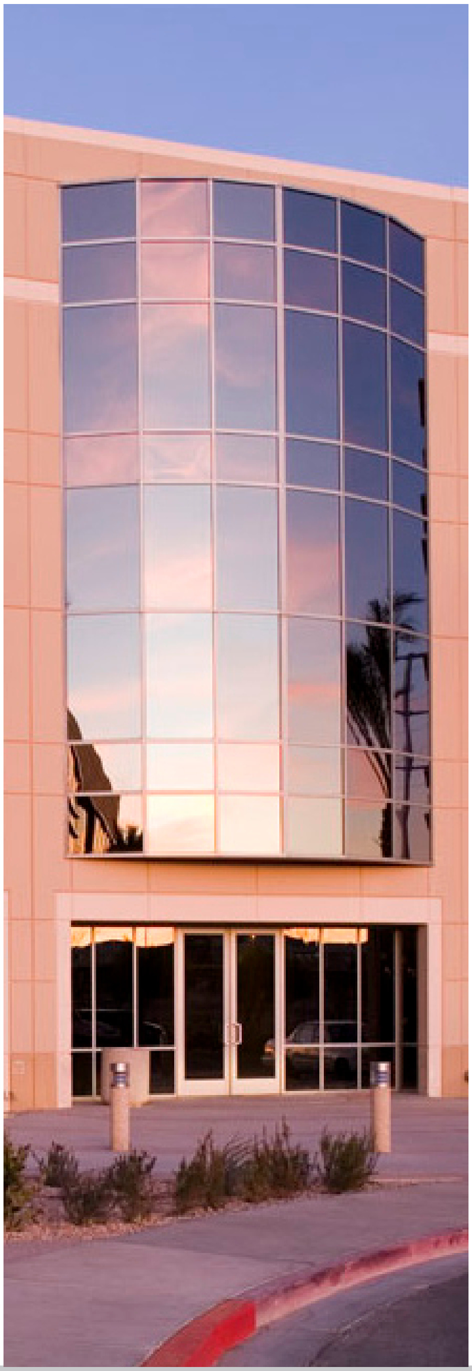
Las Vegas Valley Executive Summary

Commercial Real Estate Markets - 3rd Quarter 2017

INDUSTRIAL

OFFICE



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November 27, 2017

Re: Commercial Real Estate Survey: 3rd Quarter, 2017

Dear Reader,

RCG Economics ("RCG") is proud to bring you the RCG Quarterly Commercial Real Estate Surveys ("the Surveys") containing the most comprehensive, objective and accurate data and analysis on the Las Vegas Valley's ("the Valley") industrial, speculative office and anchored retail markets.

RCG is Nevada's leader in independent real estate market research and analysis, and regional economics, including commercial real estate, economic and demographic forecasting.

The Surveys are born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. RCG strives to produce the Surveys as unbiased barometers on the health and state of the Valley's commercial real estate markets. The collection, analysis and distribution of market facts is further proof of RCG's commitment.

The Surveys document historical and current market metrics at the Valley and submarket levels. The data contained in the Surveys are tracked and organized by our in-house research analysts and economists to provide the best breakdown of the Las Vegas commercial real estate markets. The Surveys contain 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

Finally, RCG owns the three most comprehensive, well-established commercial (industrial, office and retail) databases in Nevada. These databases include detailed benchmark building metrics and data, by submarket, dating back to 1996. This, in turn, allows RCG to develop the most detailed and independent "custom" studies in the market. It is through the Surveys and our other services and products that we remain the "*Source for Decision Makers*."

Regards,

John Restrepo

John Restrepo
RCG Economics

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.

RCG economics

Las Vegas Industrial Survey

3rd Quarter 2017

LAS VEGAS INDUSTRIAL SURVEY

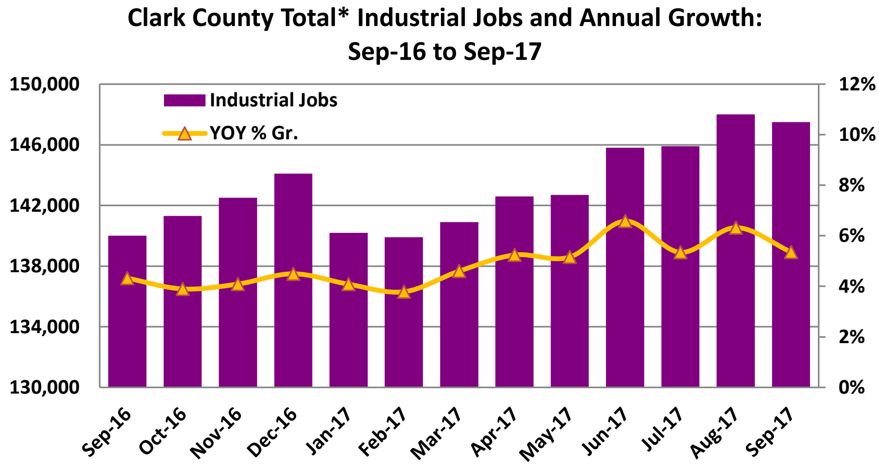
SUMMARY

The Las Vegas Valley's ("the Valley") Industrial market[1] turned in a strong performance in third quarter ("Q3") of 2017. Total inventory is nearing 120 million square feet ("sf") of rentable space (119.8 million) with another quarter of over 2 million sf worth of completions (2.4 million). Net absorption (net demand) added a million to the previous quarter's total with 3 million sf absorbed in Q3. Robust demand helped drop the vacancy rate by 0.7 points, from 6% to 5.3%; however, vacancy is still slightly higher than it was at this point in 2016. At $0.70 per square-foot ("psf") NNN[2], the average monthly asking rent is up a penny from Q2 ($0.69 psf), and is up $0.02 from Q3, 2016 ($0.68 psf). Despite this quarter's considerable amount of space completed, a still large forward-supply[3] looms on the horizon with 4 million sf under construction and another 5.6 million sf in the planning stages. The focus remains on building more Warehouse/Distribution space as 96.2% of the projects currently under construction are of this variety, while 95.1% of the planned space is as well. The Industrial market is healthy and growing.

INDUSTRIAL-RELATED JOBS

Total nonfarm employment in the Las Vegas MSA rose by 23,400 jobs from September 2016 through September 2017, a 2.4% increase. During that time the "headline" unemployment rate declined 0.4 points to 5.2%.

Jobs in Industrial space-using sectors represented 17% (147,500 jobs) of all private jobs in Clark County at the end of September 2017, with Industrial jobs growing by 5.4% over the year.[4] Since September 2012, job growth in the Industrial-related sectors has contributed to the decline in the unemployment rate with year-over-year (Y-O-Y) growth (>2%) outpacing population growth. The gains in Industrial jobs were fueled primarily by the Construction sector which added 10,100 jobs over the year, with Manufacturing adding 600 jobs and Natural Resources adding another 100. Wholesale Trade and Transportation & Warehousing both saw a drop in jobs over the year, losing -600 and -2,700, respectively.



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

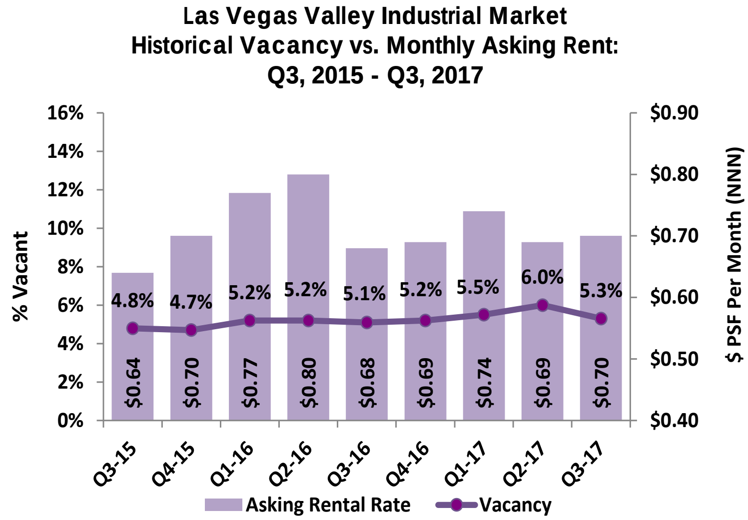
Industrial Employment

Industry Sector	Jul 2017	Jul 2016	Jul % Ch.	Aug 2017	Aug 2016	Aug % Ch.	Sep 2017	Sep 2016	Sep % Ch.
Nat. Resources	400	300	33.3%	400	300	33.3%	400	300	33.3%
Construction	64,700	55,200	17.2%	66,400	55,800	19.0%	66,300	56,200	18.0%
Manufacturing	22,500	22,200	1.4%	22,900	22,200	3.2%	22,900	22,300	2.7%
Wholesale Trade	21,700	21,700	0.0%	21,100	21,700	-2.8%	21,200	21,800	-2.8%
Transp. & Warehousing	36,600	39,100	-6.4%	37,200	39,200	-5.1%	36,700	39,400	-6.9%
Total	**145,900**	**138,500**	**5.3%**	**148,000**	**139,200**	**6.3%**	**147,500**	**140,000**	**5.4%**

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

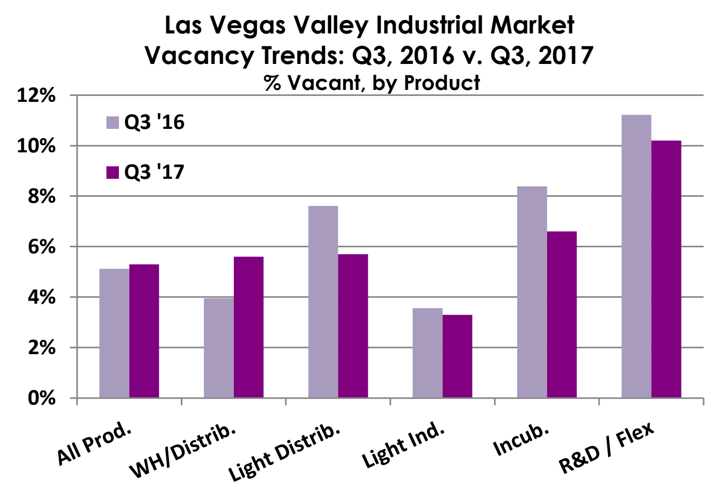
VACANCY & RENTS

The Valley saw a drop in Industrial vacancy (direct vacant space plus sublease vacant space) in Q3, 2017 after three straight quarters in which the vacancy rate went up. At the end of the second quarter, Industrial market vacancy stood at an even 6%, but by the end of the third quarter, this number had fallen by 0.7 points to 5.3%. The vacancy rate remains slightly higher than the 5.1% seen in Q3, 2016. Importantly, all Industrial submarkets remain comfortably below the generally accepted 10% stabilized vacancy rate. Only two submarkets saw their vacancy rates increase in Q3. East Las Vegas, which had the lowest Industrial vacancy rate, saw the biggest increase, from 1.7% to 2.6%—a 0.9-point jump. The Northwest was right behind with a 0.8-point rise in vacancy, from 6.3% to 7.1%, and finished the quarter with the highest vacancy rate of all submarkets. Henderson was the most improved with a 1.3-point drop in vacancy, from 6.7% to 5.4%, followed by West Central with a 1-point decline, from 4% to 3%. Vacancy in the Airport submarket fell by 0.8 points, from 6.5% to 5.7%. Next was the Southwest with a 0.7-point drop, from 6.1% to 5.4%, with North Las Vegas rounding out the group with a 0.4-point decrease, from 6.5% to 6.1%.



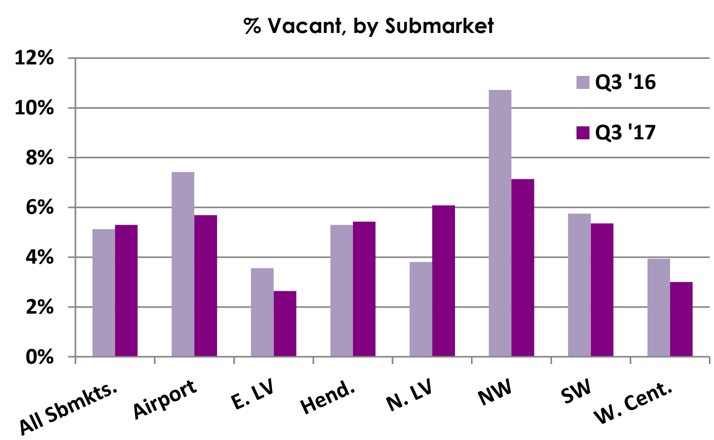
There were also only two submarkets of seven that saw vacancy increase on a Y-O-Y basis. These were North Las Vegas, gaining 2.3 points in vacancy since Q3, 2016, and Henderson, which added a mere 0.1 points to its vacancy rate over the year. Posting the biggest improvement from a year ago was the Northwest with a 3.6-point drop in vacancy, trailed by Airport with a 1.7-point decrease. Next was the East Las Vegas submarket with a decrease of one point, followed closely by West Central with a 0.9 point decrease. The Southwest saw the smallest improvement over the year with a 0.3-point decline in vacancy.

On a product basis, four out of five product types saw an improvement in their vacancy rate from last quarter, while Light Industrial was unchanged at 3.3% vacancy. The Light Distribution product type was most improved with a 1.4-point drop in vacancy from Q2, 2017, resulting in a 5.7% vacancy rate in Q3. Incubator, with 6.6% vacancy in Q3, was one point better than Q2. Warehouse/Distribution (5.6%) and R&D/Flex (10.2%) both saw a 0.7-point improvement in their vacancy rate since Q2.



On a Y-O-Y basis, four out of the five product types were down in vacancy, while Warehouse/Distribution saw a 1.6-point increase from 4.0% in Q3, 2016. The most improved product type was Light Distribution, which fell 1.9 points from 7.6%. Close on its heels was Incubator which fell 1.8 points from 8.4% vacancy in Q3, 2016. R&D/Flex fell one point from 11.2% vacancy, while Light Industrial posted a 0.3-point drop from 3.6%.

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) increased in Q3 by $0.01 to $0.70 psf. This is $0.02 psf higher than asking rents were in the third quarter of 2016.

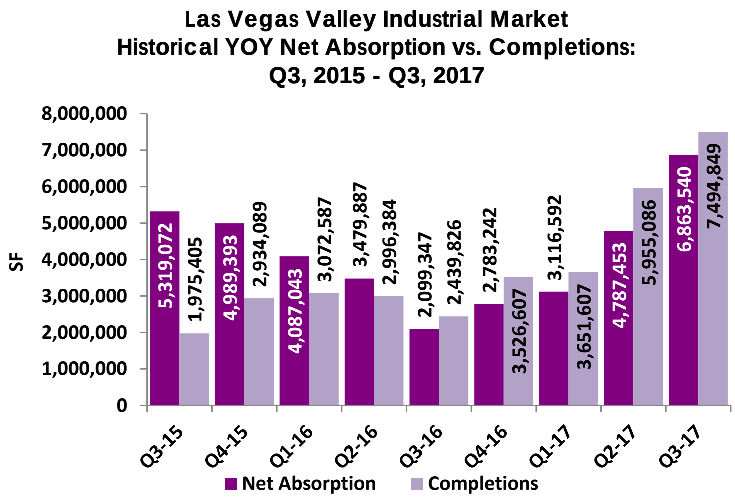


DEMAND

Demand in Q3, 2017 was higher than anything seen since the Great Recession hit, and higher than anything in the several years leading up to it. There were 3.0 million sf absorbed, which is 1 million sf more than in Q2. The closest quarter post-recession was Q3, 2015, when 2.3 million sf were absorbed. The exceptionally high demand was enough to cover the 2.4 million sf of new space, meaning a considerable amount of already existing space was absorbed.

Demand over the four quarters ending in Q3, 2017 totaled a massive +6.9 million sf. This was the largest YOY absorption total since the year period ending in Q1, 2006, prior to the Great Recession. Large amounts of new Industrial space continue to hit the market with demand for Warehouse/Distribution space fueling development. With so little unoccupied space remaining and high demand, we will likely continue to see shortages in various segments of the market. The shortage of space is likely blunting greater economic growth, though with 9.6 million sf of space in various stages of development, the market hopes to remedy this issue.

Five out of seven submarkets had positive absorption in Q3, 2017. The North Las Vegas submarket was way out ahead of the rest with nearly +2.3 million sf absorbed. In a distant second place was the Airport submarket with +236,231 sf absorbed, followed closely by the Southwest with +255,629 sf, then Henderson with +191,955 sf and finally West Central with 118,884 sf. East Las Vegas (-35,252 sf) and the Northwest (-11,267 sf) both saw negative demand in Q3.



On a Y-O-Y basis all submarkets experienced positive absorption with three submarkets absorbing over one million sf for the year. North Las Vegas claimed the top spot with +3.5 million sf of absorption, followed by the Southwest with +1.3 million sf and Henderson with +1.1 million sf. Airport, with +444,430 sf absorbed, did well, as did East Las Vegas with +365,216 sf absorbed for the year ending in Q3, 2017. The +113,283 sf of demand in the West Central submarket was small for the year by comparison, while the Northwest, at +47,876 sf was relatively small.

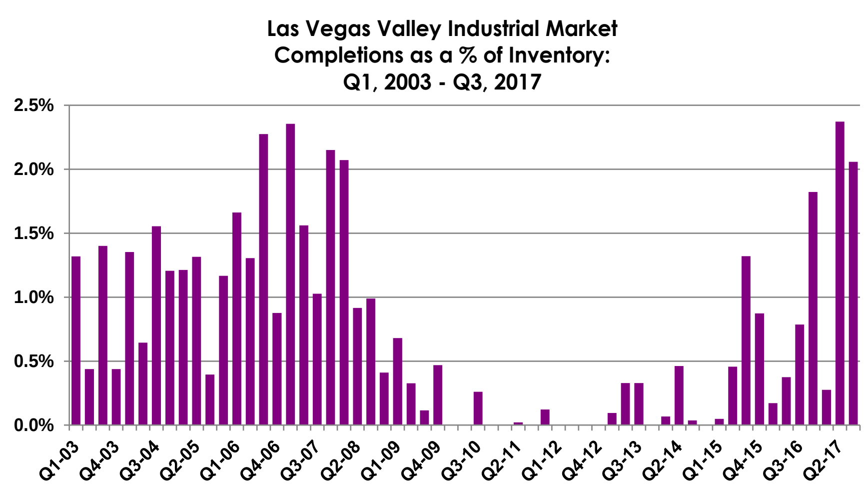
Looking at quarterly absorption from a product standpoint, we have the Warehouse/Distribution product type well out in front of the rest, and essentially carrying the Industrial market with +2.7 million sf of demand in the third quarter of 2017. Light Distribution (+249,916 sf), though small by comparison, still had a good quarter. The Incubator product type absorbed +81,037 sf in Q3. R&D/Flex experienced +37,604 sf worth of demand, while Light Industrial had a measly +231 sf of absorption in Q3.

Over the past year, the Warehouse/Distribution product type accounted for nearly all of the Industrial market's positive demand with +6,243,795 sf, though all other product types had something to contribute to the Industrial market's Y-O-Y total. Light Distribution added the second most with +334,208 sf, followed by Incubator with +145,457 sf, then Light Industrial with +82,957 sf and finally R&D/Flex with +37,604 sf.

SUPPLY

Just the North Las Vegas and Airport submarkets had combined completions of 2.4 million sf in Q3. This has raised the Valley's Industrial inventory to 119.8 million sf. North Las Vegas Q3 completions were: CJ Pony Parts (89,765 sf), Las Vegas Corporate Center #12 (159,390 sf), Las Vegas Corporate Center #13 (100,633 sf), LogistiCenter at LVB (548,880 sf), Northgate Distribution Center 3 (813,160 sf) and Northgate Distribution Center 8 (570,000 sf). Airport Q3 completions were: Marnell Airport Center 2 (58,195 sf) and 3 (74,882 sf).

The two previous years were booming for the region's Industrial market with 2015 delivering 2.9 million sf of space and 2016 surpassing that total with 3.5 million sf of completed space. Total completions after three quarters in 2017 are already more than in each of the previous two years with 5.4 million sf completed. Though 2017 is already a banner year for the Industrial market, with 9.5 million sf in the forward supply, we may see 2017 beat both 2016 and 2015, combined. This looks very possible considering there are 11 projects expected to be completed in Q4, totaling 1.8 million sf. The Industrial market will continue playing a critical role in Southern Nevada's economic growth as space currently in development and under construction will alleviate the need of businesses looking to expand.



There currently are 21 projects under construction comprising just over 4 million sf at the end of Q3. In part, to meet the needs of increasingly successful online retailers, the Industrial market is still short large warehouses for distribution. This explains why all but three of the projects currently under construction are Warehouse/Distribution spaces, and why, of those 18 Warehouse/Distribution projects, 13 are over 100,000 sf:

Under Construction

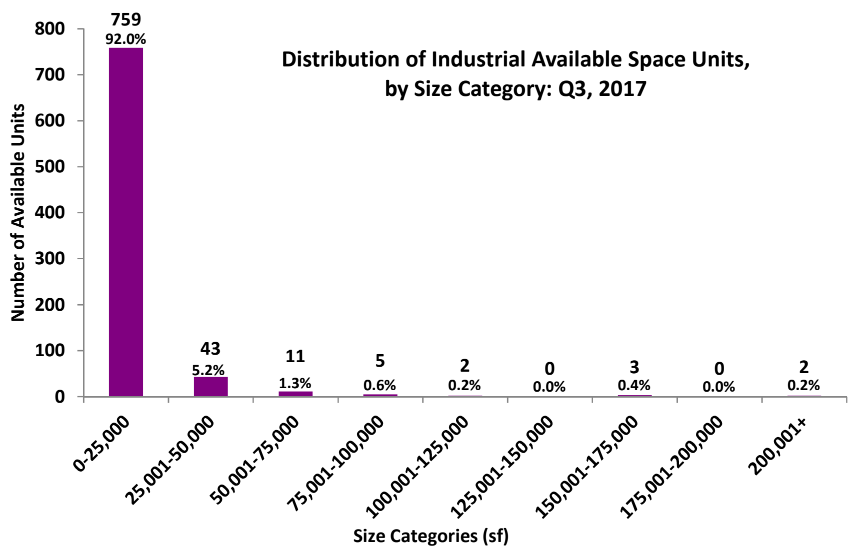
Project	SF	Subtype	Submarket	Exp. Comp.
401 Eastgate	156,694	Warehouse/Distribution	Henderson	2018
Craig & Walnut	121,450	Warehouse/Distribution	North Las Vegas	Q218
Henderson Commerce Center - Commercial Way Bldg. U	50,400	Warehouse/Distribution	Henderson	Q417
Henderson Commerce Center - Commercial Way Bldg. V	54,000	Warehouse/Distribution	Henderson	Q417
Henderson Commerce Center - Commercial Way Bldg. W	81,600	Warehouse/Distribution	Henderson	Q417
Henderson Interchange Center #1	130,990	Warehouse/Distribution	Henderson	Q417
Henderson Interchange Center #2	197,120	Warehouse/Distribution	Henderson	Q417
I-15 Speedway Logistics 2	601,610	Warehouse/Distribution	North Las Vegas	Q417
Lamb Industrial Center	122,291	Warehouse/Distribution	North Las Vegas	Q118
Las Vegas Corporate Center #14	131,750	Warehouse/Distribution	North Las Vegas	Q118
Las Vegas Corporate Center #9	130,515	Warehouse/Distribution	North Las Vegas	Q118
Lincoln Business Center	338,520	Warehouse/Distribution	North Las Vegas	Q417
Losee Business Center #3	80,000	Warehouse/Distribution	North Las Vegas	Q118
Northgate Distribution Center 5	190,890	Warehouse/Distribution	North Las Vegas	Q417
Northgate Distribution Center 9	700,000	Warehouse/Distribution	North Las Vegas	Q118
Roberts Communication Complex	50,000	Warehouse/Distribution	Henderson	Q118
South Jones Industrial Park	29,411	Light Industrial	Southwest	Q417
Speedway Commerce Center III (Phase 1)	390,000	Warehouse/Distribution	North Las Vegas	Q218
Sunset Business Center	70,000	Flex/R&D	Southwest	Q417
Sunset Landing	54,000	Light Industrial	Airport	Q417
Supernap 11 (SWITCH)	343,436	Warehouse/Distribution	Southwest	2018
Total	**4,025,000**			

In addition to the ongoing construction, there are 27 more projects in the planning stages, representing approximately 5.6 million sf. They are:

Planned

Project	SF	Subtype	Submarket	Exp. Comp.
4305 N Lamb Blvd	122,000	Light Distribution	North Las Vegas	Q417
5785 N Hollywood Blvd	36,000	Warehouse/Distribution	North Las Vegas	2018
Airpark South 1	181,430	Warehouse/Distribution	Henderson	Q318
Airpark South 2	30,600	Light Distribution	Henderson	Q318
Blue Diamond Business Center #10	495,000	Warehouse/Distribution	Southwest	2018
Blue Diamond Business Center #6	430,000	Warehouse/Distribution	Southwest	Q218
Centra Craig Corporate Park	155,790	Warehouse/Distribution	North Las Vegas	2018
Cheyenne Commerce Center Phase 3	270,000	Warehouse/Distribution	North Las Vegas	Q219
Clayton Park	88,000	Incubator	North Las Vegas	2018
Desert Inn Distribution Center	153,320	Warehouse/Distribution	West Central	2019
Escondido Airport Park	30,897	Light Industrial	Airport	2018
I-15 Speedway Logistics 3	633,120	Warehouse/Distribution	North Las Vegas	2018
I-15 Speedway Logistics 4	367,060	Warehouse/Distribution	North Las Vegas	2018
Northgate Distribution Center 4	220,000	Warehouse/Distribution	North Las Vegas	Q318
South 15 Airport Center C	191,000	Warehouse/Distribution	Henderson	2018
South 15 Airport Center D	91,000	Warehouse/Distribution	Henderson	2018
South 15 Airport Center E	350,000	Warehouse/Distribution	Henderson	2019
South 15 Airport Center F	100,800	Warehouse/Distribution	Henderson	2019
South 15 Industrial Park #1	86,880	Warehouse/Distribution	Henderson	2018
South 15 Industrial Park #2	73,840	Warehouse/Distribution	Henderson	2018
Speedway Commerce Center III (Phase 2)	330,000	Warehouse/Distribution	North Las Vegas	Q219
Speedway Commerce Center IV	168,000	Warehouse/Distribution	North Las Vegas	Q419
Sunpoint Crossing	760,481	Warehouse/Distribution	North Las Vegas	Q417
Warm Springs Business Center #10	37,896	Warehouse/Distribution	Airport	Q218
Warm Springs Business Center #7	79,834	Warehouse/Distribution	Airport	Q218
Warm Springs Business Center #8	83,380	Warehouse/Distribution	Airport	Q218
Warm Springs Business Center #9	21,903	Warehouse/Distribution	Airport	Q218
Total	**5,588,000**			

Southern Nevada's economic recovery and expansion will continue to be led by the Industrial market and the projects above that are currently in development. As indicated by the chart to the right, there is still a dearth of space over 75,000 sf that is hampering the region's rate of economic growth. Q2 provided relief in the way of very large Warehouse/Distribution space with five of the projects completed each well over 200,000 sf, as did Q3 with three Warehouse/Distribution projects completed over 500,000 sf. Despite the completion of these large projects, there remain only two buildings over 200,000 sf unoccupied, which corroborates the above claim that there is very high demand for these large distribution centers.



INVESTMENT SALES

Based on reports by Colliers, Industrial investment sales in 2016 were improved over the previous year with $308.9 million in sales volume compared to $248.8 million in 2015. Through the third quarter, 2017 has kept pace with sales over the previous two years. Unlike Office and Retail sales though, Industrial sales through three quarters in 2017 have not yet surpassed the previous year's total. Sales volume has reached $239.0 million in 47 sales. Total square feet sold were 2.5 million. The average price per square foot was $95.86, up slightly from 2016's average of $93.35. The average cap rate is up 0.1 point from 2016's 7.2%. Owners typically demand lower cap rates in an improving market, which results in higher prices regardless of quality and location. The reverse is true in a down-market.

Industrial Investment Sales

	2016	YTD 2017
No. Sales	71	47
Square Feet Sold	3,309,000	2,493,000
Sales Volume (MM)	$308.9	$239.0
Average Price/SF	$93.35	$95.86
Average Cap Rate*	7.2%	7.3%
Average Sale Size (SF)	47,000	53,000

Source: Colliers Las Vegas.
**Cap rate on properties available for sale as investments.*

FURTHER THOUGHTS & RECAP

After a strong finish to 2016, demand in the Industrial market fell drastically in the first quarter of 2017 due to supply constraints. Q2 delivered significant completions and with them a turnaround in demand with +2.0 million sf absorbed. Q3 was even better with 2.4 million sf of completions and another +3.0 million sf absorbed. Warehouse/Distribution continues to carry the Industrial market with absorption of +2.7 million sf in Q3, while Light Distribution (+249,916 sf), Incubator (+81,037 sf), R&D/Flex (+37,604 sf) and Light Industrial (+291 sf) all added to the absorption total for the quarter.

The data suggest that large Warehouse/Distribution spaces are being scooped up quickly and this is fueling impressive growth in the Valley. Though demand has been very high over the last two quarters, we suspect there is still considerable growth potential as that robust demand has resulted in shortages and stymied further expansions. There remains a very small amount of large Warehouse/Distribution available, exceeded by a larger amount of Warehouse/Distribution space in the forward supply. It is likely the pattern established over these last two quarters will continue in the fourth: as more large space comes to market it will be quickly absorbed by businesses trying to expand.

Jobs in Industrial space-using sectors represent 17% (147,500 jobs) of all private jobs in Clark County at the end of Q3, 2017. This was +7,500 (+5.4%) more jobs than existed in September 2016. Since September 2012, Industrial sector job growth has posted solid Y-O-Y growth (>2%) every month, outpacing population growth and helping keep Las Vegas' headline unemployment rate low at 5.2% at the end of Q3. The Construction sector (+10,100 jobs, +18.0%) was again the leader in job growth with Manufacturing (+600, +2.7%) and Natural Resources (+100, +33.3%) each making a positive contribution. Wholesale Trade (-600, -2.8%) struggled in quarter three while the Transportation & Warehousing sector (-6.9%, -2,700) has had a tough 2017.

As mentioned above, the Valley's total Industrial vacancy rate (direct vacant space plus sublease vacant space) fell by 0.7 points to 5.3% in Q3, though it is still up when compared to Q3, 2016 by 0.2 points. This quarter's drop in vacancy nearly covered the 0.8-point increase over the first two quarters of 2017. Vacancy dropped in five of the seven submarkets: Airport, Henderson, North Las Vegas, the Southwest and West Central. East Las Vegas and the Northwest each saw their vacancy rise. So long as it can continue to fill the large quantity of space it completes, the Industrial market will remain an important engine of the Valley's economic recovery.

On a submarket basis, East Las Vegas (2.6%) claimed the lowest vacancy rate with West Central (3%) pulling closer. Three other submarkets fell under 6%: Airport (5.7%), Henderson (5.4%) and the Southwest (5.4%). North Las Vegas (6.1%) and the Northwest (7.1%) had the highest vacancy rates in the Industrial market.

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[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 four 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 subtype 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, 2017

SUBMARKETS

TOTAL INDUSTRIAL MARKET	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	502	150	536	1,021	81	1,287	648	**4,225**
Total Rentable SF	14,528,702	3,859,110	14,504,212	37,956,922	1,336,299	35,569,378	12,016,433	**119,771,056**
Total Vacant SF	826,234	102,014	786,563	2,309,619	95,323	1,905,994	360,289	**6,386,036**
Total Occupied SF	13,702,468	3,757,096	13,717,649	35,647,303	1,240,976	33,663,384	11,656,144	**113,385,020**
Total Vacant (%)	5.7%	2.6%	5.4%	6.1%	7.1%	5.4%	3.0%	**5.3%**
Completions QTD	133,077	0	0	2,281,828	0	0	0	**2,414,905**
Completions YOY	208,077	342,243	1,174,470	4,506,830	0	1,263,229	0	**7,494,849**
Total Net Absorption QTD	236,231	-35,252	191,955	2,285,243	-11,267	255,629	118,884	**3,041,423**
Total Net Absorption YOY	444,430	365,216	1,094,028	3,469,482	47,876	1,329,225	113,283	**6,863,540**
Asking Rents ($ PSF)	$0.86	$0.57	$0.65	$0.52	$0.94	$0.78	$0.98	**$0.70**
Under Constuction SF	54,000	0	720,804	2,807,026	0	442,847	0	**4,024,677**
Planned SF	253,910	0	1,105,550	3,150,451	0	925,000	153,320	**5,588,231**

WAREHOUSE/DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	79	19	80	183	5	146	52	**564**
Total Rentable SF	5,245,471	1,942,368	8,164,315	25,011,352	223,661	15,257,155	1,939,836	**57,784,158**
Total Vacant SF	94,112	5,300	545,042	1,766,896	0	792,504	36,000	**3,239,854**
Total Occupied SF	5,151,359	1,937,068	7,619,273	23,244,456	223,661	14,464,651	1,903,836	**54,544,304**
Total Vacant (%)	1.8%	0.3%	6.7%	7.1%	0.0%	5.2%	1.9%	**5.6%**
Completions QTD	133,077	0	0	2,281,828	0	0	0	**2,414,905**
Completions YOY	208,077	342,243	1,174,470	4,506,830	0	1,263,229	0	**7,494,849**
Total Net Absorption QTD	107,670	-5,300	35,703	2,414,558	0	54,788	65,216	**2,672,635**
Total Net Absorption YOY	301,015	377,839	887,497	3,280,928	0	1,392,092	4,424	**6,243,795**
Asking Rents ($ PSF)	$0.74	$0.66	$0.57	$0.45	$0.00	$0.63	$1.65	**$0.54**
Under Constuction SF	0	0	720,804	2,807,026	0	343,436	0	**3,871,266**
Planned SF	223,013	0	1,074,950	2,940,451	0	925,000	153,320	**5,316,734**

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	248,829	0	50,329	218,884	11,097	475,188	7,770	**1,012,097**
Total Occupied SF	2,920,300	340,675	1,521,374	4,630,050	39,903	6,455,448	767,977	**16,675,727**
Total Vacant (%)	7.9%	0.0%	3.2%	4.5%	21.8%	6.9%	1.0%	**5.7%**
Completions QTD	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	0	0	0	0	**0**
Total Net Absorption QTD	150,963	6,400	92,548	-64,747	-11,097	67,355	8,494	**249,916**
Total Net Absorption YOY	25,349	0	176,536	141,680	1,062	-2,649	-7,770	**334,208**
Asking Rents ($ PSF)	$0.84	$0.00	$0.69	$0.56	$1.10	$0.78	$0.95	**$0.75**
Under Constuction SF	0	0	0	0	0	0	0	**0**
Planned SF	0	0	30,600	122,000	0	0	0	**152,600**

Industrial Market Matrix

Las Vegas, Nevada
Third Quarter, 2017

SUBMARKETS

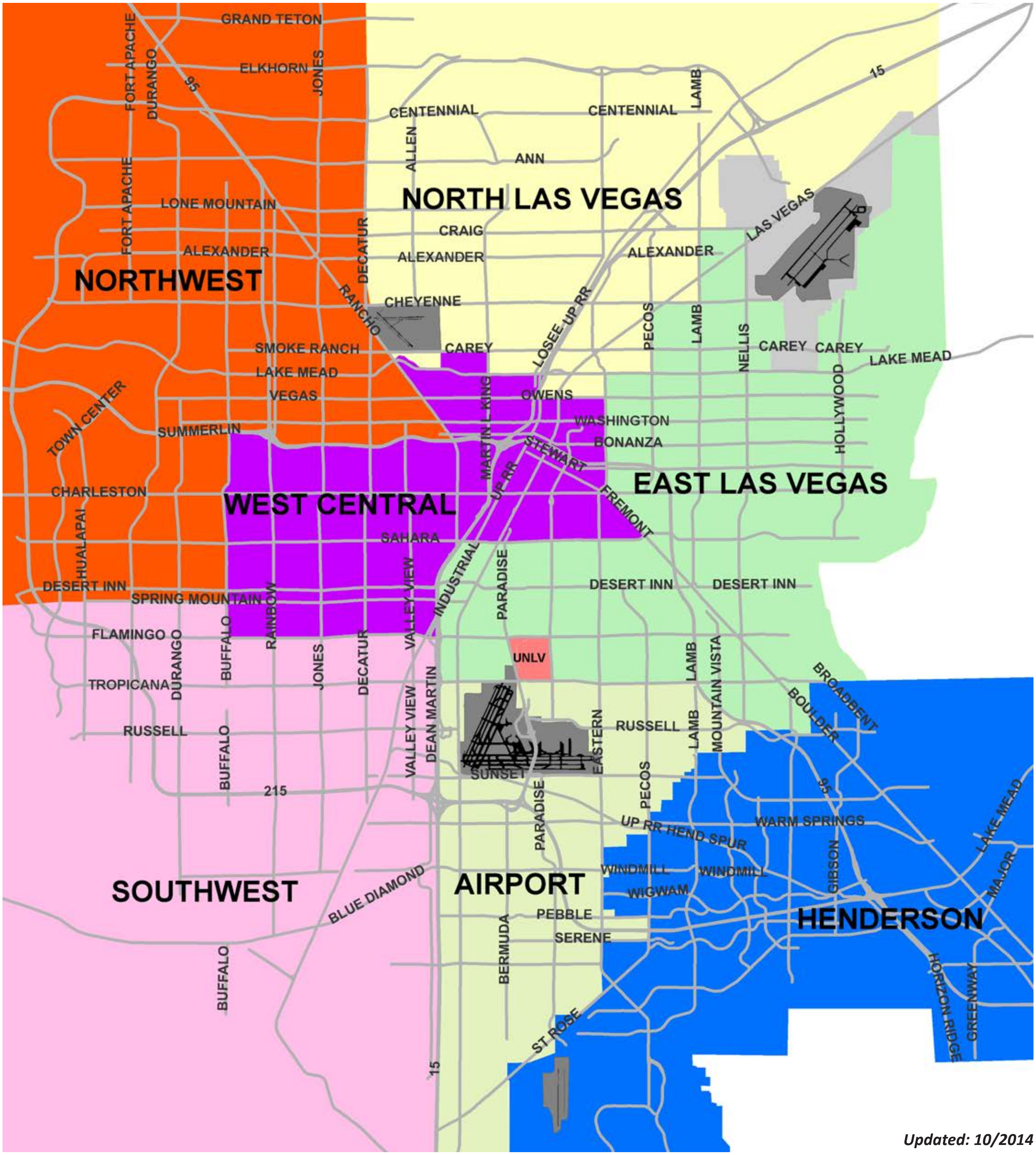
LIGHT INDUSTRIAL	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	199	91	313	594	16	742	482	**2,437**
Total Rentable SF	3,076,809	1,135,150	3,085,009	6,755,260	290,111	9,362,544	6,622,403	**30,327,286**
Total Vacant SF	189,771	65,762	72,854	175,040	4,649	333,983	156,087	**998,146**
Total Occupied SF	2,887,038	1,069,388	3,012,155	6,580,220	285,462	9,028,561	6,466,316	**29,329,140**
Total Vacant (%)	6.2%	5.8%	2.4%	2.6%	1.6%	3.6%	2.4%	**3.3%**
Completions QTD	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	0	0	0	0	**0**
Total Net Absorption QTD	-36,936	-45,318	13,528	-55,145	-4,649	77,846	50,905	**231**
Total Net Absorption YOY	44,096	-37,562	30,222	19,084	11,521	-92,314	107,910	**82,957**
Asking Rents ($ PSF)	$0.53	$0.54	$0.82	$0.64	$2.00	$0.85	$0.99	**$0.73**
Under Constuction SF	54,000	0	0	0	0	29,411	0	**83,411**
Planned SF	30,897	0	0	0	0	0	0	**30,897**

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	117,246	30,952	25,720	65,537	17,444	143,220	132,733	**532,852**
Total Occupied SF	1,597,375	267,671	431,186	496,015	81,881	2,353,161	2,325,882	**7,553,171**
Total Vacant (%)	6.8%	10.4%	5.6%	11.7%	17.6%	5.7%	5.4%	**6.6%**
Completions QTD	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	0	0	0	0	**0**
Total Net Absorption QTD	47,052	8,966	-6,484	-303	0	31,917	-111	**81,037**
Total Net Absorption YOY	46,051	9,525	12,474	20,466	12,764	24,561	19,616	**145,457**
Asking Rents ($ PSF)	$1.48	$0.62	$0.66	$0.58	$0.78	$1.14	$0.97	**$1.06**
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	176,276	0	92,618	83,262	62,133	161,099	27,699	**603,087**
Total Occupied SF	1,146,396	142,294	1,133,661	696,562	610,069	1,361,563	192,133	**5,282,678**
Total Vacant (%)	13.3%	0.0%	7.6%	10.7%	9.2%	10.6%	12.6%	**10.2%**
Completions QTD	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	0	0	0	0	**0**
Total Net Absorption QTD	-32,518	0	56,660	-9,120	4,479	23,723	-5,620	**37,604**
Total Net Absorption YOY	27,919	15,414	-12,701	7,324	22,529	7,535	-10,897	**57,123**
Asking Rents ($ PSF)	$0.96	$0.00	$1.27	$0.96	$0.88	$1.01	$0.90	**$0.99**
Under Constuction SF	0	0	0	0	0	70,000	0	**70,000**
Planned SF	0	0	0	0	0	0	0	**0**

LAS VEGAS VALLEY

INDUSTRIAL SUBMARKET MAP



CORPORATE CENTER, Ph. 3

RCG economics

Las Vegas Speculative Office Survey

3rd Quarter 2017

UNITED HEALTH CARE BUILDING

LAS VEGAS SPECULATIVE OFFICE SURVEY

SUMMARY

In the third quarter ("Q3") of 2017, the Las Vegas Valley's ("the Valley") multi-tenant, Speculative ("Spec") Office market[1], for the second quarter in a row, saw no new space come to market. Total inventory remained at 43.4 million square feet ("sf"). However, at 243,844 sf, the amount of space under construction in Q3 is nearly 10 times what it was the previous quarter. There are another 626,022 sf in the planning stages. Demand for space in Q3, 2017 was nearly 100,000 sf less than in Q2 with 378,044 sf absorbed; still a healthy amount. Space absorbed, coupled with no completions, together contributed to a 0.9-point reduction in the Spec Office market vacancy rate, from 19.2% to 18.3%. Average monthly asking rents held at $1.95 per square foot ("psf") FSG[2]. The health of Valley's Spec Office market, after considerable time languishing, appears to be on the upswing.

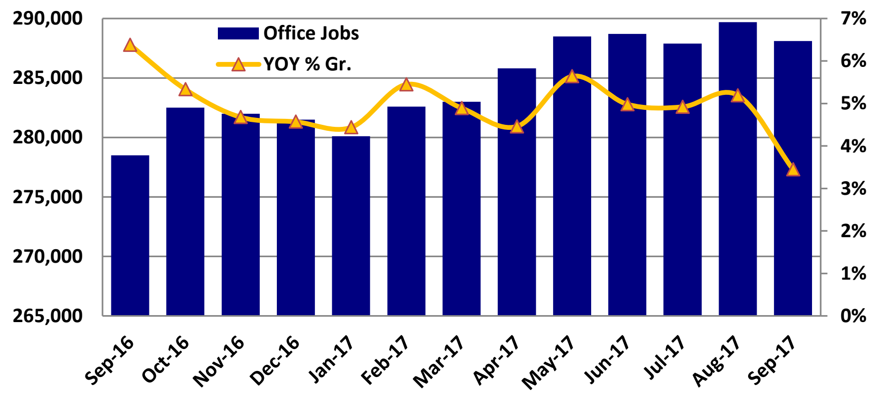
OFFICE-RELATED JOBS

Total nonfarm employment in the Las Vegas MSA rose by 23,400 jobs from September 2016 through September 2017, a 2.4% increase. During that time the "headline" unemployment rate declined 0.4 points to 5.2%.

Employment in the Office-using sector[3], a critical metric in assessing business expansions, comprised 33% of private payroll jobs (290,800 jobs) in Clark County at the end of Q3 (September 2017).

Year-over-year ("Y-O-Y") job growth in July of 4.9% was a good start to Q3. August was even better at 5.2%, though September fell off slightly to 3.4%, bringing Q3, 2017's Y-O-Y job growth average to 4.5%. This is less than Q2's 5.3% average, and brings the quarterly average for the year down to 4.9%. The Y-O-Y addition of 9,600 Office jobs in September indicates a year of healthy growth, with the Professional & Business (+5,100 jobs) sector again contributing the most jobs, followed by the Health Care & Social Assistance (+3,100 jobs) and the Financial Activities (+1,500 jobs) sectors. The Information sector (-100 jobs) continues to lose jobs, but good performances in the other sectors helped make up for this.

Clark County Total* Office Jobs and Annual Growth: Sep-16 to Sep-17



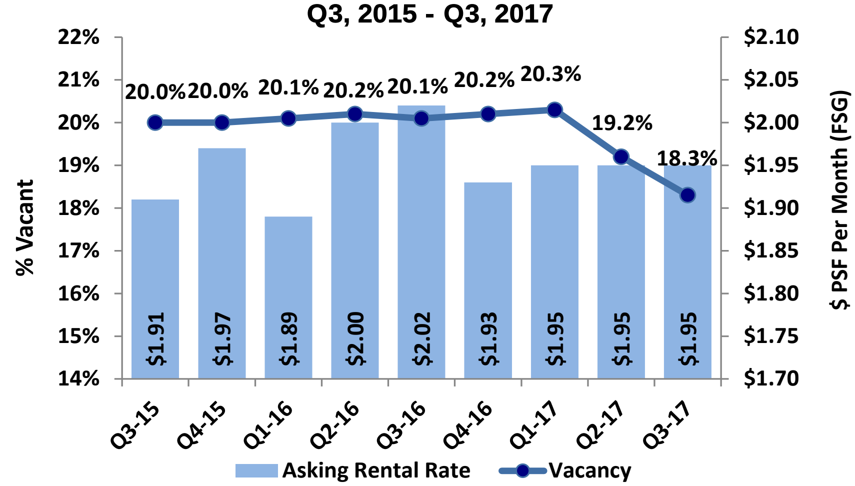
*Information, financial activities, professional & business and health care & social assistance. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

Office Employment

Industry Sector	Jul 2017	Jul 2016	Jul % Ch.	Aug 2017	Aug 2016	Aug % Ch.	Sep 2017	Sep 2016	Sep % Ch.
Information	11,000	11,100	-0.9%	10,800	10,700	0.9%	10,700	10,800	-0.9%
Financial Activities	50,800	48,200	5.4%	50,500	48,300	4.6%	49,900	48,400	3.1%
Prof. & Business	140,700	133,100	5.7%	141,700	133,800	5.9%	141,500	136,400	3.7%
Health Care & Social Assist.	85,400	82,000	4.1%	86,700	82,600	5.0%	86,000	82,900	3.7%
Total	**287,900**	**274,400**	**4.9%**	**289,700**	**275,400**	**5.2%**	**288,100**	**278,500**	**3.4%**

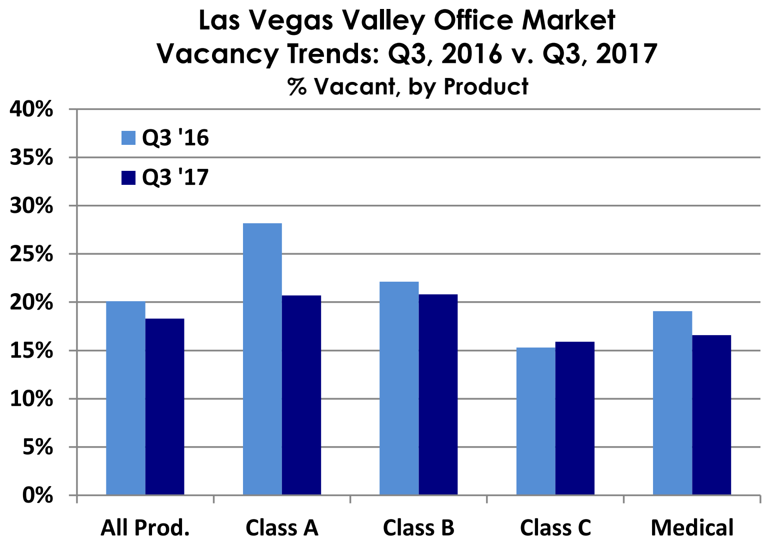
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

Las Vegas Valley Office Market Historical Vacancy vs. Monthly Asking Rent: Q3, 2015 - Q3, 2017



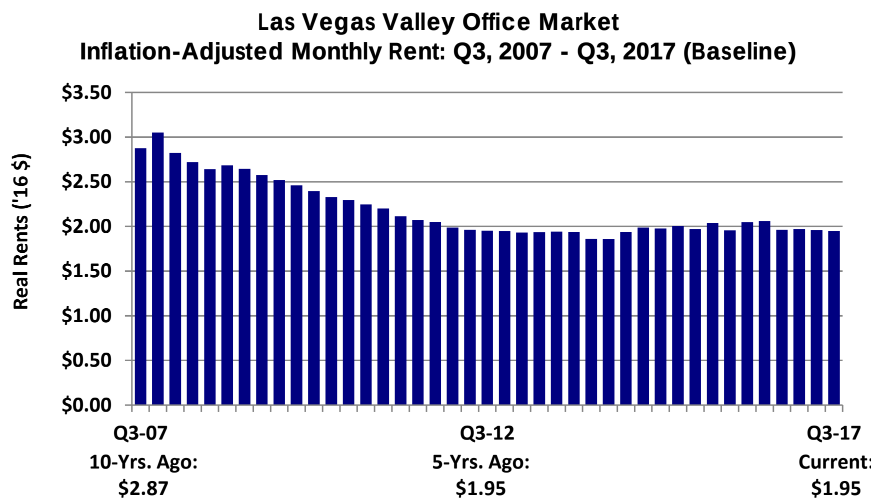
VACANCY & RENTS

In Q3, total Spec Office vacancy in the Valley (di-



rectly vacant space plus vacant sublease space) fell 0.9 points from 19.2% to 18.3%. Over these last two quarters, vacancy in the Spec Office market has dropped a considerable 1.9 percentage-points and is now at the lowest level seen since Q3, 2009 when vacancy was 18.0%. Overbuilding in Office construction during the boom era has today resulted in many under-filled office parks in the Valley, but persistent strong demand will begin to fill these. As the Office Market continues to improve, developers will bring more space to market and slow the rate at which vacancy is falling. We see this already in Q3 with a nearly tenfold increase in the amount of space under construction.

In Q3, 2017, all submarkets remain well above the 10% stabilized rate. Despite the Spec Office market's overall improvement in vacancy, three submarkets still experienced an increase in their vacancy rate from last quarter. Both East and North Las Vegas saw vacancy rise by 1.3 percentage-points, from 26.2% to 27.5% and from 14.7% to 16%, respectively. Downtown's vacancy went from 15.2% to 15.9%, an increase in vacancy of 0.7 points. The submarket experiencing the biggest improvement in vacancy was easily Henderson with a 4.1-point drop, from 20.1% to 16%. Following at some distance was Airport with a 1.7-point decrease, from 16.2% to 14.5%. The next three improved submarkets came one behind the other with West Central dropping 0.9 points, from 18.9% to 18%, the Northwest dropping 0.7 points from 18.7% to 18.0%, and finally the Southwest dropping 0.6 points from 18% to 17.4%.



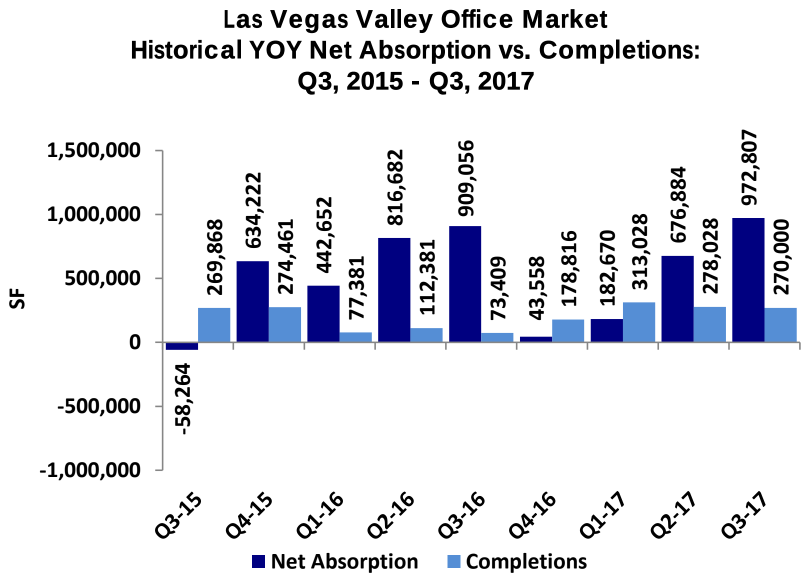
On a Y-O-Y basis three submarkets saw vacancy grow. North Las Vegas saw the biggest increase over the year with a 1.8-point rise from 14.2% in Q3, 2016. Downtown was up 1.2 from 14.7% vacancy last year, and the Southwest had a small 0.2-point rise in vacancy from 17.2% a year ago. The big leader in vacancy reduction was again Henderson with a 4.9-point decline since Q3, 2016, followed by Airport which experienced a 3.7-point drop from 18.2%. West Central came in third with a 2.3-point decrease in vacancy, followed at its heels by the Northwest with a 2.1-point decrease. East Las Vegas, the submarket with the highest vacancy rate, saw the smallest change from a year ago with a drop of 0.3 points, from 27.8%.

In terms of product types, Class A (20.7%) saw its vacancy rate fall in Q3 by 2.6 points from 23.3 in Q2. Class B (20.8%) vacancy fell by 1.1 points from 21.9%. Medical (16.6%) was down 1 point from 17.6% in Q2, 2017. Only Class C (15.9%) saw a small 0.2-point increase from 15.7% the previous quarter.

On a Y-O-Y basis, three of four product types saw vacancy drop. Class A, which began the year with the highest vacancy rate at 28.2% in Q3, 2016, finished it with a big 7.5-point drop by the end of Q3, 2017. Medical saw solid improvement with a 2.5-point decline in vacancy, from 19.1% in Q3, 2016. Class B was 1.3-points improved from 22.1% a year ago. Class C was the only product type to post a rise in vacancy with an uptick of 0.6 points from 15.3% last year.

Vacancy in the Office market fluctuated between 20.1% and 20.2% through 2016 and was up to 20.3% in the first quarter of 2017. Q3 was the second quarter of strong demand in the Spec Office market and this has resulted in a notable decline in the high vacancy rate, in part because substantial absorption was accompanied by a lack of any new space coming to market.

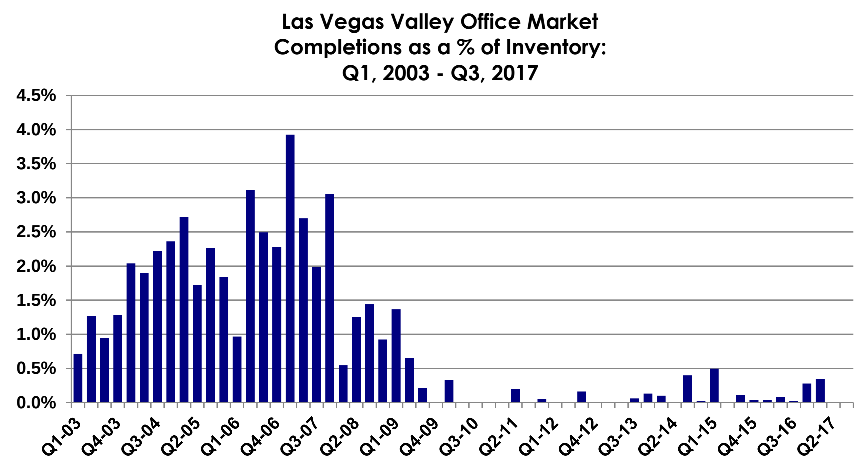
Despite strong demand in Spec Office market over the last two quarters, the Valley's overall average monthly rent (calculated on a full-service gross basis—accounting for all operating expenses) has not budged, holding firm at $1.95 per square foot ("psf"). Rents have fallen $0.07 from a year ago. Remember, the rents herein are based on quoted asking rents, not negotiated rents between owners and tenants.



DEMAND

Compared to Q2, demand in the Valley-wide Spec Office market fell in Q3, although the +378,044 sf absorbed was more than in 2015 and 2016 combined. We have to look at the level of demand seen in 2014 to find quarters with greater absorption. Q1, 2017 saw a total of +94,535 sf of absorption. Q2 more than quadrupled the previous quarter's demand with +465,637 sf. Through Q3, demand is nearing 1 million sf.

Five of the Valley's eight submarkets saw positive demand in Q3. Henderson experienced the biggest increase in absorption with +258,126 sf. In second place with almost a third of the space absorbed was the Airport submarket (+87,514 sf). The Northwest came third with +59,766 sf, while West Central (+45,734 sf) just edged out the Southwest (+43,264 sf) for fourth. The biggest loser was East Las Vegas with -78,427 sf absorbed, followed by Downtown with -26,363 sf and North Las Vegas with -10,570 sf.



On a product-basis, Class A and Class B were neck and neck in Q3 with +168,376 sf and +161,158 sf of absorption, respectively. Medical was well behind with +74,166 sf. Only Class C had negative demand in Q3, 2017 with -25,656 sf.

On a Y-O-Y basis, Class A performed the best with +573,440 sf absorbed since Q3, 2016. Medical also had a nice year with +301,867 sf absorbed. Class B had +188,609 sf on the year—not much higher than its total for the quarter. Class C, with -91,109 sf absorbed, was the only product type to experience negative demand over the year.

SUPPLY

After seven straight quarters in which new space came to market, there were no new Spec Office market completions in the second or third quarters of 2017. This total absence of completions is not likely to persist as there are now approximately 244,000 sf under construction in four projects, with three of those expected to be completed in Q4, 2017.

In Q3, 2017, annual completions were 270,000 sf, or more than triple the previous year period ending in Q3, 2016, when completions for the year totaled 73,408 sf. Annual Office completions are still well below the boom years when they ranged between 1.1 million sf (Q4, 2003) and 4.3 million sf (Q4, 2007). It is those boom years of exuberant building that are responsible for the sky-high vacancy rate in the Spec Office market. Completions, as a share of inventory, peaked at 4% in Q1, 2007, at the height of Southern Nevada's era of "irrational exuberance." While space under construction has increased significantly from Q2, most of the added space is in single project: Downtown Summerlin – Phase 2. With so much available space in the market, developers may yet be reluctant to commit to new projects.

We have recorded 13 Spec Office projects in the forward-supply[4] pipeline. Four are under construction:

Under Construction

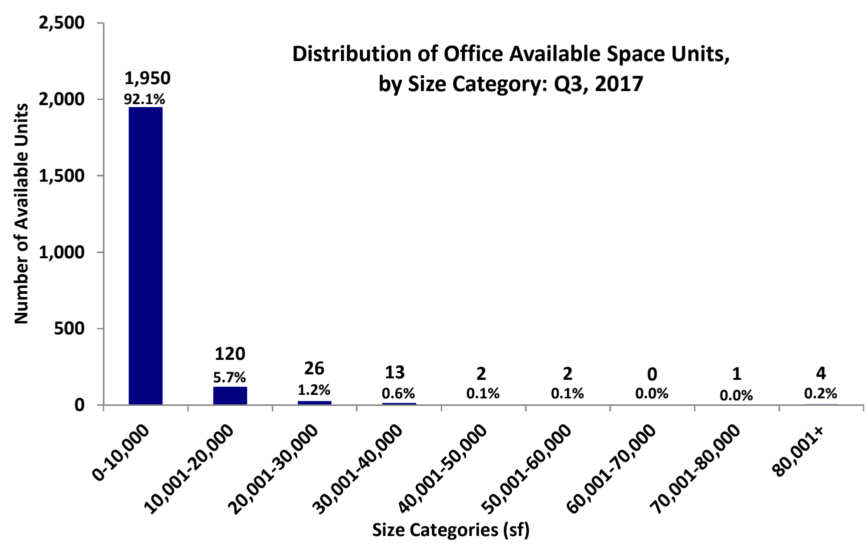
Project	SF	Subtype	Submarket	Exp. Comp.
Jones Beltway Business Park	16,480	B	Southwest	Q417
Sunset Hills Plaza	15,000	C	Southwest	Q417
St. Rose Coronado Center #1	62,364	B	Henderson	Q417
Downtown Summerlin - Phase 2	150,000	A	Northwest	2018
Total	**244,000**			

The other nine projects are in planning:

Planned

Project	SF	Subtype	Submarket	Exp. Comp.
Seven Hills Plaza D	42,000	B	Henderson	2018
The Square	36,722	C	Southwest	2018
Cadence Marketing Center 1	10,000	A	Henderson	2018
Cadence Marketing Center 3	15,000	A	Henderson	2018
Cadence Marketing Center 4	5,000	A	Henderson	Q417
Magnum Towers	100,000	B	Southwest	Q119
Pavilion Center @ Griffith Park	152,300	A	Northwest	2018
Symphony Park Office	200,000	A	Downtown	2018
Canyon Ridge Business Park	65,000	C	Southwest	2018
Total	**626,000**			

At 200,000 sf, the Symphony Park Office in the "Planned" table remains the biggest Spec Office space on the horizon, though the completion of this Class A building in the Downtown submarket is not expected until at least 2018. The next largest is the Pavilion Center @ Griffith Park, a Class A project in the Northwest submarket, which is also scheduled to open sometime in 2018, along with several other smaller projects. The 100,000 sf Magnum Towers, a Class B project in the Southwest, is not expected to open until the first quarter of 2019.



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 (18.3%) and the average quarterly absorption in the last 10 years (83,100 sf), we estimate that there still remain about 11.5 years of supply of Spec Office space in the Valley that must be absorbed to reach a 10% "normalized" vacancy rate.

Right is a chart detailing the distribution of available Office space in the Valley by unit size. It shows that there are 22 units available that are larger than 30,000 sf, which is down seven units from last quarter. Of all space that is currently on the market, 92.1% is in units of 10,000 sf or less.

INVESTMENT SALES

As reported by Colliers, Office investment sales YTD 2017 have already surpassed the total number of sales for all of 2016. There were 52 total sales so far in 2017 accounting for 1.9 million sf, compared to 46 sales in 2016 for a total of nearly 1.5 million sf. With another quarter left to grow the total for this year, 2017's sales will well exceed those of 2016. Sales volume through Q3, 2017 of $331.7 million is 65% higher than 2016's sales volume of $201.1 million. The increased sales volume was helped by an increased average price psf, from $136.79 in 2016 to 2017 YTD's price of $172.01. The average cap rate is down slightly by 0.1 points to 7.6%. Generally, in an improving market, owners demand lower cap rates resulting in higher prices, regardless of quality and location. The reverse is true in a down-market. In essence, the higher the cap rate, the lower the asking or sales price of income-producing property. This indicates a better return on investment, assuming other criteria are not included in the decision.

Office Investment Sales

	2016	YTD 2017
No. Sales	46	52
Square Feet Sold	1,470,000	1,928,516
Sales Volume (MM)	$201.1	$331.7
Average Price/SF	$136.79	$172.01
Average Cap Rate*	7.7%	7.6%
Average Sale Size (SF)	32,000	37,100

Source: Colliers Las Vegas.
**Cap rate on properties available for sale as investments.*

FURTHER THOUGHTS & RECAP

The Southern Nevada Spec office market, though it remains well behind the Industrial and Retail markets in terms of the recovery, made notable strides in the third quarter of 2017. Valley-wide Spec Office demand in Q3 (+378,044 sf), though down from Q2, was still very healthy and better than most quarters going back to Q4, 2014. On a Y-O-Y basis, net absorption in Q3 totaled +972,807 sf; significantly better than the year period ending in Q3, 2016, when demand was a dismal -615,391 sf.

The Office market depends on regional job growth, especially in white collar occupations, and while these jobs have not had the same comeback as low-skill and entry-level work, employment in the Office-using sector again had a solid quarter. Office jobs, which are a critical indicator of the health of the local economy, comprised 33% of all private payroll jobs in Clark County at the end of Q3 (September 2017). This was 9,600 jobs more (+3.4%) than existed in September 2016. The Professional & Business sector contributed the most new jobs adding +5,100 jobs for the year. Health Care & Social Assistance added another +3,100 and Financial Activities added +1,500. The Information sector was again a job loser, dropping -100 jobs. Job growth in Q3, while good, was lower than the previous two quarters.

Total Spec Office vacancy in the Valley in Q3 (directly vacant space plus vacant sublease space) fell by nearly a percentage-point, from 19.2% to 18.3%. This is the second big drop in a row. The Office market may be entering a period of sustained improvement, something it has been unable to attain and caused it to remain significantly more depressed than either the Industrial or the Retail markets.

The Airport submarket, with a 1.7-point drop in vacancy from 16.2% to 14.5%, was able to reclaim the lowest Spec Office market vacancy rate from Downtown, which just barely managed to hold onto second place with a 0.7-point increase in vacancy, from 15.2% to 15.9%. Both the Henderson and North Las Vegas submarkets were eyeing that second spot at 16.0% vacancy. The Southwest dropped 0.6 points, and at 17.4% pulled away from the Northwest and West Central submarkets which were both at 18.0% vacancy at the end of Q3. East Las Vegas (27.5%) was well behind the rest.

Completions, as a share of inventory, peaked at 4% in Q1, 2007, at the height of Southern Nevada's age of "irrational exuberance." There were zero completions in Q2 and Q3, 2017, which gave the market 6 months to absorb some of the space already available. As already mentioned above, it is not likely Q4 will provide the Spec Office market this same opportunity since three of four projects under construction are slated to complete. There were a total of 13 projects in various stages of development at the end of Q3, with 244,000 sf of Office space under construction and another 626,000 sf in the planning stages. This is just over 277,000 sf more in the forward supply than in Q2.

Q3 was another strong quarter for Southern Nevada's Spec Office market, the second one in a row. The Spec Office market had been stagnant in 2016 and there was little to suggest it would get its act together, but finally in 2017 there is reason to hope. Continued good job growth accompanied by healthy demand, a falling vacancy rate and higher investment sales volume three-quarters of the way into 2017 than in all of 2016 are indicators that the Office market's recovery may be gaining momentum. It remains to be seen if it can hold onto the gains made so far this year.

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[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 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, 2017

SUBMARKETS

TOTAL OFFICE MARKET	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	322	119	183	331	94	389	388	275	**2,101**
Total Rentable SF	5,163,422	3,835,861	6,134,382	6,177,268	783,529	9,052,999	6,845,103	5,406,541	**43,399,105**
Total Vacant SF	749,925	609,538	1,684,847	985,877	125,398	1,629,661	1,188,025	973,638	**7,946,909**
Total Occupied SF	4,413,497	3,226,323	4,449,535	5,191,391	658,131	7,423,338	5,657,078	4,432,903	**35,452,196**
Total Vacant (%)	14.5%	15.9%	27.5%	16.0%	16.0%	18.0%	17.4%	18.0%	**18.3%**
Completions QTD	0	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	150,000	0	120,000	0	0	**270,000**
Total Net Absorption QTD	87,514	-26,363	-78,427	258,126	-10,570	59,766	42,264	45,734	**378,044**
Total Net Absorption YOY	188,024	-44,304	22,085	423,504	-14,138	288,941	-13,125	121,820	**972,807**
Asking Rents ($ PSF)	$1.81	$2.13	$1.64	$2.10	$1.84	$2.02	$2.15	$1.85	**$1.95**
Under Constuction SF	0	0	0	62,364	0	150,000	31,480	0	**243,844**
Planned SF	0	200,000	0	72,000	0	152,300	201,722	0	**626,022**

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	22	4	2	**62**
Total Rentable SF	665,904	795,116	1,472,466	838,068	0	1,933,312	567,112	227,624	**6,499,602**
Total Vacant SF	63,923	180,597	368,089	106,051	0	556,235	22,996	45,505	**1,343,396**
Total Occupied SF	601,981	614,519	1,104,377	732,017	0	1,377,077	544,116	182,119	**5,156,206**
Total Vacant (%)	9.6%	22.7%	25.0%	12.7%	0.0%	28.8%	4.1%	20.0%	**20.7%**
Completions QTD	0	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	0	0	120,000	0	0	**120,000**
Total Net Absorption QTD	1,899	8,563	-42,461	174,563	0	3,204	18,913	3,695	**168,376**
Total Net Absorption YOY	209,775	51,233	28,591	161,652	0	87,220	27,453	7,516	**573,440**
Asking Rents ($ PSF)	$2.68	$2.80	$2.94	$2.41	$0.00	$2.26	$2.23	$1.91	**$2.53**
Under Constuction SF	0	0	0	0	0	150,000	0	0	**150,000**
Planned SF	0	200,000	0	30,000	0	152,300	0	0	**382,300**

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	320,093	197,614	454,995	349,971	67,599	535,870	495,513	493,789	**2,915,444**
Total Occupied SF	1,615,928	1,577,482	611,562	1,839,783	133,197	2,201,681	1,956,619	1,172,257	**11,108,509**
Total Vacant (%)	16.5%	11.1%	42.7%	16.0%	33.7%	19.6%	20.2%	29.6%	**20.8%**
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	107,986	-20,664	65,770	69,110	-14,722	-10,506	-31,031	-4,785	**161,158**
Total Net Absorption YOY	-1,163	-23,872	183,428	44,022	-15,068	44,975	-33,611	-10,102	**188,609**
Asking Rents ($ PSF)	$1.66	$1.57	$1.37	$2.23	$1.66	$1.74	$2.25	$1.74	**$1.81**
Under Constuction SF	0	0	0	62,364	0	0	16,480	0	**78,844**
Planned SF	0	0	0	42,000	0	0	100,000	0	**142,000**

Speculative Office Market Matrix

Las Vegas, Nevada

Third Quarter, 2017

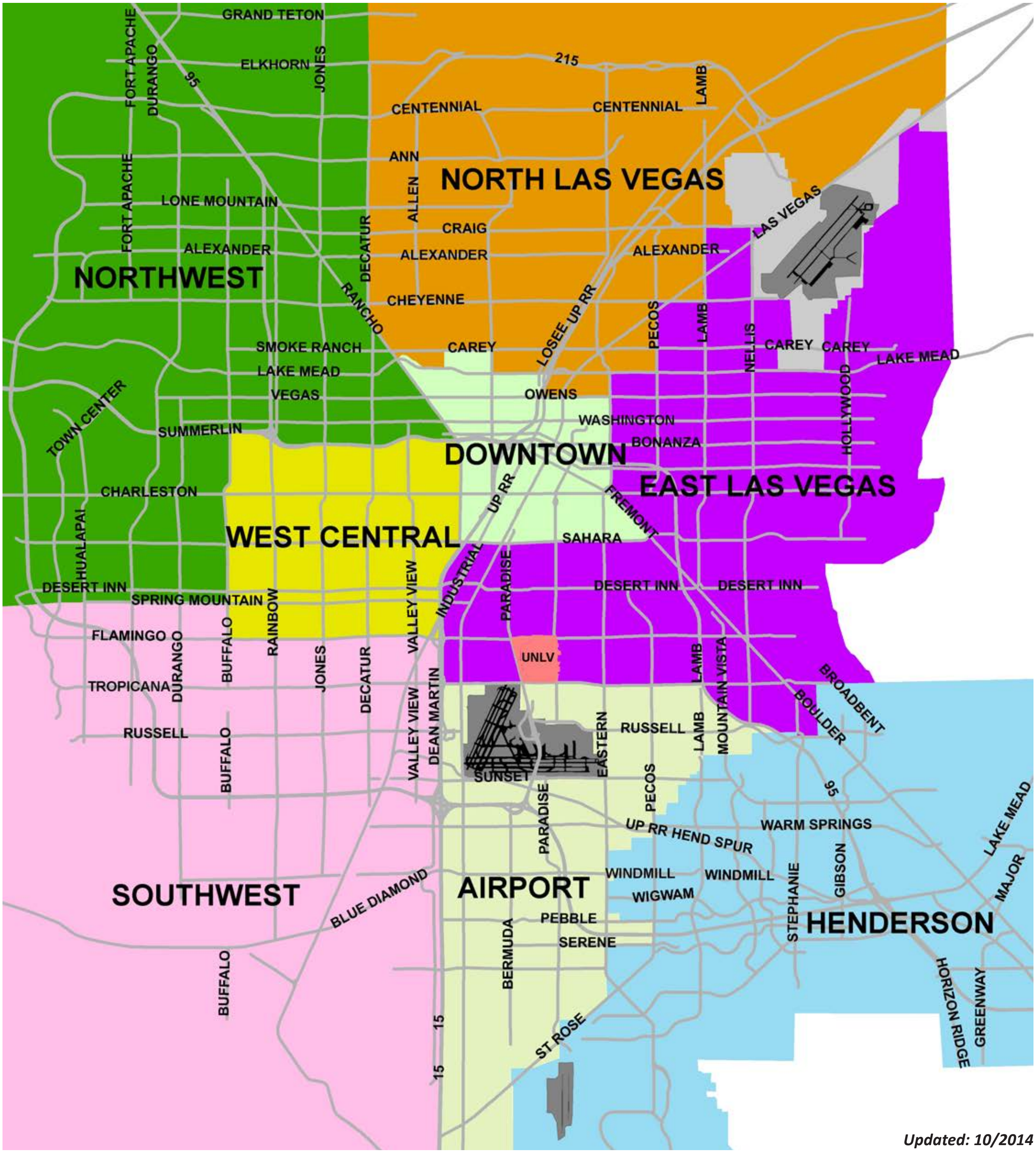
SUBMARKETS

PROFESSIONAL CLASS C	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	268	66	110	144	76	210	272	187	**1,333**
Total Rentable SF	2,432,967	877,606	2,051,408	1,618,430	482,290	2,234,002	3,093,831	2,761,393	**15,551,927**
Total Vacant SF	330,581	142,328	498,261	278,414	37,199	310,146	506,107	368,010	**2,471,046**
Total Occupied SF	2,102,386	735,278	1,553,147	1,340,016	445,091	1,923,856	2,587,724	2,393,383	**13,080,881**
Total Vacant (%)	13.6%	16.2%	24.3%	17.2%	7.7%	13.9%	16.4%	13.3%	**15.9%**
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	2,287	-2,299	-39,474	-8,766	4,152	-20,905	44,239	-4,890	**-25,656**
Total Net Absorption YOY	-10,069	-42,110	-117,142	4,966	7,266	60,067	-44,337	50,250	**-91,109**
Asking Rents ($ PSF)	$1.85	$1.53	$1.72	$1.88	$1.73	$1.93	$2.09	$1.61	**$1.84**
Under Constuction SF	0	0	0	0	0	0	15,000	0	**15,000**
Planned SF	0	0	0	0	0	0	101,722	0	**101,722**

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	1,531,016	100,443	2,148,134	732,028	751,478	**7,323,623**
Total Vacant SF	35,328	88,999	363,502	251,441	20,600	227,410	163,409	66,334	**1,217,023**
Total Occupied SF	93,202	299,044	1,180,449	1,279,575	79,843	1,920,724	568,619	685,144	**6,106,600**
Total Vacant (%)	27.5%	22.9%	23.5%	16.4%	20.5%	10.6%	22.3%	8.8%	**16.6%**
Completions QTD	0	0	0	0	0	0	0	0	**0**
Completions YOY	0	0	0	150,000	0	0	0	0	**150,000**
Total Net Absorption QTD	-24,658	-11,963	-62,262	23,219	0	87,973	10,143	51,714	**74,166**
Total Net Absorption YOY	-10,519	-29,555	-72,792	212,864	-6,336	96,679	37,370	74,156	**301,867**
Asking Rents ($ PSF)	$1.56	$1.85	$1.79	$2.20	$2.32	$2.41	$2.07	$1.80	**$2.03**
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

SPECULATIVE OFFICE SUBMARKET MAP



Updated: 10/2014

RCG economics

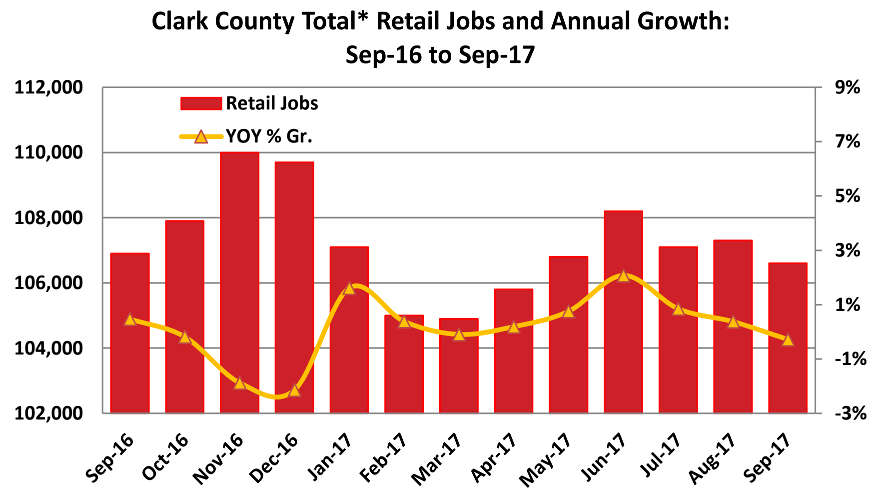
Las Vegas Anchored Retail Survey

3rd Quarter 2017

LAS VEGAS ANCHORED RETAIL SURVEY

SUMMARY

With no completions in the Las Vegas Valley's ("the Valley") Anchored Retail (we do not track unanchored properties) market[1], inventory remained at 44.3 million square feet ("sf") at the end of the third quarter ("Q3") of 2017. Good news comes with a significant increase in demand from +9,254 sf absorbed in Q2 to +581,858 sf of absorption in Q3, which accounts for a majority of the one-year total +768,610 sf. Strong demand had the effect of dropping the vacancy rate significantly, from 10.8% in Q2 to 9.5% in Q3. Average monthly asking rents increased by $0.02 to $1.02 per square foot ("psf") NNN[2] from last quarter. Compared to the previous year, rents are up just $0.03. Forward-supply[3] has grown even bigger at the end of Q3 with 427,000 sf under construction and another 1,296,550 sf of planned space for a total of over 1.7 million sf.



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

RETAIL JOBS

Total nonfarm employment in the Las Vegas MSA rose by 23,400 jobs from September 2016 through September 2017, a 2.4% increase. During that time the "headline" unemployment rate declined 0.4 points to 5.2%.

There were 106,900 Las Vegas Retail sector jobs in the Las Vegas MSA at the end of September 2017, accounting for 12% of total private payroll jobs. This represented a -0.3% loss in jobs compared to September 2016. Weak job growth in July (+0.8%) and August (+0.4%) brought the overall Y-O-Y job growth average up to just 0.3% over the quarter.

Retail Employment

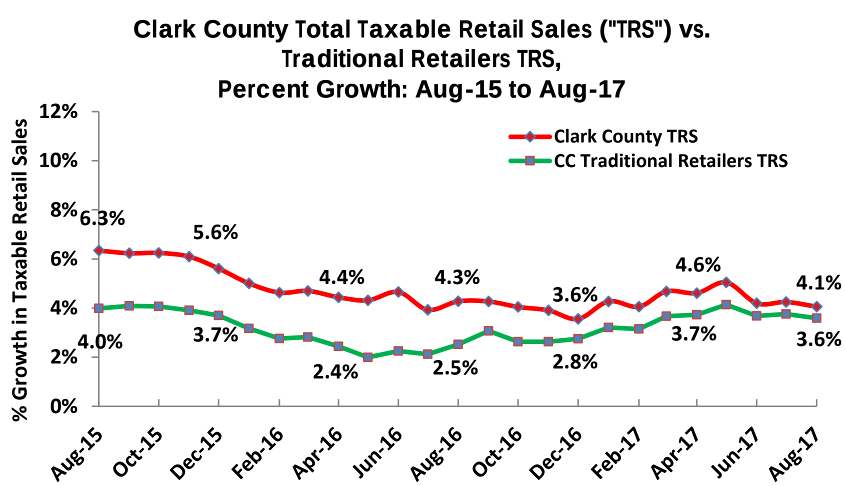
	Jul			Aug			Sep		
Industry Sector	**2017**	**2016**	***% Ch.***	**2017**	**2016**	***% Ch.***	**2017**	**2016**	***% Ch.***
Food & Bev. Stores	17,800	17,400	*2.3%*	17,800	17,500	*1.7%*	17,900	17,400	*2.9%*
Health & Personal Care Stores	7,900	7,600	*3.9%*	7,900	7,600	*3.9%*	7,800	7,700	*1.3%*
Other Stores	81,400	81,200	*0.2%*	81,600	81,800	*-0.2%*	80,900	81,800	*-1.1%*
Total	**107,100**	**106,200**	***0.8%***	**107,300**	**106,900**	***0.4%***	**106,600**	**106,900**	***-0.3%***

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

Since September 2016, two Retail sectors reported by the BLS saw job growth, with Food & Beverage Stores (+500) adding the most and Health & Personal Care Stores adding another 100. The Other Stores[4] sector wiped out these small gains with -900 jobs lost.

TAXABLE RETAIL SALES

Clark County's taxable sales continue increasing on a 12-month moving average basis ("12MMA"). Over the previous three recorded months ending in August 2017, the Y-O-Y growth rate for taxable sales has been steady at 4.2%, 4.2% and 4.1%, respectively. On a 12-month moving total basis, total sales reached $41.1 billion in August 2017. The region's taxable sales are again at an all-time high, well-above the previous peak of $36.3 billion



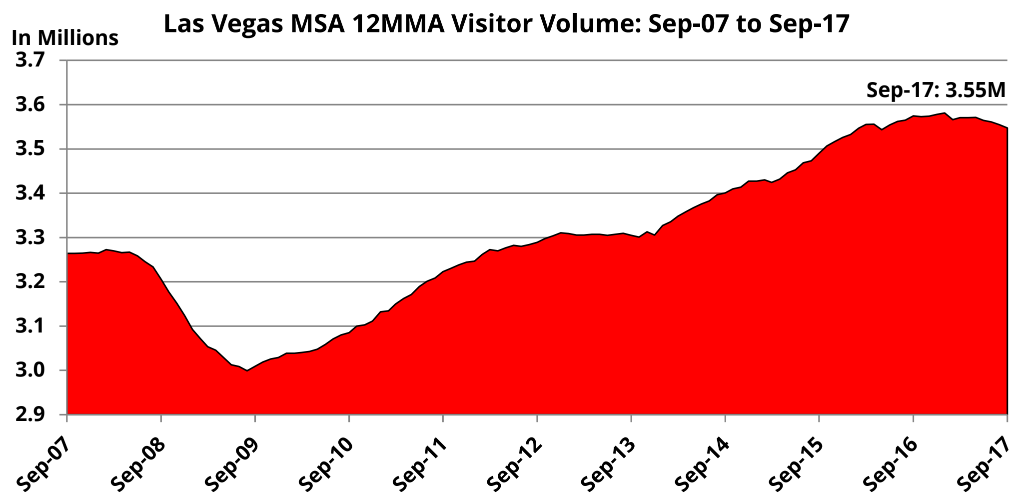
Source: Nevada Department of Taxation; calculated by RCG Economics.

in December 2007. We encourage our readers to track the trend rate closely, especially for "traditional" retail sales, which was 3.6% year-over-year.

The table below shows the top five (Y-O-Y change) performing traditional retail sectors in Clark County for the month of August. Miscellaneous Store Retailers experienced the biggest growth over the year at 35.8%. There are 11 traditional retail sectors.
While visitation to Las Vegas is an important variable in taxable retail sales, declining visitors do not yet appear to be impeding growth in sales. On a 12MMA, visitation to Las Vegas fell -0.8% for the year, resulting in a total of 3.5 million visitors in September. Negative growth in visitors at the end of September 2017 was well below the 2.4% growth recorded in September 2016. Visitor growth continues to slow, dropping from an average of 0.8% over the first quarter of 2017 to 0.5% over the second quarter and -0.4% in the third. Tourism is the lifeblood of the Las Vegas economy. If growth in tourism continues to slow, retail sales, especially discretionary point-of-sale spending, will likely reflect that decline.

Top 5 Traditional Retailers: Aug-17	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	$891,593,511	$21,356,242	2.5%
Miscellaneous Store Retailers	$70,804,907	$18,665,672	35.8%
Building Material and Garden Equipment and Supplies	$132,544,421	$15,986,686	13.7%
General Merchandise Stores	$269,382,819	$9,600,460	3.7%
Food and Beverage Stores	$107,439,706	$8,827,951	9.0%
Top 5 Total	$1,471,765,364	$74,437,011	5.3%

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

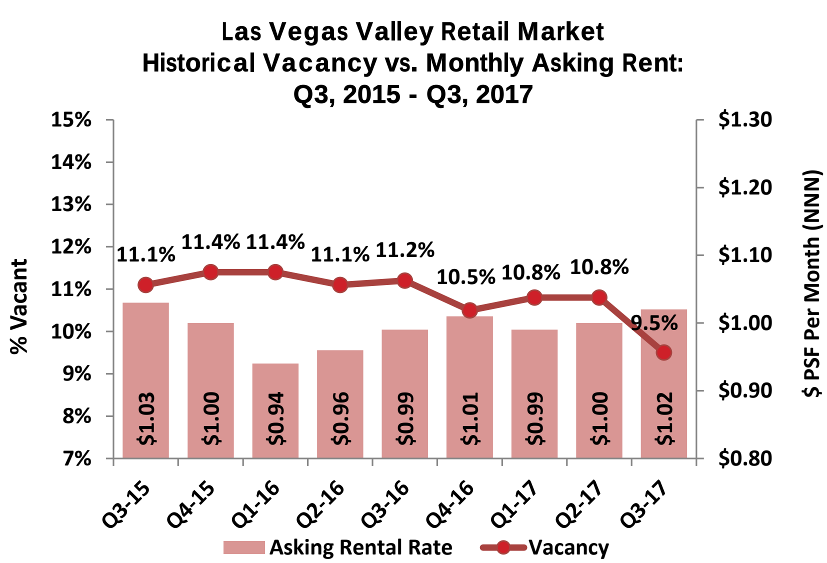


Source: Las Vegas Convention and Visitors Authority

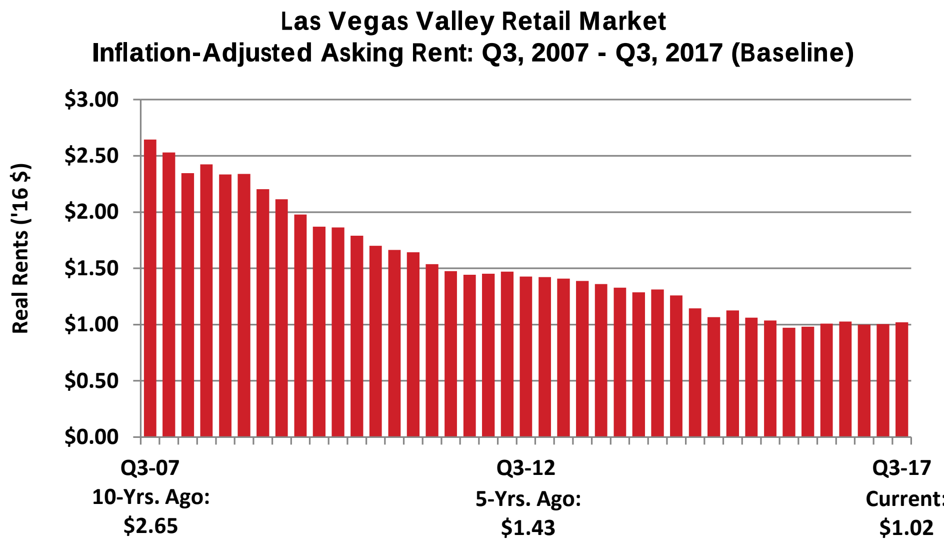
VACANCY & RENTS

After holding at 10.8% over the first two quarters of the year, the average Valley-wide Anchored Retail vacancy rate experienced a big 1.3-point drop to 9.5% in Q3, bringing it below the 10% stabilized rate for the first time since Q4, 2009. When compared to the vacancy rate in Q3, 2016 (11.2%), the Valley-wide vacancy is down 1.7 points. Retail vacancy is now 5.8 percentage-points lower than the record high of 15.3% recorded in Q2, 2011.

Four of eight submarkets saw vacancy decrease in the third quarter. The University East submarket was easily the most improved from the previous quarter with vacancy falling by a whopping 7.2 points, from 16.5% in Q2, 2017 to 9.3% in Q3.



While not nearly as big a drop as University East, the West Central submarket, with a 2-point drop in vacancy to 9.3%, also saw notable improvement. Close behind it was the Southwest with a 1.7-point decline, from 6.7% to 5%. The Northwest saw vacancy fall by 0.3 points, from 9.3% to 9%. Two submarkets saw no change in vacancy at all. They were Downtown (22.2%) and North Las Vegas (14.8%). The remaining two submarkets had vacancy rise. The Northeast submarket's vacancy rate rose 2.5 points, from 5.8% to 8.3%, while Henderson experienced a small increase of 0.1 points, from 9.1% to 9.2%.



On a Y-O-Y basis, the vacancy rate in six of eight submarkets improved. The University East submarket was again the big winner with a 5-point improvement from Q3, 2016 when its vacancy rate was 14.3%. West Central followed with a 3.4-point drop from 12.7% last year. Henderson came next with a 2.1-point decline in vacancy from 11.3%, while Downtown was right behind with a decline of 1.9 points from 24.1%. The Southwest was not far off with a 1.4-point dip in vacancy from 6.4% in Q3, 2016, with the Northwest rounding out the group with a 0.7-point drop from 9.7%. The Northeast was worst off, experiencing a 2.3-point increase in vacancy from 6.0%. North Las Vegas saw a mild 0.3-point rise over the year from 14.5%.

When considered by product type all three saw decreases in vacancy from Q2, 2017, though for Neighborhood Centers the improvement was tiny with vacancy falling by just 0.1 points, from 11.0% to 10.9%. Power Centers did not do much better with just a 0.3-point improvement, from 6.9% in Q2 to 6.6% in Q3. The big improvement came in Community Centers which accounts for the biggest share of inventory in the Retail Market. The drop in vacancy there was 2.8 points, from 12.8% to an even 10.0%.

Compared to Q3, 2016, Neighborhood centers are down 0.5 points from 11.4%. Vacancy in Power Centers is down just 1.2 points from 7.8%. Community Centers had the same drop in vacancy over the year as it did from a quarter ago: 2.8 points.

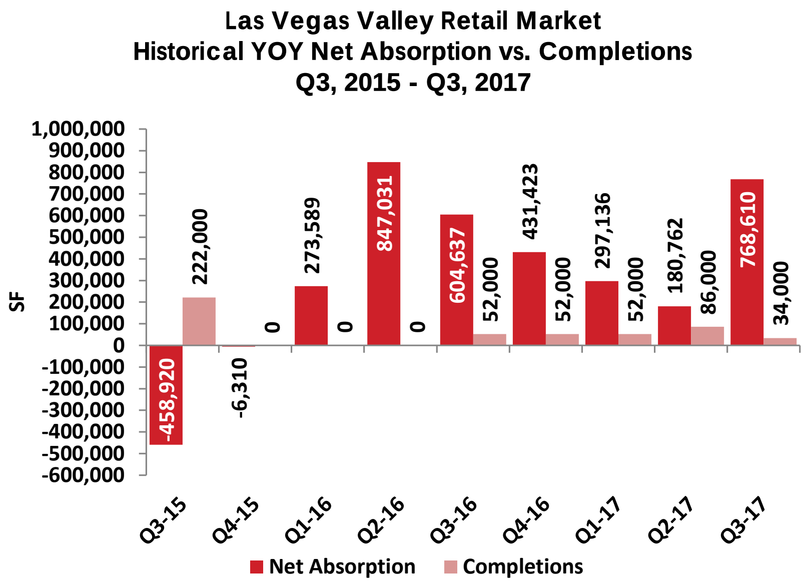
The Valley's overall Anchored Retail monthly rent increased by $0.02 from $1.00 psf in Q2, 2017 to $1.02 in Q3, 2017 (calculated on a NNN basis, not accounting for any operating expenses and noted as asking rents).

The Valley's Anchored Retail market performed well in the third quarter of 2017. Most of the improvement in vacancy came in this quarter, with the previous two quarters remaining relatively stable. When compared to 2016, the big improvement came in the fourth quarter of that year, though most of the gains would be erased in 2017. It remains to be seen if the Anchored Retail market can string together several more quarters of improvement to bring the vacancy rate down to levels seen before the great recession. The main roadblock to sustained growth in Anchored Retail had been the languishing Community Center, though as noted above, this product type was the most improved in Q3, 2017. According to various sources, unanchored retail centers have seen more success recently as they cater toward food and beverage outlets, as well as personal services, such as hair salons and car repair shops, which have not been affected as greatly by online retailers.

DEMAND

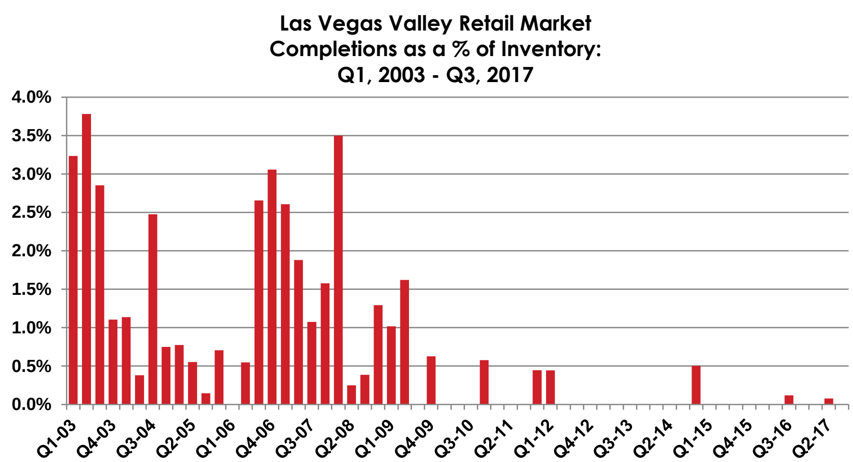
After weak demand in Q2, 2017 of just +9,254 sf, absorption for Q3, 2017 took off, reaching an exceptional +581,858 sf. This was higher than any quarter since Q1, 2008. In Q3, 2017 both the Valley's Anchored Retail and Industrial markets have experienced remarkable demand higher than any quarter in recent years. Y-O-Y net absorption for Retail was +768,610 sf.

For the quarter, net absorption was positive in five of eight submarkets and unchanged in Downtown. University East carried the group with +435,823 sf. The Southwest was a distant second with +100,043 sf, followed by West Central with +84,374 sf, the Northwest with +28,191 sf and North Las Vegas with +959 sf. Demand was negative in the two remaining submarkets with the Northeast accounting for -62,436 sf and Henderson for -5,096 sf.



For the year ending in Q3, 2017, six Anchored Retail submarkets showed improvement. University East (+300,896 sf) had the strongest year period, followed by Henderson (+212,390 sf), West Central (+145,732 sf), the Southwest (+83,918 sf), the Northwest (+72,315) and Downtown (+20,899 sf). The Northeast submarket had the highest negative absorption at -57,249 sf, with North Las Vegas losing -10,291 sf over the year.

On a product basis, all three Retail product types experienced positive demand for the quarter. Community Centers (+533,547) was far and away the strongest performer for the quarter. For the year period ending in Q3, 2017, the total demand for Community Centers was nearly the same with +563,442 sf absorbed. Power Centers absorbed +31,520 sf for the quarter and +122,973 sf for the year. Neighborhood Centers absorbed +16,791 in Q3, and +82,195 sf for the year.



SUPPLY

Through three quarters, only one project has been completed in the Valley's Anchored Retail market in 2017. The 52,000 sf expansion of the Decatur 215 Community Center in the Northwest submarket was finished in Q2, while both Q1 and Q3 saw no new space come to market. The only quarters to see completions in the last 20 quarters were Q4, 2014, Q3, 2016 and Q2, 2017. The Valley's total Anchored Retail inventory is currently 44.3 million sf in 267 centers. Despite the small amount of new space that has been added to Anchored Retail's total inventory, the market's forward supply continues to grow. As of Q3, there are nearly 1.6 million sf of space in the Anchored Retail market's forward supply. We are bound to see completions in the near future with two projects expected to be finished in Q4, and approximately 1.3 million sf in 2018.

There are three Anchored projects currently under construction totaling 427,000 sf:

Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
Mountain's Edge Marketplace	133,000	Community Center	Southwest	Q417
Walmart @ Blue Diamond	169,000	Neighborhood Center	Southwest	Q417
Skye Canyon Marketplace	124,943	Neighborhood Center	Northwest	Q218
Total	**427,000**			

Eight more projects are in the planning phase for another 1.3 million sf of space:

Planned

Project	SF	Subtype	Submarket	Exp. Comp.
DCs Plaza	72,550	Neighborhood Center	Northwest	Q118
Silverado Promenade	130,000	Neighborhood Center	University East	2018
St. Rose Square	466,000	Power Center	Henderson	Q218
Cadence Village Center	153,000	Neighborhood Center	Henderson	2018
215 Curve	207,000	Community Center	Southwest	2018
Sprouts @ Maryland & Silverado	51,000	Neighborhood Center	University East	2018
Sprouts @ Rainbow & Arby	65,000	Neighborhood Center	Southwest	2018
Sunset & Durango	152,000	Neighborhood Center	Southwest	2018
Total	**1,297,000**			

INVESTMENT SALES

Year-to-date Retail investment sales in 2017, as reported by Colliers, totaled 3.7 million sf, compared to 2.5 million sf for all of 2016. In three quarters 2017 has already surpassed the total for all of 2016. The average price per square foot fell from $166.00 in 2016 to $142.76 in 2017, and average reported cap rates were up 0.8 points, from 6.7% to 7.5%. Total sales volume after three quarters in 2017 is $531.7 million, well ahead of the $419.7 million total through all four quarters of 2016. In general, in an improving market, owners typically demand lower cap rates resulting in higher prices regardless of quality and location, but in spite of this cap rates are up from last year.

Shopping Center Retail Investment Sales

	2016	YTD 2017
No. Sales	41	30
Square Feet Sold	2,528,000	3,725,000
Sales Volume (MM)	$419.7	$531.7
Average Price/SF	$166.00	$142.76
Average Cap Rate*	6.7%	7.5%
Average Sale Size (SF)	62,000	124,000

Source: Colliers Las Vegas.
**Cap rate on properties available for sale as investments.*

FURTHER THOUGHTS & RECAP

There were 106,900 Las Vegas Retail sector jobs in the Las Vegas MSA at the end of September 2017, accounting for 12% of total private payroll jobs. This represented a decline in jobs of -0.3% compared to September 2016. A loss of -900 Other Store jobs wiped out the small gains in Food & Beverage (+500 jobs) and Health & Personal Care Stores (+100 jobs).

Y-O-Y job growth was dismal in Q3 with the average over three months at just 0.3%. While low, Q3 was not much worse than either Q1 (0.8%) or Q2 (1.1%). 2017 has not been a strong year for Retail employment.

Clark County taxable sales continue to climb on an absolute basis. On a 12MMA, these sales have now reached $41.1 billion in August, a 4.1% gain compared to August 2016. Y-O-Y growth in taxable retail sales has been steady over the last three months at an average 4.2%, though this was slightly lower than the 4.8% average over the three months prior. The region reached a new all-time high in sales, well-above the previous peak in December 2007 of $36.3 billion. Also, the average Y-O-Y growth during the last 60 months was a healthy 5.9%.

Visitation is the life blood of the Valley's economy, and as such plays an outsized role in the success of retail sales. Despite seemingly healthy taxable retail sales, they would likely be doing even better were visitation still growing. On a 12MMA basis, visitation to Las Vegas actually fell in September with the Valley receiving 3.5 million visitors, or -0.8% less than in September 2016. Growth in visitation to Clark County has been declining steadily. Over the first half of 2016, Y-O-Y visitor growth averaged 3.3%. Over the second half of 2016, it was down to 2.1%. The first half of 2017 saw visitor growth average just 0.6%. Three months into the second half of 2017 and it has fallen to -0.4%. We suspect this decline is responsible for the slight dip in retail sales when we compare these last three months (4.2%) to the three months that came before (4.8%). It is likely we will see the growth rate of taxable retail sales continue to drop with visitation.

On a more positive note, the Valley-wide Anchored Retail vacancy rate was much improved, falling under the generally accepted stabilized rate of 10%. At the end of Q3, vacancy sits at 9.5%. It remains to be seen if the market can retain this improvement, or if it ends up giving it right back. With so much space in various stages of development and some of it nearing completion, one suspects we will not see another such successful quarter soon again.

The highest submarket vacancy rates in Anchored Retail at the end of Q3 were the Downtown (22.2%) and North Las Vegas (14.8%). Four submarkets are in the 9% range: West Central (9.3%), University East (9.3%), Henderson (9.2%) and the Northwest (9.0%). The Southwest is well ahead of the rest at 5.0% vacancy.

In terms of product type, the highest vacancy rate was in Neighborhood Centers (10.9%). Community Centers had that spot previously but dropped nearly three points down to 10.0%. At 6.6% vacancy, the Power Center product type is comfortably below the 10% stabilized rate.

Most of the demand in Q3, 2017 came from Community Centers (+533,547 sf). Power Centers (+31,520 sf) and Neighborhood Centers (+16,791) contributed much lower absorption totals for the quarter. Absorption for the year period ending in Q3, 2017 was +768,610 sf.

There were no Anchored Retail project completed in Q3, 2017. That leaves over to 1.7 million square feet in the forward supply with 427,000 sf currently under construction and another 1.3 million sf in planning. The Valley's total inventory is currently 44.3 million sf in 267 shopping centers.

According to AAA, the price of gasoline as of November 6, 2017 in Las Vegas was $2.67 per gallon of regular unleaded, down a penny per gallon from one month prior. When compared to a year ago, the price per gallon is up $0.18. Despite high refinery utilization and increasing crude oil inputs, the West Coast continues to see the highest gas prices in the nation.

Wages and incomes, when adjusted for inflation, have been rising steadily. Clark County's 12MMA inflation-adjusted average weekly earnings were up 2.6% in September compared to September 2016, reaching $666 in 2007 dollars after 39 months of Y-O-Y improvement.

Average weekly hours were 33.7 at the end of September, on a 12MMA basis, up by 0.2 hours over the second quarter of 2017. Hours were up 0.5 hours from September 2016. Average weekly hours continue to improve gradually. This is a good sign for the Retail market because it means reliance on part-time workers is decreasing. Nevada's U-6 unemployment rate (includes discouraged and part-time workers), one of the highest in the nation, fell 0.1 points to 11.4% in Q3.

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[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 four quarters.*

[4] *"Other stores" is made up of total retail less 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, 2017

SUBMARKETS

TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	60	23	40	34	**268**
Total Rentable SF	1,105,851	8,714,068	4,910,743	2,542,317	10,862,588	5,783,835	6,050,227	4,379,055	**44,348,684**
Total Vacant SF	245,273	801,037	724,499	210,022	982,900	289,023	563,851	409,112	**4,225,717**
Total Occupied SF	860,578	7,913,031	4,186,244	2,332,295	9,879,688	5,494,812	5,486,376	3,969,943	**40,122,967**
Total Vacant (%)	22.2%	9.2%	14.8%	8.3%	9.0%	5.0%	9.3%	9.3%	**9.5%**
Completions QTD	0	0	0	0	0	0	0	0	**0**
Completions YOY	0	34,000	0	0	0	0	0	0	**34,000**
Total Net Absorption QTD	0	-5,096	959	-62,436	28,191	100,043	435,823	84,374	**581,858**
Total Net Absorption YOY	20,899	212,390	-10,291	-57,249	72,315	83,918	300,896	145,732	**768,610**
Asking Rents ($ PSF)	$0.72	$1.01	$1.33	$1.22	$1.15	$1.08	$0.65	$0.99	**$1.02**
Under Constuction SF	0	0	0	0	124,943	302,000	0	0	**426,943**
Planned SF	0	619,000	0	0	72,550	424,000	181,000	0	**1,296,550**

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	148,808	115,246	0	163,053	14,400	116,514	107,816	**665,837**
Total Occupied SF	0	2,813,480	872,467	0	2,677,793	929,914	1,093,709	1,030,408	**9,417,771**
Total Vacant (%)	0.0%	5.0%	11.7%	0.0%	5.7%	1.5%	9.6%	9.5%	**6.6%**
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	2,397	0	0	-8,401	42,596	0	-5,072	**31,520**
Total Net Absorption YOY	0	85,314	-1,410	0	-30,638	38,896	1,716	29,095	**122,973**
Asking Rents ($ PSF)	$0.00	$1.48	$2.25	$0.00	$1.59	$1.56	$0.98	$0.95	**$1.34**
Under Constuction SF	0	0	0	0	0	0	0	0	**0**
Planned SF	0	466,000	0	0	0	0	0	0	**466,000**

COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	21	10	8	21	9	19	15	**107**
Total Rentable SF	631,168	2,954,692	1,755,463	1,407,552	4,366,234	3,216,421	2,761,028	1,649,146	**18,741,704**
Total Vacant SF	186,964	283,557	129,544	75,790	528,314	159,308	251,057	255,359	**1,869,893**
Total Occupied SF	444,204	2,671,135	1,625,919	1,331,762	3,837,920	3,057,113	2,509,971	1,393,787	**16,871,811**
Total Vacant (%)	29.6%	9.6%	7.4%	5.4%	12.1%	5.0%	9.1%	15.5%	**10.0%**
Completions QTD	0	0	0	0	0	0	0	0	**0**
Completions YOY	0	34,000	0	0	0	0	0	0	**34,000**
Total Net Absorption QTD	0	10,886	-797	-1,246	6,877	10,492	421,335	86,000	**533,547**
Total Net Absorption YOY	22,719	98,391	24,079	13,135	-83,467	48,026	335,768	104,791	**563,442**
Asking Rents ($ PSF)	$0.69	$1.20	$1.97	$1.65	$0.98	$1.13	$0.42	$0.91	**$0.74**
Under Constuction SF	0	0	0	0	0	133,000	0	0	**133,000**
Planned SF	0	0	0	0	0	207,000	0	0	**207,000**

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	58,309	368,672	479,709	134,232	291,533	115,315	196,280	45,937	**1,689,987**
Total Occupied SF	416,374	2,428,416	1,687,858	1,000,533	3,363,975	1,507,785	1,882,696	1,545,748	**13,833,385**
Total Vacant (%)	12.3%	13.2%	22.1%	11.8%	8.0%	7.1%	9.4%	2.9%	**10.9%**
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	-18,379	1,756	-61,190	29,715	46,955	14,488	3,446	**16,791**
Total Net Absorption YOY	-1,820	28,685	-32,960	-70,384	186,420	-3,004	-36,588	11,846	**82,195**
Asking Rents ($ PSF)	$1.03	$0.93	$1.31	$0.97	$1.09	$1.37	$1.19	$1.44	**$1.13**
Under Constuction SF	0	0	0	0	124,943	169,000	0	0	**293,943**
Planned SF	0	153,000	0	0	72,550	217,000	181,000	0	**623,550**

LAS VEGAS VALLEY

ANCHORED RETAIL SUBMARKET MAP