

MARKETBEAT OFFICE SNAPSHOT



LAS VEGAS - MEDICAL

A Cushman & Wakefield Research Publication

Q2 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 second quarter to 19.6%, compared to 19.3% in the first quarter. The North submarket continues to have the lowest vacancy rate currently at 5.9%. The Airport Submarket is not far behind with a vacancy rate of 8.1%. The high vacancy rates in the Southwest (28.1%), Southeast (23.7%) and Central East (24.6%) 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 fell from 19,161 sf to the current total of sublease space of 16,176 sf.

PRICING

With the growth of building sales, lease rates are expected to remain low. By second quarter 2012, the market reported average asking rents of \$1.78 per square foot/ full service gross (psf/FSG). The current asking lease rate is a slightly higher than the rate we witnessed at the start of the year in 2011 at \$1.71 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

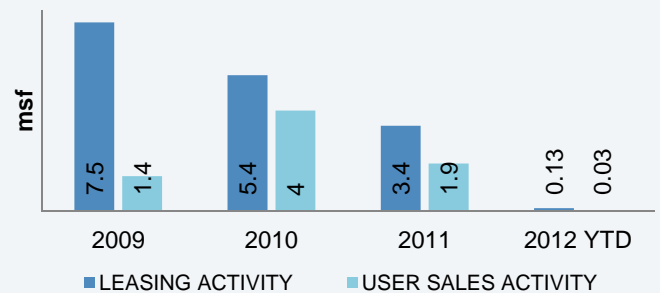
After witnessing a very flat year in market activity last year and seeing a uptick in vacancy at the beginning of 2012, we still are hopeful to see lower vacancy rates and slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job growth and an improved 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.

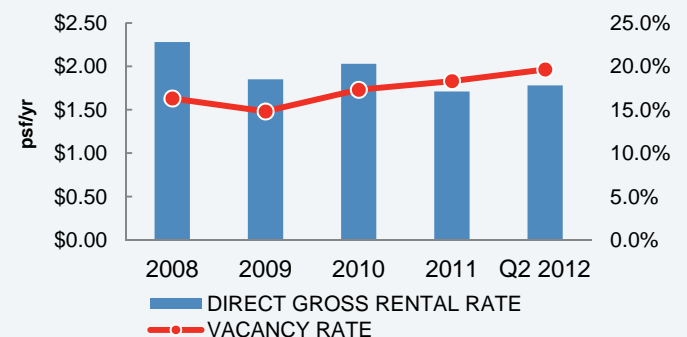
STATS ON THE GO

	Q2 2011	Q2 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.9%	19.6%	0.6pp	↕↕
Direct Asking Rents (psf/mo)	\$1.71	\$1.78	4.1%	↕↕
YTD Leasing Activity (sf)	244,304	134,070	-45.1%	▲

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



	Inventory				Vacancy		Demand & Supply				Pricing		
	No. of Bldgs.	Existing SF	Under Const. SF	Planned SF	Vacancy SF	Vacancy Rate	Net Space Occupied	Gross Space Leased	New Supply	Sub Lease	Asking Rent (FSG)		
											Low	High	W Avg.
Northwest	60	1,823,298	-	-	290,549	15.94%	(2,431)	8,837	-	6,524	\$0.50	\$2.25	\$1.88
Downtown	2	29,985	-	-	-	0.00%	-	-	-	-			
Central East	49	1,819,623	-	-	447,083	24.57%	(49,398)	24,753	-	-	\$0.50	\$2.13	\$1.39
Central West	61	1,540,320	-	-	187,246	12.16%	(47,089)	948	-	-	\$0.95	\$1.98	\$1.96
West	27	895,975	-	-	152,504	17.02%	15,589	26,265	-	5,683	\$1.25	\$2.00	\$1.85
Southwest	49	1,288,371	-	-	361,711	28.08%	4,936	19,818	-	1,769	\$0.60	\$2.13	\$2.13
Airport	5	62,602	-	-	5,075	8.11%	925	925	-	-	\$1.25	\$1.25	\$1.65
Southeast	73	1,473,630	-	-	348,909	23.68%	23,304	27,104	-	2,200	\$0.38	\$2.50	\$2.15
North	12	280,150	-	-	16,448	5.87%	-	-	-	-	\$0.50	\$1.15	\$1.19
Total	338	9,213,954	-	-	1,809,525	19.64%	(54,164)	108,650	-	16,176	\$0.38	\$2.50	\$1.78

MARKET HIGHLIGHTS

SIGNIFICANT 2012 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
Partell Medical Center	Central East	Michael Rosenman, M.D.	Medical	1,768
SIGNIFICANT 2012 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
4550 E Charleston Blvd	North Las Vegas	One More LLC	\$531,000 / \$65.34 psf	8,127
2900 E Desert Inn Rd	Central East	Nacion Medical Building II LLC	\$1,100,000 / \$59.35 psf	18,533
9260 W Sunset Rd	Southwest	Southern Hills Medical Center LLC	\$3,445,000 / \$35.36 psf	97,425
SIGNIFICANT 2012 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A	N/A	N/A	N/A	N/A
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A	N/A	N/A	N/A	N/A

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

