



SOUTHERN NEVADA **REAL ESTATE** **REPORT**



2014 4th Quarter
Release Date May 21, 2015

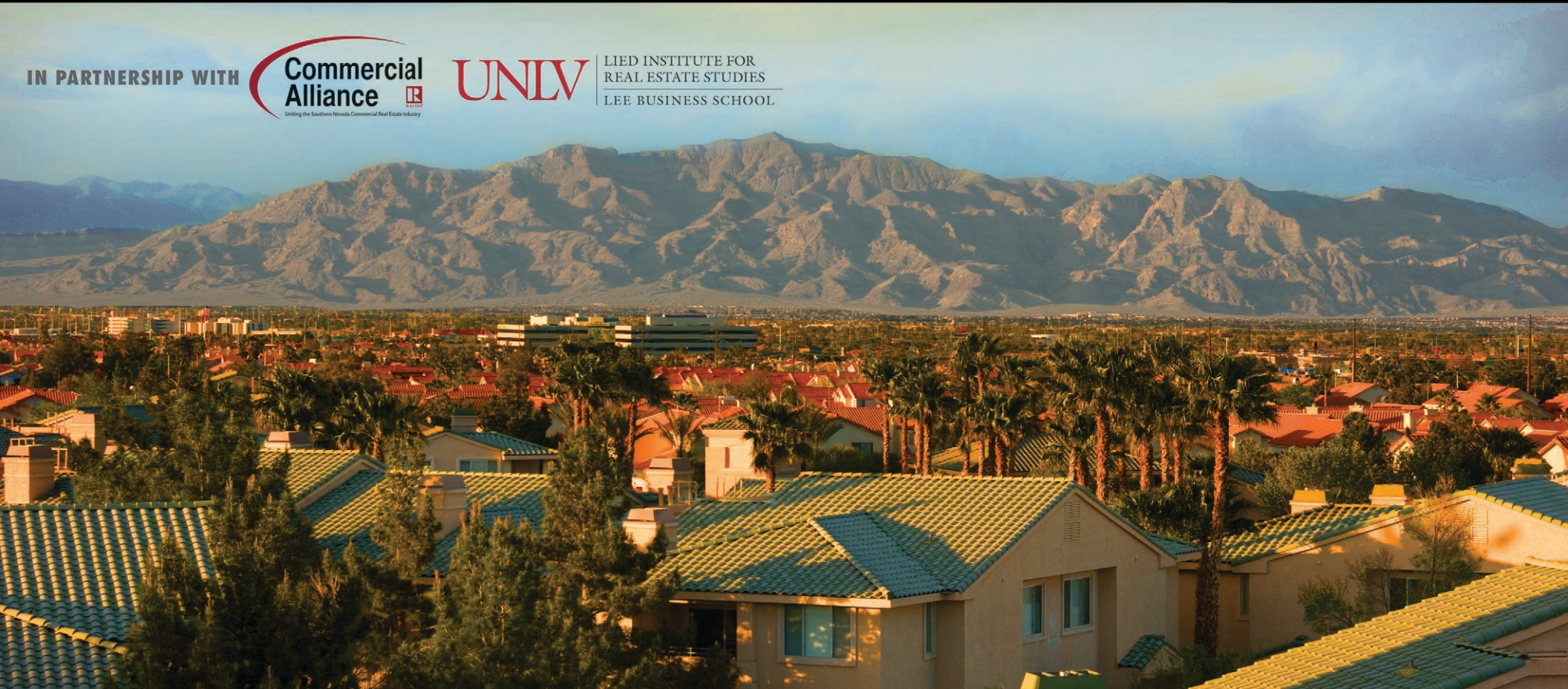
An Overview of Local Residential and Commercial Real Estate Conditions

IN PARTNERSHIP WITH



UNLV

LIED INSTITUTE FOR
REAL ESTATE STUDIES
LEE BUSINESS SCHOOL





CONTENTS

Executive Summary 1

Southern Nevada Economic Situation

- 2 Household Sector
- 5 Tourism & Hospitality Industry

Residential Trends

- 7 Existing Home Sales
- 11 Property Management Market
- 12 Foreclosure Situation

Commercial Trends

- 13 Industrial Market
- 14 Office Market
- 15 Retail Market
- 16 Apartment Market



EXECUTIVE SUMMARY

Southern Nevada's employment situation showed steady improvement throughout all of 2014. This quarter saw improvements in total number of jobs, the unemployment rate, and average weekly earnings. There were over 4,000 new jobs this quarter, helping bring the unemployment rate down to 6.93 percent. This is the first time the unemployment rate has been below 7 percent in Southern Nevada since 2008. The unemployment rate in Southern Nevada is still not quite at its prerecession level as the unemployment rate was typically about 5.5 percent in the early 2000's. Average weekly earnings only increased a dollar from last quarter and are now at \$704.

Spending on local goods has shown much improvement on a year over year basis. Quarterly taxable sales were higher this quarter than they were before the recession and are now at \$9.6 billion. Spending on motor vehicles and car parts declined this quarter but are still up \$80 million dollars on a year over year basis.

Southern Nevada tourism was also much stronger in 2014 than the previous few years. Visitor volume, conventions held, and transportation services are all up on a year over year basis for Southern Nevada. However, gross gaming revenue declined through most of 2014 and there was only \$2.39 billion of gross gaming revenue for Clark County in 2014Q4.

Southern Nevada saw 8,100 homes sold through the MLS system this quarter, 1,300 less than last quarter (9,400). This large decrease in the fourth quarter is not unusual as the fourth quarter typically has the least amount of home sales of the year. Southern Nevada saw about 4,600 less homes sold through the MLS in 2014(35,600) than 2013(40,200).

Southern Nevada saw slightly less distress in the housing market this quarter as traditional home sales now make up an 83.2

percent share of all homes sold through the MLS system. The share of homes being sold as short sales saw a small decrease this quarter as the share of short sales is now at 9.5 percent. The share of homes sold as REO's increased slightly this quarter and is now at 7.7 percent. Both total REO sales and total short sales are the lowest they have been since 2008.

Home prices continue to steadily increase each quarter, according to the Case-Shiller Home Price Index for the Las Vegas metropolitan area. However, home prices are still well below what they were prior to the recession. The median price of homes sold through the MLS at the end of 2014 was \$204,000.

Economic conditions in the commercial market have seen little change this quarter, but significant changes on a year over year basis. Since this time last year, asking rents in the industrial sector and office sector are up 10 percent and 4 percent, respectively. However, asking rents in the retail market are down 15 percent since this time last year. All three sectors have seen an annual decrease in the vacancy rate, and the industrial sector vacancy rate has decreased by nearly 5 percentage points since last year. All three sectors are also experiencing annual growth in employment .

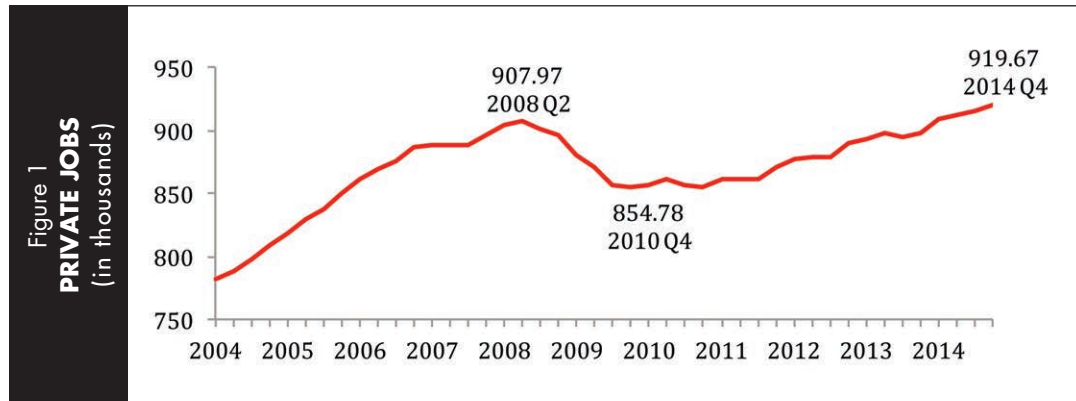
The residential rental market saw a slight decrease in both asking rents and the vacancy rate this quarter. The average asking rent for apartments is now \$796 and the vacancy rate is 8.3 percent. Meanwhile, the rental rate for MLS leased homes decreased this quarter to \$0.72 per square foot and the residential vacancy rate decreased to 7.8 percent. Nonetheless, both the apartment market and MLS leased homes have shown in improvements in both asking rents and vacancy rates on a year over year basis.

*Edward Coulson, Director, Lied Institute for Real Estate Studies
Peter Counts, Graduate Assistant, Lied Institute for Real Estate Studies*

SOUTHERN NEVADA ECONOMIC SITUATION

HOUSEHOLD SECTOR

The total number of private jobs in Las Vegas has seen consistent growth since bottoming out in 2010. At 919,000 jobs, there are more people employed now than the pre-recession peak.



Leisure and Hospitality remains the biggest industry in Las Vegas by a considerable amount. However, about 2,800 jobs were lost this quarter in Leisure and Hospitality. Trade, Transportation & Utilities and Government both saw job increases greater than 2,800 this quarter, which helped increase the total number of jobs in Las Vegas.

Table 1
JOBS IN LAS VEGAS SINCE JULY 2014
(in thousands)

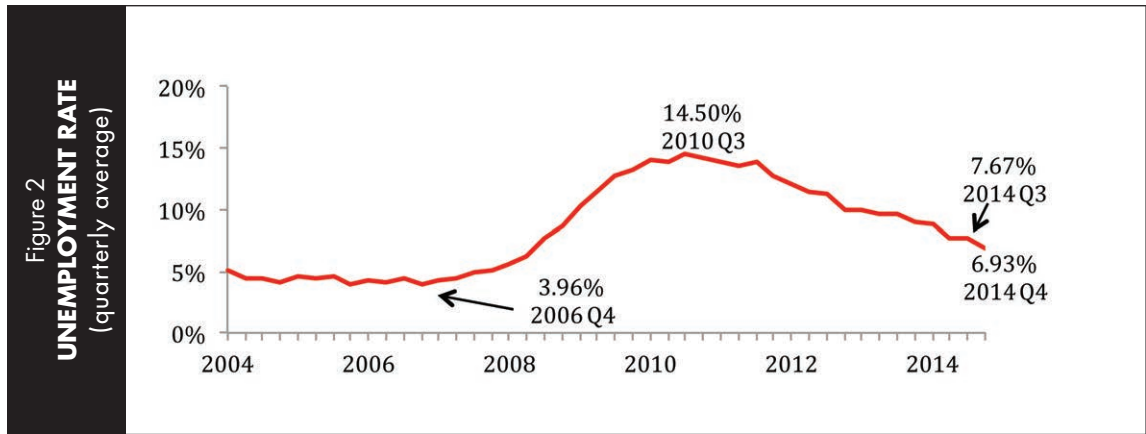
Industry	JUL	AUG	SEP	OCT	NOV	DEC
Natural Resources & Mining	0.3	0.3	0.3	0.3	0.3	0.3
Construction	43.5	43.2	43.6	42.2	44	45.2
Manufacturing	21.4	21.6	21.8	21.9	21.9	21.9
Trade, Transportation & Utilities	162.6	162.7	164.7	165.9	169.8	171.6
Information	9.5	9.6	9.9	9.8	9.8	9.7
Financial Activities	44.4	44.5	44.5	44.4	44.5	43.9
Professional & Business Services	115.2	117.7	116.7	118.3	120.5	117.3
Education and Health Services	84.2	85.2	85.3	85	85.2	85.6
Leisure and Hospitality	274.6	271.9	271.1	271.3	269.4	268.3
Other Services	25	25.1	25.1	24.9	24.7	24.5
Government	91.1	91.4	96.1	98.2	98.3	99

* Total may not add up to the reported private employment due to rounding. This includes workers with multiple jobs.
Source: DETR

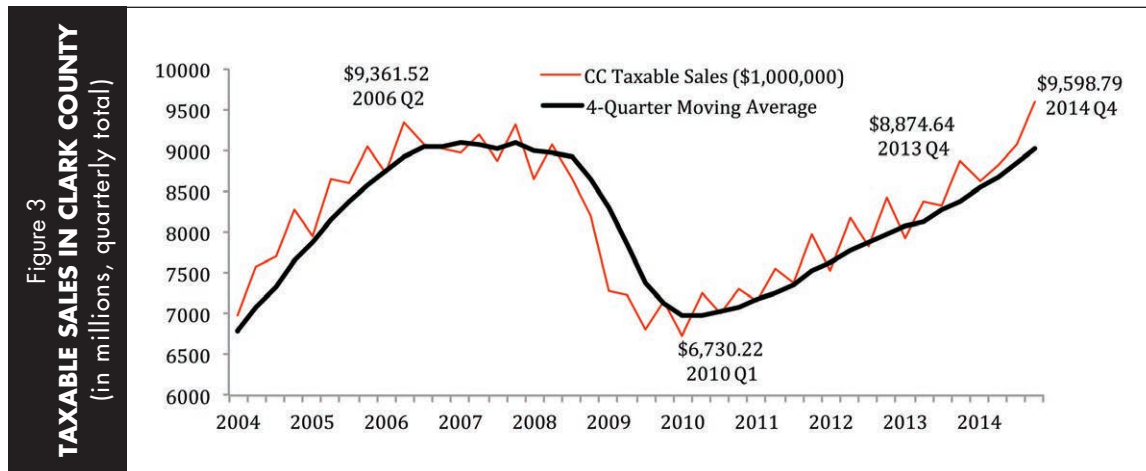
SOUTHERN NEVADA ECONOMIC SITUATION

HOUSEHOLD SECTOR

A decrease in the unemployment rate means that the proportion of people looking for jobs decreased. This quarter the unemployment rate decreased by 0.7 percentage points. The unemployment rate is now less than half of what it was at its peak in 2010, but still 3 percentage points higher than the prerecession level.



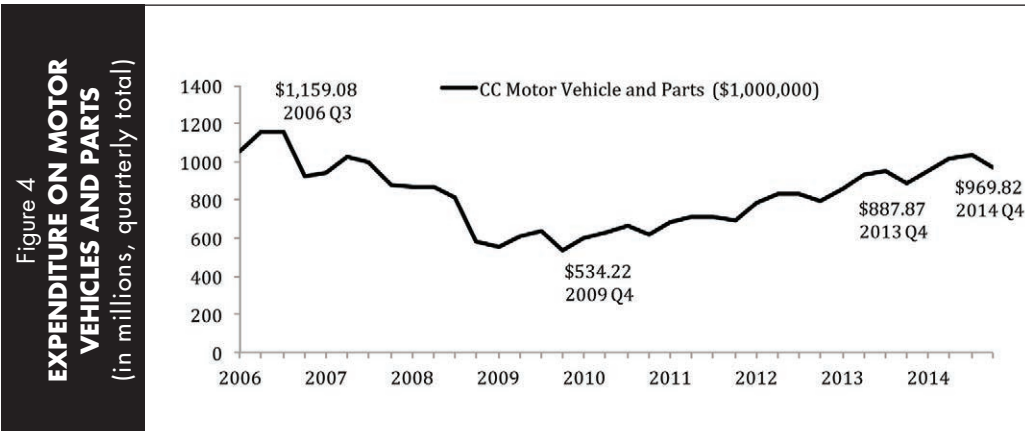
Taxable sales are highly seasonal and the fourth quarter typically sees the highest amount of taxable sales in Clark County. This quarter there were \$9,598.79 million taxable sales - \$700 million more than this time last year. Taxable sales were also over \$200 million higher this quarter than they were at their peak in 2006.



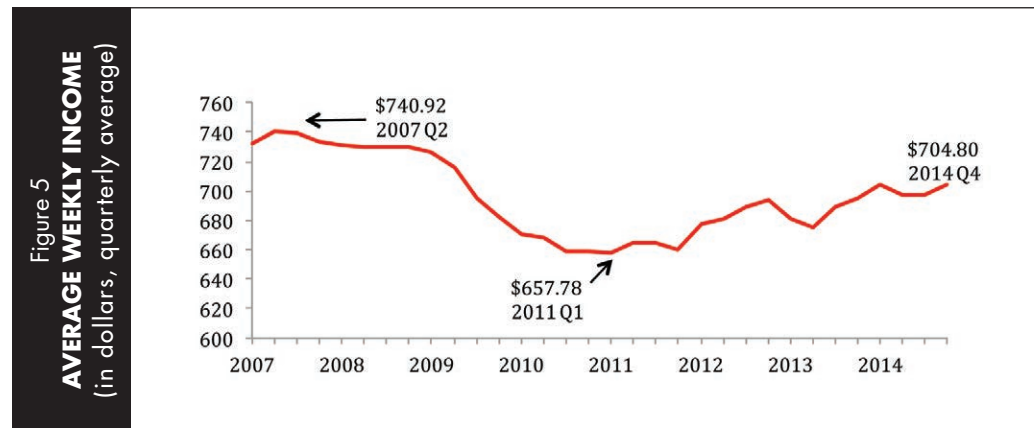
SOUTHERN NEVADA ECONOMIC SITUATION

HOUSEHOLD SECTOR

Expenditure on Motor Vehicles and Parts typically peak in the third quarter every year, and therefore decreases in the fourth quarter every year. Expenditure on Motor Vehicles and Parts is up \$80 million year over year and over \$400 million since the low in 2009. While this hasn't quite recovered from the recession, there is still consistent year over year growth.



Average weekly income has seen consistent growth since bottoming out in 2011. The average weekly income is now \$704.80 - \$47 more than it was in the first quarter of 2011. Still, average weekly income is \$36 less than what it was at its peak in 2007.



Note: Sources on last page • IN PARTNERSHIP WITH



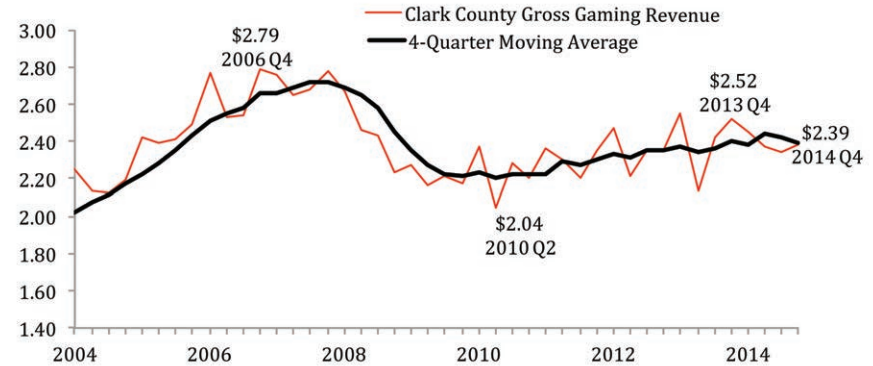
LIED INSTITUTE FOR
 REAL ESTATE STUDIES
 LEE BUSINESS SCHOOL

SOUTHERN NEVADA ECONOMIC SITUATION

TOURISM & HOSPITALITY INDUSTRY

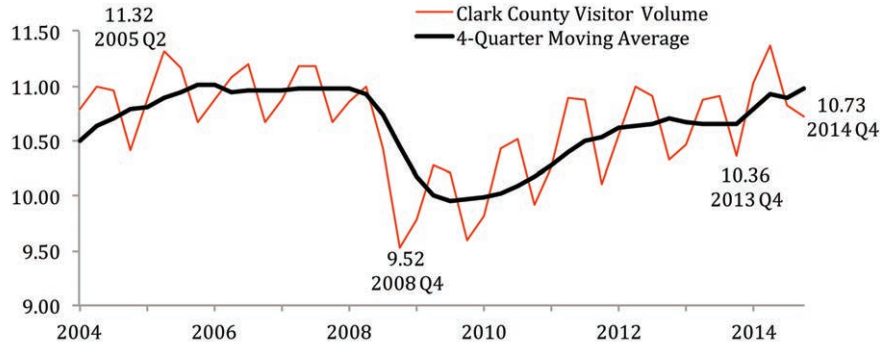
Clark County gross gaming revenue is down \$130 million since this time last year. Gaming revenue is up \$350 million since the low in 2010 and down \$400 million since the pre-recession peak. There is slow steady growth in gross gaming revenue, as shown by the 4-Quarter Moving Average line. Over 65 percent of Clark County gaming revenue comes from the Las Vegas Strip.

Figure 6
GROSS GAMING REVENUE
(in billions, per quarter)



Clark County is seeing consistent year over year growth in visitor volume. This quarter there were 400,000 more visitors than this time last year. While Clark County has not completely recovered to prerecession levels in terms of visitor volume, Las Vegas saw a record number 40 million visitors in 2014.

Figure 7
VISITOR VOLUME
(in millions, per quarter)

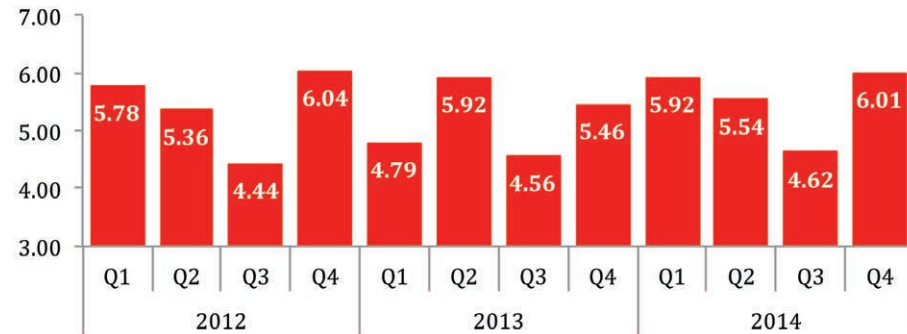


SOUTHERN NEVADA ECONOMIC SITUATION

TOURISM & HOSPITALITY INDUSTRY

Conventions are highly seasonal and the fourth quarter typically has more conventions than any other quarter. This year October had an extraordinarily high number of conventions, 3000. More conventions were held in 2014 than in 2012 or 2013.

Figure 8
LAS VEGAS CONVENTIONS
(in thousands per quarter)



Total McCarran Airport passengers has seen consistent year over year growth. There were nearly a million more passengers in 2014 than in 2013. Total taxi trips saw a remarkable year over year gain. There were over a million more taxi trips in 2014 than in 2013 – breaking the trend of declining annual taxi trips. Both McCarran Airport passengers and taxi trips were higher in 2014 than in either of the previous three years.

Table 2
TRANSPORTATION SERVICE USE
IN LAS VEGAS: YEAR-TO-DATE

Year	Industry	McCarran Passengers	Taxi Trips
2011	Q1	9,646,201	6,784,221
	Q2	20,353,297	13,918,670
	Q3	31,231,628	20,815,591
	Q4	41,499,146	27,025,832
2012	Q1	9,938,640	6,933,999
	Q2	20,745,383	14,096,588
	Q3	31,490,406	20,862,268
	Q4	41,666,428	26,905,307
2013	Q1	9,800,189	6,600,717
	Q2	20,759,083	13,669,677
	Q3	31,510,048	20,376,154
	Q4	41,857,009	26,432,053
2014	Q1	10,139,145	6,972,842
	Q2	21,205,372	14,332,847
	Q3	32,244,512	21,323,870
	Q4	42,849,502	27,614,166

Note: Sources on last page • IN PARTNERSHIP WITH



RESIDENTIAL TRENDS

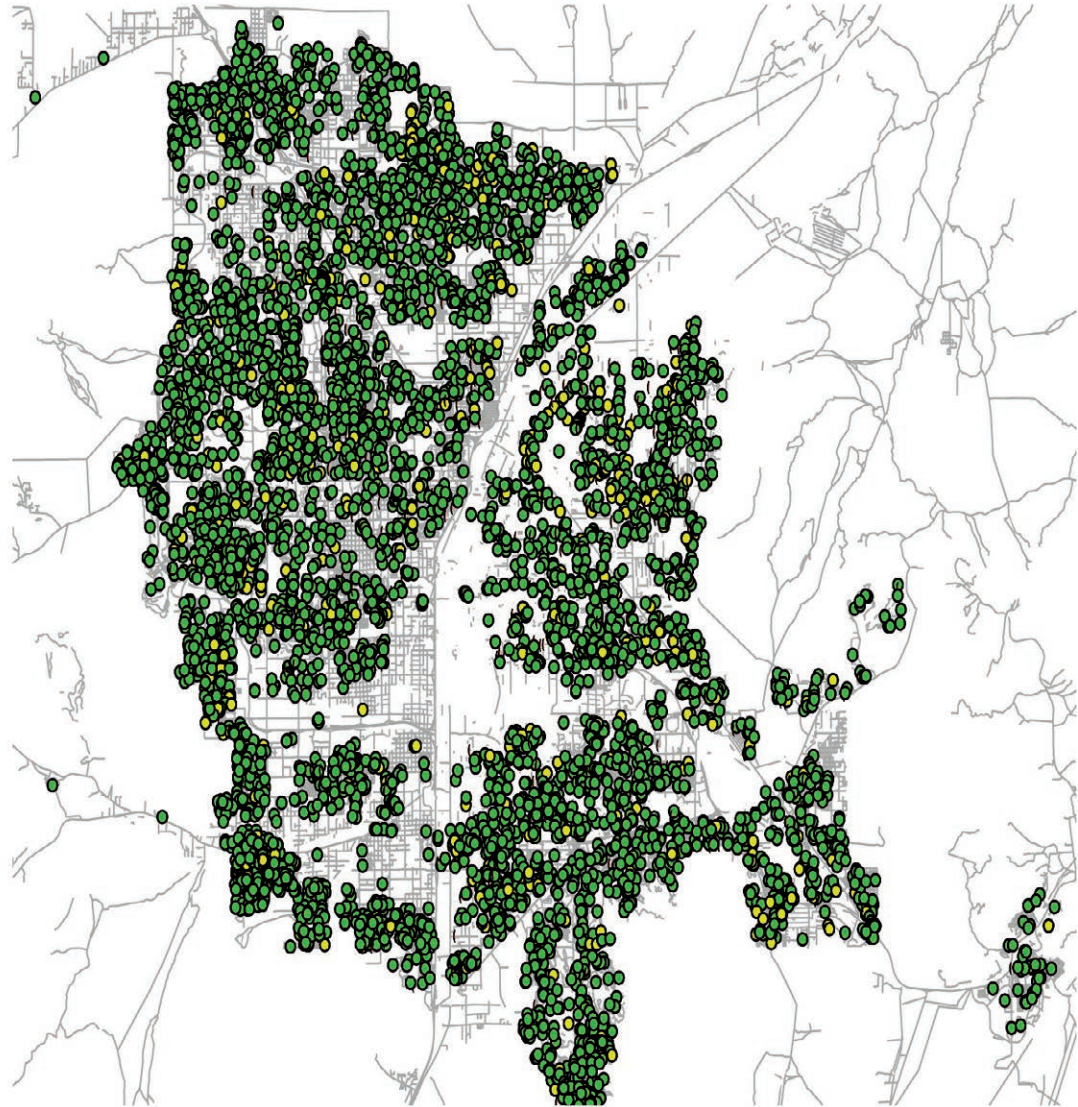
EXISTING HOME SALES

Figure 9
LAS VEGAS MLS HOME SALES

8,100
Homes Sold
2014 Q4

Market Share Distribution

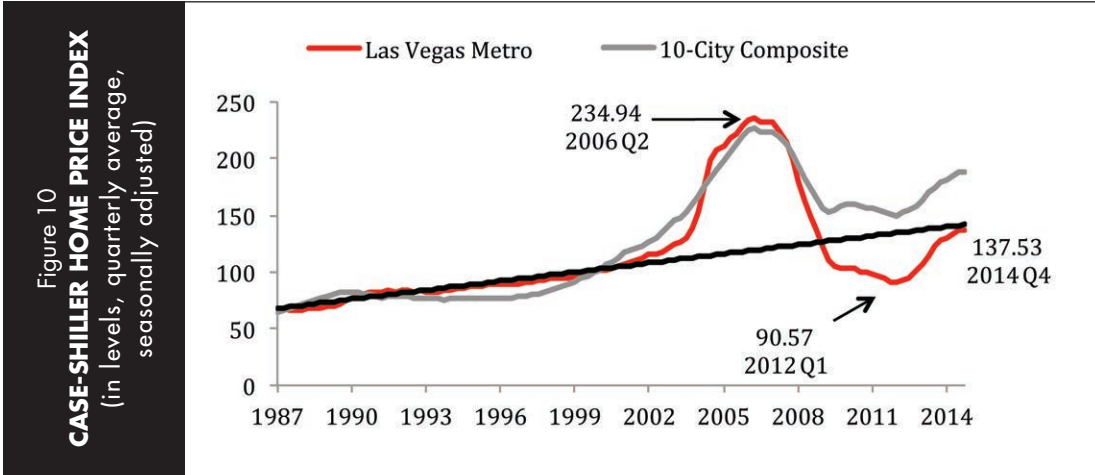
- Traditional Home Sales 83.2%
- Short Sales 9.1%
- REO Sales 7.7%



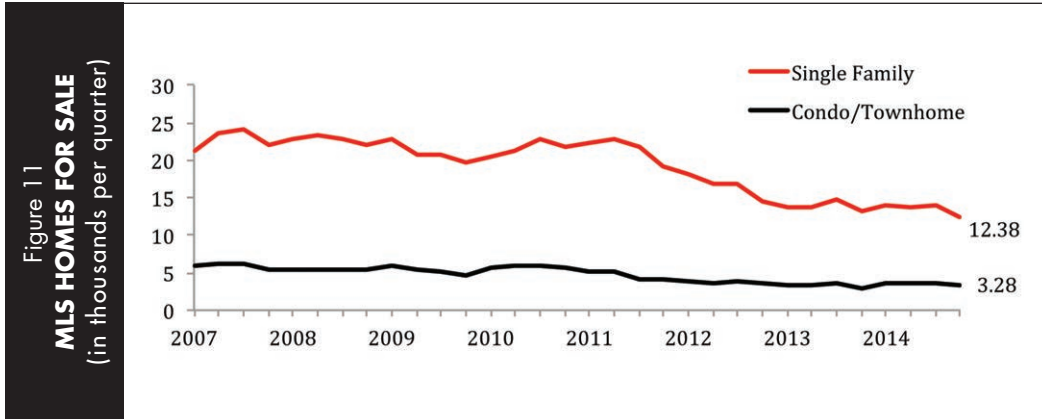
RESIDENTIAL TRENDS

EXISTING HOME SALES

The Case-Shiller Home Price Index measures home prices with 2005 as the benchmark year (=100). The index tracks the price movements using homes sold more than once to keep home quality constant. The black line represents the Case-Shiller Home Price Index trend before the housing market crash. With an index of 137.53, home prices are almost to the prerecession trend value.



MLS homes for sale include homes that still need a buyer and homes that are pending their closing date. Both single family and multifamily residences for sale have gradual declines since 2007. There were a total of 15,600 homes for sale on the Las Vegas MLS this quarter.



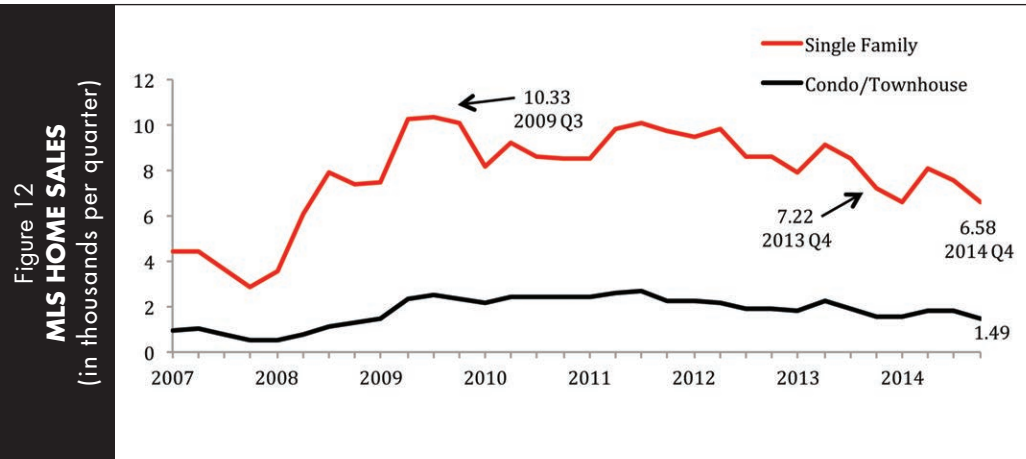
Note: Sources on last page • IN PARTNERSHIP WITH



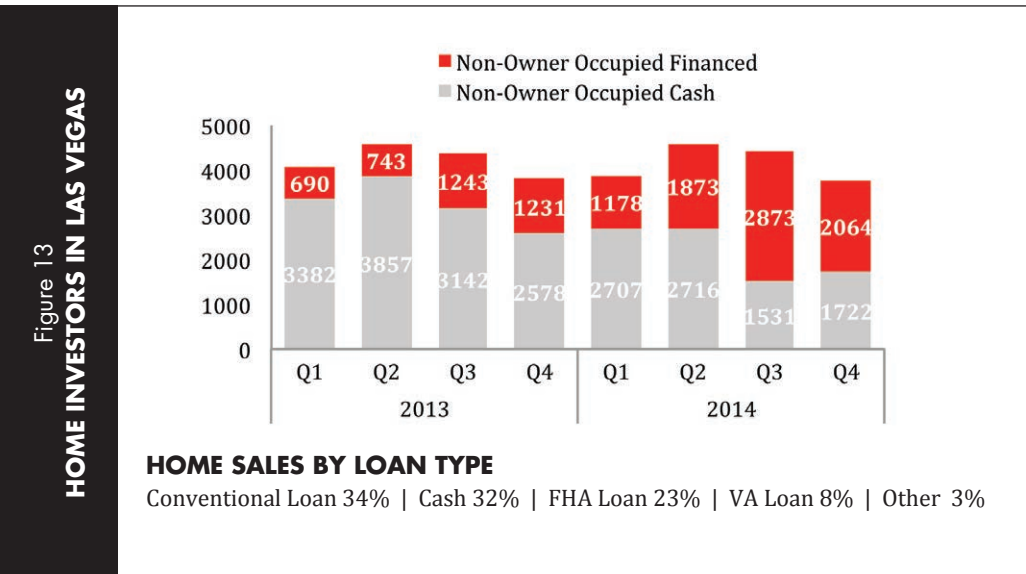
RESIDENTIAL TRENDS

EXISTING HOME SALES

MLS Home Sales are highly seasonal and the fourth quarter typically has the least amount of home sales in the year. This quarter there were 6,500 single family home sales – 700 less than this time last year. Both single family and multifamily residence sales have gradually declined each year for the past three years.



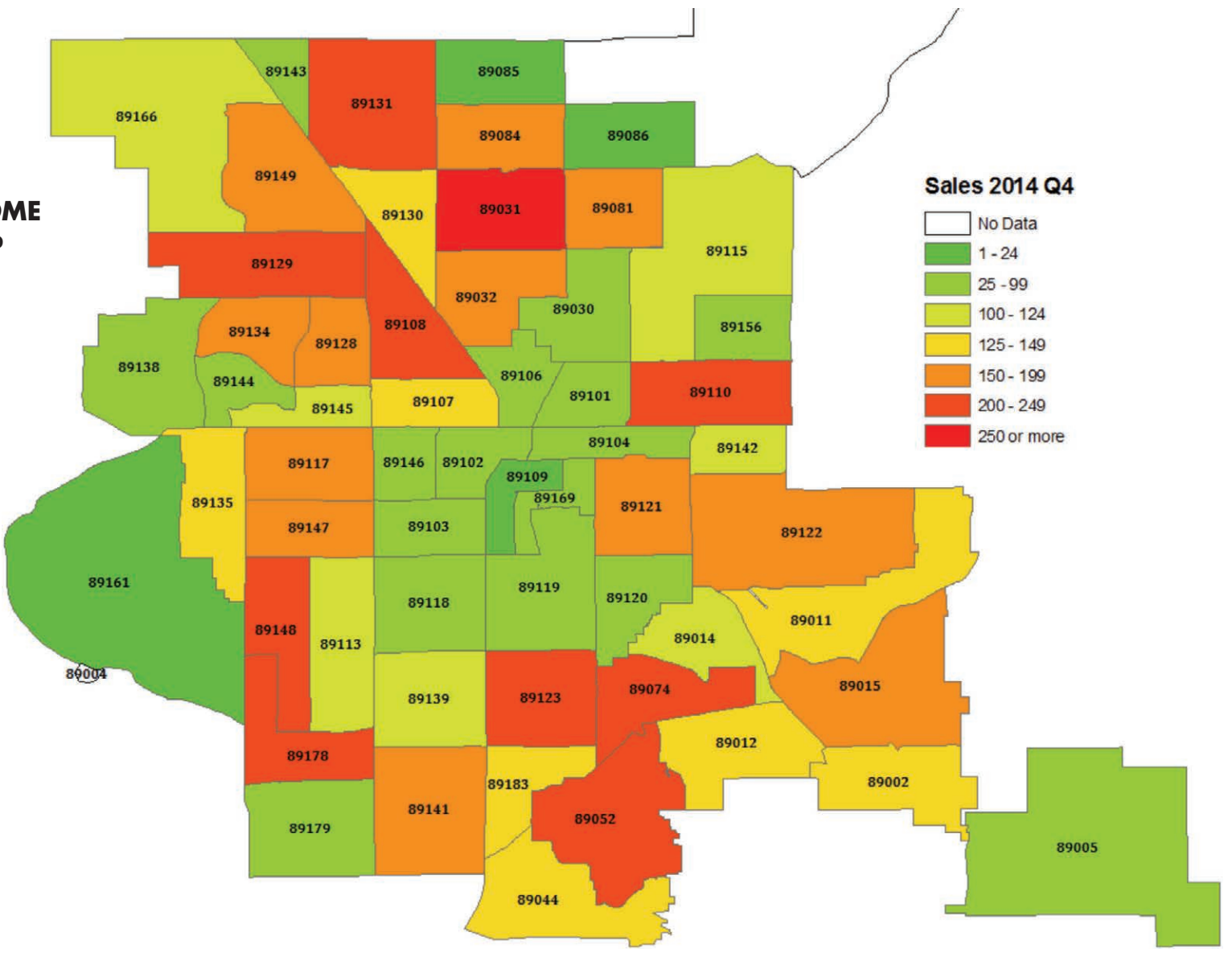
2014 saw almost no annual change in the number of investors in the housing market. However, there was a large decrease in the amount of non-owner occupied homes purchased with cash. Conventional loans are now the most popular loan type for all home sales. FHA loans also make up 23% of all home sales and are seeing quarterly growth in their share of total home sales.



RESIDENTIAL TRENDS

EXISTING HOME SALES

Figure 14
**LAS VEGAS MLS HOME
 SALES HEAT MAP**



Note: Sources on last page • IN PARTNERSHIP WITH



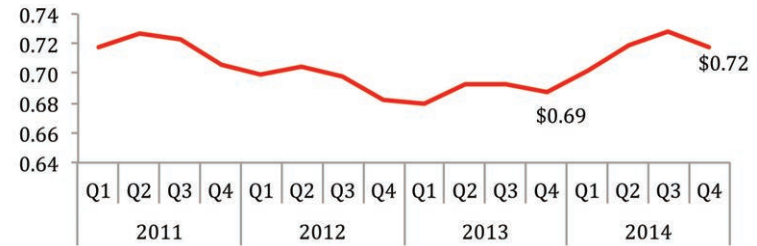
RESIDENTIAL TRENDS

PROPERTY MANAGEMENT MARKET

Residential rental rates measure the quarterly median rent per square foot of all homes leased through Las Vegas' MLS. This represents the lease rate for tenants signing a new lease contract. Rental rates typically fall each year in the fourth quarter; however, rental rates are up \$0.03 per square foot since this time last year.

Figure 15

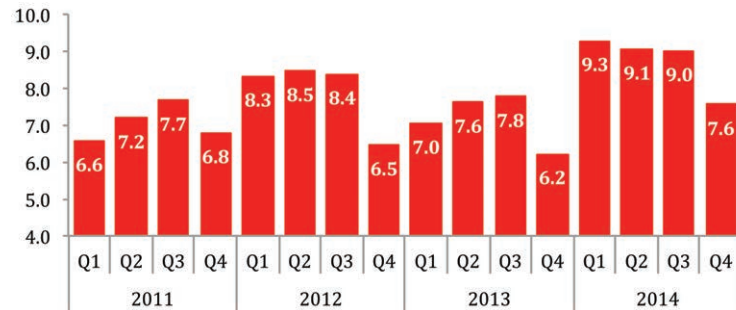
MLS RESIDENTIAL RENTAL RATES (in dollars per sq. ft.)



Residential leases are the number of new lease contracts for residential properties that were listed in the MLS. These numbers will not include leases made by apartment complexes with on-site property managers or owners that advertise outside the MLS. Leases typically slow down in the fourth quarter each year; however, there were 1,400 more leases in 2014Q4 than in 2013Q4.

Figure 16

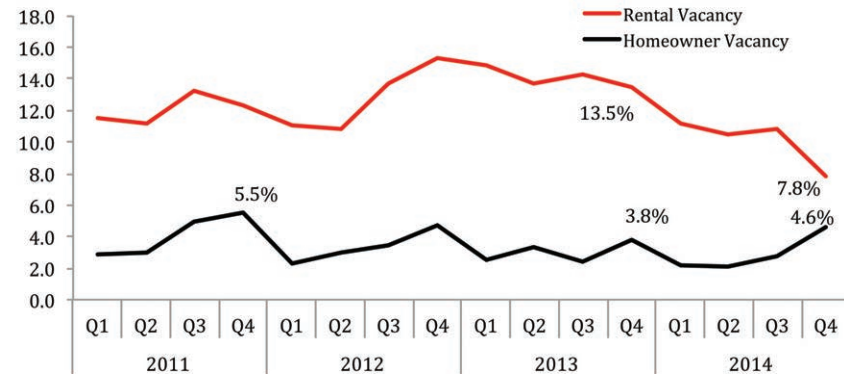
MLS RESIDENTIAL LEASES (in thousands)



Rental vacancy gradually decreased each quarter in 2014 while homeowner vacancy gradually increased each quarter in 2014. The single family vacancy rate is up 0.8 percentage points year over year and the rental vacancy rate is down 5.7 percent year over year.

Figure 17

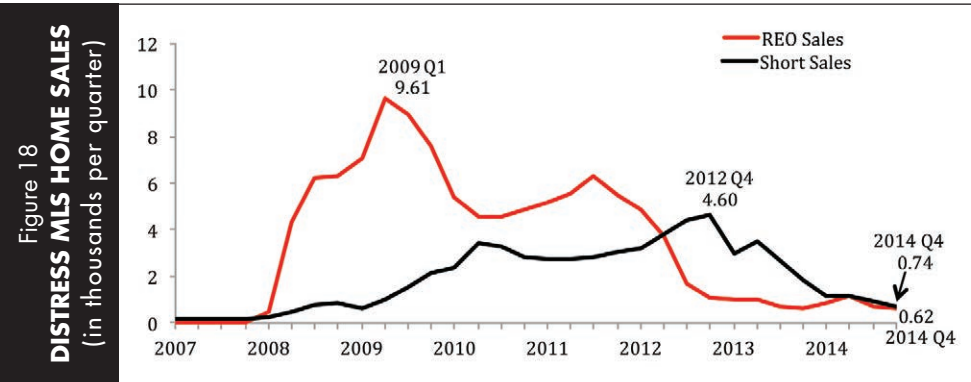
RESIDENTIAL VACANCIES (as percent of stock)



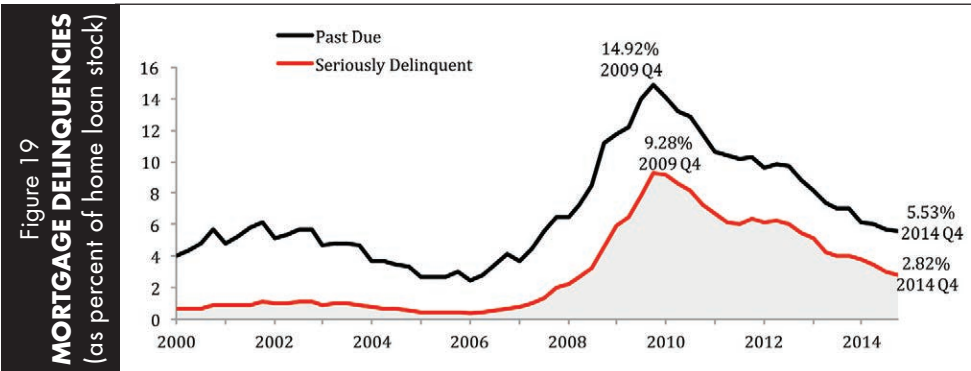
RESIDENTIAL TRENDS

FORECLOSURE SITUATION

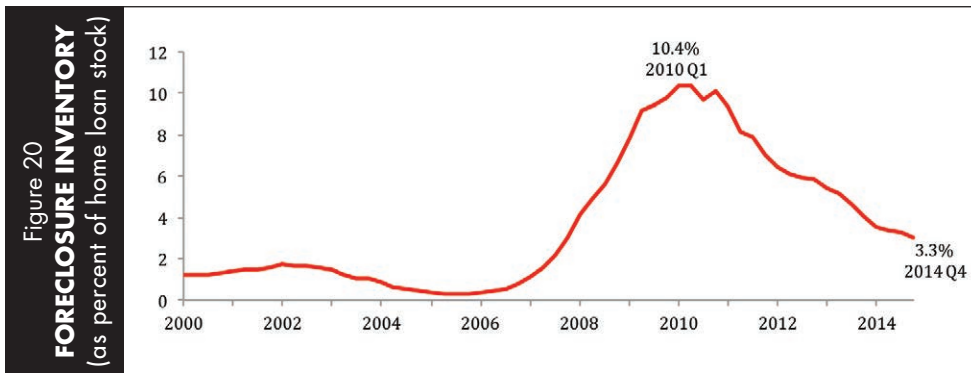
There were a total of 1,300 distress home sales that took place through the MLS this quarter. REO sales and short sales made up almost an equal share of the distress sales this quarter. Short Sales and REO sales have trended down from their peaks several years ago.



Mortgage delinquencies measure the proportion of home loans in Nevada that are past due and seriously delinquent (90 days or more past due). Mortgage delinquencies have gradually declined each quarter since peaking in 2009. 8.3 percent of all home loans in Nevada this quarter were considered delinquent.



This foreclosure inventory includes all homes lenders reported to have commenced the foreclosure process, but have not yet been repossessed. Foreclosures were almost nonexistent in 2005, but made up over 10% of all home loans by 2010. The foreclosure inventory has seen a gradual decline each year since peaking in 2010.



Note: Sources on last page • IN PARTNERSHIP WITH

COMMERCIAL TRENDS INDUSTRIAL MARKET

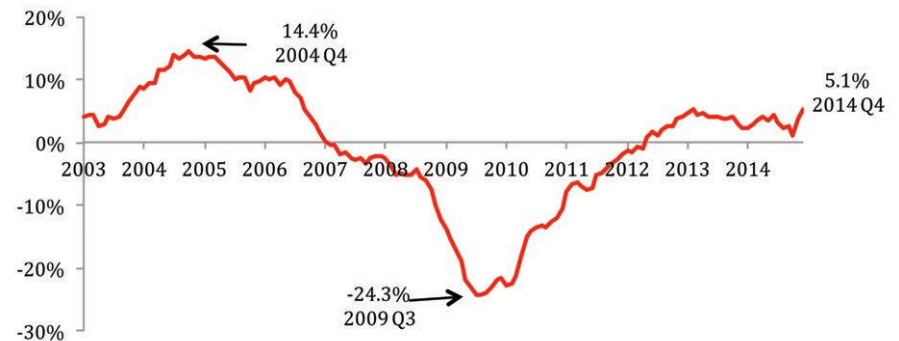
This measures the asking rents and direct vacancy rates of the various submarkets in the industrial real estate market for the current quarter. Numbers are based off of a comprehensive market survey of properties with loading dock-grade-level doors. The highest rents and vacancies are typically in the R&D/Flex submarket each quarter.

Table 3
INDUSTRIAL ASKING RENTS
AND DIRECT VACANCY
IN 2014 Q4

	Asking Rent	Direct Vacancy
Incubator	\$ 0.73	7.76%
Light Distribution	\$ 0.57	9.27%
Light Industrial	\$ 0.72	5.39%
R&D/Flex	\$ 0.78	15.05%
Warehouse	\$ 0.43	6.50%
Total	\$ 0.59	7.20%

Industrial employment includes private jobs in natural resources, construction, manufacturing, wholesale and transportation industries. There has been positive annual growth in industrial employment since 2012. At 5.1 percent, the annual growth in industrial employment is the highest it has been since the recession.

Figure 21
ANNUAL GROWTH IN
INDUSTRIAL EMPLOYMENT



COMMERCIAL TRENDS

OFFICE MARKET

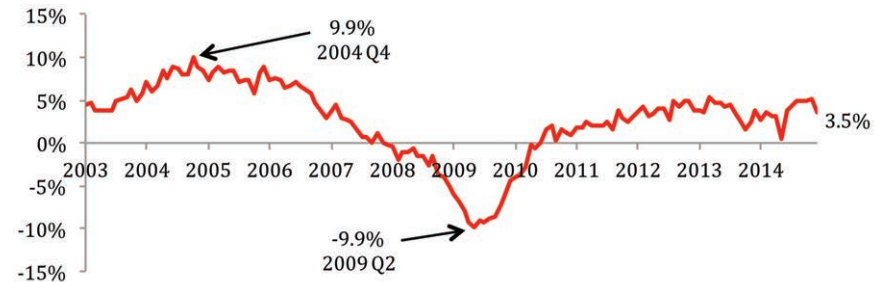
This measures the asking rents and direct vacancy rates of the various submarkets in the office real estate market for the current quarter. Numbers are based off comprehensive market surveys of office property buildings or building parks with at least 10,000 square feet of usable space.

Table 4
OFFICE ASKING RENTS
AND DIRECT VACANCY
IN 2014 Q4

	Asking Rent	Direct Vacancy
Class A	\$ 2.72	22.35%
Class B	\$ 1.82	23.92%
Class C	\$ 1.60	16.07%
Medical	\$ 2.01	22.16%
Total	\$ 1.91	20.56%

Office employment includes jobs in information, financial activities, professional business, and health or social industries. There has been positive annual growth in industrial employment since 2010. The growth rate of office employment decreased slightly this quarter and is now at 3.5 percent.

Figure 22
PERCENT CHANGE IN
OFFICE EMPLOYMENT
BY QUARTER



Note: Sources on last page • IN PARTNERSHIP WITH

COMMERCIAL TRENDS

RETAIL MARKET

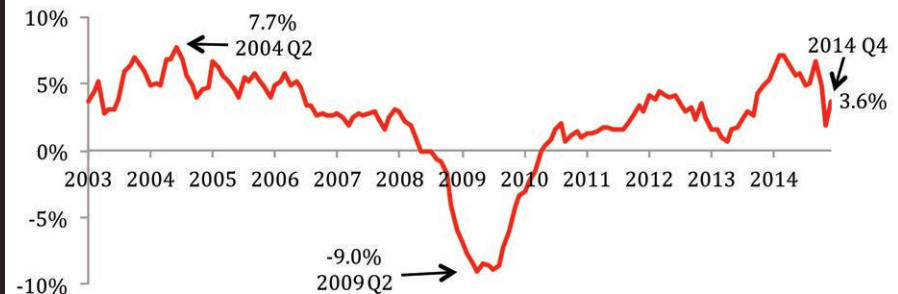
This measures the asking rents and direct vacancy rates of the various submarkets in the office real estate market for the current quarter. Numbers are based off a comprehensive market survey of shopping centers that have at least 10,000 square feet of usable space. These centers have several different stores or tenants and are anchored by one or more large, national tenant.

Table 5
RETAIL ASKING RENTS
AND DIRECT VACANCY
IN 2014 Q4

	Asking Rent	Direct Vacancy
Community Center	\$ 0.89	12.53%
Neighborhood Center	\$ 1.20	10.87%
Power Center	\$ 1.47	9.94%
Total	\$ 1.10	11.36%

Retail employment was hurt the least of the three commercial market sectors during the recession. Retail employment has seen positive annual growth every quarter since 2010. The growth rate of retail employment decreased this quarter and is at 3.6 percent.

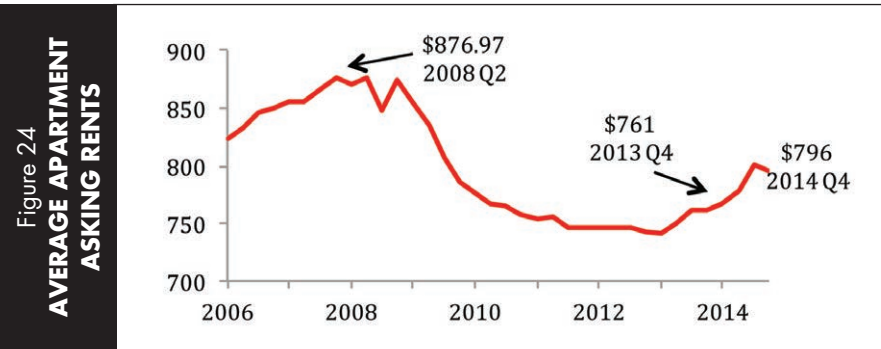
Figure 23
PERCENT CHANGE IN
RETAIL EMPLOYMENT
BY QUARTER



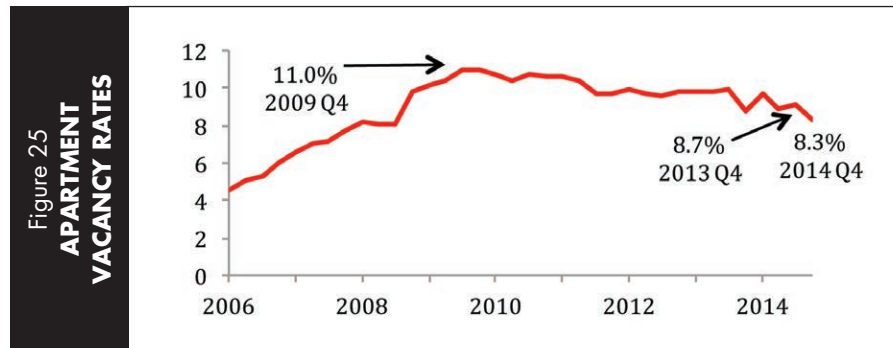
COMMERCIAL TRENDS

APARTMENT MARKET

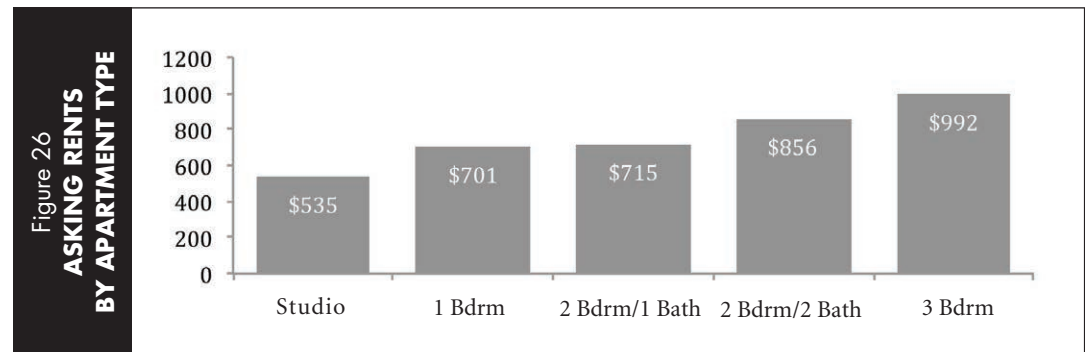
Data on average apartment asking rents are collected by the Center for Business and Economic Research (CBER) and reported in the Lied Institute's Apartment Market Survey. The average apartment asking rent decreased slightly this quarter, but is up \$35 from this time last year.



Apartment vacancy rates have been slowly declining since peaking at 11 percent in 2009. The vacancy rate declined by 0.4 percentage points since the same time last year and is now at 8.3 percent.



Studio apartments have shown the most robust growth rate each quarter. However, studio apartments make up a very small share of all apartments surveyed and thus have a very small effect on the overall average apartment rent. The gap between one bedroom and two bedroom one bathroom apartments has also been decreasing and there is now only a \$14 difference. Note that these apartment types include furnished and unfurnished.



Note: Sources on last page • IN PARTNERSHIP WITH

SOURCES

Southern Nevada Economic Situation

Figure 1, 2	Department of Employment, Training and Rehabilitation – Las Vegas MSA
Figure 3, 4, 6, 7, 8	UNLV's Center for Economic and Business Research (CBER) – Clark County
Figure 5	U.S. Bureau of Labor Statistics – Nevada
Table 1	Department of Employment, Training and Rehabilitation – Las Vegas MSA
Table 2	UNLV's Center for Economic and Business Research (CBER) – Clark County

Residential Trends

Figure 9, 13, 14, 15, 16, 18	Greater Las Vegas Association of REALTORS® MLS – Clark County
Figure 10	S&P 500 Case-Shiller Home Price Index – Las Vegas MSA
Figure 11,12	Greater Las Vegas Association of REALTORS® – Clark County
Figure 17	U.S. Census Bureau– Las Vegas MSA
Figure 19, 20	MBA National Delinquency Survey – Nevada

Commercial Trends

Figure 21, 22, 23	Department of Employment, Training and Rehabilitation – Las Vegas MSA
Figure 24, 25, 26	Lied Institute for Real Estate Studies and UNLV's CBER– Clark County
Table 3, 4, 5	Lied Institute for Real Estate Studies and RCG Economics– Clark County

©Copyright 2014 Southern Nevada Housing Economy

Readers may reproduce the publication's items if they cite the publication name and date, and note the copyright of Lied Institute for Real Estate Studies, University of Nevada, Las Vegas and the Greater Las Vegas Association of REALTORS®



Greater Las Vegas Association of REALTORS®
1750 E. Sahara Avenue Las Vegas, NV 89104 • 702.784.5000