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Las Vegas Anchored Retail Survey

3rd Quarter 2014



THE DISTRICT AT GREEN VALLEY RANCH



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October 27, 2014

Re: Anchored Retail Real Estate Survey: 3rd Quarter, 2014

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produce the *Lied-RCG Commercial Real Estate Survey* (“the Survey”) containing the most comprehensive, timely and accurate data and analysis on the Las Vegas Valley’s industrial, speculative office and anchored retail markets.

RCG Economics has partnered with the Lied Institute to produce objective and independent quarterly surveys on the health and state of the commercial real estate market. RCG is a leader in real estate market research and analysis, including commercial real estate and economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, certificate programs and community outreach activities.

The Survey is born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. Developing this Private-Public Partnership to collect, analyze and release unbiased information is further proof of this commitment. Equally important, the data herein are collected as close as possible to the end of each quarter.

This survey documents historical and current market conditions at the Valley and submarket levels. The data contained within are organized and tracked by our in-house research analysts and economists to provide the best analysis of Las Vegas’ commercial real estate markets. The survey contains a variety of meaningful market indicators, including:

- ◆ Total existing inventory
- ◆ New and planned construction activity
- ◆ Vacancy and occupancy levels
- ◆ Net Absorption
- ◆ “Coupon” or quoted monthly rents

Further, our three commercial (industrial, office and retail) databases contain benchmark building data, by submarket, dating back to 1996. This information allows us to develop “custom” studies for our readers and clients. It is through this survey and our other services and products, that we remain the “Source for Decision Makers.”

Regards,

John Restrepo
RCG Economics

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

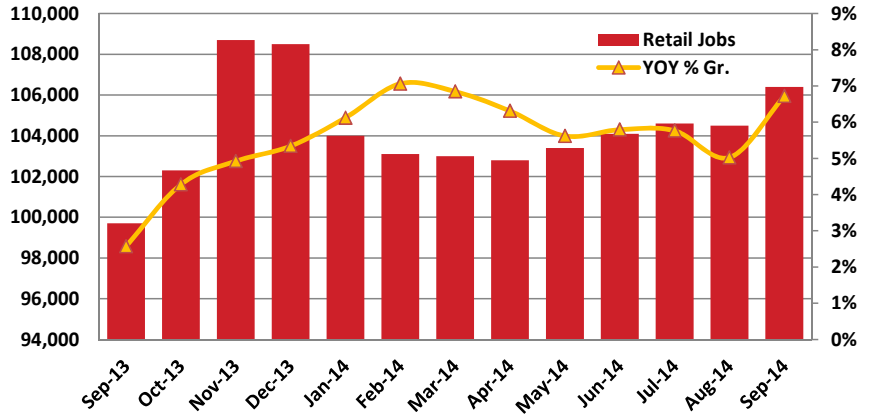
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LAS VEGAS ANCHORED RETAIL SURVEY

SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market¹ inventory remained at 44.0 million square feet ("sf") in Q3, 2014 - there were no completions recorded during the quarter. We again see positive change in retail space demand. With a combined 201,500 sf, there have now been four straight quarters of net positive absorption. This helped push vacancy down to 11.0% from 11.5% last quarter and 12.4% in the same quarter last year. Average monthly asking rents decreased to \$1.22 per square foot ("psf") NNN² in Q3; \$0.05 lower than the previous quarter and \$0.08 lower than Q3, 2013. There are 278,700 sf of forward-supply³ space, comprised of two Community Centers that are under construction.

Clark County Total* Retail Jobs and Annual Growth: Sep-13 to Sep-14



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

RETAIL JOBS

There were 106,400 jobs in the Clark County retail sector at the end of September 2014, accounting for 14% of total private sector jobs. This represents 6,700 (+6.7%) more jobs than were recorded in Sep-

Retail Employment

Industry Sector	Jul			Aug			Sep		
	2014	2013	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Gen. Merch. & Cloth./Accessories	37,600	36,800	2.2%	37,600	37,000	1.6%	37,900	37,000	2.4%
Food & Bev. Stores	15,700	15,200	3.3%	15,600	15,200	2.6%	15,800	15,300	3.3%
Health & Personal Care Stores	6,700	6,600	1.5%	6,700	6,500	3.1%	6,800	6,500	4.6%
Other Stores	44,600	40,300	10.7%	44,600	40,800	9.3%	45,900	40,900	12.2%
Total	104,600	98,900	5.8%	104,500	99,500	5.0%	106,400	99,700	6.7%

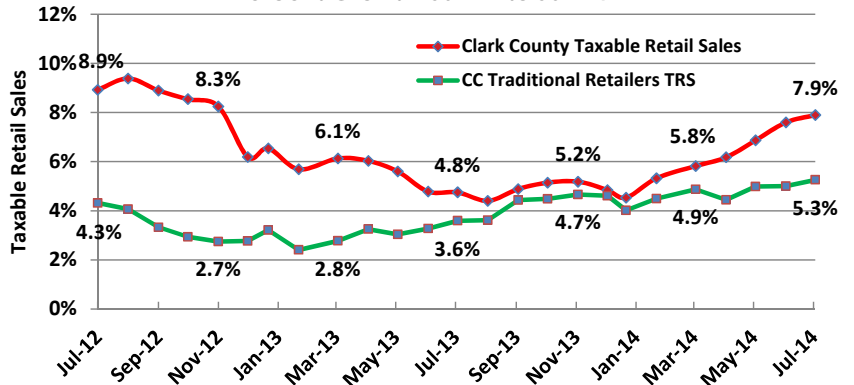
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

tember 2013. General merchandise and clothing/accessories jobs rose by 2.4% (+900 jobs), but "other stores"⁴ continued to show the strongest growth, posting 12.2% growth (+5,000 jobs) in the last year. Total retail job growth between the second and third quarters was +2,300. Employment in the retail sector has been increasing on a year-over-year ("YOY") basis since May 2010 and has shown strong gains (+6.1%) during 2014.

TAXABLE RETAIL SALES

Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$35.3 billion in July, a 7.9% spike from July 2013. This brings the region's sales to around October 2008 levels, and nearer to the December 2007 peak. Moreover, the average year-over-year growth over the last 32 months is 6.8%. The economy, job growth and wages still need to improve, but at least we see that taxable sales are rebounding nicely. It's incredibly important the South-

Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Jul-12 to Jul-14



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

ANCHORED RETAIL MARKET

Top 5 Traditional Retailers

	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	\$752,583,719	\$49,187,527	6.99%
General Merchandise Stores	\$238,446,657	\$10,079,499	4.41%
Electronics and Appliance Stores	\$93,094,479	\$9,733,663	11.68%
Clothing and Clothing Accessories Stores	\$278,651,763	\$9,005,406	3.34%
Furniture and Home Furnishings Stores	\$56,021,748	\$8,633,373	18.22%

Source: Nevada Department of Taxation. Note: The reason the DETR and Taxation retail categories do not match

ern Nevada economy that tourist spending has rebounded (it makes up around 30%-35% taxable sales in Clark County).

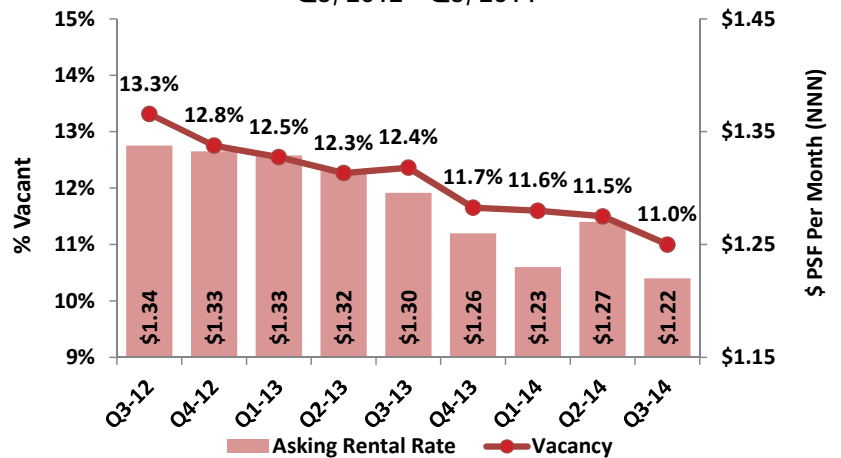
The three traditional retail sectors with the largest taxable sales growth, on an absolute basis, during the July 2013-July 2014 period, according to the Nevada Department of Taxation, were "food and drinking places" (+\$49M, +7%), "general merchandise stores" (+\$10M, +4.4%) and "electronics and appliance stores" (+\$10M, +12%). July was a good month for taxable sales and shows that the recovery continues to take hold in Southern Nevada. Below is a table of the top five performing year-over-year traditional retailer types.

VACANCY & RENTS

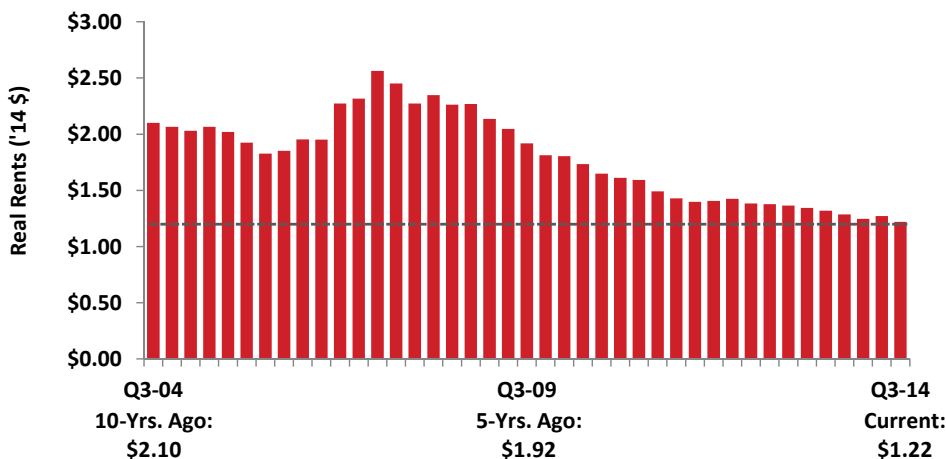
Since the record high of 15.3% in Q2, 2011, the average Valley-wide anchored retail vacancy rate (directly vacant space plus vacant sublease space) declined to 11.0% in Q3, 2014. This is a 0.5 percentage point improvement over Q2, and it is 1.4 percentage points less than Q3, 2013 when the average vacancy was 12.4%.

The highest submarket vacancies at the end of Q3 were North Las Vegas (13.6%), West Central (13.5%) and Henderson (13.1%). While the overall vacancy rate improved, only three submarkets had vacancy rates below 10%: Southwest (7.3%), Northwest (9.7%) and Northeast (5.6%) Southwest and Northwest are important

Las Vegas Valley Retail Market
Historical Vacancy vs. Monthly Asking Rent:
Q3, 2012 - Q3, 2014



Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q3, 2004 - Q3, 2014 (Baseline)



residential areas and the Northeast is the home of Nellis Air Force Base and a thriving Hispanic community. Relative to the previous quarter, vacancy rates decreased in five submarkets, rose in two and remained unchanged in one. The largest improvements in Q3, 2014 were in the Northeast and Henderson submarkets, which saw vacancy rates drop 3.4 and 1.6 percentage points to 5.6% and 13.1%, respectively.

Vacancy improved in both Neighborhood and Community Centers during the third quarter. They combined for 416,300 sf of absorption.

ANCHORED RETAIL MARKET

Community Centers still have the lowest overall vacancy rate among the three product types at 9.3%. The Power Center vacancy rate increased to 13.0% while Neighborhood Centers dropped to 11.8% at the end of Q3.

Monthly asking rents decreased in Q3 after rising for the first time in nine quarters in Q2. However, that increase now appears to have been more of an anomaly with asking rents falling back to a new low, reaching \$1.22 psf in Q3 (calculated on a NNN basis; not accounting for any operating expenses). We would like to remind our readers that the rents we quote in our surveys are based on the space that is available in the open market. They do not necessarily reflect the health of the overall market. The irony is that as the more desirable space is absorbed, leaving the less desirable space, rents tend to go down even with a dropping vacancy. As long as the vacancy rate continues to fall, and the retail real estate market improves, we expect to see new anchored retail development in next 12-18 months.

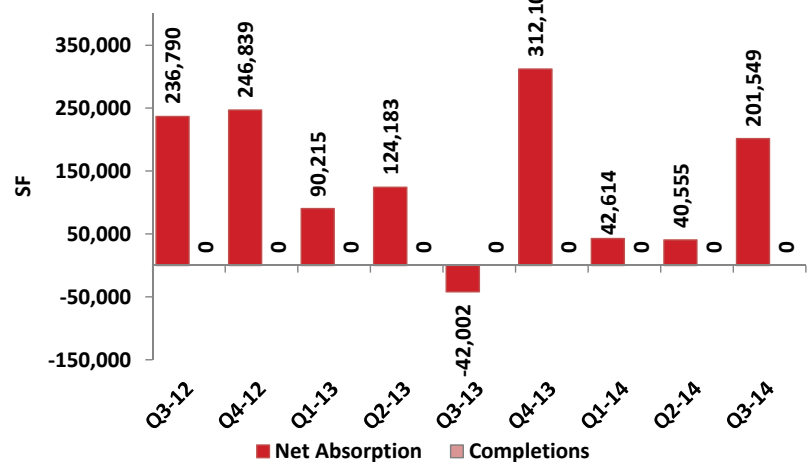
DEMAND

Total net absorption has risen four quarters in a row, posting 201,500 sf of gains in Q3, 2014 after last quarter's 40,600 sf improvement. The results a year ago, in Q3, 2013, were far less encouraging, with -42,000 sf of absorption.

Net absorption declined in the University East and Southwest submarkets this quarter, with -104,000 sf and -46,200 sf, respectively. The remaining submarkets recorded positive net absorption, led by Henderson with 135,500 sf.

Net absorption was positive in both Neighborhood Centers (+257,100 sf) and Community Centers (+159,100 sf), more than offsetting the loss in Power Centers (-214,700 sf).

Las Vegas Valley Retail Market
Historical Net Absorption vs. Completions
Q3, 2012 - Q3, 2014



SUPPLY

No new anchored retail space was completed in the Valley during Q3, 2014, or has been completed since Q1, 2012. There have only been two quarters in the past 19 (since Q1, 2010) that saw new anchored retail space brought to market, and none within the last 10 quarters. The Valley's total anchored retail inventory has remained at 44.0 million sf in 266 shopping centers.

Forward-supply activity at the end of Q3 is unchanged since the previous quarter: there are no anchored centers planned for development, while 278,700 sf remain under-construction. Under-construction retail space includes two Community Centers being built in phases, including the 138,700-square-foot Green Valley Crossing in Henderson and the 140,000-square-foot Decatur @ Target shopping center in the Northwest.

From what we know today, we do not see much new retail development taking place in the remainder of 2014 or early 2015. This will help the Valley's anchored retail market to continue to move toward the 10% stabilized vacancy rate. Our latest estimates indicate that this will happen in about four quarters (based on the average quarterly absorption rate of 183,400 sf over the last 10 years).

FURTHER THOUGHTS

As retail spending improves (taxable retails have been improving for the last 14 months), the demand for anchored space will continue to intensify. This is already moving the overall vacancy rate back to a 10% stable level, and it will ultimately start putting upward pressure on rents. This will encourage new retail center development, especially in the Valley's preferred residential areas in the southeast, southwest and

the northwest. While not part of the anchored retail market inventory we track, the retail component of Downtown Summerlin in early October. As we noted last quarter, the project will have 125 shops and will be part of a 1.6 million sf mixed-use development comprised of retail, entertainment, office, a hotel and multiple family components.

The Las Vegas economy continues to stabilize and is moving forward moderately. Most economic and market indicators have seen continued improvement over a number of months, meaning that the Southern Nevada recovery has taken hold. We continue to be concerned that real (inflation adjusted) incomes continue to flounder, but barring any unforeseen events, we believe that wages, hours worked and spending power will see some improvement in 2015 as the job market continues to solidify.

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

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

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

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

RETAIL MARKET GLOSSARY

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

Power Center

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

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

Community Center

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

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

Neighborhood Center

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

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

Anchored Retail Market Matrix

Las Vegas, Nevada
Third Quarter, 2014

SUBMARKETS

TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	58	23	40	34	266
Total Rentable SF	1,105,851	8,680,068	4,910,743	2,542,317	10,588,588	5,783,835	6,050,227	4,379,055	44,040,684
Total Vacant SF	111,795	1,139,878	665,509	142,141	1,030,422	420,948	744,604	592,192	4,847,489
Total Occupied SF	994,056	7,540,190	4,245,234	2,400,176	9,558,166	5,362,887	5,305,623	3,786,863	39,193,195
Total Vacant (%)	10.1%	13.1%	13.6%	5.6%	9.7%	7.3%	12.3%	13.5%	11.0%
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	135,535	33,381	85,507	60,519	-46,151	-103,943	36,701	201,549
Total Net Absorption YOY	40,942	201,999	-124,388	175,818	23,916	48,240	142,066	88,233	596,826
Asking Rents (\$ PSF)	\$1.28	\$1.38	\$1.22	\$2.09	\$1.15	\$1.40	\$1.08	\$0.99	\$1.22
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

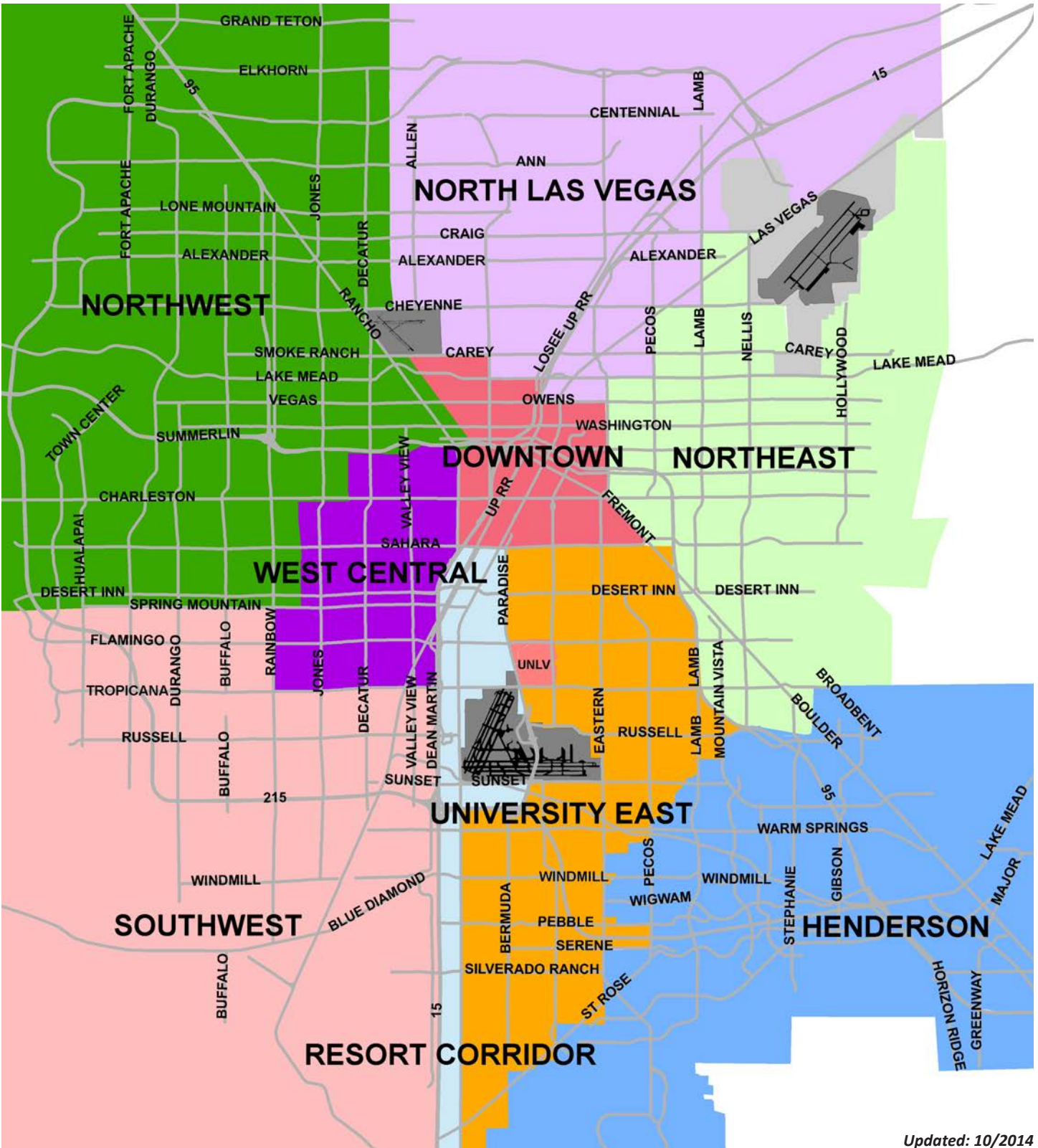
POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	625,304	1,740	0	130,506	7,200	340,537	207,270	1,312,557
Total Occupied SF	0	2,336,984	985,973	0	2,710,340	937,114	869,686	930,954	8,771,051
Total Vacant (%)	0.0%	21.1%	0.2%	0.0%	4.6%	0.8%	28.1%	18.2%	13.0%
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	-31,266	6,753	0	-7,600	-7,200	-168,719	-6,670	-214,702
Total Net Absorption YOY	0	-69,028	6,753	0	-10,837	40,611	-168,719	-16,721	-217,941
Asking Rents (\$ PSF)	\$0.00	\$1.65	\$3.00	\$0.00	\$1.13	\$1.50	\$1.18	\$1.15	\$1.38
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	5	21	10	8	19	9	19	15	106
Total Rentable SF	678,690	2,920,692	1,755,463	1,407,552	4,092,234	3,216,421	2,761,028	1,649,146	18,481,226
Total Vacant SF	79,884	168,014	230,371	76,383	329,296	311,863	244,349	271,241	1,711,401
Total Occupied SF	598,806	2,752,678	1,525,092	1,331,169	3,762,938	2,904,558	2,516,679	1,377,905	16,769,825
Total Vacant (%)	11.8%	5.8%	13.1%	5.4%	8.0%	9.7%	8.8%	16.4%	9.3%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	0	-8,006	26,095	63,383	63,124	-50,196	46,768	17,954	159,122
Total Net Absorption YOY	-19,339	223,497	-54,855	48,848	-4,623	-27,375	210,903	86,170	463,226
Asking Rents (\$ PSF)	\$1.23	\$1.16	\$0.88	\$1.33	\$1.47	\$1.27	\$0.92	\$0.81	\$1.09
Under Constuction SF	0	138,738	0	0	140,000	0	0	0	278,738
Planned SF	0	0	0	0	0	0	0	0	0

NEIGHBORHOOD CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	25	15	13	32	13	18	16	136
Total Rentable SF	427,161	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,475,850
Total Vacant SF	31,911	346,560	433,398	65,758	570,620	101,885	159,718	113,681	1,823,531
Total Occupied SF	395,250	2,450,528	1,734,169	1,069,007	3,084,888	1,521,215	1,919,258	1,478,004	13,652,319
Total Vacant (%)	7.5%	12.4%	20.0%	5.8%	15.6%	6.3%	7.7%	7.1%	11.8%
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	174,807	533	22,124	4,995	11,245	18,008	25,417	257,129
Total Net Absorption YOY	60,281	47,530	-76,286	126,970	39,376	35,004	99,882	18,784	351,541
Asking Rents (\$ PSF)	\$1.43	\$1.11	\$1.52	\$1.22	\$1.05	\$1.68	\$1.14	\$1.12	\$1.23
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014