



Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN



Lease Rates

DOWN



Construction

DOWN



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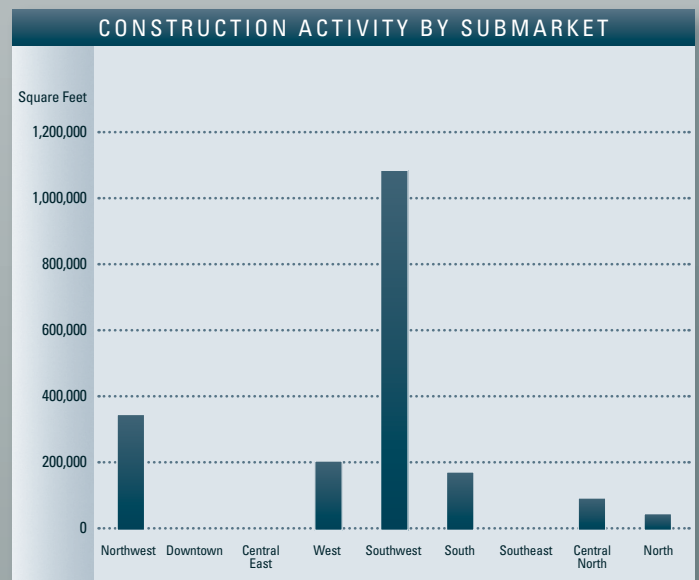
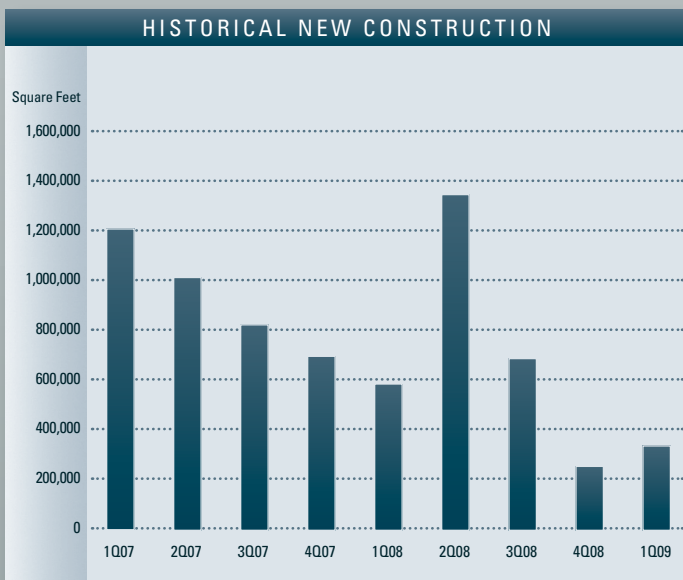
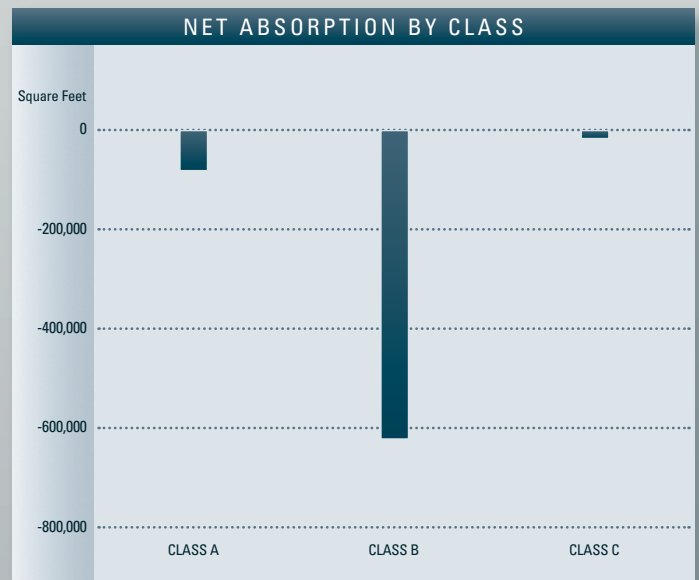
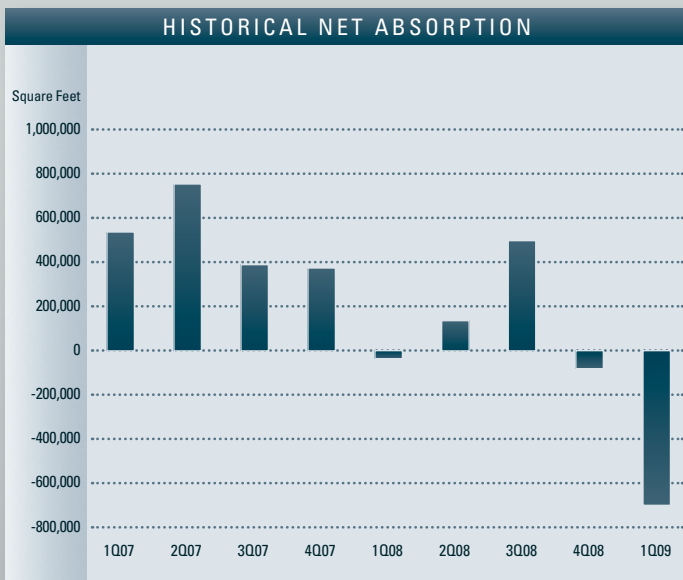
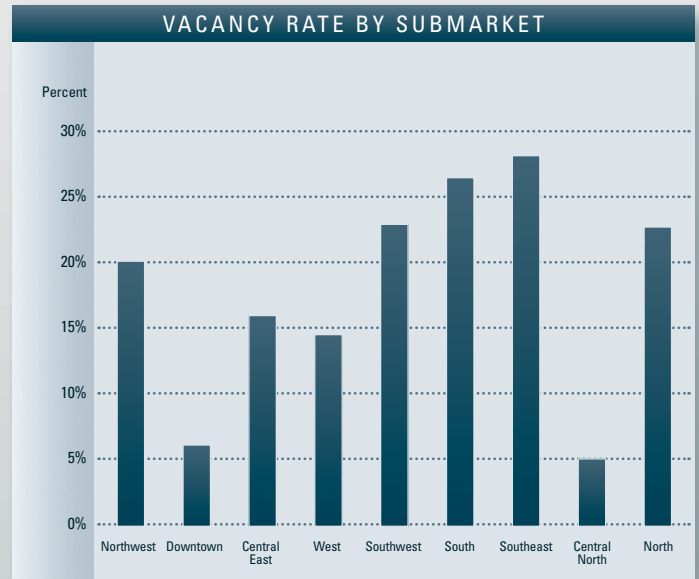
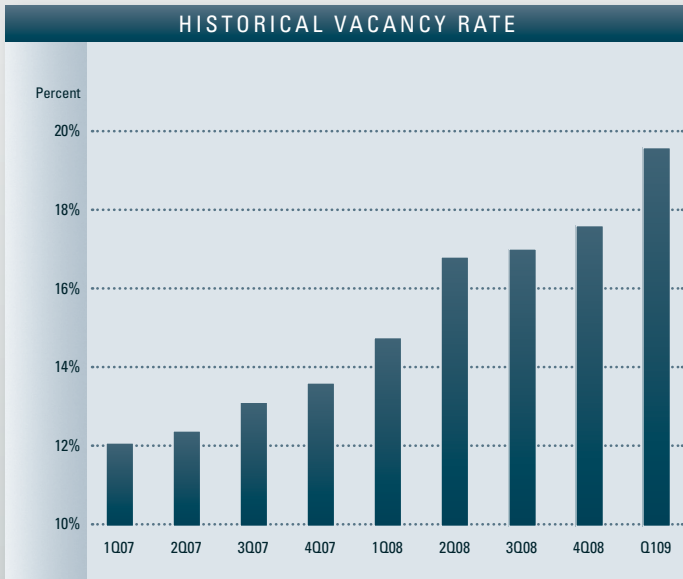
Office Market Highlights

- ◆ The Las Vegas office market continued to report increased vacancies, weaker demand and reduced pricing through the first quarter of 2009. An imbalance in the commercial office sector has clearly emerged as selected portions of the market reported vacancies well beyond historical high points. Key areas of concern include emerging areas including the northwest, southwest, south, southeast and north submarkets.
- ◆ During the quarter, new supply entered the market as existing product reported a net loss in occupancies. The valley-wide average vacancy rate reached 19.6 percent, which represented a 2.0-point increase from the preceding quarter (Q4 2008). Compared to the prior year (Q1 2008), vacancies were up 4.9 points from 14.7 percent. As a point of reference, average vacancies bottomed out in the third quarter of 2005 at 8.1 percent.
- ◆ Completions during the quarter totaled 329,400 square feet, primarily located in the northwest and southeast submarkets. The amount of new product entering the market was slightly ahead of the preceding quarter (246,800 square feet), yet below the 576,200 square feet that completed construction during the first quarter of 2008. Tighter financing combined with a shift in market fundamentals will have fewer projects commencing construction.
- ◆ The northwest witnessed the completion of Montecito Point near the intersection of key freeways, the Interstate 215 and US-95. The 186,300-square-foot building remains substantially vacant. The northwest also witnessed construction substantially complete on the Summerlin Medical Center on Town Center Drive (77,700 square feet). The latest completions contributed to a market-wide inventory of 48.9 million square feet in 1,848 buildings.
- ◆ As of the close of the quarter, approximately 1.9 million square feet was in some form of construction. The southwest reported nearly 1.1 million square feet underway. As market conditions continue to shift, the timing of selected projects remains uncertain. Nearly 30 percent of product identified as under construction has delayed timing, halted material development activity or in the foreclosure process resulting in over 1.3 million square feet of under-construction space actively moving forward on published timelines. Plans for another 4.6 million square feet remain on the drawing board and are unlikely to move forward in the near term.
- ◆ Economic conditions continue to erode as employment growth turned negative, reporting a net job loss of 41,400 positions during the past 12 months (down 4.5 percent year-over-year). As a result, unemployment levels rose to 10.1 percent, up 5.1 percent from a year ago. Job losses were particularly high in the leisure and hospitality industry (14,300 jobs) and construction sector (13,000 jobs).
- ◆ The national recession has impacted demand within the resort industry. The latest available data suggests visitor volumes are down 10 percent, average daily hotel room rates are down 21.5 percent, convention attendance is down 28.7 percent and gaming revenues are off 17.1 percent through the first two months of 2009. Softening demand has resulted in tighter margins in the tourism industry, sparking concern about financial viability under existing capital structures for selected operators. Assuming corporate restructurings are necessary, operating assets will continue to generate positive cash flow and employ hundreds of thousands of workers in southern Nevada.

OFFICE MARKET OVERVIEW

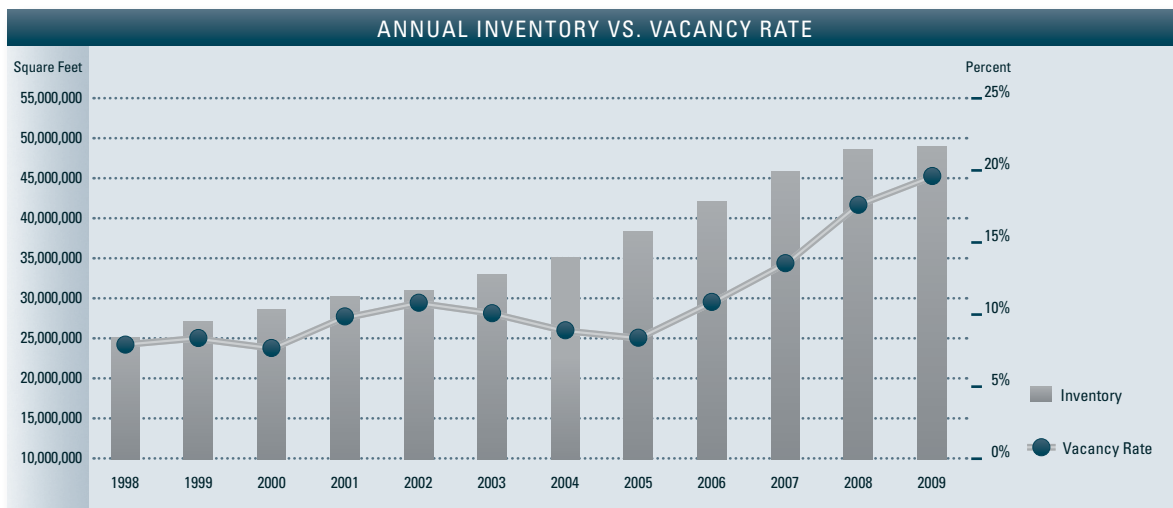
	Q1 2009	Q4 2008	Q1 2008	% CHANGE VS. Q1 2008
Under Construction	1,912,000	2,201,000	3,873,000	-50.70%
Planned Construction	4,627,000	4,667,000	6,022,000	-23.17%
Vacancy	19.6%	17.6%	14.7%	33.33%
Net Absorption	-708,000	-87,000	-40,000	N/A

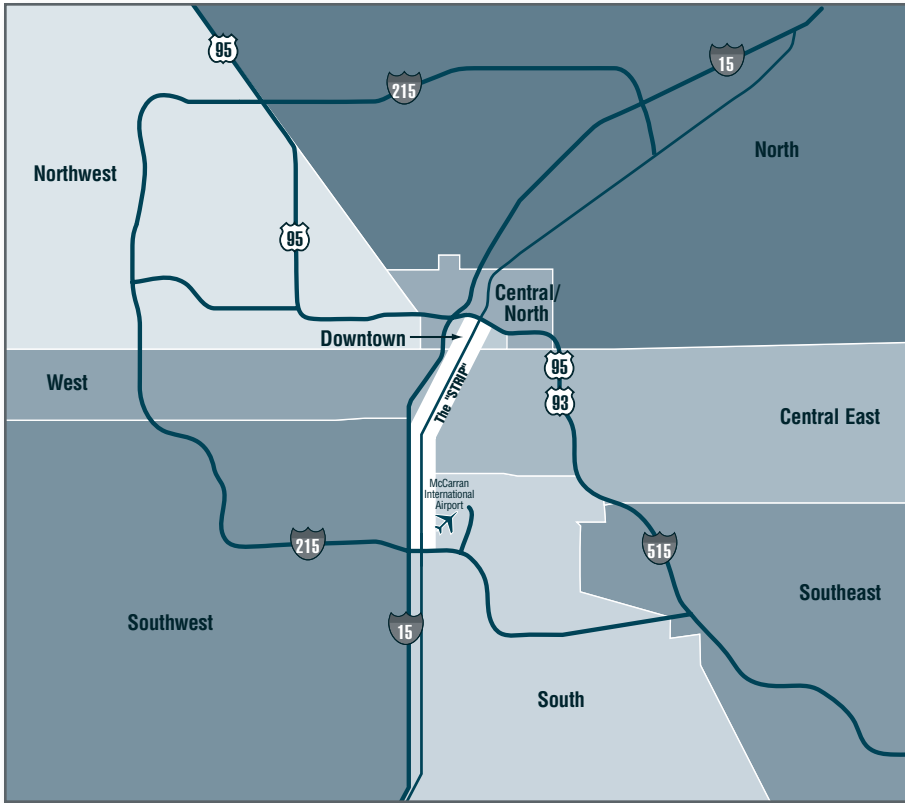
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	INVENTORY			VACANCY			ABSORPTION	
	Number of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 102009	Net Absorption 102009	New Inventory 102009
Northwest								
Class A	24	1,938,331	200,000	120,000	494,039	25.5%	(35,686)	263,953
Class B	224	5,667,306	138,920	227,379	1,060,986	18.7%	(84,562)	25,545
Class C	9	162,002	-	-	10,450	6.5%	3,048	-
Northwest Total	257	7,767,639	338,920	347,379	1,565,475	20.2%	(117,200)	289,498
Downtown								
Class A	8	1,692,502	-	-	54,020	3.2%	(10,370)	-
Class B	40	1,103,119	-	160,000	99,196	9.0%	-	-
Class C	24	605,723	-	-	55,680	9.2%	-	-
Downtown Total	72	3,401,344	-	160,000	208,896	6.1%	(10,370)	-
Central East								
Class A	13	1,491,632	-	173,210	88,682	5.9%	-	-
Class B	109	4,059,138	-	-	842,798	20.8%	3,357	-
Class C	55	1,429,486	-	-	192,525	13.5%	19,674	-
Central East Total	177	6,980,256	-	173,210	1,124,005	16.1%	23,031	-
West								
Class A	7	975,077	200,000	-	55,046	5.6%	(3,999)	-
Class B	242	5,488,101	-	149,469	883,935	16.1%	(36,518)	-
Class C	38	599,926	-	-	81,646	13.6%	(21,393)	-
West Total	287	7,063,104	200,000	149,469	1,020,627	14.5%	(61,910)	-
Southwest								
Class A	13	813,390	301,140	341,628	256,882	31.6%	(31,049)	-
Class B	300	6,845,483	779,642	1,660,167	1,536,083	22.4%	(129,765)	-
Class C	20	334,783	-	-	44,082	13.2%	(7,393)	-
Southwest Total	333	7,993,656	1,080,782	2,001,795	1,837,047	23.0%	(168,207)	-
South								
Class A	23	1,966,113	-	81,214	700,434	35.6%	4,568	-
Class B	455	8,378,637	164,944	743,374	2,060,478	24.6%	(273,595)	-
Class C	17	139,712	-	-	19,644	14.1%	(5,000)	-
South Total	495	10,484,462	164,944	824,588	2,780,556	26.5%	(274,027)	-
Southeast								
Class A	3	265,015	-	210,000	172,557	65.1%	-	-
Class B	93	1,710,017	-	220,692	405,279	23.7%	(111,365)	39,877
Class C	12	123,737	-	-	16,753	13.5%	(3,450)	-
Southeast Total	108	2,098,769	-	430,692	594,589	28.3%	(114,815)	39,877
Central/North								
Class A	1	220,000	-	370,000	-	0.0%	-	-
Class B	23	876,769	84,814	-	45,074	5.1%	2,490	-
Class C	9	368,055	-	-	30,533	8.3%	2,620	-
Central/North Total	33	1,464,824	84,814	370,000	75,607	5.2%	5,110	-
North								
Class A	1	45,376	-	-	17,641	38.9%	-	-
Class B	80	1,432,903	42,454	170,222	336,473	23.5%	10,254	-
Class C	5	176,638	-	-	24,014	13.6%	-	-
North Total	86	1,654,917	42,454	170,222	378,128	22.8%	10,254	-
Las Vegas Total								
Class A	93	9,407,436	701,140	1,296,052	1,839,301	19.6%	(76,536)	263,953
Class B	1,566	35,561,473	1,210,774	3,331,303	7,270,302	20.4%	(619,704)	65,422
Class C	189	3,940,062	-	-	475,327	12.1%	(11,894)	-
Total	1,848	48,908,971	1,911,914	4,627,355	9,584,930	19.6%	(708,134)	329,375

This survey consists of buildings greater than 5,000 square feet.





PRODUCT TYPE

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CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

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