



**February 12, 2021**

**Prepared for: Washoe County Board of Equalization**

**Subject: Cabela's**

**Parcel: 038-881-08**

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Subject: Cabela's  
8650 Boomtown Garson Road  
Reno, NV 89523  
Parcel ID: 038-881-08  
Year Built: 2007  
Building SF: 127,616  
Land SF: 906,135



## Summary

The subject property is a Cabela's located at 8650 Boomtown Garson Road, Reno, NV. It has 127,616 gross building area and it was built in 2007. The land area is approximately 906,135 SF. In 2021 the property was assessed for \$14,384,532 or \$112/SF of which \$4,390,425 was land value while \$9,994,107 was improvement value. We are appealing this value and we utilize the income approach to value the property.

In the following pages you will find an income approach utilizing a direct capitalization. To start we first establish market rent for the subject by researching many big box spaces which are currently leased as well as other spaces that are vacant but being marketed. Due to the lack of lease comparables and asking rents on large spaces in the Reno area we expanded our search to the state of Nevada. Below you will find a variety of spaces which we found that give a good representation of the retail market for large retail spaces. Half of these are asking rents so any concluded market rent would have to be adjusted downward to account for negotiations between a landlord and tenant.

<i>Lease Comparables - Big Box/Anchor</i>									
Name	SF	YB	Lease Rate/Asking Rate	Lease Term	Address	City	State	Zip Code	Median HH Income
Retail Building	31,792	1963	\$7.80	Asking Rent	1201 Stardust St.	Reno	NV	89503	\$53,720
NorthTown Plaza	20,000	1995	\$10.80	Asking Rent	3456 N. Carson St.	Carson City	NV	89706	\$49,402
Former Toy's R Us	43,012	1984	\$12.96	1/1/2020-2035	5000 Smithridge Drive	Reno	NV	89502	\$45,332
Lakeside Plaza - Save Mart	50,503	1995	\$11.64	9/1/2018-2032	73-195 W. Plumb Lane	Reno	NV	89509	\$62,807
Kohl's	40,553	1991	\$9.00	1/1/2020 - 2035	2450 Mountain City Hwy.	Elko	NV	89801	\$83,878
Cal Ranch Stores	50,479	1991	\$8.52	1/3/2019 - 2029	2450 Mountain City Hwy.	Elko	NV	89801	\$83,878
Albertsons	62,433	1998	\$8.52	8/1/2019-2029	200 S. Hwy. 160	Pahrump	NV	89048	\$39,099
Renaissance Center East	91,461	1981	\$10.20	Asking Rent	2340 E. Tropicana Ave.	Las Vegas	NV	89102	\$56,354
Retail Building	58,217	1968	\$10.20	Asking Rent	2575 E. Sahara Avenue	Las Vegas	NV	89104	\$36,448
Rancho Sierra Shopping Center	101,491	1990	\$3.48	Asking Rent	4400 - 4530 N. Rancho Dr.	Las Vegas	NV	89130	\$68,764
InStyle Furniture Superstore	74,500	1999	\$10.80	9/1/2017-2027	2189 W. Craig Road	Las Vegas	NV	89032	\$60,294
Albertsons	52,883	2005	\$9.20	3/1/2016-2035	190 N. Boulder Hwy.	Henderson	NV	89015	\$56,569
Retail Building	66,853	1974	\$10.00	Asking Rent	2605 E. Eastern Ave.	Las Vegas	NV	89169	\$29,414
Crossroads at Sunset Plaza	42,470	1996	\$12.00	Asking Rent	1425-1455 W. Sunset Road	Henderson	NV	89014	\$79,692
Low	20,000	1963	\$3.48						
High	101,491	1998	\$12.96						
Median	51,693	1990	\$10.10						
Subject - Cabela's	127,616	2007			8650 Boomtown Garson Road	Reno	NV	89523	\$75,775

Trying to find a space as large as the subject is difficult and as you can see we could not find anything in the marketplace as large as the existing property. The median square footage came to 51,693 while the subject has 127,616 square feet. The subject was built in 2007 and the age of the comparables ranged from 1963 – 2005. Asking rates on these spaces ranged from \$3.48/SF - \$12.96/SF with a median of \$10.10/SF. Given the sheer size of the property (127,616 SF) we know that any new tenant would expect a lower market rent to lease this type of property as compared to the marketplace. Also any incoming tenant would have to account for the functional obsolescence which exists in the property due to the customized design Cabela's established to make the improvements specific to their business model. Given that the current median rent is \$10.10/SF with a median square footage of 51,693 we concluded to \$8.00/SF. This accounts for the inverse relationship between market rent and square footage and any negotiations between landlord and tenant.

In order to establish a vacancy factor we utilized a market report from Kidder Mathews. According to this large commercial real estate broker the Reno retail market vacancy rate is 6.6% as of the 3<sup>rd</sup> quarter of 2020. For expenses we utilized typical expenses a landlord would see for a triple net lease and these included expenses for management, general & administrative, and potential reserves needed for structural items.



To establish the capitalization rate we utilized CBRE's 2<sup>nd</sup> Half 2019 Cap Rate Study. Since the Reno area is not represented in this study we used the Las Vegas metro area which is placed in the Tier II section of the study. CBRE's cap rate study did indicate that average cap rates for power centers have risen 8 basis points to 8.54% in H2 2019 which signals that big-box and other retail store closings continue to adversely impact the expected risk and projected cap rates for power centers. Las Vegas had a range of 7.5 – 8.25% for Class A Power Centers like the subject. Given that the property is located in a smaller metro area and the pool of buyers would be smaller for the subject we concluded to 8.0% which is at the higher end of the cap rate range.

CLASS A				CLASS B				CLASS C			
TIER II		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
	Atlanta	7.25 - 8.25	◄◄	8.50 - 9.50	◄◄	8.50 - 9.50	◄◄	9.50 - 12.25	◄◄	9.50 - 12.00	◄◄
	Austin	6.25 - 7.25		7.25 - 8.50	▲	7.50 - 9.00	▲	8.25 - 9.25	▲	8.50 - 10.25	▲
	Baltimore	7.00 - 8.00	◄◄	8.00 - 10.00	◄◄	10.00 - 12.00	◄◄	10.00 - 12.00	◄◄	13.00 - 15.00	◄◄
	Dallas/Ft. Worth	7.00 - 8.00	◄◄	7.75 - 9.25	▲	8.00 - 9.25	▲	9.25 - 10.00	▼	9.50 - 12.00	▲
	Denver	6.50 - 7.25	▼	7.50 - 8.50	▼	8.75 - 9.75	▼	9.00 - 12.00	▼	12.00 - 18.00	▲
	Houston	7.00 - 8.00	◄◄	8.25 - 8.75	◄◄	11.25 - 11.75	◄◄	9.00 - 11.00	◄◄	12.00 - 14.00	◄◄
	Las Vegas	7.50 - 8.25	◄◄	8.25 - 9.25	▲	8.50 - 9.50	▲	9.00 - 10.00	▲	9.25 - 11.25	▲
	Nashville	7.00 - 7.50	◄◄	8.50 - 9.00	◄◄	12.00 - 15.00	◄◄	10.00 - 12.00	◄◄	12.00 - 15.00	◄◄
	Orlando	7.00 - 8.00	◄◄	7.75 - 9.00	◄◄	8.25 - 10.00	◄◄	8.75 - 10.00	◄◄	9.50 - 11.00	◄◄
	Philadelphia	6.50 - 7.50	◄◄	8.50 - 9.50	◄◄	9.50 - 11.00	◄◄	10.00 - 11.00	◄◄	—	
	Phoenix	7.25 - 7.75	◄◄	7.75 - 8.75	◄◄	8.75 - 9.75	◄◄	9.00 - 10.00	◄◄	10.00 - 11.00	◄◄
	Portland	6.25 - 7.00	◄◄	7.00 - 8.25	◄◄	7.25 - 9.25	◄◄	8.00 - 9.25	◄◄	9.00 - 11.00	◄◄
	Sacramento	7.00 - 7.50	▲	8.00 - 8.50	▲	8.00 - 9.00	◄◄	8.50 - 9.00	▲	8.50 - 10.00	
	Seattle	6.00 - 7.00	▲	6.50 - 8.00	◄◄	7.50 - 9.00	◄◄	7.50 - 10.00	▲	8.00 - 12.00	▲
Tampa	7.00 - 8.00	◄◄	7.75 - 9.00	◄◄	8.25 - 10.00	◄◄	8.75 - 10.00	◄◄	9.50 - 11.50	◄◄	

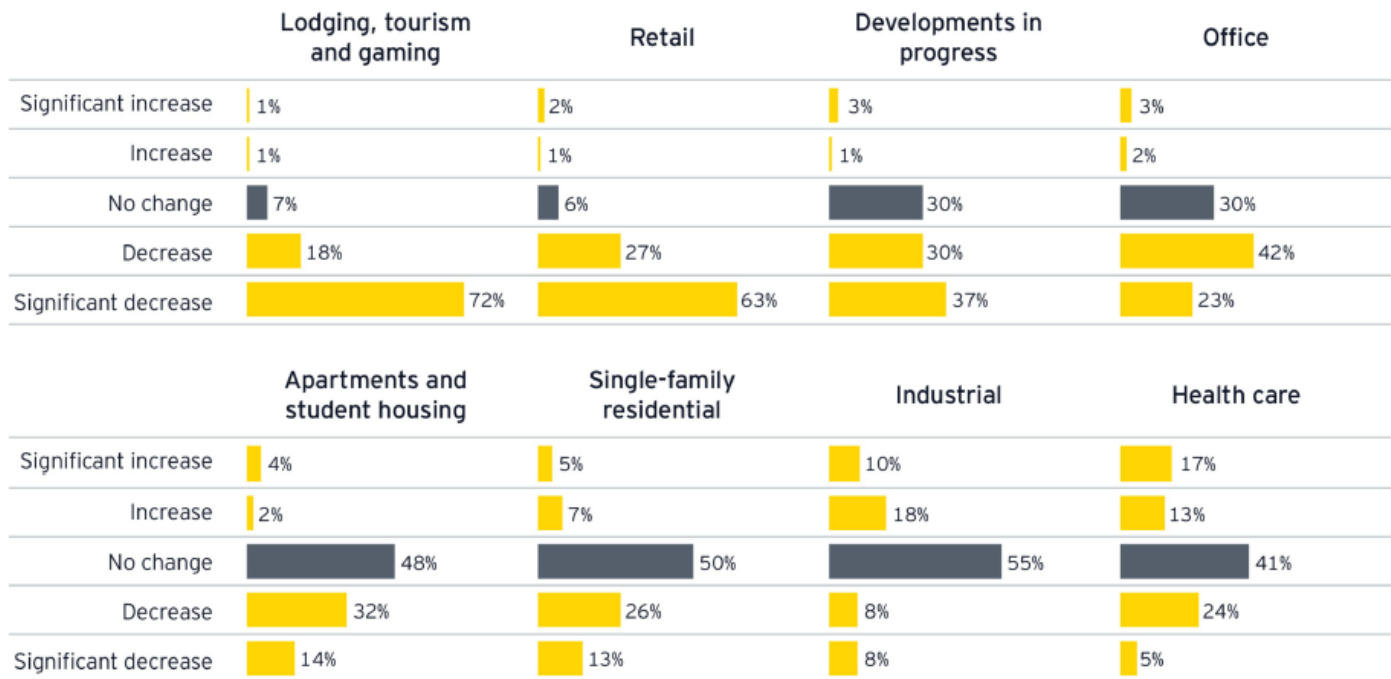
#### CBRE Research

We also note that the valuation lien date is 7/1/2020 which is after CBRE's cap rate survey and in the middle of the COVID-19 Pandemic. We have not accounted for this necessary upward adjustment to the capitalization rate and market participants understand that values are adjusting downward due to the uncertainty in retail. Ernst & Young, a Big Four accounting firm, conducted a survey of 200 real estate professionals which included representatives from private equity funds, public REITS, brokers, asset managers and lenders in April/May of 2020. In this survey 63% of the respondents expected to see a significant decrease in retail property values and 27% expected to see a decrease. So, 90% of the real estate professionals expected to see a decrease to a significant decrease in retail property values. The chart is represented below and you can see how retail compares to other property types.



## Property value impact

How do you think property values will be impacted as a result of COVID-19?



Given this relevant information our capitalization rate appears to be conservative considering we have not made the necessary adjustment for the COVID-19 health crisis.

Once our capitalization rate is applied to the net operating income the valuation comes to **\$11,000,000 or \$86/SF**. On the following page you will find the direct capitalization.



**Income Approach**

**Parcel #** 038-881-08  
**Address:** Cabela's  
 8650 Boomtown Garson Road, Reno, NV  
 Washoe County

**Submarket Vacancy** 6.6%  
**Building Summary:** 127,616 SF  
**Year Built** 2007  
**Market Rent/SF** \$8.00  
**Rental Basis:** NNN (Triple Net)

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**STABILIZED INCOME and EXPENSE STATEMENT**


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Potential Gross Rent		\$	1,020,928
Vac. & Collection Allowance	6.6%	\$	(67,381)
Effective Gross Income		\$	953,547
Expenses: by Landlord			
Management	3%	\$	28,606
General / Administrative	1%	\$	10,209
Reserves	0.25 / sf	\$	31,904
Total Expenses		\$	70,720
Net Operating Income		\$	882,827
Capitalization Rate			8.00%
Indicated Value: Net Operating Income divided by Total Cap Rate		\$	11,035,338
<b>Rounded</b>		<b>\$</b>	<b>11,000,000</b>
		<b>\$</b>	<b>86</b>

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To provide additional support to this value below you will find various Cabela properties which have been appraised recently by multiple third party MAI appraisers on a fee simple basis. You can see that the subject property appears to be valued much higher than the rest of the properties. In the fee simple valuation the third party appraisers ignored credit tenant leases and valued the actual sticks & bricks of the property. The most comparable property is located in a mountain region in Idaho and is part of the Spokane metro area. This property is comparable in year built, size, and location and both Reno and Spokane had booming economies before COVID-19. You will see that it appraised for \$9,900,000 or \$76/SF while the subject property is currently appraised for \$14,384,532 or \$112/SF.

<i>Fee Simple Third Party Appraisals - Cabela's</i>							
<b>Name</b>	<b>Address</b>	<b>Year Built</b>	<b>GBA SF</b>	<b>Valuation</b>	<b>Value/SF</b>	<b>Effective Date</b>	<b>Median HH Income</b>
Cabela's	2427 N. Greewich Rd Wichita, KS 67226	2011	80,864	\$6,000,000	\$74.20	1/1/2018	\$69,530
Cabela's	5225 Prairie Stone Parkway Hoffman Estates, IL 60192	2007	193,698	\$10,700,000	\$55.24	1/1/2019	\$91,917
Cabela's	110 Cabela Blvd. E Dundee, MI 48131	2000	180,080	\$7,650,000	\$42.48	1/1/2020	\$62,041
Cabela's	7700 Cabela Drive Hammond, IN 46324	2007	180,620	\$7,600,000	\$42.08	1/1/2019	\$48,068
Cabela's	101 N. Cabela Way Post Falls, ID 83854	2007	129,317	\$9,900,000	\$76.56	1/1/2020	\$55,226
					Low	\$42.08	
					High	\$76.56	
					<b>Median</b>	<b>\$55.24</b>	
<b>Subject</b>	<b>8650 Boomtown Garson Road Reno, NV 89523</b>	<b>2007</b>	<b>127,616</b>	<b>\$14,384,532</b>	<b>\$112.72</b>		<b>\$75,775</b>