

# MARKETBEAT



## LAS VEGAS MEDICAL OFFICE REPORT

3Q11

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### Overview

The overall ripple effect of the market slowdowns has had a significant impact on the Medical Office market. As with the general office complexes around Las Vegas, medical offices face the challenges of rising construction costs and overbuilding of the medical condos in individual submarkets. Additionally, a large unemployed workforce in the Las Vegas market has had an effect on the volume of medical care provided. As workers lose benefits or choose not to seek care, medical professionals are in need of less medical office space. Overall, the shrinking market in the Las Vegas area is experiencing rising vacancies in the medical office product type.

### Vacancies

The medical office vacancy rate saw a slight decrease during the third quarter to 18.0%, compared to 19.0% in the second quarter. The North submarket continues to have the lowest vacancy rate currently at 5.9%. Central West is not far behind with a vacancy rate of 7.9% and the Airport submarket is at 9.6%. The high vacancy rates in the Southwest (29.0%), Southeast (23.0%) and Central East (22.9%) submarkets are driven by weak tenant demand and marginal stability. Landlords continue to offer lease concessions, and loan defaults and corporate downsizing continue to drive the sluggish market.

Available sublease space remained stable from second quarter at 22,722 sf to the current total of sublease space of 22,286 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 \$1.70 per square foot/ full service gross (psf/FSG), a drop from the last quarter of \$1.71 psf/FSG rate.

Four out of the nine submarkets showed asking rental rate decreases from the second to the third quarter. The highest decrease was in the North submarket at \$1.19 sf/FSG from \$1.69 sf/FSG. The two submarkets that saw a quarterly increase in asking rental rates were the Southwest submarket to \$2.10 sf/FSG from \$1.90 sf/FSG and the West submarket to \$1.70 sf/FSG from \$1.43 sf/FSG.

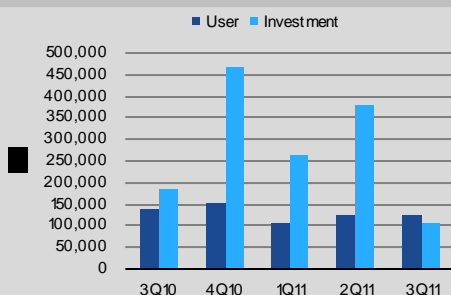
### Outlook

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. While vacancy rates have seen a rise in the medical specialty, the retail sector has also been hit hard the past few years. One emerging trend we are watching is turning vacant retail space into medical office space. Retail locations offer ideal parking, good visibility and signage, and shopping centers are now at a much more affordable rate. Should the trend of using retail space as medical offices gain momentum, the Las Vegas market may not see any new medical construction for many years.

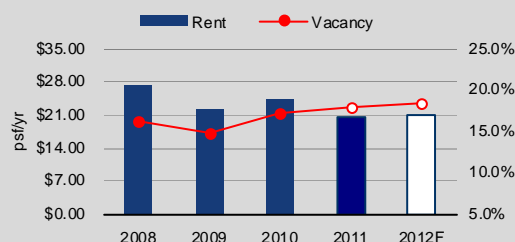
#### Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	15.7%	18.0%	14.6 pp	▲
Direct Asking Rents	\$19.08	\$20.40	6.9%	▲
YTD Absorption Activity (sf)	(92,137)	(226,941)	1.4%	▲

#### User vs. Investment Sales (Professional Office and Medical)



#### Overall Medical Rental vs. Vacancy Rates



#### Commerce Real Estate Solutions

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## Market/Submarket Statistics - Medical

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

	Inventory				Vacancy		Demand & Supply			Pricing			
	No. of Bldgs.	Existing SF	Under Const. SF	Planned SF	Vacancy SF	Rate	Net Space Occupied	Gross Space Leased	New Supply	Sub Lease	Asking Rent		
											Low	High	W Avg.
													(FSG)
Northwest	61	1,785,952	-	-	244,232	13.68%	(19,208)	2,577	-	9,649	\$0.85	\$2.25	\$1.59
Downtown	2	29,985	-	-	-	0.00%	-	-	-	-	-	-	-
Central East	49	1,819,387	-	-	416,546	22.89%	(18,290)	14,257	-	8,668	\$0.47	\$1.65	\$1.15
Central West	64	1,604,502	-	-	127,266	7.93%	17,023	27,410	-	-	\$1.00	\$1.95	\$1.95
West	14	327,911	-	-	35,406	10.80%	(13,605)	832	-	-	\$0.99	\$1.40	\$1.70
Southwest	49	1,288,371	-	-	373,329	28.98%	(3,793)	22,294	-	1,769	\$0.75	\$2.65	\$2.10
Airport	5	62,602	-	-	6,000	9.58%	-	-	-	-	\$0.99	\$0.99	\$1.39
Southeast	73	1,473,876	-	-	339,134	23.01%	2,093	16,437	-	2,200	\$0.65	\$2.50	\$2.50
North	12	280,150	-	-	16,448	5.87%	-	-	-	-	\$0.50	\$1.15	\$1.19
<b>Total</b>	<b>329</b>	<b>8,672,736</b>	<b>-</b>	<b>-</b>	<b>1,558,361</b>	<b>17.97%</b>	<b>(35,780)</b>	<b>83,807</b>	<b>-</b>	<b>22,286</b>	<b>\$0.47</b>	<b>\$2.65</b>	<b>\$1.70</b>

## Market Highlights

### SIGNIFICANT 3Q11 MEDICAL LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
Charleston Office Center	Central West	Disability Action Advocates	1,754	Medical
Peak Professional Plaza	Northwest	Chiropractic Healing Center	2,800	Medical
Rainbow Diable Medical Center	Southwest	Henderson Engineers	4,706	Medical

### SIGNIFICANT 3Q11 MEDICAL SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2430 East Harmon Avenue	Central East	GS Group & Lobster 888	9,495	\$496,000
2900 East Desert Inn Road	Central East	First Financial Collateral, Inc	16,426	\$1,062,000
100 North Green Valley Pkwy	Southeast	US Bank National Association	81,423	\$13,810,000

### SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

