

# Las Vegas Valley Executive Summary

## Commercial Real Estate Markets - 4<sup>th</sup> Quarter 2016

### INDUSTRIAL



### OFFICE



### RETAIL





RCG Economics  
 3900 Paradise Road, Suite 209  
 Las Vegas, NV 89169  
 T: (702) 967-3188  
 F: (702) 967-3196  
 W: [www.rcg1.com](http://www.rcg1.com)



University of Nevada, Las Vegas  
 Lied Institute for Real Estate Studies  
 Lee Business School  
 4505 Maryland Parkway  
 Box 456001  
 Las Vegas, NV 89154-6001  
 T: (702) 895-3362  
 F: (702) 895-4090  
 W: [business.unlv.edu/lied](http://business.unlv.edu/lied)

## Contributors

John Restrepo - Co-Editor (RCG)  
[jrestrepo@rcg1.com](mailto:jrestrepo@rcg1.com)  
 Hubert Hensen - Real Estate Economist (RCG)  
[hhensen@rcg1.com](mailto:hhensen@rcg1.com)  
 Andres Fonseca - Researcher (RCG)  
[afonseca@rcg1.com](mailto:afonseca@rcg1.com)  
 Peter Counts - Data Analyst (UNLV)  
[peter.counts@unlv.edu](mailto:peter.counts@unlv.edu)

## Photos Courtesy of:

Colliers: [www.colliers.com/en-us/lasvegas](http://www.colliers.com/en-us/lasvegas)  
 CBRE: [www.cbre.us/o/lasvegas/](http://www.cbre.us/o/lasvegas/)



# CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
<b>INDUSTRIAL SURVEY</b>	<b>5</b>
Total Industrial Market	6
Industrial Employment	6
Vacancy & Rental Rates	6
Glossary	12
Industrial Matrix	13
Submarket Map	15
<b>SPECULATIVE OFFICE SURVEY</b>	<b>16</b>
Total Office Market	17
Office Employment	17
Vacancy & Rental Rates	17
Glossary	22
Office Matrix	23
Submarket Map	25
<b>ANCHORED RETAIL SURVEY</b>	<b>26</b>
Total Retail Market	27
Retail Employment	27
Vacancy & Rental Rates	28
Glossary	33
Retail Matrix	34
Submarket Map	35



4505 South Maryland Parkway  
BEH 530B  
Las Vegas, Nevada 89154  
[www.liedinstitute.com](http://www.liedinstitute.com)



3900 Paradise Road, Suite 209  
Las Vegas, Nevada 89169  
[www.rcg1.com](http://www.rcg1.com)

February 24, 2017

Re: *Commercial Real Estate Survey: 4th Quarter, 2016*

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.”

John Restrepo  
RCG Economics

## Statement of Limiting Conditions

The quarterly commercial survey results presented herein depend on several factors. These factors include the period of data collection and the reliability of the third-party sources providing the data. These variances can lead to fluctuations in results from quarter-to-quarter in our own dataset and survey, and relative to those of other firms also monitoring the Las Vegas Valley's commercial markets. This is especially true for those metrics/indicators most prone to short-term fluctuations, such as demand (net absorption). Over time, our survey results reflect trends that are consistent with those reported by other firms tracking the Valley's commercial markets. Therefore, short-term market fluctuations are mitigated. Additionally, actual market conditions are better reflected in other more stable variables, such as vacancy rates and longer-term metrics like year-over-year trends.



MEDCO HEALTH BUILDING

 **RCG**  
economics

**UNLV**

LEE BUSINESS SCHOOL  
LIED INSTITUTE FOR  
REAL ESTATE STUDIES

# Las Vegas Industrial Survey

## 4<sup>th</sup> Quarter 2016



WARM SPRINGS CROSSING

# LAS VEGAS INDUSTRIAL SURVEY

## SUMMARY

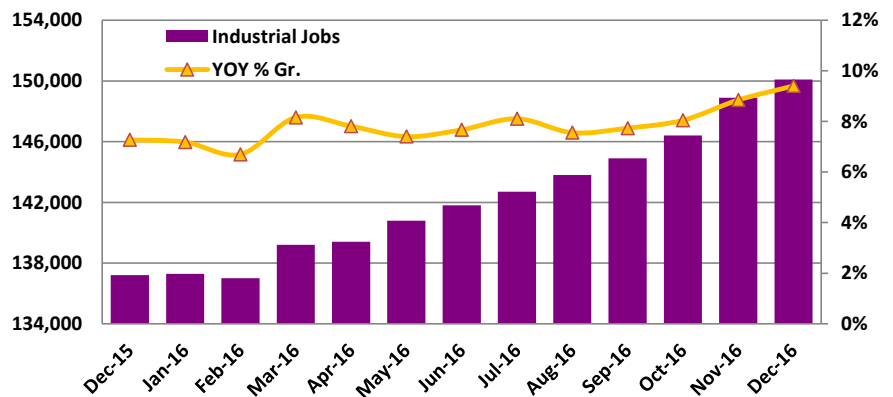
The Las Vegas Valley's ("the Valley") Industrial market<sup>1</sup> finished out 2016 with a total inventory of 114.3 million square feet ("sf") of rentable space, which includes a hefty 2.0 million sf of completions in the fourth quarter ("Q4"). There were 1.9 million sf of net absorption (net demand) in Q4, nearly doubling the total in Q3. The Valley's Industrial vacancy rate ticked up 0.1 points to 5.2% in Q4, 2016. When compared to Q4, 2015, the vacancy rate is up 0.5 points from 4.7%. At \$0.69 per square foot ("psf") NNN<sup>2</sup>, the average monthly asking rent is up a penny from Q3 (\$0.68 psf), but is down a penny from Q4, 2015 (\$0.70 psf). The Industrial market's forward-supply<sup>3</sup> is larger than anything seen since the boom years of 2006-2008 and includes 6.2 million sf under construction and another 7.6 million sf in the planning stages. Warehouse/Distribution makes up 99.1% of the space under construction, as is a large proportion of the planned space (96.5%). Despite the 0.1-point increase in vacancy, the Valley's Industrial market is recovered and stable.

## INDUSTRIAL-RELATED JOBS

Total nonfarm employment in the Las Vegas MSA rose by 38,300 jobs from December 2015 through December 2016, a 3.0% increase. During that time the "headline" unemployment rate declined 1.2 points to 5.1%.

Jobs in Industrial space-using sectors represented 18% (150,100 jobs) of all private jobs in Clark County at the end of Q4, 2016, a healthy 9.4% increase in jobs over December 2015.<sup>4</sup> Since September 2012, Industrial sector job growth has posted solid year-over-year (Y-O-Y) growth (>2%) every month, outpacing population growth and facilitating a reduction of the unemployment rate. Sectors showing the greatest gains since December 2015 were the Construction (+8,700 jobs) and Transportation & Warehousing (+3,100 jobs) sectors. Strong job growth in the industrial sector counterbalanced weak Y-O-Y job expansion in the Office and Retail sectors.

**Clark County Total\* Industrial Jobs and Annual Growth: Dec-15 to Dec-16**



\*Natural resources, construction, manufacturing, and transportation & warehousing industries. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## Industrial Employment

Industry Sector	Oct 2015			Nov 2015			Dec 2015		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Nat. Resources	400	400	0.0%	400	400	0.0%	400	300	33.3%
Construction	61,300	52,800	16.1%	62,000	53,900	15.0%	62,100	53,400	16.3%
Manufacturing	21,900	21,700	0.9%	22,000	21,700	1.4%	22,300	21,800	2.3%
Wholesale Trade	22,000	21,700	1.4%	21,900	21,700	0.9%	22,100	21,600	2.3%
Transp. & Warehousing	40,800	38,900	4.9%	42,600	39,100	9.0%	43,200	40,100	7.7%
<b>Total</b>	<b>146,400</b>	<b>135,500</b>	<b>8.0%</b>	<b>148,900</b>	<b>136,800</b>	<b>8.8%</b>	<b>150,100</b>	<b>137,200</b>	<b>9.4%</b>

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

## VACANCY & RENTS

The Valley's total Industrial vacancy rate (direct vacant space plus sublease vacant space) saw a slight uptick in Q4 to 5.2%. When compared to Q4, 2015, the vacancy rate is up 0.5 points from 4.7%. Despite the increase, the Industrial market remains well below the generally accepted 10% stabilized vacancy rate. With the rate at such a low level, and with over two million square feet of space hitting the market in Q4, this tiny uptick in vacancy should not be considered significant. Supply shortages continue in the Industrial Market for certain types of space, especially large warehousing units (75,000+ sf), but various big projects currently under construction and in the planning stages will help alleviate this need.

On a submarket basis, four out of seven of the Valley's Industrial submarkets were enjoying vacancy rates at, or below, 5% at the end of Q4, with all but one submarket under 10%. The Northwest continues to be the lone submarket struggling to come in under the 10% stabilized rate.

## INDUSTRIAL MARKET

On a quarter-over-quarter basis, only two of the seven submarkets posted decreases in their vacancy rates. In Q4, 2016, the Southwest submarket saw vacancy decrease the most with a 0.7-point decline. The West Central submarket was right behind with a 0.4-point drop in vacancy. The East Las Vegas and Henderson submarkets each saw their vacancy increase by 1 point, from 3.6% to 4.6%, and from 5.3% to 6.3%, respectively. The Airport and North Las Vegas submarkets both saw a 0.4-point increase, from 7.4% to 7.8%, and from 3.8% to 4.2%, respectively. The Northwest saw vacancy grow by 0.6 points, from 10.7% to 11.3%.

On a Y-O-Y basis, three submarkets showed improvement. The East Las Vegas submarket vacancy rate was the most improved with a 2.5 percentage-point decline, followed by the West Central submarket with a 0.4 percentage-point drop and the Airport submarket with a 0.2-point drop. Four submarkets saw their Y-O-Y vacancy rate rise. The Northwest had a difficult year with its vacancy rate increasing by 6.8 percentage-points, from 4.5% to 11.3%. Henderson gained 1.2 percentage-points, from 5.1% to 6.3%, followed by North Las Vegas and the Southwest, which increased by 1.0 and 0.4 percentage-points, respectively, from 3.2% to 4.2% and from 4.6% to 5.0%.

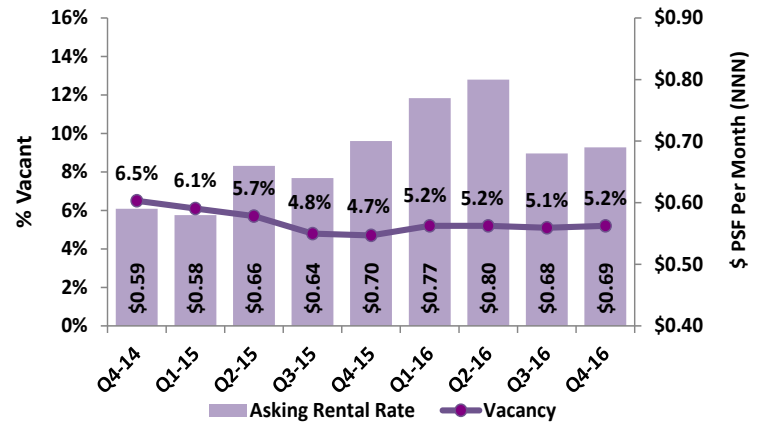
On a product basis, of the five product types, Warehouse/Distribution and Incubator experienced an increase in vacancy over the fourth quarter. Warehouse/Distribution's vacancy rose by 0.6 percentage-points, from 4.0% to 4.6%, and Incubator's vacancy rose by 0.4 percentage-points, from 8.4% to 8.8%. The remaining three products saw declines with vacancy for the Light Distribution product type decreasing the most from 7.6% to 6.5%. R&D/Flex saw vacancy decrease from 11.2% to 10.8% and Light Industrial was nearly unchanged, dropping 0.1 points from 3.6% to 3.5%.

On a Y-O-Y basis, vacancy was down in two product types. R&D/Flex decreased the most from the previous year with vacancy falling by 1.4 points from 12.2%. Light Industrial was down 0.4 points from 3.9% in Q4, 2015. The three product types to experience a rise in vacancy over the year were: Light Distribution with a 1.9-point increase from 4.6%, Warehouse/Distribution with a 0.9-point increase from 3.7% and Incubator with a 0.4% increase from 8.4%.

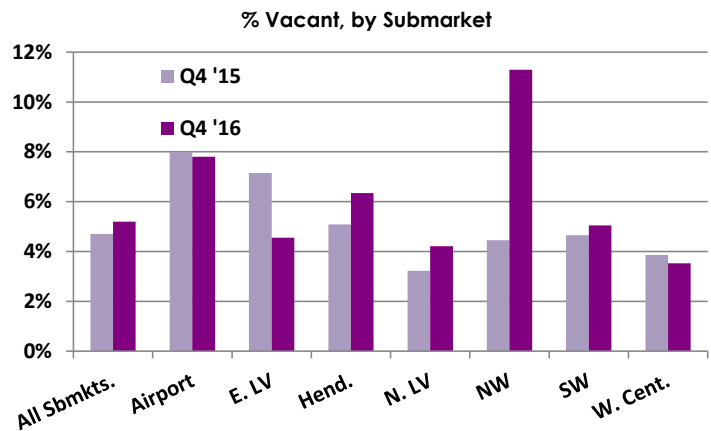
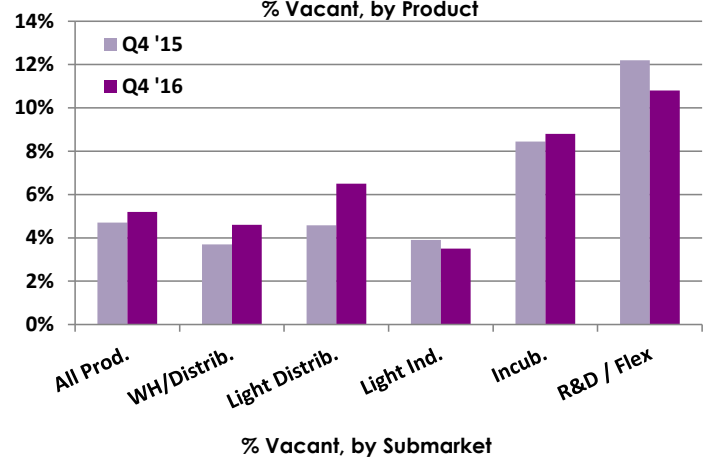
As stated above, the overall Industrial market has recovered from the Great Recession and minor increases in vacancy give no reason to believe that the Valley's economy is worsening. Some submarkets and subtypes continue to do better than others, such as Light Industrial and Warehouse/Distribution on the strong end and Incubator and R&D/Flex on the weaker end. Now the conversation has shifted away from which product types will recover faster to which ones are ready to expand and how the industry will deal with looming shortages.

Average monthly Industrial asking rents for all product types (calculated on a NNN basis, not accounting for any operating expenses and based on quoted asking rents, not negotiated rents between owners and tenants) increased in Q4 by just \$0.01 to \$0.69 psf. This is very close to asking rents in the fourth quarter of 2015 when they were at \$0.70 psf. Generally, the price for Industrial space is on the rise.

Las Vegas Valley Industrial Market  
Historical Vacancy vs. Monthly Asking Rent:  
Q4, 2014 - Q4, 2016



Las Vegas Valley Industrial Market  
Vacancy Trends: Q4, 2015 v. Q4, 2016  
% Vacant, by Product



# INDUSTRIAL MARKET

## DEMAND

The Valley's Industrial market saw a considerable increase in demand in Q4 with total net absorption of +1.9 million sf, a substantial increase in absorption from the previous quarter. Much of this absorption came from new projects that came to market in Q4. Demand in the Industrial market has been positive in 16 of the last 17 quarters.

On a Y-O-Y basis, Q4 saw demand drop by 2 million, from +4.8 million sf of absorption in Q4, 2015 to +2.8 million sf during the four quarters ending in Q4, 2016. This is to be expected. Last year saw healthy demand and now there is simply less space to absorb. Furthermore, there are still shortages in various segments of the market. New space will have to regularly come to market to keep absorption as high as it has been with so little unoccupied space remaining in the market. The shortage of space could be blunting economic growth, though with over 13 million sf of space in various stages of development, the market is taking care of this potential problem.

Four of seven submarkets had positive absorption in Q4, 2016. What would have been remarkable demand in the Southwest submarket of +597,910 sf was overshadowed by prodigious absorption in the North Las Vegas submarket of +1,028,689 sf. Considering it has less than half the total rentable space of the two aforementioned submarkets, Henderson had its own strong showing of +283,609 sf of absorption. West Central was well behind with modest absorption of +49,646 sf. The Airport, East Las Vegas and Northwest submarkets had negative demand of -54,874 sf, -35,242 sf and -7,718 sf, respectively

On a Y-O-Y basis, this time neck and neck for top showing, the North Las Vegas submarket was again the leader with +992,854 sf of absorption, with the Southwest submarket coming in right behind at +957,931 sf. Henderson took the third spot again with +476,593 sf over the year, with East Las Vegas trailing it at +380,145 sf. West Central (+40,122 sf) and Airport (+27,001 sf) were the stragglers, but still managed to stay positive. The Northwest (-91,404 sf) was the only submarket to experience negative Y-O-Y absorption.

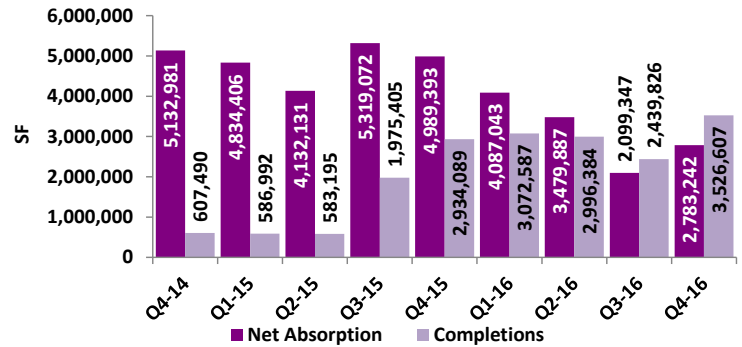
Demand in Q4 for the different product types was negative only in Incubator with -31,182 sf of absorption. Warehouse/Distribution carried the Industrial Market with +1,637,060 sf of absorption, followed by Light Distribution (+203,577 sf), Light Industrial (+28,044 sf) and R&D/Flex (+24,521 sf).

Over the past year, Warehouse/Distribution accounted for +2.75 million sf of absorption. Light Industrial added +308,772 sf of absorption Y-O-Y, while R&D/Flex added +82,978 sf. Light Distribution saw significant negative demand over the year with -332,643 sf. Incubator also saw negative demand with -26,481 sf of absorption since Q4, 2015.

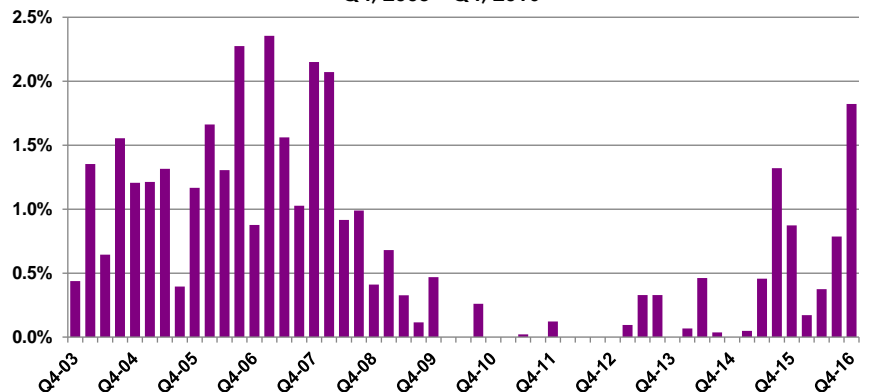
## SUPPLY

Three of seven submarkets saw completions in Q4 totaling 2,045,465 sf of space, raising the Valley's Industrial inventory to 114.3 million sf. Q4 completions were: the Beltway Distribution Center and Parc Post in the Southwest, the North 15 Freeway Distribution Centers 1 & 2 and the Northgate Distribution Centers 1 & 2 in North Las Vegas, and lastly the Henderson Freeway Crossing. The Industrial market has had two consecutive boom years with 2015 delivering 2.9 million sf of Industrial space and 2016 surpassing that total with 3.5 million sf of completed space. The over 13 million sf of space in various stages of development will play a critical role in Southern Nevada's economic

Las Vegas Valley Industrial Market  
Historical YOY Net Absorption vs. Completions:  
Q4, 2014 - Q4, 2016



Las Vegas Valley Industrial Market  
Completions as a % of Inventory:  
Q4, 2003 - Q4, 2016





## INDUSTRIAL MARKET

growth as a lack of large Industrial space is putting a constraint on businesses looking to expand.

There are currently 20 projects under construction comprising almost 6.2 million sf at the end of Q4, all but one of which are new Warehouse/Distribution spaces. Eighteen of these projects are large warehousing units of 75,000 sf and above:

### Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
2730 N Lamb Blvd	80,000	Warehouse/Distribution	North Las Vegas	Q217
3730 Civic Center Dr	90,000	Warehouse/Distribution	North Las Vegas	Q217
Beltway Business Park #9	295,500	Warehouse/Distribution	Southwest	Q217
Blue Diamond Business Center #6	430,000	Warehouse/Distribution	Southwest	Q317
Eaker Street Wellness (renov/expansion)	58,000	Warehouse/Distribution	North Las Vegas	2017
Enclave (3G HQ)	75,000	Warehouse/Distribution	Airport	Q117
Henderson Commerce Center, Building P	240,000	Warehouse/Distribution	Henderson	Q117
I-15 Speedway Logistics 1	525,200	Warehouse/Distribution	North Las Vegas	Q217
Las Vegas Corporate Center 12-13	260,023	Warehouse/Distribution	North Las Vegas	Q217
LogistiCenter at LVB	548,880	Warehouse/Distribution	North Las Vegas	Q217
Lone Mountain Corporate Center-Phase 2	243,760	Warehouse/Distribution	North Las Vegas	Q217
Northgate Distribution Center 3	813,160	Warehouse/Distribution	North Las Vegas	Q317
Northgate Distribution Center 8	570,000	Warehouse/Distribution	North Las Vegas	Q317
South 15 Airport Center	479,440	Warehouse/Distribution	Henderson	Q117
South 15 Industrial Park	160,720	Warehouse/Distribution	Henderson	2017
Sunrise Distribution Center	458,000	Warehouse/Distribution	North Las Vegas	Q317
Sunrise Industrial Park #9-10	377,000	Warehouse/Distribution	East Las Vegas	Q217
Sunset 215 West	80,000	Warehouse/Distribution	Southwest	Q217
Sunset Landing	54,000	Light Industrial	Airport	Q217
Supernap 10 (SWITCH)	343,436	Warehouse/Distribution	Southwest	2017
<b>Total</b>	<b>6,182,000</b>			

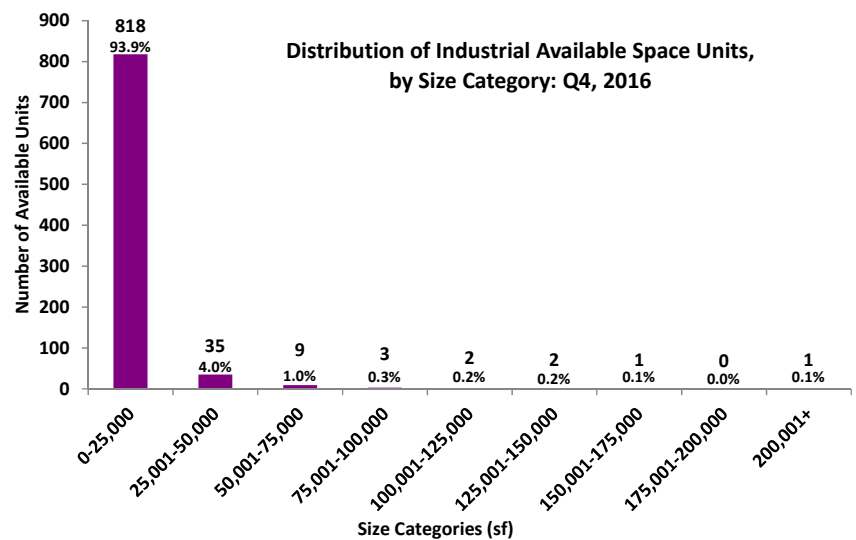
## INDUSTRIAL MARKET

In addition to the ongoing construction, there are 26 more projects in the planning stages, representing over 7.6 million sf. They are:

### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
4305 N Lamb Blvd	122,000	Light Distribution	North Las Vegas	Q417
5785 N Hollywood Blvd	36,000	Warehouse/Distribution	North Las Vegas	Q217
Blue Diamond Business Center #10	495,000	Warehouse/Distribution	Southwest	2017
Clayton Park	88,000	Incubator	North Las Vegas	2017
Copper Sage Commerce Center	91,000	Warehouse/Distribution	North Las Vegas	2017
Desert Inn Distribution Center	153,320	Warehouse/Distribution	West Central	Q417
Escondido Airport Park	31,000	Light Industrial	Airport	Q317
Henderson Commerce Center Phase 2	185,000	Warehouse/Distribution	Henderson	Q417
Henderson Interchange Center	364,000	Warehouse/Distribution	Henderson	Q217
I-15 Speedway Logistics 2	601,610	Warehouse/Distribution	North Las Vegas	2017
I-15 Speedway Logistics 3	633,120	Warehouse/Distribution	North Las Vegas	2018
I-15 Speedway Logistics 4	367,060	Warehouse/Distribution	North Las Vegas	2018
Lamb & Craig	121,890	Warehouse/Distribution	North Las Vegas	Q118
Las Vegas Corporate Center 9,14	262,265	Warehouse/Distribution	North Las Vegas	2017
Lincoln Business Center	337,000	Warehouse/Distribution	North Las Vegas	Q317
Marnell Airport Center Phase 2	133,000	Warehouse/Distribution	Airport	Q317
Northern Beltway Industrial Center	540,320	Warehouse/Distribution	North Las Vegas	2017
Northgate Distribution Center 5	190,890	Warehouse/Distribution	North Las Vegas	Q417
Northgate Distribution Center 9	700,000	Warehouse/Distribution	North Las Vegas	Q417
South Jones Industrial Park	29,000	Light Industrial	Southwest	2017
Speedway Commerce Center Phase 3	168,000	Warehouse/Distribution	North Las Vegas	Q417
Speedway Commerce Center West 1	390,000	Warehouse/Distribution	North Las Vegas	Q417
Speedway Commerce Center West 2	312,000	Warehouse/Distribution	North Las Vegas	2018
Sunpoint Crossing	760,000	Warehouse/Distribution	North Las Vegas	2017
Supernap 11 (SWITCH)	343,436	Warehouse/Distribution	Southwest	2018
Supernap 12 (SWITCH)	168,040	Warehouse/Distribution	Southwest	2018
<b>Total</b>	<b>7,623,000</b>			

These projects are playing an important role in Southern Nevada's economic recovery. As indicated by the chart to the right, there is still a dearth of space over 75,000 sf that is hampering the region's rate of economic recovery and growth. However, relief has already begun to arrive. All five of the projects completed in Q4 were over 150,000 sf and three of them were over 400,000 sf. Completions in Q4 were more than the first three quarters of 2016 combined. Southern Nevada can expect to see significant additions in the Industrial market in 2017.



## INDUSTRIAL MARKET

### INVESTMENT SALES

Based on the number of investment sales for 2016 as reported by Colliers, Industrial investment sales for the year were much improved from Q3 when it appeared 2016 would fall short of 2015. There were 71 sales in 2016 for a total of 3.3 million sf sold. Sales volume in 2016 reached \$308.9 million, overtaking 2015's total of \$248.8 million. Average price psf, at \$93.35 in 2016, was also higher than 2015's \$90.20 psf. The average cap rate through Q4, 2016 was 7.2% compared to 7.1% in 2015. Owners typically demand lower cap rates in an improving market, which results in higher prices regardless of quality and location. The reverse is true in a down-market.

### Industrial Investment Sales

	2015	2016
No. Sales	52	71
Square Feet Sold	2,759,000	3,309,000
Sales Volume (MM)	\$248.8	\$308.9
Average Price/SF	\$90.20	\$93.35
Average Cap Rate*	7.1%	7.2%
Average Sale Size (SF)	53,000	47,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.

### FURTHER THOUGHTS & RECAP

After a rather slow start to 2016, Demand in the Industrial market was drastically improved by the end of the year. Over each consecutive quarter completions more than doubled, so while there were just shy of 200,000 sf completed in Q1, in Q4 the market produced over 2 million sf. Demand in the market followed a similar trajectory, owing to the fact that the market was experiencing a severe shortage of large warehousing space. As more and more space was completed, companies eagerly filled what was brought to market. Through the first three months of 2016, there were -363,949 sf of absorption. By Q4 absorption was 1.9 million, just shy of the 2 million sf that were completed in that same quarter. It appears that the chief limit to the energetic growth of the Industrial market is the availability of large space. The need for it is there. If sufficient new space does not come to market in a timely manner, the Industrial Market will continue to see lackluster improvement. However, we expect this will not be a significant problem as there are currently 6.2 million sf of Industrial space under construction and another 7.6 million being planned.

Jobs in Industrial space-using sectors now represent 18% (150,100 jobs) of all private jobs in Clark County at the end of Q4, 2016, up 1% from Q3. This was 12,900 more (+9.4%) jobs than existed in December 2015. Since September 2012, Industrial sector job growth has posted solid Y-O-Y growth (>2%) every month, outpacing population growth and helping lower the unemployment rate to 5.1% at the end of Q4.

Once again, in Q4, the Construction sector (+8,700 jobs, +16.3%) and the Transportation & Warehousing sector (+3,100 jobs, +7.7%) have shown the greatest job gains since December 2015, the same two sectors that led in growth in Q2 and Q3.

As mentioned above, the Valley's total Industrial vacancy rate (direct vacant space plus sublease vacant space) rose by 0.1 points to 5.2% in Q4 and was up by 0.5 points over Q4, 2015's vacancy rate of 4.7%. Vacancy dropped in only two of seven submarkets: the Southwest and West Central. This minor rise in vacancy should not be cause for alarm. Consider that the Industrial market brought over 2 million sf to market and absorbed very close to that amount. Minor fluctuations are bound to occur in a healthy market.

On a submarket basis, West Central (3.5%) was able to claim the lowest vacancy rate in Q4, moving ahead of East Las Vegas (4.6%) and North Las Vegas (4.2%). The Southwest (5.0%) has overtaken Henderson (6.3%), which remains comfortably ahead of Airport (7.8%). The Northwest (11.3%) still has the highest vacancy rate in the Industrial market.

<sup>1</sup> Includes all single and multi-tenant for-lease and owner-occupied industrial Warehouse/Distribution, Light Distribution, Light Industrial, Incubator and R&D Flex properties with roll-up doors in the Las Vegas Valley.

<sup>2</sup> All industrial 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. Rents are based on the direct vacant space in projects, not the average of leases in projects.

<sup>3</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

<sup>4</sup> Includes the following industries: Natural Resources, Construction, Manufacturing, and Transportation & Warehousing and Wholesale Trade from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.

## INDUSTRIAL MARKET GLOSSARY

Properties tracked have loading dock-grade-level doors. Building characteristics were used to define the appropriate sub-type classification. These characteristics can include a building's primary use, size, type of loading doors, clear heights and parking ratios. A property must exhibit one or more of the typical building characteristics to be classified into subtypes.

**Warehouse/Distribution**

These buildings are the largest among the subtypes and are used for warehousing and distributing materials and merchandise. Warehouse facilities are primarily used for storage and distribution buildings are warehouse facilities designed to accommodate the freight and movement of products/goods.

- Multi- or single-tenant,
- Building/park size of at least 10,000 sf,
- Dock-high doors (or grade-level doors) and clear heights of at least 16 feet, and
- Parking ratios of: 1-2/1,000 sf - traditional warehouse/distribution  
3-4/1,000 sf - high velocity warehouse/distribution.

**Light Distribution**

These buildings are primarily used as a distribution transfer center for the transshipment of products/goods (usually to change the mode of transport or for consolidation or deconsolidation of goods before shipment).

- Multi- or single-tenant,
- Building/park size of at least 5,000 sf, usually characterized by long narrow buildings,
- Cross-dock doors (or several dock high doors) with 12-16 feet clear height to accommodate transfer to/from multiple trucks, and
- Parking ratios of: 1-2/1,000 sf - traditional warehouse/distribution  
3-4/1,000 sf - high velocity warehouse/distribution.

**Light Industrial**

These buildings are primarily used for light industrial manufacturing (rather than heavy industrial manufacturing that uses large amounts of raw materials, power and space) to produce and/or assemble products/goods for consumers as end-users.

- Multi- or single-tenant,
- Building/park size of at least 7,000 sf,
- Grade-level doors (or dock-high doors) and clear heights usually between 13 feet and 18 feet, and
- Parking ratio of 4+/1,000 sf.

**Incubator**

Buildings or portions of buildings that accommodate companies in the early phase of growth. The typical user generally needs 1,000 to 3,000 sf of warehouse space plus 5% to 20% earmarked for office space with the remaining being the warehouse space. Because of its lower space needs, an incubator tenant is usually a low-volume business needing more less frequent packing and unpacking activity and smaller shipment sizes.

- Multi-tenant,
- Building/park size of at least 5,000 sf,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio: Less than 3/1,000 sf.

**R&D/Flex**

These buildings are the smallest among the subtypes and are designed to allow its occupants to easily alternate uses as industrial space or office space. This may include:

- Industrial space generally as light industrial or incubator; and
- Office space generally as research and development (R&D) parks.
- Multi- or single-tenant,
- Building/park size of at least 2,000 sf,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio of 3-4/1,000 sf.

# Industrial Market Matrix

Las Vegas, Nevada  
Fourth Quarter, 2016

## SUBMARKETS

TOTAL INDUSTRIAL MARKET	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	501	150	535	1,021	81	1,287	648	4,223
Total Rentable SF	14,320,625	3,516,867	13,781,912	34,667,134	1,336,299	34,682,402	12,016,433	114,321,672
Total Vacant SF	1,117,461	160,229	874,682	1,460,624	150,917	1,750,333	423,926	5,938,172
Total Occupied SF	13,203,164	3,356,638	12,907,230	33,206,510	1,185,382	32,932,069	11,592,507	108,383,500
Total Vacant (%)	7.8%	4.6%	6.3%	4.2%	11.3%	5.0%	3.5%	5.2%
Completions QTD	0	0	452,170	1,217,042	0	376,253	0	2,045,465
Completions YOY	0	311,246	684,996	1,380,832	0	1,149,533	0	3,526,607
Total Net Absorption QTD	-54,874	-35,242	283,609	1,028,689	-7,718	597,910	49,646	1,862,020
Total Net Absorption YOY	27,001	380,145	476,593	992,854	-91,404	957,931	40,122	2,783,242
Asking Rents (\$ PSF)	\$0.80	\$0.54	\$0.67	\$0.47	\$0.85	\$0.80	\$0.83	\$0.69
Under Constuction SF	129,000	377,000	880,160	3,647,023	0	1,148,936	0	6,182,119
Planned SF	164,000	0	549,000	5,721,155	0	1,035,476	153,320	7,622,951

WAREHOUSE/DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	78	19	79	183	5	146	52	562
Total Rentable SF	5,037,394	1,600,125	7,442,015	21,721,564	223,661	14,370,179	1,939,836	52,334,774
Total Vacant SF	181,344	46,396	512,496	926,269	0	690,276	40,424	2,397,205
Total Occupied SF	4,856,050	1,553,729	6,929,519	20,795,295	223,661	13,679,903	1,899,412	49,937,569
Total Vacant (%)	3.6%	2.9%	6.9%	4.3%	0.0%	4.8%	2.1%	4.6%
Completions QTD	0	0	452,170	1,217,042	0	376,253	0	2,045,465
Completions YOY	0	311,246	684,996	1,380,832	0	959,533	0	3,336,607
Total Net Absorption QTD	5,706	-5,500	197,743	831,767	0	607,344	0	1,637,060
Total Net Absorption YOY	102,533	380,124	332,970	1,105,023	0	870,390	-40,424	2,750,616
Asking Rents (\$ PSF)	\$0.52	\$0.41	\$0.58	\$0.40	\$0.00	\$0.69	\$0.85	\$0.56
Under Constuction SF	75,000	377,000	880,160	3,647,023	0	1,148,936	0	6,128,119
Planned SF	133,000	0	549,000	5,511,155	0	1,006,476	153,320	7,352,951

LIGHT DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	68	19	37	167	1	181	40	513
Total Rentable SF	3,169,129	340,675	1,571,703	4,848,934	51,000	6,930,636	775,747	17,687,824
Total Vacant SF	366,509	0	182,121	176,779	11,097	398,452	7,770	1,142,728
Total Occupied SF	2,802,620	340,675	1,389,582	4,672,155	39,903	6,532,184	767,977	16,545,096
Total Vacant (%)	11.6%	0.0%	11.6%	3.6%	21.8%	5.7%	1.0%	6.5%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	-92,331	0	44,744	183,785	1,062	74,087	-7,770	203,577
Total Net Absorption YOY	-162,966	0	-32,629	-73,383	-7,297	-71,618	15,250	-332,643
Asking Rents (\$ PSF)	\$0.76	\$0.00	\$0.60	\$0.56	\$0.80	\$0.73	\$0.92	\$0.70
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	122,000	0	0	0	122,000

# Industrial Market Matrix

Las Vegas, Nevada  
Fourth Quarter, 2016

## SUBMARKETS

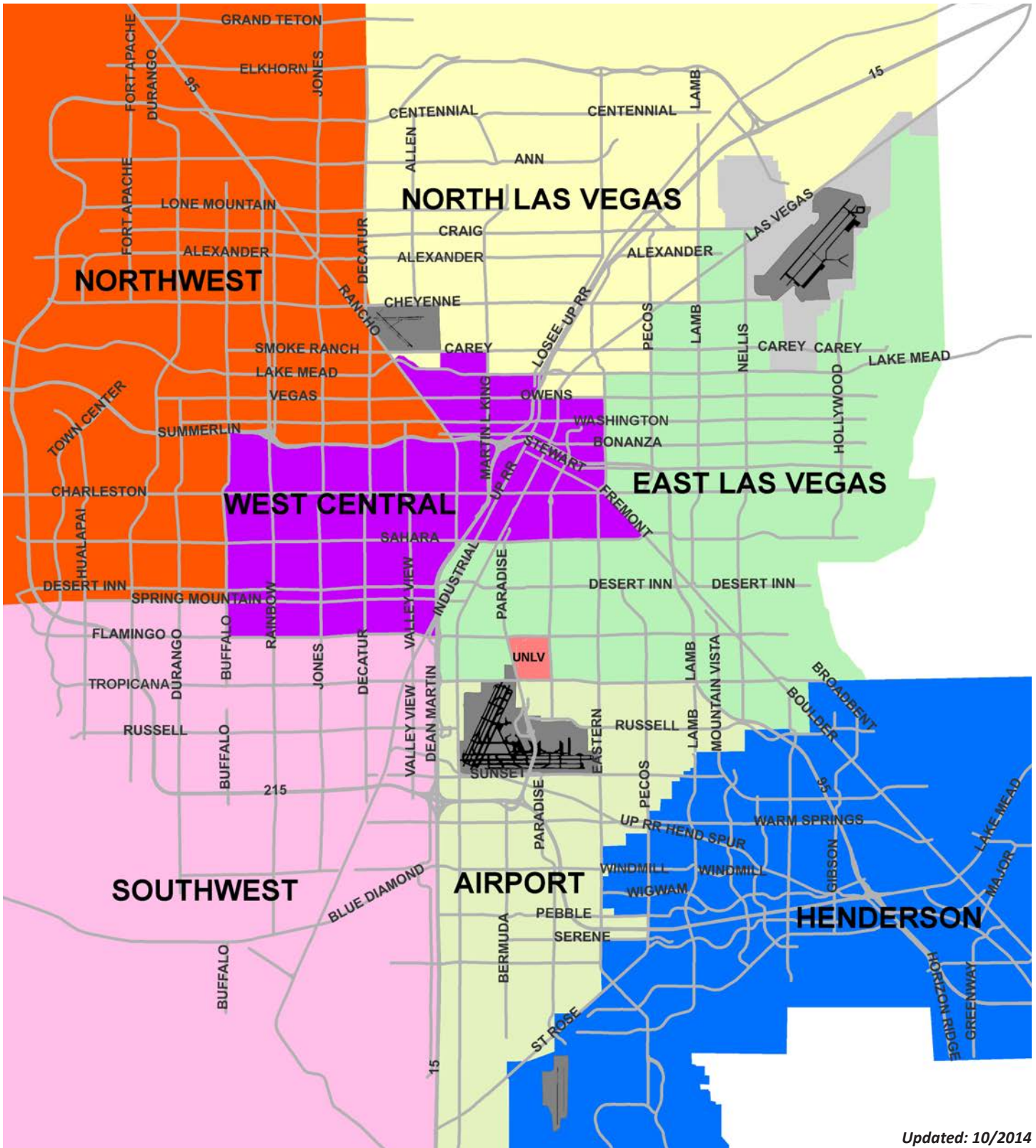
LIGHT INDUSTRIAL	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	199	91	313	594	16	742	482	2,437
Total Rentable SF	3,076,809	1,135,150	3,085,009	6,755,260	290,111	9,362,544	6,622,403	30,327,286
Total Vacant SF	203,838	72,300	69,357	177,715	0	306,538	223,311	1,053,059
Total Occupied SF	2,872,971	1,062,850	3,015,652	6,577,545	290,111	9,056,006	6,399,092	29,274,227
Total Vacant (%)	6.6%	6.4%	2.2%	2.6%	0.0%	3.3%	3.4%	3.5%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	190,000	0	190,000
Total Net Absorption QTD	30,029	-44,100	33,719	16,409	16,170	-64,869	40,686	28,044
Total Net Absorption YOY	52,358	-27,700	76,750	-13,737	0	224,007	-2,906	308,772
Asking Rents (\$ PSF)	\$0.82	\$0.72	\$0.82	\$0.62	\$0.00	\$0.81	\$0.71	\$0.76
Under Constuction SF	54,000	0	0	0	0	0	0	54,000
Planned SF	31,000	0	0	0	0	29,000	0	60,000

INCUBATOR	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	89	13	29	31	4	120	62	348
Total Rentable SF	1,714,621	298,623	456,906	561,552	99,325	2,496,381	2,458,615	8,086,023
Total Vacant SF	170,125	41,533	26,070	116,251	28,288	190,314	136,910	709,491
Total Occupied SF	1,544,496	257,090	430,836	445,301	71,037	2,306,067	2,321,705	7,376,532
Total Vacant (%)	9.9%	13.9%	5.7%	20.7%	28.5%	7.6%	5.6%	8.8%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	-6,828	-1,056	12,124	-30,248	1,920	-22,533	15,439	-31,182
Total Net Absorption YOY	875	13,181	10,223	-63,781	-24,824	-33,458	71,303	-26,481
Asking Rents (\$ PSF)	\$0.96	\$0.51	\$0.83	\$0.52	\$0.78	\$0.89	\$0.95	\$0.85
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	88,000	0	0	0	88,000

R&D / FLEX	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	67	8	77	46	55	98	12	363
Total Rentable SF	1,322,672	142,294	1,226,279	779,824	672,202	1,522,662	219,832	5,885,765
Total Vacant SF	195,645	0	84,638	63,610	111,532	164,753	15,511	635,689
Total Occupied SF	1,127,027	142,294	1,141,641	716,214	560,670	1,357,909	204,321	5,250,076
Total Vacant (%)	14.8%	0.0%	6.9%	8.2%	16.6%	10.8%	7.1%	10.8%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	8,550	15,414	-4,721	26,976	-26,870	3,881	1,291	24,521
Total Net Absorption YOY	34,201	14,540	89,279	38,732	-59,283	-31,390	-3,101	82,978
Asking Rents (\$ PSF)	\$0.97	\$0.00	\$1.10	\$0.73	\$0.82	\$0.89	\$0.85	\$0.89
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

# LAS VEGAS VALLEY

## INDUSTRIAL SUBMARKET MAP



Updated: 10/2014



CORPORATE CENTER, Ph. 3

 **RCG**  
economics

**UNLV**

LEE BUSINESS SCHOOL  
LIED INSTITUTE FOR  
REAL ESTATE STUDIES

## Las Vegas Speculative Office Survey

4<sup>th</sup> Quarter 2016



UNITED HEALTH CARE BUILDING



# LAS VEGAS SPECULATIVE OFFICE SURVEY

## SUMMARY

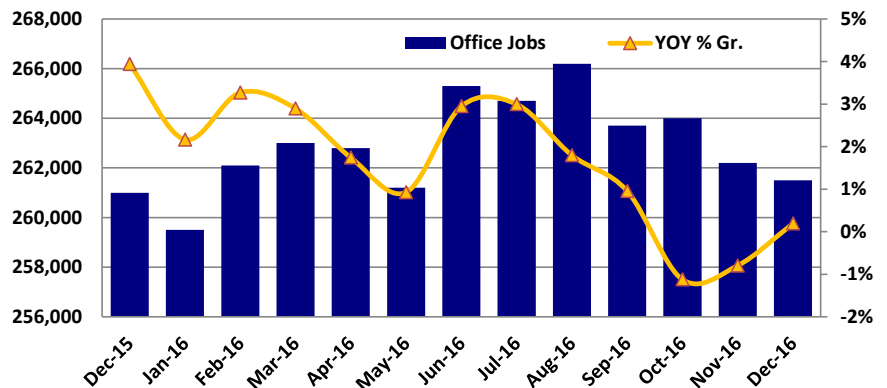
The Las Vegas Valley's ("the Valley") multi-tenant, Speculative Office market<sup>1</sup> saw 120,000 square feet ("sf") of new space come to market during the fourth quarter ("Q4") of 2016 with the completion of a single project, growing total inventory to approximately 43.2 million sf. There are currently 160,000 sf under construction, with another 506,480 sf in the planning stages. Demand for space in Q4, 2016 was weak, leading to a 0.1 percentage-point increase in vacancy, from 20.1% in Q3, 2016 to 20.2% in Q4, 2016. The modest increase in vacancy was accompanied by a nearly \$0.10 decrease in average monthly asking rents, which fell from \$2.02 per square foot ("psf") FSG<sup>2</sup> in Q3 to \$1.93 psf in Q4. After the negative absorption in first two quarters of 2016, the Spec Office Market was able to post positive demand in the last two quarters, finishing the year with a tepid +34,591 sf of demand.

## OFFICE-RELATED JOBS

Total nonfarm employment in the Las Vegas MSA rose by 38,300 jobs from December 2015 through December 2016, a 3.0% increase. During that time the "headline" unemployment rate declined 1.2 points to 5.1%.

Employment in the Office-using sector<sup>3</sup>, a critical metric in assessing business expansions, still comprised 31% (261,500 jobs) of private payroll jobs in Clark County at the end of Q4 (December 2016) despite experiencing job losses in the last two months of the fourth quarter totalling 2,500 jobs lost.

**Clark County Total\* Office Jobs and Annual Growth: Dec-15 to Dec-16**



\*Information, financial activities, professional & business and health care & social assistance. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## Office Employment

Industry Sector	Oct			Nov			Dec		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Information	9,300	10,800	-13.9%	9,300	10,900	-14.7%	9,300	10,800	-13.9%
Financial Activities	46,400	45,900	1.1%	46,200	45,400	1.8%	45,800	44,700	2.5%
Prof. & Business	125,200	131,000	-4.4%	123,000	127,800	-3.8%	122,700	124,800	-1.7%
Health Care & Social Assist.	83,100	79,300	4.8%	83,700	80,200	4.4%	83,700	80,700	3.7%
<b>Total</b>	<b>264,000</b>	<b>267,000</b>	<b>-1.1%</b>	<b>262,200</b>	<b>264,300</b>	<b>-0.8%</b>	<b>261,500</b>	<b>261,000</b>	<b>0.2%</b>

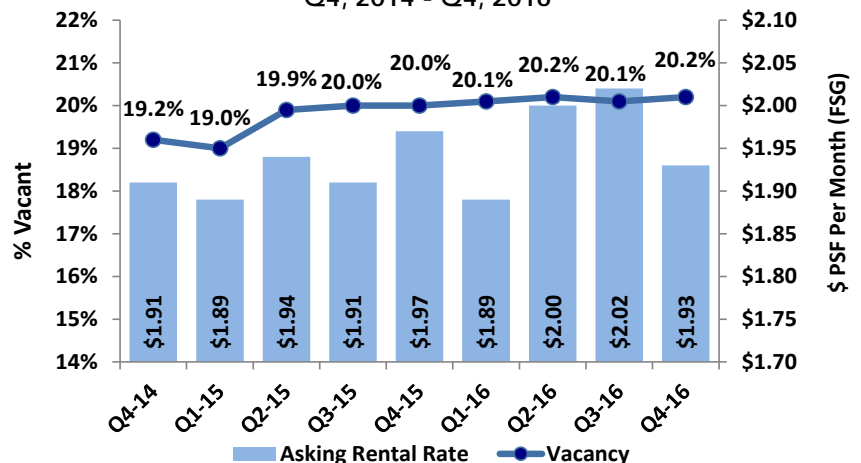
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

Year-over-year ("Y-O-Y") job growth in December of only 0.2% was overshadowed by losses in October and November of -1.1% and -0.8%, respectively, bringing the Q4, 2016 average to -0.6%, a substantial decline from the Q3, 2016 average of 1.8%. The Y-O-Y addition of 500 Office jobs indicates small but positive growth for the year, with the Health Care & Social Assistance (+3,000 jobs) and Financial Activities (+1,100 jobs) sectors counterbalancing losses in the Professional & Business (-2,100) and Information (-1,500) sectors.

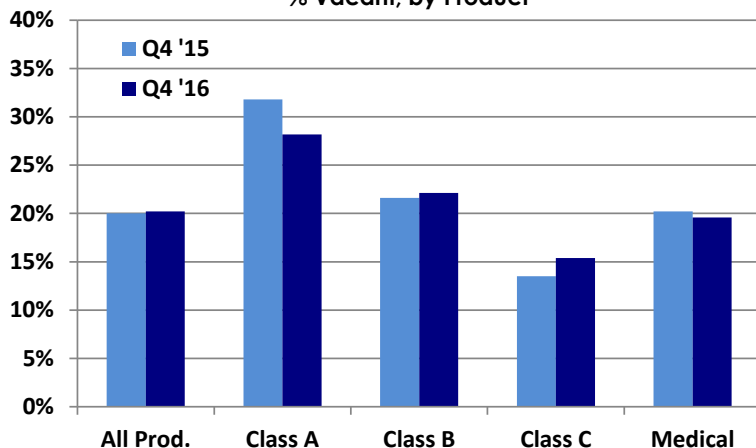
## VACANCY & RENTS

The Office market still has, by far, the highest vacancy rate of the three market types due to overbuilding in Office construction during the

**Las Vegas Valley Office Market Historical Vacancy vs. Monthly Asking Rent: Q4, 2014 - Q4, 2016**



**Las Vegas Valley Office Market  
Vacancy Trends: Q4, 2015 v. Q4, 2016  
% Vacant, by Product**



boom era. In Q4, total Spec Office vacancy in the Valley (directly vacant space plus vacant sublease space) was 20.2%, up from 20.1% in Q3.

In Q4, 2016, the North Las Vegas and Downtown submarkets again had the lowest vacancy rates with North Las Vegas at 13.7%, down from 14.2% in Q3, and Downtown at 13.9%, down from 14.7% in Q3. Next was the Southwest with 17.2% vacancy, unchanged from the previous quarter. The Airport submarket followed with 17.9%, down from 18.2%, trailed by West Central at 19.9%, down from 20.3%. The three remaining submarkets were over 20% with East Las Vegas being the highest at 28.4% vacancy, up from 27.8%. The Henderson (21.4%) and Northwest (20.9%) submarkets were also up from Q3 by 0.5 points and 0.8 points, respectively.

rates rise. The Southwest performed the best over the year with a 1.5 percentage-point drop in vacancy. West Central was the only other submarket to experience a decrease in vacancy from Q4, 2015, posting a 1-point decline. The North Las Vegas submarket saw the greatest increase in vacancy from Q4, 2015, gaining 2.1 percentage-points. It was followed by East Las Vegas and Henderson, each with a 1.4-point increase. The Airport submarket saw vacancy increase by 1 point and rounding out the group was Downtown with a 0.4 percentage-point rise in vacancy. The Northwest submarket was unchanged over the year.

In terms of product types, none were improved from the previous quarter. Class A (28.2%) and Class B (22.1%) had the same vacancy in Q4 as in Q3. Class C (15.4%) experienced a 0.1-point increase in vacancy and Medical Office (19.6%) saw vacancy increase by 0.5 points from Q3, 2016.

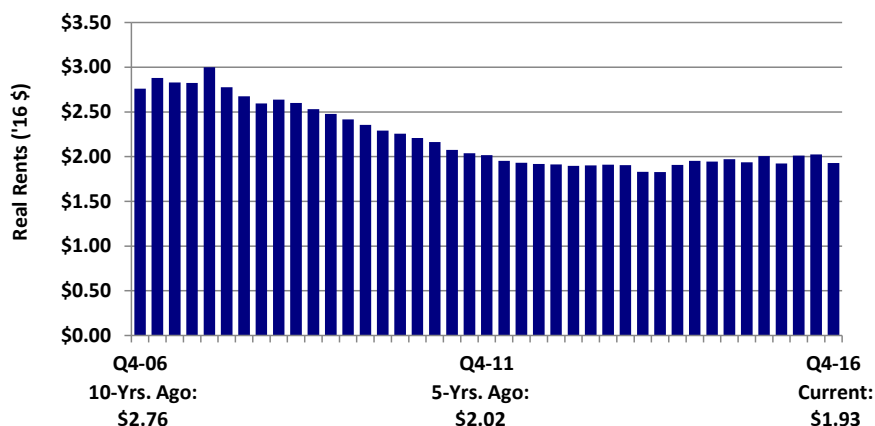
On a Y-O-Y basis, the Valley-wide Spec Office vacancy rate increased by 0.2 points, from an even 20% in Q4, 2015 to 20.2% in Q4, 2016. Two of four product types saw Y-O-Y vacancy rise, with Class C experiencing an increase of 1.9 points, from 13.5% to 15.4%, and Class B gaining 0.5 points in vacancy, from 21.6% to 22.1%. Vacancy in the Class A product type dropped by 3.6 points, from 31.8% to 28.2% and Medical Office vacancy fell by 0.6 points, from 20.2% to 19.6%.

The data suggest that the stall in office-using job growth in Q4 was felt in an Office market already struggling to fill its empty space. Substantial gains in job growth are required to improve vacancy and put a dent in the excess building space that was erected during the pre-Great Recession boom, of which there is a considerable amount available across the board. These spaces will continue to languish until stronger office-using job growth takes hold.

The Valley's overall average monthly Spec Office rent (calculated on a full-service gross basis—accounting for all operating expenses) was \$1.93 per square foot ("psf") in Q4, \$0.09 less than the \$2.02 psf asking rent in the previous quarter. Remember, the rents herein are based on quoted asking rents, not negotiated rents between owners and tenants.

On a Y-O-Y basis, five of eight submarkets saw vacancy

**Las Vegas Valley Office Market  
Inflation-Adjusted Monthly Rent: Q4, 2006 - Q4, 2016 (Baseline)**



# SPECULATIVE OFFICE MARKET

## DEMAND

The Valley-wide Spec Office market saw depressed absorption in Q4 of +34,591 sf, down from +82,121 sf in Q3. On a Y-O-Y basis, net absorption was +78,558 sf—meager to be sure, but a substantial improvement from the -227,613 sf recorded for the same period in 2015.

Half of the Valley’s eight submarkets saw demand improve in Q4. The Downtown submarket, with +31,501 sf of absorption, was the Spec Office market leader for Q4. The Northwest submarket was right behind with +30,685 sf of absorption, followed by West Central with +20,172 sf, Airport with +15,375 sf and North Las Vegas with +3,765 sf of absorption. The Southwest submarket just barely managed to stay on the positive side of zero with +172 sf of absorption. The East Las Vegas submarket had negative demand of -34,474 sf, which was slightly worse than Henderson with -32,605 sf.

On a product-basis, Class A and Class B both had positive absorption this quarter, with Class A at +86,617 sf of absorption and Class B at +9,547 sf. Class C (-22,632 sf) and Medical Office (-38,941 sf) both had negative absorption.

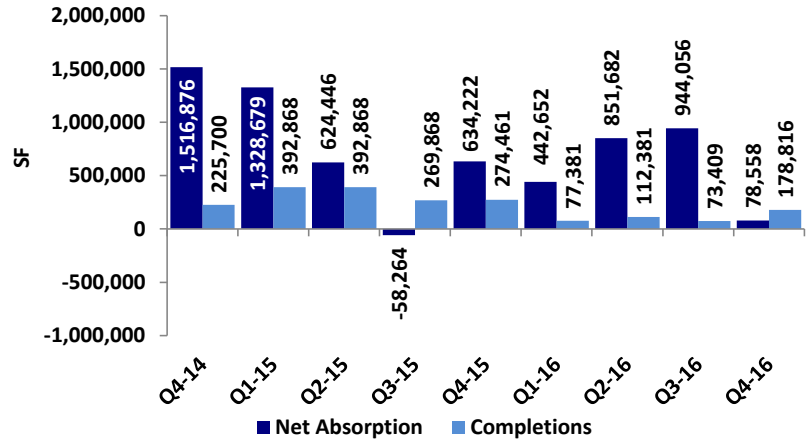
For Y-O-Y net absorption Class A (+321,345 sf) was the big leader. Medical Office (+43,194 sf), despite negative absorption for the quarter, was still positive over the year. Class C performed the worst over 2016 with -255,038 sf of absorption and Class B was also negative with -30,943 sf.

## SUPPLY

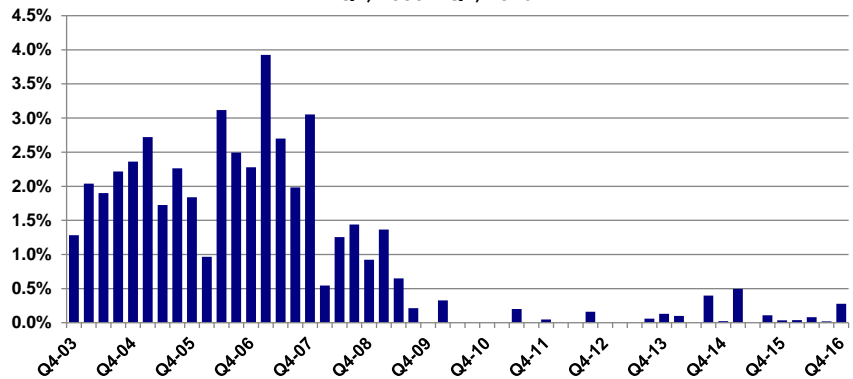
There was one new completion in the fourth quarter of 2016: The Tivoli Village Phase 2 Expansion (120,000 sf of Class A space in the Northwest submarket). During the past 29 quarters (since Q4, 2009), there have been only 16 quarters where new space has entered the market. However, of those 16 quarters with new supply brought to market, 12 have been during the last 14 quarters, indicating that rising demand could start encouraging developers and lenders to begin providing new product if rents rise as well.

In Q4, 2016, annual completions were 178,816 sf, approximately 100,000 sf less than in 2015 and well below the boom years when annual Office completions ranged between 1.1 million sf (Q4, 2003) and 4.3 million sf (Q4, 2007). Completions as a share of inventory peaked at 4% in Q1, 2007, at the height of Southern Nevada’s age of “irrational exuberance”. We do not anticipate any significant changes in completions per quarter for the foreseeable future as the current forward-supply<sup>4</sup> is nearly equal to the forward supply at the end of 2015.

Las Vegas Valley Office Market  
Historical YOY Net Absorption vs. Completions:  
Q4, 2014 - Q4, 2016



Las Vegas Valley Office Market  
Completions as a % of Inventory:  
Q4, 2003 - Q4, 2016



## SPECULATIVE OFFICE MARKET

We have recorded 11 Spec Office projects in the forward-supply pipeline. Two are under construction:

### Under Construction

Project	SF	Subtype	Submarket	Exp. Comp.
Union Village	150,000	Medical	Henderson	Q117
Sunset Hills Plaza	10,000	C	Southwest	Q317
<b>Total</b>	<b>160,000</b>			

The other nine projects are in planning:

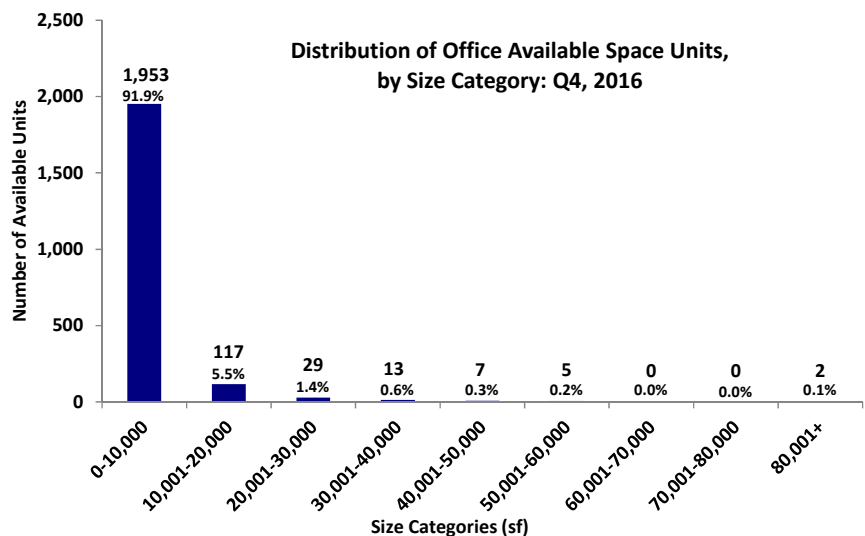
### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
Centennial Hills Center Ph. 1	124,000	Medical	Northwest	2018
Seven Hills Plaza D	42,000	B	Henderson	2018
Cadence Marketing Center 1	10,000	A	Henderson	2018
Cadence Marketing Center 3	15,000	A	Henderson	2018
Cadence Marketing Center 4	5,000	A	Henderson	Q317
Pace Plaza	42,000	B	Southwest	2018
Jones Beltway Business Park	16,480	B	Southwest	Q117
Hughes Office Building	152,300	A	Northwest	2018
Magnum Tower	100,000	B	Southwest	2017
<b>Total</b>	<b>507,000</b>			

At 152,000 sf, the Hughes Office Building in the Planned table is the biggest Spec Office space on the horizon, though the completion of this Class A building in the Northwest submarket is not expected until 2018. The next largest at 150,000 sf, on the very opposite side of the city, is Union Village, a 150,000 sf Medical space in Henderson that is already under construction. There still remains a considerable quantity of space available, so developers may yet be reluctant to commit to new projects.

An important measure of the near-term health of the Valley's commercial markets is the potential number of years of available supply. Given the high vacancy rate (20.2%) and the average quarterly absorption in the last 10 years (117,950 sf), we estimate that there still remain about 9.5 years of supply of Spec Office space in the Valley that must be absorbed to reach a 10% "normalized" vacancy rate.

Right is a chart detailing the distribution of available Office space in the Valley by unit size. It shows that there are only 27 units available that are larger than 30,000 sf. In fact, 92% of all space that is currently on the market is in units of 10,000 sf or less.



### Office Investment Sales

	2015	2016
No. Sales	66	56
Square Feet Sold	1,879,000	1,713,000
Sales Volume (MM)	\$323.6	\$232.8
Average Price/SF	\$172.24	\$135.92
Average Cap Rate*	7.5%	7.7%
Average Sale Size (SF)	28,000	31,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.

## SPECULATIVE OFFICE MARKET

size is up by 3,000 sf from last year. The average cap rate has increased by 0.2 percentage-points from 2015. In essence, the higher the cap rate, the lower the asking or sales price of income producing property. This indicates a better return on investment, assuming other criteria are not included in the decision. Generally, in an improving market, owners typically demand lower cap rates resulting in higher prices, regardless of quality and location. The reverse is true in a down-market.

### FURTHER THOUGHTS & RECAP

The Southern Nevada Spec Office market continues to lag well behind the Industrial and Retail markets in the recovery cycle. The Office market is more dependent on regional job growth, especially in white collar occupations, and these jobs have simply not had the same comeback as low-skill and entry-level work. While there were some signs of improvement in the third quarter of 2016, the fourth quarter was unable to build upon it. Valley-wide Spec Office demand in Q4 was weak with absorption at a paltry +34,591 sf. On a Y-O-Y basis, net absorption totaled +78,558 sf.

Employment in the Office-using sector, a critical indicator of the health of the local economy, comprised 31% of all private payroll jobs in Clark County at the end of Q4 (December 2016). This was 500 jobs more (+0.2%) than existed in December 2015. Health Care & Social Assistance contributed the most new jobs, adding +3,000 for the year, with Financial Activities adding another +1,100, but most of these job gains were negated by losses of 2,100 jobs in the Professional & Business sector and 1,100 jobs in Information.

Total Spec Office vacancy in the Valley in Q4 (directly vacant space plus vacant sublease space) ticked up by 0.1 percentage-points to 20.2%, returning the small gain made in Q3. The vacancy rate is up 0.2 percentage-points from Q4, 2015.

The North Las Vegas submarket continued to enjoy the lowest Spec Office market vacancy rate at 13.7%, followed closely by the Downtown submarket at 13.9%. Both of these submarkets were improved from the previous quarter. The Southwest and Airport submarkets were at 17.2% and 17.9%, respectively, with West Central (19.9%) being the only other submarket under 20%. Vacancy in both the Northwest (20.9%) and Henderson (21.4%) submarkets was up from Q3, as it was in East Las Vegas, which is lagging well behind the rest with vacancy at 28.4%.

Completions, as a share of inventory, peaked at 4% in Q1, 2007, at the height of Southern Nevada's age of "irrational exuberance." There was only one completion in Q4, 2016, but there were a total of 11 projects in the works, with 160,000 sf of Office space already under construction and another 506,480 sf in the planning stages.

Southern Nevada's Spec Office market is struggling to find a foothold in the recovery. Where one can point to positive signs in both the Industrial and Retail markets to make the case that the economic recovery continues unabated, one is hard pressed to find a similar indicator in the Office market, which suffers from high vacancy, weak demand and tepid job growth at the end of 2016.

---

<sup>1</sup> Includes all for-lease (speculative only) professional office Class A, Class B, Class C and Medical office properties greater than or equal to 10,000 sf of gross leasable area. Does not include government buildings.

<sup>2</sup> All office rents in this report are quoted on a monthly full-service gross (FSG) psf basis inclusive of taxes, insurance, maintenance, janitorial and utilities.

<sup>3</sup> Includes the following industries: Information, Financial Activities, Professional & Business and Health Care & Social Assistance from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.

<sup>4</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

**SPECULATIVE OFFICE MARKET GLOSSARY**

Office property buildings or building parks tracked include speculative, multi-tenant properties with at least 10,000 sf of usable office space. Building characteristics were used to define the appropriate subtype classification (i.e., professional or medical). These characteristics can include rents, location, quality of building systems (e.g., mechanical, elevator and utility systems), finishes (e.g., lobby and hallway design/ materials), and amenities. A property must exhibit one or more of the typical building characteristics to be considered a specific classification.

**Class A**

Class A properties are the highest quality buildings in the market with steel frame construction, typically mid-rise (3 - 4 stories) or high-rise (5 stories or more).

- High asking gross rent (FSG) with a typical premium of 20-30% of office rents in the local market,
- Location within a central business area,
- Capacity to meet current tenant requirements and anticipated future tenant needs,
- Building finishes that are of high quality and competitive with new construction, and
- Maintenance, management and upkeep amenities above average.

**Class B**

Class B properties have buildings with steel frame, reinforced concrete or concrete tilt-up construction - usually low-rise (1 - 2 stories) or mid-rise (3 - 4 stories).

- Asking gross rent (FSG) typically in a specified range between asking gross rents for Class A and Class C buildings,
- Average to good location,
- Adequate capacity to deliver services currently required by tenants,
- Building finishes with average to good design and materials, and
- Maintenance, management and upkeep amenities that are considered average.

**Class C**

Class C properties have buildings with wood construction and are usually low-rise (1 - 2 stories).

- Asking gross rent (FSG) typically in the bottom 10-20% of office rents in the marketplace,
- Depends primarily on lower prices rather than desirable locations to attract occupants,
- Capacities that may not meet current tenant needs,
- Building finishes that show a dated appearance, and
- Maintenance, management and upkeep amenities that are below average.

**Medical**

An office building in which 50% or more of its available space under the various building classifications above consists of medical office use.

# Speculative Office Market Matrix

Las Vegas, Nevada  
Fourth Quarter, 2016

## SUBMARKETS

TOTAL OFFICE MARKET	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	322	119	183	331	94	389	388	275	2,101
Total Rentable SF	5,163,422	3,835,861	6,134,382	6,027,268	783,529	9,052,999	6,845,103	5,406,541	43,249,105
Total Vacant SF	922,574	533,733	1,741,406	1,291,986	107,495	1,887,917	1,174,728	1,075,286	8,735,125
Total Occupied SF	4,240,848	3,302,128	4,392,976	4,735,282	676,034	7,165,082	5,670,375	4,331,255	34,513,980
Total Vacant (%)	17.9%	13.9%	28.4%	21.4%	13.7%	20.9%	17.2%	19.9%	20.2%
Completions QTD	0	0	0	0	0	120,000	0	0	120,000
Completions YOY	23,816	0	0	0	0	120,000	35,000	0	178,816
Total Net Absorption QTD	15,375	31,501	-34,474	-32,605	3,765	30,685	172	20,172	34,591
Total Net Absorption YOY	-31,118	-14,121	-84,625	-86,147	-16,501	95,948	160,593	54,529	78,558
Asking Rents (\$ PSF)	\$1.99	\$2.04	\$1.62	\$2.06	\$1.76	\$2.00	\$2.12	\$1.69	\$1.93
Under Constuction SF	0	0	0	150,000	0	0	10,000	0	160,000
Planned SF	0	0	0	72,000	0	276,000	158,480	0	506,480

PROFESSIONAL CLASS A	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	6	5	10	13	0	22	4	2	62
Total Rentable SF	665,904	795,116	1,472,466	838,068	0	1,933,312	567,112	227,624	6,499,602
Total Vacant SF	277,959	198,273	390,903	254,193	0	619,355	39,662	49,874	1,830,219
Total Occupied SF	387,945	596,843	1,081,563	583,875	0	1,313,957	527,450	177,750	4,669,383
Total Vacant (%)	41.7%	24.9%	26.5%	30.3%	0.0%	32.0%	7.0%	21.9%	28.2%
Completions QTD	0	0	0	0	0	120,000	0	0	120,000
Completions YOY	0	0	0	0	0	120,000	0	0	120,000
Total Net Absorption QTD	-4,261	33,557	5,777	13,510	0	24,100	10,787	3,147	86,617
Total Net Absorption YOY	30,731	35,103	-13,654	54,481	0	96,589	63,177	54,918	321,345
Asking Rents (\$ PSF)	\$2.72	\$2.61	\$2.92	\$2.45	\$0.00	\$2.11	\$2.28	\$1.88	\$2.42
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	30,000	0	152,000	0	0	182,000

PROFESSIONAL CLASS B	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	42	27	18	68	8	73	71	46	353
Total Rentable SF	1,936,021	1,775,096	1,066,557	2,189,754	200,796	2,737,551	2,452,132	1,666,046	14,023,953
Total Vacant SF	301,741	132,053	583,138	459,641	48,929	587,484	485,227	496,293	3,094,506
Total Occupied SF	1,634,280	1,643,043	483,419	1,730,113	151,867	2,150,067	1,966,905	1,169,753	10,929,447
Total Vacant (%)	15.6%	7.4%	54.7%	21.0%	24.4%	21.5%	19.8%	29.8%	22.1%
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	17,189	41,689	55,285	-65,648	3,602	-6,639	-23,325	-12,606	9,547
Total Net Absorption YOY	7,697	-3,810	50,581	-121,775	-5,685	-89,090	158,173	-27,034	-30,943
Asking Rents (\$ PSF)	\$1.87	\$1.32	\$1.58	\$1.98	\$1.83	\$1.85	\$2.30	\$1.78	\$1.85
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	42,000	0	0	158,480	0	200,480

# Speculative Office Market Matrix

Las Vegas, Nevada  
Fourth Quarter, 2016

## SUBMARKETS

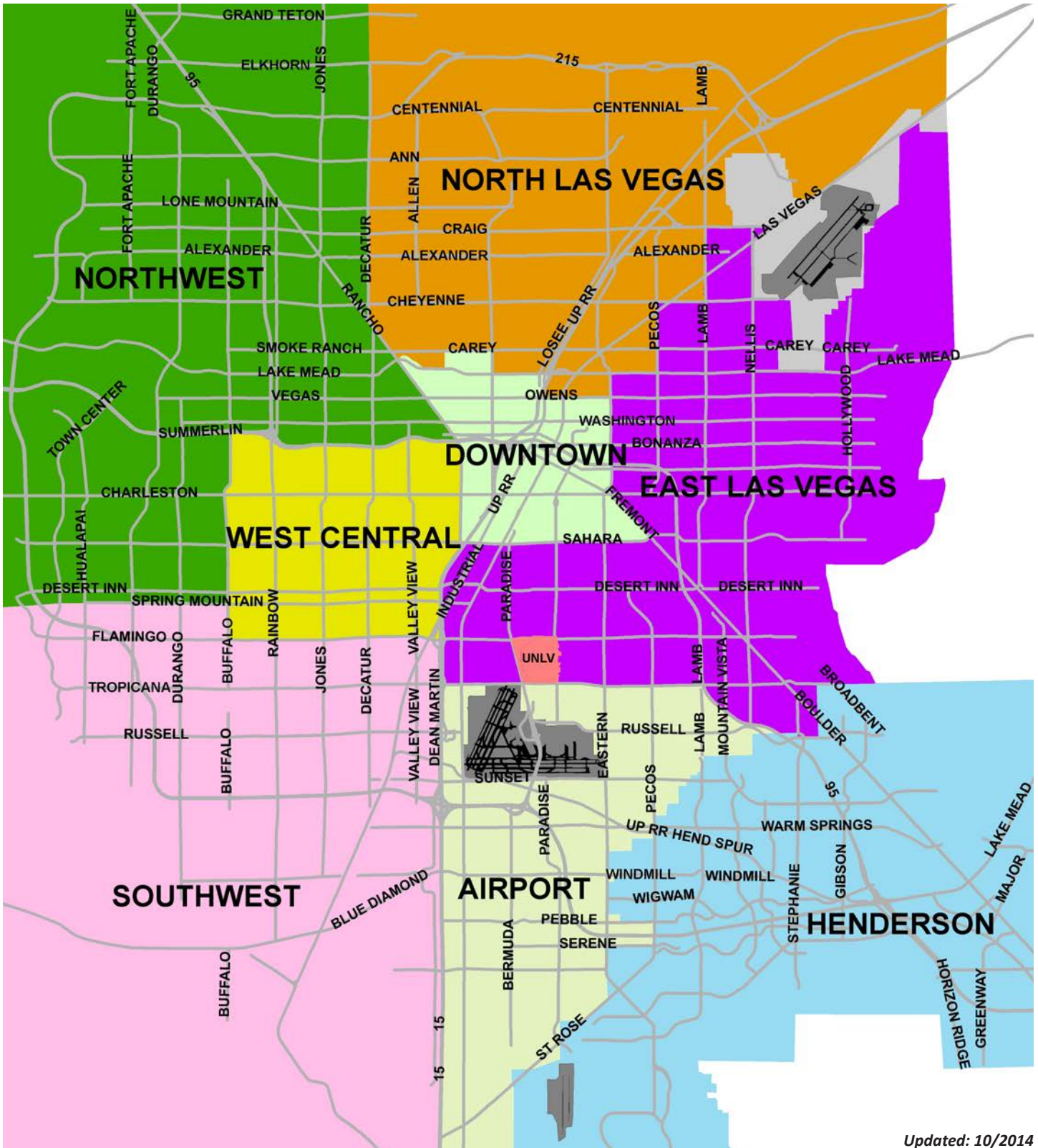
PROFESSIONAL CLASS C	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	268	66	110	144	76	210	272	187	1,333
Total Rentable SF	2,432,967	877,606	2,051,408	1,618,430	482,290	2,234,002	3,093,831	2,761,393	15,551,927
Total Vacant SF	304,925	134,784	446,711	275,385	47,657	341,567	457,909	393,631	2,402,569
Total Occupied SF	2,128,042	742,822	1,604,697	1,343,045	434,633	1,892,435	2,635,922	2,367,762	13,149,358
Total Vacant (%)	12.5%	15.4%	21.8%	17.0%	9.9%	15.3%	14.8%	14.3%	15.4%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	23,816	0	0	0	0	0	35,000	0	58,816
Total Net Absorption QTD	15,587	-34,566	-65,592	7,995	-3,192	28,646	3,861	24,629	-22,632
Total Net Absorption YOY	-34,652	-37,612	-155,568	18,149	-11,595	22,365	-37,722	-18,403	-255,038
Asking Rents (\$ PSF)	\$1.77	\$1.52	\$1.57	\$1.81	\$1.73	\$1.85	\$1.96	\$1.52	\$1.71
Under Constuction SF	0	0	0	0	0	0	10,000	0	10,000
Planned SF	0	0	0	0	0	0	0	0	0

MEDICAL OFFICE	Airport	Downtown	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	6	21	45	106	10	84	41	40	353
Total Rentable SF	128,530	388,043	1,543,951	1,381,016	100,443	2,148,134	732,028	751,478	7,173,623
Total Vacant SF	37,949	68,623	320,654	302,767	10,909	339,511	191,930	135,488	1,407,831
Total Occupied SF	90,581	319,420	1,223,297	1,078,249	89,534	1,808,623	540,098	615,990	5,765,792
Total Vacant (%)	29.5%	17.7%	20.8%	21.9%	10.9%	15.8%	26.2%	18.0%	19.6%
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	-13,140	-9,179	-29,944	11,538	3,355	-15,422	8,849	5,002	-38,941
Total Net Absorption YOY	-34,894	-7,802	34,016	-37,002	779	66,084	-23,035	45,048	43,194
Asking Rents (\$ PSF)	\$1.54	\$2.00	\$1.70	\$2.10	\$2.12	\$2.19	\$2.21	\$1.64	\$1.96
Under Constuction SF	0	0	0	150,000	0	0	0	0	150,000
Planned SF	0	0	0	0	0	124,000	0	0	124,000



# LAS VEGAS VALLEY

## SPECULATIVE OFFICE SUBMARKET MAP



Updated: 10/2014



ARROYO MARKET SQUARE

 **RCG**  
economics

**UNLV**

LEE BUSINESS SCHOOL  
LIED INSTITUTE FOR  
REAL ESTATE STUDIES

# Las Vegas Anchored Retail Survey

## 4<sup>th</sup> Quarter 2016



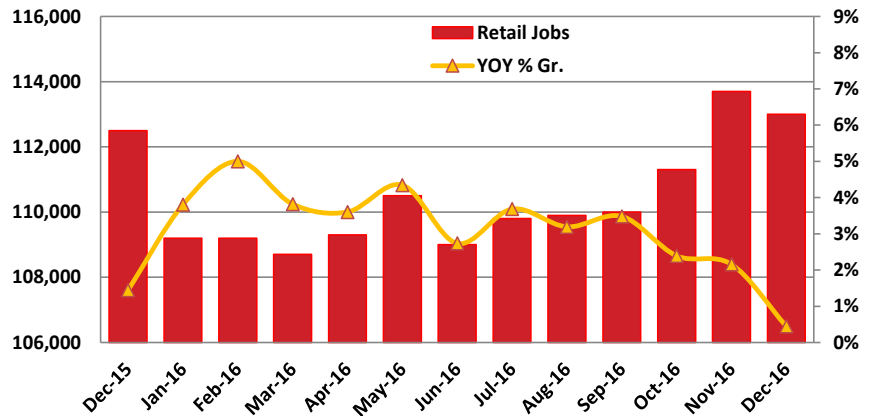
THE DISTRICT AT GREEN VALLEY RANCH

# LAS VEGAS ANCHORED RETAIL SURVEY

## SUMMARY

The Las Vegas Valley's ("the Valley") Anchored Retail market<sup>1</sup> inventory (we do not track unanchored properties) remained at 44.3 million square feet ("sf") at the close of the fourth quarter ("Q4") of 2016 with no completions. The Valley saw an improvement in demand with net absorption for Q4, 2016 totaling +288,304 sf. The overall Anchored Retail vacancy rate decreased notably by 0.7 points to 10.5% in Q4 from 11.2% in Q3, 2016, and now sits at only half a point from the 10% stabilized rate. The vacancy rate is down 0.9 points from the 11.4% recorded in Q4, 2015. Average monthly asking rents increased slightly to \$1.01 per square foot ("psf") NNN<sup>2</sup> in Q4, \$0.02 higher than the previous quarter and \$0.01 higher than the previous year when rents stood at an even \$1.00. At the end of Q4, there were 330,000 sf of forward-supply<sup>3</sup> under construction and another 946,493 sf of planned space.

**Clark County Total\* Retail Jobs and Annual Growth: Dec-15 to Dec-16**



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

## RETAIL JOBS

Total nonfarm employment in the Las Vegas MSA rose by 38,300 jobs from December 2015 through December 2016, a 3.0% increase. During that time the "headline" unemployment rate declined 1.2 points to 5.1%.

There were 113,000 Las Vegas Retail sector jobs in the Las Vegas MSA at the end of December 2016, accounting for 13% of total private payroll jobs. This represented only 500 (+0.4%) more jobs than were recorded in December 2015. Weak Y-O-Y

### Retail Employment

Industry Sector	Oct			Nov			Dec		
	2016	2015	% Ch.	2016	2015	% Ch.	2016	2015	% Ch.
Gen. Merch. & Cloth./Accessories	41,100	40,000	2.8%	44,400	43,700	1.6%	44,900	44,400	1.1%
Food & Bev. Stores	18,200	17,300	5.2%	18,200	17,500	4.0%	18,300	17,600	4.0%
Health & Personal Care Stores	7,900	7,400	6.8%	8,000	7,600	5.3%	8,000	7,800	2.6%
Other Stores	44,100	44,000	0.2%	43,100	42,500	1.4%	41,800	42,700	-2.1%
<b>Total</b>	<b>111,300</b>	<b>108,700</b>	<b>2.4%</b>	<b>113,700</b>	<b>111,300</b>	<b>2.2%</b>	<b>113,000</b>	<b>112,500</b>	<b>0.4%</b>

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

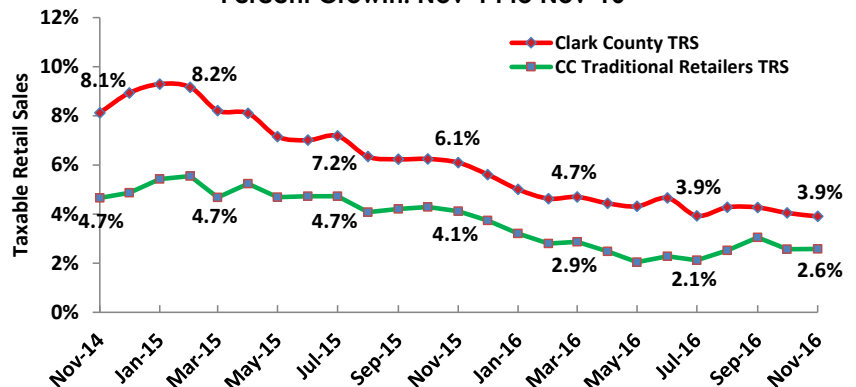
job growth in Q4 was buoyed by gains in October (+2.4%) and November (+2.2%). Still, overall Retail job growth in Q4 was 2.7% for the quarter.

Over the past year, three of four Retail sectors saw job growth with Food & Beverage Stores adding 700 jobs, General Merchandise & Clothing/Accessories Stores adding 500 jobs and Health & Personal Care Stores adding 200 jobs; however, most of the job gains were reversed by the "Other Stores<sup>4</sup>" sector, which lost 900 jobs.

## TAXABLE RETAIL SALES

While Clark County's taxable sales continue increasing on a 12-month moving average basis ("12MMA"), the rate of growth has been moderat-

**Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Nov-14 to Nov-16**



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

## ANCHORED RETAIL MARKET

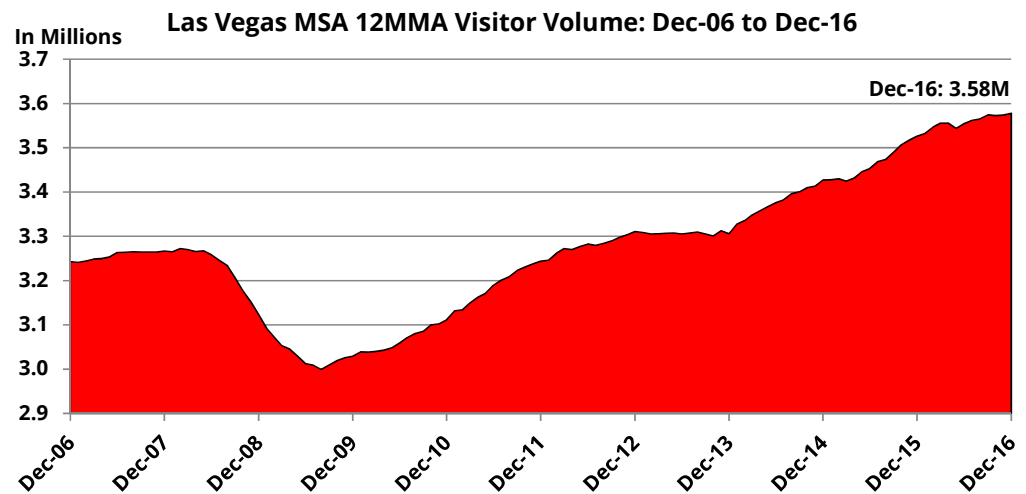
ing. On a 12-month moving total basis, total sales reached \$39.9 billion in November 2016, a 3.9% increase compared to November 2015. Despite slower sales growth, the region's taxable sales are again at an all-time high, well-above the December 2007 peak of \$36.3 billion. We encourage our readers to track the trend rate closely, especially for "traditional" retail sales. It is around 3% year-over-year.

The table below shows the top five (Y-O-Y change) performing traditional retail sectors in Clark County. There are 11 traditional retail sectors.

Top 5 Traditional Retailers: Nov-16	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	\$806,314,804	\$41,602,275	5.4%
Building Material and Garden Equipment and Supplies	\$124,124,463	\$12,743,910	11.4%
Furniture and Home Furnishings Stores	\$73,235,143	\$7,391,980	11.2%
Health and Personal Care Stores	\$72,511,332	\$6,306,995	9.5%
Food and Beverage Stores	\$102,657,700	\$6,074,556	6.3%
<b>Top 5 Total</b>	<b>\$1,178,843,442</b>	<b>\$74,119,716</b>	<b>6.7%</b>

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.

Visitors to Las Vegas are an important variable in taxable retail sales. In the last quarter of 2016 visitor growth declined, contributing to the slowing taxable retail sales growth. On a 12MMA, visitation to Las Vegas rose only 1.5% for the year, resulting in a total of 3.6 million visitors in December. Total growth in visitors at the end of 2016 was just over half of the 2.9% recorded at the end of 2015. Tourism is the lifeblood of the Las Vegas economy. If growth in tourism continues to slow, retail sales, especially discretionary point-of-sale spending, will reflect that decline.

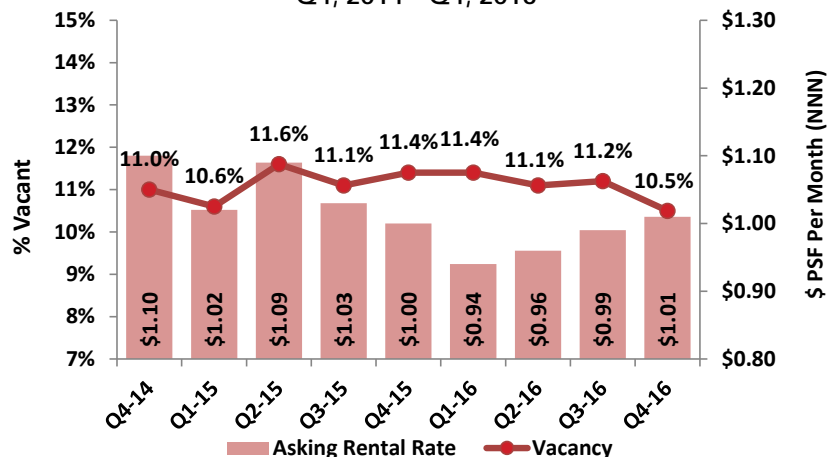


## VACANCY & RENTS

The average Valley-wide Anchored Retail vacancy rate fell 0.7 percentage-points from 11.2% in Q3 to 10.5% in Q4, based on current vacant space in the active market. The Valley-wide vacancy rate is down 0.9 points compared to Q4, 2015 (11.4%). Retail vacancy is now 4.8 percentage-points lower than the record high of 15.3% recorded in Q2, 2011.

Vacancy in Downtown (23.8%) continues to lag behind all other submarkets by a wide margin. The submarket with the second highest vacancy rate was North Las Vegas (14.9%), which was followed by University East (13.5%), West Central (12.8%) and Henderson (10.4%). The remaining submar-

**Las Vegas Valley Retail Market  
Historical Vacancy vs. Monthly Asking Rent:  
Q4, 2014 - Q4, 2016**



## ANCHORED RETAIL MARKET

kets were under 10%, with the Northeast (6.0%) claiming the lowest vacancy rate. The Southwest (6.9%) was a bit higher, with the Northwest (7.8%) rounding out the group.

Relative to Q3, 2016, the vacancy rate rose in three of eight submarkets. The Southwest submarket saw the biggest increase in Q4, 2016 with vacancy growing by 0.5 percentage-points to 6.9%. Close behind was North Las Vegas which experienced a 0.4 percentage-point rise in vacancy. The West Central submarket saw vacancy increase of 0.1 points while the Northeast was unchanged at 6.0%. Vacancy in the Northwest submarket fell the most, dropping by 1.9 percentage-points. Henderson experienced a 0.9 percentage-point drop, followed closely by University East with a 0.8-point decline. Despite having the highest vacancy, the Downtown submarket was improved from the previous quarter by 0.3 percentage-points.

On a Y-O-Y basis, half of the eight submarkets saw improved vacancy rates compared to Q4, 2015. The Northwest had the biggest decline in vacancy at 2.4 percentage-points down, followed by Henderson on its heels with a 2.3 percentage-point drop. The University East submarket came next with a 1.9-point decline and the West Central submarket just barely managed to register improvement with a 0.1-point drop in vacancy over a year period. The biggest rise in vacancy was claimed by North Las Vegas at 2.2 points up from Q4, 2015, followed by the Northeast with a 1.4-point rise. The Southwest and Downtown submarkets both saw vacancy increase by 0.8 percentage-points over the same period.

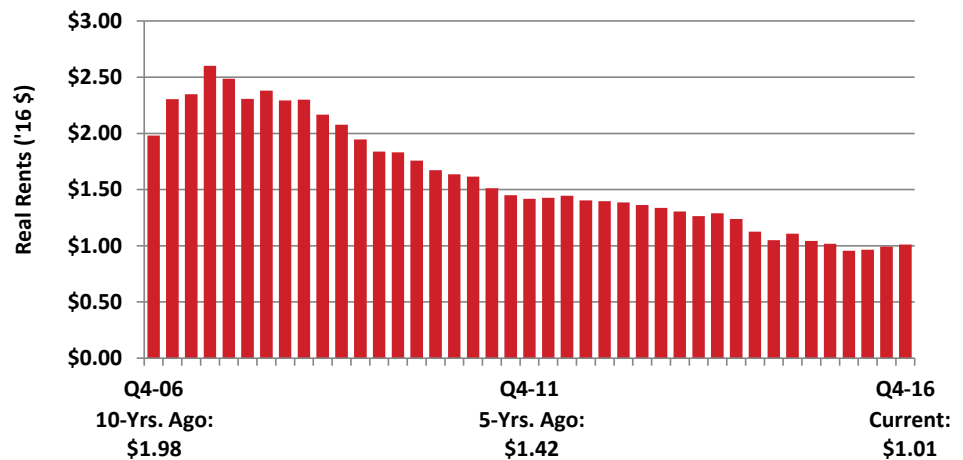
Across the product spectrum Power, Neighborhood, and Community Centers all showed Y-O-Y improvement (by 2.7, 0.7 and 0.1 percentage-points, respectively).

The Valley's overall Anchored Retail monthly rent increased \$0.02 from \$0.99 psf in Q3, 2016 to \$1.01 in Q4, 2016 (calculated on a NNN basis, not accounting for any operating expenses and noted as asking rents).

The Anchored Retail market saw some improvement in several of its struggling submarkets, notably the Northwest which was down almost two full points and is now comfortably below the 10% stabilized rate. The Downtown submarket continues to struggle with a vacancy rate well above the rest, although it did see modest positive absorption in Q4. The main roadblock to growth in Anchored Retail is the languishing Community Center. The success of the Industrial Warehouse/Distribution market, which has helped drive national retail sales, continues to chip away at the "big box" retailers that occupy such space. The rise of Warehouse/Distribution is in large part due to the success of online retailers, such as Amazon, which are stifling the growth of brick and mortar stores. Fulfillment centers have replaced large swathes of the Retail market. As each one of these large retailers has folded or closed locations, new tenants have been difficult to find.

According to various sources, unanchored retail centers have seen more success over the last year, as they cater more toward food and beverage outlets, as well as personal services, such as hair salons and car repair shops, which have not been affected as greatly by online retailers.

Las Vegas Valley Retail Market  
Inflation-Adjusted Asking Rent: Q4, 2006 - Q4, 2016 (Baseline)



## ANCHORED RETAIL MARKET

### DEMAND

Total net Anchored Retail absorption saw a positive turnaround from Q3 with +288,304 sf in Q4, 2016. On a Y-O-Y basis, Valley-wide net absorption was +431,423 sf.

For the quarter, net absorption was positive in four of eight submarkets: Northwest (+211,658 sf), Henderson (+77,670 sf), University East (47,937 sf) and Downtown (+3,047 sf). The four submarkets showing negative growth were: Southwest (-27,006 sf), North Las Vegas (-17,759 sf), West Central (-6,557 sf) and the Northeast (-686 sf).

For the year, four Anchored Retail submarkets showed improvement: Northwest (+311,652 sf), Henderson (+201,705 sf), University East (+113,761 sf) and West Central (+2,040 sf). The North Las Vegas submarket had the highest negative absorption at -107,986 sf; also experiencing negative Y-O-Y absorption were the Southwest (-45,195 sf), Northeast (-35,482 sf) and Downtown (-9,072 sf) submarkets.

All Retail product types experienced positive demand for the year. Power Centers had the most demand with +269,478 sf of absorption, followed by Neighborhood Centers with +111,073 sf and Community Centers with +50,872 sf.

### SUPPLY

There were no completions in the Anchored Retail market during Q4, 2016 and only one during all of 2016 – the 52,000 sf expansion of the Decatur 215 Community Center in the Northwest submarket. The only quarters to see completions in the last 19 quarters were Q3, 2016 and Q4, 2014. In the last 30 quarters (since Q3, 2009), just five quarters have had new space come to market. The Valley's total Anchored Retail inventory is currently 44.3 million sf in 267 centers.

There are two Anchored project currently under construction:

#### Under Construction

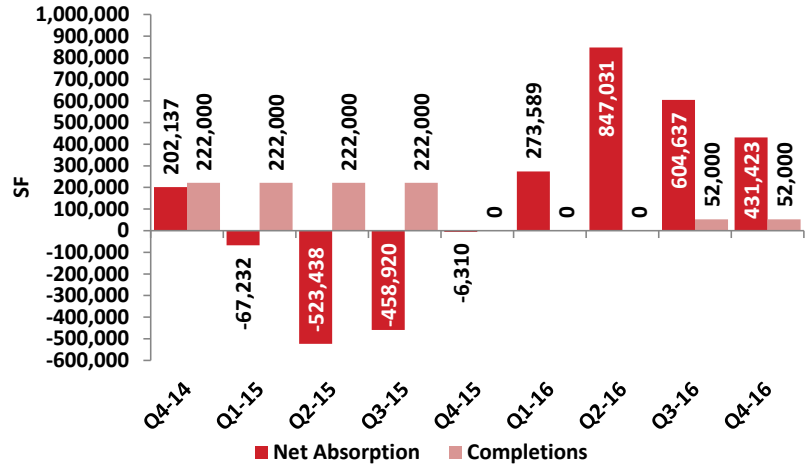
Project	SF	Subtype	Submarket	Exp. Comp.
Green Valley Crossing Ph. 2	34,000	Community Center	Henderson	2017
The Edge	296,000	Community Center	Southwest	2017
<b>Total</b>	<b>330,000</b>			

Five more projects are in the planning phase:

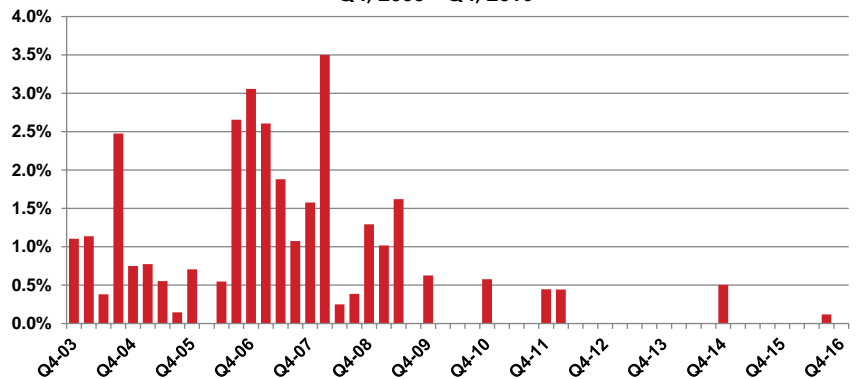
#### Planned

Project	SF	Subtype	Submarket	Exp. Comp.
DCs Plaza	72,550	Neighborhood Center	Northwest	2018
Silverado Promenade	130,000	Neighborhood Center	University East	2018
St. Rose Square	466,000	Neighborhood Center	Henderson	2017
Cadence Village Center	153,000	Neighborhood Center	Henderson	2017
Smith's @ Skye Canyon	124,943	Neighborhood Center	Northwest	Q417
<b>Total</b>	<b>946,000</b>			

Las Vegas Valley Retail Market  
Historical YOY Net Absorption vs. Completions  
Q4, 2014 - Q4, 2016



Las Vegas Valley Retail Market  
Completions as a % of Inventory:  
Q4, 2003 - Q4, 2016



As of Q4, there were approximately 1,276,000 sf in development. We do not expect a lot of new activity in the coming year.

**INVESTMENT SALES**

Retail investment sales in 2016, as reported by Colliers, accounted for 2.5 million sf, compared to 3.2 million sf for 2015, putting 2016 well behind. In general, in an improving market, owners typically demand lower cap rates resulting in higher prices regardless of quality and location. The reverse is true in a down-market. The average price per square foot fell from \$184.08 in 2015 to \$165.73 in 2016, and average reported cap rates down one point, from 7.7% to 6.7%. Total sales volume in 2016 through all four quarters was \$417.3 million, also behind last year’s total.

**Shopping Center Retail Investment Sales**

	<b>2015</b>	<b>2016</b>
No. Sales	58	40
Square Feet Sold	3,195,000	2,518,000
Sales Volume (MM)	\$588.1	\$417.3
Average Price/SF	\$184.08	\$165.73
Average Cap Rate*	7.7%	6.7%
Average Sale Size (SF)	55,000	63,000

Source: Colliers Las Vegas.

\*Cap rate on properties available for sale as investments.

**FURTHER THOUGHTS & RECAP**

There were 113,000 payroll jobs in the Las Vegas Retail sector at the end of Q4, 2016, accounting for 13% of total private payroll jobs. This represented just 500 (0.4%) more jobs than were recorded in December 2015.

Job growth over the last four quarters was poor. Of the four Retail sectors, Food & Beverage Stores was the most improved with 700 new jobs. General Merchandise & Clothing/Accessories added 500 new jobs and Health & Personal Care Stores added 200. The “Other Stores” sector, which in September 2016 had added 1,800 jobs Y-O-Y, in December had lost 900 jobs when compared to December 2015.

Clark County taxable sales are still climbing on an absolute basis. On a 12MMA, these sales reached \$39.9 billion in November, a 3.9% gain compared to November 2015. This brought the region’s sales to a new all-time high, well-above the December 2007 peak of \$36.3 billion. Also, the average Y-O-Y growth during the last 60 months was a healthy 6.5%. However, taxable sales growth has been slowing and we are a bit concerned as to what is happening to the annual growth rate of traditional retail sales growth, which has dropped from a recent peak of 7.8% in January 2015 to 3.0% in November 2016.

Rising visitation is a driving factor in the growth of taxable retail sales. Tourism is the lifeblood of the Valley and it continues to reflect the overall health of the Las Vegas economy. The growth in tourism was partly fueled by lower energy prices which brought down travel costs and gave tourists extra cash to spend. As growth in visitor volume has slowed, so has growth in retail sales. On a 12MMA basis, visitation to Las Vegas rose only 1.5% in December with the Valley receiving 3.6 million visitors. Over the 28 months prior to the start of the fourth quarter in October Y-O-Y visitor growth was above 2.0% and averaged 2.8%. It averaged only 1.7% in Q4, 2016.

On the brighter side, the average Valley-wide Anchored Retail vacancy rate was down 0.7 points in Q4, a positive turnaround from the increase in vacancy in Q3. The vacancy rate is now closer to the 10% stabilized rate than it has been since the Great Recession.

The highest submarket vacancies at the end of Q4 were Downtown (23.8%), North Las Vegas (14.9%), University East (13.5%), West Central (12.8%) and Henderson (10.4%). Three submarkets had vacancy rates below 10%: Northwest (7.8%), Southwest (6.9%) and Northeast (6.0%).

In terms of product type, the highest vacancy rate was in Community Centers (11.8%), though it did see a one percentage-point drop from Q3. Power Centers (6.8%) is also doing one point better from last quarter, while vacancy in Neighborhood Centers is unchanged at 11.4% over the same period.

There were a total of +288,304 sf of net absorption in Q4, 2016, which drove the overall decline in vacancy in the Anchored Retail market. On a Y-O-Y basis, the Valley’s Anchored Retail net absorption was +431,423 sf.

There were zero Anchored Retail projects completed in Q4, 2016. However, activity in the Retail market does appear to be picking up with 330,000 sf under construction and 946,493 sf of space in the planning stages for a total forward-supply of 1.3 million sf. The Valley’s total inventory is currently 44.3 million sf in 267 shopping centers.

According to AAA, the price of gasoline on February 13, 2017 was \$2.50 per gallon of regular unleaded, up from \$2.46 per

gallon one month prior. When compared to a year ago, the price per gallon is up \$0.40. A well-supplied crude oil market is maintaining relatively stable prices at the pump. Despite OPEC mandated cuts in production, increased U.S. drilling is keeping the market overfed.

Wages and incomes continue to see modest improvement when adjusted for inflation. Clark County's 12MMA inflation-adjusted average weekly earnings were up 1.1% in December compared to December 2015, reaching \$651 in 2007 dollars after 31 months of Y-O-Y improvement.

The average number of hours worked per week in Clark County, on a 12MMA basis, has remained stuck at 33.2 for the last six months as of December 2016 and is unchanged over the year. As we've noted, stagnant weekly hours worked have accompanied a dropping headline unemployment rate. Implication: companies continue to depend heavily on part-time workers. For this reason, the U-6 unemployment rate (includes discouraged and part-time workers) in Nevada remains one of the nation's highest at 12.2% (Q4, 2016).

---

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next four quarters.

<sup>4</sup> "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 sf 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 sf, but can be as small as 125,000 sf; 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 sf, but can be over 500,000 sf
- 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 sf, but can range from 30,000 to 150,000 sf
- Customer-base is within a two- to three-mile trade area

# Anchored Retail Market Matrix

## Las Vegas, Nevada Fourth Quarter, 2016

### 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	10,862,588	5,783,835	6,050,227	4,379,055	44,314,684
Total Vacant SF	263,125	901,757	731,967	153,459	843,557	399,947	816,810	561,401	4,672,023
Total Occupied SF	842,726	7,778,311	4,178,776	2,388,858	10,019,031	5,383,888	5,233,417	3,817,654	39,642,661
Total Vacant (%)	23.8%	10.4%	14.9%	6.0%	7.8%	6.9%	13.5%	12.8%	10.5%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	52,000	0	0	0	52,000
Total Net Absorption QTD	3,047	77,670	-17,759	-686	211,658	-27,006	47,937	-6,557	288,304
Total Net Absorption YOY	-9,072	201,705	-107,986	-35,482	311,652	-45,195	113,761	2,040	431,423
Asking Rents (\$ PSF)	\$0.76	\$1.27	\$1.10	\$1.20	\$1.11	\$1.36	\$0.52	\$1.00	\$1.01
Under Constuction SF	0	34,000	0	0	0	296,000	0	0	330,000
Planned SF	0	619,000	0	0	197,493	0	130,000	0	946,493

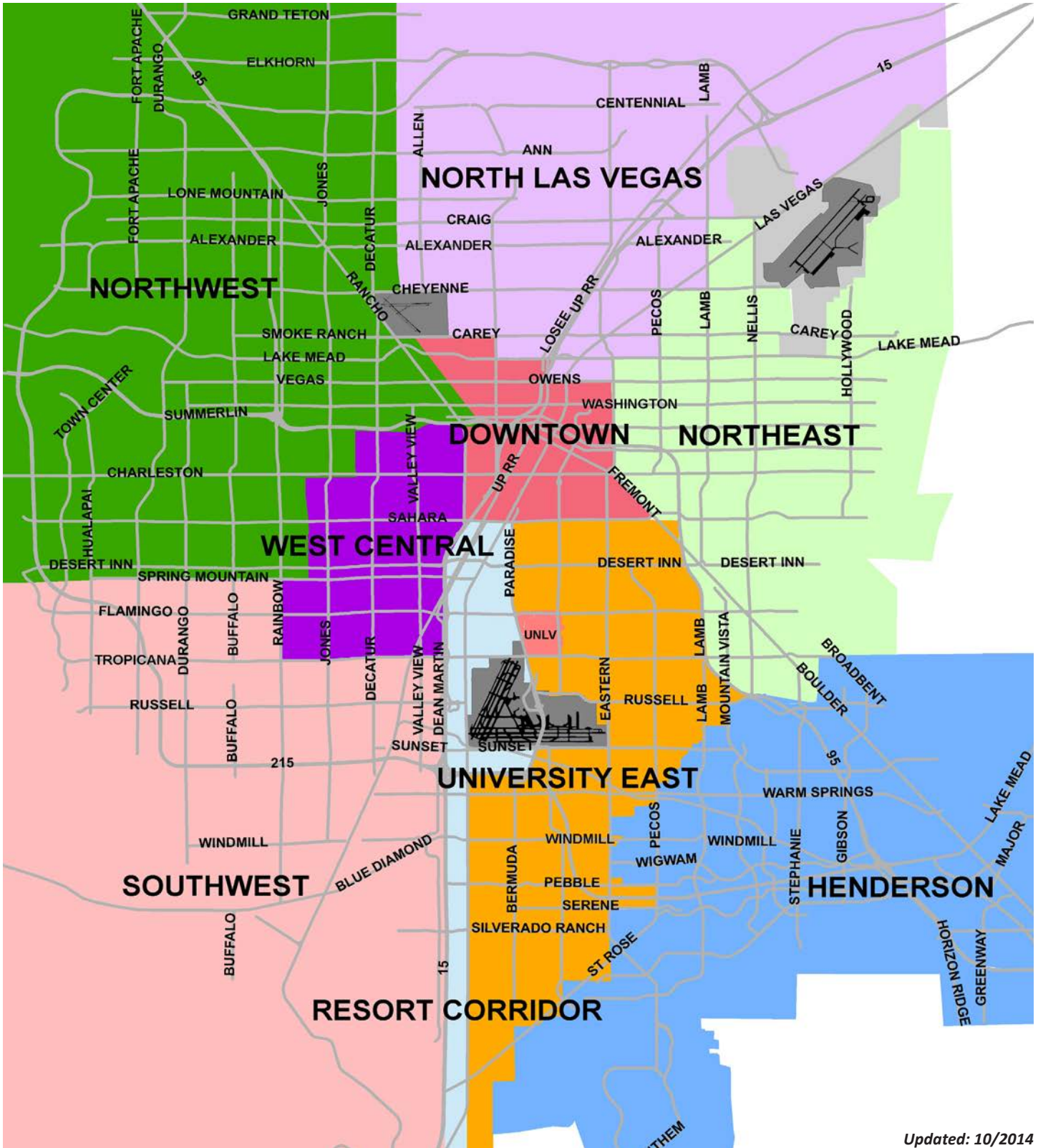
POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	233,251	115,246	0	23,177	53,296	128,566	132,888	686,424
Total Occupied SF	0	2,729,037	872,467	0	2,817,669	891,018	1,081,657	1,005,336	9,397,184
Total Vacant (%)	0.0%	7.9%	11.7%	0.0%	0.8%	5.6%	10.6%	11.7%	6.8%
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	871	-1,410	0	109,238	0	-10,336	4,023	102,386
Total Net Absorption YOY	0	294,412	-113,506	0	94,444	-46,096	8,557	31,667	269,478
Asking Rents (\$ PSF)	\$0.00	\$1.50	\$2.25	\$0.00	\$1.51	\$1.53	\$1.04	\$0.96	\$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	4	21	10	8	20	9	19	15	106
Total Rentable SF	631,168	2,920,692	1,755,463	1,407,552	4,366,234	3,216,421	2,761,028	1,649,146	18,707,704
Total Vacant SF	208,316	233,966	153,023	89,611	448,209	204,836	510,672	367,643	2,216,276
Total Occupied SF	422,852	2,686,726	1,602,440	1,317,941	3,918,025	3,011,585	2,250,356	1,281,503	16,491,428
Total Vacant (%)	33.0%	8.0%	8.7%	6.4%	10.3%	6.4%	18.5%	22.3%	11.8%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	52,000	0	0	0	52,000
Total Net Absorption QTD	1,367	113,982	600	-686	-3,362	2,498	76,153	-7,493	183,059
Total Net Absorption YOY	-11,331	20,778	-19,245	-38,407	46,028	26,397	98,981	-72,329	50,872
Asking Rents (\$ PSF)	\$0.75	\$1.45	\$1.74	\$1.65	\$1.19	\$1.33	\$0.21	\$0.96	\$0.84
Under Constuction SF	0	34,000	0	0	0	296,000	0	0	330,000
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	5	25	15	13	32	13	18	16	137
Total Rentable SF	474,683	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,523,372
Total Vacant SF	54,809	434,540	463,698	63,848	372,171	141,815	177,572	60,870	1,769,323
Total Occupied SF	419,874	2,362,548	1,703,869	1,070,917	3,283,337	1,481,285	1,901,404	1,530,815	13,754,049
Total Vacant (%)	11.5%	15.5%	21.4%	5.6%	10.2%	8.7%	8.5%	3.8%	11.4%
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	1,680	-37,183	-16,949	0	105,782	-29,504	-17,880	-3,087	2,859
Total Net Absorption YOY	2,259	-113,485	24,765	2,925	171,180	-25,496	6,223	42,702	111,073
Asking Rents (\$ PSF)	\$1.05	\$0.86	\$1.09	\$1.03	\$1.04	\$1.56	\$1.15	\$1.37	\$1.07
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	619,000	0	0	197,493	0	130,000	0	946,493

# LAS VEGAS VALLEY

## ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014