

LAS VEGAS CAPITAL MARKETS

Economic Indicators

	YE 2017	YE 2018	12-Month Forecast
Las Vegas Employment	988k	1.0M	▲
Las Vegas Unemployment	5.0%	4.5%	▼
U.S. Unemployment	4.1%	3.9%	▼

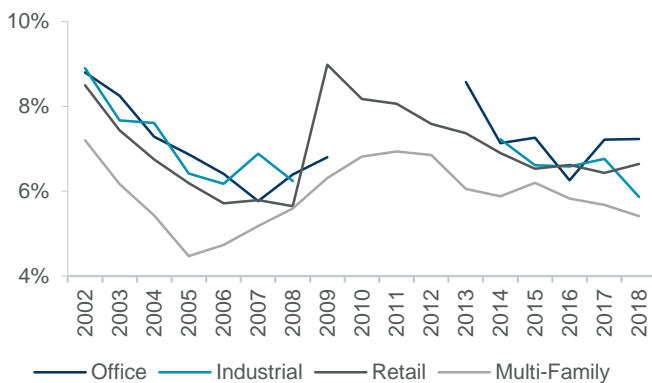
December 2017/2018 used to represent YE for Las Vegas.

Market Indicators

	YE 2017	YE 2018	12-Month Forecast
Office*	12.3%	12.4%	▼
Industrial*	4.5%	3.7%	▼
Retail*	8.4%	7.6%	▼
Multi-Family**	3.2%	4.0%	▼

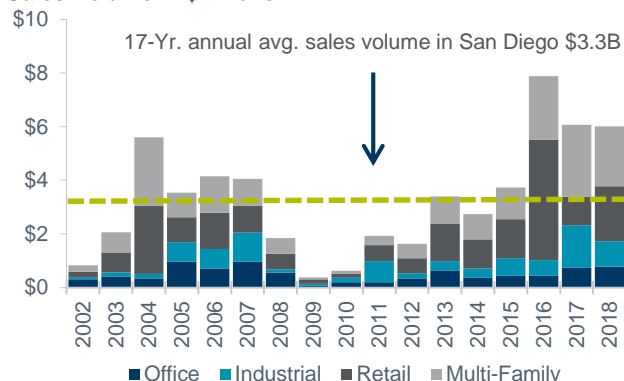
*Overall vacancy incl. sublease **Reis.

Cap Rates in Comparison



Source: RCA, sales \$2.5M+. Data for 2009-2012 not available for all.

Sales Volume in \$Billions



Source: RCA, sales \$2.5M+.

Economy

The Las Vegas employment market continued to record job growth, adding 35,200 jobs (+3.6%) year-over-year through December 2018.¹ During the same time period, the unemployment rate decreased 50 basis points (bps), dropping to 4.5%. Also worth noting, the current rate is 200 bps below the 29-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.6% in 2019. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.5% in 2019, above its 10-year average of 1.7%.³

Sales Activity

Las Vegas commercial real estate investment market transaction volume for office, industrial, retail and multi-family properties \$2.5 billion and greater reached over \$6.0 billion in 2018. Total annual transaction activity has been above the 17-year long-term annual average of \$3.3 billion for the last four consecutive years. The year-end 2018 sales volume of \$6.0B was down 1% compared to the year-end 2017 volume but was 24% below the year-end volume of 2016 (\$7.9B) which was the best performance on record (since 2002).⁴ Retail (+94%) and office sales (+7%) volume increased in 2018 compared to the previous year, while industrial (-41%) and multi-family (-17%) sales volume decreased overall in 2018.

The increase in office sales volume can be attributed to a multitude of investors. Notably, Las Vegas' own Moonwater Capital purchased six properties in the market (five in the Northwest and one in the South submarket), totaling 452,060 sf and \$87 million. Retail real estate sale volume increased tremendously year-over-year, at an astounding 94% surge. Like office sales, a multitude of investors contributed to this staggering uptick in investment. Several power center sales, including the Galleria at Sunset, Decatur 215 Shopping Center and the Tropicana Beltway Center, contributed to 2018's retail sales volume. Industrial and multi-family product continues to be in high demand, but sales dipped year-over-year for both property types. This decline can be attributed to a lack of offerings in the market. Despite low overall offering numbers, notable industrial sales include the South 15 Industrial Park and Suncrest Commerce Center. Both properties sit in the Henderson submarket and sold for \$50 million and \$20 million, respectively.

Also this year, Griffin Capital purchased the South Beach Apartments for \$62 million. The price per unit (\$281,818) represents the highest ever in Las Vegas for a garden-style apartment complex. Two key reasons the 220-unit property garnered such an impressive price: the multi-family community offers unparalleled amenities, and the property sits in the affluent Southwest part of the valley.

Across all property types, private investors comprised 55% of buyers, followed by cross border (28%) and institutional (14%). Private investors also accounted for the largest share of sellers (44%), followed by REITs (28%) and institutional (22%) in 2018.

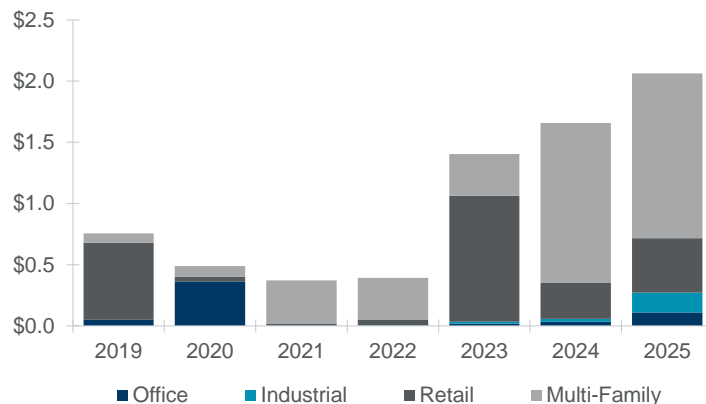
The average cap rate over the last four quarters has been the lowest for multi-family properties (5.4%), followed by industrial (5.9%), retail (6.6%) and office (7.2%). The cap rates for industrial and multi-family are the lowest since the Great Recession. Some cap rate movements are a function of changes in asset quality and not necessarily a fall in asset prices. Moving forward, investors could look to become more selective with their capital as the expansion cycle – which is on track to become the longest in June - begins to stall. Growth should become more uniform across all property types and deal structures moving forward.

Sources: ¹www.bls.gov. ²bea.gov GDP as of 2017. ³Moody's Analytics economy.com 11/2018. ⁴RCA, sales \$2.5M+.



Las Vegas Annual Loan Maturity by Product Type (\$B)

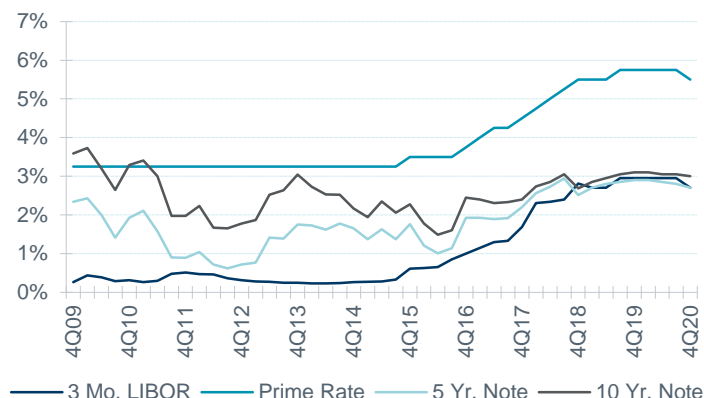
\$7.1B IN LOANS ARE DUE THROUGH THE END OF 2025



Source: Trepp, LLC – 2/19/2019.

Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT 2 YEARS



Source: Wells Fargo U.S. Economic Forecast – 2/15/2019.

Key Sale Transactions July – December of 2018

PROPERTY	SF	BUYER	SELLER	SALE PRICE (PRICE PER SF)	SUBMARKET	PROPERTY TYPE
Galleria at Sunset	1,048,081	Brookfield Asset Mgmt.	Forest City REIT	\$255,800,000 (\$244)	Galleria	Retail
Shamrock Communities Apartment Offering	903,745	Westland Real Estate	Shamrock Communities	\$60,300,000 (\$67)	North Las Vegas	Multi-Family
Crystal Creek Apartments	515,832	McDowell Properties	Acacia Capital	\$77,750,000 (\$151)	Henderson	Multi-Family
South 15 Industrial Park	482,300	Black Creek Industrial REIT	Panattoni Development	\$51,000,000 (\$106)	Henderson	Industrial
Acacia Capital NV Apartments Portfolio	448,206	TruAmerica Multifamily	Acacia Capital	\$77,200,000 (\$172)	East, Henderson	Multi-Family
Tesoro Ranch Apartments	400,985	TruAmerica Multifamily	Roxborough Group / Continental Realty Advisors	\$62,100,000 (\$155)	Henderson	Multi-Family
Townhomes at Horizon Ridge	380,952	Sunroad Enterprises	Security Properties LLC	\$64,100,000 (\$168)	Henderson	Multi-Family
Nevada Power Company	282,000	Davidson Kempner	Lexington Realty	\$77,000,000 (\$273)	West	Office
South Beach Apartments	240,811	Griffin Capital	Watt Companies, Inc.	\$62,000,000 (\$257)	Southwest	Multi-Family
Suncrest Commerce Center	156,564	Suncrest Industrial LLC	TVP Asset, Inc.	\$20,200,000 (\$129)	Henderson	Industrial

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