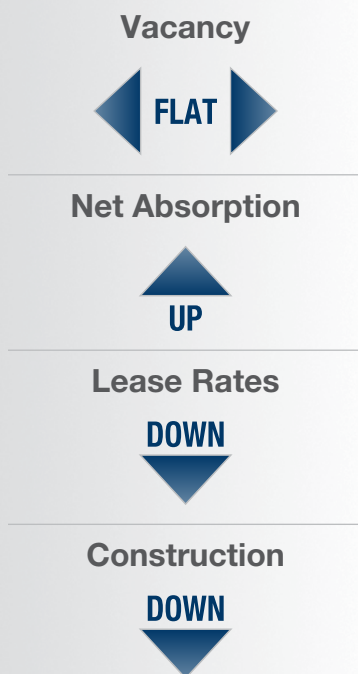


Office Market Report

Compared to the Previous Quarter



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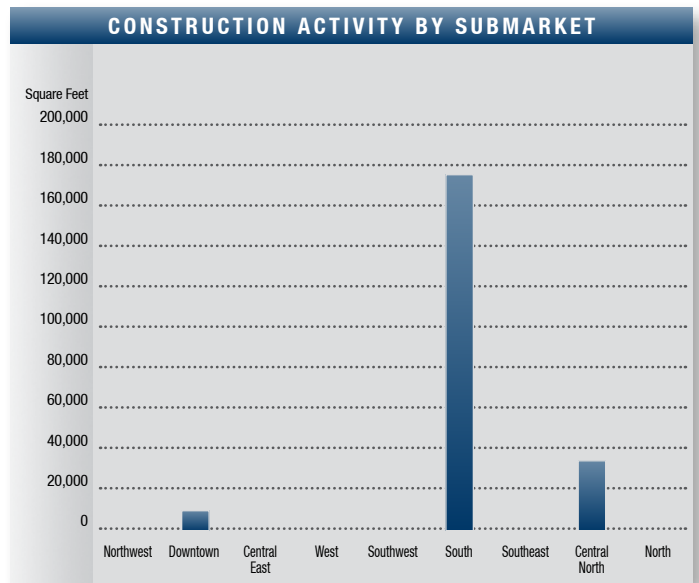
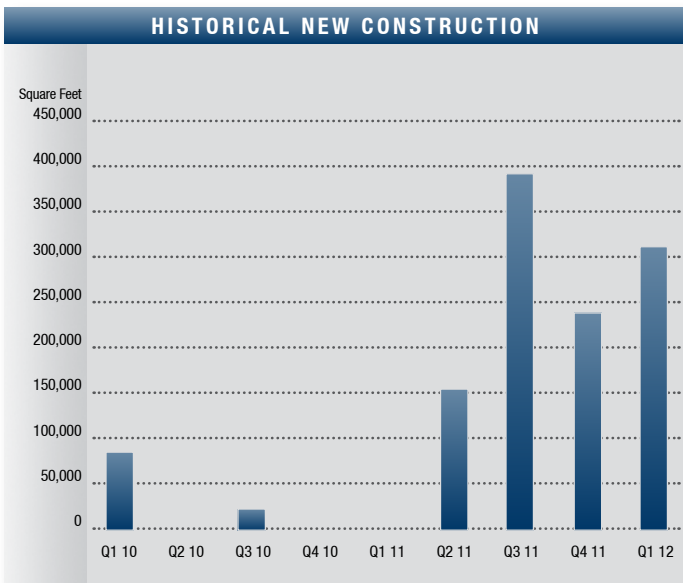
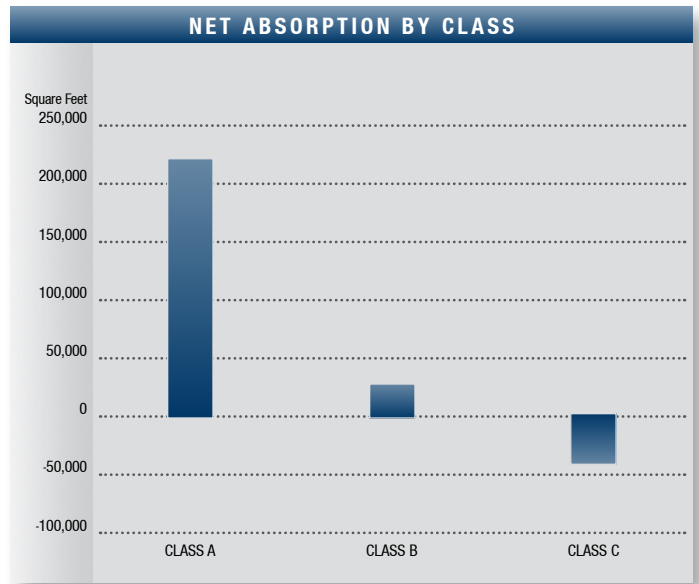
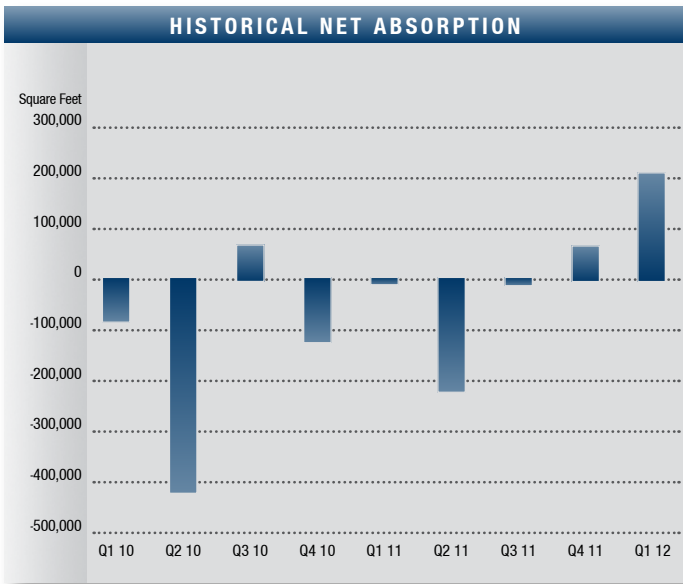
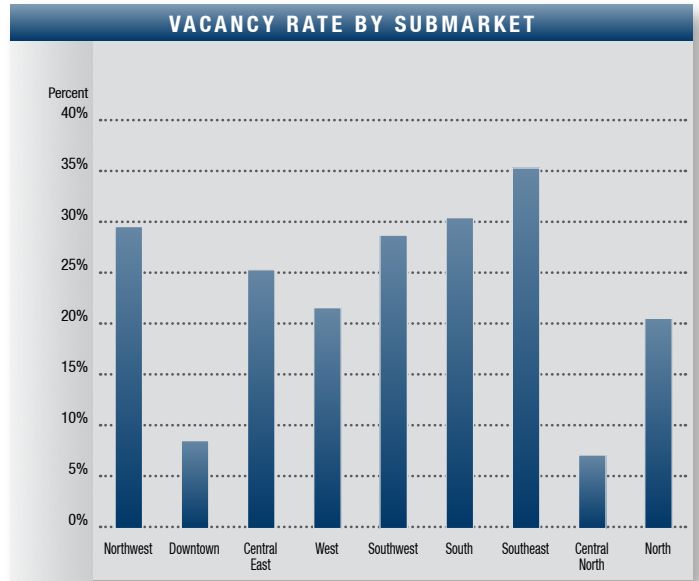
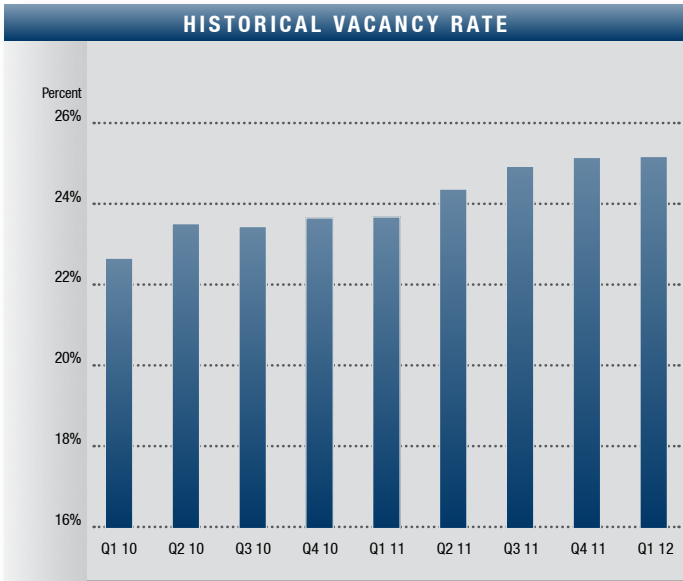
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Market Highlights

- Market Overview** – The office market reported little change in terms of the overall vacancy rate in the first quarter of 2012. Modest move outs combined with the addition of non-speculative new inventory kept the vacancy rate flat from the previous quarter at 25.2 percent. Compared to a year ago (Q1 2011), the vacancies increased 1.5 percentage points, and the latest vacancy rate has held generally steady for the last three quarters.
- Inventory** – A single build-to-suit government office building, the City of Las Vegas' City Hall, completed construction in the downtown submarket, adding 310,000 square feet to the market during the first quarter. Total inventory now stands at nearly 52.1 million square feet. As the vacancy rate remains at an all-time high, the majority of new construction will likely be sourced to government or private owner-user buildings.
- Demand** – During the quarter, the market witnessed 208,200 square feet of positive net absorption, largely sourced to new inventory. The resulting effect is a vacancy rate that remained relatively unchanged. Aggregate demand remains limited, particularly as office-using employment has shed 8,500 jobs over the last year, principally from financial services and professional and business services. Employment in these sectors will continue to fluctuate as economic recovery takes hold.
- Future Supply** – Of the 216,900 square feet under construction among four projects, approximately one-fifth of the space is sourced to non-speculative users. These projects include a new health center (33,000 square feet) and government-office building for the Department of Homeland Security (8,900 square feet) in the City of Las Vegas. The balance of space is sourced to two projects in the south submarket (Seven Hills Plaza and Windmill Office Plaza). It is also important to note that of the nearly 2.5 million square feet being planned for future development, nearly one-third (approximately 800,000 square feet) includes projects that have stalled or delayed construction activity.
- Economic Considerations** – During the first quarter of 2012, the stock market rallied and the national labor market reported its strongest first quarter job growth (+635,000) since 2006. GDP in the prior quarter (Q4 2011) came in at 3.0 percent, above the 20-year annual average, and initial unemployment claims are at their lowest levels since 2008. Coupled with local indicators reporting positive movement, particularly in travel and tourism, it appears that a recovery is finally emerging. While the pace of improvement is expected to be slow, it appears to be trending in a positive direction.
- Looking Forward** – Vacancy rates have held within a tight range over the last several quarters, as non-speculative developments have helped prop up absorption estimates. While the vacancy rate will continue to remain elevated, pricing will likely continue to adjust downward with average asking rents across all product types currently down 18.5 percent from the peak. Expect more of the same to prevail in the near term while longer-term limitations on the supply-side of the equation may prove helpful when market demand returns to more sustainable levels.

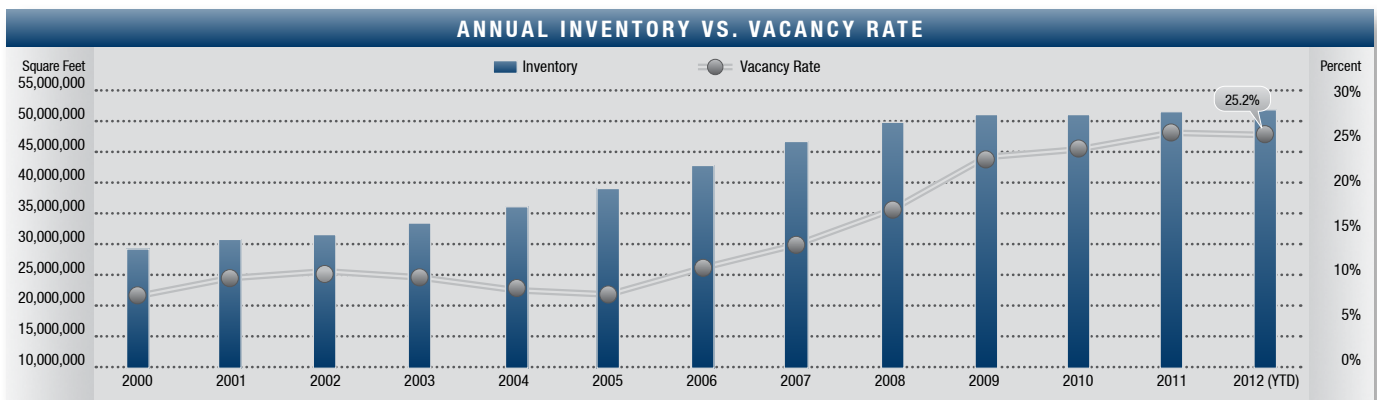
OFFICE MARKET OVERVIEW

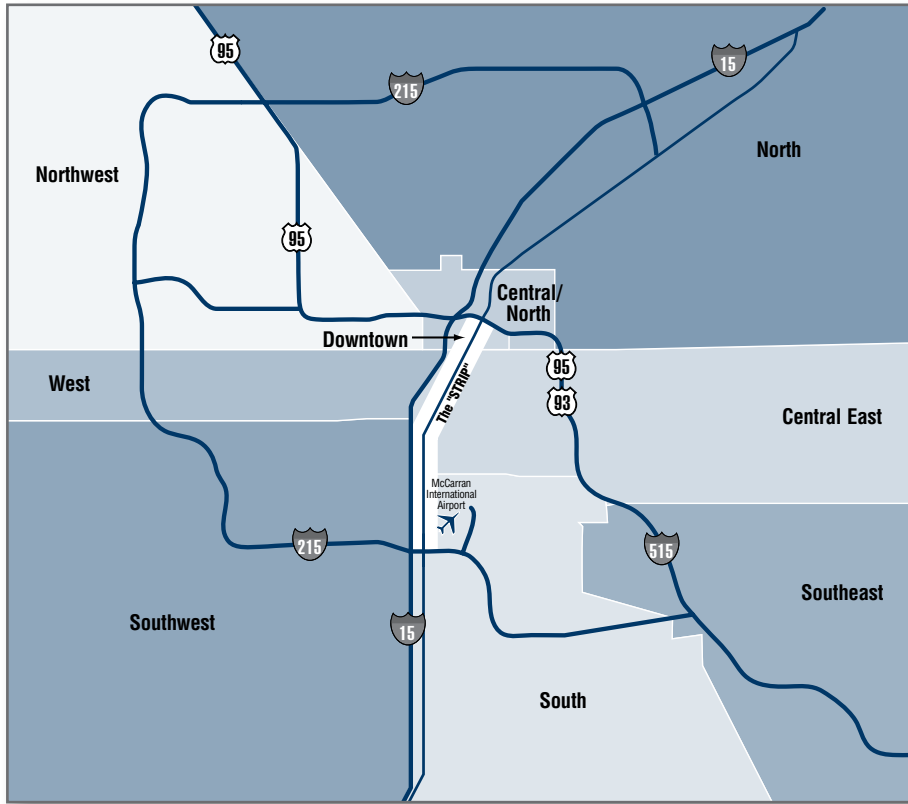
	Q1 2012	Q4 2011	Q1 2011	Q1 2012 vs. Q1 2011
Under Construction	217,000	527,000	1,124,000	(80.7%)
Planned Construction	2,498,000	2,640,000	2,764,000	(9.6%)
Vacancy	25.2%	25.2%	23.7%	6.4%
Net Absorption	208,000	66,000	(8,000)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2012	Net Absorption Q1 2012	Net Absorption 2011	New Inventory Q1 2012	New Inventory 2011
Northwest										
Class A	25	2,083,331	–	115,000	708,159	34.0%	29,813	55,124	–	145,000
Class B	211	5,342,680	–	240,519	1,446,029	27.1%	30,627	(249,160)	–	–
Class C	25	518,684	–	–	180,575	34.8%	7,808	(29,969)	–	–
Northwest Total	261	7,944,695	–	355,519	2,334,763	29.4%	68,248	(224,005)	–	145,000
Downtown										
Class A	9	2,002,502	8,909	–	90,549	4.5%	314,026	16,604	310,000	–
Class B	18	936,513	–	–	158,423	16.9%	38,483	(16,328)	–	–
Class C	50	1,068,900	–	–	86,855	8.1%	(2,592)	(21,832)	–	–
Downtown Total	77	4,007,915	8,909	–	335,827	8.4%	349,917	(21,556)	310,000	–
Central East										
Class A	13	1,491,632	–	173,210	271,694	18.2%	2,088	55,751	–	–
Class B	49	1,849,912	–	–	515,599	27.9%	1,512	(74,029)	–	–
Class C	121	3,730,799	–	–	988,530	26.5%	(38,523)	(33,269)	–	–
Central East Total	183	7,072,343	–	173,210	1,775,823	25.1%	(34,923)	(51,547)	–	–
West										
Class A	8	1,215,077	–	200,000	175,272	14.4%	(99,707)	14,869	–	–
Class B	201	4,300,665	–	–	922,625	21.5%	9,765	12,665	–	–
Class C	83	1,851,250	–	–	485,079	26.2%	4,682	(25,594)	–	–
West Total	292	7,366,992	–	200,000	1,582,976	21.5%	(85,260)	1,940	–	–
Southwest										
Class A	15	1,137,426	–	346,628	349,978	30.8%	11,626	2,009	–	–
Class B	293	6,945,318	–	835,202	2,017,883	29.1%	1,332	(37,349)	–	–
Class C	35	774,933	–	–	153,241	19.8%	(24,198)	(5,985)	–	–
Southwest Total	343	8,857,677	–	1,181,830	2,521,102	28.5%	(11,240)	(41,325)	–	–
South										
Class A	24	2,014,711	–	–	688,502	34.2%	(30,526)	86,832	–	–
Class B	448	8,378,268	175,000	445,507	2,415,730	28.8%	(33,133)	(363,930)	–	27,761
Class C	36	514,757	–	–	202,397	39.3%	24,642	(44,601)	–	–
South Total	508	10,907,736	175,000	445,507	3,306,629	30.3%	(39,017)	(321,699)	–	27,761
Southeast										
Class A	3	265,015	–	–	193,954	73.2%	(6,688)	(8,756)	–	–
Class B	87	1,626,706	–	27,200	466,364	28.7%	(17,298)	(62,258)	–	8,155
Class C	22	257,737	–	–	96,254	37.3%	(12,839)	(26,243)	–	–
Southeast Total	112	2,149,458	–	27,200	756,572	35.2%	(36,825)	(97,257)	–	8,155
Central/North										
Class A	1	220,000	–	–	–	0.0%	–	–	–	–
Class B	15	1,016,611	33,000	–	21,282	2.1%	–	388,999	–	390,000
Class C	19	703,027	–	–	111,636	15.9%	1,188	(5,649)	–	–
Central/North Total	35	1,939,638	33,000	–	132,918	6.9%	1,188	383,350	–	390,000
North										
Class A	2	255,776	–	–	7,833	3.1%	–	222,581	–	210,400
Class B	70	1,224,505	–	115,213	321,614	26.3%	(3,943)	(15,787)	–	–
Class C	16	342,658	–	–	46,481	13.6%	–	(9,620)	–	–
North Total	88	1,822,939	–	115,213	375,928	20.6%	(3,943)	197,174	–	210,400
Las Vegas Total										
Class A	100	10,685,470	8,909	834,838	2,485,941	23.3%	220,632	445,014	310,000	355,400
Class B	1,392	31,621,178	208,000	1,663,641	8,285,549	26.2%	27,345	(417,177)	–	425,916
Class C	407	9,762,745	–	–	2,351,048	24.1%	(39,832)	(202,762)	–	–
Las Vegas Total	1,899	52,069,393	216,909	2,498,479	13,122,538	25.2%	208,145	(174,925)	310,000	781,316

Note: Planned inventory includes projects that previously commenced construction but are not actively underway.





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