



# LAS VEGAS

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## QUARTERLY

Q4/14

Accelerating success.

# GLOSSARY

## Industrial Definitions

Incubator:	Multi-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and bay sizes lower than 3,500 square feet.
Light Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of less than 15,000 square feet.
Light Industrial:	Multi- or single-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and, in the case of multi-tenant buildings, bay sizes of at least 3,500 square feet.
Flex:	Multi- or single-tenant buildings without dock-high loading doors with parking ratios in excess of 3.5/1,000 square feet.
Warehouse/Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of at least 15,000 square feet.

## Office Definitions

Class A Office:	Buildings with steel frame construction, high end exterior finish, distinctive lobbies featuring upgraded finishes, amenities including on-site security, state-of-the-art communications and data infrastructure and covered parking. Class A buildings are usually multi-story.
Class B Office:	Buildings with steel frame, reinforced concrete or concrete tilt-up construction. Class B buildings contain common bathrooms and hallways, and their lobbies may have granite and hardwood detailing. Class B buildings are often multi-story.
Class C Office:	Buildings of wood frame construction. Class C buildings are often garden-style and are built around courtyards.

## Retail Definitions

Community Center:	Retail centers anchored by supermarkets, drug stores and discount department stores. Tenants include off-price retailers selling apparel, home improvements/furnishings, toys, electronics or sporting goods.
Neighborhood Center:	Retail centers anchored by supermarkets and drug stores. Neighborhood centers are intended for convenience shopping for day-to-day needs of consumers.
Power Center:	Retail centers dominated by several large anchors including discount department stores, off-price stores, warehouse clubs or "category killers". Power centers generally inline space.

## Multi-family Definitions

Class A Multi-family:	Buildings constructed in the last 5 years
Class B/C Multi-family:	Buildings constructed more than 5 years ago

## General Definitions

Vacant SF:	Space in a building that is unoccupied and offered for lease by the owner of the company.
Sublease SF:	Space in a building that is offered for sublease by the primary tenant. This space may or may not be occupied.
Net Absorption:	Difference in occupied square footage from one period to another.

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Southern Nevada's retail market had a rocky 2014. The year started on a down-note, with negative net absorption in the first quarter, following negative net absorption in the fourth quarter of 2013.

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## 485 offices in 63 countries on 6 continents

United States: 146  
Canada: 44  
Latin America: 25  
Asia Pacific: 186  
EMEA: 84

- > \$2.1 billion in annual revenue
- > 1.46 billion square feet under management
- > Over 15,800 professionals

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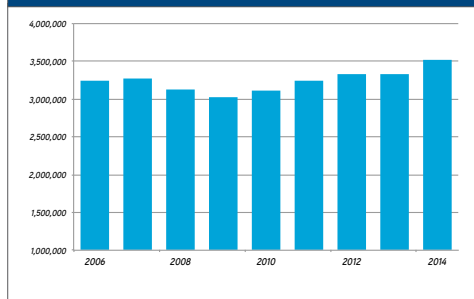


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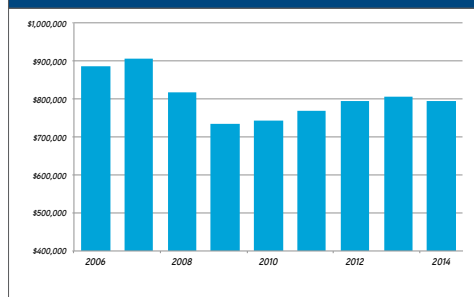


## (Almost) All Systems Go in 2014

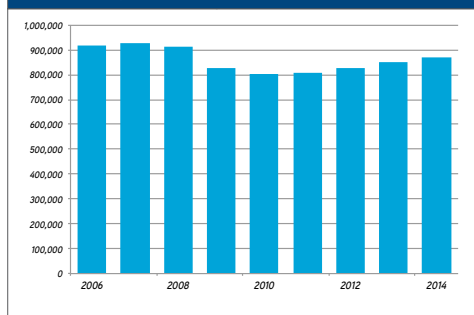
Southern Nevada Visitor Volume (Monthly Average)



Southern Nevada Gaming Revenue (Monthly Average)



Total Employment Las Vegas MSA



Southern Nevada's economy put the recession behind it in 2013, and continued to improve in 2014, though not as at quick a pace. Comparing 2014 to 2013, we see a slowdown in new home sales, gaming revenue growth and employment, but improvements in commercial occupancy (driven primarily by the industrial market), visitor volume, in-migration into Southern Nevada and taxable sales. In two areas, new home sales and gaming revenue, we saw negative growth, while employment growth simply slowed down.

Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Unemployment averaged 7.9 percent in 2014, compared to 10 percent in 2013. Since October 2013, total employment in Southern Nevada increased by 23,200 jobs, the majority in professional/business services (+5,700 jobs), trade/transportation/utilities (+5,100 jobs), leisure/hospitality (+4,700 jobs) and education/health services (+3,700 jobs). Construction employment also increased year-over-year, by 1,500 jobs, notable due to the construction industry's terrible fall during the Great Recession. Despite recent improvements, construction employment in Southern Nevada remains almost 70,000 jobs below its peak in 2006.

According to data provided by the Nevada Department of Motor Vehicles, the number of out-of-state driver's licenses turned in per month has averaged 5,504 in the first ten months of 2014. This is slightly more than the 2013's average of 5,481 licenses per month, and less than 2012's average of 5,691 licenses per. In fact, 2012 appears to have been the peak year, post-Great Recession, for migration into the Valley, though not necessarily population growth. This slower growth is likely responsible for weakness in new home sales and construction employment. Since Las Vegas's birth in 1905, population growth has been a major driver of economic growth. In the past, population growth was driven by the Valley's low unemployment rate and retirees looking to escape the dramatic weather and high cost of living elsewhere in the United States.

In terms of the pillars of the local economy, construction and leisure/hospitality, the former

has started showing signs of life with increased construction in industrial, office, retail and multifamily projects, while the latter continues to recover nicely. Construction of a new resort, ResortsWorld Las Vegas, looms on the Las Vegas "Strip". These projects may not be enough to reverse the massive construction job losses experienced by the Valley during the Great Recession, but they do help to mitigate them, and they are very necessary if the Valley is ever to return to the growth rates it enjoyed pre-Great Recession.

Visitor volume in Las Vegas has recovered from the lows experienced during the Great Recession. An average of 3.5 million people visited Southern Nevada per month in 2014 through October. This is higher than in 2013, when 3.3 million people per month visited Southern Nevada, and the highest monthly average recorded since 3.6 million people per month visited in 2004. Gaming revenue, which showed some improvement during the middle of 2014, has not kept pace. In the first ten months of 2014, gaming revenue totaled \$7.96 billion, compared to \$8 billion in 2013. Visitors to Southern Nevada have more to spend their money on than gaming, and overall visitor spending has been on the rise. In the face of competition from across the United States and in Macau, Las Vegas resorts are once again reinventing themselves, pushing entertainment venues, night clubs and retail concepts that are now moving outside the confines of the casino and mall, giving tourists a chance to walk outside for a breath of fresh air and still spend money on-property.

Investment sales of commercial real estate totaled 7.5 million square feet in 231 properties in 2014, with total sales volume of \$1.13 billion. This was less square footage than in 2013, when 14.0 million square feet in 245 projects sold, with a sales volume of \$1.4 billion.

Investment sales of distressed real estate amounted to 1.4 million square feet in 2014, representing approximately 18 percent of the total square footage sold. Distressed sales volume was \$137.4 million, giving an average sales price of \$100.67 per square foot. On average, distressed properties have sold for 85.7 percent of their asking price in 2014, down 1.4 points from 2013's average of

## CLARK COUNTY ECONOMIC DATA

	CURRENT	YEAR AGO
Jobs (1000s) (Oct '14)	882.8	859.6
Visitor Volume (2014 YTD)	35.2 MM	33.7 MM
Gaming Revenue (2014 YTD)	\$7.96 BB	\$8.00 BB
Taxable Sales (2014 YTD)	\$26.5 BB	\$24.6 BB
Commercial Occupancy (Q4)	88.4%	87.0%

SOURCE: THE CENTER FOR BUSINESS &amp; ECONOMIC RESEARCH, UNLV

## INDUSTRY

Industry	Y-O-Y Change
Natural Resources & Mining	+ 0
Construction	+ 1,500
Manufacturing	+ 600
Trade, Transportation & Utilities	+ 5,100
Information	- 100
Financial Activities	+ 500
Professional & Business Services	+ 5,700
Education & Health Services	+ 3,700
Leisure & Hospitality	+ 4,700
Other Services	+ 400
Government	+ 900

## RECOVERY INDEX

Category	2014	2013
New Home Sales Average	20.3	25.7
Commercial Occupancy Average	95.7	93.0
Gaming Revenue Average	109.2	106.6
Visitor Volume Average	100.2	96.2
New Residents Average	79.4	81.4
Employment Average	105.4	102.3
Taxable Sales (Clark County) Average	113.1	104.5
Container Traffic, Port of LA Average	118.1	109.4
INDEX AVERAGE (WEIGHTED)	97.6	94.3

JANUARY 2005 = 100

87.1 percent. The total square footage of distressed commercial real estate sold decreased in both 2013 and 2014.

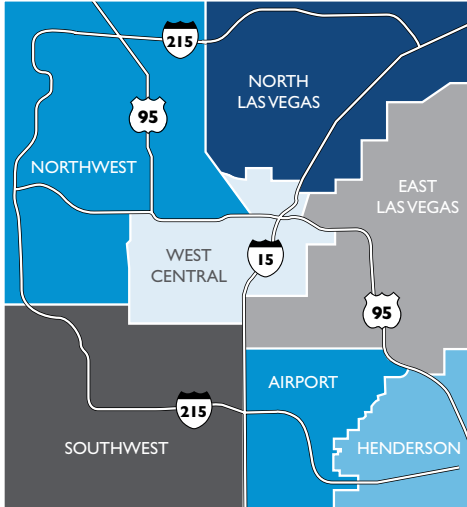
Non-distressed investment sales amounted to 6.2 million square feet in 2014. Sales volume on non-distressed properties was \$993.9 million and the average sales price was \$161.05 psf, roughly 1.6 times the average sales price for distressed properties. On average, non-distressed properties sold for 90.2 percent of their asking price so far in 2014, up 4 points from 2013's average of 86.2 percent.

## Recovery Index

The cycle of growth and decline in the Southern Nevada CRE Recovery Index became wobbly in 2014. In 2013, the index went through a winter lull, and then grew from June to November. In 2014, the index has bounced around a bit more, increasing in January, decreasing in February and March, increasing in April, then down in May, rebounding in June and down again in July before growing again in August and September. This lack of strong, sustained growth in the economy, when compared to 2013, is evident in the commercial real estate realm through decreases in both gross and net absorption in 2014 compared to 2013. That being said, on a year-over-year basis the index is doing quite well, with only two factors, new home sales and new residents, declining over the past 12 months. Unfortunately, these two factors are important ones, and their impact on future growth must not be discounted.

The spectre of the Great Recession continues to loom over Southern Nevada, even while its economy is once again growing. The rate of growth since 2010 is not as fast as it was before 2006, and that leaves us with a slightly less dynamic economy and one that cannot depend on growth for growth's sake as it once did. This is an important development. The rate of growth after the 2001/2002 recession, a much milder recession, quickly returned to form. We think the economy will continue to grow, and this growth will be felt in the commercial real estate market. However, we do not expect growth to be as strong as it once was because the construction industry that once did so much for Southern Nevada has remained on the sidelines during most of the recovery, and will continue to do so (in relative terms) for the foreseeable future. While some portion of the vacant product on the market can be dismissed as generally undesirable to tenants and investors, its impact will continue to be felt on rental rates and therefore the value of Southern Nevada's real estate in the eyes of investors for years to come. This is not all bad news, though. Real estate in Southern Nevada, both commercial and residential, is now more competitive with competing regional markets, and thus better positioned to attract new and expanding businesses.

# Industrial Review



The industrial market had a great year in 2013, and 2014 nearly matched it. The year closed with 3,488,230 square feet of net absorption, only slightly less than in 2013. It took about 200,000 square feet more new construction to get to that number, underscoring the slightly weaker performance in the speculative industrial market experienced this year compared to last. Industrial vacancy decreased to 8.8 percent in the fourth quarter of 2014, and asking rental rates increased to \$0.55 per square foot (psf) on a triple net (NNN) basis.

Southern Nevada’s industrial job market improved in October 2014 (the latest month of data available) compared with October 2013, with 800 new jobs in employment sectors associated with industrial buildings. The construction sector, which had been adding jobs earlier in the year, decreased on a year-over-year basis in October, losing 500 jobs. Jobs were added in the transportation & warehousing sector (+700 jobs), manufacturing (+400 jobs) and wholesale (+200 jobs). Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Since October 2013, total employment in Southern Nevada has increased by 30,326 jobs.

Southern Nevada’s industrial inventory expanded by 1,095,400 square feet in 2014. All but 14,123 square feet of this space was build-to-suit space. 699,000 square feet of BTS industrial space and 49,320 square feet of speculative industrial space was completed in 2013; i.e. more BTS and less speculative space was completed in 2014 than 2013. Net absorption in speculative projects was very strong in 2013, and slightly weaker in 2014. Yet the industrial development pipeline in 2015 is primarily composed of speculative industrial space, almost 3.7 million square feet. While it is highly unlikely that all of this product will even begin construction, let alone be completed, it is noteworthy. 2015 will answer the question, “Did speculative net absorption decline in 2014 because of a lack of available product, or because of a softening of demand?” We believe the answer is the former, and that these new projects, as they are completed, will be fairly successful.

For the eighth consecutive quarter, and second consecutive year, Southern Nevada experienced positive net absorption in its industrial market. Net absorption has now been positive in ten of the last eleven quarters. Net absorption totaled 3,488,230 square feet in 2014, slightly less than the 3,689,586 square feet in 2013. These figures compare very favorably with net absorption figures posted between 1999 and 2003, but are roughly half that posted during the boom period from 2004-2007. C’est la vie. Net absorption was positive in all of the Valley’s submarkets in 2014. The king of net absorption in 2014 was North Las Vegas, with 1,257,338 square feet. The Southwest followed with 965,732 square feet. Henderson and the Airport submarkets also posted strong net absorption in 2014. The smaller East Las Vegas and Northwest submarkets experienced less than 50,000 square feet of net absorption each. Gross absorption in 2014 totaled 11.9 million square feet, lower than the 13.3 million square feet of gross absorption recorded in 2013. Gross absorption lagged in the fourth quarter of 2014 compared to the preceding three.

Industrial vacancy has been on the decline since the first quarter of 2012, dropping from a high of 14.0 percent then to 8.8 percent now. This is the lowest industrial vacancy recorded since the second quarter of 2008, when vacancy was 7.8 percent. If Southern Nevada can maintain current rates of recovery, it will likely return to what we would consider a healthy vacancy of approximately 6 percent by mid-2016.

The lowest industrial vacancy rate on a submarket basis belonged to the Henderson submarket at 6.9 percent, despite negative net absorption in the fourth quarter of 2014. Among product types, warehouse/distribution product had the lowest vacancy rate at 5.6 percent. The lowest overall vacancy rates were in warehouse/distribution projects in Henderson at 1 percent vacancy. Despite this exceedingly low vacancy rate, there is only one warehouse/distribution project planned in Henderson. The highest vacancy rate in the Valley was in East Las Vegas flex space, at 39.5 percent. The lack of planned flex space is not surprising.

## MARKET INDICATORS

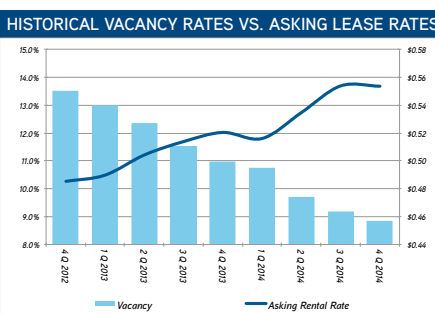
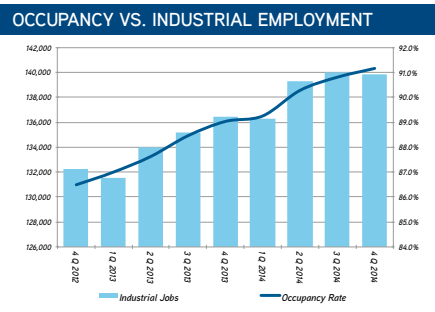
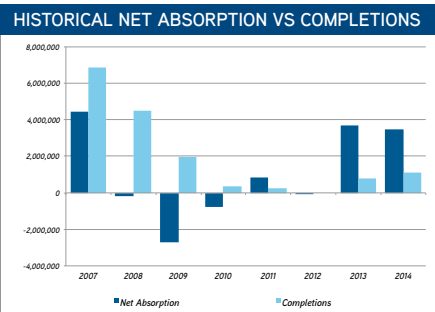
	Q4-14	Q1-15 PROJECTED
VACANCY	↓	↓
NET ABSORPTION	↑	→
CONSTRUCTION	↑	↓
RENTAL RATE	→	↑

## MARKET SUMMARY

	Q4-14	Q3-14	Q4-13
Vacancy Rate	8.8%	9.2%	11.0%
Asking Rent (PSF, NNN)	\$0.55	\$0.55	\$0.52
Net Absorption (SF)	3,488,230	2,668,266	3,689,586
New Completions (SF)	1,095,400	650,880	813,948

EMPLOYMENT			
	OCT 2014	OCT 2013	CHANGE
Construction	42,400	42,900	- 500
Manufacturing	21,300	20,900	+ 400
Transportation & Warehousing	35,200	34,500	+ 700
Wholesale	20,800	20,600	+ 200

Source: Nevada Department of Employment, Training and Rehabilitation.



The industries most active in occupying industrial space so far in 2014 were involved in transportation & warehousing, wholesale and business services. Local companies took about 48 percent of the leased square footage we tracked in 2014, down from 58 percent in 2013. Companies headquartered in the Southwest United States (not including Southern Nevada) took 11 percent of the leased space we have tracked in 2014, while 8 percent was taken by Southeastern companies and 7 percent by companies from the Midwest.

The weighted average asking lease rate for industrial space remained stable at \$0.55 psf NNN. This quarter's asking lease rate was \$0.03 higher than in the fourth quarter of 2013. If adjusted for inflation, the weighted average asking lease rate would be \$0.42 psf NNN, a \$0.02 increase from one year ago. The current asking rate adjusted for inflation is \$0.11 lower than it was during the last economic recovery in 2004. Units leased in 2014 had effective lease rates that averaged 101.8 percent of asking rates, up from 96.4 percent posted in 2013. When effective rents exceed asking rates, asking rates are ready to increase, as they have been for the past eight quarters.

Sales volume was down slightly in 2014 compared to 2013, but the average sales price increased dramatically. This might indicate that 2013 was the end of the "fire sale" period in Southern Nevada's industrial recovery. Average sale prices of investment properties have increased by almost \$30 psf in 2014 and average asking price by approximately \$20 psf. An increase in prices should logically decrease the volume of sales, without it indicating fundamental weakness in the market. Buyers may not enjoy this new phase in the recovery, but landlords will. As a side note, in 2009, Southern Nevada's industrial market had over 4 million square feet of product available for sale on an owner/user basis. In 2014, this number has fallen to approximately 1.6 million square feet; a dramatic indication of the recovery the market has experienced.

There were 66 industrial investment sales in 2014 totaling 2.53 million square feet. Investment sales volume was \$224.3 million, giving the market an average sales price of \$88.73 per square foot. Compare this to 2013 when 58 properties totaling 5.97 million square feet sold for a total of \$352.9 million and an average sales price of \$61.94 per square foot. Investment sales in 2014 were more comparable to 2012 than 2013, which was by all measurements a fantastic year for industrial investment sales. Distressed sales in 2014 totaled seven buildings containing 198,000 square feet, with a sales volume of \$13.7 million and an average

sales price of \$69.15 per square foot. Non-distressed properties sold for an average of \$90.39 psf.

Warehouse/distribution space dominated Southern Nevada's industrial recovery in 2013 and 2014, and will likely continue to do so in 2015, assuming the demand for speculative space is as high as developers think it is. Over the past four quarters, warehouse/distribution space accounted for 56.5 percent of the market's net absorption, while only accounting for 35.9 percent of its gross absorption. 2015's potential surge of speculative warehouse/distribution construction will test the market's strength. If transportation and warehousing are driving demand for warehouse/distribution space, the current drop in fuel prices in the United States could be a boon to demand, provided consumers continue spending at the rate they have been spending, and thus sustain the market that truckers and warehouses are feeding. Warehouse/distribution vacancy decreased to 5.6 percent in 2014, while the overall asking rate increased to \$0.44 psf NNN.

Light distribution had a good 2014, as vacancy decreased to 12.7 percent from 2013's 16.1 percent, and asking rates increased to \$0.50 psf NNN from 2013's \$0.45 psf NNN. Still, net absorption was lower in 2014 than 2013 by nearly 150,000 square feet, and gross absorption was lower by about 1 million square feet. Light distribution vacancy fell to 12.7 percent in 2014, while overall asking rent increased by \$0.01 to \$0.50 psf NNN.

Demand for light industrial space fell in the second half of 2014 compared to the first half of 2014, primarily due to a bevy of new availabilities in the Henderson submarket and overall weaker owner/user sales compared to 2013. Net absorption was 392,780 square feet in 2014, higher than in 2013, and light industrial vacancy fell to 8.7 percent from 2013's year end 9.4 percent. Asking rents for light industrial product increased by \$0.03 to \$0.55 psf NNN from 2013's asking rental rate of \$0.52 psf NNN. In 2014, there were 94 light industrial owner/user sales, totaling 1,024,938 square feet, with a total sales volume of \$94.7 million. The average sales price for light industrial in 2014 was \$92.37 psf. Of these sales, only 134,637 square feet were of distressed properties, with an average sales price of \$64.73 psf. Non-distressed sales had an average sales price of \$96.55.

Incubator space and flex space combined for almost 500,000 square feet of net absorption in 2014, more than light industrial product with less than half of light industrial's total inventory. Vacancy rates in incubator and flex properties remained elevated compared to other industrial product types, but

showed improvement in 2014. Asking rental rates for incubator space increased in 2014, while flex rates fell. In the fourth quarter of 2014, incubator vacancy decreased to 11.9 percent, while the overall asking rate increased by \$0.03 to \$0.68 psf NNN. Flex vacancy decreased to 20.3 percent, and its overall asking rate decreased by \$0.02 to \$0.81 psf NNN.

The only blemish on 2014's industrial performance was via a comparison to 2013's, which was marginally better. Over the past twelve months, industrial vacancy contracted by 2.0 percentage points, and it is now in striking distance of 6.0 percent vacancy, which we would consider a very healthy vacancy rate for the post-recession economy. Construction, which has been dominated by build-to-suit projects (projects that arguably kick-started the industrial recovery), prepared to shift to speculative projects, testing the strength of Southern Nevada's industrial recovery. All signs point to 2015 being very much like 2014, if not slightly better. Employment and taxable sales, two key measures of the local economy, are on the upswing. If speculative development does lurch forward in 2015, construction employment, still down considerably from the boom days of 2007, should experience a measure of improvement and perhaps further stimulate the industrial recovery.

Industrial Pipeline					
PROJECT	TYPE	SUBMARKET	SIZE (SF)	PRE-LEASING	COMPLETION
Sunrise Distribution Center	Warehouse/Distribution	North Las Vegas	784,000 SF	0%	2015
Speedway Commerce Center West	Warehouse/Distribution	North Las Vegas	737,000 SF	0%	2015
Las Vegas Corporate Center	Warehouse/Distribution	North Las Vegas	648,000 SF	0%	2015
Jones Corporate Park	Warehouse/Distribution	Southwest	416,000 SF	0%	2015
LogistiCenter Cheyenne	Warehouse/Distribution	North Las Vegas	382,000 SF	0%	2015
Sunpoint Business Center	Warehouse/Distribution	North Las Vegas	302,000 SF	0%	2015
Henderson Commerce Center IV	Warehouse/Distribution	Henderson	211,000 SF	0%	2015
Konami BTS	Warehouse/Distribution	Airport	193,000 SF	BTS	Q1-15
Blue Diamond Business Center	Warehouse/Distribution	Southwest	167,000 SF	0%	2015
7040 Redwood Ave	Light Industrial	Southwest	52,000 SF	0%	Q1-15
SPIELO BTS	Warehouse/Distribution	Southwest	46,000 SF	BTS	2015
1743 Whitney Mesa Dr	Light Industrial	Henderson	28,000 SF	BTS	Q3-15
Ainsworth BTS	Industrial	Southwest	27 acres	BTS	2015
UFC BTS	Industrial	Southwest	25 acres	BTS	2015
Bally Expansion	Warehouse/Distribution	Southwest	14 acres	BTS	2015

Sales Activity					
	2010	2011	2012	2013	2014 YTD
No. Sales	25	69	77	58	66
Square Feet Sold	853,000	3,717,000	2,488,000	5,697,000	2,527,000
Sales Volume	\$85.4 MM	\$239.5 MM	\$153.4 MM	\$352.9 MM	\$224.3 MM
Average Price/SF	\$100.15	\$64.43	\$61.11	\$61.94	\$88.73
Average Cap Rate*	8.1%	8.3%	8.3%	7.9%	7.1%
Average Sale Size (SF)	34,000	54,000	32,000	98,000	38,000

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



"All signs point to 2015 being very much like 2014, if not slightly better."

John M. Stater  
Colliers, Research & GIS Manager



Market Comparisons

Industrial market

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
<b>AIRPORT SUBMARKET</b>																
WH	86	5,632,741	399,693	7.1%	44,588	0.8%	444,281	7.9%	8.4%	(18,329)	4,628	-	-	193,000	-	\$0.65
LD	70	3,171,617	392,209	12.4%	-	0.0%	392,209	12.4%	13.5%	(826)	170,458	-	-	-	-	\$0.57
LI	209	2,999,069	369,082	12.3%	44,300	1.5%	413,382	13.8%	12.8%	10,624	44,049	-	-	-	-	\$0.74
INC	91	1,657,414	306,948	18.5%	3,648	0.2%	310,596	18.7%	19.4%	43,595	51,138	-	-	-	-	\$0.82
FLX	66	1,328,126	277,751	20.9%	15,842	1.2%	293,593	22.1%	32.3%	95,572	190,317	-	-	-	-	\$0.81
<b>Total</b>	<b>522</b>	<b>14,788,967</b>	<b>1,745,683</b>	<b>11.8%</b>	<b>108,378</b>	<b>0.7%</b>	<b>1,854,061</b>	<b>12.5%</b>	<b>13.8%</b>	<b>130,636</b>	<b>460,590</b>	<b>-</b>	<b>-</b>	<b>193,000</b>	<b>-</b>	<b>\$0.71</b>
<b>EAST LAS VEGAS SUBMARKET</b>																
WH	27	1,143,947	17,800	1.6%	-	0.0%	17,800	1.6%	1.6%	-	480	-	-	-	-	\$0.48
LD	29	490,568	56,666	11.6%	-	0.0%	56,666	11.6%	7.2%	(26,077)	10,817	-	-	-	-	\$0.47
LI	151	1,797,963	140,124	7.8%	11,494	0.6%	151,618	8.4%	7.1%	13,351	(6,722)	-	-	-	-	\$0.44
INC	12	281,755	53,832	19.1%	-	0.0%	53,832	19.1%	26.1%	(647)	30,991	-	-	-	-	\$0.45
FLX	10	233,692	92,364	39.5%	-	0.0%	92,364	39.5%	41.6%	(1,608)	5,528	-	-	-	-	\$0.59
<b>Total</b>	<b>229</b>	<b>3,947,925</b>	<b>360,786</b>	<b>9.1%</b>	<b>11,494</b>	<b>0.3%</b>	<b>372,280</b>	<b>9.4%</b>	<b>8.9%</b>	<b>(14,981)</b>	<b>41,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.49</b>
<b>HENDERSON SUBMARKET</b>																
WH	77	6,784,476	65,314	1.0%	-	0.0%	65,314	1.0%	1.7%	(13,480)	438,640	-	280,000	-	210,840	\$0.49
LD	33	1,514,288	212,625	14.0%	-	0.0%	212,625	14.0%	9.3%	(55,683)	31,333	-	-	-	-	\$0.54
LI	371	3,662,300	356,652	9.7%	-	0.0%	356,652	9.7%	7.4%	(17,784)	105,338	-	71,514	-	28,000	\$0.52
INC	31	476,278	63,716	13.4%	-	0.0%	63,716	13.4%	16.4%	(3,866)	45,242	-	-	-	-	\$0.48
FLX	89	1,394,446	259,233	18.6%	5,229	0.4%	264,462	19.0%	19.2%	23,296	19,155	-	-	-	-	\$0.86
<b>Total</b>	<b>601</b>	<b>13,831,788</b>	<b>957,540</b>	<b>6.9%</b>	<b>5,229</b>	<b>0.0%</b>	<b>962,769</b>	<b>7.0%</b>	<b>6.3%</b>	<b>(67,517)</b>	<b>639,708</b>	<b>-</b>	<b>351,514</b>	<b>-</b>	<b>238,840</b>	<b>\$0.61</b>
<b>NORTH LAS VEGAS SUBMARKET</b>																
WH	195	20,207,712	1,293,574	6.4%	0	0.0%	1,293,574	6.4%	7.1%	375,333	1,013,209	409,000	654,628	617,659	2,204,019	\$0.34
LD	181	5,058,239	707,327	14.0%	24,652	0.5%	731,979	14.5%	17.6%	107,885	240,254	-	-	-	-	\$0.35
LI	843	8,689,264	779,808	9.0%	0	0.0%	779,808	9.0%	10.8%	50,774	64,329	-	39,490	-	-	\$0.43
INC	34	611,095	109,751	18.0%	0	0.0%	109,751	18.0%	16.2%	(4,917)	(42,506)	-	-	-	-	\$0.51
FLX	45	777,498	190,220	24.5%	0	0.0%	190,220	24.5%	19.0%	(8,083)	(17,948)	-	-	-	-	\$0.57
<b>Total</b>	<b>1,298</b>	<b>35,343,808</b>	<b>3,080,680</b>	<b>8.7%</b>	<b>24,652</b>	<b>0.1%</b>	<b>3,105,332</b>	<b>8.8%</b>	<b>10.0%</b>	<b>520,992</b>	<b>1,257,338</b>	<b>409,000</b>	<b>694,118</b>	<b>617,659</b>	<b>2,204,019</b>	<b>\$0.38</b>
<b>NORTHWEST SUBMARKET</b>																
WH	5	224,906	19,000	8.4%	-	0.0%	19,000	8.4%	8.4%	-	-	-	-	-	-	\$0.65
LD	1	50,000	3,800	7.6%	-	0.0%	3,800	7.6%	34.4%	-	13,413	-	-	-	-	\$0.65
LI	23	354,215	59,143	16.7%	-	0.0%	59,143	16.7%	12.4%	(7,012)	(10,052)	-	-	-	-	\$0.41
INC	4	99,427	7,116	7.2%	-	0.0%	7,116	7.2%	15.3%	(5,194)	3,013	-	-	-	-	\$0.65
FLX	59	740,230	198,757	26.9%	-	0.0%	198,757	26.9%	31.7%	43,616	33,041	-	-	-	-	\$0.90
<b>Total</b>	<b>92</b>	<b>1,468,778</b>	<b>287,816</b>	<b>19.6%</b>	<b>-</b>	<b>0.0%</b>	<b>287,816</b>	<b>19.6%</b>	<b>22.5%</b>	<b>31,410</b>	<b>39,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.77</b>
<b>SOUTHWEST SUBMARKET</b>																
WH	140	13,389,340	918,545	6.9%	25,000	0.2%	943,545	7.0%	10.8%	250,066	571,292	-	14,248	-	628,780	\$0.49
LD	193	7,194,376	843,695	11.7%	6,264	0.1%	849,959	11.8%	11.3%	(21,219)	112,478	-	-	-	-	\$0.57
LI	850	10,235,797	810,864	7.9%	45,329	0.4%	856,193	8.4%	9.1%	48,013	190,081	35,520	35,520	51,502	-	\$0.58
INC	121	2,490,825	201,284	8.1%	1,675	0.1%	202,959	8.1%	9.6%	(13,301)	110,066	-	-	-	-	\$0.71
FLX	108	1,685,504	252,363	15.0%	13,443	0.8%	265,806	15.8%	15.8%	(12,149)	(18,185)	-	-	-	-	\$0.94
<b>Total</b>	<b>1,412</b>	<b>34,995,842</b>	<b>3,026,751</b>	<b>8.6%</b>	<b>91,711</b>	<b>0.3%</b>	<b>3,118,462</b>	<b>8.9%</b>	<b>10.6%</b>	<b>251,410</b>	<b>965,732</b>	<b>35,520</b>	<b>49,768</b>	<b>51,502</b>	<b>628,780</b>	<b>\$0.59</b>
<b>WEST CENTRAL SUBMARKET</b>																
WH	63	2,524,424	81,982	3.2%	-	0.0%	81,982	3.2%	0.8%	(40,382)	(56,982)	-	-	-	-	\$0.33
LD	42	746,214	91,382	12.2%	5,600	0.8%	96,982	13.0%	21.8%	44,278	50,072	-	-	-	-	\$0.54
LI	677	7,798,374	572,600	7.3%	6,104	0.1%	578,704	7.4%	7.1%	(71,546)	5,757	-	-	-	-	\$0.65
INC	73	2,550,564	228,189	8.9%	-	0.0%	228,189	8.9%	9.0%	39,522	71,191	-	-	-	-	\$0.65
FLX	7	161,527	13,361	8.3%	5,572	3.4%	18,933	11.7%	9.3%	(3,858)	14,315	-	-	-	-	\$0.83
<b>Total</b>	<b>862</b>	<b>13,781,103</b>	<b>987,514</b>	<b>7.2%</b>	<b>17,276</b>	<b>0.1%</b>	<b>1,004,790</b>	<b>7.3%</b>	<b>7.2%</b>	<b>(31,986)</b>	<b>84,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.61</b>
<b>MARKET TOTAL</b>																
WH	593	49,907,546	2,795,908	5.6%	69,588	0.1%	2,865,496	5.7%	7.1%	553,208	1,971,267	409,000	948,876	810,659	3,043,639	\$0.44
LD	549	18,225,302	2,307,704	12.7%	36,516	0.2%	2,344,220	12.9%	13.7%	48,358	628,825	-	-	-	-	\$0.50
LI	3,124	35,536,982	3,088,273	8.7%	107,227	0.3%	3,195,500	9.0%	9.2%	26,420	392,780	35,520	146,524	51,502	28,000	\$0.55
INC	366	8,167,358	970,836	11.9%	5,323	0.1%	976,159	12.0%	12.9%	55,192	269,135	-	-	-	-	\$0.68
FLX	384	6,321,023	1,284,049	20.3%	40,086	0.6%	1,324,135	20.9%	23.0%	136,786	226,223	-	-	-	-	\$0.81
<b>Total</b>	<b>5,016</b>	<b>118,158,211</b>	<b>10,446,770</b>	<b>8.8%</b>	<b>258,740</b>	<b>0.2%</b>	<b>10,705,510</b>	<b>9.1%</b>	<b>10.0%</b>	<b>819,964</b>	<b>3,488,230</b>	<b>444,520</b>	<b>1,095,400</b>	<b>862,161</b>	<b>3,071,639</b>	<b>\$0.55</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>																
Q4-14	5,016	118,158,211	10,446,770	8.8%	258,740	0.2%	10,705,510	9.1%	10.0%	819,964	3,488,230	444,520	1,095,400	862,161	3,071,639	\$0.55
Q3-14	5,015	117,713,691	10,822,214	9.2%	319,977	0.3%	11,142,191	10.0%	10.0%	635,780	2,668,266	14,248	650,880	689,022	964,759	\$0.55
Q2-14	5,014	117,699,443	11,443,746	9.7%	287,362	0.2%	11,731,108	10.0%	11.2%	1,403,579	2,032,486	219,490	636,632	244,502	963,159	\$0.53
Q1-14	5,012	117,479,953	12,627,835	10.7%	503,856	0.4%	13,131,691	11.2%	11.5%	628,907	628,907	417,142	417,142	412,490	391,000	\$0.52
Q4-13	5,009	117,062,811	12,839,600	11.0%	588,152	0.5%	13,427,752	11.5%	12.0%	728,618	3,689,586	65,628	813,948	610,147	300,000	\$0.52
Q3-13	5,008	116,997,183	13,502,590	11.5%	594,850	0.5%	14,097,440	12.0%	12.8%	1,091,184	2,960,968	130,000	748,320	351,519	558,628	\$0.51
Q2-13	5,001	116,867,183	14,463,774	12.4%	547,583	0.5%	15,011,357	12.8%	13.5%	1,156,393	1,869,784	489,320	818,320	201,519	300,000	\$0.50

WH = Warehouse LD = Light Distribution LI = Light Industrial INC = Incubator FLX = Flex

## Office Review



Southern Nevada's office market has improved since the days of the Great Recession, but the recovery has not been particularly stable or powerful despite greatly improved employment numbers. This lack of synchronicity between new jobs and demand for real estate suggests that the office market is experiencing increased competition from flexible non-office properties and a general trend towards occupying less office space per employee. In 2014, net absorption decreased to 544,261 square feet from 823,744 square feet in 2013. New completions were lower in 2014 versus 2013, at 376,620 square feet. Vacancy rates decreased to 20.0 percent in 2014 from 20.5 percent in 2013. Asking rates increased in 2014, reaching \$1.90 per square foot (psf) on a Full Service Gross (FSG) basis.

According to the Nevada Department of Employment, Training & Rehabilitation, between October 2013 and October 2014 a net of 10,100 jobs were created in employment sectors associated with professional office product. Over the past twelve months, the market has added 6,600 professional & business services jobs, 3,300 health care jobs, and 200 financial services jobs. It is this strong growth in office-using jobs that makes the relatively tepid growth in demand for office space a problem that requires some study. Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Since October 2013, total employment in Southern Nevada has increased by 30,326 jobs.

2014 saw the completion of six projects, two of which had been abandoned half-completed at the onset of the Great Recession. In all, 424,500 square feet of office was completed in 2014. We also bade a fond farewell to the venerable Tropicana Plaza, the closure of which removed 47,880 square feet from office inventory. The Federal Justice Tower, a 129,000 square foot Class A building, remains under construction Downtown, with little apparent progress made on the project since the fourth quarter of 2013. Forward supply of office space now stands at 878,578 square feet, with approximately 26 percent of that space being build-to-suit.

### MARKET INDICATORS

	Q4-14	Q1-15 PROJECTED
VACANCY	↑	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	→

It is striking that a market with such high vacancy in its office market can be poised to potentially add almost 1 million square feet of new speculative office product to the market in 2015, but then moderation has never been a characteristic of Las Vegas. Of course, not all of this space will be completed in 2015; some projects will be delayed, others might be abandoned before they are started. The completion of Summerlin One, Centennial Hills Center and the imminent completion of The Gramercy represented three projects halted during the Great Recession finally being completed. In the cases of Summerlin One and The Gramercy, both mixed-use projects, it is not clear that office space was the factor that drove the decision to complete the project. From here on out, though, the office being developed is in completely new projects.

### MARKET SUMMARY

	Q4-14	Q3-14	Q4-13
Vacancy Rate	20.0%	19.2%	20.5%
Asking Rent (PSF, NNN)	\$1.90	\$1.87	\$1.87
Net Absorption (SF)	544,261	662,327	823,744
New Completions (SF)	376,620	108,200	627,354

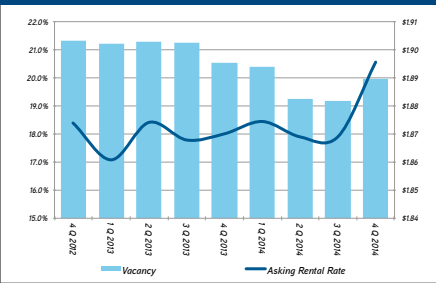
Southern Nevada's office market had 544,261 square feet of net absorption in 2014, compared to 823,744 square feet of net absorption in 2013. Negative net absorption was experienced during both the first and fourth quarters of 2014, but positive net absorption during the middle of the year more than matched it. More space was completed in 2013 than 2014, and two of those completions, for Zappos.com and the United Brotherhood of Carpenters, boosted net absorption last year by 560,231 square feet, or more than half the net absorption in the market in 2013. Factoring in the impact of those two projects, one could argue that 2014 was in some ways a stronger year than 2013. Nobody would argue, though, that either year was as strong as recent job numbers would indicate they should have been. Again, we believe changes in the way businesses use their employees (and thus changes in how much office space per employee they use) and competition from flexible non-office product for Class C tenants, is weakening what would otherwise be a stronger recovery.

During the 2004 recovery, office users occupied approximately 260 square feet of office space per employee. During the current recovery, office users occupied approximately 290 square feet per employee. These numbers would make it seem as though office use was up, but in fact, office users during the boom and bust period were occupying 320 square feet per employee. This means that office users have been reducing their office footprint per employee over the past six years, and this trend has probably not entirely played itself out yet. Businesses are changing the way they use their employees, hiring more people for shorter hours to reduce their exposure to government mandates, and allowing their employees to work in ways that require less office space. Thus, the impact of employment growth now is not the same as the impact of employment growth then. The end result is a recovery that, when compared to past recoveries, appears to be fairly weak.

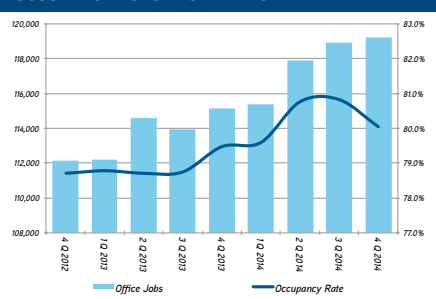
EMPLOYMENT			
	OCT 2014	OCT 2013	CHANGE
Financial Activities	44,400	44,200	+ 200
Professional & Business Services	118,100	111,500	+ 6,600
Health Care & Social Assistance	55,800	52,500	+ 3,300

Source: Nevada Department of Employment, Training and Rehabilitation

HISTORICAL VACANCY RATES AND ASKING LEASE RATES



OCCUPANCY VS. OFFICE EMPLOYMENT



In addition, professional office properties do not only compete with other office properties. In reviewing the movement of tenants from one Class C office park in the East Las Vegas submarket, we found about half of those tenants that we could track moving into other Class C office properties, while others moved into industrial space, retail space and home office space. These moves are not necessarily driven by the state of Southern Nevada’s economic recovery. Class C space probably always sees an ebb and flow of tenants from non-office properties and into non-office properties. Such is the nature of Class C office. Nevertheless, a weak economic recovery could drive those tenants who can manage it into cheaper industrial, retail and home office space.

Office vacancy reached 20.0 percent at the end of 2014, from a high of 22.8 percent in the first quarter of 2012, meaning that vacancy has decreased by 2.8 percentage points over the past twelve quarters, with small regressions in the first half of 2013 and the fourth quarter of 2014. While this is better than consistently rising vacancy rates, we would not characterize it as a stellar performance. By way of comparison, the industrial market in Southern Nevada has seen vacancy decrease by 5.5 points (from 14.3 percent to 8.8 percent). The retail market has had an experience more in line with the office experience. Like office, the retail market is enduring competition from e-commerce, which effectively transfers retail activity from traditional retail stores into industrial warehouse/distribution properties. It is likely that the industrial market’s much stronger recovery over the past two years is due to its more physical nature – cloud computing and e-commerce have had much less impact on the need for space to manufacture and store physical goods than they do on the need for retail showroom space and office worker space.

Office vacancy decreased in five of the Valley’s eight submarkets in 2014 compared with 2013, with the Airport, Downtown, North Las Vegas, Southwest and West Central submarkets experiencing decreases in vacancy. Year-over-year vacancy increased in East Las Vegas, Henderson and Northwest. Northwest’s rise in vacancy is primarily due to new office completions entering the market only partially occupied. East Las Vegas’ Class A office market performed well in 2014, but the Class B and C markets did not. This might be due to East Las Vegas slowly becoming less suburban and more urban in character. Over the next few years, East Las Vegas should see the completion of a major expansion and renewal of the Las Vegas Convention Center, the completion of the nearby World Resorts property on the “Strip” and the potential construction of a new stadium near UNLV.

Vacancy in Class A office stood at 26.2 percent in 2014, down from a high of 35.2 percent in 2011 and down from the 29.5 percent vacancy rate recorded in 2013. Class B product saw vacancy increase by 1.4 percentage points over the past four quarters to 19.1 percent, while vacancy in Class C office decreased by 1.5 points to 18.8 percent over the same period.

Of the office deals we tracked in 2014, the most active industries were financial activities (including real estate and insurance services), business and personal services, engineering and management and health services. Local companies took 49 percent of the space in the deals we tracked in 2014, while 25 percent of this space was taken by companies headquartered in the Southeast United States, 9 percent by companies in the Southwest United States (not including Southern Nevada) and 7 percent by companies in the Northwest United States.

Lease & Sales Activity

Lease activity

Property Address	Lease date	Lease Term	size SF	lease Rate	type
Coronado Bay Business Park	Nov 2014	65 months	9,500 SF	\$1.53 NNN	Class B
Fourth Street	Oct 2014	18 months	7,500 SF	\$1.35 MG	Class C
Canyon Plaza	Oct 2014	78 months	7,000 SF	\$1.25 MG	Class C
Origin Business Park	Oct 2014	60 months	5,900 SF	\$1.21 NNN	Class B
Sansone 215 Pecos	Oct 2014	39 months	3,500 SF	\$1.20 NNN	Class C

Sales Activity

Property Address	sales date	sales Price	size SF	Price/SF	type
West Sahara Financial Center	Oct 2014	\$8,925,000	206,700 SF	\$43	Class B
Cheyenne Technology Center	Nov 2014	\$4,499,000	42,100 SF	\$107	Class B
Horizon Ridge Professional Center	Oct 2014	\$4,400,000	30,200 SF	\$146	Class C
Lake Mead Boulevard Office	Oct 2014	\$2,490,000	8,600 SF	\$289	Class C
Park at Warm Springs	Nov 2014	\$1,150,000	8,200 SF	\$140	Class C

The amount of distressed office space (i.e. office properties that have received a notice of default or are at some stage in the foreclosure process) decreased to 3.47 million square feet in 2014, compared to 4.13 million square feet of distressed office space at the end of 2013. This decrease was due to financial resolutions of distressed Class B and C office buildings more than actual sales of buildings. Distressed office sales were numerous in 2012, but fell significantly in 2013 and even more so in 2014.

The weighted average asking rental rate for office space in Southern Nevada increased to \$1.90 per square foot (psf) on a full service gross (FSG) basis in 2014, a \$0.03 increase over 2013. Asking lease rates hovered around \$1.87 for the past eight quarters, after a sharp decline in 2010 and 2011, before experiencing a slower decline in 2012 and then flattening in 2013. The fourth quarter bump in asking rates may not be the beginning of a trend, given that is attributable almost entirely to a \$0.12 increase in Class A asking rents.

Available office space for sublease took a significant jump in the first quarter of 2014 due to Citibank's call center in the Northwest being put on the market. This brought available sublease space to 427,367 square feet from 2013's 186,390 square feet. Over the course of 2014, another 40,000 square feet of space has been made available for sublease. This is the most sublease space that has been available in Southern Nevada since the second quarter of 2010.

The total square footage of investment sales in 2014 decreased from the pace set in 2013, which appears to have set a new high-mark for investment activity in Southern Nevada's post-boom history. In 2014, 2.2 million square feet in 62 properties was sold at an average price of \$113.47 per square foot. Properties offered for sale as investments had an average cap rate of 7.8 percent, up from 7.6 percent in 2013. In 2013, 90 office properties totaling 3.5 million square feet were sold as investments, with an average sales price of \$162.83. Distressed investment sales totaled 841,000 square feet of distressed office selling at an average price of \$100.16 per square foot. Non-distressed investment properties sold for an average of \$121.76.

Just as Southern Nevada's overall economic recovery has been a bit uneven, recovery in the office market has not been as steady or powerful as we would have preferred. The addition of over 10,000 office jobs in Southern Nevada over the past twelve months should have had a greater impact on demand for office space than it did. As mentioned above, transitions in how office space is used and how much office space is needed to do business lie at the bottom of this discrepancy. Expect the office market to continue taking two steps forward and one step backward for the near future. We think 2015 will see net absorption continue to be positive overall, and vacancy rates will continue to decrease, probably at the same rate they decreased in 2014. Asking rates will continue to remain restrained, as landlords are forced to compete for tenants.

Office Pipeline					
PROJECT	TYPE	SUBMARKET	SIZE (SF)	BTS/SPEC	COMPLETION
Federal Justice Tower	Class A	Downtown	129,000	BTS	2015
Solutions/Sunset	Class B	Southwest	100,000	BTS	Q4-2015
BUILD-TO-SUIT TOTAL			129,000		
Centennial Hills Center	Class B	Northwest	123,000	Spec	2015
Chronicle at Cadence	Class C	Henderson	25,000	Spec	2015
Cimarron/Rafael Rivera	Class B	Southwest	19,000	Spec	2015
Corona Del Mar Corporate Center	Class B	Southwest	47,000	Spec	Q2-2015
Executive Park at the Ridges	Class C	Northwest	8,000	Spec	2015
Montessori Office Complex	Class C	Northwest	5,000	Spec	Q1-2015
Pecos Springs Business Park	Class C	Airport	12,000	Spec	Q1-2015
Seven Hills Plaza D	Class B	Henderson	42,000	Spec	2015
Stone Creek Professional Plaza	Class C	Southwest	20,000	Spec	2015
The Square	Class C	Southwest	80,000	Spec	2015
The Gramercy	Class A	Southwest	200,000	Spec	Q1-2015
Tivoli Village	Class A	Northwest	68,000	Spec	2015
SPECULATIVE TOTAL			649,000		
TOTAL			878,000		

Sales Activity					
	2010	2011	2012	2013	2014 YTD
No. Sales	23	59	87	90	62
Square Footage	1,024,000	2,484,000	3,929,000	3,512,000	2,191,000
Sales Volume	\$130 MM	\$182.4 MM	\$261.0 MM	\$571.9 MM	\$248.7 MM
Average Price/SF	\$126.96	\$73.42	\$89.11	\$162.83	\$113.47
Average Cap Rate	9.0%	9.7%	8.2%	7.6%	7.8%
Average Sale Size (SF)	45,000	42,000	34,000	39,000	35,000

\*Cap rates on office properties offered for sale as investments



Market Comparisons

Office market

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
<b>AIRPORT SUBMARKET</b>																
A	6	605,557	189,522	31.3%	-	0.0%	189,522	31.3%	32.8%	(1)	61,197	-	-	-	-	\$2.74
B	47	2,398,961	329,027	13.7%	18,240	0.8%	347,267	14.5%	14.0%	(51,900)	14,748	-	12,000	-	-	\$1.98
C	289	3,127,857	632,381	20.2%	19,183	0.6%	651,564	20.8%	22.5%	68,031	130,778	-	-	11,794	-	\$1.65
Total	342	6,132,375	1,150,930	18.8%	37,423	0.6%	1,188,353	19.4%	20.2%	16,130	206,723	-	12,000	11,794	-	\$1.92
<b>DOWNTOWN</b>																
A	6	1,103,341	141,045	12.8%	9,036	0.8%	150,081	13.6%	13.1%	-	(1,750)	-	-	129,000	-	\$2.63
B	37	2,439,624	419,302	17.2%	-	0.0%	419,302	17.2%	10.2%	(159,542)	(75,610)	-	49,200	-	-	\$1.81
C	112	1,475,100	153,137	10.4%	-	0.0%	153,137	10.4%	9.9%	(11,702)	48,668	-	-	-	-	\$1.43
Total	155	5,018,065	713,484	14.2%	9,036	0.2%	722,520	14.4%	10.7%	(171,244)	(28,692)	-	49,200	129,000	-	\$1.89
<b>EAST LAS VEGAS</b>																
A	10	1,353,083	325,711	24.1%	10,627	0.8%	336,338	24.9%	24.3%	12,259	(24,503)	-	-	-	-	\$2.96
B	23	1,542,404	563,895	36.6%	10,071	0.7%	573,966	37.2%	32.8%	(57,109)	(85,001)	-	-	-	-	\$1.21
C	160	2,670,641	641,508	24.0%	1,987	0.1%	643,495	24.1%	21.4%	(121,093)	(66,137)	(47,880)	(47,880)	-	-	\$1.33
Total	193	5,566,128	1,531,114	27.5%	22,685	0.4%	1,553,799	27.9%	25.3%	(165,943)	(175,641)	(47,880)	(47,880)	-	-	\$1.63
<b>HENDERSON</b>																
A	8	583,905	284,216	48.7%	14,218	2.4%	298,434	51.1%	48.1%	1,705	12,765	-	-	-	-	\$2.62
B	71	2,451,037	440,320	18.0%	-	0.0%	440,320	18.0%	13.0%	(66,902)	(135,450)	-	47,000	-	42,000	\$2.09
C	240	2,352,967	449,463	19.1%	2,395	0.1%	451,858	19.2%	19.0%	(14,392)	82,775	11,000	11,000	-	25,000	\$1.66
Total	319	5,387,909	1,173,999	21.8%	16,613	0.3%	1,190,612	22.1%	19.4%	(79,589)	(39,910)	11,000	58,000	-	67,000	\$2.05
<b>NORTH LAS VEGAS</b>																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	6	200,796	66,640	33.2%	-	0.0%	66,640	33.2%	45.9%	-	16,984	-	-	-	-	\$1.87
C	54	498,137	67,311	13.5%	-	0.0%	67,311	13.5%	13.2%	(4,275)	(7,550)	-	-	-	-	\$1.51
Total	60	698,933	133,951	19.2%	-	0.0%	133,951	19.2%	22.6%	(4,275)	9,434	-	-	-	-	\$1.69
<b>NORTHWEST</b>																
A	23	1,825,415	532,796	29.2%	3,221	0.2%	536,017	29.4%	29.2%	108,582	226,094	200,000	200,000	68,000	-	\$2.33
B	90	3,536,523	680,798	19.3%	7,493	0.2%	688,291	19.5%	17.6%	(6,362)	(58,523)	60,000	60,000	-	87,000	\$2.16
C	324	3,316,804	567,497	17.1%	-	0.0%	567,497	17.1%	15.6%	(27,567)	41,147	45,300	45,300	4,994	45,100	\$1.75
Total	437	8,678,742	1,781,091	20.5%	10,714	0.1%	1,791,805	20.6%	19.1%	74,653	208,718	305,300	305,300	72,994	132,100	\$2.08
<b>SOUTHWEST</b>																
A	3	397,112	91,254	23.0%	-	0.0%	91,254	23.0%	26.8%	-	49,724	-	-	200,000	-	\$2.68
B	76	2,762,336	553,724	20.0%	41,385	1.5%	595,109	21.5%	22.9%	(13,405)	55,987	-	-	46,650	119,000	\$2.34
C	306	3,280,173	567,435	17.3%	1,375	0.0%	568,810	17.3%	16.3%	14,626	44,671	-	-	-	100,040	\$1.79
Total	385	6,439,621	1,212,413	18.8%	42,760	0.7%	1,255,173	19.5%	19.8%	1,221	150,382	-	-	246,650	219,040	\$2.11
<b>WEST CENTRAL</b>																
A	1	157,624	15,562	9.9%	-	0.0%	15,562	9.9%	12.3%	19,452	14,678	-	-	-	-	\$2.51
B	48	1,925,956	400,850	20.8%	7,720	0.4%	408,570	21.2%	21.0%	(11,311)	18,285	-	-	-	-	\$1.57
C	210	3,049,119	651,601	21.4%	-	0.0%	651,601	21.4%	23.0%	2,008	(20,548)	-	-	-	-	\$1.50
Total	259	5,132,699	1,068,013	20.8%	7,720	0.2%	1,075,733	21.0%	21.8%	10,149	12,415	-	-	-	-	\$1.54
<b>MARKET TOTAL</b>																
A	57	6,026,037	1,580,106	26.2%	37,102	0.6%	1,617,208	26.8%	26.5%	141,997	338,205	200,000	200,000	397,000	-	\$2.61
B	398	17,257,637	3,454,556	20.0%	84,909	0.5%	3,539,465	20.5%	18.3%	(366,531)	(248,580)	60,000	168,200	46,650	248,000	\$1.89
C	1,695	19,770,798	3,730,333	18.9%	24,940	0.1%	3,755,273	19.0%	18.6%	(94,364)	253,804	8,420	8,420	16,788	170,140	\$1.59
Total	2,150	43,054,472	8,764,995	20.4%	146,951	0.3%	8,911,946	20.7%	19.6%	(318,898)	343,429	268,420	376,620	460,438	418,140	\$1.89

QUARTERLY COMPARISON AND TOTALS

Q4-14	2,150	43,054,472	8,764,995	20.4%	146,951	0.3%	8,911,946	20.7%	19.6%	(318,898)	343,429	268,420	376,620	460,438	418,140	\$1.89
Q3-14	2,150	42,786,052	8,206,157	19.2%	111,340	0.3%	8,317,497	19.4%	19.5%	35,647	662,327	12,000	108,200	757,444	150,040	\$1.87
Q2-14	2,141	42,774,052	8,229,804	19.2%	103,002	0.2%	8,332,806	19.5%	20.6%	499,186	626,680	-	96,200	706,894	255,040	\$1.87
Q1-14	2,141	42,774,052	8,728,990	20.4%	96,347	0.2%	8,825,337	20.6%	20.9%	127,494	127,494	96,200	96,200	597,000	234,934	\$1.87
Q4-13	2,139	42,677,852	8,760,284	20.5%	163,859	0.4%	8,924,143	20.9%	21.6%	309,801	823,744	-	627,354	693,200	154,894	\$1.87
Q3-13	2,134	42,677,852	9,070,085	21.3%	161,458	0.4%	9,231,543	21.6%	21.7%	469,260	513,943	575,231	627,354	625,200	22,000	\$1.87
Q2-13	2,123	42,102,621	8,964,114	21.3%	190,114	0.5%	9,154,228	21.7%	21.6%	(23,181)	44,683	10,000	52,123	753,431	342,818	\$1.87

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

## Medical Office Review



If you have ever celebrated because Uncle Charlie only lost \$100 betting on the horses this week instead of his normal \$1,000, you will understand why we are so pleased that Southern Nevada’s medical office market only posted negative 98,115 square feet of net absorption in 2014. It not only could have been worse this year, it was worse last year. Medical office vacancy stood at 18.3 percent, a 1.4 percentage point increase over the fourth quarter of 2013. New completions remained nil, and no new medical office product is either planned or under construction. The asking rental rate for medical office increased, strangely enough, over the past year to \$2.13 per square foot (psf) on a full service gross (FSG) basis.

According to the Nevada Department of Employment, Training & Rehabilitation, between October 2013 and October 2014, a net of 3,900 jobs in the health care and social assistance sector were added in Southern Nevada. When broken down further, we find an increase of 1,000 jobs in ambulatory health care services, an increase of 600 jobs in hospitals, and an increase of 2,300 jobs in other healthcare positions. A return to job growth outside of hospitals bodes well for the medical office market, but only if it can capture the new medical practices and the expanding medical practices that these job gains represent.

The only thing about the medical office market that seems to make sense these days is the lack of new medical office construction. The last time medical office space was completed in Southern Nevada was during the fourth quarter of 2011, when 57,600 square feet was added to inventory. Since then, net absorption has totaled negative 265,315 square feet and vacancy has increased from 14.6 percent to 18.3 percent – obviously not a market in which adding to inventory makes sense.

Vacancy in medical office space decreased in the fourth quarter of 2014 to 18.3 percent, from 18.8 percent in the third quarter of 2014. Vacancy is higher now than in the fourth quarter of 2013 when it stood at 16.9 percent. The highest vacancy rates posted in the fourth quarter of 2014 were in the Southwest (37.4 percent), Airport (28.7 percent), West Central (20.9 percent) and East Las Vegas (20.6 percent) submarkets. Northwest boasted the market’s lowest vacancy rate at 10.8 percent followed closely by Downtown’s 11.0 percent. Vacancy increased in the Airport and Southwest submarkets this quarter, and decreased in East Las Vegas, North Las Vegas, Northwest, and West Central.

Southern Nevada posted 34,798 square feet of net absorption in the fourth quarter of 2014, but negative 98,115 square feet of net absorption in 2014 as a whole. The fourth quarter’s positive net absorption was only the fifth quarter in the past three years to post positive net absorption, despite a significant drop in quarterly gross absorption, suggesting that it was fueled more by fewer returns of space to the market than by an increase in demand.

The weighted average asking rental rate for medical office space decreased in the fourth quarter of 2014, reaching \$2.13 per square foot (psf) on a full service gross (FSG) basis. Asking rents are \$0.04 higher now than they were one year ago. While it may seem absurd to find higher asking rents paired with higher vacancy rates, it most likely represents less expensive space being leased and occupied, leaving more expensive spaces on the market. In leases we have tracked over the past four years, we have seen effective lease rates between \$1.90 psf FSG to \$1.98 psf FSG, and those leases had asking rates between \$1.98 and \$2.15. The Valley’s highest average asking rate was in the Northwest submarket, at \$2.54 psf FSG, an increase for that submarket of \$0.02 from one quarter ago. The lowest average asking rate was in the West Central submarket, at \$1.75 psf.

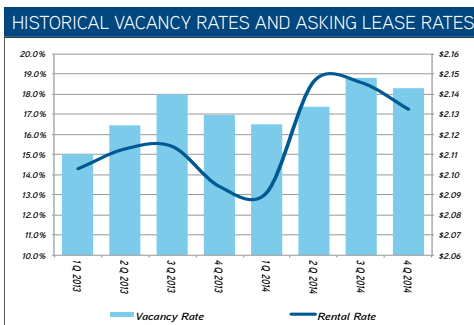
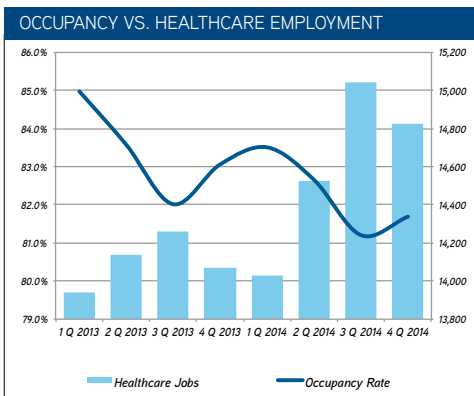
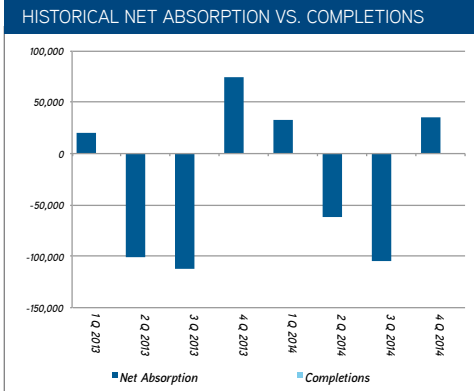
Sales of medical office space were weak during the first half of 2014, but have picked up considerably in the second half of 2014. A total of 454,822 square feet of medical office in sixteen buildings has sold so far this year, with a total sales volume of \$101.4 million and an average price per square foot of \$222.99. Only one distressed medical building has sold this year, at a sales price of \$54.61 psf.

### MARKET INDICATORS

	Q4-14	Q1-15 PROJECTED
VACANCY	↓	↑
NET ABSORPTION	↑	↑
CONSTRUCTION	→	→
RENTAL RATE	↓	↓

### MARKET SUMMARY

	Q4-14	Q3-14	Q4-13
Vacancy Rate	18.3%	18.8%	16.9%
Asking Rent (PSF, NNN)	\$2.13	\$2.15	\$2.09
Net Absorption (SF)	-98,115	-132,913	-117,966
New Completions (SF)	0	0	0



A total of 1.24 million square feet of medical office is distressed (i.e. has received a notice of default or is at some stage in the foreclosure process). The total inventory of distressed medical space in the fourth quarter of 2014 was 35,000 square feet lower than one year ago. A lack of sales activity of distressed buildings is keeping the amount of distressed medical space high. In 2010, approximately 15 percent of medical inventory was distressed, compared to 13.0 percent of the professional office market. In the fourth quarter of 2014, these ratios are 17.0 percent and 8.0 percent respectively. While distressed professional office space has worked its way through the system, distressed medical space continues to pile up. At a time when medical properties need to be agile and responsive to attract tenants, a greater percentage of the market is in a state that makes it difficult to provide tenant improvements and thus attract new tenants.

Unfortunately, greater demand by medical tenants and greater demand for medical office are not one and the same. By our calculations, as few as 20 percent of healthcare and social assistance workers actually work in medical office buildings in Southern Nevada. The greater portion work in hospitals, professional office buildings, retail buildings and other miscellaneous facilities. This means that medical office buildings are drawing on an employment base of approximately 14,600 jobs. The addition of approximately 450 jobs to this base over the past twelve months was not enough to spark a broad-based recovery in the medical office market. For the medical office market to experience the growth in demand that it needs to recover, health care employment will have to increase at a greater rate than it has.

The medical office market's tale for the past two years has been one of woe. Demand was constrained in 2013 as medical practitioners presumably waited to see the effects the ACA would have on their practices and the industry in general. Healthcare employment wavered in 2013, and demand for medical space wavered with it. In 2014, healthcare employment started once again to rise, but the portion of that employment that is fueling demand for medical office space, rather than professional office or retail space, remains low. Moving forward, the medical office market needs to see much stronger job numbers and a willingness by landlords to rehabilitate distressed space. More demand for medical office space must be generated, and medical office buildings need to capture the lion's share of that demand. Without these developments, 2015 will likely look a great deal like 2014.

## Lease & Sales Activity

### Lease activity

Property Address	Lease date	Lease Term	size SF	lease Rate	type
Pavell Medical Center	Jun 2014	48 months	10,500 SF	\$1.22 NNN	Physicians
Horizon Pointe Plaza	Jun 2014	14 months	3,200 SF	\$0.88 NNN	Non-Medical
Pavell Medical Center	Sep 2014	77 months	2,300 SF	\$1.47 NNN	Pain Management
Horizon Ridge Commons	Sep 2014	27 months	2,100 SF	\$1.52 NNN	Physical Therapy
Coronado Medical Center	Sep 2014	39 months	2,100 SF	\$1.35 NNN	Non-Medical

### Sales Activity

Property Address	sale date	sale Price	size SF	Price/SF	Class
Longford Medical Center	Aug 2014	\$18,165,000	129,000 SF	\$141.07	Class A
Tonopah Tower	Sep 2014	\$3,000,000	20,300 SF	\$148.03	Class C
Pecos Medical	Jun 2014	\$1,590,000	6,200 SF	\$256.62	Class C
25th Street Medical	May 2014	\$1,333,000	7,800 SF	\$170.99	Class C
Sahara Medical	Aug 2014	\$800,000	14,700 SF	\$54.61	Class C

Market Comparisons

medical Office market

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
<b>AIRPORT SUBMARKET</b>																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
C	2	38,000	10,900	28.7%	-	0.0%	10,900	28.7%	15.5%	(5,000)	1,873	-	-	-	-	\$1.92
Total	2	38,000	10,900	28.7%	-	0.0%	10,900	28.7%	15.5%	(5,000)	1,873	-	-	-	-	\$1.92
<b>DOWNTOWN</b>																
A	1	65,000	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-	\$-
B	7	227,301	30,579	13.5%	-	0.0%	30,579	13.5%	13.5%	-	(5,274)	-	-	-	-	\$2.11
C	5	75,531	10,000	13.2%	-	0.0%	10,000	13.2%	13.2%	-	(10,000)	-	-	-	-	\$1.90
Total	13	367,832	40,579	11.0%	-	0.0%	40,579	11.0%	11.0%	-	(15,274)	-	-	-	-	\$2.05
<b>EAST LAS VEGAS</b>																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$
B	9	669,264	151,404	22.6%	-	0.0%	151,404	22.6%	23.5%	2,049	6,528	-	-	-	-	\$2.13
C	22	552,101	100,749	18.2%	-	0.0%	100,749	18.2%	16.6%	-	15,762	-	-	-	-	\$1.67
Total	31	1,221,365	252,153	20.6%	-	0.0%	252,153	20.6%	20.4%	2,049	22,290	-	-	-	-	\$1.94
<b>HENDERSON</b>																
A	3	190,000	39,561	20.8%	-	0.0%	39,561	20.8%	20.8%	0	(34,974)	-	-	-	-	\$3.13
B	14	595,537	156,076	26.2%	2,515	0.4%	158,591	26.6%	27.8%	0	18,131	-	-	-	-	\$2.20
C	45	465,160	22,576	4.9%	-	0.0%	22,576	4.9%	4.1%	0	24,130	-	-	-	-	\$1.84
Total	62	1,250,697	218,213	17.4%	2,515	0.2%	220,728	17.6%	17.9%	-	7,287	-	-	-	-	\$2.33
<b>NORTH LAS VEGAS</b>																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	1	43,921	9,213	21.0%	7,289	16.6%	16,502	37.6%	23.3%	1,024	1,024	-	-	-	-	\$2.15
C	10	110,668	17,900	16.2%	-	0.0%	17,900	16.2%	16.2%	-	3,764	-	-	-	-	\$2.00
Total	11	154,589	27,113	17.5%	7,289	4.7%	34,402	22.3%	18.2%	1,024	4,788	-	-	-	-	\$2.05
<b>NORTHWEST</b>																
A	7	807,173	195,920	24.3%	-	0.0%	195,920	24.3%	25.0%	2,053	(50,468)	-	-	-	-	\$2.62
B	17	1,236,543	39,402	3.2%	-	0.0%	39,402	3.2%	5.2%	27,135	37,732	-	-	-	-	\$2.25
C	13	199,215	7,870	4.0%	-	0.0%	7,870	4.0%	4.0%	-	-	-	-	-	-	\$1.83
Total	37	2,242,931	243,192	10.8%	-	0.0%	243,192	10.8%	12.2%	29,188	(12,736)	-	-	-	-	\$2.54
<b>SOUTHWEST</b>																
A	2	115,300	55,544	48.2%	-	0.0%	55,544	48.2%	72.5%	10,526	4,360	-	-	-	-	\$2.22
B	8	380,926	173,025	45.4%	-	0.0%	173,025	45.4%	25.0%	(15,000)	(72,524)	-	-	-	131,680	\$2.32
C	20	259,170	54,235	20.9%	-	0.0%	54,235	20.9%	20.9%	-	(112)	-	-	-	-	\$1.52
Total	30	755,396	282,804	37.4%	-	0.0%	282,804	37.4%	30.8%	(4,474)	(68,276)	-	-	-	131,680	\$2.15
<b>WEST CENTRAL</b>																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	11	291,027	40,086	13.8%	-	0.0%	40,086	13.8%	13.0%	-	6,517	-	-	-	-	\$2.17
C	69	852,482	198,624	23.3%	5,198	0.6%	203,822	23.9%	18.8%	12,011	(44,584)	-	-	-	-	\$1.67
Total	80	1,143,509	238,710	20.9%	5,198	0.5%	243,908	21.3%	17.4%	12,011	(38,067)	-	-	-	-	\$1.75
<b>MARKET TOTAL</b>																
A	13	1,177,473	291,025	24.7%	-	0.0%	291,025	24.7%	27.6%	12,579	(81,082)	-	-	-	-	\$2.61
B	67	3,444,519	599,785	17.4%	9,804	0.3%	609,589	17.7%	16.3%	15,208	(7,866)	-	-	-	131,680	\$2.21
C	186	2,552,327	422,854	16.6%	5,198	0.2%	428,052	16.8%	14.4%	7,011	(9,167)	-	-	-	-	\$1.69
Total	266	7,174,319	1,313,664	18.3%	15,002	0.2%	1,328,666	18.5%	17.5%	34,798	(98,115)	-	-	-	131,680	\$2.13
<b>QUARTERLY COMPARISON AND TOTALS</b>																
Q4-14	266	7,174,319	1,313,664	18.3%	15,002	0.2%	1,328,666	18.5%	17.5%	34,798	(98,115)	-	-	-	131,680	\$2.13
Q3-14	266	7,174,319	1,348,462	18.8%	15,002	0.2%	1,363,464	17.5%	17.5%	(104,034)	(132,913)	-	-	-	-	\$2.15
Q2-14	266	7,174,319	1,244,428	17.3%	12,611	0.2%	1,257,039	17.5%	16.6%	(61,189)	(28,879)	-	-	-	-	\$2.15
Q1-14	266	7,174,319	1,183,239	16.5%	9,711	0.1%	1,192,950	16.6%	17.0%	32,310	32,310	-	-	-	-	\$2.09
Q4-13	266	7,174,319	1,215,549	16.9%	1,224	0.0%	1,216,773	17.0%	18.0%	74,681	(117,966)	-	-	-	-	\$2.09
Q3-13	266	7,174,319	1,290,230	18.0%	2,599	0.0%	1,292,829	18.0%	16.5%	(112,375)	(192,647)	-	-	-	-	\$2.11
Q2-13	266	7,174,319	1,177,855	16.4%	2,881	0.0%	1,180,736	16.5%	15.2%	(100,802)	(80,272)	-	-	-	-	\$2.11

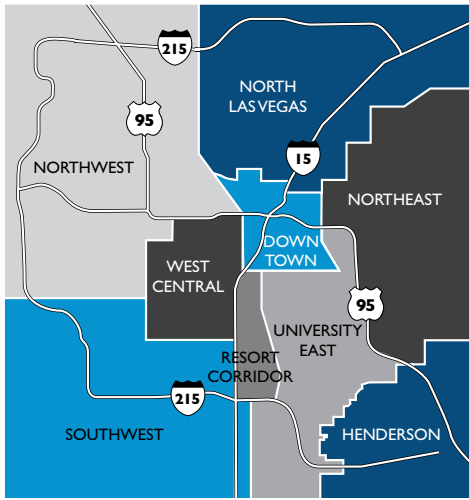
The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

“Moving forward, the medical office market needs to see much stronger improvements in job numbers and a willingness by landlords to rehabilitate distressed space.”

John M. Stater  
Colliers, Research & GIS Manager



## Retail Review



Southern Nevada's retail market had a rocky 2014. The year started on a down-note, with negative net absorption in the first quarter, following negative net absorption in the fourth quarter of 2013. Net absorption was positive in the second and third quarters of 2014, but once again dipped into negative territory in the fourth quarter. In the end, net absorption for 2014 totaled 192,581 square feet, actually better than in 2013 despite some shaky quarters. Vacancy, on the other hand, increased year-over-year, to 9.5 percent from 2013's 9.2 percent. An increase in retail construction is the cause of this increase in vacancy, with 343,313 square feet being completed in 2014, compared to 2013's meager 8,000 square feet of new retail construction. If 2014 was the test for speculative retail development in Southern Nevada, it remains hard to say whether we passed or failed – maybe a solid “C”. Nevertheless, more construction is on the way in 2015.

According to the Nevada Department of Employment, Training & Rehabilitation, retail employment (including food & drink establishments) in the Las Vegas MSA increased between October 2013 and October 2014 from 187,100 to 194,700 retail employees, an increase of 7,600 jobs. Food and beverage stores added 200 jobs over the past twelve months, while general merchandise and clothing stores added 1,100 jobs and health and personal care stores added 300 jobs. Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Since October 2013, total employment in Southern Nevada has increased by 30,326 jobs.

### MARKET INDICATORS

	Q4-14	Q1-15 PROJECTED
VACANCY	↑	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↓
RENTAL RATE	↓	↓

Clark County's taxable retail sales in the first eight months of 2014 (the most recent data available) totaled \$14.9 billion, slightly better than the \$14.1 billion of taxable retail sales recorded in the first eight months of 2013. The largest increases in taxable sales in August 2014 compared to August 2013 were in food and beverage stores (26 percent increase), home furnishings (12.4 percent increase) and food service and drinking places (9.9 percent increase). Electronics and appliances stores experienced only a 1.7 percent increase in taxable sales over the period. Taxable sales did not fall in any category of retail spending during this spending period.

Several projects were completed in the fourth quarter of 2014, including a Lifetime Fitness in Henderson (120,000 square feet), a Las Vegas Athletic Club in Northwest (94,000 square feet), a Harley Davidson in the Resort Corridor (50,000 square feet) and, perhaps most importantly, the Downtown Summerlin project. Downtown Summerlin consists of an 875,000 square foot regional mall and a 93,000 square foot power center. Since this report only covers anchored retail centers, only the aforementioned power center is tracked in our numbers, but the other projects are still notable. Forward supply in 2015 constitutes a modest 359,000 square feet in anchored suburban retail centers (which are tracked in this report's statistics), and 494,000 square feet in other retail properties. This is a significant expansion from known forward supply just one quarter ago, and points to renewed confidence (and hopefully a well-founded one) in Southern Nevada's retail market by developers.

### MARKET SUMMARY

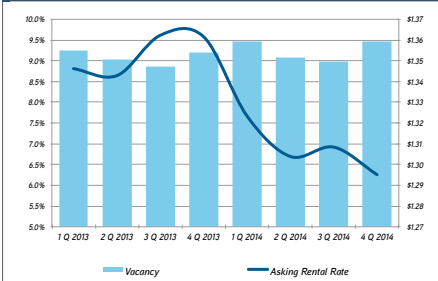
	Q4-14	Q3-14	Q4-13
Vacancy Rate	9.5%	9.0%	9.2%
Asking Rent (PSF, NNN)	\$1.30	\$1.31	\$1.36
Net Absorption (SF)	192,581	324,700	150,870
New Completions (SF)	343,313	250,318	8,000

Gross absorption of retail product in 2014 totaled 1.8 million square feet, down just a bit from the 1.9 million square feet of gross absorption in 2013.

Retail vacancy in Southern Nevada was on the decline for nine consecutive quarters before it experienced an increase in early 2014. Activity picked up in mid-2014, but by the end of the year, renewed retail development sent vacancy rates higher. At the end of 2014, retail vacancy stood at 9.5 percent, up from 9.2 percent at the end of 2013. From 2001 to 2014, retail vacancy averaged 6.6 percent, giving the market 2.9 percentage points to go before reaching the long-term average vacancy. At the current rate of net absorption, it could take the market as long as three years to get to this long-term average.

Among submarkets, the Valley's highest vacancy this quarter was 17.7 percent in Downtown, followed by 11.5 percent in University East. Both of these high vacancy submarkets are among the older retail submarkets in Southern Nevada, with properties averaging 36 years old in Downtown and 25 years old in University East. Downtown is also the smallest submarket in the Valley in terms of population, and it is projected to lose population over the next five years. The Southwest submarket had the

HISTORICAL VACANCY RATES AND ASKING LEASE RATES



lowest vacancy rate in the Valley at 7.2 percent, followed by Northwest at 7.3 percent. North Las Vegas, Northwest, Southwest, and West Central experienced increases in vacancy this quarter, while Downtown, Northeast and University East saw vacancy decrease.

The average asking rental rate for retail space in Southern Nevada stood at \$1.30 per square foot (psf) on a Triple-Net basis (NNN). This was \$0.06 lower than in the fourth quarter of 2013. Asking rates for retail remain at the lowest levels we have recorded in twelve years. Adjusting for inflation, asking rental rates are now \$0.98 psf NNN in 2002 dollars, approximately \$0.50 lower than in 2002.

Over the past year, average asking rents decreased in Downtown, North Las Vegas, Northwest, University East, and West Central. Asking rents increased in Henderson and Southwest. They remained stable in the Northeast submarket. On a year-over-year basis, power center asking rents remained stable at \$1.50 psf NNN. Asking rents were down for community centers and neighborhood centers.

Shopping center investment sales year-to-date in 2014 totaled 2,327,000 square feet in 48 centers, with total sales volume of \$485.7 million. This resulted in an average price per square foot of \$208.74, a significant increase over the past five years. The average sales price in 2013 was only \$97.21. Distressed sales consisted of 325,000 square feet in seven centers, with total sales volume of \$39.4 million square feet and an average price

of \$121.16 per square foot. Non-distressed centers sold for an average of \$222.97 per square foot.

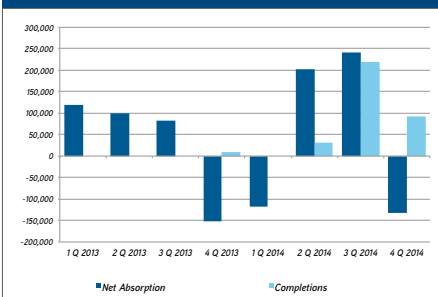
Single-tenant retail investment sales have totaled 490,000 square feet in 55 buildings so far in 2014, with total sales volume of \$172.6 million. This resulted in an average price per square foot of \$352.06. All of these sales were in non-distressed properties. The average sales price in 2013 was only \$168.23.

Distressed retail space totaled 3.6 million square feet at the end of 2014, down from the 4.3 million square feet of distressed retail at the end of 2013.

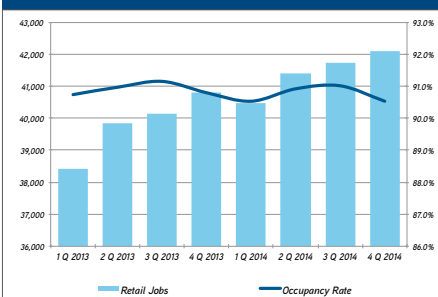
Southern Nevada currently has 1,038,819 square feet of vacant big-box space (including sublease space) in the marketplace, representing a vacancy rate of 5.3 percent with an average asking price of \$1.02 psf NNN. Shop space had a vacancy rate of 12.6 percent and an asking rate of \$1.37 psf NNN. While shop space had a higher vacancy rate than big-box in the fourth quarter of 2014, the big-boxes hold 24.4 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption in big-box space over the past quarter was negative 62,448 square feet. As local Food 4 Less locations close their doors in 2015, expect negative net absorption in big-box space to continue. Shop space posted 227,399 square feet of net absorption over the same period.

Retailers slated to enter Southern Nevada or expand here include Sprouts, which is looking to open six

HISTORICAL NET ABSORPTION VS. COMPLETIONS



OCCUPANCY VS. RETAIL EMPLOYMENT



**Lease & Sales Activity**

**Lease activity**

Property Address	Lease date	LEASE TERM	size SF	lease Rate	type
Silverado Ranch Place	Nov 2014	84 months	30,900 SF	\$0.55 NNN	Community Center
Center Point Plaza	Nov 2014	96 months	10,300 SF	\$2.41 NNN	Neighborhood Center
Stephanie Promenade	Oct 2014	84 months	8,000 SF	\$1.01 NNN	Community Center
Grand Flamingo Parkway	Oct 2014	124 months	7,300 SF	\$1.33 NNN	Community Center
Hualapai Plaza	Nov 2014	59 months	6,500 SF	\$1.02 NNN	Strip Retail

**Sales Activity**

Property Address	sale date	sale Price	size SF	Price/SF	type
Property Name	Sale Date	Sale Price	Size	Price/SF	Type
Sahara Pavilion South	Oct 2014	\$8,295,000	161,000 SF	\$52	Community Center
Decatur Meadows	Oct 2014	\$7,890,000	111,000 SF	\$71	Community Center
Craig Road Retail	Oct 2014	\$5,300,000	125,000 SF	\$43	Community Center
Maryland Crossing	Oct 2014	\$5,300,000	58,000 SF	\$92	Community Center
Desert Palms Plaza	Oct 2014	\$4,900,000	18,000 SF	\$266	Strip Retail

new stores in the Valley, Wal-Mart, which has secured land in the Southwest submarket for a new center, IKEA, which is planning a very large store in the Southwest submarket, Winco, Glaziers, PDQ Chicken, Moe's Southwest Grill, Dickey's BBQ, Conn's Appliances, Golden Corral, Pink Box Donuts, Popeyes, and White Castle, which is planning a Las Vegas "Strip" location. Rumors abound that Chick-fil-A is now exploring expansion into Southern Nevada (though presumably they will not be touring sites on Sundays). The recently purchased Fresh & Easy chain has announced two closures in Southern Nevada. All Food 4 Less locations are disappearing from Southern Nevada, with seven locations closing completely and six being converted into Smiths. Staples has announced that it is closing 200 stores nationally, though to date we do not know if any Southern Nevada Staples locations will be closed. Radio Shack has announced that it is closing 1,100 stores, with one of those stores being located at the Galleria Mall in Henderson. Walgreens is closing one location at Tropicana and Durango in the Southwest submarket.

When we started producing these reports back in the late 1990's, the retail market experienced the normal ups and downs common to any market. By the mid-2000's, those ups and downs had been replaced by seemingly never-ending ups. We say seemingly, because by 2009, those never-ending ups became seemingly never-ending downs. It is now rather refreshing to see retail return to normalcy. No more epic ups or abysmal downs, just the normal ebb and flow of a free market. With taxable sales and retail employment moving in a favorable direction, we expect 2015 to continue retail's gradual recovery from the dark days of the Great Recession. We may find that a renewal of speculative development in the market came a bit too early, but the underlying fundamentals remain, for the time being, solid.

*Includes properties that have received a notice of default and properties in different phases of the foreclosure process.*

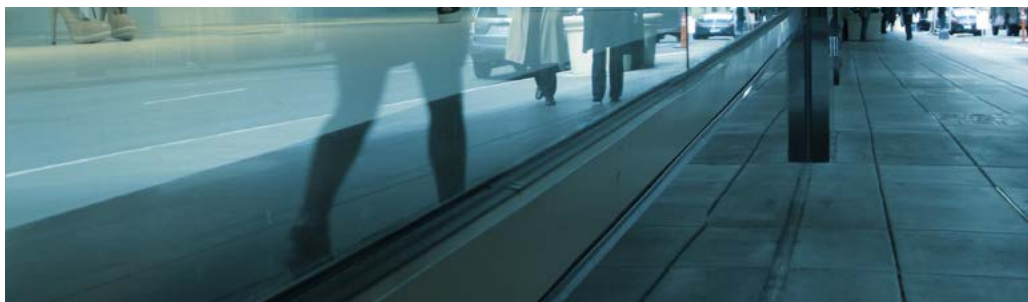
### Demographics

	Population (2014 estimate)	Projected Annual Population Growth (2014-2019)	Occupied Retail Space (Q4-14)	Occupied Retail Growth (Last 12 mo.)
DOWNTOWN	108,000	-0.1%	993,000	- 7.5%
HENDERSON	269,000	5.6%	7,792,000	0.4%
NORTH LAS VEGAS	233,000	8.4%	4,477,000	- 2.4%
NORTHEAST	247,000	4.6%	2,314,000	2.3%
NORTHWEST	462,000	5.6%	10,261,000	1.9%
SOUTHWEST	194,000	13.6%	5,369,000	- 0.1%
UNIVERSITY EAST	254,000	3.3%	5,242,000	1.0%
WEST CENTRAL	139,000	-0.3%	4,259,000	1.7%

### Sales Activity

SINGLE-TENANT RETAIL	2010	2011	2012	2013	2014 YTD
No. Sales	14	28	25	49	55
Square Footage Sold	238,000	825,000	319,000	868,000	490,000
Sales Volume	\$34.1 MM	\$62.9 MM	\$78.2 MM	\$146.0 MM	\$172.6 MM
Average Price/SF	\$143.33	\$76.23	\$244.81	\$168.23	\$352.06
Average Sale Size (SF)	17,000	30,000	13,000	18,000	9,000

SHOPPING CENTER RETAIL	2010	2011	2012	2013	2014
No. Sales	6	27	30	48	48
Square Footage Sold	206,000	2,393,000	1,781,000	3,892,000	2,327,000
Sales Volume	\$13.3 MM	\$282.7 MM	\$194.0 MM	\$378.4 MM	\$485.7 MM
Average Price/SF	\$64.39	\$118.11	\$108.90	\$97.21	\$208.74
Average Sale Size (SF)	34,000	88,000	59,000	81,000	48,500



"It is now rather refreshing to see retail return to normalcy. No more epic ups or abysmal downs, just the normal ebb and flow of a free market."

John M. Stater  
Colliers, Research & GIS Manager

Market Comparisons

Retail market

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
<b>DOWNTOWN</b>																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	687,377	151,904	22.1%	-	0.0%	151,904	22.1%	18.3%	6,463	(19,949)	-	-	-	-	\$1.13
NC	5	518,070	61,020	11.8%	-	0.0%	61,020	11.8%	11.8%	-	(61,020)	-	-	-	-	\$0.45
<b>Total</b>	<b>10</b>	<b>1,205,447</b>	<b>212,924</b>	<b>17.7%</b>	<b>-</b>	<b>0.0%</b>	<b>212,924</b>	<b>17.7%</b>	<b>15.5%</b>	<b>6,463</b>	<b>(80,969)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.94</b>
<b>HENDERSON</b>																
PC	8	2,896,215	281,211	9.7%	-	0.0%	281,211	9.7%	10.0%	(10)	(40,218)	-	-	-	-	\$1.61
CC	19	2,831,313	234,328	8.3%	-	0.0%	234,328	8.3%	8.4%	(4,489)	42,971	-	30,318	15,159	-	\$1.20
NC	25	2,841,887	261,996	9.2%	1,980	0.1%	263,976	9.3%	10.4%	4,757	28,584	-	-	-	-	\$1.42
<b>Total</b>	<b>52</b>	<b>8,569,415</b>	<b>777,535</b>	<b>9.1%</b>	<b>1,980</b>	<b>0.0%</b>	<b>779,515</b>	<b>9.1%</b>	<b>9.6%</b>	<b>258</b>	<b>31,337</b>	<b>-</b>	<b>30,318</b>	<b>15,159</b>	<b>-</b>	<b>\$1.42</b>
<b>NORTH LAS VEGAS</b>																
PC	2	832,000	32,065	3.9%	-	0.0%	32,065	3.9%	3.0%	-	(6,809)	-	-	-	-	\$1.09
CC	13	2,384,839	345,986	14.5%	73,755	3.1%	419,741	17.6%	13.1%	(121,500)	(130,137)	-	-	-	-	\$1.19
NC	16	1,806,524	168,463	9.3%	-	0.0%	168,463	9.3%	9.3%	(10,285)	24,542	-	-	-	-	\$1.39
<b>Total</b>	<b>31</b>	<b>5,023,363</b>	<b>546,514</b>	<b>10.9%</b>	<b>73,755</b>	<b>1.5%</b>	<b>620,269</b>	<b>12.3%</b>	<b>10.1%</b>	<b>(131,785)</b>	<b>(112,404)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1.25</b>
<b>NORTHEAST</b>																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	7	1,281,026	166,298	13.0%	18,614	1.5%	184,912	14.4%	14.7%	(1,080)	15,496	-	-	-	-	\$1.06
NC	15	1,306,795	107,473	8.2%	18,614	1.4%	126,087	9.6%	9.5%	2,958	36,863	-	-	-	-	\$1.17
<b>Total</b>	<b>22</b>	<b>2,587,821</b>	<b>273,771</b>	<b>10.6%</b>	<b>37,228</b>	<b>1.4%</b>	<b>310,999</b>	<b>12.0%</b>	<b>12.1%</b>	<b>1,878</b>	<b>52,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1.10</b>
<b>NORTHWEST</b>																
PC	9	3,158,686	233,161	n/a	1,000	n/a	234,161	7.4%	4.4%	91,764	191,724	92,995	312,995	-	-	\$1.63
CC	20	4,281,890	195,544	4.6%	-	0.0%	195,544	4.6%	4.6%	3,497	1,607	-	-	-	270,982	\$1.41
NC	30	3,633,796	384,382	10.6%	109,491	3.0%	493,873	13.6%	11.6%	(68,097)	(3,983)	-	-	-	-	\$1.30
<b>Total</b>	<b>59</b>	<b>11,074,372</b>	<b>813,087</b>	<b>7.3%</b>	<b>110,491</b>	<b>1.0%</b>	<b>923,578</b>	<b>8.3%</b>	<b>6.9%</b>	<b>27,164</b>	<b>189,348</b>	<b>92,995</b>	<b>312,995</b>	<b>-</b>	<b>270,982</b>	<b>\$1.42</b>
<b>SOUTHWEST</b>																
PC	1	944,314	36,901	3.9%	6,900	0.7%	43,801	4.6%	3.9%	-	7	-	-	-	-	\$1.88
CC	9	3,216,421	233,639	7.3%	6,958	0.2%	240,597	7.5%	7.9%	3,037	2,921	-	-	-	-	\$1.71
NC	13	1,623,100	144,321	8.9%	-	0.0%	144,321	8.9%	8.7%	(10,399)	(10,902)	-	-	-	-	\$1.73
<b>Total</b>	<b>23</b>	<b>5,783,835</b>	<b>414,861</b>	<b>7.2%</b>	<b>13,858</b>	<b>0.2%</b>	<b>428,719</b>	<b>7.4%</b>	<b>7.5%</b>	<b>(7,362)</b>	<b>(7,974)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1.73</b>
<b>UNIVERSITY EAST</b>																
PC	3	1,210,223	108,304	8.9%	-	0.0%	108,304	8.9%	8.9%	-	(34,793)	-	-	-	-	\$1.63
CC	18	2,760,749	416,567	15.1%	-	0.0%	416,567	15.1%	17.2%	29,567	77,267	-	-	-	-	\$0.95
NC	17	1,953,965	157,714	8.1%	-	0.0%	157,714	8.1%	8.4%	(1,100)	9,234	-	-	-	-	\$1.27
<b>Total</b>	<b>38</b>	<b>5,924,937</b>	<b>682,585</b>	<b>11.5%</b>	<b>-</b>	<b>0.0%</b>	<b>682,585</b>	<b>11.5%</b>	<b>12.6%</b>	<b>28,467</b>	<b>51,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1.13</b>
<b>WEST CENTRAL</b>																
PC	3	1,138,224	205,826	18.1%	-	0.0%	205,826	18.1%	18.7%	1,490	9,914	-	-	-	-	\$1.15
CC	13	1,910,276	216,463	11.3%	-	0.0%	216,463	11.3%	13.1%	(66,992)	22,799	-	-	-	-	\$0.91
NC	18	1,746,530	113,269	6.5%	48,551	2.8%	161,820	9.3%	10.3%	8,300	36,463	-	-	-	-	\$1.29
<b>Total</b>	<b>34</b>	<b>4,795,030</b>	<b>535,558</b>	<b>11.2%</b>	<b>48,551</b>	<b>1.0%</b>	<b>584,109</b>	<b>12.2%</b>	<b>13.4%</b>	<b>(57,202)</b>	<b>69,176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1.08</b>
<b>MARKET TOTAL</b>																
PC	26	10,179,662	897,468	8.8%	7,900	0.1%	905,368	8.9%	8.1%	93,244	119,825	92,995	312,995	-	-	\$1.50
CC	104	19,353,891	1,960,729	10.1%	99,327	0.5%	2,060,056	10.6%	10.5%	(151,497)	12,975	-	30,318	15,159	270,982	\$1.18
NC	139	15,430,667	1,398,638	9.1%	178,636	1.2%	1,577,274	10.2%	10.1%	(73,866)	59,781	-	-	-	-	\$1.32
<b>Total</b>	<b>269</b>	<b>44,964,220</b>	<b>4,256,835</b>	<b>9.5%</b>	<b>285,863</b>	<b>0.6%</b>	<b>4,542,698</b>	<b>10.1%</b>	<b>9.8%</b>	<b>(132,119)</b>	<b>192,581</b>	<b>92,995</b>	<b>343,313</b>	<b>15,159</b>	<b>270,982</b>	<b>\$1.30</b>

QUARTERLY COMPARISON AND TOTALS

Q4-14	269	44,964,220	4,256,835	9.5%	285,863	0.6%	4,542,698	10.1%	9.8%	(132,119)	192,581	92,995	343,313	15,159	270,982	\$1.30
Q3-14	268	44,871,225	4,031,721	9.0%	297,070	0.7%	4,328,791	9.8%	9.7%	242,296	324,700	220,000	250,318	92,995	167,159	\$1.31
Q2-14	267	44,651,225	4,054,017	9.1%	297,070	0.7%	4,351,087	9.7%	10.2%	200,995	82,404	30,318	30,318	312,995	167,159	\$1.30
Q1-14	266	44,620,907	4,224,694	9.5%	311,103	0.7%	4,535,797	10.2%	9.9%	(118,591)	(118,591)	0	0	441,791	261,089	\$1.32
Q4-13	266	44,620,907	4,106,103	9.2%	311,103	0.7%	4,417,206	9.9%	9.7%	(150,974)	150,870	8,000	8,000	343,313	261,089	\$1.36
Q3-13	266	44,612,907	3,947,129	8.8%	377,214	0.8%	4,324,343	9.7%	9.9%	81,966	301,844	0	0	-	299,407	\$1.36
Q2-13	266	44,612,907	4,029,095	9.0%	379,559	0.9%	4,408,654	9.9%	10.2%	100,229	219,878	0	0	-	299,407	\$1.34

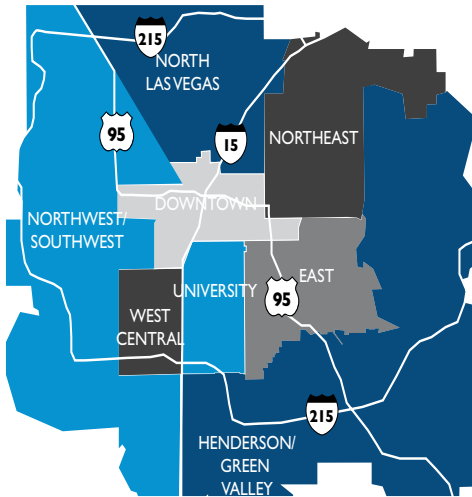
PC = Power Center

CC = Community Center

NC = Neighborhood Center



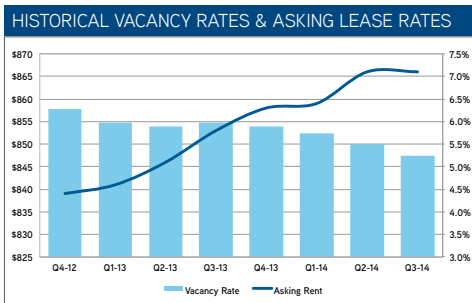
# Multi-Family Review



According to statistics provided by REIS, multifamily vacancy in Southern Nevada decreased in the third quarter of 2014 (the most recent quarter of available data), extending a three year long streak. Vacancy stood at 5.2 percent in the third quarter, 0.8 percentage points lower than one year ago, and 0.3 percentage points lower than in the second quarter of 2014. Class A properties were 5.2 percent vacant in the second quarter, the 0.5 percentage points lower than in the second quarter of 2014. Class B/C properties were 5.3 percent vacant, the same as one quarter ago.

Six of the eight submarkets showed positive net absorption in the third quarter of 2014, with the highest net absorption found in Henderson/Green Valley (131 units) and North Las Vegas (90 units). Net absorption was negative in the Northeast (negative 26 units) and University (negative 14 units) submarkets. On a property class basis, Class A multifamily posted 314 units of net absorption in the third quarter of 2014. Class B/C properties absorbed only 33 units net.

There were no new multifamily completions in the third quarter of 2014. So far in 2014, 341 new multifamily units were completed. Several properties are now under construction in Southern Nevada, and poised to expand the Valley’s multifamily inventory by 1,000 units.



Asking rents for multifamily stood at \$866 per unit in the third quarter of 2014, showing no movement from the second quarter. Asking rents have increased by \$8 per month since 2013. Class A properties had an average asking rent of \$990 per unit (0.6 percent quarterly growth), compared to an average asking rent of \$764 (1.1 percent quarterly growth) for Class B/C properties.

REIS predicts that multifamily vacancy will bottom out at 5.0 percent in 2015, and then begin climbing due to increased construction and increased competition by single-family residences. They predict that vacancy will reach 6.5 percent in 2018, after 12,703 units have been added to Southern Nevada’s multifamily inventory.

Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Unemployment averaged 7.9 percent in 2014, compared to 10 percent in 2013. Since October 2013, total employment in Southern Nevada increased by 23,200 jobs, the majority in professional/business services (+5,700 jobs), trade/transportation/utilities (+5,100 jobs), leisure/hospitality (+4,700 jobs) and education/health services (+3,700 jobs). Construction employment also increased year-over-year, by 1,500 jobs, notable due to the construction industry’s terrible fall during the Great Recession. Despite recent improvements, construction employment in Southern Nevada remains almost 70,000 jobs below its peak in 2006.

Key Trades					
PROPERTY	SALE DATE	UNITS	PRICE	PRICE/UNIT	YEAR BUILT
Alicante Villa Apartments	Nov 2014	232	\$29.3 MM	\$126,000	2001
Reserve at Arrow Canyon	Nov 2014	426	\$48.9 MM	\$110,000	2007
Broadstone Agave	Nov 2014	432	\$41.0 MM	\$95,000	1989
Aspen Peak	Oct 2014	66	\$5.5 MM	\$83,000	2006
Summerhill Villas	Oct 2014	440	\$31.3 MM	\$71,000	1990
Shepherd Hills Townhomes	Oct 2014	195	\$13.0 MM	\$67,000	2001
Bayshore Club	Oct 2014	144	\$8.6 MM	\$60,000	1990
Hampton Court	Oct 2014	420	\$22.9 MM	\$54,000	1974
Townhome Villas	Nov 2014	173	\$8.0 MM	\$46,000	1971
1550 Fahrenheit	Nov 2014	234	\$7.5 MM	\$32,000	1979

Source: Real Capital Analytics

According to data provided by the Nevada Department of Motor Vehicles, the number of out-of-state driver's licenses turned in per month has averaged 5,504 in the first ten months of 2014. This is slightly more than the 2013 average of 5,481 licenses per month, and less than 2012's average of 5,691 licenses per. In fact, 2012 appears to have been the peak year, post-Great Recession, for migration into the Valley, though not necessarily population growth. This slower growth is likely responsible for weakness in new home sales and construction employment. Since Las Vegas's birth in 1905, population growth has been a major driver of economic growth. In the past, population growth was driven by the Valley's low unemployment rate and retirees looking to escape the dramatic weather and high cost of living elsewhere in the United States.

Real Capital Analytics identified 11,669 units in distressed multifamily projects in Southern Nevada in the third quarter of 2014. This is a decrease of more than 9,000 units since the third quarter of 2013. Currently, 8.5 percent of the multifamily units in Southern Nevada are distressed, down from 15.2 percent in the third quarter of 2013. The distressed category includes properties that have received a notice of default, as well as troubled properties and those that are in some stage of the foreclosure process. In 2014 so far, distressed multifamily projects containing 4,551 units were resolved, an increase from the same period in 2013 when 2,920 units had their distressed status resolved. Distressed properties resolved in 2014 had an average occupancy rate of 91 percent.

Multifamily sales decreased in 2014 compared to 2013, with 13,203 units selling at an average price per unit of \$69,053. The average price per unit was higher one year ago, when 17,808 units sold at an average price per unit of \$75,600. Cap rates averaged 6.3 percent in 2014, 0.6 points higher than in 2013.

Southern Nevada's multifamily market has done very well over the past six years, spurred on in part by economic recovery, and in part by restrained demand for single-family residential. Difficulties in financing new homes have restrained demand for single-family residential over the past few years, and multifamily has taken up the slack. Multifamily vacancy rates over the past six years dropped from a high of 11.2 percent in 2009 to the present low of 5.5 percent. Multifamily sales rebounded significantly from the depths of the recession in terms of units sold and the average price of a unit sold. Cap rates fell from the highs experienced in 2012, but they now look as though they are headed back up.

Multifamily construction remained robust during the Great Recession, but decreased in 2010, 2011, 2012, 2013 and, so far, in 2014. Next year, however, construction of new multifamily is expected to increase, with 1,000 units now under construction in Southern Nevada, and more potentially on the way. This means that the multifamily market is entering a new phase in 2015, from recovery to expansion. If population growth remains steady and single-family home sales, new or existing, remain constrained, the multifamily market should remain attractive to investors. There is some danger here; new rules in Washington, D.C. are poised to bring back the easy financing days that helped get us into the Great Recession in the first place. In the short term, this could increase sales of single-family residential at the expense of demand for multifamily residential. Keep your eyes on the numbers in 2015, and be prepared.

#### Multifamily Demographic Data

	2014 est. Households	Renter Occupied	Median Household Income	Average Household Size	Projected Annual Growth Rental Households (2014-2019)
Downtown	62,000	61%	\$29,000	2.8	60
East	64,000	44%	\$41,000	2.7	170
Henderson/Southeast	139,000	36%	\$56,000	2.6	630
North Las Vegas	121,000	36%	\$49,000	3.1	580
Northeast	48,000	48%	\$37,000	3.3	180
Northwest/Southwest	190,000	38%	\$55,000	2.6	980
University	35,000	77%	\$31,000	2.2	70
West Central	30,000	54%	\$36,000	2.2	90
<b>TOTAL</b>	<b>689,000</b>	<b>42%</b>	<b>\$46,000</b>	<b>2.7</b>	<b>3,100</b>

Source: Real Capital Analytics

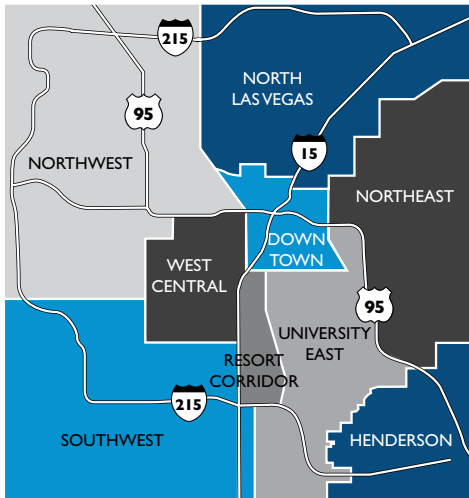
#### Historical Sales Data

	2014	2013	2012	2011	2010
Units Sold	13,203	17,808	21,840	7,554	2,996
Average Price/Unit	\$69,053	\$75,600	\$65,425	\$50,324	\$42,500
Cap Rate	6.3%	5.7%	7.3%	6.9%	6.5%

MULTIFAMILY MARKET INFORMATION

QUARTER	INVENTORY	COMPLETIONS	VACANT UNITS	VACANCY RATE	NET ABSORPTION	ASKING RENT	QOQ RENT GROWTH	VACANCY RATE (LAST Q)	UNDER CONSTRUCTION	PLANNED CONSTRUCTION	UNITS SOLD	PRICE/UNIT	CAP RATE	DISTRESSED UNITS
Q4-12	136,958	50	9,440	6.3%	593	\$839	0.8%	6.8%	1,094	4,195	3,178	\$104,800	6.1%	20,800
Q1-13	137,072	114	8,845	6.0%	709	\$841	0.2%	6.3%	660	4,195	2,608	\$44,001	6.1%	19,626
Q2-13	137,368	296	8,743	5.9%	398	\$846	0.6%	6.0%	236	3,849	5,584	\$69,928	5.8%	20,633
Q3-13	137,456	88	8,214	6.0%	617	\$853	0.8%	5.9%	986	3,849	3,591	\$76,072	5.5%	20,931
Q4-13	137,542	86	8,114	5.9%	186	\$858	0.6%	6.0%	1,241	4,197	6,025	\$94,252	5.4%	17,287
Q1-14	137,287	86	7,891	5.7%	223	\$859	0.1%	5.9%	1,355	3,546	3,875	\$64,742	6.1%	14,438
Q2-14	137,542	255	7,564	5.5%	805	\$866	0.8%	5.7%	1,556	3,244	2,472	\$67,622	5.4%	10,809
Q3-14	137,542	0	7,217	5.2%	897	\$866	0.8%	5.5%	1,556	3,244	3,614	\$73,153	6.0%	11,669
Q4-14											3,242	\$70,725	6.1%	
CLASS	INVENTORY	COMPLETIONS	VACANT UNITS	VACANCY RATE	NET ABSORPTION	ASKING RENT	QOQ RENT GROWTH	VACANCY RATE (LAST Q)	UNDER CONSTRUCTION	PLANNED CONSTRUCTION	UNITS SOLD	PRICE/UNIT		DISTRESSED UNITS
A	66,253	0	3,455	5.2%	314	\$990	0.6%	5.7%	1,556	3,244	0	n/a		0
BC	71,289	0	3,762	5.3%	33	\$764	1.1%	5.3%	0	0	3,242	\$70,725		11,669
SUBMARKET	INVENTORY	COMPLETIONS	VACANT UNITS	VACANCY RATE	NET ABSORPTION	ASKING RENT	QOQ RENT GROWTH	VACANCY RATE (LAST Q)	UNDER CONSTRUCTION	PLANNED CONSTRUCTION	UNITS SOLD	PRICE/UNIT		DISTRESSED UNITS
DOWNTOWN	16,227	0	617	3.8%	32	\$741	0.7%	4.0%	0	318	325	\$55,523		960
Class A	2,773	0	76	2.7%	7	\$863	1.3%	3.0%	0	318	0	n/a		0
Class B/C	13,454	0	541	4.0%	25	\$716	0.6%	4.2%	-	-	325	\$55,523		960
EAST	15,322	0	827	5.4%	31	\$784	0.8%	5.6%	80	0	65	\$37,308		2,042
Class A	6,383	0	342	5.4%	27	\$840	0.1%	5.8%	80	0	0	n/a		0
Class B/C	8,939	0	485	5.4%	4	\$746	1.5%	5.5%	-	-	65	\$37,308		2,042
HENDERSON/GV	26,001	0	1,404	5.4%	131	\$1,022	1.3%	5.9%	1,240	1,102	498	\$93,373		1,230
Class A	17,933	0	945	5.3%	97	\$1,063	0.9%	5.8%	1,240	1,102	0	n/a		0
Class B/C	8,068	0	459	5.7%	34	\$925	1.5%	6.1%	-	-	498	\$93,373		1,230
N. LAS VEGAS	22,594	0	1,469	6.5%	90	\$828	0.7%	6.9%	0	436	426	n/a		874
Class A	13,042	0	889	6.8%	66	\$900	0.8%	7.3%	0	436	0	n/a		0
Class B/C	9,552	0	580	6.1%	24	\$727	0.3%	6.3%	-	-	426	\$110,000		874
NORTHEAST	8,815	0	793	9.0%	-26	\$716	0.5%	8.7%	0	96	34	\$37,059		450
Class A	2,172	0	81	3.7%	4	\$803	0.6%	3.9%	0	96	0	n/a		0
Class B/C	6,643	0	712	10.7%	-30	\$687	-0.5%	10.3%	-	-	34	\$37,059		450
NW/SW	21,551	0	1,055	4.9%	66	\$1,085	0.7%	5.2%	236	1,052	440	\$71,093		679
Class A	16,099	0	861	5.3%	70	\$1,110	0.2%	5.8%	236	1,052	0	n/a		0
Class B/C	5,452	0	194	3.6%	-4	\$1,007	1.9%	3.5%	-	-	440	n/a		679
UNIVERSITY	14,501	0	726	5.0%	-14	\$738	1.2%	4.9%	0	0	1,078	\$41,744		2,690
Class A	2,180	0	60	2.8%	27	\$973	0.6%	4.0%	0	0	0	n/a		0
Class B/C	12,321	0	666	5.4%	-41	\$697	1.5%	5.1%	-	-	1,078	\$41,744		2,690
WEST CENTRAL	12,531	0	326	2.6%	37	\$828	0.8%	2.9%	0	240	376	\$100,849		2,744
Class A	5,671	0	201	3.5%	16	\$927	0.4%	3.8%	0	240	0	n/a		0
Class B/C	6,860	0	125	1.8%	21	\$740	0.5%	2.1%	-	-	376	\$100,849		2,744

## Hotel Review



### HOSPITALITY Sales\*

YEAR	VOLUME	UNITS SOLD	PRICE/UNIT
2014 YTD**	\$1,955 MM	7,132	\$274,000
2013	\$55 MM	1,129	\$49,000
2012	\$121 MM	2,613	\$46,000
2011	\$3,009 MM	7,369	\$408,000
2010	\$858 MM	8,883	\$97,000
2009	\$1,226 MM	4,913	\$249,000
2008	\$86 MM	889	\$97,000
2007	\$2,199 MM	4,452	\$495,000

\* Only includes properties with 100 or more units, arm's-length sales  
 \*\* Data from January to June

### CLARK COUNTY ECONOMIC DATA

	CURRENT	YEAR AGO
Jobs (1000s) (OCT. 2014)	882.8	859.6
Visitor Volume (2014 YTD)	35.2 MM	33.7 MM
Gaming Revenue (2014 YTD)	\$7.96 BB	\$8.00 BB
Taxable Sales (2014 YTD)	\$26.5 BB	\$24.6 BB
Commercial Occupancy (Q4)	88.4%	87.0%

SOURCE: THE CENTER FOR BUSINESS  
& ECONOMIC RESEARCH, UNLV

Southern Nevada's hospitality market continued to improve in 2014 in some measures, and go a bit flat in others. Average annual room occupancy, for example, jumped from 84.3 percent in 2013 to 88.3 percent in 2014, and ADR (average daily room rate) increased from \$110.64 in 2013 to \$118.45 in 2014, but gaming revenue has not quite kept pace with its performance in 2013, or indeed with its performance in the first half of 2014, possibly indicating the influence of both China's weakening economy and a desire by the central government to curb the flow of money from China to other nations, a flow which Macau apparently facilitated. This may be partially behind softening in baccarat volumes. Despite this slight slow-down in gaming revenue, revenue per available room (RevPAR) increased from \$93.30 in 2013 to \$104.53 in 2014. The Great Recession is effectively over for Southern Nevada's hospitality industry, just in time for new expansion.

Visitor volume in the first ten months of 2014 was 35.2 million people, up from the 33.7 million visitors recorded in the first ten months of 2013. Convention attendance over the same period in 2014 was 4.6 million attendees, slightly more convention attendees than visited Southern Nevada in the first ten months of 2013. Passenger traffic through McCarran International Airport was also up in the first ten months of 2014 over last year, increasing to 36.1 million passengers from 35.2 million passengers in 2013. Gaming revenue for Clark County stood at \$7.96 billion in the first ten months of 2014, down slightly from the first ten months of 2013's \$8 billion. Gaming revenue on the Las Vegas "Strip" was effectively flat at \$5.3 billion in the first ten months of 2014, compared to the first ten months of 2013. Las Vegas's major gaming operators appear to have solid pricing power, with MGM absorbing increases in resort fees in 2014 without difficulty. In October 2014, there were 271,800 jobs in the leisure and hospitality sector, an increase of 3,100 jobs since October 2013.

The hospitality industry's improvement in 2013 took place during a period when only 166 rooms were added to inventory. Hospitality growth in 2014 has been better in many respects, and has needed to be, as room inventory grew by 1,955 rooms. This represented the completion of the Cromwell (a renovation of the old Barbary Coast) and the completion of the SLS (a renovation of the old Sahara). The SLS launch has not been without problems, and is apparently making insiders nervous about additional North Strip developments, including Genting's planned ResortsWorld project.

No additional expansions to the inventory are expected in 2015 or 2016. 4,124 rooms are planned for completion in 2017, including the 3,500 room ResortsWorld Las Vegas project that will replace the defunct Echelon Resort project. 2014 also saw the completion of the LINQ retail district and High Roller attraction, and two new zipline attractions on the Strip and in Downtown. Other coming attractions include the Rock N Rio festival in May 2015, expected to bring 170,000 to 300,000 additional visitors to Southern Nevada over two weeks, a \$375 million MGM Resorts International Arena behind New York-New York and Monte Carlo, \$50 million outdoor retail plaza between the New York-New York and Monte Carlo scheduled for completion in June 2015, the announced \$50 million Grand Bazaar Shops adjacent to Bally's and a 46,000 square foot, 3-story mall in front of the Treasure Island. In all, we expect that approximately \$4.7 billion will be spent on Southern Nevada's hospitality market between 2014 and 2016, before another \$4 billion is spent developing the first phase of ResortsWorld Las Vegas in 2017.

Sales of limited service properties reached 1,181 units in eight properties trading at an average of \$55,172 per room in 2014. This represented a sales volume of \$65.2 million. By comparison, 2013 saw the sale of 967 units in seven properties for an average of \$34,427 per room, a sales volume of \$33.3 million. On the casino hotel front, 2014 has seen the sale of the 2,995 room Cosmopolitan Las Vegas for \$1.73 billion (\$577,000 per room) and the 2,956 room Westgate Las Vegas Resort (formerly the LVH, and the Las Vegas Hilton before that) for \$160 million (\$54,000 per room). Only one casino sold in 2013, the 162-room Gold Spike in Downtown, for redevelopment as corporate housing for Zappos.com employees. That property sold for \$22 million, or \$136,051 per room.

The hospitality industry is the engine of growth in Southern Nevada, and right now that engine is purring. While 2014 may not be a record-setting year, it has shown many significant improvements over 2013, which was itself a banner year for the industry. While there are some global dangers to the local hospitality industry in terms of a Chinese recession, low fuel prices will make it easier for Americans to get to Las Vegas. We think Southern Nevada's hospitality market will continue to be in fine shape in 2015, and during the run-up to the completion of ResortsWorld Las Vegas in 2017.

Key Trades

PROPERTY	SALE DATE	UNITS	PRICE	PRICE/UNIT	SUBMARKET	PROPERTY TYPE
Wingate by Wyndham	Jul 2014	101	\$5,958,000	\$59,000	Henderson	Limited Service
Westgate Las Vegas Resort	Jun 2014	2,956	\$160,000,000	\$54,000	Resort Corridor	Casino Hotel
Courtyard	Jun 2014	160	\$4,000,000	\$25,000	Henderson	Limited Service
Residence Inn	Jun 2014	126	\$6,500,000	\$52,000	Henderson	Limited Service
Hampton Inn	Jun 2014	106	\$6,500,000	\$61,000	Summerlin	Limited Service
Homewood Suites	Jun 2014	147	\$20,500,000	\$139,000	Airport	Limited Service
Baymont Inn & Suites	May 2014	135	\$8,600,000	\$64,000	Airport	Limited Service
Cosmopolitan of Las Vegas	May 2014	2,995	\$1,730,000,000	\$578,000	LV Strip	Casino Hotel

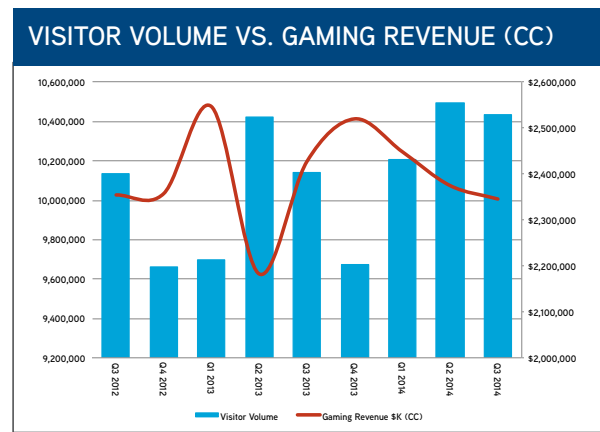
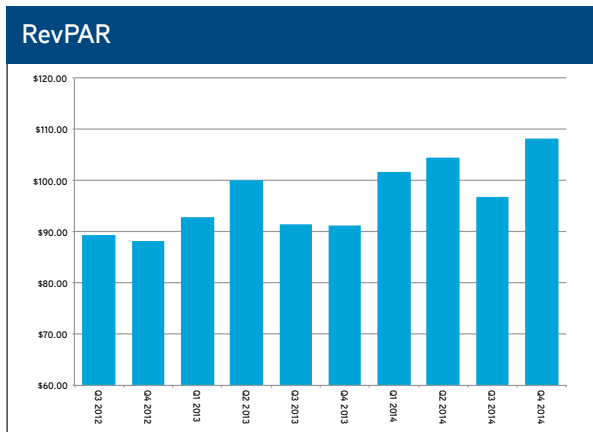
\* Indicates a non-arms length transaction

Market Health

DATA POINT	2014 YTD**	2013	2012	2011
Visitor Volume (millions)	35.2	39.9	39.7	38.9
Room Occupancy	88.3%	84.3%	84.4%	83.8%
ADR	\$118.45	\$110.64	\$108.02	\$104.97
RevPAR	\$104.53	\$93.27	\$91.17	\$87.96
Convention Attendance (millions)	4.64	5.11	4.93	4.87
Passengers McCarran Int'l (millions)	36.1	41.8	41.7	41.5
Gaming Revenue (Clark County; billions)	\$8.0	\$10.0	\$9.4	\$9.2
Gaming Revenue ("Strip"; billions)	\$5.3	\$6.5	\$6.2	\$6.1

\* Data from Las Vegas Convention & Visitors Authority

\*\* Data from January to September



Rendering of the new Gansevoort Las Vegas

The Great Recession is effectively over for Southern Nevada's hospitality industry, just in time for new expansion.

John M. Stater  
Colliers, Research & GIS Manager



Market Comparisons

Hotel market

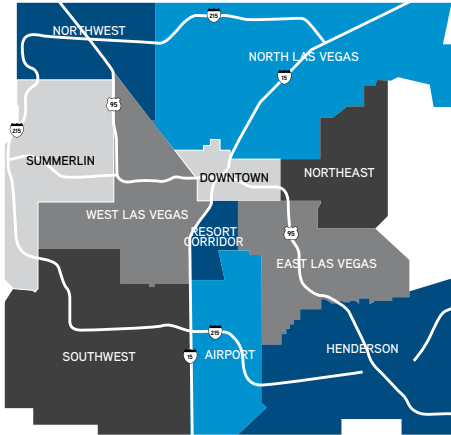
YEAR	UNIT INVENTORY	UNITS ADDED	UNITS PLANNED	UNITS SOLD	SALES VOLUME	PRICE/UNIT	DIS-TRESSED	VISITOR VOLUME	HOTEL OC-CUPANCY	ADR	REV PAR	CONVENTION ATTENDANCE	PASSEN-GERS	GAMING REVENUE (CLARK COUNTY)	GAMING REV-ENUE (STRIP)	EMPLOY-MENT
2010	151,777	2,792	7,509	8,883	\$858,000,000	\$96,589	7,515	38,196,795	80.4%	\$94.94	\$76.33	4,473,134	39,757,359	\$8,908,703	\$5,777,469	253,400
2011	153,003	1,226	6,283	7,369	\$3,008,571,140	\$408,274	4,753	38,928,707	86.9%	\$104.97	\$91.26	4,865,272	41,479,814	\$9,222,906	\$6,068,986	259,600
2012	153,131	128	5,963	2,613	\$120,741,294	\$46,208	9,245	39,727,022	85.2%	\$108.02	\$92.01	4,933,220	41,667,596	\$9,399,882	\$6,207,229	261,800
2013	152,668	166	10,760	1,129	\$55,330,999	\$49,009	11,680	39,931,665	84.3%	\$110.64	\$93.30	5,107,416	41,854,059	\$9,676,458	\$6,508,084	267,200
2014 YTD	152,668	1,955	4,124	7,867	\$1,870,150,903	\$237,721	8,525	34,717,903	88.3%	\$118.45	\$104.53	4,635,296	36,121,700	\$7,956,147	\$5,309,034	271,900

QUARTER	UNIT INVENTORY	UNITS ADDED	UNITS PLANNED	UNITS SOLD	SALES VOLUME	PRICE/UNIT	DIS-TRESSED	VISITOR VOLUME	HOTEL OC-CUPANCY	ADR	REV PAR	CONVENTION ATTENDANCE	PASSEN-GERS	GAMING REVENUE (CLARK COUNTY)	GAMING REV-ENUE (STRIP)	EMPLOY-MENT
Q3 2012	153,429	0	6,199	149	\$8,500,000	\$57,047	5,745	10,137,642	86.0%	\$103.91	\$89.36	1,099,131	10,746,191	\$2,354,569	\$1,585,219	263,000
Q4 2012	153,131	-298	5,963	1,013	\$63,279,000	\$62,467	9,245	9,664,142	81.6%	\$108.01	\$88.14	1,059,275	10,176,022	\$2,357,157	\$1,600,948	261,400
Q1 2013	153,240	109	9,732	222	\$17,325,000	\$78,041	11,791	9,697,611	83.3%	\$111.52	\$92.90	1,642,108	9,800,189	\$2,546,880	\$1,710,706	261,400
Q2 2013	152,668	-572	9,732	611	\$32,330,999	\$52,915	11,791	10,423,475	87.0%	\$115.10	\$100.14	1,253,148	10,958,894	\$2,182,582	\$1,388,783	268,600
Q3 2013	152,668	0	9,732	105	\$1,675,000	\$15,952	11,680	10,138,744	85.7%	\$106.63	\$91.38	1,118,580	10,750,965	\$2,426,985	\$1,663,604	271,200
Q4 2013	151,003	629	10,760	191	\$4,000,000	\$20,942	11,680	9,671,835	81.3%	\$109.32	\$91.24	1,093,580	10,344,011	\$2,520,011	\$1,744,991	267,600
Q1 2014	150,713	0	4,457	106	\$10,280,211	\$96,983	12,863	10,207,958	87.0%	\$121.73	\$101.77	1,747,046	10,139,145	\$2,448,393	\$1,616,279	268,800
Q2 2014	150,901	188	5,891	6,925	\$1,799,600,000	\$259,870	11,680	10,491,513	89.5%	\$119.75	\$104.61	1,278,923	11,086,242	\$2,374,745	\$1,588,245	274,100
Q3 2014	152,668	1,767	4,124	743	\$56,420,692	\$75,936	8,627	10,435,290	87.4%	\$110.91	\$96.93	1,135,632	11,039,140	\$2,345,557	\$1,584,222	272,800
Q4 2014	152,668	0	4,124	93	\$3,850,000	\$41,398	8,525	3,583,142	89.1%	\$121.41	\$108.18	473,695	3,857,173	\$787,452	\$520,288	271,800

SUBTYPE	UNIT INVENTORY	UNITS ADDED	UNITS PLANNED	UNITS SOLD	SALES VOLUME	PRICE/UNIT	DIS-TRESSED
Casino Hotel (CAS)	116,718	0	3,890	0	\$0	\$0	5,349
Full Service (FS)	15,501	0	0	0	\$0	\$0	1,893
Limited Service (LS)	20,449	0	234	93	\$3,850,000	\$41,398	1,283

SUBMARKET	UNIT INVENTORY	UNITS ADDED	UNITS PLANNED	UNITS SOLD	SALES VOLUME	PRICE/UNIT	DIS-TRESSED
Downtown	8,702	0	0	0			0
Casino (CAS)	7,646	0	0	0			0
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	1,056	0	0	0			0
"Strip"	92,241	0	3,500	93	\$3,850,000	\$41,398	0
Casino (CAS)	85,843	0	3,500	0			0
Full Service (FS)	5,817	0	0	0			0
Limited Service (LS)	581	0	0	93	\$3,850,000	\$41,398	0
Resort Corridor	23,159	0	0	0			1,745
Casino (CAS)	10,634	0	0	0			696
Full Service (FS)	5,414	0	0	0			825
Limited Service (LS)	7,111	0	0	0			224
Airport	986	0	0	0			0
Casino (CAS)	0	0	0	0			0
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	986	0	0	0			0
East Vegas	5,024	0	0	0			750
Casino (CAS)	1,914	0	0	0			300
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	3,110	0	0	0			450
North Vegas	2,641	0	0	0			600
Casino (CAS)	1,030	0	0	0			600
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	1,611	0	0	0			0
South Vegas	6,373	0	524	0			156
Casino (CAS)	2,463	0	390	0			0
Full Service (FS)	2,704	0	0	0			0
Limited Service (LS)	1,206	0	134	0			156
West Vegas	6,124	0	0	0			1,983
Casino (CAS)	3,673	0	0	0			1,530
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	2,451	0	0	0			453
Henderson	4,619	0	100	0			1,904
Casino (CAS)	2,268	0	0	0			1,408
Full Service (FS)	871	0	0	0			496
Limited Service (LS)	1,480	0	100	0			0
Summerlin	2,799	0	0	0			1,387
Casino (CAS)	1,247	0	0	0			815
Full Service (FS)	695	0	0	0			572
Limited Service (LS)	857	0	0	0			0

# Land Review



Southern Nevada’s land market continued to recover in 2014. The number of acres sold in 2014 was higher than in 2013, with 2,761 acres trading so far this year compared to 2,636 acres trading in 2013. Sales volume was higher as well in 2014, by approximately \$150 million, increasing the average price per square foot of land up. In 2007, land was selling, on average, for \$22.93 per square foot (psf). After the market collapsed in 2008, land prices reached a low of \$4.41 psf in 2012. In 2014, the average price for land stood at \$6.35 psf. An improvement to be sure, but with room for more improvement.

The key to land sales is confidence in the future, both in terms of land investment and demand for land by developers. Land purchases are the first step in developing new commercial and residential properties, and if the future looks bleak for commercial and residential real estate, the present is bleak for land sales. Fortunately, the future is now looking brighter.

Industrial occupancy increased in 2014 to 91.2 percent, a 2.8 percentage point increase over 2013. Almost all industrial construction over the past four quarters has been in the form of build-to-suit projects, but that is set to change in 2015, with over 3 million square feet of speculative industrial space planned for future development. A total of 1,095,400 square feet of industrial product was completed in 2014 on 146.18 acres of land. An additional 3,933,800 square feet of industrial space is either under construction or planned on 249.40 acres of industrial-zoned land. During 2014, 112.46 acres of industrial land was sold, with total industrial land sales volume of \$26.5 million. The average sales price of industrial land in 2014 was \$5.42 psf.

Commercial occupancy increased in 2014 to 85.1 percent, 0.3 percentage points higher than in 2013. Demand for office and anchored retail product was uneven in 2014, and lower than in 2013. Commercial occupancy should continue to improve in 2015, though the 2014 slow down makes it difficult to guess by how much. Despite a lackluster performance in 2014, speculative construction of office and anchored retail projects increased dramatically. Completions of commercial product stood at 719,933 square feet in 2014, occupying 438.4 acres. An additional 1,368,949 square feet of commercial product is under construction or planned on 315.2 acres. Hotel occupancy in 2014 averaged 88.3 percent. This was 4 percentage points higher than the annual average in 2013. Over 4,000 new rooms are under construction or planned in Southern Nevada on more than 20 acres. During 2014, 635.42 acres of commercial land was sold. Total commercial land sales volume was \$214.2 million. The average sales price of commercial land in 2014 was \$7.74 psf.

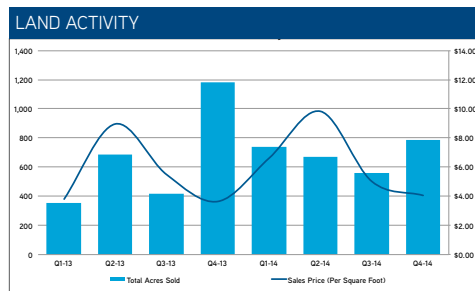
Residential development has traveled a bumpy road for the past three years. New home sales reached a recent high in 2013, with 6,245 units sold, and the number of residential permits issued also increased in 2013, though by a more modest amount. New home sales are down so far in 2014, with 4,795 new homes selling as of October 2014. Residential permits, however, increased in the first ten months of 2014 to 7,658 permits pulled, compared to 7,005 in 2013. A lack of improved lots should keep development low for now, and experts seem to agree that there will be no significant increase in residential construction until 2016 at the earliest. During 2014, 1,856.4 acres of residential land was sold. Total residential land sales volume was \$467.6 million. The average sales price of residential land was \$5.78 psf, an increase from a year ago, and a sign that the market is improving.

Developers and investors remained bullish on Southern Nevada in 2014. The increase in land sales over the past four years indicates that confidence in the market has returned, although the improvement in 2014 was not as impressive as 2013’s. Land owners have seen the improvement in land sales, though, and are beginning to demand higher prices for their land. Developers are increasing speculative construction in 2015, and may be waiting to see how this new spate of development goes over before they begin their next round of land purchases. Both of those factors could mean a slower 2015, but still a positive year overall.

## CLARK COUNTY ECONOMIC DATA

	CURRENT	YEAR AGO
Jobs (1000s) (JUL. 2014)	869.7	844.0
Visitor Volume (2014 YTD)	24.2 MM	23.6MM
Gaming Revenue (2014 YTD)	\$5.62 BB	\$5.51 BB
Taxable Sales (2014 YTD)	\$17.5 BB	\$16.3 BB
Commercial Occupancy (Q3)	88.5%	86.4%

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV



## MARKET HEALTH

DATA POINT	2011	2012	2013	2014
Commercial Building Occupancy (Q4)	83.5%	84.3%	84.8%	85.1%
Industrial Building Occupancy (Q4)	86.1%	86.5%	88.4%	91.2%
Hotel Occupancy (Annual Average)	86.9%	85.2%	84.3%	88.3%
New Home Sales (Jan-Oct)	3,142	4,297	6,245	4,795
Commercial Permits (Jan-Sep) <sup>1</sup>	191	126	250	230
Residential Permits (Jan-Jul)	4,062	5,685	7,005	7,658
Commercial Forward Supply <sup>2</sup> (SF)	0.65 MM	1.29 MM	1.45 MM	1.37 MM
Industrial Forward Supply <sup>2</sup> (SF)	0.10 MM	1.65 MM	0.91 MM	3.93 MM
Hotel Forward Supply <sup>2</sup> (Rooms)	6,283	5,963	10,760	4,124
Taxable Sales (Jan-Sep)	\$22.12 BB	\$23.54 BB	\$24.60 BB	\$26.55 BB
Employment (Avg)	808,200	825,100	848,900	871,900

<sup>1</sup> Includes permits for industrial projects

<sup>2</sup> Includes projects that are under construction or planned

## KEY TRADES

MAJOR CROSS STREETS	SALE DATE	ACRES	PRICE	PRICE/SF	SUBMARKET	LAND TYPE
13500 Blue Diamond	Nov 2014	178.1	\$445,000	\$0.06	Southwest	Residential
Kyle Canyon	Oct 2014	81.5	\$12,348,000	\$3.48	Northwest	Residential
Grand Teton & Grand Canyon	Oct 2014	69.3	\$13,706,000	\$4.54	Northwest	Residential
Lake Las Vegas	Sep 2014	49.1	\$3,000,000	\$1.40	Henderson	Residential
Las Vegas & Lamb	Sep 2014	33.1	\$2,000,000	\$1.39	North Las Vegas	Industrial
Lake Mead & Fourth	Nov 2014	30.0	\$6,200,000	\$4.75	Henderson	Industrial
Las Vegas & Sloan	Oct 2014	25.0	\$730,000	\$0.67	Henderson	Residential
Jones & Teco	Oct 2014	21.5	\$7,180,000	\$7.68	Southwest	Commercial
Ford & Spring Valley	Oct 2014	18.3	\$7,150,000	\$8.99	Southwest	Residential
Executive Airport & St. Rose	Sep 2014	17.3	\$230,000	\$0.31	Henderson	Commercial

## LAND SALES

YEAR	SALES VOLUME	ACRES SOLD	PRICE/SF
2014 YTD	\$763.2 MM	2,761	\$6.35
2013	\$613.3 MM	2,636	\$5.34
2012	\$264.1 MM	1,374	\$4.41
2011	\$160.1 MM	803	\$4.58
2010	\$51.3 MM	172	\$6.86
2009	\$198.0 MM	599	\$7.65
2008	\$345.6 MM	365	\$20.29
2007	\$4,066.8 MM	1,462	\$22.93

LAND TRANSACTIONS				
Submarket	Sales	Acreage Sold	Sales Volume	AVERAGE SALES PRICE (PER SQUARE FEET)
Airport	1	1.48	\$500,000	\$7.76
Commercial	1	1.48	\$500,000	\$7.76
Industrial	-	0.00	\$0	n/a
Residential	-	0.00	\$0	n/a
Apex	3	15.00	\$1,125,000	\$1.72
Commercial	-	0.00	\$0	n/a
INDUSTRIAL	3	15.00	\$1,125,000	\$1.72
Residential	-	0.00	\$0	n/a
Downtown	-	0.00	\$0	n/a
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	-	0.00	\$0	n/a
East Las Vegas	2	4.90	\$401,000	\$1.88
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	2	4.90	\$401,000	\$1.88
Henderson	20	171.45	\$29,481,484	\$3.95
Commercial	5	34.75	\$14,354,957	\$9.48
Industrial	1	29.94	\$6,200,000	\$4.75
Residential	14	106.76	\$8,926,527	\$1.92
North Las Vegas	11	99.38	\$22,774,040	\$5.26
Commercial	2	9.52	\$6,482,000	\$15.63
Industrial	6	73.90	\$13,617,490	\$4.23
Residential	3	15.96	\$2,674,550	\$3.85
Northeast	1	1.25	\$1,915,826	\$35.19
Commercial	1	1.25	\$1,915,826	\$35.19
Industrial	-	0.00	\$0	n/a
Residential	-	0.00	\$0	n/a
Northwest	17	201.33	\$38,385,900	\$4.38
Commercial	1	1.59	\$500,000	\$7.22
Industrial	-	0.00	\$0	n/a
Residential	16	199.74	\$37,885,900	\$4.35
Resort Corridor	-	0.00	\$0	n/a
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	-	0.00	\$0	n/a
Southwest	25	284.18	\$34,102,751	\$2.75
Commercial	4	29.20	\$11,730,000	\$9.22
Industrial	2	3.62	\$1,230,000	\$7.80
Residential	19	251.36	\$21,142,751	\$1.93
Summerlin	3	12.34	\$3,420,417	\$6.36
Commercial	2	10.79	\$3,045,417	\$6.48
Industrial	-	0.00	\$0	n/a
Residential	1	1.55	\$375,000	\$5.55
West Las Vegas	4	5.83	\$2,691,000	\$10.60
Commercial	2	3.52	\$1,750,000	\$11.41
Industrial	-	0.00	\$0	n/a
Residential	2	2.31	\$941,000	\$9.35
<b>SUBTYPE TOTALS</b>				
Commercial Total	18	92.10	\$40,278,200	\$10.04
Industrial Total	12	122.46	\$22,172,490	\$4.16
Residential Total	57	582.58	\$72,346,728	\$2.85
<b>MARKET TOTAL</b>	<b>87</b>	<b>797.14</b>	<b>\$134,797,418</b>	<b>\$3.88</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>				
Q4-14	87	797.14	\$134,797,418	\$3.88
Q3-14	87	560.97	\$122,694,458	\$5.02
Q2-14	40	672.00	\$287,663,536	\$9.83
Q1-14	62	741.17	\$213,668,617	\$6.62
Q4-13	121	1,181.48	\$187,606,347	\$3.65
Q3-13	59	415.70	\$99,529,019	\$5.50
Q2-13	67	684.64	\$267,165,495	\$8.96
Q1-13	74	354.30	\$58,965,400	\$3.82

