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REAL ESTATE STUDIES
LEE BUSINESS SCHOOL

Las Vegas Anchored Retail Survey

1st Quarter 2015



THE DISTRICT AT GREEN VALLEY RANCH



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BEH 530B
Las Vegas, Nevada 89154
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June 3, 2015

Re: *Anchored Retail Real Estate Survey: 1st Quarter, 2015*

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

Edward Coulson, Ph.D
Lied Institute for Real Estate Studies-UNLV

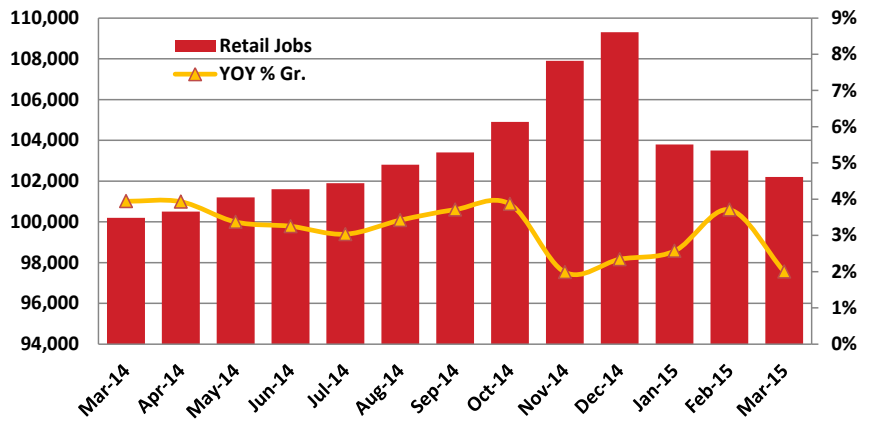
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LAS VEGAS ANCHORED RETAIL SURVEY

SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market¹ inventory remained 44.3 million square feet ("sf") in Q1, 2015 - there were no completions recorded during the quarter. For the first time in six quarters, the Valley experienced negative demand with -253,600 sf. The vacancy rate rose slightly to 11.9% in Q1, 2015 from 11.4% in Q4, 2014 and 11.6% in Q1, 2014. Average monthly asking rents decreased to \$1.02 per square foot ("psf") NNN² in Q1; \$0.08 lower than the previous quarter and \$0.21 lower than Q1, 2014. There are 278,700 sf of forward-supply³ space, comprised of two Community Centers that are under construction.

Clark County Total* Retail Jobs and Annual Growth: Mar-14 to Mar-15



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

RETAIL JOBS

Total nonfarm employment for the Las Vegas MSA increased by 25,100 jobs from March 2014 through March 2015, a 2.9% increase. During this period the "headline" unemployment rate declined 1.3 points to 7.2 percent.

Retail Employment

Industry Sector	Jan 2015			Feb 2015			Mar 2015		
	2015	2014	% Ch.	2015	2014	% Ch.	2015	2014	% Ch.
Gen. Merch. & Cloth./Accessories	39,600	38,300	3.4%	38,300	37,000	3.5%	38,100	36,800	3.5%
Food & Bev. Stores	16,300	15,400	5.8%	16,300	15,300	6.5%	16,300	15,500	5.2%
Health & Personal Care Stores	7,000	6,600	6.1%	7,000	6,700	4.5%	6,900	6,700	3.0%
Other Stores	40,900	40,900	0.0%	41,900	40,800	2.7%	40,900	41,200	-0.7%
Total	103,800	101,200	2.6%	103,500	99,800	3.7%	102,200	100,200	2.0%

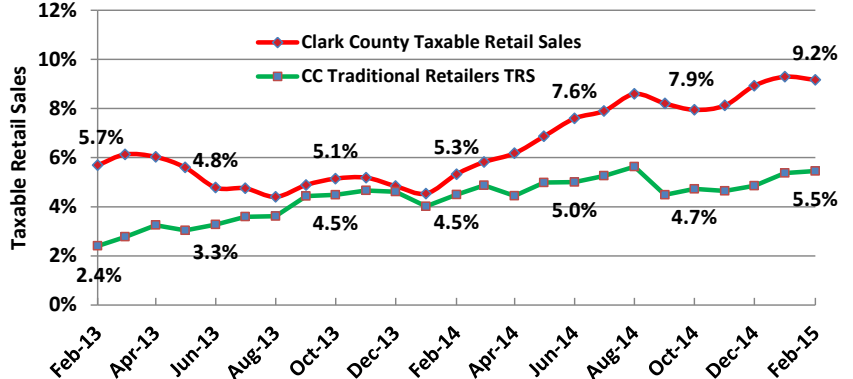
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

There were 102,200 jobs in the Las Vegas retail sector at the end of March 2015, accounting for 13% of total private sector jobs. This represents 2,000 (+2.0%) more jobs than were recorded in March 2014. General Merchandise and Clothing/Accessories jobs rose by 3.5% (+1,300 jobs), but Food & Beverage Stores showed the strongest growth percentage-wise, increasing 5.2% (+800 jobs) in the last year. Other Stores⁴ showed a small decline. Employment in the retail sector has been increasing on a year-over-year ("Y-O-Y") basis since May 2010 and has shown modest gains (+2.8%) so far during 2015.

TAXABLE RETAIL SALES

Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$37.0 billion in February, a 9.2% spike compared to February 2014. This brings the region's sales to a new all-time high and well above the December 2007 peak of \$36.3 billion.

Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Feb-13 to Feb-15



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

ANCHORED RETAIL MARKET

Top 5 Traditional Retailers (Feb-15)	Taxable Retail Sales	YoY Change	YoY % Change
Electronics and Appliance Stores	\$92,569,164	\$22,052,024	31.3%
General Merchandise Stores	\$261,308,301	\$21,732,766	9.1%
Food Services and Drinking Places	\$735,800,010	\$20,287,053	2.8%
Building Material and Garden Equipment and Supplies	\$99,285,446	\$12,874,022	14.9%
Miscellaneous Store Retailers	\$58,088,903	\$8,786,734	17.8%

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

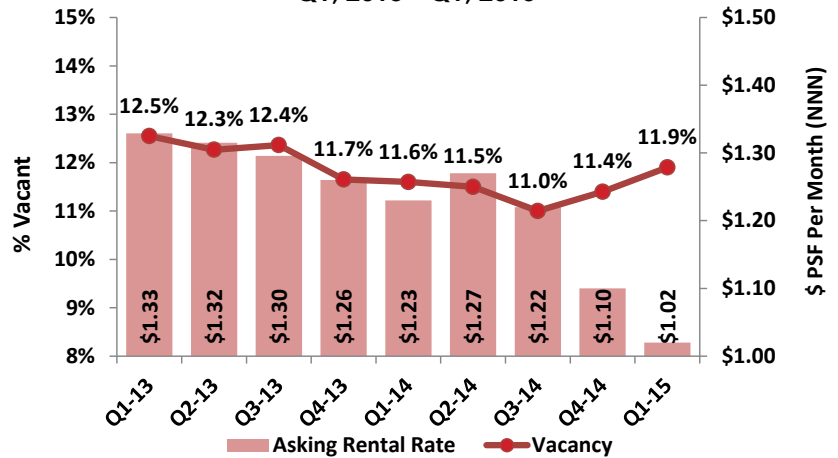
Moreover, the average year-over-year growth over the last 39 months is 7.1%.

The three traditional retail sectors with the largest taxable sales growth, on an absolute basis, during the February 2014-February 2015 period, according to the Nevada Department of Taxation, were "Electronics and Appliance Stores" (+\$22M, +31%), "General Merchandise Stores" (+\$22M, +9.1%) and "Food Services and Drinking Places" (+\$20M, +2.8%). Solid growth in taxable sales among traditional retail outlets have continued into 2015. Below is a table of the top five performing year-over-year traditional retailer types.

VACANCY & RENTS

The average valley-wide anchored retail vacancy rate increased to 11.9% (based on currently vacant space that is being actively marketed) in Q1, 2015. This is a 0.5 percentage-point increase from Q4 and a 0.3 percentage-point increase from Q1, 2014 (11.6%). The average valley-wide anchored retail vacancy rate remains 3.4 percentage-points lower than the record high of 15.3% that occurred in Q2, 2011. The increase in vacancy rate in Q1 was mainly due to the recent availabilities of former Food4Less retail anchor sites.

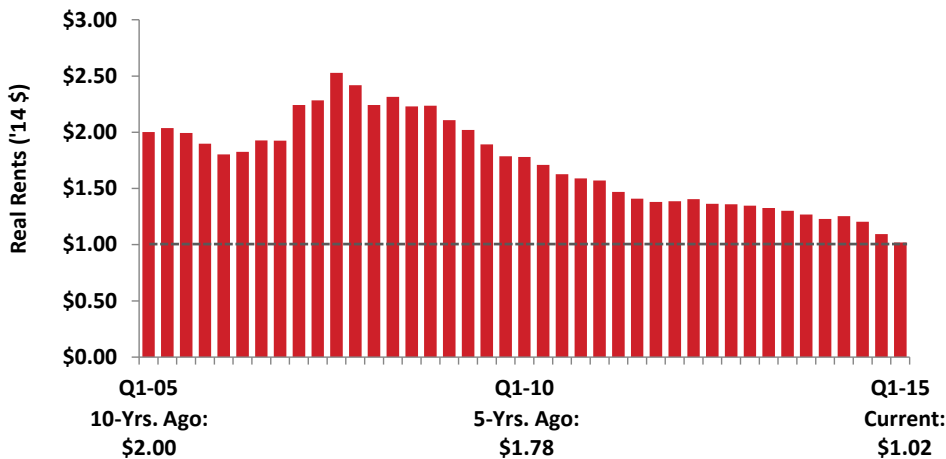
**Las Vegas Valley Retail Market
Historical Vacancy vs. Monthly Asking Rent:
Q1, 2013 - Q1, 2015**



The highest submarket vacancies at the end of Q1 were Downtown (20.0%), University East (17.5%), North Las Vegas (15.0%) and West Central (13.2%). Three submarkets had vacancy rates below 10%:

Northwest (9.3%), Southwest (7.3%) and Northeast (4.9%). Relative to the previous quarter, vacancy rates rose in four submarkets and decreased in the other four. The improved submarkets in Q1, 2015 were Northeast, Northwest, Southwest and West Central, with improvements of 1.2, 0.4, 1.4 and 0.7 percentage-points, respectively. However, the four submarkets that lost occupied space and outweighed the gains of the other four were Downtown, Henderson, North Las Vegas and University East, which saw vacancy rates rise by 7.4, 2.0, 2.0 and 1.4 percentage-points, respectively.

**Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q1, 2005 - Q1, 2015 (Baseline)**



ANCHORED RETAIL MARKET

By product type, vacancy improved in Power Centers only during the first quarter, decreasing by 0.6 points. Community and Neighborhood Centers, on the other hand, lost ground, with vacancy rates rising by 0.1 and 1.9 percentage-points. Both Community and Neighborhood Centers ended the quarter with a 12.7% vacancy rate.

Monthly asking rents decreased in Q1 for the third consecutive quarter. Asking rents have fallen back to a new low, reaching \$1.02 psf in Q1 (calculated on a NNN basis; not accounting for any operating expenses). We would like to remind our readers that the rents we quote in our surveys are based on the space that is available in the open market. They do not necessarily reflect the health of the overall market. The irony is that as the more desirable space is absorbed, leaving the less desirable space, rents tend to go down even with dropping vacancies. In fact, from tax and vacancy rate data, we know that high-end retail is thriving.

DEMAND

There was a total net absorption of -253,600 sf in Q1, 2015, compared to +42,600 sf during the first quarter in 2014. This was the first quarter with negative net absorption since Q3, 2013. On a Y-O-Y basis, net anchored retail absorption was just 24,500 sf, valley-wide.

Net absorption declined in the Henderson (-175,500 sf), North Las Vegas (-98,300 sf), University East (-85,200 sf) and Downtown (-78,800 sf) submarkets in Q1. The other four submarkets recorded positive net absorption, led by the Southwest submarket with 82,600 sf.

On an annual basis, only five of eight submarkets were in positive territory, totaling just 24,200 sf of net absorption. During the same period in 2014, Y-O-Y absorption was 436,900 sf.

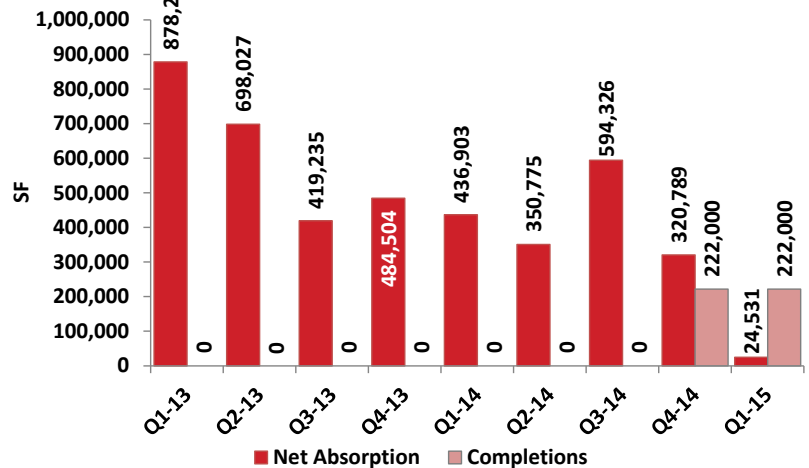
Net absorption was positive in Power Centers (+65,400 sf), but it was not nearly enough to offset the losses in Community Centers (-25,800 sf) and Neighborhood Centers (-293,300 sf). The large drop in Neighborhood Center absorption was primarily caused by the recent closings of Las Vegas Valley Food4Less stores.

Power Centers also led the way on a Y-O-Y basis, adding 230,900 sf of occupied space, while Neighborhood Centers saw most of its gains wiped out by a bad quarter, posting 88,200 sf of growth. Community Centers, on the other hand, saw -294,600 sf of absorption on the year.

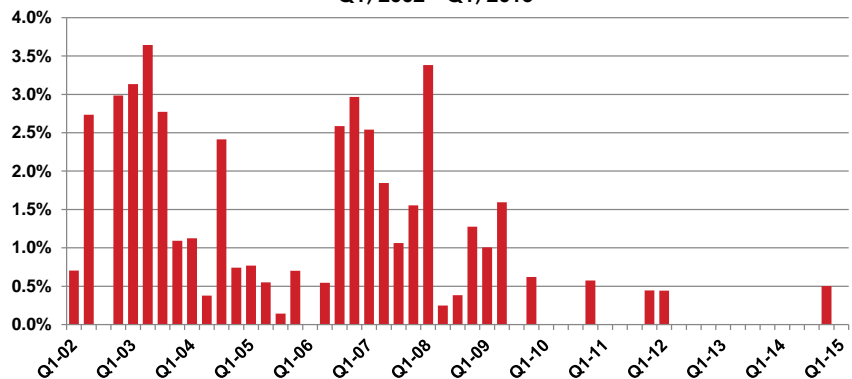
SUPPLY

No new anchored retail space was completed during Q1, 2015. In the last 12 months, only Q4, 2014 had any completions. Prior to that, there were only two quarters in 19 (since Q1, 2010) that saw new anchored retail space brought to market. The Valley's total anchored retail inventory is currently 44.3 million sf in 267 shopping centers.

**Las Vegas Valley Retail Market
Historical YOY Net Absorption vs. Completions
Q1, 2013 - Q1, 2015**



**Las Vegas Valley Retail Market
Completions as a % of Inventory:
Q1, 2002 - Q1, 2015**



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

From what we know today, we do not see much new anchored retail development taking place in 2015. This will help the Valley's anchored retail market to move toward the 10% stabilized vacancy rate. Our latest estimates indicate that this will happen in about seven quarters (based on the average quarterly absorption rate of 163,000 sf over the last 10 years).

FURTHER THOUGHTS

As noted, Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$37.0 billion in February, a 9.2% spike compared to February 2014. This brings the region's sales to a new all-time high and well above the December 2007 peak of \$36.3 billion. Moreover, the average year-over-year growth over the last 39 months is 7.1%.

There were 102,200 jobs in the Clark County retail sector at the end of March 2015, accounting for 13% of total private sector jobs. This represents 2,000 (+2.0%) more jobs than were recorded in March 2014. If consumer spending continues to grow through 2015, expansion by existing retailers and new retail concepts could pick up in Southern Nevada. For example, Haggen Inc. of Bellingham, Washington recently purchased seven Vons and Albertsons stores in the Las Vegas Valley. It will be converting them to Haggen Food & Pharmacy stores during the next couple of months. In 2014, Albertsons and Safeway revealed that they would be merging and disposing of some of their locations around the country for regulatory reasons. Seven stores in Las Vegas, Henderson and Boulder City will be converted to Haggen starting June 7.

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

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

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

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

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

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

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

RETAIL MARKET GLOSSARY

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

Power Center

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

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

Community Center

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

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

Neighborhood Center

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

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

Anchored Retail Market Matrix

**Las Vegas, Nevada
First Quarter, 2015**

SUBMARKETS

TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	59	23	40	34	267
Total Rentable SF	1,105,851	8,680,068	4,910,743	2,542,317	10,810,588	5,783,835	6,050,227	4,379,055	44,262,684
Total Vacant SF	220,995	1,140,605	734,483	124,365	1,010,627	421,099	1,056,873	578,015	5,287,062
Total Occupied SF	884,856	7,539,463	4,176,260	2,417,952	9,799,961	5,362,736	4,993,354	3,801,040	38,975,622
Total Vacant (%)	20.0%	13.1%	15.0%	4.9%	9.3%	7.3%	17.5%	13.2%	11.9%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	-78,830	-175,514	-98,303	31,611	41,508	82,597	-85,177	28,464	-253,644
Total Net Absorption YOY	-100,902	122,936	-97,670	123,760	264,194	22,046	-322,673	12,840	24,531
Asking Rents (\$ PSF)	\$0.42	\$1.33	\$1.02	\$1.11	\$1.20	\$1.94	\$0.57	\$0.98	\$1.02
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

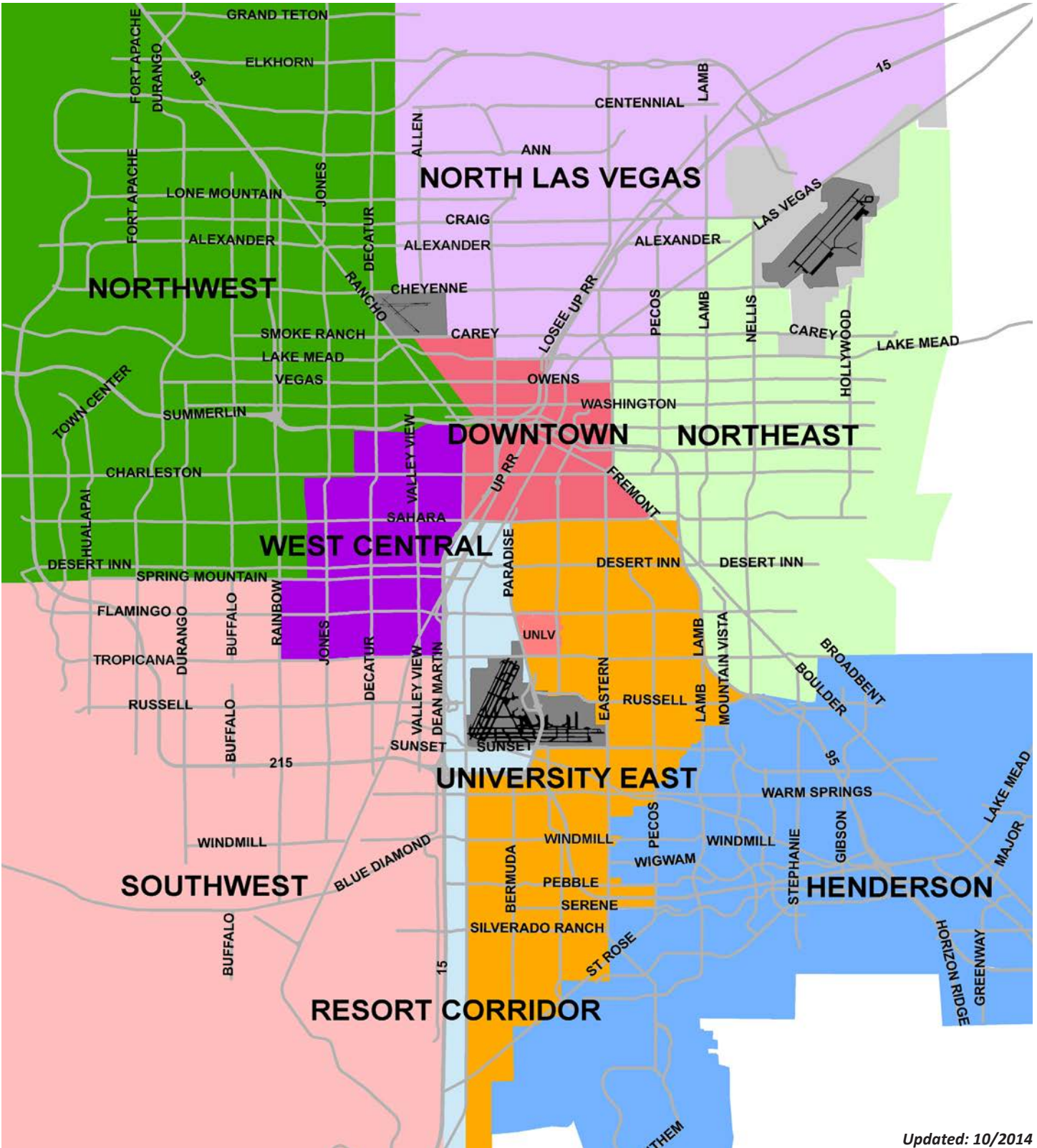
POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	590,165	0	0	61,995	7,200	139,170	138,155	936,685
Total Occupied SF	0	2,372,123	987,713	0	2,778,851	937,114	1,071,053	1,000,069	9,146,923
Total Vacant (%)	0.0%	19.9%	0.0%	0.0%	2.2%	0.8%	11.5%	12.1%	9.3%
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	-11,086	0	0	29,326	0	44,549	2,630	65,419
Total Net Absorption YOY	0	-23,020	8,493	0	107,323	40,611	32,648	64,839	230,894
Asking Rents (\$ PSF)	\$0.00	\$1.66	\$0.00	\$0.00	\$1.13	\$1.50	\$1.26	\$1.31	\$1.47
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	5	21	10	8	20	9	19	15	107
Total Rentable SF	678,690	2,920,692	1,755,463	1,407,552	4,314,234	3,216,421	2,761,028	1,649,146	18,703,226
Total Vacant SF	184,884	183,215	224,476	20,196	418,462	310,368	740,539	296,261	2,378,401
Total Occupied SF	493,806	2,737,477	1,530,987	1,387,356	3,895,772	2,906,053	2,020,489	1,352,885	16,324,825
Total Vacant (%)	27.2%	6.3%	12.8%	1.4%	9.7%	9.6%	26.8%	18.0%	12.7%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	-78,830	-5,042	-10,901	75,222	-4,890	76,336	-105,130	27,459	-25,776
Total Net Absorption YOY	-96,702	122,716	-63,682	96,785	128,042	-30,947	-446,645	-4,117	-294,550
Asking Rents (\$ PSF)	\$0.52	\$1.17	\$0.84	\$1.45	\$1.67	\$2.19	\$0.35	\$0.79	\$0.88
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

NEIGHBORHOOD CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	25	15	13	32	13	18	16	136
Total Rentable SF	427,161	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,475,850
Total Vacant SF	36,111	367,225	510,007	104,169	530,170	103,531	177,164	143,599	1,971,976
Total Occupied SF	391,050	2,429,863	1,657,560	1,030,596	3,125,338	1,519,569	1,901,812	1,448,086	13,503,874
Total Vacant (%)	8.5%	13.1%	23.5%	9.2%	14.5%	6.4%	8.5%	9.0%	12.7%
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	0	-159,386	-87,402	-43,611	17,072	6,261	-24,596	-1,625	-293,287
Total Net Absorption YOY	-4,200	23,240	-42,481	26,975	28,829	12,382	91,324	-47,882	88,187
Asking Rents (\$ PSF)	\$0.35	\$1.10	\$1.13	\$1.05	\$0.93	\$1.61	\$1.06	\$1.15	\$0.99
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014