



Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates

DOWN

Construction

DOWN

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Market Highlights

- ◆ **Market Overview** – The Las Vegas industrial sector continued to respond to broader economic conditions, which resulted in rising vacancies and softening for-sale and rental pricing. With continued out-migration of space the valley-wide average vacancy rate edged up to 15.0 percent, up from 14.2 percent in the preceding quarter (Q4 2009) and a 440 basis-point jump from 10.7 percent one year ago (Q1 2009).
- ◆ **Demand** – Net absorption, or the change in the amount of space occupied between reporting periods, remained negative for the fifth consecutive quarter. During the first quarter of 2010, the market reported negative net absorption of 916,800 square feet, bringing total occupied space to 88.0 million square feet, the lowest level since the final quarter of 2006. Out-migration of space was reported in all product types and all submarkets, excluding distribution product in the airport area that resulted from a large lease deal by Canada-based Foliot Furniture.
- ◆ **Inventory** – Total inventory remained at 103.6 million by the close of the first quarter of 2010 as no product completed construction during the past 3 months. During the past 12 months, the market welcomed its lowest annual total of new product (939,900 square feet) in the better part of the past two decades.
- ◆ **Future Supply** – Supply-side expansions in the industrial sector are expected to remain relatively low during the next 12 to 36 months. Currently, a freestanding build-to-suit project located in the southwest submarket is actively underway. While plans have been proposed for several developments, it is unlikely these speculative investments

will move forward. Turnover of existing buildings through lender sales or forced short sales will represent the bulk of activity through the balance of 2010 as limited traditional sales will be reported.

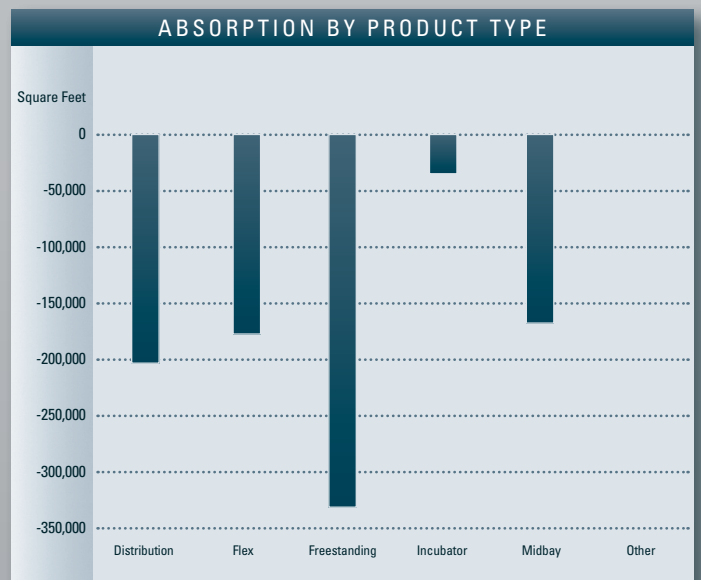
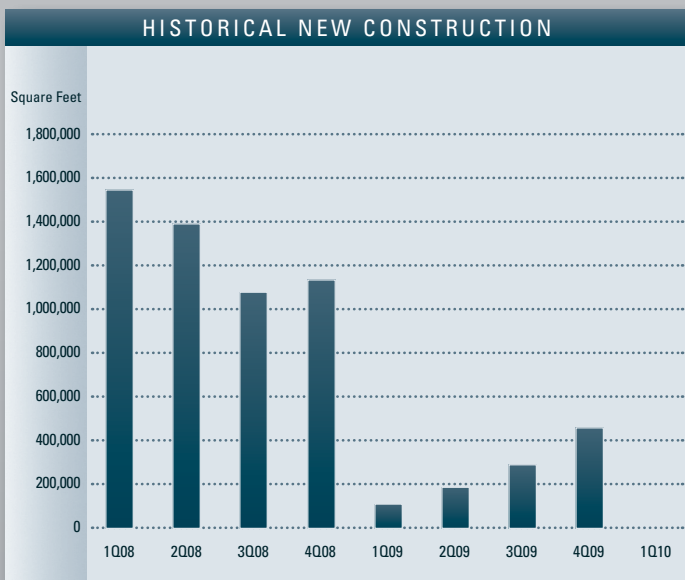
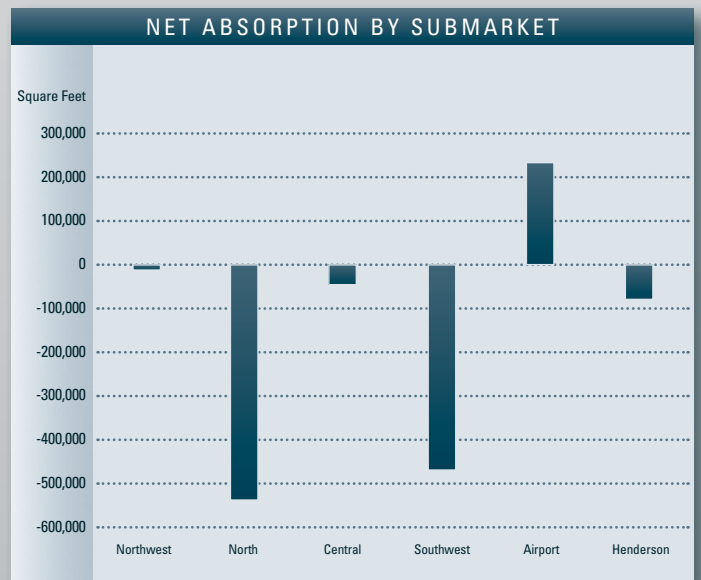
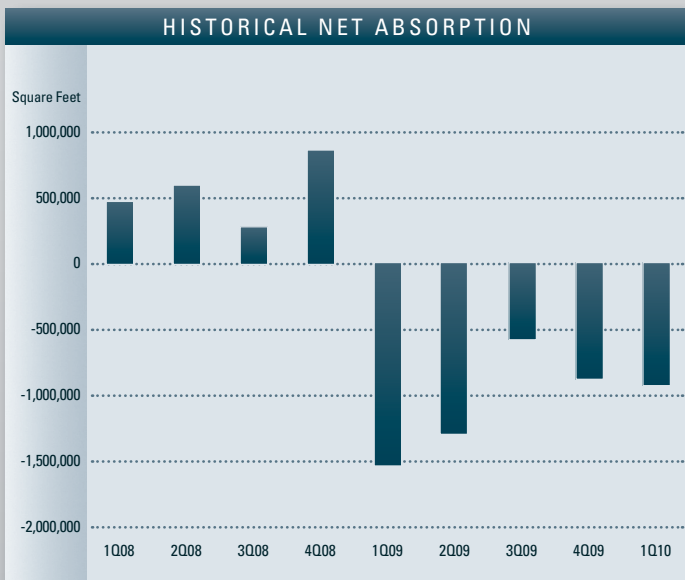
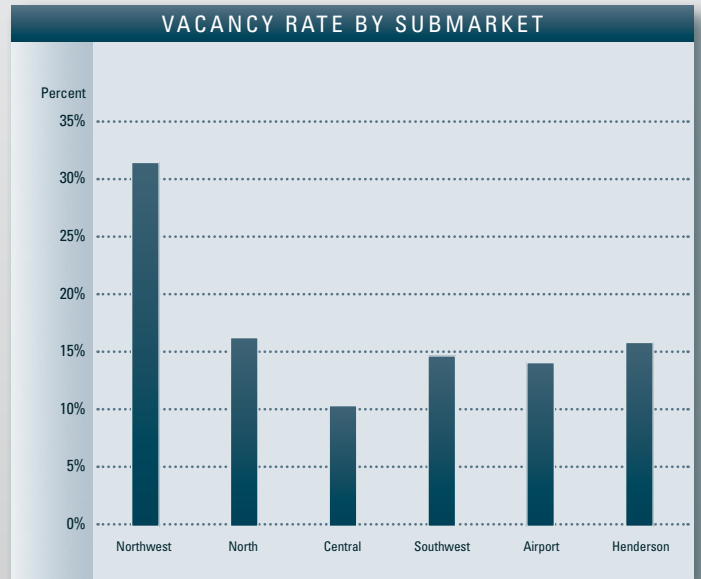
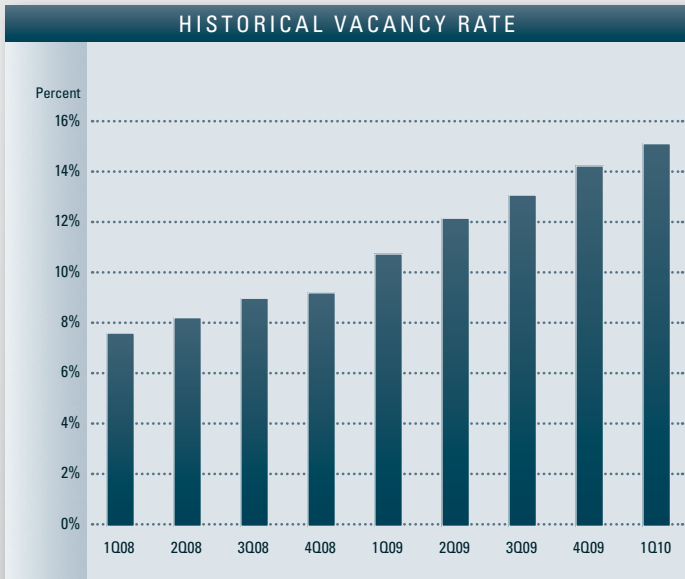
- ◆ **Economic Considerations** – The job market within southern Nevada remains challenged as total employment reached 799,700 in the first quarter and the unemployment rate jumped further to 13.9 percent. Compared to the same period of the prior year, the market shed 50,300 jobs, or 5.9 percent of its workforce. Construction has led the way in job losses, shedding 22,900 employees during the past 12 months, with the leisure and hospitality sector employment dropping 9,000 positions during the same timeframe despite major resort openings like MGM MIRAGE's CityCenter, Hard Rock Hotel's expansion and M Resort on the South Strip.

- ◆ **Looking Forward** – The outlook for the industrial sector is sourced to broader fundamentals within the local and national economies. In southern Nevada, the tourism industry is starting to show signs of life, while the downturn in the construction sector is expected to offset employment gains elsewhere. From a broader view, national indicators such as retail spending, gross domestic product and manufacturing are coming off their lows and should translate into improved job performance figures. An economic recovery nationally may be a trigger to generate demand for warehouse and distribution product. However, sustained improvements are likely beyond 2010. In the near term, we expect continued contraction in small to mid-size freestanding product while only a select few large-scale sale and lease deals are probable. As a result, vacancies will likely remain in the mid-teens by year's end.

INDUSTRIAL MARKET OVERVIEW

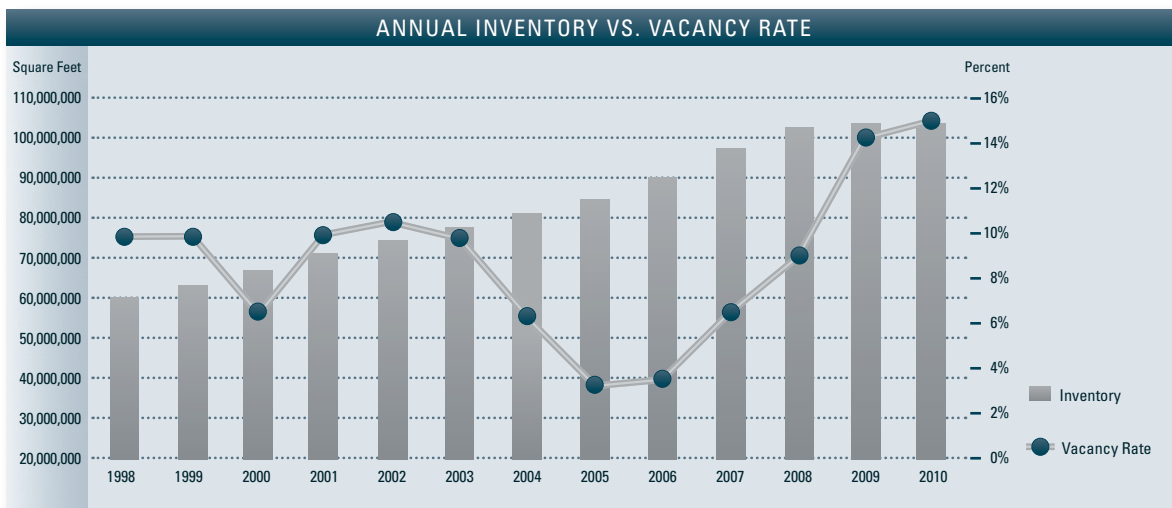
	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Under Construction	53,000	0	808,000	(93.44%)
Planned Construction	0	125,000	1,250,000	(100.00%)
Vacancy	15.0%	14.2%	10.7%	40.19%
Net Absorption	(917,000)	(876,000)	(1,524,000)	N/A

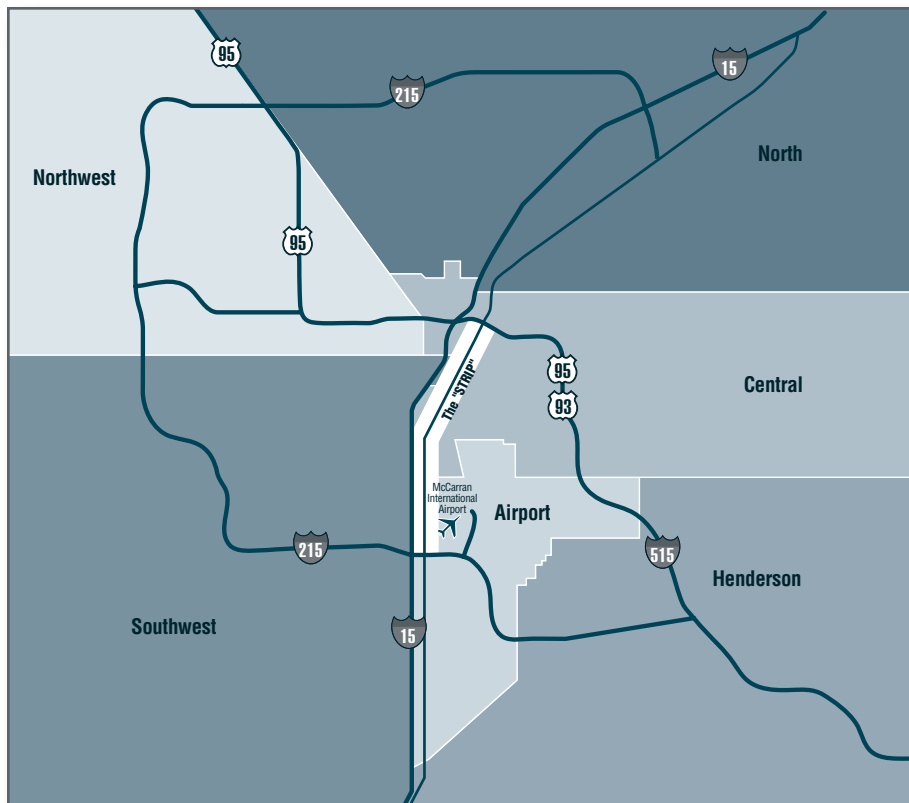
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	INVENTORY			VACANCY			DEMAND & SUPPLY	
	Number of Buildings	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 10/2010	Net Absorption 10/2010	New Supply 10/2010
Northwest								
Distribution	2	196,910	-	-	113,069	57.4%	-	-
Flex	10	257,489	-	-	76,712	29.8%	(15,176)	-
Freestanding	6	174,690	-	-	15,000	8.6%	-	-
Incubator	2	120,000	-	-	46,592	38.8%	-	-
Midbay	-	-	-	-	-	0.0%	-	-
Other	2	54,812	-	-	-	0.0%	-	-
Northwest Total	22	803,901	-	-	251,373	31.3%	(15,176)	-
North								
Distribution	128	16,932,396	-	-	2,068,332	12.2%	(312,026)	-
Flex	51	1,394,049	-	-	367,906	26.4%	(19,956)	-
Freestanding	642	8,579,386	-	-	1,583,782	18.5%	(202,873)	-
Incubator	30	751,632	-	-	281,227	37.4%	(11,148)	-
Midbay	59	2,812,221	-	-	646,998	23.0%	6,677	-
Other	-	-	-	-	-	0.0%	-	-
North Total	910	30,469,684	-	-	4,948,245	16.2%	(539,326)	-
Central								
Distribution	34	1,565,860	-	-	24,640	1.6%	-	-
Flex	20	459,945	-	-	28,897	6.3%	-	-
Freestanding	144	2,137,318	-	-	250,017	11.7%	(27,250)	-
Incubator	36	796,885	-	-	158,241	19.9%	916	-
Midbay	48	1,712,261	-	-	227,842	13.3%	(20,233)	-
Other	-	-	-	-	-	0.0%	-	-
Central Total	282	6,672,269	-	-	689,637	10.3%	(46,567)	-
Southwest								
Distribution	127	12,462,759	-	-	1,124,417	9.0%	(176,182)	-
Flex	228	7,278,930	-	-	1,298,254	17.8%	(75,145)	-
Freestanding	733	9,622,240	53,000	-	1,551,944	16.1%	(64,681)	-
Incubator	59	1,977,729	-	-	252,398	12.8%	(29,166)	-
Midbay	125	6,734,932	-	-	1,380,274	20.5%	(123,451)	-
Other	-	-	-	-	-	0.0%	-	-
Southwest Total	1,272	38,076,590	53,000	-	5,607,287	14.7%	(468,625)	-
Airport								
Distribution	61	4,491,859	-	-	722,213	16.1%	342,132	-
Flex	124	2,632,318	-	-	345,381	13.1%	(53,757)	-
Freestanding	168	3,320,403	-	-	376,613	11.3%	(24,615)	-
Incubator	28	794,639	-	-	77,839	9.8%	(2,980)	-
Midbay	53	2,539,998	-	-	412,917	16.3%	(28,674)	-
Other	1	44,631	-	-	-	0.0%	-	-
Airport Total	435	13,823,848	-	-	1,934,963	14.0%	232,106	-
Henderson								
Distribution	55	6,384,371	-	-	533,779	8.4%	(58,211)	-
Flex	44	819,811	-	-	112,150	13.7%	(13,024)	-
Freestanding	341	4,220,000	-	-	767,941	18.2%	(11,815)	-
Incubator	6	189,442	-	-	16,906	8.9%	7,008	-
Midbay	47	2,145,413	-	-	725,765	33.8%	(3,160)	-
Other	-	-	-	-	-	0.0%	-	-
Henderson Total	493	13,759,037	-	-	2,156,541	15.7%	(79,202)	-
Las Vegas Total								
Distribution	407	42,034,155	-	-	4,586,450	10.9%	(204,287)	-
Flex	477	12,842,542	-	-	2,229,300	17.4%	(177,058)	-
Freestanding	2,034	28,054,037	53,000	-	4,545,297	16.2%	(331,234)	-
Incubator	161	4,630,327	-	-	833,203	18.0%	(35,370)	-
Midbay	332	15,944,825	-	-	3,393,796	21.3%	(168,841)	-
Other	3	99,443	-	-	-	0.0%	-	-
Total	3,414	103,605,329	53,000	-	15,588,046	15.0%	(916,790)	-

This survey consists of buildings greater than 5,000 square feet. **Note:** Planned inventory includes projects that previously commenced construction but are not actively underway.





PRODUCT TYPE

INCUBATOR

500-1,500 SF divisibility, minimal office, one roll-up door

FLEX

1,500-3,000 SF divisibility, 40% or more office build-out, one roll-up door, high visibility

MIDBAY

5,000-15,000 SF divisibility, 10-15% office build-out, dock-high and grade-level loading

DISTRIBUTION

Over 15,000 SF divisibility, 3-5% office build-out, multiple docks and grade-level loading

FREESTANDING

Single or dual user(s)

OTHER

Tenant improvements to a non-conventional build-out

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