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Las Vegas Valley Executive Summary

Office Market • 4th Quarter 2013

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January 23, 2014

Re: Commercial Real Estate Survey: 4th Quarter, 2013

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produced the Lied-RCG Commercial Real Estate Survey ("the Survey") containing the most comprehensive, timely and accurate data and analysis on the Las Vegas Valley's industrial, speculative office and anchored retail markets.

RCG Economics has partnered with the Lied Institute to produce objective and independent quarterly surveys on the health and state of the commercial real estate market. RCG is a leader in real estate market research and analysis, including commercial real estate, and in economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, and community outreach activities.

The Survey is born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. Developing this Private-Public Partnership to collect, analyze and release unbiased information is further proof of this commitment. Equally important, the data herein is collected as close as possible to the end of each quarter.

This survey documents historical and current market conditions at the Valley and submarket levels. The data contained herein are organized and tracked by our in-house research analysts and economists to provide the best analysis of Las Vegas' commercial real estate markets. The survey contains a variety of meaningful market indicators, including:

- Total existing inventory
- New and planned construction activity
- Vacancy and occupancy levels
- Net Absorption
- "Coupon" or quoted monthly rents

Further, our three commercial (industrial, office and retail) databases contain benchmark building data, by submarket, dating back to 1996. This information allows us to develop "custom" studies for our readers and clients. It is through this survey and our other services and products, that we remain the "Source for Decision Makers."

Regards,

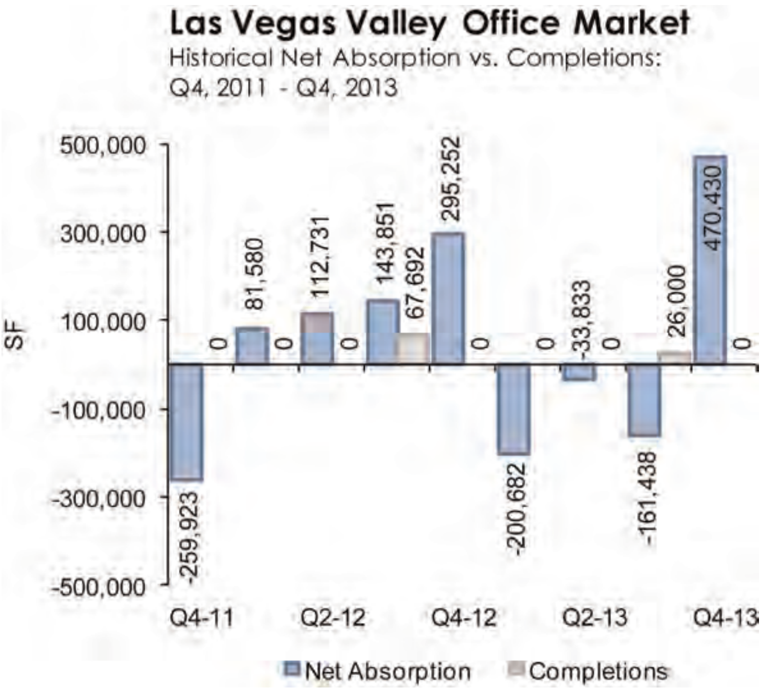
John Restrepo
RCG Economics

Marcus Conklin
Lied Institute for Real Estate Studies-UNLV

LAS VEGAS VALLEY OFFICE MARKET

SUMMARY

The Las Vegas Valley's ("the Valley") speculative office market[4] saw no new space completed at the end of Q4 and inventory remained at 42.4 million square feet ("sf"). For 2013 overall, Q3 was the only quarter to see new space completed with 26,000 sf added. Vacancy was 23% at the end of 2013, relatively unchanged from the 23.3% vacancy recorded for the fourth quarter of 2012. The 470,400 sf of net absorption in Q4 broke a three-quarter trend of negative levels. Absorption in Q4 was just enough to offset the -396,000 sf of negative absorption in the first three quarters of 2013, bringing the annual total to a positive 74,500 sf of demand. At $1.82 per square foot ("psf") FSG[5], asking rents for office space in Q4 lessened from Q3's $1.85 psf and from Q4, 2012's $1.83 psf. At the end of the year, there were 565,000 sf of office space under-construction and no space in the planning stages. Much of this under-construction space was concentrated in Class A product in the Northwest and Southwest submarkets.



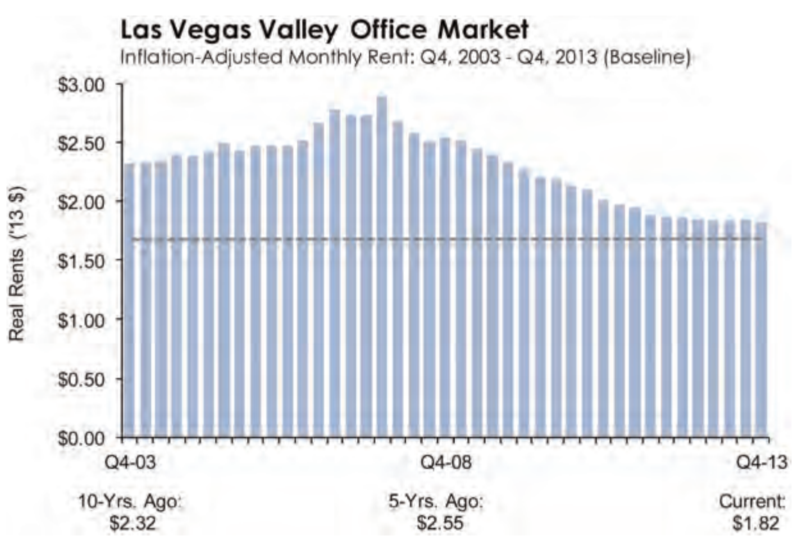
OFFICE-RELATED JOBS

Employment in the office sector is an integral driver in our local economy, comprising 31% of all private employment in Clark County. There were 230,700 jobs in sectors that traditionally occupy office as of November 2013, 3,800 more (+1.7%) from the same month last year.[6] Throughout 2013, year-over-year growth in office-related employment has been moderate, averaging 2% overall. By industry, information and financial activities have struggled towards the latter half of the year, while professional & business services have expanded. Health care & social assistance jobs have been fairly flat.

VACANCY & RENTS

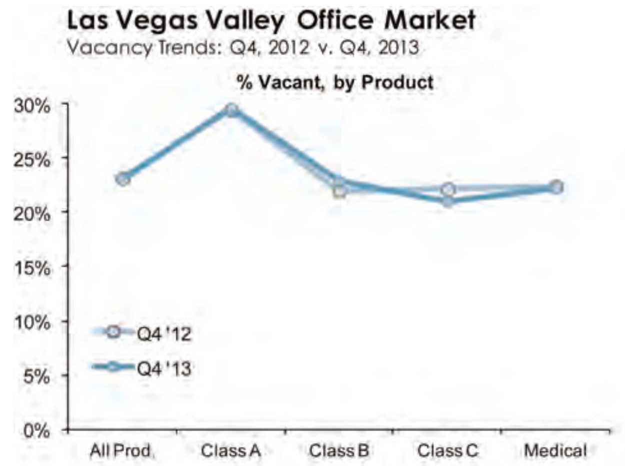
After posting a near record high of 24.1% last quarter – which is second to Q4, 2011's rate – total vacancy (directly vacant plus vacant sublease space) in the Valley's office market dropped slightly to 23% in Q4. With the exception of this quarter, vacancy rose in all other quarters of 2013. Vacancy has been elevated above the 22% mark since Q2, 2010.

Downtown maintains the lowest vacancy rate at 16.8% and is the only submarket in the Valley with vacancy below 20%. East Las Vegas continues to have the highest rate at 26.7%, followed closely by West Central at 26%. West Central saw vacancy rise slightly over last quarter (+0.3 percentage points) while the other submarkets saw vacancy improve. Airport led the way, dropping -3.2 percentage points to 20.4%, followed by Henderson (-1.9 percentage points to 24.1%) and Northwest (-1.8 percentage points to 23%).



Much of the improvement in vacancy over last quarter was due to Medical space, which posted a 3.4-percentage point drop to 22.3% in Q4. The remaining product types saw vacancy drop by less than 1 percentage point. Vacancy continues to be highest for Class A space at 29.6%. Vacancy for Class B and Class C are similar to Medical's rate at 22.9% and 21.0%, respectively. Overall, there has been little movement in vacancy rates since Q2, 2010, on both the submarket and product type levels, suggesting that the Valley's office market is finally stabilizing. This trend is consistent with the trends seen in jobs related to the office market, which has struggled to maintain sustainable growth over the past three years.

Average monthly asking office rent (calculated on a full-service gross basis – or accounting for all operating expenses) was $1.82 per square foot ("psf") in Q4, $0.03 less than the $1.85 psf asking rent in the previous quarter and the $1.83 psf in Q4, 2012. After a trend of decreases beginning in Q4, 2007, rents began to flatten out and even increase slightly since 2012. Adjusting historical quarterly asking rents for inflation, the current average asking rent is down a significant $0.74 from real asking rents five years ago (Q4, 2008's $2.56 psf).

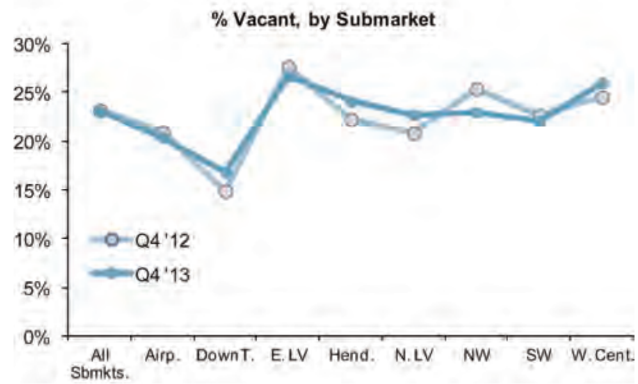


DEMAND

After being negative in the first three quarters of 2013, Valley-wide speculative office total net absorption was positive at 470,430 sf during Q4. On an annual basis, net absorption for 2013 totaled 74,500 sf. This is worse than 2012 when 633,400 sf was absorbed, but better than 2011's -746,400 sf.

Most of this quarter's improvement was accounted for in the Airport submarket, where 161,300 sf were absorbed, followed by Northwest's 156,800 sf. With the exception of West Central's negative absorption of 15,100 sf, all other submarkets saw more space occupied compared to last quarter.

Positive absorption was also recorded for all product types on a net basis for the quarter, largely in Medical space (244,300 sf) and Class C (199,900 sf). This was followed by Class B's 72,300 sf and Class A's 52,100 sf.



SUPPLY

No new office product was completed during the fourth quarter of 2013. For 2013 as a whole, only 26,000 square feet of office space was completed, attributed to one project completed in Henderson during Q3. This is the lowest level of annual completions we've recorded since tracking the market over several years ago. Of the past 16 quarters since Q1, 2010, there were only four quarters where new space entered the market. In comparison, the amount of annual office completions during the boom years – from 2003 to 2008 – ranged between 1.1 million sf and 4.3 million sf. The lack of new construction over the past four years has likely helped the gradual slow-down in office vacancy increases since Q2, 2009.

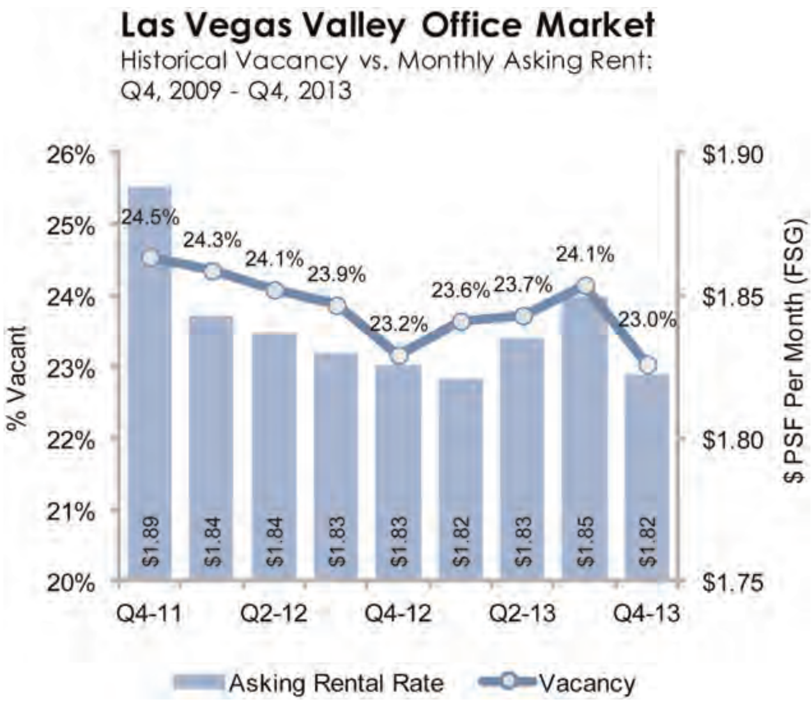
A higher level of completions are expected for 2014 as we recorded five spec office projects in the forward supply[7] pipeline by the end 2013, of which all were under construction. Two developments are underway in the Northwest, including the office components of the Shops at Summerlin (198,000 sf in Class A) and Tivoli Village (68,000 sf in Class A). The second phase of the Seven Hills Plaza continued its progress into Q4 and when completed, will add 44,000 sf of Class B space in Henderson. The Gramercy's two 100,000 sf Class A buildings in the Southwest moved forward from planned status and broke ground in Q4. The remaining project underway is the EVAPS Law Office building in the Downtown submarket (55,000 sf in Class B).

An important measure of the near-term health of the commercial markets is the potential number of years of available supply. Given the very high vacancy of 23% and based on the average quarterly absorption of the last 10 years (213,000 sf), we estimate that there is 6 to 7 years of speculative office supply in the Valley that must be absorbed to reach a 10% "normalized" vacancy.

Office Employment

	Sep			Oct			Nov		
Industry Sector	**2013**	**2012**	**% Ch.**	**2013**	**2012**	**% Ch.**	**2013**	**2012**	**% Ch.**
Information	9,100	9,600	*-5.2%*	9,100	9,600	*-5.2%*	9,000	9,500	*-5.3%*
Financial Activities	41,600	41,900	*-0.7%*	42,700	41,700	*2.4%*	42,700	42,000	*1.7%*
Prof. & Business	108,100	107,800	*0.3%*	109,500	109,300	*0.2%*	111,200	107,800	*3.2%*
Health Care & Social Assist.	68,100	67,900	*0.3%*	67,600	68,200	*-0.9%*	67,800	67,600	*0.3%*
Total	**226,900**	**227,200**	***-0.1%***	**228,900**	**228,800**	***0.0%***	**230,700**	**226,900**	***1.7%***

Source: Nevada Department of Employment, Training & Rehabilitation.



FURTHER THOUGHTS

The Valley's speculative office market continues to bounce along the bottom in 2013, ending the year with a vacancy rate of 23% in the fourth quarter. While this is the lowest it has been in three years since Q4, 2010's 22.6%, it hardly shows an improvement. Without an extended growth period of the region's job market, Lied and RCG don't see the local office market improving too much. Surely, certain office products in certain submarkets will do better than others, but, overall, the Great Recession devastated the Southern Nevada office market like it did to employment. There isn't enough pixy dust or magic beans to change that fact. Rents have been flat over the past two years since Q1, 2012, fluctuating between $1.82 and $1.85 psf. Because of the job market headwinds, RCG and Lied expect more of same for the speculative office market in 2014. The fact is that, while most local economic indicators continue to improve, the recovery of many of the office-using job sectors remains sluggish.

OFFICE MARKET GLOSSARY

Office property buildings or building parks tracked include speculative, multi-tenant properties with at least 10,000 square feet of usable office space. Building characteristics were used to define the appropriate subtype classification (i.e., professional or medical). These characteristics can include rents, location, quality of building systems (e.g., mechanical, elevator and utility systems), finishes (e.g., lobby and hallway design/ materials), and amenities. A property must exhibit one or more of the typical building characteristics to be considered a specific classification.

Class A

Class A properties are the highest quality buildings in the market with steel frame construction - typically mid-rise (3 - 4 stories) or high-rise (5 stories or more).

- High asking gross rent (FSG) with a typical premium of 20-30% of office rents in the local market,
- Location within a central business area,
- Capacity to meet current tenant requirements and anticipated future tenant needs,
- Building finishes that are of high quality and competitive with new construction, and
- Maintenance, management and upkeep amenities above average.

Class B

Class B properties have buildings with steel frame, reinforced concrete or concrete tilt-up construction - usually low-rise (1 - 2 stories) or mid-rise (3 - 4 stories).

- Asking gross rent (FSG) typically in a specified range between asking gross rents for Class A and Class C buildings,
- Average to good location,
- Adequate capacity to deliver services currently required by tenants,
- Building finishes with average to good design and materials, and
- Maintenance, management and upkeep amenities that are considered average.

Class C

Class C properties have buildings with wood construction and are usually low-rise (1 - 2 stories).

- Asking gross rent (FSG) typically in the bottom 10-20% of office rents in the marketplace,
- Depends primarily on lower prices rather than desirable locations to attract occupants,
- Capacities that may not meet current tenant needs,
- Building finishes that show a dated appearance, and
- Maintenance, management and upkeep amenities that are below average.

Medical

An office building in which 50% or more of its available space under the various building classifications above consists of medical office use.

Las Vegas Valley

Office Market Matrix

Q4, 2013

SUBMARKETS	Airport	Downtown	East L.V.	Henderson	North L.V.	Northwest	Southwest	West Central	Total
TOTAL OFFICE MARKET									
Number of Existing Buildings	307	118	182	328	94	390	387	275	2,081
Number of Existing Buildings	307	118	182	328	94	390	387	275	2,081
Total Rentable SF	5,094,766	3,780,861	6,013,558	5,971,568	783,529	8,793,919	6,593,103	5,406,541	42,437,845
Total Vacant SF	1,039,899	636,586	1,604,028	1,437,080	177,825	2,020,662	1,456,610	1,404,836	9,777,526
Total Occupied SF	4,054,867	3,144,275	4,409,530	4,534,488	605,704	6,773,257	5,136,493	4,001,705	32,660,319
Total Vacant (%)	20.4%	16.8%	26.7%	24.1%	22.7%	23.0%	22.1%	26.0%	23.0%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	26,000	0	0	0	0	26,000
Total Net Absorption QTD	161,329	3,424	15,204	115,500	707	156,804	32,515	-15,053	470,430
Total Net Absorption YOY	26,406	-73,047	56,421	-89,825	-14,667	211,084	36,891	-78,786	74,477
Asking Rents ($ PSF) FSG	$1.82	$2.02	$1.45	$2.08	$1.59	$2.07	$2.11	$1.27	$1.82
Under Constuction SF	0	55,000	0	44,000	0	266,000	200,000	0	565,000
Planned SF	0	0	0	0	0	0	0	0	0
PROFESSIONAL CLASS A									
Number of Existing Buildings	6	5	9	12	0	21	3	2	58
Total Rentable SF	665,904	795,116	1,351,642	828,068		1,616,232	397,112	227,624	5,881,698
Total Vacant SF	157,379	218,341	13,168	443,456	0	710,636	144,135	55,036	1,742,151
Total Occupied SF	508,525	576,775	1,338,474	384,612	0	905,596	252,977	172,588	4,139,547
Total Vacant (%)	23.6%	27.5%	1.0%	53.6%	N/A	44.0%	36.3%	24.2%	29.6%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	37,840	-12,600	25,470	17,348	0	-28,463	0	12,536	52,131
Total Net Absorption YOY	42,262	-62,801	28,713	-75,088	0	48,166	-18,375	29,019	-8,104
Asking Rents ($ PSF) FSG	$2.42	$2.44	$1.59	$2.27	$0.00	$2.11	$2.58	$2.02	$2.25
Under Constuction SF	0	0	0	0	0	266,000	200,000	0	466,000
Planned SF	0	0	0	0	0	0	0	0	0
PROFESSIONAL CLASS B									
Number of Existing Buildings	42	26	18	66	8	75	71	46	352
Total Rentable SF	1,936,021	1,720,096	1,066,557	2,144,054	200,796	2,795,551	2,405,132	1,666,046	13,934,253
Total Vacant SF	399,677	250,450	468,388	446,224	112,051	461,633	627,535	427,053	3,193,011
Total Occupied SF	1,536,344	1,469,646	598,169	1,697,830	88,745	2,333,918	1,777,597	1,238,993	10,741,242
Total Vacant (%)	20.6%	14.6%	43.9%	20.8%	55.8%	16.5%	26.1%	25.6%	22.9%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	105,077	17,673	-1,078	-40,858	-5,438	64,486	-46,278	-21,253	72,331
Total Net Absorption YOY	-26,016	1,624	17,924	10,999	-34,752	57,366	-52,411	-101,563	-126,829
Asking Rents ($ PSF) FSG	$1.93	$1.92	$1.34	$2.10	$1.43	$2.24	$2.23	$0.75	$1.79
Under Constuction SF	0	55,000	0	44,000	0	0	0	0	99,000
Planned SF	0	0	0	0	0	0	0	0	0

LAS VEGAS VALLEY

OFFICE MARKET MATRIX

Q4, 2013

SUBMARKETS	Airport	Downtown	East L.V.	Henderson	North L.V.	Northwest	Southwest	West Central	Total
PROFESSIONAL CLASS C									
Number of Existing Buildings	253	66	110	144	76	210	272	187	1,318
Total Rentable SF	2,364,311	877,606	2,051,408	1,618,430	482,290	2,234,002	3,058,831	2,761,393	15,448,271
Total Vacant SF	464,781	109,376	646,160	275,164	29,156	413,159	588,467	717,519	3,243,782
Total Occupied SF	1,899,530	768,230	1,405,248	1,343,266	453,134	1,820,843	2,470,364	2,043,874	12,204,489
Total Vacant (%)	19.7%	12.5%	31.5%	17.0%	6.0%	18.5%	19.2%	26.0%	21.0%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	26,000	0	0	0	0	26,000
Total Net Absorption QTD	23,147	-5,468	-7,562	50,262	6,145	73,845	-34,717	-4,024	101,628
Total Net Absorption YOY	19,545	-38,324	-19,789	-3,832	32,497	135,429	-37,009	111,357	199,875
Asking Rents ($ PSF) FSG	$1.53	$1.44	$1.29	$1.73	$1.38	$1.81	$1.90	$1.39	$1.57
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0
MEDICAL OFFICE									
Number of Existing Buildings	6	21	45	106	10	84	41	40	353
Total Rentable SF	128,530	388,043	1,543,951	1,381,016	100,443	2,148,134	732,028	751,478	7,173,623
Total Vacant SF	18,062	58,419	476,312	272,236	36,618	435,234	96,473	205,228	1,598,582
Total Occupied SF	110,468	329,624	1,067,639	1,108,780	63,825	1,712,900	635,555	546,250	5,575,041
Total Vacant (%)	14.1%	15.1%	30.9%	19.7%	36.5%	20.3%	13.2%	27.3%	22.3%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	-4,735	3,819	-1,626	88,748	0	46,936	113,510	-2,312	244,340
Total Net Absorption YOY	-9,385	26,455	29,573	-21,904	-12,412	-29,877	144,686	-117,600	9,535
Asking Rents ($ PSF) FSG	$1.72	$1.94	$1.78	$2.11	$2.24	$2.06	$1.85	$1.76	$1.93
Under Constuction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

Las Vegas Valley
Office Submarket Map