

MARKETBEAT



LAS VEGAS INDUSTRIAL REPORT

3Q11

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

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Overview

The real estate market in southern Nevada is primed to head in a positive direction. The resort corridor has shown a slight gain in gaming revenue for the first time in 18 months and travelers are staying a full night and a day longer than they were a year ago. The housing market still has a long way to recovery; however, the commercial and industrial investment sales in southern Nevada are much stronger in 2011 than in the past few years. This is a favorable indicator that investors outside Southern Nevada are becoming more confident in the area's economic future. Local employment has shown slight gains over the past six months which will result in more positive absorption in the fourth quarter of 2011. The decrease in speculative development has created demand for income-producing properties, thereby putting upward pressure on values.

Vacancy

The Las Vegas industrial market showed upward movement in vacancy, rising to 15.1% during third quarter 2011. The Central submarket continues to show the lowest vacancy rate at 8.3% along with the Southeast submarket at 12.8% and Speedway submarket at 11.8%. The highest vacancy submarkets are the Northwest at 28.8%, Airport at 19.8% and West submarket at 18.1%. The high vacancy rates are driven by weak tenant demand and marginal stability, combined with landlord lease concessions, loan defaults and corporate downsizing. Direct net absorption for the second quarter (the measure of space leased from one reporting period to the next) was at 580,525 square feet (sf).

Pricing

Lease rates for the industrial market have been very competitive over the last three quarters. Landlords are eager to lease their buildings and make deals on a short term basis in order to have a means of cash flow. The median asking rental rates have ranged anywhere from \$0.35/SF/mo NNN to \$0.55/SF/mo NNN. Larger national tenants like Now Foods, a vitamin company from Illinois, are beginning to enter into the Las Vegas industrial market and looking to find lease rate bargains as low as 1998 prices. This is one indicator that we have reached the bottom and the industrial market stabilization process has begun for a long, steady recovery.

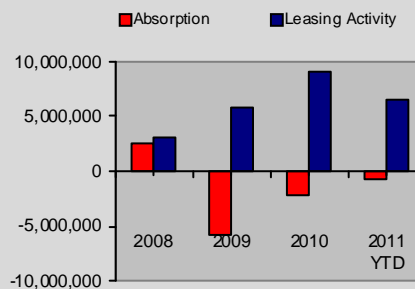
Outlook

The economic trends for Nevada show signs of modest improvement; not enough to reduce high unemployment but enough to ease fears that another recession might be near. Many economists expect similarly tepid growth in 2012 and 2013. The southern Nevada economy would need to grow consistently at 4% to 5% to generate enough hiring to lower unemployment significantly. Industrial vacancy is anticipated to gradually decrease as the national and local economy show signs of improvement.

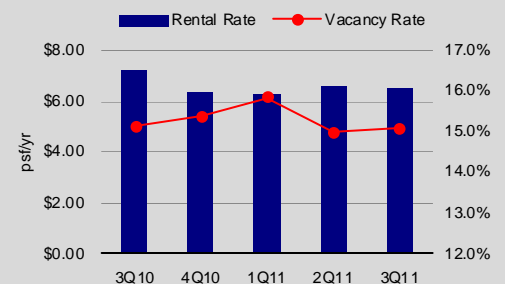
Stats on the Go

	3Q10	3Q11	Y-o-y Change	12 month Forecast
Overall Vacancy	15.1%	15.1%	0.0 pp	↔
Direct Asking Rents	\$5.64	\$6.48	14.9%	▼
YTD Leasing Activity (sf)	7,309,668	6,486,369	11.3%	↔

Leasing Activity vs. Absorption



Overall Rental vs. Vacancy Rates



Commerce Real Estate Solutions

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Market/Submarket Statistics

Commerce Real Estate Solutions a Cushman & Wakefield Alliance
Las Vegas Industrial Market Report Q3 2011

	Inventory		Vacancy		Demand & Supply		Pricing		Total YTD Gross Space Leased					Total YTD Net Absorption					
	No of Bldgs.	Existing SF	Vacancy SF	Rate	Net Absorption	Gross Space Leased	Asking Rates Median	Sublease SF	1Q Gross Space Leased	2Q Gross Space Leased	3Q Gross Space Leased	4Q Gross Space Leased	Total Gross Space Leased	1Q Net Absorption	2Q Net Absorption	3Q Net Absorption	4Q Net Absorption	Total Net Absorption	
Airport																			
Distribution	112	5,715,988	791,581	13.85%	(64,893)	33,644	\$0.55	-	206,230	214,953	33,644	-	454,827	(20,372)	103,080	(64,893)	-	-	17,815
Flex	70	1,855,199	484,213	26.10%	75,591	96,807	\$0.58	21,796	96,219	12,669	96,807	-	205,695	48,360	(104,225)	75,591	-	-	19,726
Light Industrial	12	54,084	14,762	27.29%	(3,612)	-	\$0.65	-	-	-	-	-	-	(11,150)	-	(3,612)	-	-	(14,762)
Incubator	78	1,757,530	518,475	29.50%	2,519	15,874	\$0.70	-	14,504	67,993	15,874	-	98,371	(214,434)	46,264	2,519	-	-	(165,651)
Midbay	162	3,498,691	746,151	21.33%	40,382	111,188	\$0.55	-	119,326	107,822	111,188	-	338,336	(85,549)	45,794	40,382	-	-	627
Airport Total	434	12,881,492	2,555,182	19.84%	49,987	257,513	\$0.58	21,796	436,279	403,437	257,513	-	1,097,229	(283,145)	90,913	49,987	-	-	(142,245)
Central																			
Distribution	109	3,809,527	201,580	5.29%	(46,001)	3,723	\$0.40	-	96,247	51,576	3,723	-	151,546	73,494	23,396	(46,001)	-	-	50,889
Flex	11	145,859	22,855	15.67%	(6,255)	-	\$0.43	-	6,400	-	-	-	6,400	6,400	-	(6,255)	-	-	145
Light Industrial	3	14,608	4,848	33.19%	-	-	\$0.49	-	-	-	-	-	-	-	-	-	-	-	-
Incubator	102	2,059,307	220,064	10.69%	49,633	57,803	\$0.52	-	30,090	21,848	57,803	-	109,741	(43,169)	(45,526)	49,633	-	-	(39,062)
Midbay	229	2,400,416	252,564	10.52%	(34,056)	48,010	\$0.41	-	44,479	22,438	48,010	-	114,927	(54,919)	22,438	(34,056)	-	-	(66,537)
Central Total	454	8,429,717	701,911	8.33%	(36,679)	109,536	\$0.43	-	177,216	95,862	109,536	-	382,614	(18,194)	308	(36,679)	-	-	(54,565)
Southeast																			
Distribution	111	8,156,665	965,528	11.84%	714	265,730	\$0.47	151,101	187,878	50,679	265,730	-	504,287	(40,131)	18,910	714	-	-	(20,507)
Flex	29	476,294	38,085	8.00%	(3,764)	-	\$0.68	-	23,810	522	-	-	24,332	23,810	(2,516)	(3,764)	-	-	17,530
Light Industrial	13	67,761	4,725	6.97%	4,162	4,162	-	-	480	-	4,162	-	4,642	480	-	4,162	-	-	4,642
Incubator	51	854,926	76,378	8.93%	7,180	7,180	\$0.65	-	42,935	36,802	7,180	-	86,917	34,525	19,806	7,180	-	-	61,511
Midbay	208	2,888,083	519,464	17.99%	94,953	168,916	\$0.45	4,667	128,610	55,995	168,916	-	353,521	(28,683)	(58,336)	94,953	-	-	7,934
Southeast Total	412	12,443,729	1,604,180	12.89%	103,245	445,988	\$0.56	155,768	383,713	143,998	445,988	-	973,699	(9,999)	(22,136)	103,245	-	-	71,110
North Las Vegas																			
Distribution	241	20,829,469	2,834,202	13.61%	(283,102)	165,748	\$0.33	-	554,653	564,945	165,748	-	1,285,346	(435,657)	501,445	(283,102)	-	-	(217,314)
Flex	33	775,957	128,574	16.57%	(7,110)	13,195	\$0.50	8,000	15,869	13,328	13,195	-	42,392	1,183	1,238	(7,110)	-	-	(4,689)
Light Industrial	68	325,379	24,931	7.66%	(7,804)	-	\$0.44	-	13,719	3,678	-	-	17,397	9,219	3,678	(7,804)	-	-	5,093
Incubator	78	1,241,254	466,937	37.62%	(8,746)	2,000	\$0.47	-	73,479	66,917	2,000	-	142,396	18,031	50,608	(8,746)	-	-	59,893
Midbay	342	4,770,286	699,878	14.67%	(76,442)	18,800	\$0.35	-	266,385	124,451	18,800	-	409,636	129,926	88,685	(76,442)	-	-	142,169
North Las Vegas Total	762	27,942,345	4,154,522	14.87%	(383,204)	199,743	\$0.44	8,000	924,105	773,319	199,743	-	1,897,167	(277,298)	645,654	(383,204)	-	-	(14,848)
Speedway																			
Distribution	9	889,091	50,179	5.64%	52,126	52,126	\$0.25	-	-	27,504	52,126	-	79,630	(29,167)	27,504	52,126	-	-	50,463
Flex	7	346,350	24,483	7.07%	(3,000)	5,066	\$0.28	-	13,571	2,533	5,066	-	21,170	9,788	(3,000)	-	-	-	6,788
Light Industrial	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incubator	2	26,887	-	0.00%	3,743	3,743	-	-	2,533	-	3,743	-	6,276	2,533	-	3,743	-	-	6,276
Midbay	20	1,314,491	229,471	17.46%	31,868	48,132	\$0.44	-	-	20,358	48,132	-	68,490	(91,644)	(6,870)	31,868	-	-	(66,646)
Speedway Total	38	2,576,819	304,133	11.80%	84,737	109,067	\$0.28	-	16,104	50,395	109,067	-	175,566	(108,490)	17,634	87,737	-	-	(3,119)
Northwest																			
Distribution	7	463,834	150,005	32.34%	(6,360)	-	\$0.76	-	-	-	-	-	-	-	-	(6,360)	-	-	(6,360)
Flex	24	400,270	109,440	27.34%	24,755	39,557	\$0.60	-	11,412	32,364	39,557	-	83,333	(12,657)	22,819	24,755	-	-	34,917
Light Industrial	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incubator	10	261,573	92,591	35.40%	(50,000)	-	\$0.43	-	1,298	9,863	-	-	11,161	(702)	(25,870)	(50,000)	-	-	(76,572)
Midbay	3	148,256	14,481	9.77%	(8,081)	-	\$0.71	-	-	1,702	-	-	1,702	-	1,702	(8,081)	-	-	(6,379)
Northwest Total	44	1,273,933	366,517	28.77%	(39,686)	39,557	\$0.66	-	12,710	43,929	39,557	-	96,196	(13,359)	(1,349)	(39,686)	-	-	(54,394)
Southwest																			
Distribution	128	11,654,364	1,275,117	10.94%	(266,428)	23,875	\$0.55	413,250	41,784	160,298	23,875	-	225,957	(160,583)	(186,712)	(266,428)	-	-	(613,723)
Flex	107	2,843,885	499,608	17.57%	3,589	32,390	\$0.78	2,000	128,551	102,276	32,390	-	263,217	27,740	70,951	3,589	-	-	102,280
Light Industrial	39	293,212	53,386	18.21%	-	-	\$0.54	-	-	6,505	-	-	6,505	2,905	-	-	-	-	2,905
Incubator	124	2,519,182	365,832	14.52%	(50,781)	19,314	\$0.59	-	64,389	66,066	19,314	-	149,769	(23,870)	32,484	(50,781)	-	-	(42,167)
Midbay	470	7,878,581	1,433,149	18.19%	(11,793)	104,974	\$0.55	12,240	283,859	161,003	104,974	-	549,836	95,259	58,165	(11,793)	-	-	141,631
Southwest Total	868	25,189,224	3,627,092	14.40%	(325,413)	180,553	\$0.55	427,490	525,088	489,643	180,553	-	1,195,284	(58,549)	(25,112)	(325,413)	-	-	(409,074)
West																			
Distribution	75	3,135,098	632,281	20.17%	22,731	28,436	\$0.40	-	43,733	44,732	28,436	-	116,901	14,733	43,418	22,731	-	-	80,882
Flex	42	1,196,302	201,888	16.88%	(9,832)	6,820	\$0.80	-	18,328	26,177	6,820	-	51,325	(25,540)	(7,749)	(9,832)	-	-	(43,121)
Light Industrial	11	121,423	16,766	13.81%	3,105	7,200	\$0.60	-	14,871	-	7,200	-	22,071	14,871	(4,000)	3,105	-	-	13,976
Incubator	147	3,852,077	703,298	18.26%	(64,744)	32,961	\$0.62	5,857	150,901	52,913	32,961	-	236,775	6,222	(34,268)	(64,744)	-	-	(92,790)
Midbay	243	3,511,878	582,598	16.59%	15,228	71,441	\$0.67	-	90,033	80,068	71,441	-	241,542	(77,363)	57,018	15,228	-	-	(5,117)
West Total	518	11,816,778	2,136,831	18.08%	(33,512)	146,858	\$0.62	5,857	317,866	203,890	146,858	-	668,614	(67,077)	54,419	(33,512)	-	-	(46,170)
Distribution	792	54,654,036	6,900,473	12.63%	(591,213)	573,282	\$0.44	564,351	1,130,525	1,114,687	573,282	-	2,818,494	(597,683)	531,041	(591,213)	-	-	(657,855)
Flex	323	8,040,116	1,509,146	18.77%	73,974	193,835													

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Nellis Industrial Park Bldg 5	North Las Vegas	Superior Linens LLC	51,950	Warehouse/Distribution
3350 West Tompkins Avenue	West	Dynamic Scenery & Supply Co	44,732	Warehouse/Distribution
4601 East Cheyenne Avenue	North Las Vegas	Metals USA Building Products	42,240	Warehouse/Distribution

* Renewal – not included in leasing activity statistics

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4770 S Pecos Road	Airport / East	SSTI 4770 S Pecos Ave LLC	88,000	\$4,470,000
3900 N Tenaya Way	Northwest	Spensa Nevada IV LLC	59,232	\$4,825,000
1111 Mary Crest Road	Southeast	Mary Crest LLC	44,202	\$2,450,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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