

Office Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Construction

FLAT

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Market Highlights

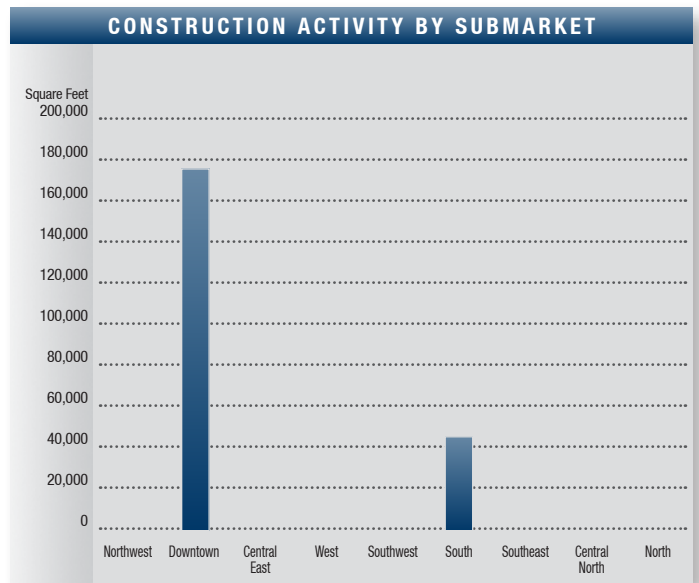
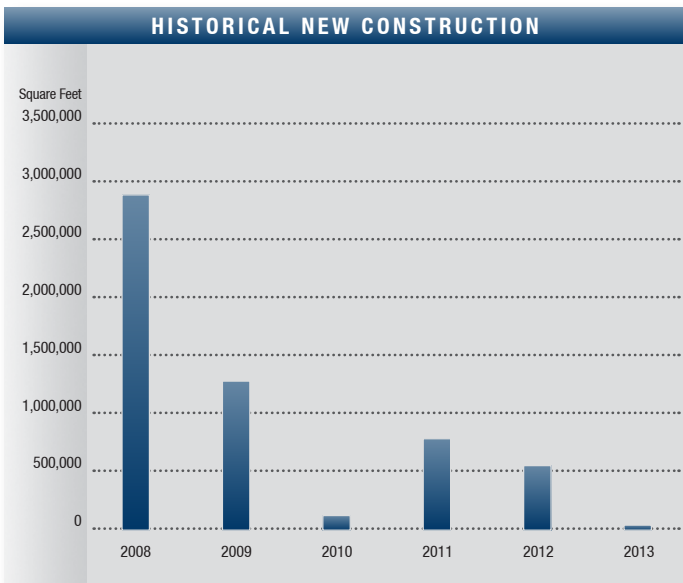
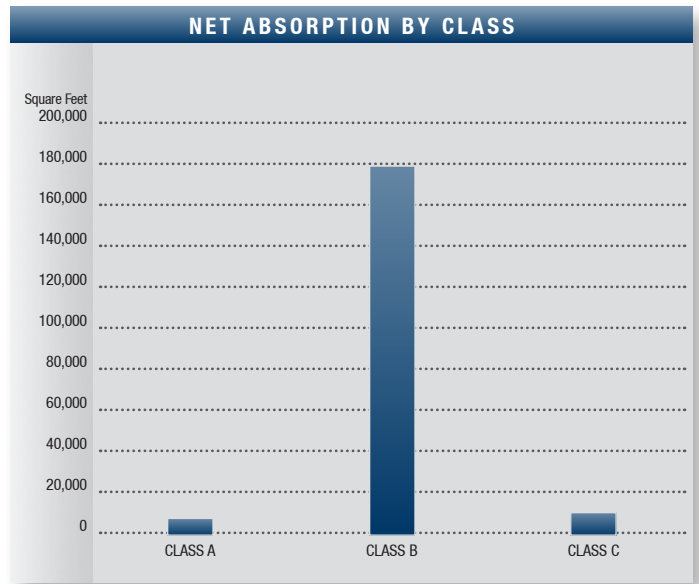
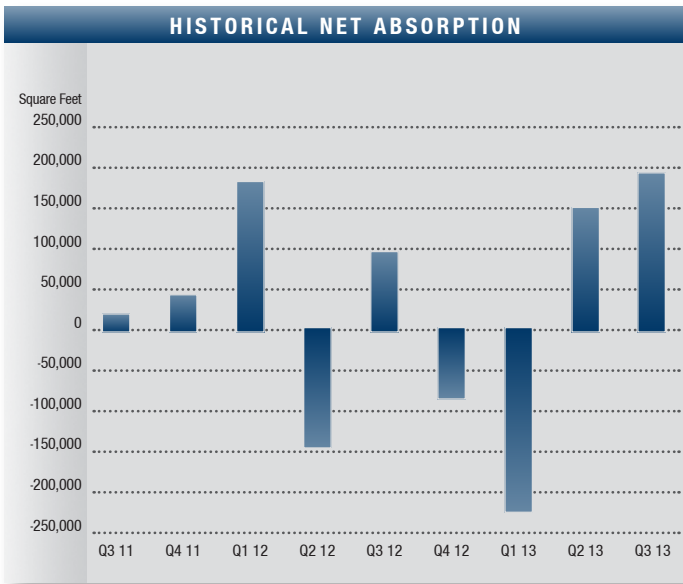
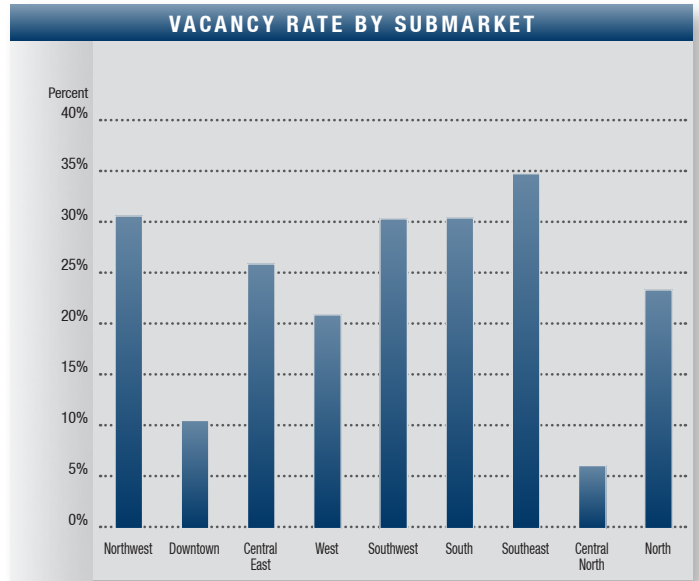
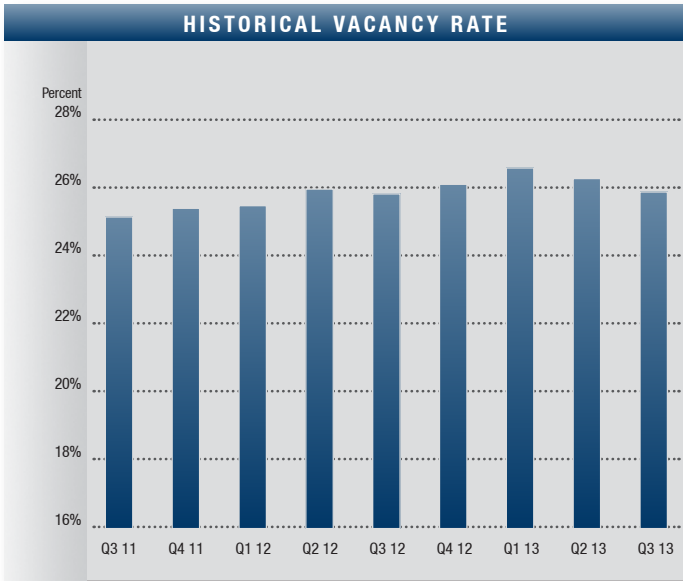
- Market Overview** - The Las Vegas office market reported positive absorption during the third quarter of 2013. The overall office vacancy rate posted a quarter-to-quarter decline but increased slightly from the previous year. The sector witnessed an average rate of 25.9%, down 40 basis points (0.4 percentage points) from the prior quarter (Q2 2013) and edged up 10 basis points (0.1 percentage points) from the prior year (Q3 2012).
- Inventory** - With no new completions during the quarter, inventory remained flat at 52.7 million square feet. For the year, a negligible 35,000 square feet was added to the market, which was sourced to the new Legal Aid Center of Southern Nevada in Downtown Las Vegas.
- Demand** - The office sector reported approximately 193,600 square feet of positive net absorption during the third quarter, representing the second consecutive quarter of improvement. For the first three quarters of 2013, net absorption was positive 120,900 square feet, partially offset by the negative performance in the first quarter of the year. The southwest submarket witnessed the greatest amount of positive net absorption with 101,100 square feet of net move-ins during the quarter.
- Future Supply** - Three projects totaling 220,700 square feet were under construction throughout

the valley. The 129,000-square-foot Federal Justice Tower and 46,000-square-foot EVAPS Law Office continued to move forward downtown. Meanwhile, the 45,700-square-foot headquarters for Prudential Americana Group was underway in the south submarket.

- Economic Considerations** - The southern Nevada economy continued to show modest signs of improvement. In August 2013, employment increased by 22,200 jobs (+2.7%) when compared to the prior year, while the unemployment rate fell 1.8 percentage points to 9.6%. In addition, housing prices continued to report significant gains with the new and resale home prices up over 30% on an annual basis. However, the length and scope of the recent partial government shutdown provides an added layer of uncertainty for the national and local economies.
- Looking Forward** - Although the office vacancy rate remains elevated, recent activity is encouraging. Employment growth in the post-recession environment has primarily resulted in employers better utilizing existing space. Assuming these growth trends continue into 2014, incremental demand for new space will help to absorb excess inventory and reduce overall availability.

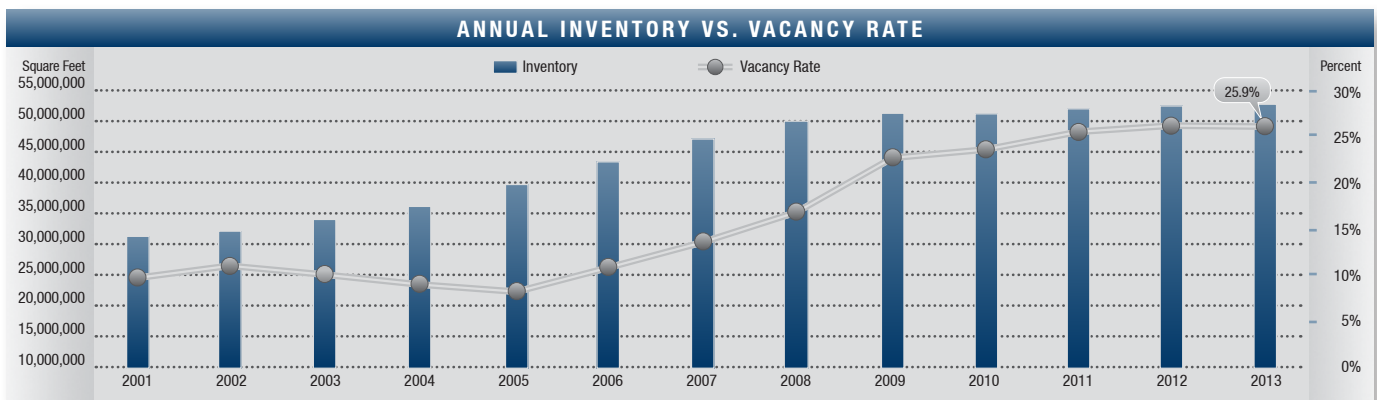
OFFICE MARKET OVERVIEW

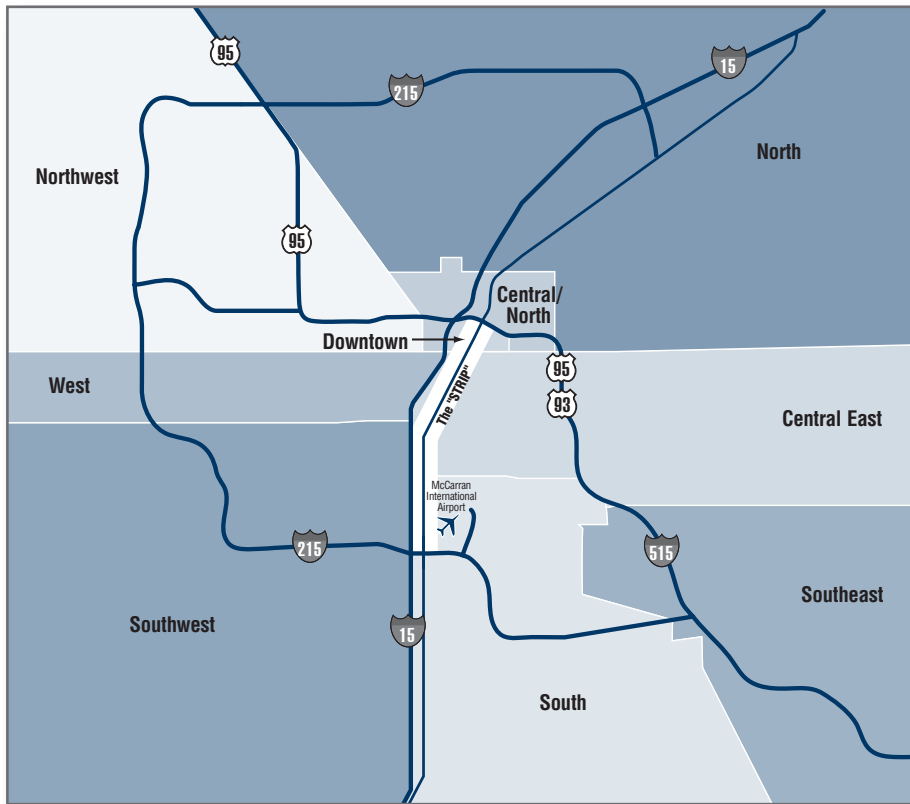
	Q3 2013	Q2 2013	Q3 2012	Q3 2013 vs. Q3 2012
Under Construction	220,660	220,660	284,246	(22.4%)
Planned Construction	2,549,233	2,549,233	2,594,893	(1.8%)
Vacancy	25.9%	26.3%	25.8%	0.1%
Net Absorption	193,603	151,096	96,400	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2013	Net Absorption Q3 2013	Net Absorption 2013	New Inventory Q3 2013	New Inventory 2013
Northwest										
Class A	25	2,087,034	0	115,000	869,522	41.7%	(5,611)	(69,955)	0	0
Class B	210	5,324,178	0	240,519	1,381,947	26.0%	30,539	80,812	0	0
Class C	25	518,684	0	0	164,526	31.7%	9,489	5,907	0	0
Northwest Total	260	7,929,896	0	355,519	2,415,995	30.5%	34,417	16,764	0	0
Downtown										
Class A	10	2,037,502	175,000	0	125,259	6.1%	(13,636)	36,702	0	35,000
Class B	19	946,341	0	0	169,047	17.9%	9,212	41,737	0	0
Class C	51	1,079,900	0	0	134,146	12.4%	(481)	(27,252)	0	0
Downtown Total	80	4,063,743	175,000	0	428,452	10.5%	(4,905)	51,187	0	35,000
Central East										
Class A	13	1,491,632	0	173,210	297,390	19.9%	1,971	126	0	0
Class B	49	1,849,912	0	0	537,746	29.1%	14,765	(19,562)	0	0
Class C	121	3,730,799	0	0	1,001,598	26.8%	(8,445)	(59,170)	0	0
Central East Total	183	7,072,343	0	173,210	1,836,734	26.0%	8,291	(78,606)	0	0
West										
Class A	8	1,215,077	0	200,000	182,208	15.0%	(492)	3,671	0	0
Class B	201	4,300,665	0	0	862,342	20.1%	31,111	80,906	0	0
Class C	83	1,851,250	0	0	490,070	26.5%	3,264	10,856	0	0
West Total	292	7,366,992	0	200,000	1,534,620	20.8%	33,883	95,433	0	0
Southwest										
Class A	15	1,137,426	0	471,628	327,324	28.8%	(8,724)	(1,384)	0	0
Class B	295	7,135,785	0	760,956	2,201,014	30.8%	108,899	(16,908)	0	0
Class C	35	785,315	0	0	203,285	25.9%	900	517	0	0
Southwest Total	345	9,058,526	0	1,232,584	2,731,623	30.2%	101,075	(17,775)	0	0
South										
Class A	24	2,014,711	0	0	645,802	32.1%	32,819	1,209	0	0
Class B	452	8,548,748	45,660	445,507	2,466,753	28.9%	(11,744)	46,895	0	0
Class C	40	692,557	0	0	303,923	43.9%	5,462	4,983	0	0
South Total	516	11,256,016	45,660	445,507	3,416,478	30.4%	26,537	53,087	0	0
Southeast										
Class A	3	265,015	0	0	189,981	71.7%	0	0	0	0
Class B	87	1,626,706	0	27,200	438,418	27.0%	(4,315)	16,102	0	0
Class C	22	257,737	0	0	117,576	45.6%	(1,228)	(19,301)	0	0
Southeast Total	112	2,149,458	0	27,200	745,975	34.7%	(5,543)	(3,199)	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	24,725	2.4%	0	(4,391)	0	0
Class C	19	703,027	0	0	96,582	13.7%	(388)	2,012	0	0
Central/North Total	36	1,972,638	0	0	121,307	6.1%	(388)	(2,379)	0	0
North										
Class A	2	255,776	0	0	27,707	10.8%	0	351	0	0
Class B	70	1,224,505	0	115,213	336,311	27.5%	236	6,036	0	0
Class C	16	357,745	0	0	64,499	18.0%	0	0	0	0
North Total	88	1,838,026	0	115,213	428,517	23.3%	236	6,387	0	0
Las Vegas Total										
Class A	101	10,724,173	175,000	959,838	2,665,193	24.9%	6,327	(29,280)	0	35,000
Class B	1,399	32,006,451	45,660	1,589,395	8,418,303	26.3%	178,703	231,627	0	0
Class C	412	9,977,014	0	0	2,576,205	25.8%	8,573	(81,448)	0	0
Las Vegas Total	1,912	52,707,638	220,660	2,549,233	13,659,701	25.9%	193,603	120,899	0	35,000

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





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