



# LAS VEGAS

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## QUARTERLY

Q3/14

Accelerating success.

AGENDA ITEM V

# 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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Reviews by John M. Stater, Research & GIS Director



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## Industrial

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The first half of 2014 looked pretty good for Southern Nevada's industrial market, racking up over 2 million square feet of net absorption and knocking industrial vacancy below 10 percent for the first time since 2008. The question then was whether we could expect similar numbers in the second half of the year.

## Office

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Like a Hollywood celebrity, every year Southern Nevada's office market begins a new recovery, and every year it comes up just a little short in the end. Call it "fits and starts" or "two steps forward and one step back", the office market recovery is not pretty, but it is a recovery of sorts.

## Medical Office

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Net absorption in the third quarter of 2014 was negative 104,034 square feet, sending medical office vacancy up to 18.7 percent. Asking lease rates remained stable at \$2.15 per square foot (PSF) on a full service gross (FSG) basis.

## Retail

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The third quarter of 2014 continued the positive trend, with net absorption staying just one step ahead of new completions; a good performance, but not a great performance.

## Multifamily

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According to statistics provided by REIS, multifamily vacancy in Southern Nevada decreased in the second quarter of 2014 (the most recent quarter of available data), extending a three year long streak.

## Hotel

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Southern Nevada's hospitality market continued to improve through the second quarter of 2014. Average annual room occupancy, for example, jumped from 87.0 percent to 89.5 percent, and the average annual ADR (average daily room rate) dropped slightly from \$121.73 to \$119.75

## Land

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Total sales volume for land in Southern Nevada remains well below the levels seen in 2007, but the market has recovered dramatically since the years of the Great Recession.

## Colliers Las Vegas | At A Glance

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## 485 offices in 63 countries on 6 continents

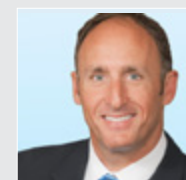
United States: 146  
Canada: 44  
Latin America: 25  
Asia Pacific: 186  
EMEA: 84

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

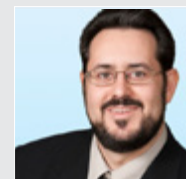
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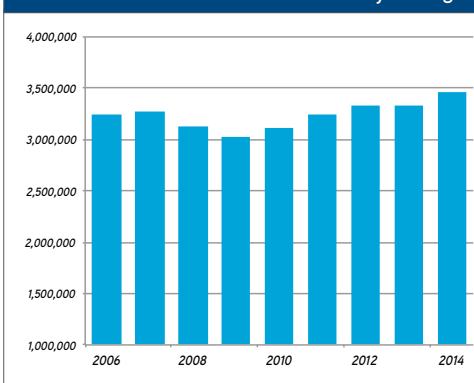


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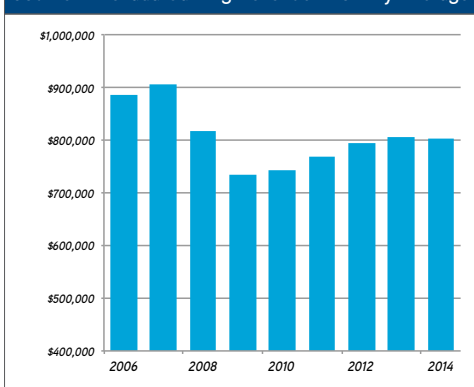


## Economic Review

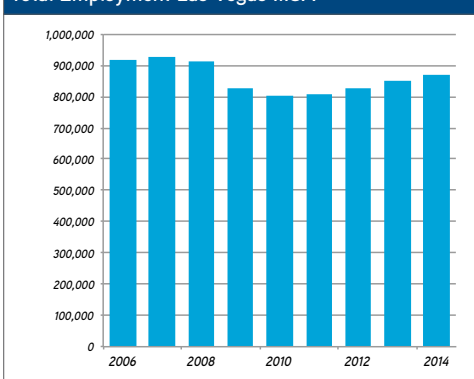
Southern Nevada Visitor Volume (Monthly Average)



Southern Nevada Gaming Revenue (Monthly Average)



Total Employment Las Vegas MSA



Southern Nevada's economy has not reached the dizzying heights of the boom, but it does seem to have safely left the bust behind. Moderate growth continues unabated, and is expected to continue into 2015. If we compare 2010 to 2013, we see increases of 37.6 percent in new home sales, 28.6 percent in out-of-state drivers licenses turned in to the DMV, 18.4 percent in taxable sales and 8.6 percent in gaming revenue. 2014 has shown some deterioration in terms of new home sales and in-migration into the area, but improvement in taxable sales. Employment was 3 percent higher in July 2014 than in July 2013. As a result of this improvement, occupancy in commercial real estate projects has increased by three percentage points to 2.9 percent. Now that the Great Recession has been left behind, and the initial phase of recovery, stabilization, has concluded, it appears that the Valley is poised to grow anew.

Unemployment in the Las Vegas-Paradise MSA stood at 8.2 percent as of July 2014, down from 10.4 percent in July 2013. Since July 2013, total employment in Southern Nevada has increased by 25,700 jobs, the majority in professional/business services (+5,800 jobs), trade/transportation/utilities (+5,700 jobs), education/health services (+5,300 jobs), and leisure/hospitality (+3,500 jobs). Construction employment also increased year-over-year, by 2,200 jobs, and this is an especially hopeful sign of recovery. 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 5,307 in the first seven months of 2014. This is slightly less than the average of 5,416 licenses turned in per month in the first seven months of 2013, and less than the average of 5,691 licenses turned in per month in 2012. In fact, 2012 appears to be the peak year, post-Great Recession, for migration into the Valley, though this does not take into account the retention rate of Southern Nevada's residents. This slower growth is 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, and is actually reaching new records. Visitor volume in 2013 beat visitor volume in 2012, 39.9 million to 39.7 million. In the first seven months of 2014, 24.2 million people have visited Las Vegas, compared to 23.6 million in the first seven months of 2013. A strong fourth quarter should push 2014's total past the total visitor volume in 2013. In the first seven months of 2014, gaming revenue in Clark County totaled \$5.62 billion. This is slightly higher than in 2013, when gaming revenue totaled \$5.51 billion from January to July. Gaming revenue had lagged during the recovery, so a return to form in that arena is very welcome news. In addition, 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 5.6 million square feet in 161 properties in the first three quarters of 2014, with total sales volume of \$895.2 million. This was less square footage than in the first three quarters of 2013, when 8.4 million square feet in 167 projects sold, with a sales volume of \$975.4 million.

Investment sales of distressed real estate amounted to 1.3 million square feet in the first three quarters of 2014, representing approximately 23 percent of the total square footage sold. Distressed sales volume was \$118.4 million, giving an average sales

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		

Industry	
Industry	Y-O-Y Change
Natural Resources & Mining	+ 0
Construction	+ 2,200
Manufacturing	+ 600
Trade, Transportation & Utilities	+ 5,700
Information	- 500
Financial Activities	+ 1,400
Professional & Business Services	+ 5,800
Education & Health Services	+ 5,300
Leisure & Hospitality	+ 3,500
Other Services	+ 200
Government	+ 1,500

Recovery Index		
Category	2014	2013
New Home Sales Average	17.9	24.4
Commercial Occupancy Average	94.9	92.4
Gaming Revenue Average	111.6	109.4
Visitor Volume Average	96.8	94.1
New Residents Average	72.8	75.1
Employment Average	104.6	101.4
Taxable Sales (Clark County) Average	109.1	101.9
Container Traffic, Port of LA Average	108.2	99.2
INDEX AVERAGE (WEIGHTED)	94.8	92.3
JANUARY 2005 = 100		

price of \$93.13 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 87.1 percent.

Non-distressed investment sales amounted to 4.3 million square feet in the first three quarters of 2014. Sales volume on non-distressed properties was \$776.8 million and the average sales price was \$180.53 psf, roughly double 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.

Distressed properties seem to have lost their luster in the eyes of investors in Southern Nevada real estate. For the moment, prices of distressed properties do not seem to be low enough to sway investors away from non-distressed properties that may be better designed and/or located. In other words, the low-hanging fruit has been plucked from the distressed real estate tree, and what is left is unlikely to sell until the prices of non-distressed assets have increased. On the other hand, properties were no longer entering distress at the same rate in 2014 as in previous years. There was 11.7 million square feet of distressed commercial real estate in Southern Nevada in the third quarter of 2014, down from 12.3 million in the second quarter of 2014, and from 14.7 million in the third quarter of 2013. Industrial distressed totaled 4.32 million square feet, office 3.72 million and retail 3.67 million. The largest draw-downs over the past four quarters were in retail product (-1.29 million square feet), with 1.04 million square feet of distressed industrial real estate and 699,000 square feet of distressed office real estate being resolved.

## Recovery Index

The cycle of growth and decline in the Southern Nevada CRE Recovery Index has become 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. This lack of strong, sustained growth in the economy, when compared to 2013, is evident in 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.

## Industrial Review



The first half of 2014 looked pretty good for Southern Nevada's industrial market, racking up over 2 million square feet of net absorption and knocking industrial vacancy below 10 percent for the first time since 2008. The question then was whether we could expect similar numbers in the second half of the year. If the third quarter of 2014 is any indication, the answer is maybe. Net absorption in the third quarter of 2014 was 635,780 square feet, roughly equal to net absorption in the first quarter of 2014, and occurring in concert with only 14,248 square feet of new completions, far less completions than in the first quarter. Strong net absorption in speculative projects is a sign of sustainable recovery, and important given that speculative construction will likely loom larger in 2015 than in the past five years. Industrial vacancy decreased to 9.2 percent, two percentage points lower than one year ago. The weighted average asking rental rate increased to \$0.55 per square foot (psf) on a triple net (NNN) basis, \$0.04 cents higher than one year ago.

Southern Nevada's industrial job market improved in July 2014 (the latest month of data available) compared with July 2013, with 3,700 new jobs in employment sectors associated with industrial buildings. The Valley added 2,200 construction jobs, 600 manufacturing jobs, and 900 transportation and warehousing jobs. Unemployment in the Las Vegas-Paradise MSA stood at 8.2 percent as of July 2014, down from 10.4 percent in July 2013, but up from 7.9 percent in June 2014. Since July 2013, total employment in Southern Nevada has increased by 25,700 jobs.

### MARKET INDICATORS

	Q3-14	Q4-14 PROJECTED
VACANCY	↓	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↑

Southern Nevada's industrial inventory expanded by a scant 14,248 square feet in the third quarter of 2014 with the completion of a light industrial building in the Southwest submarket. 637,000 square feet of build-to-suit space is slated for completion by the end of 2014 (though some of it could be delayed until the first quarter of 2015), with another possible 600,000 square feet of industrial build-to-suit space and just over 1 million square feet of speculative space that could be completed in 2015. Build-to-suit industrial projects have contributed mightily to the positive net absorption seen over the past 18 months, but the Valley is now entering a transition from build-to-suit projects to speculative projects.

For the seventh consecutive quarter, Southern Nevada experienced positive net absorption in its industrial market. Net absorption has now been positive in nine of the last ten quarters. Net absorption totaled 635,780 square feet in the third quarter of 2014, bringing the year-to-date total up to 2,688,266 square feet. This is slightly lower than in the first three quarters of 2013, but it is at a pace that exceeds that which was experienced during the last major economic recovery in 2004.

2013 posted stronger build-to-suit net absorption than speculative net absorption, and this relative lack of speculative net absorption was a concern, one largely eliminated in 2014. Net absorption for the first three quarters of 2014 has totaled 2,688,266 square feet. Only 23 percent of this space was in build-to-suit projects. That being said, the fourth quarter of 2014 may see approximately 600,000 square feet of net absorption from build-to-suit projects, assuming they are completed on time. If speculative net absorption can maintain its pace, the fourth quarter could post over 1 million square feet of net absorption, bringing the yearly total to approximately the level seen in 2013.

Net absorption was positive in all but two of the Valley's submarkets in the third quarter of 2014, with East Las Vegas posting negative 4,790 square feet of net absorption and Henderson posting negative 18,350 square feet of net absorption. Henderson's negative net absorption is somewhat surprising, given that year-to-date net absorption in that submarket is 707,255 square feet, roughly the same level as in North Las Vegas and Southwest, the Valley's other major industrial submarkets. The strongest net absorption this quarter was in Southwest, with 337,080 square feet of net absorption and the North Las Vegas submarket, with 270,562 square feet of net absorption.

Gross absorption in the first three quarters of 2014 totaled 9.5 million square feet, lower than the 10.3 million square feet of gross absorption recorded in the first three quarters of 2013. Gross absorption for the third quarter was roughly on par with the other two quarters of this year.

Industrial vacancy has been on the decline since the first quarter of 2012, dropping from a high of 14.0 percent then to the current rate of 9.2 percent. This is the lowest industrial vacancy recorded

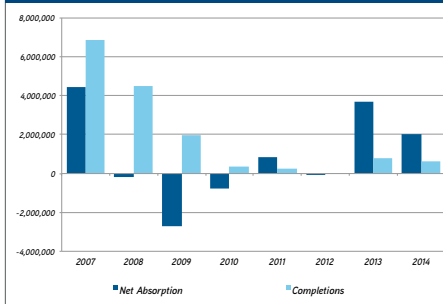
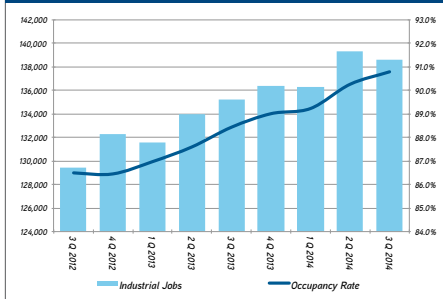
### MARKET SUMMARY

	Q3-14	Q2-14	Q3-13
Vacancy Rate	9.2%	9.7%	11.6%
Asking Rent (PSF, NNN)	\$0.55	\$0.53	\$0.51
Net Absorption YTD (SF)	635,780	1,403,579	1,091,184
New Completions (SF)	14,248	219,490	130,000

**Employment**

	JUL 2014	JUL 2013	CHANGE
Construction	42,200	40,300	+ 1,900
Manufacturing	21,200	20,600	+ 600
Transportation & Warehousing	34,200	32,800	+ 200
Wholesale	20,700	20,100	+ 600
<b>TOTAL</b>	<b>118,300</b>	<b>113,800</b>	<b>+ 2,300</b>

Source: Nevada Department of Employment, Training and Rehabilitation.

**Historical Net Absorption vs Completions****Occupancy vs. Industrial Employment**

since the third quarter of 2008, when vacancy was also 9.2 percent. The lowest industrial vacancy rate on a submarket basis belonged to the Henderson submarket at 6.4 percent, despite negative net absorption. Among product types, warehouse/distribution product had the lowest vacancy rate at 6.0 percent. The lowest overall vacancy rates were in warehouse/distribution projects in Henderson (0.8 percent vacancy), East Las Vegas (1.6 percent vacancy) and West Central (1.7 percent vacancy). Incubator space in the Northwest was only 1.9 percent vacant. The highest vacancy rate in the Valley was in East Las Vegas flex space, at 38.8 percent.

The industries most active in occupying industrial space so far in 2014 were involved in business and personal services, manufacturing and wholesale. Local companies took about 55 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 13 percent of the leased space we have tracked in 2014, while 11 percent was taken by Southeastern companies and 9 percent by companies from the Midwest.

The weighted average asking lease rate for industrial space increased by \$0.02 this quarter to \$0.55 psf NNN. This quarter's asking lease rate was \$0.04 higher than in the third 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 the first three quarters of 2014 had effective lease rates that averaged 104.3 percent of asking rates, up from 96.4 percent posted in 2013. When effective rents exceed asking rates, it indicates that asking rates are ready to increase, as they have been for the past eight quarters.

Sales volume is down slightly so far in 2014 compared to 2013, but the average sales price has increased dramatically. This might indicate that 2013 was the end of the "fire sale" period in Southern Nevada's industrial recovery. Average sales price of investment properties has 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 41 industrial investment sales so far in 2014 totaling 1.77 million square feet. Investment sales volume was \$159.7 million, giving the market an average sales price of \$90.24 per square foot. Compare this to the first three quarters of 2013 when 39 properties totaling 3.17 million square feet sold for a total of \$170.6 million and an average sales price of \$53.87 per square foot. 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 \$92.89 psf.

Warehouse/distribution space continued to dominate Southern Nevada's industrial recovery in the third quarter of 2014, and will likely do so again in the fourth quarter. Over the past four quarters, warehouse/distribution space has accounted for 58 percent of the market's net absorption, while only accounting for 36 percent of its gross absorption. Warehouse/distribution's test will occur in 2015, when the first large speculative projects in Southern Nevada since 2009 are slated for development. Warehouse/distribution vacancy decreased to 6.0 percent in the third quarter, while the overall asking rate increased to \$0.44 psf NNN.

Light distribution has not fared as well as warehouse/distribution over the past few years, another indication that in industrial terms, bigger has been better during the early stages of the present recovery. Nevertheless, light distribution space has seen 580,467 square feet of net absorption in the first three quarters of 2014, with the majority of that net absorption occurring in the second quarter of the year. Light distribution vacancy fell to 12.9 percent in the third quarter of 2014, while overall asking rent increased by \$0.03 to \$0.49 psf NNN. The opening of the SLS Hotel & Casino on the Las Vegas "Strip" could stimulate the wholesale segment of the economy, and therefore translate into increased demand for light distribution space in the future, though this is by no means certain.

Demand for light industrial space fell in the third quarter 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 the first three quarters of 2013. Net absorption was still positive, at 76,176 square feet for the quarter, and light industrial vacancy fell to 8.7 percent. Asking rents for light industrial product increased by \$0.02 to \$0.56 psf NNN. Asking prices for light industrial owner/user averaged \$114.73 in the third quarter of 2014, while actual sales prices averaged \$83.74.

Incubator space and flex space combined for just over 28,000 square feet of net absorption in the third quarter of 2014, and year-to-date 303,380 square



feet of net absorption, nearly as much as light industrial product. Small businesses do not appear to be leading the current industrial recovery, and this in turn has weakened demand for incubator and flex product. In the third quarter of 2014, incubator vacancy decreased to 12.5 percent, while its overall asking rate increased by \$0.01 to \$0.64 psf NNN. Flex vacancy decreased to 22.4 percent, and its overall asking rate decreased by \$0.01 to \$0.82 psf NNN.

Did Southern Nevada's industrial market pause to catch its breath in the third quarter, or is it beginning to lose its breath? If we had to guess, we say a bit of both, though with some caveats. Demand for industrial space was generally a bit higher in 2013 than in 2014. That calls into question whether we are seeing a trend of ever-mounting demand for industrial space, such as was seen during the boom years of 2005 and 2006. It is possible, therefore, that demand for industrial space is softening in 2014, and may continue to soften, but remain positive, in 2015. On the other hand, that softening could be due to an unsatisfied demand for speculative industrial product in the Valley, a demand that may be satisfied in 2015. Built-to-suit development led the recovery in 2012 and 2013, but slacked off slightly in 2014; this is where the market may be catching its breath, so to say. It seems clear, though, that demand for speculative space continues to be fairly strong, and that businesses that do not wish to go the build-to-suit route are finding their desire to expand frustrated by a lack of new speculative product on the market. The test for this surmise will likely take place in 2015, when new speculative projects begin to enter the marketplace. We think, based on the strong gains in industrial employment, that Southern Nevada's industrial market will be able to absorb new speculative product in 2015.

#### Industrial Pipeline

PROJECT	TYPE	SUBMARKET	SIZE (SF)	PRE-LEASING	COMPLETION
TJ Maxx	Warehouse/Distribution	North Las Vegas	409,000 SF	BTS	Q4-14
Konami	Warehouse/Distribution	Airport	193,000 SF	BTS	Q4-14
5955 Hauck	Light Industrial	Southwest	35,520 SF	BTS	Q4-14
Las Vegas Corporate Center	Warehouse/Distribution	North Las Vegas	647,659 SF	0%	2015
Sunpoint Business Center	Warehouse/Distribution	North Las Vegas	301,600 SF	0%	2015
7040 Redwood Ave	Light Industrial	Southwest	51,502 SF	0%	2015
SPIELO	Warehouse/Distribution	Southwest	45,500 SF	BTS	2015
Ainsworth	Industrial	Southwest	27 acres	BTS	2015
UFC	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	61	26
Square Feet Sold	853,000	3,717,000	2,488,000	5,700,000	1,159,000
Sales Volume	\$85.4 MM	\$239.5 MM	\$153.4 MM	\$352.9 MM	\$104.7 MM
Average Price/SF	\$100.15	\$64.43	\$61.11	\$61.94	\$90.33
Average Cap Rate*	8.1%	8.3%	8.3%	7.9%	7.3%
Average Sale Size (SF)	34,000	54,000	32,000	98,000	45,000

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



"We think, based on the strong gains in industrial employment, that Southern Nevada's industrial market will be able to absorb new speculative product in 2015."

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
AIRPORT SUBMARKET																
WH	86	5,632,741	381,364	6.8%	44,588	0.8%	425,952	7.6%	8.4%	48,481	22,957	-	-	193,000	-	\$0.68
LD	70	3,171,617	391,383	12.3%	14,000	0.4%	405,383	12.8%	13.5%	21,767	171,284	-	-	-	-	\$0.57
LI	209	2,999,069	379,706	12.7%	44,300	1.5%	424,006	14.1%	12.8%	(39,237)	33,425	-	-	-	-	\$0.74
INC	91	1,657,414	350,543	21.1%	7,056	0.4%	357,599	21.6%	19.4%	(32,745)	7,543	-	-	-	-	\$0.74
FLX	66	1,328,126	373,323	28.1%	14,342	1.1%	387,665	29.2%	32.3%	31,220	94,745	-	-	-	-	\$0.79
Total	522	14,788,967	1,876,319	12.7%	124,286	0.8%	2,000,605	13.5%	13.8%	29,486	329,954	-	-	193,000	-	\$0.70
EAST LAS VEGAS SUBMARKET																
WH	27	1,143,947	17,800	1.6%	-	0.0%	17,800	1.6%	1.6%	480	480	-	-	-	-	\$0.45
LD	29	490,736	30,589	6.2%	-	0.0%	30,589	6.2%	7.2%	4,982	36,894	-	-	-	-	\$0.69
LI	151	1,798,179	153,475	8.5%	11,494	0.6%	164,969	9.2%	7.1%	(36,922)	(20,073)	-	-	-	-	\$0.34
INC	12	281,755	53,185	18.9%	-	0.0%	53,185	18.9%	26.1%	20,316	31,638	-	-	-	-	\$0.47
FLX	10	233,692	90,756	38.8%	-	0.0%	90,756	38.8%	41.6%	6,354	7,136	-	-	-	-	\$0.59
Total	229	3,948,309	345,805	8.8%	11,494	0.3%	357,299	9.0%	8.9%	(4,790)	56,075	-	-	-	-	\$0.46
HENDERSON SUBMARKET																
WH	76	6,784,476	51,834	0.8%	-	0.0%	51,834	0.8%	1.7%	61,176	452,120	-	280,000	-	-	\$0.45
LD	33	1,514,288	156,942	10.4%	-	0.0%	156,942	10.4%	9.3%	(16,765)	87,016	-	-	-	-	\$0.52
LI	368	3,640,000	338,868	9.3%	-	0.0%	338,868	9.3%	7.4%	(70,452)	123,122	-	71,514	-	-	\$0.51
INC	31	476,278	59,850	12.6%	-	0.0%	59,850	12.6%	16.4%	18,217	49,108	-	-	-	-	\$0.48
FLX	89	1,415,646	282,529	20.0%	-	0.0%	282,529	20.0%	19.2%	(10,526)	(4,141)	-	-	-	-	\$0.86
Total	597	13,830,688	890,023	6.4%	-	0.0%	890,023	6.4%	6.3%	(18,350)	707,225	-	351,514	-	-	\$0.62
NORTH LAS VEGAS SUBMARKET																
WH	192	19,640,707	1,259,907	6.4%	0	0.0%	1,259,907	6.4%	7.1%	133,986	637,876	-	245,628	409,000	919,259	\$0.33
LD	182	5,068,512	815,212	16.1%	24,652	0.5%	839,864	16.6%	17.6%	70,660	132,369	-	-	-	-	\$0.35
LI	843	8,690,188	830,582	9.6%	0	0.0%	830,582	9.6%	10.8%	108,203	13,555	-	39,490	-	-	\$0.45
INC	35	620,221	104,834	16.9%	0	0.0%	104,834	16.9%	16.2%	(7,650)	(37,589)	-	-	-	-	\$0.47
FLX	45	777,498	182,137	23.4%	0	0.0%	182,137	23.4%	19.0%	(34,637)	(9,865)	-	-	-	-	\$0.62
Total	1,297	34,797,126	3,192,672	9.2%	24,652	0.1%	3,217,324	9.2%	10.0%	270,562	736,346	-	285,118	409,000	919,259	\$0.39
NORTHWEST SUBMARKET																
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	13,413	-	-	-	-	\$0.65
LI	23	354,215	52,131	14.7%	-	0.0%	52,131	14.7%	12.4%	(8,158)	(3,040)	-	-	-	-	\$0.37
INC	4	99,427	1,922	1.9%	-	0.0%	1,922	1.9%	15.3%	13,282	8,207	-	-	-	-	\$0.65
FLX	56	740,230	242,373	32.7%	-	0.0%	242,373	32.7%	31.7%	(7,611)	(10,575)	-	-	-	-	\$0.99
Total	89	1,468,778	319,226	21.7%	-	0.0%	319,226	21.7%	22.5%	10,926	8,005	-	-	-	-	\$0.86
SOUTHWEST SUBMARKET																
WH	140	13,369,098	1,168,611	8.7%	75,000	0.6%	1,243,611	9.3%	10.8%	211,925	321,226	14,248	14,248	-	45,500	\$0.49
LD	193	7,190,462	822,476	11.4%	10,076	0.1%	832,552	11.6%	11.3%	(24,029)	133,697	-	-	-	-	\$0.56
LI	846	10,193,870	823,357	8.1%	43,420	0.4%	866,777	8.5%	9.1%	79,606	142,068	-	-	87,022	-	\$0.59
INC	121	2,490,825	187,983	7.5%	3,675	0.1%	191,658	7.7%	9.6%	47,991	123,367	-	-	-	-	\$0.68
FLX	108	1,685,504	240,214	14.3%	10,098	0.6%	250,312	14.9%	15.8%	21,587	(6,036)	-	-	-	-	\$0.92
Total	1,408	34,929,759	3,242,641	9.3%	142,269	0.4%	3,384,910	9.7%	10.6%	337,080	714,322	14,248	14,248	87,022	45,500	\$0.58
WEST CENTRAL SUBMARKET																
WH	62	2,476,025	41,600	1.7%	-	0.0%	41,600	1.7%	0.8%	(21,600)	(16,600)	-	-	-	-	\$0.31
LD	42	746,214	135,660	18.2%	5,600	0.8%	141,260	18.9%	21.8%	26,920	5,794	-	-	-	-	\$0.51
LI	671	7,735,733	501,054	6.5%	6,104	0.1%	507,158	6.6%	7.1%	43,136	77,303	-	-	-	-	\$0.66
INC	73	2,550,564	267,711	10.5%	-	0.0%	267,711	10.5%	9.0%	(37,590)	31,669	-	-	-	-	\$0.63
FLX	7	161,527	9,503	5.9%	5,572	3.4%	15,075	9.3%	9.3%	-	18,173	-	-	-	-	\$0.68
Total	855	13,670,063	955,528	7.0%	17,276	0.1%	972,804	7.1%	7.2%	10,866	116,339	-	-	-	-	\$0.62
MARKET TOTAL																
WH	588	49,271,900	2,940,116	6.0%	119,588	0.2%	3,059,704	6.2%	7.1%	434,448	1,418,059	14,248	539,876	602,000	964,759	\$0.44
LD	550	18,231,829	2,356,062	12.9%	54,328	0.3%	2,410,390	13.2%	13.7%	96,948	580,467	-	-	-	-	\$0.49
LI	3,111	35,411,254	3,079,173	8.7%	105,318	0.3%	3,184,491	9.0%	9.2%	76,176	366,360	-	111,004	87,022	-	\$0.56
INC	367	8,176,484	1,026,028	12.5%	10,731	0.1%	1,036,759	12.7%	12.9%	21,821	213,943	-	-	-	-	\$0.64
FLX	381	6,342,223	1,420,835	22.4%	30,012	0.5%	1,450,847	22.9%	23.0%	6,387	89,437	-	-	-	-	\$0.82
Total	4,997	117,433,690	10,822,214	9.2%	319,977	0.3%	11,142,191	9.5%	10.0%	635,780	2,668,266	14,248	650,880	689,022	964,759	\$0.55
QUARTERLY COMPARISON AND TOTALS																
Q3-14	4,997	117,433,690	10,822,214	9.2%	319,977	0.3%	11,142,191	9.5%	10.0%	635,780	2,668,266	14,248	650,880	689,022	964,759	\$0.55
Q2-14	4,996	117,419,442	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	4,994	117,199,952	12,627,835	10.8%	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	4,991	116,782,810	12,839,600	11.0%	588,152	0.5%	13,427,752	11.5%	12.1%	728,618	3,689,586	65,628	813,948	610,147	300,000	\$0.52
Q3-13	4,990	116,717,182	13,502,590	11.6%	594,850	0.5%	14,097,440	12.1%	12.9%	1,091,184	2,960,968	130,000	748,320	351,519	558,628	\$0.51
Q2-13	4,983	116,587,182	14,463,774	12.4%	547,583	0.5%	15,011,357	12.9%	13.5%	1,156,393	1,869,784	489,320	618,320	201,519	300,000	\$0.50
Q1-13	4,975	116,097,862	15,130,847	13.0%	592,451	0.5%	15,723,298	13.5%	14.1%	713,391	713,391	129,000	129,000	619,320	300,000	\$0.49

WH = Warehouse

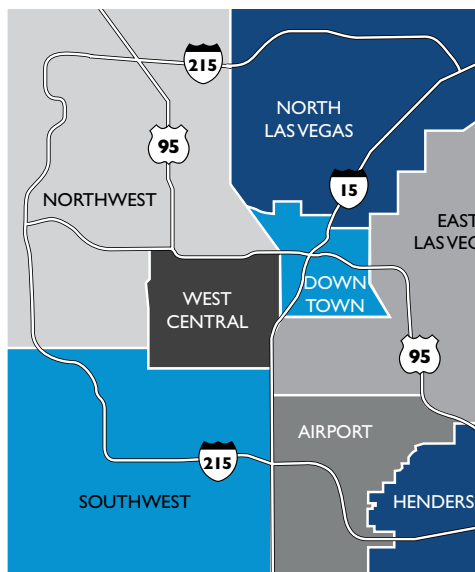
LD = Light Distribution

LI = Light Industrial

INC = Incubator

FLX = Flex

## Office Review



Like a Hollywood celebrity, every year Southern Nevada's office market begins a new recovery, and every year it comes up just a little short in the end. Call it "fits and starts" or "two steps forward and one step back", the office market recovery is not pretty, but it is a recovery of sorts. More importantly, the uneven recovery can no longer be blamed on an uneven job market – that's where it gets interesting. In the third quarter of 2014, net absorption decreased to 44,964 square feet from almost one half-million in the second quarter of 2014 and the third quarter of 2013. New completions were slightly higher, at 12,000 square feet. Vacancy rates managed to decrease to 19.3 percent from 19.4 percent in the second quarter of 2014. Asking rates remained in neutral, ringing in at \$1.87 per square foot (psf) on a Full Service Gross (FSG) basis.

According to the Nevada Department of Employment, Training & Rehabilitation, between July 2013 and July 2014 a net of 9,800 jobs were created in employment sectors associated with professional office product. Over the past twelve months, the market has added 5,800 professional & business services jobs, 2,600 health care jobs, and 1,400 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 8.2 percent as of July 2014, down from 10.4 percent in July 2013, but up from 7.9 percent in June 2014. Since July 2013, total employment in Southern Nevada has increased by 25,700 jobs.

Only one small office project was completed in the third quarter of 2014, a 12,000 square foot building in the Airport submarket. 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 860,834 square feet, with approximately 15 percent of that space being build-to-suit. Approximately 55 percent of the 779,000 square feet of speculative office space, or 427,000 square feet, that is planned or under construction is slated for completion in the fourth quarter of 2014.

It is striking that a market with such high vacancy in its office market can be poised to add over 400,000 square feet of new speculative office product to the market in a single quarter, but then Las Vegas has never been known for moderation. One could argue that there are niches in the office market that can only be filled by new developments, and this argument will have its airing in just a few months. Looking at the speculative office in the pipeline, we find Class A development in the Northwest and Southwest submarkets, with 27.2 percent and 23.0 percent vacancy respectively, Class B development in Henderson, with 15.4 percent vacancy and Class C development in the Southwest, with 17.7 percent vacancy.

Southern Nevada's office market had 44,964 square feet of net absorption in the third quarter of 2014 and 617,276 square feet in the first three quarters of 2014. This is slightly higher than net absorption in the first three quarters of 2013, when the market absorbed 542,423 square feet. Over the past four quarters, net absorption totaled 927,000 square feet. This is not quite half the net absorption during the last major period of recovery for Southern Nevada's office market in 2004. Office-related employment growth in 2004 was 7.5 percent while office occupancy increased 9.8 percent. Over the last 24 months, annual office-related employment growth has been a mere 3.8 percent while office occupancy saw 2.6 percent growth. This change is obvious, and introduces a new thing that we must ponder while considering the state of the current recovery, namely the changes in how businesses use the office space they occupy, and how businesses are using their employees.

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 played itself out. 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, our employment growth now is probably not quite the same as our employment growth then, and businesses are doing their best to reduce the amount of office space they use to keep their bottom line healthy. The end result is a

### MARKET INDICATORS

	Q3-14	Q4-14 PROJECTED
VACANCY	↓	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↑
RENTAL RATE	→	↑

### MARKET SUMMARY

	Q3-14	Q2-14	Q3-13
Vacancy Rate	19.3%	19.4%	21.2%
Asking Rent (PSF, NNN)	\$1.87	\$1.87	\$1.87
Net Absorption (SF)	44,964	444,818	506,726
New Completions (SF)	12,000	0	575,231

**Employment**

	JUL 2014	JUL 2013	CHANGE
Financial Activities	44,500	43,100	+ 1,400
Professional & Business Services	114,600	108,800	+ 5,800
Health Care & Social Assistance	56,100	53,500	+ 2,600
<b>TOTAL</b>	<b>211,000</b>	<b>206,000</b>	<b>+ 5,000</b>

Source: Nevada Department of Employment, Training and Rehabilitation

recovery that, when compared to past recoveries, appears to be fairly weak.

Office vacancy has been decreasing for four quarters, reaching 19.3 percent in the third quarter of 2014. Office vacancy reached a high of 22.8 percent in the first quarter of 2012, meaning that vacancy has decreased by 3.5 percentage points over the past eleven quarters, with a small regression in the first half of 2013.

Office vacancy decreased in five of the Valley's eight submarkets, with the largest decrease in North Las Vegas, and more modest reductions in Airport, Northwest, Southwest and West Central. Three submarkets experienced a quarter-over-quarter increase in vacancy, namely Downtown, East Las Vegas and Henderson.

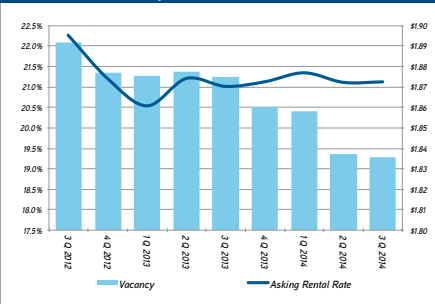
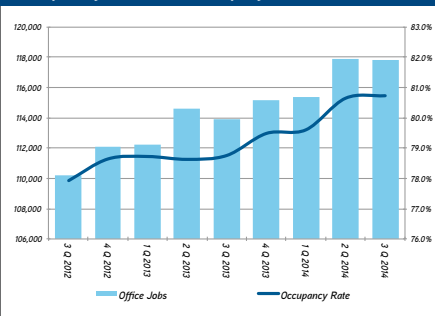
Vacancy in Class A office stood at 25.8 percent in the third quarter of 2014, down from a high of 35.2 percent in the second quarter of 2011 and down from the 28.1 percent vacancy recorded in the third quarter of 2013. Class B product saw vacancy decrease by 1.5 points over the past four quarters to 18.0 percent, while vacancy in Class C office decreased by 2.1 points to 18.6 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 47 percent of the space in the deals we have tracked in 2014, while 19 percent of this space was taken by companies headquartered in the Southeast, 13 percent by companies in the Northeast and 12 percent by companies in the Southwest United States (not including Southern Nevada).

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 3,721,000 million square feet in the third quarter of 2014, compared to 4,131,000 square feet of distressed office space at the end of 2013. This decrease was due more to resolutions of distressed Class B and C office than actual sales. 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 remained at \$1.87 per square foot (psf) on a full service gross (FSG) basis, the same as one quarter ago and one year ago. Asking lease rates have 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. Given the strong net absorption over the past four quarters, the lack of upward movement in asking rents suggests that these low rates may be a key driver of this demand.

Sharp increases in sublease space often predict increases in direct vacant space to come. In the first quarter of 2014, available sublease space jumped from a low 186,390 to 427,367 square feet, the highest it has been since 2010. All of the additional sublease space on the market came from the recent cessation of Citibank's call center operations in the Northwest submarket. While this does represent a large increase in sublease space, it does not represent a surge in sublease activity throughout Southern Nevada, just the addition of a single large building to the sublease availability. Space available for sublease increased in the second quarter, and again in the third quarter of this year, reaching 449,774 square feet.

**Historical Vacancy Rates and Asking Lease Rates****Occupancy vs. Office Employment****Lease & Sales Activity****Lease activity**

Property Address	Lease date	Lease Term	size SF	lease Rate	type
Park Sahara	Jul 2014	64 months	10,500 SF	\$0.78 FSG	Class B
Horizon Ridge Parkway	Jul 2014	60 months	6,400 SF	\$1.44 NNN	Class C
500 Corporate Center	Jul 2014	60 months	5,500 SF	\$1.91 FSG	Class B
Apache Crossing	Jul 2014	123 months	5,000 SF	\$2.15 NNN	Class C
Green Valley Corporate Center	Jul 2014	120 months	4,900 SF	\$2.72 FSG	Class A

**Sales Activity**

Property Address	sales date	sales Price	size SF	Price/SF	type
Southwest Gas Office Complex	Jul 2014	\$16,500,000	134,700 SF	\$122	Class B
Century Park	Aug 2014	\$4,350,000	113,500 SF	\$38	Class C
Canyon Plaza	Aug 2014	\$15,200,000	103,000 SF	\$147	Class C
LaPour Corporate Center	Sep 2014	\$17,350,000	70,200 SF	\$247	Class B
Executive Center East	Jul 2014	\$2,500,000	54,900 SF	\$45	Class C

## LAS VEGAS QUARTERLY | THIRD QUARTER 2014

The number and the total square footage of investment sales in the first three quarters of 2014 decreased from the pace set in 2013. In the first three quarters of 2014, 1.7 million square feet in 50 buildings was sold at an average price of \$128.76 per square foot. Properties offered for sale as investments had an average cap rate of 7.9 percent, up from 7.6 percent in 2013. In the first three quarters of 2013, 65 office properties totaling 2.98 million square feet were sold as investments, with an average sales price of \$130.79. Distressed investment sales totaled 569,000 square feet of distressed office selling at an average price of \$112.40 per square foot. Non-distressed investment properties sold for an average of \$136.89.

Markets in everything, including office real estate, are always in flux. They experience the ups and downs (and booms and busts) of the normal business cycle, and they also experience transitions inspired by technology and cultural shifts. These transitions may happen during good markets and bad markets, and when they happen during bad markets they sure do complicate recoveries. At a moment when office owners are attempting to get back on their feet, they are challenged with a desire for more open office space and amenities that may not have been dreamed of when their buildings were first constructed. Hence the complication of a transition during a weak recovery; less money to spend on tenant improvements, and more money needed for tenant improvements. While Southern Nevada works its way through its recovery and this transition, adjust your expectations. The recovery has been fairly constant over the past two years, but it has been slow, and this situation will probably continue for years to come. How will the completion of almost one half million square feet of office space affect the market? Keep your fingers crossed and tune in next quarter to find out.

Office Pipeline					
PROJECT	TYPE	SUBMARKET	SIZE (SF)	BTS/SPEC	COMPLETION
Federal Justice Tower	Class A	Downtown	129,000	BTS	2014
BUILD-TO-SUIT TOTAL			129,000		
Centennial Hills Center	Class B	Northwest	87,000	Spec	2015
Chronicle at Cadence	Class C	Henderson	15,000	Spec	2014
Corona Del Mar Corporate Center	Class B	Southwest	47,000	Spec	2015
Executive Park at the Ridges	Class C	Northwest	8,000	Spec	2015
Pecos Springs Business Park	Class C	Airport	12,000	Spec	2014
Seven Hills Plaza D	Class B	Henderson	42,000	Spec	2015
Stone Creek Professional Plaza	Class C	Southwest	20,000	Spec	2015
Summerlin One	Class A	Northwest	200,000	Spec	2014
The Square	Class C	Southwest	80,000	Spec	2015
The Gramercy	Class A	Southwest	200,000	Spec	2014
Tivoli Village	Class A	Northwest	68,000	Spec	2015
SPECULATIVE TOTAL			779,000		
TOTAL			908,000		

Sales Activity					
	2010	2011	2012	2013	2014 YTD
No. Sales	23	59	87	90	23
Square Footage	1,024,000	2,484,000	3,929,000	3,512,000	763,000
Sales Volume	\$130 MM	\$182.4 MM	\$261.0 MM	\$571.9 MM	\$101.1 MM
Average Price/SF	\$126.96	\$73.42	\$89.11	\$162.83	\$132.53
Average Cap Rate	9.0%	9.7%	8.2%	7.6%	8.1%
Average Sale Size (SF)	45,000	42,000	34,000	39,000	33,000
*Cap rates on office properties offered for sale as investments					

Distressed Office Square Footage					
PRODUCT TYPE	2010	2011	2012	2013	2014 YTD
Class A	677,000	511,000	458,000	458,000	411,000
Class B	1,978,000	2,041,000	1,941,000	1,748,000	1,662,000
Class C	2,688,000	2,637,000	2,104,000	1,925,000	1,648,000
TOTAL	5,343,000	5,189,000	4,503,000	4,131,000	3,721,000



## 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
AIRPORT SUBMARKET																
A	6	605,557	189,521	31.3%	-	0.0%	189,521	31.3%	32.8%	8,077	61,198	-	-	-	-	\$2.74
B	47	2,398,345	331,495	13.8%	11,978	0.5%	343,473	14.3%	14.0%	6,112	12,280	12,000	12,000	-	-	\$2.00
C	289	3,125,799	700,412	22.4%	1,999	0.1%	702,411	22.5%	22.5%	3,031	62,747	-	-	11,794	-	\$1.65
Total	342	6,129,701	1,221,428	19.9%	13,977	0.2%	1,235,405	20.2%	20.2%	17,220	136,225	12,000	12,000	11,794	-	\$1.91
DOWNTOWN																
A	6	1,103,341	141,045	12.8%	9,036	0.8%	150,081	13.6%	13.1%	(1,085)	(1,750)	-	-	129,000	-	\$2.63
B	38	2,464,892	259,760	10.5%	-	0.0%	259,760	10.5%	10.2%	(9,232)	83,932	-	49,200	-	-	\$1.58
C	112	1,474,928	141,435	9.6%	-	0.0%	141,435	9.6%	9.9%	4,170	60,370	-	-	-	-	\$1.46
Total	156	5,043,161	542,240	10.8%	9,036	0.2%	551,276	10.9%	10.7%	(6,147)	142,552	-	49,200	129,000	-	\$1.82
EAST LAS VEGAS																
A	10	1,353,083	337,970	25.0%	12,740	0.9%	350,710	25.9%	24.3%	(19,590)	(36,762)	-	-	-	-	\$2.90
B	23	1,542,404	506,786	32.9%	-	0.0%	506,786	32.9%	32.8%	(985)	(27,892)	-	-	-	-	\$1.17
C	158	2,690,911	568,295	21.1%	1,987	0.1%	570,282	21.2%	21.4%	7,450	54,956	-	-	-	-	\$1.29
Total	191	5,586,398	1,413,051	25.3%	14,727	0.3%	1,427,778	25.6%	25.3%	(13,125)	(9,698)	-	-	-	-	\$1.63
HENDERSON																
A	8	583,905	285,921	49.0%	4,505	0.8%	290,426	49.7%	48.1%	(14,757)	11,060	-	-	-	-	\$2.61
B	71	2,420,630	373,418	15.4%	-	0.0%	373,418	15.4%	13.0%	(59,834)	(68,548)	-	47,000	-	42,000	\$2.14
C	238	2,331,967	424,071	18.2%	2,395	0.1%	426,466	18.3%	19.0%	16,304	97,167	-	-	15,000	-	\$1.67
Total	317	5,336,502	1,083,410	20.3%	6,900	0.1%	1,090,310	20.4%	19.4%	(58,287)	39,679	-	47,000	15,000	42,000	\$2.08
NORTH LAS VEGAS																
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%	25,432	16,984	-	-	-	-	\$1.90
C	54	498,137	63,036	12.7%	-	0.0%	63,036	12.7%	13.2%	2,671	(3,275)	-	-	-	-	\$1.47
Total	60	698,933	129,676	18.6%	-	0.0%	129,676	18.6%	22.6%	28,103	13,709	-	-	-	-	\$1.69
NORTHWEST																
A	22	1,625,415	441,378	27.2%	8,727	0.5%	450,105	27.7%	29.2%	27,426	117,512	-	-	268,000	-	\$2.23
B	89	3,476,523	614,436	17.7%	7,493	0.2%	621,929	17.9%	17.6%	(10,844)	(52,161)	-	-	87,000	-	\$2.11
C	316	3,261,833	494,630	15.2%	-	0.0%	494,630	15.2%	15.6%	14,282	68,714	-	-	-	8,000	\$1.75
Total	427	8,363,771	1,550,444	18.5%	16,220	0.2%	1,566,664	18.7%	19.1%	30,864	134,065	-	-	355,000	8,000	\$2.03
SOUTHWEST																
A	3	397,112	91,254	23.0%	-	0.0%	91,254	23.0%	26.8%	15,234	49,724	-	-	200,000	-	\$2.68
B	76	2,766,052	540,319	19.5%	41,385	1.5%	581,704	21.0%	22.9%	52,216	69,392	-	-	46,650	-	\$2.34
C	307	3,290,173	582,061	17.7%	1,375	0.0%	583,436	17.7%	16.3%	(53,992)	30,045	-	-	-	100,040	\$1.72
Total	386	6,453,337	1,213,634	18.8%	42,760	0.7%	1,256,394	19.5%	19.8%	13,458	149,161	-	-	246,650	100,040	\$2.07
WEST CENTRAL																
A	2	227,624	35,014	15.4%	-	0.0%	35,014	15.4%	12.3%	(6,962)	(4,774)	-	-	-	-	\$2.27
B	47	1,841,298	380,222	20.6%	7,720	0.4%	387,942	21.1%	21.0%	7,046	38,913	-	-	-	-	\$1.55
C	206	2,986,304	653,609	21.9%	-	0.0%	653,609	21.9%	23.0%	32,794	(22,556)	-	-	-	-	\$1.48
Total	255	5,055,226	1,068,845	21.1%	7,720	0.2%	1,076,565	21.3%	21.8%	32,878	11,583	-	-	-	-	\$1.53
MARKET TOTAL																
A	57	5,896,037	1,522,103	25.8%	35,008	0.6%	1,557,111	26.4%	26.5%	8,343	196,208	-	-	597,000	-	\$2.58
B	397	17,110,940	3,073,076	18.0%	68,576	0.4%	3,141,652	18.4%	18.3%	9,911	72,900	12,000	108,200	133,650	42,000	\$1.87
C	1,680	19,660,052	3,627,549	18.5%	7,756	0.0%	3,635,305	18.5%	18.6%	26,710	348,168	-	-	26,794	108,040	\$1.58
Total	2,134	42,667,029	8,222,728	19.3%	111,340	0.3%	8,334,068	19.5%	19.6%	44,964	617,276	12,000	108,200	757,444	150,040	\$1.87

## QUARTERLY COMPARISON AND TOTALS

Q3-14	2,134	42,667,029	8,222,728	19.3%	111,340	0.3%	8,334,068	19.5%	19.6%	44,964	617,276	12,000	108,200	757,444	150,040	\$1.87
Q2-14	2,133	42,655,029	8,255,692	19.4%	103,002	0.2%	8,358,694	19.6%	20.6%	444,818	572,312	-	96,200	706,894	255,040	\$1.87
Q1-14	2,133	42,655,029	8,700,510	20.4%	96,347	0.2%	8,796,857	20.6%	20.9%	127,494	127,494	96,200	96,200	597,000	234,934	\$1.88
Q4-13	2,131	42,558,829	8,731,804	20.5%	163,859	0.4%	8,895,663	20.9%	21.6%	309,801	852,224	-	627,354	693,200	154,894	\$1.87
Q3-13	2,126	42,558,829	9,041,605	21.2%	161,458	0.4%	9,203,063	21.6%	21.8%	506,726	542,423	575,231	627,354	625,200	22,000	\$1.87
Q2-13	2,114	41,983,598	8,973,100	21.4%	190,114	0.5%	9,163,214	21.8%	21.6%	(32,167)	35,697	10,000	52,123	753,431	342,818	\$1.87
Q1-13	2,111	41,973,598	8,930,933	21.3%	145,506	0.3%	9,076,439	21.6%	21.8%	67,864	67,864	42,123	42,123	562,771	244,000	\$1.86

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.

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"At a moment when office owners are attempting to get back on their feet, they are challenged with a desire for more open office space and amenities that may not have been dreamed of when their buildings were first constructed."

John M. Stater  
Colliers, Research & GIS Manager

## Medical Office Review



When we write that Southern Nevada's medical office has gone from bad to worse, we feel as though we must be repeating ourselves. In fact, a pattern of positive net absorption for one or two quarters followed by one or two quarters of negative net absorption is emerging in the medical office market, creating a sense of running in place. Net absorption in the third quarter of 2014 was negative 104,034 square feet, sending medical office vacancy up to 18.7 percent. Asking lease rates remained stable at \$2.15 per square foot (PSF) on a full service gross (FSG) basis.

According to the Nevada Department of Employment, Training & Rehabilitation, between July 2013 and July 2014, a net of 3,300 jobs in the health care and social assistance sector were added in Southern Nevada. When broken down further, we find an increase of 1,200 jobs in ambulatory health care services, an increase of 700 jobs in hospitals, and an increase of 1,400 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 business of 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 300,113 square feet and vacancy has increased from 14.7 percent to 18.7 percent – obviously not a market in which adding to inventory makes sense.

### MARKET INDICATORS

	Q3-14	Q4-14 PROJECTED
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	→	→
RENTAL RATE	→	↓

Vacancy in medical office space increased in the third quarter of 2014 to 18.7 percent, from 17.3 percent in the second quarter of 2014. Vacancy is higher now than in the third quarter of 2013 when it stood at 16.9 percent. The highest vacancy rates posted in the third quarter of 2014 were in the Southwest (36.8 percent), West Central (21.5 percent) and East Las Vegas (20.8 percent) submarkets. Downtown boasted the market's lowest vacancy rate at 11.0 percent and the Northwest submarket's 12.1 percent was also strong in relative terms when compared to the rest of the market. Vacancy increased this quarter in every submarket except Henderson, where it dropped by 0.3 percentage points, and Airport, Downtown, North Las Vegas and Northwest, where it remained the same.

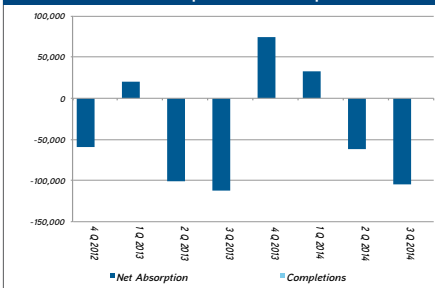
Southern Nevada posted negative 104,034 square feet of net absorption in the third quarter of 2014, and negative 132,913 square feet of net absorption in the first three quarters of 2014. The third quarter's negative net absorption was the second straight quarter of negative net absorption for Southern Nevada's medical office market. Medical office net absorption was negative in seven of the past eleven quarters, with total net absorption over that period of negative 300,113 square feet. This suggests that the medical office market, far from recovering, is on life support, with every step forward followed by two steps back. Gross absorption has shown improvement over the past two years, but they are approximately one half to one third of what they were in 2009 and 2010. More importantly, increases in gross absorption are not being matched with increases in net absorption. This can be interpreted as downsizing medical tenants.

### MARKET SUMMARY

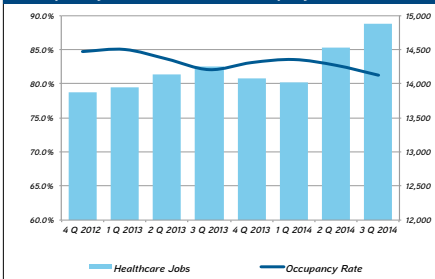
	Q3-14	Q2-14	Q3-13
Vacancy Rate	18.7%	17.3%	16.9%
Asking Rent (PSF, FSG)	\$2.15	\$2.15	\$2.09
Net Absorption (SF)	-104,034	-61,189	74,681
New Completions (SF)	0	0	0

The weighted average asking rental rate for medical office space leveled off in the third quarter of 2014, remaining at \$2.15 per square foot (psf) on a full service gross (FSG) basis. Asking rents are \$0.06 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 \$2.51 psf FSG, an increase for that submarket of \$0.04 over last quarter. The lowest average asking rate was in the Airport submarket, at \$1.69 psf.

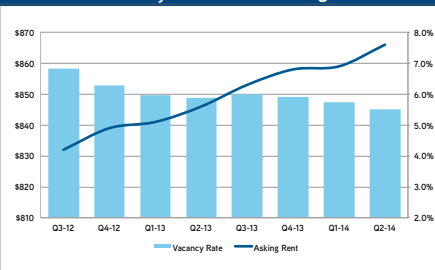
## Historical Net Absorption vs. Completions



## Occupancy vs. Healthcare Employment



## Historical Vacancy Rates and Asking Lease Rates



Sales of medical office space were weak earlier in the year, but have picked up considerably. A total of 390,476 square feet of medical office in thirteen buildings has sold so far this year, with a total sales volume of \$82.9 million and an average price per square foot of \$212.19. Only one distressed medical building has sold this year, at a sales price of \$54.61 psf. One hopes that this turn-over in medical office will translate into more competitive buildings over the next year.

Currently, a total of 1.26 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 third quarter of 2014 was 15,000 square feet lower than one year ago. A lack of sales activity of distressed buildings is keeping the amount of distressed medical space stubbornly high. In 2010, approximately 15 percent of medical inventory was distressed, compared to 13 percent of the professional office market. In the third quarter of 2014, these ratios are 18 percent and 9 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.

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 14,900 jobs. The addition of approximately 680 jobs to this base over the past twelve months is not enough to stimulate the demand needed to break the medical office market out of the doldrums.

If healthcare employment continues to grow, and we think it will, how capable are medical office buildings at capturing these expansions and creations of medical office space? That is the key question moving forward. With almost one-fifth of the medical inventory in the Valley in some state of distress, and investors in distressed medical space few and far between, the medical office market will probably find the going tough for many quarters to come. Medical office is now caught between too many transitions – in the needs of medical tenants, in the changing business landscape for medical tenants, and in the aftermath of the banking crisis – to be expected to do well.

## Lease &amp; Sales Activity

## Lease activity

Property Address	Lease date	Lease Term	size SF	lease Rate	type
Southern Hills Medical Office	Jan 2014	168 months	32,500 SF	\$1.28 NNN	Physicians
Summerlin Medical Center	Feb 2014	72 months	11,800 SF	\$1.20 NNN	Physicians
Longford Medical Center	May 2014	132 months	6,300 SF	\$1.42 NNN	Physical Therapy
Horizon Pointe Plaza	Jun 2014	14 months	3,200 SF	\$0.88 NNN	Non-Medical
Durango Medical Plaza	Feb 2014	64 months	1,200 SF	\$1.26 NNN	Medical Instruments

## Sales Activity

Property Address	sale date	sale Price	size SF	Price/SF	Class
Longford Medical Center	Aug 2014	\$17,300,000	129,000 SF	\$134.36	Class A
Sierra Health Services	Aug 2014	\$14,600,000	44,000 SF	\$330.20	Class B
Shadow/Goldring	Dec 2013	\$2,400,000	19,000 SF	\$126.55	Class C
East Sahara Avenue	Aug 2014	\$800,000	15,000 SF	\$54.61	Class C
Canyon Surgery Center	May 2014	\$1,550,000	13,000 SF	\$116.25	Class C

"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."

John M. Stater  
Colliers, Research & GIS Manager

## Market Comparisons

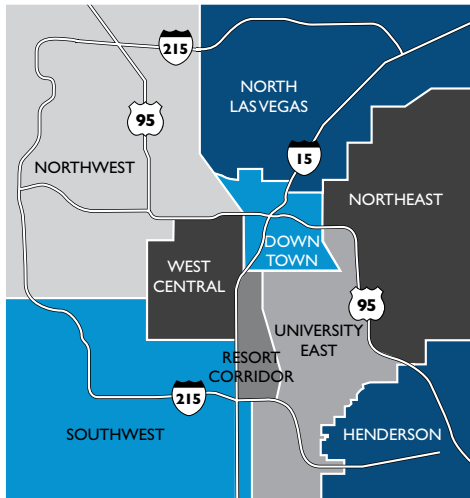
## Medical Office Market

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
AIRPORT SUBMARKET																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
C	2	38,000	5,900	15.5%	-	0.0%	5,900	15.5%	15.5%	-	6,873	-	-	-	-	\$1.69
Total	2	38,000	5,900	15.5%	-	0.0%	5,900	15.5%	15.5%	-	6,873	-	-	-	-	\$1.69
DOWNTOWN																
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)	-	-	-	-	\$2.06
EAST LAS VEGAS																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$
B	9	669,264	153,453	22.9%	-	0.0%	153,453	22.9%	23.5%	4,080	4,479	-	-	-	-	\$2.12
C	22	552,101	100,749	18.2%	-	0.0%	100,749	18.2%	16.6%	(9,068)	15,762	-	-	-	-	\$1.68
Total	31	1,221,365	254,202	20.8%	-	0.0%	254,202	20.8%	20.4%	(4,988)	20,241	-	-	-	-	\$1.95
HENDERSON																
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%	7,213	18,131	-	-	-	-	\$2.26
C	45	465,160	22,576	4.9%	-	0.0%	22,576	4.9%	4.1%	(3,507)	24,130	-	-	-	-	\$1.84
Total	62	1,250,697	218,213	17.4%	2,515	0.2%	220,728	17.6%	17.9%	3,706	7,287	-	-	-	-	\$2.37
NORTH LAS VEGAS																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
B	1	43,921	10,237	23.3%	-	0.0%	10,237	23.3%	23.3%	-	-	-	-	-	-	\$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	28,137	18.2%	-	0.0%	28,137	18.2%	18.2%	-	3,764	-	-	-	-	\$2.05
NORTHWEST																
A	7	807,173	197,973	24.5%	-	0.0%	197,973	24.5%	25.0%	3,661	(52,521)	-	-	-	-	\$2.59
B	17	1,236,543	66,537	5.4%	7,289	0.6%	73,826	6.0%	5.2%	(2,730)	10,597	-	-	-	-	\$2.37
C	13	199,215	7,870	4.0%	-	0.0%	7,870	4.0%	4.0%	-	-	-	-	-	-	\$1.83
Total	37	2,242,931	272,380	12.1%	7,289	0.3%	279,669	12.5%	12.2%	931	(41,924)	-	-	-	-	\$2.51
SOUTHWEST																
A	2	115,300	66,070	57.3%	-	0.0%	66,070	57.3%	72.5%	17,555	(6,166)	-	-	-	-	\$2.22
B	8	380,926	158,025	41.5%	-	0.0%	158,025	41.5%	25.0%	(62,931)	(57,524)	-	-	-	-	\$2.32
C	20	259,170	54,235	20.9%	-	0.0%	54,235	20.9%	20.9%	(112)	(112)	-	-	-	-	\$1.52
Total	30	755,396	278,330	36.8%	-	0.0%	278,330	36.8%	30.8%	(45,488)	(63,802)	-	-	-	-	\$2.14
WEST CENTRAL																
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%	(2,225)	6,517	-	-	-	-	\$2.21
C	70	875,622	210,635	24.1%	5,198	0.6%	215,833	24.6%	18.8%	(55,970)	(56,595)	-	-	-	-	\$1.71
Total	81	1,166,649	250,721	21.5%	5,198	0.4%	255,919	21.9%	17.4%	(58,195)	(50,078)	-	-	-	-	\$1.79
MARKET TOTAL																
A	13	1,177,473	303,604	25.8%	-	0.0%	303,604	25.8%	27.6%	21,216	(93,661)	-	-	-	-	\$2.58
B	67	3,444,519	614,993	17.9%	9,804	0.3%	624,797	18.1%	16.3%	(56,593)	(23,074)	-	-	-	-	\$2.24
C	187	2,575,467	429,865	16.7%	5,198	0.2%	435,063	16.9%	14.4%	(68,657)	(16,178)	-	-	-	-	\$1.70
Total	267	7,197,459	1,348,462	18.7%	15,002	0.2%	1,363,464	18.9%	17.5%	(104,034)	(132,913)	-	-	-	-	\$2.15
QUARTERLY COMPARISON AND TOTALS																
Q3-14	267	7,197,459	1,348,462	18.7%	15,002	0.2%	1,363,464	18.9%	17.5%	(104,034)	(132,913)	-	-	-	-	\$2.15
Q2-14	267	7,197,459	1,244,428	17.3%	12,611	0.2%	1,257,039	17.5%	16.6%	(61,189)	(28,879)	-	-	-	-	\$2.15
Q1-14	267	7,197,459	1,183,239	16.4%	9,711	0.1%	1,192,950	16.6%	16.9%	32,310	32,310	-	-	-	-	\$2.09
Q4-13	267	7,197,459	1,215,549	16.9%	1,224	0.0%	1,216,773	16.9%	18.0%	74,681	(117,966)	-	-	-	-	\$2.09
Q3-13	267	7,197,459	1,290,230	17.9%	2,599	0.0%	1,292,829	18.0%	16.4%	(112,375)	(192,647)	-	-	-	-	\$2.11
Q2-13	267	7,197,459	1,177,855	16.4%	2,881	0.0%	1,180,736	16.4%	15.1%	(100,802)	(80,272)	-	-	-	-	\$2.11
Q1-13	267	7,197,459	1,077,053	15.0%	11,245	0.2%	1,088,298	15.1%	17.5%	20,530	20,530	-	-	-	-	\$2.10

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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.



## Retail Review



The second quarter of 2014 saw the retail market turn around and post positive net absorption after two quarters of negative net absorption. The third quarter of 2014 continued the positive trend, with net absorption staying just one step ahead of new completions; a good performance, but not a great performance. Net absorption in the third quarter was 242,296 square feet, slightly higher than in the second quarter of 2014, and more than double net absorption in the third quarter of 2013. New completions also increased quarter-over-quarter and year-over-year, with a 220,000 square foot power center added to inventory this quarter. Retail vacancy decreased by 0.1 percentage points to 9.0 percent, while the average asking rental rate increased to \$1.31 per square foot (psf) on a triple net (NNN) basis.

According to the Nevada Department of Employment, Training & Rehabilitation, retail employment in the Las Vegas MSA increased between July 2013 and July 2014 from 98,900 to 103,700 retail employees, an increase of 4,800 jobs. Food and beverage stores added 400 jobs over the past twelve months, while general merchandise and clothing stores added 700 jobs and health and personal care stores added 100 jobs. Unemployment in the Las Vegas-Paradise MSA stood at 8.2 percent as of July 2014, down from 10.4 percent in July 2013, but up from 7.9 percent in June 2014. Since July 2013, total employment in Southern Nevada has increased by 25,700 jobs.

### MARKET INDICATORS

	Q3-14	Q4-14 PROJECTED
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↓
RENTAL RATE	↑	→

Clark County's taxable retail sales in the first half of 2014 totaled \$11.2 billion, better than the \$10.7 billion of taxable retail sales recorded in the first half of 2013. The largest increases in taxable sales in the second quarter of 2014 compared to the second quarter of 2013 were in miscellaneous retail stores (80.8 percent increase), home furnishings (10.8 percent increase) and health and personal care stores (6.5 percent increase). Eating and drinking places experienced only a 1.4 percent increase in taxable sales over the period. Taxable sales fell over the same period in food and beverage stores (0.3 percent) and electronics and appliances stores (5.6 percent).

The Sahara Center, a power center in the Northwest submarket, was completed in the third quarter of 2014, adding 220,000 square feet of retail space to the Valley's inventory. The remainder of 2014 should see 93,000 square feet completed in anchored suburban retail centers, and another 1.09 million square feet of other retail projects, including the 875,000 square foot regional center at Downtown Summerlin. Forward supply in 2015 constitutes a modest 167,000 square feet in anchored suburban retail centers, and 92,000 square feet in other retail properties.

Gross absorption of retail product in the first three quarters of 2014 totaled 1.6 million square feet, up slightly from the 1.5 million square feet of gross absorption in the first three quarters of 2013.

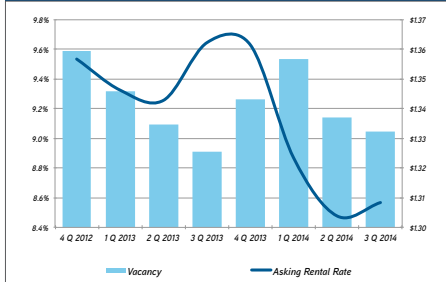
### MARKET SUMMARY

	Q3-14	Q2-14	Q3-13
Vacancy Rate	9.0%	9.1%	8.9%
Asking Rent (PSF, NNN)	\$1.31	\$1.30	\$1.36
Net Absorption (SF)	242,296	200,995	81,966
New Completions (SF)	220,000	30,318	0

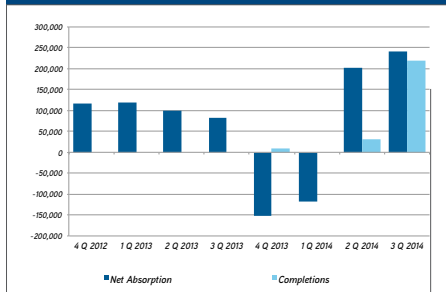
Retail vacancy in Southern Nevada was on the decline for nine consecutive quarters before it increased in the fourth quarter of 2013 to 9.3 percent. It then peaked at 9.5 percent in the first quarter of 2014 before beginning a two quarter slide down to the current 9.0 percent. This is the lowest vacancy Southern Nevada's retail market has had since the third quarter of 2013, when vacancy stood at 8.9 percent. From 2001 to 2014, retail vacancy averaged 6.6 percent, giving the market 2.4 percentage points to go before reaching the long-term average vacancy. At the current rate of net absorption, it could take the market around three years to get to this long-term average.

Among submarkets, the Valley's highest vacancy this quarter was 18.2 percent in Downtown, followed by 12.0 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 submarkets in the Valley in terms of population, and it is projected to lose population over the next five years. The Northwest submarket, the Valley's most populous submarket and among its most affluent, enjoyed the honor of the Valley's lowest vacancy rate at 6.8 percent, followed closely by Southwest at 7 percent. Henderson, North Las Vegas, Southwest, University East and West Central experienced decreases in vacancy this quarter, while Downtown and Northwest saw vacancy increase. Vacancy remained the same in Northeast.

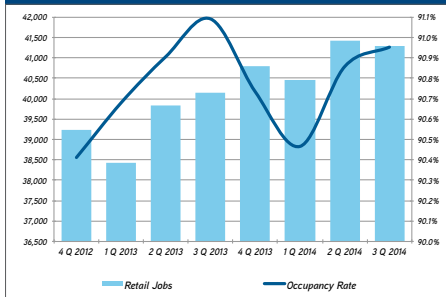
## Historical Vacancy Rates and Asking Lease Rates



## Historical Net Absorption Vs. Completions



## Occupancy vs. Retail Employment



The average asking rental rate for retail space in Southern Nevada stood at \$1.31 per square foot (psf) on a Triple-Net basis (NNN). This was \$0.01 higher lower than last quarter, but \$0.04 lower than one year ago. Asking rates for retail remain at the lowest levels we have recorded in twelve years. Average asking rents decreased in North Las Vegas, Northeast and University East, and increased in Downtown, Henderson, Northwest and Southwest. On a quarter-over-quarter basis, power center asking rents increased (due in some part to the completion of a new power center in the expensive Northwest submarket) and community center and neighborhood center asking rates decreased.

Shopping center investment sales year-to-date in 2014 totaled 1,590,000 square feet in 33 centers, with total sales volume equalling \$392.2 million. This resulted in an average price per square foot of \$246.70, 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 \$278.99 per square foot.

Single-tenant retail investment sales have totaled 312,000 square feet in 39 buildings so far in 2014, with total sales volume of \$126.8 million. This resulted in an average price per square foot of \$405.81. The average sales price in 2013 was only \$168.23.

Distressed retail space totaled 3.7 million square feet in the third quarter of 2014, down slightly from the 4.3 million square feet of distressed retail at the end of 2013.

Southern Nevada currently has 883,376 square feet of big-box space vacant (including vacant sublease space) in the marketplace, representing a vacancy rate of 4.6 percent at an average asking price of \$1.03 psf NNN. Shop space had a vacancy rate of 13.7 percent and an asking rate of \$1.36 psf NNN. While shop space had a higher vacancy rate than big-box in the third quarter of 2014, the big-box's hold 20.4 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption (including vacant sublease space) in big-box space over the past quarter was 166,344 square feet. Shop space posted 75,952 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 new stores in the Valley, Wal-Mart, which has secured land in the Southwest submarket for a new center, Winco, Lifetime Fitness, Glaziers, PDQ Chicken, Moe's Southwest Grill, Dickey's BBQ, Conn's Appliances, Golden Corral, Pink Box Donuts, and Las Vegas Athletic Club. The recently purchased Fresh & Easy chain has announced two closures in Southern Nevada, and Blockbuster Video closed its remaining Southern Nevada locations in 2013. Staples has announced that it is closing 200 stores nationally, though to date we do not know if any

## Lease &amp; Sales Activity

## Lease activity

Property Address	Lease date	LEASE TERM	size SF	lease Rate	type
Rainbow Promenade	Aug 2014	86 months	10,500 SF	\$1.31 NNN	Power Center
Sahara Avenue	Aug 2014	64 months	6,150 SF	\$2.56 NNN	Freestanding
North Mesa Plaza	Jul 2014	60 months	6,000 SF	\$1.17 NNN	Community Center
Tropicana Heights	Jul 2014	60 months	6,000 SF	\$0.81 NNN	Strip Retail
Boulder Highway	Aug 2014	90 months	5,220 SF	\$1.32 NNN	Neighborhood Center

## Sales Activity

Property Address	sale date	sale Price	size SF	Price/SF	type
Showcase Mall	Jul 2014	\$145,000,000	192,000 SF	\$755	Specialty Center
Renaissance West	Jul 2014	\$22,500,000	169,000 SF	\$133	Neighborhood Center
Lake Mead Boulevard	Jul 2014	\$28,000,000	111,000 SF	\$252	Power Center
The Grove	Aug 2014	\$15,500,000	55,000 SF	\$285	Strip Retail
Charleston Boulevard	Jul 2014	\$2,955,000	24,000 SF	\$121	Strip Retail

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.

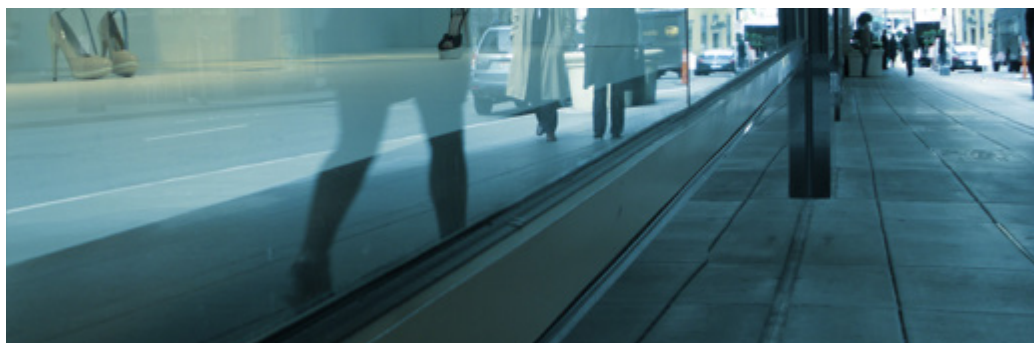
After a brief respite at the beginning of 2014, the retail market returned to form, posting almost 500,000 square feet of net absorption over the past two quarters. Southern Nevada's retail market started to recover in late 2011, and has posted positive net absorption in eleven of the past thirteen quarters. Strong pre-leasing in projects expected to be completed in the fourth quarter of this year should add one more quarter of positive net absorption to this trend, and make 2014 a stronger year overall than 2013.

<sup>1</sup>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 (Q3-14)	Occupied Retail Growth (Last 12 mo.)
DOWNTOWN	108,000	-0.1%	986,000	- 9.7%
HENDERSON	269,000	5.6%	7,792,000	- 0.6%
NORTH LAS VEGAS	233,000	8.4%	4,609,000	- 1.4%
NORTHEAST	247,000	4.6%	2,312,000	0.3%
NORTHWEST	462,000	5.6%	10,234,000	2.3%
SOUTHWEST	194,000	13.6%	5,376,000	0.1%
UNIVERSITY EAST	254,000	3.3%	5,214,000	0.1%
WEST CENTRAL	139,000	-0.3%	4,008,000	3.5%

Sales Activity					
SINGLE-TENANT RETAIL	2010	2011	2012	2013	2014 YTD
No. Sales	14	28	25	49	40
Square Footage Sold	238,000	825,000	319,000	868,000	358,000
Sales Volume	\$34.1 MM	\$62.9 MM	\$78.2 MM	\$146.0 MM	\$127.6 MM
Average Price/SF	\$143.33	\$76.23	\$244.81	\$168.23	\$356.17
Average Sale Size (SF)	17,000	30,000	13,000	18,000	9,000

SHOPPING CENTER RETAIL	2010	2011	2012	2013	2014 YTD
No. Sales	6	27	30	48	30
Square Footage Sold	206,000	2,393,000	1,781,000	3,892,000	1,733,000
Sales Volume	\$13.3 MM	\$282.7 MM	\$194.0 MM	\$378.4 MM	\$387.2 MM
Average Price/SF	\$64.39	\$118.11	\$108.90	\$97.21	\$223.50
Average Sale Size (SF)	34,000	88,000	59,000	81,000	58,000



"After a brief respite at the beginning of 2014, the retail market returned to form, posting almost 500,000 square feet of net absorption over the past two quarters."

John M. Stater  
Colliers, Research & GIS Manager

# LAS VEGAS QUARTERLY | THIRD QUARTER 2014

## 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
DOWNTOWN																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	687,377	158,367	23.0%	-	0.0%	158,367	23.0%	18.3%	(32,750)	(26,412)	-	-	-	-	\$1.13
NC	5	518,070	61,020	11.8%	-	0.0%	61,020	11.8%	11.8%	-	(61,020)	-	-	-	-	\$0.45
Total	10	1,205,447	219,387	18.2%	-	0.0%	219,387	18.2%	15.5%	(32,750)	(87,432)	-	-	-	-	\$0.94
HENDERSON																
PC	8	2,896,215	281,201	9.7%	-	0.0%	281,201	9.7%	10.0%	7,250	(40,208)	-	-	-	-	\$1.59
CC	19	2,831,313	229,839	8.1%	-	0.0%	229,839	8.1%	8.4%	7,863	47,460	-	30,318	-	15,159	\$1.13
NC	25	2,841,887	266,753	9.4%	17,980	0.6%	284,733	10.0%	10.4%	11,958	23,827	-	-	-	-	\$1.41
Total	52	8,569,415	777,793	9.1%	17,980	0.2%	795,773	9.3%	9.6%	27,071	31,079	-	30,318	-	15,159	\$1.39
NORTH LAS VEGAS																
PC	2	832,000	32,065	3.9%	-	0.0%	32,065	3.9%	3.0%	(6,809)	(6,809)	-	-	-	-	\$1.09
CC	13	2,384,839	224,486	9.4%	73,755	3.1%	298,241	12.5%	13.1%	13,747	(8,637)	-	-	-	-	\$1.34
NC	16	1,806,524	158,178	8.8%	2,687	0.1%	160,865	8.9%	9.3%	7,320	34,827	-	-	-	-	\$1.31
Total	31	5,023,363	414,729	8.3%	76,442	1.5%	491,171	9.8%	10.1%	14,258	19,381	-	-	-	-	\$1.31
NORTHEAST																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	7	1,281,026	165,218	12.9%	18,614	1.5%	183,832	14.4%	14.7%	5,065	16,576	-	-	-	-	\$0.95
NC	15	1,306,795	110,431	8.5%	18,614	1.4%	129,045	9.9%	9.5%	(5,080)	33,905	-	-	-	-	\$1.17
Total	22	2,587,821	275,649	10.7%	37,228	1.4%	312,877	12.1%	12.1%	(15)	50,481	-	-	-	-	\$1.04
NORTHWEST																
PC	8	3,065,691	231,930	n/a	1,000	n/a	232,930	7.6%	4.4%	111,182	99,960	220,000	220,000	92,995	-	\$1.63
CC	20	4,281,890	199,041	4.6%	-	0.0%	199,041	4.6%	4.6%	(2,162)	(1,890)	-	-	-	152,000	\$1.74
NC	30	3,633,796	316,285	8.7%	109,491	3.0%	425,776	11.7%	11.6%	(4,696)	64,114	-	-	-	-	\$1.37
Total	58	10,981,377	747,256	6.8%	110,491	1.0%	857,747	7.8%	6.9%	104,324	162,184	220,000	220,000	92,995	152,000	\$1.55
SOUTHWEST																
PC	1	944,314	36,901	3.9%	-	0.0%	36,901	3.9%	3.9%	-	7	-	-	-	-	\$1.88
CC	9	3,216,421	236,676	7.4%	6,378	0.2%	243,054	7.6%	7.9%	11,193	(116)	-	-	-	-	\$1.68
NC	13	1,623,100	133,922	8.3%	-	0.0%	133,922	8.3%	8.7%	6,542	(503)	-	-	-	-	\$1.77
Total	23	5,783,835	407,499	7.0%	6,378	0.1%	413,877	7.2%	7.5%	17,735	(612)	-	-	-	-	\$1.73
UNIVERSITY EAST																
PC	3	1,210,223	108,304	8.9%	-	0.0%	108,304	8.9%	8.9%	-	(34,793)	-	-	-	-	\$1.47
CC	18	2,760,749	446,134	16.2%	-	0.0%	446,134	16.2%	17.2%	29,581	47,700	-	-	-	-	\$0.92
NC	17	1,953,965	156,614	8.0%	-	0.0%	156,614	8.0%	8.4%	7,411	10,334	-	-	-	-	\$1.26
Total	38	5,924,937	711,052	12.0%	-	0.0%	711,052	12.0%	12.6%	36,992	23,241	-	-	-	-	\$1.08
WEST CENTRAL																
PC	3	1,138,224	207,316	18.2%	-	0.0%	207,316	18.2%	18.7%	5,455	8,424	-	-	-	-	\$1.16
CC	13	1,601,431	149,471	9.3%	-	0.0%	149,471	9.3%	13.1%	59,676	89,791	-	-	-	-	\$0.93
NC	18	1,746,530	121,569	7.0%	48,551	2.8%	170,120	9.7%	10.3%	9,550	28,163	-	-	-	-	\$1.22
Total	34	4,486,185	478,356	10.7%	48,551	1.1%	526,907	11.7%	13.4%	74,681	126,378	-	-	-	-	\$1.10
MARKET TOTAL																
PC	25	10,086,667	897,717	8.9%	1,000	0.0%	898,717	8.9%	8.1%	117,078	26,581	220,000	220,000	92,995	-	\$1.48
CC	104	19,045,046	1,809,232	9.5%	98,747	0.5%	1,907,979	10.0%	10.5%	92,213	164,472	-	30,318	-	167,159	\$1.21
NC	139	15,430,667	1,324,772	8.6%	197,323	1.3%	1,522,095	9.9%	10.1%	33,005	133,647	-	-	-	-	\$1.33
Total	268	44,562,380	4,031,721	9.0%	297,070	0.7%	4,328,791	9.7%	9.8%	242,296	324,700	220,000	250,318	92,995	167,159	\$1.31
QUARTERLY COMPARISON AND TOTALS																
Q3-14	268	44,562,380	4,031,721	9.0%	297,070	0.7%	4,328,791	9.7%	9.8%	242,296	324,700	220,000	250,318	92,995	167,159	\$1.31
Q2-14	267	44,342,380	4,054,017	9.1%	297,070	0.7%	4,351,087	9.8%	10.2%	200,995	82,404	30,318	30,318	312,995	167,159	\$1.30
Q1-14	266	44,312,062	4,224,694	9.5%	311,103	0.7%	4,535,797	10.2%	10.0%	(118,591)	(118,591)	0	0	441,791	261,089	\$1.32
Q4-13	266	44,312,062	4,106,103	9.3%	311,103	0.7%	4,417,206	10.0%	9.8%	(150,974)	150,870	8,000	8,000	343,313	261,089	\$1.36
Q3-13	266	44,304,062	3,947,129	8.9%	377,214	0.9%	4,324,343	9.8%	10.0%	81,966	301,844	0	0	-	299,407	\$1.36
Q2-13	266	44,304,062	4,029,095	9.1%	379,559	0.9%	4,408,654	10.0%	10.2%	100,229	219,878	0	0	-	299,407	\$1.34
Q1-13	266	44,304,062	4,129,324	9.3%	404,892	0.9%	4,534,216	10.2%	10.5%	119,649	119,649	0	0	-	299,407	\$1.35

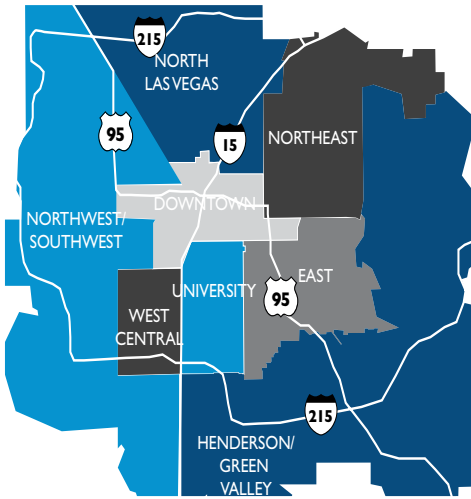
PC = Power Center

CC = Community Center

NC = Neighborhood Center



## Multi-Family Review



According to statistics provided by REIS, multifamily vacancy in Southern Nevada decreased in the second quarter of 2014 (the most recent quarter of available data), extending a three year long streak. Vacancy stood at 5.5 percent in the second quarter, 0.4 percentage points lower than one year ago, and 0.2 percentage points lower than in the first quarter of 2014. Class A properties were 5.7 percent vacant in the second quarter, the same as in the first quarter of 2014. Class B/C properties were 5.3 percent vacant, 0.5 points lower than in the first quarter of 2014.

All submarkets showed positive net absorption in the second quarter of 2014, with the highest net absorption found in Henderson/Green Valley (161 units) and North Las Vegas (158 units). The University submarket rebounded from the negative one unit of net absorption in the first quarter, and posted 40 units of net absorption. On a property class basis, Class A multifamily posted 297 units of net absorption, primarily due to new completions of multifamily space. Class B/C properties absorbed 311 units net.

Effective rents stood at \$866 per unit in the second quarter of 2014. This represented 0.8 percent quarterly rent growth and 2.4 percent annual rent growth. Class A properties had an average asking rent of \$984 per unit (1.1 percent quarterly growth), compared to an average asking rent of \$756 (0.4 percent quarterly growth) for Class B/C properties.

### 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%

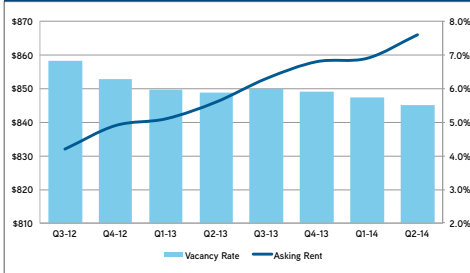
SOURCE: THE CENTER FOR BUSINESS  
& ECONOMIC RESEARCH, UNLV

REIS predicts that multifamily vacancy will bottom out at 5.0 percent in 2015, and then begin climbing due to increased construction of multifamily and, most likely, increased competition by single-family residences. They predict that vacancy will reach 6.6 percent in 2018, after 9,734 units have been added to inventory.

Unemployment in the Las Vegas-Paradise MSA stood at 8.2 percent as of July 2014, down from 10.4 percent in July 2013. Since July 2013, total employment in Southern Nevada has increased by 25,700 jobs, the majority in professional/business services (+5,800 jobs), trade/transportation/utilities (+5,700 jobs), education/health services (+5,300 jobs), and leisure/hospitality (+3,500 jobs). Construction employment also increased year-over-year, by 2,200 jobs, and this is an especially hopeful sign of recovery. Construction employment in Southern Nevada remains almost 70,000 jobs below its peak in 2006.

Population growth, a key driver of Southern Nevada's economy and of demand for multifamily, has improved since the dark days of the Great Recession. On average, the number of people turning in out-of-state driver's licenses in 2014 decreased by 3.3 percent compared to 2013, but it is almost 25 percent higher than it was in 2010. Despite this improvement, the Valley is still welcoming more than

### Historical Vacancy Rates and Asking Lease Rates



### Key Trades

PROPERTY	SALE DATE	UNITS	PRICE	PRICE/UNIT	YEAR BUILT
The Edge at Traverse Point	Jul 2014	296	\$43.0 MM	\$145,000	2013
Centennial at 5th Apartments	Jul 2014	428	\$48.5 MM	\$113,000	2009
Fairfield West Apartments	Jun 2014	240	\$24.5 MM	\$102,000	2000
El Camino Apartments	Jul 2014	312	\$21.4 MM	\$68,000	1977
Willow Creek Assisted Living	Jul 2014	131	\$7.0 MM	\$53,000	2009
Casa Del Sol Condominiums	Jun 2014	148	\$7.7 MM	\$52,000	1974
Green Valley Pkwy Apartments	Jun 2014	604	\$24.5 MM	\$41,000	1986
Fleur de Lis Villas	Aug 2014	100	\$3.8 MM	\$38,000	1962
Nellis Oasis Condominiums	Aug 2014	1,129	\$36.0 MM	\$32,000	2008
La Esperanza Apartments	Jun 2014	68	\$2.1 MM	\$31,000	1962

Source: Real Capital Analytics

25 percent fewer people per month than at the height of the area's growth in 2005, and fewer new residents means less demand for housing.

According to Real Capital Analytics, there were 10,809 units in distressed multifamily projects in Southern Nevada in the second quarter of 2014. This is a decrease of almost 7,000 units since 2013. Currently, 7.9 percent of the multifamily units in Southern Nevada are distressed, down from 10.5 percent in the first quarter of 2014. 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 4,791 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 92 percent.

Multifamily sales increased in the third quarter of 2014 compared to the third quarter of 2013, with 3,973 units selling at an average price per unit of \$65,700. The average price per unit, however, was higher one year ago, when 3,591 units sold at an average price per unit of \$76,000. For 2014 year-to-date, multifamily sales totaled 10,320 units, a decrease from the 11,783 units sold in the first three quarters of 2013, but fortunately not a

massive decrease. Cap rates averaged 5.8 percent in the third quarter of 2014, 0.4 points higher than in the second quarter of 2014, and 0.3 points higher than one year ago.

For the past six years, Southern Nevada's multifamily market has done very well, with vacancy rates dropping from a high of 11.2 percent in 2009 to the present low of 5.5 percent. In most ways, the Great Recession has been left behind. Multifamily sales have rebounded significantly from the depths of the recession, as has the average price of a unit. Cap rates have compressed, and the percentage of the market that was distressed has dropped from 17.0 percent in 2010 to the current 7.9 percent. The question, then, is what lies ahead. Completions remained high during the Great Recession, as construction rarely stops on a dime, and it took some time to convince people, especially Southern Nevadans that lived through the boom, that economic troubles are not always over and done within a few months. Completions decreased in 2010, 2011, 2012, 2013 and, so far, in 2014. Next year, however, they are expected to increase, with more than 1,500 units of multifamily currently under construction in Southern Nevada. This means that the multifamily markets recovery is entering a new phase in 2015, the "time to start building" phase, which will test just how robust the local demand is for multifamily.

#### 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
TOTAL	689,000	42%	\$46,000	2.7	3,100

Source: Real Capital Analytics

#### Historical Sales Data

	2014 YTD	2013	2012	2011	2010
Units Sold	11,723	17,808	21,840	7,554	2,996
Average Price/Unit	\$65,069	\$75,600	\$65,425	\$50,324	\$42,500
Cap Rate	6.0%	5.7%	7.3%	6.9%	6.5%



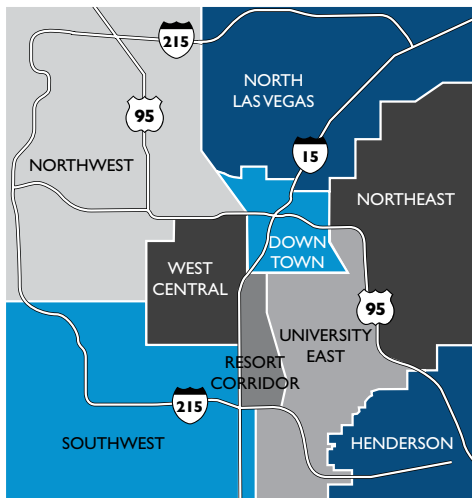
"... the multifamily markets recovery is entering a new phase in 2015, the "time to start building" phase, which will test just how robust the local demand is for multifamily."

John M. Stater  
Colliers, Research & GIS Manager

## 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
Q3-12	136,653	152	9,983	6.8%	449	\$832	0.6%	7.0%	1,094	4,195	1,640	\$53,259	6.1%	20,221
Q4-12	136,703	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	136,817	114	8,845	6.0%	709	\$841	0.2%	6.3%	660	4,195	2,608	\$44,001	6.1%	19,626
Q2-13	137,113	296	8,743	5.9%	398	\$846	0.6%	6.0%	236	3,849	5,584	\$69,928	5.8%	20,633
Q3-13	137,201	88	8,214	6.0%	617	\$853	0.8%	5.9%	986	3,849	3,591	\$76,072	5.5%	20,931
Q4-13	137,287	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%	5.9%	1,556	3,244	2,472	\$67,622	5.4%	10,809
Q3-14											3,973	\$65,706	5.8%	
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	255	3,777	5.7%	297	\$984	1.1%	5.7%	1,556	3,244	460	n/a		0
BC	71,289	0	3,787	5.3%	311	\$756	0.4%	5.8%	0	0	3,513	\$54,668		10,809
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
DOWN-TOWN	16,227	0	649	4.0%	82	\$718	0.3%	4.5%	0	318	460	\$63,152		960
Class A	2,773	0	83	3.0%	12	\$851	0.9%	3.4%	0	318	0	n/a		0
Class B/C	13,454	0	566	4.2%	70	\$711	0.0%	4.7%	-	-	460	\$63,152		960
EAST	15,322	0	859	5.6%	60	\$759	0.2%	6.0%	80	0	0	n/a		1,532
Class A	6,383	0	371	5.8%	-7	\$838	1.6%	5.7%	80	0	0	n/a		0
Class B/C	8,939	0	488	5.5%	67	\$734	-0.9%	6.2%	-	-	0	n/a		1,532
HENDERSON/GV	26,001	255	1,535	5.9%	161	\$971	2.0%	5.6%	1,240	1,102	1,064	\$87,876		1,230
Class A	17,933	255	1,044	5.8%	162	\$1,054	2.2%	5.4%	1,240	1,102	460	\$150,000		0
Class B/C	8,068	0	491	6.1%	-1	\$912	1.8%	6.1%	-	-	604	\$40,563		1,230
NORTH LAS VEGAS	22,594	0	1,559	6.9%	158	\$812	0.4%	7.6%	0	436	496	n/a		874
Class A	13,042	0	958	7.3%	72	\$894	0.3%	7.9%	0	436	0	n/a		0
Class B/C	9,552	0	601	6.3%	86	\$726	0.7%	7.2%	-	-	496	\$102,067		874
NORTH-EAST	8,815	0	767	8.7%	62	\$714	0.4%	9.4%	0	96	1,482	\$35,459		450
Class A	2,172	0	85	3.9%	30	\$798	1.0%	5.3%	0	96	0	n/a		0
Class B/C	6,643	0	682	10.3%	32	\$684	0.1%	10.7%	-	-	1,482	\$35,459		450
NW/SW	21,551	0	1,121	5.2%	32	\$1,016	0.6%	5.4%	236	1,052	131	\$53,435		679
Class A	16,099	0	932	5.8%	31	\$1,109	0.9%	6.0%	236	1,052	0	n/a		0
Class B/C	5,452	0	189	3.5%	1	\$989	-0.4%	3.5%	-	-	131	\$53,435		679
University	14,501	0	711	4.9%	40	\$726	0.4%	5.0%	0	0	100	n/a		2,340
Class A	2,180	0	87	4.0%	16	\$967	0.6%	3.6%	0	0	0	n/a		0
Class B/C	12,321	0	624	5.1%	24	\$687	0.3%	5.3%	-	-	100	\$38,251		2,340
WEST CENTRAL	12,531	0	363	2.9%	13	\$822	0.4%	3.0%	0	240	240	n/a		2,744
Class A	5,671	0	217	3.8%	-19	\$926	0.3%	3.5%	0	240	0	n/a		0
Class B/C	6,860	0	146	2.1%	32	\$735	0.5%	2.6%	-	-	240	\$102,083		2,744

## Hotel Review



### 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

### Hospitality Sales\*

YEAR	VOLUME	UNITS SOLD	PRICE/ UNIT
2014 YTD**	\$1,816 MM	7,132	\$255,000
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

\* Only includes properties with 100 or more units, arm's-length sales

\*\* Data from January to September

Southern Nevada's hospitality market continued to improve through the second quarter of 2014. Average annual room occupancy, for example, jumped from 87.0 percent to 89.5 percent, and the average annual ADR (average daily room rate) dropped slightly from \$121.73 to \$119.75. This brought revenue per available room (RevPAR) up to \$104.61 from \$101.77. In 2014, RevPAR is now almost \$10 higher than it was in 2013, a significant leap (though not as significant as the \$15 leap between 2010 and 2011). This suggests that Las Vegas has largely recovered from the Great Recession, just in time for new expansions of the Valley's room inventory.

Visitor volume in the first seven months of 2014 was 24.2 million people, up slightly from the 23.6 million visitors recorded in the first seven months of 2013. Convention attendance in the first seven months of 2014 was 3.4 million attendees, slightly more convention attendees than visited Southern Nevada in the first seven months of 2013. Passenger traffic through McCarran International Airport was also up in the first seven months of 2014 over last year, increasing by 550,000 passengers to 24.96 million passengers enplaned and deplaned. Gaming revenue for Clark County stood at \$5.62 billion in the first seven months of 2014, up from the first seven months of 2013's \$5.51 billion. Gaming revenue on the Las Vegas "Strip" was \$3.74 billion in the first seven months of 2014, up from \$3.61 billion in the first seven months of 2013. Gaming revenue has been a stubborn element during the recovery since the Great Recession, making improvements in gaming revenue especially welcome. RevPAR (revenue per available room) was \$102.16 so far in 2014, a significant increase over 2013 when RevPAR stood at \$93.30. In July 2014, there were 274,500 jobs in the leisure and hospitality sector, an increase of 3,500 jobs since July 2013.

A total of 166 rooms were added to Southern Nevada's inventory in 2013. In the first three quarters of 2014, 1,955 rooms have been added to inventory, representing the completion of the Cromwell (a renovation of the old Barbary Coast) and the completion of the SLS (a renovation of the old Sahara). No additional expansions to the inventory are expected in 2014, 2015 or 2016, though another 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 has also seen 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 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 2014, 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.

Limited service sales have improved so far in 2014, with 1,181 units in eight properties trading at an average of \$55,172 per room. This represents a sales volume of \$65.2 million. By comparison, the first seven months of 2013 saw the sale of 776 units in six properties for an average of \$37,746 per room, a sales volume of \$29.3 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.

With many elements of the local tourist economy improving, Southern Nevada looks as though it will be in good shape in 2015 and during the run-up to the completion of ResortsWorld Las Vegas in 2017. Room occupancy and average daily rate have been improving for some time now, but now visitor volume and gaming revenue are beginning to show improvement as well. Southern Nevada should be able to accommodate the introduction of the Cromwell and SLS to the local hospitality inventory without much difficulty with occupancy remaining strong.



## Key Trades

PROPERTY	SALE DATE	UNITS	PRICE	PRICE/UNIT	SUBMARKET	PROPERTY TYPE
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
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
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

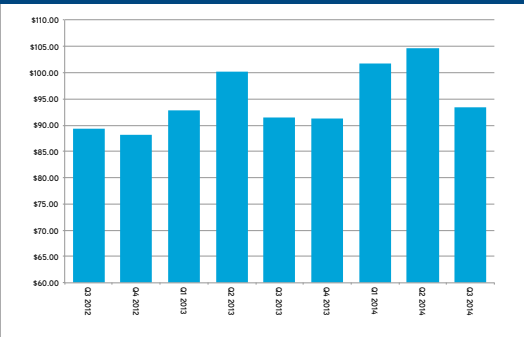
## Market Health

DATA POINT	2014 YTD**	2013	2012	2011
Visitor Volume (millions)	24.2	39.9	39.7	38.9
Room Occupancy	88.4%	84.3%	84.4%	83.8%
ADR	\$115.57	\$110.64	\$108.02	\$104.97
RevPAR	\$102.16	\$93.27	\$91.17	\$87.96
Convention Attendance (millions)	3.36	5.11	4.93	4.87
Passengers McCarran Int'l (millions)	25.0	41.8	41.7	41.5
Gaming Revenue (Clark County; billions)	\$5.6	\$10.0	\$9.4	\$9.2
Gaming Revenue ("Strip"; billions)	\$3.7	\$6.5	\$6.2	\$6.1

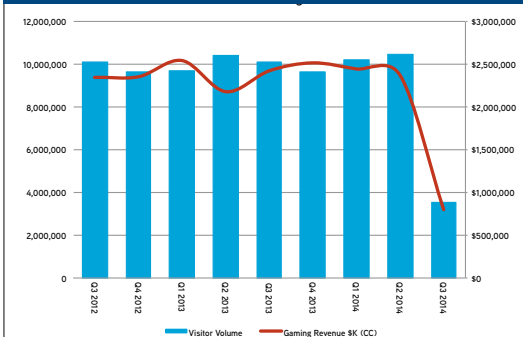
\* Data from Las Vegas Convention & Visitors Authority

\*\* Data from January to September

## RevPAR



## Visitor Volume vs. Gaming Revenue (CC)



Rendering of the new Gansevoort Las Vegas

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.

John M. Stater  
Colliers, Research & GIS Manager

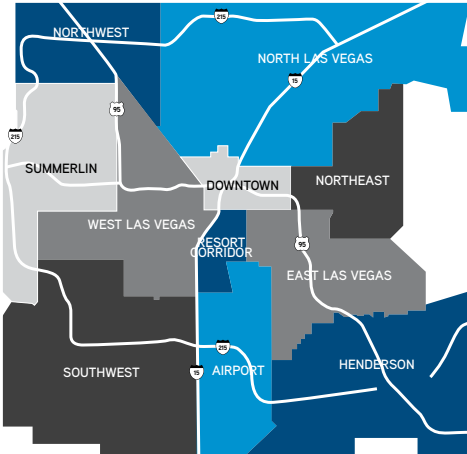
## Market Comparisons

## 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	150,010	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	252,600
2011	151,236	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	260,150
2012	151,364	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	262,225
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	267,850
2014	152,668	1,955	4,124	7,132	\$1,815,880,211	\$254,610	8,627	24,247,457	88.4%	\$115.57	\$102.16	3,359,222	24,960,361	\$5,623,522	\$3,740,683	273,900
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	151,662	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	262,200
Q4 2012	151,364	-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	259,900
Q1 2013	151,473	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	264,300
Q2 2013	150,901	-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	269,700
Q3 2013	150,901	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	271,600
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	265,800
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	272,500
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	274,700
Q3 2014	152,668	1,767	4,124	101	\$6,000,000	\$59,406	8,627	3,547,986	88.7%	\$105.23	\$93.34	333,253	3,734,974	\$800,384	\$536,159	274,500

SUBTYPE	UNIT INVENTORY	UNITS ADDED	UNITS PLANNED	UNITS SOLD	SALES VOLUME	PRICE/UNIT	DISTRESSED
Casino Hotel (CAS)	116,718	1,622	3,890	0	\$0	#DIV/0!	5,451
Full Service (FS)	15,501	0	0	0	\$0	\$0	1,893
Limited Service (LS)	20,449	145	234	101	\$6,000,000	\$59,406	1,283
SUBMARKET							
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	1,622	3,500	0			0
Casino (CAS)	85,843	1,622	3,500	0			0
Full Service (FS)	5,817	0	0	0			0
Limited Service (LS)	581	0	0	0			0
Resort Corridor	23,159	0	0	0			1,947
Casino (CAS)	10,634	0	0	0			898
Full Service (FS)	5,414	0	0	0			825
Limited Service (LS)	7,111	0	0	0			224
Airport	986	145	0	0			0
Casino (CAS)	0	0	0	0			0
Full Service (FS)	0	0	0	0			0
Limited Service (LS)	986	145	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			500
Casino (CAS)	1,030	0	0	0			500
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	101	\$6,000,000	\$59,406	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	101	\$6,000,000	\$59,405.94	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

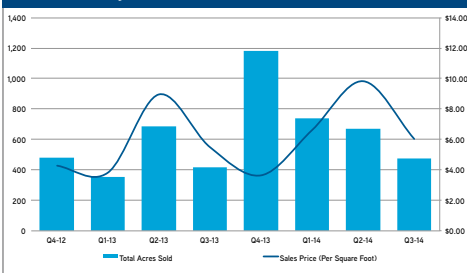


### CLARK COUNTY ECONOMIC DATA

	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

### Land Activity



Total sales volume for land in Southern Nevada remains well below the levels seen in 2007, but the market has recovered dramatically since the years of the Great Recession. The number of acres sold in the first three quarters of 2014 is higher than in the first three quarters of 2013, with 1,889 acres trading so far this year compared to 1,455 acres trading in 2013. Sales volume was higher than in 2013 in the first three quarters of the year, and naturally this means that the price per square foot of land is also higher. 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 the third quarter of 2014, the average price for land stood at \$7.61. This increase in land prices is indicative of the greater interest developers and investors are showing in the Valley's land market.

Land sells when a developer wants to build on it, or when an investor believes he can buy low and sell at a profit in a few years. Investors are ultimately going to sell to developers, though, so the health of land market depends on development of commercial, residential and industrial properties. The factors that drive current and future development are the factors that drive the demand for land, and in the first three quarters of 2014 those development factors continued to improve.

Industrial occupancy increased in the third quarter of 2014 to 90.8 percent, a 2.4 percentage point increase over the third quarter of 2013. Almost all industrial construction over the past four quarters has been in the form of build-to-suit projects, but that is about to change, with just over 1 million square feet of speculative industrial space slated to begin construction in 2015. A total of 650,880 square feet of industrial product was completed in the first three quarters of 2014 on 93.87 acres of land. An additional 1,653,781 square feet of industrial space is either under construction or planned on 184.21 acres of industrial-zoned land.

During the first three quarters of 2014, 136.41 acres of industrial land was sold, with total industrial land sales volume of \$50.1 million. The average sales price of industrial land in the first three quarters of 2014 was \$8.43 psf.

Commercial occupancy decreased in the third quarter of 2014 to 85.6 percent, but was still 0.8 percentage points higher than in the third quarter of 2013. The retail market has returned to positive net absorption after a two quarter drought. Retail occupancy is expected to grow through the remainder of 2014 and into 2015. One new speculative retail project was completed this quarter, and two more should be completed in the fourth quarter of 2014. The office market has continued its recovery in 2014, but vacancy rates remain high and office growth slowed down in the third quarter. Despite high vacancy rates, speculative office development is occurring. Much of this construction is on projects that stalled during the Great Recession. There is some pre-leasing in these projects, but maybe not enough to stimulate a burst of speculative office development in 2015. A total of 355,750 square feet of commercial product was completed in the first three quarters of 2014, occupying 31.91 acres. An additional 2,813,022 square feet of commercial product is under construction or planned on 565.1 acres.

### Land Sales

YEAR	SALES VOLUME	ACRES SOLD	PRICE/SF
2014 (Q1-Q3)	\$333.9 MM	1,005	\$7.60
2013	\$886.8 MM	2,257	\$9.02
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

Hotel occupancy in 2014 stood at 88.4 percent. This was 1.3 percentage points higher than the annual average in 2013. Over 4,000 new rooms are under construction or planned in Southern Nevada.

During the first three quarters of 2014, 523.28 acres of commercial land was sold. Total commercial land sales volume was \$170.5 million. The average sales price of commercial land in 2014 was \$7.48 psf.

While residential construction has not attained the heights it reached in the middle of last decade, it has shown improvement over the past four years. New home sales reached a recent high in 2013, with 6,245 units sold, and the number of residential permits issued also increased, though by a much more modest amount. New home sales are down so far in 2014, with 3,151 new homes selling as of July 2014. Residential permits, however, increased in the first seven months of 2014 to 5,936 permits pulled, compared to 5,406 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 the first three quarters of 2014, 1,262.9 acres of residential land was sold. Total residential land sales volume was \$476.9 million. The average sales price of residential land was \$8.67 psf, a marked increase from a year ago, and a sign that the market is improving.

Land sales are a good indicator of confidence in a real estate market, as they presage future development. The increase in land sales over the past three years indicates that confidence in the market is returning, albeit at a measured pace. Once burned, twice shy, and investors and developers alike are being more cautious than they were in the past. While this may prevent Southern Nevada from capturing as many headlines as it did during the last boom – and bust – it does provide for smarter, more sustainable growth. Two important elements of the local economy, new home sales and in-migration into Southern Nevada, remain subdued. When they recover, we may not enjoy another land rush, but we will see land sales take a leap forward. For now, we will have to content ourselves with slow improvements.

#### Market Health

DATA POINT	2011	2012	2013	2014
Commercial Building Occupancy (Q3)	83.5%	84.3%	84.8%	85.6%
Industrial Building Occupancy (Q3)	86.1%	86.5%	88.4%	90.8%
Hotel Occupancy (Annual Average)	86.9%	87.4%	87.1%	88.4%
New Home Sales (Jan-Jul)	1,989	2,520	4,268	3,151
Commercial Permits (Jan-Jul) <sup>1</sup>	151	121	170	183
Residential Permits (Jan-Jul)	3,351	4,468	5,406	5,936
Commercial Forward Supply <sup>2</sup> (SF)	0.65 MM	1.29 MM	1.45 MM	1.12 MM
Industrial Forward Supply <sup>2</sup> (SF)	0.10 MM	1.65 MM	0.91 MM	1.65 MM
Hotel Forward Supply <sup>2</sup> (Rooms)	6,283	5,963	10,760	4,124
Taxable Sales (Jan-Jun)	\$14.73 BB	\$15.71 BB	\$16.30 BB	\$17.47 BB
Employment (Jul)	804,600	818,800	844,000	869,700

<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
Far Hills-Fox Hill	Jul 2014	32.1	\$16,512,000	\$11.82	Summerlin	Residential
Far Hills-Fox Hill	Jul 2014	28.6	\$15,285,000	\$12.28	Summerlin	Residential
Lindell-Silverado Ranch	Jun 2014	5.0	\$5,665,000	\$26.01	Southwest	Residential
Durango-Farm	Aug 2014	2.1	\$4,960,000	\$53.21	Northwest	Commercial
Dunville-Shelbourne	Jun 2014	5.0	\$4,867,000	\$22.34	Southwest	Industrial
Haven-Starr	Aug 2014	10.1	\$4,600,000	\$10.46	Southwest	Residential
Jerry Tarkanian-Oquendo	Jul 2014	10.0	\$4,200,000	\$9.60	Southwest	Residential
Brent Thurman-Russell	Jun 2014	8.4	\$3,950,000	\$10.82	Southwest	Residential
Grand Canyon-Wigwam	Jun 2014	10.0	\$3,900,000	\$8.95	Southwest	Residential

Land Transactions				
Submarket	Sales	Acreage Sold	Sales Volume	AVERAGE SALES PRICE (PER SQUARE FEET)
Airport	1	2.50	\$310,000	\$2.85
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	1	2.50	\$310,000	\$2.85
Apex	-	0.00	\$0	n/a
Commercial	-	0.00	\$0	n/a
INDUSTRIAL	-	0.00	\$0	n/a
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	3.80	\$397,000	\$2.40
Commercial	1	2.40	\$355,000	\$3.40
Industrial	-	0.00	\$0	n/a
Residential	1	1.40	\$42,000	\$0.69
Henderson	21	116.90	\$13,741,322	\$2.70
Commercial	5	19.00	\$4,793,071	\$5.79
Industrial	1	6.50	\$625,000	\$2.21
Residential	15	91.40	\$8,323,251	\$2.09
North Las Vegas	4	23.70	\$4,198,750	\$4.07
Commercial	1	3.50	\$611,250	\$4.01
Industrial	2	11.90	\$2,350,000	\$4.53
Residential	1	8.30	\$1,237,500	\$3.42
Northeast	2	2.00	\$280,001	\$3.21
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	2	2.00	\$280,001	\$3.21
Northwest	12	42.20	\$9,536,930	\$5.19
Commercial	2	16.20	\$6,059,930	\$8.59
Industrial	-	0.00	\$0	n/a
Residential	10	26.00	\$3,477,000	\$3.07
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	72	221.60	\$64,577,949	\$6.69
Commercial	6	17.70	\$8,204,297	\$10.64
Industrial	5	17.50	\$7,416,693	\$9.73
Residential	61	186.40	\$48,956,959	\$6.03
Summerlin	2	60.60	\$31,795,850	\$12.05
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	2	60.60	\$31,795,850	\$12.05
West Las Vegas	1	2.50	\$315,000	\$2.89
Commercial	-	0.00	\$0	n/a
Industrial	-	0.00	\$0	n/a
Residential	1	2.50	\$315,000	\$2.89
SUBTYPE TOTALS				
Commercial Total	15	58.80	\$20,023,548	\$7.82
Industrial Total	8	35.90	\$10,391,693	\$6.65
Residential Total	94	381.10	\$94,737,561	\$5.71
MARKET TOTAL	117	475.80	\$125,152,802	\$6.04
QUARTERLY COMPARISON AND TOTALS				
Q3-14	117	475.80	\$125,152,802	\$6.04
Q2-14	40	267.03	\$120,204,971	\$10.33
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
Q4-12	49	479.78	\$88,954,012	\$4.26





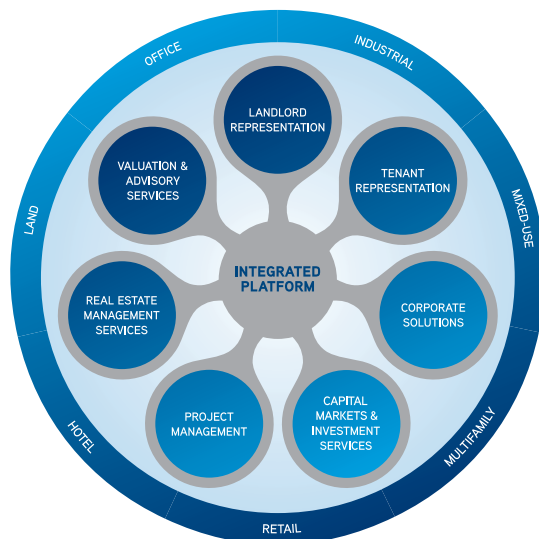
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