



Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption



UP

Lease Rates

DOWN



Construction

DOWN



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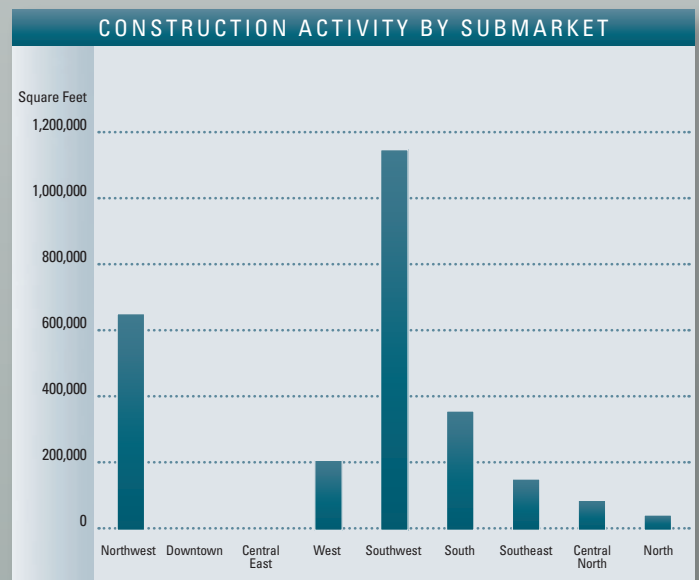
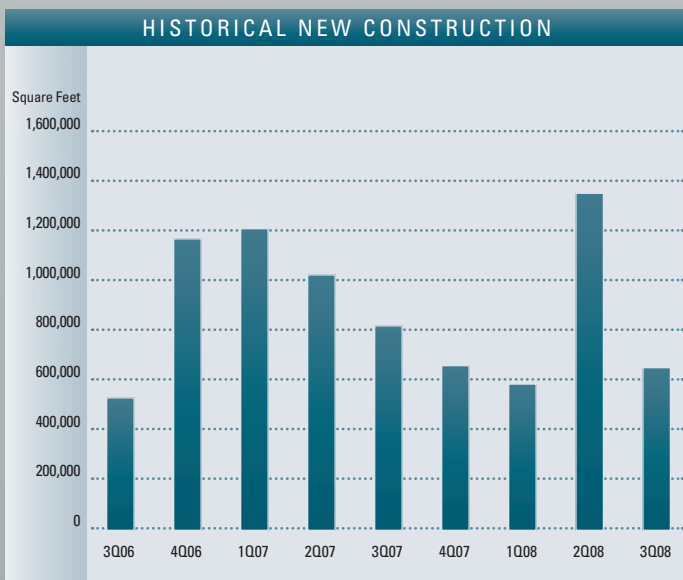
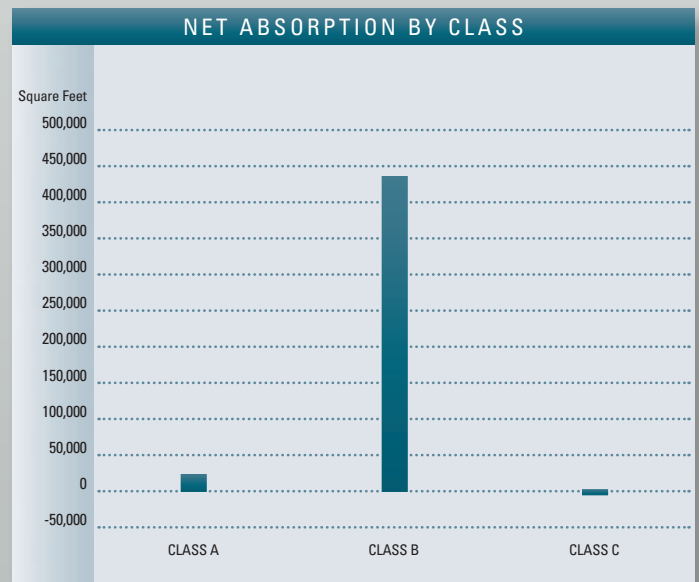
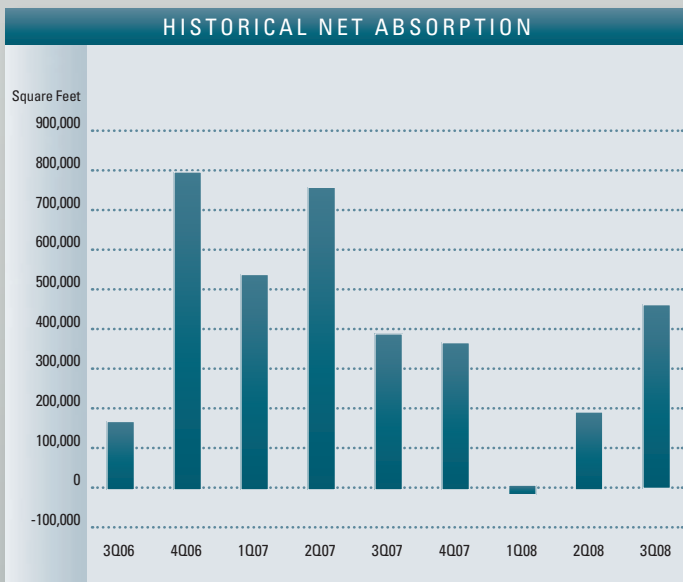
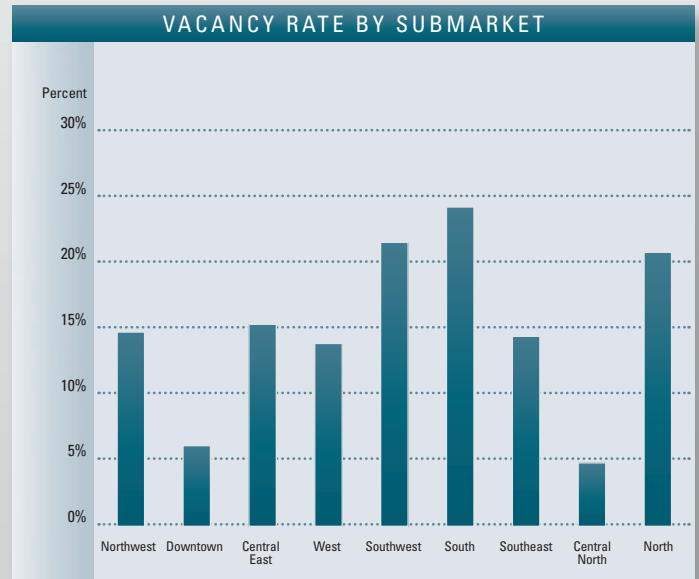
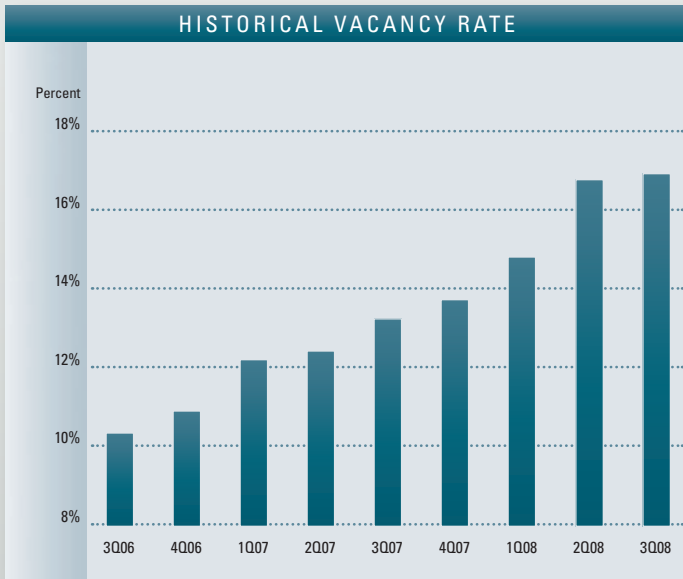
Office Market Highlights

- ◆ By the close of the third quarter of 2008, new supply in the Las Vegas office market outpaced market demand, resulting in rising vacancy rates. Average vacancies remained elevated in emerging portions of the valley, including the southwest, south and north submarkets.
- ◆ During the third quarter, the Las Vegas office market expanded by 651,000 square feet reaching a total inventory of 48.0 million square feet in 1,829 buildings. Net absorption remained positive, yet fell short of new supply, with only 458,000 square feet demanded during the quarter. During the nine months ended September 30, 2008, new supply and net absorption totaled 2,566,000 and 623,000 square feet, respectively.
- ◆ Major project completions during the quarter included Class A space in Sunset Pilot Plaza in the south submarket, multiple buildings in the Park at Palisades, several buildings in Cheyenne West Professional Centre, medical office space located in Highland Plaza, and portions of the mixed-use Metreon complex.
- ◆ The latest market activity resulted in a vacancy rate of 17.0 percent, with availability climbing above previous historical averages. Vacancies will likely remain elevated through the next several quarters as fundamentals within the market continue to slow and a reasonable amount of product is in the development pipeline. Compared to the same quarter of the prior year, vacancies are up 3.8 points from 13.2 percent; vacancies 24 months prior were 6.7 points lower, hovering at 10.3 percent.
- ◆ The market currently boasts 2.6 million square feet of space under development, with 1.8 million square feet located in the southwest and northwest portions of the valley. Vacancies are expected to continue to escalate in these areas in the mid-term, with the southwest submarket availability likely to extend beyond 25 percent. Many large-scale projects are currently being developed, such as Summerlin Centre, Rainbow Sunset Pavilion, Montecito Point, Eastgate Plaza II and Tivoli Village at Queensridge. With significant availability in existing buildings, demand for newly-constructed product remains somewhat uncertain as a limited amount of pre-leasing activity has been reported.
- ◆ Development proposals exist for another 4.3 million square feet throughout the valley. Over two-thirds of the planned space is located in the southwest and south submarkets. These emerging parts of the valley will continue to report elevated vacancies as additional inventory enters the market. A 12 to 24 month correction period will be required in selected areas before a more balanced environment prevails.
- ◆ Not unlike other regional markets, fundamentals in the Las Vegas economy deteriorated during the third quarter of 2008. Unemployment levels pressed north, reaching 7.1 percent by the close of August 2008 (latest available data), which was significantly above the national average of 6.1 percent. Overall employment posted a modest annual decline of 400 positions compared to the prior year. Gains in government, leisure and hospitality and retail positions were offset by net job losses in the construction and professional and business services sectors. Office-using employment posted a 4,200 position gain, representing a 1.3-percent increase.

OFFICE MARKET OVERVIEW

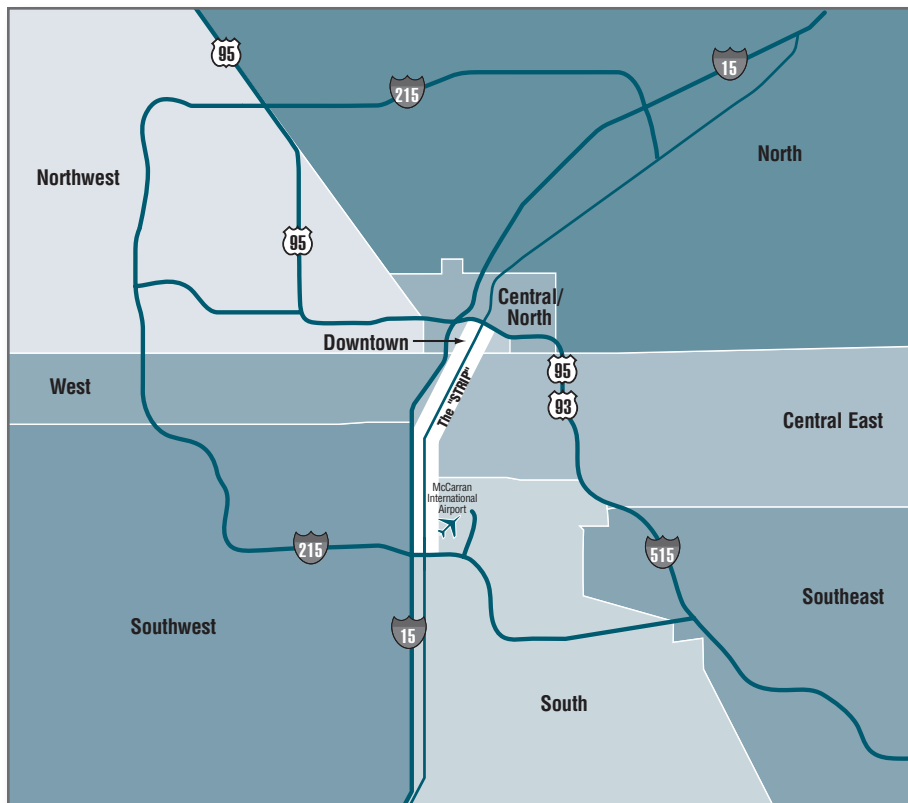
	3Q2008	2Q2008	3Q2007	% CHANGE VS. 3Q07
Under Construction	2,605,000	3,170,000	3,243,000	-19.67%
Planned Construction	4,299,000	4,704,000	6,801,000	-36.79%
Vacancy	17.0%	16.8%	13.2%	28.79%
Net Absorption	458,000	195,000	388,000	18.04%

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	INVENTORY			VACANCY			ABSORPTION	
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2008	Net Absorption 3Q2008	New Inventory 3Q2008
Northwest								
Class A	22	1,673,642	463,994	120,000	175,348	10.5%	(14,652)	0
Class B	220	5,596,373	195,485	215,052	906,455	16.2%	101,334	107,073
Class C	8	143,619	0	0	10,088	7.0%	9,992	0
Northwest Total	250	7,413,634	659,479	335,052	1,091,891	14.7%	96,674	107,073
Downtown								
Class A	8	1,693,887	0	0	50,847	3.0%	4,026	0
Class B	41	1,124,119	0	160,000	99,896	8.9%	8,362	0
Class C	24	605,723	0	0	55,680	9.2%	100	0
Downtown Total	73	3,423,729	0	160,000	206,423	6.0%	12,488	0
Central East								
Class A	13	1,491,632	0	173,210	71,697	4.8%	(8,382)	0
Class B	109	4,052,381	0	0	762,243	18.8%	(43,112)	0
Class C	55	1,429,508	0	0	228,397	16.0%	(34,746)	0
Central East Total	177	6,973,521	0	173,210	1,062,337	15.2%	(86,240)	0
West								
Class A	7	975,077	200,000	0	48,100	4.9%	20,052	0
Class B	242	5,398,101	0	149,469	822,922	15.2%	(24,142)	0
Class C	38	599,926	0	0	60,939	10.2%	7,866	0
West Total	287	6,973,104	200,000	149,469	931,961	13.4%	3,776	0
Southwest								
Class A	13	813,390	371,140	271,628	252,946	31.1%	11,571	0
Class B	293	6,760,312	763,014	1,678,595	1,413,023	20.9%	175,929	150,990
Class C	20	334,783	0	0	42,489	12.7%	(5,024)	0
Southwest Total	326	7,908,485	1,134,154	1,950,223	1,708,458	21.6%	182,476	150,990
South								
Class A	23	1,966,113	0	306,214	732,676	37.3%	14,470	98,865
Class B	451	8,203,702	340,086	584,472	1,723,389	21.0%	94,995	162,553
Class C	17	139,712	0	0	10,989	7.9%	4,515	0
South Total	491	10,309,527	340,086	890,686	2,467,054	23.9%	113,980	261,418
Southeast								
Class A	2	120,696	144,319	210,000	24,993	20.7%	0	0
Class B	93	1,670,132	0	260,569	237,834	14.2%	39,333	43,001
Class C	11	97,340	0	0	7,784	8.0%	0	0
Southeast Total	106	1,888,168	144,319	470,569	270,611	14.3%	39,333	43,001
Central/North								
Class A	1	220,000	0	0	0	0.0%	0	0
Class B	23	876,659	84,814	0	46,700	5.3%	24,690	0
Class C	9	368,055	0	0	20,101	5.5%	6,122	0
Central/North Total	33	1,464,714	84,814	0	66,801	4.6%	30,812	0
North								
Class A	1	45,376	0	0	19,009	41.9%	3,702	0
Class B	80	1,432,903	42,454	170,222	300,947	21.0%	58,998	88,904
Class C	5	176,638	0	0	24,625	13.9%	1,506	0
North Total	86	1,654,917	42,454	170,222	344,581	20.8%	64,206	88,904
Las Vegas Total								
Class A	90	8,999,813	1,179,453	1,081,052	1,375,616	15.3%	30,787	98,865
Class B	1,552	35,114,682	1,425,853	3,218,379	6,313,409	18.0%	436,387	552,521
Class C	187	3,895,304	0	0	461,092	11.8%	(9,669)	0
Total	1,829	48,009,799	2,605,306	4,299,431	8,150,117	17.0%	457,505	651,386

This survey consists of buildings greater than 5,000 square feet.



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, 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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