



FOURTH QUARTER 2015 | ISSUE 6

Now that the industrial market is starting to recover from the recession, we're seeing strong recent absorption rates, and the delivery of new industrial space is projected to grow significantly over the next four years. Local developers are working to meet a growing demand for large spaces for distribution and manufacturing operations. Some are even building on spec for the first time in years, which is a good sign that the market is rebounding.

At Nevada State Bank, we are committed to helping our clients begin new ventures and expand current projects. We're making construction and term loans for multifamily, industrial, office and retail. Some recent projects we've funded include:

- 147,000-square-foot medical office term loan in Nevada
- 311,000-square-foot industrial construction loan in Nevada
- 250,000-square-foot industrial construction loan in Texas
- 42,904-square-foot VA medical office term loan in Colorado

Our rates are competitive, and our focus is on providing our customers flexibility, tailoring each loan to the borrower's requirements. For more than 55 years, Nevada State Bank has emphasized hiring experienced lenders who understand the local commercial real estate market and who are in constant contact with other developers and end users. We not only have the experience, but also the local representation and decision-making to understand our clients' vision and respond quickly to their needs.

This newsletter is designed to be passed along, so feel free to forward this email to your business associates and encourage them to sign up for a free subscription at www.nsbank.com/cre. That web page also includes a link to previous issues of the newsletter. I hope you find this newsletter enjoyable and useful.

For any additional questions, please contact me during regular business hours.

Regards,

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Commercial Real Estate’s Impact on Nevada’s Economy

A July report¹ by the national NAIOP Research Foundation determined that in 2014 the commercial real estate development industry experienced its best year since 2007. The data also show that 2014 was the strongest year for economic development impacts² since the market began to recover in 2011.

The report noted: “The commercial construction sector continued its recovery in 2014 after first showing signs of a rebound in 2011, following several consecutive years of decreased spending from its peak in 2008.” However, NAIOP analysts looked at much more than construction. They estimated the economic impact of all phases of commercial real estate, from planning, through construction, to daily operations of commercial real estate facilities of all types.

Direct expenditures³ for commercial real estate in 2014 totaled \$174.31 billion, up from \$124 billion the year before, and resulted in economic contributions 40 percent higher than those made in 2013:

- Total economic contributions to U.S. GDP reached \$528.09 billion, up from \$376.35 billion in 2013.
- Personal earnings (or wages and salaries paid) totaled \$168.42 billion, up from \$120.02 billion in 2013
- Jobs supported (a measure of both new and existing jobs) reached 3.94 million in 2014, up from 2.81 million the year before.

In Nevada, commercial real estate development supported more than 90,000 jobs and resulted in more than \$6 billion in direct spending, which had a multiplier effect in the communities where the projects were located, for a total impact of more than \$11 billion.

Commercial Real Estate’s Impact on Nevada’s Economy

	Direct Spending in Millions \$	Total Output ⁴ in Millions \$	Jobs Supported ⁵
Office	429	809	6,463
Industrial	4,730	8,909	70,947
Warehouse	442	833	6,655
Retail & Entertainment	431	812	6,464
Nevada Totals	6,032	11,36	90,529



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Despite the fact that the Nevada market is still in a recovery phase, the Silver State ranks fifth in development value among the 50 states:

Top 10 States by 2014 CRE Development Value

Rank	State	Direct Expenditures in Billions of \$
1	Texas	41.981
2	California	13.369
3	New York	10.512
4	Louisiana	6.401
5	Nevada	6.032
6	Pennsylvania	6.004
7	Florida	5.850
8	Washington	5.057
9	Illinois	4.925
10	Ohio	4.022

The NAIOP report concluded: "Forecasts for 2015 project accelerating construction spending, with single-digit gains in fixed investment in commercial structures such as office, retail, health care and distribution facilities." The Nevada outlook is also a positive one, and Nevada State Bank is here to help with any financing needs you may have. We invite you to call one of our commercial real estate specialists for more details.

1. <http://www.naiop.org/en/Research/Our-Research/Reports/Economic-Impacts-of-Commercial-Real-Estate-2015.aspx>
2. Economic Impact — the generation of new spending within a jurisdiction as a result of investing in and operating office, industrial, warehouse and retail buildings.
3. Direct Expenditures — all spending in support of all phases of new construction required to deliver the final product as well as the operation phase (after the building delivers), including payroll and all non-payroll spending for materials, management, overhead, utilities, equipment leasing or purchases.
4. Total Output — the sum of the direct and indirect benefits (expenditures) reflecting the combination of the initial expenditures by a firm and its subsequent accumulated value as this spending is recirculated throughout the economy, inclusive of benefits generated by the re-spending of personal earnings. This represents the total contribution to gross domestic product or gross state product.
5. Includes multiplier effect.

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