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2004 COMMERCIAL MARKETS PICKING UP STEAM

LAS VEGAS (January 8, 2004) - The recovery of the national and Las Vegas economies that has been widely touted in the newspapers has become a reality. Although the overall vacancy rates in our three commercial markets increased during 2003, the change was very minor. In general, developers, lenders and brokers report that market activity is strong, leading to a strong indication that 2004 will be a healthy year.

INDUSTRIAL

The Overall Market

The Las Vegas Valley's industrial inventory increased in 2003 by almost 3 million sf, to a total of 80.4 million sf. This represents an increase of 4 % over 2002's year-end inventory, and is considerably less than 2002's completions of 4 million sf. That said, the 2 million sf of industrial space under construction posted at the end of the year represented an increase of 54% from the 1.4 million recorded in 2002. This would suggest improving local and, especially national, economy.

The 3 million sf of industrial space planned to begin construction at the end of 2003 was significantly less than the 5.9 million sf posted at the end of 2002. It has been common knowledge for several quarters that land prices in the last 12 to 18 months, combined with lenders restricting the funding of speculative projects, have been limiting speculative industrial development in the Valley.

Net absorption in 2003 was 1.4 million square feet and was nearly half of the net absorption posted in 2002. Net absorption in 2003 represented 47% of annual completions. In 2002, net absorption represented 66% of completions. However, certain recent trends in the local and national economies indicate a stronger industrial market in 2004. **Again, the issue will not be a lack of demand but insufficient supply because of rapidly increasing land prices that have it made difficult for industrial development to "pencil out."**

The direct vacancy rate increase in 2003 to 10.1% compared to 9.7% in 2002. The average asking lease rate for industrial space in 2003 was \$0.56 per sf, a 12% increase over the \$0.50 per sf posted in 2003.

The Products & the Submarkets

The healthiest product in 2003 was light industrial space that posted a year-end vacancy of 8% with 341,00 sf of absorption. Warehouse/distribution and light distribution space followed with vacancies of 13.3%/687,000 sf of absorption and 13.4%/500,000 sf of absorption.

Of the 2 million sf under construction at the end of 2003, 1.5 million sf or 75% was in North Las Vegas.. Additionally, 1.5 million sq feet was warehouse distribution space, 1.3 million sf of which was in North Las Vegas. This is a testament to fact that the North Las Vegas remains the only "affordable" industrial submarket in the Valley. It's also a testament to the types of industrial tenants being attracted to the Valley.



OFFICE

The Overall Market

The Las Vegas office inventory increased in 2003 by 1.3 million sf, to a total of 25.6 million sf. This represents an increase of 4.9% to the Valley's office inventory, and is less than 2002's completions of 1.9 sf. That said, the total amount of office space under construction increased in 2003 to 1.2 million sf, from 416,000 in 2002.

The amount of office space planned to begin construction also increased in 2003 to 2.8 million sf from 2,120,213 sf posted in 2002. Net absorption in 2003 was down slightly from 2002. Year-end absorption totaled 1.04 million sf compared to 1.2 million sf last year. 2003 absorption represented 82% of the space added to the office inventory this year.

A total of 1.2 million sf are presently under construction, an increase from the 416,000 sf under construction in Quarter 4, 2002. Most of this space is in Henderson with 568,000 sf, followed by the Southwest with 322,000 sf and the Northwest with 208,000 sf. The space under construction is split between all four products types: Class A (68,300 sf), Class B (706,000 sf), Class C (259,200 sf) and Medical (204,600 sf).

With the amount of space planned to begin construction within the next 12 months is up from 2002 to 2003, developers are looking forward to a recovery of the Valley's office market.

The office vacancy rate at year-end 2003 stood at 13.6%, with 3,500,000 sf of space directly vacant. This is a slight increase over 2002's year-end vacancy rate of 13.2%. The average asking lease rate for office space at year-end 2003 was \$1.90 psf, up from \$1.84 at year-end 2002.

Most of the net absorption this year was in Class B space with 436,000 sf, followed by Class C space with 289,875 sf, Class A space with 180,700 sf and Medical with 129,000 sf. Geographically, the largest amount of absorption was seen in the Northwest with 359,281 sf, Henderson with 356,000 sf, and West Central with 225,100 sf. East Las Vegas was the only submarket to experience negative net absorption with -62,400 sf.

RETAIL

The Overall Market

The Las Vegas retail inventory increased in 2003 by 3.35 million sf, to a total of 33.1 million sf. This represents an increase of 11.4% to the total inventory, and is considerably more than 2002's completions of 1.8 million sf. That said, the amount of retail space under construction decreased in 2003 to 1.1 million sf, from 2.1 million sf at year-end 2002.

The amount of retail space planned to begin construction remained level in 2003 at 2.7 million sf, compared to 2.5 million sf in 2002. Net absorption in 2003 (2.9 million sf) far outpaced net absorption in 2002 (1.8 million sf). 2003 absorption represented 86% of the space added to retail inventory this year.

A total of 1.1 million sf are presently under construction, a decrease from the 2.1 million sf under construction at the end of 2002. Most of this space was in Henderson and North Las Vegas submarkets with 600,000 sf.



At the end of 2004, space under construction was roughly split between Community Centers and Neighborhood Centers. With the amount of space planned to begin construction within the next 12 months being relatively stable from 2002 to 2003, developers would appear to be optimistic about the health of the Valley's retail market.

The Valley-wide net retail absorption increased to 2.9 million sf this year from 1.8 million last year. Net absorption had been averaging 874,100 sf per quarter through the first three quarters of 2003. In Quarter 4, it posted a net absorption of nearly 238,000 sf. While this quarter's performance does not duplicate that seen over the first three quarters, it demonstrates that there is still demand for retail space in the Valley.

The retail vacancy rate at year-end 2003 stood at 4.1%, with 1.4 million sf of space being directly vacant. This is a slight increase over 2002's year-end vacancy rate of 3.1%. The average asking lease rate for retail space at year-end 2003 was \$1.67 psf, up by 25% from \$1.34 at year-end 2002.

The Products & the Submarkets

Most of the net absorption this year was in Community Center space with 2 million sf, followed by Neighborhood Center space with 624,400 sf and Power Center space with 254,000 sf. Geographically, the largest amount of absorption was seen in the Southwest with 1.4 million sf absorbed and the Northwest with 589,000 absorbed. Downtown, North Las Vegas and West Central all experienced negative net absorption through 2003.

WHO WE ARE

Colliers International and Restrepo Consulting Group LLC have the most experienced team of commercial real estate brokers, regional economists, real estate market analysts and appraisers in Southern Nevada. Both firms advise the real estate and gaming industries, as well as federal, state, and local governments. The firms have offices in Las Vegas, and provide strategic management advice to clients throughout the Western U.S. For more information on each firm you can visit our websites at www.lvcolliers.com and www.rcgl.com.

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