Accelerating success.

LAS VEGAS QUARTERLY

Q3/11

Colliers INTERNATIONAL

Glossary

Industrial Definitions

Incubator:	Multi-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and bay sizes lower than 3,500 square feet.
Light Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of less than 15,000 square feet.
Light Industrial:	Multi- or single-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and, in the case of multi-tenant buildings, bay sizes of at least 3,500 square feet.
R&D/Flex:	Multi- or single-tenant buildings without dock-high loading doors with parking ratios in excess of 3.5/1,000 square feet.
Warehouse/Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of at least 15,000 square feet.

Office Definitions

Class A Office:	Buildings with steel frame construction, high end exterior finish, distinctive lobbies featuring upgraded finishes, amenities including on-site security, state-of-the-art communications and data infrastructure and covered parking. Class A buildings are usually multi-story.
Class B Office:	Buildings with steel frame, reinforced concrete or concrete tilt-up construction. Class B buildings contain common bathrooms and hallways, and their lobbies may have granite and hardwood detailing. Class B buildings are often multi-story.
Class C Office:	Buildings of wood frame construction. Class C buildings are often garden-style and are built around courtyards.
Medical Office:	Buildings that are more than 50% occupied by medical tenants.

Retail Definitions

Community Center:	Retail centers anchored by supermarkets, drug stores and discount department stores. Tenants include off-price retailers selling apparel, home improvements/furnishings, toys, electronics or sporting goods.
Neighborhood Center:	Retail centers anchored by supermarkets and drug stores. Neighborhood centers are intended for convenience shopping for day-to-day needs of consumers.
Power Center:	Retail centers dominated by several large anchors including discount department stores, off-price stores, warehouse clubs or "category killers". Power centers generally inline space.

General Definitions

Vacant SF:	Space in a building that is unoccupied and offered for lease by the owner of the company.
Sublease SF:	Space in a building that is offered for sub-lease by the primary tenant. This space may or may not be unoccupied.
Net Absorption:	Difference in occupied square footage from one period to another.

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Reviews by John M. Stater, Research Manager

Cover - The Cosmopolitan of Las Vegas. Image courtesy of E.O. / Shutterstock.com

512 offices in 61 countries on 6 continents

United States: 125
Canada: 38
Latin America: 18
Asia Pacific: 214
EMEA: 117

- $1.5 billion in annual revenue
- $979 million square feet under management
- Over 12,500 professionals

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Economic Review

When compared to a year ago, Southern Nevada's economy definitely seems to be on the mend, with measured improvements in the gaming and hospitality sector, lower unemployment and marginally higher taxable sales. A look at the data over the past few quarters suggests that Southern Nevada's economy is slowing along with the national and global economies. People expecting a quick resolution of the financial recession (and yes, resolution of the global contraction in four years would be considered a quick recovery) should take this as another sign that we will be in the "new normal" for yet a few more years.

Southern Nevada's unemployment rate increased in August 2011 to 14.2 percent after having decreased in April and May of 2011. Since total employment peaked in May 2011, Southern Nevada has lost 8,800 jobs, with the government sector alone cutting 8,300 jobs in a bid for fiscal solvency. Other sectors losing jobs since the May peak include professional and business services, education and health services, financial activities and transportation. Remarkably, the construction sector has added 1,600 jobs since May 2011. The leisure and hospitality sector, the engine of Southern Nevada's growth, has added 8,600 jobs since August 2010. What employment growth there is in Southern Nevada is not broad based, but growth in leisure and hospitality is an important first step in the Valley's economic recovery.

The monthly driver's license count increased by 16.5 percent between June 2010 and 2011 and the residential electric meter count was up by 0.3 percent over the same period, suggesting that Southern Nevada's population is now growing again, albeit slowly, after shrinking during the early stages of the recession. Much of Southern Nevada's economic growth in the past decades was due to population growth, so a return to one could help spur the other.

The gaming sector is also experiencing what might be the beginning of recovery. Visitor volume has increased by 4.9 percent between July 2010 and July 2011. Hotel/motel occupancy is up by 4.3 percent over this time last year and the total number of passengers through McCarran International Airport is up by 4.9 percent over the same period. Recovery in gaming and tourism is absolutely essential to recovery in the wider Southern Nevada economy, so while these numbers are not especially strong, they are at least positive and point to recovery on the horizon.

Investment sales in Southern Nevada are much stronger in 2011 than in the past few years, a sure indication that investors outside Southern Nevada are becoming more confident in the area's economic future. It is worth remembering that, despite four years of recession, Southern Nevada's growth over the past ten years is still impressive. Cap rates now float between 7 and 8 percent, and should head into the mid 6's and low 7's as the amount of capital chasing deals in the market increases. Private equity investors are looking at tertiary markets like Southern Nevada, having been chased out of the first and second tier markets by larger entities.

The amount of distressed commercial real estate in Southern Nevada increased slightly in the third quarter of 2011. We are now tracking 14.6-million square feet of distressed industrial, office and retail in Southern Nevada, up from 14.5 million square feet in the second quarter of 2011, and up from 13.3 million square feet in the third quarter of 2010. Approximately 35 percent of this space is office product, 33 percent retail and 32 percent industrial. The largest quarter-over-quarter increase of distressed space was in industrial space, which increased by 3.9 percent to 4.7-million square feet. Office distressed inventory decreased by 0.2 percent to 5.1-million square feet.

By the third quarter of 2011, 2,725,000 square feet of distressed commercial property had sold this year at an average price of $67 per square foot. Most of these sales occurred during the second quarter of this year, when 1.6 million square feet of distressed properties changed hands at an average price of $66 per square foot. As distressed property moves through the system and is revalued, asking rents should experience downward pressure. While this

CLARK COUNTY ECONOMIC DATA

	Q3 2011	Year Ago
Unemployment Rate	14.2%	15.5%
Visitor Volume	23,242,000	22,171,000
Gaming Revenue	$5,386 M	$5,110 M
Taxable Sales YTD	$14.731 B	$13.992 B
Residential Permits	338	338
Commercial Permits	19	13
New Home Sales	366	333
Existing Home Sales	4,938	3,313

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

SOUTHERN NEVADA EMPLOYMENT

Industry	Y-O-Y Change
Natural Resources & Mining	+ 0
Construction	-4,400
Manufacturing	- 1,000
Trade, Transportation & Utilities	-4,000
Information	-100
Financial Activities	-3,600
Professional & Business Services	+2,400
Education & Health Services	+ 3,200
Leisure & Hospitality	+ 8,600
Other Services	+ 500
Government	- 1,400

process may be painful for landlords, the readjustment of property values in Southern Nevada is necessary for the real estate market's recovery.

According to the FDIC, 68 banks with $28.6 billion in assets have failed so far in 2011. This is well below the number of failures over the same period in 2010, when 118 banks with combined assets of $85 billion were taken over by the FDIC. One local bank, Nevada Commerce Bank with $144.9 million in assets, has failed so far in 2011.

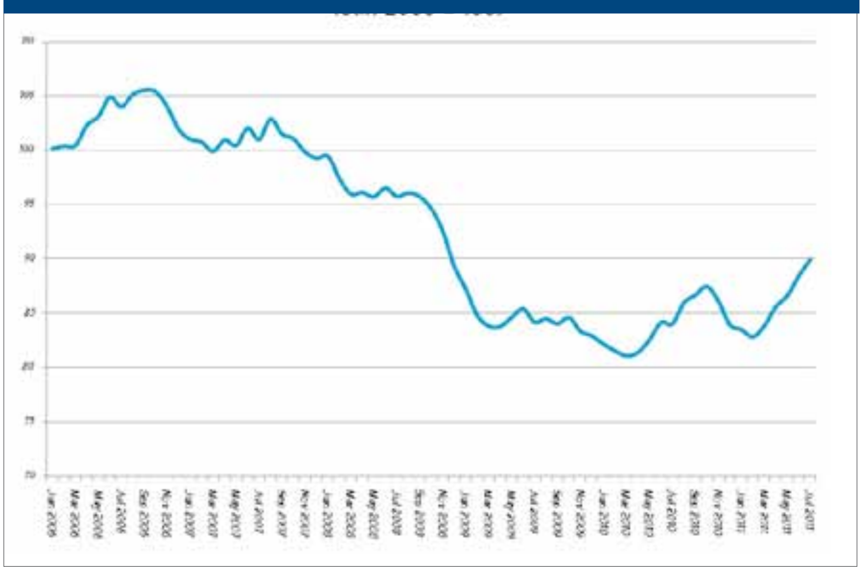
RECOVERY INDEX

The The Southern Nevada CRE Recovery Index was on the rise between May 2011 and June of 2011, but leveled off between June 2011 and July 2011. The index now stands at 88, with a level of 100 representing the level of economic activity in Southern Nevada in January 2006, a year before the start of the Great Recession. The index is now as high as it has been since December 2008, but has not yet broken into the 90's. This is the strongest expansion of the index since 2010, when it grew for five months between May 2010 and September 2010 and then went into a five month slide.

On a year-over-year basis, the index shows growth in Gaming Revenue, Visitor Volume, New Residents, Taxable Sales and Personal Consumption in the United States. New Home Sales, Employment and Container Traffic at the Port of Los Angeles have all declined, while Commercial Occupancy is unchanged. The fact that Commercial Occupancy has stopped eroding is in itself quite a coup.

While Southern Nevada's economy is not growing in every way, and is not growing quickly, we woul declare it to be in a very timid expansion mode if not for national and world headlines. Despite the belief once held in this community that Southern Nevada was "recession proof" – a mistaken belief that has hopefully been ended for all time by the Valley's economic performance during the past four years – the local economy tends to go the way of the national economy. After all, Southern Nevada's economy is based upon a single "export" – entertainment – and when people are worried about their next paycheck, or seeing their income contract or languish, entertainment is one of the first things on which they scale back. The last year has seen definite improvement in the leisure and hospitality sector, with visitor volume returning to near record levels, but these improvements will probably not continue if the national economy experiences another "business cycle" recession within the larger financial recession. That being said, the explosive growth experienced by Southern Nevada over the past decade has not been washed away in the flood of bad economic news of the past five years. Another recession will prolong the process of recovery, but it will not stop it entirely.

COMMERCIAL REAL ESTATE RECOVERY INDEX



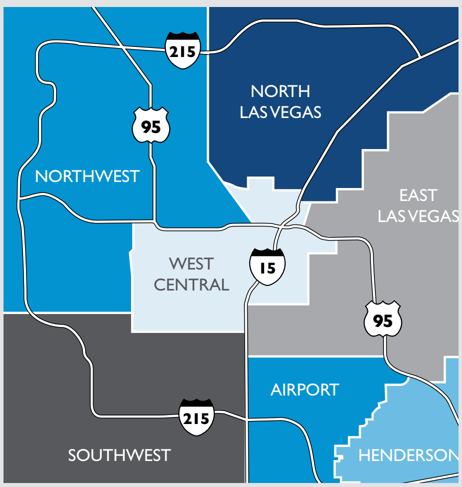
RECOVERY INDEX *(JANUARY 2006 = 100)*

Category	July 2011	July 2010
New Home Sales	10	17
Commercial Occupancy	88	88
Gaming Revenue	92	82
Visitor Volume	106	101
New Residents	78	67
Employment	89	90
Taxable Sales (Clark County)	84	81
Container Traffic, Port of LA	109	112
Personal Consumption (US)	118	113

Industrial Market Review

MARKET INDICATORS

	Q3-11	Projected Q4-11
VACANCY	↑	↑
NET ABSORPTION	↓	→
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↓



"The mass extinction event caused by the "Great Recession" might have ended, but we now find ourselves in a stalemate at best and a slow decline at worst."

Mirroring the continued weak performance of the national economy, Southern Nevada's industrial market retreated back into negative net absorption in the third quarter of 2011. Last quarter's positive performance was due to strong demand for warehouse/distribution space. In the third quarter, warehouse/distribution continued to post strong gross absorption, but vacating tenants pushed it into negative net absorption. The industrial vacancy rate increased to 15.4 percent while asking rents decreased slightly to $0.52 per square foot (psf) on a triple net (NNN) basis. Slight, measured improvements earlier in the year appear to be degrading, putting industrial performance for the year as a whole into question.

Between August 2010 and August 2011, Las Vegas-Paradise MSA employment in sectors that traditionally occupy industrial space declined by 8,400 jobs. These job loss numbers, though improving slightly from month to month, are still entirely too high to inspire confidence in a near-term recovery for the local industrial sector. No sector of industrial employment added jobs over this period, though the Construction sector has posted small job gains over the past three months. Unemployment in the Las Vegas-Paradise MSA stood at 14.2 percent as of August 2011.

A single industrial project, a build-to-suit for In-N-Out Burger in the Southwest submarket, was completed in the third quarter of 2011. Forward supply of industrial space in the Valley increased to 230,474 square feet this quarter, the second straight quarterly increase in forward supply. The U.S Micro build-to-suit project in the Southwest submarket should be completed in the fourth quarter of 2011. The building at 7040 Redwood remains half complete, with no sign of final completion and no sign of construction activity.

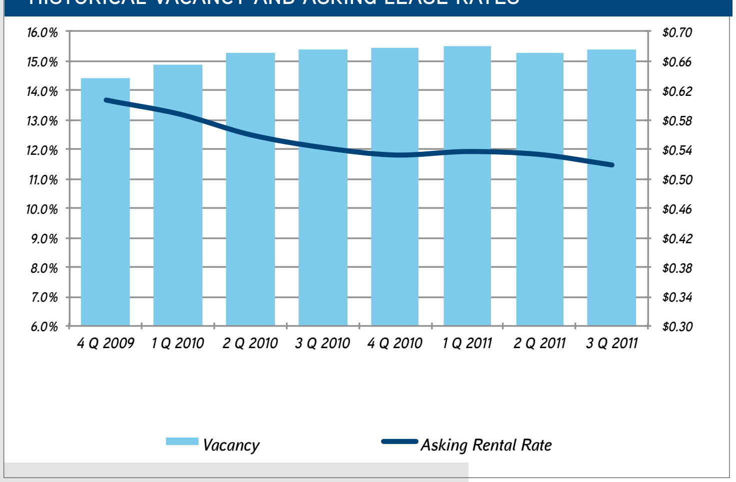
When net absorption turned positive for industrial space in the second quarter of 2011, there was a sincere hope that it was the beginning of a trend. Given the continued loss of industrial jobs and the fact that all of that positive net absorption was in warehouse/distribution product, the likelihood of it being the beginning of a trend was slight and this quarter has proven that. Warehouse/distribution absorption remained positive in the third quarter of 2011, but was significantly weaker than one quarter ago. Incubator space also eked out positive net absorption, but all other product types continued to post reductions in occupied square footage. Among submarkets, Henderson and the Northwest posted positive net absorption while all others posted negative net absorption.

Gross absorption stood at 2.8 million square feet in the third quarter of 2011, approximately even with gross absorption in the second quarter of 2011 and 130,000 square feet higher than one year ago. Gross absorption continues to be marginally better than in 2010 and much better than in 2008 and 2009, but clearly cannot keep up with the vacancies of industrial space Southern Nevada is currently experiencing.

Industrial vacancy was 15.4 percent in the third quarter of 2011, up 0.1 points from last quarter and even with one year ago. The tiny Northwest submarket continued to have the Valley's highest vacancy rate at 32.8 percent. Southern Nevada's lowest industrial vacancy rate was in the West Central submarket, at 10.4 percent. Vacancy decreased in Henderson and the Northwest and increased in all other submarkets, with the largest increase being in the East Las Vegas submarket. Improvements in gaming revenue and visitor volume suggested that improvement in industrial demand by companies that service the resorts was around the corner, but weak national numbers are making continued improvements in the hospitality sector questionable. Warehouse/distribution product saw vacancy fall by 0.1 points this quarter and vacancy in incubator product fall by 0.3 points. All other product types saw their vacancy rate increase, the largest increase being in light distribution product.

The most active businesses in deals we have tracked thus far in 2011 were involved in business services (including engineering), exhibition services, the wholesale trade and retail services. Companies headquartered outside of Nevada took 51 percent of the square feet leased or sold so far in 2011, down from 66

HISTORICAL VACANCY AND ASKING LEASE RATES



percent in 2010. So far, 45 percent of leases signed in 2011 were with companies with regional or national reach, down from 67 percent in 2010. These downward trends represent a pull-back by national and regional firms more than an expansion by local firms. Southern Nevada has plenty of potential, but persistent job losses have to give national firms pause when considering an expansion or move into the area.

The weighted average asking lease rate for industrial space decreased this quarter to $0.52 psf NNN from last quarter's $0.53 psf NNN. If adjusted for inflation, the weighted average asking lease rate dropped by $0.01 to $0.42 psf NNN. Adjusted for inflation, the weighted average asking lease rate for industrial product has dropped by $0.29 psf from its peak of $0.71 psf the first quarter of 2007. Inflation-adjusted rates are as low as they have been since we began tracking the industrial market in 1999.

The gap between achieved and asking lease rates averaged $0.11 psf in 2009 and $0.12 psf in 2010. So far in 2011, the gap has decreased to $0.08 psf, suggesting that landlords are just about right in pricing their properties. The largest gap was in incubator projects, at $0.15 psf, while the smallest was in warehouse/distribution projects, where there was no gap between asking and achieved lease rates.

The inventory of industrial properties available for owner/user sale decreased this year (YTD) to 3,300,000 square feet from 3,339,000 square feet at the end of 2010. The average asking price for owner/user industrial sales decreased to $97 psf, from the average asking price of $116 psf recorded at the end of 2010. Prominent owner/user sale availabilities included the Traverse Point Distribution Building in the Henderson submarket (154,000 square feet), the Berlin Industries Building in the Northwest submarket (146,000 square feet) and Decatur Business Center in the Southwest submarket (87,000 square feet).

The inventory of industrial buildings for sale as investments decreased from 1,519,000 square feet in 2010 to 1,434,000 square feet at mid-year 2011. The average asking price has dropped to $85 psf in the third quarter of 2011 from 2010's $119 psf. Cap rates also dropped slightly to 8.3 percent. Prominent investment sale availabilities included Magnum Industrial Center in the North Las Vegas submarket (187,000 square feet), 4500 Wynn in the Southwest submarket (180,000 square feet) and Southpark II in the Airport submarket (153,000 square feet).

So far in 2011, 1,825,000 square feet of industrial properties have sold as investments at an average price of $53 psf. This represented a distinct improvement from the volume of investment sales in 2009 and 2010. Owner/user sales are up from this point last year, but down from this point in 2008 and 2009. Owner/user sales totaled 418,000 square feet at an average price of $65 psf, a sharp decline from last year's average of $114 psf and 2008's average of $124 psf. This drop in price per square foot is attributable not only to issues of over-supply, but also the difficulty for buyers in securing loans, thus necessitating cash purchases.

As mentioned previously, net absorption of warehouse/distribution space surged one quarter ago and then settled back down this quarter. Lease activity remained strong for big box space, or at least as strong as it was a quarter ago, but new vacancies of space knocked net

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
5885 S Valley View	Aug 2011	36 months	8,500 sf	$0.39 NNN	Light Industrial
Mesa Vista Business Center	Jul 2011	36 months	6,000 sf	$0.49 NNN	Light Industrial
Brookhollow Business Park	Jul 2011	65 months	5,500 sf	$0.53 NNN	Incubator
Gibson Palms Corporate Park	Jul 2011	60 months	3,500 sf	$1.05 NNN	Light Industrial
Arville Commerce Center	Jul 2011	38 months	2,500 sf	$0.29 NNN	Incubator

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Judson Marion Industrial Complex	Jul 2011	$745,000	50,000 sf	$45	Light Industrial
Mary Crest Corporate Center I	Aug 2011	$2,450,000	44,000 sf	$55	Incubator
Insight Air Center Sunset	Jul 2011	$1,900,000	28,000 sf	$68	Incubator
Buffalo/215 Business Park	Aug 2011	$674,000	10,000 sf	$68	Light Industrial
Losee Industrial Park	Jul 2011	$200,000	9,500 sf	$21	Light Industrial

INDUSTRIAL EMPLOYMENT

	Aug 2011	Aug 2010	Change
Construction	40,900	45,300	-4,400
Manufacturing	18,300	19,400	-1,100
Transportation & Warehousing	30,100	31,300	-1,200
Wholesale	18,700	20,400	-1,700
TOTAL	108,000	116,400	-8,400

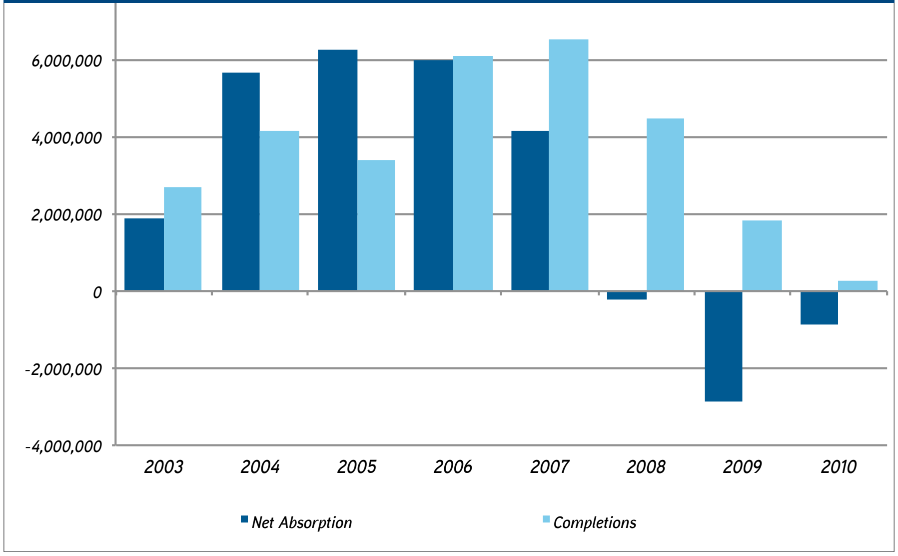
absorption down from 480,000 square feet a quarter ago to this quarter's 59,000 square feet. Average asking rents for warehouse/distribution space now stand at $0.40 psf NNN for the Valley as a whole, ranging between a low of $0.36 psf NNN in the East Las Vegas submarket and $0.71 psf NNN in the West Central submarket. The continuation of positive trends for Southern Nevada warehouse/distribution space has two hurdles it must clear. The first is that warehouse/distribution space in Las Vegas, at least in terms of asking rates, continues to be more expensive than its key rivals in the Southwest region. The second hurdle is a lack of available bulk warehouse space (i.e. space 100,000 square feet in size or larger) in Southern Nevada. Much of the space returned to the market this quarter was returned by retail, wholesale and construction companies.

If marginally better performance on the Las Vegas "Strip" is going to stimulate demand for light distribution space, it has not done so yet. After absorbing (net) about 9,500 square feet in the first quarter of 2011, light distribution space has suffered two quarters of much more significant negative net absorption; negative 39,000 square feet last quarter and negative 121,000 square feet in the third quarter of 2011.

Light industrial continues to be the battleground of the "Great Recession". Net absorption was a negative 30,000 square feet in the third quarter of 2011, even with the completion of a 25,000 square foot build-to-suit for In-N-Out Burger. Gross absorption of light industrial space outpaced all other product types this year, and hit a 13 quarter high of 870,000 square feet this quarter. But light industrial, like most other product types, seems to be running in quicksand. When activity involves companies down-sizing to save money, the more activity you have, the more occupied space you lose. Still, companies who manage to cut costs have a better chance of staying in business, and when the majority of the companies operating in Southern Nevada finally reach the point where income exceeds outlays, the market will have a solid foundation for its recovery.

Incubator space, the home of entrepreneurs and their start-ups, finally posted some positive net absorption this quarter, occupying 25,000 square feet more space than last quarter. It has been rough going for incubator during this recession and one can certainly point to the difficulty in small businesses securing loans as a key reason. The average asking rate for incubator space in 2011 has been $0.64 psf NNN. Compare this to the average achieved rent in 2011 of $0.49 psf NNN and you can see that there is probably lots of room for asking rents to fall further. Still, the gap between asking and achieved has fallen in 2011 compared to 2010, and the average term of leases has increased. As with the light industrial numbers, this suggests that the local economy is still trying to find its footing.

HISTORICAL NET ABSORPTION VS. COMPLETIONS



R&D/flex space almost saw positive net absorption again this quarter, shedding itself of only 4,000 square feet of occupied space (net). Its vacancy rate continues to be the highest among industrial property types at 29.7 percent; only Class A office product has a higher vacancy rate in Southern Nevada. Gross absorption has been weak in 2011, hovering at about half the level seen in 2010. R&D/flex truly suffers from being the jack-of-all-trades and master of none. Office and retail users can find better space for a better price by going to office or retail projects respectively. That leaves r&d/flex trying to compete with less expensive incubator and light industrial product for industrial tenants, and in this day and age, the bottom line usually wins.

Last quarter, we declared the severe downturn that started in 2008 to be essentially over. While the market for industrial product was not going to roar back to life, the heavy bleeding of the "Great Recession" was, we believed, at least staunched. This was, of course, predicated on the national economy not sliding back into recession. Unfortunately, whether a new recession is in the cards or not, consumer and business confidence seem to be taking it in the jaw right now, and that bodes ill for an economy based on tourism. Performance in the third quarter of 2011 hopped back over to the negative side of the line, and though it was a mild setback compared to what we saw in 2008, it does illustrate the serious problems still facing the local economy.

At the top of the list of those problems is unemployment. A market that is not adding jobs is not going to absorb commercial real estate. The mass extinction event caused by the "Great Recession" might have ended, but we now find ourselves in a stalemate at best and a slow decline at worst. Gross absorption, which can be used as a measure of overall activity, is fairly strong and has remained so for the last two years. This activity, however, has been one of businesses leaving expensive space for inexpensive space – all part of the deleveraging that the entire global economy will be dealing with for the next decade. This means the strong activity we are seeing is not expansionary, and that leaves us running in circles, finding hope in every positive number and then losing it a when the next negative number comes down the line.

Looking into 2012, the trend appears to be the absence of a trend. Not up or down, just flat. After a multi-decade long flirtation with easy (and ill-advised) credit, consumers globally are finally forced to pay the piper. We are now experiencing the clean-up after the party and there is no easy or quick way out of it. As the British people said during the Blitz, "Keep Calm and Carry On."

"Looking into 2012, the trend appears to be the absence of a trend."

COMPETING WAREHOUSE RATES

Market	Asking Rent (Q2-11)
Las Vegas, NV	$0.40 psf NNN
Phoenix, AZ	$0.34 psf NNN
Inland Empire, CA	$0.31 psf NNN
Reno, NV	$0.27 psf NNN

OWNER/USER SALES ACTIVITY

Owner User Space	2011 (YTD)	2010	2009
Owner/User Space for Sale (sf)	3,300,000	3,339,000	4,044,000
Owner/User Average Asking Price/SF	$97	$116	$149
Owner/User Space Sold (sf)	418,000	799,000	582,000
Owner/User Average Price/SF	$65	$114	$124

INVESTMENT SALES ACTIVITY

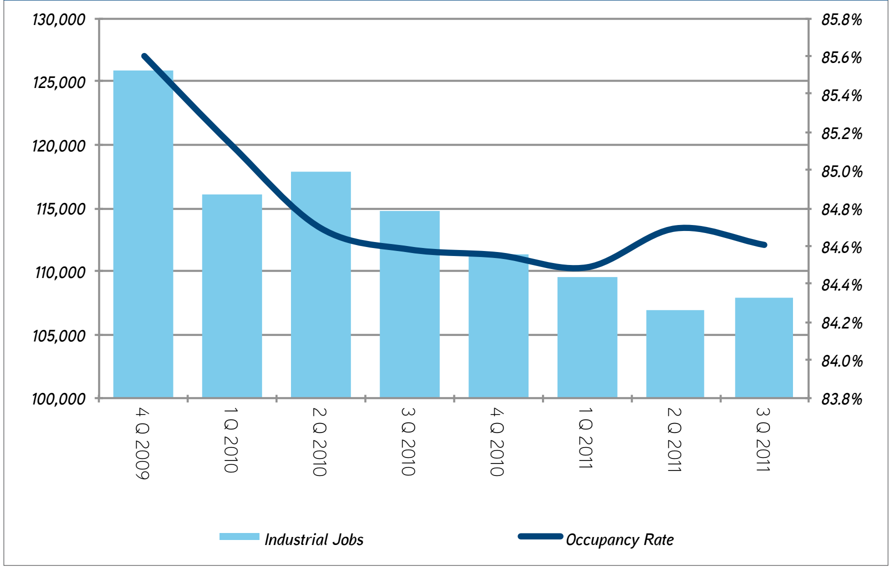
Investment Space	2011 (YTD)	2010	2009
Investment Space for Sale (sf)	1,434,000	1,519,000	1,185,000
Investment Average Asking Price/SF	$85	$119	$139
Investment Average Cap Rate	8.3%	8.1%	7.5%
Investment Space Sold (sf)	1,825,000	715,000	791,000
Investment Average Price/SF	$53	$95	$70
Investment Average Cap Rate	8.0%	8.9%	8.1%

INDUSTRIAL DEVELOPMENT PIPELINE

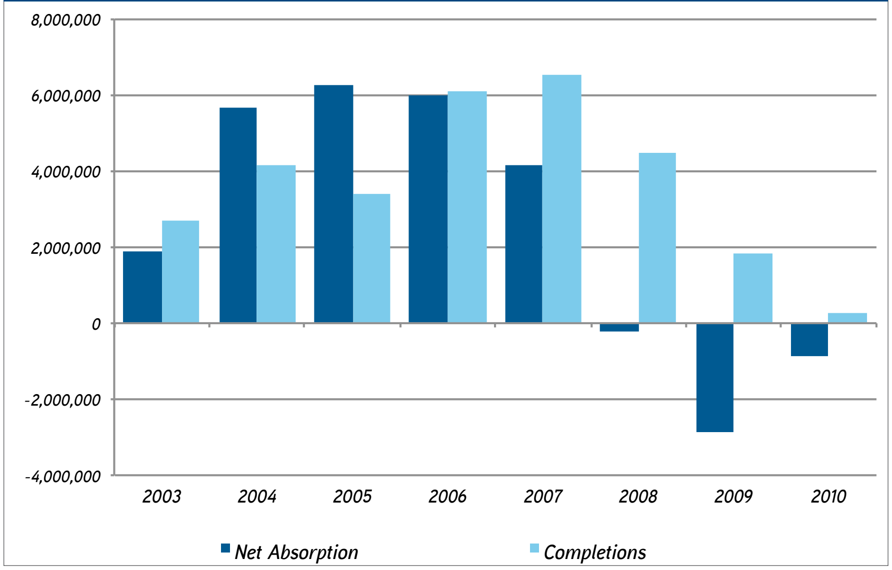
PROJECT	TYPE	SUBMARKET	SIZE	PRE-LEASING	COMPLETION
7000 W Teco Avenue	Warehouse/Distribution	Southwest	130,000 SF	BTS	Q4-11
1981 Pama Lane	Light Industrial	Airport	50,000 SF	0%	2012
7040 Redwood Avenue	Light Industrial	Southwest	50,000 SF	0%	Stopped

[1] MSA – Metropolitan Statistical Area. The Las Vegas-Paradise MSA includes Clark County, NV and Mojave County, AZ.
[2] Here defined as the total amount of space either under construction or planned to begin construction in the next 12 months.
[3] Using the Consumer Price Index, All Urban Consumers, West Region, Class A Cities, 1982-1984 = 100

OCCUPANCY VS. INDUSTRIAL EMPLOYMENT



HISTORICAL NET ABSORPTION VS. COMPLETIONS



MARKET COMPARISONS

INDUSTRIAL MARKET

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
AIRPORT SUBMARKET																
WH	75	4,599,737	438,076	9.5%	-	0.0%	438,076	9.5%	9.2%	(35,017)	255,657	-	-	-	-	$0.48
LD	71	3,272,048	799,108	24.4%	6,872	0.2%	805,980	24.6%	24.4%	(1,230)	(15,299)	-	-	-	-	$0.59
LI	197	2,855,958	382,077	13.4%	22,298	0.8%	404,375	14.2%	12.5%	(24,810)	(38,710)	-	22,000	-	49,320	$0.55
INC	90	1,721,414	385,906	22.4%	11,945	0.7%	397,851	23.1%	21.9%	(21,087)	(101,449)	-	-	-	-	$0.85
FLX	66	1,312,795	405,723	30.9%	-	0.0%	405,723	30.9%	28.7%	(28,611)	6,735	-	-	-	-	$0.62
Total	499	13,761,952	2,410,890	17.5%	41,115	0.3%	2,452,005	17.8%	17.0%	(110,755)	106,934	-	22,000	-	49,320	$0.61
EAST LAS VEGAS SUBMARKET																
WH	23	964,355	40,095	4.2%	-	0.0%	40,095	4.2%	1.3%	(27,302)	(27,302)	-	-	-	-	$0.43
LD	26	463,331	168,380	36.3%	-	0.0%	168,380	36.3%	21.0%	(71,152)	(69,609)	-	-	-	-	$0.31
LI	91	1,063,096	140,141	13.2%	-	0.0%	140,141	13.2%	9.7%	(36,964)	(58,848)	-	-	-	-	$0.46
INC	12	281,755	84,687	30.1%	-	0.0%	84,687	30.1%	25.6%	(12,570)	(9,435)	-	-	-	-	$0.44
FLX	10	233,692	130,242	55.7%	-	0.0%	130,242	55.7%	54.8%	(2,131)	(22,548)	-	-	-	-	$0.72
Total	162	3,006,229	563,545	18.7%	-	0.0%	563,545	18.7%	13.8%	(150,119)	(187,742)	-	-	-	-	$0.47
HENDERSON SUBMARKET																
WH	75	6,298,600	436,223	6.9%	-	0.0%	436,223	6.9%	9.6%	168,050	364,016	-	-	-	-	$0.36
LD	36	1,700,922	333,341	19.6%	-	0.0%	333,341	19.6%	22.9%	38,461	39,398	-	-	-	-	$0.46
LI	328	3,153,480	491,227	15.6%	7,074	0.2%	498,301	15.8%	16.6%	31,765	34,538	-	-	-	-	$0.44
INC	29	456,976	35,513	7.8%	-	0.0%	35,513	7.8%	9.1%	5,989	17,720	-	-	-	-	$0.48
FLX	82	1,352,737	301,840	22.3%	-	0.0%	301,840	22.3%	22.8%	6,881	(39,043)	-	-	-	-	$0.81
Total	550	12,962,715	1,598,144	12.3%	7,074	0.1%	1,605,218	12.4%	14.4%	251,146	416,629	-	-	-	-	$0.49
NORTH LAS VEGAS SUBMARKET																
WH	177	18,659,367	2,110,446	11.3%	119,472	0.6%	2,229,918	12.0%	12.1%	(7,582)	105,346	-	-	-	-	$0.33
LD	164	4,714,147	1,083,419	23.0%	16,000	0.3%	1,099,419	23.3%	20.7%	(121,482)	(83,870)	-	-	-	-	$0.36
LI	619	7,240,974	1,333,121	18.4%	11,500	0.2%	1,344,621	18.6%	18.8%	15,810	(134,700)	-	-	-	-	$0.40
INC	34	608,095	223,745	36.8%	0	0.0%	223,745	36.8%	38.5%	10,635	22,375	-	-	-	-	$0.51
FLX	48	809,810	200,453	24.8%	0	0.0%	200,453	24.8%	27.8%	24,662	(28,119)	-	-	-	-	$0.66
Total	1,042	32,032,393	4,951,184	15.5%	146,972	0.5%	5,098,156	15.9%	15.8%	(77,957)	(118,968)	-	-	-	-	$0.38
NORTHWEST SUBMARKET																
WH	5	224,906	32,080	14.3%	-	0.0%	32,080	14.3%	14.3%	-	-	-	-	-	-	$-
LD	1	50,000	3,795	7.6%	-	0.0%	3,795	7.6%	7.6%	-	(3,795)	-	-	-	-	$1.05
LI	17	298,896	59,450	19.9%	-	0.0%	59,450	19.9%	19.9%	-	(5,089)	-	-	-	-	$0.55
INC	4	99,427	24,803	24.9%	3,923	3.9%	28,726	28.9%	39.3%	10,385	12,292	-	-	-	-	$0.50
FLX	55	679,250	322,861	47.5%	-	0.0%	322,861	47.5%	52.3%	32,214	(18,571)	-	-	-	-	$1.09
Total	82	1,352,479	442,989	32.8%	3,923	0.3%	446,912	33.0%	36.2%	42,599	(15,163)	-	-	-	-	$0.91
SOUTHWEST SUBMARKET																
WH	135	12,562,472	1,493,962	11.9%	419,808	3.3%	1,913,770	15.2%	14.9%	(38,933)	(46,891)	-	-	131,154	-	$0.50
LD	184	6,998,549	1,486,974	21.2%	15,583	0.2%	1,502,557	21.5%	22.4%	34,016	24,286	-	-	-	-	$0.56
LI	753	9,245,079	1,509,523	16.3%	7,150	0.1%	1,516,673	16.4%	16.6%	(30,401)	69,519	25,000	25,000	-	50,000	$0.60
INC	117	2,474,881	459,257	18.6%	4,160	0.2%	463,417	18.7%	20.6%	44,683	(18,850)	-	-	-	-	$0.59
FLX	105	1,603,078	456,649	28.5%	38,259	2.4%	494,908	30.9%	29.0%	(24,322)	(92,364)	-	-	-	-	$0.82
Total	1,294	32,884,059	5,406,365	16.4%	484,960	1.5%	5,891,325	17.9%	18.1%	(14,957)	(64,300)	25,000	25,000	131,154	50,000	$0.58
WEST CENTRAL SUBMARKET																
WH	63	1,903,567	39,600	2.1%	-	0.0%	39,600	2.1%	2.1%	-	38,592	-	-	-	-	$0.71
LD	36	682,709	155,971	22.8%	800	0.1%	156,771	23.0%	23.0%	400	(41,747)	-	-	-	-	$0.50
LI	493	6,666,544	561,830	8.4%	29,953	0.4%	591,783	8.9%	9.0%	12,465	13,356	-	-	-	-	$0.51
INC	66	2,462,109	457,296	18.6%	-	0.0%	457,296	18.6%	18.1%	(12,538)	(46,721)	-	-	-	-	$0.66
FLX	12	219,832	26,919	12.2%	-	0.0%	26,919	12.2%	6.5%	(12,619)	(2,539)	-	-	-	-	$0.54
Total	670	11,934,761	1,241,616	10.4%	30,753	0.3%	1,272,369	10.7%	10.5%	(12,292)	(39,059)	-	-	-	-	$0.57
MARKET TOTAL																
WH	553	45,213,004	4,590,482	10.2%	539,280	1.2%	5,129,762	11.3%	11.6%	59,216	689,418	-	-	131,154	-	$0.40
LD	518	17,881,706	4,030,988	22.5%	39,255	0.2%	4,070,243	22.8%	22.3%	(120,987)	(150,636)	-	-	-	-	$0.49
LI	2,498	30,524,027	4,477,369	14.7%	77,975	0.3%	4,555,344	14.9%	14.9%	(32,135)	(119,934)	25,000	47,000	-	99,320	$0.50
INC	352	8,104,657	1,671,207	20.6%	20,028	0.2%	1,691,235	20.9%	21.2%	25,497	(124,068)	-	-	-	-	$0.65
FLX	378	6,211,194	1,844,687	29.7%	38,259	0.6%	1,882,946	30.3%	30.2%	(3,926)	(196,449)	-	-	-	-	$0.79
Total	4,299	107,934,588	16,614,733	15.4%	714,797	0.7%	17,329,530	16.1%	16.1%	(72,335)	98,331	25,000	47,000	131,154	99,320	$0.52

QUARTERLY COMPARISON AND TOTALS

Q3-11	4,299	107,934,588	16,614,733	15.4%	714,797	0.7%	17,329,530	16.1%	16.1%	(72,335)	98,331	25,000	47,000	131,154	99,320	$0.52
Q2-11	4,298	107,909,588	16,517,398	15.3%	840,986	0.8%	17,358,384	16.1%	16.5%	221,030	170,666	-	22,000	156,154	50,000	$0.53
Q1-11	4,298	107,909,588	16,738,428	15.5%	1,052,465	1.0%	17,790,893	16.5%	16.4%	(50,364)	(50,364)	22,000	22,000	181,154	-	$0.54
Q4-10	4,297	107,887,588	16,666,064	15.4%	1,013,112	0.9%	17,679,176	16.4%	16.6%	(32,471)	(884,958)	-	260,928	72,000	167,630	$0.53
Q3-10	4,297	107,887,588	16,633,593	15.4%	1,251,211	1.2%	17,884,804	16.6%	16.5%	100,065	(852,487)	230,928	260,928	72,000	-	$0.54

WH = Warehouse   LD = Light Distribution   LI = Light Incubator   INC = Incubator   FLX = Flex

MARKET INDICATORS

	Q3-11	Projected Q4-11
VACANCY	↓	↓
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↓	↓

"The past two quarters of positive net absorption brought year-to-date net absorption into positive territory."

Office Market Review

Momentum continued to build for Southern Nevada's office market in the third quarter, with a second quarter of positive net absorption that surpassed last quarter's positive net absorption. Unfortunately, virtually all of this net absorption could be attributed to the completion of the 300,000 square foot Las Vegas Metropolitan Police Department's new headquarters and the sale of 100,000 square feet of office space to Ameriprise Financial. Some of the success in stimulating demand for office is due to asking lease rates, which have fallen $0.15 per square foot (psf) on a full service gross basis (FSG) over the past year. The main reason the office market is seeing some positive numbers, though, is employment gains in the office sector. The office market was the first commercial real estate market to fall in the "Great Recession", and it is now looking as though it will be the first to recover.

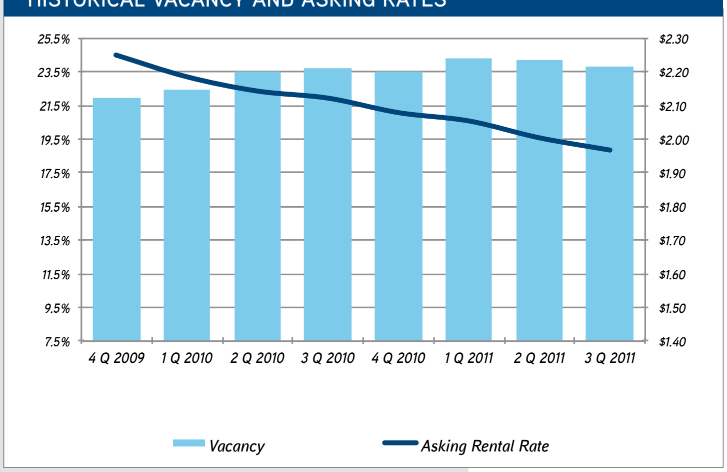
According to the Nevada Department of Employment, Training & Rehabilitation, between August 2010 and August 2011, a net of 5,000 jobs were created in sectors traditionally associated with office space. The Professional & Business Services sector added 4,700 jobs over the past 12 months, while the Health Care & Social Assistance sector added 4,200 jobs over the same period. The Financial Activities sector continued to shed jobs at a quick pace, losing 3,900 jobs over the past twelve months. Unfortunately, year-over-year gains in jobs are starting to flag, an object of concern to a market desperately in need of recovery. Unemployment in the Las Vegas-Paradise MSA stood at 14.2 percent in August 2011.

Three office buildings were completed in the third quarter of 2011, the Las Vegas Metropolitan Police Department's new 300,000 square foot headquarters and two small buildings at Horizon Ridge Professional Park. The remaining five buildings at Horizon Ridge Professional Park are the only office buildings currently in the pipeline. All five are planned, but it is unknown when they will begin construction.

While uncertainty in the national economy keeps us from being completely bullish about Southern Nevada's office market, two quarters of positive net absorption and a falling vacancy rate do make us think the worst is over. Vacancy now stands at 23.8 percent. While this is much higher than what we consider a normal or healthy office vacancy, it is down from one quarter ago and roughly even with vacancy one year ago. This suggests that the office market has made it over the hump and is heading for better days – provided the national and global economies cooperate.

The highest vacancy rates in Southern Nevada were in the Northwest (28.2 percent), North Las Vegas (26.3 percent) and East Las Vegas (26.1 percent) submarkets. Downtown continued to boast the market's lowest vacancy rate at 11.9 percent, bolstered by the completion of the LVMPD headquarters. Among submarkets, vacancy quarter-over-quarter increased in East Las Vegas, Henderson, North Las Vegas, Northwest and West Central and decreased in Airport, Downtown and Southwest. The largest increase (3 points) was in North Las Vegas, while the largest decrease (2.7 points) was in the Airport submarket.

HISTORICAL VACANCY AND ASKING RATES



Class A office space, which has shown the weakest performance in office over the past few years, saw a significant decrease in vacancy this quarter over last, from 33.1 percent to 30.5 percent, due in large part to the sale of 280 Pilot Road, a 99,000 square foot building, to Ameriprise Financial. Class B office also showed a decline in vacancy, while Class C office posted an increase. Class B office continued to have the lowest vacancy rate of all office classes at 21.5 percent.

Net absorption was a positive 375,276 square feet this quarter, the highest net absorption of office space in Southern Nevada since the fourth quarter of 2007, the quarter before the market fell off a cliff. Taking away the net absorption derived from the completion of the LVMPD headquarters, net absorption was still the highest it has been in two years. The past two quarters of positive net absorption brought year-to-date net absorption into positive territory. The past two years have seen positive net absorption in the fourth quarter of the year, raising hopes that 2011 will be the first year since 2007 to have overall positive net absorption – the lowest positive net absorption in more than a decade, but positive just the same.

Class A office posted the best performance among office classes this quarter, with 145,000 square feet of net absorption absent any new completions. Class B office had the highest net absorption at 243,000 square feet. Class C posted negative 12,000 square feet of net absorption. Not surprisingly, Downtown had the highest net absorption among submarkets (322,000 square feet) while the worst performance belonged to the Northwest (negative 76,000 square feet), once Southern Nevada's office champ. The Northwest also has one of the highest average asking rates in the Valley, though the Southwest found a way to have both a higher asking rate and 145,000 square feet of positive net absorption.

Gross absorption has been erratic for the office market over the past three years, reversing course in terms of growth or decline seven different times. The last two quarters have shown growth, with gross absorption rising from 742,000 square feet in the first quarter of 2011 to 1,634,000 square feet in the third quarter of 2011. This is the highest gross absorption number in three years and suggests, along with the drop in vacancy, that Southern Nevada's office market is currently in a cautious expansion.

Of the office deals we have tracked so far in 2011, the most active industries have been Education and Social Services, Business Services, Real Estate, Legal Services and Financial Services. Local companies made up 51 percent of the tenants taking space so far this year, but only 45 percent of the total office space taken. National companies made up 28 percent of the tenants taking space and 37 percent of the total office space taken. California companies have stepped up their presence in Southern Nevada since last quarter, but so far fewer are coming here in 2011 than in 2010. California companies accounted for 17 percent of the deals we have recorded so far in 2011, compared to 20 percent in 2010.

The amount of distressed office space (i.e. office properties that have received a notice of default or are at some stage in the foreclosure process) decreased again this quarter to 5.1 million square feet, a decrease of 9,000 square feet from last quarter. There is still more office space in the distressed category now than there was one year ago, but the trend here is clearly our friend, as interest in buying properties in Southern Nevada appears to be on the rise. In all, 1,548,000 square feet of distressed office product has sold so far in 2011 at an average sales price of $72 per square foot.

The weighted average asking rental rate decreased this quarter to $1.97 per square foot (psf) on a full service gross (FSG) basis. This was a decrease of $0.04 from last quarter and a decrease of $0.15 from twelve months ago. Asking rents have been declining since the onset of the Great Recession. The largest decrease was for Class A office, which saw its average asking rent drop from $2.56 psf FSG in the second quarter of 2011 to $2.51 psf FSG in the third quarter of 2011. Class B saw a similar drop of $0.04 in asking rents, and Class C office asking rents remained stable at $1.70 psf. While net absorption is picking up and vacancy rates have now decreased over the past two quarters, asking rates may continue to drop for the next two or three quarters as much of the leasing activity is in the form of businesses relocating to less expensive space.

The amount of office space available for sublease increased this quarter to 317,000 square feet from last quarter's 289,000 square feet. The amount of office space available for sublease has been bouncing around for the past year after declining in 2010. Sublease space on the market peaked in the fourth quarter of 2008 at 904,000 square feet. If one included vacant sublease space with directly vacant space, the office vacancy rate this quarter was 24.6 percent.

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Charleston Pavilion Center	Aug 2011	66 months	5,400 sf	$2.56 MG	Class A Office
Fourth Street	Aug 2011	36 months	4,900 sf	$1.04 MG	Class C Office
Diablo Medical Center	June 2011	42 months	4,700 sf	$1.05 MG	Class B Office
Galleria Corporate Center	Aug 2011	36 months	3,900 sf	$1.20 MG	Class C Office
Desert Professional Center	Jul 2011	96 months	3,800 sf	$2.00 NNN	Class B Office

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Mountain Vista	Jul 2011	$2,600,000	40,000 sf	$66	Class C Office
Coronado Bay	Jul 2011	$4,200,000	32,000 sf	$130	Class C Office
Nevso Drive	Jul 2011	$850,000	12,000 sf	$74	Class C Office
Pecos Commons	Jul 2011	$735,000	7,000 sf	$98	Class C Office
Horizon Ridge Professional	Jul 2011	$1,500,000	6,000 sf	$240	Class C Office

EMPLOYMENT

	Aug 2011	Aug 2010	Change
Financial Activities	35,900	39,800	-3,900
Professional & Business Services	102,800	98,100	+4,700
Health Care & Social Assistance	67,300	63,100	+4,200
TOTAL	206,000	201,000	+5,000

Source: Nevada Department of Employment, Training and Rehabilitation.

The amount of office space available for sale on an owner/user basis now stands at 1,092,000 square feet, lower than the 1,444,000 square feet available for sale at the end of 2010. The average asking price for owner/user space sold so far in 2011 was $136 psf, a decrease of $35 psf from the end of 2010. Significant owner/user sale offerings included 4300 W Tropicana Ave (348,000 square feet), the Oakey Office Building (100,625 square feet) and Russell Gateway Professional Center (48,000 square feet). The key owner/user sale in the third quarter of 2011 occurred at 280 Pilot Road, a 99,000 square foot Class A office building, to Ameriprise Financial, which will occupy the building.

Properties available for sale on an investment basis decreased to 1,292,000 square feet from last year's 1,504,000 square feet. The average asking price for investment sales was $90 psf, a $43 psf decrease from last year. Significant investment properties for sale included 101 Convention Center Plaza (306,000 square feet), the East India Buildings (146,000 square feet), and the Mammoth Professional Building in Henderson (80,000 square feet).

Investment and owner/user sales activity is improved in 2011 over the past three years. Sales prices continue to decline for both investment and owner/user sales. The average cap rate declined for properties sold in 2011 versus properties sold in 2010, but the average cap rate for available properties has generally been increasing.

It seems as though Southern Nevada's office market is in a mild expansion, with office employment on the rise, net and gross absorption on the rise, and vacancy rates falling for two quarters in a row. A similar trend occurred at the end of 2009, though not quite so dramatic, so it is possible that these two positive quarters will be followed by more negativity in 2012. Most distressing is that virtually all of the positive absorption experienced this quarter can be attributed to two events; the completion of the LVMPD headquarters and the owner/user sale of 280 Pilot Road by Ameriprise Financial. Without those two deals, net absorption this quarter would have been negative 25,000 square feet. We would feel more comfortable about this expansion if it was broader based. Worse yet, the national economy appeared to be slowing or maybe entering a "business cycle" recession within the larger financial recession that began in 2008. If the national economy goes back into recession, Southern Nevada's office gains may be short lived.

"It seems as though Southern Nevada's office market is in a mild expansion, with office employment on the rise, net and gross absorption on the rise, and vacancy rates falling for two quarters in a row."

DISTRESSED OFFICE PROPERTIES

	Q3-11	Q2-11	Q3-10
Class A	698,000 sf	698,000 sf	752,000 sf
Class B	1,716,000 sf	1,672,000 sf	1,437,000 sf
Class C	2,681,000 sf	2,734,000 sf	2,540,000 sf
TOTAL	5,095,000 sf	5,104,000 sf	4,729,000 sf

OWNER/USER SALES ACTIVITY

Owner User Space	2011 YTD	2010	2009
Space for Sale (sf)	1,092,000	1,444,000	910,000
Average Asking Price/SF	$136	$171	$219
Space Sold (sf)	348,000	463,000	91,000
Average Price/SF	$112	$125	$182

INVESTMENT SALES ACTIVITY

Investment Space	2011 YTD	2010	2009
Space for Sale (sf)	1,292,000	1,504,000	891,000
Average Asking Price/SF	$90	$133	$228
Average Cap Rate	9.2%	9.0%	7.8%
Space Sold (sf)	934,000	925,000	439,000
Average Price/SF	$84	$104	$159
Average Cap Rate	6.9%	8.8%	10.1%

MARKET COMPARISONS

OFFICE MARKET

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
AIRPORT																
A	6	564,478	200,501	35.5%	-	0.0%	200,501	35.5%	55.0%	110,124	117,320	-	(80,000)	-	-	$2.68
B	43	2,001,710	285,395	14.3%	35,719	1.8%	321,114	16.0%	16.4%	6,452	(4,522)	-	-	-	-	$1.93
C	266	2,858,482	814,355	28.5%	19,918	0.7%	834,273	29.2%	29.6%	28,615	(4,521)	-	-	-	-	$1.63
Total	315	5,424,670	1,300,251	24.0%	55,637	1.0%	1,355,888	25.0%	27.4%	145,191	108,277	-	(80,000)	-	-	$1.86
DOWNTOWN																
A	5	807,588	64,366	8.0%	9,269	1.1%	73,635	9.1%	11.3%	17,282	3,224	-	-	-	-	$2.81
B	32	2,253,742	295,691	13.1%	1,500	0.1%	297,191	13.2%	15.0%	290,260	274,058	300,000	300,000	-	-	$2.10
C	80	1,101,666	133,321	12.1%	-	0.0%	133,321	12.1%	13.4%	14,561	11,908	-	-	-	-	$1.37
Total	117	4,162,996	493,378	11.9%	10,769	0.3%	504,147	12.1%	13.8%	322,103	289,190	300,000	300,000	-	-	$2.00
EAST LAS VEGAS																
A	9	1,351,642	271,619	20.1%	18,723	1.4%	290,342	21.5%	21.5%	(225)	(50,952)	-	-	-	-	$3.06
B	19	1,409,335	458,900	32.6%	-	0.0%	458,900	32.6%	29.9%	(37,727)	(33,113)	-	-	-	-	$1.25
C	141	2,404,834	617,126	25.7%	9,076	0.4%	626,202	26.0%	24.9%	(27,229)	(9,729)	-	-	-	-	$1.42
Total	169	5,165,811	1,347,645	26.1%	27,799	0.5%	1,375,444	26.6%	25.4%	(65,181)	(93,794)	-	-	-	-	$1.69
HENDERSON																
A	11	787,274	235,373	29.9%	13,949	1.8%	249,322	31.7%	31.9%	15,566	(3,278)	-	-	-	-	$2.44
B	68	2,275,287	585,961	25.8%	28,908	1.3%	614,869	27.0%	24.0%	(70,763)	(235,720)	-	-	-	-	$2.22
C	218	2,131,233	448,199	21.0%	2,104	0.1%	450,303	21.1%	21.3%	11,862	54,195	12,444	12,444	-	26,190	$1.84
Total	297	5,193,794	1,269,533	24.4%	44,961	0.9%	1,314,494	25.3%	24.1%	(43,335)	(184,803)	12,444	12,444	-	26,190	$2.13
NORTH LAS VEGAS																
A	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	$-
B	8	200,796	72,674	36.2%	-	0.0%	72,674	36.2%	35.9%	(564)	20,318	-	-	-	-	$1.76
C	49	426,417	92,029	21.6%	-	0.0%	92,029	21.6%	17.3%	(18,069)	(30,095)	-	-	-	-	$1.59
Total	57	627,213	164,703	26.3%	-	0.0%	164,703	26.3%	23.3%	(18,633)	(9,777)	-	-	-	-	$1.67
NORTHWEST																
A	21	1,594,415	719,478	45.1%	4,128	0.3%	723,606	45.4%	44.5%	(23,660)	(22,616)	-	85,000	-	-	$2.25
B	82	2,922,722	627,879	21.5%	43,619	1.5%	671,498	23.0%	22.9%	6,205	(398)	-	-	-	-	$2.18
C	281	2,907,739	744,514	25.6%	6,011	0.2%	750,525	25.8%	23.8%	(58,134)	(26,595)	-	-	-	-	$1.88
Total	384	7,424,876	2,091,871	28.2%	53,758	0.7%	2,145,629	28.9%	27.9%	(75,589)	(49,609)	-	85,000	-	-	$2.09
SOUTHWEST																
A	3	397,112	222,996	56.2%	-	0.0%	222,996	56.2%	62.6%	25,786	64,441	-	-	-	-	$2.59
B	70	2,715,179	648,089	23.9%	55,753	2.1%	703,842	25.9%	27.5%	48,511	16,274	-	-	-	-	$2.41
C	303	3,303,202	741,944	22.5%	43,615	1.3%	785,559	23.8%	25.9%	71,517	66,721	-	-	-	-	$1.91
Total	376	6,415,493	1,613,029	25.1%	99,368	1.5%	1,712,397	26.7%	28.9%	145,814	147,436	-	-	-	-	$2.20
WEST CENTRAL																
A	2	227,624	35,339	15.5%	-	0.0%	35,339	15.5%	15.5%	-	7,774	-	-	-	-	$2.00
B	46	1,672,458	353,614	21.1%	-	0.0%	353,614	21.1%	21.2%	240	(16,870)	-	-	-	-	$1.77
C	165	2,641,888	619,814	23.5%	2,069	0.1%	621,883	23.5%	22.2%	(35,334)	(64,646)	-	-	-	-	$1.59
Total	213	4,541,970	1,008,767	22.2%	2,069	0.0%	1,010,836	22.3%	21.5%	(35,094)	(73,742)	-	-	-	-	$1.67
MARKET TOTAL																
A	57	5,730,133	1,749,672	30.5%	46,069	0.8%	1,795,741	31.3%	33.8%	144,873	115,913	-	5,000	-	-	$2.51
B	368	15,451,229	3,328,203	21.5%	165,499	1.1%	3,493,702	22.6%	22.6%	242,614	20,027	300,000	300,000	-	-	$2.02
C	1,503	17,775,461	4,211,302	23.7%	82,793	0.5%	4,294,095	24.2%	23.9%	(12,211)	(2,762)	12,444	12,444	-	26,190	$1.70
Total	1,928	38,956,823	9,289,177	23.8%	294,361	0.8%	9,583,538	24.6%	24.9%	375,276	133,178	312,444	317,444	-	26,190	$1.97

QUARTERLY COMPARISON AND TOTALS

Q3-11	1,928	38,956,823	9,289,177	23.8%	294,361	0.8%	9,583,538	24.6%	24.9%	375,276	133,178	312,444	317,444	-	26,190	$1.97
Q2-11	1,925	38,644,379	9,352,009	24.2%	266,009	0.7%	9,618,018	24.9%	25.1%	37,889	(242,098)	-	5,000	332,444	26,190	$2.00
Q1-11	1,925	38,644,379	9,389,898	24.3%	312,812	0.8%	9,702,710	25.1%	24.5%	(279,987)	(279,987)	5,000	5,000	312,444	26,190	$2.05
Q4-10	1,925	38,639,379	9,104,911	23.6%	349,015	0.9%	9,453,926	24.5%	24.5%	66,589	(552,585)	25,000	76,432	385,000	44,678	$2.08
Q3-10	1,924	38,614,379	9,146,500	23.7%	325,373	0.8%	9,471,873	24.5%	24.7%	(33,550)	(619,174)	23,749	51,432	385,000	44,678	$2.12

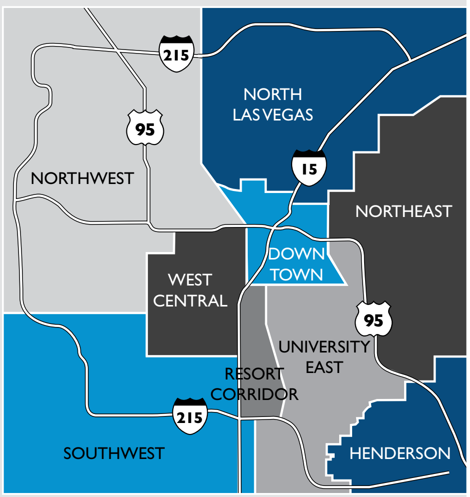
OFFICE DEVELOPMENT PIPELINE

PROJECT	TYPE	SUBMARKET	SIZE	PRE-LEASING	COMPLETION
Horizon Ridge Professional Park	Class C	Henderson	26,190	0%	2011/12

Retail Market Review

MARKET INDICATORS

	Q3-11	Projected Q4-11
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	→	↑
RENTAL RATE	↓	↓



"While 2011 may not go down in history as retail's finest year, it appears that 2012 will show some improvement."

Southern Nevada's retail market posted a somewhat surprising positive net absorption this quarter, boosted by Fry's Electronics taking the former Great Indoors space in the Northwest submarket. Vacancy remained stable at 11.9 percent in the third quarter of 2011. While there were no completions in the third quarter, new completions of anchor space are expected over the next 6 months – good for net absorption, but not necessarily helpful in filling the 1.6 million square feet of existing anchor space sitting vacant in Southern Nevada. Asking rents fell again this quarter, to $1.41 per square foot (psf) per month on a triple net (NNN) basis.

Retail employment in the Las Vegas MSA dropped slightly between August 2010 and August 2011, from 92,300 retail employees to 91,500 retail employees. Over the past three months, retail employment increased by 300 jobs. Retail employment numbers have been anything but stable this year, bouncing up and down between a low of 89,600 jobs in February 2011 and a high of 91,300 jobs in April 2011. Unemployment in the Las Vegas-Paradise MSA stood at 14.2 percent in August 2011.

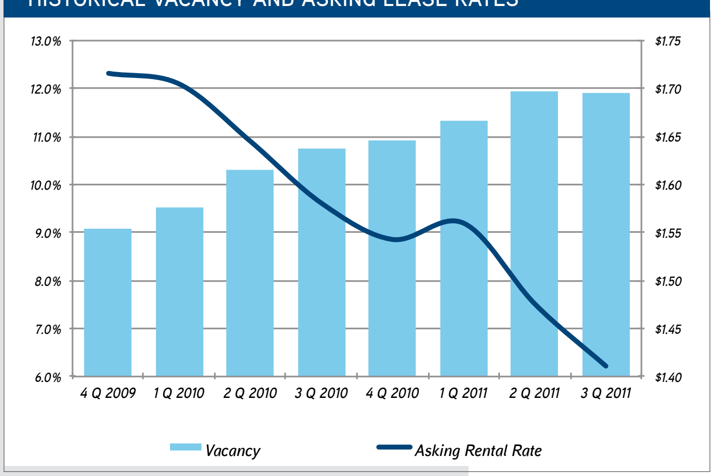
Clark County's taxable sales totalled $7.57 billion in the second quarter of 2011, a 4.3 percent increase from one year ago. Pre-recession, Clark County posted a quarterly average of $90,000 of taxable sales per retail employee. In the first half of 2011, average taxable sales per retail employee was $81,000. This is up from a low of $74,000 per employee in the third quarter of 2009. While some of this increase is obviously taking place on the Las Vegas "Strip", any increase in taxable sales should eventually benefit all retailers in Southern Nevada.

Southern Nevada completed no new retail product this quarter, but expansion is not far away. Boise-based grocer Winco is currently building two new stores in Southern Nevada, one a freestanding building adjacent to an R.C. Willey in the Henderson submarket and the other in a Target-anchored center in the Northwest submarket. Construction is also underway at Green Valley Crossing on a Staples, PETCO and Glazier's Food Market. These projects should add an additional 293,000 square feet to the retail inventory, and to net absorption, next quarter.

Vacancy in Southern Nevada retail centers remained at 11.9 percent in the third quarter of 2011, the highest level of vacancy yet recorded for the retail market. Vacancy has increased during the past fifteen quarters and was 1.2 points higher this quarter than it was one year ago. Since the onset of the recession in the fourth quarter of 2007, retail vacancy has increased by 8.2 points. The Valley's highest vacancy this quarter was 18.8 percent in the Downtown submarket. The Northwest and Southwest's vacancy of 9.2 percent was the lowest in Southern Nevada this quarter. The Henderson, Northwest and Southwest submarkets experienced a decrease in vacancy this quarter compared to last, while every other submarket registered an increase in vacancy.

The weighted average monthly asking rental rate dropped to $1.41 psf NNN in the third quarter of 2011. The largest drop in the Valley was $0.16 psf in the Northwest submarket, while the Southwest submarket actually posted a $0.03 psf increase in asking rents. The gap between the most and least expensive submarkets, Northwest and Downtown respectively, in Southern Nevada decreased from $0.56 last quarter to $0.45 this quarter, continuing the trend toward rent homogeneity. All product types experienced a drop in asking rents this quarter over last, with the largest being $0.09 psf in community centers.

HISTORICAL VACANCY AND ASKING LEASE RATES



The gap between asking rents and achieved rents in deals we have tracked so far in 2011 has averaged $0.16 psf, a decrease from the average gap of $0.18 psf recorded in 2010 and the average gap of $0.35 psf recorded in 2009. The largest gap existed in community centers, at $0.12 psf. The lowest gap was $0.02 psf in neighborhood centers. The average lease term for retail space so far in 2011 was 62 months, a 10 month decrease from last year. About 63 percent of the retail leasing activity in 2011 has been with local retailers, with the most active categories being restaurants and salons and spas.

Sales activity of shopping center space has rebounded nicely in 2011 compared to 2010. Investment sales in shopping centers stood at 1,005,000 square feet year-to-date in the third quarter of 2011, compared to just 206,000 square feet sold in all of last year. The average sales price of these shopping centers showed improvement over 2010 as well, increasing by $33 psf to $100 psf. Investments in single-tenant retail are equally impressive, with 485,000 square feet sold at $271 psf, compared to 238,000 square feet sold at $180 psf in 2010. Owner/user sales of single-tenant space are not as impressive this year, with 109,000 square feet selling in anchored centers for $341 psf.

Southern Nevada currently has 1.6 million square feet of big-box space available in the marketplace, representing a vacancy rate of 8.6 percent and at an average asking price of $1.05 psf NNN. Compare this to shop-space, with a vacancy rate of 14.7 percent and asking rate of $1.53 psf NNN. While shop-space has a higher vacancy rate than big-box, the big-box's hold about 30 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption over the past twelve months stands at negative 222,000 square feet for big-box (approximately five retailers) and an astounding negative 622,000 square feet for shop-space (approximately 190 retailers). While the lease and/or sale of big-boxes will have the largest immediate impact on the market, the struggle of filling the approximately 1,130 empty retail shops illustrates the difficulties facing local retail landlords.

Current trends in anchor tenants show a demand for smaller spaces. As anchors shrink, some vacant anchor spaces will find it increasingly difficult to attract tenants, while others will be subdivided. The vacant Nordstrom Rack space on Eastern Avenue, for example, was divided in half to accommodate new tenant Nike Factory Outlet. Wal-Mart has also announced that its new stores will be smaller than its old stores. The difficulty in filling the 30+ vacant big-box units in Southern Nevada may have just become twice as difficult.

Major retail closures in the Valley include Vons, Food 4 Less, Hollywood Video, Borders Books and Ultimate Electronics. Several retailers, including Family Dollar, Quizno's, Walgreens, Advance Auto Parts, Auto Zone, Fresh & Easy, SuperValu and Big Lots have announced national expansion plans for 2011, though it is unclear if these expansion plans include Southern Nevada. Dollar General is now converting and occupying some Rite-Aid locations vacated several years ago in Southern Nevada. Raising Cane's, Carl's Jr., BJ's restaurants, Clear Wireless, Steak & Shake, Five Guys Burger & Fries and Cox are also expanding their presence in Southern Nevada.

Distressed retail space totaled 4.8 million square feet this quarter. This is the same as in the second quarter of this year, and about 280,000 square feet more distressed space than in the third quarter of 2010. So far in 2011, nine distressed retail properties have sold totalling 408,000 square feet at an average sales price of $70 psf. This represents a rather small component of total sales (1,356,000 square feet) at a huge discount compared to the overall average sales price of $159 psf.

Figuring out where Southern Nevada's retail market stands can be maddening, as employment and gross absorption fluctuate monthly. In general, it seems as though the retail market is holding steady, and we don't expect any major moves for the next twelve months

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Spring Oaks Shopping Center	Aug 2011	60 months	6,500 sf	$1.12 NNN	Community Center
Green Valley Parkway Plaza	Aug 2011	36 months	4,000 sf	$0.68 NNN	Community Center
Black Mountain Marketplace	Jul 2011	124 months	4,000 sf	$1.19 NNN	Strip Center
Stephanie Beltway Plaza	Jul 2011	63 months	2,500 sf	$1.25 NNN	Neighborhood Center
Cardenas Center	Jul 2011	60 months	2,500 sf	$2.40 NNN	Power Center

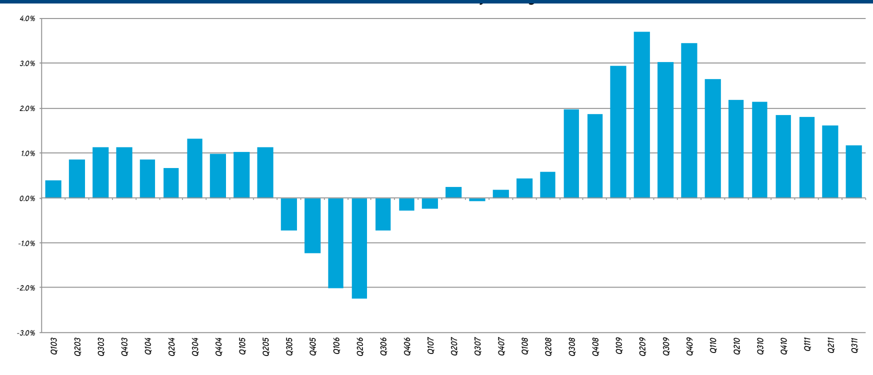
SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Boulevard Mall – Dillards	Aug 2011	$5,000,000	200,000 sf	$25	Regional Mall
Pecos Plaza	Jul 2011	$5,250,000	134,000 sf	$39	Community Center
Rainbow Village	Aug 2011	$825,000	44,000 sf	$19	Freestanding
Centennial Marketplace	Jul 2011	$3,150,000	40,000 sf	$79	Community Center
Charleston Buffalo Plaza	Jul 2011	$2,230,000	27,000 sf	$84	Strip Center

"Current trends in anchor tenants show a demand for smaller spaces."

other than the completion of five new anchor spaces in Henderson and the Northwest. This will provide a nice surge in net absorption, but will probably leave just as much vacant space in the Valley as before. While there are retailers expanding in Southern Nevada right now, there usually are not enough expansions to make up for the retailers calling it quits each quarter. The fact that investors are flocking into Southern Nevada to get a piece of the market, though, suggests that brighter days could be ahead. The rebound in sales prices and the slow improvement in taxable sales bolsters this notion. While 2011 may not go down in history as retail's finest year, it appears that 2012 will show some improvement.

Y-O-Y VACANCY CHANGE



DEMOGRAPHICS

	Population (2011 estimate)	Projected Annual Population Growth (2011-2016)	Occupied Retail Space (Q2-11)	Occupied Retail Growth (Last 12 Months)
Downtown	119,000	-1.5%	977,000	-3.7%
Henderson	249,000	4.6%	7,526,000	-1.7%
North Las Vegas	226,000	6.8%	4,437,000	-3.1%
Northeast	234,000	2.8%	2,354,000	-3.4%
Northwest	371,000	4.7%	9,457,000	2.1%
Southwest	179,000	6.3%	5,254,000	0.5%
University East	243,000	0.5%	5,036,000	-0.1%
West Central	156,000	-2.9%	3,682,000	-4.9%

SALES ACTIVITY

Single-Tenant Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	109,000	263,000	274,000
Owner/User Average Price/SF	$341	$102	$130
Investment Space Sold (sf)	485,000	238,000	289,000
Investment Average Price/SF	$271	$180	$202
Investment Average Cap Rate	10.2%	7.4%	11.6%

SALES ACTIVITY

Shopping Center Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	0	76,000	0
Owner/User Average Price/SF	n/a	$75	n/a
Investment Space Sold (sf)	1,005,000	206,000	297,000
Investment Average Price/SF	$100	$67	$101
Investment Average Cap Rate	15.8%	14.0%	12.0%

MARKET COMPARISONS

RETAIL MARKET

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
DOWNTOWN SUBMARKET																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	$-
CC	5	684,340	190,742	27.9%	-	0.0%	190,742	27.9%	28.6%	4,971	(1,257)	-	-	-	-	$1.23
NC	5	518,070	35,120	6.8%	-	0.0%	35,120	6.8%	0.0%	(35,120)	(35,120)	-	-	-	-	$0.42
Total	10	1,202,410	225,862	18.8%	-	0.0%	225,862	18.8%	16.3%	(30,149)	(36,377)	-	-	-	-	$1.11
HENDERSON SUBMARKET																
PC	8	2,896,215	359,828	12.4%	-	0.0%	359,828	12.4%	13.0%	15,628	(46,672)	-	-	-	-	$1.45
CC	20	2,833,654	330,594	11.7%	-	0.0%	330,594	11.7%	11.5%	(3,358)	(20,153)	-	2,911	98,478	71,429	$1.37
NC	25	2,797,088	310,838	11.1%	58,659	2.1%	369,497	13.2%	13.5%	8,456	25,907	-	-	-	95,000	$1.17
Total	53	8,526,957	1,001,260	11.7%	58,659	0.7%	1,059,919	12.4%	12.7%	20,726	(40,918)	-	2,911	98,478	166,429	$1.34
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	105,053	12.6%	-	0.0%	105,053	12.6%	13.9%	10,511	14,586	-	-	-	-	$2.04
CC	12	2,253,539	264,745	11.7%	-	0.0%	264,745	11.7%	9.3%	(55,566)	(77,252)	-	-	-	-	$1.48
NC	16	1,945,468	223,745	11.5%	-	0.0%	223,745	11.5%	8.4%	(60,445)	(76,427)	-	-	-	-	$1.76
Total	30	5,031,007	593,543	11.8%	-	0.0%	593,543	11.8%	9.7%	(105,500)	(139,093)	-	-	-	-	$1.68
NORTHEAST SUBMARKET																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	$-
CC	8	1,398,026	110,308	7.9%	18,614	1.3%	128,922	9.2%	9.2%	(71)	(34,052)	-	-	-	-	$1.16
NC	15	1,306,795	240,929	18.4%	58,742	4.5%	299,671	22.9%	22.7%	(2,804)	(38,877)	-	-	-	-	$1.35
Total	23	2,704,821	351,237	13.0%	77,356	2.9%	428,593	15.8%	15.7%	(2,875)	(72,929)	-	-	-	-	$1.29
NORTHWEST SUBMARKET																
PC	7	2,840,846	136,099	n/a	1,266	n/a	137,365	4.8%	4.6%	(7,439)	(4,903)	-	-	-	-	$2.04
CC	18	3,870,890	175,382	4.5%	-	0.0%	175,382	4.5%	11.4%	265,044	206,431	-	-	100,000	160,000	$1.99
NC	31	3,705,508	648,736	17.5%	104,662	2.8%	753,398	20.3%	19.0%	(53,925)	(181,268)	-	-	-	-	$1.34
Total	56	10,417,244	960,217	9.2%	105,928	1.0%	1,066,145	10.2%	12.2%	203,680	20,260	-	-	100,000	160,000	$1.56
SOUTHWEST SUBMARKET																
PC	1	944,314	30,908	3.3%	-	0.0%	30,908	3.3%	3.3%	-	6,565	-	-	-	-	$1.92
CC	9	3,216,421	240,273	7.5%	-	0.0%	240,273	7.5%	8.1%	20,224	(22,133)	-	-	-	-	$1.81
NC	13	1,623,100	259,025	16.0%	-	0.0%	259,025	16.0%	16.4%	2,386	13,504	-	-	-	-	$1.38
Total	23	5,783,835	530,206	9.2%	-	0.0%	530,206	9.2%	9.6%	22,610	(2,064)	-	-	-	-	$1.60
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	274,463	22.7%	-	0.0%	274,463	22.7%	23.0%	3,300	(10,474)	-	-	-	-	$1.68
CC	18	2,713,018	357,322	13.2%	-	0.0%	357,322	13.2%	12.7%	(13,942)	(11,041)	-	-	-	-	$1.15
NC	17	1,950,703	206,638	10.6%	20,389	1.0%	227,027	11.6%	12.2%	12,560	26,679	-	-	-	-	$1.49
Total	38	5,873,944	838,423	14.3%	20,389	0.3%	858,812	14.6%	14.6%	1,918	5,164	-	-	-	-	$1.41
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	174,309	15.3%	-	0.0%	174,309	15.3%	10.9%	(49,734)	(58,003)	-	-	-	-	$1.18
CC	14	1,650,769	367,303	22.3%	-	0.0%	367,303	22.3%	19.8%	(40,516)	(45,594)	-	-	-	-	$0.99
NC	17	1,628,795	194,316	11.9%	1,407	0.1%	195,723	12.0%	11.3%	(10,105)	(63,400)	-	-	-	-	$1.30
Total	34	4,417,788	735,928	16.7%	1,407	0.0%	737,335	16.7%	14.4%	(100,355)	(166,997)	-	-	-	-	$1.12
MARKET TOTAL																
PC	24	9,861,822	1,080,660	11.0%	1,266	0.0%	1,081,926	11.0%	10.7%	(27,734)	(98,901)	-	-	-	-	$1.61
CC	104	18,620,657	2,036,669	10.9%	18,614	0.1%	2,055,283	11.0%	12.0%	176,786	(5,051)	-	2,911	198,478	231,429	$1.36
NC	139	15,475,527	2,119,347	13.7%	243,859	1.6%	2,363,206	15.3%	14.4%	(138,997)	(329,002)	-	-	-	95,000	$1.36
Total	267	43,958,006	5,236,676	11.9%	263,739	0.6%	5,500,415	12.5%	12.6%	10,055	(432,954)	-	2,911	198,478	326,429	$1.41

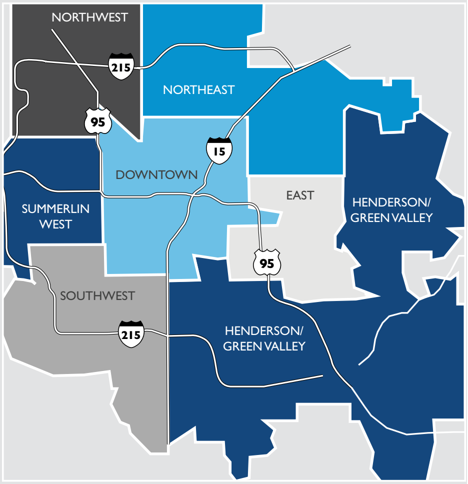
QUARTERLY COMPARISON AND TOTALS

Q3-11	267	43,958,006	5,236,676	11.9%	263,739	0.6%	5,500,415	12.5%	12.6%	10,055	(432,954)	-	2,911	198,478	326,429	$1.41
Q2-11	267	43,958,006	5,246,731	11.9%	272,161	0.6%	5,518,892	12.6%	11.9%	(262,942)	(443,009)	-	2,911	-	494,407	$1.48
Q1-11	267	43,958,006	4,983,789	11.3%	268,973	0.6%	5,252,762	11.9%	11.5%	(180,067)	(180,067)	2,911	2,911	-	650,072	$1.56
Q4-10	267	43,955,095	4,800,811	10.9%	267,784	0.6%	5,068,595	11.5%	11.4%	66,453	(666,719)	160,429	160,429	-	657,422	$1.54
Q3-10	266	43,794,666	4,706,835	10.7%	267,784	0.6%	4,974,619	11.4%	11.1%	(188,732)	(733,172)	-	-	274,360	661,617	$1.58

PC = Power Center   CC = Community Center   NC = Neighborhood Center

Image courtesy of Scott Prokop / Shutterstock.com

Multi-Family Market Review



The third quarter of 2011 saw multi-family vacancy remain stable at 8 percent after falling 0.5-points in the second quarter of 2011. Performance was generally uneven, and signs that the national slowing is being felt locally abound. Class A properties suffered a second quarter of negative net absorption and rising vacancy, while Class B and C properties both saw vacancy rates decline over last quarter. No new multi-family projects were completed this quarter, but a year of positive net absorption and continued struggles in the single-family residential market suggest the possibility of development in the near future. Most of the net absorption this quarter occurred in the Northeast submarket, while Henderson/Green Valley suffered the worst net absorption in the market at negative 395 units. The average asking rent in the third quarter of 2011 ranged from $694 for one-bedroom units to $982 for three-bedroom units. The highest asking rents were in the Henderson/Green Valley and Southwest submarkets, the lowest in the East and Downtown submarkets.

Over the past 12 months, Southern Nevada has gained 200 jobs, primarily in professional and business services, education and health services and, most importantly, leisure and hospitality. The big losers these past twelve months have been financial activities, trade, transportation and utilities and construction. Unemployment in the Las Vegas-Paradise MSA stood at 14.2 percent as of August 2011. As jobs remain scarce and wages frozen, demand for multi-family rentals should remain steady.

"Multi-family continues to compete effectively against single-family homes both for sale and rent."

The monthly driver's license count increased by 11.0 percent between July 2010 and 2011 and the residential electric meter count was up by 1.2 percent over roughly the same period, suggesting that Southern Nevada's population continues to grow at a slow pace. The return of employment in the leisure and hospitality sector is likely key to a return to the healthy population and economic growth Southern Nevada enjoyed prior to both the current recession and the surge that preceded it.

According to Real Capital Analytics, there are 12,909 units in distressed multi-family projects in Southern Nevada. The distressed category includes properties that have received a notice of default, as well as troubled properties and those that are in some stage of the foreclosure process. This is a decline from last quarter's 14,879 units. Over the past twelve months, distressed multi-family projects consisting of 6,304 units have been resolved and another 544 units have had their loans extended or restructured. Distressed properties that were resolved had an average occupancy rate of 86 percent.

Multi-family sales got off to a slow start at the beginning of 2011, picked up during the second quarter and again receded in the third quarter. Most signs indicate that the fourth quarter of 2011, like that of 2010, will be strong. Year-to-date, multi-family sales are at their highest point since 2008, though they are well below sales at the height of the market in 2007. The average sales price per unit and cap rates continued to improve over last year at a slow pace, but remain worse than in 2009.

Southern Nevada's multi-family market continues to gain steam, though some classes and submarkets are bound to do better than others. Sales activity is strengthening, employment growth is slowly improving on a year-over-year basis, population growth might be returning to the Valley and Class B and C properties continue to see positive net absorption. Most importantly, multi-family continues to compete effectively against single-family homes both for sale and rent. Compared to homes for sale, multi-family provides a lower barrier to entry (first and last month's rent and security deposit vs. 20% down) and more freedom, a quality highly prized by people who have spent time "underwater" in their homes. Compared to rental homes, multi-family remains competitive in terms of rent and provides better security for the renter, as home renters are often desperate to rent their properties and do not always use credit and background checks to weed out potential problem neighbors.

HISTORICAL MULTI-FAMILY DATA

	2011	2010	2009	2008	2007
Units Sold	4,612	2,889	822	3,991	11,403
Average Price/Unit	$51,082	$43,560	$66,867	$85,292	$119,722
Cap Rate	7.9%	8.1%	6.6%	5.9%	5.8%

MULTI-FAMILY SALES ACTIVITY

PROPERTY NAME	SALE DATE	UNITS	PRICE	PRICE/UNIT	YEAR BUILT
Lantana	Jul 2011	517	$24,200,000	$47,000	1980
The Creeks	Jul 2011	344	$10,000,000	$29,000	1988
Club at Desert Pines	Jul 2011	409	$6,000,000	$15,000	1990
Palm Hills	Jul 2011	113	$3,000,000	$26,000	1988

Source: Real Capital Analytics

MARKET COMPARISONS

MULTI-FAMILY MARKET

	EXISTING PROPERTIES						ABSORPTION		RENTS		
CLASS	COMPLEXES	TRACKED INVENTORY UNITS	TRACKED VACANT UNITS	VACANCY RATE	VACANCY RATE PRIOR QUARTER	CURRENT OCCUPIED UNITS	NET ABSORPTION CURRENT QTR UNITS	NET ABSORPTION YTD UNITS	1 BDR AVG. ASKING RENTAL RATE	2 BDR AVG. ASKING RENTAL RATE	3 BDR AVG. ASKING RENTAL RATE
DOWNTOWN											
A	5	1,352	120	8.9%	8.6%	1,232	(4)	14	$734	$886	$868
B	22	6,096	524	8.6%	7.9%	5,572	(42)	31	$567	$778	$909
C	98	26,895	2,367	8.8%	9.6%	24,528	202	269	$569	$738	$845
Total	125	34,343	3,011	8.8%	9.2%	31,332	156	313	$623	$801	$874
EAST											
A	5	1,455	108	7.4%	7.4%	1,347	-	48	$733	$891	$911
B	7	1,952	115	5.9%	4.1%	1,837	(34)	47	$649	$750	$856
C	31	8,190	680	8.3%	7.6%	7,510	(57)	8	$540	$648	$779
Total	43	11,597	903	7.8%	7.0%	10,694	(91)	103	$641	$763	$849
HENDERSON/GREEN VALLEY											
A	16	5,238	498	9.5%	6.1%	4,740	(177)	(131)	$857	$1,041	$1,217
B	40	11,476	734	6.4%	6.2%	10,742	(25)	46	$749	$897	$1,103
C	43	11,462	883	7.7%	6.0%	10,579	(193)	(35)	$603	$773	$937
Total	99	28,176	2,115	7.5%	6.1%	26,061	(395)	(120)	$736	$904	$1,086
NORTHEAST											
A	3	838	99	11.8%	7.3%	739	(38)	(25)	$736	$904	$1,051
B	7	2,084	140	6.7%	8.0%	1,944	27	158	$654	$763	$892
C	11	3,913	282	7.2%	13.2%	3,631	234	86	$547	$646	$791
Total	21	6,835	521	7.6%	10.9%	6,314	223	219	$646	$771	$911
NORTHWEST											
A	7	2,547	331	13.0%	14.7%	2,216	44	(86)	$787	$944	$1,170
B	6	1,929	98	5.1%	7.3%	1,831	43	51	$654	$763	$961
C	1	532	8	1.5%	3.9%	524	13	22	$589	$694	n/a
Total	14	5,008	437	8.7%	10.7%	4,571	100	(14)	$677	$800	$1,066
SOUTHWEST											
A	17	4,710	316	6.7%	8.1%	4,394	66	(62)	$831	$1,040	$1,190
B	14	3,435	185	5.4%	6.3%	3,250	33	28	$746	$916	$1,103
C	3	812	32	3.9%	5.3%	780	11	5	$684	$845	$963
Total	34	8,957	533	6.0%	7.2%	8,424	110	(28)	$754	$934	$1,085
SUMMERLIN WEST											
A	2	554	62	11.2%	n/a	492	(12)	(12)	$953	$1,127	$1,210
B	26	7,673	575	7.5%	7.9%	7,098	30	47	$754	$886	$1,079
C	14	4,845	446	9.2%	8.5%	4,399	(34)	(0)	$636	$767	$922
Total	42	13,072	1,083	8.3%	8.1%	11,989	(16)	34	$695	$827	$1,001
MARKET TOTAL											
A	55	16,694	1,534	9.2%	8.4%	15,160	(121)	(255)	$804	$976	$1,088
B	122	34,645	2,371	6.8%	6.9%	32,274	32	407	$682	$822	$986
C	201	56,649	4,698	8.3%	8.6%	51,951	176	355	$595	$730	$873
Total	378	107,988	8,603	8.0%	8.0%	99,385	87	507	$694	$843	$982

SOURCE: REALFACTS

Image courtesy of Shutterstock.com

MULTI-FAMILY DATA

SUBMARKET	ESTIMATED HOUSEHOLDS (2011)	RENTER OCCUPIED	MEDIAN HOUSEHOLD INCOME	AVERAGE HOUSEHOLD SIZE	PROJECTED RENTAL UNIT GROWTH/YR*
Downtown	141,000	63%	$38,000	2.8	-162
East	75,000	43%	$47,000	2.8	109
Henderson/Green Valley	166,000	39%	$62,000	2.6	621
Northeast	68,000	42%	$53,000	3.0	353
Northwest	59,000	14%	$74,000	2.9	117
Southwest	77,000	33%	$63,000	2.6	337
Summerlin West	73,000	40%	$62,000	2.5	149

Source: Claritas

** Projected annual growth rate for rental households (2011-2016)*

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