



Voit
Real Estate Services

Office Market Report

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates

DOWN

Construction

DOWN

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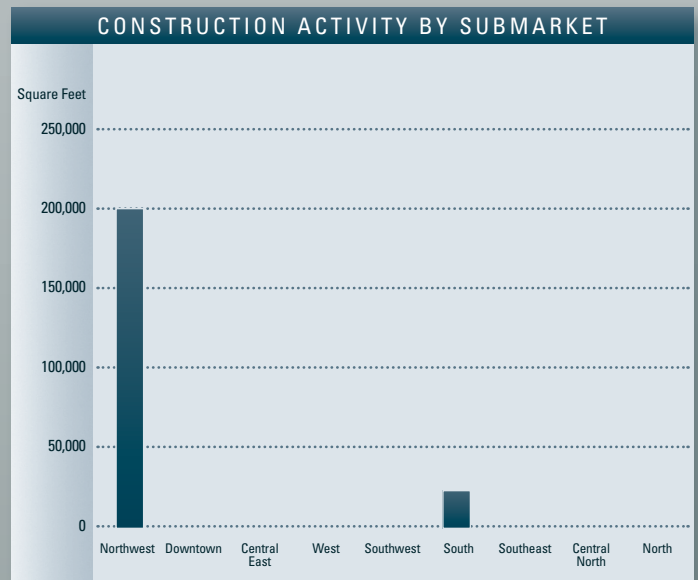
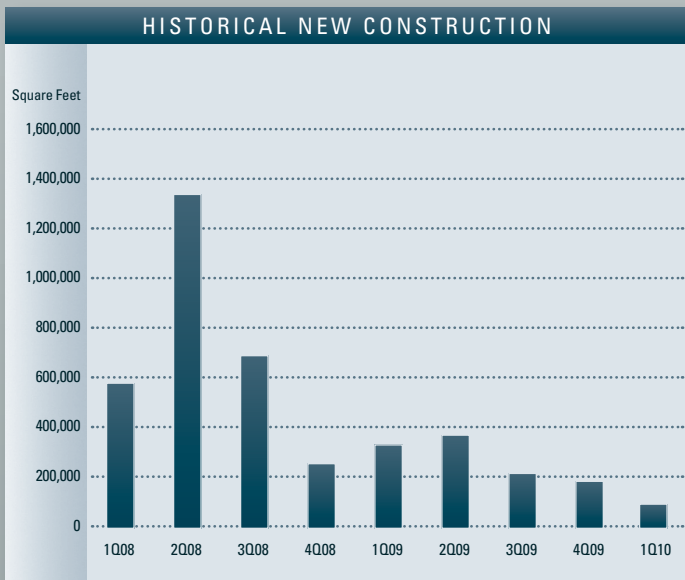
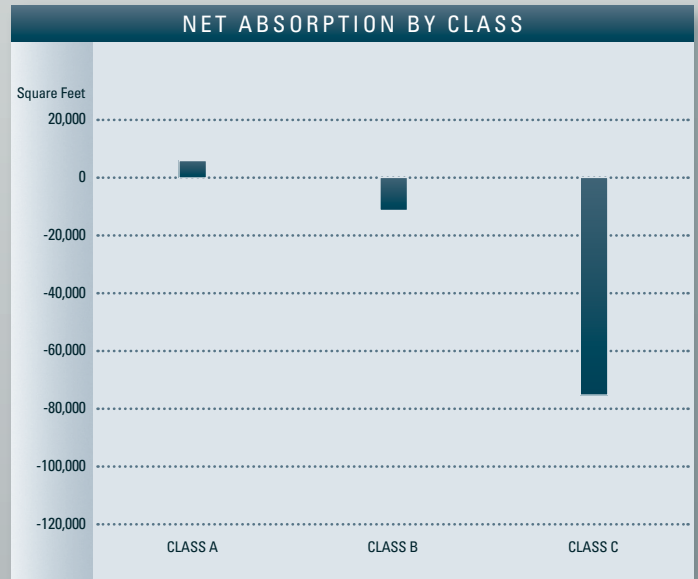
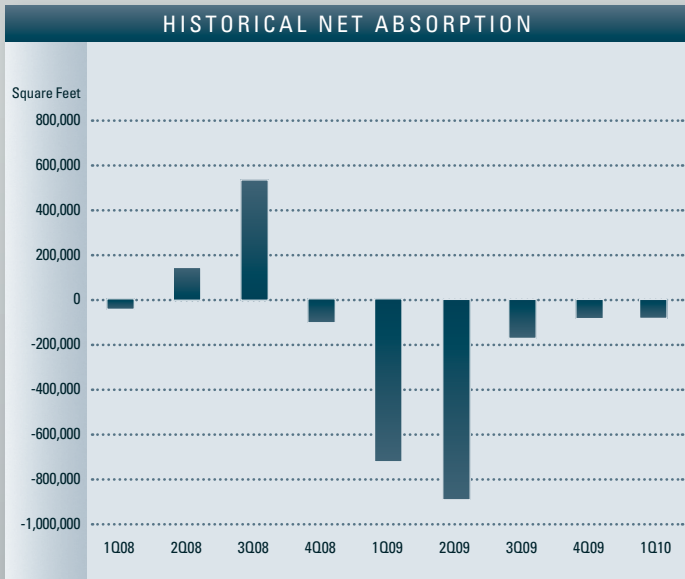
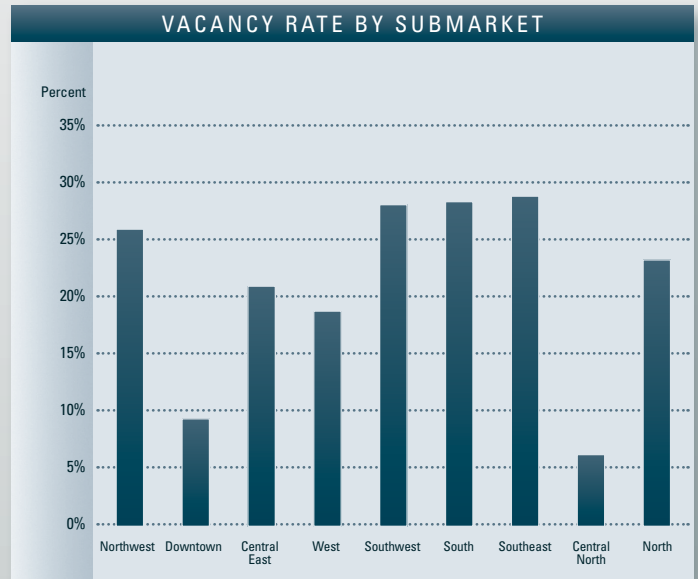
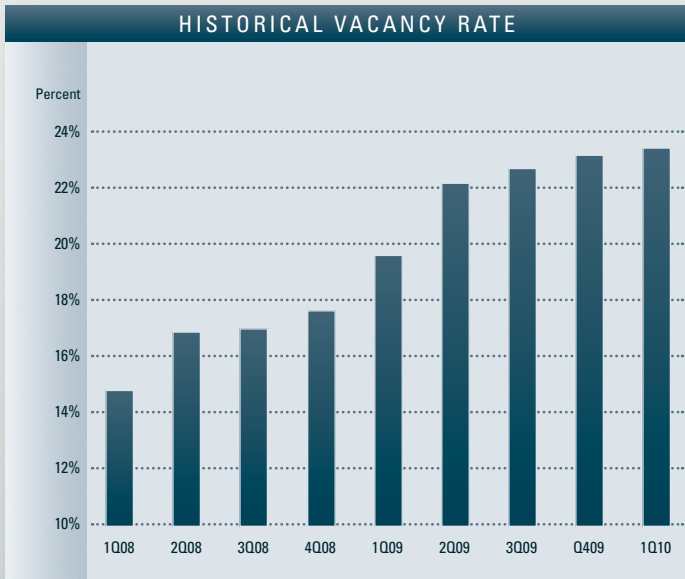
Market Highlights

- ◆ **Market Overview** – Market conditions in the Las Vegas office market remained challenging through the close of the first quarter of 2010 as business conditions continued to deteriorate, professional and business services employment was off the prior year and caution on the part of business owners and executives persisted. The economic downturn and related business contraction continued to place upward pressure on vacancies and downward movement on rents.
- ◆ **Inventory** – Market-wide inventory in the office market reached 49.7 million square feet by the close of the first quarter as only a modest amount of product completed construction. An 84,800-square-foot build-to-suit project wrapped up construction early in the quarter. Looking back over the past 12 months, the market welcomed 843,100 square feet, which represented the lowest annual tally since the 1990s, suggesting the development community is responding to the excess capacity.
- ◆ **Demand** – During the quarter, the market reported 81,200 square feet of negative absorption, or net move-outs. The figures were partially helped by the construction and occupancy of a build-to-suit. As of March 31, 2010, a total of 38.1 million square feet was occupied, which is the lowest level of occupancy since the first quarter of 2007. During the past 12 months, the market reported 1.2 million square feet of negative net absorption. The latest reporting period reflects the sixth consecutive quarter of net move-outs. At the close of the quarter, vacancies reached 23.4 percent, which was up from 23.1 percent at the end of 2009 and up from 19.6 percent one year ago.
- ◆ **Future Supply** – Looking forward, only a few buildings remain actively under construction. In the northwest portion of the valley, Class A office product located within the Tivoli Village mixed-use development is moving forward. Additional buildings in the Horizon Ridge Professional Park are underway and expected to complete construction later this year. Plans for another 3.3 million square feet are likely to remain on the drawing board until fundamentals in the market improve.
- ◆ **Economic Considerations** – The job market within southern Nevada remains challenged as total employment reached 799,700 in the first quarter and the unemployment rate jumped further to 13.9 percent. Compared to the same period of the prior year, the market shed 50,300 jobs, or 5.9 percent of its workforce. Construction has led the way in job losses, shedding 22,900 employees during the past 12 months, with the leisure and hospitality sector employment dropping 9,000 positions during the same timeframe despite major resort openings like MGM MIRAGE's CityCenter, Hard Rock Hotel's expansion and M Resort on the South Strip.
- ◆ **Looking Forward** – The Las Vegas office market has experienced significant fall-out from the economic downturn despite how strong the sector was performing just five years ago when vacancy rates were in the single digits. The outlook includes a similar 5-year timeframe for the road to recovery while pricing is going to be impacted throughout the correction period. Watch for vacancies to remain above 20 percent during the next 12 months while effective prices may decline 20 percent during the same period.

OFFICE MARKET OVERVIEW

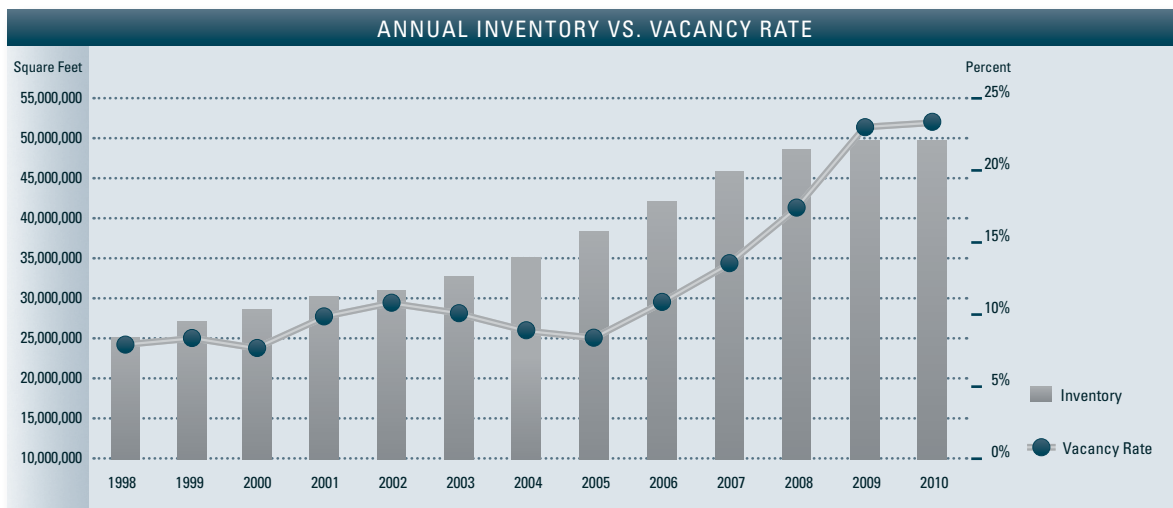
	1Q2010	4Q2009	1Q2009	% CHANGE VS. Q12009
Under Construction	221,000	285,000	1,913,000	(88.45%)
Planned Construction	3,262,000	3,827,000	4,603,000	(29.13%)
Vacancy	23.4%	23.1%	19.6%	19.39%
Net Absorption	(81,000)	(77,000)	(716,000)	N/A

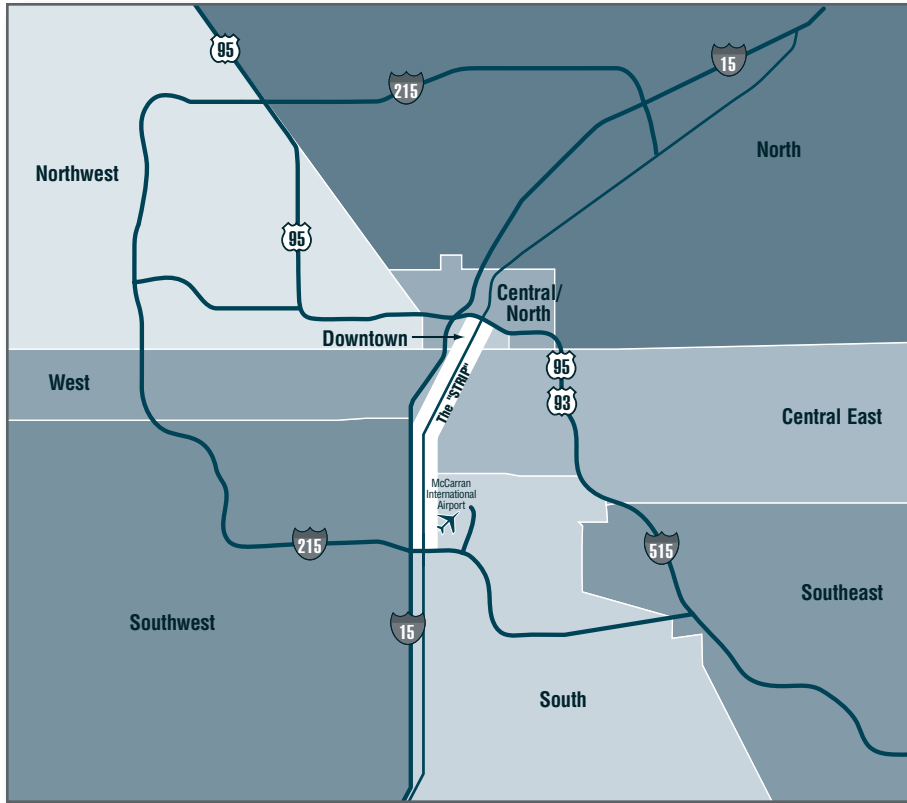
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	INVENTORY				VACANCY		ABSORPTION	
	Number of Buildings	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Net Absorption 1Q2010	New Inventory 1Q2010
Northwest								
Class A	24	1,938,331	200,000	-	654,437	33.8%	(12,783)	-
Class B	224	5,667,306	-	245,519	1,332,583	23.5%	(43,806)	-
Class C	9	162,002	-	-	29,866	18.4%	(16,417)	-
Northwest Total	257	7,767,639	200,000	245,519	2,016,886	26.0%	(73,006)	-
Downtown								
Class A	8	1,692,502	-	-	70,508	4.2%	(3,396)	-
Class B	40	1,103,119	-	-	182,824	16.6%	0	-
Class C	24	605,723	-	-	59,138	9.8%	8,067	-
Downtown Total	72	3,401,344	-	-	312,470	9.2%	4,671	-
Central East								
Class A	13	1,491,632	-	173,210	256,556	17.2%	(2,634)	-
Class B	109	4,059,138	-	-	934,606	23.0%	(13,357)	-
Class C	55	1,429,779	-	-	266,249	18.6%	(48,093)	-
Central East Total	177	6,980,549	-	173,210	1,457,411	20.9%	(64,084)	-
West								
Class A	7	975,077	-	200,000	94,921	9.7%	0	-
Class B	242	5,489,896	-	-	1,129,795	20.6%	(33,220)	-
Class C	38	599,926	-	-	106,128	17.7%	7,503	-
West Total	287	7,064,899	-	200,000	1,330,844	18.8%	(25,717)	-
Southwest								
Class A	14	1,039,530	-	346,628	445,064	42.8%	15,248	-
Class B	305	7,288,701	-	1,110,774	1,917,944	26.3%	(12,312)	-
Class C	20	334,783	-	-	77,532	23.2%	(9,056)	-
Southwest Total	339	8,663,014	-	1,457,402	2,440,540	28.2%	(6,120)	-
South								
Class A	23	1,964,711	-	81,214	715,990	36.4%	2,006	-
Class B	453	8,432,284	21,000	553,394	2,238,832	26.6%	(8,120)	-
Class C	17	139,712	-	-	28,917	20.7%	(2,705)	-
South Total	493	10,536,707	21,000	634,608	2,983,739	28.3%	(8,819)	-
Southeast								
Class A	3	265,015	-	-	172,557	65.1%	0	-
Class B	93	1,710,472	-	27,200	415,276	24.3%	5,991	-
Class C	12	123,737	-	-	19,108	15.4%	5,320	-
Southeast Total	108	2,099,224	-	27,200	606,941	28.9%	11,311	-
Central/North								
Class A	1	220,000	-	370,000	-	0.0%	-	-
Class B	24	961,583	-	-	45,073	4.7%	82,899	84,814
Class C	9	368,055	-	-	50,611	13.8%	(19,970)	-
Central/North Total	34	1,549,638	-	370,000	95,684	6.2%	62,929	84,814
North								
Class A	1	45,376	-	-	10,567	23.3%	7,074	-
Class B	80	1,432,903	-	153,700	350,704	24.5%	10,592	-
Class C	5	176,638	-	-	24,014	13.6%	-	-
North Total	86	1,654,917	-	153,700	385,285	23.3%	17,666	-
Las Vegas Total								
Class A	94	9,632,174	200,000	1,171,052	2,420,600	25.1%	5,515	-
Class B	1,570	36,145,402	21,000	2,090,587	8,547,637	23.6%	(11,333)	84,814
Class C	189	3,940,355	-	-	661,563	16.8%	(75,351)	-
Total	1,853	49,717,931	221,000	3,261,639	11,629,800	23.4%	(81,169)	84,814

This survey consists of buildings greater than 5,000 square feet. **Note:** Planned inventory includes projects that previously commenced construction but are not actively underway.





PRODUCT TYPE

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Along with adequate systems, the building finishes in this class are fair to good for the area, but the building cannot compete with Class A at the same price.

CLASS C

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

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