



## Industrial Market Report

Compared to 2010

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates

DOWN



Construction

DOWN



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### Market Highlights

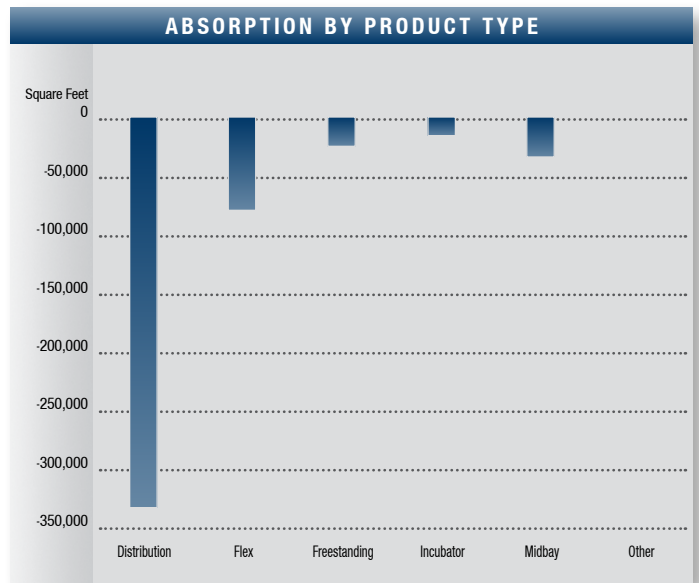
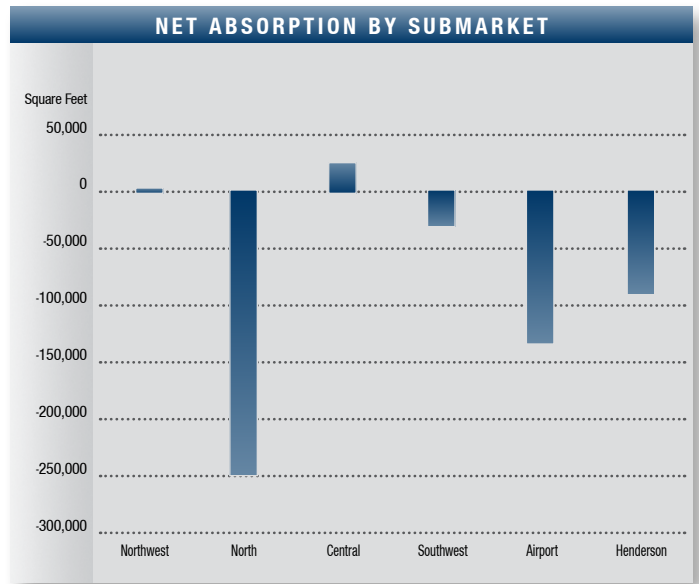
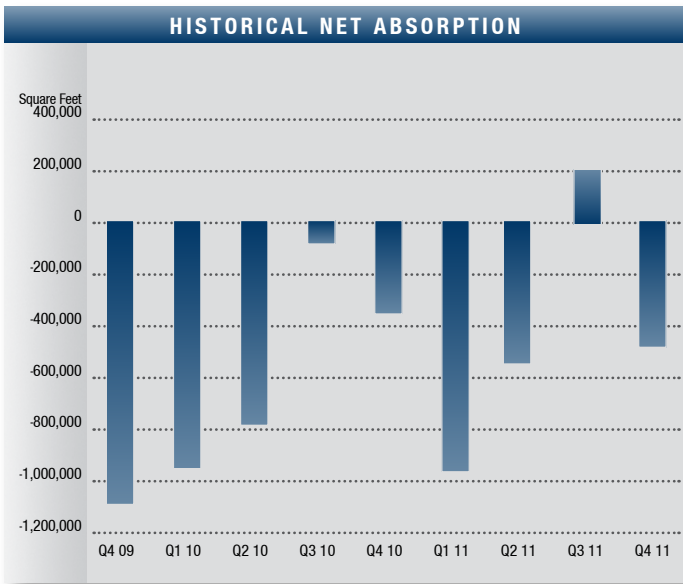
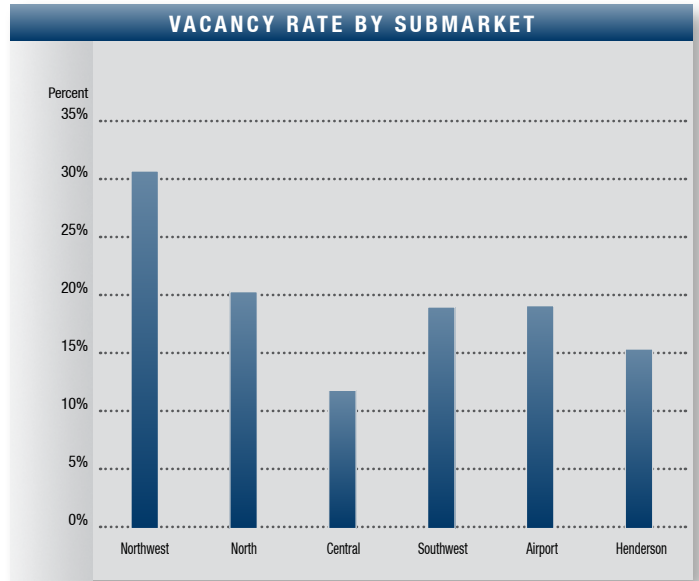
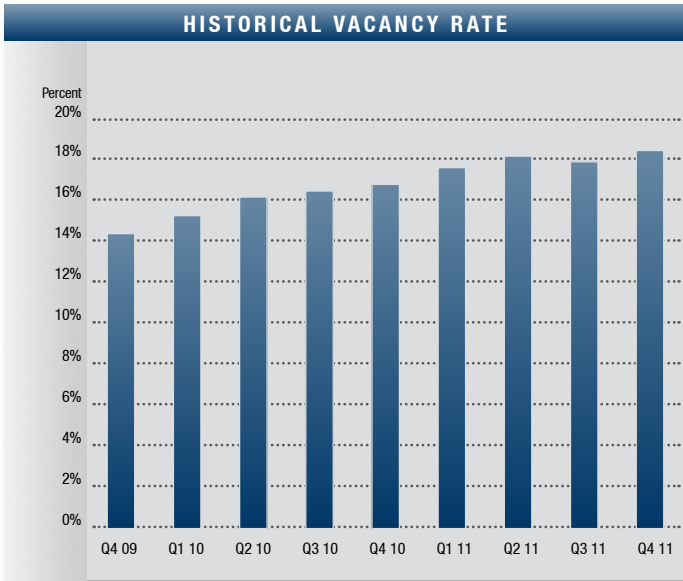
- Market Overview** – Signs in the fourth quarter of 2011 pointed to continued weakness within the Las Vegas industrial market, as the vacancy rate turned slightly upward amid further move-outs. The average vacancy rate increased 0.6 percentage points from the previous quarter to a new, all-time high of 18.5 percent. Compared to 2010, the vacancy rate in the Las Vegas industrial market increased 1.8 percentage points. Pullback in demand has caused the vacancy rate to nearly double its 10-year historical average.
- Demand** – The market recorded negative net absorption of 476,900 square feet during the fourth quarter, bringing the annual total to nearly 1.8 million square feet of negative absorption. All product types witnessed negative absorption during the quarter, with distribution product representing 69.8 percent of market-wide move-outs. The Central and Henderson submarkets continue to outperform the broader market with vacancy rates of 11.8 percent and 15.4 percent, respectively.
- Inventory** – New space totaling 120,000 square feet entered the market in the southwest portion of the valley during the quarter. The above owner-user building was the last actively under-construction project in the valley. Over the last 12 months, a modest 142,000 square feet was constructed, a level of growth which has not been seen in more than 20 years.
- Future Supply** – No material industrial projects remain actively under construction. In response to oversupply conditions, the sector is expected to see limited new product enter the market in the coming years. With an extended recovery cycle, it is likely that any new

developments will be to meet user-specific needs not readily available.

- Economic Considerations** – Within a still battered economy, selected indicators continue to gain strength, a signal that consumers and business owners may once again be gaining confidence. Taxable retail sales have increased in 11 of the past 12 months; in October 2011 (the latest data available), sales volume was up 5.1 percent compared to the previous year. Core employment (defined as total employment less construction and government sectors) posted a net gain of 14,900 jobs over the last year, largely in retail, leisure and hospitality, and education and health services. Tourism and gaming continued posting gains in gaming revenue, room rates, and visitor volume, all suggesting the recovery cycle is underway within the industry.
- Looking Forward** – Demand for industrial space remains relatively weak, and although selected sectors of the economy have recently turned upward, industrial-related sectors have been forced to cope with new market realities. The slowdown in construction-related activities, including the housing market, has put downward pressure on demand for industrial real estate. Until in-migration or significant positive changes in the broader business environment take place, the market will experience elevated levels of supply amid deeply discounted pricing. The wealth of availability across all submarkets and product types creates growth opportunities for enterprises seeking to expand at attractive prices points while investor demand appears to be emerging.

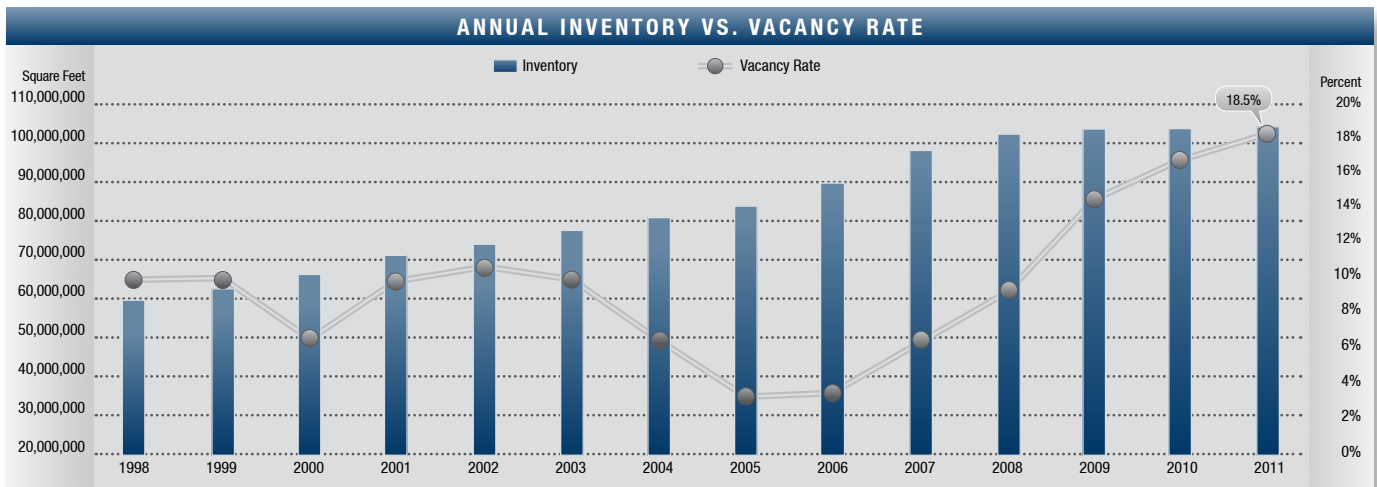
### INDUSTRIAL MARKET OVERVIEW

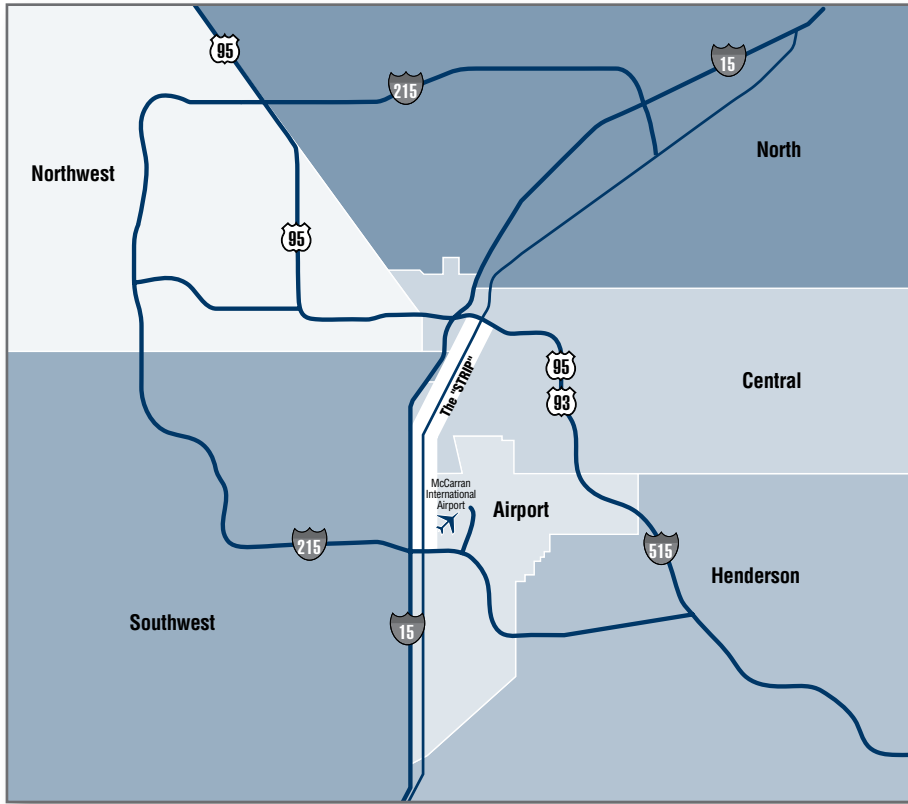
	2011	2010	2009	2011 vs. 2010
Under Construction	0	22,000	200,900	(100.0%)
Planned Construction	155,100	245,100	1,233,400	(36.7%)
Vacancy	18.5%	16.7%	14.4%	10.8%
Net Absorption	(1,767,800)	(2,158,500)	(4,525,500)	N/A



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2011	Net Absorption Q4 2011	Net Absorption 2011	New Supply Q4 2011	New Supply 2011
<b>Northwest</b>										
Distribution	2	196,910	–	–	67,221	34.1%	(900)	27,765	–	–
Flex	10	257,489	–	–	85,526	33.2%	3,223	9,604	–	–
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>246,839</b>	<b>30.7%</b>	<b>2,323</b>	<b>37,369</b>	<b>–</b>	<b>–</b>
<b>North</b>										
Distribution	130	16,995,849	–	–	2,800,681	16.5%	(240,815)	(571,708)	–	–
Flex	51	1,413,149	–	–	429,484	30.4%	(18,423)	(35,431)	–	–
Freestanding	647	8,611,091	–	65,000	1,922,976	22.3%	(9,408)	(159,045)	–	–
Incubator	30	751,632	–	–	347,563	46.2%	–	(343)	–	–
Midbay	59	2,812,221	–	–	723,894	25.7%	18,467	(110,350)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>North Total</b>	<b>917</b>	<b>30,583,942</b>	<b>–</b>	<b>65,000</b>	<b>6,224,598</b>	<b>20.4%</b>	<b>(250,179)</b>	<b>(876,877)</b>	<b>–</b>	<b>–</b>
<b>Central</b>										
Distribution	35	1,737,154	–	–	120,532	6.9%	(30)	(84,798)	–	–
Flex	20	459,945	–	–	41,410	9.0%	3,118	1,747	–	–
Freestanding	145	2,143,518	–	–	240,541	11.2%	(6,000)	1,536	–	–
Incubator	35	782,593	–	–	131,842	16.8%	(3,497)	922	–	–
Midbay	53	1,763,461	–	–	281,234	15.9%	32,922	(34,052)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Central Total</b>	<b>288</b>	<b>6,886,671</b>	<b>–</b>	<b>–</b>	<b>815,559</b>	<b>11.8%</b>	<b>26,513</b>	<b>(114,645)</b>	<b>–</b>	<b>–</b>
<b>Southwest</b>										
Distribution	120	12,368,496	–	30,000	1,649,015	13.3%	(85,543)	(394,822)	–	–
Flex	231	7,331,670	–	–	1,608,836	21.9%	(39,500)	(37,485)	–	–
Freestanding	746	10,014,737	–	–	2,194,349	21.9%	40,467	(98,368)	120,000	120,000
Incubator	58	1,962,167	–	–	350,697	17.9%	(37,690)	(34,153)	–	–
Midbay	126	6,780,583	–	–	1,496,947	22.1%	91,837	(83,689)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Southwest Total</b>	<b>1,281</b>	<b>38,457,653</b>	<b>–</b>	<b>30,000</b>	<b>7,299,844</b>	<b>19.0%</b>	<b>(30,429)</b>	<b>(648,517)</b>	<b>120,000</b>	<b>120,000</b>
<b>Airport</b>										
Distribution	63	4,662,268	–	–	788,621	16.9%	(24,491)	72,791	–	–
Flex	132	2,743,594	–	–	562,725	20.5%	(15,556)	(117,723)	–	–
Freestanding	171	3,361,078	–	60,064	544,406	16.2%	(34,039)	(28,480)	–	22,000
Incubator	28	794,639	–	–	169,497	21.3%	8,350	(4,423)	–	–
Midbay	53	2,539,998	–	–	635,207	25.0%	(68,566)	(106,855)	–	–
Other	1	44,631	–	–	–	0.0%	–	–	–	–
<b>Airport Total</b>	<b>448</b>	<b>14,146,208</b>	<b>–</b>	<b>60,064</b>	<b>2,700,456</b>	<b>19.1%</b>	<b>(134,302)</b>	<b>(184,690)</b>	<b>–</b>	<b>22,000</b>
<b>Henderson</b>										
Distribution	54	6,168,541	–	–	396,191	6.4%	19,027	53,626	–	–
Flex	44	819,811	–	–	162,589	19.8%	(12,298)	(34,236)	–	–
Freestanding	343	4,235,274	–	–	922,274	21.8%	(13,045)	(26,061)	–	–
Incubator	6	189,442	–	–	37,434	19.8%	20,278	26,553	–	–
Midbay	47	2,114,108	–	–	561,363	26.6%	(104,756)	(318)	–	–
Other	–	–	–	–	–	0.0%	–	–	–	–
<b>Henderson Total</b>	<b>494</b>	<b>13,527,176</b>	<b>–</b>	<b>–</b>	<b>2,079,851</b>	<b>15.4%</b>	<b>(90,794)</b>	<b>19,564</b>	<b>–</b>	<b>–</b>
<b>Las Vegas Total</b>										
Distribution	404	42,129,218	–	30,000	5,822,261	13.8%	(332,752)	(897,146)	–	–
Flex	488	13,025,658	–	–	2,890,570	22.2%	(79,436)	(213,524)	–	–
Freestanding	2,058	28,540,388	–	125,064	5,839,546	20.5%	(22,025)	(310,418)	120,000	142,000
Incubator	159	4,600,473	–	–	1,083,625	23.6%	(12,559)	(11,444)	–	–
Midbay	338	16,010,371	–	–	3,698,645	23.1%	(30,096)	(335,264)	–	–
Other	3	99,443	–	–	32,500	32.7%	–	–	–	–
<b>Las Vegas Total</b>	<b>3,450</b>	<b>104,405,551</b>	<b>–</b>	<b>155,064</b>	<b>19,367,147</b>	<b>18.5%</b>	<b>(476,868)</b>	<b>(1,767,796)</b>	<b>120,000</b>	<b>142,000</b>

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**

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