



COMMERCIAL MARKET *Monitor*



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## Commercial Markets Continue to Face Weak Demand Recovery Remains Elusive

Southern Nevada continues to struggle through difficult economic conditions. While the region's unemployment rate has declined from peak levels, and visitation and average daily room rates have moved steadily upward for nearly two years, many sectors face challenges, particularly in the commercial markets. Weak demand is continuing to drive vacancy rates up and prices down. Until a sustainable recovery of the region's broader economy emerges, relatively sluggish performances in the commercial real estate sectors are expected to prevail.

The office market reported another all-time high vacancy rate of 25.3 percent during the fourth quarter of 2011, up 0.3 percentage points over the prior quarter (Q3 2011) and 1.5 percentage points from the prior year (Q4 2010). The sector reported 66,000 square feet of positive absorption during quarter, largely sourced to the completion of the new North Las Vegas City Hall totaling 210,400 square feet. For the year, net absorption remained negative as 174,900 square feet of net move-outs occurred. Average asking rents continued to decline, falling 1.4 percent from the prior quarter (Q3 2011) to \$1.97 per square foot per month (full service gross equivalent). Four projects, totaling 466,900 square feet remain actively under construction throughout the Las Vegas valley, primarily consisting of government user build-to-suits.

Nearly 477,000 square feet of negative net absorption was reported in the industrial market during the fourth quarter of 2011, contributing to an annual nega-

tive tally of 1.8 million square feet. The vacancy rate rose 0.5 percentage points to 18.5 percent in the final quarter of the year and is now 1.8-percentage points higher than the fourth quarter of 2010. Average asking rents continued to decline, falling 1.9 percent quarter-over-quarter to \$0.52 per square foot per month. Over the past 12 months, rents have declined 7.2 percent. During the fourth quarter, U.S. Micro Corp. completed its \$15-million building, which added 120,000 square feet of inventory to the market, bringing total industrial inventory to 104.4 million square feet.

The retail market ended the year on a positive note, with a 0.3-percentage-point decline in the vacancy rate from the prior quarter, to 10.6 percent. The latest movement was sourced to nearly 197,000 square feet of positive absorption, offsetting negative absorption earlier in the year and contributing to an annual total of 122,400 square feet of positive absorption for 2011. Average asking rents continued to decline slightly, falling to \$1.51 per square foot per month. From a year ago, average asking rents have declined 3.5 percent. It is important to note, 35,000 square feet was added to the market with the completion of the second phase of Green Valley Crossing, which includes a Petco and Staples. Two WinCo Foods and a second-phase addition to Tivoli Village at Queensridge remain actively under construction. Even with modest improvement in the retail market during the fourth quarter, real estate markets remain fragile and subject to excess capacity across all sectors.

Key Indicators	Q4 2011	Q3 2011	Q4 2010
Total Employment	806,700	807,000	802,200
Industrial-using Emp.	112,300	112,500	114,000
Office-using Emp.	312,400	314,800	316,400
Retail-using Emp.	175,100	170,000	168,900
Unemployment Rate	12.7%	13.6%	15.1%
30-year Fixed Mortgage	4.0%	4.1%	4.7%
Fed. Funds Interest Rate	0.1%	0.1%	0.2%
Med. New Home Price	204,221	197,490	216,200
Med. Exist. Home Price	114,000	107,000	119,000
Drivers' License Counts	14,600	16,500	12,800
Electric Connections, net	526	4,213	-2,817

NOTE: TREND ARROWS REFLECT THE CHANGE FROM THE SAME PERIOD OF THE PRIOR YEAR.

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## Office MARKET SNAPSHOT

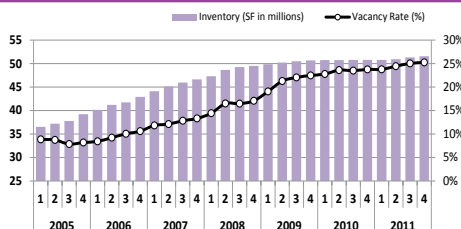
Q4 2011

Q3 2011

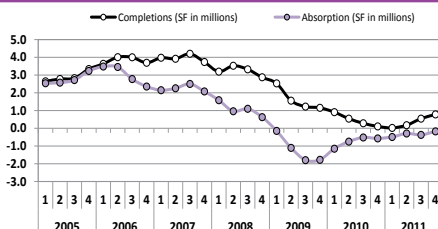
Q4 2010

Office Inventory (SF)	51,550,000	▲	51,312,000	▲	50,769,000	▲
Under Construction (SF)	467,000	▼	696,000	▼	1,091,000	▲
Vacancy Rate	25.3%	▲	25.0%	▲	23.8%	▲
Pricing (PSF)	\$1.97	▼	\$2.00	▼	\$2.07	▼
Net Absorption (SF)	66,000	▲	-9,000	▼	-130,000	▼
Completions (SF)	238,000	▲	390,000	▲	0	▼

### INVENTORY and VACANCY



### ANNUAL SUPPLY vs. DEMAND



## Industrial MARKET SNAPSHOT

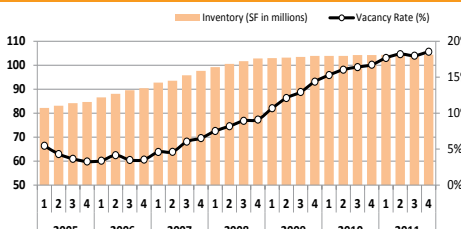
Q4 2011

Q3 2011

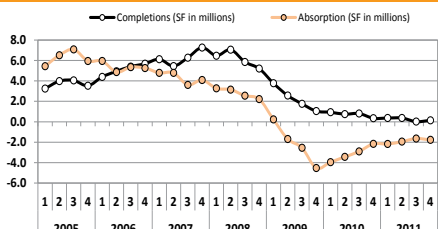
Q4 2010

Industrial Inventory (SF)	104,406,000	▲	104,286,000	▲	104,264,000	▲
Under Construction (SF)	0	▼	120,000	▲	22,000	▼
Vacancy Rate	18.5%	▲	18.0%	▲	16.7%	▲
Pricing (PSF)	\$0.52	▼	\$0.53	▼	\$0.56	▼
Net Absorption (SF)	-477,000	▼	218,000	▲	-349,000	▲
Completions (SF)	120,000	▲	0	▼	0	▼

### INVENTORY and VACANCY



### ANNUAL SUPPLY vs. DEMAND



## Retail MARKET SNAPSHOT

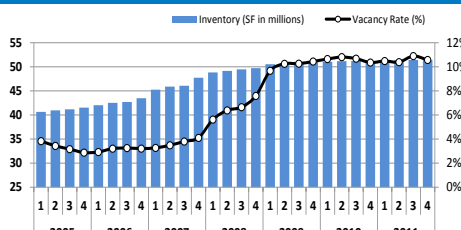
Q4 2011

Q3 2011

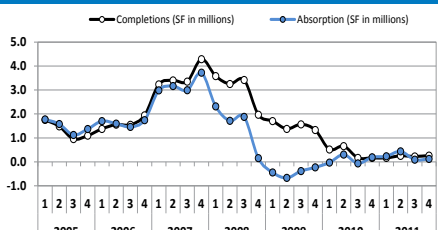
Q4 2010

Retail Inventory (SF)	51,464,000	▲	51,429,000	▲	51,204,000	▲
Under Construction (SF)	490,000	▲	225,000	▼	299,000	▼
Vacancy Rate	10.6%	▲	10.9%	▲	10.3%	▼
Pricing (PSF)	\$1.51	▼	\$1.52	▼	\$1.56	▼
Net Absorption (SF)	197,000	▲	-259,000	▼	165,000	▲
Completions (SF)	35,000	▲	0	▼	0	▶

### INVENTORY and VACANCY



### ANNUAL SUPPLY vs. DEMAND



NOTE: TREND ARROWS REFLECT THE CHANGE FROM THE SAME PERIOD OF THE PRIOR YEAR.



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Q4 2011