

REDEVELOPMENT AREA TREND ANALYSIS

February 2009

PREPARED FOR THE:



CITY OF LAS VEGAS
REDEVELOPMENT AGENCY

PREPARED BY:



www.rcg1.com



February 18, 2009

Ms. Elizabeth N. Fretwell
Executive Director of the Redevelopment Agency
City of Las Vegas
400 Stewart Ave., 8th Floor
Las Vegas, NV 89101

Re: Redevelopment Area Trend Analysis

Dear Ms. Fretwell:

Restrepo Consulting Group LLC ("RCG") is pleased to submit this report to the City of Las Vegas/Redevelopment Agency ("the City") that provides an analysis of economic, demographic and real estate trends in the Las Vegas Redevelopment Area ("RDA") and the Las Vegas Valley ("the Valley").

The report analyzes current and anticipated trends in the RDA and the Valley, and discusses a variety of fundamental market and economic indicators driving the RDA and Valley's economies and development activity.

This report is comprised of the following components:

- I. Historical Trends Analysis
- II. 2009 Forecast

Standard Assumptions

This work scope was performed according to the "*Standard Assumptions & Limiting Conditions*" detailed in the attachment to this letter.

Use & Nature of Report & Methodologies

The distribution of the report is limited to the City. If the City intends to reproduce and distribute the report, it must be reproduced in its entirety. If it intends to include the report in a document used for the offering of securities, the City agrees: (1) to provide RCG with a representation letter; (2) that legal counsel will have advised it before the offering is made; (3) that the offering document complies with all applicable local (Clark County, City of Las Vegas jurisdictions and regional agencies), State of Nevada and federal legal requirements; and (4) that no reference will be made to our name in any promotional or offering materials without first furnishing us a draft of the materials and then obtaining our written consent.

The results of RCG's services under this engagement are the property of the City. Copies of all documents including writings and computer or machine-readable data, which describe or relate to the services performed pursuant to this consulting assignment, or the results thereof, are the property of the City and will be provided upon request. However, the City will not provide RCG's Inventions and Works to any third party or use the same for the benefit of any third party, except with the prior written consent of RCG.

The report is in the form of an Executive Summary, along with appropriate tables, graphs and maps. RCG is not responsible for statements or interpretations made by the City relating to the report.

Ms. Elizabeth N. Fretwell
February 18, 2009
Page 2

If you have any questions, please contact John Restrepo at 702-967-3188. Thank you for giving us the opportunity to assist you on this assignment.

Regards,

A handwritten signature in blue ink that reads "Restrepo Consulting Group LLC". The signature is written in a cursive, flowing style.

Restrepo Consulting Group, LLC

Attachment

**APPENDIX
STANDARD ASSUMPTIONS & LIMITING CONDITIONS**

1. Restrepo Consulting Group LLC (“RCG”) prepared, from third-party information collected by RCG, as well as our internal econometric models and databases, this trend analysis for the RDA and the Valley.
2. The City is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the analyses’ results.
3. The results of RCG’s analyses apply only to the effective date of our quarterly reports. The success of the City’s plans will be affected by many related and unrelated economic conditions within a local, regional, national and/or world context. We assume no liability for an unforeseen change in the economy. Accordingly, we have no responsibility to update our report for events and circumstances occurring after the date of our reports.
4. If our quarterly reports are reproduced by the City, they must be reproduced in their entirety and show RCG as the source, including RCG’s website – www.rcg1.com.
5. RCG will make no representation or warranty as to the accuracy or completeness of the third party information contained in our report, and shall have no liability for any representations (expressed or implied) contained in, or for any omissions from, our materials.
6. The working papers for this consulting assignment will be retained in RCG’s files and will be made available for your reference. We will be available to support the analyses, as required.
7. Any and all maps, charts or photographs that are incorporated into our reports are for illustrative purposes only, but are not guaranteed to be exact. Dimensions and descriptions are based on public records and/or information furnished by others and are not meant to be used as a reference in legal matters of survey.
8. The City’s business planning decisions are assumed to be implemented by competent management and are in responsible hands.
9. We did not perform an audit, review or examination or any other attest function (as defined by the AICPA) regarding any of the third-party historical market, gaming financial benchmarks or demographic information used or included in the report; therefore, RCG does not express any opinion or any other form of assurance with regard to the same, in the context of our reports.

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SECTION I

HISTORICAL TRENDS ANALYSIS

I. HISTORICAL TRENDS ANALYSIS

A. INTRODUCTION AND METHODOLOGY

This report has been prepared by Restrepo Consulting Group LLC (“RCG”) at the request of the City of Las Vegas (“the City”) to describe and analyze historical (2005-2008) and future (2009) economic, demographic and real estate trends in the Las Vegas Redevelopment Area (“RDA” or “Downtown”) and the Las Vegas Valley (“the Valley”). We have segmented the report into two sections as described below. The report is an overview of general economic and development trends. It is not meant to be an exhaustive analysis of detailed supply-demand, gaming revenue or real estate pricing patterns in the RDA and the Valley.

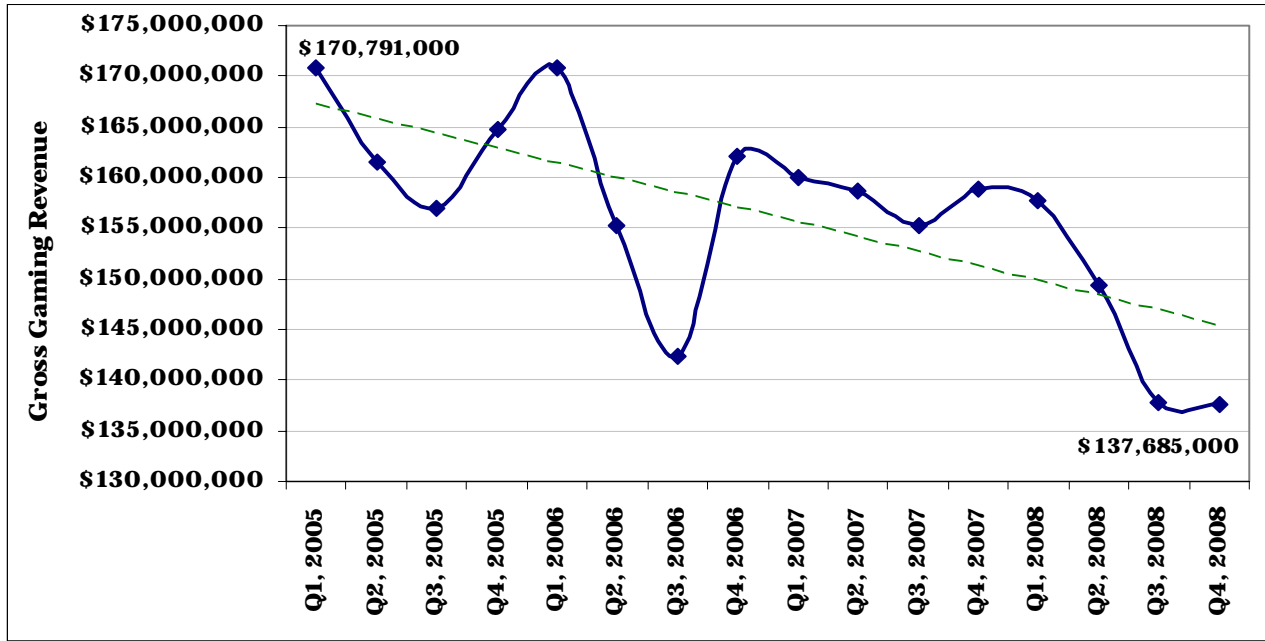
Section 1 of the report provides a historical context and analysis of these trends. This section includes a variety of fundamental market and economic indicators driving the RDA and Valley’s economies and development activity. The analysis herein is largely based on data currently provided by RCG to the City in a time series (4 years/16 quarters) of quarterly factsheets. Specifically, the trend data in this report are based on the information included in the *Quarterly Fact Sheets* produced by RCG for the RDA from Q1, 2005 through Q4, 2008, which include:

- Market data for the entire RDA area with the focus being on the Downtown
- Trends for Residential, Office, Retail and Industrial submarkets
- Residential information relative to the fiscal health of the RDA
- Gaming and other public and private revenues for the RDA downtown area

B. GAMING AND TOURISM TRENDS

Downtown Trends

CHART I-1: DOWNTOWN HISTORICAL GROSS GAMING REVENUES, BY QUARTER

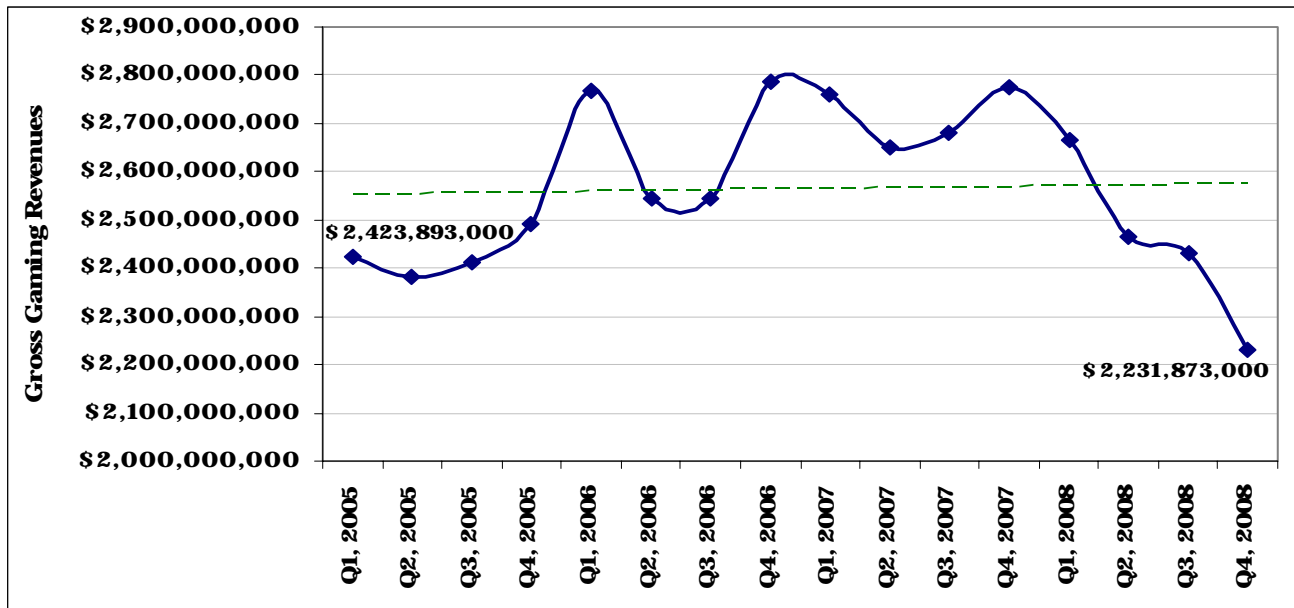


Source: LVCVA.

- Downtown’s gross gaming revenues were declining by 1.3 percent per quarter between Q1, 2005 and Q4, 2008 (“study period”).
- In Q4, 2008, Downtown’s gaming revenues totaled \$137,685,000, which represented the fourth quarter in a row in which gaming revenues declined.
- Downtown’s gaming revenues as a percent of Clark County revenues declined from 7 percent in Q1, 2005 to 6.2 percent in Q4, 2008.

Clark County Trends

CHART I-2: CLARK COUNTY HISTORICAL GROSS GAMING REVENUES, BY QUARTER

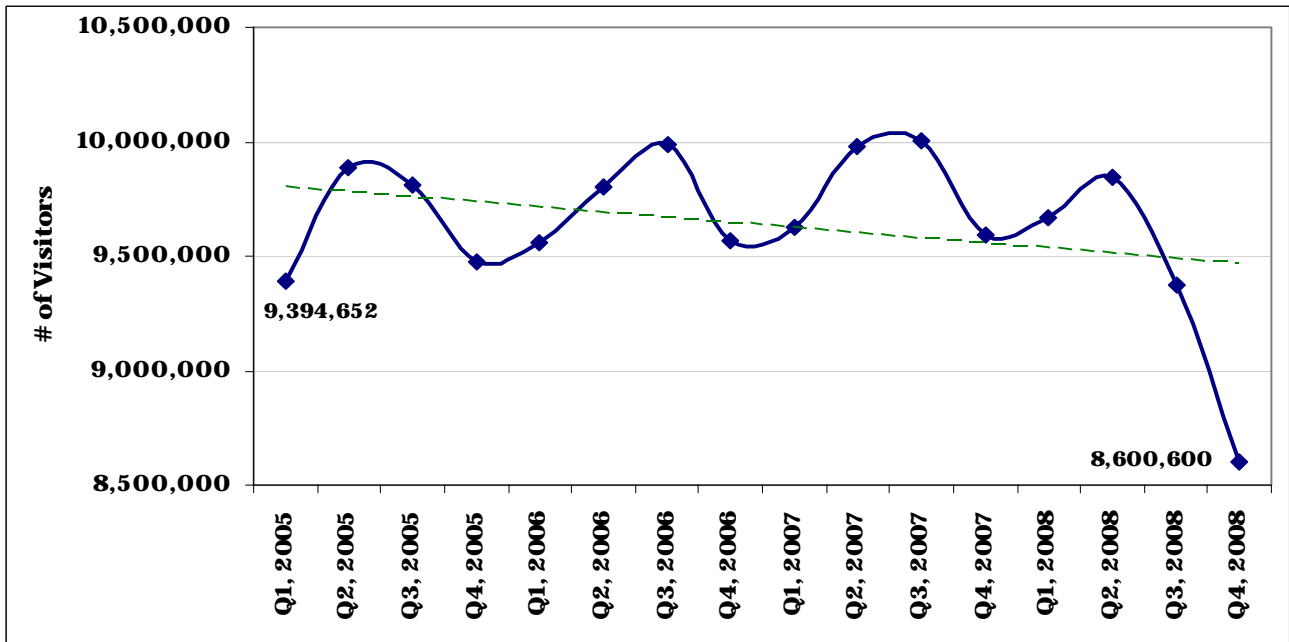


Source: LVCVA.

- Clark County’s gross gaming revenues declined slightly by 0.5 percent per quarter during the study period.
- In Q4, 2008, Clark County’s gaming revenues totaled \$2,231,873,000, which represented the fourth quarter in a row in which gaming revenues decreased.
- On an annual basis, Clark County’s gross gaming revenues in 2008 were approximately 9.9 percent lower than 2007 gaming revenues.
- Gaming revenues, county-wide, saw an upward trend starting in Q1, 2005, reached a peak of \$2,775,999,000 in Q4, 2007, and has since dropped significantly.

Las Vegas Visitation Trends

CHART I-3: LAS VEGAS HISTORICAL VISITATION TRENDS, BY QUARTER

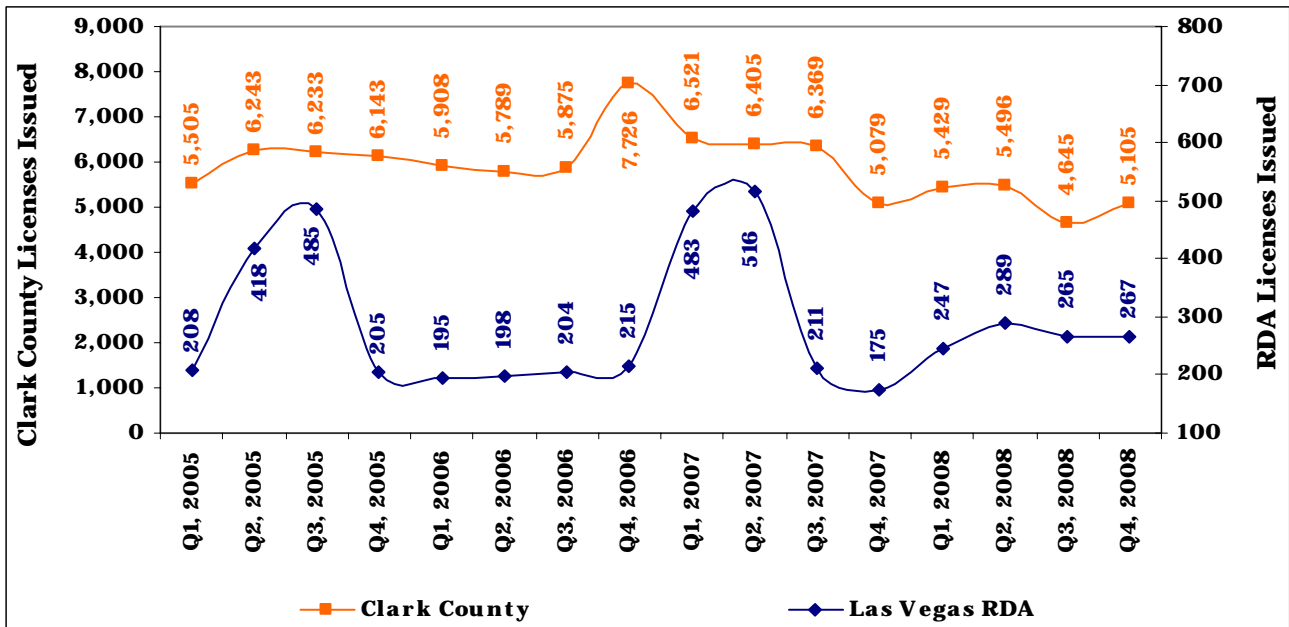


Source: LVCVA.

- During the study period, Las Vegas visitor volume declined by 0.6 percent per quarter, from 9,394,652 in Q1, 2005 to 8,600,600 in Q4, 2008.
- Visitation to Las Vegas in 2008 was down 4.4 percent when compared to 2007.

C. BUSINESS LICENSE ACTIVITY

CHART I-4: RDA AND CLARK COUNTY BUSINESS LICENSES ISSUED, BY QUARTER



Source: Various local jurisdictions.

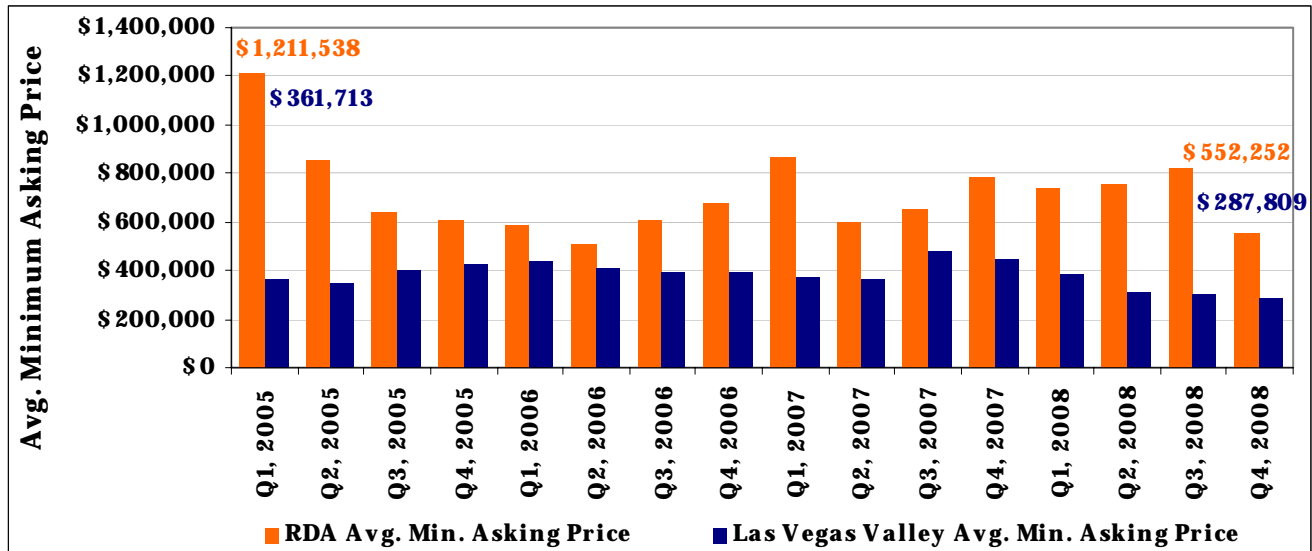
- Licenses issued for the RDA rose from 208 in Q1, 2005 to 267 in Q4, 2008. During the same period, Clark County’s licenses issued decreased from 5,505 in Q1, 2005 to 5,105 in Q4, 2008.
- Total active licenses in the RDA dropped slightly by 0.5 percent, from 6,007 in Q1, 2005 to 5,979 in Q4, 2008. Over the same period, total active licenses in Clark County jumped by 10.9 percent, from 108,578 in Q1, 2005 to 120,405 in Q4, 2008.

D. RESIDENTIAL TRENDS

New For-Sale Housing

Average Minimum Asking Price

CHART I-5: RDA AND LAS VEGAS VALLEY AVERAGE MINIMUM ASKING PRICE, BY QUARTER

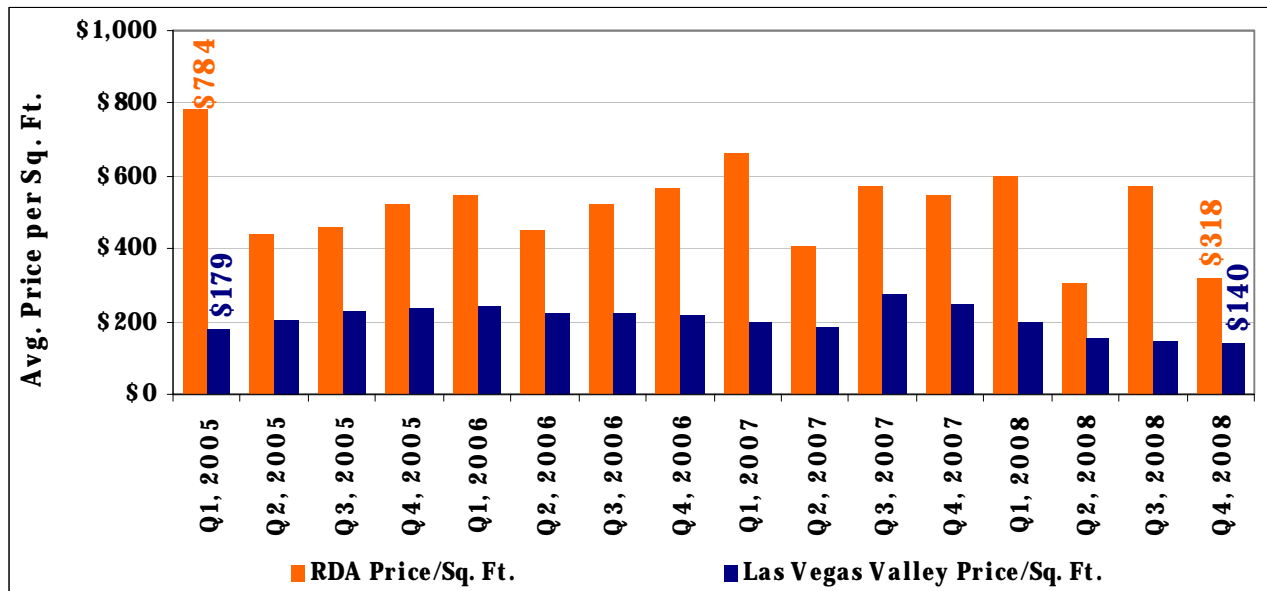


Source: Hanley Wood Market Intelligence. RCG.

- Downtown has not gone untouched by the economic recession that Southern Nevada and the nation are experiencing. During the study period, the RDA’s average minimum asking price for new housing declined by 4.8 percent per quarter, from \$1,211,538 in Q1, 2005 to \$552,252 in Q4, 2008. The significant decline seen in RDA prices during the last 4 years is principally due to the economic recession, the high rise nature of the residential projects built Downtown and the “froth” resulting from the over-hyped depth of the luxury high rise market in the Valley during the period.
- According to Hanley Wood Market Intelligence (“HWI”), as of 12/31/2008, minimum asking prices for Downtown high-rise projects ranged from \$350,000 (Newport Lofts) to \$779,000 (Streamline Tower) for regular units and from \$1,025,890 (Allure) to \$5,176,000 (Soho Lofts) for penthouses.
- The Valley’s average minimum asking price dropped by 1.4 percent per quarter, from \$361,713 in Q1, 2005 to \$287,809 in Q4, 2008. Unlike Downtown, most of the housing built around the Valley during the period was more traditional low rise single and multifamily units.

Average Price per Square Foot

CHART I-6: RDA AND LAS VEGAS VALLEY AVERAGE PRICE PER SQ. FT., BY QUARTER

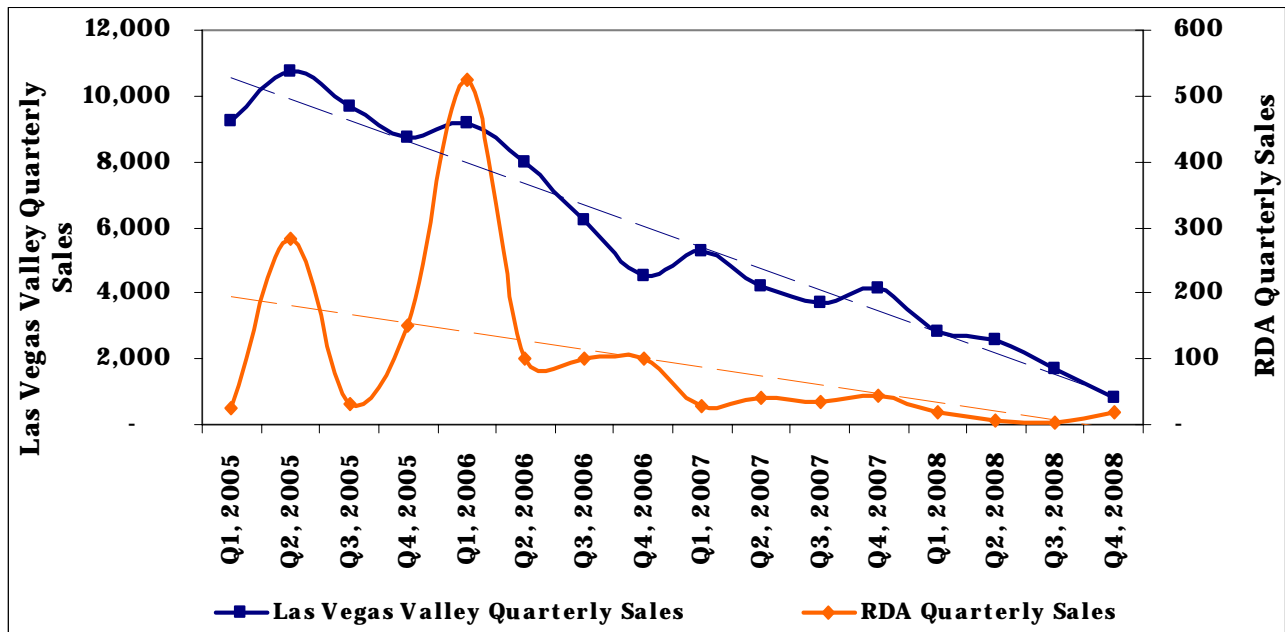


Source: Hanley Wood Market Intelligence. RCG.

- The RDA’s average price per square foot (“sq. ft.”) for new houses decreased by 5.5 percent per quarter, from \$784 in Q1, 2005 to \$318 in Q4, 2008. For the period, the Valley’s average price per sq. ft. dropped by 1.5 percent per quarter, from \$179 in Q1, 2005 to \$140 in Q4, 2008.

Quarterly Sales

CHART I-7: RDA AND LAS VEGAS VALLEY QUARTERLY SALES, BY QUARTER

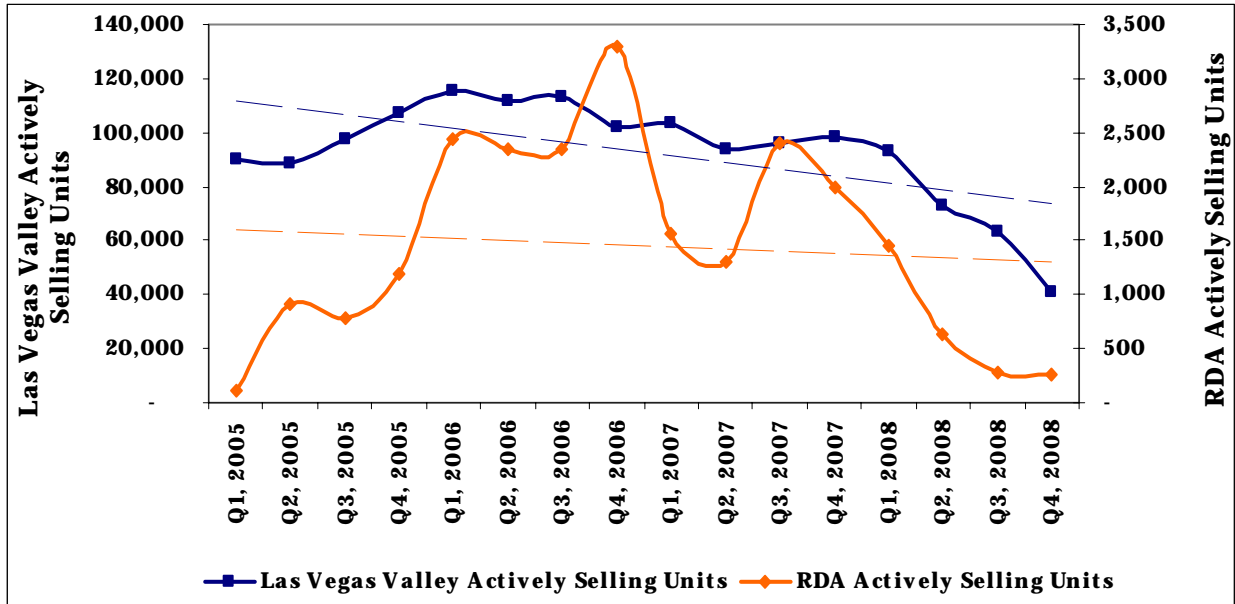


Source: Hanley Wood Market Intelligence. RCG.

- During the 16-quarter period, the RDA’s quarterly sales averaged 94 transactions. Quarterly sales in the RDA declined by 2 percent per quarter, from 25 in Q1, 2005 to 18 in Q4, 2008. Downtown experienced a peak of sales activity in Q1, 2006, with 526 sales that quarter.
- The Valley’s quarterly sales dropped by 14.3 percent per quarter, from 9,241 in Q1, 2005 to 788 in Q4, 2008. The Valley’s peak quarter was Q2, 2005 at just under 11,000 units.

Actively Selling Units (Projects that have released pricing and units are selling.)

CHART I-8: RDA AND LAS VEGAS VALLEY ACTIVELY SELLING UNITS, BY QUARTER

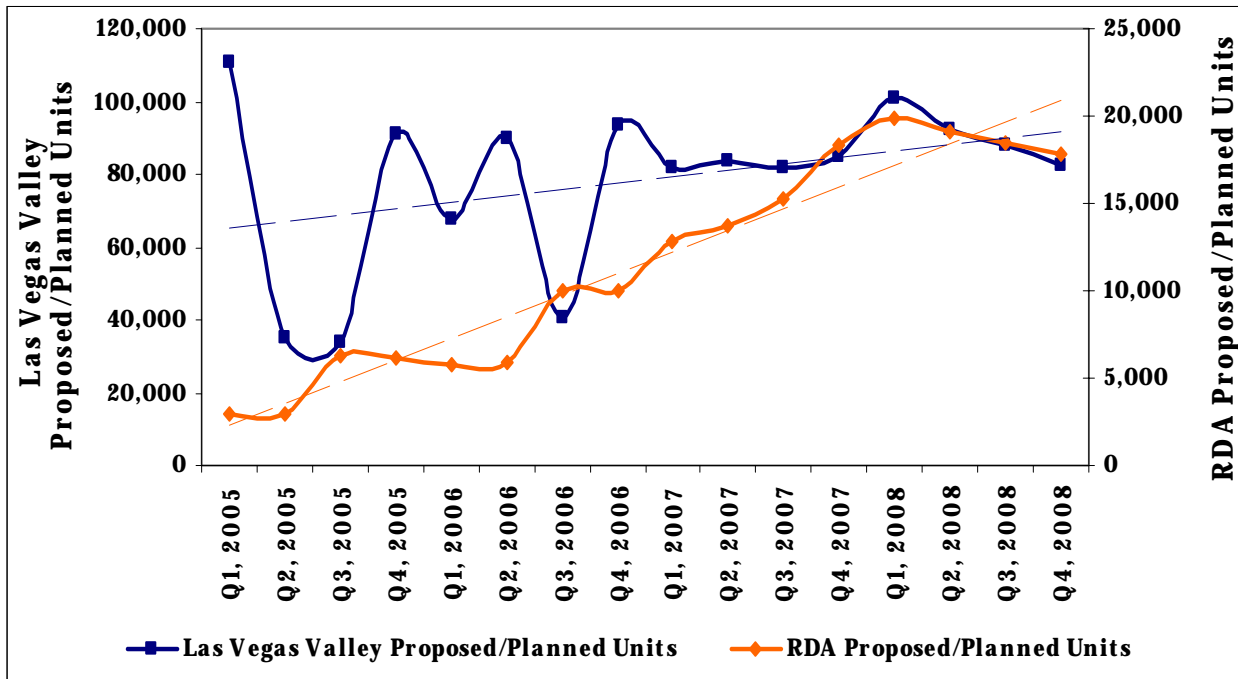


Source: Hanley Wood Market Intelligence. RCG.

- The RDA’s actively selling units rose from 120 in Q1, 2005 to 268 in Q4, 2008, or by 5.2 percent per quarter. The largest number of actively selling units in the Downtown area occurred in Q4, 2006 (3,292 units).
- The Valley’s actively selling units decreased by 4.8 percent per quarter, from 89,868 in Q1, 2005 to 40,964 in Q4, 2008.

Proposed/Planned Units

CHART I-9: RDA AND LAS VEGAS VALLEY PROPOSED/PLANNED UNITS, BY QUARTER

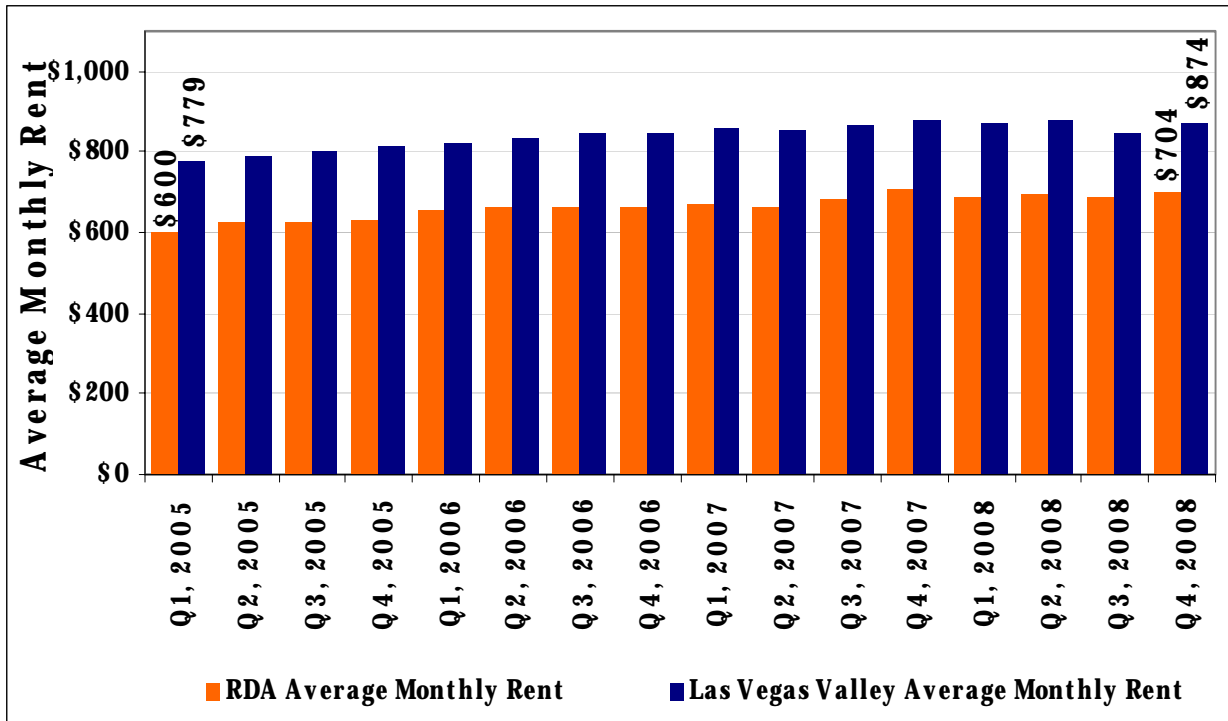


Source: Hanley Wood Market Intelligence. Salestraq. City of Las Vegas – Office of Business Development. RCG.

- Based on the data provided by the City of Las Vegas, HWI and Salestraq, the number of proposed/planned units in the RDA jumped from 2,990 in Q1, 2005 to 17,817 in Q4, 2008. The majority of units proposed in Downtown are attached units. This planned inventory demonstrates the continued interest by developers in the Downtown area. It provides an excellent opportunity for housing near major employment centers and entertainment clusters, like Downtown and the Las Vegas Strip despite the current recession. *Note: These data were time-adjusted by RCG to account for HWI's and Salestraq's data reporting lags.*
- During the same period, the Valley's proposed units plummeted by nearly 26 percent from 110,532 in Q1, 2005 to 82,230 units in Q4, 2008.
- These numbers show that Downtown continues to be an attractive housing option for Las Vegas residents and second homebuyers.

Apartments

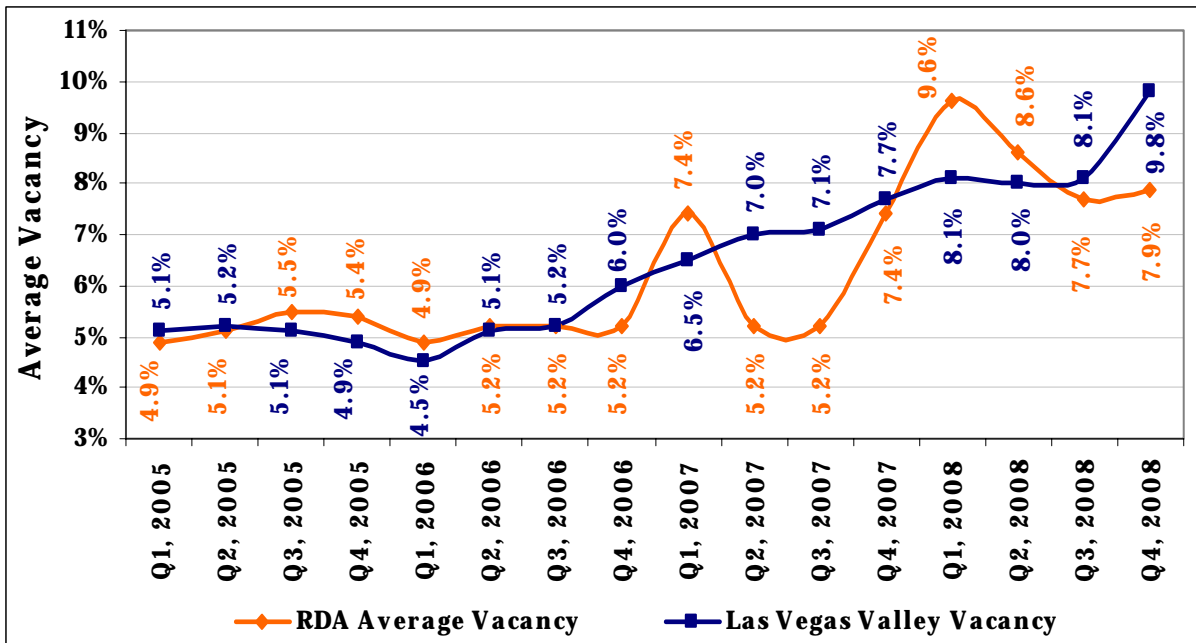
CHART I-10: RDA AND LAS VEGAS VALLEY APARTMENT MONTHLY RENT, BY QUARTER



Source: UNLV Center of Business and Economic Research. RCG.

- During the last 4 years, the average monthly apartment rent Downtown increased by \$104, or by 1 percent per quarter, from \$600 in Q1, 2005 to \$704 in Q4, 2008. This trend indicates a steady demand for rental housing in the RDA.
- The Valley’s average apartment monthly rent rose by \$95, or by 0.7 percent a quarter, from \$779 in Q1, 2005 to \$874 in Q4, 2008. A rising demand for rental housing is also one of the consequences of the recession, and the continuing wave of foreclosures that the Valley is experiencing.

CHART I-11: RDA AND LAS VEGAS VALLEY APARTMENT VACANCY, BY QUARTER



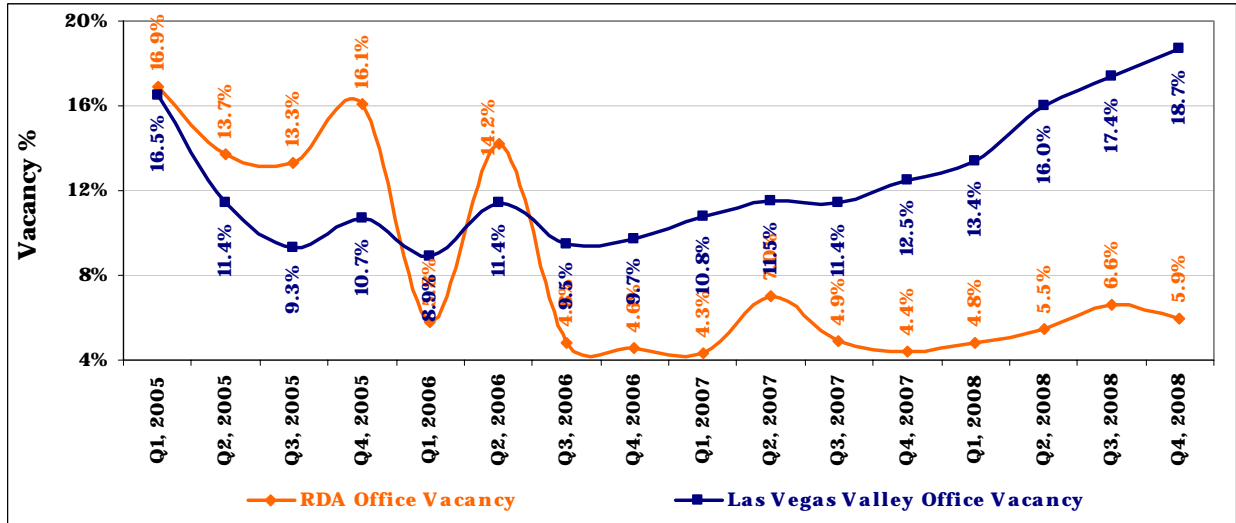
Source: UNLV Center of Business and Economic Research. RCG.

- During the 16-quarter period, the RDA’s apartment vacancy increased from 4.9 percent in Q1, 2005 to 7.9 percent in Q4, 2008.
- The Valley’s apartment vacancy rose from 5.1 percent in Q1, 2005 to 9.8 percent in Q4, 2008.
- Both the Downtown and Valley apartment markets have been adversely impacted by the recession and foreclosure crisis, which have added a large number of single family units to the rental stock.

E. COMMERCIAL TRENDS

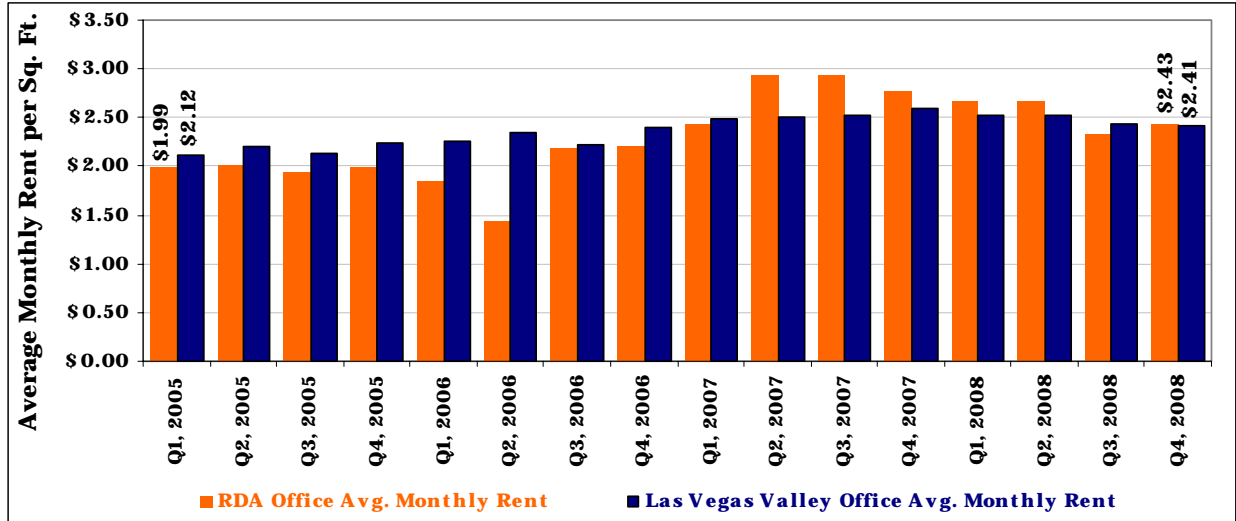
Office Submarket

CHART I-12: RDA AND LAS VEGAS VALLEY OFFICE VACANCY RATE, BY QUARTER



Source: Q4, 2008 Office Market Survey (RCG/Colliers International).

CHART I-13: RDA AND LAS VEGAS VALLEY OFFICE AVERAGE MONTHLY RENT, BY QUARTER



Source: Q4, 2008 Office Market Survey (RCG/Colliers International).

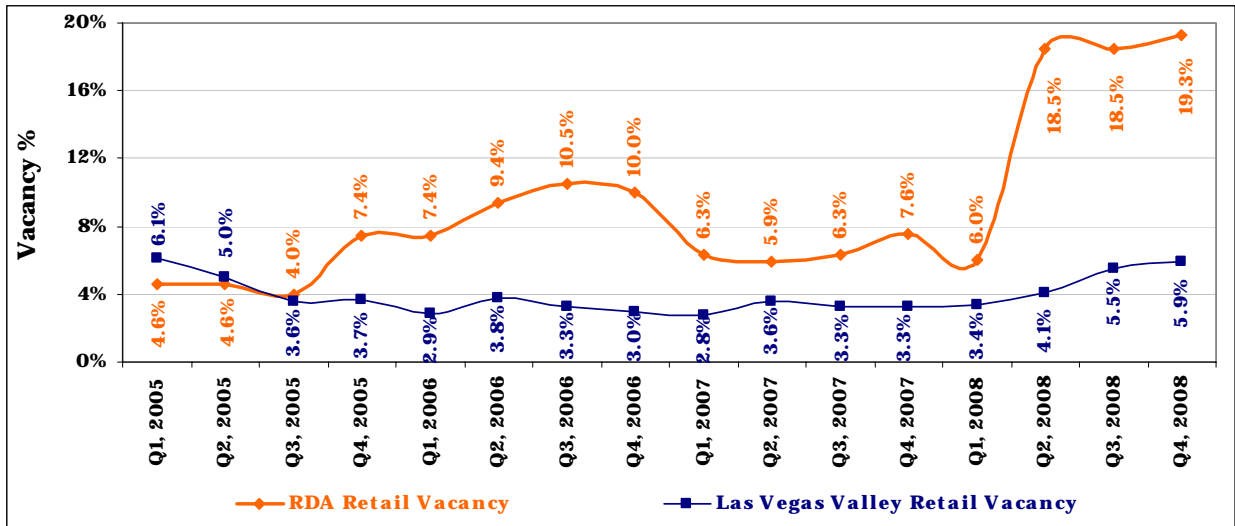
RDA TREND ANALYSIS

- The RDA's speculative, multi-tenant office inventory jumped from 2,127,301 sq. ft. in Q1, 2005 to 2,527,844 sq. ft. in Q4, 2008, or by 18.8 percent. At the end of 2008, the RDA's office market represented 6.4 percent of the Valley's total office inventory.
- Speculative office employment in the RDA rose from 10,103 in Q1, 2005 to 13,587 in Q4, 2008, a difference of 3,484 new jobs.
- The RDA's office vacancy plummeted from 16.9 percent in Q1, 2005 to 5.9 percent in Q4, 2008. The average monthly lease rent per sq. ft. (full-service gross) spiked from \$1.99 to \$2.43, or by 21.9 percent. Clearly, the demand for office space in the Downtown area remains very strong because of the location of the Federal, state and local court system in the area, as well as, the location of Downtown at the Valley's core.
- The Valley's office vacancy increased from 16.5 percent in Q1, 2005 to 18.7 percent in Q4, 2008. The average monthly lease rent per sq. ft. (full-service gross) rose from \$2.12 to \$2.41 over the same period, a difference of 13.7 percent.

NOTE: Commercial (office, retail and industrial) rents in this report are based on quoted published rents for the remaining available space in projects. Rents herein are not based on actual leases, which are typically kept confidential.

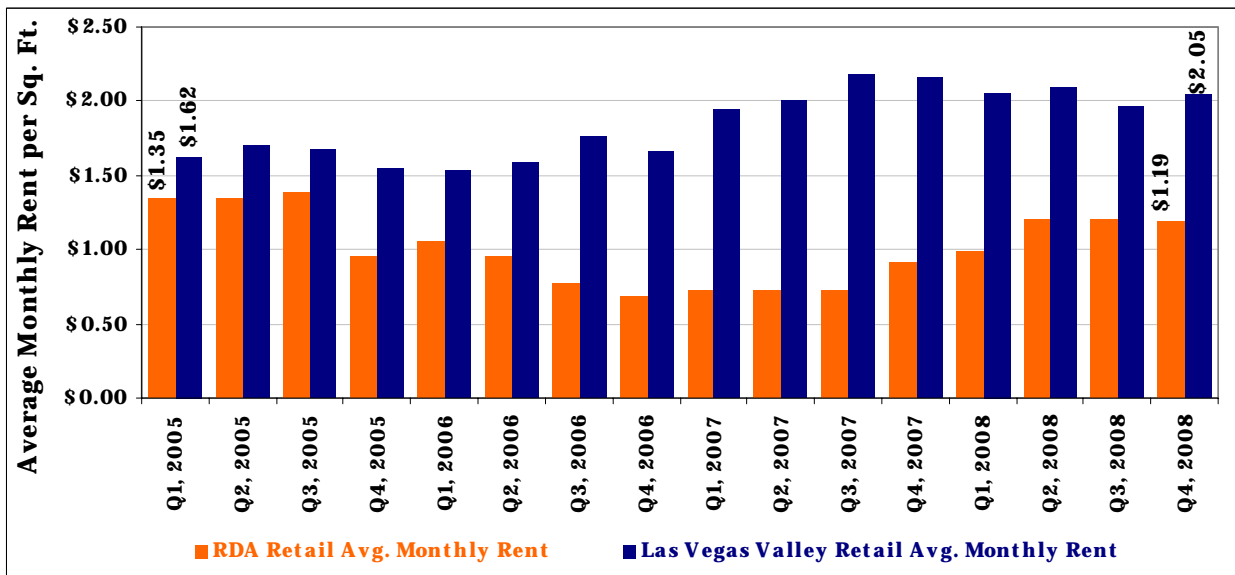
Retail Submarket

CHART I-14: RDA AND LAS VEGAS VALLEY RETAIL VACANCY RATE, BY QUARTER



Source: Q4, 2008 Retail Market Survey (RCG/Colliers International).

CHART I-15: RDA AND LAS VEGAS VALLEY RETAIL AVERAGE MONTHLY RENT, BY QUARTER



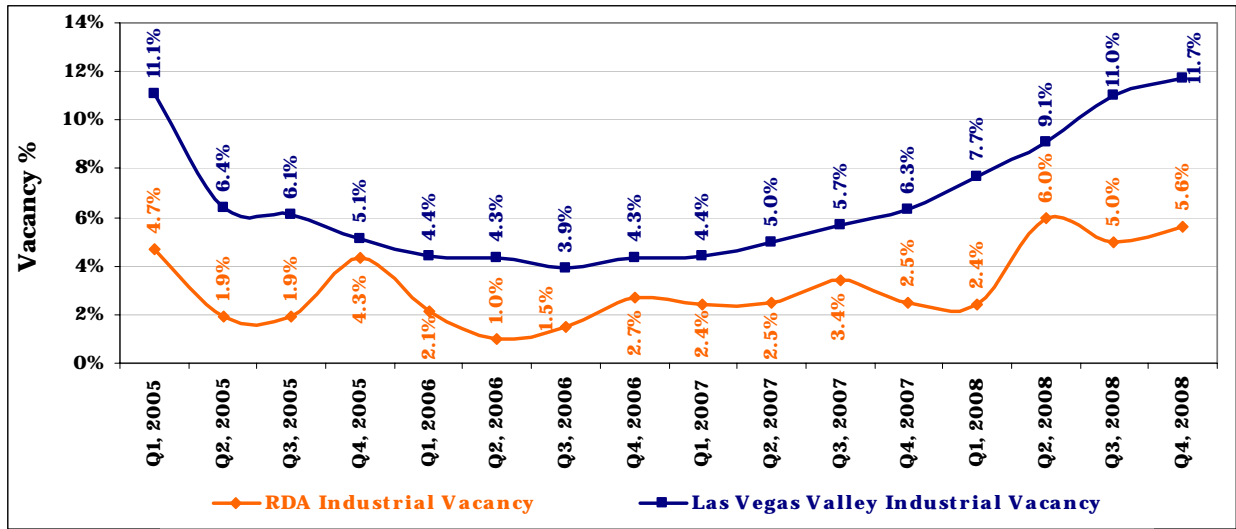
Source: Q4, 2008 Retail Market Survey (RCG/Colliers International).

RDA TREND ANALYSIS

- Anchored retail center inventory in the RDA jumped from 628,988 sq. ft. in Q1, 2005 to 724,888 sq. ft. in Q4, 2008, or by 15.2 percent. This is a clear indication of the interest of retail developers regarding the future potential of Downtown as a thriving retail district. It also speaks well of the City's redevelopment efforts.
- At the end of 2008, the RDA's anchored centers represented 1.8 percent of the Valley's retail inventory.
- Retail employment in the RDA remained essentially stable over the 16-quarter period (approximately 1,300 employees).
- The current recession and a lack of quality retail space, the RDA had one of the Valley's highest vacancy rates for anchored strip centers at the end of 2008. The RDA's retail vacancy spiked from 4.6 percent in Q1, 2005 to 19.3 percent in Q4, 2008. The average monthly rent per sq. ft. (NNN) decreased from \$1.35 to \$1.19, or by 11.9 percent.
- Since the Las Vegas Premium Outlets mall is not classified as an anchored retail center, its numbers are not included in the RCG-CI quarterly surveys. If it were, it would dramatically lower the area's retail vacancy and increase the reported average rent substantially, because the project is virtually at full occupancy. Adding the mall, reduces the RDA Q4, 2008 retail vacancy to approximately 12 percent.
- The Valley's retail vacancy decreased from 6.1 percent in Q1, 2005 to 5.9 percent in Q4, 2008. The average monthly lease rent per sq. ft. (NNN) rose from \$1.62 to \$2.05 over the same period, or by 26.5 percent.

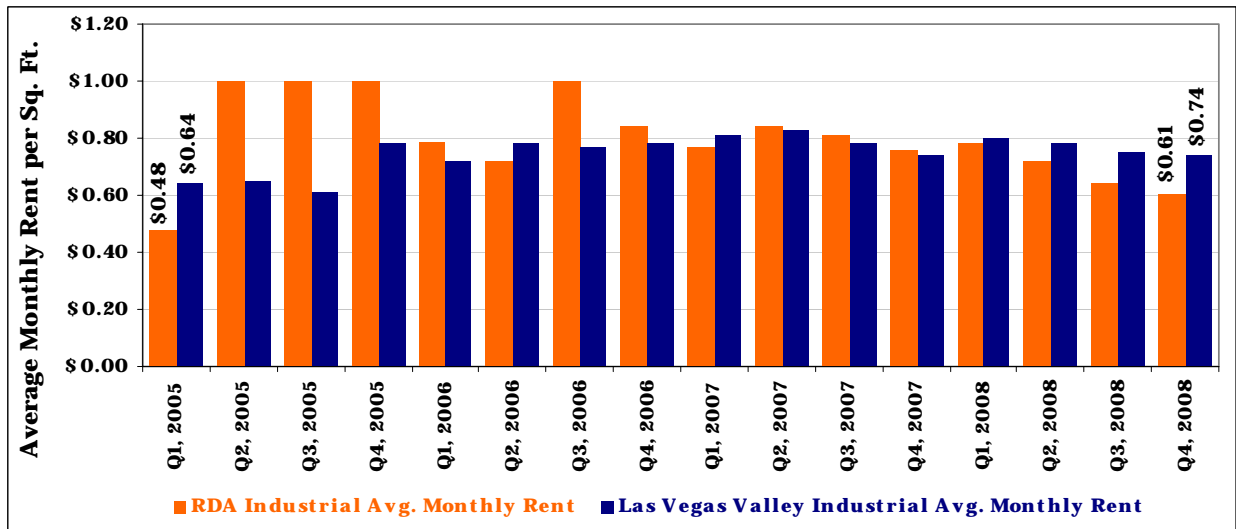
Industrial Submarket

CHART I-16: RDA AND LAS VEGAS VALLEY INDUSTRIAL VACANCY RATE, BY QUARTER



Source: Q4, 2008 Industrial Market Survey (RCG/Colliers International).

CHART I-17: RDA AND LAS VEGAS VALLEY INDUSTRIAL AVERAGE MONTHLY RENT, BY QUARTER



Source: Q4, 2008 Industrial Market Survey (RCG/Colliers International).

- The RDA experienced an incredible 234.2 percent rise in industrial inventory (from 1,477,722 sq. ft. in Q1, 2005 to 4,938,437 sq. ft. in Q4, 2008). During this period, industrial employment spiked from 3,130 to 8,473 employees, a difference of 170.7 percent.
- The RDA's industrial vacancy increased slightly from 4.7 percent in Q1, 2005 to 5.6 percent in Q4, 2008. The average monthly lease rent per sq. ft. (NNN) in the RDA rose from \$0.48 to \$0.61, or by 26.5 percent.
- The Valley's industrial vacancy moved from 11.1 percent in Q1, 2005 to 11.7 percent in Q4, 2008. The average monthly lease rent per sq. ft. (NNN) increased from \$0.64 to \$0.74 over the same period, or by 15.1 percent.

F. CONCLUSIONS

The Valley and Downtown economies and real estate markets have evolved dramatically during the last 20 years. Today, Downtown remains an important gaming market in Clark County (6.2 percent of Clark County's gaming revenues at the end of 2008). The RDA's office and industrial markets have performed very well during the last 4 years compared to the Valley. This is most striking regarding the relative performance of the office market.

The anchored retail market in the RDA makes up only 1.8 percent of the Valley's total anchored retail inventory. Additionally, the quality of space Downtown (except for the outlet mall) is generally lower than what is seen in other areas of the Valley. Accordingly, Downtown is more susceptible to market fluctuations.

On the residential side, Downtown Las Vegas is positioning itself to receive a large share of the planned luxury condo developments (high-rise and mid-rise) potentially coming to the Valley. However, at this time, this market is in the doldrums, because of the recession, the collapse of the housing market in Southern Nevada and the unrealistic expectations of some developers and lenders regarding the depth of the luxury condo market.

SECTION II

2009 FORECAST

II. 2009 FORECAST

A. INTRODUCTION AND METHODOLOGY

This section of the report includes an analysis of future real estate trends that might influence RDA assessed property values which, in turn, could impact the amount of property taxes collected in the RDA.

RCG's analysis includes a one-year projection through the end of 2009. For the purposes of this analysis, historical data and trends were used to identify appropriate forecasting methods. A sensitivity analysis was employed to check the adequacy of various forecasting approaches and, if need be, to suggest an improved method. Once a method was identified which fit best with what RCG judged to be the most realistic and market-supportable forecast for 2009, it was employed to develop the forecasts herein.

The following techniques were used to generate forecasts for various variables of interest:

- Decomposition models¹
- Exponential smoothing and moving averages
- Non-seasonal modeling techniques

There are various factors that influence assessed value of properties located in the RDA. In this section of the report, RCG analyzed the most relevant variables having a potential effect on the RDA's property values:

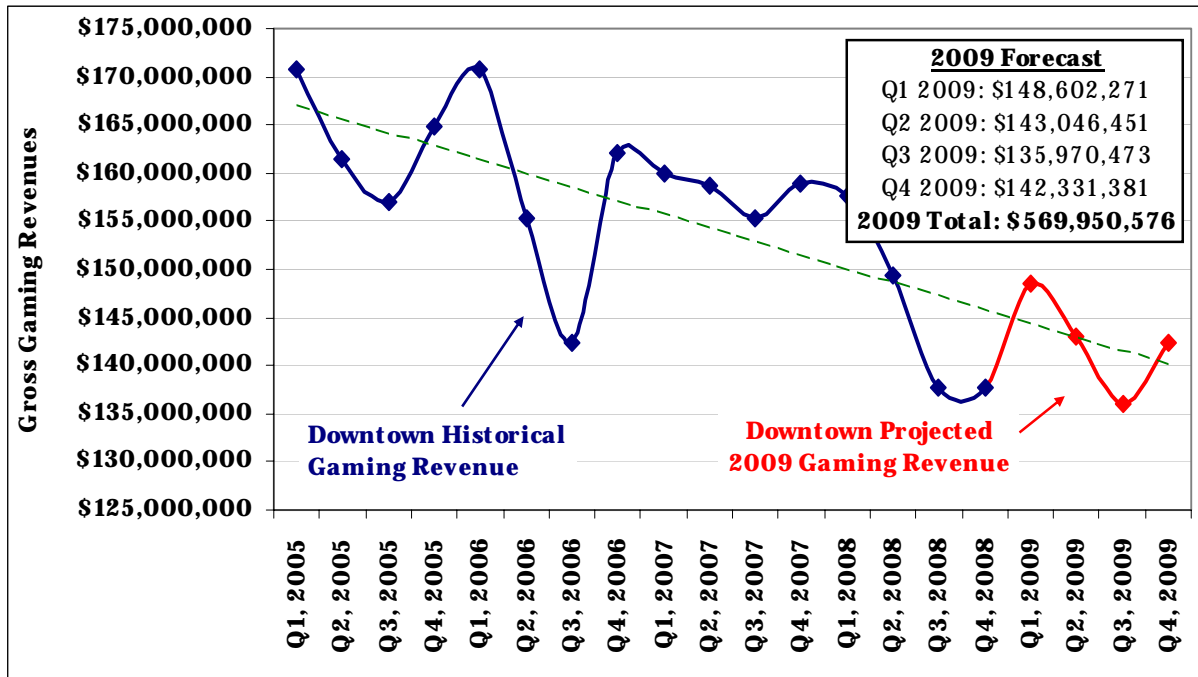
- Downtown's gaming revenues
- Home prices in the RDA
- Commercial real estate vacancy rates and lease rents

¹ *Decomposition models are used to forecast time series that exhibit trend and seasonal effects.*

B. GAMING AND TOURISM TRENDS

Downtown Trends

CHART II-1: DOWNTOWN HISTORICAL AND PROJECTED GAMING REVENUES, BY QUARTER

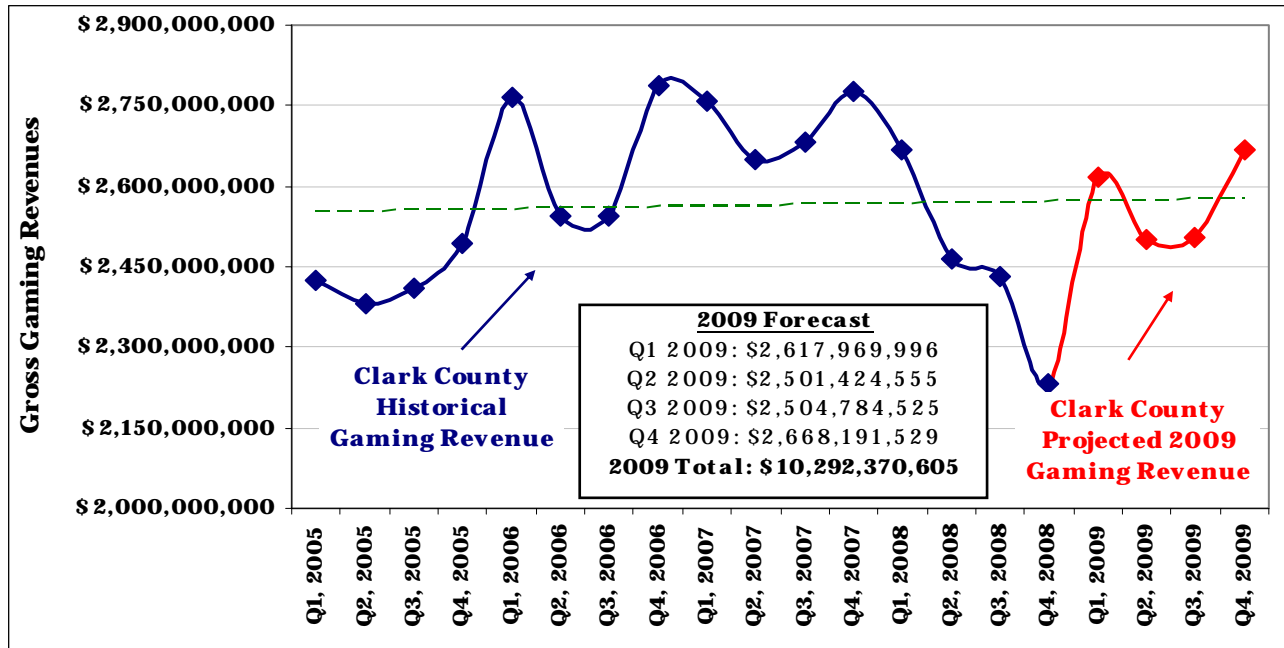


Source: LVCVA. RCG.

- RCG projects that in 2009 Downtown’s gaming revenues could total \$570 million, which would represent a 2.1-percent decline when compared to 2008 revenues.
- Additionally, Downtown’s share of gaming revenues as a percent of Clark County’s revenues is expected to be, on average, 5.5 percent in 2009.

Clark County Trends

CHART II-2: CLARK COUNTY HISTORICAL AND PROJECTED GAMING REVENUES, BY QUARTER

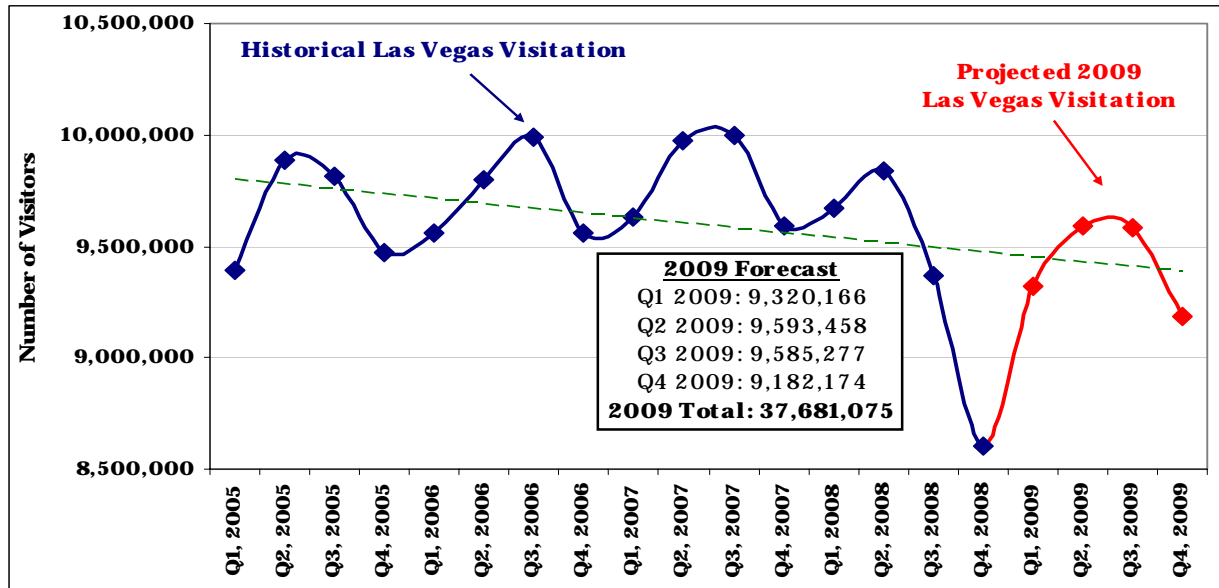


Source: LVCVA. RCG.

- RCG projects, that in 2009 Clark County’s gaming revenues could reach \$10.3 billion, which would represent a 5.1-percent rise over 2008 revenues. This expected increase is partially due to new market entrants (e.g., M Resort) and properties that will have their first full year of operations in 2009 (e.g., The Palazzo, Encore at Wynn, Aliante Station).
- The increase in gaming revenues from \$2,231,873,000 in Q4, 2008 to \$2,617,969,996 in Q1, 2009 is partially attributed to new properties that will have their first full quarter of operations (e.g., Encore at Wynn, Aliante Station) in Q1, 2009. Additionally, a relatively strong convention calendar in Q1, 2009 is expected to help gaming revenues at the beginning of 2009. However, it should be noted that projected Q1, 2009 gaming revenues are expected to be lower than for the same period in 2006, 2007 and 2008.
- Historical gaming revenues data exhibit seasonal fluctuations. The second and third quarters typically experience lower gaming revenues than the first quarter, whereas the fourth quarter tends to have slightly stronger revenues than the first quarter. RCG’s 2009 projections follow the same pattern.

Las Vegas Visitation Trends

CHART II-3: LAS VEGAS HISTORICAL AND PROJECTED VISITATION TRENDS, BY QUARTER



Source: LVCVA. RCG.

- RCG projects, that in 2009 Las Vegas visitor volume could reach 37.7 million visitors, which would represent a 0.5-percent increase over 2008 numbers.
- Conventions, scheduled to take place in Las Vegas in 2009, are expected to help 2009 visitation numbers. Additionally, 14,000 hotel rooms, slated to open in 2009 in Las Vegas (e.g., Fontainebleau Las Vegas, CityCenter, The Octavius Tower at Caesars Palace, M Resort), are expected to bring incremental visitors to Las Vegas.
- The following table shows how our 2009 forecast compares to historical 2005-2008 numbers:

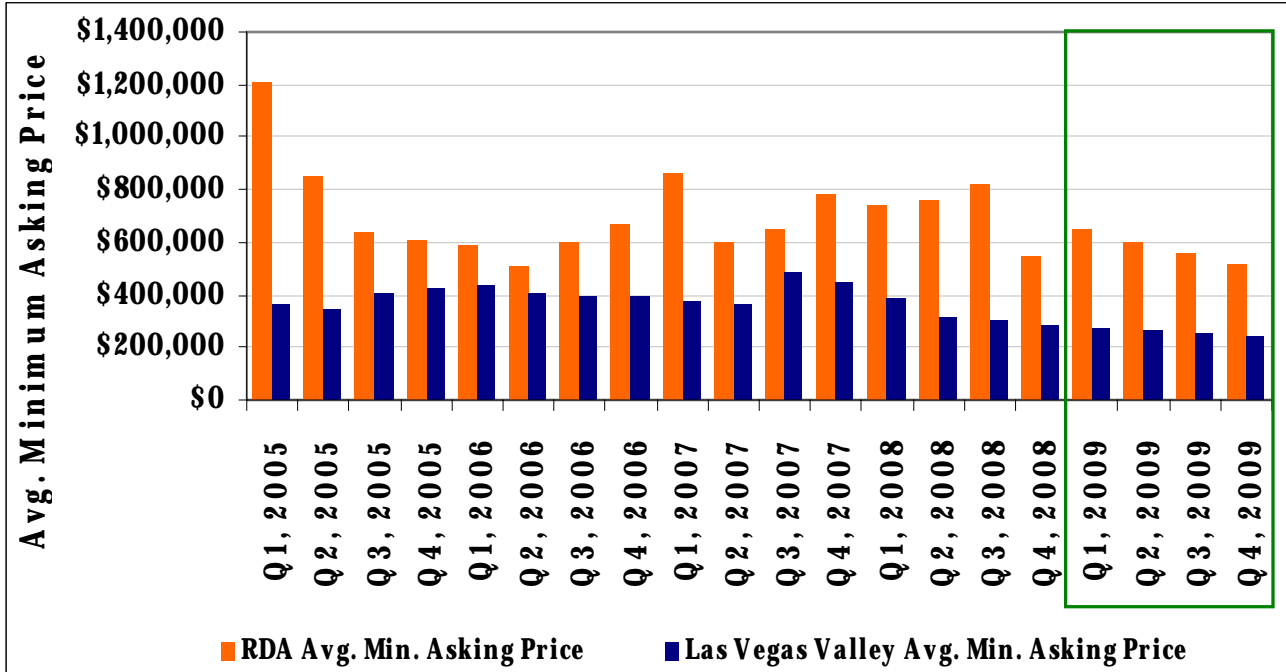
	2005	2006	2007	2008	2009 Forecast	Comments on 2009 Forecast
Q1	9,394,652	9,561,367	9,629,007	9,670,074	9,320,166	Q1 2009 is expected to be the weakest first quarter in the 5 years.
Q2	9,883,477	9,800,118	9,977,554	9,840,714	9,593,458	Q2 2009 is expected to be the weakest second quarter in the 5 years.
Q3	9,813,911	9,989,766	10,000,315	9,370,164	9,585,277	Q3 2009 is expected to be slightly higher than Q3 2008 but still below the 2005-2007 levels.
Q4	9,474,677	9,563,638	9,589,885	8,600,600	9,182,174	Q4 2009 is expected to be higher than Q4 2008 but still below the 2005-2007 levels.

C. RESIDENTIAL TRENDS

New For-Sale Housing

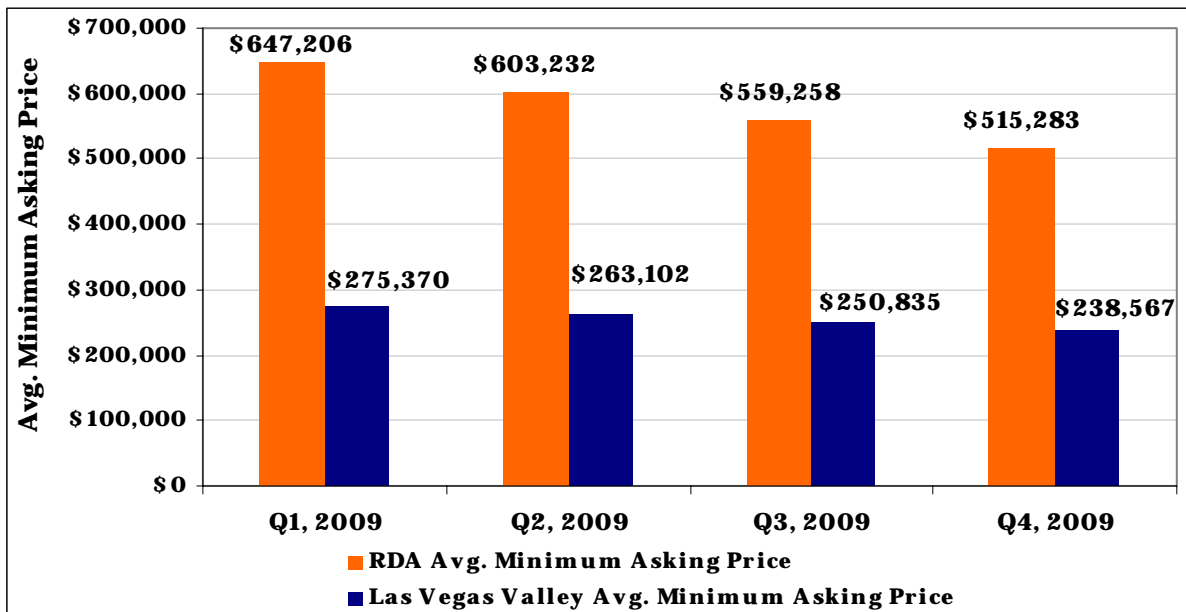
Average Minimum Asking Price

CHART II-4: RDA AND LAS VEGAS VALLEY AVERAGE MINIMUM ASKING PRICE: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Hanley Wood Market Intelligence. RCG.

**CHART II-5: RDA AND LAS VEGAS VALLEY AVERAGE MINIMUM ASKING PRICE:
2009 FORECAST, BY QUARTER**

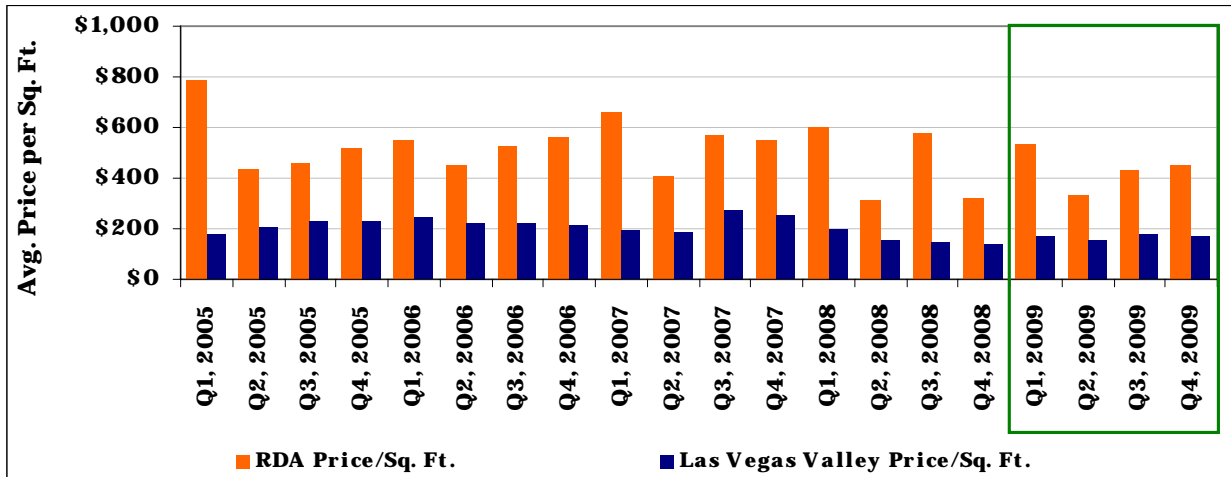


Source: RCG.

- It is our expectation that average asking prices for new homes in the Valley and in the RDA will continue to decline in 2009. Based on the analysis of historical residential trends and current market conditions, RCG estimates that the average asking price in the RDA is likely to drop from \$647,206 in Q1, 2009 to \$515,283 in Q4, 2009. This equates to a decline of 20 percent. This is a result of historical trends, especially what was experienced in 2008 and, secondarily, price changes in 2007. Again, the economic recession, the near shut down of credit and the collapse of the second home market are the primary culprits.

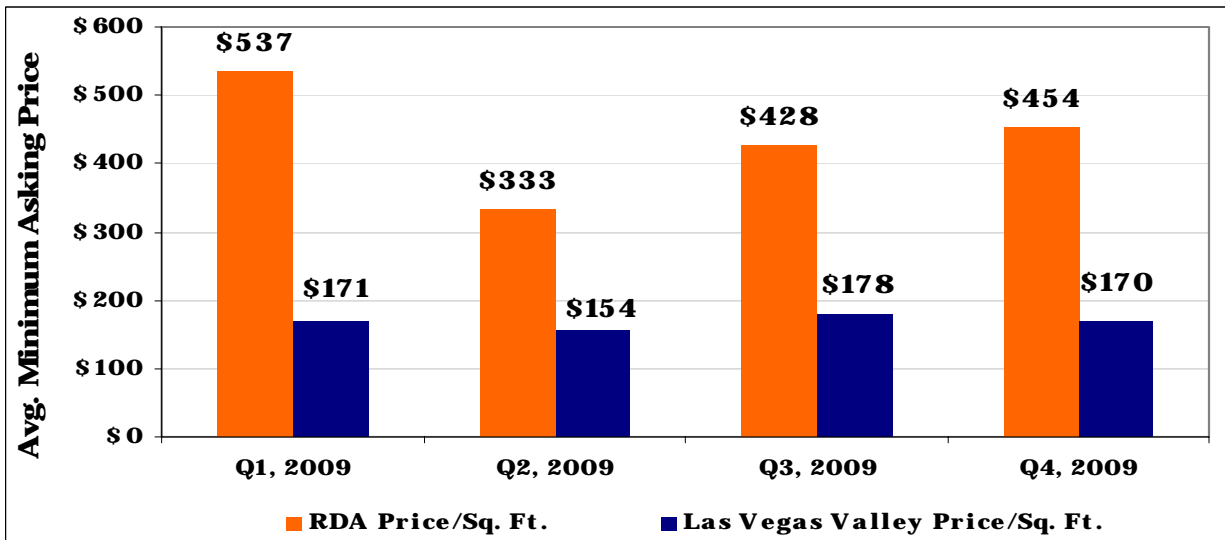
Average Price per Square Foot

CHART II-6: RDA AND LAS VEGAS VALLEY AVERAGE PRICE PER SQ. FT. HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Hanley Wood Market Intelligence. RCG.

CHART II-7: RDA AND LAS VEGAS VALLEY AVERAGE PRICE PER SQ. FT. 2009 FORECAST, BY QUARTER

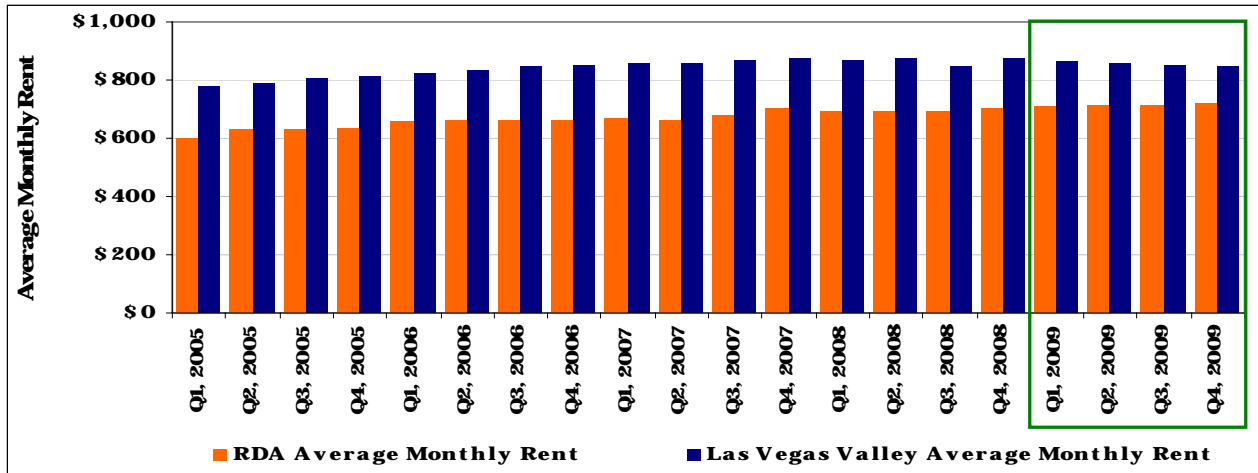


Source: RCG.

- As a result of the expected decline in average asking price, the price per sq. ft. for new homes in the RDA is estimated to drop from \$537 in Q1, 2009 to \$454 in Q4, 2009, a 15.5 percent decrease for the reasons noted above. The reason that per square foot prices declined less than total prices has largely to do with the average unit size dropping.

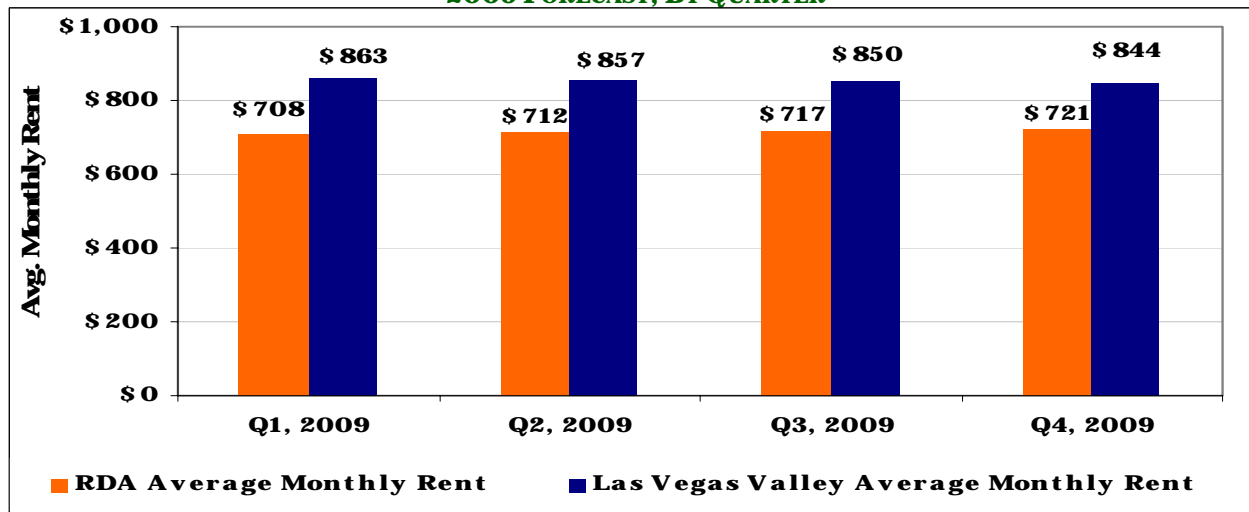
Apartment

CHART II-8: RDA AND LAS VEGAS VALLEY APARTMENT MONTHLY RENT: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: UNLV Center of Business and Economic Research. RCG.

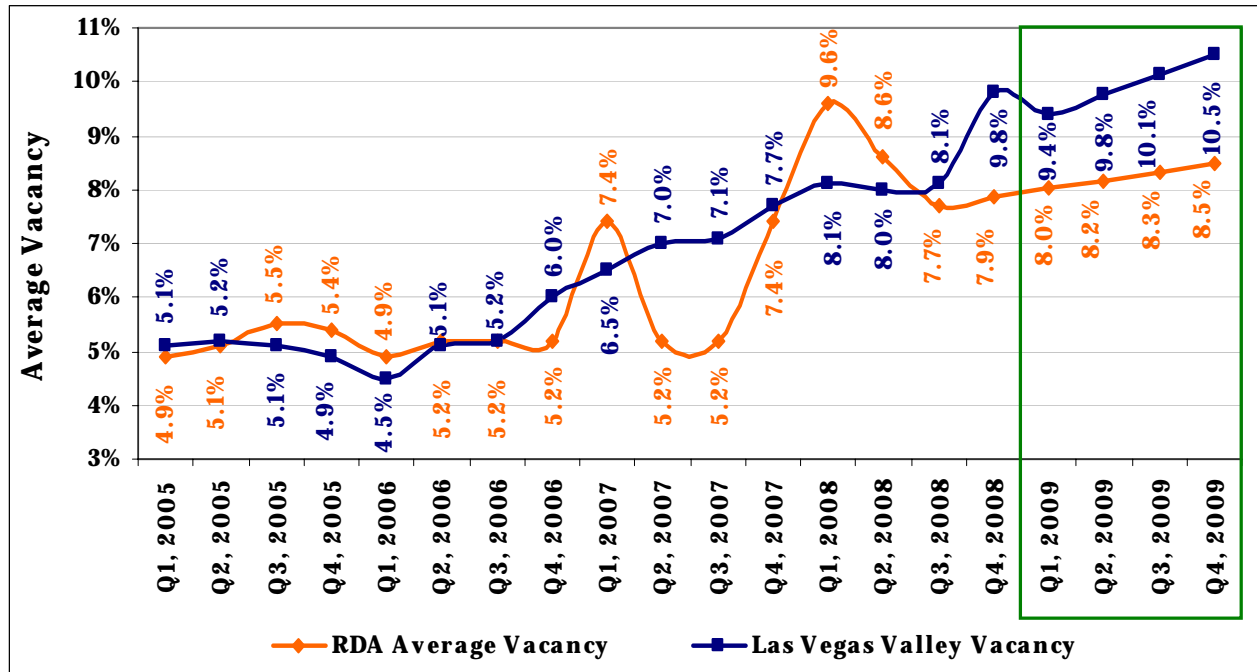
CHART II-9: RDA AND LAS VEGAS VALLEY APARTMENT MONTHLY RENT: 2009 FORECAST, BY QUARTER



Source: RCG.

- The RDA's average monthly apartment rent is projected to increase from \$708 in Q1, 2005 to \$721 in Q4, 2009 or by just under 2 percent, because of increased competition from single family home rentals.

**CHART II-10: RDA AND LAS VEGAS VALLEY APARTMENT VACANCY:
HISTORICAL AND PROJECTED TRENDS, BY QUARTER**



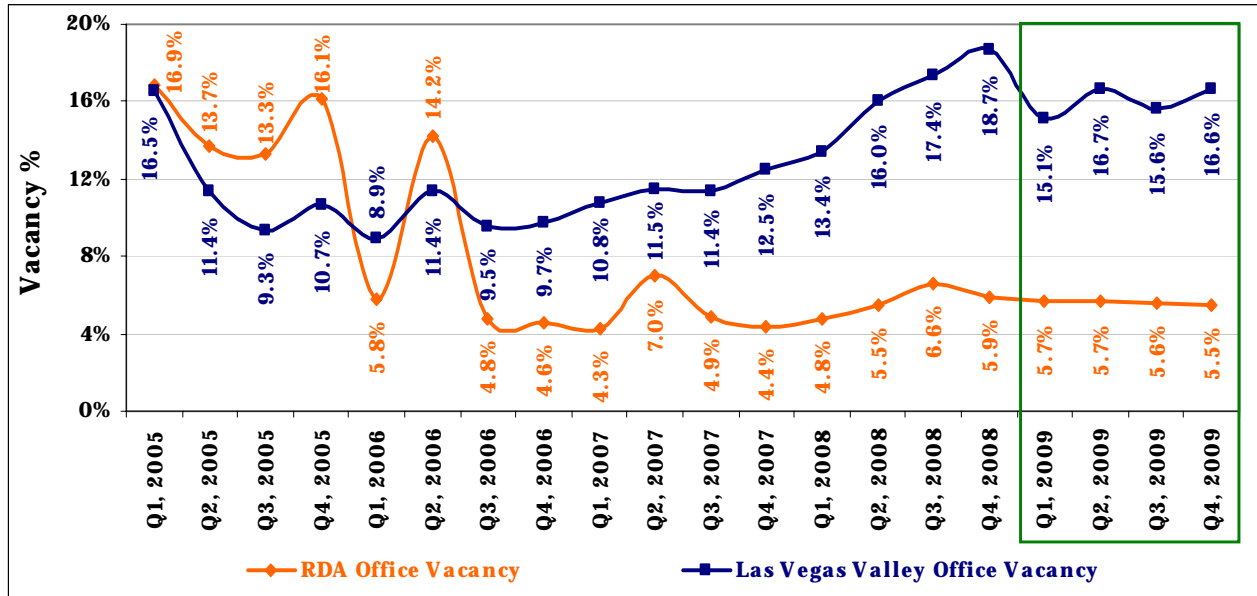
Source: UNLV Center of Business and Economic Research. RCG.

- Apartment vacancy in the RDA is anticipated to increase from 8 percent in Q1, 2009 to 8.5 percent in Q4, 2009. Again, because of increased competition from single family home rentals.

D. COMMERCIAL TRENDS

Office Submarket

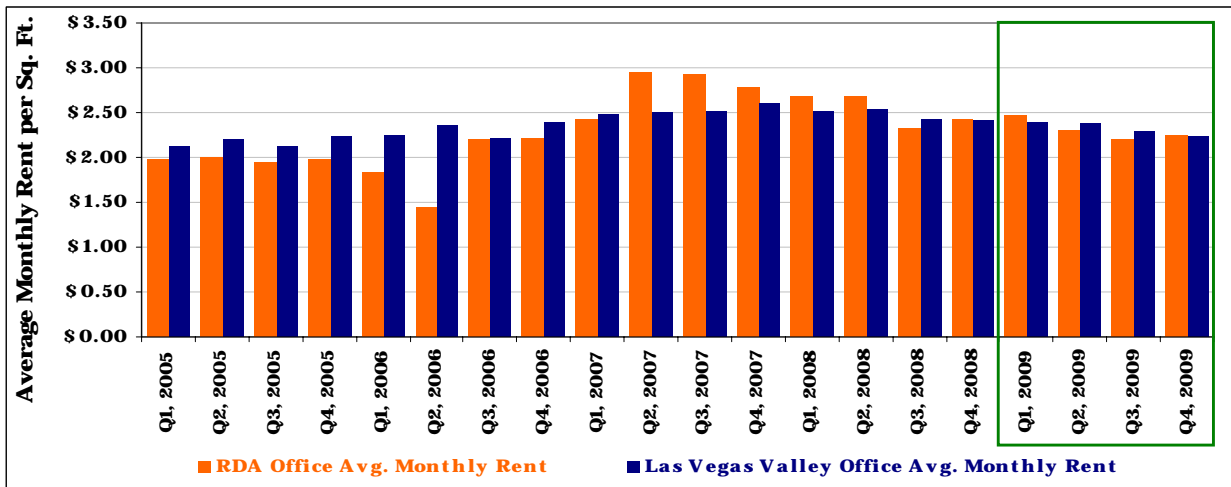
CHART II-11: RDA AND LAS VEGAS VALLEY OFFICE VACANCY RATE: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Office Market Survey (RCG/Colliers International).

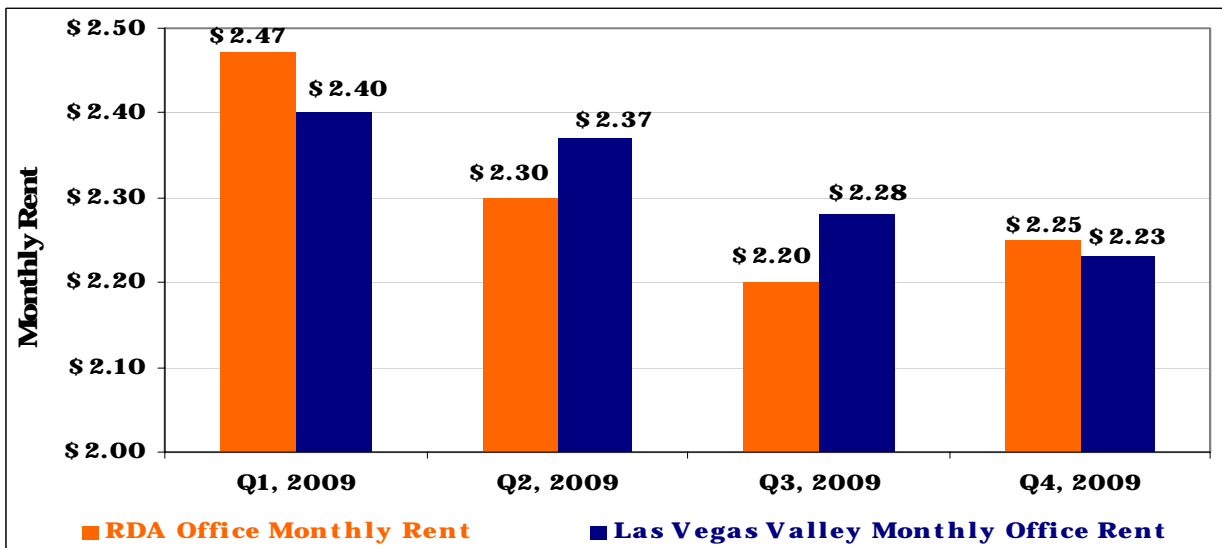
- The RDA’s office market is projected to experience a vacancy rate of 5.7 percent in Q1, 2009, down to 5.5 percent in Q4, 2009. This is a function of very tight office market conditions Downtown, because it is the seat of Federal, State and municipal court systems in the Valley, as well as, the centralized location of the RDA.
- Throughout 2009, the expected vacancy rate in the RDA office would remain relatively healthy and significantly lower than the Valley’s office vacancy.

CHART II-12: RDA AND LAS VEGAS VALLEY OFFICE AVERAGE MONTHLY RENT: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Office Market Survey (RCG/Colliers International).

CHART II-13: RDA AND LAS VEGAS VALLEY OFFICE AVERAGE MONTHLY RENT: 2009 FORECAST, BY QUARTER

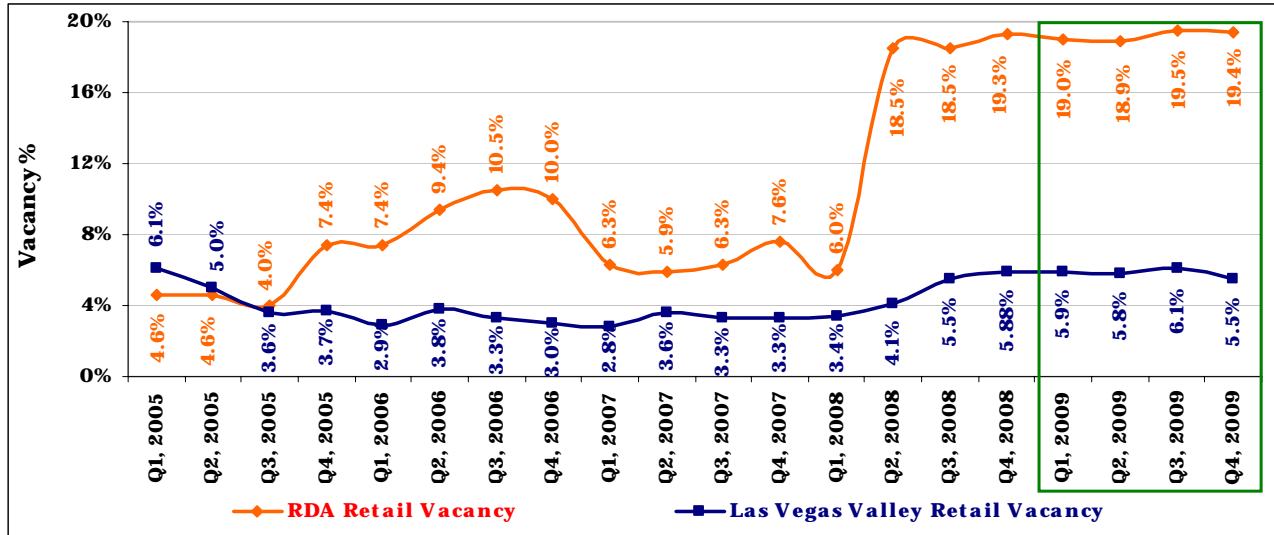


Source: RCG.

- In the coming months, the RDA's office monthly rent per sq. ft. is projected to decrease from \$2.47 in Q1, 2009 to \$2.25 in Q4, 2009, largely because the obsolete nature of the remaining space.

Retail Submarket

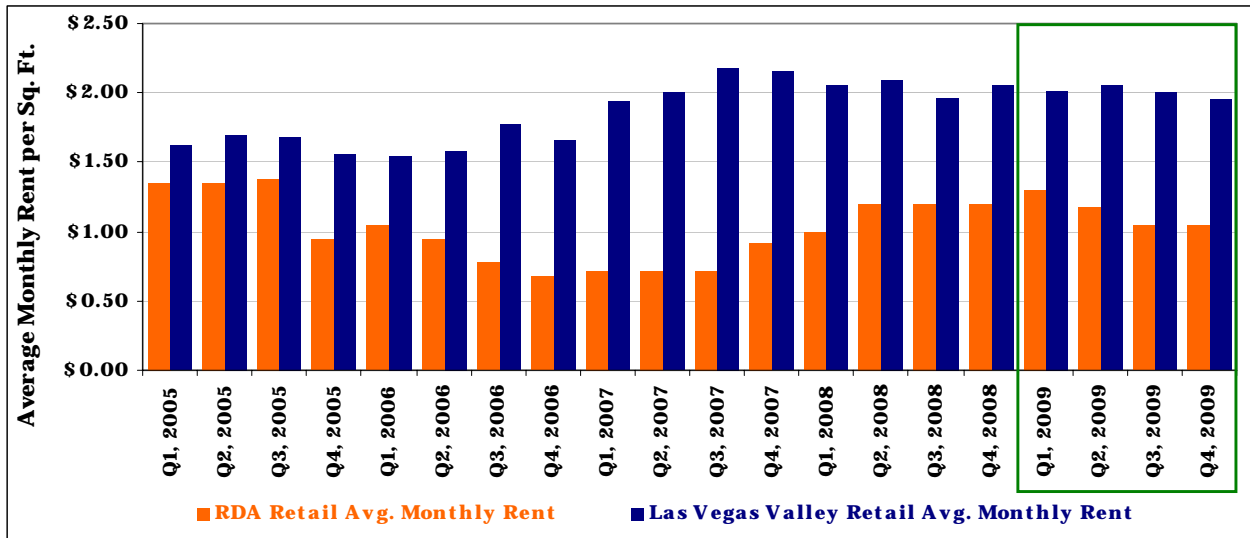
CHART II-14: RDA AND LAS VEGAS VALLEY RETAIL VACANCY RATE: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Retail Market Survey (RCG/Colliers International).

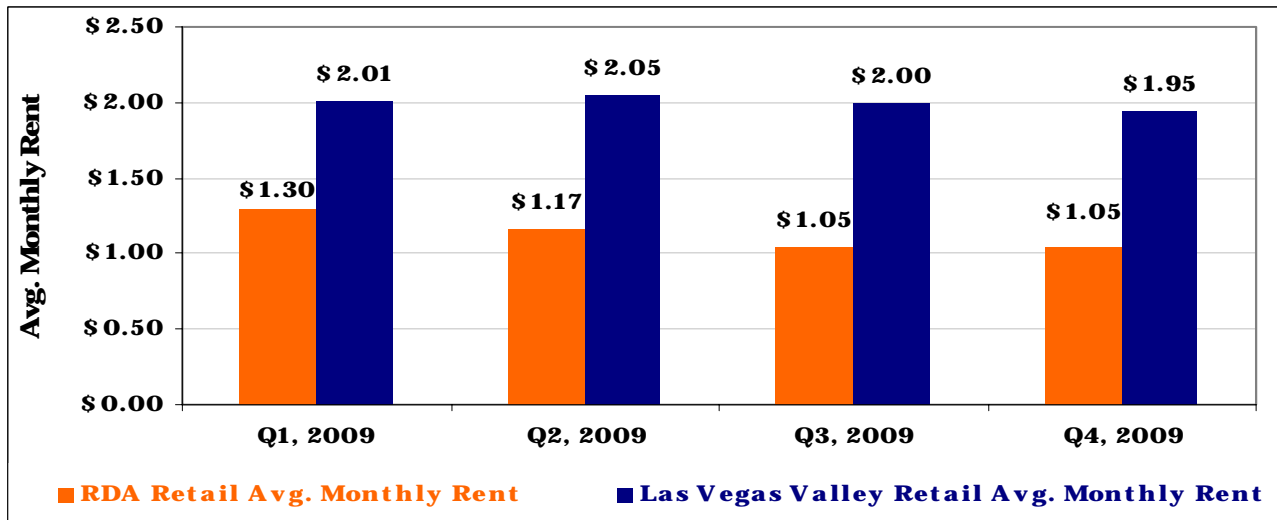
- The RDA’s retail market is projected to experience a vacancy rate of 19 percent in Q1, 2009 and 19.4 percent in Q4, 2009, not accounting for the Premium Outlet Mall. Adding the mall reduces the RDA retail vacancy to approximately 12 percent.
- Thus, throughout 2009, the expected vacancy rate in the RDA retail market would remain significantly higher than the Valley’s retail vacancy.

CHART II-15: RDA AND LAS VEGAS VALLEY RETAIL AVERAGE MONTHLY RENT: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Retail Market Survey (RCG/Colliers International).

CHART II-16: RDA AND LAS VEGAS VALLEY RETAIL AVERAGE MONTHLY RENT: 2009 FORECAST, BY QUARTER

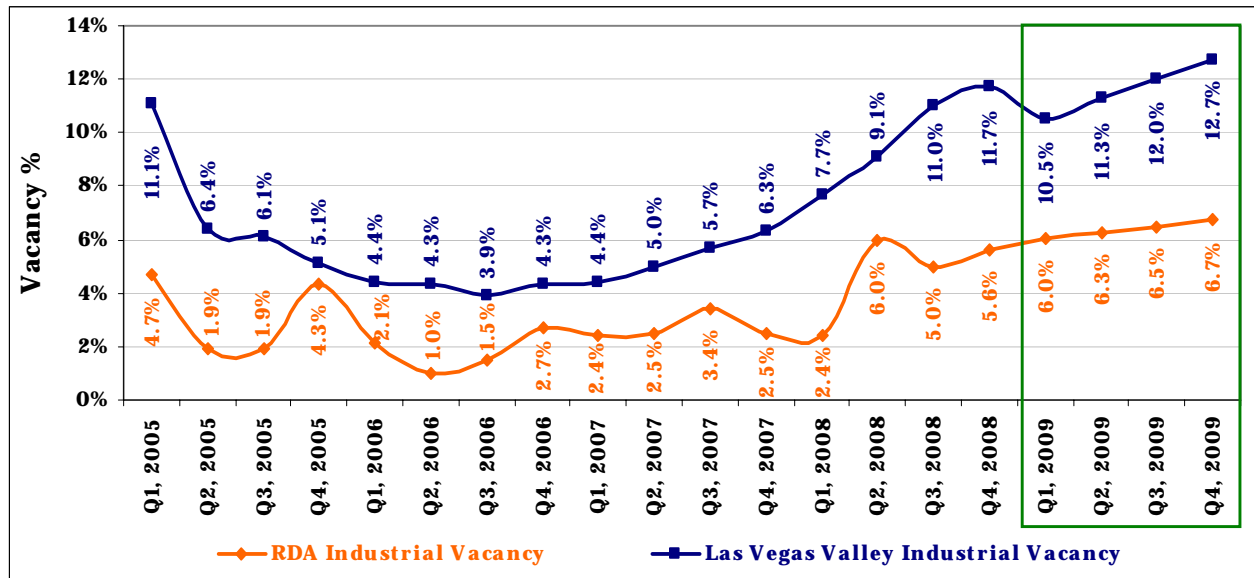


Source: RCG.

- Over the next four quarters, the RDA's retail monthly rent per sq. ft. is projected to drop from \$1.30 in Q1, 2009 to \$1.05 in Q4, 2009, largely because of the obsolete nature of the remaining space.

Industrial Submarket

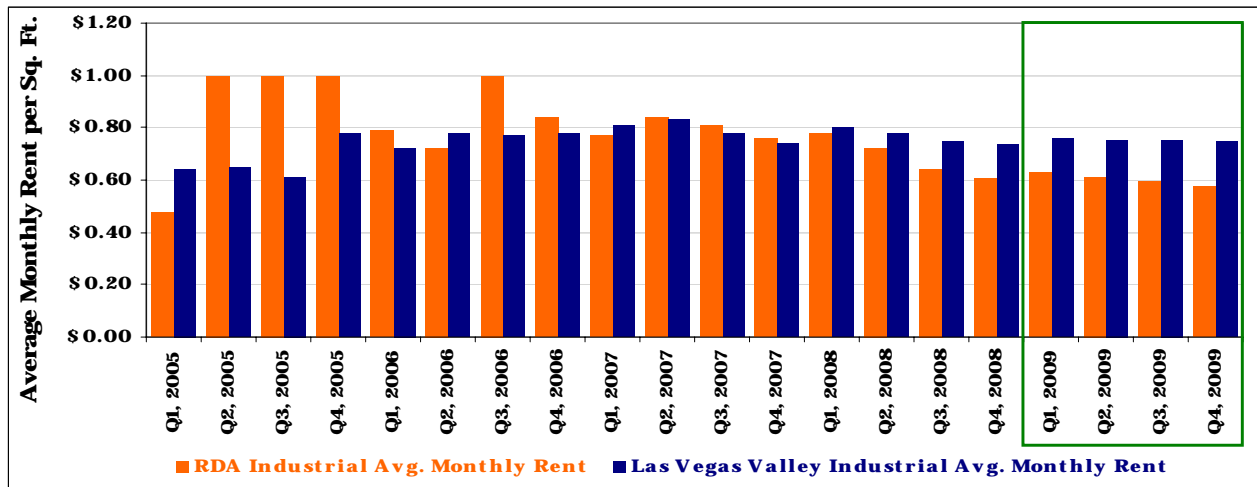
CHART II-17: RDA AND LAS VEGAS VALLEY INDUSTRIAL VACANCY RATE: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Industrial Market Survey (RCG/Colliers International).

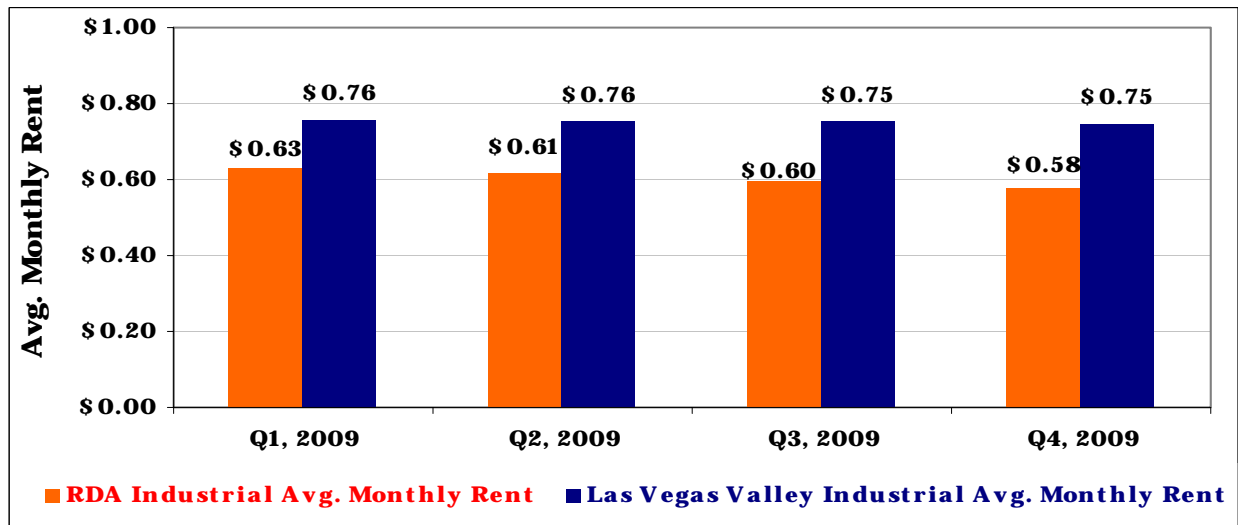
- The RDA’s industrial market is projected to experience a vacancy rate of 6 percent in Q1, 2009 and 6.7 percent in Q4, 2009.
- Throughout 2009, the expected vacancy rate in the RDA industrial market will likely remain lower than the Valley’s industrial vacancy, because of the scarcity of industrial space in the RDA combined with ongoing demand by gaming companies, the World Furniture Mart and other commercial users in the immediate area.

CHART II-18: RDA AND LAS VEGAS VALLEY INDUSTRIAL AVERAGE MONTHLY RENT: HISTORICAL AND PROJECTED TRENDS, BY QUARTER



Source: Q4, 2008 Industrial Market Survey (RCG/Colliers International).

CHART II-19: RDA AND LAS VEGAS VALLEY INDUSTRIAL AVERAGE MONTHLY RENT: 2009 FORECAST, BY QUARTER



Source: RCG.

- Over the next four quarters, the RDA's industrial monthly rent per sq. ft. is projected to decrease from \$0.63 in Q1, 2009 to \$0.58 in Q4, 2009, largely because of the obsolete nature of the remaining space.

E. CONCLUSIONS

The forecasts presented above represent point approximations, i.e., single parameter estimates, not ranges reflecting possible futures. RCG regards these estimates as probable outcomes, but not the only possible outcomes, based on the data analyzed and our professional judgment. The market for real estate is complex and challenging, especially in the current environment. Real estate investment and development are speculative, and returns and risk are influenced by many factors, such as the natural environment, socio-economic trends, market and business purchasing capability². This is particularly true in the context of a relatively new and emerging redevelopment area like the RDA.

Forecasting the future performance of the Valley and RDA under the current economy is quite challenging. Overall, the Valley and RDA data analyzed herein suggest that the current economic situation is exerting further downward pressure on an already very weak economy. Consequently, RCG is expecting a very challenging 2009 for Nevada, in general, and Las Vegas Valley, in particular.

Current economic and market trends could change dramatically, if and when, the economic stimulus plan coming from Washington frees up credit, stabilizes housing prices and reverses job losses. At this time, we are not expecting to see any of the potential benefits of the plan to reach Southern Nevada until well into 2010.

Accordingly, the main findings of this report are as follows:

- Although Downtown's gaming revenues are projected to decline slightly in 2009, Downtown will still remain an important gaming market in Clark County (on average, 5.5 percent of the total Clark County market).
- The RDA's new home prices are expected to fall further; however, they will remain higher than the Valley average. The RDA's new home prices are anticipated to be, on average, 2.3 times above the Valley average. This is indicative of the type of residential projects built and being considered for the RDA (upscale condo product), combined with the relatively higher price of land in Downtown.
- In 2009, the RDA's office market will be characterized by relatively healthy demand and by a stable vacancy rate.

² Liu, L., Zhao, E., Liu, Y. *Research into the Risk Analysis and Decision-Making of Real Estate Projects*. IEEE, 2007.

- The RDA's anchored retail market will continue to see rising vacancy rates and weakening demand, because of the free-fall in consumer confidence and spending.
- Finally, in 2009, the RDA's industrial market will experience some increases in vacancy rates, but will out perform the Valley averages.

Although 2009 will be a difficult year for the local economy, the RDA is well-positioned and well-located to recover faster than the Valley as a whole, at least as it relates to gaming activity and the commercial real estate markets. For 2009, the residential market in the RDA and the Valley will continue to see a decline in total prices and prices per square foot. This drop will be more severe in the RDA, because of the type of house product being built. It is our opinion that that luxury (high and mid-rise) condo market in the Valley, including the RDA, will have a longer recovery period than the general housing market.

Today and into the future, Downtown will be a locale of significant investment focus by the City. The area also continues to see significant interest by private developers and the general business community, despite the recession and frozen credit market. This private sector interest is clearly the result of its expectation regarding Southern Nevada's long-term potential, Downtown's role in the future of the region and the City's ongoing financial and institutional commitment to the area.

Due to its strategic location in the Valley, Downtown is, and will continue to be, a center of tourism activity, jobs and housing. Almost \$18 billion worth of projects are in various stages of planning and development in Downtown Las Vegas³. Additionally, the enduring commitment of the business community and the City to transform Downtown into a focal point of urban living and commerce will ensure that the area remains an integral part of Southern Nevada's future as the region's economy inevitably rebounds.

³ *Redevelopment Area 2008 Annual Report.*