

## MARKET CHANGE

*Compared to the Previous Quarter:*

**Vacancy**  
**DOWN**

**Net Absorption**  
**POSITIVE**

**Lease Rates**  
**FLAT**

**Construction**  
**FLAT**

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## HIGHLIGHTS

- **Market Overview** - The Las Vegas office market reported a vacancy rate of 24.8 percent in the third quarter of 2014. The latest period represents a decline of 40 basis points (0.4 percentage points) compared to the prior quarter (Q2 2014). Meanwhile, vacancies have declined 70 basis points (0.7 percentage points) when compared to a year ago (Q3 2013).
  - include the third phase of Corporate Center at the Curve (45,700 SF), the second phase of Tivoli Village at Queensridge (68,000 SF), Centennial Hills Center (150,000 SF), Federal Justice Tower (129,000 SF), the Gramercy (200,000 SF) and Downtown Summerlin (200,000 SF).
- **Demand** - The office sector reported 170,400 SF of positive net absorption during the third quarter, bringing the year-to-date total to 262,500 SF of net move-ins. Class B office space reported the strongest performance with roughly 151,500 SF of positive net absorption. During the quarter, Henderson Renal Construction LLC purchased the 17,400 SF building at 1661 Horizon Ridge Parkway. In addition, Bodyspa Salons reportedly leased 15,100 SF in Green Valley Corporate Center South at 2490 Paseo Verde Parkway, while the Regus Corp. will occupy 15,000 SF at 400 South 4th Street.
- **Inventory** - During the third quarter, there were no notable office completions, and inventory remained flat at 52.7 million SF. The only notable office completion this year included the 46,000 SF Robert T. Eglet Advocacy Center in Downtown Las Vegas.
- **Future Supply** - Construction activity remained flat at 792,700 SF in the third quarter as six office projects continue to make progress. Current developments
  - **Economic Considerations** - In August 2014 (latest available data), the Las Vegas MSA added 24,700 jobs compared to a year ago. The professional and business services sector witnessed the most substantial year-over-year growth with the addition of 6,400 positions. Other sectors reporting gains included education and health services (+5,900 jobs), retail trade (+5,100 jobs), government (+1,800 jobs), financial activities (+1,300 jobs) and leisure and hospitality (+1,200 jobs). Additional indicators that continue to perform well include taxable retail sales (+7.9 percent year-over-year for the 12 months ending July 2014) and visitor volume (reaching an all-time high of 40.8 million for the 12 months ending August 2014).
  - **Overall** - The Las Vegas office market has now reported positive net absorption for two consecutive quarters. While the majority of leasing activity continues to be sourced to smaller spaces, some larger companies have started to expand or relocate to the area and demand larger suites to fit their needs.

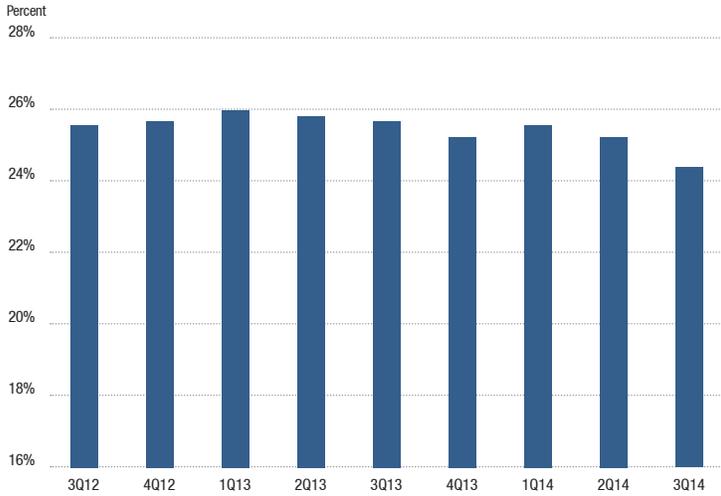
## FORECAST

- **Employment** - Employment is expected to continue to report year-over-year gains, with broader improvements in the construction, retail trade and professional and business services sectors.
- **Construction** - Some projects are expected to wrap-up construction activity in the coming quarters.
- **Vacancy** - The office vacancy rate is expected to experience modest improvements, but overall vacancies are likely to remain above 20 percent going into 2015.

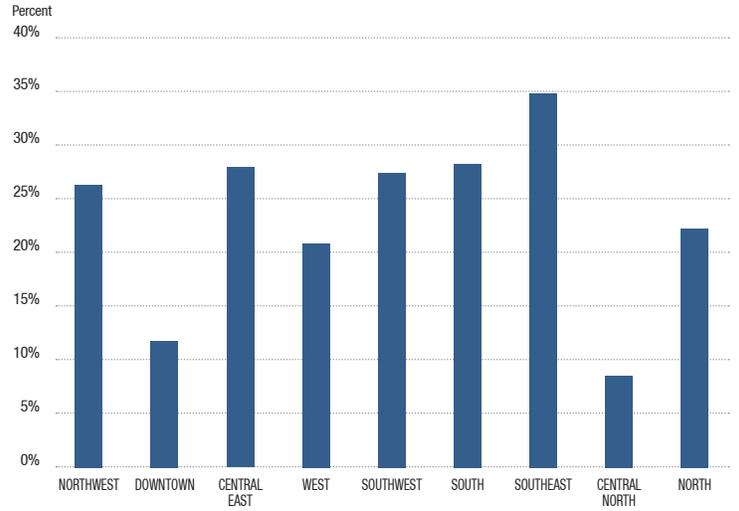
## OVERVIEW

	3Q14	2Q14	3Q13	% Change vs. 3Q13
Under Construction	792,692	792,692	220,660	259.2%
Planned Construction	1,982,035	1,982,035	2,559,005	(22.5%)
Vacancy	24.8%	25.2%	25.5%	(0.7%)
Net Absorption	170,430	214,155	148,647	N/A

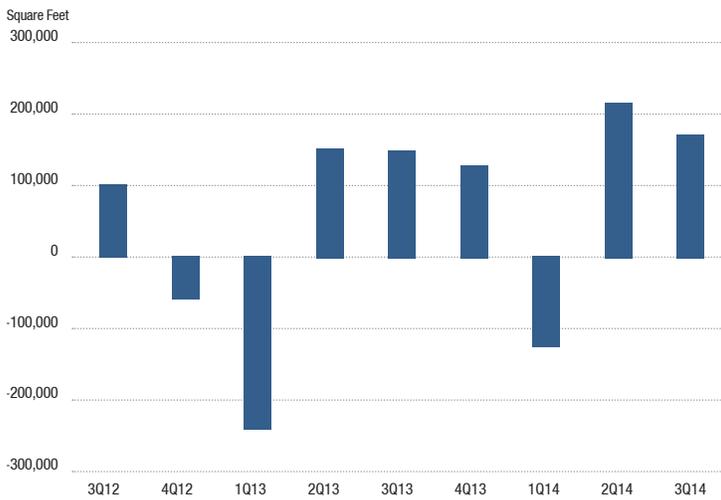
**HISTORICAL VACANCY RATE**



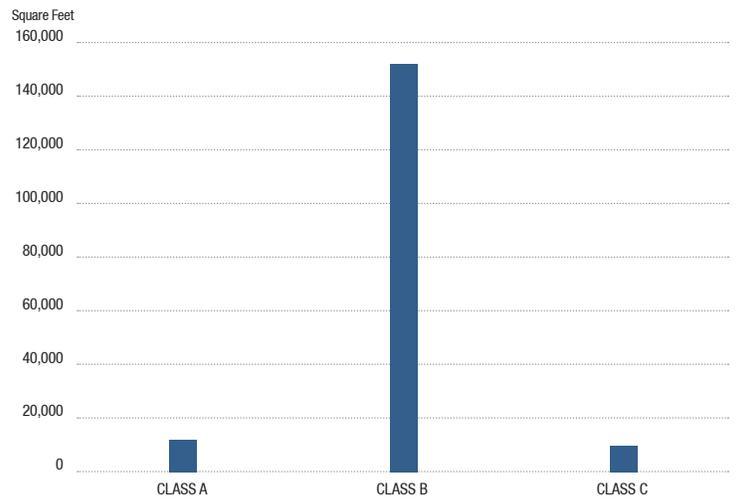
**VACANCY RATE BY SUBMARKET**



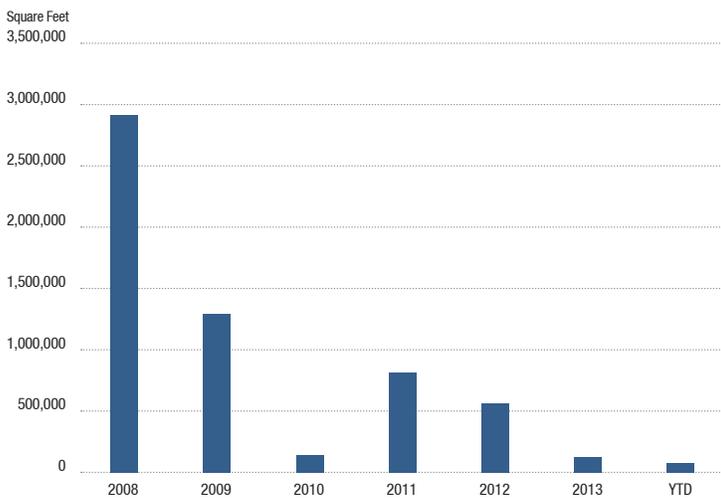
**HISTORICAL NET ABSORPTION**



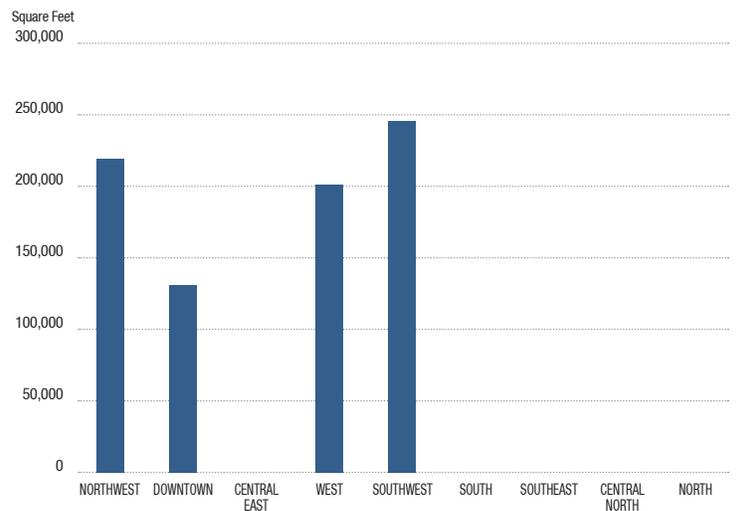
**NET ABSORPTION BY CLASS**



**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 3Q2014	Net Absorption 3Q2014	Net Absorption 2014	New Inventory 3Q2014	New Inventory 2014
<b>Northwest</b>										
Class A	25	2,077,748	68,000	0	650,452	31.3%	40,633	158,698	0	0
Class B	210	5,323,725	150,000	101,599	1,274,290	23.9%	32,683	105,587	0	0
Class C	25	518,684	w	0	160,802	31.0%	0	4,887	0	0
<b>Northwest Total</b>	<b>260</b>	<b>7,920,157</b>	<b>218,000</b>	<b>101,599</b>	<b>2,085,544</b>	<b>26.3%</b>	<b>73,316</b>	<b>269,172</b>	<b>0</b>	<b>0</b>
<b>Downtown</b>										
Class A	12	2,353,502	129,000	100,000	108,236	4.6%	15,000	74,213	0	46,000
Class B	19	946,341	0	0	223,839	23.7%	0	(35,185)	0	0
Class C	50	809,900	0	0	143,029	17.7%	1,282	(558)	0	0
<b>Downtown Total</b>	<b>81</b>	<b>4,109,743</b>	<b>129,000</b>	<b>100,000</b>	<b>475,104</b>	<b>11.6%</b>	<b>16,282</b>	<b>38,470</b>	<b>0</b>	<b>46,000</b>
<b>Central East</b>										
Class A	13	1,491,632	0	173,210	363,494	24.4%	(25,793)	(84,405)	0	0
Class B	49	1,849,912	0	0	483,714	26.1%	16,921	40,786	0	0
Class C	121	3,730,799	0	0	1,137,734	30.5%	(7,303)	(49,408)	0	0
<b>Central East Total</b>	<b>183</b>	<b>7,072,343</b>	<b>0</b>	<b>173,210</b>	<b>1,984,942</b>	<b>28.1%</b>	<b>(16,175)</b>	<b>(93,027)</b>	<b>0</b>	<b>0</b>
<b>West</b>										
Class A	8	1,215,077	200,000	0	175,610	14.5%	(1,906)	1,099	0	0
Class B	201	4,300,665	0	0	843,558	19.6%	37,681	28,948	0	0
Class C	83	1,851,250	0	0	516,613	27.9%	2,155	(18,949)	0	0
<b>West Total</b>	<b>292</b>	<b>7,366,992</b>	<b>200,000</b>	<b>0</b>	<b>1,535,781</b>	<b>20.8%</b>	<b>37,930</b>	<b>11,098</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>										
Class A	15	1,137,426	200,000	271,628	263,001	23.1%	11,174	49,135	0	0
Class B	294	7,126,138	45,692	747,678	2,052,117	28.8%	7,601	(29,744)	0	0
Class C	34	764,315	0	0	180,436	23.6%	5,127	5,963	0	0
<b>Southwest Total</b>	<b>343</b>	<b>9,027,879</b>	<b>245,692</b>	<b>1,019,306</b>	<b>2,495,554</b>	<b>27.6%</b>	<b>23,902</b>	<b>25,354</b>	<b>0</b>	<b>0</b>
<b>South</b>										
Class A	24	2,014,711	0	0	611,412	30.3%	(28,400)	(28,937)	0	0
Class B	454	8,562,206	0	445,507	2,350,181	27.4%	52,347	(54,804)	0	0
Class C	40	692,557	0	0	238,174	34.4%	4,416	47,661	0	0
<b>South Total</b>	<b>518</b>	<b>11,269,474</b>	<b>0</b>	<b>445,507</b>	<b>3,199,767</b>	<b>28.4%</b>	<b>28,363</b>	<b>(36,080)</b>	<b>0</b>	<b>0</b>
<b>Southeast</b>										
Class A	3	265,015	0	0	184,554	69.6%	0	1,620	0	0
Class B	88	1,633,707	0	27,200	476,871	29.2%	4,256	(15,628)	0	0
Class C	22	257,737	0	0	89,479	34.7%	3,876	19,363	0	0
<b>Southeast Total</b>	<b>113</b>	<b>2,156,459</b>	<b>0</b>	<b>27,200</b>	<b>750,904</b>	<b>34.8%</b>	<b>8,132</b>	<b>5,355</b>	<b>0</b>	<b>0</b>
<b>Central/North</b>										
Class A	1	220,000	0	0	0	0.0%	0	0	0	0
Class B	16	1,049,611	0	0	24,313	2.3%	0	(1,366)	0	0
Class C	19	703,027	0	0	140,405	20.0%	(1,320)	22,704	0	0
<b>Central/North Total</b>	<b>36</b>	<b>1,972,638</b>	<b>0</b>	<b>0</b>	<b>164,718</b>	<b>8.4%</b>	<b>(1,320)</b>	<b>21,338</b>	<b>0</b>	<b>0</b>
<b>North</b>										
Class A	2	255,776	0	0	27,707	10.8%	0	0	0	0
Class B	70	1,224,505	0	115,213	329,535	26.9%	0	17,330	0	0
Class C	16	357,745	0	0	51,528	14.4%	0	3,479	0	0
<b>North Total</b>	<b>88</b>	<b>1,838,026</b>	<b>0</b>	<b>115,213</b>	<b>408,770</b>	<b>22.2%</b>	<b>0</b>	<b>20,809</b>	<b>0</b>	<b>0</b>
<b>Las Vegas Total</b>										
Class A	103	11,030,887	597,000	544,838	2,384,466	21.6%	10,708	171,423	0	46,000
Class B	1,401	32,016,810	195,692	1,437,197	8,058,418	25.2%	151,489	55,924	0	0
Class C	410	9,686,014	0	0	2,658,200	27.4%	8,233	35,142	0	0
<b>Las Vegas Total</b>	<b>1,914</b>	<b>52,733,711</b>	<b>792,692</b>	<b>1,982,035</b>	<b>13,101,084</b>	<b>24.8%</b>	<b>170,430</b>	<b>262,489</b>	<b>0</b>	<b>46,000</b>

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

**ANNUAL INVENTORY VS. VACANCY RATE**



PRODUCT TYPE

**Class A**

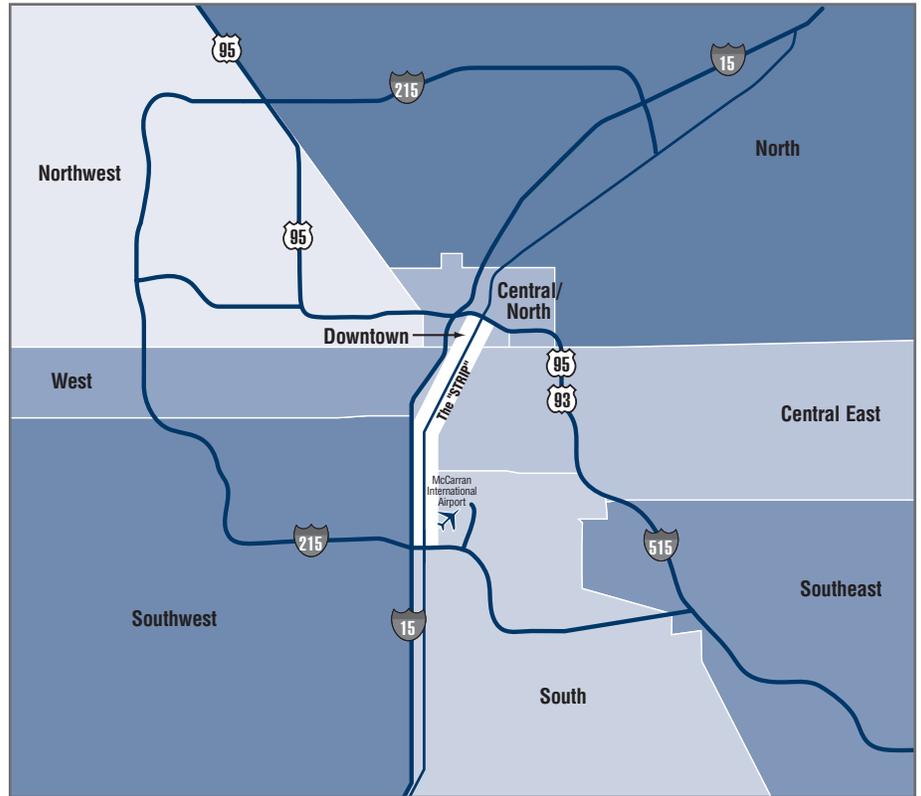
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

**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**

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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.

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