



Industrial Market Report

Compared to 2009:

Vacancy



Net Absorption

NEGATIVE



Lease Rates

DOWN



Construction

DOWN



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Market Highlights

- Market Overview** - The Las Vegas industrial sector has yet to heal its wounds exacerbated by the Great Recession as a significant amount of net move-outs occurred. Across the valley and all product types, the average vacancy rate edged up 0.4 percentage points to 16.9 percent from 16.5 percent in the preceding quarter (Q3 2010), and a 2.4–percentage–point increase from 14.5 percent reported one year ago (Q4 2009).
- Demand** - Overall demand remained down for the eighth consecutive quarter, posting negative net absorption of 417,700 square feet. Segmented by product type, the distribution sector posted positive absorption of 44,400 square feet of second-generation space. However, flex, freestanding, and midbay buildings all reported negative net absorption of 94,200 square feet, 268,300 square feet, and 99,600 square feet, respectively. Incubator product witnessed marginal positive absorption of 100 square feet.
- Inventory** - Total inventory remained flat at 103.6 million square feet by the close of the fourth quarter of 2010. For the year, the market witnessed 350,900 square feet of new construction come to market, the lowest annual amount on record. Additionally, the majority of space completed in the last 12 months was in owner-builder developments or build-to-suit projects, largely removing any new speculative construction during the latest downturn.
- Future Supply** - While the majority of space in the development pipeline completed earlier in the year, a

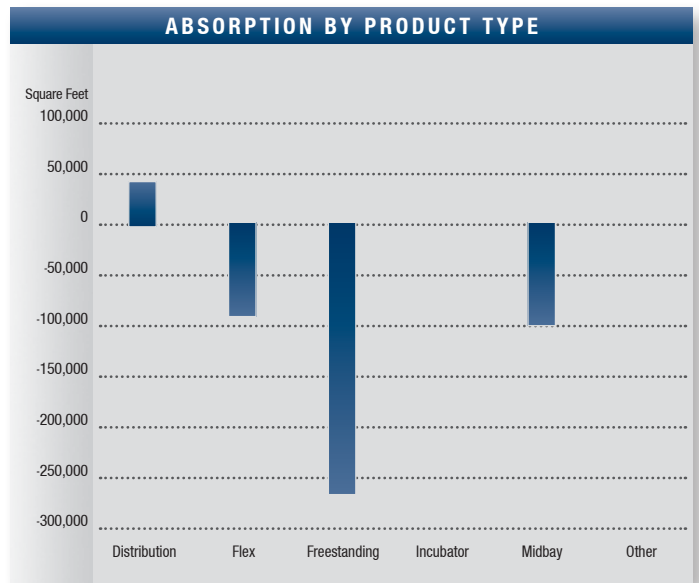
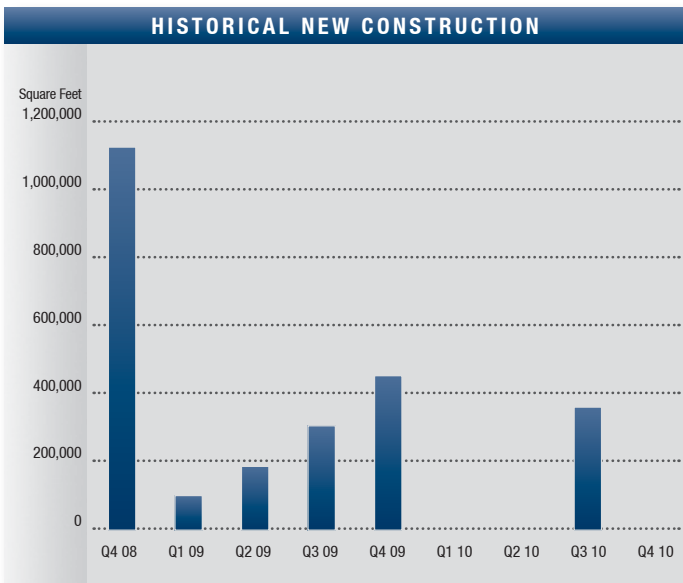
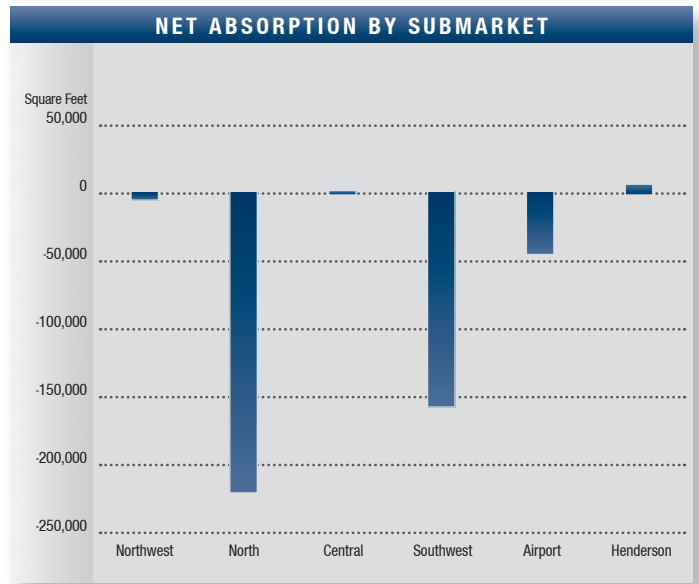
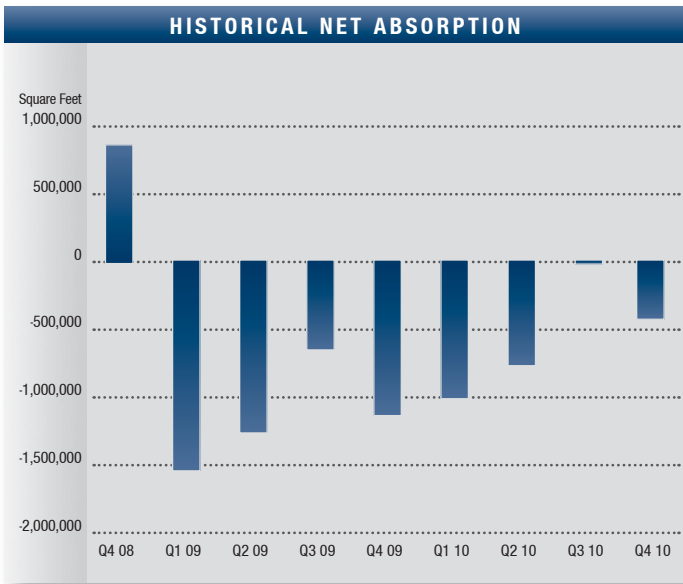
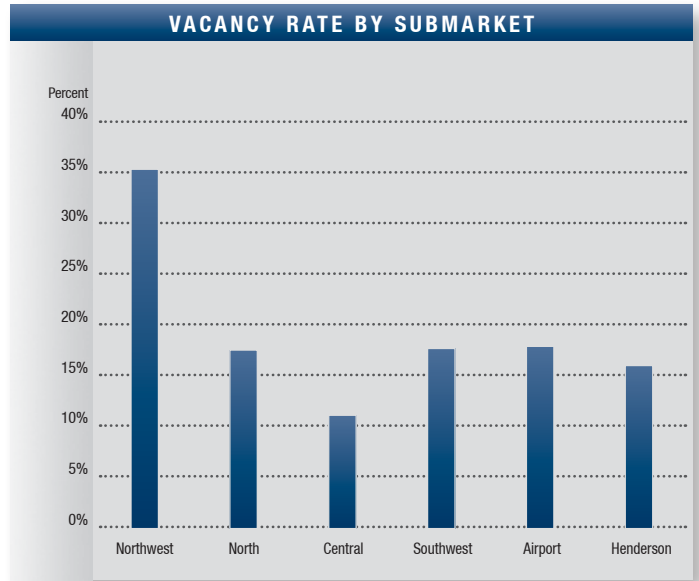
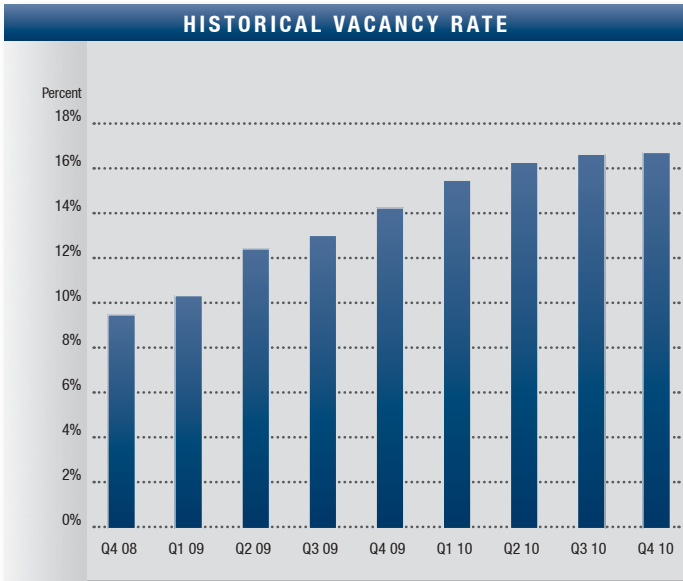
single 22,000–square–foot freestanding building is under construction in the airport submarket. Looking forward, a 122,000–square–foot owner–user building is planned for construction in 2011 in the southwest portion of the valley. The industrial sector is expected to see limited new product enter the market, as nearly 3 years of excess supply remains vacant overall. It is worth noting that selected sectors are starting to show signs of firming up.

- Economic Considerations** - As Nevada continues to hold the highest unemployment (14.3 percent seasonally adjusted) and foreclosure rate in the country, the Las Vegas valley continues to struggle with a relatively weak economic outlook. One bright spot following the national economic recovery is leisure and business travel to the region. During the fourth quarter, visitor volume and gaming revenue moved upward, a possible sign that the core tourism industry is beginning to recover. Anecdotal evidence also suggests convention attendance will be returning to more impactful levels in 2012.

- Looking Forward** - Southern Nevada will continue to lag behind the national economic recovery, which is moving at a slower–than–expected pace. Unfortunately for the local industrial sector, much of the industry’s related employment, particularly construction and hospitality, remain down. Results will likely remain mixed in the coming quarters as development activity is expected to remain weak while bright spots in the tourism sector may begin to emerge.

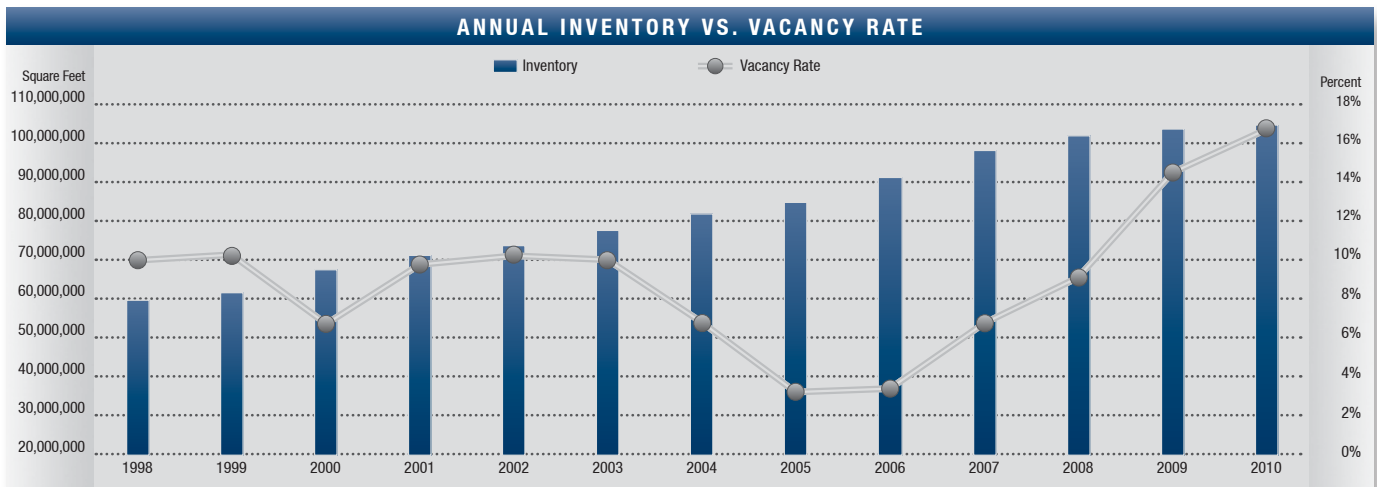
INDUSTRIAL MARKET OVERVIEW

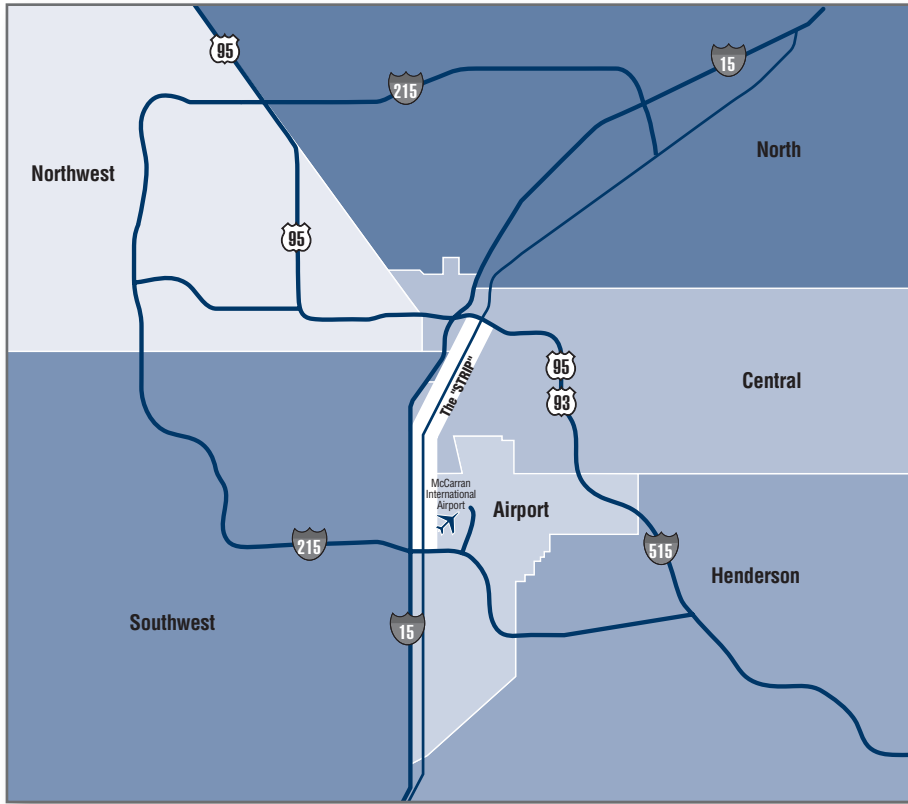
	2010	2009	2008	2010 vs. 2009
Under Construction	22,000	200,900	455,700	(89.1%)
Planned Construction	120,000	1,233,400	7,623,500	(90.3%)
Vacancy	16.9%	14.5%	9.2%	16.6%
Net Absorption	(2,216,500)	(4,544,500)	2,165,600	N/A



	INVENTORY				VACANCY RATES		ABSORPTION	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2010	Net Absorption Q4 2010	New Supply Q4 2010
Northwest								
Distribution	2	196,910	–	–	94,986	48.2%	(3,831)	–
Flex	10	257,489	–	–	95,130	36.9%	–	–
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%	–	–
Northwest Total	22	803,901	–	–	284,208	35.4%	(3,831)	–
North								
Distribution	128	16,932,396	–	–	2,258,973	13.3%	(26,064)	–
Flex	51	1,394,049	–	–	394,053	28.3%	(56,318)	–
Freestanding	642	8,572,812	–	–	1,784,431	20.8%	(147,577)	–
Incubator	30	751,632	–	–	347,220	46.2%	(1,328)	–
Midbay	59	2,812,221	–	–	618,544	22.0%	12,097	–
Other	–	–	–	–	–	0.0%	–	–
North Total	910	30,463,110	–	–	5,403,221	17.7%	(219,190)	–
Central								
Distribution	34	1,565,860	–	–	35,734	2.3%	(4,174)	–
Flex	20	459,945	–	–	43,157	9.4%	(14,260)	–
Freestanding	143	2,123,318	–	–	250,837	11.8%	21,176	–
Incubator	36	796,885	–	–	147,056	18.5%	–	–
Midbay	48	1,712,261	–	–	247,182	14.4%	–	–
Other	–	–	–	–	–	0.0%	–	–
Central Total	281	6,658,269	–	–	723,966	10.9%	2,742	–
Southwest								
Distribution	129	12,543,576	–	–	1,324,193	10.6%	(60,910)	–
Flex	228	7,278,930	–	–	1,642,280	22.6%	8,833	–
Freestanding	734	9,676,713	–	120,000	1,904,741	19.7%	(46,362)	–
Incubator	59	1,966,167	–	–	248,875	12.7%	7,924	–
Midbay	125	6,734,932	–	–	1,413,258	21.0%	(67,399)	–
Other	–	–	–	–	–	0.0%	–	–
Southwest Total	1,275	38,200,318	–	120,000	6,533,347	17.1%	(157,914)	–
Airport								
Distribution	63	4,662,268	–	–	861,412	18.5%	84,759	–
Flex	124	2,632,318	–	–	451,607	17.2%	(40,948)	–
Freestanding	168	3,320,403	22,000	–	483,665	14.6%	(30,106)	–
Incubator	28	794,639	–	–	165,074	20.8%	(6,517)	–
Midbay	53	2,539,998	–	–	528,352	20.8%	(53,818)	–
Other	1	44,631	–	–	–	0.0%	–	–
Airport Total	437	13,994,257	22,000	–	2,490,110	17.8%	(46,630)	–
Henderson								
Distribution	54	6,168,541	–	–	449,817	7.3%	54,618	–
Flex	44	819,811	–	–	128,353	15.7%	8,450	–
Freestanding	341	4,220,000	–	–	896,213	21.2%	(65,474)	–
Incubator	6	189,442	–	–	63,987	33.8%	–	–
Midbay	46	2,104,108	–	–	561,045	26.7%	9,513	–
Other	–	–	–	–	–	0.0%	–	–
Henderson Total	491	13,501,902	–	–	2,099,415	15.5%	7,107	–
Las Vegas								
Distribution	410	42,069,551	–	–	5,025,115	11.9%	44,398	–
Flex	477	12,842,542	–	–	2,754,580	21.4%	(94,243)	–
Freestanding	2,034	28,087,936	22,000	120,000	5,334,887	19.0%	(268,343)	–
Incubator	161	4,618,765	–	–	1,018,804	22.1%	79	–
Midbay	331	15,903,520	–	–	3,368,381	21.2%	(99,607)	–
Other	3	99,443	–	–	32,500	32.7%	–	–
Las Vegas Total	3,416	103,621,757	22,000	120,000	17,534,267	16.9%	(417,716)	–

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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