

Las Vegas Valley Executive Summary

Commercial Real Estate Markets - 4th Quarter 2014

INDUSTRIAL



OFFICE



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February 27, 2015

Re: Commercial Real Estate Survey: 4th Quarter, 2014

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.”

Regards,

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Las Vegas Industrial Survey
4th Quarter 2014



BELTWAY BUSINESS PARK

LAS VEGAS INDUSTRIAL SURVEY

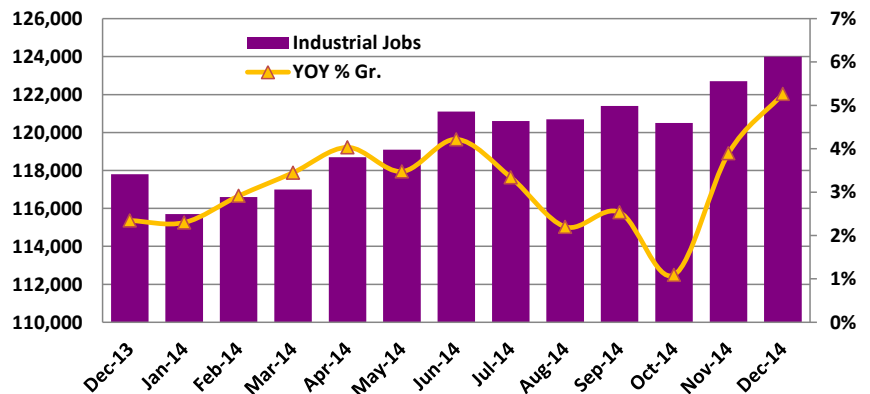
SUMMARY

The Las Vegas Valley's ("the Valley") industrial market¹ ended Q4, 2014 with an inventory of 108.2 million square feet ("sf"). Net absorption (net demand) during Q4 was 1,533,000 sf. The quarter ended with an industrial vacancy rate of 7.2%, 4.6 percentage-points below year-end 2013. At \$0.59 per square foot ("psf") NNN², the average monthly asking rent for industrial space was lower than Q3 (\$0.60 psf), but higher than Q4, 2013 (\$0.53 psf). At the end of Q4, 2014, there were 5.3 million sf of industrial forward-supply³ (2.2 million sf under construction and 3.1 million sf in the planning stages). Nearly all under-construction space was in Warehouse/Distribution buildings. Performance metrics for the Valley's industrial market in the last four quarters indicate that we are now in the midst of a recovery, and in some submarkets, fully recovered and growing once again.

INDUSTRIAL-RELATED JOBS

Jobs in the industrial space-using sector represented 16% (120,500 jobs) of all private jobs in Clark County at the end of 2014. This was 6,200 more (+5.3%) than existed in December 2013.⁴ Since August 2012, industrial sector job growth has posted solid year-over-year growth (>2%) every month (except October 2014), outpacing population growth and helping lower the unemployment rate. The Construction sector (+4,300 jobs, +10.5%) and the Manufacturing sector (+900 jobs, +4.3%) have shown the greatest job gains since December 2013.

Clark County Total* Industrial Jobs and Annual Growth: Dec-13 to Dec-14



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

Industrial Employment

Industry Sector	Oct			Nov			Dec		
	2014	2013	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Nat. Resources	300	300	0.0%	300	300	0.0%	300	300	0.0%
Construction	42,200	42,900	-1.6%	44,000	41,600	5.8%	45,200	40,900	10.5%
Manufacturing	21,900	20,900	4.8%	21,900	20,800	5.3%	21,900	21,000	4.3%
Wholesale Trade	20,800	20,600	1.0%	20,900	20,600	1.5%	20,900	20,700	1.0%
Transp. & Warehousing	35,300	34,500	2.3%	35,600	34,800	2.3%	35,700	34,900	2.3%
Total	120,500	119,200	1.1%	122,700	118,100	3.9%	124,000	117,800	5.3%

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

VACANCY & RENTS

On the heels of over 1.5 million sf of absorption, the Valley's total industrial vacancy rate (direct vacant space plus sub-lease vacant space) decreased to 7.2% in Q4, down from 8.6% in Q3 and plunging from 11.8% in Q4, 2013. With this decrease, the industrial market is now well below the generally accepted 10% stabilized market vacancy rate. Vacancy levels have shown notable improvement in all quarters since peaking in Q3, 2012 when the rate stood at 15.5%. This change is reflected in the increased demand for industrial space since Q1, 2013 and the slew of projects in the works at the end of 2014.

On a submarket basis, the lowest industrial vacancy rate in Q4 was still in Henderson at 4.3%, down from 6.0% in Q3. The Airport submarket posted the highest vacancy rate among the Valley's seven submarkets at 11.2%, but is still 1.7 percentage points lower than the previous quarter's 15.1% rate. For the largest industrial submarket (the Southwest), the vacancy rate declined by 1.9 percentage points from 9.2% last quarter to 7.3% this quarter. It's an excellent sign that the Valley's largest industrial submarket now has a vacancy rate of less than 10%. The North Las Vegas and West

INDUSTRIAL MARKET

Central submarkets also saw vacancy rates drops since Q3, by 1.0 and 0.6 percentage points, respectively. The East Las Vegas submarket was the only area to record an increase in vacancy rate for the quarter, from 10.2% to 10.9%. The East Las Vegas submarket is also the only submarket to not show any improvement on a year-over-year basis.

Every product type experienced a drop in vacancies this quarter. The largest drop, by percentage-point, is in R&D/Flex space, which decreased 3.3 points, from 18.3% to 15.0%. Next is Incubator space, dropping by 2.3 points. Light Industrial space had the lowest vacancy rate among all industrial types at 5.4% at the end of Q4, while R&D/Flex space remains the highest.

Relative to Q4, 2013, all product types have improved, as well. R&D/Flex space experienced the biggest Y-O-Y change with a 7.4 percentage-point drop, while Light Distribution had the second steepest decline at 6.5 percentage points. The drops in vacancy rates for Warehouse/Distribution, Light Industrial and Incubator space were 4.9, 2.7 and 3.5 points, respectively. As noted above, the end result is that the overall market industrial vacancy rate dropped from 11.8% to 7.2%, a 4.6-point improvement. We expect that in 2015 absorption will continue to be high as new Warehouse/Distribution

space opens up and other subtypes continue to recover. The vacancy rate should begin to level off, however, as supply begins to meet the new demand.

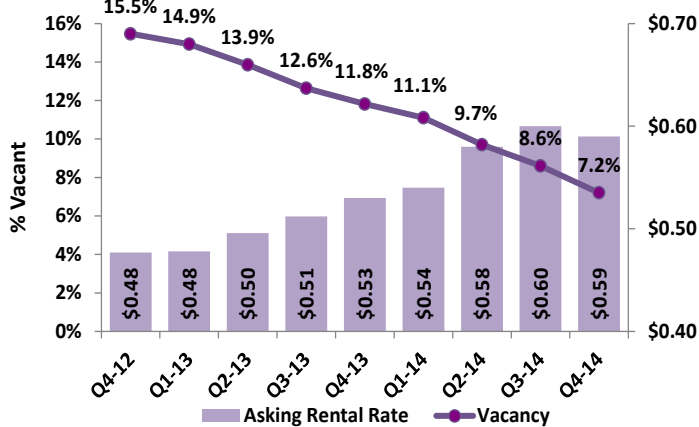
Monthly asking rents for industrial space (calculated on a NNN basis — or not accounting for any operating expenses) fell slightly this quarter. Reaching \$0.59 per sf in Q4, 2014, rents are down \$0.01 since last quarter's \$0.60 and up \$0.06 since Q4, 2014's \$0.53 psf.

DEMAND

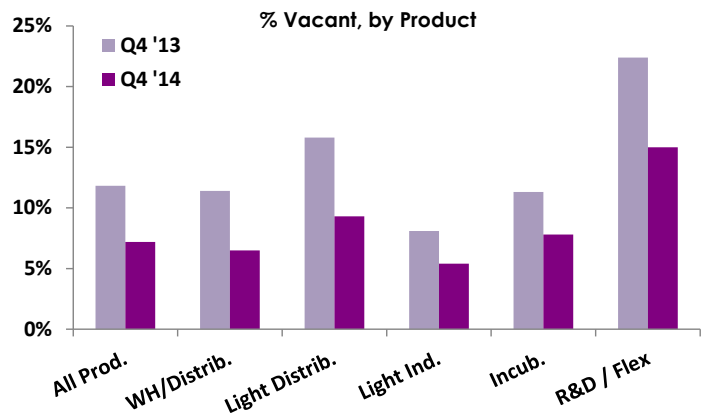
Demand (defined as total net absorption) in Q4 in the Valley's industrial market was positive for the 9th straight quarter with 1,533,000 sf of net space absorbed. Year-to-date net absorption is 5,529,000 sf compared to 4,626,000 at the same time in 2013. These figures, in tandem with the low vacancy rate, strongly indicate that not only has most of the Valley's industrial market fully recovered from the Great Recession, but that it is back on an upward trajectory.

By submarket, the Southwest, for the third straight quarter, saw the highest net absorption with 619,100 sf. The Airport (+241,600 sf), Henderson (+213,700), North Las Vegas (+331,700 sf), Northwest (+78,800 sf) and West Central (+69,800 sf) submarkets also posted increases in net absorption. Only the East Las Vegas (-21,200 sf) submarket reported negative net absorption this quarter, and that was a minimal drop.

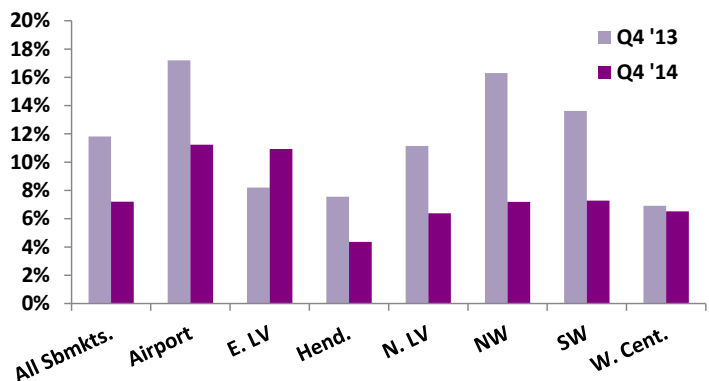
**Las Vegas Valley Industrial Market
Historical Vacancy vs. Monthly Asking Rent:
Q4, 2012 - Q4, 2014**



**Las Vegas Valley Industrial Market
Vacancy Trends: Q4, 2013 v. Q4, 2014**



% Vacant, by Submarket



INDUSTRIAL MARKET

Product demand in Q4 was positive in all subtypes. Light Distribution led the way with 412,400 sf absorbed for the quarter, followed by Light Industrial with 404,800 sf of absorption. Incubator (+194,100 sf) and R&D/Flex (+193,700 sf) space also saw strong growth, when considering their smaller size. Warehouse/Distribution had 328,000 sf of space absorbed. Strong demand for Warehouse/Distribution space has driven the Valley's positive net absorption over the last year. About 5.5 million sf of industrial space has been absorbed in that time, with almost 2.8 million sf absorbed in Warehouse/Distribution space alone. All other products were also positive over the year: Light Distribution (1.16 million sf), Light Industrial (881,400 sf), R&D/Flex (432,700 sf) and Incubator (283,600 sf).

SUPPLY

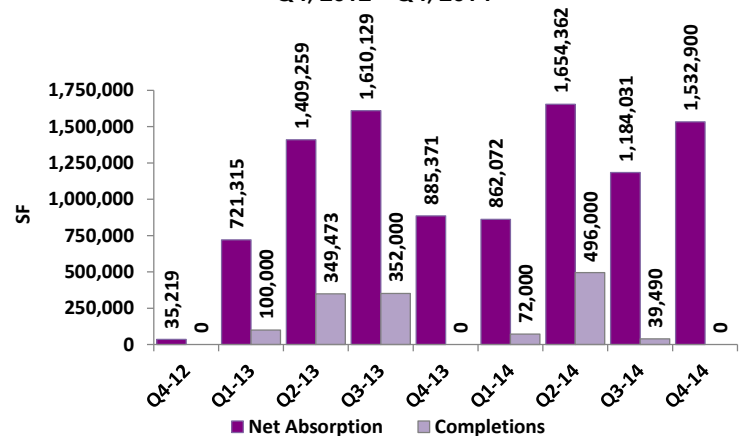
There were no completions during Q4, 2014, leaving inventory at 108.2 million sf. Over the past year, 607,500 sf have been brought to market, in the form of three build-to-suit ("BTS") spaces. In comparison to recent years, no new space was completed in 2012 and 801,400 sf of industrial space was completed in 2013. The drop-off post-recession is quite striking.

In 2014, four projects were completed: VadaTech's 72,000-square-foot Light Industrial facility (Q1), Nicholas & Brothers Food Distributors' 200,000-square-foot Warehouse/Distribution building (Q2), a 296,000-square-foot FedEx Ground distribution center (Q2) and the Tapia Brothers' 39,500-square-foot Warehouse expansion (Q3). However, the space scheduled to open in 2015 will dwarf the previous few years in completions. Openings of several large speculative Warehouse/Distribution centers, which are meant to meet the demand for large storage space in the Valley, will help over 5.5 million square feet of new Industrial space come to market in 2015.

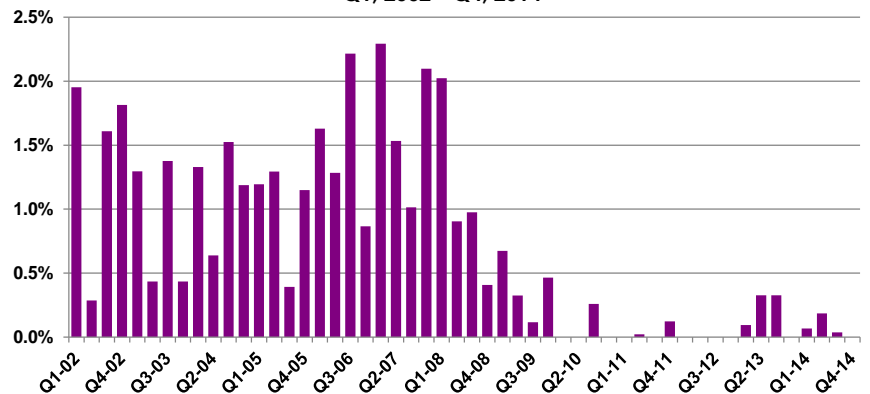
Still, the space set to open next quarter is just a fraction of the new space in the works. With the Industrial market now seemingly healthy, there is a lot of movement on the new construction and planning scene. There were nine projects under construction at the end of the fourth quarter, which support the ongoing trend of new warehouse/distribution development:

- Konami Gaming's expansion (193,000 sf in Airport),
- TJ Maxx's expansion (400,000 sf in North Las Vegas),
- MMC Contractors West's Light Industrial building (51,500 sf in Southwest),
- VSR Industries' expansion (28,000 sf in Henderson),
- Supernap 9 (SWITCH) (575,000 sf in Southwest),
- Catamaran Warehouse (110,000 sf in Southwest),
- The Republic Services Recycling Expansion (110,000 sf in North Las Vegas),
- Spielo's new Warehouse/Distribution building (45,500 sf in Southwest) and
- The Las Vegas Corporate Center No. 19 (464,200 sf in North Las Vegas).

Las Vegas Valley Industrial Market
Historical Net Absorption vs. Completions:
Q4, 2012 - Q4, 2014



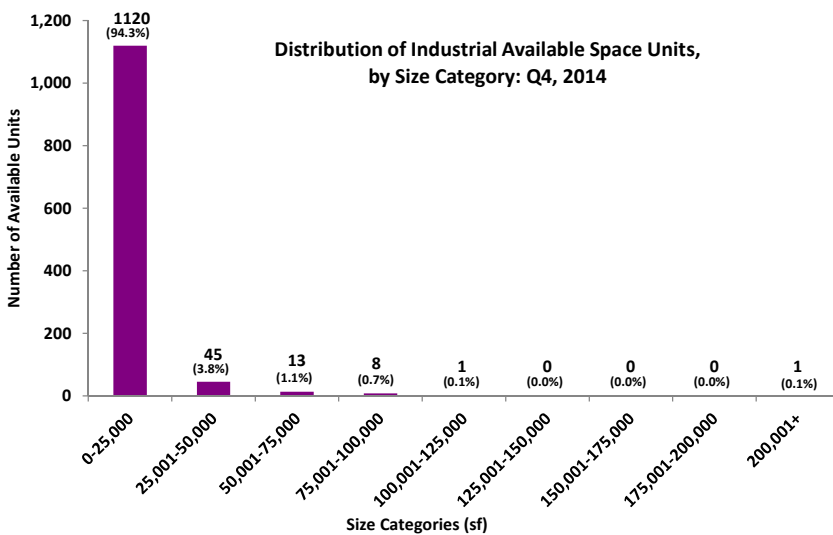
Las Vegas Valley Industrial Market
Completions as a % of Inventory:
Q1, 2002 - Q4, 2014



On top of all this construction, there are now nine other projects well into the planning stages. They include:

- The LogistiCenter Cheyenne (381,000 sf of Warehouse/Distribution in East Las Vegas),
- Sunrise Industrial Park #9-10 (787,800 sf of Warehouse/Distribution in East Las Vegas),
- Cheyenne Distribution Center #3 (163,800 sf of Warehouse/Distribution in Southwest),
- Pauls Corporation Industrial Buildings (443,000 sf of Warehouse/Distribution in North Las Vegas),
- Sunpoint Business Center (297,000 sf of Warehouse/Distribution in East Las Vegas),
- Supernap 10 (SWITCH) (240,000 sf of Warehouse/Distribution in Southwest) ,
- The Jones Corporate Park (400,000 sf of Warehouse/Distribution in Southwest),
- The Blue Diamond Business Center expansion (167,300 sf of Warehouse/Distribution in Southwest) and
- The new Ainsworth Americas Headquarters (190,000 sf of Light Industrial in Southwest).

These projects are helping power the economic recovery in Southern Nevada and its ongoing positioning as regional distribution hub. Additionally, as the chart below demonstrates, there is a critical shortage of available industrial space over



100,000 sf. This shortage is dampening the rate of economic development in the region. There is mounting evidence that Southern Nevada has lost a number of prospective businesses to other markets due to the shortage in these large industrial spaces. This is limiting the growth potential of existing businesses, too, because of the inability to expand operations and, thus, expand hiring. However, these new projects coming down the pipeline should help remedy the existing shortage issues.

FURTHER THOUGHTS

After a very strong 2013 injected confidence into Southern Nevada’s industrial market, helping it to stabilize, an even stronger 2014 seems

to indicate that the speculative developments now in the pipeline are certainly justified. Southern Nevada has not seen net absorption levels like the levels it has seen in 2013 and 2014 since 2007, the year immediately preceding the Great Recession. Net absorption in industrial product has only been negative in two of the last 16 quarters.

There were 126,600 industrial space-using jobs in Southern Nevada in December 2014. This is 8,800 more jobs (+7.5 percent) than in December 2013 and is the 5th consecutive month of rising employment in the industrial sector after industrial jobs decreased in July 2014. While industrial jobs remain 68,000 lower than at their height, industrial employment has been generally on the rise since 2012.

Much of this growth has been in the Warehouse/Distribution sector. Over the past two years, Warehouse/Distribution space has seen 5,546,243 sf of net absorption, approximately 56 percent of total industrial net absorption. While build-to-suit projects represented a good portion of this net absorption, most of the Valley’s most desirable speculative space also left the market. This has led to lower Warehouse/Distribution in late 2014, a situation that might reverse itself when new speculative Warehouse/Distribution space begins to enter the market in 2015.

Industrial vacancy is now 7.2 percent, the lowest it has been in 108 months (i.e. since Q1, 2008). This is almost 4 percentage points below the average vacancy of 11 percent over the past decade, indicating a market that may not be as good as it was at its height just before the Great Recession, but a market that can certainly be considered healthy given the “new normal” of the post-Great Recession period.

INDUSTRIAL MARKET

The growth of e-commerce along with multi-channel (Internet, mobile, bricks-and-mortar) selling by traditional and non-traditional retailers is becoming the long-term driver of the demand for industrial space in Southern Nevada, as it has in other parts of the U.S. Southern Nevada's location adjacent to Southern California, one of country's largest population centers, will make it an important regional warehouse-distribution-fulfillment enclave. Additionally, the possible approval of recreational marijuana via ballot initiative in the November 2016 election will have a potentially significant impact on the demand for warehousing and product manufacturing space in the region.

¹ 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.

² 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.

³ Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.

⁴ 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 square feet,
- Dock-high doors (or grade-level doors) and clear heights of at least 16 feet, and
- Parking ratios of: 1-2/1,000 square feet - traditional warehouse/distribution
3-4/1,000 square feet - 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 square feet, 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 square feet - traditional warehouse/distribution
3-4/1,000 square feet - 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 square feet,
- Grade-level doors (or dock-high doors) and clear heights usually between 13 feet and 18 feet, and
- Parking ratio of 4+/1,000 square feet.

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 square feet 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 square feet,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio: Less than 3/1,000 square feet.

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 square feet,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio of 3-4/1,000 square feet.

Industrial Market Matrix

Las Vegas, Nevada

Fourth Quarter, 2014

SUBMARKETS

TOTAL INDUSTRIAL MARKET	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	501	149	533	1,015	81	1,279	648	4,206
Total Rentable SF	14,127,625	2,823,817	13,066,916	31,691,519	1,336,299	33,137,033	12,016,433	108,199,642
Total Vacant SF	1,587,635	308,585	556,458	2,024,190	96,032	2,414,147	784,025	7,771,072
Total Occupied SF	12,539,990	2,515,232	12,510,458	29,667,329	1,240,267	30,722,886	11,232,408	100,428,570
Total Vacant (%)	11.2%	10.9%	4.3%	6.4%	7.2%	7.3%	6.5%	7.2%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	368,000	239,490	0	0	0	607,490
Total Net Absorption QTD	241,045	-21,231	213,656	331,680	78,833	619,134	69,783	1,532,900
Total Net Absorption YOY	842,820	-77,047	770,936	1,722,573	122,006	2,101,846	46,231	5,529,365
Asking Rents (\$ PSF)	\$0.81	\$0.40	\$0.63	\$0.42	\$0.73	\$0.63	\$0.63	\$0.59
Under Construction SF	193,000	0	0	974,203	0	730,500	0	1,897,703
Planned SF	0	1,466,135	0	606,790	0	1,048,782	0	3,121,707

WAREHOUSE/DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	78	18	77	177	5	140	52	547
Total Rentable SF	4,844,394	907,075	6,755,019	18,745,949	223,661	13,066,312	1,939,836	46,482,246
Total Vacant SF	373,165	150,874	118,746	1,368,860	0	915,055	73,282	2,999,982
Total Occupied SF	4,471,229	756,201	6,636,273	17,377,089	223,661	12,151,257	1,866,554	43,482,264
Total Vacant (%)	7.7%	16.6%	1.8%	7.3%	0.0%	7.0%	3.8%	6.5%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	296,000	239,490	0	0	0	535,490
Total Net Absorption QTD	25,169	0	5,704	-7,727	13,367	291,403	0	327,916
Total Net Absorption YOY	193,955	-150,874	464,524	1,067,566	50,367	1,151,013	0	2,776,551
Asking Rents (\$ PSF)	\$0.51	\$0.33	\$0.65	\$0.36	\$0.00	\$0.50	\$0.51	\$0.43
Under Construction SF	193,000	0	0	974,203	0	730,500	0	1,897,703
Planned SF	0	1,466,135	0	606,790	0	807,280	0	2,880,205

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	338,641	0	192,175	241,523	3,800	658,573	204,197	1,638,909
Total Occupied SF	2,830,488	340,675	1,379,528	4,607,411	47,200	6,272,063	571,550	16,048,915
Total Vacant (%)	10.7%	0.0%	12.2%	5.0%	7.5%	9.5%	26.3%	9.3%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	62,563	0	92,147	183,575	0	158,529	-84,413	412,401
Total Net Absorption YOY	333,847	24,368	-22,268	467,592	13,413	403,368	-65,189	1,155,131
Asking Rents (\$ PSF)	\$0.69	\$0.00	\$0.54	\$0.41	\$0.65	\$0.65	\$0.41	\$0.57
Under Construction 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 Fourth Quarter, 2014

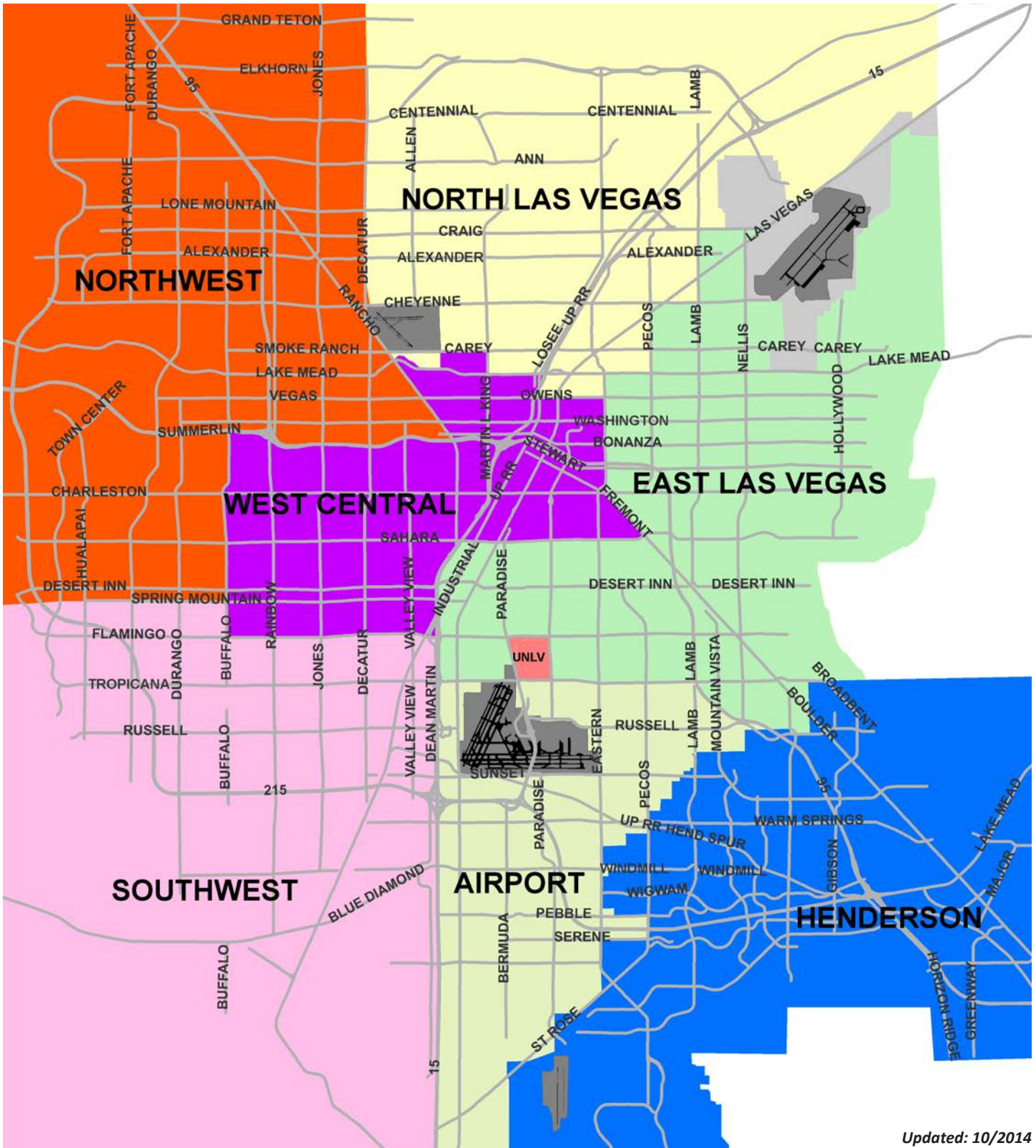
SUBMARKETS								
LIGHT INDUSTRIAL	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	199	91	313	594	16	740	482	2,435
Total Rentable SF	3,076,809	1,135,150	3,057,009	6,755,260	290,111	9,121,042	6,622,403	30,057,784
Total Vacant SF	412,945	87,842	109,812	282,905	5,914	405,769	313,742	1,618,929
Total Occupied SF	2,663,864	1,047,308	2,947,197	6,472,355	284,197	8,715,273	6,308,661	28,438,855
Total Vacant (%)	13.4%	7.7%	3.6%	4.2%	2.0%	4.4%	4.7%	5.4%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	72,000	0	0	0	0	72,000
Total Net Absorption QTD	-34,129	-22,459	96,668	97,908	-994	164,605	103,179	404,778
Total Net Absorption YOY	18,916	10,561	203,458	124,331	5,730	353,050	165,320	881,366
Asking Rents (\$ PSF)	\$1.13	\$0.50	\$0.77	\$0.42	\$1.36	\$0.66	\$0.70	\$0.72
Under Construction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	241,502	0	241,502

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	188,836	50,470	19,660	30,365	8,646	183,230	146,305	627,512
Total Occupied SF	1,525,785	248,153	437,246	531,187	90,679	2,313,151	2,312,310	7,458,511
Total Vacant (%)	11.0%	16.9%	4.3%	5.4%	8.7%	7.3%	6.0%	7.8%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	105,552	1,228	5,046	42,042	-6,724	-13,111	60,102	194,135
Total Net Absorption YOY	84,909	54,052	62,014	19,309	1,483	74,667	-12,808	283,626
Asking Rents (\$ PSF)	\$0.72	\$0.45	\$0.54	\$0.72	\$0.80	\$0.74	\$0.83	\$0.73
Under Construction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

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	274,048	19,399	116,065	100,537	77,672	251,520	46,499	885,740
Total Occupied SF	1,048,624	122,895	1,110,214	679,287	594,530	1,271,142	173,333	5,000,025
Total Vacant (%)	20.7%	13.6%	9.5%	12.9%	11.6%	16.5%	21.2%	15.0%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	81,890	0	14,091	15,882	73,184	17,708	-9,085	193,670
Total Net Absorption YOY	211,193	-15,154	63,208	43,775	51,013	119,748	-41,092	432,691
Asking Rents (\$ PSF)	\$0.87	\$0.52	\$0.82	\$0.71	\$0.68	\$0.87	\$0.79	\$0.78
Under Construction 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



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Las Vegas Speculative Office Survey

4th Quarter 2014



HUGHES CENTER

LAS VEGAS SPECULATIVE OFFICE SURVEY

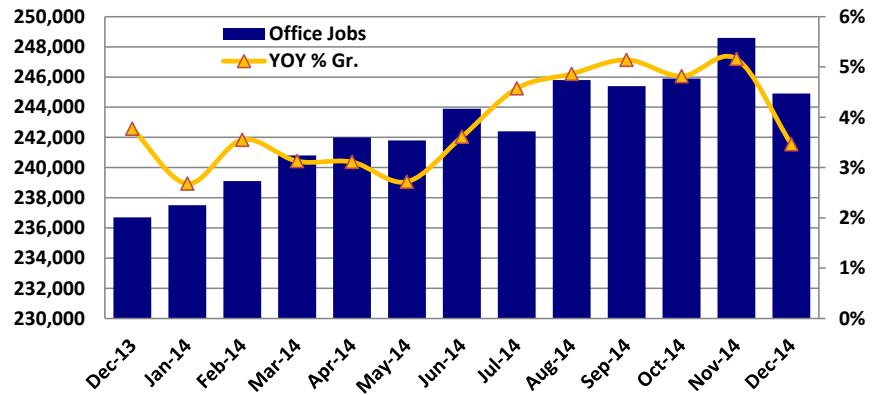
SUMMARY

The Las Vegas Valley's ("the Valley") multi-tenant, speculative office market¹ saw 10,000 sf of space completed at the end of Q4, 2014, upping the total inventory to 42.8 million sf. Vacancy was 21.3% at the end of Q4, down from 21.6% in Q3, 2014. The 136,600 sf of net absorption in Q4 marked five straight quarters of rising demand. At \$1.91 per square foot ("psf") FSG², the average monthly asking rent rose for the third quarter in a row. At the end of the quarter, there were 281,000 sf of spec office space under-construction and 272,000 sf of space in the planning stages. Most of this under-construction space is concentrated in Class A product in the Northwest submarket.

OFFICE-RELATED JOBS

Employment in the office-space using sector, a critical indicator of the health of the local economy, comprised 31% (244,900 jobs) of private employment jobs in Clark County at the end of Q4 (December 2014). This was 8,200 more (+3.5%) than existed in December 2013.³ Job growth this year has been fairly strong with 3.9% average monthly growth during 2014. Job growth in the Professional and Business sector has

Clark County Total* Office Jobs and Annual Growth: Dec-13 to Dec-14



*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	Oct			Nov			Dec		
	2014	2013	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Information	9,800	9,800	0.0%	9,800	9,700	1.0%	9,700	9,700	0.0%
Financial Activities	44,400	44,200	0.5%	44,500	44,400	0.2%	43,900	44,000	-0.2%
Prof. & Business	118,300	111,500	6.1%	120,500	112,900	6.7%	117,300	113,000	3.8%
Health Care & Social Assist.	73,400	69,100	6.2%	73,800	69,400	6.3%	74,000	70,000	5.7%
Total	245,900	234,600	4.8%	248,600	236,400	5.2%	244,900	236,700	3.5%

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

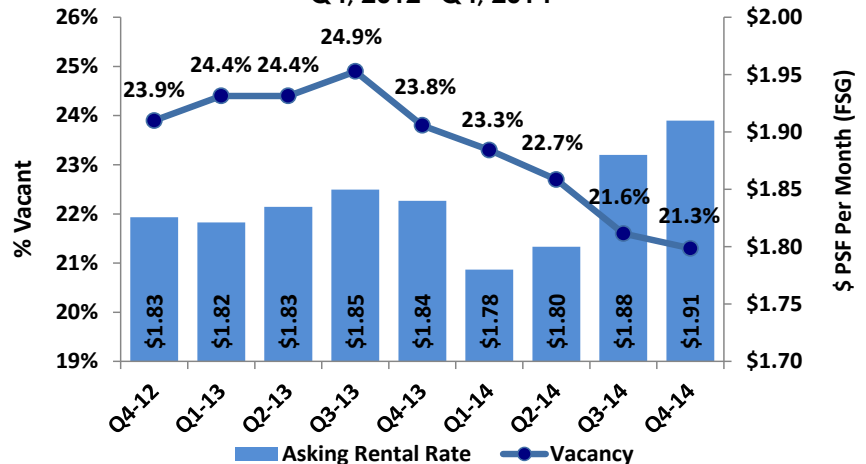
been especially strong, posting a 5.4% average gain in the same 12-month period. However, the Information sector has been very weak this year, with -0.4% average monthly growth.

VACANCY & RENTS

Total vacancy this quarter (directly vacant space plus vacant sublease space) in the Valley's spec office market dropped 0.3 points to 21.3%. This gain marks five consecutive quarters with an improving vacancy rate.

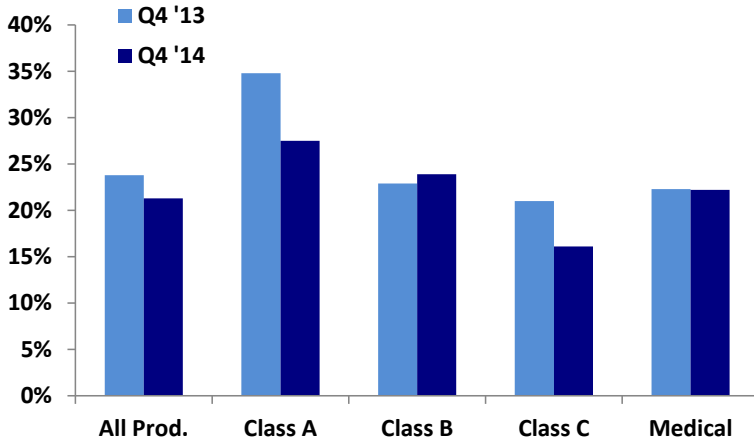
The North Las Vegas submarket now sports the lowest office market vacancy rate at 8.2%, due to high demand for its Class C space. There are three other submarkets in the Valley with a vacancy rate below 20%: the Airport, Downtown and Henderson markets are at 17.8%, 12.9% and 18.9%, respectively. East Las

Las Vegas Valley Office Market Historical Vacancy vs. Monthly Asking Rent: Q4, 2012- Q4, 2014



SPECULATIVE OFFICE MARKET

**Las Vegas Valley Office Market
Vacancy Trends: Q4, 2013 v. Q4, 2014**
% Vacant, by Product



Vegas has the highest vacancy rate at 30%, followed by West Central at 23.4%.

The North Las Vegas submarket saw the largest decrease in the vacancy rate this quarter, with a 6.7-point decrease. Downtown had the second largest decrease, with 2.4 percentage-points. Southwest dropped by 0.3 points. East Las Vegas saw the largest increase in the vacancy rate this quarter, with a 5 percentage-point increase. The other submarkets saw vacancy rates rise, but not by much.

The driver of the improved office vacancy rate in Q4 was demand for Class A space, which posted a 4.5 percentage-point drop to 27.5%. The Class C market saw a slight decrease in the vacancy rate of 0.2 percentage-points. The Class B market saw an increase in the vacancy

rate of 2.6 percentage-points to 23.9%. The Medical product type saw its vacancy rate fall from 24.6% to 22.2%. While, the Class A market partially drove some of the improvement in the overall vacancy rate, it still has the highest rate at 27.5%.

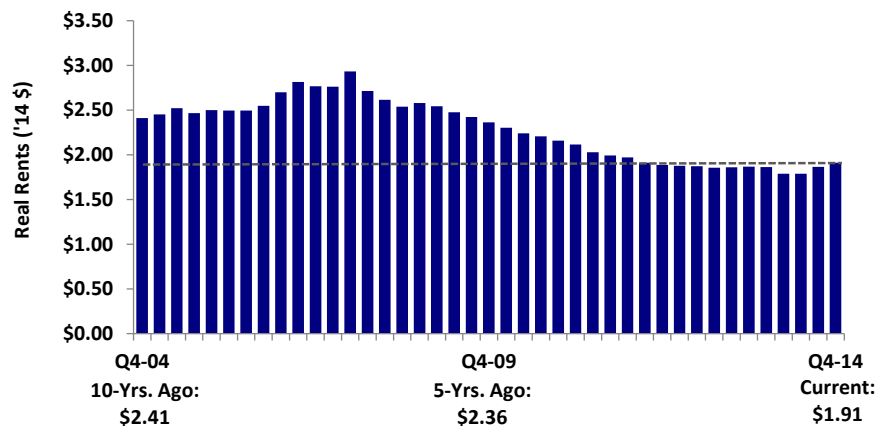
The quarter's vacancy rate is 2.5 percentage points better than in Q4, 2013. The data suggest that the Valley's overall spec office market is recovering, but still remains weak with a high overall vacancy rate. Still, the market is at its lowest vacancy rate since Q1, 2010. This, in tandem with strong office-using job growth in 2014, indicates a brighter future for the spec office market.

Average monthly asking office rent (calculated on a full-service gross basis—or accounting for all operating expenses) was \$1.91 per square foot ("psf") in Q4, \$0.03 more than the \$1.88 psf asking rent in the previous quarter. After a trend of decreases beginning in Q4, 2007, rents began to stabilize in 2012. Signs now appear to show that Office rent value is finally beginning to improve.

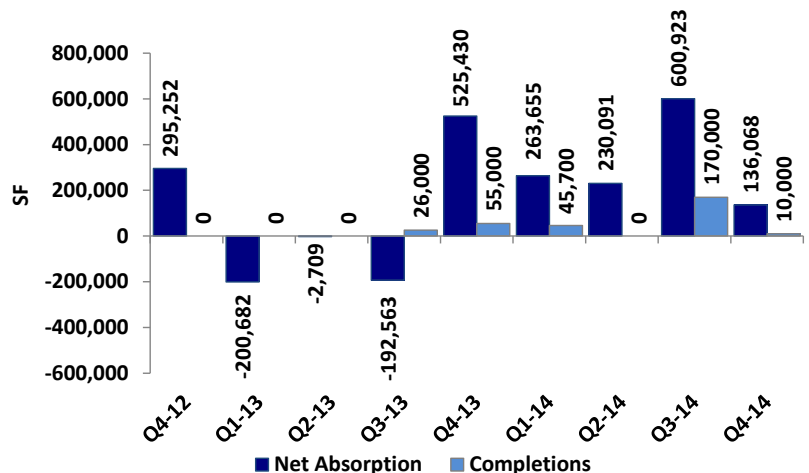
DEMAND

Valley-wide spec office total net absorption in Q4 was positive for the 5th straight quarter at 136,100 sf. On a year-over-year basis, net absorption totaled 1,230,800 sf, much more than in Q4, 2013, when year-over-year

**Las Vegas Valley Office Market
Inflation-Adjusted Monthly Rent: Q4, 2004 - Q4, 2014 (Baseline)**



**Las Vegas Valley Office Market
Historical Net Absorption vs. Completions:
Q4, 2012 - Q4, 2014**



SPECULATIVE OFFICE MARKET

absorption was just 129,500 sf.

Five of the eight submarkets saw improvement this quarter. The Henderson (+219,800 sf) submarket was the main engine of this quarter's growth, but Downtown (+90,500 sf) and Northwest (+81,600 sf) showed improvement, as well. North Las Vegas (+52,900 sf) and Southwest (+22,400 sf) submarkets also showed solid improvement. The East Las Vegas (-302,500 sf), Airport (-20,000 sf), and West Central (-8,800 sf) submarkets, however, took a step back.

Class B was the sole professional subtype to experience negative absorption (360,500 sf) in Q4. Class A (+287,000 sf) and Class C (+34,000 sf) office absorption improved on a net basis for the quarter. Meanwhile, the Medical submarket absorbed 175,000 sf of space.

SUPPLY

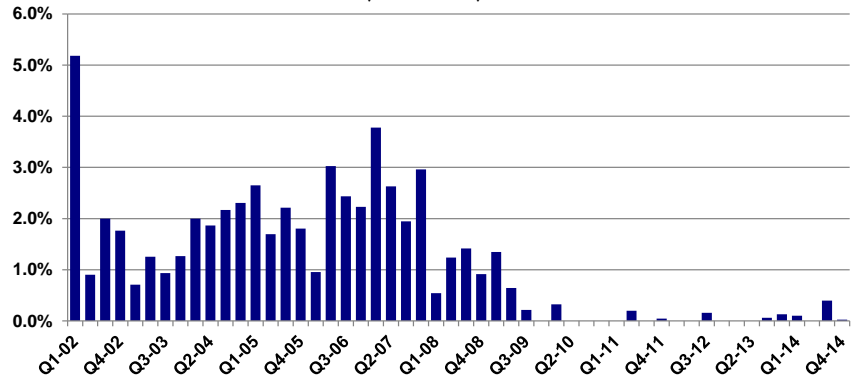
The fourth quarter of 2014 saw one completion of 10,000 square feet of Class A office space. This brings year-to-date completions to 222,700 sf. During the past 20 quarters (since Q1, 2010), there have now been only eight quarters where new space has entered the market. However, five of these quarters have occurred in the last six quarters, indicating that developers believe that the long-awaited office market turnaround, though still anemic, has arrived. Still, post-recession completions pale compared to the boom years, when annual office completions ranged between 0.75 million sf and 4.3 million sf.

We have recorded three spec office projects in the forward supply⁴ pipeline that should be completed within the next three quarters. One development underway is in the Northwest, the office component of Downtown Summerlin, One Summerlin, (197,000 sf - Class A). This is set to open in the Q1, 2015. Phase 2 of Tivoli Village (68,000 sf - Class A) in the Northwest market is scheduled for a Q2, 2015 opening. There is also a Class C project in the works: construction has begun on a 15,788-square-foot expansion of the Pecos Springs Business Park. This property is expected to expand in phases, starting with this space.

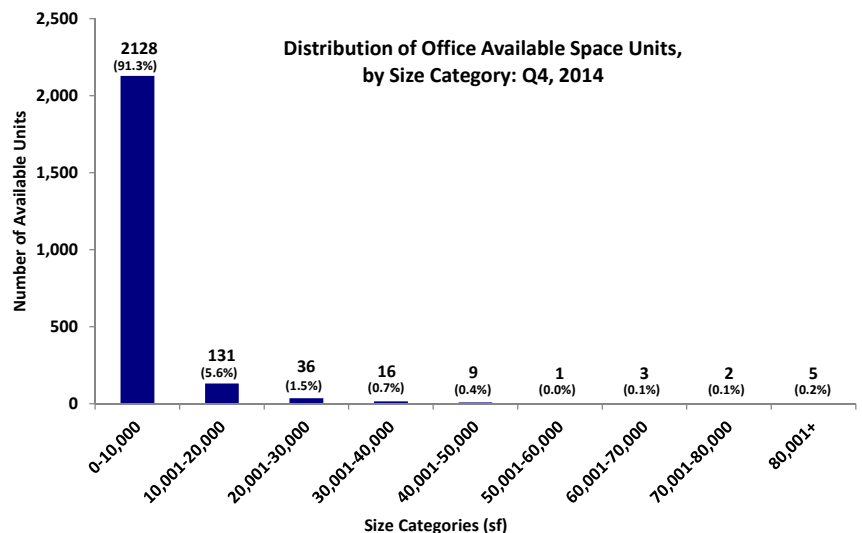
Regarding planned spec office space, 42,000 sf of Class B space in the Seven Hills Plaza D development are expected to break ground soon, as is the 80,000-square-foot Class C development dubbed The Square. In addition, there has been much fanfare around the recently proposed Union Village medical community going up in Henderson. Phase 1 of this project will include 150,000 sf of Medical office space.

An important measure of the near-term health of the commercial markets is the potential number of years of available supply. Given the high vacancy rate (21.3%) and the average quarterly absorption in the last 10 years (191,000 sf), we estimate that there still remains about a 6.5-year supply of speculative of-

Las Vegas Valley Office Market
Completions as a % of Inventory:
Q1, 2002 - Q4, 2014



Distribution of Office Available Space Units,
by Size Category: Q4, 2014



office space in the Valley that must be absorbed to reach a 10% “normalized” vacancy.

To the right is a chart detailing the distribution of available office space in the Valley, by size.

FURTHER THOUGHTS

While it is true that Southern Nevada’s office market’s recovery has lagged behind that in the industrial and retail markets, 2014 saw a significant increase in demand. Net absorption in 2014 was double that in 2012, the last year of strong office recovery. If this trend continues through 2015, office vacancy might drop below 20 percent for the first time in six years.

Office-using employment in 2013 increased by 8,600 jobs. 2014 saw almost as much employment growth, adding 8,200 jobs. This level of job growth is consistent with 2012, giving Southern Nevada three years of strong job growth. More office jobs usually translates into more office occupancy, but a combination of caution by office users and changes wrought by technology are leading to less demand for office space than would normally be indicated by the Valley’s level of employment growth.

Mobile phone technology, the movement towards open offices and shared workspaces, and the replacement of individual medical practices by medical groups have decreased the amount of office space used per worker. Larger job gains are required now to produce the net absorption experienced 10 or 20 years ago.

The Valley has also suffered from the relatively high level of speculative office construction in Southern Nevada over the past five quarters. While new office construction can stimulate demand for office space in markets that are lacking the kind of office space required by users, this is most likely not the case in Southern Nevada, where office vacancy has been so high. Since 2013, office inventory has expanded by over 300,000 sf.

Based on the average quarterly absorption of the last 10 years (187,852 sf), we estimate that there are 6.8 years of spec office supply in the Valley that must be absorbed to reach a 10 percent “normalized” vacancy.

¹ 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.

² 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.

³ 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.

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

SPECULATIVE OFFICE MARKET GLOSSARY

Office property buildings or building parks tracked include speculative, multi-tenant properties with at least 10,000 square feet 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
Fourth Quarter, 2014

SUBMARKETS

TOTAL OFFICE MARKET	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	307	119	183	331	94	388	388	275	2,085
Total Rentable SF	5,094,766	3,835,861	6,134,382	6,027,268	783,529	8,735,919	6,763,103	5,406,541	42,781,369
Total Vacant SF	908,717	496,174	1,838,784	1,140,391	64,220	1,929,704	1,472,007	1,265,407	9,115,404
Total Occupied SF	4,186,049	3,339,687	4,295,598	4,886,877	719,309	6,806,215	5,291,096	4,141,134	33,665,965
Total Vacant (%)	17.8%	12.9%	30.0%	18.9%	8.2%	22.1%	21.8%	23.4%	21.3%
Completions QTD	0	0	0	10,000	0	0	0	0	10,000
Completions YOY	0	0	0	52,700	0	0	170,000	0	222,700
Total Net Absorption QTD	-19,876	90,541	-302,529	219,756	52,912	81,624	22,447	-8,807	136,068
Total Net Absorption YOY	131,182	140,412	111,159	349,389	113,605	90,958	154,603	139,429	1,230,737
Asking Rents (\$ PSF)	\$1.91	\$1.83	\$1.48	\$2.11	\$1.64	\$2.23	\$2.17	\$1.57	\$1.91
Under Construction SF	15,788	0	0	0	0	265,080	0	0	280,868
Planned SF	0	0	0	192,000	0	0	80,000	0	272,000

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	1,616,232	567,112	227,624	6,182,522
Total Vacant SF	119,215	133,145	343,385	311,445	0	490,244	207,464	95,331	1,700,229
Total Occupied SF	546,689	661,971	1,129,081	526,623	0	1,125,988	359,648	132,293	4,482,293
Total Vacant (%)	17.9%	16.7%	23.3%	37.2%	0.0%	30.3%	36.6%	41.9%	27.5%
Completions QTD	0	0	0	10,000	0	0	0	0	10,000
Completions YOY	0	0	0	10,000	0	0	170,000	0	180,000
Total Net Absorption QTD	-3,963	38,837	2,530	73,294	0	182,581	14,540	-20,488	287,331
Total Net Absorption YOY	38,164	85,196	15,698	142,011	0	220,392	106,671	-40,295	567,837
Asking Rents (\$ PSF)	\$2.58	\$2.29	\$2.77	\$2.41	\$0.00	\$3.69	\$2.59	\$1.90	\$2.72
Under Construction SF	0	0	0	0	0	265,080	0	0	265,080
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	2,405,132	1,666,046	13,976,953
Total Vacant SF	368,844	197,148	611,424	322,657	56,660	597,671	729,624	459,432	3,343,460
Total Occupied SF	1,567,177	1,577,948	455,133	1,867,097	144,136	2,139,880	1,675,508	1,206,614	10,633,493
Total Vacant (%)	19.1%	11.1%	57.3%	14.7%	28.2%	21.8%	30.3%	27.6%	23.9%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	42,700	0	0	0	0	42,700
Total Net Absorption QTD	-66,120	9,347	-266,233	58,751	9,622	-47,220	-39,132	-19,509	-360,494
Total Net Absorption YOY	30,833	53,302	-143,036	166,267	55,391	-136,038	-102,089	-32,379	-107,749
Asking Rents (\$ PSF)	\$1.90	\$1.80	\$1.39	\$1.91	\$1.66	\$1.87	\$2.32	\$1.63	\$1.82
Under Construction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	42,000	0	0	0	0	42,000

Speculative Office Market Matrix

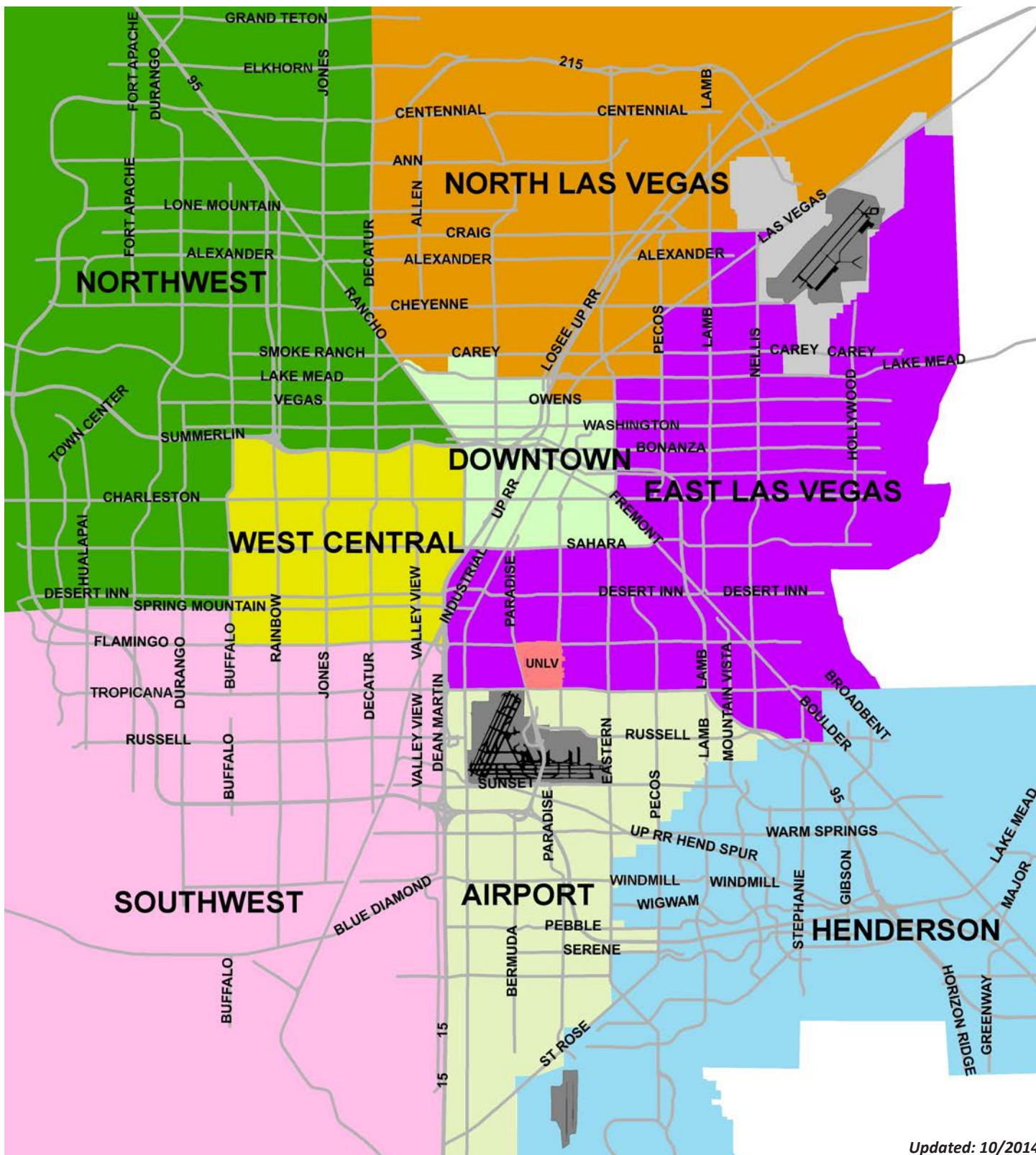
Las Vegas, Nevada Fourth Quarter, 2014

SUBMARKETS									
PROFESSIONAL CLASS C	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	253	66	110	144	76	210	272	187	1,318
Total Rentable SF	2,364,311	877,606	2,051,408	1,618,430	482,290	2,234,002	3,058,831	2,761,393	15,448,271
Total Vacant SF	403,666	126,268	424,869	281,117	7,560	384,450	339,953	514,416	2,482,299
Total Occupied SF	1,960,645	751,338	1,626,539	1,337,313	474,730	1,849,552	2,718,878	2,246,977	12,965,972
Total Vacant (%)	17.1%	14.4%	20.7%	17.4%	1.6%	17.2%	11.1%	18.6%	16.1%
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	49,722	27,812	-66,488	-4,089	12,110	-59,095	55,184	19,042	34,198
Total Net Absorption YOY	61,115	-16,892	221,291	-5,953	21,596	28,709	248,514	203,103	761,483
Asking Rents (\$ PSF)	\$1.72	\$1.36	\$1.42	\$1.61	\$1.48	\$1.77	\$1.95	\$1.35	\$1.60
Under Constuction SF	15,788	0	0	0	0	0	0	0	15,788
Planned SF	0	0	0	0	0	0	80,000	0	80,000

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	16,992	39,613	459,106	225,172	0	457,339	194,966	196,228	1,589,416
Total Occupied SF	111,538	348,430	1,084,845	1,155,844	100,443	1,690,795	537,062	555,250	5,584,207
Total Vacant (%)	13.2%	10.2%	29.7%	16.3%	0.0%	21.3%	26.6%	26.1%	22.2%
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	485	14,545	27,662	91,800	31,180	5,358	-8,145	12,148	175,033
Total Net Absorption YOY	1,070	18,806	17,206	47,064	36,618	-22,105	-98,493	9,000	9,166
Asking Rents (\$ PSF)	\$1.83	\$2.12	\$1.73	\$2.55	\$0.00	\$2.31	\$1.49	\$1.81	\$2.01
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	150,000	0	0	0	0	150,000

LAS VEGAS VALLEY

SPECULATIVE OFFICE SUBMARKET MAP



Updated: 10/2014



ARROYO MARKET SQUARE

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Las Vegas Anchored Retail Survey

4th Quarter 2014



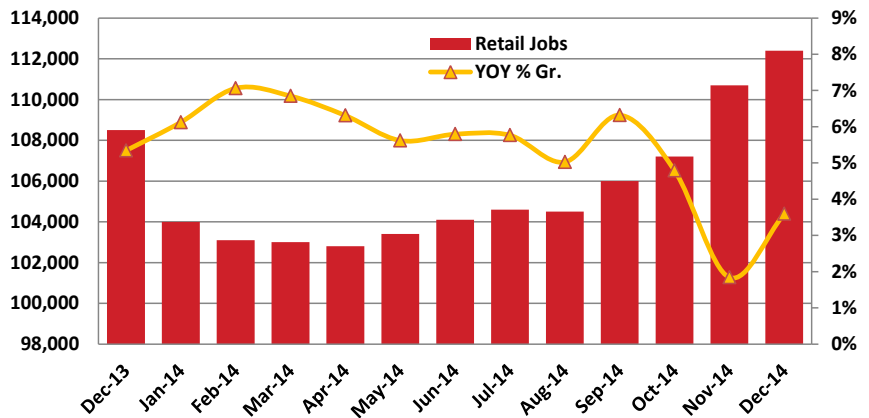
THE DISTRICT AT GREEN VALLEY RANCH

LAS VEGAS ANCHORED RETAIL SURVEY

SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market¹ inventory increased to 44.3 million square feet ("sf") in Q4, 2014 - there was one completion recorded during the quarter. We again see positive change in retail space demand. With a combined 38,600 sf, there have now been four straight quarters of net positive absorption. However, the vacancy rate increased to 11.4% this quarter from 11.0% last quarter, but is down from 11.7% this time last year. Average monthly asking rents decreased to \$1.10 per square foot ("psf") NNN² in Q4; \$0.12 lower than the previous quarter and \$0.16 lower than Q4, 2013. There are 278,700 sf of forward-supply³ space, comprised of two Community Centers that are under construction.

Clark County Total* Retail Jobs and Annual Growth: Dec-13 to Dec-14



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

RETAIL JOBS

There were 112,400 jobs in the Clark County retail sector at the end of December 2014, accounting for 14% of total private sector jobs. This represents 3,900 (+3.6%) more jobs than were recorded in December 2013. General merchandise and clothing/accessories jobs rose by 3.1% (+1,300 jobs), but health

Retail Employment

Industry Sector	Oct			Nov			Dec		
	2014	2013	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Gen. Merch. & Cloth./Accessories	38,700	37,700	2.7%	42,000	41,300	1.7%	43,000	41,700	3.1%
Food & Bev. Stores	15,700	15,500	1.3%	15,900	15,600	1.9%	15,900	15,600	1.9%
Health & Personal Care Stores	6,900	6,600	4.5%	7,000	6,700	4.5%	7,100	6,700	6.0%
Other Stores ⁴	45,900	42,500	8.0%	45,800	45,100	1.6%	46,400	44,500	4.3%
Total	107,200	102,300	4.8%	110,700	108,700	1.8%	112,400	108,500	3.6%

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

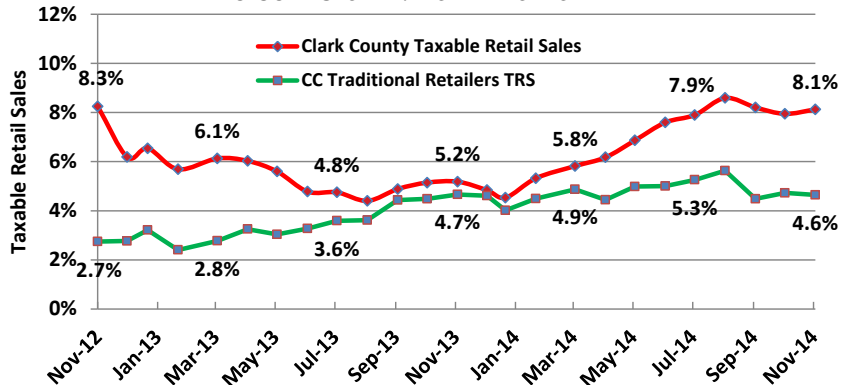
& personal care stores showed the strongest growth, increasing 6.0% (+400 jobs) in the last year. Total retail job growth between the third and fourth quarters was +6,400. Employment in the retail sector has been increasing on a year-over-year ("YOY") basis since May 2010 and has shown strong gains (+5.4%) during 2014.

TAXABLE RETAIL SALES

Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$36.2 billion in November, an 8.1% spike from November 2013. This brings the region's sales to around February 2008 levels, and very near to the December 2007 peak. Moreover, the average year-over-year growth over the last 36 months is 6.9%.

The three traditional retail sectors with the largest taxable sales growth, on an absolute basis, during the November 2013-November 2014 period, according to

Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Nov-12 to Nov-14



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

ANCHORED RETAIL MARKET

Top 5 Traditional Retailers

	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	\$724,679,168	\$25,961,385	3.7%
General Merchandise Stores	\$309,034,327	\$17,937,252	6.2%
Building Material and Garden Equipment and Supplies	\$96,285,627	\$8,483,517	9.7%
Miscellaneous Store Retailers	\$51,758,106	\$6,747,775	15.0%
Electronics and Appliance Stores	\$114,643,454	\$5,434,429	5.0%

Source: Nevada Department of Taxation. Note: The reason the DETR and Taxation retail categories do not match

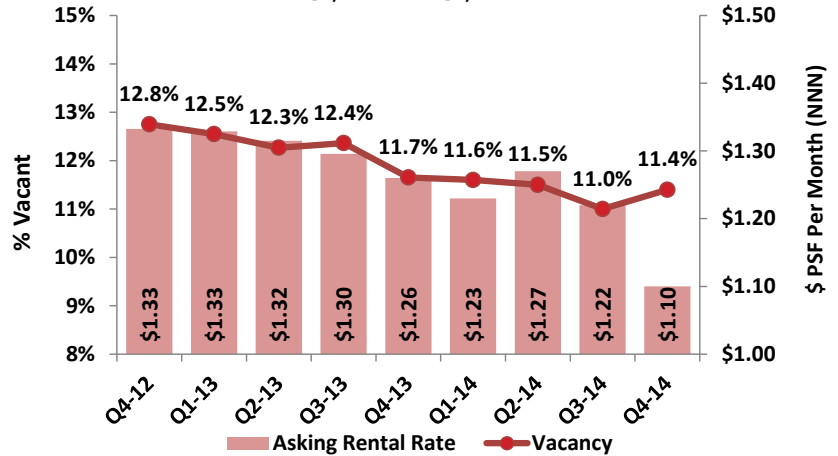
the Nevada Department of Taxation, were "food services and drinking places" (+\$26M, +3.7%), "general merchandise stores" (+\$18M, +6.2%) and "building material and garden equipment and supplies" (+\$8M, +9.7%). Solid growth in taxable sales among traditional retail outlets continued throughout 2014. Below is a table of the top five performing year-over-year traditional retailer types.

VACANCY & RENTS

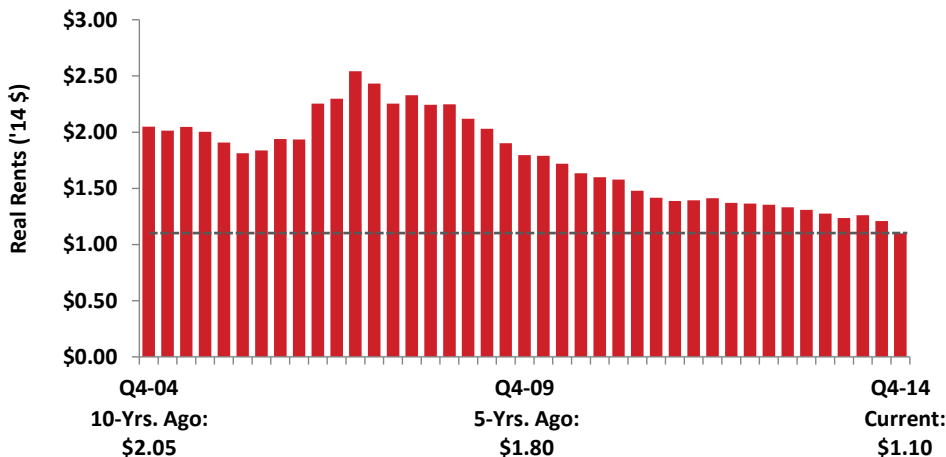
The average valley-wide anchored retail vacancy rate increased to 11.4% in Q4, 2014. This is a 0.4 percentage-point increase from Q3, but a 0.3 percentage-point decrease from Q4, 2013. The average valley-wide anchored retail vacancy rate remains 3.9 percentage-points lower than the record high of 15.3% that occurred in Q2, 2011.

The highest submarket vacancies at the end of Q4 were University East (16.1%), West Central (13.8%) and North Las Vegas (13.0%). Only two submarkets had vacancy rates below 10%: Southwest (8.7%) and Northeast (6.1%). Relative to the previous quarter, vacancy rates decreased in two submarkets, rose in five and remained unchanged in one. The only improvements in Q4, 2014 were in the Henderson and North Las Vegas submarkets, which saw vacancy rates drop 2.0 and 0.6 percentage-points to 11.1% and 13.0%, respectively.

**Las Vegas Valley Retail Market
Historical Vacancy vs. Monthly Asking Rent:
Q4, 2012 - Q4, 2014**



**Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q4, 2004 - Q4, 2014 (Baseline)**



Vacancy improved in both Neighborhood and Power Centers during the fourth quarter. They combined for 457,800 sf of absorption. Power Centers now have the lowest overall vacancy rate among the three product types at 9.9%. The Community Center rate increased to 12.6% while Neighborhood Centers dropped to 10.8% at the end of Q4.

Monthly asking rents decreased in Q4 for the second consecutive quarterly decrease. Asking rents have fallen back to a new low, reaching \$1.10 psf in Q4 (calculated on a NNN basis; not accounting

ANCHORED RETAIL MARKET

for any operating expenses). We would like to remind our readers that the rents we quote in our surveys are based on the space that is available in the open market. They do not necessarily reflect the health of the overall market.

The irony is that as the more desirable space is absorbed, leaving the less desirable space, rents tend to go down even with dropping vacancies. As long as the vacancy rate continues on its downward trend, and the retail real estate market improves, we expect to see new anchored retail development in next 12-18 months.

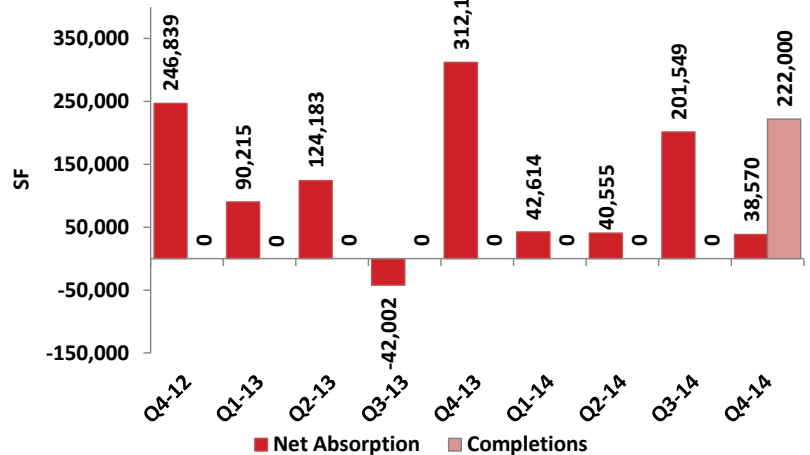
DEMAND

There was a total of 38,600 sf of total net absorption in Q4, 2014, 163,000 sf less than Q3's 201,500 sf of total net absorption. The fourth quarter of 2013 also saw high total net absorption, as there were 312,100 sf of total net absorption in Q4, 2013.

Net absorption declined in the University East (-227,100 sf), Southwest (-82,700 sf), West Central (-14,300 sf), Northeast (-13,800 sf) and Downtown (-27,900 sf) submarkets this quarter. The remaining three submarkets recorded positive net absorption, led by the Northwest submarket with 200,300 sf.

Net absorption was also positive in both Neighborhood Centers (+147,300 sf) and Power Centers (+310,500 sf), more than offsetting the loss in Community Centers (-419,200 sf).

**Las Vegas Valley Retail Market
Historical Net Absorption vs. Completions
Q4, 2012 - Q4, 2014**

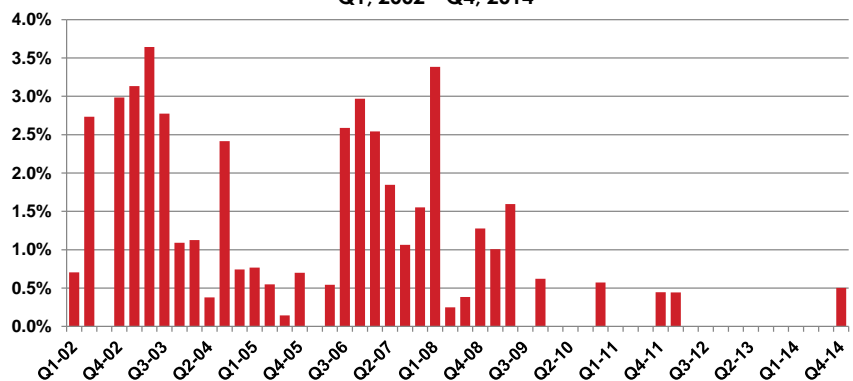


SUPPLY

One new anchored retail space was completed in the Valley during Q4, 2014. This was the first completion since Q1, 2012. Prior to Q4, 2014, there were only two quarters in 19 (since Q1, 2010) that saw new anchored retail space brought to market, and none within the last 10 quarters. The Valley's total anchored retail inventory is now at 44.3 million sf in 267 shopping centers.

There are two construction projects totaling 278,700 sf in the works. These are the 138,700-square-foot Green Valley Crossing in Henderson and the 140,000-square-foot Decatur @ Target shopping center in the Northwest.

**Las Vegas Valley Retail Market
Completions as a % of Inventory:
Q1, 2002 - Q4, 2014**



From what we know today, we do not see much new retail development taking place in early 2015. This will help the Valley's anchored retail market to continue to move toward the 10% stabilized vacancy rate. Our latest estimates indicate that this will happen in about five quarters (based on the average quarterly absorption rate of 178,000 sf over the last 10 years).

FURTHER THOUGHTS

Clark County's taxable retail sales climbed by 6.3 percent on a year-over-year basis in November 2014. On a year-over-year basis, taxable sales in Clark County have shown positive growth for the past twelve

ANCHORED RETAIL MARKET

months. DETR reported 112,400 total jobs in Clark County's retail sector in December 2014, 3.6 percent year-over-year growth (+3,900 jobs). If consumer spending continues to grow through 2015, expansion by existing retailers and new retail concepts will likely enter Southern Nevada.

Four things stand in the way of continued and even stronger improvement in taxable retail sales. The first is improvement in the residential market. Households that have been avoiding paying their mortgages may lose that unofficial boost to their income and their disposable income may suffer as a result.

In the short-run, the drop in gasoline prices has essentially given Southern Nevadans a "raise" and an increase in spending and savings power, but as these price cuts retrench, spending could be curtailed since consumers will have to return to depending on rising wages and incomes, which have been stagnant for some time when adjusted for inflation.

The second is the potential diversion of disposable income into health insurance, as required by the ACA. Neither is likely to put an end to the recovery, but both could act as headwinds. The third is stagnant wages after adjusting for inflation and the fourth is stagnant average hours worked per week.

If consumer spending remains strong, the outlook for the local retail market is positive. Retail employment is showing growth and vacancy has generally been declining since Q2, 2011. Rents continue to drop as well, and this should help stimulate demand for retail space.

¹ 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.

² 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.

³ Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.

⁴ "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 square feet 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 square feet, but can be as small as 125,000 square feet; 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 square feet, but can be over 500,000 square feet
- 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 square feet, but can range from 30,000 to 150,000 square feet
- Customer-base is within a two- to three-mile trade area

Anchored Retail Market Matrix

Las Vegas, Nevada Fourth Quarter, 2014

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	10,810,588	5,783,835	6,050,227	4,379,055	44,262,684
Total Vacant SF	139,665	965,091	636,180	155,976	1,052,135	503,696	971,696	606,479	5,030,918
Total Occupied SF	966,186	7,714,977	4,274,563	2,386,341	9,758,453	5,280,139	5,078,531	3,772,576	39,231,766
Total Vacant (%)	12.6%	11.1%	13.0%	6.1%	9.7%	8.7%	16.1%	13.8%	11.4%
Completions QTD	0	0	0	0	222,000	0	0	0	222,000
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	-27,870	174,787	29,329	-13,835	200,287	-82,748	-227,092	-14,287	38,571
Total Net Absorption YOY	16,072	199,289	-117,605	104,798	163,936	-45,394	-139,752	141,945	323,289
Asking Rents (\$ PSF)	\$1.26	\$1.42	\$1.26	\$1.25	\$1.20	\$1.44	\$0.57	\$0.96	\$1.10
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

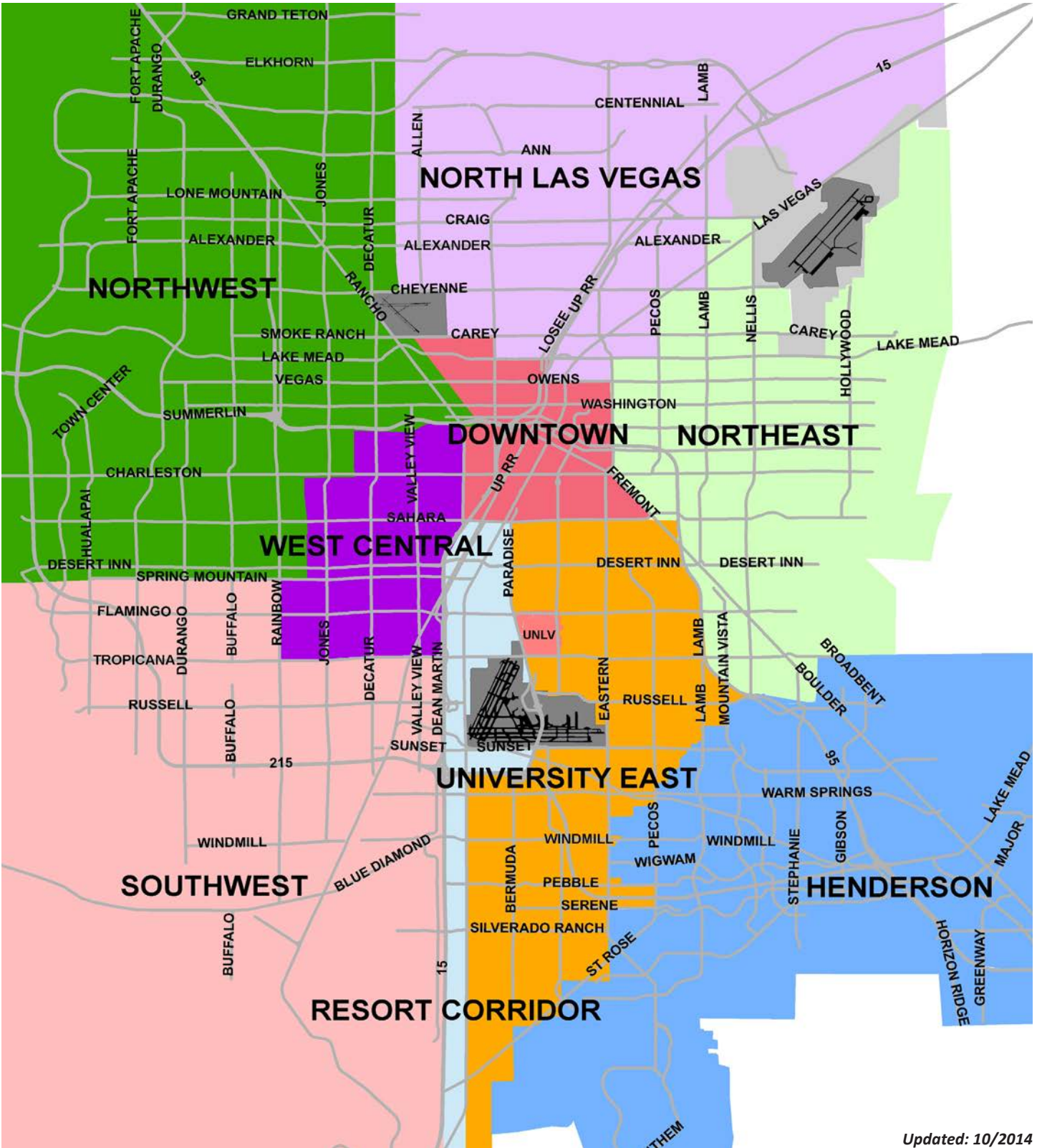
POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	579,079	0	0	91,321	7,200	183,719	140,785	1,002,104
Total Occupied SF	0	2,383,209	987,713	0	2,749,525	937,114	1,026,504	997,439	9,081,504
Total Vacant (%)	0.0%	19.5%	0.0%	0.0%	3.2%	0.8%	15.2%	12.4%	9.9%
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	46,225	1,740	0	39,185	0	156,818	66,485	310,453
Total Net Absorption YOY	0	-62,152	8,493	0	28,166	40,611	-11,901	66,289	69,506
Asking Rents (\$ PSF)	\$0.00	\$1.66	\$0.00	\$0.00	\$1.13	\$1.50	\$1.26	\$1.31	\$1.47
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	5	21	10	8	20	9	19	15	107
Total Rentable SF	678,690	2,920,692	1,755,463	1,407,552	4,314,234	3,216,421	2,761,028	1,649,146	18,703,226
Total Vacant SF	106,054	178,173	213,575	95,418	413,572	386,704	635,409	323,720	2,352,625
Total Occupied SF	572,636	2,742,519	1,541,888	1,312,134	3,900,662	2,829,717	2,125,619	1,325,426	16,350,601
Total Vacant (%)	15.6%	6.1%	12.2%	6.8%	9.6%	12.0%	23.0%	19.6%	12.6%
Completions QTD	0	0	0	0	222,000	0	0	0	222,000
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	-26,170	-10,159	16,796	-19,035	137,724	-74,841	-391,060	-52,479	-419,224
Total Net Absorption YOY	-42,509	128,430	-58,172	21,563	120,021	-103,406	-240,051	73,165	-100,959
Asking Rents (\$ PSF)	\$1.23	\$1.24	\$0.87	\$1.30	\$1.66	\$1.37	\$0.80	\$0.78	\$0.89
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
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	4	25	15	13	32	13	18	16	136
Total Rentable SF	427,161	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,475,850
Total Vacant SF	33,611	207,839	422,605	60,558	547,242	109,792	152,568	141,974	1,676,189
Total Occupied SF	393,550	2,589,249	1,744,962	1,074,207	3,108,266	1,513,308	1,926,408	1,449,711	13,799,661
Total Vacant (%)	7.9%	7.4%	19.5%	5.3%	15.0%	6.8%	7.3%	8.9%	10.8%
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	-1,700	138,721	10,793	5,200	23,378	-7,907	7,150	-28,293	147,342
Total Net Absorption YOY	58,581	133,011	-67,926	83,235	15,749	17,401	112,200	2,491	354,742
Asking Rents (\$ PSF)	\$1.31	\$1.05	\$1.59	\$1.23	\$0.98	\$1.61	\$1.15	\$1.13	\$1.20
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014