



Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:



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Prepared by:

Jerry J. Holdner, Jr. - CA Lic. #01145748
Vice President of Market Research
VOIT Real Estate Services - CA Lic. #01333376
e-mail: jholdner@voitco.com



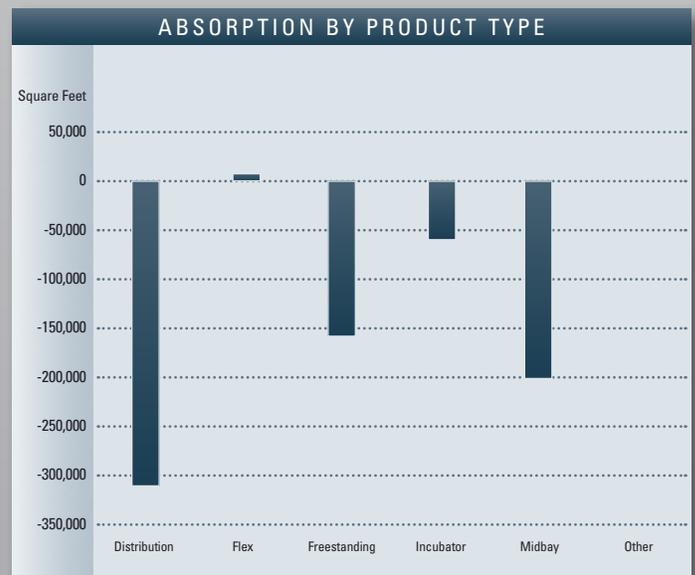
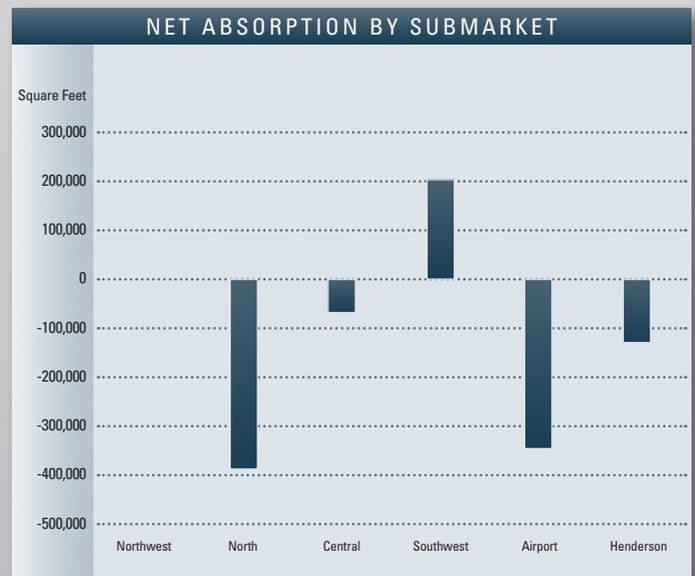
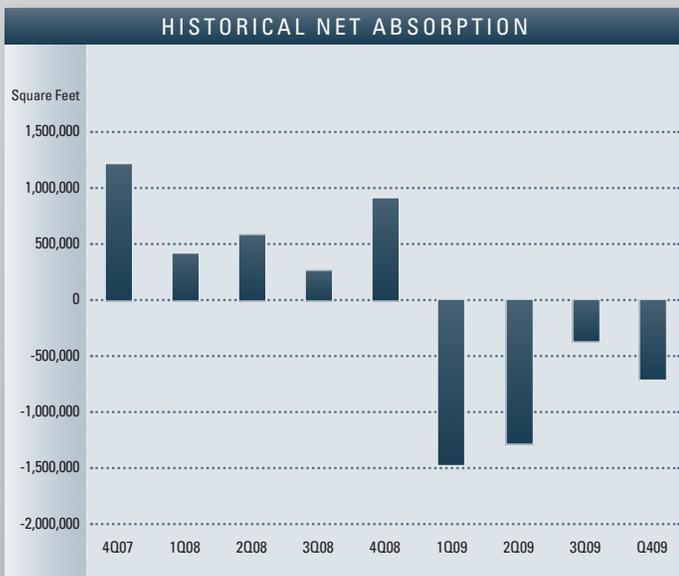
Market Highlights

- ◆ **Market Overview** – While two industrial construction projects were completed during the final quarter of 2009, lease rates continued to accelerate downward and demand contracted further. The latest market activity resulted in a record-high vacancy rate of 13.7 percent, leaving approximately two years of excessive inventory on the market, assuming normalized demand.
- ◆ **Vacancy** – Industrial market vacancies reached 13.7 percent by the end of the quarter, which represented an increase from the preceding quarter (Q3 2009) average of 12.6 percent and was well beyond the 9.1 percent posted at the same period of the prior year (Q4 2008). Distribution product as well as the central submarket continued to outperform the market with vacancy rates of 10.2 percent and 9.7 percent, respectively.
- ◆ **Demand** – During the fourth quarter, the sector witnessed approximately 715,300 square feet of net move-outs for a net contraction of 3.8 million square feet for the 2009 calendar year. The latest market demand estimates are in sharp contrast to the 2.2 million square feet of positive absorption posted in 2008 and 4.0 million square feet reported in 2007. Flex space posted the only positive absorption during the final quarter of 2009, with a marginal 8,800 square feet.
- ◆ **Inventory** – Market-wide inventory reached 103.6 million square feet in December, which included a 412,000-square-foot build-to-suit project for Freeman on the southwest corner of Sunset Road and Torrey Pines in the southwest submarket. One speculative building totaling 50,000 square feet was also completed at 1055 Trade Drive in the north submarket. For the year, the market expanded by just over 1.0 million square feet, contributing to what will be the lowest annual total in over 15 years.
- ◆ **Future Supply** – With no space actively under construction, the nearly 125,100 square feet of planned space on the drawing board will likely remain there for the next several quarters. Until the local economy witnesses improvements in the employment picture and stabilization in core sectors such as tourism and gaming, future industrial projects will remain primarily limited to owner-user projects.
- ◆ **Economic Considerations** – Economic conditions continued to deteriorate in Las Vegas as job losses persisted, pushing 60,400 southern Nevadans out of work during the past 12 months (employment is down 6.7 percent year-over-year). Unemployment levels have dipped to 12.1 percent from its high of 13.9 percent reached earlier in the year, largely due to seasonality and fewer people looking for work. Job losses remain particularly high in construction (down 20,300 jobs or 23.1 percent) and are likely to worsen as casino and other commercial projects finish construction.
- ◆ **Looking Forward** – Consensus estimates indicate the national economy began to expand nearly six months ago but note that job growth will continue to remain relatively flat to down. While southern Nevada has yet to reach the same conclusion, the job market will be the number one indicator to watch as its recovery will likely spark new confidence and business investment levels, a much needed shift for the industrial sector. While corrections will span beyond 2010, the industrial sector remains well-positioned to take advantage of economic improvements given the relatively low-cost environment for distributors and manufacturers seeking alternative locations.

INDUSTRIAL MARKET OVERVIEW

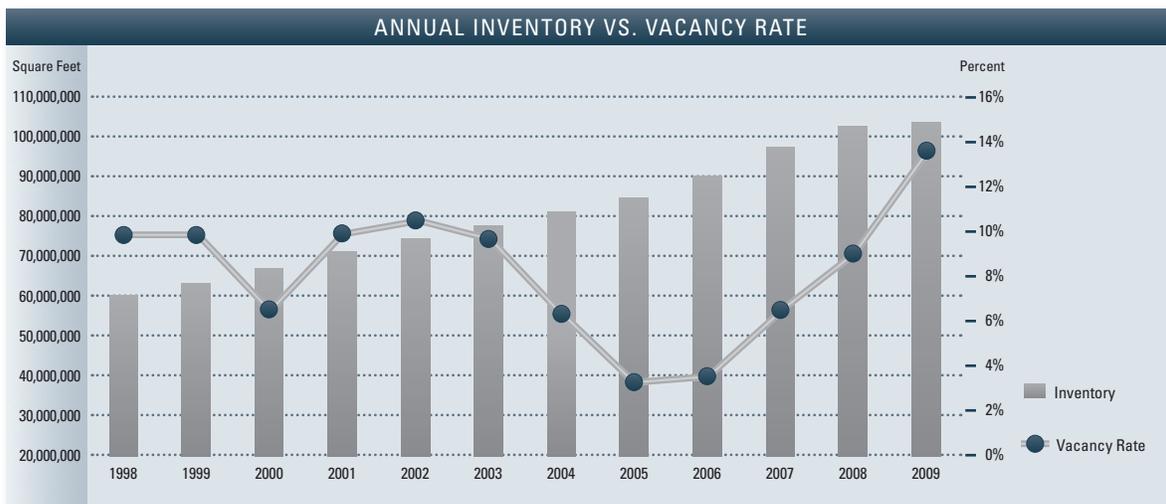
	2009	2008	2007	2009 VS. 2008
Under Construction	0	449,900	4,621,500	-100.00%
Planned Construction	125,064	7,573,500	6,336,500	-98.03%
Vacancy	13.7%	9.1%	6.6%	107.42%
Net Absorption	-3,819,400	2,220,800	4,040,700	N/A

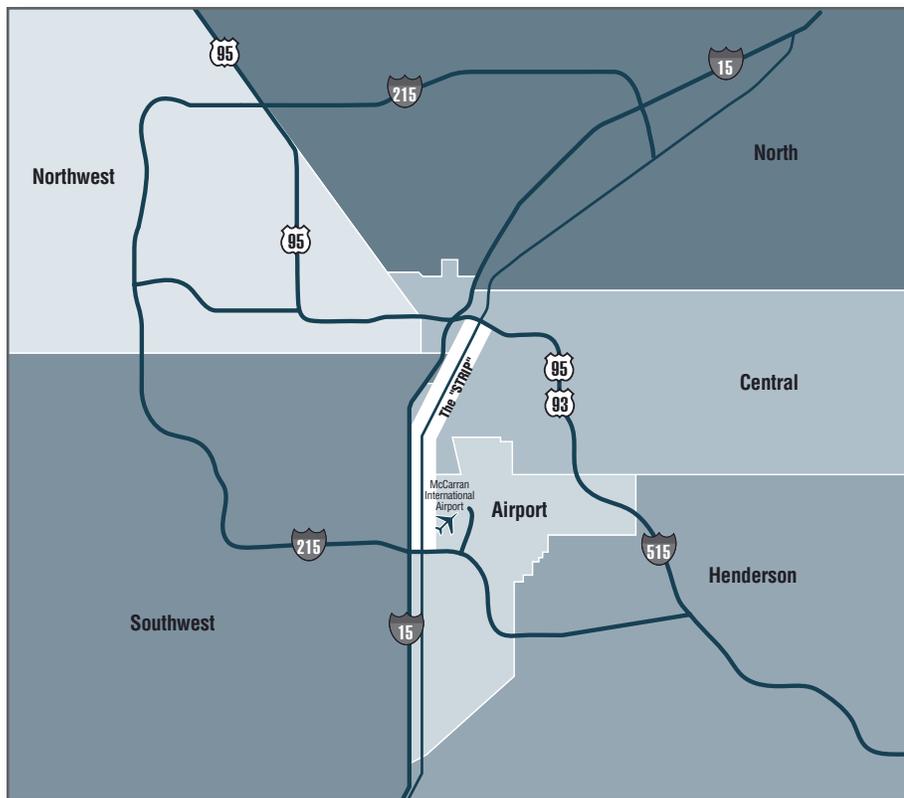
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	INVENTORY					VACANCY		DEMAND & SUPPLY		
	Number of Buildings	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2009	Net Absorption 4Q2009	Net Absorption 2009	New Supply 4Q2009	New Supply 2009
Northwest										
Distribution	2	196,910	-	-	113,069	57.4%	(910)	32,841	-	-
Flex	10	257,489	-	-	61,536	23.9%	-	(21,275)	-	-
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	-	-	236,197	29.4%	(910)	11,566	-	-
North										
Distribution	127	16,838,196	-	-	1,693,306	10.1%	(205,267)	(673,077)	-	95,000
Flex	51	1,394,049	-	-	347,950	25.0%	22,979	(28,616)	-	-
Freestanding	639	8,459,079	-	65,000	1,386,409	16.4%	771	(68,064)	50,000	150,800
Incubator	30	751,632	-	-	270,079	35.9%	(8,691)	(15,252)	-	-
Midbay	59	2,812,221	-	-	653,675	23.2%	(198,112)	(155,970)	-	-
Other	-	-	-	-	-	0.0%	-	-	-	-
North Total	906	30,255,177	-	65,000	4,351,419	14.4%	(388,320)	(940,979)	50,000	245,800
Central										
Distribution	34	1,565,860	-	-	24,640	1.6%	4,895	(20,000)	-	-
Flex	20	459,945	-	-	28,897	6.3%	2,350	(2,208)	-	-
Freestanding	143	2,117,918	-	-	222,767	10.5%	(2,496)	(102,643)	-	-
Incubator	36	796,885	-	-	159,157	20.0%	(40,688)	(74,738)	-	-
Midbay	48	1,712,261	-	-	207,609	12.1%	(24,100)	(107,128)	-	-
Other	-	-	-	-	-	0.0%	-	-	-	-
Central Total	281	6,652,869	-	-	643,070	9.7%	(60,039)	(306,717)	-	-
Southwest										
Distribution	127	12,462,759	-	-	948,235	7.6%	472,543	(116,699)	412,000	533,875
Flex	228	7,278,930	-	-	1,095,980	15.1%	(59,292)	(334,572)	-	135,135
Freestanding	730	9,582,064	-	-	1,371,217	14.3%	(180,404)	(578,593)	-	-
Incubator	59	1,977,729	-	-	223,232	11.3%	(1,059)	(124,491)	-	-
Midbay	127	6,795,625	-	-	1,263,267	18.6%	(28,462)	(390,346)	-	-
Other	-	-	-	-	-	0.0%	-	-	-	-
Southwest Total	1,271	38,097,107	-	-	4,901,931	12.9%	203,326	(1,544,701)	412,000	669,010
Airport										
Distribution	61	4,491,859	-	-	1,064,345	23.7%	(439,300)	(660,892)	-	-
Flex	124	2,632,318	-	-	291,624	11.1%	38,863	(39,330)	-	25,050
Freestanding	167	3,307,829	-	60,064	256,597	7.8%	(2,626)	(48,055)	-	-
Incubator	28	794,639	-	-	74,859	9.4%	(2,294)	6,680	-	-
Midbay	53	2,539,998	-	-	384,243	15.1%	62,759	(92,851)	-	-
Other	1	44,631	-	-	-	0.0%	-	-	-	-
Airport Total	434	13,811,274	-	60,064	2,071,668	15.0%	(342,598)	(834,448)	-	25,050
Henderson										
Distribution	54	6,574,621	-	-	435,568	6.6%	(138,652)	72,905	-	-
Flex	44	819,811	-	-	99,126	12.1%	3,922	(20,041)	-	-
Freestanding	340	4,209,572	-	-	696,028	16.5%	26,301	(102,798)	-	104,030
Incubator	6	189,442	-	-	23,914	12.6%	(5,478)	7,033	-	-
Midbay	47	2,145,413	-	-	722,605	33.7%	(12,819)	(161,193)	-	-
Other	-	-	-	-	-	0.0%	-	-	-	-
Henderson Total	491	13,938,859	-	-	1,977,241	14.2%	(126,726)	(204,094)	-	104,030
Las Vegas Total										
Distribution	405	42,130,205	-	-	4,279,163	10.2%	(306,691)	(1,364,922)	412,000	628,875
Flex	477	12,842,542	-	-	1,925,113	15.0%	8,822	(446,042)	-	160,185
Freestanding	2,025	27,851,152	-	125,064	3,948,018	14.2%	(158,454)	(900,153)	50,000	254,830
Incubator	161	4,630,327	-	-	797,833	17.2%	(58,210)	(200,768)	-	-
Midbay	334	16,005,518	-	-	3,231,399	20.2%	(200,734)	(907,488)	-	-
Other	3	99,443	-	-	-	0.0%	-	-	-	-
Total	3,405	103,559,187	-	125,064	14,181,526	13.7%	(715,267)	(3,819,373)	462,000	1,043,890

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

For further information, please contact:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868

TEL: 714.978.7880
FAX: 714.978.9431

IRVINE OFFICE

2020 Main St.
Suite 100
Irvine, CA 92614

TEL: 949.851.5100
FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.
Suite 200
Las Vegas, NV 89135

TEL: 702.734.4500
FAX: 702.733.7690

NEWPORT BEACH OFFICE

101 Shipyard Way
Suite M
Newport Beach, CA 92663

TEL: 949.644.8648
FAX: 949.644.8695

SAN DIEGO OFFICE

4370 La Jolla Village Dr.
Suite 990
San Diego, CA 92122

TEL: 858.453.0505
FAX: 858.453.1981

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