

# MARKETBEAT OFFICE SNAPSHOT



## LAS VEGAS

A Cushman & Wakefield Research Publication

Q4 2011



### ECONOMIC OVERVIEW

The Las Vegas office market continues to show signs of a market recovery. We are optimistic that the 2012 economic outlook for the Las Vegas area will show more positive signs of growth and stability in the market. Throughout

2011, vacancy and lease rates have remained stable and direct net absorption ended on the positive side for the first time since 2008. Year to date analysis of net absorption, by submarket and property class, shows strong signs that tenants are still moving out of older properties and submarkets and moving into newer, now more affordable and better located office product. In 2011, we also saw an uptick in investment sales and a shortage of inventory in owner-user product type.

### VACANCIES REMAIN STABLE IN 2011

The office vacancy rate saw a slight increase during the fourth quarter to 23.8%, compared to 23.6% in the third quarter. Of the nine Las Vegas submarkets, the Downtown submarket experienced the lowest vacancy rate of 19.7%. Central West is not far behind with a vacancy rate of 19.3% and the Airport submarket is at 20.8%. The high vacancy rates in the Northwest (39.1%), Southeast (27.3%) and North (23.6%) submarkets are driven by weak tenant demand and marginal stability. These submarkets are also still experience higher landlord lease concessions, loan defaults and corporate downsizing.

Direct net absorption, the measure of space leased from one reporting period to the next, for the fourth quarter returned to a negative number (93,048). The year-to-date total, however, ended on a positive note at 90,328 sf. This is the first year-to-date positive result since 2008, when direct net absorption was 637,764 sf. Class C product type showed a (184,507) sf of year end net absorption while we witnessed a positive 274,835 square feet of net absorption in 2011 for Class B and Class A office product type.

### PRICING

With the growth of building sales, lease rates are expected to remain low. By fourth quarter 2011, the market reported average asking rents of \$1.91 per square foot / full service gross (psf/FSG). The current asking lease rate is lower than the rate we witnessed at the end of the year in 2010 at \$2.10 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, we expect lower vacancy rates and slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job

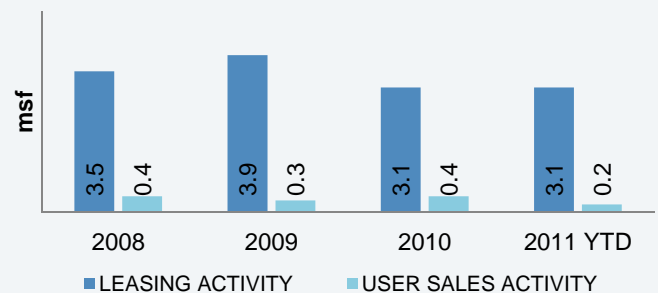
growth and an improved economy. We do not expect to see any more major swings in the labor market or the commercial real estate market like we have seen in the past few years.

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 servers 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.

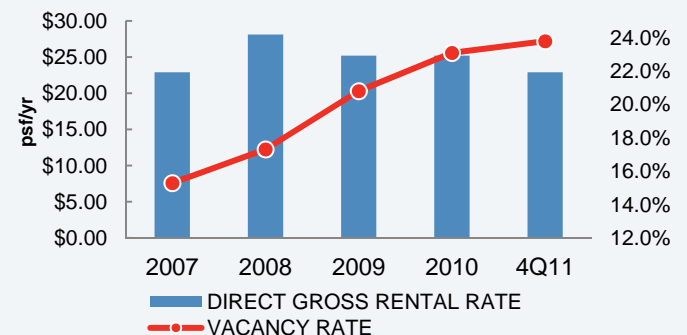
### STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	23.1%	23.8%	0.7pp	↔
Direct Asking Rents (psf/mo)	\$2.10	\$1.91	-9.1%	↔
YTD Leasing Activity (sf)	-1,224,100	90,328	-1.2%	▲

### OVERALL OCCUPIER ACTIVITY



### DIRECT RENTAL VS. VACANCY RATES



## LAS VEGAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Northwest TTA	187,410	100.0%	100.0%	0	0	0	0	0	\$2.10	\$2.10
Northwest LTA	126,915	74.3%	74.3%	14,095	0	0	(5,319)	(5,319)	\$1.88	\$1.88
Northwest TTB	49,532	32.2%	32.2%	0	0	0	0	0	\$2.05	\$0.00
Northwest LTB	970,383	35.9%	35.9%	74,058	0	0	48,900	48,900	\$2.05	\$0.00
Northwest TTC	1,426,676	30.4%	30.4%	103,839	0	0	(3,186)	(3,186)	\$1.49	\$0.00
Northwest LTC	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
<b>NW SUBTOTAL</b>	<b>2,760,916</b>	<b>39.1%</b>	<b>39.1%</b>	<b>191,992</b>	<b>0</b>	<b>0</b>	<b>40,395</b>	<b>40,395</b>	<b>\$1.91</b>	<b>\$1.99</b>
Downtown TTA	655,254	7.3%	7.3%	6,988	0	0	4,353	4,353	\$2.61	\$2.61
Downtown LTA	103,951	11.7%	11.7%	0	0	0	(512)	(512)	\$2.35	\$2.35
Downtown TTB	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Downtown LTB	474,872	34.1%	34.1%	34,308	0	0	(8,767)	(8,767)	\$2.38	\$0.00
Downtown TTC	215,154	32.3%	32.3%	8,157	0	0	(56,395)	(56,395)	\$1.65	\$0.00
Downtown LTC	638,701	18.9%	18.9%	37,805	0	0	(12,194)	(12,194)	\$1.81	\$0.00
<b>DT SUBTOTAL</b>	<b>2,087,932</b>	<b>19.7%</b>	<b>19.7%</b>	<b>87,258</b>	<b>0</b>	<b>0</b>	<b>(73,515)</b>	<b>(73,515)</b>	<b>\$2.16</b>	<b>\$2.48</b>
Central East TTA	995,120	14.7%	14.7%	69,398	0	0	18,017	18,017	\$3.10	\$3.10
Central East LTA	387,590	29.9%	29.9%	16,828	0	0	(35,858)	(35,858)	\$2.74	\$2.74
Central East TTB	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Central East LTB	529,138	38.6%	38.6%	77,561	0	0	(1,997)	(1,997)	\$1.29	\$0.00
Central East TTC	2,797,804	26.9%	26.9%	147,150	0	0	(45,351)	(45,351)	\$1.25	\$0.00
Central East LTC	1,175,494	14.4%	14.4%	82,557	0	0	45,164	45,164	\$1.24	\$0.00
<b>CE SUBTOTAL</b>	<b>5,885,146</b>	<b>23.6%</b>	<b>23.6%</b>	<b>393,494</b>	<b>0</b>	<b>0</b>	<b>(20,025)</b>	<b>(20,025)</b>	<b>\$1.92</b>	<b>\$2.92</b>
Central West TTA	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Central West LTA	157,624	2.7%	2.7%	14,000	0	0	2,775	2,775	\$2.18	\$2.18
Central West TTB	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Central West LTB	2,929,598	21.7%	21.7%	126,499	0	0	(161,939)	(161,939)	\$1.43	\$0.00
Central West TTC	2,708,805	18.8%	18.8%	169,158	0	0	22,104	22,104	\$1.37	\$0.00
Central West LTC	710,592	14.5%	14.5%	64,051	0	0	38,580	38,580	\$1.65	\$0.00
<b>CW SUBTOTAL</b>	<b>6,506,619</b>	<b>19.3%</b>	<b>19.3%</b>	<b>373,708</b>	<b>0</b>	<b>0</b>	<b>(98,480)</b>	<b>(98,480)</b>	<b>\$1.66</b>	<b>\$2.18</b>
West TTA	143,633	27.3%	27.3%	7,629	0	0	7,629	7,629	\$2.87	\$2.87
West LTA	391,152	41.2%	41.2%	43,430	0	0	(814)	(814)	\$2.23	\$2.23
West TTB	928,871	28.2%	28.2%	88,489	0	0	13,215	13,215	\$2.03	\$0.00
West LTB	1,769,520	18.5%	18.5%	132,194	0	0	(21,502)	(21,502)	\$1.68	\$0.00
West TTC	3,467,484	21.8%	21.8%	190,353	0	0	(24,228)	(24,228)	\$1.38	\$0.00
West LTC	237,829	16.2%	16.2%	19,533	0	0	13,830	13,830	\$1.43	\$0.00
<b>WEST SUBTOTAL</b>	<b>6,938,489</b>	<b>22.8%</b>	<b>22.8%</b>	<b>481,628</b>	<b>0</b>	<b>0</b>	<b>(11,870)</b>	<b>(11,870)</b>	<b>\$1.94</b>	<b>\$2.55</b>
Southwest TTA	220,718	55.3%	55.3%	0	0	0	0	0	\$2.60	\$2.60
Southwest LTA	108,533	49.6%	49.6%	59,740	0	0	30,639	30,639	\$2.25	\$2.25
Southwest TTB	1,488,304	23.5%	23.5%	150,405	0	0	41,088	41,088	\$2.25	\$0.00
Southwest LTB	1,656,019	16.3%	16.3%	151,378	0	0	128,838	128,838	\$1.84	\$0.00
Southwest TTC	1,535,778	20.3%	20.3%	135,889	0	0	55,371	55,371	\$1.35	\$0.00
Southwest LTC	115,851	33.6%	33.6%	0	0	0	0	0	\$1.58	\$0.00
<b>SW SUBTOTAL</b>	<b>5,125,203</b>	<b>22.4%</b>	<b>22.4%</b>	<b>497,412</b>	<b>0</b>	<b>0</b>	<b>(255,936)</b>	<b>(255,936)</b>	<b>\$1.98</b>	<b>\$2.43</b>
Airport TTA	0	0%	0%	0	0	0	0	0	\$0.00	\$0.00
Airport LTA	384,464	27.4%	27.4%	111,037	0	0	111,037	111,037	\$2.55	\$2.55

**LAS VEGAS  
CONTINUE**

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Airport TTB	1,043,732	16.4%	16.4%	57,956	0	0	49,496	49,496	\$1.69	\$0.00
Airport LTB	1,668,364	13.9%	13.9%	175,129	0	0	50,076	50,076	\$1.86	\$0.00
Airport TTC	1,753,725	28.7%	28.7%	103,763	0	0	(42,047)	(42,047)	\$1.49	\$0.00
Airport LTC	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
<b>AP SUBTOTAL</b>	<b>4,850,285</b>	<b>20.8%</b>	<b>20.8%</b>	<b>447,885</b>	<b>0</b>	<b>0</b>	<b>(168,562)</b>	<b>(168,562)</b>	<b>\$1.90</b>	<b>\$2.55</b>
Southeast TTA	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Southeast LTA	405,796	50.4%	50.4%	31,904	0	0	19,653	19,653	\$2.40	\$2.40
Southeast TTB	872,950	22.3%	22.3%	115,694	0	0	64,781	64,781	\$2.35	\$0.00
Southeast LTB	1,792,671	29.2%	29.2%	131,453	0	0	(53,655)	(53,655)	\$2.00	\$0.00
Southeast TTC	4,120,048	25.3%	25.3%	222,038	0	0	(159,172)	(159,172)	\$1.53	\$0.00
Southeast LTC	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
<b>SE SUBTOTAL</b>	<b>7,191,465</b>	<b>27.3%</b>	<b>27.3%</b>	<b>501,089</b>	<b>0</b>	<b>0</b>	<b>(128,393)</b>	<b>(128,393)</b>	<b>\$2.07</b>	<b>\$2.40</b>
North TTA	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
North LTA	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
North TTB	0	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
North LTB	132,667	63.6%	63.6%	13,199	0	0	(25,299)	(25,299)	\$2.04	\$0.00
North TTC	1,299,367	23.1%	23.1%	66,038	0	0	(21,465)	(21,465)	\$1.29	\$0.00
North LTC	265,572	6.4%	6.4%	11,016	0	0	4,482	4,482	\$1.50	\$0.00
<b>NORTH SUBTOTAL</b>	<b>1,697,606</b>	<b>23.7%</b>	<b>23.7%</b>	<b>90,253</b>	<b>0</b>	<b>0</b>	<b>(42,282)</b>	<b>(42,282)</b>	<b>\$1.61</b>	<b>\$0.00</b>
<b>TOTALS**</b>	<b>43,043,661</b>	<b>23.8%</b>	<b>23.8%</b>	<b>3,064,719</b>	<b>0</b>	<b>0</b>	<b>90,328</b>	<b>90,328</b>	<b>\$1.91</b>	<b>\$2.49</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

**MARKET HIGHLIGHTS**

	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
<b>SIGNIFICANT 2011 LEASE TRANSACTIONS</b>				
8879 W Flamingo Road	West	Stone Mountain Group	Office	2,571
2950 S Rancho Drive	Central West	Terri Brittain	Office	4,119
1645 Village Center Circle	West	The Severin Group	Office	4,354
<b>SIGNIFICANT 2011 SALE TRANSACTIONS</b>				
5830 W Flamingo Road	Central West	United Way of Southern NV	\$1,900,000	23,056
8330 W Sahara Avenue	West	Leumi B LLC	\$1,885,000	27,354
1210 S Valley View Blvd	Central West	4-D Limited Partnership	\$2,800,000	38,942
<b>SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS</b>				
N/A	N/A	N/A	N/A	N/A
<b>SIGNIFICANT PROJECTS UNDER CONSTRUCTION</b>				
N/A	N/A	N/A	N/A	N/A

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

## Las Vegas Professional Office Market Overview 2000-2011 YTD

