

HVS Market Intelligence Report: Reno, Nevada

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With a population of over 211,000,¹ Reno is the largest city in Northern Nevada. It is located in the southern part of Washoe County, nestled on the eastern slope of the Sierra Nevada Mountains in an area called the Truckee Meadows. Reno is known as "America's Adventure Place" because of the nightlife and gaming that pulse at the city's heart and the popular outdoor activities provided for by the surrounding lakes, rivers, and terrain. While these elements continue to represent a significant portion of Reno's economy, the city is experiencing gradual diversification of its business base, evidenced by the expansion of distribution, warehousing, and manufacturing facilities. Approximately 25% of the workforce in Reno is employed in the fields of construction, manufacturing, transportation, communications, public utilities, and financial services.² The expansion and diversification of these industries has a derivative effect on others, and the accumulation of these developments is fostering more leisure, meeting and group, and commercial demand in Reno.

Reno's economy

A number of indicators point to economic and commercial growth for the greater Reno area, including the arrival of dozens of new companies and the expansion of others in the market. According to the Economic Development Authority of Western Nevada, some 42 companies have moved into the area since July of 2006, creating over 1,700 jobs.³ One of the market's largest employers is Renown Health, a not-for-profit Nevada health network and nationally recognized healthcare leader. Renown Health is Northern Nevada's largest healthcare network and includes four hospitals, eight medical groups, eight locations for x-ray and imaging, and much more. At the end of 2007, Renown Health opened the doors of the new ten-story Tahoe Tower on its Reno campus. The project began in 2000 and was completed at a cost of more than \$200 million. In March of 2008, Reno/Tahoe International Airport began a renovation of its check-in areas and baggage-handling system, which is scheduled for completion at the end of 2009. In addition, the airport plans to construct a new 200-foot control tower.⁴

Leisure demand

Leisure demand in the greater Reno-Tahoe area has traditionally taken advantage of two things: the remarkable natural landscape and the myriad gaming venues and nightlife. A host of new developments on both fronts are either in the planning stages or currently underway. The year-round Truckee River Whitewater Park in Downtown Reno offers adventure in the heart of the casino and arts districts. In 2008, the park will be expanded to include Rock Park in Sparks, significantly increasing the number of walking trails, whitewater park rapids, and drop pools. The Truckee River Whitewater Park hosts a variety of events throughout the year, including the Reno River Festival and Truckee River Races, attracting large numbers of leisure travelers to the Reno area. Downtown hotels reap particular benefit because of their proximity to the park. Cabela's, known as the "World's Foremost Outfitter," opened its doors in Reno in 2007. The Reno store offers thousands of hunting, fishing, camping, and other outdoor products and accessories. Many patrons are attracted to Cabela's educational and entertainment displays, including hundreds of museum-quality animal dioramas, a two-story Conservation Mountain with running waterfalls and a stream, and enormous aquariums stocked with live fish. The store in Reno is the only Cabela's in Nevada, California, and Oregon, and ownership estimates that more than half of the store's customers travel more than 100 miles to visit it. With an expected three million customers in its first year of operation, Cabela's brings a significant amount of weekend demand to Reno.⁵

Summary

New hotel, retail, recreation, and business developments are making "America's Adventure Place" more welcoming than ever.

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One of the largest projects in the city is at the Grand Sierra Resort and Casino. The property is in the midst of a \$300-million transformation; the renovation and expansion will convert eleven floors of guestrooms into hotel-condominium units and add a variety of restaurants and night clubs, as well as enhance the property's meeting and exhibition space. Additional work at the Grand Sierra Resort includes the construction of the largest indoor water park in America, 500,000 square feet of branded retail shops, and a 70,000-square-foot luxury spa.⁴ Other notable projects in the Reno area include the construction of the Legends at Sparks Marina and two new Station Casinos.

Downtown

Downtown Reno is undergoing major revitalization. Downtown projects include the development of four condominium properties, three of them former casinos.⁶ More meeting space is on the way as well. A new ballroom is nearing completion in the heart of Downtown. The 27,996-square-foot facility features a large banquet kitchen and is expected to help the adjacent Reno Events Center and National Bowling Stadium cater to larger groups and events. One of the area's major employers, the Peppermill Hotel & Casino, unveiled a \$400-million expansion in late 2007. The property now offers a 600-unit, all-suite hotel tower; a new parking plaza; and a 62,000-square-foot convention center. Expansion at the Peppermill is expected to continue throughout 2008 with the opening of a European-style spa and salon and the renovation of all guestrooms. The \$50-million expansion of the Atlantis Casino is expected to be complete at the end of 2008. Plans for the casino include a 27,000-square-foot expansion of the meeting space and ballroom, a 20,000-square-foot casino addition, an expanded spa and fitness center, and a pedestrian skywalk linking the property to the Reno-Sparks Convention Center. One of the largest downtown projects includes the Reno Ballpark District and Triple-A baseball stadium. Expected to open in 2009, the stadium will serve as the anchor of an \$81-million ballpark district that will house new retail, business, and entertainment options. Other notable downtown projects include the redevelopment of the Reno City Plaza and the Post Office Plaza.⁴

Occupancy, supply, and average daily rate in Reno

The following table provides a snapshot of occupancy trends in the Reno market over the last decade.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
January	60.5 %	59.5 %	57.7 %	59 %	60 %	60.6 %	62.3 %	60.4 %	63.5 %	61.3 %	56.8 %
February	66.8	66.8	69.6	68.2	69.7	65.5	68	68.4	71.6	70.7	66
March	75.4	70.1	72.3	74.1	68.7	66.9	73.7	70.9	72.1	73.6	
April	75.8	69.6	73.3	73.8	71.5	68.3	73.4	69.6	72.5	71.1	
May	75	70.2	72.2	72.7	69.2	70.6	74.3	67.7	72.9	72.8	
June	76.7	73.7	79	78.5	72.2	75.3	78.5	76.3	79	76.5	
July	72.2	77.5	79.1	76.3	76.2	75.8	77.3	79.5	77.2	75.2	
August	72.9	75.2	76.3	77.5	76.7	77.9	76.4	76.4	78.3	77.6	
September	73.7	77.9	80.8	73.4	75.8	74.4	77.6	80.1	79.1	77.1	
October	70.9	73.3	71.4	72.1	69	72.2	74.7	71.7	69.2	70.9	
November	63.3	62.2	65.7	64.2	62.3	62	62.3	64.8	63.1	84.3	
December	61.1	58.1	63.9	58.2	58.2	59.3	62.7	63.6	64	56.9	
Year to Date thru February	63.7 %	63.2 %	63.7 %	63.6 %	64.9 %	63.1 %	65.2 %	64.4 %	67.6 %	66.0 %	61.4 %
Yearly Occupancy	70.4 %	69.5 %	71.8 %	70.7 %	69.1 %	68.9 %	71.8 %	70.8 %	71.9 %	72.3 %	

Source: Reno-Sparks Convention and Visitors Authority

Occupancy trends in this area have remained fairly consistent since 1998, with local employers and weekend highway travelers serving as consistent sources of demand. The market is busiest during the summer months, and a variety of local events, including Hot August Nights and the Reno Air Show, sell out the market sporadically throughout the year. The opening of the Comfort Inn & Suites and the Hilton Garden Inn in 2007 met with the slowing U.S. economy later that year, contributing to the decrease in market-wide occupancy in 2007. According to the Reno City Planning Commission, five new hotels have been proposed for the city: Intermountain Management is developing a 127-unit Hyatt Place that is expected to open in July of 2009, and Tanamera Development LLC is developing a 96-unit Staybridge Suites that is expected to open in the fourth quarter of 2008. Tanamera Development has also received the site approval for a limited-service hotel in North Reno. In addition, a 98-room Holiday Inn Express is expected to open in the fourth quarter of 2008, and a proposed Hyatt Summerfield Suites has been approved near Downtown Reno. Occupancy is expected to remain relatively stable in the near term; however, new rooms supply from new hotel openings and expansions in the market could negatively affect occupancy until the additional units have been absorbed.

The following table illustrates average rate trends in Reno over the past ten years.

Table 1-2 Historical Average Rates Reno, Nevada

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
January	\$50.87	\$52.09	\$49.54	\$48.65	\$50.55	\$52.17	\$57.26	\$64.71	\$65.46	\$70.37	\$78.00
February	50.52	51.85	52.04	55.61	57.24	55.10	57.06	61.75	64.74	71.14	76.13
March	50.94	49.76	52.01	55.18	52.43	52.26	54.55	55.36	63.28	72.80	
April	51.76	51.93	52.41	52.53	52.67	51.97	56.30	59.11	64.02	69.32	
May	54.44	53.97	54.74	57.47	50.99	57.16	62.29	59.05	65.78	73.64	
June	54.02	55.87	57.01	60.80	54.14	55.62	62.32	67.38	72.62	77.14	
July	58.14	60.77	61.53	61.14	59.92	59.43	65.63	72.06	78.77	83.23	
August	63.96	66.21	65.98	69.56	67.21	67.49	72.58	76.39	84.37	90.78	
September	58.79	61.17	64.66	64.51	64.36	63.59	71.52	74.52	85.81	87.14	
October	51.62	54.44	52.94	55.06	53.44	53.63	60.21	58.86	64.54	73.20	
November	46.39	46.94	48.86	52.73	50.29	52.64	53.31	56.34	61.39	71.35	
December	53.09	53.15	56.60	55.34	51.82	52.22	57.11	59.95	71.14	73.11	
Year to Date thru February	\$50.70	\$51.97	\$50.79	\$52.13	\$53.90	\$53.64	\$57.16	\$63.23	\$65.10	\$70.76	\$77.07
Total Average Rate	\$53.71	\$54.85	\$55.69	\$57.38	\$55.42	\$56.11	\$60.89	\$63.82	\$70.16	\$76.10	
Source: Reno-Sparks Convention and Visitors Authority											

Overall, average rates in this area have been increasing since 2002, as hotels continued their recovery trend following the economic turmoil that began the decade. This positive trend is expected to continue through 2008 and into the foreseeable future, although the rate of growth may be slowed as the U.S. economy continues to struggle. The recent renovation of several lodging properties and the quality of the new supply entering the market is expected to help drive average rates.

Conclusion

Overall, the outlook for the market is favorable, with significant growth promising to keep Reno “America’s Adventure Place” for years to come. Developments such as Renown Health’s new facilities and the expansion of the airport are expected to positively impact commercial demand, while the major renovation and expansion of large casino/resorts, like the Grand Sierra and the Peppermill, draws more leisure and group demand. Commercial and retail projects such as the Legends at Sparks Marina and the Reno Ballpark District, along with the redevelopment of Downtown Reno, will help ensure that demand flows and hotels thrive in this desert city.

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¹ United States. City of Reno About Reno. April 14, 2008. < <http://www.cityofreno.com/Index.aspx?page=20> >

² United States. City of Reno Economics. April 14, 2008. < <http://www.cityofreno.com/Index.aspx?page=119> >

³ United States. Economic Development Authority of Western Nevada EDawn Located Companies. April 14, 2008. < <http://www.edawn.org/news/located-companies> >

⁴ Sneak Peek Into.... Advertisement. Reno Tahoe America’s Adventure Place March 2008. Produced by Reno-Sparks Convention and Visitors Authority.

⁵ Hagar, Roger. “Cabela’s Nevada store brings the great outdoors indoors” Reno Gazette-Journal. October 31, 2007.

< <http://news.rgj.com/apps/pbcs.dll/article%3FAID%3D/20071031/NEWS05/710310441/1321/NEWS+Cabela%27s+Reno&hl=en&ct=clnk&cd=5&gl=>

⁶ Thomas, Michael. Personal Interview. March 11, 2008.

About **Desiree M. Flanary**



Desiree Flanary, MAI is a Senior Vice President with HVS Portland. HVS leaders now live in and work from more than 30 markets throughout the North American region, including San Diego, LA, San Francisco, Portland, Seattle, Vancouver, Las Vegas, and Phoenix in the west. Desiree earned her bachelor's degree from the University of Northern Colorado and has front-line hotel experience in both front office and housekeeping operations. Desiree travels and works extensively in the northwestern U.S. and along the West Coast, with a particular emphasis in the Central Pacific region.

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