



COMMERCIAL MARKET *Monitor*



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## Road to Recovery is Long and Winding More of the Same Expected

While some of southern Nevada's economic indicators are starting to show positive signs, the impact on the commercial and industrial markets has been negligible. Employment is up over a year ago, while the unemployment rate has started to trend down. In addition, the tourism industry is continuing to move beyond the latest downturn, with both visitor volume and average daily room rates reporting consistent gains. However, southern Nevada's real estate markets – residential and commercial - are still struggling. Housing prices are facing moderate price deterioration, while commercial vacancy rates remain elevated and lease rates continue to seek the bottom. While it appears the retail market may be the first to reach a turning point, it will be some time before performances akin to pre-boom and bust averages are achieved.

The office market vacancy rate remained at 25.2 percent during the fourth quarter of 2011 and the first quarter of 2012. Compared to the same period last year when the vacancy rate was 23.7 percent, availability has increased 1.5 percentage points. The sector reported 208,000 square feet of positive absorption during the quarter, up over the negative 8,000 square feet reported a year ago. However, the positive absorption is primarily attributable to the completion of the 310,000-square-foot Las Vegas city hall building in the downtown submarket. Four projects totaling 216,900 square feet remain under construction in the Las Vegas valley. In terms of pricing, rents fell to \$1.94 per square foot per month, down 5.4 percent compared to the

prior year period and 18.5 percent off the pre-recession peak of \$2.38 per square foot.

The industrial market reported nearly 419,000 square feet of negative absorption during the quarter, a significant amount of net out-migration but modestly better than the negative 488,000 and negative 962,000 reported in the preceding quarter and prior year quarter, respectively. The valley-wide vacancy rate increased 0.4 percentage points from the fourth quarter of 2011 to 19.0 percent. Compared to the year ago rate of 17.7 percent, the vacancy rate is up 1.3 percentage points. On a positive note, the state's largest active construction project is moving forward. Totalling 600,000 square feet, another co-location datacenter is being constructed by Switch at the northeast corner of Warm Springs Road and Lindell Road. In addition, 65,000 square feet of space is under development at the Gowan Industrial Center.

Vacancies in the retail market declined slightly during the first quarter of 2012, falling 0.1 percentage point quarter-to-quarter to 10.5 percent. Compared to last year, the vacancy rate remained relatively flat. The market reported 203,000 square feet of positive absorption during the quarter, up over the negative 63,000 square feet reported a year ago. However, much of the positive absorption is attributable to the completion of two WinCo Foods in the valley, totaling 190,000 square feet. A second phase addition to Tivoli Village at Queensridge totaling 300,000 square feet remains under construction. Pricing in the sector continues to decline. Average asking rates during the first quarter were \$1.45 per square foot per month, down 5.5 percent since last year.

Key Indicators	Q1 2012	Q4 2011	Q1 2011
Total Employment	806,100	814,900	803,400
Industrial-using Emp.	110,800	115,300	111,500
Office-using Emp.	311,000	314,800	319,200
Retail-using Emp.	172,800	176,800	167,900
Unemployment Rate	12.1%	13.3%	13.7%
30-year Fixed Mortgage	4.0%	4.0%	4.8%
Fed. Funds Interest Rate	0.1%	0.1%	0.1%
Med. New Home Price	193,900	204,221	193,000
Med. Exist. Home Price	105,000	114,000	115,000
Drivers' License Counts	16,600	14,600	14,300
Electric Connections, net	2,582	526	2,522

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

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Applied Analysis Las Vegas Market Reports are published quarterly and include in-depth information on inventories, vacancies, absorption, lease rates, and planned and under construction projects. In addition to a building-by-building analysis of surveyed properties, subscribers also are provided a summary matrix outlining performance at the submarket level.

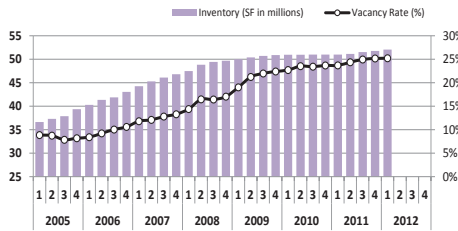


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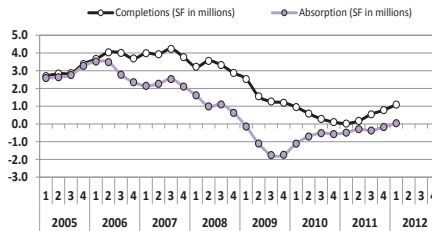
## Office MARKET SNAPSHOT

	Q1 2012	Q4 2011	Q1 2011
Office Inventory (SF)	52,069,000 <span style="color: green;">▲</span>	51,759,000 <span style="color: green;">▲</span>	50,978,000 <span style="color: green;">▲</span>
Under Construction (SF)	217,000 <span style="color: red;">▼</span>	527,000 <span style="color: red;">▼</span>	1,124,000 <span style="color: green;">▲</span>
Vacancy Rate	25.2% <span style="color: red;">▲</span>	25.2% <span style="color: red;">▲</span>	23.7% <span style="color: red;">▲</span>
Pricing (PSF)	\$1.94 <span style="color: red;">▼</span>	\$1.97 <span style="color: red;">▼</span>	\$2.05 <span style="color: red;">▼</span>
Net Absorption (SF)	208,000 <span style="color: green;">▲</span>	66,000 <span style="color: green;">▲</span>	-8,000 <span style="color: green;">▲</span>
Completions (SF)	310,000 <span style="color: green;">▲</span>	238,000 <span style="color: green;">▲</span>	0 <span style="color: red;">▼</span>

### INVENTORY and VACANCY



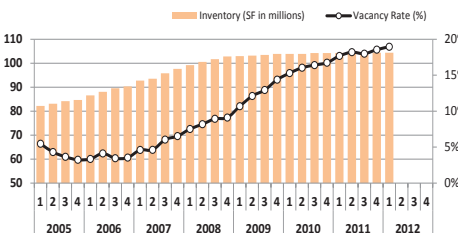
### ANNUAL SUPPLY vs. DEMAND



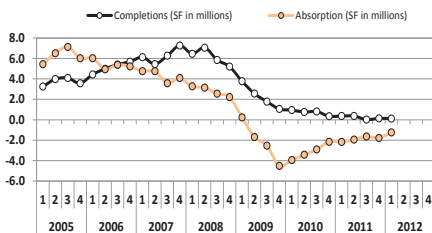
## Industrial MARKET SNAPSHOT

	Q1 2012	Q4 2011	Q1 2011
Industrial Inventory (SF)	104,412,000 <span style="color: green;">▲</span>	104,412,000 <span style="color: green;">▲</span>	104,292,000 <span style="color: green;">▲</span>
Under Construction (SF)	665,000 <span style="color: green;">▲</span>	0 <span style="color: red;">▼</span>	120,000 <span style="color: red;">▼</span>
Vacancy Rate	19.0% <span style="color: red;">▲</span>	18.6% <span style="color: red;">▲</span>	17.7% <span style="color: red;">▲</span>
Pricing (PSF)	\$0.51 <span style="color: red;">▼</span>	\$0.52 <span style="color: red;">▼</span>	\$0.55 <span style="color: red;">▼</span>
Net Absorption (SF)	-419,000 <span style="color: green;">▲</span>	-488,000 <span style="color: red;">▼</span>	-962,000 <span style="color: red;">▼</span>
Completions (SF)	0 <span style="color: red;">▼</span>	120,000 <span style="color: green;">▲</span>	22,000 <span style="color: green;">▲</span>

### INVENTORY and VACANCY



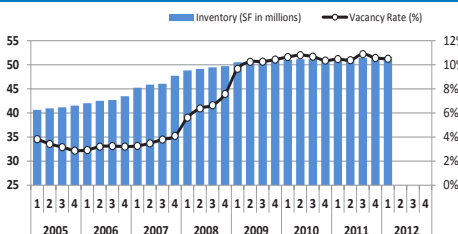
### ANNUAL SUPPLY vs. DEMAND



## Retail MARKET SNAPSHOT

	Q1 2012	Q4 2011	Q1 2011
Retail Inventory (SF)	51,654,000 <span style="color: green;">▲</span>	51,464,000 <span style="color: green;">▲</span>	51,204,000 <span style="color: green;">▲</span>
Under Construction (SF)	300,000 <span style="color: green;">▲</span>	490,000 <span style="color: green;">▲</span>	225,000 <span style="color: red;">▼</span>
Vacancy Rate	10.5% <span style="color: orange;">▶</span>	10.6% <span style="color: red;">▲</span>	10.5% <span style="color: green;">▲</span>
Pricing (PSF)	\$1.45 <span style="color: red;">▼</span>	\$1.51 <span style="color: red;">▼</span>	\$1.53 <span style="color: red;">▼</span>
Net Absorption (SF)	203,000 <span style="color: green;">▲</span>	197,000 <span style="color: green;">▲</span>	-63,000 <span style="color: green;">▲</span>
Completions (SF)	190,000 <span style="color: green;">▲</span>	35,000 <span style="color: green;">▲</span>	0 <span style="color: orange;">▶</span>

### INVENTORY and VACANCY



### ANNUAL SUPPLY vs. DEMAND



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**APPLIED ANALYSIS**

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Q1 2012

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