



## Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption



Lease Rates

DOWN



Construction

FLAT



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### Market Highlights

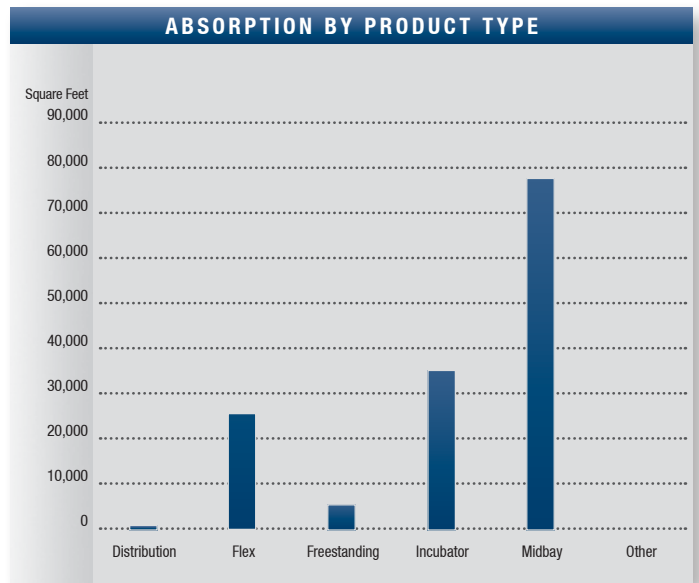
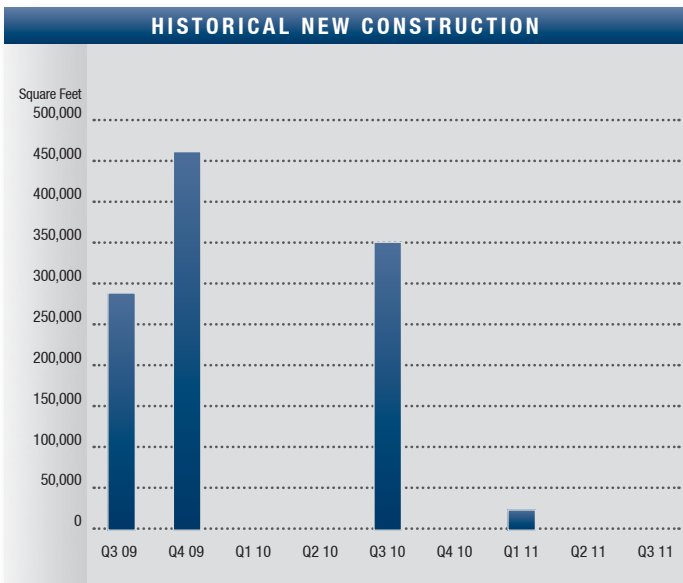
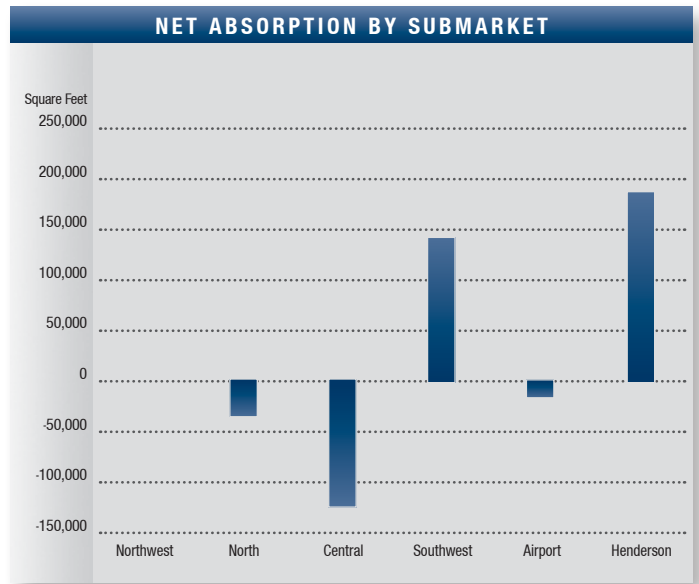
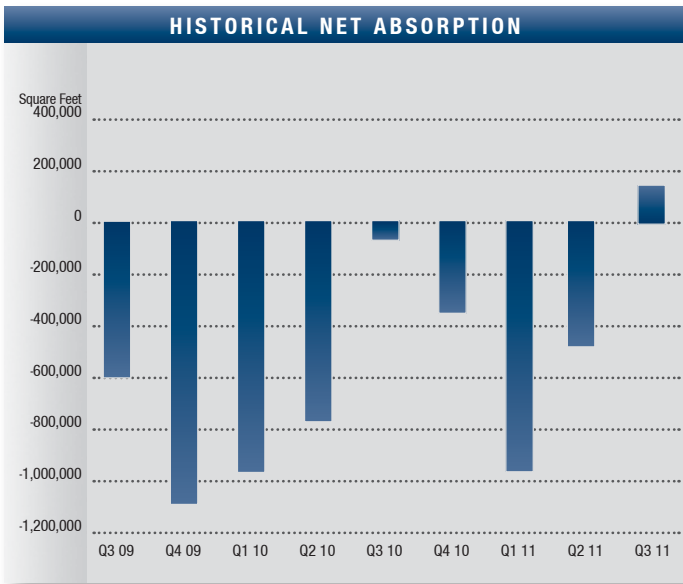
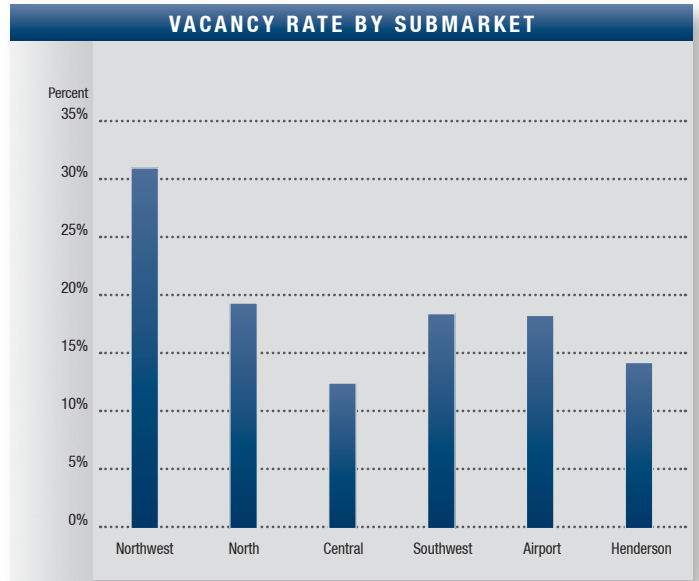
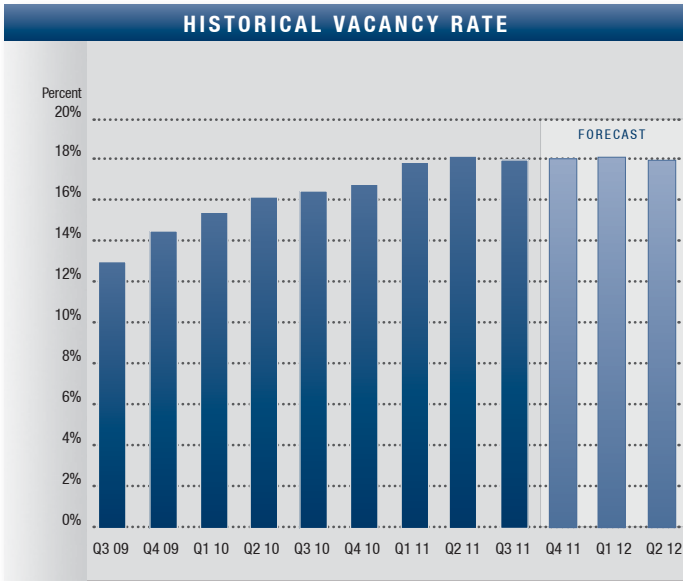
- Market Overview** - The Las Vegas industrial market vacancy rate turned slightly down as the sector witnessed positive net absorption for the first time in 11 quarters. The average vacancy rate declined 14 basis points to 18.0 percent. Compared to a year ago, the vacancy rate is still 1.6 percentage points higher. Despite modest demand during the quarter, vacancies remain approximately double the 9 percent average reported during the past decade.
- Demand** - The market posted aggregate demand of approximately 145,800 square feet. By submarket, the southwest and Henderson areas witnessed significant amounts of positive net absorption, with 145,600 square feet and 187,700 square feet, respectively. All product types experienced positive absorption during the quarter with midbay product accounting for approximately 54 percent of the market-wide total.
- Inventory** - No new projects completed construction during the third quarter of 2011, leaving the overall market at 104.2 million square feet. Over the last 12 months, only 22,000 square feet has been added to the market, a level not seen in more than 20 years.
- 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 at the southwest corner of Pioneer Way and Post Road. The industrial sector is expected to see limited new product enter the market, as nearly four years of excess supply remains vacant overall.

- Economic Considerations** - Selected indicators continued their slowdown during the third quarter, and with little movement from the government or Federal Reserve on the macro front, concern is intensifying as consumer sales and job growth moves forward at a snail's pace. At the local level, core employment continues to expand, partially attributable to positive performances from tourism and gaming. Nevertheless, southern Nevada's labor market has yet to see positive gains in sectors where the pool of long-term unemployed reside, particularly construction.
- Looking Forward** - One quarter does not infer a trend, but reporting positive net absorption is welcome news. Nevertheless, while the industrial sector may be reaching the proverbial bottom, a fragile economy persists. The negative effects of a battered economy will likely continue in the near term as the prospects for growth in population, income, and industrial-using employment remain modest at best. Despite oversupply conditions within most product types, positive opportunities for investors and tenants in selected submarkets exist.

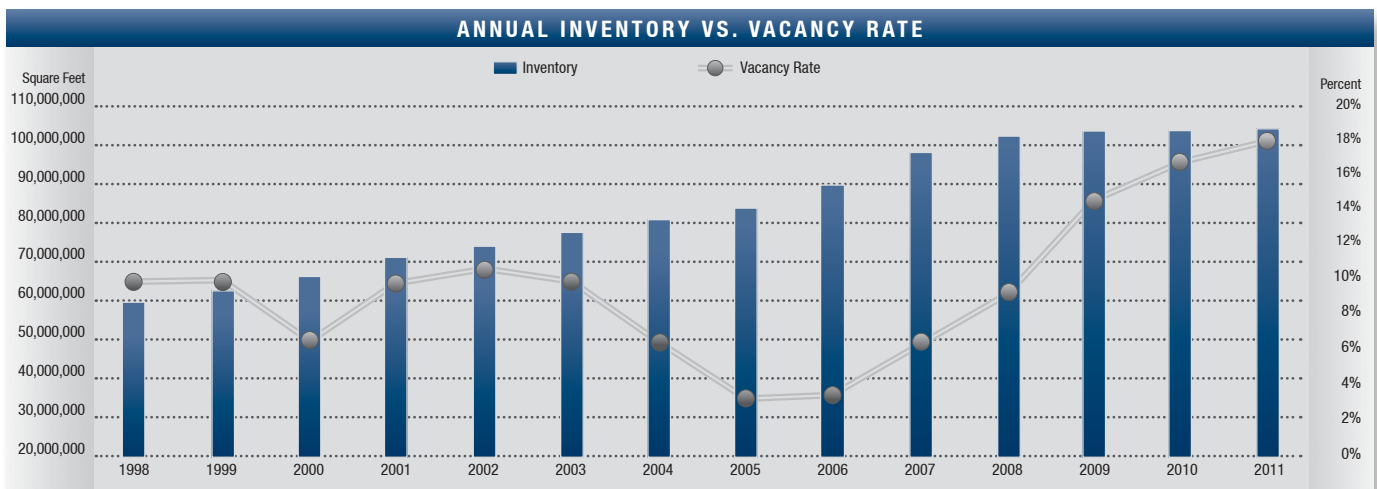
### INDUSTRIAL MARKET OVERVIEW

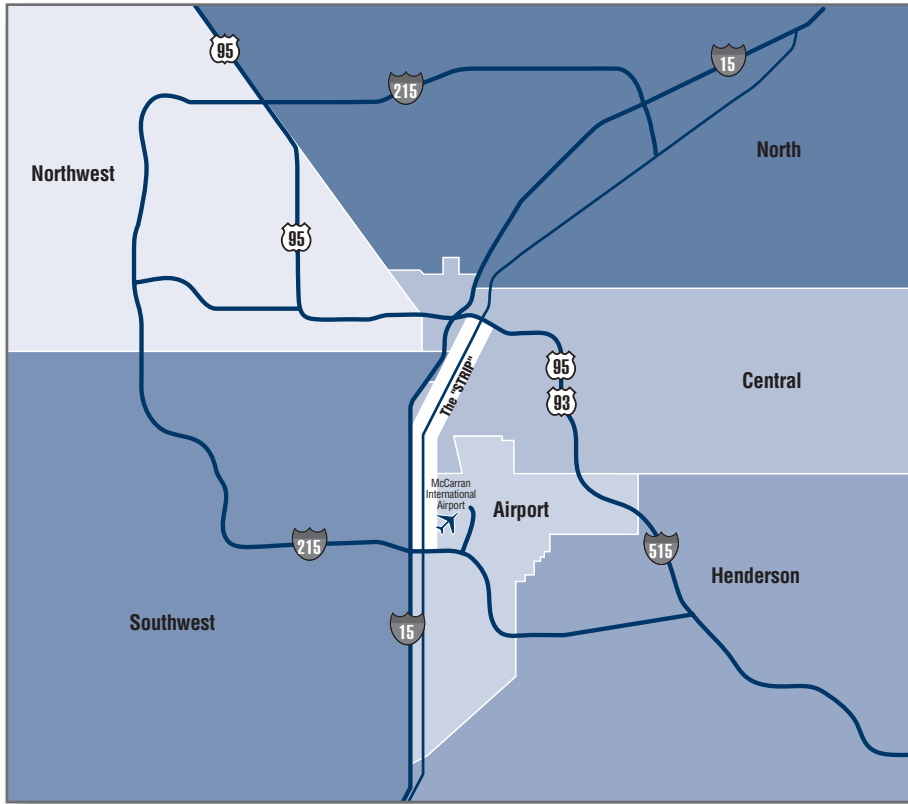
	Q3 2011	Q2 2011	Q3 2010	Q3 2011 vs. Q3 2010
Under Construction	120,000	120,000	22,000	445.5%
Planned Construction	–	–	–	N/A
Vacancy	18.0%	18.2%	16.4%	1.6%
Net Absorption	145,762	(494,056)	(80,436)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2011	Net Absorption Q3 2011	Net Absorption YTD 2011	New Supply Q3 2011	New Supply YTD 2011
<b>Northwest</b>										
Distribution	2	196,910	–	–	66,321	33.7%	36	28,665	–	–
Flex	10	257,489	–	–	88,749	34.5%	–	6,381	–	–
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%	–	–	–	–
<b>Northwest Total</b>	<b>22</b>	<b>803,901</b>	<b>–</b>	<b>–</b>	<b>249,162</b>	<b>31.0%</b>	<b>36</b>	<b>35,046</b>	<b>–</b>	<b>–</b>
<b>North</b>										
Distribution	129	16,965,849	–	–	2,559,866	15.1%	17,794	(330,893)	–	–
Flex	51	1,413,149	–	–	411,061	29.1%	(24,347)	(17,008)	–	–
Freestanding	645	8,594,779	–	–	1,911,341	22.2%	(8,849)	(147,410)	–	–
Incubator	30	751,632	–	–	347,563	46.2%	(3,643)	(343)	–	–
Midbay	59	2,812,221	–	–	742,361	26.4%	(18,838)	(128,817)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>North Total</b>	<b>914</b>	<b>30,537,630</b>	<b>–</b>	<b>–</b>	<b>5,972,192</b>	<b>19.6%</b>	<b>(37,883)</b>	<b>(624,471)</b>	<b>–</b>	<b>–</b>
<b>Central</b>										
Distribution	35	1,737,154	–	–	120,502	6.9%	(84,768)	(84,768)	–	–
Flex	20	459,945	–	–	44,528	9.7%	8,855	(1,371)	–	–
Freestanding	145	2,143,518	–	–	234,541	10.9%	(6,448)	7,536	–	–
Incubator	35	782,593	–	–	128,345	16.4%	(16,782)	4,419	–	–
Midbay	48	1,712,261	–	–	314,156	18.3%	(31,248)	(66,974)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Central Total</b>	<b>283</b>	<b>6,835,471</b>	<b>–</b>	<b>–</b>	<b>842,072</b>	<b>12.3%</b>	<b>(130,391)</b>	<b>(141,158)</b>	<b>–</b>	<b>–</b>
<b>Southwest</b>										
Distribution	120	12,343,937	–	–	1,563,472	12.7%	(67,074)	(309,279)	–	–
Flex	231	7,331,670	–	–	1,569,336	21.4%	61,635	2,015	–	–
Freestanding	745	9,894,737	120,000	–	2,114,816	21.4%	45,483	(138,835)	–	–
Incubator	58	1,954,667	–	–	313,007	16.0%	60,585	3,537	–	–
Midbay	126	6,780,583	–	–	1,588,784	23.4%	44,937	(175,526)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Southwest Total</b>	<b>1,280</b>	<b>38,305,594</b>	<b>120,000</b>	<b>–</b>	<b>7,149,415</b>	<b>18.7%</b>	<b>145,566</b>	<b>(618,088)</b>	<b>–</b>	<b>–</b>
<b>Airport</b>										
Distribution	63	4,662,268	–	–	838,338	18.0%	3,862	23,074	–	–
Flex	132	2,743,594	–	–	547,169	19.9%	(13,257)	(102,167)	–	–
Freestanding	171	3,361,078	–	–	510,367	15.2%	(11,654)	5,559	–	22,000
Incubator	28	794,639	–	–	177,847	22.4%	(7,547)	(12,773)	–	–
Midbay	53	2,539,998	–	–	566,641	22.3%	9,342	(38,289)	–	–
Other	1	44,631	–	–	–	0.0%	–	–	–	–
<b>Airport Total</b>	<b>448</b>	<b>14,146,208</b>	<b>–</b>	<b>–</b>	<b>2,640,362</b>	<b>18.7%</b>	<b>(19,254)</b>	<b>(124,596)</b>	<b>–</b>	<b>22,000</b>
<b>Henderson</b>										
Distribution	54	6,168,541	–	–	362,165	5.9%	130,614	87,652	–	–
Flex	44	819,811	–	–	150,291	18.3%	(6,598)	(21,938)	–	–
Freestanding	343	4,235,000	–	–	909,229	21.5%	(12,912)	(13,016)	–	–
Incubator	6	189,442	–	–	57,712	30.5%	1,931	6,275	–	–
Midbay	47	2,114,108	–	–	456,607	21.6%	74,653	104,438	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Henderson Total</b>	<b>494</b>	<b>13,526,902</b>	<b>–</b>	<b>–</b>	<b>1,936,004</b>	<b>14.3%</b>	<b>187,688</b>	<b>163,411</b>	<b>–</b>	<b>–</b>
<b>Las Vegas Total</b>										
Distribution	403	42,074,659	–	–	5,510,664	13.1%	464	(585,549)	–	–
Flex	488	13,025,658	–	–	2,811,134	21.6%	26,288	(134,088)	–	–
Freestanding	2,055	28,403,802	120,000	–	5,695,294	20.1%	5,620	(286,166)	–	22,000
Incubator	159	4,592,973	–	–	1,071,066	23.3%	34,544	1,115	–	–
Midbay	333	15,959,171	–	–	3,668,549	23.0%	78,846	(305,168)	–	–
Other	3	99,443	–	–	32,500	32.7%	–	–	–	–
<b>Las Vegas Total</b>	<b>3,441</b>	<b>104,155,706</b>	<b>120,000</b>	<b>–</b>	<b>18,789,207</b>	<b>18.0%</b>	<b>145,762</b>	<b>(1,309,856)</b>	<b>–</b>	<b>22,000</b>

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





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**FLEX**

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