



Industrial Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Construction



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Market Highlights

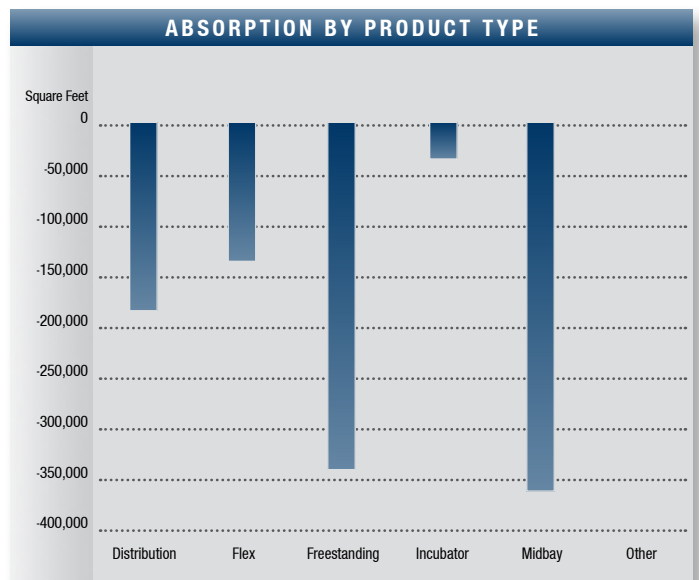
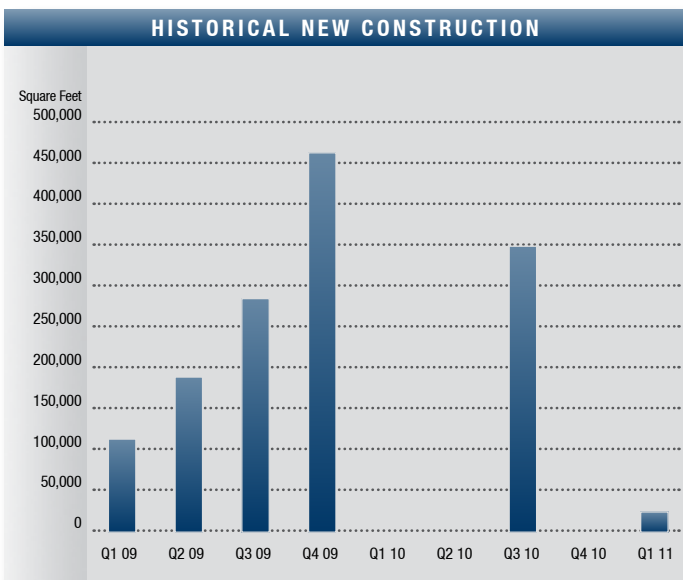
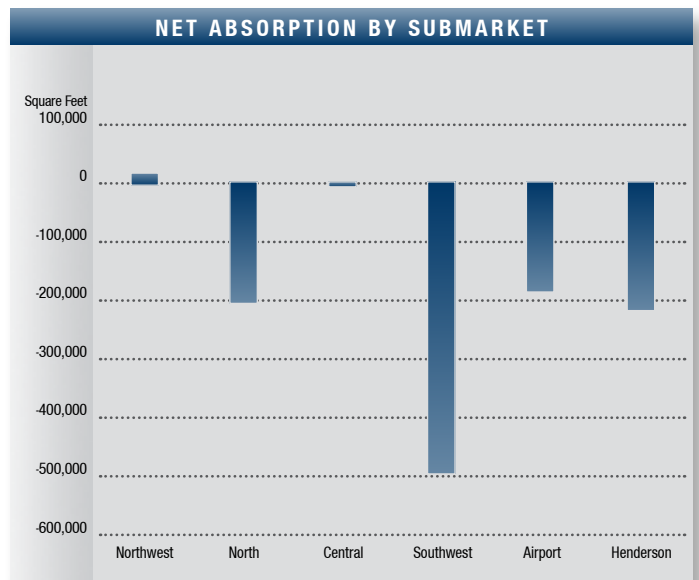
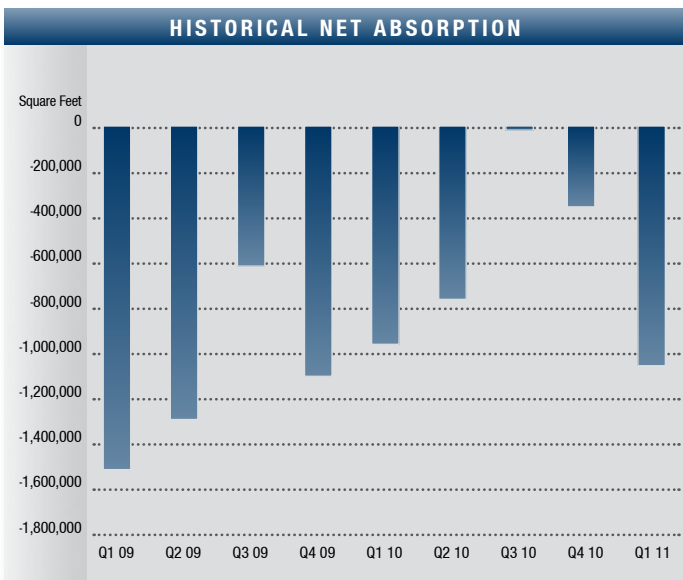
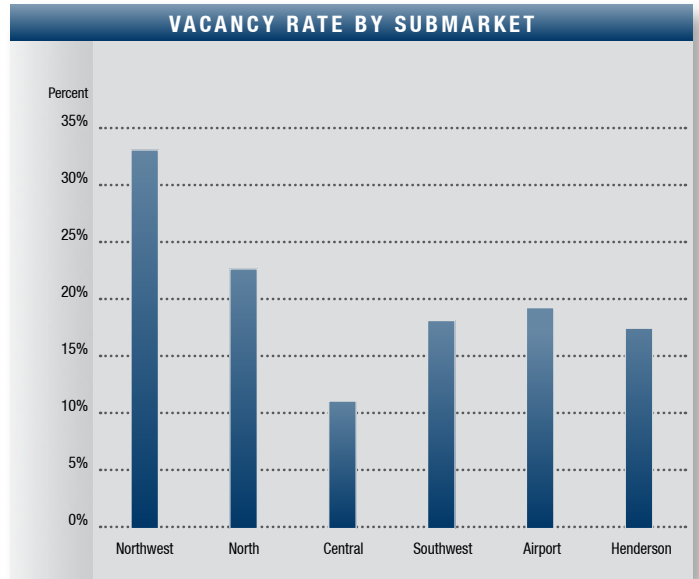
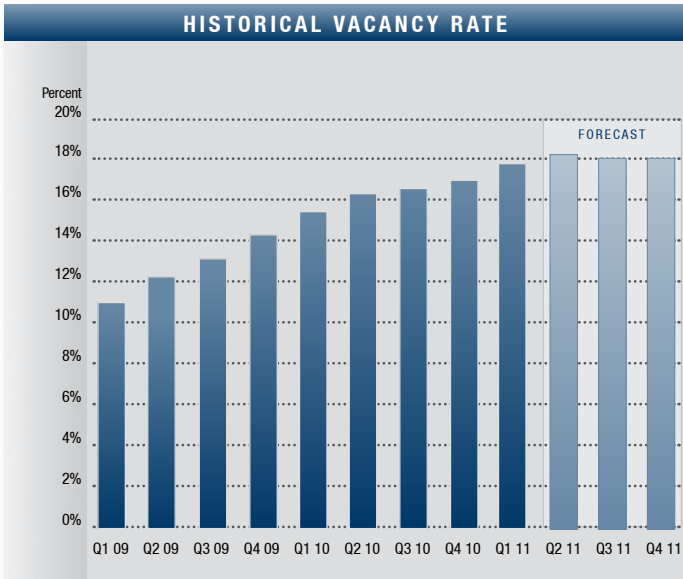
- Market Overview** - The Las Vegas industrial market continued to show signs of weakness. Average vacancy rose to 17.9% in the first quarter of 2011, a 1.0–percentage–point increase over the previous quarter and a 2.5–percentage–point over the previous year, presenting the largest increase in vacancy in more than a year.
- Demand** - Overall demand contracted for the ninth consecutive quarter, posting 1,060,300 square feet of negative net absorption. Negative absorption was seen in all product types, with midbay and freestanding buildings reporting the largest net move–outs of –362,500 square feet and –340,000 square feet, respectively. Among submarkets, only the Northwest submarket witnessed positive absorption during the first quarter of 2011, positing a modest 22,300 square feet of net move–ins.
- Inventory** - The Las Vegas industrial market added 22,000 square feet of inventory during the first quarter of 2011, giving the market a total of 103.6 million square feet of overall inventory – a figure not much higher than the 103.2 million square feet posted in the same quarter of 2010. The majority of inventory added during the downturn has been owner–user space or projects holding pre–lease contracts.
- Future Supply** - A single 120,000–square–foot owner–user building is currently under construction for the future operations of U.S. Micro Corp. The project is being built in the Southwest submarket on

the southwest corner of Pioneer Way and Post Road. The industrial sector is expected to see limited new product enter the market, as more than 3 years of excess supply remains vacant overall.

- Economic Considerations** - The economic engine continues to push ahead on the national front, hopefully tugging southern Nevada with it. The tourism sector continues to return to positive figures, compared to the figures witnessed during the downturn over the last few years, but remains significantly down from the prior peak. Additionally, confidence and consumer spending have been modestly rising for the last six months, indicating that an economic rebound may take hold nationally. Nevertheless, enduring elevated levels of unemployment and inflation, particularly in food and energy, will have negative effects, slowing down an economy that is finally on the rise.
- Looking Forward** - The national economy is moving forward with expanded economic activity, especially in the industrial sector, which has posted nearly two years of upward movement. However, historically, southern Nevada’s industrial sector has relied on population growth and a booming construction market, both of which are struggling. Significant expansion in the industrial–using labor market from existing businesses or movement of new business to the valley is what is going to ultimately determine the timing of the sector’s rebound.

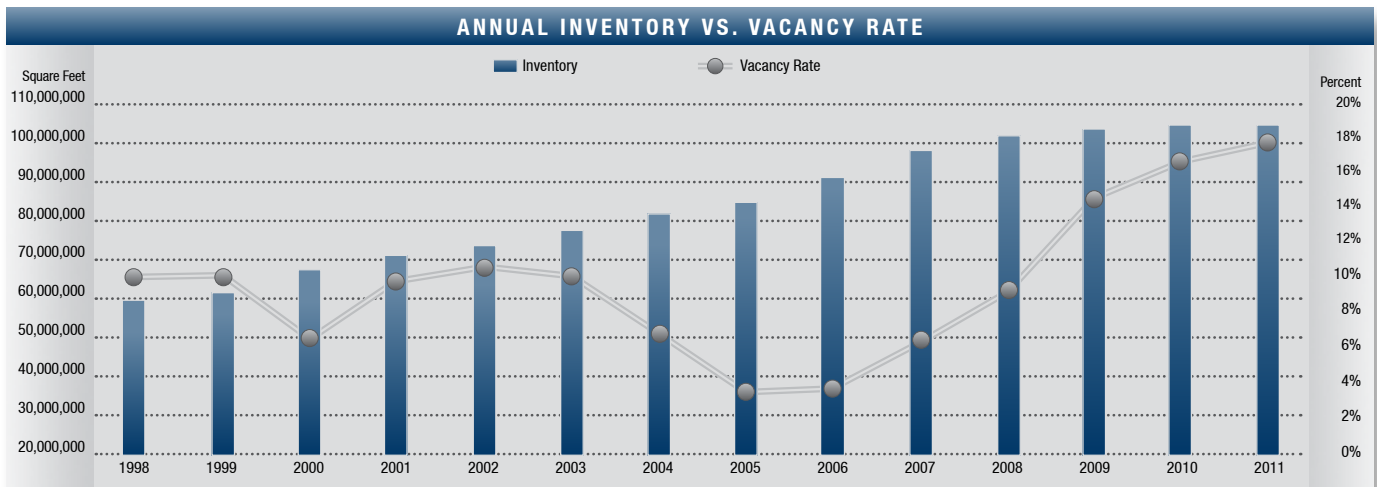
INDUSTRIAL MARKET OVERVIEW

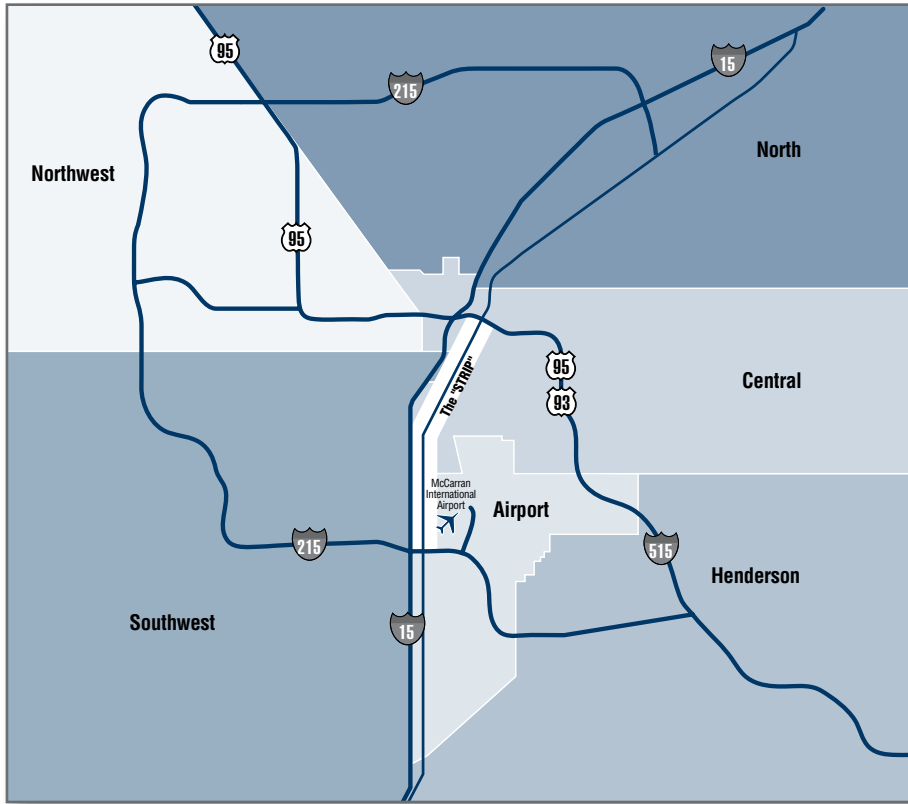
	Q1 2011	Q4 2010	Q1 2010	Q1 2011 vs. Q1 2010
Under Construction	120,000	22,000	253,900	(52.74)%
Planned Construction	0	120,000	1,055,300	N/A
Vacancy	17.9%	16.9%	15.4%	16.30%
Net Absorption	(1,060,000)	(364,000)	(971,000)	N/A



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2011	Net Absorption Q1 2011	Net Absorption 2010	New Supply Q1 2011	New Supply 2010
Northwest										
Distribution	2	196,910	–	–	66,357	33.7%	28,629	18,083	–	–
Flex	10	257,489	–	–	101,458	39.4%	(6,328)	(33,594)	–	–
Freestanding	6	174,690	–	–	15,000	8.6%	–	–	–	–
Incubator	2	120,000	–	–	46,592	38.8%	–	–	–	–
Midbay	–	–	–	–	–	0.0%	–	–	–	–
Other	2	54,812	–	–	32,500	59.3%	–	(32,500)	–	–
Northwest Total	22	803,901	–	–	261,907	32.6%	22,301	(48,011)	–	–
North										
Distribution	128	16,932,396	–	–	2,161,941	12.8%	67,032	(258,637)	–	–
Flex	51	1,394,049	–	–	397,270	28.5%	(3,217)	(46,103)	–	–
Freestanding	641	8,536,532	–	–	1,953,684	22.9%	(189,753)	(383,022)	–	–
Incubator	30	751,632	–	–	346,820	46.1%	400	(74,641)	–	–
Midbay	59	2,812,221	–	–	640,634	22.8%	(27,090)	40,131	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
North Total	909	30,426,830	–	–	5,500,349	18.1%	(152,628)	(722,272)	–	–
Central										
Distribution	34	1,565,860	–	–	35,734	2.3%	–	(11,094)	–	–
Flex	20	459,945	–	–	49,517	10.8%	(6,360)	(14,260)	–	–
Freestanding	143	2,123,318	–	–	231,764	10.9%	10,313	(19,310)	–	–
Incubator	36	796,885	–	–	156,356	19.6%	(9,300)	12,101	–	–
Midbay	48	1,712,261	–	–	261,028	15.2%	(13,846)	(39,573)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
Central Total	281	6,658,269	–	–	734,399	11.0%	(19,193)	(72,136)	–	–
Southwest										
Distribution	120	12,343,937	–	–	1,373,426	11.1%	(119,233)	(259,981)	–	96,977
Flex	228	7,278,930	–	–	1,652,427	22.7%	(23,947)	(346,051)	–	–
Freestanding	743	9,846,627	120,000	–	2,063,720	21.0%	(78,979)	(393,209)	–	53,000
Incubator	59	1,966,167	–	–	272,577	13.9%	(23,702)	(25,643)	–	–
Midbay	125	6,734,932	–	–	1,666,667	24.7%	(253,409)	(156,435)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
Southwest Total	1,275	38,170,593	120,000	–	7,028,817	18.4%	(499,270)	(1,181,319)	–	149,977
Airport										
Distribution	63	4,662,268	–	–	929,432	19.9%	(68,020)	373,342	–	200,928
Flex	124	2,632,318	–	–	520,732	19.8%	(75,730)	(128,328)	–	–
Freestanding	169	3,342,403	–	–	547,320	16.4%	(31,394)	(141,928)	22,000	–
Incubator	28	794,639	–	–	165,074	20.8%	–	(90,215)	–	–
Midbay	53	2,539,998	–	–	546,770	21.5%	(18,418)	(119,128)	–	–
Other	1	44,631	–	–	–	0.0%	–	–	–	–
Airport Total	438	14,016,257	–	–	2,709,328	19.3%	(193,562)	(106,257)	22,000	200,928
Henderson										
Distribution	54	6,168,541	–	–	546,103	8.9%	(96,286)	25,751	–	–
Flex	44	819,811	–	–	144,615	17.6%	(16,262)	(29,227)	–	–
Freestanding	341	4,220,000	–	–	946,369	22.4%	(50,156)	(140,087)	–	–
Incubator	6	189,442	–	–	69,530	36.7%	(5,543)	(40,073)	–	–
Midbay	46	2,104,108	–	–	610,733	29.0%	(49,688)	161,560	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
Henderson Total	491	13,501,902	–	–	2,317,350	17.2%	(217,935)	(22,076)	–	–
Las Vegas Total										
Distribution	401	41,869,912	–	–	5,112,993	12.2%	(187,878)	(112,536)	–	297,905
Flex	477	12,842,542	–	–	2,866,019	22.3%	(131,844)	(597,563)	–	–
Freestanding	2,043	28,243,570	120,000	–	5,757,857	20.4%	(339,969)	(1,077,556)	22,000	53,000
Incubator	161	4,618,765	–	–	1,056,949	22.9%	(38,145)	(218,471)	–	–
Midbay	331	15,903,520	–	–	3,725,832	23.4%	(362,451)	(113,445)	–	–
Other	3	99,443	–	–	32,500	32.7%	–	(32,500)	–	–
Las Vegas Total	3,416	103,577,752	120,000	–	18,552,150	17.9%	(1,060,287)	(2,152,071)	22,000	350,905

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

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OTHER

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