



COMMERCIAL MARKET *Monitor*



PUBLISHED BY:



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

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

E: info@appliedanalysis.com

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## Commercial Markets Report Mixed Results Retail Sector Continues to Show Signs of Improvement

The southern Nevada economy continues to post modest gains from the lows experienced during the last economic downturn. During the third quarter of 2012, employment increased 0.6 percent year-over-year. The unemployment rate fell 2.5 percentage points to 11.5 percent; however, a shrinking labor force was a contributor. While median new home prices have fluctuated based on the mix of properties sold, resale home prices increased 17.0 percent from the prior year. With limited foreclosure activity (largely due to the impact of Assembly Bill 284) and fewer homes on the market, prices have responded. The commercial markets reported mixed results during the quarter. The office and retail sectors witnessed declines in vacancy rates when compared to the prior quarter and industrial product continued to report an increase. However, all three sectors continue to report falling average asking prices quarter-to-quarter.

The office market vacancy rate fell to 25.2 percent during the third quarter of 2012, down 0.4 percentage points compared to the prior quarter (Q2 2012). However, compared to a year ago (Q3 2011), the rate remains up 0.3 percentage points. Net absorption was positive 245,600 square feet during the period, partially attributable to the completion of the Martin Luther King Family Health Center at the southwest corner of Martin Luther King Boulevard and Mount Mariah Drive, which added 33,000 square feet to the market. In addition, the University of Phoenix signed a lease for 53,600 square feet of space near Interstate 215 and Town Center Drive. Approximately, 328,200 square feet remains actively under construction throughout the valley, with 210,000 square feet sourced to projects downtown. Pricing continues to decline, falling 1.0 percent since last quarter and 4.5 percent since last year to \$1.91 per square foot per month.

The industrial market vacancy rate increased 0.1 percentage points since last quarter and 0.8 percentage points since last year to 18.6 percent. With no new completions during the quarter, the sector witnessed 46,600 square feet of negative net absorption. Average pricing remained flat for the third consecutive quarter at \$0.51 per square foot per month. However, compared to a year ago, asking rates remain down 3.8 percent. On a positive note, the amount of space actively under construction has picked up in recent quarters with approximately 1.1 million square feet reported in the third quarter of 2012, a level not reached since the third quarter of 2008. Each of the four buildings currently under development is being built for specific users looking to expand or relocate to the area.

The retail market vacancy rate declined to 10.2 percent during the third quarter of 2012. Compared to the prior quarter, the rate fell 0.3 percentage points, while compared to last year, it fell 0.7 percentage points. Approximately 11,000 square feet completed construction during the period, sourced to second phase additions to the WinCo Foods center on the southeast corner of Stephanie and Wigwam and the Albertson's center on the southeast corner of Rainbow and Warm Springs. In addition, the sector reported 179,300 square feet of positive net absorption during the period, partially attributable to the leasing of a 32,000-square-foot space in Centennial Center to Big Lots and a 25,000-square-foot space in Canyon Pointe to Ross. New construction activity remains slow with only the 300,000-square-foot second-phase addition to Tivoli Village at Queensridge actively under construction at the end of the quarter. In addition, pricing continues to decline, falling 2.0 percent from last quarter and 5.3 percent from last year to \$1.44 per square foot per month.

Key Indicators	Q3 2012	Q2 2012	Q3 2011
Total Employment	818,500	814,100	813,500
Industrial-using Emp.	113,400	113,300	115,300
Office-using Emp.	317,400	311,200	315,500
Retail-using Emp.	176,200	176,600	172,800
Unemployment Rate	11.5%	12.2%	14.0%
30-year Fixed Mortgage	3.5%	3.7%	4.1%
Fed. Funds Interest Rate	0.1%	0.2%	0.1%
Med. New Home Price	\$198,845	\$193,875	\$205,263
Med. Exist. Home Price	\$122,781	\$115,000	\$104,900
Drivers' License Counts	17,600	16,400	16,500
Electric Connections, net	1,412	2,773	4,213

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

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<b>O</b> Office MARKET SNAPSHOT	Q3 2012	Q2 2012	Q3 2011
Office Inventory (SF)	52,239,000	52,206,000	51,530,000
Under Construction (SF)	328,000	241,000	649,000
Vacancy Rate	25.2%	25.6%	24.9%
Pricing (PSF)	\$1.91	\$1.93	\$2.00
Net Absorption (SF)	246,000	-109,000	-5,000
Completions (SF)	33,000	128,000	390,000



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Information contained herein has been obtained from property owners or from other sources deemed reliable. We have no reason to doubt its accuracy, but we do not guarantee it.

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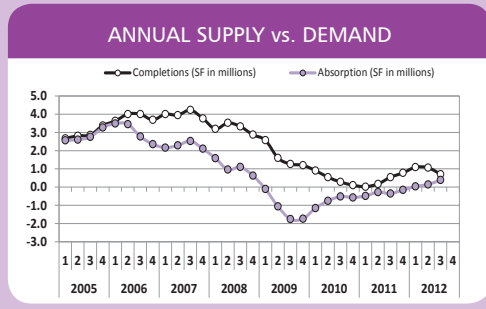
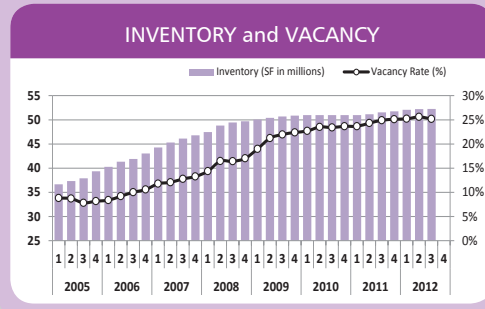


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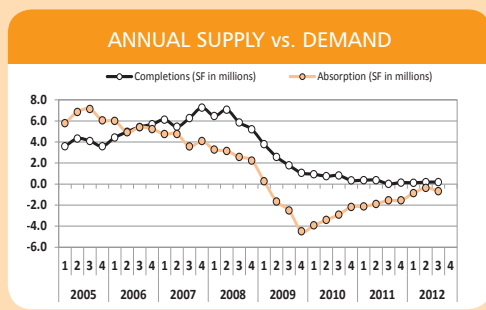
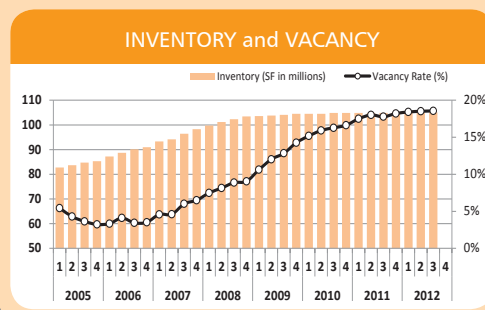
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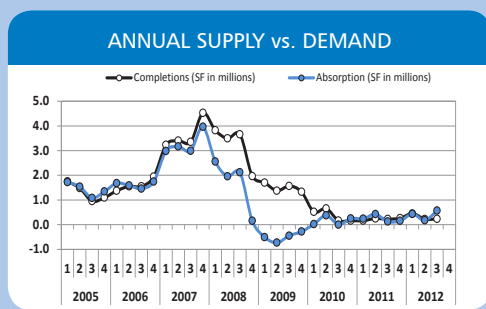
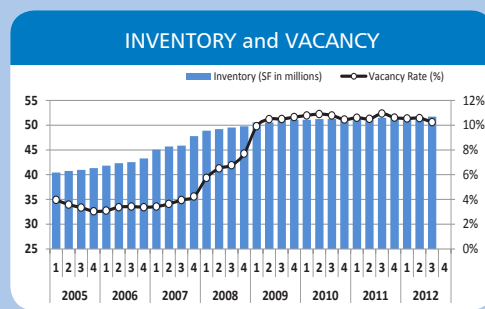
Q4 2012



<b>I</b> Industrial MARKET SNAPSHOT	Q3 2012	Q2 2012	Q3 2011
Industrial Inventory (SF)	105,076,000	105,076,000	104,891,000
Under Construction (SF)	1,070,000	900,000	120,000
Vacancy Rate	18.6%	18.5%	17.8%
Pricing (PSF)	\$0.51	\$0.51	\$0.53
Net Absorption (SF)	-47,000	-54,000	258,000
Completions (SF)	0	65,000	0



<b>R</b> Retail MARKET SNAPSHOT	Q3 2012	Q2 2012	Q3 2011
Retail Inventory (SF)	51,722,000	51,711,000	51,486,000
Under Construction (SF)	300,000	311,000	225,000
Vacancy Rate	10.2%	10.6%	10.9%
Pricing (PSF)	\$1.44	\$1.47	\$1.52
Net Absorption (SF)	179,000	-12,000	-218,000
Completions (SF)	11,000	0	0



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