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Las Vegas Valley Executive Summary

Retail Market - 1st Quarter 2014



THE DISTRICT AT GREEN VALLEY RANCH



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April 17, 2014

Re: *Commercial Real Estate Survey: 1st Quarter, 2014*

Dear Reader,

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

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

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

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

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

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

Regards,

John Restrepo
RCG Economics

Marcus Conklin
Lied Institute for Real Estate Studies-UNLV

LAS VEGAS VALLEY ANCHORED RETAIL MARKET

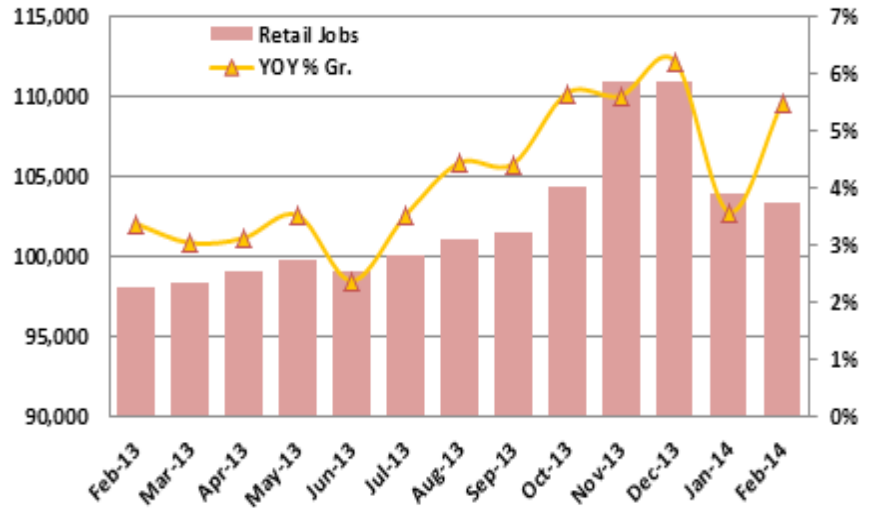
SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market¹ inventory remained at 44.0 million square feet ("sf") in Q1, 2014 - there were no completions recorded during the quarter. We again see positive change in retail space demand. With a combined 63,100 sf, there have now been two straight quarters with net positive absorption. This helped push vacancy down to 11.5% in Q1, down from 11.7% last quarter and 12.5% in the same quarter last year. Average monthly asking rents declined to \$1.23 per square foot ("psf") NNN² in Q1; \$0.03 lower than the previous quarter and \$0.10 lower than Q1, 2013. There are 278,700 sf of forward-supply³ space, comprised of two Community Centers that are under construction at the end of Q1.

RETAIL JOBS

There were 103,400 jobs in the retail sector in February 2014, accounting for 14% of total private jobs in Clark County. This was 5,400 (+5.5%) more than the retail jobs recorded in February 2013. Employment in the retail sector has been increasing on a year-over-year ("YOY") basis since May 2010 and has shown relatively strong gains throughout the last 12 months.

Clark County Total* Retail Jobs and Annual Growth
(Feb-13 to Feb-14)



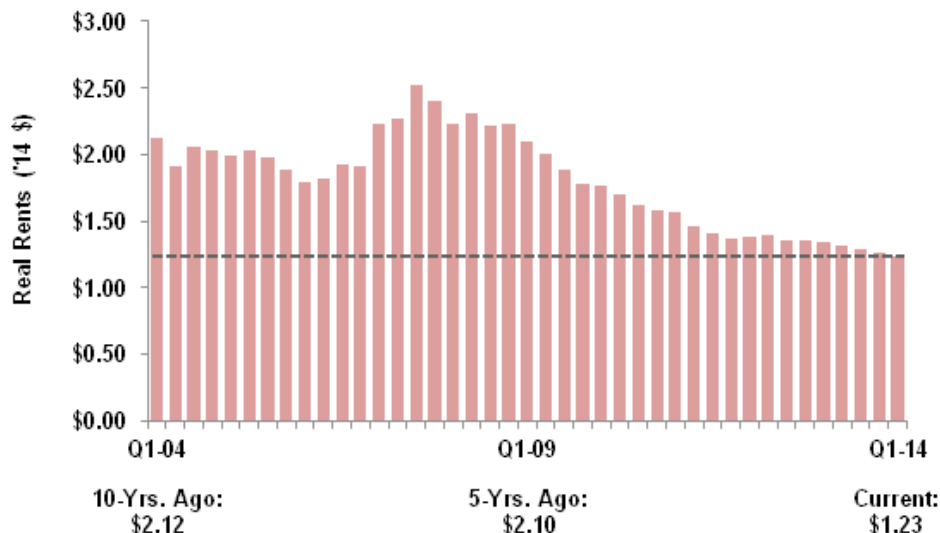
Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

Office Employment

Industry Sector	Dec			Jan			Feb		
	2013	2012	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Information	9,700	9,900	-2.0%	9,600	9,100	5.5%	9,600	9,200	4.3%
Financial Activities	44,000	42,800	2.8%	43,500	42,500	2.4%	43,600	42,900	1.6%
Prof. & Business	113,000	106,800	5.8%	115,400	111,500	3.5%	116,000	110,100	5.4%
Health Care & Social Assist.	70,000	68,600	2.0%	69,000	68,200	1.2%	69,100	68,700	0.6%
Total	236,700	228,100	3.8%	237,500	231,300	2.7%	238,300	230,900	3.2%

Source: Nevada Department of Employment, Training & Rehabilitation.

Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q1, 2004 - Q1, 2014 (Baseline)



VACANCY & RENTS

Since the record high of 15.3% in Q2 2011, the average Valley-wide vacancy rate (directly vacant space plus vacant sublease space) in the anchored retail market declined for the 11th consecutive quarter to 11.5% in Q1 2014. This is 0.2 percentage points below Q4, and 1 percentage point below Q1 2013 when vacancy was 12.5%.

The highest submarket vacancies were in Henderson (14.6%), West Central (13.5%) and North Las Vegas (13.0%). Four submarkets had vacancy rates below 10%, including Southwest (7.7%), Downtown (9.0%),

Northeast (9.8) and Northwest (9.9%). Relative to the previous quarter, vacancy rates increased in half the submarkets and decreased in the other half. The largest improvements were in the University East and West Central submarkets, which saw vacancy rates drop 1.7 and 3.6 percentage points to 12.1% and 13.5%, respectively, in Q1 2014.

Vacancy improved greatly in Community Centers during the first quarter. There was 167,800 sf of absorption, making up for losses in the other two subtypes. Community Centers have the lowest overall vacancy rate among the three product types at 10.1%. Power Center space stood at 11.6% vacant and neighborhood Centers at 13.2% at the end of Q1.

The negative trend in asking rents continued, sinking to \$1.23 psf in Q4 (calculated on a NNN basis; not accounting for any operating expenses). Asking rents have continued to fall for seven straight quarters. We believe this is sign of the quality of the vacant space that remains rather than an issue of declining demand for anchored space in the Valley.

DEMAND

Total net absorption has increased two quarters in a row, posting 63,100 sf of gains in Q1 2014 after last quarter's 312,100 sf. However, on a year-over-year basis, the 457,400 sf of net absorption this quarter is about half what was in 2012 when absorption broke 1 million sf.

Net absorption decreased in the Northwest and North Las Vegas submarkets this quarter, with -58,800 sf and -118,200 sf, respectively. The remaining submarkets recorded positive absorption, led by the West Central with 157,600 sf absorbed.

Net absorption was positive only in the Community Centers (167,800), mitigating losses in the Power Centers (-96,000 sf) and Neighborhood Centers (-8,800 sf).

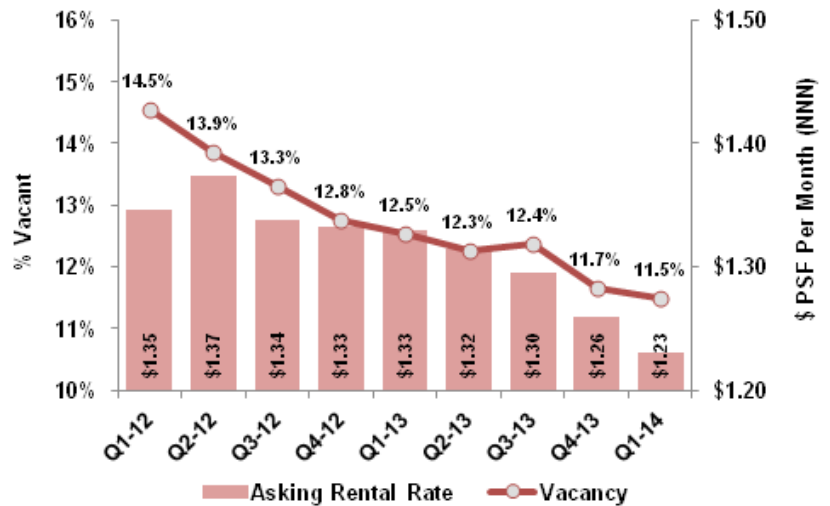
SUPPLY

No new anchored retail space in the Valley was completed during Q1, 2014. 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 has remained at 44.0 million sf in 266 shopping center buildings.

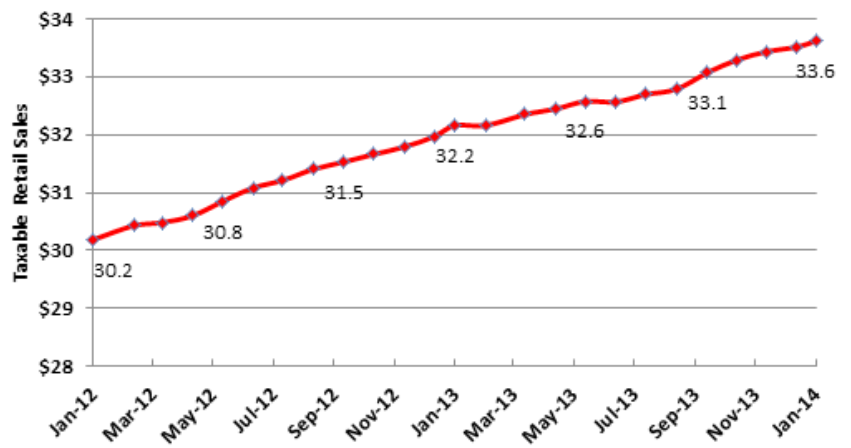
Lastly, forward supply activity at the end of Q4 was unchanged over the previous quarter: there were no anchored centers planned for development, while 278,700 sf remain in construction. Under-construction retail space included two Community Centers being built in phases, including the 138,700-sf Green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

We do not see much new retail development taking place in 2014. This will help the Valley's anchored retail market to continue to move toward a 10% stabilized vacancy rate. Our latest estimates indicate that this will happen in about 5 quarters (based on the average quarterly absorption rate of 190,800 sf over the last 10 years).

**Las Vegas Valley Retail Market
Historical Vacancy vs. Monthly Asking Rent:
Q1, 2012 - Q1, 2014**



**Clark County Taxable Retail Sales, Rolling Annual, \$Billions
(Jan-12 to Jan-14)**



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

FURTHER THOUGHTS

As retail spending improves (taxable retail sales have been improving for the last seven months), the demand for anchored space will continue to intensify. This is all already moving the overall vacancy rate back to a 10% stable level, and it will ultimately start putting upward pressure on rents. This will encourage new retail center development, especially in the Valley's preferred residential areas in the southeast, southwest and the northwest. While not part of the anchored retail market inventory we track, the Shops at Summerlin Center, an open-air shopping project, is scheduled to open in the fall of 2014. It is located just east of the 215 freeway between Charleston and Sahara and just southeast of the Red Rock Casino Resort in the western part of the Las Vegas Valley. The center will have 125 shops and will be part of a 1.6 million sf mixed-use development comprised of retail, entertainment, office, a hotel and multiple family components.

The Las Vegas economy has stabilized and is moving forward moderately. Most economic and market indicators have seen continued improvement over a number of months, meaning that the Southern Nevada recovery has taken hold. We remain a bit worried that real (inflation adjusted) incomes continue to flounder, but barring any unforeseen events, we believe that wages and spending power will see some improvement in 2014 as the job market continues to solidify.

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

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

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

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

Retail Market Matrix

Las Vegas, Nevada
First Quarter, 2014

SUBMARKETS

TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	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	4379055	44,041,343
Total Vacant SF	99,642	1,263,541	636,813	248,125	1,052,821	443,145	734,200	590855	5,069,142
Total Occupied SF	1,006,868	7,416,527	4,273,930	2,294,192	9,535,767	5,340,690	5,316,027	3788200	38,972,201
Total Vacant (%)	9.0%	14.6%	13.0%	9.8%	9.9%	7.7%	12.1%	13.5%	11.5%
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	56,095	-99,161	-118,238	12,649	-58,750	15,157	97,744	157569	63,065
Total Net Absorption YOY	43,189	147,456	-130,425	29,840	197,857	46,096	36,341	87000.11189	457,354
Asking Rents (\$ PSF)	\$1.33	\$1.38	\$1.49	\$1.11	\$1.35	\$1.05	\$0.93	\$1.01	\$1.23
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1138224	10,083,608
Total Vacant SF	0	567,145	8,493	0	169,318	47,811	171,818	202994	1,167,579
Total Occupied SF	0	2,395,143	979,220	0	2,671,528	896,503	1,038,405	935230	8,916,029
Total Vacant (%)	0.0%	19.1%	0.9%	0.0%	6.0%	5.1%	14.2%	17.8%	11.6%
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	-50,218	0	0	-49,831	0	0	4080	-95,969
Total Net Absorption YOY	0	29,033	1,588	0	-27,760	-1,923	11,046	-8507.012885	3,477
Asking Rents (\$ PSF)	\$0.00	\$1.60	\$3.00	\$0.00	\$1.35	\$1.65	\$1.00	\$1.13	\$1.39
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	5	21	10	8	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	1649146	18,486,876
Total Vacant SF	88,182	305,931	160,794	116,981	324,504	279,421	293,894	292144	1,861,851
Total Occupied SF	596,158	2,614,761	1,594,669	1,290,571	3,767,730	2,937,000	2,467,134	1357002	16,625,025
Total Vacant (%)	12.9%	10.5%	9.2%	8.3%	7.9%	8.7%	10.6%	17.7%	10.1%
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	-24,637	672	-5,391	0	-12,911	3,877	101,464	104741	167,815
Total Net Absorption YOY	-40,843	7,642	-5,389	-10,247	-12,263	20,366	86,738	42178.78874	88,183
Asking Rents (\$ PSF)	\$1.32	\$1.11	\$1.43	\$1.26	\$1.72	\$0.69	\$1.11	\$0.75	\$1.11
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

NEIGHBORHOOD CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	25	15	13	32	13	18	16	136
Total Rentable SF	422,170	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1591685	15,470,859
Total Vacant SF	11,460	390,465	467,526	131,144	558,999	115,913	268,488	95717	2,039,712
Total Occupied SF	410,710	2,406,623	1,700,041	1,003,621	3,096,509	1,507,187	1,810,488	1495968	13,431,147
Total Vacant (%)	2.7%	14.0%	21.6%	11.6%	15.3%	7.1%	12.9%	6.0%	13.2%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	80,732	-49,615	-112,847	12,649	3,992	11,280	-3,720	48748	-8,781
Total Net Absorption YOY	84,032	110,781	-126,625	40,087	237,881	27,653	-61,444	53328.33603	365,694
Asking Rents (\$ PSF)	\$1.42	\$1.33	\$1.48	\$1.05	\$1.11	\$1.64	\$0.72	\$1.61	\$1.21
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

RETAIL SUBMARKET MAP

