



# Voit

REAL ESTATE SERVICES

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## Industrial Market Report

Compared to last quarter:

Vacancy



UP

Absorption



DOWN

Lease Rates



DOWN

Construction



UP

### Market Highlights

- ◆ **Market Overview** - The Las Vegas industrial sector continued to contract, reporting negative net absorption, rising vacancies and lower asking rents. Across the valley and all product types, the average vacancy rate edged up 0.8 percentage points to 16.2 percent from 15.4 in the preceding quarter (Q1 2010) and a 4.0–percentage–point increase from 12.2 percent one year ago (Q2 2009).
- ◆ **Inventory** - Total inventory remained at 103.4 million by the close of the second quarter of 2010 as no new inventory completed construction during the past 3 months. During the past 12 months, the market welcomed its lowest annual total of new product (750,900 square feet) in the better part of the past two decades.
- ◆ **Demand** - More space turned vacant in the quarter, leading to the sixth consecutive quarter of negative net absorption. During the second quarter of 2010, the market reported net move–outs of 841,600 square feet, bringing total occupied space down to 86.6 million square feet, the lowest level since the third quarter of 2006. Out–migration of space was reported in all product types except midbay, which showed positive absorption of 144,900 square feet. The northwest and Henderson submarkets also reported positive absorption. Significant movement during the quarter included Solo Cup Company vacating 195,000 square feet of distribution space in the north submarket.
- ◆ **Future Supply** - The industrial sector is expected to see limited new product enter the market for the next several years, particularly within speculative buildings. Currently, several build–to–suit projects are under construction including a 53,000–square–foot freestanding building and a 97,000–square–foot distribution building, both in the southwest

submarket. An additional 201,000 square feet, with pre–leased space, is underway in the airport submarket. Expect limited non–distressed sales over the next 12 months as the foreclosure of existing projects by lenders dominates the market and deeply–discounted properties pick up in volume.

◆ **Economic Consideration** - In southern Nevada, the unemployment rate stands at 14.1 percent, higher than the 11.3 percent reported one year ago. During the past 12 months 30,700 jobs were lost; the largest losses stem from construction, which has shed 16,500 positions. While office–, industrial–, and retail–using employment all remain down, several sub–sectors including professional and business services and education and health services have picked up compared to a year ago. These sectors will likely play a larger role in recovery, as many jobs in construction and leisure and hospitality will not likely return in the near term.

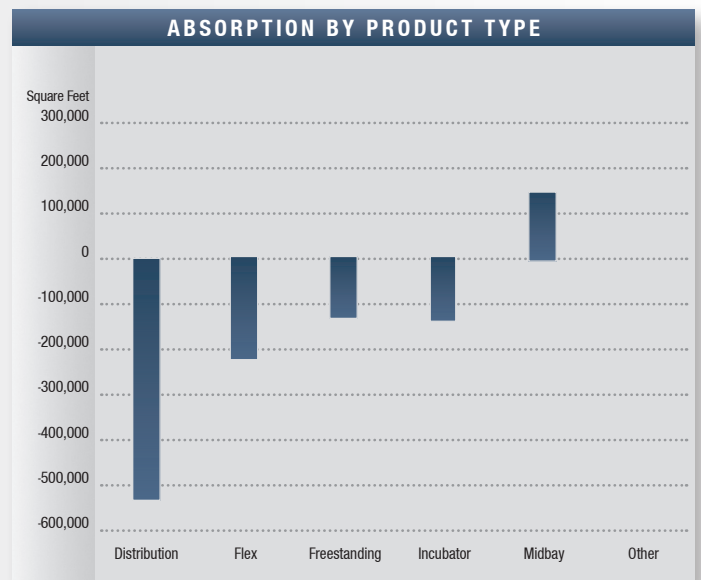
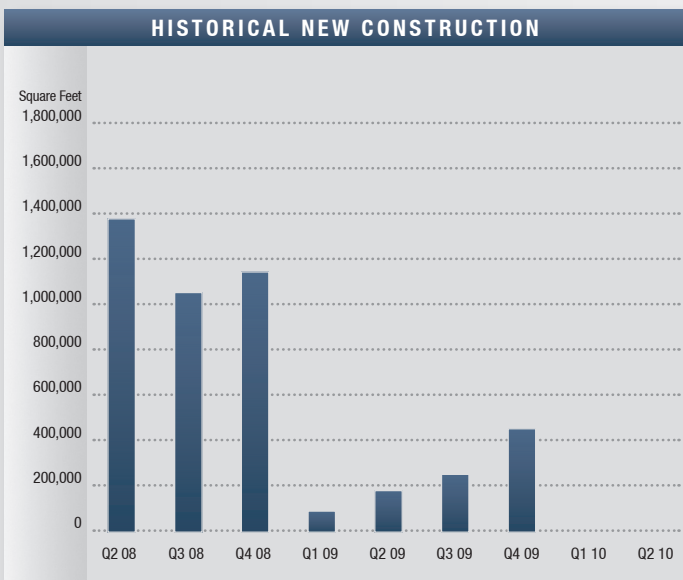
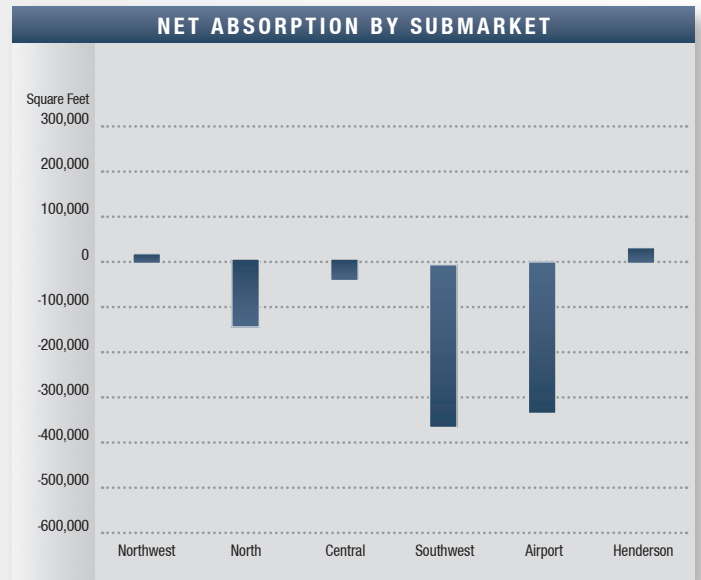
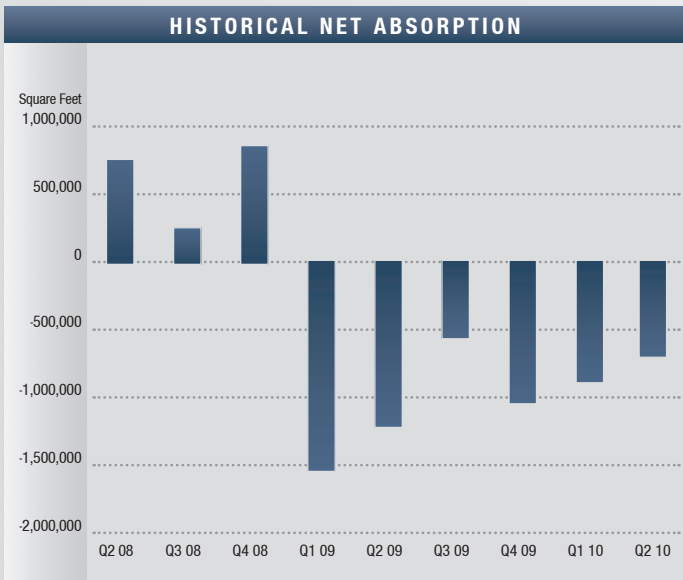
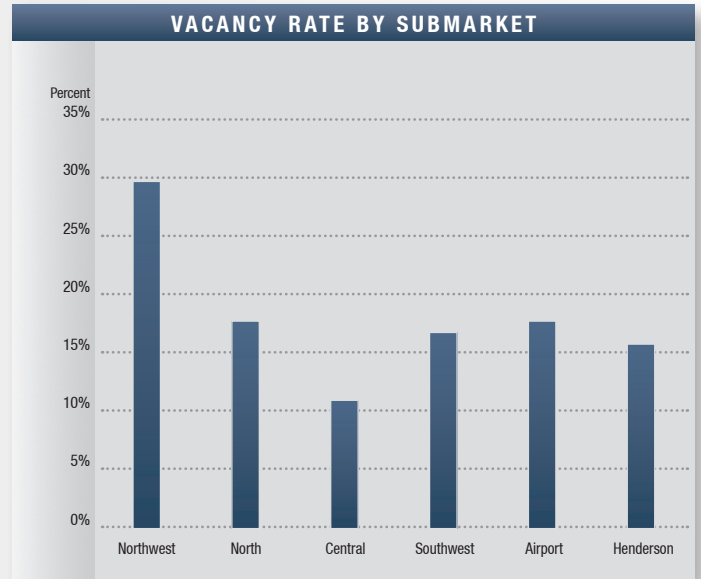
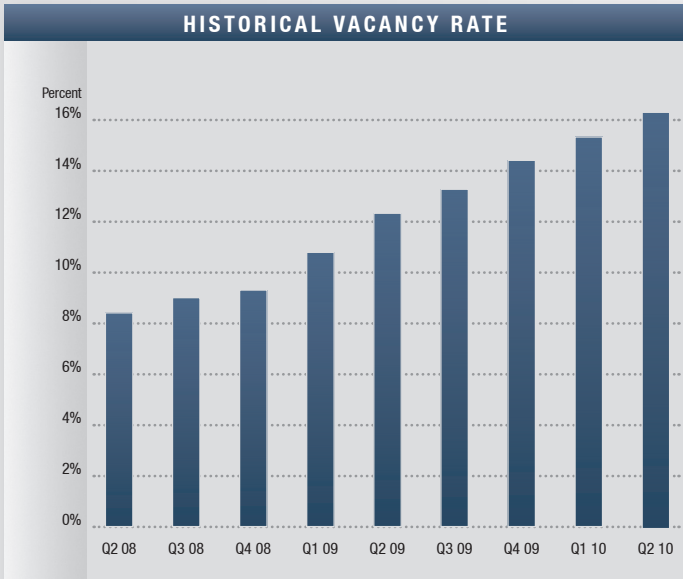
◆ **Looking Forward** - The outlook for the industrial sector is sourced to broader fundamentals within the local and national economies. Nationally, significant economic gains made during the earlier part of the year have slowed hampering consumer confidence and creating feelings that the road to recovery will be challenging. That does not bode well for southern Nevada’s industrial market, which has yet to see few gains from changes in the national economic climate. In the near term, we expect continued contraction in small to mid–size freestanding product while only a select few large–scale sale and lease deals are likely. As a result, vacancies will likely remain in the mid–teens by year’s end.

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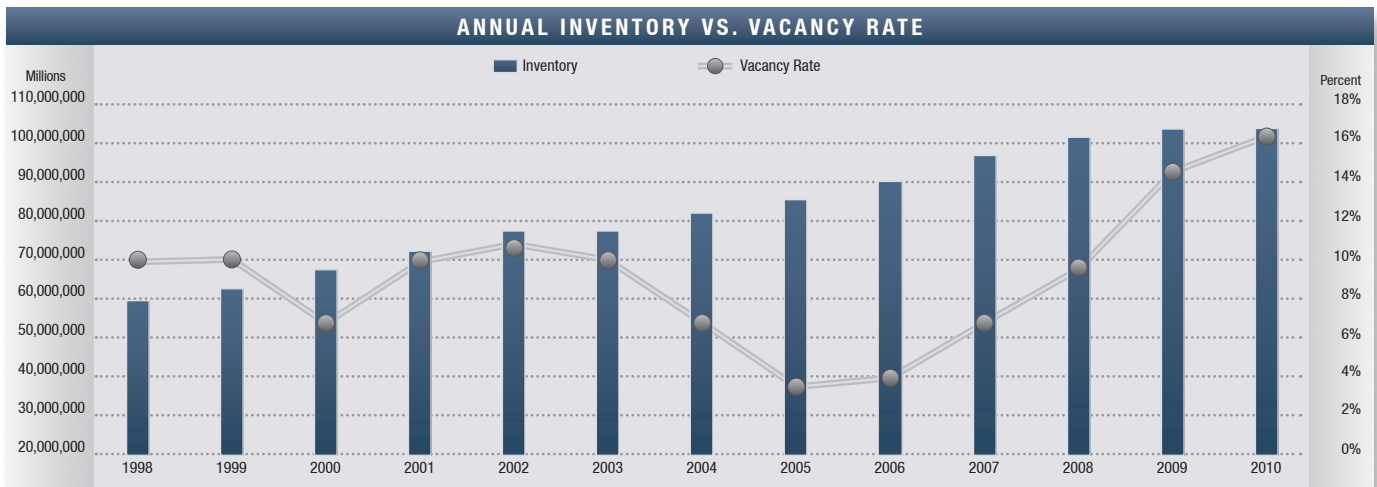
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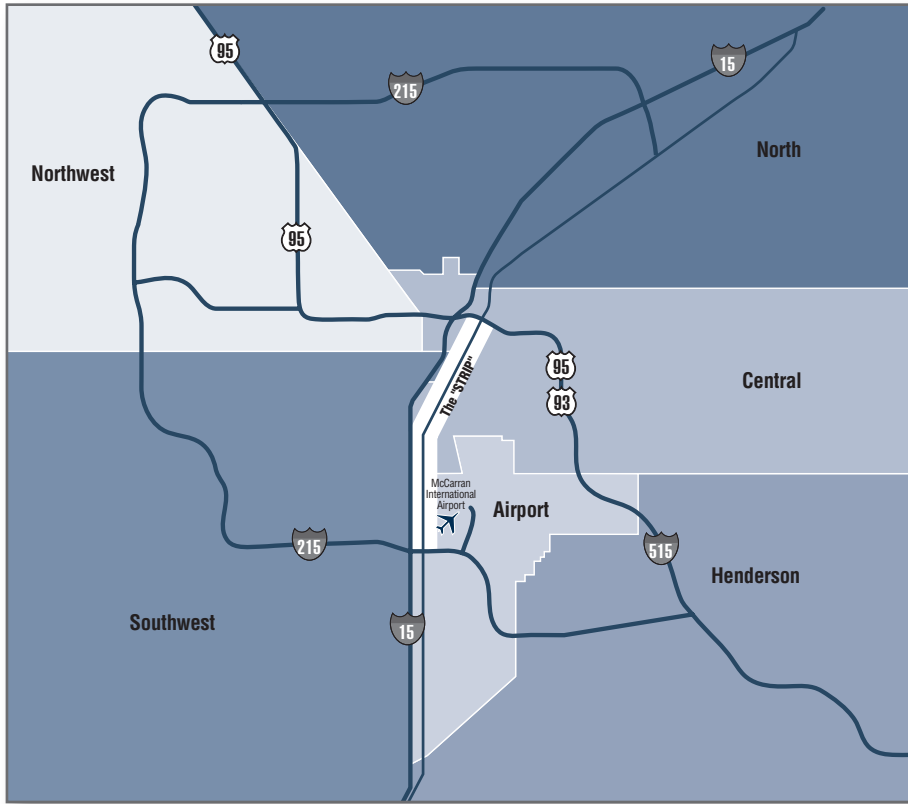
INDUSTRIAL MARKET OVERVIEW				
	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Under Construction	351,000	53,000	816,000	–56.99%
Planned Construction	0	0	1,731,000	–100.00%
Vacancy	16.2%	15.4%	12.2%	–32.79%
Net Absorption	–842,000	–970,000	1,298,000	N/A



	INVENTORY				VACANCY RATES		DEMAND & SUPPLY	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2010	Net Absorption Q2 2010	New Supply Q2 2010
<b>Northwest</b>								
Distribution	2	196,910	–	–	91,155	46.3%	21,914	–
Flex	10	257,489	–	–	83,420	32.4%	(6,708)	–
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%	–	–
<b>Northwest Total</b>	<b>22</b>	<b>803,901</b>	<b>–</b>	<b>–</b>	<b>236,167</b>	<b>29.4%</b>	<b>15,206</b>	<b>–</b>
<b>North</b>								
Distribution	128	16,932,396	–	–	2,479,523	14.6%	(183,641)	–
Flex	51	1,394,049	–	–	350,357	25.1%	17,549	–
Freestanding	642	8,573,886	–	–	1,563,725	18.2%	20,057	–
Incubator	30	751,632	–	–	283,727	37.7%	(2,500)	–
Midbay	59	2,812,221	–	–	629,480	22.4%	17,518	–
Other	–	–	–	–	–	0.0%	–	–
<b>North Total</b>	<b>910</b>	<b>30,464,184</b>	<b>–</b>	<b>–</b>	<b>5,306,812</b>	<b>17.4%</b>	<b>(131,017)</b>	<b>–</b>
<b>Central</b>								
Distribution	34	1,565,860	–	–	31,560	2.0%	(6,920)	–
Flex	20	459,945	–	–	28,897	6.3%	–	–
Freestanding	144	2,137,318	–	–	268,493	12.6%	(18,476)	–
Incubator	36	796,885	–	–	154,848	19.4%	3,393	–
Midbay	48	1,712,261	–	–	248,182	14.5%	(20,340)	–
Other	–	–	–	–	–	0.0%	–	–
<b>Central Total</b>	<b>282</b>	<b>6,672,269</b>	<b>–</b>	<b>–</b>	<b>731,980</b>	<b>11.0%</b>	<b>(42,343)</b>	<b>–</b>
<b>Southwest</b>								
Distribution	128	12,446,599	96,977	–	1,185,801	9.5%	(41,911)	–
Flex	228	7,278,930	–	–	1,563,116	21.5%	(205,542)	–
Freestanding	733	9,622,240	53,000	–	1,691,468	17.6%	(132,409)	–
Incubator	59	1,966,167	–	–	258,292	13.1%	(5,894)	–
Midbay	125	6,734,932	–	–	1,395,958	20.7%	4,270	–
Other	–	–	–	–	–	0.0%	–	–
<b>Southwest Total</b>	<b>1,273</b>	<b>38,048,868</b>	<b>149,977</b>	<b>–</b>	<b>6,094,635</b>	<b>16.0%</b>	<b>(381,486)</b>	<b>–</b>
<b>Airport</b>								
Distribution	61	4,491,859	200,928	–	952,338	21.2%	(218,373)	–
Flex	124	2,632,318	–	–	379,436	14.4%	(9,005)	–
Freestanding	168	3,320,403	–	–	390,370	11.8%	(13,757)	–
Incubator	28	794,639	–	–	153,802	19.4%	(75,963)	–
Midbay	53	2,539,998	–	–	440,851	17.4%	(27,934)	–
Other	1	44,631	–	–	–	0.0%	–	–
<b>Airport Total</b>	<b>435</b>	<b>13,823,848</b>	<b>200,928</b>	<b>–</b>	<b>2,316,797</b>	<b>16.8%</b>	<b>(345,032)</b>	<b>–</b>
<b>Henderson</b>								
Distribution	54	6,168,541	–	–	619,928	10.0%	(86,149)	–
Flex	44	819,811	–	–	124,355	15.2%	(12,205)	–
Freestanding	341	4,220,000	–	–	732,138	17.3%	17,128	–
Incubator	6	189,442	–	–	63,987	33.8%	(47,081)	–
Midbay	47	2,145,413	–	–	554,390	25.8%	171,375	–
Other	–	–	–	–	–	0.0%	–	–
<b>South Total</b>	<b>492</b>	<b>13,543,207</b>	<b>–</b>	<b>–</b>	<b>2,094,798</b>	<b>15.5%</b>	<b>43,068</b>	<b>–</b>
<b>Las Vegas Total</b>								
Distribution	407	41,802,165	297,905	–	5,360,305	12.8%	(515,080)	–
Flex	477	12,842,542	–	–	2,529,581	19.7%	(215,911)	–
Freestanding	2,034	28,048,537	53,000	–	4,661,194	16.6%	(127,457)	–
Incubator	161	4,618,765	–	–	961,248	20.8%	(128,045)	–
Midbay	332	15,944,825	–	–	3,268,861	20.5%	144,889	–
Other	3	99,443	–	–	–	0.0%	–	–
<b>Las Vegas Total</b>	<b>3,414</b>	<b>103,356,277</b>	<b>350,905</b>	<b>–</b>	<b>16,781,189</b>	<b>16.2%</b>	<b>(841,604)</b>	<b>–</b>

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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