



**For Immediate Release**  
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**Office Market Shows Strength in 2<sup>nd</sup> Quarter but Supply may Increase Too Fast**  
*Nevada's Leading Real Estate Economics & Commercial Brokerage Firms Soon to Release Quarter 2 Office Market Data*

LAS VEGAS - With the upcoming release of their 2<sup>nd</sup> quarter 2006 speculative office market survey, Las Vegas-based advisory firm Restrepo Consulting Group LLC (RCG) and Las Vegas' top commercial brokerage firm Colliers International (CI) announce that 1,018,036 square feet of new space was added to the Las Vegas Valley's office market in the 2<sup>nd</sup> quarter of 2006. This brings the total inventory to 32.4 million square feet during the 2<sup>nd</sup> quarter. Demand for office space was strong enough to absorb much of this new supply, resulting in only a moderate increase in the vacancy rate. The horizon is less secure, since forward supply, the amount of office space under-construction and planned to begin construction within the next 12 months, stands at 7 million sf. At the last four quarters' average quarterly absorption, it would take almost 13 quarters, or about 3.25 years, to absorb all the available and forward supply space, if it all were built. This doesn't include space for lease in the office-condo market, which has 2,810,000 sf. This could lead to increased vacancy rates late in 2006 and into 2007.

**Quarterly & Yearly Comparisons**

	<b>Q2, 2006</b>	<b>Q1, 2006</b>	<b>Q2, 2005</b>	<b>Q2, 2004</b>
Office Inventory (SF)	32.4 Million	31.4 Million	30 Million	27.3 Million
Under Construction (SF)	3.4 Million	3.2 Million	3.4 Million	1.2 Million
Planned	3.6 Million	3.8 Million	4.1 Million	2.7 Million
Vacancy Rate	8.8%	8.4%	11.2%	11.2%
Asking Rent (MO/SF)	\$ 2.20	\$ 2.17	\$ 2.14	\$ 1.96
Net Absorption (SF)	800,800	321,700	875,200	698,700

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The Q2, 2006 vacancy rate of 8.8% edged up from the 8.4% recorded Q1, 2006, marginally above the 8.7% recorded in Q4, 2005. Vacancies have mildly reversed the declining vacancy trend started in Q1, 2005. Net absorption during the 2<sup>nd</sup> quarter was 800,800 square feet, up significantly from Q1, 2006's 321,700 sf and posting closer to Q2, 2005's 875,153 sf of absorption.

Market participants had been awaiting the arrival of additional space in Q2, 2006, demonstrating that Q1, 2006's weaker absorption was more likely a function of less desirable space rather than lack of demand.

At the end of the 2<sup>nd</sup> quarter, there were 3.4 million square feet of office space under construction and 3.6 million square feet of planned space, mostly concentrated in the Southwest, Henderson and Northwest submarkets. This potential 7 million square feet of forward supply would negatively impact the progress that the Valley's office market has made in the last several quarters.

With this being said valley-wide monthly average office asking rents continue to rise. Rents at the end of the 2<sup>nd</sup> quarter were \$2.20 per-square-foot (calculated on a full service gross basis – accounting for all operating expenses), up from the \$2.17 in Q1, 2006 and the \$2.14 in Q2, 2005.

**Q2' 2006 Market Highlights:**

- √ Lowest vacancy rate: Class A space (4.7%)
- √ Highest vacancy rate: Class C space (10.4%)
- √ The most significant completions: Southwest (767,487 sf), Henderson (149,926 sf) and Northwest (79,928 sf) submarkets
- √ Average monthly asking rents: \$2.20 psf in Q2, 2006
- √ The top three submarkets reporting lowest average vacancy rates: West Central (5.1 %), the Northwest (5.6%) and Airport (7.4%)
- √ Submarkets recording the three highest average vacancy rates: North Las Vegas (16.6%), Southwest (14.1%) and Downtown (12.7%).

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**Commentary:**

“Although the valley’s office vacancy rate inched up from last quarter, largely the result of completions, the vacancy rate is still 2.4 points lower than a year-ago, a significant drop in such a short period of time,” said John Restrepo, Principal of RCG. Restrepo noted that the Southwest, Northwest and Henderson submarkets captured much of this demand, accounting for most of the net absorption at the end of Q2, 2006.

“The increase in net absorption in the 2<sup>nd</sup> quarter to 800,837 square feet from 321,731 square feet in Q1, 2006 shows that demand is still significant for better quality office space,” said Restrepo.

According to Restrepo, “There are 3.4 million square feet currently under construction and 3.6 million square feet of planned space, which could undermine the health of the market through the remainder of 2006 and into 2007 if most or all of this space is built. This space, along with existing available space, could take up to 3.25 years to absorb if it all were all built.”

According to Vic Donovan, Managing Partner of Colliers, “2006 and 2007 are two years that the office market will have to be carefully monitored. While the for-rent market is healthy today, as evidenced by the vacancy rate, the large amount of forward supply is something we should watch closely.”

“The continuing trend of office development along the Valley’s freeways, especially in Green Valley, the Southwest and the Northwest continues unabated,” said Donovan. “Rapid population growth and residential development in these areas are the major catalysts. Office development like retail follows rooftops. Office users want to work near where they live and that’s why we are seeing so much office construction near our major residential areas. “

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Restrepo Consulting Group LLC is the most established and prominent Nevada-based urban economics and real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing economics and real estate market research services in Nevada since 1988. RCG provides a broad range of advisory services to a variety of public and private organizations. The firm uses its deep expertise in regional economics, real estate, demographics, information technology and finance to assist its clients. RCG has prepared numerous demographic assessments, highest and best use studies, market analyses and regional economic reports. RCG' other service lines include financial advisory services, strategic planning, public policy analysis and gaming industry consulting. The firm is sought after by many of the Nevada's most prominent companies and public agencies. Restrepo Consulting Group LLC has offices at 3960 Howard Hughes Parkway, Suite 130, and can be reached at 702-967-3188. The firm's Web site can be accessed at [www.rcg1.com](http://www.rcg1.com).

Colliers International is the largest commercial real estate firm in Nevada with more than \$ 1.385 billion in lease and sale transactions in 2004. *Colliers International* has an elite team of the most knowledgeable commercial real estate brokers in Southern Nevada. *Colliers International* employs over 65 sales professionals in Las Vegas and Reno, and specializes in the leasing and sale of office, industrial, retail and investment properties. In addition, Colliers International provides a wide range of corporate services, including construction administration, investment analysis, transaction management, research, site analysis, portfolio asset management & property management.

The firm's other services include the following:

- *Sale, Leasing and Acquisition of Office, Industrial and Retail Properties*
- *Construction Administration*
- *GIS and Mapping Services*
- *Portfolio Asset Management*
- *Investment Analysis, Acquisition and Sales*
- *Property Research*
- *Land Analysis, Acquisition and Sales*

Colliers has offices at 3960 Howard Hughes Parkway, Suite 150, and can be reached at 702-735-5700. The firm's Web site can be accessed at [www.lvcolliers.com](http://www.lvcolliers.com) .

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