

SOUTHERN NEVADA 2016 ECONOMIC OUTLOOK



Chapter Leadership &
Legislative Retreat 2016

Washington D.C.
February 2016



Prepared by:



NEVADA & SOUTHERN NEVADA TODAY

Why We Are Where We Are

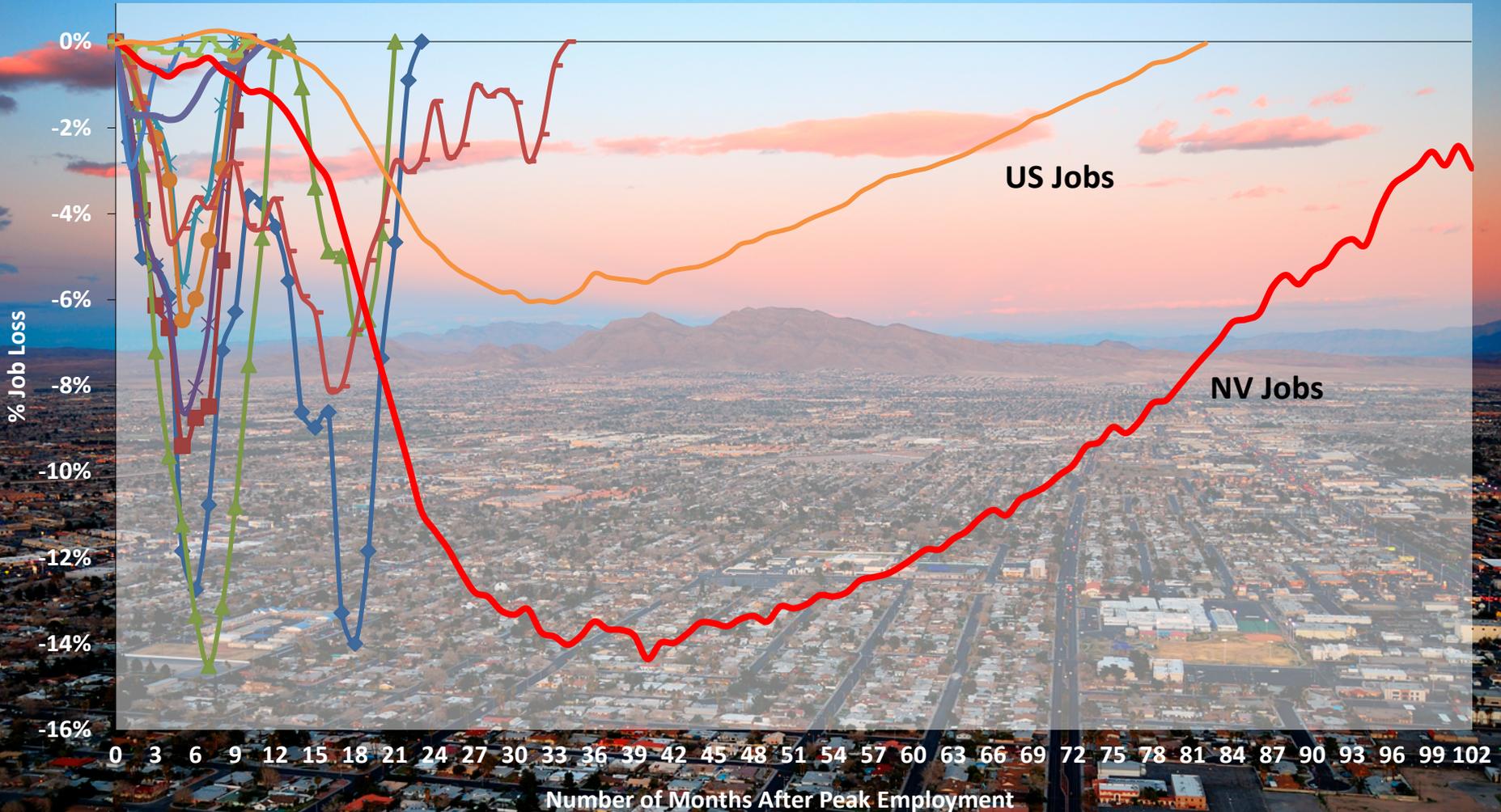
An aerial photograph of a city, likely Las Vegas, during sunset. The sky is a mix of blue and orange, with a large, horizontal, orange-tinted cloud formation. The city below is densely packed with buildings and streets, with a grid pattern. In the distance, a range of mountains is visible under the twilight sky.

Nevada Today

Nevada job recovery from Great Recession (after 102 months)

Last 11 Recessions

- ◆ 1948
- 1953
- ▲ 1957
- ✕ 1960
- ✱ 1969
- 1974
- ◆ 1980
- 1981
- 1990
- 2001
- 2007
- US 2007



Southern Nevada Today

Las Vegas MSA unemployment improving, but growth slowing

Las Vegas MSA Job Growth & Unemployment Rate: Dec-05 to Dec-15



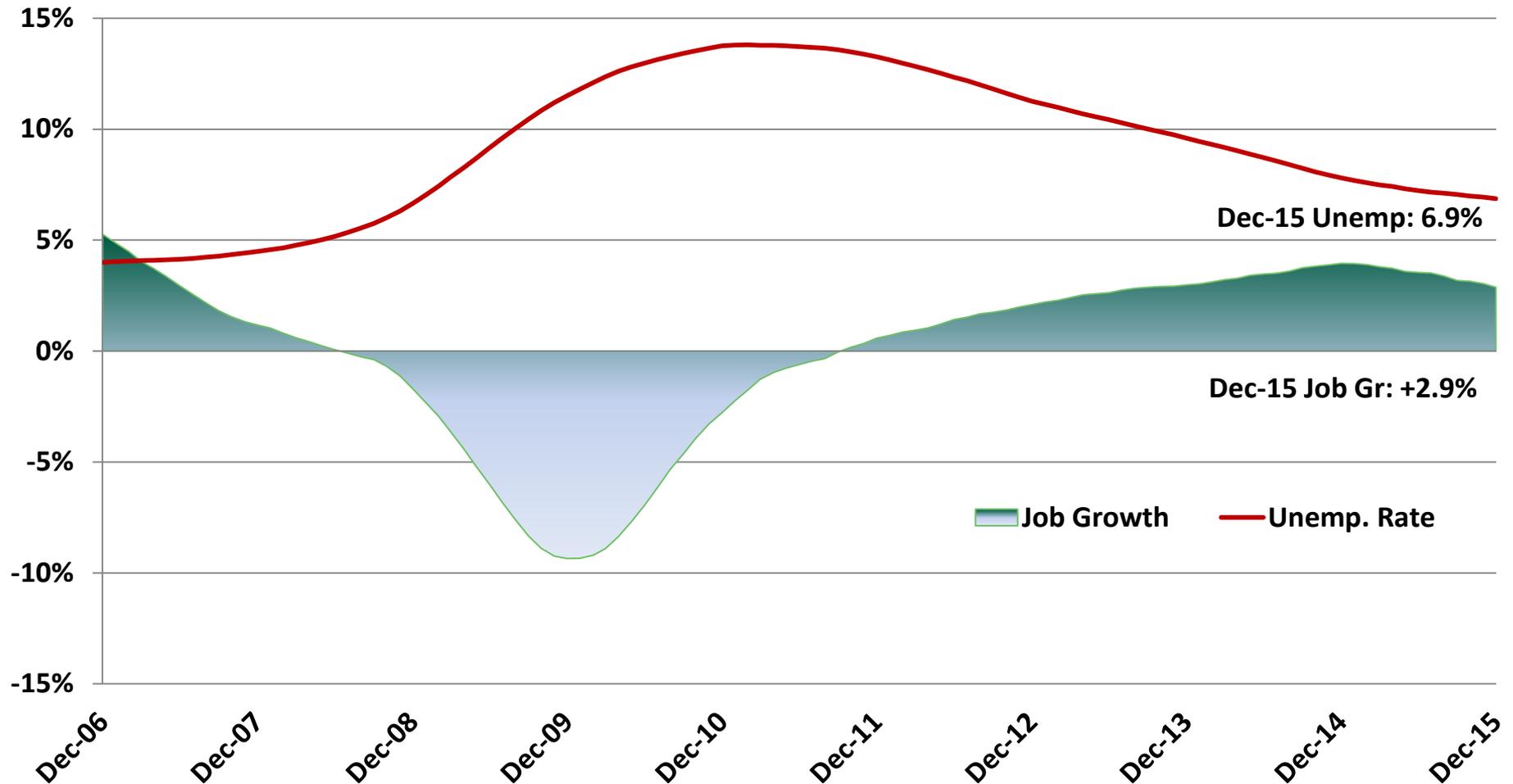
SOUTHERN NEVADA-TODAY

How Outsiders See Us

An aerial photograph of a city, likely Las Vegas, during a vibrant sunset. The sky is a mix of deep blue, orange, and pink, with scattered clouds catching the low sun. The city below is a dense grid of streets and buildings, with a prominent multi-lane highway running vertically through the center. In the distance, a range of mountains is silhouetted against the colorful sky.

Unemployment continues to decrease, but job growth cooling down

Las Vegas MSA Job Growth & Unemployment Rate: Dec-05 to Dec-15



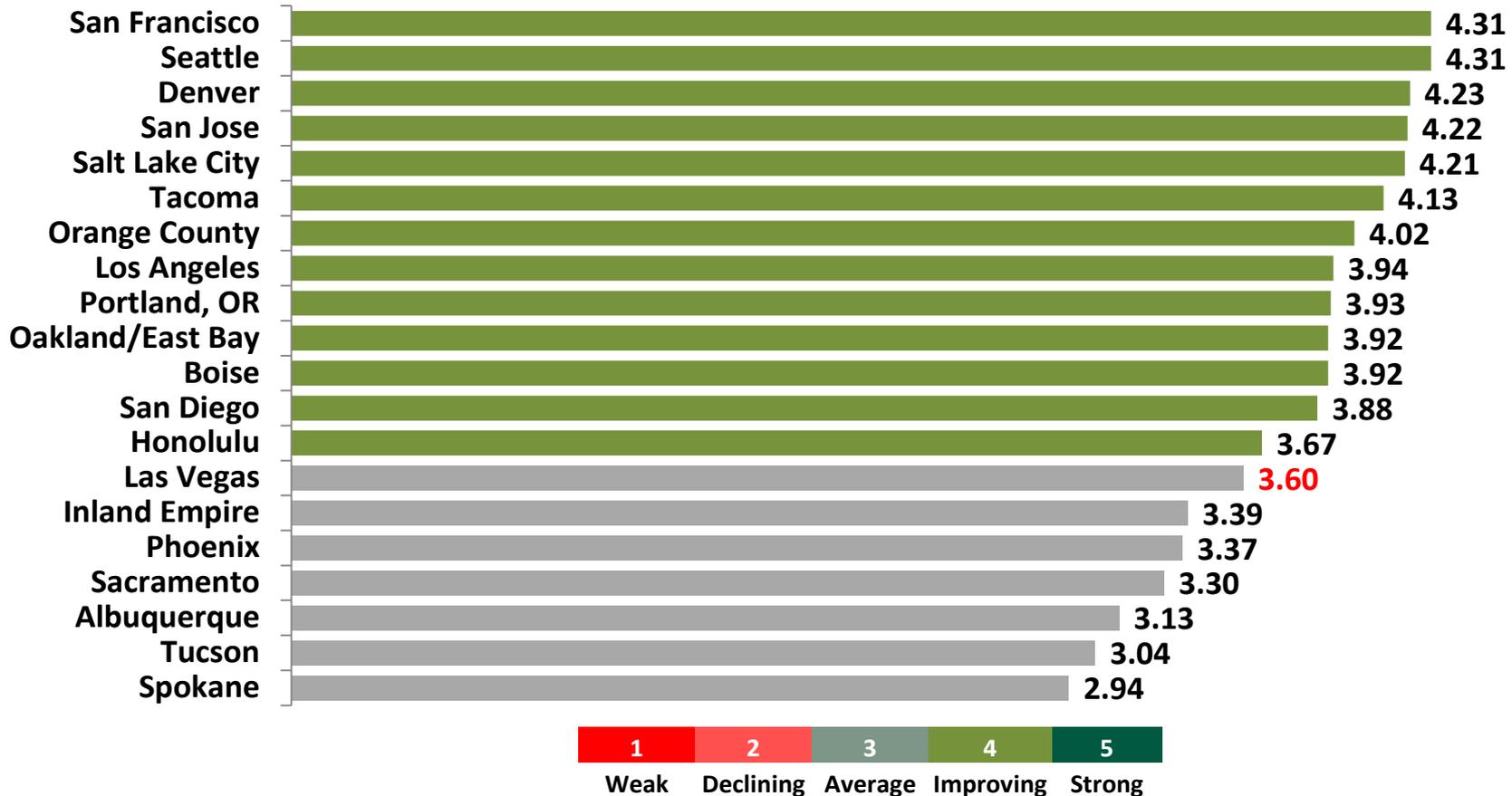
LV mid-pack for development & redevelopment opportunities

2016 Metro Perspective: Top 10 Metros for Development/Redevelopment Opportunities & Las Vegas MSA (Of 75 Largest Metros)

1 Portland, ME	4.50	Weak
2 New Orleans	4.50	Declining
3 Boise	4.50	Average
4 Salt Lake City	4.33	Improving
5 Columbus	4.25	Strong
6 San Antonio	4.24	
7 Greenville	4.22	
8 Raleigh/Durham	4.16	
9 New York-Brooklyn	4.16	
10 Nashville	4.14	
49 Las Vegas	3.60	
73 Memphis	2.86	
74 Hartford	2.75	
75 Columbia	2.75	

LV perceived as having so-so economic strength among western metros

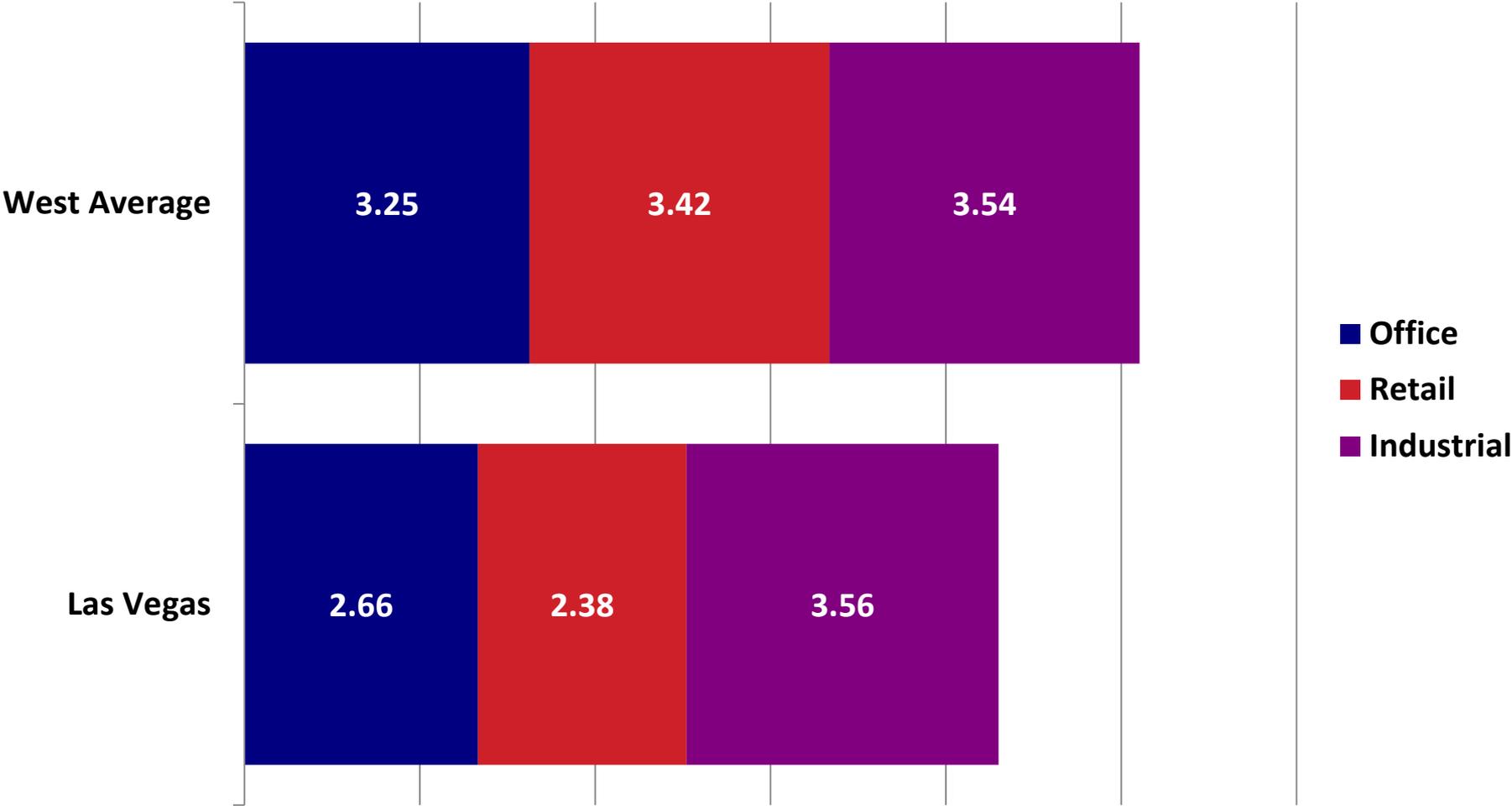
2016 Strength of Economy Scores (Out of 5): Local Outlook: West Region



Note: Average score of local market participants' opinion on strength of local economy, investor demand, capital availability, development & redevelopment opportunities, public/private investments & local development community.

LV industrial prospects are good; other sectors viewed a weaker than region

2016 Sector Investment Prospects (Out of 5): Las Vegas & Western Region



Ouch. LV RE prospects look shaky for investment, development & homebuilding.

2016 Top 10 U.S. Metros to Watch Plus Las Vegas:
Overall Real Estate Prospects (5 is Highest Score)

Rank	Market (Of 75 Largest Markets)	Investment	Development	Homebuilding
1	Dallas/Fort Worth (2, 3, 1)	3.87	3.79	4.34
2	Austin (4, 1, 2)	3.82	3.83	4.17
3	Charlotte (11, 5, 4)	3.71	3.69	4.07
4	Seattle (3, 10, 5)	3.84	3.57	4.00
5	Atlanta (5, 6, 8)	3.79	3.68	3.93
6	Denver (8, 13, 3)	3.74	3.51	4.14
7	Nashville (7, 2, 14)	3.75	3.81	3.67
8	San Francisco (9, 14, 12)	3.73	3.51	3.77
9	Portland, OR (10, 7, 16)	3.71	3.63	3.64
10	Los Angeles (1, 8, 25)	3.87	3.61	3.50
62	Las Vegas (68, 53, 62)	2.99	2.98	2.95

Note: Numbers in parentheses are rankings for, in order, investment, development & homebuilding.

SOUTHERN NEVADA'S COMMERCIAL MARKETS

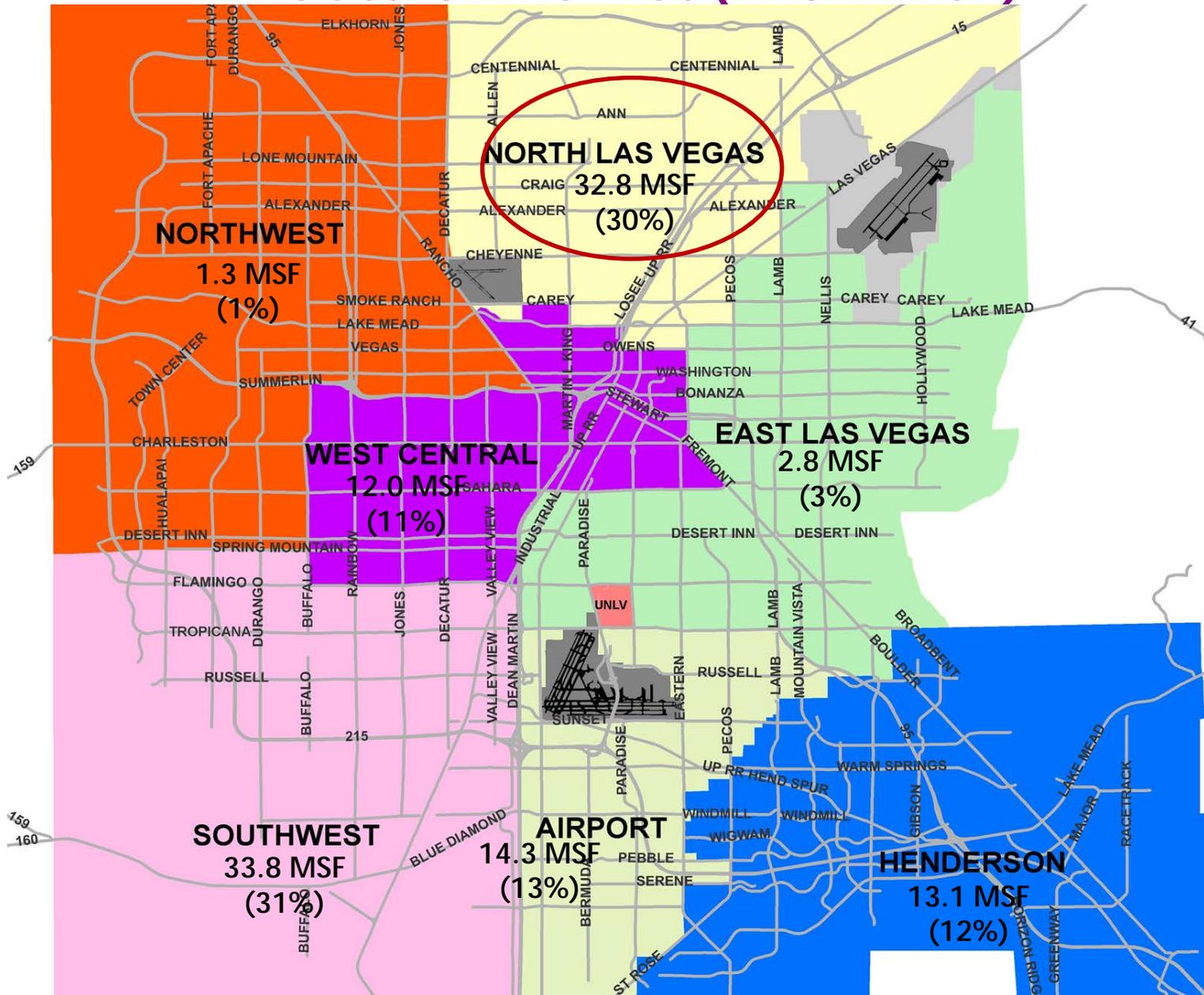
The Long & Winding Road

An aerial photograph of a city during sunset. The sky is a mix of blue and orange, with a long, horizontal cloud illuminated by the setting sun. Below the sky, a dense grid of streets and buildings is visible, with a prominent road running vertically through the center of the frame. The city extends to the horizon, where mountains are visible under the twilight sky.

INDUSTRIAL MARKET



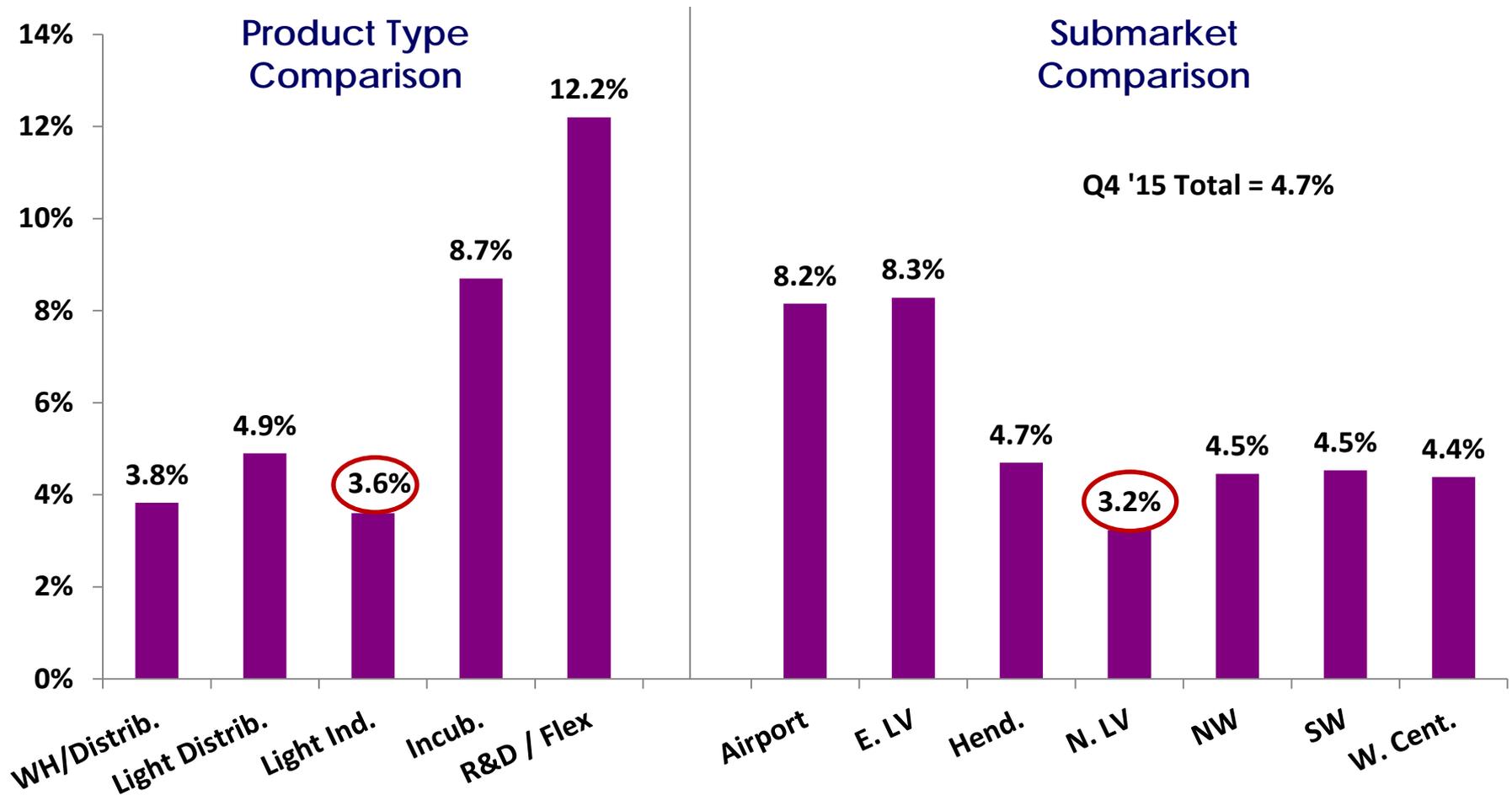
Las Vegas Valley Submarket Inventory Map Industrial Market (110.1 MSF)



Vacancy varies by product & submarket

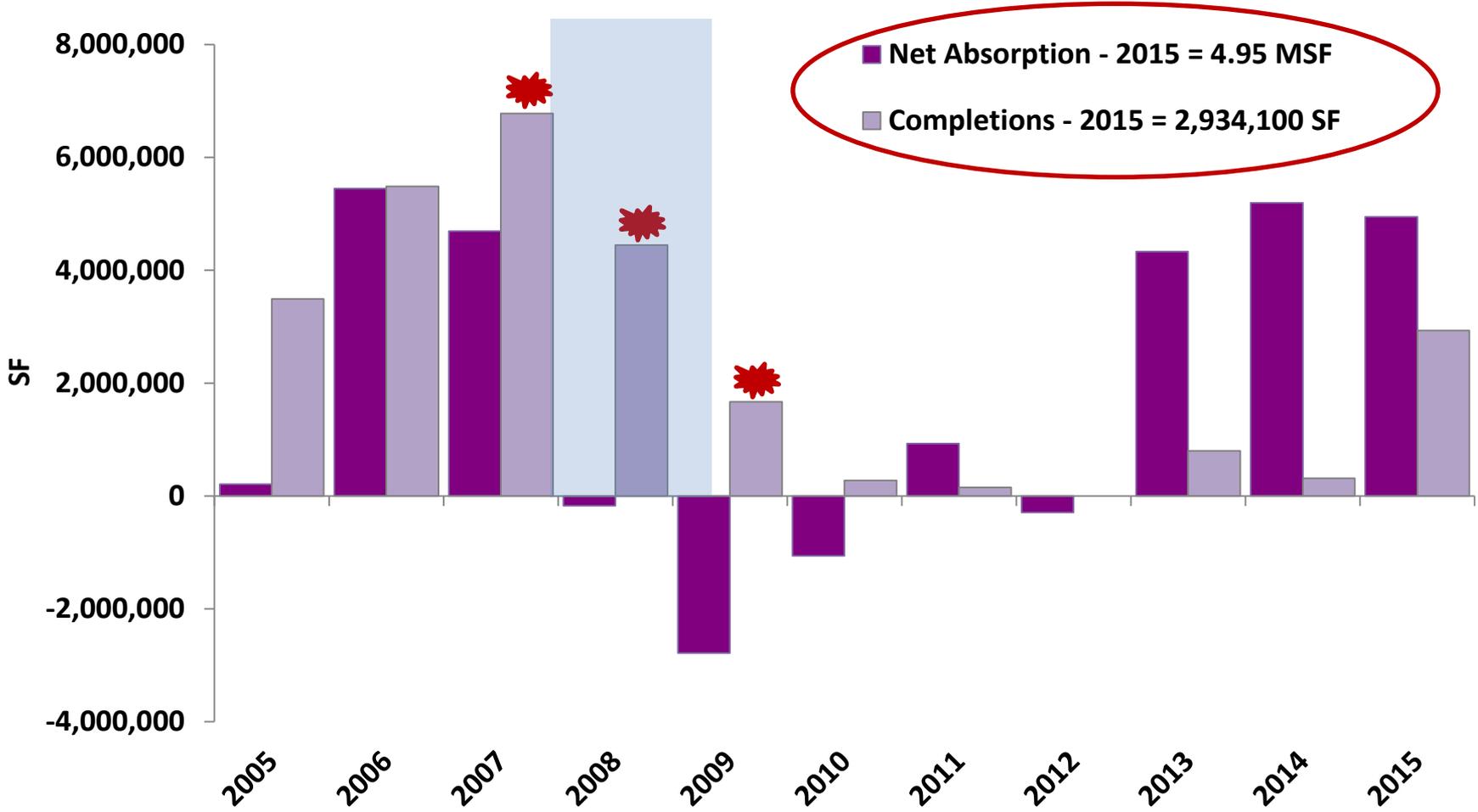
Lowest in Light Industrial & in NLV

Industrial Product & Submarket Vacancy Rates: Q4 2015



Industrial absorption & completions both saw major gains in 2015

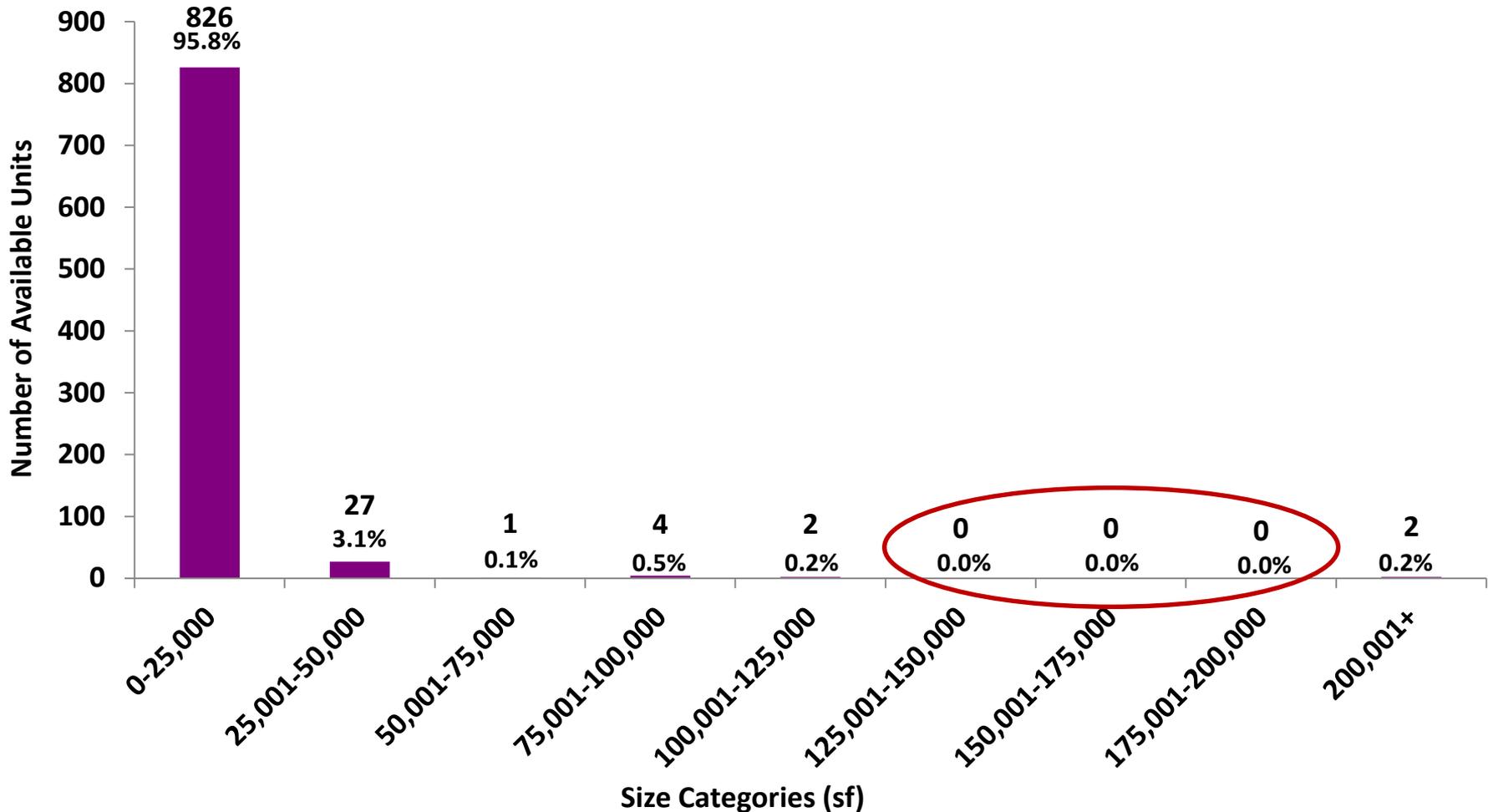
Industrial Annual Net Absorption & Completions: 2005 - 2015



The most critical Industrial chart

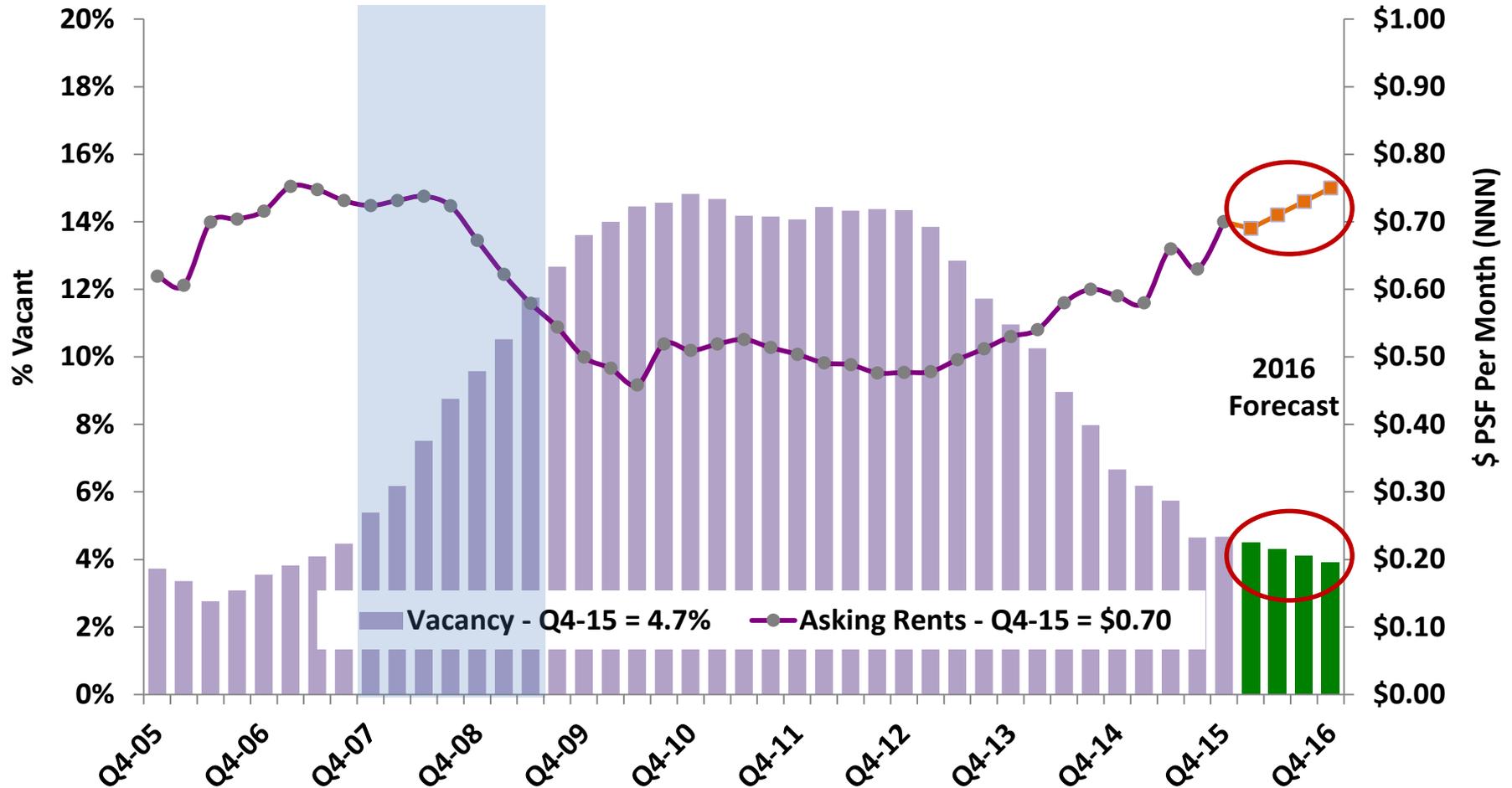
So what's up in the 125k- 200K market?

Distribution of Industrial Available Units, by Size Category: Q4, 2015



The Industrial market recovered; starting to see space shortages.

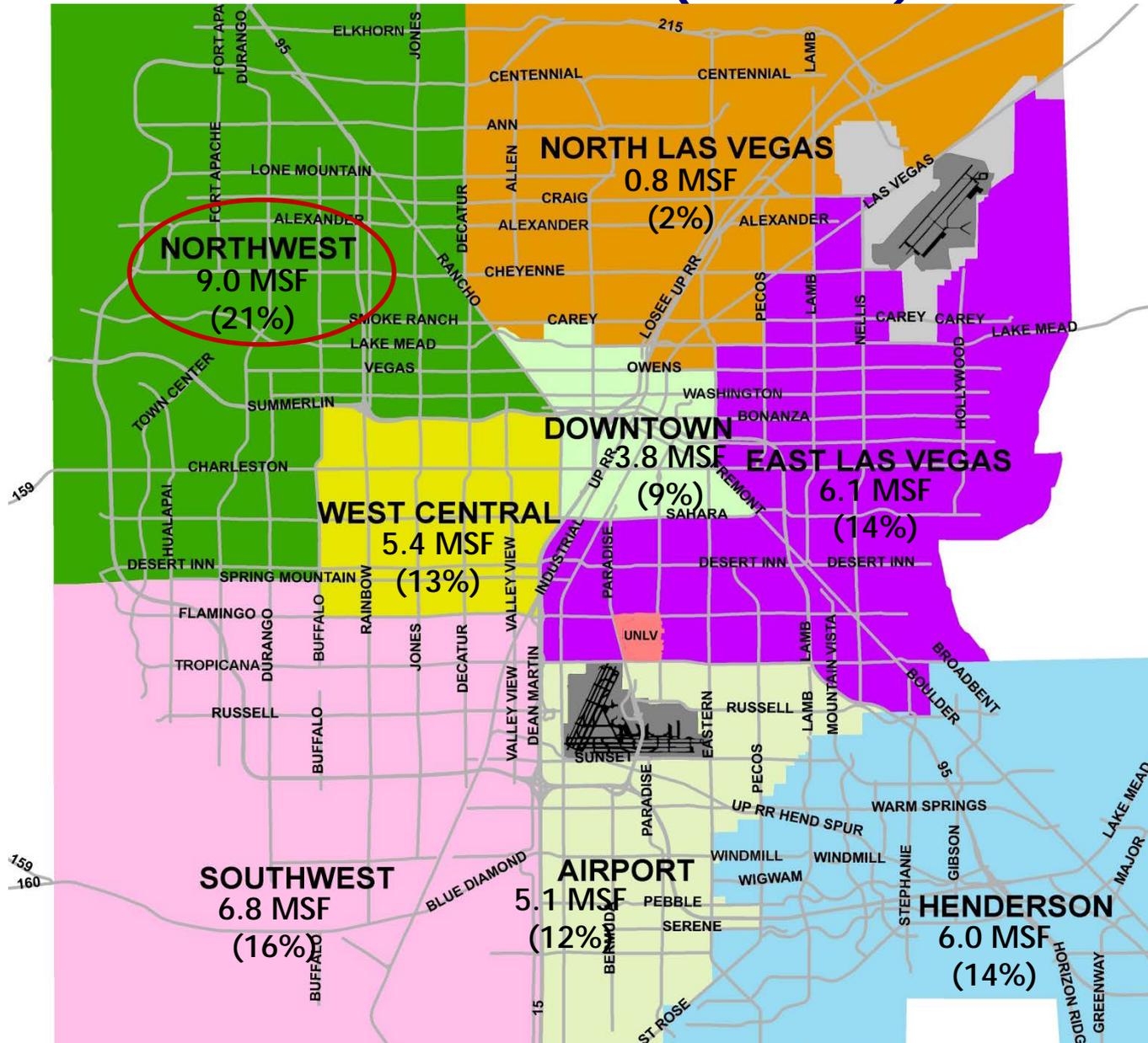
Industrial Vacancy & Asking Rents: Q4, 2005 – Q4, 2015 + 2016 Forecast



OFFICE MARKET

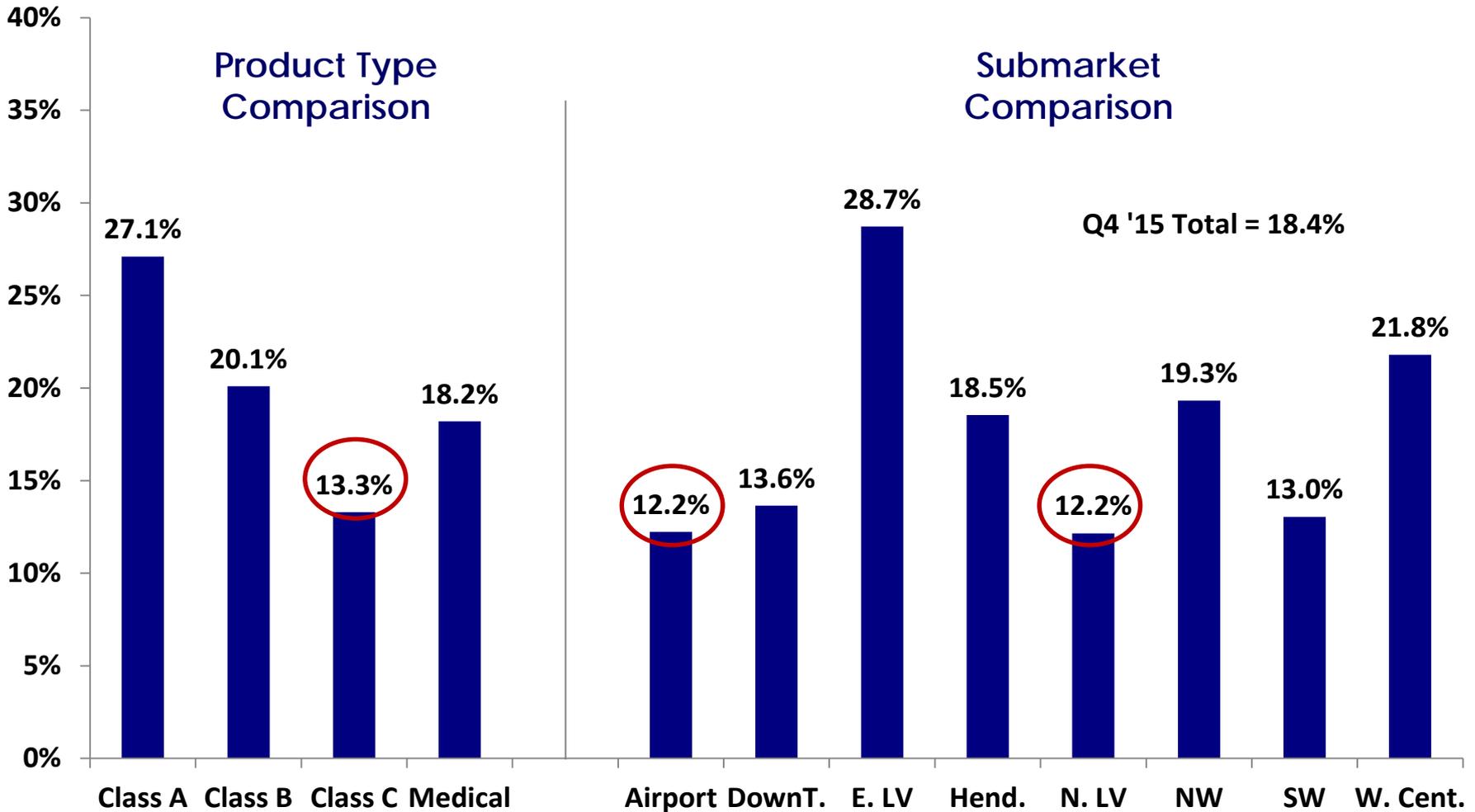


Las Vegas Valley Submarket Inventory Map Office Market (43 MSF)



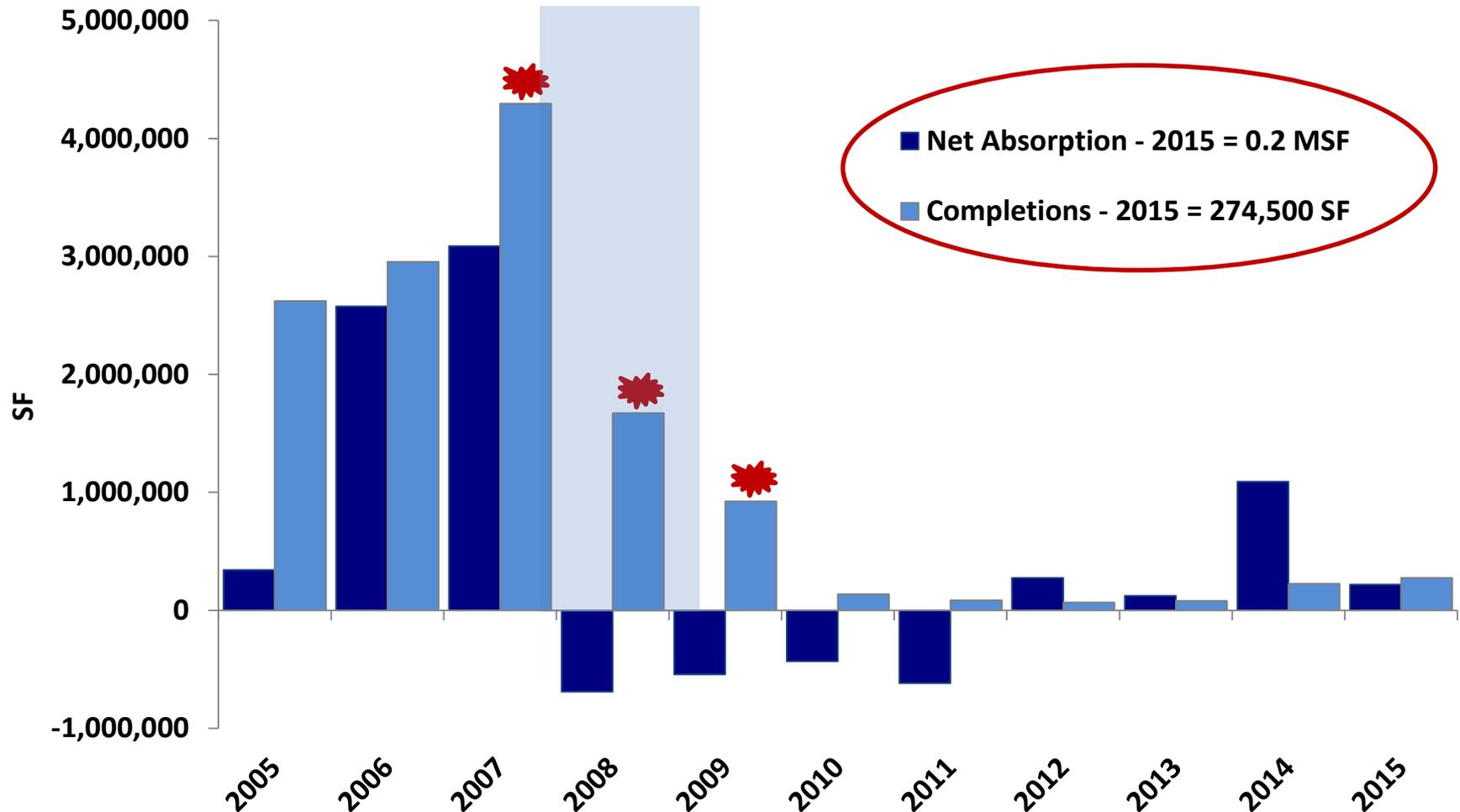
Vacancy Lowest in Class C & in Airport & N Las Vegas.

Spec Office Product & Submarket Vacancy Rates: Q4 2015



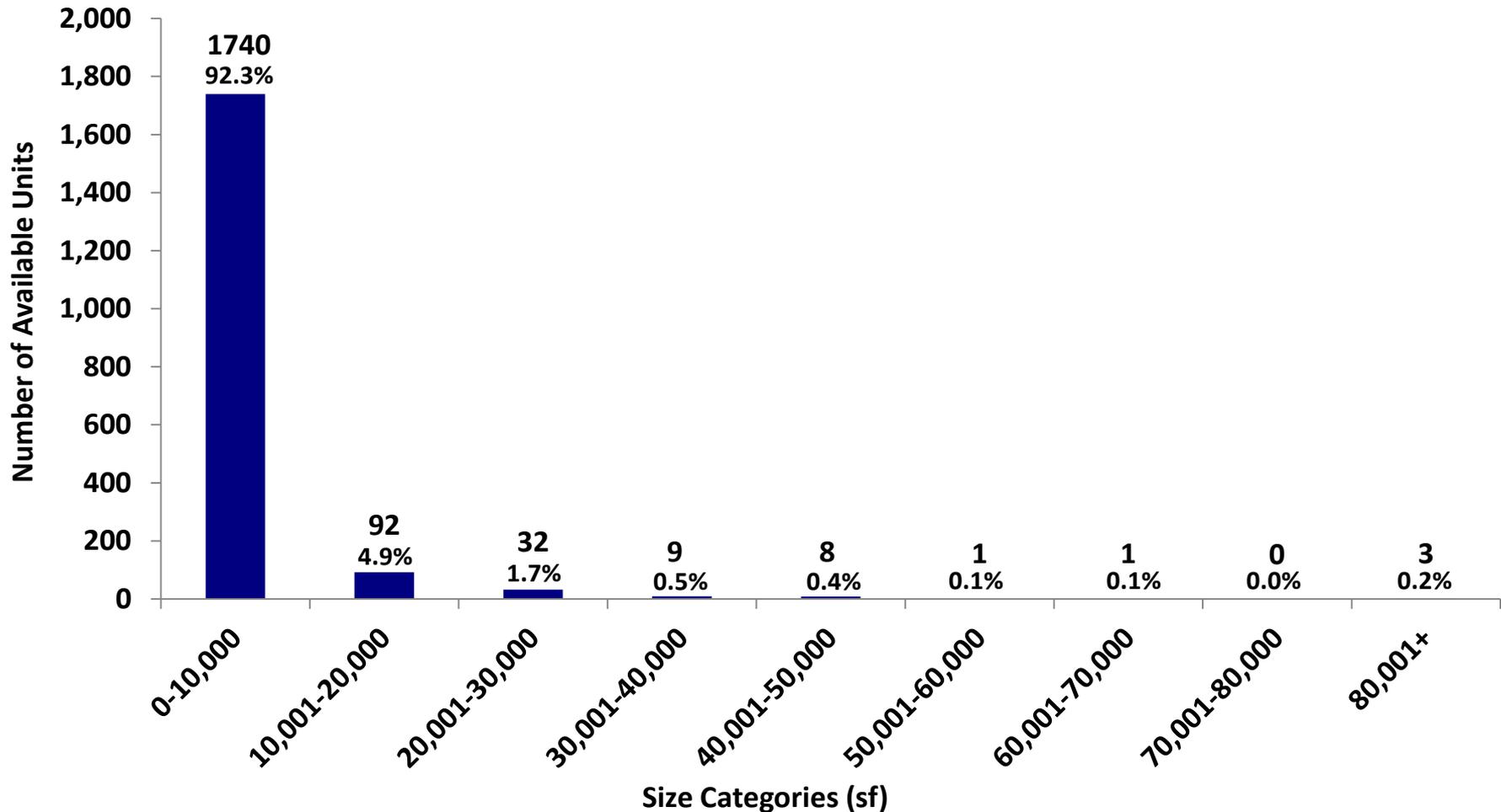
Office absorption & completions still plodding along

Spec Office Annual Net Absorption & Completions: 2005 - 2015



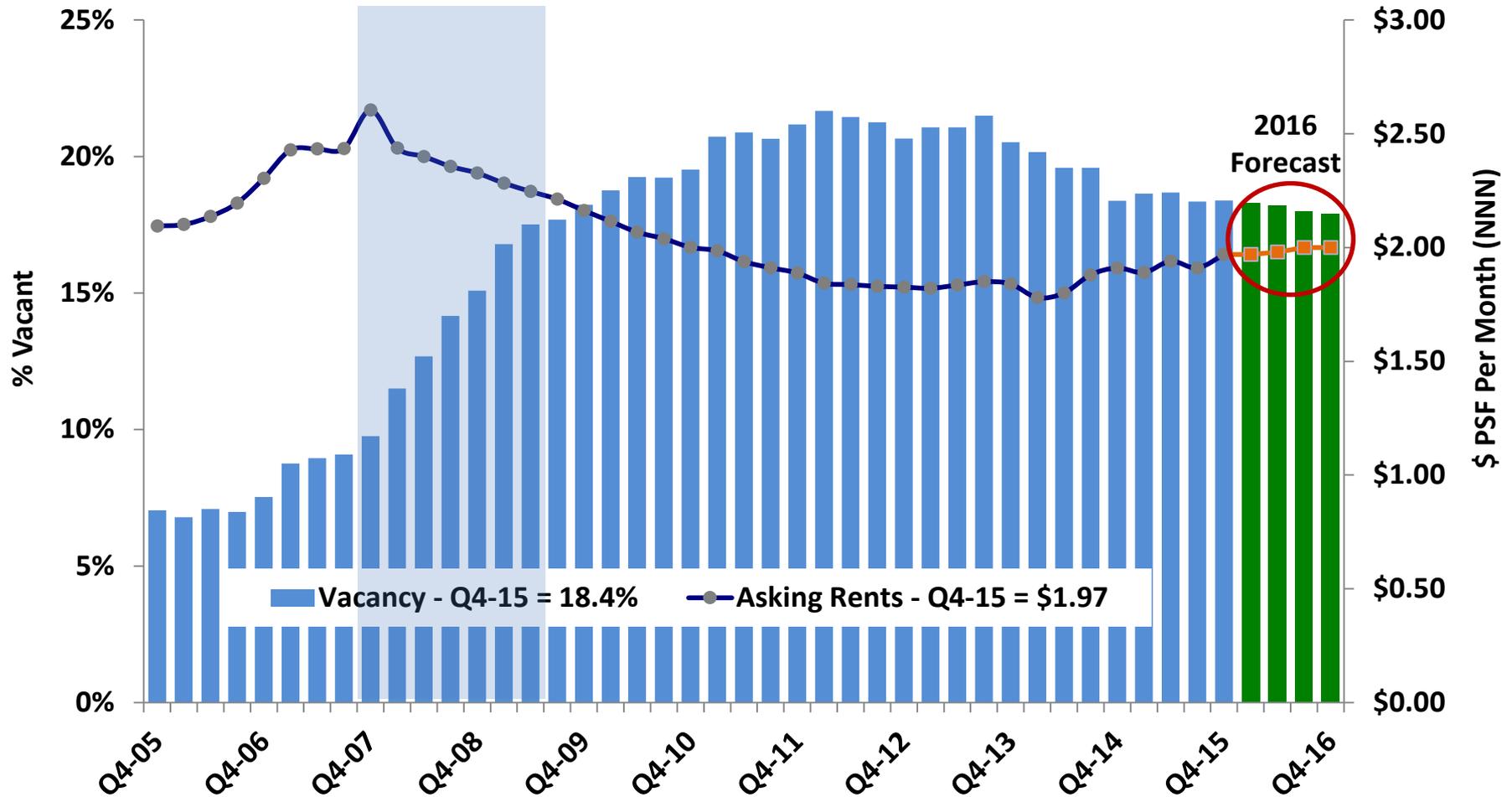
The most critical Office chart.

Distribution of Spec Office Available Units, by Size Category: Q4 2015



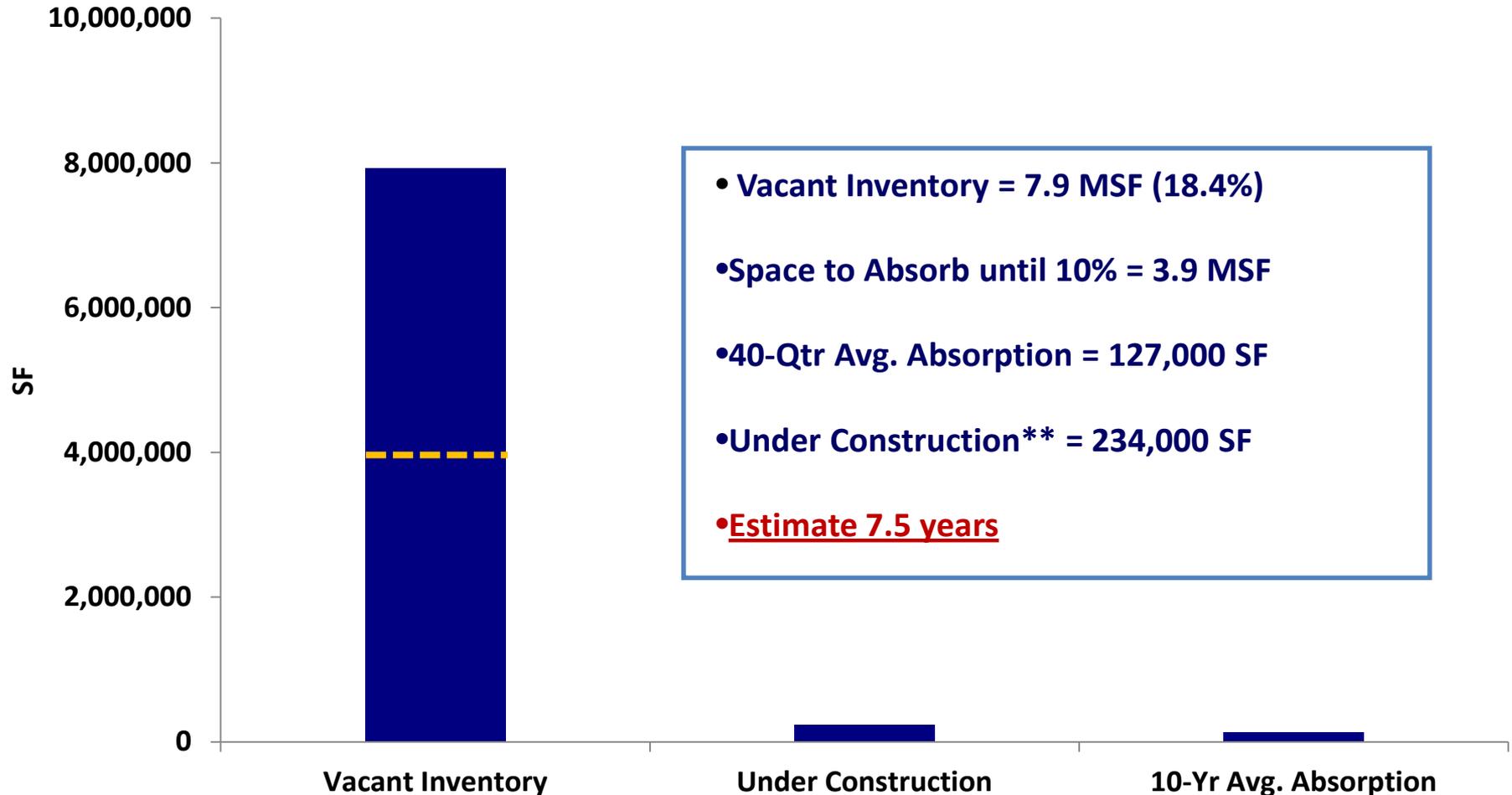
Spec Office market still climbing out of hole; some markets & products doing better

Spec Office Vacancy & Asking Rents: Q4, 2005 – Q4, 2015 + 2016 Forecast



Spec office market still over 7 years way from seeing 10% vacancy

Spec Office Time to Stabilized Vacancy Rate: Q4, 2015



**Assuming UC space enters the market with vacancy at existing rate.

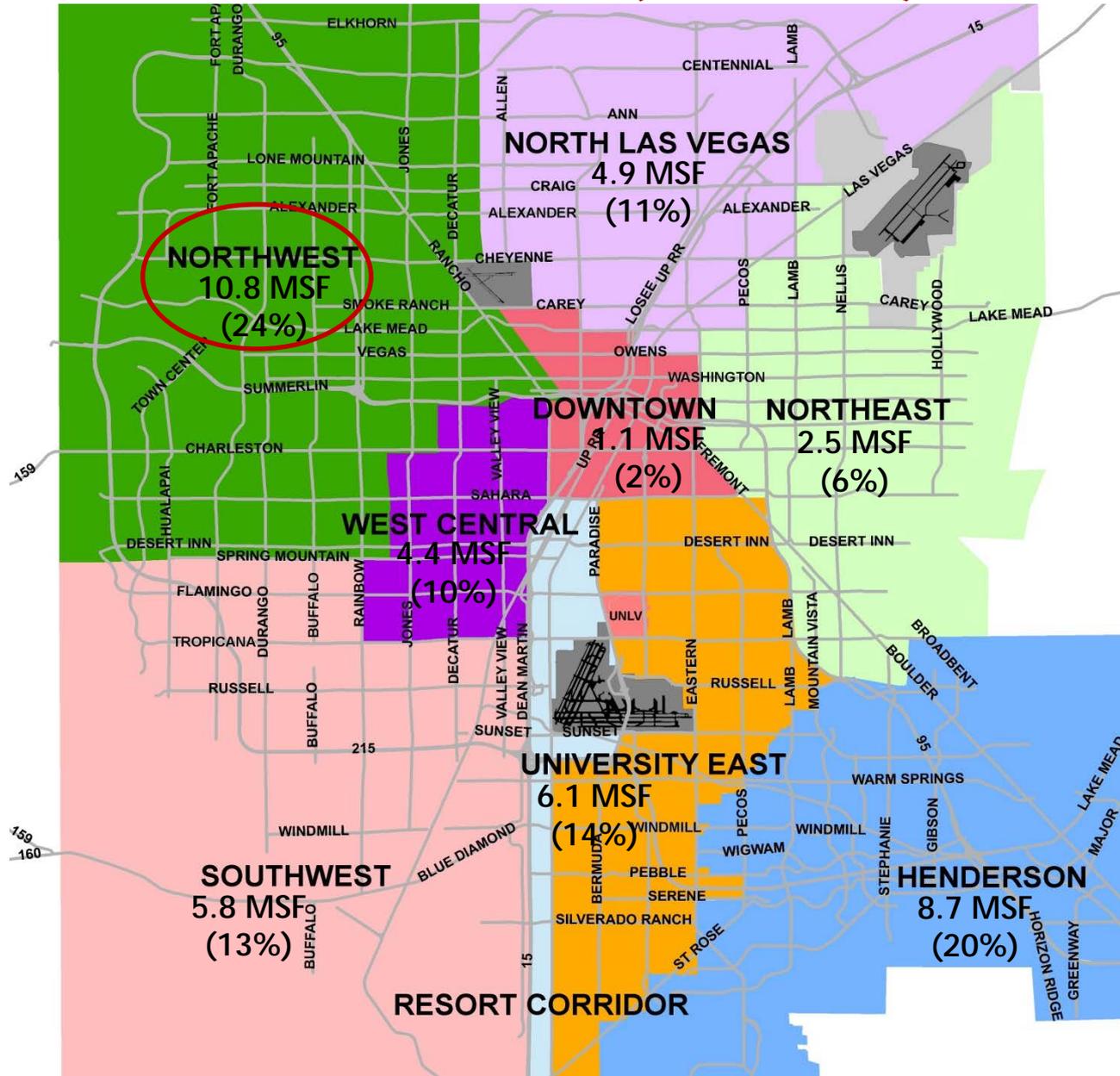
Source: RCG Economics.

RETAIL MARKET



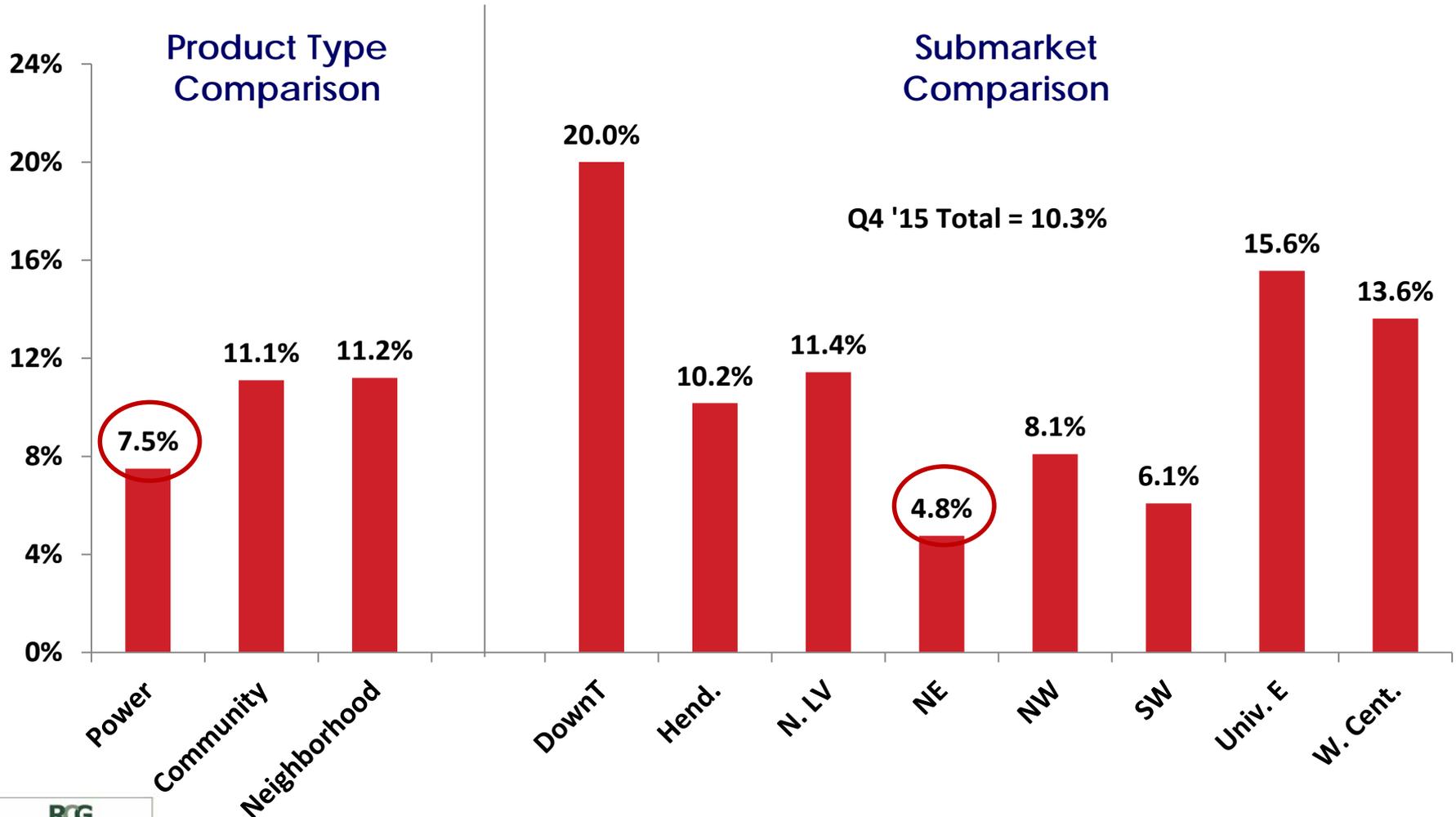
Las Vegas Valley Submarket Inventory Map

Retail Market (47.3 MSF)



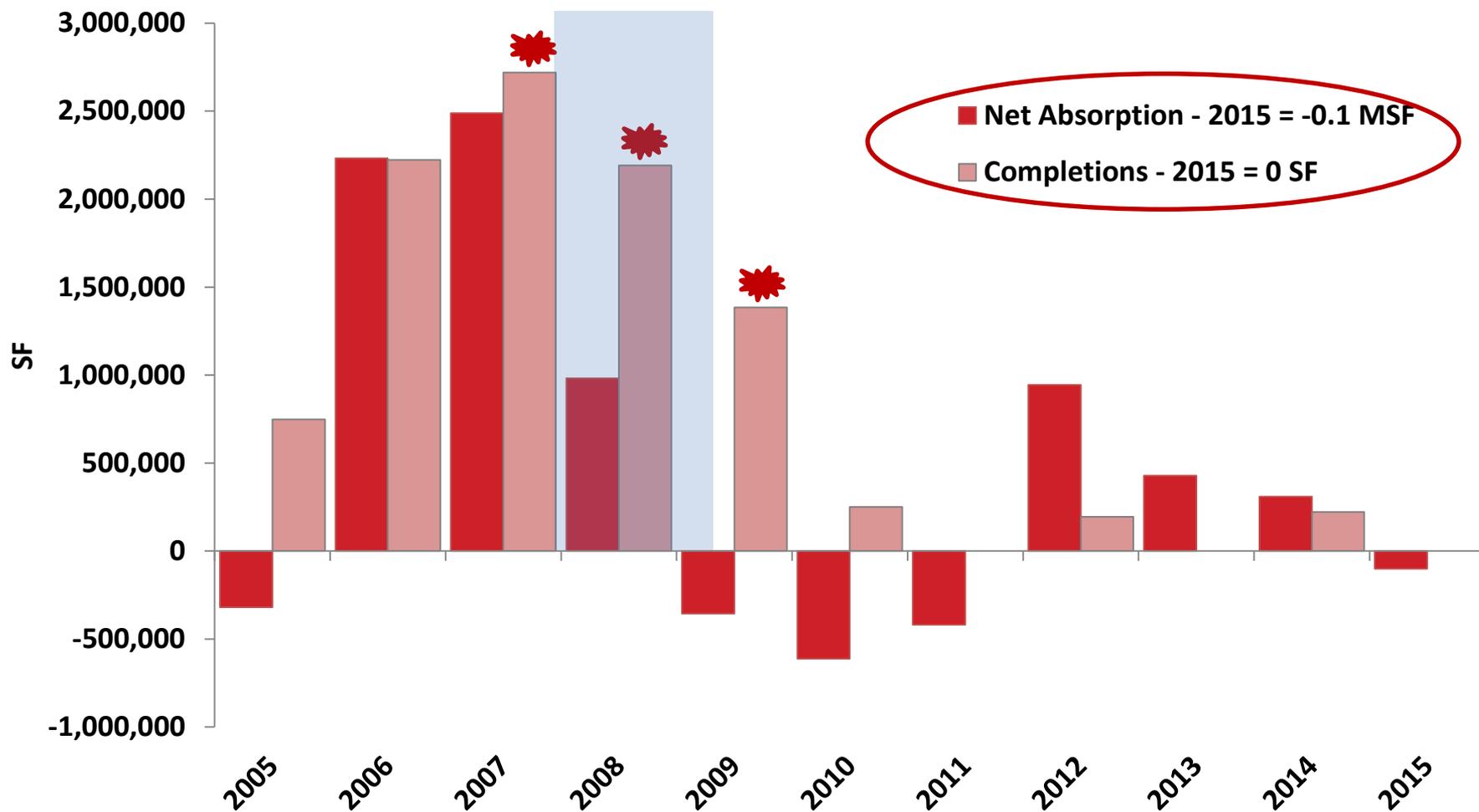
Vacancy lowest in Power Cntrs & in Northeast Valley.

Anchored Retail Product & Submarket Vacancy Rates: Q4 2015



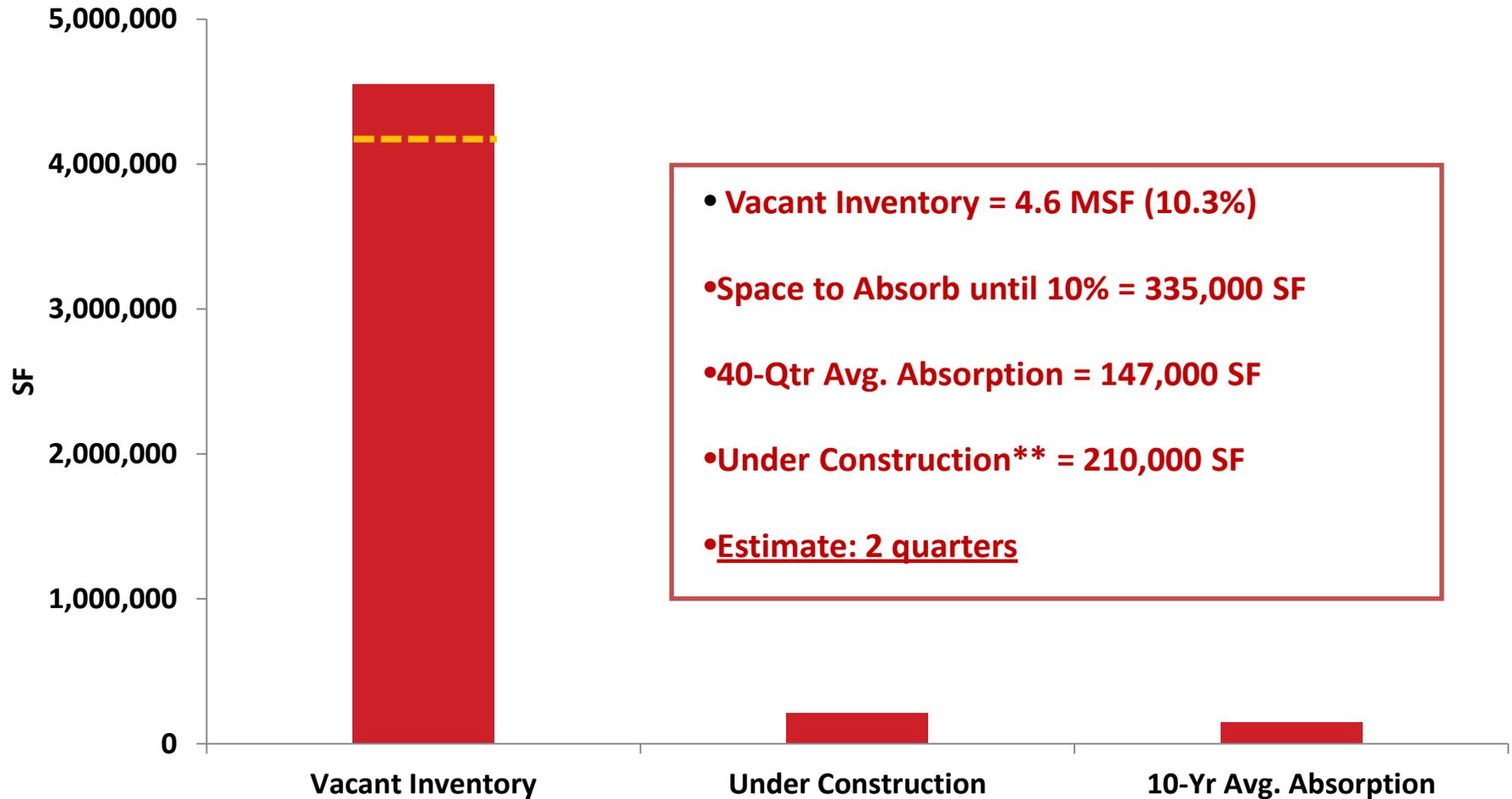
Retail absorption & completions stagnating partly due to quality remaining space

Anchored Retail Annual Net Absorption & Completions: 2005 - 2015



Anchored retail market <1 year of supply until 10% stabilized vacancy

Anchored Retail Time to Stabilized Vacancy Rate: Q4, 2015

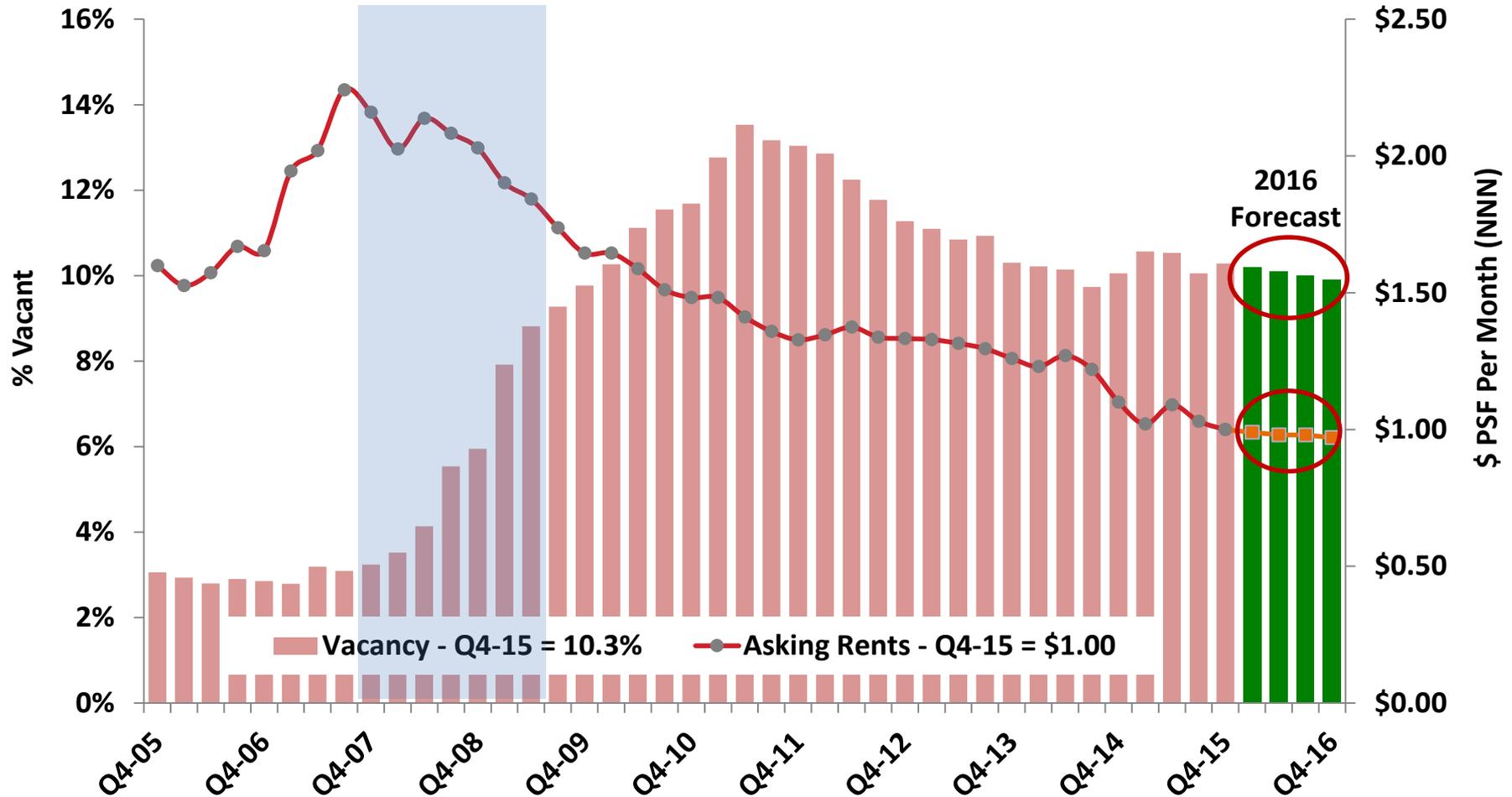


**Assuming UC space enters the market with vacancy at existing rate.

Source: RCG Economics.

The anchored retail market improving but national closures slowing growth down.

Anchored Retail Vacancy & Asking Rents: Q4 2005 – Q4 2015 + 2016 Forecast



SOUTHERN NEVADA'S COMMERCIAL MARKETS

Some 2016 Chrystal Balling

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2016 Food for Thought

1. Low gas prices, will be the gift that keeps on giving
2. Wages & hours work will finally see improvement as the job market continues to tighten
3. Bullish on Industrial, especially Warehouse-Distribution & especially Spec
 - ✓ Continued growth in E-Commerce, making DCs the NEW retail centers
 - ✓ Industrial has a longer runway for appreciation & income growth; changing U.S. economic landscape
 - ✓ Growing demand for Warehouse Distribution space & continued land shortages, but be careful of irrational exuberance
 - ✓ Lot's large space construction in large space, not much under 200,000 sf. This product largely in urban core. Getting critical for same-day delivery.
4. Overall spec office market will continue to recover at snail's pace; but 215 submarkets will do best
5. Retail centers at both ends of bar bell will do well, but the middle will continue to struggle
6. Retailing will continue to move from selling via "showrooms" to "web rooms" to "guide rooms"
7. Blowback from slowing China & Western European economies; We're NOT Alone

CONTACT Us

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