

MARKETBEAT OFFICE SNAPSHOT



LAS VEGAS - MEDICAL

A Cushman & Wakefield Research Publication

Q1 2012



ECONOMIC 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 UP IN 2012

The medical office vacancy rate saw an increase during the first quarter to 19.3%, compared to 18.3% in the fourth 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 8.7% and the Airport submarket is at 9.6%. The high vacancy rates in the Southwest (30.4%), Southeast (25.3%) and Central East (21.9%) 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 at the current total of sublease space of 19,161 sf.

PRICING

With the growth of building sales, lease rates are expected to remain low. By first quarter 2012, the market reported average asking rents of \$1.73 per square foot/ full service gross (psf/FSG). The current asking lease rate is a penny higher than the rate we witnessed at the start of the year in 2011 at \$1.72 psf/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

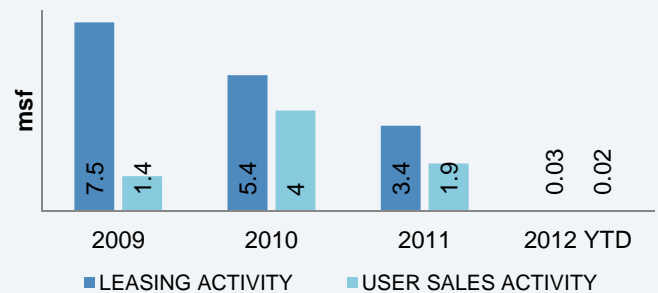
After witnessing a very flat year in market activity last year and seeing a uptick in vacancy at the beginning of 2012, we still are hopeful to see lower vacancy rates and slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job growth and an improved economy. We do not expect to see any more major swings in the labor market or the commercial real estate market like we have seen in the past few years.

Increased building sales are expected to continue. This growth in sales will also continue to put downward pressure to keep lease rates low. We are cautiously optimistic that we might also see a growth in loan servicers releasing more product into the market as they witness buyer's activity growing. Depending on how much and/or how fast the distressed properties are released, vacancy rates may rise. We will be watching and tracking the release of distressed product type for the next few years.

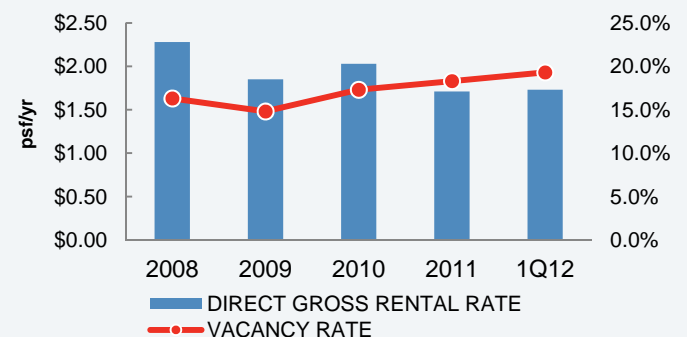
STATS ON THE GO

	1Q11	1Q12	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.8%	19.3%	1.5pp	↕
Direct Asking Rents (psf/mo)	\$1.72	\$1.73	0.6%	↕
YTD Leasing Activity (sf)	161,306	25,420	-84.2%	▲

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



	Inventory				Vacancy		Demand & Supply				Pricing		
	No. of	Existing	Under Const.	Planned	Vacancy	Rate	Net Space	Gross Space	New	Sub	Asking Rent (FSG)		
	Bldgs.	SF	SF	SF	SF		Occupied	Leased	Supply	Lease	Low	High	W Avg.
Northwest	61	1,855,298	-	-	297,573	16.04%	(16,051)	-	-	6,524	\$0.85	\$2.25	\$1.88
Downtown	2	29,985	-	-	-	0.00%	-	-	-	-			
Central East	49	1,819,387	-	-	397,685	21.86%	18,861	19,822	-	8,668	\$0.47	\$1.65	\$1.09
Central West	63	1,597,952	-	-	140,157	8.77%	(12,091)	-	-	-	\$1.00	\$1.95	\$1.95
West	29	925,751	-	-	179,372	19.38%	(7,000)	-	-	-	\$1.25	\$2.00	\$1.95
Southwest	49	1,288,371	-	-	392,078	30.43%	(20,675)	-	-	1,769	\$0.75	\$2.65	\$1.90
Airport	5	62,602	-	-	6,000	9.58%	-	-	-	-	\$0.99	\$0.99	\$1.39
Southeast	73	1,473,630	-	-	372,213	25.26%	(25,786)	5,598	-	2,200	\$0.38	\$2.50	\$2.50
North	12	280,150	-	-	16,448	5.87%	-	-	-	-	\$0.50	\$1.15	\$1.19
Total	343	9,333,126	-	-	1,801,526	19.30%	(62,742)	25,420	-	19,161	\$0.38	\$2.65	\$1.73

MARKET HIGHLIGHTS

	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
SIGNIFICANT 2012 LEASE TRANSACTIONS				
Partell Medical Center	Central East	Good Shepherd Rehabilitation	Medical	3,992
SIGNIFICANT 2012 SALE TRANSACTIONS				
8886 Spanish Ridge Ave	Southwest	Gregory L Decker	\$484,050 / \$38.10 psf	5,532
8851W Sahara Avenue	West	Daneshmand-Alavi Investments	\$625,000 / \$157.83 psf	7,920
1057 Whitney Ranch Dr	Southeast	Killer Whales, LLC	\$800,000 / \$87.50 psf	21,000
SIGNIFICANT 2012 CONSTRUCTION COMPLETIONS				
N/A	N/A	N/A	N/A	N/A
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
N/A	N/A	N/A	N/A	N/A

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

