

## Office Market Report

Compared to 2011:

Vacancy



UP

Net Absorption



POSITIVE

Lease Rates



DOWN

Construction



DOWN

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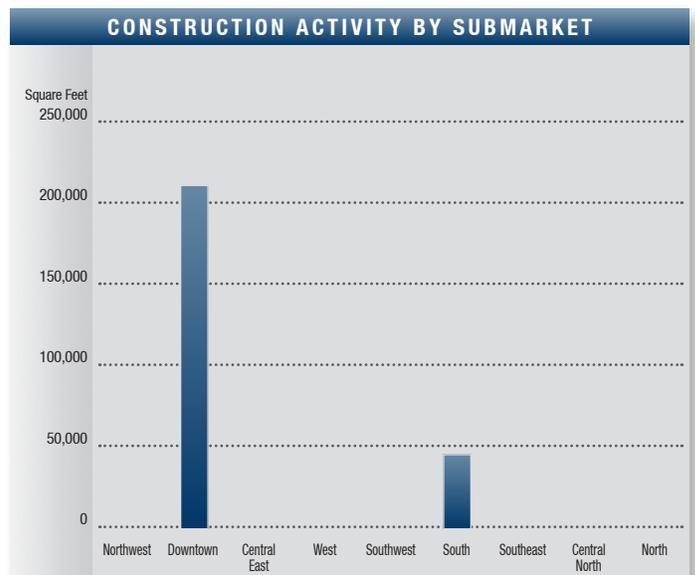
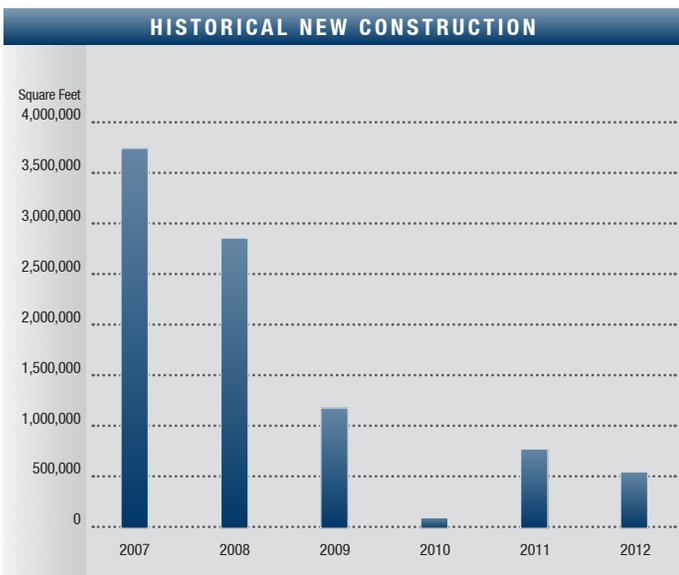
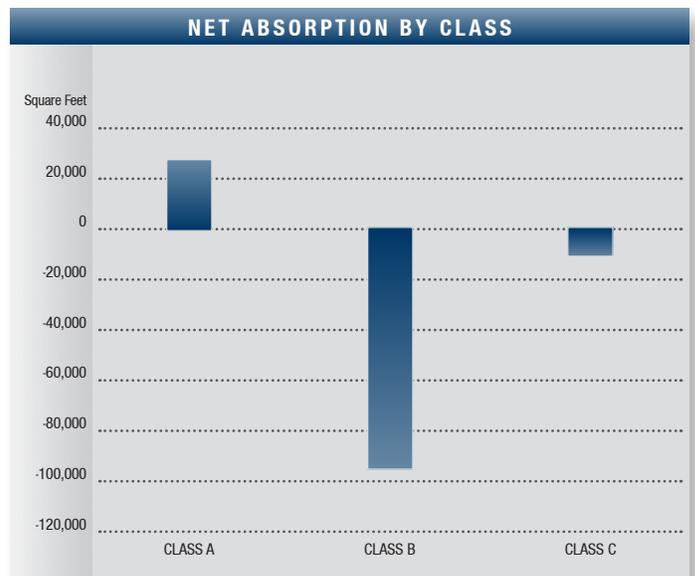
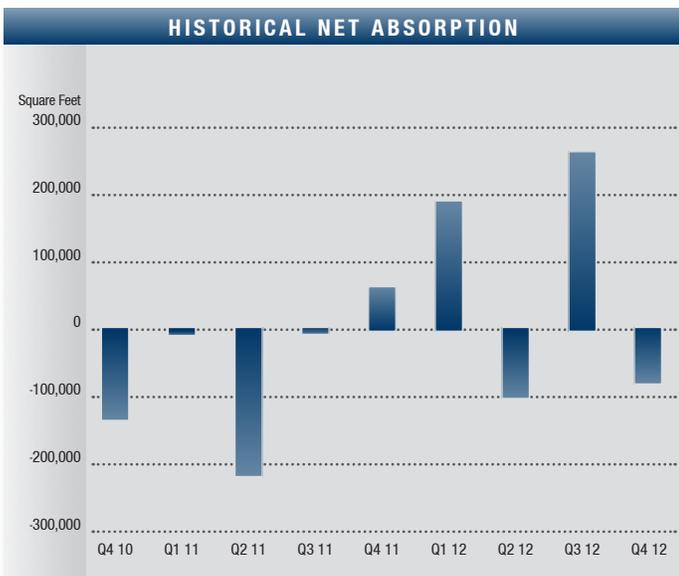
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### Market Highlights

- Market Overview** – The office market vacancy rate ended the year at 25.3 percent. While lower than the record high of 25.5 percent reached in the second quarter of 2012, vacancies remain up 1.2 percent over the previous quarter (Q3 2012) and the prior year (Q4 2011).
- Inventory** – Approximately 74,200 square feet of office space completed construction during the quarter, bringing market-wide inventory to 52.5 million square feet. The Red Rock Business Center at the southeast corner of Interstate 215 and Patrick Lane substantially contributed to the completed construction. The project, consisting of two 37,100-square-foot buildings, stalled construction in the third quarter of 2009 and was recently resurrected after being purchased in June 2012.
- Demand** – The office sector reported 78,300 square feet of negative net absorption during the fourth quarter, giving the market a total of 280,200 square feet of positive net absorption for 2012. During the fourth quarter, Class A space was the only product class to report positive absorption with 27,600 square feet of net move-ins. Class B space witnessed the weakest performance with 94,700 square feet of net move-outs. For the year, Class A space reported positive 273,700 square feet of net absorption, with the strongest performance of positive 303,800 square feet witnessed in the downtown submarket, primarily as a result of the new City of Las Vegas City Hall.
- Future Supply** – With the completion of 74,200 square feet during the quarter, the amount of space remaining actively under construction declined to 254,000 square feet. The majority (210,000 square feet) is sourced to Class A space in the downtown submarket. An additional 2.4 million square feet remains in the planning stages.
- Economic Considerations** – Broader economic conditions continued to moderate during the reporting period. Compared to the end of the prior quarter, consumer confidence declined 4.8 percent to 65.1 by year-end. The stock markets also declined when compared to the third quarter. The S&P 500 declined 1.0 percent, the Dow Jones Industrial Average fell 2.5 percent, and NASDAQ fell 3.1 percent. Concerns over the “fiscal cliff” continued to loom over the economy during the final month of 2012, despite an interim resolution at the beginning of 2013. Meanwhile, the local unemployment rate fell to 10.4 percent in November (latest available data) with modest overall job growth.
- Looking Forward** – Average pricing continues to be affected by relatively weak demand for office space, a trend that is expected to continue in the near term. Asking rates declined another 1.0 percent during the quarter and ended at 4.2 percent below the same period of 2011. Compared to the peak, pricing is down 20.6 percent. Assuming distressed asset sales continue, price resetting is also likely to persist. However, with 2012 reporting the first year of positive absorption since 2008, it appears the sector is well positioned to take advantage of broader economic improvements when they prevail.

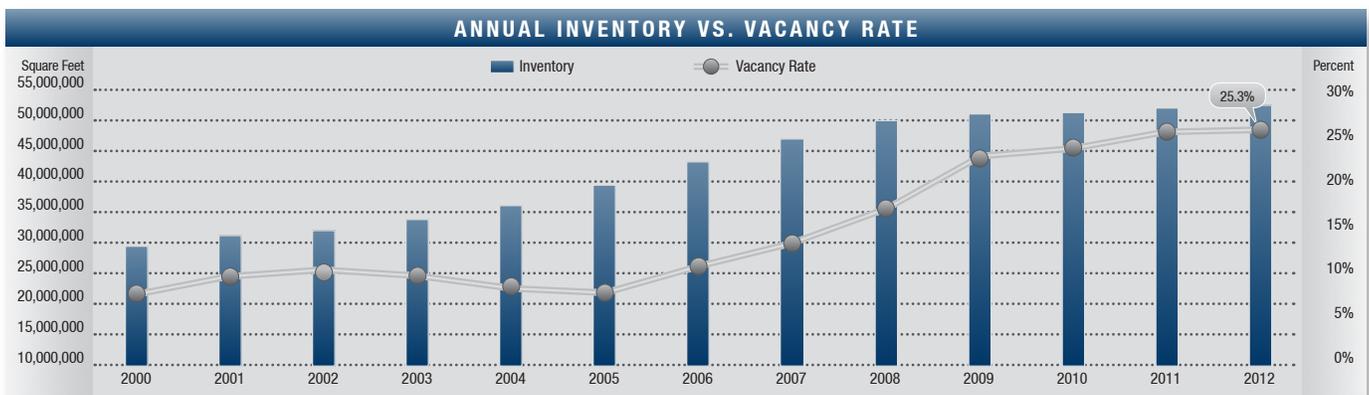
### OFFICE MARKET OVERVIEW

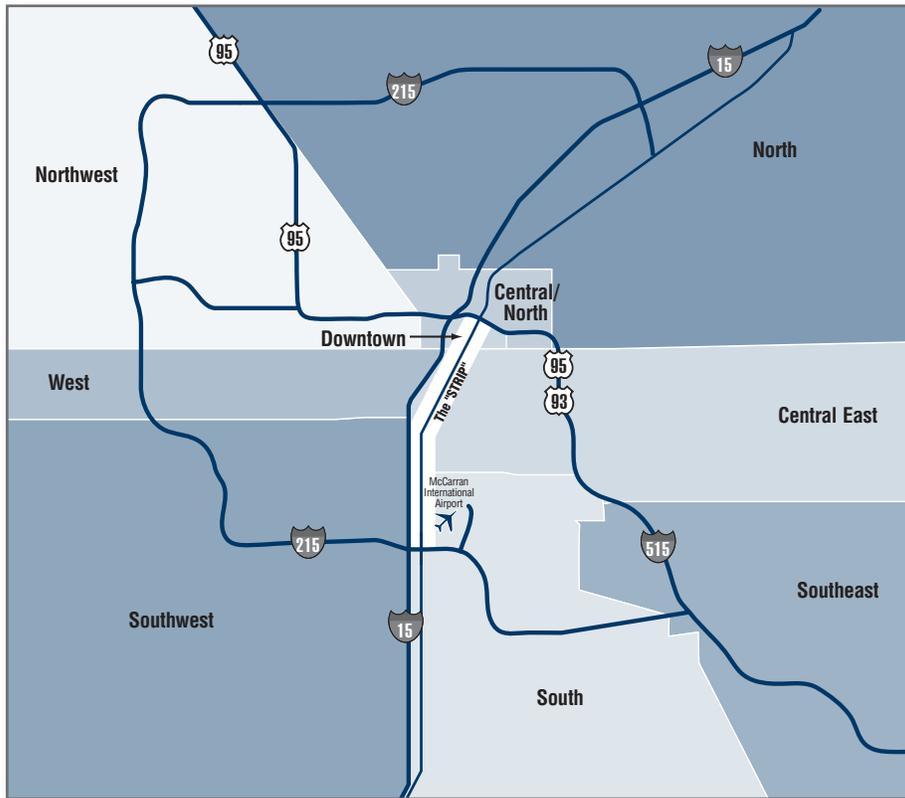
	2012	2011	2010	2012 vs. 2011
Under Construction	254,000	634,692	1,091,316	(60.0%)
Planned Construction	2,424,233	2,684,191	2,784,883	(9.7%)
Vacancy	25.3%	25.0%	23.6%	1.2%
Net Absorption	280,180	(158,499)	(597,210)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2012	Net Absorption Q4 2012	Net Absorption 2012	New Inventory Q4 2012	New Inventory 2012
<b>Northwest</b>										
Class A	25	2,087,034	0	115,000	714,997	34.3%	(2,348)	22,975	0	0
Class B	211	5,497,094	0	240,519	1,509,887	27.5%	(17,317)	(4,542)	0	0
Class C	25	518,684	0	0	170,433	32.9%	(1,453)	17,950	0	0
<b>Northwest Total</b>	<b>261</b>	<b>8,102,812</b>	<b>0</b>	<b>355,519</b>	<b>2,395,317</b>	<b>29.6%</b>	<b>(21,118)</b>	<b>36,383</b>	<b>0</b>	<b>0</b>
<b>Downtown</b>										
Class A	9	2,002,502	210,000	0	126,961	6.3%	10,059	277,614	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	95,894	9.0%	(1,163)	(11,631)	0	0
<b>Downtown Total</b>	<b>77</b>	<b>4,007,915</b>	<b>210,000</b>	<b>0</b>	<b>381,978</b>	<b>9.5%</b>	<b>8,896</b>	<b>303,766</b>	<b>0</b>	<b>310,000</b>
<b>Central East</b>										
Class A	13	1,491,632	0	173,210	239,393	16.0%	0	34,389	0	0
Class B	49	1,849,912	0	0	518,184	28.0%	(28,914)	(15,425)	0	0
Class C	121	3,730,799	0	0	945,298	25.3%	26,062	4,709	0	0
<b>Central East Total</b>	<b>183</b>	<b>7,072,343</b>	<b>0</b>	<b>173,210</b>	<b>1,702,875</b>	<b>24.1%</b>	<b>(2,852)</b>	<b>23,673</b>	<b>0</b>	<b>0</b>
<b>West</b>										
Class A	8	1,215,077	0	200,000	176,634	14.5%	(676)	(101,069)	0	0
Class B	201	4,300,665	0	0	942,288	21.9%	(31,799)	(18,604)	0	0
Class C	83	1,851,250	0	0	500,926	27.1%	9,684	(11,165)	0	0
<b>West Total</b>	<b>292</b>	<b>7,366,992</b>	<b>0</b>	<b>200,000</b>	<b>1,619,848</b>	<b>22.0%</b>	<b>(22,791)</b>	<b>(130,838)</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>										
Class A	15	1,137,426	0	346,628	291,799	25.7%	24,293	69,805	0	0
Class B	295	7,019,564	0	760,956	2,093,786	29.8%	21,966	(325)	74,246	74,246
Class C	35	774,933	0	0	187,620	24.2%	(31,752)	(60,627)	0	0
<b>Southwest Total</b>	<b>345</b>	<b>8,931,923</b>	<b>0</b>	<b>1,107,584</b>	<b>2,573,205</b>	<b>28.8%</b>	<b>14,507</b>	<b>8,853</b>	<b>74,246</b>	<b>74,246</b>
<b>South</b>										
Class A	24	2,014,711	0	0	672,888	33.4%	(3,743)	(7,049)	0	0
Class B	451	8,542,241	44,000	445,507	2,457,988	28.8%	1,497	47,068	0	127,692
Class C	36	514,757	0	0	194,046	37.7%	(5,988)	32,993	0	0
<b>South Total</b>	<b>511</b>	<b>11,071,709</b>	<b>44,000</b>	<b>445,507</b>	<b>3,324,922</b>	<b>30.0%</b>	<b>(8,234)</b>	<b>73,012</b>	<b>0</b>	<b>127,692</b>
<b>Southeast</b>										
Class A	3	265,015	0	0	189,981	71.7%	0	(2,715)	0	0
Class B	87	1,626,706	0	27,200	439,979	27.0%	(22,453)	(10,269)	0	0
Class C	22	257,737	0	0	98,275	38.1%	0	(14,860)	0	0
<b>Southeast Total</b>	<b>112</b>	<b>2,149,458</b>	<b>0</b>	<b>27,200</b>	<b>728,235</b>	<b>33.9%</b>	<b>(22,453)</b>	<b>(27,844)</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	20,334	1.9%	0	33,948	0	33,000
Class C	19	703,027	0	0	98,594	14.0%	(6,528)	14,230	0	0
<b>Central/North Total</b>	<b>36</b>	<b>1,972,638</b>	<b>0</b>	<b>0</b>	<b>118,928</b>	<b>6.0%</b>	<b>(6,528)</b>	<b>48,178</b>	<b>0</b>	<b>33,000</b>
<b>North</b>										
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	342,212	27.9%	(17,719)	(16,760)	0	0
Class C	16	357,745	0	0	64,499	18.0%	0	(18,018)	0	0
<b>North Total</b>	<b>88</b>	<b>1,838,026</b>	<b>0</b>	<b>115,213</b>	<b>434,769</b>	<b>23.7%</b>	<b>(17,719)</b>	<b>(55,003)</b>	<b>0</b>	<b>0</b>
<b>Las Vegas Total</b>										
Class A	100	10,689,173	210,000	834,838	2,440,711	22.8%	27,585	273,725	0	310,000
Class B	1,398	32,046,811	44,000	1,589,395	8,483,781	26.5%	(94,739)	52,874	74,246	234,938
Class C	407	9,777,832	0	0	2,355,585	24.1%	(11,138)	(46,419)	0	0
<b>Las Vegas Total</b>	<b>1,905</b>	<b>52,513,816</b>	<b>254,000</b>	<b>2,424,233</b>	<b>13,280,077</b>	<b>25.3%</b>	<b>(78,292)</b>	<b>280,180</b>	<b>74,246</b>	<b>544,938</b>

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





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