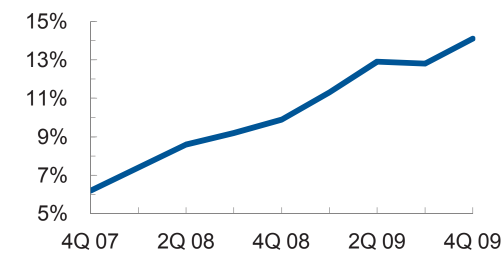
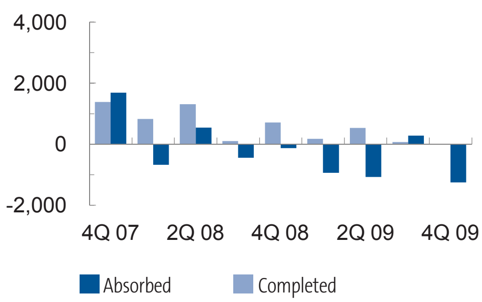
Industrial Trends Report—Fourth Quarter 2009
Las Vegas, NV

GRUBB & ELLIS. Las Vegas

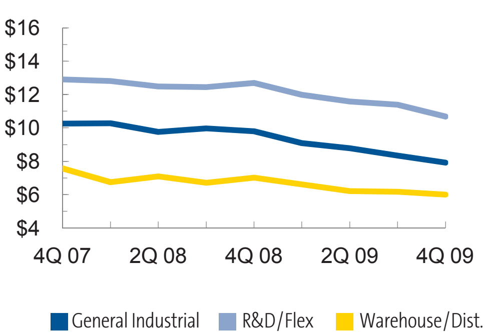
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr./Triple Net)



Back to Reality

The economic downturn in 2008 and 2009 brought many opportunities for tenants across all subtypes and submarkets in Las Vegas. Desperate landlords continued to offer several months of free rent, generous tenant improvement allowances, and reduced lease rates in order to compete with other landlords. Towards the end of 2009, the consistent increase of vacancy in the industrial market has pushed landlords to reevaluate their marketing strategies. Many have begun to treat existing tenants like new tenants, offering them free rent and introductory lease rates for a committed renewal. The market has become lease rate driven and rates are expected to continue to drop in 2010.

While there are numerous opportunities for tenants to relocate at more affordable rates, many are using those opportunities as leverage to negotiate with their existing landlords and renew for one to three years. With a rise in commercial foreclosures in 2009 and a likely increase in 2010, it has not been unusual for tenants to research their landlord's financials before renewing or relocating. The concern over the financial stability of landlords is especially important to larger institutional tenants.

In 2010, bank-owned properties will offer some of the best deals available. Many banks are working with brokers to market their properties at rock-bottom prices. The sooner the banks can sell or lease some of these buildings and generate revenue from them, the quicker the market will be able to recover. Even though these bank-owned property transactions will drive down property values, there will be opportunities for tenants and buyers, who may not be able to afford other buildings on the market, to add value to these properties once again.

FORECAST

- The large amount of bank-owned properties and non-arms length transactions have made it difficult to assess the true value of real estate. In the year ahead, sale prices and lease rates are expected to continue to decline, due, in part, to the next wave of anticipated commercial foreclosures.
- The velocity of industrial development in Las Vegas has slowed down dramatically. By the end of 2010 and early 2011, it is likely that developers will begin assessing land values and planning new projects, as long as the pace of absorption picks up throughout the year.

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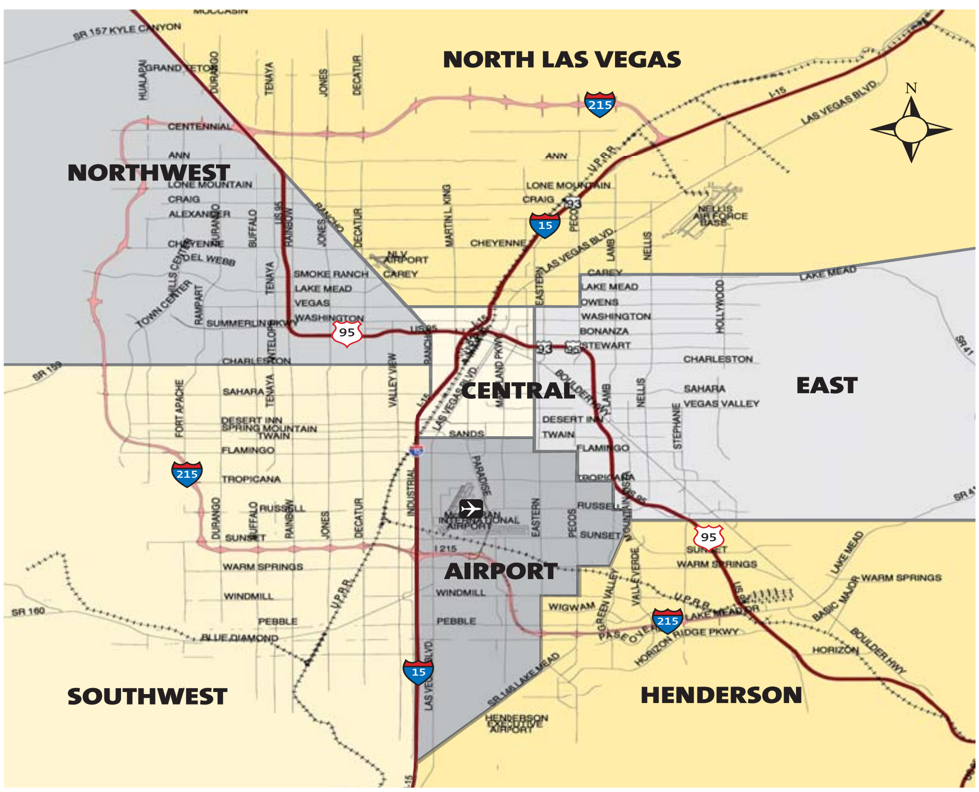
By Submarket	Total SF	Vacant SF	Total Vacancy %	Net Absorption Current	Net Absorption Year To Date	Under Construction SF	Asking Rent WH/Dist	Asking Rent R&D/Flex
Airport	13,401,624	2,544,996	19.0%	(121,351)	(535,832)	-	$0.56	$1.06
Central Las Vegas	5,442,756	445,889	8.2%	(20,180)	(193,277)	-	$0.53	-
East Las Vegas	3,264,266	339,955	10.4%	53,558	4,959	-	-	$0.91
Henderson	12,256,318	1,609,034	13.1%	137,452	230,907	-	$0.59	$0.91
North Las Vegas	30,169,354	3,985,678	13.2%	(672,881)	(1,448,094)	94,920	$0.41	$0.65
Northwest	889,948	221,737	24.9%	3,992	14,152	-	-	$0.78
Southwest	33,293,372	4,766,484	14.3%	(637,326)	(1,193,870)	473,543	$0.58	$0.93
Totals	**98,717,638**	**13,913,773**	**14.1%**	**(1,256,736)**	**(3,121,055)**	**568,463**	**$0.50**	**$0.89**

By Property Type	Total SF	Vacant SF	Total Vacancy %	Net Absorption Current	Net Absorption Year To Date	Under Construction SF	Asking Rent
General Industrial	47,968,478	6,145,507	12.8%	169,203	(398,187)	156,463	$0.66
Incubator	4,233,867	733,277	17.3%	(12,947)	(158,560)	-	$0.76
R&D/Flex	10,897,865	2,003,502	18.4%	(125,132)	(136,491)	-	$0.89
Warehouse/Distribution	35,617,428	5,031,487	14.1%	(1,287,860)	(2,427,817)	412,000	$0.50
Totals	**98,717,638**	**13,913,773**	**14.1%**	**(1,256,736)**	**(3,121,055)**	**568,463**	**$0.65**



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INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*