LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT

MARKET INDICATORS

	Q2-10	Projected Q3-10
VACANCY	↑	↑
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↓

CLARK COUNTY ECONOMIC DATA

	Q2 '10	Q1 '10
Unemployment Rate	14.1%	11.3%
Visitor Volume	3,496,935	3,497,132
Gaming Revenue	$689.98 M	$734.77 M
Taxable Sales YTD	$6.730 B	$7.292 B
Residential Permits	481	346
Commercial Permits	26	19
New Home Sales	397	325
Existing Home Sales	3,724	3,652

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

Industrial Market Review

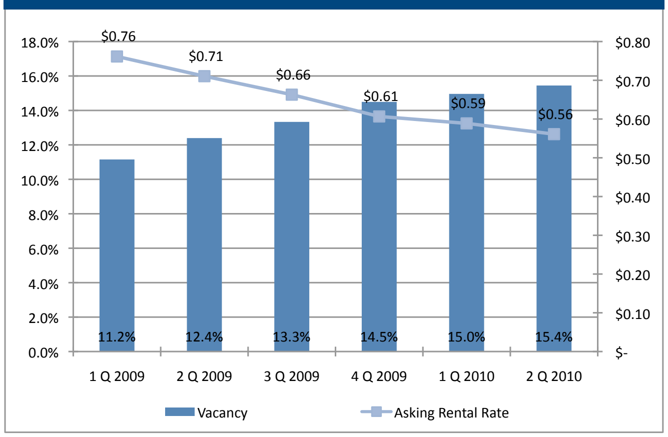
INDUSTRIAL ON A SLOW MARCH TO RECOVERY

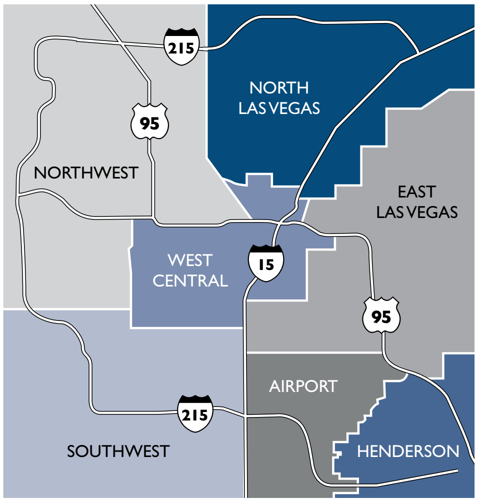
The first two quarters of 2010 have been mirror images of one another for Southern Nevada's industrial market. Net absorption in each quarter has hovered around negative 500,000 square feet, and new completions have been either zero or close to zero square feet. The industrial vacancy rate increased in the second quarter of 2010 to 15.4%, while the weighted average asking lease rate fell to $0.56 per square foot (psf) on a triple-net (NNN) basis. Both sales and leasing activity decreased slightly compared to last quarter. Sales activity is significantly lower now than one year ago, and leasing activity, which had been on the rise for three quarters, is now comparable to where it was in 2009.

Between May 2009 and May 2010, Las Vegas-Paradise MSA employment, in sectors that traditionally occupy industrial space, declined by almost 20,000 jobs. The construction sector lost over 15,000 jobs during this period, slipping below the 20,000 job level for the first time since the third quarter of 2008. The three other industrial sectors (transportation & warehousing, wholesale and manufacturing) each lost between 300 and 1,900 jobs. Unemployment in the Las Vegas-Paradise MSA stood at 14.1% as of May 2010, up from 11.4% in May 2009. Quarter-over-quarter, industrial employment actually increased for the first time since the second quarter of 2008. Looking at year-over-year and quarter-over-quarter comparisons, it appears that the worst industrial job losses are behind us.

Industrial completions rebounded this quarter to 30,000 square feet from last quarter's complete lack of new completions. This is, of course, a far cry from the heady days of 2005 to 2008, when an average of 1.3 million square feet of new industrial space was being completed each quarter in Southern Nevada. Those projects completed in 2005 and 2008 are now 20.5% vacant in a market saturated with empty industrial space.

HISTORICAL VACANCY AND ASKING LEASE RATES





"Until the housing market is sorted out and the tourism industry recovers, Southern Nevada and its industrial market are going to continue to be challenged."

Forward supply of industrial space in the Valley stood at only 370,608 square feet in the second quarter of 2010. This was a slight decrease from the 400,608 square feet recorded at the end of last year. Most of the space in the pipeline is in the Marnell Air Cargo Center located in the Airport submarket. Of the remainder, more than half is in the form of build-to-suit projects. Construction on the Hangars at Clayton (95,000 square feet of light industrial space in North Las Vegas) has effectively halted. All of the forward supply space in Southern Nevada is now under construction – nothing is planned. Unless a new project appears in the next six months, forward supply in the first quarter of 2011 will be zero.

Net absorption in the second quarter of 2010 was virtually a repeat of the first quarter's performance, with 496,118 square feet returned to the market. Net absorption was substantially lower for Warehouse/Distribution product this quarter over last, but showed improvement in all other product types. Most of the second quarter's net absorption took place in the Northwest submarket, with the Airport submarket returning over 320,000 square feet to the market. Net absorption should improve in the Airport submarket in the second half of 2010, with the Marnell Air Cargo Center coming online significantly pre-leased. Gross absorption, on the rise since early 2009, decreased this quarter to 2,150,733 square feet. Gross absorption was approximately 400,000 square feet higher this quarter than one year ago.

Industrial vacancy was 15.4% this quarter, a 0.4 point increase from one quarter ago and a 3.0 point increase from one year ago. Industrial vacancy has been rising for four years now, since the second quarter of 2006, when it hit a low of 3.1%. Although the Northwest submarket continued to have the Valley's highest vacancy rate at 29.0%, it also experienced a 3.8 point drop in vacancy this quarter. Southern Nevada's lowest industrial vacancy rate is now in the West Central submarket, at 10.3%. Vacancy increased in all submarkets except the Northwest and Southwest, with the largest increases in the Airport submarket (2.4 point increase) and East Las Vegas submarket (2.3 point increase). Both the Warehouse/Distribution and Incubator product types experienced an increase in vacancy this quarter, with the largest increase, 1.3 points, in Warehouse/Distribution. Vacancy in Light Distribution and R&D/Flex space decreased this quarter.

On a year-over-year basis, industrial vacancy increased by 3.1 points. This is the smallest increase since the first quarter of 2008, and the second quarter in which year-over-year growth in vacancy fell. Year-over-year vacancy increased for three quarters during the mini-recession of 2001-2002, with the first decline in year-over-year vacancy experienced eight quarters later. During this recession, year-over-year vacancy increased for seven quarters between the first quarter of 2007 and third quarter of 2008. Essentially, the bottom of this recession continues to elude us, although we do appear to be headed in the right direction.

The most active businesses taking industrial space in the first half of 2010 were involved in manufacturing, wholesale trade and construction. Companies headquartered outside of Nevada

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Arrowhead Commerce Center	Mar 2010	84 months	39,929 sf	$0.71 NNN	Warehouse/Distribution
Northpark I	Mar 2010	60 months	33,750 sf	$0.34 NNN	Light Distribution
Craig Corporate Park	Apr 2010	39 months	22,750 sf	$0.26 NNN	Light Industrial
NorthPort Business Center	Apr 2010	60 months	17,637 sf	$1.49 NNN	R&D/Flex
Ali Baba Commerce Center	May 2010	26 months	4,257 sf	$0.53 NNN	Incubator

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
1710 Whitney Mesa	Apr 2010	$5,900,000	33,650 sf	$175.33	Warehouse/Distribution
Gibson Palms Corporate Park	Apr 2010	$1,164,000	20,700 sf	$56.23	Light Industrial
2439 Losee Rd	Apr 2010	$1,500,000	17,800 sf	$84.27	Light Industrial
Coleman Airpark	Apr 2010	$750,000	12,439 sf	$60.29	Light Industrial
Sunpac Industrial Park	Apr 2010	$450,000	5,800 sf	$77.59	Light Industrial

took 68% of the all the square footage occupied during the first half of 2010. This trend of national companies dominating leasing activity will probably continue for the rest of the year. 31% of all leases signed in 2010 were signed by companies headquartered in Nevada, while less than 1% were with California-based companies. 68% of leases signed in 2010 were with regional or national companies (companies operating in multiple states and/or internationally). National and regional companies, on a deal basis, favor Warehouse/Distribution and Light Distribution space almost 3 to 1. Local companies favor Light Distribution and Light Industrial space on a 2 to 1 basis. National and international companies involved in the construction and solar energy industries have recently been looking to establish themselves in Southern Nevada.

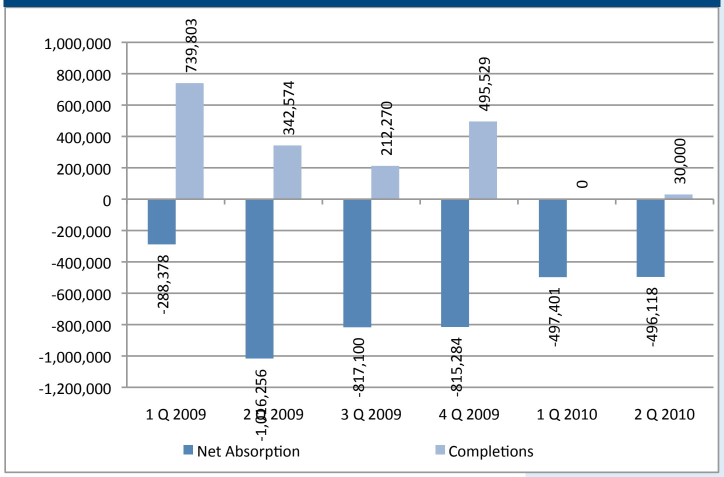
The weighted average asking lease rate for industrial space decreased this quarter to $0.56 psf NNN from last quarter's $0.59. If adjusted for inflation , the weighted average asking lease rate actually decreased this quarter by $0.02 to $0.47 psf. Adjusted for inflation, the weighted average asking lease rate for industrial product has dropped by $0.24 psf from its peak of $0.71 psf the first quarter of 2007. Current inflation-adjusted asking rental rates are almost equal to what they were in the third quarter of 2004.

The gap between achieved and asking rates averaged $0.11 during 2009, and now stands at an average of $0.13 in 2010. The largest gap was in Incubator projects, while the lowest was in Warehouse/Distribution and Light Distribution product. The lowest gap between achieved and asking rents among submarkets was in East Las Vegas, with achieved rents $0.01 higher than the average asking rent. The remaining submarkets had a rent gap ranging between $0.10 and $0.13, with the highest gap in the Southwest submarket.

Adjustments in asking rents from quarter to quarter swung back towards rent reductions after reductions and increases almost achieved parity last quarter. In the second quarter of 2010, 37% of existing availabilities had an asking rent reduction, with an average reduction of $0.11 psf. Only 6% of existing availabilities increased their asking rent, by an average of $0.07. The 276 availabilities that entered the market in the second quarter had an average asking rent of $0.53 psf, a value $0.03 lower than Southern Nevada's overall average asking rent. All submarkets this quarter experienced a decrease in asking rent, with the largest decreases in the Northwest, East Las Vegas and West Central submarkets.

The inventory of industrial properties available for owner/user sale decreased this quarter to 3,704,000 square feet from 3,886,000 square feet in the first quarter of 2010. One year ago, there was 3,847,000 square feet of owner/user space on the market. The average asking price for owner/user industrial sales decreased to $124 psf, well below the average asking price of $156 psf recorded one year ago. More than 65% of the available owner/user sale square footage in Southern Nevada was in the North Las Vegas and Southwest submarkets, with average asking prices of $108 and $141 respectively. Prominent owner/user sale availabilities include the Berlin Industries Building in the Northwest submarket (101,000 square feet), the Decatur Business Center in the Southwest submarket (87,000

HISTORICAL NET ABSORPTION VS. COMPLETIONS



INDUSTRIAL EMPLOYMENT

	May 2010	May 2009	Change
Construction	48,400	64,900	-16,500
Manufacturing	20,200	21,000	-800
Transportation & Warehousing	30,300	32,200	-1,900
Wholesale	21,100	21,400	-300
TOTAL	120,000	139,500	-19,500

INDUSTRIAL DEVELOPMENT PIPELINE

PROJECT	TYPE	SUBMARKET	SIZE	PRE-LEASING	COMPLETION
1192 Center Point	Light Industrial	Henderson	25,000 SF	BTS	Q3-10
7000 W Post Rd	Light Industrial	Southwest	50,000 SF	BTS	Q3-10
7040 Redwood	Light Industrial	Southwest	50,000 SF	0%	Q4-10
Marnell Air Cargo Center	Warehouse/Distribution	Airport	79,000 SF	100%	Q3-10
Marnell Air Cargo Center	Light Distribution	Airport	122,000 SF	59%	Q3-10

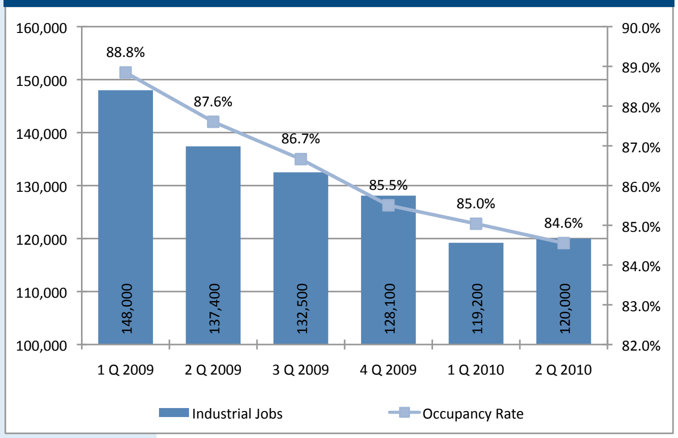
COMPETING WAREHOUSE RATES

Market	Asking Rent (Q1-10)
Las Vegas, NV	$0.45 psf NNN
Phoenix, AZ	$0.52 psf NNN
Inland Empire, CA	$0.32 psf NNN
Reno, NV	$0.31 psf NNN
TOTAL	120,000

square feet) and the Progressive Gaming Facility in the Airport submarket (87,000 square feet).

The inventory of industrial buildings for sale as investments increased from 1,213,000 square feet in the first quarter of 2010 to 1,331,000 square feet this quarter. The average asking price decreased by $1 psf this quarter to $132 psf. Sellers of industrial investment properties are still quoting an average cap rate of 8%, though it is important to note that more and more sales listings fail to quote a cap rate at all, just as fewer and fewer investment sales comparables quote a cap rate. Prominent investment sale availabilities include Hughes Airport Center Building 14 in the Airport submarket (133,000 square feet), Patrick Lane Industrial Park in the Airport submarket (100,000 square feet) and Aabacus Industrial Park in the Southwest submarket (72,000 square feet).

OCCUPANCY VS. INDUSTRIAL EMPLOYMENT



In the second quarter of 2010, 5,000 square feet of industrial properties sold as investments at an average price of $103 psf. This represented a significant decrease in terms of square feet sold from one year ago. Owner/user sales this quarter amounted to 169,000 square feet with an average price of $88 per square foot. The difficulty in securing loans has necessitated cash purchases, and thus the significant decreases in price per square foot.

Net absorption in Warehouse/Distribution product, which turned positive in the first quarter of 2010, dropped sharply in the second quarter, coming in at negative 571,919 square feet. Gross absorption was a dismal 562,000 square feet, approximately one third of the gross absorption recorded in the first quarter of 2010. Southern Nevada's transportation & warehousing sector is still shedding jobs year-over-year, negatively impacting net absorption in Warehouse/Distribution buildings. The asking rent of Warehouse/Distribution space in Southern Nevada was still higher than in California's Inland Empire and Reno in the first quarter of 2010, but was lower than in Phoenix, a key competitor.

Given the higher activity of national and regional firms in industrial leasing, we believed that Warehouse/Distribution space would be well positioned to take advantage in 2010. So far, however, Light Distribution space appears to be garnering much of those firms' attention. Despite generally poor performance in 2010 overall, Light Distribution space did post positive net absorption in the second quarter 2010, possibly because it is drawing a large portion of new national, regional and local tenants. Light Distribution vacancy was 21.3% this quarter, a 0.6 point decrease from last quarter, but still well above the overall industrial vacancy of 15.4%.

OWNER/USER SALES ACTIVITY

Owner User Space	Q2-10	Q1-10	Q2-09
Owner/User Space for Sale (sf)	3,704,000	3,886,000	3,847,000
Owner/User Average Asking Price/SF	$124	$132	$156
Owner/User Space Sold (sf)	169,000	36,000	244,000
Owner/User Average Price/SF	$88	$141	$110

INVESTMENT SALES ACTIVITY

Investment Space	Q2-10	Q1-10	Q2-09
Investment Space for Sale (sf)	1,331,000	1,213,000	1,176,000
Investment Average Asking Price/SF	$132	$133	$136
Investment Average Cap Rate	8.0%	8.0%	7.3%
Investment Space Sold (sf)	5,000	312,000	287,000
Investment Average Price/SF	$103	$120	$77

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	76	4,667,484	632,452	13.6%	45,700	1.0%	678,152	14.5%	9.3%	(243,921)	111,836	-	-	78,936	-	$0.44
LD	67	2,969,897	709,722	23.9%	6,720	0.2%	716,442	24.1%	23.1%	(45,179)	(94,749)	-	-	121,992	-	$0.55
LI	199	2,865,480	271,556	9.5%	8,995	0.3%	280,551	9.8%	11.2%	39,781	17,597	-	-	-	-	$0.77
INC	91	1,750,621	316,058	18.1%	8,608	0.5%	324,666	18.5%	16.0%	(42,031)	(28,061)	-	-	-	-	$0.94
FLX	66	1,308,181	425,949	32.6%	17,076	1.3%	443,025	33.9%	31.5%	(31,052)	(22,299)	-	-	-	-	$0.79
Total	499	13,561,663	2,355,737	17.4%	87,099	0.6%	2,442,836	18.0%	15.7%	(322,402)	(15,676)	-	-	200,928	-	$0.64
EAST LAS VEGAS SUBMARKET																
WH	24	1,022,855	100,080	9.8%	0	0.0%	100,080	9.8%	9.8%	-	(100,080)	-	-	-	-	$0.58
LD	20	354,419	88,753	25.0%	0	0.0%	88,753	25.0%	9.9%	(53,664)	(49,837)	-	-	-	-	$0.51
LI	95	1,166,944	73,238	6.3%	6,400	0.5%	79,638	6.8%	5.1%	(20,420)	(33,960)	-	-	-	-	$0.38
INC	13	298,623	72,906	24.4%	0	0.0%	72,906	24.4%	25.4%	2,814	(14,937)	-	-	-	-	$0.44
FLX	8	142,294	12,726	8.9%	0	0.0%	12,726	8.9%	10.2%	1,783	(4,784)	-	-	-	-	$0.52
Total	160	2,985,135	347,703	11.6%	6,400	0.2%	354,103	11.9%	9.5%	(69,487)	(203,598)	-	-	-	-	$0.49
HENDERSON SUBMARKET																
WH	75	6,292,006	706,147	11.2%	10,000	0.2%	716,147	11.4%	9.4%	(124,426)	(67,331)	-	-	-	-	$0.43
LD	36	1,696,226	368,709	21.7%	15,849	0.9%	384,558	22.7%	27.9%	90,709	64,120	-	-	-	-	$0.51
LI	324	3,088,118	622,365	20.2%	17,500	0.6%	639,865	20.7%	19.3%	(25,015)	506	-	-	25,000	-	$0.66
INC	29	456,976	62,260	13.6%	2,630	0.6%	64,890	14.2%	15.2%	2,235	(6,383)	-	-	-	-	$0.61
FLX	79	1,275,017	288,656	22.6%	0	0.0%	288,656	22.6%	21.5%	(14,163)	1,827	-	-	-	-	$0.95
Total	543	12,808,343	2,048,137	16.0%	45,979	0.4%	2,094,116	16.3%	15.7%	(70,660)	(7,261)	-	-	25,000	-	$0.59
NORTH LAS VEGAS SUBMARKET																
WH	178	18,748,956	2,257,484	12.0%	436,735	2.3%	2,694,219	14.4%	12.8%	(317,480)	(403,437)	-	-	-	-	$0.34
LD	168	4,672,729	1,009,294	21.6%	21,850	0.5%	1,031,144	22.1%	24.7%	100,680	(33,895)	-	-	-	-	$0.35
LI	612	6,997,984	1,186,546	17.0%	35,300	0.5%	1,221,846	17.5%	19.0%	110,142	115,282	-	-	94,680	-	$0.41
INC	31	562,095	210,223	37.4%	0	0.0%	210,223	37.4%	38.8%	7,672	(4,958)	-	-	-	-	$0.54
FLX	46	780,909	210,957	27.0%	0	0.0%	210,957	27.0%	30.4%	18,846	234	-	-	-	-	$0.84
Total	1,035	31,762,673	4,874,504	15.3%	493,885	1.6%	5,368,389	16.9%	16.8%	(80,140)	(326,774)	-	-	94,680	-	$0.39
NORTHWEST SUBMARKET																
WH	5	224,906	82,680	36.8%	0	0.0%	82,680	36.8%	59.1%	50,310	50,310	-	-	-	-	$0.49
LD	1	50,000	0	0.0%	0	0.0%	0	0.0%	0.0%	-	-	-	-	-	-	$-
LI	17	298,896	43,013	14.4%	4,500	1.5%	47,513	15.9%	19.1%	9,602	16,710	-	-	-	-	$0.67
INC	4	99,427	33,085	33.3%	0	0.0%	33,085	33.3%	41.1%	7,784	(16,507)	-	-	-	-	$1.09
FLX	55	672,202	231,973	34.5%	0	0.0%	231,973	34.5%	32.0%	(17,159)	(82,612)	-	-	-	-	$0.97
Total	82	1,345,431	390,751	29.0%	4,500	0.3%	395,251	29.4%	33.1%	50,537	(32,099)	-	-	-	-	$0.85
SOUTHWEST SUBMARKET																
WH	135	12,559,718	1,259,463	10.0%	464,500	3.7%	1,723,963	13.7%	14.2%	85,198	(48,838)	-	-	-	-	$0.52
LD	183	6,985,243	1,431,573	20.5%	101,515	1.5%	1,533,088	21.9%	22.0%	6,676	(54,140)	-	-	-	-	$0.61
LI	752	9,189,278	1,736,249	18.9%	6,000	0.1%	1,742,249	19.0%	18.0%	(75,745)	260,565)	30,000	30,000	50,000	-	$0.66
INC	120	2,496,381	385,042	15.4%	10,096	0.4%	395,138	15.8%	15.0%	(20,740)	(1,049)	-	-	-	-	$0.69
FLX	101	1,564,088	502,281	32.1%	24,216	1.5%	526,497	33.7%	37.2%	51,156	15,874	-	-	-	-	$0.99
Total	1,291	32,794,708	5,314,608	16.2%	606,327	1.8%	5,920,935	18.1%	18.1%	46,545	(348,718)	30,000	30,000	50,000	-	$0.65
WEST CENTRAL SUBMARKET																
WH	63	1,897,447	78,192	4.1%	0	0.0%	78,192	4.1%	3.0%	(21,600)	(21,600)	-	-	-	-	$0.42
LD	36	682,456	106,623	15.6%	800	0.1%	107,423	15.7%	16.8%	7,129	(25,060)	-	-	-	-	$0.49
LI	491	6,656,182	599,051	9.0%	3,604	0.1%	602,655	9.1%	8.9%	(9,564)	54,942	-	-	-	-	$0.56
INC	66	2,462,109	406,109	16.5%	0	0.0%	406,109	16.5%	15.4%	(26,476)	(67,675)	-	-	-	-	$0.70
FLX	12	219,832	34,171	15.5%	0	0.0%	34,171	15.5%	15.5%	-	-	-	-	-	-	$0.73
Total	668	11,918,026	1,224,146	10.3%	4,404	0.0%	1,228,550	10.3%	9.9%	(50,511)	(59,393)	-	-	-	-	$0.59
MARKET TOTAL																
WH	556	45,413,372	5,116,498	11.3%	956,935	2.1%	6,073,433	13.4%	12.1%	(571,919)	(479,140)	-	-	78,936	-	$0.42
LD	511	17,410,970	3,714,674	21.3%	148,385	0.9%	3,863,059	22.2%	23.0%	106,351	(193,561)	-	-	121,992	-	$0.51
LI	2,490	30,262,882	4,532,018	15.0%	77,799	0.3%	4,609,817	15.2%	15.3%	28,781	(89,488)	30,000	30,000	169,680	-	$0.58
INC	354	8,126,232	1,485,683	18.3%	21,334	0.3%	1,507,017	18.5%	17.7%	(68,742)	(139,570)	-	-	-	-	$0.72
FLX	367	5,962,523	1,706,713	28.6%	41,292	0.7%	1,748,005	29.3%	29.7%	9,411	(91,760)	-	-	-	-	$0.90
Total	4,278	107,175,979	16,555,586	15.4%	1,245,745	1.2%	17,801,331	16.6%	16.2%	(496,118)	(993,519)	30,000	30,000	370,608	-	$0.56

QUARTERLY COMPARISON AND TOTALS

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
Q2-10	4,278	107,175,979	16,555,586	15.4%	1,245,745	1.2%	17,801,331	16.6%	16.2%	(496,118)	(993,519)	30,000	30,000	370,608	-	$0.56
Q1-10	4,270	107,145,979	16,029,468	15.0%	1,296,298	1.2%	17,325,766	16.2%	15.4%	(497,401)	(497,401)	0	0	400,608	-	$0.59
Q4-09	4,256	107,145,979	15,532,067	14.5%	1,010,876	0.9%	16,542,943	15.4%	14.2%	(815,284)	(2,937,018)	495,529	1,790,176	370,608	-	$0.61
Q3-09	4,244	106,650,450	14,221,254	13.3%	960,620	0.9%	15,181,874	14.2%	13.4%	(817,100)	(2,121,734)	212,270	1,294,647	590,229	358,630	$0.66
Q2-09	4,210	106,438,180	13,191,884	12.4%	1,028,315	1.0%	14,220,199	13.4%	11.9%	(1,016,256)	(1,304,634)	342,574	1,082,377	712,104	358,630	$0.71
Q1-09	4,188	106,095,606	11,833,054	11.2%	744,605	0.7%	12,577,659	11.9%	11.0%	(288,378)	(288,378)	739,803	739,803	643,955	1,562,594	$0.76

Light Industrial space, which has been severely challenged during this recession due to the overbuilding that occurred from 2007 to 2009 managed to post positive absorption this quarter and maintain a 15.2% vacancy rate. Light Industrial product has appeared to be the main benefactor of retail companies signing leases in 2010. Net absorption is still negative year-to-date, however, and gross absorption fell in the second quarter of 2010 compared to the first quarter. Investment sales of Light Industrial buildings rebounded significantly in this quarter over last, accounting for 103,000 square feet of the total industrial investment sales. This is important, since over 1 million square feet of Light Industrial space is currently distressed.

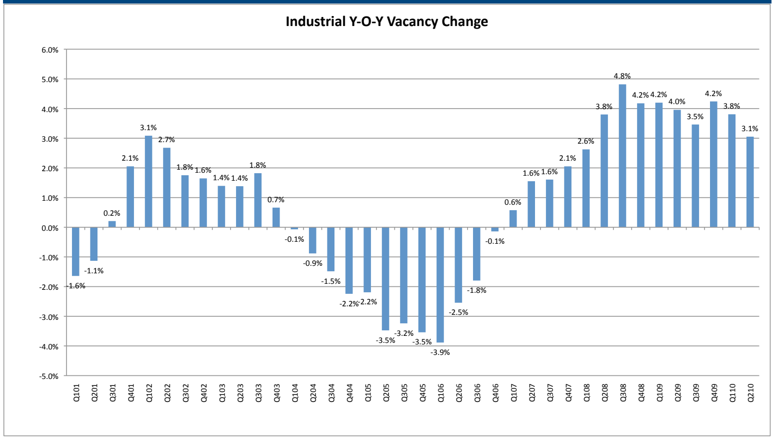
If the market for Incubator space is any indication, small businesses are still struggling in Southern Nevada. Net absorption of Incubator space has been negative for the past two quarters, returning almost 140,000 square feet to the market. A lack of credit from banks is likely the main culprit in the lack of small business activity both in Southern Nevada and nationally.

R&D/Flex space, which has the highest vacancy rate (28.6%) of all industrial product types, actually saw a decrease in vacancy this quarter, and positive net absorption. On a triple-net basis, R&D/Flex asking rent is approximately $0.40 lower than Class C professional office. Most of the companies taking R&D/Flex space this quarter were local, with almost 50% of the space taken being involved in office-related uses.

If one can find a theme when talking to Southern Nevadans these days, it is that people are ready for the recession to be over. One might even say that people are having a hard time believing that it is not over yet. A prolonged period of economic weakness is so far outside the experience of Southern Nevadans, that people in and out of the business community are finding it difficult to process. The recession that began in 2007 really hit the industrial market hard in 2009, but that market showed signs of improvement towards the end of the year. Gross absorption was strengthening and the year-over-year increase in vacancy was heading in the right direction until it spiked in the fourth quarter of 2009. Net absorption, though still profoundly negative, has been better in 2010 than 2009, and year-over-year increases in vacancy are headed back down. So, on a relative basis, the industrial market is improving. Unfortunately, it is only improving in a relative sense. Since the beginning of the recession, quarterly job losses in industrial sectors have averaged 7,000 jobs per quarter, with quarterly job losses averaging 8,000 jobs per quarter in 2009 and hitting almost 9,000 lost jobs between the fourth quarter of 2009 and the first quarter of 2010. Taxable sales are down, gaming revenue is limping along (though it was helped in February by the Super Bowl and Chinese New Year), almost 3 million square feet of industrial product is distressed or in foreclosure, and oversupply has ensured that the construction sector will have to sit this recovery out. The numbers not only do not suggest recovery in 2010, they make the likelihood of significant recovery in 2011 questionable.

Where does this leave us? Much of the leasing activity that occurred in 2009 represented tenants downsizing or looking for lower rents. This activity is slowing down as small businesses struggle to survive. Sales activity is getting better as landlords begin to see the light and slash their asking prices. As more distressed product finds new ownership, expect another wave of price and rent cutting, probably hitting in 2011. Presently, Southern Nevada's economy is not in recovery. If the Western states are lagging the national recovery, Southern Nevada is lagging behind the Western states, which means we are all going to have to be patient. Until the housing market is sorted out and the tourism industry recovers, Southern Nevada and its industrial market are going to continue to be challenged. If the second half of 2010 is anything like the first half, we will not begin to see sustained industrial recovery until mid-2011.

INDUSTRIAL YEAR OVER YEAR CHANGE



COLLIERS LAS VEGAS STATS

- Transaction Volume - $267M
- Transactions - 408
- Managed SF - 1.35M
- Employees - 20
- Active Agents - 38

COLLIERS USA STATS

- Revenue - $1.1B
- Offices - 135
- Employees - 6,135
- Active Agents - 1,580
- Managed SF - 1.3B

COLLIERS GLOBAL STATS

- Revenue - $1.9B
- Offices - 480
- Employees - 15,052
- Active Agents - 4,788
- Transaction Volume - $154B
- Managed SF - 2.4B
- 61 Countries
- 6 Continents
- 135,977 Transactions

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