

MARKETBEAT OFFICE SNAPSHOT



LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q2 2012



ECONOMIC OVERVIEW

The dreary outlook on the local office market has now moved into a sunny disposition as summer has finally approached us. The market continues to change quarter by quarter surprising us with unpredictable outcomes;

however this quarter's outcome is a positive one. After witnessing a disappointing first quarter, second quarter showed a drop in vacancy, ending the quarter at a 23.9% vacancy rate. The vacancy rate fell from a 24.4% rate that first quarter produced, bringing us closer to the rates that we saw a year ago at 23.5%. The decline in vacancy also caused net absorption to end on a positive 286,291 square feet (sf) for second quarter. We have not seen a positive quarterly net absorption rate higher than second quarter's numbers, since third quarter 2008 when we ended the quarter at 457,505 sf net absorption. It was not a great start to 2012, but as we predicted the stormy winter months passed and the sunny day for the Las Vegas commercial real estate market has finally arrived.

VACANCIES RATES RECOVER

The office vacancy rate saw a nice decrease during the second quarter to 23.9%, compared to 24.4% in the first quarter. Of the nine Las Vegas submarkets, the Downtown submarket experienced the lowest vacancy rate of 16.4%. Sublease space and direct net absorption also showed decreases during the quarter. Available sublease space showed a slight decline from first quarter at 453,247 sf to the current total of sublease space of 439,133 sf (1.1% of the total market). Direct net absorption, the measure of space leased from one reporting period to the next, during second quarter recovered most of the negative first quarter's net absorption at negative 353,858 sf returning to a healthy positive 286,291 sf net absorption.

This quarter we took a closer look at the Central West submarket. Located directly west of the Strip and I-15, south of the master planned communities of Summerlin and The Lakes, the Central West submarket contains the College of Southern Nevada campus. West Sahara Avenue is the major six lane thoroughfare that runs through the Central West submarket. It is the gateway to some historic Las Vegas Casinos, Clark County School District offices, Nevada Financial Center and many major retailers. The Central West submarket is the home of every major utility provider in Las Vegas; NV Energy, Southwest Gas, Embarq and Southern Nevada Water District.

Currently the Central West submarket has over 6.4 million square feet (mfs) of office product and a vacancy rate of 23.6%. The Central West submarket is in an older part of the Las Vegas Valley with most

buildings built in the 1990's and has only one class A building, the Nevada Financial Center. The rest of the submarket is made up of lower class B and class C buildings. The average asking lease rate for the area is one of the lowest rates in the market at a \$1.76 per square foot / full service gross (psf/FSG).

PRICING CONTINUES TO FALL

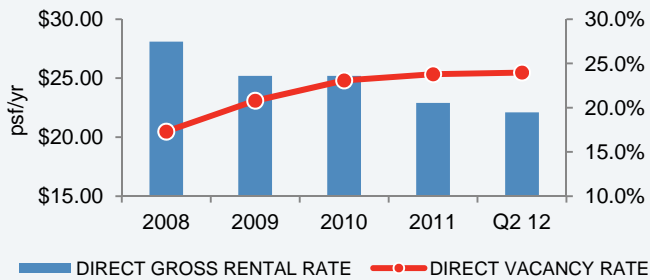
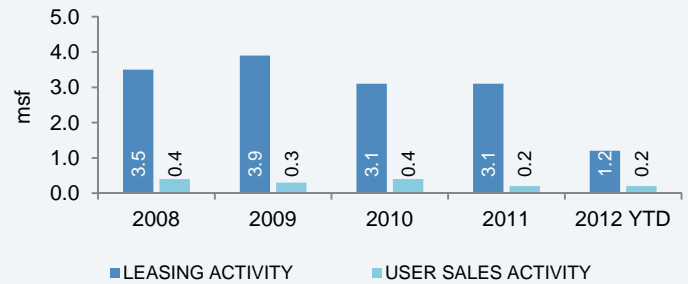
Now on the seventh consecutive drop, average asking lease rates ended the quarter at \$1.84 per square foot / full service gross (psf/FSG). With 12 years of market stasis we have not seen a lease rate this low. The lowest lease rate dates back to 2006 when the asking lease rates were at \$1.86 psf. We don't expect lease rates to remain this low for very long and should see a rise in rates in the next few quarters. Average asking lease rates for the past twelve quarters shows an average rate of \$2.02 psf/FSG, show we should at least start to see lease rates returning to the \$1.90 psf/FSG rate soon.

OUTLOOK

As predicted, the Las Vegas market is showing a sunny forecast. We continue to expect the vacancy to remain stable throughout the rest of the year. With that said, however, historical third quarter vacancy rates has shown increases so we will watch to see what third quarter brings, however it should not be a dramatic increase only a slight one if any. As we continue to see improvements in the market and vacant space starts to become harder to come across we should start to see slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job growth and an improved economy.

STATS ON THE GO

	Q2 2011	Q2 2012	Y-0-Y CHANGE	12 MONTH FORECA ST
Overall Vacancy	23.3%	23.9%	0.6pp	↕
Direct Asking Rents (psf/mo)	\$1.95	\$1.84	-5.6%	↕
YTD Leasing Activity (sf)	923,628	964,089	4.4%	▲

DIRECT RENTAL VS. VACANCY RATES

OVERALL OCCUPIER ACTIVITY

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2301-2381 Renaissance Dr	Central East	Ballroom Addiction	C	8,168
231-299 W Charleston Blvd	Downtown	MPR Corp	C	12,890
6850 Bermuda Rd	Airport	ResortCom International	C	23,306

Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2451 S Buffalo Dr	West	2451 S Buffalo Drive LLC	\$2,000,000 / \$55 psf	36,458
2975 S Rainbow Blvd	West	CMA VII LLC	\$1,850,000 / \$48 psf	38,784
9260 W Sunset Rd	Southwest	Southern Hills Medical Center LLC	\$3,445,000 / \$35 psf	97,425

Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

Las Vegas Professional Office Market Overview 2000-2012 YTD

