



## **Industrial vacancies remain low Inventory of space rises to 96.4 million square feet during second quarter**

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[Las Vegas](#)' industrial market posted another strong quarter as vacancy rates remained relatively low at 4.4 percent, a local real estate observer said.

Vacancy was lowest in warehouse and distribution space (2.6 percent) and highest for flexible research and development space (11.6 percent), a second-quarter report from [Restrepo Consulting Group](#) and [Colliers International](#) shows.

Low vacancy combined with significant increases in lease rates suggest that demand for industrial space in Las Vegas remains high, consultant [John Restrepo](#) said.

"Most of the good space is gone. That vacancy is a reflection of less desirable space, old stuff west of (Interstate) 15 off [Arville](#) (Street) and Valley View (Boulevard)," he said. "That space is obsolete and doesn't work well."

Developers completed 1.3 million square feet of industrial space during the quarter, bringing total inventory to 96.4 million square feet, Restrepo reported. Roughly 2.5 million square feet is under construction and another 5 million square feet is planned.

The focus of industrial demand is on the southwest and North Las Vegas submarkets, Colliers managing partner Vic Donovan said. Tenants like to be along the Las Vegas Beltway and I-15 to serve a growing economy driven by the resort and construction industries, he said.

Net absorption, or the amount of space taken by industrial tenants, was 1.1 million square feet. Average monthly asking lease rates rose 1 cent from the previous quarter to 82 cents a square foot. That's up from 75 cents a year ago.

Limited supply of industrial space and continued demand will ensure strong activity well into 2008, CB Richard Ellis managing director Craig Shute said.

CB reported 4.9 percent vacancy and monthly lease rates of 79 cents a square foot. While material costs have stabilized, asking rates for new development continue to be driven by land cost and higher development fees, Shute said.

Denver-based ProLogis, which acquired the portfolio of industrial developer Dermody Properties for \$1.8 billion earlier this month, issued a report that said "market conditions are so tight in a number of markets (Los Angeles Basin, Las Vegas, South Florida and Tampa, Fla.) that property owners now wield the upper hand in most lease negotiations."

Grubb & Ellis research analyst Dave Dworkin said the shortage of industrial land in the Las Vegas Valley presents a challenge for warehouse distribution development. Flexible, mixed-use projects have become more feasible.

Some developers are offering new product in shell condition with a modest tenant improvement allowance to keep lease rates competitive, he said.

Grubb & Ellis showed second-quarter industrial vacancy at 5.2 percent for total inventory of 88.3 million square feet. Asking rents are \$9.95 a square foot per year.

Restrepo said Las Vegas is particularly short of warehouse distribution space.

"Some people think, 'Oh, industrial, it must be a dirty polluter so who cares if they're not here,'" Restrepo said. "It is a concern from the economic diversification standpoint. A healthy economy has a balanced mix of land uses. Let's call it a wide range of land uses."

Beltway Business Park, a joint venture between Thomas & Mack Development Group and Majestic Realty, and Speedway Commerce Center by Harsch Investment Properties released more than 500,000 square feet into the market during the second quarter.

The first five buildings at Beltway Business Park are finished. Nevada Power is expected to move into the fifth building after an extensive build-out, Majestic vice president Rod Martin said. Three more pads have been poured for 850,000 square feet of industrial space.

Most tenants in the southwest submarket want to be close to the resort corridor, Martin said. Brady Industries, a commercial laundry business serving the Strip, took 252,000 square feet for its national headquarters and janitorial supply operations after reaching capacity at its original facility.

#### **BY THE NUMBERS**

|                                   | <b>Q2 2007</b> | <b>Q1 2007</b> | <b>Q2 2006</b> |
|-----------------------------------|----------------|----------------|----------------|
| Industrial inventory(square feet) | 96.4 million   | 95.1 million   | 90 million     |
| Under construction (sf)           | 2.5 million    | 2.8 million    | 4.2 million    |
| Planned (sf)                      | 5 million      | 5.3 million    | 3.6 million    |
| Vacancy rate                      | 4.4 percent    | 4.3 percent    | 3.1 percent    |
| Monthly lease rate (psf)          | 82 cents       | 81 cents       | 75 cents       |
| Net absorption (sf)               | 1.1 million    | 1.9 million    | 1.7 million    |
| Completions (sf)                  | 1.3 million    | 2.3 million    | 1.2 million    |

Source: Restrepo Consulting Group and Colliers International