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Real Estate Services

Industrial Market Report

Compared to last quarter:



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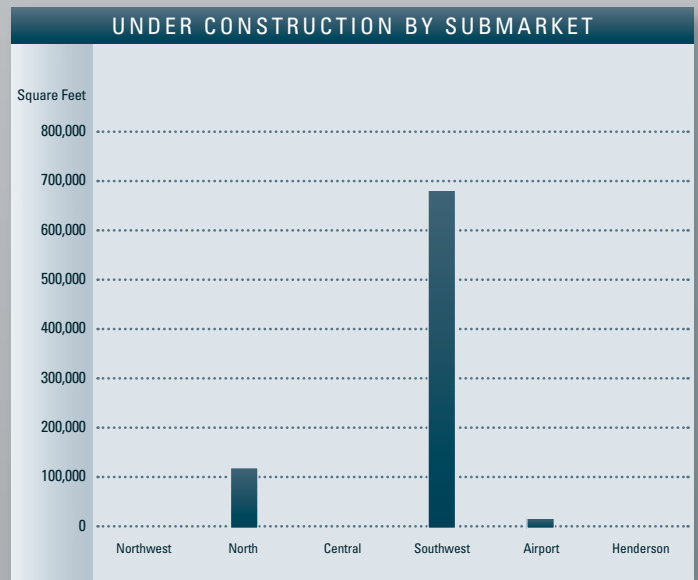
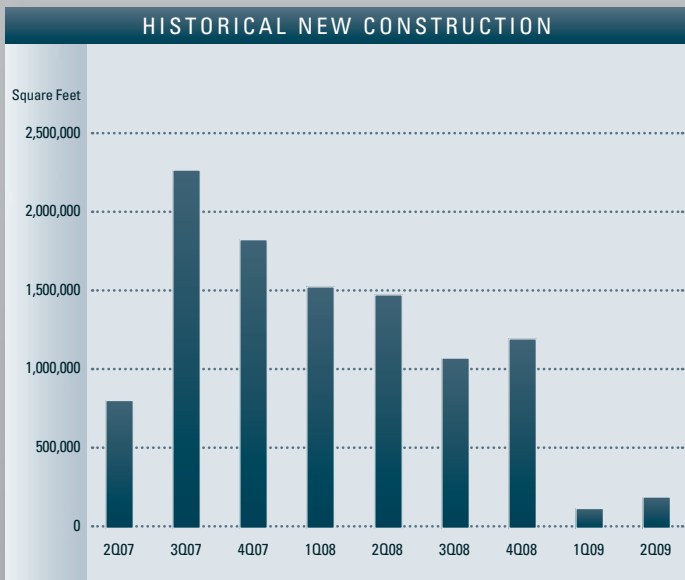
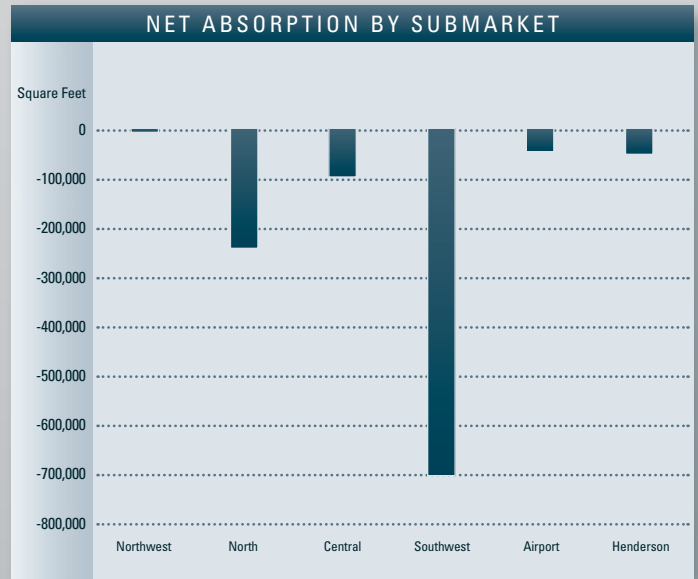
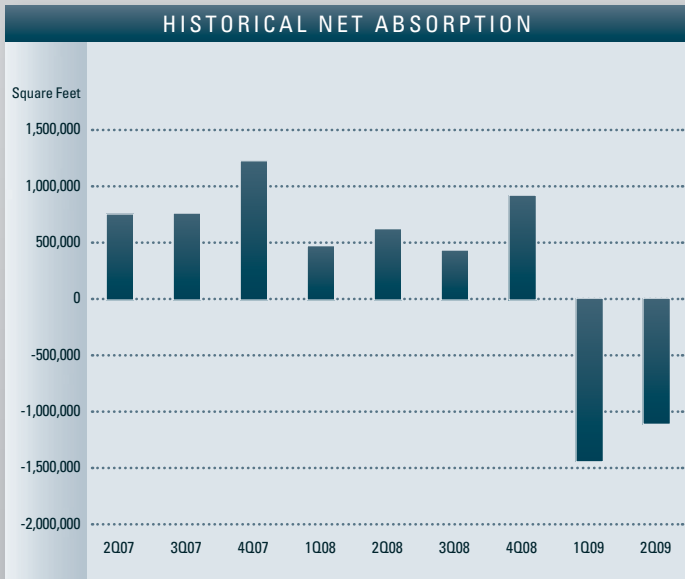
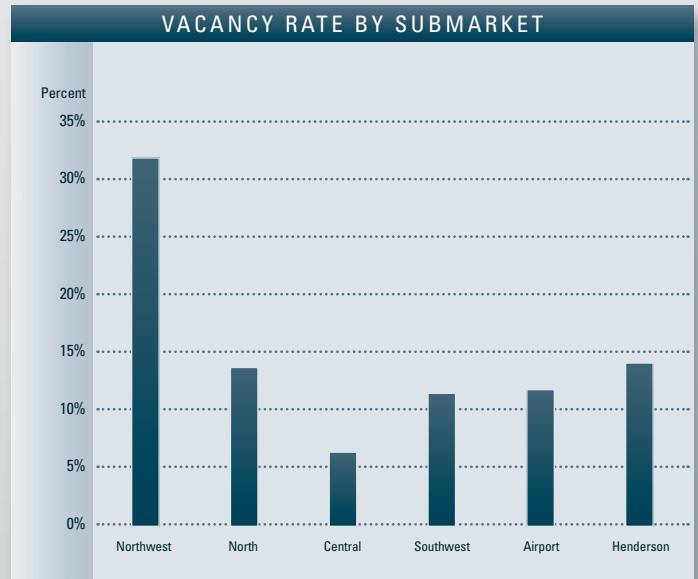
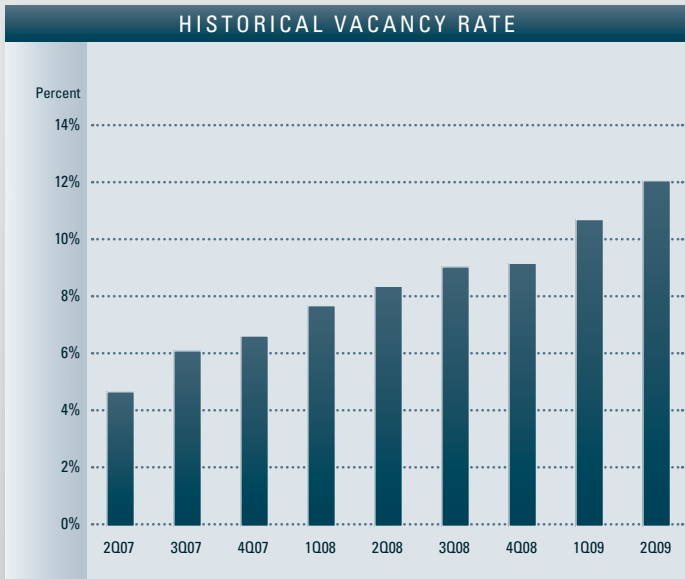
Market Highlights

- ◆ **Market Environment** – By the mid-point of 2009, the Las Vegas economic climate continued to be impacted by the national recession, local housing conditions and contraction in the region’s core industry, leisure and hospitality. The rate of unemployment in Las Vegas has escalated to an all-time high (11.1 percent) as the market continues to shed jobs. The industrial employment sector has also been impacted. The job sector posted a workforce reduction of 20,000 positions (down 10.9 percent from the prior year).
- ◆ **Inventory** – Market-wide inventory reached 102.7 million square feet in June, representing a modest increase from the preceding quarter. Approximately 189,000 square feet of space completed construction during the past three months, with two build-to-suit projects both located in the north submarket. They included Southwest Gas Corporation space at Centennial Parkway and Shatz and PDM Steel’s building at Abels and Alto Avenue. During the past 12 months, the market has expanded by a relatively modest 2.5 million square feet.
- ◆ **Vacancy** – Industrial market vacancies rose to record levels by the close of the second quarter, with a market-wide average of 12.0 percent. The latest vacancy factor represented an increase from the 10.7 percent posted in the first quarter of 2009 and the 8.3 percent reported during the same quarter of the prior year (Q2 2008). Availability has consistently increased since the record-setting low of 3.3 percent reported in the fourth quarter of 2005.
- ◆ **Future Supply** – A handful of projects remain actively under construction, while others face financing and market challenges. At the close of the quarter, the market reported approximately 816,000 square feet of construction activity. The Freeman Warehouse Facility located at the southwest corner of Sunset Road and Torrey Pines continues to move forward (412,000 square feet), while Loftworks located at the southeast corner of Post Road and Pioneer neared completion (135,135 square feet). Beyond projects already underway, it is unlikely speculative developments will move forward.
- ◆ **Demand** – Market demand turned negative during the past two quarters of 2009, with the latest three-month period posting negative net absorption of 1.1 million square feet. Net out-migration has been triggered by weakening demand for distribution, freestanding and midbay product. Occupied space totaled 90.4 million square feet at quarter-end, which represented the lowest level since the third quarter of 2007.
- ◆ **Market Outlook** – The industrial sector is expected to witness elevated vacancies well into 2010 as the market attempts to adjust to the latest market realities. New supply will remain somewhat limited while demand improvements will be tied to the broader economic recovery.

INDUSTRIAL MARKET OVERVIEW

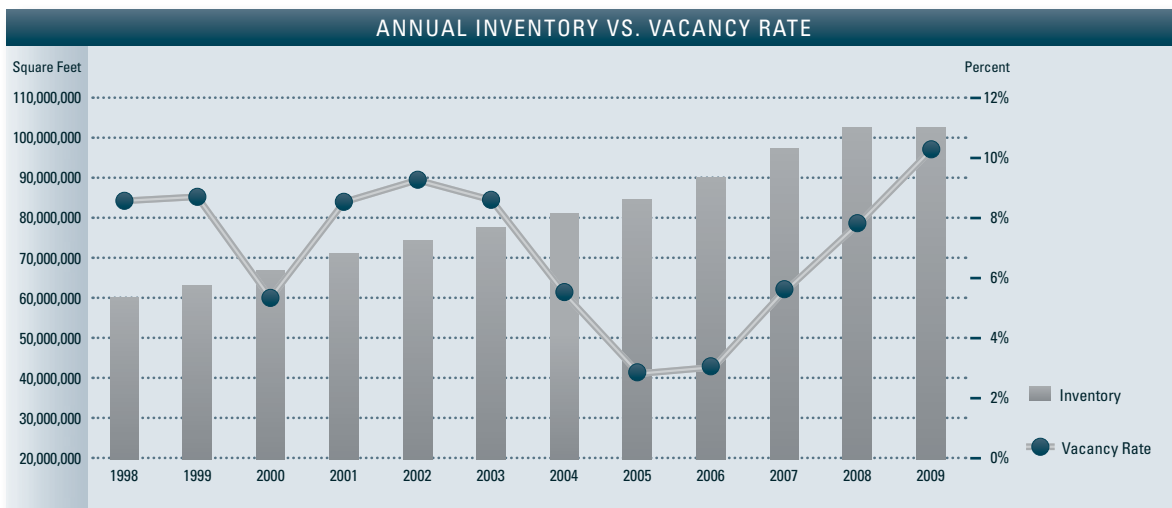
	Q2 2009	Q1 2009	Q2 2008	Q2 2009 VS. Q2 2008
Under Construction	816,000	808,000	2,422,000	-66.31%
Planned Construction	0	1,250,00	3,816,000	-100.00%
Vacancy	12.0%	10.7%	8.3%	44.58%
Net Absorption	-1,139,000	-1,464,000	611,000	N/A

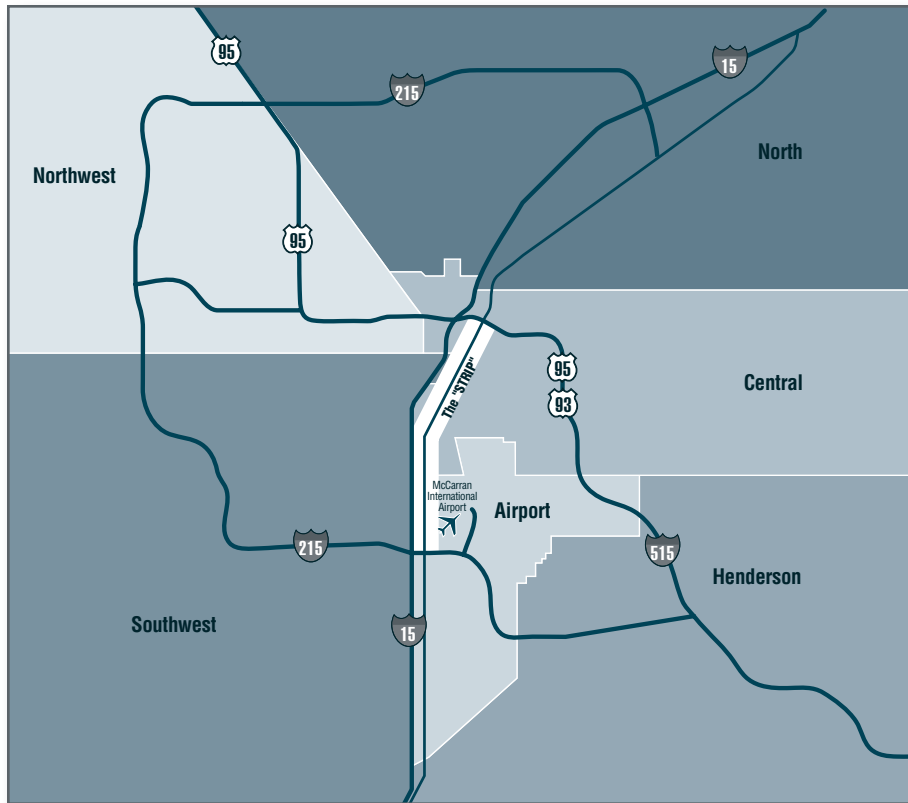
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	INVENTORY			VACANCY		DEMAND & SUPPLY	
	Number of Buildings	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Vacant	Vacancy Rate 202009	Net Absorption 202009	New Supply 202009
Northwest							
Distribution	2	196,910	-	158,069	80.3%	-	-
Flex	10	257,489	-	34,499	13.4%	2,395	-
Freestanding	6	174,690	-	15,000	8.6%	(7,500)	-
Incubator	2	120,000	-	46,592	38.8%	-	-
Midbay	-	-	-	-	0.0%	-	-
Other	2	54,812	-	-	0.0%	-	-
Northwest Total	22	803,901	-	254,160	31.6%	(5,105)	-
North							
Distribution	126	16,739,411	-	1,403,013	8.4%	(218,346)	95,000
Flex	50	1,388,577	-	314,034	22.6%	(790)	-
Freestanding	644	8,477,019	121,800	1,297,025	15.3%	59,865	94,000
Incubator	30	751,632	-	284,165	37.8%	(25,757)	-
Midbay	59	2,812,221	-	609,056	21.7%	(49,329)	-
Other	-	-	-	-	0.0%	-	-
North Total	909	30,168,860	121,800	3,907,293	13.0%	(234,357)	189,000
Central							
Distribution	34	1,565,860	-	9,535	0.6%	(4,895)	-
Flex	20	459,945	-	34,631	7.5%	(7,942)	-
Freestanding	143	2,117,918	-	215,289	10.2%	(72,085)	-
Incubator	36	796,885	-	86,765	10.9%	(2,346)	-
Midbay	48	1,712,261	-	107,305	6.3%	(9,820)	-
Other	-	-	-	-	0.0%	-	-
Central Total	281	6,652,869	-	453,525	6.8%	(97,088)	-
Southwest							
Distribution	125	11,926,824	533,875	825,494	6.9%	(381,887)	-
Flex	220	7,027,295	135,135	816,290	11.6%	26,525	-
Freestanding	727	9,466,953	-	1,105,778	11.7%	(154,281)	-
Incubator	59	1,977,729	-	203,879	10.3%	(29,375)	-
Midbay	127	6,795,625	-	1,213,902	17.9%	(166,784)	-
Other	-	-	-	-	0.0%	-	-
Southwest Total	1,258	37,194,426	669,010	4,165,343	11.2%	(705,802)	-
Airport							
Distribution	61	4,469,439	-	494,287	11.1%	(22,348)	-
Flex	124	2,644,794	25,050	335,949	12.7%	(1,677)	-
Freestanding	170	3,373,209	-	294,780	8.7%	(7,893)	-
Incubator	28	794,639	-	74,139	9.3%	4,705	-
Midbay	53	2,539,998	-	387,930	15.3%	(15,411)	-
Other	1	44,631	-	-	0.0%	-	-
Airport Total	437	13,866,710	25,050	1,587,085	11.4%	(42,624)	-
Henderson							
Distribution	54	6,590,341	-	402,468	6.1%	102,982	-
Flex	44	819,811	-	93,934	11.5%	(2,104)	-
Freestanding	348	4,244,572	-	706,425	16.6%	(60,795)	-
Incubator	6	189,442	-	30,947	16.3%	-	-
Midbay	47	2,145,413	-	695,963	32.4%	(94,194)	-
Other	-	-	-	-	0.0%	-	-
Henderson Total	499	13,989,579	-	1,929,737	13.8%	(54,111)	-
Las Vegas Total							
Distribution	402	41,488,785	533,875	3,292,866	7.9%	(524,494)	95,000
Flex	468	12,597,911	160,185	1,629,337	12.9%	16,407	-
Freestanding	2,038	27,854,361	121,800	3,634,297	13.0%	(242,689)	94,000
Incubator	161	4,630,327	-	726,487	15.7%	(52,773)	-
Midbay	334	16,005,518	-	3,014,156	18.8%	(335,538)	-
Other	3	99,443	-	-	0.0%	-	-
Total	3,406	102,676,345	815,860	12,297,143	12.0%	(1,139,087)	189,000

This survey consists of buildings greater than 5,000 square feet.





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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