

MARKETBEAT OFFICE SNAPSHOT

LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q1 2013

ECONOMIC OVERVIEW



The U.S. economy struggled through Q4 2012 with GDP increasing by only 0.4% as cutbacks began in anticipation of the fiscal cliff and sequestration. The fiscal cliff came and went but sequestration has remained which has put downward pressure on personal income which dropped by 3.6% in January. Despite this drop income rose by 1.1% in February and is up by 2.6% on a year-over-year basis. Additionally, in February of 2013, employers added 236,000 jobs, the third time in the past four months that employment growth has exceeded 200,000 jobs.

Nevada's economy has lagged behind the overall U.S. economy but has been recovering faster. The unemployment rate for Nevada currently sits at 9.6% representing a 2.2 percentage point drop from a year ago, the largest percentage decrease in the nation. Total net jobs added in the last year amounts to 23,800 with 600 of those coming in February. Although there is a job recovery underway, the Professional and Business Services sector continues to lose jobs.

The Las Vegas-Paradise Metropolitan Statistical Area (MSA) experienced population growth of 1.6% in 2012 and is expected to increase by 2.5% in 2013 and 2.9% in 2014. As of February 2013, Clark County Gaming revenue had decreased by 3.0% on a year-over-year basis; however, February 2013 registered a 17.8% increase over February 2012.



CO-WORKING MOVEMENT

A co-working movement is taking place in the Las Vegas area led by Switch Communication and Work in Progress that should enhance efficiencies within the entrepreneurial world. Work in Progress, a firm providing co-op space, is making a move to provide space to startups and creative thinkers in collaborative workspaces, primarily in the Downtown area. These workspaces include access to Wi-Fi, printers, conference rooms and other amenities.

Rob Roy's inNEVation Center led by Switch Technology is also providing a co-working concept to technology entrepreneurs in the Southwest quadrant of Las Vegas. The center also includes a Digital Exchange Campus, which provides flexible office space and SuperNAP, which houses servers for several companies including Google, Intel, MGM Resorts and others. Although technology is not a major part of the Las Vegas economy, technology companies are starting to become more of a driver.

DOWNTOWN PROJECT

Downtown Las Vegas is undergoing a major transformation as individuals and businesses invest in the area. The relocation of Zappos.com toward the end of the year, has caused a lot of this new activity. The Downtown Project is playing a major role in shaping Downtown Las Vegas and has allocated \$350 million to aid in the revitalization of the downtown area.

There are a number of other projects that are taking shape and contributing to a live-work-play atmosphere. The Downtown Las Vegas Music Showcase provides a variety of bands and acts for spectators. All About Family Game Night provides interactive games for families and people of all ages. The Vegas Tech Fund was established to fund local startups that will help contribute to the Las Vegas economy.

STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Direct Vacancy	24.4%	20.3%	-4.1pp	▼
Direct Weighted Average Asking Rents (psf/mo)	\$1.88	\$1.68	-10.6%	▼
YTD Leasing Activity (sf)	268,747	798,025	196.9%	▲

VACANCY

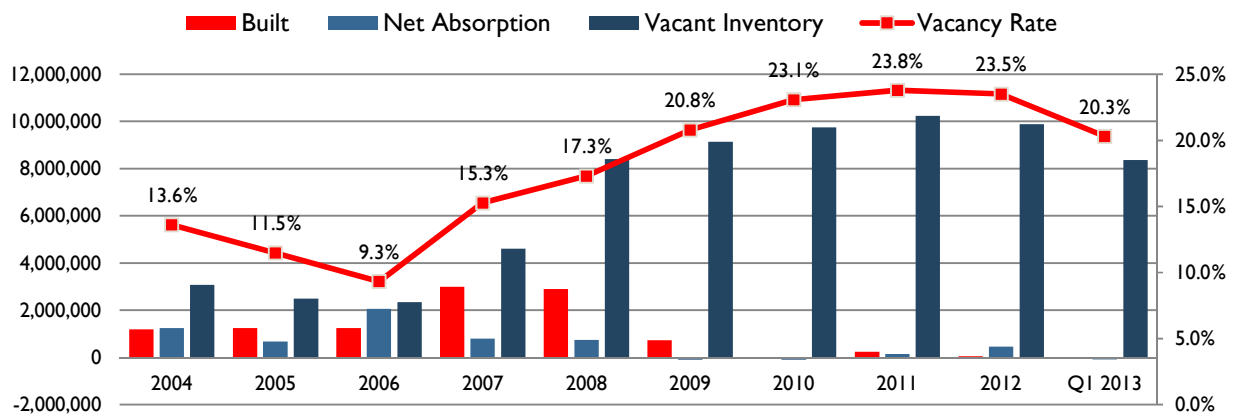
Fundamentals for the Las Vegas market continued to improve as overall vacancy rates declined by 4.1 pps to 20.3% at the end of Q1 2013. The Downtown submarket continued to lead the way with an average direct vacancy rate of 7.1%; a number of companies continued to look at this submarket as a viable choice for relocations from other parts of Las Vegas and out of state. Downtown is at the beginning stages of revitalization and companies are noticing this and taking advantages of the increase in amenities, however, the suburban markets' vacancy remained high at 22.0%.

OUTLOOK

The Downtown submarket is expected to attract companies, but with little space available in blocks over 20,000 square feet (sf), asking rental rates will likely begin increasing. Furthermore, the Downtown market is expected to bring in additional amenities as Zappos takes occupancy near the end of the year. The co-working movement, led

by Work in Progress is expected to continue to expand as additional locations are selected. This co-working concept and the inNEVation Center will likely have a positive impact on entrepreneurial ventures.

Las Vegas Office Overview 2004 - 2013



	2004	2005	2006	2007	2008	2009	2010	2011	2012	Q1 2013
Inventory	22,621,906	21,752,133	25,241,786	30,199,552	48,551,573	43,975,459	42,275,163	43,043,661	42,056,681	41,184,738
Avg Lease Rate Sub	\$1.91	\$2.03	\$1.86	\$1.91	\$2.34	\$2.10	\$2.10	\$1.91	\$1.88	\$1.66
Avg Lease Rate DT	\$2.22	\$2.36	\$2.27	\$2.29	\$2.70	\$2.33	\$2.33	\$2.16	\$2.15	\$2.22

MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
3960 Howard Hughes Pkwy	Central East	Gordon Silver	A	55,162
8290 S. Arville St	Southwest	RMI Management	B	29,373
302 Carson Avenue	Downtown	Take-Two Interaction	A	24,806
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Parkway Medical Plaza	SE Las Vegas/Henderson	C-III Capital Partners	\$13,960,000 / \$171	81,426
Pecos Pebble Office Park	SE Las Vegas/Henderson	Real Capital Corp	\$8,500,000 / \$111	76,539
325 E Warm Springs Rd	South	Not Disclosed	\$7,550,018 / \$108	70,000
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
800 S. 8 th St	Downtown	Legal Aid Center of Southern NV	March, 2013	35,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
400 Stewart Ave	Downtown	Zappos.com	Q3 2013	270,000
6800 La Cienega St	South Las Vegas	United Brotherhood of Carpenters	2013	200,000
501 Las Vegas Blvd	Downtown	Government Building	Q4 2013	130,732

		Inventory		Vacancy		Demand & Supply		
		No. of Bldgs.	Existing SF	Direct Vacancy SF	Rate	Net Space Occupied	Gross Space Leased	Sub Lease
Central East	Class A	8	1,178,496	268,958	22.8%	909,538	56,537	-
	Class B	69	3,957,167	975,450	24.7%	2,981,717	72,375	-
	Class C	15	666,434	208,133	31.2%	458,301	9,102	-
	Total	92	5,802,097	1,452,541	25.0%	4,349,556	138,014	-
Central North	Class A	2	273,958	7,158	2.6%	266,800	-	-
	Class B	18	1,071,216	47,356	4.4%	1,023,860	16,248	-
	Class C	6	248,283	12,990	5.2%	235,293	-	-
	Total	26	1,593,457	67,504	4.2%	1,525,953	16,248	-
Downtown	Class A	9	1,724,587	122,216	7.1%	1,602,371	-	-
	Class B	32	2,735,485	163,796	6.0%	2,571,689	25,751	-
	Class C	4	125,145	41,040	32.8%	84,105	-	-
	Total	45	4,585,217	327,052	7.1%	4,258,165	25,751	-
North	Class A	-	-	0	0.0%	-	-	-
	Class B	28	1,071,636	232,758	21.7%	838,878	3,572	-
	Class C	3	227,355	15,942	7.0%	211,413	-	-
	Total	31	1,298,991	248,700	19.1%	1,050,291	3,572	-
Northwest	Class A	18	1,969,193	596,552	30.3%	1,372,641	30,699	-
	Class B	113	5,074,963	1,121,433	22.1%	3,953,530	199,356	-
	Class C	7	304,296	6,608	2.2%	297,688	-	-
	Total	138	7,348,452	1,724,593	23.5%	5,623,859	230,055	-
Southeast	Class A	2	212,643	157,926	74.3%	54,717	-	-
	Class B	19	575,563	134,898	23.4%	440,665	15,888	-
	Class C	2	41,447	0	0.0%	-	-	-
	Total	23	829,653	292,824	35.3%	495,382	15,888	-
South	Class A	25	1,971,648	343,321	17.4%	1,628,327	7,168	-
	Class B	147	6,414,831	1,360,395	21.2%	5,054,436	61,654	3,680
	Class C	3	111,897	39,857	35.6%	72,040	5,309	-
	Total	175	8,498,376	1,743,573	20.5%	6,754,803	74,131	3,680
Southwest	Class A	15	1,720,922	454,422	26.4%	1,266,500	15,663	-
	Class B	119	5,113,330	1,221,407	23.9%	3,891,923	108,244	18,404
	Class C	3	80,000	70,884	88.6%	9,116	-	-
	Total	137	6,914,252	1,746,713	25.3%	5,167,539	123,907	18,404
West	Class A	4	412,722	202,645	49.1%	210,077	-	-
	Class B	85	3,820,499	566,995	14.8%	3,253,504	171,432	-
	Class C	2	52,987	0	0.0%	52,987	-	-
	Total	91	4,286,208	769,640	18.0%	3,516,568	171,432	-
Las Vegas Total	Class A	83	9,464,169	2,153,198	22.8%	7,310,971	110,067	-
	Class B	630	29,834,690	5,824,488	19.5%	24,010,202	674,520	22,084
	Class C	45	1,857,844	395,454	21.3%	1,420,943	14,411	-
	Total	758	41,156,703	8,373,140	20.3%	32,742,116	798,998	22,084