

MARKETBEAT OFFICE SNAPSHOT

LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q3 2013

ECONOMIC OVERVIEW



Even with second quarter GDP being raised to 2.5% from the previous estimate of 1.7%, economists surveyed by the Federal Reserve Bank of Philadelphia have decreased their forecasted rate of 2.0% for the year to 1.5% as the second part of 2013 is expected to come in below prior estimates. Unemployment

continues to fall with the U.S. rate currently at 7.3%, but concerns abound as many of these jobs are lower paying jobs and there is still a large number of people working part time that would prefer full time employment.

Nevada continues to lag behind the overall U. S. economy with an unemployment rate of 9.5% but is experiencing a faster decline than the overall U. S. market. Over the past 12 months the unemployment rate has declined by 1.7 percentage points (pps) with overall job growth increasing by 1.5%. Leisure & Hospitality continue to lead job growth with Trade, Transportation & Utilities coming in as the number two.

STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Direct Vacancy	29.3 %	29.0%	-0.3pp	▼
Direct Weighted Average Asking Rents (psf/mo)	\$1.79	\$1.87	4.5%	◄
YTD Leasing Activity (sf)	2,206,825	1,663,720	27.5%	▼

OFFICE MARKET OVERVIEW

Overall vacancy rates remained largely unchanged on a year-over-year basis even as average asking lease rates have ticked up by 4.5% over that same period. The Central/North and Downtown submarkets continued to register the lowest vacancy rates at 11.8% and 17.6% respectively. Outside of these two submarkets vacancy rates start in the mid-twenties and go up from there showing the need for substantial improvement in the majority of the Las Vegas submarkets. Nevertheless 227,682 square feet (sf) of positive absorption occurred during Q3 13 with more anticipated in Q4 13 as Zappos.com completes its relocation from the Southeast to Downtown.

Investment activity picked up dramatically, primarily as a result of the sale of Hughes Center, comprised of 1.4 million sf. The property was acquired by Blackstone for a reported \$347 million. Although largely outweighing other transactions, there remained several other large investment transactions that occurred in the market. Additionally Allegiant Travel acquired approximately 130,000 sf in Summerlin



where it will relocate its corporate headquarters. Allegiant currently has a lease for 80,000 sf along South Durango Drive that goes through 2018 but includes a termination option in 2015.

Las Vegas continues to attract new entrants into the market from states such as California due to its lower cost of living, lower taxes and economic incentives. The Las Vegas Global Economic Alliance (LVGEA) continues to play a large part in helping companies such as Solar Winds see the advantages of being in Las Vegas.

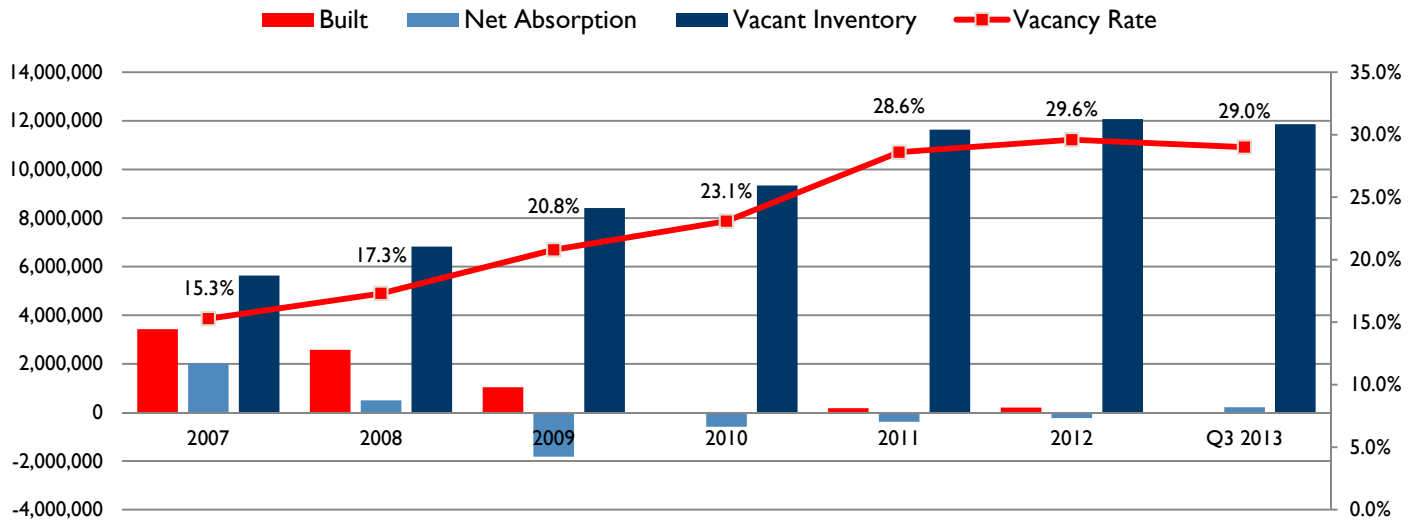
New construction began on the Gramercy at the close of Q3 13. This 500,000 sf live/work project in the Southwest submarket includes 200,000 sf of class A office. The project is being started with no pre-leasing activity and is expected to be completed in Q2 14.

OUTLOOK

Zappos.com will begin moving into their downtown location at the beginning of Q4 13 which will have a major impact on that area with the addition of 300,000 sf of office space now being occupied. The trend of positive absorption on the year is expected to continue into Q4 13 as a result of Zappos.com taking more space than it is giving back.

Jobs still remain a concern and with uncertainty continuing to abound in the overall U.S. economy it seems somewhat unlikely that this will rebound heavily in the short term. As a result, vacancy rates will continue to trend downward but will continue to do so a moderate rate.

Las Vegas Office Overview 2004 - 2013

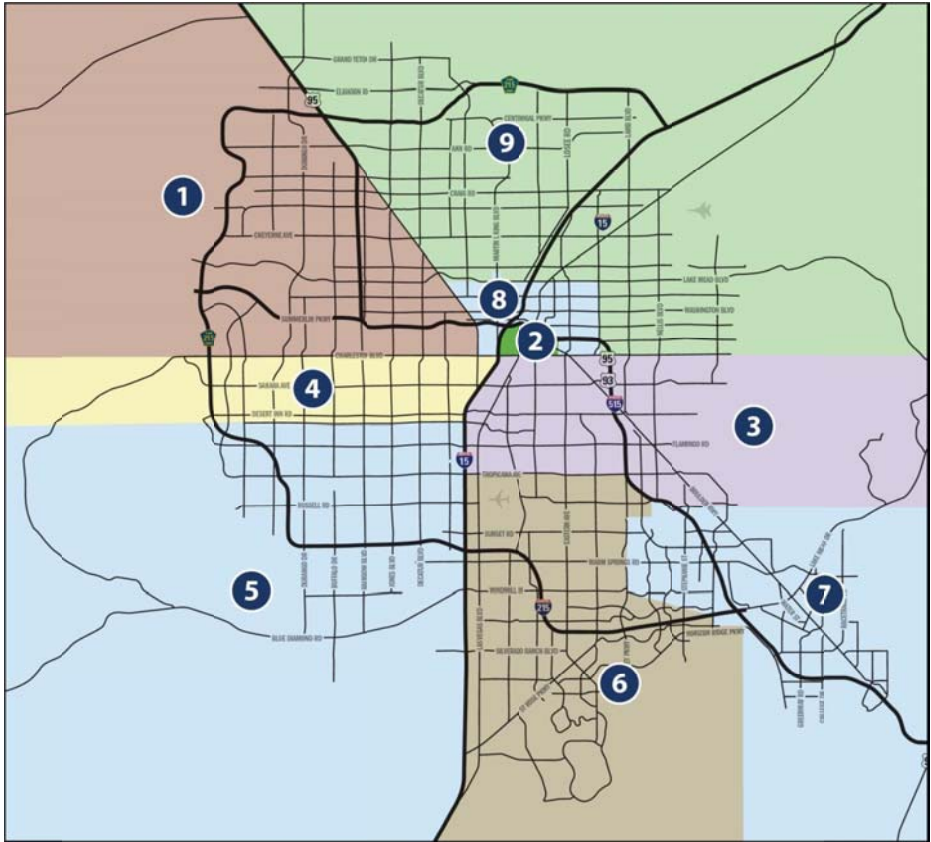


Inventory	36,853,343	39,434,380	40,474,709	40,474,709	40,647,470	40,849,408	40,849,408
Avg Dir Lease Rate	\$2.29	\$2.70	\$2.33	\$2.10	\$1.91	\$1.79	\$1.87

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Arroyo Corp Center Building 2	Southwest	National Union Fire Ins Company	B	19,626
Sahara Rancho Office Center	Central West	State of Nevada Public Works	B	17,040
Alamo Office Building	Airport	New-Com Inc	C	11,320
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Hughes Center	Central East	Blackstone	\$347,000,000 / \$256	1,353,836
4730 S Fort Apache Rd	Southwest	MIG Real Estate	\$13,250,000 / \$117	112,984
8930 W Sunset Rd	Southeast	MVP REIT	\$15,000,000 / \$316	47,501
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
400 Stewart Ave	Downtown	Zappos.com	Q4 2013	270,000
Federal Justice Building	Downtown	Government Building	Q4 2013	130,732

		Inventory		Vacancy		Net Absorption	Avg Asking Lease Rate	Under Construction
		No. of Bldgs.	Existing SF	Direct Vacancy SF	Rate			
Central East	Class A	13	1,491,632	297,390	19.9%	1,971	\$2.79	-
	Class B	31	1,528,192	470,823	30.8%	14,765	\$1.46	-
	Class C	8	3,084,230	830,120	26.9%	8,690	\$1.29	-
	Total	107	6,104,054	1,598,333	26.2%	25,426		
Central North	Class A	-	-	-	-	-	-	-
	Class B	6	236,969	14,729	6.2%	-	\$1.85	-
	Class C	12	542,369	77,462	14.3%	(388)	\$1.89	-
	Total	18	779,338	92,191	11.8%	(388)	\$1.88	
Downtown	Class A	4	712,857	125,259	17.6%	(13,636)	\$2.50	-
	Class B	8	539,910	63,302	11.7%	9,212	\$2.55	-
	Class C	5	143,415	57,694	40.2%	-	\$1.97	-
	Total	17	1,396,182	246,255	17.6%	(4,424)	\$2.39	
North	Class A	1	45,376	27,707	61.1%	-	\$1.28	-
	Class B	48	856,858	260,079	30.4%	236	\$1.36	-
	Class C	4	215,557	43,300	20.1%	-	\$1.23	-
	Total	53	1,117,791	331,086	29.6%	236	\$1.34	
Northwest	Class A	22	1,833,422	869,522	47.4%	(5,611)	\$2.16	-
	Class B	171	4,770,581	1,239,224	26.0%	22,961	\$1.95	-
	Class C	14	380,119	151,120	39.8%	9,489	\$1.58	-
	Total	207	6,984,122	2,259,866	32.4%	26,839	\$2.01	
Southeast	Class A	3	265,015	189,981	71.7%	-	\$2.45	-
	Class B	66	1,104,202	373,921	33.9%	2,413	\$1.89	-
	Class C	13	181,543	77,975	43.0%	(1,228)	\$1.48	-
	Total	82	1,550,760	641,877	41.4%	1,185	\$2.00	
South	Class A	22	1,854,154	638,469	34.4%	32,819	\$2.56	-
	Class B	381	7,519,796	2,259,259	30.0%	(10,513)	\$1.80	45,660
	Class C	33	629,178	291,845	46.4%	4,000	\$1.51	-
	Total	436	10,003,128	3,189,573	31.9%	26,306	\$1.93	45,660
Southwest	Class A	12	902,855	6,141,530	32.7%	(9,527)	\$2.37	-
	Class B	244	6,141,530	1,741,132	28.4%	108,899	\$1.98	-
	Class C	19	512,678	147,195	28.7%	(250)	\$1.43	-
	Total	275	7,557,063	2,183,422	28.9%	99,122	\$1.99	
West	Class A	5	674,619	176,008	26.1%	(492)	\$1.71	-
	Class B	149	3,391,983	786,004	23.2%	41,885	\$1.58	-
	Class C	37	1,290,368	355,598	27.6%	11,987	\$1.49	-
	Total	191	5,356,970	1,317,610	24.6%	53,380	\$1.57	
Las Vegas Total	Class A	82	7,779,930	2,619,431	33.7%	5,524	\$2.35	-
	Class B	1,104	26,090,021	7,208,473	27.6%	189,898	\$1.82	45,660
	Class C	200	6,979,457	2,032,309	29.1%	32,300	\$1.44	-
	Total	1,386	40,849,408	11,860,213	29.0%	227,682	\$1.87	45,660



Submarket Breakdown

- 1. Northwest
- 2. Downtown
- 3. Central East
- 4. West
- 5. Southwest
- 6. South
- 7. Southeast
- 8. Central North
- 9. North

Property Classes:

Class A: Most prestigious buildings competing for premier office users with above average rents for the area. Buildings have high quality standard finishes, state-of-the-art systems, exceptional accessibility and suggest definitive market presence.

Class B: Buildings competing for a wide range of office users with average rents for the area. Building finishes are fair to good and the systems are adequate, but the buildings do not compete with class A at the same price.

Class C: Buildings competing for tenants requiring functional space at below average rents for the area.

*Cushman & Wakefield | Commerce has changed its data source. All data in this report, including historical data, has been taken from the same data source and may not match up with prior reports published by Cushman & Wakefield | Commerce