

MARKETBEAT OFFICE SNAPSHOT



LAS VEGAS - MEDICAL

A Cushman & Wakefield Research Publication

Q4 2011



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 REMAIN STABLE IN 2011

The medical office vacancy rate saw an increase during the fourth quarter to 18.3%, compared to 18.0% in the third quarter. The North submarket continues to have the lowest vacancy rate currently at 5.9%. Central West is not far behind with a vacancy rate of 7.9% and the Airport submarket is at 9.6%. The high vacancy rates in the Southwest (28.8%), Southeast (23.5%) and Central East (22.9%) 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 remained stable from third quarter at 22,286 sf to the current total of sublease space of 19,161 sf.

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 \$1.71 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 \$2.03 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

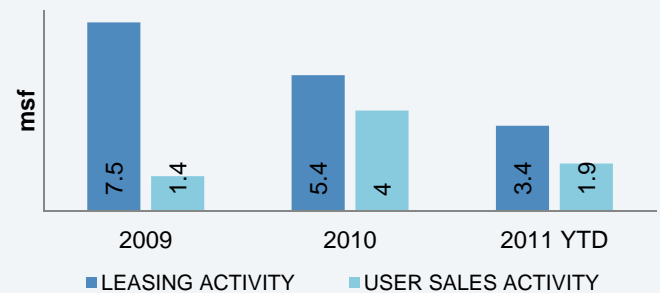
After witnessing a very flat year in market activity, we expect lower vacancy rates and slightly higher asking lease rates over the next few years. This market improvement is dependent on continued job growth and an improved economy. We do not expect to see any more major swings in the labor market or 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 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.

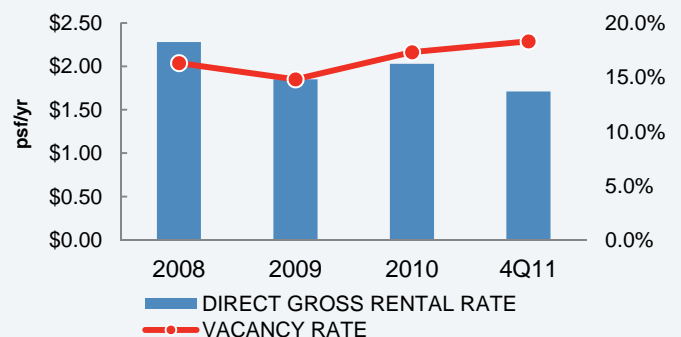
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.3%	18.3%	1.0pp	↕↕
Direct Asking Rents (psf/mo)	\$2.03	\$1.71	-15.7%	↕↕
YTD Leasing Activity (sf)	541,216	340,847	-37.0%	▲

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	1,782,645	13.6%	13.6%	68,235	0	0	(150)	(150)	\$1.88	\$1.88
Downtown	29,985	0.0%	0.0%	0	0	0	0	0	\$0.00	\$0.00
Central East	1,819,387	22.9%	22.9%	68,444	0	0	(68,551)	(68,551)	\$1.15	\$1.15
Central West	1,604,502	7.9%	7.9%	38,954	0	0	(25,950)	(25,950)	\$1.95	\$1.95
West	925,751	18.6%	18.6%	6,873	0	0	(102,139)	(102,139)	\$1.70	\$1.70
Southwest	1,288,371	28.8%	28.8%	41,842	0	0	(46,359)	(46,359)	\$1.90	\$1.90
Airport	62,602	9.6%	9.6%	17,239	0	0	13,749	13,749	\$1.39	\$1.39
Southeast	1,473,630	23.5%	23.5%	99,260	0	0	1,904	1,904	\$2.50	\$2.50
North	280,150	5.9%	5.9%	0	0	0	(3,671)	(3,671)	\$1.19	\$1.19
TOTALS**	9,267,023	18.3%	18.3%	340,847	0	0	(231,167)	(231,167)	\$1.71	\$1.71

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
SIGNIFICANT 2011 LEASE TRANSACTIONS				
Sunrise Medical Plaza	West	Germin Clinical Neurology	Medical	4,300
Rainbow Diablo Medical Center	Southwest	Henderson Engineers	Medical	4,706
Valley View Surgery Center	Central West	West Las Vegas Surgery Ctr	Medical	14,912
SIGNIFICANT 2011 SALE TRANSACTIONS				
3200 Soaring Gulls Drive	Northwest	Rozok, LLC	\$1,665,000	18,991
7135 West Sahara Avenue	West	Laborers Int'l Union North	\$1,650,000	27,227
2560 Anthem Village Drive	Southeast	Anthem Properties LLC	\$1,500,000	30,982
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS				
N/A	N/A	N/A	N/A	N/A
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
N/A	N/A	N/A	N/A	N/A

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

