

MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Deliveries

UP



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HIGHLIGHTS

- Market Overview** – The Las Vegas office market vacancy rate was 23.6 percent in the fourth quarter of 2014. Compared to the prior quarter (Q3 2014), the vacancy rate reported a modest increase of 20 basis points (0.2 percentage points). However, compared to a year ago (Q4 2013), the office market vacancy rate fell 70 basis points (0.7 percentage points). During the quarter, One Summerlin and The Gramercy completed construction, adding 400,000 SF to the market. While both projects contributed to market-wide net absorption, yet-to-be leased spaces modestly impacted the vacancy rate.
- Demand** – During the fourth quarter, the office market reported 275,800 SF of positive net absorption. For the year, net absorption was positive 764,600 SF. In the final quarter of the year, C3/CustomerContactChannels reportedly absorbed 54,400 SF at 490 Capovilla Avenue in McCarran Center. In addition, Page Operations signed a lease for more than 24,900 SF at 770 Pilot in Hughes Airport Center, while Refrigeration Supplies Distributor took 13,500 SF in the same building.
- Inventory** – Three office projects totaling 460,000 SF completed construction in the fourth quarter, bringing total inventory to 52.8 million SF. With only one other completion in 2014, total deliveries for the year were 506,000 SF. In the latest period, a 60,000 SF project completed development at Centennial Hills Center. In addition the 200,000 SF One Summerlin completed
- in Downtown Summerlin, while The Gramercy added an additional 200,000 SF. All three completed projects previously stalled construction activity during the recession.
- Future Supply** – Construction activity fell to 242,700 SF in the fourth quarter. Three projects continue to move forward throughout the valley, including the third phase of Corporate Center at the Curve (45,700 SF), the second phase of Tivoli Village at Queensridge (68,000 SF) and the Federal Justice Tower (129,000 SF).
- Economic Considerations** – In November 2014 (latest available data), the Las Vegas MSA reported annual job growth of 22,000 positions, with substantial gains reported by the professional and business services (+8,400 jobs), education and health services (+4,200 jobs), construction (+2,300 jobs), retail trade (+2,000 jobs) and government (+1,800 jobs) sectors. Also, in the past 12 months, the Las Vegas area has welcomed nearly 41.0 million visitors, while Clark County taxable retail sales increased 7.9 percent year-over-year to \$35.9 billion.
- Overall** – Although the Las Vegas office market vacancy rate remains elevated, the market has reported positive net absorption for three consecutive quarters. Increased demand is expected to continue into 2015 as companies increase their hiring, particularly in the professional services sector.

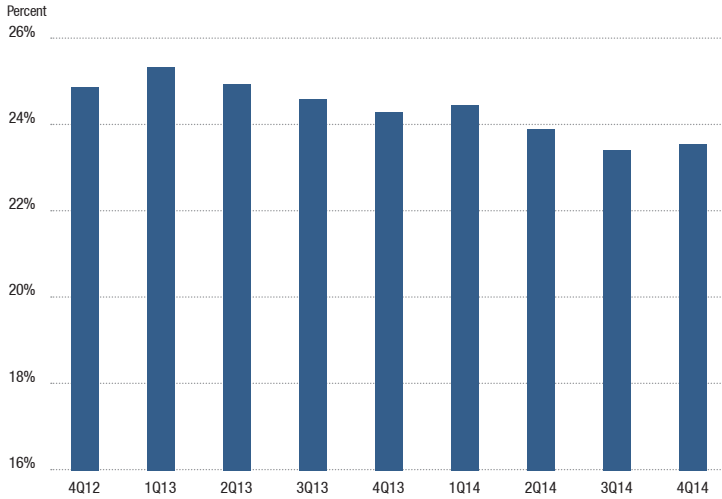
FORECAST

- Employment** – The construction, professional and business services, retail trade and education and health services sectors are expected to continue to report positive growth in 2015.
- Construction** – A limited number of new office projects are expected to hit the market in the coming year.
- Vacancy** – The office market vacancy rate is expected to report more substantial declines throughout 2015 as the sector continues to stabilize, which has lagged other sectors.

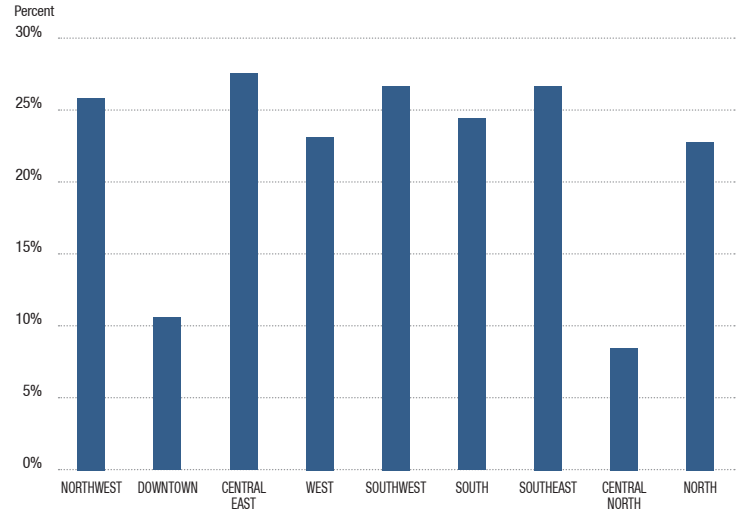
OVERVIEW

	2014	2013	2012	2014 vs. 2013
Under Construction	242,650	443,000	210,000	(45.2%)
Planned Construction	2,072,035	2,240,963	2,468,973	(7.5%)
Vacancy	23.6%	24.3%	24.9%	(0.7%)
Net Absorption	764,604	375,339	350,281	N/A

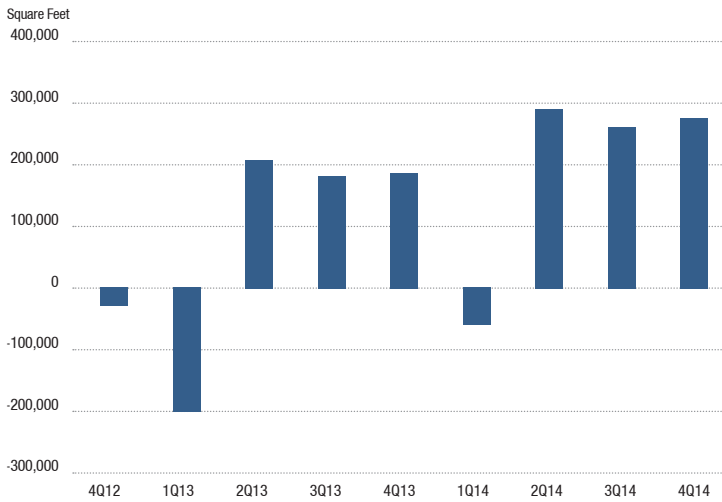
HISTORICAL VACANCY RATE



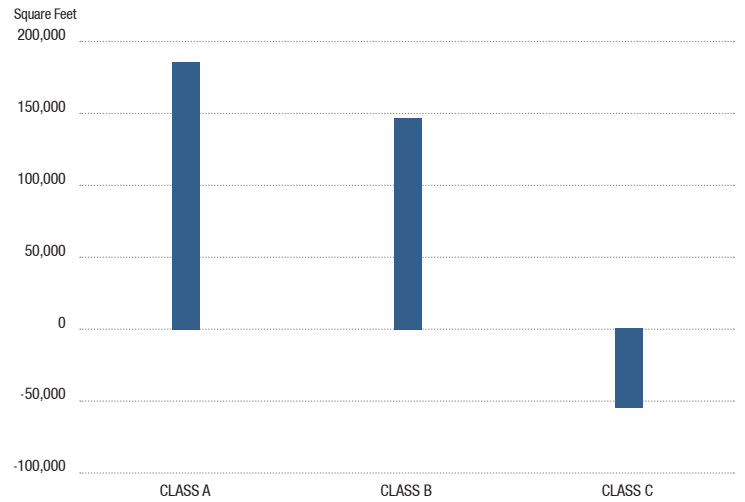
VACANCY RATE BY SUBMARKET



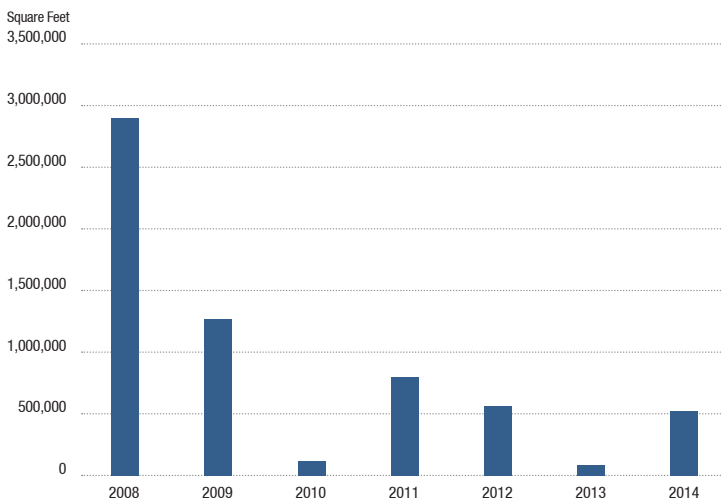
HISTORICAL NET ABSORPTION



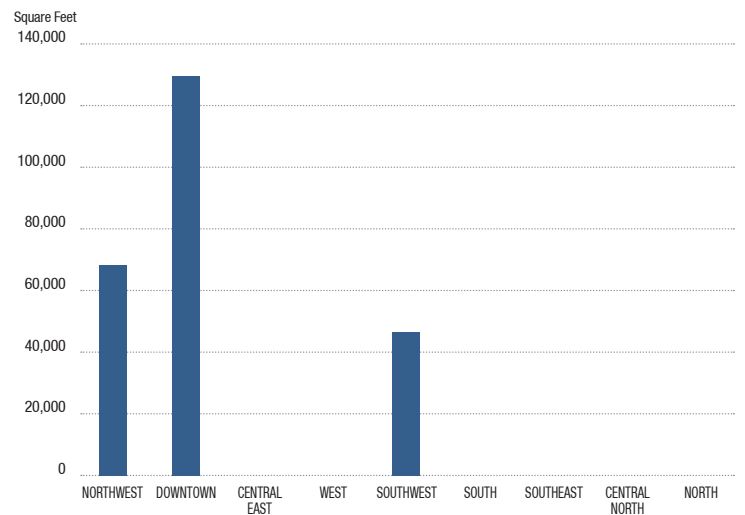
NET ABSORPTION BY CLASS



HISTORICAL NEW CONSTRUCTION



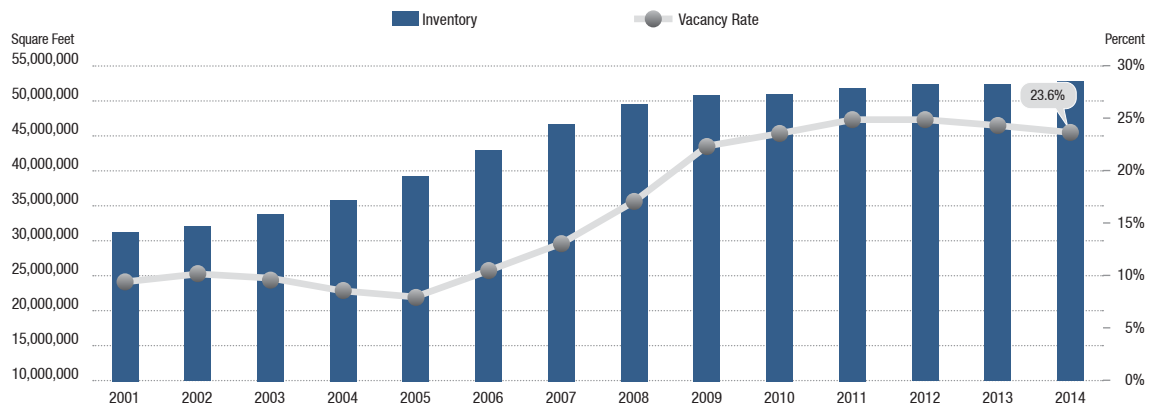
CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY			VACANCY RATES			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Net Absorption 4Q2014	Net Absorption 2014	New Inventory 4Q2014	New Inventory 2014
Northwest										
Class A	25	2,077,748	68,000	0	575,839	27.7%	(12,754)	165,583	0	0
Class B	211	5,383,725	0	191,599	1,309,746	24.3%	10,711	130,131	60,000	60,000
Class C	25	518,684	0	0	165,284	31.9%	(4,482)	405	0	0
Northwest Total	261	7,980,157	68,000	191,599	2,050,869	25.7%	(6,525)	296,119	60,000	60,000
Downtown										
Class A	12	2,353,502	129,000	100,000	98,808	4.2%	9,428	83,641	0	46,000
Class B	19	946,341	0	0	223,839	23.7%	0	(35,185)	0	0
Class C	49	771,206	0	0	104,335	13.5%	0	(558)	0	0
Downtown Total	80	4,071,049	129,000	100,000	426,982	10.5%	9,428	47,898	0	46,000
Central East										
Class A	13	1,491,632	0	173,210	344,904	23.1%	18,590	(65,815)	0	0
Class B	49	1,849,912	0	0	480,462	26.0%	3,252	44,038	0	0
Class C	121	3,730,799	0	0	1,121,331	30.1%	10,527	(40,873)	0	0
Central East Total	183	7,072,343	0	173,210	1,946,697	27.5%	32,369	(62,650)	0	0
West										
Class A	9	1,415,077	0	0	329,879	23.3%	45,731	46,830	200,000	200,000
Class B	200	4,276,865	0	0	897,706	21.0%	(54,148)	(25,200)	0	0
Class C	83	1,851,250	0	0	512,375	27.7%	4,238	(14,711)	0	0
West Total	292	7,543,192	0	0	1,739,960	23.1%	(4,179)	6,919	200,000	200,000
Southwest										
Class A	15	1,308,826	0	271,628	315,496	24.1%	147,505	196,640	200,000	200,000
Class B	290	7,012,590	45,650	747,678	1,925,476	27.5%	29,763	49,161	0	0
Class C	34	764,315	0	0	180,436	23.6%	0	5,963	0	0
Southwest Total	339	9,085,731	45,650	1,019,306	2,421,408	26.7%	177,268	251,764	200,000	200,000
South										
Class A	24	2,014,711	0	0	530,763	26.3%	(15,186)	(38,032)	0	0
Class B	452	8,417,206	0	445,507	1,885,490	22.4%	183,412	232,255	0	0
Class C	40	692,557	0	0	286,068	41.3%	(47,894)	(233)	0	0
South Total	516	11,124,474	0	445,507	2,702,321	24.3%	120,332	193,990	0	0
Southeast										
Class A	3	265,015	0	0	48,564	18.3%	(8,329)	38,291	0	0
Class B	88	1,642,734	0	27,200	436,841	26.6%	(36,361)	(61,016)	0	0
Class C	22	257,737	0	0	90,200	35.0%	(721)	18,642	0	0
Southeast Total	113	2,165,486	0	27,200	575,605	26.6%	(45,411)	(4,083)	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	24,313	2.3%	0	(1,366)	0	0
Class C	19	703,027	0	0	140,405	20.0%	0	22,704	0	0
Central/North Total	36	1,972,638	0	0	164,718	8.4%	0	21,338	0	0
North										
Class A	2	255,776	0	0	27,707	10.8%	0	0	0	0
Class B	69	1,208,505	0	115,213	320,158	26.5%	9,377	26,707	0	0
Class C	16	357,745	0	0	68,405	19.1%	(16,877)	(13,398)	0	0
North Total	87	1,822,026	0	115,213	416,270	22.8%	(7,500)	13,309	0	0
Las Vegas Total										
Class A	104	11,402,287	197,000	544,838	2,271,960	19.9%	184,985	427,138	400,000	446,000
Class B	1,394	31,787,489	45,650	1,527,197	7,504,031	23.6%	146,006	359,525	60,000	60,000
Class C	409	9,647,320	0	0	2,668,839	27.7%	(55,209)	(22,059)	0	0
Las Vegas Total	1,907	52,837,096	242,650	2,072,035	12,444,830	23.6%	275,782	764,604	460,000	506,000

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

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Class A

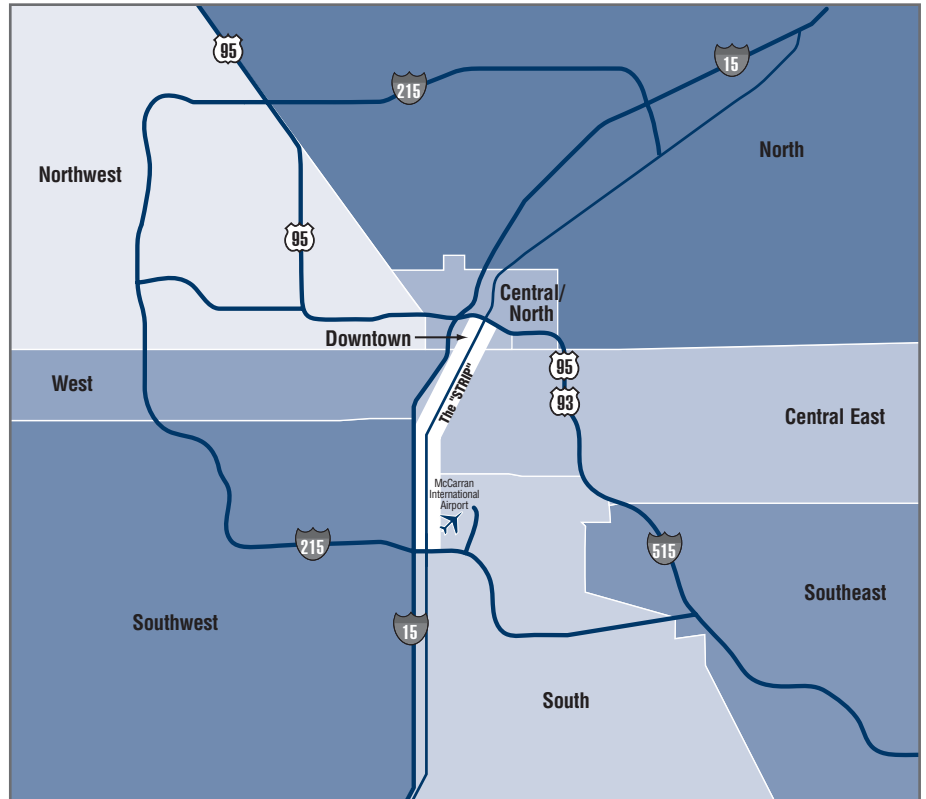
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

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.



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