



## MARKET CHANGE

*Compared to the Previous Quarter:*

**Vacancy**

**DOWN**

**Net Absorption**

**POSITIVE**

**Lease Rates**

**FLAT**

**Deliveries**

**UP**

## HIGHLIGHTS

- **Market Overview** - The Las Vegas industrial market continued to witness substantial demand in the first quarter of 2014 as the sector's vacancy rate fell to 12.2%. The rate dropped 80 basis points (0.8 percentage points) from the prior quarter (Q4 2013) and 280 basis points (2.8 percentage points) from the previous year.
- **Demand** - The industrial sector reported 1.3 million square feet of positive net absorption in the first quarter of 2014 for a total of more than 4.1 million square feet of net move-ins over the past 12 months. During the quarter, RW Garcia leased 63,000 square feet at 4780 Lamb in North Las Vegas, while Tait Tower Manufacturing leased 34,054 square feet in the Wynn Road Business Center at 5475 Wynn Road. In addition, the 23,200-square-foot building at 1175 Center Point in Henderson was purchased, and StylGame USA leased 11,800 square feet in Hughes Airport Center.
- **Inventory** - With the completion of three industrial projects totaling 431,600 square feet during the first quarter, total inventory increased to 107.8 million square feet. Shetakis Wholesalers completed its 65,600-square-foot expansion in North Las Vegas. In Henderson, VadaTech completed its 70,000-square-foot facility on the southeast corner of American Pacific Drive and Gibson Road. In addition, the FedEx facility totaling 296,000 square feet completed construction at South 15 Airport Center on Executive Airport Drive.
- **Future Supply** - Roughly 1.3 million square feet of industrial space remained actively under construction throughout the valley in the first quarter. In North Las Vegas, Nicholas & Company continued working on its 182,900-square-foot distribution center, while TJ Maxx moved forward on its 400,000-square-foot expansion. In addition, in the airport submarket, Konami Gaming continued to make progress on its 193,400-square-foot expansion. In the southwest, Switch broke ground on MegaNAP 9, which will total 525,000 square feet when completed.
- **Economic Considerations** - In February 2014 (latest available data), the southern Nevada economy reported an annual gain of 27,900 jobs. Sectors reporting the most substantial growth included retail (+7,100 jobs), leisure and hospitality (+7,000 jobs), professional and business services (+5,900 jobs) and education and health services (+2,400 jobs). In addition, one of the hardest hit sectors during the recession, construction, witnessed a year-over-year increase of 1,200 jobs in the latest period, as residential construction and commercial investments throughout the valley picked up.
- **Overall** - The industrial market continues to report dramatic improvements in overall vacancies quarter-to-quarter. However, the lack of large available spaces is proving to be a challenge. Tight levels of availability in these larger sizes has been cited as a concern by economic development agencies and selected users.

## FORECAST

- **Employment** - Annual gains in the employment sector are expected to continue in 2014, particularly in the retail trade, leisure and hospitality and education and health services sectors.
- **Construction** - Development activity within the industrial sector will likely continue to be sourced to build-to-suit projects for users unable to find sufficient second generation space to fit their programming needs.
- **Vacancy** - Vacancies are expected to continue to fall throughout the remainder of the year, but the rate of decline will likely slow as the mix of users and available product continue evolve.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Under Construction	1,301,285	1,207,913	844,149	54.2%
Planned Construction	745,613	876,502	1,831,514	(59.3%)
Vacancy	12.2%	13.0%	15.0%	(2.8%)
Net Absorption	1,265,515	497,916	1,175,631	N/A

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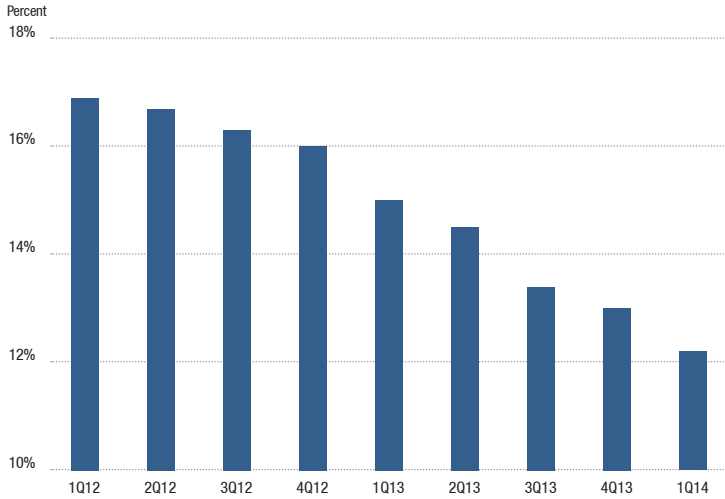
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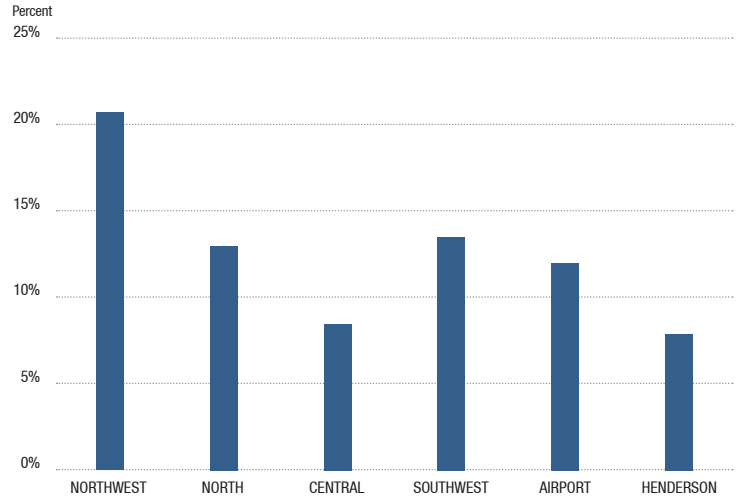
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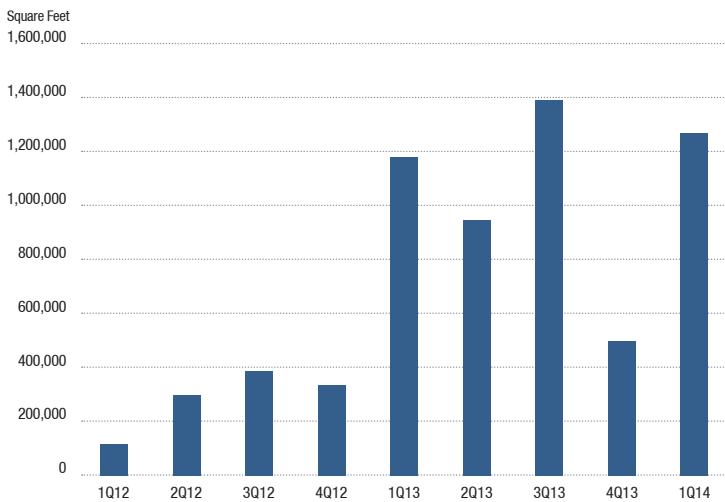
## HISTORICAL VACANCY RATE



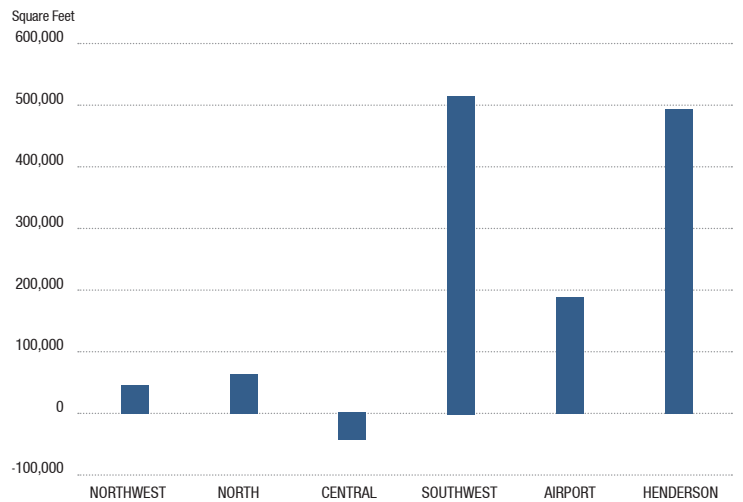
## VACANCY RATE BY SUBMARKET



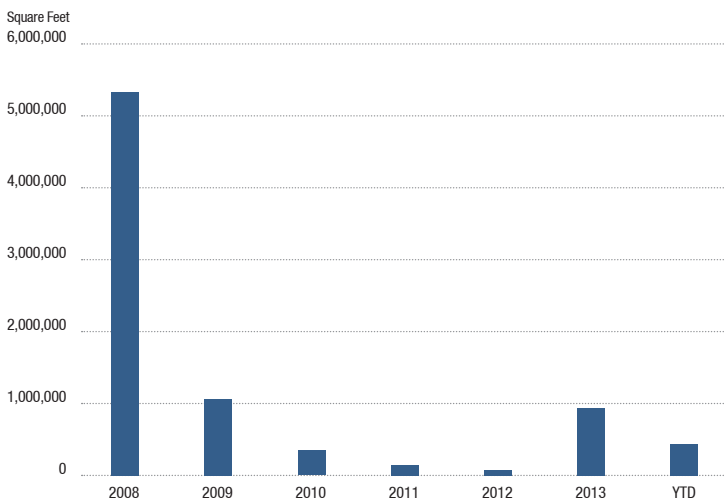
## HISTORICAL NET ABSORPTION



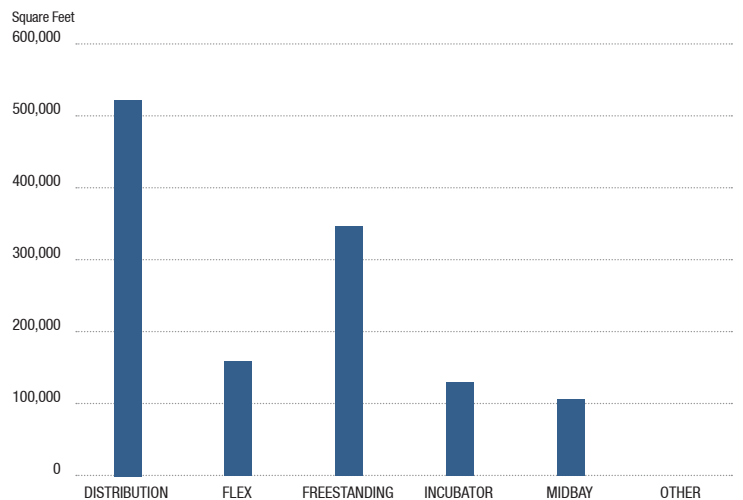
## NET ABSORPTION BY SUBMARKET



## ANNUAL NEW DELIVERIES



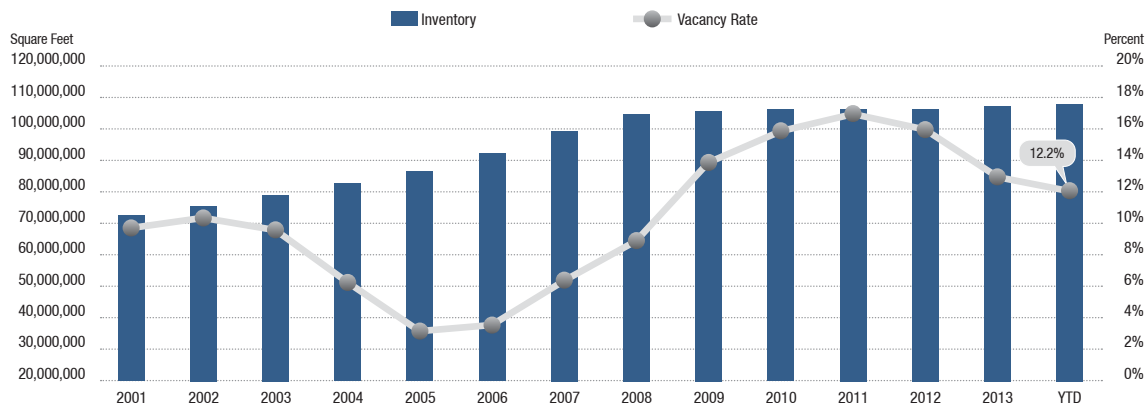
## ABSORPTION BY PRODUCT TYPE



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Net Absorption 1Q2014	Net Absorption 2013	New Supply 1Q2014	New Supply 2013
<b>Northwest</b>										
Distribution	2	196,910	0	0	30,580	15.5%	37,000	19,632	0	0
Flex	10	257,489	0	0	45,362	17.6%	(431)	8,583	0	0
Freestanding	6	181,690	0	300,000	22,000	12.1%	0	0	0	0
Incubator	2	120,000	0	0	37,814	31.5%	8,778	0	0	0
Midbay	0	0	0	0	0	0.0%	0	0	0	0
Other	2	54,812	0	0	32,500	59.3%	0	0	0	0
<b>Northwest Total</b>	<b>22</b>	<b>810,901</b>	<b>0</b>	<b>300,000</b>	<b>168,256</b>	<b>20.7%</b>	<b>45,347</b>	<b>28,215</b>	<b>0</b>	<b>0</b>
<b>North</b>										
Distribution	135	17,592,884	582,901	0	1,707,636	9.7%	31,765	946,439	65,628	97,085
Flex	51	1,416,895	0	0	351,367	24.8%	(10,145)	24,567	0	0
Freestanding	662	9,053,171	0	0	1,464,758	16.2%	5,857	232,283	0	115,000
Incubator	30	751,632	0	0	158,160	21.0%	6,790	51,651	0	0
Midbay	58	2,748,367	0	0	424,008	15.4%	29,306	214,820	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>North Total</b>	<b>936</b>	<b>31,562,949</b>	<b>582,901</b>	<b>0</b>	<b>4,105,929</b>	<b>13.0%</b>	<b>63,573</b>	<b>1,469,760</b>	<b>65,628</b>	<b>212,085</b>
<b>Central</b>										
Distribution	32	1,665,632	0	0	32,010	1.9%	2,370	87,718	0	0
Flex	20	459,945	0	0	25,228	5.5%	5,049	57,403	0	0
Freestanding	146	2,248,668	0	0	294,605	13.1%	(84,310)	26,515	0	0
Incubator	35	782,593	0	0	73,689	9.4%	24,852	26,372	0	0
Midbay	55	1,877,070	0	0	171,771	9.2%	9,257	65,648	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Central Total</b>	<b>288</b>	<b>7,033,908</b>	<b>0</b>	<b>0</b>	<b>597,303</b>	<b>8.5%</b>	<b>(42,782)</b>	<b>263,656</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>										
Distribution	120	12,051,371	0	394,111	1,713,374	14.2%	56,417	(115,510)	0	0
Flex	230	7,306,774	0	0	870,113	11.9%	185,645	371,122	0	0
Freestanding	754	11,288,525	525,000	51,502	1,494,286	13.2%	178,416	686,083	0	440,000
Incubator	58	2,020,567	0	0	263,632	13.0%	26,883	81,655	0	0
Midbay	126	6,741,293	0	0	976,502	14.5%	68,666	371,618	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Southwest Total</b>	<b>1,288</b>	<b>39,408,530</b>	<b>525,000</b>	<b>445,613</b>	<b>5,317,907</b>	<b>13.5%</b>	<b>516,027</b>	<b>1,394,968</b>	<b>0</b>	<b>440,000</b>
<b>Airport</b>										
Distribution	63	4,610,388	0	0	458,750	10.0%	33,983	117,505	0	0
Flex	127	2,551,563	0	0	500,813	19.6%	(37,092)	(30,186)	0	0
Freestanding	183	4,465,987	193,384	0	390,164	8.7%	101,902	274,524	0	282,064
Incubator	32	894,639	0	0	99,133	11.1%	57,015	15,418	0	0
Midbay	51	2,472,998	0	0	361,211	14.6%	33,378	198,597	0	0
Other	1	44,631	0	0	0	0.0%	0	0	0	0
<b>Airport Total</b>	<b>457</b>	<b>15,040,206</b>	<b>193,384</b>	<b>0</b>	<b>1,810,071</b>	<b>12.0%</b>	<b>189,186</b>	<b>575,858</b>	<b>0</b>	<b>282,064</b>
<b>Henderson</b>										
Distribution	55	6,464,541	0	0	200,076	3.1%	361,609	131,729	296,000	0
Flex	46	841,013	0	0	119,583	14.2%	16,256	26,877	0	0
Freestanding	345	4,348,024	0	0	453,853	10.4%	145,075	121,405	70,000	0
Incubator	6	189,442	0	0	11,087	5.9%	5,497	1,349	0	0
Midbay	47	2,114,108	0	0	323,418	15.3%	(34,273)	(5,104)	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Henderson Total</b>	<b>499</b>	<b>13,957,128</b>	<b>0</b>	<b>0</b>	<b>1,108,017</b>	<b>7.9%</b>	<b>494,164</b>	<b>276,256</b>	<b>366,000</b>	<b>0</b>
<b>Las Vegas Total</b>										
Distribution	407	42,581,726	582,901	394,111	4,142,426	9.7%	523,144	1,187,513	361,628	97,085
Flex	484	12,833,679	0	0	1,912,466	14.9%	159,282	458,366	0	0
Freestanding	2,096	31,586,065	718,384	351,502	4,119,666	13.0%	346,940	1,340,810	70,000	837,064
Incubator	163	4,758,873	0	0	643,515	13.5%	129,815	176,445	0	0
Midbay	337	15,953,836	0	0	2,256,910	14.1%	106,334	845,579	0	0
Other	3	99,443	0	0	32,500	32.7%	0	0	0	0
<b>Las Vegas Total</b>	<b>3,490</b>	<b>107,813,622</b>	<b>1,301,285</b>	<b>745,613</b>	<b>13,107,483</b>	<b>12.2%</b>	<b>1,265,515</b>	<b>4,008,713</b>	<b>431,628</b>	<b>934,149</b>

Note: Planned inventory includes projects that previously commenced construction but are not actively underway.

## ANNUAL INVENTORY VS. VACANCY RATE



## PRODUCT TYPE

### Incubator

500-1,500 SF divisibility, minimal office, one roll-up door

### Flex

1,500-3,000 SF divisibility, 40% or more office build-out, one roll-up door, high visibility

### Midbay

5,000-15,000 SF divisibility, 10-15% office build-out, dock-high and grade-level loading

### Distribution

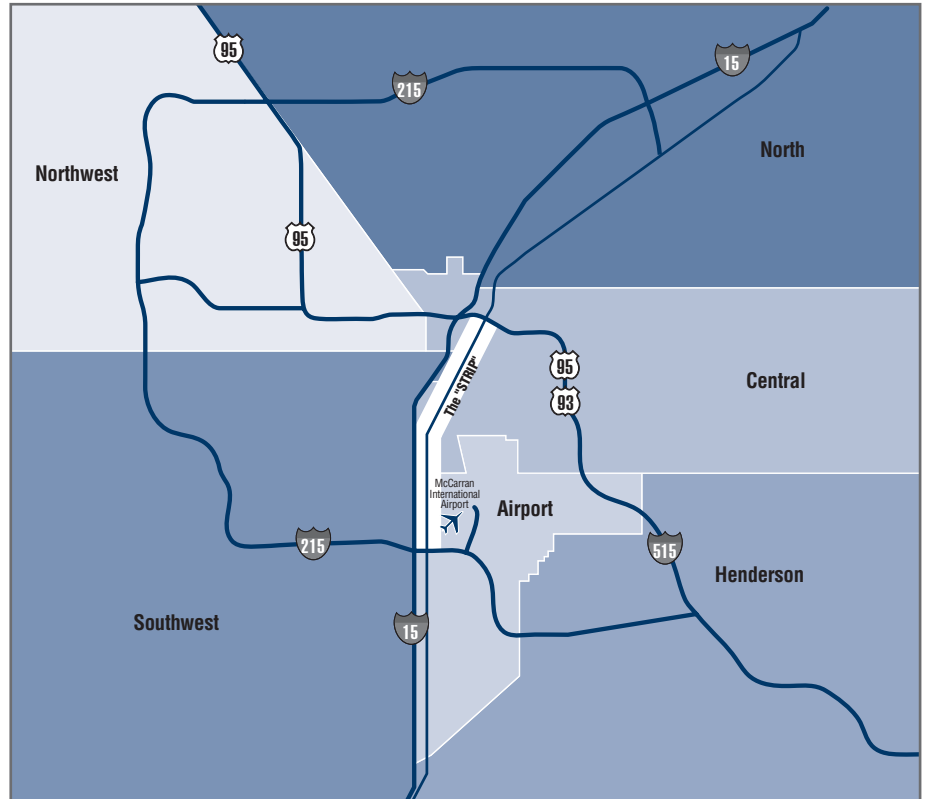
Over 15,000 SF divisibility, 3-5% office build-out, multiple docks and grade-level loading

### Freestanding

Single or dual user(s)

### Other

Tenant improvements to a non-conventional build-out



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