

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate dropped 1.5 percentage points from 6.5% in January 2016 to 5.0% in January 2017. The unemployment rate for the US was reported at 4.8%, down from 5.0% for the state of Nevada. The Las Vegas metropolitan statistical area job creation totaled 44,400 positions over the past year. Office using jobs (information, professional and business services and financial activities) added 7,900 positions during the past year.

Market Overview

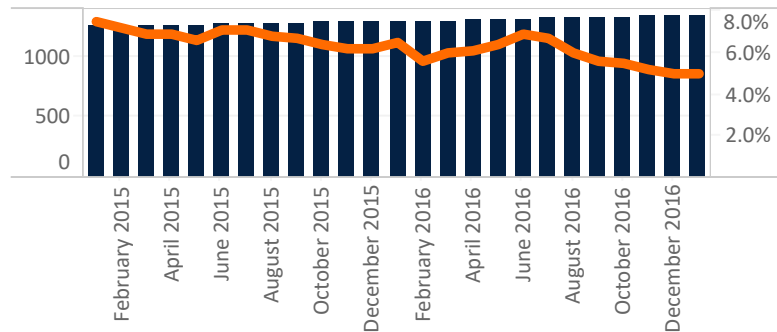
The Las Vegas office market recorded 185,134 square feet (sf) of positive absorption during 1Q 2017. The total vacancy rate has decreased from 17.1% in 1Q 2016 to 15.1% at the close of 1Q 2017. Direct vacancy rates decreased 1.9 percentage points from 16.5% to 14.6% during the same time period. Weighted average rents have remained consistent year-over-year. Class A rents increased 1.5% year-over-year, recording \$2.70 psf at the close of 1Q 2017. Class B rents improved 1.2% year-over-year, recording \$1.58 psf at the close of 1Q 2017. Class C rents have decreased 1.4% during the time period, recording a weighted average of \$1.35 psf at 1Q 2017 end.

Market Highlights

Over 100,000 sf of office space is currently under construction in the Las Vegas metro with the majority of construction occurring in the Henderson South market. This is the most construction activity seen in the office sector since 4Q 2014. Absorption is expected to remain positive during 2017, but with fewer deals being reported each quarter, activity is seeing a diminishing trendline. Major occupants of space this quarter include The State of Nevada Real Estate Division, David O. McKay Academy, Machine Zone and Jet.

Las Vegas Employment

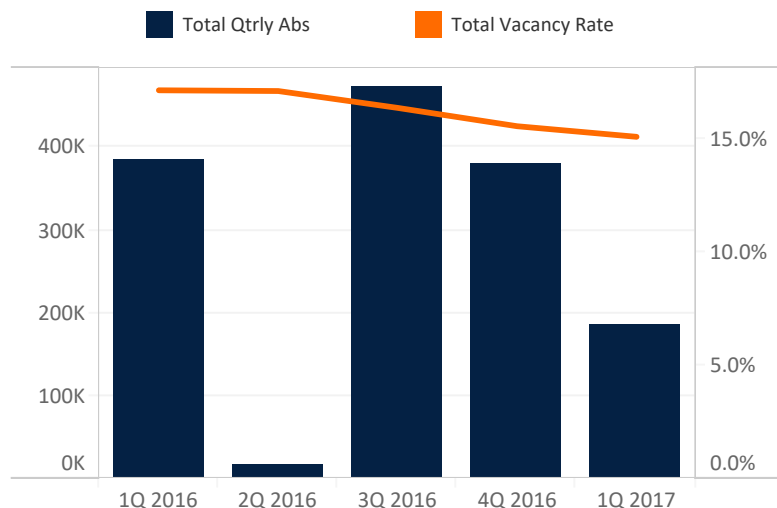
Source: BLS



Market Recap

Inventory (sf)	46,105,723
# of Bldgs	2,412
Qrtly Abs (sf)	185,134
Total Avail Rate	18.9%
Total Vacancy Rate	15.1%
U/C Inventory (sf)	104,322
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$1.81

Absorption and Vacancy Rate



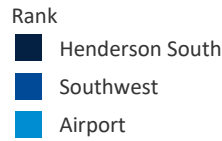
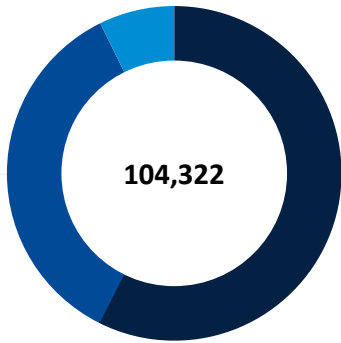
Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
A	8,176,348	1,756,623	1,563,046	19.1%	12,098	12,098
B	32,891,005	6,020,656	4,667,877	14.2%	112,093	112,093
C	5,038,370	939,856	712,025	14.1%	60,943	60,943
Overall	46,105,723	8,717,135	6,942,948	15.1%	185,134	185,134

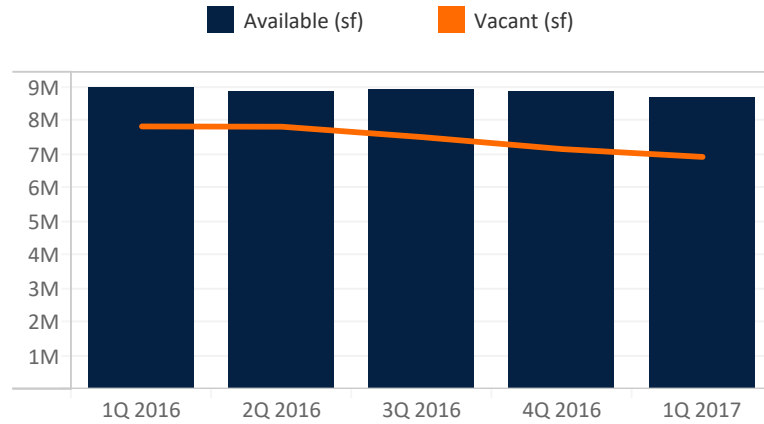
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
Airport	A	1,118,072	278,802	249,002	22.3%	24,881	24,881
	B	4,245,131	774,597	489,864	11.5%	7,469	7,469
	C	398,014	44,395	39,207	9.9%	2,711	2,711
Central East	A	1,465,377	357,668	322,481	22.0%	-2,425	-2,425
	B	3,859,070	830,515	702,635	18.2%	5,736	5,736
	C	2,169,601	410,122	326,162	15.0%	30,197	30,197
Central West	A	179,869	18,803	18,803	10.5%	0	0
	B	4,640,368	827,312	749,288	16.1%	38,925	38,925
	C	784,883	143,866	135,934	17.3%	7,142	7,142
Downtown	A	1,315,148	299,433	222,800	16.9%	1,673	1,673
	B	788,525	178,058	121,165	15.4%	-4,071	-4,071
	C	547,752	121,808	111,560	20.4%	2,884	2,884
Henderson North	A	250,033	144,880	144,880	57.9%	0	0
	B	1,527,945	295,578	258,773	16.9%	34,281	34,281
	C	75,243	4,600	4,600	6.1%	0	0
Henderson South	A	554,185	99,566	92,699	16.7%	-2,065	-2,065
	B	3,582,156	665,306	513,385	14.3%	-50,707	-50,707
	C	120,129	26,308	23,225	19.3%	1,590	1,590
North	A	46,871	7,737	7,737	16.5%	2,986	2,986
	B	1,191,764	198,089	140,228	11.8%	466	466
	C	96,143	22,396	22,396	23.3%	-4,050	-4,050
Northwest	A	709,202	116,651	108,909	15.4%	-1,843	-1,843
	B	2,179,147	662,259	454,954	20.9%	32,490	32,490
	C	197,439	24,199	28,206	14.3%	6,535	6,535
Southwest	A	999,441	133,284	131,522	13.2%	-2,646	-2,646
	B	4,687,507	745,374	667,593	14.2%	36,179	36,179
	C	166,613	12,992	7,992	4.8%	1,500	1,500
West	A	1,538,150	299,799	264,213	17.2%	-8,463	-8,463
	B	6,189,392	843,568	569,992	9.2%	11,325	11,325
	C	482,553	129,170	12,743	2.6%	12,434	12,434
Overall		46,105,723	8,717,135	6,942,948	15.1%	185,134	185,134

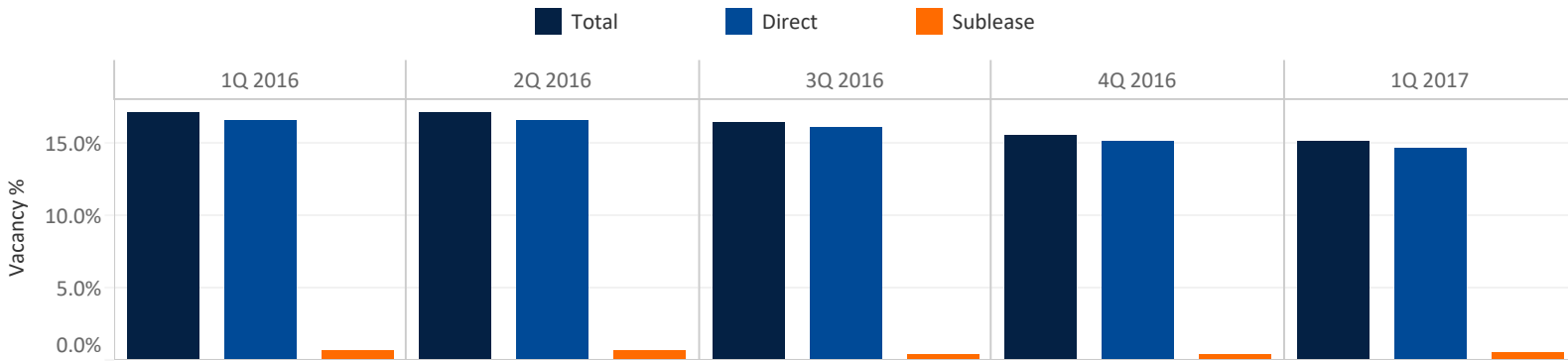
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	8,176,348	1,647,337	1,542,537	18.9%	2,298	2,298
B	32,891,005	5,774,075	4,469,659	13.6%	162,529	162,529
C	5,038,370	937,391	712,025	14.1%	60,943	60,943
Overall	46,105,723	8,358,803	6,724,221	14.6%	225,770	225,770

Overview by Class (Sublease)

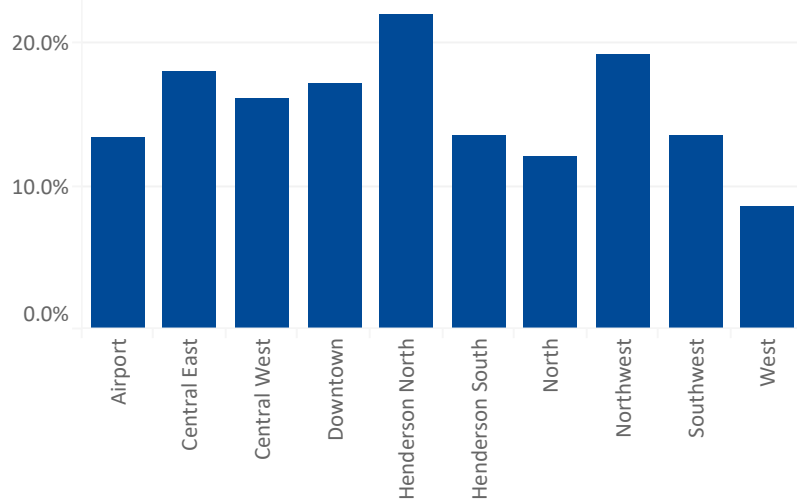
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	8,176,348	109,286	20,509	0.3%	9,800	9,800
B	32,891,005	246,581	198,218	0.6%	-50,436	-50,436
C	5,038,370	2,465	0	0.0%	0	0
Overall	46,105,723	358,332	218,727	0.5%	-40,636	-40,636

Direct Vacancy Rates

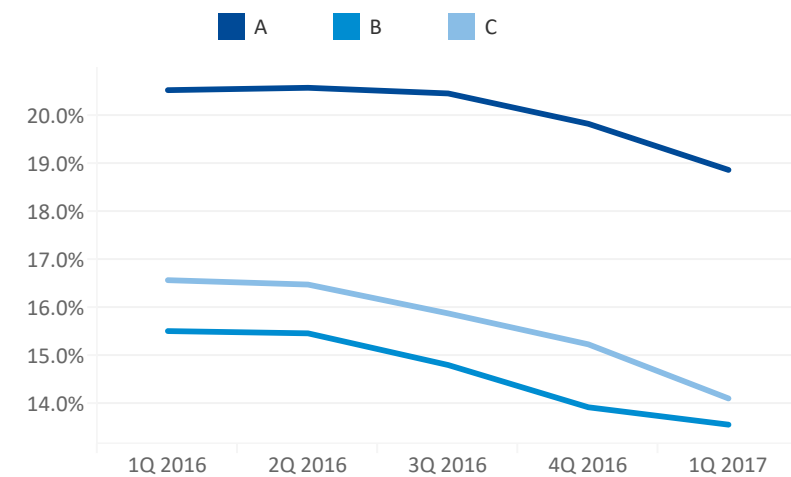
By Market and Class

Market Name	Class	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Airport	A	16.6%	16.6%	25.7%	25.6%	22.3%
	B	12.7%	12.4%	11.8%	10.8%	11.5%
	C	11.8%	10.4%	10.3%	10.5%	9.9%
Central East	A	23.1%	25.2%	19.7%	21.8%	22.0%
	B	21.1%	20.8%	19.3%	18.6%	18.2%
	C	18.2%	18.2%	17.8%	16.4%	15.0%
Central West	A	12.5%	12.5%	10.5%	10.5%	10.5%
	B	18.9%	19.6%	18.3%	17.1%	16.1%
	C	21.5%	20.7%	19.2%	17.9%	17.3%
Downtown	A	17.0%	17.0%	17.0%	17.1%	16.9%
	B	16.4%	16.2%	13.9%	14.8%	15.4%
	C	18.0%	19.3%	18.7%	21.0%	20.4%
Henderson North	A	59.1%	59.1%	58.5%	57.9%	57.9%
	B	21.8%	19.8%	18.6%	18.3%	16.9%
	C	2.1%	5.4%	5.4%	5.4%	6.1%
Henderson South	A	15.0%	14.3%	12.9%	14.3%	14.9%
	B	12.6%	13.3%	13.7%	12.7%	13.1%
	C	21.2%	20.9%	20.3%	20.3%	19.3%
North	A	16.5%	16.5%	16.5%	26.7%	16.5%
	B	11.6%	11.6%	12.2%	11.1%	11.0%
	C	27.6%	19.1%	19.1%	19.1%	23.3%
Northwest	A	19.4%	18.5%	17.8%	15.1%	15.4%
	B	23.8%	25.3%	25.9%	22.3%	20.9%
	C	15.9%	17.2%	17.2%	17.6%	14.3%
Southwest	A	18.4%	16.7%	15.1%	11.4%	13.2%
	B	16.1%	15.8%	15.7%	14.8%	13.9%
	C	5.7%	7.9%	7.5%	5.7%	4.8%
West	A	22.1%	22.1%	22.5%	20.1%	16.5%
	B	8.9%	8.4%	7.4%	7.3%	7.1%
	C	7.2%	7.0%	6.3%	5.2%	2.6%
Overall		16.5%	16.5%	15.9%	15.1%	14.6%

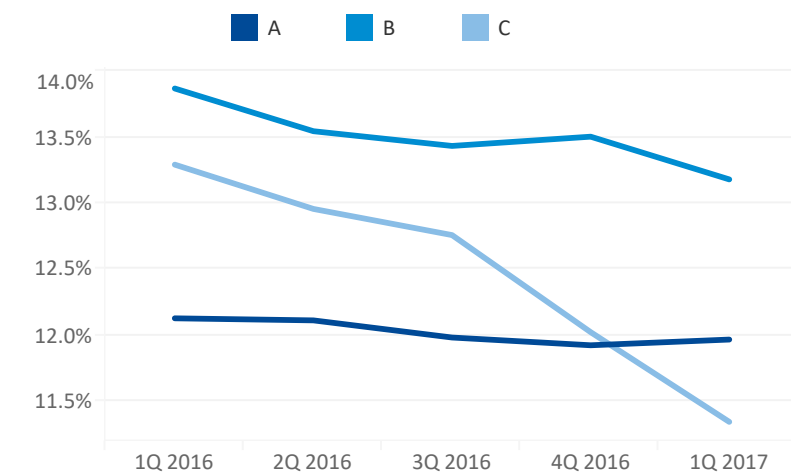
By Market



Las Vegas by Class



National by Class

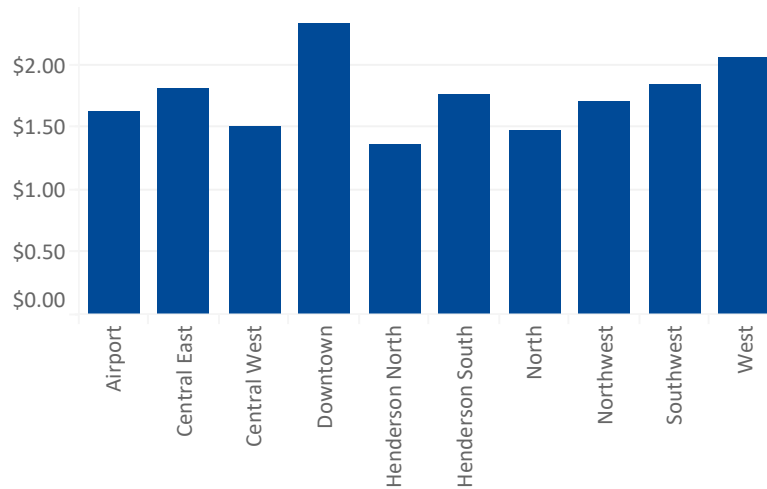


Direct Weighted Average Asking Rates (FSG)

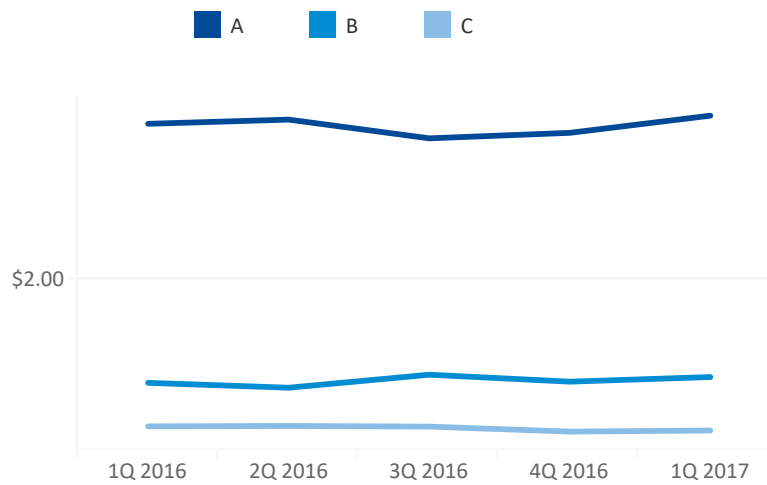
By Market and Class

Market Name	Class	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Airport	A	\$2.74	\$2.73	\$2.68	\$2.76	\$2.74
	B	\$1.41	\$1.42	\$1.62	\$1.51	\$1.51
	C	\$1.03	\$1.05	\$1.06	\$1.11	\$1.01
Central East	A	\$2.89	\$2.93	\$2.84	\$2.82	\$2.93
	B	\$1.36	\$1.37	\$1.43	\$1.39	\$1.42
	C	\$0.99	\$1.00	\$1.07	\$1.01	\$1.00
Central West	A	\$1.62	\$1.62			
	B	\$1.57	\$1.59	\$1.56	\$1.57	\$1.54
	C	\$1.19	\$1.21	\$1.06	\$1.07	\$1.18
Downtown	A	\$2.71	\$2.71	\$2.78	\$2.77	\$2.93
	B	\$1.81	\$1.77	\$1.73	\$1.76	\$1.71
	C	\$1.87	\$1.82	\$1.80	\$1.71	\$1.77
Henderson North	A	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77
	B	\$1.33	\$1.28	\$1.31	\$1.31	\$1.37
	C		\$0.97	\$0.97	\$0.97	\$0.97
Henderson South	A	\$2.20	\$2.24	\$2.37	\$2.37	\$2.31
	B	\$1.68	\$1.68	\$1.69	\$1.68	\$1.66
	C	\$1.92	\$1.92	\$1.72	\$1.89	\$1.83
North	A	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65
	B	\$1.20	\$1.21	\$1.21	\$1.45	\$1.44
	C	\$1.34	\$1.35	\$1.35	\$1.35	\$1.46
Northwest	A		\$1.13	\$1.74	\$1.74	\$1.82
	B	\$1.71	\$1.57	\$1.66	\$1.64	\$1.68
	C	\$1.75	\$1.76	\$1.78	\$1.78	\$1.78
Southwest	A	\$2.30	\$2.30	\$2.33	\$2.46	\$2.42
	B	\$1.78	\$1.77	\$1.77	\$1.78	\$1.80
	C	\$1.57	\$1.68	\$1.67	\$1.65	\$1.90
West	A	\$2.58	\$2.58	\$2.55	\$2.53	\$2.53
	B	\$1.61	\$1.60	\$1.71	\$1.65	\$1.73
	C	\$1.42	\$1.33	\$1.17	\$1.27	\$1.35
Overall		\$1.80	\$1.79	\$1.82	\$1.80	\$1.81

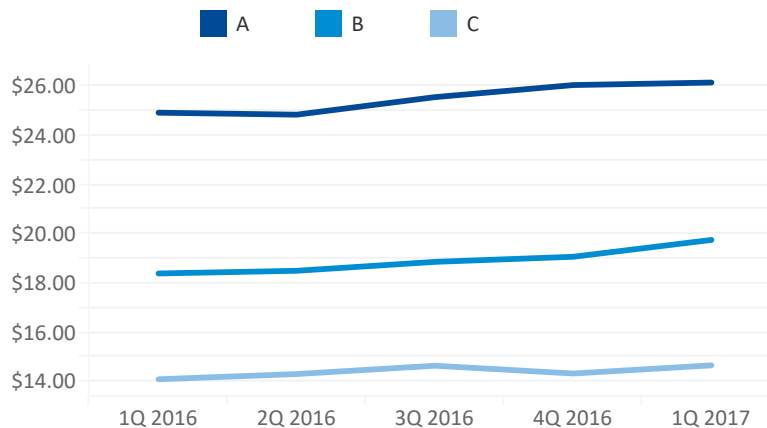
By Market



Las Vegas by Class

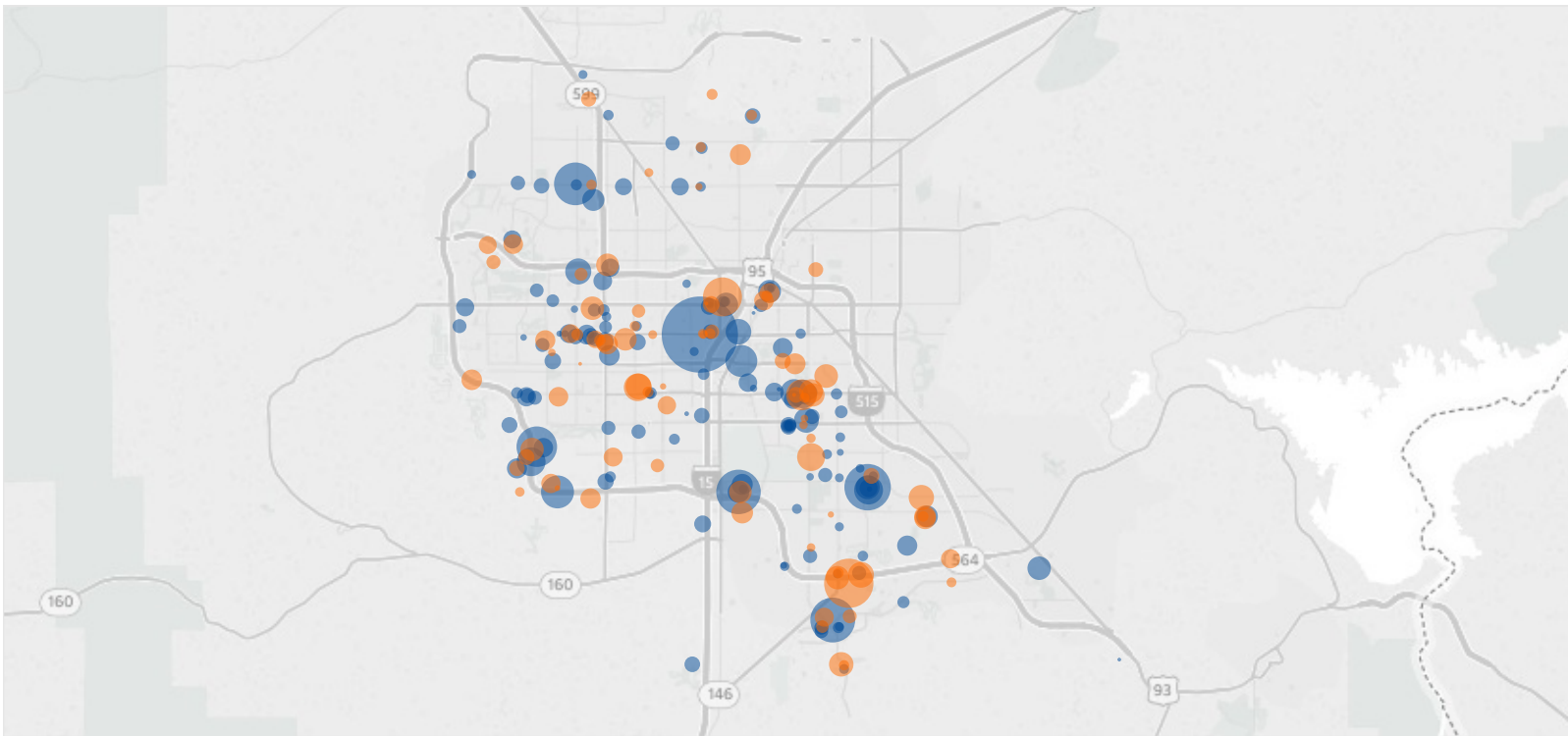


National by Class



Absorption Map

■ Negative
 ■ Positive



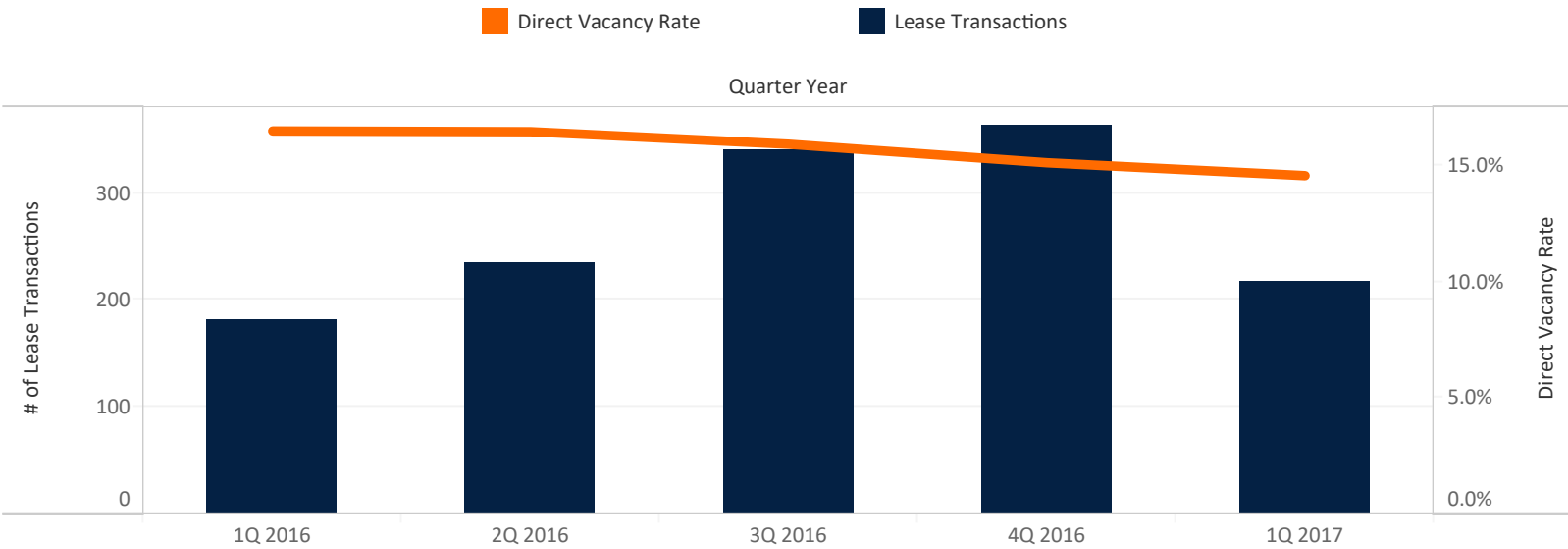
Largest Positives (Direct)

Property Name	Significant Transactions	Market Name	Class	
West Sahara Financial Center	State of Nevada Real Estate Division	Central West	B	68,686
Green Valley Civic Center Bldg C	Nasri Academy For Gifted Children; David O. McKay Academy	Henderson North	B	26,364
10424 S Eastern Ave	Numerous condo units sold to owner occupants.	Henderson South	B	24,544
Marnell Corporate Center Bldg 4	HDR Engineering; Machine Zone	Airport	A	24,223
Cheyenne Corporate Center	Jet	Northwest	B	22,357
The Park At Spanish Ridge	Caesars Entertainment; Women's Health Assoc. of Southern Nevada	Southwest	B	20,074
Centra Point Bldg 1	Ticor Title	Southwest	B	13,260
101 Convention Center Dr	DocuZoom; Kotobuki Marketing	Central East	C	12,462

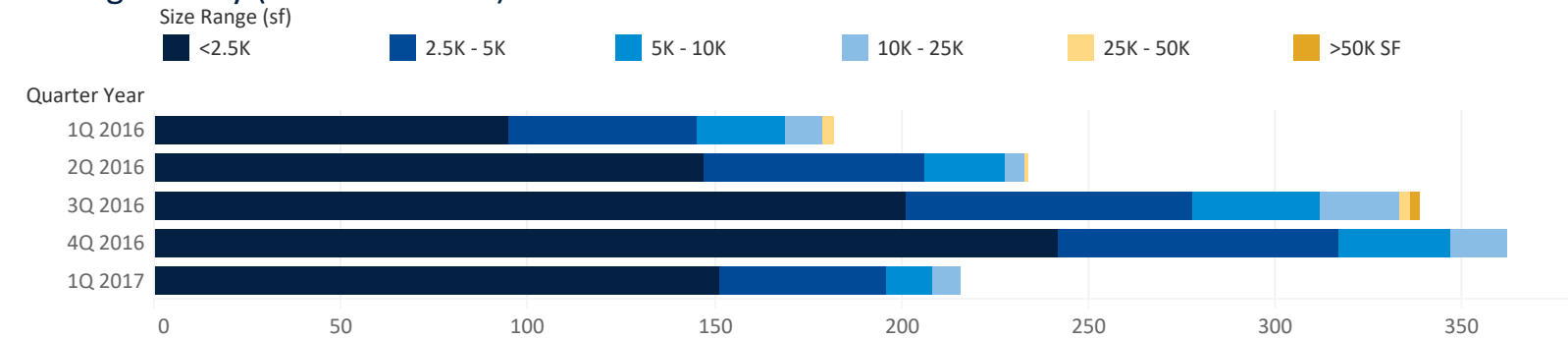
Largest Negatives (Direct)

Property Name	Significant Transactions	Market Name	Class	
Green Valley Corporate Center South	IADT	Henderson South	B	-24,951
Quail Orthopedic Center East Bldg	Lyons Physical Therapy; ATI; Pain Institute of NV; Integrated Diagnostic Center	Central West	B	-18,575
Flamingo Professional Center	LV Field & Focus; Hair Restoration Clinic; Kelly Hawkins Physical Therapy	Central East	B	-11,693
Miracle Flights for Kids Plaza	Epion Pain; Carrington College; Public Employee Retirement System	Airport	B	-9,493
3830 S Jones Blvd	Count Cool Rider	Central West	B	-9,357
3840 S Jones Blvd	Count Cool Rider	Central West	B	-8,186
Quail Bonita Bldg B	Direct PT; Healthcare Partners	Henderson North	B	-7,818
Anthem Executive Center	Global Pacific Produce	Henderson South	B	-7,299

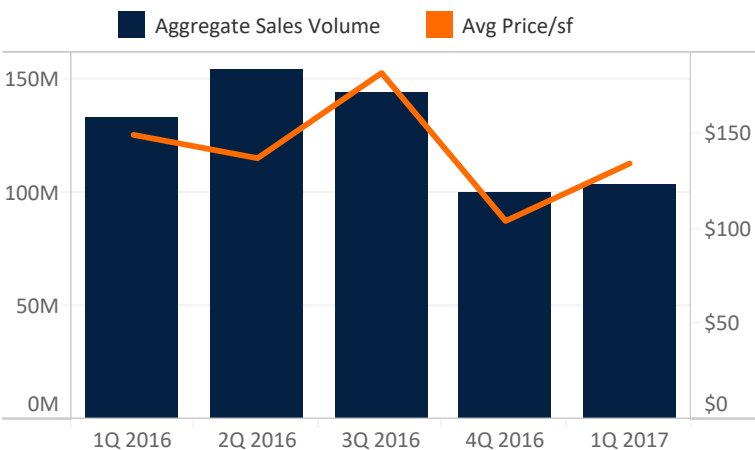
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Siena Office Park	02/21/2017	Savant Investment Partners, Harold C Erker Jr & Elizabeth C..	\$12,634,000
550 S Main St	01/30/2017	Boyd Watterson Asset Management	\$12,200,000
5420 S Durango Dr	03/16/2017	IIP Durango 3 LLC	\$12,000,000
150 E Harmon Ave	01/18/2017	Richard Yount & Brian Orsak	\$7,450,000
5155 W Patrick Ln	02/21/2017	Eye-Fi	\$6,985,000

Terminology

Term	Definition
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Direct Vacant (sf)	The total of the vacant square feet in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant office buildings greater than 3,000 sf, excluding government buildings.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all of the vacant square feet within a building, including both direct and sublease space.
Tracked Criteria	The Las Vegas office tracked set consists of all existing single and multi tenant office buildings larger than 3,000 SF, excluding government buildings. Includes all office property types that are part of an office or business park. Excludes offices in the Far SE, NE, SW, NW Clark County markets.
Weighted Average Asking Rent	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.
Xceligent Partner	CALV

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