LAS VEGAS VALLEY

The OFFICE MARKET

Q2 2003

Office vacancy only increased by 0.1% in Quarter 2, 2003 to 13.5%, possibly indicating that it has peaked. The average asking rent for office space increased to $1.85 psf[1]*, also a good sign for the office market as a whole. Employment growth was slow this quarter, with 100 jobs added to the financial and professional services sectors. The level of new completions increased to 346,000 sf from 235,000 sf. Absorption also increased to 274,000 sf, but not enough to match new completions. Most of this absorption increase was due to Class C space, which rebounded significantly from its weak performance last quarter.*

Q to Q Comparison

Trend	Q2	Q1
Vacancy	13.5%	13.4%
Rents	$1.85	$1.83
Absorption	273,000 sf	146,000 sf
Completions	346,000 sf	235,000 sf

Vacancy & Rents

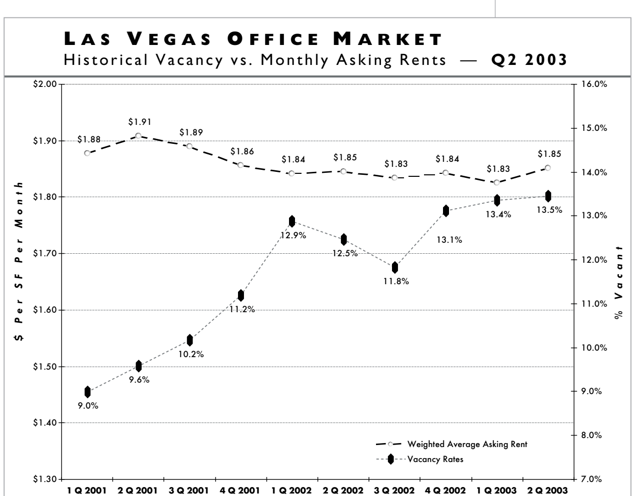
Although the average asking rent for office space increased in Quarter 2 to $1.85 psf, it remained within the $1.83 to $1.86 psf range that has persisted for seven quarters now, beginning in Quarter 4, 2001. It was only $0.06 lower than the $1.91 psf recorded in Quarter 2, 2001, when vacancy in the Las Vegas office market began its upward trend. Much of the stability was due to Class C office. Asking rents increased for both Class A and Class B space, and declined for Medical space.

It may or may not be significant that Class A and B space experienced an increase in vacancy this quarter, while Class C and Medical space saw vacancy decline. It is possible that certain segments of the Las Vegas office market are beginning to recover, but that demand is not yet strong enough to send asking rents higher.

Overall, office vacancy stayed relatively level at 13.5% this quarter. Vacancy rose in East Las Vegas, Henderson, North Las Vegas and the Southwest, while declining in the Airport, Downtown, Northwest and West Central submarkets. This performance was due in part to modest levels of new construction. Performance in East Las Vegas was universally poor, with all product types experiencing negative net absorption this quarter with no new completions. The Northwest's performance was strong, with the highest level of new completions in the Valley this quarter at 155,000 sf.

Supply

A total of 346,000 sf was completed in Quarter 2, up from 235,000 sf last quarter. This new space was found in all product types. Class A had 71,000 sf of completions, Class B 107,000 sf, Class C 119,000 sf and Medical 49,000 sf. Once again, the amount of completions was more than the market could absorb, resulting in the vacancy rising to 13.5%.



Although the Southwest had only a modest level of new completions (33,000 sf), it experienced a significant increase in vacancy, from 14.3% to 19%. Negative net absorption was recorded in the Southwest for both Class B and Class C space. Increases in submarket vacancies did not seem to correspond with low asking rents, nor did vacancy declines correspond with high asking rents. Additionally, the strong performance of Class C space was not a determinant of submarket performance. East Las Vegas, which holds 24% of the Valley's Class C office space, witnessed a weak overall performance. The Airport and Downtown submarkets, containing 12% and 9% of the Valley's Class C space, respectively, were among the strongest submarkets this quarter. They had a combined 53,000 sf of absorption compared to a combined -116,000 last quarter.

1 This is a FSG equivalent weighted average in which rates quoted as NNN are modified by adding $0.50, while rates quoted as MG are modified by adding $0.25.

Las Vegas Valley

The Office Market Matrix

Q2 2003

	Airport	Downtown	East L.V.	Henderson	North L.V.	Northwest	Southwest	West Central	Total
PROFESSIONAL CLASS B									
Number of Existing Properties	27	16	17	26	0	44	12	37	179
Total Rentable Square Feet	1,358,437	1,192,098	1,039,800	1,113,130	0	1,865,898	308,773	1,521,215	8,399,351
Direct Vacant Square Feet	127,275	405,723	147,368	217,953	0	233,916	45,338	200,241	1,377,814
Total Vacant Square Feet	141,043	405,723	152,868	217,953	0	263,297	45,338	228,068	1,454,290
Total Available Square Feet	234,064	405,723	155,214	217,953	0	263,297	45,338	229,963	1,551,552
Percent Direct Vacant	9.4%	34.0%	14.2%	19.6%	N/A	12.5%	14.7%	13.2%	16.4%
Percent Total Vacant	10.4%	34.0%	14.7%	19.6%	N/A	14.1%	14.7%	15.0%	17.3%
Percent Total Available	17.2%	34.0%	14.9%	19.6%	N/A	14.1%	14.7%	15.1%	18.5%
Percent Direct Vacant Q1	*12.7%*	*31.9%*	*11.1%*	*22.1%*	*N/A*	*10.2%*	*3.8%*	*13.6%*	*15.8%*
Completions QTD	48,141	0	0	0	0	58,950	0	0	107,091
Completions YTD	48,141	0	0	114,000	0	82,195	0	0	244,336
Vacant Square Feet, Q1 03	165,802	380,699	115,477	245,729	0	184,838	11,881	206,926	1,311,352
Direct Net Absorption QTD	86,668	-25,024	-31,891	27,776	0	9,872	-33,457	6,685	40,629
Direct Net Absorption YTD	33,462	2,402	-13,711	59,676	0	16,033	-5,872	13,473	105,463
Total Net Absorption QTD	86,668	-25,024	-28,257	30,350	0	34,609	-33,457	-11,919	52,970
Total Net Absorption YTD	25,448	2,402	-6,837	62,250	0	38,346	-5,872	-6,794	108,943
Average Asking Rent	$1.89	$1.60	$1.73	$2.24	N/A	$2.01	$2.16	$1.89	$1.87
Sq. Ft. Currently Under Construction	0	0	0	180,000	0	0	0	0	180,000
Sq. Ft. Currently Planned	171,600	0	39,963	113,500	0	227,383	140,949	0	693,395
PROFESSIONAL CLASS C									
Number of Existing Properties	86	55	89	47	8	124	58	92	559
Total Rentable Square Feet	1,099,054	767,327	2,055,286	649,508	98,150	1,365,512	876,885	1,972,871	8,884,593
Direct Vacant Square Feet	258,223	94,776	267,433	140,191	16,001	118,630	164,026	272,453	1,331,733
Total Vacant Square Feet	260,713	100,325	333,290	143,616	16,001	127,979	167,835	279,061	1,428,820
Total Available Square Feet	260,713	100,325	384,881	143,616	16,001	131,979	167,835	280,511	1,485,861
Percent Direct Vacant	23.5%	12.4%	13.0%	21.6%	16.3%	8.7%	18.7%	13.8%	15.0%
Percent Total Vacant	23.7%	13.1%	16.2%	22.1%	16.3%	9.4%	19.1%	14.1%	16.1%
Percent Total Available	23.7%	13.1%	18.7%	22.1%	16.3%	9.7%	19.1%	14.2%	16.7%
Percent Direct Vacant Q1	*25.1%*	*15.9%*	*12.9%*	*24.1%*	*10.0%*	*11.2%*	*16.8%*	*13.1%*	*15.6%*
Completions QTD	0	9,719	0	12,000	16,914	80,000	0	0	118,633
Completions YTD	91,506	9,719	6,500	12,000	16,914	80,000	0	0	216,639
Vacant Square Feet, Q1 03	276,285	120,226	265,291	140,708	8,087	144,256	147,110	264,078	1,366,041
Direct Net Absorption QTD	18,062	35,169	-2,142	12,517	9,000	105,626	-16,916	-8,375	152,941
Direct Net Absorption YTD	-61,547	-1,020	11,560	21,139	11,050	105,351	20,490	3,516	110,539
Total Net Absorption QTD	18,062	35,169	-79	11,326	9,000	109,021	-16,916	-8,375	157,208
Total Net Absorption YTD	-61,547	-1,020	-48,964	17,714	11,050	96,842	20,490	4,804	39,369
Average Asking Rent	$1.83	$1.43	$1.55	$1.96	$1.87	$1.94	$1.74	$1.75	$1.74
Sq. Ft. Currently Under Construction	8,505	0	0	0	12,000	0	0	52,800	73,305
Sq. Ft. Currently Planned	205,023	75,000	0	14,000	23,686	152,450	445,000	95,888	1,011,047

Note: All asking rents are quoted in FSG equivalents.
See glossary for vacant/available square feet definitions.