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REALTY CHECK
Our experts chime in on the issues facing the industry

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Southwest Commercial Real Estate Guide • October



2007 SIR AWARDS

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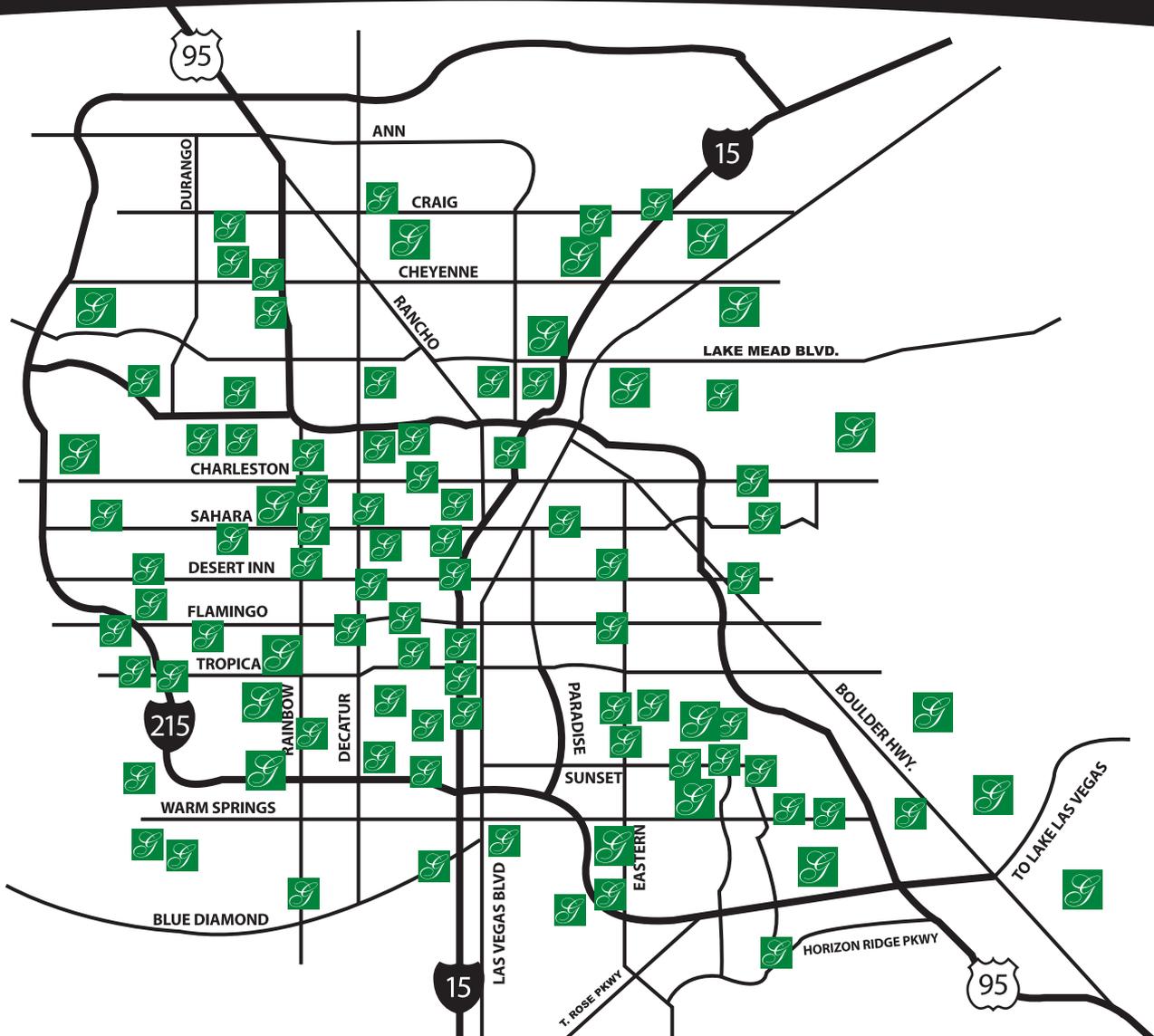
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From the editor ...

Dear readers,

Welcome to the October edition of our Commercial Real Estate guide. This time of year is always exciting for us, as we again hand out the SIR Awards in cooperation with the Associated General Contractors (AGC).

Skill, Integrity and Responsibility are the key components behind the SIR Awards, which honor individuals and companies in the construction industry. This marks the fifth year of this prestigious awards program.



Our CRE publication has flourished to become one of the most popular special publications we produce. The interest in the industry, whether it revolves around retail, industrial, medical or office, has been astounding.

Southern Nevada's commercial real estate market continues to sprawl. New projects are popping up at corners that sat vacant for as long as you could remember. Then there are the larger ventures that are providing opportunities for new business to come to town and the chance for the ones that are currently here to expand.

The "Realty Check" columns continue to showcase the viewpoints of some of the top real estate experts in the city. In this edition, you'll find insightful stories from John Restrepo (Restrepo Consulting Group), Chris Bentley (The Bentley Group), Keith Russell (CommCap Advisors), David Cohen (Green With Ease), David Goldwater (Goldwater Capital), James Van Compennolle (JVC Architects) and a trio of attorneys from the law firm of Kummer Kaempfer Bonner Renshaw and Ferrario. If you are looking for insight from some of the industry's top names, you'll find it here.

A special thank you goes out to our presenting sponsor, Desert Toyota of Las Vegas. This marks the second consecutive year that Desert Toyota has been the presenting sponsor of the SIR Awards. It's a great match and one that we look forward to renewing for the future.

Rob Langrell

Special Publications Editor

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Southern Nevada Commercial Real Estate Guide

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ON THE COVER: Keith Penny and Randy Highland of McCarthy Building Companies



A word from our presenting sponsor

Dear *In Business Las Vegas* readers,

Desert Toyota of Las Vegas is pleased to once again, be the presenting sponsor for the annual SIR Awards. This year we celebrate the 5th year of this distinguished event and we wish to extend our congratulations to all the SIR nominees! By being nominated for an award truly shows that you have the characteristics that embody the true meaning of the Skill, Integrity and Responsibility awards.



The Associated General Contractors have made a difference over the years by committing themselves to the businesses and individuals that have abided by the industry's highest standards.

We at Desert Toyota of Las Vegas are joining the Las Vegas chapter of Associated General Contractors to honor the winners for their sustained excellence in specific areas of the business. Desert Toyota recognizes hard work, dedication and quality. It is not a one-time effort; it is an everyday, every time without fail attitude that drives both of our industries to the

next level of success.

Since last year's event, you have seen the impact of the all new Tundra. We wish to thank those of you who have purchased the Tundra for your business and for those of you who haven't we ask that you take the "Tundra Challenge". With all the innovation of Toyota products, we will continue to offer products that fit your business and personal needs. America has fallen in love with Toyota quality all over again and we look forward to showing our community a truck and automobile line that stands up to the competition.

We wish to say thank you for your investments in our local community and hope that Toyota Motor Company and Desert Toyota can continue to show you the contributions and dedication to the local and national communities.

Kalei Dudoit
General Manager
Desert Toyota of Las Vegas

A word from our sponsors ...

Dear *In Business Las Vegas* readers,

The watchword for today's festivities is Proud... First and foremost we are proud to be a sponsor of the 2007 SIR Awards in partnership with our chapter of the Associated General Contractors. No group better exemplifies Skill, Integrity and Responsibility than the membership of AGC and the professional staff who carry out its mission.

We also are proud of the nominees who exemplify these principles and we congratulate this year's winners. They have excelled in their field of endeavor and we formally recognize their contribution to our industry and our community.

Evergreen Recycling is proud to strive toward these same standards. Our community and the state of Nevada have a golden opportunity to reflect these values as we move rapidly to sustainability of design and

construction techniques. Many of our AGC partners help us divert many valuable commodities from our landfills and we are proud of our collective efforts to help Nevada become a leader in renewable resource development.



On behalf of Evergreen Recycling, I congratulate today's

SIR Award recipients and the AGC and thank them for the Skill, Integrity and Responsibility that they bring to the building industry and our community.

Rob Dorinson
President
Evergreen Recycling



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Dear *In Business Las Vegas* readers,

Greetings! It is our honor to serve as one of the sponsors for this Commercial Real Estate Guide, with a focus on construction awards.

Our company serves more than 4 million square feet valleywide, offering commercial property management,



leasing, brokerage, in-house building maintenance, landscaping, emergency response and mold remediation. We also have an in-house flooring division and plan to offer additional construction-related services in the near future, as we consider it our

role to be a one-stop resource for our valued clients.

In other news:

● **Gatski Commercial Named to INC 5000:** I recently returned from Chicago with my wife, Tammy. We participated in INC magazine's annual conference. We were humbled and honored to have been pegged by INC as one of the fastest-growing private companies in the country.

● **New Business Brokerage Division:** We have established a new in-house Business Brokerage department led by Frank Lee. In the past we have received requests from clients interested in buying or selling businesses, so we are elated to now offer this service in-house and to assist clients wishing to buy or sell a business or to add new locations for an existing business. This new department fits in well with our company's expansion and the needs of current clients and tenants.

As our company grows and as the number of employees increases at our office on Dean Martin Drive (we have double the team members we had last year at this time), we are committed to getting better and serving our clients with the highest caliber of service each and every day.

We hope you will enjoy the insights and news featured in this CRE issue.

All Best Regards,

Frank Gatski, CPM, CCIM
President

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Dear *In Business Las Vegas* readers,

It is once again my pleasure to write on behalf of Snell & Wilmer LLP, and to express our collective privilege to be a primary sponsor of the 2007 Associated General Contractor's (AGC) Skill, Integrity and Responsibility (SIR) Awards.

This is a special year for the SIR Awards. Not only are they celebrating their 5th year; 2007 marks the renaming of the Pioneer Spirit Award in honor of the late J.A. Tiberti, a man who not only (literally) helped build the city of Las Vegas, the Nevada construction industry, and the AGC itself, but whose character was an example for all those who followed him. Character is of great importance to Snell & Wilmer. We have earned the reputation for providing our clients with exceptional legal counsel, superior client service, and practical solutions delivered with the highest level of professional integrity. We are therefore honored to be afforded the opportunity to sponsor this event that recognizes the character

Dear *In Business Las Vegas* readers,

Options, opportunity and insight are key words that describe Southern Nevada's 2007 business environment. Healthy population growth and \$30 billion of new projects under construction on the strip, uniquely positions Las Vegas to demonstrate our independent economic strength. The variety of product and location options available to qualified home buyers and business owners has never been better. Whether you are seeking to expand floor space, obtain additional amenities, or seek a more convenient location, the range of options available in the market is impressive.

First National Bank of Nevada is excited about the future opportunity this represents. Fueled by the support of our clients in Southern Nevada, we have expanded our staff and anticipate the opening of several additional banking center locations in the next 12 months. Our commercial, construction, and gaming lenders have closed more than \$400 million in loans so far this year. The retail side of the bank maintains deposits in excess

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of those who carry on the legacy of Mr. Tiberti — one of skill, integrity and responsibility.

To the nominees and recipients of this year's SIR awards, Snell & Wilmer offers its congratulations. To the *In Business Las Vegas* management and staff, we offer our appreciation for your hard work to make the SIR Awards a success. And to the AGC and its members, we offer our thanks for allowing us to share in your industry and in your most prestigious event. We are proud to call ourselves members of and partners with the AGC in bringing you the 2007 SIR Awards.

Leon F. Mead II, Esq.

Partner
Snell & Wilmer LLP



of \$540 million.

As a heritage organization, we value the power of strong personal relationships. Now, perhaps more than ever, we have a responsibility to share our insights to help our community grow. Whether supporting education, healthcare, the arts or numerous social welfare causes, any additional commitment of time or resources the business community can provide will help create important dividends for our future.

We are grateful for the confidence placed in us by our current clients, and invite you to contact us if we can help you or your business in the future. "Well Rounded Banking" means making a difference to the community we serve.

Bill Oakley

Regional President, Southern Nevada
First National Bank of Nevada

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A word from our sponsors...

Dear *In Business Las Vegas* readers,

Commercial Alliance wanted to take this opportunity to explain who we are and share some of the exciting and new programs CALV has embarked upon in 2007.

CALV is diligently working to keep Southern Nevada commercial practitioners informed, connected and equipped with the necessary tools that will help meet each practitioner's goals and improve their bottom line. The objective is to enhance collective influence in shaping public policy, providing education, networking and the utilization of our commercial property listing service (CLS) to promote professionalism and expertise in the practice of commercial real estate.

A division of the Greater Las Vegas Association of REALTORS® (GLVAR), Commercial Alliance (CALV) has experienced expeditious growth over the past couple of years. Membership has grown rapidly with an influx of 40 new members per month equaling nearly 3000 members.

Under the umbrella and with the support of the National Association of REALTORS® (NAR), the national REALTORS® Commercial Alliance (RCA), and GLVAR, CALV has been able to provide exciting opportunities for continued educational development and networking advantages with their prestigious affiliate programs, The Society of Industry Office REALTORS® (SIOR), Certified Commercial Investment Member (CCIM), National Association of Industry and Office Properties (NAIOP), Industry Real Estate Management (IREM) and Commercial Real Estate Women (CREW).

In association with our members and affiliates, the success behind the CALV is driven and governed by a member-elected board of directors, who serve as individual professionals in a plethora of diverse areas within the commercial real estate industry. Each director

serves as a committee chair and directs the growth and success that influences education, technology, marketing and public relations, political affairs and membership, all areas in which Commercial Alliance serves its members needs and autonomous growth. The standards, (A REALTOR® Code of Ethics, Bylaws, and Rules and Regulations) that govern NAR, RCA, and GLVAR are also used to govern the Commercial Alliance. These standards enable CALV to help guide professionalism and promote expertise within the commercial industry.

The Commercial Information Exchange (CIE) is an important tool that allows members to list, search, create catalogues and brochures, post wants and utilize online marketing through email blasts and personal profile promotions. A CALV member can also access forms and complete online commercial transactions.

The Commercial Website: www.calv.org provides scheduled events, educational opportunities and promotes affiliate and industry opportunities, changes, and events.

CALV brings people together. CALV creates and nurtures opportunities.

If you are interested in learning more about our membership, contact: Stephanie Hill – CALV administrative liaison (702) 784-5000.

E. Thomas Naseef, CCIM, SIOR
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Dear *In Business Las Vegas* readers,

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"In Southern Nevada, Cox provides high-paying jobs to over 1,200 employees of which nearly 200 belong to Cox Business," said David Blau, vice president and general manager of the company's Henderson-



based regional operations. "They all live and work here, and that's good for the local economy. That's one of our key differentiators. We're local; many others are not. When you call us for support, you speak to a Southern Nevada."

Operating in the same footprint as 22 Cox multi-service broadband systems in 18 states, Cox Business lists 180,000 business customers in industries ranging from health-care and hospitality to government. In the local education sector, Cox Business created a fiber-based wide

area network solution that linked 308 schools within the Clark County School District.

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Congratulations to all the nominees and winners of the SIR Awards. Your contributions to our community have truly made Southern Nevada a great place to live and work.

Best regards,

Cox Business

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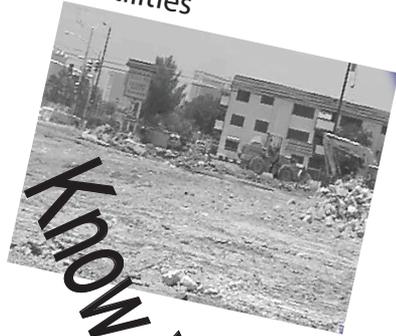


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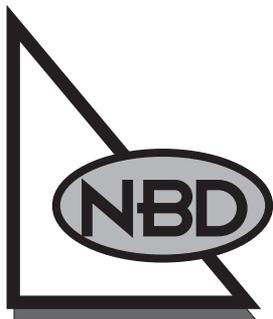
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Realty Check Meet the experts

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President – The Bentley Group

Christopher is Southern Nevada's top producing multi-family investment broker. Bentley alone was involved in over \$275 million of transactions in 2006 alone, brokering the sale of 15 noteworthy multi-family properties, including Princess by the Lakes apartment complex for \$44 million and Wildflower Apartments for \$36.6 million. As founder and president of The Bentley Group Real Estate Advisors, a full-service commercial real estate brokerage firm, Bentley leads a team of commercial real estate experts, who provide in-depth commercial investment brokerage services to real estate investors.

DAVID COHEN

President – Green With Ease

Green With Ease is a company created by David that capitalizes on his experience as a commercial real estate project manager for a development firm, as well as a marketing director for a real estate marketing consulting firm that specializes in market research, strategy creation and implementation of master-planned communities and high-rise condominium projects. Cohen is an active member of the USGBC local chapter and an active member of the NAIOP committee of sustainable development.

DAVID GOLDWATER

President – Goldwater Capital

A life-long Las Vegas resident, David earned a bachelor's degree in business administration with a finance major from the University of Nevada Las Vegas and studied at Italy's prestigious Scuola di Amministrazione Aziendale. He was elected to the Nevada State Legislature in 1994. During his 10 years of service he worked to protect seniors, improve education and provide health care. He was chairman of taxation in the 1999 legislative session as well as the chairman of commerce and labor in the 2001 session.

JOHN RESTREPO

Principal – Restrepo Consulting Group

John directs Restrepo Consulting Group's economic and financial consulting activities. He has analyzed regional economic and real estate trends in Nevada, Arizona, California, Texas and areas throughout the southeastern U.S. His 24 years of urban and real estate economics experience has given him a broad range of skills and technical expertise in assessing the effects of local, regional and national economic trends on urban real estate markets. His clients include a variety of prominent private and public organizations concerned with urban development and growth.

KEITH RUSSELL

Founder/Director – CommCap Advisors

Keith is a founder and director of CommCap Advisors, a full service commercial mortgage banking firm with offices in the Green Valley Corporate Center in Henderson. The firm represents a wide variety of mortgage debt and equity sources, including life insurance companies, pension funds, investment banks and high leverage lenders. He has been a mortgage banker in Southern Nevada since 1996 when he founded his own company, Keystone Capital Group. He sold a successor firm to GMAC Commercial Mortgage Corp. in 2001 and was senior vice president and Las Vegas branch manager for GMAC and its successor, Capmark Finance, until founding CommCap Advisors in late 2006.

JAMES VAN COMPERNOLLE

President – JVC Architects

As president and principal architect of JVC Architects, James is the motivating force behind this prestigious 16-year-old architectural firm. In addition to researching, planning, designing and administering building projects, he is responsible for managing the staff, developing new business and maintaining client relations. Under Van Compernelle's 22 years of architectural experience, JVC provides its clients with individualized service and superior design for commercial, religious, institutional and public works projects.

TARA YOUNG, LUCAS GJOVIG AND AMY TIRRE

Attorneys – Kummer Kaempfer Bonner
Renshaw & Ferrario

Amy is Of Counsel with KKBR&F whose practice focuses on all aspects of business and commercial litigation and bankruptcy. Tara is a transactional associate with the firm whose practice focuses on all areas of commercial real estate transactions including purchase and sale of real property, real estate financing and commercial leases. Lucas is a litigation associate with the firm whose practice includes bankruptcy, commercial litigation and landlord-tenant litigation.

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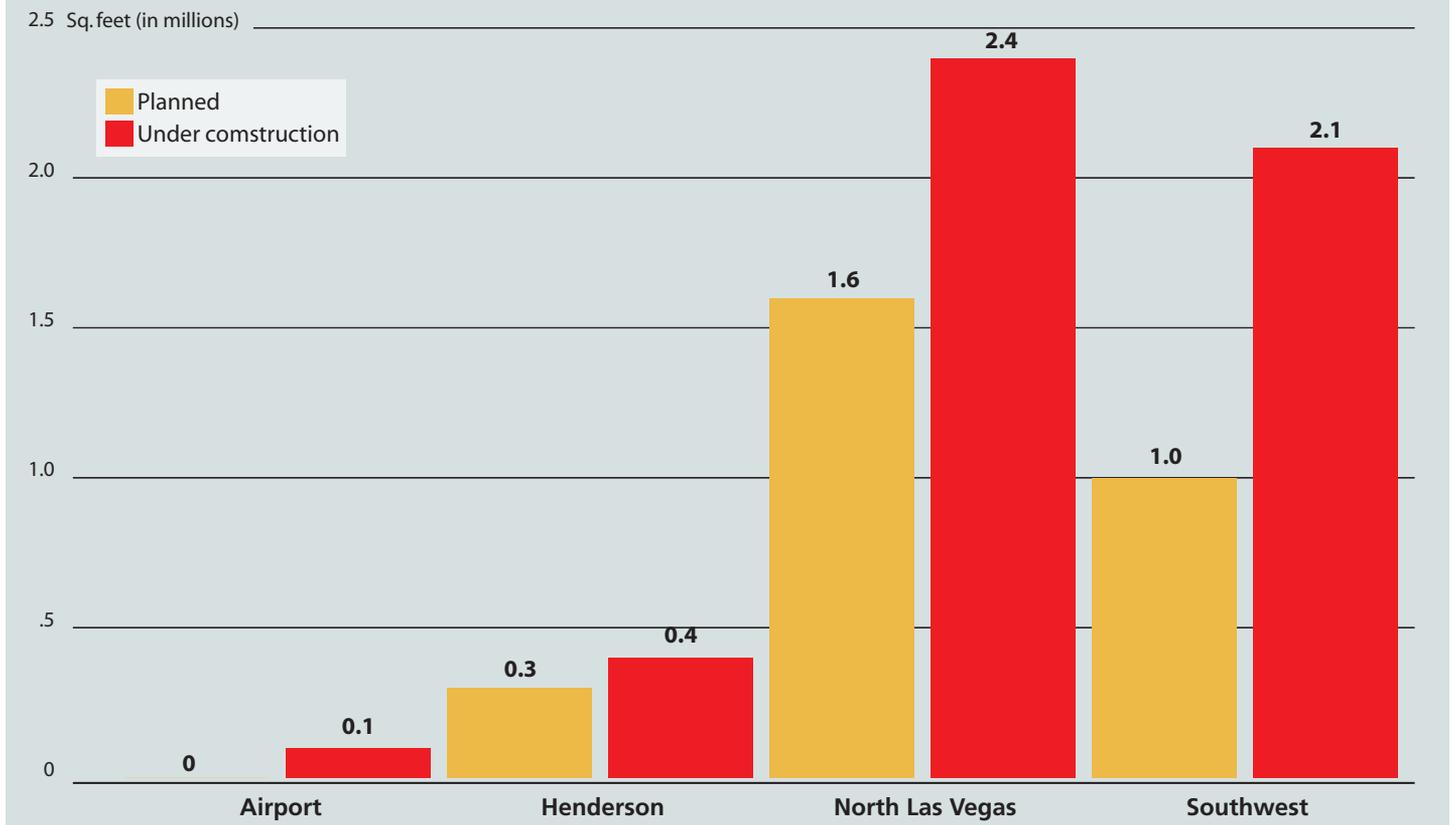


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Figure 1: Q2 forward supply by submarket



Note: No planned or under-construction space was recorded for East, Northwest or West Central Las Vegas

SOURCES: Restrepo Consulting Group

Midyear 2007: Las Vegas Valley industrial land supply shrinking

Less available land and increased costs may affect growth

By **John Restrepo**
Principal

and
Maria Guideng
Economic Researcher
Restrepo Consulting Group LLC



John Restrepo

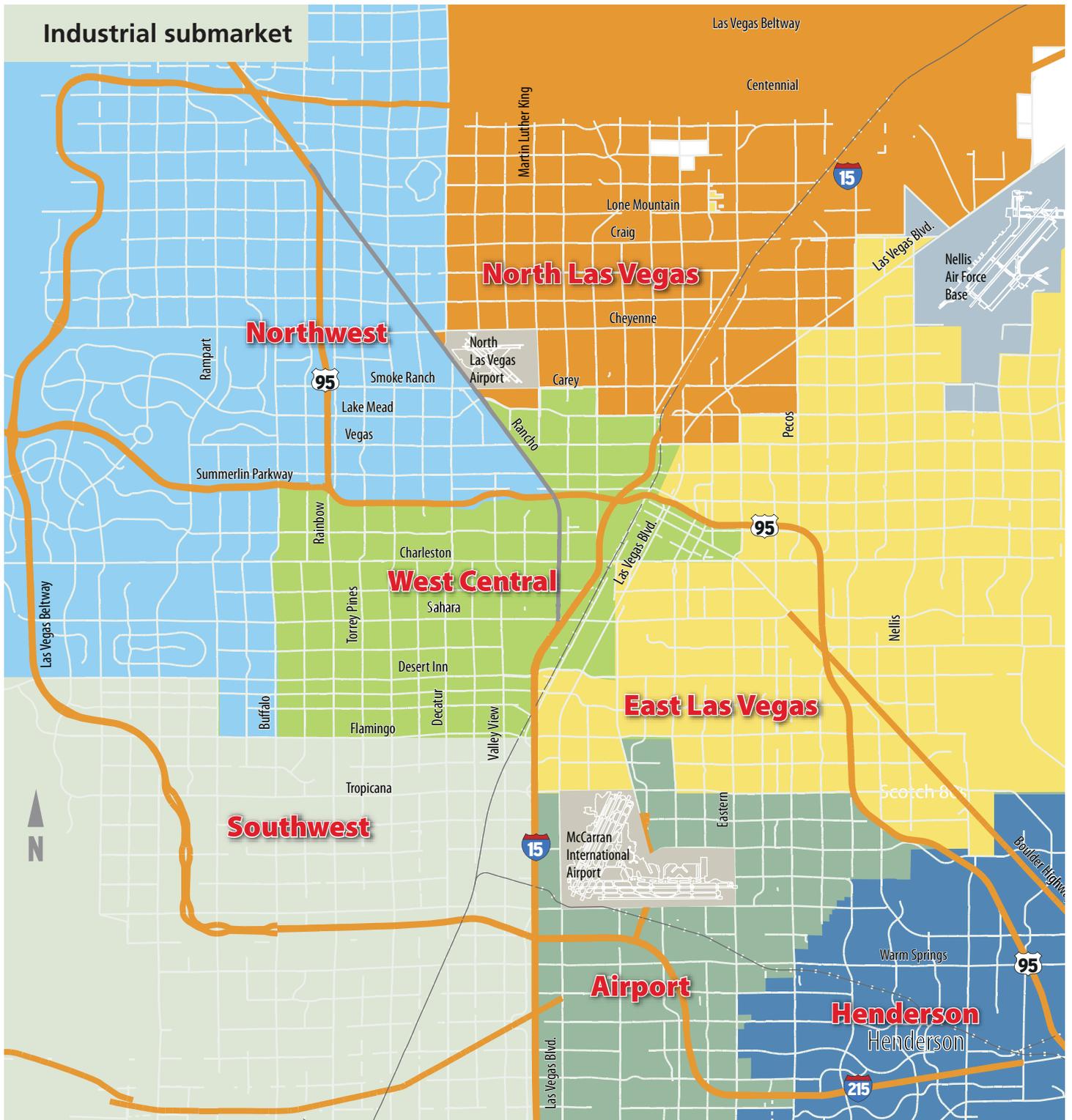
Restrepo
Consulting Group

Although demand for quality industrial space has remained consistent in the Las Vegas Valley for a number of years, the dwindling supply of available land, along with increases in construction and land costs as well as interest rates, has restrained the development of industrial space (speculative/multi-tenant). Industrial prospects looking to lease property in the valley are

finding it increasingly difficult to meet their needs due to very competitive and tight market conditions. Over the previous eight quarters, vacancy levels have been below six percent, demonstrating continued demand for quality industrial space in the valley. However, because of a lack of space, some tenants and users

are attracted to other southwestern U.S. markets or postponing plans to enter the market or to expand if they are already here.

Along with strong absorption, the valley's industrial-oriented economic sectors have also experienced continued job growth. The Nevada Department of Employment, Training and Rehabilitation reported a 0.5 percent increase in industrial jobs, from a base of 170,500 in June 2006 to 171,300 in June 2007. During this 12-month period, the largest increase was in the transportation and warehousing sector, with 1,600 new jobs added, followed by manufacturing, with 400 new jobs added. Construction lost



approximately 1,200 jobs.

Overall, the valley's industrial market performed solidly and leasing conditions remained healthy in Q2, 2007. Close to 1.3 million sq. ft. of much-needed space were completed during the quarter, increasing the valley's inventory by 1.4 percent to nearly 96.4 million sq. ft. Second quarter industrial absorption nearly matched completions at 1.1 million sq. ft. As a result, the vacancy rate increased slightly from 4.3 percent in Q1 to 4.4 percent. Rents continued to creep higher, consistent with the pattern witnessed for

all of 2006 and early 2007.

Close to 1.3 million sq. ft. of new construction in Q2

New construction deliveries posted 1.29 million sq. ft. during Q2. By comparison, completions were 2.3 million sq. ft. in Q1 and 1.2 million sq. ft. in Q2, 2006. Most of this new space was concentrated in North Las Vegas (574,300 sq. ft.) and Henderson (466,100 sq. ft.). By product type, over 50 percent of completions in Q2 were in warehouse/distri-

bution space, while no completions were recorded for incubator space.

More supply is expected to come online in the next several quarters as nearly eight million sq. ft. were recorded in the pipeline at the end of Q2. Of this amount, three million sq. ft. were under construction with the remaining five million sq. ft. being in the planning stages (expected to start construction by mid-2008).

Not surprisingly, most of this forward supply is located in the North Las Vegas (3.98 million sq. ft.) and southwest (3.1 million sq. ft.) submarkets (see Figure

Figure 2: Ratios of absorption to completions



SOURCES: Restrepo Consulting Group

1). Drawn by the 215 Beltway and Interstate 15, and a relatively large supply of developable land, the North Las Vegas and southwest submarkets are forecasted to continue to witness high levels of

industrial activity. Henderson followed with 306,000 sq. ft. and the airport area with 50,600 sq. ft. No planned or under-construction space was reported for east Las Vegas, northwest and west central

at the end of Q2.

If all of the industrial space under construction or planned is completed, which is not guaranteed, it would represent an 8.2 percent increase in the valley's in-



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- From \$1.85 sq. ft. MGR
- Suites from 100 to 8,000 sq. ft.
- Parking Ratio: 4.6 per 1,000 sq. ft.
- Traffic Count: 30,000 Vehicles Per Day
- 5 Minutes from McCarran Airport
- All Single Story for Convenience
- Park Right Next to Your Office
- Many Suites are Brand New
- Single Office Suites Available
- Dedicated On-Site Management

Tenants Include: Michele Tratos D.D.S., Dr. Bradley Roberts, Guenther & Castronova Attorneys at Law, Griffith Investments, North American Title

Shoppes at Summerlin Parkway



16,000 sq. ft. of Retail Space
Off Summerlin Parkway on Buffalo and Washington
Suites from 1,100 to 4,400 sq. ft.
Parking Ratio: 5.75 per 1,000 sq. ft.
Traffic Count: 184,000 Vehicles Per Day
Immediate Access to U.S. 95
Across from Kellogg Zaher Sports Complex

Tenants Include: Starbucks, Baker Brothers Deli, and Las Vegas Floral Designers

Longford Medical Center



132,000 sq. ft. "Class A" Medical Office Building
Summerlin Parkway and Buffalo
Suites from 2,100 to 4,200 sq. ft.
Parking Ratio: 6.0 per 1,000 sq. ft.
Four Story Covered Parking Garage
Traffic Count: 184,000 Vehicles Per Day
Close to Freeways and Restaurants

Tenants Include: Nevada Heart and Vascular, Alliance Spinal, fig., University of Phoenix, Sonoran Imaging, Consolidated Blood Labs

Shoppes at Southern Hills



Over 86,000 sq. ft. of Retail Space
Fort Apache and Sunset off the 215 Beltway
Suites from 900 to 16,000 sq. ft.
Traffic Count: 50,000 Vehicles Per Day (Proj 2008)
Retail or Restaurant Space Available
High Growth Area Ideal for Retail Space

Tenants Include: Subway, Major National Drugstore Chain, Bagel Café, Upscale National Food Store, Moxie Java



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Figure 3: Vacancy vs. rents



dustrial inventory. Additionally, if all available space (4.6 million sq. ft.) in existing buildings were added to this forward supply, it would only take roughly 10 quarters (2.5 years) to absorb it all, using the past four quarter's average absorption of 1.2 million sq. ft.

Q2 absorption marginally below completion levels

Net industrial absorption decreased in Q2 to 1.1 million sq. ft. from 1.9 million sq. ft. in Q1. Though still at a healthy level, this absorption fell short of completions, equating to 84 percent of new supply (see Figure 2). Absorption in Q2 was also less than Q2, 2006, when 1.7 million sq. ft. were absorbed.

Absorption was positive for all products except incubator space (-9,400 sq. ft.). Demand for warehouse/distribution space, in particular, has outpaced supply since 2000 and has generally maintained the lowest vacancy rate among all industrial products. It is not surprising then that warehouse/distribution industrial space had the highest net absorption with 711,600 sq. ft., followed by light distribution (188,400 sq. ft.), light industrial (130,000 sq. ft.) and R&D flex (64,100 sq. ft.).

By submarket, net industrial absorption was positive in east Las Vegas (43,900 sq. ft.), North Las Vegas (569,600 sq. ft.), southwest (114,600 sq. ft.), Henderson (397,900 sq. ft.), northwest (24,900 sq. ft.) and west central (23,900 sq. ft.). Only the airport recorded negative absorption (-90,200 sq. ft.).

Industrial vacancy rate posts slight increase.

The overall market vacancy of 4.4 percent in Q2 went up slightly from Q1's 4.3 percent, although it did mark a notable increase from the 3.1 percent of a one year ago (see Figure 3).

Vacancy decreased in four of the valley's submarkets: North Las Vegas, northwest, west central and east Las Vegas. The southwest, northwest and North Las Vegas submarkets all had vacancies higher than the valley average. The valley's lowest vacancy rate was in the west central submarket (2.8 percent), while the northwest posted the highest vacancy at 17.9 percent at midyear.

Rents post increase, continuing upward trend

For the fifth consecutive quarter, the average monthly industrial rent continued to go higher, posting a \$0.01 quarter rise to \$.82 per square foot at the end of Q2. This left the valley's average industrial rent \$0.07 higher than a year ago. (Note: rents are based on the vacant available space reported by quarter, not the total building square footage.)

The average rent rose in Henderson (by \$0.02), east Las Vegas (\$0.13), airport (\$0.09) and west central (\$0.13) while rents fell in North Las Vegas (\$0.04), northwest (\$0.08) and south-



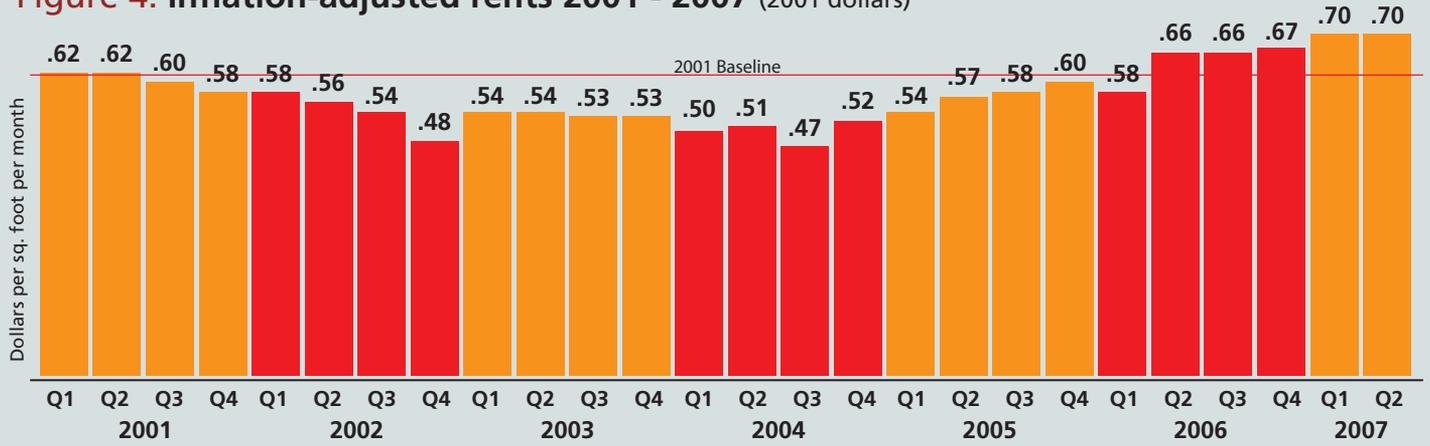
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Figure 4: Inflation-adjusted rents 2001 - 2007 (2001 dollars)



west (\$0.02). Two product types saw a rise in the average asking rent: warehouse distribution (\$0.10) and light industrial (\$0.07).

The consumer price index for the western urban regions has risen by 17.3 percent since 2001 (the base year). Adjusting Q2's average industrial rent for inflation, the \$.82 per sq. ft. noted above dropped to \$0.70 per sq. ft. (see Figure 4) and illustrates inflation-adjusted asking rents using Q1, 2001 as the baseline. As the graph shows, industrial rents, on average, did not keep pace with inflation for 21 quarters (over 5 years), or until

Q2, 2006.

Beyond the numbers

Supported by ample population in-migration, largely resort industry-driven job growth and Southern Nevada's favorable business environment and proximity to the West Coast, industrial market activity is expected to remain relatively strong for the rest of 2007 and into 2008. The valley's tight industrial market and low vacancy rates are more about a lack of new construction in the last three years rather than a lack of demand. Demand remains sufficiently strong to-

day, however there is just is not enough land in the right locations — at least not at prices that make sense to developers. Even with the nearly nonexistent demand for land by homebuilders, because of the “correction” in the valley's housing market, landowners are not panic-dumping land — at least not yet. Nonetheless, the industrial market appears to be moving forward with significant completions added and a substantial amount of forward supply. Consequently, we will continue to see industrial rents rising as higher developments costs are passed on to tenants and end users. **cre**

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Arrowhead Commerce Center is a 110-acre master-planned industrial complex near McCarran International Airport.

Arrowhead Commerce Center nearing full build out

By **Brian Sodoma**
Special Publications writer

It's hard to believe that when construction started on the first Arrowhead Commerce Center building in 1996, residential developments nearly butted up to McCarran International's runways. What a difference 12 years makes, as today the 110-acre master-planned industrial complex has nearly one million square feet and its developer, Los Angeles-based EJM Development, is moving dirt on the 148,000-square-foot Building 21. The building will officially put the complex over the one-million-square-foot mark, and all but finishes it, with the exception of a nearby eight-acre parcel still being planned.

Located in the airport submarket, Arrowhead is bordered by Patrick Lane to

the north, Pecos Road to the west, Post Road to the south and Sandhill Road on the east. Building 21 is located at the southwest corner of Sandhill and Post roads, and will be divisible down to 15,681 square feet. The new building will also have an Early Suppression Fire Response (ESFR) system. "This is very important for those tenants looking at racking over 12 feet. It's not typical in buildings valley-wide, but you do find it in 30-foot clearance buildings like this," said Susan Wincn, EJM's vice president for Nevada properties.

The building will also have "generous [61-foot] truck aprons," nine- by ten-foot dock doors, grade level parking and large cross-dock capacity if the building becomes home to one tenant. "It's basically a huge building with docks on either side, which can allow for receiving, then

distribution points from one end of the building to the other," Wincn added.

LM Construction is the contractor on the project, and has been the contractor of choice for the Arrowhead Commerce Center through the years. The company has built all but two of the buildings at Arrowhead, and also tries to get involved with tenant improvements when building shells are completed. LM has in-house drafting capabilities, which allows tenants to work with the contractor to design their space, even while the shell is still being built. In the end, LM, by staying on the job after the structure is built, is able to pass along a savings to tenants for their needed improvements.

"Our goal is to provide our clients with as many services as they need to run their business," said Larry Monkarsh, owner of LM Construction. "If you give me one

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job you're going to get a better price if you keep me around for the other."

Arrowhead's existing buildings are 95

percent leased. Some of the major tenants already on site include: DHL, General Electric, Siemens, Pyramid Logistics

and Hilti. Wincn said there has been considerable pre-leasing interest for the new building, which is expected to be ready for move in by the end of first quarter 2008. Lease rates for Arrowhead's Building 21 should be in the low-to-mid 70-cent per square foot range, triple net.

"We have a great deal of synergy with existing tenants. The location makes it easy to get anywhere, and it's a great location for employees who live in Green Valley," Wincn added. "We deliver a product very needed in the marketplace. In the airport there are very few large spaces like this available."

Brian Gordon, a principal with Applied Analysis, a local economic research firm, said a valley-wide shortage of supply in industrial space makes it easier for projects like Arrowhead to succeed. Currently, he is seeing a valley-wide vacancy rate of 4.4 percent for industrial space. He sees a limited amount of industrial zoned property and a current "overheated" level of demand as the two factors keeping vacancy rates low.

In the airport submarket, vacancies rates are only at 4.1 percent. And when it comes to strictly distribution space (office space taking up less than 10 percent) the figure even drops lower to 3.8 percent. "There's just very little availability, which has allowed projects like this to thrive," he added.

Gordon also said rising lease rates will be the ultimate factor in the overall health of the industrial market.

"The question that remains is price. Does it make financial sense to be in this market? Typically we've been the low-cost alternative. But with price escalations for land and construction, for Las Vegas to be competitive with the Inland Empire, or areas of California or Arizona, price will be a major factor," he added.

In the short term, he sees industrial vacancy rates climbing, but sees no cause for alarm. At the end of last year, industrial vacancy rates hit an all-time valley-wide low of 3.5 percent, well below their 2002 high of 11 percent.

"We might see a modest increase in vacancies given how low they are today. But certainly there's limited availability for the longer run," he said.

EJM currently has more than 4 million square feet of commercial space in Las Vegas, and overall, more than 10 million square feet spanning five different states. Its most high profile project today is The Arroyo, a 450-acre commercial mixed-use center located at the I-215 and Rainbow Boulevard. The company also has undeveloped land holdings in North Las Vegas, near the Las Vegas Motor Speedway, said Wincn. **cre**

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Top row (l-r): SOIR members Dave Frear; Chuck Witters; Donna Alderson; Tom Naseef; Soozie Jones Walker; Dan Doherty and Tom Grant. Bottom row (l-r): Kevin Higgins; Randy Broadhead; Dean Willmore; Brad Peterson and Mike Hillis. Pat Marsh, Greg Pancirov and Mike DeLew are not pictured.

SIOR members soar in commercial real estate

By Alana Roberts
Special Publications writer

The Society of Industrial and Office Realtors Nevada Chapter (SIOR) is so choosy when it comes to admitting members that only those brokers who earn a gross income of \$400,000 or more are considered for membership to the elite group.

That's high even for national standards, said Dean Willmore, president of the 15-member chapter, but it indicates how well brokers have done in the state. Willmore is also senior vice president of Prudential-IPG Commercial Real Estate, with a specialty in industrial properties.

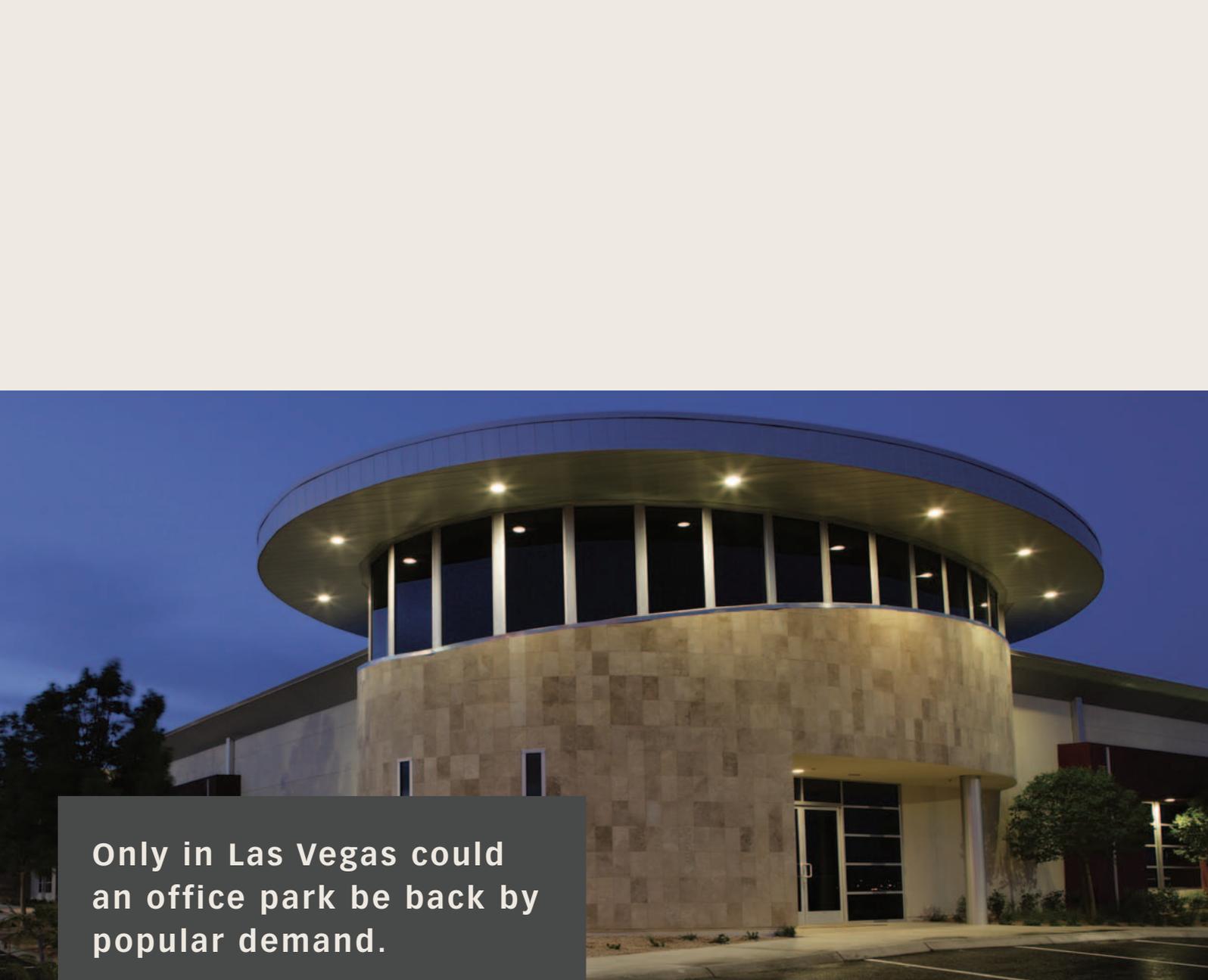
"There isn't a chapter with higher [membership] standards," he said. "There may be one or two chapters that are as high, but it's the highest threshold in the United States."

Other prospective member requirements are least five years

of real estate sales experience plus the successful completion of a large number of transactions during their career. Prospective members must also have letters of recommendation from two SIOR members and must undergo an in-person interview. Last, they need the approval of SIOR leaders at both the local and national levels.

"Even if you are given the green light, you're admitted conditionally," said Willmore, who explained that an ethics exam is also required in addition to SIOR courses to bring applicants up to speed in areas of real estate where they may be weak.

Nationally, SIOR's brokers produce strong results. Last year, SIOR members brokered an average of \$33.5 million in office and industrial properties and brokered deals involving more than 239 million square feet of space. Further, SIOR Nevada Chapter members brokered 50 percent of the total square feet of office and industrial space that was sold or leased in Las Vegas. They were also responsible for 25 percent, or \$977.4 million, of



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“There isn’t a chapter with higher [membership] standards. There may be one or two chapters that are as high, but it’s the highest threshold in the United States.”

Dean Willmore

Senior Vice President
Prudential-IPG Commercial Real Estate

all of the city’s office and industrial transactions last year. “Since 2001, our people have produced \$4.3 billion in sales and leasing,” Willmore said.

According to Willmore, SIOR members are some of the most experienced and successful commercial real estate brokers in the nation. “There are 45,000 commercial real estate brokers in the United States

and only about 2,500 in the whole United States have the SIOR designation,” he said. “So right off the bat, that puts you in the top five percent of all the brokers in the United States.”

He also considers SIOR to be one of the best broker networks in the United States because SIOR encourages members to collaborate, when possible. “We try to co-

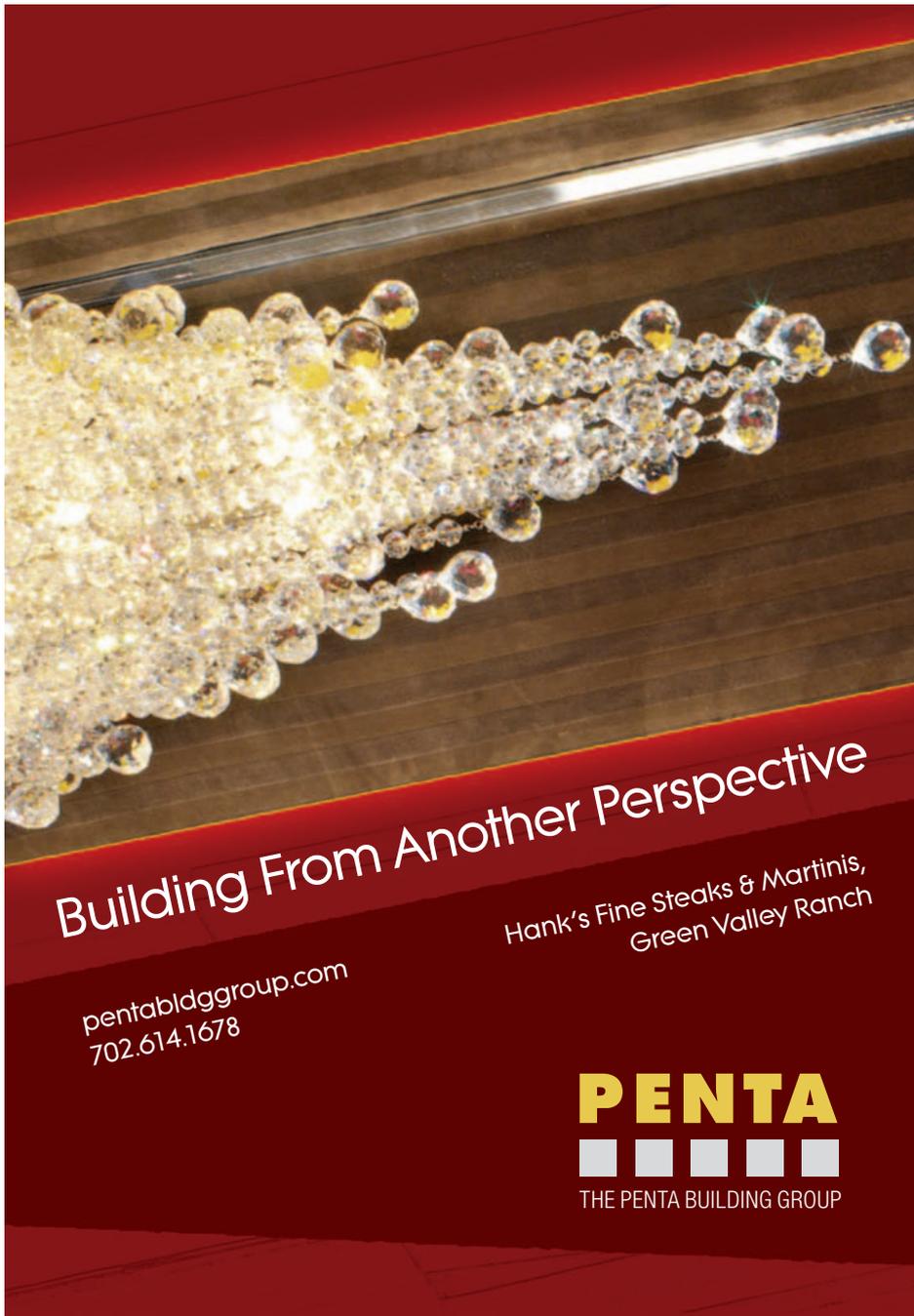
operate with each other and do deals with other SIORs. Let’s say there’s a SIOR in St. Louis and he’s got a client who wants to relocate [his business] to Las Vegas. He’ll call me and we’ll work with his client, together, to find a building or land to buy or lease.”

Doug Roberts, Nevada partner of Sacramento, Calif.-based Panattoni Development Co., agrees that the SIOR designation facilitates collaboration. “For example, I work in Reno and Las Vegas so I know most of the SIOR brokers,” he said. “But, if I’m working in a market I’m not familiar with, I look for a SIOR broker to help me. The SIOR designation tells me they have high standards and a work ethic I can trust.”

Willmore revealed that despite a slowdown in residential real estate sales, the impact to the commercial real estate market in Las Vegas has been minimal. “We have not seen that the downturn in housing has had an impact on commercial,” he said. “My feeling is that if we see an impact from the housing market on the commercial side, it’s going to be minimal. Plus, if it were going to happen, it would have happened by now.”

He said the commercial real estate industry has been buffered from much of the residential market’s volatility because lending practices tend to be more stringent for commercial projects. “In my opinion, the residential crises can be almost single-handedly attributed to lenders making very poor lending decisions,” Willmore said. “Commercial lending is much more heavily scrutinized.”

He also said Nevada’s economy and the demand for commercial space have remained strong. “The growth here has been phenomenal,” he said. “Obviously, our economy is strong. It’s been strong ever since I moved here in 1988. Las Vegas is strategically located from a distribution standpoint.” **cre**



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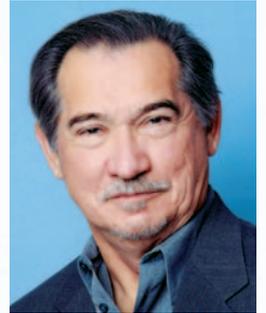
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By Brian Sodoma
Special Publications writer

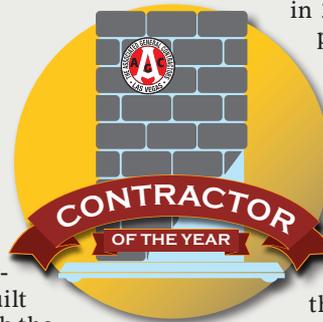
While its valley roots may seem a bit shallow, McCarthy Building Companies Inc. has been hard at work throughout the country. It was in 1864 that Irish immigrant, Tim McCarthy, opened a lumberyard and contracting firm that built farmhouses in Michigan. Through the years, the company has virtually built every type of commercial project imaginable.

After years of successful projects under its belt, one would think the family-owned business approach would remain the same. But

in 2002, the company shifted to a 100 percent employee-owned firm with the initiation of an employee stock ownership program. "That's something we're really proud of," said Randy Highland, president of McCarthy's Nevada division. "Everyone has a financial and personal stake in the success of McCarthy."

McCarthy has been building in the Silver State since the 1970s but an official, local office wasn't opened until 1996. Highland said establishing a Las Vegas presence was a good move because a local team is in a better position to decide what ventures to tackle and how to undertake them.

For McCarthy, gauging success in the local



market goes beyond high-profile projects. Sure, there are plenty of jobs to speak of — the District at Green Valley Ranch, Spring Valley Hospital and the recent \$36 million rebuilding of Burkholder Middle School, one of Henderson's oldest middle schools, to name a few. "When you look at our approach to business, one of the biggest marketing tools we have is a track record of successful projects," Highland said. "Perhaps adding to that comfort level is McCarthy's impressive safety record. The company celebrated its safest year in 2006, gaining national distinction from AGC for companies expending more than one million work hours annually. In the company's southwest division, which includes offices in Arizona and Nevada, McCarthy went more than one million man hours without a recordable injury.

Project sizes are fairly diverse for McCarthy. It will tackle a smallish tenant improvement project costing a few million dollars as well as something as large as phase one of McCarran International Airport's terminal three with a \$150 million price tag. Companywide, McCarthy enjoys the distinction of having 80 percent of its work come from referrals. "We've always taken the approach of answering the question 'What's best for the project?'" Highland added.

Rebuilding the Burkholder Middle

School was McCarthy's first job with the Clark County School District. But Highland is confident there will be more projects with the district in the future. The company has also done work for UNLV's Shadow Lane Campus, which will house a future biomedical research center.

Highland also said the shift away from straight public hard bid approaches on a lot of public sector work to a Construction Manager At-Risk (CM At-Risk) model has opened the door for more public work for McCarthy. The CM At-Risk model allows the public entity to look more closely at qualifications instead of relying almost solely on the lowest bid. Companywide, McCarthy, while doing a lot of public sector work in general, only does about 20 percent of its jobs under the standard hard bid format, Highland said.

"With CM At-Risk you really can look at a company, its approach to business as well as cost. There's an interview process. ... It's a much-improved delivery system for public agencies," Highland added.

Locally, McCarthy now has 50 employees. One of its greatest attributes, Highland said, is that it self performs all its own concrete work. Highland said that the industry, in general, is tending away from self performing. But, he added McCarthy is staying committed to doing its own concrete work. On a smaller level, the company also does some steel and

carpentry work as well. "We feel there are a lot of advantages to working with a contractor who self performs some component of the work. We selfperform in every market and feel it helps create some of the culture of who we are," he added.

The local president asserts that it is important for McCarthy's Nevada office to be seen as a "true community-based builder." One of the ways the company likes to include itself in the community is through its Heart Hat program. As a part of the program, employees meet two times a month to discuss and evaluate philanthropic opportunities for the local office. McCarthy hosts an annual golf tournament, benefiting a different local charity each year. In addition, the group has offered building services to organizations like Opportunity Village, Child Haven and others. The company also commits one day a year entirely to community outreach. McCarthy has also taken on the responsibility of making every job the company does a community outreach effort. For each job, workers are required to put forth some sort of philanthropic effort for the neighborhood where the work is being performed.

"It's our way of making sure even that individual project in some way reaches out to that community to be a partner," Highland said. **cre**

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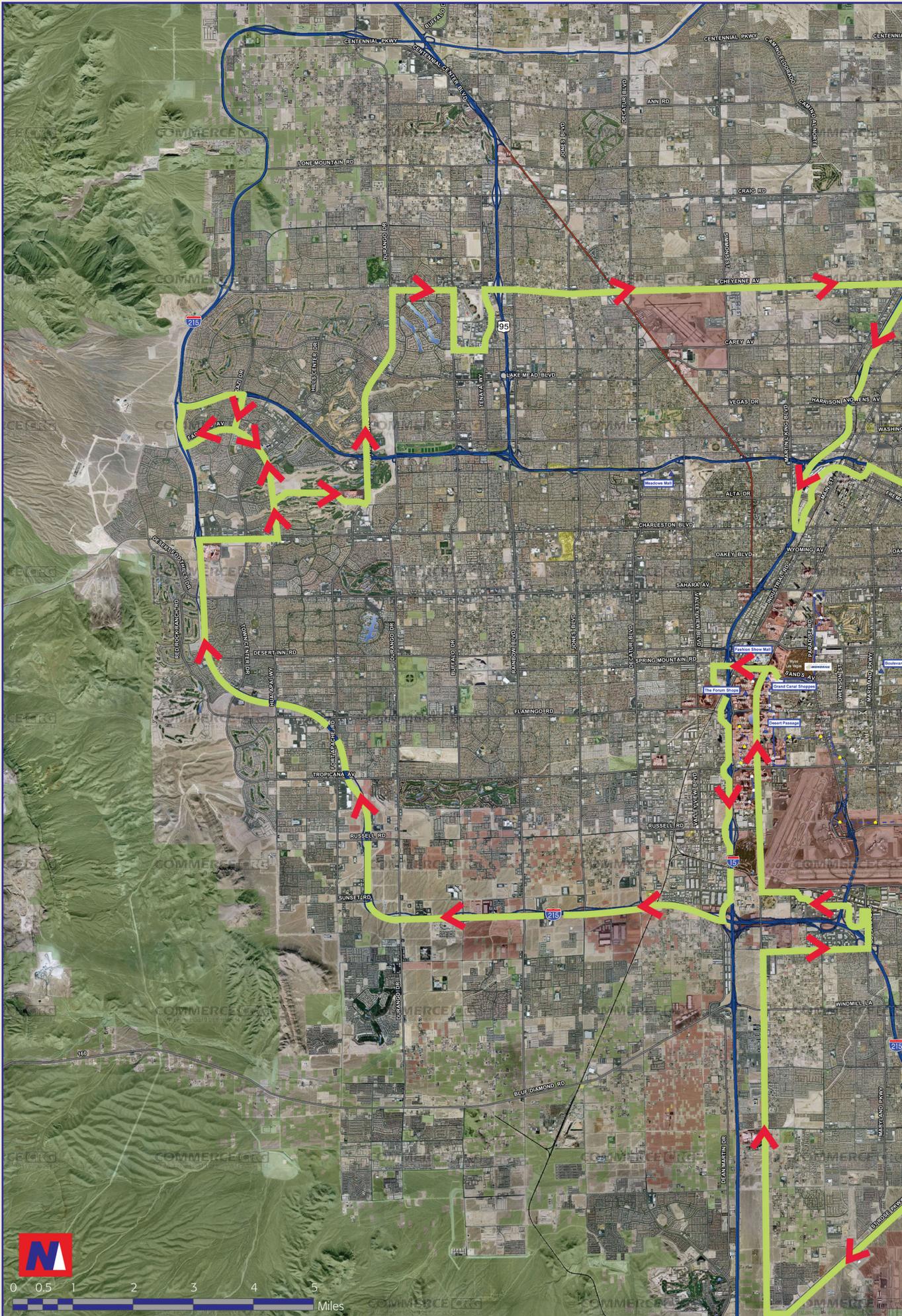
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- The tour will be held Nov. 15th from 11 a.m.-3 p.m. while the National Association of REALTORS (NAR) convention is being held here that week. Commercial brokers from all over the United States will be taking the tour.
- On the following pages, you'll find a map of the route of the tour, which starts and ends at The Venetian Hotel & Casino. On page 38, you'll find current statistics and economic indicators.

LAS VEGAS Metro Map





Las Vegas valley at a glance

Since the 2000 census, the population of Clark County has grown approximately 31%. It is anticipated that the population will grow another 17% by 2012 (2007 Claritas Inc.).

According to the Nevada Department of Taxation, annual Clark County taxable sales have grown 119% in the past ten years, and 59% in the past five years.

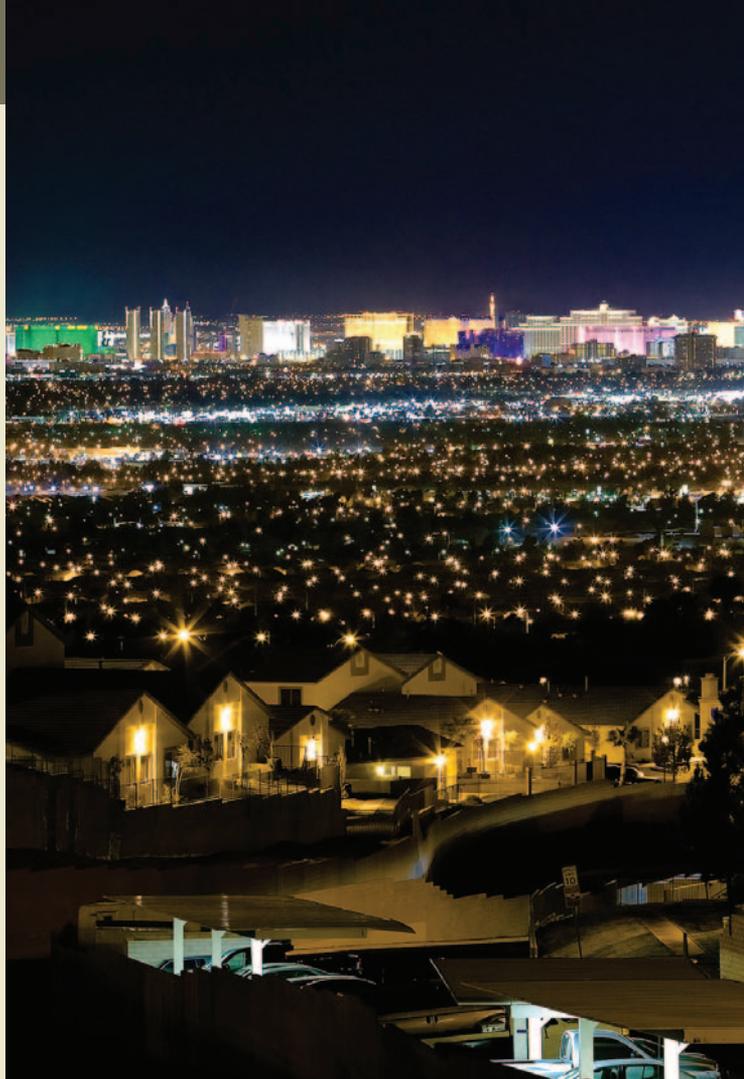
Statistics from SalesTraq show that the median price of new homes has increased 88% since 2001, with the median price of existing homes more than doubling during that same time frame.

LVCVA annual visitor counts have increased 28% since 1997, with 38.9 million visitors reported in 2006.

According to the LVCVA, annual visitor dollar contributions have increased 58% since 1997, with \$39.4 billion going into the local economy in 2006.

Nevada Gaming Control Board statistics show an annual increase in Clark County gross gaming revenue of 73% since 1997. Gaming revenues reached \$10.6 billion in 2006.

McCarran International Airport statistics reflect an increase in annual enplaned and deplaned passengers of 52% since 1997. McCarran processed 46.2 million passengers in 2006.



Selected economic indicators

Indicators	2000	2001	2002	2003	2004	2005	2006	Q2 2006	Q2 2007
Employment									
Total Employment	716,800	720,900	746,600	785,000	843,900	903,300	937,100	922,000	943,200
Office-using Employment	246,400	254,700	267,000	278,900	300,000	323,900	339,300	330,100	344,600
Industrial-using Employment	134,500	136,100	139,500	151,600	172,400	189,200	195,300	196,000	197,800
Retail-using Employment	130,900	133,500	141,500	150,300	161,400	169,100	176,800	168,600	175,200
Unemployment Rate	4.8%	6.1%	5.6%	4.7%	3.8%	3.5%	4.2%	3.6%	4.2%
Population & Housing									
Population	1,394,400	1,485,900	1,549,700	1,620,700	1,715,300	1,796,400	1,874,800	1,835,600	1,910,900
Drivers License Surrenders	81,400	81,700	80,300	89,900	84,300	83,700	81,400	82,100	78,900
Electric Meter Connections	538,800	563,200	590,000	617,400	652,600	684,000	710,800	703,200	721,700
Clark County New Homes Sales (a)	20,200	23,500	22,500	25,100	29,400	30,900	29,100	31,500	23,600
Clark County Existing Home Sales	n/a	35,600	38,600	49,800	64,100	58,500	41,900	54,200	35,300
Median New Home Price	\$161,893	\$178,920	\$186,827	\$209,611	\$290,287	\$345,130	\$330,094	\$338,990	\$309,990
Median Existing Home Price	\$130,000	\$142,000	\$157,000	\$180,000	\$250,000	\$285,000	\$285,000	\$289,000	\$278,000
Tourism and Consumer Spending									
Las Vegas Visitor Volumes	35,849,700	35,017,300	35,071,500	35,540,100	37,388,800	38,566,700	38,914,900	38,744,900	38,995,200
Convention Attendees	3,853,400	5,014,200	5,105,500	5,657,800	5,724,900	6,166,200	6,308,000	6,229,700	6,314,100
Hotel Room Inventory	124,300	126,600	126,800	130,500	131,500	133,200	132,600	132,200	133,100
McCarran Passenger Counts	36,865,900	35,515,400	35,009,000	36,265,900	41,441,500	44,267,400	46,195,300	44,960,100	46,923,600
Clark County Taxable Retail Sales	22,167,631,100	22,849,982,500	23,697,778,900	26,190,135,900	30,582,641,000	34,303,231,400	36,027,222,700	35,226,487,300	36,210,853,200
Clark County Gaming Revenues	7,671,093,300	7,635,958,700	7,629,962,200	7,831,273,700	8,711,998,900	9,717,372,400	10,643,823,600	10,160,663,900	10,705,140,000

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Silver State Materials wins Specialty Contractor

By Brian Sodoma
Special Publications writer

Twenty years ago, Steve Hill moved to the Las Vegas Valley from Ohio. With only six years of concrete pouring experience under his belt, he landed the contract of a lifetime — the Mirage Casino & Resort — which would open two years later and change the Strip's landscape forever. From that experience, Silver State Materials Corp. was born. Since then, the company has poured thousands of home slabs throughout the valley and has its name on various other large projects, including more recently, Newport and Soho Lofts in downtown Las Vegas, and the Poly-West plant in Henderson.



Steve Hill

"We try to make sure our customers don't really have to think about concrete



supply after placing an order. It's not high tech. It's not rocket science. It's just the ability to show up every day on time and make sure it's done right," Hill said about his company's commitment to customer service.

Silver State Materials Corp. is also this year's Specialty Subcontractor Award recipient from the Associated General Contractors (AGC). The award recognizes a subcontractor not only for a commitment to quality work, but also for its leader's "political, regulatory, educational, community and industry advancement efforts."

Hill, who spoke with In Business Las Vegas while on a trip to Washington

D.C. to meet with congressional leaders, said involvement in the governmental affairs side of the industry is something he doesn't plan on stopping any time soon. For six years, Hill has headed the government affairs division of AGC. He has also chaired the Coalition for Fairness in Construction, which worked to revise legislation regarding construction defect issues in 2003. He is also the chair of government affairs for the Las Vegas Chamber of Commerce.

One of Hill's proudest moments dealt with air quality issues. In 1998, the county's air exceeded safe carbon monoxide levels and the county was pushed by the Environmental Protection Agency (EPA) to submit a formal plan to reduce CO levels and implement plans to clean up the air. Hill said it was important for the industry to participate in the formulation of this plan, and chaired an industry committee to help the county rewrite air quality regulations.

"The EPA said they'd never seen a construction industry in any other city step up with such a willingness to work with the regulatory agencies to help reduce the dust in the community," Hill said. "It's one of the efforts I'm most proud of and it actually worked and helped us get back into compliance."

Hill is also active in the community and involved with both the UNLV and UNR foundations, as well as other charities. The Boys and Girls Clubs of Las Vegas is a group that he and his company commit the most to these days. Every year, roughly 30 to 40 Silver State employees help with a large fundraising event called Merchandise Mania that involves moving trade show merchandise from the Las Vegas Convention Center to another site. The products trade-show exhibitors leave behind are then sold with proceeds going to the Boys and Girls Clubs of Las Vegas.

"Quite a few people at Silver State get involved with Boys and Girls Club," Hill said. "Getting in and helping with that fundraiser is an huge effort and it takes a lot of people and time."

With an employee base now topping 400 and annual sales around \$150 million, Hill said he still tries to keep a simple, pleasant working environment at Silver State. "I try to maintain the culture we had 10 or 15 years ago," he said. "I have employees who love to come to work and work hard while they're here, but the company tends to spit out those who are just there to put in eight hours to get a paycheck. If you don't love it at Silver State, you're not going to be a good fit." **cre**



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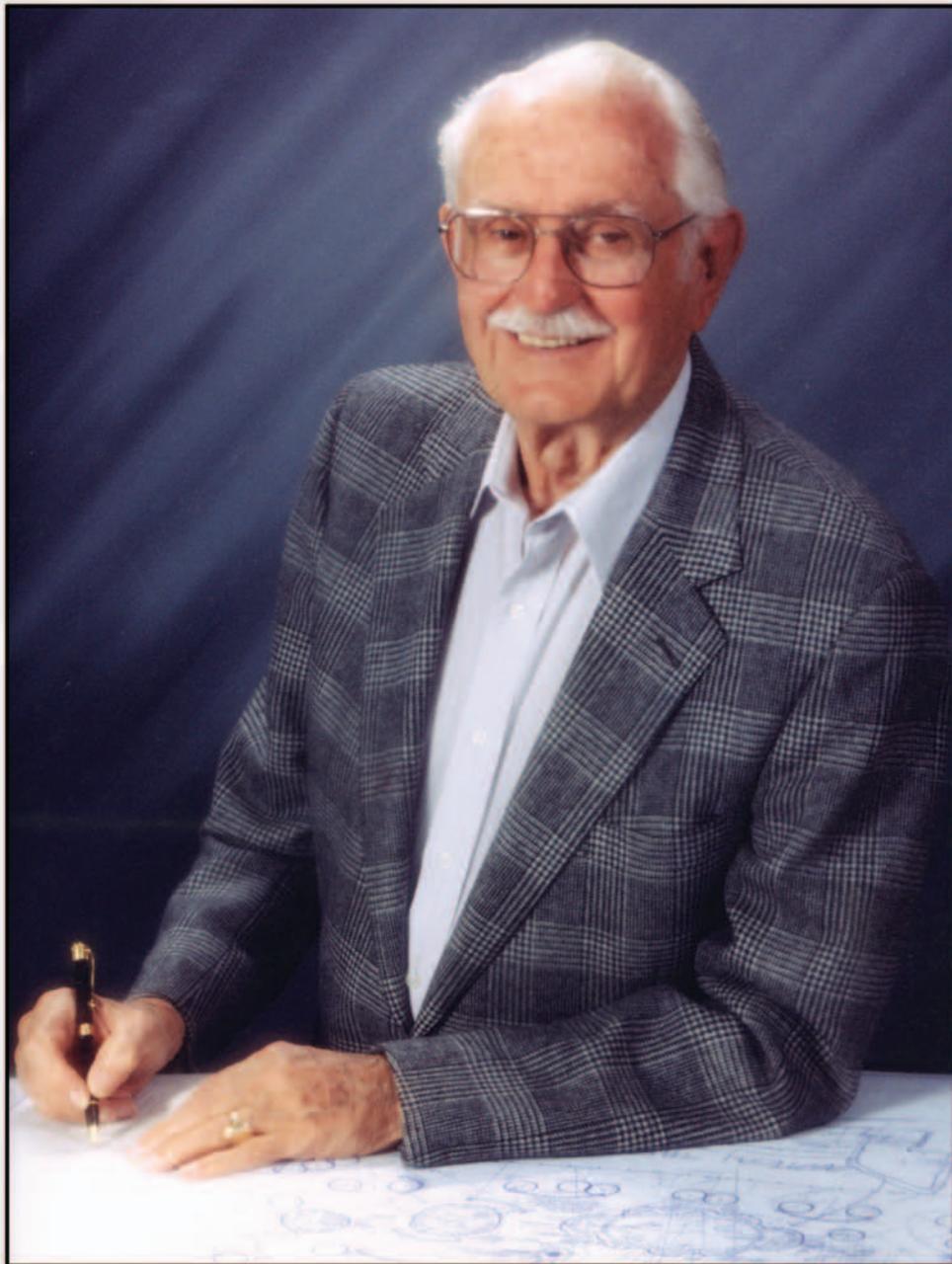
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Burke & Associates management team: Sitting (l-r) Carol Cleveland-Thompson, director of corporate services; Dimitri Mihaliakos, chief estimator; Tony Dazzio, senior vice president; and Matt Boyd, vice president Operations. Standing: Kevin Burke, president and CEO.

Burke & Associates takes on ‘Pioneer Spirit’

Burke & Associates wins AGC’s Pioneer Spirit Award

By Brian Sodoma
Special Publications writer

Named in honor of one of the most prominent names in the valley contracting arena, this year’s J.A. Tiberti Pioneer Spirit Award recipient, Burke & Associates, has its leaders calling the award “humbling.” Tony Dazzio, senior vice president with Burke & Associates, said the Pioneer Spirit Award is “validation from peers in the industry and a huge sign that we’re heading in the right direction.”

The Pioneer Spirit Award recognizes a company for innovative approaches to “project delivery, business, mentoring, customer support, value-added services, technology,” and more. Burke & Associates clearly prides itself in its commitment to get better at what it does.



“We don’t do what we do to win awards. We just try to be the best. There’s no stagnation in this organization. We’re constantly focused on becoming better,” said Matt Boyd, vice president of operations for the company.

From slot pubs and Strip casino/hotel improvements to large churches, Burke & Associates has tackled a wide variety of projects, both in size and scope, in its 23 years of business. The contractor has completed improvements or renovation in the Mirage Hotel & Casino, the Four Queens and Bally’s. It has even built a monorail station, a host of valley public schools as well as some manufacturing sites. The list of major properties the contractor has been tied to is impressive, to say the least.

While company officials pride themselves on having all the tenets of a successful contractor, it boasts a few traits that may be seen

“Everything we do revolves around mutually respectful relationships.”

Tony Dazzio

Senior vice president, Burke & Associates

as going above and beyond the call of duty. “We’re looking for win-win situations in everything we do,” Boyd added. “We take full responsibility for making sure the projects are successful. ... There’s no finger pointing. We try to make sure there’s great communication between the owners, subcontractors and the design team.”

Burke has been using Primavera software, a construction industry tool, for the past decade, since the software’s inception. The program allows anyone involved with a project to gain access to information — changes, additions, accounting, or anything else having to do with the job — online with a password and pass code. The company is also committed to training its staff to the fullest extent with Microsoft Outlook’s email program that allows all entities involved in a project to communicate quickly and effectively.

“Everywhere in our organization, all the superintendents are computer literate as well as tops in professionalism,” Boyd added. “I think we’re forerunners when it comes to technology and sometimes we take it for granted. But as we talk with other owners and other general contractors, they actually ask us [for help].”

The use of technology lends itself to a company-wide approach where every element of a job — from the design team to the superintendent and owner and beyond — work together at all times. “Here at Burke we don’t feel we have divisions. Operations is involved with estimating. Estimating gets involved with operations. Everybody is involved from the beginning. Even our sub[contractor]s are involved from the beginning. And in our experience, it creates a better product for the owners,” Boyd added.

Burke is currently taking steps to make many employees LEED (Leadership in Energy and Environmental Design) certified. LEED is the industry standard to which ‘green’ buildings are measured today. Having professionals who understand how a job can get LEED credits, and how certain sustainable building approaches can benefit a client and the environment is invaluable, adds Dazzio.

The move has paid dividends for Burke, as the company was recently awarded the contract for Cashman Equipment’s corporate headquarters in Henderson, a 53-acre, 290,000-square-foot, seven-building center that will seek LEED Gold certification. “One of the reasons we were selected for that project was because we have staff that is LEED certified,” Dazzio said.

Burke also takes employee retention quite seriously, added the vice president. There is an in-house team that meets regularly to discuss employee issues and morale. In addition, when it comes to training, employees have access to online tools that allow them to learn new and innovative work techniques.

“Everything we do revolves around mutually respectful relationships,” Dazzio said about the importance of

keeping employees and clients happy. “These relationships [with employees] are what help us stay confident that we can deliver on our promises.”

Burke & Associates is also known for its community involvement. The group is a proud supporter of the American Cancer Society, Boy Scouts of America, Communities in Schools, the UNLV Alumni Association, and many other groups. **cre**



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Valley natives, Bryce Clutts and Shawn Danoski, are committed to the Las Vegas community.

Danoski Clutts reaches out to community in business and philanthropy

By Brian Sodoma
Special Publications writer

Shawn Danoski and Bryce Clutts take their status as valley natives very seriously. In a half-hour conversation with one of the Danoski Clutts Building Group principals, it's easy to sense a commitment to company stability and a desire to make Las Ve-

gas a stronger community. In a transient city that carries many dubious reputations, Danoski Clutts is a welcomed rare breed.

Every year, the Nevada chapter of the AGC recognizes a firm for its commitment to creating a "nurturing, employee-focused work environment, ... while also exhibiting a concern for its clients and the community through charitable works"



with its Corporate Citizen Award. In its short history, Danoski Clutts has established itself for its quality work and its ability to look beyond the pocketbook.

It all started when, after spending eight years with a large contractor, Danoski quit his job and decided to take some time to consider his next career move. But fate would intervene and Danoski wouldn't have much time for contemplation. "I was unemployed and then we found out my wife was pregnant with our first child. ... I cashed in some savings bonds and went to work," the CEO said. The company was started in 2001, when Shawn Danoski opened SD Development.

In 2004, Bryce Clutts, a fellow UNLV alumnus and valley native, created a formal partnership with Danoski, establishing the newly named Danoski Clutts Building Group LLC. Today, the contractor has 28 employees with revenues of \$22 million. Danoski expects to hit \$50 million in the near future, but doesn't see revenues as the driving force behind the firm's success. While its résumé includes work all over the valley, the company enjoys diverse job types as well as diverse clients. And with a diverse client base also comes diverse budget challenges. The firm is not afraid to take on jobs that don't offer the profit margins of others if they are for an organization

that benefits the community as a whole.

An example of a community-focused project for the company is its tenant improvement work for Transition Services' Studio 8 Ten, which will be housed inside the former Heavenly Bliss Wedding Chapel on Las Vegas Boulevard. Transition Services seeks out meaningful work for the valley's mild to severely disabled population. One of its primary successes has been creating a crafts-making business that allows its clients to make craft items that are sold to the public. Studio 8 Ten will be an actual artist studio for Transition Services' craft-making clients that will house a gift shop where the products can be sold. With all of the modifications needed for the building and the nonprofit's tight budget, the job can be seen as less appealing to a contractor.

"They've been really great, especially with helping to rally the subcontractors to come on board and keep their prices reasonable for us," said Angela Esler-Whelan, project manager with Transition Services.

Adds Danoski: "That's an example of a job that many contractors would say 'I'm not touching it.' ... But with organizations like that, that are good at what they do, we like to offer our services to help them."

The company has also offered its ex-

perience to groups like the Girls Scouts and Opportunity Village, among others.

Shawn Danoski is also very active in his church, Canyon Ridge Christian, and sits on the board for the Nevada Childhood Cancer Foundation. He has been involved with the foundation for the past nine years, and credits being a father with helping him see the importance of such a group. "I got involved before I had kids, but now that I do have children, I can't imagine going through something like that [a child having cancer]. I really like what they [the foundation] do. It's still about the kids. They've stayed close to their roots," Danoski added.

In the past six months, company leaders have taken steps to get more employees involved with the company on a philanthropic level. Executives at Danoski Clutts are encouraged to lead by example and choose a charity to help on some level. Giving has become contagious at the company, and in the past six months, eight employees have stepped forward with on-going or annual commitments to a charity group.

Perry Ursem, director of business development for the company, calls the process a "trickle down effect" that the company was hoping to see. "This all goes along with the image of the company, which is 'It's all about giving back,'" he added. **cre**

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Bill
Tullock

Officer helps contractors thwart jobsite thieves

By Brian Sodoma
Special Publications writer

It's nice to get recognized for just doing your job," said Bill Tullock, civilian crime prevention specialist for the Las Vegas Metropolitan Police Department, and this year's recipient of the Cornerstone Award. The award recognizes a civil servant as an "industry partner" who helps the industry in a variety of ways. The 11-year Metro veteran is just that, and more.

After spending more than 25 years on the police force in Troy, Mich., Tullock came to Las Vegas hoping for quiet time with his wife and the opportunity to sharpen his golf skills. After a year, he admits, he "went crazy" not working. So Tullock transferred his specialty in crime prevention to Metro, and has been a huge

catalyst in finding ways to prevent construction site thefts through the years. In the past two years alone, Tullock's southwest area command has arrested between 50 and 60 criminals who have stolen from construction sites, some with a trail of roughly \$100,000-plus in previous construction theft history attached to them.

"When we catch a guy it's not uncommon for us to find around a hundred thousand dollars in equipment and materials," Tullock added.

The retired lieutenant's relationship with the Associated General Contractors began about five years ago, when he started going to the group's monthly safety meetings to offer advice to help eliminate or reduce job site thefts. In a short time, the relationship grew into a more formalized partnership between the industry and Metro to help prevent future crimes.



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"I was just an outsider looking in at those early meetings," Tullock said. "But I had every opportunity to [give] them some ideas and observations."

Tullock proposed a partnership between Metro and AGC that would allow him to cull important information regarding the prevalence of thefts. Tullock's command found that less than a third of construction thefts were even being reported at all. The primary reasons found for the under-reporting were: high insurance deductibles and an arduous reporting process that would pull a business owner away from his company for a day to fill out paperwork at the station.

"It was like the victim was being penalized multiple times. Now, we take them away from the job site to make a report. Then, if the police are fortunate enough to catch a criminal, they're penalized to testify in court. All of that added up to what we found was a lack of reporting," Tullock added.

An email solution surfaced, as Metro and AGC now allow contractors to post an email on a shared network when they've had a theft. Likewise, when Metro makes an arrest, an alert is sent to contractors. Reporting is on the rise, and so is more open communication among the industry's members.

Tullock encourages contractors to mark their equipment and materials in some way, to help Metro identify the owner when recovered. Tullock also gives insights on how to partner with nearby businesses, teens, employees or anyone who may be around the job site.

"We've found that kids in the neighborhood give the best information. You be-friend one of those kids, give them a McDonald's gift certificate, they will give you some of the best information if something is taken from your site. It's important to partner with these people, offer rewards," Tullock added.

Finding technology and practical solutions to the billion-dollar construction theft epidemic has led Tullock to a unique tracking system called "microdot technology." The technology literally uses dots, not visible to the naked eye, encrypted with owner information to put onto equipment and materials. The dots can only be seen under ultra-violet light, and will allow police to identify equipment and material when it is recovered.

While he still enjoys fighting crime, even in retirement, Tullock takes his crime prevention insights home with him. He openly discusses the importance of getting to know neighbors, having his morning cup of coffee on the front porch instead of in the back yard.

"That's the important thing. Get out of the backyard with your six-foot high block walls, and get out front and get to know your neighbors. That way, when [a criminal] is coming down the street, he's thinking 'are they watching me?' That's what you need," he added. **cre**



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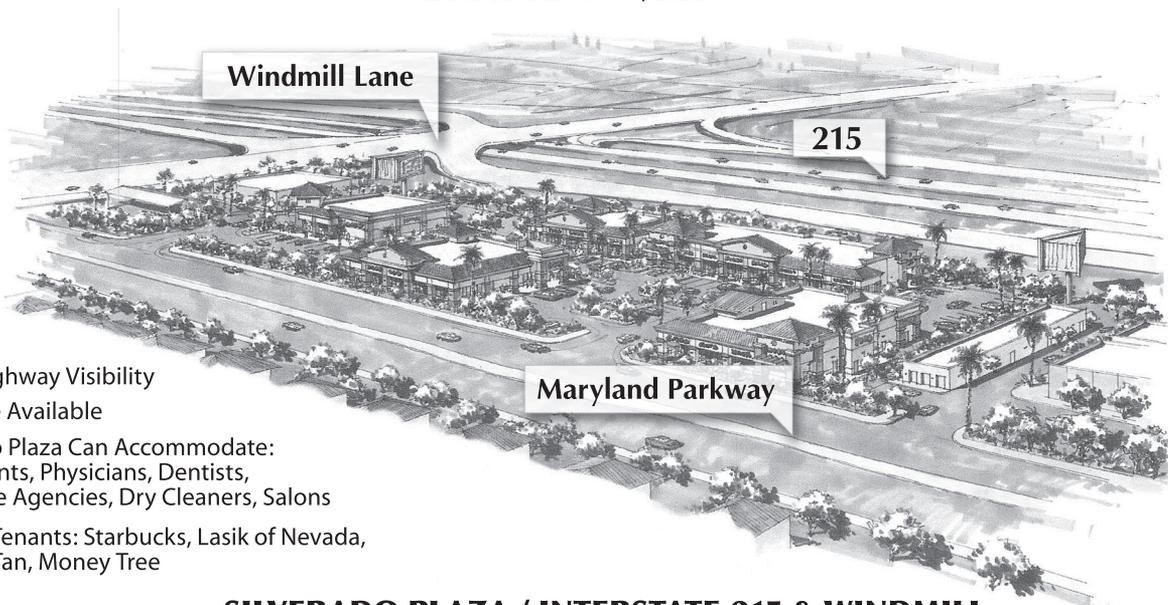
Every crisis, however, is an opportunity for somebody. For the hard money investor, this crisis has just illuminated many risks that have always been present in a trust deed investment. Property values, project feasibility, demand patterns, quality appraisals, quality borrowers, exit strategies, and other under-

writing criteria are obvious and easy to understand in a slow market. Though there are always continued risks in any investment, the range of negative outcomes is greatly diminished when there is accurate information available when the loan is made. Additionally, because credit is so tight in the marketplace, investors can command higher interest rates from borrowers. It's a paradox — the loans made today are arguably better loans because of better market information. Yet it's a "risk" premium rate because of the supply of credit. From an investor's point of view, it's an excellent opportunity.

While some of the risks of hard money are more acceptable, other risks have been exasperated. Though hard money is categorized as an asset-based

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loan, most lenders would like to be paid back by the borrower rather than being paid through a forced sell of collateral. Hence, evaluating collateral is important, but a borrower's plan to pay back the loan is also important. It is this risk that has increased in a credit crunch. In fact, a borrower's exit strategy is sometimes more important because it can also be the same strategy the lender/investor will need to employ should the asset be foreclosed upon. Strategies for

Every crisis, however, is an opportunity for somebody. For the hard money investor, this crisis has just illuminated many risks that have always been present in a trust deed investment.

loan repayments range from other types of financing — bank loans, construction loans, other private money loans — to actual sales of units — homes, condominiums, office buildings and possibly the sale of the land itself. Regardless of the exit strategy, it is important for borrowers to prepare realistic and

detailed strategies for how they plan to pay back the money they borrow. On the flip side, investors need to look at the exit strategy and assess whether they can reasonably expect to be repaid.

There are indicators to consider when looking at different exit strategies. Some 6,000 people a month are still moving to Southern Nevada, according to DMV statistics. That's down slightly from a year ago, but Southern Nevada continues to add to its population, which is good news. According to the Greater Las Vegas Association of Realtors (GLVAR), existing home sales and new home sales are down considerably — 42 percent from a year ago. This has left a significant glut of residential supply on the market. In fact, the GLVAR estimates a 17 month supply of standing inventory on the market. A five to six month supply is considered neutral in relation to a buyer's market versus a seller's market, which is bad news.

If the exit strategy for a borrower includes the sale or construction of single family homes, it would be important to understand the timelines, knowing the over supply of these homes but keeping

in mind Southern Nevada is still adding population.

Applied Analysis, a locally-based research and consulting firm, reports that office vacancy in the Las Vegas Valley held steady at around 11.5 percent during the second quarter of 2007. There is some expectation that there will be increases in those rates as supply of office space is increased in the market. With relatively low vacancy rates and strong absorption, the near term appears fairly strong for office.

Knowing what supply levels for the end product will be and when that supply will be on the market can be critical information when determining if an exit strategy is feasible.

In summary, private/hard money

loans present both challenges and opportunities for borrowers and lenders. While some of the risk factors have been diminished in making the loan, other risk factors are more difficult to assess. Understanding a borrower's exit strategy is much more important in a real estate market when credit is tight. And because credit is tight, investors/lenders can expect to earn additional yield.

Realistic exit strategies with an understanding of the market in regards to product type will facilitate a positive transaction for both lender/investor and borrower. The availability of money and credit in the market is important fuel for a growing economy. **cre**



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Keeping commercial real estate finance in perspective

Background

In April of this year, a special report was issued by Moody's, one of the largest commercial mortgage-backed securities (CMBS) rating agencies. It said, across the board, credit underwriting quality in the CMBS market had deteriorated and that subordination levels (risk pricing) had to increase to reflect the inherent risk. This happened at the same time that deterioration in residential sub-prime paper was producing huge losses in hedge fund portfolios and other investors in this sector. Traditional buyers of commercial mortgage-backed bonds reacted and began significant "kickouts" of deals perceived to be too risky for the pricing. As the sub-prime residential crisis spread, a growing sense of dread, and ultimately panic, quickly permeated the commercial CMBS market as well. Bond issues



By Keith D. Russell
Director
CommCap Advisors

going to the market found fewer buyers and yields on the bonds and had to be re-priced higher and higher to attract the few available investors. Ultimately, it became difficult to find buyers at any price. These concerns culminated in mid-August when the CMBS lenders still in the market increased quoted spreads to levels not seen since 1998 and new deal flow ground to a halt.

Where we are now

The events of the past 60 days have created huge disruptions in the tra-

ditional capital flows for commercial mortgages. One of the major sources of finance for commercial deals, the investment banks (the conduits), has seen investors in its securities virtually vanish, forcing them to hold huge volumes of bonds on their balance sheets. Market uncertainty forced them to increase quoted spreads by over 100 basis points during this period, one of the largest and fastest market moves in almost ten years. Any investor or developer who had a deal under application in the conduit pipeline in August and September, was most likely affected. Many deals were ultimately restructured and re-priced to the detriment of the borrowers.

What happened in the CMBS market is fundamentally a forced de-leveraging and a re-pricing of risk. Underwriting standards have suddenly returned

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to a more conservative approach existing at least three years ago. Although it is very painful for the investment banks that can't sell the bonds, and somewhat painful for borrowers that have to pay more for their capital, it is not a "market meltdown" as many have asserted. It seems that fear, not fact, has driven the recent market disruption. There has been no negative credit event in the underlying real estate to justify the exit of the bond buyers.

A sense of history provides perspective, even in the financial markets: Markets do cycle and occasionally crash. Today's situation, however, appears to be a temporary and healthy adjustment in a large sector of the financing market. It will be disruptive for many but ultimately should bring back a level of sanity to a market sector that got out of control.

The fundamentals of the commercial real estate markets are still generally strong. Delinquencies are near all time lows. Vacancies are still quite low for most property types and most properties are still showing real growth in rents. There is still plenty of capital available at very attractive interest rates despite the wider spreads.

Points to Ponder

- Conduit spreads have widened since early August from about 110 b.p. over

Treasuries to about 190-215 over the index.

- Life insurance companies and other portfolio lenders have also widened their pricing by 50 basis points or so to the range of 160 to 180 over the Treasury index.

- The net effect of wider spreads is less than all the noise would indicate due to dropping Treasury indexes.

- Some lenders (both conduits and life companies) have pulled out of the market, refusing to quote new deals until some stability returns to the market.

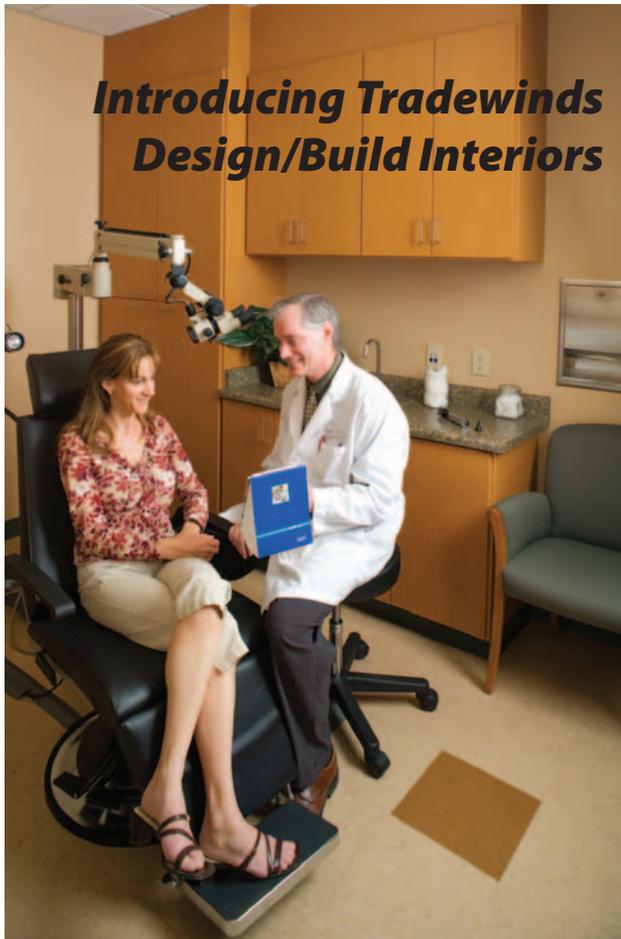
- Most conduits are still quoting deals but at much wider spreads to give themselves some protection against the market volatility. Since there are few buyers for the bonds, they really don't know what the market pricing should be for the risk. However, if you need to refinance and can tolerate some market volatility, conduits are still viable financing options. They will still likely generate higher loan dollars and better net cash flow than the portfolio lenders even at current spreads.

- Portfolio lenders (life insurance companies, banks and credit companies) and the agencies (Fannie Mae and Freddie Mac) are gaining market share. Life company pricing is now better than the conduits and they can still do what they do best: tailor a flexible loan to match the borrowers objectives. They are

much more relationship oriented and are easier to deal with now and during the life of the loan. Banks and credit companies are good short-term lenders if some recourse can be provided. The agencies are still the favored lenders on multifamily deals.

Conclusion

As a borrower, maintain your perspective. These are not the best of times but they are far from the worst of times. Even if you missed the opportunity to refinance your project with an interest rate with a 5 in front, consider that you can still get long-term financing in the low-to-mid 6% range from a wide variety of sources. These are still very attractive rates based on historic standards and may create value for your investment in the longer term. Take a realistic approach to negotiating your next deal. The market can be merciless to those who think they can outsmart it. Also, consider using an experienced mortgage banker to sort out the available financing options, present the best structure available and assist you to get your loan closed efficiently. Having a reliable consultant to help you navigate through the current minefield can add real value to your investment and will allow you to do what you do best — run your business. **cre**



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Piling Up

Local recycler expands, looks to 'close loops'

By **Brian Sodoma**
Special Publications writer

Rob Dorinson liked Roman history so much he majored in it at UC-Berkeley. While the idea of pursuing a graduate degree in the subject was appealing at first, a desire to run his own business pushed him to do what most successful entrepreneurs do.

Quit school.

"When I decided not go to grad school, I told my dad 'I want to create my own business and have it be something that helps people.' He encouraged me to find out what that is," Dorinson said, while sitting in his recycling company's new office building near Nellis Golf Course in Las Vegas.

Before establishing Evergreen Recycling, Dorinson was a contractor, building custom homes throughout the valley. But his life changed in 1997 when he made a phone call to a waste hauling company to pick up trash and scrap material at one of his construction sites. When a crew of three showed up and began sorting construction material before loading it into a truck, a light bulb went on in Dorinson's head. He inquired about buying the company and Evergreen Recycling was born shortly thereafter. With a few dilapidated pickup trucks and a number of laborers to help haul waste from construction sites, weed out recyclable materials then ship them off to users and reusers around the world, Evergreen processed about 10,000 tons of waste that year.

Until recently, Dorinson continued with the "dump and pick" operation, relying heavily on manual labor to sift through heaps of materials hauled to his one-acre operation from valley construction sites. But with the increase in the number of LEED (Leadership in Energy and Environmental Design) certified projects in the past few years, recycling has become hip to developers, and not just college hippies. Evergreen has landed construction waste-hauling contracts with two of the most high profile LEED projects in the valley — Project CityCenter and Mollasky Corporate Center. And that's only the beginning.

Taking on the word "recycling" in Evergreen's name in 2003 also marked an emphasis on adding commercial clients, not only construction projects. His business has shifted from 90 percent construction to 75 percent today.

"I don't want to be in the waste hauling business. I want to be in the recycling

business," Dorinson explained. "Ninety-five percent of office trash is reusable."

Perhaps a testament to his last statement is the fact that Evergreen sees about 4,000 pounds a week in plastic drinking bottles, either from construction workers throwing drink containers into Evergreen's bins, or employees of companies dropping them into the trash containers his company picks up.

Dorinson recently invested \$12 million into expanding his operation, which increased his business' land footprint from one to four acres, and ushered in some of the best equipment in the industry, ultimately increasing this year's processing ability to 120,000 tons of plastic, wood, concrete, dry wall, copper and other materials.

"It's the ability to process more material, more thoroughly than we could when we had stuff on the ground with people bending over picking and sorting," Dorinson said of the difference between the old "dump and pick" arrangement to the current operation that allows the 22 workers needed for each shift to sit at stations and pick through material while it moves on conveyer belts. Dorinson has pre-engineered enough capacity in the 50,000-square-foot operation to quadruple the 120,000 tons he'll process this year.

While Evergreen recycles about 90 percent of the waste that comes onto its four-acre site today, 95 percent is the goal, if

"It's a matter of finding a market for these materials that others have given up on. ... You can polish a precious metal and make it look beautiful, but this is truly turning crap into gold."

Rob Dorinson
Evergreen Recycling

STRIPE-A-LOT



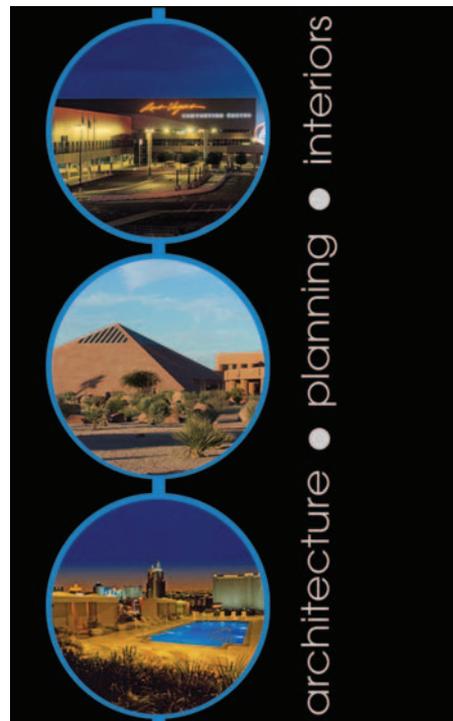
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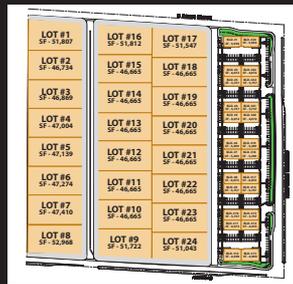
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not 100 percent. Under LEED certification, a developer gets a building credit towards its certification if 50 percent of its waste is recycled, a second credit if 75 percent is reused, and a third if the 95 percent mark is hit.

"The guys hate seeing that truck here," adds Dorinson while pointing to a semi-truck that takes the few materials that Evergreen can't recycle to the landfill.

In his office that's decorated with furniture from Enron (yes, he even used recycled furniture when decorating his new office building), Dorinson and his staff spend a good portion of time seeking out users for recyclables. Today, much of his plastic and paper goes to China and he has partnerships with other companies around the globe for other materials.

"There is so much innovation going on out there. Companies are trying to find the best way to make something in the most cost-effective way. They are constantly looking for solutions," he added. "It's a matter of finding a market for these materials that others have given up on. ... You can polish a precious metal and make it look beautiful, but this is truly turning crap into gold."

Dorinson hopes one day more businesses that need recyclable materials will consider making the valley their home. He calls the move "closing the loop," a phrase the recycling world has embraced when looking at the ties between the use and reuse of materials and the energy and time required to move materials in order to reuse them.

One local firm, A-1 Organics, uses hundreds of yards of wood from Evergreen every week for compost. The Colorado-based firm recently opened a facility in Las Vegas and is marketing the use of compost to help reduce the amount of water needed for lawns. Bob Post, vice president of business development for the company, said A-1 saw opportunity in Las Vegas' low materials diversion rate of only 1 or 2 percent. Being a company that relies on reusing waste, finding an emerging area like Las Vegas that is in the infancy of expanding its recycling practices seemed like a good move.

"This [Las Vegas] reminded us of what we saw in Colorado 20 to 30 years ago. The recycling emphasis was pretty low, the need was pretty high, with a lot of waste generation," Post said. "It's an immature market we felt could be made mature."

Dorinson is in talks with a local carpet manufacturer for some of his recycled plastics, and is talking to other end users who may consider setting up operation in Las Vegas. "You have to think 'bigger picture.' This business encompasses the life cycle of a material and the amount of environmental impact that has," Dorinson added. "How much energy, fossil fuels and resources are we putting into this, not only for it to work economically, but for the environment as well? If the material has to leave the city, we'll find the most economical way. But if I can give it to someone locally, that's even better."



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Codes can give green construction the blues

Think about building a freestanding office building from recycled soda bottles, held together with a fiber twine and insulated with shredded denim scraps and a soy epoxy.

Green ideas can be lofty, but try to get those building plans through Clark County Development Services. Code and cutting-edge construction don't always get along, though in March, the International Code Council (ICC) tried to bridge the gap between "building green and white paper." The ICC defined green building as "a conscious effort to minimize the negative impacts and encourage positive impacts of buildings on both the indoor and outdoor environments."

To mainstream the green concept, programs were created to help certify and quantify efforts by developers, building owners, and government bodies. Programs such as Leadership in Energy and Environmental Design (LEED), created by the United States Green Building Council, are a measuring tool for green certification to help create categories for tax incentives such as AB 621, which is currently pending in the Nevada State Legislature.

Many US groups have made considerable efforts to heighten public awareness by embracing better business practices and sustainable development. Though many governmental jurisdictions have made determinations to make sure their own facilities follow one of the nationally recognized certification programs, not much effort has been made to make the private sector comply. Governments believe they promote the most change by setting an energy and conservation example as well as save maintenance and operating costs over the building's lifespan.

Only 8 jurisdictions in the entire United States (Austin, Texas; Battery Park City, New York; Frisco, Texas; Novato, California; Santa Cruz, California; Sebastopol, California; Seattle, Washington; and Telluride, Colorado) have passed mandatory private sector, green building requirements. And even in this group, it appears that mandatory green building requirements are tied only to programs sponsored or funded by local government agencies. When it's your own money, these programs drop back to voluntary.

In 2006, The USGBC began working with the American Society of Heating, Refrigerating and Air-Conditioning Engineers Inc. (ASHRAE) and the Illuminating Engineering Society of North America (IESNA) to help create a nationally recognized standard. Known as Standard 189, it will be one of the



David Michael Cohen
Green With Ease
Transform Real Estate

first efforts to integrate sustainable development into standard requirements. The green concept isn't foreign to the I-Codes and in most cases, greening the codes may just be a matter of raising the bar that's already in place.

In reality, there are only a few real barriers that prevent green building in the I-Codes. However, when a new product or practice is introduced into the construction environment, those materials or methods should be tested and evaluated before they can be adopted. Products like plywood and insulated concrete form walls had to go through these processes when they first appeared on the market, and new green products should be assimilated the same way.

The administrative chapters of the I-

Codes actually contain sections, which govern alternatives to existing practices yet, things that still might make sense. If the developer or builder is willing to do the legwork to provide the proper testing, evaluations and reporting, there are many alternative solutions that can be used and eventually adopted into code. The good news is that the ICC tends to look at these alternative solutions as hurdles rather than barriers.

The time of change is now. Many are demanding that legislators make sense of the green agenda without going to the opposite extreme — similar to what we witnessed with the overgenerous AB 3 here in Nevada. The ICC is trying to maintain a gentle balance between forcing companies to comply with green standards, and allowing overachievers to do just that. The greening of the codes is inevitable, and maybe someday soon the ICC codes will look similar to a LEED NC checklist.

In any case, if global warming does continue, and the ice caps melt, my two-liter bottle house can double as a floatation device — with or without a building permit. **cre**

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Pacific Business Center's fourth phase wrapping up

By Brian Sodoma
Special Publications writer

The "walls are tilted and the roof is on!" the brochure for the Pacific Business Center proudly exclaims. The industrial park, located on American Pacific Drive, just west of Gibson Road in Henderson, has enjoyed a one percent vacancy rate for its first three phases, and now brokers are aggressively marketing the site's fourth and final phase - which will offer 216,317 square feet, spanning three buildings.

As developer, Northwestern Mutual Life Insurance Company readies for December tenant move ins. Kevin Higgins, a broker with Voit Commercial Real Estate, said a few tenants are lined up, and more should be on the way soon. So far, about 75 percent of the roughly 45,000-square-foot Building 11, which has

American Pacific frontage, is spoken for, and about one-fourth of the 120,000-square-foot Building 13 is leased. Buildings 11 and 12 front American Pacific, and are 45,000 and 50,000 square feet, respectively, while Building 13's 120,000 square feet sits hidden behind the first two buildings.

"These spaces are designed to handle [everything from] the regional company to the mom-and-pop guy," said Higgins, who added that, through the years, the project's location has been a great selling point. Pacific Business Center tenants can access I-215 from Stephanie Street or Gibson Road, or U.S. 95 via Auto Show Drive. With the addition of the fourth and final phase, the entire complex will top 800,000 square feet on 50 acres.

"There's a very limited supply of industrial [space] in the Henderson sub-



market, so we're offering a product that doesn't have a lot of competition," Higgins added. "We have a unique location right off the beltway and we can satisfy everyone who wants 5,700 square feet on up to 100,000 square feet."

Brian Gordon, a principal with Applied Analysis, a local economic research firm, said the Henderson industrial submarket has a vacancy rate of 4.1

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The Pacific Business Center is designed to handle businesses of all sizes.



“Generally, these products have performed relatively well, and we think they’ll continue to do so,” Gordon added. “Vacancies will ebb and flow, but certainly remain below historical averages.”

Regardless of size, each unit will have at least one dock and a grade-level, drive-in door, making the units accessible for vans or semi-trucks. Higgins said the types of tenants interested in the flex spaces are retail or wholesale outlets, or “showroom oriented companies” who enjoy the frontage on American Pacific Drive. Some examples include: tile companies, carpet showrooms and cabinet-makers. Home Depot also has a non-street-fronted distribution center on the premises as well.

Lease rates range from as low as 55 cents for larger distribution center-type operations with minimal office space, to as high as 75 cents per square foot for American Pacific fronting units, triple net. Tenants can expect an additional 13 cents with common-ground maintenance, taxes and insurance, added Higgins.

Lease rates will be the ultimate factor in how well projects like Pacific Business Center do in the future, added Gordon. Currently, the Henderson market makes up about 12 percent of the valley’s 92.3 million square feet of industrial space. With about 800,000 square feet currently under construction in Henderson and stiff pricing competition from Arizona and other neighboring markets, all eyes will be on lease rates in the future.

“Pricing is important. It will dictate a lot with regards to what tenants and landlords are willing to do,” he said. “Right now, there are a lot of developers willing to do these types of projects, but there’s always the question of how much tenants will continue to be willing to pay.” **cre**

percent, compared to the 4.4 percent vacancy rate valley wide. For lower-priced, strictly-distribution space, the vacancy rate is only 2.6 percent in Henderson. Gordon defines distribution product as using less than 10 percent of the space for an office, where a flex-space product, like a showroom, may need up to 50 percent of the space for offices. Flex-space vacancy rates in Henderson are at 7.8 percent, compared to 5.5 percent valley wide. Although higher, 7.8 percent is still very reasonable, he said.

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Green building lowers productivity and saves

As cities evolve and populations grow, available space becomes scarcer as office parks, residential towers and industrial buildings seemingly appear overnight on land that was once barren. Constructing and maintaining new developments requires numerous resources from the earth, resources that are limited and often taken for granted. Virtually every natural system on the planet is strained or in decline. Developers, architects, construction companies and tenants alike share a social responsibility to lead and set new standards for environmental consciousness and public awareness.

Green building, a development concept that has gained momentum around the country, is the practice of creating healthier and more resource-efficient models of project construction, renovation, operation, maintenance and demolition. A green building is designed to have minimal impact on the surround-



Jim Van Compennolle
 President
 JVC Architects

ing environment and to increase the energy efficiency of the building by using sustainable materials and construction methods, reducing energy and resource consumption, and enhancing operation and maintenance practices.

The social, economic and environmental benefits of green or sustainable buildings are enormous. Green building design can reduce capital expenses and greatly reduce operating costs over the life of the building. Green projects that are well integrated and comprehensive in scope can result in lower or neutral project development overhead. Energy and water-efficient buildings have been



costs, raises resources

able to significantly reduce operating expenses to less than half of a traditional building.

In addition to environmental benefits and reduced operating costs, green building design impacts the quality of life and performance of a building's inhabitants. A high-performance environment can yield valuable gains in labor productivity and has measurable results on the bottom line, regardless of building type.

According to the U.S. Department of Energy, employee productivity and business profitability are linked. Studies have shown an increase in employee productivity when buildings are designed with occupants in mind, in which natural light, comfortable temperatures and a quiet work environment are the most important issues. Research also suggests that a well-designed workplace can increase employee productivity by 20 percent.

As an added benefit, in a society where people are very aware of the state of public health and the environment, developments recognized by the USGBC are highly marketable products. Green buildings typically sell or lease faster and attract and retain tenants more easily. Studies have also shown that schools housed in green buildings yield students who learn faster and score higher on standardized tests and green medical facilities reduce insurance costs by discharging patients sooner.

While Leadership in Energy and En-

vironmental Design (LEED) certification is not necessary to achieve the full benefit of green building design, certification can qualify a project for a growing array of state and government incentives and unique funding for building construction. Administered by the United States Green Building Council (USGBC), a coalition of building leaders across the country who work together to promote environmentally responsible, cost-effective and healthy places to live and work, LEED certification distinguishes building projects that have demonstrated a commitment to sustain-



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ability and green building design by meeting the highest performance standards. Eligible projects include commercial office buildings, retail and service establishments, libraries, schools, museums, churches, hotels, health care facilities and residential buildings.

LEED certification was established to provide a framework of measurement standards in green building practices, recognize movement leaders and generate public awareness of the importance of sustainable design. The program emphasizes state-of-the-art strategies in six categories: sustainable site development, water savings, energy efficiency, materials selection, indoor environmental quality and innovation and design process.

Worldwide, there are currently more than 1,004 LEED certified projects, and more than 7,300 registered for the certification process. Certification is achieved by earning points in each of these six categories, with 69 total points possible. Buildings are first registered and then certified at one of four levels. Projects that earn 26-32 points receive LEED certification. Beyond that, they may qualify for silver (33-38 points), gold (39-51 points) or platinum (52-69 points) status.

Many measures can be taken to achieve points through LEED. Hiring an architect with a LEED-accredited professional on your project earns one point.



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Candidates must pass an exam to ensure they have the knowledge and skills necessary to participate in the green building design process and to support and encourage integrated design.

Encouraging workers to use alternative means of transportation also qualifies for points on the LEED scale. Selecting a property site near public transportation, such as a bus or subway stop, providing bicycle storage areas and reserving parking spaces for low-emitting and fuel-efficient vehicles are all ways of promoting low levels of pollution.

Another measure is incorporating white roofs on buildings to reflect the sun and prevent unnecessary heat from being trapped inside. The western United States, particularly the desert landscape of our own Southern Nevada, is subject to high temperatures during the summer months. This alternative to the traditional black rooftops encourages energy conservation and lower costs.

Landscaping is an important and often overlooked aspect. Native plants that require little irrigation, as well as minimal use of pesticides, if any, should be considered when designing the outdoor environment. Tall trees and plants also serve to shield buildings from the sun, reducing the amount of energy required to cool them.

Using recycled, regional and/or rapidly renewable materials helps maintain the earth's natural resources. Less energy is consumed in shipping and transporting regional building products and rapidly renewable materials such as bamboo, cork and agro-board allow the earth to sustain its resources at a steadier pace.

Non-toxic materials should be used throughout the design and construction processes. Paints, paint strippers, glues, adhesives and wood preservatives often contain high levels of solvents and volatile organic compounds (VOCs). Many products now offer low- or no-VOC content, limiting the adverse health effects associated with these harmful chemicals.

Buildings should also be designed to derive the utmost advantage from sunlight. Filling spaces with natural lighting conserves energy and reduces costs. In order to meet the LEED requirement, at least 75 percent of indoor lighting should be natural, which is also helpful for those working in these areas.

For Sacred Heart Catholic Church in Ely, Nevada, JVC Architects employed several sustainable design principals to create an energy-efficient facility that does not require a lot of money to maintain. While the local parish had the funds to build a nice facility due to some very generous donors, it did not have an abundance of capital

for costly upkeep. So, when designing the new religious facility, a few issues had to be addressed. During the winter months, the climate in Ely is extremely cold. Heating is usually accomplished through natural gas, which can be costly for a facility this size. To help reduce the building maintenance cost, a local mechanical contractor was consulted and it was decided to use a heat pump to help with the building's heating and cooling. The heat pump taps into the city water system, which is at a constant year-round temperature — cooler than the average summer air temperature and warmer than the average winter air temperature. Thus, the city water could be used to heat and cool the building.

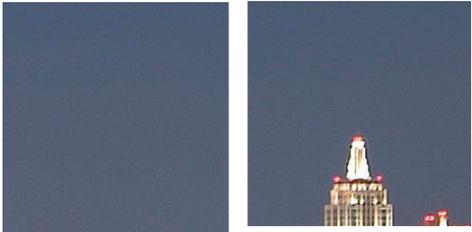
The building was also designed with insulated glass, permitting the winter sun to help heat it, while keeping the cold air out. The glass also allows for the use of natural light, which decreases the amount of energy needed to light the facility. Because the facility uses low-energy consumption, operating costs are reduced.

Builders, investors and developers have expressed concern about the cost of building green. While some products and materials may require higher upfront costs, over the long term, they are designed to save money. Most green building substances are of higher quality than their conventional counterparts, and applying energy-efficient upgrades to buildings lowers overall operating costs and qualifies them for tax-incentive credits. Overall, if a new building is designed "green" from the start, the increase in material costs is negligible.

When considering green building measures, balance upfront product and installation costs with other important benefits such as energy savings, increased durability, improved indoor air quality and a healthier living/work environment.

Steadily, city and county governments have begun incorporating green building programs into their resource centers. The western states have certainly spearheaded the movement with the majority of local government programs in California, Washington, Colorado, Oregon and Arizona.

As developments continue to apply for LEED certification and word spreads of the conscious effort to sustain the environment, the public will realize the enormous advantages of building green as well as its ramifications on earth's natural resources. As developers, builders and brokers, it is our social responsibility to make educated and sound investments in and for our world. Everyone has a stake in this world and a responsibility to find solutions to the century's challenges. **cre**



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If you build it ...

World Market Center poised for continued success

By Lisa McQuerrey
Contributing writer

When World Market Center co-managing partners Jack Kashani and Shawn Samson first contemplated creating a state-of-the-art furniture trade show complex back in 2000, their concept was relatively simple. Original plans called for construction of a one-million-square-foot complex, not a shabby undertaking of course, but a project far less ambitious than the all-inclusive, world-class 12-million-square-foot campus that has evolved over the past seven years.

Why the considerable change in

plans? Kashani and Samson started asking those in the “know” what they’d like to see in such a facility. The feedback they received completely altered the path of World Market Center’s development. “Many of the manufacturers we were working with came forward and advised us to think ‘big and bigger,’” explained Kashani. “They wanted a larger home base, and after a lot of investigating and talking to people about their needs, we started moving forward. We built this because the industry asked for it.”

Today, World Market Center serves all segments of the home and hospitality contract furnishings industry, including furniture, accessories, textiles, gifts and

related goods. The center also serves as a permanent trade show complex with state-of-the-art technology, build-to-suit showrooms and a wide range of business services designed to meet the needs of those who are part of what is becoming a unique global marketplace for buyers and sellers. Additionally, World Market Center is home to the Las Vegas Design Center, open year-round to the trade.

To date, World Market Center has been built in phases, with progress remaining consistently on schedule. The \$230 million “phase one” 10-story building opened in July 2005 and features 230 showrooms and 1.3 million square feet of permanent exhibit space. The \$345

million "phase two" opened in January of this year, and is a 16-story building featuring 300 showrooms and 1.6 million square feet of permanent exhibit space. Next up: the \$550 million, 16-story "phase three" that will feature 130,000 square feet per floor and more than 400 showrooms. A seven-story parking garage with 175,000 square feet per level is being constructed at the same time.

Although there is not a specific timeline, phase four will consist of 1.8 million square feet and phase 4A, 706,000 square feet. Phases five through eight will each be 1.3 million square feet. At build out in 2013, the \$3 billion World Market Center will be an integrated 12-million-square-foot campus comprised of eight separate buildings connected by a sky bridge. "We're trying to open ourselves to everyone in the world and create an international marketplace," said Kashani.

In true "if you build it they will come" fashion, since its launch the success of and demand for the World Market Center has been phenomenal, with market places and shows growing significantly from year to year. The Summer Las Vegas Market, which was held July 30-August 3, featured thousands of new-home furnishing products from more than 1,300 national and international manufacturers. The largest market to date, the week-long event surpassed its historical attendance average of 50,000 by 27 percent. Seventy-five of the top 100 U.S. retailers were registrants of the Summer Las Vegas Market and the roster of exhibitors included 205 companies from 25 different countries. The Winter 2008 Las Vegas Market is scheduled for January 28 - February 1, 2008.

In addition to adding to the diversification of Southern Nevada's economy, the non-gaming economic impact of World Market Center's semi-annual Las Vegas Markets is nearly \$200 million. Kashani estimates 35,000 direct and indirect jobs are created through the center, providing an infusion of more than \$60 million in local and state tax revenue. Because of its location on Grand Central Parkway, World Market Center is also part of the revitalization of downtown Las Vegas. The center is adjacent to the 61-acre Union Park, a premier mixed-use urban center that is being developed with residential, business and cultural components.

Today, World Market Center truly lives up to its moniker, with more than 90 countries represented in its exhibitor and buyer base. In terms of the center's most significant achievements, Kashani said the fact that the project has stayed on track from a development standpoint and has been able to fill building after building are the greatest testaments to the center's success. "This is a win-win for both the city and for our industry," explained Kashani. "We've brought a new industry to Las Vegas, one that's growing, well respected and healthy."

So, have there been any bumps in the road? Of course, like many industries



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“Many of the manufacturers we were working with came to us to think ‘big and bigger.’ They wanted a larger horizon for investigating and talking to people about their needs forward. We built this because the industry

Jack Kashani

World Market Center co-managing partner



Artist's rendering of the World Market Center at full expansion.



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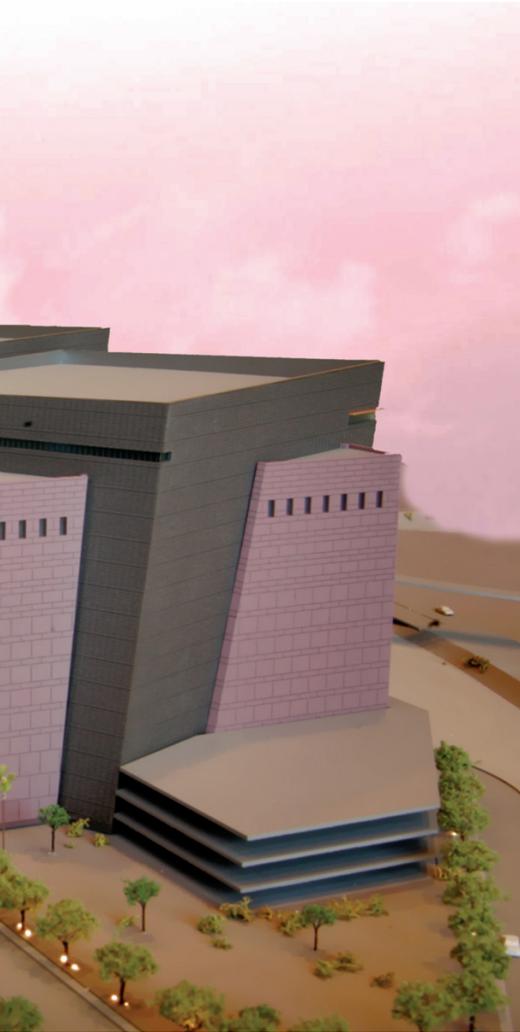
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new to the Las Vegas market, Kashani said there were some people who were initially skeptical about the choice of location. After all, Las Vegas is the entertainment capital of the world — could it also become a leading furniture destination? “Once people understood that Las Vegas is the convention capital of the world because of its amenities, they started to see that our buyers and exhibitors are responsible business people looking for comfort,” Kashani said, citing the city’s relative ease of transportation to and from airports, hotels and convention/exhibit facilities as well as its wealth of lodging, dining and entertainment amenities as big pluses. In an effort to continue its success by listening to

and catering to the wants and needs of its demographic, World Market Center recently announced the results of an in-depth, landmark study conducted with home furnishings industry retailers and manufacturers. The independent study concluded that World Market Center Las Vegas will become the dominant U.S. market within a few short years and revealed significant findings regarding the important role the Las Vegas market will play in the rapidly evolving global economy. The study was designed by THMG, a marketing consulting and customer analytics firm based in Cleveland, Ohio. BlueSky Research, also of Cleveland, independently conducted the research which included qualitative and

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asked for it.”



quantitative phases along with exit surveys that ran from January to July 2007.

According to the study, among the manufacturer set, 58 percent said Las Vegas will be the most important market by 2012; 29 percent said it is the most important market right now. Buyers surveyed in the study scored the Las Vegas market significantly higher than other markets for offering an efficient experience, the ability to travel affordably and easily and for food and accommodations offered at a good value. “People want to come here,” said Kashani. “We have people coming here from 90 different countries. Everyone is looking for an excuse to come to Las Vegas to do business.” **cre**

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Multi-family sector leads Las Vegas commercial real estate investment market

While the softening of the for-sale residential market continues to impact the real estate market as a whole in Southern Nevada, across the board, the multi-family sector is performing the best compared with other segments of the commercial real estate market. In fact, throughout the first half of the year, the Las Vegas apartment investment market remained healthy, continuing to offer sound investment options and attract local, regional and national institutional real estate investors — a trend that is expected to continue.

Supply and demand

While the unraveling of subprime mortgages has brought overall challenges for the real estate market, it has accelerated the for-rent product demand, which bodes well for apartment owners and institutional multi-family investors.

Due to a growing number of mortgage foreclosures, more former homeowners are forced to turn to rentals, while tighter lending restrictions are expected to prohibit many would-be homebuyers from purchasing over the next few years. Also joining the growing group of renters are potential homebuyers who are taking a wait-and-see attitude, holding out for more stability in key market indicators before purchasing a home.

The result is an influx of renters looking for high-end product in the market, and while builders are responding by developing more class A product, the amount of new product coming online is not enough to meet the growing demand. The result is a shortage that is expected to increase over time.

While the residential resale market continues to experience increased inventory, homebuilders have slowed production in an effort to offset inventory. Many for-sale homes remain vacant, which also will increase demand in the multi-family sector.

Rental rates and occupancies

Apartment rental rates climbed to new levels midway through 2007 and



Christopher Bentley
President and Broker
The Bentley Group
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are expected to continue rising, however the rate of increase has slowed, especially with lower-grade properties in more mature areas of the valley.

With the disappearance of subprime mortgages that created a new class A client with higher expectations than their class B and C counterparts, developers are responding by building higher end products with upscale amenities such as granite counter tops and stainless steel appliances.

These properties in emerging areas of the valley are seeing a faster rate of rent increase. In fact, class A properties reported an increase of 4.8 percent at the mid-2007 from the same time last year, with an average rent of \$1,006 per month. Also driving rents upward are construction costs, which have risen to \$175,000 per unit minimum for new construction.

While rents continue to rise, occupancy levels are down slightly, from 96 percent at the end of the second quarter 2006 to 93.7 percent at the end of second quarter 2007. Recent declines in occupancies and slowdowns in rental rate growth are attributed to short-term correction in the for-sale residential market. The timing of major resort openings — no major resorts are scheduled to open in 2007 with the exception of the Palazzo — has also contributed to the softer than average performance as employment patterns fluctuate with major project openings.

While the residential shadow market has affected apartment occupancies in selected areas, that inventory is expected to burn off eventually and those rates will rise to the 95 and 96 percent we're used to seeing. Also, while rental rate increases may have slowed and occupancies dipped slightly, they continue to remain within the normal range nationally, making multi-family properties

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High-performing submarkets

While class A properties are performing the best, the submarkets where these properties are located — northwest, southwest and west — are outperforming other submarkets. The southwest continues to attract residents because of its location, boasting easy access to Interstate 215 and the resort corridor. The area also possesses a plethora of retail options, which is a draw, and the southwest reported a significant rental rate increase at the end of the second quarter 2007, posting a 4.7 increase from the same time last year.

At the end of the second quarter 2007, the northwest reported a 5.1 percent increase in rental rates over the prior year, representing the largest growth in the valley. In the west, which represents approximately one-fourth of the market's inventory, growth was 4.5 percent over the previous year, reaching \$886 per unit or \$.98 per square foot.

Looking forward

Despite the fallout from an overheated for-sale market and challenges brought by the fact that there are no major casino/hotel openings this year, fundamentals within the apartment sector are expected to remain relatively stable as population and employment growth press the market forward.

During the next five years, it is expected that more than 200,000 new jobs will be created due to new casino/hotel openings and continued strength of tourism, ultimately increasing demand for housing. As such, all sectors of the housing market will likely benefit, including the for-sale and apartment product types.

A concern for the multi-family investor is that condo and homeowners who can't sell their units are renting at lower than average rates. However, the large inventory of single-family homes is expected to decline due to continued population growth and a homebuilder slowdown. In addition, multi-family owners have started to actively promote the benefits of managed properties and the upscale amenities provided in the newer class A properties.

Overall, the multi-family sector is expected to remain healthy. Rising rental rates and stabilizing occupancies will provide sound investment opportunities with valuable repositioning potential throughout the valley and continue to position Las Vegas as a hotbed for institutional, multi-family commercial real estate investors. **cre**

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While the concept of mortgages, deeds of trust, and foreclosure are familiar to developers and real property owners, people who are not in the industry may not fully understand their options when it comes to pursue a debt secured by real property. Everyday, loans that are secured by real property as collateral go into arrears, leaving creditors with decisions on how to pursue the debt. Luckily, the Nevada Legislature has established strict guidelines regarding pursuing these debts and courts are quick to enforce these procedural mandates before enforcing a foreclosure.

What is foreclosure?

A foreclosure is the forced sale of real property that has been pledged as security for a debt that is in default. There are different ways to achieve this forced sale, including judicial foreclosure and non-judicial foreclosure. As the names imply, a judicial foreclosure involves the court system and a lawsuit against the debtor whereas non-judicial foreclosure does not. In Nevada, a mortgage requires judicial foreclosure, but a deed of trust does not. Therefore, deeds of trust are primarily, if not exclusively, used for loans secured by real property.

The one-action rule

The one-action rule found in chapter 40 of the Nevada Revised Statutes (NRS) at section 40.430, addresses lawsuits for the recovery of a debt where real property secures the debt. The one-action rule is of paramount importance to consider when suing a debtor because it means that if a creditor brings a judicial action against the debtor and does not seek judicial foreclosure in that same action, the creditor will lose its security interest in the real property. In other words, if the creditor sues for money damages for breach of contract and does not ask the court to foreclose on the real property, it will lose the right of foreclosure.

The cautious creditor who seeks to maximize the collection of debt starts with non-judicial foreclosure because a non-judicial foreclosure is not an action. In other words, a creditor may attempt a non-judicial foreclosure, and



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afterwards still bring an "action" (i.e. a lawsuit) to collect any remaining funds owed after application of the value of the collateral to the debt. If the lawsuit is successful, the creditor would have a judgment against the debtor for the remaining funds.

Notice of non-judicial foreclosure

The non-judicial foreclosure process at first glance seems confusing, but breaking it down into pieces makes it more manageable.

First, the debtor — referred to as a grantor in a deed of trust — must go into default or breach of the loan agreement. Then the creditor — referred to as the beneficiary in a deed of trust — must have the trustee, who is usually not the creditor under the deed of trust but rather a title company or other company experienced with deed of trust sales, record a notice of the breach and election to sell the property to satisfy the obligation.

Within 10 days of the date the notice and election is recorded, a copy of the recorded notice and election must be sent to the person who holds property title and any person with a subordinate interest in the property. Once the notice and election has both been recorded and a copy mailed, the debtor has thirty-five days to cure the deficiency in performance.

The non-judicial foreclosure sale

If the debtor does not cure the deficiency, then the creditor may proceed with a foreclosure sale three months af-

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Non-judicial foreclosure sale timeline

Day 1	Trustee files notice of default in county recorder's office.
Day 2-36	Debtor may cure default. By day 11, trustee must send copy of notice of default to debtor and all interested parties.
Day 37-91	Trustee must wait to sell property.
Day 91	Trustee must put notice of sale in newspaper for three consecutive weeks and place public notice in three places for 20 consecutive days. Trustee must mail notice to debtor and all interested parties 20 days before the sale.
Day 112	Trustee may sell property.
Within six months after foreclosure sale	Trustee may file for deficiency judgment in state court.

ter recording the notice and election. Under the terms of the deed of trust, the trustee will sell the property. After the three month period passes, the trustee must give notice of the time and place of sale by recording a notice of the sale at the county recorder's office. At least twenty days before the date of sale, the trustee must provide the notice of sale by registered or certified mail to the last known address of each trustor and any other person who has requested notice. The trustee must also post a similar notice for twenty days successively in three public places and publish a copy of the notice in a newspaper where the property is situated. The sale must be by auction and the property sold to the highest bidder.

If the deed of trust is the most senior against the property (recorded first in time), then a foreclosure sale wipes out any junior deeds of trust or liens, with a few exceptions. On the other hand, if the deed of trust being foreclosed upon is junior to a senior deed of trust, then the prevailing bidder takes subject to the more senior deed of trust and the



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prevailing bidder will have to satisfy that obligation to pre-empt a foreclosure by that creditor. If the fair market value of the property is greater than the amount of the debt, there may be other bidders at the sale who will bid more than credit bid by the foreclosing creditor and who pay real cash and become the owners of the property. The money collected from the sale is applied to the debt and the related costs. Any money leftover from the sale is returned to the debtor.

Pursuing judicial action

Once the creditor has successfully proceeded with a non-judicial foreclosure, if a balance remains on the debt the creditor may pursue judicial action for the remainder of the debt subject to Nevada's deficiency statutes. These statutes limit the amount of any deficiency judgment to the amount of unpaid indebtedness minus the higher of either (1) the successful bid at foreclosure, or (2) the fair market value of the property on the date of sale. This provides incentive for the creditor (through the trustee) to credit bid at least the fair market value of the property. The creditor may apply for a deficiency judgment within six months after the date of the foreclosure sale.

In lieu of a non-judicial foreclosure sale, a creditor can pursue a judicial action for collection of the debt and judicial foreclosure of the real property secured by the debt. However, due to the one-action rule, it is imperative that the action is not only for collection of the debt, but also has a claim for foreclosure on the real property collateral.

Once a judgment is obtained, the court directs the sheriff to sell the property pursuant to similar procedural guidelines as the non-judicial foreclosure sale. The process takes less time from judgment to sale than a non-judicial foreclosure because there is no three month waiting period before the sheriff can start advertising the sale. As part of the same action, the creditor can collect any remainder of the debt from the debtor once the property has been sold. However, unlike non-judicial foreclosure sales, the debtor has a right of redemption in judicial foreclosures and may redeem the property for up to one year after the date of the judgment sale.

While the non-judicial foreclosure route may initially seem more time consuming, it is the preferred course of action for creditors because it does not involve time consuming and expensive litigation. Moreover, since many debtors do not have assets beyond the secured real property, it is usually fruitless to obtain a judicial judgment because the debtor cannot pay the amount of any judgment that is in excess of the value of the real property. **cre**



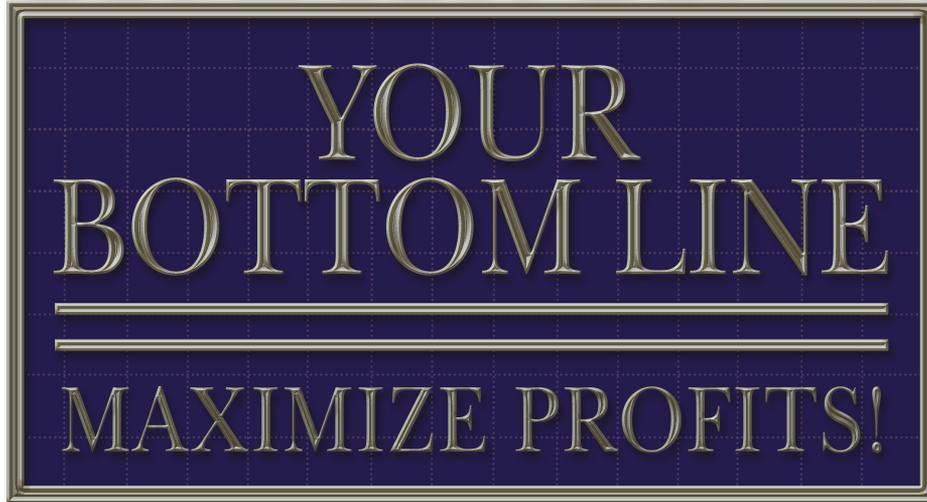
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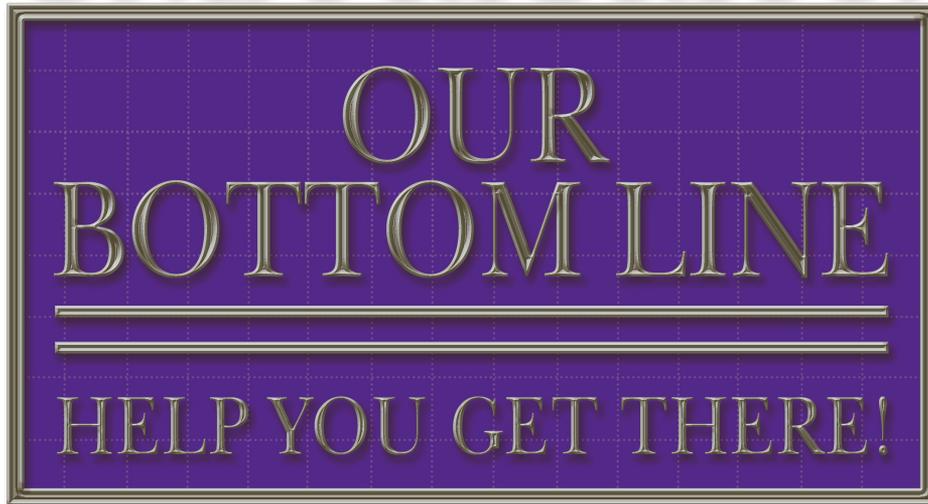
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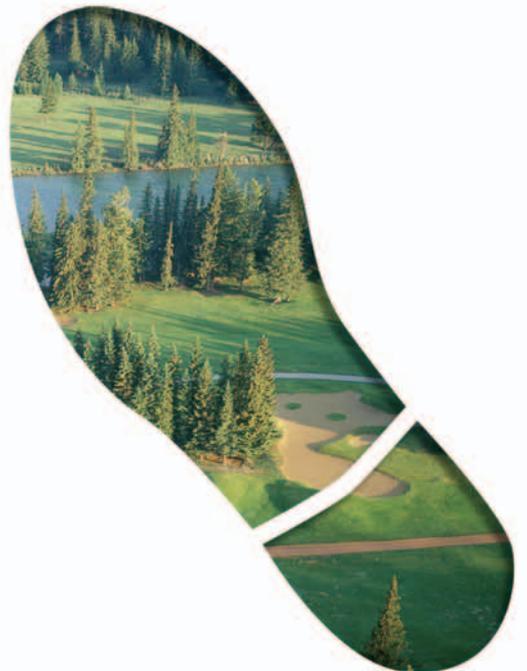


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