



Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN



Lease Rates

DOWN



Construction

DOWN



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Office Market Highlights

- ◆ By the close of 2008, the Las Vegas office market reported continued escalations in vacancies, as market demand retreated. Availability varied by location as several emerging areas witnessed vacancies reach above 20 percent, including the southwest, south, southeast and north submarkets. Areas reporting below-average vacancies included more mature areas that lacked significant expansions, including the central portions of the valley.
- ◆ With new supply outpacing market demand, vacancies reached 17.3 percent at year-end. Compared to the preceding quarter (Q3 2008), vacancies were up 0.5 percent, while the year-over-year increase was 3.7 percent from 13.6 percent. During the past two years, vacancies jumped 6.5 points from 10.8 percent.
- ◆ During the final quarter of 2008, the market welcomed 246,800 square feet of new supply, contributing to the annual tally of 2.8 million square feet. Total inventory reached 48.6 million square feet in 1,842 buildings. From a demand perspective, contraction in major employment sectors contributed to negative net absorption of approximately 42,600 square feet during the fourth quarter. During 2008, the market demanded 638,000 square feet of space.
- ◆ Major projects that completed construction during the fourth quarter included the 144,300-square-foot Eastgate Plaza II in Henderson, approximately 65,000 square feet at 740 Pilot Road in the Hughes Airport Center, and approximately 22,000 square feet in The Plaza at Whitney Ranch.
- ◆ Forward-looking supply continues to pull back as liquidity challenges continue given market fundamentals. As of year-end, approximately 2.2 million square feet remained under construction.

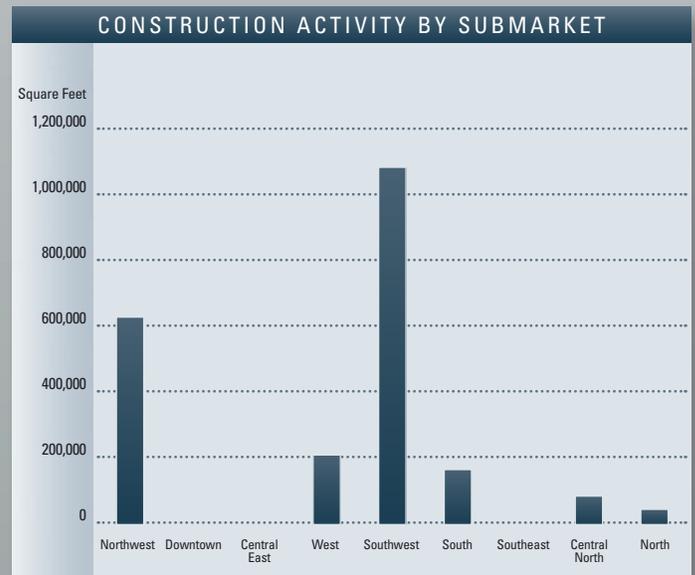
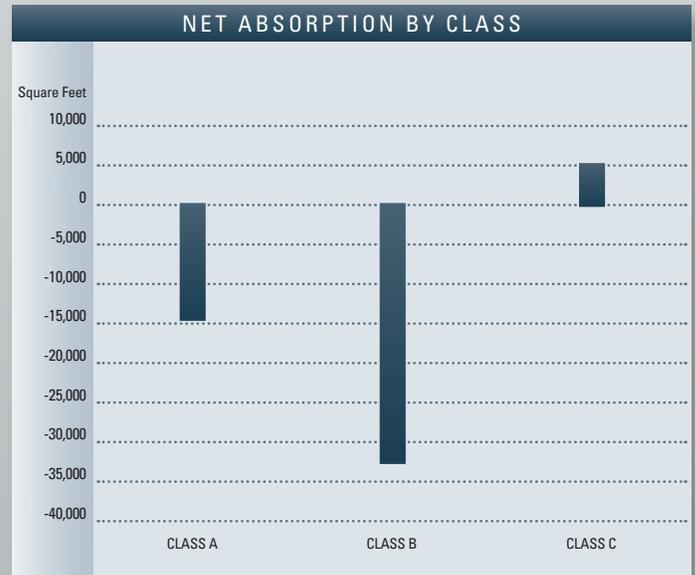
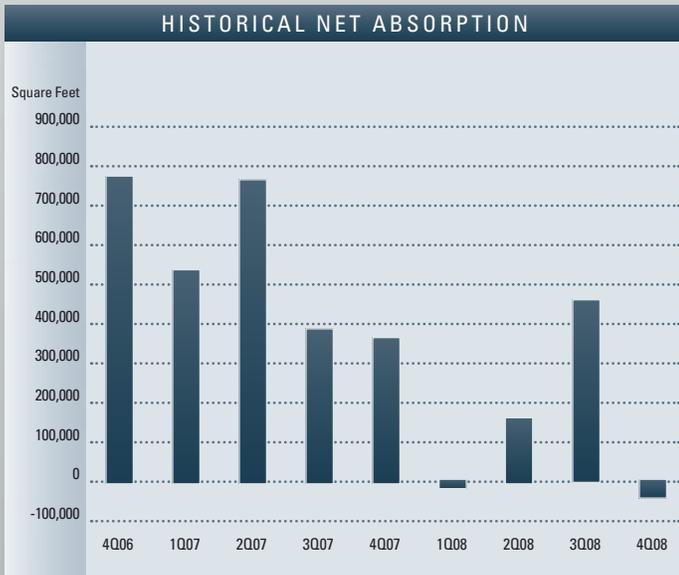
Activity was most dominant in the southwest (1.1 million square feet) followed by the northwest (628,400 square feet). Projects of significance currently under construction include the 226,100-square-foot building in Rainbow Sunset Pavilion, Montecito Point located in the northwest, space in Centennial Hills Center and office product in the Arroyo masterplan. 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.

- ◆ Project proposals exist for 4.7 million square feet of space throughout the valley, with a high concentration along the beltway in the southwest portion of the market. Given the current balance between supply and demand, we expect little to no development activity to move forward on speculative buildings in the near term.
- ◆ Broader economic conditions in southern Nevada continued to erode through year-end. Based on the latest available data, leading market indicators continue to fall, suggesting near-term improvements are unlikely. Overall employment valley-wide is down 0.5 percent (-4,300 jobs) from the prior year, while unemployment levels have reached 7.9 percent. Layoffs have become prevalent and contraction in the construction sector has driven the bulk of the decline. In addition to a soft employment picture, the housing market continues to report falling prices despite an uptick in the number of resale homes being sold. Bank-owned properties represent the lion's share of sales activity. Softer-than-average performances in the tourism industry have also contributed to the current climate. We expect continued corrections during the majority of 2009 as the core sectors seek out a new equilibrium.

OFFICE MARKET OVERVIEW

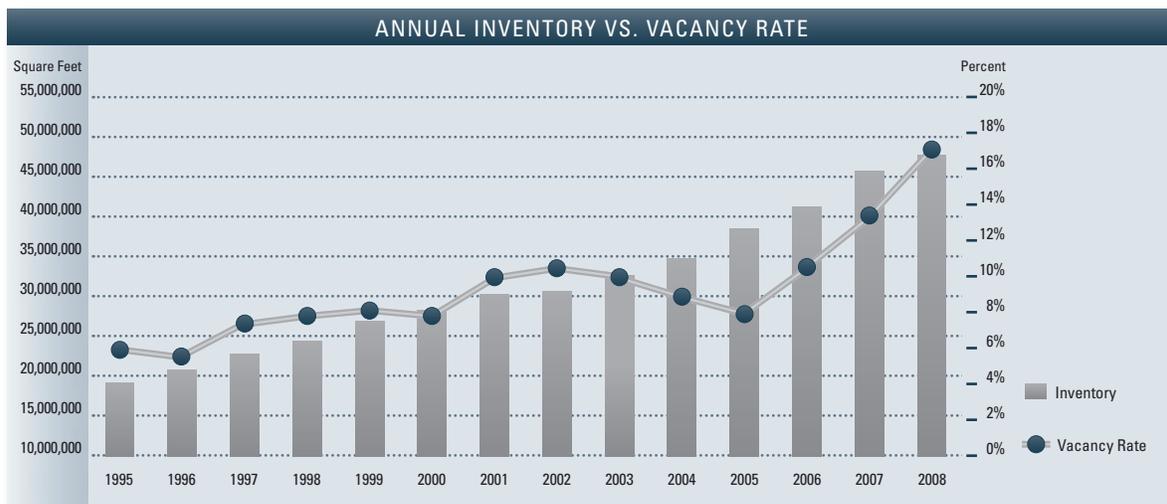
	2008	2007	2006	% CHANGE VS. 2007
Under Construction	2,201,000	3,555,000	3,585,000	-38.09%
Planned Construction	4,667,000	6,876,000	6,608,000	-32.13%
Vacancy	17.3%	13.6%	10.8%	27.21%
Net Absorption	637,800	2,050,000	2,357,000	-68.89%

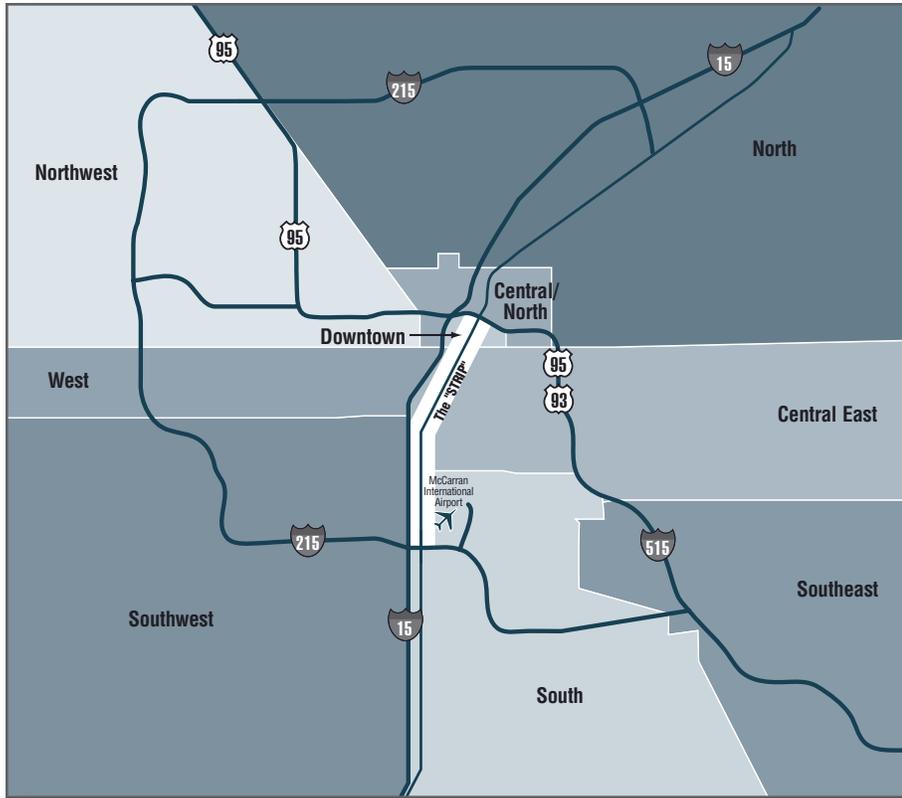
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	INVENTORY				VACANCY		ABSORPTION	
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2008	Net Absorption 4Q2008	New Inventory 4Q2008
Northwest								
Class A	22	1,674,378	463,953	120,000	194,400	11.6%	(19,432)	0
Class B	222	5,649,980	164,465	227,379	924,439	16.4%	(12,689)	0
Class C	9	162,002	0	0	13,498	8.3%	(2,160)	0
Northwest Total	253	7,486,360	628,418	347,379	1,132,337	15.1%	(34,281)	0
Downtown								
Class A	8	1,693,887	0	0	43,650	2.6%	7,197	0
Class B	40	1,103,119	0	160,000	99,196	9.0%	700	0
Class C	24	605,723	0	0	55,680	9.2%	0	0
Downtown Total	72	3,402,729	0	160,000	198,526	5.8%	7,897	0
Central East								
Class A	13	1,491,632	0	173,210	88,682	5.9%	(20,917)	0
Class B	109	4,059,138	0	0	785,098	19.3%	(46,279)	0
Class C	55	1,429,508	0	0	212,221	14.8%	13,326	0
Central East Total	177	6,980,278	0	173,210	1,086,001	15.6%	(53,870)	0
West								
Class A	7	975,077	200,000	0	51,047	5.2%	(2,947)	0
Class B	242	5,488,101	0	149,469	817,037	14.9%	(336)	0
Class C	38	599,926	0	0	60,253	10.0%	727	0
West Total	287	7,063,104	200,000	149,469	928,337	13.1%	(2,556)	0
Southwest								
Class A	13	813,390	301,140	341,628	225,833	27.8%	27,113	0
Class B	299	6,818,676	779,642	1,660,167	1,401,918	20.6%	18,132	0
Class C	20	334,783	0	0	36,689	11.0%	5,800	0
Southwest Total	332	7,966,849	1,080,782	2,001,795	1,664,440	20.9%	51,045	0
South								
Class A	23	1,966,113	0	81,214	705,002	35.9%	(4,038)	0
Class B	455	8,369,481	164,944	743,374	1,774,126	21.2%	6,816	80,454
Class C	17	139,712	0	0	14,644	10.5%	(70)	0
South Total	495	10,475,306	164,944	824,588	2,493,772	23.8%	2,708	80,454
Southeast								
Class A	3	265,015	0	210,000	172,557	65.1%	(3,245)	144,319
Class B	92	1,668,454	0	260,569	254,037	15.2%	23,539	22,000
Class C	12	123,737	0	0	13,303	10.8%	(5,519)	0
Southeast Total	107	2,057,206	0	470,569	439,897	21.4%	14,775	166,319
Central/North								
Class A	1	220,000	0	370,000	0	0.0%	0	0
Class B	23	876,769	84,814	0	47,564	5.4%	(864)	0
Class C	9	368,055	0	0	33,153	9.0%	(7,238)	0
Central/North Total	33	1,464,824	84,814	370,000	80,717	5.5%	(8,102)	0
North								
Class A	1	45,376	0	0	17,641	38.9%	1,368	0
Class B	80	1,432,903	42,454	170,222	346,727	24.2%	(22,178)	0
Class C	5	176,638	0	0	24,014	13.6%	611	0
North Total	86	1,654,917	42,454	170,222	388,382	23.5%	(20,199)	0
Las Vegas Total								
Class A	91	9,144,868	965,093	1,296,052	1,498,812	16.4%	(14,901)	144,319
Class B	1,562	35,466,621	1,236,319	3,371,180	6,450,142	18.2%	(33,159)	102,454
Class C	189	3,940,084	0	0	463,455	11.8%	5,477	0
Total	1,842	48,551,573	2,201,412	4,667,232	8,412,409	17.3%	(42,583)	246,773

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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