DIRECTION**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A SOUTHEASTERLY DIRECTION**





**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT OFFICE BUILDING AND PARKING AREA FACING  
NORTHEASTERLY**



**VIEW OF SOUTH SIDE OF SUBJECT PROPERTY  
(LOCATION OF SURPLUS LAND)**



**SUBJECT PHOTOGRAPHS**



**VIEW OF FOX AVENUE FACING IN AN EASTERLY DIRECTION FROM  
MT. BISMARK**



**VIEW OF SUBJECT OFFICE BUILDING FACING SOUTHEASTERLY**



**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT OFFICE BUILDING FACING NORTHEASTERLY**



**VIEW OF SUBJECT OFFICE BUILDING FACING NORTHWESTERLY**





**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT OFFICE BUILDING FACING SOUTHWESTERLY**



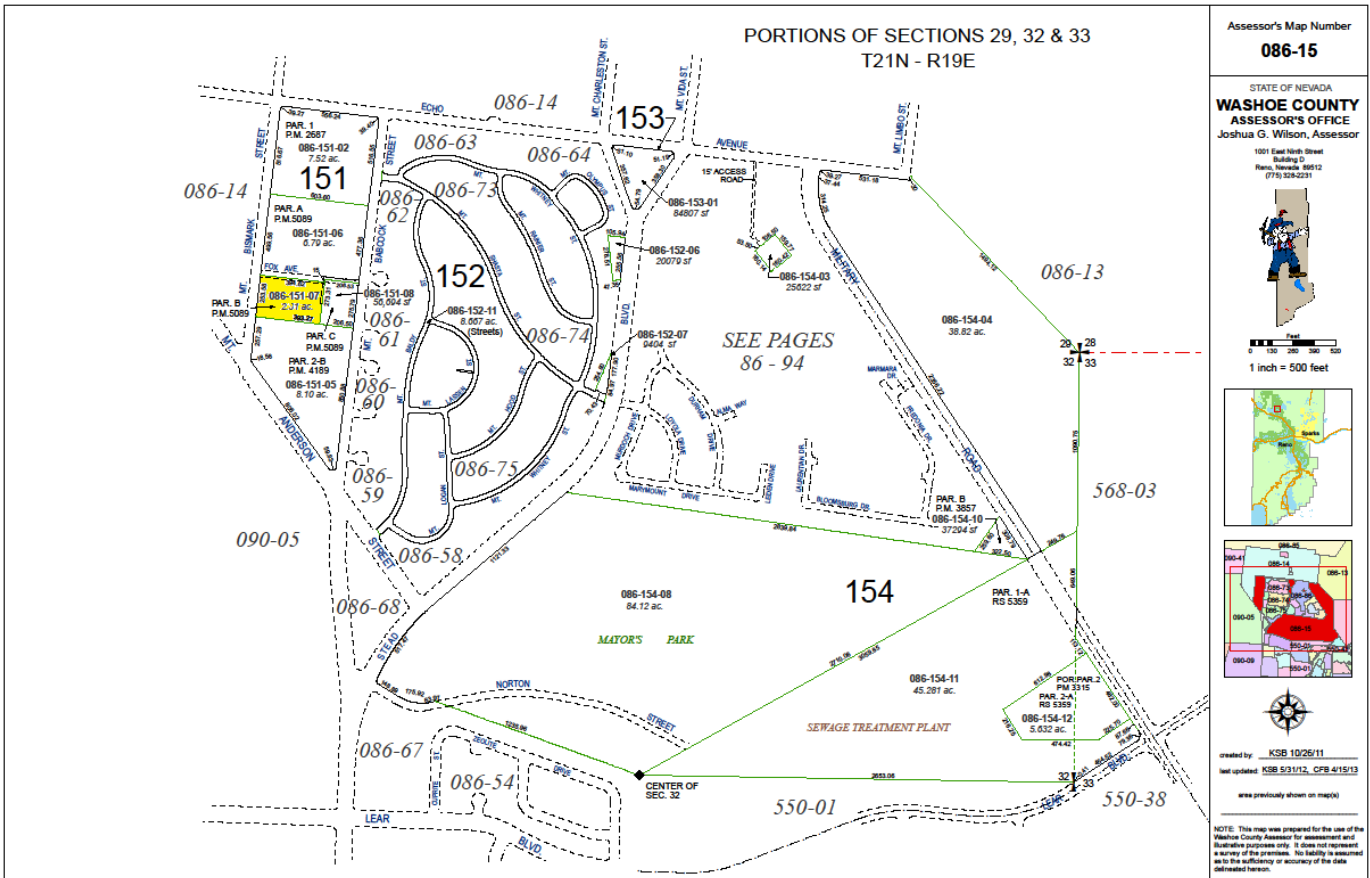
**VIEW OF FOX AVENUE FACING WESTERLY TOWARDS  
MT. BISMARK**



SUBJECT PROPERTY PLOT PLAN

SUBJECT I-1

A.P.N. 086-151-07



Land Area: 2.31± Acres (100,624± Square Feet)





**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**  
**SUBJECT PROPERTY I-1**

<b>Property Type</b>	Office building
<b>Address</b>	5600 Fox Avenue, Reno, Washoe County, Nevada
<b>Location</b>	The southeast corner of Mt. Bismark Street and Fox Avenue, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel B, Parcel Map 5089.
<b>Assessor's Parcel Number</b>	086-151-07
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	2.31± acres (100,624± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	Mt. Bismark Street, abutting the subject's west property line is a 2-way, 2-lane asphalt paved roadway improved with concrete curbs and gutters. Fox Avenue is a private driveway providing access to the subject property along the northerly property line, as well as the Terrabyte facility to the north.
<b>Topography</b>	Level
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	
As Vacant	Industrial development as demand warrants.
As Improved	Current utilization until such time as demand warrants redevelopment of the site.



**SUBJECT PROPERTY I-2  
SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT OFFICE BUILDING FACING SOUTHWESTERLY  
FROM ALPHA AVENUE.**



**VIEW OF ALPHA AVENUE FACING IN A WESTERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A SOUTHEASTERLY DIRECTION FROM ALPHA AVENUE AND MT. LOLA**



**VIEW OF ALPHA AVENUE FACING IN AN EASTERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT PROPERTY FACING NORTHEASTERLY FROM  
MT. LOLA**



**VIEW OF MT. LOLA FACING IN A NORTHERLY DIRECTION TOWARDS ALPHA  
AVENUE**

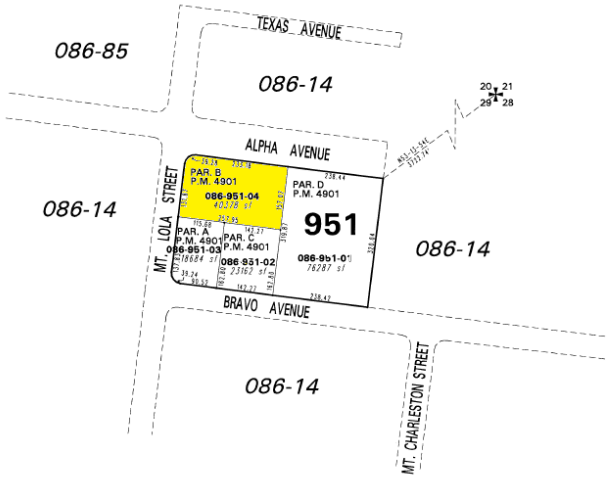


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ASSESSOR'S PARCEL MAP  
SUBJECT PROPERTY I-2  
A.P.N. 086-951-04

086-95

A POR. OF THE W 1/2 OF SEC. 29,  
T21N - R19E



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Joshua G. Wilson

This area previously shown on 086-14

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by NLH 04/22/08  
Revised: \_\_\_\_\_  
ARC NO. 0.1 W/04/03 2005.0

Land Area: .927± Acres (40,378± Square Feet)





**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**  
**SUBJECT PROPERTY I-2**

<b>Property Type</b>	Industrial Flex/Office/Classrooms
<b>Address</b>	5210 Alpha Avenue, Reno, Washoe County, Nevada
<b>Location</b>	The southeast corner of Alpha Avenue and Mt. Lola Street, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel B, Parcel Map 4910.
<b>Assessor's Parcel Number</b>	086-951-04
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	.927± acres (40,378± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Mt. Lola Street and Alpha Avenue, both of which are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters.
<b>Topography</b>	Level
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	
As Vacant	Industrial/mixed use development as demand warrants.
As Improved	Demolition of existing improvements for redevelopment.



**SUBJECT PROPERTY I-3  
SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT INDUSTRIAL FLEX BUILDING (A.P.N. 086-951-03)  
FACING IN A SOUTHEASTERLY DIRECTION**



**VIEW OF MT. LOLA FACING IN A SOUTHERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**OVERALL VIEW OF SUBJECT INDUSTRIAL FLEX BUILDING FACING  
NORTHEASTERLY**



**VIEW OF MT. LOLA STREET FACING IN A NORTHERLY DIRECTION**



**SUBJECT PHOTOGRAPHS**



**VIEW OF BRAVO AVENUE FACING EASTERLY**



**OVERALL VIEW OF SUBJECT INDUSTRIAL FLEX BUILDING FACING  
NORTHWESTERLY FROM BRAVO AVENUE**





**SUBJECT PHOTOGRAPHS**



**VIEW OF BRAVO AVENUE FACING WESTERLY**



**OVERALL VIEW OF STORAGE BUILDING FACING NORTHEASTERLY  
FROM BRAVO AVENUE**





**SUBJECT PHOTOGRAPHS**



**VIEW OF BRAVO AVENUE FACING EASTERLY**



**OVERALL VIEW OF SUBJECT PROPERTY FACING IN A NORTHWESTERLY  
DIRECTION FROM BRAVO AVENUE**



**SUBJECT PHOTOGRAPHS**

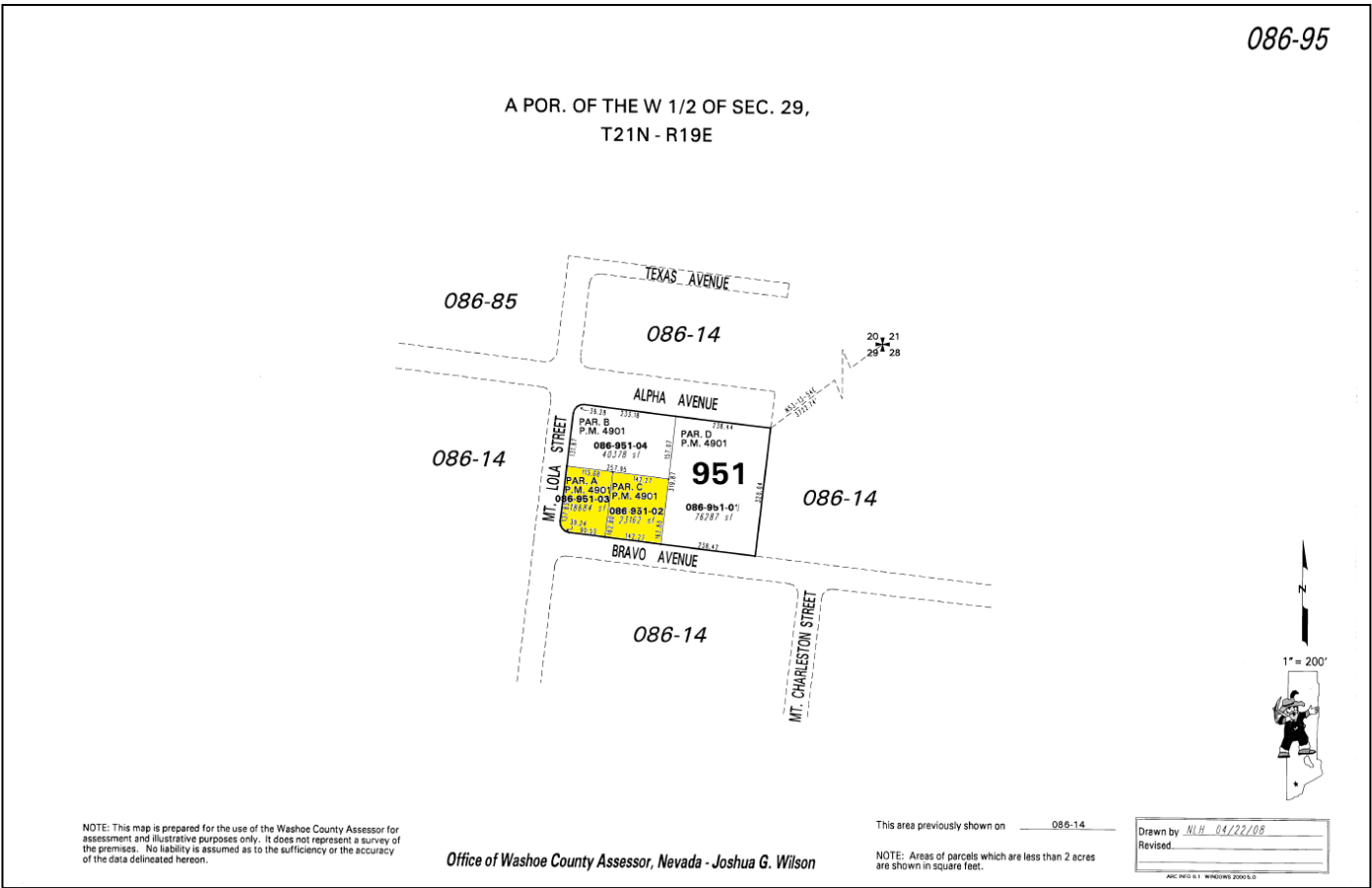


**VIEW OF BRAVO AVENUE FACING WESTERLY**



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ASSESSOR'S PARCEL MAP  
SUBJECT PROPERTY I-3  
A.P.N. 086-951-02 and 086-951-03



Land Area: .9615± Acres (41,846± Square Feet)



**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**  
**SUBJECT PROPERTY I-3**

<b>Property Type</b>	Industrial Flex and Storage Garage
<b>Address</b>	5257 Bravo Avenue, Reno, Washoe County, Nevada
<b>Location</b>	The northeast corner of Bravo Avenue and Mt. Lola Street, Reno, Washoe County, Nevada
<b>Legal Description</b>	Parcel A, Parcel Map 4901
<b>Assessor's Parcel Number</b>	086-951-03 and 086-951-02
<b>Owner of Record</b>	University of Nevada Board of Regents
<b>Land Area</b>	
086-951-03	.4298± acres (18,684± square feet)
086-951-02	.5317± acres (23,162± square feet)
Total Land Area	.9615± acres (41,846± square feet)
<b>Shape</b>	Rectangular
<b>Street Improvements/Access</b>	The subject property abuts Bravo Avenue and Mt. Lola Street, both of which are 2-way, 2-lane asphalt paved roadways improved with concrete curbs and gutters.
<b>Topography</b>	Level, slightly above grade.
<b>Zoning</b>	IC
<b>Master Plan</b>	Industrial
<b>Highest and Best Use</b>	
As Vacant	Industrial/mixed use development as demand warrants.
As Improved	Continued use of industrial flex building, demolition of storage garage



**SUBJECT PROPERTY I-1  
INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF TYPICAL CLASSROOM**



**VIEW OF TYPICAL OFFICE**





**SUBJECT PROPERTY I-1  
INTERIOR SUBJECT PHOTOGRAPHS**



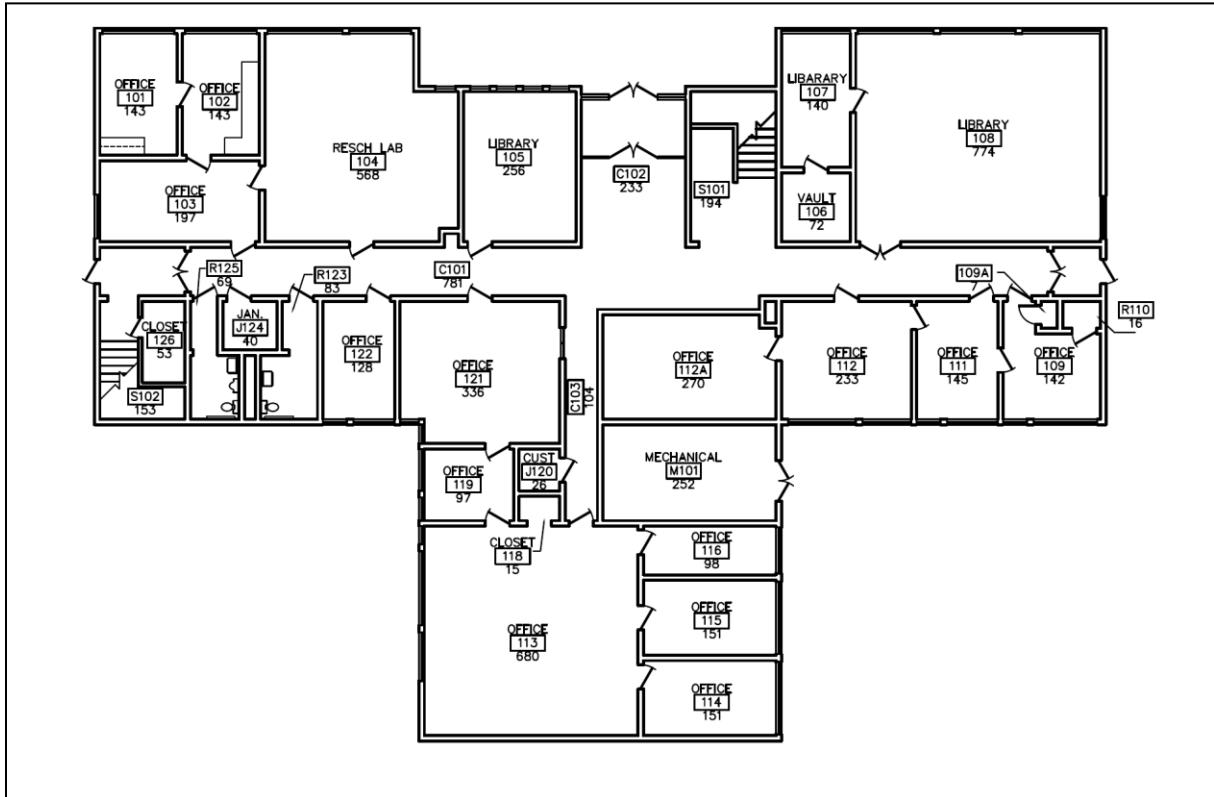
**VIEW OF TYPICAL RESTROOM**



**VIEW OF TYPICAL STORAGE ROOM**

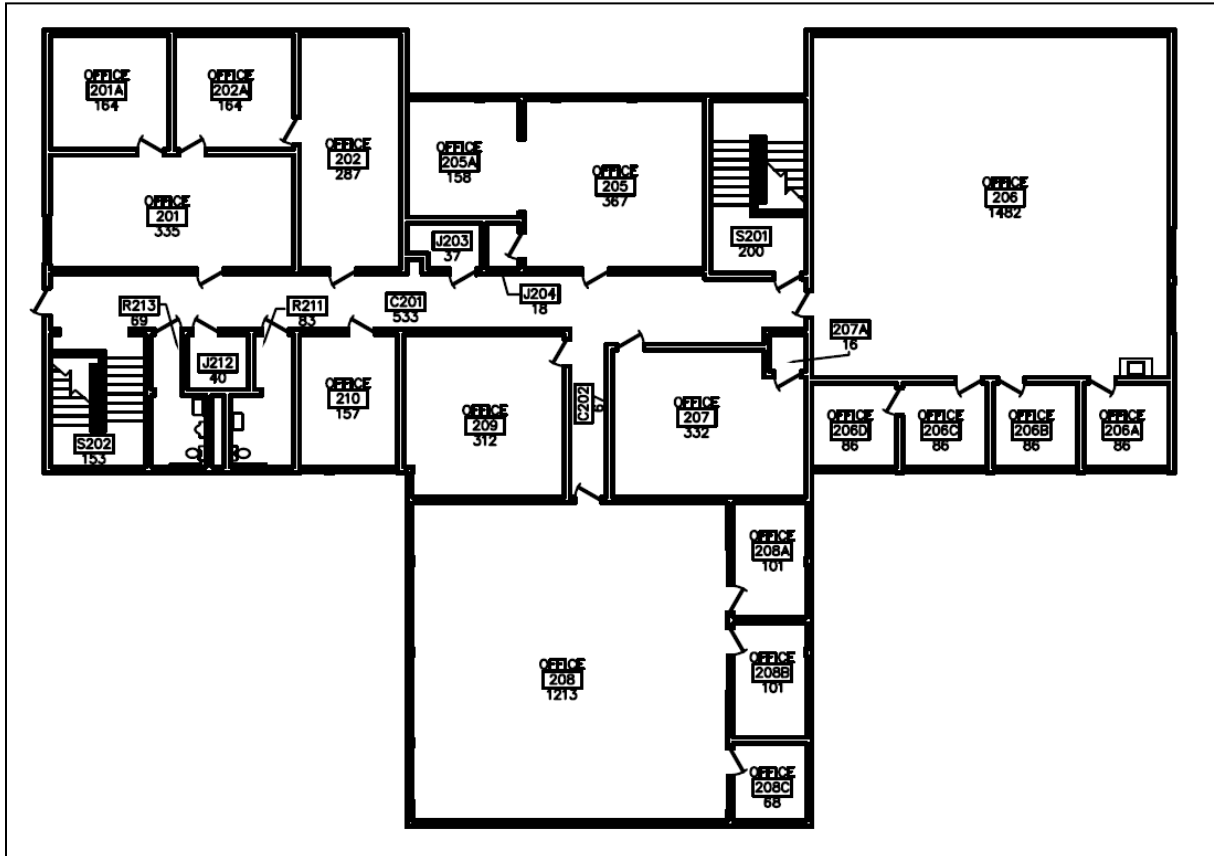


**SUBJECT PROPERTY I-1  
SUBJECT FLOOR PLAN  
FIRST FLOOR**





**SUBJECT PROPERTY I-1  
SUBJECT FLOOR PLAN  
SECOND FLOOR**



## **DESCRIPTION OF SUBJECT IMPROVEMENTS (Subject Property I-1)**

Subject Property i-1 is improved with an average quality, two-story office/classroom building with concrete block construction. The subject building was built in 1950 and is in fair condition for its age. The building is institutional in design and has fair to average curb appeal. Parking for the subject property is provided by a concrete paved parking lot located to the west of the building. Additional parking is located to the east of the building. The following descriptions are based upon my inspection of the subject property as well as a review of the Washoe County Assessor's records.

<b>Building Type</b>	Office/Classroom Building
<b>Gross Building Area</b>	14,944± Square Feet
<b>Year Built</b>	1950
<b>Age</b>	64 Years
<b>Quality/Condition</b>	Average/Fair
<b>Foundation</b>	Reinforced Concrete

### **Exterior Wall Construction**

The exterior construction is concrete block which has been painted. Some areas where the paint is peeling or chipped were noted at the time of inspection, primarily at the eaves at the main entrance.

### **Roof**

The roof is a flat, built-up roof. Signs of roof leakage were detected during my inspection of the property. In discussions with a representative of the property owner it was indicated that the roof is in fair condition, and will likely require re-sealing.

### **Windows & Doors**

Windows throughout the subject building are single pane glass set in painted metal frames. There were two broken windows noted at the time of inspection. The building does



have extensive windows providing good fenestration. The subject's exterior doors are a combination of glass doors set in wood frames at the main entry areas and metal doors at the side entrances. The interior doors are wood.

### **Interior Construction and Finish**

The subject is considered a Class C institutional office building within the Reno market, and is generally finished with average quality office finishes. Interior finishes within the office and classroom areas are generally fair to average quality vinyl tiles with some areas of wall-to-wall carpeting. The entry areas are finished with ceramic tile. Interior walls are sheetrock walls which are textured and painted. The hallways also have a plastic wainscoting. Ceilings throughout the building are sheet rock which have been textured and painted. The ceiling in Room 218, one of the classrooms, has acoustical tiles set in t-bar grids. Lighting is generally provided from ceiling suspended and recessed fluorescent tube lighting, with some canned incandescent lighting. It is noted that the florescent light fixtures in the hallways involve a retrofit over the original incandescent light fixtures. The openings for the original fixtures remain unfinished. Overall, the subject is in fair condition for its age. The building has been adequately maintained, however it has not been remodeled since its construction in 1950, as a result, the interior finish is very dated.

### **Configuration**

The subject building has two stories of office and classroom space. The main entrance is located on the south side of the building, which leads to a stairwell to the second floor. Additional entrances are located at the west and east walls of the building. The first and second floors each have several office areas as well as larger finished office areas which were utilized in the past as a library, research labs, a band room and classrooms. The first floor also has a vault (room 106). Each floor is equipped with a set of men's and women's restrooms.

### **Restrooms**

Each floor includes a set of men's and women's restrooms at the west end of the hallways. The restrooms are generally finished with vinyl tile flooring, painted sheetrock ceilings and walls with ceramic tile wainscoting. The ceramic tile appears to be original as of the 1950 date of construction. The restrooms have wall hung single basin sinks with mirrors above and two water closets separated by metal partitions. The restrooms do not appear to be handicap accessible.





### **Upper Floor Access**

Access between the first and second floors of the building is provided by two sets of stairways. There is a stairwell off the south entrance and one off the west entrance. The stairwells have metal handrails and metal steps with a rubber covering.

### **Heating, Ventilation and Air Conditioning**

The subject has base board heat throughout the building. Air conditioning is provided from ceiling suspended units within the office areas and classrooms.

### **American's With Disabilities Act (ADA)**

Although an ADA compliance survey of the subject property was not conducted, it is noted that the subject's entrance does not have ramps. Additionally, the subject building has stairwells only with no elevators. Restrooms in the facility do not provide handicapped stalls. Based upon my physical inspection of the subject building it is my expectation that should a compliance survey be conducted it would reveal that the building is not in compliance with ADA requirements. The Americans with Disabilities Act was passed in 1990 and new facilities which are designed and constructed for first occupancy later than January 26, 1993 must be accessible. Due to the older age of the subject improvements the building is not required to meet the ADA building standards.

### **Landscaping**

The easterly portion of Subject Property 1 has large lawn areas and an assortment of evergreen trees and shrubs, primarily around the perimeter of the subject building. The landscaping is in average condition.

### **Parking**

The westerly portion of Subject Property 1 is a concrete paved parking lot that is in fair condition. This parking lot provides over 100 parking spaces for the existing improvements. There is additional parking in the southwest portion of the site. The City of Reno requires one parking space per 275 square feet of building area, which equates to 55 spaces for the subject. The subject parking is well in excess of the parking requirements as per city code.

### **Fire Protection**

The subject building is equipped with smoke detectors and lighted emergency exit signs.



## Summary

The subject is a two story office building which was constructed in 1950 with concrete block construction on a reinforced concrete foundation. The exterior of the building is exposed concrete block which is painted. The building is exhibiting some signs of deferred maintenance including broken windows, roof leaks and in some areas the exterior paint is peeling or chipping. The building is currently in fair condition for its age. The interior of the building is institutional in design and is very dated. The air conditioning units as well as the fluorescent lighting involve retrofits to the building. In discussions with a representative of the property owner, asbestos materials are present in the building. It was further indicated that, to date, asbestos mitigation has been completed in the mechanical room and one of the offices. Due to the presence of asbestos materials, should the owners or buyer wish to update or remodel the building, asbestos abatement may be required.

The subject improvements are situated on a 2.31± acre (100,624± square feet) parcel, portions of which are used for parking areas and landscaping. A large portion of the subject site, situated west of the building, is improved with a large concrete parking lot which is in fair condition. The subject building contains 14,944± square feet of gross building area, indicating a building coverage of 6.73:1 (14.85%). Based upon building coverage's indicated by other office properties, the subject site does have surplus land, which could be utilized for expansion or future development.

In arriving at an estimate of the subject's surplus land area I will first estimate the land area which would need to be allocated to the subject building. This land area estimate is then deducted from the subject's gross land area to derive an estimate of the excess land area. The subject building is located on the easterly portion of the subject property. In order to estimate an allocation of the land area for the improvements consideration is given to the placement of the building improvements on the subject site, its current utilization as well as parking requirements. I have also taken into consideration the location of the 20 foot wide sanitary sewer easement which traverses Subject Property 1 in a north-south direction.

In order to allow a sufficient land area for the subject improvements as well as minimize the impact of the presence of the sanitary sewer easement, I have estimated the land area attributable to the improvements as being that portion of the subject site east of the easement and west of the subject's east boundary. According to calculations prepared by Summit Engineering the length of the subject site from its southeast corner to the east boundary of the sanitary sewer



easement is 173.3± linear feet. Based upon a review of the Parcel Map exhibits Subject Property 1 has a depth of 258.31± feet. This would indicate an estimated land area attributable to the improved portion of the subject site of 44,765± square feet (173.3' x 258.31' = 44,765± square feet). The subject building contains 14,944± square feet; using a land area of 44,765± square feet would indicate a land-to-building ratio of 3.00:1.

In addition, I have reviewed land-to-building ratios as indicated by the comparable office building sales utilized in this appraisal analysis. The sales indicate a range of land-to-building ratios from 1.74:1 to 6.71. The majority of the sales illustrate land-to-building ratios of 1.95:1 to 3.54:1. Overall, the land area estimate attributable to the subject's improvements is considered reasonable.

The subject site contains a total land area of 2.31± acre (100,624± square feet). Deducting the land area allocated to the improved east portion of the site of 44,765± square feet from the gross land area of the entire site, results in an estimated surplus land area of 55,859± square feet or 1.282± acres.

The subject's surplus land is located at the front of the site, having direct access to Mt. Bismark Street. The site has access from two curb cuts along Mt. Bismark Street. The subject building is located in the rear or east portion of the subject site. As the building is located at the rear of the site with no direct street frontage, it is my opinion that in order for the subject property to be maximally productive, the subject's surplus land area would be considered as a part of the entire property rather than a separate parcel. As a result, the highest and best use of the subject's surplus land would involve an industrial development possibly in conjunction with the existing improvements.



**SUBJECT PROPERTY I-2  
INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF TYPICAL INTERIOR CLASSROOM**



**VIEW OF TYPICAL OFFICE**



**SUBJECT PROPERTY I-2  
INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF TYPICAL RESTROOM**

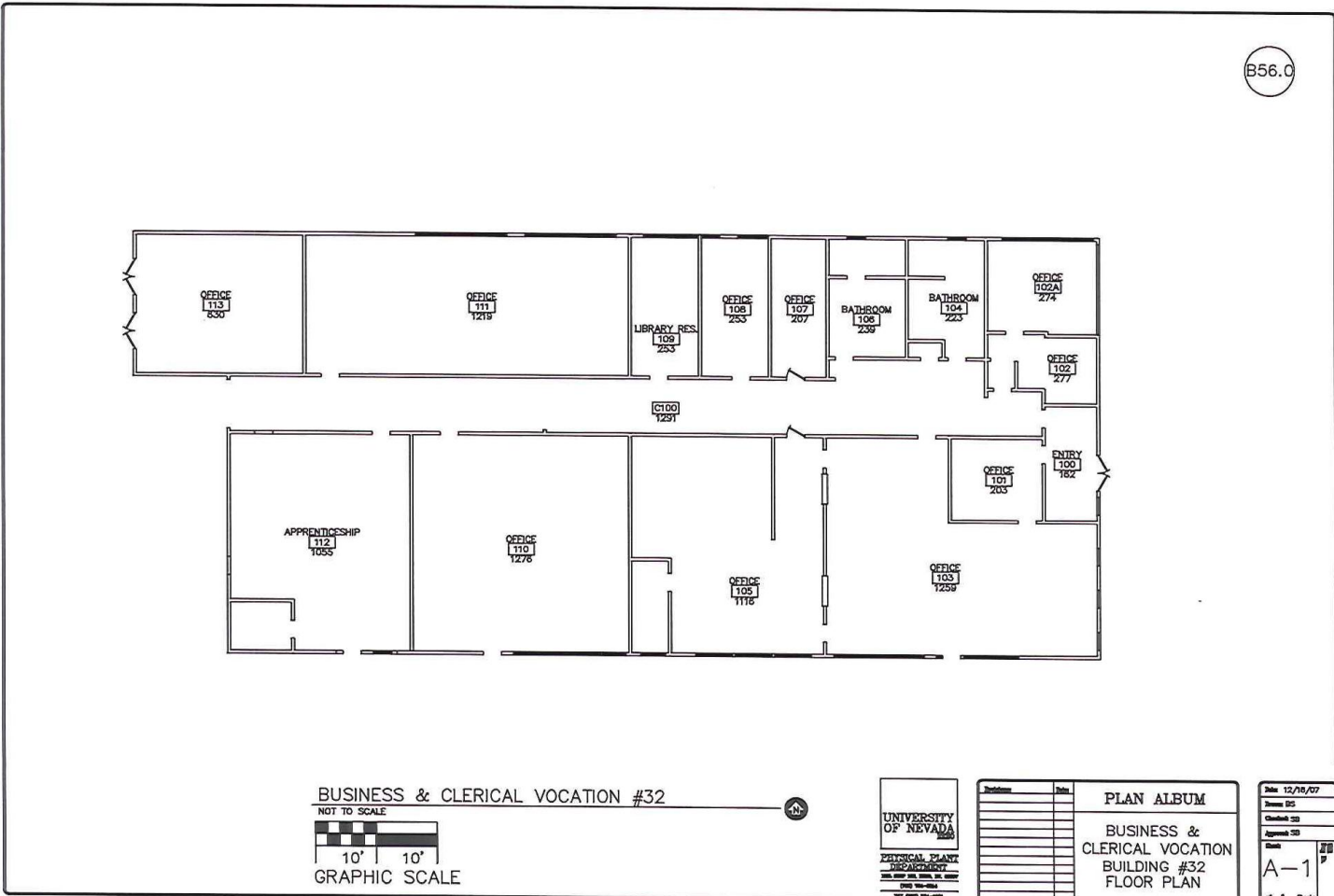


**VIEW OF TYPICAL STORAGE SPACE**





**SUBJECT PROPERTY I-2**  
**SUBJECT FLOOR PLAN**





## DESCRIPTION OF IMPROVEMENTS SUBJECT PROPERTY I-2

Subject property I-2 is improved with an average quality one story office/classroom/storage building with concrete block construction. The subject improvements were built in 1961 and are in fair to poor condition. The building is institutional in design and has fair curb appeal. Parking for the subject property is provided by a concrete paved parking area located to the west of the building.

The following description is based upon my inspection of the subject property as well as a review of the Washoe County Assessor's records.

<b>Building Type</b>	Office/Classroom/Storage Building
<b>Gross Building Area</b>	11,408± square feet
<b>Year Built</b>	1960
<b>Age</b>	54 years
<b>Quality/Condition</b>	Average/Poor
<b>Foundation</b>	Reinforced concrete

### Exterior Wall Construction

The exterior construction is painted concrete block and poured concrete.

### Roof

The roof is a low profile gabled, built-up roof. Signs of roof leakage were detected during the inspection of the subject property.

### Windows and Doors

Windows throughout the subject building are single pane glass set in painted metal frames. The subject's exterior doors are a combination of metal doors, while the interior doors are wood.



### **Interior Construction and Finish**

The subject is a Class C Institutional Office/Classroom/Storage building and is generally finished with older, average quality office finish. The interior finishes within the building are generally fair to average quality with wall-to-wall carpeting or ceramic tile. The interior walls are sheetrock which is textured and painted. Lighting is generally provided by suspended and recessed fluorescent tube lighting, with some incandescent lighting.

### **Configuration**

The subject building has a central hallway with offices, classrooms and storage rooms on either side. The main entrance is located at the west side of the building.

### **Restrooms**

The subject is equipped with both men's and women's restrooms which are finished with ceramic tile floor covering, painted and textured sheetrock walls and ceilings with ceramic tile wainscoting. The restrooms are equipped with average quality commercial grade fixtures and metal partitions.

### **Heating/Ventilation and Air-Conditioning**

The subject has gas-fired baseboard heating throughout the building. Air-conditioning is provided from ground mounted heat pumps. The HVAC system appears to be in fair to poor condition, and it is unknown if it is operable.

### **Landscaping**

The subject property has minimal landscaping.

### **Parking**

The westerly and southerly portions of the subject property consist of concrete paved parking areas that are in fair to poor condition.

### **Summary**

The subject is a one story concrete block office/classroom/storage building which was constructed approximately in 1960. The subject improvements exhibit extensive signs of deferred maintenance, and the subject is considered to be in fair to poor condition.



The subject property has a concrete block loading dock located along the westerly wall, which is the main entrance to the facility.

The subject has a concrete loading ramp leading to the dock. In addition, the subject has a wood frame, partially completed storage building.



**SUBJECT PROPERTY I-3  
INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF TYPICAL INTERIOR WAREHOUSE SPACE**



**VIEW OF TYPICAL INTERIOR OFFICE SPACE**





**SUBJECT PROPERTY I-3  
INTERIOR SUBJECT PHOTOGRAPHS**



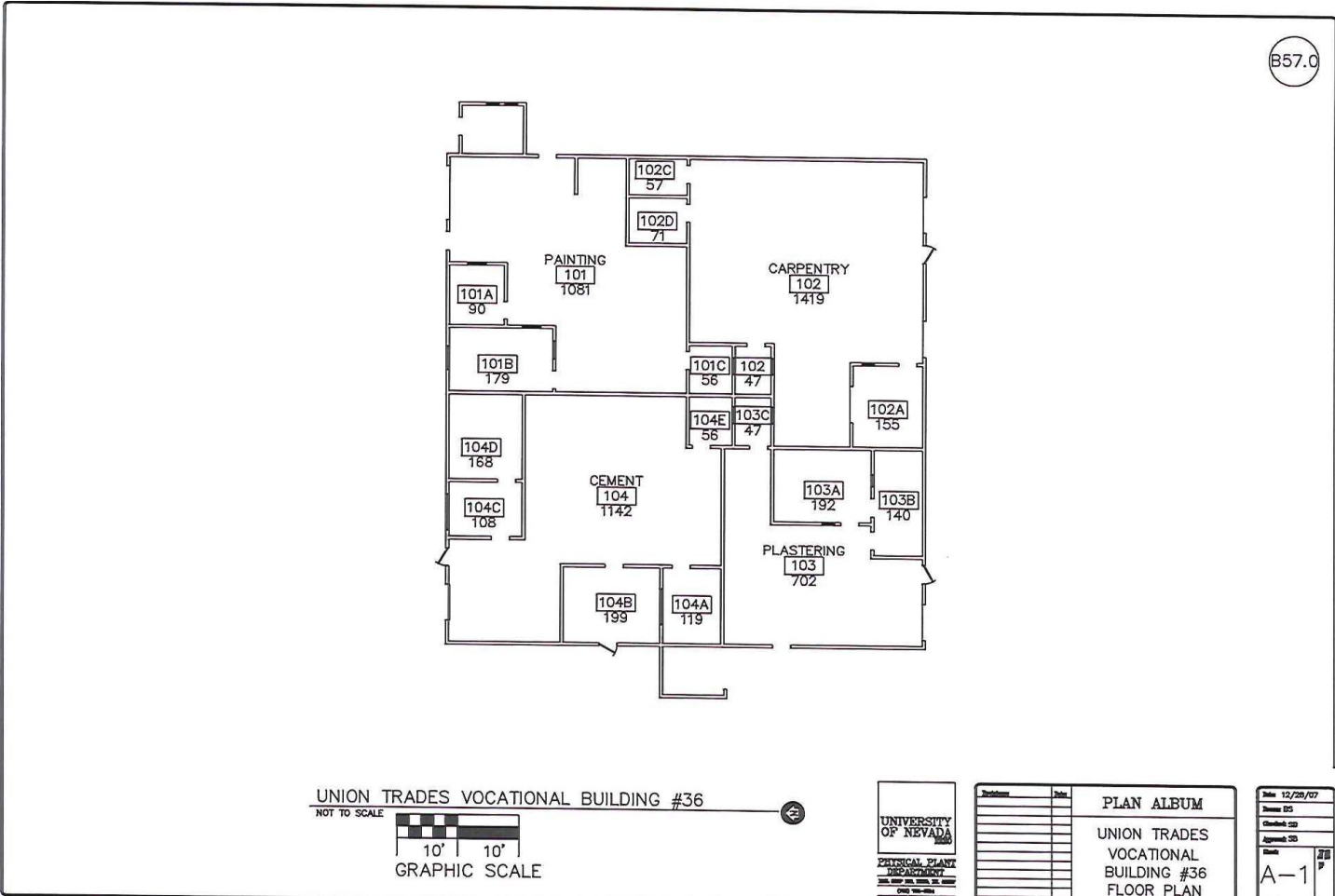
**AN ADDITIONAL VIEW OF THE SUBJECT'S INTERIOR WAREHOUSE SPACE**



**VIEW OF TYPICAL RESTROOM IN SUBJECT INDUSTRIAL FLEX BUILDING**



**SUBJECT PROPERTY I-3  
SUBJECT FLOOR PLAN**





### **SUBJECT PROPERTY I-3 DESCRIPTION OF IMPROVEMENTS**

Subject Property I-3 is improved with an average quality, one story industrial flex building. The subject improvements involve concrete block construction. The subject improvements were constructed in 1981 and are considered to be in average condition. Parking for the subject improvements is provided by concrete paved parking areas located to the east and north of the building. The following description is based upon my inspection of the subject property as well as a review of the Washoe County Assessor's Records.

<b>Building Type</b>	Industrial Flex
<b>Gross Building Area</b>	9,600± square feet
<b>Year Built</b>	1981
<b>Age</b>	31 years
<b>Quality/Condition</b>	Average/Average
<b>Foundation</b>	Poured in place concrete slab

#### **Exterior Wall Construction**

The exterior construction is concrete block, with an exterior wall height of 18± feet.

#### **Roof**

The roof is a flat built-up roof.

#### **Windows and Doors**

Windows throughout the building are dual pane glass set in metal frame. Exterior doors are metal frame.

#### **Interior Construction**

The subject is an average quality concrete block industrial flex building. Interior finish includes poured in place concrete floors. The interior office space is finished with painted and textured sheetrock. The office areas are unfinished, having concrete floors and no ceilings.



The lighting is provided by continuous double tube fluorescent fixtures. Generally, the subject improvements have been adequately maintained and are considered to be in average condition.

The subject building consists of four individual warehouse/office spaces, each of equal size.

### **Restrooms**

Each unit is equipped with a single restroom with average quality fixtures including a water closet and standard wall-mounted sink.

### **Heating/Ventilation/Air-Conditioning**

The subject property is equipped with roof mounted, gas-fired HVAC units.

### **Landscaping**

The subject property has minimal landscaping.

### **Parking**

The northerly and easterly portions of the subject property provide adequate parking.

### **Other Improvements**

Each unit is improved with a 10' x 12' overhead garage door. In addition, the units have some mezzanine storage areas, although the clearance is approximately four to six feet.

### **Summary**

The subject is a one story industrial flex building containing four units which was constructed approximately in 1981. Generally, the subject improvements involve average quality construction, minimal interior finish and are in average condition.

In addition to the industrial flex building, the subject property is improved with a 3,200± square foot storage building, as well as two outdoor storage buildings. All are of wood frame construction and are in fair to poor condition. These improvements are located on A.P.N. 086-951-02.



The subject ownership consists of two parcels as identified by the Washoe County Assessor's office. A.P.N. 086-951-03 contains 18,684± square feet, and is the location of the industrial flex building.

A.P.N. 086-951-02 contains 23,162± square feet, and is the location of the wood frame storage buildings, which are in poor condition.

The combined land area of the two parcels is indicated to be 41,846± square feet.

Assuming the wood frame buildings were demolished, the industrial flex building would have a land to building ratio of 4.36:1, and provide additional storage area or room for expansion for a potential buyer of the subject property.



## HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined in the 5<sup>th</sup> Edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010) as “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

The subject property consists of five vacant land parcels ranging in land area from 1.3015± acres to 46.58± acres, and three improved parcels consisting of a professional office building, an office/classroom/storage building, and industrial flex building.

## HIGHEST AND BEST USE AS THOUGH VACANT

### Physically Possible

In assessing the areas of physical possibility, consideration is given to any constraints on development of the subject properties as a result of their location or physical characteristics. The subject properties are located in the Reno-Stead area, and generally have all utilities available or reasonably available. With the exception of Subject Property L1, which has moderate to undulating topography, the balance of the subject properties have generally level topography. All of the subject properties have reasonable access from adjacent roads. With the exception of Subject Property L-1’s moderately sloping topography, which will require fill, the subject properties’ physical characteristics will not limit their development potential.

### Legally Permissible

The subject properties have a combination of IC (Industrial Commercial) and MF-43 (Multi-family Residential) zoning designations. The subject properties are located in a neighborhood which is oriented towards industrial and residential utilizations. With the exception of Subject Property L-1 and L-3, the subject properties are master planned for industrial development. Subject Properties L-1 and L-2 are master planned for urban residential utilizations.

Overall, it is anticipated that with the exception of Subject Properties L-1 and L-3, the properties could be developed with industrial utilizations. With respect to subject properties L-1

and L-3 it is anticipated that either property could be developed with mixed utilization consistent with surrounding development in the subject neighborhood.

### **Financially Feasible**

The highest and best use of the subject properties must also be financially feasible. The subject properties are located in the North Valleys industrial market. The predominant land uses surrounding the subject properties are a variety of industrial and residential utilizations, as well as vacant land. Additional development proximate to the subject neighborhood includes the UNR, Nevada Terawatt Facility, Desert Heights Elementary School and the Sierra Nevada Job Corps Center. Many of the older service buildings were support buildings for the Stead Air Force base, and still are in place and are utilized for a variety of industrial oriented utilizations.

Industrial uses within the vicinity of the subject have historically met with adequate to good market acceptance. With the recovery in the general market in the Reno-Sparks area, demand for industrial space has increased, as exhibited by increasing rental rates and lower vacancy rates. As a result, it is my opinion that the most financially feasible use of a majority of the subject properties, as vacant, is for industrial development as demand warrants. With respect to subject properties L-1 and L-3, it is anticipated that the most financially feasible utilization would be mixed utilizations, consistent with surrounding uses in the subject neighborhood.

### **Maximally Productive**

To be maximally productive, the highest and best use of the subject properties must be the most intense use to which the properties, as if vacant, could be developed and remain financially feasible. Based upon a review of the analysis as set forth above, it is my opinion that the highest and best use of the subject properties, as vacant, would be for industrial development, as demand warrants.

With respect to Subject Property L3, which is located on the north side of Echo Avenue between Mt. Vida and Mt. Charleston, both of which are roadways leading to the Reno-Stead Airport, an element of mixed utilization would be appropriate, in addition to industrial utilizations. Similarly, with respect to Subject Property I-1, located on Alpha Avenue, the subject property is located in close proximity to the Reno-Stead Airport, and as a result, mixed utilization including industrial utilizations is indicated.

### **HIGHEST AND BEST USE AS IMPROVED**

Subject Properties I-1, I-2, and I-3 are currently improved. Subject Property I-1 is improved with a 14,944± square foot office/classroom building that was built in 1950. The subject improvements are currently vacant, are in fair condition, and are very dated as they have not been remodeled since 1950.

The subject improvements have essentially reached the end of their economic life, however, there is limited potential to convert the property to another use. The subject's office improvements are located in the North Valleys industrial market, and as a result, the subject office improvements are not typical for the neighborhood. It is my expectation that the improvements would most likely be used in conjunction with an industrial development as office space, or demolished to make way for new development. It is my opinion that the subject office improvements could serve as an interim use until such time as it is economically feasible to redevelop the site.

As a result, it is my opinion that the highest and best use of the subject property is its current use, until such time as demand warrants redevelopment of the site.

Subject Property I-2 is improved with an office/classroom/storage building containing 11,408± square feet. It is a concrete block building which is in poor condition, exhibiting numerous signs of deferred maintenance. It is unknown if the HVAC systems are operational. Given the design, condition and functional utility of Subject Property I-2, it is this appraiser's opinion that the highest and best use of the subject improvements is for demolition and redevelopment of the subject site for industrial utilizations as demand warrants.

Subject Property I-3 is an industrial flex building containing 9,600± square feet. In addition, Subject Property I-3 has three wood frame storage buildings which are in fair to poor condition. The industrial flex building, containing 9,600± square feet, is in average condition, has average functional utility, and would lend itself to a variety of industrial uses. With the demolition of the storage buildings, the subject site would have adequate space for additional storage, parking areas, or expansion of the improvements.

Based upon review of the available data, and with consideration given to the analysis as set forth above, it is my opinion that the highest and best use of Subject Property I-3, as



improved, is for its continued utilization as an industrial flex building. It is further my opinion that a typical investor would demolish the storage buildings to create additional storage area and/or parking areas in conjunction with the industrial flex building. In addition, there exists the possibility of expanding or adding to the existing building.



**SUBJECT PROPERTY L-1  
UPDATED SALES COMPARISON APPROACH TO LAND VALUE**

To establish an updated indication of the market value of the subject property, the Sales Comparison Approach to value has been utilized. As the subject property is a vacant parcel of land, the Cost Approach and Income Approach were not considered to be applicable. The Sales Comparison Approach is based upon the principal of substitution, which holds that the value of the property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability. In the Sales Comparison Approach, sales of similar properties are analyzed to arrive at an indication of the Market Value of the subject property as of a current date of valuation. To estimate the Market Value of the subject property, the Official Records of Washoe County were searched for sales of similar parcels. All sales found were investigated, analyzed and compared to the subjects. For the purposes of this appraisal, the valuation analysis will be made on a price per square foot basis.

The comparable sales utilized in this analysis are set forth following:



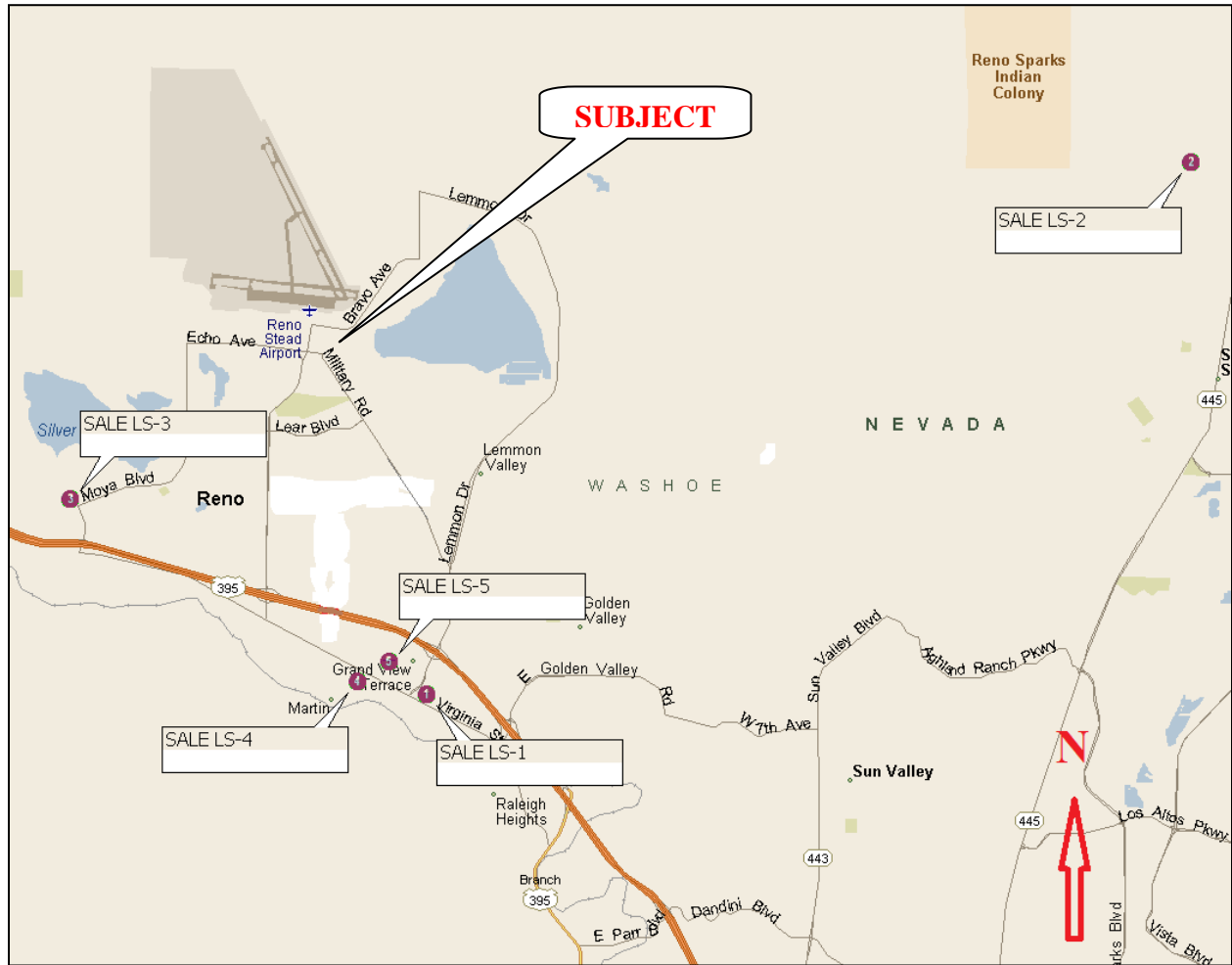


**COMPARABLE LARGE ACREAGE LAND SALES CHART**

<b>Sale Number</b>	<b>A.P.N. Location City, State</b>	<b>Recording Date Sale Price</b>	<b>Zoning Topography Flood Zone</b>	<b>Land Area Acres Price/Acre</b>	<b>Land Area Square Feet Price/SF</b>
LS-1	570-081-Various, 570-12-19-All East Side Lemmon Drive, Btw U.S. 395 & N. Virginia St. North Valleys - Reno	9/18/2013 \$3,750,000	MUNV Level/Gentle Graded "X"	90.36 Acres \$41,501	3,936,082 SF \$0.95
LS-2	580-010-03 Spanish Springs Business Center Northeast Side Sha Neva Rd. at the N. Terminus of Ingenuity Ave., Spanish Springs - Sparks	10/16/2013 \$6,532,258	IC Level/Gentle "X"	66.00 Acres \$98,974	2,874,960 SF \$2.27
LS-3	090-030-33 Northeast Side of Red Rock Rd. Northwest of Moya Blvd. North Valleys - Reno	7/30/2014 \$5,123,754	PUD Level Below Grade "X"	58.88 Acres \$87,020	2,564,813 SF \$2.00
LS-4	082-240-95 & 98 9455 N. Virginia Street Southeast Corner N. Virginia St. Seneca Dr., North Valleys-Reno	3/6/2015 \$720,000	MUNV Level "X"	12.700 Acres \$56,693	553,212 SF \$1.30
LS-5	570-200-01 North Valleys Commerce Ctr Btw U.S. 395 & N. Virginia St. at Seneca Dr., North Valleys - Reno	6/4/2015 \$8,748,897	MUNV Level/Moderate Partially Graded "X"	96.976 Acres \$90,217	4,224,275 SF \$2.07

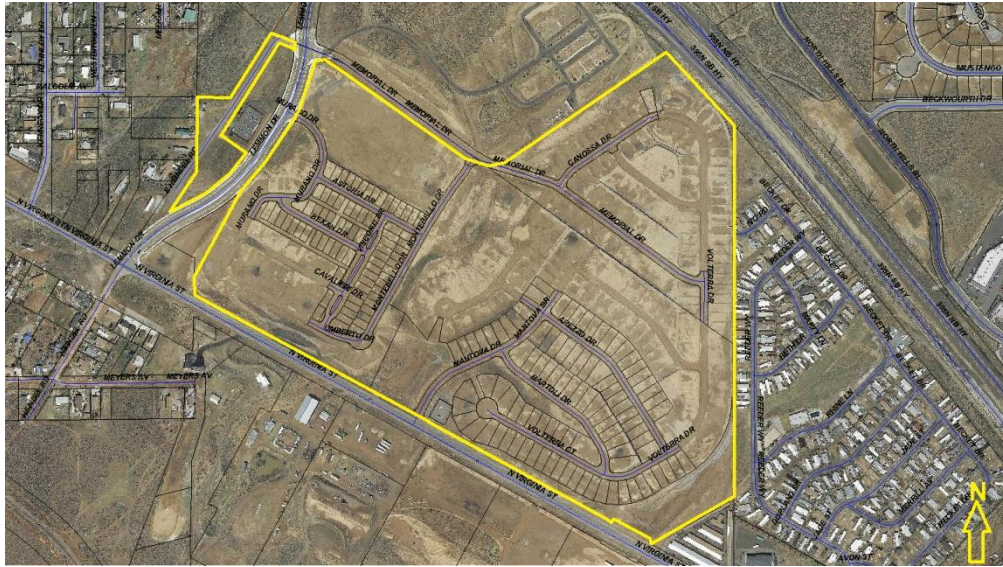


### COMPARABLE LARGE ACREAGE LAND SALES MAP





**COMPARABLE LAND SALE MAP AND DISCUSSION  
 SALE LS-1**



<b>Property Type:</b>	Vacant Land	<b>City:</b>	Reno
<b>Address/Location:</b>	E/S of Lemmon Drive, between US 395 and North Virginia Street	<b>County:</b>	Washoe
<b>A.P.N.:</b>	570-081-Various; 570-12 thru 19 All	<b>State:</b>	Nevada
<b>Topography:</b>	Level to Gentle, Graded	<b>Flood Zone:</b>	X, Minimal Risk Areas
<b>Zoning:</b>	Mixed Use/North Valleys	<b>Utilities:</b>	All Reasonably Available
<b>Parcel Acreage:</b>	90.36± Acres	<b>Shape:</b>	Slightly Irregular
<b>Parcel Square Feet:</b>	3,936,082± Square Feet	<b>Proposed Use:</b>	Future LogistiCenter 395 Industrial Park
<b>Recording Date:</b>	September 18, 2013	<b>Price/Square Foot:</b>	\$.95
<b>Sale Price:</b>	\$3,750,000	<b>Terms Of Sale:</b>	Cash
<b>Grantor:</b>	Sterns Bank National Association	<b>Grantee:</b>	DP-Clark North Valleys, LLC
<b>Document No.:</b>	4281038/4283177	<b>Verification:</b>	Northern Nevada Business Weekly and the Washoe County Assessor's Office and Public Records
<b>Conditions of Sale:</b> REO Sale			
<p>This comparable is located in the North Valleys area of Reno-Sparks. The property consisted of the partially completed Miravalle Subdivision. The property was purchased by Dermody Properties, who has subsequently developed the site with an industrial park. Dermody Property has improved the site with 1.2 million square feet of industrial space. The first building contains 624,000± square feet and has been leased to Amazon. This sale was featured in the September 30, 2013 issue of the Northern Nevada Business Weekly and was also verified by the Washoe County Assessor's Office. It is noted that this property did involve a bank sale.</p>			



**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-2**

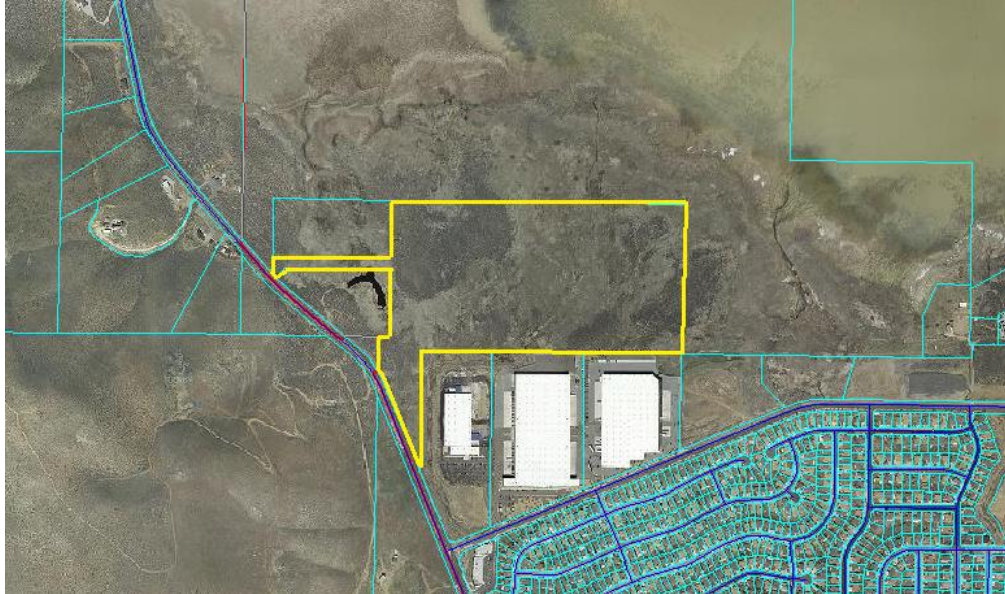


<b>Property Type:</b>	Vacant Land	<b>City:</b>	Sparks, Spanish Springs
<b>Address/Location:</b>	Just NE/S of Sha Neva Road, at the North terminus of Ingenuity Avenue	<b>County:</b>	Washoe
<b>A.P.N.:</b>	538-010-03	<b>State:</b>	Nevada
<b>Topography:</b>	Level to Gentle	<b>Flood Zone:</b>	Zone "X", Minimal Risk Areas
<b>Zoning:</b>	I (Industrial)	<b>Utilities:</b>	All Available
<b>Parcel Acreage:</b>	66.00± Acres	<b>Shape:</b>	Slightly Irregular
<b>Parcel Square Feet:</b>	2,874,960± Square Feet	<b>Proposed Use:</b>	Distribution-Warehouse Development
<b>Recording Date:</b>	October 16, 2013	<b>Price/Square Foot:</b>	\$2.27
<b>Sale Price:</b>	\$6,532,258	<b>Terms Of Sale:</b>	Cash
<b>Grantor:</b>	Spanish Springs Associates LP	<b>Grantee:</b>	J & J Spanish Springs, LLC
<b>Document No.:</b>	4289896	<b>Verification:</b>	Jesse Haw, Seller's Representative and Public Records
<b>Conditions of Sale:</b>	None		
<p>This comparable is the October 2013 sale of 66± acres in the Spanish Springs Business Park in north Sparks. The Spanish Springs Business Center is a 411± acre master planned Business Park located along the west side of Pyramid Highway, north of West Calle de la Plata. This Business Park includes manufacturing and distribution uses including Leviton, Wurth USA, and Silver State Liquor and Wine. The buyer has subsequently improved the site with 1.5 million square feet of distribution space. SanMar distribution has occupied the first 600,000 square foot building which was constructed in 2014. This sale was confirmed by Mr. Jesse Haw of the Spanish Springs Associates LP, the seller. Mr. Haw is the President of Hawco Properties, the developers of the Spanish Springs Business Park. It is our understanding that water rights for development of the site were included in the sale.</p>			





**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-3**

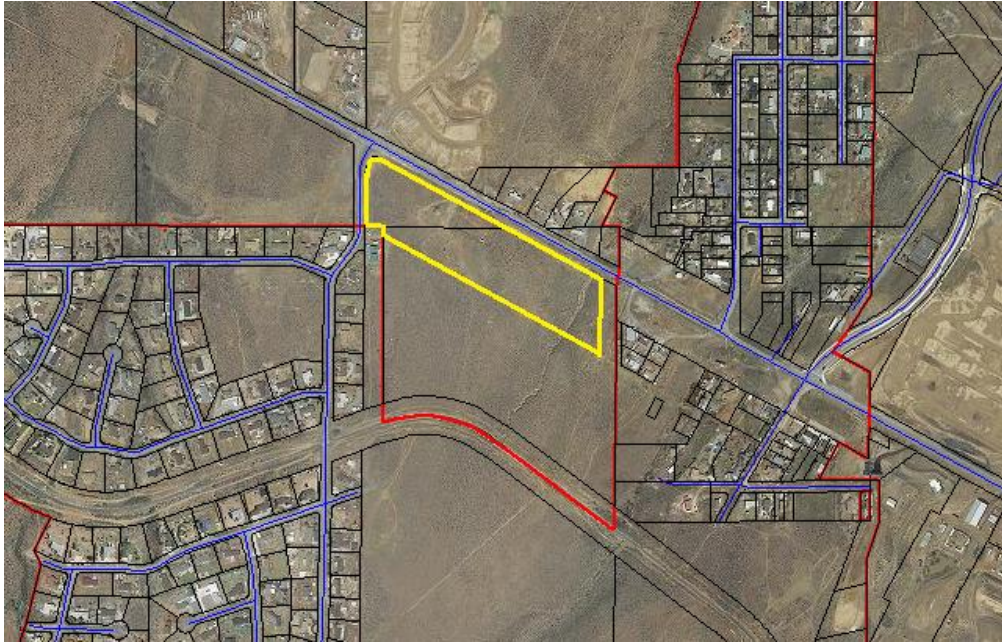


<b>Property Type:</b>	Vacant Industrial Land	<b>City:</b>	Reno, North Valleys
<b>Address/Location:</b>	NE/S of Red Rock Rd., northwest of Moya Blvd.	<b>County:</b>	Washoe
<b>A.P.N.:</b>	090-030-33	<b>State:</b>	Nevada
<b>Topography:</b>	Level/Gentle - Portions Slightly Below Grade	<b>Flood Zone:</b>	Zone "X", Minimal Risk Areas
<b>Zoning:</b>	PUD (Planned Unit Development)	<b>Utilities:</b>	Reasonably available
<b>Parcel Acreage:</b>	58.88± Ac.	<b>Shape:</b>	Irregular
<b>Parcel Square Feet:</b>	2,564,813± SF	<b>Proposed Use:</b>	Petco Distribution Warehouse
<b>Recording Date:</b>	07/30/2014	<b>Price/Square Foot:</b>	\$2.00
<b>Sale Price:</b>	\$5,123,754	<b>Terms Of Sale:</b>	Cash
<b>Grantor:</b>	The Peter Echeverria Family Limited Partnership	<b>Grantee:</b>	MCA Wildhorses, LLC
<b>Document No.:</b>	4378230	<b>Verification:</b>	Paul Kinne, Panattoni Development
<b>Conditions of Sale:</b>	None		
<p>The sale property is the location of the Petco Distribution Warehouse, which was recently completed and contains approximately 770,650± square feet. This is a build to suit investment for Panattoni Development. As a result of the sale property's topography, extensive fill material was required. In addition, the buyers were required to annex the sale property into the Truckee Meadows Water Authority service district. Finally, the buyers provided slope and drainage easements to open space properties located adjacent. The purchase price did not include water rights. Water rights for development of the property were transferred separately.</p>			





**COMPARABLE LAND SALE MAP AND DISCUSSION  
 SALE LS-4**



<b>Property Type:</b>	Vacant Land	<b>City:</b>	Reno, North Valleys
<b>Location:</b>	Southeast corner N. Virginia Street & Seneca Drive	<b>County:</b>	Washoe
<b>A.P.N.:</b>	082-240-95 & 98	<b>State:</b>	Nevada
<b>Topography:</b>	Level	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	MUNV	<b>Utilities:</b>	Reasonably Available Well on Site
<b>Parcel Acreage:</b>	12.70± Acres	<b>Shape:</b>	Rectangular
<b>Parcel Square Feet:</b>	553,212± Square Feet	<b>Proposed Use:</b>	N/A
<b>Recording Date:</b>	March 6, 2015	<b>Price/Square Foot:</b>	\$1.30
<b>Sale Price:</b>	\$720,000	<b>Terms Of Sale:</b>	\$290,000 down payment, remainder balance seller financing at undisclosed terms
<b>Grantor:</b>	North Virginia Team, LLC	<b>Grantee:</b>	Liberty Capital Partners IV, LLC
<b>Document No:</b>	4442625	<b>Verification:</b>	MLS, Linda Averett of RE/MAX Realty and Brett Edwards, CBRE
<b>Conditions of Sale:</b>	None		

This is a level site located at the southeast corner of North Virginia Street and Seneca Drive in the North Valleys area of Reno. According to the listing agent, Ms. Averett of RE/MAX Realty, utilities were reasonably available to the site and there were multiple wells on the property at the time of sale. It was also indicated that the only improvement was a mobile home for the caretaker. The site includes two adjoining parcels containing a total land area of 12.70± acres. There are no water rights included in the sale. According to the MLS service the property had been on the market for nearly two years. The original asking price was \$1,650,000 and had been reduced to \$1,000,000 prior to the sale. It is noted that the property is currently available for sale at an asking price of \$2,075,000 (\$3.75/SF). The site is listed with CBRE.



**COMPARABLE LAND SALE MAP AND DISCUSSION  
 SALE LS-5**



<b>Property Type:</b>	Vacant Land (Former Amber Meadows Site) Now the North Valleys Commerce Center	<b>City:</b>	Reno, North Valleys
<b>Location:</b>	Between U.S. 395 & North Virginia Street at Seneca Drive	<b>County:</b>	Washoe
<b>A.P.N.:</b>	570-200-01	<b>State:</b>	Nevada
<b>Topography:</b>	Level to Moderate, Partially Graded	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	MUNV	<b>Utilities:</b>	Available
<b>Parcel Acreage:</b>	96.976± Acres	<b>Shape:</b>	Irregular
<b>Parcel Square Feet:</b>	4,224,275± Square Feet	<b>Proposed Use:</b>	North Valleys Commerce Center
<b>Recording Date:</b>	June 4, 2015	<b>Price/Square Foot:</b>	\$2.07
<b>Sale Price:</b>	\$8,748,897	<b>Terms Of Sale:</b>	Cash to Seller
<b>Grantor:</b>	SJ & R Amber Properties, LLC	<b>Grantee:</b>	CP Logistics NVCC, LLC (Panattoni)
<b>Document No.:</b>	4475902	<b>Verification:</b>	Dave Simonsen, NAI
<b>Conditions of Sale:</b>	None		Alliance & Public Records
<p>This comparable is the former Amber Meadows residential subdivision site located in the North Valleys area of Reno. This property is situated between U.S. 395 and North Virginia Street at Seneca Drive. The property is zoned MUNV a Mixed Use North Virginia Street Corridor zoning classification. This property consisted of 114 final mapped residential lots which were partially completed. The property also included 64± acres of undeveloped land with an expired map for 225 tentative lots. The final lots were partially graded as were a number of the proposed streets within the subdivision and underground utilities had been installed. According to the listing broker the sale included 48 acre feet of water rights.</p>			

## COMPARABLE LAND SALES DISCUSSION, COMPARISON AND CONCLUSION

Subject property L-1 contains a combined land area of 46.58± acres or 2,029,025± square feet. The comparable land sales utilized in the updated analysis, range in size from 12.7± acres to 96.976± acres. The comparable sales range in date of sale from September 18, 2013 to June 4, 2015 in comparison to the subject's effective date of valuation of October 16, 2015. The comparable sales indicate a range in sale price per square foot of land area from \$0.95 per square foot to \$2.27 per square foot. The subject property is currently listed with an asking price of \$2.25 per square foot.

The comparable properties utilized in this analysis have been compared and correlated to the subject property based upon several adjustment criteria, including property rights conveyed, financing terms, conditions of sale, market conditions, expenditures immediately after purchase, location, physical characteristics, zoning and non-realty components of value.

In the original appraisal report, dated November 14, 2014, the indicated per unit value range of the subject property was \$1.75 per square foot to \$2.00 per square foot. The updated comparable sales indicate a range in sale price per square foot of land area from \$0.95 per square foot to \$2.27 per square foot. The subject property is currently available with an asking price of \$2.25 per square foot.

In arriving at an updated indication of the per unit value applicable to the subject property, consideration is given to the subject size, topography, zoning designation, availability of utilities and current market conditions. In addition, consideration is given to the subject's current asking price.

As a result, it is my opinion a per unit value range of \$1.75 per square foot to \$1.90 per square foot would be applicable to the subject property. Applying the indicated per unit value range to the subject's 2,029,025± square feet, results in an indicated value range of \$3,550,794 to \$3,855,148, which is correlated to a final land value conclusion of \$3,800,000.

It is my opinion that the Market Value of the Fee Simple Interest in subject property L-1, as of October 16, 2015, is \$3,800,000.



**SUBJECT PROPERTIES L-2, L-3, L-4 AND L-5  
UPDATED SALES COMPARISON APPROACH TO LAND VALUE**

To establish an updated indication of the market value of the subject vacant land parcels, the Sales Comparison Approach to value has been utilized. As the subject properties are vacant parcels of land, the Cost Approach and Income Approach were not considered to be applicable. The Sales Comparison Approach is based upon the principal of substitution, which holds that the value of the property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability. In the Sales Comparison Approach, sales of similar properties are analyzed to arrive at an indication of the Market Value of the subject property as of a current date of valuation. To estimate the Market Value of the subject properties, the Official Records of Washoe County were searched for sales of similar parcels. All sales found were investigated, analyzed and compared to the subjects. For the purposes of this appraisal, the valuation analysis will be made on a price per square foot basis.

On the following page will be the Comparable Small Industrial Land Sales Chart, followed by individual profile sheets.



**COMPARABLE SMALL INDUSTRIAL LAND SALES CHART**

<b>Sale Number</b>	<b>A.P.N. Address or Location</b>	<b>Sale Date Sale Price</b>	<b>Zoning Topography Flood Zone</b>	<b>Land Area</b>	<b>Price Per S.F.</b>
LS-1	538-161-03 (Portion) E. Corner of Ingenuity Ave. & Hawco Ct. Sparks (Spanish Springs), NV	7/27/2012 \$169,876	I Level Zone "X"	1.238 AC 53,928 SF	\$3.15
LS-2	082-492-01 Near the SEC of Old N. Virginia St. & Security Circle, North Valleys, Reno, NV	8/2/2012 \$170,000	MUNV Level Zone "X"	1.636 AC 71,264 SF	\$2.39
LS-3	163-020-11 730±' E. of the Trademark Drive Cul-De-Sac South Meadows Business Park, Reno, NV	3/14/2014 \$175,000	PUD Level Zone "X"	1.900 AC 82,764 SF	\$2.11
LS-4	552-141-09 W/S North Hills Blvd., 250±' S. of Buck Drive North Valleys, Reno, NV	7/3/2014 \$250,000	AC Moderate/ Undulating Zone "X"	2.755 AC 120,008 SF	\$2.08
LS-5	003-084-07 & 29 At the N. Terminus of Burge Lane, 215±' N. of Lovitt Lane, North Valleys, Reno, NV	01/30/2015 \$140,000	I Level Zone "X"	2.039± AC 88,819± SF	\$1.58
LL-6	086-147-10, 16, 20 & 21 NE/S of Alpha Avenue, Generally Btwn. Mt. Lola & Mt. Bismark Streets, North Valleys, Reno, NV	Current Listing 03/11/2015 \$599,995	I Level Zone "X"	4.95± AC 215,427± SF	Asking \$2.79
LL-7	086-951-01 275±' E. of Mt. Lola Street, Btwn. Alpha Avenue & Bravo Avenue, North Valleys, Reno, NV	Current Listing 03/11/2015 \$210,000	PF/IC Level Zone "X"	1.7513± AC 76,287± SF	Asking \$2.75





### COMPARABLE SMALL INDUSTRIAL LAND SALES MAP





**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-1**



<b>Property Type:</b>	Vacant Land	<b>City:</b>	Reno, North Valleys
<b>Address/Location:</b>	Spanish Springs Business Center	<b>County:</b>	Washoe
<b>A.P.N.:</b>	538-161-03 (Ptn.)	<b>State:</b>	Nevada
<b>Topography:</b>	Level	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	I (Industrial)	<b>Utilities:</b>	All Available
<b>Parcel Acreage:</b>	1.238± Acres	<b>Shape:</b>	Rectangle
<b>Parcel Square Feet:</b>	53,928± Square Feet	<b>Proposed Use:</b>	Future Expansion
<b>Recording Date:</b>	July 27, 2012	<b>Price/Square Foot:</b>	\$3.15
<b>Sale Price:</b>	\$169,873	<b>Terms Of Sale:</b>	Cash to Seller
<b>Grantor:</b>	Spanish Springs Associates, LP	<b>Conditions of Sale:</b>	Plottage
<b>Grantee:</b>	Silverado Land Management LLC	<b>Verification:</b>	Jesse Haw, Spanish Springs Associates
<b>Document No.:</b>	4136983		
<p>This comparable sale is located in the Spanish Springs Business Center. This property is a portion of a larger parcel which is in the process of a boundary line adjustment to create the 1.238± acre sale site. The property was purchased by the adjoining property owner, Silverado Land Management, LLC.</p>			





**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-2**



<b>Property Type:</b>	Vacant Land	<b>City:</b>	Reno
<b>Address/Location:</b>	145±' South of Security Circle, 225±' East of Old N. Virginia Street	<b>County:</b>	Washoe
<b>A.P.N.:</b>	082-492-21	<b>State:</b>	Nevada
<b>Topography:</b>	Generally Level	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	MUNV(Mixed Use North Valleys)	<b>Utilities:</b>	All Available
<b>Parcel Acreage:</b>	1.636± Acres	<b>Shape:</b>	L Shaped
<b>Parcel Square Feet:</b>	71,247± Square Feet	<b>Proposed Use:</b>	N/A
<b>Recording Date:</b>	August 2, 2012	<b>Price Per Acre:</b>	\$100,856
<b>Sale Price:</b>	\$170,000	<b>Price/Square Foot:</b>	\$2.39
<b>Grantor:</b>	Teresa M. Rietz, Successor Trustee of the Johnson Family Trust	<b>Terms Of Sale:</b>	\$50,000 Down Payment, Seller Financing, Remainder Balance at Undisclosed Terms
<b>Grantee:</b>	Ghumman Trucking, Inc. and Cool Express, Inc.	<b>Condition of Sale Verification:</b>	None Brian Armon, Commercial Real Estate Solutions and Public Records
<b>Document No.:</b>	4138000		

This comparable is a recent sale of 1.636± acres located off Old North Virginia Street and Security Circle in the North Valleys area of Reno. This parcel is an interior site having level topography. This property is accessed via a 30 foot wide access easement via Security Circle. The southwest corner and a portion of the property's westerly boundary are encumbered with a 20 foot wide emergency access easement. Mr. Brian Armon of Commercial Real Estate Solutions (Cushman & Wakefield) did indicate that the sale price includes two acre feet of water rights and all utilities are at the site.



**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-3**



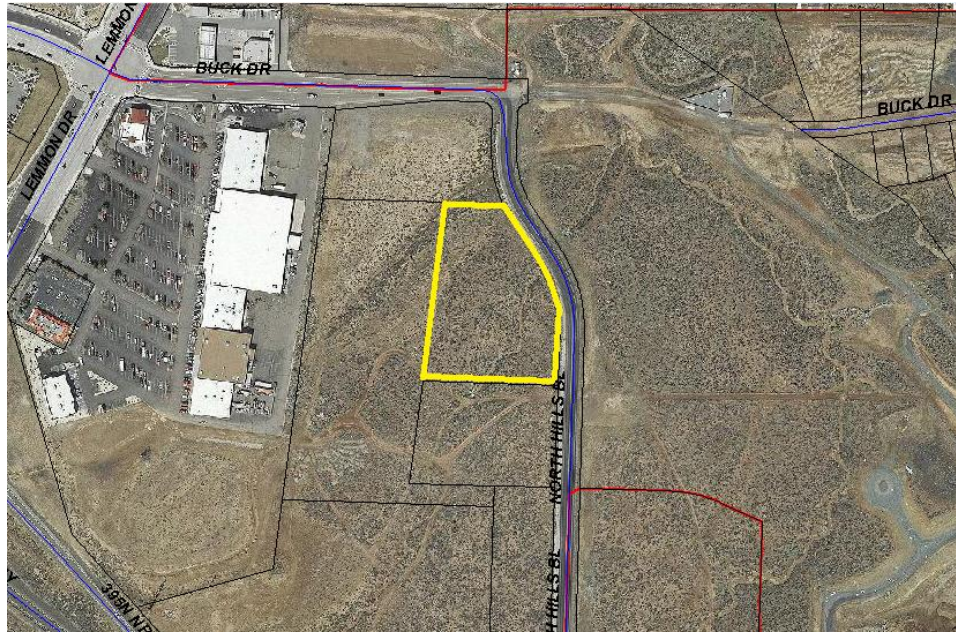
<b>Property Type:</b>	Vacant Land	<b>City:</b>	Reno
<b>Location:</b>	South Meadows Business Park 730± Feet East of the Trademark Drive Cul-de-Sac	<b>County:</b>	Washoe
<b>A.P.N.:</b>	163-020-11	<b>State:</b>	Nevada
<b>Topography:</b>	Level	<b>Flood Zone:</b>	Zone "X" Areas of Minimal Flood Hazard
<b>Zoning:</b>	PUD (Industrial)	<b>Utilities:</b>	Immediately Available
<b>Parcel Acreage:</b>	1.90± Acres	<b>Shape:</b>	Irregular
<b>Parcel Square Feet:</b>	82,764±Square Feet	<b>Proposed Use:</b>	Industrial Building
<b>Recording Date:</b>	March 14, 2014	<b>Price Per Acre:</b>	\$92,105
<b>Sale Price:</b>	\$175,000	<b>Price/Square Foot:</b>	\$2.11
<b>Grantor:</b>	Branch Banking & Trust Co.	<b>Terms of Sale:</b>	Cash
<b>Grantee:</b>	RC5475, LLC	<b>Conditions of Sale:</b>	Bank Sale
<b>Document Number:</b>	4334655	<b>Verification:</b>	Peter Ghishan, Commercial Partners of Nevada & Public Records

This comparable is located in the South Meadows Park in southeast Reno. The property is situated approximately 730 feet east of the Trademark Drive cul-de-sac. Ingress and egress is provided via a 30 foot wide access easement. This portion of the South Meadows Park has been improved with distribution and office-warehouse uses.





**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-4**



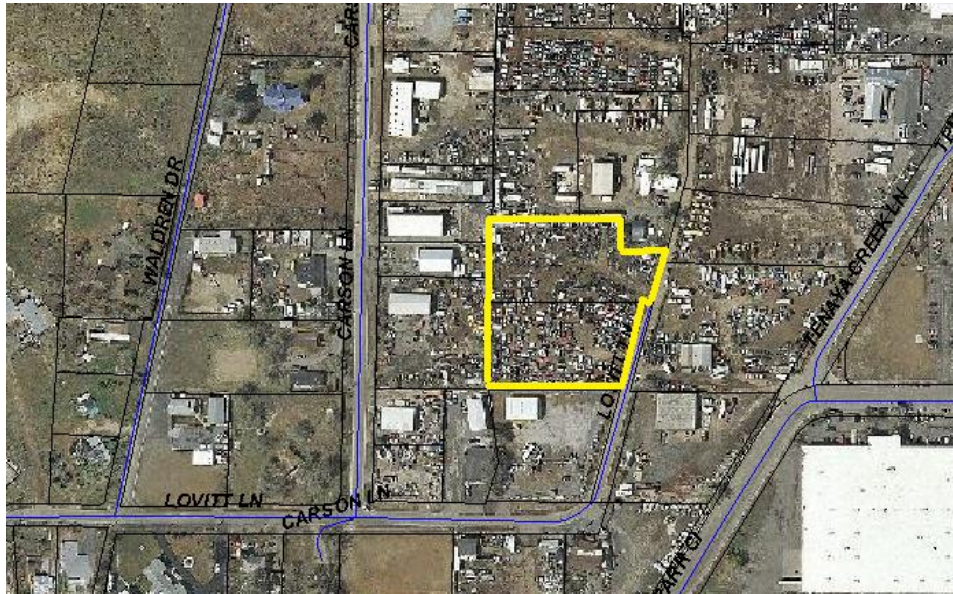
<b>Property Type:</b>	Vacant Land	<b>City:</b>	Sparks
<b>Location:</b>	North Side of North Hills Boulevard, 250± Feet South of Buck Drive	<b>County:</b>	Washoe
<b>A.P.N.:</b>	552-141-09	<b>State:</b>	Nevada
<b>Topography:</b>	Undulating, Level/Moderate	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	AC (Arterial Commercial)	<b>Utilities:</b>	Reasonably Available
<b>Parcel Acreage:</b>	2.755± Acres	<b>Shape:</b>	Irregular
<b>Parcel Square Feet:</b>	120,008± Square Feet	<b>Proposed Use:</b>	N/A
<b>Recording Date:</b>	July 3, 2014	<b>Price Per Acre:</b>	\$90,744
<b>Sale Price:</b>	\$250,000	<b>Price/Square Foot:</b>	\$2.08
<b>Grantor:</b>	Hancock Family Trust	<b>Terms of Sale:</b>	\$20,000 cash down payment, remainder balance seller financing, undisclosed terms
<b>Grantee:</b>	JH Sheller Holdings, LLC	<b>Verification:</b>	Public Records & Washoe County Assessor's Buyer's Sales Verification Sheet
<b>Document Number:</b>	4368999		
<b>Conditions of Sale:</b>	None		

This comparable is the July 2014 sale of a 2.755± acre parcel located in the North Valleys area of Reno. This comparable is situated on the north side of North Hills Boulevard, 250± feet south of Buck Drive. The site has undulating topography and all utilities are reasonable available. Washoe County Assessor's Buyer's Sales Verification Sheet, the buyer, Ms. Julia Sheller, noted that the purchase was negotiated in November of 2012. Ms. Sheller also indicated that the seller financing did not influence the sale price.





**COMPARABLE LAND SALE AERIAL MAP AND DISCUSSION  
 SALE LS-5**



<b>Property Type:</b>	Vacant Land	<b>City:</b>	North Valleys Area of Reno
<b>Location:</b>	At the North Terminus of Burge Lane, 215± Feet North of Lovitt Lane	<b>County:</b>	Washoe
<b>A.P.N.:</b>	003-084-07 & 09	<b>State:</b>	Nevada
<b>Topography:</b>	Level	<b>Flood Zone:</b>	Zone "X"
<b>Zoning:</b>	I (Industrial)	<b>Utilities:</b>	Immediately Available
<b>Parcel Acreage:</b>	2.039± Ac	<b>Shape:</b>	Irregular
<b>Parcel Square Feet:</b>	88,819±SF	<b>Proposed Use:</b>	Future Development
<b>Recording Date:</b>	January 30, 2015	<b>Price Per Acre:</b>	\$68,661
<b>Sale Price:</b>	\$140,000	<b>Price/Square Foot:</b>	\$1.58
<b>Grantor:</b>	Tholl Properties, LLC	<b>Terms of Sale:</b>	Cash to Seller
<b>Grantee:</b>	D. & J. Warren, et al	<b>Conditions of Sale:</b>	Plottage
<b>Document Number:</b>	4431330	<b>Verification:</b>	Public Records
<p>This comparable is located at the north terminus of Burge Lane in a secondary industrial pocket of the North Valleys area. This property has very circuitous access. At the time of inspection it was noted that the central portion of the site is encumbered with an overhead power line easement. It appears that this site has been utilized as a storage yard for some time. The site was purchased by an adjoining property owner.</p>			

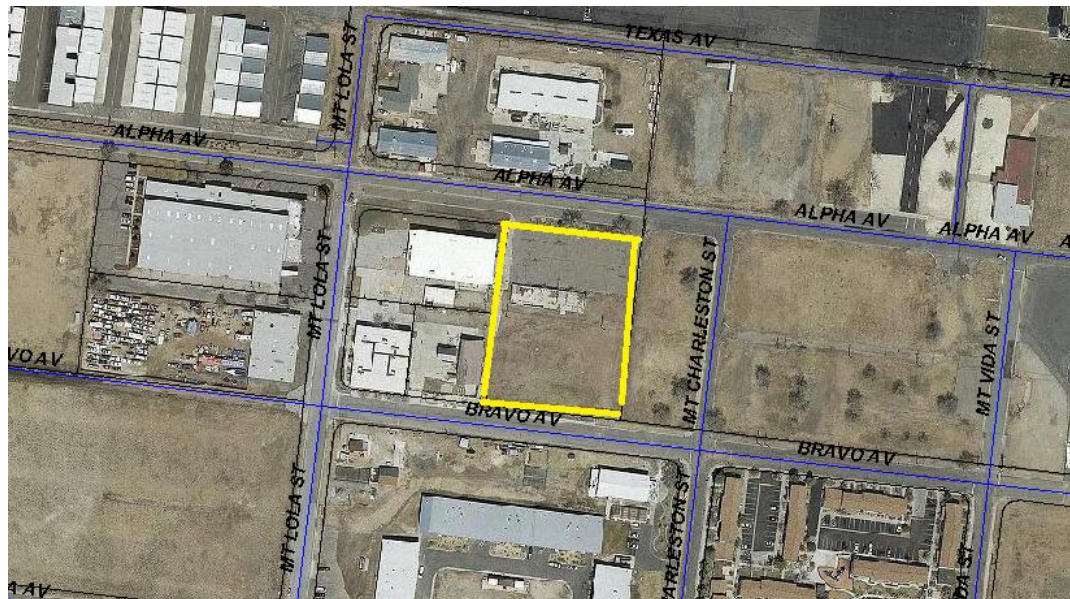




**COMPARABLE LAND LISTING AERIAL MAP AND DISCUSSION  
LISTING LL-6**



**COMPARABLE LAND LISTING AERIAL MAP AND DISCUSSION  
LISTING LL-7**



**SUBJECT PROPERTIES L-2, L-3, L-4 AND L-5**  
**COMPARABLE LAND SALES DISCUSSION, COMPARISON AND CONCLUSION**

Subject Property L-2 contains 12.492± acres or 544,152 square feet. Subject Property L-3 contains 3.896± acres or 160,710± square feet. Subject Property L-4 contains 1.7513± acres or 76,287± square feet. Subject Property L-5 contains 1.3015± acres or 56,694± square feet.

The comparable sales range in land area from 1.238± acres to 4.95± acres. The comparable sales range in date of sale from July 2012 to January 2015. In addition, two current listings, including the listing of subject property L-4, are considered. The comparable sales and listing indicate a range in sale price per square foot of land area from \$1.58 per square foot to \$3.15 per square foot.

The comparable properties utilized in this analysis will be compared and correlated to the subject properties based upon several adjustment criteria including property rights conveyed, financing terms, conditions of sale, market conditions, expenditures immediately after purchase, location, physical characteristics, zoning and non-realty components of value.

Subject Property L-2, which contains 12.492± acres, is located in the most easterly portions of the subject neighborhood. The subject property has generally level to gently sloping topography. In the original appraisal report of the subject property a per unit value range of \$2.00 per square foot to \$2.25 per square foot was indicated. As a result of the subject's physical characteristics, location and current market conditions, it is my opinion that the same per unit value range is applicable. Applying the indicated per unit values to the subject's 544,152± square feet, results in an indicated value range of \$1,088,304 to \$1,224,117, which is correlated to an updated land value conclusion of \$1,200,000.

**SUBJECT PROPERTY L-2** **\$1,200,000**

Subject Property L-3 is located on the north side of Echo Avenue, between Mt. Vita and Mt. Charleston Street. The subject property, which has level topography, contains 3.896± acres or 160,710± square feet. The subject property fronts on three roadways and is considered to have a good location. The subject property has been re-zoned to Urban Residential/MF43, which is a mixed use, multi-family zoning designation.

Subject Property L-3 is improved with three older, wood framed buildings containing a combined building area of 19,500± square feet. The improvements are in fair to poor condition and have not been utilized for many years. The cost to refurbish the buildings is unknown.

Subject Property L-3 is currently being marketed with an asking price of \$550,000 or \$28.21 per square foot based upon the subject's gross building area of 19,500 square feet. The indicated asking price, based upon the land area of 160,710± square feet is \$3.42 per square foot.

Based upon a review of the available data, and with consideration given to current sales data as well as the current asking price of the subject property, it is my opinion that a per unit value of \$3.00 per square foot would be applicable to the subject's land area. Applying the indicated per unit value to the subject's 160,710± square feet, results in an indicated value of \$482,130, which is rounded to \$480,000.

Dividing the indicated appraised value of \$480,000 by the subject's gross building area of 19,500 square feet, results in an indicated value of \$24.62 per square foot. Reference is made to the comparable industrial building sales and professional office building sales charts set forth elsewhere in this appraisal report. The industrial building sales indicate a range in sale price per square foot from \$17.69 to \$55.84, which the professional office buildings indicate a range in sale price per square foot from \$13.86 to \$62.48. The sales support the concluded appraised value for the subject property.

Based upon a review of the available data, it is my opinion that the Market Value of subject property L-3 as of October 16, 2015 is \$480,000.

**SUBJECT PROPERTY L-3**

**\$480,000**

Subject Property L-4 is located on the south side of Alpha Avenue, and the north side of Bravo Avenue approximately 263' east of Mt. Lola Street, The subject property, which has level topography, contains 76,287± square feet.

In the original appraisal report, a per unit value of \$2.50 per square foot was indicated. Based upon current market conditions, as well as a review of the comparable sales analyzed, it continues to be my opinion that the per unit value applicable to the subject property is \$2.50 per





square foot. Applying the indicated per unit value to the subjects 76,287± square feet results in an indicated value of \$190,718, which is rounded to \$190,000.

**SUBJECT PROPERTY L-4**

**\$190,000**

Subject Property L-5 is located on the west side of Mt. Babcock Street, approximately 850' north of Mt. Anderson Street. The subject property has level to gently sloping topography and is located adjacent to subject property I-3. The subject property contains 56,694± square feet.

In the original appraisal report, a per unit value of \$2.50 per square foot was indicated. This per unit value continues to be my opinion of the Market Value of the subject property based upon current market conditions as well as an analysis of the comparable sales utilized.

Applying the indicated per unit value to the subject's 56,694± square feet results in an indicated value of \$141,735, which is rounded to \$140,000. It is my opinion that the Market Value of subject property L-5, as of October 16, 2015, is \$140,000.

**SUBJECT PROPERTY L-5**

**\$140,000**



## **IMPROVED PROPERTIES INTRODUCTION TO VALUATION ANALYSIS**

The subject ownership includes three improved properties. Subject Property I-1 is an office building located at 5600 Fox Avenue, which contains a gross building area of 14,994±square feet.

Subject Property I-2 is located at 5210 Alpha Avenue and contains 11,408± square feet. Subject Property 2, which was constructed in approximately 1960, has historically been utilized for office space, classrooms and storage space. It is in poor condition.

Subject Property I-3, located at 5257 Bravo Avenue, is an industrial flex property. The trade union building, which contains 9,600 square feet, is an industrial flex building which contributes value to the subject property. In addition, the subject ownership includes a storage garage containing approximately 3,200 square feet, and two storage sheds. Given the age, condition and utility of these buildings, they are not considered to offer contributory value to the subject property. It is my opinion that an investor contemplating purchase of the subject property would consider the demolition of these improvements to provide for additional parking or expansion of the industrial flex building.

There are three approaches to value, including the Cost Approach, the Income Approach and the Sales Comparison Approach.

The Sales Comparison Approach will be utilized in this valuation analysis. The Cost Approach analysis is typically more reliable when valuing a proposed or newer project. With consideration given to older age of the subject improvements, the Cost Approach to value is not utilized. As the most likely purchase of the subject properties is concluded to be an owner-user, rather than an investor, the Income Approach to value has not been utilized.

The Sales Comparison Approach to value is based upon the principal of substitution, which holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability.

As discussed in the Description of Subject Improvements in this appraisal report, Subject Property I-1, 5600 Fox Avenue, is considered to have surplus land containing 55,859± square



feet. The contributory value of the subject's surplus land will be added to the indicated value of the subject office building to arrive at a total property value for subject property 1.

In arriving at an indication of the Market Value of Subject Property 1, by the Direct Sales Comparison Approach, a number of office sales and listings were considered. These sales and listings will be set forth in a subsequent section of the appraisal report.

With respect to Subject Property I-2, which historically had mixed utilizations, an analysis of both professional office building sales and industrial building sales will be conducted.

With respect to Subject Property I-3, which involves an industrial flex property, sales of industrial properties will be considered.

The following chart summarizes the comparable professional office building sales and industrial building sales data utilized in this appraisal analysis.



**COMPARABLE OFFICE BUILDING SALES CHART**

<b>Sale Number</b>	<b>A.P.N. Address</b>	<b>Sale Date Sale Price</b>	<b>Age Condition Construction</b>	<b>Land Area Land:Bldg. Ratio</b>	<b>Gross Building Area Price/SF</b>	<b>Grantee Document Number</b>
OS-1	012-142-14 811 Ryland Street	07/10/2012 \$250,000	1963 Fair to Average Masonry	11,905± SF 1.95:1± SF	6,110± SF \$40.92	Alpine Lock and Key 4130046
OS-2	011-213-11 543 Lander St.	07/18/2013 \$400,000	1973 Average Masonry	5,000± SF 2.34:1	6,402± SF \$62.48	RLC First LLC
OS-3	019-352-03 255 West Moana Land	08/15/2013 \$920,000	1979 Average Wood Frame	43,381± SF 1.93:1	22,536± SF \$40.82	Xiang Tian LLC-Atrium Series 4269277
OS-4	011-014-15 888 West 2 <sup>nd</sup> Street	10/10/2014 \$550,000	1979 Average Wood Frame	14,250± SF 3.08:1	12,834± SF \$42.85	Second Creek LLC, 888 Series 4399383
OS-5	026-422-01 1855 Sullivan Lane	12/31/2012 \$200,000	1979 Fair Wood Frame	14,432± SF 1.74:1	14,432± SF \$13.86	Sredhar Real Estate Contra I, LP 4190179
OS-6	011-331-01 800 Haskell Street	01/22/2015 \$950,000	1958 Fair Masonry	14,000± SF \$56.55	16,800 SF \$56.55	Center For Unique Business Enterprises 428993
OL-7	014-123-08 1385 Haskell St.	06/16/2015 \$450,000	1964 Average Masonry	7,013± SF 2.66:1	7,324± SF \$61.44	Evereden, LLC 4479856
OL-8	012-136-16 560 Mill Street	Listing \$1,200,000	1963 Average Masonry	42,000± SF 5.48:1	29,338± SF \$43.97	David B. Clark, Et Al 4514580
<b>Subject Property I-1</b>	<b>086-151-07 5600 Fox Avenue</b>	<b>Date of Appraisal 11/12/2014</b>	<b>1950 Fair/Average Masonry</b>	<b>100,624± SF 6.71:1</b>	<b>14,994± SF ---</b>	
<b>Subject Property I-2</b>	<b>086-951-04 5210 Alpha Ave</b>	<b>Date of Appraisal 10/16/2014</b>	<b>1960 Fair Masonry</b>	<b>40,378± SF 3.54:1</b>	<b>11,408± SF ---</b>	



### COMPARABLE OFFICE BUILDING SALES MAP





**COMPARABLE OFFICE BUILDING SALE PHOTOGRAPHS**



**SALE OS-1: 811 RYLAND STREET, RENO**



**SALE OS-2: 543 LANDER STREET, RENO**





**COMPARABLE OFFICE BUILDING SALE PHOTOGRAPHS**



**SALE OS-3: 255 WEST MOANA LANE, RENO**



**SALE OS-4: 888 WEST 2<sup>ND</sup> STREET, RENO**



**COMPARABLE OFFICE BUILDING SALE PHOTOGRAPHS**



**SALE OS-5: 1855 SULLIVAN LANE, SPARKS**



**SALE OS-6: 800 HASKELL STREET, RENO**



**COMPARABLE OFFICE BUILDING SALE PHOTOGRAPHS**



**SALE OS-7: 1385 HASKELL STREET, RENO**



**SALE OS-8: 560 MILL STREET, RENO**



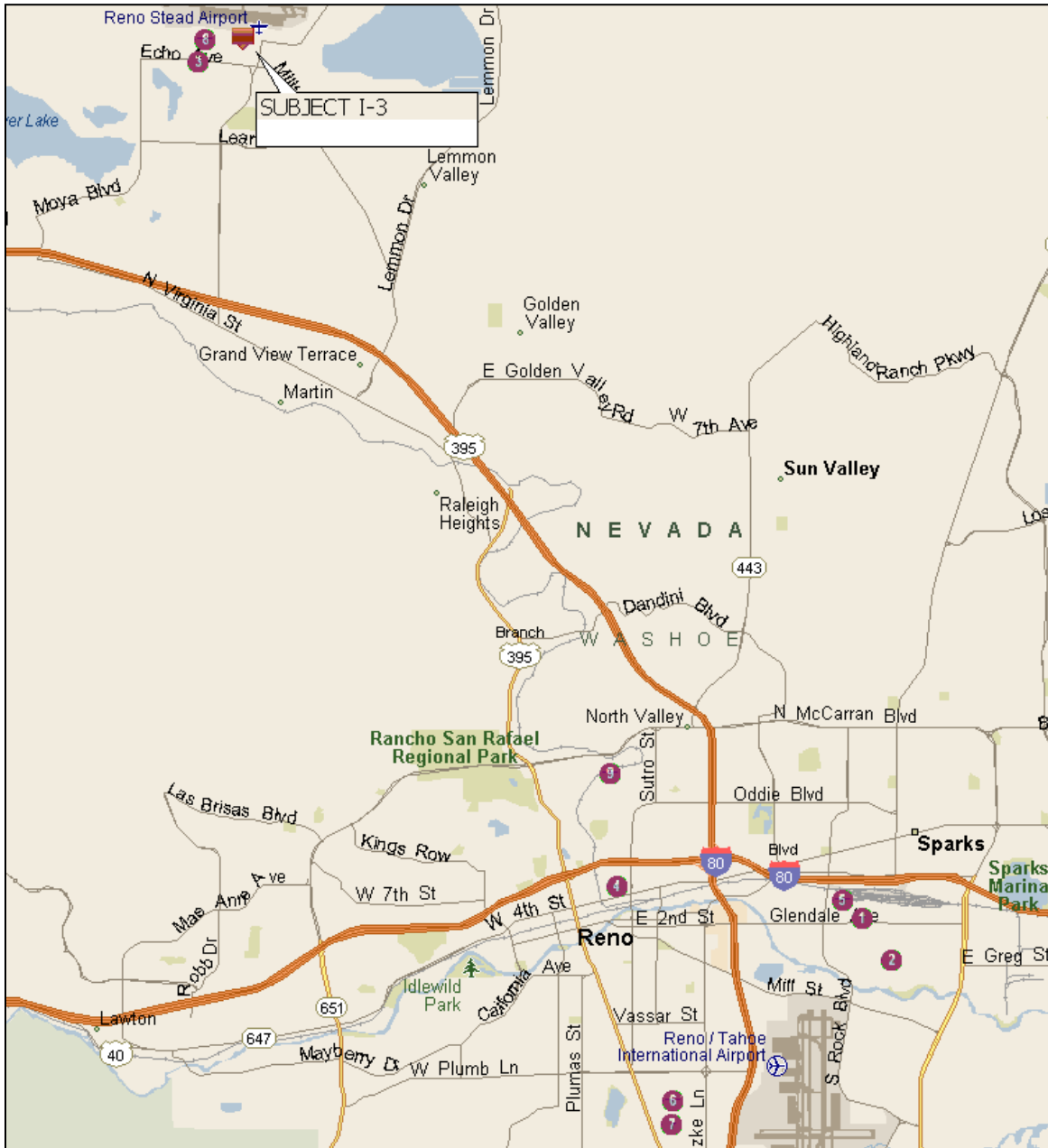
### COMPARABLE INDUSTRIAL BUILDING SALES CHART

Sale Number	A.P.N. Location	Sale Date Sale Price	Age Condition Construction	Gross Building Area	Land Area Land to Building Ratio	Price/SF	Grantee Document No.
IS-1	032-276-01 1415 Pittman Ave., Sparks	06/04/2012 \$575,000	1964 Masonry	32,500± SF	.85± Ac. 1.14:1	\$17.69	Peabody Trust 4118671
IS-2	034-113-06 1500 Marietta Way, Sparks	12/31/2012 \$775,000	1968 Average Masonry	20,000± SF	1.504± Ac. 3.28:1	\$38.75	1500 Marietta Way LLC 4131012
IS-3	086-148-06 14010 Mt. Anderson St., Reno	06/07/2013 \$208,044	1956 Fair Metal	8,002± SF	1.33± Ac. 7.24:1	\$26.00	14010 Mount Anderson LLC
IS-4	008-242-01 608 E. Fifth St., Reno	07/01/2013 \$570,000	1952/1966 Fair Masonry Concrete	14,836± SF	.586± Ac. 1.72:1	\$38.42	Kevin D. and Dianne L. Higgins 4253867
IS-5	032-250-30 1550 Hymer Ave., Sparks	07/26/2013 \$750,000	1965 Average Masonry	32,000± SF	1.44± Ac. 1.96:1	\$23.44	Truckee Tahoe Lumber Co. 4362711
IS-6	020-022-29 216 E. Grove St., Reno	01/15/2014 \$460,000	1966 Average Masonry	16,980± SF	.5739± Ac. 1.47:1	\$27.09	IOSLVR, Ltd. 4317594
IL-7	020-022-13 2570 Wrondel Way, Reno	Listing \$650,000	1963 Average Masonry	11,640± SF	.4591± Ac. 1.72:1	\$55.84	N/A
IL-8	003-190-04 2301 Valley Rd., Reno	Listing \$1,585,000	1966 Average Concrete	30,125± SF	1.7466± Ac. 2.54:1	\$52.61	N/A
<b>Subject Property I-3</b>	<b>086-951-03 &amp; 02 5257 Bravo Avenue, Reno</b>	<b>Date of Appraisal 10/16/2014 ---</b>	<b>1981 Avg./Fair Masonry/ Wood Frame</b>	<b>9,600± SF 3,200± SF 12,800± SF</b>	<b>.9607± Ac 3.27:1</b>	<b>---</b>	





### COMPARABLE INDUSTRIAL BUILDING SALES MAP







**COMPARABLE INDUSTRIAL BUILDING SALES PHOTOGRAPHS**



**SALE IS-1: 1415 PITMAN AVENUE, SPARKS**



**SALE IS-2: 1500 MARIETTA WAY, SPARKS**



**COMPARABLE INDUSTRIAL BUILDING SALES PHOTOGRAPHS**



**SALE IS-3: 14010 MT. ANDERSON STREET, RENO**



**SALE IS-4: 608 E. 5<sup>TH</sup> STREET, RENO**



**COMPARABLE INDUSTRIAL BUILDING SALES PHOTOGRAPHS**



**SALE IS-5: 15150 HYMER AVENUE, SPARKS**



**SALE IS-6: 216 E. GROVE STREET, RENO**





**COMPARABLE INDUSTRIAL BUILDING SALES PHOTOGRAPHS**



**LISTING IL-7: 2570 WRONDEL WAY, RENO**



**LISTING IL-8: 2301 VALLEY ROAD, RENO**

### **SUBJECT PROPERTY I -1 SALES COMPARISON APPROACH TO VALUE**

The comparable office building sales utilized in this analysis range in date of sale from July 2012 to September 2015, in comparison to the subject's effective date of valuation of October 16, 2015. The comparable sales range in date of construction from 1960 to 1979, in comparison to the subject's date of construction of 1950.

The comparable sales indicate a range in gross building area from 6,110± square feet to 29,338± square feet in comparison to the subject property which has a gross building area of 14,994± square feet.

The comparable sales indicate a range in land to building ratio from 1.74:1 to 5.48:1, in comparison to the subject property, which for the purposes of this analysis, is estimated to have a land to building ratio of 3.0:1. The subject's surplus land value will be added to the indicated value of the subject office building to arrive at a total property value.

The comparable sales indicate a range in sale price per square foot of gross building area from \$13.86 per square foot to \$62.48 per square foot.

Sale OS-1, 811 Ryland Street, is considered similar to the subject property with respect to condition and quality of improvements. The sale property is superior to the subject property with age of improvements. The per unit price would require a downward adjustment as the sale property does involve a substantially smaller gross building area than that of the subject property. Finally, the sale property is considered to have a superior location. The \$40.92 per square foot selling price is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-2, 543 Lander Street, is superior to the subject property with respect to age, condition and quality. The per unit price would require a downward adjustment as the sale



property does involve a substantially smaller building area than that of the subject property. In addition, the sale property enjoys a substantially superior location. The \$62.48 per square foot selling price is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-3, 255 West Moana Lane, requires downward adjustments for superior condition and the age of improvements. The per unit price would require an upward adjustment due to the substantially larger building area, and as the property did involve a REO sale. On the other hand, the sale property has a substantially superior location on West Moana Lane. The \$40.82 per square foot selling price is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-4, 888 West Second Street, was purchased in October 2014 for \$550,000, or \$42.85 per square foot. The sale property is superior to the subject property with respect to age, quality and condition. The gross building area, at 12,834± square feet, is considered similar to that of the subject property. The sale property has a superior location in comparison to the subject property. The \$42.85 per square foot selling price is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-5, 1855 Sullivan Lane, did involve a Trustee sale which occurred in December 2012. The sale property contains 14,432± square feet and was purchased for \$200,000 or \$13.86 per square foot. The sale property is superior to the subject property with respect to age of improvements, similar to the subject property with respect to condition and quality of construction. The \$13.86 per square foot selling price is considered to be a low indication of a per unit value applicable to the subject property, primarily due to seller motivation.

Sale OS-6, 800 Haskell Street, is a 2 story, concrete block, average to fair quality office building which was constructed in 1958. The sale property sold for \$950,000 on December 26, 2014. The sale property contains 16,800± square feet, indicating a sale price per square foot of

gross building area of \$56.55 per square foot. The sale property is superior to the subject property with respect to location, however, is similar with respect to age, quality and condition. The sale price, at \$56.55 per square foot is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-7, 1385 Haskell Street, was purchased on June 16, 2015 for \$450,000, or \$61.44 per square foot. The sale property is superior to the subject property with respect to age, quality, condition and location. In addition, the per unit price would require downward adjustments for its substantially smaller gross building area. The \$61.44 per square foot selling price is considered to be a high indication of a per unit value applicable to the subject property.

Sale OS-8, 560 Mill Street, was purchased on September 8, 2015 for \$1,290,000, or \$43.97 per square foot. The sale property is superior to the subject property with respect to age and condition. The sale property is similar to the subject property with respect to quality of construction as well as architectural design. The \$43.97 per square foot asking price requires an upward adjustment as it does involve a substantially larger gross building area.

In arriving at an indication of the per unit value applicable to the subject property, consideration is given to its age, quality, condition, functional utility, as well as its location in the Reno-Stead area which primarily involves an industrial neighborhood.

In addition, consideration is given to the current listing of the subject property with an asking price of \$600,000, or \$40.15 per square foot, including excess land. As the listing involves an asking price, rather than an actual sale price, it is considered to be a high indication of a per unit value applicable to the subject property. Based upon a review of the available data, and with consideration given to the analysis as set forth above, it is my opinion that an appropriate price per square foot for the subject would be at the lower end of the range as indicated by the comparable sales.



It is my opinion value that a per unit value, exclusive of the subject's surplus land area, of \$25.00 per square foot is applicable to the subject. Applying the per unit value to the subject's 14,944± square feet, results in an indicated value of \$373,600, which is rounded to \$375,000.

As discussed previously, the subject property contains approximately 55,859± square feet of surplus land. In previous sections of this appraisal report, the base land value for the subject's smaller land parcels, including subject properties L-3, L-4 and L-5 was estimated to be \$2.50 per square foot of land area. It is noted that Subject Property L-5 is located adjacent to Subject Property I-1.

As a result, and for the purposes of this analysis, the land value attributable to the subject's surplus land is indicated to be \$2.50 per square foot.

Applying the indicated per unit value to the subject's surplus land area of 55,859± square feet results in an indicated land value of \$139,648, which is rounded to \$140,000.

Adding the indicated land value in the amount of \$140,000 to the indicated value of the subject office building by the Direct Sales Comparison Approach, in the amount of \$375,000, results in a final property value conclusion of \$515,000 for Subject Property I-1.

<b>FINAL VALUE CONCLUSION – SUBJECT PROPERTY I-1 (Including Excess Land)</b>	<b>\$515,000</b>
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## **SUBJECT PROPERTY I-2 SALES COMPARISON TO VALUE**

To arrive at an indication of the Market Value of Subject Property I-2, by the Direct Sales Comparison Approach, both the professional office building sales and industrial building sales will be considered.

As discussed previously, the Comparable Professional Office Building Sales utilized in this analysis range in date of sale from July 2012 to September 2014. The comparable sales range in gross building area from 6,110± square feet to 29,338± square feet.

The comparable professional office building sales indicate a range in sale price per square foot from \$13.86 per square foot to \$62.48 per square foot. In comparison, Subject Property I-2 contains a gross building area of 11,408± square feet. The subject property was constructed in 1960 and is considered to be in fair condition.

The comparable professional office building sales require similar adjustments in comparison to Subject Property I-2 as were utilized in the analysis of Subject Property I-1.

The comparable industrial building sales utilized in this analysis range in date of sale from June 2012 to January 2014. In addition, two comparable industrial listings are considered. No current sales or listings similar in age, quality and condition to the subject property were discovered.

The comparable industrial building sales range in gross building area from 8,002± square feet to 32,500± square feet, while three comparable listings range in gross building area from 11,640± square feet to 30,125± square feet.

The comparable industrial building sales indicate a range in sale price per square foot of gross building area from \$17.69 per square foot to \$38.75 per square foot, while the two listings indicate a range in asking prices from \$52.61 per square foot to \$55.84 per square foot.

Comparable Sale IS-3 involves the acquisition of two older industrial buildings located at 1401 Mt. Anderson Street, Reno, Nevada. The combined gross building area, at 8,002± square feet, is smaller than the subject property, which contains 11,408± square feet. Generally, the buildings were considered to be in inferior condition and involve inferior quality of construction in comparison to the subject property. This sale property, on the other hand, requires a downward adjustment due to the smaller gross building area. The \$26.00 per square foot selling price is considered to be a reasonable to high indication of a per unit value applicable to the subject property.

Comparable Sale IS-1, at \$17.69 per square foot, is considered to be a slightly low indication of a per unit value applicable to the subject property, primarily due to its substantially larger gross building area.

The balance of the comparable sales indicate a range in price per square foot from \$26.00 per square foot to \$38.75 per square foot, and area generally considered to be slightly high indications of value applicable to the subject property.

In arriving at an indication of the per unit value applicable to the subject property, consideration is given to its historical mixed utilization, which included office space, classrooms and storage areas. Consideration is also given to the subject's age, quality, condition, and size. In addition, consideration is given to the subject's location at Reno-Stead, which primarily is oriented toward industrial utilizations. In addition, consideration is given to the current listing of the subject property with an asking price of \$285,000 and a proposed purchase price of \$260,000.



Based upon a review of the available data, and with consideration given to the analysis as set forth above, it is my opinion that a per unit value of \$25.00 per square foot would be applicable to the subject property, assuming it to be available for occupancy as of the date of valuation. Applying the indicated per unit value to the subject's 11,408± square feet results in an indicated value of \$285,200, which is rounded to \$285,000.

The subject property is in poor condition, with numerous signs of deferred maintenance and required repairs. In addition, given the age of the subject improvements, there may be the presence of asbestos within certain construction materials in the subject improvements. Finally, the heating, ventilation and air-conditioning systems appear to be inoperable at the present time, and will require refurbishment, repair and/or replacement.

As a result, it is my opinion that an investor contemplating the purchase of the subject property would make a deduction for the anticipated cost of these necessary repairs. As of the effective date of valuation, a physical needs assessment with respect to the subject property was not available. As a result, I have surveyed a number of industrial and office brokers in the Reno-Sparks area to determine a typical tenant improvement allowance which may be required to refurbish the subject building. Based upon these interviews, I have estimated a minimum of \$15.00 per square foot to refurbish the subject improvements.

Applying the estimated refurbishment cost of \$15.00 per square foot to the subject's 11,408± square feet results in an indicated cost of \$171,120.

Deducting this amount from the indicated value of the subject property, assuming it to be available for occupancy, in the amount of \$285,000 results in an indicated "As-Is" value of \$113,880, which is rounded to \$115,000.



Obviously, the cost to refurbish the subject improvements could vary considerably, based upon the current condition of the building, unknown factors such as environmental hazards, and the unknown cost of replacing or repairing the HVAC systems.

As indicated in the *Description of Subject Improvements* section and the *Highest and Best Use Analysis*, it is my opinion that the subject improvements have reached the end of their economic life. This is demonstrated by analyzing the indicated value of the subject property, as presently improved, and comparing that value with comparable land sales data.

The subject property contains 40,378± square feet of land area, which when divided into the indicated value of the subject property in the amount of \$115,000, results in an indicated appraised value per square foot of land area of \$2.85 per square foot, which is bracketed by the small industrial land sales utilized in this analysis

To summarize, the estimated "As-Is" value of this subject property is indicated to be \$115,000, while Comparable Land Sales and Listings suggest a range of applicable price per square foot of \$2.30 to \$3.15. Applying this value range to the subject's 40,378± square feet results in an indicated land value range of approximately \$93,000 to \$127,000.

Based upon a review of the available data, and with consideration given to the analysis set forth above, it is my opinion that the Market Value of the fee simple interest in Subject Property 2, as of October 16, 2015, is \$115,000.

**FINAL VALUE CONCLUSION – SUBJECT PROPERTY I-2**

**\$115,000**

**SUBJECT PROPERTY I-3  
SALES COMPARISON APPROACH TO VALUE**

To arrive at an indication of the Market Value of Subject Property I-3 by the Sales Comparison Approach, a number of comparable industrial building sales were considered. These sales are summarized in the following chart.

**COMPARABLE INDUSTRIAL BUILDING SALES CHART**

<b>Sale Number</b>	<b>A.P.N. Location</b>	<b>Sale Date Sale Price</b>	<b>Age Condition Construction</b>	<b>Gross Building Area</b>	<b>Land Area Land to Building Ratio</b>	<b>Price/SF</b>	<b>Grantee Document No.</b>
IS-1	032-276-01 1415 Pittman Ave., Sparks	06/04/2012 \$575,000	1964 Masonry	32,500± SF	.85± Ac. 1.14:1	\$17.69	Peabody Trust 4118671
IS-2	034-113-06 1500 Marietta Way, Sparks	12/31/2012 \$775,000	1968 Average Masonry	20,000± SF	1.504± Ac. 3.28:1	\$38.75	1500 Marietta Way LLC 4131012
IS-3	086-148-06 14010 Mt. Anderson St., Reno	06/07/2013 \$208,044	1956 Fair Metal	8,002± SF	1.33± Ac. 7.24:1	\$26.00	14010 Mount Anderson LLC
IS-4	008-242-01 608 E. Fifth St., Reno	07/01/2013 \$570,000	1952/1966 Fair Masonry Concrete	14,836± SF	.586± Ac. 1.72:1	\$38.42	Kevin D. and Dianne L. Higgins 4253867
IS-5	032-250-30 1550 Hymer Ave., Sparks	07/26/2013 \$750,000	1965 Average Masonry	32,000± SF	1.44± Ac. 1.96:1	\$23.44	Truckee Tahoe Lumber Co. 4362711
IS-6	020-022-29 216 E. Grove St., Reno	01/15/2014 \$460,000	1966 Average Masonry	16,980± SF	.5739± Ac. 1.47:1	\$27.09	IOSLVR, Ltd. 4317594
IL-7	020-022-13 2570 Wrondel Way, Reno	Listing \$650,000	1963 Average Masonry	11,640± SF	.4591± Ac. 1.72:1	\$55.84	N/A
IL-8	003-190-04 2301 Valley Rd., Reno	Listing \$1,585,000	1966 Average Concrete	30,125± SF	1.7466± Ac. 2.54:1	\$52.61	N/A
<b>Subject Property I-3</b>	<b>086-951-03 &amp; 02 5257 Bravo Avenue, Reno</b>	<b>Date of Appraisal 10/16/2015</b> ---	<b>1981 Avg./Fair Masonry/Wood Frame</b>	<b>9,600± SF</b> <b>3,200± SF</b> <b>12,800± SF</b>	<b>.9607± Ac</b> <b>3.27:1</b>	---	

The subject property consists of an industrial flex building containing 9,600± square feet, which is of average quality masonry construction generally in average condition. In addition, the subject property is improved with a storage garage containing 3,200 square feet and two small storage buildings. These buildings are in fair to poor condition and are considered to contribute

minimal value to the subject property. In all likelihood, these buildings would be removed by an investor.

The comparable sales utilized in this analysis range in date of sale from June 2012 to January 2014. In addition, two comparable listings are utilized. A review of the records of the Washoe County Assessor's Office revealed no current sales similar to the subject property with respect to age, quality and condition.

The comparable sales indicate a range in gross building area from 8,002± square feet to 32,500± square feet, while three comparable listings indicate a range in gross building area from 3,397± square feet to 30,125± square feet. In comparison, the subject contains 9,600± square feet.

The comparable sales indicate a range in sale price per square foot of gross building area from \$17.69 per square foot to \$38.75 per square foot, while the comparable listings indicate a range in asking price from \$52.61 per square foot to \$55.84 per square foot.

Generally, Comparable Sale IS-3 at \$26.00 per square foot, Comparable Sale IS-5 at \$23.44 per square foot, and Sale IS-6 at \$27.09 per square foot are considered to be the best indicators of a per unit value applicable to the subject property.

The comparable listings, with a range in asking prices from \$51.61 per square foot to \$55.84 per square foot, are all considered to be high indications of a per unit value applicable to the subject property.

In arriving at an indication of the per unit value applicable to Subject Property I-3, consideration is given to its age, quality, condition and location.



Based upon a review of the available data, the indicated per unit value applicable to the subject's industrial flex building, containing 9,600± square feet is \$25.00 per square foot to \$30.00 per square foot. Applying the indicated per unit values to the subject's 9,600± square feet results in an indicated value range of \$240,000 to \$288,000, which is correlated to \$275,000.

As indicated, it is my opinion that an investor would contemplate the demolition of the subject's storage buildings due to their poor condition, quality and inferior functional utility.

To establish an indication of the demolition costs attributable to the subject storage buildings, reference was made to Marshall Valuation Service. This service indicates that demolition costs typically range from \$3.43 to \$5.30 per square foot. For the purposes of this analysis, I have estimated the demolition cost to be \$3.50 per square foot. Applying the indicated demolition cost to the subject's 3,200± square feet results in an estimate of demolition cost of \$11,200.

Deducting this amount from the indicated value of the subject property in the amount of \$275,000, results in an indicated value of \$263,800, which is rounded to \$265,000.

Based upon a review of the available data, and with consideration given to the analysis set forth above, it is my opinion that the Market Value of Subject Property I-3, as of October 16, 2015, is \$265,000.

**FINAL VALUE CONCLUSION – SUBJECT PROPERTY I-3**

**\$265,000**



## EXPOSURE AND MARKETING TIME

Exposure time is defined as the length of time that would have been necessary to expose the property on the open market, in order to have consummated the sale at the effective date of valuation. This analysis assumes the property was marketed at the value conclusion contained in this report.

Marketing time, on the other hand, is the time necessary to consummate a sale of the subject property assuming that a marketing effort is begun as of the effective date of valuation and that the property is marketed at the final property value conclusion contained in this report.

In arriving at an estimate of an appropriate exposure and marketing time for the subject properties, consideration is given the subject properties' physical characteristics. Consideration is also given to the exposure and marketing times of other industrial properties in the Reno-Sparks area, and interviews with brokers and property managers familiar with similar properties.

The subject properties are located in the North Valleys industrial submarket, which is characterized by industrial manufacturing or warehouse distribution uses. Specifically, the subject properties are located within an older industrial neighborhood, portions of which were formally utilized in conjunction with the Stead Air Force Base. Recent development in the Reno-Stead industrial submarket has primarily been in newer, more modern industrial parks, such as the Sage Point Business Park, Silver Lake Business Park and the Red Rock Business Park. On the other hand, the subject land parcel range in land area from 1.3015± acres to 46.58± acres. Given the variation in size, physical characteristics and location of each of the subject land parcels, it is anticipated they would appeal to a wide variety of users and/or developers.

As a result, it is my opinion that an appropriate exposure and marketing time for the subject's vacant land parcels would be approximately one to two years.



With respect to the subject improved parcels, consideration is given to their age, quality, condition and various utilizations. Subject Property I-1 is an older professional office building, constructed approximately in 1950. It is in fair condition and suffers from functional obsolescence. The North Valleys industrial sub-market has limited demand for office space. As a result, it is my opinion that the exposure and marketing time for subject project I-1 would be approximately one to two years.

With respect to Subject Property I-2, the subject improvements are in poor condition and have reached the end of their economic life. A specific user may have the ability to refurbish the subject property, although it is anticipated that a typical investor would contemplate the demolition of the existing improvements. Given the issues involved with the subject property as well as its physical characteristics, it is anticipated the exposure and marketing time for the subject property would be extended to approximately two years.

With respect to Subject Property I-3, the industrial flex building located at 5257 Bravo Avenue, the subject improvements involve an average quality industrial flex building, generally in average condition and exhibiting average functional utility. Primarily, the subject property would appeal to an owner/user. It is my opinion that an appropriate exposure and marketing time for subject property I-3 would range between one to two years.



**WATER RIGHTS VALUATION**

The University of Nevada, Reno owns certain water rights/resource credits which are located within the former Stead Air Force Base, and associated with the subject’s real property. The following chart sets forth a summary of these water rights.

<b>APN#</b>	<b>Acres</b>		<b>Acre Feet of Resouce Credits</b>
086-143-04	4.94	4855 Echo Ave	5.53AF
086-143-05	12.492	Echo Ave	13.98AF
086-142-04	3.896	13905 Mount Vida St	3.36AF
086-951-01	1.7513	Texas Ave	1.96AF
086-951-02	0.5317	5257 Bravo Ave	0.59AF
086-951-03	0.4289	5257 Bravo Ave	0.47AF
086-951-04	0.927	5210 Alpha Ave	1.03AF
086-151-08	1.3015	Fox Ave	1.46AF
086-151-07	2.31	5600 Fox Ave	2.59AF
086-151-06	6.79	Fox Ave	7.59AF
086-141-03	2.83	5275 Alpha Ave	3.00AF
086-154-04	38.82	Military Road	0AF
086-130-04	7.76	Mt Limbo	0AF

The subject properties are located within the Truckee Meadows Water Authority, the principal purveyor of water service in the Reno-Sparks Area.

To establish an indication of the Market Value of the subject resource credit/water rights, I have interviewed a number of Water Rights Brokers and Developers. These individuals indicated that water rights are being sold for between \$6,000/AF to \$7,000/AF on the open market.

Currently, the Truckee Meadows Water Authority is selling water rights within the service area for \$7,520 per acre foot. However, in an interview with a representative of the Truckee Meadows Water Authority, it is noted that certain additional fees would be incurred by a purchaser, including drought reserve requirements and re-charge requirements.

With respect to the subject water rights/resource credits, it is noted that only those credits in excess of the water demand for a particular property could be sold or transferred.

As a result, and for the purposes of this analysis, it is my opinion that an appropriate per acre foot value applicable to the subject’s water rights/resource credits would be \$6,500 per acre foot.

**WATER RIGHTS CONCLUSION**

**\$6,500 PER ACRE FOOT**



### APPRAISER'S CERTIFICATION

Each of the undersigned does hereby certify that, unless otherwise noted in this appraisal report, that they do certify to the best of their belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Reese Perkins has completed the requirements under the continuing education program of the Appraisal Institute.



- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The fee simple ownership of the real properties, which are the subject of this appraisal, were valued as of October 16, 2015, as set forth in the Letter of Transmittal and Summary of Salient Facts and Important Conclusions.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Reese Perkins", written over a horizontal line.

Reese Perkins, MAI, SRA  
Nevada Certified General Appraiser  
License Number A.0000120-CG



## **STANDARD ASSUMPTIONS AND LIMITING CONDITIONS**

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the following assumptions and limiting conditions.

### **LIMITS OF LIABILITY**

This report was prepared by Johnson Perkins Griffin, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Johnson-Perkins Griffin, LLC, as employees, not as individuals. The liability of Johnson Perkins Griffin, LLC and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraisers nor the appraisal firm is in any way to be responsible for any costs incurred to discover or correct any physical, financial and/or legal deficiencies of any type present in the subject property. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in the event of a lawsuit brought by a lender, a partner or part owner in any form of ownership, a tenant or any other party, the client will hold the appraiser(s) and the appraisal firm completely harmless in such action with respect to any and all awards or settlements of any type in such lawsuits.

### **COPIES, PUBLICATION, DISTRIBUTION AND USE OF REPORT**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for any purpose or any function other than its intended use, as stated in the body of the report. The appraisal fee represents compensation only for the analytical services provided by the appraiser(s). The appraisal report remains the property of the appraisal firm, though it may be used by the client in accord with these assumptions and limiting conditions.

This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless it is indicated that one or more of the appraisers was acting as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser(s). The appraiser(s) and the appraisal firm shall bear no responsibility for any such unauthorized changes.

### **CONFIDENTIALITY**

Except as provided for subsequently, neither the appraiser(s) nor the appraisal firm may divulge the analyses, opinions or conclusions developed in the appraisal report, nor may they give a copy of the report to anyone other than the client or his designee as specified in writing. However, this condition does not apply to any requests made by the Appraisal Institute for purposes of confidential ethics enforcement. Also, this condition does not apply to any order or request issued by a court of law or any other body with the power of subpoena.



### **INFORMATION SUPPLIED BY OTHERS**

Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraiser(s). Neither the appraiser(s) nor the appraisal firm is liable for any information or the work product provided by subcontractors. The client and others utilizing the appraisal report are advised that some of the individuals associated with Johnson Perkins Griffin, LLC are independent contractors and may sign the appraisal report in that capacity. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable. To the best of our judgment and knowledge, all such information is considered appropriate for inclusion. In some instances, an impractical and uneconomic expenditure of time would be required in attempting to furnish absolutely unimpeachable verification. The value conclusions set forth in the appraisal report are subject to the accuracy of said data. It is suggested that the client consider independent verification as a prerequisite to any transaction involving a sale, a lease or any other commitment of funds with respect to the subject property.

### **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE**

The contract for each appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraisers(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or in any other hearing as a result of having prepared the appraisal, either in full or in part, except under separate and special arrangements at an additional fee. If testimony or a deposition is required, the client shall be responsible for any additional time, fees and charges, regardless of the issuing party. Neither the appraiser(s) nor those assisting in the preparation of the report is required to engage in post- appraisal consultation with the client or other third parties, except under a separate and special arrangement and at an additional fee.

### **EXHIBITS AND PHYSICAL DESCRIPTIONS**

It is assumed that the improvements and the utilization of the land are within the boundaries of the property lines of the property described in the report and that there is no encroachment or trespass unless noted otherwise within the report. No survey of the property has been made by the appraiser(s) and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in the report are there to assist the reader in visualizing the property and are not necessarily drawn to scale. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

### **TITLE, LEGAL DESCRIPTIONS, AND OTHER LEGAL MATTERS**

No responsibility is assumed by the appraiser(s) or the appraisal firm for matters legal in character or nature. No opinion is rendered as to the status of title to any property. The title is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in the appraisal report. The legal description, as furnished by the client, his designee or as derived by the appraiser(s), is assumed to be correct as reported. The appraisal is not to be construed as giving advice concerning liens, title status, or legal marketability of the subject property.



## **ENGINEERING, STRUCTURAL, MECHANICAL, ARCHITECTURAL CONDITIONS**

This appraisal should not be construed as a report on the physical items that are a part of any property described in the appraisal report. Although the appraisal may contain information about these physical items (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed report on these physical items. The appraiser(s) is not a construction, engineering, or architectural expert, and any opinion given on these matters in this report should be considered tentative in nature and is subject to modification upon receipt of additional information from appropriate experts. The client is advised to seek appropriate expert opinion before committing any funds to the property described in the appraisal report.

Any statement in the appraisal regarding the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, all mechanicals, and all matters relating to construction is based on a casual inspection only. Unless otherwise noted in the appraisal report, no detailed inspection was made. For instance, the appraiser is not an expert on heating systems, and no attempt was made to inspect the interior of the furnace. The structures were not investigated for building code violations, and it is assumed that all buildings meet the applicable building code requirements unless stated otherwise in the report.

Such items as conditions behind walls, above ceilings, behind locked doors, under the floor, or under the ground are not exposed to casual view and, therefore, were not inspected, unless specifically so stated in the appraisal. The existence of insulation, if any is mentioned, was discovered through conversations with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements regarding insulation cannot be guaranteed.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any comments on observed conditions given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is given as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating systems, air conditioning systems, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a mechanical and/or structural inspection be made by a qualified and licensed contractor, a civil or structural engineer, an architect or other experts. This appraisal report is based on the assumption that there are no hidden, unapparent or apparent conditions on the property or improvements which would materially alter the value as reported. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and standard for the properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made in the appraisal as to the adequacy of insulation, the type of insulation, or the energy efficiency of the improvements or equipment which is assumed to be standard for the subject's age, type and condition.

## **TOXIC MATERIALS AND HAZARDS**

Unless otherwise stated in the appraisal report, no attempt has been made to identify or report the presence of any potentially toxic materials and/or condition such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyl, pesticides, lead-based paints or soils or ground water contamination on any land or improvements described in the appraisal report. Before committing funds to any property, it is strongly advised that appropriate experts be employed to inspect both land and improvements for the existence of such potentially toxic materials and/or conditions. If any potentially toxic materials and/or conditions are present on the property, the value of the property may be

adversely affected and a re-appraisal at an additional cost may be necessary to estimate the effects of such circumstances.

### **SOILS, SUB-SOILS, AND POTENTIAL HAZARDS**

It is assumed that there are no hidden or unapparent conditions of the soils or sub-soil which would render the subject property more or less valuable than reported in the appraisal. No engineering or percolation tests were made and no liability is assumed for soil conditions. Unless otherwise noted, the land and the soil in the area being appraised appeared to be firm, but no investigation has been made to determine whether or not any detrimental sub-soil conditions exist. Neither the appraiser(s) nor the appraisal firm is liable for any problems arising from soil conditions. These appraisers strongly advise that, before any funds are committed to a property, the advice of appropriate experts be sought.

If the appraiser(s) has not been supplied with a termite inspection report, survey or occupancy permit, no responsibility is assumed and no representation is made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained.

Neither the appraiser(s) nor the appraisal firm assumes responsibility for any costs or for any consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

### **ARCHEOLOGICAL SIGNIFICANCE**

No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

### **LEGALITY OF USE**

This appraisal report assumes that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national government, private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

### **COMPONENT VALUES**

Any distribution of the total value between the land and improvements, between partial ownership interests or any other partition of total value applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

### **COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT**

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property is in direct compliance with the various detailed requirements of the ADA.



## **AUXILIARY AND RELATED STUDIES**

No environmental or impact studies, special market studies or analyses, special highest and best use studies or feasibility studies have been requested or made by the appraiser(s) unless otherwise specified in an agreement for services and so stated in the appraisal report.

## **DOLLAR VALUES AND PURCHASING POWER**

The estimated market value set forth in the appraisal report and any cost figures utilized are applicable only as of the date of valuation of the appraisal report. All dollar amounts are based on the purchasing power and price of the dollar as of the date of value estimates.

## **ROUNDING**

Some figures presented in this report were generated using computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

## **QUANTITATIVE ANALYSIS**

Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

## **VALUE CHANGE, DYNAMIC MARKET, ALTERATION OF ESTIMATE BY APPRAISER**

All values shown in the appraisal report are projections based on our analysis as of the date of valuation of the appraisal. These values may not be valid in other time periods or as conditions change. Projected mathematical models set forth in the appraisal are based on estimates and assumptions which are inherently subject to uncertainty and variations related to exposure, time, promotional effort, terms, motivation, and other conditions. The appraiser(s) does not represent these models as indicative of results that will actually be achieved. The value estimates consider the productivity and relative attractiveness of a property only as of the date of valuation set forth in the report.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value, investment value or value in use is a reflection of such benefits and of the appraiser's interpretation of income, yields and other factors derived from general and specific client and market information. Such estimates are as of the date of valuation of the report, and are subject to change as market conditions change.

This appraisal is an estimate of value based on analysis of information known to us at the time the appraisal was made. The appraiser(s) does not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice. The appraisal report itself and the value estimates set forth therein are subject to change if either the physical or legal entity or the terms of financing are different from what is set forth in the report.





## **ECONOMIC AND SOCIAL TRENDS**

The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of value of this appraisal. The appraiser is not obligated to predict future political, economic or social trends.

## **EXCLUSIONS**

Furnishings, equipment, other personal property and value associated with a specific business operation are excluded from the value estimate set forth in the report unless otherwise indicated. Only the real estate is included in the value estimates set forth in the report unless otherwise stated.

## **SUBSURFACE RIGHTS**

No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

## **PROPOSED IMPROVEMENTS, CONDITIONED VALUE**

It is assumed in the appraisal report that all proposed improvements and/or repairs, either on-site or off-site, are completed in an excellent workmanlike manner in accord with plans, specifications or other information supplied to these appraisers and set forth in the appraisal report, unless otherwise explicitly stated in the appraisal. In the case of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. The estimate of market value is as of the date specified in the report. Unless otherwise stated, the assumption is made that all improvements and/or repairs have been completed according to the plans and that the property is operating at levels projected in the report.

## **MANAGEMENT OF PROPERTY**

It is assumed that the property which is the subject of the appraisal report will be under typically prudent and competent management which is neither inefficient nor superefficient.

## **FEE**

The fee for any appraisal report, consultation, feasibility or other study is for services rendered and, unless otherwise stated in the service agreement, is not solely based upon the time spent on any assignment.

## **LEGAL EXPENSES**

Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.



### **CHANGES AND MODIFICATIONS**

The appraiser(s) reserves the right, at the cost of the client, to alter statements, analyses, conclusions, or any value estimates in the appraisal if any new facts pertinent to the appraisal process are discovered which were unknown on the date of valuation of this report.

### **DISSEMINATION OF MATERIAL**

Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the appraiser(s).

The acceptance and/or use of the Appraisal Report by the client or any third party constitutes acceptance of the Assumptions and Limiting Conditions set forth in the preceding paragraphs. The appraiser's liability extends only to the specified client, not to subsequent parties or users. The appraiser's liability is limited to the amount of the fee received for the services rendered.



**QUALIFICATIONS OF APPRAISER  
REESE PERKINS**

**Professional Designations**

MAI - Member of the Appraisal Institute  
SRA - Senior Residential Appraiser

MAI - Member American Institute of Real Estate Appraisers 1983  
SRPA - Senior Real Property Appraiser; Society of Real Estate Appraisers 1982

**License**

State of Nevada, Certified General Real Estate Appraiser, #A.0000120-CG,  
Expiration date 4/30/17

**Membership**

Member, Nevada State Board of Equalization 1992 - 1999  
Chairman 1999  
Member, Nevada Commission of Real Estate Appraisers 1995 - 2001  
President 2000

**Offices Held**

President - Reno/Carson/Tahoe Chapter No. 189,  
Society of Real Estate Appraisers 1983 - 1984  
Admissions Committee - Sierra Nevada Chapter #60, AIRE 1984 - 1988  
Vice-Chairman 1987 - 1988  
Southwest Region Review and Counseling Panel, AIREA  
Admissions Chairman - Sierra Nevada Chapter No. 60,  
American Institute of Real Estate Appraisers 1989 - 1990  
Admissions Chairman - Reno/Carson/Tahoe Chapter of the Appraisal Institute 1991  
Board of Directors - Sacramento-Sierra Chapter of the Appraisal Institute 1991 - 1995  
President – Sacramento – Sierra Chapter of The Appraisal Institute, 1996

**Appraisal Experience**

Appraiser – Johnson Perkins Griffin, LLC 03/2015 - present  
Principal Appraiser - Johnson-Perkins & Associates 2006 - 02/2015  
Vice President - Johnson-Perkins & Associates 1994 - 2006  
Owner - Real Estate Appraisal and Consulting Firm 1987 - 1994  
President and Chief Operating Officer - Eagle Service Corporation;  
Senior Vice President - First Federal Savings and Loan Association 1985 - 1987  
Vice President-Chief Appraiser - Eagle Service Corporation 1983  
Independent Fee Appraiser 1980 - 1983  
Assistant Vice President - First Western Service Corporation;  
Northern Division Manager, Master Appraisals 1977 - 1980  
Staff Appraiser - Eagle Service Corporation, First Federal Savings and Loan 1975 - 1977  
Associate Appraiser - Washoe County Assessor's Office 1972 - 1975



## QUALIFICATIONS OF APPRAISER REESE PERKINS

### Appraisal Education

#### Society of Real Estate Appraisers:

Course 101	
Introduction to Appraising Real Property, Santa Clara, California	1973
Course 201	
Principles of Income Property Appraising, Santa Clara, California	1974

#### American Institute of Real Estate Appraisers:

Course 2	
Urban Properties, San Francisco, California	1978
Exam 1B	
Capitalization Theory and Techniques	1979
Course 6	
Introduction to Real Estate Investment Analysis, Oakland, California	1982
Course 2-3	
Standards of Professional Practice, Sacramento, California	1985
Course 10	
Market Analysis, Boulder, Colorado	1987

#### Appraisal Institute:

Standards of Professional Appraisal Practice,	
Parts A and B, Reno, Nevada	1992
Part C, Reno, Nevada	1997
National USPAP Update Course	2003
National USPAP Update Course	2004
National USPAP Update Course	2006
National USPAP Update Course	2007
National USPAP Update Course	2008
National USPAP Update Course	2010
National USPAP Update Course	2013
National USPAP Update Course	2014

#### Appraisal Foundation

1999 USPAP Review	1998
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### Appraisal Seminars

Various Appraisal and Continuing Education Seminars	1974 - 2015
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### Formal Education

Tonopah High School Graduate	1967
Bachelor of Arts Degree in Political Science - University of Nevada, Reno,	1972



**QUALIFICATIONS OF APPRAISER  
REESE PERKINS**

**Types of Property Appraised**

Single Family Residences  
Condominiums  
Vacant Residential Lots  
Professional Office Buildings  
Warehouses and Industrial Buildings  
Shopping Centers  
Communication Sites  
Motels  
Residential Subdivisions  
Vacant Land  
Commercial Buildings  
Apartment Complexes  
Subdivisions  
Hotels  
Hotel/Casinos  
Aggregate Quarries  
Mortuaries and Cemeteries  
Water Companies  
Open Pit Mines  
Fire Science Academies

**Admitted as Expert Witness**

United States District Court, District of Nevada  
United States Bankruptcy Court, District of Nevada  
United States Bankruptcy Court, District of Northern California  
Washoe County District Court  
Washoe County Board of Equalization  
Douglas County Board of Equalization  
Clark County Board of Equalization  
White Pine County Board of Equalization  
Nevada State Board of Equalization





**QUALIFICATIONS OF APPRAISER  
REESE PERKINS**

**Representative Appraisal Clients**

AEGON USA Realty Advisors, Inc.  
Airport Authority of Washoe County  
Alliance Bank of Arizona  
AMB Institutional Realty Advisors  
American Federal Savings Bank  
ARCS Commercial Mortgage Corp.  
AT&T Communications  
Bank of America  
Bank of the West  
BHP Copper  
California Department of Justice  
Carson City  
Caughlin Ranch Partnership  
Centex Real Estate Corporation  
CitiBank  
City of Reno  
City of Sparks  
Coates Field Services, Inc.  
Colonial Bank  
Department of the Navy  
Dermody Properties  
Douglas County  
Douglas County Assessor's Office  
Federal Deposit Insurance Corporation  
First Federal Lincoln  
First Independent Bank of Nevada  
First Merit Bank, N.A.  
GMAC Commercial Mortgage Co.  
Great Western Bank  
Granite Construction Co.  
Guardian Life Insurance Co.  
Home Federal Savings Bank  
Internal Revenue Service  
KeyBank  
McDonald's  
Nevada Department of Transportation  
Nevada Mining Association  
Nevada State Bank  
P.W. Funding  
Redevelopment Agency of the  
City of Reno  
Regional Transportation Commission  
Reno Housing Authority  
Shelter Properties  
Shelter Properties  
Sierra Pacific Power Company  
St Mary's Regional Medical Center  
Summit Engineering Corporation  
Texaco, Inc.  
The CIT Group  
The Howard Hughes Corporation  
The Rouse Company  
Truckee Meadows Community College  
Umpqua Bank  
U.S. Bank  
U.S. Department of Commerce  
U.S. Forest Service  
U.S. Postal Service  
Union Oil Company  
University Of Nevada  
Various Private Clients, Law and  
Accounting Firms  
Washoe County  
Washoe County School District  
Washoe Medical Center  
Wells Fargo Bank  
Williams Communications, Inc.

# EXHIBIT 4

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION PERTAINING TO THE APPROVAL OF THE SALE OF REAL PROPERTY LOCATED IN RENO, NEVADA, WITH THE ASSESSORS PARCEL NUMBERS 086-143-05, 086-142-04, 086-951-01, 086-951-02, 086-951-03, 086-951-04, 086-151-08, 086-151-07, 086-154-04, 086-130-04 FOR A SALE PRICE OF NO LESS THAN THE APPRAISED VALUE AND TO THE AUTHORIZATION OF CHANCELLOR DANIEL J. KLAICH, OR HIS DESIGNEE, TO APPROVE AND SIGN, AFTER CONSULTATION, THE CORRESPONDING ESCROW AND TITLE DOCUMENTS ASSOCIATED WITH THE SALE AND CLOSE OF ESCROW.**

**BE IT RESOLVED** that the Board of Regents approves the request to sell the real property located at Assessor's Parcel Numbers 086-143-05, 086-142-04, 086-951-01, 086-951-02, 086-951-03, 086-951-04, 086-151-08, 086-151-07, 086-154-04, 086-130-04, in Reno, Nevada for a sale price of no less than the appraised value with status reports provided by the University of Nevada, Reno to the Board approximately every six months.

**BE IT FURTHER RESOLVED** that the Board of Regents hereby authorizes Chancellor Daniel J. Klaich, or his Designee, to approve and sign, after consultation with the Board of Regents Investment and Facilities Committee Chair and the Nevada System of Higher Education Vice Chancellor for Legal Affairs, the corresponding escrow and title documents associated with the sale, and close of escrow.

PASSED AND ADOPTED on \_\_\_\_\_, 2015.

\_\_\_\_\_  
Chairman  
Board of Regents of the  
Nevada System of Higher Education

(SEAL)  
Attest:

\_\_\_\_\_  
Chief Executive Officer to the  
Board of Regents