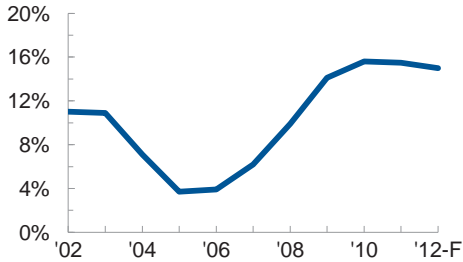


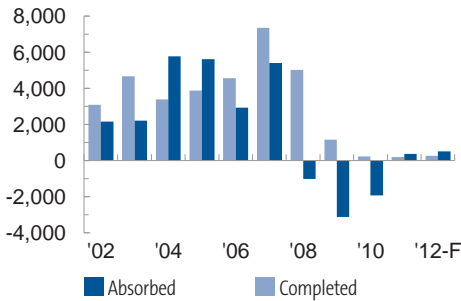
Vacancy Rate



Steady Path Ahead

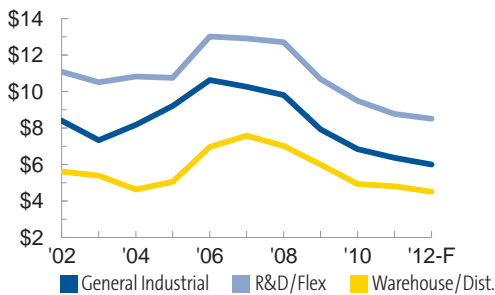
Leasing activity in the Las Vegas industrial market throughout 2011 was relatively quiet. The majority of transactions completed revolved around tenant relocation where tenants were able to find enticing lease rates or concessions in desirable parts of town. This was evident by minor shifts in vacancy across all submarkets during the year. With very little new construction completed most of the activity done was from local businesses. In 2012 lease rates are expected to bottom out as absorption and vacancy reach equilibrium.

Completions vs. Absorption
(in Thousands of SF)



Industrial sales in 2011 were a mixture of REO properties and non-distressed, single owner/user buildings. Distressed properties are familiar to the local market and more is expected in the following years. The all-cash investor will have many opportunities to purchase under-performing real estate with the intention of stabilizing them for a long term hold, or positioning them for sale in the next several years. There continues to be a large amount of both REO and non-distressed owner/user properties in the Las Vegas Valley. REO property pricing will continue to push values downward and sellers will continue to compete with increasingly aggressive pricing.

Asking Rental Rates
(\$/SF/Yr. NNN)



2011 REVIEW

In 2011, the Airport and Northwest Submarkets exhibited the highest vacancy rates across the valley each quarter; however the Central Las Vegas submarket had the most significant gain in vacancy by year-end. By comparison, there were very few fluctuations in the vacancy rate among the submarkets. The southwest submarket was booming, with three times the lease transactions completed as compared to any other area of town. Yet, vacancy barely dropped one tenth a basis point by year end.

(CONTINUED ON PAGE 2)

KEY TRANSACTIONS FOR 2011

<p>KTR Capital Partners LP purchased 1,100,000 SF at Arrowhead Com Ctr in the Airport submarket from EJM Development</p>	<p>*US Micro purchased 125,000 SF at 7608 Tecu in the Southwest submarket from Panattoni Development</p>	<p>Liquidity Services leased 102,400 SF at 3010 Alexander Rd in North Las Vegas from ProLogis Trust</p>	<p>Freeman Audio Solutions leased 86,125 SF at 3325 W. Sunset in the Southwest submarket from Majestic</p>
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*Transaction Represented by Grubb & Ellis

INDUSTRIAL MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	15.6%	15.5%	15.0%
General Industrial Rental Rate ¹	\$6.84	\$6.36	\$6.00
R&D/Flex Rental Rate ¹	\$9.48	\$8.76	\$8.50
Warehouse/Dist. Rental Rate ¹	\$4.92	\$4.80	\$4.60
Net Absorption	(1,019,491)	358,000	500,000
Space Completed	228,880	181,445	250,000

1. Asking rate per square foot per year triple net

(CONTINUED FROM PAGE 1)

This was likely the result of some tenants leaving the submarket or going out of business, while others took advantage of attractive lease rates and relocated there.

Asking lease rates steadily declined over the year, falling between two and three cents per square foot, per quarter. The velocity of decline in 2011 was much less than the previous year which was between five and ten cents per square foot, per quarter. The most noticeable drop was in incubator and R&D/flex rates in the East Las Vegas submarket. However, the efforts of landlords to drop asking rates had very little effect on vacancy in this submarket throughout the year.

There were several lease transactions completed over 50,000 square feet in 2011, one of which was slightly over 100,000 square feet. These transactions took place in the North Las Vegas and Southwest submarkets and were executed in the first half of the year. The majority of leases were signed for five years, with two signed for over 10 years. The average lease term signed in 2011 was 36 months, which is likely a sign of compromise between landlords and tenants who continued to make the best of the economic conditions.

The challenge facing the local market continues to be attracting out of state businesses to relocate into the market. A majority of the sales and leasing transactions completed in 2011 were from local businesses. While Nevada has a very attractive and business friendly tax structure, it has not yet seen the migration of businesses from California that was expected. Despite the downward trend of lease rates and uncommon availability of industrial space over 100,000 square feet, Las Vegas has not been able to compete with lower priced markets such as Phoenix.

2012 FORECAST

With an abundance of vacant industrial space, of all product types, the Las Vegas market will continue to offer many opportunities in the year ahead. Industrial sales in 2011 were a mixture of REO properties and non-distressed, single owner/user buildings. While REO properties are not new to the local market, Grubb & Ellis expects more to come in the near future. 2012 will be a good year for users who are able to secure financing to purchase new or existing industrial space at historically low prices. The competition between REO and non-distressed properties will continue throughout the year for as long as the low end benchmark for sales prices is set by REO properties.

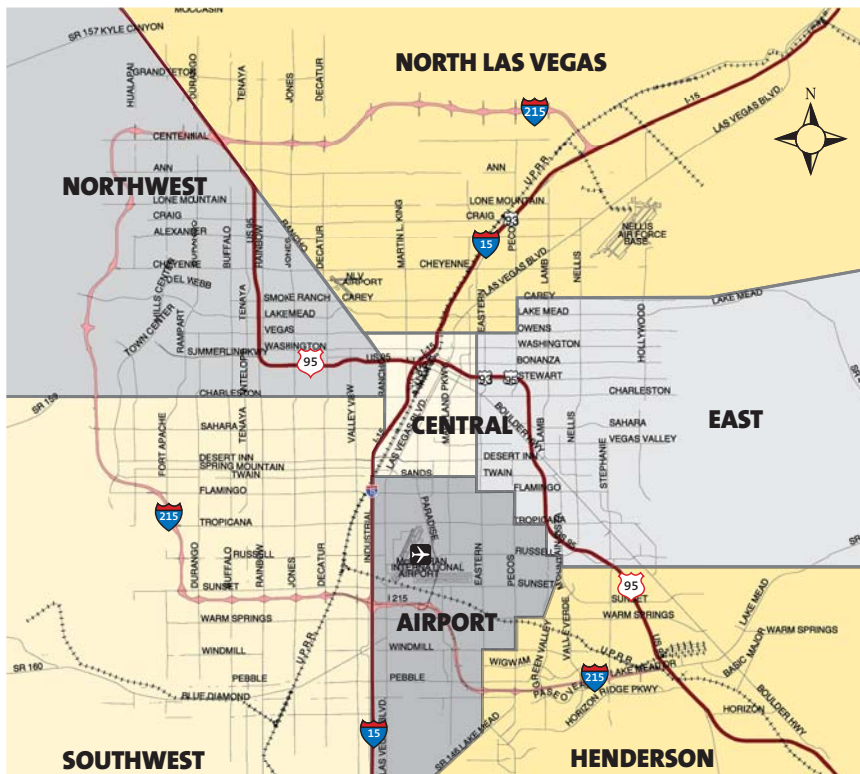
Lease rates are expected to stay relatively flat in the year ahead for most product types. The projected activity in the first half of 2012 may leave the local market with few available spaces over 100,000 square feet and the demand for this product type may warrant an increase in lease rates towards the end of the year. Leases signed five to seven years ago before the great recession will expire soon and landlords will have an uphill battle to renew their existing tenants without sacrificing rates and concessions. Some tenants may also be hesitant to make any major decisions until after the presidential election and opt for a short-term lease, while others will take advantage of the vulnerability of the market.

Significant development came to a halt several years ago and until existing product is absorbed, there will be little to no need for new construction. Of the few completed industrial buildings in 2011, those finished were built-to-suit to be fully occupied when finished. When the demand for new construction returns to the industrial market in the years ahead, it is conceivable that many of the planned projects that started several years ago will go back to the drawing board in hopes of favoring current tenant needs.

The demand for industrial space in the valley has lessened over recent years. This is largely attributed to the oversaturation of residential building during the boom and foreclosures during the bust. The economic burdens of the nation have weighed heavily on the Las Vegas market, and recovery has been slow. However, not all is doom and gloom. Existing home sales, tourism and taxable sales were up in the second half of 2011 and unemployment was the lowest it had been all year. Las Vegas remains one of the top entertainment destinations in the world and one of the most enticing places to do business. People will always visit Las Vegas and the return of consumer confidence on the national level will once again give life to the local economy and increase the need of the local industrial market to support the services of the city.

By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		WH/Dist	R&D/Flex
Airport	13,143,119	2,546,699	19.4%	19.5%	43,023	(46,592)	-	\$0.47	\$0.74
Central Las Vegas	5,342,808	496,020	9.3%	9.3%	7,285	6,279	-	\$0.32	-
East Las Vegas	3,171,628	437,633	13.8%	13.8%	(68,012)	(74,396)	-	\$0.25	\$0.58
Henderson	12,515,781	1,447,512	11.6%	12.2%	35,514	252,001	-	\$0.36	\$0.67
North Las Vegas	30,152,335	4,409,584	14.6%	15.0%	(119,786)	470,513	-	\$0.35	\$0.49
Northwest	606,345	110,924	18.3%	22.5%	3,428	99,392	-	-	\$0.77
Southwest	34,445,909	6,002,537	17.4%	17.7%	79,287	(350,105)	-	\$0.46	\$0.79
Totals	99,377,925	15,450,909	15.5%	15.9%	(19,261)	357,092	-	\$0.40	\$0.73

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT	
								WH/Dist	R&D/Flex
General Industrial	48,841,366	6,036,396	12.4%	12.7%	140,118	966,375	-	\$0.53	
Incubator	4,285,931	1,011,291	23.6%	23.8%	62,775	(174,771)	-	\$0.64	
R&D/Flex	10,517,116	2,484,248	23.6%	24.2%	67,152	(176,215)	-	\$0.73	
Warehouse/Distribution	35,733,512	5,918,974	16.6%	16.9%	(289,306)	(258,297)	-	\$0.40	
Totals	99,377,925	15,450,909	15.5%	15.9%	(19,261)	357,092	-	\$0.53	



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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Net Absorption: The net change in physically occupied space over a period of time.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of Nevada and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed

by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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