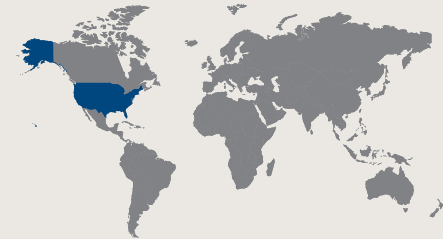
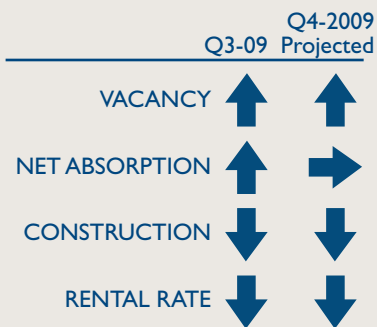


Market Research

OFFICE | THIRD QUARTER | 2009



MARKET INDICATORS



CLARK COUNTY ECONOMIC DATA

	Jul-09	Jul-08
Unemployment Rate	13.1%	6.9%
Visitor Volume	3,520,000	3,601,000
Gaming Revenue	\$729.89M	\$819.38M
Taxable Sales*	\$2.451B	\$3.131B
New Home Permits	493	1,166
New Home Sales	378	645
New Residents	4,805	6,126

* JUNE 2009 / JUNE 2008



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MARKET SNAPSHOT

	Q3-09	Q2-09	Q3-08	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	22.0%	21.8%	18.0%	+0.8%	+22.2%
Asking Rent (psf FSG)	\$2.32	\$2.36	\$2.44	-1.4%	-4.9%
Net Absorption (sf)	-39,154	-272,627	-341,501	+85.6%	+88.5%
New Completions (sf)	40,000	143,481	580,294	-72.1%	-93.1%

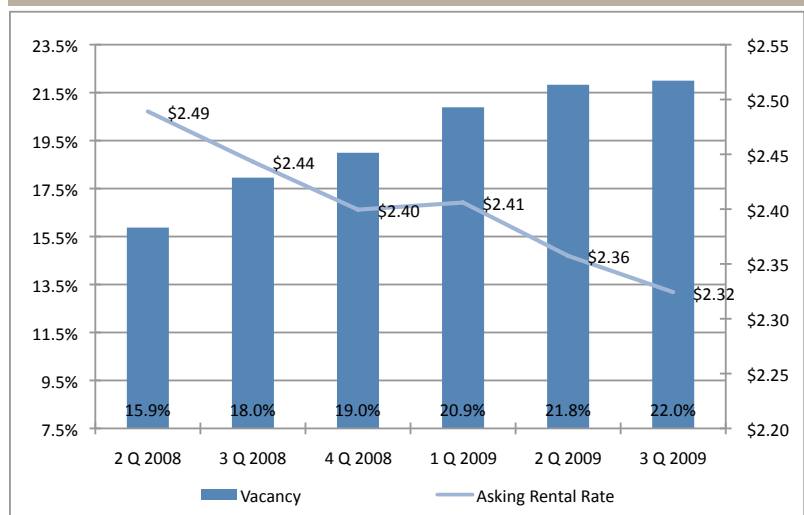
Office Review

The Southern Nevada office market experienced its seventh straight month of negative net absorption, with occupied square footage contracting to 32-million square feet from a high of 33.7-million square feet in the fourth quarter of 2007. The volume of lease and sale transactions has improved since the end of 2008, with much of this activity coming from local, small businesses and national tenants that already have a presence in Southern Nevada. The amount of space currently and actively under construction remains lower than the amount of space that has halted construction. Although the outlook for the Southern Nevada office market may seem bleak, there are reasons to be hopeful.

Employment in sectors traditionally associated with office space contracted for the fifth straight quarter. Between August 2008 and August 2009, a total of 7,800 office jobs were lost, with the largest losses experienced by the professional & business services sector. The bright spot of office employment has been the health care and social assistance sector, which added 900 jobs between August 2008 and August 2009. Unemployment in the Las Vegas - Paradise MSA stood at 13.4 percent as of August 2009, up from 7.0 percent in August 2008.

The inventory of office space in Southern Nevada increased by only 40,000 square feet during the third quarter of 2009. The only completed project was the IBEX Medical Building in Henderson. This is the lowest level of new office completions we have recorded since we began tracking the

VACANCY VS RENTAL RATE





"Like small animals after a thunderstorm, businessmen have poked their heads out of their burrows, looked around and determined that it safe to go back to business as usual."

Las Vegas office market in 1999. Vacancy in newly completed space stood at approximately 67 percent.

Forward supply of office space in the Valley stood at 346,629 square feet in the third quarter of 2009. This was approximately 36 percent less forward supply than was registered in the second quarter of 2009 and 84 percent less forward supply than was registered in the third quarter of 2008. Over half of Southern Nevada's forward supply was in the Class A category. Although Class A space has the highest vacancy rate in the market at 29.1%, reductions in asking lease rates have increased interest in it. Almost all of Southern Nevada's forward supply of office space is located in the Northwest submarket in the form of Tivoli Village, a mixed-use space comprised of office over retail.

Office vacancy in Southern Nevada stood at 22.0 percent in the third quarter of 2009. This represented a 0.2-point increase from one quarter ago and a 4-point increase from four quarters ago. In general, the office vacancy rate's trajectory seems to be leveling off. Lease activity has increased since the second half of 2008, and the number of vacant office spaces that entered the market has decreased. A total of 278 new office availabilities were introduced to the office market during the third quarter of 2009, less than the 357 new lease availabilities introduced in the second quarter of 2009. The highest vacancy rates in

OFFICE EMPLOYMENT			
	Aug 2009	Aug 2008	Change
Financial Activities	45,500	47,200	-1,700
Professional & Business Services	103,100	110,100	-7,000
Health Care & Social Assistance	61,700	60,800	+900
Total	210,300	218,100	-7,800

Source: Nevada Department of Employment, Training and Rehabilitation.

Southern Nevada were in the Southwest (30.9 percent), Henderson (26 percent) and Airport (25.5 percent) submarkets. The lowest vacancy rates were in the Downtown (10.8 percent) and West Central (13.6 percent) submarkets. Class A professional office space still had the highest vacancy rate at 29.1 percent, while the lowest vacancy rate was in Medical office space at 19.5 percent. Over the past four quarters, Class C professional space has experienced the lowest overall increase in vacancy. When comparing vacancy rates on a year-over-year basis, office vacancy has been trending downward for the past three quarters after reaching a peak in the fourth quarter of 2008. Year-over-year vacancy growth in the third quarter of 2009 was the lowest it has been since the first quarter of 2008. Clearly, the flood of office space that entered the Southern Nevada market in 2008 has slowed down.

Over the past quarter, finance investment and real estate accounted for approximately one-third of new leases and slightly more than half of the office market's new leases were signed by companies headquartered outside Nevada, with California companies contributing more

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

MARKET ACTIVITY

THIRD QUARTER TRANSACTIONS

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
The District II	Sep 2009	60 months	21,767 sf	\$1.62 MG	Class C Professional Office
Green Valley Corp Center South	Aug 2009	84 months	11,373 sf	\$1.94 MG	Class C Professional Office
Westcliff House	Aug 2009	60 months	9,104 sf	\$1.74 MG	Medical Office
Westcliff Tower	Sep 2009	40 months	8,288 sf	\$1.65 FSG	Class B Professional Office
Flamingo Courtyard	Jul 2009	60 months	6,449 sf	\$1.75 NNN	Class C Professional Office

SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
St Rose Professional Park	Aug 2009	\$2,225,000	12,025 sf	\$185.03	Class B Professional Office
Sunset Post Medical Center	Jul 2009	\$2,250,000	9,090 sf	\$247.52	Medical Office
Hills Center Business Park	Aug 2009	\$1,498,176	5,202 sf	\$288.00	Class C Professional Office

lease activity than any other state.

Several existing office properties in Southern Nevada are now owned by banks or the FDIC. These “zombie buildings” contribute to the vacancy rate in Southern Nevada, but do not complete effectively because their owners are unable or unwilling to provide improvement money to prospective tenants. The total number of distressed office properties currently totals 2,094,000 total square feet, a significant increase since last quarter when Southern Nevada had approximately 460,000 square feet of distressed office properties.

The weighted average asking rental rate decreased this quarter to \$2.32 per square foot (psf) on a full service gross (FSG) basis. This was a decrease of \$0.04 from last quarter and \$0.12 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 their asking rent reduced by an average of \$0.28 while 4% had their asking rent increased by an average of \$0.25. Availabilities that were new to the market this quarter had an average asking rent of \$2.05 psf FSG.

Office space available for sub-lease in Southern Nevada increased this quarter after posting a slight decline in the second quarter of 2009. Currently, there are 680,706 square feet of office space available for sub-lease. This is down from the high of 908,458 square feet recorded in the fourth quarter of 2008. That the amount of sub-lease space available for lease has dropped to between 650,000 and 680,000 square feet for the past three quarters could suggest that the Southern Nevada office market has reached a plateau.

The amount of office space available for sale on an owner/user basis increased this quarter over last by 58,000 square feet. Since the third quarter of 2008, the amount of owner/user space on the market has actually decreased by 72,000 square feet. Likewise, the average

OFFICE SALES			
	Q3-09	Q2-09	Q3-08
Owner/User Sales			
Space for Sale (sf)	1,205,325	1,147,903	1,276,934
Average Asking Price/SF	\$215	\$241	\$203
Space Sold (sf)	57,290	10,645	28,862
Average Price/SF	\$232	\$151	\$217
Investment Sales			
Space for Sale (sf)	872,894	1,104,734	1,308,668
Average Asking Price/SF	\$235	\$211	\$265
Average Cap Rate	8.0%	7.6%	7.2%
Space Sold (sf)	61,247	70,275	250,444
Average Price/SF	\$78	\$295	\$262
Average Cap Rate	8.5%	7.8%	7.5%

asking price has decreased by \$26 per square foot since last quarter, but increased by \$12 since the third quarter of 2008. Significant sale offerings include the old FBI headquarters at 700 E. Charleston Blvd in the Downtown submarket (47,000 square feet) and the San Martin Medical Center in the Southwest submarket (44,000 square feet), a distressed property.

Properties available of sale on an investment basis decreased to 872,894 square feet from last quarter's 1,104,734 square feet. The average asking price increased this quarter over last by \$24 per square foot. Since the third quarter of 2008, the average asking price for investment sales has decreased by \$30 per square foot and the amount of space available for sale on an investment basis has decreased by 435,774 square feet, though admittedly a good deal of this space has been removed from the market, not sold.

Office owner/user sales improved this quarter over last, with 57,290 square feet of space sold. The average sales price has also recovered, reaching \$232 per square foot, higher than one year ago. Investment sales continued to decline this quarter, and the presence of several distressed and foreclosed properties among those that sold had an adverse affect on the average sales price. Cap rates continued

OFFICE DEVELOPMENT PIPELINE					
Project	Type	Submarket	Size	Pre-Leasing	Completion
501 S 8th St	Class B	Downtown	25,000	BTS	Q2-10

OFFICE CONSTRUCTION STOPPED			
Project	Type	Submarket	Size
Centennial Business Park	Class C	Northwest	43,000
Tivoli Village	Class A	Northwest	200,000



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OFFICE MARKET STATISTICS

THIRD QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION SF		U/C & 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	660,478	367,424	55.6%	58,414	8.8%	425,838	64.5%	67.5%	19,948	122,798	-	(127,659)	-	\$3.13
B	37	1,833,602	273,344	14.9%	56,678	3.1%	330,022	18.0%	18.4%	17,433	(98,732)	-	-	-	\$2.31
C	252	2,658,927	700,489	26.3%	30,636	1.2%	731,125	27.5%	27.4%	3,860	40,173	-	-	-	\$1.93
MED	9	117,194	1,040	0.9%	0	0.0%	1,040	0.9%	1.4%	560	25,943	-	-	-	\$1.60
TOTAL	304	5,270,201	1,342,297	25.5%	145,728	2.8%	1,488,025	28.2%	28.4%	41,801	90,182	-	(127,659)	-	\$2.34

DOWNTOWN SUBMARKET

A	4	700,065	45,006	6.4%	28,790	4.1%	73,796	10.5%	10.5%	-	-	-	-	-	\$3.27
B	21	1,383,829	224,797	16.2%	14,319	1.0%	239,116	17.3%	16.2%	(6,741)	(135,965)	-	-	-	\$2.54
C	55	744,537	43,752	5.9%	0	0.0%	43,752	5.9%	4.6%	(9,749)	22,047	-	-	-	\$1.66
MED	29	527,631	47,887	9.1%	0	0.0%	47,887	9.1%	5.0%	(21,256)	(19,341)	-	-	-	\$2.11
TOTAL	109	3,356,062	361,442	10.8%	43,109	1.3%	404,551	12.1%	10.7%	(37,746)	(133,259)	-	-	-	\$2.47

EAST LAS VEGAS SUBMARKET

A	9	1,351,642	162,028	12.0%	87,108	6.4%	249,136	18.4%	20.4%	(7,566)	(94,816)	-	-	-	\$3.45
B	17	1,038,569	289,006	27.8%	10,184	1.0%	299,190	28.8%	30.6%	19,064	(26,819)	-	-	-	\$1.63
C	97	1,905,690	392,788	20.6%	0	0.0%	392,788	20.6%	20.5%	(4,728)	(35,471)	-	-	-	\$1.56
MED	59	1,633,374	303,088	18.6%	0	0.0%	303,088	18.6%	21.6%	48,021	(9,026)	-	-	-	\$1.92
TOTAL	182	5,929,275	1,146,910	19.3%	97,292	1.6%	1,244,202	21.0%	22.5%	54,791	(166,132)	-	-	-	\$1.94

HENDERSON SUBMARKET

A	11	787,274	275,666	35.0%	21,059	2.7%	296,725	37.7%	35.9%	0	(4,566)	-	-	-	\$3.00
B	64	2,132,381	486,595	22.8%	38,842	1.8%	525,437	24.6%	26.1%	23,831	(163,288)	-	-	-	\$2.41
C	144	1,499,554	374,312	25.0%	36,542	2.4%	410,854	27.4%	28.3%	14,815	(24,678)	-	-	-	\$2.14
MED	97	1,226,594	330,634	27.0%	6,066	0.0%	336,700	27.4%	21.1%	(42,279)	(94,517)	40,000	40,000	-	\$2.47
TOTAL	316	5,645,803	1,467,207	26.0%	102,509	1.8%	1,569,716	27.8%	26.9%	(3,633)	(287,049)	40,000	40,000	-	\$2.47

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%	36.8%	12,100	600	-	-	-	\$2.46
C	74	459,624	117,214	25.5%	3,000	0.7%	120,214	26.2%	26.6%	2,122	(24,414)	-	-	-	\$2.09
MED	13	125,385	9,418	7.5%	0	0.0%	9,418	7.5%	10.7%	4,000	7,317	-	-	-	\$1.93
TOTAL	95	785,805	188,330	24.0%	3,000	0.4%	191,330	24.3%	26.7%	18,222	(16,497)	-	-	-	\$2.20

NORTHWEST SUBMARKET

A	19	1,515,526	443,791	29.3%	38,504	2.5%	482,295	31.8%	31.3%	(64,210)	(178,637)	(82,225)	105,185	-	\$2.40
B	73	2,508,675	565,179	22.5%	60,623	2.4%	625,802	24.9%	23.5%	15,919	(46,856)	82,225	82,225	-	\$2.40
C	214	2,240,146	502,467	22.4%	27,948	1.2%	530,415	23.7%	22.4%	(19,451)	(8,992)	-	-	-	\$2.17
MED	94	2,287,669	349,738	15.3%	6,635	0.3%	356,373	15.6%	16.2%	13,936	87,645	-	178,694	-	\$2.54
TOTAL	400	8,552,016	1,861,175	21.8%	133,710	1.6%	1,994,885	23.3%	22.7%	(53,806)	(146,840)	-	366,104	-	\$2.36

SOUTHWEST SUBMARKET

A	3	397,112	299,818	75.5%	1,488	0.4%	301,306	75.9%	81.5%	22,362	32,671	-	226,140	-	\$3.03
B	56	2,338,223	618,283	26.4%	42,264	1.8%	660,547	28.2%	24.2%	(79,601)	(41,411)	-	146,000	-	\$2.65
C	247	2,591,296	682,155	26.3%	76,351	2.9%	758,506	29.3%	31.3%	75,467	141,338	-	164,586	-	\$2.19
MED	82	1,085,201	378,132	34.8%	10,662	1.0%	388,794	35.8%	29.9%	(64,024)	(11,203)	-	-	-	\$2.43
TOTAL	388	6,411,832	1,978,388	30.9%	130,765	2.0%	2,109,153	32.9%	31.6%	(45,796)	121,395	-	536,726	-	\$2.51

WEST CENTRAL SUBMARKET

A	2	227,624	49,615	21.8%	0	0.0%	49,615	21.8%	20.9%	(2,009)	(2,870)	-	-	-	\$2.32
B	44	1,462,137	119,384	8.2%	0	0.0%	119,384	8.2%	8.2%	1,162	10,430	-	-	-	\$2.10
C	166	2,714,158	438,355	16.2%	22,360	0.8%	460,715	17.0%	17.2%	(2,708)	(13,736)	-	-	-	\$1.87
MED	60	775,745	95,417	12.3%	2,233	0.3%	97,650	12.6%	11.1%	(9,432)	(31,980)	-	-	-	\$2.02
TOTAL	272	5,179,664	702,771	13.6%	24,593	0.5%	727,364	14.0%	13.9%	(12,987)	(38,156)	-	-	-	\$1.96

MARKET TOTAL

A	54	5,639,721	1,643,348	29.1%	235,363	4.2%	1,878,711	33.3%	34.1%	(31,475)	(125,420)	(82,225)	203,666	-	\$2.90
B	320	12,898,212	2,638,286	20.5%	222,910	1.7%	2,861,196	22.2%	21.6%	3,167	(502,041)	82,225	228,225	-	\$2.37
C	1,249	14,813,932	3,251,532	21.9%	196,837	1.3%	3,448,369	23.3%	23.5%	59,628	96,267	-	164,586	-	\$2.00
MED	443	7,778,793	1,515,354	19.5%	25,596	0.3%	1,540,950	19.8%	18.4%	(70,474)	(45,162)	40,000	218,694	-	\$2.32
TOTAL	2,066	41,130,658	9,048,520	22.0%	680,706	1.7%	9,729,226	23.7%	23.4%	(39,154)	(576,356)	40,000	815,171	-	\$2.32

QUARTERLY COMPARISON AND TOTALS

Q3-09	2,066	41,130,658	9,048,520	22.0%	680,706	1.7%	9,729,226	23.7%	23.4%	(39,154)	(576,356)	40,000	815,171	-	\$2.32
Q2-09	2,054	41,090,658	8,969,366	21.8%	628,190	1.5%	9,597,556	23.4%	22.4%	(272,627)	(537,202)	143,481	775,171	324,364	\$2.36
Q1-09	2,031	40,947,177	8,553,258	20.9%	607,106	1.5%	9,160,364	22.4%	21.1%	(264,575)	(264,575)	631,690	631,690	610,750	\$2.41
Q4-08	1,995	40,315,487	7,656,993	19.0%	845,496	2.1%	8,502,489	21.1%	20.0%	(21,721)	(1,110,252)	483,080	1,820,952	1,449,840	\$2.40
Q3-08	1,979	39,832,407	7,152,192	18.0%	802,454	2.0%	7,954,646	20.0%	17.5%	(341,501)	(1,088,531)	580,294	1,337,872	1,627,030	\$2.44
Q2-08	1,939	39,252,113	6,230,397	15.9%	620,177	1.6%	6,850,574	17.5%	15.1%	(170,986)	(747,030)	468,484	757,578	1,322,921	\$2.49

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.

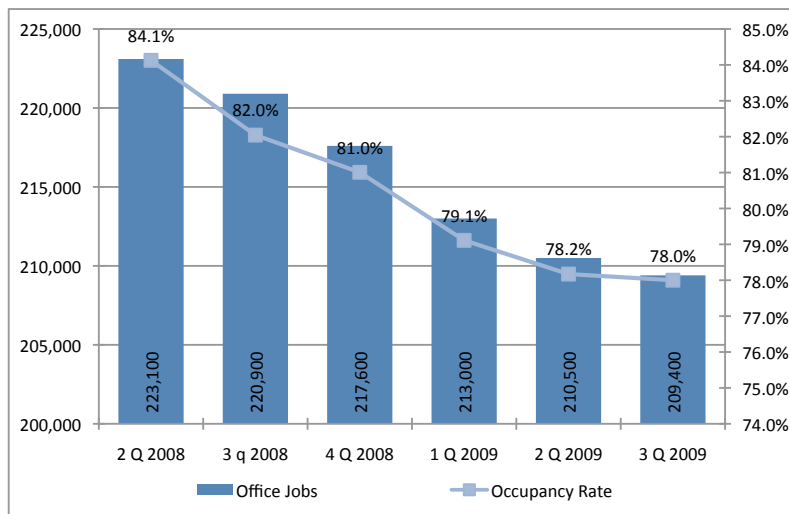
to rise, reaching 8%.

The Class A and Class C office product types entered recession in the latter half of 2006, approximately six months ahead of Medical office and one year ahead of Class B office. While both Class A and Class C office saw their vacancy rates decline this quarter, the decrease for Class A office was due to the reclassification of the Westcliff Tower building from Class A to Class B. Class C office, on the other hand, has not only seen its vacancy rate decrease for the past two quarters, it is the only product type that has posted positive year-to-date net absorption. It seems reasonable to conclude that the performance of Class C professional office product may be a sign that Southern Nevada's office market as a whole is nearing bottom. Unfortunately, one must consider two other facts. First, employment in sectors that traditionally occupy office space continues to decrease. Second, some of the absorption of Class C space is due to tenants leaving more expensive space for less expensive space. While these two facts may dampen the prospects that the Southern Nevada office market may be two or three quarters away from hitting bottom, they do not eliminate the possibility entirely. Lease activity is definitely on the rise, and the pace

of new office availabilities entering the market has been on the decline since April of 2009.

What we are likely seeing in the third quarter of 2009 is the end to the "shock & awe" of late-2008 and early-2009 and a return to equilibrium between supply and demand. Like small animals after a thunderstorm, businessmen have poked their heads out of their burrows, looked around and determined that it safe to go back to business as usual (or as near to usual as possible). As hopeful as this scenario is, though, it behooves us all to look ahead. High levels of federal spending contributed heavily to GDP in the last two quarters. While the federal government has more money to spend in 2010, the end to Cash for Clunkers and the housing credit, coupled with the reticence of U.S. consumers to spend money on non-essentials and the looming expiration of tax cuts introduced between 2001 and 2003, could make for tough going in 2010. We think Southern Nevada's office market might hit a plateau in 2010, but hesitate to predict declining vacancy rates until we see some improvement in employment growth.

OCCUPANCY VS OFFICE EMPLOYMENT



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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