



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy



Net Absorption

NEGATIVE



Lease Rates



Deliveries



To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr.

Vice President of Market Research

e-mail: jholdner@voitco.com

HIGHLIGHTS

- **Market Overview** - Demand for Las Vegas office space stalled in the first quarter of 2014 as the market reported a vacancy rate of 25.8%. Compared to the prior quarter (Q4 2013), vacancies increased 30 basis points (0.3 percentage points). However, they were down 40 basis points (0.4 percentage points) compared to the previous year.
- **Inventory** - The Robert T. Egle Advocacy Center completed construction in Downtown Las Vegas during the first quarter of 2014 and added 46,000 square feet to the market, which brought total inventory to 52.8 million square feet valley-wide. Completions remained somewhat limited with only three new projects completing construction since the first quarter of 2013 (totaling 126,700 square feet).
- **Demand** - After reporting three consecutive quarters of positive net absorption in 2013 and an annual total of 189,700 square feet of net move-ins, office demand weakened in the beginning of 2014. Approximately 145,400 square feet of negative net absorption was reported during the period. However, the first quarter was still an improvement over the 241,300 square feet of net move-outs witnessed in the first quarter of 2013. During the first quarter, Las Vegas Urban League leased 18,100 square feet in the Cheyenne Technology Center in North Las Vegas, while Resort Com leased 6,800 square feet in Hughes Airport Center.
- **Future Supply** - Despite recent softness, construction activity picked up with 747,000 square feet actively under development by the end of the first quarter of 2014. The second phase office space in Tivoli Village at Queensridge (68,000 square feet), Federal Justice Tower (129,000 square feet) and Shops at Summerlin office space (200,000 square feet) continued to make progress. In addition, construction resumed on the 200,000-square-foot of office space at the former Manhattan West project (now The Gramercy) at the southwest corner of I-215 and Russell Road.
- **Economic Considerations** - In February 2014 (latest available data), the southern Nevada economy reported an annual gain of 27,900 jobs. Sectors reporting the most substantial growth included retail (+7,100 jobs), leisure and hospitality (+7,000 jobs), professional and business services (+5,900 jobs) and education and health services (+2,400 jobs). In addition, one of the hardest hit sectors during the recession, construction, witnessed a year-over-year increase of 1,200 jobs in the latest period, as residential construction and commercial investments throughout the valley picked up.
- **Overall** - While the office market reported a slight uptick in vacancy rate during the first quarter of the year, the period of runaway vacancy rates appears to have ended. The sector's performance in recent quarters has been encouraging, but a consistent pace of demand will be required before there is any meaningful decline in vacancy rate.

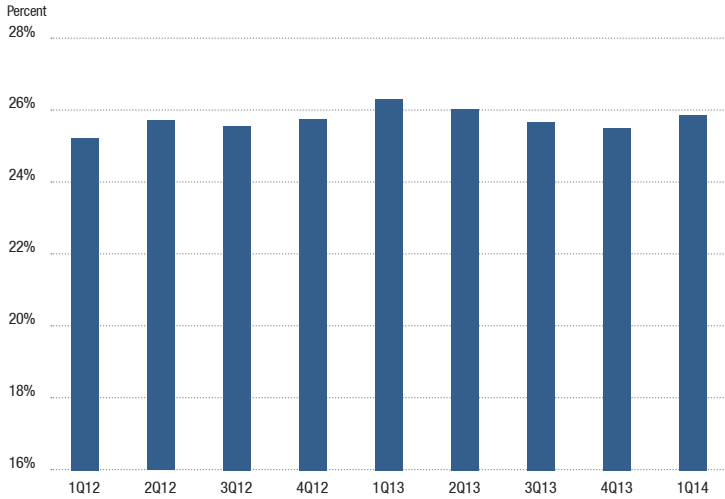
FORECAST

- **Employment** - Annual gains in the employment sector are expected to continue in 2014, particularly in the retail trade, leisure and hospitality and education and health services sectors.
- **Construction** - Office construction activity is expected to moderate through the balance of 2014 as excess capacity persists in the market.
- **Vacancy** - Assuming an improving demand profile for the remainder of the year, the year-end vacancy rate is expected to be lower than where it started.

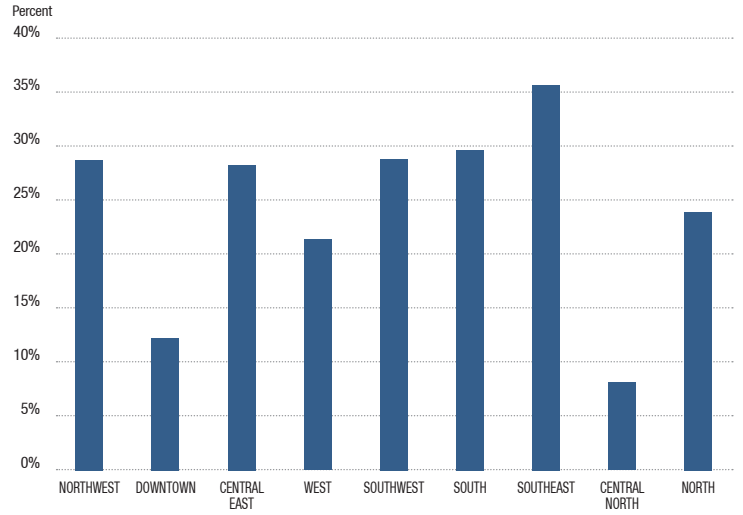
OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Under Construction	747,000	443,000	175,000	326.9%
Planned Construction	1,991,005	2,241,005	2,558,973	(22.2%)
Vacancy	25.8%	25.5%	26.2%	(0.4%)
Net Absorption	(145,440)	122,548	(241,348)	N/A

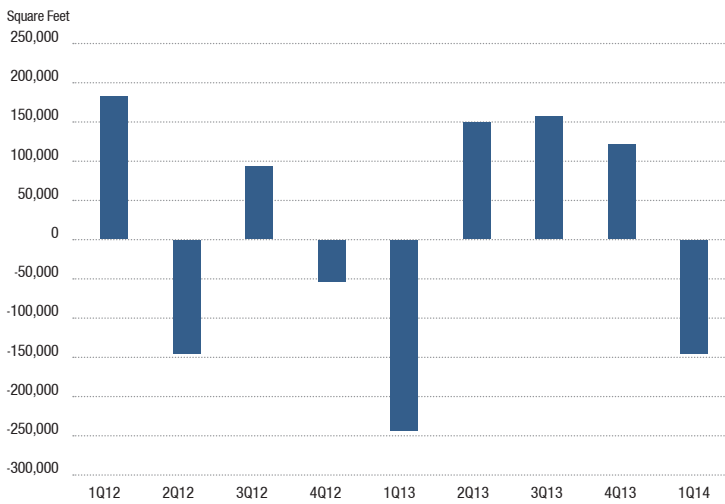
HISTORICAL VACANCY RATE



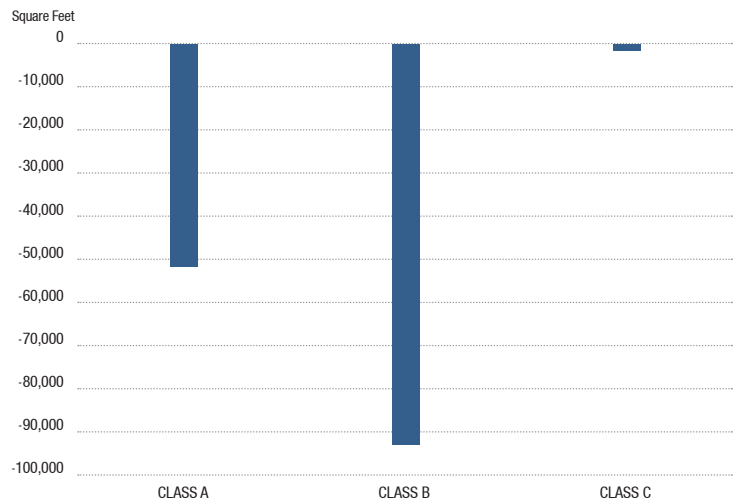
VACANCY RATE BY SUBMARKET



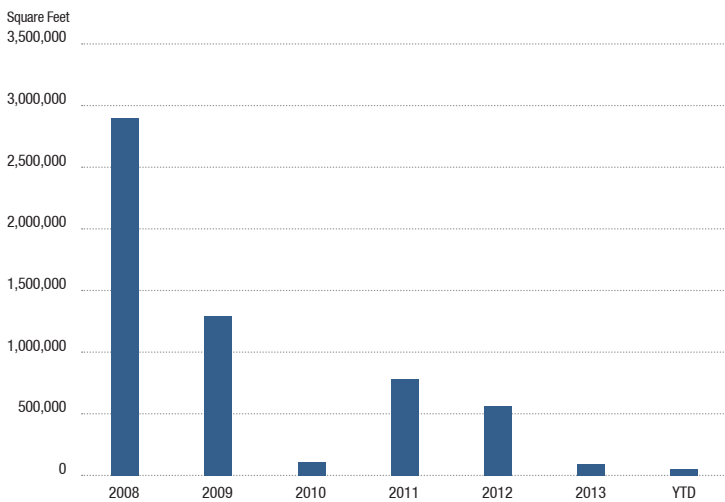
HISTORICAL NET ABSORPTION



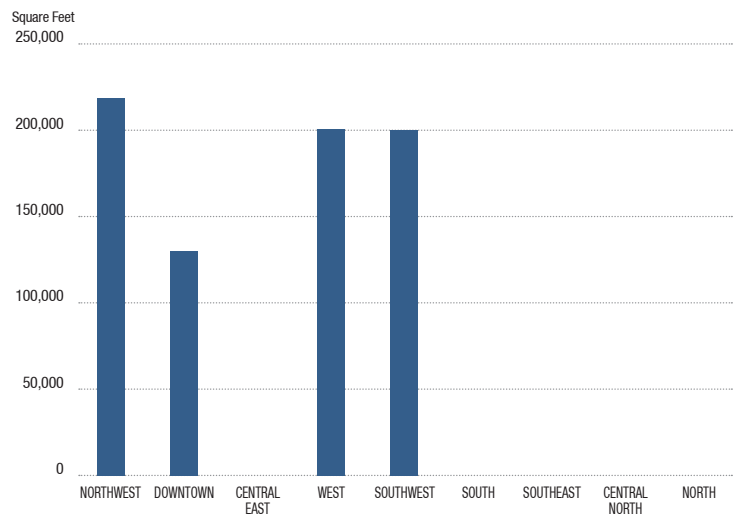
NET ABSORPTION BY CLASS



ANNUAL NEW DELIVERIES



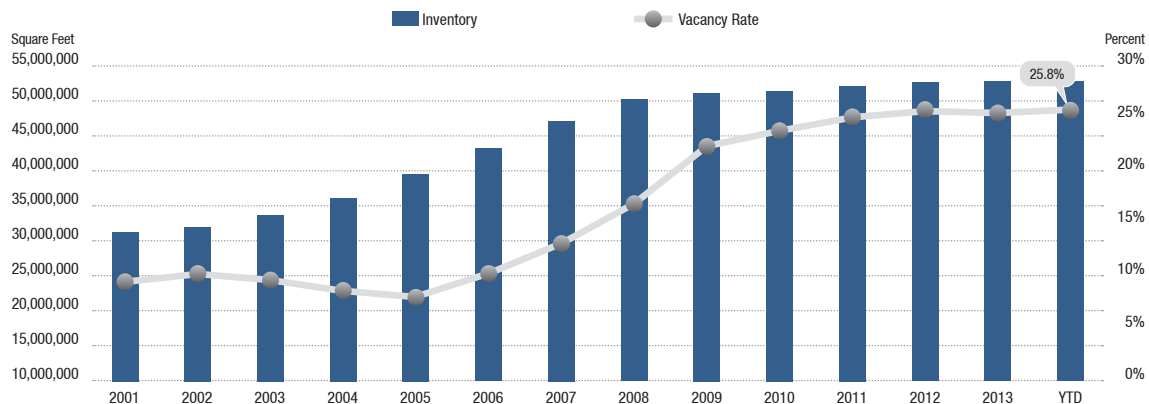
CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Net Absorption 1Q2014	Net Absorption 2013	New Inventory 1Q2014	New Inventory 2013
Northwest										
Class A	25	2,077,748	68,000	0	817,403	39.3%	(8,253)	(18,869)	0	0
Class B	210	5,323,725	150,000	101,599	1,281,403	24.1%	87,940	72,697	0	0
Class C	25	518,684	0	0	167,529	32.3%	(1,840)	4,744	0	0
Northwest Total	260	7,920,157	218,000	101,599	2,266,335	28.6%	77,847	58,572	0	0
Downtown										
Class A	12	2,353,502	129,000	100,000	146,891	6.2%	43,634	17,436	46,000	35,000
Class B	19	946,341	0	0	204,180	21.6%	(15,526)	22,130	0	0
Class C	50	809,900	0	0	141,711	17.5%	(1,840)	(32,977)	0	0
Downtown Total	81	4,109,743	129,000	100,000	492,782	12.0%	26,268	6,589	46,000	35,000
Central East										
Class A	13	1,491,632	0	173,210	354,966	23.8%	(75,877)	9,048	0	0
Class B	49	1,849,912	0	0	537,481	29.1%	596	(19,893)	0	0
Class C	121	3,730,799	0	0	1,109,057	29.7%	(20,731)	(145,898)	0	0
Central East Total	183	7,072,343	0	173,210	2,001,504	28.3%	(96,012)	(156,743)	0	0
West										
Class A	8	1,215,077	200,000	0	174,587	14.4%	2,122	9,170	0	0
Class B	201	4,300,665	0	0	875,929	20.4%	2,240	86,633	0	0
Class C	83	1,851,250	0	0	519,164	28.0%	(8,572)	(9,666)	0	0
West Total	292	7,366,992	200,000	0	1,569,680	21.3%	(4,210)	86,137	0	0
Southwest										
Class A	15	1,137,426	200,000	271,628	307,036	27.0%	5,100	54	0	0
Class B	295	7,136,008	0	756,648	2,072,907	29.0%	(63,030)	117,475	0	0
Class C	35	785,315	0	0	210,182	26.8%	(2,783)	(3,597)	0	0
Southwest Total	345	9,058,749	200,000	1,028,276	2,590,125	28.6%	(60,713)	113,932	0	0
South										
Class A	24	2,014,711	0	0	600,690	29.8%	(18,215)	12,921	0	0
Class B	454	8,606,659	0	445,507	2,471,259	28.7%	(103,597)	111,823	0	45,660
Class C	40	692,557	0	0	285,642	41.2%	193	23,071	0	0
South Total	518	11,313,927	0	445,507	3,357,591	29.7%	(121,619)	147,815	0	45,660
Southeast										
Class A	3	265,015	0	0	189,981	71.7%	0	0	0	0
Class B	88	1,633,707	0	27,200	478,614	29.3%	(17,371)	(31,711)	0	0
Class C	22	257,737	0	0	97,507	37.8%	15,058	(14,290)	0	0
Southeast Total	113	2,156,459	0	27,200	766,102	35.5%	(2,313)	(46,001)	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	25,154	2.4%	(2,207)	(2,613)	0	0
Class C	19	703,027	0	0	130,041	18.5%	19,375	(25,631)	0	0
Central/North Total	36	1,972,638	0	0	155,195	7.9%	17,168	(28,244)	0	0
North										
Class A	2	255,776	0	0	27,707	10.8%	0	351	0	0
Class B	70	1,224,505	0	115,213	345,041	28.2%	18,144	7,507	0	0
Class C	16	357,745	0	0	64,725	18.1%	0	(226)	0	0
North Total	88	1,838,026	0	115,213	437,473	23.8%	18,144	7,632	0	0
Las Vegas Total										
Class A	103	11,030,887	597,000	544,838	2,619,261	23.7%	(51,489)	30,111	46,000	35,000
Class B	1,402	32,071,133	150,000	1,446,167	8,291,968	25.9%	(92,811)	364,048	0	45,660
Class C	411	9,707,014	0	0	2,725,558	28.1%	(1,140)	(204,470)	0	0
Las Vegas Total	1,916	52,809,034	747,000	1,991,005	13,636,787	25.8%	(145,440)	189,689	46,000	80,660

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

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Class A

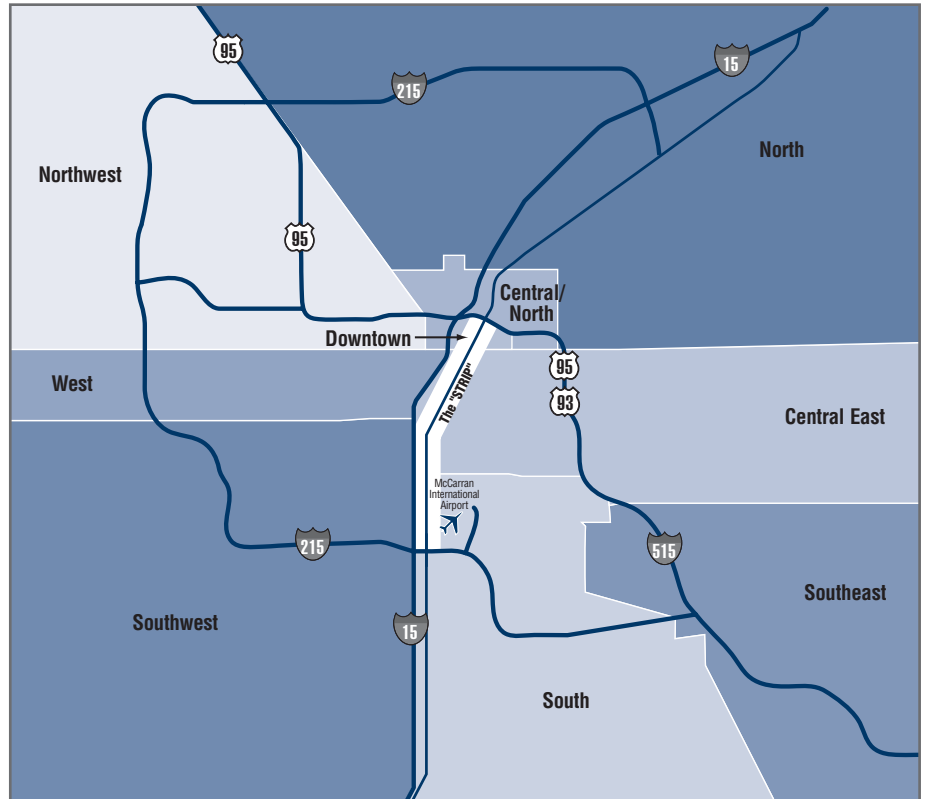
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

Class B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

Class C

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



Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA 714.978.7880	Irvine, CA 949.851.5100	Phoenix, AZ 602.952.8648	San Diego, CA 858.453.0505
Commerce, CA 323.558.5400	Las Vegas, NV 702.734.4500	Reno, NV 775.771.9955	San Jose, CA 408.885.9110
Inland Empire, CA 909.545.8000	Newport Beach, CA 949.644.8648	Sacramento, CA 916.772.8648	

**Real People.
Real Solutions.®**

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2014 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.

Represented in 150 Markets
Nationally & Internationally.

