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**Las Vegas Industrial Survey
2nd Quarter 2014**



BELTWAY BUSINESS PARK



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4505 South Maryland Parkway
BEH 530B
Las Vegas, Nevada 89154
www.liedinstitute.com

July 24, 2014

Re: *Industrial Real Estate Survey: 2nd Quarter, 2014*

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produce the *Lied-RCG Commercial Real Estate Survey* ("the Survey") containing the most comprehensive, timely and accurate data and analysis on the Las Vegas Valley's industrial, speculative office and anchored retail markets.

RCG Economics has partnered with the Lied Institute to produce objective and independent quarterly surveys on the health and state of the commercial real estate market. RCG is a leader in real estate market research and analysis, including commercial real estate and economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, certificate programs and community outreach activities.

The Survey is born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. Developing this Private-Public Partnership to collect, analyze and release unbiased information is further proof of this commitment. Equally important, the data herein are collected as close as possible to the end of each quarter.

This survey documents historical and current market conditions at the Valley and submarket levels. The data contained within are organized and tracked by our in-house research analysts and economists to provide the best analysis of Las Vegas' commercial real estate markets. The survey contains a variety of meaningful market indicators, including:

- ◆ Total existing inventory
- ◆ New and planned construction activity
- ◆ Vacancy and occupancy levels
- ◆ Net Absorption
- ◆ "Coupon" or quoted monthly rents

Further, our three commercial (industrial, office and retail) databases contain benchmark building data, by submarket, dating back to 1996. This information allows us to develop "custom" studies for our readers and clients. It is through this survey and our other services and products, that we remain the "Source for Decision Makers."

Regards,

John Restrepo
RCG Economics

Marcus Conklin
Lied Institute for Real Estate Studies-UNLV

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3900 Paradise Road, Suite 209
Las Vegas, Nevada 89169
www.rcg1.com

LAS VEGAS INDUSTRIAL SURVEY

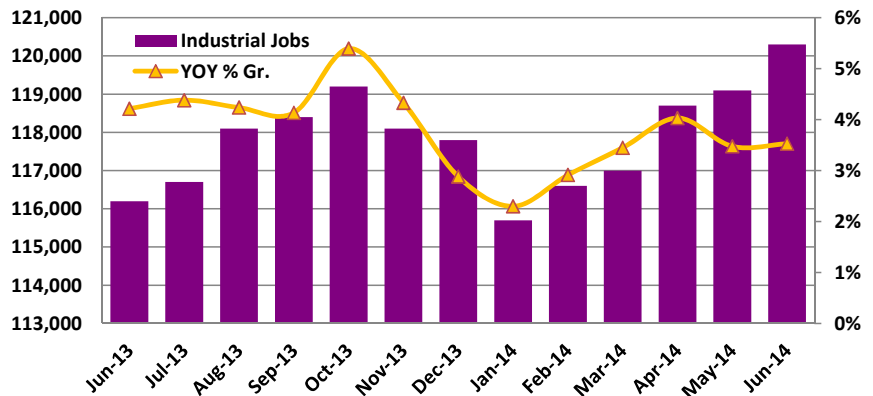
SUMMARY

The Las Vegas Valley's ("the Valley") industrial market¹ ended Q2, 2014 with an inventory of 107.7 million square feet ("sf"). Net absorption (net demand) during Q2 was 1,456,000 sf. The quarter ended with an industrial vacancy rate of 9.7%, 4.2 percentage points lower than the same time last year. At \$0.58 per square foot ("psf") NNN², the average monthly asking rent for industrial space was higher than Q1 (\$0.54 psf) and Q2, 2013 (\$0.50 psf). At the end of Q2, there were 1 million sf of industrial forward-supply³ (all under construction - no space fitting our criteria was recorded as being in the planning stages). All under-construction space was in warehouse/distribution and light industrial buildings. Performance metrics for the Valley's industrial market in the last four quarters indicate that we are now in the midst of a recovery.

INDUSTRIAL-RELATED JOBS

Jobs in the industrial space-using sector represented 15% of all private jobs in Clark County in June. There were 120,300 such jobs at the end of June 2014, 4,100 more (+3.5%) than in June 2013.⁴ Since January, industrial sector job growth has returned and posted strong growth (>3%) in each of the last four months. Manufacturing (+500 jobs, +2.4%) and transportation & warehousing (+700 jobs, +2.1%) have both shown significant year-over-year growth, but construction jobs are leading the way with 5.9% growth (+2,400 jobs) since June 2013.

Clark County Total* Industrial Jobs and Annual Growth (Jun-13 to Jun-14)



*Natural resources, construction, manufacturing, and transportation & warehousing industries. Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

Industrial Employment

Industry Sector	Apr			May			Jun		
	2014	2013	% Ch.	2014	2013	% Ch.	2014	2013	% Ch.
Nat. Resources	300	300	0.0%	300	300	0.0%	300	300	0.0%
Construction	42,300	40,300	5.0%	42,300	40,000	5.8%	43,100	40,700	5.9%
Manufacturing	21,200	20,600	2.9%	21,300	20,800	2.4%	21,400	20,900	2.4%
Wholesale	20,600	20,100	2.5%	20,700	20,200	2.5%	20,800	20,300	2.5%
Transp. & Warehousing	34,300	32,800	4.6%	34,500	33,800	2.1%	34,700	34,000	2.1%
Total	118,700	114,100	4.0%	119,100	115,100	3.5%	120,300	116,200	3.5%

Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

VACANCY & RENTS

On the heels of nearly 1.5 million sf of absorption, the Valley's total industrial vacancy rate (directly vacant space plus vacant sublease space) decreased to 9.7% in Q2, down from 11.1% in Q1 and 13.9% in Q2, 2013. Vacancy levels have shown notable improvement in all quarters since peaking in Q3, 2012 when the vacancy rate stood at 15.5%. This change is reflected in the increased demand for industrial space since Q1, 2013.

On a submarket basis, the lowest industrial vacancy rate in Q2 was found in Henderson at 5.4%, down from 8.6% last quarter, a 3.2 percentage-point downward change. The Northwest submarket continues to post the highest rate among the Valley's seven submarkets at 16.6%, but 1.5 percentage points lower than the previous quarter's 18.1% rate. For the largest industrial submarket (the Southwest), the vacancy rate declined by 2.0 percentage points from 13.0% in Q1, 2014 to 11.0% this quarter. The

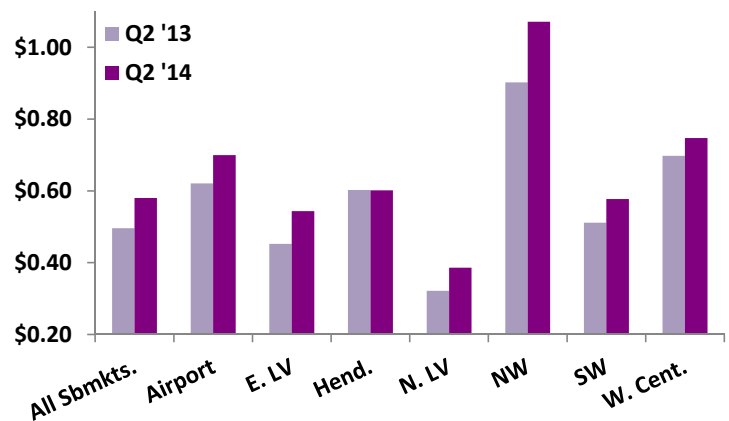
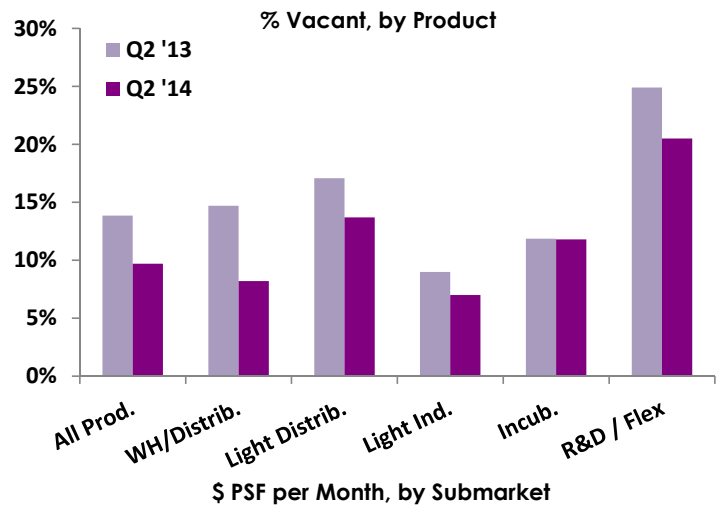
North Las Vegas, East Las Vegas and West Central submarkets also saw vacancy rate decreases from Q1 by 1.2, 1.1 and 1.0 percentage points, respectively. The Airport submarket was the only area to record an increase in vacancy rate for the quarter, from 14.7% to 15.9%. However, on a year-over-year basis, every submarket has improved.

By product type, both Incubator (+0.1 to 11.8%) and R&D/Flex (+0.4 to 20.5%) space experienced increases in vacancy in Q2 over the previous quarter. The largest drop, -2.8 percentage points, was in Warehouse & Distribution space, which is also the largest product type. Light Industrial space had the lowest vacancy among all industrial types at 7.0%, while R&D/Flex space had the highest vacancy rate at 20.5%.

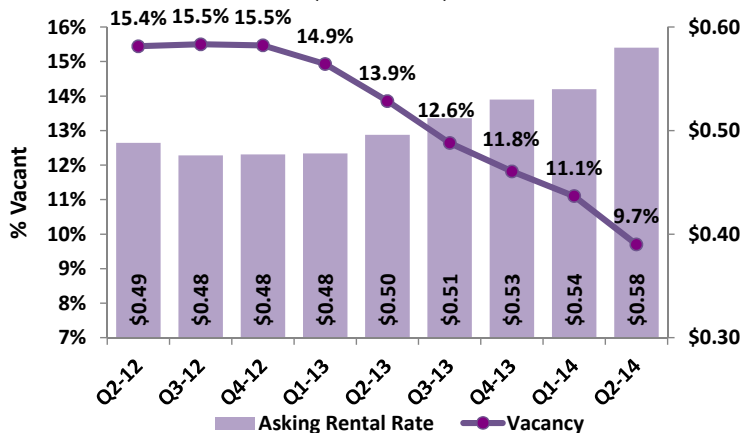
However, relative to Q2, 2013, all product types have experienced lower vacancy rates. Warehouse & Distribution space has seen the biggest change Y-O-Y with a 6.5 percentage point drop, while R&D/Flex experienced the next largest decline at 4.4 percentage points. The decreases in vacancy rates for Light Distribution, Light Industrial and Incubator space were 3.4, 2.0 and 0.1 points, respectively. Overall, the industrial vacancy rate dropped from 13.9% to 9.7%, a 4.2-point improvement.

Monthly asking rents for industrial space (calculated on a NNN basis — or not accounting for any operating expenses) have risen over the past four quarters. At \$.58 per sf in Q2, 2014, rents are up \$.04 since last quarter's \$.54 and \$.08 since Q2, 2013's \$.50 psf.

Las Vegas Valley Industrial Market Vacancy Trends: Q2, 2013 v. Q2, 2014



Las Vegas Valley Industrial Market Historical Vacancy vs. Monthly Asking Rent: Q2, 2012 - Q2, 2014



DEMAND

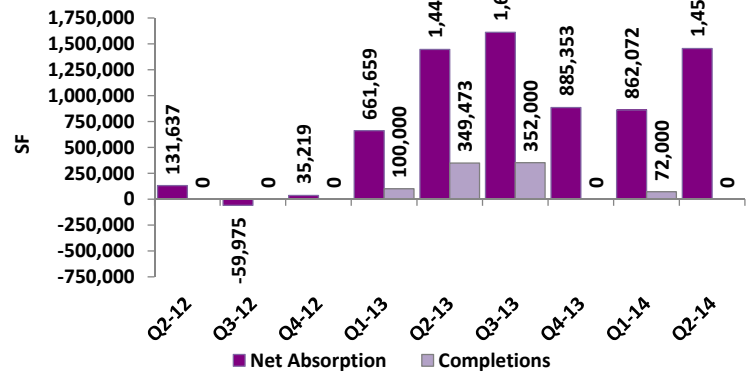
Demand in the Valley's industrial market (defined as total net absorption) was positive for the 7th straight quarter with 1,455,600 sf of net space absorbed in Q2, 2014. Year-to-date net absorption has been 2,317,700 sf compared to 2,108,400 for first half of 2013. It should also be noted that 2013 experienced 4.6 million sf of net absorption, the largest amount absorbed since 2007. The year-to-date ("YTD") difference in this year's first two quarters compared to last year's first two quarters is about +209,300 sf, so 2014 continues to look like it will be an even stronger year for growth in industrial demand. This is a good indicator of Southern Nevada's ongoing economic recovery.

By submarket, the Southwest saw the highest net absorption with 656,200 sf this quarter. The East Las Vegas (+30,600 sf), Henderson (+409,400 sf), North Las Vegas (+387,700 sf), Northwest (+20,800 sf)

and West Central (+125,700 sf) submarkets also posted increases in net absorption. Only the Airport submarket reported negative net absorption this quarter with -174,900 sf.

Product demand in Q2 showed improvements for Warehouse/Distribution, Light Distribution and Light Industrial, but decreased for both Incubator and R&D/Flex space. Warehouse/Distribution led the way with 1,274,500 sf absorbed for the quarter, much greater than the 196,200 sf absorbed last quarter. Negative net absorption was -27,900 sf for R&D/Flex space and just -4,300 sf for Incubator space. The Valley's positive net absorption over the last year was driven by the strong demand for Warehouse/Distribution space. There were 4.8 million sf of industrial space absorbed in that time, with a little over 3.0 million sf absorbed in Warehouse/Distribution space. All other products were also positive over the year: Light Industrial (853,400 sf), Light Distribution (598,700 sf), R&D/Flex (256,800 sf) and Incubator (8,700 sf).

**Las Vegas Valley Industrial Market
Historical Net Absorption vs. Completions:
Q2, 2012 - Q2, 2014**



SUPPLY

There were no industrial completions during Q2, 2014 and inventory remained 107.7 million sf in 4,205 buildings. Over the past year, 424,000 sf were brought to the market, in the form of three build-to-suit ("BTS") spaces primarily as Light Industrial buildings. In comparison to recent years, we see that no new space was completed in 2012 and only 152,000 sf was completed in 2011. One project has been completed year-to-date: VadaTech's 72,000-square-foot manufacturing facility, a light industrial building.

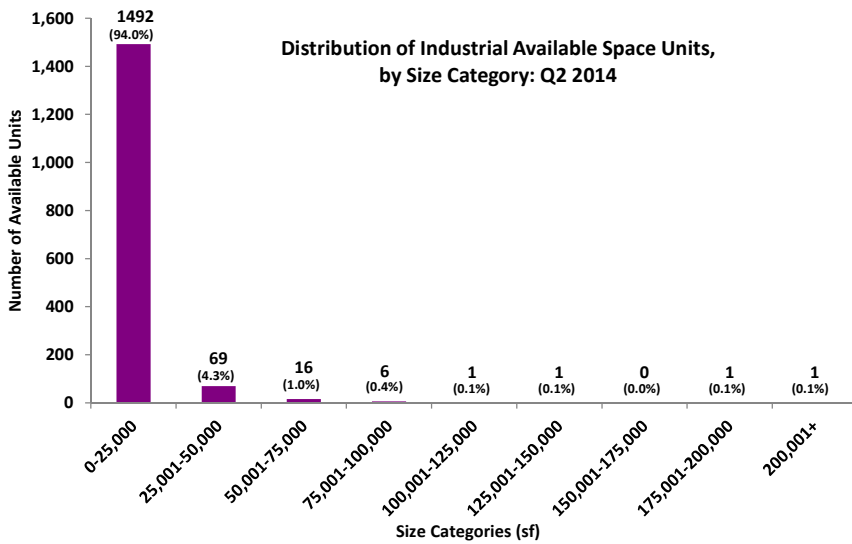
There were five projects under construction by the end of the quarter, which support the trend of BTS warehouse/distribution developments: Konami Gaming's expansion (193,000 sf in Airport); FedEx Distribution Center (296,000 sf in Henderson); Nicholas & Company (200,000 sf in North Las Vegas); and TJ Maxx's expansion (300,000 sf in North Las Vegas). There are also 40,000 sf of BTS Light Industrial space for the Tapia Brothers expansion ready to open in Q3.

An important measure of the near-term health of the commercial markets is the potential number of years of available supply. This quarter marks a milestone for the Valley industrial market, because the vacancy rate dipped below the 10% stabilized vacancy rate to 9.7%. This is a signal, concerning the health of the industrial market, for which the industry has long been waiting.

Still, one of the economic development challenges facing Southern Nevada is the lack of space of a certain size. There is critical shortage of space over 100,000 sf. This shortage continues to hamper the rate of economic development in the region, because there is mounting evidence that Southern Nevada has lost a number of prospective businesses to other markets due to the lack of large industrial spaces. Additionally, this shortage is limiting the growth potential of existing businesses, because of the inability to expand operations and hiring. This challenge is clearly illustrated in the following chart.

FURTHER THOUGHTS

As an important indicator of the steadily improving Southern Nevada economy, the industrial market has finally reached a healthy supply-demand balance with a vacancy rate of 9.7%. Local businesses continue to expand and the attention by firms from outside the state on the Las Vegas area continues to grow. The result: the Valley's industrial market saw net absorption of 1,456,000 sf this quarter and 2,317,700 sf year-to-date for 2014. This is a remarkable turnaround considering the depth and breadth of the Great Recession. However, the region is still facing a looming economic development and growth chal-



challenge in the form of a lack of available space with 100,001 sf or more. As shown above, at the end of Q2, there were only four buildings in this size range, less than half of what was available last quarter.

We would like, again, to refer our readers to a survey and market study RCG conducted (See <http://www.rcg1.com/industrial-building-survey-comparative-market-analysis-march-2014/>) for the Las Vegas Global Economic Alliance (<http://www.nevadadevelopment.org/>) on this shortage issue and its effects on Southern Nevada’s economic develop-

ment efforts.

We continue to encourage local government officials to think long-term and not convert “employment” land, especially office and industrial acreage, to residential uses. Short-term demand for a certain type of development — i.e. homebuilding — due to unusual market and lending conditions should not trump long-term planning. Nevada needs a healthy commercial/jobs-housing balance to support continued economic growth and economic development.

¹ Includes all single and multi-tenant for-lease and owner-occupied industrial Warehouse/Distribution, Light Distribution, Light Industrial, Incubator and R&D Flex properties with roll-up doors in the Las Vegas Valley.

² All industrial rents in this report are quoted on a monthly triple net (NNN) per square foot basis and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities. Rents are based on the direct vacant space in projects, not the average of leases in projects.

³ Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.

⁴ Includes the following industries: Natural Resources, Construction, Manufacturing, and Transportation & Warehousing and Wholesale Trade from the Nevada Department of Employment, Training and Rehabilitation’s latest employment statistics.

INDUSTRIAL MARKET GLOSSARY

Properties tracked have loading dock-grade-level doors. Building characteristics were used to define the appropriate subtype classification. These characteristics can include a building's primary use, size, type of loading doors, clear heights and parking ratios. A property must exhibit one or more of the typical building characteristics to be classified into subtypes.

Warehouse/Distribution

These buildings are the largest among the subtypes and are used for warehousing and distributing materials and merchandise. Warehouse facilities are primarily used for storage and distribution buildings are warehouse facilities designed to accommodate the freight and movement of products/goods.

- Multi- or single-tenant,
- Building/park size of at least 10,000 square feet,
- Dock-high doors (or grade-level doors) and clear heights of at least 16 feet, and
- Parking ratios of: 1-2/1,000 square feet - traditional warehouse/distribution
3-4/1,000 square feet - high velocity warehouse/distribution.

Light Distribution

These buildings are primarily used as a distribution transfer center for the transshipment of products/goods (usually to change the mode of transport or for consolidation or deconsolidation of goods before shipment).

- Multi- or single-tenant,
- Building/park size of at least 5,000 square feet, usually characterized by long narrow buildings,
- Cross-dock doors (or several dock high doors) with 12-16 feet clear height to accommodate transfer to/from multiple trucks, and
- Parking ratios of: 1-2/1,000 square feet - traditional warehouse/distribution
3-4/1,000 square feet - high velocity warehouse/distribution.

Light Industrial

These buildings are primarily used for light industrial manufacturing (rather than heavy industrial manufacturing that uses large amounts of raw materials, power and space) to produce and/or assemble products/goods for consumers as end-users.

- Multi- or single-tenant,
- Building/park size of at least 7,000 square feet,
- Grade-level doors (or dock-high doors) and clear heights usually between 13 feet and 18 feet, and
- Parking ratio of 4+/1,000 square feet.

Incubator

Buildings or portions of buildings that accommodate companies in the early phase of growth. The typical user generally needs 1,000 to 3,000 square feet of warehouse space plus 5% to 20% earmarked for office space with the remaining being the warehouse space. Because of its lower space needs, an incubator tenant is usually a low-volume business needing more less frequent packing and unpacking activity and smaller shipment sizes.

- Multi-tenant,
- Building/park size of at least 5,000 square feet,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio: Less than 3/1,000 square feet.

R&D/Flex

These buildings are the smallest among the subtypes and are designed to allow its occupants to easily alternate uses as industrial space or office space. This may include:

- Industrial space generally as light industrial or incubator; and
- Office space generally as research and development (R&D) parks.
- Multi- or single-tenant,
- Building/park size of at least 2,000 square feet,
- Grade-level doors with clear heights less than 15 feet, and
- Parking ratio of 3-4/1,000 square feet.

Industrial Market Matrix

Las Vegas, Nevada Second Quarter, 2014

SUBMARKETS								
TOTAL INDUSTRIAL MARKET	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	501	149	533	1,014	81	1,279	648	4,205
Total Rentable SF	14,127,625	2,823,817	12,770,916	31,452,029	1,336,299	33,137,033	12,016,433	107,664,152
Total Vacant SF	2,249,249	178,036	690,915	2,622,163	221,508	3,649,987	856,813	10,468,671
Total Occupied SF	11,878,376	2,645,781	12,080,001	28,829,866	1,114,791	29,487,046	11,159,620	97,195,481
Total Vacant (%)	15.9%	6.3%	5.4%	8.3%	16.6%	11.0%	7.1%	9.7%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	222,000	0	72,000	0	0	130,000	0	424,000
Total Net Absorption QTD	-174,873	30,550	409,433	387,654	20,842	656,226	125,748	1,455,580
Total Net Absorption YOY	566,553	149,024	302,967	2,194,321	210,872	1,350,801	39,426	4,813,964
Asking Rents (\$ PSF)	\$0.70	\$0.54	\$0.60	\$0.39	\$1.07	\$0.58	\$0.75	\$0.58
Under Construction SF	193,000	0	296,000	540,000	0	0	0	1,029,000
Planned SF	0	0	0	0	0	0	0	0

WAREHOUSE/DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	78	18	77	176	5	140	52	546
Total Rentable SF	4,844,394	907,075	6,459,019	18,506,459	223,661	13,066,312	1,939,836	45,946,756
Total Vacant SF	496,686	9,700	140,166	1,537,978	13,367	1,499,094	73,282	3,770,273
Total Occupied SF	4,347,708	897,375	6,318,853	16,968,481	210,294	11,567,218	1,866,554	42,176,483
Total Vacant (%)	10.3%	1.1%	2.2%	8.3%	6.0%	11.5%	3.8%	8.2%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	130,000	0	130,000
Total Net Absorption QTD	-105,564	-305	300,041	318,151	37,000	627,714	97,503	1,274,540
Total Net Absorption YOY	233,688	20,565	117,365	1,836,601	31,907	854,767	1,423	3,096,315
Asking Rents (\$ PSF)	\$0.43	\$0.45	\$0.70	\$0.34	\$0.49	\$0.49	\$0.47	\$0.43
Under Construction SF	193,000	0	296,000	500,000	0	0	0	989,000
Planned SF	0	0	0	0	0	0	0	0

LIGHT DISTRIBUTION	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	68	19	37	167	1	181	40	513
Total Rentable SF	3,169,129	340,675	1,571,703	4,848,934	51,000	6,930,636	775,747	17,687,824
Total Vacant SF	623,101	20,300	174,185	523,426	34,426	957,500	90,684	2,423,622
Total Occupied SF	2,546,028	320,375	1,397,518	4,325,508	16,574	5,973,136	685,063	15,264,202
Total Vacant (%)	19.7%	6.0%	11.1%	10.8%	67.5%	13.8%	11.7%	13.7%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	-44,260	4,068	26,922	40,997	0	11,681	30,266	69,674
Total Net Absorption YOY	116,877	41,943	14,375	217,966	10,299	143,391	53,856	598,707
Asking Rents (\$ PSF)	\$0.63	\$0.79	\$0.45	\$0.32	\$0.70	\$0.52	\$0.44	\$0.50
Under Construction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

Industrial Market Matrix

Las Vegas, Nevada Second Quarter, 2014

SUBMARKETS

LIGHT INDUSTRIAL	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	199	91	313	594	16	740	482	2,435
Total Rentable SF	3,076,809	1,135,150	3,057,009	6,755,260	290,111	9,121,042	6,622,403	30,057,784
Total Vacant SF	362,047	68,883	184,441	368,701	9,957	632,165	489,049	2,115,243
Total Occupied SF	2,714,762	1,066,267	2,872,568	6,386,559	280,154	8,488,877	6,133,354	27,942,541
Total Vacant (%)	11.8%	6.1%	6.0%	5.5%	3.4%	6.9%	7.4%	7.0%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	222,000	0	72,000	0	0	0	0	294,000
Total Net Absorption QTD	-4,564	6,311	30,632	55,377	-9,957	42,299	23,485	143,583
Total Net Absorption YOY	274,267	49,587	105,351	79,887	20,955	273,642	49,761	853,449
Asking Rents (\$ PSF)	\$0.88	\$0.52	\$0.67	\$0.37	\$0.90	\$0.63	\$0.79	\$0.63
Under Constuction SF	0	0	0	40,000	0	0	0	40,000
Planned SF	0	0	0	0	0	0	0	0

INCUBATOR	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	89	13	29	31	4	120	62	348
Total Rentable SF	1,714,621	298,623	456,906	561,552	99,325	2,496,381	2,458,615	8,086,023
Total Vacant SF	354,222	56,754	36,249	75,639	15,204	232,546	179,898	950,512
Total Occupied SF	1,360,399	241,869	420,657	485,913	84,121	2,263,835	2,278,717	7,135,511
Total Vacant (%)	20.7%	19.0%	7.9%	13.5%	15.3%	9.3%	7.3%	11.8%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	-52,030	38,630	14,180	-17,365	-912	27,528	-14,362	-4,331
Total Net Absorption YOY	-73,611	54,780	32,050	-4,812	6,919	40,559	-47,154	8,731
Asking Rents (\$ PSF)	\$0.76	\$0.45	\$0.50	\$0.54	\$0.65	\$0.74	\$0.96	\$0.75
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

R&D / FLEX	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
Number of Properties	67	8	77	46	55	98	12	363
Total Rentable SF	1,322,672	142,294	1,226,279	779,824	672,202	1,522,662	219,832	5,885,765
Total Vacant SF	413,193	22,399	155,874	116,419	148,554	328,682	23,900	1,209,021
Total Occupied SF	909,479	119,895	1,070,405	663,405	523,648	1,193,980	195,932	4,676,744
Total Vacant (%)	31.2%	15.7%	12.7%	14.9%	22.1%	21.6%	10.9%	20.5%
Completions QTD	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0
Total Net Absorption QTD	31,545	-18,154	37,658	-9,506	-5,289	-52,996	-11,144	-27,886
Total Net Absorption YOY	15,332	-17,851	33,826	64,679	140,793	38,442	-18,460	256,761
Asking Rents (\$ PSF)	\$0.85	\$0.73	\$0.77	\$0.79	\$1.15	\$0.91	\$0.75	\$0.90
Under Constuction SF	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

INDUSTRIAL SUBMARKET MAP

