



COMMERCIAL MARKET *Monitor*



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Commercial Markets Continue to Struggle Recovery Remains Distant

The timing of Southern Nevada's economic recovery remains somewhat uncertain. Exclusive of the broader tourism industry and other selected sectors, many economic indicators are reporting little to no signs of improvement. While the region witnessed an increase in visitation for the eighteenth straight month in August, the unemployment rate remains elevated and the housing market continues to struggle. Declining national consumer confidence and equity markets around the world provide additional concern for the local economic climate that continues to seek out solid footing. The Las Vegas commercial markets also remain challenged due to oversupply conditions and a relatively weak demand profile. Until broader improvements are reported in the region's economy, particularly within the labor and housing markets, it is unlikely the commercial markets will return to pre-recession performances any time soon.

The office market continued to face challenges during the third quarter of 2011 as vacancies increased 0.6 percentage points from the prior quarter (Q2 2011) to 25.2 percent. The sector reported 9,100 square feet of negative net absorption during the quarter, compared to negative 223,500 in the second quarter of 2011. However, the change in absorption was largely attributable to the completion of the 390,000-square-foot space for the Las Vegas Metropolitan Police Department. Average rents fell to \$2.00 per square foot per month during the third quarter, down 1.5 percent when compared to the prior quarter. Compared to last year (Q3 2010), average rents have declined 4.3 percent. Nearly 750,000 square

feet remain under construction at the quarter close, the majority of which being non-speculative government office buildings.

Vacancies in the retail market reached 10.8 percent during the third quarter of 2011, up 0.4 percentage points when compared to the previous quarter (Q2 2011). Meanwhile, there was 223,400 square feet of negative net absorption. The high vacancies can be partially attributed to the closing of the four remaining Borders bookstores, which put approximately 100,000 square feet of space back on the market. Average rents fell 5.0 percent when compared to the same period last year (Q3 2010), from \$1.60 to \$1.52 per square foot per month. Approximately 225,000 square feet remain under construction, including two WinCo Foods and a second-phase addition to a Target-anchored center.

The industrial market reported 145,800 square feet of positive net absorption in the third quarter of 2011; the first quarterly net gain since the fourth quarter of 2008. Meanwhile, the vacancy rate fell a modest 0.2 percentage points from the prior quarter (Q2 2011) to 18.0 percent. However, it remains 1.6-percentage-points higher than that reported in the same quarter last year (Q3 2010). Average rents fell 7.0 percent, to \$0.53 per square foot per month, when compared to last year. With each of the commercial markets continuing to report vacancy rates at record highs, it is likely the market will continue adjusting to a new normal, and long-term historical average rates are not likely to emerge within the decade.

Key Indicators	Q3 2011	Q2 2011	Q3 2010
Total Employment	806,000	801,600	798,000
Industrial-using Emp.	111,900	109,600	117,700
Office-using Emp.	314,300	313,100	311,000
Retail-using Emp.	169,400	168,900	166,600
Unemployment Rate	13.6%	13.8%	15.6%
30-year Fixed Mortgage	4.1%	4.5%	4.4%
Fed. Funds Interest Rate	0.1%	0.1%	0.2%
Med. New Home Price	\$197,490	\$197,990	\$202,300
Med. Exist. Home Price	\$107,000	\$110,000	\$123,000
Drivers' License Counts	16,450	14,900	14,600
Electric Connections, net	5,535	5,347	2,676

NOTE: TREND ARROWS REFLECT THE CHANGE FROM THE SAME PERIOD OF THE PRIOR YEAR.

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Applied Analysis Las Vegas Market Reports are published quarterly and include in-depth information on inventories, vacancies, absorption, lease rates, and planned and under construction projects. In addition to a building-by-building analysis of surveyed properties, subscribers also are provided a summary matrix outlining performance at the submarket level.



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Office MARKET SNAPSHOT

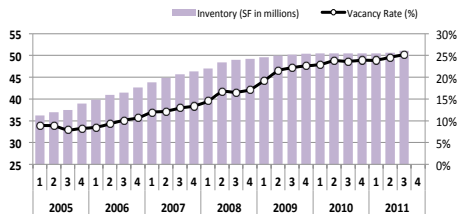
Q3 2011

Q2 2011

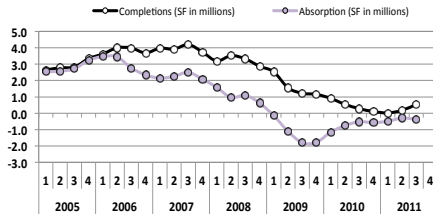
Q3 2010

Office Inventory (SF)	51,034,000	▲	50,644,000	▲	50,491,000	▲
Under Construction (SF)	750,000	▼	1,140,000	▲	1,064,000	▲
Vacancy Rate	25.2%	▲	24.6%	▲	23.6%	▲
Pricing (PSF)	\$2.00	▼	\$2.03	▼	\$2.09	▼
Net Absorption (SF)	-9,000	▼	-223,000	▲	69,000	▲
Completions (SF)	390,000	▲	153,000	▲	21,000	▼

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



Industrial MARKET SNAPSHOT

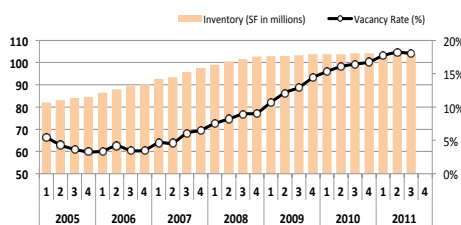
Q3 2011

Q2 2011

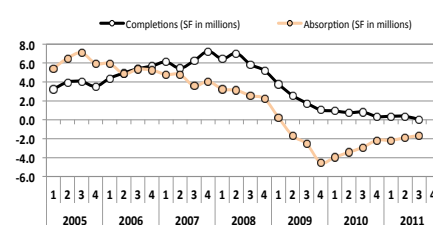
Q3 2010

Industrial Inventory (SF)	104,156,000	▲	104,156,000	▲	104,134,000	▲
Under Construction (SF)	120,000	▲	120,000	▼	22,000	▼
Vacancy Rate	18.0%	▲	18.2%	▲	16.4%	▲
Pricing (PSF)	\$0.53	▼	\$0.54	▼	\$0.57	▼
Net Absorption (SF)	146,000	▲	-494,000	▲	-80,000	▲
Completions (SF)	0	▼	0	▼	351,000	▲

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



Retail MARKET SNAPSHOT

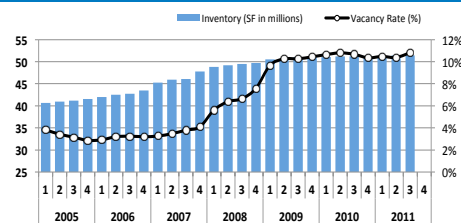
Q3 2011

Q2 2011

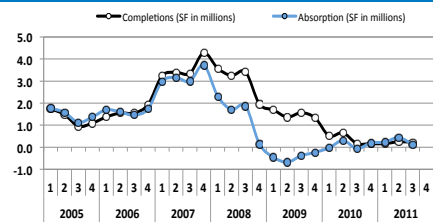
Q3 2010

Retail Inventory (SF)	51,421,000	▲	51,421,000	▲	51,196,000	▲
Under Construction (SF)	225,000	▼	130,000	▼	299,000	▼
Vacancy Rate	10.8%	▲	10.4%	▼	10.7%	▲
Pricing (PSF)	\$1.52	▼	\$1.51	▼	\$1.60	▼
Net Absorption (SF)	-223,000	▼	248,000	▲	88,000	▼
Completions (SF)	0	▼	225,000	▲	25,000	▼

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



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Q3 2011

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