

Office Market Report

Compared to the Previous Quarter

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Construction

UP

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Market Highlights

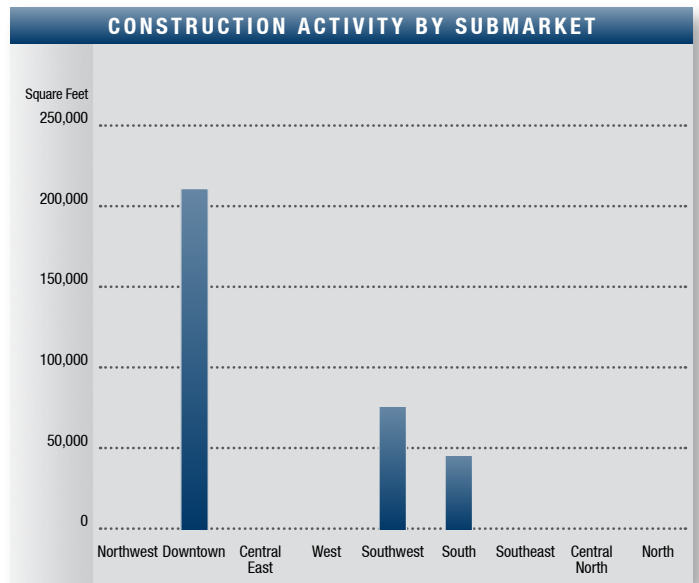
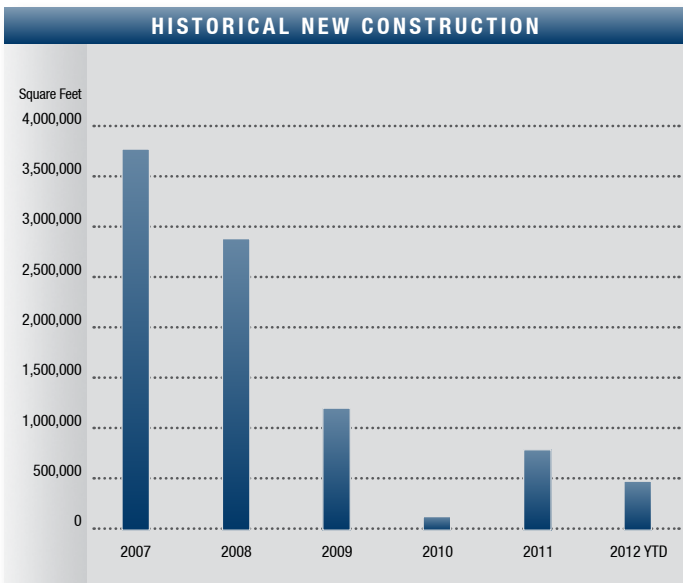
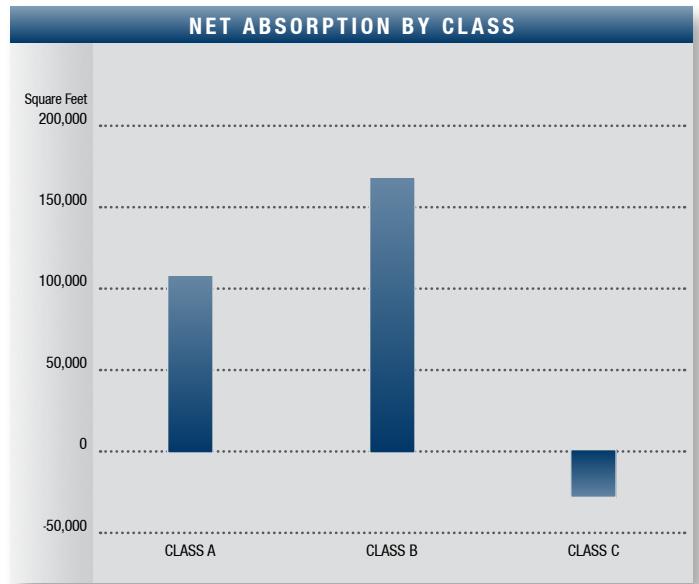
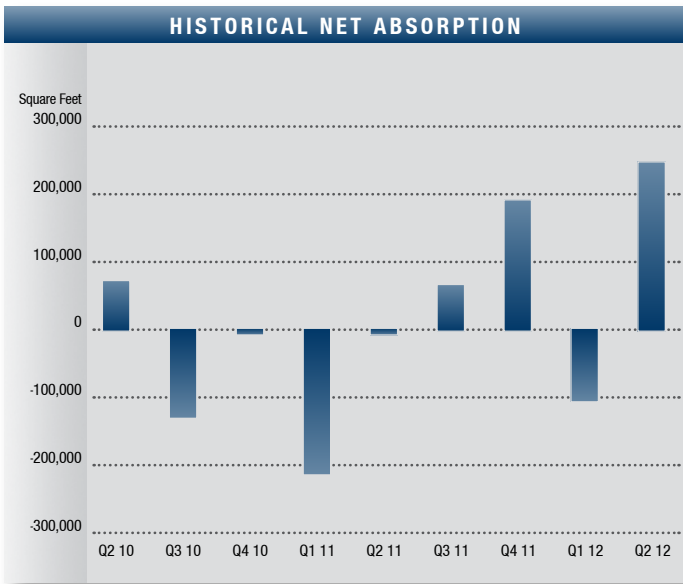
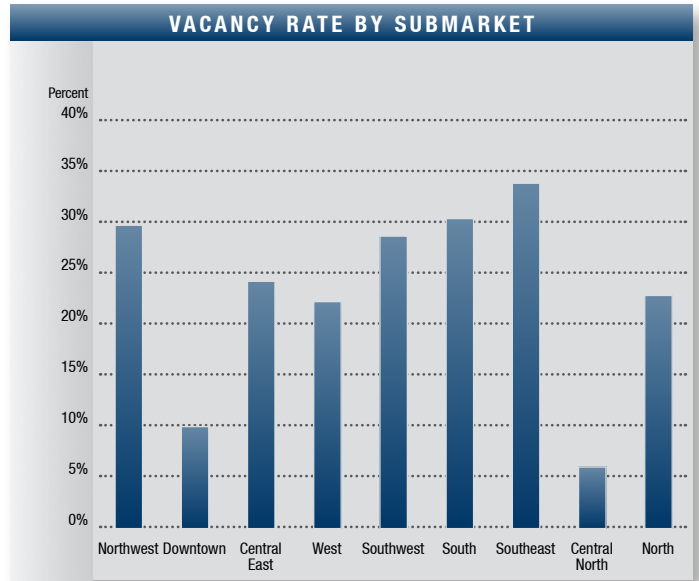
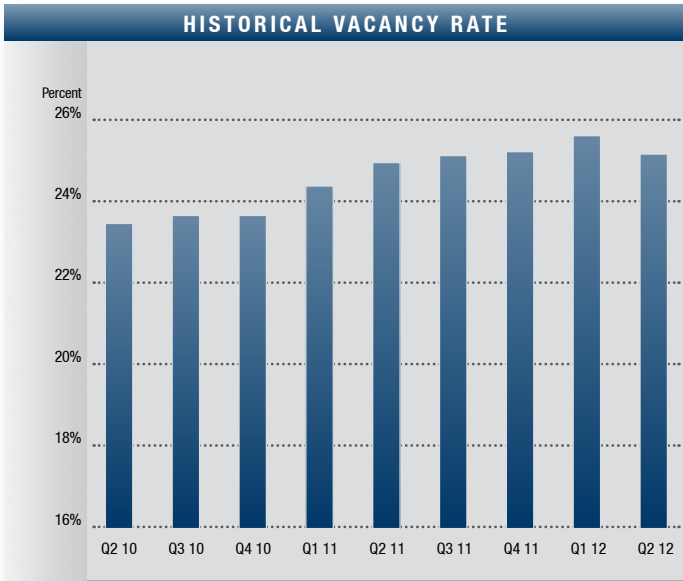
- Market Overview** – After seven consecutive quarters of vacancy rate increases, the Las Vegas office market witnessed a decline in availability during the third quarter of 2012. The rate fell to 25.2 percent during the reporting period, down 0.4 percentage points compared to the prior period (Q2 2012). When compared to the same quarter a year ago (Q3 2011), the vacancy rate remains elevated by 0.3 percentage points.
- Inventory** – One project completed construction during the period. A new medical office facility on the southwest corner of Martin Luther King Blvd. and Mount Mariah added 33,000 square feet to the central/north submarket. On a year-to-date basis, approximately 470,700 square feet of new space completed construction, including the 310,000-square-foot Las Vegas City Hall that wrapped up in the first quarter.
- Demand** – The office market reported 245,600 square feet of positive net absorption during the quarter, bringing the year-to-date tally to 325,500 square feet. The south and southwest submarkets reported the strongest performances, with positive demand of 74,600 and 68,100 square feet, respectively.
- Future Supply** – Forward-looking inventory (construction activity) increased to 328,200 square feet during the period. The majority of new space is sourced to non-speculative projects. Development

activity has picked up in the downtown submarket, including the new Federal Justice Tower, the Robert T. Eglert Advocacy Center and the Legal Aid Center of Southern Nevada. Also notable, two buildings on the southeast corner of Interstate-215 and Patrick Lane re-started construction after stalling in the third quarter of 2009.

- Economic Considerations** – Broader economic conditions showed improvements during the period. Consumer confidence reached 70.3 by the end of the quarter, up 12.1 percent compared to the end of the second quarter. The tourism industry continues to improve, with hotel operators increasing investments. In addition, the housing market is showing some signs of stabilization, with median home prices in the new and existing markets increasing 3.5 percent and 16.5 percent, respectively, when compared to the prior year.
- Looking Forward** – Despite witnessing a decline in vacancy rate during the third quarter of 2012, expectations for a quick recovery are unrealistic. However, measured improvements are a welcome sign and suggest a more stabilized environment is emerging. Average asking rates declined for the thirteenth consecutive quarter, yet the pace of decline is slowing. While development prospects remain limited within the office sector, acquisition opportunities appear to be gaining increased interest.

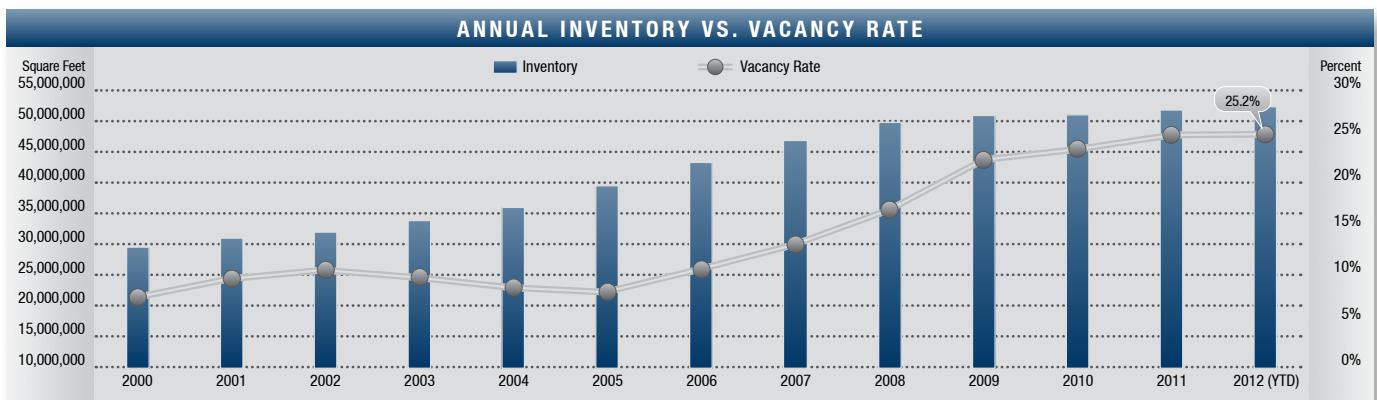
OFFICE MARKET OVERVIEW

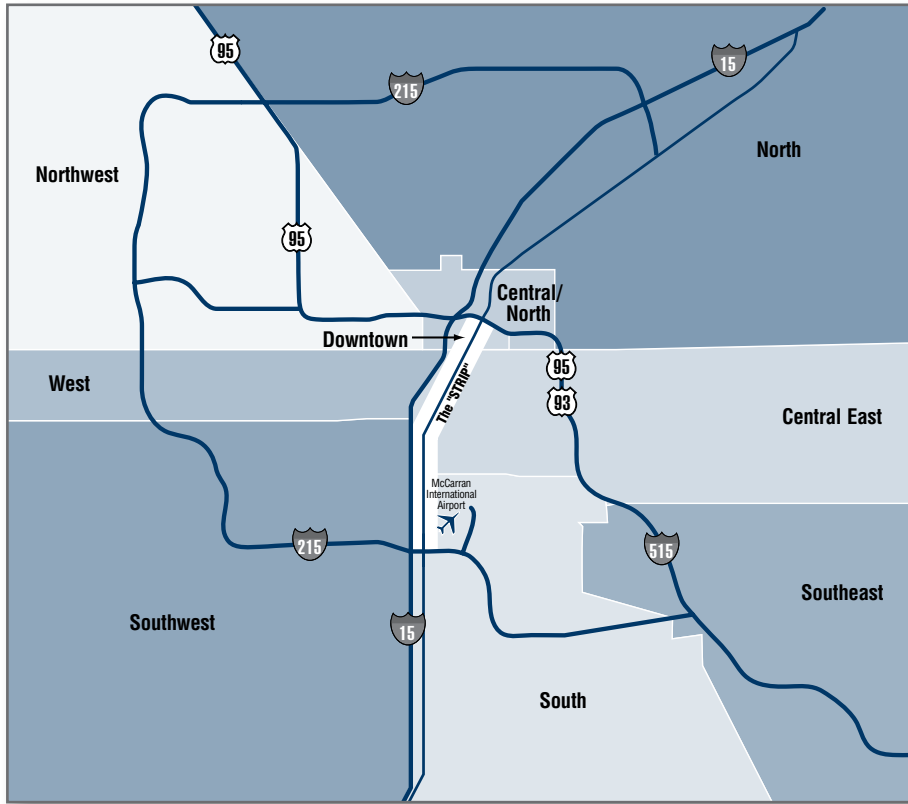
	Q3 2012	Q3 2012	Q3 2011	Q3 2012 vs. Q3 2011
Under Construction	328,246	241,000	648,853	(49.4%)
Planned Construction	2,424,233	2,544,479	2,908,191	(16.6%)
Vacancy	25.2%	25.6%	24.9%	0.3%
Net Absorption	245,648	(109,256)	(5,085)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2012	Net Absorption Q3 2012	Net Absorption 2012	New Inventory Q3 2012	New Inventory 2012
Northwest										
Class A	25	2,086,272	0	115,000	712,649	34.2%	14,514	25,323	0	0
Class B	211	5,342,680	0	240,519	1,463,881	27.4%	12,667	12,775	0	0
Class C	25	518,684	0	0	168,980	32.6%	(10,739)	19,403	0	0
Northwest Total	261	7,947,636	0	355,519	2,345,510	29.5%	16,442	57,501	0	0
Downtown										
Class A	9	2,002,502	210,000	0	137,020	6.8%	(9,841)	267,555	0	310,000
Class B	18	936,513	0	0	159,123	17.0%	0	37,783	0	0
Class C	50	1,068,900	0	0	94,731	8.9%	0	(10,468)	0	0
Downtown Total	77	4,007,915	210,000	0	390,874	9.8%	(9,841)	294,870	0	310,000
Central East										
Class A	13	1,491,632	0	173,210	239,393	16.0%	16,760	34,389	0	0
Class B	49	1,849,912	0	0	489,270	26.4%	4,037	13,489	0	0
Class C	121	3,730,799	0	0	971,360	26.0%	7,989	(21,353)	0	0
Central East Total	183	7,072,343	0	173,210	1,700,023	24.0%	28,786	26,525	0	0
West										
Class A	8	1,215,077	0	200,000	175,958	14.5%	(1,482)	(100,393)	0	0
Class B	201	4,300,665	0	0	937,486	21.8%	12,013	(8,399)	0	0
Class C	83	1,851,250	0	0	510,610	27.6%	(9,087)	(20,849)	0	0
West Total	292	7,366,992	0	200,000	1,624,054	22.0%	1,444	(129,641)	0	0
Southwest										
Class A	15	1,137,426	0	346,628	316,092	27.8%	51,916	45,512	0	0
Class B	293	6,945,318	74,246	760,956	2,045,042	29.4%	21,134	(25,827)	0	0
Class C	35	774,933	0	0	155,868	20.1%	(4,899)	(28,875)	0	0
Southwest Total	343	8,857,677	74,246	1,107,584	2,517,002	28.4%	68,151	(9,190)	0	0
South										
Class A	24	2,014,711	0	0	669,145	33.2%	31,225	(11,169)	0	0
Class B	450	8,496,741	44,000	445,507	2,459,485	28.9%	35,994	45,571	0	127,692
Class C	36	514,757	0	0	188,058	36.5%	7,412	38,981	0	0
South Total	510	11,026,209	44,000	445,507	3,316,688	30.1%	74,631	73,383	0	127,692
Southeast										
Class A	3	265,015	0	0	189,981	71.7%	3,973	(2,715)	0	0
Class B	87	1,626,706	0	27,200	436,882	26.9%	(1,195)	12,184	0	0
Class C	22	257,737	0	0	98,275	38.1%	(1,148)	(14,860)	0	0
Southeast Total	112	2,149,458	0	27,200	725,138	33.7%	1,630	(5,391)	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	20,334	1.9%	33,000	33,948	33,000	33,000
Class C	19	703,027	0	0	92,066	13.1%	2,644	20,758	0	0
Central/North Total	36	1,972,638	0	0	112,400	5.7%	35,644	54,706	33,000	33,000
North										
Class A	2	255,776	0	0	28,058	11.0%	0	(20,225)	0	0
Class B	70	1,224,505	0	115,213	324,493	26.5%	49,758	959	0	0
Class C	16	357,745	0	0	64,499	18.0%	(20,997)	(18,018)	0	0
North Total	88	1,838,026	0	115,213	417,050	22.7%	28,761	(37,284)	0	0
Las Vegas Total										
Class A	100	10,688,411	210,000	834,838	2,468,296	23.1%	107,065	238,277	0	310,000
Class B	1,395	31,772,651	118,246	1,589,395	8,335,996	26.2%	167,408	122,483	33,000	160,692
Class C	407	9,777,832	0	0	2,344,447	24.0%	(28,825)	(35,281)	0	0
Las Vegas Total	1,902	52,238,894	328,246	2,424,233	13,148,739	25.2%	245,648	325,479	33,000	470,692

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





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