

# Las Vegas Valley Executive Summary

## Commercial Real Estate Markets - 3<sup>rd</sup> Quarter 2016

### INDUSTRIAL



### OFFICE



### RETAIL





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December 22, 2016

Re: *Commercial Real Estate Survey: 3rd Quarter, 2016*

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produce the Lied-RCG Commercial Real Estate Survey (“the Survey”) containing the most comprehensive, timely and accurate data and analysis on the Las Vegas Valley’s industrial, speculative office and anchored retail markets.

RCG Economics has partnered with the Lied Institute to produce objective and independent quarterly surveys on the health and state of the commercial real estate market. RCG is a leader in real estate market research and analysis, including commercial real estate and economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, certificate programs and community outreach activities.

The Survey is born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. Developing this Private-Public Partnership to collect, analyze and release unbiased information is further proof of this commitment. Equally important, the data herein are collected as close as possible to the end of each quarter.

This survey documents historical and current market conditions at the Valley and submarket levels. The data contained within are organized and tracked by our in-house research analysts and economists to provide the best analysis of Las Vegas’ commercial real estate markets. The survey contains a variety of meaningful market indicators, including:

- Total existing inventory
- New and planned construction activity
- Vacancy and occupancy levels
- Net Absorption
- “Coupon” or quoted monthly rents

Further, our three commercial (industrial, office and retail) databases contain benchmark building data, by submarket, dating back to 1996. This information allows us to develop “custom” studies for our readers and clients. It is through this survey and our other services and products, that we remain the “Source for Decision Makers.”

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## Statement of Limiting Conditions

The quarterly commercial survey results presented herein depend on several factors. These factors include the period of data collection and the reliability of the third-party sources providing the data. These variances can lead to fluctuations in results from quarter-to-quarter in our own dataset and survey, and relative to those of other firms also monitoring the Las Vegas Valley's commercial markets. This is especially true for those metrics/indicators most prone to short-term fluctuations, such as demand (net absorption). Over time, our survey results reflect trends that are consistent with those reported by other firms tracking the Valley's commercial markets. Therefore, short-term market fluctuations are mitigated. Additionally, actual market conditions are better reflected in other more stable variables, such as vacancy rates and longer-term metrics like year-over-year trends.





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# Las Vegas Industrial Survey

3<sup>rd</sup> Quarter 2016



WARM SPRINGS CROSSING

# LAS VEGAS INDUSTRIAL SURVEY

## SUMMARY

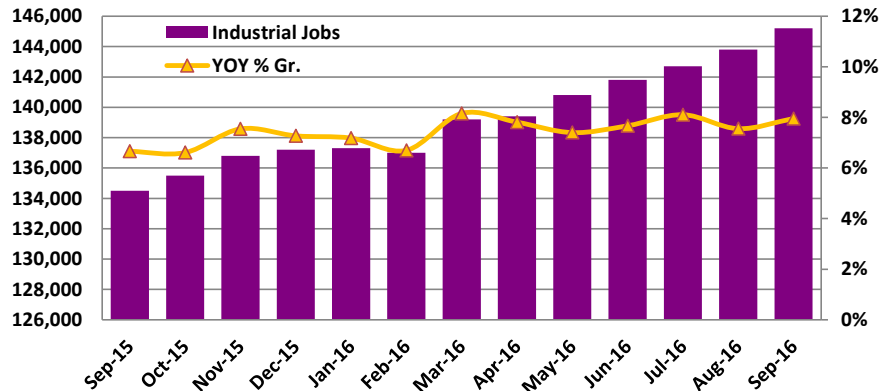
The Las Vegas Valley's ("the Valley") Industrial market<sup>1</sup> closed the third quarter ("Q3") of 2016 with a market-wide inventory of 112.3 million square feet ("sf"), including completions of 875,142 sf for the quarter. Net absorption (net demand) for Q3 was a big increase from the previous quarter at 1,051,671 sf. The Valley's Industrial vacancy rate dropped to 5.1% in Q3, 2016; however, when compared to Q3, 2015 the vacancy rate is actually up 0.3 points from 4.8%. At \$0.68 per square foot ("psf") NNN<sup>2</sup>, the average monthly asking rent is down, \$0.12 psf less than in Q2 (\$0.80 psf), but is up \$0.04 from Q3, 2015 (\$0.64 psf). At the close of Q3, Industrial forward-supply<sup>3</sup> saw 4.8 million sf under construction with another 7.4 million sf in the planning stages. Almost all under-construction space (98.9%) is in Warehouse/Distribution buildings, as is almost all the planned space (98.1%). Performance metrics for the Valley's Industrial market indicate that the Industrial market continues to improve, but in general terms is recovered and stable.

## INDUSTRIAL-RELATED JOBS

Total nonfarm employment in the Las Vegas MSA rose by 21,600 jobs from September 2015 through September 2016, a 2.3% increase. During that time the "headline" unemployment rate declined 1.1 points to 5.6%.

Jobs in Industrial space-using sectors represented 17% (145,200 jobs) of all private jobs in Clark County at the end of Q3, 2016, representing a 8% increase in jobs over September 2015.<sup>4</sup> Since September 2012, Industrial sector job growth has posted solid year-over-year (Y-O-Y) growth (>2%) every month, outpacing population growth and facilitating reduction of the unemployment rate. Sectors showing the greatest gains since September 2015 were the Construction (+7,500 jobs) and Transportation & Warehousing (+2,200 jobs) sectors.

**Clark County Total\* Industrial Jobs and Annual Growth: Sep-15 to Sep-16**



\*Natural resources, construction, manufacturing, and transportation & warehousing industries. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## Industrial Employment

Industry Sector	Jul			Aug			Sep		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Nat. Resources	400	400	0.0%	400	400	0.0%	400	400	0.0%
Construction	57,800	50,600	14.2%	59,000	52,200	13.0%	60,000	52,500	14.3%
Manufacturing	22,100	21,600	2.3%	22,000	21,600	1.9%	21,900	21,600	1.4%
Wholesale Trade	22,200	21,500	3.3%	22,200	21,500	3.3%	22,300	21,600	3.2%
Transp. & Warehousing	40,200	37,900	6.1%	40,200	38,000	5.8%	40,600	38,400	5.7%
<b>Total</b>	<b>142,700</b>	<b>132,000</b>	<b>8.1%</b>	<b>143,800</b>	<b>133,700</b>	<b>7.6%</b>	<b>145,200</b>	<b>134,500</b>	<b>8.0%</b>

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

## VACANCY & RENTS

The Valley's total Industrial vacancy rate (direct vacant space plus sublease vacant space) decreased in Q3 to 5.1%. When compared to Q3, 2015, the vacancy rate is up 0.3 points from 4.8%. The Industrial market remains well below the generally accepted 10% stabilized vacancy rate. With the rate at such a low level, small fluctuations up and down are not particularly significant. Supply shortages continue in the Industrial Market for certain types of space, especially large warehousing units (75,000+ sf). The market is awaiting the completion of several new projects that will help allay the need for space.

On a submarket basis, three out of seven of the Valley's Industrial submarkets were enjoying vacancy rates under 5% at the end of Q3, with almost all submarkets under 10%. Only the Northwest was above the 10% stabilized rate. On a quarter-over-quarter basis, five of the seven submarkets posted declines in their vacancy rates. In Q3, 2016, the East Las Vegas submarket was out in front showing the largest vacancy

## INDUSTRIAL MARKET

rate decline with a 2.6-point drop from 6.2% to 3.6%. The Airport submarket was second with a 0.6-point drop from an 8% vacancy to 7.4%. Next was West Central with a 0.3-point drop from 4.2% to 3.9%. The Southwest and North Las Vegas submarkets each fell by 0.1 points to 5.7% and 3.8%, respectively. The Northwest submarket had the biggest vacancy rate gain, increasing by 1.3 points, from 9.4% to 10.7%. Henderson also went up from 5.1% to 5.3%.

On a Y-O-Y basis, only two submarkets showed improvement. The East Las Vegas submarket vacancy rate was the most improved with a 2.7 percentage-point decline, followed by the Airport submarket with a 0.3 percentage-point drop. Five submarkets saw their Y-O-Y vacancy rate rise. The Northwest experienced a 4.7 percentage-point increase, from 6.0% to 10.7%. Henderson gained 0.7 percentage-points, from 4.6% to 5.3%, followed closely by the Southwest and North Las Vegas, which increased by 0.6 and 0.5 percentage-points, respectively, from 5.1% to 5.7% and from 3.3% to 3.8%. The West Central submarket saw a small increase over the year of 0.1 percentage-points, from 3.8% to 3.9%.

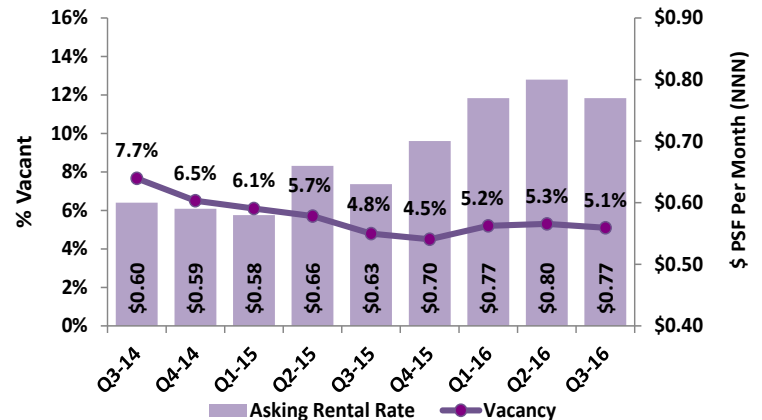
On a product basis, of the five product types, only Incubator saw vacancy rise from Q2, 2016 to Q3, 2016, up 0.5 points from 7.9% to 8.4%. Three other products saw declines, with R&D/Flex vacancy decreasing the most from 11.8% to 11.2%. Light Industrial fell 0.5 points from 4.1% to 3.6%, Light Distribution decreased by 0.3 points from 7.9% to 7.6% and Warehouse/Distribution remained at 4% vacancy.

On a Y-O-Y basis, three product types saw vacancy increases. Light Distribution increased the most from the previous year with vacancy rising by 2.5 points from 5.1%. Warehouse/Distribution and Incubator both increased by 0.2 percentage-points from Q3, 2015, from 3.8% and 8.2%, respectively. Light Industrial remained the same as the previous year at 3.6%. Only R&D/Flex saw a vacancy decrease, dropping 1.4 points from 12.6% vacancy in Q3, 2015.

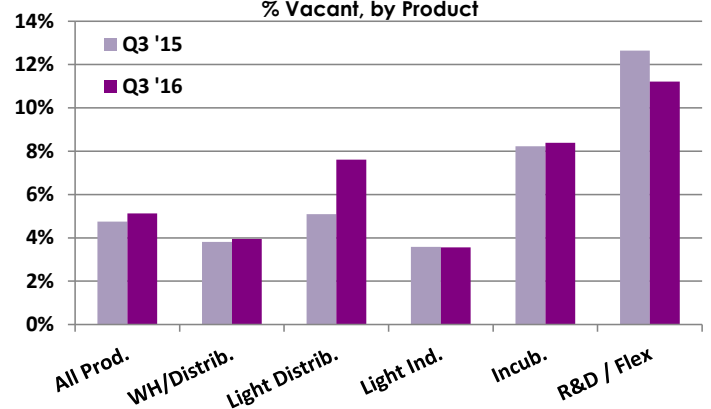
As noted above, the overall Industrial market has recovered from the Great Recession and minor increases in vacancy give no reason to believe that the Valley's economy is worsening. Some submarkets and subtypes are doing better than others, such as Light Industrial and Warehouse/Distribution on the strong end and Incubator and R&D/Flex on the weaker end. Now the conversation has shifted away from which product types will recover faster to which ones are ready to expand and how the industry will deal with looming shortages.

Average monthly Industrial asking rents for all product types (calculated on a NNN basis, not accounting for any operating expenses and based on quoted asking rents, not negotiated rents between owners and tenants) fell in Q3 by \$0.12 to \$0.68 per sf. This is nearer the mark from 2015 when Industrial asking rents averaged \$0.65. A drop of this magnitude has more to do with how our model calculates statistical rents, rather than an actual shift in prices. Generally, prices are on the rise.

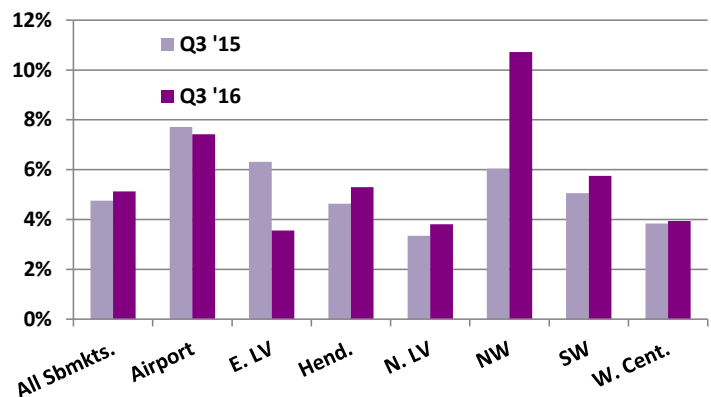
Las Vegas Valley Industrial Market  
Historical Vacancy vs. Monthly Asking Rent:  
Q3, 2014 - Q3, 2016



Las Vegas Valley Industrial Market  
Vacancy Trends: Q3, 2015 v. Q3, 2016  
% Vacant, by Product



% Vacant, by Submarket





# INDUSTRIAL MARKET

## DEMAND

Demand in the Valley's Industrial market was largely improved in Q3, 2016 from Q2, with total net absorption of +1,051,671 sf. Demand in the Industrial market has been positive in 15 of the last 16 quarters.

On a Y-O-Y basis, Q3 saw a considerable drop in demand with +1.9 million sf of absorption compared to +6.1 million sf during the four quarters ending in Q3, 2015. This is to be expected, however, because after the healthy demand in 2015, there is simply less space available to absorb. Furthermore, in various segments of the market, shortages are occurring. New space will have to regularly come to market to keep absorption as high as it has been with so little unoccupied space remaining in the market. The shortage of space could be blunting economic growth.

Six of seven submarkets had positive absorption in Q3, 2016. The East Las Vegas submarket saw the highest net absorption with a substantial +384,059 sf. Henderson, North Las Vegas and the Southwest each had similar absorption totals with +191,569 sf, +191,090 sf and +189,487 sf, respectively. Airport came next with +78,419 sf of absorption. West Central followed with +34,790 sf. The Northwest submarket was the only one to see negative demand with -17,743 sf of absorption.

The top submarkets, on a Y-O-Y basis, were East Las Vegas (+746,397 sf), followed by North Las Vegas (+562,858 sf) and the Southwest (+495,617 sf). The Henderson submarket had a more modest year with +132,952 sf of absorption. The Airport submarket had only +41,537 sf of absorption. The Northwest saw negative demand over the year with -62,519 sf of absorption since Q3, 2015.

Demand in Q3 for the different product types was negative only in Incubator with -41,028 sf of absorption. Warehouse/Distribution (+863,699 sf), Light Industrial (+147,998 sf), Light Distribution (+47,284 sf) and R&D/Flex (+33,718 sf) all saw positive absorption.

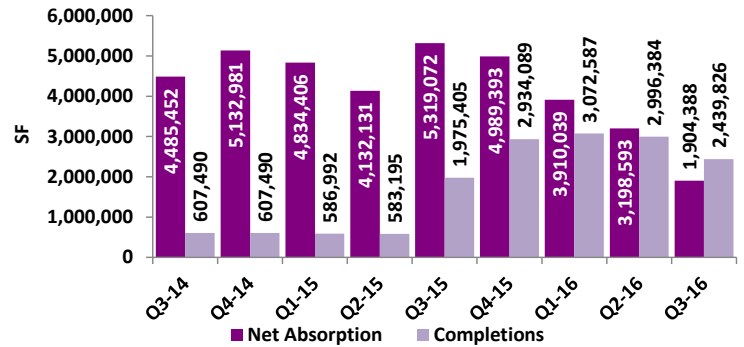
Over the past year, Warehouse/Distribution drove the market, accounting for +2.1 million sf of absorption. Light Industrial added +208,121 sf of absorption Y-O-Y, while R&D/Flex added +83,702 sf. Light Distribution saw significant negative demand over the year with -445,079 sf. Incubator also saw negative demand with -13,358 sf of absorption since Q3, 2015.

## SUPPLY

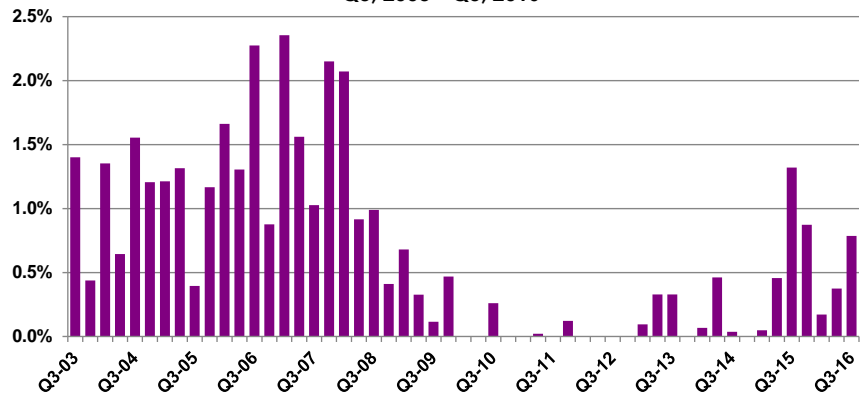
There were completions in four of seven submarkets in Q3, totaling 875,142 sf of space, raising the Valley's Industrial inventory to 112.3 million sf. The previous three years have demonstrated cautious optimism from a complete absence of Industrial space completions in 2012 to 801,500 sf of completions in 2013, followed by a more conservative 609,400 sf of space debuting in 2014. However, in 2015, the market added 2.9 million sf of space. New space will continue to play a critical role in Southern Nevada's economic growth and development as a lack of Industrial space puts a constraint on businesses looking to expand.

The Q3, 2016 completions were: the Black Mountain Distribution Center #3 in Henderson, the Blue Diamond Business Center #3 in the Southwest, the Cheyenne Distribution Center in North Las Vegas and the Sunpoint Business Center in East Las Vegas. Completions for 2016 are currently 1.5 million square feet, which would be almost even with the same three quarter period in 2015.

Las Vegas Valley Industrial Market  
Historical YOY Net Absorption vs. Completions:  
Q3, 2014 - Q3, 2016



Las Vegas Valley Industrial Market  
Completions as a % of Inventory:  
Q3, 2003 - Q3, 2016





## INDUSTRIAL MARKET

There are currently 16 projects under construction comprising almost 4.8 million sf at the end of Q3, all but one of which are new Warehouse/Distribution spaces:

### Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
Beltway Business Park #9	295,500	Warehouse/Distribution	Southwest	Q217
Beltway Distribution Center	211,188	Warehouse/Distribution	Southwest	Q416
Blue Diamond Business Center #6	430,000	Warehouse/Distribution	Southwest	Q416
Eaker Street Wellness (renov/expansion)	58,000	Warehouse/Distribution	North Las Vegas	2017
Enclave (3G HQ)	75,000	Warehouse/Distribution	Airport	Q416
Henderson Commerce Center, Building P	240,000	Warehouse/Distribution	Henderson	Q416
Henderson Freeway Crossing	452,170	Warehouse/Distribution	Henderson	Q416
I-15 Speedway Logistics	525,200	Warehouse/Distribution	North Las Vegas	Q117
North 15 Freeway Distribution Center 1-2	410,640	Warehouse/Distribution	North Las Vegas	Q416
Northgate Distribution Center, Bdlg. 1-2	806,040	Warehouse/Distribution	North Las Vegas	Q416
Parc Post	165,234	Warehouse/Distribution	Southwest	Q416
South 15 Airport Center	479,440	Warehouse/Distribution	Henderson	Q117
South 15 Industrial Park	160,720	Warehouse/Distribution	Henderson	2017
Sunrise Industrial Park #9-10	377,000	Warehouse/Distribution	East Las Vegas	Q416
Sunset 215 West	73,000	Warehouse/Distribution	Southwest	Q416
Sunset Landing	54,000	Light Industrial	Airport	Q416
<b>Total</b>	<b>4,813,000</b>			

On top of all the ongoing construction, there are 24 additional projects in the planning stages, representing more than 7.4 million sf. They are:

### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
2800 Sunset Road	54,000	Light Industrial	Airport	2017
3730 Civic Center Dr	90,000	Warehouse/Distribution	North Las Vegas	2017
5785 N Hollywood Blvd	36,000	Warehouse/Distribution	North Las Vegas	Q217
Blue Diamond Business Center #10	495,000	Warehouse/Distribution	Southwest	2017
Clayton Park	88,000	Incubator	North Las Vegas	2017
Copper Sage Commerce Center	91,000	Warehouse/Distribution	North Las Vegas	2017
Desert Inn Distribution Center	153,320	Warehouse/Distribution	West Central	Q317
Henderson Commerce Center Phase 2	185,000	Warehouse/Distribution	Henderson	Q317
Henderson Interchange Center	364,000	Warehouse/Distribution	Henderson	Q217
I-15 Speedway Logistics Building 2	601,610	Warehouse/Distribution	North Las Vegas	2017
I-15 Speedway Logistics Building 3	633,120	Warehouse/Distribution	North Las Vegas	2018
I-15 Speedway Logistics Building 4	367,060	Warehouse/Distribution	North Las Vegas	2018
Las Vegas Corporate Center	391,620	Warehouse/Distribution	North Las Vegas	2017
Lincoln Business Center	337,000	Warehouse/Distribution	North Las Vegas	Q217
LogistiCenter at LVB	548,880	Warehouse/Distribution	North Las Vegas	2017
Lone Mountain Corporate Center-Phase 2	243,760	Warehouse/Distribution	North Las Vegas	2017
Northern Beltway Industrial Center	540,320	Warehouse/Distribution	North Las Vegas	2017
Speedway Commerce Center Phase 3	168,000	Warehouse/Distribution	North Las Vegas	Q417
Speedway Commerce Center West 1	390,000	Warehouse/Distribution	North Las Vegas	Q417
Speedway Commerce Center West 2	312,000	Warehouse/Distribution	North Las Vegas	2018
Sunrise Distribution Center	458,000	Warehouse/Distribution	North Las Vegas	2017
Supernap 10 (SWITCH)	343,436	Warehouse/Distribution	Southwest	2017
Supernap 11 (SWITCH)	343,436	Warehouse/Distribution	Southwest	2018
Supernap 12 (SWITCH)	168,040	Warehouse/Distribution	Southwest	2018
<b>Total</b>	<b>7,403,000</b>			

## INDUSTRIAL MARKET

These projects continue to help power Southern Nevada's economic recovery and its positioning as a mid-size distribution hub. Additionally, as the chart below demonstrates, the critical shortage of available Industrial space over 100,000 sf has affected the region's rate of economic recovery and growth during the last few years. However, as we've noted several times, relief is on the way; Southern Nevada can expect to see significant additions in the Industrial market. These new projects should ease the existing shortage issues.

### INVESTMENT SALES

Based on the YTD number of investment sales for 2016 as reported by Colliers, there has been a clear decrease in 2016 compared to 2015 from \$295.8 million to \$90.5 million. The average price per sale through Q3, 2016 was just \$3.6 million versus \$6.9 million in 2015. Additionally, the average sales price per sf through Q3, 2016 was lower than in 2015, with the average sale size YTD in 2016 also lower than in 2015. The average cap rate through Q3, 2016 was 7.3% compared to 7.1% in 2015. In general, in an improving market, owners typically demand lower cap rates resulting in higher prices regardless of quality and location. The reverse is true in a down-market. However, in our opinion, these figures suggest a lack of quality industrial product for sale in the market.

### FURTHER THOUGHTS & RECAP

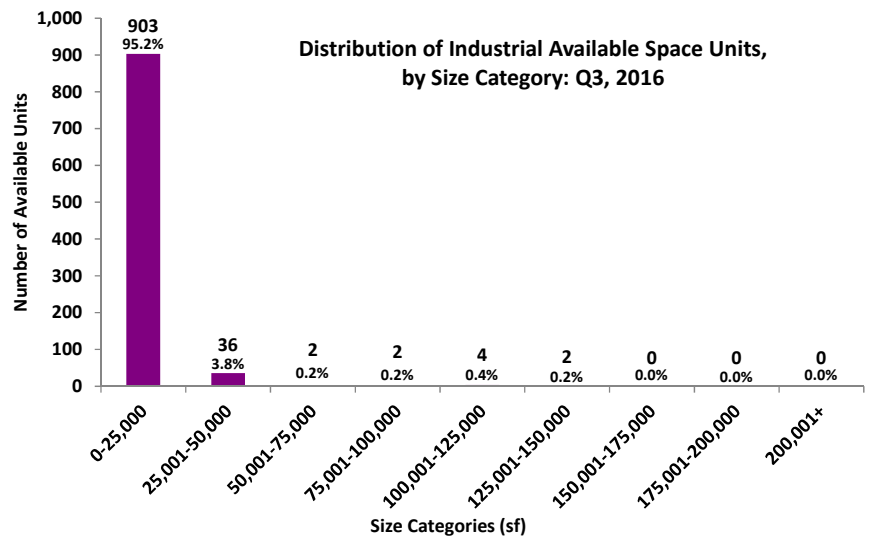
Demand in the Industrial market to start the second half of 2016 appears to be picking up after a slow start to the year. The issue of shortages remains pertinent and may be holding Southern Nevada's economic growth and development from a robust takeoff. If sufficient new space does not come to market in a timely manner, the Industrial Market will continue to see lackluster improvement. However, we expect this will not be a significant problem as there are currently 4.8 million sf of Industrial space under construction and another 7.2 million being planned.

Jobs in Industrial space-using sectors again represented 17% (145,200 jobs) of all private jobs in Clark County at the end of Q3, 2016. This was 10,700 more (+8%) jobs than existed in September 2015. Since September 2012, Industrial sector job growth has posted solid Y-O-Y growth (>2%) every month, outpacing population growth and helping lower the unemployment rate.

Again, in Q3, the Construction sector (+7,500 jobs, +14.3%) and the Transportation & Warehousing sector (+2,200 jobs, +5.7%) have shown the greatest job gains since September 2015, the same two sectors that led in growth in Q2.

As mentioned above, the Valley's total Industrial vacancy rate (direct vacant space plus sublease vacant space) fell by 0.2 points to 5.1% in Q3, but was nonetheless higher than Q3, 2015's vacancy rate of 4.8%. Vacancy dropped in four of seven submarkets, but only by 0.1 points in two of those. Though the Valley's Industrial market is healthy, supply shortages for certain types of space, especially large units (75,000+ sf), continue to stifle growth. The 875,142 sf of space that came to market this quarter were a welcome relief, but still more is needed.

On a submarket basis, the lowest vacancy rates in Q3 were in East Las Vegas (3.6%), North Las Vegas (3.8%) and West Central (3.9%). Henderson (5.3%) came next, followed closely by Southwest (5.7%). The Airport and Northwest (7.4% and 10.7%, respectively) were at the higher end for the Industrial submarkets, though still relatively low when compared to other markets.



### Industrial Investment Sales

	2015	YTD 2016
No. Sales	43	25
Square Feet Sold	3,062,000	1,168,000
Sales Volume (MM)	\$295.8	\$90.5
Average Price/SF	\$96.58	\$77.43
Average Cap Rate*	7.1%	7.3%
Average Sale Size (SF)	71,000	47,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.

<sup>1</sup> Includes all single and multi-tenant for-lease and owner-occupied industrial Warehouse/Distribution, Light Distribution, Light Industrial, Incubator and R&D Flex properties with roll-up doors in the Las Vegas Valley.

<sup>2</sup> All industrial rents in this report are quoted on a monthly triple net (NNN) per square foot basis and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities. Rents are based on the direct vacant space in projects, not the average of leases in projects.

<sup>3</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

<sup>4</sup> Includes the following industries: Natural Resources, Construction, Manufacturing, and Transportation & Warehousing and Wholesale Trade from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.



## INDUSTRIAL MARKET GLOSSARY

Properties tracked have loading dock-grade-level doors. Building characteristics were used to define the appropriate sub-type classification. These characteristics can include a building's primary use, size, type of loading doors, clear heights and parking ratios. A property must exhibit one or more of the typical building characteristics to be classified into subtypes.

**Warehouse/Distribution**

These buildings are the largest among the subtypes and are used for warehousing and distributing materials and merchandise. Warehouse facilities are primarily used for storage and distribution buildings are warehouse facilities designed to accommodate the freight and movement of products/goods.

- Multi- or single-tenant,
- Building/park size of at least 10,000 sf,
- Dock-high doors (or grade-level doors) and clear heights of at least 16 feet, and
- Parking ratios of: 1-2/1,000 sf - traditional warehouse/distribution  
3-4/1,000 sf - high velocity warehouse/distribution.

**Light Distribution**

These buildings are primarily used as a distribution transfer center for the transshipment of products/goods (usually to change the mode of transport or for consolidation or deconsolidation of goods before shipment).

- Multi- or single-tenant,
- Building/park size of at least 5,000 sf, usually characterized by long narrow buildings,
- Cross-dock doors (or several dock high doors) with 12-16 feet clear height to accommodate transfer to/from multiple trucks, and
- Parking ratios of: 1-2/1,000 sf - traditional warehouse/distribution  
3-4/1,000 sf - high velocity warehouse/distribution.

**Light Industrial**

These buildings are primarily used for light industrial manufacturing (rather than heavy industrial manufacturing that uses large amounts of raw materials, power and space) to produce and/or assemble products/goods for consumers as end-users.

- Multi- or single-tenant,
- Building/park size of at least 7,000 sf,
- Grade-level doors (or dock-high doors) and clear heights usually between 13 feet and 18 feet, and
- Parking ratio of 4+/1,000 sf.

**Incubator**

Buildings or portions of buildings that accommodate companies in the early phase of growth. The typical user generally needs 1,000 to 3,000 sf of warehouse space plus 5% to 20% earmarked for office space with the remaining being the warehouse space. Because of its lower space needs, an incubator tenant is usually a low-volume business needing more less frequent packing and unpacking activity and smaller shipment sizes.

- Multi-tenant,
- Building/park size of at least 5,000 sf,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio: Less than 3/1,000 sf.

**R&D/Flex**

These buildings are the smallest among the subtypes and are designed to allow its occupants to easily alternate uses as industrial space or office space. This may include:

- Industrial space generally as light industrial or incubator; and
- Office space generally as research and development (R&D) parks.
- Multi- or single-tenant,
- Building/park size of at least 2,000 sf,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio of 3-4/1,000 sf.

# Industrial Market Matrix

Las Vegas, Nevada  
Third Quarter, 2016

SUBMARKETS								
TOTAL INDUSTRIAL MARKET	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	501	150	534	1,017	81	1,283	648	4,214
Total Rentable SF	14,320,625	3,516,867	13,329,742	33,450,092	1,336,299	34,306,149	12,016,433	112,276,207
Total Vacant SF	1,062,587	124,987	706,121	1,272,271	143,199	1,971,990	473,572	5,754,727
Total Occupied SF	13,258,038	3,391,880	12,623,621	32,177,821	1,193,100	32,334,159	11,542,861	106,521,480
Total Vacant (%)	7.4%	3.6%	5.3%	3.8%	10.7%	5.7%	3.9%	5.1%
Completions QTD	0	311,246	232,826	163,790	0	167,280	0	875,142
Completions YOY	0	693,050	232,826	740,670	0	773,280	0	2,439,826
Total Net Absorption QTD	78,419	384,059	191,569	191,090	-17,743	189,487	34,790	1,051,671
Total Net Absorption YOY	41,537	746,397	132,952	562,858	-62,519	495,617	-12,454	1,904,388
Asking Rents (\$ PSF)	\$0.83	\$0.56	\$0.72	\$0.56	\$0.92	\$0.66	\$0.85	\$0.68
Under Constuction SF	129,000	377,000	1,332,330	1,799,880	0	1,174,922	0	4,813,132
Planned SF	54,000	0	549,000	5,296,370	0	1,349,912	153,320	7,402,602

WAREHOUSE/DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	78	19	78	179	5	142	52	553
Total Rentable SF	5,037,394	1,600,125	6,989,845	20,504,522	223,661	13,993,926	1,939,836	50,289,309
Total Vacant SF	187,050	40,896	258,069	540,994	0	921,367	40,424	1,988,800
Total Occupied SF	4,850,344	1,559,229	6,731,776	19,963,528	223,661	13,072,559	1,899,412	48,300,509
Total Vacant (%)	3.7%	2.6%	3.7%	2.6%	0.0%	6.6%	2.1%	4.0%
Completions QTD	0	311,246	232,826	163,790	0	167,280	0	875,142
Completions YOY	0	693,050	232,826	720,670	0	583,280	0	2,229,826
Total Net Absorption QTD	4,613	389,524	129,656	216,582	0	111,990	11,334	863,699
Total Net Absorption YOY	65,309	780,928	125,796	845,227	0	294,166	-40,424	2,071,002
Asking Rents (\$ PSF)	\$0.53	\$0.40	\$0.58	\$0.37	\$0.00	\$0.61	\$0.75	\$0.51
Under Constuction SF	75,000	377,000	1,332,330	1,799,880	0	1,174,922	0	4,759,132
Planned SF	0	0	549,000	5,208,370	0	1,349,912	153,320	7,260,602

LIGHT DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	68	19	37	167	1	181	40	513
Total Rentable SF	3,169,129	340,675	1,571,703	4,848,934	51,000	6,930,636	775,747	17,687,824
Total Vacant SF	274,178	0	226,865	360,564	12,159	472,539	0	1,346,305
Total Occupied SF	2,894,951	340,675	1,344,838	4,488,370	38,841	6,458,097	775,747	16,341,519
Total Vacant (%)	8.7%	0.0%	14.4%	7.4%	23.8%	6.8%	0.0%	7.6%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	60,890	0	49,175	-52,045	0	-38,250	27,514	47,284
Total Net Absorption YOY	-85,596	6,274	-71,989	-245,214	-8,359	-101,210	61,015	-445,079
Asking Rents (\$ PSF)	\$0.80	\$0.00	\$0.60	\$0.52	\$0.76	\$0.76	\$0.00	\$0.68
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

# Industrial Market Matrix

Las Vegas, Nevada  
Third Quarter, 2016

## SUBMARKETS

LIGHT INDUSTRIAL	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	199	91	313	594	16	742	482	2,437
Total Rentable SF	3,076,809	1,135,150	3,085,009	6,755,260	290,111	9,362,544	6,622,403	30,327,286
Total Vacant SF	233,867	28,200	103,076	194,124	16,170	241,669	263,997	1,081,103
Total Occupied SF	2,842,942	1,106,950	2,981,933	6,561,136	273,941	9,120,875	6,358,406	29,246,183
Total Vacant (%)	7.6%	2.5%	3.3%	2.9%	5.6%	2.6%	4.0%	3.6%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	20,000	0	190,000	0	210,000
Total Net Absorption QTD	-24,907	-6,100	-10,449	48,558	2,400	156,698	-18,202	147,998
Total Net Absorption YOY	55,694	-28,200	33,741	-23,158	-13,378	267,953	-84,531	208,121
Asking Rents (\$ PSF)	\$0.86	\$0.93	\$0.76	\$0.56	\$1.03	\$0.74	\$0.81	\$0.75
Under Constuction SF	54,000	0	0	0	0	0	0	54,000
Planned SF	54,000	0	0	0	0	0	0	54,000

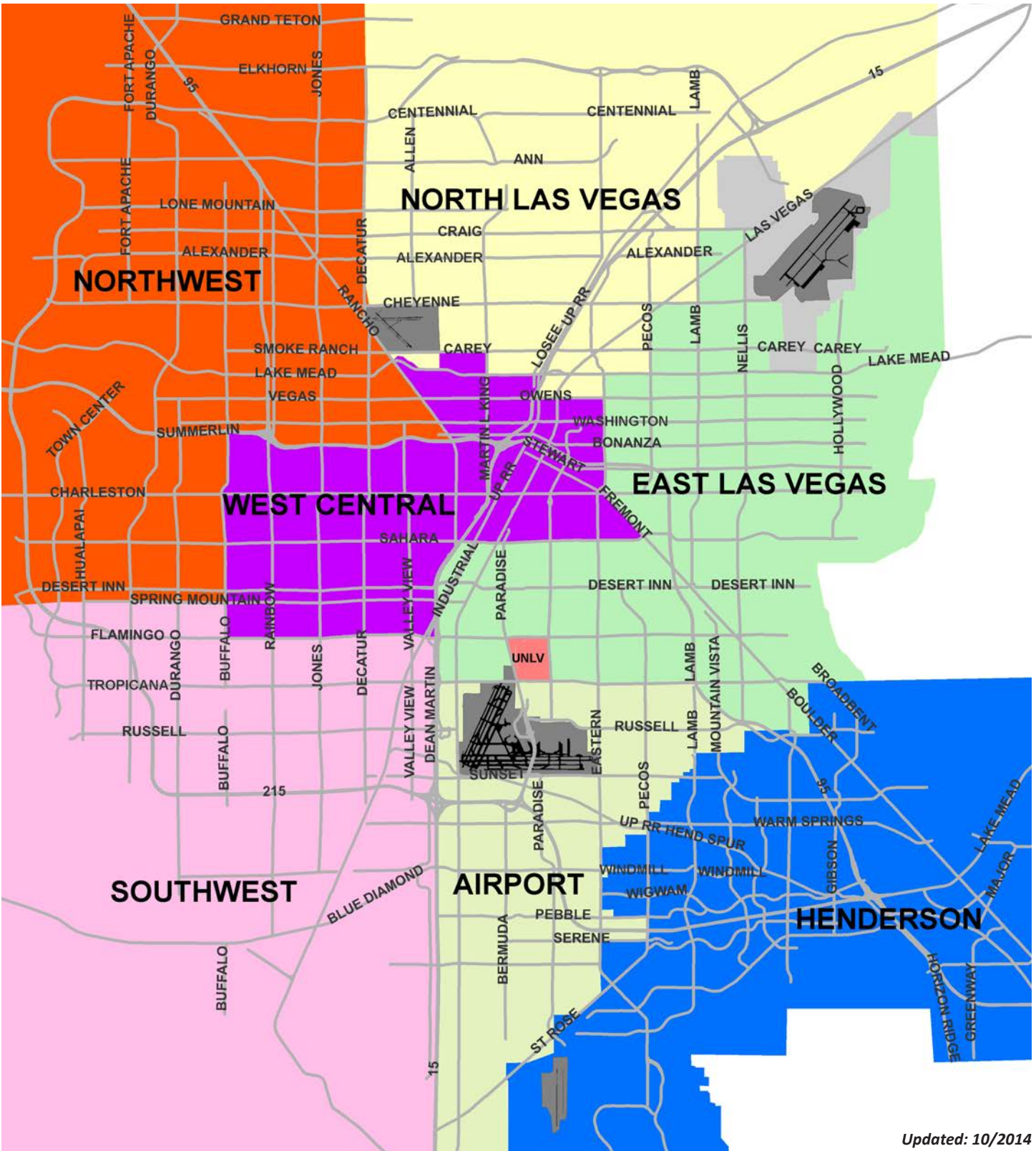
INCUBATOR	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	89	13	29	31	4	120	62	348
Total Rentable SF	1,714,621	298,623	456,906	561,552	99,325	2,496,381	2,458,615	8,086,023
Total Vacant SF	163,297	40,477	38,194	86,003	30,208	167,781	152,349	678,309
Total Occupied SF	1,551,324	258,146	418,712	475,549	69,117	2,328,600	2,306,266	7,407,714
Total Vacant (%)	9.5%	13.6%	8.4%	15.3%	30.4%	6.7%	6.2%	8.4%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	21,642	635	-2,446	6,999	-20,689	-52,313	5,144	-41,028
Total Net Absorption YOY	-43,093	-12,605	-5,040	-13,359	-28,168	46,605	42,302	-13,358
Asking Rents (\$ PSF)	\$0.93	\$0.54	\$0.72	\$0.64	\$0.79	\$0.83	\$0.98	\$0.87
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	88,000	0	0	0	88,000

R&D / FLEX	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	67	8	77	46	55	98	12	363
Total Rentable SF	1,322,672	142,294	1,226,279	779,824	672,202	1,522,662	219,832	5,885,765
Total Vacant SF	204,195	15,414	79,917	90,586	84,662	168,634	16,802	660,210
Total Occupied SF	1,118,477	126,880	1,146,362	689,238	587,540	1,354,028	203,030	5,225,555
Total Vacant (%)	15.4%	10.8%	6.5%	11.6%	12.6%	11.1%	7.6%	11.2%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	16,181	0	25,633	-29,004	546	11,362	9,000	33,718
Total Net Absorption YOY	49,223	0	50,444	-638	-12,614	-11,897	9,184	83,702
Asking Rents (\$ PSF)	\$1.00	\$0.53	\$1.05	\$0.75	\$0.99	\$0.90	\$0.95	\$0.92
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0



# LAS VEGAS VALLEY

## INDUSTRIAL SUBMARKET MAP



Updated: 10/2014





CORPORATE CENTER, Ph. 3

 **RCG**  
economics

**UNLV**

LEE BUSINESS SCHOOL  
LIED INSTITUTE FOR  
REAL ESTATE STUDIES

# Las Vegas Speculative Office Survey

3<sup>rd</sup> Quarter 2016



UNITED HEALTH CARE BUILDING

# LAS VEGAS SPECULATIVE OFFICE SURVEY

## SUMMARY

The Las Vegas Valley's ("the Valley") multi-tenant, Speculative Office market<sup>1</sup> saw 8,028 sf of new space in one building come to market during the third quarter ("Q3") of 2016. The small number of completions this quarter keeps total inventory at approximately 43.1 million sf, though there are another 260,000 sf currently under construction and another 337,480 sf in the planning stages. Demand for space in Q3, 2016, albeit tepid, turned positive with total vacancy decreasing from 20.3% in Q2, 2016 to 20.0% in Q3, 2016. The modest decline in vacancy was accompanied by a slight increase in average monthly asking rents, which rose from \$2.00 per square foot in Q3 ("psf") FSG<sup>2</sup> to \$2.02 in Q3. Demand was positive with absorption of +144,456 sf, after the first two quarters of the year showed negative absorption.

## OFFICE-RELATED JOBS

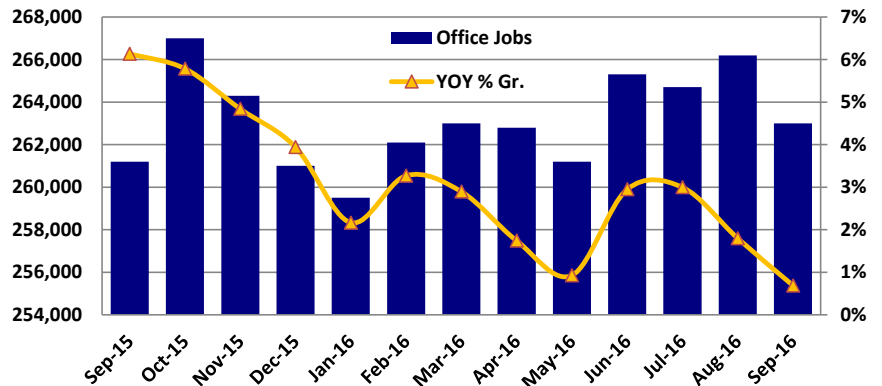
Total nonfarm employment in the Las Vegas MSA rose by 21,600 jobs from September 2015 through September 2016, a 2.3% increase. During that time the "headline" unemployment rate declined 1.1 points to 5.6%.

Employment in the Office-using sector, a critical indicator of the health of the local economy and the region's population growth, was still 31% (265,500 jobs) of all private payroll jobs in Clark County at the end of Q3 (September 2016).

Only 1,800 (+0.7%) new Office-using jobs were added in September.<sup>3</sup>

September's small bump in jobs was balanced

**Clark County Total\* Office Jobs and Annual Growth: Sep-15 to Sep-16**



\*Information, financial activities, professional & business and health care & social assistance. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## Office Employment

Industry Sector	Jul			Aug			Sep		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Information	10,100	10,200	-1.0%	9,700	10,400	-6.7%	9,100	10,200	-10.8%
Financial Activities	45,600	45,600	0.0%	45,300	45,600	-0.7%	45,700	45,600	0.2%
Prof. & Business	125,500	123,500	1.6%	127,800	127,100	0.6%	125,300	127,000	-1.3%
Health Care & Social Assist.	83,500	77,700	7.5%	83,400	78,400	6.4%	82,900	78,400	5.7%
<b>Total</b>	<b>264,700</b>	<b>257,000</b>	<b>3.0%</b>	<b>266,200</b>	<b>261,500</b>	<b>1.8%</b>	<b>263,000</b>	<b>261,200</b>	<b>0.7%</b>

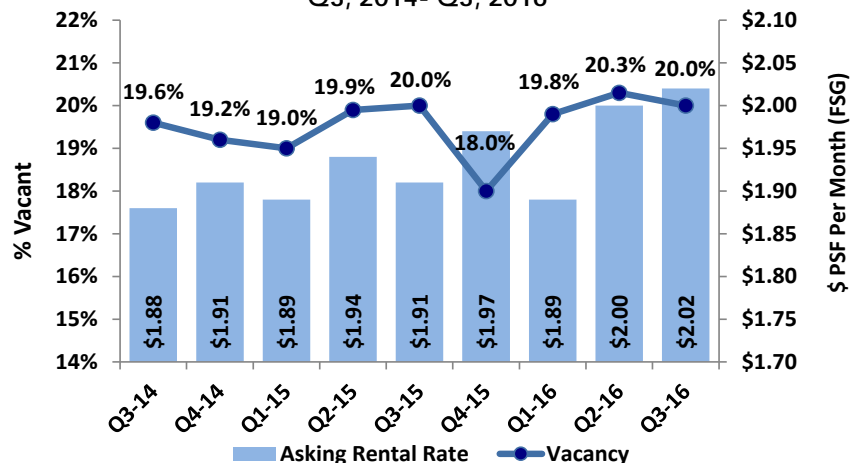
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

by July's and August's growths of 3% and 1.8%, respectively, bringing the Q3, 2016 average to 1.8%, a slight decline from the Q2, 2016 average growth of 1.9%. A year-over-year ("Y-O-Y") growth of 1,800 Office jobs indicates small but positive growth for the year, with almost all of the total jobs supplied by the Health Care & Social Assistance sector (+4,500 jobs). The Financial Activities sector added a meager 100 jobs, while the Professional and Business and Information sectors lost -1,700 and -1,100 jobs, respectively.

## VACANCY & RENTS

The Office market still has the highest vacancy rate of the three market types due to the overbuilding in Office construction during the boom

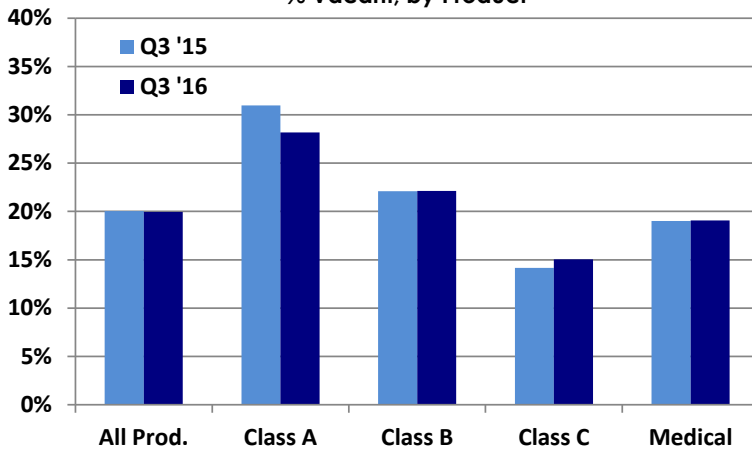
**Las Vegas Valley Office Market Historical Vacancy vs. Monthly Asking Rent: Q3, 2014- Q3, 2016**





## SPECULATIVE OFFICE MARKET

**Las Vegas Valley Office Market  
Vacancy Trends: Q3, 2015 v. Q3, 2016**  
% Vacant, by Product



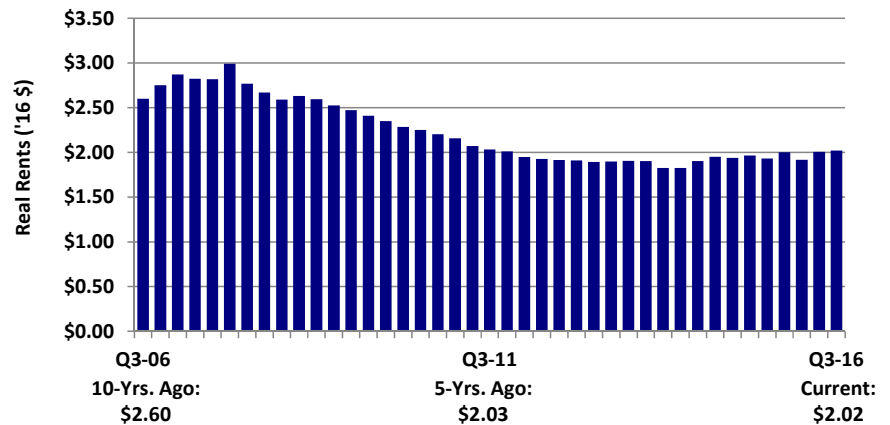
era; however, the rate did decline by 0.3 points in Q3. Total Spec Office vacancy in the Valley (directly vacant space plus vacant sublease space) in Q3 was 20%, down from 20.3% in Q2.

In Q3, 2016, the North Las Vegas and Downtown submarkets again had the lowest vacancy rates with North Las Vegas at 14.2% and Downtown at 14.7%. The Southwest was at 16.6% followed by Airport with 18.2%. Four submarkets were over 20% with East Las Vegas being the highest at 27.8% vacant. The Henderson, West Central and Northwest submarkets were neck and neck at 20.9%, 20.3% and 20.1%, respectively. The West Central submarket saw the biggest decline in vacancy with a 2.5-point drop. The Southwest declined by 1.6 percentage-points, followed by Airport with a decline of 0.7 points. All other submarkets saw vacancy rates rise. Vacancy increased in North Las Vegas by 2.4

points, in Downtown by 1.3 points, in Henderson by 1.1 points and in the Northwest by just 0.1 points.

On a Y-O-Y basis, half the submarkets saw vacancies rise, while the other half saw vacancies decrease. The Southwest submarket saw the greatest improvement in vacancy from Q3, 2015, dropping 1.9 percentage-points. It was followed closely by Henderson with a 1.8-point drop and the Northwest with a decline of 1.2 points. Rounding out the group was the West Central submarket with a 0.9 percentage-point decline. North Las Vegas had the greatest increase with vacancies rising by 4.7 points from Q3, 2015. Close behind was the Airport submarket with an increase in vacancy rate of 4.5 points. Downtown and East Las Vegas saw their vacancy rates increase by 1.8 and 0.5 points, respectively.

**Las Vegas Valley Office Market  
Inflation-Adjusted Monthly Rent: Q3, 2006 - Q3, 2016 (Baseline)**



In terms of product types, two of four experienced improvement in vacancy from Q2, 2016. Medical space improved the most in Q3, posting a 0.8-point decline in vacancy, down to 19.1% from 19.9%. Class C vacancy dropped 0.6 percentage-points from 15.6% to an even 15%. Class B vacancy was unchanged at 22.1%, while vacancy in Class A increased by 0.2 points from 28% to 28.2%.

On a Y-O-Y basis, the Valley-wide Spec Office vacancy rate was the same as it was in Q3, 2015, at 20%. Two of four product types saw Y-O-Y vacancy grow, with Class C experiencing an increase of 0.8 points. Medical Office barely changed with a 0.1 percentage-point gain. Class B was again unchanged, remaining at 22.1% over the year. Class A was the only product type to see its vacancy rate decrease with a 2.8-point drop from 31% to 28.2%.

The data suggest that office-using job growth is not paying off for the Office market as much as hoped. More substantial gains in job growth are required to improve vacancy and put a dent in the excess of building space that was erected during the pre-Great Recession boom, of which there is a considerable amount available across the board. These spaces will continue to languish until natural population and job growth, or a more robust recovery, take hold.

The Valley's overall average monthly Spec Office rent (calculated on a full-service gross basis—accounting for all operating expenses) was \$2.02 per square foot ("psf") in Q3, \$0.02 more than the \$2.00 psf asking rent in the previous quarter. Remem-

## SPECULATIVE OFFICE MARKET

ber, the rents herein are based on quoted asking rents, not negotiated rents between owners and tenants.

### DEMAND

The Valley-wide Spec Office market saw improved absorption in Q3 of +144,456 sf, much better than the -175,519 sf of absorption seen in Q2, 2016. On a Y-O-Y basis, net absorption was +92,221 sf—a substantial decline from the +887,812 recorded for the same period in 2015. However, it is an improvement from the previous quarter when Y-O-Y absorption was -62,488 sf.

Five of the eight Valley submarkets saw demand improve in Q3. The West Central submarket led in growth for the quarter with +135,092 sf of absorption, a big turnaround from the previous quarter when absorption was -12,133. The Airport submarket reversed as well, from -65,822 sf in Q2 to +44,783 in Q3. East Las Vegas also went from negative to positive demand in Q3, from -56,886 in Q2 to +8,025. The four remaining submarkets had negative absorption with the Northwest at -15,157 sf, North Las Vegas at -18,663 sf, Downtown at -52,327 and Henderson at -68,369 sf in Q3.

On a product-basis, Class C and Medical both had positive absorption this quarter, with Class C at +97,266 sf of absorption and Medical at +59,601 sf. Class A and Class B both had negative absorption, but it was relatively minor, with Class B at -4,604 sf and Class A with -7,807 sf.

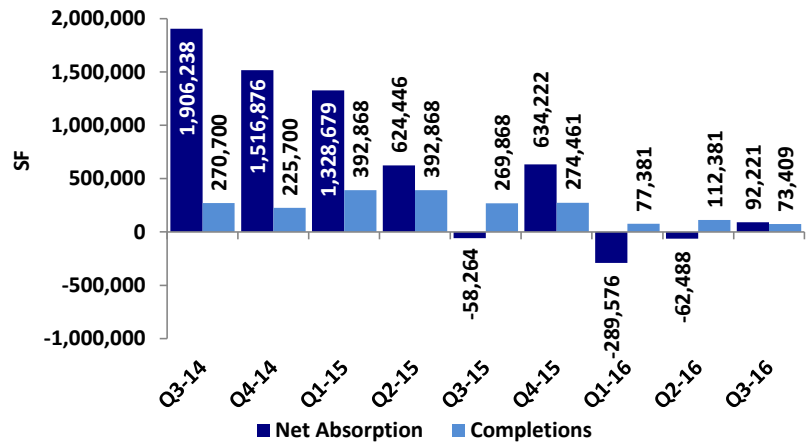
For Y-O-Y net absorption the product type's roles were reversed, with Class A (+179,784) and Class B (+21,593 sf) both positive. Medical (-5,182 sf) and Class C (-103,974 sf) were both negative in the year since Q3, 2015.

### SUPPLY

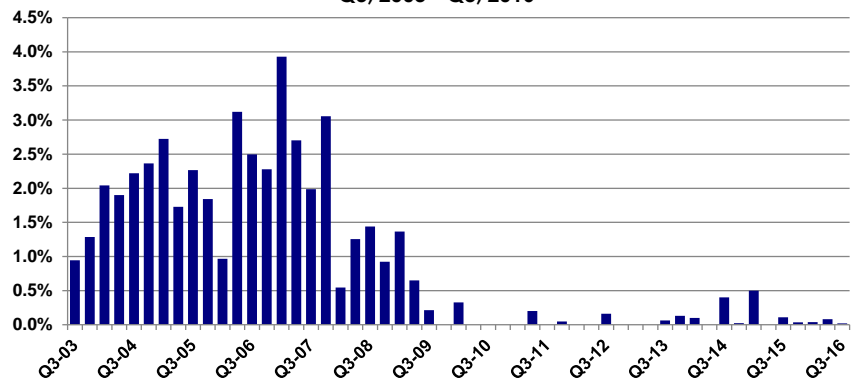
There was one new completion in the third quarter of 2016: The Pecos Springs Business Park Expansion (8,028 sf of Class C space in the Airport submarket). During the past 28 quarters (since Q4, 2009), there have been only 15 quarters where new space has entered the market. However, of those 15 quarters with new supply brought to market, 11 have been during the last 13 quarters, indicating that rising demand could start encouraging developers and lenders to begin providing new product if rents rise as well.

Between Q3, 2015 and Q3, 2016, annual completions were 73,409 sf. Still, post-Great Recession completions pale in comparison to the boom years, when annual Office completions ranged between 1.1 million (Q4, 2003) sf and 4.3 million sf (Q4, 2007). Completions as a share of inventory peaked at 4% in Q1, 2007, at the peak of Southern Nevada's age of "irrational exuberance". We do not anticipate any significant changes in completions per quarter for the foreseeable future.

Las Vegas Valley Office Market  
Historical YOY Net Absorption vs. Completions:  
Q3, 2014 - Q3, 2016



Las Vegas Valley Office Market  
Completions as a % of Inventory:  
Q3, 2003 - Q3, 2016



## SPECULATIVE OFFICE MARKET

We have recorded 11 Spec Office projects in the forward-supply pipeline. Three are under construction:

### Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
Union Village	150,000	Medical	Henderson	Q416
Tivoli Village-Phase 2	68,000	A	Northwest	Q416
Pace Plaza	42,000	B	Southwest	Q117
<b>Total</b>	<b>260,000</b>			

The other eight projects are for planned space:

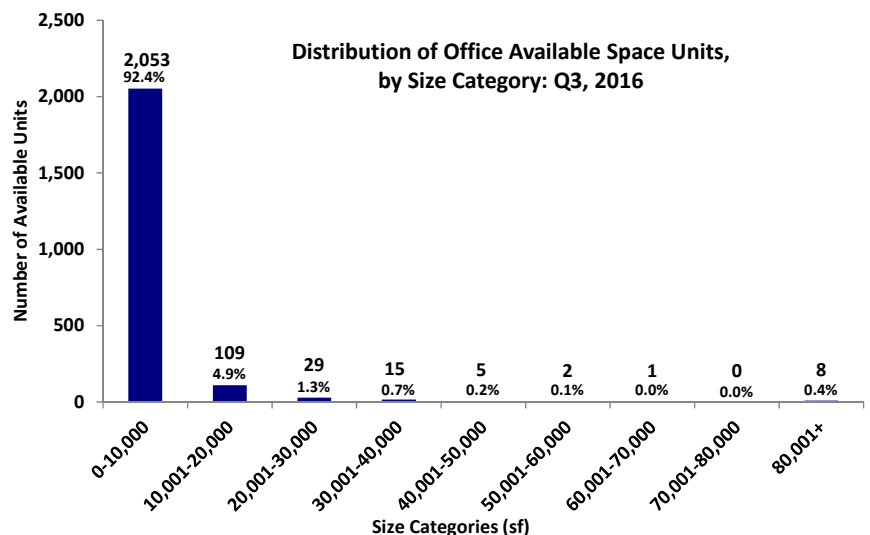
### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
Centennial Hills Center Ph. 1	124,000	Medical	Northwest	2017
Seven Hills Plaza D	42,000	B	Henderson	2017
The Square	80,000	C	Southwest	2017
University Gateway	45,000	C	East Las Vegas	2016
Cadence Marketing Center 1	10,000	C	Henderson	2017
Cadence Marketing Center 3	15,000	C	Henderson	2017
Cadence Marketing Center 4	5,000	C	Henderson	Q317
Jones Beltway Business Park	16,480	B	Southwest	Q117
<b>Total</b>	<b>337,000</b>			

Union Village, a 150,000 sf Medical space in Henderson, is the biggest Spec Office space on the horizon. The next largest at 124,000 sf, and on the very opposite side of the city, is the Centennial Hills Center, though this is still in the planning stages. There still remains a considerable quantity of space available, so developers may yet be reluctant to commit to new projects.

An important measure of the near-term health of the Valley's commercial markets is the potential number of years of available supply. Given the high vacancy rate (20%) and the average quarterly absorption in the last 10 years (108,300 sf), we estimate that there still remain about 10.5 years of supply of Spec Office space in the Valley that must be absorbed to reach a 10% "normalized" vacancy rate.

Below is a chart detailing the distribution of available Office space in the Valley by unit size. It shows that there are only 31 units larger than 30,000 sf. In fact, 92% of all space that is currently on the market is in units of 10,000 sf or less.



## INVESTMENT SALES

As reported by Colliers, Office investment sales for 2016 have grown considerably from the first quarter, reaching 1,009,000 sf YTD. However, it appears the sales total for 2016 will be well below 2015. The average sales price per sf in 2016 is \$127.96, approximately \$60 less than what it was in 2015. The average cap rate has increased by 0.3 percentage-points, while the average sale size has fallen by 2,000 sf. In essence, the higher the cap rate, the lower the asking or sales price of income producing property. This indicates

### Office Investment Sales

	2015	YTD 2016
No. Sales	68	36
Square Feet Sold	2,044,000	1,009,000
Sales Volume (MM)	\$384.1	\$129.1
Average Price/SF	\$187.88	\$127.96
Average Cap Rate*	7.5%	7.8%
Average Sale Size (SF)	30,000	28,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.



## SPECULATIVE OFFICE MARKET

a better return on investment, assuming other criteria are not included in the decision. Generally, in an improving market, owners typically demand lower cap rates resulting in higher prices, regardless of quality and location. The reverse is true in a down-market.

### FURTHER THOUGHTS & RECAP

Unsurprisingly, the Southern Nevada Spec Office market still remains well behind the Industrial and Retail markets in the recovery cycle. The Office is more dependent on regional job growth, especially in white collar occupations. While there were some signs of improvement in the third quarter of 2016, they were not sufficient to drastically alter the narrative. Valley-wide Spec Office demand in Q3 was among the brighter spots with absorption at +144,456 sf, significantly better than the previous quarter.

On a Y-O-Y basis, net absorption totaled +92,221 sf, worse than this same period last year when absorption totaled +877,812 sf, but better than last quarter when it was -62,488 sf.

Employment in the Office-using sector, a critical indicator of the health of the local economy, comprised 31% (263,000 jobs) of all private payroll jobs in Clark County at the end of Q3 (September 2016). This was 1,800 jobs more (+0.7%) than existed in September 2015. Health Care & Social Assistance contributed the most new jobs, adding 4,500 for the year.

Total Spec Office vacancy in the Valley in Q3 (directly vacant space plus vacant sublease space) dropped by 0.3 percentage-points to an even 20%. It is difficult to feel very good about this drop in vacancy as past drops have not been sustained. In Q3, 2015, the vacancy rate was the same 20%, so the decline from Q2 only made up for what was lost over the year.

The North Las Vegas submarket continued to enjoy the lowest Spec Office market vacancy rate at 14.2%, though it was also the submarket to see the largest vacancy rate increase from Q2 when it stood at 11.8%. Downtown followed at 14.7%, also increased from Q2 when Downtown vacancy was 13.4%. The Southwest and Airport submarkets were at 16.6% and 18.2%, respectively. All other submarkets were above 20% vacancy. The Northwest (20.1%), West Central (20.3%) and Henderson (20.9%) submarkets were just slightly above 20%, with East Las Vegas well above at 27.8%.

Completions, as a share of inventory, peaked at 4% in Q1, 2007, at the height of Southern Nevada's age of "irrational exuberance." There was only one completion in Q3, 2016, but there were a total of 11 projects in the works, with 260,000 sf of Office space already under construction and another 337,480 sf in the planning stages.

Southern Nevada's Spec Office market has a long road to recovery ahead of it. Some submarkets and some Office products are doing better than others; however, every single one is still above the generally accepted 10% stabilized vacancy rate. The Spec Office job market saw some encouraging signs this third quarter of 2016.

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<sup>1</sup> Includes all for-lease (speculative only) professional office Class A, Class B, Class C and Medical office properties greater than or equal to 10,000 sf of gross leasable area. Does not include government buildings.

<sup>2</sup> All office rents in this report are quoted on a monthly full-service gross (FSG) psf basis inclusive of taxes, insurance, maintenance, janitorial and utilities.

<sup>3</sup> Includes the following industries: Information, Financial Activities, Professional & Business and Health Care & Social Assistance from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.

<sup>4</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

**SPECULATIVE OFFICE MARKET GLOSSARY**

Office property buildings or building parks tracked include speculative, multi-tenant properties with at least 10,000 sf of usable office space. Building characteristics were used to define the appropriate subtype classification (i.e., professional or medical). These characteristics can include rents, location, quality of building systems (e.g., mechanical, elevator and utility systems), finishes (e.g., lobby and hallway design/ materials), and amenities. A property must exhibit one or more of the typical building characteristics to be considered a specific classification.

**Class A**

Class A properties are the highest quality buildings in the market with steel frame construction, typically mid-rise (3 - 4 stories) or high-rise (5 stories or more).

- High asking gross rent (FSG) with a typical premium of 20-30% of office rents in the local market,
- Location within a central business area,
- Capacity to meet current tenant requirements and anticipated future tenant needs,
- Building finishes that are of high quality and competitive with new construction, and
- Maintenance, management and upkeep amenities above average.

**Class B**

Class B properties have buildings with steel frame, reinforced concrete or concrete tilt-up construction - usually low-rise (1 - 2 stories) or mid-rise (3 - 4 stories).

- Asking gross rent (FSG) typically in a specified range between asking gross rents for Class A and Class C buildings,
- Average to good location,
- Adequate capacity to deliver services currently required by tenants,
- Building finishes with average to good design and materials, and
- Maintenance, management and upkeep amenities that are considered average.

**Class C**

Class C properties have buildings with wood construction and are usually low-rise (1 - 2 stories).

- Asking gross rent (FSG) typically in the bottom 10-20% of office rents in the marketplace,
- Depends primarily on lower prices rather than desirable locations to attract occupants,
- Capacities that may not meet current tenant needs,
- Building finishes that show a dated appearance, and
- Maintenance, management and upkeep amenities that are below average.

**Medical**

An office building in which 50% or more of its available space under the various building classifications above consists of medical office use.

# Speculative Office Market Matrix

Las Vegas, Nevada  
Third Quarter, 2016

## SUBMARKETS

TOTAL OFFICE MARKET	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	321	119	183	331	94	388	388	275	2,099
Total Rentable SF	5,163,422	3,835,861	6,134,382	6,027,268	783,529	8,932,999	6,810,103	5,406,541	43,094,105
Total Vacant SF	937,949	565,234	1,706,932	1,259,381	111,260	1,798,602	1,129,900	1,095,458	8,604,716
Total Occupied SF	4,225,473	3,270,627	4,427,450	4,767,887	672,269	7,134,397	5,680,203	4,311,083	34,489,389
Total Vacant (%)	18.2%	14.7%	27.8%	20.9%	14.2%	20.1%	16.6%	20.3%	20.0%
Completions QTD	8,028	0	0	0	0	0	0	0	8,028
Completions YOY	38,409	0	0	0	0	0	35,000	0	73,409
Total Net Absorption QTD	44,783	-52,327	8,025	-68,369	-18,663	-15,157	111,072	135,092	144,456
Total Net Absorption YOY	-195,237	-68,895	-30,303	109,486	-36,870	106,277	158,827	48,936	92,221
Asking Rents (\$ PSF)	\$1.99	\$2.01	\$1.80	\$2.06	\$2.09	\$2.07	\$2.18	\$1.66	\$2.02
Under Construction SF	0	0	0	150,000	0	68,000	42,000	0	260,000
Planned SF	0	0	45,000	72,000	0	124,000	96,480	0	337,480

PROFESSIONAL CLASS A	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	6	5	10	13	0	21	4	2	61
Total Rentable SF	665,904	795,116	1,472,466	838,068	0	1,813,312	567,112	227,624	6,379,602
Total Vacant SF	273,698	231,830	396,680	267,703	0	523,455	50,449	53,021	1,796,836
Total Occupied SF	392,206	563,286	1,075,786	570,365	0	1,289,857	516,663	174,603	4,582,766
Total Vacant (%)	41.1%	29.2%	26.9%	31.9%	0.0%	28.9%	8.9%	23.3%	28.2%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	12,574	-44,120	-70,225	17,032	0	-47,653	78,567	46,018	-7,807
Total Net Absorption YOY	-131,871	-1,818	-18,618	58,820	0	169,026	54,483	49,762	179,784
Asking Rents (\$ PSF)	\$2.72	\$2.53	\$2.93	\$2.31	\$0.00	\$2.28	\$2.32	\$1.88	\$2.45
Under Construction SF	0	0	0	0	0	68,000	0	0	68,000
Planned SF	0	0	0	0	0	0	0	0	0

PROFESSIONAL CLASS B	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	42	27	18	68	8	73	71	46	353
Total Rentable SF	1,936,021	1,775,096	1,066,557	2,189,754	200,796	2,737,551	2,452,132	1,666,046	14,023,953
Total Vacant SF	318,930	173,742	638,423	393,993	52,531	580,845	461,902	483,687	3,104,053
Total Occupied SF	1,617,091	1,601,354	428,134	1,795,761	148,265	2,156,706	1,990,230	1,182,359	10,919,900
Total Vacant (%)	16.5%	9.8%	59.9%	18.0%	26.2%	21.2%	18.8%	29.0%	22.1%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	35,000	0	35,000
Total Net Absorption QTD	23,004	-5,907	16,960	-64,268	-20,848	-6,046	36,560	15,941	-4,604
Total Net Absorption YOY	-49,672	-37,968	8,177	23,956	-9,287	-122,637	189,275	19,749	21,593
Asking Rents (\$ PSF)	\$1.93	\$1.49	\$1.50	\$2.03	\$2.11	\$1.92	\$2.35	\$1.74	\$1.98
Under Construction SF	0	0	0	0	0	0	42,000	0	42,000
Planned SF	0	0	0	42,000	0	0	16,480	0	58,480

# Speculative Office Market Matrix

Las Vegas, Nevada  
Third Quarter, 2016

## SUBMARKETS

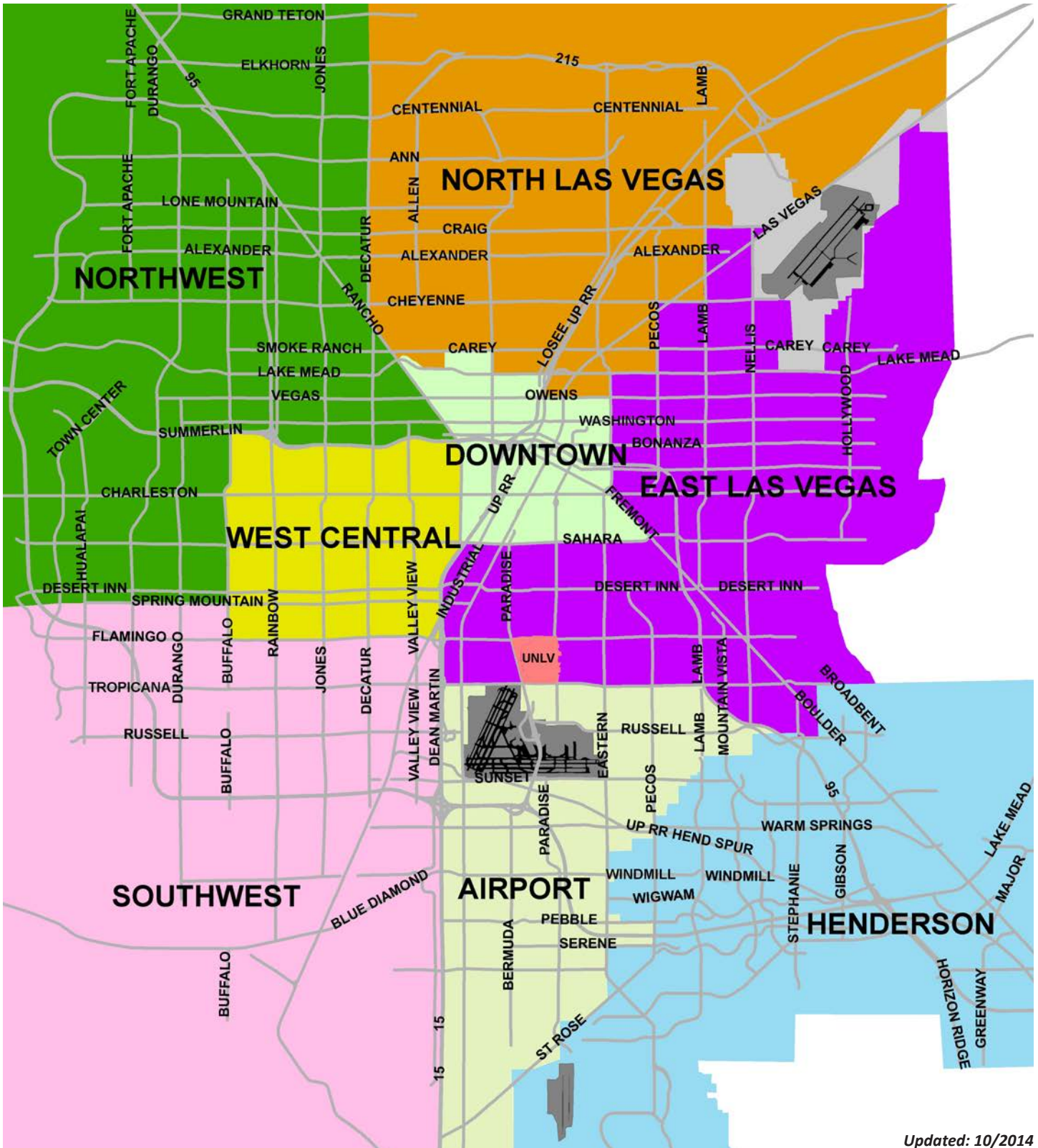
PROFESSIONAL CLASS C	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	267	66	110	144	76	210	272	187	1,332
Total Rentable SF	2,432,967	877,606	2,051,408	1,618,430	482,290	2,234,002	3,058,831	2,761,393	15,516,927
Total Vacant SF	320,512	100,218	381,119	283,380	44,465	370,213	416,770	418,260	2,334,937
Total Occupied SF	2,112,455	777,388	1,670,289	1,335,050	437,825	1,863,789	2,642,061	2,343,133	13,181,990
Total Vacant (%)	13.2%	11.4%	18.6%	17.5%	9.2%	16.6%	13.6%	15.1%	15.0%
Completions QTD	8,028	0	0	0	0	0	0	0	8,028
Completions YOY	38,409	0	0	0	0	0	0	0	38,409
Total Net Absorption QTD	801	1,422	1,875	20,026	-4,151	21,726	10,674	44,893	97,266
Total Net Absorption YOY	8,060	-28,989	-105,161	73,375	-19,017	19,561	-40,286	-11,517	-103,974
Asking Rents (\$ PSF)	\$1.68	\$1.43	\$1.64	\$1.82	\$1.77	\$1.97	\$2.05	\$1.69	\$1.75
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	45,000	30,000	0	0	80,000	0	155,000

MEDICAL OFFICE	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	6	21	45	106	10	84	41	40	353
Total Rentable SF	128,530	388,043	1,543,951	1,381,016	100,443	2,148,134	732,028	751,478	7,173,623
Total Vacant SF	24,809	59,444	290,710	314,305	14,264	324,089	200,779	140,490	1,368,890
Total Occupied SF	103,721	328,599	1,253,241	1,066,711	86,179	1,824,045	531,249	610,988	5,804,733
Total Vacant (%)	19.3%	15.3%	18.8%	22.8%	14.2%	15.1%	27.4%	18.7%	19.1%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	8,404	-3,722	59,415	-41,159	6,336	16,816	-14,729	28,240	59,601
Total Net Absorption YOY	-21,754	-120	85,299	-46,665	-8,566	40,327	-44,645	-9,058	-5,182
Asking Rents (\$ PSF)	\$1.89	\$2.17	\$1.77	\$2.24	\$2.23	\$2.37	\$2.39	\$1.84	\$2.06
Under Constuction SF	0	0	0	150,000	0	0	0	0	150,000
Planned SF	0	0	0	0	0	124,000	0	0	124,000



# LAS VEGAS VALLEY

## SPECULATIVE OFFICE SUBMARKET MAP



Updated: 10/2014



ARROYO MARKET SQUARE

 **RCG**  
economics

**UNLV**

LEE BUSINESS SCHOOL  
LIED INSTITUTE FOR  
REAL ESTATE STUDIES

# Las Vegas Anchored Retail Survey

## 3<sup>rd</sup> Quarter 2016



THE DISTRICT AT GREEN VALLEY RANCH

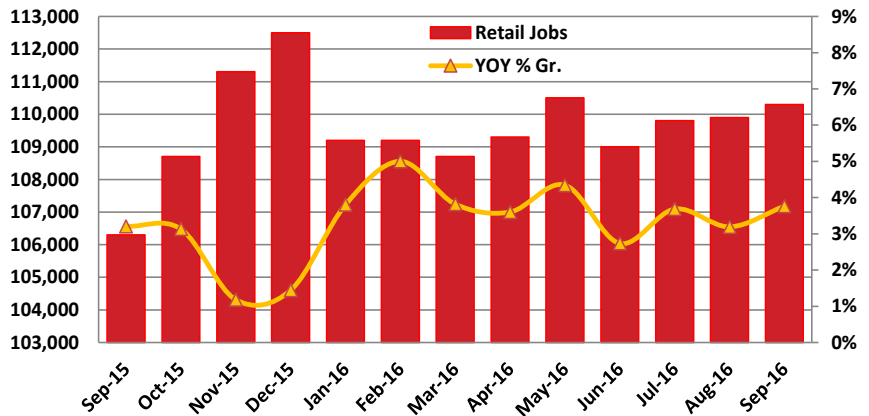


# LAS VEGAS ANCHORED RETAIL SURVEY

## SUMMARY

The Las Vegas Valley's ("the Valley") Anchored Retail market<sup>1</sup> inventory (we do not track un-anchored properties) increased to 44.3 million square feet ("sf") at the close of the third quarter ("Q3"), 2016, with one completion. The Valley saw minor negative net absorption in Q3, 2016 (-5,990 sf). The overall Anchored Retail vacancy rate increased to 11.1% in Q3 from 11.0% in Q2, 2016, still about a point from the 10% stabilized rate. The vacancy rate was unchanged from the 11.1% recorded in Q3, 2015. Average monthly asking rents increased slightly to \$0.99 per square foot ("psf") NNN<sup>2</sup> in Q3, \$0.03 higher than the previous quarter; however, rents are down \$0.04 compared to Q3, 2015. At the end of Q3, there were 130,000 sf of forward-supply<sup>3</sup> under construction and another 692,000 sf of planned space.

**Clark County Total\* Retail Jobs and Annual Growth: Sep-15 to Sep-16**



Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## RETAIL JOBS

Total nonfarm employment in the Las Vegas MSA rose by 21,600 jobs from September 2015 through September 2016, a 2.3% increase. During that time the "headline" unemployment rate declined 1.1 points to 5.6%.

There were 110,300 Las Vegas Retail sector jobs in the Las Vegas MSA at the end of September 2016, accounting for 13% of total private payroll jobs. This represented 4,000 (+3.8%) more jobs than were recorded in September 2015.

### Retail Employment

Industry Sector	Jul			Aug			Sep		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Gen. Merch. & Cloth./Accessories	39,700	38,800	2.3%	39,900	39,100	2.0%	39,700	38,900	2.1%
Food & Bev. Stores	18,100	17,200	5.2%	18,100	17,100	5.8%	18,100	17,200	5.2%
Health & Personal Care Stores	7,700	7,300	5.5%	7,700	7,300	5.5%	7,800	7,300	6.8%
Other Stores	44,300	42,600	4.0%	44,200	43,000	2.8%	44,700	42,900	4.2%
<b>Total</b>	<b>109,800</b>	<b>105,900</b>	<b>3.7%</b>	<b>109,900</b>	<b>106,500</b>	<b>3.2%</b>	<b>110,300</b>	<b>106,300</b>	<b>3.8%</b>

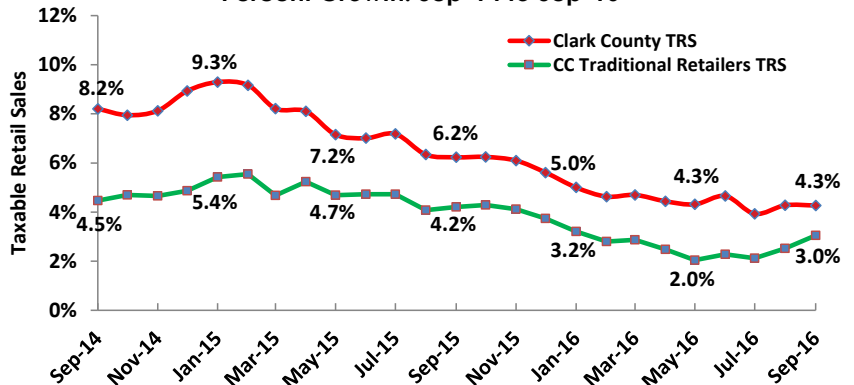
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

Over the past year all Retail sectors saw job growth with "Other Stores"<sup>4</sup> increasing by 1,800 jobs, Food & Beverage Stores adding 900 jobs, General Merchandise & Clothing/Accessories Stores adding 800 jobs and Health & Personal Care Stores adding 500 jobs.

## TAXABLE RETAIL SALES

Overall Clark County taxable sales continue to go up, on a 12-month moving average basis ("12MMA"). However, while the average Y-O-Y rate of growth during the last 58 months (~5 years) was 6.6%, it has been on a generally downward trend. On a 12-month moving total basis, total sales reached \$39.6 billion in September 2016, a 4.3% increase compared to September 2015. Even with slower sales growth, this brings the re-

**Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Sep-14 to Sep-16**



Source: Nevada Department of Taxation; calculated by RCG Economics.

## ANCHORED RETAIL MARKET

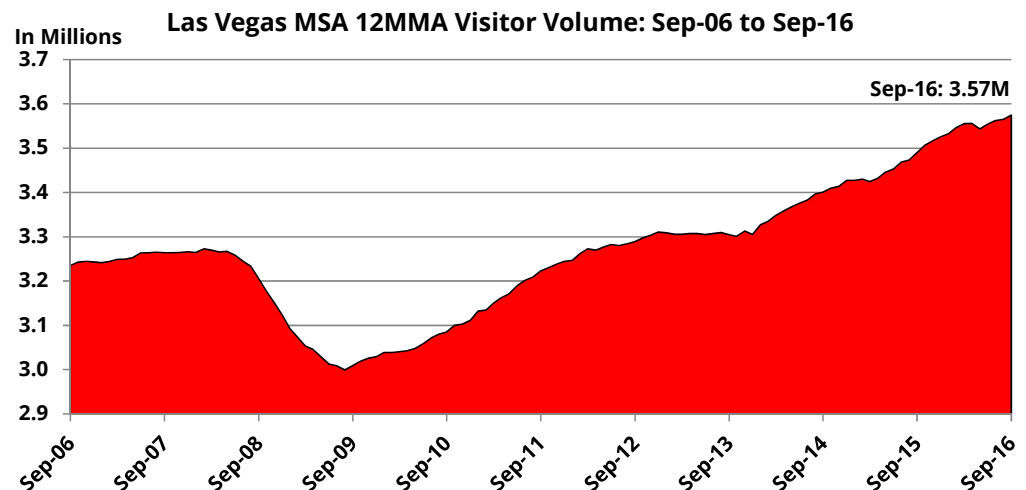
gion's taxable sales to a new all-time high and well-above the December 2007 peak of \$36.3 billion. That said, we encourage our readers to track the trend rate closely, especially for "traditional" retail sales. It is around 3% year-over-year.

The table below shows the top five (Y-O-Y change) performing traditional retail sectors in Clark County. There are 11 traditional retail sectors.

Top 5 Traditional Retailers: Sep-16	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	\$897,440,302	\$58,893,558	7.0%
Building Material and Garden Equipment and Supplies	\$129,194,482	\$17,612,470	15.8%
General Merchandise Stores	\$273,524,863	\$13,203,506	5.1%
Furniture and Home Furnishings Stores	\$72,718,380	\$11,148,743	18.1%
Health and Personal Care Stores	\$76,289,854	\$9,525,658	14.3%
<b>Top 5 Total</b>	<b>\$1,449,167,881</b>	<b>\$110,383,935</b>	<b>8.2%</b>

Source: Nevada Department of Taxation. Note: The reason the DETR and Taxation retail categories do not match exactly is that DETR only reports three types of traditional retailer categories.

In Southern Nevada, visitors are a crucial variable in taxable retail sales. Tourism has always been the lifeblood of the Valley and that has not substantially changed post-Great Recession. On a 12MMA, visitation to Las Vegas rose 2.4% for the year, resulting in a total of 3.6 million visitors in September 2016. As tourism continues to grow, retail sales, especially point-of-sale spending, should grow along with it.



Source: Las Vegas Convention and Visitors Authority

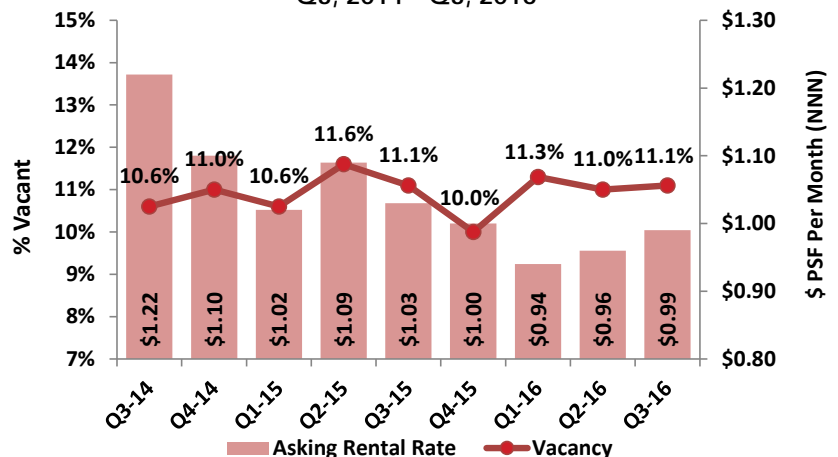
## VACANCY & RENTS

The average Valley-wide Anchored Retail vacancy rate increased 0.1 percentage-points from 11.0% in Q2 to 11.1% in Q3, based on current vacant space in the active market. The Valley-wide vacancy rate is unchanged compared to Q3, 2015 (11.1%) and 4.2 percentage-points lower than the record high of 15.3% recorded in Q2, 2011.

The submarket with the highest vacancy rate at the end of Q3 continued to be Downtown (21.2%), which was followed by North Las Vegas (14.5%), University East (14.3%), West Central (12.7%) and Henderson (11.3%). The remaining submarkets were all under 10% with the Northeast (6.0%) claiming the lowest vacancy rate. The Southwest (6.4%) was not far behind, with the Northwest (9.7%) rounding out the group.

Relative to Q2, 2016, the vacancy rate rose in two of eight submarkets. The North Las Vegas submarket saw the bigger increase in Q3, 2016 with vacancy growing by 2.2 percentage-points to 14.5%. The Northeast vacancies increased by 1.1 points to 6.0%. Henderson experienced the largest decrease

## Las Vegas Valley Retail Market Historical Vacancy vs. Monthly Asking Rent: Q3, 2014 - Q3, 2016





## ANCHORED RETAIL MARKET

in vacancy, dropping 0.5 percentage-points to 11.3%. Vacancy in the West Central and Downtown submarkets fell by 0.4 points to 12.7% and 21.2%, respectively. The University East rounded out the group with a decrease of 0.3 percentage-points in vacancy, reaching 14.3%. The Northwest and Southwest remained unchanged at 9.7% and 6.4%, respectively.

On a Y-O-Y basis, three of the eight submarkets saw improved vacancy rates compared to Q3, 2015. University East saw a considerable 2.4 percentage-point decline in Q3, 2016, from 16.7% to 14.3%. West Central (-0.5 points) and Henderson (-0.5 points) also saw their vacancy rates decrease. The submarkets

that experienced vacancy rate increases from Q3, 2015 were Downtown (+3.2 points), North Las Vegas (+1.9 points), Northeast (+1.8 points), Northwest (+0.4 points) and Southwest (+0.3 points).

Across the product spectrum, Neighborhood and Power Centers both showed Y-O-Y improvement (by 1.7 and 1.1 percentage-points, respectively), while Community Centers saw an increase in vacancy of 2.1 points.

The Valley's overall Anchored Retail monthly rent increased \$0.03 to \$0.99 psf in Q3 (calculated on a NNN basis, not accounting for any operating expenses and noted as asking rents).

The Anchored Retail market saw some improvement in several of its struggling submarkets, though Downtown continues to find it difficult to fill its empty Anchored Retail space. We don't expect vacancy rates in the market to change dramatically in the foreseeable future. Though Anchored Retail has improved in recent quarters, it is uncertain how much further it could fall in the near-term because of the continued success of the Industrial Warehouse/Distribution market. The rise of Warehouse/Distribution is in large part due to the success of online retailers, such as Amazon, which are stifling the growth of brick and mortar stores. Fulfillment centers have replaced large swathes of the Retail market, especially middle-income retail facilities. According to various sources, unanchored retail centers have seen more success over the last year, as they cater more toward food and beverage outlets, as well as personal services, such as hair salons and vehicle service stations, which have not been affected as greatly by online retailers.

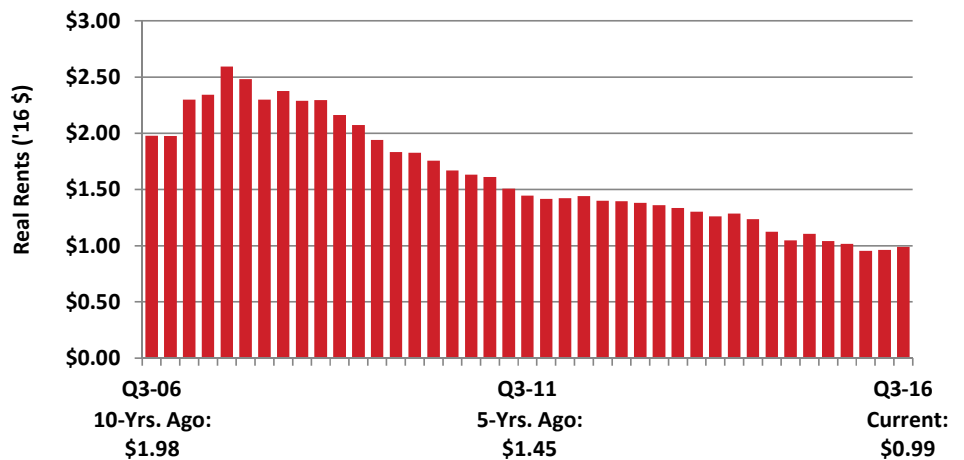
## DEMAND

Total net Anchored Retail absorption in Q3, 2016 reflected slight negative growth of -5,990 sf. On a Y-O-Y basis, Valley-wide net absorption was +18,342 sf.

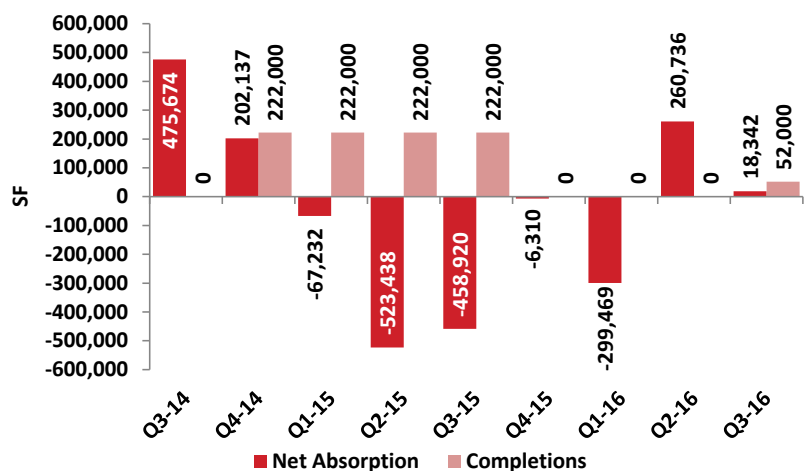
For the quarter, net absorption was positive in five of eight submarkets: Henderson (+47,642 sf), Northwest (+45,391 sf), West Central (+19,174 sf), University East (+26,860 sf), Northeast (+16,177 sf) and Downtown (+4,775 sf). The three submarkets showing negative growth were: North Las Vegas (-110,149 sf), the Northeast (-28,898 sf) and the Southwest (-102 sf).

For the year, four Anchored Retail submarkets showed improvement: University East (+144,107 sf), Henderson (+41,369 sf), West Central (+23,405

Las Vegas Valley Retail Market  
Inflation-Adjusted Asking Rent: Q3, 2006 - Q3, 2016 (Baseline)



Las Vegas Valley Retail Market  
Historical YOY Net Absorption vs. Completions  
Q3, 2014 - Q3, 2016



## ANCHORED RETAIL MARKET

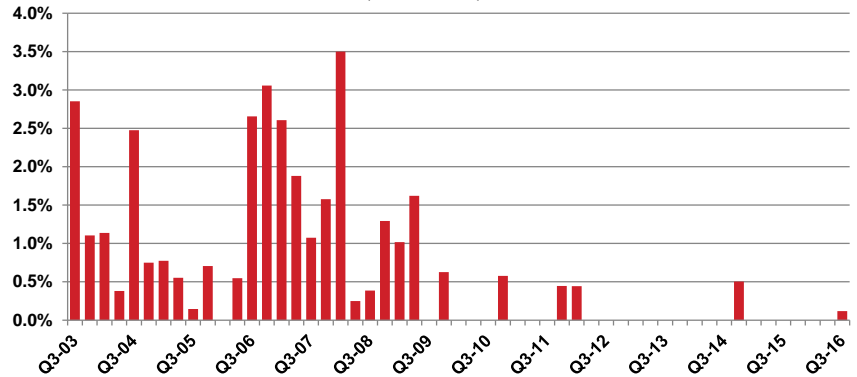
sf) and Northwest (+5,631 sf). The North Las Vegas submarket demonstrated the largest negative absorption at -93,649 sf; also experiencing negative Y-O-Y absorption were the Northeast (-44,876 sf), Downtown (-35,417 sf) and Southwest (-22,228 sf) submarkets.

For the year, Neighborhood Centers (+256,357 sf) achieved substantial positive absorption, Power Centers (+110,965 sf) saw a smaller positive amount. Absorption was negative in Community Centers (-27,029 sf).

### SUPPLY

One Anchored Retail project came to market during Q3, 2016—an expansion of the Decatur 215 community retail center in the Northwest submarket. In the last 18 quarters, only this quarter and Q4, 2014 saw any completions. In the last 29 quarters (since Q3, 2009), just five quarters have had new space come to market. The Valley's total Anchored Retail inventory is currently 44.3 million sf in 267 centers.

Las Vegas Valley Retail Market  
Completions as a % of Inventory:  
Q3, 2003 - Q3, 2016



There is one Anchored project currently under construction:

#### Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
Silverado Promenade	130,000	Neighborhood Center	University East	Q416
<b>Total</b>	<b>130,000</b>			

Three more projects are currently in the planning phase:

#### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
DCs Plaza	73,000	Neighborhood Center	Northwest	2016
St. Rose Square	466,000	Neighborhood Center	Henderson	2017
Cadence Village Center	153,000	Neighborhood Center	Henderson	2017
<b>Total</b>	<b>692,000</b>			

From what we know today, we do not see a great deal more new Anchored Retail development taking place in the next year.

### INVESTMENT SALES

Year-to-date Retail investment sales in 2016, as reported by Colliers, are currently at 1.8 million sf, compared to 3.2 million sf for all of 2015. That puts 2016 behind pace compared to 2015. In general, in an improving market, owners typically demand lower cap rates resulting in higher prices regardless of quality and location. The reverse is true in a down-market. Here, we have lower prices and lower cap rates, with average price per square foot falling from \$184.08 to \$176.79, and average reported cap rates down 0.7 percentage-points, from 7.7% to 7.0%. Total sales volume in 2016 through Q3 was \$320.3 million, also behind last year's pace.

#### Shopping Center Retail Investment Sales

	2015	YTD 2016
No. Sales	58	28
Square Feet Sold	3,195,000	1,814,000
Sales Volume (MM)	\$588.1	\$320.3
Average Price/SF	\$184.08	\$176.79
Average Cap Rate*	7.7%	7.0%
Average Sale Size (SF)	55,000	65,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.

### FURTHER THOUGHTS & RECAP

There were 110,300 payroll jobs in the Las Vegas Retail sector at the end of Q3, 2016, accounting for 13% of total private payroll jobs. This represented 4,000 (3.8%) more jobs than were recorded in September 2015.

## ANCHORED RETAIL MARKET

In the last four quarters, all retail sectors saw job growth: “Other Stores” gained 1,800 jobs, Food & Beverage Stores gained 900 jobs, General Merchandise & Clothing/Accessories gained 800 jobs and Health & Personal Care Stores gained 500 jobs. On a Y-O-Y basis, employment in the Retail sector has been growing since May 2010.

Clark County taxable sales continue to climb on an absolute basis. On a 12MMA total basis, these sales reached \$39.6 billion in September, a 4.3% gain compared to September 2015. This brought the region’s sales to a new all-time high, well-above the December 2007 peak of \$36.3 billion. Also, the average Y-O-Y growth during the last 58 months was a healthy 6.6%. However, taxable sales growth has been slowing, and we are a bit concerned as to what is happening to the rate of traditional retail sales growth (annual), which has dropped from a recent peak of 5.4% in January 2015 to 3.0% in September 2016.

The average Valley-wide Anchored Retail vacancy rate increased to 11.1% in Q3, 2016. This was up from 11.0% in Q2, but unchanged from 11.1% in Q3, 2015.

The highest submarket vacancies at the end of Q3 were Downtown (21.2%), North Las Vegas (14.5%), University East (14.3%), West Central (12.7%) and Henderson (11.3%). Three submarkets had vacancy rates below 10%: Northwest (9.7%), Southwest (6.4%) and Northeast (6.0%).

In terms of product type, the highest vacancy rate was in Community Centers (12.8%), with Neighborhood Centers (11.2%) and Power Centers (7.8%) doing better.

There was a total of -5,990 sf of net absorption in Q3, 2016. On a Y-O-Y basis, Valley Anchored Retail net absorption was +18,342 sf.

One Anchored Retail project was completed during Q3, 2016: a 52,000 sf expansion of the Decatur 215 community center in the Northwest submarket. In the last 18 quarters, only this quarter and Q4, 2014 had any completions. Prior to that, there were only three quarters in 11 (since Q3, 2009) that saw new Anchored Retail space brought to market. The Valley’s total inventory is currently 44.3 million sf in 267 shopping centers.

According to AAA, the price of gasoline on November 28, 2016 was \$2.40 per gallon, compared to the month prior when regular unleaded was at \$2.47. Gas prices are down somewhat relative to a year before, from \$2.58 to \$2.40. Low gasoline prices have essentially given Southern Nevadans a “raise” and a subsequent increase in spending power. We expect gas prices to stay relatively stable, but to start increasing slightly compared to last year after OPEC voted to limit production, which will continue to give energy to Nevada’s convalescing economy.

Increasing taxable sales are helping the Valley recover, as well. Rising visitation is a driving factor in the growth of taxable retail sales. Tourism has always been the lifeblood of the Valley and that remains true even after the Great Recession. As visitation has climbed, so have retail sales. On a 12MMA, visitation to Las Vegas rose 2.4% in September with the Valley receiving 3.6 million visitors. But, as we’ve noted, don’t ignore the rate of growth in taxable sales.

Wages and incomes continue to see modest improvement when adjusted for inflation. Clark County’s 12MMA inflation-adjusted average weekly earnings were up 1.4% in September compared to September 2015, reaching \$649 in 2007 dollars after 28 months of Y-O-Y improvement.

The average number of hours worked per week in Clark County, on a 12MMA basis, was 33.2 hours in September for the fourth straight month, unchanged for the year. As we’ve noted, stagnant, and even dropping average hours worked, have accompanied a dropping headline unemployment rate. Implication: companies continue to depend heavily on part-time workers. For this reason, the U-6 unemployment rate (includes discouraged and part-time workers) in Nevada remains one of the nation’s highest at 12.5% (Q3, 2016).

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<sup>1</sup> Includes all anchored retail Power Center, Community Center and Neighborhood Center properties with 40,000 or more of gross leasable area in the Las Vegas Valley.

<sup>2</sup> All retail rents in this report are quoted on a monthly triple net (NNN) per square foot basis and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities.

<sup>3</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

<sup>4</sup> "Other stores" is made up of total retail less general merchandise/clothing, food & beverage stores and health & personal care stores.

## RETAIL MARKET GLOSSARY

Retail properties tracked include shopping centers with at least 10,000 sf of usable space. These centers have several different stores or tenants and are anchored by one or more large, national tenant (i.e., Best Buy, Target, and Smith's). Characteristics of buildings were used to define the appropriate classification of properties into subtypes, such as tenant mix, size and trade area. A property must exhibit one or more of the typical building characteristics to be considered a specific classification.

**Power Center**

Centers with a minimum of three, but usually five or more, anchor tenants that dominant in their categories

- Size typically more than 250,000 sf, but can be as small as 125,000 sf; almost all units designed for large tenants
- Customer-base is typically drawn from within a 15-mile trade area

**Community Center**

Centers with stores that sell consumer goods, in addition to convenience goods and personal services.

- Typical anchor tenants include junior department stores and off-price/discount stores, and store that sell goods requiring comparison such as apparel and appliances; other tenants include drug stores and home improvement centers
- Size typically between 100,000 and 300,000 sf, but can be over 500,000 sf
- Customer-base is primarily within a five-mile trade area

**Neighborhood Center**

Center with stores that sell convenience goods (e.g., food, sundries and takeout food) and provide personal services (e.g., dry cleaning and hair/nail care) that meet the day-to-day living needs to the immediate area.

- Typical anchor tenant is a supermarket
- Size tends to be smaller than 100,000 sf, but can range from 30,000 to 150,000 sf
- Customer-base is within a two- to three-mile trade area



# Anchored Retail Market Matrix

Las Vegas, Nevada  
Third Quarter, 2016

## SUBMARKETS

TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	59	23	40	34	267
Total Rentable SF	1,105,851	8,680,068	4,910,743	2,542,317	10,862,588	5,783,835	6,050,227	4,379,055	44,314,684
Total Vacant SF	233,983	979,427	714,208	152,773	1,055,215	372,941	864,747	554,844	4,928,138
Total Occupied SF	871,868	7,700,641	4,196,535	2,389,544	9,807,373	5,410,894	5,185,480	3,824,211	39,386,546
Total Vacant (%)	21.2%	11.3%	14.5%	6.0%	9.7%	6.4%	14.3%	12.7%	11.1%
Completions QTD	0	0	0	0	52,000	0	0	0	52,000
Completions YOY	0	0	0	0	52,000	0	0	0	52,000
Total Net Absorption QTD	4,775	47,642	-110,149	-28,898	45,391	-102	16,177	19,174	-5,990
Total Net Absorption YOY	-35,417	41,369	-93,649	-44,876	5,631	-22,228	144,107	23,405	18,342
Asking Rents (\$ PSF)	\$0.80	\$1.38	\$1.02	\$1.15	\$1.15	\$1.40	\$0.60	\$0.91	\$0.99
Under Constuction SF	0	0	0	0	0	0	130,000	0	130,000
Planned SF	0	619,000	0	0	73,000	0	0	0	692,000

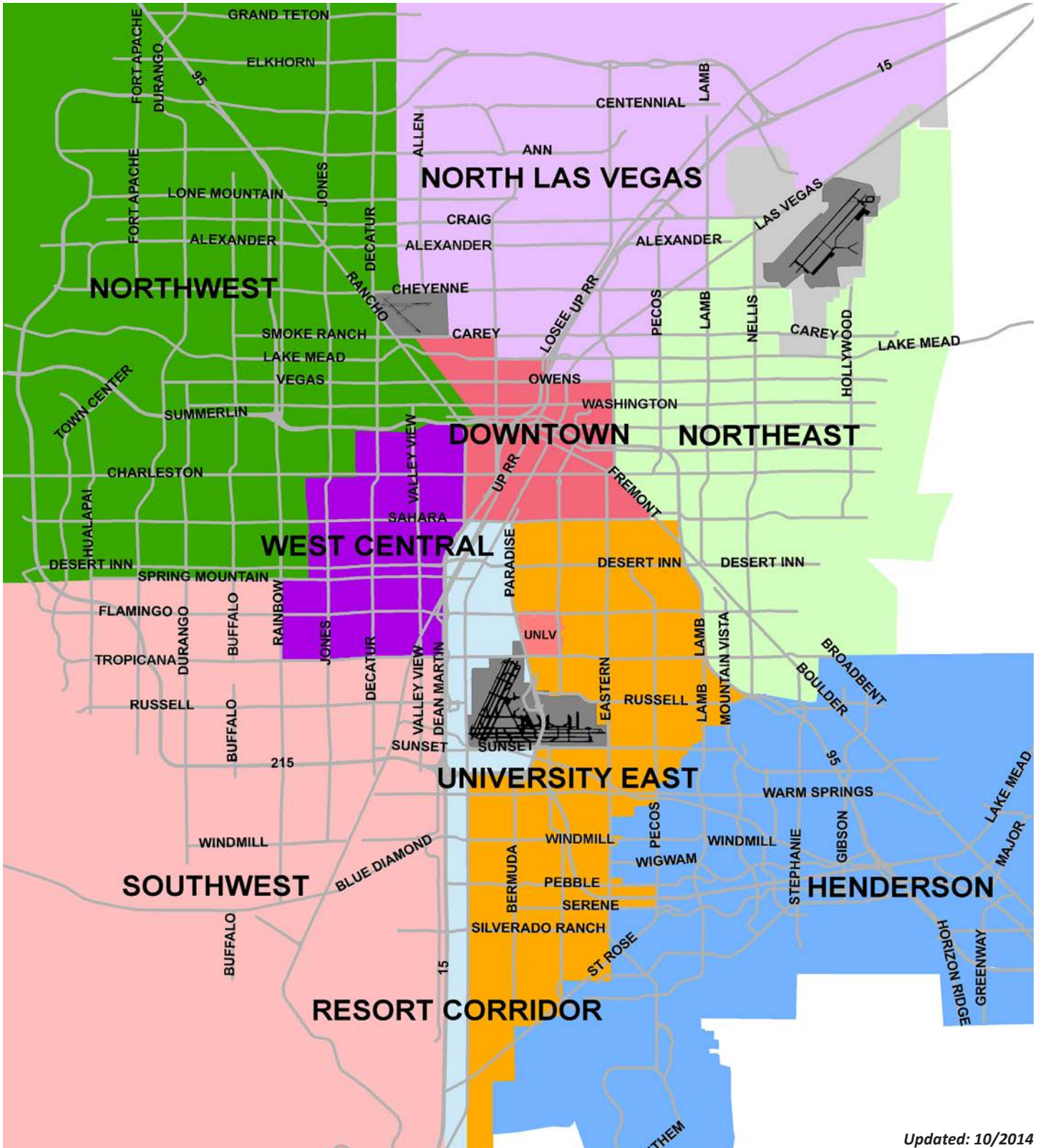
POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	234,122	113,836	0	132,415	53,296	118,230	136,911	788,810
Total Occupied SF	0	2,728,166	873,877	0	2,708,431	891,018	1,091,993	1,001,313	9,294,798
Total Vacant (%)	0.0%	7.9%	11.5%	0.0%	4.7%	5.6%	9.8%	12.0%	7.8%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	0	47,914	-113,836	0	-27,400	-3,500	6,986	6,398	-83,438
Total Net Absorption YOY	0	307,080	-106,771	0	-37,267	-46,096	385	-6,366	110,965
Asking Rents (\$ PSF)	\$0.00	\$1.55	\$2.25	\$0.00	\$1.43	\$1.53	\$1.05	\$0.94	\$1.45
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	21	10	8	20	9	19	15	106
Total Rentable SF	631,168	2,920,692	1,755,463	1,407,552	4,366,234	3,216,421	2,761,028	1,649,146	18,707,704
Total Vacant SF	209,683	347,948	153,623	88,925	444,847	207,334	586,825	360,150	2,399,335
Total Occupied SF	421,485	2,572,744	1,601,840	1,318,627	3,921,387	3,009,087	2,174,203	1,288,996	16,308,369
Total Vacant (%)	33.2%	11.9%	8.8%	6.3%	10.2%	6.4%	21.3%	21.8%	12.8%
Completions QTD	0	0	0	0	52,000	0	0	0	52,000
Completions YOY	0	0	0	0	52,000	0	0	0	52,000
Total Net Absorption QTD	4,775	-61,151	3,092	-30,258	52,262	22,690	-864	-6,478	-15,932
Total Net Absorption YOY	-35,417	-209,964	-28,799	-48,641	-93,033	31,449	64,947	-29,522	-348,980
Asking Rents (\$ PSF)	\$0.72	\$1.46	\$1.74	\$1.86	\$1.29	\$1.34	\$0.27	\$0.84	\$0.84
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

NEIGHBORHOOD CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	5	25	15	13	32	13	18	16	137
Total Rentable SF	474,683	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,523,372
Total Vacant SF	24,300	397,357	446,749	63,848	477,953	112,311	159,692	57,783	1,739,993
Total Occupied SF	450,383	2,399,731	1,720,818	1,070,917	3,177,555	1,510,789	1,919,284	1,533,902	13,783,379
Total Vacant (%)	5.1%	14.2%	20.6%	5.6%	13.1%	6.9%	7.7%	3.6%	11.2%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	0	60,879	595	1,360	20,529	-19,292	10,055	19,254	93,380
Total Net Absorption YOY	0	-55,747	41,921	3,765	135,931	-7,581	78,775	59,293	256,357
Asking Rents (\$ PSF)	\$1.05	\$0.96	\$1.01	\$1.03	\$1.07	\$1.64	\$1.10	\$1.38	\$1.16
Under Constuction SF	0	0	0	0	0	0	130,000	0	130,000
Planned SF	0	619,000	0	0	73,000	0	0	0	692,000

# LAS VEGAS VALLEY

## ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014