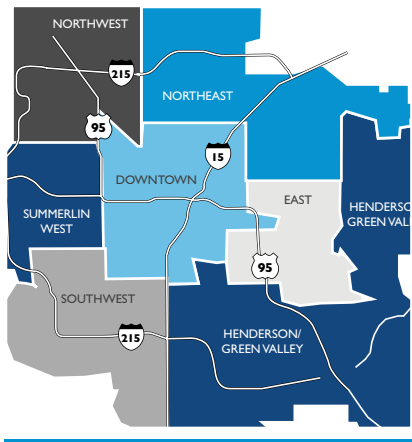


LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT



MultiFamily Market Review

Multifamily vacancy declined in the fourth quarter of 2011, dropping to 7.3 percent, a decline of 0.7 points from the third quarter of 2011. Performance was positive for all property classes, with the largest decline in vacancy being experienced in Class C product. Quarterly net absorption was positive for all classes of multifamily, but not in all submarkets. Negative net absorption was experienced in the East, Northeast and Southwest submarkets in the fourth quarter of 2011. For the year as a whole, Southern Nevada's multifamily market absorbed 1,238 units, most of this in the Summerlin West, Downtown and Henderson/Green Valley submarkets. Class A multifamily had positive net absorption of 199 units for the fourth quarter, but year-to-date net absorption was a negative 56 units. Asking rents remained stable for one-bedroom apartments in the fourth quarter of 2011 and were down for two- and three-bedroom units. The only market segments to see rising asking rents in the fourth quarter were one-bedroom apartments in the Downtown and Henderson/Green Valley submarkets.

Class A multifamily now has the highest vacancy among classes in Southern Nevada, possibly from a combination of high-end renters cycling back into single family residences and others moving into Class B properties, which now have the lowest vacancy among classes at 6.2 percent.

Over the past 12 months, Southern Nevada added 9,000 new jobs, primarily in leisure and hospitality and the professional and business services sectors. The big job losers these past twelve months have been financial activities, trade, transportation and utilities and government. Unemployment in the Las Vegas-Paradise MSA stood at 12.5 percent as of November 2011. As people get back to work, the multifamily they seek out may shift from older Class C to newer Class B or A properties.

The monthly driver's license count increased by 4.0 percent between November 2010 and 2011 and the residential electric meter count was up by 1.6 percent over the same period, suggesting that Southern Nevada's population continues to grow, albeit 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 13,389 units in distressed multifamily 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 an increase from last quarter's 12,909 units. Over the past twelve months, distressed multifamily projects consisting of 7,160 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 88 percent.

Multifamily sales have shown significant recovery in 2011 from the low-point hit in 2009, when only 822 units sold. In the fourth quarter, sales encompassed almost 7,000 units at an average price per unit of \$52,900. This is an increase not only in the number of units sold over 2010, but also an increase in the average price per unit. The average cap rate also increased from 2010 to 2011, finishing at 8.3 percent.

CLARK COUNTY ECONOMIC DATA

	Current Q4-11	Year Ago Q4-10
Unemployment Rate	12.5%	14.8%
Visitor Volume*	30,100,000	29,045,000
Gaming Revenue*	\$6.9 B	\$6.7 B
Taxable Sales YTD*	\$22.1 B	\$21.0 B
Commercial Occupancy	83.7%	83.6%
New Home Sales YTD*	2,685	3,752

*Q3 is the latest available

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

MARKET COMPARISONS

MULTI-FAMILY MARKET

CLASS	COMPLEXES	EXISTING PROPERTIES				ABSORPTION			RENTS		
		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	108	8.0%	8.6%	1,244	12	26	\$754	\$836	\$858
B	22	6,096	421	6.9%	7.9%	5,675	103	134	\$633	\$778	\$914
C	98	26,895	2,447	9.1%	9.6%	24,448	(80)	189	\$573	\$731	\$830
Total	125	34,343	2,976	8.7%	9.2%	31,367	35	348	\$653	\$782	\$867
EAST											
A	5	1,455	106	7.3%	7.4%	1,349	2	50	\$710	\$870	\$885
B	7	1,952	119	6.1%	4.1%	1,833	(4)	43	\$632	\$739	\$831
C	31	8,190	680	8.3%	7.6%	7,510	-	8	\$541	\$644	\$772
Total	43	11,597	905	7.8%	7.0%	10,692	(2)	101	\$628	\$751	\$829
HENDERSON/GREEN VALLEY											
A	16	5,238	424	8.1%	6.1%	4,814	74	(57)	\$989	\$1,028	\$1,153
B	40	11,476	631	5.5%	6.2%	10,845	103	149	\$750	\$885	\$1,096
C	43	11,462	653	5.7%	6.0%	10,809	230	195	\$600	\$759	\$932
Total	99	28,176	1,708	6.1%	6.1%	26,468	407	287	\$780	\$891	\$1,060
NORTHEAST											
A	3	838	92	11.0%	7.3%	746	7	(18)	\$681	\$798	\$1,051
B	7	2,084	227	10.9%	8.0%	1,857	(87)	71	\$627	\$737	\$833
C	11	3,913	325	8.3%	13.2%	3,588	(43)	43	\$547	\$649	\$793
Total	21	6,835	644	9.4%	10.9%	6,191	(123)	96	\$618	\$728	\$892
NORTHWEST											
A	7	2,547	242	9.5%	14.7%	2,305	89	3	\$789	\$939	\$1,104
B	6	1,929	112	5.8%	7.3%	1,817	(14)	37	\$624	\$761	\$969
C	1	532	8	1.5%	3.9%	524	-	22	\$589	\$694	n/a
Total	14	5,008	362	7.2%	10.7%	4,646	75	61	\$667	\$798	\$1,037
SOUTHWEST											
A	17	4,710	301	6.4%	8.1%	4,409	15	(47)	\$829	\$1,037	\$1,167
B	14	3,435	179	5.2%	6.3%	3,256	6	34	\$730	\$878	\$1,069
C	3	812	77	9.5%	5.3%	735	(45)	(40)	\$684	\$845	\$963
Total	34	8,957	557	6.2%	7.2%	8,400	(24)	(52)	\$748	\$920	\$1,066
SUMMERLIN WEST											
A	2	554	62	11.2%	11.2%	492	-	(12)	\$916	\$1,129	\$1,190
B	26	7,673	445	5.8%	7.9%	7,228	130	177	\$747	\$898	\$1,071
C	14	4,845	213	4.4%	8.5%	4,632	233	233	\$639	\$766	\$929
Total	42	13,072	720	5.5%	8.1%	12,352	363	397	\$693	\$832	\$1,000
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



"...as Downtown becomes the hip place to be in Las Vegas, demand for high quality multifamily in the area will rise."

Image courtesy of Shutterstock.com

The coming year will bring a plethora of multifamily mortgage maturities, and with little ability to refinance, those maturities will bring a wave of defaults. To date, mortgage holders in Southern Nevada have been holding off those defaults, creating an artificially low supply of investment properties in the market, especially when compared to other large cities in the Southwest. When the wave hits, however, mortgage holders may have little choice but to take the properties back and put them on the market, creating downward pressure on prices and a potential bonanza for investors. On the down side, the election cycle of 2012 has the potential to cool off investments until folks have a better idea of where the tax code is heading beyond 2012.

Las Vegas is the only major market in which multifamily investments have not completely recovered. The artificially low supply mentioned above has kept prices higher than in other markets and driven cap rates for well located Class A and B properties in the range of 6.0 to 7.5 percent. A wave of defaults may well change this dynamic.

The story of 2012 and beyond may be the Downtown submarket. With Zappos definitely moving into a new headquarters in Downtown and various investors lining up something in the neighborhood of \$500 million to invest in real estate, a renaissance may be in the cards. The number of new residents in Downtown is still unknown, and could be fewer than many think, but as Downtown becomes the hip place to be in Las Vegas, demand for high quality multifamily in the area will rise. There is vacant land to be had in Downtown for development, but the trick may be in negotiating the right price.

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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HISTORICAL MULTI-FAMILY DATA

	2011	2010	2009	2008	2007
Units Sold	6,995	2,889	822	3,991	11,403
Average Price/Unit	\$52,900	\$43,600	\$66,900	\$85,300	\$119,700
Cap Rate	8.3%	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
Roman Villas	Oct 2011	191	\$10,500,000	\$55,000	1972
Dolce By the Lakes	Oct 2011	184	\$9,000,000	\$49,000	1989
4183 Tara Ave	Nov 2011	333	\$8,500,000	\$26,000	1972
Maryland Park Apartments	Nov 2011	135	\$4,500,000	\$33,000	1972

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)



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