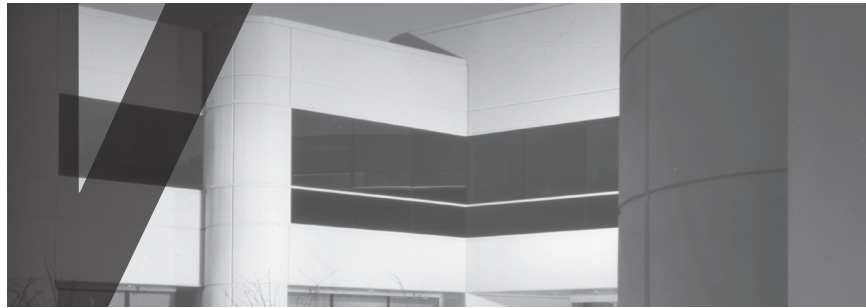




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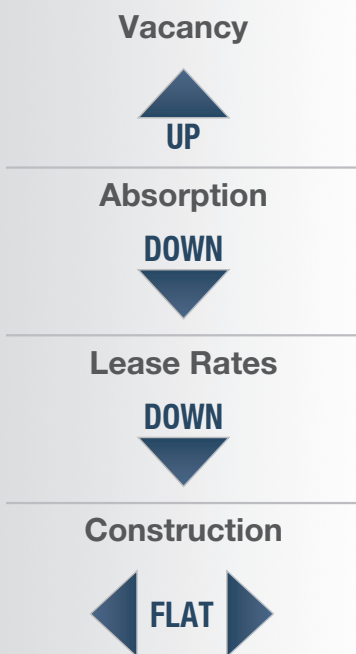
REAL ESTATE SERVICES

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Office Market Report

Compared to last quarter:



Market Highlights

- ◆ **Market Overview** - Conditions in the Las Vegas office market remain volatile as business activity continues to contract due to the lengthy downturn in the latest economic cycle. Upward movement in vacancies persisted during the second quarter of 2010 while pricing moved downward in response to market demand.
- ◆ **Inventory** - Inventory in the office market remained at 49.7 million square feet by the close of the second quarter as no new product entered the market. During the last 12 months, the market witnessed 478,300 square feet of new construction, which represented the lowest annual tally since the 1990s, suggesting the development community is responding to excess capacity in the market.
- ◆ **Demand** - During the quarter, the market reported 426,800 square feet of negative absorption, or net move-outs. The latest figure represents the third worst quarter in terms of net move-outs, behind only the second and first quarters of 2009. The market has witnessed seven consecutive quarters of negative net absorption pushing the amount of occupied space down to 37.7 million square feet or a level not seen since the fourth quarter of 2006. At the close of the quarter, vacancies reached 24.1 percent, which was up from 23.2 percent in the first quarter of 2010 and up from 21.8 percent one year ago.
- ◆ **Future Supply** - Looking forward, only a few buildings totaling 611,000 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 northwest portion of the valley, Class A office product located within the Tivoli Village mixed-use development is moving forward. Additional buildings in the Horizon Ridge Professional Park are underway and expected to complete construction later this year. Plans for another 2.5 million square feet are likely to remain on the drawing board until market conditions recover and vacancies decline significantly.

- ◆ **Economic Consideration** - In southern Nevada, the unemployment rate stands at 14.1 percent, higher than the 11.3 percent reported one year ago. During the past 12 months 30,700 jobs were lost; the largest losses stem from construction, which has shed 16,500 positions. While office-, industrial-, and retail-using employment all remain down, several sub-sectors including professional and business services and education and health services have picked up compared to a year ago. These sectors will likely play a larger role in recovery, as many jobs in construction and leisure and hospitality will not likely return in the near term.

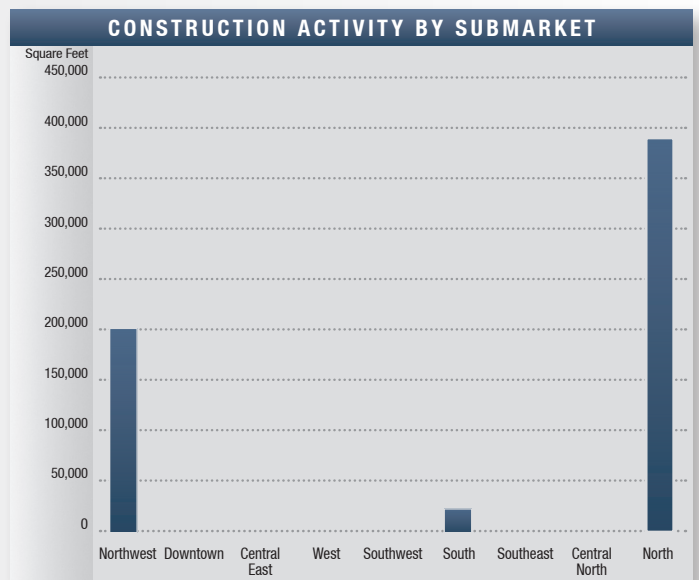
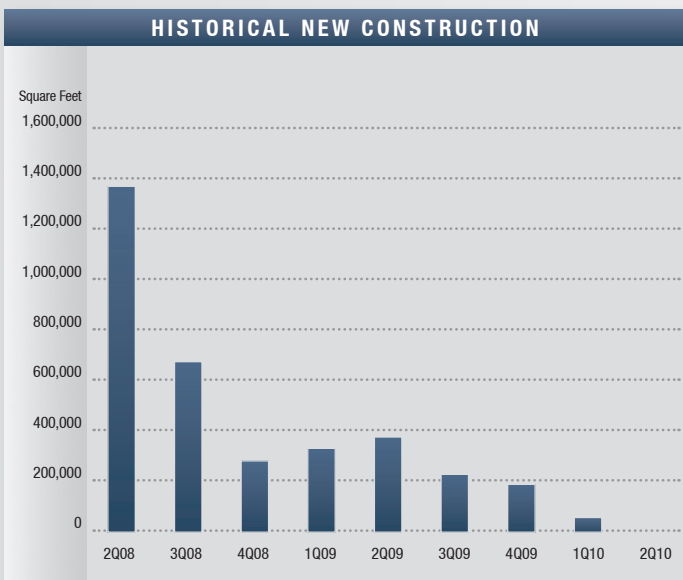
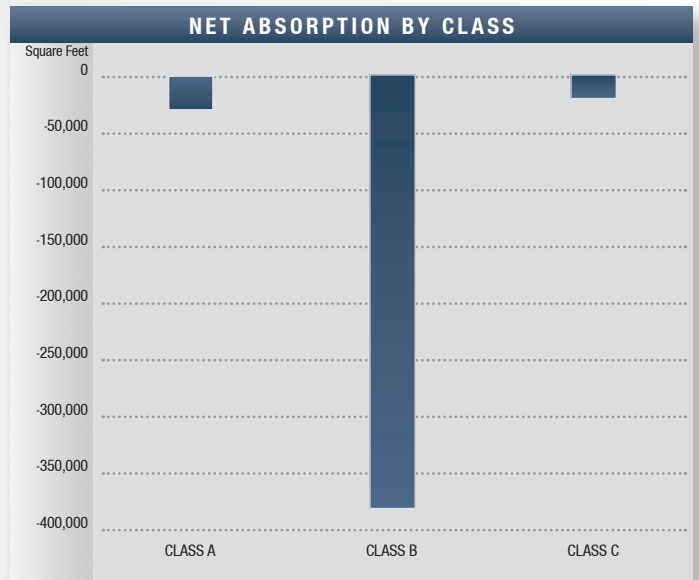
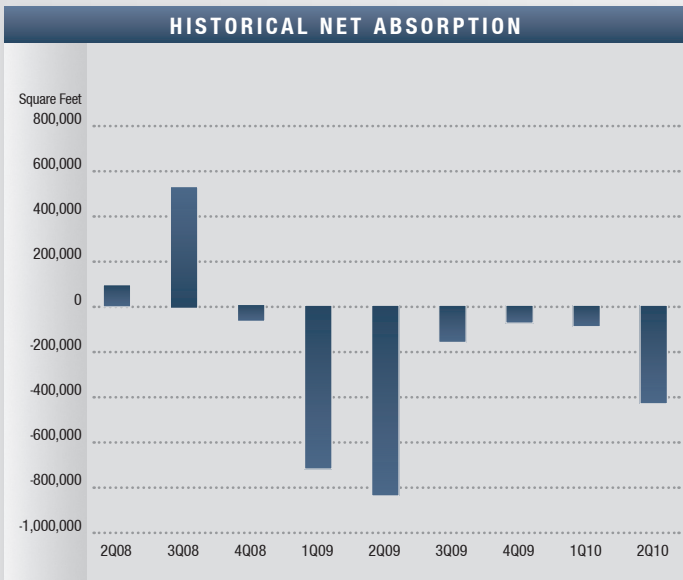
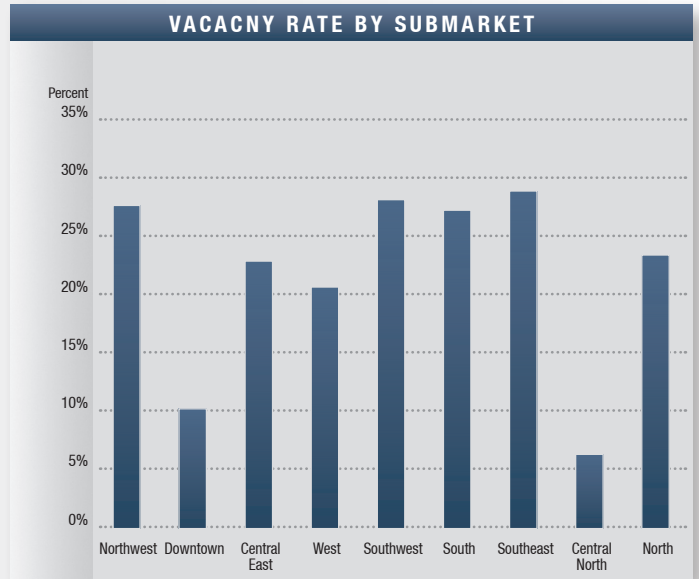
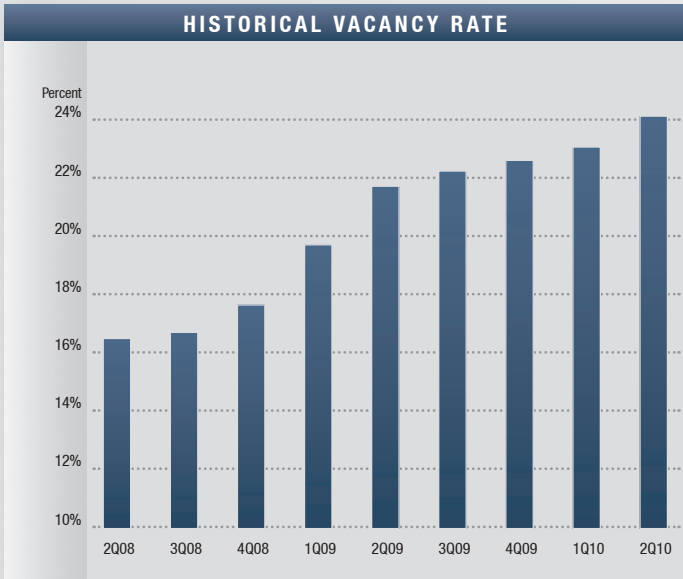
- ◆ **Looking Forward** - Price points in the Las Vegas office market have fallen to such low levels it has made it difficult for many property owners to compete with what little demand exists. With nearly a quarter of all office space vacant, the outlook on the office sector remains dim as a correction period will likely extend one to two times beyond the length of the downturn. For the balance of the year, it would not be unusual for vacancies to rise pushing effective prices further downward.

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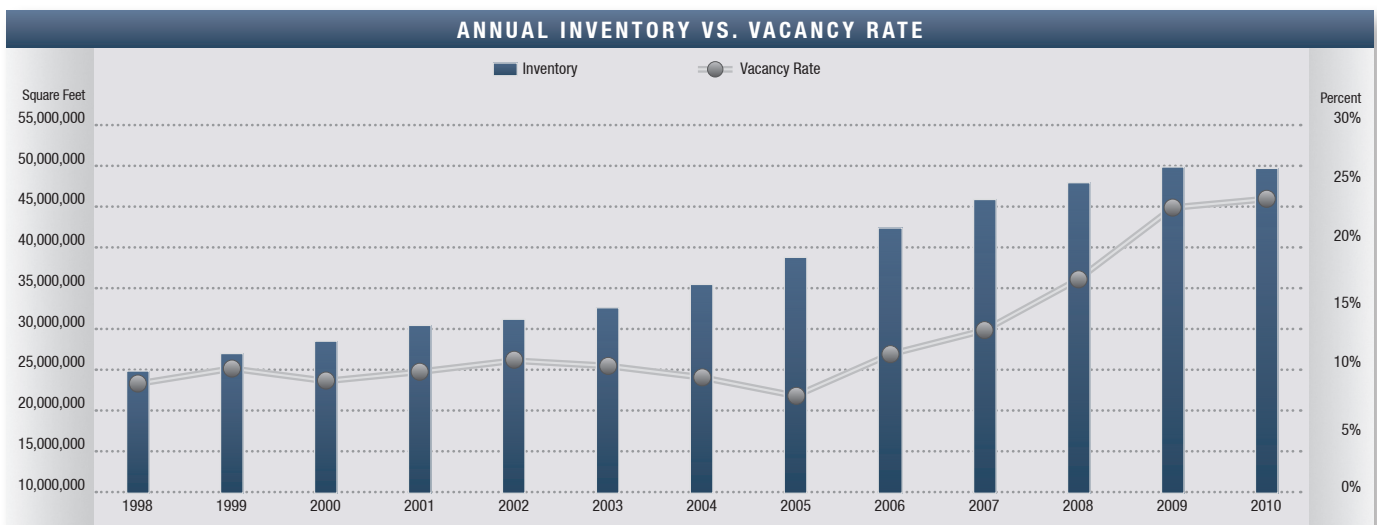
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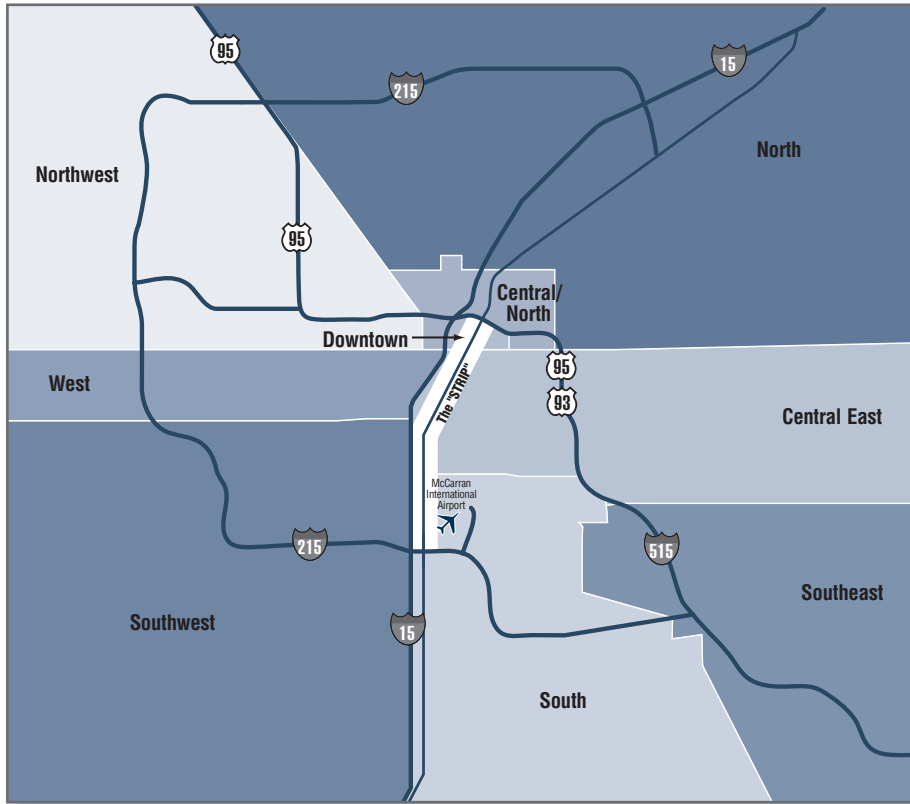
OFFICE MARKET OVERVIEW				
	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Under Construction	611,000	611,000	1,446,000	-57.75%
Planned Construction	2,475,000	2,892,000	3,587,000	-31.00%
Vacancy	24.1%	23.3%	21.9%	10.05%
Net Absorption	-427,000	-93,000	-820,000	N/A



	INVENTORY				VACANCY RATES		ABSORPTION	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2010	Net Absorption 2Q2010	New Inventory Q2 2010
Northwest								
Class A	24	1,938,331	200,000	–	623,990	32.2%	30,447	–
Class B	224	5,667,629	–	245,519	1,468,520	25.9%	(135,937)	–
Class C	9	162,002	–	–	29,734	18.4%	132	–
Northwest Total	257	7,767,962	200,000	245,519	2,122,244	27.3%	(105,358)	–
Downtown								
Class A	8	1,692,502	–	–	96,277	5.7%	(25,769)	–
Class B	40	1,103,119	–	–	190,173	17.2%	(7,349)	–
Class C	24	605,723	–	–	59,138	9.8%	–	–
Downtown Total	72	3,401,344	–	–	345,588	10.2%	(33,118)	–
Central East								
Class A	13	1,491,632	–	173,210	300,676	20.2%	(44,120)	–
Class B	107	3,974,849	–	–	1,003,548	25.2%	(86,873)	–
Class C	57	1,514,068	–	–	268,231	17.7%	15,949	–
Central East Total	177	6,980,549	–	173,210	1,572,455	22.5%	(115,044)	–
West								
Class A	7	975,077	–	200,000	89,541	9.2%	5,380	–
Class B	242	5,489,896	–	–	1,217,907	22.2%	(85,608)	–
Class C	38	599,923	–	–	143,182	23.9%	(37,054)	–
West Total	287	7,064,896	–	200,000	1,450,630	20.5%	(117,282)	–
Southwest								
Class A	14	1,039,530	–	346,628	400,556	38.5%	44,508	–
Class B	305	7,288,701	–	876,002	1,977,026	27.1%	(61,824)	–
Class C	20	334,783	–	–	79,764	23.8%	(2,232)	–
Southwest Total	339	8,663,014	–	1,222,630	2,457,346	28.4%	(19,548)	–
South								
Class A	23	1,964,711	–	–	746,221	38.0%	(30,231)	–
Class B	453	8,432,284	21,000	491,419	2,169,421	25.7%	9,022	–
Class C	17	139,712	–	–	22,817	16.3%	6,100	–
South Total	493	10,536,707	21,000	491,419	2,938,459	27.9%	(15,109)	–
Southeast								
Class A	3	265,015	–	–	178,510	67.4%	(5,953)	–
Class B	93	1,710,472	–	27,200	409,159	23.9%	6,117	–
Class C	12	123,737	–	–	19,836	16.0%	(728)	–
Southeast Total	108	2,099,224	–	27,200	607,505	28.9%	(564)	–
Central/North								
Class A	1	220,000	–	–	–	0.0%	–	–
Class B	24	961,583	390,000	–	46,169	4.8%	(1,096)	–
Class C	9	368,055	–	–	55,983	15.2%	(5,372)	–
Central/North Total	34	1,549,638	390,000	–	102,152	6.6%	(6,468)	–
North								
Class A	1	45,376	–	–	10,567	23.3%	–	–
Class B	80	1,432,903	–	115,213	365,037	25.5%	(14,333)	–
Class C	5	176,638	–	–	24,014	13.6%	–	–
North Total	86	1,654,917	–	115,213	399,618	24.1%	(14,333)	–
Las Vegas Total								
Class A	94	9,632,174	200,000	719,838	2,446,338	25.4%	(25,738)	–
Class B	1,568	36,061,436	411,000	1,755,353	8,846,960	24.5%	(377,881)	–
Class C	191	4,024,641	–	–	702,699	17.5%	(23,205)	–
Total	1,853	49,718,251	611,000	2,475,191	11,995,997	24.1%	(426,824)	–

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





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.

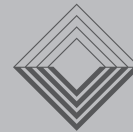
CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Along with adequate systems, the building finishes in this class are fair to good for the area, but the building cannot compete with Class A at the same price.

CLASS C

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

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