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REAL ESTATE STUDIES
LEE BUSINESS SCHOOL

Las Vegas Valley Executive Summary

Industrial Market • 4th Quarter 2013



BELTWAY BUSINESS PARK



January 23, 2014

Re: Commercial Real Estate Survey: 4th Quarter, 2013

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 in economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, 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 is 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 herein 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,

A handwritten signature in blue ink that reads "John Restrepo".

John Restrepo
RCG Economics

A handwritten signature in black ink that reads "Marcus Conklin".

Marcus Conklin
Lied Institute for Real Estate Studies-UNLV

LAS VEGAS VALLEY INDUSTRIAL MARKET

SUMMARY

The Las Vegas Valley's ("the Valley") industrial market¹ ended Q4 with an inventory of 107.6 million square feet ("sf"). Demand during the final quarter of 2013 was 885,400 sf, bringing the 2013 total to 4.6 million sf, the highest level recorded since 2007. The year ended with an industrial vacancy of 11.8%, 3.7 percentage points below year-end 2012. At \$0.52 per square foot ("psf") NNN², the average asking rent for industrial space was above last quarter (\$0.51 psf) and the same quarter last year (\$0.48 psf). At the end of 2013, there were 1 million sf of industrial forward-supply, all under construction as we recorded no space in the planning stages. All under construction space was for Warehouse/Distribution facilities. Although industrial employment has yet to stabilize, performance metrics for the Valley's industrial market in 2013 overall indicates that we are now in the midst of a recovery.

INDUSTRIAL-RELATED JOBS

Employment in the industrial sector represents 15% of all private employment in Clark County. There were 111,500 industrial-related jobs as of November 2013, 1,700 less (-1.5%) from the same month last year.³ After finally turning positive beginning in May 2012 to June 2013, annual industrial employment growth has since been negative over the past five months. These losses were largely due to the construction and transportation & warehousing industries. Meanwhile, the wholesale industry has expanded while natural resources and manufacturing have been flat.

VACANCY & RENTS

The Valley's total industrial vacancy rate (directly vacant plus vacant sublease space) was 11.8% in Q4, down from the 12.6% recorded for the previous quarter and the 15.5% in Q4, 2012. Vacancy levels have shown notable improvements in all quarters of 2013 since dropping to 14.9% in Q1, 2013. Prior to that, vacancy stagnated between 15% and 16% since 2010.



Taxable Retail Sales	Oct-13	Oct-12	% Ch.
Clark County Taxable Retail Sales (12M total, \$ Bill.)	\$33.290	\$31.661	5.1%
Key Market Interest Rates	Dec-13	Dec-12	% Ch.
Federal Funds Rate	0.090%	0.160%	-43.8%
Prime Rate	3.250%	3.250%	0.0%
5-Year Treasury	1.580%	0.700%	125.7%
10-Year Treasury	2.900%	1.720%	68.6%
30-Day LIBOR	0.167%	0.211%	-20.7%
90-Day LIBOR	0.244%	0.309%	-21.2%
6-Month LIBOR	0.346%	0.515%	-32.7%
1-Year LIBOR	0.579%	0.848%	-31.7%
3-Year Swap	0.770%	0.470%	63.8%
5-Year Swap	1.640%	0.810%	102.5%
10-Year Swap	2.950%	1.750%	68.6%

Sources: Nevada Department of Taxation; Federal Reserve System; British Bankers' Association.

On a submarket basis, the lowest industrial vacancy rate was maintained in West Central, at 6.9% in Q4. The tiny Northwest submarket continued to post the highest rate among the Valley's seven submarkets at 17.9%, though it improved in Q4 by dropping 7.8 percentage points over the previous quarter's 25.7%. Among the larger industrial submarkets, vacancy in North Las Vegas declined the most, falling by 2.4 percentage points from Q3's 13.6%, followed by East Las Vegas' 2.2 percentage point drop to 8.2%. Minor improvements were also recorded in West Central and Southwest. The Airport and Henderson submarkets saw vacancy increase quarter over quarter, by 1.4 and 0.4 percentage points, respectively.

Three product types experienced a decrease in vacancy over the previous quarter in Q4: Warehouse/Distribution, Light Industrial and R&D/Flex. The largest drop, -1.5 percentage points, was in Warehouse/Distribution space. Vacancy rose slightly in Incubator (+0.3 percentage point) and Light Distribution (+0.1 percentage point). Light Industrial had the

lowest vacancy among all industrial types at 8.1%, while R&D/Flex space had the highest vacancy rate at 22.4%.

Monthly asking rents for industrial space (calculated on a NNN basis – or not accounting for any operating expenses) have risen over the past three quarters. At \$.52 per sf in Q4, 2013, rents are up just \$.01 over last quarter's \$.51 and down \$.04 over Q4, 2012's \$.48 psf. Adjusting historical quarterly asking rents for inflation, Q4's current average asking rent is \$0.21 below average real asking rents five years ago (Q4, 2008's \$.74 psf).

Demand

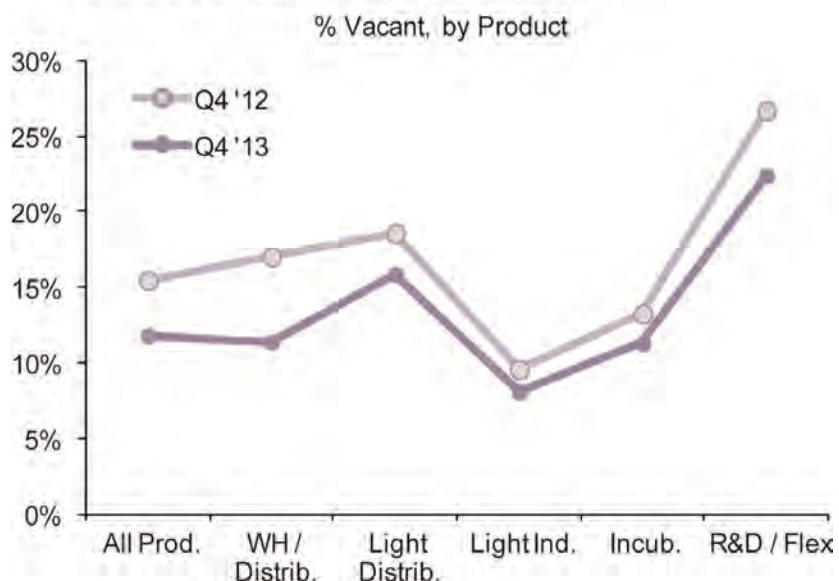
Demand in the Valley's industrial market (defined as total net absorption) was positive for the fifth straight quarter with 885,400 sf of net space absorbed in Q4. For 2013 overall, net absorption totaled over 4.6 million sf, much stronger than 2012's -317,400 sf total and is the largest amount absorbed since 2007.

By submarket, North Las Vegas saw the most net absorption this quarter with 763,800 sf of more space occupied over last quarter. East Las Vegas, Northwest, Southwest and West Central also posted increases ranging between 63,000 sf and 126,000 sf. Negative net absorption this quarter were recorded in Airport (-194,200 sf) and Henderson (-44,200 sf).

Demand by product types in Q4 showed improvements for Warehouse/Distribution, Light Industrial and R&D/Flex, but decreased for Light Distribution and Incubator. Warehouse/Distribution led the way with 671,000 sf absorbed for the quarter, but is less than the 954,500 sf absorbed in the previous quarter. The negative net absorption in Light Distribution and Incubator were -25,300 sf and -23,400 sf, respectively. The Valley's positive net absorption for the year overall was driven by the strong demand for Warehouse/Distribution space with nearly 3.1 million sf absorbed for the year. All other products were also positive for the year: Light Industrial (651,500 sf), Light Distribution (478,700 sf), R&D/Flex (252,300 sf) and Incubator (156,600 sf).

Las Vegas Valley Industrial Market

Vacancy Trends: Q4, 2012 v. Q4, 2013



Las Vegas Valley Industrial Market

Historical Vacancy vs. Monthly Asking Rent:
Q4, 2011 - Q4, 2013



SUPPLY

There were no industrial completions during Q4, 2013 and inventory remained at 107.6 million sf in 4,204 buildings. For the year, 801,500 sf were brought to the market in 2013, all in the form of six built-to-suit space primarily as Warehouse/Distribution buildings. In comparison to the previous recent years, we see that no new space was completed in 2012 and only 152,000 sf was completed in 2011.

There were five projects under construction by the end of the year, four of which support the trend of build-to-suit 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). The remaining project is a 70,000-sf Light Industrial building for VadaTech's manufacturing facility.

Industrial Employment

Industry Sector	Sep			Oct			Nov		
	2013	2012	% Ch.	2013	2012	% Ch.	2013	2012	% Ch.
Nat. Resources	300	300	0.0%	300	300	0.0%	300	300	0.0%
Construction	37,700	39,100	-3.6%	38,100	38,200	-0.3%	36,700	38,200	-3.9%
Manufacturing	20,400	20,300	0.5%	20,200	20,300	-0.5%	20,000	20,300	-1.5%
Wholesale	20,800	20,200	3.0%	20,900	20,300	3.0%	20,800	20,400	2.0%
Transp. & Warehousing	33,100	33,800	-2.1%	33,400	34,000	-1.8%	33,700	34,000	-0.9%
Total	112,300	113,700	-1.2%	112,900	113,100	-0.2%	111,500	113,200	-1.5%

Source: Nevada Department of Employment, Training & Rehabilitation.

An important measure of the near-term health of the commercial markets is the potential number of years of available supply. With vacancy at 11.8% and assuming a 10-year quarterly absorption average of 550,200 sf, we estimate that it would take about 1 year for the industrial market to reach a 10%-vacancy rate.

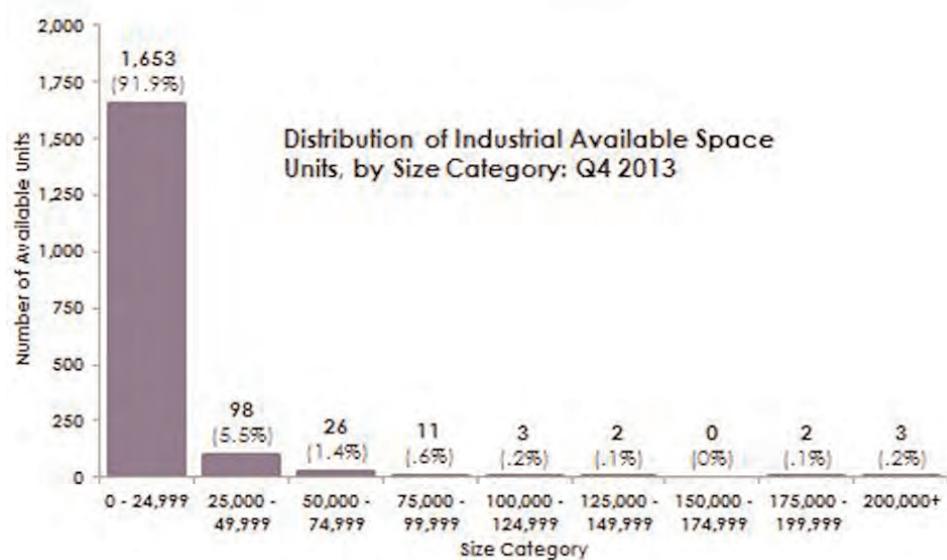
Industrial Market

Submarket	Total Inventory	Total Inventory Growth (Last 4 Qtrs.)	Occupied Inventory Growth (Last 4 Qtrs.)
Southwest	32,538,600	0.6%	3.5%
North Las Vegas	31,290,100	0.4%	10.1%
Airport	13,809,200	1.6%	3.0%
Henderson	12,793,900	0.0%	0.3%
West Central	12,019,100	0.0%	0.6%
East Las Vegas	2,823,800	0.0%	7.1%
Northwest	1,336,300	0.0%	27.5%

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. According to discussions with the local development community, this shortage is hampering the rate of economic development. There is evidence that the region has lost a number of prospective businesses to competing Western metros because of 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

The Valley's industrial market continued to steadily improve during 2013. While the trajectory of this growth was more moderate than the local commercial real estate industry would like, it was a major improvement over the 2009-12 period. During 2013, the monthly asking rent averaged \$0.50 psf, just barely above 2012's \$0.48 psf. Also, this is not much of a notable difference from 2010 (\$0.49 psf) and 2011 (\$0.52). And, as we noted previously, the Valley's industrial vacancy rate declined in every quarter of 2013 to 11.8% at the end of Q4. This shows a notable breakthrough after having stagnated between 15.1% and 16% in the three years prior since 2010. As the market enters 2014, headwinds remain because of a less than exciting job market, but RCG and Lied still see a healthier industrial market this coming year. Most local economic indicators continue to gradually improve in an "elongated Nike Swoosh" kind of way. The biggest challenge facing the local industrial market is what we noted above, a lack of readily available contiguous industrial space above 100,000 sf. The reasons are numerous: tough lending climate, Las Vegas' less than stellar economic recovery and land pricing and availability issues, to name a few. But the fact remains, this situation will potentially hamper the region's recovery and economic development efforts if not addressed during the next couple of years.



LAS VEGAS VALLEY

INDUSTRIAL MARKET MATRIX

Q4, 2013

	SUBMARKETS								
	Airport	East L.V.	Henderson	North L.V.	Northwest	Southwest	West Central	Total	
TOTAL INDUSTRIAL MARKET									
NUMBER OF EXISTING BUILDINGS	501	149	532	1,014	81	1,279	648	4,204	
TOTAL RENTABLE SF	14,127,625	2,823,817	12,698,916	31,452,029	1,336,299	33,137,033	12,016,433	107,592,152	
TOTAL VACANT SF	2,430,455	231,538	959,394	3,507,273	239,414	4,515,993	830,256	12,714,323	
TOTAL OCCUPIED SF	11,697,170	2,592,279	11,739,522	27,944,756	1,096,885	28,621,040	11,186,177	94,877,829	
TOTAL VACANT (%)	17.2%	8.2%	7.6%	11.2%	17.9%	13.6%	6.9%	11.8%	
COMPLETIONS QTD	0	0	0	0	0	0	0	0	
COMPLETIONS YOY	222,000	0	0	111,000	0	468,473	0	801,473	
TOTAL NET ABSORPTION QTD	-194,170	63,008	-44,172	763,842	104,301	125,910	66,634	885,353	
TOTAL NET ABSORPTION YOY	327,152	171,752	33,966	2,547,188	236,821	1,221,873	65,946	4,604,698	
ASKING RENTS (\$ PSF) NNN	\$0.63	\$0.52	\$0.59	\$0.35	\$0.66	\$0.55	\$0.71	\$0.52	
UNDER CONSTRUCTION SF	193,000	0	366,000	500,000	0	0	0	1,059,000	
PLANNED SF	0	0	0	0	0	0	0	0	
WAREHOUSE/DISTRIBUTION									
NUMBER OF EXISTING BUILDINGS	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	567,120	0	287,270	2,196,936	50,367	2,066,068	73,282	5,241,043	
TOTAL OCCUPIED SF	4,277,274	907,075	6,171,749	16,309,523	173,294	11,000,244	1,866,554	40,705,713	
TOTAL VACANT (%)	11.7%	0.0%	4.4%	11.9%	22.5%	15.8%	3.8%	11.4%	
COMPLETIONS QTD	0	0	0	0	0	0	0	0	
COMPLETIONS YOY	0	0	0	111,000	0	468,473	0	579,473	
TOTAL NET ABSORPTION QTD	-750	12,793	-51,566	570,817	0	140,008	-282	671,020	
TOTAL NET ABSORPTION YOY	126,126	35,937	92,649	1,981,316	-7,563	813,859	23,368	3,065,692	
ASKING RENTS (\$ PSF) NNN	\$0.38	\$0.00	\$0.52	\$0.32	\$0.49	\$0.46	\$0.47	\$0.40	
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									
NUMBER OF EXISTING BUILDINGS	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	672,488	24,368	169,907	709,115	34,426	1,061,941	139,008	2,811,253	
TOTAL OCCUPIED SF	2,496,641	316,307	1,401,796	4,139,819	16,574	5,868,695	636,739	14,876,571	
TOTAL VACANT (%)	21.2%	7.2%	10.8%	14.6%	67.5%	15.3%	17.9%	15.9%	
COMPLETIONS QTD	0	0	0	0	0	0	0	0	
COMPLETIONS YOY	0	0	0	0	0	0	0	0	
TOTAL NET ABSORPTION QTD	-124,331	6,308	20,660	93,890	7,478	-29,327	0	-25,322	
TOTAL NET ABSORPTION YOY	86,429	40,920	-8,345	229,473	47,806	94,506	-12,120	478,669	
ASKING RENTS (\$ PSF) NNN	\$0.58	\$0.43	\$0.45	\$0.34	\$0.29	\$0.58	\$0.46	\$0.50	
UNDER CONSTRUCTION SF	0	0	0	0	0	0	0	0	
PLANNED SF	0	0	0	0	0	0	0	0	

LAS VEGAS VALLEY

INDUSTRIAL MARKET MATRIX

Q4, 2013

	Airport	East L.V.	Henderson	North L.V.	Northwest	Southwest	West Central	Total
LIGHT INDUSTRIAL								
NUMBER OF EXISTING BUILDINGS	199	91	312	594	16	740	482	2,434
TOTAL RENTABLE SF	3,076,809	1,135,150	2,985,009	6,755,260	290,111	9,121,042	6,622,403	29,985,784
TOTAL VACANT SF	431,861	98,403	241,270	407,236	11,644	758,819	479,062	2,428,295
TOTAL OCCUPIED SF	2,644,948	1,036,747	2,743,739	6,348,024	278,467	8,362,223	6,143,341	27,557,489
TOTAL VACANT (%)	14.0%	8.7%	8.1%	6.0%	4.0%	8.3%	7.2%	8.1%
COMPLETIONS QTD	0	0	0	0	0	0	0	0
COMPLETIONS YOY	222,000	0	0	0	0	0	0	222,000
TOTAL NET ABSORPTION QTD	-8,148	43,907	-3,637	76,692	15,667	22,581	68,544	215,606
TOTAL NET ABSORPTION YOY	187,795	98,140	-19,494	217,053	14,958	130,880	22,181	651,514
ASKING RENTS (\$ PSF) NNN	\$0.76	\$0.46	\$0.57	\$0.44	\$0.43	\$0.56	\$0.76	\$0.61
UNDER CONSTRUCTION SF	0	0	70,000	0	0	0	0	70,000
PLANNED SF	0	0	0	0	0	0	0	0
INCUBATOR								
NUMBER OF EXISTING BUILDINGS	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	273,745	104,522	81,674	49,674	14,292	257,897	133,497	915,301
TOTAL OCCUPIED SF	1,440,876	194,101	375,232	511,878	85,033	2,238,484	2,325,118	7,170,722
TOTAL VACANT (%)	16.0%	35.0%	17.9%	8.8%	14.4%	10.3%	5.4%	11.3%
COMPLETIONS QTD	0	0	0	0	0	0	0	0
COMPLETIONS YOY	0	0	0	0	0	0	0	0
TOTAL NET ABSORPTION QTD	-7,681	0	-16,871	1,404	1,614	-217	-1,628	-23,379
TOTAL NET ABSORPTION YOY	9,072	-5,631	-32,101	99,906	18,531	37,665	29,114	156,557
ASKING RENTS (\$ PSF) NNN	\$0.81	\$0.58	\$0.45	\$0.49	\$0.65	\$0.68	\$0.88	\$0.71
UNDER CONSTRUCTION SF	0	0	0	0	0	0	0	0
PLANNED SF	0	0	0	0	0	0	0	0
R&D / FLEX								
NUMBER OF EXISTING BUILDINGS	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	485,241	4,245	179,273	144,312	128,685	371,268	5,407	1,318,431
TOTAL OCCUPIED SF	837,431	138,049	1,047,006	635,512	543,517	1,151,394	214,425	4,567,334
TOTAL VACANT (%)	36.7%	3.0%	14.6%	18.5%	19.1%	24.4%	2.5%	22.4%
COMPLETIONS QTD	0	0	0	0	0	0	0	0
COMPLETIONS YOY	0	0	0	0	0	0	0	0
TOTAL NET ABSORPTION QTD	-53,260	0	7,242	21,039	79,542	-7,135	0	47,428
TOTAL NET ABSORPTION YOY	-82,271	2,386	1,256	19,440	163,088	144,963	3,404	252,267
ASKING RENTS (\$ PSF) NNN	\$0.80	\$1.25	\$0.90	\$0.48	\$0.84	\$0.84	\$1.01	\$0.79
UNDER CONSTRUCTION SF	0	0	0	0	0	0	0	0
PLANNED SF	0	0	0	0	0	0	0	0

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 considered a specific classification of properties 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 industry 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.

LAS VEGAS VALLEY

INDUSTRIAL SUBMARKET MAP

