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REAL ESTATE STUDIES
LEE BUSINESS SCHOOL

Las Vegas Anchored Retail Survey

4th Quarter 2014



THE DISTRICT AT GREEN VALLEY RANCH



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BEH 530B
Las Vegas, Nevada 89154
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February 27, 2015

Re: Anchored Retail Real Estate Survey: 4th 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

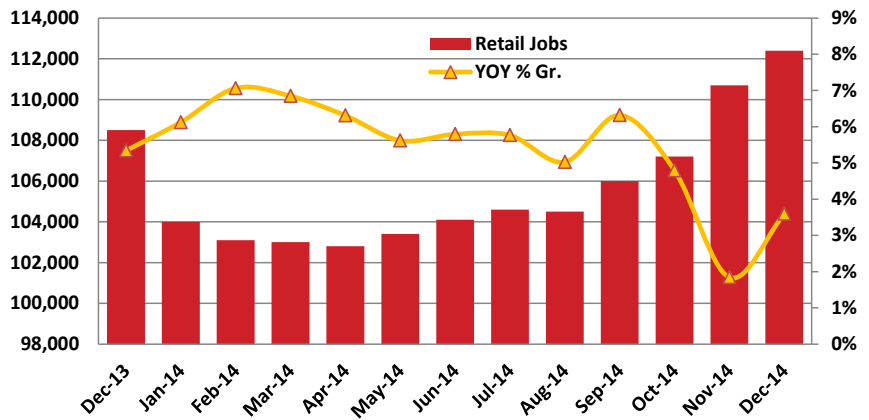
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LAS VEGAS ANCHORED RETAIL SURVEY

SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market¹ inventory increased to 44.3 million square feet ("sf") in Q4, 2014 - there was one completion recorded during the quarter. We again see positive change in retail space demand. With a combined 38,600 sf, there have now been four straight quarters of net positive absorption. However, the vacancy rate increased to 11.4% this quarter from 11.0% last quarter, but is down from 11.7% this time last year. Average monthly asking rents decreased to \$1.10 per square foot ("psf") NNN² in Q4; \$0.12 lower than the previous quarter and \$0.16 lower than Q4, 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: Dec-13 to Dec-14



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

RETAIL JOBS

There were 112,400 jobs in the Clark County retail sector at the end of December 2014, accounting for 14% of total private sector jobs. This represents 3,900 (+3.6%) more jobs than were recorded in December 2013. General merchandise and clothing/accessories jobs rose by 3.1% (+1,300 jobs), but health

Retail Employment

| Industry Sector | Oct | | | Nov | | | Dec | | |
|----------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|----------------|----------------|-------------|
| | 2014 | 2013 | % Ch. | 2014 | 2013 | % Ch. | 2014 | 2013 | % Ch. |
| Gen. Merch. & Cloth./Accessories | 38,700 | 37,700 | 2.7% | 42,000 | 41,300 | 1.7% | 43,000 | 41,700 | 3.1% |
| Food & Bev. Stores | 15,700 | 15,500 | 1.3% | 15,900 | 15,600 | 1.9% | 15,900 | 15,600 | 1.9% |
| Health & Personal Care Stores | 6,900 | 6,600 | 4.5% | 7,000 | 6,700 | 4.5% | 7,100 | 6,700 | 6.0% |
| Other Stores ⁴ | 45,900 | 42,500 | 8.0% | 45,800 | 45,100 | 1.6% | 46,400 | 44,500 | 4.3% |
| Total | 107,200 | 102,300 | 4.8% | 110,700 | 108,700 | 1.8% | 112,400 | 108,500 | 3.6% |

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

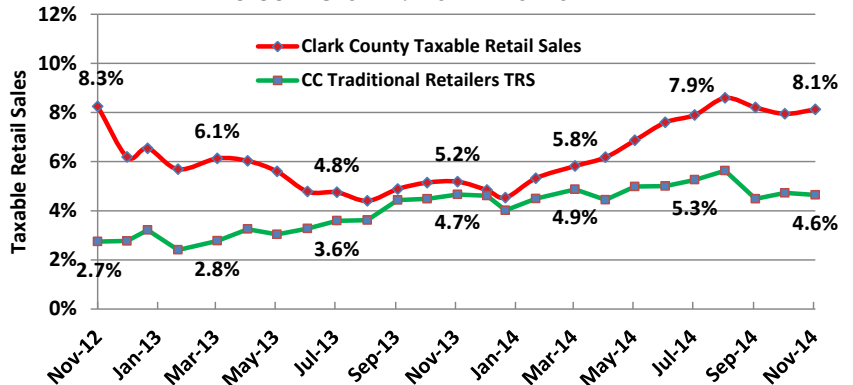
& personal care stores showed the strongest growth, increasing 6.0% (+400 jobs) in the last year. Total retail job growth between the third and fourth quarters was +6,400. Employment in the retail sector has been increasing on a year-over-year ("YOY") basis since May 2010 and has shown strong gains (+5.4%) during 2014.

TAXABLE RETAIL SALES

Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$36.2 billion in November, an 8.1% spike from November 2013. This brings the region's sales to around February 2008 levels, and very near to the December 2007 peak. Moreover, the average year-over-year growth over the last 36 months is 6.9%.

The three traditional retail sectors with the largest taxable sales growth, on an absolute basis, during the November 2013-November 2014 period, according to

Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Nov-12 to Nov-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 | \$724,679,168 | \$25,961,385 | 3.7% |
| General Merchandise Stores | \$309,034,327 | \$17,937,252 | 6.2% |
| Building Material and Garden Equipment and Supplies | \$96,285,627 | \$8,483,517 | 9.7% |
| Miscellaneous Store Retailers | \$51,758,106 | \$6,747,775 | 15.0% |
| Electronics and Appliance Stores | \$114,643,454 | \$5,434,429 | 5.0% |

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

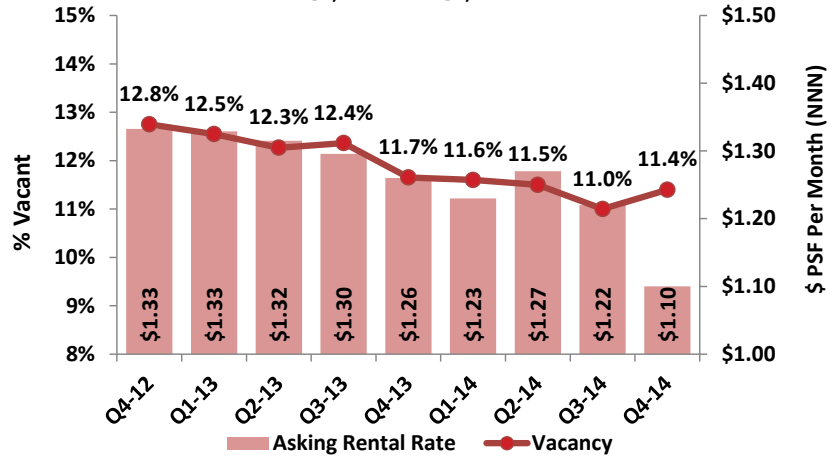
the Nevada Department of Taxation, were "food services and drinking places" (+\$26M, +3.7%), "general merchandise stores" (+\$18M, +6.2%) and "building material and garden equipment and supplies" (+\$8M, +9.7%). Solid growth in taxable sales among traditional retail outlets continued throughout 2014. Below is a table of the top five performing year-over-year traditional retailer types.

VACANCY & RENTS

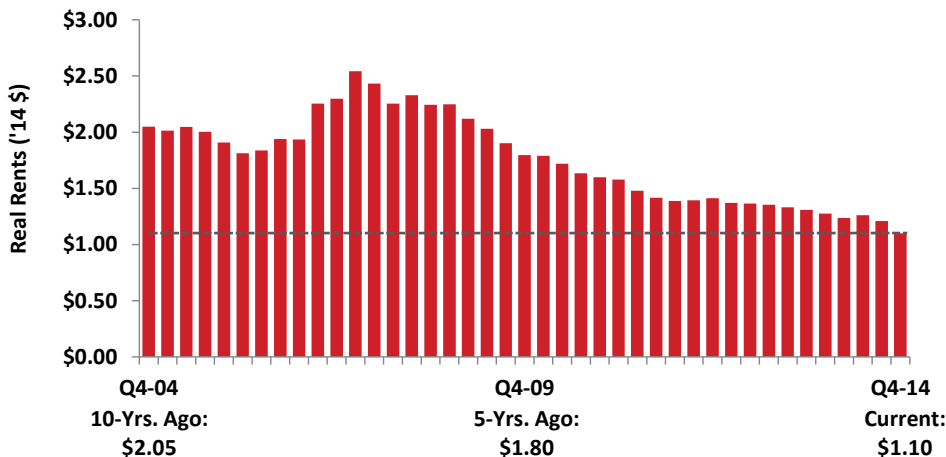
The average valley-wide anchored retail vacancy rate increased to 11.4% in Q4, 2014. This is a 0.4 percentage-point increase from Q3, but a 0.3 percentage-point decrease from Q4, 2013. The average valley-wide anchored retail vacancy rate remains 3.9 percentage-points lower than the record high of 15.3% that occurred in Q2, 2011.

The highest submarket vacancies at the end of Q4 were University East (16.1%), West Central (13.8%) and North Las Vegas (13.0%). Only two submarkets had vacancy rates below 10%: Southwest (8.7%) and Northeast (6.1%). Relative to the previous quarter, vacancy rates decreased in two submarkets, rose in five and remained unchanged in one. The only improvements in Q4, 2014 were in the Henderson and North Las Vegas submarkets, which saw vacancy rates drop 2.0 and 0.6 percentage-points to 11.1% and 13.0%, respectively.

**Las Vegas Valley Retail Market
Historical Vacancy vs. Monthly Asking Rent:
Q4, 2012 - Q4, 2014**



**Las Vegas Valley Retail Market
Inflation-Adjusted Asking Rent: Q4, 2004 - Q4, 2014 (Baseline)**



Vacancy improved in both Neighborhood and Power Centers during the fourth quarter. They combined for 457,800 sf of absorption. Power Centers now have the lowest overall vacancy rate among the three product types at 9.9%. The Community Center rate increased to 12.6% while Neighborhood Centers dropped to 10.8% at the end of Q4.

Monthly asking rents decreased in Q4 for the second consecutive quarterly decrease. Asking rents have fallen back to a new low, reaching \$1.10 psf in Q4 (calculated on a NNN basis; not accounting

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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 dropping vacancies. As long as the vacancy rate continues on its downward trend, and the retail real estate market improves, we expect to see new anchored retail development in next 12-18 months.

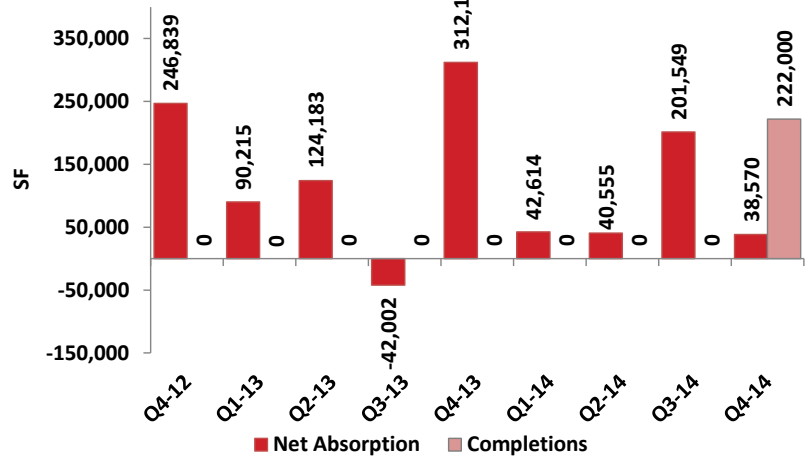
DEMAND

There was a total of 38,600 sf of total net absorption in Q4, 2014, 163,000 sf less than Q3's 201,500 sf of total net absorption. The fourth quarter of 2013 also saw high total net absorption, as there were 312,100 sf of total net absorption in Q4, 2013.

Net absorption declined in the University East (-227,100 sf), Southwest (-82,700 sf), West Central (-14,300 sf), Northeast (-13,800 sf) and Downtown (-27,900 sf) submarkets this quarter. The remaining three submarkets recorded positive net absorption, led by the Northwest submarket with 200,300 sf.

Net absorption was also positive in both Neighborhood Centers (+147,300 sf) and Power Centers (+310,500 sf), more than offsetting the loss in Community Centers (-419,200 sf).

**Las Vegas Valley Retail Market
Historical Net Absorption vs. Completions
Q4, 2012 - Q4, 2014**

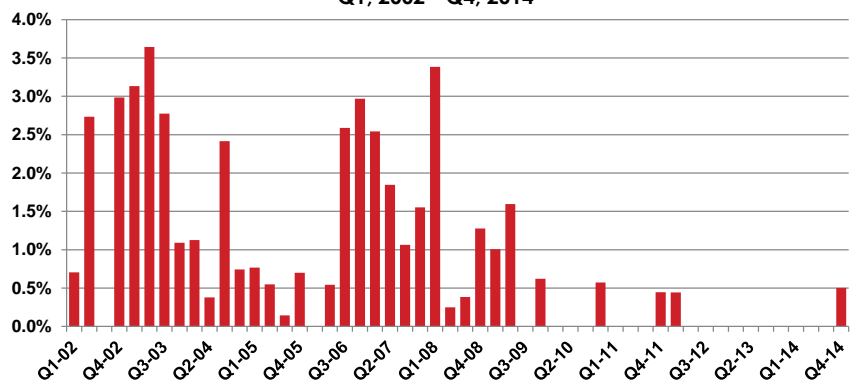


SUPPLY

One new anchored retail space was completed in the Valley during Q4, 2014. This was the first completion since Q1, 2012. Prior to Q4, 2014, there were only two quarters in 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 is now at 44.3 million sf in 267 shopping centers.

There are two construction projects totaling 278,700 sf in the works. These are the 138,700-square-foot Green Valley Crossing in Henderson and the 140,000-square-foot Decatur @ Target shopping center in the Northwest.

**Las Vegas Valley Retail Market
Completions as a % of Inventory:
Q1, 2002 - Q4, 2014**



From what we know today, we do not see much new retail development taking place in 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 five quarters (based on the average quarterly absorption rate of 178,000 sf over the last 10 years).

FURTHER THOUGHTS

Clark County's taxable retail sales climbed by 6.3 percent on a year-over-year basis in November 2014. On a year-over-year basis, taxable sales in Clark County have shown positive growth for the past twelve

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months. DETR reported 112,400 total jobs in Clark County's retail sector in December 2014, 3.6 percent year-over-year growth (+3,900 jobs). If consumer spending continues to grow through 2015, expansion by existing retailers and new retail concepts will likely enter Southern Nevada.

Four things stand in the way of continued and even stronger improvement in taxable retail sales. The first is improvement in the residential market. Households that have been avoiding paying their mortgages may lose that unofficial boost to their income and their disposable income may suffer as a result.

In the short-run, the drop in gasoline prices has essentially given Southern Nevadans a "raise" and an increase in spending and savings power, but as these price cuts retrench, spending could be curtailed since consumers will have to return to depending on rising wages and incomes, which have been stagnant for some time when adjusted for inflation.

The second is the potential diversion of disposable income into health insurance, as required by the ACA. Neither is likely to put an end to the recovery, but both could act as headwinds. The third is stagnant wages after adjusting for inflation and the fourth is stagnant average hours worked per week.

If consumer spending remains strong, the outlook for the local retail market is positive. Retail employment is showing growth and vacancy has generally been declining since Q2, 2011. Rents continue to drop as well, and this should help stimulate demand for retail space.

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 Fourth 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 | 59 | 23 | 40 | 34 | 267 |
| Total Rentable SF | 1,105,851 | 8,680,068 | 4,910,743 | 2,542,317 | 10,810,588 | 5,783,835 | 6,050,227 | 4,379,055 | 44,262,684 |
| Total Vacant SF | 139,665 | 965,091 | 636,180 | 155,976 | 1,052,135 | 503,696 | 971,696 | 606,479 | 5,030,918 |
| Total Occupied SF | 966,186 | 7,714,977 | 4,274,563 | 2,386,341 | 9,758,453 | 5,280,139 | 5,078,531 | 3,772,576 | 39,231,766 |
| Total Vacant (%) | 12.6% | 11.1% | 13.0% | 6.1% | 9.7% | 8.7% | 16.1% | 13.8% | 11.4% |
| Completions QTD | 0 | 0 | 0 | 0 | 222,000 | 0 | 0 | 0 | 222,000 |
| Completions YOY | 0 | 0 | 0 | 0 | 222,000 | 0 | 0 | 0 | 222,000 |
| Total Net Absorption QTD | -27,870 | 174,787 | 29,329 | -13,835 | 200,287 | -82,748 | -227,092 | -14,287 | 38,571 |
| Total Net Absorption YOY | 16,072 | 199,289 | -117,605 | 104,798 | 163,936 | -45,394 | -139,752 | 141,945 | 323,289 |
| Asking Rents (\$ PSF) | \$1.26 | \$1.42 | \$1.26 | \$1.25 | \$1.20 | \$1.44 | \$0.57 | \$0.96 | \$1.10 |
| 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 |

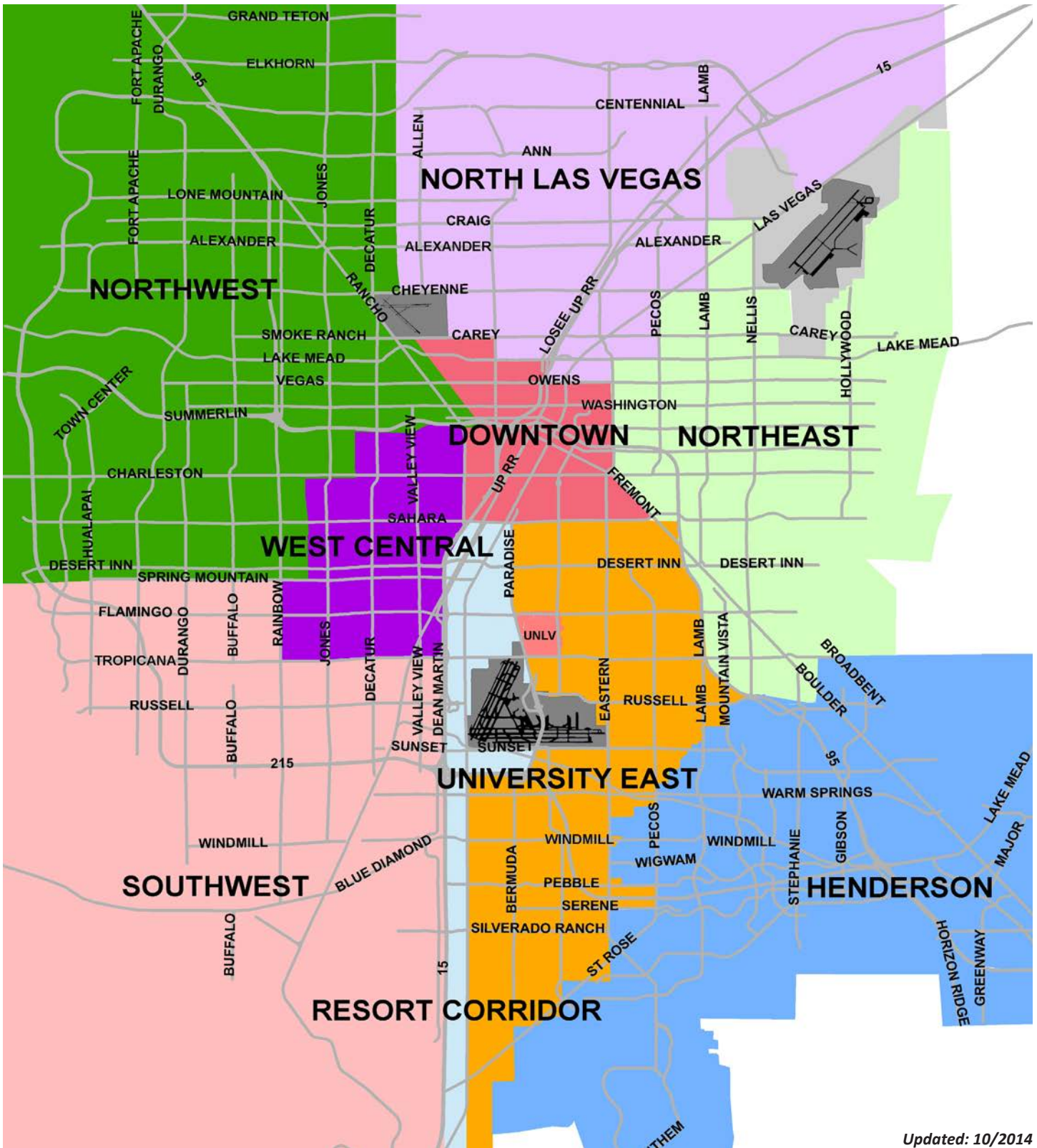
| POWER CENTERS | Downtown | Henderson | North Las Vegas | Northeast | Northwest | Southwest | University East | West Central | Totals |
|--------------------------|----------|-----------|-----------------|-----------|-----------|-----------|-----------------|--------------|------------|
| Number of 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 | 579,079 | 0 | 0 | 91,321 | 7,200 | 183,719 | 140,785 | 1,002,104 |
| Total Occupied SF | 0 | 2,383,209 | 987,713 | 0 | 2,749,525 | 937,114 | 1,026,504 | 997,439 | 9,081,504 |
| Total Vacant (%) | 0.0% | 19.5% | 0.0% | 0.0% | 3.2% | 0.8% | 15.2% | 12.4% | 9.9% |
| 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 | 46,225 | 1,740 | 0 | 39,185 | 0 | 156,818 | 66,485 | 310,453 |
| Total Net Absorption YOY | 0 | -62,152 | 8,493 | 0 | 28,166 | 40,611 | -11,901 | 66,289 | 69,506 |
| Asking Rents (\$ PSF) | \$0.00 | \$1.66 | \$0.00 | \$0.00 | \$1.13 | \$1.50 | \$1.26 | \$1.31 | \$1.47 |
| 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 | 20 | 9 | 19 | 15 | 107 |
| Total Rentable SF | 678,690 | 2,920,692 | 1,755,463 | 1,407,552 | 4,314,234 | 3,216,421 | 2,761,028 | 1,649,146 | 18,703,226 |
| Total Vacant SF | 106,054 | 178,173 | 213,575 | 95,418 | 413,572 | 386,704 | 635,409 | 323,720 | 2,352,625 |
| Total Occupied SF | 572,636 | 2,742,519 | 1,541,888 | 1,312,134 | 3,900,662 | 2,829,717 | 2,125,619 | 1,325,426 | 16,350,601 |
| Total Vacant (%) | 15.6% | 6.1% | 12.2% | 6.8% | 9.6% | 12.0% | 23.0% | 19.6% | 12.6% |
| Completions QTD | 0 | 0 | 0 | 0 | 222,000 | 0 | 0 | 0 | 222,000 |
| Completions YOY | 0 | 0 | 0 | 0 | 222,000 | 0 | 0 | 0 | 222,000 |
| Total Net Absorption QTD | -26,170 | -10,159 | 16,796 | -19,035 | 137,724 | -74,841 | -391,060 | -52,479 | -419,224 |
| Total Net Absorption YOY | -42,509 | 128,430 | -58,172 | 21,563 | 120,021 | -103,406 | -240,051 | 73,165 | -100,959 |
| Asking Rents (\$ PSF) | \$1.23 | \$1.24 | \$0.87 | \$1.30 | \$1.66 | \$1.37 | \$0.80 | \$0.78 | \$0.89 |
| 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 | 33,611 | 207,839 | 422,605 | 60,558 | 547,242 | 109,792 | 152,568 | 141,974 | 1,676,189 |
| Total Occupied SF | 393,550 | 2,589,249 | 1,744,962 | 1,074,207 | 3,108,266 | 1,513,308 | 1,926,408 | 1,449,711 | 13,799,661 |
| Total Vacant (%) | 7.9% | 7.4% | 19.5% | 5.3% | 15.0% | 6.8% | 7.3% | 8.9% | 10.8% |
| 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 | -1,700 | 138,721 | 10,793 | 5,200 | 23,378 | -7,907 | 7,150 | -28,293 | 147,342 |
| Total Net Absorption YOY | 58,581 | 133,011 | -67,926 | 83,235 | 15,749 | 17,401 | 112,200 | 2,491 | 354,742 |
| Asking Rents (\$ PSF) | \$1.31 | \$1.05 | \$1.59 | \$1.23 | \$0.98 | \$1.61 | \$1.15 | \$1.13 | \$1.20 |
| 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