

Office Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Deliveries

UP

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Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services – Lic.#01333376

e-mail: jholdner@voitco.com

Market Highlights

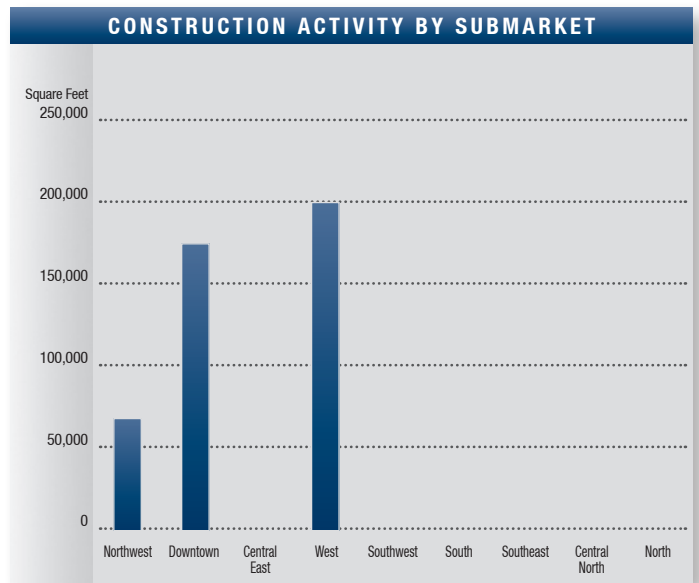
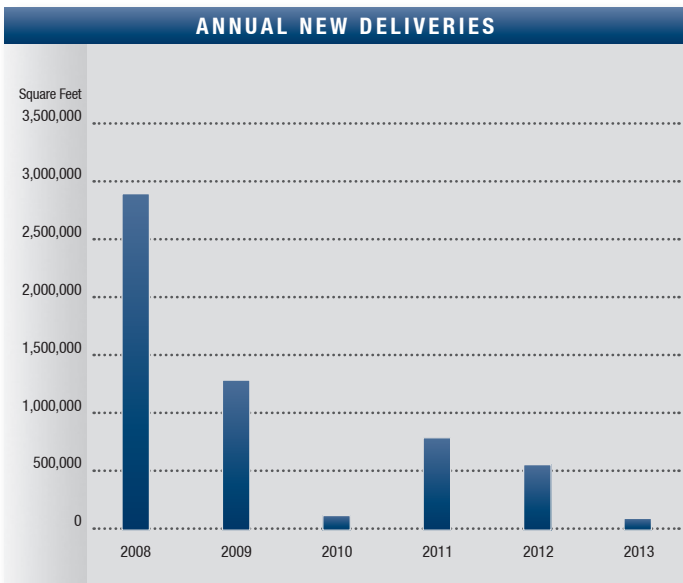
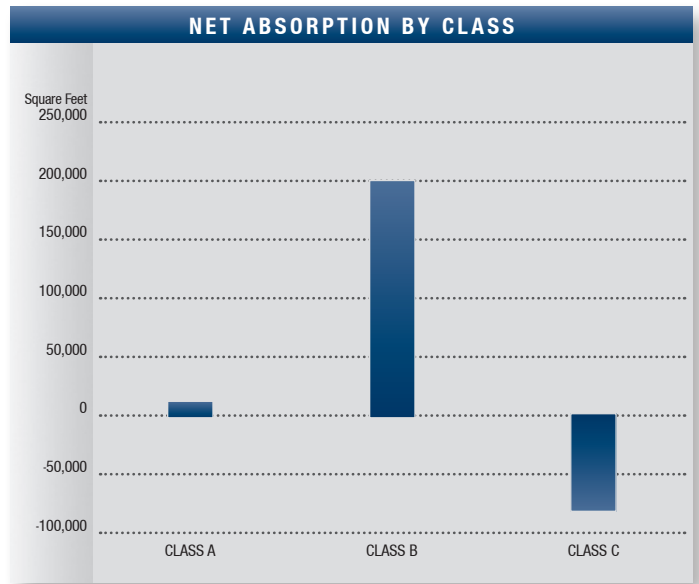
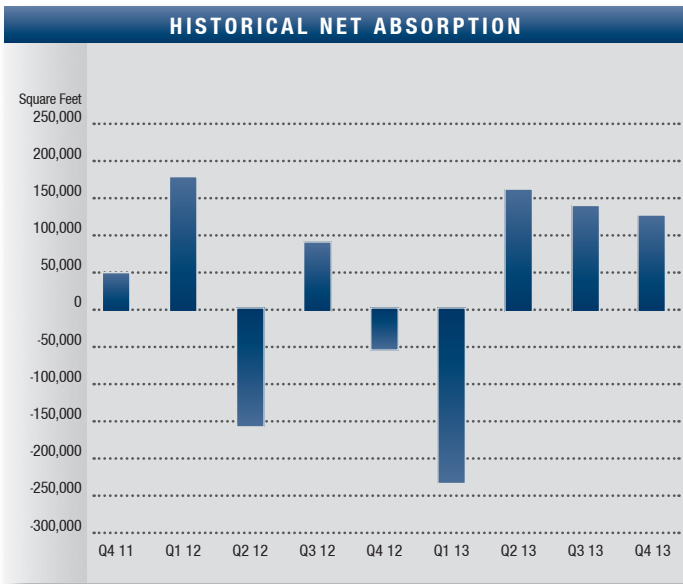
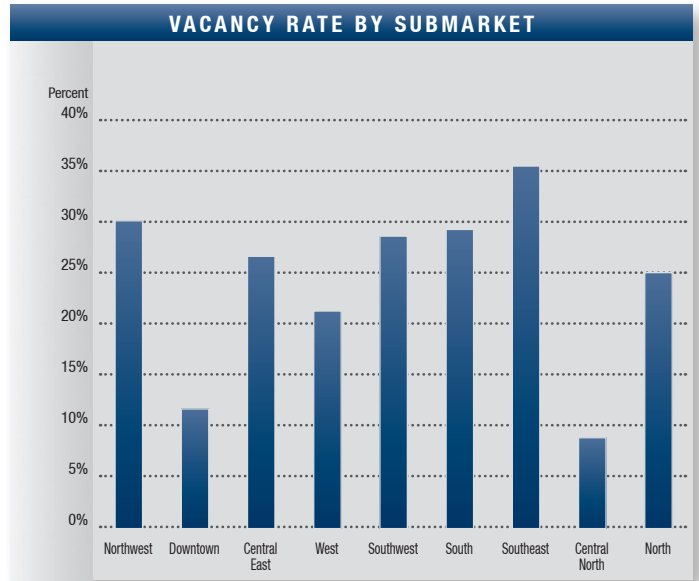
- Market Overview** – The Las Vegas office market ended 2013 on a somewhat positive note as the sector reported positive net absorption for the third consecutive quarter. During the fourth quarter, the vacancy rate fell to 25.7%, which represented a decline of 20 basis points (0.2 percentage points) from the prior quarter (Q3 2013). Compared to the same period a year ago (Q4 2012), the vacancy rate dropped 30 basis points (0.3 percentage points).
- Inventory** – The second phase of Seven Hills Plaza on the southeast corner of St. Rose Parkway and Seven Hills Drive completed construction during the fourth quarter; the building was partially pre-leased to Prudential Americana Group. The new building added 45,700 square feet to the market, bringing market-wide inventory to 52.8 million square feet.
- Demand** – The office sector reported approximately 129,000 square feet of positive net absorption during the fourth quarter, bringing the annual total to 200,300 square feet. Net absorption in 2013 outpaced the 65,500 square feet posted in all of 2012. MGM Resorts reportedly leased roughly 235,000 square feet in the south and southwest submarkets during the final quarter of 2013. In addition, the Nevada Orthopedic & Spine Center leased 32,500 square feet in Longford Medical Center at 7455 West Washington Avenue, while Sitel Operating Company signed a deal for 19,800 square feet at 750 Pilot Road.
- Future Supply** – Construction activity increased in the fourth quarter as four projects, totaling 443,000

square feet were actively under development. The 46,000-square-foot EVAPs Law Office and 129,000-square-foot Federal Justice Tower continued to move forward Downtown. In addition, Tivoli Village at Queensridge pressed forward on its second phase, which includes 68,000 square feet of office space. The remaining 200,000 square feet was sourced to the Class A office space located within the Shops at Summerlin.

- Economic Considerations** – The southern Nevada economy has come a long way from the depths of the recession. In November 2013, employment was up by 20,300 jobs year over year, with substantial gains witness by the trade, transportation, and utilities (+5,900 jobs); government (+4,400 jobs); leisure and hospitality (+4,100 jobs); and education and health services (+4,000 jobs) sectors. The continued growth helped drive down the unemployment rate to 8.6% (compared to 9.8% in 2012). Consumer spending also reported that taxable retail sales for the 12 months ending October 2013 (latest data available) were up 5.1% annually.
- Looking Forward** – The office sector continues to report a vacancy rate significantly higher than the retail and industrial markets, with roughly one quarter of the sector's inventory remaining unoccupied. However, recent performances by the sector are encouraging, as the vacancy rate reported a year-over-year decline for the first time since 2006.

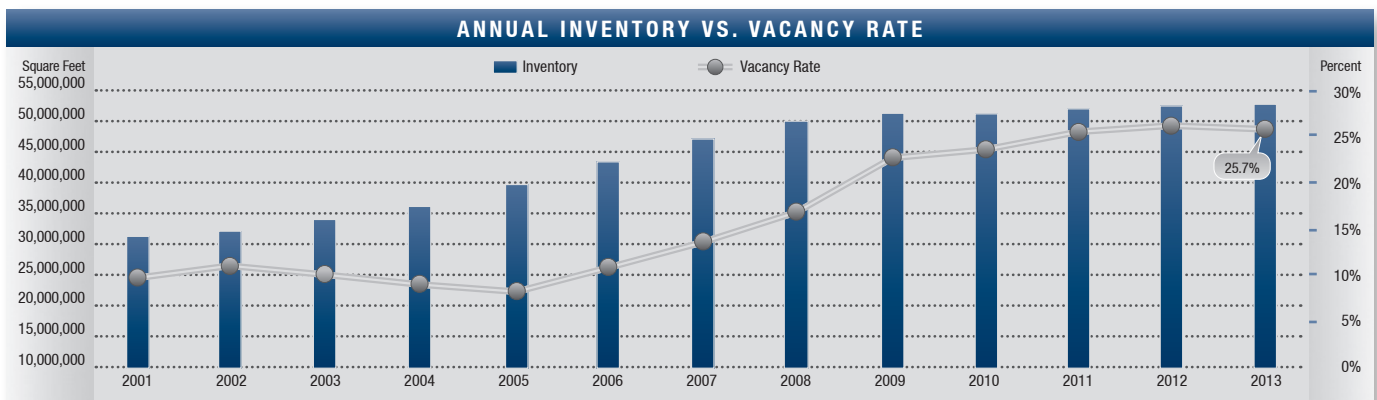
OFFICE MARKET OVERVIEW

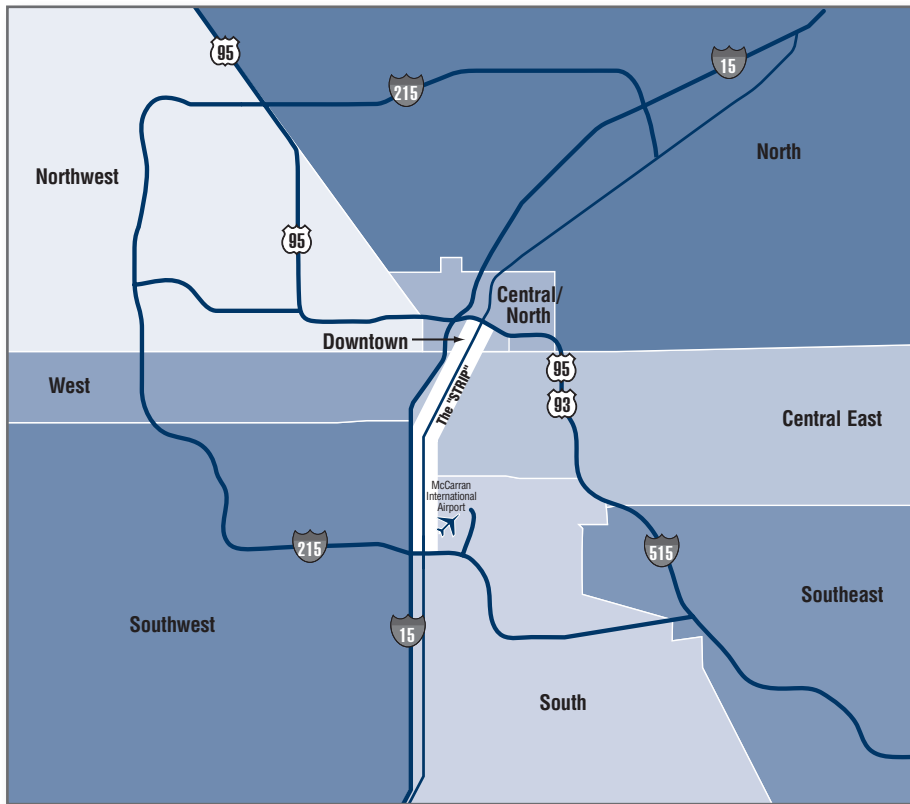
	2013	2012	2011	% of Change vs. 2012
Under Construction	443,000	210,000	634,692	111.0%
Planned Construction	2,184,233	2,547,893	2,763,851	(14.3%)
Vacancy	25.7%	26.0%	25.3%	(0.3%)
Net Absorption	200,270	65,452	(166,611)	N/A



	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2013	Net Absorption Q4 2013	Net Absorption 2013	New Inventory Q4 2013	New Inventory 2013
Northwest										
Class A	25	2,087,034	68,000	0	818,436	39.2%	51,266	(18,869)	0	0
Class B	210	5,323,725	0	240,519	1,392,657	26.2%	(15,057)	56,397	0	0
Class C	25	518,684	0	0	165,689	31.9%	(3,565)	4,744	0	0
Northwest Total	260	7,929,443	68,000	240,519	2,376,782	30.0%	32,644	42,272	0	0
Downtown										
Class A	10	2,037,502	175,000	0	144,525	7.1%	(19,266)	17,436	0	35,000
Class B	19	946,341	0	0	188,654	19.9%	(19,607)	22,130	0	0
Class C	51	1,079,900	0	0	139,871	13.0%	220	(32,977)	0	0
Downtown Total	80	4,063,743	175,000	0	473,050	11.6%	(38,653)	6,589	0	35,000
Central East										
Class A	13	1,491,632	0	173,210	279,089	18.7%	(30,811)	9,048	0	0
Class B	49	1,849,912	0	0	538,077	29.1%	(331)	(19,893)	0	0
Class C	121	3,730,799	0	0	1,055,576	28.3%	(33,131)	(113,148)	0	0
Central East Total	183	7,072,343	0	173,210	1,872,742	26.5%	(64,273)	(123,993)	0	0
West										
Class A	8	1,215,077	200,000	0	176,709	14.5%	5,499	9,170	0	0
Class B	201	4,300,665	0	0	878,169	20.4%	6,681	86,633	0	0
Class C	83	1,851,250	0	0	510,592	27.6%	(20,522)	(9,666)	0	0
West Total	292	7,366,992	200,000	0	1,565,470	21.2%	(8,342)	86,137	0	0
Southwest										
Class A	15	1,137,426	0	471,628	326,458	28.7%	2,118	(518)	0	0
Class B	295	7,136,008	0	710,956	2,046,066	28.7%	126,310	117,475	0	0
Class C	35	785,315	0	0	207,399	26.4%	(4,114)	(3,597)	0	0
Southwest Total	345	9,058,749	0	1,182,584	2,579,923	28.5%	124,314	113,360	0	0
South										
Class A	24	2,014,711	0	0	582,475	28.9%	2,982	12,921	0	0
Class B	453	8,594,408	0	445,507	2,433,402	28.3%	126,259	111,537	45,660	45,660
Class C	40	692,557	0	0	285,835	41.3%	798	23,071	0	0
South Total	517	11,301,676	0	445,507	3,301,712	29.2%	130,039	147,529	45,660	45,660
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	454,242	27.9%	(26,664)	(31,711)	0	0
Class C	22	257,737	0	0	117,576	45.6%	0	(19,301)	0	0
Southeast Total	112	2,149,458	0	27,200	761,799	35.4%	(26,664)	(51,012)	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	22,947	2.2%	1,778	(2,613)	0	0
Class C	19	703,027	0	0	149,416	21.3%	(23,037)	(25,631)	0	0
Central/North Total	36	1,972,638	0	0	172,363	8.7%	(21,259)	(28,244)	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	363,185	29.7%	1,471	7,507	0	0
Class C	16	357,745	0	0	64,725	18.1%	(226)	(226)	0	0
North Total	88	1,838,026	0	115,213	455,617	24.8%	1,245	7,632	0	0
Las Vegas Total										
Class A	101	10,724,173	443,000	644,838	2,545,380	23.7%	11,788	29,539	0	35,000
Class B	1,400	32,051,881	0	1,539,395	8,317,399	25.9%	200,840	347,462	45,660	45,660
Class C	412	9,977,014	0	0	2,696,679	27.0%	(83,577)	(176,731)	0	0
Las Vegas Total	1,913	52,753,068	443,000	2,184,233	13,559,458	25.7%	129,051	200,270	45,660	80,660

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





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