

MARKETBEAT OFFICE SNAPSHOT

LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q1 2015



ECONOMIC OVERVIEW

The U.S. economy continued to add jobs at a high rate as job growth expanded by 2.4% over the last year, pushing the unemployment rate to just 5.5%. Even with stronger employment numbers, wage pressure remained moderate, mainly occurring in specialized jobs.

Despite being one of the slowest areas to recover, Nevada continued to heat up with strong growth that has pushed the unemployment rate down by 1.3 percentage points (pps) over the last year to 7.1%. Job growth of 3.1% continued to exceed the U.S. average as 36,900 new jobs were added over the past year. Construction led all job categories in terms of percentage growth, up 5.3% on a year-over-year basis while Leisure and Hospitality experience the largest nominal growth, adding 13,400 jobs.

Visitor volume increased by 0.5% for February YTD; 2015 is on pace to break last year's record setting visitor volume of 41,126,512. Clark County and the Las Vegas Strip saw gaming revenue decreases by 1.7% and 4.4% respectively, in part due to lower baccarat activity. Malaysia-based Genting Berhad will break ground on the \$4 billion Resorts World Las Vegas on May 5th, 2015. Resorts World Las Vegas is expected to provide \$1.5 billion in construction wages and \$84 million in taxes while employing several thousand workers to Las Vegas's economy

LEASE ACTIVITY

The University of Nevada, School of Medicine executed the largest lease of the quarter taking 34,871 sf at 1701 W. Charleston Blvd. This was followed by Solar City, which continued its expansion in the Las Vegas market by 21,958 sf. All Western Mortgage signed the third largest lease for the quarter at Centra Point for 18,876 sf. As a result of strong preleasing activity at the Corporate Center Phase III, The southwest submarket had the highest amount of positive absorption posting 88,005 sf.



SALES ACTIVITY

There were 33 office sales during Q1 2015 for a total volume of \$121.7 million. The average sales price continued to rise with an average of \$142 psf. Highbrook's acquisition of 302 E. Carson Ave for \$37 million was the largest transaction of the quarter. This was followed by the sale of City Centre to Dornin Investments Group for \$21.5 million at a cap rate of 6.5%. With no large portfolios on the horizon, total volume is expected to remain on track with Q1 2015.

MARKET TRENDS

As the Baby Boomers transition into retirement and more Millennials begin to enter the workforce, tenants are changing the way they use their office space. According to CoreNet Global, the average amount of office space per employee has gone from 225 sf per employee in 2010, to 176 sf in 2012, and is projected to reach 151 sf in 2017. Cubicles are being replaced with tables, white boards, and solid glass walls. Landlords are providing wifi access that stretches beyond the office walls, and out into the courtyards; this allows employees to work from outside the office and always stay connected. Tenants are placing a higher value on the amenities that an office space has to

STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Direct Vacancy	28.8%	25.7%	-3.1pp	▼
Direct Weighted Average Asking Rents (psf/mo)	\$1.88	\$1.87	-0.5%	◄
Leasing Activity (sf)	789,593	690,142	-12.6%	▲

OFFICE MARKET OVERVIEW

The year started off with a healthy 132,275 sf of positive absorption which pushed the overall vacancy rate down by 2.9 percentage points (pps) on a year-over-year basis to 25.7%. Although trending downward, vacancy rates remain too high to put upward pressure on lease rates which remained fairly stagnant. Construction activity was lower through Q1 2015 with only one major completion. Corporate Center phase III is comprised of 57,692 sf and located in the Southwest submarket.

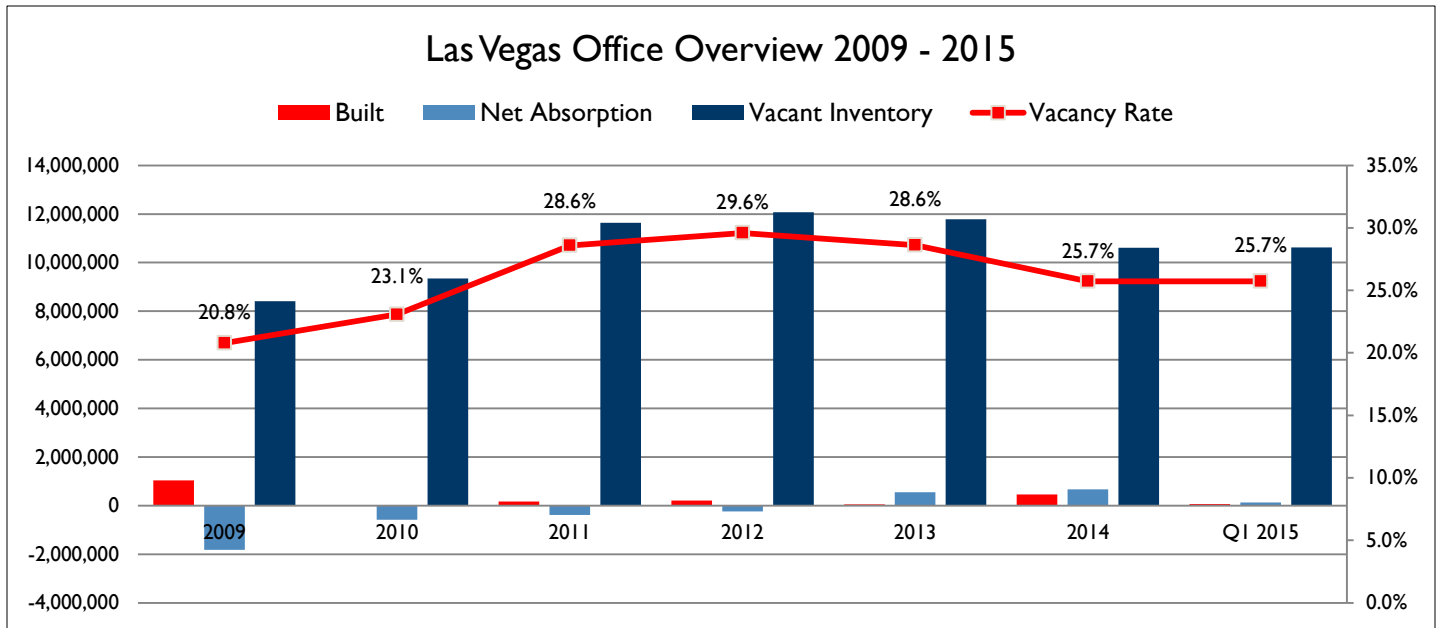
offer. Existing lifestyle centers and mixed use properties such as Gramercy, Town Square, the District at Green Valley, and Downtown Summerlin have been successful at attracting tenants who value restaurant and retail amenities. In response to tenant demand, the Hughes Center remodeled old speculative suites, added an onsite gym and is adding five new restaurants to their office park.

OUTLOOK

As the real estate market continues to show improvements, optimism remains high that 2015 will be the strongest year so far in the recovery. Strong absorption throughout 2015, combined with limited

new product will push vacancy rates down. By year- end the overall vacancy rate is expected to decline by an additional 1.0 to 2.0 pps. Even though vacancy rates will improve, asking rental rates are not expected to improve much until the vacancy rate breaks below the 20.0% mark. Las Vegas will likely not see those rates until 2016 – 2017.

Pricing for office sales will stay on the rise as demand remains strong. Although fundamentals are pushing sales activity, there are some concerns that interest rates could increase dampening owners’ and investors’ ability to pay ever rising prices.



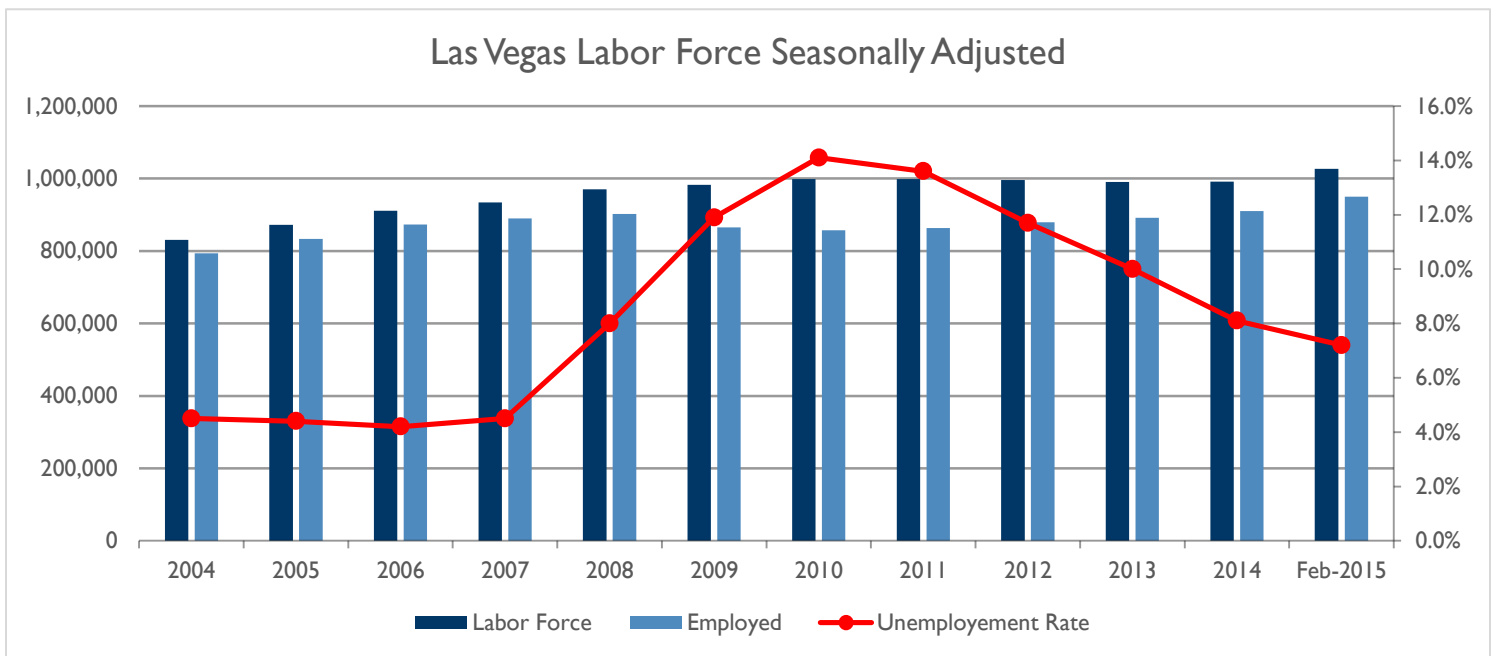
MARKET HIGHLIGHTS

Significant Q1 2015 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1701 W. Charleston Blvd	West	Universtiy Nevada School of Medicine	A	34,871
6611 Las Vegas Blvd.	Southwest	Solar City	A	21,958
8345 W. Sunset Rd.	Southwest	All Western Mortgage	B	18,876
3965 S. Durango Dr.	Southwest	State of Nevada Department of Human Services	C	12,558

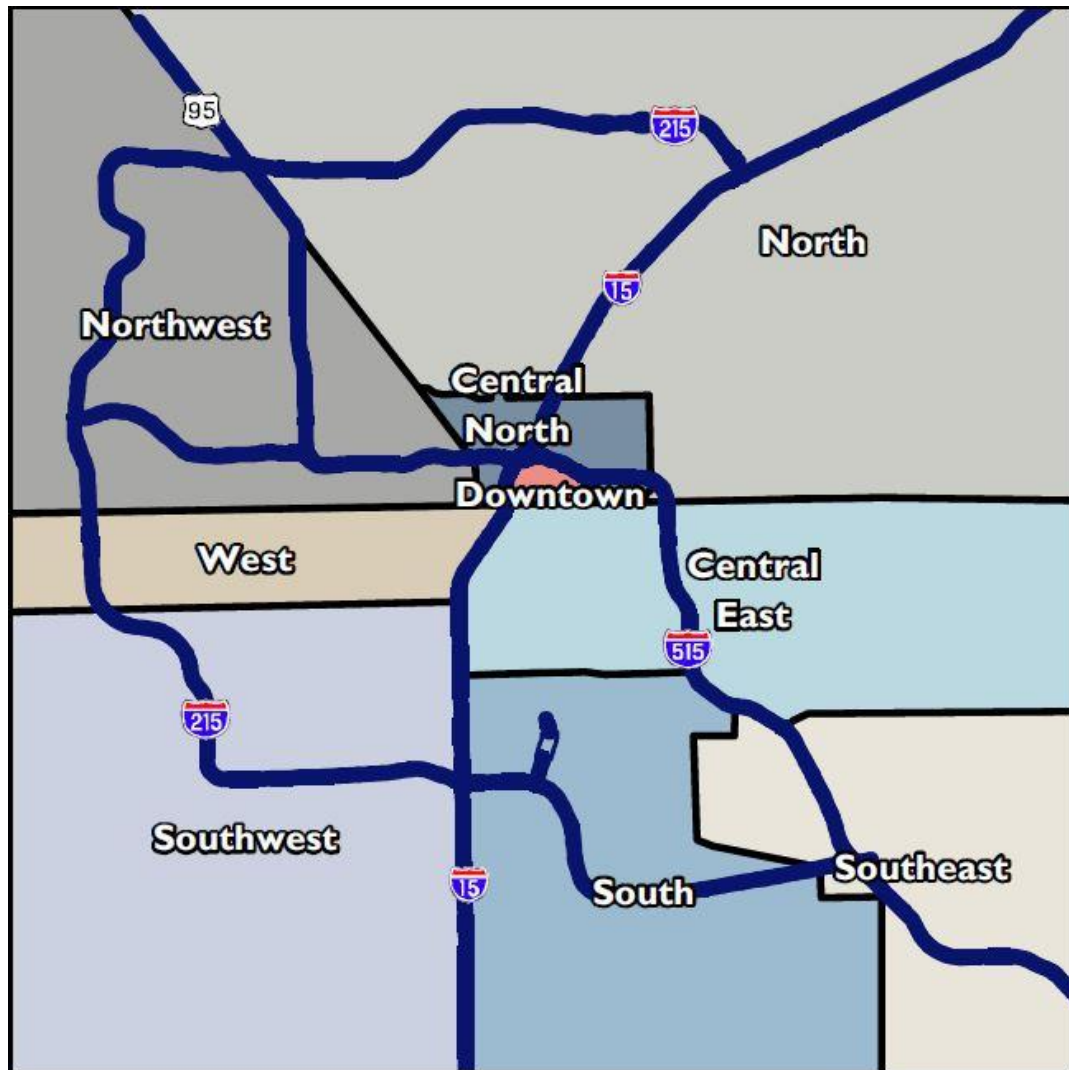
Significant Q1 2015 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
302 E. Carson Ave	Downtown	Highbrook Investors	\$37,000,000 / \$121	306,206
400 4 th St.	Downtown	Dornin Investment Group	\$21,525,000 / \$206	104,253
1505 Wigwam Ave.	Southeast	Altera Development Company	\$20,500,000 / \$293	70,000
3996 N. Rancho	Northwest	FEM Real Estate	\$26,750,000 / \$731	36,594

Significant Q1 2015 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Corporate Center at the Curve Phase III	Southwest	TBD	Q1 2015	57,692

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Tivoli Village at Queens ridge Phase II	Northwest	First American Title	Q2 2015	68,000
The Park at Spanish Ridge – Phase III	Southwest	TBD	Q2 2015	35,663



		Inventory		Vacancy		Q4 Net Absorption	Avg Asking Lease Rate	Under Construction
		No. of Bldgs.	Existing SF	Direct Vacancy SF	Rate			
Northwest	Class A	22	1,824,136	533,543	29.2%	(18,693)	\$2.28	68,000
	Class B	172	4,830,128	1,239,557	25.7%	(45,751)	\$1.88	-
	Class C	14	380,119	140,319	36.9%	6,559	\$1.63	-
	Total	208	7,034,383	1,913,419	27.2%	(57,885)	\$1.97	68,000
Downtown	Class A	5	982,857	111,711	11.4%	(12,903)	\$2.51	-
	Class B	8	539,910	124,044	23.0%	(25,126)	\$2.29	-
	Class C	4	104,721	26,785	25.6%	0	\$1.97	-
	Total	17	1,627,488	262,540	16.1%	(38,029)	\$2.35	-
Central East	Class A	11	1,388,884	312,698	22.5%	(4,616)	\$3.00	-
	Class B	33	1,630,940	452,025	27.7%	21,290	\$1.34	-
	Class C	63	3,084,230	926,152	30.0%	10,373	\$1.31	-
	Total	107	6,104,054	1,690,875	27.7%	27,047	\$1.63	-
West	Class A	6	874,619	275,819	31.5%	47,860	\$2.20	-
	Class B	148	3,368,183	800,695	23.8%	19,759	\$1.54	-
	Class C	37	1,290,368	343,948	26.7%	17,470	\$1.53	-
	Total	191	5,533,170	1,420,462	25.7%	85,089	\$1.67	-
Southwest	Class A	13	1,102,855	274,203	24.9%	7,997	\$2.45	-
	Class B	243	6,055,143	1,464,198	24.2%	73,298	\$1.97	35,663
	Class C	18	491,678	116,900	23.8%	0	\$1.60	-
	Total	274	7,649,676	1,855,301	24.3%	88,005	\$2.02	-
South	Class A	22	1,854,154	418,669	22.6%	(104,761)	\$2.57	-
	Class B	382	7,408,227	1,836,943	24.8%	(156,553)	\$1.88	-
	Class C	33	629,178	275,642	43.8%	(2,772)	\$1.49	-
	Total	437	9,891,559	2,531,254	25.6%	(54,564)	\$1.95	-
Southeast	Class A	4	276,344	179,765	65.1%	24,447	\$2.40	-
	Class B	66	1,104,202	293,074	26.5%	29,532	\$1.85	-
	Class C	13	181,543	47,820	26.3%	4,482	\$1.52	-
	Total	83	1,562,089	520,659	33.3%	58,461	\$2.01	-
Central North	Class A	-	-	-	-	-	-	-
	Class B	6	236,969	14,317	6.0%	-	\$2.26	-
	Class C	12	542,369	113,465	20.9%	5,320	\$1.84	-
	Total	18	779,338	127,782	16.4%	05,320	\$1.89	-
North	Class A	1	45,376	27,707	61.1%	-	\$1.28	-
	Class B	47	840,858	225,095	26.8%	18,831	\$1.37	-
	Class C	4	215,557	46,980	21.8%	-	\$1.24	-
	Total	52	1,101,791	299,782	27.2%	18,831	\$1.34	-
Las Vegas Total	Class A	84	8,349,225	2,134,115	25.6%	148,853	\$2.47	68,000
	Class B	1,105	26,014,560	6,449,948	24.8%	(64,720)	\$1.81	35,663
	Class C	198	6,919,763	2,038,011	29.5%	48,142	\$1.45	-
	Total	1,387	41,283,548	10,622,074	25.7%	132,275	\$1.87	103,663



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.