

# LAS VEGAS COMMERCIAL REAL ESTATE ROUNDUP

Presented to:

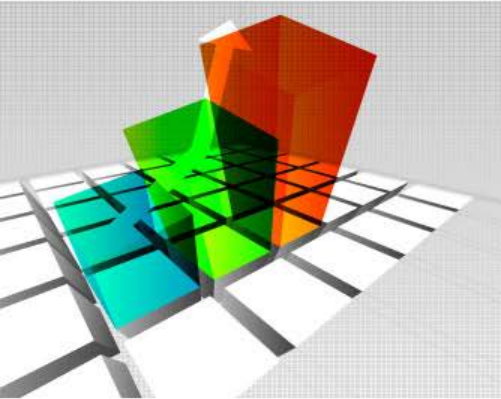


McDONALD  
CARANO  
WILSON<sup>LLP</sup>

October 22, 2015

Presented by:

**RCG**  
**ECONOMICS**

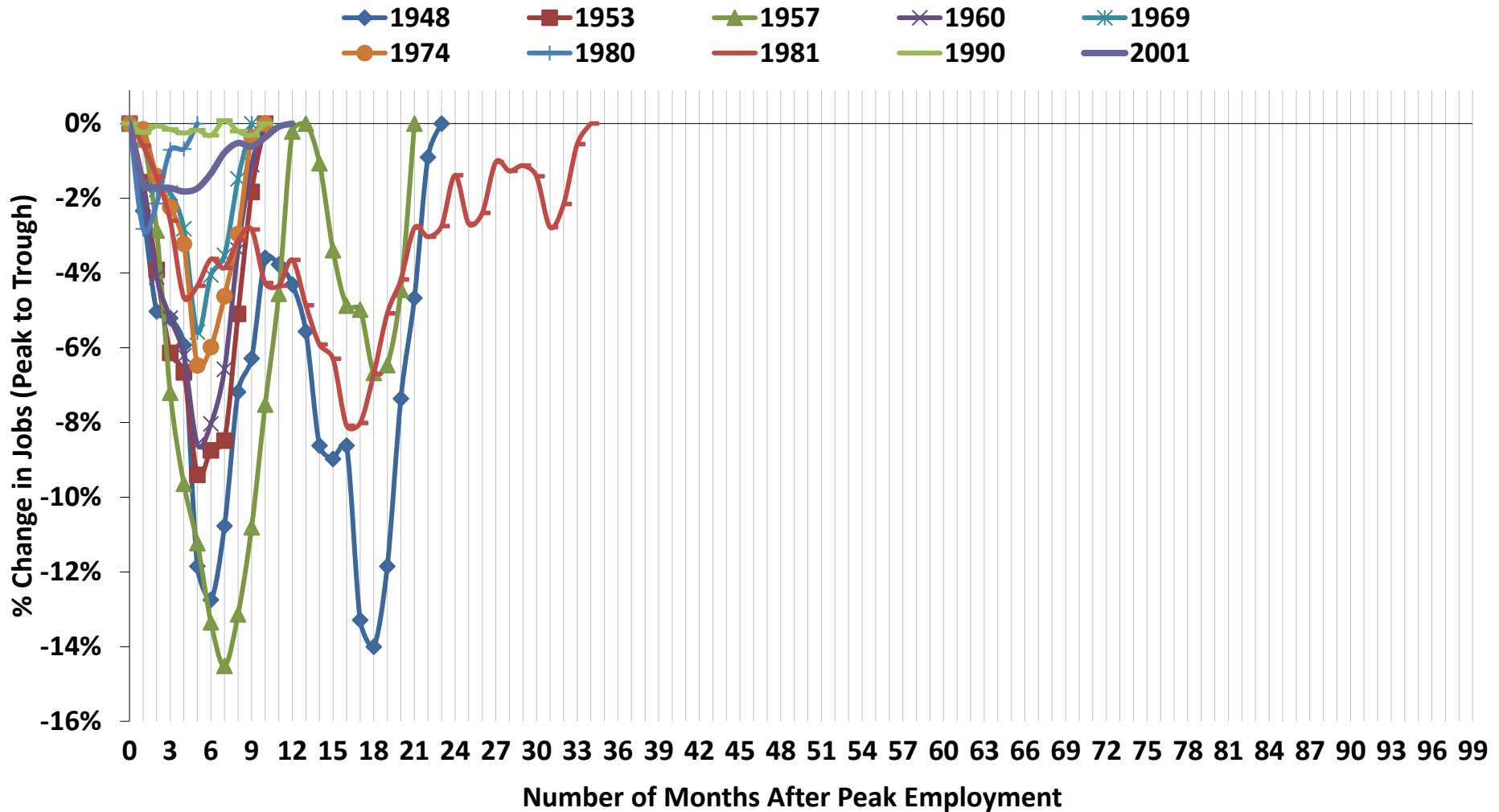


# WHY WE'RE HERE



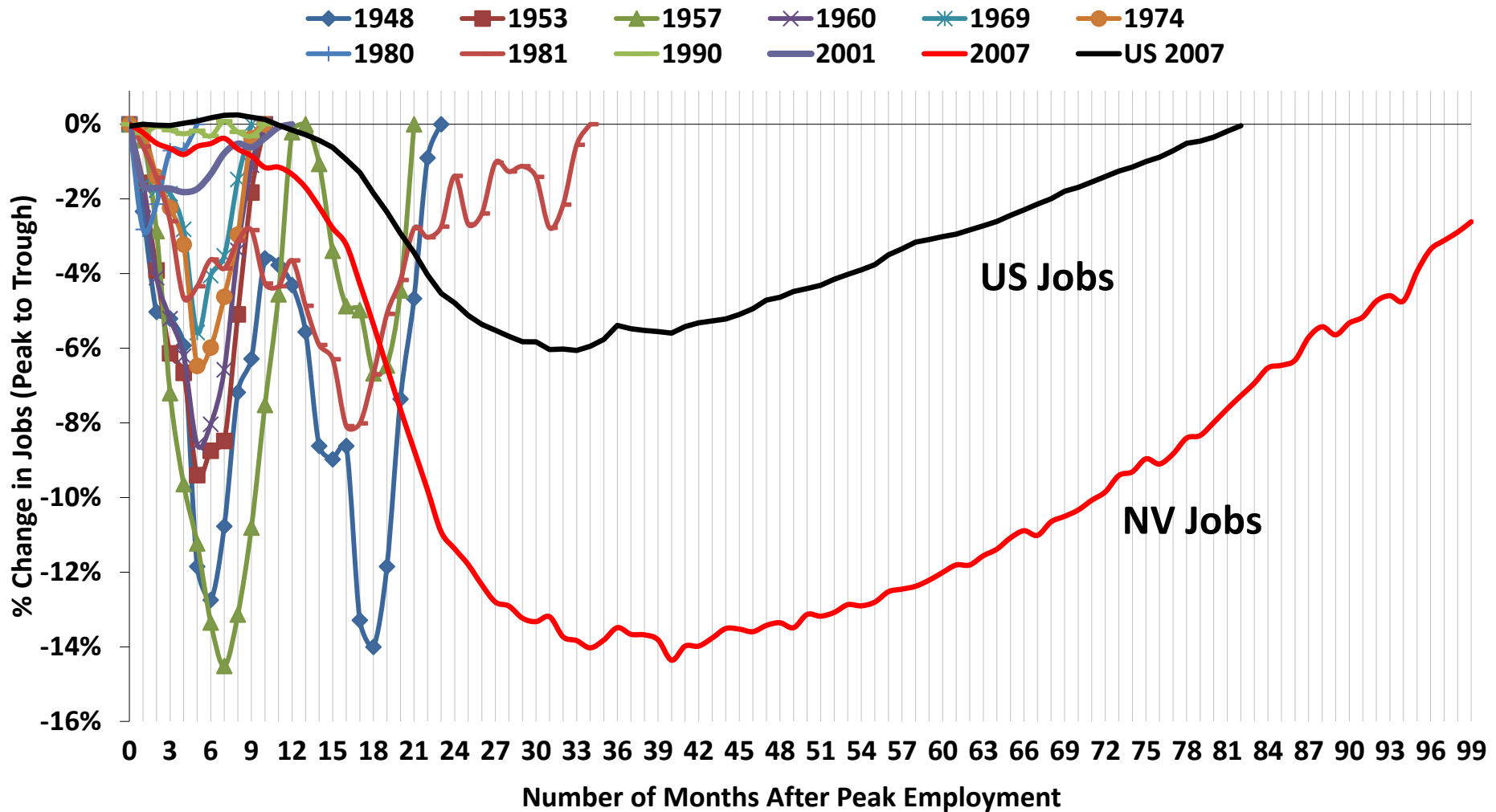
# Nevada job recovery: Previous 10 Recessions

## Peak to Trough % Job Change: 1948-2001

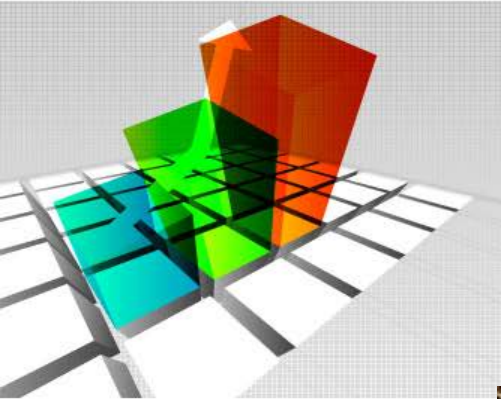


# Nevada job recovery from Great Recession (after 99 months)

Peak to Trough % Job Change: 1948 to Present







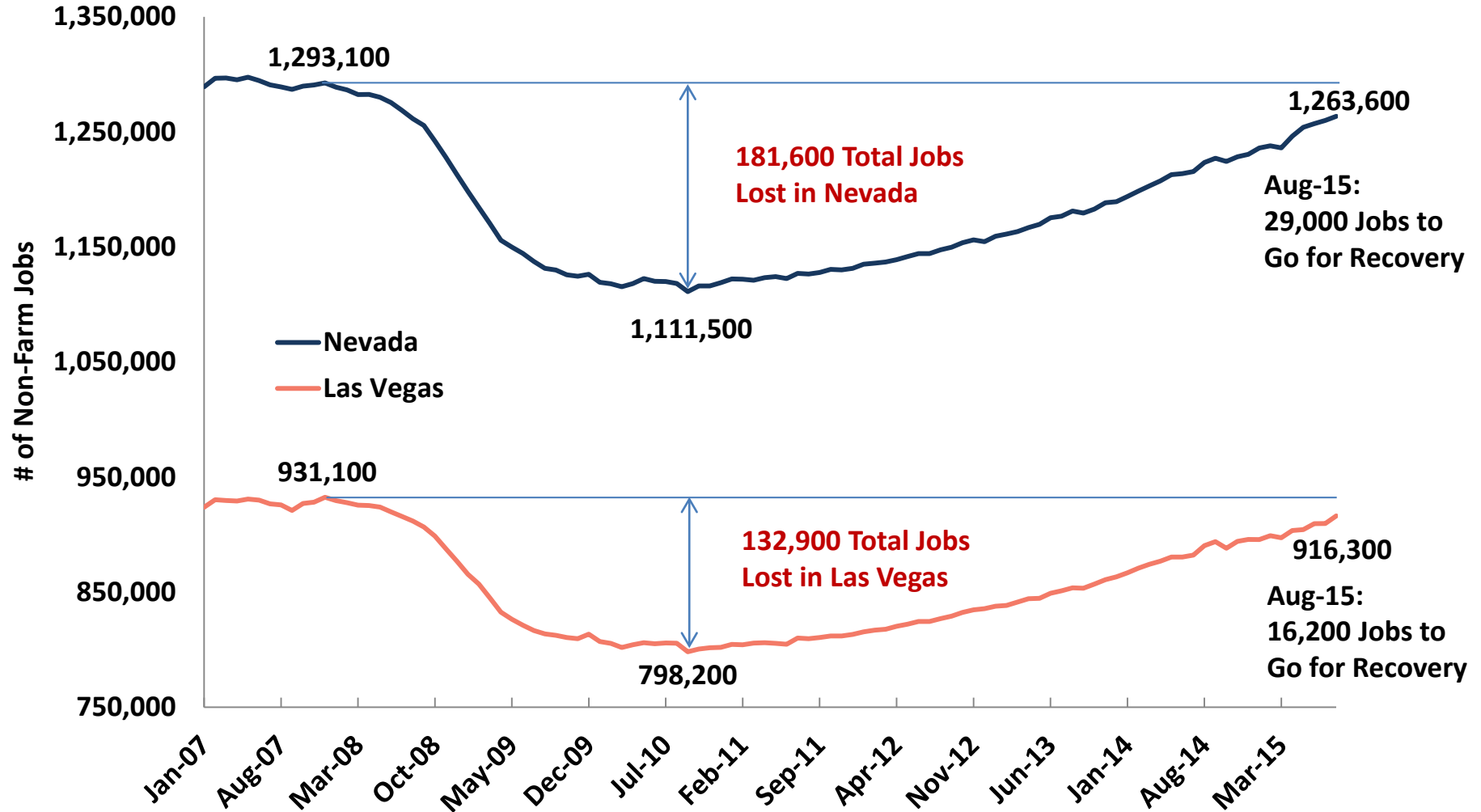
# PART 1: THE SOUTHERN NEVADA JOB MARKET

Jobs  
Absorption  
Vacancy  
Rents



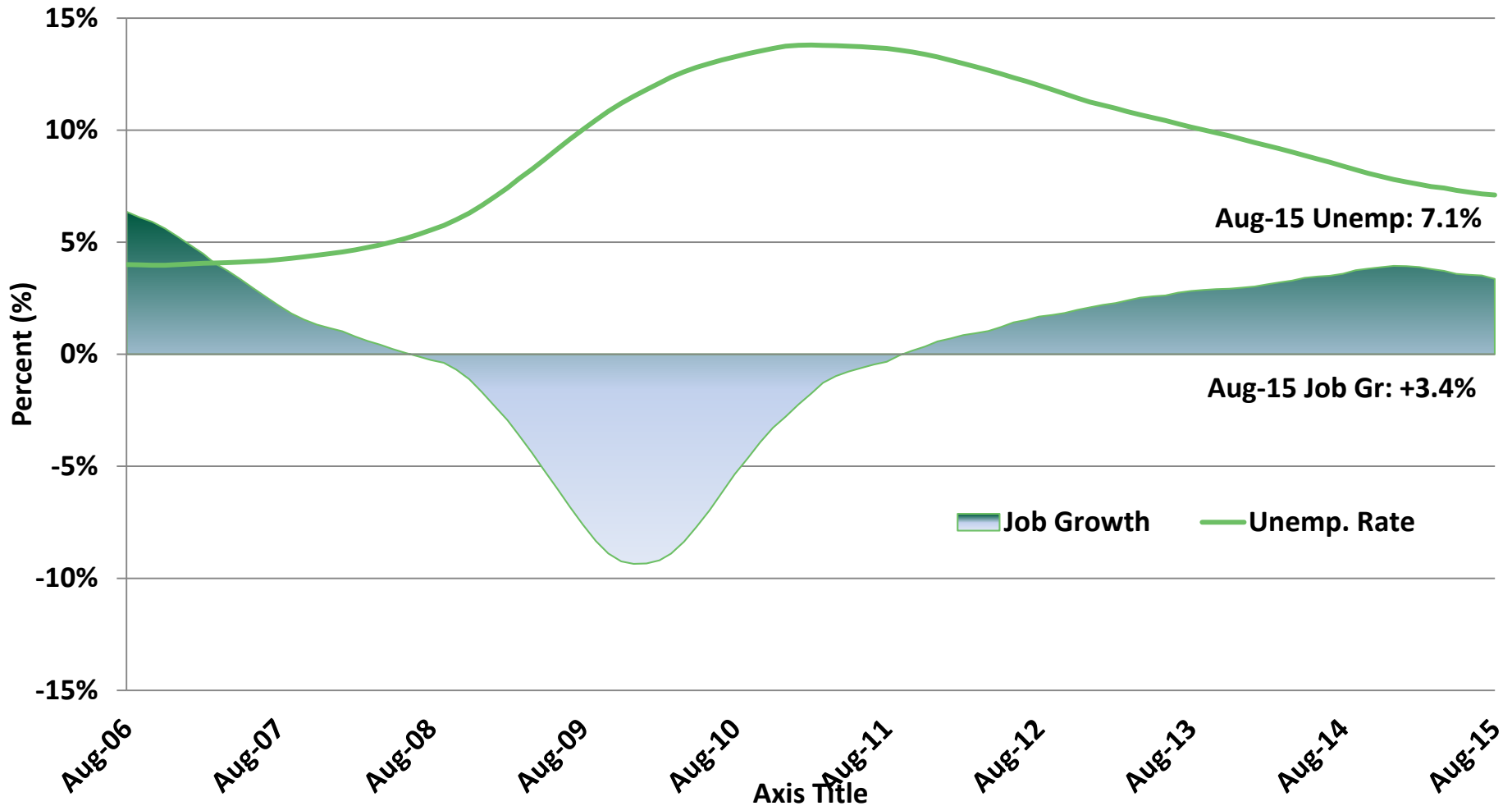
# Las Vegas job recovery 88% complete, full recovery likely within 9 months

Rate of Nevada & Las Vegas MSA Job Recovery, by Jobs: 1/2007-8/2015



# Unemployment continues to drop, job growth slowing but good

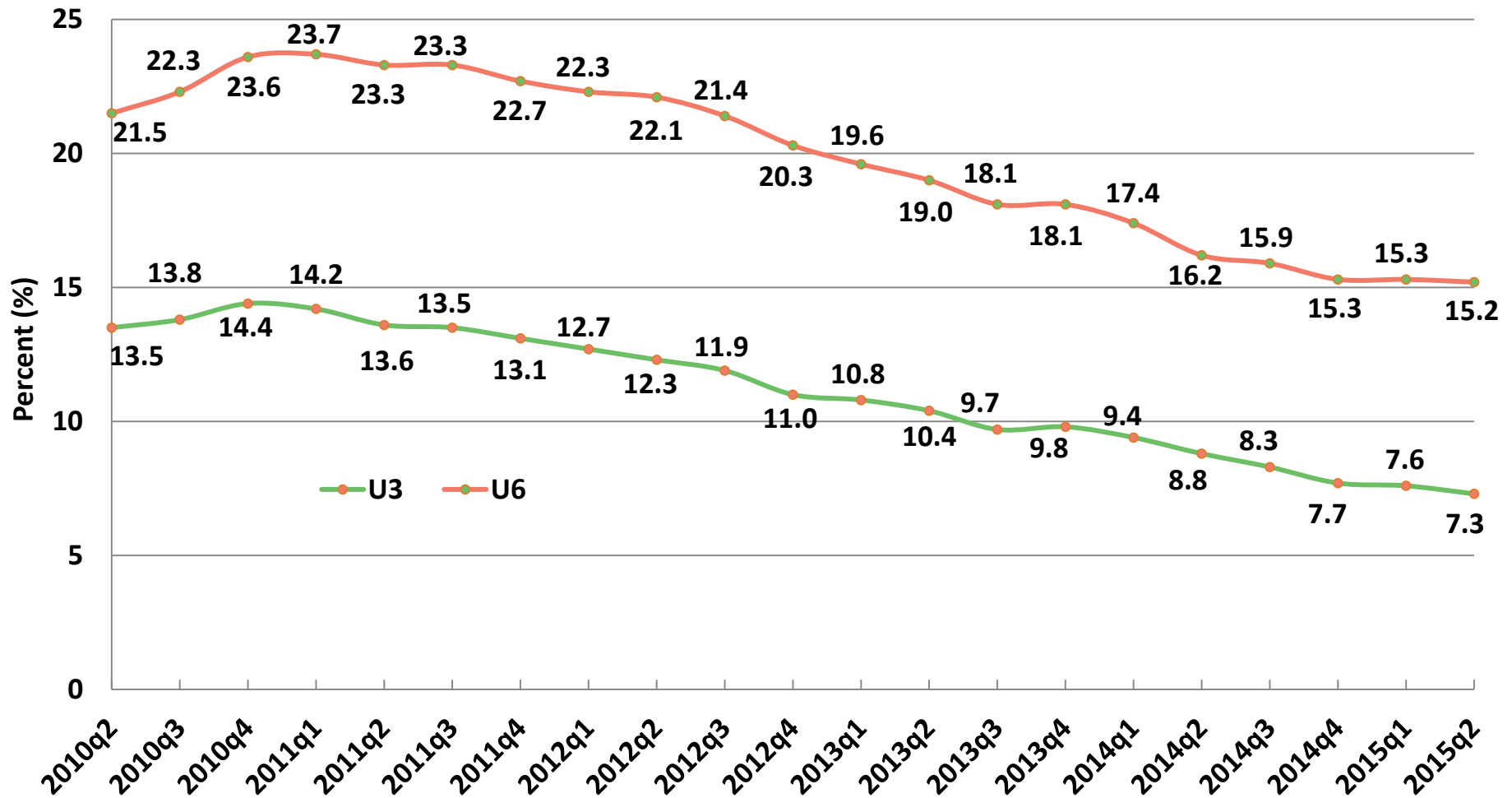
Nevada Job Growth & Headline Unemployment Rate: 8/2006-8/2015



Source: Bureau of Labor Statistics.

# U-6 rate shows high share of forced part-time workers in Nevada

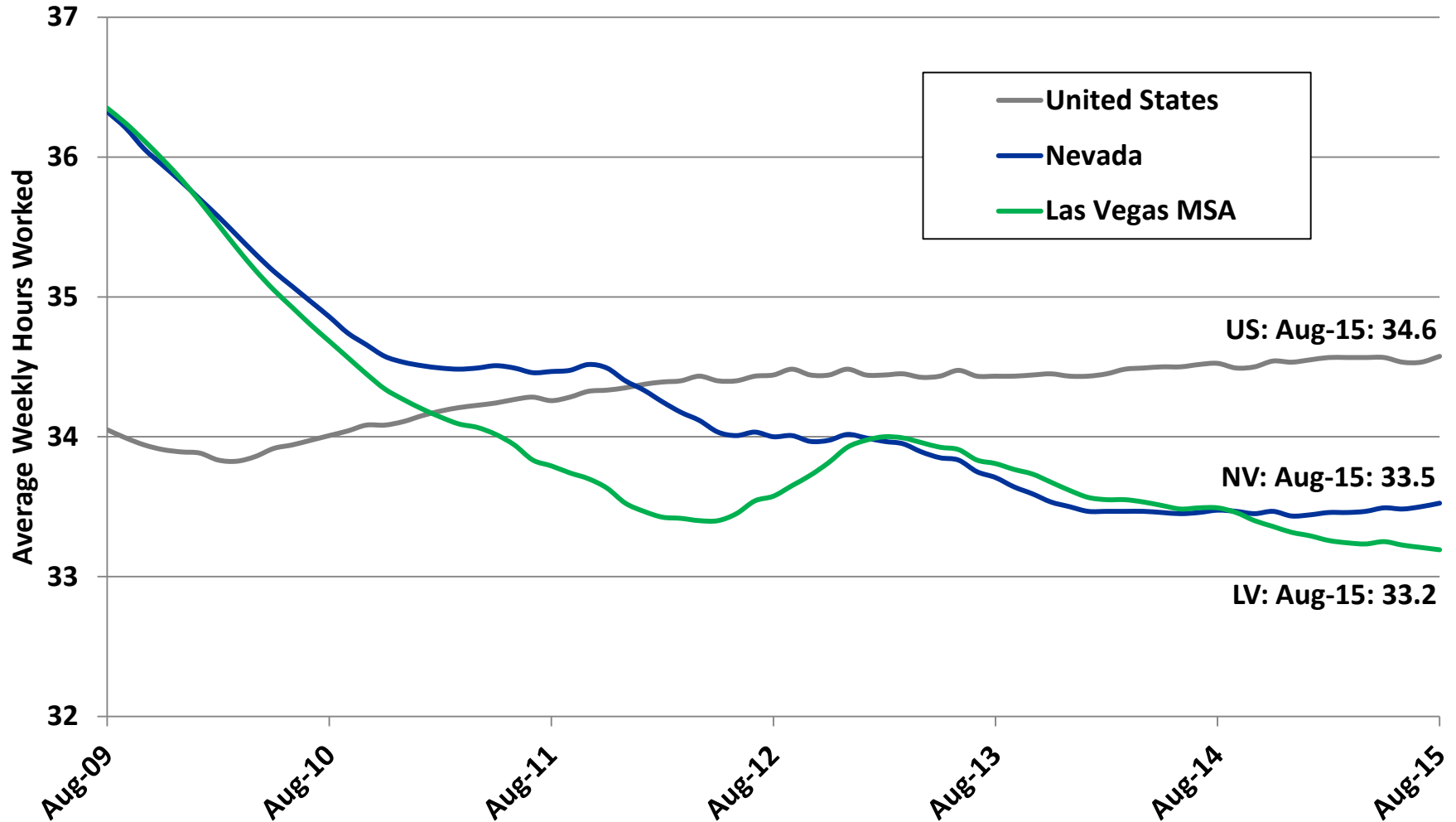
Nevada U-3 & U-6 Rates: Q2, 2010-Q2, 2015





# Las Vegas MSA work hours continue to slide as unemployment rate improves

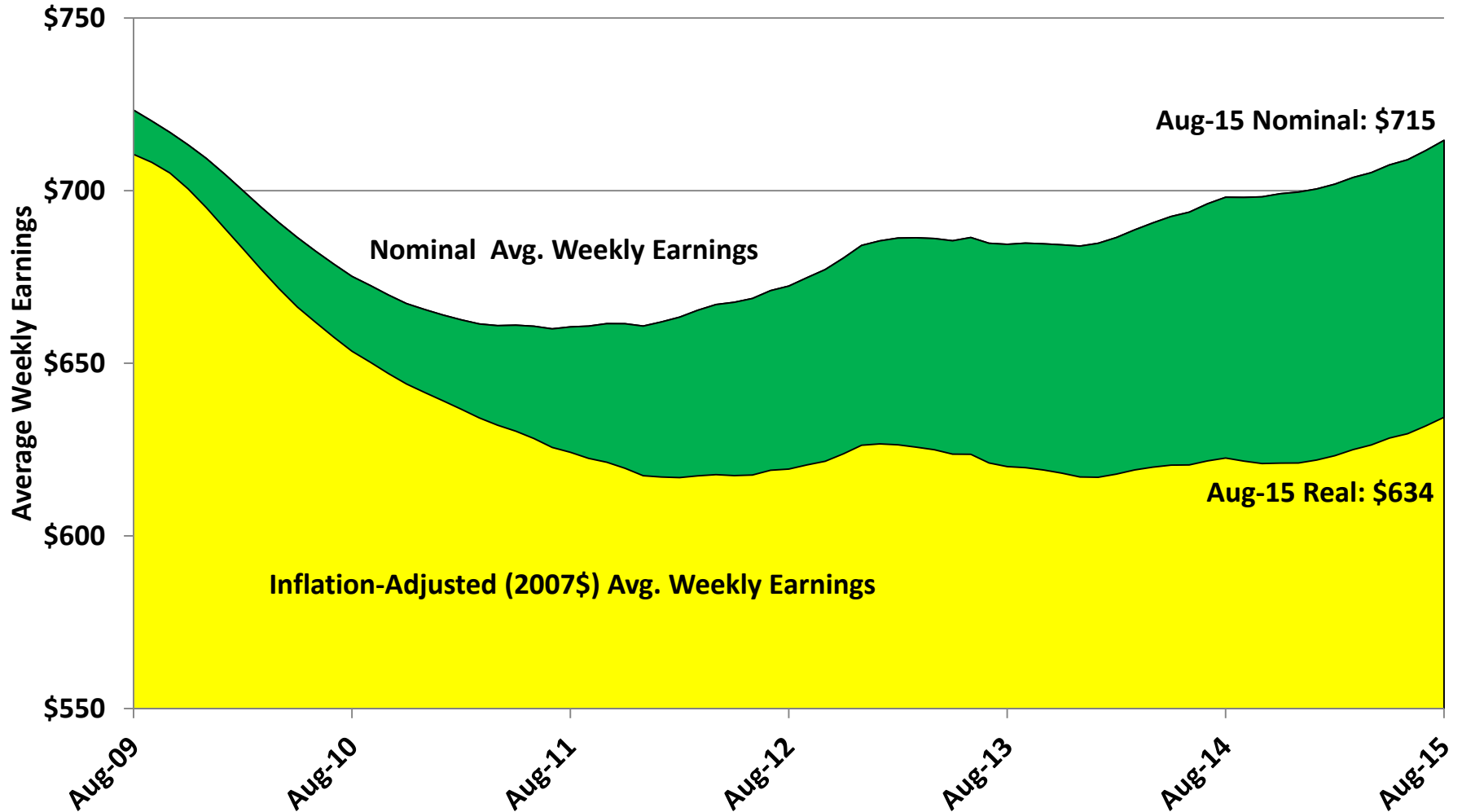
US, Nevada & Las Vegas MSA Average Weekly Hours: 8/2009-8/2015



Source: Bureau of Labor Statistics.

# Las Vegas MSA earnings rising with improving unemployment rate

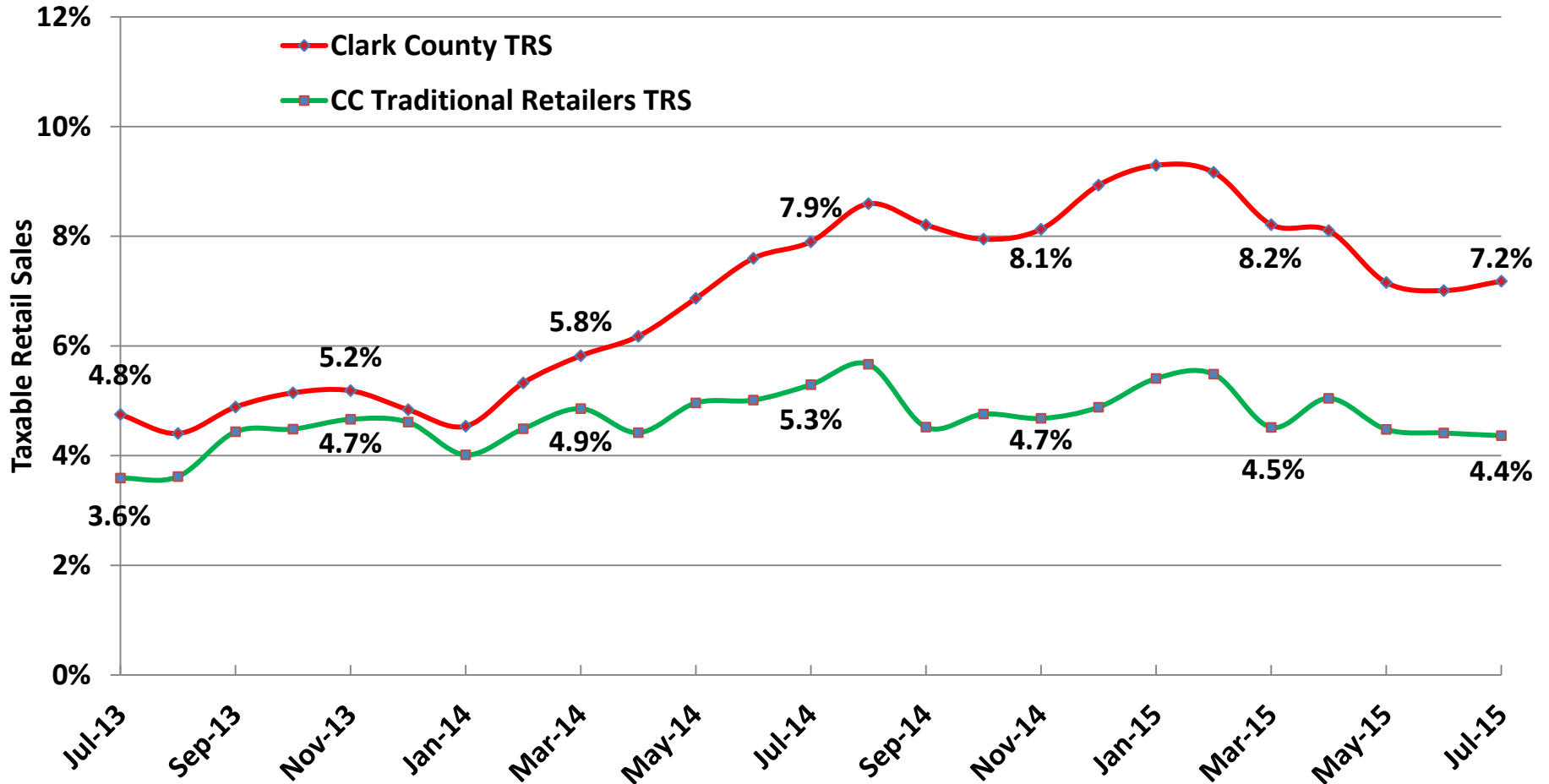
Las Vegas MSA Average Weekly Earnings: 8/2009-8/2015



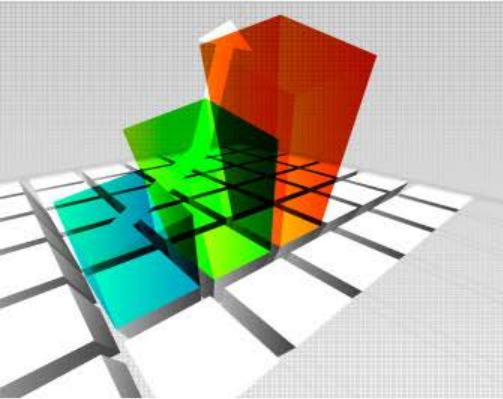
Source: Bureau of Labor Statistics.

# Retail sales holding steady, with slight drop-off going into summer

Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailer TRS: 7/2013-7/2015



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



# PART 2: THE COMMERCIAL REAL ESTATE MARKETS

*Industrial*

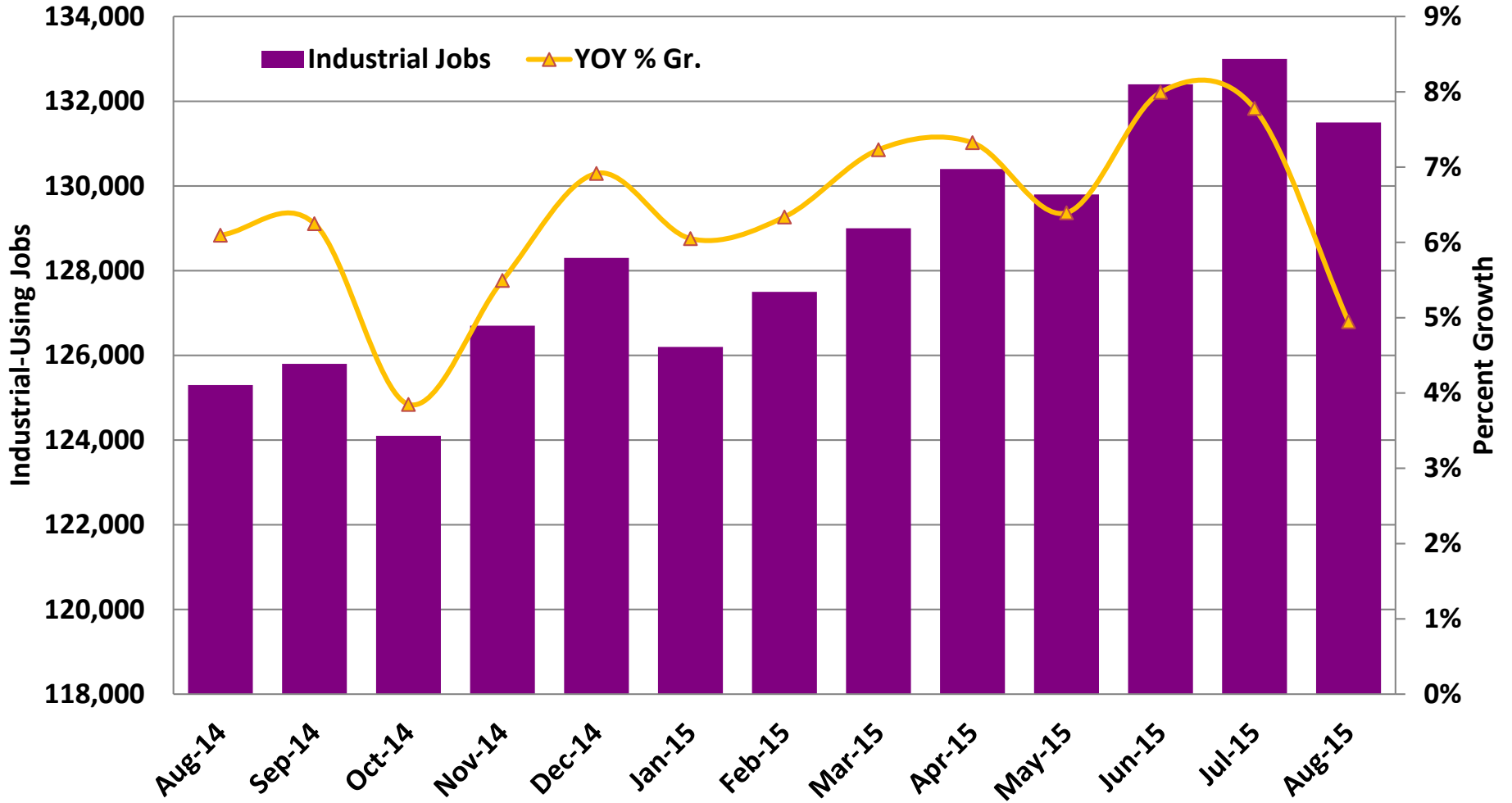
*Office*

*Retail*



# Industrial jobs still growing but rate slowing, possible due lack of space

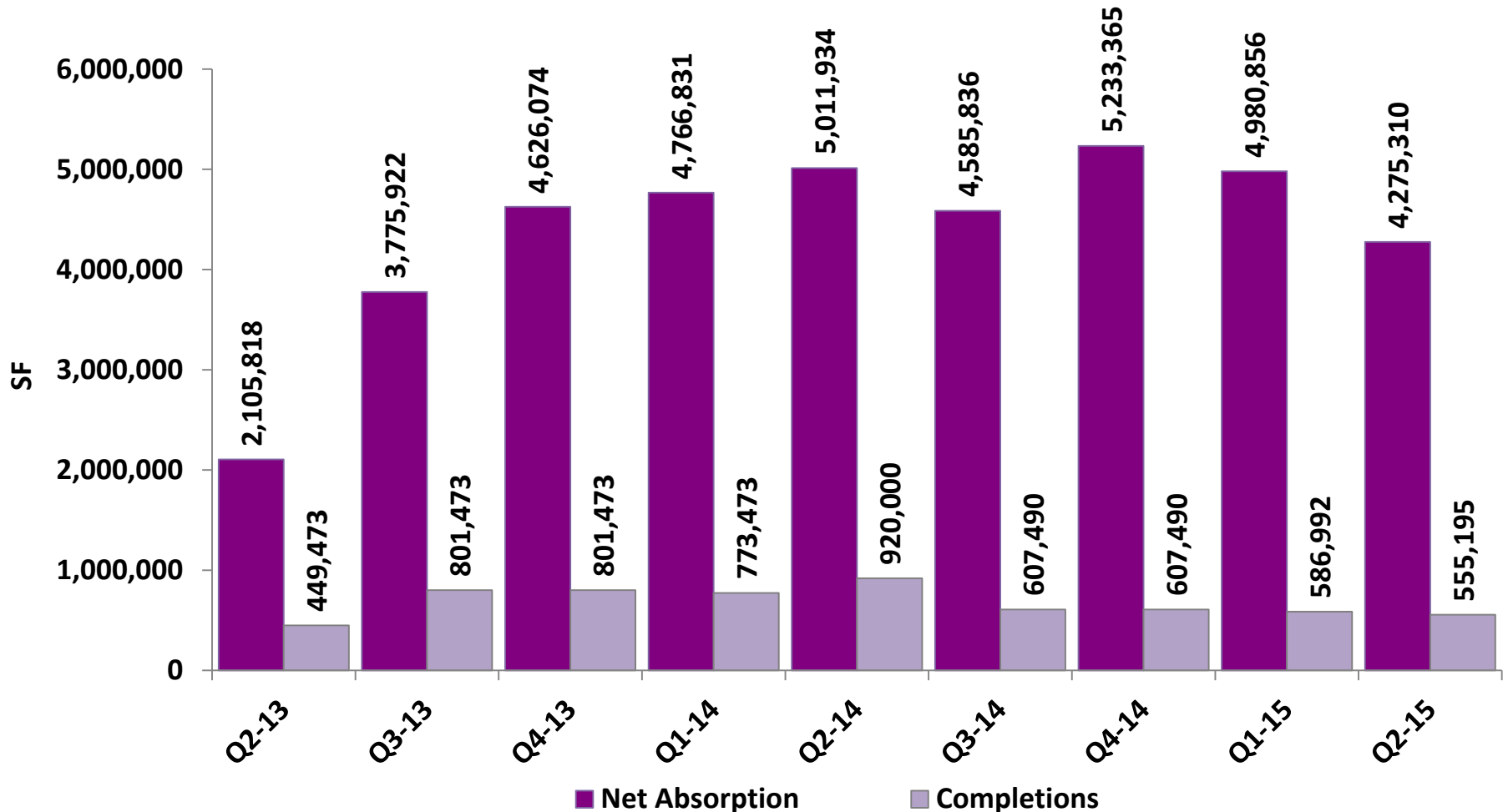
Las Vegas MSA Industrial-Using\* Jobs & Growth: 8/2014-8/2015



\*Natural resources, construction, manufacturing, and transportation & warehousing industries.  
Source: Bureau of Labor Statistics; calculated by RCG Economics.

# Industrial absorption over 4M SF for 7 straight quarters

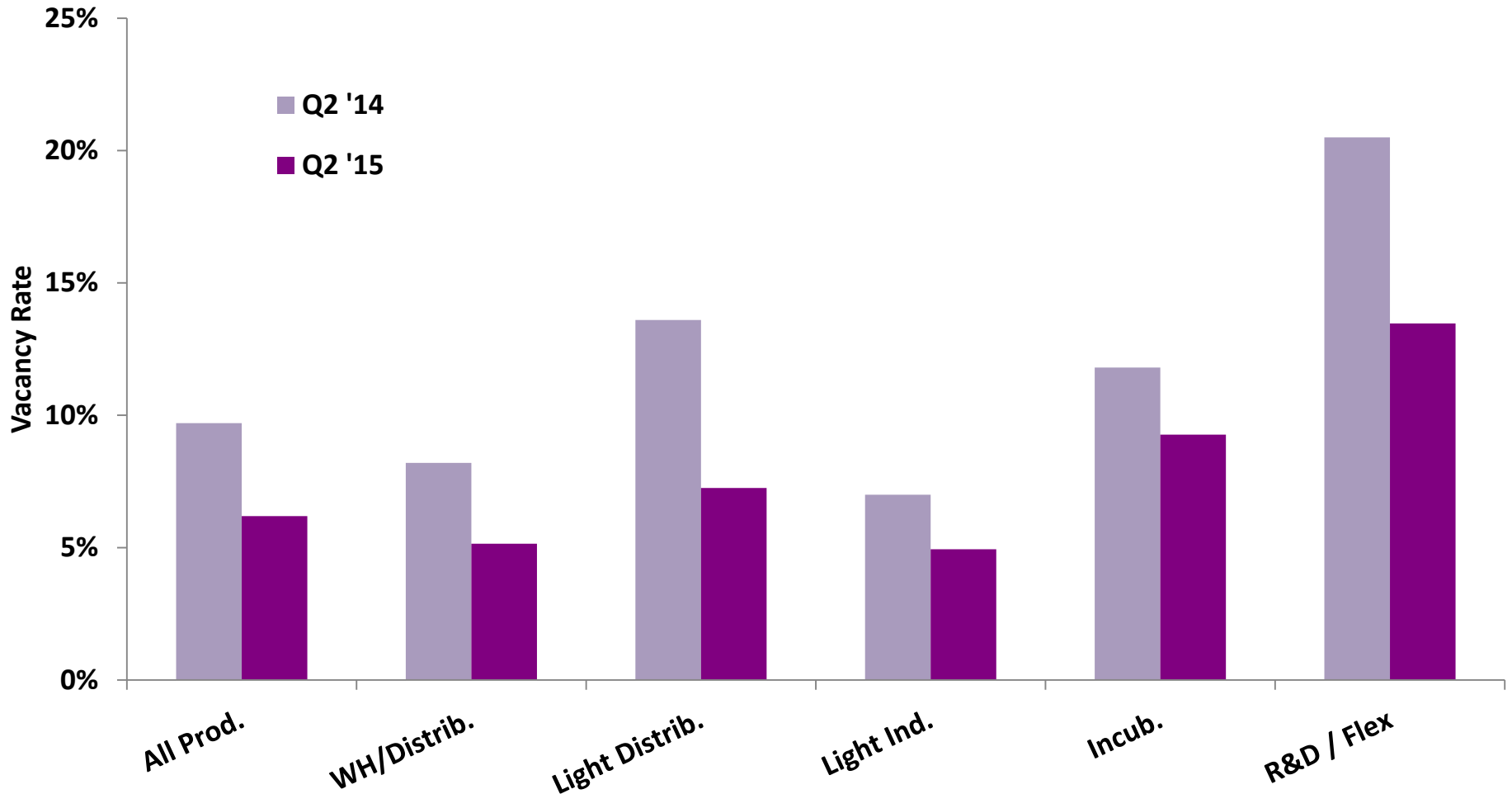
Las Vegas Valley Industrial YOY Absorption & Completions: Q2, 2013-Q2, 2015





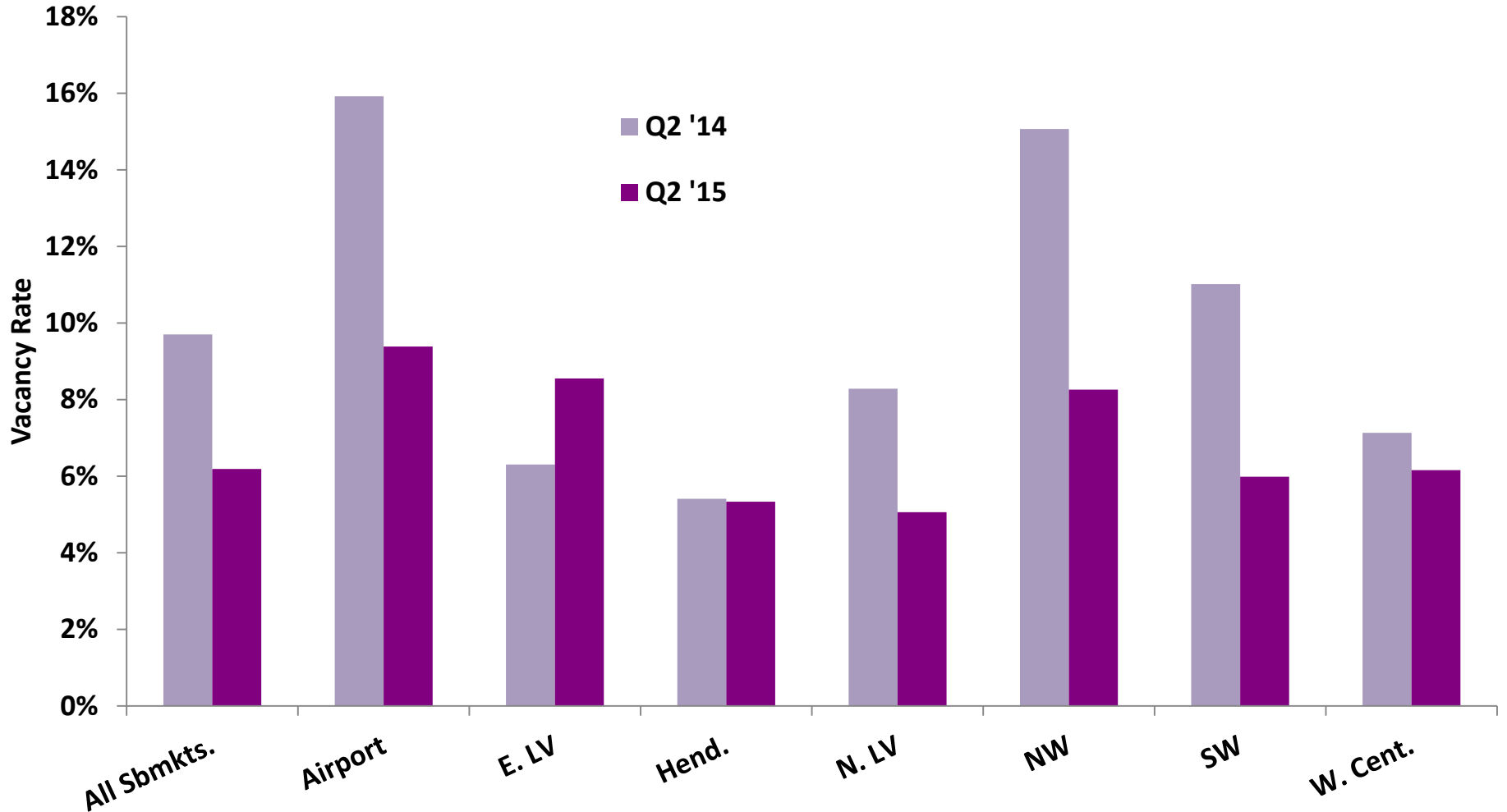
# All Industrial space types experienced improvement in vacancy rate

Las Vegas Valley Industrial Vacancy Rate, by Product: Q2, 2014-Q2, 2015



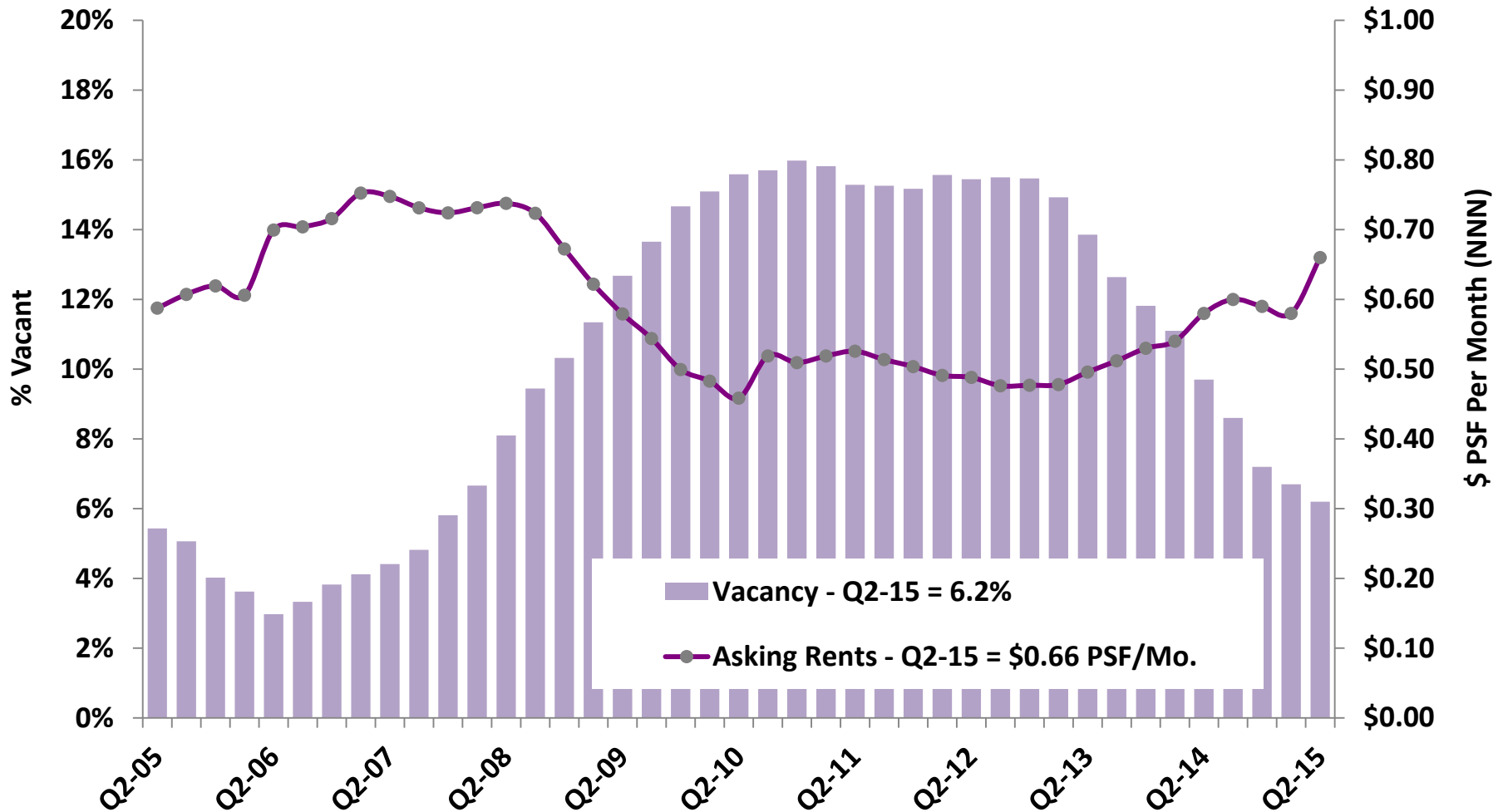
# North Las Vegas, Henderson leading submarkets with lowest vacancy rates

Las Vegas Valley Industrial Vacancy Rate, by Submarket: Q2, 2014-Q2, 2015



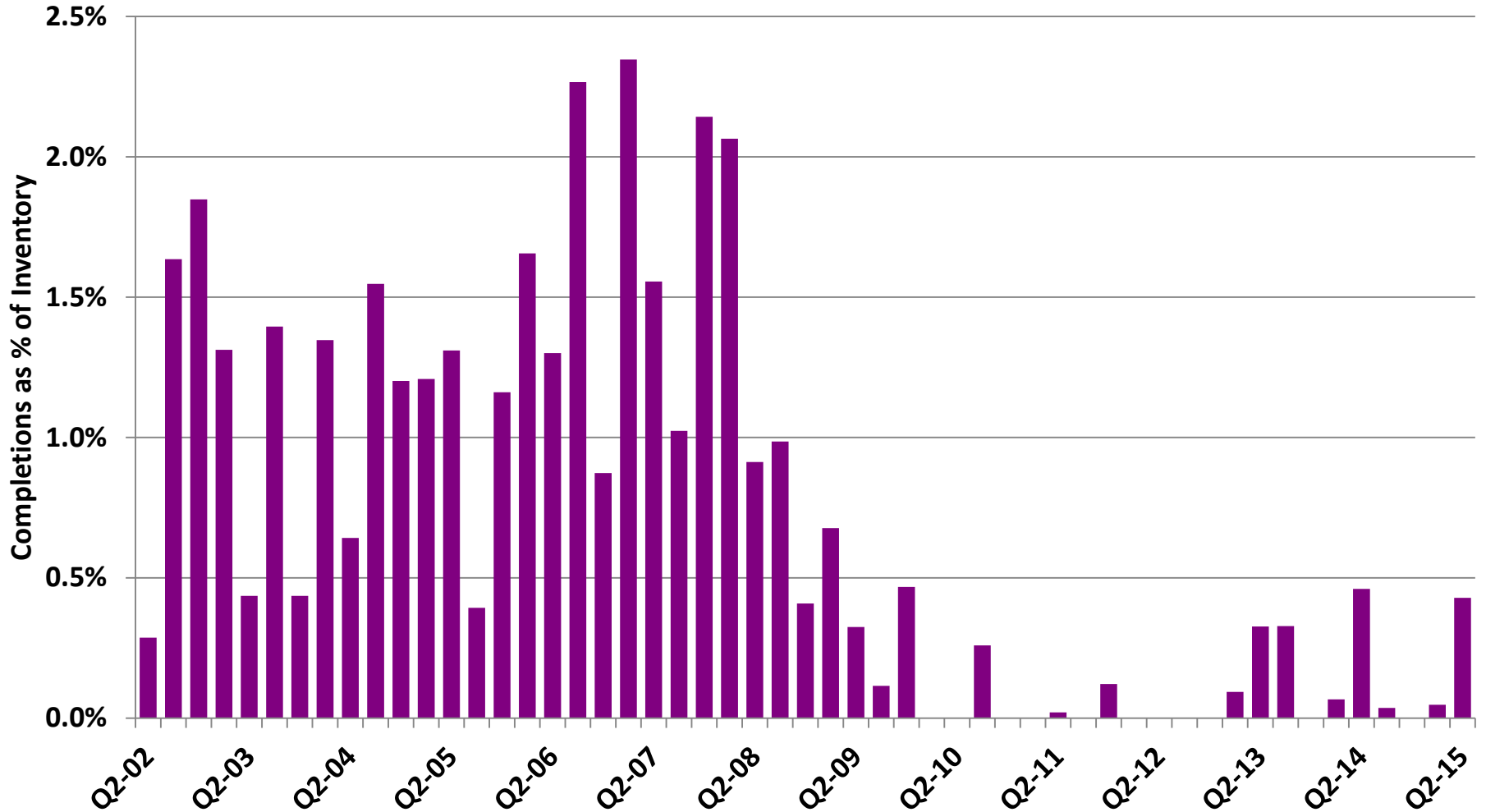
# Industrial rents rising slowly as vacancy rate drops below 10%; quality space gone

Las Vegas Valley Industrial Vacancy Rate & Rents: Q2, 2014-Q2, 2015



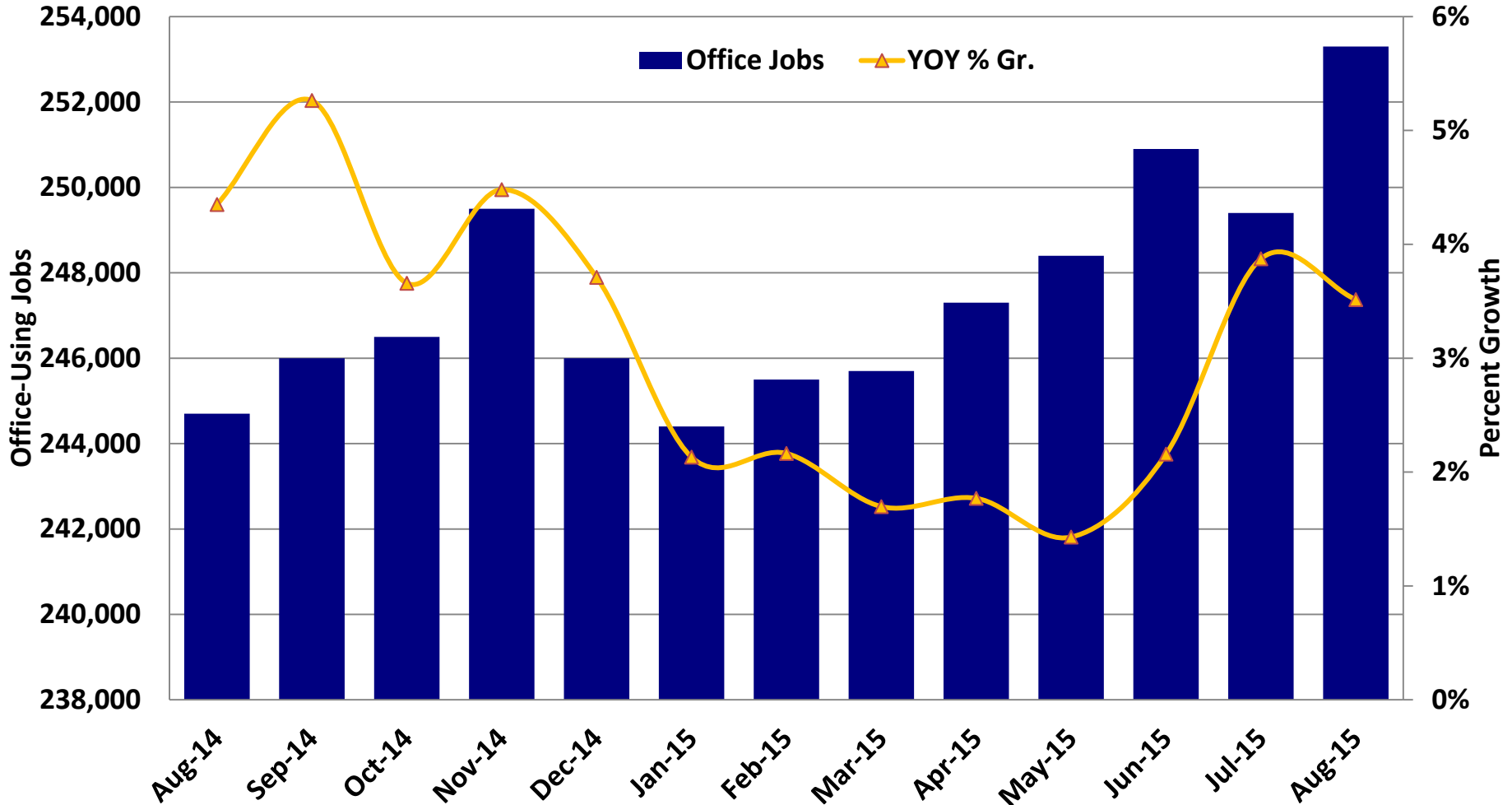
# Industrial completions picking up; more space on the way

Las Vegas Valley Industrial Completions as % of Inventory: Q2, 2014-Q2, 2015



# 2015 office job growth generally trending upward after slow start

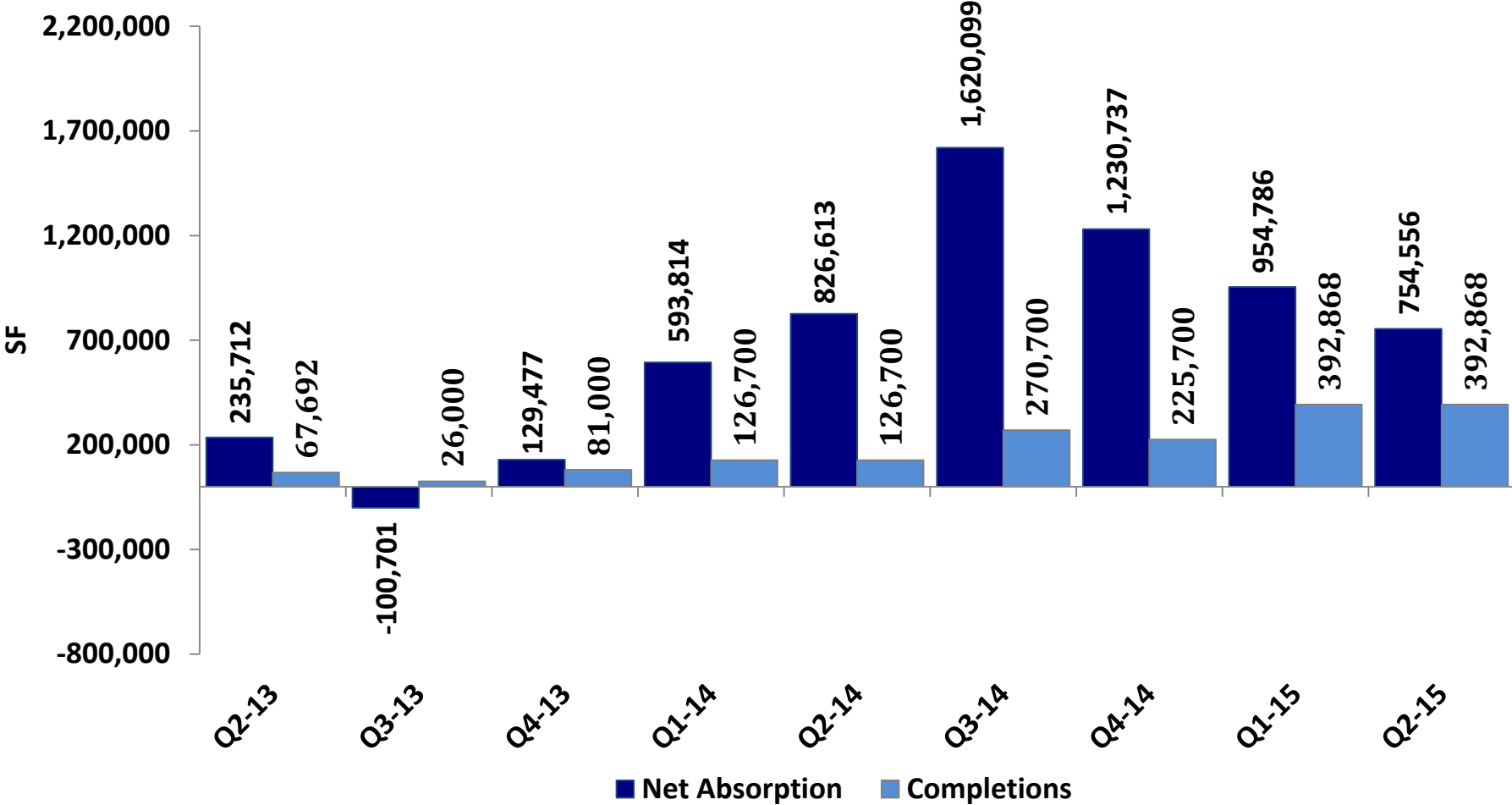
Las Vegas MSA Office-Using\* Jobs & Growth: 8/2014-8/2015



\*Information, financial activities, professional & business and health care & social assistance.  
Source: Bureau of Labor Statistics; calculated by RCG Economics.

# Office absorption declined 3 quarters in a row

Las Vegas Valley Spec Office YOY Absorption & Completions: Q2, 2013-Q2, 2015

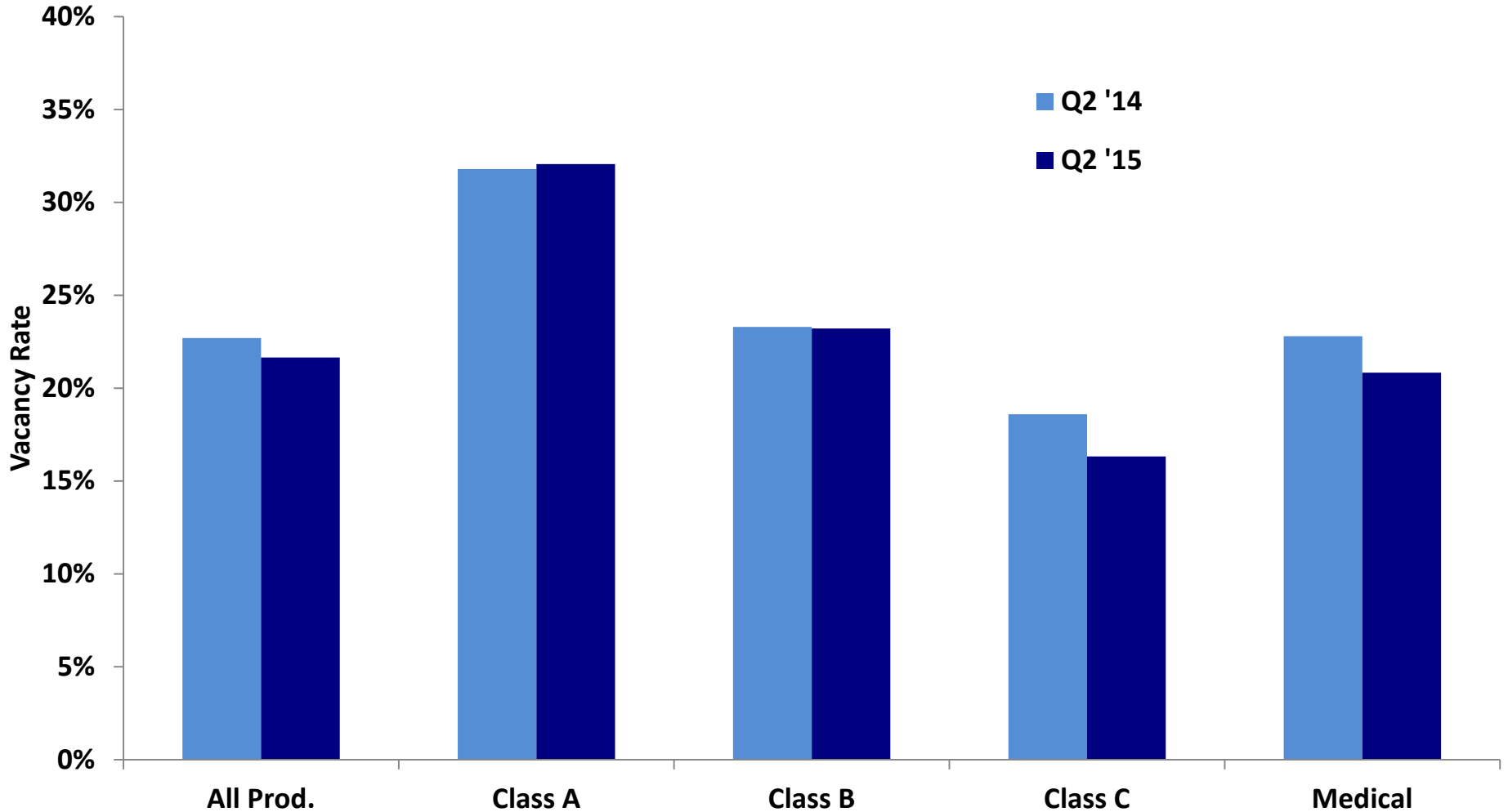


Source: RCG Economics.



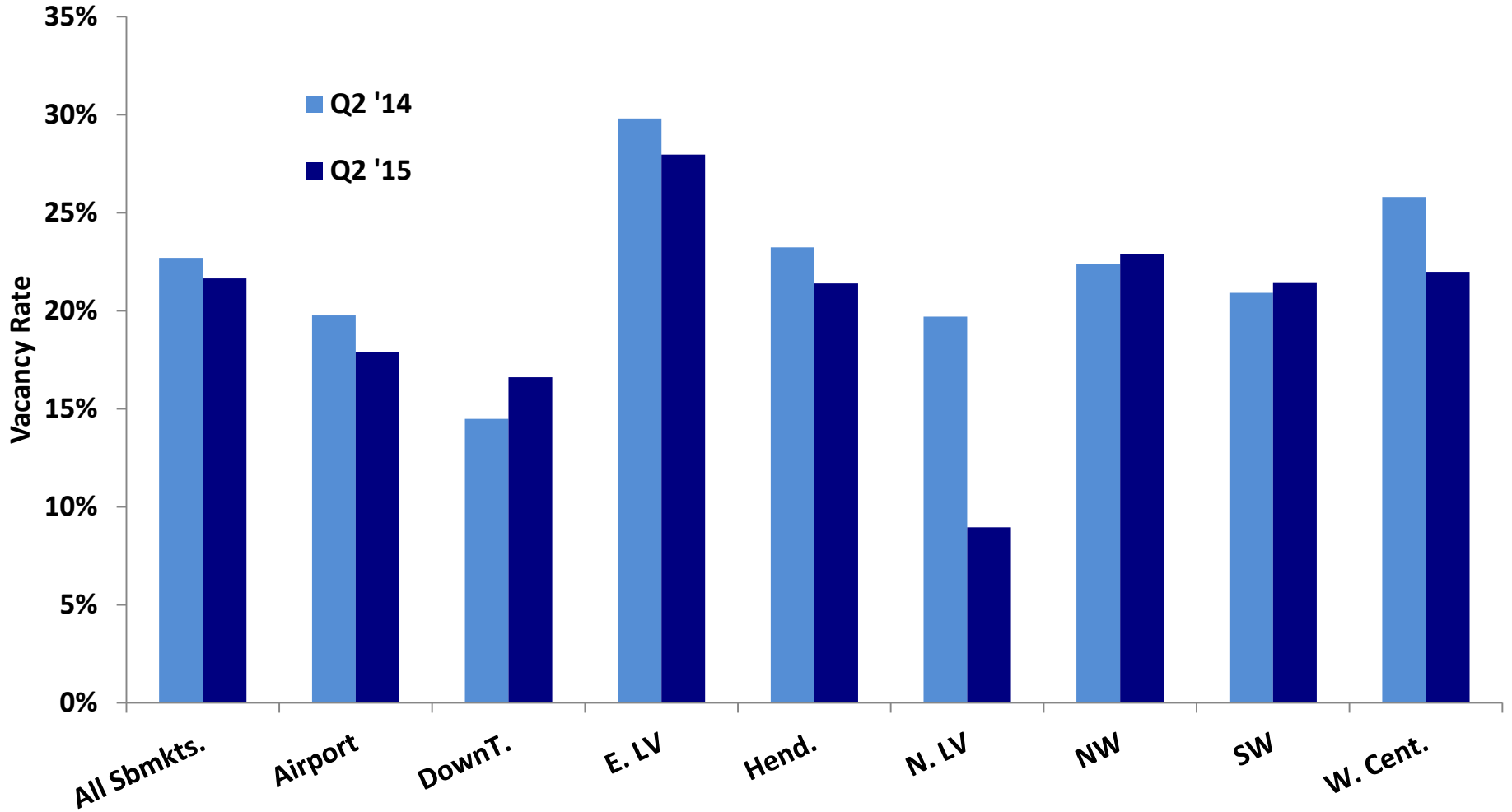
# Class C driving improvement in Spec Office vacancy rate

Las Vegas Valley Spec Office Vacancy Rate, by Product: Q2, 2014-Q2, 2015



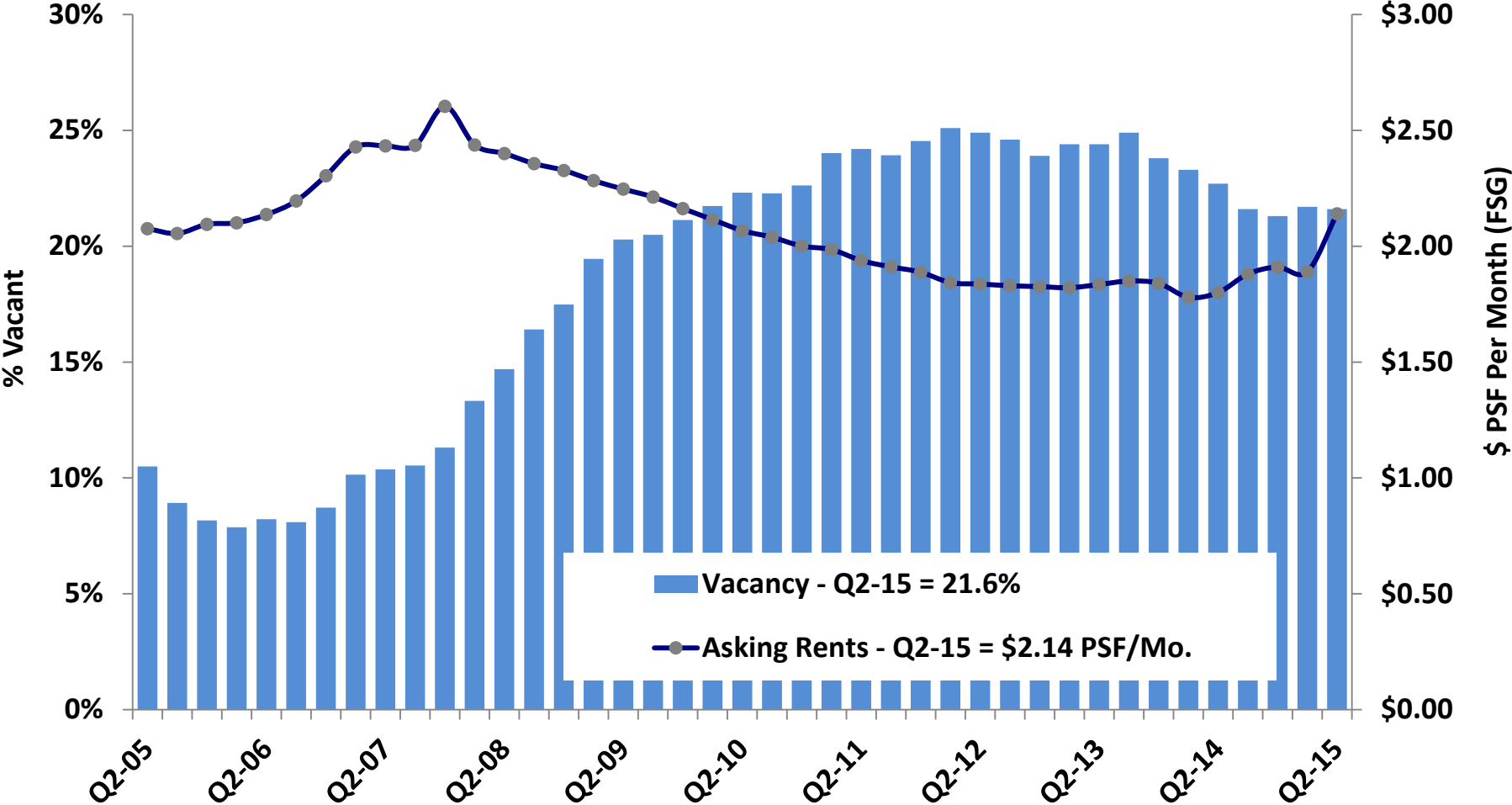
# Class C-heavy NLV doing well, Class A-heavy East LV (Hughes Center) lagging

Las Vegas Valley Spec Office Vacancy Rate, by Submarket: Q2, 2014-Q2, 2015



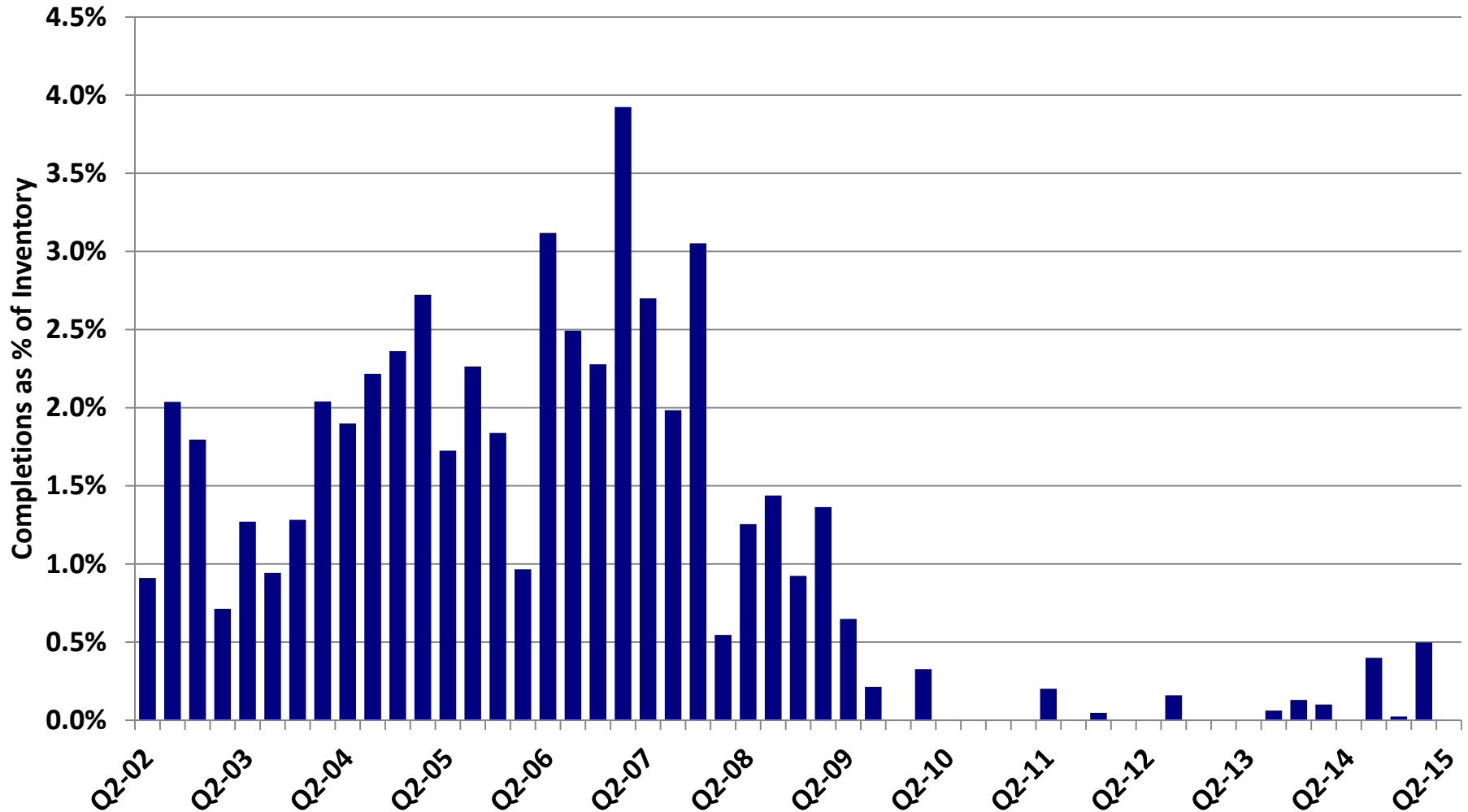
# Office rents roughly stable with a high but stable vacancy rate

Las Vegas Valley Spec Office Vacancy Rate & Rents: Q2, 2014-Q2, 2015



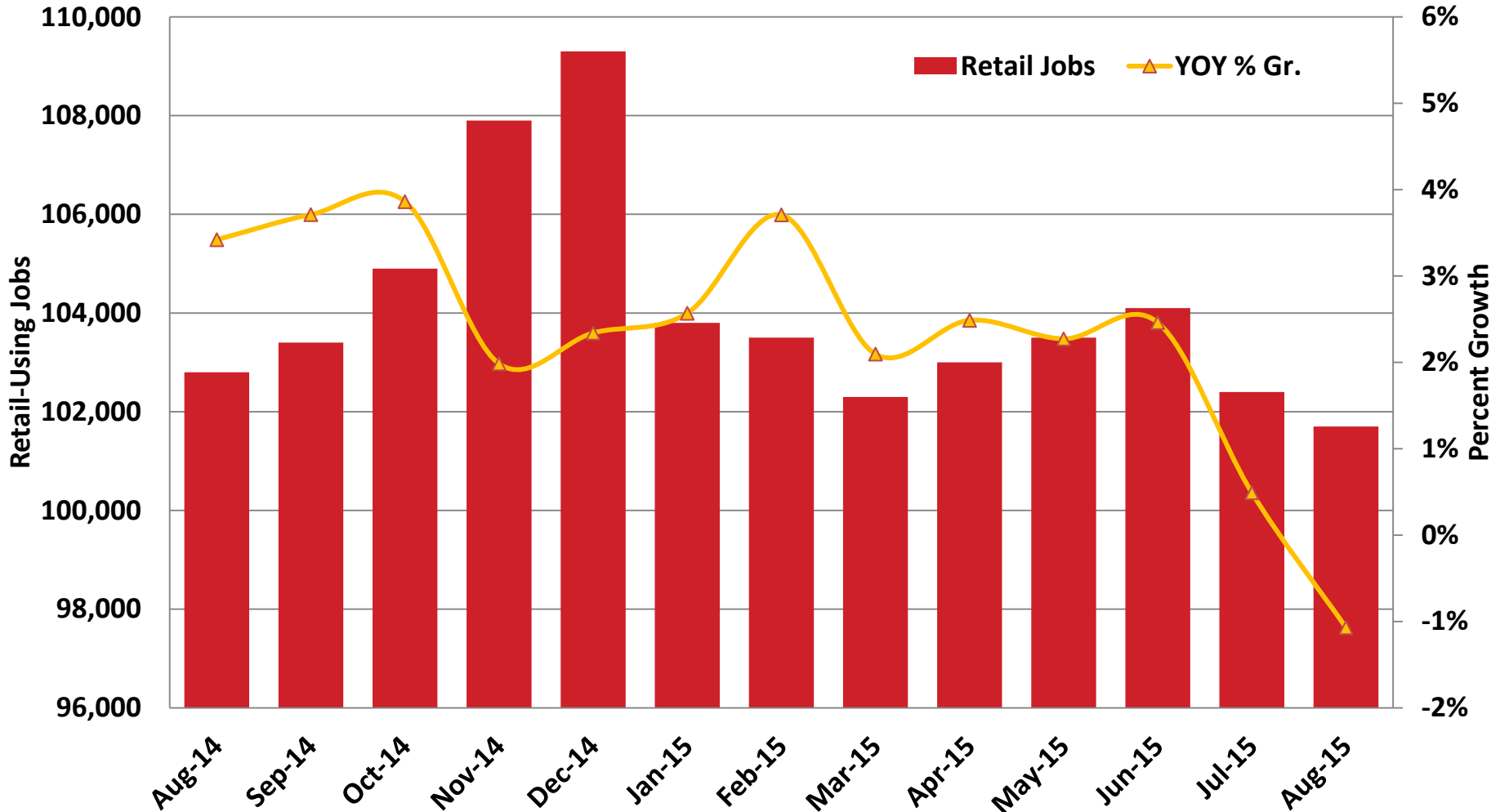
# New Office completions started recently, some targeted growth ahead

Las Vegas Valley Spec Office Completions as % of Inventory: Q2, 2014-Q2, 2015



# Retail job growth falling big during summer doldrums; will pick-up in holidays

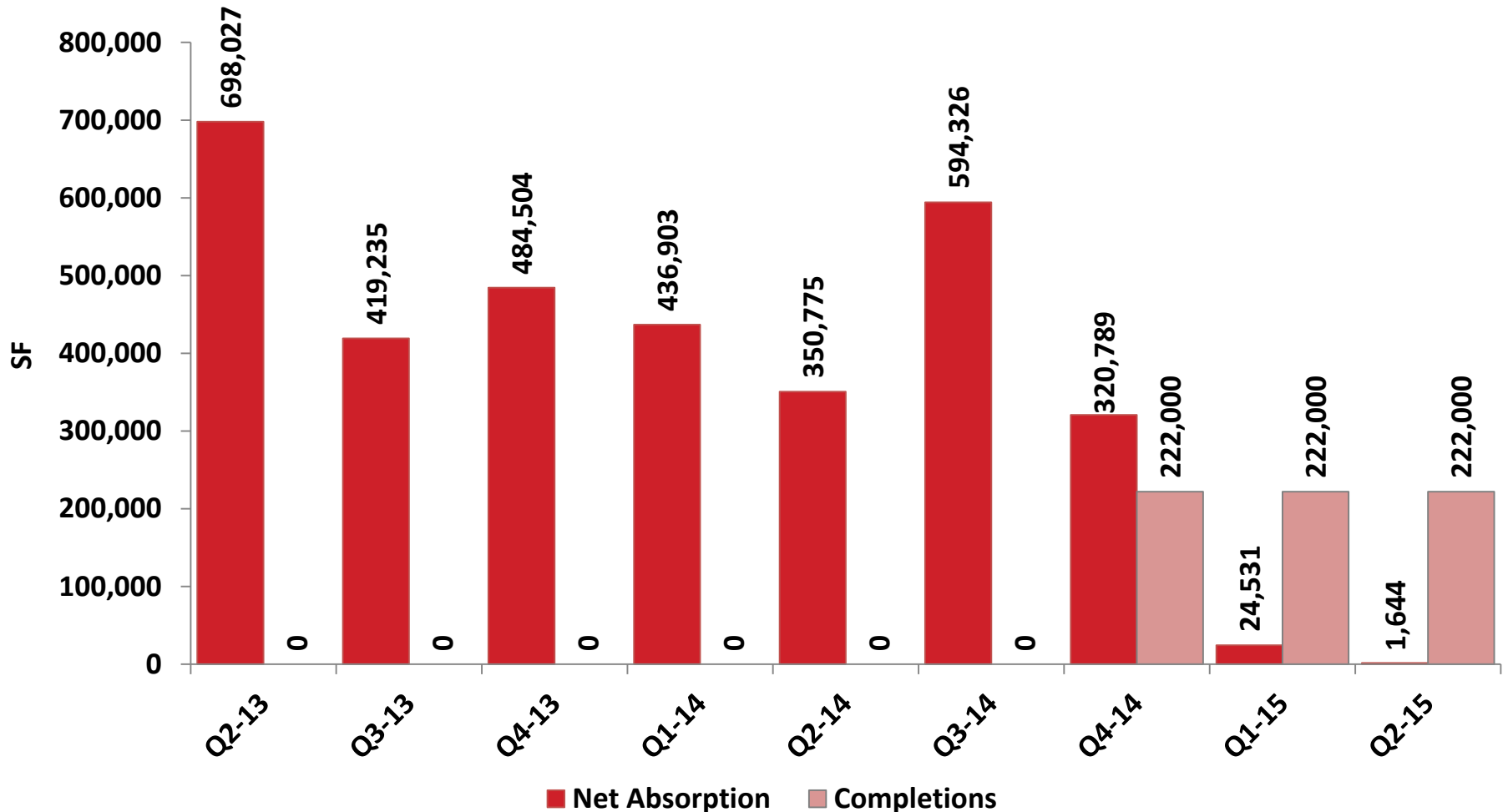
Las Vegas MSA Retail-Using Jobs & Growth: 8/2014-8/2015



Source: Bureau of Labor Statistics; calculated by RCG Economics.

# Retail absorption effectively zero over last 2 quarters

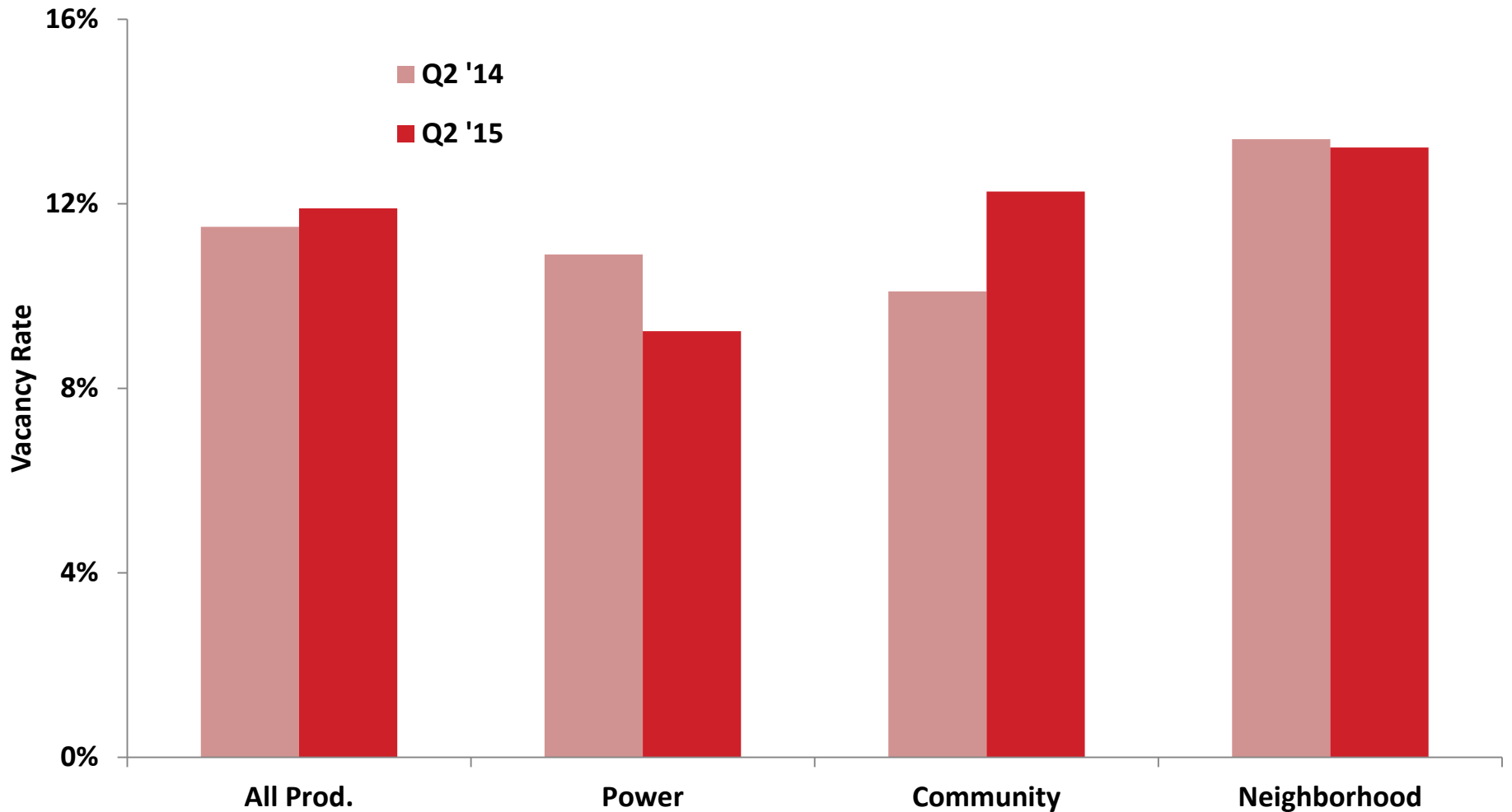
Las Vegas Valley Anch. Retail YOY Absorption & Completions: Q2, 2013-Q2, 2015





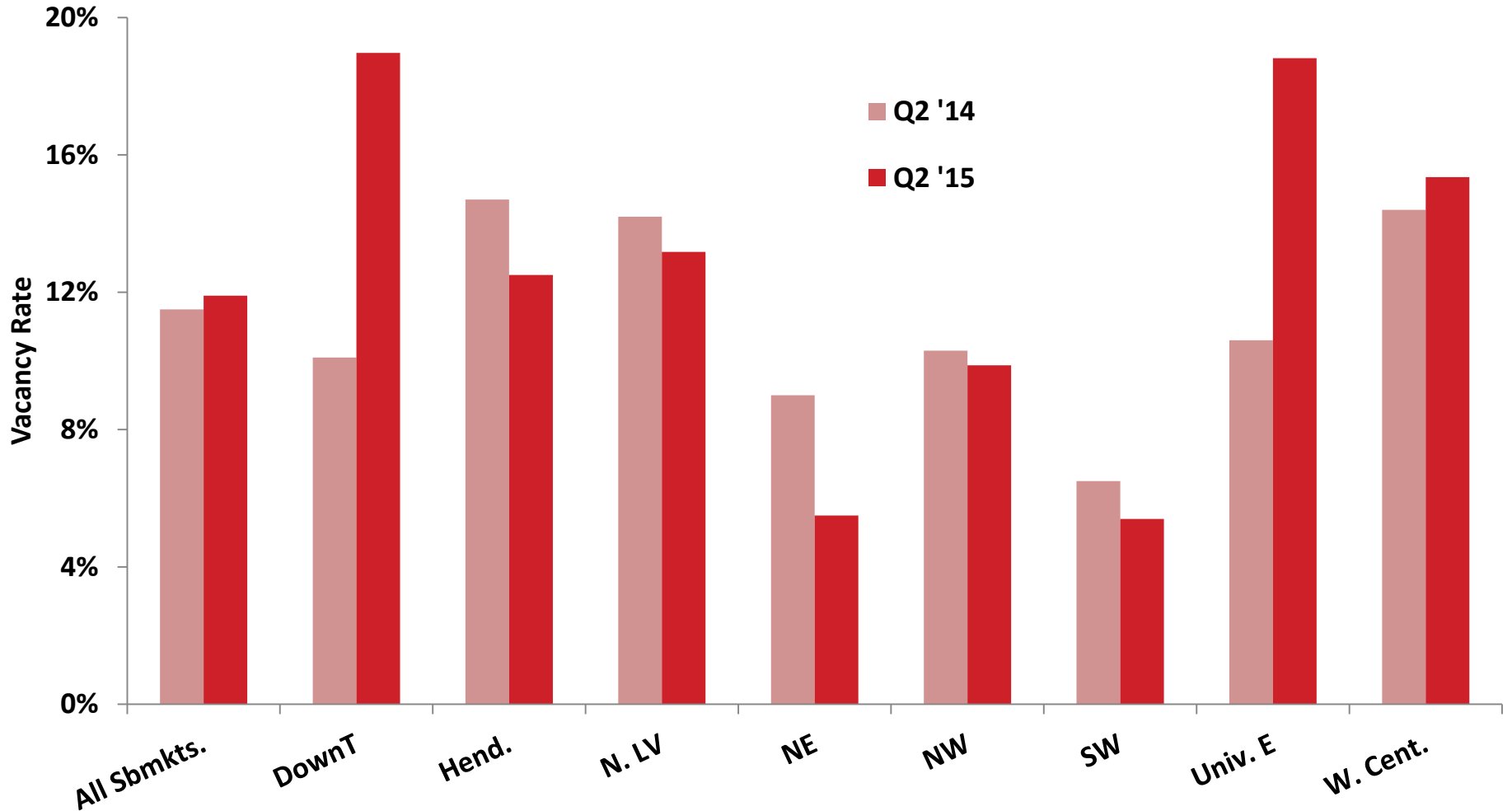
# Improvement in Retail vacancy rate stall, Power Centers strengthening

Las Vegas Valley Anch. Retail Vacancy Rate, by Product: Q2, 2014-Q2, 2015



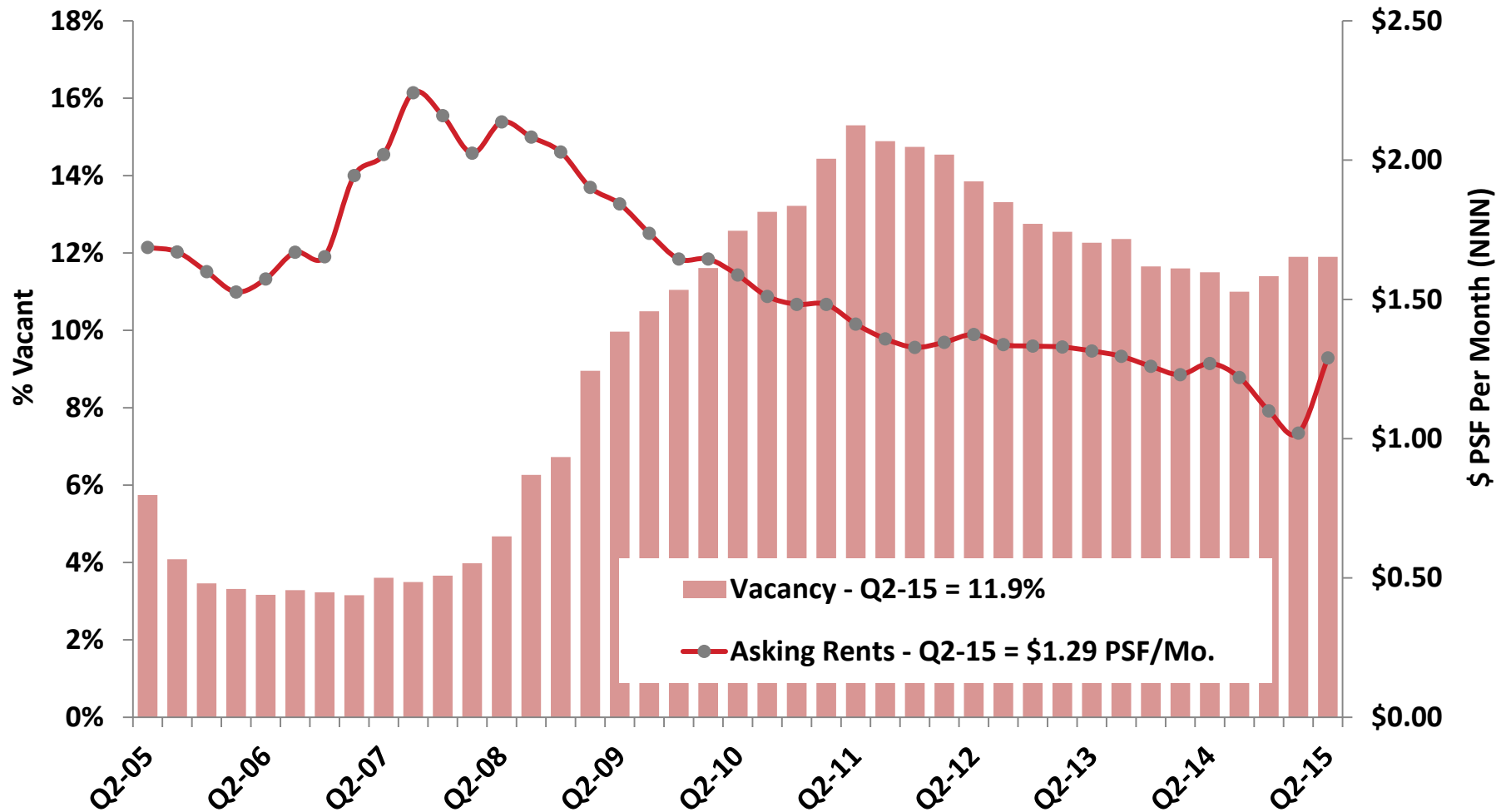
# NE, NW & SW markets healthy, while Downtown, University East struggling

Las Vegas Valley Anch. Retail Vacancy Rate, by Submarket: Q2, 2014-Q2, 2015



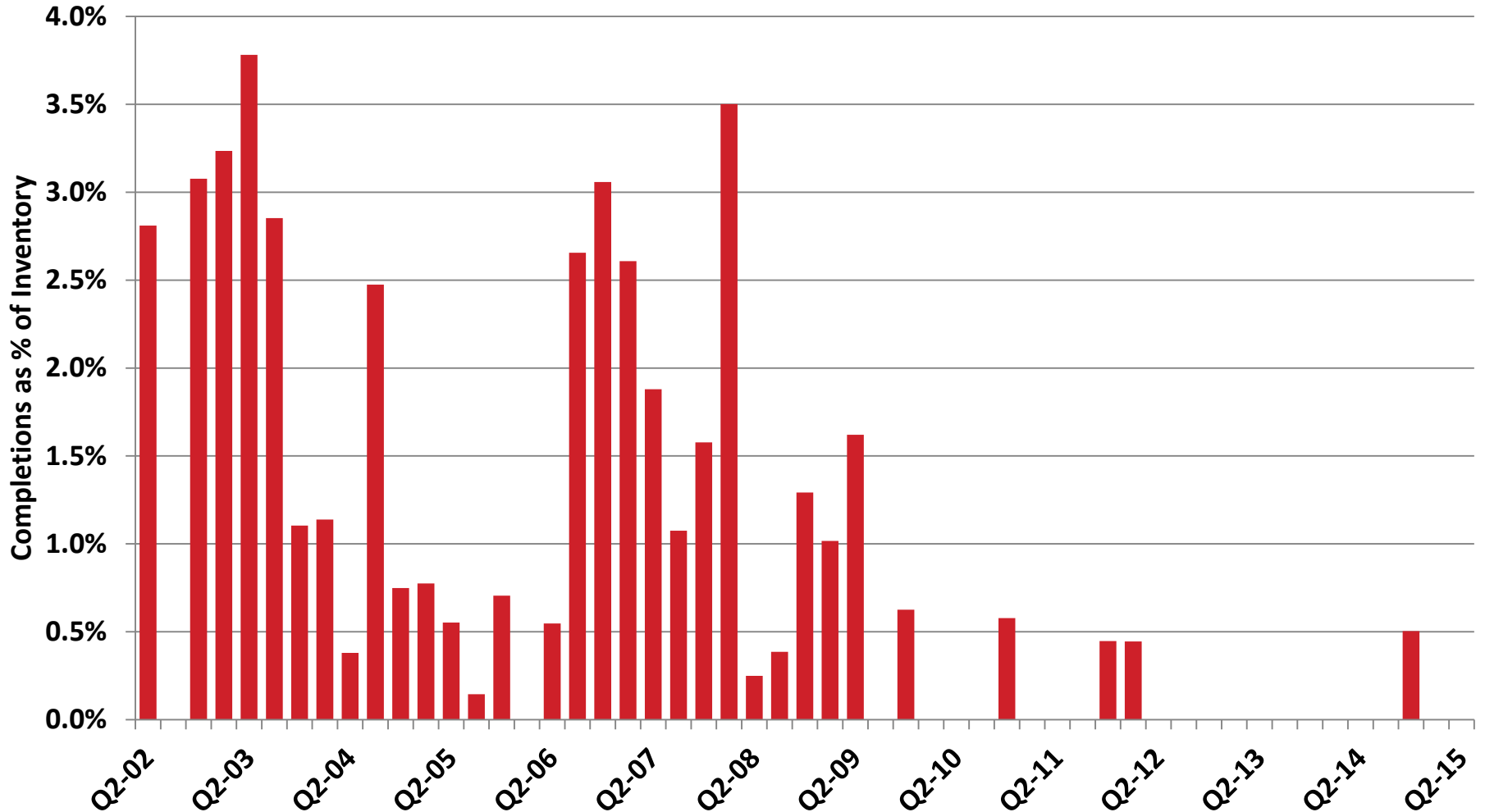
# Retail rents leveling off; vacancy rate stabilizing at ~11.5%

Las Vegas Valley Anch. Retail Vacancy Rate & Rents: Q2, 2014-Q2, 2015



# Retail completions near zero, flickers of hope on horizon

Las Vegas Valley Anch. Retail Completions as % of Inventory: Q2, 2014-Q2, 2015



# Conclusions

## Industrial

- ✓ *At full occupancy*
- ✓ *Rates poised to start rising rapidly*
- ✓ *Shortage of large contiguous space*
- ✓ *Bad for economic growth & development*
- ✓ *Banks still hesitant to lend on spec project*

## Spec Office

- ✓ *While market still sluggish; rents are rising for right product/right location*
- ✓ *No major space additions on the horizon*
- ✓ *Some submarkets and segment doing better than others*
- ✓ *Tear-downs could be on the way*

## Anchored Retail

- ✓ *New centers likely as population grows & spending improves*
- ✓ *Development will largely occur in preferred suburban submarkets*
- ✓ *Rents starting to rise at Class A centers in Class A locations*

# *Our Services & Products*

## *Our Services*

- ✓ *Real Estate Market Research*
- ✓ *Regional Economics*
- ✓ *Demographics*
- ✓ *Public Policy Research*
- ✓ *Tax Policy Analysis*

## *Our Products*

- ✓ *The Stat Pack*
- ✓ *Nevada Job Flash*
- ✓ *Quarterly Commercial Real Estate Services*
- ✓ *Metro Area Overviews*

# *Questions?*

**ROG**  
**ECONOMICS**

# Contact Us

**RCG  
ECONOMICS**

*John Restrepo*  
*jrestrepo@rcg1.com*  
*[www.rcg1.com](http://www.rcg1.com)*  
*Twitter: @rcgeconomics*