



COMMERCIAL MARKET *Monitor*



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Divergent Commercial Market Performances in Q1 Industrial and Retail Sector Vacancies Decline From a Year Ago...Office Up

Key sectors in southern Nevada's economy appear to be gaining traction. By the end of the first quarter (March 2013), employment increased by 17,200 jobs when compared to March of 2012, and the unemployment rate fell from 11.7 percent to 9.8 percent. The housing market reported 581 new home sales in March, up 67.0 percent from a year ago, while median new home prices increased 8.7 percent to \$222,201. Meanwhile, existing home sales fell, but prices increased year-over-year for the twelfth consecutive month, rising 31.6 percent to \$138,151. Despite other sector improvements, recovery in the commercial markets remains somewhat tepid. Although the retail and industrial sectors have begun to show some signs of stabilization, the office market is continuing to struggle in the current economic environment.

Vacancies in the office sector reached a record high of 26.2 percent during the first quarter of 2013, up 50 basis points compared to the prior quarter (Q4 2012) and 110 basis points compared to the prior year (Q1 2012). Net absorption was negative 229,500 square feet, primarily due to two significant move-outs. The Nevada Cancer Institute ceased operations and vacated its 143,000-square-foot building, while the University of Phoenix vacated 40,300 square feet at Longford Medical Center. It is important to note that if these two spaces had not been vacated during the quarter, negative net absorption would have been a much less dramatic 46,200 square feet, while the vacancy rate would have increased 10 basis points quarter-to-quarter to 25.8 percent. The new 35,000-square-foot Legal Aid Center of Southern Nevada at the northeast corner of Charleston Boulevard and 7th Street was the only project to complete construction in the first quarter. Approximately 175,000 square feet remain under construction, sourced to two buildings located downtown.

The industrial vacancy rate declined 50 basis points quarter-to-quarter and 70 basis points year-over-year to 17.2 percent. Approximately 690,600 square feet of positive net absorption was reported in the sector during the first quarter. The latest per-

formance is attributable to a number of significant transactions, including a lease signed by Hand Air Express for 303,200 square feet in ProLogis Sunrise Industrial Park and a deal for 133,400 square feet in Las Vegas Corporate Center signed by Derse Inc. In addition, three non-speculative projects totaling 160,000 square feet completed construction during the quarter, with 115,000 square feet sourced to new facilities for Knight Transportation and Old Dominion Freight Lines, and 45,000 square feet sourced to a new facility for Bon Breads Baking Company. Approximately 910,000 square feet remain under construction, including the 600,000-square-foot Switch SuperNAP 8 and 130,000-square-foot headquarters for SHFL Entertainment. Average asking rates have remained flat at \$0.51 per square foot per month for five consecutive quarters.

The retail sector reported a slight quarterly increase in vacancy rate of 10 basis points during the first quarter of 2013, but year-over-year, vacancies declined 60 basis points to 9.8 percent. Two projects totaling 9,100 square feet completed construction during the period, including a 4,000-square-foot Wendy's located in the Winco Foods Center on the southeast corner of Stephanie Street and Wigwam Parkway and the 5,100-square-foot Bonefish Grill in Town Square. The sector reported approximately 41,100 square feet of negative net absorption. Although Opportunity Village signed a lease for 28,100 square feet in Craig Valley Plaza and Harbor Freight Tools absorbed 18,200 square feet in Rainbow Expressway, Paddock Pools vacated two of its locations, each totaling approximately 19,000 square feet, while DSW vacated its 30,600-square-foot store in SunMark Plaza. Approximately 320,600 square feet remains actively under development. The second-phase addition to Tivoli Village at Queensridge accounts for 300,000 square feet, 11,600 square feet is sourced to the second-phase addition to Desert Marketplace, and a new Flemings at Town Square accounts for another 9,000 square feet.

Key Indicators	Q1 2013	Q4 2012	Q1 2012
Total Employment	832,700	838,700	815,500
Industrial-using Emp.	112,000	116,800	110,500
Office-using Emp.	333,000	329,700	325,200
Retail-using Emp.	181,200	186,000	174,100
Unemployment Rate	9.8%	10.0%	11.7%
30-year Fixed Mortgage	3.6%	3.4%	4.0%
Fed. Funds Interest Rate	0.1%	0.2%	0.1%
Med. New Home Price	\$222,201	\$219,963	\$204,370
Med. Exist. Home Price	\$138,151	\$130,000	\$105,000
Drivers' License Counts	15,585	14,400	17,800
Electric Connections	753,478	750,200	746,200

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.

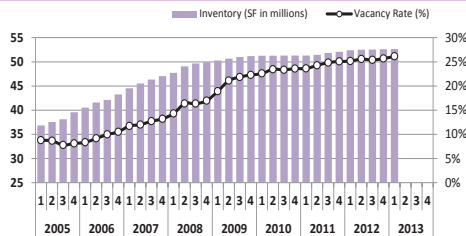


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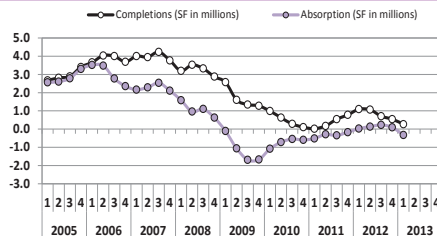
O Office MARKET SNAPSHOT

	Q1 2013	Q4 2012	Q1 2012
Office Inventory (SF)	52,653,000 ▲	52,618,000 ▲	52,383,000 ▲
Under Construction (SF)	175,000 ▼	210,000 ▼	325,000 ▼
Vacancy Rate	26.2% ▲	25.7% ▲	25.1% ▲
Pricing (PSF)	\$1.87 ▼	\$1.89 ▼	\$1.94 ▼
Net Absorption (SF)	-230,000 ▼	-85,000 ▼	192,000 ▲
Completions (SF)	35,000 ▼	74,000 ▼	310,000 ▲

INVENTORY and VACANCY



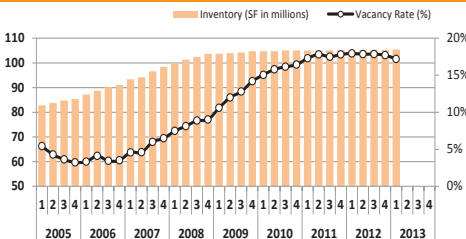
ANNUAL SUPPLY vs. DEMAND



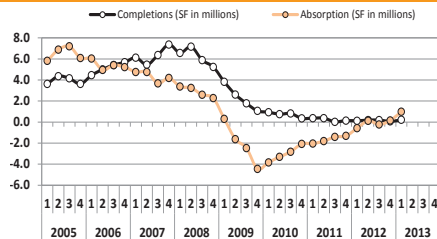
I Industrial MARKET SNAPSHOT

	Q1 2013	Q4 2012	Q1 2012
Industrial Inventory (SF)	105,417,000 ▲	105,257,000 ▲	105,192,000 ▲
Under Construction (SF)	910,000 ▲	990,000 ▲	665,000 ▲
Vacancy Rate	17.2% ▼	17.7% ▼	17.9% ▲
Pricing (PSF)	\$0.51 ▶	\$0.51 ▼	\$0.51 ▼
Net Absorption (SF)	691,000 ▲	149,000 ▲	-132,000 ▲
Completions (SF)	160,000 ▲	0 ▼	0 ▼

INVENTORY and VACANCY



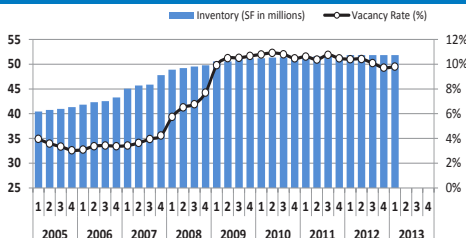
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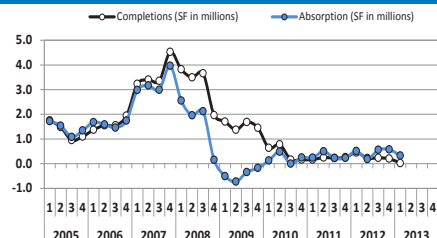
R Retail MARKET SNAPSHOT

	Q1 2013	Q4 2012	Q1 2012
Retail Inventory (SF)	51,854,000 ▲	51,845,000 ▲	51,834,000 ▲
Under Construction (SF)	321,000 ▲	309,000 ▼	300,000 ▲
Vacancy Rate	9.8% ▼	9.7% ▼	10.4% ▼
Pricing (PSF)	\$1.49 ▲	\$1.50 ▼	\$1.45 ▼
Net Absorption (SF)	-41,000 ▼	192,000 ▲	207,000 ▲
Completions (SF)	9,000 ▼	0 ▼	190,000 ▲

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



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Q1 2013