



Industrial Market Report

Compared to last quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates

DOWN



Construction

DOWN



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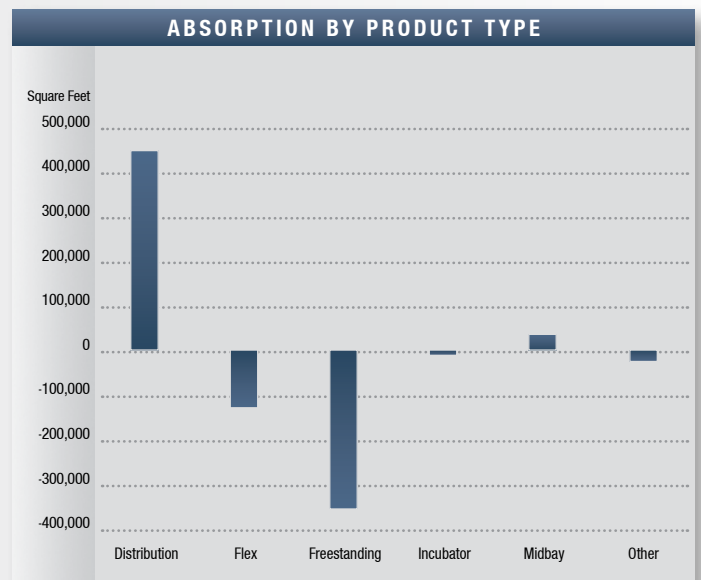
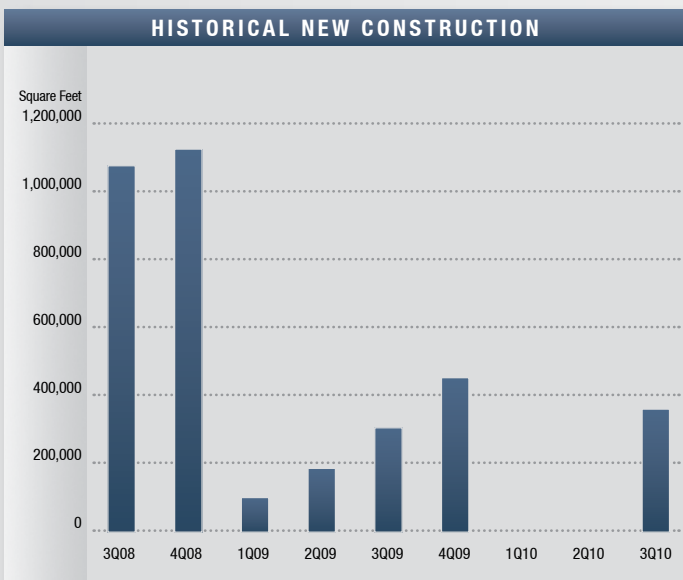
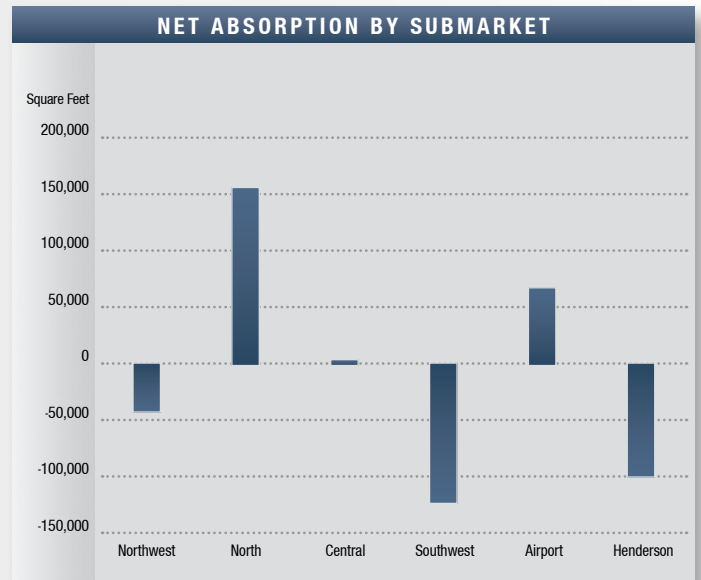
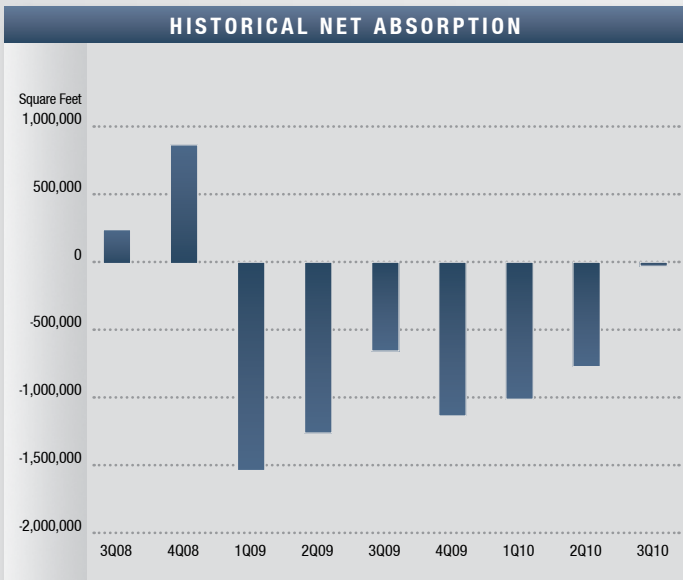
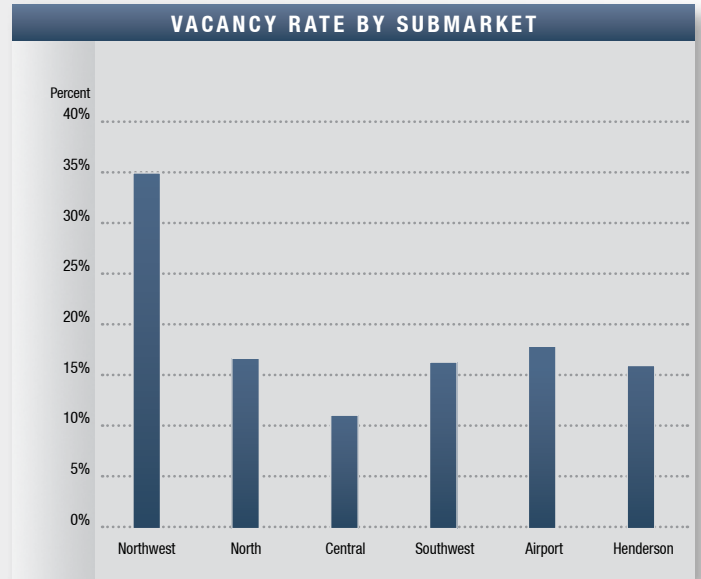
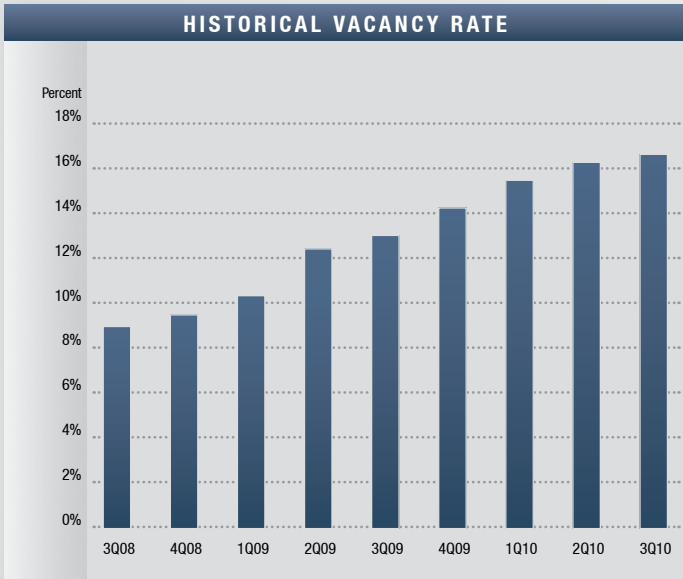
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Market Highlights

- Market Overview** – The Las Vegas industrial sector continued to contract during the quarter, albeit at a slower pace, reporting a modest amount of move-out and slightly lower asking rates. Across the valley and all product types, the average vacancy rate edged up 0.3 percentage points to 16.6 percent from 16.2 percent in the preceding quarter (Q2 2010), and a 3.5–percentage–point increase from 13.1 percent one year ago (Q3 2009).
- Future Supply** – The majority of space in the development pipeline was completed during the latest quarter. Looking forward, the industrial sector is expected to see limited new product enter the market, as approximately 3 years of excess supply remains vacant.
- Economic Considerations** – Clouds continue to hover over the economic environment in southern Nevada. In August, the unemployment rate declined 10 basis points from its peak of 14.8 percent reached during the prior month. While the decline is welcome, the unemployment rate remains up 1.7 percentage points from a year ago and one of the highest in the country. While the national recession was officially declared over in June 2009, the southern Nevada labor market continues to struggle, particularly in key sectors such as construction and casino–hotel gaming which have shed 13,500 and 2,000 jobs, respectively, during the last year. There have been some bright spots, with 3,600 jobs added in professional and business services and 1,600 jobs in food and beverage sector.
- Demand** – Demand remained down for the seventh consecutive quarter, posting negative net absorption of 37,700 square feet. Based on product types, the distribution sector posted absorption of 457,500 square feet largely attributable to pre–leasing and build–to–suit activity in newly constructed space (297,900 square feet). However, midbay product absorbed 41,400 square feet of second–generation space. Absorbing previously vacated space, the north and central submarkets posted positive absorption of 161,900 square feet and 5,300 square feet, respectively.
- Inventory** – Total inventory increased slightly to 103.7 million square feet by the close of the third quarter of 2010. The market witnessed 350,900 square feet of new construction come to market, the only completed product since the fourth quarter of 2009. With 812,900 square feet having come on line in the past 12 months, the amount of new space remains significantly lower than the nearly 4.0 million square feet added to the market annually over the last ten years.
- Looking Forward** – The broader markets are still taking a wait–and–see approach to growth. The industrial sector is no different, and will likely lag the recovery of the national and regional markets, as consumer consumption and business investment needs to rise first. As such, fundamental indicators will remain challenged in the near term.

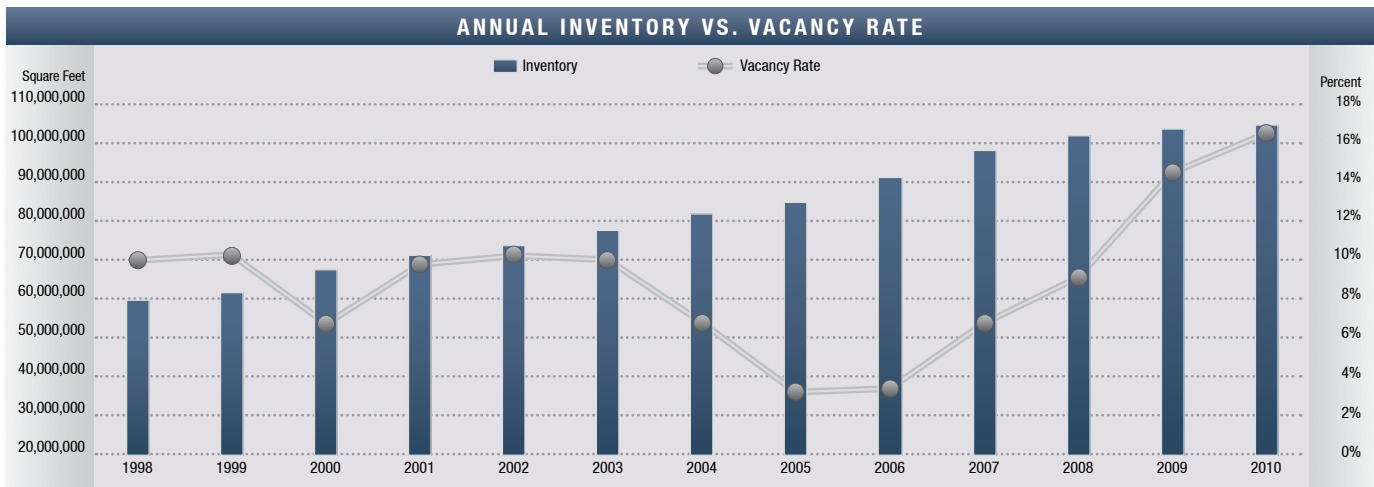
INDUSTRIAL MARKET OVERVIEW

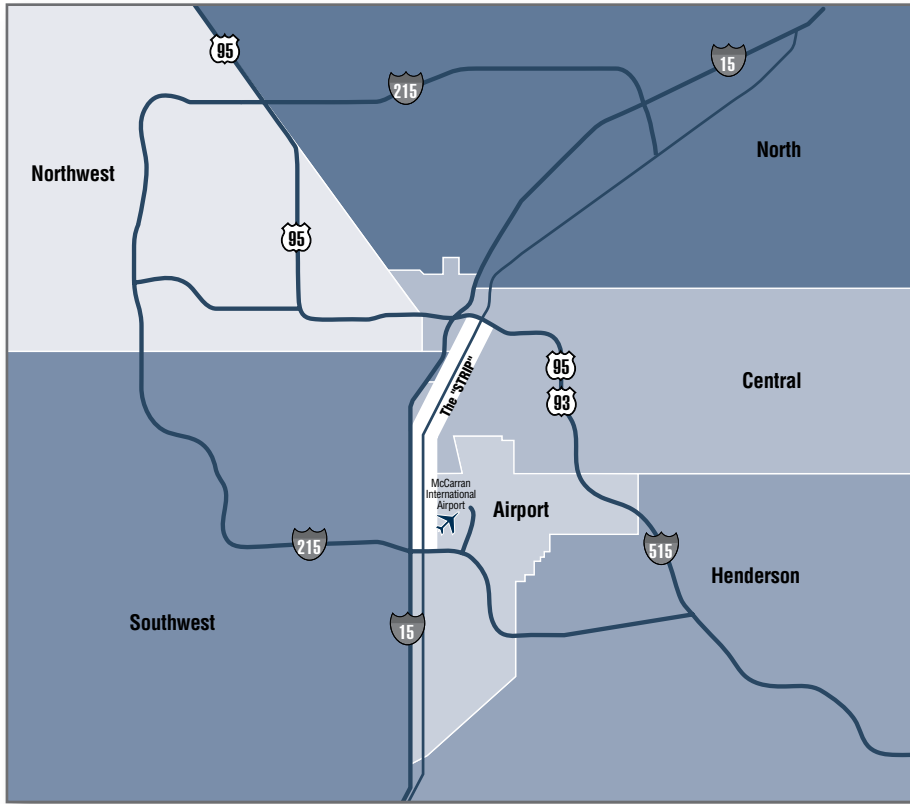
	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Under Construction	22,000	373,000	462,000	–95.24%
Planned Construction	0	0	125,100	–100.00%
Vacancy	16.6%	16.2%	13.1%	26.72%
Net Absorption	–38,000	–790,000	–630,000	N/A



	INVENTORY				VACANCY RATES		ABSORPTION	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Net Absorption 3Q2010	New Supply 3Q2010
Northwest								
Distribution	2	196,910	-	-	91,155	46.3%	-	-
Flex	10	257,489	-	-	95,130	36.9%	(11,710)	-
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	-	-	280,377	34.9%	(44,210)	-
North								
Distribution	128	16,932,396	-	-	2,232,909	13.2%	246,614	-
Flex	51	1,394,049	-	-	337,735	24.2%	12,622	-
Freestanding	642	8,572,812	-	-	1,636,854	19.1%	(73,129)	-
Incubator	30	751,632	-	-	345,892	46.0%	(23,056)	-
Midbay	59	2,812,221	-	-	630,641	22.4%	(1,161)	-
Other	-	-	-	-	-	0.0%	-	-
North Total	910	30,463,110	-	-	5,184,031	17.0%	161,890	-
Central								
Distribution	34	1,565,860	-	-	31,560	2.0%	-	-
Flex	20	459,945	-	-	28,897	6.3%	-	-
Freestanding	143	2,123,318	-	-	272,013	12.8%	(3,520)	-
Incubator	36	796,885	-	-	147,056	18.5%	7,792	-
Midbay	48	1,712,261	-	-	247,182	14.4%	1,000	-
Other	-	-	-	-	-	0.0%	-	-
Central Total	281	6,658,269	-	-	726,708	10.9%	5,272	-
Southwest								
Distribution	129	12,543,576	-	-	1,263,283	10.1%	19,495	96,977
Flex	228	7,278,930	-	-	1,651,113	22.7%	(87,997)	-
Freestanding	734	9,675,240	-	-	1,858,379	19.2%	(113,642)	53,000
Incubator	59	1,966,167	-	-	256,799	13.1%	1,493	-
Midbay	125	6,734,932	-	-	1,345,859	20.0%	50,099	-
Other	-	-	-	-	-	0.0%	-	-
Southwest Total	1,275	38,198,845	-	-	6,375,433	16.7%	(130,552)	149,977
Airport								
Distribution	63	4,692,787	-	-	976,690	20.8%	176,576	200,928
Flex	124	2,632,318	-	-	410,659	15.6%	(31,223)	-
Freestanding	168	3,320,403	22,000	-	468,247	14.1%	(77,877)	-
Incubator	28	794,639	-	-	158,557	20.0%	(4,755)	-
Midbay	53	2,539,998	-	-	474,427	18.7%	7,636	-
Other	1	44,631	-	-	-	0.0%	-	-
Airport Total	437	14,024,776	22,000	-	2,488,580	17.7%	70,357	200,928
Henderson								
Distribution	54	6,168,541	-	-	504,435	8.2%	14,800	-
Flex	44	819,811	-	-	136,803	16.7%	(12,448)	-
Freestanding	341	4,220,000	-	-	830,739	19.7%	(86,601)	-
Incubator	6	189,442	-	-	63,987	33.8%	-	-
Midbay	46	2,104,108	-	-	570,558	27.1%	(16,168)	-
Other	-	-	-	-	-	0.0%	-	-
Henderson	491	13,501,902	-	-	2,106,522	15.6%	(100,417)	-
Las Vegas Total								
Distribution	410	42,100,070	-	-	5,100,032	12.1%	457,485	297,905
Flex	477	12,842,542	-	-	2,660,337	20.7%	(130,756)	-
Freestanding	2,034	28,086,463	22,000	-	5,081,232	18.1%	(354,769)	53,000
Incubator	161	4,618,765	-	-	1,018,883	22.1%	(18,526)	-
Midbay	331	15,903,520	-	-	3,268,667	20.6%	41,406	-
Other	3	99,443	-	-	32,500	32.7%	(32,500)	-
Las Vegas Total	3,416	103,650,803	22,000	-	17,161,651	16.6%	(37,660)	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

Single or dual user(s)

OTHER

Tenant improvements to a non-conventional build-out

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