



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

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

All Sectors Post Positive Net Absorption Office Recovery Lags Industrial and Retail Performances

The southern Nevada economy continued its tepid pace of recovery in the second quarter, while some headwinds persist. A number of indicators reported modest gains or slight contraction in the second quarter of 2013. In June, employment in the Las Vegas MSA increased by 17,800 jobs (+2.2 percent) annually, while the unemployment rate fell 1.7 percentage points from a year ago to 10.1 percent. However, average weekly hours worked continued to decline, falling 0.2 hours (-0.6 percent) to 33.9. In addition, Las Vegas visitor volume for the second quarter of 2013 was relatively flat compared to a year ago, while Clark County gross gaming revenues continue to struggle to report any material gains, falling 1.6 percent year-over-year during the period. While some stabilization has been reported in the commercial markets, performances generally remain mixed. The industrial and retail sectors continue to report annual declines in vacancies, while the office vacancy rate remains elevated.

The office sector vacancy rate fell to 26.0 percent during the second quarter of 2013, down 20 basis points (0.2 percentage points) compared to the prior quarter (Q1 2013). However, compared to a year ago (Q2 2012), the rate remains up 40 basis points (0.4 percentage points). With no completions during the period, the sector reported approximately 115,200 square feet of positive net absorption. However, due to nearly 220,000 square feet of net move-outs in the first quarter sourced to the Nevada Cancer Institute (143,000 square feet) and the University of Phoenix (40,300 square feet), net absorption for the first half of the year was negative 104,700 square feet. Three office projects totaling 220,700 square feet are actively under development throughout the valley. Construction on the Federal Justice Tower (129,000 square feet) and Robert T. Eglet Advocacy Center (46,000 square feet) continues to move forward in Downtown Las Vegas. In addition, the second phase of Seven Hills Plaza broke ground during the quarter. The 45,700-square-foot building will be the headquarters for Prudential Americana Group when completed.

The industrial vacancy rate fell 30 basis points (0.3 percentage points) quarter-to-quarter and 130 basis points (1.3 percentage points) year-over-year to 16.2 percent. Three projects totaling 422,100 square feet completed construction during the quarter, including Pama Airport Center (60,000 square feet), Chelton House Products (97,100 square feet) and Switch SuperNAP 8 (265,000 square feet). Demand for industrial space remained elevated, with approximately 741,000 square feet of net move-ins during the quarter. However, it is important to note that the 362,100 square feet in user-specific completions contributed to a large portion of the net absorption. Without these completions, there would have been approximately 378,900 square feet of net move-ins. Seven industrial projects totaling 1.5 million square feet remained actively under development at the end of the quarter, all sourced to specific users.

The retail sector continued to report stabilizing conditions in the second quarter of 2013 as the vacancy rate fell 30 basis points (0.3 percentage points) quarter-to-quarter and 90 basis points (0.9 percentage points) year-over-year to 9.8 percent. The second phase of Desert Marketplace was the only project to complete construction during the period, adding approximately 11,600 square feet of partially pre-leased inline space to the market. A number of significant lease transactions took place during the quarter, and net absorption increased to positive 145,800 square feet. Conn's HomePlus (50,200 square feet) and Epic Stores (22,500 square feet) signed leases for space in Tropicana Centre, while Gameworks will soon be moving into a 37,000-square-foot space in Town Square. In addition, Stein Mart signed a lease for the 30,900-square-foot space formerly occupied by Office Depot in the Best in the West power center, while Office Depot moved to the 18,600-square-foot former Paddock Pools within the same center. Four anchored retail projects totaling 1.8 million square feet were under construction at the end of the quarter, including the previously stalled Shops at Summerlin.

Key Indicators	Q2 2013	Q1 2013	Q2 2012
Total Employment	843,500	832,700	825,700
Industrial-using Emp.	115,500	112,000	113,900
Office-using Emp.	333,700	333,000	324,000
Retail-using Emp.	186,100	181,200	177,600
Unemployment Rate	10.1%	9.8%	11.8%
30-year Fixed Mortgage	4.1%	3.6%	3.7%
Fed. Funds Interest Rate	0.1%	0.1%	0.2%
Med. New Home Price	\$266,725	\$222,201	\$193,875
Med. Exist. Home Price	\$151,000	\$138,151	\$115,000
Drivers' License Counts	16,343	15,585	16,400
Electric Connections	757,335	753,478	748,900

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

Get All The Facts: SUBSCRIBE NOW TO BEGIN RECEIVING THE MOST COMPREHENSIVE REPORTS ON THE LAS VEGAS COMMERCIAL MARKETS: OFFICE | INDUSTRIAL | RETAIL | APARTMENT | VACANT LAND



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.

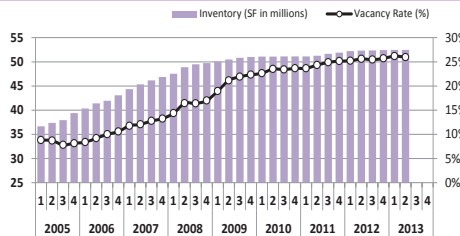


www.AppliedAnalysis.com/monitor

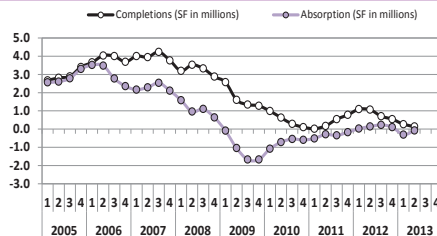
Office MARKET SNAPSHOT

	Q2 2013	Q1 2013	Q2 2012
Office Inventory (SF)	52,477,000 ▲	52,477,000 ▲	52,335,000 ▲
Under Construction (SF)	221,000 ▲	175,000 ▼	197,000 ▼
Vacancy Rate	26.0% ▲	26.2% ▲	25.6% ▲
Pricing (PSF)	\$1.87 ▼	\$1.87 ▼	\$1.93 ▼
Net Absorption (SF)	115,000 ▲	-220,000 ▼	-112,000 ▲
Completions (SF)	0 ▼	35,000 ▼	128,000 ▼

INVENTORY and VACANCY



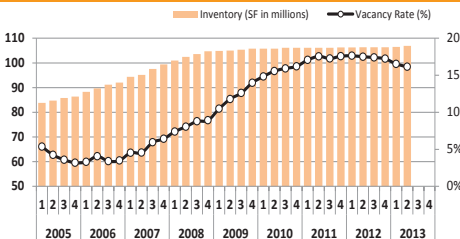
ANNUAL SUPPLY vs. DEMAND



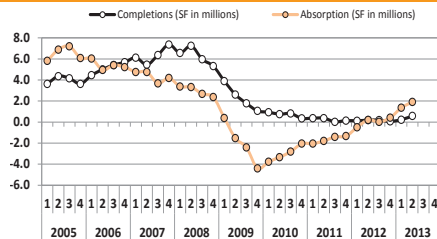
Industrial MARKET SNAPSHOT

	Q2 2013	Q1 2013	Q2 2012
Industrial Inventory (SF)	106,925,000 ▲	106,503,000 ▲	106,343,000 ▲
Under Construction (SF)	1,502,000 ▲	844,000 ▲	280,000 ▲
Vacancy Rate	16.2% ▼	16.5% ▼	17.5% ▶
Pricing (PSF)	\$0.52 ▲	\$0.51 ▶	\$0.51 ▼
Net Absorption (SF)	741,000 ▲	878,000 ▲	186,000 ▲
Completions (SF)	422,000 ▲	160,000 ▲	65,000 ▲

INVENTORY and VACANCY



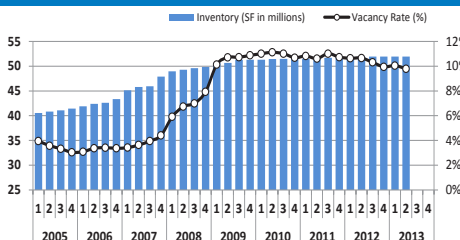
ANNUAL SUPPLY vs. DEMAND



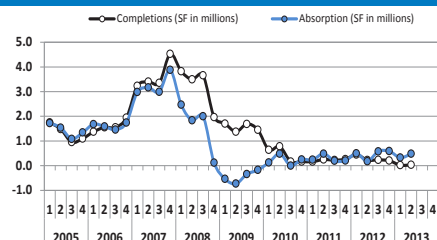
Retail MARKET SNAPSHOT

	Q2 2013	Q1 2013	Q2 2012
Retail Inventory (SF)	51,955,000 ▲	51,943,000 ▲	51,923,000 ▲
Under Construction (SF)	1,815,000 ▲	326,000 ▲	316,000 ▲
Vacancy Rate	9.8% ▼	10.1% ▼	10.7% ▲
Pricing (PSF)	\$1.51 ▶	\$1.49 ▲	\$1.51 ▶
Net Absorption (SF)	146,000 ▲	-44,000 ▼	-10,000 ▼
Completions (SF)	12,000 ▲	9,000 ▼	0 ▼

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



COMMERCIAL MARKET **Monitor**

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.

Copyright © 2013 Applied Analysis. All rights reserved. No portion of this report may be reproduced without express written permission.

APPLIED ANALYSIS

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

Applied Analysis is a Nevada-based advisory services firm founded in 1997. We are an information and analysis resource for both the public and private sectors. Our team has extensive experience in economics, real estate, hospitality, gaming, information technology and finance. We apply this knowledge in an effort to develop creative solutions to our client's challenges. To put it simply, we are a solutions resource. Our firm is guided by our core values – integrity, diligence and dedication. Our future is branded by the success of our clients and the quality of our professionals. Our commitment lies therein.

Q2 2013

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