

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Industrial Market Review

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.

MARKET INDICATORS

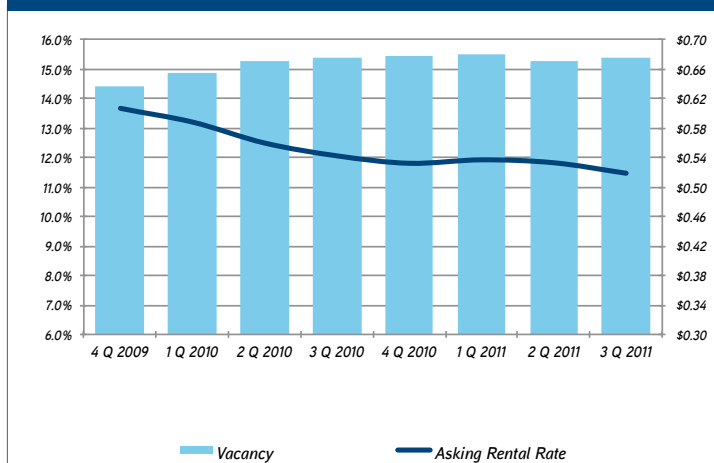
	Q3-11	Projected Q4-11
VACANCY	↑	↑
NET ABSORPTION	↓	→
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↓

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

HISTORICAL VACANCY AND ASKING LEASE RATES



“The mass extinction event that was the “Great Recession” might have ended, but we now find ourselves in a stalemate at best and a slow decline at worst.”



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

INDUSTRIAL MARKET SUMMARY

	Q3-11	Q2-11	Q3-10	Q-0-Q Change	Y-0-Y Change
Vacancy Rate	15.4%	15.3%	15.4%	0.6%	0.0%
Asking Rent (PSF, NNN)	\$0.52	\$0.53	\$0.54	-2.7%	-3.9%
Net Absorption (SF)	-72,335	221,030	100,065	-132.7%	-172.3%
New Completions (SF)	25,000	0	230,928	n/a	-89.2%

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

took 51 percent of the square feet leased or sold so far in 2011, down from 66 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

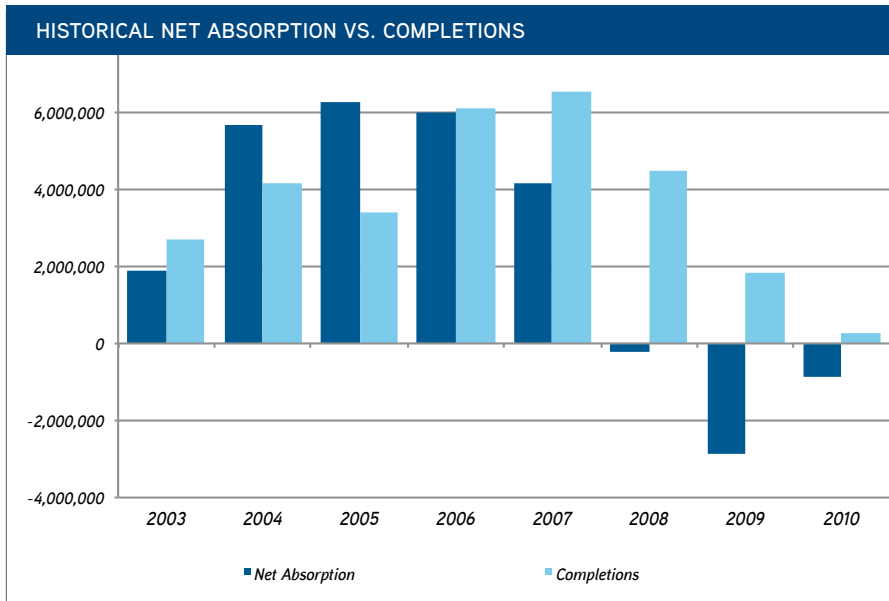
about right in pricing their properties. The largest gap was in incubator projects, at \$0.15 psf, while the smallest was in warehouse/distribution projects, where there was no gap between asking and achieved lease rates.

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

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



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 Using the Consumer Price Index, All Urban Consumers, West Region, Class A Cities, 1982-1984 = 100

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

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 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

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%

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

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.

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 staunch. 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."

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



512 offices in 61 countries on 6 continents

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

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- Over 12,500 professionals

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