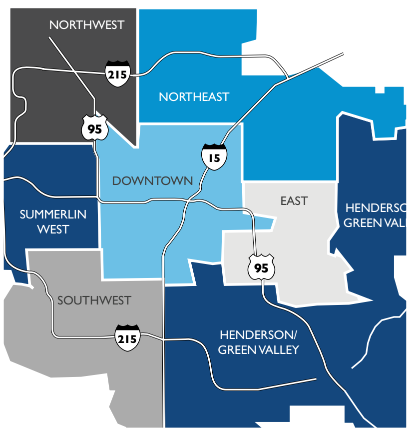
LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT

Colliers INTERNATIONAL



CLARK COUNTY ECONOMIC DATA

	Current Period	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

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.

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

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

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%

Source: Real Capital Analytics

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

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)*

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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