



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

FLAT



Deliveries

DOWN



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HIGHLIGHTS

- Market Overview** – After stalling in the first quarter of the year, demand for Las Vegas office space picked up in the second quarter of 2014. By the end of the reporting period, the vacancy rate stood at 25.2 percent, which is down 40 basis points (0.4 percentage points) from the prior quarter (Q1 2014). Compared to a year ago (Q2 2013), the vacancy rate declined 50 basis points (0.5 percentage points).
- Demand** – The office sector reported approximately 235,900 square feet of positive net absorption during the second quarter, bringing the year-to-date total to 98,800 square feet of net move-ins. During the period, Asurion leased 90,000 square feet at Montecito Point, while Hakkasan reportedly signed a deal for 24,700 square feet at 6385 S. Rainbow Blvd. In addition, Nevada Corporate Headquarters Inc. leased 12,600 square feet in the Colonial Bank Office Plaza.
- Inventory** – With no office completions during the second quarter, inventory remained flat at 52.7 million square feet. In the past year, roughly 91,700 square feet of office space was added to the market, including the second phase of Seven Hills Plaza (45,700 SF) and the Robert T. Eglet Advocacy Center (46,000 SF).
- Future Supply** – Construction activity increased slightly during the second quarter with 792,700 square feet of office space under development by the end of the period. A number of projects continue to make progress, including the second phase of Tivoli Village at Queensridge (68,000 SF), Centennial Hills Center (150,000 SF), Federal Justice Tower (129,000 SF), the Gramercy (200,000 SF) and Downtown Summerlin (200,000 SF). In addition, the third phase of Corporate Center at the Curve broke ground during the period and will add 45,700 square feet to the market when completed.
- Economic Considerations** – The Las Vegas economy continues to report significant improvements in several key indicators. In May 2014 (latest available data), the employment sector added 26,300 jobs when compared to a year ago, with significant gains witnessed in the retail (+6,000 jobs), leisure and hospitality (+5,800 jobs), professional and business services (+4,300 jobs), education and health services (+3,400 jobs) and construction (+2,500 jobs) sectors. In addition, consumer spending increased 6.2 percent year-over-year for the 12 months ending April 2014 (latest available data), rising to \$34.5 billion, while visitor volume is at an all-time high of 40.4 million.
- Overall** – After reporting a slight uptick in vacancy rate in the first quarter of the year, recent demand for office space is encouraging. More companies, particularly call centers, are beginning to lease larger spaces throughout the valley, which is helping to stabilize vacancy rates. However, the share of available office space remains significantly higher than the retail and industrial sectors.

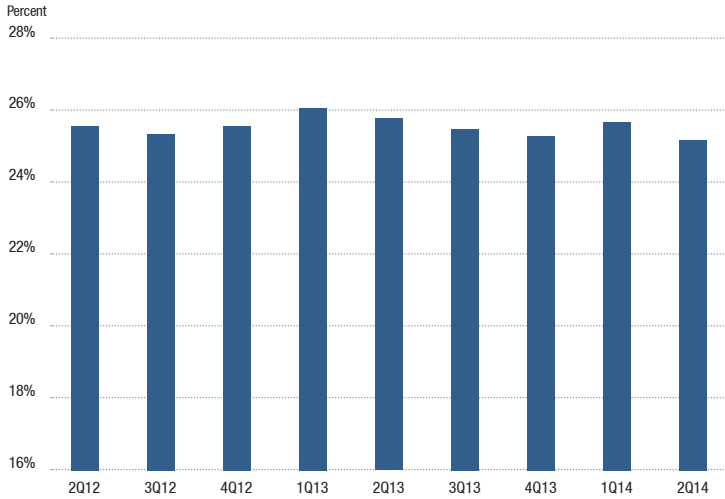
FORECAST

- Employment** – The hardest hit employment sector during the recession, construction, is expected to report gains throughout the remainder of the year as development activity picks up.
- Construction** – New office deliveries will pick up throughout the remainder of the year as a number of projects near completion.
- Vacancy** – The office vacancy rate will remain elevated, but modest improvements are likely to continue in the coming quarters.

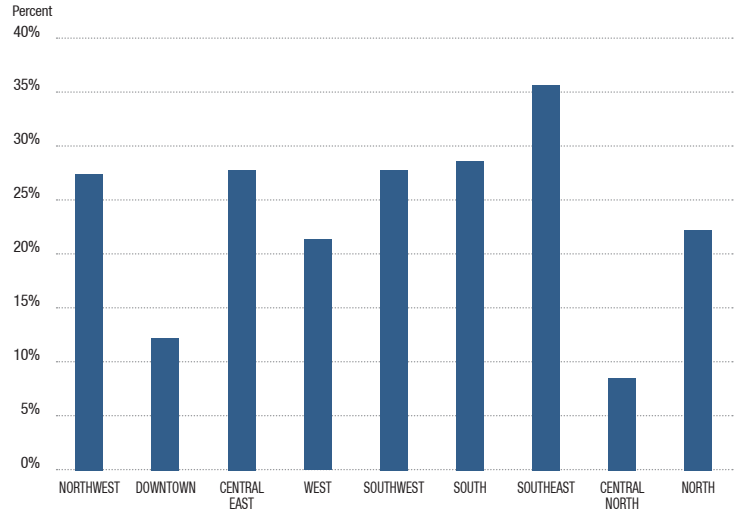
OVERVIEW

	2Q14	1Q14	2Q13	% Change vs. 2Q13
Under Construction	792,692	747,000	220,660	259.2%
Planned Construction	1,982,035	1,991,005	2,513,313	(21.1%)
Vacancy	25.2%	25.6%	25.7%	(0.5%)
Net Absorption	235,930	(137,093)	159,517	N/A

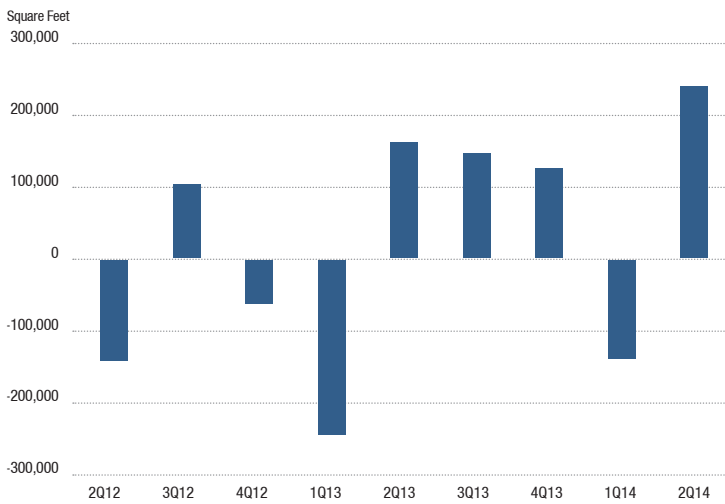
HISTORICAL VACANCY RATE



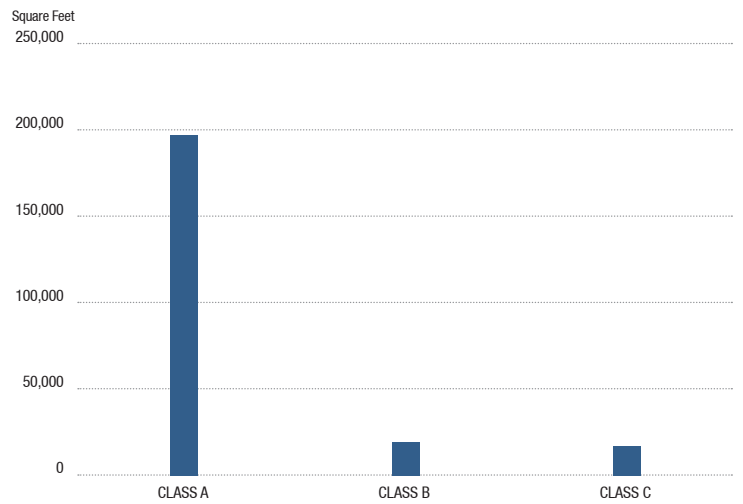
VACANCY RATE BY SUBMARKET



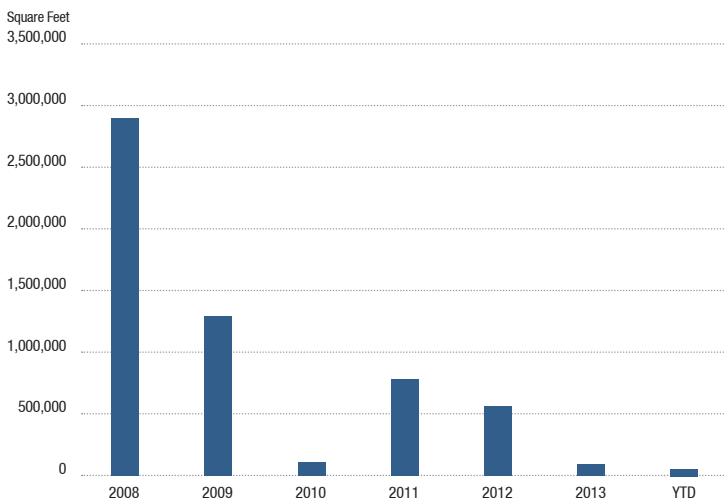
HISTORICAL NET ABSORPTION



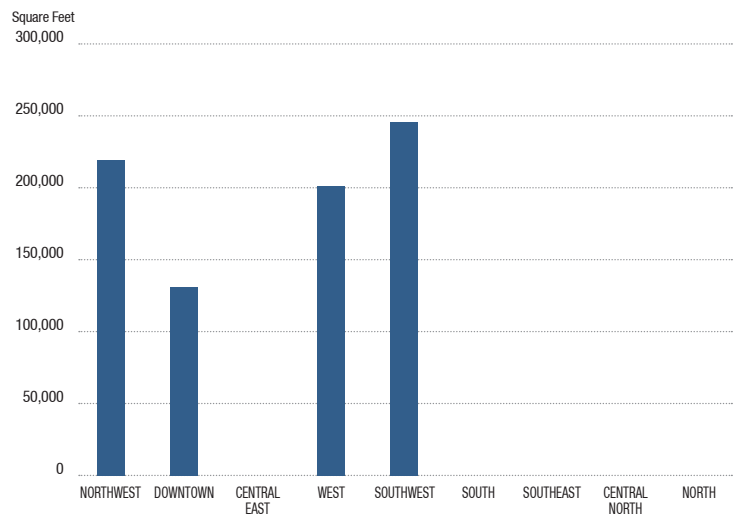
NET ABSORPTION BY CLASS



HISTORICAL NEW CONSTRUCTION



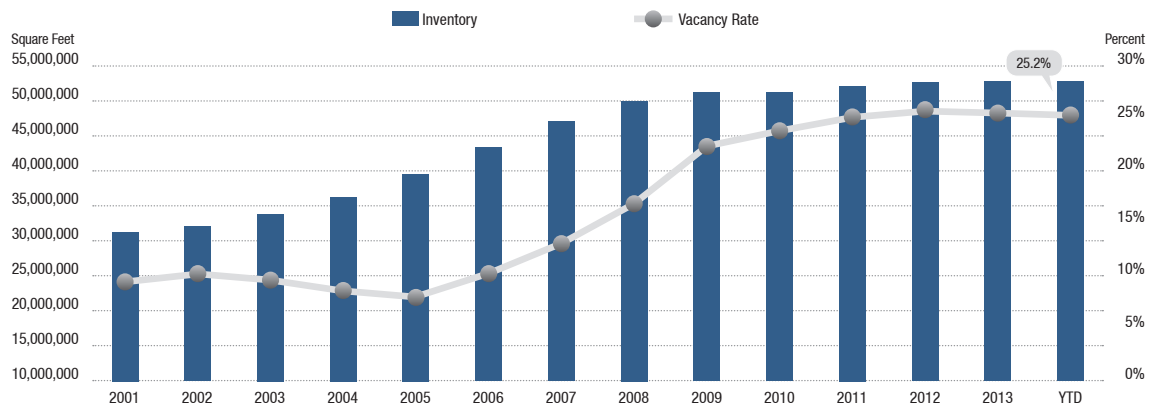
CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2014	Net Absorption 2Q2014	Net Absorption 2014	New Inventory 2Q2014	New Inventory 2014
Northwest										
Class A	25	2,077,748	68,000	-	699,748	33.7%	117,655	109,402	-	-
Class B	210	5,323,725	150,000	101,599	1,306,973	24.5%	(8,281)	72,904	-	-
Class C	25	518,684	-	-	160,802	31.0%	6,727	4,887	-	-
Northwest Total	260	7,920,157	218,000	101,599	2,167,523	27.4%	116,101	187,193	-	-
Downtown										
Class A	12	2,353,502	129,000	100,000	123,236	5.2%	15,579	59,213	-	46,000
Class B	19	946,341	-	-	223,839	23.7%	(19,659)	(35,185)	-	-
Class C	50	809,900	-	-	144,311	17.8%	-	(1,840)	-	-
Downtown Total	81	4,109,743	129,000	100,000	491,386	12.0%	(4,080)	22,188	-	46,000
Central East										
Class A	13	1,491,632	-	173,210	337,701	22.6%	17,265	(58,612)	-	-
Class B	49	1,849,912	-	-	500,635	27.1%	23,269	23,865	-	-
Class C	121	3,730,799	-	-	1,130,431	30.3%	(14,303)	(42,105)	-	-
Central East Total	183	7,072,343	-	173,210	1,968,767	27.8%	26,231	(76,852)	-	-
West										
Class A	8	1,215,077	200,000	-	173,704	14.3%	883	3,005	-	-
Class B	201	4,300,665	-	-	881,239	20.5%	(19,565)	(8,733)	-	-
Class C	83	1,851,250	-	-	513,879	27.8%	(7,643)	(16,215)	-	-
West Total	292	7,366,992	200,000	-	1,568,822	21.3%	(26,325)	(21,943)	-	-
Southwest										
Class A	15	1,137,426	200,000	271,628	274,175	24.1%	32,861	37,961	-	-
Class B	294	7,126,138	45,692	747,678	2,049,232	28.8%	36,171	(26,859)	-	-
Class C	34	764,315	-	-	185,563	24.3%	3,619	836	-	-
Southwest Total	343	9,027,879	245,692	1,019,306	2,508,970	27.8%	72,651	11,938	-	-
South										
Class A	24	2,014,711	-	-	583,012	28.9%	12,339	(537)	-	-
Class B	453	8,524,680	-	445,507	2,388,628	28.0%	13,196	(100,751)	-	-
Class C	40	692,557	-	-	242,590	35.0%	26,760	43,245	-	-
South Total	517	11,231,948	-	445,507	3,214,230	28.6%	52,295	(58,043)	-	-
Southeast										
Class A	3	265,015	-	-	184,554	69.6%	1,620	1,620	-	-
Class B	88	1,633,707	-	27,200	481,127	29.5%	(2,513)	(19,884)	-	-
Class C	22	257,737	-	-	103,412	40.1%	(5,905)	9,153	-	-
Southeast Total	113	2,156,459	-	27,200	769,093	35.7%	(6,798)	(9,111)	-	-
Central/North										
Class A	1	220,000	-	-	-	0.0%	-	-	-	-
Class B	16	1,049,611	-	-	24,313	2.3%	841	(1,366)	-	-
Class C	19	703,027	-	-	139,085	19.8%	4,649	24,024	-	-
Central/North Total	36	1,972,638	-	-	163,398	8.3%	5,490	22,658	-	-
North										
Class A	2	255,776	-	-	27,707	10.8%	-	-	-	-
Class B	70	1,224,505	-	115,213	329,535	26.9%	(3,114)	17,330	-	-
Class C	16	357,745	-	-	51,528	14.4%	3,479	3,479	-	-
North Total	88	1,838,026	-	115,213	408,770	22.2%	365	20,809	-	-
Las Vegas Total										
Class A	103	11,030,887	597,000	544,838	2,403,837	21.8%	198,202	152,052	-	46,000
Class B	1,400	31,979,284	195,692	1,437,197	8,185,521	25.6%	20,345	(78,679)	-	-
Class C	410	9,686,014	-	-	2,671,601	27.6%	17,383	25,464	-	-
Las Vegas Total	1,913	52,696,185	792,692	1,982,035	13,260,959	25.2%	235,930	98,837	-	46,000

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

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Class A

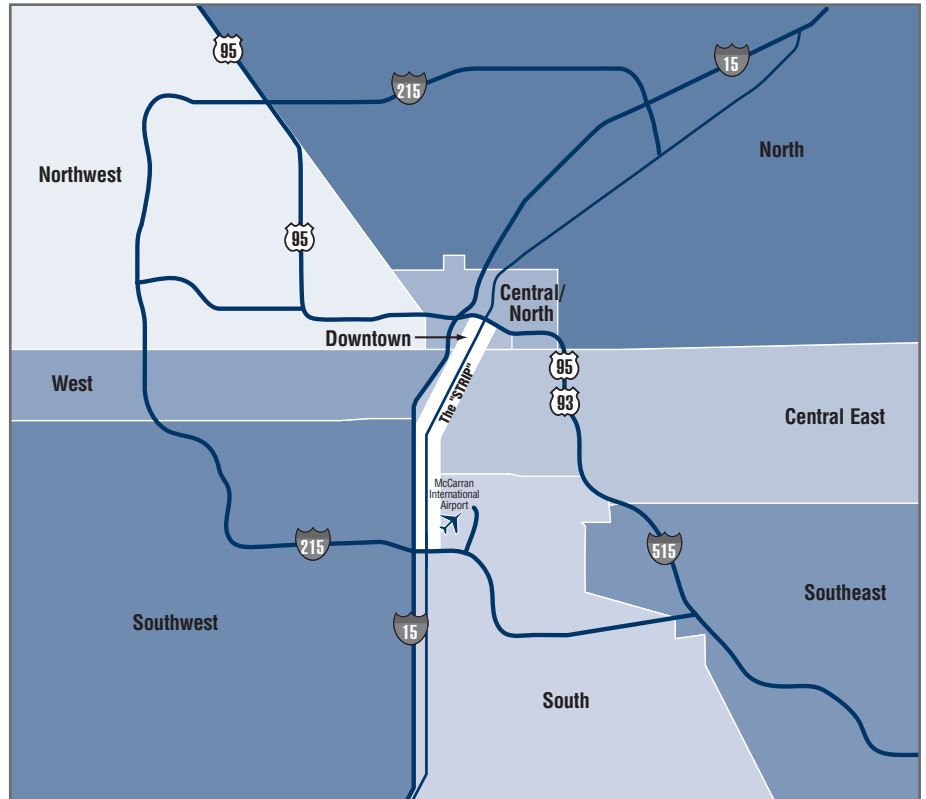
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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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