

Industrial

3RD QUARTER REPORT 2010



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Industrial Market Overview



AT A GLANCE

- Industrial vacancy rates in the Las Vegas area once again rose this quarter, this time by 99 basis points, to 15.1% in comparison to 15.0% in the second quarter. The current vacancy rate is up 1.8% from a year ago when rates averaged 13.4%. With new development at a stand still, vacancy is starting to stabilize as space is absorbed.
- Average asking lease rates stated steady throughout the past quarter. By the end of third quarter 2009, the market showed an average rate of \$0.69 per square foot (psf), however by the end of third quarter 2010 the rate dropped to \$0.60 psf.
- Developers have halted many projects resulting in no new construction completions during first quarter. Going forward, only small amount of under construction product is still in the pipeline. With the continued hesitation of developers to build product in the current economic conditions, we don't expect much of the planned product to come online any time soon.
- The economic outlook continues to be a growing concern for both landlords and tenants as the market still is showing tight credit terms; rising inflation and rising unemployment which continues to affect the Las Vegas area.

INDUSTRIAL MARKET INDICATORS

	Current	Change since	
		3Q09	3Q10
Vacancy	15.13%	↑	↑
Lease Rates	\$0.60 NNN	↓	↓
Net Absorption*	-349,913	↓	↑
Construction	N/A	↓	↓

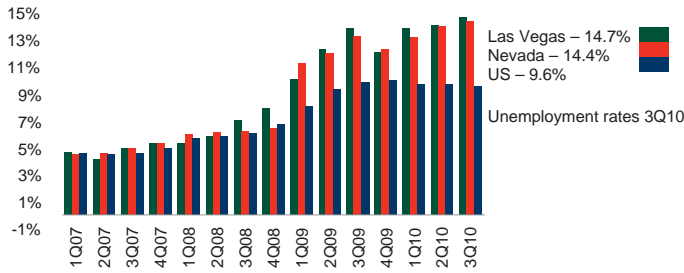
**The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, But still represent a positive specified trend over a period.)*

NATIONAL AND STATE EMPLOYMENT AND UNEMPLOYMENT OVERVIEW

The recession, which is said to have started in December 2007 and ended in June 2009, continues to hit the national unemployment rate, which is currently 9.6%.

This unemployment rate is a 28 year high for the country and equals to roughly 15 million unemployed workers that are now drawing unemployment insurance benefits. In August, 27 states recorded unemployment rate increases. The highest regional jobless rates were in the Western part of the country, while the Northeast recorded the lowest rates. In May, Nevada took over the top spot from Michigan for the nation's highest unemployment rate, at 14.4%. The states with the next highest rates were Michigan, 13.1% and California at 12.4%. The Las Vegas economy also continues to be impacted by downturns and high employment rate, currently 14.7%, in all major sectors, including gaming, construction, financial and real estate. The recession will most likely be a "jobless recovery." Since World War II there have been a total of 11 recessions and in the most recent recessions before the 2007 recession, job growth lagged long after the recession. In fact it took several years





for the unemployment rate to return back to pre recession levels. Employment growth is critical to future economic growth and the return to a healthy commercial market which may take several years to accomplish.

LAS VEGAS MARKET OVERVIEW

As we end the mid point part of the year, we continue to look for signs of recovery. Experts around the nation believe that recovery will start to show by early 2011. UNLV Economics Department Chairman, Dr. Stephen Miller says “improvements in taxable sales, gaming revenue and McCarran Airport passenger counts are good indicators of an improving economy (for the Las Vegas market).” Miller goes on to state that “a lot of things are happening locally that are suggestions that the economy is trying to reach bottom and turn around.” While Southern Nevada’s local economy may be starting to see the bottom of the commercial recession period, some experts are still analyzing declining property values, maturing commercial loans, ownership vs. leasing, the benefit of receiverships and the local business activity.

According to Kenneth P. Riggs, President and CEO of RERC, “The past decade has served up some tough lessons about acting on our gut instincts and about what makes sense and what simply does not fit with sustainable practices. But for investors seeking to seize market opportunities, 2010 is time to gear up for a possible once-in-a-lifetime opportunity to snag key long-term investments in commercial real estate.” In 2010, with leasing activity lagging, we are seeing more landlords willing to hang “For Lease” and “For Sale” signs on their buildings. John Kulper, president of Commercial Alliance of Realtors, wrote “While lenders generally are avoiding investment real estate, owner-occupied commercial real estate is beginning to look attractive again.” Real Capital Analytics also agrees stating that “owner-occupied purchase now represent almost 10% of global transactions and will be involved in a greater share of property deals.” In a recent study, most commercial brokerage firm’s executives believe that “real estate prices now make it more financially advantageous to buy rather than lease.” In the Las Vegas market, commercial property values and asking rates started to stabilize this quarter which may help with the decision to either buy or lease.

ECONOMIC INDICATORS			
National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	12.1%	14.7%	14.5%
Employment Growth	-6.2%	-1.8%	0.4%
Source: Moody's Economy.com			
SIGNIFICANT 3Q 10 NEW LEASE TRANSACTIONS			
BUILDING	TENANT	SF / Actual Rate	PROPERTY TYPE
7000 Placid St	Foliot Furniture	309208 / \$0.55	Warehouse
4150 Industrial Ctr Dr	Czarnowski Display Services	214201 / \$0.31	Warehouse
6857 Speedway Blvd	BRC Coach & Transit	511192 / \$0.20	Warehouse
SIGNIFICANT 3Q 10 SALE TRANSACTIONS			
BUILDING	BUYER	SF	PURCHASE PRICE
7600 Eastgate	West Penn Group LLC	130,000	\$7,500,000
4750 Copper Sage	Autumn Spring LLC	34,155	\$2,650,000
3560 S Valley View	Color Reflections LLC	25,600	\$3,370,000
SIGNIFICANT 3Q 10 CONSTRUCTION COMPLETIONS			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
N/A			
SIGNIFICANT PROJECTS UNDER CONSTRUCTION			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
N/A			



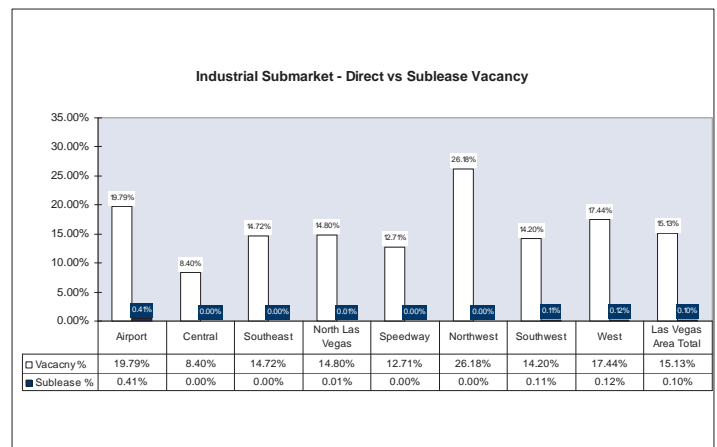
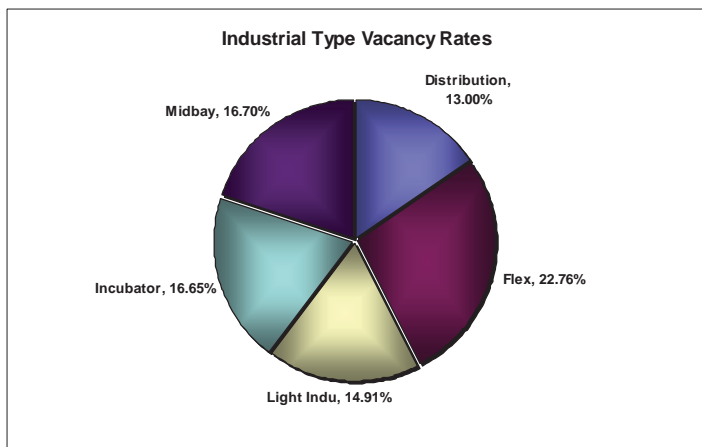
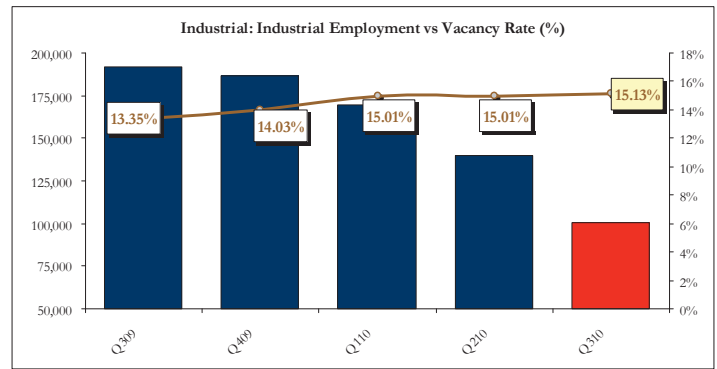
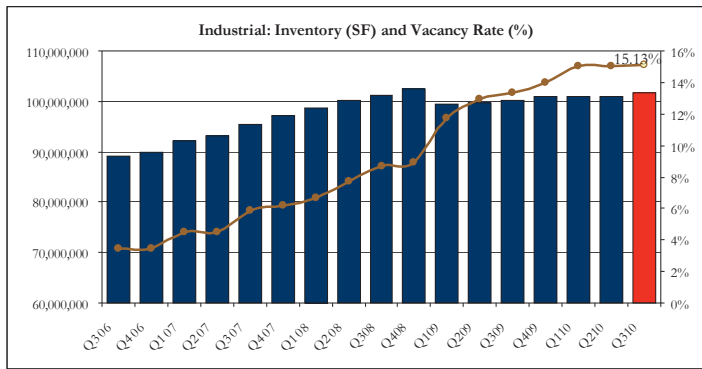
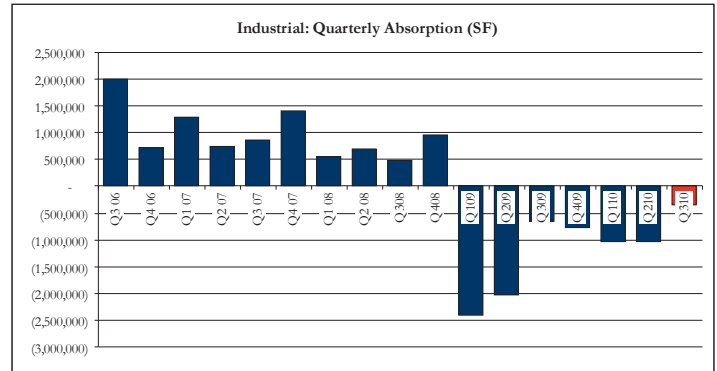
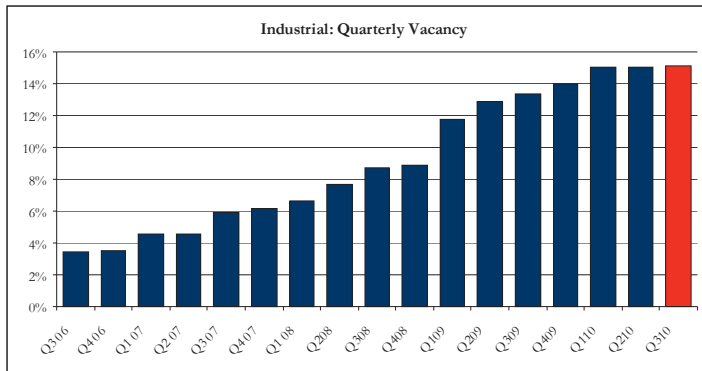
Industrial Market Overview

LAS VEGAS INDUSTRIAL MARKET

Vacancy

The Las Vegas industrial market posted additional upward movement in vacancy rising to 15.13% during 3rd quarter 2010. The Central submarket continues to show the lowest vacancy rate at 8.40% along with Speedway at 12.71% and Southwest submarket at 14.20%. The highest vacancy submarkets are the Northwest at 26.18%, Airport at 19.79% and West submarket at 17.44%. The

high vacancy rates are driven by weak tenant demand and marginal stability, combined with lease concessions, defaults and downsizing. Net absorption, the measure of space leased from one reporting period to the next, for the 3rd quarter was at -349,913. Although net absorption is still in the negatives this is an improvement from last quarter where net absorption ended at -1,038,635. The Airport submarket showed the greatest amount of positive absorption with over 147,363 sf for 3rd quarter while the West submarket posted the least amount with -198,029 sf of negative absorption.



New Supply (Completions) and Market Demand

Developers have halted many projects resulting in no new construction completions during 3rd quarter. Going forward, only a few under construction product is still in the pipeline. With the continued hesitation of developers to build product, due to scarce construction financing and weak rents, we also don't expect much of the planned product to come online any time soon. Future new supply levels will continue to shrink as market corrections are underway. It may take another five years for the housing market to become stable, credit to start flowing and employment to become active again before any rise in construction numbers. For a smart recovery, the industrial market needs to solve the imbalance of supply and demand by allowing existing vacant space to be absorbed and wait out this business cycle before any major growth should happen.

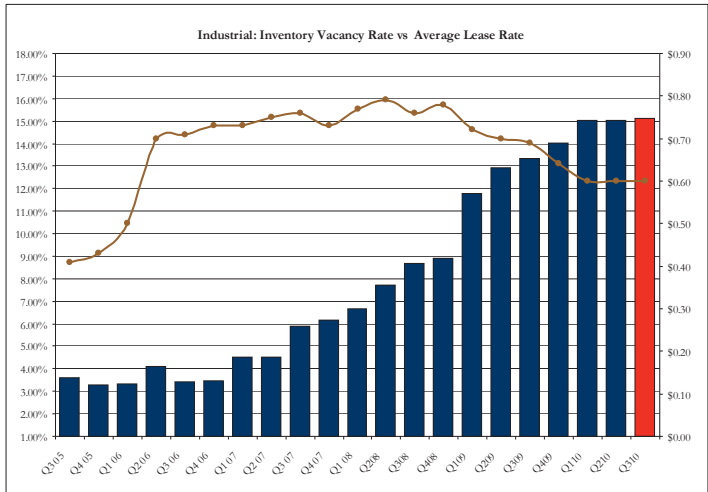
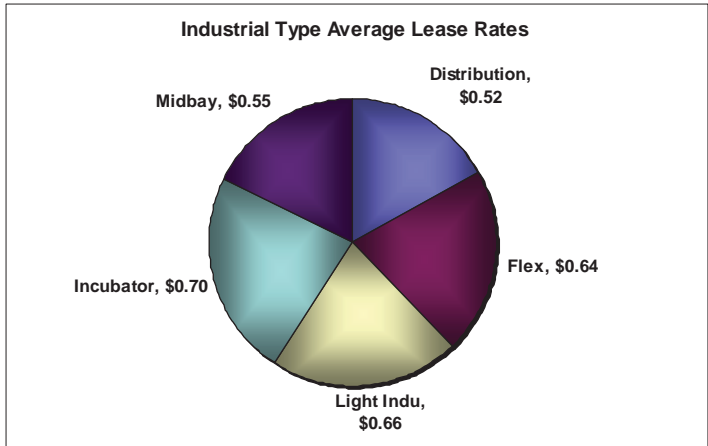
We are optimistic that the bottom is near and compared to last year, vacancy is not rising and lease rates are not falling as fast or as far as we were witnessing.

Pricing (Average Asking Rents)

Pricing within the industrial sector remained stable. Landlords continue to work with tenants and try to offer better tenant improvement allowances, greater concessions, however as they become more debt constrained they are resisting the lowering of asking rental rates. Short term leases seem to be a trend in the market where tenants have a controlling position. The effect of extended lease up periods, slow economic conditions and growing commercial defaults will contribute to increased repossession activity by lenders that may result in further price adjustments.

The market wide industrial average asking rental rate remain stable at \$0.60 per square foot, the lowest rate we have seen since first quarter 2006 when it was at \$0.50 per square foot. By product

type, average distribution lease rates rose from \$0.50 2nd quarter, to \$0.52 per square foot at the end of the 3rd quarter. Light industrial units reported rents of \$0.66 per square, while flex space averaged \$0.64 per square foot, a drop from 2nd quarters \$0.68 rate. Pricing for midbay type rose from 2nd quarter's average asking rate of \$0.54, to \$0.55 per square foot in 3rd quarter. While incubator space came in at \$0.70 per square foot, a drop from 2nd quarters \$0.72 rate.



Outlook

We still expect to not see any true recovery until the middle of next year. The market will continue to be impacted by cautious consumer/companies activity, causing vacancies to remain elevated and most likely continue to increase. In a report produced by UNLV's CBER "Southern Nevada business will continue to struggle with the after effects of the deepest recession in the US since the Great Depression. To date, Southern Nevada has not enjoyed the



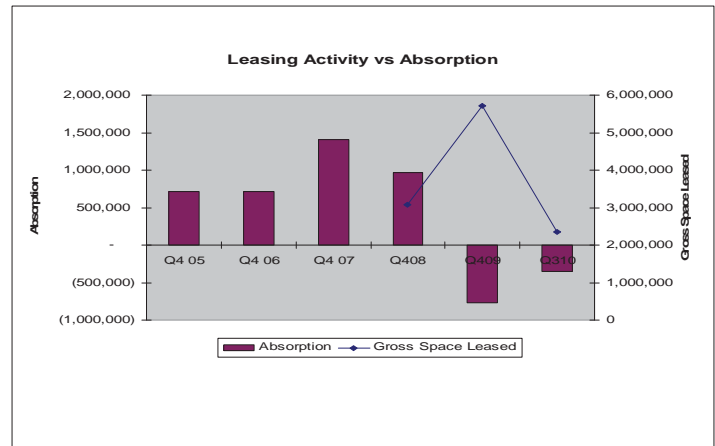
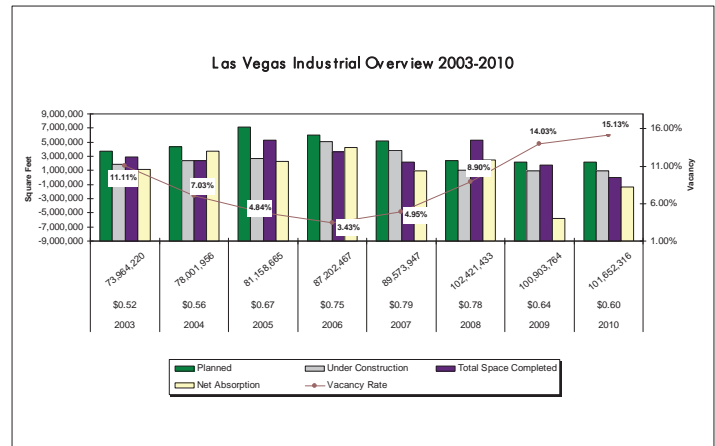
Industrial Market Overview

same level of increase in business activity as the rest of the US.” The local economy will not pick up until we see robust growth in hiring and according to the survey with only 10 % of business anticipated to hire more workers, the recovery will be very slow for the Las Vegas area. We are optimistic that the bottom is near and compared to last year, vacancy is not rising and lease rates are not falling as fast or as far as we were witnessing.

On a national outlook, the Federal Government continues to monitoring the weakness of the commercial real estate market. The Feds believe that the weakness of commercial loans, even though it is not considered as much as a threat as thought at the beginning of the year, is still a serious problem because the whole economy could be hit, much like the housing bust has caused. Troubled commercial real estate loans could be the primary force behind bank failures this year. Elizabeth Warren, chair of the TARP Congressional Oversight panel stated that “around half of all commercial mortgages will be underwater by the end of 2010, posing a very serious problem for the economy over the next three years.”

INDUSTRIAL BUILDINGS CAN BE CLASSIFIED AS FOLLOWS:

- Manufacturing Building (Incubator / Midbay): Incubator – 500-3,500 sf divisibility, minimal office, one roll-up door. Midbay – 5,000-15,000 sf divisibility, 10-15% office build-out, dock high and grade level loading.
- Warehouse/Distribution Building: Distribution: Over 15,000sf divisibility, 3-5% office build-out, multiple docks and grade level loading, minimum 24’ clear height.
- High-Tech Building: Light Industrial – minimum 3,500 – 4,999 sf, grade level loading
- Office Service/Flex Building: Flex: up to 100% office build out, grade level loading, minimum 3.5/1,000 parking



Industrial Market Overview

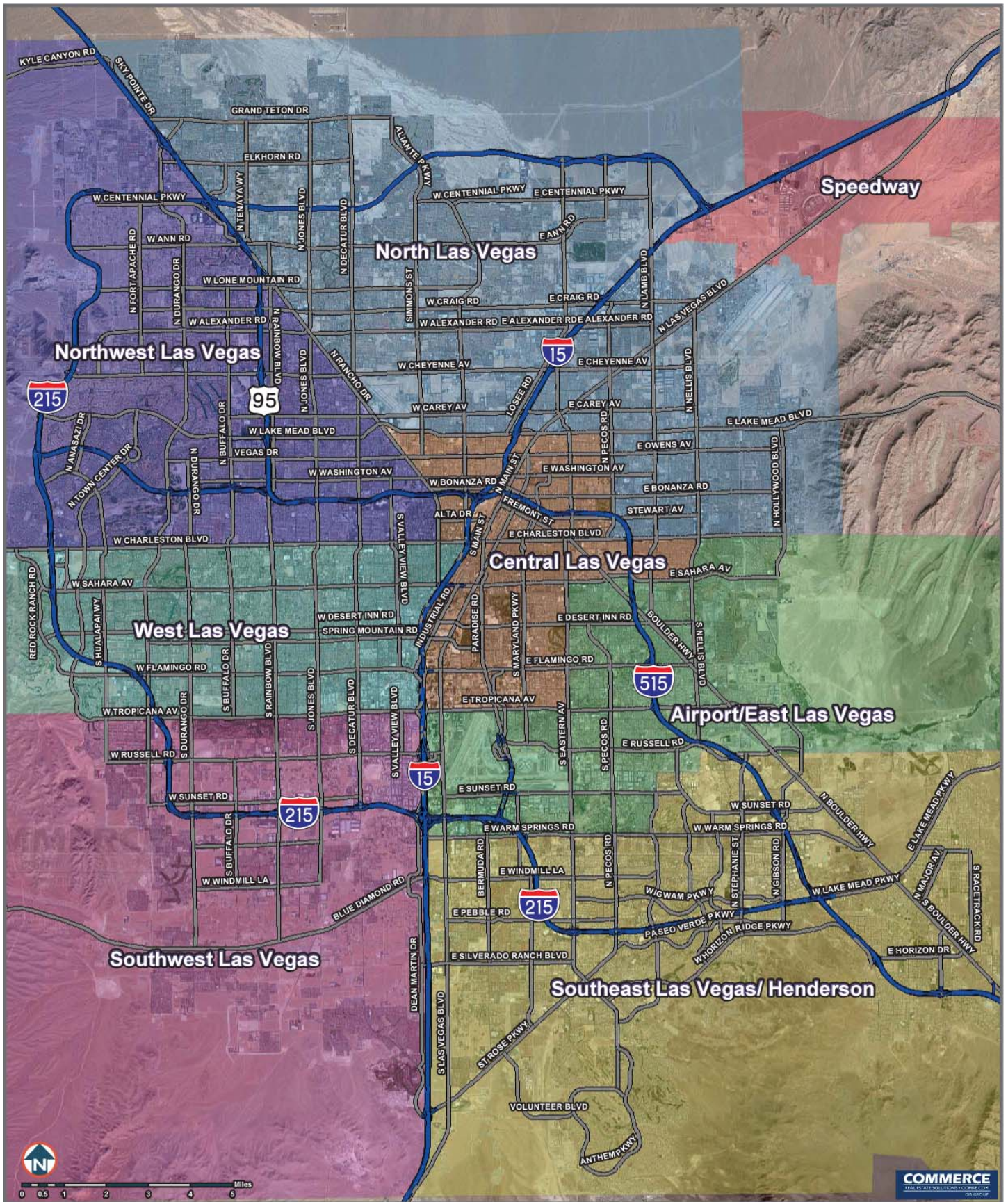
Commerce Las Vegas Industrial Market Report Q3 2010

	Inventory				Vacancy		Demand & Supply			Pricing		
	No. of Bldgs.	Existing SF	Under Const. SF	Planned SF	Vacancy SF	Rate	Net Absorption	New Supply	Gross Space Leased	Asking Rates *	Weighted	Actual *
										Low	Avg.	Avg.
Airport												
Distribution	111	5,658,606	-	-	797,308	14.09%	244,917	-	511,759	\$0.25	\$0.55	
Flex	66	1,832,203	-	-	569,803	31.10%	8,828	-	32,282	\$0.29	\$0.76	
Light Industrial	12	52,234	-	-	-	0.00%	-	-	-			
Incubator	79	1,867,406	-	-	376,650	20.17%	(8,441)	-	64,734	\$0.32	\$0.77	
Midbay	161	3,493,378	-	-	810,283	23.19%	(97,941)	-	78,462	\$0.29	\$0.63	
Airport Total	429	12,903,827	-	-	2,554,044	19.79%	147,363	-	687,237	\$0.25	\$0.68	\$0.62
Central												
Distribution	110	3,821,141	-	-	315,645	8.26%	7,885	-	22,885	\$0.25	\$0.49	
Flex	10	112,213	-	-	23,000	20.50%	2,900	-	9,300	\$0.44	\$0.47	
Light Industrial	3	14,608	-	-	-	0.00%	4,848	-	4,848			
Incubator	101	2,053,734	-	-	181,165	8.82%	(2,220)	-	20,275	\$0.25	\$0.60	
Midbay	231	2,421,422	-	-	187,392	7.74%	45,510	-	50,860	\$0.27	\$0.57	
Central Total	455	8,423,118	-	-	707,202	8.40%	58,923	-	108,168	\$0.25	\$0.53	\$0.55
Southeast												
Distribution	107	7,966,567	-	-	936,405	11.75%	52,569	-	100,317	\$0.25	\$0.52	
Flex	29	476,294	-	-	40,541	8.51%	14,160	-	14,160	\$0.50	\$0.75	
Light Industrial	11	60,861	-	-	4,642	7.63%	(4,642)	-	-	\$0.50	\$0.68	
Incubator	49	867,035	-	-	171,998	19.84%	(71,991)	-	3,872	\$0.30	\$0.81	
Midbay	200	2,890,576	-	-	651,558	22.54%	(3,515)	-	41,751	\$0.29	\$0.53	
Southeast Total	396	12,261,333	-	-	1,805,144	14.72%	(13,419)	-	160,100	\$0.25	\$0.66	\$0.55
North Las Vegas												
Distribution	240	20,842,209	-	-	2,710,396	13.00%	(96,305)	-	299,058	\$0.15	\$0.41	
Flex	32	731,500	-	-	149,034	20.37%	37,242	-	45,910	\$0.25	\$0.57	
Light Industrial	54	239,519	-	-	25,786	10.77%	858	-	8,536	\$0.49	\$0.68	
Incubator	79	1,248,683	-	-	494,958	39.64%	(3,019)	-	26,745	\$0.20	\$0.55	
Midbay	336	4,703,634	-	-	729,206	15.50%	(54,646)	-	75,633	\$0.17	\$0.45	
NLV Total	741	27,765,545	-	-	4,109,380	14.80%	(115,870)	-	455,882	\$0.15	\$0.53	\$0.41
Speedway												
Distribution	9	889,091	-	-	100,642	11.32%	26,707	-	78,833	\$0.23	\$0.24	
Flex	7	346,350	-	-	33,805	9.76%	(21,138)	-	-	\$0.25	\$0.26	
Light Industrial	-	-	-	-	-	0.00%	-	-	-			
Incubator	2	26,887	-	-	-	0.00%	-	-	-			
Midbay	20	1,314,491	-	-	193,032	14.68%	(47,294)	-	45,975	\$0.25	\$0.34	
Speedway Total	38	2,576,819	-	-	327,479	12.71%	(41,725)	-	124,808	\$0.23	\$0.28	\$0.28
Northwest												
Distribution	8	489,681	-	-	196,326	40.09%	(5,933)	-	19,914	\$0.49	\$0.76	
Flex	23	374,423	-	-	101,831	27.20%	4,371	-	16,785	\$0.40	\$0.71	
Light Industrial	-	-	-	-	-	0.00%	-	-	-			
Incubator	10	232,073	-	-	19,503	8.40%	(4,086)	-	-	\$0.40	\$0.74	
Midbay	3	155,000	-	-	9,920	6.40%	-	-	-	\$0.65	\$0.65	
Northwest Total	44	1,251,177	-	-	327,580	26.18%	(5,648)	-	36,699	\$0.40	\$0.72	\$0.71
Southwest												
Distribution	132	11,931,949	-	-	1,365,922	11.45%	(89,328)	-	159,656	\$0.45	\$0.65	
Flex	96	2,552,267	-	-	640,621	25.10%	(23,645)	-	64,936	\$0.35	\$0.76	
Light Industrial	37	287,232	-	-	61,064	21.26%	(58,776)	-	-	\$0.45	\$0.62	
Incubator	129	2,717,761	-	-	338,963	12.47%	(29,351)	-	90,721	\$0.20	\$0.68	
Midbay	444	7,399,568	-	-	1,126,479	15.22%	19,592	-	245,519	\$0.25	\$0.56	
Southwest Total	838	24,888,777	-	-	3,533,049	14.20%	(181,508)	-	560,832	\$0.20	\$0.65	\$0.55
West												
Distribution	76	3,150,098	-	-	696,703	22.12%	(85,400)	-	22,953	\$0.35	\$0.57	
Flex	40	1,014,150	-	-	134,826	13.29%	7,853	-	25,425	\$0.30	\$0.80	
Light Industrial	10	116,318	-	-	23,431	20.14%	(11,852)	-	-	\$0.60	\$0.67	
Incubator	144	3,822,276	-	-	553,585	14.48%	12,630	-	98,521	\$0.30	\$0.72	
Midbay	240	3,478,878	-	-	610,949	17.56%	(121,260)	-	72,833	\$0.25	\$0.64	
West Total	510	11,581,720	-	-	2,019,494	17.44%	(198,029)	-	219,732	\$0.25	\$0.68	\$0.57
Las Vegas Total	3,451	101,652,316	-	-	15,383,372	15.13%	(349,913)	-	2,353,458	\$0.15	\$0.60	\$0.47

* All rates are asking, published prices. Actual* (negotiated) deals completed rates may vary due to market conditions and may not be based on a NNN rate. Weighted average rates include sublease pricing.



Industrial Market Overview



COMMERCE | FULL SERVICE COMMERCIAL REAL ESTATE SOLUTIONS

Commerce Real Estate Solutions has been among the top commercial real estate brokerage firms in the Intermountain West for over 30 years. From our headquarters in Salt Lake City and offices in Provo/Orem, Clearfield and St. George, Utah, Las Vegas, Nevada and Seattle and Bellevue Washington we offer a full range of brokerage services, valuation and consulting, client representation and property/facility management. Our alliance with Cushman & Wakefield extends our reach worldwide.

Meeting your real estate objectives is our number one goal at Commerce Real Estate Solutions. Whether you're looking to lease, own, develop or sell commercial properties, we have the team of professionals to get it done for you. Our seasoned agents are recognized both regionally and nationally for their first-rate performance; and because of their success, they tend to stay with our company longer. The average tenure of Commerce agents is one of the longest in the industry.

That means you're getting an experienced agent when you do business with us. You're also gaining access to our Information Services Group, which includes our Geographic Information System (GIS), the industry standard-bearer in mapping, Graphic Design and Marketing, and Research.

At Commerce we have a complete understanding of the real estate market. Our comprehensive database allows our agents to feel, track and analyze every movement in the industry and to see opportunities as soon as they arise. Combine this with the



global resources of Cushman & Wakefield and you get the most innovative and progressive real estate brokerage in the Intermountain West: Commerce Real Estate Solutions.

Doing business in a brisk and nuanced marketplace is complex and difficult. We can help. Our experience, knowledge, innovative thinking, networking infrastructure and unmatched service make Commerce the clear choice for your commercial real estate needs.

CUSHMAN & WAKEFIELD

Cushman & Wakefield is the world's largest privately-held commercial real estate services firm. Founded in 1917, it has 231 offices in 58 countries and 15,000 employees.

The firm represents a diverse customer base ranging from small businesses to Fortune 500 companies. It offers a complete range of services within four primary disciplines: Transaction Services, including tenant and landlord representation in office, industrial and retail real estate; Capital Markets, including property sales, investment management, valuation services, investment banking, debt and equity financing; Client Solutions, including integrated real estate strategies for large corporations and property owners, and Consulting Services, including business and real estate consulting. A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on its online Knowledge Center at www.cushmanwakefield.com.



Industrial Market Overview

LAS VEGAS INDUSTRIAL TEAM



Leo Biedermann



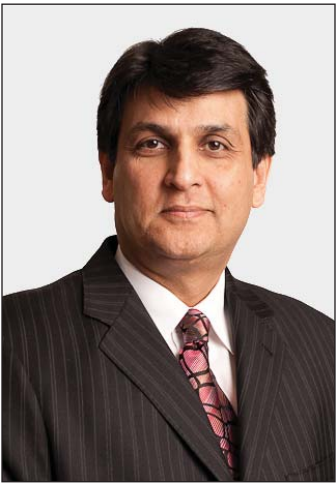
Susan Borst, CCIM



Desiree Crisp



Tom Elkington



Art Farmanali, SIOR



Linda Gonzales



Laura Hart



Jennifer Levine



Amy Ogden



Danielle Steffen



Bill Walsh



Dean Willmore, SIOR





GIS / MAPPING DEPARTMENT

The GIS / Mapping services group provides our agents and clients with the most current information available. Using GIS (Geographic Information Services) allows our clients a unique opportunity to visualize where their property is located. Additional market information includes:

- Daily traffic count information
- Local drive times
- Demographic information
- Population growth
- Major tenants in the region and trade areas

Some clients that have benefited from our mapping / GIS technology are; Wal-Mart, JoAnn's, Carmax, Toys-R-Us, Discount Tire, Lowe's Home Improvement, Shoe Carnival, Chase Bank, Staples, PacifiCorp, GSA, Intel, Fidelity Investments, Social Security Administration, Salt Lake City School District and JP Morgan Bank.

RESEARCH DEPARTMENT

The Commerce Real Estate Solutions Research team is charged with tracking the Utah, Nevada and Seattle commercial real estate markets and providing current market information. With access to industry databases and prime real estate tools, the research team is well-equipped to support the information needs of the local offices.

The Las Vegas researcher tracks leasing activity for 182 million square feet of office,

medical office, industrial and retail properties. In addition to tracking local properties, the research team prepares quality market reports and research economic and demographic trends. Working in tandem with the other office specialty support groups such as mapping, graphic design and marketing, the Research team strives to provide timely and quality information to enable Commerce professionals to better serve their clients.

MARKETING DEPARTMENT

The graphic design department at Commerce Real Estate Solutions employs eight full time

whatever materials necessary to successfully market their projects". This resource allows us to vividly show the retail prospect why they need to be located in a certain segment of town. This department uses the latest in Adobe design programs, and is integrated with our mapping and research departments.

WEB:WWW.COMRE.COM

Commerce Real Estate Solutions was at the forefront in the use of the World Wide Web by commercial real estate firms and has maintained a web site for over ten years. All of our commercial properties are listed and

"Commerce Real Estate Solutions is a regional real estate firm with international ties, dedicated first and foremost to our clients. With the industry's premier professionals, and industry leading technology, our mission is to exceed our clients' expectations through service excellence."

graphic designers. Each of our designers has a number of years of experience. Chris Valentin, the design director, has been with Commerce Real Estate Solutions for over fourteen years, and along with Matt Liapis, who has taught graphic design and mapping at the University of Utah. Our Las Vegas office consists a team of two well trained and professional designers with a combined 12 plus years of experience.

The founding principal behind the design department is "to provide our agents with

searchable by use, size, price, and location. In addition to commercial properties, our Web site has agent profiles, information about Commerce Real Estate Solutions offices throughout the intermountain west, a company history, and links to valuable information including a link to the Cushman and Wakefield Web site. The Web site also has downloadable copies of all our Market Reviews dating back to 1996.



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