

# SOUTH LAS VEGAS EMERGES AS AN INDUSTRIAL AREA

The state has done a fine job at courting some of the nation's top warehouse and distribution users from nearby areas.

By Doug Roberts

A comment often heard about the Las Vegas Valley's purported land shortage is that there is no such shortage; there is plenty of land to develop! Despite the appearance of vacant land that surrounds the Valley's developed communities, there is indeed a shortage of land. This land could actually be put into production due to ownership by the federal government, topographic issues, lack of nearby infrastructure, zoning constraints and similar factors. It is with this in mind that developers get excited when land previously not a candidate for development opens up. Such is the case with industrial land in the southern end of the Valley known as West Henderson.

In order to spur economic development near the Henderson Executive Airport, as well as ensure that there would be no residential development nearby, the federal government provided the City of Henderson with the opportunity to control several hundred acres to the west and south of the airport, referred to as the Limited Transition Areas (LTAs). A 36-acre portion of land situated within the LTA North was the first parcel put into production as a 290,000-square-foot FedEx Ground facility in 2012. The site was ideal for FedEx because it was one of the few large parcels in the south Valley. It was also close to Interstate 15, pointing north to the heart of the Las Vegas Valley, as well as south into Southern California.

As Nevada slowly recovered from the Great Recession into the latter part of 2013, the land around FedEx, now known as the South 15 Airport Park, was being considered for a large industrial park by a joint venture between Panattoni Development Company and Hillwood. The venture closed on its first 28 acres of development land



A joint venture between Panattoni Development Company and Hillwood closed on its first 28 acres of development land within the South 15 Airport Park in summer 2015. This space is now under construction on a 482,000-square-foot speculative distribution center.

within the park in summer 2015. This space is now under construction on a 482,000-square-foot speculative distribution center. The venture acquired an additional 35 acres for future industrial development by early 2016. The Panattoni/Hillwood venture started construction this past June on the original spec building, with plans to deliver the project by early in the first quarter of 2017.

It has been said that timing is everything. Consisting of more than 122 million square feet, the Southern Nevada industrial market is one of the most robust growth markets in the country by almost any metric. With 1.7 million square feet of net absorption through June 2016, Southern Nevada's industrial market has now posted positive net absorption every quarter since the fourth quarter of 2012. Industrial inventory has already expanded by 1.8 million square feet in that same timeframe, bringing much-needed inventory to market for large users. These users include Bed Bath & Beyond (528,000 square feet), WalMart (450,000 square feet), Fanatics (400,000 square feet), Core-Mark

(232,000 square feet), MGM Mirage (65,000 square feet) and Freeman Decorating (80,000 square feet). This is the largest quarterly expansion of industrial inventory since the first half of 2008. It is also in direct response to a market vacancy of only 5.9 percent. The region's record-breaking tourism levels, a healthy number of businesses created in the past year and billions of dollars in planned construction activity underpin a broad-based recovery throughout the Las Vegas Valley. These are key industrial demand drivers that are helping to propel significant improvement in industrial fundamentals throughout the region. Vacancy is expected to decrease even further as several larger built-to-suit and pre-leased projects get delivered in the fourth quarter of this year.

With more than 1 million square feet of speculative industrial space under development and another 1 million planned, Henderson now has the competitive advantage for large economic development projects. The city is now equipped to accommodate large users, in a timely and business-friendly fashion, as Barbra Coffee, Economic

Development Director for the City of Henderson, has indicated. Coffee and her entire team are proud to say that companies looking for Western region facilities no longer have to go to Phoenix, Southern Utah or the Inland Empire to find affordable space.



Roberts

The Henderson submarket totals more than 14 million square feet and is home to such corporate users as Ocean Spray Cranberries, Sofidel, Living Ecology, OnTrac, Graham Packaging, Ferguson Plumbing and Levi Strauss, to name a few. The lowest vacancy of any major submarket within the Vegas Valley, Henderson saw a very quick turnaround after the downturn, as there wasn't much large available space when the market recovered. It also represents an important population center benefiting from healthy demographic trends, business relocations and higher barriers to new development that have accelerated the pace of rent growth during the expansionary period from 2013 until now. Henderson also serves as Southern Nevada's primary gateway market to Southern California, given its proximity to Interstates 15 and 215. As of the second quarter of 2016, overall vacancy in this submarket stood at 5.4 percent, with the warehouse/distribution sector reporting a vacancy of just 2.5 percent.

Nevada offers a very competitive cost of doing business and is attracting more and more companies each day from higher-cost regions. The state offers no personal income tax, no corporate income tax, no inventory tax, no estate tax, low payroll taxes and a workforce capable of staffing operations 24/7. These attributes make Nevada appealing to businesses of all sizes. The Nevada Governor's Office on Economic Development (GOED) has been aggressive in attracting companies to the state. Recent examples include Tesla, Faraday, Fanatics and Hyperloop Technologies. The combination of Nevada's zero-inventory tax, a rich transportation infrastructure and the geographic location of the state's two largest urban centers are prime reasons that top brands choose Nevada to stage their manufacturing, warehouse and distribution strategies.

Doug Roberts, Partner, Panattoni Development in Las Vegas

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allows us to manage hundreds of documents and send emails directly to investors. A process that used to take hours now only takes minutes. Time is of the essence with only a six-person team, so streamlining the investor reporting function has made it easier for us to focus on another important measure of client satisfaction - performance.

Tryperion has always tried to be as open with our clients as possible, but choosing the wrong technology hampered our ability to maintain that transparency. Further, it made simple processes more difficult than they needed to be. This solution turned it around for us.

Client satisfaction is critical to our business. At the end of the day, investors expect a lot more than just performance, and if we can't offer transparency and a seamless form of investor communication, our business will suffer. Invest the time, money and resources needed to foster your relationships with your investors. After all, what is more important than investing in investors?

Jeffrey Karsh, Co-Founder and Partner, Tryperion Partners in Los Angeles

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ity to freely buy and sell real estate investments without worry of overly burdensome tax liability should, in itself, be a boon to the commercial market.

The new reform actions are an indication of Congress' continued dedication to spurring on U.S. investments. While the commercial real estate market is still recovering from the economic crunch of 2008, the new rules should offer clarity to an industry still seeking outside investment. With a market uptick already seen in 2016, it is the hope of analysts that these new rules will provide accelerated growth and interest in U.S. commercial real estate investments.

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