

Office Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Deliveries



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Market Highlights

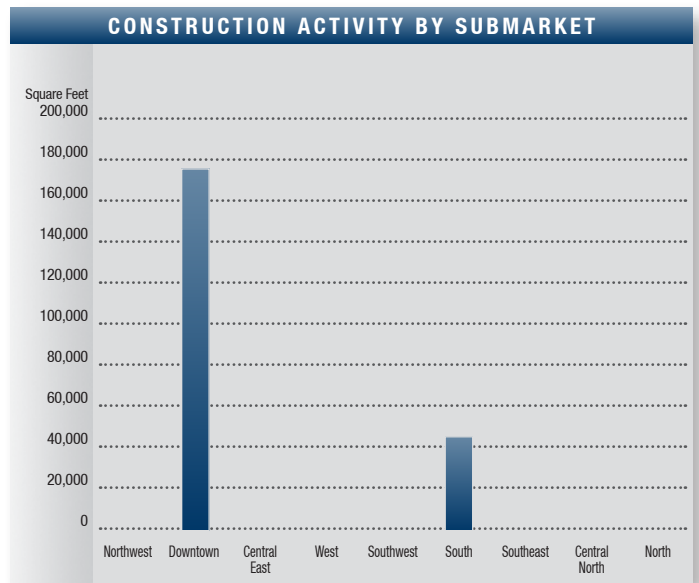
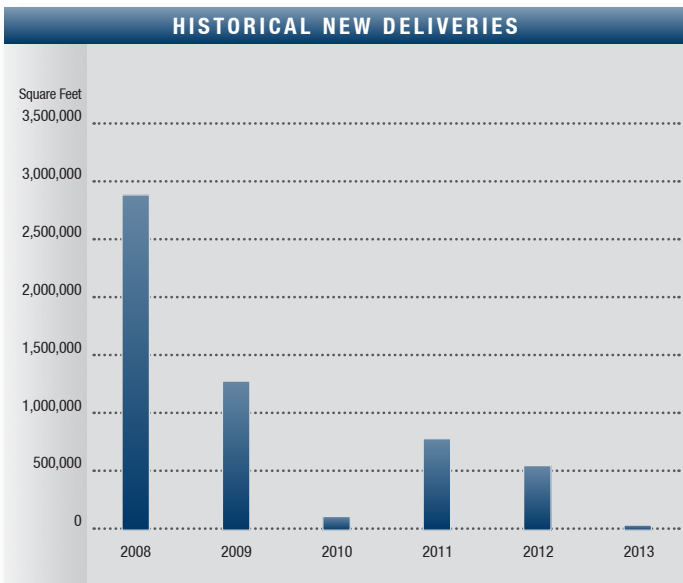
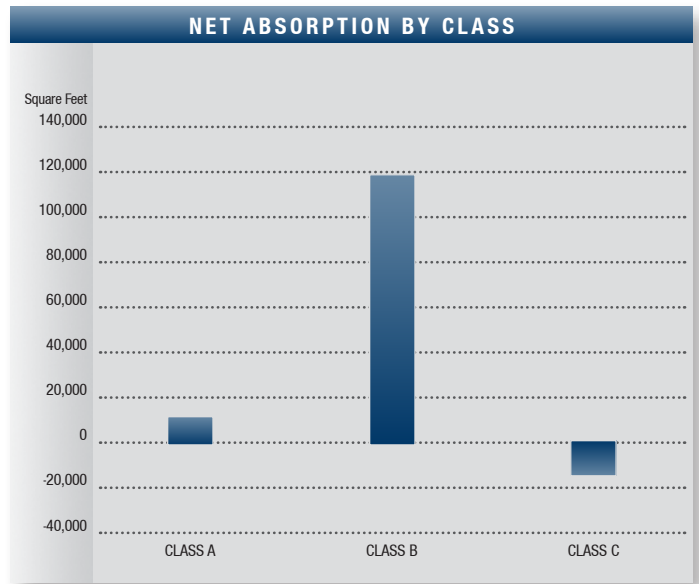
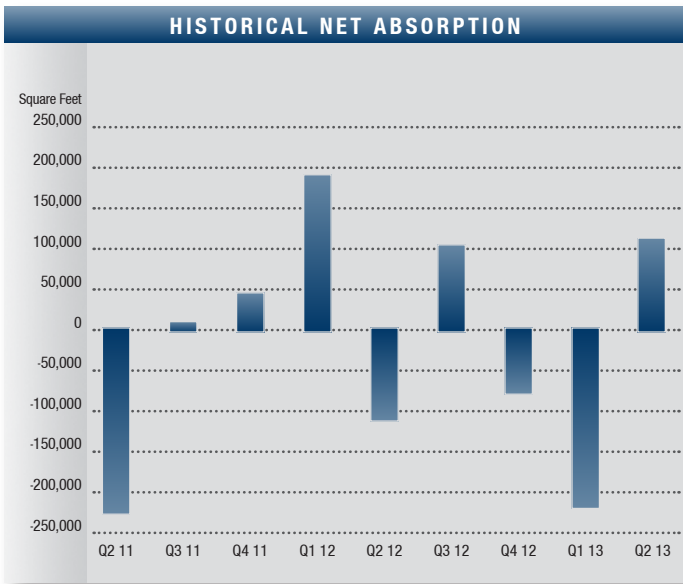
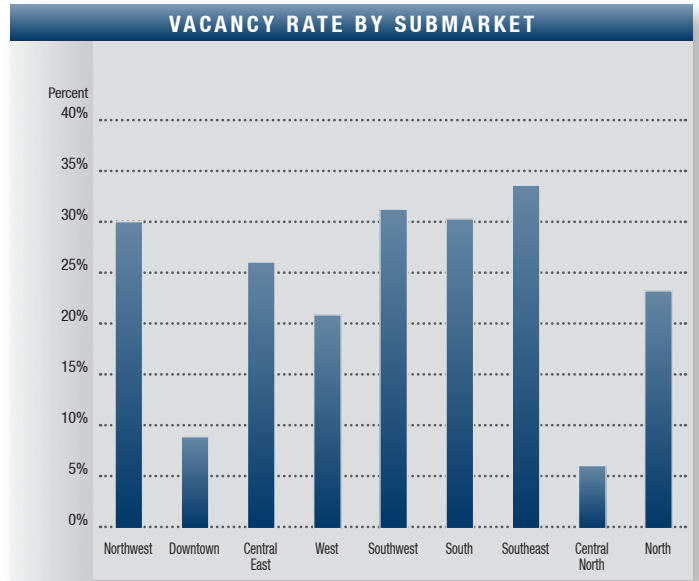
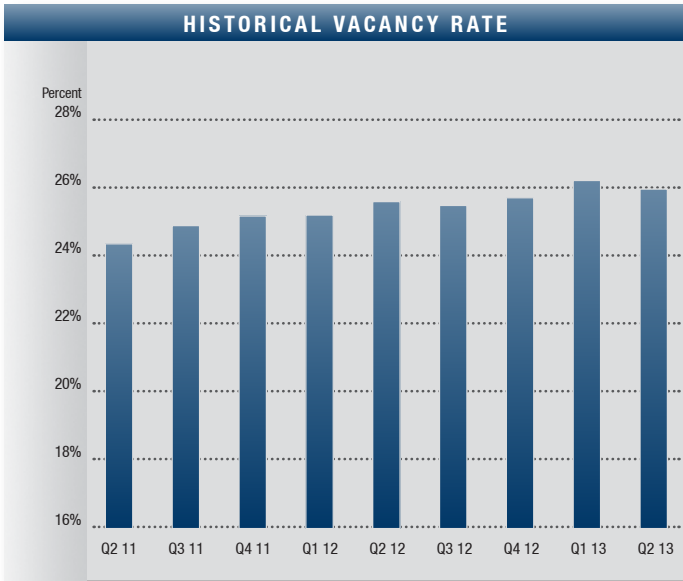
- Market Overview** – The office market vacancy rate fell to 26.0 percent during the second quarter of 2013. Compared to the prior quarter (Q1 2013), the rate is down 20 basis points (0.2 percentage points). However, compared to a year ago, it remains up 40 basis points (0.4 percentage points).
- Inventory** – With no new completions during the quarter, office market inventory remained flat at 52.5 million square feet. Approximately 35,000 square feet have been added to the market since the beginning of the year, sourced to the new facility for the Legal Aid Center of Southern Nevada located at 725 East Charleston Boulevard.
- Demand** – The sector reported approximately 115,200 square feet of positive net absorption for the quarter. Despite the recent uptick, net absorption for the first six months of the year was negative 104,700 square feet. Class B space reported the greatest amount of positive net absorption during the quarter with 118,800 square feet of net move-ins, partially attributable to the sale of the 25,000-square-foot Palisades Business Park at 4624 Rancho Drive to Southwest College.
- Future Supply** – Three projects totaling 220,700 square feet are currently under construction throughout the valley. The 129,000-square-foot Federal Justice Tower and 46,000-square-foot Robert T. Eglet Advocacy Center continue to move forward downtown, with completion expected later

this year. In addition, the second phase of Seven Hills Plaza started development in Henderson. Once completed, the project will add 45,700 square feet to the market.

- Economic Considerations** – The southern Nevada economy appears to be gaining some traction as a number of sectors continue to report improvements. Employment expanded by 17,200 jobs in May of 2013 when compared to the prior year, while the unemployment rate fell from 11.4 percent to 9.3 percent. Additionally, new home sales volumes remain on the rise while home prices continue to escalate in both the new and resale markets. In response to approximately 1.3 months of effective availability in the resale market, home builders continue to increase production in response to market demand. Consumer spending levels also signal increased stability in the local economy.
- Looking Forward** – Conditions in the office sector remain somewhat fragile. However, the recent movements in the overall vacancy rate suggest the sector may be in or near the bottom of the cycle. We remain cautiously optimistic as broader economic improvements appear to be emerging, particularly as professional and business services employment increased by 4.4 percent during the past 12 months, adding 4,700 net jobs to the local economy. These trends should help to stabilize a challenging operating environment for landlords.

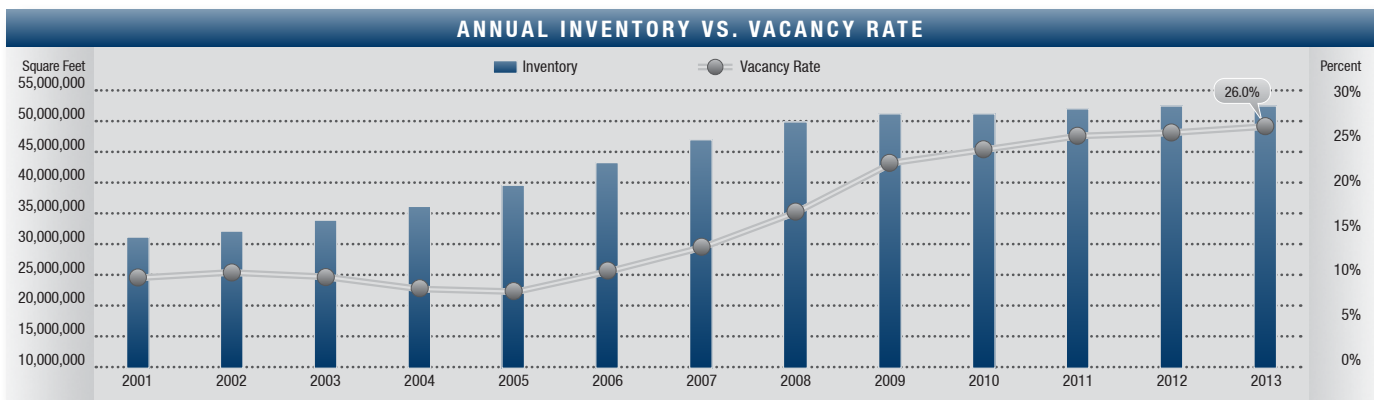
OFFICE MARKET OVERVIEW

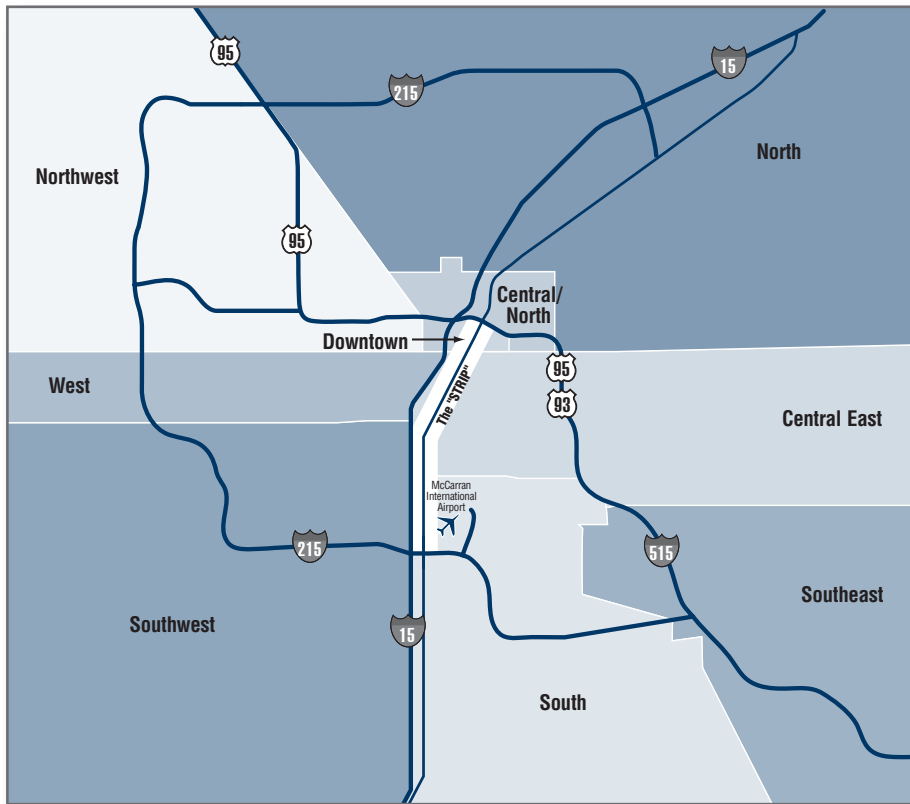
	Q2 2013	Q1 2013	Q2 2012	Q2 2013 vs. Q2 2012
Under Construction	220,660	175,000	197,000	12.0%
Planned Construction	2,424,233	2,469,893	2,590,139	(6.4%)
Vacancy	26.0%	26.2%	25.6%	0.4%
Net Absorption	115,152	(219,802)	(111,979)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2013	Net Absorption Q2 2013	Net Absorption 2013	New Inventory Q2 2013	New Inventory 2013
Northwest										
Class A	25	2,087,034	0	115,000	805,421	38.6%	(1,859)	(58,309)	0	0
Class B	210	5,321,278	0	240,519	1,424,937	26.8%	52,070	42,378	0	0
Class C	25	518,684	0	0	167,295	32.3%	0	3,138	0	0
Northwest Total	260	7,926,996	0	355,519	2,397,653	30.2%	50,211	(12,793)	0	0
Downtown										
Class A	10	2,037,502	175,000	0	111,623	5.5%	17,594	50,338	0	35,000
Class B	18	936,513	0	0	126,598	13.5%	7,490	32,525	0	0
Class C	50	1,068,900	0	0	122,665	11.5%	970	(26,771)	0	0
Downtown Total	78	4,042,915	175,000	0	360,886	8.9%	26,054	56,092	0	35,000
Central East										
Class A	13	1,491,632	0	173,210	299,361	20.1%	(12,573)	(1,845)	0	0
Class B	49	1,849,912	0	0	559,519	30.2%	(19,656)	(41,335)	0	0
Class C	121	3,730,799	0	0	994,435	26.7%	(17,854)	(50,725)	0	0
Central East Total	183	7,072,343	0	173,210	1,853,315	26.2%	(50,083)	(93,905)	0	0
West										
Class A	8	1,215,077	0	200,000	172,471	14.2%	0	4,163	0	0
Class B	201	4,300,665	0	0	870,166	20.2%	50,234	73,082	0	0
Class C	83	1,851,250	0	0	500,415	27.0%	3,729	511	0	0
West Total	292	7,366,992	0	200,000	1,543,052	20.9%	53,963	77,756	0	0
Southwest										
Class A	15	1,137,426	0	346,628	294,754	25.9%	(8,316)	(2,955)	0	0
Class B	295	7,132,785	0	760,956	2,339,229	32.8%	21,013	(141,581)	0	0
Class C	35	774,933	0	0	193,803	25.0%	1,145	(383)	0	0
Southwest Total	345	9,045,144	0	1,107,584	2,827,786	31.3%	13,842	(144,919)	0	0
South										
Class A	24	2,014,711	0	0	678,621	33.7%	15,820	(31,610)	0	0
Class B	451	8,528,660	45,660	445,507	2,463,709	28.9%	(27,662)	46,313	0	0
Class C	36	519,256	0	0	219,865	42.3%	0	(6,649)	0	0
South Total	511	11,062,627	45,660	445,507	3,362,195	30.4%	(11,842)	8,054	0	0
Southeast										
Class A	3	265,015	0	0	189,981	71.7%	0	0	0	0
Class B	87	1,626,706	0	27,200	421,012	25.9%	11,146	18,967	0	0
Class C	22	257,737	0	0	116,348	45.1%	(2,693)	(18,073)	0	0
Southeast Total	112	2,149,458	0	27,200	727,341	33.8%	8,453	894	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%	0	(4,380)	0	0
Class C	19	703,027	0	0	96,194	13.7%	0	2,400	0	0
Central/North Total	36	1,972,638	0	0	120,908	6.1%	0	(1,980)	0	0
North										
Class A	2	255,776	0	0	27,707	10.8%	351	351	0	0
Class B	70	1,224,505	0	115,213	336,412	27.5%	24,203	5,800	0	0
Class C	16	357,745	0	0	64,499	18.0%	0	0	0	0
North Total	88	1,838,026	0	115,213	428,618	23.3%	24,554	6,151	0	0
Las Vegas Total										
Class A	101	10,724,173	175,000	834,838	2,579,939	24.1%	11,017	(39,867)	0	35,000
Class B	1,397	31,970,635	45,660	1,589,395	8,566,296	26.8%	118,838	31,769	0	0
Class C	407	9,782,331	0	0	2,475,519	25.3%	(14,703)	(96,552)	0	0
Las Vegas Total	1,905	52,477,139	220,660	2,424,233	13,621,754	26.0%	115,152	(104,650)	0	35,000

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





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