MARKETBEAT
INDUSTRIAL SNAPSHOT

LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q1 2013

ECONOMIC OVERVIEW

The U.S economy struggled through Q4 12 with GDP increasing by only 0.4% as cutbacks began in anticipation of the fiscal cliff and sequestration. The fiscal cliff came and went but sequestration remained, which caused some trepidation in the market. Nevada's economy has lagged behind the overall U.S. economy but has been recovering faster. The 9.6% unemployment rate for Nevada represented a 2.2-percentage-point (pp) drop from a year ago, the largest percentage decrease in the nation. Total net jobs added in the last year amounted to 23,800 with 600 of those coming in February. Industrial related jobs remained fairly flat over the past year.

STATS ON THE GO

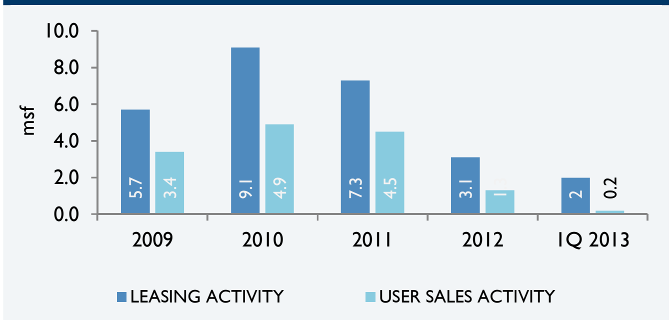
	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	15.6%	14.8%	-0.8 pp	▼
Direct Asking Rents (psf/mo)	$.50	$.58	16.0%	▲
YTD Leasing Activity (sf)	625,377	2,052,102	228.1%	▲

LAS VEGAS MARKET

The Las Vegas Industrial market in the first quarter of 2013 was mostly flat with an overall vacancy rate of 14.8%, which represents a 0.8 percentage point (pp) drop on a year-over-year basis, but a 0.2-pp increase from Q4 12. This demonstrates that the industrial market in Las Vegas is still engaged in a slow recovery. The weakness primarily has been noticed in warehouse distribution space, where the average weighted asking lease rate was $0.50 per square foot per month (psf/mo) on a triple net (NNN) basis; $6.00 psf annualized. One bright note was a significant increase in leasing, which picked up by a dramatic 228.1% from Q1 12, almost entirely attributable to leasing activity in the manufacturing and warehouse sectors. Occupancy gains totaled 454,059 sf, with all but 5,000 sf once again attributable to manufacturing and warehouse space.

Sales activity of industrial space has also been on the flat side as investors are still trying to determine the bottom. User-sales activity has remained low as users try to determine where the bottom of the market is. Low lease rates don't justify construction of build-to-suit properties other than for larger warehouse or manufacturing facilities.

OVERALL OCCUPIER ACTIVITY



Distressed receivership and REO sales remained a major part of the Las Vegas market. Distressed REO sales activity still dominates the industrial sector with buyers looking for low hanging fruit with anticipation of acquiring properties at or below replacement cost. The average price for REO industrial properties was $55.00 per square foot (psf), while the average price for non-distressed sales was $72.00 psf. Investment sales is still a hot button for most REITS trying to acquire value and add institutional grade assets to their portfolios. However, the Las Vegas Industrial market currently has little to offer. Most investors are looking for big box distribution centers and properties that are at or below 60% occupancy, and are hoping for an upside swing as the lease rates start to tick up with an optimistic outlook for price appreciation. Growth in the industrial market is predicated and subject to the recovery in the housing market with the anticipation that migration to Southern Nevada will continue to increase in 2013. Several built-to-suit projects have been earmarked to be completed in 2013 including the new Federal Express facility in Henderson, Nevada. We still believe that 2013 will be a slow recovery year for the Las Vegas industrial market as the consumer confidence remains volatile. Overall growth of the industrial sector for southern Nevada usually trickles down from major metropolitan markets such as Los Angeles and the Inland Empire, CA; Chicago, IL; Atlanta GA and Texas. Each of these economies have started seeing healthy signs of recovery in their industrial markets.

OUTLOOK

With an uptick in leasing activity and lease rates through Q1 13, there are some reasons to be cautiously optimistic about the future. Although lease rates took a pretty sizeable leap, it is not expected that the trend will continue at that pace, but will more than likely level off and remain more consistent. Little new speculative construction is planned, which should allow space to be absorbed and push down vacancy rates.

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Nevada continues to be a centrally-located hub for distribution space, which makes it ideal for companies to locate or expand here, especially as the overall economy improves and port activity in Los Angeles and Long Beach expands. Additionally, firms from other states, specifically California, continue to look to other locations to achieve lower costs through tax savings and the workforce. Nevada continues to offer substantial advantages on cost for these companies.

The national industrial market is finally moving from the recovery phase into the expansion phase as the occupancy and rental rates increased in 2013 which is a healthy sign for industrial markets. Retailers are seeking to increase their distribution channels and the expansion of third-party logistics firms. The two plus year old recovery of U.S. industrial real estate will continue into 2013. Recovery is underway in production, trade and inventories which will translate into more built-to-suits and new construction

The global economy and the logistics of industrial real estate markets are on track for a stronger rebound in the second half of 2013. There is a sentiment for modern logistics space over the next 12 to 18 months. Commercial real estate continues to rank high on the list of acquisitions for investors around the world. The volume in the first quarter of 2013 reached $94 billion, according to Jones Lang La Salle capital markets research from 60 countries. The improving sentiment across all real estate markets is encouraging investors and buyers to look at opportunities up the risk curve and it is expected to continue through 2014.

MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
2861 N. Marion Dr.	North	Not Disclosed	Distribution/Warehouse	308,000
2880 N. Lamb Blvd	North	Hand Air Express, LLC	Distribution/Warehouse	303,446
3837 Bay Lake Trail	North	Not Disclosed	Distribution/Warehouse	229,300

Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / $PSF	SQUARE FEET
880 Wigwam Pkwy	SE Las Vegas/Henderson	Harsch Inv Prop	$8,500,000 / $55	153,583
8905 S. Pecos Rd	SE Las Vegas/Henderson	JER Partners	$7,100,000 / $93	76,539
4310 S. Cameron St	Southwest	Brookhollow Group	$4,600,000 / $55	83,995

Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3000 – 3200 Coleman St	North	Chelten House Products	2013	156,915

	Existing SF	Vacancy SF	Vacancy Rate	Net Absorption	Leasing Activity SF	Average Asking Rate	Construction SF
High Tech	993,344	110,916	11.2%	0	5,000	$.78	0
Manufacturing	41,681,132	5,386,712	12.9%	141,839	1,133,020	$.46	231,915
Office Services	8,002,972	427,785	5.3%	5,042	29,662	$.63	0
Distribution	53,185,100	9,425,894	17.7%	283,636	884,420	$.45	8,709
TOTAL	103,862,548	15,351,307	14.8%	454,059	2,052,102	$.58	240,624

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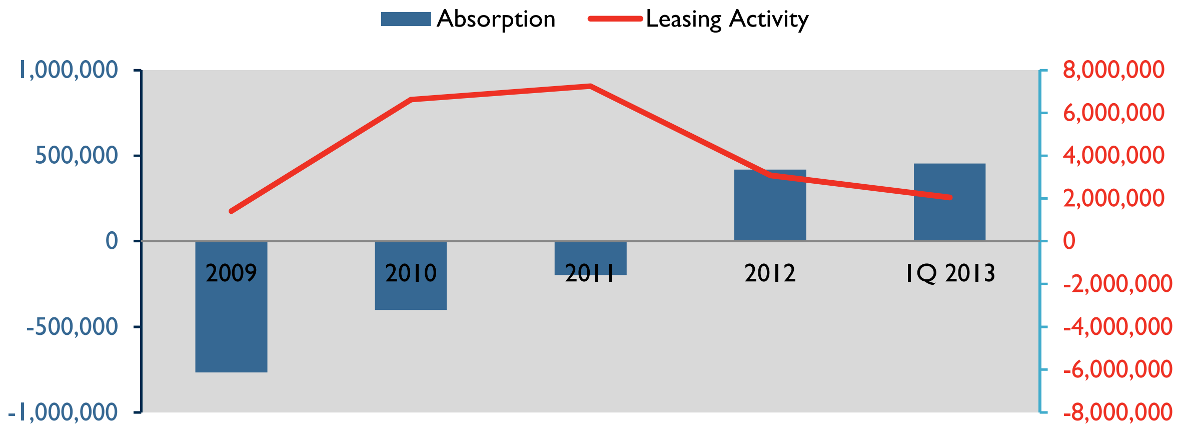
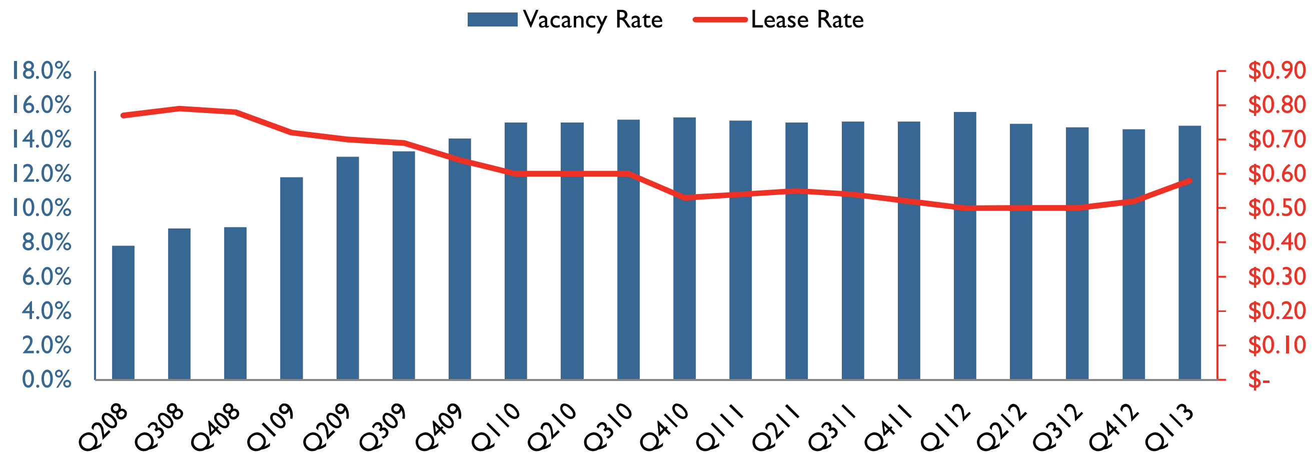
Leasing Activity vs. Absorption



Vacancy Rate vs Lease Rate



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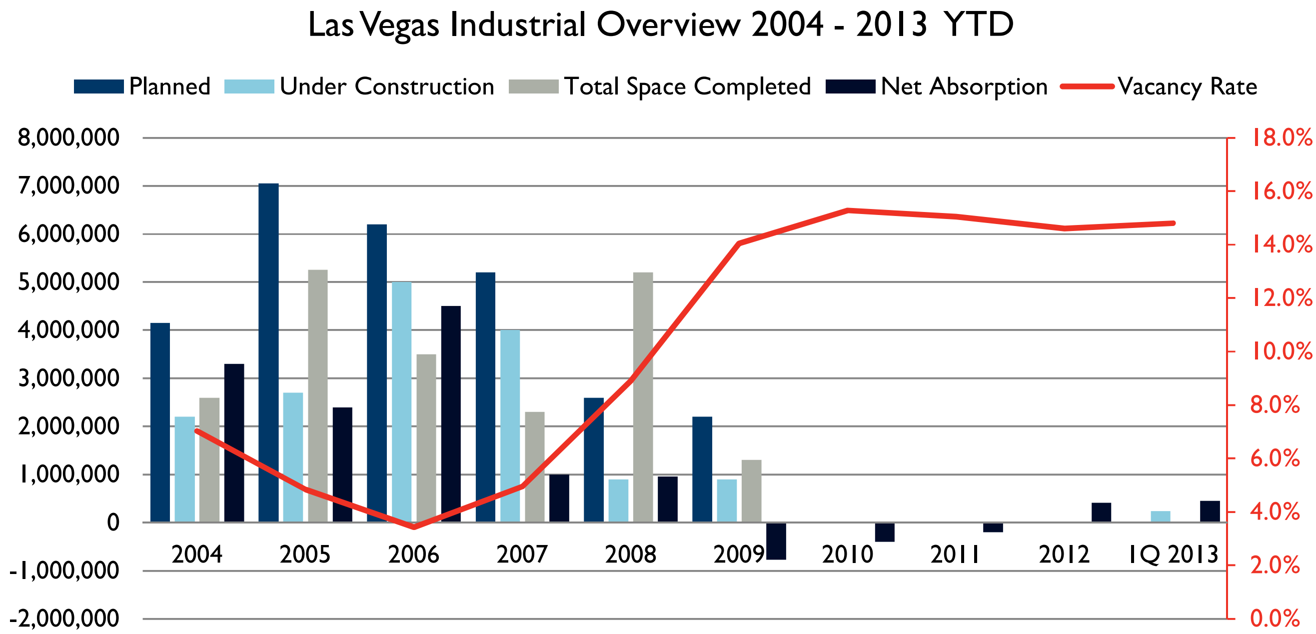

	2004	2005	2006	2007	2008	2009	2010	2011	2012	1Q 2013
Inventory	73,964,220	78,001,956	81,158,665	87,202,467	89,573,947	102,427,433	100,903,764	101,686,151	102,614,632	103,862,548
Lease Rate	$.52	$.56	$.67	$.75	$.79	$.78	$.64	$.53	$.52	$.58

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