

Office Market Report

Compared to the Previous Quarter

Vacancy



UP

Net Absorption



DOWN

Lease Rates



DOWN

Construction



DOWN

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Market Highlights

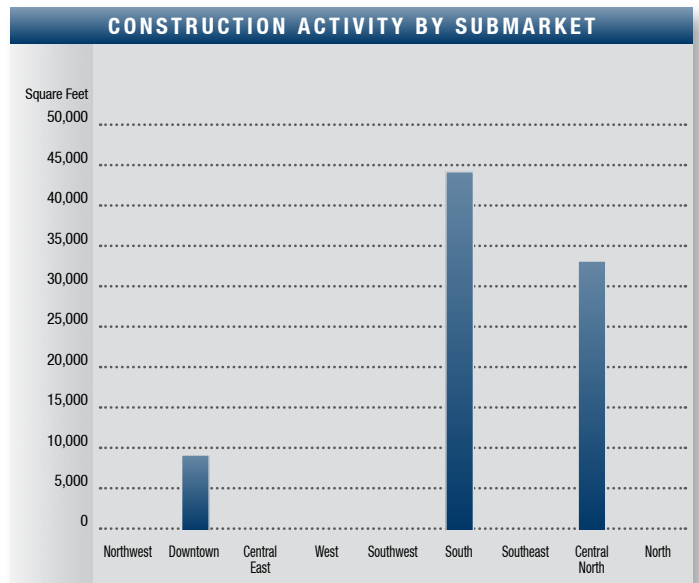
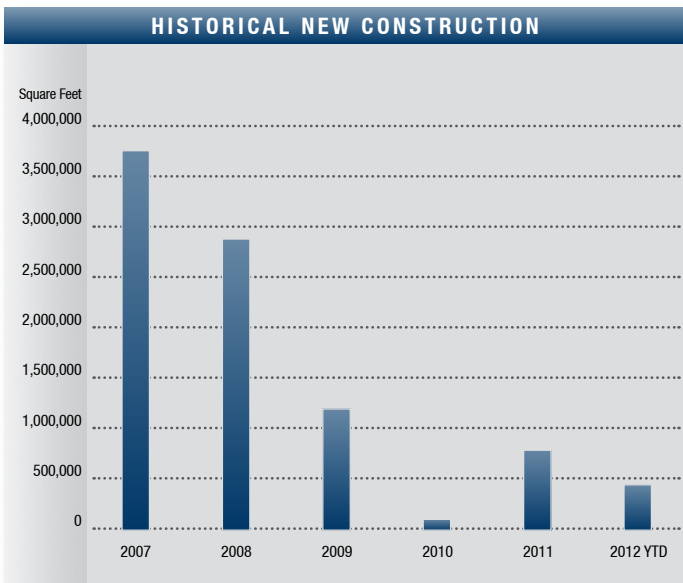
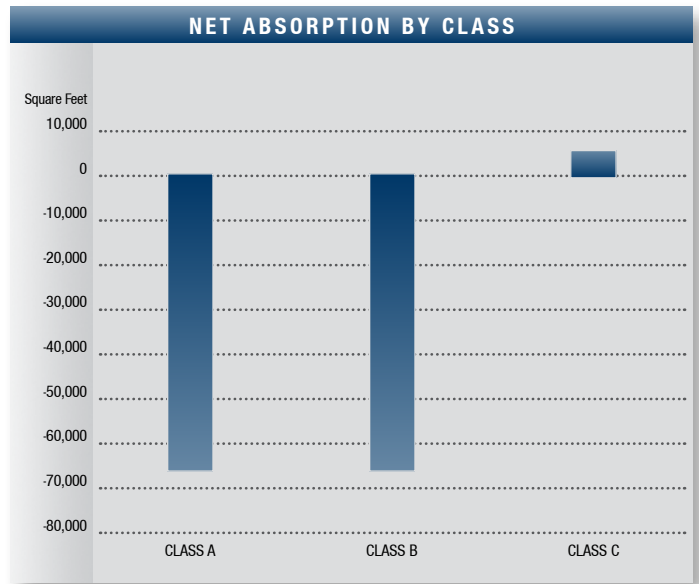
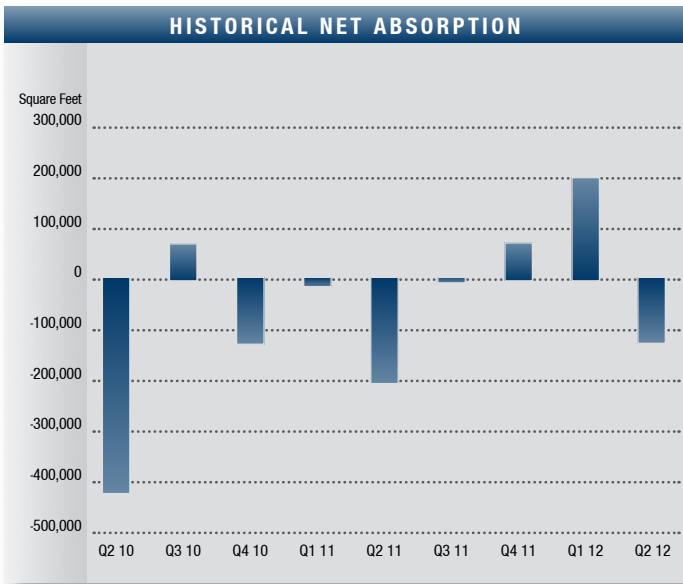
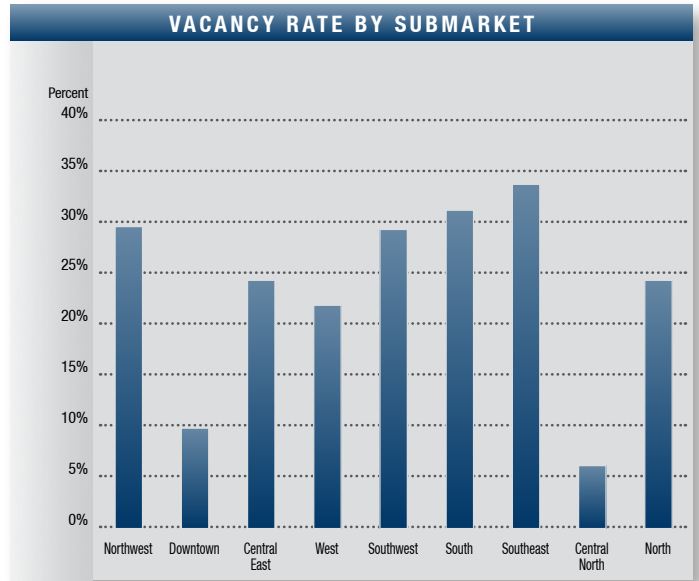
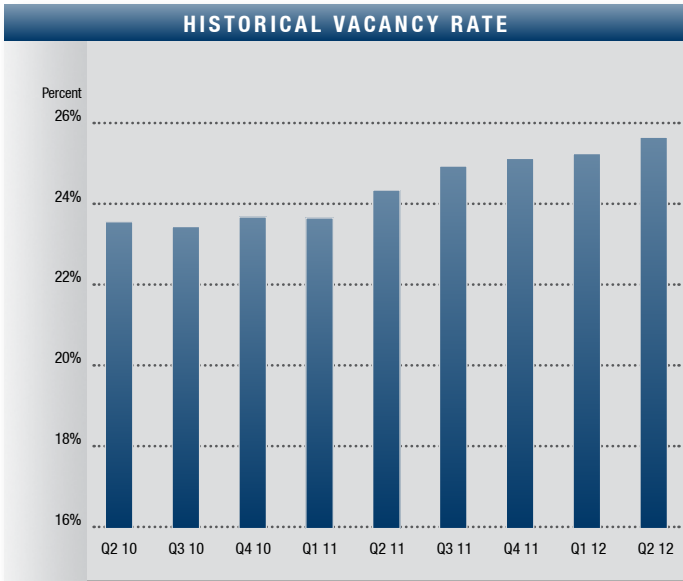
- Market Overview** – The Las Vegas office market continued to report elevated vacancies during the second quarter of 2012. The valley-wide vacancy rate for all product types reached 25.6 percent by the mid-point of the year, which was up 0.4 percentage points from the first quarter and reflected a 1.3-point rise from one year ago. The office sector continues to seek out a floor in the cycle as professional and business services employment has moderated in recent months.
- Inventory** – Two new projects wrapped up construction during the second quarter, adding approximately 127,692 square feet of capacity. The first phase of Seven Hills Plaza located along St. Rose Parkway substantially completed development and welcomed 67,692 square feet to the south submarket. In the same submarket, Windmill Office Plaza moved to the finish line, adding 60,000 square feet of inventory. The new entrants bring year-to-date completions to 437,692 square feet.
- Demand** – Market demand during the quarter turned negative with 126,795 square feet of net move-outs, which pushed vacancies north. On a year-to-date basis, total demand remained positive with net absorption of 71,884 square feet. A number of submarkets posted positive demand, including the central east, south, southeast, and central north.
- Future Supply** – Future inventory additions remain relatively limited as 85,909 square feet of product is actively under construction as of the mid-point of 2012. This reflects an all-time low in terms of

construction volume. Development activity appears to be winding down for most projects with little expectation that many additional projects will advance. Currently, plans for approximately 2.5 million square feet remain on the drawing board, including approximately 200,000 square feet of stalled construction at Summerlin Centre.

- Economic Considerations** – Broader economic recovery appeared to slow during the second quarter of 2012. Stock markets declined while national consumer confidence fell 10.8 percent. Gross domestic product (GDP) for the first quarter (reported in Q2 2012) increased at an annual rate of 1.9 percent, slower than the 3.0 percent reported in the previous quarter. Local indicators remain mixed as the tourism industry continues to edge in a positive direction and as construction continues to lag. The local recovery cycle is expected to be elongated given the depth of the most recent downturn and the persisting challenges in the housing and job markets.
- Looking Forward** – On a go-forward basis, the Las Vegas office market recovery is expected to be a slow and measured process. Substantial levels of availability are expected to suppress pricing from a rental perspective, while distressed sales and ownership transfers are likely to dominate the mix of investor activity. Consistent gains in professional and business services employment will be required to begin to chew into excess inventory. Attractive price points on the for-sale side of the equation are expected to prevail through the end of the year.

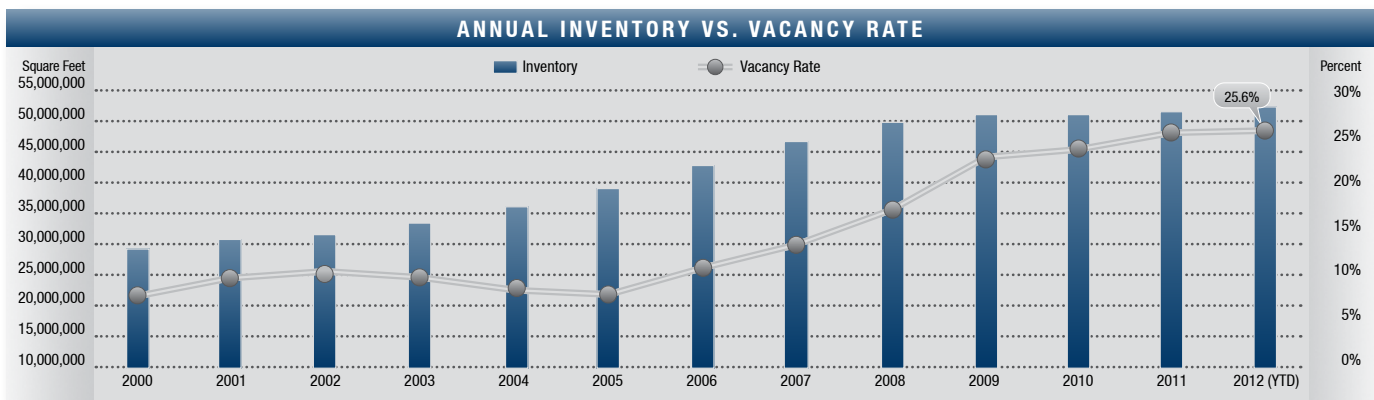
OFFICE MARKET OVERVIEW

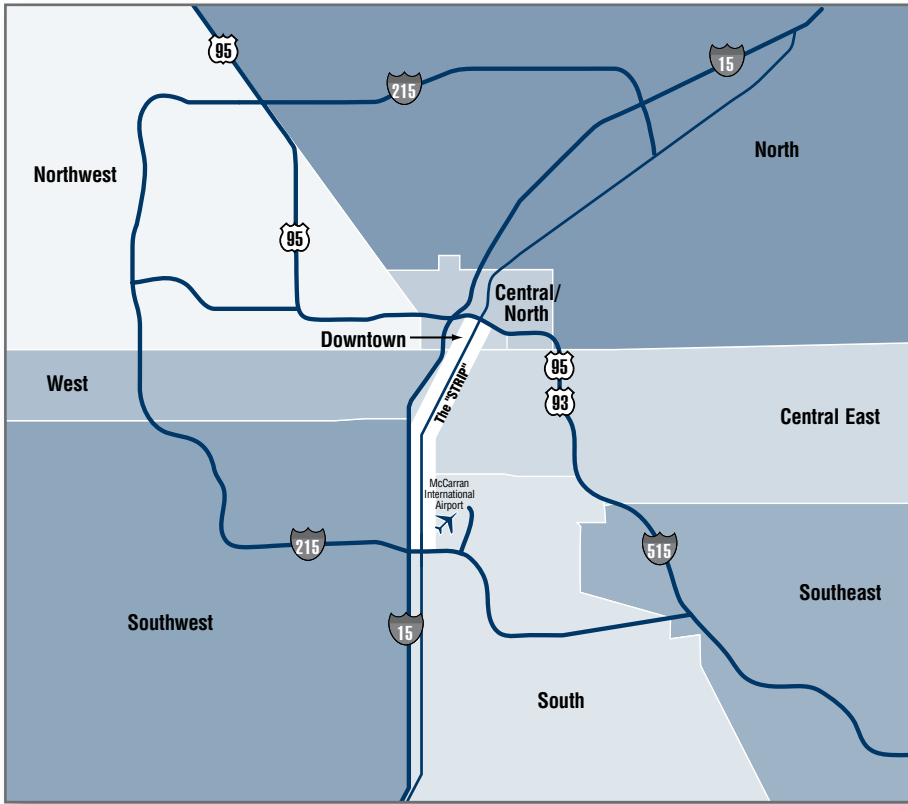
	Q2 2012	Q1 2012	Q2 2011	Q2 2012 vs. Q1 2012
Under Construction	85,909	169,601	1,038,853	(91.7%)
Planned Construction	2,544,479	2,542,479	2,693,100	(5.5%)
Vacancy	25.6%	25.2%	24.3%	1.3%
Net Absorption	(126,795)	198,679	(214,105)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable SquareFeet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q22012	Net Absorption Q22012	Net Absorption 2012	New Inventory Q22012	New Inventory 2012
Northwest										
Class A	25	2,083,331	0	115,000	727,163	34.9%	(19,004)	10,809	0	0
Class B	211	5,342,680	0	240,519	1,476,548	27.6%	(30,519)	108	0	0
Class C	25	518,684	0	0	158,241	30.5%	13,359	30,142	0	0
Northwest Total	261	7,944,695	0	355,519	2,361,952	29.7%	(36,164)	41,059	0	0
Downtown										
ClassA	9	2,002,502	8,909	46,000	127,179	6.4%	(32,604)	277,396	0	310,000
Class B	18	936,513	0	0	159,123	17.0%	(700)	37,783	0	0
Class C	50	1,068,900	0	0	94,731	8.9%	(7,876)	(10,468)	0	0
Downtown Total	77	4,007,915	8,909	46,000	381,033	9.5%	(41,180)	304,711	0	310,000
Central East										
Class A	13	1,491,632	0	173,210	256,153	17.2%	15,541	17,629	0	0
Class B	49	1,849,912	0	0	493,307	26.7%	7,940	9,452	0	0
Class C	121	3,730,799	0	0	979,349	26.3%	9,181	(29,342)	0	0
Central East Total	183	7,072,343	0	173,210	1,728,809	24.4%	32,662	(2,261)	0	0
West										
Class A	8	1,215,077	0	200,000	174,476	14.4%	796	(98,911)	0	0
Class B	201	4,300,665	0	0	923,719	21.5%	(1,094)	8,671	0	0
Class C	83	1,851,250	0	0	510,023	27.6%	(24,944)	(20,262)	0	0
West Total	292	7,366,992	0	200,000	1,608,218	21.8%	(25,242)	(110,502)	0	0
Southwest										
Class A	15	1,137,426	0	346,628	352,854	31.0%	(2,876)	8,750	0	0
Class B	293	6,945,318	0	835,202	2,066,176	29.7%	(48,293)	(46,961)	0	0
Class C	35	774,933	0	0	155,130	20.0%	(1,889)	(26,087)	0	0
Southwest Total	343	8,857,677	0	1,181,830	2,574,160	29.1%	(53,058)	(64,298)	0	0
South										
Class A	24	2,014,711	0	0	700,627	34.8%	(7,652)	(42,651)	0	0
Class B	450	8,505,960	44,000	445,507	2,526,809	29.7%	21,555	(21,520)	127,692	127,692
Class C	36	514,757	0	0	203,439	39.5%	(1,042)	23,600	0	0
South Total	510	11,035,428	44,000	445,507	3,430,875	31.1%	12,861	(40,571)	127,692	127,692
Southeast										
Class A	3	265,015	0	0	193,954	73.2%	0	(6,688)	0	0
Class B	87	1,626,706	0	27,200	435,687	26.8%	30,677	13,379	0	0
Class C	22	257,737	0	0	97,127	37.7%	(873)	(13,712)	0	0
Southeast Total	112	2,149,458	0	27,200	726,768	33.8%	29,804	(7,021)	0	0
Central / North										
Class A	1	220,000	0	0	0	0.0%	0	0	0	0
Class B	15	1,016,611	33,000	0	20,334	2.0%	948	948	0	0
Class C	19	703,027	0	0	94,710	13.5%	16,926	18,114	0	0
Central/ NorthTotal	35	1,939,638	33,000	0	115,044	5.9%	17,874	19,062	0	0
North										
Class A	2	255,776	0	0	28,058	11.0%	(20,225)	(20,225)	0	0
Class B	70	1,224,505	0	115,213	368,720	30.1%	(47,106)	(51,049)	0	0
Class C	16	342,658	0	0	43,502	12.7%	2,979	2,979	0	0
North Total	88	1,822,939	0	115,213	440,280	24.2%	(64,352)	(68,295)	0	0
Las Vegas Total										
Class A	100	10,685,470	8,909	880,838	2,560,464	24.0%	(66,024)	146,109	0	310,000
Class B	1,394	31,748,870	77,000	1,663,641	8,470,423	26.7%	(66,592)	(49,189)	127,692	127,692
Class C	407	9,762,745	0	0	2,336,252	23.9%	5,821	(25,036)	0	0
Las Vegas Total	1,901	52,197,085	85,909	2,544,479	13,367,139	25.6%	(126,795)	71,884	127,692	437,692

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





PRODUCT TYPE

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