

FOR IMMEDIATE RELEASE

CONTACT: John Restrepo
Restrepo Consulting Group LLC
(702) 967-3188

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2ND QUARTER 2002 INDUSTRIAL MARKET PRESS RELEASE

The recovery of the Las Vegas economy that has been widely touted in the newspapers may be becoming reality in the Las Vegas industrial market. Although the overall vacancy rate did increase from 8.8% in Quarter 1, 2002 to the present 8.9%, the rate of increase since Quarter 3, 2001 has slowed dramatically. Valley-wide, absorption fell to 113,000 sf this quarter, from 553,000 sf in Quarter 1, 2002. Much of this drop, however, can be blamed on a relative lack of completed construction, which supplied much of the absorption recorded in Quarter 1. In general, brokers report that leasing activity is strong, leading one to believe that a return to lower industrial vacancies may be just around the corner.

The Las Vegas industrial inventory increased this quarter by 216,000 sf, to a total of 74,876,000 sf. This represents an increase of 0.3% to the total supply of industrial space, and is considerably less than last quarter's completions of 1,400,000 sf. That said, the total amount of industrial space under construction increased this quarter to 1,719,000 sf from 1,235,000 sf last quarter, an increase of 39.2%. This would suggest that the drop in completions represents a change in completion dates, rather than a downward trend in industrial construction.

The amount of industrial space planned to begin construction increased dramatically this quarter, from 3,919,000 sf in Quarter 1, 2002, to 6,255,000 sf. While it has been common knowledge for several quarters that lenders were restricting the funding of speculative projects, 587,000 sf of the space presently planned to begin construction is non-speculative. This would seem contradictory if not for the fact that 46% of this space is being developed by major developers, with strong balance sheets. This suggests that lenders are not generally cautious of developing new industrial product in the Valley when companies they trust are developing the space.

Net absorption in Quarter 2 did not live up to that in Quarter 1 as this quarter's net absorption was 113,000 sf, down 80% from the 553,000 sf posted last quarter. This absorption represented 52% of the space added to industrial inventory this quarter. This amount of absorption is still down from last year's quarterly average of 785,000 sf, but allows for the possibility of a recovery by Quarter 4.

Supply

A total of 1,719,000 sf are presently under construction, an increase from the 1,235,000 sf under construction in Quarter 1, 2002. The amount of space planned to begin construction in the next 12 months increased as well, from 3,919,000 sf in Quarter 1, to 6,255,000 sf in Quarter 2, 2002. This increase seems to indicate that developers are looking beyond the present situation to a recovery.

Warehouse/distribution space led completions in Quarter 2, 2002 with 85,000 sf built, representing only 10% of the amount of new warehouse/distribution space completed in Quarter 1, 2002. It was followed by light distribution with 52,000 sf, light industrial with 30,000 sf, R&D/Flex with 28,000 sf, and incubator with 20,000 sf. Most of the industrial space completed this quarter was located in North Las Vegas with 103,000 sf, East Las Vegas with 101,000 sf, and the Airport submarket with 11,000 sf.

The amount of industrial space available for sublease increased only slightly this quarter, with 699,000 sf available. Of this, 407,000 sf (or 58%) was actually vacant. By comparison, there was 693,000 sf available for sublease in Quarter 1, 2002, with 52% of it vacant. The majority of this space is located in warehouse/distribution with 498,000 sf and light industrial with 89,000 sf buildings. Only North Las Vegas experienced a large increase in available sublease space this quarter, with a smaller increase experienced in the West Central submarket. There were declines in available sublease space in the Airport, East Las Vegas, and Southwest submarkets.

Demand

The Valley-wide net industrial absorption decreased to 113,000 sf this quarter from 553,000 last quarter. Net absorption had been averaging 1,110,000 sf per quarter through the first three quarters of 2001, when in Quarter 4, 2001 it posted a negative net absorption of -173,000 sf. While this quarter's performance does not duplicate that seen in Quarter 1, it is still an improvement over Quarter 4, 2001, and shows that there is still demand for well-placed, well-designed industrial space in the Las Vegas market.

East Las Vegas and North Las Vegas, which both had negative net absorption in Quarter 4, continued their recovery this quarter with two of the stronger performances in the Valley. Henderson led the Valley with 141,000 sf of absorption, followed by North Las Vegas with 136,000 sf, and East Las Vegas with 54,000 sf. Negative net absorption was posted in the West Central with -94,000 sf, the Southwest with -72,000 sf, the Airport with -38,000 sf, and the Northwest with -13,000 sf.

All of the positive net absorption this quarter was in the warehouse/distribution and R&D/Flex space with 253,000 sf and 72,000 sf, respectively. Light Distribution space, which had rebounded last quarter from a dismal performance in Quarter 4, 2001, took a step back this quarter, with negative net absorption of -47,000. The worst performances were in Light industrial with -84,000 sf and Incubator with -81,000 sf.

Vacancy & Rents

The industrial vacancy rate in Quarter 2, 2002 stood at 8.9%, with 6,694,000 sf of space directly vacant. This is a slight increase over last quarter's vacancy of 8.8%. Vacancy has not been this high in three years. Much of the cause can be attributed to the slowdown in the local economy that occurred in 2001. Even though the conventional wisdom has it that both the national and local economies are in recovery, we feel that a recovery in the Las Vegas industrial market is still six months away. average asking lease rate for industrial space this quarter stabilized at \$0.58 psf. Asking lease rates jumped from an of \$0.50 psf in 2000 to an average of \$0.61 in 2001.

Industrial Market Matrix

Las Vegas, Nevada

Second Quarter, 2002

Submarket Area	Airport	East Las Vegas	Henderson	North Las Vegas	Northwest	Southwest	West Central	Totals
TOTAL INDUSTRIAL MARKET								
Total Rentable Square Feet	11,713,544	6,409,828	8,566,380	15,340,740	1,097,998	19,869,190	11,878,304	74,875,984
Direct Vacant Square Feet	782,037	889,627	896,092	1,722,511	112,661	1,561,473	730,355	6,694,756
Percent Direct Vacant	6.7%	13.9%	10.5%	11.2%	10.3%	7.9%	6.1%	8.9%
Completions QTD	11,302	100,970	0	103,433	0	0	0	215,705
Direct Net Absorption QTD	-39,295	54,138	141,324	136,017	-13,140	-72,473	-93,650	112,921
Average Lease Rate	\$0.72	\$0.54	\$0.58	\$0.45	\$0.77	\$0.65	\$0.56	\$0.58
Sq. Ft. Currently Under Construction	83,966	338,520	83,385	312,525	0	900,171	0	1,718,567
Sq. Ft. Currently Planned	290,119	70,750	1,924,301	637,318	100,000	3,232,850	0	6,255,338