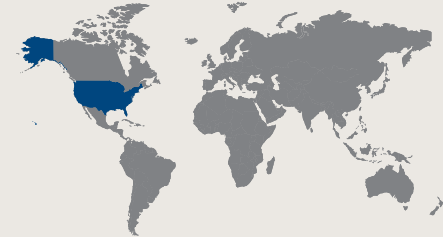
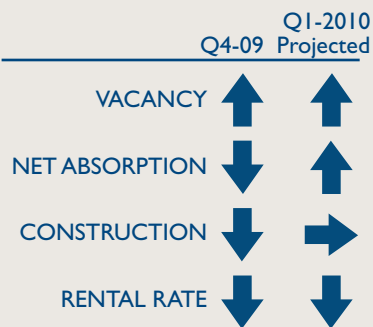


Market Research

OFFICE | FOURTH QUARTER | 2009



MARKET INDICATORS



CLARK COUNTY ECONOMIC DATA

	Oct-09	Oct-08
Unemployment Rate	13.0%	7.7%
Visitor Volume*	3,350,862	3,230,992
Gaming Revenue*	\$774.06M	\$853.51M
Taxable Sales YTD*	\$6.810B	\$8.645B
Residential Permits	357	329
Commercial Permits	20	55
New Home Sales	441	798
Existing Home Sales	4,254	3,140

* SEPTEMBER 2009 / SEPTEMBER 2008



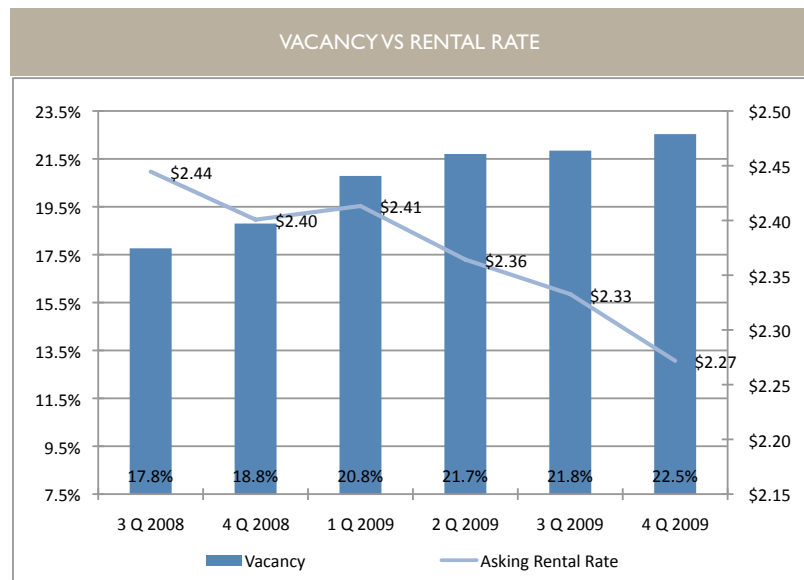
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Office Review

The fourth quarter tends to be weak for Southern Nevada's office market, and the fourth quarter of 2009 was no different. Although office leasing activity continued to rise, returns of space to the market in the fourth quarter of 2009 sent net absorption down to negative 285,218 square feet, a significant decrease from the third quarter's negative 27,155 square feet of net absorption. Net absorption was also down when compared to the fourth quarter of 2008. Vacancy stood at 22.5% this quarter, up 0.7 points from one quarter ago and 3.7 points from one year ago. Asking lease rates continued to slide downward and there were no new completions of office space. On a year-over-year basis, increases in vacancy are getting smaller.

Employment in sectors traditionally associated with office space contracted for the fifth straight quarter. Between November 2008 and November 2009, a total of 6,900 office jobs were lost, with the largest losses experienced by the professional and business services sector. The bright spot of office employment has been the health care and social assistance sector, which added 1,400 jobs between November 2008 and November 2009. Unemployment in the Las Vegas MSA stood at 12.1% as of November 2009, up from 7.8% in 2008. November's unemployment rate represented the second month of declining unemployment based upon the shrinkage of the labor market, rather than on actual job creation.

MARKET SNAPSHOT					
	Q4-09	Q3-09	Q4-08	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	22.5%	21.8%	18.8%	+3.2%	+19.7%
Asking Rent (PSF, FSG)	\$2.27	\$2.33	\$2.40	-2.6%	-5.4%
Net Absorption (SF)	-285,218	-27,155	-22,413	-950.3%	-1172.6%
New Completions (SF)	0	40,000	483,080	-100.0%	-100.0%





"The year 2010 will be one of transition for the office market in Southern Nevada, as the new realities of the business climate gradually assert themselves."

There were no new completions of office space in the fourth quarter of 2009. Trumping last quarter's 40,000 square feet of completions, this is the new "lowest level of new completions" we have seen since we began tracking the office market a decade ago. Forward supply of office space has been on the decline for the past nine quarters, with forward supply peaking in the fourth quarter of 2006 at 7.7 million square feet or approximately 23% of inventory. The lowest forward supply recorded prior to our current economic difficulties was 1.6 million square feet in the first quarter of 2003. Vacancy in projects completed in 2009 stood at 65.9%. It was highest for Class C projects (99%) and lowest in Class B projects (33.2%). For comparison, projects completed in 2006, when the local economy was growing at a fast clip, had a 27.3% vacancy rate at the end of that year.

Forward supply of office space in the Valley stood at 284,265 square feet in the fourth quarter of 2009. This was 18% less forward supply than was registered in the third quarter of 2009 and 84% less forward supply than was registered in the fourth quarter of 2008. Most of this forward supply, 200,000 square feet, is in the Class A category, while the remainder is Class C. All of Southern Nevada's forward supply of speculative office space is located in the Northwest submarket. There is also a build-to-suit Class B project under construction in the Downtown submarket, and the 300,000 square foot build-to-suit that will serve as

OFFICE EMPLOYMENT			
	Nov 2009	Nov 2008	Change
Financial Activities	45,800	46,500	-700
Professional and Business Services	102,100	109,700	-7,600
Health Care and Social Assistance	62,800	61,400	+1,400
Total	210,700	217,600	-6,900

Source: Nevada Department of Employment, Training and Rehabilitation.

the new headquarters for the Las Vegas Metropolitan Police Department is planned to begin construction in the next twelve months. Southern Nevada had approximately 470,000 square feet of office product that had stopped construction and another 2.8 million square feet whose development had either temporarily or indefinitely been put on hold.

Office vacancy in the Las Vegas office market stood at 22.5% in the fourth quarter of 2009. This represented a 0.7 point increase from one quarter ago and a 3.7 point increase from four quarters ago. Year-over-year increases in vacancy have been falling for the past four quarters, a hopeful sign that the office market recession is heading toward recovery. Lease activity has increased since the second half of 2008; gross absorption was 1.47 million square feet this quarter, approximately 400,000 square feet higher than four quarters ago. A total of 365 new office availabilities were introduced to the office market during the fourth quarter of 2009, more than the 278 new lease availabilities introduced in the third quarter of 2009. The highest vacancy rates in Southern Nevada were in the Southwest (31.1%), Airport (25%) and Northwest (24.6%)

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

FOURTH QUARTER TRANSACTIONS

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Tuscano Medical Parc	Oct 2009	170 months	48,074 sf	\$2.64 NNN	Medical Office
Hualapai Pavilion Center	Oct 2009	180 months	11,872 sf	\$3.16 FSG	Medical Office
McCarran Center	Nov 2009	120 months	10,583 sf	\$1.46 NNN	Class C Professional Office
The Arroyo Corporate Center	Oct 2009	54 months	9,000 sf	\$2.88 MG	Class B Professional Office
7135 W Sahara Ave	Oct 2009	60 months	8,806 sf	\$1.85 MG	Medical Office

SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Palm Court	Nov 2009	\$997,310	10,498 sf	\$95.00	Class C Professional Office
Durango Village	Oct 2009	\$341,375	5,556 sf	\$61.44	Class C Professional Office
Sandstone Office Park	Nov 2009	\$525,000	3,700 sf	\$141.89	Medical Office
Durango Village	Nov 2009	\$343,672	2,888 sf	\$119.00	Class C Professional Office

submarkets. The lowest vacancy rates were in the Downtown (11.1%) and West Central (14.6%) submarkets. Class A professional office space still had the highest vacancy rate at 30.3%, while the lowest vacancy rate was in Medical office space at 18.0%. All product types have seen their vacancy rates increase year-over-year, with the largest increase in Class B office and the smallest increase in Medical office.

Over the past year, health services, insurance services, legal services and travel and leisure companies accounted for approximately 44% of new office tenants in Southern Nevada. The large shadow cast by health and insurance companies highlights the importance of the health reform legislation now being considered in Washington D.C. to Southern Nevada's office market. Slightly more than half of the office market's new leases were signed by companies headquartered outside Nevada, with California companies contributing more lease activity than any other state.

The amount of office space that is distressed, i.e. properties that have received a notice of default or are at some stage in the foreclosure process, increased in the fourth quarter of 2009 to 2.5 million square feet. This is up from 2.1 million last quarter and 460,000 square feet at mid-year 2009. Most of these distressed properties are in the Class C category, which became very popular with developers between 2006 and 2007. Over that period, more than 2.7 million square feet of Class C office was completed. Vacancy in newly completed Class C office properties was fairly low in 2006 and 2007, averaging 24%. In 2008, vacancy in newly completed Class C properties jumped to 59%. This year, Class C projects completed in 2009 were 99% vacant in the fourth quarter.

The weighted average asking rental rate decreased this quarter to \$2.27 per square foot (psf) on a full service gross (FSG) basis. This was a decrease of \$0.06 from last quarter and a decrease of \$0.13 from twelve months ago. Asking rents have been on the decline since

OFFICE SALES			
	Q4-09	Q3-09	Q4-08
Owner/User Sales			
Space for Sale (sf)	1,174,703	1,205,325	1,234,264
Average Asking Price/SF	\$194	\$215	\$237
Space Sold (sf)	45,733	57,290	118,864
Average Price/SF	\$131	\$232	\$113
Investment Sales			
Space for Sale (sf)	865,749	872,894	1,564,228
Average Asking Price/SF	\$191	\$235	\$264
Average Cap Rate	9.0%	8.0%	7.3%
Space Sold (sf)	0	61,247	174,595
Average Price/SF	n/a	\$78	\$160
Average Cap Rate	n/a	8.5%	6.9%

the fourth quarter of 2007, which corresponds to the beginning of the current recession. Of those availabilities that were active last quarter, 18% had a reduction in asking rent, by an average of \$0.29 psf, while 3% had an increase in asking rent, by an average of \$0.25 psf. Availabilities that were new to the market this quarter had an average asking rent of \$1.99 psf FSG.

After experiencing a slight increase during the third quarter of 2009, office space available for sublease decreased this quarter to 665,512 square feet. This is down from the high of 908,458 square feet recorded in the fourth quarter of 2008, and the lowest amount in any quarter in 2009. In general, sublease space has been on a plateau in 2009, averaging approximately 680,000 square feet. When one includes vacant sublease space with directly vacant space, the office vacancy rate is 24.1%.

The amount of office space available for sale on an owner/user basis decreased this quarter over last by almost 31,000 square feet to 1,174,703 square feet. Since the fourth quarter of 2008, the amount of owner/user space on the market has actually decreased by almost 60,000 square feet. The average asking price for owner/user space was \$194 psf, a decrease of \$21 psf from last quarter and a decrease of \$43 psf from one year ago. Significant sale

OFFICE DEVELOPMENT PIPELINE					
Project	Type	Submarket	Size	Pre-Leasing	Completion
Tivoli Gardens	Class A	Northwest	200,000	0%	Unknown
Centennial Business Park	Class C	Northwest	43,000	0%	Unknown
The Park at Palisades	Class C	Northwest	42,000	0%	Unknown
Summerlin Centre Office	Class A	Northwest	325,000	0%	Stopped
Manhattan West	Class A	Southwest	74,000	n/a	Stopped
Copper Pointe Business Park (B)	Medical	Southwest	37,000	0%	Stopped
Park at Spanish Ridge (18)	Class B	Southwest	36,000	0%	Stopped



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OFFICE MARKET STATISTICS

FOURTH QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION SF		U/C and 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	644,478	386,526	60.0%	82,637	12.8%	469,163	72.8%	77.3%	29,220	103,696	-	(127,659)	-	\$2.99
B	37	1,840,250	289,867	15.8%	83,830	4.6%	373,697	20.3%	17.7%	(16,523)	(115,255)	-	-	-	\$2.28
C	252	2,658,927	639,376	24.0%	34,103	1.3%	673,479	25.3%	27.5%	61,113	101,286	-	-	-	\$1.87
MED	9	117,194	900	0.8%	0	0.0%	900	0.8%	0.9%	140	26,083	-	-	-	\$1.95
TOTAL	304	5,260,849	1,316,669	25.0%	200,570	3.8%	1,517,239	28.8%	29.6%	73,950	115,810	-	(127,659)	-	\$2.29

DOWNTOWN SUBMARKET

A	4	700,065	40,326	5.8%	11,395	1.6%	51,721	7.4%	10.5%	4,680	4,680	-	-	-	\$3.00
B	21	1,383,829	243,122	17.6%	14,319	1.0%	257,441	18.6%	17.3%	(18,325)	(139,290)	-	15,000	-	\$2.55
C	54	735,142	42,962	5.8%	0	0.0%	42,962	5.8%	6.0%	790	22,837	-	-	-	\$1.55
MED	29	534,762	47,460	8.9%	0	0.0%	47,460	8.9%	9.0%	427	(18,914)	-	-	-	\$2.12
TOTAL	108	3,353,798	373,870	11.1%	25,714	0.8%	399,584	11.9%	12.1%	(12,428)	(130,687)	-	15,000	-	\$2.43

EAST LAS VEGAS SUBMARKET

A	10	1,351,642	194,867	14.4%	81,062	6.0%	275,929	20.4%	18.4%	(32,839)	(127,655)	-	-	-	\$3.58
B	17	1,038,569	285,962	27.5%	1,075	0.1%	287,037	27.6%	28.8%	3,044	(23,775)	-	-	-	\$1.64
C	97	1,905,690	408,302	21.4%	0	0.0%	408,302	21.4%	20.6%	(15,514)	(50,985)	-	-	-	\$1.54
MED	59	1,633,374	299,033	18.3%	1,290	0.1%	300,323	18.4%	18.6%	4,055	(4,971)	-	-	-	\$1.89
TOTAL	183	5,929,275	1,188,164	20.0%	83,427	1.4%	1,271,591	21.4%	21.0%	(41,254)	(207,386)	-	-	-	\$1.99

HENDERSON SUBMARKET

A	11	787,274	273,371	34.7%	4,334	0.6%	277,705	35.3%	37.7%	2,295	(2,271)	-	-	-	\$3.00
B	65	2,183,681	439,649	20.1%	46,642	2.1%	486,291	22.3%	26.1%	92,370	(90,026)	-	-	-	\$2.39
C	149	1,545,316	395,797	25.6%	22,992	1.5%	418,789	27.1%	21.9%	(94,592)	(72,479)	-	-	-	\$1.99
MED	98	1,261,594	267,133	21.2%	7,552	0.0%	274,685	21.8%	26.7%	63,501	(31,016)	-	40,000	-	\$2.46
TOTAL	323	5,777,865	1,375,950	23.8%	81,520	1.4%	1,457,470	25.2%	26.7%	63,574	(195,792)	-	40,000	-	\$2.41

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%	6,800	3.4%	68,498	34.1%	30.7%	-	600	-	-	-	\$2.46
C	74	459,624	104,488	22.7%	1,000	0.2%	105,488	23.0%	26.2%	12,726	(11,688)	-	-	-	\$1.89
MED	13	125,385	9,418	7.5%	0	0.0%	9,418	7.5%	7.5%	-	7,317	-	-	-	\$1.65
TOTAL	95	785,805	175,604	22.3%	7,800	1.0%	183,404	23.3%	24.3%	12,726	(3,771)	-	-	-	\$2.08

NORTHWEST SUBMARKET

A	19	1,509,415	492,419	32.6%	15,658	1.0%	508,077	33.7%	33.1%	(31,674)	(227,265)	-	105,185	-	\$2.46
B	73	2,508,675	716,176	28.5%	56,948	2.3%	773,124	30.8%	24.9%	(150,997)	(197,853)	-	82,225	-	\$2.36
C	214	2,240,146	526,362	23.5%	23,749	1.1%	550,111	24.6%	23.7%	(23,895)	(32,887)	-	-	-	\$2.11
MED	94	2,292,687	370,228	16.1%	3,808	0.2%	374,036	16.3%	15.5%	(20,490)	67,155	-	178,694	-	\$2.49
TOTAL	400	8,550,923	2,105,185	24.6%	100,163	1.2%	2,205,348	25.8%	23.5%	(227,056)	(390,850)	-	366,104	-	\$2.34

SOUTHWEST SUBMARKET

A	3	397,112	265,879	67.0%	0	0.0%	265,879	67.0%	75.9%	33,939	66,610	-	226,140	-	\$3.00
B	56	2,338,223	651,672	27.9%	47,584	2.0%	699,256	29.9%	28.2%	(33,389)	(74,800)	-	146,000	-	\$2.55
C	237	2,592,974	756,497	29.6%	84,886	3.3%	841,383	32.9%	28.1%	(112,651)	(15,051)	-	164,586	-	\$2.11
MED	91	1,206,395	350,872	29.1%	10,662	0.9%	361,534	30.0%	33.0%	35,975	63,692	-	-	-	\$2.40
TOTAL	387	6,501,704	2,024,920	31.1%	143,132	2.2%	2,168,052	33.3%	32.0%	(76,126)	40,451	-	536,726	-	\$2.42

WEST CENTRAL SUBMARKET

A	2	227,624	47,441	20.8%	0	0.0%	47,441	20.8%	21.8%	2,174	(696)	-	-	-	\$2.27
B	44	1,462,137	126,129	8.6%	0	0.0%	126,129	8.6%	8.2%	(6,745)	3,685	-	-	-	\$2.07
C	169	2,749,956	500,276	18.2%	20,953	0.8%	521,229	19.0%	16.1%	(80,099)	(75,657)	-	-	-	\$1.69
MED	60	775,745	89,351	11.5%	2,233	0.3%	91,584	11.8%	12.6%	6,066	(25,914)	-	-	-	\$1.94
TOTAL	275	5,215,462	763,197	14.6%	23,186	0.4%	786,383	15.1%	13.6%	(78,604)	(98,582)	-	-	-	\$1.82

MARKET TOTAL

A	55	5,617,610	1,700,829	30.3%	195,086	3.5%	1,895,915	33.7%	35.0%	7,795	(182,901)	-	203,666	-	\$2.89
B	321	12,956,160	2,814,275	21.7%	257,198	2.0%	3,071,473	23.7%	22.4%	(130,565)	(636,714)	-	243,225	-	\$2.33
C	1,246	14,854,775	3,374,060	22.7%	187,683	1.3%	3,561,743	24.0%	22.3%	(252,122)	(134,624)	-	164,586	-	\$1.91
MED	453	7,947,136	1,434,395	18.0%	25,545	0.3%	1,459,940	18.4%	19.5%	89,674	83,432	-	218,694	-	\$2.28
TOTAL	2,075	41,375,681	9,323,559	22.5%	665,512	1.6%	9,989,071	24.1%	23.5%	(285,218)	(870,807)	-	830,171	-	\$2.27

QUARTERLY COMPARISON AND TOTALS

Q4-09	2,075	41,375,681	9,323,559	22.5%	665,512	1.6%	9,989,071	24.1%	23.5%	(285,218)	(870,807)	0	830,171	-	\$2.27
Q3-09	2,066	41,375,681	9,038,341	21.8%	698,474	1.7%	9,736,815	23.5%	23.3%	(27,153)	(585,589)	40,000	830,171	-	\$2.33
Q2-09	2,054	41,335,681	8,971,188	21.7%	650,913	1.6%	9,622,101	23.3%	22.3%	(264,718)	(558,436)	143,481	790,171	324,364	\$2.36
Q1-09	2,031	41,192,200	8,562,989	20.8%	631,329	1.5%	9,194,318	22.3%	20.9%	(293,718)	(293,718)	646,690	646,690	610,750	\$2.41
Q4-08	1,995	40,545,510	7,622,581	18.8%	869,719	2.1%	8,492,300	20.9%	19.8%	(22,413)	(941,620)	483,080	1,993,546	1,449,840	\$2.40

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.

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.

Although there were two more office owner/user sales this quarter than last, the amount of space sold decreased slightly to 45,733 square feet. The average sales price was \$131 psf. One year ago, 118,846 square feet of office product sold on an owner/user basis at an average sales price of \$113 psf.

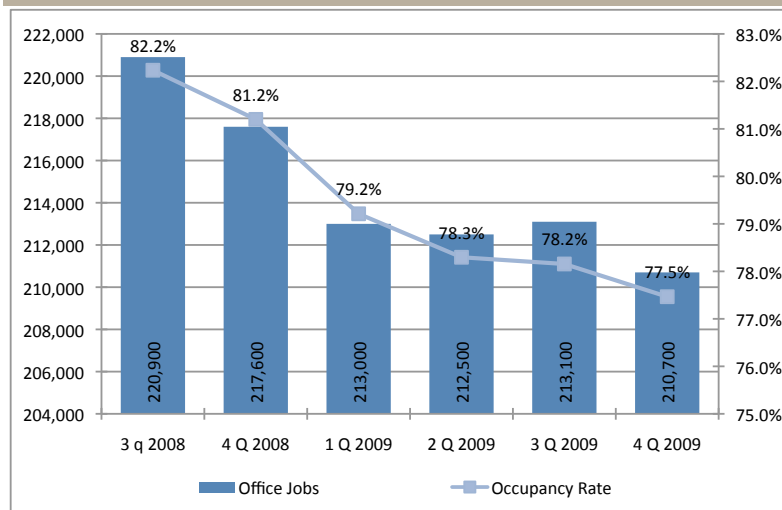
Properties available for sale on an investment basis decreased to 865,749 square feet from last quarter's 872,894 square feet. This decrease must be explained by owners simply pulling their properties off the market, given the dearth of investment sales comps. The average asking price for investment sales was \$191 psf, a \$44 decrease from one quarter ago and a \$73 decrease from one year ago. There were no known arm's length investment sales this quarter, although Crescent Real Estate Equities, whose portfolio includes Hughes Center in Las Vegas, was purchased by a joint venture between Barclays Capital and Goff Financial. A total of 131,522 square feet of investment sales took place in 2009. The average cap rate stood at 8.5% in the third quarter of 2009, the last quarter for which we have data.

As of the fourth quarter of 2009, elements of Southern Nevada's office market have been in recession for approximately three years. 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. Three years into the office recession, there is some good news to report. Development of office space has fallen to a trickle, giving the market time to absorb its 10 million square feet of vacant office space. Gross absorption was 1.46 million square feet this quarter, rebounding significantly from the low of 789,000 square feet recorded in the first quarter of 2009. Three submarkets experienced a decline in vacancy this quarter over last, as did two product types, Class A and Medical. Overall, increases in vacancy have declined on a year-over-year basis for the past four quarters, suggesting that the office market will hit bottom at some point in the next twelve months. The Small Business and Entrepreneurship Council has placed Nevada as the second best state in which to do business in their 2009 Small Business Survival Index.

The year 2010 will be one of transition for the office market in Southern Nevada, as the new realities of the business climate gradually assert themselves. The days of construction dominating both the Las Vegas skyline and its employment numbers are over for the time being. Development will be light throughout 2010 and into 2011. Asking rents and prices will continue to be depressed by high vacancy rates, forcing some landlords out of the game and others to be creative in their concessions. While the office market may hit bottom in 2010, recovery after hitting bottom will remain slow until sustained employment growth is achieved.

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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