

MARKET CHANGE

Compared to Previous Quarter:

Vacancy
DOWN

Net Absorption
POSITIVE

Lease Rates
FLAT

Deliveries
DOWN

To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com



HIGHLIGHTS

- **Market Overview** – The Las Vegas office market vacancy rate fell to 23.1 percent by the end of the second quarter of 2015, which represents a decline of 20 basis points (-0.2 percentage point) compared to the prior quarter (Q1 2015). Compared to a year ago (Q2 2014), the vacancy rate has declined 80 basis points (-0.8 percentage point).
- **Demand** – The office market reported approximately 138,700 SF of positive net absorption in the second quarter bringing the year-to-date total to roughly 233,400 SF of net move-ins. The most notable transaction was the purchase of the former Nevada Cancer Institute building by Roseman University of Health Sciences. The 143,000 SF building, which Roseman plans to open as a medical school in 2017, is located near the northeast corner of Interstate 215 and Town Center Drive. Other notable transactions included SolarCity Corporation's lease for 15,300 SF at 7450 Arroyo Crossing Parkway as well as a deal signed by The State of Nevada Welfare Division for 12,600 SF at 3965 Durango Drive.
- **Inventory** – Roughly 43,300 SF of office space completed construction during the second quarter bringing total inventory to 53.0 million SF. Completions included the 35,700 SF third phase of The Park at Spanish Ridge, which is located at 8876 Spanish Ridge Avenue. In addition, a 7,700 SF building completed development in the Las Vegas Technology Center at 2480 Professional Court. The building was partially leased to the Neurology Center of Las Vegas.
- **Future Supply** – Construction activity fell to 204,900 SF at the end of the second quarter. Development activity includes the Federal Justice Tower (129,000 SF), the second phase of Tivoli Village at Queensridge (68,000 SF) and the third phase of Pecos Springs Business Park (7,900 SF). An additional 2.4 million SF of office space remain in planning stages.
- **Economic Considerations** – The Las Vegas MSA reported annual job growth of 23,100 positions in May 2015 (latest available data). The leisure and hospitality sector witnessed the most substantial increase in employment, rising by 7,500 positions during the period. The construction sector followed with a gain of 6,200 positions. Professional and business services (+3,200 jobs), education and health services (+2,900 jobs) and retail trade (+2,700 jobs) reported significant annual growth as well. Continued job growth helped drive down the unemployment rate to 6.6 percent in May 2015, which is down 120 basis points (-1.2 percentage points) from the rate of 7.8 percent reported a year ago.
- **Overall** – The Las Vegas office market has reported positive net absorption for five consecutive quarters, and the vacancy rate is down 240 basis points (-2.4 percentage points) from the high of 25.5 percent witnessed in the first quarter of 2013. Office-using employment reported an annual gain of 3,900 positions in May 2015, which is expected to continue to contribute to incremental demand for office space throughout the valley.

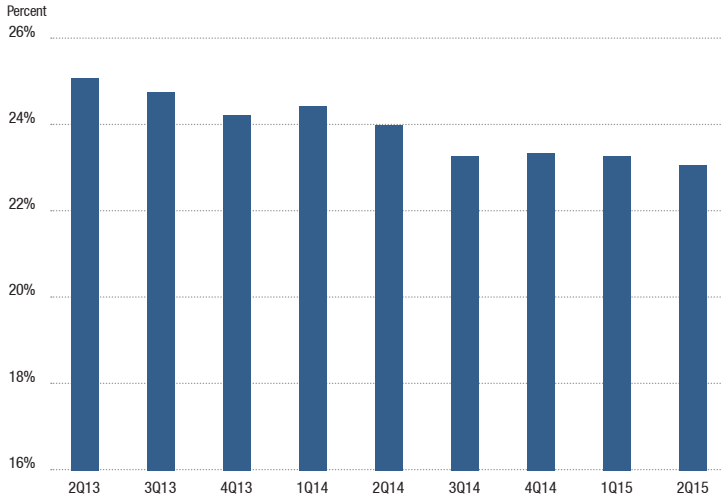
FORECAST

- **Employment** – Employment is expected to continue to report year-over-year gains, with growth in the leisure and hospitality, construction, professional and business services, education and health services and retail trade sectors.
- **Construction** – Construction activity is expected to remain relatively flat throughout the remainder of the year, with a limited number of completions.
- **Vacancy** – The office market vacancy rate is expected to report further declines as demand for professional office space follows employment growth within the sector.

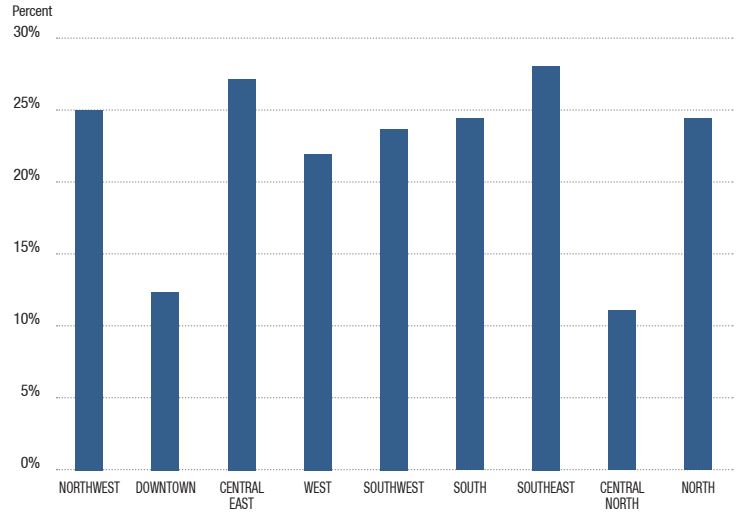
OVERVIEW

	2Q15	1Q15	2Q14	% Change vs. 2Q14
Under Construction	204,894	240,338	749,703	(72.7%)
Planned Construction	2,373,039	1,772,574	2,110,352	12.4%
Vacancy	23.1%	23.3%	23.9%	(0.8%)
Net Absorption	138,718	94,663	265,200	(47.7%)

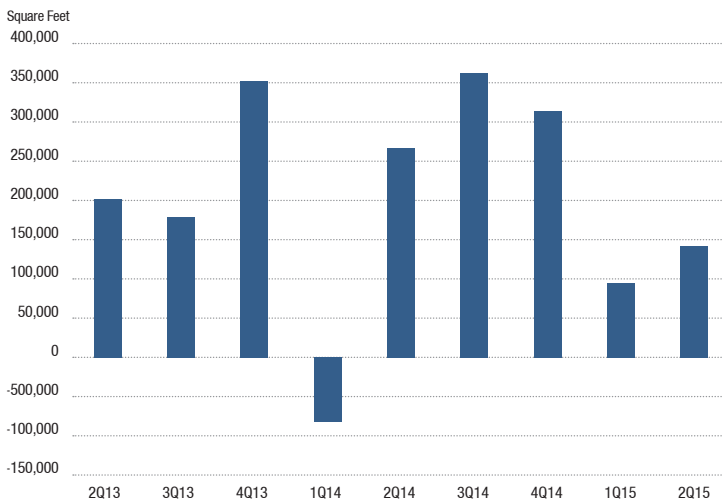
HISTORICAL VACANCY RATE



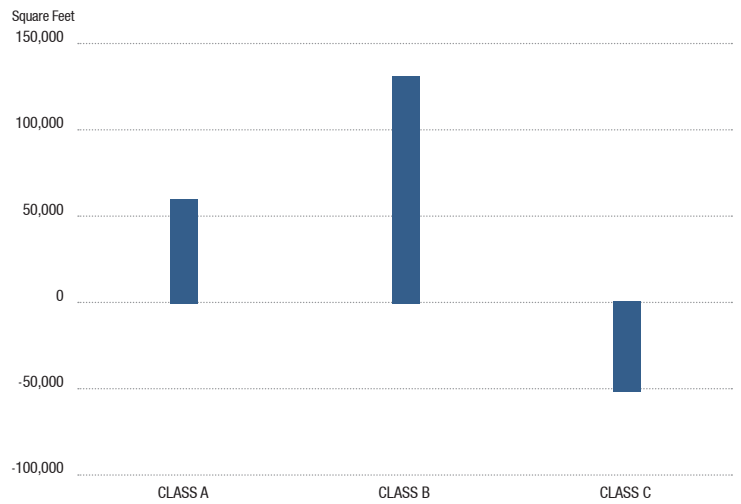
VACANCY RATE BY SUBMARKET



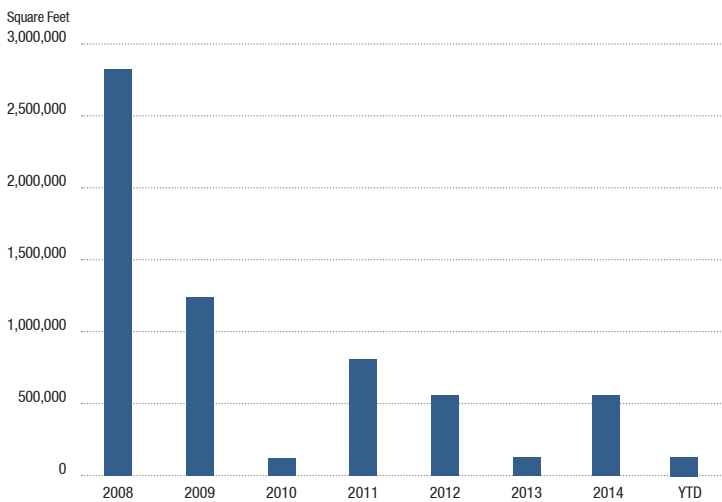
HISTORICAL NET ABSORPTION



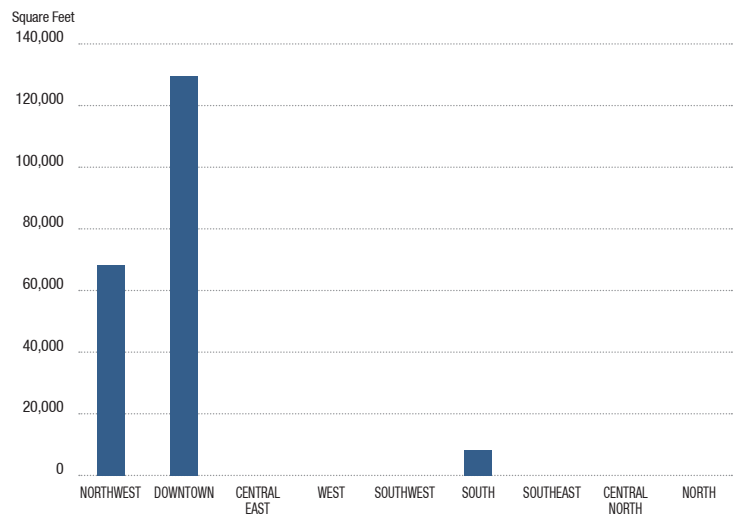
NET ABSORPTION BY CLASS



HISTORICAL NEW CONSTRUCTION



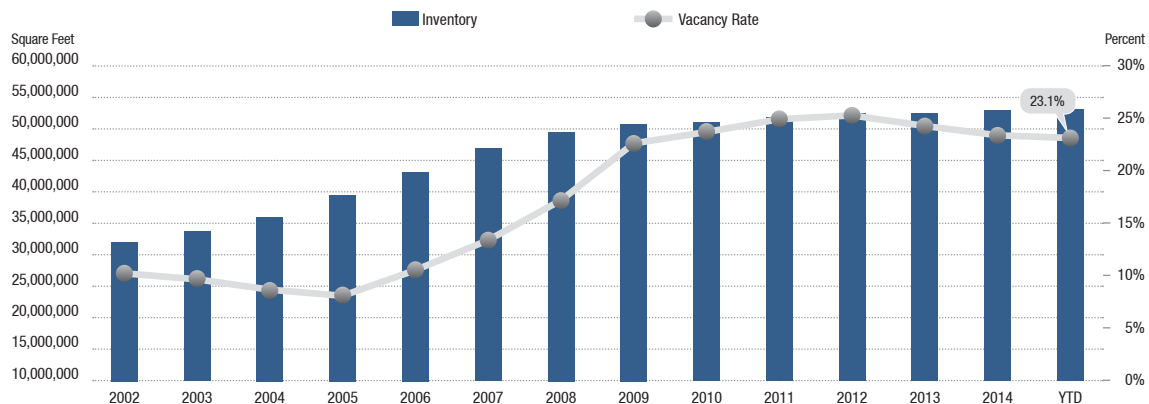
CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2015	Net Absorption 2Q2015	Net Absorption 2015	New Inventory 2Q2015	New Inventory 2015
Northwest										
Class A	26	2,100,039	68,000	0	557,513	26.5%	(1,066)	141	0	0
Class B	212	5,517,672	0	185,999	1,371,773	24.9%	(18,212)	(60,753)	7,675	7,675
Class C	23	388,762	0	0	75,853	19.5%	(810)	5,749	0	0
Northwest Total	261	8,006,473	68,000	185,999	2,005,139	25.0%	(20,088)	(54,863)	7,675	7,675
Downtown										
Class A	12	2,353,502	129,000	530,354	114,108	4.8%	(2,397)	(15,300)	0	0
Class B	19	946,341	0	0	229,775	24.3%	19,190	(5,936)	0	0
Class C	50	779,376	0	0	155,619	20.0%	(33,761)	(43,114)	0	0
Downtown Total	81	4,079,219	129,000	530,354	499,502	12.2%	(16,968)	(64,350)	0	0
Central East										
Class A	11	1,388,884	0	173,210	308,152	22.2%	4,546	(70)	0	0
Class B	51	1,952,660	0	55,000	484,645	24.8%	11,349	32,639	0	0
Class C	121	3,730,799	0	0	1,125,531	30.2%	(11,569)	(4,200)	0	0
Central East Total	183	7,072,343	0	228,210	1,918,328	27.1%	4,326	28,369	0	0
West										
Class A	9	1,415,077	0	0	290,598	20.5%	(8,579)	39,281	0	0
Class B	203	4,343,386	0	0	871,817	20.1%	8,438	25,889	0	0
Class C	83	1,849,068	0	0	508,653	27.5%	10,103	22,939	0	0
West Total	295	7,607,531	0	0	1,671,068	22.0%	9,962	88,109	0	0
Southwest										
Class A	15	1,308,826	0	418,833	268,187	20.5%	31,117	47,309	0	0
Class B	294	7,075,191	0	652,704	1,717,470	24.3%	107,575	175,702	35,663	93,355
Class C	34	764,315	0	0	183,649	24.0%	(5,449)	(3,213)	0	0
Southwest Total	343	9,148,332	0	1,071,537	2,169,306	23.7%	133,243	219,798	35,663	93,355
South										
Class A	24	2,014,711	0	0	406,755	20.2%	19,247	124,008	0	0
Class B	452	8,403,265	7,894	199,726	2,005,492	23.9%	43,407	(149,856)	0	0
Class C	41	699,557	0	0	295,629	42.3%	(7,917)	(9,561)	0	0
South Total	517	11,117,533	7,894	199,726	2,707,876	24.4%	54,737	(35,409)	0	0
Southeast										
Class A	4	276,344	0	26,000	167,490	60.6%	12,275	36,722	0	11,329
Class B	89	1,656,760	0	16,000	372,848	22.5%	31,725	49,593	0	0
Class C	22	257,737	0	0	76,144	29.5%	11,074	14,056	0	0
Southeast Total	115	2,190,841	0	42,000	616,482	28.1%	55,074	100,371	0	11,329
Central/North										
Class A	1	220,000	0	0	0	0.0%	0	0	0	0
Class B	16	1,049,611	0	0	49,339	4.7%	(25,026)	(25,026)	0	0
Class C	20	723,721	0	0	169,664	23.4%	(13,885)	(8,565)	0	0
Central/North Total	37	1,993,332	0	0	219,003	11.0%	(38,911)	(33,591)	0	0
North										
Class A	2	255,776	0	0	23,053	9.0%	4,654	4,654	0	0
Class B	68	1,155,755	0	115,213	340,465	29.5%	(47,311)	(20,307)	0	0
Class C	16	357,745	0	0	67,805	19.0%	0	600	0	0
North Total	86	1,769,276	0	115,213	431,323	24.4%	(42,657)	(15,053)	0	0
Las Vegas Total										
Class A	104	11,333,159	197,000	1,148,397	2,135,856	18.8%	59,797	236,745	0	11,329
Class B	1,404	32,100,641	7,894	1,224,642	7,443,624	23.2%	131,135	21,945	43,338	101,030
Class C	410	9,551,080	0	0	2,658,547	27.8%	(52,214)	(25,309)	0	0
Las Vegas Total	1,918	52,984,880	204,894	2,373,039	12,238,027	23.1%	138,718	233,381	43,338	112,359

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

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Class A

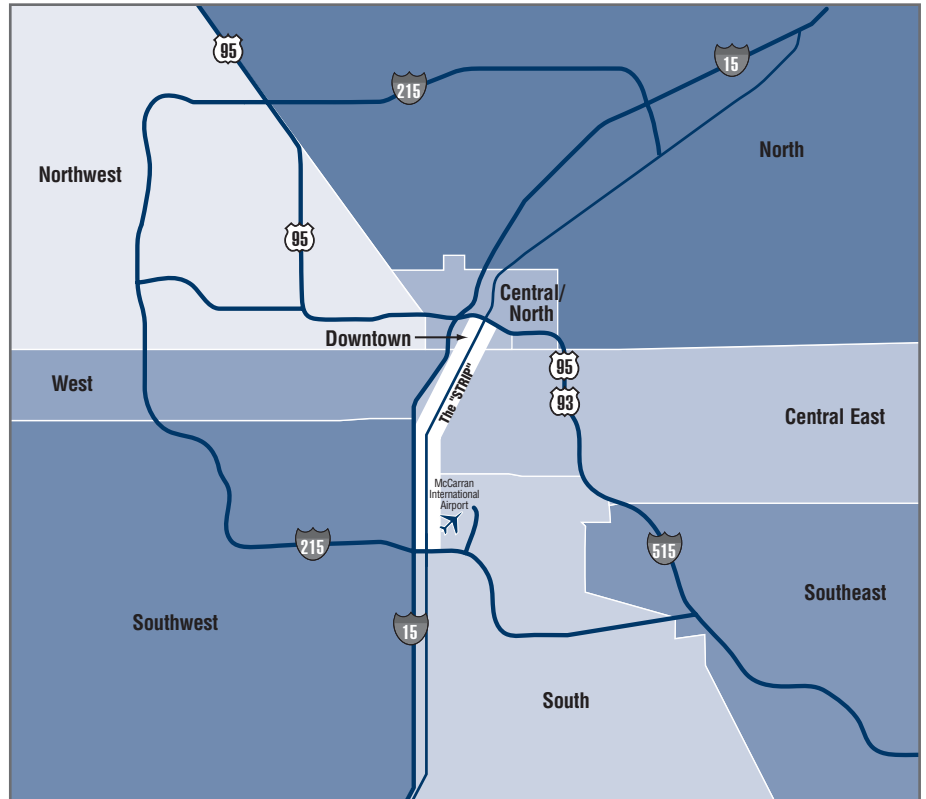
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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.



Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA 714.978.7880	Las Vegas, NV 702.734.4500	Phoenix, AZ 602.952.8648	San Diego, CA 858.453.0505
Inland Empire, CA 909.545.8000	Los Angeles, CA 424.329.7500	Reno, NV 775.771.9955	San Jose, CA 408.885.9110
Irvine, CA 949.851.5100	Newport Beach, CA 949.644.8648	Sacramento, CA 916.772.8648	

**Real People.
Real Solutions.®**

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.