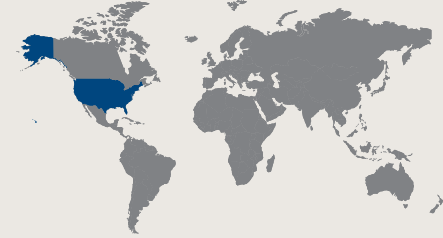
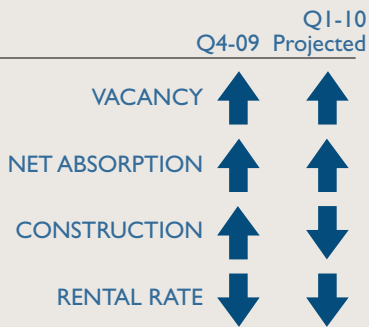


Market Research

INDUSTRIAL | FOURTH QUARTER | 2009



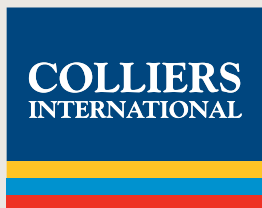
MARKET INDICATORS



CLARK COUNTY ECONOMIC DATA

	Oct-09	Oct-08
Unemployment Rate	13.0%	7.7%
Visitor Volume*	3,350,862	3,230,992
Gaming Revenue*	\$774.06M	\$853.51M
Taxable Sales YTD*	\$6.810B	\$8.645B
Residential Permits	357	329
Commercial Permits	20	55
New Home Sales	441	798
Existing Home Sales	4,254	3,140

* SEPTEMBER 2009 / SEPTEMBER 2008



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Industrial Review

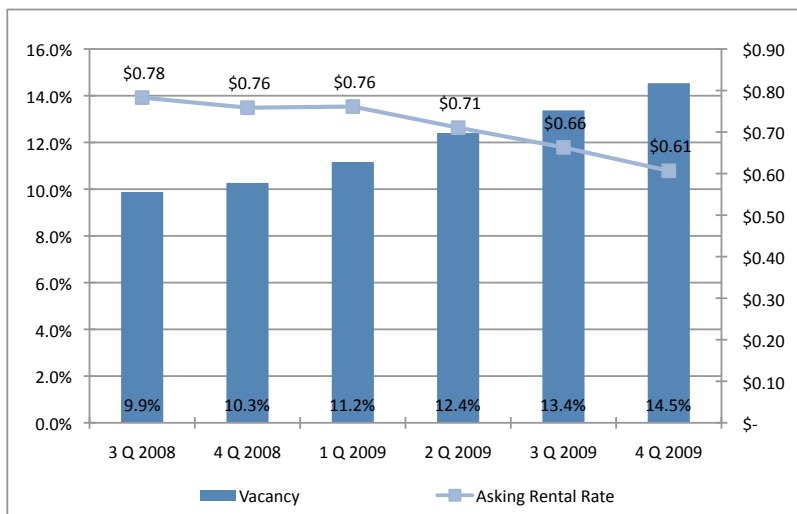
Southern Nevada's industrial market, which seemed to be bottoming out in 2010, took a slight detour in the fourth quarter of 2009. Industrial vacancy stood at 14.5%, a 1.1-point increase from last quarter and a 4.2-point increase from the fourth quarter of 2008. Year-over-year comparisons of industrial vacancy, which had been trending downward since the third quarter of 2008, increased this quarter. This does not necessarily mean that recovery is not forthcoming; a similar spike in year-over-year vacancy change occurred in third quarter of 2003, when the industrial market was heading toward recovery after the 2001 mini-recession. Net absorption in the fourth quarter of 2009 was negative 815,284, better than last quarter, but significantly worse than one year ago when the industrial market absorbed almost 42,000 square feet. Net absorption has now been negative for four quarters, and stood at negative 3,042,288 square feet for all of 2009. The weighted average asking lease rate dropped to \$0.61 per square foot on a triple-net basis. New completions were up this quarter, at 495,529 square feet, and almost identical to one year ago. Gross absorption was 2.98-million square feet this quarter, up from the low of 1.68-million square feet recorded in the fourth quarter of 2008.

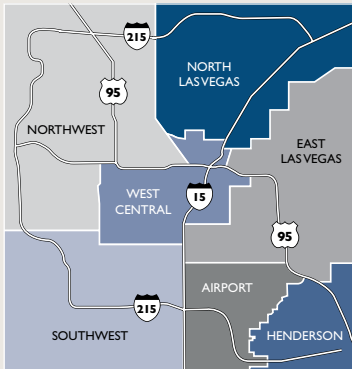
Between November 2008 and November 2009, Las Vegas-Paradise MSA employment in sectors that traditionally occupy industrial space declined by over 22,000 jobs. The construction sector alone lost over 20,000 jobs during this period while the transportation and warehousing sector gained 800. Over the past twelve months, only the education and health services sector, increased its employment significantly. Unemployment in the Las Vegas-Paradise MSA stood at 12.1% as of November 2009, up from 7.8% in November 2008. Unemployment has declined for two months based upon the shrinkage of the total labor market rather than the creation of new jobs.

MARKET SNAPSHOT

	Q4-09	Q3-09	Q4-08	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	14.5%	13.4%	10.3%	+ 8.2%	+ 40.8%
Asking Rent (PSF, NNN)	\$0.61	\$0.66	\$0.76	- 8.7%	- 20.3%
Net Absorption (SF)	-815,284	-922,370	41,723	+ 13.1%	- 2054.0%
New Completions (SF)	495,529	121,875	495,411	+ 306.6%	+ 0%

VACANCY VS RENTAL RATE





“Southern Nevada’s industrial market, which seemed to be bottoming out in 2010, took a slight detour in the fourth quarter of 2009.”

INDUSTRIAL EMPLOYMENT			
	Nov 2009	Nov 2008	Change
Construction	67,700	88,000	-20,300
Manufacturing	23,100	24,800	-1,700
Transportation and Warehousing	35,200	34,400	+800
Wholesale	22,400	23,600	-1,200
TOTAL	148,400	170,800	-22,400

Source: Nevada Department of Employment, Training and Rehabilitation.

New completions of industrial product amounted to 495,529 square feet in the fourth quarter of 2009, up substantially from the 121,875 square feet completed in the third quarter of 2009 and on-par with the 495,411 square feet completed in the fourth quarter of 2008. The three industrial projects that were completed this quarter were the Freeman Decorating Building, a 420,000 square foot build-to-suit project, the 50,000 square foot Winner Industrial Building and building A at 3255 Pepper Lane, a 25,000 square foot building. There was no known pre-leasing at either of the speculative projects completed this quarter.

Almost 1.7 million square feet of industrial product was completed during 2009. Of this, 72% was located in the struggling Southwest submarket. When viewed by product type, Warehouse/Distribution accounted for 40% of all completed projects, Light Industrial for 28%, Light Distribution for 25% and RandD/Flex for 6%. No new Incubator projects were completed in 2009. Industrial projects completed in 2009 were still 64.2% vacant as of this quarter. By comparison,

projects completed in 2005 were only 10.9% vacant by the end of that year. With numbers like these, it is no great leap to imagine that for the foreseeable future speculative industrial projects will have to be significantly pre-leased before they can begin construction in Southern Nevada.

Forward supply of industrial space in the Valley stood at only 370,608 square feet in the fourth quarter of 2009. This was a decrease of 578,251 square feet from last quarter. In a major change from the norm, almost half of this forward supply was in Light Industrial projects. For the past decade, Warehouse/Distribution projects have dominated forward supply. In another departure from the past, the Southwest and North Las Vegas submarkets had only 39% of this forward supply space, the remainder being in the Airport submarket. All of the forward supply space was under construction. This suggests that new completions will be extraordinarily low in 2010, giving demand some desperately needed time to catch up to supply.

Since the second quarter of 2008, almost 4.5 million square feet of industrial product has been returned to the market. Over the same period, 4 million square feet of new industrial product has been constructed. To put this recent performance in context, over 26 million square feet of industrial product was absorbed (net) from 2002 to 2007, a period during which 26.9 million square feet of industrial space was completed. To look at it from

MARKET ACTIVITY

FOURTH QUARTER TRANSACTIONS

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Bell Industrial Park	Oct 2009	37 months	38,000 sf	\$0.50 NNN	Warehouse/Distribution
ProLogis Park West One	Oct 2009	65 months	13,500 sf	\$0.52 NNN	Light Distribution
Spencer Bruce Industrial Park	Nov 2009	42 months	10,114 sf	\$0.49 NNN	Light Industrial
Whitney Ranch Business Center East	Oct 2009	36 months	5,400 sf	\$0.47 NNN	Incubator
Discovery Gateway Park	Nov 2009	24 months	5,030 sf	\$0.90 NNN	RandD/Flex

SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
2770 Highland Dr	Oct 2009	\$1,109,000	21,625 sf	\$51.28	Light Industrial
Sunset Business Park	Nov 2009	\$750,000	8,204 sf	\$91.42	Light Industrial
Runway Park	Nov 2009	\$1,050,000	5,000 sf	\$210.00	Light Industrial

another perspective, the last two years (2008-2009) of negative net absorption have reversed the positive net absorption recorded in 2007. By almost any measure, the tremendous gains experienced by Southern Nevada's industrial market during the past decade have only been scratched by the "Great Recession". Only one submarket, East Las Vegas, showed positive net absorption for the year, with the highest negative net absorptions being in the North Las Vegas (negative 1,035,922 square feet) and Southwest (negative 1,006,692 square feet) submarkets. The North Las Vegas and Southwest submarkets have received the lion's share of new industrial construction over the past decade.

Industrial vacancy increased to 14.5% this quarter, a 1.1 point increase from one quarter ago and a 4.2 point increase from one year ago. Industrial vacancy has been on the rise since the second quarter of 2006, when it was at a low of 3.1%. The Northwest submarket continued to have the Valley's highest vacancy rate at 26.7%. The Valley's lowest vacancy rate, 4.9%, continued to be in the East Las Vegas submarket. Vacancy increased in the Airport, North Las Vegas, Northwest, Southwest and West Central submarkets, and decreased in the East Las Vegas and Henderson submarkets. The largest increase was experienced in the Airport submarket.

The change in industrial vacancy on a year-over-year basis was 4.3 points this quarter, higher than the 3.5 point increase in the third quarter of 2009. While a spike like this is not welcome news, it does not necessarily suggest that the industrial market is entering a decline within the decline. Gross absorption continued to rise in the fourth quarter of 2009, indicating that demand for industrial space is recovering. That said, if past recessions are any indication we should expect to experience year-over-year increases in vacancy through 2010.

The most active businesses taking industrial space during 2009 were involved in food services, transportation, construction, apparel and clothing and manufacturing. 54% of all leases signed in 2009 were signed by companies headquartered in Nevada, while 13% were with California companies. 27% of leases signed in 2009 were with national companies, i.e. companies operating in multiple states and/or internationally. This could be important if recovery in the local economy lags behind national recovery. The average lease term in

INDUSTRIAL SALES			
	Q4-09	Q3-09	Q4-08
Owner/User			
Space for Sale (sf)	4,043,706	4,034,585	3,786,706
Average Asking Price/SF	\$138	\$148	\$152
Space Sold (sf)	111,896	208,680	123,342
Average Price/SF	\$176	\$55	\$154
Investment			
Space for Sale (sf)	1,185,395	1,164,113	944,290
Average Asking Price/SF	\$135	\$146	\$149
Average Cap Rate	8.0%	7.5%	7.3%
Space Sold (sf)	0	129,867	0
Average Price/SF	n/a	\$68	n/a
Average Cap Rate	n/a	10.7%	n/a

2009 was 36 months, and the average effective lease rate was \$0.58 per square foot (psf) on a triple-net basis (NNN).

The weighted average asking lease rate for industrial space decreased this quarter to \$0.61 psf NNN from last quarter's \$0.66. If adjusted for inflation, the weighted average asking lease rate has decreased by \$0.21 psf since it peaked in the first quarter of 2007. All submarkets except East Las Vegas and Northwest experienced a decrease in their weighted average asking lease rate this quarter. The weighted average asking lease rates dropped in all product types this quarter, with the largest decreases in the Light Distribution, Light Industrial and Incubator product types. The 278 new availabilities that entered the industrial market in the fourth quarter of 2009 had an average asking rental rate of \$0.60 psf NNN, \$0.07 lower than the 385 new availabilities that entered the industrial market during the third quarter of 2009. Of existing availabilities, 21% had their asking lease rate decrease this quarter, by an average of \$0.15 psf, while 3% showed an increase, by an average of \$0.12 psf. Given current market conditions and the expectation of weak growth moving forward, we still believe the industrial market could be as many as twelve months away from asking rental rates hitting bottom.

The inventory of industrial properties available for owner/user sale increased slightly this quarter to 4,043,706 square feet from 4,034,585 square feet in the third quarter of 2009. One year ago, there was 3,786,706 square feet on the

INDUSTRIAL DEVELOPMENT PIPELINE					
Project	Type	Submarket	Size	Pre-Leasing	Completion
1192 Center Point	Light Industrial	Henderson	25,000 SF	BTS	Q1-10
7040 Redwood	Light Industrial	Southwest	50,000 SF	0%	Q1-10
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



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REGIONAL WAREHOUSE / DISTRIBUTION	
Market	Asking Rent (Q3-09)
Las Vegas, NV	\$0.49 psf NNN
Phoenix, AZ	\$0.44 psf NNN
Inland Empire, CA	\$0.34 psf NNN
Reno, NV	\$0.31 psf NNN

market for owner/user sale. The average asking price for owner/user industrial sales decreased to \$138 per square foot. This is below the average asking price of \$152 per square foot recorded twelve months ago. Most of the available owner/user sale square footage was in the North Las Vegas and Southwest submarkets, with average asking prices of \$131 and \$168 respectively. Prominent owner/user sale availabilities include the Berlin Industries Building in the Northwest submarket (100,910 square feet), the Decatur Business Center in the Southwest submarket (87,000 square feet) and the Progressive Gaming Facility in the Airport submarket (87,000 square feet).

The inventory of industrial buildings up for sale as investments increased from 944,290 square feet in the fourth quarter of 2008 to 1,185,395 square feet this quarter. The average asking price decreased by \$14 per square foot since the fourth quarter of 2008. Sellers of industrial properties for investment are now quoting an average cap rate of 8%, up from the average of 7.3% in the fourth quarter of 2008. Prominent investment sale availabilities include Hughes Airport Center Bldg 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).

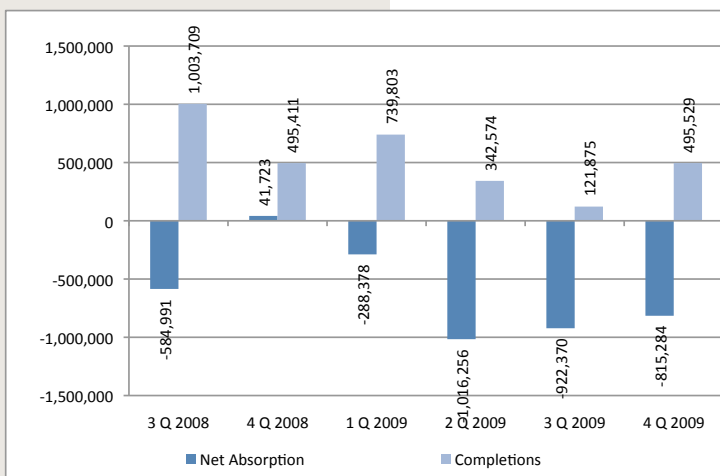
Over the course of 2009, 551,685 square feet of industrial properties sold as investments at an average sales price of \$75 per square foot and an average cap rate of 8.1%. Although there were no investment sales in the fourth quarter of 2009, the average cap rate in the third quarter of 2009 was 10.7%. Cap rates in the third quarter of 2008 averaged at

7.5%. Owner/user sales in 2009 amounted to 606,046 square feet with an average price of \$88 per square foot. This is down from 2008, when a total of 846,011 square feet were sold for an average price of \$151 per square foot.

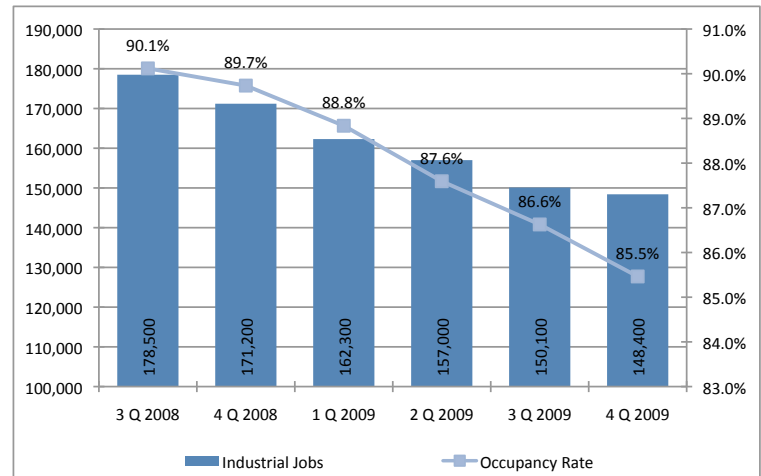
Warehouse/Distribution product continued to struggle in the fourth quarter of 2009, with net absorption of negative 508,525 square feet. Net absorption for all of 2009 was negative 1,201,877 square feet, essentially erasing all of the positive net absorption of 2008 and then some. Four submarkets, East Las Vegas, Henderson, Southwest and West Central, posted positive net absorption this quarter, though only the Northwest submarket managed to post positive net absorption for the year as a whole. The East Las Vegas, Henderson and Southwest submarkets saw an increase in net absorption this quarter over last. Warehouse/Distribution vacancy is now only 1.3 points lower than the high of 11.5% vacancy recorded in the first quarter of 2004. The weighted average asking lease rate for Warehouse/Distribution decreased this quarter by \$0.03 to \$0.47 per square foot NNN. The weighted average asking lease rate for Warehouse/Distribution space in Las Vegas continued to exceed those in nearby competing markets. Nationally, manufacturing output is on the increase, and one of the few industries adding jobs in Southern Nevada is transportation and warehousing. If these trends continue, Warehouse/Distribution may find a respite in 2010.

Light Distribution space posted 11,464 square feet of net absorption. Vacancy now stands at 20.3%, a 0.1 point decrease from last quarter, but a 5.2 point increase from one year ago. The average asking lease rate decreased this quarter over last by \$0.07 to \$0.57 psf NNN.

HISTORICAL NET ABSORPTION VS COMPLETIONS



OCCUPANCY VS INDUSTRIAL EMPLOYMENT



INDUSTRIAL MARKET STATISTICS

FOURTH QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION SF		U/C and PROPOSED SF			AVG RENTS
Type	Bldgs	Total Inventory Sq Ft	Sq Ft	Rate	Sq Ft	Rate	Sq Ft	Rate	Vacancy Rate Previous Q	Current Period	YTD	Completed This Qtr Sq Ft	Completed YTD	Under Constr	Rate

SUB MARKETS

AIRPORT SUBMARKET

WH	76	4,667,484	744,288	15.9%	45,700	1.0%	789,988	16.9%	11.1%	(272,194)	(240,010)	-	-	78,936	\$0.56
LD	67	2,969,897	614,973	20.7%	42,866	1.4%	657,839	22.2%	20.6%	(34,787)	(305,598)	-	-	121,992	\$0.59
LI	199	2,863,889	289,153	10.1%	19,145	0.7%	308,298	10.8%	9.6%	(12,540)	(1,099)	25,200	25,200	-	\$0.72
INC	92	1,876,327	287,997	15.3%	7,053	0.4%	295,050	15.7%	17.3%	30,411	(46,311)	-	-	-	\$0.69
FLX	66	1,308,181	403,650	30.9%	17,076	1.3%	420,726	32.2%	31.8%	(8,010)	19,833	-	102,694	-	\$0.89
TOTAL	500	13,685,778	2,340,061	17.1%	131,840	1.0%	2,471,901	18.1%	15.7%	(297,120)	(573,185)	25,200	127,894	200,928	\$0.66

EAST LAS VEGAS SUBMARKET

WH	24	1,022,855	0	0.0%	0	0.0%	0	0.0%	5.0%	51,022	-	-	-	-	\$-
LD	20	352,819	38,916	11.0%	0	0.0%	38,916	11.0%	15.7%	16,516	(12,616)	-	-	-	\$0.51
LI	95	1,151,844	39,278	3.4%	6,400	0.6%	45,678	4.0%	3.7%	(2,842)	81,990	-	-	-	\$0.36
INC	13	298,623	57,969	19.4%	0	0.0%	57,969	19.4%	20.9%	4,378	14,082	-	105,055	25,000	\$0.62
FLX	8	142,294	7,942	5.6%	0	0.0%	7,942	5.6%	9.0%	4,820	5,739	-	-	-	\$0.65
TOTAL	160	2,968,435	144,105	4.9%	6,400	0.2%	150,505	5.1%	7.6%	73,894	89,195	-	-	-	\$0.52

HENDERSON SUBMARKET

WH	75	6,283,356	638,816	10.2%	39,878	0.6%	678,694	10.8%	12.3%	94,380	(55,131)	-	-	-	\$0.48
LD	36	1,696,226	432,829	25.5%	13,432	0.8%	446,261	26.3%	27.5%	34,449	8,566	-	-	-	\$0.56
LI	320	3,061,474	622,871	20.3%	0	0.0%	622,871	20.3%	19.2%	(34,652)	(146,618)	-	105,055	25,000	\$0.74
INC	29	456,976	55,877	12.2%	4,830	1.1%	60,707	13.3%	13.4%	(929)	(22,487)	-	-	-	\$0.60
FLX	78	1,275,017	290,483	22.8%	0	0.0%	290,483	22.8%	30.3%	96,046	125,248	-	-	-	\$1.01
TOTAL	538	12,773,049	2,040,876	16.0%	58,140	0.5%	2,099,016	16.4%	17.8%	189,294	(90,422)	-	105,055	25,000	\$0.66

NORTH LAS VEGAS SUBMARKET

WH	179	18,664,888	1,854,047	9.9%	274,865	1.5%	2,128,912	11.4%	9.1%	(496,931)	(820,482)	50,000	145,000	-	\$0.37
LD	167	4,664,493	975,399	20.9%	32,834	0.7%	1,008,233	21.6%	20.9%	(42,196)	91	-	-	-	\$0.46
LI	607	6,873,309	1,301,828	18.9%	24,300	0.4%	1,326,128	19.3%	17.1%	(143,684)	(136,762)	-	90,400	94,680	\$0.52
INC	31	562,095	205,265	36.5%	0	0.0%	205,265	36.5%	35.4%	(6,091)	(13,339)	-	-	-	\$0.57
FLX	46	780,909	211,191	27.0%	12,846	0.0%	224,037	28.7%	28.8%	6,263	(65,430)	-	-	-	\$0.98
TOTAL	1,030	31,545,694	4,547,730	14.4%	344,845	1.1%	4,892,575	15.5%	13.5%	(682,639)	(1,035,922)	50,000	235,400	94,680	\$0.47

NORTHWEST SUBMARKET

WH	5	224,906	132,990	59.1%	0	0.0%	132,990	59.1%	59.1%	-	12,920	-	-	-	\$0.49
LD	1	50,000	0	0.0%	0	0.0%	0	0.0%	0.0%	-	-	-	-	-	\$-
LI	16	294,396	59,723	20.3%	0	0.0%	59,723	20.3%	13.8%	(19,027)	(23,754)	-	-	-	\$1.06
INC	4	99,427	16,578	16.7%	0	0.0%	16,578	16.7%	16.7%	-	(10,688)	-	-	-	\$1.10
FLX	55	672,202	149,361	22.2%	0	0.0%	149,361	22.2%	23.9%	(4,478)	(26,806)	-	-	-	\$0.98
TOTAL	81	1,340,931	358,652	26.7%	0	0.0%	358,652	26.7%	26.2%	(23,505)	(48,328)	-	-	-	\$0.82

SOUTHWEST SUBMARKET

WH	135	12,559,601	1,210,625	9.6%	389,500	3.1%	1,600,125	12.7%	8.5%	95,198	(69,982)	420,329	542,204	-	\$0.56
LD	182	6,941,994	1,392,308	20.1%	114,486	1.6%	1,506,794	21.7%	22.0%	50,516	(173,620)	-	429,458	-	\$0.64
LI	748	9,151,813	1,445,684	15.8%	14,268	0.2%	1,459,952	16.0%	14.2%	(151,311)	(569,903)	-	259,770	50,000	\$0.68
INC	120	2,496,381	383,993	15.4%	8,313	0.3%	392,306	15.7%	16.8%	23,588	(165,049)	-	-	-	\$0.69
FLX	101	1,562,662	518,155	33.2%	16,273	1.0%	534,428	34.2%	31.9%	(31,970)	(28,138)	-	-	-	\$1.01
TOTAL	1,286	32,712,451	4,950,765	15.1%	542,840	1.7%	5,493,605	16.8%	14.8%	(13,979)	(1,006,692)	420,329	1,231,432	50,000	\$0.68

WEST CENTRAL SUBMARKET

WH	56	1,855,447	56,592	3.1%	0	0.0%	56,592	3.1%	4.1%	20,000	(29,192)	-	-	-	\$0.38
LD	41	751,242	81,563	10.9%	16,220	2.2%	97,783	13.0%	11.3%	(13,034)	(60,163)	-	-	-	\$0.58
LI	490	6,643,152	653,993	9.8%	16,604	0.2%	670,597	10.1%	9.4%	(53,986)	(158,706)	-	-	-	\$0.57
INC	62	2,458,615	338,434	13.8%	0	0.0%	338,434	13.8%	13.2%	(14,209)	(114,687)	-	-	-	\$0.69
FLX	12	219,832	34,171	15.5%	0	0.0%	34,171	15.5%	15.5%	-	(14,186)	-	-	-	\$0.77
TOTAL	661	11,928,288	1,164,753	9.8%	32,824	0.3%	1,197,577	10.0%	9.6%	(61,229)	(376,934)	-	-	-	\$0.60

MARKET TOTAL

WH	550	45,278,537	4,637,358	10.2%	749,943	1.7%	5,387,301	11.9%	9.5%	(508,525)	(1,201,877)	470,329	687,204	78,936	\$0.47
LD	514	17,426,671	3,535,988	20.3%	219,838	1.3%	3,755,826	21.6%	21.4%	11,464	(543,340)	-	429,458	121,992	\$0.57
LI	2,475	30,039,877	4,412,530	14.7%	80,717	0.3%	4,493,247	15.0%	13.5%	(418,042)	(954,852)	25,200	480,425	169,680	\$0.63
INC	351	8,248,444	1,346,113	16.3%	20,196	0.2%	1,366,309	16.6%	17.1%	37,148	(358,479)	-	-	-	\$0.67
FLX	366	5,961,097	1,614,953	27.1%	46,195	0.8%	1,661,148	27.9%	29.1%	62,671	16,260	-	102,694	-	\$0.97
TOTAL	4,256	106,954,626	15,546,942	14.5%	1,116,889	1.0%	16,663,831	15.6%	14.3%	(815,284)	(3,042,288)	495,529	1,699,781	370,608	\$0.61

QUARTERLY COMPARISON AND TOTALS

Q4-09	4,256	106,954,626	15,546,942	14.5%	1,116,889	1.0%	16,663,831	15.6%	14.3%	(815,284)	(3,042,288)	495,529	1,699,781	370,608	\$0.61
Q3-09	4,244	106,459,097	14,236,129	13.4%	945,745	0.9%	15,181,874	14.3%	13.4%	(922,370)	(2,227,004)	121,875	1,204,252	590,229	\$0.66
Q2-09	4,210	106,337,222	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	\$0.71
Q1-09	4,188	105,994,648	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	\$0.76
Q4-08	4,168	105,254,845	10,804,873	10.3%	775,544	0.7%	11,580,417	11.0%	10.4%	41,723	(227,364)	495,411	4,443,334	1,109,988	\$0.76

THE INFORMATION CONTAINED IN THIS REPORT WAS PROVIDED BY SOURCES DEEMED TO BE RELIABLE, HOWEVER, NO GUARANTEE IS MADE AS TO THE ACCURACY OR RELIABILITY. AS NEW, CORRECTED OR UPDATED INFORMATION IS OBTAINED, IT IS INCORPORATED INTO BOTH CURRENT AND HISTORICAL DATA, WHICH MAY INVALIDATE COMPARISON TO PREVIOUSLY ISSUED REPORTS.

Although the performance of Light Distribution space in 2009 was weak, it was actually slightly better than in 2008. Since the beginning of the recession in the last quarter of 2007, over 1 million square feet of Light Distribution product was returned to the market, while another 1.2 million was constructed. Light Distribution space depends more on the Las Vegas "Strip" than other product types. Thus, a recovery of the hospitality and gaming sector should help spur a recovery for the Light Distribution market. The latest news from the hospitality and gaming industry indicates slightly higher visitor volume over the past few months, but revenues still lagging behind.

Light Industrial space has been the face of Southern Nevada's industrial market troubles in 2009. From 2007 to 2009 a total of 2.85 million square feet of light industrial space was completed. Much of this space was constructed because higher prices for industrial land made freestanding buildings that could be leased and quickly sold an attractive option for developers. Unfortunately, considerably more of this space was built than was absorbed; net absorption of Light Industrial space from 2007 to 2009 was negative 621,652 square feet. With a performance like this, the Light Industrial market represented, in a microcosm, the disconnect between developers and industrial tenants and buyers that caused completions of industrial space to outpace net absorption for 14 straight quarters, beginning in the third quarter of 2006. There are two positive news items to report on Light Industrial space. First, gross absorption of Light Industrial product has recovered from the lows experienced in the fourth quarter of 2008 and first quarter of 2009. Second, completions of new Light Industrial space are winding down. Only 25,000 square feet of Light Industrial was completed this quarter, and only 169,680 square feet is currently under construction, with no space currently planned beyond that. If these things do not change, they will at least make recovery possible in late 2010 or early 2011.

Incubator space can often predict recovery, as it is favored by small start-up businesses. With this in mind, the 37,148 square feet of net absorption of Incubator space should come as good news, although a single quarter of positive net absorption does not make a trend. For 2009 as a whole, net absorption was negative 358,479 square feet, better than last year, but still not good. Most importantly, no new Incubator space was constructed in 2009, and none is likely to be constructed in 2010. This gives Incubator a fairly good chance of seeing some recovery in 2010 provided the national and local economies cooperate. There was an indication at the recent "Jobs Summit" in Washington D.C. that tax cuts and easier loans are in the works for small

business, and this could be good news for the owners of Incubator space.

RandD/Flex space joins Light Distribution and Incubator as the third product type to experience positive net absorption this quarter. More significantly, RandD/Flex had positive net absorption for the year. RandD/Flex has been the odd-man-out for industrial space over the past few years, consistently turning in weaker absorption and higher vacancy rates than the other product types after a flurry of development in the early part of this decade. Through 2009, though, its low asking rents (compared to office and retail space) and flexible nature has made it more popular, with vacancy decreasing from a high of 28.1% last quarter to the current 27.1%. A lack of RandD/Flex space that is planned or under construction also brightens its prospects in the coming year.

By any standards, the Southern Nevada industrial market had a bad year in 2009. Net absorption was consistently negative, asking lease rates steadily declined, sales activity was weak and the vacancy rate is now close to 15%. Yet even with all of this doom and gloom, there are a few bright spots. Gross absorption is coming back to normal levels and during this quarter three product types managed to pull in positive net absorption. Unfortunately, the serious loss of construction employment that occurred over the past two years has dealt a serious blow to the local industrial market, and a lack of new residential and commercial developments going forward suggests that landlords can expect lower levels of demand than they saw during the past five years. We predict that 2010 will represent a transition period for Southern Nevada's industrial market, as developers and landlords adjust to the new economic landscape created by the "Great Recession", i.e. more debt and less consumer spending. If the national economy continues to recover in 2010, demand for industrial space will continue to increase in Southern Nevada. This will bring vacancy increases down gradually, but growth will be slow and uneven and the industrial market may not hit bottom until 2011.

294 RETAILS IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

\$1.6 billion in Revenue
1.1 billion sq. ft. under management
12,749 Professionals

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