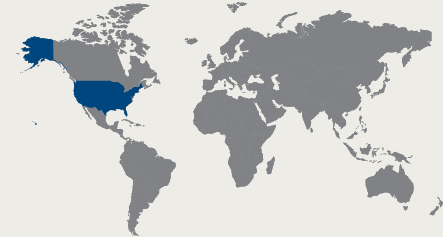
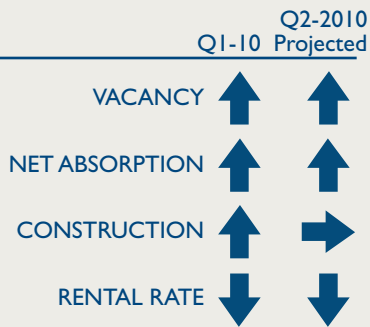


# Market Research

OFFICE | FIRST QUARTER | 2010



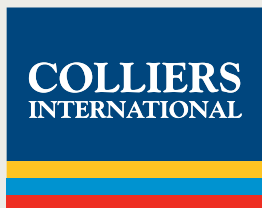
## MARKET INDICATORS



## CLARK COUNTY ECONOMIC DATA

	Jan-10	Jan-09
Unemployment Rate	13.8%	10.3%
Visitor Volume*	3,141,556	3,066,738
Gaming Revenue*	\$764.36 M	\$781.67 M
Taxable Sales YTD*	\$7.166 B	\$8.208 B
Residential Permits	466	134
Commercial Permits	21	31
New Home Sales	240	284
Existing Home Sales	3,111	2,536

\* DECEMBER 2009 / DECEMBER 2008  
 \*\* FEBRUARY 2010 / FEBRUARY 2009



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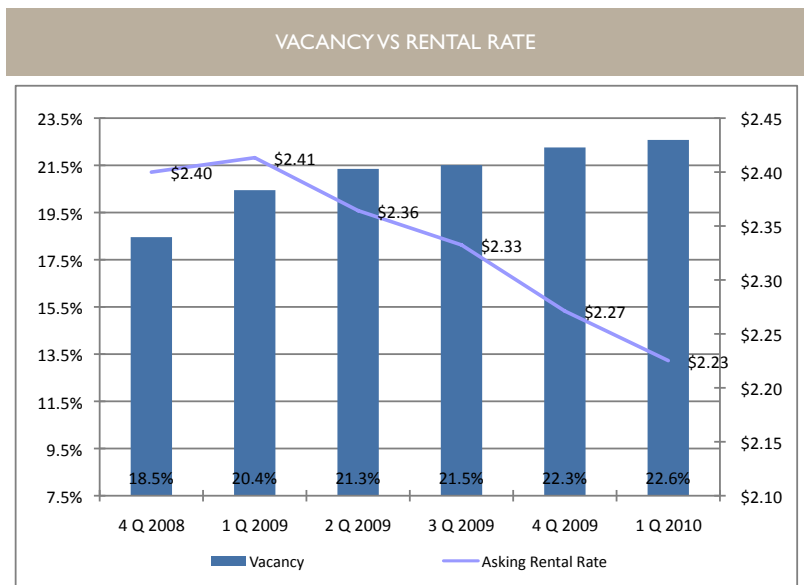
## Office Review

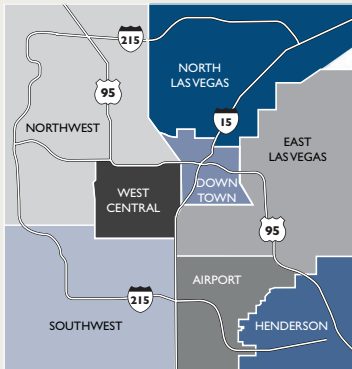
Southern Nevada's office market continues to show signs of recovery, and has seen an end to the free fall it experienced in 2008 and 2009. Net absorption improved in the first quarter of 2010, reaching -65,120 square feet. While net absorption remained negative, it was a distinct improvement from one quarter ago and one year ago. Vacancy increased for the fourteenth quarter in a row, reaching 22.6%. On a year-over-year basis, this is the smallest increase in vacancy since the first quarter of 2007. Asking lease rates reached a four year low of \$2.23 per square foot (psf) on a full service gross (FSG) basis.

The Nevada Department of Employment, Training & Rehabilitation revised last year's employment numbers to show a significant expansion of employment in the fourth quarter of 2009. This expansion continued this quarter, with office employment increasing from 206,900 to 207,400 jobs. Between February 2009 and February 2010, a total of 1,000 office jobs were added. The bright spot of office employment continued to be the health care and social assistance sector, which added 2,100 jobs between February 2009 and February 2010. Unemployment in the Las Vegas MSA stood at 13.9 percent in February 2010, up from 10.3 percent in February 2009.

A total of 87,683 square feet of new office space was completed in the first quarter of 2010, an increase over the past two quarters, during which a total of 40,000 square feet were completed.

MARKET SNAPSHOT					
	Q1-10	Q4-09	Q1-09	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	22.6%	22.3%	20.4%	+1.3%	+10.8%
Asking Rent (PSF, FSG)	\$2.23	\$2.27	\$2.41	-1.8%	-7.5%
Net Absorption (SF)	-65,120	-312,186	-319,423	79.1%	79.6%
New Completions (SF)	87,683	0	620,985	+100%	-85.9%





*“The performance of the office market in this first quarter of 2010 offers some hope that economic recovery in Southern Nevada is around the corner.”*

Most of the projects that will be completed in 2010 are build-to-suit projects located in the Downtown submarket. The Downtown submarket has had very few new completions over the past decade, but is now experiencing a renaissance with such projects as the Smith Center for the Performing Arts, the Cleveland Clinic for Brain Health and the new headquarters of the Metropolitan Police Department.

Forward supply of office space remained steady at 284,265 square feet this quarter. The lowest forward supply recorded prior to our current economic difficulties was 1.6 million square feet in the first quarter of 2003. Most of the current forward supply, 200,000 square feet, is in the Class A category, while the remainder is Class C. All of Southern Nevada’s forward supply of speculative office space is located in the Northwest submarket. Southern Nevada had approximately 470,000 square feet of office product that stopped construction and another 2.8 million square feet whose development was either temporarily or indefinitely put on hold.

Office vacancy in the Las Vegas office market stood at 22.6% in the first quarter of 2010. While this was the fourteenth straight quarter of rising vacancy, it was also the fifth straight quarter in which the year-over-year increase in vacancy declined. This is a round-about way of saying that things still are not good, but are getting better.

<sup>1</sup>Forward supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.

OFFICE EMPLOYMENT			
	Feb 2010	Feb 2009	Change
Financial Activities	41,000	43,900	-2,900
Professional and Business Services	102,600	103,600	-1,000
Health Care and Social Assistance	63,800	60,900	+2,900
Total	207,400	208,400	-1,000

Source: Nevada Department of Employment, Training and Rehabilitation.

Gross absorption of office space decreased slightly this quarter over last, but remains well above average for the last eighteen months. A total of 359 new office availabilities were brought to the market during the first quarter of 2010, slightly less than the 365 introduced in the fourth quarter of 2009.

The highest vacancy rates in Southern Nevada were in the Southwest (31.2%), Airport (25.9%) and Northwest (23.9%) submarkets. The lowest vacancy rates were in the Downtown (12.1%) and West Central (14.2%) submarkets. Class A professional office space still had the highest vacancy rate at 31.8%, while the lowest vacancy rate was in Medical office space at 18.5%. All product types saw an increase in vacancy year-over-year, with the exception of Medical office, in which vacancy has decreased from 19.3% in first quarter 2009 to 18.5% in first quarter 2010.

Over the past year, health services, insurance services, legal services and financial services companies accounted for approximately 48% of the new office tenants in Southern Nevada. The large shadow cast by health and insurance

## MARKET ACTIVITY

### FIRST QUARTER TRANSACTIONS

#### LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Cheyenne Corporate Center	Jan 2010	120 months	39,478 sf	\$2.10 MG	Class B Professional Office
The Park Business Center	Jan 2010	90 months	36,600 sf	\$1.32 NNN	Class B Professional Office
Green Valley Corp Center III	Jan 2010	36 months	13,949 sf	\$2.06 FSG	Class A Professional Office
630 Trade Center	Mar 2010	12 months	12,077 sf	\$1.35 FSG	Class B Professional Office
150 Valley View	Mar 2010	180 months	11,995 sf	\$1.57 NNN	Medical Office

#### SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Wellington Commercial Center	Feb 2010	\$2,000,000	19,732 sf	\$101.36	Medical Office
Desert Inn Professional Bldg	Jan 2010	\$1,150,000	14,174 sf	\$81.13	Medical Office
Fort Apache Point	Jan 2010	\$785,000	6,600 sf	\$118.94	Medical Office
Quail View	Jan 2010	\$769,000	5,025 sf	\$153.03	Class C Professional Office
Tarkanian Professional Center	Feb 2010	\$1,125,000	5,000 sf	\$225.00	Class B Professional Office

companies highlights the importance of the health reform legislation recently signed into law in Washington D.C. to Southern Nevada's office market. Slightly more than half of the office market's new leases were signed by companies headquartered outside Nevada, with California companies contributing more activity than any other state. So far in 2010, legal services and real estate services companies are dominating leasing activity, and firms based in Nevada have accounted for more than half of all new leases signed.

The amount of office space that is distressed, i.e. properties that have received a notice of default or are at some stage in the foreclosure process, increased in the first quarter of 2010 to 3.2 million square feet, up from 2.5 million last quarter. Class C professional office buildings continue to suffer the highest delinquency rate, with Class B professional office buildings a distant second.

The weighted average asking rental rate decreased this quarter to \$2.23 per square foot (psf) on a full service gross (FSG) basis. This was a decrease of \$0.04 from last quarter and a decrease of \$0.18 from twelve months ago. Asking rents have been on the decline since the fourth quarter of 2007, which corresponds to the beginning of the current recession. Of those availabilities that were active last quarter, 17% had a reduction in asking rent by an average of \$0.30 psf, while 6% had an increase in asking rent by an average of \$0.32 psf. Availabilities that were new to the market this quarter had an average asking rent of \$1.92 psf FSG.

The amount of office space available for sub-lease decreased again this quarter, to 545,419 square feet. This marked the second quarter of declining sub-lease availability after a small increase in the third quarter of 2009. The amount of sub-lease space on the market peaked in the fourth quarter of 2008 at 932,681 square feet. Although sub-lease space has been on the decline since then, it is still significantly higher than at any other time in

OFFICE SALES			
	Q1-10	Q4-09	Q1-09
<b>Owner/User Sales</b>			
Space for Sale (sf)	1,038,000	1,175,000	1,246,000
Average Asking Price/SF	\$193	\$194	\$226
Space Sold (sf)	10,000	37,000	8,000
Average Price/SF	\$189	\$91	\$199
<b>Investment Sales</b>			
Space for Sale (sf)	855,000	866,000	1,337,000
Average Asking Price/SF	\$179	\$191	\$246
Average Cap Rate	9.7%	9.0%	7.6%
Space Sold (sf)	45,000	262,000	0
Average Price/SF	\$100	\$173	n/a
Average Cap Rate	n/a	14%	n/a

the past decade. If one included vacant sub-lease space with directly vacant space, the office vacancy rate was 24.3%.

The amount of office space available for sale on an owner/user basis decreased slightly this quarter to 1,038,000 square feet. Since the first quarter of 2009, the amount of owner/user space on the market has decreased by approximately 200,000 square feet. The average asking price for owner/user space this quarter was \$193 psf, a slight decrease from last quarter's \$194 psf and a decrease of \$33 psf from one year ago. Significant owner/user sale offerings include Sunset Pilot Plaza (99,000 square feet), Las Vegas Corporate Center (47,000 square feet), The Park at Horizon Ridge (46,000 square feet), San Martin Medical Center (44,000 square feet) and Highland Plaza (36,000 square feet). Owner/user sales continued to lag this quarter, with only 10,000 square feet of office space changing hands this quarter at an average price of \$189 psf.

Properties available for sale on an investment basis decreased to 855,000 square feet from last quarter's 866,000 square feet. The average asking price for investment sales was \$179 psf, a \$12 decrease from one quarter ago and a \$67 decrease from one year ago. Significant investment properties for sale include

OFFICE DEVELOPMENT PIPELINE					
Project	Type	Submarket	Size	Pre-Leasing	Completion
Metropolitan Police Dept HQ	Class B	Downtown	300,000	BTS	2011
Tivoli Gardens	Class A	Northwest	200,000	0%	Unknown
Cleveland Clinic	Medical	Downtown	65,000	BTS	Q2-10
Centennial Business Park	Class C	Northwest	43,000	0%	Unknown
The Park at Palisades	Class C	Northwest	42,000	0%	Unknown
501 South Eighth St	Class B	Downtown	25,000	BTS	Q3-10



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## OFFICE MARKET STATISTICS

### FIRST QUARTER 2010

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION SF		U/C and PROPOSED SF			AVG RENTS
Type	Bldgs	Total Inventory Sq Ft	Sq Ft	Rate	Sq Ft	Rate	Sq Ft	Rate	Vacancy Rate Previous Q	Current Period	YTD	Completed This Qtr Sq Ft	Completed YTD	Under Constr	Rate

### SUB MARKETS

#### AIRPORT SUBMARKET

A	6	644,478	428,953	66.6%	11,395	1.8%	440,348	68.3%	72.8%	(42,427)	(42,427)	-	-	-	\$2.99
B	37	1,841,850	288,405	15.7%	83,830	4.6%	372,235	20.2%	15.7%	(78,688)	(78,688)	-	-	-	\$2.16
C	252	2,677,765	637,090	23.8%	28,399	1.1%	665,489	24.9%	25.2%	2,286	2,286	-	-	-	\$1.89
MED	9	117,194	12,383	10.6%	0	0.0%	12,383	10.6%	2.0%	(9,983)	(9,983)	-	-	-	\$1.76
TOTAL	304	5,281,287	1,366,831	25.9%	123,624	2.3%	1,490,455	28.2%	27.1%	(128,812)	(128,812)	-	-	-	\$2.29

#### DOWNTOWN SUBMARKET

A	4	700,065	34,855	5.0%	0	0.0%	34,855	5.0%	7.4%	5,471	5,471	-	-	-	\$2.83
B	22	1,531,899	278,371	18.2%	19,241	1.3%	297,612	19.4%	16.8%	(35,249)	(35,249)	-	-	-	\$2.35
C	55	765,511	63,310	8.3%	0	0.0%	63,310	8.3%	5.6%	(20,348)	(20,348)	-	-	-	\$1.49
MED	29	534,762	51,320	9.6%	0	0.0%	51,320	9.6%	8.9%	(3,860)	(3,860)	-	-	-	\$2.03
TOTAL	110	3,532,237	427,856	12.1%	19,241	0.5%	447,097	12.7%	11.3%	(53,986)	(53,986)	-	-	-	\$2.23

#### EAST LAS VEGAS SUBMARKET

A	9	1,351,642	212,461	15.7%	90,741	6.7%	303,202	22.4%	20.2%	(17,594)	(17,594)	-	-	-	\$3.05
B	17	1,038,569	307,219	29.6%	1,075	0.1%	308,294	29.7%	27.6%	(21,257)	(21,257)	-	-	-	\$1.53
C	96	1,879,985	473,001	25.2%	0	0.0%	473,001	25.2%	21.7%	(64,699)	(64,699)	-	-	-	\$1.49
MED	58	1,573,374	292,767	18.6%	1,290	0.1%	294,057	18.7%	19.6%	13,946	13,946	-	-	-	\$1.85
TOTAL	180	5,843,570	1,285,448	22.0%	93,106	1.6%	1,378,554	23.6%	21.8%	(89,604)	(89,604)	-	-	-	\$1.84

#### HENDERSON SUBMARKET

A	11	787,274	273,371	34.7%	0	0.0%	273,371	34.7%	35.3%	0	-	-	-	-	\$3.00
B	65	2,183,681	392,451	18.0%	32,700	1.5%	425,151	19.5%	22.3%	47,198	47,198	-	-	-	\$2.33
C	150	1,572,999	399,148	25.4%	0	0.0%	399,148	25.4%	27.4%	29,157	29,157	27,683	27,683	-	\$1.94
MED	98	1,261,594	281,184	22.3%	1,486	0.0%	282,670	22.4%	22.1%	(9,413)	(9,413)	-	-	-	\$2.42
TOTAL	324	5,805,548	1,346,154	23.2%	34,186	0.6%	1,380,340	23.8%	25.4%	66,942	66,942	27,683	27,683	-	\$2.37

#### NORTH LAS VEGAS SUBMARKET

A	-	0	0	N/A	0	N/A	0	N/A	N/A	-	-	-	-	-	\$-
B	8	200,796	61,698	30.7%	0	0.0%	61,698	30.7%	34.1%	-	-	-	-	-	\$2.46
C	74	459,624	70,811	15.4%	1,000	0.2%	71,811	15.6%	23.3%	35,152	35,152	-	-	-	\$1.76
MED	13	125,385	5,179	4.1%	0	0.0%	5,179	4.1%	7.5%	4,239	4,239	-	-	-	\$1.61
TOTAL	95	785,805	137,688	17.5%	1,000	0.1%	138,688	17.6%	23.5%	39,391	39,391	-	-	-	\$2.07

#### NORTHWEST SUBMARKET

A	19	1,509,415	492,875	32.7%	16,813	1.1%	509,688	33.8%	33.7%	(456)	(456)	-	-	-	\$2.46
B	73	2,508,675	683,336	27.2%	55,705	2.2%	739,041	29.5%	30.9%	35,643	35,643	-	-	-	\$2.40
C	214	2,240,146	519,531	23.2%	36,612	1.6%	556,143	24.8%	24.6%	6,831	6,831	-	-	-	\$2.03
MED	95	2,352,687	362,297	15.4%	720	0.0%	363,017	15.4%	16.4%	69,961	69,961	60,000	60,000	-	\$2.56
TOTAL	401	8,610,923	2,058,039	23.9%	109,850	1.3%	2,167,889	25.2%	25.8%	111,979	111,979	60,000	60,000	-	\$2.35

#### SOUTHWEST SUBMARKET

A	3	397,112	296,392	74.6%	0	0.0%	296,392	74.6%	67.4%	(28,774)	(28,774)	-	-	-	\$2.82
B	56	2,338,223	642,481	27.5%	67,590	2.9%	710,071	30.4%	29.9%	9,191	9,191	-	-	-	\$2.54
C	240	2,617,148	754,547	28.8%	56,703	2.2%	811,250	31.0%	32.1%	1,950	1,950	-	-	-	\$2.03
MED	91	1,206,395	355,806	29.5%	10,662	0.9%	366,468	30.4%	30.0%	(4,934)	(4,934)	-	-	-	\$2.35
TOTAL	390	6,558,878	2,049,226	31.2%	134,955	2.1%	2,184,181	33.3%	33.1%	(22,567)	(22,567)	-	-	-	\$2.36

#### WEST CENTRAL SUBMARKET

A	2	227,624	45,122	19.8%	9,709	4.3%	54,831	24.1%	22.1%	5,094	5,094	-	-	-	\$2.33
B	45	1,622,280	144,594	8.9%	0	0.0%	144,594	8.9%	7.8%	(18,465)	(18,465)	-	-	-	\$1.94
C	167	2,725,016	463,644	17.0%	17,515	0.6%	481,159	17.7%	19.3%	40,965	40,965	-	-	-	\$1.73
MED	60	775,745	105,408	13.6%	2,233	0.3%	107,641	13.9%	11.8%	(16,057)	(16,057)	-	-	-	\$1.97
TOTAL	274	5,350,665	758,768	14.2%	29,457	0.6%	788,225	14.7%	14.8%	11,537	11,537	-	-	-	\$1.84

### MARKET TOTAL

A	54	5,617,610	1,784,029	31.8%	128,658	2.3%	1,912,687	34.0%	33.8%	(78,686)	(78,686)	-	-	-	\$2.80
B	323	13,265,973	2,798,555	21.1%	260,141	2.0%	3,058,696	23.1%	22.5%	(61,627)	(61,627)	-	-	-	\$2.28
C	1,248	14,938,194	3,381,082	22.6%	140,229	0.9%	3,521,311	23.6%	24.0%	31,294	31,294	27,683	27,683	-	\$1.86
MED	453	7,947,136	1,466,344	18.5%	16,391	0.2%	1,482,735	18.7%	18.7%	43,899	43,899	60,000	60,000	-	\$2.27
TOTAL	2,078	41,768,913	9,430,010	22.6%	545,419	1.3%	9,975,429	23.9%	23.8%	(65,120)	(65,120)	87,683	87,683	-	\$2.23

### QUARTERLY COMPARISON AND TOTALS

Q1-10	2,078	41,768,913	9,430,010	22.6%	545,419	1.3%	9,975,429	23.9%	23.8%	(65,120)	(65,120)	87,683	87,683	-	\$2.23
Q4-09	2,075	41,681,230	9,277,207	22.3%	657,308	1.6%	9,934,515	23.8%	23.2%	(312,186)	(914,060)	0	821,566	-	\$2.27
Q3-09	2,066	41,681,230	8,965,021	21.5%	698,474	1.7%	9,663,495	23.2%	22.9%	(34,833)	(601,874)	40,000	821,566	-	\$2.33
Q2-09	2,054	41,641,230	8,890,188	21.3%	650,913	1.6%	9,541,101	22.9%	22.0%	(247,618)	(567,041)	160,581	781,566	324,364	\$2.36
Q1-09	2,031	41,480,649	8,481,989	20.4%	631,329	1.5%	9,113,318	22.0%	20.6%	(319,423)	(319,423)	620,985	620,985	610,750	\$2.41
Q4-08	1,995	40,859,664	7,541,581	18.5%	869,719	2.1%	8,411,300	20.6%	19.5%	(22,413)	(860,620)	483,080	1,993,546	1,449,840	\$2.40

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Nema Business Center (59,000 square feet), Mammoth Professional Building Henderson (58,000 square feet), Southern Hills Medical Office Building (57,000 square feet), Medical Pavilion at Southern Palms (47,000 square feet) and Winchester Plaza (45,000 square feet). There were four investment sales this quarter totaling 45,000 square feet. The average sales price was \$100 psf.

The performance of the office market in this first quarter of 2010 offers some hope that economic recovery in Southern Nevada is around the corner. While there is little doubt that recovery, when it comes, will be slow and uneven, it is at least encouraging to see positive net absorption in the office

market, the first segment of commercial real estate to enter recession in 2007. While sales activity continues to be light, leasing activity in office properties has recovered substantially since hitting bottom in the first quarter of 2009. Most important, office employment numbers are showing signs of recovery, with new revised numbers showing a substantial increase in office employment in the fourth quarter of 2009. We think that a lack of new completions in 2010, a continued slide in asking prices and asking rental rates, and an increase in office-based employment will help Southern Nevada's office market begin a slow recovery in 2010.

294 RETAILS IN 61 COUNTRIES  
ON 6 CONTINENTS

USA 94  
Canada 22  
Latin America 17  
Asia Pacific 64  
EMEA 97

\$1.6 billion in Revenue  
1.1 billion sq. ft. under management  
12,749 Professionals

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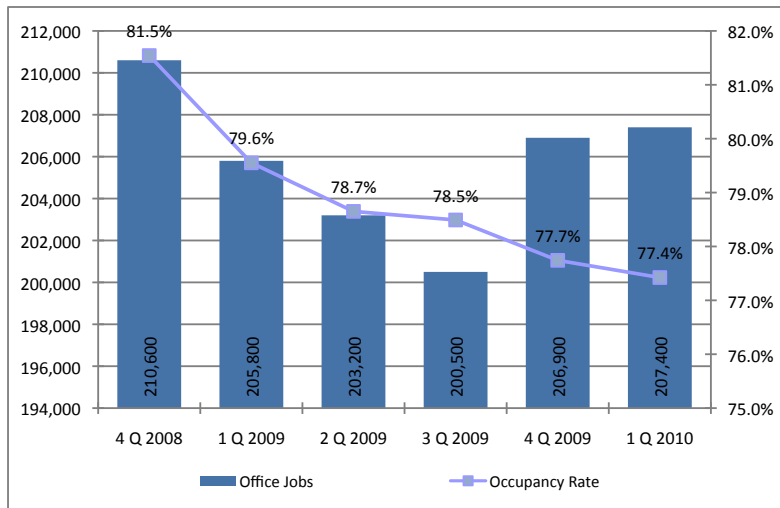
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OCCUPANCY VS OFFICE EMPLOYMENT



NET ABSORPTION VS. COMPLETIONS

