

Office Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Construction



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Market Highlights

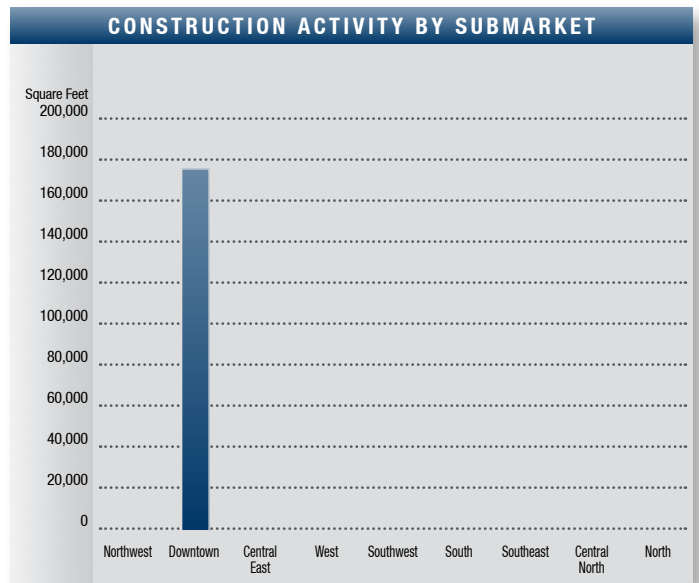
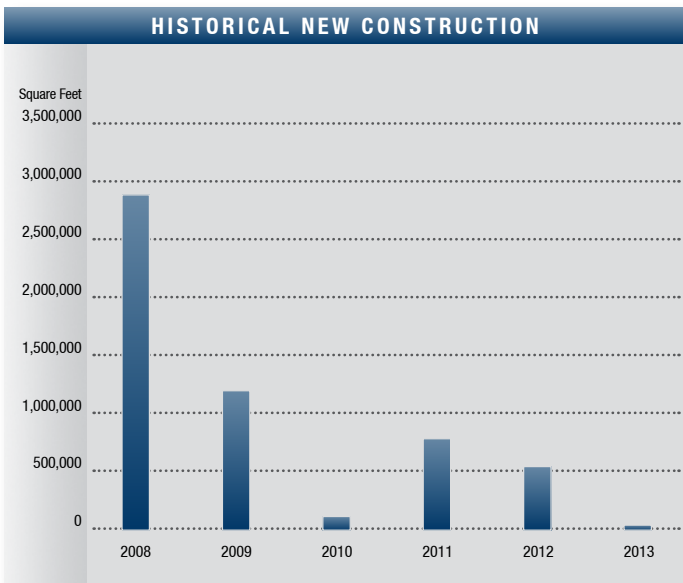
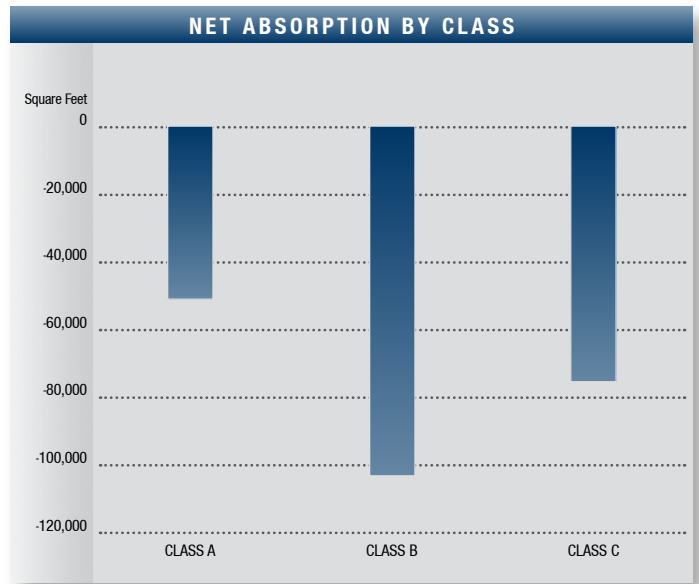
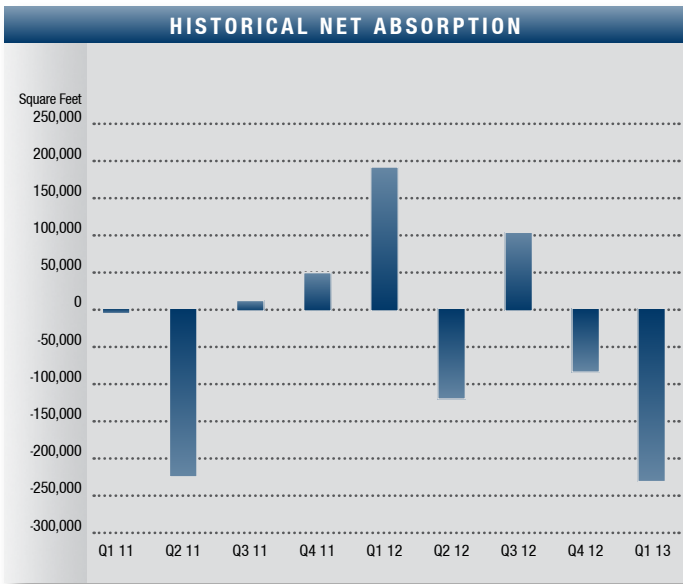
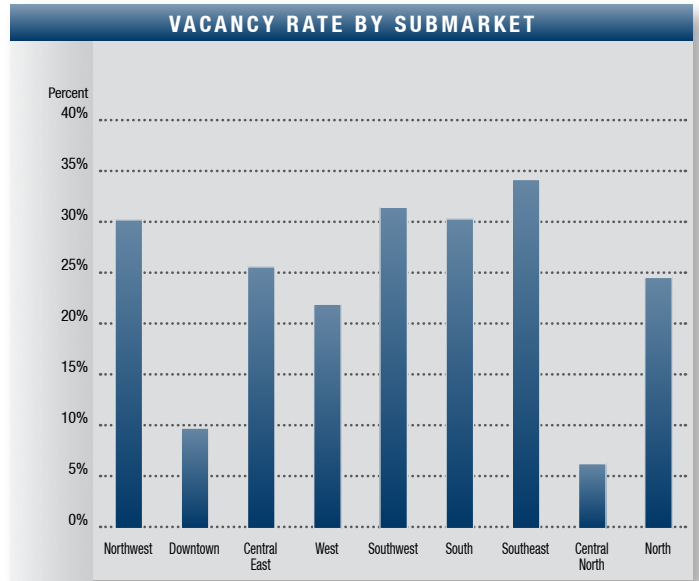
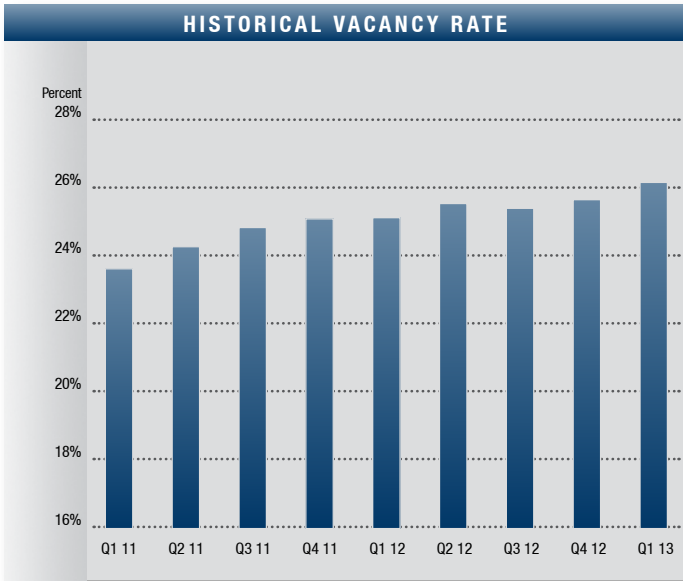
- Market Overview** – The office market vacancy rate jumped to a record high of 26.2 percent during the first quarter of 2013. Vacancies are up 50 basis points (0.5 percent) from the previous quarter (Q4 2012) and up 110 basis points (1.1 percent) from a year ago (Q1 2012).
- Inventory** – The new facility for the Legal Aid Center of Southern Nevada located at 725 East Charleston Boulevard completed construction during the quarter. The latest completion added 35,000 square feet to the market, bringing total inventory to 52.7 million square feet.
- Demand** – The sector reported approximately 229,500 square feet of negative net absorption in the first quarter of the year, with the southwest submarket reporting the greatest net move-outs of 157,600 square feet. The Nevada Cancer Institute substantially ceased operations during the first quarter and vacated its 143,000-square-foot building at the northeast corner of Interstate 215 and Town Center Drive. In addition, the University of Phoenix vacated approximately 40,300 square feet at Longford Medical Center on the southeast corner of Washington Avenue and Buffalo Drive.
- Future Supply** – With no new projects starting construction during the first quarter, development activity declined to 175,000 square feet. Construction is sourced to two projects downtown, including the 129,000-square-foot Federal Justice Tower at the southeast corner of Las Vegas Boulevard and

Clark Avenue and the 46,000-square-foot Robert T. Eglet Advocacy Center at the southwest corner of Bridger Avenue and 7th Street. Approximately 2.5 million square feet remain planned or stalled, with relatively few completions expected in the near term.

- Economic Considerations** – The national economic recovery continued to slow in recent months while local growth has been modest and measured. National real gross domestic product (GDP) for the fourth quarter of 2012 (latest available) reported an annual growth rate of just 0.4 percent. Consumer confidence fell to 59.7 in March of 2013, down 14.1 percent compared to a year ago, while expectations declined an even more dramatic 26.2 percent to 60.9. In addition, while the national unemployment rate fell to 7.6 percent in March, just 88,000 jobs were added to the market. In Las Vegas, employment expanded by 2.0 percent year-over-year in February, and the local unemployment rate dropped significantly to 9.8 percent (down from 12.1 percent).
- Looking Forward** – While demand weakened dramatically, it is important to note that the latest performance is primarily due to two significant move-outs. Without these, net absorption would have been negative 46,200 square feet, and the vacancy rate would have increased a more modest 10 basis points (0.1 percent) quarter-over-quarter to 25.8 percent. The latest quarter demonstrates that the sector remains fragile as professional and business service employment has moderated; we remain cautiously optimistic about the near-to-mid-term outlook.

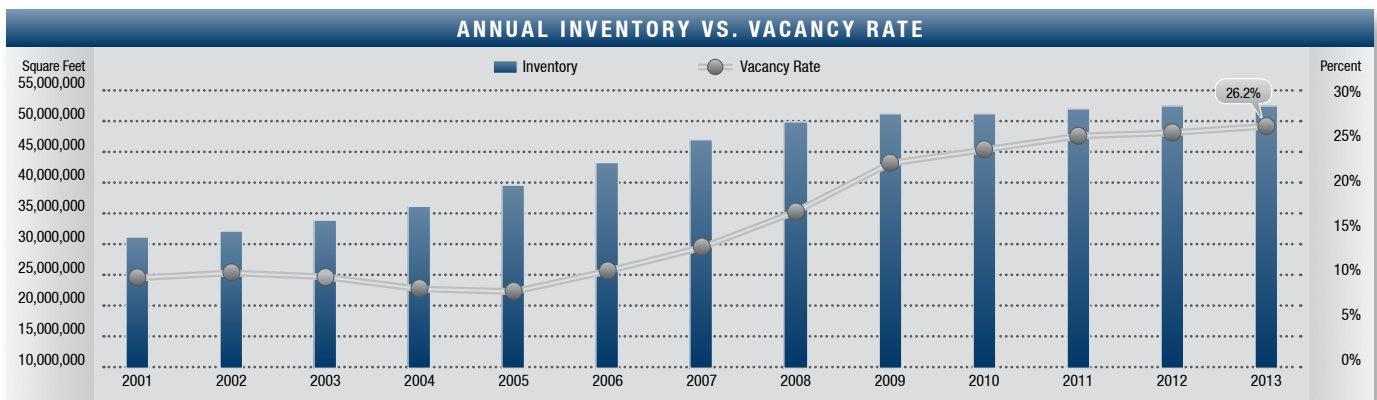
OFFICE MARKET OVERVIEW

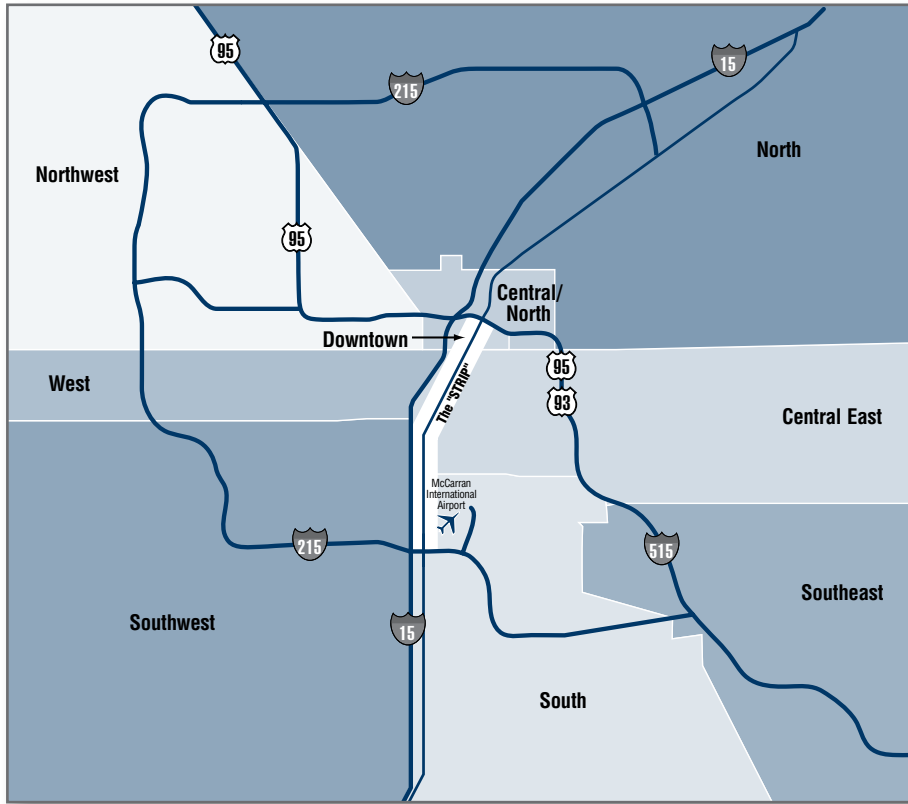
| | Q1 2013 | Q4 2012 | Q1 2012 | Q1 2013 vs. Q1 2012 |
|----------------------|-----------|-----------|-----------|---------------------|
| Under Construction | 175,000 | 210,000 | 324,692 | (46.1%) |
| Planned Construction | 2,468,233 | 2,468,233 | 2,542,479 | (2.9%) |
| Vacancy | 26.2% | 25.7% | 25.1% | 1.1% |
| Net Absorption | (229,536) | (84,956) | 192,374 | 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 2013 | Net Absorption Q1 2013 | Net Absorption 2012 | New Inventory Q1 2013 | New Inventory 2012 |
| Northwest | | | | | | | | | | |
| Class A | 25 | 2,087,034 | 0 | 115,000 | 803,562 | 38.5% | (56,450) | (9,140) | 0 | 0 |
| Class B | 211 | 5,497,094 | 0 | 240,519 | 1,476,987 | 26.9% | (9,506) | 34,940 | 0 | 0 |
| Class C | 25 | 518,684 | 0 | 0 | 167,295 | 32.3% | 3,138 | 17,950 | 0 | 0 |
| Northwest Total | 261 | 8,102,812 | 0 | 355,519 | 2,447,844 | 30.2% | (62,818) | 43,750 | 0 | 0 |
| Downtown | | | | | | | | | | |
| Class A | 10 | 2,037,502 | 175,000 | 0 | 129,217 | 6.3% | 32,744 | 277,614 | 35,000 | 310,000 |
| Class B | 18 | 936,513 | 0 | 0 | 134,088 | 14.3% | 25,035 | 37,783 | 0 | 0 |
| Class C | 50 | 1,068,900 | 0 | 0 | 123,635 | 11.6% | (27,741) | (11,631) | 0 | 0 |
| Downtown Total | 78 | 4,042,915 | 175,000 | 0 | 386,940 | 9.6% | 30,038 | 303,766 | 35,000 | 310,000 |
| Central East | | | | | | | | | | |
| Class A | 13 | 1,491,632 | 0 | 173,210 | 286,788 | 19.2% | 10,728 | (23,734) | 0 | 0 |
| Class B | 49 | 1,849,912 | 0 | 0 | 539,863 | 29.2% | (21,679) | (15,425) | 0 | 0 |
| Class C | 121 | 3,730,799 | 0 | 0 | 974,820 | 26.1% | (27,851) | (3,697) | 0 | 0 |
| Central East Total | 183 | 7,072,343 | 0 | 173,210 | 1,801,471 | 25.5% | (38,802) | (42,856) | 0 | 0 |
| West | | | | | | | | | | |
| Class A | 8 | 1,215,077 | 0 | 200,000 | 172,471 | 14.2% | 4,163 | (101,069) | 0 | 0 |
| Class B | 201 | 4,300,665 | 0 | 0 | 934,623 | 21.7% | 8,625 | (19,564) | 0 | 0 |
| Class C | 83 | 1,851,250 | 0 | 0 | 504,144 | 27.2% | (3,218) | (11,165) | 0 | 0 |
| West Total | 292 | 7,366,992 | 0 | 200,000 | 1,611,238 | 21.9% | 9,570 | (131,798) | 0 | 0 |
| Southwest | | | | | | | | | | |
| Class A | 15 | 1,137,426 | 0 | 346,628 | 286,438 | 25.2% | 5,361 | 69,805 | 0 | 0 |
| Class B | 295 | 7,132,785 | 0 | 760,956 | 2,373,415 | 33.3% | (162,594) | (75,851) | 0 | 74,246 |
| Class C | 35 | 774,933 | 0 | 0 | 187,965 | 24.3% | (345) | (60,627) | 0 | 0 |
| Southwest Total | 345 | 9,045,144 | 0 | 1,107,584 | 2,847,818 | 31.5% | (157,578) | (66,673) | 0 | 74,246 |
| South | | | | | | | | | | |
| Class A | 24 | 2,014,711 | 0 | 0 | 694,441 | 34.5% | (47,430) | 18,828 | 0 | 0 |
| Class B | 451 | 8,528,660 | 0 | 489,507 | 2,449,812 | 28.7% | 72,075 | (8,032) | 0 | 127,692 |
| Class C | 36 | 519,256 | 0 | 0 | 219,865 | 42.3% | (6,649) | 13,823 | 0 | 0 |
| South Total | 511 | 11,062,627 | 0 | 489,507 | 3,364,118 | 30.4% | 17,996 | 24,619 | 0 | 127,692 |
| Southeast | | | | | | | | | | |
| Class A | 3 | 265,015 | 0 | 0 | 189,981 | 71.7% | 0 | (2,715) | 0 | 0 |
| Class B | 87 | 1,626,706 | 0 | 27,200 | 432,158 | 26.6% | 7,821 | (10,269) | 0 | 0 |
| Class C | 22 | 257,737 | 0 | 0 | 113,655 | 44.1% | (15,380) | (14,860) | 0 | 0 |
| Southeast Total | 112 | 2,149,458 | 0 | 27,200 | 735,794 | 34.2% | (7,559) | (27,844) | 0 | 0 |
| Central/North | | | | | | | | | | |
| Class A | 1 | 220,000 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 |
| Class B | 16 | 1,049,611 | 0 | 0 | 24,714 | 2.4% | (4,380) | 33,948 | 0 | 33,000 |
| Class C | 19 | 703,027 | 0 | 0 | 96,194 | 13.7% | 2,400 | 14,230 | 0 | 0 |
| Central/North Total | 36 | 1,972,638 | 0 | 0 | 120,908 | 6.1% | (1,980) | 48,178 | 0 | 33,000 |
| North | | | | | | | | | | |
| Class A | 2 | 255,776 | 0 | 0 | 28,058 | 11.0% | 0 | (20,225) | 0 | 0 |
| Class B | 70 | 1,224,505 | 0 | 115,213 | 360,615 | 29.4% | (18,403) | (16,760) | 0 | 0 |
| Class C | 16 | 357,745 | 0 | 0 | 64,499 | 18.0% | 0 | (18,018) | 0 | 0 |
| North Total | 88 | 1,838,026 | 0 | 115,213 | 453,172 | 24.7% | (18,403) | (55,003) | 0 | 0 |
| Las Vegas Total | | | | | | | | | | |
| Class A | 101 | 10,724,173 | 175,000 | 834,838 | 2,590,956 | 24.2% | (50,884) | 209,364 | 35,000 | 310,000 |
| Class B | 1,398 | 32,146,451 | 0 | 1,633,395 | 8,726,275 | 27.1% | (103,006) | (39,230) | 0 | 234,938 |
| Class C | 407 | 9,782,331 | 0 | 0 | 2,452,072 | 25.1% | (75,646) | (73,995) | 0 | 0 |
| Las Vegas Total | 1,906 | 52,652,955 | 175,000 | 2,468,233 | 13,769,303 | 26.2% | (229,536) | 96,139 | 35,000 | 544,938 |

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





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