



COMMERCIAL MARKET *Monitor*



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6385 S. Rainbow Blvd.
Suite 105
Las Vegas, Nevada 89118

T: (702) 967-3333
F: (702) 314-1439

E: info@appliedanalysis.com

Access information on our array of services and market reports on-line at: www.appliedanalysis.com

Challenging Environment Persists in Commercial Markets New Market Realities Established

Economic recovery generally slowed during the second quarter of 2012. Employment in southern Nevada increased year-over-year, but only by a modest 1.0 percent. Both industrial and retail-using employment reported slight increases, but office-using employment continued to decline. The residential market is starting to show some signs of stabilization, with existing home prices increasing year-over-year as regulatory red tape has impacted foreclosure volumes and inventory. Commercial markets continued to report little change in the second quarter. While the retail market has shown some signs of stabilization, commercial real estate continues to seek the bottom of the cycle.

The office market vacancy rate increased 0.4 percentage points during the second quarter of 2012 to 25.6 percent. Compared to the same period a year ago (Q2 2011), the vacancy rate is up 1.3 percentage points. After reporting positive demand in the first quarter, the market witnessed 126,800 square feet of negative net absorption during the second quarter, bringing net absorption for the first six months of the year down to positive 71,900 square feet. Pricing also continued to struggle during the period, with average asking rates falling 0.5 percent from the previous quarter (Q1 2012) to \$1.93 per square foot. Approximately 128,000 square feet of new office space entered the market, with 68,000 square feet attributable to the first phase of Seven Hills Plaza at the southeast corner of St. Rose Parkway and Seven Hills Drive. Another 60,000 square feet was sourced to the Windmill Office Plaza at the southwest corner of Windmill Lane and Spencer Street. Three projects, totaling 85,900 square feet remain actively under construction.

With 103,000 square feet of negative net absorption during the second quarter, the industrial market reported a vacancy rate of 18.5 percent. Compared to the prior period (Q1 2012), the latest vacancy rate represents a 0.1-percentage point increase, while compared to last year (Q2 2011), the rate is up 0.5 percentage points. Average asking rates remained flat quarter-over-quarter at \$0.51 per square foot per month, but compared to last year, rates are down 5.4 percent. The Gowan Industrial Center at the northeast corner of Gowan Road and Civic Center Drive was the only project to complete construction during the second quarter of 2012, adding 65,000 square feet to the market. Another 900,000 square feet remains under construction, both of which are sourced to Switch data centers in the northwest and southwest submarkets.

Vacancies in the retail market have remained in a relatively tight range during the past three years, suggesting stability within the sector. For the second quarter of 2012, the retail market reported a vacancy rate of 10.5 percent, up 0.1-percentage points over the prior period (Q1 2012) and a year ago (Q2 2011). With no new inventory entering the market, the sector reported 8,100 square feet of negative net absorption. Average asking rates during the second quarter were \$1.47 per square foot per month, up 1.4 percent compared to last quarter. However, asking rates remain down 2.4 percent when compared to a year ago and 33.2 percent when compared to the peak. Approximately 311,000 square feet remain actively under construction, the bulk of which is sourced to a second-phase addition at Tivoli Village at Queensridge, which is not expected to reach completion until mid-2013.

Key Indicators	Q2 2012	Q1 2012	Q2 2011
Total Employment	814,600	807,800	806,700
Industrial-using Emp.	113,300	110,900	112,100
Office-using Emp.	311,300	312,500	313,100
Retail-using Emp.	176,700	173,100	171,200
Unemployment Rate	12.1%	12.0%	14.4%
30-year Fixed Mortgage	3.7%	4.0%	4.5%
Fed. Funds Interest Rate	0.2%	0.1%	0.1%
Med. New Home Price	\$196,500	\$201,668	\$201,364
Med. Exist. Home Price	\$116,300	\$105,000	\$105,300
Drivers' License Counts	16,400	17,800	14,600
Electric Connections, net	2,773	5,464	5,347

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.

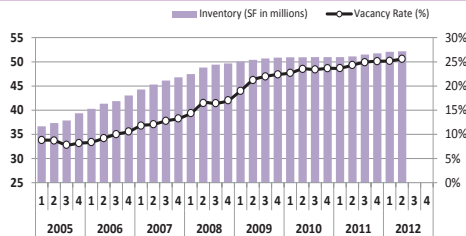


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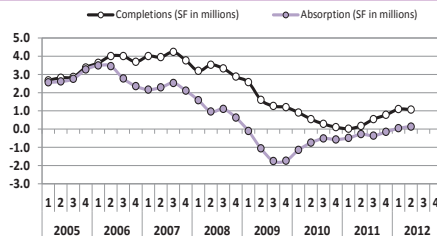
O Office MARKET SNAPSHOT

	Q2 2012	Q1 2012	Q2 2011
Office Inventory (SF)	52,197,000 ▲	52,069,000 ▲	51,131,000 ▲
Under Construction (SF)	86,000 ▼	170,000 ▼	1,039,000 ▼
Vacancy Rate	25.6% ▲	25.2% ▲	24.3% ▲
Pricing (PSF)	\$1.93 ▼	\$1.94 ▼	\$2.03 ▼
Net Absorption (SF)	-127,000 ▲	199,000 ▲	-214,000 ▲
Completions (SF)	128,000 ▼	310,000 ▲	153,000 ▲

INVENTORY and VACANCY



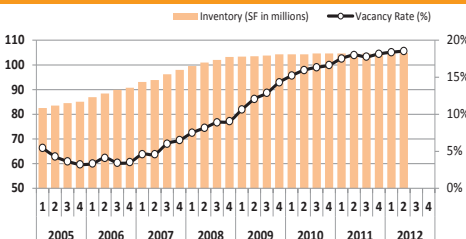
ANNUAL SUPPLY vs. DEMAND



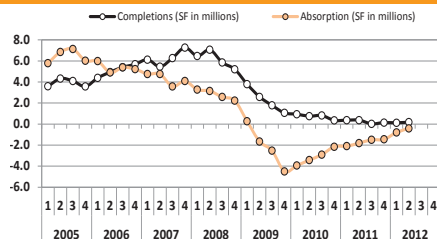
I Industrial MARKET SNAPSHOT

	Q2 2012	Q1 2012	Q2 2011
Industrial Inventory (SF)	104,844,000 ▲	104,779,000 ▲	104,659,000 ▲
Under Construction (SF)	900,000 ▲	965,000 ▲	120,000 ▼
Vacancy Rate	18.5% ▲	18.4% ▲	18.0% ▲
Pricing (PSF)	\$0.51 ▼	\$0.51 ▼	\$0.54 ▼
Net Absorption (SF)	-103,000 ▲	-240,000 ▲	-490,000 ▲
Completions (SF)	65,000 ▲	0 ▼	0 ▼

INVENTORY and VACANCY



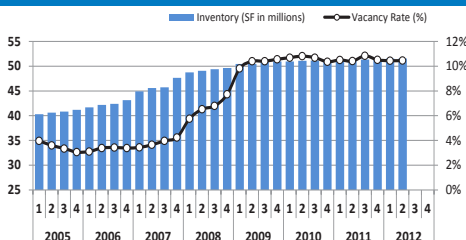
ANNUAL SUPPLY vs. DEMAND



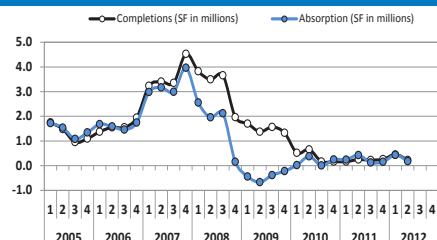
R Retail MARKET SNAPSHOT

	Q2 2012	Q1 2012	Q2 2011
Retail Inventory (SF)	51,575,000 ▲	51,575,000 ▲	51,350,000 ▲
Under Construction (SF)	311,000 ▲	300,000 ▲	130,000 ▼
Vacancy Rate	10.5% ▲	10.4% ▲	10.4% ▲
Pricing (PSF)	\$1.47 ▼	\$1.45 ▼	\$1.51 ▼
Net Absorption (SF)	-8,000 ▼	207,000 ▲	248,000 ▲
Completions (SF)	0 ▼	190,000 ▲	225,000 ▲

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



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Q2 2012

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