

Office Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Construction



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

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services – Lic.#01333376

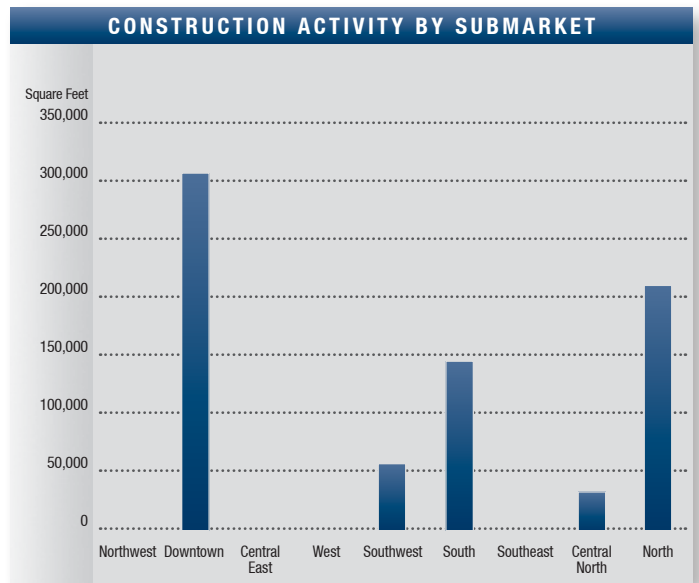
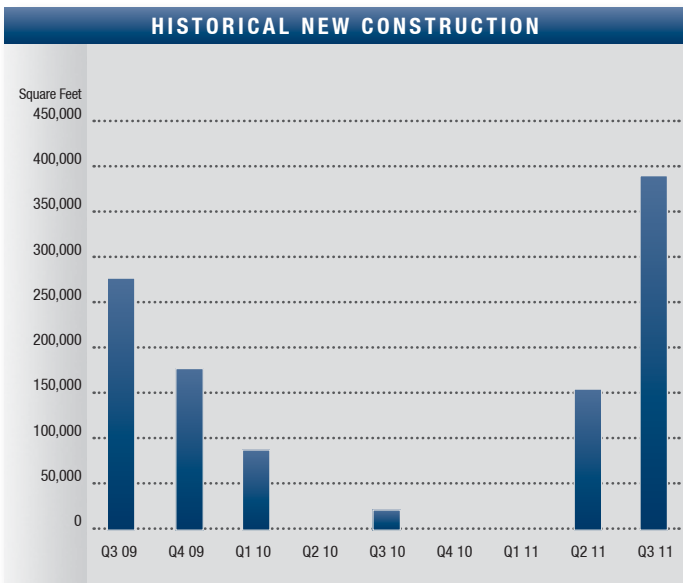
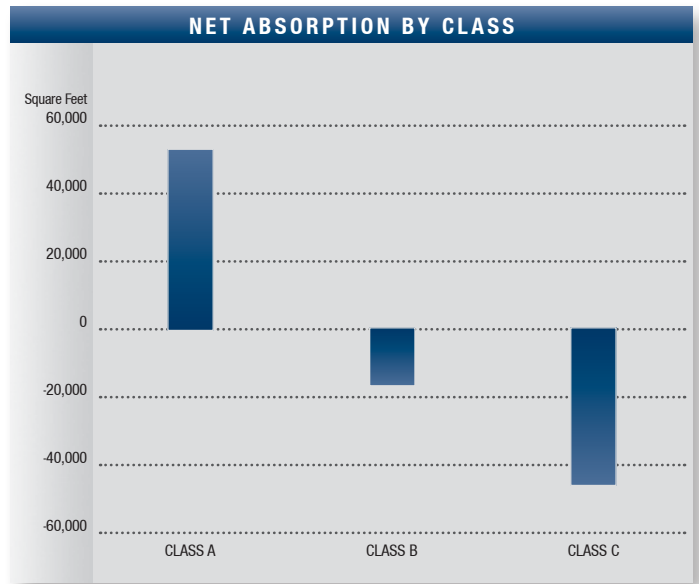
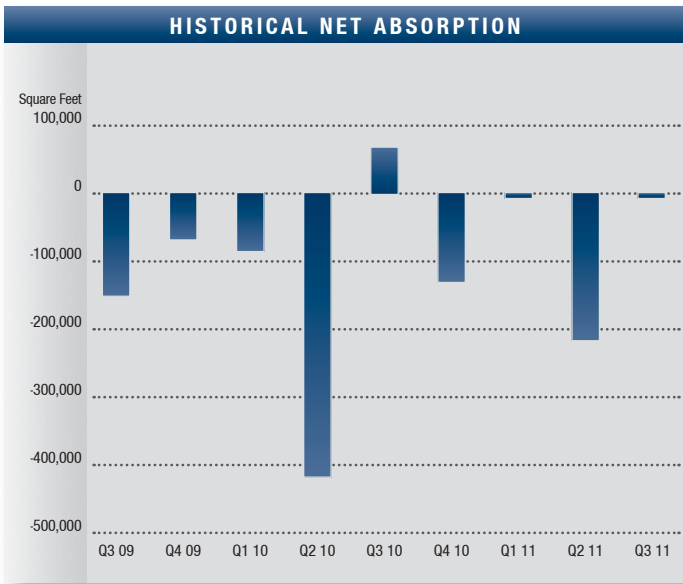
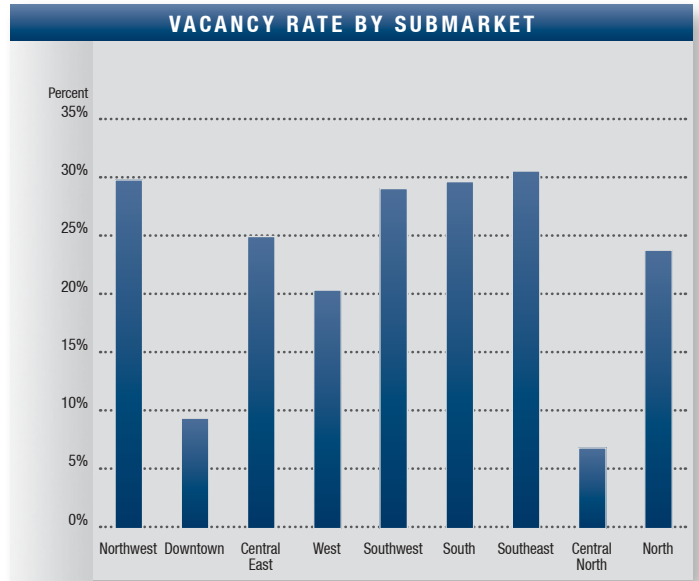
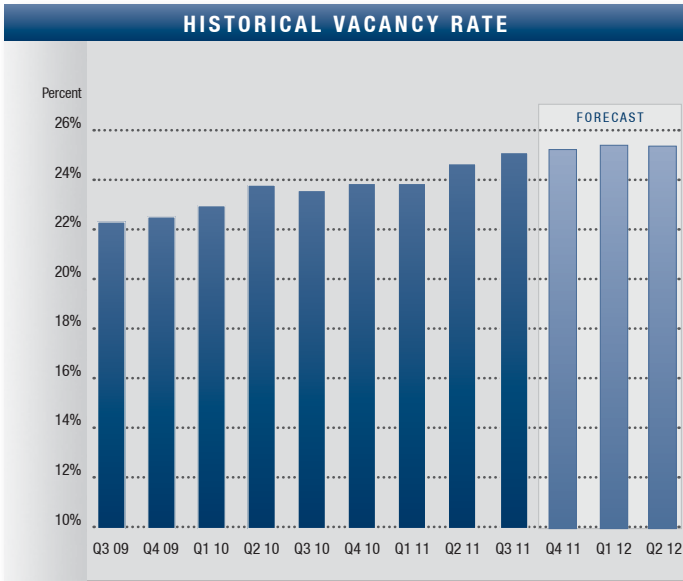
e-mail: jholdner@voitco.com

Market Highlights

- Market Overview** - The office market continues to remain fragile as move outs continue to dominate the sector, pushing the vacancy rate to 25.2 percent during the third quarter. The latest period reflects a 1.5–percentage–point increase over the last 12 months. The climb in vacancies during the past several years has availability 17 percentage points above the cycle low of 7.9 percent reported six years ago and nearly double the 10–year historical average.
- Inventory** - A single build–to–suit government office building for the Las Vegas Metropolitan Police Department completed construction, adding 390,000 square feet to the market during the third quarter. Total inventory now stands at 51.0 million square feet. As the vacancy rate is at an all–time high, the majority of new construction will likely be sourced to government or private owner–user buildings.
- Demand** - During the quarter, the market witnessed 9,100 square feet of negative net absorption, driving the vacancy rate up 59 basis points from the prior quarter (Q2 2011). While office–using employment has seen a slight rise (+500 jobs) over the last year, many employers are still continuing to do more with less, and that includes office space requirements. This will likely persist as confidence levels remain relatively low.
- Future Supply** - Of the 750,000 square feet actively under construction among six projects, more than two–thirds of the space is sourced to non–speculative government users. These projects include new city halls for Las Vegas (310,000 square feet) and North Las Vegas (210,400 square feet). It is also important to note that of the nearly 2.6 million square feet being planned for future development, nearly one–third (approximately 800,000 square feet) includes projects that have stalled or delayed construction activity. Barring build–to–suit projects, future development plans are unlikely to move forward without significant pre–leasing requirements, if at all.
- Economic Considerations** - Selected indicators continued their slowdown during the third quarter, and with little movement from the government or Federal Reserve on the macro front, concern is intensifying as consumer sales and job growth moves forward at a snail’s pace. At the local level, core employment continues to expand, partially attributable to positive performances from tourism and gaming. Nevertheless, southern Nevada’s labor market has yet to see positive gains in sectors where the pool of long–term unemployed reside, particularly construction.
- Looking Forward** - The persistent deflationary trend in pricing among all product classes continues to put pressure on landlords and lenders. Nevertheless, tenant movements within the market and relocations for well–capitalized businesses from outside the market will likely continue for those seeking out more cost effective space. Yet, given the overhang that currently exists in the professional office market, a significant absorption cycle is required before vacancy rates look anything like normal.

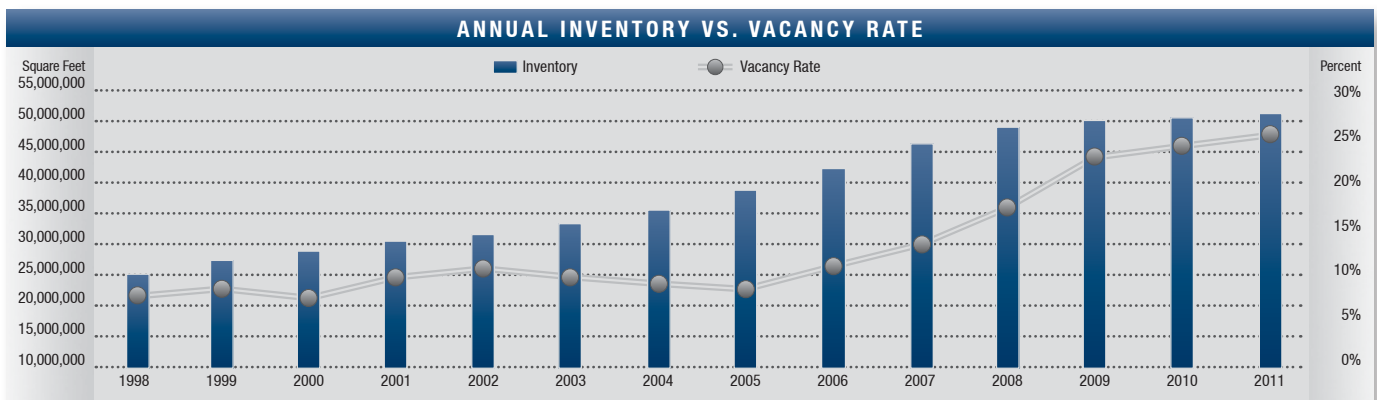
OFFICE MARKET OVERVIEW

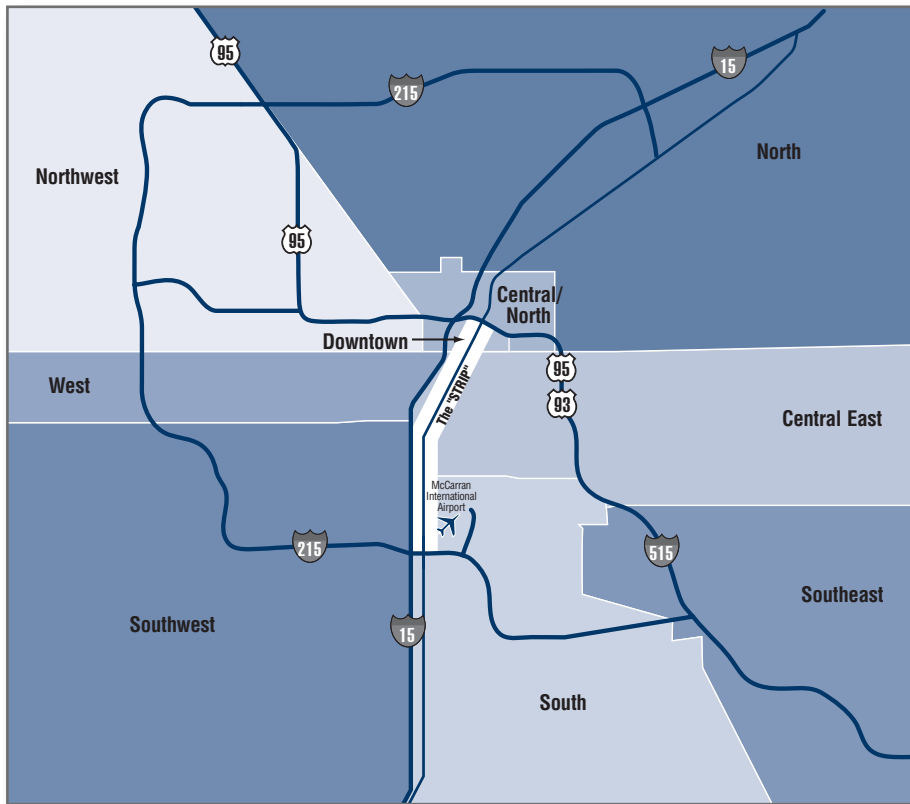
	Q3 2011	Q2 2011	Q3 2010	Q3 2011 vs. Q3 2010
Under Construction	750,161	1,178,000	1,076,000	(30.3%)
Planned Construction	2,640,000	2,755,000	2,878,000	(8.3%)
Vacancy	25.2%	24.1%	24.0%	5.0%
Net Absorption	(9,135)	(14,000)	(420,000)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2011	Net Absorption Q3 2011	Net Absorption YTD 2011	New Inventory Q3 2011	New Inventory YTD 2011
Northwest										
Class A	25	2,083,331	–	115,000	720,364	34.6%	(12,499)	72,732	–	145,000
Class B	209	5,314,917	–	245,519	1,467,001	27.6%	(185,450)	(239,505)	–	–
Class C	25	518,684	–	–	183,533	35.4%	(15,903)	(25,119)	–	–
Northwest Total	259	7,916,932	–	360,519	2,370,898	29.9%	(213,852)	(191,892)	–	145,000
Downtown										
Class A	8	1,692,502	310,000	8,909	82,475	4.9%	29,040	28,704	–	–
Class B	18	936,513	–	–	186,093	19.9%	(13,464)	(5,515)	–	–
Class C	49	1,060,938	–	–	79,252	7.5%	(2,330)	(16,821)	–	–
Downtown Total	75	3,689,953	310,000	8,909	347,820	9.4%	13,246	6,368	–	–
Central East										
Class A	13	1,491,632	–	173,210	334,540	22.4%	–	(5,007)	–	–
Class B	49	1,849,912	–	–	495,795	26.8%	(31,177)	(52,713)	–	–
Class C	118	3,696,889	–	–	925,989	25.0%	(27,150)	(9,251)	–	–
Central East Total	180	7,038,433	–	173,210	1,756,324	25.0%	(58,327)	(66,971)	–	–
West										
Class A	7	975,077	–	200,000	75,565	7.7%	14,869	14,869	–	–
Class B	201	4,300,665	–	–	912,364	21.2%	(34,742)	32,691	–	–
Class C	83	1,851,250	–	–	452,692	24.5%	19,483	11,475	–	–
West Total	291	7,126,992	–	200,000	1,440,621	20.2%	(390)	59,035	–	–
Southwest										
Class A	15	1,137,426	–	346,628	404,707	35.6%	(83,642)	(41,094)	–	–
Class B	292	6,913,800	54,000	926,002	2,038,190	29.5%	11,758	(56,324)	–	–
Class C	35	786,853	–	–	126,443	16.1%	(4,258)	(3,385)	–	–
Southwest Total	342	8,838,079	54,000	1,272,630	2,569,340	29.1%	(76,142)	(100,803)	–	–
South										
Class A	24	2,014,711	–	–	634,270	31.5%	103,332	110,538	–	–
Class B	437	8,234,215	142,761	491,419	2,349,735	28.5%	(123,791)	(358,829)	–	–
Class C	36	514,757	–	–	220,883	42.9%	(9,850)	(38,445)	–	–
South Total	497	10,763,683	142,761	491,419	3,204,888	29.8%	(30,309)	(286,736)	–	–
Southeast										
Class A	3	265,015	–	–	149,914	56.6%	(4,281)	28,596	–	–
Class B	86	1,603,387	–	27,200	418,711	26.1%	(18,380)	(31,903)	–	8,155
Class C	21	249,977	–	–	78,000	31.2%	(900)	(20,828)	–	–
Southeast Total	110	2,118,379	–	27,200	646,625	30.5%	(23,561)	(24,135)	–	8,155
Central/North										
Class A	1	220,000	–	–	–	0.0%	–	–	–	–
Class B	15	1,016,611	33,000	–	21,282	2.1%	390,000	388,999	390,000	390,000
Class C	19	703,027	–	–	112,824	16.0%	(5,013)	(5,649)	–	–
Central/North Total	35	1,939,638	33,000	–	134,106	6.9%	384,987	383,350	390,000	390,000
North										
Class A	1	45,376	210,400	–	14,480	31.9%	5,534	5,534	–	–
Class B	70	1,224,505	–	115,213	326,587	26.7%	(10,321)	(24,703)	–	–
Class C	15	332,158	–	–	36,861	11.1%	–	–	–	–
North Total	86	1,602,039	210,400	115,213	377,928	23.6%	(4,787)	(19,169)	–	–
Las Vegas Total										
Class A	97	9,925,070	520,400	843,747	2,416,315	24.3%	52,353	214,872	–	145,000
Class B	1,377	31,394,525	229,761	1,805,353	8,215,758	26.2%	(15,567)	(347,802)	390,000	398,155
Class C	401	9,714,533	–	–	2,216,477	22.8%	(45,921)	(108,023)	–	–
Las Vegas Total	1,875	51,034,128	750,161	2,649,100	12,848,550	25.2%	(9,135)	(240,953)	390,000	543,155

This survey consists of buildings greater than 5,000 square feet. **Note:** Planned inventory includes projects that previously commenced construction but are not actively underway.





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

Anaheim, CA
714.978.7880

Commerce, CA
323.201.4494

Inland Empire, CA
909.218.5285

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



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.