



COMMERCIAL MARKET *Monitor*



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Commercial Markets Still Struggling to Find Solid Footing Retail Sector is Soft But Outperforms Office and Industrial

By the end of 2012, a number of key sectors in the southern Nevada economy reported improvements from the prior year. The unemployment rate fell 3.3 percentage points year-over-year to 10.0 percent in December, which is the lowest it has been in four years. In addition, the housing market is continuing to show signs of improvement. New home sales totaled 5,389 in 2012, up 42.1 percent from 2011, while the median new home price reported a year-over-year increase for the third consecutive month in December, rising 4.1 percent. Existing home sales declined 10.2 percent during the year, but prices have reported annual increases for nine consecutive months, ending the year up 23.9 percent. In the commercial markets, the retail sector continues to outperform, reporting a year-over-year decline in vacancy rate and positive absorption, while the office and industrial sectors continue to struggle with elevated vacancy rates.

The office sector reported a vacancy rate of 25.3 percent during the fourth quarter of 2012, up 0.3 percentage points from the prior quarter (Q3 2012) and the prior year (Q4 2011). Net absorption was negative (78,300 square feet), but for the year, it was positive with 280,200 square feet of net move-ins. The Red Rock Business Center at the southeast corner of Interstate 215 and Patrick Lane was the only project to complete construction during the period, adding 74,200 square feet to the market. The center was partially leased to Keller Williams Realty. With no new projects starting construction during the fourth quarter, the amount of space actively under construction fell to 254,000 square feet. The majority (210,000 square feet) is sourced to development in the downtown area, including the new Federal Justice Tower (129,000 square feet), the Robert T. Eglet Advocacy Center (46,000 square feet) and the Legal Aid Center of Southern Nevada (35,000 square feet).

The industrial market vacancy rate remained relatively flat quarter-over-quarter at 18.3 percent. Compared to a year ago, it is up 0.3 percentage points. With no new completions during the quarter, the sector reported some increased demand with approximately 32,000 square feet of positive net absorption. However, for the year, absorption remained negative with 243,700 square feet of net move-outs. Average asking rates remained flat at \$0.51 per square foot per month for the fourth consecutive quarter and are down a modest 1.9 percent compared to the prior year. Compared to the peak (Q2 2007), average pricing is down 37.8 percent. The amount of space actively under construction increased to 875,000 square feet, the highest it has been since the third quarter of 2008. The majority is sourced to the 600,000-square-foot Switch SuperNap 8, while SHFL Entertainment's new headquarters accounts for another 110,000 square feet.

The retail sector reported the strongest performance during the fourth quarter of 2012, with a vacancy rate of 9.9 percent, down 0.3 percentage points from last quarter and 0.7 percentage points from a year ago. Net absorption was positive for the third consecutive quarter, with 188,700 square feet of net move-ins. For the year, net absorption was positive 551,600 square feet. Average pricing is also slowly starting to improve, increasing 4.2 percent from the prior quarter and declining a modest 0.7 percent from a year ago to \$1.50 per square foot per month. However, compared to two years ago, it remains down 4.1 percent. Construction activity remains slow with just two retail projects totaling 304,000 square feet actively under development. Approximately 300,000 square feet is sourced to the second phase of Tivoli Village at Queensridge, while 4,000 square feet is comprised of the third-phase addition to the WinCo Foods Center at the southeast corner of Wigwam Parkway and Stephanie Street.

Key Indicators	Q4 2012	Q3 2012	Q4 2011
Total Employment	830,600	818,500	814,900
Industrial-using Emp.	115,300	113,400	115,300
Office-using Emp.	318,200	317,400	314,800
Retail-using Emp.	186,300	176,200	176,800
Unemployment Rate	10.0%	11.5%	13.3%
30-year Fixed Mortgage	3.4%	3.5%	4.0%
Fed. Funds Interest Rate	0.2%	0.1%	0.1%
Med. New Home Price	\$219,963	\$198,845	\$211,265
Med. Exist. Home Price	\$130,000	\$122,781	\$104,900
Drivers' License Counts	14,400	17,600	13,900
Electric Connections	750,200	750,400	740,700

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.

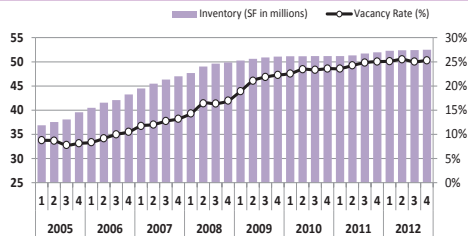


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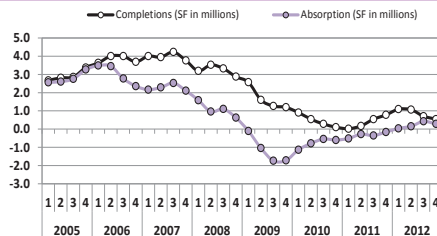
O Office MARKET SNAPSHOT

	Q4 2012	Q3 2012	Q4 2011
Office Inventory (SF)	52,514,000 ▲	52,440,000 ▲	51,969,000 ▲
Under Construction (SF)	254,000 ▼	328,000 ▼	635,000 ▼
Vacancy Rate	25.3% ▲	25.0% ▲	25.0% ▲
Pricing (PSF)	\$1.89 ▼	\$1.91 ▼	\$1.97 ▼
Net Absorption (SF)	-78,000 ▼	265,000 ▲	65,000 ▲
Completions (SF)	74,000 ▼	33,000 ▼	238,000 ▲

INVENTORY and VACANCY



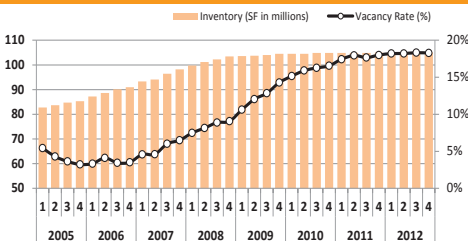
ANNUAL SUPPLY vs. DEMAND



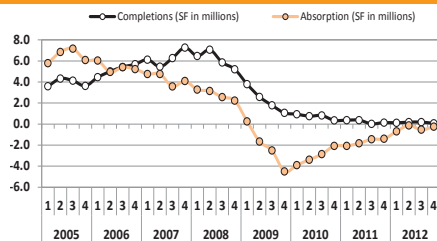
I Industrial MARKET SNAPSHOT

	Q4 2012	Q3 2012	Q4 2011
Industrial Inventory (SF)	105,061,000 ▲	105,061,000 ▲	104,996,000 ▲
Under Construction (SF)	875,000 ▲	765,000 ▲	- ▼
Vacancy Rate	18.3% ▲	18.3% ▲	18.0% ▲
Pricing (PSF)	\$0.51 ▼	\$0.51 ▼	\$0.52 ▼
Net Absorption (SF)	32,000 ▲	-111,000 ▼	-260,000 ▲
Completions (SF)	- ▼	- ▶	120,000 ▲

INVENTORY and VACANCY



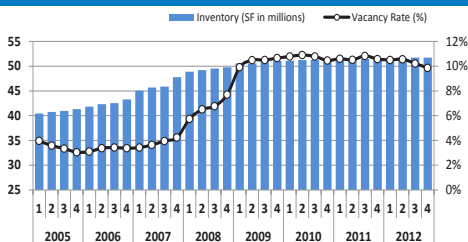
ANNUAL SUPPLY vs. DEMAND



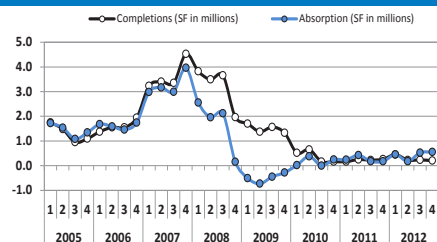
R Retail MARKET SNAPSHOT

	Q4 2012	Q3 2012	Q4 2011
Retail Inventory (SF)	51,722,000 ▲	51,722,000 ▲	51,521,000 ▲
Under Construction (SF)	304,000 ▼	300,000 ▲	490,000 ▲
Vacancy Rate	9.9% ▼	10.2% ▼	10.6% ▲
Pricing (PSF)	\$1.50 ▼	\$1.44 ▼	\$1.51 ▼
Net Absorption (SF)	189,000 ▲	186,000 ▲	164,000 ▼
Completions (SF)	- ▼	11,000 ▲	35,000 ▲

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



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Q4 2012

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