

# FORECAST 2016

## SOUTHERN NEVADA'S COMMERCIAL MARKETS

Presented to:



January 21, 2016

Presented by:



# *The Las Vegas Valley*

*Why We Are Where We Are  
And I Don't Mean Geographically*

An aerial photograph of the Las Vegas Valley during sunset. The sky is a mix of blue and orange, with long, horizontal clouds catching the low light. In the background, a range of mountains is visible under the twilight sky. The foreground and middle ground are filled with a dense urban landscape, showing a grid of streets, residential houses, and commercial buildings. The overall scene captures the vastness of the valley and the sprawling nature of the city.

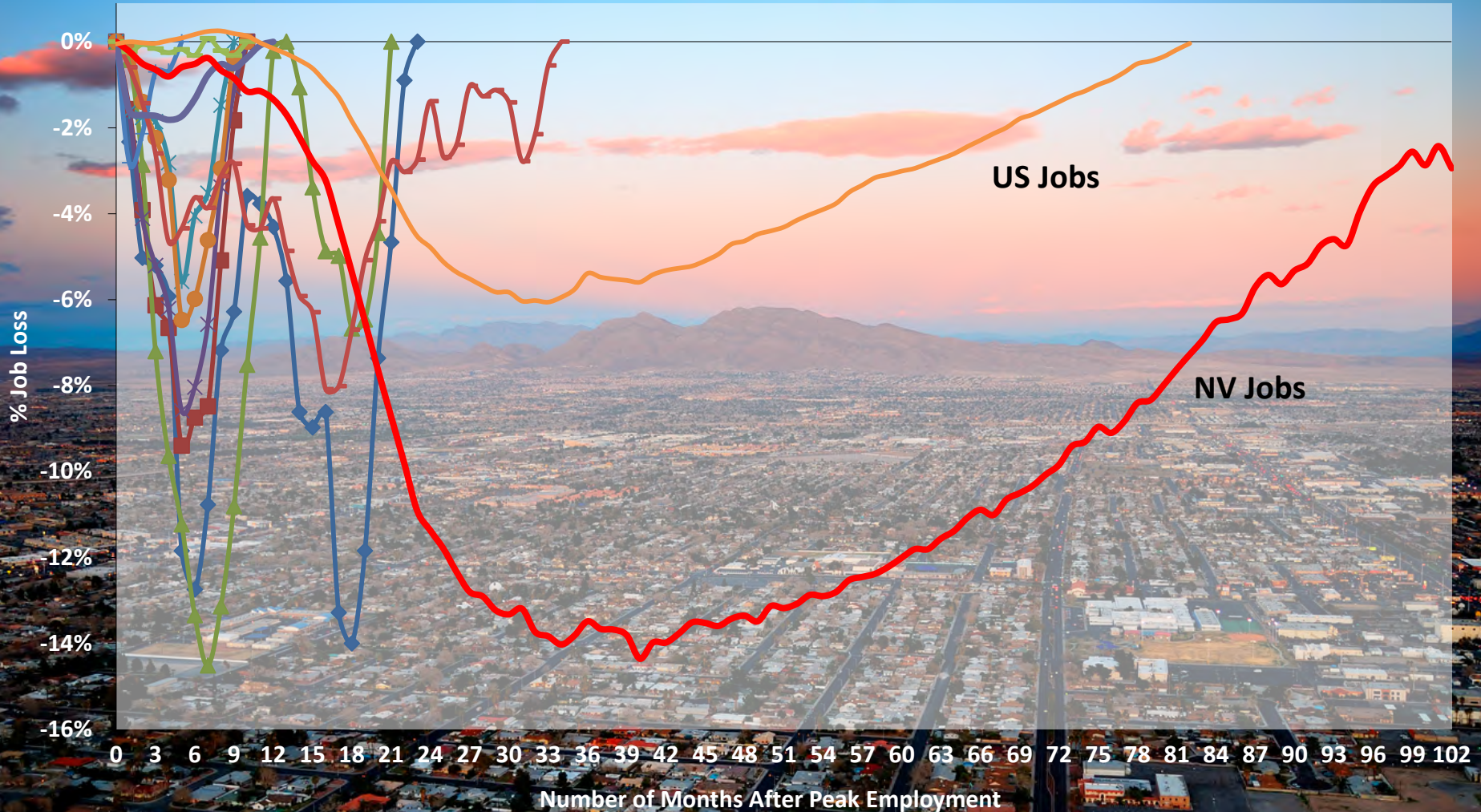


# Why we are where we are

## 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





# *The Las Vegas Valley*

*How Outsiders See Us*

An aerial photograph of the Las Vegas Valley during sunset. The sky is a mix of blue, orange, and pink, with scattered clouds. The city below is a dense grid of buildings and streets, with a prominent highway running through the center. In the distance, mountains are visible under the twilight sky.

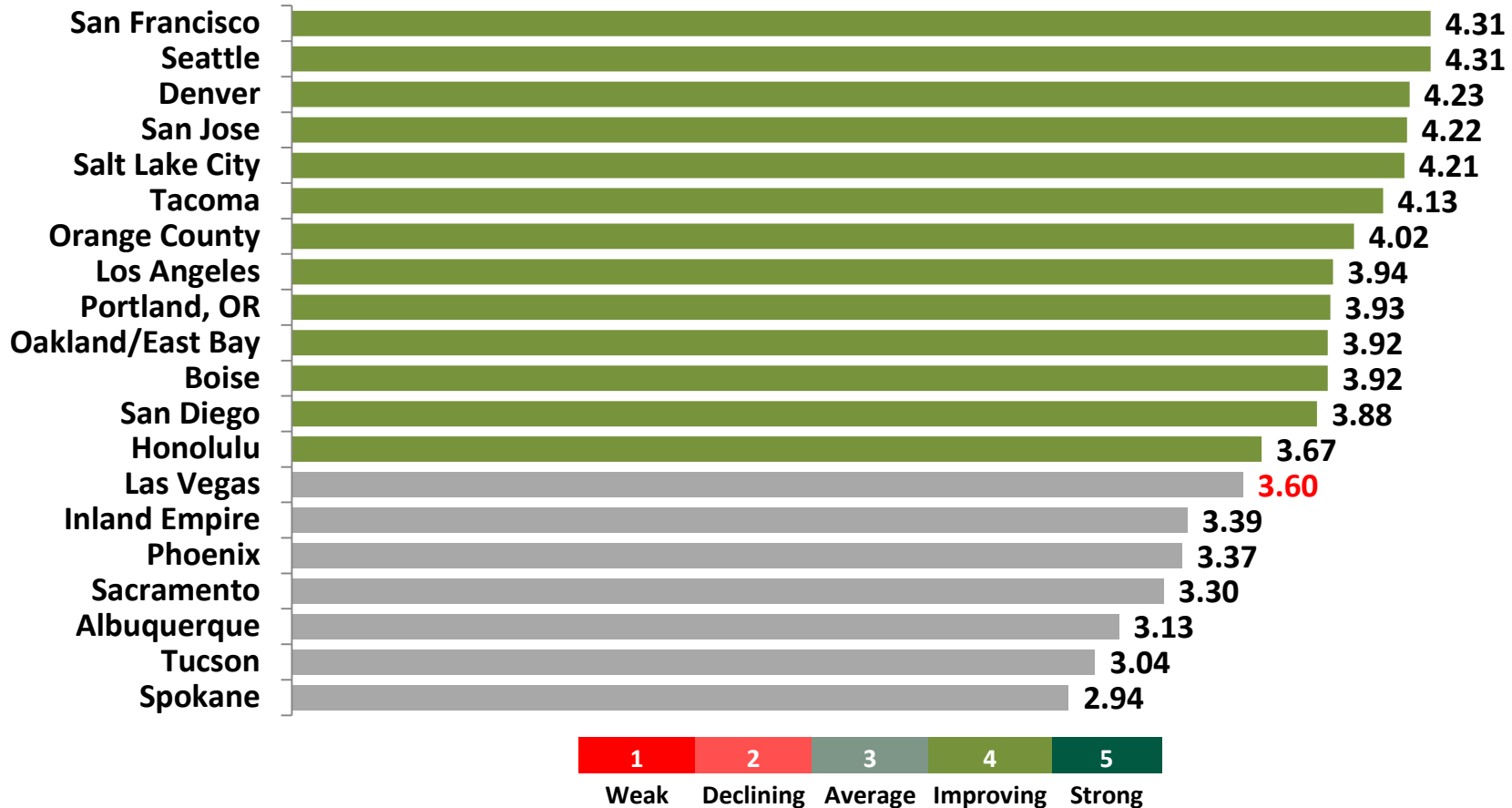
# LV mid-pack for development & redevelopment opportunities

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	
<b>49 Las Vegas</b>	<b>3.60</b>	
73 Memphis	2.86	
74 Hartford	2.75	
75 Columbia	2.75	

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

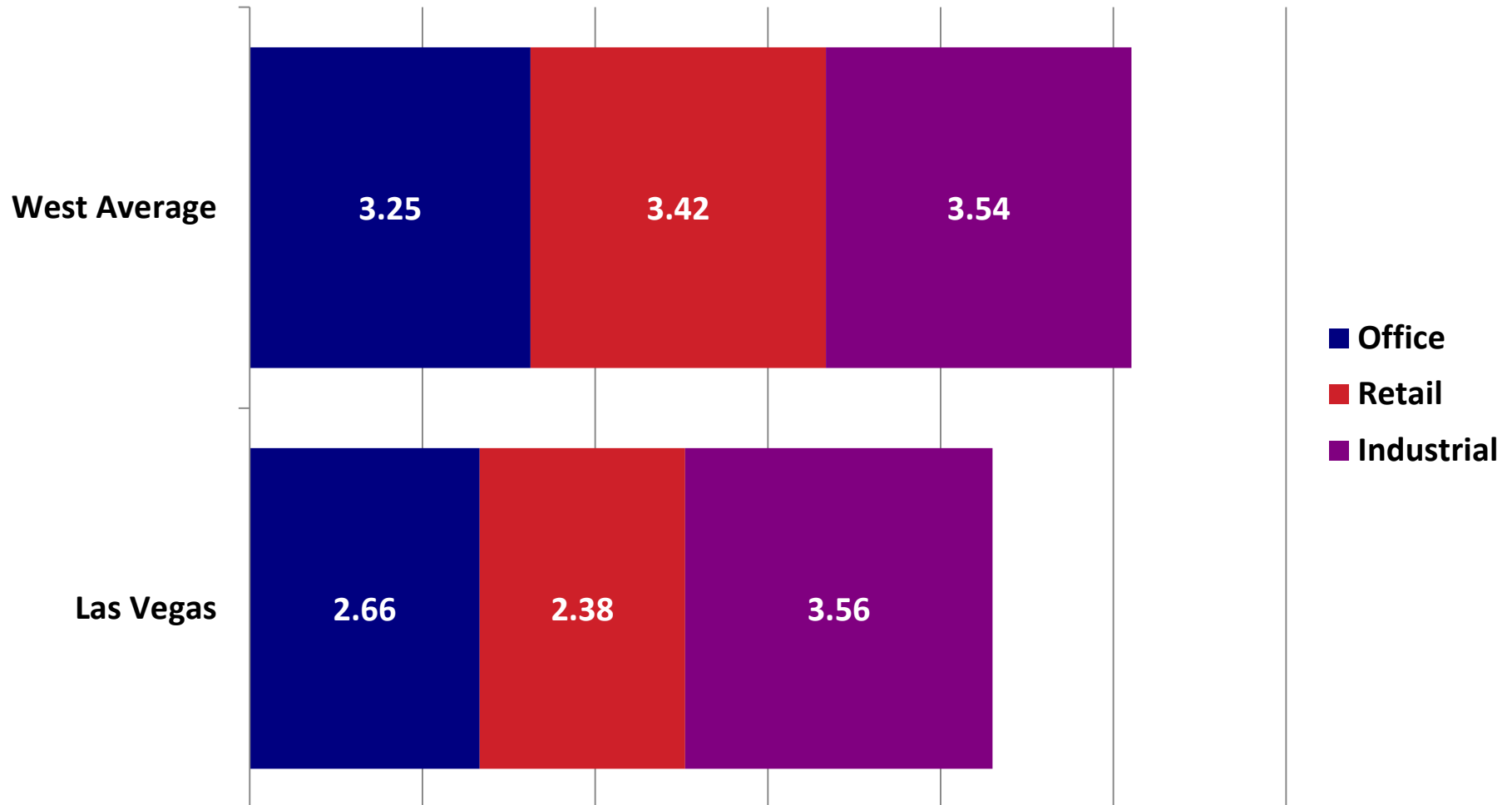
## 2016 Strength of Economy Scores (Out of 5): Local Outlook: West Region



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
<b>62</b>	<b>Las Vegas (68, 53, 62)</b>	<b>2.99</b>	<b>2.98</b>	<b>2.95</b>

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



# Las Vegas Valley Commercial Market

*How Do We See Things, Without  
the*



*&*



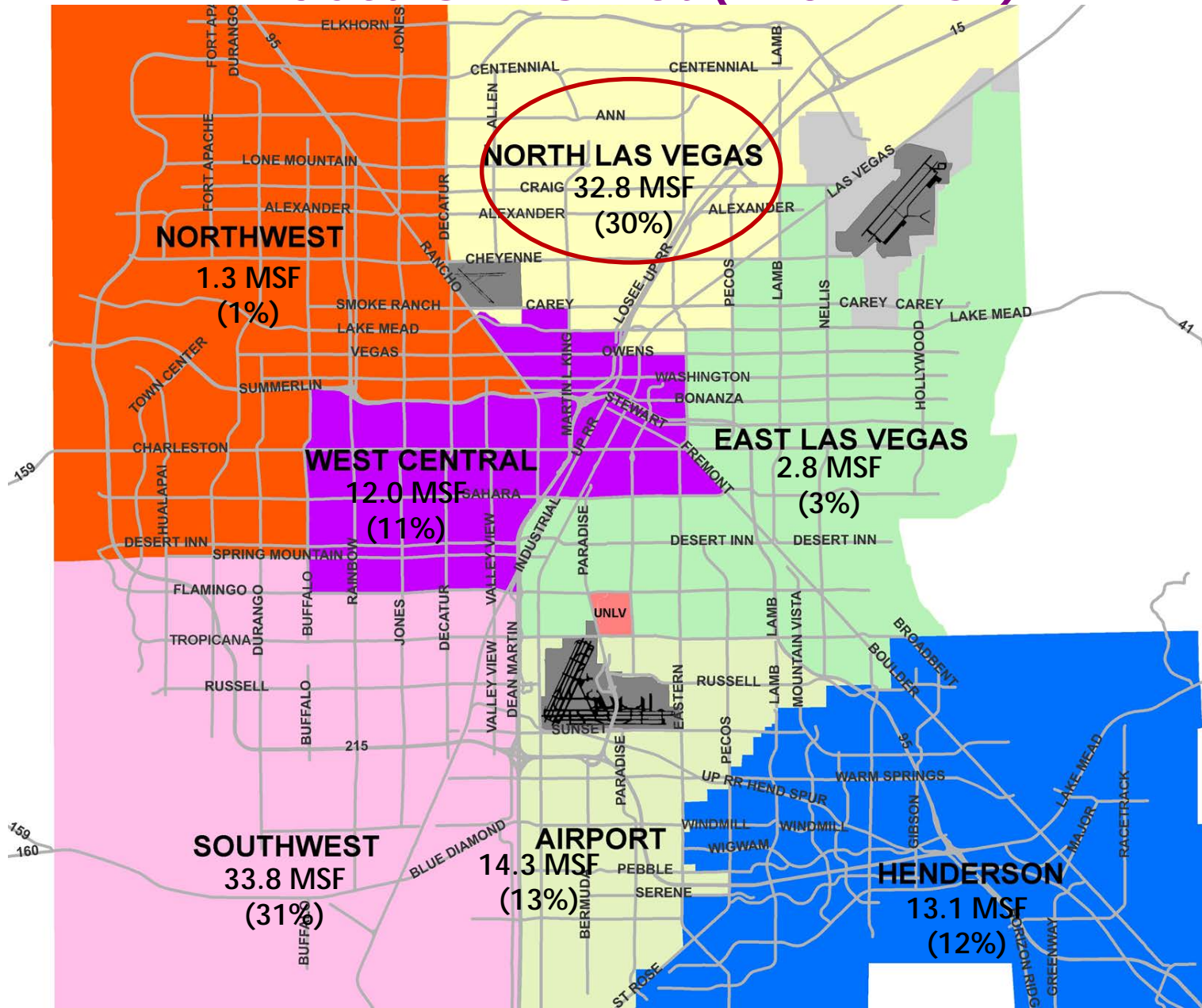


# INDUSTRIAL MARKET





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

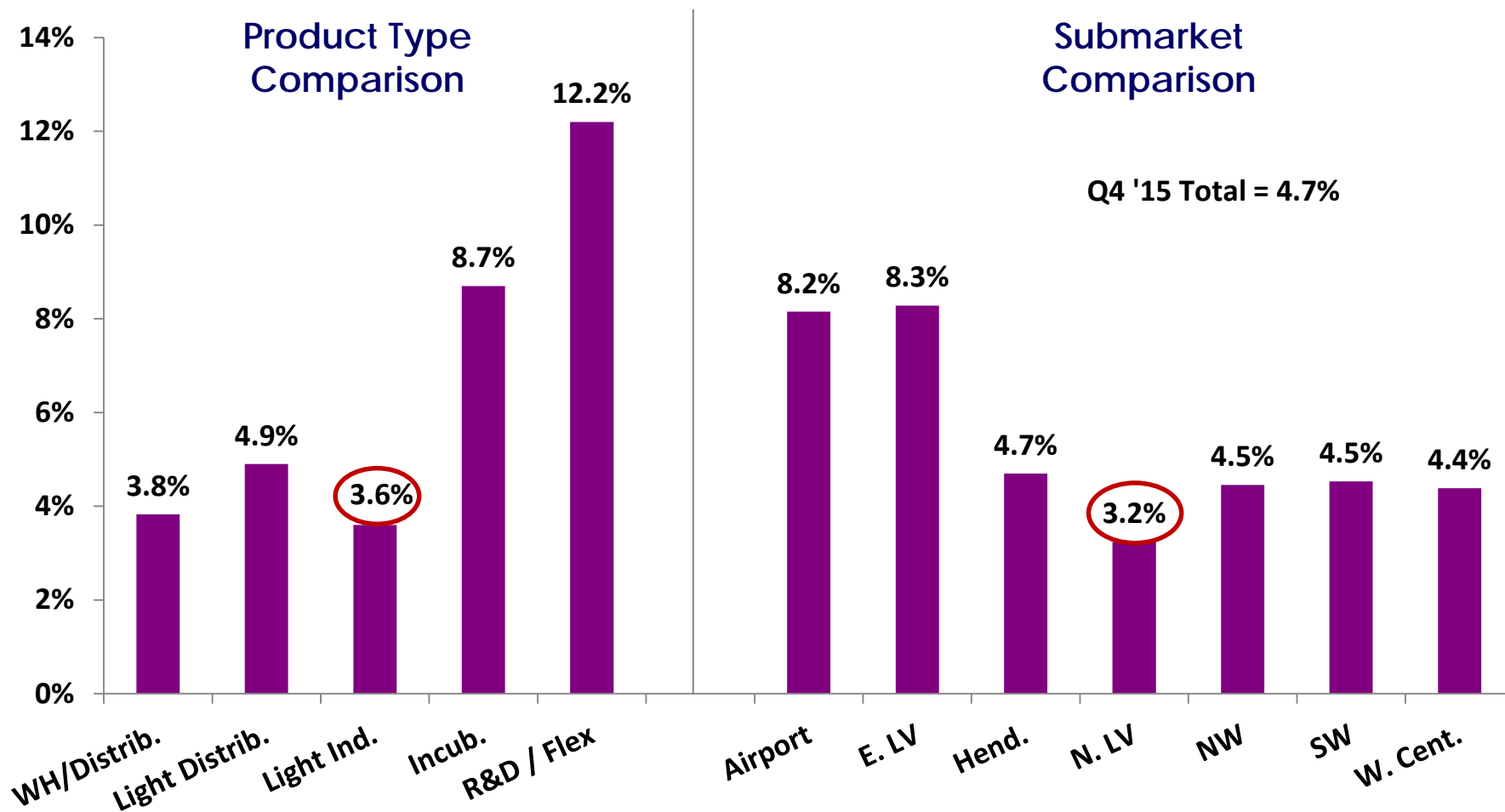




# Vacancy varies by product & submarket

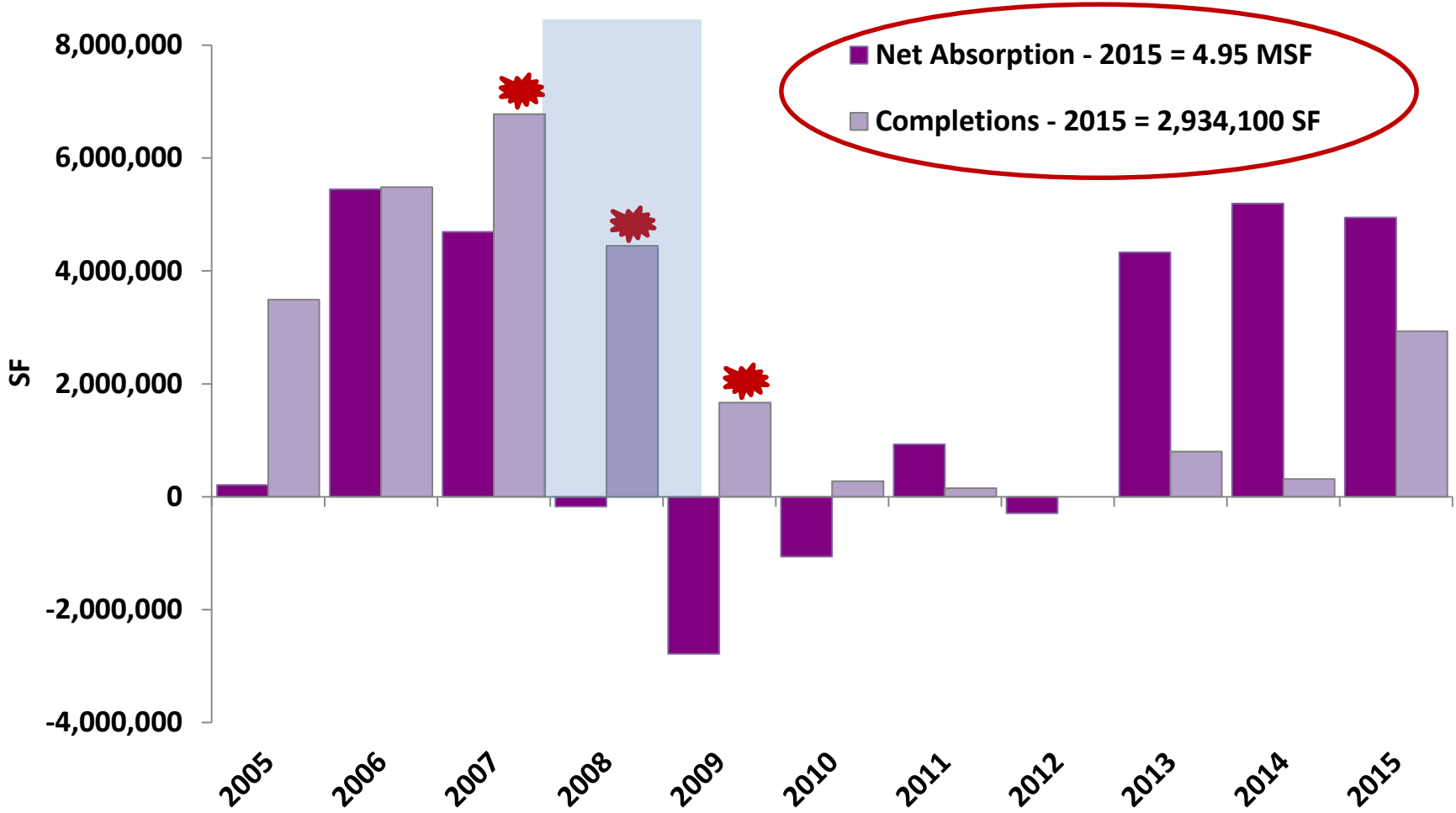
## Lowest in Light Industrial & in NLV

Industrial Product & Submarket Vacancy Rates: Q4 2015



# Industrial absorption & completions both saw major gains in 2015

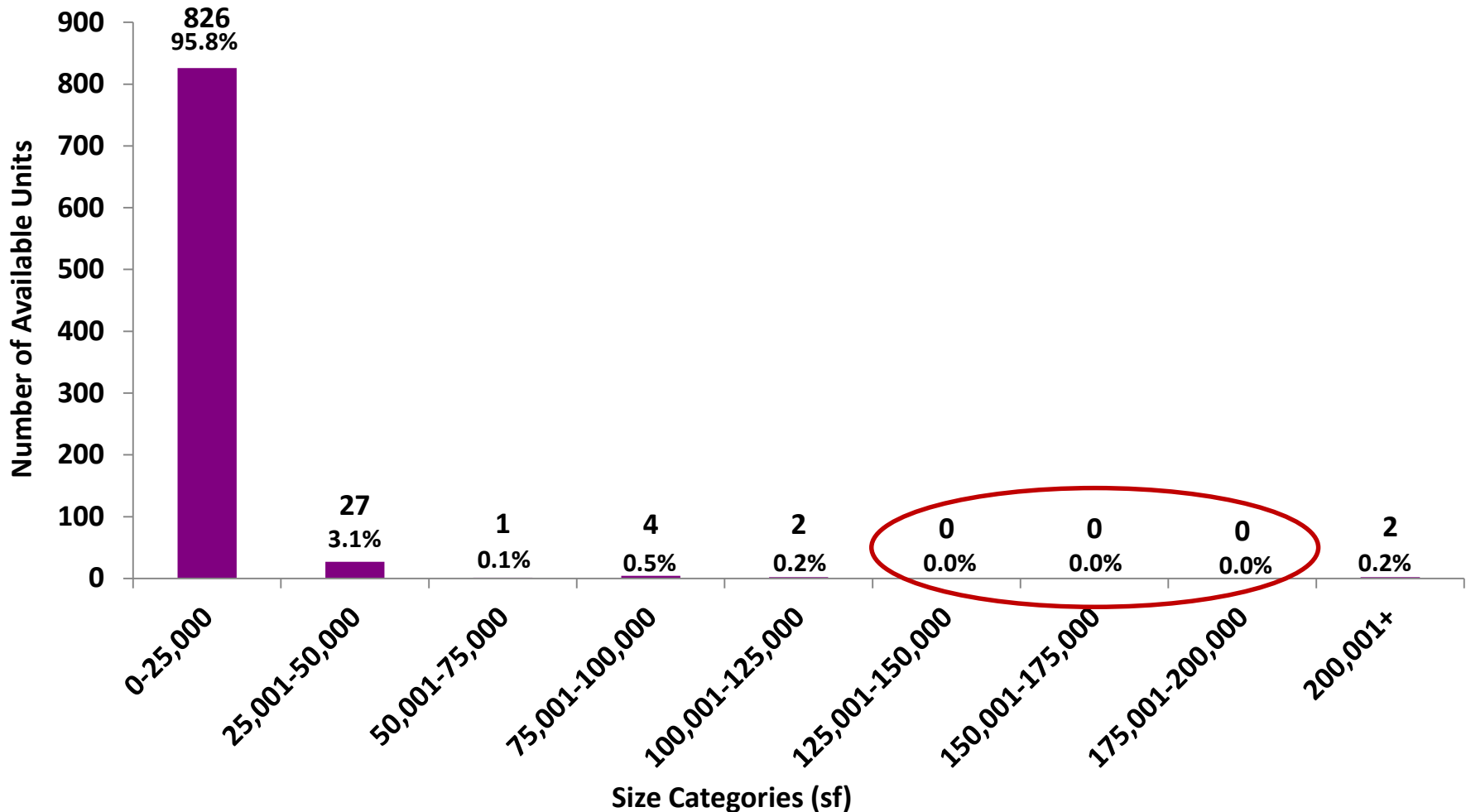
Industrial Annual Net Absorption & Completions: 2005 - 2015



# The most critical Industrial chart

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

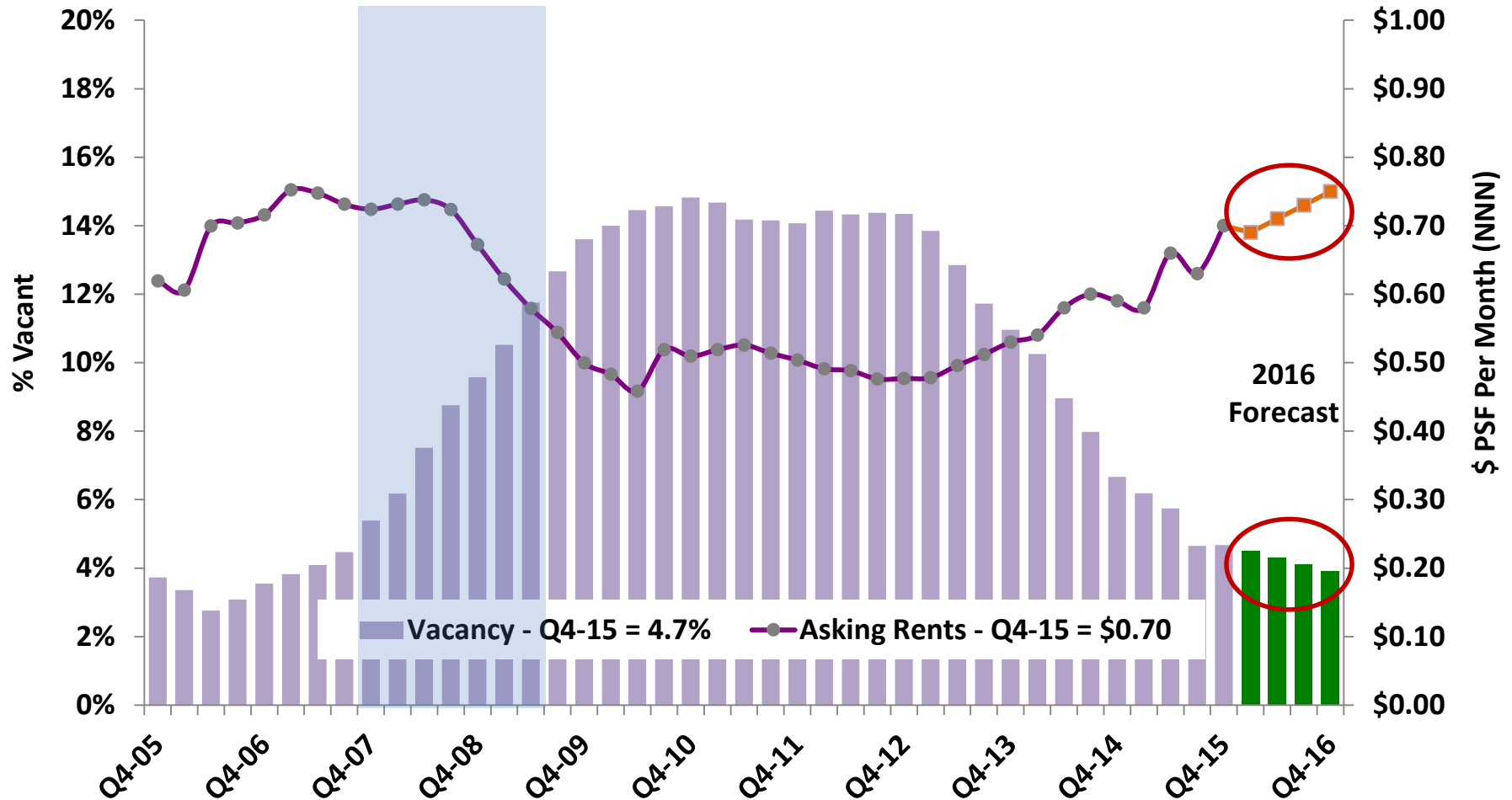
Distribution of Industrial Available Units, by Size Category: Q4, 2015





# The Industrial market recovered; starting to see space shortages.

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



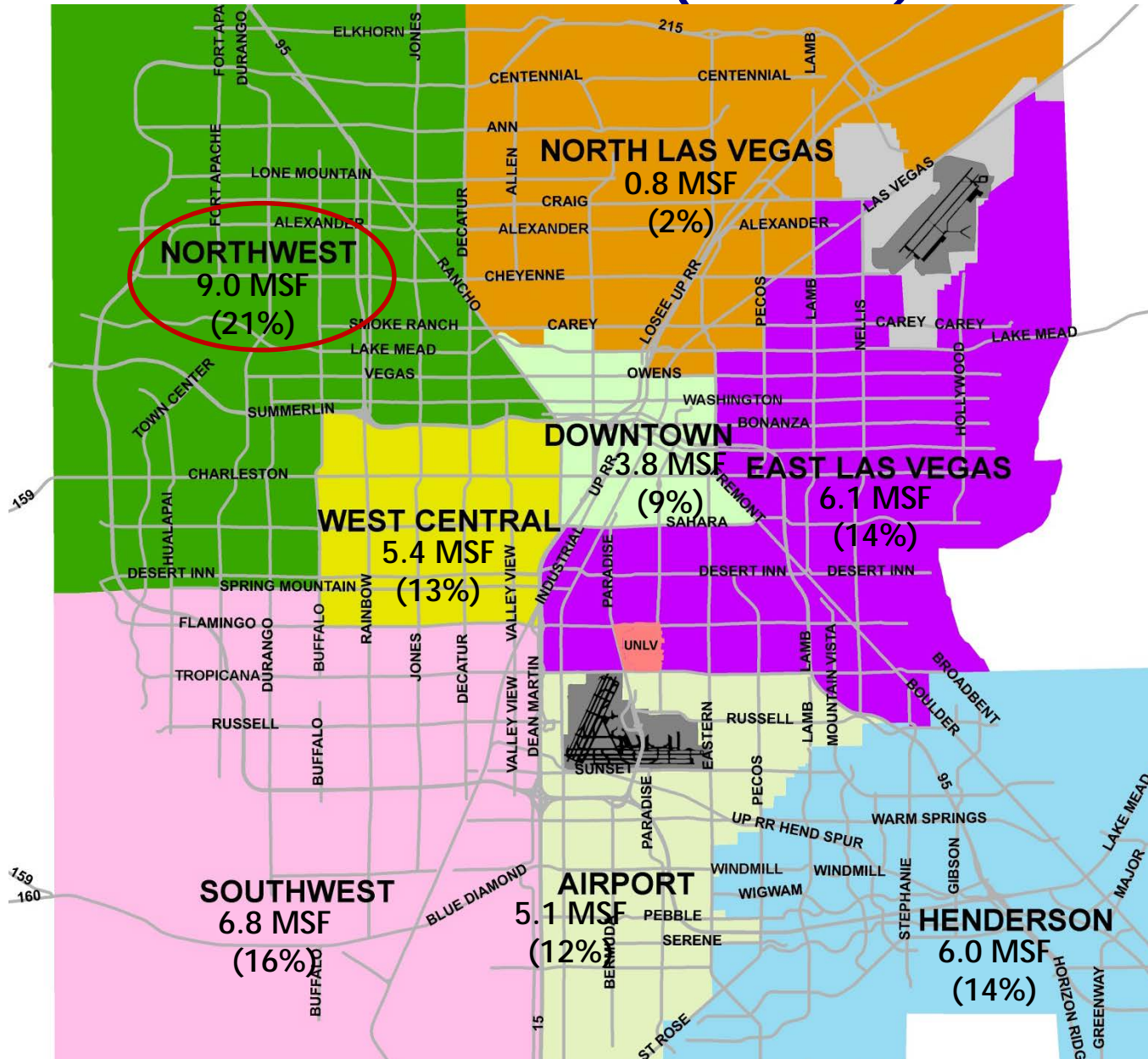
# OFFICE MARKET





# Las Vegas Valley Submarket Inventory Map

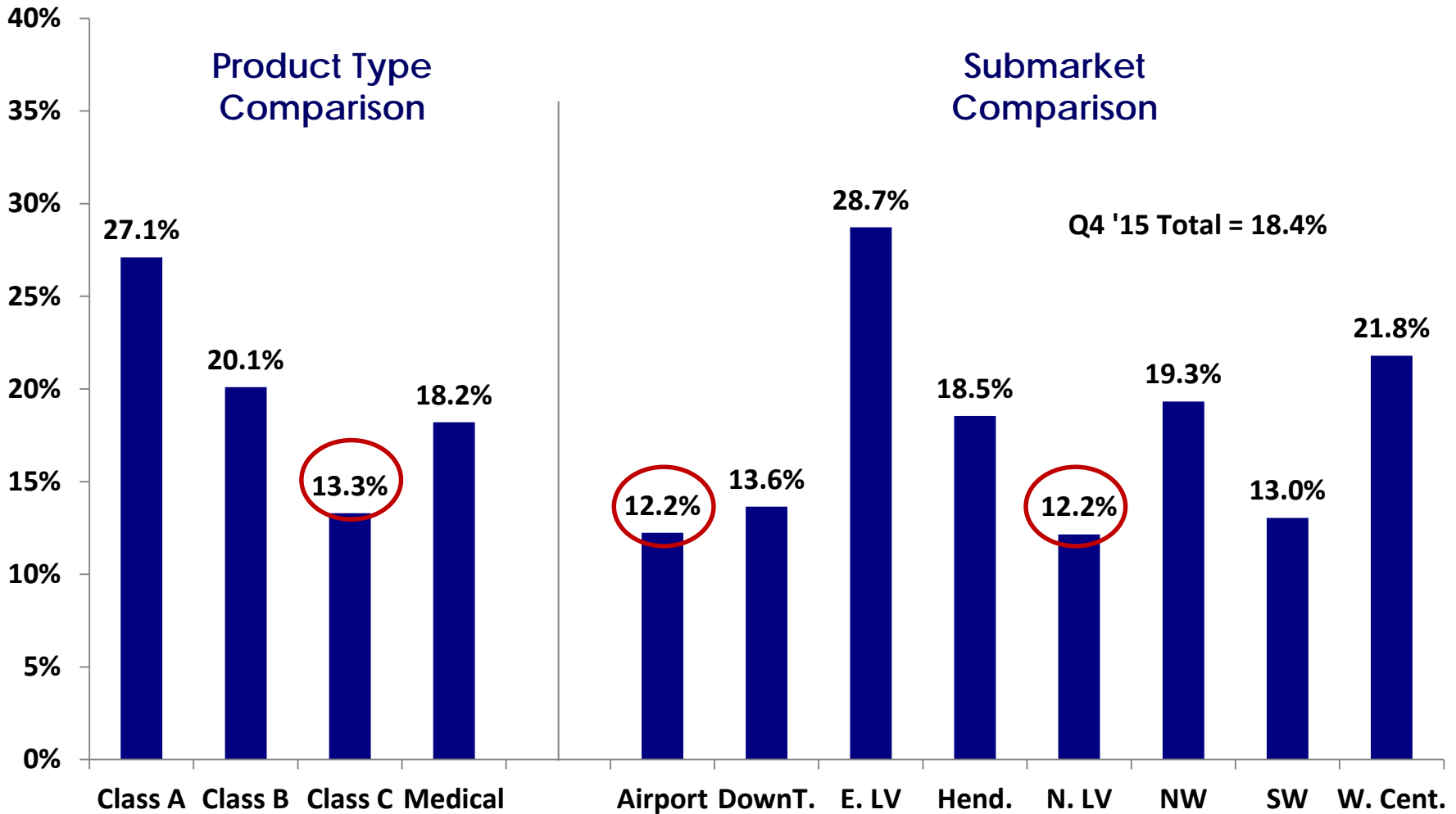
## Office Market (43 MSF)





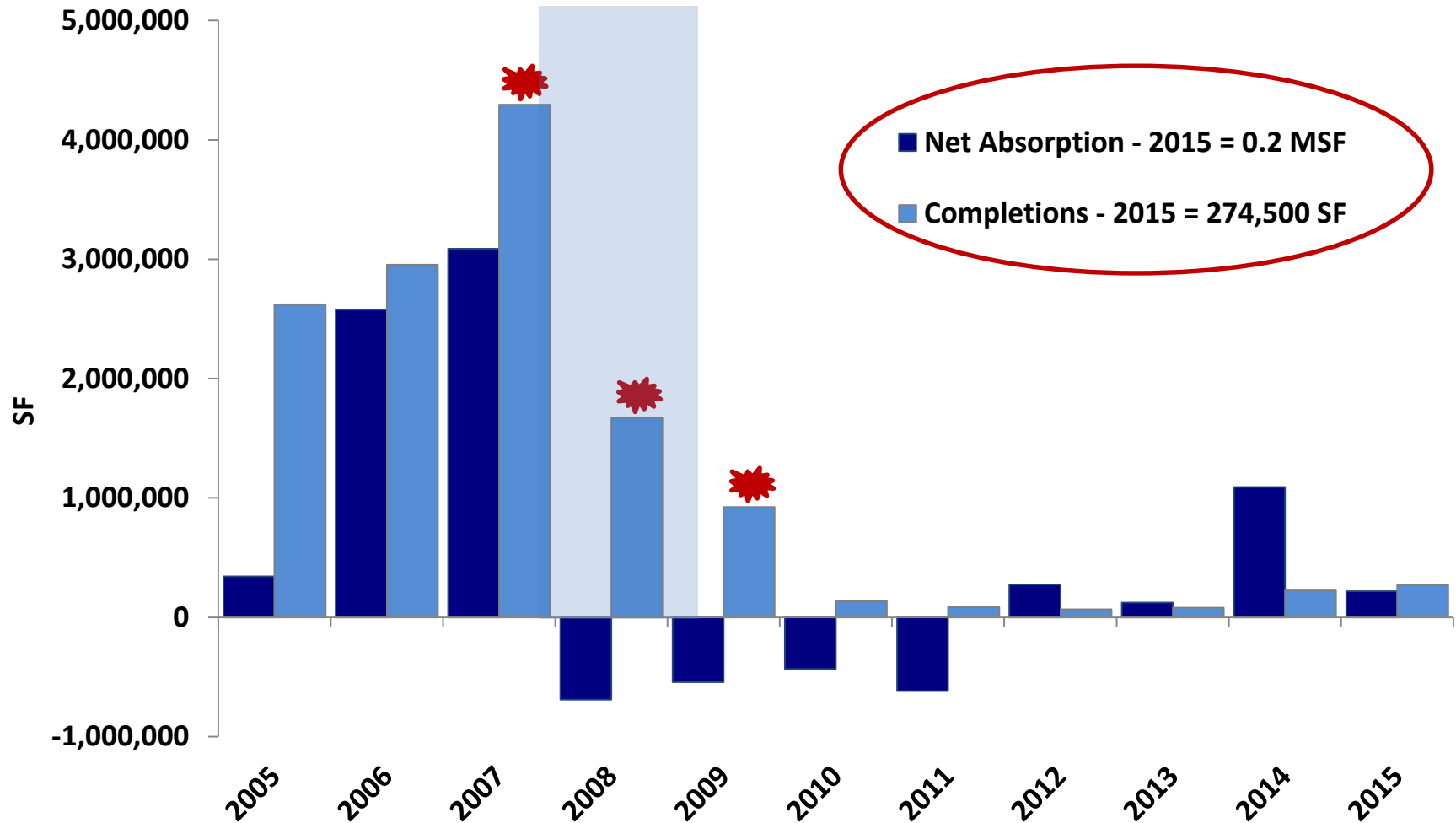
# Vacancy Lowest in Class C & in Airport & N Las Vegas.

Spec Office Product & Submarket Vacancy Rates: Q4 2015



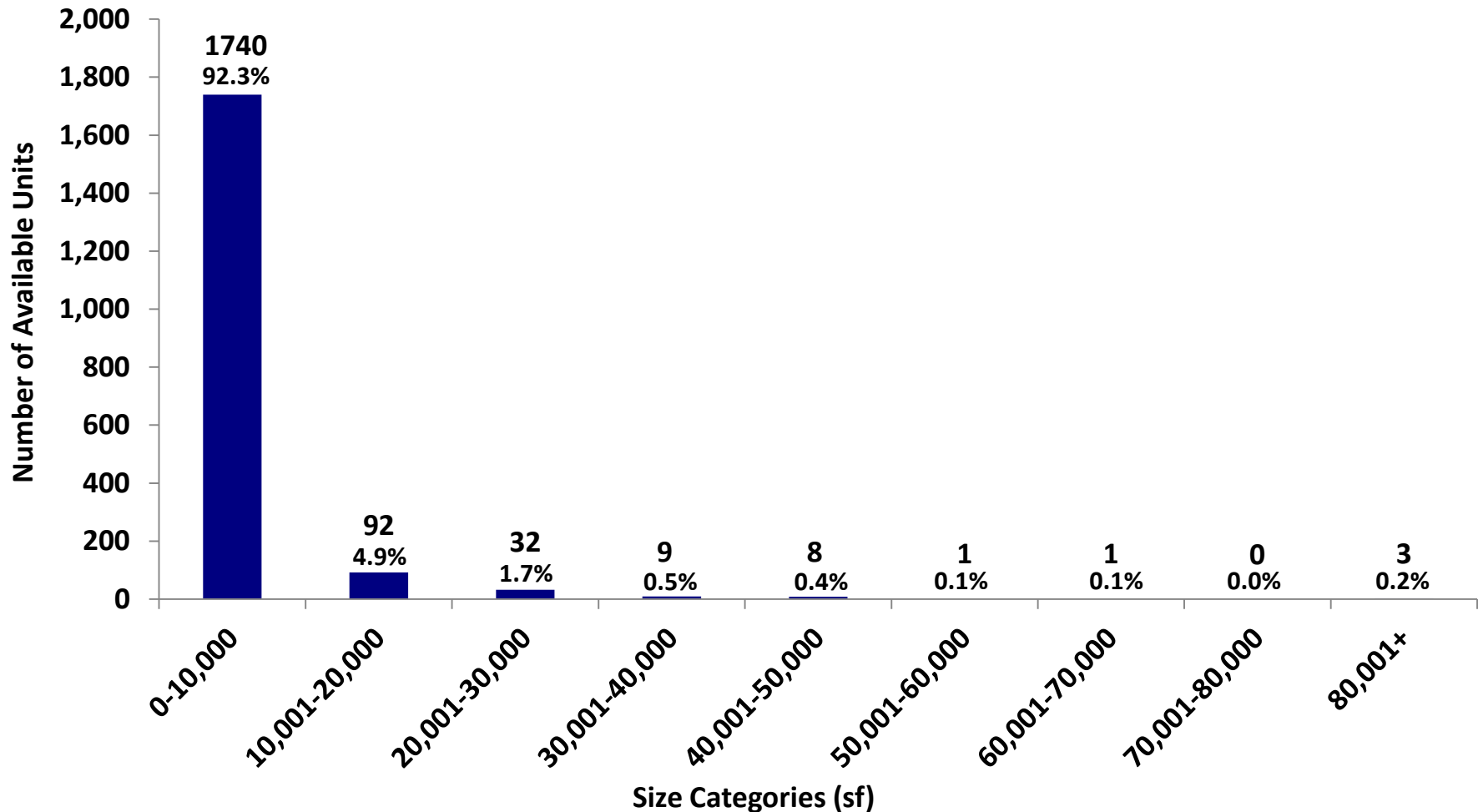
# Office absorption & completions still plodding along

Spec Office Annual Net Absorption & Completions: 2005 - 2015



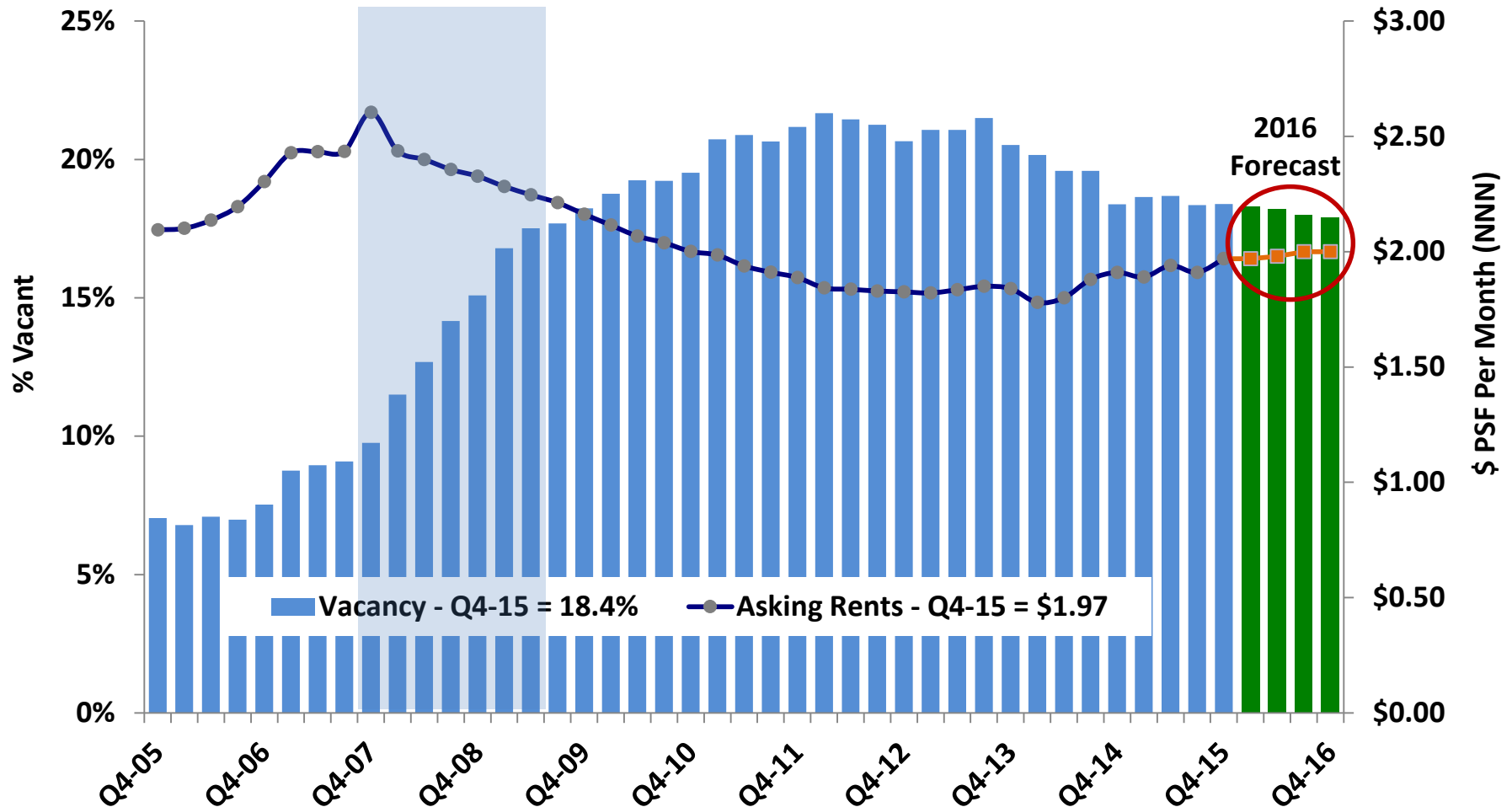
# The most critical Office chart.

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



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

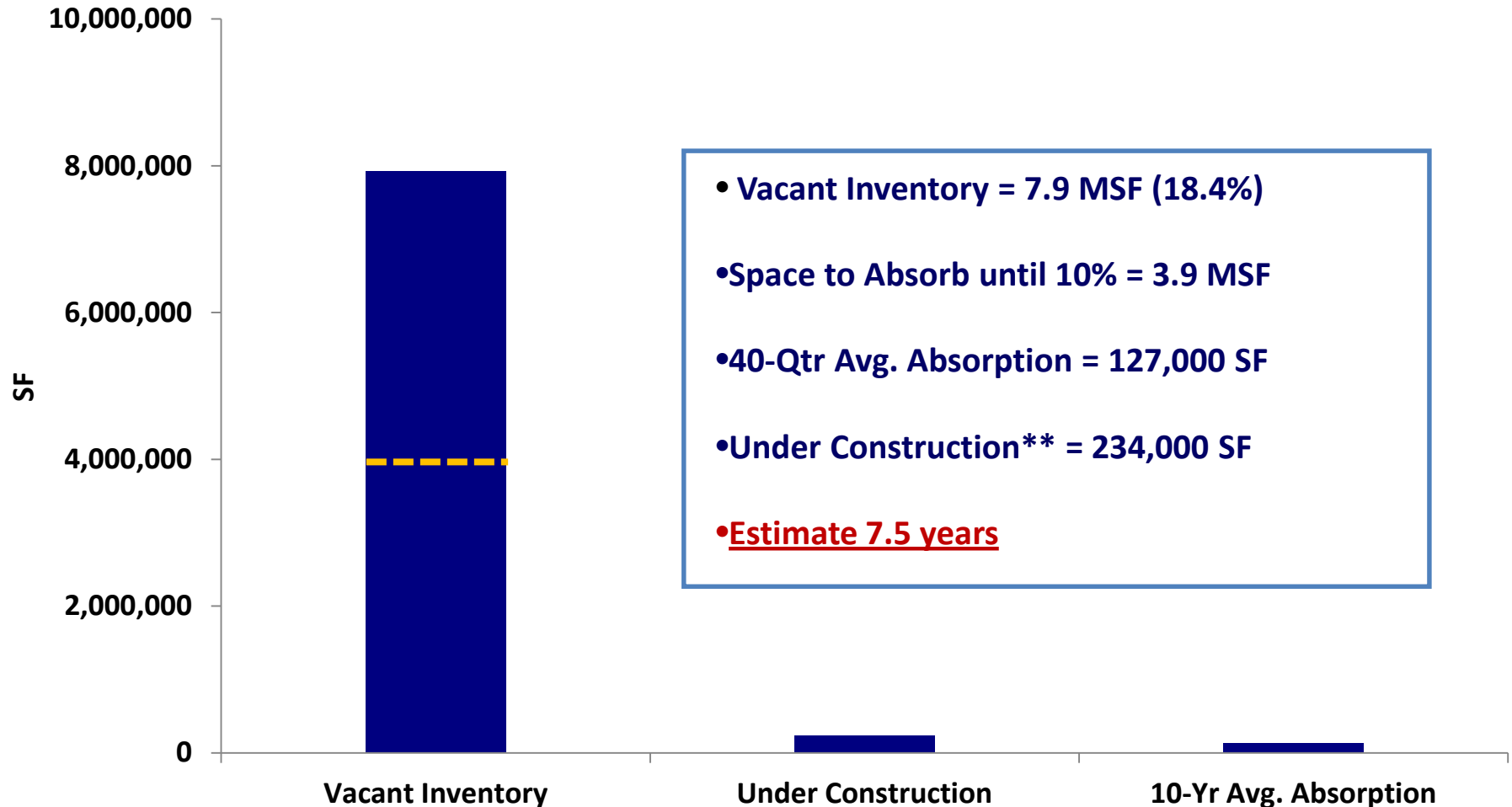
Spec Office Vacancy & Asking Rents: Q4, 2005 – Q4, 2015 + 2016 Forecast





# 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.

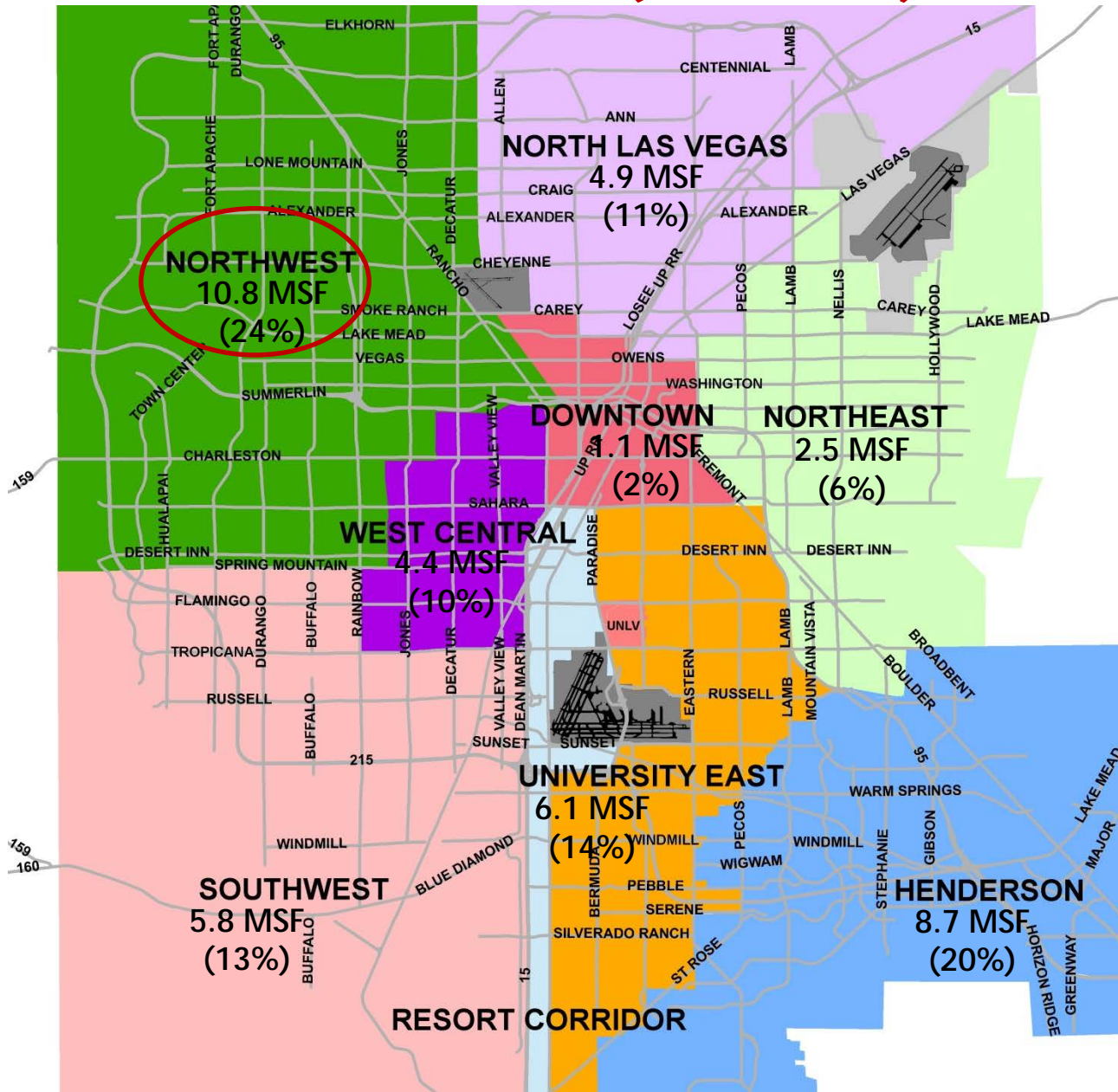
Source: RCG Economics.

# RETAIL MARKET



# Las Vegas Valley Submarket Inventory Map

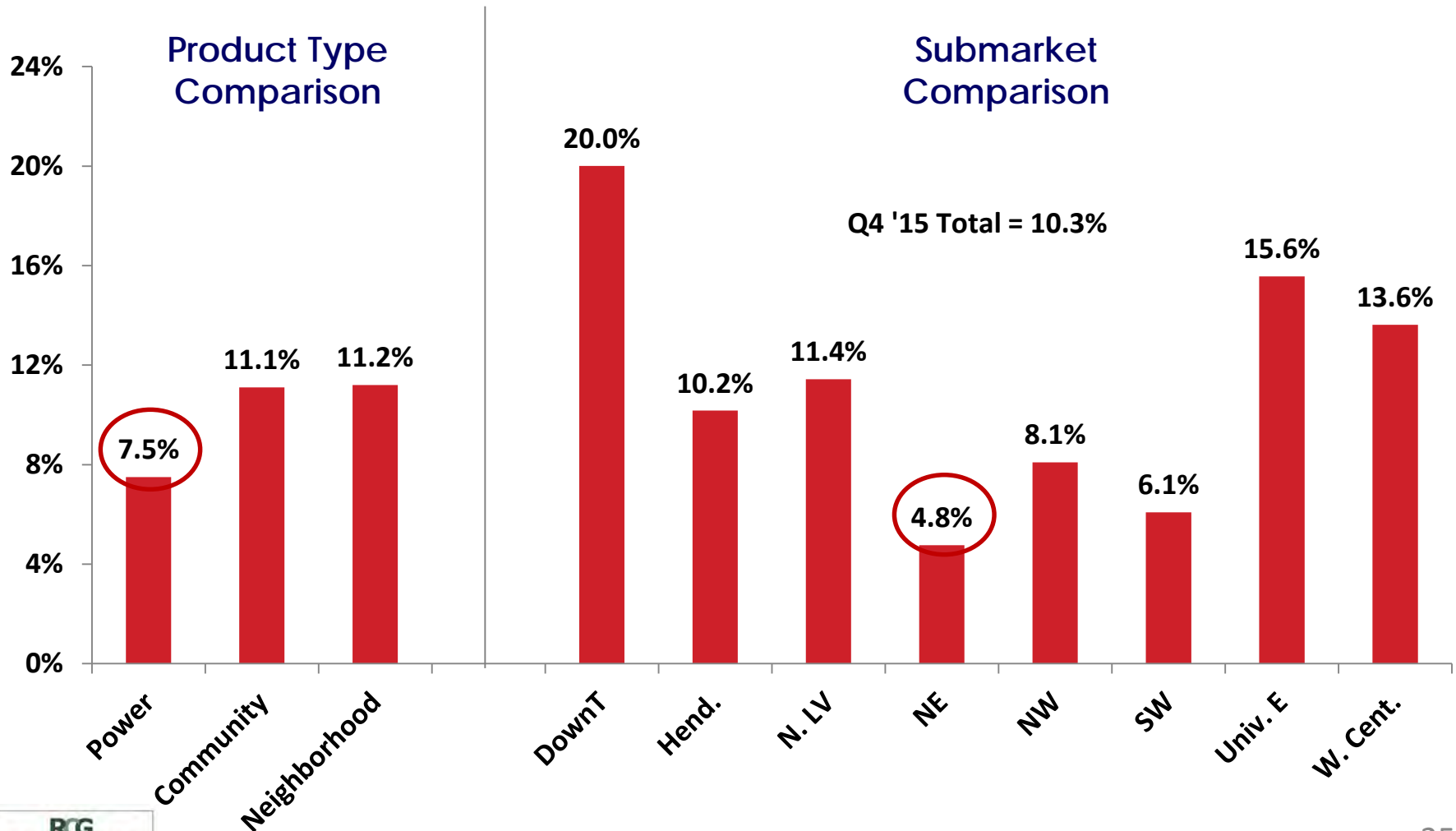
## Retail Market (47.3 MSF)





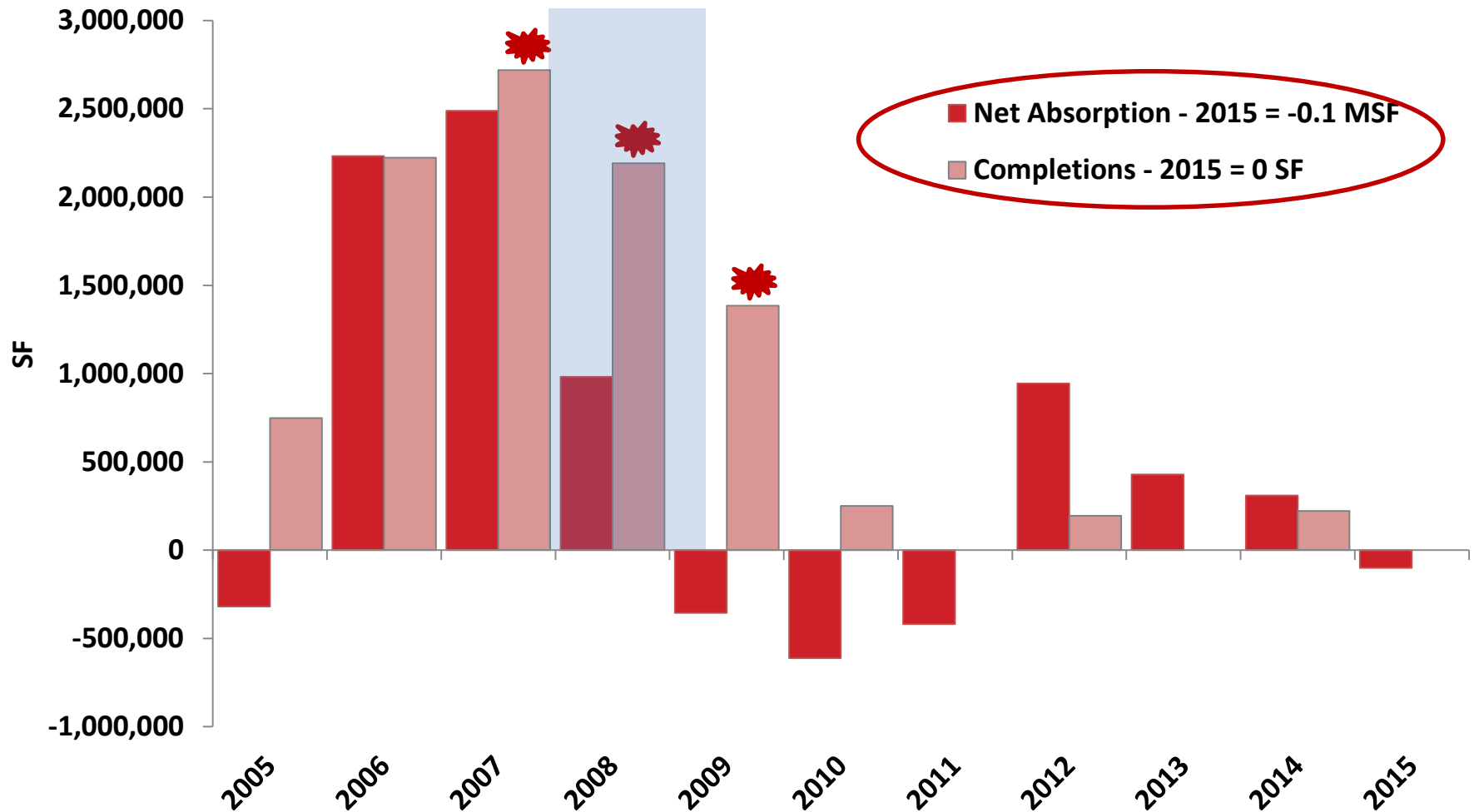
# Vacancy lowest in Power Cntrs & in Northeast Valley.

Anchored Retail Product & Submarket Vacancy Rates: Q4 2015



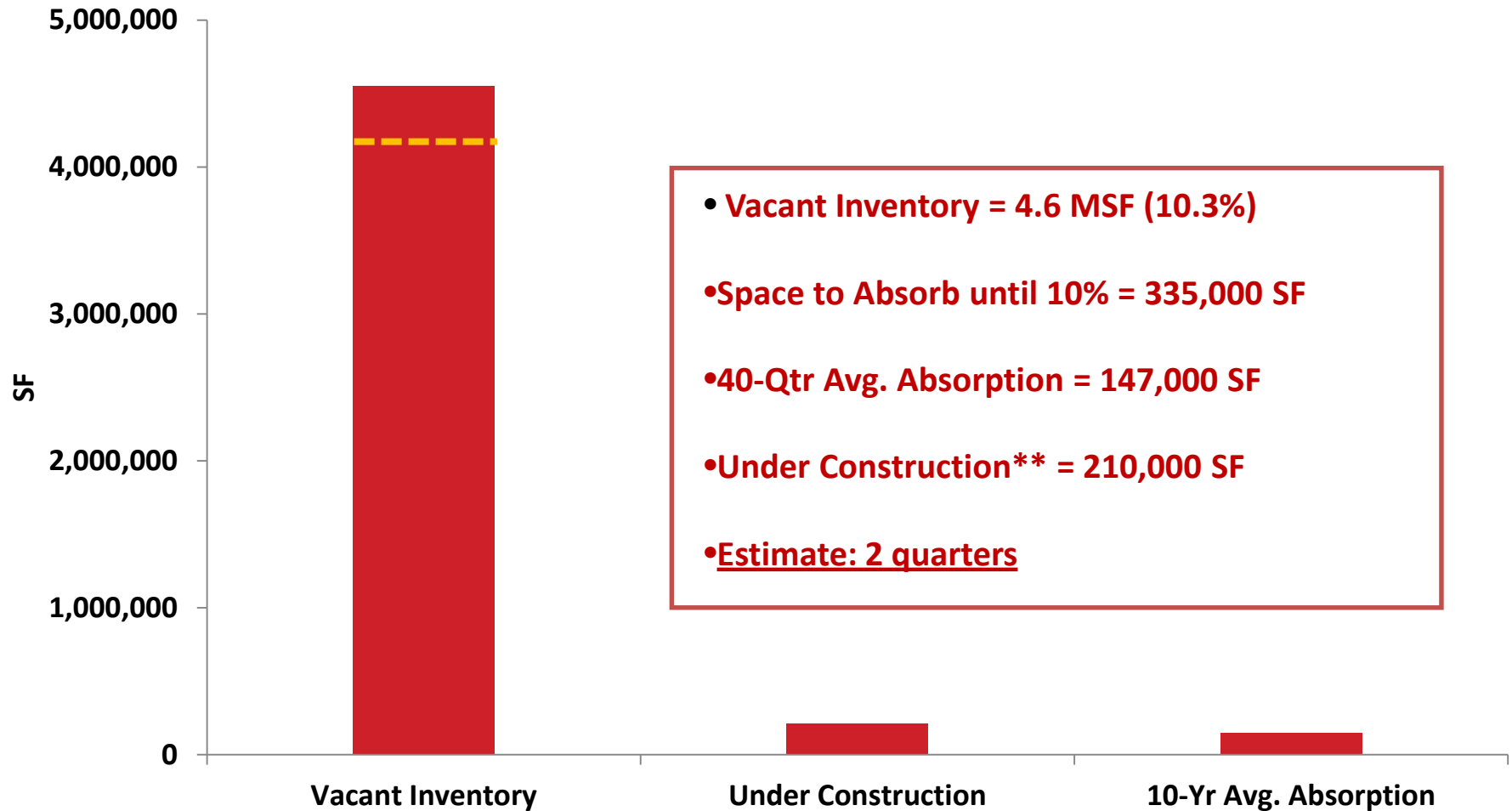
# Retail absorption & completions stagnating partly due to quality remaining space

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



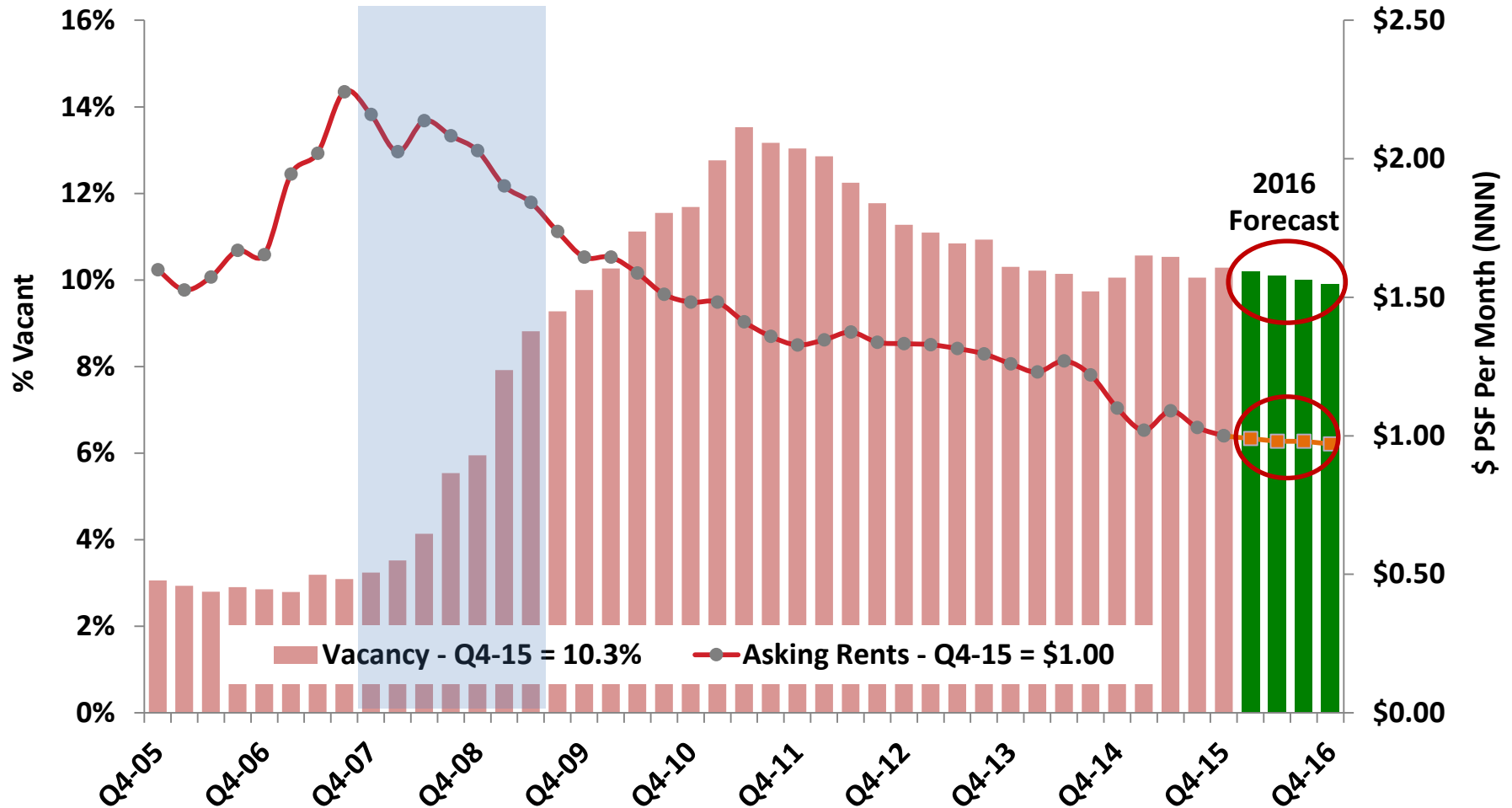
\*\*Assuming UC space enters the market with vacancy at existing rate.

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



# *Las Vegas Valley Commercial Market*

*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



# Shameless Plug

## Our Services

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

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

# Questions?



# Contact Us

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