



Trends *ahead*

Vacancy Rate



Net Absorption



Construction



Asking Rents



OVERVIEW - All Quiet on the Western Front

One of our clients said it best with the recent statement “the whole world is at a crawl right now”. We feel it, other brokerage houses feel it, developers confirmed it and now the numbers prove it. We were hopeful, following last quarter’s strong numbers, the market had turned for the better and we were headed on a sustainable path of increased activity and needed reductions in vacancy. Reality hit with a disappointing third quarter performance. Talk of a recovery and some good economic news woke up some companies from their two year hibernation resulting in good activity throughout the first half of the year. Now, talk of a double dip, European concerns and the political polarization highlighted during the debt ceiling debacle have retreated companies back into hibernation. Entering into a political season, we remain concerned that companies will stand on the sidelines and watch the political mud throwing of democrat vs. republican and stimulate vs. balance a budget with the virtues of each unfolding in front of our eyes. With so much uncertainty heading into 2012 and with each side explaining the crisis that will ensue if their path is not chosen, companies will have a difficult time acting. As we have been saying for some time now, those companies that see through the rhetoric and do act, will be rewarded with good deals to lease and buy.

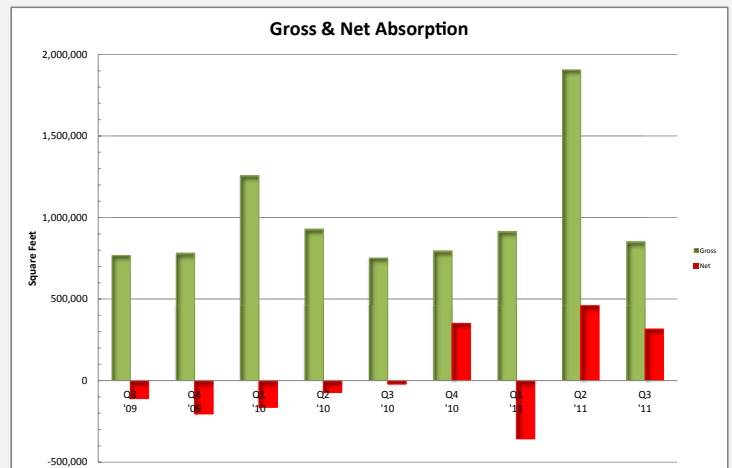
MARKET ACTIVITY - Volume and Size Down

There were 29 deals completed during the quarter which was down 37% from the prior quarter. More notable was the reduction in size per transaction. Last quarter the average transaction size was 47,639sf helped by six large deals over 100,000sf completed. In the third quarter, the average transaction size was 29,441sf with only one deal over 100,000sf. Notable transactions for the quarter included Zulily (171,080sf), Genco (77,550sf), Almo Corporation (76,800sf),

Numark’s expansion (56,250sf), NV Energy (54,736sf), MD Logistics (52,982sf), Hawley LLC (48,000sf) and French Gourmet (47,512sf). Total gross absorption for the quarter was a sleepy 851,928sf which was well off the 1,905,557sf booked in the second quarter. The good news in the market was the lack of new space being vacated. Company closures have slowed dramatically. So even though the gross absorption was small, lack of new space being added to the market enabled the quarter to end with a positive net absorption number of 315,633sf. This in turn led to a modest reduction in the vacancy over the last three months from 15.1 % to 14.6%. Although market activity has taken a breather, the market is still headed in the right direction.....albeit slowly.

RENTAL RATES – Depends on Product Offered

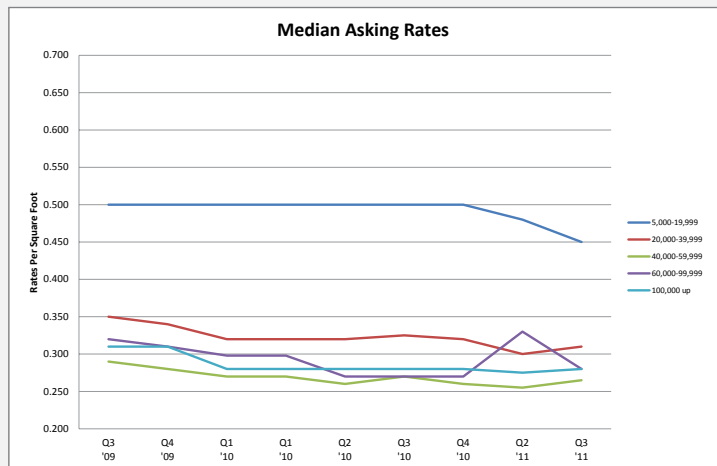
Activity continues to focus on class A product. With exceptional deals being offered on the best product in town, older buildings continue to suffer. Barring any new closures, we are just a few deals away from a tight class A rental market and likely upward pressure on rents in that category. There are two leases which should be completed in the early part of the fourth quarter helping fourth quarter numbers and further lowering Class A vacancy. Lease comps continue to favor the tenant with low rates, but this will soon change. Class A rents will rise, but not enough to validate new construction. The question remains, will this tightening push users out of our market or will some turn to the forgotten class B & C product to meet their needs. We think a little of both will occur. Those tenants insisting on class A will either need to wait to prelease a designed but not yet constructed building at a higher price or go to another market. Those open to older product will be able to make a good deal within one of the numerous offerings.





CONSTRUCTION – Contractors have something to smile about

The only building constructed in the third quarter was High Power Investments' building of 7,020sf within the Spanish Springs Business Center. The good news is there are three buildings under construction due to be completed in the fourth quarter adding to construction and absorption numbers for the year. Urban Outfitters is under construction on a 472,720sf facility in Stead, Now Foods is under construction on a 130,000sf facility in Sparks and Refrigeration Supplies Distributors is under construction on a 21,875sf facility in Sparks. If all the roofs go on before the end of the year as planned, construction numbers for 2011 will be 721,615sf which is encouraging following 100,427sf in 2009 and 104,558sf in 2010. No speculative construction will be developed in 2011 similar to the prior two years. However, as mentioned above, lack of desirable class A product should lead to more new construction in coming years.



SALES – Buyer's Market

The most notable sale of the quarter was the investment sale of an occupied 566,875sf building at 555 Milan Drive in McCarran which sold for \$25,562,601 or \$45.09/sf. This equated to a 7.04 to 7.41% cap rate depending upon the value assessed to the vacant land acquired in the sale. Other sale transactions were mainly owner user deals which included French Gourmet's purchase of 71,748sf for \$1,975,000 or \$27.50/sf at 245 Coney Island Dr., MD Logistics purchase of 52,982sf for \$2,625,000 or \$49.55/sf at 12125 Moya Blvd, Rice Lake's purchase of 29,700sf for \$1,100,000 or \$37.03/sf at 265 Logan Lane, ASW Holdings purchase of 20,000sf for \$850,000 or \$42.50/sf at 56 Coney Island Dr., Peabody Associates purchase of 12,250sf for \$950,000 or \$77.55/sf at 1435 Greg Street and Sierra Pallet's purchase of 10,600sf for \$260,000 or \$24.53/sf at 13960 Mt Anderson.

OUTLOOK – A Few Big Deals

Politicians are doing the market no favors. Corporations and banks are sitting on close to \$2 trillion in cash and some are spending it on business expansion. The stage is set to see good fourth quarter numbers with a few deals close to completion in existing buildings and the three build-to-suits coming on line. With good first half and fourth quarter numbers, the year will end on an overall good note. We are troubled by the fact we are headed into 2012 with little momentum. We see deal volume remaining low as most companies are subdued awaiting a clearer picture of the political and business environment. We anticipate a few large deal announcements as cash rich corporations act on pent up expansions. Low returns in bonds and stocks may push some into real estate investments searching for higher returns which may help investment sales, even with a third quarter hiccup, the year will be viewed as positive.

Q3 2011 MARKET AT-A-GLANCE

Area	Total Space (sq. ft.) 9/30/11	Vacant Rentable (sq. ft.) 9/30/11	Vacant percent 9/30/11	Gross Absorption (sq.ft) Q3	Net Absorption (sq.ft.) Q3	NNN Median Asking Rate* (sq.ft./yr)	Total Under Construction 6/30/11	BTS Construction (sq. ft.) YTD	Spec Construction (sq. ft.) YTD
1 North Valleys	15,180,437	2,151,181	14.17%	281,202	294,173	\$0.29	479,740	479,740	0
2 Sparks	25,436,366	4,482,610	17.62%	231,840	-136,894	\$0.35	151,875	151,875	0
3 Airport	8,954,456	765,526	8.55%	91,806	45,076	\$0.59	0	0	0
4 South Reno	8,892,779	944,815	10.62%	15,000	-55,451	\$0.57	0	0	0
5 Central & West Reno	1,392,104	403,206	28.96%	23,490	-1,551	\$0.31	0	0	0
6 East I-80 Corridor	12,356,103	1,825,518	14.77%	208,590	170,280	\$0.35	0	90,000	0
TOTALS	72,212,245	10,572,856	14.64%	851,928	315,633	\$0.41	631,615	721,615	0

*Asking Rates are negotiable, typically effective rates are lower



For Sale or Lease

550 Spice Islands Drive

177,878±sf plus 10,000± sf shed | \$35.92/sf or \$0.35/sf NNN



For Sale or Lease

543 Overmyer Road

31,908±sf on 6.56±acres | \$2,995,000 or \$17,000/mo NNN



For Sale or Lease

690 Kresge Lane

15,740±sf | \$79.42/sf or \$0.60/sf MG



For Lease

2070 Brierley Way

110,000±sf | Negotiable



For Lease

4875 Aircenter Drive

100,276±sf | Negotiable Rate



For Lease

2615 Mill Street

28,080±sf | \$0.50/sf IG



Transactions *Q3*

Lease 76,800sf

Almo Corporation
9085 Moya Blvd
NAI represented landlord

Lease 54,736sf

NV Energy
4902 Ampere Dr
NAI represented landlord

Sale 71,748sf

French Gourmet
245 Coney Island Dr
NAI represented buyer

Lease Expansion 25,030sf

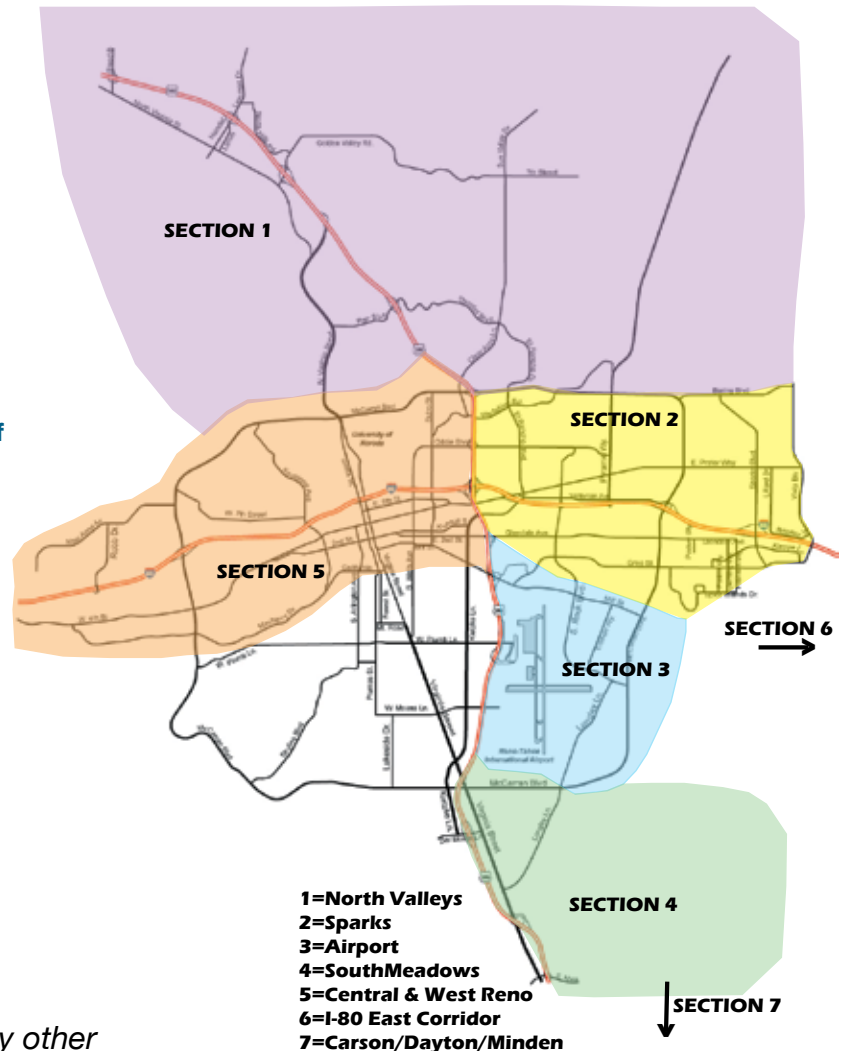
HeavyQuip
445 Coney Island Dr
NAI represented landlord

SubLease 10,800sf

CTS Imports
1335 Greg St #107
NAI represented sublessor

Lease 10,400sf

NV Golf Carts
305 Edison Way
NAI represented landlord



Did You *Know?*

Nevada has more mountain ranges than any other state, with its highest point at the 13,145 foot top of Boundary Peak near the west-central border.

**Fun facts taken from <http://www.50states.com/facts/nevada.htm>*

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