RCG ECONOMICS

Financial Advisory
Gaming & Hospitality
Public Policy Research
Real Estate Advisory
Regional & Urban Economics

Industrial Building Survey
&
Comparative Market Analysis
March, 2014

Prepared for the:

LAS VEGAS
GLOBAL ECONOMIC ALLIANCE

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March 31, 2014

Jonas Peterson, CEcD
Chief Operating Officer
Las Vegas Global Economic Alliance
6795 Edmond St., Ste. 260
Las Vegas, NV 89118

Re: Industrial Building Survey/Study ("the Study")

Dear Mr. Peterson:

RCG Economics LLC ("RCG") is pleased to submit the referenced study to the Las Vegas Global Economic Alliance. The purpose of this report is to address the question: Is there is a shortage of large-scale (100,000 square feet or more) industrial space in Las Vegas?

Our report is comprised of the three distinct activities: the results of survey of a select group of economic development professionals and commercial brokers, survey results of a select group of commercial developers and contractors and a comparative overview of market trends (Q4, 2013) in a group of nine Western U.S. industrial markets that compete with Las Vegas to determine the level and type of industrial development activity occurring in each market, including Las Vegas.

RCG would like to thank the LVGEA for its assistance in selecting RCG to conduct this very important study and for its review of the two survey instruments used in this report. Although kept confidential in order to obtain frank information, we would also like to thank the various economic development professionals, as well as commercial brokers, developers and contractors who participated in the two surveys. Interviewees were offered two ways to participate: an online survey using Survey Monkey and an electronic survey in PDF format that was emailed to RCG. RCG hopes that this report accomplished the objectives stated herein.

If you have any questions, please do not hesitate to contact us at your convenience by phone at 702-967-3188 ext. 401 or by email at jrestrepo@rcg1.com.

Regards,

RCG Economics LLC

RCG Economics LLC

Attachment

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TABLE OF CONTENTS

LAS VEGAS GLOBAL ECONOMIC ALLIANCE

INDUSTRIAL BUILDING SURVEY/STUDY

Introduction

The Las Vegas Global Economic Alliance ("LVGEA") retained RCG Economics LLC's ("RCG") to provide certain real estate advisory services relative to the state of the Las Vegas industrial market. Specifically, RCG's scope of work was comprised of three distinct activities:

- Part 1: Economic Developer/Commercial Broker Survey,
- Part 2: Commercial Developer/Contractor Survey and
- Part 3: Comparative Industrial Market Overview.

Specifically, RCG conducted the following activities:

Agreed Upon Scope of Work

Part 1: Economic Developer/Commercial Real Estate Broker Survey – Surveyed the major commercial brokerage firms and economic development organizations in Southern Nevada to quantify demand for existing, large industrial buildings (100,000 sq. ft. or larger). The survey instrument used is included in Appendix 1 of this report. Specifically, the survey was segmented into the following size ranges:

- 100,000-200,000,
- 201,000-300,000,
- 301,000-500,000,
- 501,000-1,000,000 and
- 1,000,001+ square feet ("sf")

The purpose of the Economic Developer/Commercial Broker Survey was to determine the following:

- How many prospective clients explored Southern Nevada for large industrial buildings last year?

- What is the level of interest or likelihood of purchase/relocation of those prospective clients? (Short listed by prospective business relocation clients, high likelihood of purchase/relocation if suitable building was available, general inquiries etc.).

- General trend information about prospective clients (Industry type, job creation potential).

- How many actual proposals were made by local developers to prospective users in the last three years?

Part 2: Commercial Developer/Contractor Survey – Survey commercial developers and contractors to identify obstacles to spec development of large industrial buildings (e.g., Demand, price, competition, land availability, zoning). This survey is included at the end of this report as Appendix 2.

Part 3: Comparative Industrial Market Overview – Collect information on a select set of Western U.S. industrial markets, which compete with Las Vegas, from publicly available commercial real estate sources (i.e., quarterly reports from major commercial brokerage firms) to highlight the level of industrial development activity in each Market Area ("MA"). The emphasis of this "literature search" was on identifying any information or data (as available) on large-scale industrial development activity. RCG prepared a set of comparative market indicator tables and charts plus a brief profile of each metro (Appendix 3), assessing overall market conditions as of the end of 2013, and any information on supply and demand patterns relating to industrial buildings of 100,000+ square feet.

The competitive markets that were investigated are:

- Albuquerque, NM
- Denver, CO
- Inland Empire, CA
- Los Angeles, CA
- Orange County, CA
- Phoenix, AZ
- Reno, NV
- Sacramento, CA
- Salt Lake City, UT

Important Note

Our study clearly shows a gap between supply and demand in Southern Nevada. This gap indicates an opportunity for Southern Nevada developers to add inventory. But many developers are not constructing new buildings.

Las Vegas has some of the most accomplished industrial developers in the country. Major developers like Majestic Realty, Prologis, Panatonni and others have extensive land holdings in Las Vegas, and many other institutional warehouse developers have explored this market as well. These developers understand the freight flows of from their decades of experience in leasing distribution space to companies that handle freight. They understand what types of buildings are appropriate for a given market, and they understand where their major distribution tenants want to locate facilities. Many of these developers are currently developing new buildings around the country, so it is not merely national economic conditions that are constraining large-scale industrial development in Southern Nevada.

That said, this study contemplates neither the role of national economic conditions in large-scale industrial development nor larger issues related to the flow of freight around the country and globally. Because large-scale industrial development occurs within a complex economic system, including factors such as supply and demand, there are additional opportunities to comprehensively study this issue to better understand the global movement of freight and its impact on development of warehouse distribution buildings in Southern Nevada.

Standard Assumptions & Limiting Conditions

This report was prepared under a specific set of assumptions and limiting conditions. They are delineated below:

1. RCG prepared, from third-party information collected by RCG, as well as our internal databases and sources, this study.

2. The LVGEA is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the analyses results.

3. The results of RCG's analyses apply only to the effective date of this study. The success of the LVGEA's plans will be affected by many related and unrelated economic conditions within a local, regional, national and/or world context. We assume no liability for an unforeseen change in the local, regional or national economies. Accordingly, we have no responsibility to update our report for events and circumstances occurring after the date of this study.

4. Our study was based on benchmark information. Thus, variations in the future could be material and have an impact on our study conclusions. Even if this study's hypothetical assumptions were to occur, there will usually be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. These could include major changes in economic and market conditions; and/or terms or availability of financing altogether; and/or major revisions in current state and/or federal tax or regulatory laws.

5. If our study is reproduced by the LVGEA, it must be reproduced in its entirety.

6. RCG makes no representation or warranty as to the accuracy or completeness of the third party information contained in this study, and shall have no liability for any representations (expressed or implied) contained in, or for any omissions from, our materials.

7. The working papers for this study will be retained in RCG's files and will be made available for your reference. We will be available to support the analyses, as required.

8. Unless otherwise stated in this report, no effort will be made to determine the possible effect, if any, of future Federal, State or local legislation, including any environmental or ecological matters or interpretations thereof.

9. We did not perform an audit, review or examination or any other attest function (as defined by the AICPA) regarding any of the third-party historical market, industry and economic benchmarks or demographic information used or included in the report; therefore, RCG does not express any opinion or any other form of assurance with regard to the same, in the context of this study.

PART 1

ECONOMIC DEVELOPER AND COMMERCIAL REAL ESTATE BROKER SURVEY

1. How many prospective clients/companies have explored Southern Nevada with your office in the past year for vacant industrial buildings (100,000 sf and higher)?

1. How many prospective clients/companies have explored Southern Nevada with your office in the past year for vacant industrial buildings (100,000 sq. ft. and higher)?		
Answer Options	Response Total	Response Count
Total number of inquiries, ranging from serious to generic inquiries: (#)	151	17
Estimated number of companies @ 50%	75.5	
	answered question	17
	skipped question	0

Commentary

To estimate the demand for existing, large and vacant industrial buildings **(100,000 +square feet ["sf"])**, a written survey was conducted of government and non-profit economic development organizations and commercial real estate brokers who specialize in industrial properties.

The first question asked was about the overall or general demand for these large industrial buildings, including the full range of inquiries from the most serious companies (clients) to the most generic inquiries (suspects) over the last year.

The total number of prospective companies requesting information on large vacant buildings was **151** during the past 12 months and this cumulative number was generated from **17** different survey participants.

However, this number of prospective relocations and expansions needs to be reduced to have a more accurate or realistic number of companies actually researching the Southern Nevada marketplace. The reduction is due to the fact that many companies will seek out different cities and locations for their building needs and sometimes purposely create a competitive environment between the cities and states.

Because this demand-focused survey asked each city in the Las Vegas Valley, Clark County, Mesquite, Laughlin, as well as 11 of the top industrial real estate brokers, in Southern

Nevada to document each of these inquiries, the opportunity for duplicate inquiries was very high.

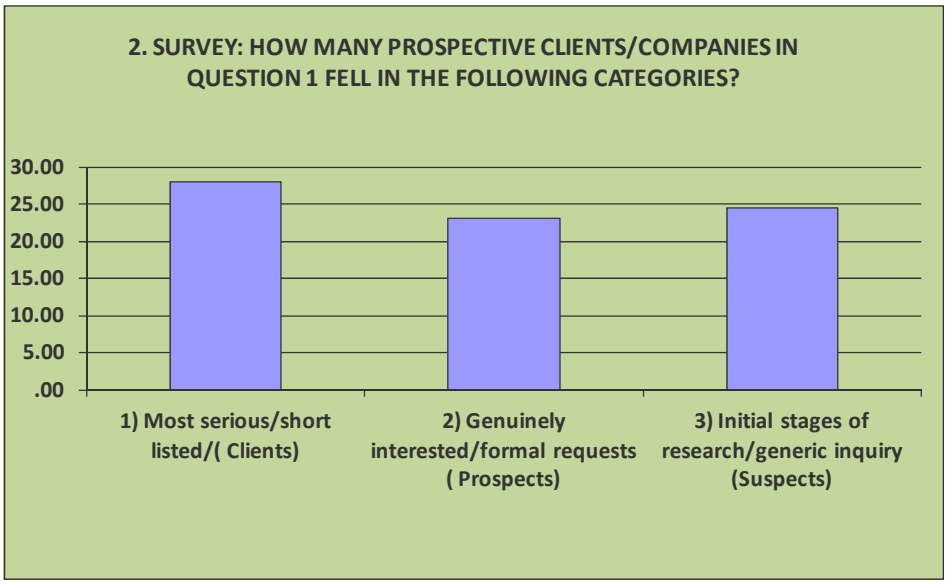
We are also cognizant of the fact that a large number of these prospective relocations will seek out locations in specific areas/cities due to their site selection criteria (e.g., rail oriented, freeway access, available labor force and community attributes); and these leads or inquiries will be unique leads. A similar uniqueness can exist as well for a company hiring a certain commercial real estate firm or industrial broker and those leads will not be counted as duplicates.

To insure a conservative estimate for the overall demand of these large and vacant industrial buildings, we recommend a 50% reduction in the total of 151 leads cited by the survey participants. This reduction will account for any potential duplication in leads. Therefore, our estimate for the "real demand" is in the range of **75-76** companies that researched Southern Nevada over the past 12 months.

The positive news for Southern Nevada is that 75-76 inquiries are a large number of companies researching our region for large buildings. The challenging news, documented later in this study, is how we can service or deliver an inventory to match these leads and opportunities.

2. How many prospective clients/companies in Question 1 fell in the following categories?

2. How many prospective clients/companies in Question 1 fell in the following categories?				
Answer Options	Response Total	50% Reduction	Response Count	
1) Most serious/short listed/(Clients)	56.00	28.00	17	
2) Genuinely interested/formal requests (Prospects)	46.00	23.00	17	
3) Initial stages of research/generic inquiry (Suspects)	49.00	24.50	17	
Total	151.00	75.50	17	
			answered question	17
			skipped question	0



Commentary

Knowing that these 75-76 prospective companies have varying degrees of interest in Southern Nevada, we asked our business recruitment experts and the industrial real estate brokers to divide their inquiries into three distinct categories.

The most serious inquiries were labeled as “clients,” genuinely interested companies were called “prospects” and companies doing initial stages of research or a generic inquiry were noted as “suspects”.

The total count for each category was:

- Clients: 56 companies
- Prospects: 46 companies

- Suspects: 52
- 49 companies

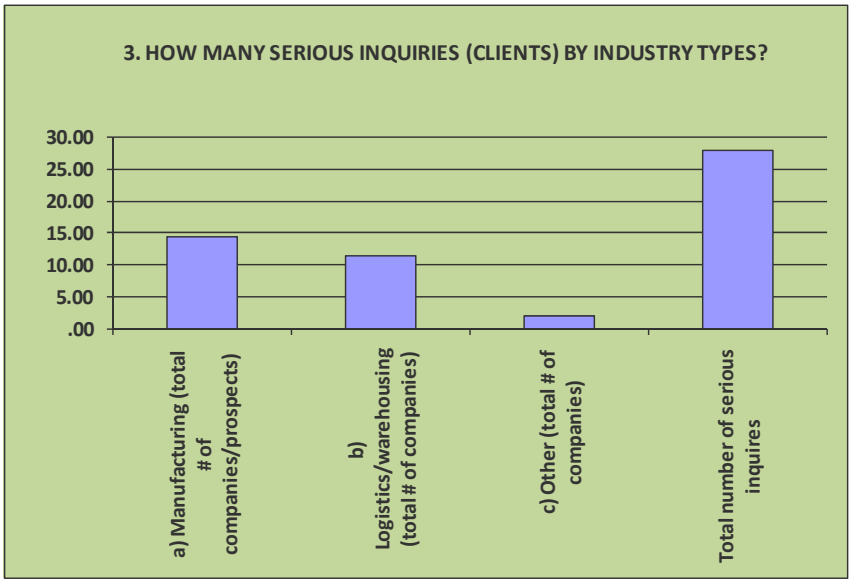
Using our 50% reduction formula that eliminated potential duplications of inquiries from multiple sources, we conservatively estimate the number of companies looking at Southern Nevada at:

- 28 serious clients/companies
- 23 genuinely interested prospects/companies
- 25 initial stage suspect/companies

Again, the good news is that over 50 companies have a serious or genuine interest in our region for large buildings. The ability to close these deals is the most interesting and challenging aspect of this process.

3. How many different types of businesses were serious inquiries (Clients) and what were there potential job creation numbers?*

3. How many different types of businesses were serious inquiries (Clients) and what were there potential job creation numbers?*					
a) Manufacturing (total # of companies/prospects)	29.00	14.50	51.8%	16	
b) Logistics/warehousing (total # of companies)	23.00	11.50	41.1%	16	
c) Other (total # of companies)	4.00	2.00	7.1%	16	
Total number of serious inquires	56.00	28.00	100.0%	16	
				answered question	16
				skipped question	1



Commentary

This survey also asked for details on the types of companies or industries that were making these inquiries for large industrial buildings. We also asked about the potential job creation numbers that each of these companies would make in Southern Nevada.

The most serious companies (clients) were divided into:

- 52%: manufacturing firms
- 41%: logistics/warehousing
- 7%: other uses.

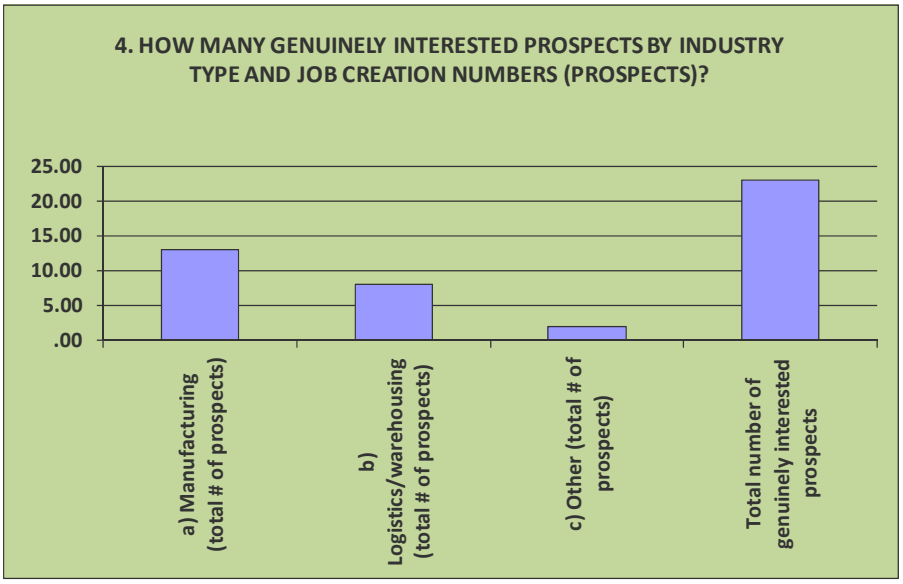
Since manufacturing companies tend to employ more workers than logistics/warehousing firms, this bodes well for our region in the terms of new employment opportunities and economic diversification.

The total number of jobs to be created by these serious companies/inquiries was estimated at 18,850. However, using the 50% reduction formula the estimated job creation numbers would be approximately 9,325 new jobs.

The average number of jobs to be created per company would still be constant with the survey's numbers and would provide approximately 330 jobs per company. Due to the large scale nature of these industrial buildings, the job count appears to be realistic as an average for each company.

4. How many genuinely interested prospects by industry type and job creation numbers (Prospects)?

4. How many genuinely interested prospects by industry type and job creation numbers (Prospects)?					
Answer Options	**Response Total**	**50% Reduction**	**% Share**	**Response Count**	
a) Manufacturing (total # of prospects)	26.00	13.00	56.5%	16	
b) Logistics/warehousing (total # of prospects)	16.00	8.00	34.8%	16	
c) Other (total # of prospects)	4.00	2.00	8.7%	16	
Total number of genuinely interested prospects	46.00	23.00	100.0%	16	
				answered question	16
				skipped question	1



Commentary

The genuinely interested companies (prospects) had similar breakdowns in the industry categories as the most interested clients/companies.

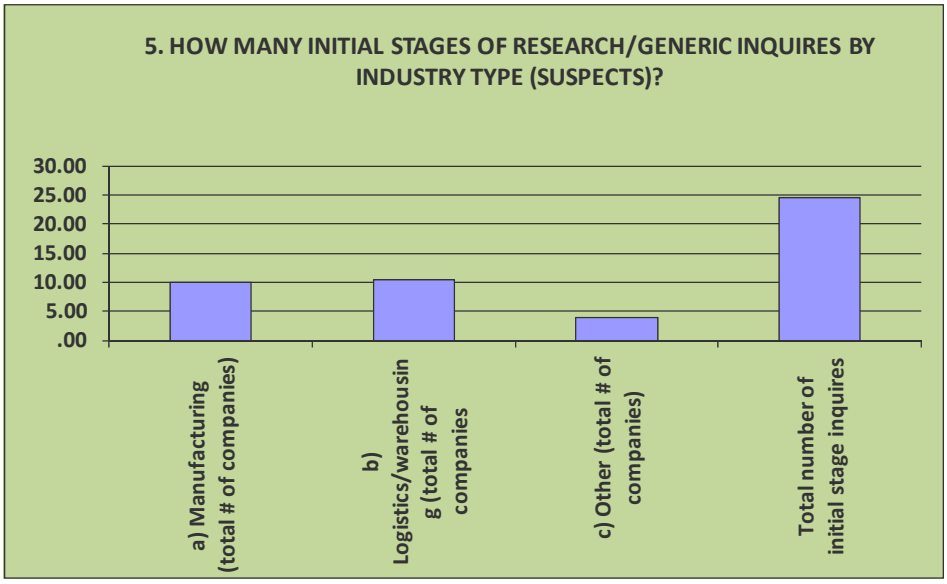
The percentage of manufacturing prospects was 56.5%. The logistics/warehousing inquiries were 34.8% and the other category was 8.7%.

Again, it is encouraging to document the majority of companies in this category of prospects were manufacturers.

The total number of jobs to be created by these prospect companies equaled 13,357 (gross) for a net reduction number of 6,679 potential new jobs to be created. The average number of new jobs to be created by each company averaged 290.

5. How many initial stages of research/generic inquiries by industry type (Suspects)?

5. How many initial stages of research/generic inquires by industry type (Suspects)?					
Answer Options	**Response Total**	**50% Reduction**	**% Share**	**Response Count**	
a) Manufacturing (total # of companies)	20.00	10.00	40.8%	17	
b) Logistics/warehousing (total # of companies	21.00	10.50	42.9%	17	
c) Other (total # of companies)	8.00	4.00	16.3%	17	
Total number of initial stage inquires	49.00	24.50	100.0%	17	
				answered question	17
				skipped question	0



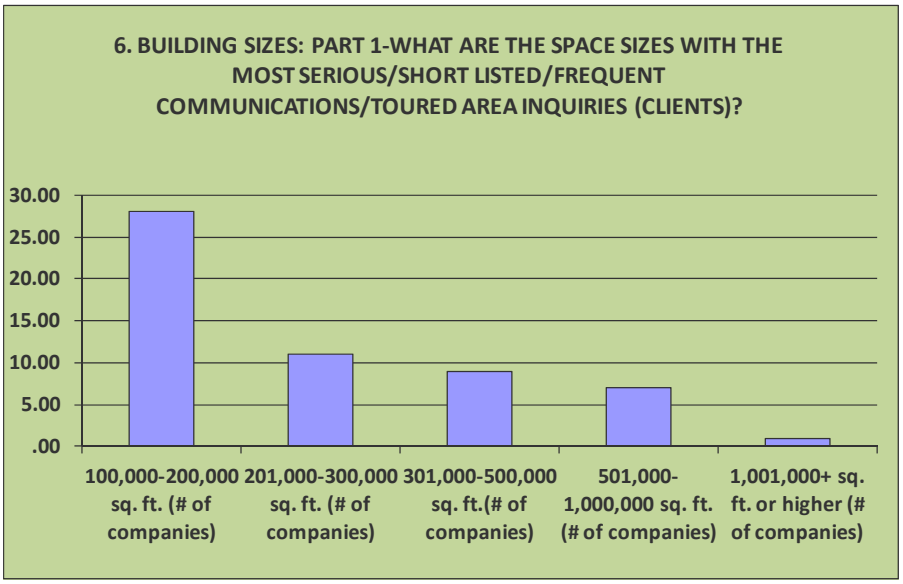
Commentary

The initial research on generic inquiries totaled 40.8% from manufacturing companies, 42.9% from logistics/warehousing firms and 16.3% from the other types of uses.

The reduction in the job count, to account for potential duplications of inquiries, equals an estimated 2,474 new jobs from these “suspect” companies. The average per company hire is estimated at 101 new jobs.

6. BUILDING SIZE: What were the space sizes with the most serious/short listed/frequent communications/toured area inquiries (Clients)?

6. BUILDING SIZE: What were the space sizes with the most serious/short listed/frequent communications/toured area inquiries (Clients)?				
Answer Options	Response Total	% Share	Response Count	
100,000-200,000 sq. ft. (# of companies)	28.00	50.0%	16	
201,000-300,000 sq. ft. (# of companies)	11.00	19.6%	16	
301,000-500,000 sq. ft.(# of companies)	9.00	16.1%	16	
501,000-1,000,000 sq. ft. (# of companies)	7.00	12.5%	16	
1,001,000+ sq. ft. or higher (# of companies)	1.00	1.8%	16	
Total	56.00	100.0%	16	
		answered question		16
		skipped question		1



Commentary

The demand by building size was also documented in this survey to illustrate where the most interest was regarding leasing or buying space/buildings by the companies researching Southern Nevada.

The survey provided five options for the participants to select and divide their companies into building size requirements.

The most serious clients had the following percentages per category:

- 100,000-200,000 sf: 50.0%
- 201,000-300,000 sf: 19.6%

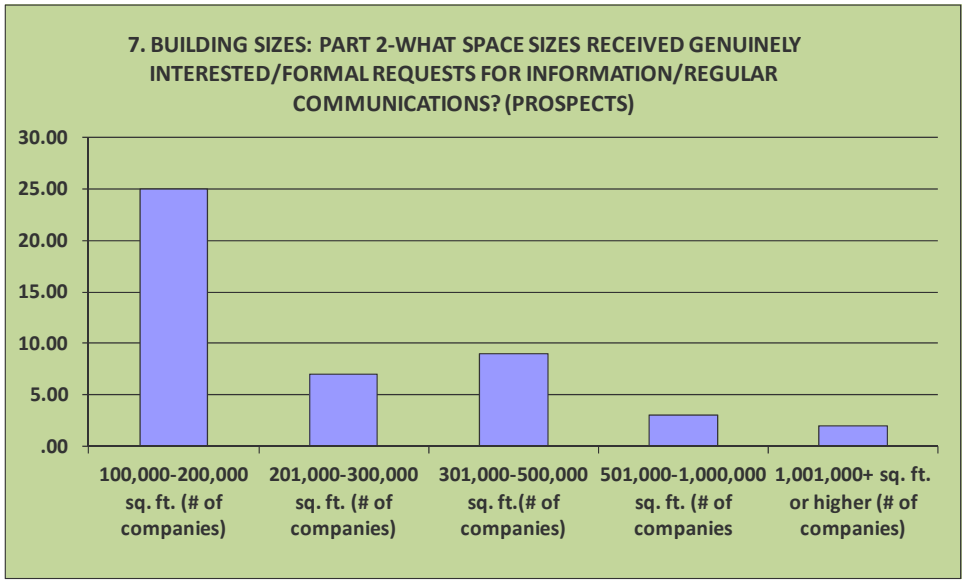
- 301,000-500,000 sf: 16.1%
- 501,000-1 million sf: 12.5%
- 1 million+ sf: 1.8%

Total 100.0%

This information is critical to show where the highest demand exists by building/space sizes. Approximately **70%** of the most serious clients need buildings between 100,000 sf and 300,000 sf.

7. BUILDING SIZES-Part 2 What space sizes received genuinely interested/formal requests for information/regular communications (Prospects)?

7. BUILDING SIZES-Part 2 What space sizes received genuinely interested/formal requests for information/regular communications (Prospects)?				
Answer Options	Response Total	% Share	Response Count	
100,000-200,000 sq. ft. (# of companies)	25.00	54.3%	16	
201,000-300,000 sq. ft. (# of companies)	7.00	15.2%	16	
301,000-500,000 sq. ft.(# of companies)	9.00	19.6%	16	
501,000-1,000,000 sq. ft. (# of companies	3.00	6.5%	16	
1,001,000+ sq. ft. or higher (# of companies)	2.00	4.3%	16	
	46.00	100.0%	16	
			answered question	16
			skipped question	1



Commentary

The genuinely interested companies (prospects) had very similar building needs as our most serious inquiries as shown below:

- 100,000-200,000 sf: 54.3%
- 201,000-300,000 sf: 15.2%
- 301,000-500,000 sf: 19.6%
- 501,000- 1 million sf: 6.5%
- 1 million + sf: 4.3%

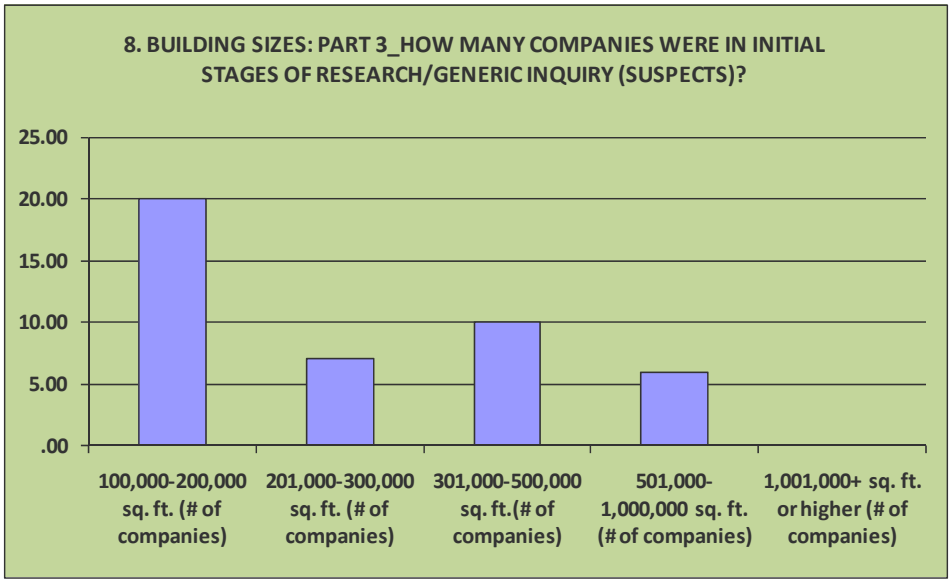
Total: 100.0%

Again, approximately **70%** of the genuinely interested companies expressed a desire for 300,000 sf or less.

However, the building sizes of 301,000 sf to 500,000 sf should not be overlooked. When you average the most serious clients and the genuinely interested companies together nearly 18% desire this larger type of building.

8. BUILDING SIZES: Part 3-How many companies were in the Initial stages of research/generic inquiry (Suspects)?

8. BUILDING SIZES: Part 3-How many companies were in the Initial stages of research/generic inquiry (Suspects)?				
Answer Options	**Response Total**	**% Share**	**Response Count**	
100,000-200,000 sq. ft. (# of companies)	20.00	46.5%	15	
201,000-300,000 sq. ft. (# of companies)	7.00	16.3%	15	
301,000-500,000 sq. ft.(# of companies)	10.00	23.3%	15	
501,000-1,000,000 sq. ft. (# of companies)	6.00	14.0%	15	
1,001,000+ sq. ft. or higher (# of companies)	.00	0.0%	15	
Total	43.00	100.0%	15	
answered question				**15**
skipped question				**2**



Commentary

The initial stage research or generic inquiries (suspects) had similar building size needs to the other types of companies looking at Southern Nevada.

The evidence from these generic types of inquiries provides a certain perspective of the demand for building sizes, but should not be viewed as equal to the legitimate inquiries from the most serious clients/companies.

The suspects building needs and sizes included the following:

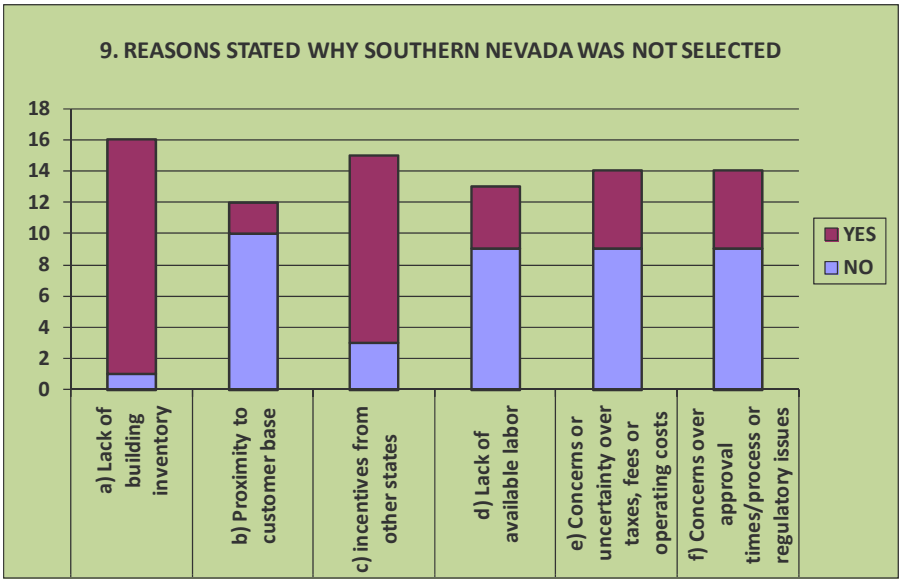
- 100,000-200,000 sf: 46.5%
- 201,000-300,000 sf: 16.3%

- 301,000-500,000 sf: 23.3%
- 501,000-1 million sf: 14.0%
- 1 million+ sf: 0.0%

Total 100.0%

9. SOUTHERN NEVADA NOT SELECTED: Recruiting companies is a very competitive business and many times Southern Nevada will not be selected. Why?

9. SOUTHERN NEVADA NOT SELECTED Recruiting companies is a very competitive business and many times Southern Nevada will not be					
Answer Options	YES	NO	Response Count	% YES	% NO
a) Lack of building inventory	15	1	16	93.8%	6.3%
b) Proximity to customer-base	2	10	12	16.7%	83.3%
c) incentives from other states	12	3	15	80.0%	20.0%
d) Lack of available labor	4	9	13	30.8%	69.2%
e) Concerns or uncertainty over taxes, fees or	5	9	14	35.7%	64.3%
f) Concerns over approval times/process or regulatory	5	9	14	35.7%	64.3%
g) Other factors: (please specify)	0	0	9	0.0%	0.0%
Total	43	41	84		
answered question			17		
skipped question			0		



Commentary

Southern Nevada faces stiff competition by neighboring states for securing new manufacturing and logistics companies.

The survey participants had several outstanding comments and observations as to why Nevada may not have been selected. These challenges or hurdles can provide policy guidance to the LVGEA and our elected officials.

The lack of building inventory was ranked number one as to why Nevada had lost certain prospects to other states (**94%** said yes). The second highest ranked reason for losing a company was the offering of better incentives by other states. (**80%** said yes).

The proximity to their customer-base was not a significant reason for losing a company in the recruitment process (**83%** said no). This was ranked as the least important issue facing Nevada in securing a company. However, independent discussions that RCG has had in the past with third party logistics firms indicate that "proximity to customer-base" is very important.

The lack of a local labor force was stated **31%** of the time for losing a company. This is, therefore, a very important issue for the LVGEA and the business community.

The uncertainty over taxes/fees and concerns over approval times and our regulatory process were cited **36%** of the time for Nevada losing a company in the recruitment process. This percentage can be decreased and needs the full cooperation of the LVGEA public sector members, including the State, Clark County and the Cities.

Approximately **50%** of the survey respondents also provided written comments and opinions as to why Nevada was not selected by companies. Brief highlights of their comments are as follows:

- "The region has connection and impact fees that are too expensive."
- "Clark County has onerous development costs, plus the area has lost lots of NV contractors especially in the rural areas."
- "The obvious problem is we have no buildings in the 300,000-square-foot to 1 million-square-foot range and Arizona does."
- "It all comes down to inventory and we don't have it. Developers need to build more space."
- "We lose companies due to a lack of inventory and other states' incentives."
- "We lack a good educational system."

- “Many of the e-commerce companies live on contracts that are short term in nature and can’t wait for build-to-suit options.”

- “Most deals are too complex to simply state one factor over another.”

ADDITIONAL COMMENTS Please note any suggestions, ideas or anecdotal comments

10. ADDITIONAL COMMENTS Please note any suggestions, ideas or anecdotal comments	
Answer Options	Response Count
	7
answered question	7
skipped question	10

Commentary

Seven of the survey's respondents added comments to be passed on to the LVGEA in regard to this demand survey:

- "There is an aggressive demand for expansion not only from existing tenants currently in our market but also from businesses looking to relocate to Nevada. We need to start building again. 10 million square feet of projected big box space is not out-of-line to be built in the next 5 years to meet the growing demand for large users. Phoenix and Tucson are currently the beneficiaries of these opportunities. Or land prices are starting to escalate again. Developers need to do some serious land banking and capitalize on the opportunities in Las Vegas."

- "I would encourage developers that will be constructing large industrial space to size the utilities and parking ratios large enough to accommodate both warehouse/distribution and manufacturing uses."

- "The old adage of "if you build it they will come" is back in play. With only two buildings over 200,000 square feet in Southern Nevada we will have a rough time matching our 3.6 million square feet of net absorption that we accomplished in 2013. There will simply not be enough large inventory to service the demand."

- "If the LVGEA wants to help in getting better state incentives, then the LVGEA needs to speak to all large national commercial real estate firms."

- "Availability of water for some of the major manufacturing companies is a long term concern.'

- “Cost of diesel fuel is a major consideration and could affect whether the Southern Nevada region is a major player in the logistics/distribution market. Some recent MIT studies have looked into this and paint an ominous picture if fuel prices rise to excessive levels.”

- “Business and trade associations should participate in the monitoring and having a voice in the rezoning of commercial/industrial zoned lands to residential uses. Decreasing inventories of commercial/industrial zoned land may limit the region’s abilities to attract/retain businesses.”

- “Clearly the access to I-40 and the prospective I-11 are reasons for some of our initial inquiries. Nevada’s favorable tax climate and regulatory structure is also driving demand to the state. New industrial project development suffers from onerous Clark County Development Code Title 30 resulting in a lack of licensed local contractors willing to meet site development code requirements. Title 30 costs make us non competitive with Arizona and Utah. The Laughlin community has had only three commercial projects developed in the last decade. The pending threat of a 2% margins tax has frozen many out of state manufacturing firms. Competitor states are using the margins tax threat to scare end tenants out of Nevada.”

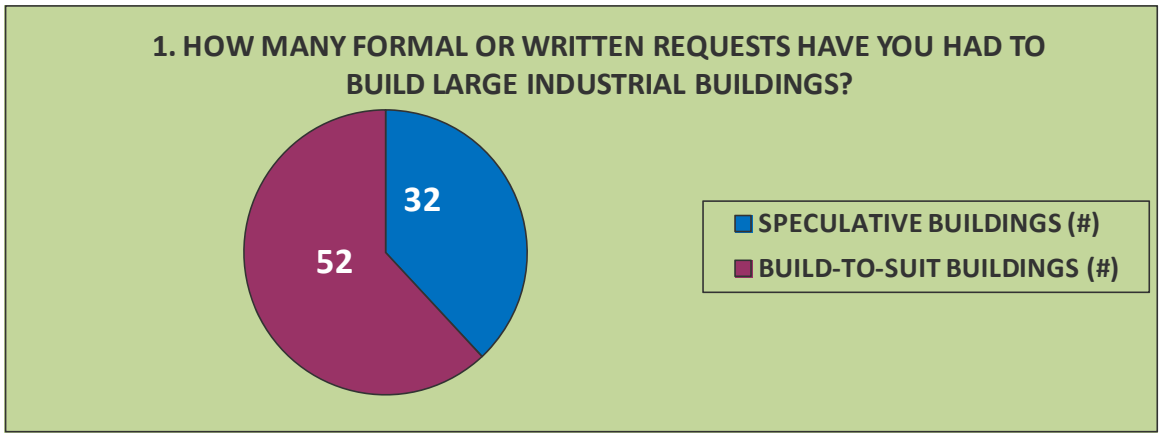
#

PART 2

COMMERCIAL DEVELOPERS AND GENERAL CONTRACTOR SURVEY

1. In the past 3 years how many formal or written requests have you had to build large industrial buildings?

1. Demand-Part 1: In the past 3 years how many formal or written requests have you had to build large industrial buildings?			
Answer Options	**Response Total**	**Response Count**	
SPECULATIVE BUILDINGS (#)	32	12	
BUILD-TO-SUIT BUILDINGS (#)	52	12	
		answered question	**12**
		skipped question	**1**



COMMENTARY

Speculative buildings are defined herein as conventional industrial buildings that are not "custom-built" for a particular user. In reality, developers will attempt lease their conventional available space first, before constructing new space. Representatives from the development community were asked about the demand for large scale industrial buildings. They were polled to see how many formal or written requests they had received to construct speculative buildings (no planned tenants) and build-to-suit buildings (specific tenants).

Over the past three years the developers and contractors could document:

- 32 speculative building requests
- 52 build-to-suit requests

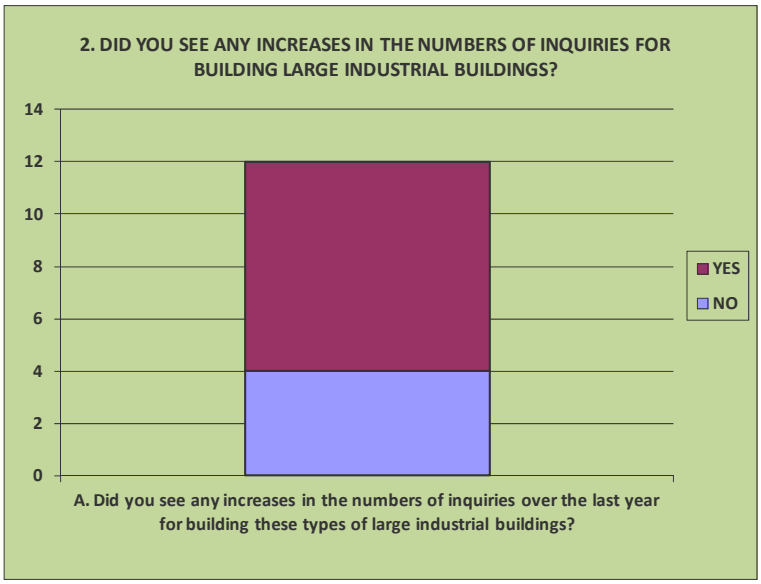
The number of speculative building requests were, however, dominated by one single developer. Therefore, the number of requests were not evening divided among the 13 developers responding to the survey.

The three-year average for speculative buildings equaled approximately 10 requests per year. Without the largest developer mentioned previously, the Southern Nevada marketplace averaged only **four** speculative building requests per year.

The number of build-to-suit facilities was evenly split among the 13 developers who responded to the survey. They had a three-year average of 17 requests per year for build to suit industrial facilities larger than 100,000 sq. ft.

2. DEMAND-Part 2: Did you see any increases in the numbers of inquiries over the last year for building these types of large industrial buildings?

2. DEMAND-Part 2: Did you see any increases in the numbers of inquiries over the last year for building these types of large industrial buildings?			
Answer Options	**YES**	**NO**	**Response Count**
A. Did you see any increases in the numbers of inquiries over the last year for building these types of large industrial buildings?	8	4	12
% Share	67%	33%	100%
		answered question	**12**
		skipped question	**1**

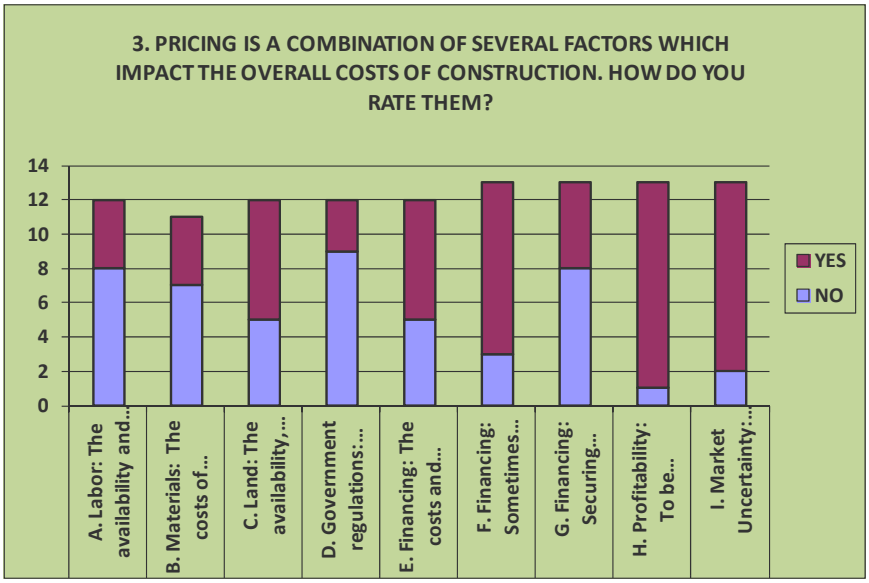


Commentary

Developers were also asked if they witnessed a growing demand for large industrial building requests in the past year. The good news for Southern Nevada was that 8 out of 12 (67%) of the developers that responded did see an increase in the number of inquiries for large industrial buildings.

3. PRICE: The price of constructing new industrial buildings can be very challenging. As you know, pricing is a combination of several factors, which impacts the overall costs of construction?

3. PRICE: The price of constructing new industrial buildings can be very challenging. As you know, pricing is a combination of several factors, which impacts the overall costs of construction. How do you rate them?					
Answer Options	**YES**	**% Share**	**NO**		**Response Count**
A. Labor: The availability and cost of labor has been a major constraint in constructing new industrial buildings?	4	33.3%	8	66.7%	12
B. Materials: The costs of materials such as concrete, lumber, and metals has been a recent constraint in constructing new industrial buildings?	4	36.4%	7	63.6%	11
C. Land: The availability, price and finishing costs of industrially zoned land has been a recent constraint in constructing new industrial buildings?	7	58.3%	5	41.7%	12
D. Government regulations: The costs and time to secure government permits and entitlements has been a recent constraint in constructing new industrial buildings?	3	25.0%	9	75.0%	12
E. Financing: The costs and availability of construction financing has been a recent constraint in constructing new industrial buildings?	7	58.3%	5	41.7%	12
F. Financing: Sometimes low appraisals compounded by low loan-to-value ratios makes financing unattractive. Have these issues of creating favorable financial terms been a recent constraint in constructing new industrial buildings?	10	76.9%	3	23.1%	13
G. Financing: Securing reasonable permanent financing for the future has been a recent constraint in building new industrial buildings?	5	38.5%	8	61.5%	13
H. Profitability: To be successful the project needs to "pencil" or be profitable and have revenues exceed costs. Has profitability been a recent constraint in constructing new industrial buildings?	12	92.3%	1	7.7%	13
I. Market Uncertainty: Has the overall market's uncertainty (economic climate) created a constraint in constructing new industrial buildings?	11	84.6%	2	15.4%	13
			answered question		**12**
			skipped question		**1**



Commentary

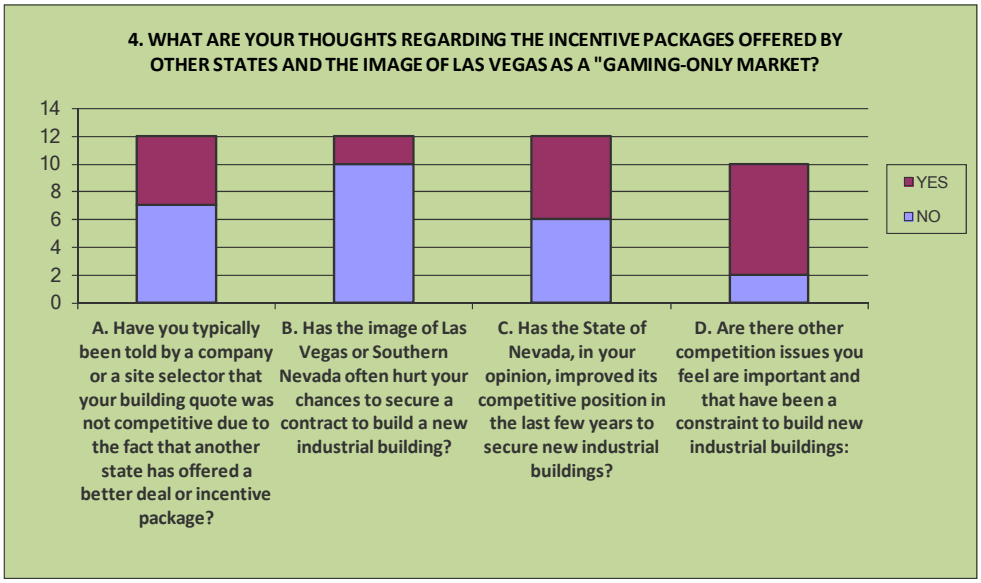
The price of constructing a new industrial building has numerous variables. The survey asked the respondents to break-out the most challenging aspects of building a new facility from a pricing perspective.

The number one concern or constraint in pricing a project was the estimates and calculations for determining its profitability, ensuring its projected revenues to exceed its costs (92% responded yes). Since the profitability and demand requirements for a project are the only go/no-go determinates, then if the answers to both of these questions are positive, the project will be built regardless of the other issues. Conversely, if the answer is a negative, the project will not be built regardless of the other factors.

The second and third biggest concerns in pricing a project were the overall market's uncertainty (economic climate) at 85% and the securing of financing (low loan-to-value ratios) at 77%.

4. COMPETITION: The competition from other states, with their financial incentive packages to lure industrial prospects to their areas, can be a major constraint for developing new buildings. The "gaming-only" image of Southern Nevada can also be a competitive disadvantage in recruiting new employers to our region. How would you answer?

4. COMPETITION: The competition from other states, with their financial incentive packages to lure industrial prospects to their areas, can be a major constraint for developing new buildings. The "gaming-only" image of Southern Nevada can also be a competitive disadvantage in recruiting new employers to our region. How would you answer?					
Answer Options	**YES**	**% Share**	**NO**	**% Share**	**Response Count**
A. Have you typically been told by a company or a site selector that your building quote was not competitive due to the fact that another state has offered a better deal or incentive package?	5	41.7%	7	58.3%	12
B. Has the image of Las Vegas or Southern Nevada often hurt your chances to secure a contract to build a new industrial building?	2	16.7%	10	83.3%	12
C. Has the State of Nevada, in your opinion, improved its competitive position in the last few years to secure new industrial buildings?	6	50.0%	6	50.0%	12
D. Are there other competition issues you feel are important and that have been a constraint to build new industrial buildings:	8	80.0%	2	20.0%	10
E. Are there other competition issues you feel are important and that have been a constraint to build new industrial buildings?					6
	answered question				**12**
	skipped question				**1**



Commentary

The competition to recruit new companies to Southern Nevada continues to be a major challenge for the business and development communities.

The issue of other states offering better incentives to the recruited companies, was not a consensus by the developers in their responses (42%, yes and 58%, no).

Asked if the State of Nevada had improved its competitive position over the last year, this question also drew a split decision by the developers (50%, yes and 50%, no).

On a positive note, the majority of the developers (83%) felt that the image of Las Vegas and Southern Nevada did not hurt their chances to secure a contract to build a new industrial building.

When asked if there was any other competition issues that were important and that had been a constraint to building a new industrial facility, 80% responded yes. Six of the respondents added the following comments:

- "The Las Vegas' existing inventory of big box space is limited. The need for spec buildings is real and only one company is active in the market."

- "Some of the concerns that have been raised from companies coming in from out of town are about the education system in Southern Nevada. It's harder for people to relocate to the area if the school system has as many issues as CCSD."

- "Total costs of operations (real estate, labor, transportation, utilities, lack of state/local incentives, etc) are typically higher than regionally competitive sites. Southern Nevada has a relatively small population-base and the product distribution goes to the population centers."

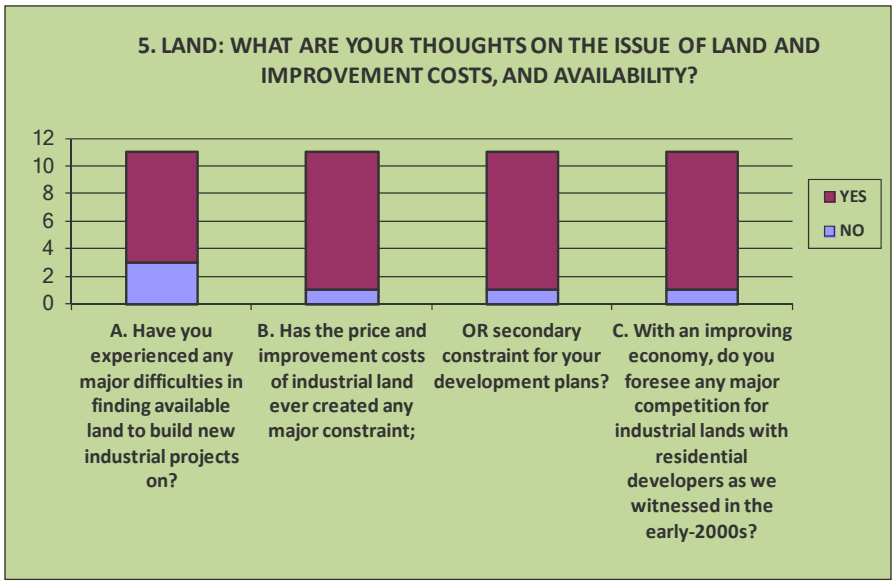
- "We really just need to see a bit more velocity in the remaining big blocks of space lease-up, which we are seeing now for the rental rates to rise, accordingly, for it to pencil. There are a couple of developers actively looking to spec new industrial and anticipate it will happen this year."

- “The overall availability of raw land and the cost of it is the single biggest constraint that I have seen. There is more and cheaper land in most states and even in Northern and Central Nevada than we have here in Las Vegas. Right now we are working with two users and there is only one piece of ground that fits their requirements. Someone will lose out.”

- “We don’t have quality building sites and the educational systems are poor.”

5. LAND: The challenge of securing a property sized and located parcel can be a major constraint in building new industrial buildings. During Southern Nevada's significant growth years (1999-2007), the cost of securing industrial land was also a major constraint to developers. How would you respond to the following land questions?

5. LAND: The challenge of securing a property sized and located parcel can be a major constraint in building new industrial buildings. During Southern Nevada's significant growth years (1999-2007), the cost of securing industrial land was also a major constraint to developers. How would you respond to the following land questions?:					
Answer Options	**YES**	**% Share**	**NO**	**% Share**	**Response Count**
A. Have you experienced any major difficulties in finding available land to build new industrial projects on?	8	72.7%	3	27.3%	11
B. Has the price and improvement costs of industrial land ever created any major constraint;	10	90.9%	1	9.1%	11
OR secondary constraint for your development plans?	10	90.9%	1	9.1%	11
C. With an improving economy, do you foresee any major competition for industrial lands with residential developers as we witnessed in the early-2000s?	10	90.9%	1	9.1%	11
			answered question		**11**
			skipped question		**2**



Commentary

The location of appropriately zoned land for industrial development can be challenging for Southern Nevada.

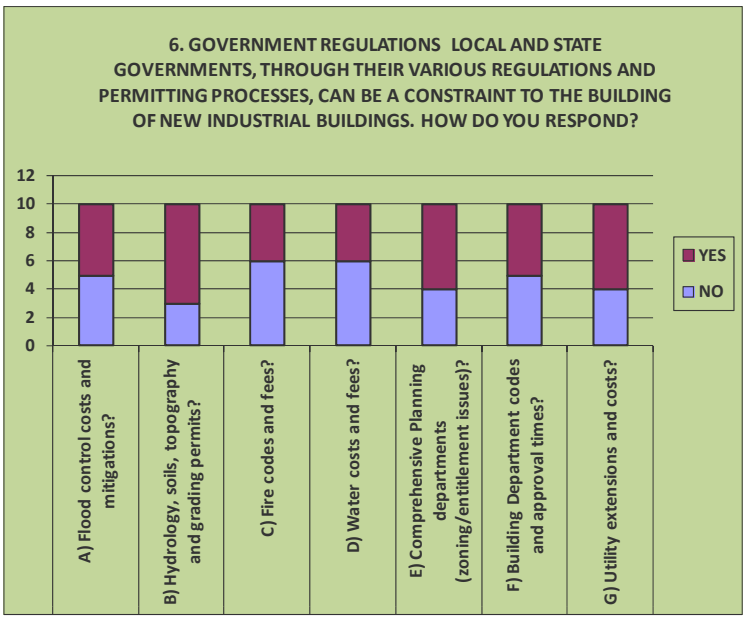
The majority of the respondents (Total respondents: 11) felt strongly about two land constraint issues:

- The land price and improvement costs (91% responded yes)
- The competition for industrial lands with residential developers (91% responded yes)

Consequently, over 86% of the developers are currently experiencing major difficulties in finding available land to construct industrial buildings.

6. GOVERNMENT REGULATIONS-Part 1: Local and state governments, through their various regulations and permitting processes, can be a constraint to the building of new industrial buildings. This fact is never the intent of local and state regulators, but in combination, the overall impact on building costs can be quite high and time consuming. Please respond to these government regulations questions in context to creating barriers or constraints to building new industrial buildings.

6. GOVERNMENT REGULATIONS-Part 1: Local and state governments, through their various regulations and permitting processes, can be a constraint to the building of new industrial buildings. This fact is never the intent of local and state regulators, but in combination, the overall impact on building costs can be quite high and time consuming. Please respond to these government regulations questions in context to creating barriers or constraints to building new industrial buildings.					
Answer Options	**YES**	**% Share**	**NO**	**% Share**	**Response Count**
A) Flood control costs and mitigations?	5	50.0%	5	50.0%	10
B) Hydrology, soils, topography and grading permits?	7	70.0%	3	30.0%	10
C) Fire codes and fees?	4	40.0%	6	60.0%	10
D) Water costs and fees?	4	40.0%	6	60.0%	10
E) Comprehensive Planning departments	6	60.0%	4	40.0%	10
F) Building Department codes and approval times?	5	50.0%	5	50.0%	10
G) Utility extensions and costs?	6	60.0%	4	40.0%	10
			answered question		**10**
			skipped question		**3**



Commentary

Local and state governments can either be helpful or create constraints in the building of new industrial buildings. The developers reviewed seven different agencies and their

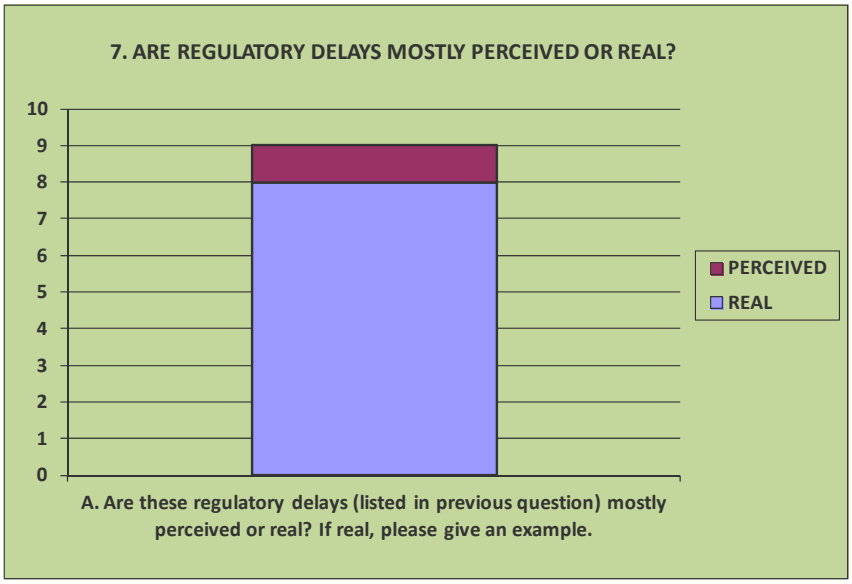
permitting processes and were asked if they were a constraint or not in building new industrial buildings.

The number one permitting/approval process that provided the most challenges to the developers was the building and grading permits, including, hydrology, soils, topography and grading studies (70% responded yes).

The next two highest ranked issues, for the permits and fees, were the utility extensions and fees (60%, yes) and the comprehensive planning departments/zoning and entitlements (60%, yes).

7. GOVERNMENT REGULATIONS: Are these regulatory delays (listed in previous question) mostly perceived or real? Please give an example.

7. GOVERNMENT REGULATIONS: Are these regulatory delays (listed in previous question) mostly perceived or real?. Please give an example.			
Answer Options	**PERCEIVED**	**REAL**	**Response Count**
A. Are these regulatory delays (listed in previous question) mostly perceived or real? If real, please give an example.	1	8	9
If real, please give an example:			
		answered question	**9**
		skipped question	**4**



Commentary

Government regulatory processes can certainly be time consuming to both the developer and their clients. The survey asked if these delays were often just perceived or real. And if they were real could they give an example.

The respondents overwhelmingly voted that these delays were real (89% responded yes) and seven of the developers cited some of their concerns:

- "The development services entities in the Valley have cut-back on their staffs significantly. We are seeing the review and approval times increase as the opportunities increase. Entities are reluctant to add staff until they are confident the

recent uptick in developments is sustainable. Initial reviews are being done quickly and a couple of entities are trying to side step the need for extra staff by rejecting submittals for the slightest reasons."

- "There are different scenarios amongst the different jurisdictions."

- "We have seen firsthand in the Valley that land located in multiple jurisdictions can be held-up for development purposes by local politics for years. Land should be shovel-ready for commercial development in North Las Vegas and Clark County (East of Nellis and South of the Speedway) and cannot be built because water/sewer agreements between the two municipalities can't be worked out."

- "For us, it's getting the market to rise a bit more so it pencils and addressing a site limitation on our current land parcel where we prefer to spec and not have government regulations hold us up."

- "When it takes six-eight weeks for an addendum to be reviewed on a set of drawings we already have the permit on there is a problem."

- "Most companies do not plan far enough ahead to anticipate their needs. When hearing of the time involved, I have seen several companies put off their plans to build."

- "Drainage studies can hold up permits for 9+ months."

8. GOVERNMENT REGULATIONS: Any other state or local regulations that have created constraints for the development of new industrial buildings?

8. GOVERNMENT REGULATIONS: Any other state or local regulations that have created constraints for the development of new industrial buildings?	
Answer Options	**Response Count**
	3
answered question	**13**
skipped question	**0**

Commentary

To conclude our survey on government regulations, we asked the developers if there were any other agencies or regulations that have held up their industrial building plans.

Three of the commercial developers and contractors provided additional comments on why projects had been delayed in their opinions:

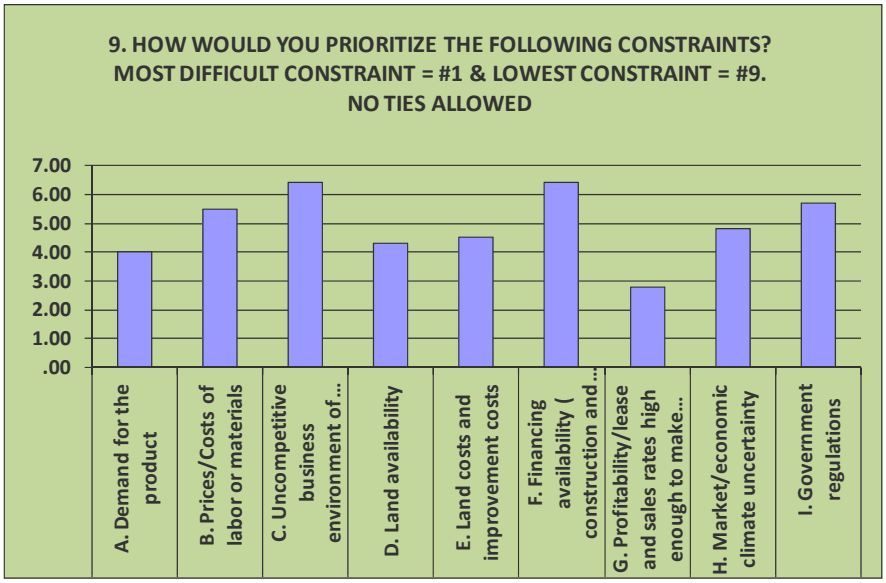
- "Fire codes are getting really stupid, but no one has stepped out to argue with the Fire Department. Their approvals times even on a tenant improvement are outlandish. We can build-out a 5,000-10,000 sf tenant improvements faster than the fire department can get the first round of comments back to us for review. I have a 10,000 sf tenant improvement that everything has been completed for 120 days and we have a TCO but we are still waiting on the fire departments."

- "Another challenge is the inability to easily acquire government owned land (Federal or local)."

- "NV Energy is another permitting challenge."

9. PRIORITIZE CONSTRAINTS: Please prioritize the following constraints. The most difficult constraint with a #1 to the lowest constraint with a #9. Please have no ties with your priority numbers.

9. PRIORITIZE CONSTRAINTS: Please prioritize the following constraints. The most difficult constraint with a #1 to the lowest constraint with a #9. Please have no ties with your priority numbers:				
Answer Options	**Response Average**	**Rank**	**Response Total**	**Response Count**
A. Demand for the product	4.00	2	40	10
B. Prices/Costs of labor or materials	5.50	6	55	10
C. Uncompetitive business environment of Nevada	6.40	8	64	10
D. Land availability	4.30	3	43	10
E. Land costs and improvement costs	4.50	4	45	10
F. Financing availability (construction and permanent)	6.40	8	64	10
G. Profitability/lease and sales rates high enough to make projects pencil	2.80	1	28	10
H. Market/economic climate uncertainty	4.80	5	48	10
I. Government regulations	5.70	7	57	10
			answered question	**10**
			skipped question	**3**



Commentary

In reviewing all the constraints facing developers we asked them to prioritize the most important challenges facing them to build large scale industrial buildings. We asked them to rank nine items with the most difficult constraint as #1 to the lowest constraint a #9.

In reviewing the results of their rankings, the most challenging constraint (#1) was the "profitability of the project with their lease and sales rates high enough to make the project pencil".

The next two most important issues for respondents to deal with was the "demand for the product" (#2) and the "availability of land" (#3).

This was followed by land costs and improvement costs (#4) and the market/economic climate uncertainties (#5).

Two issues tied for last (#8): Uncompetitive business environment of Nevada and Financing availability (construction and permanent). The financing availability issue surprised us.

10. ADDITIONAL COMMENTS: Please feel free to add any ideas, suggestions or comments to be passed on to the LVGEA regarding this survey and how various constraints effect developers from creating new large industrial buildings in Southern Nevada.

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Answer Options	**Response Count**
	2
answered question	**2**
skipped question	**11**

Commentary

In concluding the survey, we provided the developers to an opportunity to address any concerns or comments that they would like to pass on to the LVGEA.

Three developers took advantage of this opportunity to comment. Their responses are below:

- "Keep pitching SoCal companies to relocate with an effective "one sheet" of competitive advantages that Nevada has over California…they will be coming."

- "There should be a public hearing each time the fire department or building department wants to amend the national codes, instead of the amendments being done without industry input."

- "Nevada's excessive prevailing wage rate has a negative impact on all but a few citizens of Nevada and most definitely discourages some site selectors and business owners who may choose to do business in Arizona over Nevada where the prevailing wage rate is approximately ½ of Nevada's rate. This would apply to any type of development where gov't loan guarantees or funding contains a prevailing wage requirement (i.e. Utility scale solar plants)."

- "The Carpenter's Union "Shame On and Immigrant Abuse "banner campaigns are hurtful to Nevada. Many commercial brokers have shared with me that many site

selectors and business owners are dissuaded from selecting Nevada when they witness these oppressive banners that ostensibly are Nevada's welcome to many new investors in our community by shaming them for not using union carpentry labor that is generally twice as expensive as the same work from a in signatory carpentry contractor."

PART 3

COMPARATIVE INDUSTRIAL MARKET OVERVIEW

1. Introduction

The purpose of Part 3 is to develop a comparative market overview of trends (Q4, 2013) in a select group of nine Western U.S. industrial markets ("Market Areas of Mas") that compete with Las Vegas. Specifically, the purpose of this overview is to determine the level and type of industrial development activity occurring in each market, including Las Vegas, especially relative to that the market/product segment of buildings of 100,000 + sf. The competitive markets discussed herein are:

1. Albuquerque, NM
2. Denver, CO
3. Inland Empire, CA
4. Los Angeles County, CA
5. Orange County, CA
6. Phoenix, AZ
7. Reno, NV
8. Sacramento, CA
9. Salt Lake City, UT

RCG obtained information from various commercial real estate brokers in the markets shown above. Sources used in this report were provided by Colliers International ("Colliers"), CB Richard Ellis ("CBRE"), Voit, Jones Lang LaSalle ("JLL") and Newmark Grubb Knight Frank ("NGKF") as well as RCG's own Las Vegas Quarterly Industrial Market Survey created in a partnership with UNLV's Lied Institute for Real Estate Studies.

The information RCG obtained was used to create a profile of each MA's industrial real estate market, as well as for cross-MA comparisons. RCG also researched what large industrial projects are under-construction or planned in each MA. When analyzing these MAs, RCG focused on several key performance metrics for quarter 4 of 2013. These include: total inventory levels, vacancy rates, net absorption, new supply (recently completed and still under-construction by the end of the year) and average rent. The results of our research are displayed in the exhibits and tables herein.

As these results will show, there is strong evidence suggesting that the overall demand for industrial space is trending towards larger buildings of at least 100,000 sf. Although many of the selected MAs are seeing this demand, the supply is limited. Current economic

conditions are making it difficult to finance spec projects of this nature. This is why many of the under-construction industrial projects over 100,000 sf in these markets, including Las Vegas, are build-to-suit developments.

Important Note: Market indicators, by size of buildings and specific locational attributes, for each of the MAs were not readily available. Accordingly, is meant be a high-level comparative review of the general attributes of each MA as of Q4, 2013. It is also meant to be starting point for future discussions of what are the competitive opportunities and challenges facing the Southern Nevada industrial market. In the final analysis, it is just as important to understand where Southern Nevada is not competitive as it is to understand where it is competitive.

2. Las Vegas Industrial Market

Summary

The Las Vegas Valley's ("the Valley") industrial market[1] 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") NNN[2], 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.

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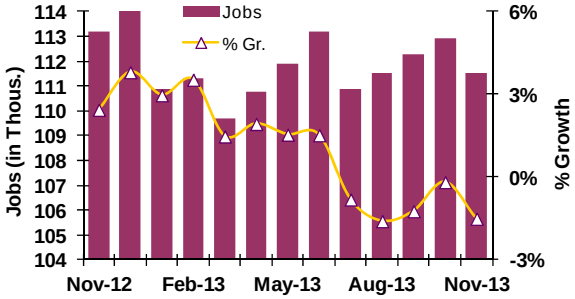
[1] Includes all single and multi-tenant for-lease and owner-occupied industrial Warehouse/Distribution, Light Distribution, Light Industrial, Incubator and R&D Flex properties with roll-up doors in the Las Vegas Valley.

[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.

Industrial-Related Jobs

Clark County Industrial Jobs* and Y-o-Y Growth: November 2012 - November 2013



**Natural Resources, Construction, Manufacturing, and Transportation & Warehousing industries. Sources: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.*

Employment in the industrial sector represented 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.

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.

[3] *Based on select industries (Natural Resources, Construction, Manufacturing, and Transportation & Warehousing and Wholesale Trade industries) from the Nevada Department of Employment, Training and Rehabilitation's latest employment statistics.*

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).

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, all of which support the trend of build-to-suit warehouse/distribution developments:

Name	Size	Est. Completion Date
1. Konami Gaming's expansion	193,000 sf	Summer 2015
2. FedEx Distribution Center	296,000 sf	September, 2014
3. Nicholas & Company	200,000 sf	Q2, 2014
4. TJ Maxx's expansion	300,000 sf	Q4, 2014
5. VadaTech's mfg. facility	70,000 sf	March, 2014

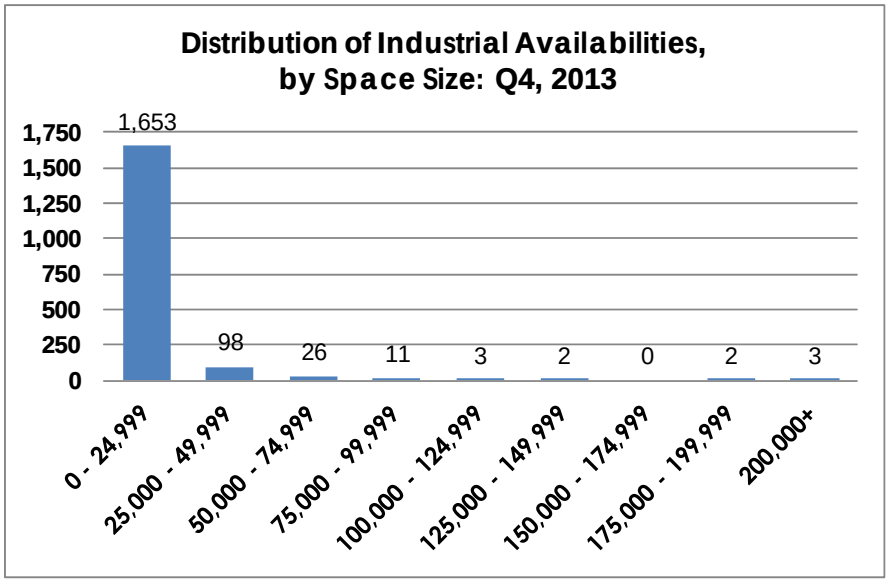
An important measure of the near-term health of the commercial markets is the potential number of years of available supply. With vacancy at 11.8% and assuming a 10-year quarterly absorption average of 550,200 sf, we estimate that it would take about 1 year for the industrial market to reach a 10% vacancy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

One of the impending economic development challenges facing Southern Nevada is the lack of industrial space of a certain size. Specifically, there is shortage of space of 100,000 sf or more. It is conceivable that this shortage may hamper the region's rate of economic development, because there is evidence that Southern Nevada has lost a number of prospective businesses to competing Western metros. Additionally, this shortage is possibly limiting the growth potential of existing local businesses, because of their inability to expand operations and, ultimately, hire more employees. This challenge is illustrated in the following chart.

This being said, there could be other reasons why some Southern Nevada industrial developers have not seen fit to build large industrial buildings. It could be an issue of the type and size of the region's economy, the size of its population, the capacity of its multi-

modal transportation system and its locational isolation. For example, Southern Nevada is only served by one freeway and Class A railroad, and it's not an east-west freeway like I-10 or I-80, or an east-west Class A rail line. It is also not physically part of a large urban economy.

Some of the transportation challenges will be remedied by the construction of I-11, but this project is a decade away from being completed. See our Nevada inland port study at http://www.rcg1.com/publications-presentations/nevada-inland-port-study/, which we prepared for the Governor's Office of Economic Development. Additionally, there is the specter of the expansion of Panama Canal that is currently scheduled to be completed in early-2016, and its potential impact on the West Coast ports and the related impacts on West-East and East-West rail and truck traffic through Nevada (see http://www.pancanal.com/eng/expansion/ and http://www.forbes.com/sites/stevebanker/2013/09/06/logistics-impacts-from-widening-the-panama-canal/).



3. Comparison of Industrial Market Condition Metrics by Market Area

The following MA comparison matrix was developed from extensive research from the RCG/Lied industrial market database for Q4, 2013 for Las Vegas and from the fourth quarter market reports from the top brokerage firms working in the other MAs.

Market Area Comparison Matrix: Q4, 2013

		EXISTING PROPERTIES		VACANCY	NET ABSORPTION		NEW SUPPLY			AVG. RENT
Market Area	BLDG TYPE/SIZE	BLDGS	TOTAL INVENTORY (SF)	TOTAL (%)	Q4, 2013 NET ABS. (SF)	4-QTR NET ABS. (SF)	Q4, 2013 COMPLET. (SF)	4-QTR COMPLET. (SF)	Q4, 2013 UNDER CON. (SF)	$PSF/MO (NNN)
Las Vegas	Wareh./Distrib.	546	45,946,756	11.4%	671,020	3,065,692	0	579,473	989,000	$0.40
Source: RCG Economics.	Light Distribution	513	17,687,824	15.9%	-25,322	478,669	0	0	0	$0.50
	Light Industrial	2,434	29,985,784	8.1%	215,606	651,514	0	222,000	70,000	$0.61
	Incubator	348	8,086,023	11.3%	-23,379	156,557	0	0	0	$0.71
	R&D/Flex	363	5,885,765	22.4%	47,428	252,267	0	0	0	$0.79
	Market Total	**4,204**	**107,592,152**	**11.8%**	**885,353**	**4,604,699**	**0**	**801,473**	**1,059,000**	**$0.52**
Albuquerque	Manufacturing	n/a	12,643,667	5.1%	-172,537	-135,923	0	0	0	$0.54
Source: CBRE.	Other Industrial	n/a	6,741,946	10.4%	-28,478	105,605	0	101,330	45,750	$0.52
	R&D/Flex	n/a	4,790,763	15.9%	-62,760	5,810	0	53,470	6,800	$0.69
	Special Purpose	n/a	1,203,534	5.6%	65,714	95,664	65,714	65,714	0	$0.45
	Whse/Distribution	n/a	14,082,848	10.4%	181,804	436,148	0	219,000	43,671	$0.48
	Market Total	**n/a**	**39,462,758**	**9.2%**	**-16,257**	**507,304**	**65,714**	**439,514**	**96,221**	**$0.55**
Denver	Industrial	n/a	197,010,515	5.0%	550,886	3,239,591	n/a	1,297,424	1,936,472	$0.42
Source: JLL.	Flex	n/a	36,862,330	10.9%	185,059	709,818	n/a	104,745	154,910	$0.79
	Market Total	**n/a**	**233,872,845**	**5.9%**	**735,945**	**3,949,409**	**n/a**	**1,402,169**	**2,091,382**	**$0.53**
Inland Empire	10,000 - 19,999	2,049	28,125,200	1.2%	20,900	31,700	0	n/a	11,400	$0.50
Source: Colliers.	20,000 - 39,999	1,290	35,706,300	2.1%	143,900	-14,000	0	n/a	25,000	$0.47
	40,000 - 69,999	729	37,719,300	3.0%	-103,300	457,400	0	n/a	0	$0.44
	70,000 - 99,999	286	23,823,400	5.0%	94,700	-143,600	0	n/a	0	$0.33
	100,000 - 249,999	572	84,592,000	4.5%	1,177,800	4,400,000	0	n/a	1,883,300	$0.37
	250,000 - 499,999	272	93,184,900	6.9%	1,502,000	5,012,300	1,503,500	n/a	3,604,500	$0.33
	500,000 +	165	127,819,400	3.4%	2,493,100	5,211,900	1,100,000	n/a	11,165,600	$0.30
	Market Total	**5,363**	**430,970,500**	**4.2%**	**5,329,100**	**14,955,700**	**2,603,500**	**5,851,800**	**16,689,800**	**$0.40**
Los Angeles	10,000 - 19,999	8,565	119,147,000	1.8%	16,900	1,657,500	14,000	n/a	0	$0.70
Source: Colliers.	20,000 - 39,999	5,992	163,422,100	2.3%	-20,400	1,757,500	32,000	n/a	175,800	$0.67
	40,000 - 69,999	2933	149,990,700	2.6%	30,500	877,200	0	n/a	243,700	$0.58
	70,000 - 99,999	1079	88,539,200	3.3%	675,300	1,546,500	0	n/a	252,500	$0.57
	100,000 - 249,999	1565	243,427,500	3.9%	144,500	590,800	0	n/a	590,100	$0.50
	250,000 - 499,999	270	86,623,000	3.5%	465,200	1,640,000	448,100	n/a	330,000	$0.55
	500,000 +	57	44,933,200	2.6%	0	2,424,200	0	n/a	620,000	$0.61
	Market Total	**20,461**	**896,082,700**	**3.0%**	**1,312,000**	**10,493,700**	**494,100**	**1,927,200**	**2,212,100**	**$0.55**
Orange County	1 - 9,999	1,460	9,891,100	2.7%	10,500	125,200	0	n/a	0	$0.81
Source: Colliers.	10,000 - 39,999	4,134	75,966,700	2.6%	310,700	1,212,200	0	n/a	0	$0.73
	40,000 - 69,999	545	27,799,200	2.4%	40,800	269,900	0	n/a	0	$0.62
	70,000 - 99,999	204	16,758,600	4.5%	-181,200	-88,300	0	n/a	0	$0.58
	100,000 +	325	62,706,015	7.5%	430,900	128,800	209,715	n/a	0	$0.58
	Market Total	**6,668**	**193,121,615**	**4.3%**	**611,700**	**1,647,800**	**209,715**	**509,700**	**0**	**$0.62**
Phoenix	General Industrial	n/a	59,896,092	14.9%	1,418,012	590,392	2,465,477	4,827,656	0	$0.40
Source: Colliers.	Warehouse	n/a	123,784,613	10.7%	1,026,817	2,433,999	0	30,000	1,786,524	$0.45
	Manufacturing	n/a	53,404,696	12.4%	-168,314	89,128	0	164,000	2,430,757	$0.43
	Srvc.Cntr/Showroom	n/a	10,205,570	8.2%	33,576	13,595	0	24,000	0	$0.57
	Flex	n/a	28,622,488	20.9%	263,607	318,131	0	145,025	155,000	$0.92
	Market Total	**n/a**	**275,913,459**	**12.9%**	**2,573,698**	**3,445,245**	**2,465,477**	**5,190,681**	**4,372,281**	**$0.52**
Reno	Bulk	n/a	65,666,919	8.8%	1,100,908	3,571,839	524,800	524,800	1,393,240	$0.33
Source: CBRE.	Flex	n/a	8,642,378	8.7%	73,394	425,782	0	0	0	$0.60
	Market Total	**n/a**	**74,309,297**	**8.8%**	**1,174,302**	**3,997,621**	**524,800**	**524,800**	**1,393,240**	**$0.36**
Sacramento	Distr. - Class A	n/a	26,860,319	14.7%	n/a	n/a	n/a	n/a	60,000	$0.31
Sources: CBRE, JLL.	Distr. - Class B	n/a	19,487,444	14.4%	n/a	n/a	n/a	n/a	0	
	Light Ind. - Class A	n/a	10,799,781	13.9%	n/a	n/a	n/a	n/a	25,000	$0.41
	Light Ind. - Class B	n/a	55,703,556	8.5%	n/a	n/a	n/a	n/a	0	
	Flex/High Tech/R&D	n/a	20,097,392	16.7%	n/a	n/a	n/a	n/a	40,000	$0.68
	Special Purpose	n/a	29,485,280	11.1%	n/a	n/a	n/a	n/a	10,000	$0.52
	Incubator	n/a	10,619,675	9.2%	n/a	n/a	n/a	n/a	0	$0.37
	Market Total	**n/a**	**173,053,447**	**11.9%**	**10,694**	**1,992,148**	**201,211**	**0**	**135,000**	**$0.40**
Salt Lake	Manufacturing	n/a	25,167,849	3.8%	130,994	1,376,089	n/a	n/a	40,000	$0.31
Source: NGKF.	Gen. Purpose Wareh.	n/a	36,500,682	2.5%	29,172	583,801	n/a	n/a	143,718	$0.38
	Bulk Dist. Wareh.	n/a	31,085,271	8.3%	426,956	755,000	n/a	n/a	914,938	$0.38
	Medium. Dist. Wareh.	n/a	11,150,029	5.0%	120,881	235,091	n/a	n/a	0	$0.38
	Primary Flex	n/a	19,515,242	6.6%	58,352	565,490	n/a	n/a	0	$0.44
	Special Purpose	n/a	8,103,274	6.0%	-92,826	-165,371	n/a	n/a	0	$0.48
	Market Total	**n/a**	**131,522,347**	**5.2%**	**673,529**	**3,350,100**	**607,007**	**1,500,000**	**1,098,656**	**$0.39**

Sources: CBRE, Colliers, JLL, NGKF, and RCG Economics.

RCG also developed the following set of tables to "equalize' the MAs by looking at total industrial inventory and the vacant inventory on per capita and per employee bases.

Total Industrial Inventory (Q4, 2013), Population (2012) & Employment (Dec, 2013), Sorted by Inventory per Capita, High to Low

Market Area	Total Inventory (SF)	Population	SF per Capita	Private Employment	SF per Employee
Reno	74,309,297	433,843	171.28	167,600	443.37
Salt Lake	131,522,347	1,123,712	117.04	560,600	234.61
Inland Empire	430,970,500	4,350,096	99.07	1,001,400	430.37
Los Angeles	896,082,700	9,962,789	89.94	4,869,300	184.03
Denver	233,872,845	2,645,209	88.41	1,110,100	210.68
Sacramento	173,053,447	2,196,482	78.79	642,500	269.34
Phoenix	275,913,459	4,329,534	63.73	1,579,700	174.66
Orange County	193,121,615	3,090,132	62.50	1,306,000	147.87
Las Vegas	107,592,152	2,000,759	53.78	754,100	142.68
Albuquerque	39,462,758	901,700	43.76	287,900	137.07

Sources: CBRE, Colliers, JLL, NGKF, RCG Economics, US Census Bureau 2012 Population Estimates, and Bureau of Labor Statistics.

Total Industrial Inventory (Q4, 2013), Population (2012) & Employment (Dec, 2013), Sorted by Inventory per Employee, High to Low

Market Area	Total Inventory (SF)	Population	SF per Capita	Private Employment	SF per Employee
Reno	74,309,297	433,843	171.28	167,600	443.37
Inland Empire	430,970,500	4,350,096	99.07	1,001,400	430.37
Sacramento	173,053,447	2,196,482	78.79	642,500	269.34
Salt Lake	131,522,347	1,123,712	117.04	560,600	234.61
Denver	233,872,845	2,645,209	88.41	1,110,100	210.68
Los Angeles	896,082,700	9,962,789	89.94	4,869,300	184.03
Phoenix	275,913,459	4,329,534	63.73	1,579,700	174.66
Orange County	193,121,615	3,090,132	62.50	1,306,000	147.87
Las Vegas	107,592,152	2,000,759	53.78	754,100	142.68
Albuquerque	39,462,758	901,700	43.76	287,900	137.07

Sources: CBRE, Colliers, JLL, NGKF, RCG Economics, US Census Bureau 2012 Population Estimates, and Bureau of Labor Statistics.

Vacant Industrial Inventory (Q4, 2013), Population (2012) & Employment (Dec, 2013),

Sorted by Inventory per Capita, High to Low

Market Area	Vacant Inventory (SF)	Population	Vacant SF per Capita	Private Employment	Vacant SF per Employee
Reno	6,539,218	433,843	15.07	167,600	39.02
Sacramento	20,593,360	2,196,482	9.38	642,500	32.05
Phoenix	35,592,836	4,329,534	8.22	1,579,700	22.53
Las Vegas	12,695,874	2,000,759	6.35	754,100	16.84
Salt Lake	6,773,401	1,123,712	6.03	560,600	12.08
Denver	13,798,498	2,645,209	5.22	1,110,100	12.43
Inland Empire	18,100,761	4,350,096	4.16	1,001,400	18.08
Albuquerque	3,630,574	901,700	4.03	287,900	12.61
Orange County	8,304,229	3,090,132	2.69	1,306,000	6.36
Los Angeles	26,481,592	9,962,789	2.66	4,869,300	5.44

Sources: CBRE, Colliers, JLL, NGKF, RCG Economics, US Census Bureau 2012 Population Estimates, and Bureau of Labor Statistics.

Vacant Industrial Inventory (Q4, 2013), Population (2012) & Employment (Dec, 2013),

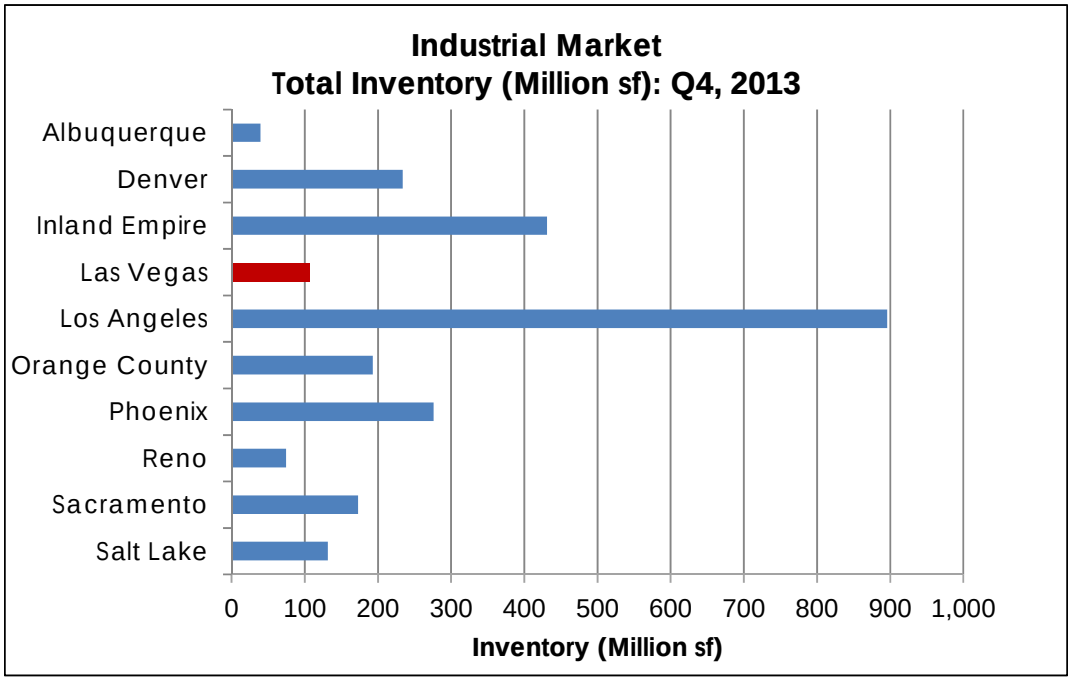
Sorted by Inventory per Employee, High to Low

Market Area	Vacant Inventory (SF)	Population	Vacant SF per Capita	Private Employment	Vacant SF per Employee
Reno	6,539,218	433,843	15.07	167,600	39.02
Sacramento	20,593,360	2,196,482	9.38	642,500	32.05
Phoenix	35,592,836	4,329,534	8.22	1,579,700	22.53
Inland Empire	18,100,761	4,350,096	4.16	1,001,400	18.08
Las Vegas	12,695,874	2,000,759	6.35	754,100	16.84
Albuquerque	3,630,574	901,700	4.03	287,900	12.61
Denver	13,798,498	2,645,209	5.22	1,110,100	12.43
Salt Lake	6,773,401	1,123,712	6.03	560,600	12.08
Orange County	8,304,229	3,090,132	2.69	1,306,000	6.36
Los Angeles	26,481,592	9,962,789	2.66	4,869,300	5.44

Sources: CBRE, Colliers, JLL, NGKF, RCG Economics, US Census Bureau 2012 Population Estimates, and Bureau of Labor Statistics.

4. Las Vegas Market Area Comparison

The following charts illustrate the most salient market indicators from the Comparison Matrix for each of the MAs to help the reader visualize how each market was performing at the end of the fourth quarter.

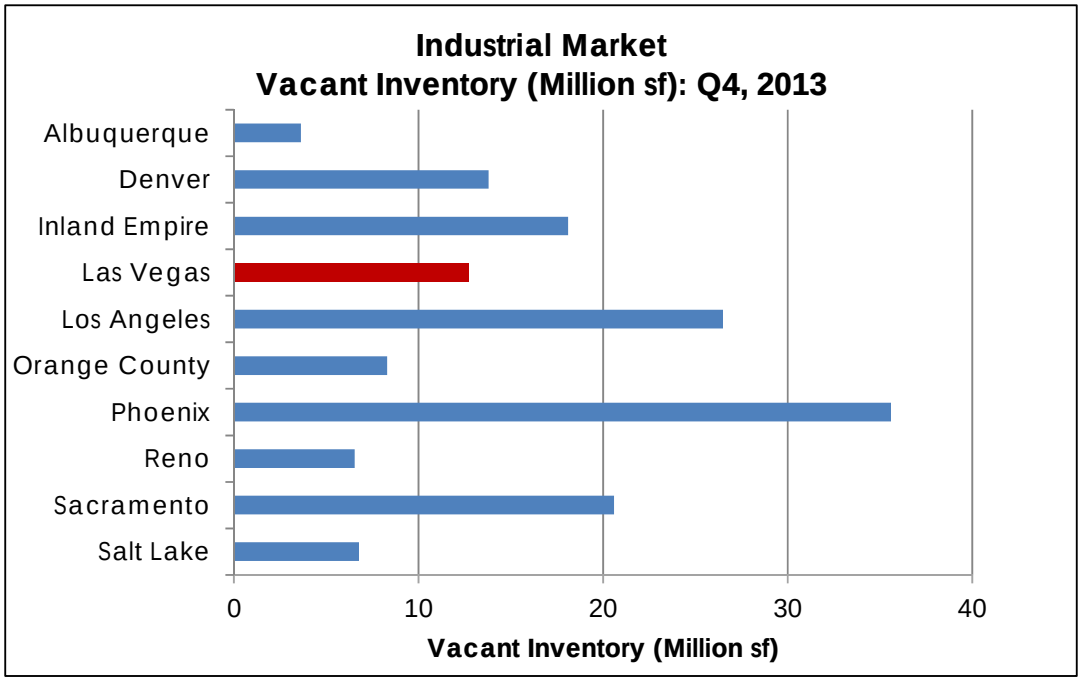


Commentary

At the end of 2013, Las Vegas had the third smallest industrial market compared to the other nine MAs. At 107.6 million sf it was 1.5 times larger than Reno (74 million sf) and nearly three times larger than Albuquerque (39.5 million sf), the two smaller MAs. In addition, to being a relatively small industrial market, and as shown in the tables above, Las Vegas is also near the bottom in terms of total inventory per capita and per private sector employee. For every person living in Las Vegas there was only nearly 54 sf of industrial space at the end of 2013. And for every private sector employee there was 143 sf of industrial space. These are is lowest ratios, other than Albuquerque.

While certain MAs, such as Denver and Sacramento had similar populations, they had significantly more industrial space per capita at the end of 2013. Denver had a total inventory per capita of approximately 88 sf, and Sacramento's was almost 79 sf. In the case of private sector jobs, Sacramento and Salt Lake City had comparable employment-bases to

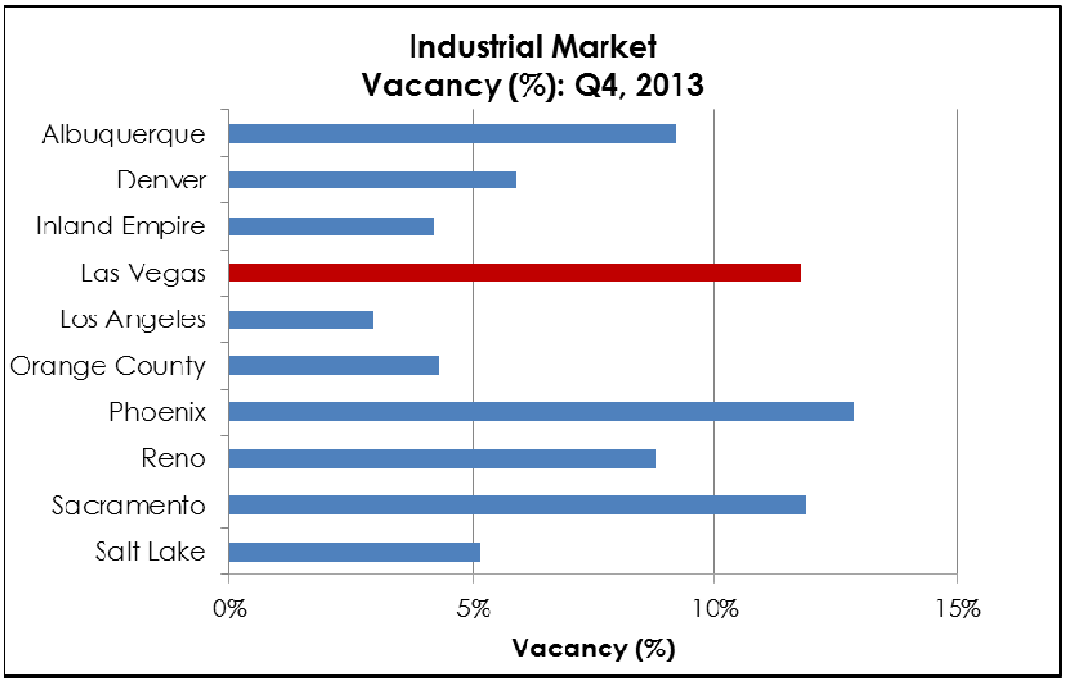
Las Vegas. Sacramento had a total inventory per private sector employee of about 269 sf, while Salt Lake City's was almost 235 sf.



Commentary

In Q4, 2013, Las Vegas had almost 12.7 million sf of vacant industrial space. This was the sixth highest amount of the 10 MAs. Las Vegas had more vacant inventory than Orange County (8.3 million sf) but less than Denver (13.8 million sf). Las Vegas is near the middle of the 10 MAs on a vacant inventory per capita and per private sector employee basis. For every person living in Las Vegas there was about 6.4 sf of vacant inventory and for every private sector employee there was nearly 17 sf. This was the fourth highest and fifth highest amounts for the selected MAs, putting Las Vegas near the middle.

It is important to note that most of the vacant inventory in Las Vegas was for units (spaces) ranging in size from 0 to 24,999 sf. There were only 10 units available that are 100,000 sf or larger. Even though Las Vegas does not stand-out in terms of having a large vacant industrial inventory, in aggregate terms, it does have one of the smallest industrial markets of the MAs. This is one reason the Las Vegas industrial vacancy rate is relatively high.

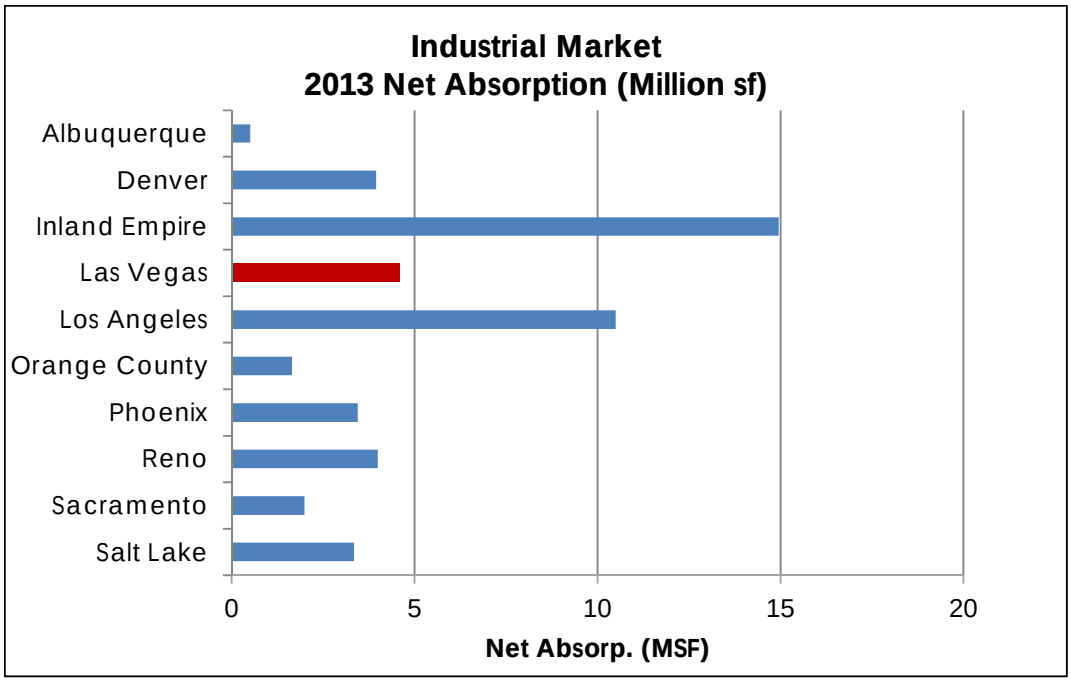


Commentary

As noted previously, Las Vegas had one of the highest vacancy rates at the end of 2013 at 11.8%. This was only lower than Phoenix, which had a vacancy rate of 12.9% and just slightly lower than Sacramento's vacancy rate of 11.9%. Albuquerque had the next highest vacancy rate, which was nearly 2 percentage points lower than Las Vegas, at only 9.2%.

It should be noted here that Phoenix had 1.3 million sf of industrial space added to the market in Q4, 2013. In addition, over 3.1 million sf of spec industrial space was completed that quarter. Because this space is still new, most of it is still vacant, attributing to Phoenix's high vacancy rate. If this new space is not included, Las Vegas would then have the highest vacancy rate.

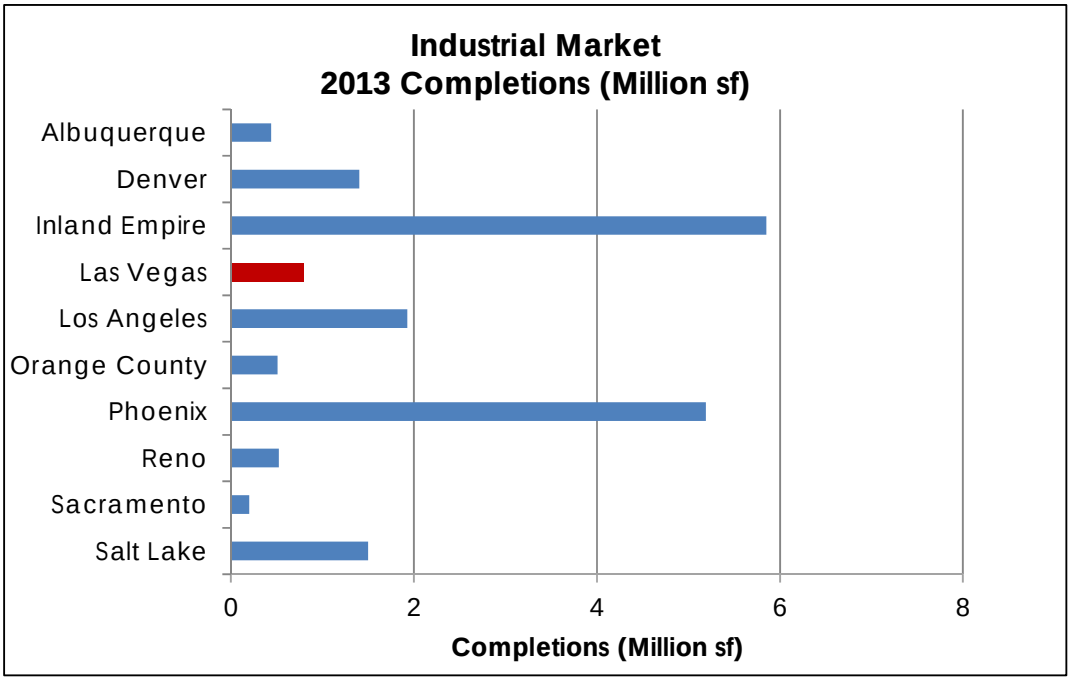
The high vacancy rate is a reflection of just how badly Las Vegas was affected by the Great Recession. However, as noted above, the vast majority of vacant industrial units in Las Vegas are in the smallest size tier of 0 to 24,999 sf. So while market-wide vacancy is high, it is largely due to issues in the smaller user segment, which is largely made up of small Las Vegas-based companies that have felt the brunt of the economic downturn during the last 5+ years.



Commentary

Although the Las Vegas market-wide industrial vacancy remained stubbornly high at the end of 2013, demand for industrial space is returning. Net absorption in 2013 was 4,604,699 sf, which is higher than all other MAs other than the Inland Empire and Los Angeles, which are the two largest MAs. The more similar size markets of Denver, Sacramento and Salt Lake City all had less demand in Q4 than Las Vegas. Even Phoenix, a market with a much larger population, job-base and industrial market had over 1 million sf less of net absorption in 2013.

The demand for industrial space, not just in Las Vegas, but according to the various brokerage reports for the other MAs, is trending towards larger warehouse and distribution buildings that are at least 100,000 sf. If the market is unable to supply this type of space on a spec basis, than product will continue to be built on a build-to-suit basis, which is exactly what is happening in Las Vegas as discussed below.

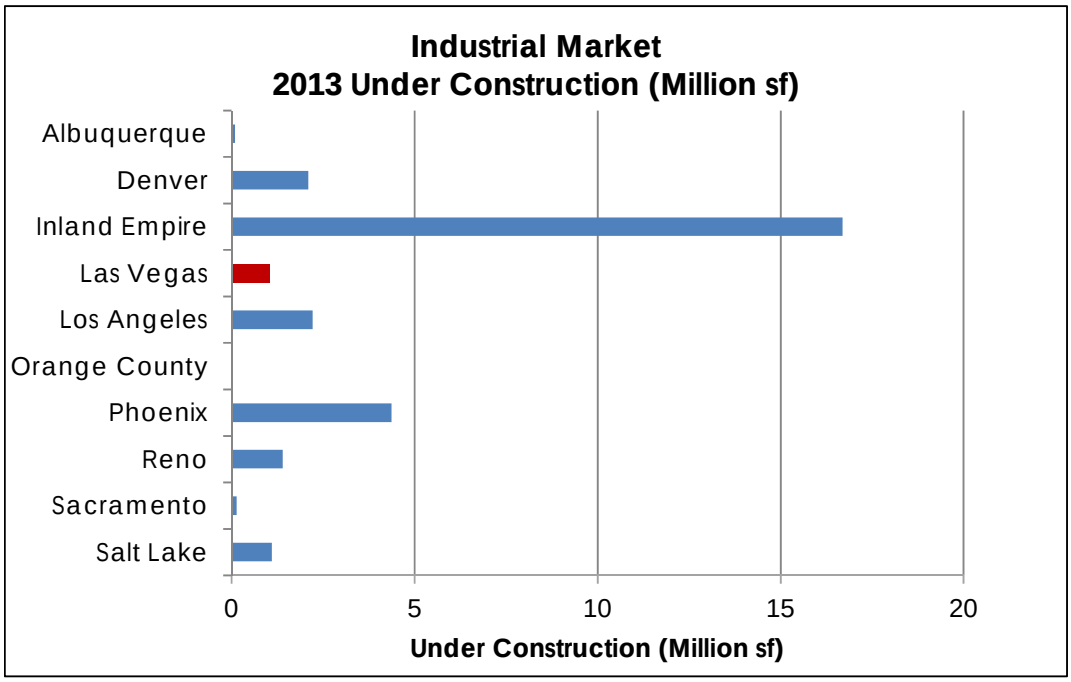


Commentary

In 2013, there was a total of 801,473 sf of industrial space added to the Las Vegas industrial market, all of which were build-to-suit projects. This amount compares well with the more comparable MAs. Denver and Salt Lake both had more industrial space additions in 2013, with 1.4 million sf and 1.5 million sf respectively. However, Sacramento had just over 200,000 sf completed.

All the MAs had fewer than 2 million sf of industrial space completed during the year besides the Inland Empire and Phoenix. Phoenix had a 1.3-million-sf TJ Maxx warehouse, as well as over 3.1 million sf of spec industrial space completions. According to Colliers, The Inland Empire is currently experiencing a “development boom” and is positioning itself to be one of the leading industrial markets on the West Coast.

In most instances, the amount of inventory added to the market is a function of the current vacancy rate, which reflects the level of economic activity and job growth. However, construction is occurring despite Las Vegas having high vacancy. Because all of the space added to the Las Vegas market in 2013 was build-to-suit, many users that are growing are either “custom building” to satisfy their specific needs or are being forced to work in less-optimum conditions in for-lease space.

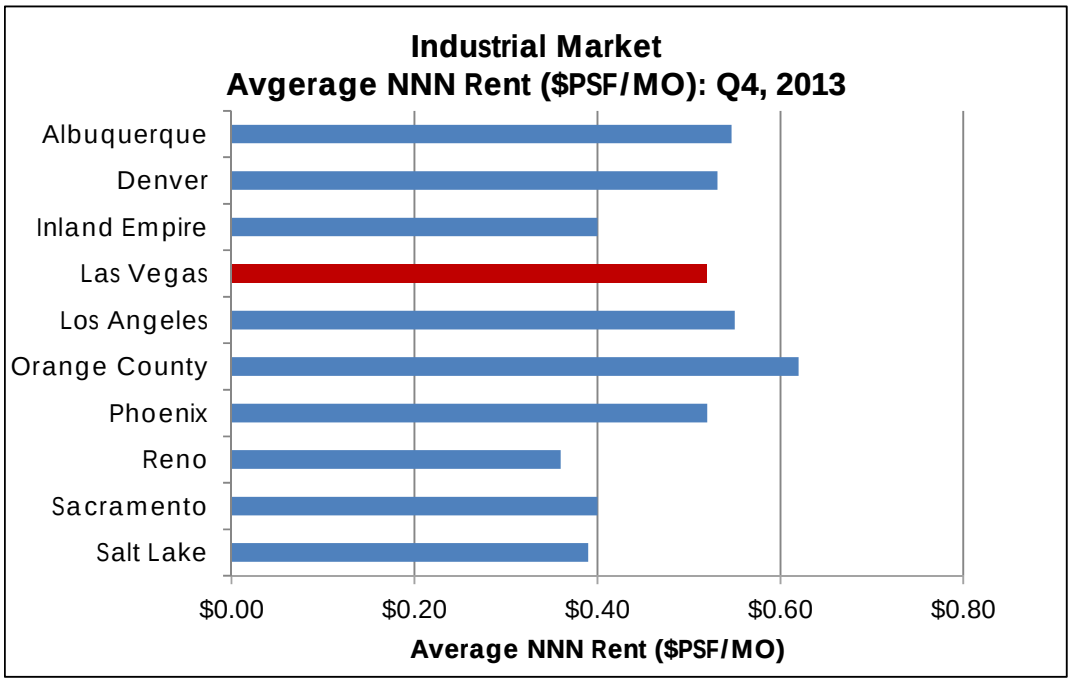


Commentary

Currently there are 1,059,000 sf of industrial space under-construction in Las Vegas. Only three MAs have fewer projects being built. The first is Sacramento, which is the closest to Las Vegas in terms of population. In Q4, 2013 it only had 135,000 sf under-construction. Albuquerque is the next MA; it only had 96,221 sf under construction at the end of 2013. Orange County, with a very limited supply of available land (and relatively expensive land), has no projects under-construction.

The Inland Empire had, by far, the largest amount of industrial projects being built, with over 16.6 million sf under-construction. This is the MA that is positioning itself to be a market leader in supplying industrial space on the West Coast according to Colliers.

All five of the under-construction projects in Las Vegas at the end of 2013 were build-to-suits. This again is evidence that the current available supply of industrial space, mainly small units ranging from 0 to 24,999 sf, are not satisfying the demand for larger space, and certain tenants are having to custom build to meet their needs.



Commentary

In Las Vegas, the average NNN monthly industrial rent in Q4, 2013 was $0.52 psf, which was the sixth highest of the 10 MAs. However, the average rent was very similar to that of most of the other MAs. Los Angeles and Albuquerque both had a NNN rent of $0.55, while Denver's was $0.53, and Phoenix also was $0.52. The MA closest to Las Vegas in terms of population is Sacramento, which had a rent of only $0.40 at the end of 2013.

It does not appear that the high vacancy rate is putting any downward pressure on Las Vegas' average monthly rent; rather most of the vacant units consist of functionally obsolete second and third generation industrial space in less than optimal locations around the Valley.

As noted previously, average monthly asking rents in Las Vegas have risen over the past three quarters. Q4, 2013 rent was up just $.01 over Q3's $.51 and down $.04 over Q4, 2012's $.48 psf. Adjusting historical quarterly asking rents for inflation, Q4's asking rent was $0.21 below average real asking rents five years ago (Q4, 2008's $.74 psf).

5. Conclusion

The Las Vegas industrial market is in a unique position. It has one of the smallest industrial markets, and when considering the per capita per private-sector employee analyses, it becomes even smaller compared to the nine other MAs. Yet, despite being a relatively small industrial market, Las Vegas is still recovering from the Great Recession and it had one of the highest average vacancy rates (11.9%) of the MAs at the end of 2013. However, this high vacancy rate is misleading. The current demand in the Las Vegas industrial markets is for units that are larger than 100,000 sf. Evidence of this can be seen in the current projects under construction and from the results of the two surveys discussed in Parts 1 and 2 of this report. Four of the five projects that were under-construction in Q4 were over 100,000 sf.

While there might be strong market demand for these sized buildings, supply is scarce. There are currently only 10 available units that are 100,000 sf or larger, while there are over 1,650 available units that are between 0 and 24,999 sf. Furthermore, the perceived lender risk associated with financing and constructing large spec industrial buildings appears to be a barrier, because of less than optimal economic conditions. This is why most of the buildings over 100,000 sf are build-to-suit-projects.

A review of various industrial market reports for the nine other MAs indicate that industrial market demand there is also trending towards large buildings (over 100,000 sf). This demand is not evenly distributed - certain MAs, such as Albuquerque and Sacramento, and even some parts of Los Angeles are seeing demand for small to mid-size projects. However, when assessing the overall demand in the selected industrial markets, it would appear that new trends in retail, such as e-commerce, and other developments in logistics and technology are enabling businesses to consolidate operations into fewer large, state-of-the-art buildings.

If Las Vegas does not supply industrial space currently demanded, it will not be able to attract larger users who will locate in other market areas such as the Inland Empire and Phoenix.

Addendum: Competitive MA Profiles

A. Albuquerque, NM

Albuquerque, NM has the smallest amount of industrial space of the 10 MAs at only 39.5 million sf. With a vacancy rate of 9.2%, it had a higher vacancy than all but Phoenix, Sacramento, and Las Vegas. The demand for industrial space during 2013 was 507,304 sf, which was the lowest of all MAs. There was slightly less than 450,000 sf of industrial space projects completed last year. Currently, about 96,000 sf of industrial space is under-construction. Rents were $0.55 psf, making it the third most expensive area to rent industrial space, behind Orange County and Los Angeles.

In total, 439,514 sf of industrial space was completed in 2013. This is also one of the smallest amounts of the 10 MAs, being ahead of only Sacramento. The 96,221 sf of industrial space currently under-construction is the lowest of the MAs that actually have projects being built. Orange County does not have any projects under-construction.

The following projects make up the industrial space that is currently under-construction:

Name	Type	Size
1. Expansion to existing building	Warehouse/Distribution	43,671 sf
2. Expansion to existing building	R&D/Flex	6,800 sf
3. New building construction	Other Industrial	45,750 sf

According to Colliers, Albuquerque's limited supply of industrial space over 100,000 sf is affecting the market. Affordable land and attractive financing terms do make construction of large industrial projects an option. However, the MA has high construction costs and there is speculation as to whether or not the demand for these large industrial spaces will remain this high. Therefore, Colliers forecasts a very minimal amount of construction starts in the next year.

B. Denver, CO

The total industrial inventory in Denver, CO at the end of 2013 was about 233.9 million sf. The vacancy rate in this market was 5.9%. Net absorption in 2013 for industrial space was

3.95 million sf. Over 1.4 million sf of industrial space was completed last year, with an additional 2.1 million sf of space being built at the end of 2013. The average monthly rent in this MA was $0.53 psf, just slightly higher than Las Vegas' rent of $0.52 psf.

The 233.9 million sf of existing inventory made Denver the fourth largest industrial market of the selected MAs. With 1,402,169 sf of industrial space that finished construction in 2013, it was the fifth highest of the group. Denver also had 2,091,382 sf of space under-construction at the end of 2013. This is nearly double the amount of space that Las Vegas had under-construction.

Major industrial projects currently under-construction include:

	Name	Size	Est. Comp. Date
1.	Warehouse in Southeast submarket	175,841 sf	
2.	Park 12Hundred project in Northwest submarket	500,000 sf	Q3, 2014
3.	Enterprise Business Center (Two Buildings)	489,000 sf	
4.	WinWholesale Prologis Park 70	242,100 sf	

These under-construction projects are all speculative. Furthermore, the demand for large industrial space has been positively impacted by the need for marijuana-grow facilities. With a vacancy rate of only 5.9%, multiple sources report that there will be continued construction of speculative industrial space in Denver.

C. Inland Empire, CA

The Inland Empire is one of the largest MAs examined in this report. At nearly 431 million sf, it had the second largest industrial inventory in 2013. Although smaller than Los Angeles, which had over 896 million sf, it was much larger than the next largest MA, Phoenix, which had 275.9 million sf. Despite having such a large industrial market, the vacancy rate was only 4.2% in Q4 of 2013. The only MA with a lower vacancy rate was Los Angeles. The Inland Empire had the highest demand of all of the MAs, with a net absorption in 2013 of nearly 15 million sf. The completions for 2013 totaled 5.9 million sf, with an additional 16.7 million sf currently under-construction now. The average monthly rent in the area was only $0.40 psf, which is the fourth lowest, and under the $0.48 average of the 10 MAs. The Inland Empire currently also has the largest amount of industrial space under-

construction with 16,689,800 sf. This is much higher than the second highest city, Phoenix, which has 4,372,281 sf.

While few specific projects were discussed in the brokerage firm reports we reviewed, it should be noted that about 6.8 million sf of under-construction projects are built-to-suits. Major industrial projects that are currently in construction include:

Name	Size
1. Procter & Gamble	1,560,000 sf
2. Amazon.com Warehouse/Distribution Building	1,200,000 sf

According to Colliers, approximately 70% of the industrial space in the Inland Empire is comprised of buildings with at least 100,000 sf. In addition, the majority of these buildings were built in the past 20 years. This feature is a key selling point in attracting large firms that are consolidating their operations into large, state-of-the-art facilities. NGKF reports that the vacancy rate for warehouse/distribution buildings over 500,000 sf is only 2.9%. Clearly there is a strong demand for these larger buildings in the area.

D. Los Angeles County, CA

The largest MA RCG examined was Los Angeles County, CA, which had nearly 900 million sf of existing industrial space at the end of 2013. In addition to having so much space, it had the lowest vacancy rate, only 3.0%. In 2013, the demand totaled almost 10.5 million sf, the second highest behind the Inland Empire. Los Angeles County had 1.9 million sf of industrial space complete construction in 2013, along with an additional 2.2 million sf of space currently being built. The average monthly rent was $0.55 psf, the second highest rent behind Orange County.

Los Angeles County currently has 2,212,100 sf of industrial space under-construction. Although this is the third highest, it is significantly less than the Inland Empire's 16.7 million sf and Phoenix's 4.4 million sf.

Significant industrial projects under-construction in Los Angeles County include:

Name/Location	Size
1. Four Industrial Buildings in Chatsworth	112,400 sf
2. One Industrial Building in Camarillo	92,700 sf
3. KTR Distribution Facility	620,000 sf

CBRE reports that in Q4, 2013 there were five projects that were completed. Four of them were buildings greater than 100,000 sf. NGKF reports that demand for warehouse and distribution space over 100,000 sf has increased, resulting in higher rents for those buildings. This is not necessarily true for all areas of Los Angeles County, however, which is comprised of several geographical areas. Some areas, such as the San Fernando Valley, San Gabriel Valley, Ventura County and South Bay are having a shortage for smaller industrial buildings. Still, it appears that a majority of the new construction projects are for larger industrial buildings.

E. Orange County, CA

At the end of 2013 Orange County had a total of 193.1 million sf of industrial space. At a 4.3% vacancy rate, only Los Angeles and the Inland Empire had less vacancy. Demand for the year totaled 1.6 million sf, which was only higher than Reno's 10,860 sf, and Albuquerque's 507,304 sf. There were 509,700 sf of industrial space that were completed in 2013; however no projects are currently being built. Orange County did have the highest average monthly rent at $0.62 psf.

A large distribution building, with a size of 209,715 sf finished construction in the Q4 2013. NGKF reports that demand in this area is starting to shift towards warehouse/distribution buildings larger than 100,000 sf. However, because of the limited supply of available land, there are no projects under-construction and minimal opportunities for new inventory.

F. Phoenix, AZ

Phoenix had a total inventory of 275.9 million sf of industrial space at the end of 2013. Its vacancy rate of 12.9% was the highest of all the MAs examined. The demand for the year was 3.4 million sf. Just over 5.1 million sf of industrial space were completed in 2013 and

there is an additional 4.4 million sf still under-construction. The average monthly rent is $0.52 psf, higher than the $0.48 average of the 10 MAs, but equal to the rents in Las Vegas.

The 275.9 million sf of inventory made Phoenix the third highest of the 10 MAs examined. Construction was completed on 5,190,681 sf of industrial space, making it the second highest amount. In addition, there is another 4,372,281 sf of inventory still under-construction, also the second highest amount of the MAs analyzed.

Industrial projects currently under-construction of interest include:

Name	**Size**
1. Winco Foods Distribution Center	800,000 sf
2. Living Spaces Furniture Warehouse	437,234 sf
3. Macy's Distribution Center	360,000 sf

According the CBRE, 66% of all the industrial space under-construction in Phoenix is in built-to-suit projects. Colliers also confirms this trend and notes that spec square footage construction will lag 2013 levels by 75%. The existing high demand for industrial space is causing the vacancy rate to drop. However, the vacancy rate was still at 13% at the end of 2013, and will have to further drop before significant new construction occurs.

G. Reno, NV

Reno had just over 74 million sf of industrial space at the end of 2013, making this MA the second smallest of the 10 areas studied. The vacancy rate was 8.8% at the end of 2013 and was just shy of 4 million sf. In 2013 there was 524,800 sf of industrial space completed and 1.4 million sf of space currently under-construction. The average rent was $0.36 psf, the lowest rent out of the group.

The 524,800 sf of space completed last year was only higher than Orange County, Albuquerque and Sacramento. The 1,393,240 sf of industrial space currently under-construction is the fifth highest on the list.

The 1.4 million sf of industrial space under-construction is made up of three projects:

Name	Size
1. Zulily.com built-to-suit	700,000 sf
2. Dermody Properties spec project	623,000 sf
3. South Reno submarket	70,240 sf

CBRE forecasts that future projects will be largely speculative development. This should occur as continued demand drives down the current vacancy rate and pushes up the average rents from their low levels. Colliers suggested in Q2, 2013 that construction plans for 4 to 5 million sf of built-to-suit projects could be announced; however, as of the end of 2013 that had not yet occurred.

H. Sacramento, CA

At the end of 2013 the total industrial inventory in Sacramento was 173 million sf. The vacancy rate was 11.9%, the second highest of the MAs reviewed, below Phoenix and one percentage point higher than Las Vegas. The total demand in 2013 was just under 2 million sf, which was only higher than Orange County and Albuquerque. According to CBRE, there was no industrial space completed in 2013. However, JLL reported a Distribution project was completed in West Sacramento. There was approximately 135,000 sf of industrial space currently under-construction. The average monthly rent was $0.40 psf, only higher than Salt Lake and Reno.

With only the one project completed in 2013 for 201,211 sf, Sacramento had the least amount of construction completed during the year. The 135,000 sf of projects under-construction is only more than Albuquerque, with 96,221 sf and Orange County, which has no industrial projects under-construction.

The projects under-construction in Sacramento are:

Type	Size
1. Distribution	60,000 sf
2. Light Industrial	25,000 sf
3. Special Purpose	10,000 sf

4.	Flex/High Tech/R&D	40,000 sf

According to CBRE all of the projects that were under-construction in Q4 were built-to-suits under 100,000 sf. Much of the absorption in 2013 was for the smaller to mid-size buildings, not the larger ones. While there were no announced planned spec projects at the end of 2013, CBRE anticipates at least one new development to be announced in 2014.

I. Salt Lake City, UT

Salt Lake City had an industrial market of 131.5 million sf at the end of 2013, about 24 million sf more than Las Vegas. The vacancy rate was 5.2%, with only Orange County, Inland Empire and Phoenix having lower vacancy rates. The total demand for industrial space in 2013 was 3.4 million sf. There was 1.5 million sf of industrial space completed in 2013 and an additional 1.1 million sf is still under-construction. The average monthly rent is $0.39 psf, lower than all areas except Reno, which was $0.31.

In 2013, 1.5 million sf of industrial space was completed. This was the fourth highest of the 10 MAs. In addition, there were 1,098,656 sf of space under-construction, the fifth largest amount.

Two major projects of interest that will be finished in 2014 include:

	Name	**Size**
1.	United States Postal Service	304,555 sf
2.	Quality Distribution	268,000 sf

The construction trend in Salt Lake is leaning towards larger, built-to-suit or owner-user developments. As noted by NGKF, Salt Lake is positioning itself to be a regional distribution hub for the West Coast. As larger retailers and other e-commerce companies see an increase in direct-to-consumer, non-store retail sales, the demand for large warehouse space will continue to increase. This is further driving the construction of new projects. In addition to 1.1 million sf of construction projects that are expected to be completed this year, CBRE also reports an additional 1.6 million sf of projects that are still in the planning phases.

Definitions of Key Terms

Average Asking Rent (NNN Rent): Weighted by vacant square feet available for lease. Rents 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 is based on triple net rents (NNN), and excludes expenses such as taxes, insurance, maintenance, janitorial service and utilities.

Completions: Total new space added during the quarter from construction completions, less total space due to building demolitions or conversions.

Net Absorption: Net amount of unoccupied space in buildings that was leased during a given period of time (e.g., quarter or four quarter total). It is a measure of demand, calculated as the net change in occupied square feet between two periods.

Total Inventory: Total rentable square feet of existing industrial buildings. Includes speculative as well as owner-occupied buildings.

Total Vacancy: Space in a building that is unoccupied and immediately available for lease by the owner of the property or offered for sub-lease by the primary tenant.

Under-construction: Includes buildings that are in some phase of construction, beginning with foundation work and ending with the issuance of a certificate of occupancy.

APPENDICES

INTRODUCTION-ECONOMIC DEVELOPER & COMMERCIAL BROKER SURVEY

RCG Economics was retained by the Las Vegas Global Economic Alliance to conduct a confidential survey of commercial real estate leaders and economic development professionals in Southern Nevada to help quantify the demand for and supply of existing and large scale industrial buildings in Southern Nevada. This survey is comprised of several tasks including the following:

1a. Demand Survey - Survey major commercial brokerage firms and economic development organizations in Southern Nevada to quantify demand for existing, large industrial buildings (100,000 sq. ft. or larger). Specifically, the survey will be segmented by the following size ranges: 100,000-200,000, 201,000-300,000, 301,000-500,000, 501,000-1,000,000 and 1,001,000+ sq. ft.

1b. Supply Constraint Survey – Survey major developers to identify obstacles to spec development of large industrial buildings.

SURVEY

OVERALL DEMAND

How many prospective clients/companies have explored Southern Nevada with your office in the past year for vacant industrial buildings (100,000 sq. ft. and greater)

- Total number of inquiries, ranging from serious to generic inquiries: (#)_____

CATEGORIES OF INQUIRIES

Knowing that these prospective companies have varying interest levels, please divide your inquiries into 3 categories and give a total number for each:

1) Most serious/short listed/frequent communications/toured the area/ (**Clients**) _____

2) Genuinely interested/formal requests for information/regular communications (**Prospects**)_____

3) Initial stages of research/generic inquiry (**Suspects**) _____

BUSINESS TYPES & JOB CREATION

Using the same three categories above, please note the different types of businesses that are inquiries and their potential job creation numbers in total per each category:

Most serious/short listed/frequent communications/toured area (Clients)

- Types of businesses:
  a) Manufacturing (total #) _____
  b) Logistics/warehousing (total #) _____
  c) Other (type and #) _____

- Total Job Creation numbers for these types of businesses _____

Genuinely interested / formal requests for information / regular communications (Prospects)

- Types of businesses:
  a) Manufacturing (total #) _____

  b) Logistics/warehousing (total #) _____

  c) Other (type and #) _____

- Total Job Creation numbers for these types of businesses _____

Initial Stages of Research / generic inquires (Suspects)

- Types of businesses:
  a) Manufacturing (total #) _____

  b) Logistics/warehousing (total #) _____

  c) Other (type and #) _____

- Total Job Creation numbers for these types of businesses_____

BUILDING SIZES

These prospective companies will have preferences for building sizes. Please record the building sizes needed for the 3 different categories of inquiries:

Most serious / short listed / frequent communications / toured area (Clients)

- 100,000-200,000 sq. ft. (#) _____
- 201,000-300,000 sq. ft. (#) _____
- 301,000-500,000 sq. ft.(#) _____
- 501,000-1,000,000 sq. ft. (#) _____
- 1,001,000+ sq. ft. or higher (#)_____

Genuinely interested / formal requests for information / regular communications (Prospects)

- 100,000-200,000 sq. ft. (#) _____
- 201,000-300,000 sq. ft. (#) _____
- 301,000-500,000 sq. ft.(#) _____
- 501,000-1,000,000 sq. ft. (#) _____
- 1,001,000+ sq. ft. or higher (#)_____

Initial stages of research / generic inquiry (Suspects)

- 100,000-200,000 sq. ft. (#) _____
- 201,000-300,000 sq. ft. (#) _____
- 301,000-500,000 sq. ft.(#) _____
- 501,000-1,000,000 sq. ft. (#) _____
- 1,001,000+ sq. ft. or higher (#)_____

SOUTHERN NEVADA NOT SELECTED

Recruiting companies is a very competitive business, and many times Nevada or the Las Vegas Region will not be selected.

On the deals that didn't get done, what do you think the major factors were for the company not selecting Southern Nevada?:

- Lack of building inventory (Yes _____) or (No _____)
- Proximity to customer base (Yes _____) or (No_____)
- Incentives from other states (Yes _____) or (No _____)
- Lack of available labor (Yes ___) or (No ___)
- Concerns or uncertainty over taxes, fees or operating costs (Yes___) or (No ___)
- Concerns over approval times/process or regulatory issues (Yes___) or (No ___)
- Other factors:

  _____

  _____

  _____

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  _____

ADDITIONAL COMMENTS

Please note any suggestions, ideas or anecdotal comments you would like to pass on to the LVGEA in regard to this survey about the demand for vacant large scaled buildings in Southern Nevada.

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INTRODUCTION-COMMERCIAL DEVELOPER SURVEY

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1a. Demand Survey - Survey major commercial brokerage firms and economic development organizations in Southern Nevada to quantify demand for existing, large industrial buildings (100,000 sq. ft. or larger). Specifically, the survey will be segmented by the following size ranges: 100,000-200,000, 201,000-300,000, 301,000-500,000, 501,000-1,000,000 and 1,001,000+ sq. ft.

1b. Supply Constraint Survey – Survey major developers to identify obstacles to spec development of large industrial buildings.

SUPPLY CONSTRAINT SURVEY–DEVELOPERS' PERSPECTIVE

This is ***confidential survey*** of industrial developers to help identify the actual and perceived constraints related to the availability of industrial space above 100,000 sq. ft. in Southern Nevada.

DEMAND

The following questions relate to the "demand" for large industrial buildings:

- In the past 3 years how many formal or written requests have you had to build large industrial buildings?
  a) Speculative buildings (#) _____
  b) Build to suit buildings (#) _____

- Did you see any increases in the numbers of inquiries over the last year for building these types of large industrial buildings?
  a) Yes ___
  b) No ____

PRICE

The price of constructing new industrial buildings can be very challenging. As you know, pricing is a combination of several factors, which impacts the overall costs of construction. Please respond to the following price questions:

- Labor: The availability and cost of labor has been a recent constraint in constructing new industrial buildings. (Yes ____) or (No ___)

- Materials: The costs of materials such as concrete, lumber, and metals has been a recent constraint in constructing new industrial buildings (Yes ___) or (No____)

- Land: The availability, price and finishing costs of industrially zoned land has been a recent constraint in constructing new industrial buildings (Yes ___) or (No __)

- Government regulations: The costs and time to secure government permits and entitlements has been a recent constraint in constructing new industrial buildings (Yes ___) or (No ___)

- Financing: The costs and availability of construction financing has been a recent constraint in constructing new industrial buildings (Yes ___) or (No ___)

- Financing: Sometimes low appraisals compounded by low land to value ratios makes financing unattractive. Have these issues of creating favorable financial terms been a recent constraint in constructing new industrial buildings (Yes ___) or (No ___)

- Financing: Securing reasonable permanent financing for the future has been a recent constraint in building new industrial buildings (Yes ___) or (No ___)

- Profitability: To be successful the project needs to "pencil" or be profitable and have revenues exceed costs. Has profitability been a recent constraint in constructing new industrial buildings? (Yes___) or (No ___)

- Market Uncertainty: Has the overall market's uncertainty (economic climate) created a constraint in constructing new industrial buildings (Yes ___) or (No ___)

COMPETITION

The competition from other states, with their financial incentive packages, to lure industrial prospects to their areas, can be a major constraint for developing new buildings. The "gaming only" image of Southern Nevada can also be a competitive disadvantage in recruiting new employers to our region.

Please respond to these competition questions:

- Have you typically been told by a company or a site selector that your building quote was not competitive due to the fact that another state has offered a better deal or incentive package? (Yes ___) or (No ___)

- Has the image of Las Vegas or Southern Nevada often hurt your chances to secure a contract to build a new industrial building? (Yes ___) or (No ___)

- Has the State of Nevada, in your opinion, improved its competitive position in the last few years to secure new industrial buildings? (Yes ___) or (No ___)

- Are there other competition issues you feel are important and that have been a constraint to build new industrial buildings _____

_____

_____

_____

_____

_____

LAND

The challenge of securing a property sized and located parcel can be a major constraint in building new industrial buildings. During Southern Nevada's significant growth years (1999-2007), the costs of securing industrial land was also a major constraint to developers.

Please respond to the following land questions:

- Have you experienced any major difficulties in finding available land to build new industrial projects on? (Yes ___) or No___)
- Has the price and improvement costs of industrial land ever created any major constraint (Yes __) or (No ___),
- or secondary constraint (Yes ___) (No ___)
- for your development plans? (Yes ___) or No___)
- With an improving economy, do you foresee any major competition for industrial lands with residential developers as we witnessed in the early 2000's?
  (Yes ____) or (No ___)

GOVERNMENT REGULATIONS

Local and state governments, through their various regulations and permitting processes, can be a constraint to the building of new industrial buildings. This fact is never the intent of local and state regulators, but in combination, the overall impact on building costs can be quite high and time consuming.

Please respond to these government regulations questions in context to creating barriers or constraints to building new industrial buildings.

Which of the following agencies and/or their permitting processes regularly create delays or constraints to building new industrial buildings in your opinion?:

- Flood control costs and mitigations (Yes___) or (No ___)
- Hydrology, soils, topography and grading permits (Yes ____) or (No ___)
- Fire codes and fees (Yes ___) or (No ____)
- Water costs and fees (Yes ___) or (No ___)
- Comprehensive Planning departments (zoning/entitlement issues)

  (Yes _____) or (No_____)
- Building Department codes and approval times (Yes ____) or (No ____)
- Utility extensions and costs (Yes ___) or (No___)

- Are these regulatory delays mostly perceived or real ? (Perceived _____) or (Real ___). If real, please give an example

_____

_____

_____

_____

- Any other state or local regulations that have created constraints for the development of new industrial buildings?

_____

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_____

PRIORITIZE CONSTRAINTS

Please prioritize the following constraints. The most difficult constraint with a #1 to the lowest constraint with a #9. Please have no ties with your priority numbers:

- Demand for the product _____
- Prices/Costs of labor or materials _____
- Uncompetitive business environment of Nevada _____
- Land availability _____
- Land costs and improvement costs_____
- Financing availability (construction and permanent) _____
- Profitability/lease and sales rates high enough to make project pencil _____
- Market/economic climate uncertainty _____
- Government regulations _____

ADDITIONAL COMMENTS

Please feel free to add any ideas, suggestions or comments to be passed on to the LVGEA regarding this survey and how various constraints effect developers from creating new large industrial buildings in Southern Nevada

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