



MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

DOWN



Deliveries

DOWN



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HIGHLIGHTS

- **Market Overview** – The Las Vegas office market reported a vacancy rate of 23.6 percent at the end of the first quarter of 2015, representing a decline of 10 basis points (0.1 percentage point) from the prior quarter (Q4 2014). Compared to a year ago (Q1 2014), the office market vacancy rate has declined 110 basis points (1.1 percentage points), and it is the lowest it has been in four years.
- **Demand** – The office market reported approximately 113,700 SF of positive net absorption in the first quarter, which compared favorably to the negative 83,800 SF of net absorption witnessed in the same quarter a year ago. During the quarter, the southwest submarket reported the strongest net absorption of positive 98,300 SF, which was partially attributable to pre-leased space in the third phase of Corporate Center at the Curve that completed during the quarter. The west submarket followed with roughly 85,400 SF of net move-ins, primarily due to demand for space at One Summerlin.
- **Inventory** – Two office projects completed construction during the first quarter, adding 69,000 SF to the market and bringing total inventory to 52.9 million SF. The 57,700 SF third phase of Corporate Center at the Curve completed construction on the northeast corner of Interstate-215 and Sunset Road. The partially pre-leased phase includes The ENT Surgery Center of Las Vegas, which is 12,000 SF. The 11,300 SF first phase of office space in Cadence in Henderson also completed construction during the quarter. A portion of the building will be used for the Cadence Home Finding Center.
- **Future Supply** – At the end of the first quarter, there was 232,700 SF actively under development throughout the valley. Projects include the 129,000 SF Federal Justice Tower, the 68,000 SF second phase of Tivoli Village at Queensridge and the 35,700 SF third phase of The Park at Spanish Ridge.
- **Economic Considerations** – In February 2015 (latest available data), the Las Vegas MSA reported annual job growth of 27,500 positions. The most notable gains were witnessed by the leisure and hospitality sector (+10,600 jobs) and the construction sector (+5,500 jobs). Other sectors reporting substantial year-over-year growth included professional and business services (+4,000 jobs), retail trade (+3,800 jobs) and education and health services (+1,700 jobs). Consumer spending continues to report dramatic gains as well. For the 12 months ending January 2015 (latest available data), taxable retail sales reached an all-time high of \$36.7 billion, which represents an increase of 9.3 percent from the prior 12-month period.
- **Overall** – The Las Vegas office market has reported positive net absorption for four consecutive quarters, and in the past year, the sector has witnessed nearly 1.0 million SF of net move-ins. While it will be some time before office market vacancies reach pre-recession levels, it is likely the vacancy rate will continue to decline throughout 2015.

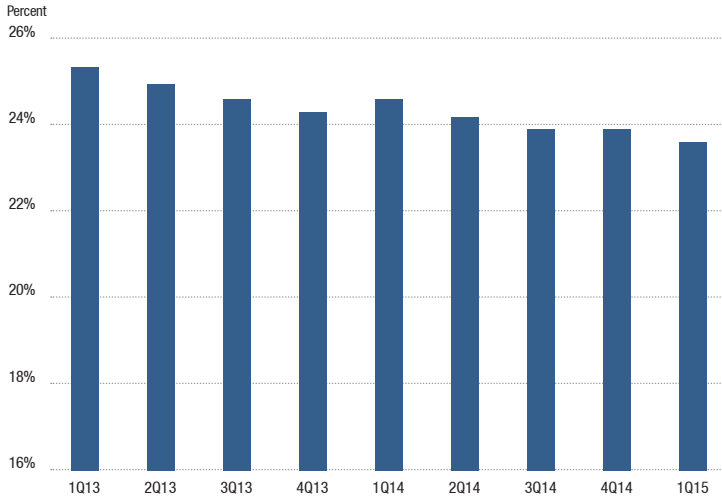
FORECAST

- **Employment** – Employment is expected to continue to report year-over-year gains, with significant improvements in the leisure and hospitality, construction and retail trade sectors.
- **Construction** – A limited number of new office projects are expected to hit the market in the coming year.
- **Vacancy** – The office market vacancy rate is expected to decline in 2015 as demand for professional office space follows employment growth within the sector.

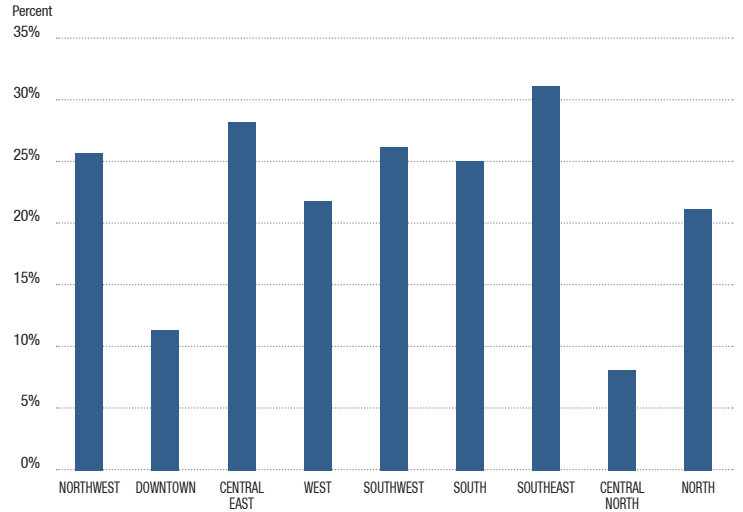
OVERVIEW

	1Q15	4Q14	1Q14	% Change vs. 1Q14
Under Construction	232,663	266,021	657,000	(64.6%)
Planned Construction	1,746,598	2,076,701	2,109,000	(17.2%)
Vacancy	23.6%	23.7%	24.7%	(1.1%)
Net Absorption	113,693	351,392	(83,769)	N/A

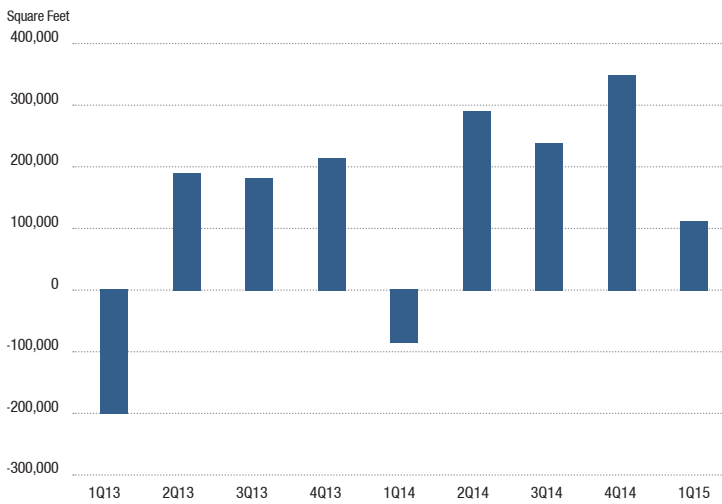
HISTORICAL VACANCY RATE



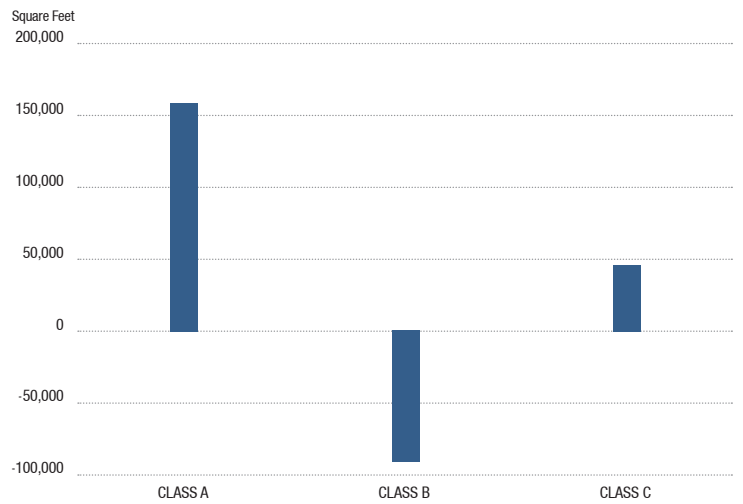
VACANCY RATE BY SUBMARKET



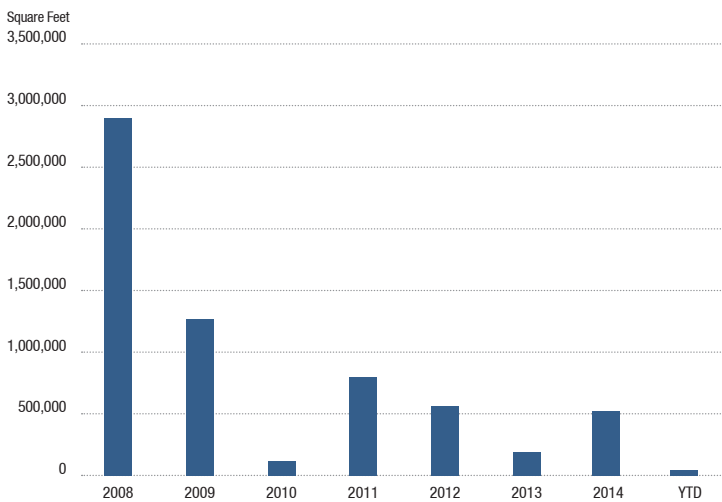
HISTORICAL NET ABSORPTION



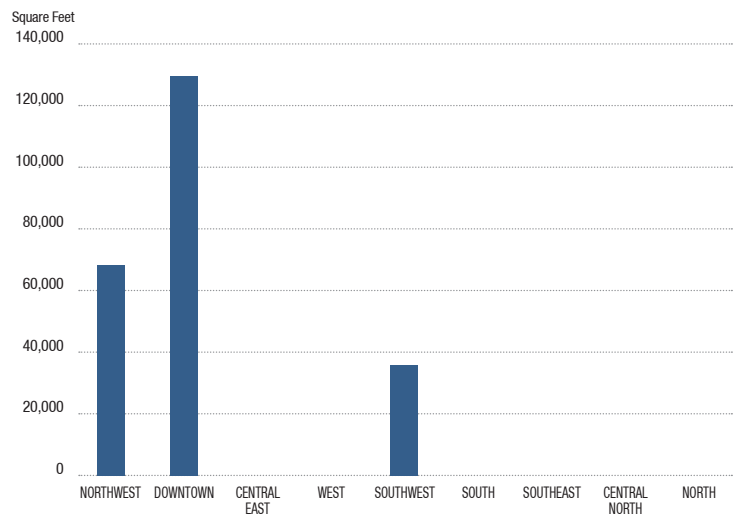
NET ABSORPTION BY CLASS



HISTORICAL NEW CONSTRUCTION



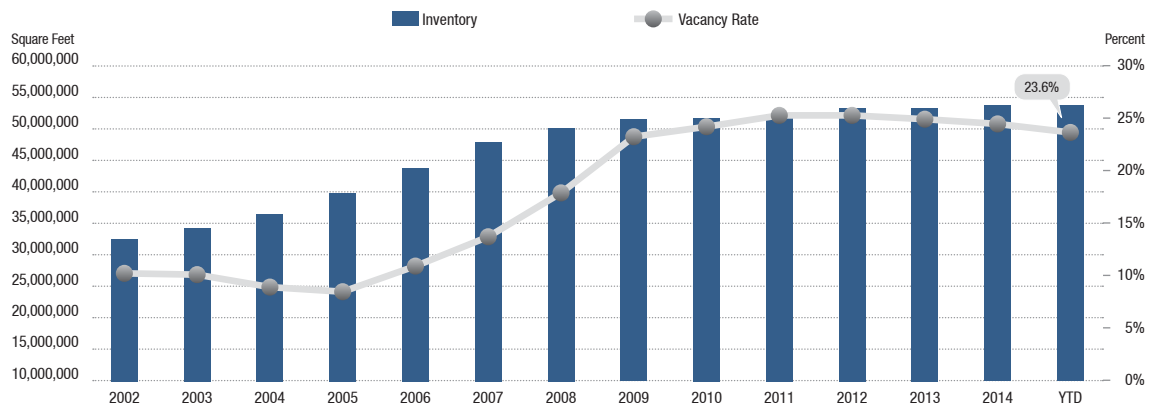
CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Net Absorption 1Q2015	Net Absorption 2014	New Inventory 1Q2015	New Inventory 2014
Northwest										
Class A	25	2,077,748	68,000	0	536,422	25.8%	(18,693)	223,693	0	0
Class B	211	5,383,725	0	191,599	1,352,287	25.1%	(42,541)	130,131	0	60,000
Class C	25	518,684	0	0	158,725	30.6%	6,559	405	0	0
Northwest Total	261	7,980,157	68,000	191,599	2,047,434	25.7%	(54,675)	354,229	0	60,000
Downtown										
Class A	12	2,353,502	129,000	100,000	111,711	4.7%	(12,903)	83,641	0	46,000
Class B	19	946,341	0	0	248,965	26.3%	(25,126)	(35,185)	0	0
Class C	49	771,206	0	0	113,688	14.7%	(9,353)	(558)	0	0
Downtown Total	80	4,071,049	129,000	100,000	474,364	11.7%	(47,382)	47,898	0	46,000
Central East										
Class A	11	1,388,884	0	173,210	312,698	22.5%	(4,616)	(46,480)	0	0
Class B	51	1,952,660	0	55,000	495,994	25.4%	21,290	24,703	0	0
Class C	121	3,730,799	0	0	1,113,962	29.9%	7,369	(40,873)	0	0
Central East Total	183	7,072,343	0	228,210	1,922,654	27.2%	24,043	(62,650)	0	0
West										
Class A	9	1,415,077	0	0	282,019	19.9%	47,860	46,830	0	200,000
Class B	200	4,276,865	0	0	880,255	20.6%	17,451	(25,200)	0	0
Class C	83	1,851,250	0	0	487,305	26.3%	20,070	(14,711)	0	0
West Total	292	7,543,192	0	0	1,649,579	21.9%	85,381	6,919	0	200,000
Southwest										
Class A	15	1,308,826	0	271,628	299,304	22.9%	16,192	196,640	0	200,000
Class B	293	7,039,528	35,663	610,704	1,902,912	27.0%	74,443	51,661	57,692	0
Class C	34	764,315	0	0	172,740	22.6%	7,696	5,963	0	0
Southwest Total	342	9,112,669	35,663	882,332	2,374,956	26.1%	98,331	254,264	57,692	200,000
South										
Class A	24	2,014,711	0	0	426,002	21.1%	104,761	(38,032)	0	0
Class B	453	8,454,415	0	176,044	2,067,933	24.5%	(173,343)	223,155	0	0
Class C	41	699,557	0	0	287,712	41.1%	(1,644)	(233)	0	0
South Total	518	11,168,683	0	176,044	2,781,647	24.9%	(70,226)	184,890	0	0
Southeast										
Class A	4	276,344	0	26,000	179,765	65.1%	24,447	(6,709)	11,329	0
Class B	89	1,656,760	0	27,200	418,973	25.3%	17,868	(61,016)	0	0
Class C	22	257,737	0	0	87,218	33.8%	2,982	18,642	0	0
Southeast Total	115	2,190,841	0	53,200	685,956	31.3%	45,297	(49,083)	11,329	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	24,313	2.3%	0	(1,366)	0	0
Class C	19	703,027	0	0	135,085	19.2%	5,320	22,704	0	0
Central/North Total	36	1,972,638	0	0	159,398	8.1%	5,320	21,338	0	0
North										
Class A	2	255,776	0	0	27,707	10.8%	0	0	0	0
Class B	69	1,208,505	0	115,213	293,154	24.3%	27,004	26,707	0	0
Class C	16	357,745	0	0	67,805	19.0%	600	(13,398)	0	0
North Total	87	1,822,026	0	115,213	388,666	21.3%	27,604	13,309	0	0
Las Vegas Total										
Class A	103	11,310,868	197,000	570,838	2,175,628	19.2%	157,048	459,583	11,329	446,000
Class B	1,401	31,968,410	35,663	1,175,760	7,684,786	24.0%	(82,954)	333,590	57,692	60,000
Class C	410	9,654,320	0	0	2,624,240	27.2%	39,599	(22,059)	0	0
Las Vegas Total	1,914	52,933,598	232,663	1,746,598	12,484,654	23.6%	113,693	771,114	69,021	506,000

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

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Class A

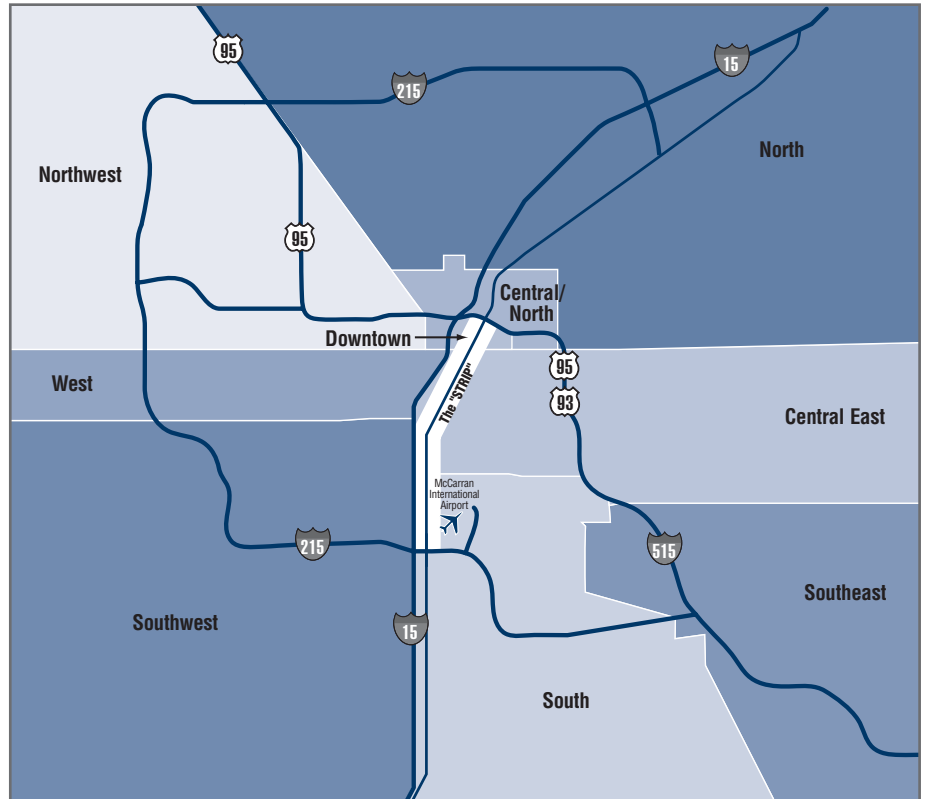
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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.



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