Las Vegas In Business

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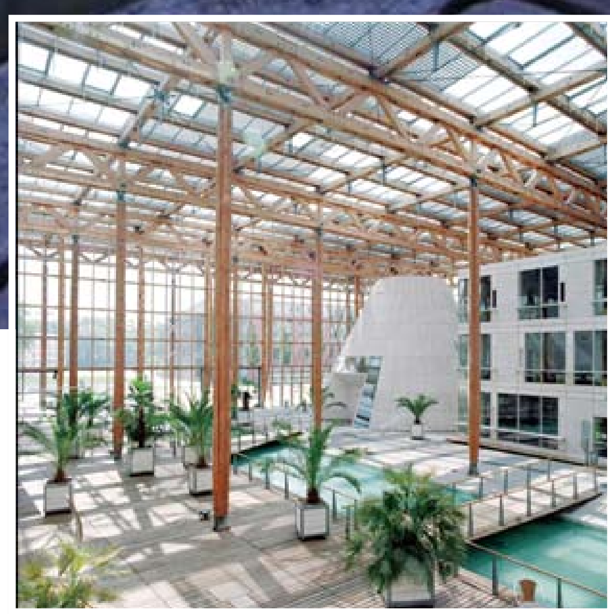
THE MAGAZINE FOR SOUTHERN NEVADA COMMERCIAL REAL ESTATE • NOVEMBER • 2009

## Zero-ing in on Zero-Energy

2009 Emerging Leaders in Real Estate



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ON THE COVER:

The Academie Mont-Cenis in Germany has become a study for architects the world over. It's energy savings systems could be duplicated in Southern Nevada. See story, page 10A.

## FROM THE EDITOR

Dear readers,

Our final CRE edition of 2009 gives us a chance to profile this year's Emerging Leaders in Real Estate award winners.

This marks the third year for these awards, which highlight up-and-comers in the real estate industry in the categories of retail, industrial, office, development, land and construction. See pages 6A and 7A to read about these stars.

In our popular "Realty Check" feature, you'll find columns from John Restrepo, Kit Graski, David Rifkind and Jeremy Aguero. This group of top-notch experts brings a wealth of commercial real estate knowledge to the table.

We look forward to seeing you in 2010 when we return in January with the 11th annual Henderson Economic Development Awards. Have a great rest of 2009.


**Rob Langrell**
Special Publications Editor
rob.langrell@gmgvegas.com
(702) 990-2490


## FROM THE SPONSORS

Dear *In Business Las Vegas* readers,

We are proud to sponsor this CRE edition in In Business Las Vegas featuring the Emerging Leaders in Real Estate awards.

There is a new tier of young, bright entrepreneurs in our industry. They are the future of Las Vegas, which places them in a unique position. These young men and women will be our very foundation for success. They hold the power to influence the recovery that will begin in 2010.

They're not alone. The men and women in our company, Gatski Commercial Real Estate Services, are also moving forward. We all have in common the ability to change with the economy. We are looking at the market and at our business with a fresh perspective.

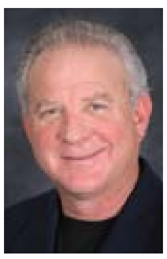
Here in Las Vegas we see more opportunities by accident than most cities see on purpose. In spite of the readjustment our city is undergoing, those opportunities are still here but sometimes cleverly disguised and only available for those who are willing to adapt. These days, embracing change is the key to success.

GATSKI COMMERCIAL REAL ESTATE SERVICES

Our company is changing and adapting with a focus on taking advantage of the anxiously anticipated recovery. Our new managing director of investment sales and leasing, Lisa Brady, is a perfect example. Historically, we have been known as a property management and leasing company, but her experience as a respected transaction broker brings us a new sense of credibility that we will continue to build on. As a direct result and in a struggling environment we have closed more transactions year to date than any prior year in the company's history.

Simply put, these are very difficult times for everyone and our company is anxious for the opportunities that await us in 2010 and beyond. We are very proud to share these pages with Las Vegas' emerging leaders and wish them the very best.


**Rob Moore, CPM**
President
Gatski Commercial Real Estate Services
www.GatskiCommercial.com
(702) 221-8226

Dear *In Business Las Vegas* readers,

Evergreen Recycling has the privilege to be a sponsor of this year's Emerging Leaders in Real Estate awards. We congratulate all the honorees for your leadership and look forward to your future contributions to our quality of life in Southern Nevada.

EVERGREEN RECYCLING

We at Evergreen Recycling strive to model these same values in every thing we do by providing leadership in our nation's drive to sustainable practices and Nevada's leadership role in it. Our "customer partnerships" illustrate how we work with area businesses to divert a wide range of recyclable materials from our landfills; save them money and create green jobs … recycling yields enormous environmental benefits, but as an industry its economic benefits often are overlooked. As an example, Evergreen Recycling has created more than 60 jobs in the past 12 months … permanent green jobs with a future! So when you recycle at home or at work you are helping your community in multiple ways.

Since recycling is such a big factor in our quality of life, you will need experts to create and implement cost-effective and convenient commercial recycling programs for your business, so please contact us. At Evergreen, we are always available and at your service.

Now, on behalf of Evergreen Recycling, I congratulate this year's award recipients and thank them for their contributions to the commercial real estate industry and our local community.


**Rob Dorinson**
President
Evergreen Recycling


## REALTY CHECK

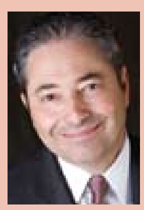
### MEET THE EXPERTS

**JEREMY AGUERO**
Principal—Applied Analysis

Jeremy Aguero formed Applied Analysis in 1997. His areas of expertise are economic analysis, operational model development and fiscal impact analysis. Aguero's broad project history demonstrates a wide range of abilities. Aguero often speaks on economic and development trends for numerous professional groups.

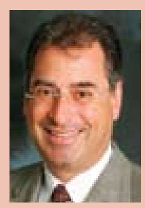
**KIT GRASKI**
Senior Vice President —Voit Commercial Brokerage

A retail expert with 24 years experience, Kit Graski's extensive client list boasts many well-known retailers. Graski is one of the top-producing retail brokers in the country. Despite 2008's soft market, Graski closed 16 transactions, totaling $28.5 million



**JOHN RESTREPO**
Principal — Restrepo Consulting Group

John Restrepo has provided economic consulting services in Nevada for 20 years. Restrepo Consulting Group is based in Las Vegas and is the oldest and most established economic and public policy research firm in Nevada. His clients include many prominent private and public organizations concerned with land use and growth.

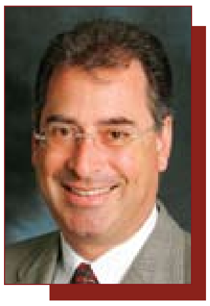


**DAVID RIFKIND**
Principal — George Smith Partners

David Rifkind is responsible for leading the operations and strategic platform at George Smith Partners. A long-time real estate finance executive, Rifkind has expertise with an emphasis on restructuring and workouts. In 2008, he organized GSP's Asset Sales Group, with a focus on selling loans and REO assets on behalf of institutional sellers.

**David Rifkind**, Principal, **George Smith Partners**

# Southern Nevada on the long road to recovery



During the past 15 years, Southern Nevada has appeared to defy regional and national economic trends. Growth in this region was believed to be a constant. Las Vegas was relatively unaffected by the recession in 2001 and continued to grow unimpeded until late 2006.

Throughout the 1990s and into the first years of the new century, this growth was organic and increased steadily to meet demand. However, between 2002 and 2003, growth decoupled from demand and became fueled by optimism and imagination, along with billions of dollars of cheap capital.

The perception among investors and developers was that Las Vegas' economy had grown to be large and diverse enough to weather any future down cycles. As a result, both residential and commercial real estate grew exponentially based on faulty assumptions. Unfortunately, as the current economic crisis has shown, the Las Vegas economy is highly vulnerable to consumer trends.

Despite the steady demise of the residential real estate market since late 2006, it is widely accepted that housing is through the trough, and we are in the early stages of a long, sluggish recovery. The near-term forecast for the commercial real estate market is less optimistic. As we move into 2010, commercial real estate will remain in limbo, having not yet endured the wave of foreclosures already witnessed in the residential market, but commercial property will also have to undergo a large adjustment for the market to flourish again.

### Lack of activity

Throughout 2009, there have been very few commercial transactions. This is due, in part, to the spread between asking and bid prices and the inability of buyers to obtain financing.

Pinning down the underlying fundamentals, such as lease and absorption rates, is the largest challenge to underwriting new financing.

Rents are down across the board, but the retail sector has been the hardest hit, with rents in some areas down by 50 percent or more from the prices they commanded one year ago. Office and industrial rental rates also have declined significantly from recent levels, though less severely than at retail properties.

The steep decline in rents has profound implications when underwriting loans on these properties, because a rent roll with tenants who signed leases only one year ago must be recalculated to match the current market, due to the fact that some tenants may have vacated the property, and some may have renegotiated lower rents. This constrains the borrower's cash flow, thus delaying the loan process and loan proceeds and requiring the lender to restart the underwriting procedures.

Until the underlying fundamentals, such as vacancy rates, rental rates and property values stabilize, investors will remain on the sidelines, either because they are hesitant to enter the market while it may still decline or because they cannot obtain the financing to do so. Nonetheless, there are savvy investors who are interested in the long-term prospects for Las Vegas and are waiting to enter the market.

### Pushing the reset button

With commercial property, we are experiencing a flight to quality. As companies have been forced to consolidate in the wake of shrinking consumer spending, vacancy rates have risen, forcing rents down and tenants to abandon the less desirable properties in exchange for those with better locations, exceptional amenities and a more diverse tenant mix. Due to those changes, many properties have seen higher vacancy, constraining owners' abilities to service their debt, which has devalued those properties.

For now, the commercial market is in a transitional phase, with many properties in the early stages of the long foreclosure process. However, as the inventory of foreclosed commercial property is repriced and slowly trickles back into the market, competition will increase, attracting buyers and reigniting sales activity. We should see an accelerated pace of transactions in 2010 and into 2011.

### Never waste a good crisis

Opportunities abound when the world appears to be upside down. For commercial investors in Las Vegas, the next 24 months should be an exceptional opportunity to make long-term investments in all property categories.

Hopefully, the lessons learned from this past cycle will lead to disciplined investment policies among market participants. Not only is this important to avoid a new bubble, it is necessary to restore the confidence of outside investors and lenders to return to the market.

We are at the very early stages of recovery, but the corner has not been turned quite yet. The turn signal is on, however, and 2010 should be a stabilizing year.

As the year proceeds, visibility of the recovery will become clearer. Las Vegas will emerge, and as the recovery builds, its pace may surprise many as the region proves its resilience.<

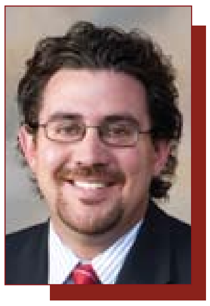
REALTY CHECK

**Jeremy Aguero**, Principal, **Applied Analysis**

# Redefining the Silver State

*"In terms of net migration rates of the older population, Nevada ranked first among the states with a net migration rate of 114.2, gaining about 114 older people for every 1,000 in 1995."*

**-Internal Migration of the Older Population 1995–2000 US Census Bureau, August 2003**



Indications of a national recovery notwithstanding, our state and our community continue to confront the most challenging economy in modern history. This fact is clearly reflected in the commercial and industrial markets where vacancies are at record highs, absorption has turned negative and foreclosures are on the rise. In the Summerlin/southwest area, office market vacancies have increased 5.3 points to 23.0 during the past 12 months, a million fewer square feet of industrial space are occupied than a year earlier and anchored retail center rents have fallen 13.2 percent.

Finding opportunities in today's environment is not easy. The most effective strategies tend to be those that identify and exploit Southern Nevada's competitive advantages. One advantage that is commonly overlooked and particularly relevant to the Summerlin submarket is the growing senior population.

The 2000 Census clearly demonstrated that Nevada emerged as a destination of choice for many older Americans during the 1990s. This trend appears to have continued well into this decade. Between 2000 and 2008, the U.S. Census Bureau reports that Nevada's population increased by 22 percent, the fastest rate of growth in the nation. During the same period, the state's 65 and older population increased by 36 percent, making seniors the fastest growing segment of the fastest growing state.

In any number of ways, seniors are a superior segment of the economy. According to the latest U.S. Bureau of Labor Statistics Consumer Expenditure Survey, the average household spends $49,600 annually; the average senior household spends $36,500. Contrary to common belief, this differential is not the result of less demand for goods and services among older Americans, but, rather, the fact that there are fewer people living in senior households (i.e., 1.7 people versus 2.5 people). On a per capita basis, senior households actually outspent the overall average by 8.2 percent, reporting annual expenditures of $21,500 compared to the broader market's average of $19,900.

Only 15 percent of the nation's 38.8 million seniors are in the labor force, meaning, as a group, they are net job creators. This also means that senior households create a different set of revenue streams.

These dollars are as mobile as any in the U.S. economy, and senior communities of choice stand to benefit significantly well into the foreseeable future. This transfer of wealth has been an essential, but often ignored, element of Southern Nevada's success during the past 20 years. Ensuring it continues will be equally, if not more, important to our future success.

OK, so how do we take advantage of this trend? First and foremost, we must protect our competitive advantage. A recent study by the Center for Retirement Research at Boston College noted that seniors' top reasons for moving were family (28 percent), financial motivation (22 percent), to obtain a better house or to live in a better location (21 percent) and retirement (16 percent).

Second, Southern Nevada needs to build on recent successes. The opening of the Nevada Cancer Institute and the Cleveland Clinic Lou Ruvo Center for Brain Health represent meaningful progress in regional health care and medical research capabilities.

Finally, we need to rethink service delivery. Seniors traditionally have been an afterthought with regard to retail development and design. In areas like Summerlin, 24.3 percent of the resident population is 60 or older, a number that likely will double during the next 20 years.

Simply put, from an economic development perspective, silver equals gold.<

# MIKE ARGIER

**Associate, Resort & Gaming Group**
COLLIERS INTERNATIONAL - LAS VEGAS

LAND

At 24, Mike Argier has thrown himself into the fierce Las Vegas commercial real estate market, one his Southern California family has known intimately for more than two decades.

"I always saw myself in real estate. My family has been investing in Las Vegas commercial real estate for the last 25 years. I've been around it all my life," he said.

After receiving a business administration degree from the University of San Diego in 2007, Argier came to Colliers' Las Vegas office as an intern. He quickly impressed, helping the firm complete more than $3 billion in transactions since then. Today, as a partner, he is responsible for creating and maintaining national and international client relationships for Collier's Resort & Gaming Group.

He also manages its Web presence and marketing materials on projects. He has also rebuilt and expanded the group's database, while developing key contacts with major companies and institutions, financial groups and large-scale investors. He also conducts quite a bit of research and market analysis.

"I like to have all the information and be able to interpret it from different perspectives," he said of his knack for number-crunching and analysis.

Argier sees a possibility of development or development finance work in his future. For now, he enjoys being part of a team where he can grow professionally and learn so much.

"I have to give major credit to being on a knowledgeable and professional team, and to have a mentor like (Managing Partner) Mike Mixer, who has been in it for over 20 years," he said. "Each day, to be able to bounce ideas off of him and continue to gain valuable insight into this business is great. … I hope to stay in this business for a very long time."

A board member of Colliers' Links for Life Foundation, Argier has done volunteer work for The Lili Claire Foundation, Candlelighters Childhood Cancer Foundation and Par for the Cure.

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

# SHALONDA HUGHES

**Associate**
CB RICHARD ELLIS

INDUSTRIAL

Shalonda Hughes' commercial real estate career sprung from legal field aspirations. But she's not complaining.

Hughes started in the residential arena in the late 1990s, made the switch to CB Richard Ellis and the commercial sector in 2004 and eventually settled in as an industrial broker with the agency. Initially, she intended to get familiar with commercial real estate in hopes it would be helpful for an eventual career in law.

"I'm so glad I made the move (away from residential) because I love commercial real estate," she said, acknowledging that law school is not such a priority now. "No two deals are the same. The only similarity now is that everybody wants to get a good deal."

Like some attorneys, Hughes, 32, loves the research part of her job.

"It's fascinating to learn what drives a business. … I ask a lot of questions," she said. "It's not just a matter of finding the best deal per square foot. It's about digging deeper into the client's needs."

That desire has paid off, as she has completed more than 1.5 million square feet of transactions, amounting to more than $127 million in total consideration, since 2005. She has represented such clients as Walgreens, HD Supply, General Electric and Guardian Life Insurance Co. She also works with different-sized companies, from those needing 2,000-square-foot spaces to others needing 100,000 or more.

Hughes is a member of CB Richard Ellis' Women's Network and African American Network Group. She is also a committee member for Art for Education and the Las Vegas Juneteenth Foundation. Hughes also volunteers at the Rainbow Dreams Academy, a charter school that serves at-risk youth.

The CB Richard Ellis associate is also a team captain for her office's CBRE Cares philanthropy program. Over the course of the next year, she has set a goal for the office to reach 250 volunteer hours.

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

# NICHOLAS BARBER

**Investment, sales and leasing associate**
GATSKI COMMERCIAL REAL ESTATE SERVICES

OFFICE

Nicholas Barber, a one-time grocery store department manager, started his real estate career in 2002, when an unprecedented housing boom was just taking off.

Since then, he has enjoyed a variety of real estate experiences, including commercial and residential research and consultation and land acquisition roles. And he has closed on more than $40 million in commercial and residential real estate transactions.

Today, he is an investment, sales and leasing associate with Gatski Commercial Real Estate Services, one of the valley's fastest-growing, full-service real estate firms.

When he started with Gatski in February 2008, Barber was asked to maintain an on-site leasing office for one of the company's large office clients. Since then his portfolio has grown to nearly 1 million square feet, most of it office space.

"They've expanded (my responsibilities), really, since day one. As I've shown I could take more, I was given more," Barber said.

Now 30, he primarily acts as a liaison between property owners and tenants. While he's most often helping landlords fill space, he also helps prospective tenants find some of the best deals in town.

"We are seeing a lot of product out there that is, say, third- or fourth-generation and has changed hands a couple times. Those that are still owned by owners who maybe have reduced debt … have the ultimate ability to market a really inexpensive rent rate," Barber said.

Matching a business owner to a perfect site and a homebuyer to the right residence remind Barber of why he got into the real estate business.

"When you're looked upon as a professional and you're helping someone with a life-changing decision, it's really special," he said.

Barber is pursuing his Certified Commercial Investment Member designation and this year represented Gatski Commercial Real Estate Services at the International Council of Shopping Centers' ReCon event in Las Vegas.

Barber is also a full-time volunteer for the American Youth Soccer Organization. He also actively participates in fundraisers for cancer research and is involved with Homeless Helpers, the Boys and Girls Clubs and diabetes organizations.

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

## Robin Civish

**Sr. Commercial Adviser**
Prudential Commercial/IPG

RETAIL

Robin Civish's real estate career began at age 19, when she was still in college and took a job with The Vista Group.

It was a simple office job to her at the time, but Civish soon realized her career path was taking shape. After receiving a marketing degree from UNLV in 1995, she quickly obtained her real estate broker license and became a senior property manager for Vista.

In 2001, she moved into Vista's brokerage office, where she focused primarily on the retail and office markets; in 2008 she switched to Prudential Commercial/IPG, where she is now a senior commercial adviser.

"I was with Vista a long time and they're a boutique company. I got to a point where I wanted to focus on leasing and brokerage (so) I moved to a company that did that," she said.

In the past three years, Civish has closed more than $10 million in transactions. She also recently received her Certified Commercial Investment Member designation, or CCIM, and is now positioning herself for the post-commercial real estate foreclosure crisis period.

Many industry insiders see a growing number of land and commercial centers reverting back to lenders in the next couple of years. Civish said that real estate eventually will need to be redistributed, and CCIM members can help.

With the CCIM designation "I feel a lot more confident with doing more than leasing, and instead more investment sales," she added.

Civish, a Utah native who has lived in Las Vegas for 30 years, also is involved with several industry associations, including Commercial Real Estate Women's Las Vegas chapter, the Commercial Marketing Group and the Commercial Alliance Las Vegas, for which she was president-elect in 2009.

"I really love what I'm doing. That's why I'm still doing it, even in a down market," she added. "I don't have any intention of leaving or going off to do anything else."

As a UNLV alumnus, she also is involved with the school's student life advisory board, which encourages a stronger campus life for students – many of whom live off campus.

"It helps to have a good college life," she said. "When you have that, then you're going to remember your college. Your alumni (get) stronger as well."

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

## Stephen Siegel

**President/CEO**
Siegel Group Nevada Inc.

DEVELOPER

Developer Stephen Siegel's entrepreneurial pursuits began when he was 16: He bought, fixed up and sold cars at a profit. Later, he did the same with myriad other things before settling on real estate in the 1990s.

But his efforts paid off most in the commercial real estate and multifamily housing sectors. Siegel, 38, bought rundown apartments, fixed them up and sold them. The California native started doing the same thing in Nevada in 2004, but now he's rebranding his holdings for the long haul.

He owns Siegel Suites, an 18-location chain of flexible stay apartments geared toward blue-collar workers; downtown's Gold Spike Hotel & Casino; and The Resort on Mount Charleston, both of which are undergoing multimillion-dollar renovations.

In 2007, Siegel Group billed more than $78 million. And sales tripled in four months at the Resort on Mount Charleston after Siegel took over. Even in these tough times, Siegel Suites maintains a 90 percent occupancy rate.

"The demographics work really well in Las Vegas (for Siegel Suites). We're looking to expand that concept into Hollywood and downtown Los Angeles," he said.

Early next year, Siegel intends to put another $1 million into renovating the Resort on Mount Charleston. Ongoing renovations at the Gold Spike already have topped about $5 million, he said.

Also in 2010, Siegel plans to convert the St. Tropez Hotel, across the street from the Hard Rock Hotel-Casino, into a 150-room, all-suite product. He also is building a 54-unit apartment building, with an on-site 7-Eleven, near UNLV. He also will be remodeling the recently purchased Barcelona Hotel & Casino, which will be rebranded as a Siegel Slots and Suites concept.

Earlier this year, the city of Las Vegas presented its Citizen of the Month award to Siegel for his redevelopment efforts and involvement with the board of the Downtown Alliance.

"It's important to me that we do what we say we're going to do," Siegel said. "Even though times are challenging, we're still getting a lot done and we're helping to employ a lot of people. … We're helping put value back in our properties and the surrounding neighborhoods."

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

## Ben Cornwall

**President**
Crisci Builders

CONSTRUCTION

Ben Cornwall bagged sawdust for his father on his first construction job and made $1 an hour. After that, he dug footings and poured concrete. Framing came later, and Cornwall also did cabinet work and dabbled in other trades in the family contracting business through the years.

"My dad did everything in-house," Cornwall said. "We learned all the trades on the job site. … I grew up with tools in my hand."

But Cornwall also knew he wanted to do more than labor. After spending time in the Lander County building and planning division, he joined Crisci Builders 11 years ago as a superintendent. Today, at 35, he is president of the company.

"I could not have asked for a better opportunity to hone my craft," Cornwall said. "The atmosphere they create is one where people can move ahead. People can get better at what they do and there's no ceiling. My growth comes down to the environment they've created as a company."

Owner Joe Crisci gives Cornwall a lot of the credit for helping the company go from $10 million a year in billings some years back to $70 million to $80 million now, and helping it weather a brutal economic storm.

"Our reputation speaks for itself," Cornwall said. "At this point in time it really comes down to estimating. If your quality's high and you can get the numbers where the client needs them, then you're going to be busy."

But Crisci cites the public sector work Cornwall has generated, and his ability to stay atop policy and administrative shifts with those clients to help ensure accuracy and clarity in bidding. Cornwall even took the Nevada "A" contractors license test so Crisci could expand its scope of work.

He said the company's ability to hold its own during the downturn has paid other dividends.

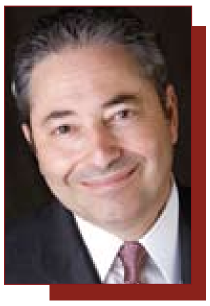
"What keeps us optimistic is keeping optimistic people employed," Cornwall said with a chuckle.

"If we don't have high-energy people in the office, then it can be a downer. But with everybody excited about moving forward, it makes it easy for the company to keep going."

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

**John Restrepo,** Principal, and **Maria Guideng,** Researcher**, Restrepo Consulting Group LLC**

# The Southwest & Valley Commercial Real Estate Markets



This CRE column focuses on the commercial markets of the southwest Valley and Las Vegas Valley ("Valley"). We are now 22 months into the second worst downturn in the modern era, and Southern Nevada, as we all know, has been one of the hardest hit regions in the country. The third quarter's data make it abundantly clear that the Valley's commercial markets are still in the midst of a deep retrenchment, which saw early warning signs in February 2008 (by one measure) when we started to see year-over-year job losses in Clark County. This marked the end of the development and consumer-led hyper-boom that characterized Southern Nevada for much of the decade between 1995 and 2005.

Reports of a slowdown in job losses, recent earnings from a number of banks and a stabilizing of the financial markets give hope that the worst is over and that the national economic freefall may have plateaued. However, even if the most optimistic forecasts for sustained economic growth by the end of 2009 are realized, the commercial real estate markets, locally and around the country, will continue to struggle for the foreseeable future, because of ongoing job losses and a severe demand-supply imbalance.

### Our current economy

The health of the Southern Nevada economy, as reflected in the job market, continues to be adversely impacted by the recession and the ongoing uncertainties about when the fruits of the federal government's $700 billion TARP will be seen locally. A frozen credit market is stifling investment, acting as a major drag on our economy. At the end of 2008, we noted that, "We continue to wait anxiously to see to what extent the benefits of the bailout plan 'trickle down' to the Las Vegas economy." Not much has changed since then when talking about the credit markets.

The Nevada Department of Employment, Training and Rehabilitation recently reported the Las Vegas MSA economy saw a net job loss of 56,300 establishment-based jobs this past September compared to September 2008's 910,600, a drop of 6.2% to 854,300 (Note: the last time the local economy had roughly this number of jobs was March 2005). This represented a slight improvement from the year-over-year change (-6.9%) recorded in August. There were 9,600 more jobs in September versus August largely due to seasonal adjustments in local government jobs, likely teachers returning to work. The average monthly rate of job losses between January and September was 5,044 compared to 6,600 last month. The number of jobs lost over the three months ending September was 8,400 or 31% of the "net" 27,100 jobs lost year-to-date.

It is important to note that September's jobs were 145,300 higher than that recorded in September 2000 (709,000 jobs). So, on a net basis, more jobs have been created in Clark County in the last nine-year period than have been lost. That said, 78,600 jobs have been lost in Southern Nevada since December 2007, the official start of the recession.

Regarding Clark County's unemployment rate, the official reported estimate was 13.9% in September, just .4 of a point higher than August, but nearly double the 7.7% recorded in September 2008. Our research and empirical information indicate that Clark County's actual rate is 6 to 7 points higher, if discouraged and forced part-time workers are included. In September, the Nevada unemployment rate was 13.3% and the U.S. rate was 9.8% – both slightly higher than the August numbers.

In contrast, Arizona's unemployment rate was 9.1% and Phoenix's was 8.5% in September. Despite the significant real estate problems in Phoenix, the region has an unemployment rate that is more than 5 points lower than that in Las Vegas, because of its more diverse economy, even with a less "business friendly" tax structure compared to Nevada.

Two other indicators are also worth looking at. The MSA's labor force was 1,011,300 in September, down by .42% from August's 1,007,100 people, and up by 1.1% from September 2008's 999,900 job seekers. The ratio of total employment (870,300) to labor force was 86% in September, similar to the 87% in August.

Job losses occurred again in nine of the 11 major employment sectors this September compared to September 2008. The single gain was 4.2% (2,800 jobs) in Education (includes private colleges like the University of Phoenix) and Health employment. Natural Resource jobs remained unchanged. This increase was lower than the 1,900-person increase seen last August.

Construction (-23,100), Leisure and Hospitality (-18,400) and Professional & Business Services (-6,500) continued to lead, accounting for 81% of the losses. On a percentage change basis, Construction led with a year-over-year drop of 24.9% followed by Manufacturing at 7.1% , with Leisure and Hospitality at 6.8%.

When comparing this September to the beginning of the year (January), Construction continued to lead in shedding jobs with 13,400 losses, Leisure and Hospitality with 7,700 losses and Professional & Business Services with 4,600.

We would like to note that there was a healthy but seasonal boost of 9,100 jobs in state and local government between August and September, with the bulk (7,100) in local government, largely due to Clark County School District hiring for the new school year. On a percent basis, Construction led once again with a 16.2% drop, followed by Professional and Business Services at 4.2% and Manufacturing at 4.1%.

In assessing trends in Clark County's industrial, office and retail-related employment base, we have looked at change over last year and since the recession started in December 2007. The 153,200 industrial-related (Construction, Manufacturing, Wholesale Trade and Transportation, Warehousing & Utilities) jobs recorded in September 2009 were 14.6% lower (-26,100 jobs) than September 2008. Much of this decline can be attributed to the 23,100 job losses in Construction. Compared to the 187,800 industrial-related employees recorded in December 2007, the decline this past September was 18.4% (-34,600 jobs). Again, much of this drop was due to the Construction sector shedding 29,500 jobs comparing the two months.

Office-related employment (Information, Financial Activities and Professional and Business Services) in September 2009 (159,600 jobs) saw a 5.3% fall (-9,000 jobs) compared to September 2008. Professional & Business Services lost 6,500 jobs, the largest amount. Compared to December 2007, office-related employment only fell by 8% (-13,600). Professional & Business Services lost 9,000 jobs, again the largest number. We expect the rate of these losses to increase as we move into 2010.

There were 94,200 Retail trade-related jobs in Clark County in September 2009, down 4.6% from September 2008 (98,700). This drop was due to extremely weak consumer confidence and spending in the Valley during the last 12 months. Since December 2007, retail trade employment has dropped by 11.3% or by 12,000 people, again a reflection of the recession.

As we have repeatedly noted, Southern Nevada is in a commercial development "bust" characterized by rising vacancies, dropping rents, frozen credit and a wave of project cancellations. With Q3, 2009 indicators showing an ongoing deceleration in economic and business activity, Southern Nevada's commercial markets are expected to continue struggling through at least 2011. It is important to note that the rate of deceleration has slowed a bit during the last couple of months.

## COMMERCIAL MARKETS

### Industrial Market

The Valley's industrial market continued to see rising vacancies in Q3, 2009. With vacancy levels increasing 4.3 percentage points versus Q3, 2008 to 14.1%, there is more vacant space on the market today than at any time in the last 10 years. Meanwhile, the overall direct weighted monthly average asking rent dropped for the fourth consecutive quarter to $0.59 per square foot ("psf"/NNN basis).

Only 121,900 square feet ("sf") of new industrial space was completed in Q3, the lowest level in many years. Although the Valley's development pipeline is narrowing, with only 590,200 sf under construction at the end of Q3, the significant drop in demand is expected to drive vacancy up further. Net absorption was negative again at -970,500 sf for the quarter. While this was an improvement to the nearly -1.2 million sf of net absorption in the previous quarter, accelerating job losses — especially in the construction and leisure & hospitality sectors – generated steep increases in vacancy and declining asking rents. The Valley's industrial market has a roughly 5.5-years supply. This estimate is based on the amount of vacant space at the end of Q3, plus forward-supply, and using the average quarterly absorption from the past five years (Q4, 2004 – Q3, 2009).

The Southwest had the largest inventory of industrial space than any other Valley submarket at the end of Q3, with 32.3 million sf, (just surpassing the 31.5 million sf in North Las Vegas), accounting for 30% of the Valley total. Of this amount, 4.8 million sf was vacant, resulting in a direct vacancy rate of 15%. The steep increase of 5.9 percentage points over the Q3, 2008 rate was largely attributable to the 895,500 sf of new industrial facilities completed year-over-year, making up 55% of the new industrial product built in the Valley.

The $0.68 psf monthly rent in the Southwest was 15% higher than the Valley average and was the highest among the Valley's seven submarkets.

Vacancy in the Southwest rose across the board for all product types, with the largest rise in R&D flex facilities during Q3. Absorption was -410,900 sf, much of it driven by losses in the light industrial (-139,500 sf) and Warehouse/Distribution (-127,300 sf) sub-sectors. More than 70% of the 590,200 sf under construction in the Valley at the end of the quarter was in the Southwest. This includes a 420,300-square-foot warehouse/distribution project expected to come online by the end of the year.

### Speculative Office Market

Further deterioration of the Valley's office market in Q3 comes as no surprise. Net absorption during the quarter was -57,300 sf, as the Valley office market experienced further space givebacks from tenants. Despite the fact that negative absorption has gradually eased during the year, the Valley's office market still saw nearly 554,000 sf of negative absorption since the end of Q3, 2008. The Valley's office and industrial market has about a 5.5-year of supply, using the same parameters as the industrial market.

The direct spec office vacancy rate jumped to 21.6% in Q3 from 17.4% in the same quarter last year. However, it went up only slightly from 21.4% in Q2. Direct weighted average asking rents dropped for the seventh straight quarter to $2.28 psf per month (FSG basis), a decline of $0.04 psf from Q2's $2.32 psf.

The large amount of for-lease office space is forcing landlords to continue lowering rents and offering further concessions and discounts to draw potential tenants and retain existing ones. This has helped leasing activity, though the majority of transactions involve existing tenants moving to cheaper space - not new demand. Some tenants are opting to move despite the fact that they are not at the end of their lease terms.

The fact remains that until firms start to hire again, the amount of available office space will remain high. (This is true of the industrial and retail market as well.) On the other hand, the near total lack of development activity this year has helped prevent the amount of vacant space from growing even more. For example, only one building was delivered to the market in Q3, a 50,000-square-foot medical building in Henderson. This is the smallest amount of quarterly completions we have recorded in the last 10 years. Only a handful of projects remains in the future pipeline, and some have halted construction.

The Southwest's office market has become a key component of the Valley's for-lease office inventory. There were 6.4 million sf of speculative office space in 391 buildings at the end of Q3, accounting for nearly a 16% share of the Valley market. A majority of the vacant space recorded at the end of Q3 in the Valley was in projects completed after 2002, with much of it built in the Southwest.

Given its share of the Valley's office market, vacancy in the Southwest significantly influences the Valley's overall vacancy level. Both rates have risen dramatically over the past two years. The Southwest vacancy rate at the end of Q3 was 30.2%, 8.6-percentage points above the Valley average (21.6%). Much of this has to do with the fact that there was a large wave of projects constructed in the Southwest during the bubble, many of which entered the market with very high levels of vacancy, under the assumption that rapid job growth would continue well into the future.

### Anchored Retail Market

With so much bad economic news to report, the continued downward performance of the Valley's anchored retail market in Q3 was not unexpected. Personal income growth is stagnant, the personal savings rate is up, consumers are weighted down with debt and spending is still spiraling down. Additionally, store closings are outpacing new demand (-212,800 sf of net absorption in Q3), causing vacancy to rise to 9.1% at end of the quarter. This marks the eighth straight quarter of increases. The Valley's anchored vacancy rate is 3.7 percentage points is above the 5.4% recorded in Q3, 2008.

The Valley's anchored retail market has about 3.3 years of supply, based on the assumptions used for the office and industrial markets.

Vacancy in neighborhood centers remained unchanged between the second and third quarters, while power centers and community centers posted upsurges in vacancy. The average monthly retail rent dropped for the fifth straight quarter to $1.75 psf (NNN) and is now $0.34 less than the $2.09 psf of Q3, 2008. No new shopping centers were completed in Q3 either, though there were two community centers under construction, one in Henderson (260,000 sf) and the other in the Northwest (390,000 sf).

The Southwest had almost 5.8 million sf of rentable space in 23 anchored shopping centers at the end of Q3, accounting for 13% of the Valley's total anchored retail inventory. Of this amount, 944,300 sf were in power centers, 3.2 million sf in community centers and the remaining 1.6 million sf in neighborhood centers. About 437,000 sf of this space were vacant in the Southwest at the end of Q3. At 7.6%, the Southwest vacancy rate was nearly two basis points below the Valley retail vacancy of 9.1%.

Finally, more than 40% of the 1.6 million sf of new retail space built during the last four quarters was in the Southwest. Except for the halt in construction of a 296,000-square-foot community center, there were no retail centers under construction in the Southwest at the end of Q3.

### Further thoughts

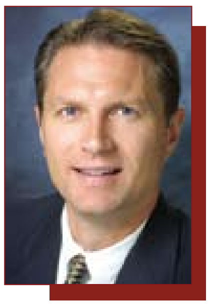
There are some early signs in some of the more technical economic indicators that the national economy has finally found a bottom. In fact, some of the same indicators are showing some signs of stabilizing. That said, the impact of the recession on Southern Nevada will be more protracted than its national counterpart, because of our largely driven discretionary spending-base economy.

Until the consumer and businesses get over the "shell shock" they have and are going through, the Southern Nevada economy will continue to trudge along in search of a sustainable recovery. The consensus of economists of all stripes is that what has been lacking in the stimulus initiatives emanating from Washington to date is help for Main Street. Focusing on Southern Nevada's commercial development industry, what would be the most effective type of stimulus?

In our opinion, it would be making/extending credit to performing development projects and to small businesses alike, combined with an understanding that the real property appraisal process as we have known it is essentially broken and does not reflect the new value paradigm.Our commercial real estate markets will not stabilize until the issues are addressed.<

**Kit Graski,** Senior Vice President, **Voit Real Estate Services' Las Vegas Office**

# Low vacancy rates found in LV's southwest retail market



Across Las Vegas, retailers have been reluctant to open new stores due to current economic conditions, such as a decline in retail sales and high vacancy rates created across the Valley from retailers going out of business. Consumer confidence remains low, forcing retailers and shopping center developers to be leery of the upcoming holiday season.

While some believe there is a light at the end of the tunnel for the Las Vegas retail market, most analysts just do not know how long that tunnel will be. Despite the bleak figures experienced by a significant portion of the city, the Southwest region's retail industry is faring better than most, posting lower vacancy rates and encompassing strong neighborhood, community and power centers, with comparatively few out-of-business tenants.

### By the numbers

The southwest portion of the Las Vegas Valley boasts the lowest retail vacancy rates in the city, at 6.9 percent for the third quarter of 2009. The vacancy rates are broken down between power centers, community centers and neighborhood centers, with power centers posting a 5 percent vacancy rate, community centers showing an 8.4 percent vacancy and neighborhood retail centers posting the highest figures at 9.4 percent.

Neighborhood retail centers in the Southwest have the highest vacancy rates because they are in newer areas within which they were designed to serve homes that did not get occupied or even built. This can be attributed to the fact that these areas expanded so rapidly that developers began overbidding on land for new home developments in the Southwest region, and homes were being built faster than residents could move in.

When the market began to slow, many of these projected new housing units were never built. Many retail developers, expectingthese units to be built, had already developed neighborhood grocery-store anchored centers to serve these anticipated residential developments. A large number of the vacancies across the entire Valley have come from closed grocery stores in these particular neighborhood retail centers. There is also a shortage of smaller tenants occupying these neighborhood retail centers, while community centers and power centers, which are more strategically located, serve larger areas of residents, making them more stable locations for tenants.

### Why are vacancies lower in the Southwest?

With more than 330 neighborhood, community and power centers in all of Las Vegas right now, the Southwest region includes fewer than 50. With fewer neighborhood, community and power centers in this area, the lower vacancy rates can be directly attributed to power centers having continued to retain their large big box tenants.

**RETAIL MARKET** continues >>>



# Zero-ing in on zero-energy buildings in Nevada

With roughly 40 percent of the nation's energy consumed by commercial buildings, it's tough to imagine achieving net-zero energy use in that sector any time soon.

Still, some say it is already possible, that cost shouldn't be an issue and that Nevada is the right place to demonstrate it.

A small but growing contingent of development pros and academics says now is the time to use building integrated photovoltaics, or BIPV, to its full potential.

"We're moving closer to the concept of zero-energy buildings," said Thomas Schoeman, CEO of the architecture firm, JMA Nevada. "The most interesting thing is how renewable energy systems are being integrated into projects."

The essence of BIPV can be seen in the growing number of solar arrays on today's residential and commercial buildings. The green power these systems generate helps offset the cost of power taken from the grid.

Today, systems can be installed for $8 to $10 a watt. And with rebate programs in place another 20 to 30 percent savings can be realized. Despite the incentive of falling solar prices, though, many buildings still generate but a fraction of the energy they use.

### The next step

Generating enough solar energy on commercial building sites to offset the amount consumed from traditional sources requires implementing solar in the structure's design phase and using ultra high-efficiency glass and other energy-efficient concepts, says EAG Inc. President Jacob Vydra.

EAG has been installing high-efficiency "spectrally-selective" glass in numerous European buildings since 1991, and has been involved with projects there with large photovoltaic systems designed into them.

"We can build (a net-zero energy building) tomorrow," he said. "We can build buildings that can even generate more energy than they consume."

Vydra speaks from years of experience with EAG, which he formed by merging California-based Southwall Technologies and Five-S, an Italian company with a structural steel installation component integral to the EAG glass performance.

With EAG's glass alone, a roughly 50 percent energy savings can be achieved, Vydra said.

Vydra also said there are newer BIPV systems that will be able to capture heat from a building's glass to offer double the efficiency of traditional solar array systems.

For Vydra, the proof is already in place on sites like Germany's civil service training academy, Academie Mont-Cenis, which has the capability of generating 700,000 kWh of power per year. The site has become a study for architects the world over.

### Local research

Vydra has joined forces with the UNLV Research Foundation, which has applied for about $1 million from the Department of Energy to prove the newer BIPV concept on a test platform of wall units on cargo containers; and a $15 million grant from the National Institute of Standards and Technology. The second grant would help fund a proposed zero-energy UNLV Center for Energy Research at the future Harry Reid Research and Technology Park in the Southwest Valley.

Robert Boehm, director of UNLV's Center for Energy Research, would oversee the initial research to measure energy loss and gain characteristics of an EAG glass wall with BIPV against a low-e window and conventional wall.

Boehm said the research is designed to show that a virtually all-glass building built in the middle of the desert can achieve net-zero energy status.

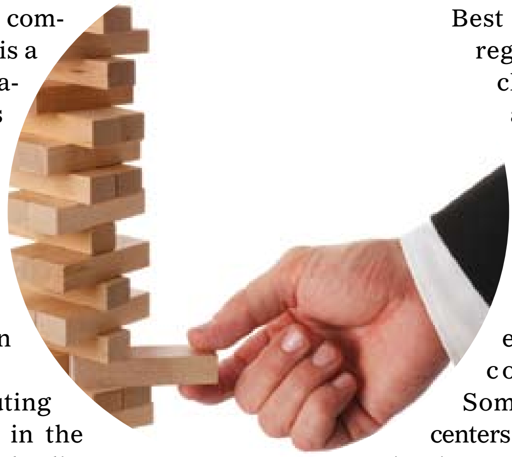
He acknowledges that funding for a zero-energy, affordable building is nowhere near a done deal right now.

"If we have our wishes, we'll have a building designed and constructed at the UNLV Harry Reid Research and Technology Park. A virtually all glass building and still have zero-energy (use) by generating its own," Boehm said. <

**By Brian Sodoma**
Special Publications writer
brian.sodoma@gmgvegas.com

**RETAIL MARKET** continued

In the rest of Las Vegas, overbuilding of neighborhood, community and power centers is a key to the higher overall vacancy. The effect of a loss of even one big box going vacant is that it could create from 20,000 square feet to 100,000 square feet of space added to the market, which greatly increases the vacancy rate in a market.



Another factor attributing to the low vacancy rates in the Southwest is that the land adjacent to the 215 freeway was owned by a government entity, Clark County. The county strategically promoted the design of master planned developments such as the Arroyo in this area.. These large master plans took large areas of land and were developed by single developers. This strategic planning eliminated the possibility of these county-owned properties becoming over-retailed by competitive developers. There are only four power centers in the Southwest region, where other areas might have up to double that amount of power centers. The Southwest region also was blessed with the luck of not signing any failing tenants like Mervyns, Great Indoors or Copeland Sports, which hurt other markets when they closed.

### Lease rates are stable

Lease rates are holding in the Southwest part of the Valley. There is no new construction under way and nothing planned for the near future. The only future projects that have the possibility of being developed are anchored centers that are substantially preleased. The reason for this limited development is that the current strict lending guidelines do not allow developers to obtain loans for an unanchored or non-preleased center.

Originally, more than 10 million square feet of retail centers were proposed during the first quarter of 2009 in the Southwest. More than 1 million square feet of this space was removed from third quarter 2008 to second quarter 2009, and more than 2 million additional square feet of this proposed space between the second quarter and the third quarter report of 2009. Once the developer halts all marketing outreach on a retail development, analysts consider the project to no longer be proposed for development. The Southwest part of the Valley will likely see another million square feet of proposed space drop off the planning charts throughout the remainder of 2009. With no additional space being added to the market, vacancy rates should remain stable.

### Centers faring the best

The Arroyo Market Square, the Southwest's largest power center, boasts very little vacancy and is still occupied by strong credit tenants such as Wal-Mart, Home Depot, Sam's Club and Best Buy. This region also includes well-anchored grocery stores that are doing very well despite current economic conditions. Some of these centers are experiencing vacancy rates that are less than 5 percent.

### Vacancy rates to continue decline

Over the remainder of 2009 and into 2010, retail vacancy rates in the Southwest part of Las Vegas will continue to decline. There are no current predictions of another big box tenant closing down or going out of business in the region. With a total of 9 million square feet of retail space located in the Southwest region, in order to increase the vacancy rate by even 1 percent, more than 90,000 square feet of retail space would have to be vacated. It is unlikely this much space will come back online.

### A look into the future

There has been an increase in smaller shop space deals being completed in the area. The retail market in Las Vegas is bumping along the bottom and the tenants that have survived this long should continue to persevere. Most tenants will make it through the holiday season.

The tell-tale sign of the market in this area will be how the holiday season goes and which tenants decide to close shop in the earlier months of the new year due to poor holiday sales. The 2009 holiday season will be a major projector of what the future will hold for retail.<