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Press Release

Quarterly Commercial Real Estate Report – Q3, 2014: Industrial market surging, Retail stable and Office market finally improving

October 17, 2014 - RCG Economics and the UNLV LIED Institute for Real Estate Studies are happy to present the results of our Las Vegas Valley Quarterly Commercial Surveys for the third quarter of 2014. It was a good quarter for all three major markets (Industrial, Speculative Office and Anchored Retail). All markets saw a decrease in vacancy rates, while the Industrial and Commercial markets also saw an increase in asking rents. Below is a brief summary of our findings.

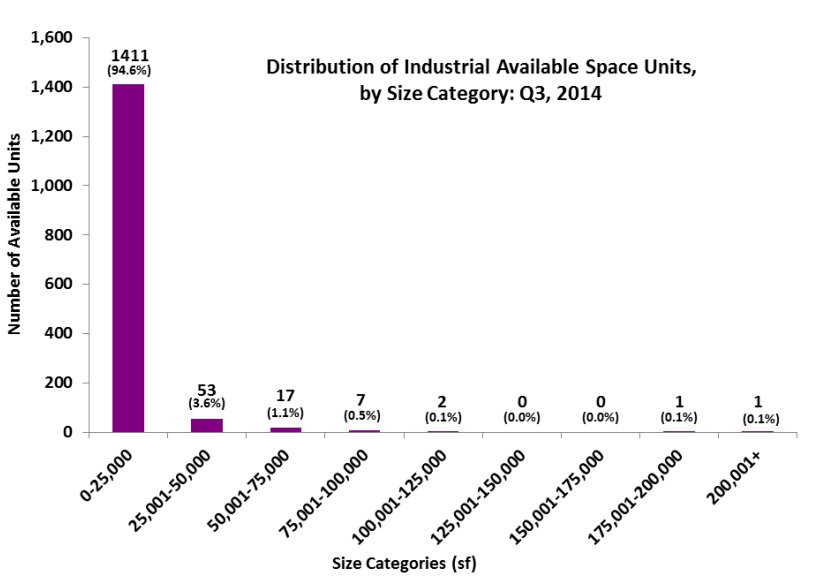
Industrial Market

Industrial	Q3, 2014	Q2, 2014	QOQ Change	Q3, 2013	YOY Change
Vacancy Rate (%Points)	8.6%	9.7%	-1.1	12.6%	-4.0
Asking Rent (\$/sf)	0.60	0.58	0.02	0.51	0.09
Inventory (SF)	107,903,642	107,864,152	39,490	107,592,152	311,490
QOQ Absorption (SF)	1,184,031	1,654,362	-470,331	1,610,129	-426,098
Completions (SF)	39,490	200,000	-160,510	352,000	-312,510
Under Construction (SF)	1,848,703	1,029,000	819,703	566,000	1,282,703

Market Highlights:

- The Valley's average industrial vacancy rate plunged by four percentage points from 12.6% in Q3, 2013 to 8.6% in Q3, 2014.
- The Valley's average monthly asking rent jumped by nearly 18% from \$.51 psf in Q3, 2013 to \$.60 psf in Q3, 2014.
- The Light Industrial subtype has the lowest vacancy rate at 6.7%
- The R&D/Flex subtype has the highest vacancy rate at 18.3%.
- The Henderson submarket has the lowest vacancy rate at 6.0%.
- The Northwest submarket has the highest vacancy rate at 13.1%.
- The monthly asking rent for Industrial space increased by \$0.02/sf since Q2, 2014.
- The Warehouse/Distribution subtype is surging, with a vacancy rate that has dropped 5.7 percentage-points in the last year.

- Warehouse/Distribution has 3,181,300 square feet ("sf") of new space under construction or in planning, making up 93% of all Industrial space in development.
- Conclusion: The Las Vegas Valley's industrial market is now firmly on the recovery road with a vacancy rate below 10%.
- The distribution of available properties is still heavily skewed toward buildings smaller than 25,000 sf. See chart.



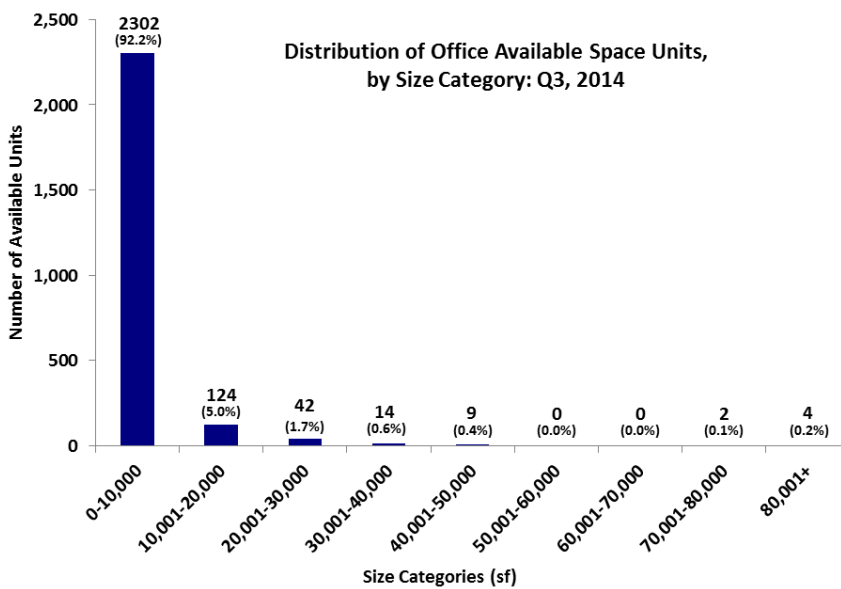
Speculative Office Market:

Speculative Office	Q3, 2014	Q2, 2014	QOQ Change	Q3, 2013	YOY Change
Vacancy Rate (%-Points)	21.4%	22.7%	-1.3	24.9%	-3.5
Asking Rent (\$/sf)	1.88	1.80	0.08	1.87	0.01
Inventory (SF)	42,771,369	42,601,369	170,000	42,503,669	267,700
QOQ Absorption (SF)	710,550	230,091	480,459	-192,563	903,113
Completions (SF)	170,000	0	170,000	26,000	144,000
Under Construction (SF)	290,868	534,000	-243,132	497,000	-206,132

Market Highlights:

- The Valley's average spec office vacancy rate dropped by 3.5 percentage points from 24.9% in Q3, 2013 to 21.4% in Q3, 2014.
- The Valley's average monthly asking rent stayed relatively stable, from \$1.87 psf in Q3, 2013 to \$1.88 psf in Q3, 2014.
- The Class C office market has the lowest vacancy rate at 16.3%
- The Class A market has the highest vacancy rate at 30.3%.
- The North Las Vegas submarket has the lowest vacancy rate at 14.9%.

- The East Las Vegas submarket has the highest vacancy rate at 23.3%.
- The West Central submarket remains the least expensive at a monthly rent of \$1.33/sf.
- Class C space is leading the downward charge in vacancy rates. The rate dropped by 5.4 percentage-points since last year and 2.3 percentage-points since last quarter.
- Generally, vacancy rates in all subtypes and submarkets have improved over the last year.
- The Las Vegas Valley has 6.5 years of supply of speculative office space remaining to reach the 10% stabilized vacancy rate, based on the 40-quarter (10-year) average absorption rate.
- The distribution of available properties is heavily skewed toward buildings smaller than 10,000 sf. See chart.



Anchored Retail Market:

Anchored Retail	Q3, 2014	Q2, 2014	QOQ Change	Q3, 2013	YOY Change
Vacancy Rate (%Points)	11.0%	11.5%	-0.5	12.4%	-1.4
Asking Rent (\$/sf)	1.22	1.27	-0.04	1.30	-0.07
Inventory (SF)	44,040,684	44,040,684	0	44,040,684	0
QOQ Absorption (SF)	201,549	40,555	160,994	-42,002	243,551
Completions (SF)	0	0	0	0	0
Under Construction (SF)	278,738	278,738	0	278,738	0

Market Highlights:

- The Valley's average anchored retail vacancy rate dropped by 1.4 percentage points from 12.4% in Q3, 2013 to 11% in Q3, 2014.
- The Valley's average monthly asking rent declined slightly from \$1.30 psf in Q3, 2013 to \$1.22 psf in Q3, 2014.
- The Community Centers had the lowest vacancy rate at 9.3%
- The Northeast submarket has the lowest vacancy rate at 5.6%.
- The North Las Vegas submarket has the highest vacancy rate at 13.6%.
- Vacancy in Power Centers worsened 2.1 percentage-points since last quarter.
- The Las Vegas Valley has about 1 year of supply of anchored retail space remaining to reach the 10% stabilized vacancy rate, based on the 40-quarter (10-year) average absorption rate.
- Asking rents for Anchored Retail space is volatile, having alternated between an increase and decrease each quarter for the last three quarters.

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