

OFFICE MARKET REPORT

FOURTH
QUARTER
2006

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



UP

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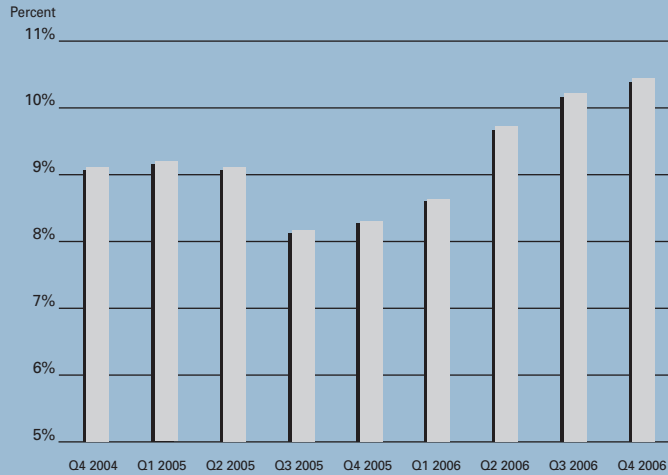
MARKET HIGHLIGHTS

- ◆ During 2006, the Las Vegas employment market expanded by approximately 44,200 new positions, representing an annual growth rate of 4.9 percent. Office-using employment posted above-average growth of 6.6 percent, with professional and business services reporting a 10.6-percent increase. Office-related positions represented nearly one out of every two jobs created during the past year.
- ◆ As of year-end, unemployment levels in Las Vegas remained relatively low at 4.0 percent, which was up slightly from 3.7 percent reported one year ago. The jobless rate remains below the 4.5-percent national average reported during the same period.
- ◆ The Las Vegas office market continued its expansion with 1.1 million square feet of space completing construction during the fourth quarter, and a record-setting 3.7 million square feet coming on-line during 2006. Recent expansion levels reflect favorable conditions present 12 to 24 months ago.
- ◆ During the fourth quarter, the market demanded (or absorbed) 873,000 square feet, representing 34 percent of the 2.5 million square feet demanded during all of 2006. This resulted in a year- ending vacancy rate of 10.5 percent. The market reported rising vacancies in five consecutive quarters. It now stands at 10.5 percent, 2.3 points above the low of 8.2 reported during 2005.
- ◆ With 41.0 million square feet of inventory, the market is expected to expand by another 10 percent during the next 12 to 18 months as 4.2 million square feet of space remains under construction. Another 7.4 million square feet of additional space is in varying stages of planning. Forward-looking supply will likely press vacancy rates to the 12 percent range by the close of 2007.

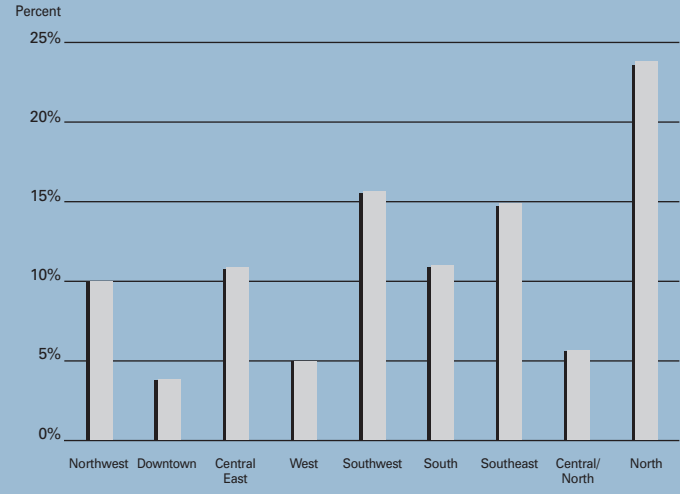
OFFICE MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Under Construction	4,182,000	5,009,000	1,844,000	-16.51%
Planned Construction	7,385,000	4,989,000	6,757,000	48.03%
Vacancy	10.5%	8.4%	9.1%	25.00%
Net Absorption	2,550,000	3,161,000	2,350,000	-19.33%

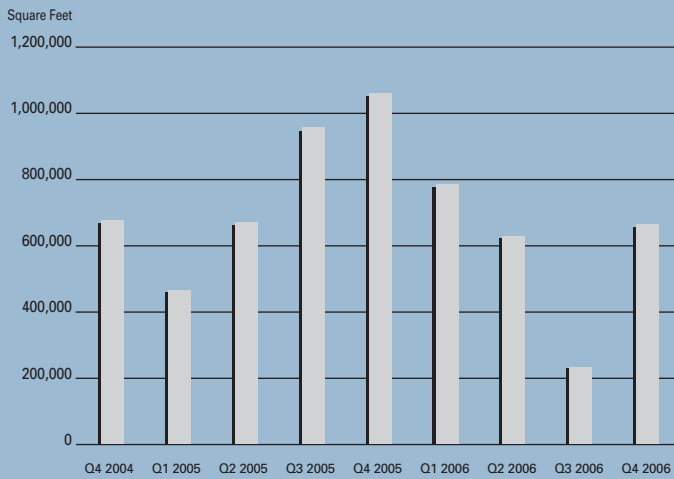
HISTORICAL VACANCY RATE



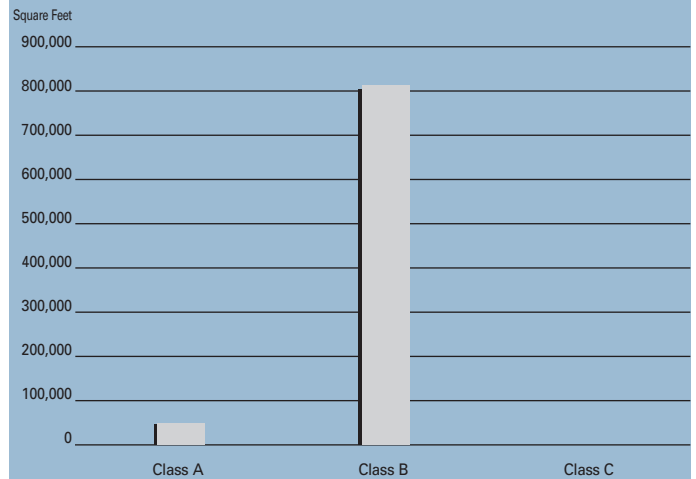
VACANCY RATE BY SUBMARKET



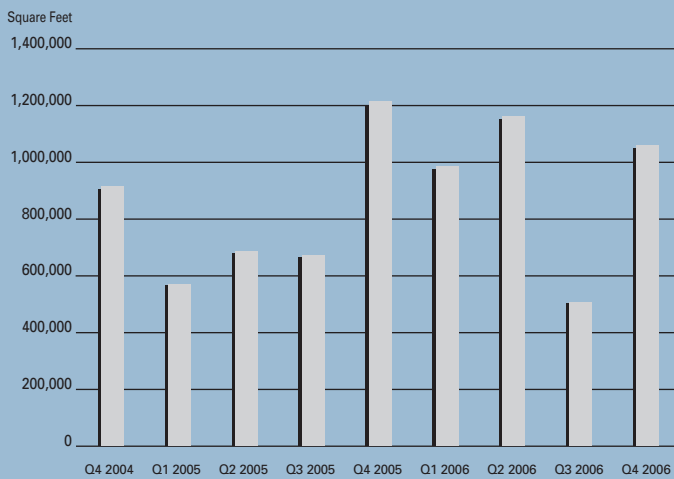
HISTORICAL NET ABSORPTION



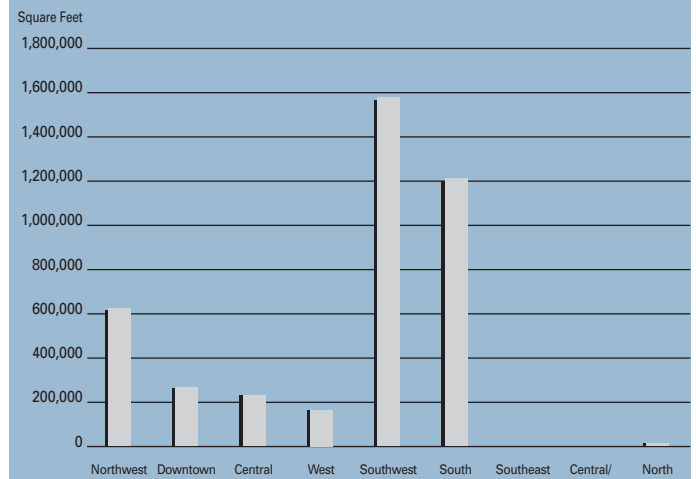
NET ABSORPTION BY CLASS



HISTORICAL NEW CONSTRUCTION



CONSTRUCTION ACTIVITY BY SUBMARKET

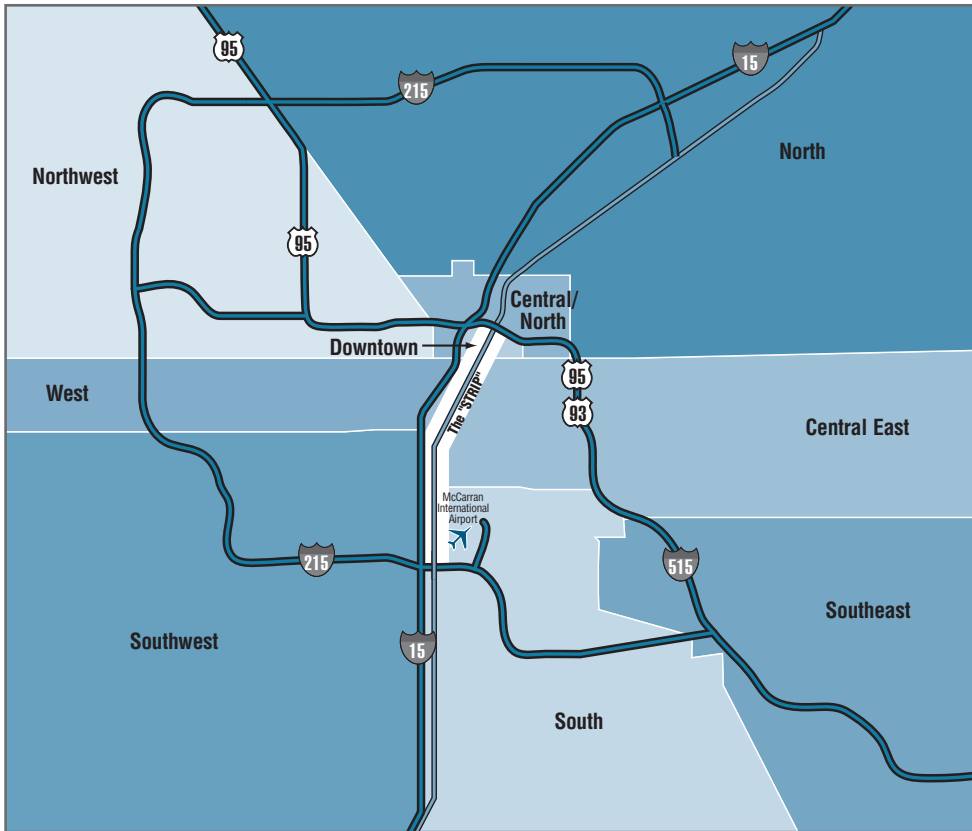


L A S V E G A S M A R K E T

	INVENTORY				VACANCY		ABSORPTION	
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Net Absorption 4Q2006	New Inventory 4Q2006
Northwest								
Class A	20	1,533,609	202,600	108,028	148,340	9.7%	35,429	0
Class B	199	4,853,063	441,518	746,504	494,196	10.2%	30,295	14,172
Class C	7	133,131	0	0	7,276	5.5%	(3,928)	0
Northwest Total	226	6,519,803	644,118	854,532	649,812	10.0%	61,796	14,172
Downtown								
Class A	8	1,494,087	285,000	0	2,918	0.2%	7,425	0
Class B	38	1,049,568	30,000	25,700	96,298	9.2%	539	0
Class C	23	597,598	0	0	15,915	2.7%	0	0
Downtown Total	69	3,141,253	315,000	25,700	115,131	3.7%	7,964	0
Central East								
Class A	12	1,252,434	239,198	39,963	22,773	1.8%	(3,541)	0
Class B	112	4,130,390	0	263,200	505,317	12.2%	(8,626)	0
Class C	51	1,336,249	0	0	203,648	15.2%	3,631	0
Central East Total	175	6,719,073	239,198	303,163	731,738	10.9%	(8,536)	0
West								
Class A	6	707,467	0	130,000	14,000	2.0%	(11,467)	0
Class B	225	4,895,940	167,344	584,000	248,376	5.1%	112,061	53,130
Class C	36	644,465	0	0	53,773	8.3%	917	0
West Total	267	6,247,872	167,344	714,000	316,149	5.1%	101,511	53,130
Southwest								
Class A	11	536,795	406,091	678,400	60,000	11.2%	35,000	70,000
Class B	224	4,828,955	1,175,918	1,403,184	836,079	17.3%	268,178	497,701
Class C	19	325,077	0	0	15,490	4.8%	(2,550)	0
Southwest Total	254	5,690,827	1,582,009	2,081,584	911,569	16.0%	300,628	567,701
South								
Class A	17	1,136,782	517,815	1,271,280	96,330	8.5%	(13,534)	0
Class B	353	6,885,244	687,855	996,233	830,327	12.1%	156,241	59,040
Class C	18	144,712	0	0	6,780	4.7%	322	0
South Total	388	8,166,738	1,205,670	2,267,513	933,437	11.4%	143,029	59,040
Southeast								
Class A	2	181,989	0	347,881	5,362	2.9%	0	0
Class B	90	1,559,968	0	353,813	255,886	16.4%	39,323	18,452
Class C	10	91,340	0	0	13,439	14.7%	0	0
Southeast Total	102	1,833,297	0	701,694	274,687	15.0%	39,323	18,452
Central/North								
Class A	1	220,000	0	0	0	0.0%	0	0
Class B	23	876,290	0	0	49,151	5.6%	110,631	102,000
Class C	9	368,055	0	0	37,154	10.1%	(3,540)	0
Central/North Total	33	1,464,345	0	0	86,305	5.9%	107,091	102,000
North								
Class A	1	45,376	0	54,419	17,182	37.9%	2,454	0
Class B	65	1,083,768	28,212	382,674	217,487	20.1%	110,663	262,439
Class C	5	91,616	0	0	55,897	61.0%	6,926	0
North Total	71	1,220,760	28,212	437,093	290,566	23.8%	120,043	262,439
Las Vegas Total								
Class A	78	7,108,539	1,650,704	2,629,971	366,905	5.2%	51,766	70,000
Class B	1,329	30,163,186	2,530,847	4,755,308	3,533,117	11.7%	819,305	1,006,934
Class C	178	3,732,243	0	0	409,372	11.0%	1,778	0
Total	1,585	41,003,968	4,181,551	7,385,279	4,309,394	10.5%	872,849	1,076,934

OFFICE MARKET
REPORT

FOURTH QUARTER 2006



PRODUCT TYPE

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. 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 users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

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