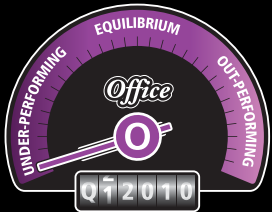




COMMERCIAL MARKET *Monitor*



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Corrections Continue Commercial Markets Endure Downturn

From surging equity markets to stronger expansion in manufacturing, broader economic indicators continued to improve during the first quarter of 2010. While these and other leading indicators continue to advance, the question plaguing the Las Vegas valley is, when is it our turn? A train must let out slack before it can begin pulling and moving forward from the station – our economic engine is no different. Just as it has been doing for two years, Las Vegas' commercial markets continue to let out slack, a phenomenon witnessed during the first quarter of 2010 as negative net absorption and price declines were reported throughout all sectors. Slack remains in the local job market (13.8 percent unemployment and 141,100 people actively seeking work), in the core tourism industry (citywide occupancy below 80 percent) and for individual consumers (personal income down 4.8 percent and taxable retail sales down 4.9 percent).

These conditions notwithstanding, the commercial market has shown no notable signs of improvement compared to where it was just 12 months ago. With the completion of an additional 85,000 square feet in a LEED-certified, build-to-suit project downtown, the office market expanded to just above 49.7 million square feet by quarter-end. The majority of the remaining 221,000 square feet actively under construction will likely not complete until the end of 2010. This is a welcome sign as the demand for office space continues to contract, posting 81,000 square feet of negative net absorption during the quarter and pushing the vacancy rate to 23.4

percent, nearly double the 10-year average of 12.1 percent. The all-time high vacancy rate has been relentless in putting pressure on average asking rents, accelerating downward on an annualized basis for the fifth consecutive quarter, or 6.5 percent during the latest period to \$2.16 per square foot.

Average asking rents among anchored retail centers continued to slide, falling to \$1.72 per square foot, or by 6.5 percent from the previous quarter (Q4 2009) and 16.1 percent from the same period a year ago (Q1 2009). Although significant second-generation space was absorbed, net move-outs pushed the vacancy rate to 10.5 percent, its largest three-month increase in nearly a year. The retail market is withstanding the recession better than other sectors, but with nearly two years of excess supply on the market, further adjustments in average asking rents are expected.

In the industrial market, a build-to-suit project totaling 53,000 square feet did begin construction during the quarter even as the amount of occupied space dipped to levels not seen in three years. The vacancy rate soared to 15.0 percent from 14.2 percent in the preceding quarter (Q4 2009) and 10.7 percent one year ago (Q1 2009), which continues to have unenviable affects on asking rents now averaging \$0.60 per square foot, down 26.8 percent from its peak just before the recession began. We anticipate that this trend will lead to continued instability within the sector, including without limitation, higher rates of commercial-loan defaults. ↻

Key Indicators	Q1 2010	Q4 2009	Q1 2009
Total Employment	794,900 ▼	810,700 ▼	842,600 ▼
Industrial-using Emp.	122,000 ▼	131,100 ▼	151,100 ▼
Office-using Emp.	316,200 ▼	320,400 ▼	324,200 ▼
Retail-using Emp.	158,800 ▼	160,400 ▼	164,000 ▼
Unemployment Rate	13.8% ▲	13.0% ▲	10.6% ▲
30-year Fixed Mortgage	5.0% ▼	4.9% ▼	5.0% ▼
Fed. Funds Interest Rate	0.2% ▼	0.1% ▼	0.2% ▼
Med. New Home Price	\$211,000 ▼	\$216,900 ▼	\$228,000 ▼
Med. Exist. Home Price	\$124,500 ▼	\$123,000 ▼	\$142,000 ▼
Drivers' License Counts	11,900 ▼	13,000 ▼	13,900 ▼
Electric Connections, net	971 ▲	560 ▲	489 ▲

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

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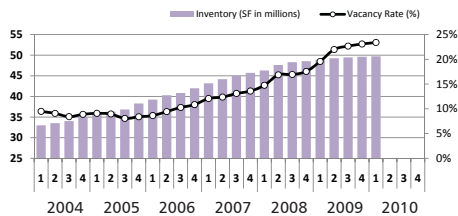


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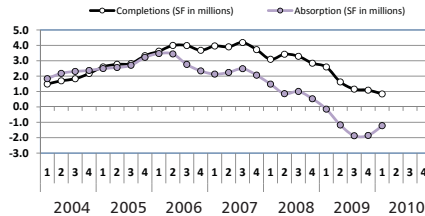
Office MARKET SNAPSHOT

	Q1 2010	Q4 2009	Q1 2009
Office Inventory (SF)	49,718,000	49,633,000	48,875,000
Under Construction (SF)	221,000	285,000	1,913,000
Vacancy Rate	23.4%	23.1%	19.6%
Pricing (PSF)	\$2.16	\$2.23	\$2.31
Net Absorption (SF)	-81,000	-77,000	-716,000
Completions (SF)	85,000	178,000	329,000

INVENTORY and VACANCY



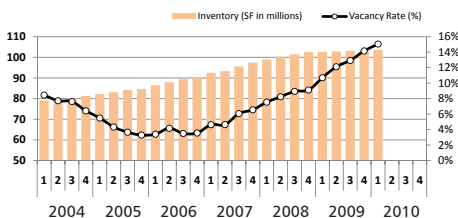
ANNUAL SUPPLY vs. DEMAND



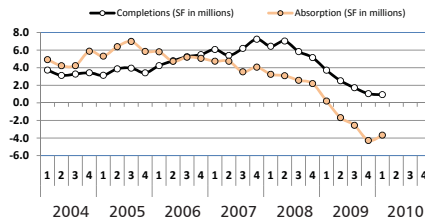
Industrial MARKET SNAPSHOT

	Q1 2010	Q4 2009	Q1 2009
Industrial Inventory (SF)	103,605,000	103,605,000	102,665,000
Under Construction (SF)	53,000	0	808,000
Vacancy Rate	15.0%	14.2%	10.7%
Pricing (PSF)	\$0.60	\$0.63	\$0.74
Net Absorption (SF)	-917,000	-876,000	-1,524,000
Completions (SF)	0	462,000	110,000

INVENTORY and VACANCY



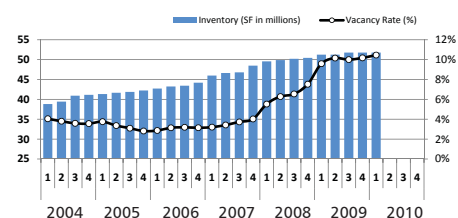
ANNUAL SUPPLY vs. DEMAND



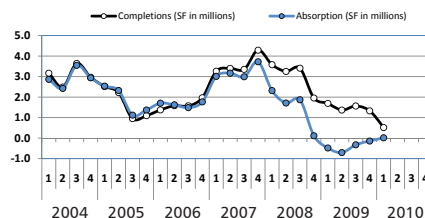
Retail MARKET SNAPSHOT

	Q1 2010	Q4 2009	Q1 2009
Retail Inventory (SF)	51,768,000	51,768,000	51,252,000
Under Construction (SF)	810,000	810,000	2,281,000
Vacancy Rate	10.5%	10.2%	9.6%
Pricing (PSF)	\$1.72	\$1.84	\$2.05
Net Absorption (SF)	-147,000	-90,000	-305,000
Completions (SF)	0	0	813,000

INVENTORY and VACANCY



ANNUAL SUPPLY vs. DEMAND



COMMERCIAL MARKET **Monitor**

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Q1 2010

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