



## MARKET CHANGE

*Compared to the Previous Quarter:*

**Vacancy**

**DOWN**



**Net Absorption**

**POSITIVE**



**Lease Rates**

**FLAT**



**Construction**

**UP**



## HIGHLIGHTS

- Market Overview** - In the third quarter of 2014, the Las Vegas industrial vacancy rate reached single digits for the first time since the fourth quarter of 2008. By the end of the reporting period, 9.3 percent of industrial space in the valley sat vacant, which is down 80 basis points (0.8 percentage points) from the prior quarter (Q2 2014). Compared to a year ago (Q3 2013), the industrial vacancy rate has fallen 340 basis points (3.4 percentage points).
- Demand** - The industrial sector reported approximately 822,700 SF of positive net absorption during the quarter. Notably, the north submarket posted the strongest performance with 496,400 SF of net moves. Bed, Bath and Beyond leased nearly 189,000 SF in the Northern Beltway Industrial Center in North Las Vegas during the third quarter. In addition, Adventure Combat Operations LLC reportedly signed a deal for 70,400 SF at 4375 South Valley View Boulevard.
- Inventory** - With no completions during the third quarter, inventory remained flat at 107.6 million SF. In the past year, five projects totaling 654,000 SF completed construction.
- Future Supply** - Development activity increased to 1.8 million SF during the third quarter, sourced to seven projects throughout the valley. Construction continued to move forward on the Chef's Warehouse distribution facility (74,100 SF), Konami Gaming (193,400 SF), TJ Maxx (400,000 SF) and Switch SuperNAP 9 (575,000 SF). In addition, MEC Contractors purchased the stalled 51,500 SF facility near the southeast corner of Badura Avenue and Rainbow Boulevard, while Thatcher Company of Nevada is building a 53,700 SF facility in Henderson. Prologis also broke ground on its 464,200 SF distribution center in North Las Vegas, which is the first large-scale speculative project under development since the recession.
- Economic Considerations** - In August 2014 (latest available data), the Las Vegas MSA added 24,700 jobs compared to a year ago. The professional and business services sector witnessed the most substantial year-over-year growth with the addition of 6,400 positions. Other sectors reporting gains included education and health services (+5,900 jobs), retail trade (+5,100 jobs), government (+1,800 jobs), financial activities (+1,300 jobs) and leisure and hospitality (+1,200 jobs). Additional indicators that continue to perform well include taxable retail sales (+7.9 percent year-over-year for the 12 months ending July 2014) and visitor volume (reaching an all-time high of 40.8 million for the 12 months ending August 2014).
- Overall** - The industrial market continues to report stronger demand than its retail and office counterparts. Since the high of 17.2 percent reached in the second quarter of 2011, the market's vacancy rate has fallen 790 basis points (7.9 percentage points).

## FORECAST

- Employment** - Employment is expected to continue to report year-over-year gains, with broader improvements in the construction, retail trade and professional and business services sectors.
- Construction** - A handful of speculative development projects are expected to break ground in the coming quarters.
- Vacancy** - The vacancy rate will likely continue to decline, but the rate of decline will slow as demand moderates with supply additions.

## OVERVIEW

	3Q14	2Q14	3Q13	% Change vs. 3Q13
Under Construction	1,811,926	1,242,495	807,913	124.3%
Planned Construction	1,580,456	1,576,431	1,365,992	15.7%
Vacancy	9.3%	10.1%	12.7%	(3.4%)
Net Absorption	822,713	1,408,292	1,503,738	N/A

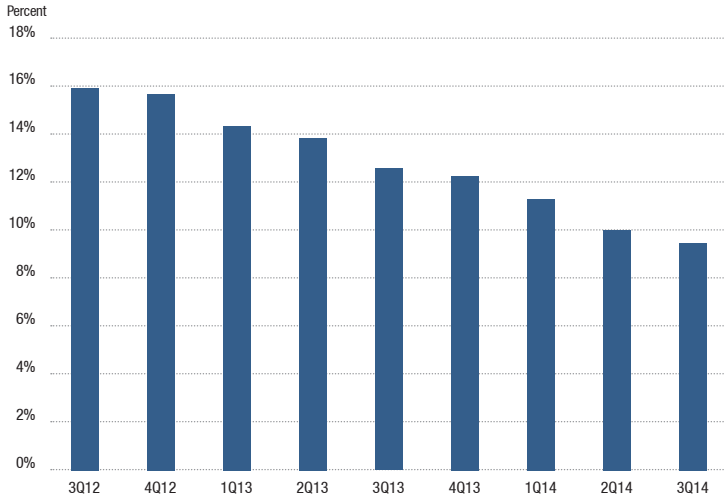
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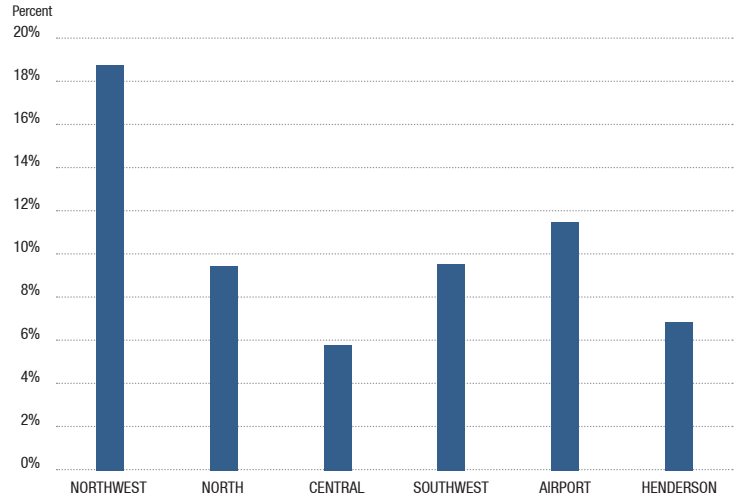
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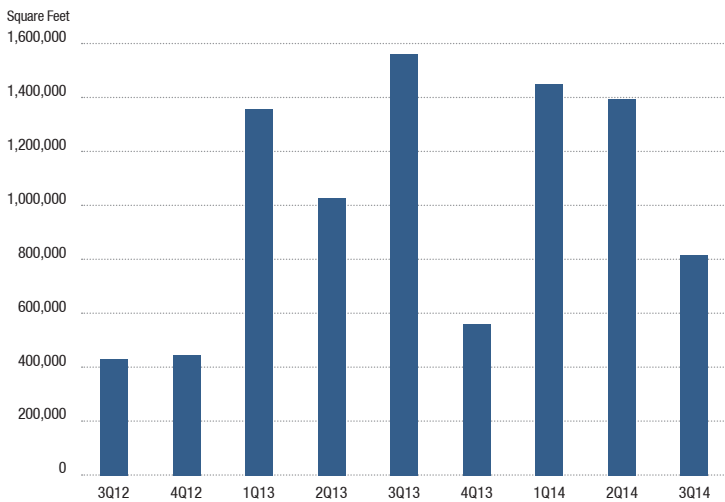
## HISTORICAL VACANCY RATE



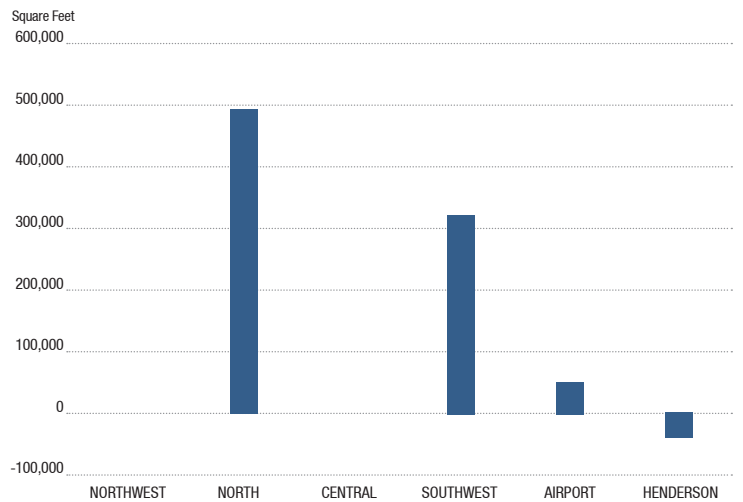
## VACANCY RATE BY SUBMARKET



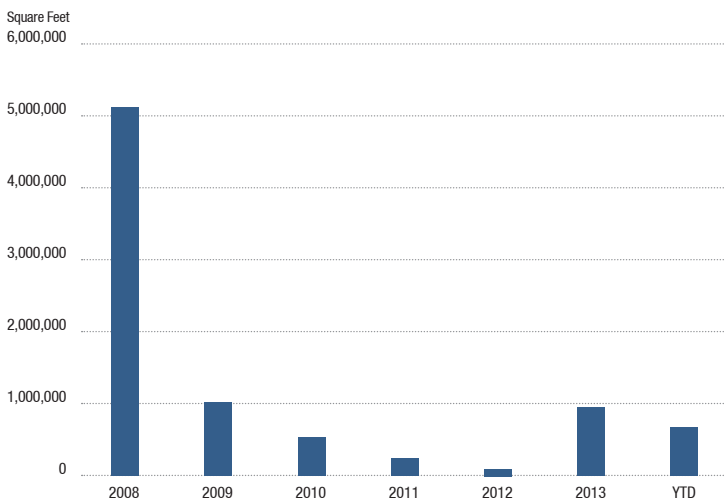
## HISTORICAL NET ABSORPTION



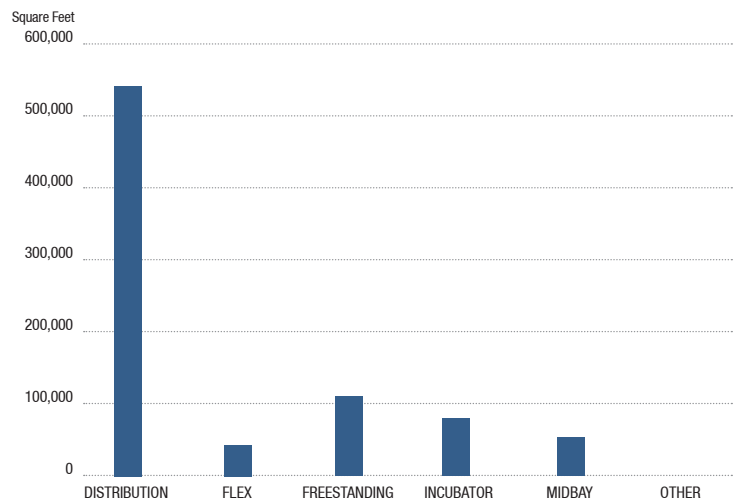
## NET ABSORPTION BY SUBMARKET



## HISTORICAL NEW CONSTRUCTION



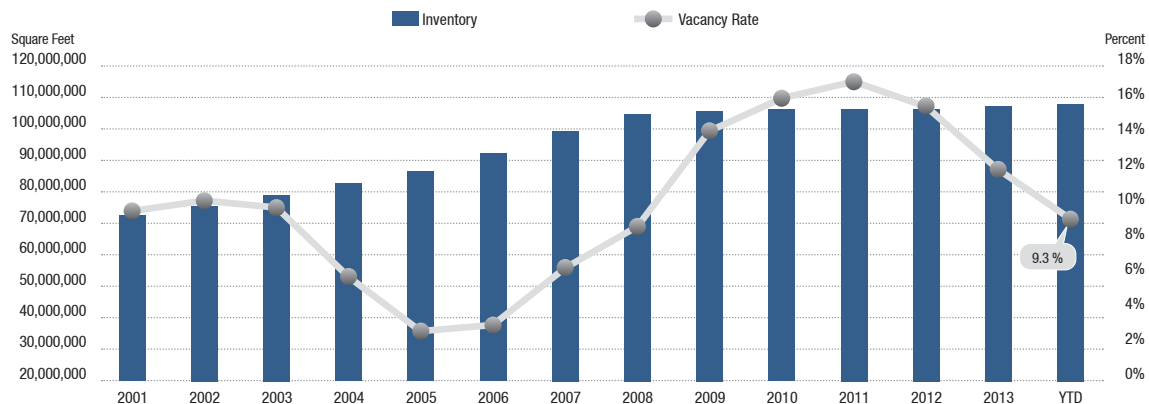
## NET ABSORPTION BY PRODUCT TYPE



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2014	Net Absorption 3Q2014	Net Absorption 2014	New Supply 3Q2014	New Supply 2014
<b>Northwest</b>										
Distribution	2	196,910	0	0	17,213	8.7%	0	50,367	0	0
Flex	10	257,489	0	0	43,125	16.7%	969	1,806	0	0
Freestanding	6	181,690	0	0	22,000	12.1%	0	0	0	0
Incubator	2	120,000	0	0	39,568	33.0%	(1,754)	7,024	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>0</b>	<b>154,406</b>	<b>19.0%</b>	<b>(785)</b>	<b>59,197</b>	<b>0</b>	<b>0</b>
<b>North</b>										
Distribution	138	18,258,275	864,203	533,456	1,102,360	6.0%	334,910	839,252	0	288,019
Flex	50	1,391,684	0	0	351,313	25.2%	20,293	(10,091)	0	0
Freestanding	659	9,047,329	0	0	1,129,635	12.5%	94,256	176,736	0	0
Incubator	30	751,632	0	0	222,456	29.6%	9,242	17,483	0	0
Midbay	63	2,799,567	0	0	304,197	10.9%	37,735	150,083	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>North Total</b>	<b>940</b>	<b>32,248,487</b>	<b>864,203</b>	<b>533,456</b>	<b>3,109,961</b>	<b>9.6%</b>	<b>496,436</b>	<b>1,173,463</b>	<b>0</b>	<b>288,019</b>
<b>Central</b>										
Distribution	31	1,642,231	0	0	38,902	2.4%	(6,892)	(4,522)	0	0
Flex	20	459,945	0	0	28,401	6.2%	(4,809)	1,876	0	0
Freestanding	147	2,253,668	0	0	78,036	3.5%	8,921	132,259	0	0
Incubator	29	488,733	0	0	55,514	11.4%	85,512	17,919	0	0
Midbay	50	1,575,115	0	0	170,443	10.8%	2,608	24,169	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Central Total</b>	<b>277</b>	<b>6,419,692</b>	<b>0</b>	<b>0</b>	<b>371,296</b>	<b>5.8%</b>	<b>680</b>	<b>171,701</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>										
Distribution	120	12,051,371	74,111	416,000	1,182,417	9.8%	133,915	485,477	0	0
Flex	229	6,946,774	0	0	870,411	12.5%	(4,270)	148,676	0	0
Freestanding	753	11,327,111	626,502	631,000	734,977	6.5%	38,867	376,246	0	0
Incubator	64	2,314,427	0	0	177,018	7.6%	79,427	128,682	0	0
Midbay	125	6,727,709	0	0	818,622	12.2%	83,262	188,862	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Southwest Total</b>	<b>1,291</b>	<b>39,367,392</b>	<b>700,613</b>	<b>1,047,000</b>	<b>3,783,445</b>	<b>9.6%</b>	<b>331,201</b>	<b>1,327,943</b>	<b>0</b>	<b>0</b>
<b>Airport</b>										
Distribution	61	4,419,272	0	0	279,910	6.3%	53,966	216,023	0	0
Flex	127	2,532,203	0	0	540,290	21.3%	7,412	(44,771)	0	0
Freestanding	182	4,474,520	193,384	0	377,925	8.4%	(21,611)	74,757	0	0
Incubator	32	894,639	0	0	111,645	12.5%	(5,066)	44,503	0	0
Midbay	50	2,422,998	0	0	342,121	14.1%	5,644	52,468	0	0
Other	1	44,631	0	0	0	0.0%	0	0	0	0
<b>Airport Total</b>	<b>453</b>	<b>14,788,263</b>	<b>193,384</b>	<b>0</b>	<b>1,651,891</b>	<b>11.2%</b>	<b>40,345</b>	<b>342,980</b>	<b>0</b>	<b>0</b>
<b>Henderson</b>										
Distribution	55	6,464,541	0	0	91,189	1.4%	36,833	470,496	0	296,000
Flex	45	830,613	0	0	122,006	14.7%	21,518	11,495	0	0
Freestanding	347	4,374,269	53,726	0	501,309	11.5%	(15,385)	115,966	0	70,000
Incubator	6	189,442	0	0	15,407	8.1%	(8,650)	1,177	0	0
Midbay	48	2,139,608	0	0	236,920	11.1%	(79,480)	18,895	0	0
Other	0	0	0	0	0	0.0%	0	0	0	0
<b>Henderson Total</b>	<b>501</b>	<b>13,998,473</b>	<b>53,726</b>	<b>0</b>	<b>966,831</b>	<b>6.9%</b>	<b>(45,164)</b>	<b>618,029</b>	<b>0</b>	<b>366,000</b>
<b>Las Vegas Total</b>										
Distribution	407	43,032,600	938,314	949,456	2,711,991	6.3%	552,732	2,057,093	0	584,019
Flex	481	12,418,708	0	0	1,955,546	15.7%	41,113	108,991	0	0
Freestanding	2,094	31,658,587	873,612	631,000	2,843,882	9.0%	105,048	875,964	0	70,000
Incubator	163	4,758,873	0	0	621,608	13.1%	74,051	216,788	0	0
Midbay	336	15,664,997	0	0	1,872,303	12.0%	49,769	434,477	0	0
Other	3	99,443	0	0	32,500	32.7%	0	0	0	0
<b>Las Vegas Total</b>	<b>3,484</b>	<b>107,633,208</b>	<b>1,811,926</b>	<b>1,580,456</b>	<b>10,037,830</b>	<b>9.3%</b>	<b>822,713</b>	<b>3,693,313</b>	<b>0</b>	<b>654,019</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

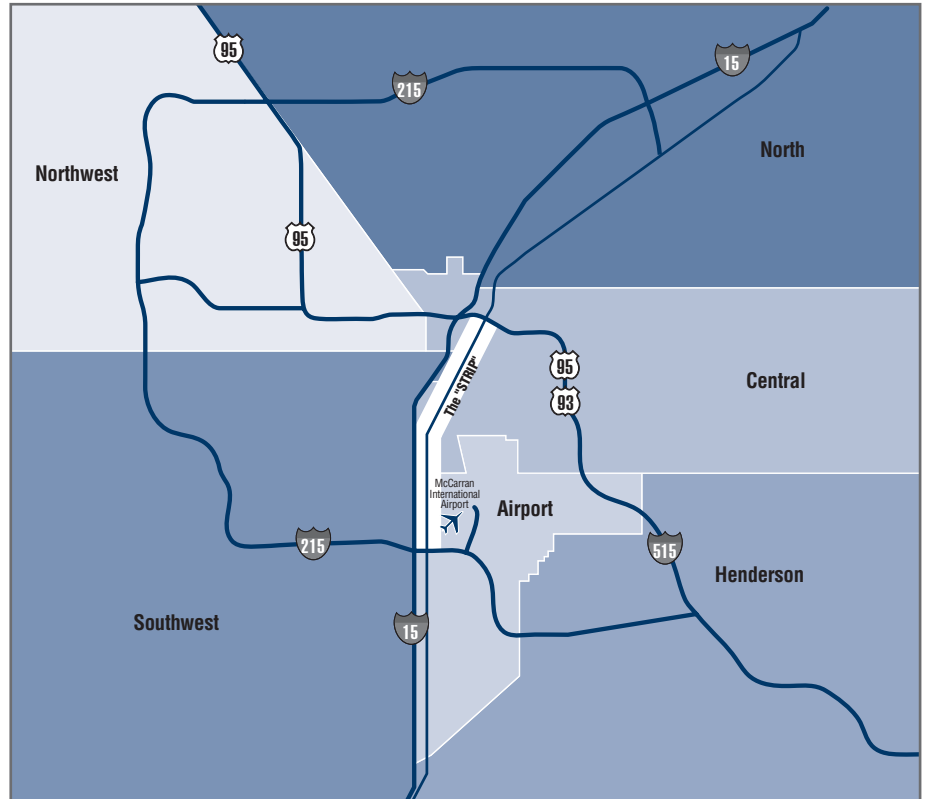
Over 15,000 SF divisibility, 3-5% office build-out, multiple docks and grade-level loading

### Freestanding

Single or dual user(s)

### Other

Tenant improvements to a non-conventional build-out



### Please Contact Us for Further Information

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