

Growth Mode

- > New completions and net absorption increased in the third quarter of 2018
- > Vacancy fell to its lowest point in eight years
- > The average asking rental rate showed no movement this quarter

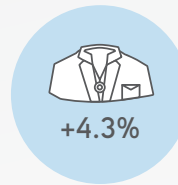
Southern Nevada's medical office market is in growth mode.

Developers continued responding to the elevated demand experienced since mid-year 2016, adding 43,777 square feet to the Valley's medical office inventory. Demand exceeded new supply; net absorption was 102,368 square feet in the third quarter of 2018. Medical office vacancy fell to 12.1 percent, the lowest vacancy rate recorded in eight years. The average asking rental rate was \$2.25 per square foot (psf) on a full service gross (FSG) basis, the same as it was one quarter ago.

According to the Nevada Department of Employment, Training and Rehabilitation, Southern Nevada's medical office job market was strong in July 2018 (the latest month of data available) compared with July 2017. The ambulatory health care sector, which has the largest impact on the medical office market, increased by 3,400 jobs

Economic Indicators

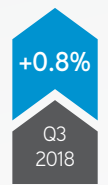
HEALTHCARE
Employment



HEALTHCARE
Spending



MEDICAL
SF/Job



Market Indicators

Relative to prior period	Q3 2018	Q4 2018*
VACANCY	↓	↓
NET ABSORPTION	↑	↓
COMPLETIONS	↑	↓
RENTAL RATE	↔	↑

*Projected

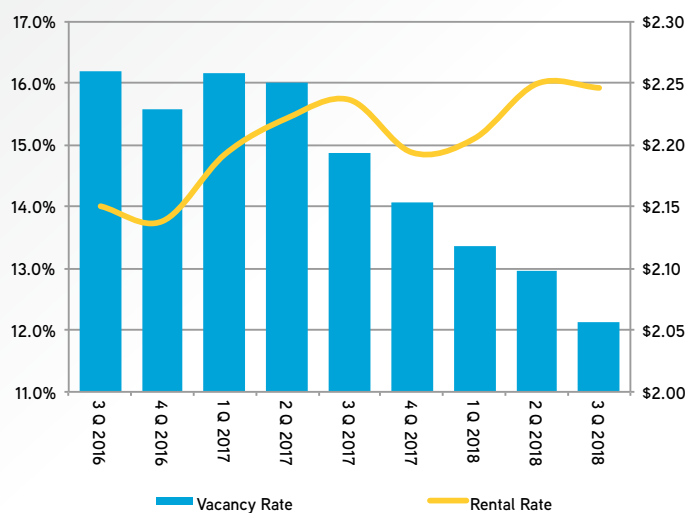
Summary Statistics

Las Vegas Market	Q3-17	Q2-18	Q3-18
Vacancy Rate	14.9%	13.0%	12.1%
Asking Rent (PSF, FSG)	\$2.24	\$2.25	\$2.25
Net Absorption (SF)	149,492	30,440	102,368
New Completions (SF)	73,344	0	43,777

Overall Asking Rents

Per Square Foot	Q3-17	Q2-18	Q3-18
Class A	\$2.70	\$2.78	\$2.72
Class B	\$2.18	\$2.23	\$2.20
Class C	\$1.87	\$1.83	\$1.76

Historical Vacancy Rates and Rental Rates



"Clearly the lethargy afflicting the medical office market has cleared ..."

year-over-year. The hospital sector increased by 600 jobs over the same period. Employment that feeds directly into the medical office properties covered in this report increased by 677 jobs over the past twelve months. Unemployment in the Las Vegas-Paradise MSA stood at 4.7 percent in July 2018, down from 5.4 percent in July 2017. From July 2017 to July 2018, total employment in Southern Nevada increased by 37,600 jobs, a 3.9 percent increase.

The Nevada Department of Taxation reported that taxable spending on ambulatory health care services in Clark County over the past twelve months (July 2017 to June 2018, the most recent month of data available) totaled \$93.3 million dollars, a 12.3 percent increase in spending over the previous twelve months. Taxable sales in hospitals decreased 6.4 percent year-over-year to \$32.7 million. Taxable sales in nursing and residential care facilities increased 60.5 percent year-over-year to \$2.1 million.

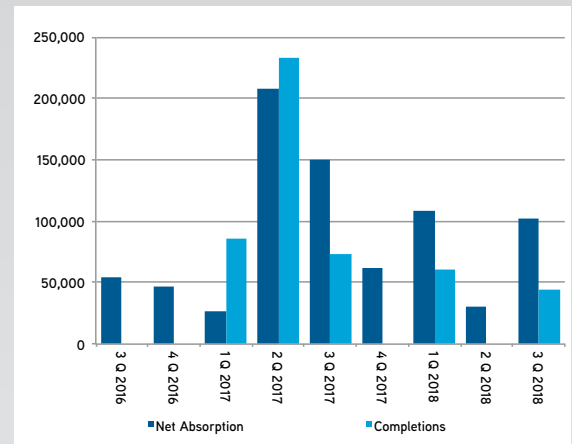
One new medical office development was completed this quarter in the Southwest submarket, the 43,777 square foot Cimarron Courtyard 3 building. We do not expect any further completions of medical office space in the Valley in 2018. A total of 252,427 square feet of new medical office space should be completed in 2019, yet this is probably not enough to keep up with demand. We expect asking rental rates will either increase next year as space becomes less plentiful, or developers will respond by bringing more medical office space to the market.

Vacancy in medical office space decreased in the third quarter of 2018 to 12.1 percent, a decrease of 2.8 points from one year ago. The highest vacancy rates this quarter were 21.5 percent in the Southwest and 15.8 percent in the Airport. The lowest vacancy rates were in 8.2 percent in West Central and 8.7 percent in North Las Vegas. Vacancy this quarter increased in the Northwest submarket by 0.1 points. Vacancy decreased this quarter in Southwest, West Central, North Las Vegas, Downtown and East Las Vegas, with the largest decrease, 3.0 percentage points, occurring in the Southwest submarket.

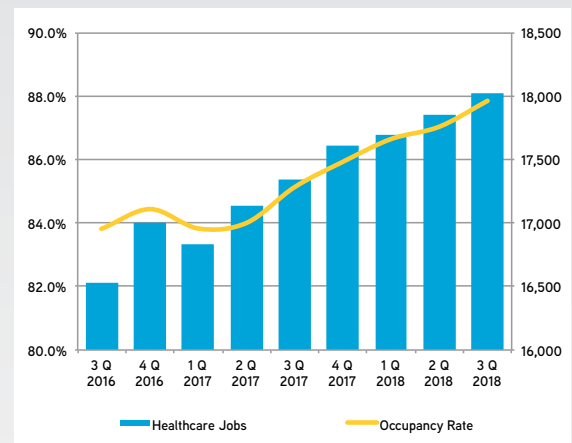
Year-to-date, Southern Nevada's medical office market absorbed 241,036 square feet. It is unlikely that 2018 will see as much net absorption as 2017, despite demand remaining strong. Net absorption was strongest this quarter in Southwest at 61,663 square feet, followed by West Central and East Las Vegas. Net absorption was negative this quarter in the Northwest submarket.

The weighted average asking rental rate for medical office space in the third quarter was \$2.25 psf FSG. This was \$0.01 psf higher than one year ago. Asking rates showed significant growth in 2017, increasing from \$2.14 psf FSG in the fourth quarter of 2016 to a recent peak of \$2.24 psf FSG in the third quarter of 2017. The average asking rate then decreased to \$2.19 psf FSG in the fourth quarter of 2017 before rebounding in this quarter. Continued strong demand should keep the average asking rate growing through 2018.

Historical Net Absorption vs. Completions



Healthcare Jobs vs. Occupancy Rate



The lowest average asking rate for medical office space at midyear 2018 was in the West Central submarket at \$1.81 psf, followed by East Las Vegas at \$1.91 psf. These submarkets represent the portion of the Valley built from the 1970's to the 1980's. The Northwest submarket continued to be the Valley's most expensive submarket for medical office with an asking rate of \$2.54 psf, followed by \$2.50 psf in Southwest and \$2.31 psf in Henderson. Two submarkets had a \$0.02 psf increase in asking rents this quarter, East Las Vegas and Southwest. Asking rents decreased by \$0.13 psf in West Central, \$0.04 psf in North Las Vegas and \$0.03 in Northwest.

Investment sales volume of medical office year-to-date was \$86.2 million in nine sales totaling 345,877 square feet at an average sales price of \$249.08 psf. This was a higher average sales price than in

the four previous years. The average cap rate so far in 2018 was 8.1 percent, higher than in past years.

Demand for medical office space grew in 2017, and though it has softened slightly in 2018, it remained strong enough to bring vacancy down to an eight year low. Over the past six quarters the vacancy rate has decreased from 16.2 percent to 12.1 percent, with only moderate growth in asking rents. Net absorption over the past six quarters was 660,683 square feet, more than net absorption in the previous 46 quarters combined. Clearly the lethargy afflicting the medical office market has cleared, both due to the general economic recovery experienced over the past decade and the relative lack of healthcare legislation in Washington, D.C., which tends to make the market nervous. We think this growth will continue through 2019.

Medical Office Development Schedule

PROJECT	CLASS	SUBMARKET	SIZE	PRE-LEASING
Q2-2019			21,000 SF	48%
Medical Pavilion at Southern Palms	B	Southwest	21,000 SF	48%
2019			231,427 SF	0%
Atlas Professional Park	C	Henderson	28,900 SF	0%
Cimarron Courtyard 4	B	Southwest	43,777 SF	0%
Craig & Camino Al Norte	C	North Las Vegas	107,000 SF	0%
The Gateway	C	Henderson	16,750 SF	0%
The Peaks Corporate Park	C	Northwest	35,000 SF	0%

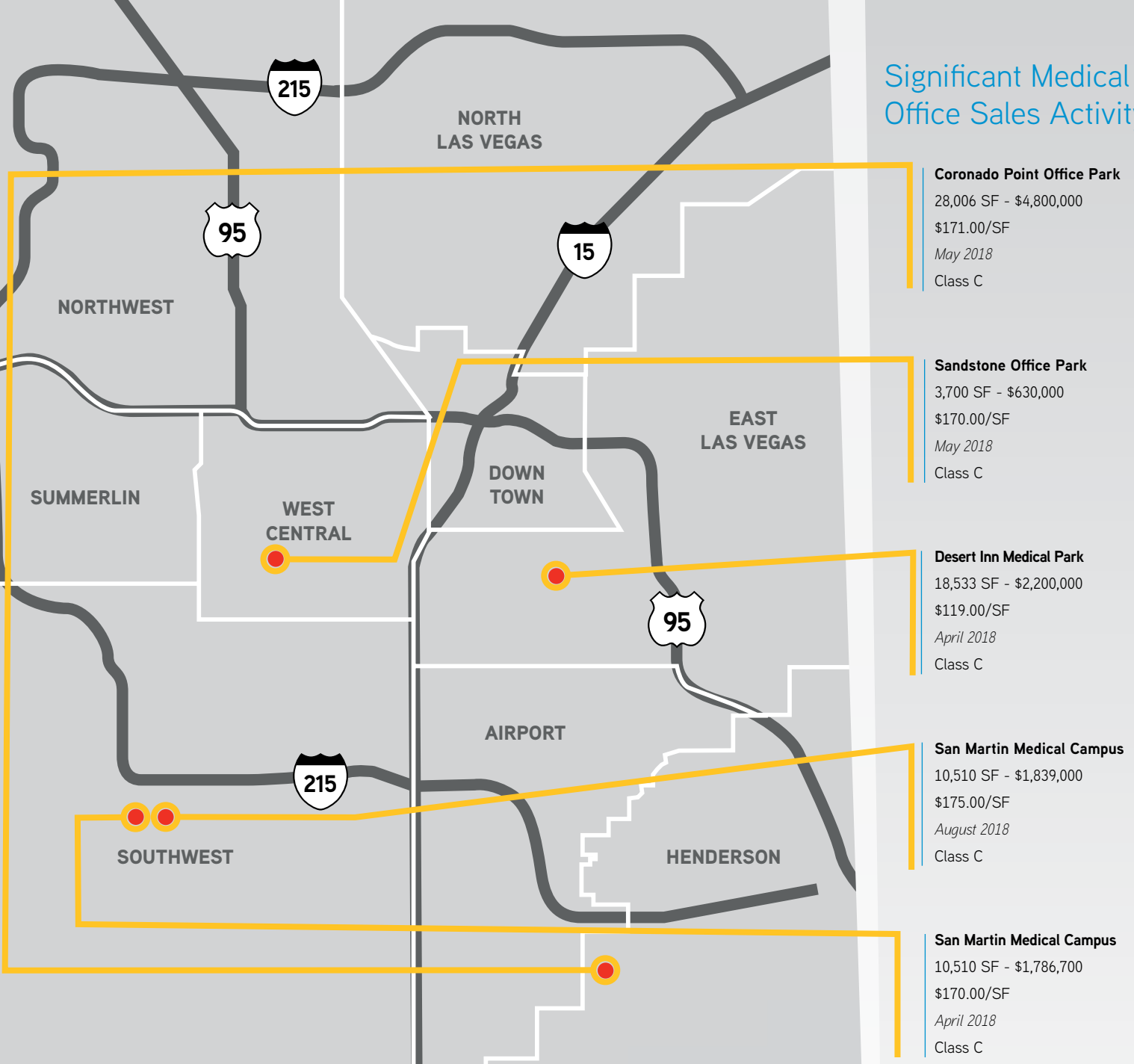
“Southern Nevada’s medical office market is now in growth mode.”

Medical Office Investment Sales

	2014	2015	2016	2017	2018 YTD
No. Sales	13	8	9	14	9
Square Footage	533,835	196,824	305,790	412,174	345,877
Sales Volume	\$117.1 MM	\$41.3 MM	\$36.6 MM	\$89.8 MM	\$86.2 MM
Average Price/SF	\$219.38	\$209.92	\$126.14	\$217.94	\$249.08
Average Cap Rate	7.5%	7.7%	6.8%	7.0%	8.1%
Average Sale Size (SF)	41,100	24,600	34,000	29,400	38,400

*Using the Consumer Price Index, All Urban Consumers, West Region, Class A Cities, 1982-1984 = 100

Significant Medical Office Sales Activity



Significant Lease Activity

Property Name	Lease Date	Lease Term	Size	Lease Rate	Tenant Type
600 South Rancho	Dec 2017	36 months	6,186 SF	\$1.05 NNN	Church
Parkway Medical Plaza	Jan 2018	66 months	3,257 SF	\$2.07 NNN	Consultants
1815 East Lake Mead	Jan 2018	58 months	2,703 SF	\$2.23 FSG	Physical Therapy
600 South Rancho	May 2018	120 months	2,656 SF	\$1.89 NNN	Physicians
1815 East Lake Mead	Feb 2018	84 months	1,615 SF	\$2.19 FSG	Physicians

Market Comparisons - Las Vegas

Medical Office Market

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
AIRPORT SUBMARKET														
A	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
B	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
C	38,000	6,000	15.8%	-	6,000	15.8%	15.8%	-	1,690	-	-	-	-	\$2.20
Total	38,000	6,000	15.8%	-	6,000	15.8%	15.8%	-	1,690	-	-	-	-	\$2.20
DOWNTOWN SUBMARKET														
A	65,000	-	0.0%	-	-	0.0%	0.0%	-	-	-	-	-	-	\$-
B	228,761	37,115	16.2%	-	37,115	16.2%	17.2%	2,194	(4,959)	-	-	-	-	\$1.98
C	86,997	-	0.0%	-	-	0.0%	0.0%	-	-	-	-	-	-	\$-
Total	380,758	37,115	9.7%	-	37,115	9.7%	10.3%	2,194	(4,959)	-	-	-	-	\$1.98
EAST LAS VEGAS SUBMARKET														
A	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
B	708,064	148,496	21.0%	-	148,496	21.0%	22.8%	7,672	22,074	-	-	-	-	\$2.08
C	626,007	41,541	6.6%	9,055	50,596	8.1%	7.7%	(2,379)	(12,055)	-	-	-	-	\$1.30
Total	1,334,071	190,037	14.2%	9,055	199,092	14.9%	15.7%	5,293	10,019	-	-	-	-	\$1.91
HENDERSON SUBMARKET														
A	501,834	52,375	10.4%	-	52,375	10.4%	10.4%	0	10,561	-	-	-	-	\$3.07
B	361,179	95,240	26.4%	-	95,240	26.4%	26.4%	0	4,799	-	-	-	-	\$1.99
C	608,238	41,423	6.8%	-	41,423	6.8%	6.8%	0	7,439	-	-	-	45,650	\$2.09
Total	1,471,251	189,038	12.8%	-	189,038	12.8%	12.8%	-	22,799	-	-	-	45,650	\$2.31
NORTH LAS VEGAS SUBMARKET														
A	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
B	98,011	24,265	24.8%	-	24,265	24.8%	27.6%	2,821	502	-	-	-	-	\$1.93
C	180,026	-	0.0%	4,408	4,408	2.4%	0.0%	-	17,900	-	-	-	107,000	\$-
Total	278,037	24,265	8.7%	4,408	28,673	10.3%	9.7%	2,821	18,402	-	-	-	107,000	\$1.93
NORTHWEST SUBMARKET														
A	889,160	161,256	18.1%	-	161,256	18.1%	14.1%	(42,905)	(51,121)	-	-	-	-	\$2.62
B	1,128,889	43,864	3.9%	-	43,864	3.9%	7.5%	41,184	97,496	-	60,500	-	-	\$2.25
C	202,434	1,977	1.0%	-	1,977	1.0%	1.0%	-	6,021	-	-	-	35,000	\$1.95
Total	2,220,483	207,097	9.3%	-	207,097	9.3%	9.6%	(1,721)	52,396	-	60,500	-	35,000	\$2.54
SOUTHWEST SUBMARKET														
A	115,300	28,414	24.6%	-	28,414	24.6%	31.0%	7,349	2,427	-	-	-	-	\$2.66
B	553,222	164,287	29.7%	-	164,287	29.7%	32.3%	43,804	32,647	43,777	43,777	-	64,777	\$2.51
C	281,220	11,728	4.2%	-	11,728	4.2%	7.9%	10,510	35,345	-	-	-	-	\$2.00
Total	949,742	204,429	21.5%	-	204,429	21.5%	24.5%	61,663	70,419	43,777	43,777	-	64,777	\$2.50
WEST CENTRAL SUBMARKET														
A	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
B	327,699	10,391	3.2%	-	10,391	3.2%	4.1%	3,158	19,225	-	-	-	-	\$2.22
C	872,926	87,606	10.0%	-	87,606	10.0%	13.4%	28,960	51,045	-	-	-	-	\$1.76
Total	1,200,625	97,997	8.2%	-	97,997	8.2%	10.8%	32,118	70,270	-	-	-	-	\$1.81
MARKET TOTAL														
A	1,571,294	242,045	15.4%	-	242,045	15.4%	13.6%	(35,556)	(38,133)	-	-	-	-	\$2.72
B	3,405,825	523,658	15.4%	-	523,658	15.4%	17.4%	100,833	171,784	43,777	104,277	-	64,777	\$2.20
C	2,895,848	190,275	6.6%	13,463	203,738	7.0%	8.2%	37,091	107,385	-	-	-	187,650	\$1.76
Total	7,872,967	955,978	12.1%	13,463	969,441	12.3%	13.2%	102,368	241,036	43,777	104,277	-	252,427	\$2.25

QUARTERLY COMPARISON AND TOTALS

Q3-18	7,872,967	955,978	12.1%	13,463	969,441	12.3%	13.2%	102,368	241,036	43,777	104,277	-	252,427	\$2.25
Q2-18	7,829,190	1,014,569	13.0%	20,931	1,035,500	13.2%	13.6%	30,440	138,668	-	60,500	67,777	167,527	\$2.25
Q1-18	7,829,190	1,045,009	13.3%	18,685	1,063,694	13.6%	14.3%	108,228	108,228	60,500	60,500	43,777	212,527	\$2.20
Q4-17	7,768,690	1,092,737	14.1%	16,316	1,109,053	14.3%	15.1%	61,903	210,527	-	391,788	43,777	210,527	\$2.19
Q3-17	7,768,690	1,154,640	14.9%	16,316	1,170,956	15.1%	16.3%	149,492	384,783	73,344	391,788	-	254,304	\$2.24

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

69 countries

\$2.7

billion in
annual revenue*

2.0

billion square feet
under management

15,400

professionals
and staff

\$116

billion in
total transaction value

*All statistics are for 2017, are in U.S. dollars and include affiliates.

COLLIERS INTERNATIONAL | LAS VEGAS

3960 Howard Hughes Parkway
Suite 150
Las Vegas, Nevada 89169 | USA
+1 702 735 5700
www.colliers.com/lasvegas

MARKET CONTACT:

Mike Mixer
Executive Managing Director | Las Vegas
+1 702 735 5700
mike.mixer@colliers.com

John Stater
Research & GIS Manager | Las Vegas
+1 702 836 3781
john.stater@colliers.com



About Colliers International

Colliers International Group Inc. (NASDAQ: CIGI) (TSX: CIGI) is top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 13,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$20 billion of assets under management from the world's most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with significant equity ownership and a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.

For the latest news from Colliers, visit Colliers.com or follow us on Twitter: @Colliers and LinkedIn.

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.