

MEET THE NEWEST MEMBERS OF OUR CCR STAFF:



**James "Fred" Denton,
Salesman**

Fred has a business degree from Southeast Louisiana College and a MBA from the University of Florida. He served six years in the U.S. Army as a Captain and worked for five years on Wall Street as a broker, bond trader and in sales. He has been in the real estate business for the past two years: one year in residential and one in commercial. He is currently taking CCIM classes. He also has an extensive background in commercial construction and tenant improvements.



**Pete Janemark,
Salesman**

Pete brings extensive experience in small business ownership, information systems, mapping and land management. Specializing in office and industrial leasing, he also has experience in timberland management, land development, property management, and rental property investments. His primary expertise is using mapping technology (GIS) to help you make better decisions regarding your real estate needs.



**Tom Tedder,
Broker/Salesman**

Tom Tedder is an experienced real estate agent with over 22 years as a broker/salesman. He has been a commercial agent in Oklahoma, Texas and Nevada. Tom came to Las Vegas from Dallas, Texas in 1993. He is experienced in office leasing and industrial sales and leasing. Tom also has an extensive background in commercial construction and tenant improvements.

CLIFFORD COMMERCIAL REAL ESTATE

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CLIFFORD COMMERCIAL MARKET BRIEF

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THE SKY IS (NOT) FALLING
THE SKY IS (NOT) FALLING!

By Kent Clifford, CCIM



If you listen to the main media outlets (the gloom and doom purveyors) the "Sky is Falling." Their continued attacks on the housing market tend to make the uninformed person wonder if they should run home and hide under the table.

I would like to set the record straight.

Las Vegas has seen the value of single family homes increase for seven years in a row and while prices have decreased this year, new homes experienced a 100% increase in value over the last eight years and resale homes have increased in value by 110% over the same time period according to Dennis Smith of Home Builders Research, Inc.

The following tables depict the new home median price and resale home median prices since the year 2000:

Median Price – New Homes

2000	\$153,920	2004	\$259,700
2001	\$170,160	2005	\$292,814
2002	\$183,456	2006	\$342,965
2003	\$206,167	2007	\$308,161

Median Price—Resale Homes

2000	\$131,000	2004	\$250,000
2001	\$141,500	2005	\$282,000
2002	\$152,000	2006	\$289,000
2003	\$172,000	2007	\$275,000

Furthermore, through September of this year, there have been 15,475 new family dwellings sold which include single-family homes, condominiums and high/mid rise units. Additionally there have been 20,563 resale homes sold in the same time period.

According to Larry Murphy of Salestraq, there have been 5,603 single-family home foreclosures during the time period January 1, 2007 to October 10, 2007. As of July 2006, there were 426,860 single-family homes in the Las Vegas Valley. This does not include condominiums, townhouses or duplexes.

For the gloom and doom pundits, when you add the number of single-family home foreclosures in 2006 (1,829) with the foreclosures in 2007 (5,603) and multiply by two, you could potentially have 14,864 in 2008. This equals a possible 3.48% of the number of homes in the Las Vegas Valley. On the other hand, 96.50% of the homes will not go into foreclosure. The number of foreclosures in 2006 and through September 30, 2007, equates to 1.74% of the homes in Clark County, in the last 21 months. The foreclosure rate is up but it is still a very low percentage of the total homes.

The sky is *not* falling – no matter what the media says. ♦

**“THERE MAY
NOT BE A
BETTER TIME TO
BUY A NEW
HOME IN
LAS VEGAS!”**

Dennis Smith, Home
Builders Research, Inc.

In This Issue

- HOUSING MARKET—THE SKY IS NOT FALLING 1
- HOW TO CALCULATE INTERNAL RATE OF RETURN (IRR) ON INVESTMENT 2
- INDUSTRIAL MARKET—LAS VEGAS HAS NOT EXPERIENCED SLOW DOWN IN COMMERCIAL CONSTRUCTION 3
- LONG TERM COMMERCIAL REAL ESTATE OUTLOOK 3
- MEET OUR NEW CCR AGENTS 4

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INTERNAL RATE OF
RETURN (IRR)

by Vic Adkins, CCIM

I discussed CAP Rates (Capitalization Rates) in a previous issue and how it can measure a property's value. In this issue, as promised, I am describing the Internal Rate of Return (IRR) and how it pertains to the return of your investment and the return on your investment. Simply put, the return of your investment is the return of all monies that were placed into the investment and the return on your investment are the dollars received in excess of the monies placed into the investment. That being said, let's discuss how an IRR is described and calculated.

The IRR for an investment is the percentage rate earned on each dollar invested for each period it is invested. The IRR gives investors the means to compare alternative investments based on their yield, for example the interest for a savings account at a bank versus a real estate investment.

In order to have a return on investment, dollars received must exceed dollars invested. This return on rate depends on both the amount of the excess and when the excess is received.

While IRR is used widely in the real estate investment world and the equities marketplace, relying on it as the exclusive criterion for selecting between two or more investment alternatives brings several potential problems.

IRR's limitations fall into three main areas: discounting negative cash flows, reinvestment of periodic cash flows, and size and timing differences between investments.

Most typical investments involve an initial capital investment with positive future cash flows. The following example will help explain.

Calculating the IRR of an
investment:

A person invests \$20,000 at year 0 (year property acquired) for 5 years. During years 1-5 the annual cash flow is \$3,000 (return on the investment) and the reversion at year 5 (sale price) is \$20,000 (return of the investment). The IRR for this investment would be 15%. The sales proceeds are the same as the initial investment. Therefore the return of the investment comes directly from the sale. The return on the investment comes from the yearly cash flow, which is typically generated through rent paid by tenants. With this type of cash flow, there is no reduction or addition to the investment amount that earns interest each year at the rate of 15%. The amount left in the investment stays constant over the five-year holding period.

N	\$
0	(\$20,000)
1	\$3,000
↓	↓
5	\$3,000 + (\$20,000)

IRR = 15%

For this investment, using the IRR accurately measures the rate of return.

The return rate can be measured but must be done correctly as the IRR measures the original figures. Negative cash flow during the holding period can be discounted against positive cash flow periods to produce an accurate IRR simply by averaging negative and positive periods. In the case of all negative outlays, with the exception of reversion, discounting must take place at year zero or you will end up with an over inflated IRR and an inaccurate value of the true size of an investment.

If this is the case for your investment or an investment you are considering, obtain all the facts and call a professional, such as myself, to assist you if you need help with the math. Then you can make an informed decision about that investment.

I can be reached at 702-889-9898 for all of your questions and investment needs. ♦

INDUSTRIAL MARKET-

WHAT'S HAPPENING? By Pete Peterson, VP, Office/Industrial
& Chuck Haldeman, Sr. VP, Office/Industrial

Las Vegas is very fortunate to have a number of EXPERTS looking at the industrial market, which will be totaling between 97 and 99 million square feet at the end of 2007. Unfortunately, these EXPERTS have to deal with data gathering and statistical analysis to determine the present status. Then they have to look at their past analysis to see if it has been correct. Lets say a couple of these EXPERTS were "right on" in their analysis. However, being correct once or twice does not mean they will be correct on their next analysis. This means we need to look at a number of sources to draw a conclusion.

When comparing the Las Vegas RJ and Sun Newspaper articles, there is almost always small or significant differences in the status of the Industrial Market. Why? Because no matter how much data can be compiled and then analyzed, there are difficult decisions to be made to predict the future status of the market and rents within that market.

The major industrial developers have their own EXPERTS and are not concerned with the EXPERTS in the commercial real estate offices. Additionally, the Business Press and In Business are also publishing data on the Industrial Market.

Most tenants and buyers know that rates are set by what is occurring in the market. So what should a tenant pay for industrial space? What should a new owner pay for industrial space? Of course, location is always going to be a prime indicator of the cost for the space. As the market tightens further, even secondary locations will see rent increases.

If there is a large vacancy (above

15%) then lower rents will occur for the same space compared to a market with a low vacancy (below 5%). If the vacancy rate is low and construction of a new building and its absorption rate is also low then a lower rent will prevail. Simply put, the law of supply and demand will dictate a lower price because of an over supply. There are different types of industrial buildings and each has to be analyzed as its own sub-market within the total market. Each sub-market will vary and so will the rental rates.

In the Review Journal newspaper on Oct. 24 (which gets its information from local developers and brokers) an article on industrial vacancy indicates that the vacancy is rising and absorption is very low, because half of the new space is sitting empty. Lease rates are down by two cents from the previous quarter. The article indicates the vacancy rate is between 5.3% and 5.9%. However, The CoStar Industrial Report, a report from a national company, indicates the vacancy rate is 7.2% and the absorption was positive.

It is assumed the national housing down turn is having an affect on the industrial market; however, here in Las Vegas we have not had a slow down in commercial construction. There are a large number (maybe 40,000) hotel rooms becoming available in the next three to five years. This construction should keep the industrial vacancy rate low and the construction of new industrial space will continue as additional land is secured.

If you have a need to lease or purchase Industrial space we at Clifford Commercial are ready to assist you in your quest. ♦

COMMERCIAL REAL ESTATE
INVESTMENT OUTLOOK

FAVORABLE By Jerry Shapiro,
Executive Vice President

Over the last 20 years commercial delinquency rates remain near historic lows.

The economy is relatively strong outside of housing-related industries.

A healthy corporate sector is expected to support moderate job growth.

Low unemployment is expected to keep upward pressure on wages.

In the APARTMENT MARKET, moderate job growth, higher mortgage rates and tighter lending standards will drive up the renter demand in the future.

The RETAIL MARKET outperformed during the last economic downturn, and therefore did not experience a strong recovery cycle like apartments and office.

The OFFICE MARKET has staged an impressive recovery, with vacancy and concessions currently at the lowest level recorded since 2000.

In the INDUSTRIAL MARKET, warehouse vacancy has steadily declined since 2004 and development remains below historical averages.

WHAT DOES ALL OF THIS MEAN TO YOU
THE INVESTOR?

Everyone should have a diversified investment portfolio. We at Clifford Commercial can provide you the road map to make your real estate dollars yield an above average return on your investment. Commercial real estate is what we do 24 hours a day seven days a week. We study the markets, study the trends, know what is hot and what is not. **Buying, Selling, Leasing or Investing** call us at 702-889-9898. We are here to help you. ♦

LONG TERM
COMMERCIAL
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DESPITE
CAPITAL
MARKETS