

# MARKETBEAT



## LAS VEGAS OFFICE REPORT

3Q11

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

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### Overview

Nevada is starting to show signs of a stabilizing market and an optimistic economic outlook. Year-to-date direct net absorption is in the positive for the first time since 2008. Tourism has increased, visitor volume is up, and conventions are up. We should not see any more major swings in the labor market or the commercial real estate market like we have seen in the past few years. We do, however, expect to see varying vacancy rates for the next few years with rises in one quarter and losses the next.

### Vacancies

The office vacancy rate saw a slight increase during the third quarter to 23.6%, compared to 23.3% in the second quarter. Of the nine Las Vegas submarkets, the Downtown submarket experienced the lowest vacancy rate of 18.4%. Central West is not far behind with a vacancy rate of 18.9% and the Airport submarket is at 20.9%. The high vacancy rates in the Northwest (38.9%), Southeast (26.6%) and North (23.9%) submarkets are driven by weak tenant demand and marginal stability, combined with landlord lease concessions, loan defaults and corporate downsizing.

Available sublease space showed another gain from second quarter at 421,467 square feet (sf) to the current total of sublease space of 448,498 sf (1.0% of the total market).

Direct net absorption (the measure of space leased from one reporting period to the next) for the third quarter was once again positive, making the year-to-date total a positive 183,376 sf. This is the first year-to-date positive result since 2008, when direct net absorption was 637,764 sf.

### Pricing

With the growth of building sales, lease rates are expected to remain low. By third quarter 2011, the market reported average asking rents of \$1.91 per square foot / full service gross (psf/FSG), a drop from the last quarter of \$1.95 psf/FSG rate. The current asking lease rate is also lower than the rate we witnessed in third quarter 2010 at \$2.01 psf/FSG.

Four out of the nine submarkets showed asking rental rate decreases. The highest decrease was in the North submarket at \$1.61 sf/FSG from \$2.01 sf/FSG. Two submarkets that saw an increase in asking rental rates were the Northwest submarket to \$1.98 sf/FSG from \$1.73 sf/FSG and the Downtown submarket to \$2.16 sf/FSG from \$2.07 sf/FSG.

Landlords are starting to level off with price adjustments but still with high concessions. While lease rates are stabilizing, they are still lower than the rates we have seen in the past.

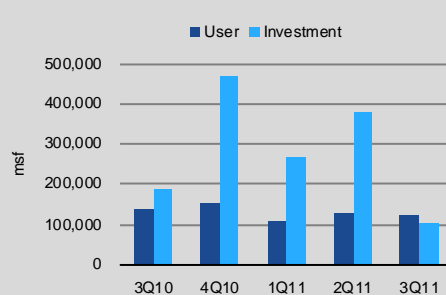
### Outlook

We are optimistic that we are in market recovery. Compared to last year, vacancy is not rising and lease rates are not falling as fast or as far as we were witnessing. Some early signs of stabilization may come from growth in the federal government, health care, energy, and clean technology market sectors. Building sales are expected to continue to grow and there has not been a better time to invest in the Las Vegas market as sales prices remain at low levels. This growth in sales will also continue to put downward pressure to keep lease rates low. While lease rates remain low, class A and B buildings will be ideal for tenants, due to the affordability of this product type.

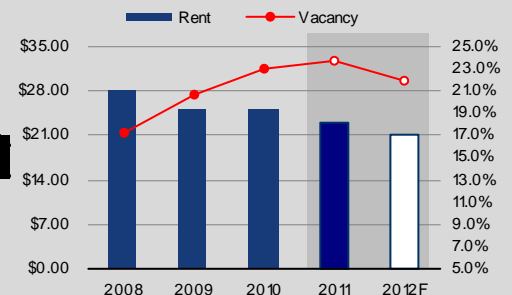
#### Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	23.1%	23.7%	2.6 pp	▲
Direct Asking Rents	\$24.12	\$22.92	-4.9%	▼
YTD Absorption Activity (sf)	-1,019,263	183,376	-1.2%	▲

#### User vs. Investment Sales



#### Overall Rental vs. Vacancy Rates



#### Commerce Real Estate Solutions

3800 Howard Hughes Pkwy, # 1200, Las Vegas, NV 89169 (702) 796-7900

www.comre.com

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## Market/Submarket Statistics

Commerce / Cushman & Wakefield  
Las Vegas Office Market Report Q3 2011  
Professional Buildings

	No. of Bldgs.	Inventory			Vacancy		Demand & Supply			Pricing								
		Existing SF	Under Const. SF	Planned SF	SF	Rate	Net Space Occupied	Gross Space Leased	New Supply	Sub Lease	Asking Rent							
											Low	High	W Avg.					
(FSG)																		
<b>Northwest</b>																		
Class TTA	1	187,410	-	-	187,410	100.00%	-	-	-	-	-	-	-	\$2.10	\$2.10	\$2.30		
Class LTA	1	126,915	-	-	108,390	85.40%	-	-	-	-	-	-	-	\$1.75	\$1.90	\$2.03		
Class TTB	1	49,532	-	-	15,948	32.20%	-	-	-	-	-	-	-	\$1.45	\$1.85	\$2.04		
Class LTB	25	970,383	-	-	348,090	35.87%	14,652	25,707	-	-	-	-	-	\$0.89	\$2.50	\$2.05		
Class TTC	90	1,426,676	-	-	415,696	29.14%	3,130	26,607	-	-	-	-	-	\$0.45	\$2.25	\$1.49		
Class LTC	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>118</b>	<b>2,760,916</b>			<b>1,075,534</b>	<b>38.96%</b>	<b>17,782</b>	<b>52,314</b>						<b>\$0.45</b>	<b>\$2.50</b>	<b>\$1.98</b>		
<b>Downtown</b>																		
Class TTA	3	655,254	-	-	47,649	7.27%	6,962	6,962	-	-	6,143	-	-	\$2.50	\$2.95	\$2.61		
Class LTA	1	103,951	-	-	12,123	11.66%	-	-	-	-	-	-	-	\$2.35	\$2.35	\$2.35		
Class TTB	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTB	11	474,872	-	-	158,241	33.32%	(10,780)	760	-	-	-	-	-	\$1.35	\$2.50	\$2.38		
Class TTC	7	215,154	-	-	71,878	33.41%	(15,790)	5,851	-	-	-	-	-	\$1.20	\$1.90	\$1.65		
Class LTC	38	638,701	-	-	93,912	14.70%	24,301	25,718	-	-	-	-	-	\$0.75	\$2.25	\$1.81		
<b>Total</b>	<b>60</b>	<b>2,087,932</b>			<b>383,803</b>	<b>18.38%</b>	<b>4,693</b>	<b>39,291</b>			<b>6,143</b>			<b>\$0.75</b>	<b>\$2.95</b>	<b>\$2.16</b>		
<b>Central East</b>																		
Class TTA	5	995,120	-	-	146,413	14.71%	60,881	60,881	-	-	74,339	-	-	\$3.05	\$3.55	\$2.96		
Class LTA	5	387,590	-	-	115,778	29.87%	(12,896)	3,689	-	-	8,332	-	-	\$2.65	\$3.00	\$2.75		
Class TTB	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTB	6	529,138	-	-	213,402	40.33%	(1,636)	31,831	-	-	-	-	-	\$0.85	\$1.75	\$1.29		
Class TTC	86	2,797,804	-	-	722,791	25.83%	(22,614)	58,512	-	-	-	-	-	\$0.32	\$1.60	\$1.25		
Class LTC	49	1,175,494	-	-	162,055	13.79%	13,730	17,327	-	-	12,287	-	-	\$0.50	\$1.50	\$1.24		
<b>Total</b>	<b>151</b>	<b>5,885,146</b>			<b>1,360,439</b>	<b>23.12%</b>	<b>37,465</b>	<b>172,240</b>			<b>94,958</b>			<b>\$0.32</b>	<b>\$3.55</b>	<b>\$1.90</b>		
<b>Central West</b>																		
Class TTA	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTA	1	157,624	-	-	4,310	2.73%	-	-	-	-	7,291	-	-	\$2.75	\$2.75	\$2.18		
Class TTB	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTB	68	2,933,023	-	-	641,921	21.89%	(109,643)	14,191	-	-	44,869	-	-	\$0.75	\$1.95	\$1.43		
Class TTC	141	2,736,312	-	-	496,090	18.13%	53,707	63,530	-	-	4,929	-	-	\$0.49	\$2.00	\$1.37		
Class LTC	51	710,592	-	-	97,810	13.76%	(2,678)	3,572	-	-	-	-	-	\$0.42	\$2.00	\$1.65		
<b>Total</b>	<b>261</b>	<b>6,537,551</b>			<b>1,240,131</b>	<b>18.97%</b>	<b>(58,614)</b>	<b>81,293</b>			<b>57,089</b>			<b>\$0.42</b>	<b>\$2.75</b>	<b>\$1.66</b>		
<b>West</b>																		
Class TTA	1	143,633	-	-	39,148	27.26%	7,629	7,629	-	-	4,128	-	-	\$2.50	\$2.85	\$2.87		
Class LTA	4	391,152	-	-	156,609	40.04%	(38,751)	-	-	-	-	-	-	\$1.95	\$2.40	\$2.23		
Class TTB	15	929,833	-	-	266,405	28.65%	(6,149)	8,764	-	-	5,955	-	-	\$1.25	\$2.30	\$2.00		
Class LTB	58	1,730,555	-	-	321,692	18.59%	(66,163)	43,175	-	-	49,630	-	-	\$0.70	\$2.75	\$1.69		
Class TTC	267	3,460,709	-	-	751,720	21.72%	(1,529)	69,519	-	-	72,230	-	-	\$0.50	\$3.00	\$1.38		
Class LTC	10	237,829	-	-	38,543	16.21%	(304)	-	-	-	-	-	-	\$0.70	\$1.35	\$1.43		
<b>Total</b>	<b>355</b>	<b>6,893,711</b>			<b>1,574,117</b>	<b>22.83%</b>	<b>(105,267)</b>	<b>129,087</b>			<b>131,943</b>			<b>\$0.50</b>	<b>\$3.00</b>	<b>\$1.93</b>		
<b>Southwest</b>																		
Class TTA	1	220,718	-	-	121,999	55.27%	-	-	-	-	-	-	-	\$2.45	\$2.75	\$2.60		
Class LTA	1	108,533	-	-	53,841	49.61%	(1,356)	-	-	-	-	-	-	\$2.25	\$2.25	\$2.25		
Class TTB	29	1,488,304	-	-	386,357	25.96%	7,510	7,510	-	-	26,894	-	-	\$1.35	\$2.40	\$2.46		
Class LTB	60	1,656,019	-	-	271,842	16.42%	3,368	5,000	-	-	4,769	-	-	\$0.75	\$2.75	\$1.86		
Class TTC	135	1,554,545	-	-	348,260	22.40%	11,932	32,221	-	-	6,700	-	-	\$0.65	\$1.85	\$1.33		
Class LTC	6	115,851	-	-	38,886	33.57%	-	-	-	-	-	-	-	\$0.40	\$2.75	\$1.58		
<b>Total</b>	<b>232</b>	<b>5,143,970</b>			<b>1,221,185</b>	<b>23.74%</b>	<b>21,454</b>	<b>44,731</b>			<b>38,363</b>			<b>\$0.40</b>	<b>\$2.75</b>	<b>\$2.01</b>		
<b>Airport</b>																		
Class TTA	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTA	4	384,464	-	-	105,159	27.35%	98,865	98,865	-	-	-	-	-	\$2.25	\$2.75	\$2.55		
Class TTB	15	1,043,732	-	-	206,128	19.75%	7,587	8,367	-	-	21,498	-	-	\$0.85	\$3.33	\$1.69		
Class LTB	35	1,700,892	-	-	208,960	12.29%	66,995	100,833	-	-	34,977	-	-	\$0.29	\$2.35	\$1.86		
Class TTC	155	1,754,215	-	-	499,091	28.45%	18,958	44,889	-	-	-	-	-	\$0.70	\$2.00	\$1.49		
Class LTC	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>209</b>	<b>4,883,303</b>			<b>1,019,338</b>	<b>20.87%</b>	<b>192,405</b>	<b>252,954</b>			<b>56,475</b>			<b>\$0.29</b>	<b>\$3.33</b>	<b>\$1.90</b>		
<b>Southeast</b>																		
Class TTA	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTA	4	405,796	-	-	193,410	47.66%	14,356	14,356	-	-	13,949	-	-	\$1.85	\$3.05	\$2.25		
Class TTB	20	872,950	-	-	199,259	22.83%	108,396	108,396	-	-	-	-	-	\$1.72	\$2.65	\$2.50		
Class LTB	56	1,792,671	-	-	500,246	27.91%	12,938	49,301	-	-	5,182	-	-	\$0.90	\$2.50	\$2.00		
Class TTC	327	4,120,048	-	-	1,016,893	24.68%	(167,934)	19,457	-	-	44,396	-	-	\$0.45	\$2.25	\$1.53		
Class LTC	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>407</b>	<b>7,191,465</b>			<b>1,909,808</b>	<b>26.56%</b>	<b>(32,244)</b>	<b>191,510</b>			<b>63,527</b>			<b>\$0.45</b>	<b>\$3.05</b>	<b>\$2.07</b>		
<b>North</b>																		
Class TTA	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTA	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class TTB	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-		
Class LTB	4	132,667	-	-	90,775	68.42%	(31,649)	-	-	-	-	-	-	\$0.55	\$2.05	\$2.05		
Class TTC	65	1,299,367	-	-	297,731	22.91%	(10,997)	21,557	-	-	-	-	-	\$0.45	\$1.50	\$1.29		
Class LTC	18	265,572	-	-	17,085	6.43%	8,868	8,868	-	-	-	-	-	\$0.70	\$1.30	\$1.50		
<b>Total</b>	<b>87</b>	<b>1,697,606</b>			<b>405,591</b>	<b>23.89%</b>	<b>(33,778)</b>	<b>30,425</b>						<b>\$0.45</b>	<b>\$2.05</b>	<b>\$1.61</b>		
<b>Las Vegas Total</b>																		
Class TTA	11	2,202,135	-	-	542,619	24.64%	75,472	75,472	-	-	84,610	-	-	\$2.10	\$3.55	\$2.67		
Class LTA	21	2,066,025	-	-	749,620	36.28%	60,218	116,910	-	-	29,572	-	-	\$1.75	\$3.05	\$2.32		
Class TTB	80	4,384,351	-	-	1,074,097	24.50%	117,344	133,037	-	-	54,347	-	-	\$0.85	\$3.33	\$2.14		
Class LTB	323	11,920,220	-	-	2,755,169	23.11%	(121,918)	270,798	-	-	139,427	-	-	\$0.29	\$2.75	\$1.85		
Class TTC	1,273	19,364,830	-	-	4,620,150	23.86%	(131,137)	342,1										

## Market Highlights

### SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
The Plaza at Summerlin - East	West	Brooks Bauer	8,728	B
Flamingo Grand Plaza	Central East	Maple Star Nevada	11,605	C
Green Valley Corporate Center	Southeast	Devry, INC	18,484	C

### SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
3120 E Desert Inn Road	Central East	Nevada First Capital, LLC	20,000	\$567,000
2470 St Rose Pkwy	Southeast	Henderson I, LLC	57,991	\$6,800,000
280 Pilot Road	Airport	Ameriprise Financial Inc	98,645	\$14,500,000

### SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

