

MARKETBEAT INDUSTRIAL SNAPSHOT



LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q1 2012



OVERVIEW

After witnessing a very flat year in market activity during 2011, we had expected to start seeing lower vacancy rates. The start of 2012 shows a different story and analyzing the Las Vegas commercial real estate market is a lot like predicting the weather. The market continues to change quarter by quarter surprising us with unpredictable outcomes. We had hoped to once again see an improvement during the first of the year; however the market made a downturn. Major industrial centers witnessed key tenants vacating whole buildings. Most of the vacant space can be found in the North Las Vegas and Airport submarkets. The uptick in vacancy also caused net absorption to remain in the negatives. It's not a great start to 2012, but like January weather, the storm will pass and a sunny day is in the future for the Las Vegas commercial real estate market.

PRICING STABLE

Average asking lease rates were the only drops we witnessed during the first quarter. The lease rates for the industrial market have been very competitive over the past year. Landlords are eager to lease their buildings and make deals on a short term basis in order to have means of cash flow. The median asking rental rates have ranged anywhere from \$0.28 per square foot (sf) triple net to \$0.50/sf triple net. Tenants are looking to find bargains in terms of lease rates going back to 1998 prices. For most of 2012 we expect lease rates to continue to decline.

VACANCY UP

The industrial vacancy rate saw an increase during the first quarter 2012 to 15.6%, compared to 15.1% in fourth quarter 2011. Even with the jump in vacancy, the current market is still an improvement over the 15.9% vacancy rate we witnessed at the end of first quarter 2011. Of the eight Las Vegas submarkets, the Central submarket experienced the lowest vacancy rate of 8.9%. While analyzing the submarkets we took a good look at which ones suffered the most this quarter. The North Las Vegas submarket and the Airport submarket lost the most tenants primarily from downsizing, closing the company or moving to another submarket. These two submarkets alone ended the quarter with more than six million sf of vacant space.

Direct net absorption also showed increases during the quarter. Direct net absorption, the measure of space leased from one reporting period to the next, for the first quarter remained a negative number at (353,858) sf from (93,048) sf net absorption of fourth quarter 2011. First quarter analysis of net absorption, by submarket and property type, shows signs that distribution and flex tenants are still moving out. Flex tenants may be switching to lower class office

space since the office sector has become more affordable in the market downturn. While net absorption may look stormy this quarter, it is actually an improvement from the (836,111) sf of net absorption of the first quarter 2011.

OUTLOOK

We've weathered the big storm and a very flat year in market activity last year, however, we still expect, lower vacancy rates and slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job growth and an improved economy. Overall, compared to last year, vacancy is not rising and lease rates are not falling as fast or as far as we were witnessing. We do not expect to see any more major swings in the labor market or the commercial real estate market like we have seen in the past few years; however we can never predict when the next series of storms will come through.

The economic trends for Nevada are showing signs of modest improvement - not enough to reduce high unemployment but enough to ease fears that another recession might be near. Many economists expect similarly tepid growth in 2012 and 2013. The economy would need to grow consistently at 4% to 5% to generate enough hiring to lower unemployment significantly. The industrial vacancy is anticipated to gradually come down as the national and local economy start to show signs of improvement. We are, however, cautiously optimistic that we might also see growth in loan servicers releasing more product into the market as they witness buyer's activity growing. Depending on how much and/or how fast the distressed properties are released; vacancy rates could then start to rise. We will be watching and tracking the release of distressed properties for the next few years.

STATS ON THE GO

	1Q11	1Q12	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	15.9%	15.6%	-0.27pp	▼
Direct Asking Rents (psf/mo)	\$0.52	\$0.50	-3.85%	◄►
YTD Leasing Activity (sf)	2,793,081	625,377	-77.61%	▲

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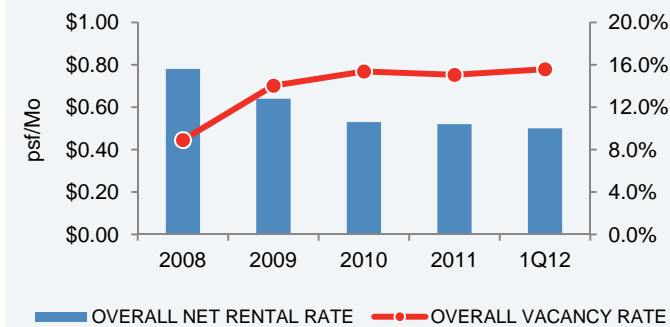


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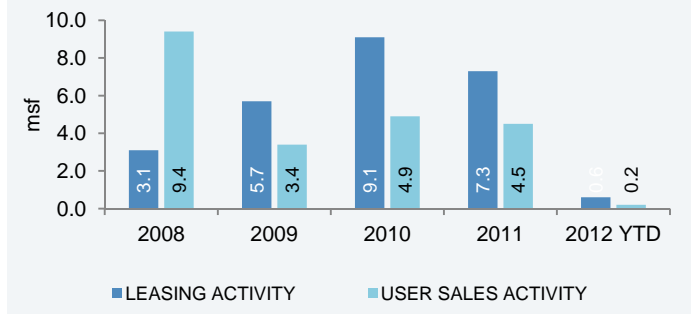
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OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



MARKET HIGHLIGHTS

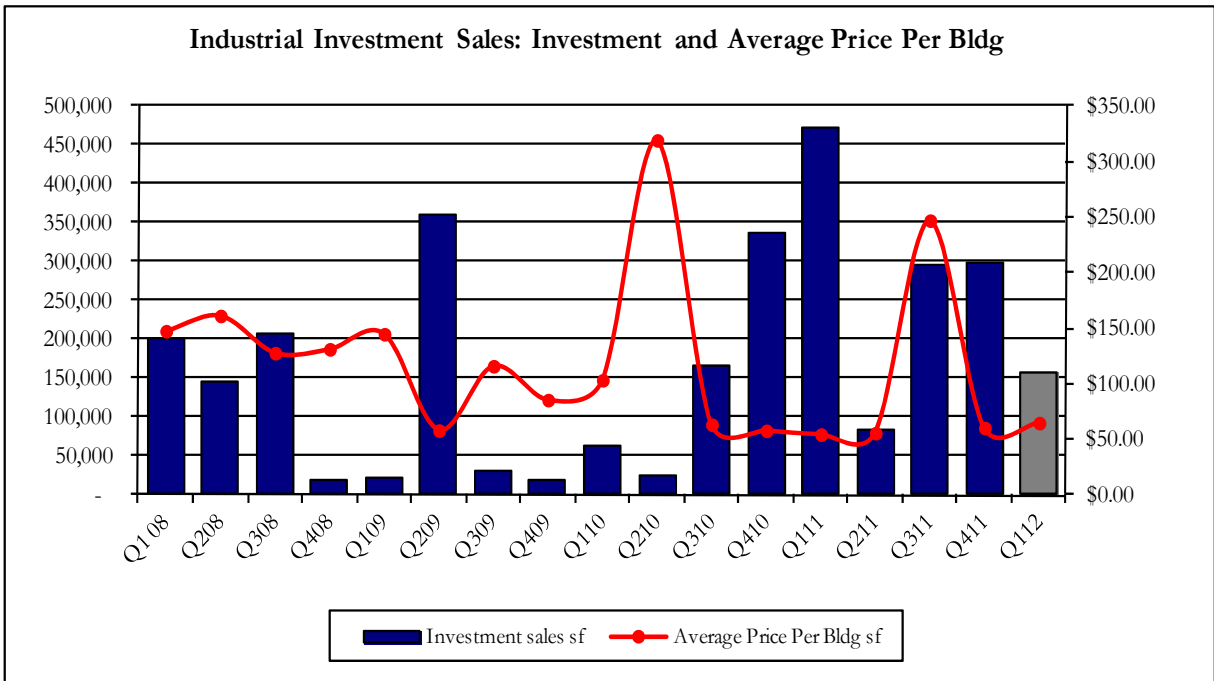
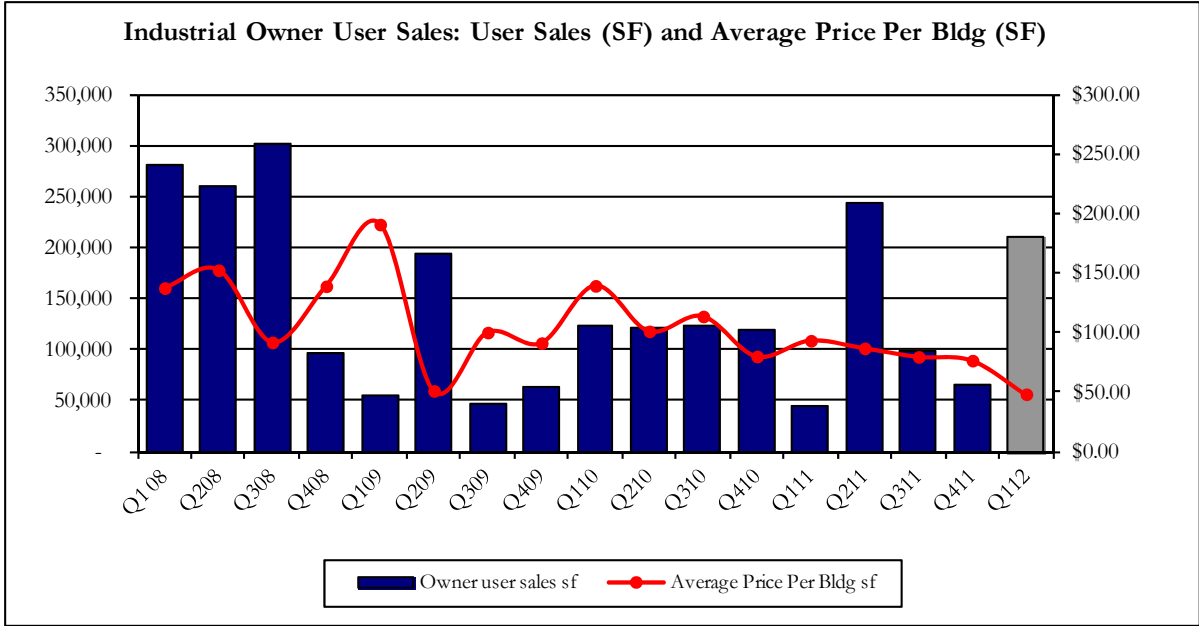
Significant IQ12 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4680 Calimesa Street	North Las Vegas	Alliance Plastics LLC	Warehouse/Distribution	34,888
4550 Engineers Way	North Las Vegas	Kraft Foods North America Inc	Warehouse/Distribution	38,570
3030 N Lamb Blvd	North Las Vegas	Updike Distribution Logistics	Warehouse/Distribution	47,250
Significant IQ12 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5420 South Valley View Blvd	Southwest	Crexus NV Holdings I, LLC	\$5,050,000 / \$101 PSF	49,982
3960 West Mesa Vista Ave	Southwest	GSS Holdings, LLC	\$3,881,000 / \$75 PSF	51,744
1100 Foremaster Ln	Central	BLS Enterprises Services, LLC	\$4,400,000 / \$47 PSF	92,400
Significant IQ12 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

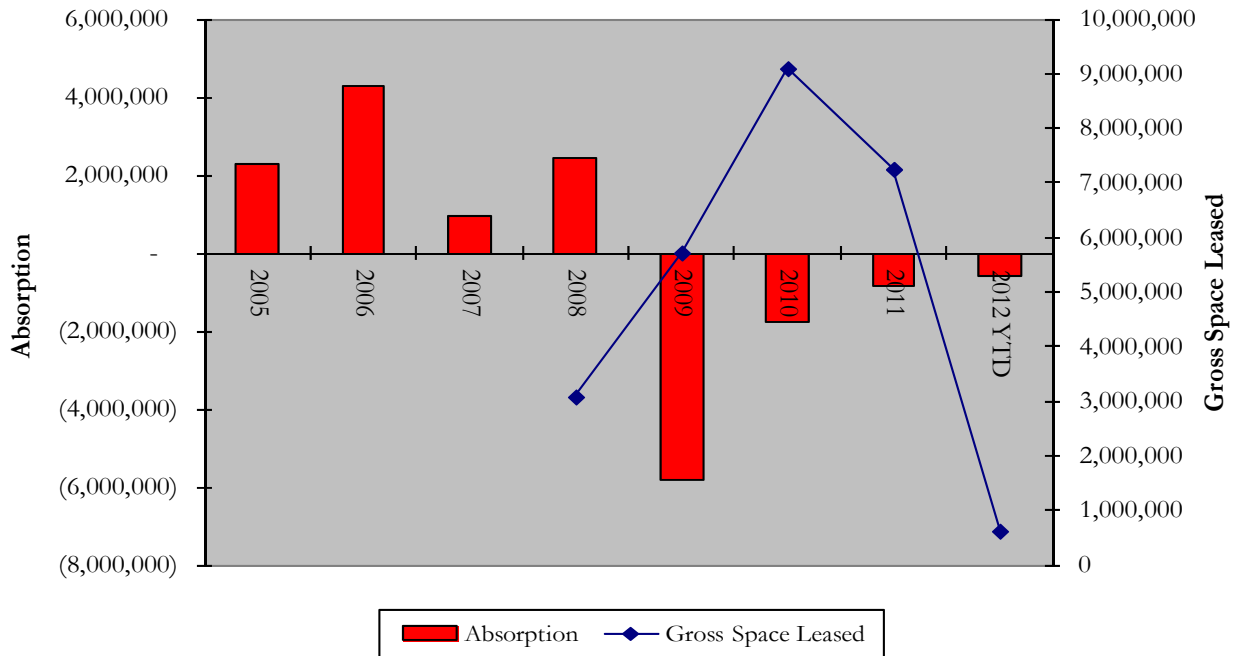
	Inventory No. of Bldgs.	Existing SF	Vacancy		Demand & Net Absorption	Gross Space Leased	Asking Rates * Median	Sublease SF
			Vacancy SF	Rate				
Distribution	112	5,720,055	848,449	14.83%	(101,256)	50,704	\$0.49	0
Flex	71	1,867,822	520,433	27.86%	(23,208)	0	\$0.58	21,796
Light Industrial	12	54,084	18,546	34.29%	0	0	\$0.50	0
Incubator	78	1,760,192	477,084	27.10%	40,084	45,564	\$0.70	0
Midbay	162	3,498,691	749,208	21.41%	(39,254)	0	\$0.55	0
Airport Total	435	12,900,844	2,613,720	20.26%	(123,634)	96,268	\$0.55	21,796
Distribution	109	3,827,287	220,420	5.76%	(12,840)	17,000	\$0.35	0
Flex	11	145,859	29,305	20.09%	(6,450)	0	\$0.43	0
Light Industrial	3	14,608	4,848	33.19%	0	0	\$0.49	0
Incubator	102	2,059,307	201,136	9.77%	6,255	9,582	\$0.49	0
Midbay	231	2,420,496	304,021	12.56%	(21,237)	0	\$0.40	0
Central Total	456	8,467,557	759,730	8.97%	(34,272)	26,582	\$0.43	0
Distribution	111	8,156,665	977,923	11.99%	(39,222)	39,921	\$0.43	151,101
Flex	29	476,294	32,109	6.74%	2,616	5,336	\$0.65	0
Light Industrial	13	67,761	7,774	11.47%	0	0	\$0.45	0
Incubator	51	854,926	106,322	12.44%	(26,040)	2,256	\$0.60	0
Midbay	208	2,889,058	556,504	19.26%	(25,672)	18,645	\$0.45	4,667
Southeast Total	412	12,444,704	1,680,632	13.50%	(88,318)	66,158	\$0.45	155,768
Distribution	245	20,921,307	3,044,313	14.55%	(115,123)	19,943	\$0.33	0
Flex	33	775,957	178,013	22.94%	(51,090)	4,728	\$0.55	8,000
Light Industrial	68	325,379	24,931	7.66%	0	0	\$0.44	0
Incubator	79	1,254,864	472,347	37.64%	(5,410)	9,600	\$0.47	0
Midbay	346	4,796,904	876,276	18.27%	(131,751)	16,482	\$0.35	0
NLV Total	771	28,074,411	4,595,880	16.37%	(303,374)	50,753	\$0.44	8,000
Distribution	9	889,091	51,317	5.77%	(16,318)	0	\$0.28	0
Flex	7	346,350	19,417	5.61%	0	0	\$0.28	0
Light Industrial	0	0	-	0.00%	0	0	0	0
Incubator	2	26,887	-	0.00%	0	0	0	0
Midbay	20	1,314,491	232,333	17.67%	(4,907)	15,184	\$0.39	0
Speedway Total	38	2,576,819	303,067	11.76%	(21,225)	15,184	\$0.28	0
Distribution	7	463,834	144,904	31.24%	(9,735)	0	\$0.75	0
Flex	24	400,270	97,477	24.35%	9,804	9,804	\$0.60	0
Light Industrial	0	0	-	0.00%	0	0	0	0
Incubator	10	261,573	94,591	36.16%	(2,000)	0	\$0.43	0
Midbay	4	154,483	21,752	14.08%	4,409	4,409	\$0.64	0
Northwest Total	45	1,280,160	358,724	28.02%	2,478	14,213	\$0.62	0
Distribution	132	11,772,498	1,331,011	11.31%	22,381	122,551	\$0.55	442,582
Flex	107	2,855,252	624,861	21.88%	(86,483)	47,929	\$0.70	2,000
Light Industrial	40	297,212	57,616	19.39%	0	0	\$0.68	0
Incubator	124	2,498,196	382,061	15.29%	(8,614)	31,626	\$0.59	0
Midbay	472	7,924,519	1,239,913	15.65%	43,453	81,725	\$0.50	25,506
Southwest Total	875	25,347,677	3,635,462	14.34%	(29,263)	283,831	\$0.59	470,088
Distribution	75	3,135,024	625,490	19.95%	0	0	\$0.40	0
Flex	42	1,196,302	193,346	16.16%	18,330	20,984	\$0.80	0
Light Industrial	11	121,423	16,065	13.23%	0	0	\$0.60	0
Incubator	147	3,739,077	628,024	16.80%	12,345	29,625	\$0.62	5,857
Midbay	242	3,490,157	601,903	17.25%	(6,237)	21,779	\$0.65	0
West Total	517	11,681,983	2,064,828	17.68%	24,438	72,388	\$0.62	5,857
Distribution	800	54,885,761	7,243,827	13.20%	(272,113)	250,119	\$0.42	593,683
Flex	324	8,064,106	1,694,961	21.02%	(136,481)	88,781	\$0.59	31,796
Light Industrial	147	880,467	129,780	14.74%	0	0	\$0.50	0
Incubator	593	12,455,022	2,361,565	18.96%	16,620	128,253	\$0.59	5,857
Midbay	1,685	26,488,799	4,581,910	17.30%	(181,196)	158,224	\$0.48	30,173
Las Vegas Total	3,549	102,774,155	16,012,043	15.58%	(573,170)	625,377	\$0.50	661,509

Asking median Lease rates is the median of all lease rates that are asking, published prices.

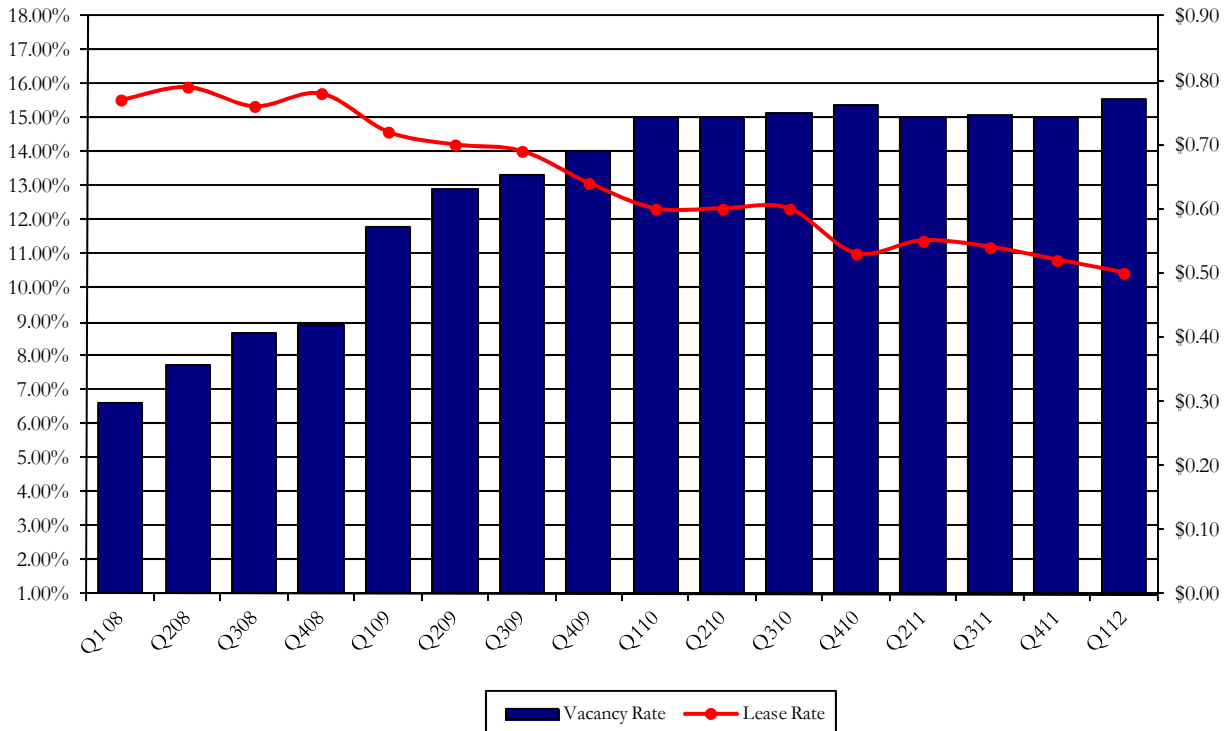
Note: Due to reclassifications of, and adjustments to, data between reporting periods, the commercial market data for the latest quarter may not necessarily be comparable to a previously reported quarter.



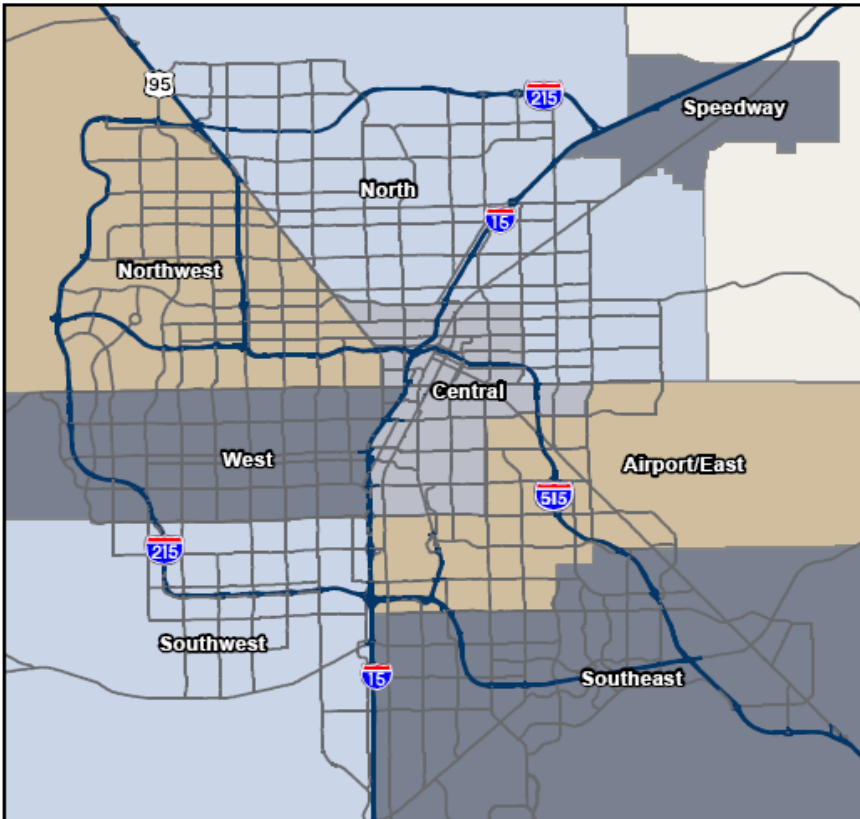
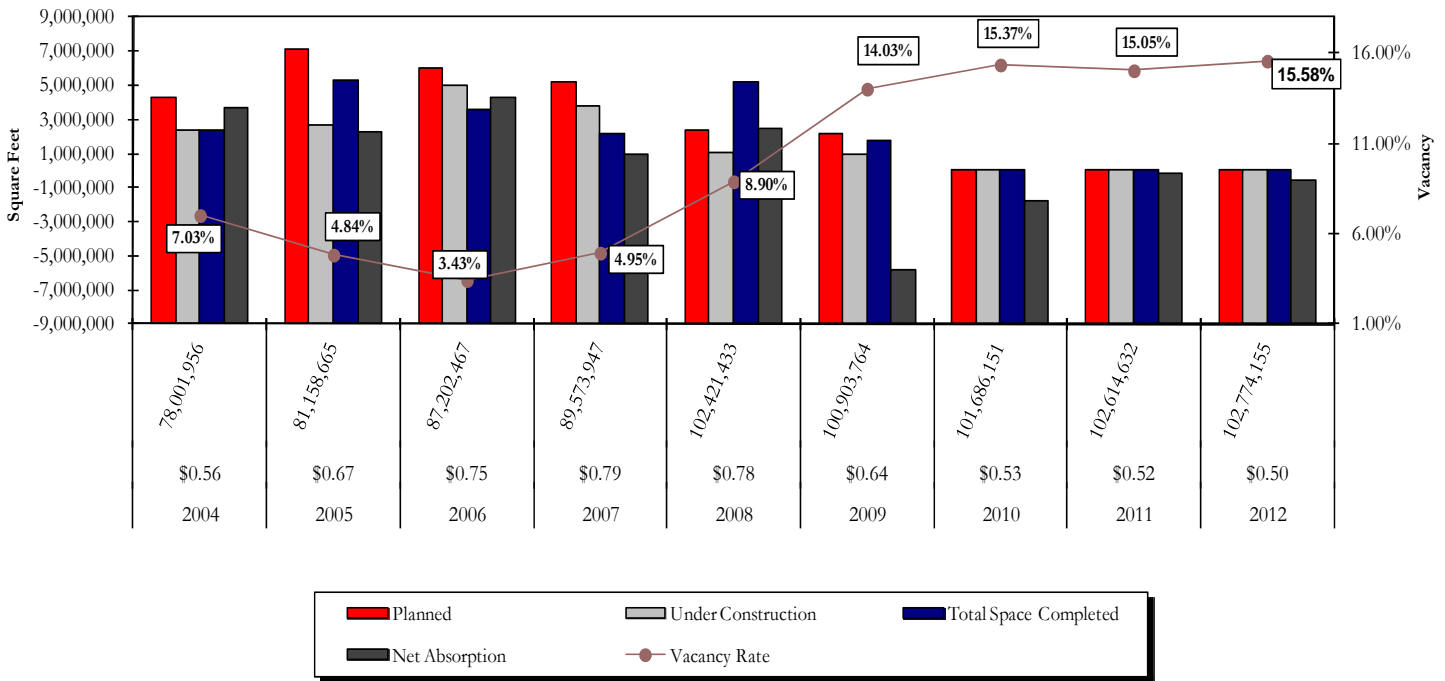
Leasing Activity vs Absorption



Industrial: Inventory Vacancy Rate vs Average Lease Rate



Las Vegas Industrial Overview 2003-2012



Industrial Buildings can be classified as follows:

Distribution Building: Over 15,000sf divisibility, 3-5% office build-out, docks-hi and grade level loading, minimum 24' clear height.

Flex Building: Up to 100% office build out, grade level loading, minimum 3.5/1,000 parking

Light Industrial – minimum 3,500 – 4,999 sf divisibility, grade level loading

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.