

Office Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Construction

UP

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Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services – Lic.#01333376

e-mail: jholdner@voitco.com

Market Highlights

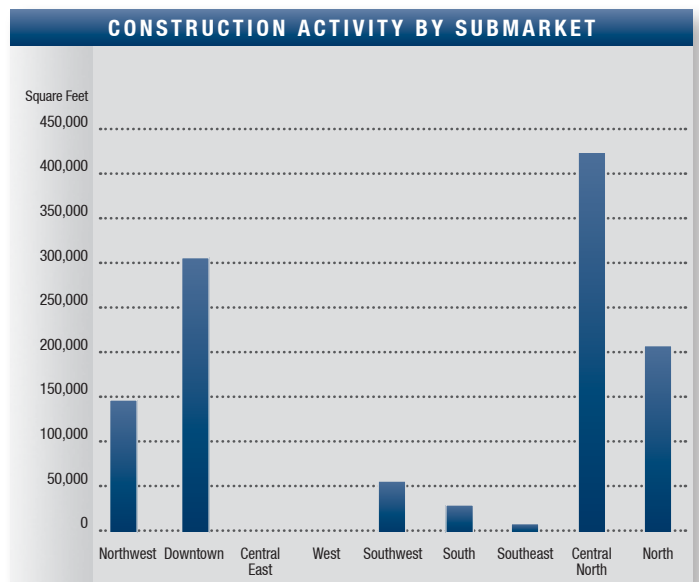
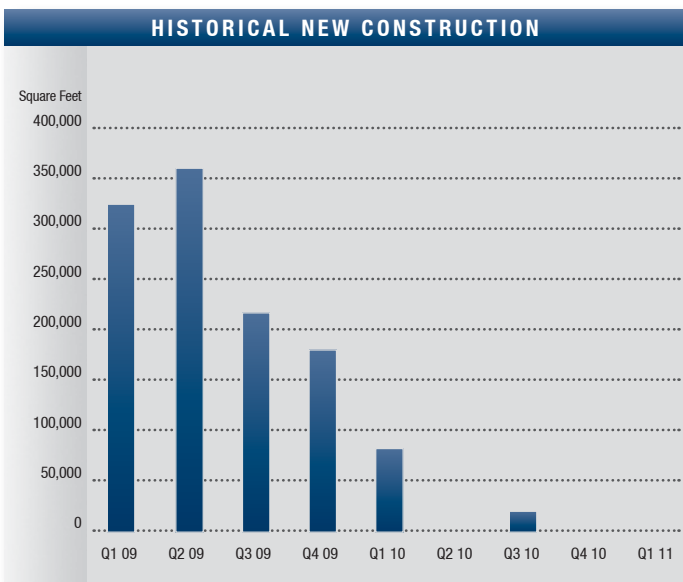
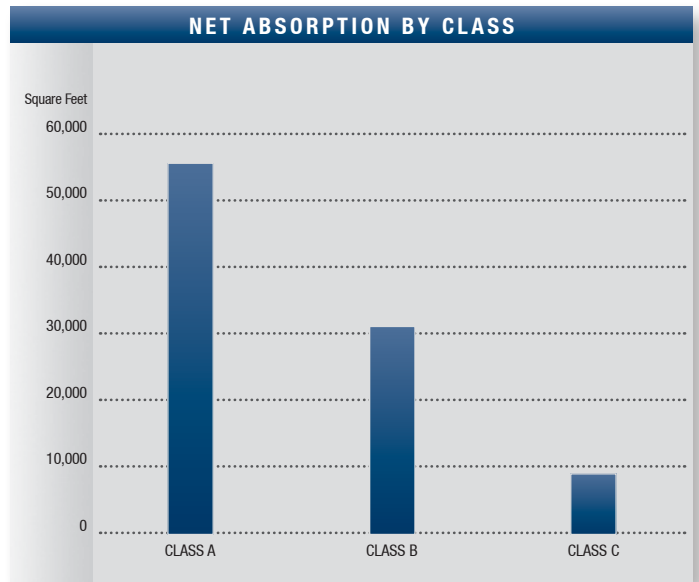
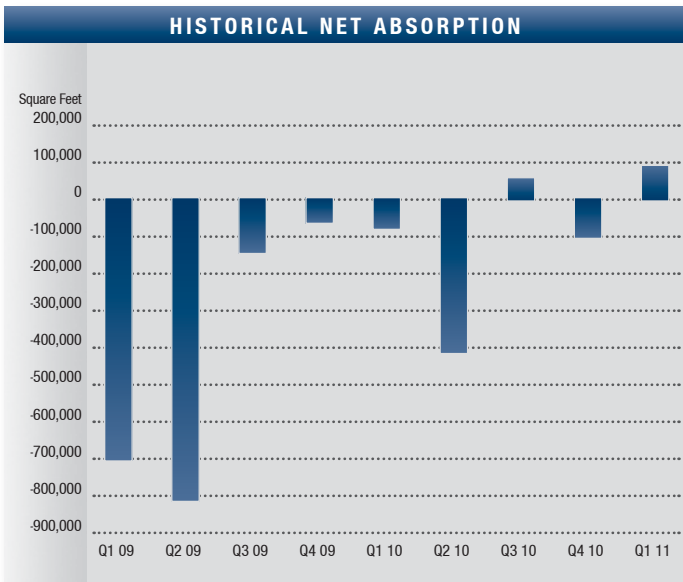
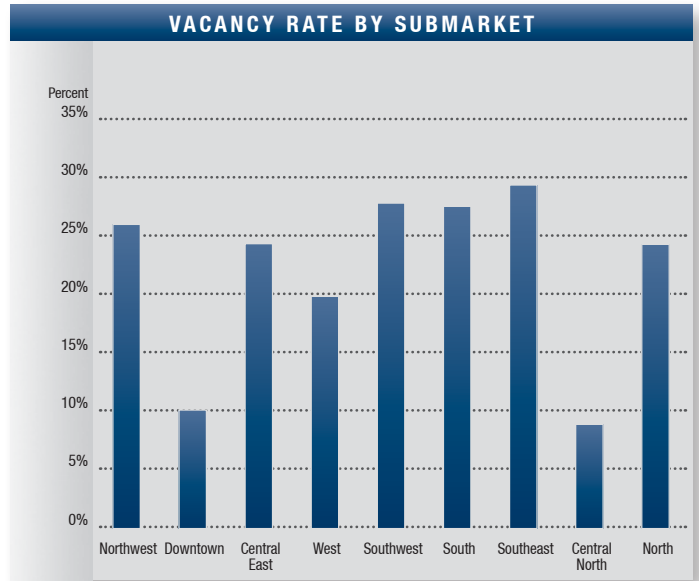
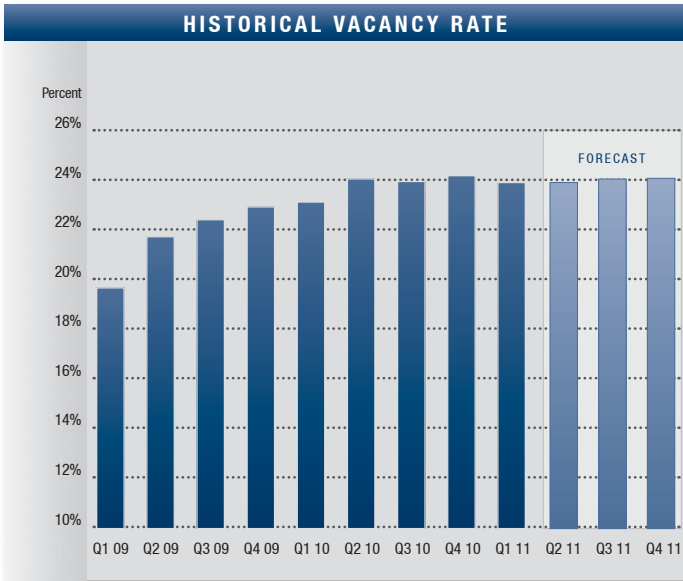
- Market Overview** - A modest decline in the vacancy rate occurred for the second time in ten quarters, and for the first time without the assistance of pre-leased new construction. Positive net absorption of second-generation space pushed the vacancy rate down to 24.0 percent, a decline of 19 basis points from the previous quarter.
- Inventory** - Inventory in the office market remained the same as the previous quarter at nearly 50.1 million square feet. In the last 12 months, only 22,000 square feet of new inventory entered the market, representing the lowest annual tally since the early 1990s, as the market patiently waits for excess supply to shrink.
- Demand** - During the first quarter, the vacancy rate descended to 24.0 percent, or 12.0 million square feet, as the market witnessed 97,300 square feet of positive net absorption. Demand was still limited, as office-using employment remains significantly down from pre-recession levels. Since the recession began, the market gained nearly 4.8 million square feet, posting 1.3 million square feet during the same period.
- Future Supply** - Looking forward, eight projects totaling 1.2 million square feet remain actively under construction. The largest project is a 390,000-square-foot government building, which will be occupied by the Las Vegas Metropolitan Police Department in the central/north submarket. New city halls for Las Vegas (310,000 square feet) and North Las Vegas (210,400 square feet) are also under construction, leaving only 267,900 square feet

of construction to the private sector. Tivoli Village, a mixed-use development project in the northwest submarket is the largest, which will include 145,000 square feet of Class A product in the first phase. Nearly 2.6 million square feet remain planned, and until broader economic conditions improve and office-using employees rise significantly, it is likely these projects will not move forward.

- Economic Considerations** - The economic engine continues to push ahead on the national front, hopefully tugging southern Nevada with it. The tourism sector continues to return to positive figures, compared to the figures witnessed during the downturn over the last few years, but remains significantly down from the prior peak. Additionally, confidence and consumer spending have been modestly rising for the last six months, indicating that an economic rebound may take hold nationally. Nevertheless, enduring elevated levels of unemployment and inflation, particularly in food and energy, will have negative effects, slowing down an economy that is finally on the rise.
- Looking Forward** - With much of the 12.01 million square feet of vacancy having been vacant for more than a year, the office market remains fragile. As pricing continues to slide downward, landlords will have to operate within tighter margins and lenders will likely foreclose on additional properties. Although 1,300 office-using jobs have been added over the last 12 months, if businesses continue to hire, they are more likely to proceed with caution before demanding the amount office space occupied prior to the recession.

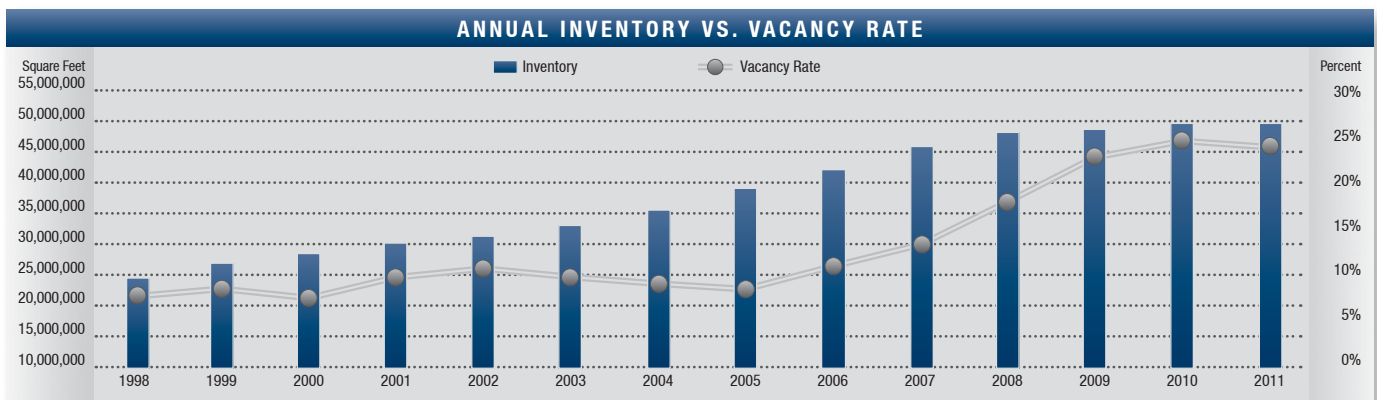
OFFICE MARKET OVERVIEW

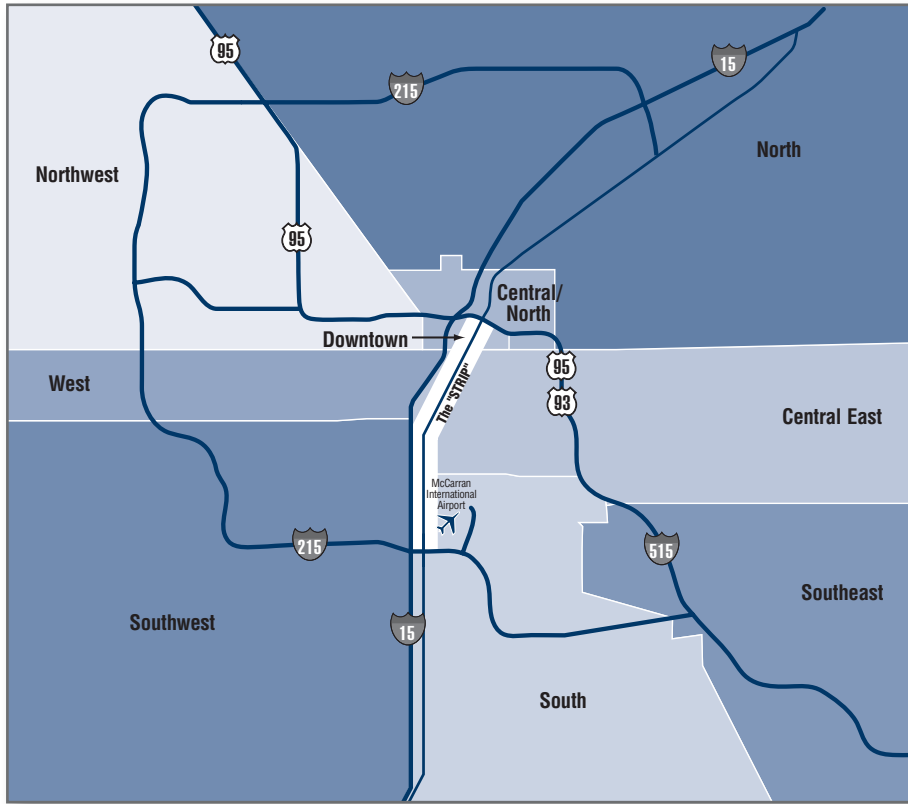
	Q1 2011	Q4 2010	Q1 2010	Q1 2011 vs. Q1 2010
Under Construction	1,178,000	1,145,000	766,000	53.8%
Planned Construction	2,590,000	2,623,000	3,440,000	(24.7)%
Vacancy	24.0%	24.2%	23.2%	3.3%
Net Absorption	97,000	(119,000)	(89,000)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2011	Net Absorption Q1 2011	Net Absorption 2010	New Inventory Q1 2011	New Inventory 2010
Northwest										
Class A	24	1,938,331	145,000	115,000	627,152	32.4%	20,944	(6,442)	-	-
Class B	220	5,618,717	-	245,519	1,345,875	24.0%	16,431	(90,831)	-	-
Class C	13	210,914	-	-	37,634	17.8%	5,500	(12,383)	-	-
Northwest Total	257	7,767,962	145,000	360,519	2,010,661	25.9%	42,875	(109,656)	-	-
Downtown										
Class A	8	1,692,502	310,000	-	111,179	6.6%	-	(44,067)	-	-
Class B	18	936,513	-	-	184,030	19.7%	(3,452)	2,246	-	-
Class C	47	1,042,329	-	-	71,071	6.8%	(8,640)	4,774	-	-
Downtown Total	73	3,671,344	310,000	-	366,280	10.0%	(12,092)	(37,047)	-	-
Central East										
Class A	13	1,491,632	-	173,210	335,256	22.5%	(5,723)	(75,611)	-	-
Class B	60	2,504,322	-	-	649,863	25.9%	(16,216)	(69,197)	-	-
Class C	104	2,984,595	-	-	724,231	24.3%	1,942	(151,218)	-	-
Central East Total	177	6,980,549	-	173,210	1,709,350	24.5%	(19,997)	(296,026)	-	-
West										
Class A	7	975,077	-	200,000	90,434	9.3%	-	4,487	-	-
Class B	211	4,574,039	-	-	937,365	20.5%	89,278	(121,858)	-	-
Class C	69	1,515,780	-	-	373,719	24.7%	8,860	(77,158)	-	-
West Total	287	7,064,896	-	200,000	1,401,518	19.8%	98,138	(194,529)	-	-
Southwest										
Class A	14	1,039,530	-	346,628	351,134	33.8%	12,479	96,699	-	-
Class B	292	6,919,292	54,000	876,002	1,977,299	28.6%	6,334	(59,608)	-	-
Class C	34	770,079	-	-	106,891	13.9%	3,118	(11,775)	-	-
Southwest Total	340	8,728,901	54,000	1,222,630	2,435,324	27.9%	21,931	25,316	-	-
South										
Class A	23	1,964,711	-	-	739,448	37.6%	5,360	(26,812)	-	-
Class B	441	8,225,889	27,761	491,419	2,084,780	25.3%	(17,390)	44,591	-	21,000
Class C	30	367,107	-	-	116,728	31.8%	(10,774)	(400)	-	-
South Total	494	10,557,707	27,761	491,419	2,940,956	27.9%	(22,804)	17,379	-	21,000
Southeast										
Class A	3	265,015	-	-	155,305	58.6%	23,205	(5,953)	-	-
Class B	91	1,690,801	8,155	27,200	428,723	25.4%	(30,139)	18,363	-	-
Class C	14	143,408	-	-	37,241	26.0%	-	(8,493)	-	-
Southeast Total	108	2,099,224	8,155	27,200	621,269	29.6%	(6,934)	3,917	-	-
Central/North										
Class A	1	220,000	-	-	-	0.0%	-	-	-	-
Class B	15	648,611	423,000	-	35,968	5.5%	(13,065)	84,249	-	84,814
Class C	18	681,027	-	-	95,515	14.0%	9,038	(53,092)	-	-
Central/North Total	34	1,549,638	423,000	-	131,483	8.5%	(4,027)	31,157	-	84,814
North										
Class A	1	45,376	210,400	-	20,014	44.1%	-	(2,373)	-	-
Class B	71	1,283,183	-	115,213	351,372	27.4%	254	9,670	-	-
Class C	14	326,358	-	-	31,061	9.5%	-	(7,047)	-	-
North Total	86	1,654,917	210,400	115,213	402,447	24.3%	254	250	-	-
Las Vegas Total										
Class A	94	9,632,174	665,400	834,838	2,429,922	25.2%	56,265	(60,072)	-	-
Class B	1,419	32,401,367	512,916	1,755,353	7,995,275	24.7%	32,035	(182,375)	-	105,814
Class C	343	8,041,597	-	-	1,594,091	19.8%	9,044	(316,792)	-	-
Las Vegas Total	1,856	50,075,138	1,178,316	2,590,191	12,019,288	24.0%	97,344	(559,239)	-	105,814

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.





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