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REAL ESTATE STUDIES
LEE BUSINESS SCHOOL

Las Vegas Valley Executive Summary

Retail Market • 4th Quarter 2013



THE DISTRICT AT GREEN VALLEY RANCH

January 23, 2014

Re: Commercial Real Estate Survey: 4th Quarter, 2013

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produced 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 in economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, 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 is 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 herein 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,



John Restrepo
RCG Economics



Marcus Conklin
Lied Institute for Real Estate Studies-UNLV

LAS VEGAS VALLEY ANCHORED RETAIL MARKET

SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market⁸ inventory remained at 42 million square feet ("sf") in Q4, 2013 as there were no completions recorded for the year. After seeing net absorption drop last quarter, demand for retail space was positive again with 312,100 sf absorbed, bringing the four-quarter total to 484,500 sf for 2013 overall. This helped push vacancy down to 11.7% in Q4, down from 12.4% last quarter's and 12.8% in the same quarter last year. Average monthly asking rents rose to \$1.32 per square foot ("psf") NNN⁹ in Q4, \$0.02 higher than the previous quarter and \$0.01 lower than Q4, 2012. There remained 278,700 sf of forward-supply¹⁰ space, comprised of two Community Centers that were under construction by the end of 2013.

RETAIL JOBS

There were 110,900 jobs in the retail sector in November 2013, accounting for 14% of total private jobs in Clark County. This was 5,900 (+5.6%) more than the retail jobs recorded for November 2012. Employment in the retail sector has been increasing on a year-over-year basis since May 2010 and has shown relatively strong gains throughout 2013.

VACANCY & RENTS

Since the record high of 15.3% in Q2, 2011, the average total vacancy rate (directly vacant plus vacant sublease space) for the Valley's anchored retail market declined for the 10th consecutive quarter to 11.7% in Q4, 2013. This is 0.7 percentage points below Q3, and 1.1 percentage points below Q4, 2012 when vacancy was 12.8%.

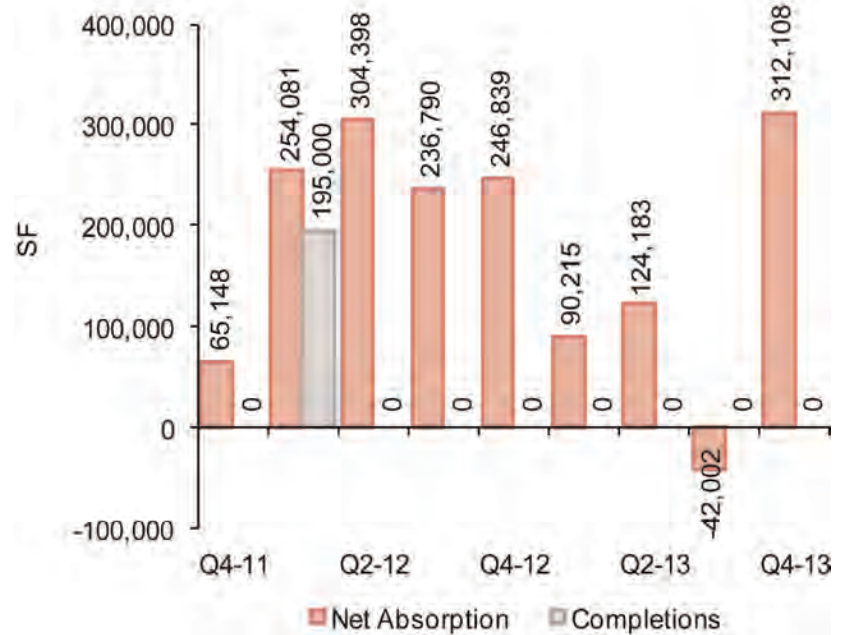
The highest submarket vacancies were in West Central at 17.1%, followed by Downtown (14.1%), University East (13.8%) and Henderson (13.4%). Only two submarkets had vacancy rates below 10%, including Southwest (7.9%) and Northwest (9.4%).

Relative to the previous quarter, vacancy went up slightly in Downtown and West Central and decreased in the remaining submarkets. The largest improvements were in the Northeast, which saw vacancy drop 2.2 percentage points to 13.4% in Q4, and in Henderson where vacancy dropped 2.2 percentage points 10.3%.

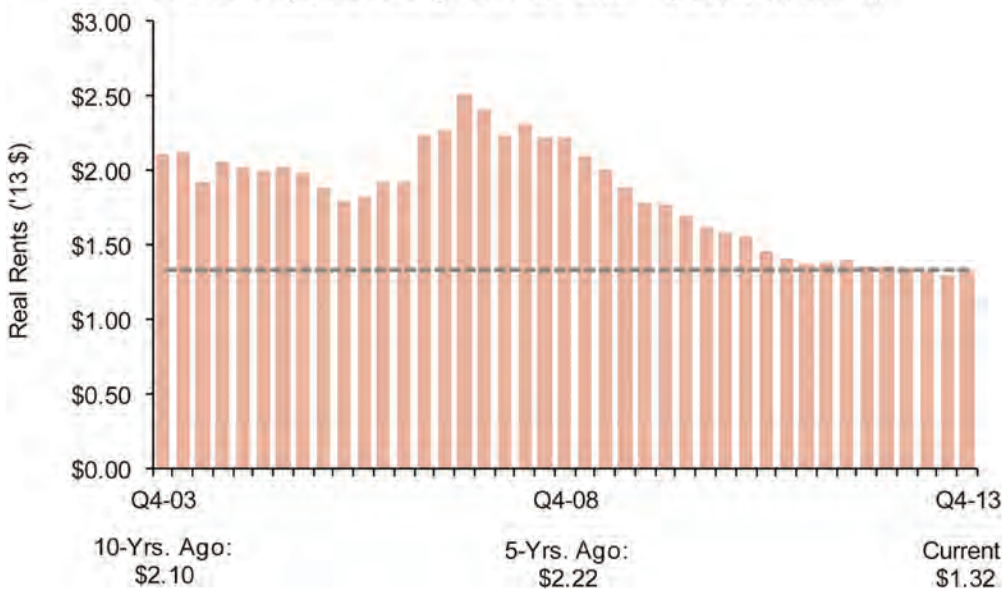
Vacancy improved in all shopping center types but improved the most in Neighborhood Centers, which saw vacancy drop 1 percentage point from the previous quarter to 13.1% in Q4. Power Centers had the lowest overall vacancy among the three product types at 10.6%. Community Center space was 11% vacant at the end of the year.

After recording five consecutive quarters of slight decreases, the overall average monthly

Las Vegas Valley Retail Market
Historical Net Absorption vs. Completions
Q4, 2011 - Q4, 2013

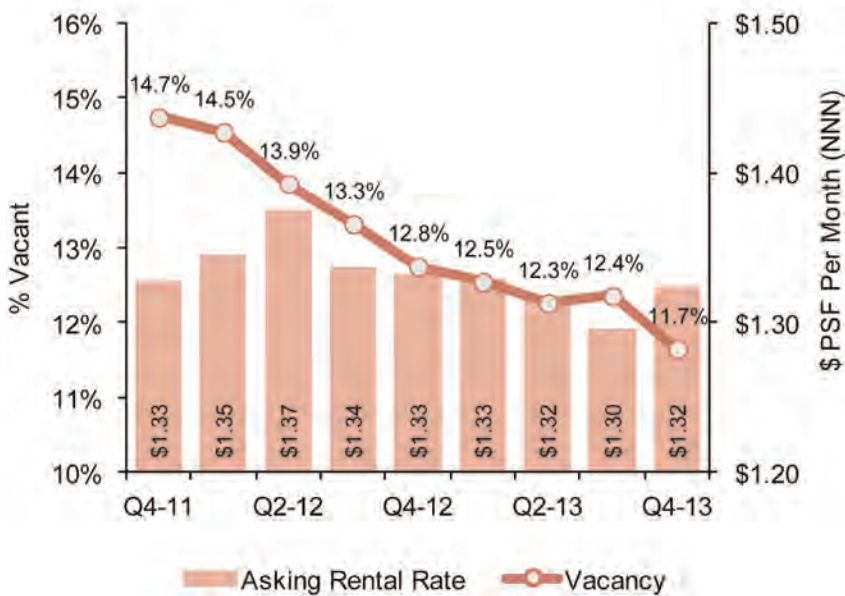


Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q4, 2003 - Q4, 2013 (Baseline)



Las Vegas Valley Retail Market

Historical Vacancy vs. Monthly Asking Rent:
Q4, 2009 - Q4, 2013



asking rent rose in Q4 to \$1.32 psf (calculated on a NNN basis; not accounting for any operating expenses). Compared to Q3's \$1.30 psf, rents are up \$0.02, but remain a bit above the \$1.33 psf in Q4, 2012. Overall, rents have been relatively flat since Q3, 2011, stagnating between \$1.30 psf and \$1.37 psf. Adjusting historical quarterly asking rents for inflation, the current average asking rent of \$1.32 is \$0.90 below that of five years ago, when Q4, 2008's asking rent was \$2.22 psf in real terms.

DEMAND

After recording -42,000 sf of total net absorption during the previous quarter, demand has picked up once again in Q4, posting 312,100 sf of space absorbed for the quarter. This is the strongest it has been since Q1, 2008. However, on an annual basis, the 484,500 sf of net absorption in 2013 is half what it was in 2012 when over 1 million sf was absorbed.

The West Central and Downtown submarkets saw more space vacated than leased on a net basis at -3,000 sf and -68,000 sf, respectively. The remaining areas recorded posi-

tive absorption, led by Henderson with 177,500 sf absorbed.

Net absorption was up in all shopping center types, with equal contributions from Community Centers (145,000 sf) and Neighborhood Centers (144,100 sf). Absorption in Power Centers added 23,000 sf for the quarter.

SUPPLY

No new anchored retail space in the Valley was completed during Q4, 2013. There were only two quarters in the past four years (since Q1, 2010) that new retail space was brought to the market. The Valley's total anchored retail inventory remained at 44.1 million sf in 266 shopping center buildings.

Lastly, forward supply¹¹ activity at the end of Q4 was unchanged over the previous quarter: there were no anchored centers that were planned for development while 278,700 sf were under construction. Under-construction retail space included two Community Centers being built in phases, including the 138,700-square-foot Green Valley Crossing in Henderson and the 140,000-square-foot Target-anchored center in the Northwest.

From what we know, we do not see much new retail development taking place in 2014. This will help the Valley's anchored retail market trend back toward a 10% stabilized vacancy rate. Our latest estimates indicate a timeline of 1-1.5 years (based on average quarterly absorption rate of 187,200 sf over the last 10 years) before the stable rate is realized.

Retail Employment

Industry Sector	Sep			Oct			Nov		
	2013	2012	% Ch.	2013	2012	% Ch.	2013	2012	% Ch.
Gen. Merch. & Cloth./Accessories	37,900	36,700	3.3%	38,500	37,100	3.8%	41,500	40,600	2.2%
Food & Bev. Stores	14,800	14,400	2.8%	14,900	14,500	2.8%	14,900	14,600	2.1%
Health & Personal Care Stores	6,500	6,200	4.8%	6,700	6,300	6.3%	6,700	6,400	4.7%
Other Stores	42,300	39,900	6.0%	44,300	40,900	8.3%	47,800	43,400	10.1%
Total	101,500	97,200	4.4%	104,400	98,800	5.7%	110,900	105,000	5.6%

Source: Nevada Department of Employment, Training & Rehabilitation.

FURTHER THOUGHTS

The Valley's anchored retail market steadily improved during 2013, continuing the slow climb to recovery that began in 2012. The trajectory of this moderate growth is clearly welcomed and has much improved compared to 2009-11. While average monthly asking rents grew very little over the past two years (2012 and 2013), the vacancy rate has dropped three percentage points to 11.7% by the end of 2013. This upturn clearly mirrors consumer confidence and spending (local residents and tourists), which also reflects greatly on the improved taxable retail sales in Southern Nevada. That said, these improvements are largely driven by the use of consumer debt and not necessarily growing wages and incomes, and weekly work hours, which remained listless. As the anchored retail market moves into 2014, job and wage growth will remain a concern, as we have noted, but RCG and Lied expects a progressively healthier market this coming year. We hope that this trend spreads to the unanchored retail market, which remains anemic. It is likely that we will continue to see a number of unanchored centers re-tenanted for non-traditional users like call centers.

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

LAS VEGAS VALLEY

RETAIL MARKET MATRIX

Q4, 2013

SUBMARKETS

Downtown Henderson North L.V. Northeast Northwest Southwest Univ. East West Central Total

TOTAL RETAIL MARKET

	Downtown	Henderson	North L.V.	Northeast	Northwest	Southwest	Univ. East	West Central	Total
NUMBER OF EXISTING BUILDINGS	9	54	27	21	58	23	40	34	266
TOTAL RENTABLE SF	1,106,510	8,680,068	4,910,743	2,542,317	10,588,588	5,783,835	6,050,227	4,379,055	44,041,343
TOTAL VACANT SF	155,737	1,164,380	518,575	260,774	994,071	458,302	831,944	748,424	5,132,207
TOTAL OCCUPIED SF	950,773	7,515,688	4,392,168	2,281,543	9,594,517	5,325,533	5,218,283	3,630,631	38,909,136
TOTAL VACANT (%)	14.1%	13.4%	10.6%	10.3%	9.4%	7.9%	13.8%	17.1%	11.7%
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	-3,000	177,497	22,546	57,185	60,267	10,886	54,726	-67,999	312,108
TOTAL NET ABSORPTION YOY	-14,845	328,663	-18,501	44,766	260,132	48,300	-49,660	-114,350	484,504
ASKING RENTS (\$ PSF) NNN	\$1.69	\$1.54	\$1.29	\$1.09	\$1.28	\$2.14	\$0.91	\$1.04	\$1.32
UNDER CONSTRUCTION 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 L.V.	Northeast	Northwest	Southwest	Univ. East	West Central	Total
NUMBER OF EXISTING BUILDINGS	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	516,927	8,493	0	119,487	47,811	171,818	207,074	1,071,610
TOTAL OCCUPIED SF	0	2,445,361	979,220	0	2,721,359	896,503	1,038,405	931,150	9,011,998
TOTAL VACANT (%)	N/A	17.5%	0.9%	N/A	4.2%	5.1%	14.2%	18.2%	10.6%
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	39,349	0	0	182	0	0	-16,525	23,006
TOTAL NET ABSORPTION YOY	0	176,989	1,377	0	13,616	59,105	9,431	-27,601	232,918
ASKING RENTS (\$ PSF) NNN	\$0.00	\$1.77	\$3.00	\$0.00	\$1.34	\$1.88	\$1.00	\$1.14	\$1.49
UNDER CONSTRUCTION SF	0	0	0	0	0	0	0	0	0
PLANNED SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

RETAIL MARKET MATRIX

Q4, 2013

SUBMARKETS

Downtown Henderson North L.V. Northeast Northwest Southwest Univ. East West Central Total

COMMUNITY CENTERS

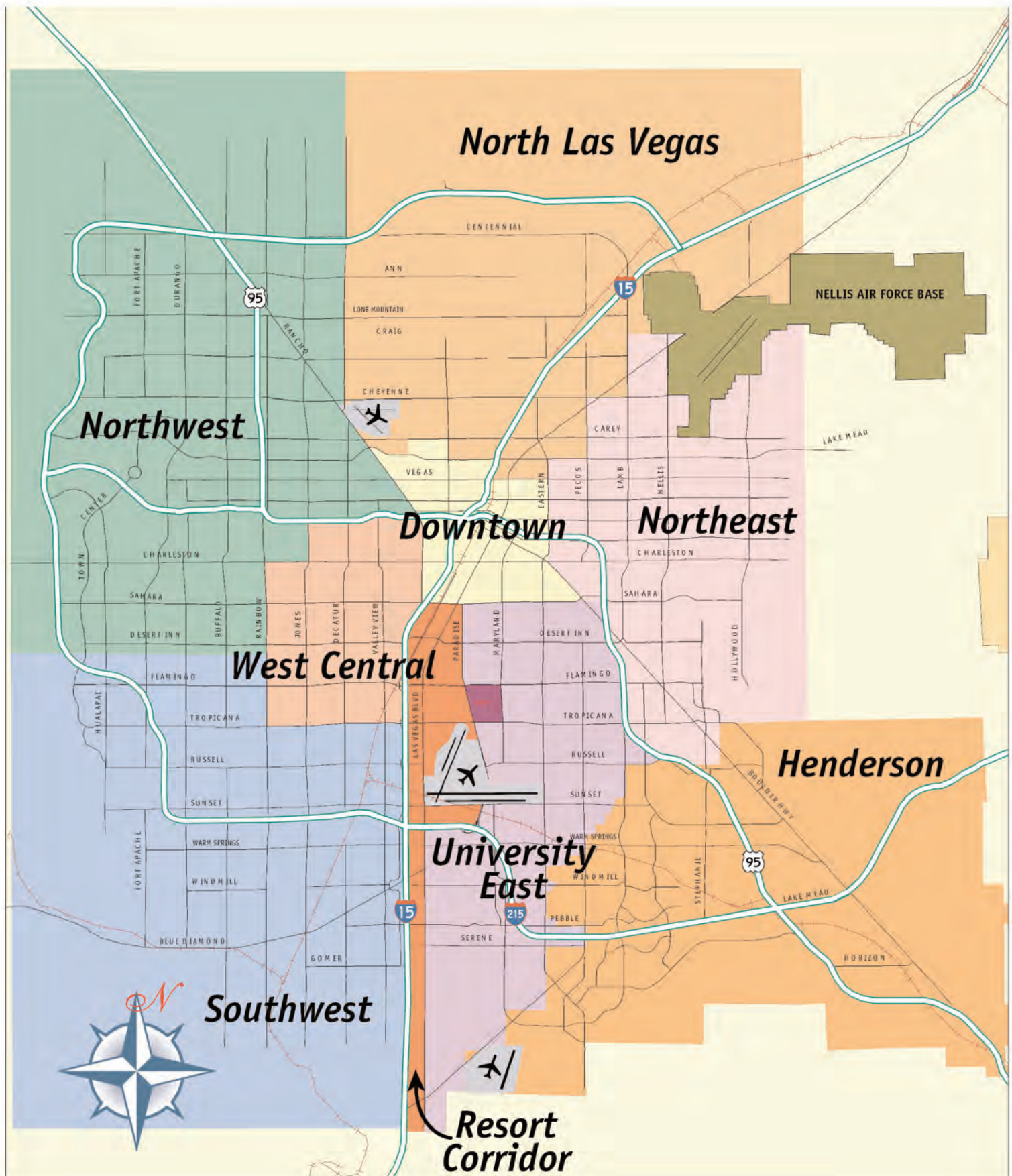
	Downtown	Henderson	North L.V.	Northeast	Northwest	Southwest	Univ. East	West Central	Total
NUMBER OF EXISTING BUILDINGS	5	21	10	8	19	9	19	15	106
TOTAL RENTABLE SF	684,340	2,920,692	1,755,463	1,407,552	4,092,234	3,216,421	2,761,028	1,649,146	18,486,876
TOTAL VACANT SF	63,545	306,603	155,403	116,981	311,593	283,298	395,358	396,885	2,029,666
TOTAL OCCUPIED SF	620,795	2,614,089	1,600,060	1,290,571	3,780,641	2,933,123	2,365,670	1,252,261	16,457,210
TOTAL VACANT (%)	9.3%	10.5%	8.9%	8.3%	7.6%	8.8%	14.3%	24.1%	11.0%
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	-3,000	84,908	20,113	8,250	13,080	1,190	59,894	-39,474	144,961
TOTAL NET ABSORPTION YOY	-18,145	10,030	19,102	-21,325	22,736	-49,211	4,905	-92,244	-124,152
ASKING RENTS (\$ PSF) NNN	\$1.32	\$1.14	\$1.49	\$1.26	\$1.44	\$2.40	\$1.01	\$0.85	\$1.32
UNDER CONSTRUCTION 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 L.V.	Northeast	Northwest	Southwest	Univ. East	West Central	Total
NUMBER OF EXISTING BUILDINGS	4	25	15	13	32	13	18	16	136
TOTAL RENTABLE SF	422,170	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,470,859
TOTAL VACANT SF	92,192	340,850	354,679	143,793	562,991	127,193	264,768	144,465	2,030,931
TOTAL OCCUPIED SF	329,978	2,456,238	1,812,888	990,972	3,092,517	1,495,907	1,814,208	1,447,220	13,439,928
TOTAL VACANT (%)	21.8%	12.2%	16.4%	12.7%	15.4%	7.8%	12.7%	9.1%	13.1%
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	0	53,240	2,433	48,935	47,005	9,696	-5,168	-12,000	144,141
TOTAL NET ABSORPTION YOY	3,300	141,643	-38,980	66,091	223,780	38,405	-63,995	5,494	375,738
ASKING RENTS (\$ PSF) NNN	\$1.95	\$1.54	\$1.16	\$0.95	\$1.18	\$1.65	\$0.70	\$1.45	\$1.24
UNDER CONSTRUCTION SF	0	0	0	0	0	0	0	0	0
PLANNED SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

RETAIL SUBMARKET MAP



NOTES

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. Based on select industries (Natural Resources, Construction, Manufacturing, and Transportation & Warehousing and Wholesale Trade industries) from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.
4. 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.
5. 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.
6. Based on select industries (Information, Financial Activities, Professional & Business and Health Care & Social Assistance) from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.
7. Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.
8. 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.
9. 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.
10. Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.
11. Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.