

WERT-BERATER

COMMERCIAL REAL ESTATE ADVISORS



Wert-Berater Commercial File No F-07-559

**APPRAISAL OF FEE SIMPLE ESTATE FOR THE REAL PROPERTY
LOCATED AT**

*900+- Feet West of
NWC of South Fort Apache Road and West Sunset Road
Las Vegas, Nevada 89148*

OWNED BY

CM Land LLC.
*1291 Galleria Dr, Suite 200
Henderson, NV 89014*

DATE OF VALUE

June 22, 2007

PREPARED FOR

Consolidated Mortgage, LLC

*Attn: Bobby Choudhury
Legal Associate
1291 Galleria Dr., Ste 220
Henderson, NV 89014*

&

Vestin Realty Trust II

*Attn: Daniel B. Stubbs
Senior Vice President - Underwriting
8379 West Sunset Road
Las Vegas, Nevada 89113*

**WERT-BERATER | COMMERCIAL
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June 29, 2007

Consolidated Mortgage, LLC

Attn: Bobby Choudhury
Legal Associate
1291 Galleria Dr., Ste 220
Henderson, NV 89014
&

Vestin Realty Trust II

Attn: Daniel B. Stubbs
Senior Vice President - Underwriting
8379 West Sunset Road
Las Vegas, Nevada 89113

RE: Appraisal of the 'as is' partially improved site for multi-family development comprised of two parcels with a combined gross area of 10.0+- acres and located about 900+- feet west of northwest corner of South Fort Apache Road and West Sunset Road in Las Vegas, Clark County, Nevada 89148. APNs: 163-31-801-007 and 008.

Wert-Berater Commercial File No. **F-07-559**

Dear Sirs:

At your request and authorization, Wert-Berater | commercial has prepared a Complete Summary Appraisal of the 'as is' value of the referenced property and has presented our analysis in the following Summary Appraisal Report. The client has requested a value for the subject's partially improved lots 'as is'. Upon inspection of the subject street grading and site /pad grading have been completed at the subject site.

At the request of the client the appraisal premise of this report is to estimate the value of the subject 'as is' as a partially improved grouping of two five acre parcels The current zoning for the subject is R-3, Multifamily Residential - 18 units per gross acre.

Consolidated Mortgage, L.L.C.

Attn: Bobby Choudhury

Vestin Realty Trust II

Attn: Daniel B. Stubbs

June 29, 2007

Page 2

Currently, the site is partially improved as described in the body of this report as of the effective date of this appraisal. The subject 'as is' is more fully described, legally and physically within the enclosed report. Data, information, and calculations leading to the value conclusion are incorporated in the report following this letter.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. Based on the analysis contained in the following report, the 'As Is' value of the subject partially improved for multi-family development is concluded as follows:

MARKET VALUE CONCLUSION				
Appraisal Premise	Interest Appraised	Exposure	Date of Value	Value Conclusion
As Is	Fee Simple Estate	12 Months	June 22, 2007	\$13,000,000

Compiled by: [Wert-Berater](#) | commercial

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI Regulations appraisal standards. The report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or asset disposition purposes. The Appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

Consolidated Mortgage, L.L.C.

Attn: Bobby Choudhury

Vestin Realty Trust II

Attn: Daniel B. Stubbs

June 29, 2007

Page 3

Please note that we do not consent to allow an appraisal report prepared by Wert-Berater | commercial, L.L.C. or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do not consent to your submission of the reports to rating agencies, loan participants who are involved with a federally related transaction or your auditors in its entirety or in component parts without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if Wert-Berater | commercial, L.L.C. can be of further service, please contact us.

Respectfully submitted,

Wert-Berater | commercial



James L. Stevens, MAI

Nevada Certified General Appraiser

#A-0005282CG

Expires: March 31, 2008

E-mail: jsteven@wert-berater.com



James D. Hansen

Nevada Certified Residential Appraiser

#A.0004500CR

Expires: January 31, 2009

E-mail: jhansen@wert-berater.com

CERTIFICATION OF THE APPRAISAL

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, as well as the requirements of the State of Nevada relating to review by its duly authorized representatives. This report also conforms to the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. James L. Stevens, MAI has not completed the requirements of the continuing education program of the Appraisal Institute and is not required to do so.
10. James L. Stevens, MAI and James D. Hansen have made a personal inspection of the property that is the subject of this report.
11. No one provided significant real property appraisal assistance to the persons signing this report.
12. James L. Stevens, MAI and James D. Hansen have extensive experience in the appraisal/review of similar property types.

CERTIFICATION OF THE APPRAISAL (continued)

13. James L. Stevens, MAI and James D. Hansen are currently certified or licensed in the state where the subject is located.

14. Wert-Berater Valuation Services operates as an independent economic entity within Wert-Berater | commercial, L.L.C. Although employees of other Wert-Berater | commercial, L.L.C. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy are maintained at all times with regard to this assignment without conflict of interest.



James L. Stevens, MAI
Nevada Certified General Appraiser
#A-0005282CG
Expires: March 31, 2008



James D. Hansen
Nevada Certified Residential Appraiser
#A.0004500CR
Expires: January 31, 2009

SUMMARY OF SALIENT FACTS

Property Name	Somergate Condominiums
Location	900+- Feet West of NWC of South Fort Apache Road and West Sunset Road, Las Vegas, Nevada 89148
Assessor's Parcel Numbers	163-31-801-007 and 008
Highest and Best Use	
As Vacant	Multi-family Residential Development
As if Improved	Multi-family Residential Development
Property Rights Appraised	Fee Simple Estate
Gross Land Area	10.0+- AC 435,600+- SF
Net Land Area	9.14+- AC 398,138+- SF
Estimated Exposure Time	12 months or less
Topography	Level
Utilities	Municipal including electricity, sewer, water, and natural gas are located near the subject.
Improvements	Partially Improved - Upon inspection of the subject street grading and site /pad grading and have been completed at the subject site.

SUMMARY OF SALIENT FACTS (continued)

Current Zoning

R-3 (Multi-Family Residential, Clark County)

Access

West Sunset Road; paved.

CONCLUDED MARKET VALUE

MARKET VALUE CONCLUSION				
Appraisal Premise	Interest Appraised	Exposure	Date of Value	Value Conclusion
As Is	Fee Simple Estate	12 Months	June 22, 2007	\$13,000,000

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MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

SPECIAL ASSUMPTIONS

No special assumptions have been made by the appraisers.

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Glossary of Terms

Qualifications of the Appraisers

Floor Plans

INTRODUCTION

PROPERTY IDENTIFICATION

The subject can be identified as situated 900+- feet west of northwest corner of South Fort Apache Road and West Sunset Road in Las Vegas, Clark County, Nevada 89148. The subject is partially improved for multi-family residential development. The subject is comprised of two parcels with a combined gross area of 10.0+- acres identified by Clark County Parcel numbers 163-31-801-007 and 163-31-801-008.

OWNERSHIP AND PROPERTY HISTORY

The title to the subject is currently vested in the name of CM Land L.L.C., (buyer) who acquired title to the subject on March 24, 2006 from Christopher J. Stimson Etal., (seller) for \$11,750,000 'as is' in what appears to have been an arm's length transaction (Clark County Document 20060324:03180).

Christopher J. Stimson Etal. purchased the subject on October 31, 2005 from Sunset 215 LLC. for \$6,000,000 (Clark County Document 20051031:05835). This transaction appears to have been an arm's length.

Sunset 215 L.L.C. acquired the title to the subject in non-arm's length quitclaim transaction from Valley View Industrial L.L.C. as identified in (Clark County Document 20040916:00950).

Other than that noted herein, there has been no other ownership transfer of the property during the previous three years. As of the date of value, the subject is not being marketed for sale, to the best of appraiser's knowledge. Deeds to the subject are included in addenda of this report.

INTRODUCTION (continued)

RELEVANT DATES

The following table illustrates the various dates associated with the valuation of the subject property:

RELEVANT DATES	
Date of Report:	June 29, 2007
Date of Inspection:	June 22, 2007
Dates of Value As Is:	June 22, 2007

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DATE OF REPORT

The date of report is the date indicated on the letter of transmittal.

PREMISE OF THE APPRAISAL

The premise of this appraisal valuation is 'as is' of partially finished parcels based on current R-3 zoning.

TERMS AND DEFINITIONS

The Glossary of Terms in the Addenda provides definitions for terms that are, and may be used in this appraisal.

INTENDED USE AND USER OF REPORT

This appraisal is to be used for mortgage underwriting and financing making purposes by the clients Consolidated Mortgage and Vestin Realty Trust II.

INTRODUCTION (continued)

PROPERTY RIGHTS APPRAISED

The interest appraised represents the fee simple estate.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the 'as is' market value of the subject as currently partially improved for multi-family development for mortgage underwriting purposes. The current economic definition agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. ¹

¹ Appraisal Standards Board of The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2003 ed. (Washington, DC: The Appraisal Foundation, 2003), 219; Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 177-178. This definition is also compatible with the OTS, OCC, RTC, FDIC, FRS and NCUA definitions of market value.

INTRODUCTION (continued)

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

No Extraordinary Assumption has been made.

No Hypothetical Condition exists (2).

1. EXTRAORDINARY ASSUMPTION: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

2. HYPOTHETICAL CONDITION: that which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Appraisal Standards Board of The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2006 ed.

USPAP 2006 <http://commerce.appraisalfoundation.org/html/USPAP2006/definitions.htm>

SCOPE OF APPRAISAL

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied, all based upon the purpose of the appraisal and its intended use, as previously outlined.

Wert-Berater | commercial, L.L.C. and the signatory appraisers completed the following steps for this assignment:

1. physically identified and inspected both the site as vacant and as partially improved for multi-family development, as well as its surrounding environs; identified and considered those characteristics that may have a legal, economic or physical impact on the subject;
2. physically inspected the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process; expanded this knowledge through interviews with regional and/or local market participants, available published data and other various resources;
3. conducted regional and/or local research with respect to applicable tax data, zoning requirements, flood zone status, demographics, income and expense data, and comparable listing, sale and rental information;
4. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value;
5. correlated and reconciled the results into a reasonable and defensible value conclusion, as defined herein; and

SCOPE OF APPRAISAL (continued)

6. estimated a reasonable exposure time and marketing time associated with the value estimate presented. To develop the opinion of value, Wert-Berater | commercial performed a Complete Appraisal as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). This means that no departures from Standard 1 were invoked. In this Complete Appraisal, Wert-Berater | commercial used all appropriate approaches to value. Furthermore, the value conclusion reflects all known information about the subject, market conditions, and available data.

This appraisal of the subject has been presented in the form of a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the USPAP. That is, this report incorporates a summary practical explanation of the data, reasoning and analysis that were used to develop the opinion of value. This report also includes thorough descriptions of the subject and the market for the property type.

SPECIAL APPRAISAL INSTRUCTIONS

To appraise the subject's partially improved parcels 'as is'.

**EXPOSURE & MARKETING TIME
& UNIT ABSORPTION**

Current appraisal guidelines require an estimate of a reasonable time period in which the subject property could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historic analysis, this is referred to as exposure time. Exposure time always precedes the date of value; with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. It is different for various types of real estate and under various market conditions.

A discussion of an appropriate exposure/marketing time estimate for the subject property is presented in the following sections.

In consideration of these factors, we have analyzed the following:

- exposure periods for comparable sales used in this appraisal;
- marketing time information from information analyzed as collected from the Clark County Multiple Listing Service (MLS); *and*
- the opinions of market participants.

The following table presents the information derived from these sources.

MARKETING & EXPOSURE TIME DATA SOURCES		
Property Type	Exposure Time in Months	
	Range	Average
<i>Vacant Land (improved ready to build and unimproved)</i>		
Residential Lot (6,000 to 43,560 sf)	6.0 - 12.0	6.0
Residential Parcel (43,561 to 3,484,900 sf)	6.0 - 12.0	6.0
Residential Parcel (3,485,000 + sf)	6.0 - 12.0	6.0
Improved Residential Sales Comparables Used in this Report	6.0 - 12.0	6.0

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EXPOSURE & MARKETING TIME & UNIT ABSORPTION (continued)

In general, the vacant land sales indicate exposure times in the upper portion of the range indicated by the appraiser's survey. In addition to the sales and survey data, we have also reviewed the assumptions and conclusions reached in the Valuation section of this report, particularly the income estimates and rates of return. Based on these analyses, we have concluded an exposure/marketing time of 12 months or less would be considered reasonable for the subject property 'as is' as partially improved site for multi-family development. This data was provided by the Clark County Multiple Listing Service (MLS).

This exposure/marketing time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market-specific factors. It assumes that the subject property is (or has been) actively and professionally marketed. The marketing/exposure time would apply to all valuation premises included in this report.

AREA ANALYSIS

This section of the appraisal provides a broad overview of metropolitan Las Vegas and Clark County, including information regarding the economy, utilities, population, transportation, schools, community services, recreational areas, taxes, government, etc. The following information has been taken from the 2005 Las Vegas Perspective, Wert-Berater | commercial sources, publications by the Center for Business at the University of Nevada at Las Vegas, the Economic Research of the University of Nevada at Las Vegas and various other publications and sources.

An appraisal should inform the reader of any market trends, regardless of whether a trend reflects rising or declining values. For example, such trends might include increasing vacancy rates, greater use of rent concessions, or declining sales prices. Identification of negative trends is particularly important so that a regulated institution may avoid, extending credit on the basis of insufficient collateral. Market trends may be indicated in market activity on the subject property, such as listings, options, or sales agreements; accordingly, such activity should be disclosed.

Market Analysis – In this section an outline the general market conditions of supply, demand and pricing relative to the subject property’s overall market area and specific sub-market is provided. This analysis includes an explicit discussion of current inventory, vacancy, market rents, construction and absorption trends. It also discusses the impact a change in any aspect of the supply/demand dynamic would have on the market, sub-market and subject property.

Market Data – All statistics referenced in the market analysis represent the most current data. The data and statistics, which comprise the market analysis.

The following geographic, physical, political, governmental, sociological, economic and financial aspects of the community provide an overview to the subject market. Highlights of national and regional economic conditions will be noted as they affect the Las Vegas, and greater State of Nevada area.

AREA ANALYSIS (continued)

NEVADA STATEWIDE OVERVIEW

Nevada is a state located in the western United States. The population as of 2005 was estimated to be 2,414,807, up nearly 21% from the 2000 census figure of 1,998,257. Nevada is the fastest growing state in the country. Between 2000 and 2003, Nevada's population increased 12.2%, while the USA's population increased 3.3%. Between 1990 and 2000, Nevada's population increased 66.3%, while the USA's population increased 13.1%. Over two thirds of the population of the state lives in the fast-growing Las Vegas metropolitan area. Nevada's nickname is "The Silver State", and the state's motto is "All for Our Country". "Home Means Nevada" by Bertha Rafetto is the state song. The phrase "Battle Born" is on the state flag; "The Battle Born State" is the official state slogan, as Nevada was admitted into the union during the American Civil War.

Despite the name's derivation from the Spanish word *nevada* meaning "snowy", the local pronunciation of the state's name is not "Ne-vah-da"; the middle syllable has a short *a* sound as in *cat* or *hat*. (Residents often regard the pronunciation as a test of whether visitors such as presidential candidates, have informed themselves about the state.) In 2005, the state issued a new series of license plates that list the name of the state as **Nevāda** to help with the pronunciation problem.

GEOGRAPHY

Nevada has borders with Oregon and Idaho to the north, California to the west, Arizona to the southeast and Utah to the east. The border with Arizona includes the Colorado River and Hoover Dam.

It is in a mountain region that includes semiarid grasslands, lush alpine forests, and sandy deserts, and is the most arid (dry) state in the nation. Nevada is a land of rugged, snow-capped mountains, grassy valleys and sandy deserts. The northern and central portions of Nevada are mostly within the Great Basin Desert, while portions of the southern tip are within the Mojave Desert.

AREA ANALYSIS (continued)

ECONOMY

The Bureau of Economic Analysis estimates that Nevada's total state product in 2003 was \$88 billion. Per capita personal income in 2003 was \$31,910, 19th in the nation. Its agricultural outputs are cattle, hay, dairy products, onions and potatoes. Its industrial outputs are tourism, mining, machinery, printing and publishing, food processing, and electric equipment. It is well known for gambling and nightlife. Large, luxurious casinos in Las Vegas, Lake Tahoe and Reno attract visitors from around the world.

TRANSPORTATION

Interstate 15 passes through the southern tip of the state, serving Las Vegas and other communities. It has spur routes I-215 and I-515. Interstate 80 crosses through the northern part of Nevada, reaching from Utah in the east and passing westward through Las Vegas and into California. It has a spur route, I-580. Nevada also is served by several federal highways: US-6, US-50, US-93, US-95 and US-395. There are also 189 Nevada State Highways.

The state is one of just a few in the country that allow semi-trailer combinations with three trailers—what might be called a "road train" in Australia. However, American versions are usually smaller, in part because they must ascend and descend some fairly steep mountain passes. Union Pacific Railroad has some railroads in the north and in the south (map). Amtrak's *California Zephyr* uses one of the northern branches in a daily service from Chicago, Illinois to Emeryville, California serving Elko, Winnemucca, Sparks, and Reno. BNSF Railway has trackage rights to the Union Pacific lines in the north. Amtrak provides bus services from Las Vegas to Needles, California and Los Angeles. Greyhound Lines also provides some bus services. Las Vegas has a bus network, and a monorail system that is being extended. McCarran International Airport in Las Vegas is one of the busiest airports in the United States. There are also bus services in Las Vegas/Sparks, and from there to Carson City. Some counties do not have public transport at all, for example Eureka County.

AREA ANALYSIS (continued)

NEVADA HISTORY

On August 14, 1850, the U.S. Congress established the Utah territory which included the present day states of Utah, Idaho and Nevada. 1859 saw the discovery of the Comstock Lode, a rich outcropping of gold and silver, and Virginia City sprang up. This discovery brought a flood of miners, prospectors, merchants and others hoping to strike it rich.

On March 2, 1861, Nevada separated from the Utah territory and adopted its current name, shortened from *Sierra Nevada* (Spanish for "snowy range"). On October 31, 1864, just eight days prior to the presidential election, Nevada became the 36th state in the union. Statehood was rushed through despite Nevada's tiny population to help ensure Abraham Lincoln's reelection and post-Civil War Republican dominance in congress. As Nevada's mining-based economy tied it to the more industrialized Union, it was viewed as politically reliable (as opposed to the more agrarian and Confederate-sympathizing California).

Nevada achieved its current boundaries on May 5, 1866 when it absorbed the portion of Pah-Ute County in the Arizona Territory west of the Colorado River. The transfer was prompted by the discovery of gold in the area, and it was thought that Nevada would be better able to oversee the expected population boom. This area includes most of what is now Clark County, Nevada.

Negotiations are currently underway for Nevada to annex Wendover, Utah, which would be merged with West Wendover, Nevada. This deal will require the permission of both the Nevada and Utah legislatures and the U.S. Congress.

Mining shaped Nevada's economy for many years. In the late 1800's, the Comstock Lode played out, and Nevada went into a tailspin. There was even talk of stripping away statehood, the only time in American history such an action was discussed in Congress. However, the rich silver strike at Tonopah in 1900 helped save the state. This was soon followed by strikes in Goldfield and Rhyolite in the following years.

AREA ANALYSIS (continued)

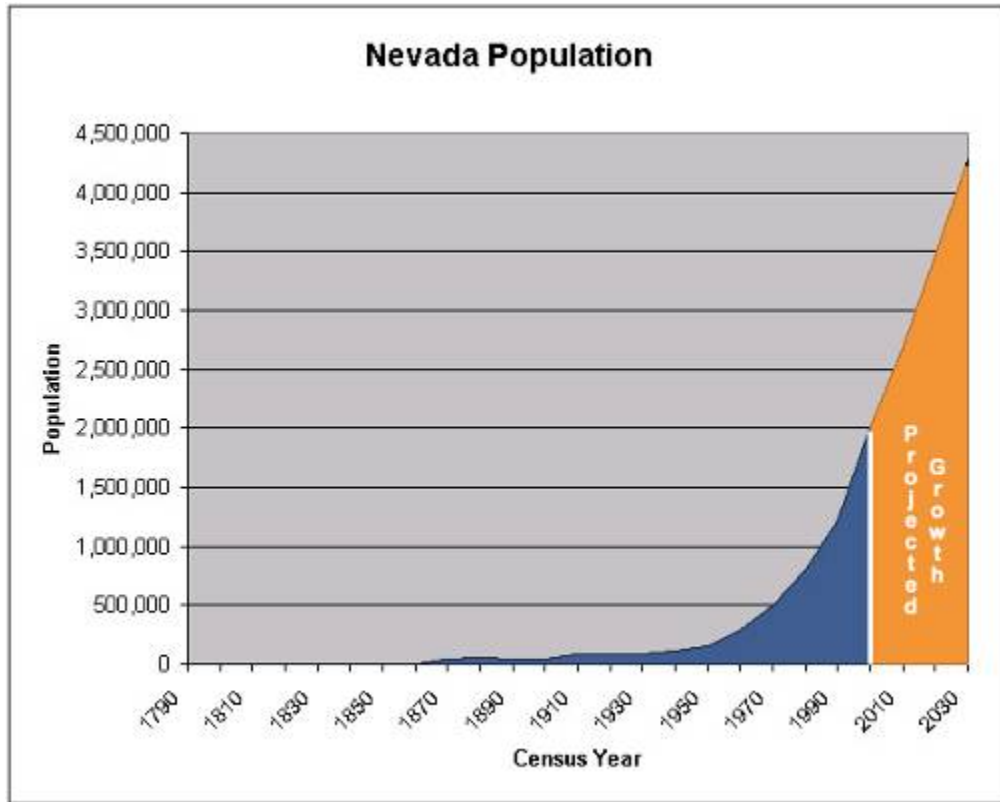
NEVADA HISTORY (continued)

These strikes lasted well into the 1910's and made Nevada a dominant player in mining once again. Mines still control a good percentage of Nevada's economy. Gold from the Carlin Trend in Northern Nevada is the second richest in the world. Other minerals, such as copper, molybdenum, and lithium, are also mined.

Despite Nevada being the third oldest western state, it is referred to as the "Permanent Colony" as over 87% of the land is owned by the Federal Government. The primary reason for this is that homesteads were not permitted in large enough sizes to be viable in the arid conditions that prevail throughout Nevada. Instead, early settlers would homestead land surrounding a water source, and then graze livestock on the adjacent public land, which is useless for agriculture without access to water (this pattern of ranching still prevails). The deficiencies in the Homestead Act as applied to Nevada were probably due to a lack of understanding of the Nevada environment, although some firebrands (so-called "Sagebrush Rebels") maintain that it was due to pressure from mining interests to keep land out of the hands of common folk. Gambling was common in the early Nevada mining towns, but was outlawed in 1909 as part of a nation-wide anti-gaming crusade. Due to a sharp decline in mining output in the 1920s and the decline of the agricultural sector during the Great Depression, Nevada re-legalized gambling in 1931. At the time, the leading proponents of gambling expected that it would be a short term fix until the state's economic base widened to include less cyclical industries. However, re-outlawing gambling has never been seriously considered since.

AREA ANALYSIS (continued)

NEVADA STATEWIDE HISTORIC & PROJECTED GROWTH 1790 to 2030



NEVADA POPULATION GROWTH -1790 -2030 PROJECTED

Year	Population	Year	Population	Year	Population
1790	0	1880	62,266	1970	488,738
1800	0	1890	47,355	1980	800,508
1810	0	1900	42,335	1990	1,201,833
1820	0	1910	81,875	2000	1,998,257
1830	0	1920	77,407	2010	2,690,531
1840	0	1930	91,058	2020	3,452,283
1850	0	1940	110,247	2030	4,282,102
1860	6,857	1950	160,083		
1870	42,491	1960	285,278		

SOURCE: U.S. Bureau of the Census

AREA ANALYSIS (continued)

NEVADA UNEMPLOYMENT STATISTICS

The Nevada Statistical Area January 2005 through July 2006 labor and unemployment statistics grid. Nevada has experienced a stabilized statewide unemployment rate in 2005. Over the twelve month period from January 2005 to December 2005, the statewide unemployment rate ranged from the high of 4.1% to the low of 3.8%. July 2006 indicated a statewide unemployment rate of 4.5%.

NEVADA EMPLOYMENT STATISTICS - JANUARY 2005 - JULY 2006

Year	Period	labor force	employment	unemployment	% unemployment rate
2005	Jan	1197525(b)	1146543(b)	50982(b)	4.3(b)
2005	Feb	1201362(b)	1150704(b)	50658(b)	4.2(b)
2005	Mar	1205479(b)	1155113(b)	50366(b)	4.2(b)
2005	Apr	1210546(b)	1160417(b)	50129(b)	4.1(b)
2005	May	1212661(b)	1162734(b)	49927(b)	4.1(b)
2005	Jun	1215651(b)	1165946(b)	49705(b)	4.1(b)
2005	Jul	1218028(b)	1168601(b)	49427(b)	4.1(b)
2005	Aug	1219886(b)	1170801(b)	49085(b)	4.0(b)
2005	Sep	1223662(b)	1174985(b)	48677(b)	4.0(b)
2005	Oct	1226759(b)	1178541(b)	48218(b)	3.9(b)
2005	Nov	1229121(b)	1181431(b)	47690(b)	3.9(b)
2005	Dec	1230800(b)	1183669(b)	47131(b)	3.8(b)
2006	Jan	1231671	1186730	44941	3.6
2006	Feb	1260658	1213353	47305	3.8
2006	Mar	1254539	1206535	48004	3.8
2006	Apr	1264900	1212574	52326	4.1
2006	May	1269921	1218806	51115	4.0
2006	Jun	1271665	1218372	53293	4.2
2006	Jul	1269394	1212780	56614	4.5

b : Reflects revised population controls and model reestimation through 2005.

SOURCE: *US Department of Labor*

AREA ANALYSIS (continued)

NEVADA STATEWIDE POPULATION BY COUNTY

2000 CENSUS

NEVADA STATEWIDE POPULATION BY COUNTY			
	Census 2000 Population	Change from 1990	Percent Change
NEVADA	1,998,257	796,424	66.3
Churchill County	23,982	6,044	33.7
Clark County	1,375,765	634,306	85.5
Douglas County	41,259	13,622	49.3
Elko County	45,291	11,761	35.1
Esmeralda County	971	-373	-27.8
Eureka County	1,651	104	6.7
Humboldt County	16,106	3,262	25.4
Lander County	5,794	-472	-7.5
Lincoln County	4,165	390	10.3
Lyon County	34,501	14,500	72.5
Mineral County	5,071	-1,404	-21.7
Nye County	32,485	14,704	82.7
Pershing County	6,693	2,357	54.4
Storey County	3,399	873	34.6
Washoe County	339,486	84,819	33.3
White Pine County	9,181	-83	-0.9
Carson City	52,457	12,014	29.7

Source: *US Census Bureau*

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

POPULATION

Historical and projected population statistics for Las Vegas are summarized below. Population statistics for the Las Vegas metropolitan area were obtained from *Claritas*. The population estimates noted in the following table may differ slightly from those reported by the U.S. Census Bureau, but represent a consistent series of data from which to demonstrate trends and base future projections:

The state of Nevada has been leading the nation in the rate of population growth. The 1990 Census estimate placed the Clark County (including metropolitan Las Vegas) population base at 770,280. By 2004 the estimated population has increased to 1,715,337, an increase of 122.6% over this 14 year period. The population of the Las Vegas, NV-AZ MSA, which includes Mojave County, Arizona, was reported at 852,737 in 1990 and 1,833,439 in 2005, an increase of 115.0%. The majority of Nevada and Las Vegas' growth is a direct result of in-migration. Clark County represents approximately 71.34% of Nevada's population. According to U.S. Census Bureau estimates, the 2005 population of Clark County is estimated at 1,796,380, a 17.93% increase from 2000. The 2004 population estimate for the Las Vegas Metropolitan Statistical Area (MSA) currently totals 1,833,439, a 23.41% increase over 2000.

The MSA includes Nye County, Nevada and Mojave County, Arizona, as well as Clark County. Population growth rates of approximately 2.3% to 3.5% per year are expected for the next five years. Demographics are evaluated based on the degree to which they reflected a specific socio-economic dimension. Some of the demographics are positively correlated with a given dimension, while others are negatively correlated with that dimension. For example, the income dimension includes an affluence indicator, the percent of households earning \$50,000 or more, as well as a poverty indicator, the percent of households earning \$7,500 or less.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

Year	Clark County Population	Nevada Population	Percentage of Nevada Population Living in Clark County
1990	770,280	1,236,130	62.31%
1991	835,080	1,318,597	63.33%
1992	873,730	1,371,919	63.69%
1993	916,837	1,431,956	64.03%
1994	990,564	1,525,863	64.92%
1995	1,055,435	1,611,593	65.49%
1996	1,119,052	1,696,405	65.97%
1997	1,193,388	1,790,207	66.66%
1998	1,261,150	1,870,881	67.41%
1999	1,327,145	1,946,366	68.19%
2000	1,375,765	1,998,257	68.84%
2001	1,485,855	2,132,498	69.68%
2002	1,549,657	2,206,022	70.25%
2003	1,620,748	2,296,566	70.57%
2004	1,715,337	2,410,768	71.15%
2005	1,796,380	2,518,094	71.34%

Source: *Las Vegas Convention and Visitors Authority*

Compiled By [Wert-Berater | commercial](#)

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TRANSPORTATION

Las Vegas has excellent transportation linkages with other large cities in the western United States and across the nation. The city is served by four major highways that connect other metropolitan areas including Los Angeles, California (289 miles southwest via Interstate 15); Salt Lake City, Utah (432 miles northeast via Interstate 15); Phoenix, Arizona (291 miles southeast via U.S. Highway 95); and Reno, Nevada (448 miles northwest via U.S. Highway 95). Las Vegas is ideally positioned at the hub of an 11-state region having a population base of 42 million residents.

One of the most significant new transportation projects is the Las Vegas Beltway, which encircles the entire metropolitan area. Initially, a plan was conceived to build the 53-mile long beltway in an “ultimate” full freeway configuration, section by section as it progressed around a major portion of the Las Vegas Valley. Under this original concept, a highway facility was expected to be in place sometime during the year 2020. However, in 1996 the continued influx of new residents into southern Nevada coupled with the escalating development and associated traffic demands of the valley’s rapidly growing northwest communities, prompted local officials to reevaluate how the beltway’s construction should be executed. From this reevaluation, an accelerated beltway design and construction plan was conceived, developed and approved. As a result of implementing the “accelerated” plan, the beltway’s initial facilities have already been completed. The county’s design engineers are set to continue on a pace to complete the full freeway configuration by the end of 2013.

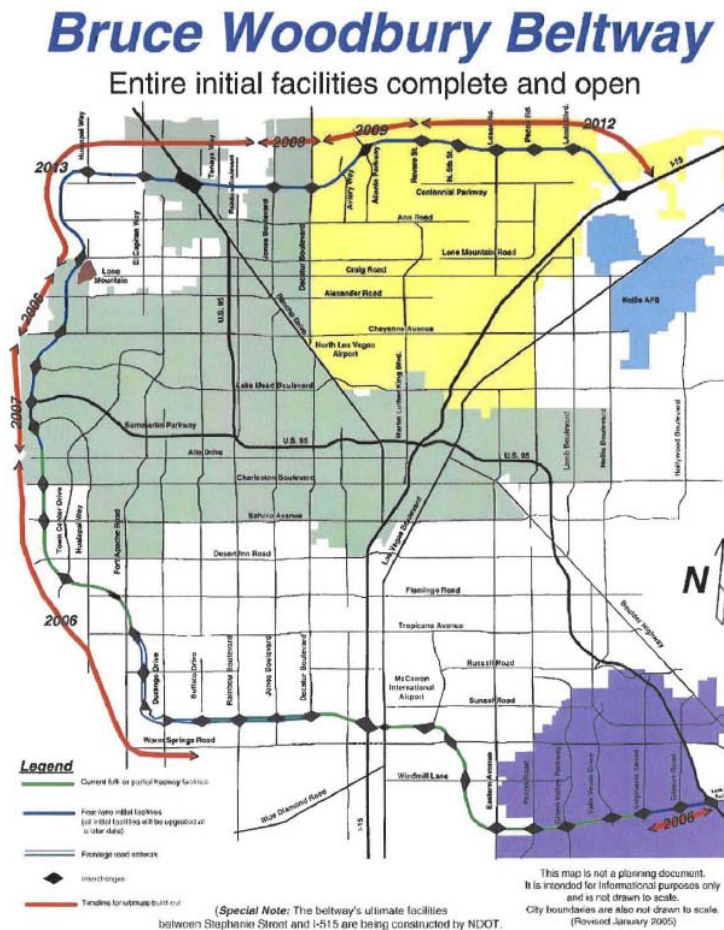
The southern segment extending from Tropicana Avenue (west of I-15) to Gibson Road (in Henderson) has been operational for several years. While a full freeway is in place from Decatur Boulevard to Stephanie Street, a temporary frontage road network was constructed between Tropicana and Decatur. Also available to motorists is the four-lane stretch of the western beltway from Tropicana to Summerlin Parkway. Under a recent contract, Summerlin Parkway’s connection to the beltway was also completed. The segment of the beltway between Summerlin Parkway and Cheyenne Avenue opened in the fall of 2001.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TRANSPORTATION (continued)

The northernmost segment between US Highway 95 (North) to Interstate 15 was completed in November 2002. The northwest curve from Cheyenne to Ann Road was completed in 2003. The beltway's southwest segment from Decatur Boulevard to Buffalo Drive was the most recently completed part in December 2004; with the opening of four mainline travel lanes (two in each direction). As such, the entire length of Beltway 215 is now open to traffic, although less than 1/2 of the project has completed freeway lanes.



AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TRANSPORTATION (continued)

Air service from Las Vegas is provided to most major population centers in the nation. McCarran International Airport has grown significantly since 1981 with the implementation of the McCarran 2000 Program. This growth has resulted in continuous design and construction. To date, over \$2 billion has been expended on a diversity of projects. Some of the improvements include new runways and taxiways, extensions on existing runways, as well as new lighting, navaid/visaid and sign systems. McCarran 2000 has also included significant terminal building construction including the Central Terminal and Parking Structure, both a north and a south expansion of the Ticketing building, creation of three satellite buildings with 60 gates, which are connected to the Central Terminal Building by automated transit systems. The development of a satellite building with 26 gates, which opened in June 1998 with the anticipation of an additional 26 gates at full build out, is also included in this development. Also constructed is a six-story, 6,500-space contiguous parking garage and a separate 8-gate Charter International Terminal.

McCarran is the sixth busiest airport in North America, and the eleventh busiest in the world with over 41 million passengers annually, according to Airports Counsel International Headquarters of Geneva Switzerland. In 2004, nearly half of all Las Vegas visitors arrive by air via McCarran International Airport, making it a major driving force in the Southern Nevada economy and one of the top ten busiest airports in the world. Income derived from aviation activity generates significant economic benefits estimated at \$25 billion a year.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TRANSPORTATION (continued)

McCARRAN INTERNATIONAL AIRPORT STATISTICS		
Year	Total Number of Enplaned and Deplaned Passengers	Percent Change
1980	10,302,000	-2.60%
1981	9,470,000	-8.20%
1982	9,439,000	-0.30%
1983	10,313,000	9.30%
1984	10,142,000	-1.70%
1985	10,924,000	7.90%
1986	12,429,000	13.80%
1987	15,582,000	25.40%
1988	16,231,000	4.20%
1989	16,693,000	2.80%
1990	18,619,000	11.50%
1991	20,172,000	8.30%
1992	20,914,000	3.70%
1993	22,492,000	7.50%
1994	26,850,000	19.40%
1995	28,027,000	4.40%
1996	30,460,000	8.70%
1997	30,315,000	-0.50%
1998	30,227,000	-0.30%
1999	33,715,000	11.54%
2000	36,866,000	9.35%
2001	35,180,000	-4.60%
2002	35,009,000	-0.50%
2003	36,266,000	3.59%
2004	41,441,531	14.27%
2005	44,267,362	6.82%

Source: 2005 Las Vegas Perspective, Center for Business Economic Research UNLV, McCarran International Airport website.

Compiled by: [Wert-Berater | commercial](#)

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TRANSPORTATION (continued)

January 2001 began with McCarran International Airport's monthly total of arriving and departing passenger's monthly total up 7.0% over January of 2000. February showed an increase of 3.2% for an average yearly increase of 5.1%. March's increase was 7.9% and yearly numbers were up 6.1%. March followed with a positive increase of 4.7% for the month with the yearly increase of 5.8%. May was 3.7% and 5.4% respectively followed by June at 3.5% and 5.0%. July's totals were again up a modest 2.7% with the yearly increase up 2.5%. August reported a 5.2% monthly increase with the year to date percentage change of 2.9%. As is evident from the preceding figures, the first eight 11 months of 2001 were superior to the same time period over 2000.

Then came the tragic events of September 11, 2001. Consequently, the Federal government closed down the entire National Airspace System. The resulting after effect produced a negative 28.3% change for the month of September (from September 2000) in arriving and departing passengers. The months of October (- 16.3%), November (-17.9%) and December (-14.3%) showed improving trends from the September level, with the year-end figures down -4.6% from the 2000 total. The end of year 2002 figures remained relatively consistent with the 2001 figure. However, the 2003 total passengers reflect the first increase since 2000, with a 3.59% increase of the 2002 total. There has been a dramatic increase from 2003 to 2004, based on a regained passenger confidence, with a 14.27% increase. This is the largest percent annual change since 1994.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

ECONOMIC BASE

The economic base of metropolitan Las Vegas consists primarily of the tourism and service industries, military bases, the Nevada Test Site, governmental and municipal agencies, mining and manufacturing.

TOURISM

The greatest economic emphasis is on the tourism and the convention industry. There are currently over 131,503 hotel/motel rooms in the Las Vegas market and additional new development will likely increase this total by at least 2,974 rooms by the end of 2006. Las Vegas now claims 13 of the 15 largest hotels in the nation and has more hotel and motel rooms than any city in the United States. Six new hotel/casinos opened in 1997, adding more than 7,438 new rooms. In 1998, over 837,000 square feet of convention space was added as well as 4,500 new hotel rooms. In 1999, over 1,100,000 square feet of convention space was added as well as 11,927 new hotel rooms.

Additionally, the 2000 construction figures were 109,116 square feet of convention space and 4,219 rooms. While the 2000 new construction figures appear excessive at first glance, hotel/motel occupancy averaged 89.1% in 2000, an increase of 1.1% over the 1999 average occupancy of 88.0%. Construction of the Bellagio (3,005 rooms) was completed in October 1998, followed by Mandalay Bay with 3,276 rooms in March 1999. The newest mega-resorts include the Venetian with 3,036 rooms and Paris with 2,916, both of which opened in 1999. In 2000, The New Aladdin opened with 2,567 rooms and 100,000 square feet of convention space. The overall hotel construction for the year of 2000 was 4,219 rooms and 109,116 square feet of convention space. This includes the closure of the Desert Inn Hotel and Casino with 715 rooms removed from service. In 2001 two new hotel-casinos opened for business and added 655 rooms and 9,000 square feet of convention space.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TOURISM (continued)

The Green Valley Ranch Hotel and Casino opened in December of 2001 with 200 rooms and 9,000 square feet of convention space with a total construction cost of \$270 million. The Palms Hotel and Casino opened in November of 2001 and added 455 more rooms to the total inventory at a cost of \$265 million. The total room inventory increased by 3,107 rooms and includes casino and non-casino properties. This is impressive considering that within this year there were two hotel-casinos that closed, removing 1,105 rooms from the inventory.

By the end of year 2001, a total of 3,107 new rooms were added to the existing inventory to bring the total room inventory to 127,377. More than 35.8 million visitors experienced Las Vegas in 2000. However, due to the downturn in the national economy and the slowdown in air travel nationwide after September 11th, the total visitors in 2001 decreased 2.3% from the 2000 level. By the end of year 2002, a total of 1,127 new rooms were added to the existing inventory to bring the total room inventory to approximately 128,946. More than 35.0 million visitors experienced Las Vegas in 2002, a 0.2% increase over the 2001 figure.

By the end of year 2003, a total of 1,536 new rooms were added to the existing inventory to bring the total room inventory to approximately 130,482. More than 35.0 million visitors experienced Las Vegas in 2003, a 1.3% increase over the 2002 figure. By the end of year 2004, a total of 2,974 new rooms were added to the existing inventory to bring the total room inventory to approximately 131,503. More than 37.0 million visitors experienced Las Vegas in 2004, a 5.2% increase over the 2003 figure. By the end of year 2004, there were four hotels closed consisting of 1,161 rooms. In December 2004, the Bellagio had begun an expansion project for 925 new rooms and 60,000 additional square feet of convention space with the construction cost being \$375 million. The Green Valley Ranch Station Casino has begun a project for 296 new rooms and 25,500 additional square feet of convention space with the construction cost being \$110 million.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TOURISM (continued)

In late April 2005, Wynn Las Vegas opened with some of the largest guest rooms on the strip. The \$2.7 billion, 217-acre resort includes an 18-hole championship golf course, 22 dining outlets, 110,000 square feet of gaming, 223,000 square feet of meeting space, 76,000 square feet of retail, an art gallery and automobile dealership. The development has added 2,716 guest rooms and more 9,000 new jobs to the area's total. Wynn Las Vegas and Country Club will begin its construction in 2005 on an adjacent site. Meanwhile, the completion of the Caesars' Palace \$376 million expansion will occur in the third quarter 2005 including approximately 949 guest rooms and 86,000 square feet of convention space. Overall, the Las Vegas hotel market will see approximately 3,810 new guest rooms in 2005.

By 2010, it is estimated that a proposed 23,841 hotel guest rooms and over 1.4 million square feet of convention space will be added to the Las Vegas market. The existing and proposed number of hotel rooms demonstrates the size of the Las Vegas tourist industry. This is further demonstrated by the growth in the tourist attendance and tourist revenues generated as shown in the following table.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TOURISM (continued)

Convention business has a significant impact on the Las Vegas economy. The Las Vegas Convention and Visitors Authority estimated that there were 5.725 million convention attendees through December 2004 as compared to 5.658 million convention attendees in 2003, an 11.8% increase. There were 5.658 million convention attendees through December 2003 as compared to 5.1 million convention attendees in 2002, a 9.8% increase. And, the 2001 attendees reflected a 5.1% increase over the 2000 total; while the 2000 attendees reflected a 3.4% increase over the 1999 total. This increase in attendees is even more impressive considering the 1999 figure represents a 14.3% increase over the 1998 total. The Las Vegas Convention Center, the primary convention facility, is the largest single story convention complex in the United States. In 2001, a \$150 million expansion project added 918,000 square feet of exhibit and 90,000 square feet of meeting space bringing the total square footage to 3.2 million.

The Las Vegas Convention Center now features approximately 2 million square feet of net exhibit space and 380,000 square feet of net meeting room space, accommodating 170 meeting rooms with seating capacities from 20 to 7,500. The Sands Hotel Expo and Convention Center has an additional 1,200,000 square feet of exhibition space, bringing Las Vegas' total meeting and exhibition space to more than 6,000,000 square feet, more than any other city in the nation. Las Vegas is also the ideal location for smaller meetings; of the 3,700+ meetings and conventions that came to Las Vegas in 2003, 36% had less than 500 attendees. It is apparent the economic base of Las Vegas will continue to be driven by gaming and tourism.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

SPORTS & RECREATION

The Las Vegas Motor Speedway (“LVMS”), located in the northern corridor, is one of many sporting attractions available in the Las Vegas metro area. This 14-track facility is situated on 1,600 acres and hosts many nationwide sanctioned participants, such as NASCAR and NHRA. In addition to LVMS, Las Vegas is home to the Las Vegas “51s” (affiliate of the Major League Baseball’s Los Angeles Dodgers), Las Vegas Wranglers (affiliate of the National Hockey League’s Calgary Flames) and the Las Vegas Gladiators (Arena Football).

In June of 2005, the area hosts the “Arena Bowl”. This event will offer many attractions around the Las Vegas area associated with the championship of the Arena Football League which are anticipated to have a substantial contribution to the Las Vegas tourism industry. Past area wide events have included the 2004 Las Vegas Bowl, which hosted NCAA football post season play and the Wrangler National Finals Rodeo (“NFR”). The NFR has been held annually since 1985. This December event and its various activities are held throughout the community drawing over 175,000 attendees (90 percent from out of town). The sporting events and attractions in Las Vegas are further testimony to the diversity of the area and its increasing base of tourism.

Las Vegas is within commuter distance to Mt. Charleston, Spring Mountain Ranch State Park, Red Rock Canyon and Lake Mead. Las Vegas is within one day’s driving distance of the Valley of Fire, Grand Canyon, Zion, Bryce and Death Valley National Parks. All recreation areas are used on a year-round basis and offer a variety of indoor and outdoor, state supervised facilities. Las Vegas has numerous public parks, tennis clubs, bowling centers and golf courses.

Las Vegas is a destination resort for tourists and conventions with elaborate “live” entertainment shows, championship boxing matches, golf tournaments, tennis matches, bowling tournaments, rodeo finals and off-road races. Family attractions include the Circus Midway, Excalibur Midway, and Scandia miniature golf, Mountasia amusement park, and the Grand Slam Canyon. Magic motion machine rides, roller coasters and go-cart tracks are becoming common.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

SPORTS & RECREATION (continued)

Las Vegas has a reputation as a desirable place to live, work and conduct business. The desert southwest setting has an interesting history, a diversified economy, limited taxation, excellent medical care, excellent shopping and a variety of recreational opportunities. The gaming and hotel industry has traditionally been recession resistant in stabilizing the economic base.

EMPLOYMENT

In addition to the Hotel/Gaming/Resorts sub-sector, it is significant to note that Las Vegas continues to attract business from outside the state due to its “business friendly” environment and low overall cost structure. According to the Las Vegas Perspective, the Nevada Commission on Economic Development reported that in 1992, 63% of inquiries from out-of-state business came from California companies. However, as California’s economy was recovering, that percentage dropped to only 24% of inquiries in 1996. Based on data published in the 2005 Las Vegas Perspective, 60 new businesses relocated to Clark County in 2004 from 16 states. Of these, 32 were from California, 2 from elsewhere in Nevada, 3 per state from Arizona, New York and Pennsylvania, and 2 per state from Georgia, North Carolina, Ohio and Washington. The remainder relocated from 7 other states and 2 from foreign countries.

Nevada’s job total employment growth rate has increased at a rate of 17.5% between January 2002 and March 2005. From April 2004 to April 2005 the total labor force in the state had increased by 6.4%, while the Las Vegas area exhibited growth of 7.4%. The Las Vegas metropolitan area annually captures approximately 75% to 85% of the state’s new jobs. Diversification supports resistance to sharp economic recessions and allows quick responsiveness in periods of expansion.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

EMPLOYMENT (continued)

The overall composition of the employment base in the Las Vegas MSA continues to be dominated by the Service Industries in the Las Vegas job market. The strongest areas of recent employment gains in the Las Vegas MSA between 1998 and 2003 were in retail trade, transportation/communications/utilities, government and services. With the current and proposed growth in casino construction and the growth in the industrial sector, it is reasonable to project continued employment growth within the construction, manufacturing and service sectors. Between April 2004 and April 2005, the hospitality industry reported 16,200 new jobs, while professional and business services employment increased by 11,800 new jobs. As a result of the full time residency increases over the past decade, continued professional and business services job growth is expected to continue in the Las Vegas area. In addition, based solely on the high population growth and economic conditions, retail trade has exhibited favorable growth trends over the past few years.

Considering historic growth in the governmental sector, it is also reasonable to project continued growth within that sector. Some older shopping centers are undergoing renovations as new ones are being built. In 1999, 39 new companies relocated to Southern Nevada and contributed almost \$300 million to the economy and provided more than 4,000 new jobs. Two of these new companies were involved with manufacturing and nine of these companies were originally located in California. 2001 saw 62 new companies relocate to Southern Nevada with 15 of these companies originating in California. Of the 62 new companies that relocated here, 11 are involved in manufacturing. Tourism and convention visitors are increasing as well. In 2002, 50 new companies relocated to the Las Vegas area, directly adding approximately 2,547 new jobs. In 2003, 53 new companies relocated to the Las Vegas area, directly adding approximately 2,481 new jobs, while 792 new jobs were created from company expansions. Additional employment has resulted with the recent expansions of the McCarran International Airport. And, teachers are in great demand as the Clark County School District is opening new schools to meet the increasing student population. The following table details the unemployment rate for the past 14 years for the Las Vegas MSA, the State of Nevada and the United States.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

EMPLOYMENT (continued)

LAS VEGAS MSA: Employment and Rate of Unemployment January 2005 to July 2006

CLARK COUNTY LABOR STATISTICS					
Year	Period	Labor Force	Employment	Unemployment	Unemployment Rate %
2005	Jan	846,316(d)	809,760(d)	36,556(d)	4.3(d)
2005	Feb	855,078(d)	818,580(d)	36,498(d)	4.3(d)
2005	Mar	852,708(d)	816,961(d)	35,747(d)	4.2(d)
2005	Apr	862,485(d)	827,315(d)	35,170(d)	4.1(d)
2005	May	858,884(d)	825,861(d)	33,023(d)	3.8(d)
2005	Jun	866,184(d)	830,098(d)	36,086(d)	4.2(d)
2005	Jul	859,854(d)	822,927(d)	36,927(d)	4.3(d)
2005	Aug	863,353(d)	829,233(d)	34,120(d)	4.0(d)
2005	Sep	864,811(d)	830,458(d)	34,353(d)	4.0(d)
2005	Oct	871,675(d)	839,685(d)	31,990(d)	3.7(d)
2005	Nov	875,001(d)	842,596(d)	32,405(d)	3.7(d)
2005	Dec	875,790(d)	845,466(d)	30,324(d)	3.5(d)
2005	Annual	862,678(d)	828,245(d)	34,433(d)	4.0(d)
2006	Jan	876,100	842,219	33,881	3.9
2006	Feb	898,654	864,698	33,956	3.8
2006	Mar	890,751	857,752	32,999	3.7
2006	Apr	899,108	862,897	36,211	4.0
2006	May	901,783	868,870	32,913	3.6
2006	Jun	905,788	866,956	38,832	4.3
2006	Jul	906,372	864,880	41,492	4.6

d : Reflects revised inputs, re-estimation, and new statewide controls through 2005.

Source: Department of Labor Web Site <http://www.bls.gov/lau/>

Compiled by: [Wert-Berater | commercial](#)

The unemployment rate for Clark County was about 4.6 percent as of July 2006, a 0.6 percent increase over the average for year-end 2005. The total labor force increased from about 862,678 for year-end 2005 to about 906,372.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

EMPLOYMENT (continued)

UNEMPLOYMENT RATE			
<i>Annual Average</i>			
Year	Las Vegas MSA	Nevada	United States
*2005	4.60%	4.50%	4.70%
2004	4.60%	4.35%	5.55%
2003	5.30%	5.20%	5.70%
2002	5.40%	5.50%	5.80%
2001	6.40%	6.60%	5.80%
2000	4.30%	4.40%	4.00%
1999	4.00%	4.02%	3.98%
1998	4.30%	4.50%	4.50%
1997	4.60%	4.40%	5.20%
1996	4.90%	5.20%	5.30%
1995	5.40%	5.40%	5.60%
1994	6.30%	6.20%	6.10%
1993	7.30%	7.20%	6.80%
1992	6.80%	6.60%	7.20%
1992	6.80%	6.60%	7.20%
1991	5.70%	5.50%	6.60%
1990	4.70%	4.90%	5.50%

* As of July 2005 – Preliminary Estimates

Source: Nevada Employment Security Department,

Employment Security Research

Compiled by: [Wert-Berater | commercial](#)

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

EMPLOYMENT (continued)

EMPLOYMENT BY INDUSTRY - CLARK COUNTY NEVADA						
Industrial Employment	December 2000	December 2001	December 2002	December 2003	December 2004	December 2005
Total Industries	684,900	728,300	756,500	780,000	810,570	853,660
Mining	2,200	2,200	1,800	1,600	1,300	1,400
Construction	69,200	72,800	70,500	71,700	75,300	78,900
Manufacturing	22,700	23,800	24,300	25,500	24,300	26,100
Transportation						
Public Utilities	34,700	37,200	42,200	43,700	44,900	52,000
Trade	144,100	154,300	161,200	166,700	177,270	181,600
Real Estate, Finance, & Service Industries	33,800	35,000	35,700	38,000	43,200	44,500
	303,200	322,500	341,800	349,600	357,800	382,660
Government; Federal, State, Local	75,000	80,500	79,000	83,200	86,500	86,500

Source: *State of Nevada*

Compiled by: [Wert-Berater | commercial](#)

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

EMPLOYMENT (continued)

The ten largest employers in Clark County are as follows:

TEN LARGEST EMPLOYERS IN CLARK COUNTY

Rank Employer Number of Employees

1	Clark County School District	30,000+
2	Clark County	9,000 – 9,999
3	Bellagio, LLC	8,000 – 8,999
4	Wynn Las Vegas	8,000 – 8,999
5	MGM Grand Hotel / Casino	7,000 – 7,999
6	Mandalay Bay Resort & Casino	7,000 – 7,999
7	Mirage Hotel / Casino	5,000 – 5,999
8	State of Nevada	5,000 – 5,999
9	Caesar’s Palace Hotel & Casino	4,000 – 4,999
10	Las Vegas Metropolitan Police	4,000 – 4,999

Source: *State of Nevada*

Compiled by: [Wert-Berater | commercial](#)

In summary, the economic base of Las Vegas continues to be dominated by the services sector, although diversification is improving due to growth in manufacturing and distribution uses.

Source: *State of Nevada, Department of Employment & Training AND Bureau of Labor Statistics.*

Sources: *Center for Business and Economic Research; Home Builders Research; Nevada Department of Motor Vehicles; Nevada Department of Employment, Training, and Rehabilitation; Local Building Permitting Agencies; Nevada Department of Taxation; McCarran International Airport; Nevada State Gaming Control Board; Las Vegas Visitors and Convention Authority.*

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

GOVERNMENT

Clark County operates as an independent political entity and is administered by a County Manager who is supervised by a seven-member Board of Commissioners. The Las Vegas City administration consists of a Mayor, four-member city council, City Manager and appropriate departments.

UTILITIES

Residential electric rates rank among the lowest in the nation among investor-owned utilities. The Nevada Power Company provides electric power. Las Vegas Valley Water District is the primary water supplier, along with the cities of Boulder City, Henderson, Las Vegas and North Las Vegas. The Southwest Gas Corporation supplies natural gas. Sewers are typically municipally owned. Overall, the availability and/or cost of utilities do not appear to be a significant factor that could limit the growth of the region. However, due to below-average snowfalls in the Rocky Mountains for the past five years, the water level in Lake Mead has continued to decline. As such, some water conservation methods have been implemented throughout Clark County. Alternative water sources are being investigated, but these possible sources will not have an impact on the area for two to three more years.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

HEALTH CARE

The Las Vegas area is served by over 14 full-service hospitals and six specialty hospitals totaling over 3,900 beds. The continued growth in population and households in the community has spurred new hospital construction in the community. In August 2006, St. Rose Dominican Hospital – San Martin, an additional full service hospital with approximately 110 private rooms and the capacity to expand to 200 private rooms will open in the south corridor of Las Vegas. Furthermore, 150 beds will be added to the full service hospital supply in the northwest corridor between 2006 and 2007 with the construction of the Centennial Hills Hospital Medical Center. Four other proposed full service and specialty hospitals have been proposed to open between 2006- and 2007 in the southern corridor. However, these proposed developments' attributes, financing, approvals and timing have yet to be finalized.

SCHOOLS

Clark County School District is one of the largest in the nation and continues to expand. The school district now has 301 schools, which includes 13 new facilities open for the 2004-2005 school year. Encompassing all of Clark County, the CCSD employs more than 32,000 and continues to add more staff members to accommodate the increasing number of students. The CCSD official school enrollment for 2005 is projected to be 299,367 students and is expected to grow to a projected 389,336 students by 2010. Area residents demonstrated their commitment to education in 1998 when they approved a \$2.8 billion ballot question for school financing. Combined with other sources, the CCSD had \$3.5 billion in 1998 to finance the area's education needs through the year 2008.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

SCHOOLS (continued)

The general operating fund final budget is funded as follows: 41.3% local sales tax, 23.0% property tax, 27.9% state support and 7.8% federal aid and other sources. The University of Nevada, Las Vegas (UNLV) situated on a 337-acre campus, is located just north of McCarran International Airport with a 2004 enrollment of over 27,000 students. UNLV's faculty of over 800 members teaches the 195 undergraduate, masters and doctoral degree programs. UNLV houses the only law school in Nevada and a variety of nationally ranked programs. Community College of Southern Nevada (CCSN), America's third-largest single college, offers 200 degree and technical programs in over 75 career fields. Two-thirds of Nevada's population is served by CCSN's three main campuses and over 50 academic centers located in four counties.

TAXES

The tax structure of Nevada is favorable and contributes to attract new businesses to the state. There is no personal income, corporate income, inventory, inheritance, estate, or gift taxes. The sales tax is 7.5% in Clark County and there is no sales tax on food used for home consumption or for medicines, services or rentals. According to a study by the Government of the District of Columbia, Nevada has the fifth lowest major tax burden in the country. An abatement of all but 2% of the sales tax is available to new or expanding companies for eligible capital equipment that meets specific criteria. Deferral for up to five years is available to a company making major capital purchases. And, Nevada provides an exemption of all but 2 percent of the sales tax for companies that purchase aircraft or components for aircraft.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

TAXES (continued)

The Nevada Freeport law exempts all personal property from state taxation that is in transit through the state, including storage, assembly and/or processing for ultimate use in another state. This law has created a great deal of interest in warehousing within the state of Nevada. Nevada's constitutional limit on property tax is \$5.00 per \$100 of assessed valuation, while the statutory limit is \$3.64 per \$100 of assessed value. In the Las Vegas area, the tax rate varies depending on location. All classifications of property are assessed at 35% of the statutorily defined taxable value of the property.

GROWTH AND TRENDS

Significant corridors of growth in metropolitan Las Vegas include the Green Valley/Henderson area to the south and southeast (along Interstate 515 / U.S. Highway 95 and east of Interstate 15) and the areas to the southwest (along Interstate 15), the west and the northwest (along U.S. Highway 95). The region is actually growing outward in all directions; however, the northwest, southwest and south sectors are experiencing the greatest amount of sustained growth. As this growth, which is population-based, continues, it is probable that the primary growth area will shift over time due to constraints of land, access, and available amenities. Over the long-term, growth may shift toward the north area, which is currently controlled to a great extent by the Bureau of Land Management. According to several sources, Las Vegas, Nevada is the fastest growing metropolitan area in the United States. Because of the magnitude and duration of the population growth, it is highly probable that this trend will continue for the foreseeable future. In addition, as of January 1, 2000, Henderson surpassed Reno as Nevada's second largest city.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

Development of the Southern Nevada Index of Leading Economic Indicators

The Center for Business and Economic Research is a leader in the development of state and local indexes of leading indicators. Our current Southern Nevada Index has demonstrated a high degree of reliability in predicting future economic activity. The following are excerpts from a condensed version of a 1995 paper written on the subject by Dr. Ricardo Gazel and Robert Potts.

The southern Nevada economy has experienced astonishing growth rates in the last several years. This fast economic growth has created an increased demand for economic information and forecasts of future economic performance. The Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas, is frequently asked to supply information on population growth, employment, visitor volume, building permits, gross gaming revenues, and taxable sales. Many private and public decision makers need updated and reliable information on the current and future state of the local economy in order to design their investment plans, to reorganize their production structures, and to adjust their own future forecasts.

No longer do one, two, or three variables tell the entire story. It has become more difficult to identify economic indicators which can, in a reliable and timely fashion, help us grasp the current and future path of economic growth in southern Nevada. In order to fulfill this demand, CBER has developed an index of leading economic indicators which will provide information in a condensed and systematic way. An indicator that describes the current state of an economy is called a coincident indicator. One which anticipates or predicts economic activity in the future is called a leading indicator.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

The Southern Nevada Index of Leading Indicators is composed of 10 economic series, based on criteria used to build the National Index of Leading Indicators. The series and their respective weights are as follows:

- Residential building units permitted 0.7
- Residential building valuation 0.9
- Commercial building permits 1.0
- Commercial building valuation 1.4
- Taxable sales 1.0
- Air passengers enplaned and deplaned 1.0
- Sales of gasoline (gallons) 1.2
- Gross gaming revenues 1.4
- Visitor volume 1.1
- Conventions held attendance 0.5

An adjusted score system was used to choose the 10 series listed above. The challenge associated with the construction of a regional leading index is acquiring time series data sufficiently long to be tested against regional business-cycle fluctuations. This is a significant issue when developing an index and continued efforts to improve the quality and timeliness of the component series is an ongoing effort in its maintenance.

The most important criterion used to choose the components of the index was the economic importance of each series. The main indicator for this sector is still gross gaming revenues. Additionally, series such as visitor volume, air passengers, and attendance to conventions are related to the hotel/gaming sector but are also closely related to other economic activities such as eating, drinking, entertainment, transportation, and trade. Construction is represented by residential and commercial building permits. Because building permits can be misleading in terms of numbers, the valuation of those permits is also included in the index. The internal market is also represented by the value of taxable sales.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

The second criterion is statistical adequacy which measures the overall quality of the reporting system for each series (directly or indirectly), coverage of time period of data collection for the specific series, frequency of revisions, length of series, and comparability over time.

The third criterion is timing. This criterion was adapted for the regional data characteristics and measures how well the series led, coincided, or lagged the actual fluctuation of the economy. A good measure of regional business cycles is not available since data on the gross state product is associated with many empirical problems. For the index we used fluctuations of industrial employment data as a proxy for the regional business cycle. Using taxable sales was considered but there were data collection and accuracy issues that were difficult to reconcile. During the development of the index, only two complete cycles were observed in the available employment data. Both cycles coincided with the recent national recessions although the magnitude of the regional fluctuations was much smaller than the national changes. One probable reason is the larger share of services in the local economy compared to a much higher share of manufacturing in the economy of the country as a whole. Due to this data problem the timing criterion played a much weaker role in selecting regional indicators for the index.

The fourth criterion is conformity to cyclical variations. Again, the same data problem applies here; i.e., the lack of a longer employment time series created a constraint in applying this criterion in selecting a series to compose the regional index. However, the series were compared to actual changes in employment to observe if they rose during employment expansion and declined during employment contractions.

The fifth criterion is the conjugation of smoothness and the currency of the series which was used to exclude series subject to large erratic variations as well as those series not promptly available to be part of the index. Although less important in theoretical terms, these two criteria played a stronger role in eliminating many series from the regional index, especially the currency criterion. Some series originally evaluated showed large delays in their release and were eliminated from the index.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

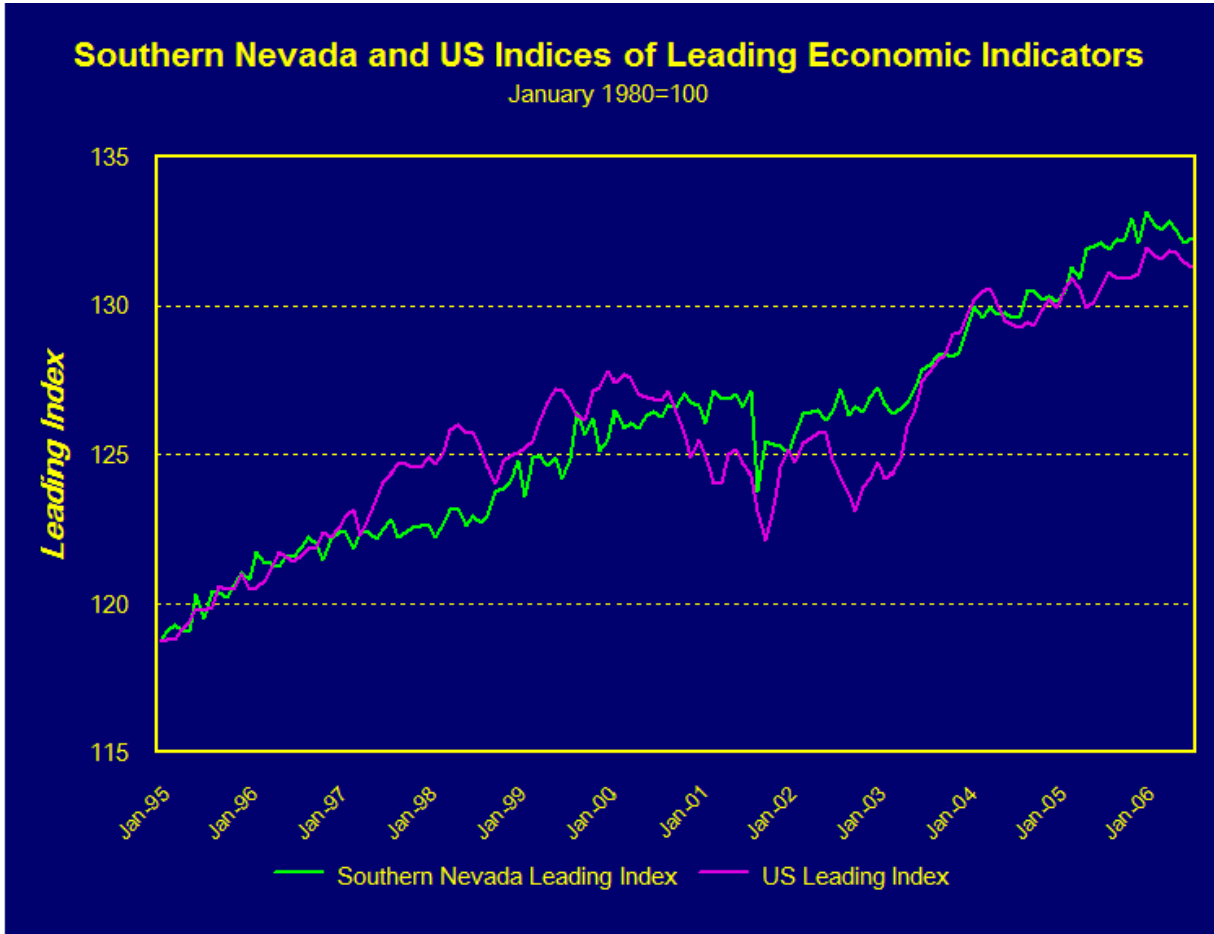
These five criteria were applied to the original series available and ten of them were chosen to be part of the index. It is important to stress that the index must be revised on a periodic basis as more series become available and the performance of the actual components of the index is evaluated vis-a-vis new (future) regional economic fluctuations.

The Southern Nevada Index of Leading Indicators performed well when compared to employment variations for the local economy. It led the employment figures by an average of four to six months in low-growth periods and by two to three months in rapid-growth periods. For recent regional recessions the index has presented negative rates of growth when compared to its own previous 12-month average. With the exception of rare false negatives, the index has forecasted well the variations of the local economy. However, the interpretation of the index must be made very carefully. Monthly changes do not explain a trend, it is the variations of the index over time that help to forecast the future local economic conditions.

Source: Gazel, Ricardo C. and Robert D. Potts, 1995, "The Southern Nevada Index of Leading Economic Indicators".

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA



In the graph of Southern Nevada and US Indices of Leading Economic Indicators the trend for Greater Las Vegas has been increasing since January 1995.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

CLARK COUNTY SERIES	DATE	UNITS	LATEST PERIOD	CHANGE PREVIOUS PERIOD	CHANGE YEAR AGO	CONTRIBUTION TO INDEX*
Residential Building Units Permitted	July-06	# Units Permitted	2,232	-39.81%	-36.54%	-0.033%
Residential Building Permit Valuation	July-06	Dollars	\$274,644,453	-37.22%	-44.63%	-0.060%
Commercial Building Permits	July-06	# Units Permitted	92	-24.59%	9.52%	-0.058%
Commercial Building Permit Valuation	July-06	Dollars	\$101,531,121	-43.47%	38.28%	-0.043%
Taxable Sales	July-06	Dollars	\$2,935,039,144	-10.24%	4.70%	-0.199%
McCarran Airport	July-06	Passengers Enplaned/Deplaned	4,086,437	5.07%	2.37%	0.027%
Gallons of Gasoline	July-06	Thousand Gallons	69,731,166	5.66%	-2.77%	-0.007%
Gross Gaming Revenue	July-06	Dollars	\$850,255,003	12.21%	11.04%	0.467%
Visitor Volume	July-06	People	3,369,877	6.74%	-0.55%	0.032%
Conventions Held Attendance	July-06	People	392,338.00	-21.20%	11.06%	0.01%
Overall Change in Leading Indicator**	September-06	0.0	132.30	0.14%	0.14%	0.14%

*The contribution to the Index is a net-weighted average of each series after adjustment for seasonal variation.

**The Index is a six-month forecast from the month of the data and four months from the month of the series.

Sources: Local Building Permitting Agencies; Nevada Department of Taxation; McCarran International Airport; Nevada State Gaming Control Board; Las Vegas Convention and Visitors Authority.

Residential building permits as of July 2006 indicated a negative 36.54% from the same period 12 months earlier. The estimated number of permits for July 2006 was 2,232 units.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

CONCLUSION AND RELEVANCE TO THE SUBJECT PROPERTY

The Las Vegas metropolitan area has undergone a transformation during the last decade from a gambling destination to a mainstream medium-size city. The tremendous historical growth has primarily resulted from a single economic sector's (gaming/tourism) need for service employees; by the frustration of out-of-state households in finding affordable starter and retirement homes (i.e., within the state of California) and by the "quality of life" features typically attributed to most western states. New employment in the non-service sectors has also created additional population growth, which adds to the stability of the local economy, lessening the long historical reliance on jobs within the service sector for stability and growth.

The 1990s reflected a shift in the economics fueling the explosive growth. While the addition of new casino-hotels remains the primary factor creating new jobs, the industrial sector has become a major factor in the accelerating growth. Because of Nevada's tax structure and Las Vegas' proximity to large metropolitan areas in the southwest, it has become a center for distribution and manufacturing. This diversity has a positive impact on the local economy as it contributes to job growth and adds stability to an economy dominated by gaming.

While the historical growth was phenomenal, governments did not anticipate its magnitude and are now struggling with the process of implementing local and regional land planning necessary for a maturing regional area. Based on the current trends, it appears that the Las Vegas Valley will continue its growth trend into the foreseeable future.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

CONCLUSION AND RELEVANCE TO THE SUBJECT PROPERTY (continued)

Significant attributes, which have attracted and will facilitate future growth, are:

- A favorable tax structure;
- A strong, skilled employment market;
- The expansion of McCarran International Airport; Ongoing long range planning and construction projects, including a beltway around the metropolitan area;
- The strategic location of Las Vegas places it as an excellent transportation hub;
- The local government is accessible and is pro growth;
- Area residents demonstrated their commitment to education in 1998 when they approved a \$2.8 billion ballot question for school financing. Combined with other sources, the CCSD had \$3.5 billion in 1998 to finance the area's education needs through the year 2008.

Issues that are considered to have the potential to negatively impact the long-term development of the metropolitan area include:

- Water availability: about 80% of the domestic water comes from the Colorado River, with the balance from ground water, resulting in "overdraft" conditions over the past decade;
- Deteriorating air quality resulting from increasing number of vehicles, residential fireplaces and general industrial and commercial uses;
- Congested transportation conditions in many areas of the community (which should improve with the extensive road programs around the valley in addition to the new Beltway, the IH-15/US 95 interchange, and the US 95 North widening); and
- The potential for real estate market sectors to become overbuilt if demand characteristics change suddenly and the current development wave continues to gain momentum.

AREA ANALYSIS (continued)

LAS VEGAS – CLARK COUNTY MSA

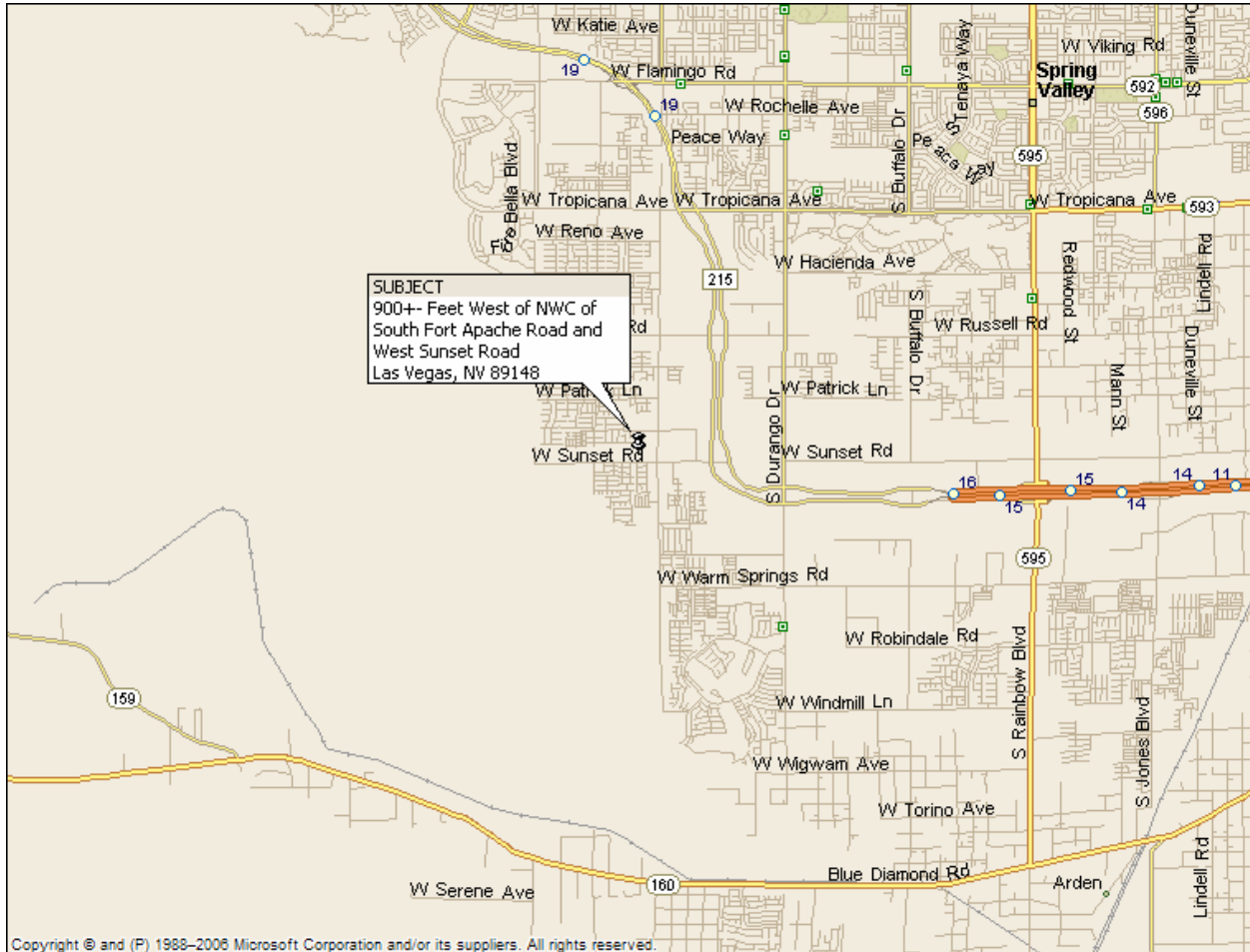
Metropolitan Las Vegas is growing very rapidly with approximately 5,000 to 6,000 people moving in each month, net. This creates increased demand for all sectors of the real estate market and is a positive factor for the subject property. The economy of Las Vegas is quite strong and should remain robust into the foreseeable future, based on current trends. This economic strength has created a relatively high wage structure and stability of employment that also favorably impacts the subject property.

SUBJECT LOCATOR MAP – GREATER LAS VEGAS



AREA ANALYSIS (continued)

NEIGHBORHOOD AREA MAP INDICATING SUBJECT LOCATION



BOUNDARIES

The neighborhood boundaries are detailed as follows:

- North: West Tropicana Avenue
- South: Blue Diamond Road
- East: Beltway 215
- West: Natural Boundaries

HOUSING MARKET OVERVIEW

In this section, a market study of general residential real estate market conditions that describes the competitive supply and demand for the Las Vegas marketing area is presented. In this market study an explanation of supply and demand factors and their impact (positively or negatively) on the financial viability of a given development is provided for the reader. This is one of the most important concepts of highest and best use, and, in the case of proposed construction, provides relevant evidence whether or not the development of a project should take place. In the case of an improved property, a market analysis is crucial in quantifying those factors which directly impact the market value of a property.

General Trends in Housing Market

The Las Vegas area housing market has been at peak levels over the past few years, with year-to-year increases every year since 1991. Strong in-migration, job growth, low interest rates, and a wide availability of product have contributed to produce strong demand for the housing offered in recent years. New hotel room additions and accompanying job growth in 1998-1999, has been projected to decrease slowly on a percentage basis. The Las Vegas housing market has become increasingly competitive with many new projects entering the market. This demand has been created by continued strong in-migration. Despite a slower growth rate than what occurred in 2004 and beginning of 2005, the housing market is still strong due to continued demand created by consistent net in-migration of about 6,000 to 7,000 new residents per month.

Las Vegas Business and Market Fundamentals

Population / Employment / Demographics

- On a monthly basis, 6,000 – 7,000 new residents move to the Las Vegas Valley. For example, 6,919 relocated to the Las Vegas Valley in May 2006. (*Department of Motor Vehicles*)
- Clark County, which includes Las Vegas, has approximately 1.8 million residents. (*University of Nevada, Las Vegas Center for Business and Economic Research, April 2006*)
- 266,754 retirees called the Las Vegas area home in 2005. (*Las Vegas Perspective 2006*)

HOUSING MARKET OVERVIEW (continued)

- Las Vegas led the nation with a seven percent job growth rate in 2005, ahead of Orlando, Florida and Phoenix, Arizona both of which averaged around four percent. This makes Las Vegas one of the fastest growing cities in the nation. (*Applied Analysis, February 2006*)
- INC magazine recently featured Las Vegas as the hottest “boomtown” for entrepreneurs noting that Nevada has the best state job growth at 19.3 percent and Las Vegas ranked ninth on the list of best places overall for business. (*Las Vegas Weekly, June 2006*).
- 47,000 new jobs were created in this area within the past 12 months. (*Las Vegas Review Journal, June 2006*)
- POLICOM, a specialist in the study of the dynamics of local economies, has ranked Las Vegas as the 10th best metropolitan area economy in their 2006 report. In 2005, Las Vegas was ranked at 23. POLICOM addresses the condition of an economy from the view point of its impact upon the “standard of living” of the people who live and work in an area. The highest ranked areas have had rapid, consistent growth in both size and quality for an extended period or time.

Residential

- According to Home Builders Research, Inc., 3,278 new homes were sold in the Las Vegas MSA during the month of August 2006, bringing the year-to-date total sold to 24,776, a 3.1 percent increase from one year ago. Also, builders such as KB Homes are now selling at \$150 to \$165 per square foot in new communities in the southwestern Las Vegas Valley and other select areas of the city. Experts expect the cost to build to continue this downward trend for the foreseeable future. (*Las Vegas Review Journal, September 22, 2006*)
- The median price of a resale home in August 2006 was \$289,000, while new homes were listing at \$329,897, down from \$337,272 in July 2006, according to Sales Traq, a local housing research firm. Condos and town home prices in July 2006 were down 1.7 percent from June 2006 to \$201,500. (*Las Vegas Review Journal, August 8, 2006 & August 30, 2006*).

HOUSING MARKET OVERVIEW (continued)

- Resale of existing homes for calendar year 2006 is projected to be around 54,206. The average listing time was 60 days in August 2006, according to the Greater Las Vegas Board of Realtors. (*Home Builders Research, Inc., "The Las Vegas Housing Market Letter," Volume 224*)

Hotel Condominiums

- The addition of over 60,000 condominiums and 19,000 hotel-condominium rooms are planned for southern Nevada by 2010. (*Applied Analysis, December 2005*).
- Construction will continue at well-branded sites including MGM Residences, Palms Place, Cosmopolitan, Panorama, Sky Las Vegas and Trump International Hotel & Tower. (*Applied Analysis, February 2006, The Trump Organization, 2006*)

Retail

- The anchored retail market grew by 734,000 square feet in the fourth quarter of 2005, reaching a total of 35.4 million square feet last year. (*Applied Analysis, January 2006*).
- In 2006, 1.3 million square feet of new retail projects are under construction with 3.3 million square feet planned for 2006. (*Applied Analysis, January 2006*).
- The region's current vacancy rate is slightly less than three percent, with rent prices averaging \$1.54 per square foot. (*Applied Analysis, January 2006*).
- Las Vegas projects in the pipeline include the \$450 million, 700,000-square-foot village at Queensridge to be completed by 2008; and the Triple Five Nevada is developing 250,000 square feet of retail development at Boca Park. (*Applied Analysis, January 2006*).
- Businesses in Nevada sold products valued at \$4.3 billion in March 2006, an increase of over four percent over the same period last year. (*Las Vegas Weekly, June 2006*).

HOUSING MARKET OVERVIEW (continued)

- The Department of Taxation reported \$3.24 billion in sales for businesses in Clark County, an increase of almost six percent from 2005. (*Las Vegas Weekly, June 2006*).
- Clark County dining and drinking establishments realized more than \$670 million in sales for March 2006, an increase of 10 percent. (*Las Vegas Weekly, June 2006*).
- Taxable retail sales were also strong in 2005. Dining and drinking: +9.8 percent, automotive dealers: +12.6 percent, miscellaneous retail sales: +20.5 percent, apparel and accessories: +18 percent, building materials: +12.8 percent, special trade construction: +18.6 percent, home furnishings: +10.9 percent and heavy construction sales: +54.1 percent. (*Applied Analysis, January 2006*).

Office

- The southern Nevada office market grew to 38.1 million square feet of space from 34.8 million square feet in the second quarter of 2005. (*Applied Analysis, January 2006; Las Vegas Business Press, July 2005*).
- As of January 2006, there were 4.6 million square feet under construction and another 3.6 million square feet planned for future development. (*Applied Analysis, April 2006*).
- Average Class A office lease rates for the fourth quarter of 2005 were \$2.14 per square foot, compared with \$1.93 at the end of 2004 and \$1.88 in 2003. (*Applied Analysis, January 2006*).
- Office employment increased by more than seven percent by the end of 2005, while the professional and business services sector showed a 10.5 percent increase, adding 10,300 new positions during the year. (*Applied Analysis, January 2006*).
- Vacancy rates for the Downtown area are at an all time low at less than five percent for class A, less than ten percent for class B, and less than fifteen percent for class C space during third quarter 2006 more than a one percent decline from a year ago. (*CB Richard Ellis, November 2006*).

HOUSING MARKET OVERVIEW (continued)

Hotels

- Las Vegas is home to 15 of the 20 largest hotels in the world. (*Las Vegas Sun, May 10, 2006*).
- Last year was another banner year for hotel expansions valley-wide. In 2005, 3,319 rooms, 490,000 square feet of convention space and 644 timeshare units were added. (*Las Vegas Convention and Visitors Authority, June 2006*).
- Over the next four years, hotel rooms are projected to grow to a total of 171,123, up from 133,186 in 2005. (*Las Vegas Convention and Visitors Authority, March 2006*).
- Las Vegas neighborhood casinos are also thriving. Station Casinos opened Red Rock Station in the western portion of the Las Vegas Valley in April 2006. In addition, Michael Gaughan, founder and former operator of Coast Casinos, recently purchased the South Coast Hotel and Casino, which includes an equestrian center. This neighborhood hotel-casino opened its doors for the first time in December 2005. (*Applied Analysis, February 2006*)

Industrial/Distribution

- During the first quarter 2006, the market expanded 1.4 million square feet. (*Applied Analysis, May 2006*).
- Industrial inventory was 84 million square feet. Approximately 3.7 million square feet is currently under construction with a vacancy rate of slightly less than three percent and a net absorption rate of 1.3 million square feet. (*Applied Analysis, April 2006*).
- Future development will likely be along I-15, the major distribution route for industrial users. (*Applied Analysis, April 2006*).
- Communities that are situated one hour's drive or less from Las Vegas are expected to benefit from the need for industrial space. (*Applied Analysis, April 2006*).

HOUSING MARKET OVERVIEW (continued)

- The area provides a number of warehousing and manufacturing-related support services including specialized contract haulers, full-service public warehousing, U.S. Customs, a foreign trade zone and sub-zone accommodations, and assembly and packaging support. (*Nevada Commission on Economic Development, Nevada Development Authority, 2006*).

Business Taxes

- Opportunities for tax deferrals and abatements based on job growth are possible. (*State of Nevada Department of Taxation, June 2006*).
- Las Vegas rated as the least expensive major city in the United States based on taxes for businesses, telephones, sales, property, electricity and utilities, and corporate income. (*Las Vegas Business Press, July 2006*)

Tourism/Gaming

- Over 38.5 million people visited Las Vegas in 2005, generating more than \$36.8 billion for the Las Vegas economy. (*Las Vegas Convention and Visitors Authority, March 2006*).
- As of April 2006, 12.8 million tourists had visited Las Vegas, a 1.4 percent increase over the same period last year. (*Las Vegas Convention and Visitors Authority, April 2006*).
- 6.2 million delegates attended 22,154 conventions in 2005, adding \$7.6 billion to the regional economy. (*Las Vegas Convention and Visitors Authority, March 2006*).
- At 2.3 million square feet, the Las Vegas Convention Center is the largest single-story center in the nation. (*Las Vegas Convention and Visitors Authority, March 2006*).
- In 2003, the 1 million-square-foot Mandalay Bay Convention Center opened as the fifth-largest convention facility in the United States and the largest meeting facility located on the Las Vegas Strip. (*Applied Analysis, March 2006*).

HOUSING MARKET OVERVIEW (continued)

- Over the next five years, over \$25 billion in tourism sector projects are planned. (*Applied Analysis, February 2006*).
- Gaming revenue amounted to \$7.6 billion in the Las Vegas Metropolitan Statistical Area, which includes the Las Vegas Strip, downtown Las Vegas and the Boulder Strip. (*Las Vegas Convention and Visitors Authority, 2006*).
- Gaming revenues for the month of April 2006 was \$989.8 million, a 12.7 percent increase over the same month last year. (*Las Vegas Weekly, June 2006*).
- Gaming comprises 24 percent of the area's direct jobs. In addition, it generates approximately 30 percent of indirect jobs in this region. (*Applied Analysis, February 2006*).
- The "Big Six" gaming operators – Boyd Gaming Corporation, Harrah's Entertainment, Las Vegas Sand's Corporation, MGM Mirage, Station Casinos and Wynn Resorts – had gaming revenue projections of \$5.9 billion in the first quarter of 2006, up 55 percent from \$3.8 billion a year earlier. (*Las Vegas Review Journal, April 2006*).
- 2005 hotel occupancy citywide during mid-week was 86.6 percent, all week 89.2 percent. Weekend occupancy was 95 percent. (*Las Vegas Convention and Visitors Authority & Las Vegas Weekly, March 2006*).

Infrastructure

Highways and Roadways

- The Hoover Dam Bypass Project, a 3.5-mile corridor over the Colorado River and downstream from the dam, is currently under construction. When completed, it will improve U.S. 93 traffic flow between Arizona, Nevada and Utah, as well serve as a free trade route between Canada and Mexico. Completion is scheduled for 2007. (*Central Federal Lands Highway Division of the Federal Highway Administration, January 2006*).

HOUSING MARKET OVERVIEW (continued)

Major public works initiatives in 2006/07 include

- \$550 million U.S. 95 widening project
- \$10.2 million Ann Road detention basin
- \$7.2 million Anasazi Drive overpass at Summerlin Parkway
- \$4.7 million Tenaya Way road and storm drainage improvement project
- \$3.6 million Discovery Drive roadway

(Department of Public Works, February 2006 & U.S. 95 Projects Office, July 2006)

Key Projects

Hotels/Casinos

- **MGM Mirage's Project City Center:** \$7+ billion high-density tourism/residential complex consisting of 66 acres with a 60-floor, 4000-room mega resort and casino, two 400-room boutique hotels, several condo buildings, an urban village and a shopping mall. This project is projected to open in 2009.
- **Boyd Gaming's Echelon Place:** \$4 billion, 63-acre construction including 5,300 rooms and 1 million square feet of meeting, convention and retail development is expected to open by 2010.
- **Las Vegas Sands' Palazzo:** \$1 billion+ project including 3,025 hotel rooms is expected to open in late 2007.
- **Wynn's Encore:** \$1.7+ billion sister tower to Wynn Las Vegas. This boutique hotel will have 2,054 suites and is projected to open December 2008.
- **Sahara Hotel Sale and Development:** Property is touted to be the new north strip anchor and southern gateway to the downtown area if developed.

HOUSING MARKET OVERVIEW (continued)

- **Fontainebleau Las Vegas:** Next-door to the Sahara Hotel, this \$1.5 billion resort is based on the Miami Beach hotel of the same name and is slated to open in 2008. (*Applied Analysis, February & May 2006; Las Vegas Today and Tomorrow, July 2006*).
- **Tropicana Hotel and Casino:** Columbia Sussex is scheduled to close on a buy-out of Aztar Corporation before the end of the year; plans for the property have not been announced but demolition of the existing hotel is anticipated.
- **Riviera Hotel and Casino:** Riviera Holdings Corporation is currently reviewing acquisition/merger offers for the hotel/casino.

Retail / Big Box Projects

- **Arroyo Market Square:** 90-acre, 940,000-square-foot retail power center at Rainbow Boulevard and Bauda Avenue is expected to open the third quarter of 2007. (*Applied Analysis, January & May 2006*).
- **Town Square:** 114-acre complex at I-15 and the Beltway (215), just south of the Mandalay Bay, is projected to open the fall of 2006. (*Applied Analysis, January & May 2006; Western Real Estate Press, May 2005*).
- **Queensridge:** \$850 million, 700,000-square-foot village combining shops, restaurants, offices and residences will open by the spring of 2008. (*Applied Analysis, January & May 2006*).
- **Great Mall of Las Vegas:** 65-acre, 2 million-square-foot project near U.S. 95 and Grand Montecito Parkway in the northwest valley area. Projected opening is September 2009. (*Triple Five Development, July 2006*).
- **Centennial Gateway:** 35-acre, 450,000-square-foot development at U.S. 95 and Ann Road. Projected to open during the third quarter 2006. (*Applied Analysis, January & May 2006; In-Business Las Vegas, May 2004*).

HOUSING MARKET OVERVIEW (continued)

- **Centennial Power Center:** 900,000-square-foot center anchored by Wal- Mart, Sam's Club and Home Depot at U.S. 95 and Ann Road. (*Applied Analysis, January & May 2006*).

Condo Towers

- Construction is underway to add 5,875 high-rise units, with a projected demand for 7,000 per year. (*Applied Analysis, February 2006*).
- Condominium towers recently opened or under construction near the Las Vegas Strip:
 - **One Queensridge Place:** Four towers consisting of 385 units per building at Alta Drive and Rampart Boulevard with Phase I move in the fourth quarter 2006. (*Vegas Today and Tomorrow, July 2006*).
 - **Panorama Towers:** Two 33-story buildings with 325 units situated at Dean Martin Drive and Harmon Avenue which opened in third quarter 2006. (*Vegas Today and Tomorrow, July 2006*).
 - **Turnberry Towers:** Two 45-story buildings at Karen Avenue and Paradise Road with 318 condo units. Tower I opens in mid-2007; Tower II opens in spring 2008. (*Applied Analysis, February 2006 and Vegas Today and Tomorrow, July 2006*).

HOUSING MARKET OVERVIEW (continued)

Condo Hotels

- **Platinum:** 255 units at Flamingo Road and Koval Lane opened in the summer of 2006. (*Vegas Today and Tomorrow, July 2006*).
- **Residences at MGM Grand:** Three 40-story buildings totaling 1,726 units opened in the spring of 2006. (*Applied Analysis, February 2006*).
- **Trump International Hotel & Tower:** 64-story building featuring 1,282 units on the Las Vegas Strip with plans to open in 2008. (*Trump International Hotel & Towers, July 2006*).
- **Cosmopolitan:** \$1.8 billion project south of the Bellagio on the Las Vegas Strip. Opening: January 2008. (*Applied Analysis, February 2006; Vegas Today and Tomorrow, July 2006*).

NOTE: Unless otherwise noted, the source for information is the city of Las Vegas Office of Business Development or multiple articles in local newspapers and business journals.

HOUSING MARKET OVERVIEW (continued)

Housing Activity

Hanley Wood Market Intelligence, formerly Meyers Group provides a quarterly publication for the Las Vegas housing market known as *The Competitive Housing Market Report* which indicates in the Executive Summary that during the 3rd Quarter of 2006, the Las Vegas new home market posted 5,915+- units sold, allocated as 3,842+- detached homes and 2,073+- attached homes. Detached housing represented 65.0 percent of the units sold during the 3rd Quarter of 2006, while attached housing represented the remaining 35.0 percent. The reported volume of sales is a 14.4 percent decrease from the previous quarter sales of 6,909 units. The 3rd Quarter of 2006 sales represents a 53 percent decrease from the quarterly sales recorded one year ago. This continues to be a stabilizing of uncommon market trends that were experienced in 2004 and 2005. This period indicated a sweeping increase in volume and price over previous year's sales. The following table tracks sales trends of attached and detached housing totals for the past ten years.

Las Vegas Residential Sales Trends				
Year	Attached	Detached	Total	% Change
1994	3,719	13,481	17,200	3.00%
1995	3,646	15,260	18,906	9.90%
1996	3,727	15,950	19,677	4.10%
1997	2,859	19,016	21,875	11.20%
1998	3,499	18,368	21,867	0%
1999	3,342	18,422	21,764	-0.50%
2000	3,027	18,577	21,604	-0.70%
2001	2,671	21,027	23,698	9.70%
2002	2,726	19,648	22,374	-5.60%
2003	3,658	25,838	29,496	31.80%
2004	6,992	23,280	30,272	2.60%
2005	19,462	25,905	45,367	49.90%
2006Q3	7,707	13,621	21,328	N/A

Source: *Competitive Housing Market Report*, Hanley Wood
Compiled by: [Wert-Berater | commercial](#)

HOUSING MARKET OVERVIEW (continued)

Sales have been projected to drop off in Las Vegas since mid-1995, as it appeared that after the incredible sales pace of 1993 and 1994, the market would stabilize. However, a steady increase in sales activity continued through 1997. The market appears to have stabilized between 1997 and 2000, posting either no gains or slight decreases in overall sales activity. This was followed by an increase in sales of 9.7 percent in the year 2001. According to the *Hanley Wood Housing Market Report*, the year-end 2004 number of 30,272 total units sold, represents a 2.6 percent increase over the year-end 2003 figure. As mentioned previously, this is due in part to a lack of supply.

The 2005 year-end sales of 45,367 units is a 47.6 percent increase over 2004. This extremely large increase is attributed mainly to attached homes which included condo conversions and the emerging luxury condo market. This amount is similar to the year end number of sales reported in the 2006 *Las Vegas Perspective* of 38,957 for the year of 2005. Despite a year over year quarterly decrease in sales, the year to date attached sales is more than the entire 2004 sales volume. Likewise the year to date detached sales represents 72.3 percent of the total 2003 sales, indicating that the market is still somewhat on pace. Traditionally, a supply side calculation can be done where population increases, persons per household, division between home buyers and renters and further division regarding new homes versus re-sales can be done to provide an estimate for future demand and subsequent absorption. Utilizing data in both the housing market and regional market data and a conservative increase in population of 4 percent, an average number of persons per household of 2.6, a ratio of 65.1 percent owners and 39.9 percent new homes versus re-sales, the demand for 2006 would be suggested at 7,256, or 1,815 per quarter. These estimates are based on Primary Residence only and do not estimate the need for second or vacation homes in the Las Vegas marketing area. This is summarized in the following table.

LAS VEGAS HOUSING DEMAND CALCULATION	
2005 Population	1,815,700
x Population Increase of 4.0% = Estimated 2006 Population	x 4.0 = \$72,628
÷ Average Person per Household of 2.6 = Number of New Housing Units Needed	÷ 2.6 = 27,934
Percentage of Owners - 65.1 percent	18,185
Percentage New Home Sales - 39.9 percent	7,256
<u>Suggested Demand for New Housing Units per Month/Quarter</u>	<u>605/1,815</u>
<i>Source: Competitive Housing Market Report, Hanley Wood</i>	
<i>Compiled by: Wert-Berater Commercial</i>	

HOUSING MARKET OVERVIEW (continued)

However, according to the most recent housing market data, the 3rd Quarter of 2006 sales more than absorbed the total annual demand indicated above. The annual number of homes sold in the Las Vegas Valley has not been below 17,200 units in 1994. Further, prior to 2002, when interest rate decreases began to fuel the local and national housing market, the year end number of sales in 2001 was 23,698. Based on the 2001 number, a quarterly absorption of 5,925 is estimated. This can in part be explained by the number of out of state second/vacation home purchases that occur. In addition, some of the 34.9 percent of households that rent could be home rentals bought and owned by investors.

In any event, the above summary does not provide an accurate assessment of demand or absorption in the rapidly growing, and far reaching Las Vegas Market. As of the 3rd Quarter 2006, there is a reported standing inventory of 1,058 detached and 1,070 attached units with a 0-30 day delivery date. The standing inventory consists of units that are available for sale. The number of detached homes represents less than a one month supply based on current sales rates. The number of standing attached units represents a 1.2 month supply. There are a combined additional 2,619 available unsold units of inventory under construction, with a one to six month delivery date which still represents less than a two month supply based on the current sales trends. In addition, there are 32,350 detached units and 18,963 attached units reported for future construction. The following table summarizes the housing inventory for the last two quarters and the previous year.

Las Vegas Housing Inventory Summary						
Delivery Date	2006 Q3		2006 Q2		2005 Q3	
	Number of Units	% of Total	Number of Units	% of Total	Number of Units	% of Total
Standing Inventory - 0 - 30 Days						
Detached	1,058	49.70%	563	56.60%	283	82.50%
Attached	1,070	50.30%	431	43.40%	60	17.50%
Total Standing Inventory	2,128	100%	994	100%	343	100%
Under Construction - 1 - 6 Months						
Detached	1,563	59.70%	1,394	67.10%	443	82.20%
Attached	1,056	40.30%	684	32.90%	96	17.80%
Total Under Construction Inventory	2,619	100%	2,078	100%	539	100%
Sub Total Standing and Under Construction Inventory	4,747		3,072		882	
Future Construction						
Detached	32,350	63.00%	28,167	63.00%	26,633	69.70%
Attached	18,963	37.00%	16,564	37.00%	11,591	30.30%
Total Future Construction	51,313	100%	44,731	100%	38,224	100%

Source: *Competitive Housing Market Report, Hanley Wood*

Compiled by: *Wert-Berater Commercial*

HOUSING MARKET OVERVIEW (continued)

The current quarter inventory of existing and under construction detached units is about 2,621 units. It is estimated that this represents less than a two month supply. The current number of attached units existing or under construction is about 2,126 units or less than a three month supply. Based on this study, if all of the standing, under construction and future inventory were currently available, there would be a combined total of 56,060 housing units. This is divided into 34,971 detached units and 21,089 attached units. Year to date 3rd Quarter sales for detached homes is about 13,621, or about 1,513 per month. Year to date 3rd Quarter sales for attached homes is about 7,707, or about 856 per month. This represents a 23 month detached home supply, and a 25 month attached home supply, based on current year's sales rates.

According to the more conservative 2001 annual sales rate of 23,698, or approximately 1,975 per month, the above total inventory represents an approximate 28 month supply. It is important to note that the subject proposed detached residential homes are likely included in the future inventory number listed above, depending on how far along the developer is in their construction process. This will be further discussed in this section with regard to submarkets and pricing segmentation. More importantly, a comparative table of projects considered being most similar to the subject property in design, location and price range has been included in the developer's residual analysis with their actual absorption rates.

The monthly sales rate for detached subdivisions averaged 2.9 per month, per project, a decrease of 44.6 percent from the previous year's average of 5.2 per month. Attached products experienced a 69.0 percent decrease in sales pace from the 18.0 per month reported last year to the current rate of 5.6 sales per month. However, the lower absorption rates reported for nearly all of the submarkets in the Las Vegas Valley is due more to a correction of a market which experienced an atypical growth rate in 2004 and early 2005. In addition, the average monthly sales vary widely by market segment. Absorption rates for projects similar to the subject are summarized in the analysis sections of this report. In addition, it is reported that there are currently 483 active detached projects in the Las Vegas Valley. This is an increase from the 474 active projects reported at the beginning of the quarter and the 433 reported during the same time last year. As of the 3rd Quarter 2006, there are 130 active attached projects in the Las Vegas Valley, which is higher than the 120 reported in the 2nd Quarter of 2006 and the 84 projects reported during the same time last year.

HOUSING MARKET OVERVIEW (continued)

In addition, the *Center for Business and Economic Research* at the University of Nevada Las Vegas reports the following trends in residential construction permits:

Las Vegas Residential Construction Permits

Type	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3
Single Family	3,994	6,376	7,371	6,330	7,808
Multi Family	1,962	3,725	4,862	2,234	3,212
Total	5,956	10,101	12,233	8,564	11,020

Source: *Center for Business and Economic Research and Clark County Planning*

Department

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The Las Vegas Metropolitan area reported a decrease in sales activity within its five submarkets. The overall quarterly decrease of 14.4 percent from the 2nd Quarter of 2006 is indicated. These fluctuations are attributed in part to the slower sales activity typically seen in the housing sector in the winter months, as well as a leveling off from the record high sales activity which had occurred in prior years. This is further illustrated in the above table which indicates a decrease in construction permits.

The subject is located in the West submarket. The following table summarizes the five submarkets sales activities for the last five quarters as reported by the *Hanley Wood Executive Summary*.

Las Vegas Submarket Sales Activity Last Five Quarters

Submarket	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	Quarter % Change	Annual % Change
North Central	1,246	1,756	1,626	1,790	2,033	-29.00%	-38.70%
Northeast	530	727	1,795	1,027	1,485	-27.10%	-63.30%
Northwest	657	690	862	890	1,378	-4.80%	-52.30%
South	1,708	1,803	2,022	1,841	2,389	-5.30%	-28.50%
West	1,774	1,933	2,510	2,630	3,087	-8.20%	-42.50%
Total	5,915	6,909	8,815	8,178	10,372	-14.40%	-43.00%

Source: *Competitive Housing Market Report, Hanley Wood*

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HOUSING MARKET OVERVIEW (continued)

Overall sales activity for the current quarter decreased by 14.4 percent from the last quarter. Unsold standing, under construction and future inventory has increased by 17.3 percent in the same period to keep pace with consistent demand. Historically low interest rates, low unemployment figures and continued population and job growth are expected to result in a continued demand for housing units. Considering that the housing market is largely fueled by the entry-level sector, which is particularly responsive to mortgage interest rate variations, and the steadily rising interest rates, it is anticipated that sales activity for 2006/07 will continue to experience stable or slightly decreasing trends.

However, this appears to be more prevalent in the resale market, whereas in the new home market it will most likely appear as concessions such as favorable financing and/or discounted options and lot premiums. Further, with the trend for higher density and a shifting ratio to more attached units, median pricing is expected to decrease. Despite median income of \$47,320 for the Las Vegas Clark County marketing area in 2005' 46.9 percent of the valley households reported median income of \$50,000 or higher. A similar trend is noted for new residents to the valley with 37.7 percent having the same higher range median income. Lastly, the most recent November statistics indicates that the resale home inventory, as indicated in the Multiple Listing Service (MLS), has finally fallen below 20,000 units, as compared with what has been an inventory as high as nearly 23,500 units. At the same time it is reported that the overall median sale price for resale homes in the valley has remained relatively unchanged. In addition, new listings in November decreased to 4,043, down 21.1 percent from the 5,125 in October. Further, more than 3,400 homes were pending sales in escrow as of month end November.

HOUSING MARKET OVERVIEW (continued)

Attached and Detached Housing Overview

During the last five quarters average monthly sales of new attached and detached units were approximately 2,679 units per month. The *2006 Las Vegas Perspective* reports that 65.1 percent of all households in Las Vegas are owned as compared with 34.9 percent being rented. According to the *Homebuilders Research Association*, the median new home sales price in 2005 was \$309,990 while the median resale price was \$285,000. Of the 97,479 homes recorded as sold in the year 2005, the new home market segment captured 40.1 percent, or 38,957. This represents an increase in share from the 31.5 percent in 2004. The remaining 58,522 were transactions involving re-sales.

Based on data provided by the Clark County Building Department, the number of single-family permits in 2005 was 29,408, which is a 5.3 percent decrease from the 2004 reported figure of 31,051. In 2005 1,633 permits for 8,846 multi family units were applied for, up from the previous years number of 1,654 permits for 5,107 units.

According to the *Hanley Wood Executive Summary*, pricing trends have shown fairly consistent increases over the last seven years, with only random occurrences of minimal decreases. The price increase for the 2nd Quarter of 2004 was the largest recorded.

HOUSING MARKET OVERVIEW (continued)

The following tables summarize pricing trends, median square footage and price per square foot in the attached and detached housing markets since 1998.

Median Pricing Trends				
Year/Quarter	Attached Price	% Change	Detached Price	% Change
1998.1	\$95,950	-7.30%	\$138,900	0.70%
1998.2	\$99,990	4.20%	\$136,990	-1.40%
1998.3	\$104,990	5.00%	\$138,990	1.50%
1998.4	\$105,000	0.00%	\$143,490	3.20%
1999.1	\$105,100	0.10%	\$141,490	-1.40%
1999.2	\$105,100	0.00%	\$143,750	1.60%
1999.3	\$109,965	4.60%	\$146,590	2.00%
1999.4	\$110,825	0.80%	\$150,990	3.00%
2000.1	\$111,814	0.90%	\$170,767	13.10%
2000.2	\$113,588	1.60%	\$168,183	-1.50%
2000.3	\$109,944	-3.20%	\$158,323	-5.90%
2000.4	\$101,200	-8.00%	\$158,713	0.20%
2001.1	\$102,334	1.10%	\$159,877	0.70%
2001.2	\$106,790	4.40%	\$165,885	3.80%
2001.3	\$120,717	13.00%	\$168,682	1.70%
2001.4	\$134,096	11.10%	\$175,664	4.10%
2002.1	\$124,375	-7.20%	\$167,744	-4.50%
2002.2	\$112,455	-9.60%	\$175,608	4.70%
2002.3	\$112,096	-0.30%	\$184,615	5.10%
2002.4	\$119,490	6.60%	\$184,993	0.20%
2003.1	\$123,435	3.30%	\$191,490	3.50%
2003.2	\$133,932	8.50%	\$201,894	5.40%
2003.3	\$151,837	13.40%	\$210,435	4.20%
2003.4	\$143,198	-5.70%	\$226,846	7.80%
2004.1	\$167,233	16.80%	\$261,444	15.30%
2004.2	\$188,831	12.90%	\$304,590	16.50%
2004.3	\$189,990	0.60%	\$312,740	2.70%
2004.4	\$208,815	9.90%	\$310,990	-0.60%
2005.1	\$406,017	94.40%	\$325,500	4.70%
2005.2	\$200,382	-50.60%	\$327,900	0.70%
2005.3	\$242,900	21.20%	\$342,900	4.80%
2005.4	\$247,017	1.70%	\$353,656	3.10%
2006.1	\$277,028	12.10%	\$349,535	-1.20%
2006.2	\$239,990	-13.40%	\$334,240	-4.40%
2006.3	\$231,956	-3.30%	\$336,656	0.70%

Source: *Competitive Housing Market Report, Hanley Wood*
 Compiled By: [Wert-Berater | commercial](#)

HOUSING MARKET OVERVIEW (continued)

According to the *Hanley Wood Market Report*, the median detached unit price for the 3rd Quarter of 2006 increased slightly since the Second of 2006 by 0.7 percent, but decreased on an annual basis by 1.8 percent. The median attached unit price decreased by 3.3 percent from the 2nd Quarter of 2006, but decreased 4.5 percent from the 3rd Quarter of 2005. This is due to the median sales price in the 1st Quarters of 2005 and 2006 being skewed by the luxury condo market prior to more median priced attached housing units coming on the market. The periodic availability of the high end luxury units as well as the closing of condo conversion units results in the highly fluctuating figures. As noted previously, the ratio of attached sales has increased over the last year in response to a development trend for higher density development. As seen in the following table, sales prices per square foot have generally risen on a quarterly basis. The fluctuating figures for the attached units are again attributed to the luxury high rise condominium and condominium conversion markets.

HOUSING MARKET OVERVIEW (continued)

Median Square Footage and Price Per Square Foot

Year/Quarter	Attached		Detached	
	Median SF	Price / SF	Median SF	Price / SF
1998.1	1,218	\$80	1,801	\$78
1998.2	1,240	\$80	1,795	\$78
1998.3	1,275	\$79	1,802	\$78
1998.4	1,266	\$81	1,802	\$80
1999.1	1,264	\$83	1,802	\$80
1999.2	1,264	\$84	1,810	\$81
1999.3	1,264	\$84	1,867	\$81
1999.4	1,258	\$87	1,937	\$83
2000.1	1,252	\$88	2,007	\$85
2000.2	1,263	\$90	2,028	\$84
2000.3	1,208	\$91	1,841	\$86
2000.4	1,163	\$87	1,824	\$87
2001.1	1,137	\$90	1,817	\$88
2001.2	1,124	\$95	1,864	\$89
2001.3	1,207	\$100	1,834	\$92
2001.4	1,315	\$102	1,889	\$93
2002.1	1,337	\$93	1,771	\$95
2002.2	1,092	\$103	1,792	\$98
2002.3	1,078	\$104	1,846	\$100
2002.4	1,138	\$105	1,796	\$103
2003.1	1,164	\$106	1,841	\$104
2003.2	1,264	\$106	1,887	\$107
2003.3	1,320	\$115	1,862	\$113
2003.4	1,224	\$117	1,906	\$119
2004.1	1,307	\$128	1,881	\$139
2004.2	1,330	\$142	1,857	\$164
2004.3	1,338	\$142	1,829	\$171
2004.4	1,160	\$180	1,851	\$168
2005.1	1,080	\$376	1,892	\$172
2005.2	1,119	\$179	1,884	\$174
2005.3	1,179	\$206	1,937	\$177
2005.4	1,138	\$217	1,987	\$178
2006.1	1,095	\$253	1,953	\$179
2006.2	1,137	\$211	1,888	\$177
2006.3	1,099	\$211	1,913	\$176

Source: *Competitive Housing Market Report, Hanley Wood*
 Compiled By: *Wert-Berater Commercial*

HOUSING MARKET OVERVIEW (continued)

Compared to the 2nd Quarter of 2006, the 3rd Quarter of 2006 median attached unit sizes decreased and the detached unit size increased. The attached and detached price per square foot is considered to represent a fairly stable price per unit and is still significantly higher than the median price per square foot in 2004.

According to the *National Association of Realtors*, home prices in the United States decreased slightly since the end of 2005 due to a slowing housing market. Although the 3rd Quarter 2006 figure represents a slight decrease in the national median home price of 1.3 percent, the figures have not been seasonally adjusted. Further, on an annual basis the western and northeast regions have outperformed the remaining regions (ranking #1 and #2 respectively) and the nation overall for the last three years. For instance in 2005 the western region had a reported median home price of \$340,300 as compared with the national average of \$219,000 and the midwest at \$168,300. In the 3rd Quarter 2006 the median home price in the western region is reported to be \$349,000, or 55.2 percent higher than the national average, and 104.7 percent higher than the lowest range midwest submarket. Further, the quarterly decrease of 0.5 percent in the western submarket for the 3rd Quarter of 2006 was lower than the national average decrease of 1.0 percent.

Further breakdown of this data indicates that Las Vegas has experienced a steady increase in median home prices every year since 2003 from \$179,200 to \$318,000. This data also reports that in the 3rd Quarter of 2006 the Las Vegas median home price decreased by 0.3 percent over the previous quarter as opposed to the overall western region decrease of 0.5 percent. A similar trend in quarterly increases was noted for major cities in Arizona, Utah and California as well. This further supports the trend of migration to the warmer, milder climates of the southwest that has been occurring over the last couple of decades.

HOUSING MARKET OVERVIEW (continued)

The following table summarizes the most recent data for median home prices in selected western metropolitan areas.

Home Prices in Selected Western Metropolitan Areas 2005 Q3 to 2006 Q3 (Median Home Price, Thousands of Dollars)

Metropolitan Area	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	Annual % Change
Salt Lake City/Ogden, UT	181.4	182.3	184.2	191.2	216.3	19.20%
Tucson, AZ	242.3	246.2	248.6	247.3	243.7	0.60%
Phoenix, AZ	268	268.4	268.3	272.2	266.5	-0.60%
Las Vegas, NV	313	315.9	317.9	319.1	318	1.60%
Riverside/San Bernardino, CA	385.3	392.3	396.2	395.7	408	5.90%
Los Angeles Area, CA	553.2	568.4	563.9	576.3	582	5.20%
San Diego, CA	615	607.4	607.3	613.1	601.9	-2.10%
Orange County, CA	710.7	699.8	712.6	726.2	705	-0.80%

Source: *National Association of Realtors*

Compiled by: [Wert-Berater | commercial](#)

What is important also to note is the relationship between median income and average home sales price. The question of affordable housing is always an issue, especially in markets where home prices have been driven up significantly in a short period of time. In the Las Vegas market, whose workforce consists of a larger number of service/casino employees, this issue is of particular concern. As mentioned previously, one way of addressing this issue is the trend for higher density. It is however critical to note that despite the assumption that median income and home price should increase at a somewhat comparable rate, the actual trend does not support this.

HOUSING MARKET OVERVIEW (continued)

The following table summarizes median income in relation to home prices over the last five years. As noted, the market appears to have absorbed higher home prices despite fairly modest increases in median income.

Housing Vs. Income Survey Results Las Vegas Valley 2000 - 2005				
Year	Median Income	Annual % Change	Average Home Price	Annual % Change
2000	\$41,657	-0.5	\$155,455	9.2
2001	\$43,787	5.1	\$169,414	9
2002	\$45,607	4.2	\$182,832	7.9
2003	\$44,307	-2.9	\$199,926	9.3
2004	\$47,097	6.3	\$248,409	24.3
2005	\$47,320	0.5	\$309,990	24.8

Source: *National Association of Realtors*
Compiled by: [Wert-Berater | commercial](#)

Although the market appears to have tolerated higher home prices over the last two years despite only minimal increases in median income, it has been predicted by realtors, developers and other industry analysts that the trends in 2004 and early 2005 will subside to more reasonable and sustainable quarterly and annual increases in sales prices. Further, as mentioned in the regional analysis, despite the median income being below \$50,000, nearly half of all valley residents have median incomes higher than \$50,000. In addition, an increasing number of buyers, especially for the higher priced detached and luxury condos, are out of state second home/vacation buyers, whose demographics are not factored into the market data due to their not being residents.

HOUSING MARKET OVERVIEW (continued)

The median attached and detached prices for the five submarkets as of the 3rd Quarter of 2006 are summarized in the following table. As the table indicates, the median attached unit prices vary widely by submarket.

Median Sale Prices - Third Quarter 2006						
Submarket	Detached			Attached		
	Median Sale Price	Median Size (SF)	Median Price/SF	Median Sale Price	Median Size (SF)	Median Price/SF
North Central	\$345,445	2,094	\$165	\$211,615	1,189	\$178
North East	\$310,783	1,766	\$176	\$228,400	1,142	\$200
North West	\$334,250	1,878	\$178	\$230,561	1,141	\$202
South	\$365,500	1,955	\$187	\$283,980	1,064	\$267
West	\$326,406	1,823	\$179	\$201,664	1,008	\$200
Total	\$336,656	1,913	\$176	\$231,956	1,099	\$211

Source: *National Association of Realtors*

Compiled by: [Wert-Berater | commercial](#)

According to the *National Association of Realtors*, the highest median price detached homes are located in the South Las Vegas submarket at a median sales price of \$365,500. This is followed by the North Central submarket with a median sales price of \$345,445. However, the North Central submarket has the highest median size and the lowest median price per square foot. The highest median price attached homes are located in the Northeast Las Vegas submarket with a median sales price of \$581,400. As previously mentioned, the North East submarket sales include the Las Vegas "Strip" and high end condominium projects resulting in the high figures. The South area had the second highest median price of \$283,980, including the same high end condominiums just west of Interstate 15. The North West area has the third highest median price at \$230,561, including mid rise luxury condos in the Summerlin area.

Traditionally, the pricing structure and associated sales activity of attached housing reflected the more affordable component of the competitive housing market. Attached housing is considered to be most appealing in periods of expanding or tightening credit, for those who desire the tax and ownership advantages but cannot generally afford the cost of more traditional detached homes. Further, attached housing allows access to additional amenities not commonly found among traditional detached home sub-divisions, and allows the owner to defer the responsibility for exterior upkeep to the association.

HOUSING MARKET OVERVIEW (continued)

Even though detached housing captures the majority of sales, a consistent number of home-buyers are choosing attached housing as an affordable alternative. Rising land and building materials costs have resulted in attached housing projects remaining an opportunity for the first time home buyer to purchase a "single family-like" attached unit.

The subject is a medium density detached product with projected base sales prices between \$350,000 and \$490,000. Although the majority of the detached products in the Las Vegas Valley sold for less than \$400,000, higher priced units comprise 31.2 percent. The subject submarket has been able to capture 32.9 percent of the sales activity within its price range.

The subject submarket is reporting the second lowest median base detached sales price of \$326,406, as compared with the lowest price in the Northeast submarket of \$310,783. The subject submarket has an absorption rate of 4.4+- sales per month, which is a decrease of 36.6 percent over the same time last year. The subject submarket has the highest number of active projects at 156, with 427 standing inventory units, and 305 unsold speculative units.

According to the 2006 *Las Vegas Perspective*, the largest percentage of homes was purchased for between \$200,000 and \$299,999. The second highest segment of activity occurred for sales between \$300,000 and \$399,999, at 23.5 percent. The following table summarizes this data.

Las Vegas New Home Sale Prices	
2005	
Price Range	2005 Market Share
Under \$200,000	18.10%
\$200,000 - \$299,999	31.40%
\$300,000 - \$399,999	23.50%
\$400,000 - \$499,999	18.20%
\$500,000 - \$749,999	6.50%
\$750,000 +	2.30%

Source: *Las Vegas Perspective*
Compiled by: Wert-Berater | commercial

HOUSING MARKET OVERVIEW (continued)

According to the *Hanley Wood Third Quarter 2006 Housing Market Study*, the highest percentage of new detached homes that sold in the Las Vegas Valley was in the \$300,000 to \$399,999 range at 46.9 percent. The highest percentage of new attached townhomes and condominiums that sold in the Las Vegas Valley was in the \$200,000 to \$249,999 range at 41.6 percent. This data is summarized in the following table.

LAS VEGAS SUBMARKET PRICE ANALYSIS - HOUSING									
	Less than \$200,000	\$200,000- \$249,999	\$250,000- \$299,999	\$300,000- \$399,999	\$400,000- \$499,999	\$500,000 - \$599,999	\$600,000 - \$699,999	Greater than \$700,000	Total
Single Family Detached									
North	0	12	166	681	157	64	45	23	1,148
Central									
Northeast	0	7	64	91	2	0	2	0	166
Northwest	0	10	71	179	40	25	32	37	394
South	0	43	261	256	356	70	11	62	1,059
West	0	51	157	593	148	95	21	10	1,075
Total	0	123	719	1,800	703	254	111	132	3,842
% of Total	0.00%	3.20%	18.70%	46.90%	18.30%	6.60%	2.90%	3.40%	100.00%
Attached Townhomes and Condominiums									
North Central	0	78	2	18	0	0	0	0	98
Northeast	6	36	0	17	0	51	0	199	364
Northwest	46	107	54	22	0	0	0	34	263
South	51	214	112	14	144	11	1	102	649
West	81	425	71	92	4	0	0	26	699
Total	239	860	239	163	148	62	1	361	2,073
% of Total	11.50%	41.60%	11.50%	7.90%	7.10%	3.00%	0.00%	17.40%	100.00%

Source: *Hanley Wood Housing Market Study*

Compiled by: [Wert-Berater | commercial](#)

Although this data provides information regarding quarterly sales by price range for the various submarkets, this can not be interpreted as an indicator of demand alone. Although it may be true that older established portions within these submarkets would be more apt to support lower median home prices, the trend indicated above is more a function of supply rather than demand. However, as a general rule, most of the new homes, and in particular the higher price range homes, are being built in the newer perimeter areas contained within the Northwest, North Central, South and West submarkets. This will be further discussed in the developer's residual analysis in a table that summarizes the price range and sales rates for the properties most similar to the subject property in design and location. This data is considered to be a far more reliable indicator of demand and absorption in a rapidly changing market such as Las Vegas.

HOUSING MARKET OVERVIEW (continued)

According to the *UNLV Center for Business and Economic Research First Quarter Housing Market Condition Study*, despite the September 2006 reported number of existing (re-sale) listings of 20,815, 32.1 percent were still selling within 30 days, with an additional 42.9 percent selling within 30 to 90 days. This occurred despite an increase in supply from the 16,493 reported in January of 2006. However this may in part be due to a fairly static list price in September 2006 of \$350,000 as compared with the list price in January 2006 of \$349,900.

Further, this study reports a median mortgage value in the 3rd Quarter of 2006 of \$287,000, or 8.3 percent higher than the \$265,075 reported in the 3rd Quarter of 2005. This is fairly consistent with the reported increase in median size of the homes over the same period from 1,676 square feet to 1,802 square feet and price from \$302,500 to \$320,000.

The Greater Las Vegas Association of Realtors reports that the inventory of homes for sales on Multiple Listing Service (MLS) fell in November to 19,729, a decrease of 16 percent from October, 2006. Although the number of listed homes is 34 percent higher than one year ago, the median price has remained stable. In addition, new listings in November declined 21.1 percent from October, 2006. Market participants attribute the decline to the decreasing number of home owners speculatively placing their homes on the market expecting to realize 2004 level profits.

HOUSING MARKET OVERVIEW (continued)

Multi-family Rental Housing Overview

National Market

The national Korpacz-Real Estate Investor Survey for the 3rd Quarter of 2006 reports that apartments continue to prevail as one of investor's most sought after property types.

However, in *Emerging Trends in Real Estate 2006*, many investors are expressing concern over the prevalence of condo conversions in the market and a potential "bubble" in housing prices. While rising mortgage rates and the loss of apartments units to condo conversions contribute to lower vacancy rates in the apartment market, the threat of conversions returning to the rental market looms if speculative buying subsides. Conversely, many investors see high home prices, rising construction costs, higher mortgage rates, job growth, and condo conversions removing units from the market boosting rents and occupancies through 2007.

According to the *Korpacz-Real Estate Investor Survey*, the national apartment market saw a record \$48.1 billion in sales for 2004, up 163.2 percent from the 2003 sales. The 1st Quarter of 2005 saw \$15.6 billion in apartment sales. Nationally, a total of 784 apartment properties were sold to condo converters in 2005, up 141 percent from 2004. In the 1st Quarter of 2005, overall apartment vacancy rates were 5.7 percent, down from 5.8 percent in the 3rd Quarter and 6.4 percent in the 2nd Quarter, and the lowest annual vacancy rate since 2001. The declining vacancy rate is driven by solid employment growth, rising interest rates, and the recent condo conversion market across the county. In 2005, approximately 117,900 rental units were converted to condominiums, compared to 67,300 in 2004 and 17,800 in 2003.

The higher prices paid by condo converters may have temporarily displaced traditional apartment investors, but according to the *Korpacz-Real Estate Investor Survey*, 3rd Quarter 2006, apartment properties are in strong demand as long term investment properties. This recent activity in the marketplace has driven down capitalization rates to the lowest rates ever reported in the apartment survey, or 5.98 percent. This is a minimal decrease from the previous quarter rate of 6.01 percent.

HOUSING MARKET OVERVIEW (continued)

During the period of 1991 and 1992, the national investor groups would not consider Las Vegas as a location for desirable investments because they believed the market would result in an overbuilt status, much as many other major metropolitan areas in the United States. Since other areas of the country were selling properties at lower prices, based on an overbuilt situation, investment money flowed away from the Las Vegas multi-family market. Based on this, the Las Vegas multi-family market experienced minimal activity from the national investor pool.

However, in 1993, several transactions occurred in the Las Vegas area that signaled a return of national attention to the area. These transactions were completed by Real Estate Investment Trusts (REIT) on luxury apartments that set a new high on per unit sales prices, creating a competitive situation for this type of product. Based on this, many top-tier complexes have been constructed over the past few years, with more in the planning stages. The difficulty in REITs finding acceptable investments, especially in the multi-family market, resulted in an increase of construction projects in the Las Vegas Metropolitan Area over the past few years. The recent addition of high rise luxury apartment projects near the resort corridor has attracted national and foreign investors to the Las Vegas market.

According to the most recent quarterly *Housing Market Conditions* report, published by the *UNLV Center for Business and Economic Research*, statistics have indicated that the overall permitting activity in Las Vegas, over the last five quarters, has been fluctuating. Despite this, the overall permitting activity in Southern Nevada has been above 1,500 units per quarter, with the exception of the 4th Quarter of 2004 which was the lowest ever reported, and in balance with the rate of population growth, indicating an actively expanding housing market.

HOUSING MARKET OVERVIEW (continued)

Las Vegas Market

Migration to Las Vegas and the increasing prices for attached and detached housing has prompted many investors to purchase apartment complexes for conversion to condominiums for individual sale. The removal of apartment units from the market, along with decreasing new development trends, has many participants anticipating a shortage in supply over the next couple years.

The Las Vegas Review Journal reported investors consider the Las Vegas apartment market a viable investment opportunity due to the large number of condominium conversions. Approximately 7,700 apartment units were lost to condominium conversion in 2005, and approximately 11,000 apartment units have been lost to condominium conversion in the last two years, approximately 11 percent of the Las Vegas apartment inventory. This process, along with rising single family housing costs, is expected to continue to decrease the vacancy rates for the Las Vegas market.

The following is an analysis of the multifamily housing market for metropolitan Las Vegas, and more specifically, the subject neighborhood. Many of the historical statistics in this analysis were provided by the *Real Estate Development Journal*, published by Resource Nevada and the *Las Vegas Metropolitan Housing Market Conditions*, which is prepared by the Center for Business and Economic Research, at the University of Nevada, Las Vegas. Both surveys consist of data compiled from the various public agencies and apartment owners and managers regarding building permits, vacancy, and rental rates.

As the Federal Reserve has raised the federal funds rate fourteen times over the past two years, mortgage rates, especially variable rate products, have also seen an increase in rates. Therefore, a fewer number of market participants qualify for housing and will be moved into the apartment market.

HOUSING MARKET OVERVIEW (continued)

The 3rd Quarter 2006 figures of 1,962 multi-family unit permits is 47.3 percent lower than the 2nd Quarter 2006 figure of 3,725, and 38.9 percent lower than the same time last year. However, the 10,549 permits issued in the first three quarters of 2006 is higher than the annual permits issued since 1998. This decrease in building permits, along with the increase in demand factors, is expected to tighten supply in the coming two years, especially in light of the apartment units lost to condominium conversion over the past two years. The following table shows the number of multi-family unit permits issued since 1990.

Las Vegas - Summary of Multi Family Unit Permits 1990 to Third Quarter 2006

Year - Qtr	No. of Units
1990	9,836
1991	6,100
1992	3,403
1993	4,096
1994	7,951
1995	9,515
1996	11,287
1997	10,076
1998	10,887
1999	7,357
2000	6,238
2001	7,773
2002	6,009
2003	10,549
2004	5,856
2005	9,579
YTD 2006 Q3	10,549

Source: *CBRE Las Vegas Housing Market Statistical Summary*

Compiled by: [Wert-Berater | commercial](#)

As previously indicated, the Center for Business and Economic Research compiles a quarterly study called The Las Vegas Metropolitan Housing Market Conditions. A census of the participating apartment complexes in the Las Vegas Valley is divided by zip codes. The statistics reported herein are deemed indicative of the health of the apartment market. The following tables show vacancy and average rental rates for the Las Vegas Metropolitan area, as divided by zip code.

HOUSING MARKET OVERVIEW (continued)

Las Vegas Multi-Family Unit Vacancy Rates - Third Quarter 2005 to Third Quarter 2006											
Zip Code	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	Zip Code	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3
89005 *	*	*	*	*	4.00%	89120	4.80%	4.90%	4.20%	4.30%	4.80%
89012	4.80%	5.00%	4.80%	4.40%	4.90%	89121	5.40%	5.10%	4.10%	4.60%	5.20%
89014	4.90%	5.00%	4.00%	4.40%	4.90%	89122	4.90%	4.90%	4.00%	4.20%	5.20%
89015	5.50%	4.80%	4.10%	5.50%	5.20%	89123	6.70%	5.10%	4.60%	4.90%	5.00%
89030	6.40%	4.70%	5.80%	4.70%	6.40%	89128	4.80%	5.20%	5.10%	4.60%	5.00%
89031	4.80%	4.90%	4.00%	4.30%	4.80%	89129	4.80%	5.10%	4.10%	4.40%	4.80%
89032	4.80%	4.80%	4.00%	4.30%	4.80%	89130	4.80%	6.20%	4.40% *		4.70%
89052	4.80%	4.80%	4.00%	5.70%	5.50%	89131 *	*	*	*	*	5.50%
89074	4.80%	5.80%	4.00%	4.70%	4.80%	89135 *	*	*	*	*	4.80%
89101	5.60%	5.00%	4.50%	5.40%	5.80%	89139	4.80%	4.70%	4.00% *		4.70%
89102	5.60%	5.10%	4.40%	5.00%	4.90%	89141 *	*	*	*	*	4.70%
89103	4.80%	5.00%	4.20%	4.40%	4.80%	89142	5.50%	5.40%	4.10%	4.40%	4.90%
89104	4.70%	5.00%	4.70%	5.00%	6.00%	89144	4.70%	5.80%	8.00%	5.10%	5.40%
89106	6.50%	5.40%	5.30%	5.30%	5.10%	89145	6.70%	4.80%	4.10%	4.30%	4.90%
89107	5.50%	4.70%	4.00%	4.10%	4.80%	89146	4.90%	4.80%	5.20%	6.20%	4.80%
89108	5.00%	5.00%	5.00%	5.30%	5.40%	89147	4.90%	6.70%	4.70%	5.30%	4.90%
89109	5.60%	4.90%	4.00%	4.70%	5.30%	89148	5.10%	4.80%	4.50%	6.10%	4.80%
89110	5.50%	4.80%	6.00%	4.60%	5.00%	89149	4.80%	4.70% *		4.50% *	
89113	4.90%	4.80%	3.90%	7.40%	5.10%	89156	5.40% *		4.00% *		9.80%
89115	5.00%	5.30%	5.80%	5.30%	5.20%	89169	5.80% *	*	*	*	*
89117	5.20%	4.90%	4.80%	4.50%	5.00%	89183	4.90% *	*	*	*	*
89118	5.50%	4.80%	4.30%	4.50%	5.10%	Metro LV	5.20%	5.10%	4.50%	4.90%	5.10%
89119	5.50%	4.90%	4.20%	4.80%	5.30%						

Source: CBRE Las Vegas Housing Market Statistical Summary and Quarterly Report

* Number of Observations insufficient for statistical purposes

N/A - zip code area not established at this time period or not available

Compiled By: Wert-Berater | commercial

Las Vegas Multi-family Rental Rates - Third Quarter 2005 to Third Quarter 2006											
Zip Code	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	Zip Code	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3
89005 *	*	*	*	*	\$725	89120	\$891	\$891	\$859	\$858	\$846
89012	\$1,048	\$1,024	\$1,005	\$1,034	\$990	89121	\$794	\$789	\$771	\$771	\$765
89014	\$922	\$914	\$904	\$893	\$880	89122	\$834	\$770	\$770	\$776	\$775
89015	\$854	\$842	\$844	\$835	\$827	89123	\$950	\$977	\$979	\$958	\$955
89030	\$773	\$721	\$691	\$692	\$702	89128	\$965	\$938	\$933	\$909	\$907
89031	\$903	\$889	\$872	\$914	\$907	89129	\$984	\$909	\$903	\$891	\$889
89032	\$881	\$890	\$875	\$859	\$834	89130	\$853	\$863	\$862 *		\$843
89052	\$1,004	\$1,024	\$1,013	\$992	\$983	89131 *	*	*	*	*	\$958
89074	\$960	\$944	\$937	\$936	\$920	89135 *	*	*	*	*	\$1,129
89101	\$610	\$623	\$615	\$586	\$589	89139	\$1,125	\$1,079	\$1,087 *		\$1,073
89102	\$721	\$706	\$693	\$692	\$687	89141 *	*	*	*	*	\$1,016
89103	\$816	\$804	\$801	\$793	\$789	89142	\$857	\$845	\$829	\$824	\$830
89104	\$699	\$674	\$664	\$654	\$662	89144	\$1,193	\$1,147	\$1,161	\$1,176	\$1,150
89106	\$712	\$698	\$699	\$677	\$665	89145	\$1,074	\$1,035	\$1,025	\$871	\$990
89107	\$713	\$725	\$719	\$710	\$707	89146	\$869	\$854	\$851	\$825	\$836
89108	\$814	\$816	\$807	\$786	\$778	89147	\$1,076	\$1,064	\$992	\$976	\$989
89109	\$711	\$718	\$730	\$705	\$695	89148	\$1,028	\$1,028	\$972	\$972	\$976
89110	\$790	\$777	\$760	\$772	\$750	89149	\$997	\$994 *		\$860	\$979
89113	\$999	\$967	\$970	\$987	\$986	89156	\$884 *		\$862 *		\$845
89115	\$744	\$752	\$746	\$753	\$729	89169	\$765 *	*	*	*	*
89117	\$982	\$974	\$959	\$935	\$925	89183	\$1,069 *	*	*	*	*
89118	\$904	\$899	\$898	\$874	\$885	Metro LV	\$847	\$775	\$770	\$759	\$743
89119	\$774	\$775	\$770	\$759	\$743						

Source: CBRE Las Vegas Housing Market Statistical Summary and Quarterly Report

* Number of Observations insufficient for statistical purposes

N/A - zip code area not established at this time period or not available

Compiled By: Wert-Berater | commercial

HOUSING MARKET OVERVIEW (continued)

Zip Code	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	Zip Code
89005	*	*	*	*	4.00%	89120
89012	4.80%	5.00%	4.80%	4.40%	4.90%	89121
89014	4.90%	5.00%	4.00%	4.40%	4.90%	89122
89015	5.50%	4.80%	4.10%	5.50%	5.20%	89123
89030	6.40%	4.70%	5.80%	4.70%	6.40%	89128
89031	4.80%	4.90%	4.00%	4.30%	4.80%	89129
89032	4.80%	4.80%	4.00%	4.30%	4.80%	89130
89052	4.80%	4.80%	4.00%	5.70%	5.50%	89131
89074	4.80%	5.80%	4.00%	4.70%	4.80%	89135
89101	5.60%	5.00%	4.50%	5.40%	5.80%	89139
89102	5.60%	5.10%	4.40%	5.00%	4.90%	89141
89103	4.80%	5.00%	4.20%	4.40%	4.80%	89142
89104	4.70%	5.00%	4.70%	5.00%	6.00%	89144

The average rental rate has generally been increasing, despite fluctuating vacancy rates and numbers of new unit permits. Further, as indicated in the table above, overall vacancy rates have decreased by 1.90 percent over a one year period. However, there has been a decrease in permitting activity of 30.5 percent since the last quarter. Perhaps the most significant indicator is that despite these fluctuations and what appears to be a correction of atypical growth trends that occurred primarily in 2004, the overall occupancy rate has exceeded 92 percent since 1993 and is currently over 94 percent.

According to the *2006 Las Vegas Perspective*, 68,675 people moved to the Las Vegas Valley in the year 2005, creating 25,059 new households. Based on the data from the *Las Vegas Perspective*, the ratio of renters to owners is 34.9 percent renter. Given this percentage, a rental demand of 8,746 units was created in 2005. It should be noted that the demand for these units should be analyzed over a period of years, as opposed to a single year.

Despite a 3.9 percent decrease in overall vacancy in 2005, the number of units decreased by 3,000. As a result, the current quarter reports a slight decrease in permitting. This appears to be a correction to the in-balance of supply in the multi family rental market. This is due primarily to the number of units taken out of supply by condo conversions. The average monthly rental rate in 2005 represents a 6.3 percent year over year increase in comparison to other western markets. The following table summarizes this data.

HOUSING MARKET OVERVIEW (continued)

Western Market Rent Changes		
Metropolitan Area	2005 Average Rent	Yearly % Change
Riverside	\$1,070	6.70%
Los Angeles/Orange County	\$1,500	6.60%
Reno	\$836	4.30%
Las Vegas	\$812	6.30%
Ventura	\$1,363	4.40%
San Diego	\$1,254	3.30%
Albuquerque	\$664	2.60%
Tucson	\$617	-1.40%
Sacramento	\$890	1.70%
Seattle	\$1,133	3.00%
Phoenix	\$729	4.50%
Portland	\$815	3.70%
Denver	\$868	-0.70%
Colorado Springs	\$709	-1.50%
Salt Lake City	\$696	1.50%
Boise	\$706	0.70%
San Jose	\$1,269	-24.70%
San Francisco	\$1,901	6.60%
Fresno	\$743	4.50%

Source: *2006 Las Vegas Perspective*

Compiled by: [Wert-Berater | commercial](#)

Given the population growth of the Las Vegas area and the recent year's decrease in available units, demand should remain strong for multi-family units. This is supported by the consistent trends in net in-migration, decreasing vacancy rates and generally increasing rental rates over the last year.

HOUSING MARKET OVERVIEW (continued)

Conclusion

Increases in the federal fund rate over the last two years have resulted in higher financing rates. Although this may exclude some lower income buyers from the market, the current average rate is still below seven percent, which is historically low. Rising land and construction costs have resulted in a steady increase in the median home price for both detached and attached housing. Although this has resulted in slower absorption and more modest profit margins for developers, this is considered by all market participants to be more of a correction to an atypically inflated market in 2004 than a downturn.

The Las Vegas Valley continues to outperform the nation and most other southwest cities in job and population growth. As a result, unemployment is low and net in-migration still exceeds 5,000 people per month. Despite increases in inventory, median prices are remaining fairly stable and the current existing, under construction and proposed supply represents approximately two years worth of demand. Further, despite a median income in the valley at under \$50,000, nearly half of all residents have a median income of over \$50,000. In any event, the widening gap between median income and median home price has not resulted in a decrease in sales commensurate with this disparity.

Multi-family residential vacancies in the Metropolitan Las Vegas area have consistently decreased with corresponding increases in rental rates due to a reduction in the existing supply of multi family units. Although current quarter permitting activity in the multi family market has decreased, the demand for these types of units still exists as evidence by the low vacancy and increasing rental rates.

Market participants report slower sales activities, but continued demand for housing units is consistent with the continued growth in population. Brokers and analysts expect stable sales and price trends through year-end 2006. In fact, a senior economist with the National Association of Realtors states that 17,000 resale listings are not excessive in a market of nearly 2,000,000 people.

HOUSING MARKET OVERVIEW (continued)

He compares this with the Multiple Listing Service within the City of Houston that serves a population of 2.5 million people and typically has around 30,000 re-sales online at one time. This same analyst has compared the current supply in relation to the net in-migration, employment growth, percentage of new residents that purchase homes, the average listing time and pricing trends. Based on this data he concludes that the Las Vegas market is not over-supplied.

Further, Las Vegas remains competitive in the Western United States housing market, reporting lower overall median home prices in comparison to most of the neighboring major metropolitan areas. However, affordable housing is becoming an issue resulting in a trend for higher density, attached housing becoming starter homes, and an interest for mixed use and high rise construction projects.

Mainly due to the continued employment opportunities and the relatively low cost of living, the Las Vegas Valley continues to attract people to make Southern Nevada and more specifically Clark County their home. With the new casino/hotels that have recently opened and others planning to open within the next few years, this growth is anticipated to continue. With the addition of non-gaming industry, influx of new home buyers, and growth in other service sectors, there should be continued demand for both detached and attached, and multifamily housing.

SITE ANALYSIS

The following chart provides a summary of the salient features relating to the subject site.

SITE SUMMARY

SITE SUMMARY	
Physical Description	
Gross Site Area	10.0 Acres 435,600 Sq. Ft.
Net Site Area	9.14 Acres 398,138 Sq. Ft.
Primary Road Frontage	West Sunset Road
Dimensions	See Plat Map
Excess Land Area	None
Surplus Land Area	None
Zoning District	R-3, Multi-Family Residential (18 units per acre), Clark County
Flood Map Panel	FM32003C2535E
Flood Zone	X - Outside the 500 Year Flood Plane - FEMA

Source: Various sources compiled by [Wert-Berater | commercial](#)

LOCATION

The subject is located 900+- feet west of northwest corner of South Fort Apache Road and West Sunset Road in Las Vegas, Nevada 89148 within the jurisdiction of Spring Valley Township, Clark County. The subject consists of 18 partially improved multi-family building lots.

ASSESSOR'S PARCEL NUMBERS

The subject Clark County Assessors Parcel Numbers are 163-31-801-007 and 008.

SITE ANALYSIS (continued)

LAND AREA

The site is considered adequate in terms of size and utility. There is no unusable, excess or surplus land area.

SHAPE AND FRONTAGE

The site is mostly rectangular and has adequate frontage along a primary thoroughfare within a residential neighborhood.

INGRESS/EGRESS

Ingress and egress is available to the site via West Subset Road. West Sunset Road, at the subject property, is an east/west commercial thoroughfare that is improved with two lanes of traffic in each direction. Street improvements include asphalt paving. Street parking is not allowed on West Sunset Road.

SITE ANALYSIS (continued)

CURRENT ZONING

R-3 (Multi-Family Residential – 18 units per acre)

30.40.140 R-3, Multiple-Family Residential District is established to provide for the development of medium density residential use, including apartments, and to prohibit the development of incompatible uses that are detrimental to the residential environment. See table for additional design standards. (Ord. 3055 § 3 (part), 4/2004)

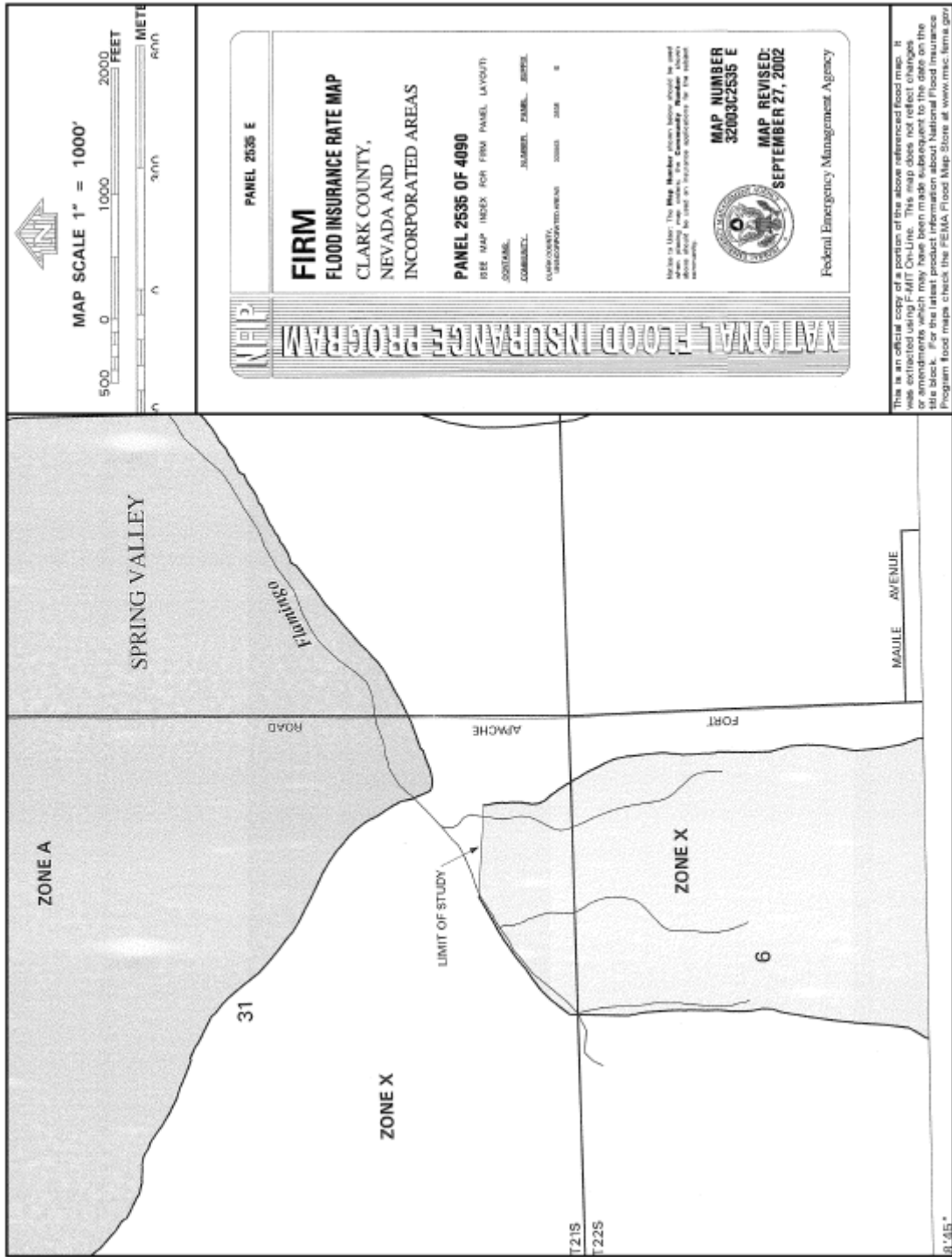
Property Development Standards	R-3 ¹	R-4	R-5
1. Architectural intrusions and enclosures may intrude into a required setback up to three (3) feet, but shall not be less than three (3) feet to a property line.			
2. No structure other than a permitted fence, wall or accessory structures per 30.56.040(f) shall be located within 10 feet of a street. See 30.56.040(d) for possible additional restrictions.			
3. Multiple family buildings within a development or adjacent to a complex containing 4 units or less shall have a similar and compatible architectural appearance.			
4. Property located within an overlay district regulated by Chapter 30.48 is subject to the additional standards and restrictions specified therein.			
Dwelling Unit Density (Per Gross Acre)	18	25	50
Lot Area: Does not include private streets. Landscape and common area lots need not meet minimum area.	7,000 sq. ft.	7,000 sq. ft.	7,000 sq. ft.
Height: A height setback ratio per Section 30.56.070 (Height), Figure 30.56-10 (Height/Setback)	35 feet	35 feet	50 feet ²
Open Space Required per Unit	200 sq ft	100 sq ft	100 sq ft
Yard Setback			
A. Setback measured from property line or edge of private street, which ever is greater. See Building Code for additional setbacks and separations.			
B. A height setback ratio per Section 30.56.070 (Height), Figure 30.56-10 (Height/Setback) and Section 30.56.050 (Sight Zones).			
C. Garage openings onto a drive aisle or private street shall be set back a minimum of eight (8) feet.			
D. In no case shall the minimum setback from a street be less than 10 feet. (See 30.56.040(d))			
Front	20 feet	20 feet	20 feet
Interior Side			
<i>Principal Structure Or Accessory Structure over 14' in height³</i>	5 feet; or 20 feet adjacent to single family development. See Figure 30.56-10	5 feet; or 20 feet adjacent to single family development. See Figure 30.56-10	5 feet; or 20 feet adjacent to single family development. See Figure 30.56-10
<i>Accessory Structure (Structures 14' or less)³</i>	3 feet	3 feet	3 feet
Side Street (corner)	20 feet	20 feet	20 feet
Rear¹			
<i>Principal Structure Or Accessory Structure over 14' in height³</i>	20 feet See Figure 30.56-10	20 feet See Figure 30.56-10	20 feet See Figure 30.56-10
<i>Accessory Structure (Structures 14' or less)³</i>	3 feet	3 feet	3 feet
Building Separation	10 feet	10 feet	10 feet
Additional Requirements: 1. Single-family residential developments shall conform to Section 30.40.120 and the standards established in Table 30.40-2 for the RUD (Residential Urban Density) district, including patio cover setbacks, except that a density up to eighteen (18) dwelling units per acre with a minimum lot area one thousand-eight hundred (1,800) square feet and minimum open space one hundred and twenty (120) square feet per unit is allowed. 2. A height setback ratio per Figure 30.56-4 (Setbacks for Buildings Over 35 Feet In Height). Buildings up to one hundred (100) feet are permitted with a special use permit, but may not encroach into any Airport Airspace Overlay District Boundary. 3. (a) Accessory buildings shall have a minimum separation of 6' from any other building. (b) Maximum height of any community building shall be 35 feet. and (c) Balconies and/or decks for accessory structures shall meet the required setbacks for the principal structure unless an Administrative Minor Deviation is approved per Table 30.16-8, including letters of consent from the owners of developed property adjacent to the setback being reduced, or a Waiver of Development Standards is approved per Table 30.16-7. Also see Tables 30.44-1 and 30.56 for design/development standards for accessory uses and structures.			

(Ord. 3381 § 3 (part), 5/2006; Ord. 3354 § 5 (part), 2/2006; Ord. 3297 § 2 (part), 10/2005; Ord. 3055 § 3 (part), 4/2004; Ord 3008 § 5 (part), 12/2003; Ord. 2510 § 9 (part), 2000)

The subject proposed development confirms to its zoning. The subject zoning is in conformance with Clark County Master Plan.

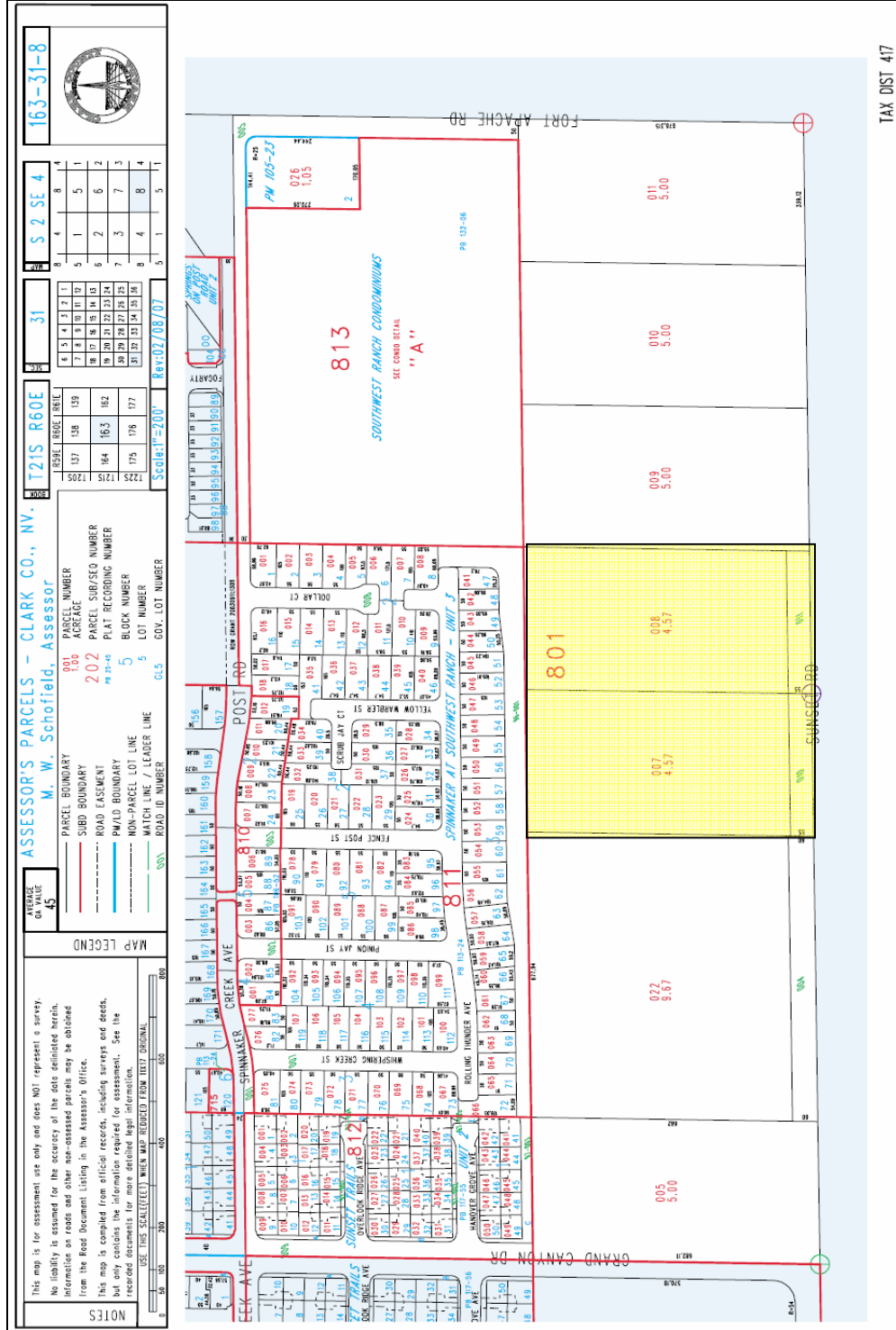
SITE ANALYSIS (continued)

SUBJECT - FLOOD MAP



SITE ANALYSIS (continued)

SUBJECT – ASSESSOR'S PLAT MAP



SITE ANALYSIS (continued)

SUBJECT AERIAL VIEW



SITE ANALYSIS (continued)

TOPOGRAPHY AND DRAINAGE

The site has a level topography at street grade. The subject is partially improved and has been terraced for ready building lots. Roads within the subject proposed subdivision have not been paved, but appear to have been engineered for proper drainage. The topography of the site is not seen as an impediment to the development of the property. During our inspection of the site, we observed no drainage problems and assume that none exist.

SOILS

A soil analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the highest and best use.

EASEMENTS AND ENCROACHMENTS

A title policy for the property has not been provided for the preparation of this appraisal. Based on our visual inspection and review of the site plan, the property does not appear to be adversely affected by any easements or encroachments. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

ACCESS AGREEMENTS

There are no known access agreements that may affect the subject's marketability.

COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions and restrictions impacting the site that are considered to affect the marketability or highest and best use, other than zoning restrictions.

UTILITIES AND SERVICES

The site is within the jurisdiction of Clark County and is provided all municipal services, including police, fire and refuse garbage collection. All utilities including municipal sewer, water, natural gas, electricity, and telephone are available to the site in adequate quality and quantity to service the highest and best use as vacant and as proposed.

SITE ANALYSIS (continued)

FLOOD ZONE

According to flood hazard maps published by the Federal Emergency Management Agency (FEMA), the site is within Zone X, as indicated on the indicated FIRM Panel FM32003C2535E. FEMA Zone X: Areas determined to be outside the 500-year flood plain.

ENVIRONMENTAL ISSUES

The appraisers have not observed, yet are not qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may have an affect on the value of the property. For this appraisal, Wert-Berater Commercial and the signatory appraisers have specifically assumed that the property is not affected by any hazardous materials and/or underground storage tanks that may be present on or near the property.

CONCLUSION – SITE ANALYSIS

The site is well located and afforded average access and visibility from roadway frontage. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use.

TAX AND ASSESSMENT DATA

ELEMENTS OF THE PROPERTY TAX

The principle elements of the property tax consist of the tax rate and the tax base. The tax base is calculated by first appraising the value of property according to statutory requirements to determine “taxable value.” “Taxable value” in turn is multiplied times the level of assessment. The resulting assessed value is the tax base against which a tax rate is applied to determine the total amount of taxes due. The elements of the property tax can be shown in this simple formula:

Taxable Value x Level of Assessment = Assessed Value

Assessed Value x Tax Rate = Total Property Tax

ELEMENT ONE: TAXABLE VALUE

The Constitution of Nevada provides the first guidance in how taxable value will be determined. Article 10, § 1 states:

1. The legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims, which shall be assessed and taxed only as provided in section 5 of this article. In 1981, the Legislature determined that a just valuation of real property should no longer be based strictly on the full cash value of the total property. Instead, the value of real property was bifurcated into two components: full cash value of the land and replacement cost new less depreciation of the improvements, with the rate of depreciation set by statute. The resulting “taxable value” must not exceed the full cash value of the entire property. (NRS 361.227). Full cash value is defined as “the most probable price which property would bring in a competitive and open market under all conditions requisite for a fair sale.” (NRS 361.025).

TAX AND ASSESSMENT DATA (continued)

ELEMENT TWO: LEVEL OF ASSESSMENT AND ASSESSED VALUE

The level of assessment is also known as the “rate of assessment” and is generally expressed as the overall ratio of assessed value to taxable value. Whether assessments are at full value or a proportion thereof is usually a constitutional or legislative policy decision.

In Nevada, NRS 361.225 requires that all property subject to taxation be assessed at 35 percent of its taxable value. For example, restating the formula expressed in NRS 361.225:

Taxable Value x Level of Assessment = Assessed Value If the taxable value of a single family residence was estimated at \$200,000, the assessed value would be \$70,000 ($\$200,000 \times .35 = \$70,000$).

ELEMENT THREE: THE TAX RATE

The State of Nevada Constitution, Article 10, section 2, limits the property tax rate to 5 cents per \$1.00 of assessed value, which translates to \$5.00 per \$100 of assessed value. In the 1979 session, the Nevada Legislature set the property tax rate at no more than \$3.64 per \$100 of assessed value, where it remains to the present, plus \$.02 not subject to the cap.

Pursuant to NRS 354.59811, local government entity property tax revenues are allowed to be increased by a maximum of 6 percent per year. The previous fiscal year’s property tax revenue is multiplied by 106 percent. This amount is then divided by the projected assessed valuation for the upcoming fiscal year to determine the tax rate necessary to generate that amount of revenue. The NRS also provides for a “hold harmless” scenario, in which the new calculated tax rate cannot be less than the previous fiscal year’s rate. The tax rate includes, but is not limited to the following elements:

TAX AND ASSESSMENT DATA (continued)

School Operating Rate

Pursuant to NRS 387.195, each county board of commissioners shall levy a tax of \$0.75 per \$100 of assessed valuation for the support of public schools within the county.

General or Special Improvement Districts

The majority of general improvement districts in the State of Nevada were created pursuant to the provisions of NRS 318. Some have been established under Special and Local Acts of the Legislature. Depending on the primary purpose for their existence, many of these districts have and exercise property taxing authority.

Legislatively Approved Overrides

At various times the Legislature has enacted additional property taxes to fund a number of particular programs on a statewide basis. For example, NRS 428.185 provides for each county to levy a property tax of 1.5 cents per \$100 of assessed valuation to fund the costs of providing medical treatment to indigent persons injured in automobile accidents. NRS 549.020 provides for a levy of not less than 1 cent per \$100 of assessed valuation to fund cooperative extension work in agriculture and home economics.

Voter Approved Overrides

Pursuant to NRS 354.5982, a local government may exceed the limitations of 354.59811 by proposing an additional property tax levy. The proposal must be placed on a general or special, but not primary election ballot. The question must state the proposed additional rate, the purpose, duration of the additional levy and an estimate of the amount of annual increase to the property tax bill for the owner of a new home with a fair market value of \$100,000. The duration of the levy, if approved, cannot exceed 30 years; and may be discontinued before it expires. For example, on 11/7/2000, the citizens of Churchill County approved an override of 2 cents for 7 years to fund purchases of fire equipment.

TAX AND ASSESSMENT DATA (continued)

State Debt Rate

Pursuant to AB371, an initial property tax of 5 cents per \$100 of assessed valuation was levied for state purposes. In the ensuing years, the rate has fluctuated somewhat, depending on the state's need to fund debt service on its capital improvements projects throughout the state. At the present time, the state debt rate is 15 cents per \$100 which is included in the statutory cap; and 2 cents, enacted by SB507 (2003), which is outside the cap. 1 cent is added to the "regular" 15 cents; while the second penny is used to fund the debt service for bonds issued specifically for state projects for the conservation of the state's natural resources.

Process to Establish Rate if Combined Tax Rate Exceeds the Statutory \$3.64 Cap

Pursuant to NRS 361.455, the chairman of the county board of commissioners convenes a public meeting of a majority of the governing boards of all affected local governments on or before June 13 of each year for the purpose of establishing a combined tax rate which conforms to the statutory limit. After discussions regarding changes to tax rates, each affected governing board must unanimously approve the changes. Immediately following the meeting the county clerk advises the Department of the results. If no agreement can be reached, or no quorum exists for one or more of the affected local government entities, then the Department reviews the record of the discussions and the budgets of the affected entities and makes a recommendation to the Nevada Tax Commission.

The Nevada Tax Commission is mandated statutorily to meet on June 25 each year to certify the property tax rates for the succeeding fiscal year. Prior to the certification vote, the Commission will determine the property tax rates for the entities in any county which exceed the statutory cap; considering any local government testimony and the Department's recommendation. Any local government entity affected by a tax rate adjustment made by the Commission files a copy of its revised final budget by July 30.

TAX AND ASSESSMENT DATA (continued)

CENTRALLY- ASSESSED PROPERTY

There are three categories of property valued by DOAS:

1. Utilities: Companies having property of an interstate or inter-county nature, including electric, gas, distribution, telephone, airlines, railroads, and carlines.
2. Mines: Improvements and personal property are valued by DOAS, but the land is valued by county assessors.
3. Net Proceeds of Minerals: in lieu of a property tax on mineral ores, the value of the mineral ore is established after it is mined and processed.

UTILITIES

A system value for all property used by a company is established for utilities. The system value includes property throughout the United States, and a portion is then allocated to Nevada using formulas. Once the Nevada allocated value is determined, the assessment rate is applied to determine the assessed value. After the assessed value is determined, it is apportioned among various jurisdictions by formula, using data reported by the companies. The tax rate is then applied to the assessed value to determine the taxes due. The taxable value of mine property is established through a more simple process, by determining the replacement cost new, less depreciation of the property. (See Elements of Property Tax discussion above for details of how taxes are calculated) Net Proceeds of Minerals are determined by subtracting certain allowed expenses from the gross yield to obtain the net value of the mineral ore. Once the value is determined for utilities and net proceeds, the Division calculates, bills, collects and distributes the tax. The Division, however, only establishes the value for mine property. That value is then transmitted by hardcopy to counties. Counties assume the billing, collection, and distribution functions at that point for mine property. For any particular time period, DOAS is estimating value for a subsequent tax year at the same time it is billing for the current year and collecting and distributing for the prior year.

TAX AND ASSESSMENT DATA

SUBJECT TAX DATA

According to Clark County Assessor records, the subject is located in Clark County Tax District 417 and taxed at the millage rate of 2.9286. The subject has tax increase cap rate of 8 percent. The subject's combined net taxes for the tax year 2007 were \$31,414.18 which reflects a tax cap reduction of \$34,186.46. Taxes were current as of the date of this report.

HIGHEST AND BEST USE

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legal permissibility;
- physical possibility;
- financial feasibility; and
- maximum profitability.

Highest and best use analysis involves assessing the subject both as vacant. The subject is a vacant grouping of residential lots.

AS VACANT

Legal Permissibility

The legally permissible uses were discussed in detail in the site analysis and zoning sections of this report.

Physical Possibility

The subject is adequately served by utilities, has an adequate shape and size, sufficient access, etc., to be a separately developable site. The subject site would reasonably accept a site layout for any of the legally probable uses. There are no known physical reasons why the subject site would not support any legally probable development.

Financial Feasibility

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. The residential market for Las Vegas is slightly overbuilt, yet stabilized. Development of new residential properties has occurred progressively in the past few years. Further, within the subject's market, there are several proposed residential projects. These factors indicate that it would be financially feasible to complete a new residential project if the site acquisition cost was low enough to provide an adequate developer's profit.

HIGHEST AND BEST USE (continued)

AS VACANT (continued)

Maximum Profitability

The final test of highest and best use of the site as though vacant is that the use be maximally productive, yielding the highest return to the land. In the case of the subject as vacant, the analysis has indicated that a new multi-family residential development project would be most appropriate.

CONCLUSION: HIGHEST AND BEST USE AS VACANT

Based on the information presented above and upon information contained in the Area and Neighborhood Analyses sections, we conclude that the highest and best use of the subject “as is” would be a medium to high density residential subdivision development to its highest permissible density in accordance with local Clark County zoning ordinances. Our analysis of the subject property and its respective market characteristics indicate the most likely buyer, as vacant, would be an investor (land speculation) or a developer.

Based on the foregoing analysis, the highest and best use of the site as vacant would be a medium to high density multi-family residential development.

APPRAISAL PROCEDURES

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exist few sales or leases of comparable properties. The Cost Approach was developed because the subject was appraised 'as is' taking into consideration specific improvements for the purpose of developing a residential subdivision ready for the construction of single-family residences. The developer provided the appraisers with a cost of improvements. It is included in the body of this report. The estimated value for the subject's partially completed site was developed by comparing the subject's 'as if vacant (unimproved)' land area for the partially completed development to recent land sales in the subject's marketing area in the Sales Comparison Approach. The estimated land value is added to the estimated development cost to estimate the value for the subject as improved. In addition to the total cost for development and the estimated land value, a developer's profit is added.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per gross acre, price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons. The Sales Comparison Approach was utilized to estimate Land Value for the subject 'as if unimproved' values.

APPRAISAL PROCEDURES (continued)

INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

APPRAISAL PROCEDURES (continued)

METHODOLOGY APPLICABLE TO THE SUBJECT

In valuing the subject, the sales comparison approach (Land Value) and cost approach analysis are applicable and have been utilized.

LAND VALUE

In this section the Land Value as is estimated via the Sales Comparison Approach. The Sales Comparison Approach is an appraisal methodology that is based on the economic Principle of Substitution, which sets forth that a prudent buyer will pay no more for a property than the cost of obtaining an equally desirable substitute on the open market. The application of the Sales Comparison Approach involves the direct comparison of competitive sales with the subject property. This approach is only applicable and reliable when a sufficient quantity of comparable sales exists in the marketplace.

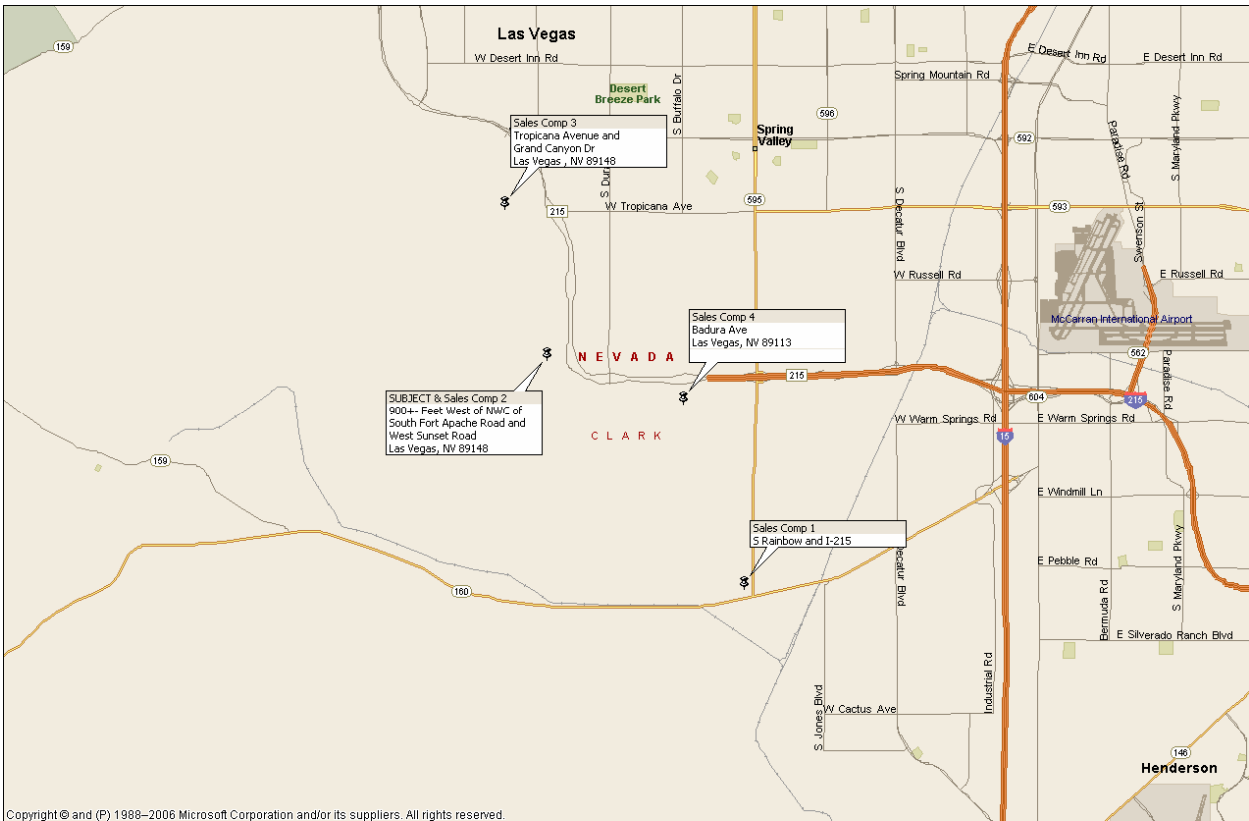
In theory, the sales price of a property is reflective of its physical characteristics, including its improvements, site and location. If the sale is at arm's length, and the buyers and sellers are both well informed, then a comparison of one sale to another may reveal prices paid for different amenities. Comparisons for Commercial uses are often made to a common unit such as the sale price per square foot. After sales are compared to one another, they are compared to the subject property. The market data grid for relative comparison used in this report utilizes specified positive and negative adjustments that are made to comparable sales. The appraisers consider all similar features and make an adjustment for all significantly dissimilar features.

After these adjustments have been made, the comparable sales will reflect their relative adjustment, positive or negative, and value indication of the subject. In the sales comparison approach reconciliation, the appraiser then weighs the strengths of each sale, considering the adjustments required, and concludes in a point value estimate.

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per gross acre, price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

LAND VALUE (continued)

The following location map shows the location of the comparable sales used in the valuation of the subject site. A detailed description of each transaction is as follows.



LAND VALUE (continued)

Land Sale One is located at South Rainbow Boulevard and the 215 Beltway in Las Vegas, Nevada. This comparable represents a pending sale. The parcel number was not disclosed by the broker. It contains about 5.0+- acres (108,900+- gross square feet). Its zoning is R-3, Multi-family residential and is located within the MUD 3 overlay district. This comparable is reportably a pending arm's length transaction for \$3,000,000 in July 2006 (\$27.55 per square foot). This comparable was sold with all municipal utilities including electricity, water, sewer, natural gas, and telephone. Its topography is level.

Land Sale Two is the sale of the subject as of March 24, 2006. This sale included parcel numbers 163-31-801-007 and 008. The total gross area was estimated at about 10.0+- acres (435,600+- gross square feet). This grouping of parcels sold in an arm's length transaction for \$11,750,000, or about \$26.97 as an unimproved parcel. The subject was "land banked" by CM Land, L.L.C. and subsequently improved as described in the body of this report. There is a contract for purchase for the subject as described in the Ownership History of this report for the subject as raw land that was negotiated in 2006. The subsequent improvements are to be paid by Lennar Homes to CM Land, L.L.C over the contract price making the total sale price about \$17,650,000. This comparable was sold with all municipal utilities including electricity, water, sewer, natural gas, and telephone and specific improvements as described herein. The sale is used in this analysis for the subject as of an earlier date as raw unimproved land.

Land Sale Three is located at the northwest corner of Tropicana Avenue and Grand Canyon Drive in Las Vegas, Nevada. This comparable represent a sale of vacant land with a parcel number 163-19-403-004. It contains about 5.00+- gross acres (217,800+- gross square feet). Its zoning is R-E, Rural Estates and is located in the MUD-3 Overlay District. This comparable sold in an arm's length transaction for \$5,450,000 in June 2006 (\$25.02 per square foot). It was a cash sale and there were no known or disclosed seller concessions. This comparable was sold with all municipal utilities including electricity, water, sewer, natural gas, and telephone. Its topography is level.

LAND VALUE (continued)

Land Sale Four is located at West Bandura Avenue just west of Buffalo Drive in Las Vegas, Nevada. This comparable represent a sale of vacant land identified by parcel number 176-04-701-021. It contains about 8.99+- gross acres 391,602+- net square feet). Its zoning is R-E, Rural Estates and is located in the MUD-3 Overlay District. This comparable sold in an arm's length transaction for \$9,620,000 in April 2007 (\$24.57 per square foot). It was a cash sale and there were no known or disclosed seller concessions. This comparable was sold with all municipal utilities including electricity, water, sewer, natural gas, and telephone. Its topography is level.

LAND VALUE (continued)

LAND SALES COMPARISON GRID					
Comparable number	1	2	3	4	SUBJECT
Location	S. Rainbow Blvd & 215	Subject Site	NWC of Tropicana Ave and Grand Canyon Dr.	W. Badura Ave, west of Buffalo Dr.	
Transaction Type	Pending Sale	Sale	Sale	Sale	
Date of Sale	Pending	24-Mar-06	30-Jun-06	27-Apr-07	
Size (Sq/Ft)	108,900	435,600	217,800	391,604	435,600
Size (Acres)	5.00	10.00	5.00	8.99	10.00
Sales Price	\$3,000,000	\$11,750,000	\$5,450,000	\$9,620,000	
Zoning	R-3	R-3	RE- MUD	R-E	R-3
Price per Sq/Ft	\$27.55	\$26.97	\$25.02	\$24.57	
Parcel No.		163-31-801-007 & 008	163-19-403-004	176-04-701-021	
Property Rights Conveyed	0%	0%	0%	0%	Fee Simple
Financing Terms	0%	0%	0%	0%	Conv.
Condition of Sale	0%	0%	0%	0%	Arm's Length
Market Conditions	0%	0%	0%	0%	3%
Subtotal	\$27.55	\$26.97	\$25.02	\$24.57	
Location / Visibility	0%	0%	0%	0%	Average
Site Improvements	0%	0%	0%	0%	Partially Improved
Utilities	0%	0%	0%	0%	All to site
Access	0%	0%	0%	0%	Paved
Functional Utility	0%	0%	0%	0%	Average
Topography	0%	0%	0%	5%	Level
Shape	0%	0%	0%	0%	Average
Cover	0%	0%	0%	0%	Open
Road Frontage	0%	0%	0%	0%	Average
Zoning	-5%	0%	0%	5%	Multi-Family Residential
Total Adjustments	-5%	0%	0%	10%	
INDICATED VALUE PER	\$26.17	\$26.97	\$25.02	\$27.02	
INDICATED VALUE	\$11,400,000	\$11,750,000	\$10,900,000	\$11,770,000	

LAND VALUE (continued)

CONCLUSION

The subject is comprised of a partially improved grouping of two contiguous parcels. In this analysis the subject is valued 'as if vacant' unimproved parcels.

Based on the preceding analysis of each comparable and the foregoing adjustment grid, the Land Sales indicate an adjusted per (net) square foot range from about \$25.02 to \$27.02. Land Sales Two and Four are the most influential comparables because of their similar size to the subject and recent respective recording dates of sale. Most weight is placed in Land Sale Four due to its recent sale.

In conclusion, a price per square foot range of \$27.00 per square foot was chosen for the subject. The following table presents the valuation conclusion:

CONCLUDED LAND VALUE				
Rate PSF		Subject Area		Indicated Value
\$27.00	X	435,600	=	\$11,761,200
Indicated Value				\$11,760,000

Compiled by: Wert-Berater | commercial

The value presented equates to approximately \$27.00 (rounded) per square foot. This falls within the range indicated by the comparable sales, thereby lending support to our value conclusion. The estimated value via the Sales Comparison Approach for the subject's site area 'as if vacant' is **\$11,760,000**.

COST APPROACH

The Cost Approach requires the estimation of the cost of producing, reproducing or replacing the improvements at the present time and a deduction from this cost of all elements of depreciation which are generally classified as follows:

1. **Physical deterioration** is the loss due to ordinary wear and tear and from the elements.
2. **Functional obsolescence** is due to factors inherent in the property such as construction, poor layout, lack of utility, inadequate lighting and so forth.
3. **Economic/External obsolescence** is due to factors outside the property such: as lack of demand for a property type possibly caused by oversupply; excessive noise from airplanes; or, the economic decline of the area.

The depreciated cost of the proposed improvements is added to site value to provide a final estimate of market value in the Cost Approach. Because the existing improvements are projected to be of new condition, no depreciation has been taken in this analysis.

The Cost Approach was developed because the subject “as is” consists of partially improved multi-family lots. The planned improvements are consistent with the highest and best use for the subject site for multi-family development.

The subject is a partially improved grouping of two contiguous parcels. The owner provided a cost breakdown concerning expenditures for the ‘as is’ improvements through May 2007. Based on a conversation with the owner of the subject, the actual expenditures to date as of the effective date of this appraisal may exceed expenditures since May 2007.

The total amount expended to improve the subject ‘as is’ is about \$1,019,074. The expended amount is a portion of a total expected expenditure of about \$6,058,775. The amount spent to date is about 16.8 percent of the total improvement budget.

At the request of the client, the subject is appraised ‘as is’. The appraisers reviewed the work completed to date and compared the costs with cost of similar projects that they have appraised in recent months within the Las Vegas valley. The costs are considered reasonable.

COST APPROACH (continued)

The following cost estimates are based on data provided by the subject's owner/developer and compared *Marshall & Swift Valuation Guide* for 2007. The data from *MVS* was compared with in-house appraisal files and feasibility studies completed by Wert-Berater | commercial over the years within the State of Nevada.

The subject at the time of inspection by the appraisers is partially completed. The estimated completed items are as follows:

Item	Estimated Cost	PSF
Grading	\$800,200	\$1.84
Pad Build up and Grading	\$225,000	\$0.52
Total Estimated Cost	\$1,025,200	\$2.35
Rounded	\$1,030,000	\$2.36

This cost estimate was based on data provided by the purchaser for the subject. The total estimated cost is about \$1,030,000, or about \$2.36 per gross square foot.

These costs were compared with in-house appraisal files and information provided by the *Marshall & Swift Valuation Service Guide* for 2007. The developer's cost estimate is reasonable and within the range of the appraiser's in-house appraisal files for similar residential developments and information provided by the *Marshall & Swift Valuation Service Guide* for 2007.

In addition to the hard development cost estimated in the preceding table an estimate of soft cost must be considered for developments like the subject. Soft costs are inclusive of financing, permitting, holding costs such as interest reserve and real estate taxes. The range for soft cost is from five to eight percent. Due to the extent of the subject's improvements a rate near the middle of the range of about six percent is chosen for the subject. Thus,

$\$1,030,000 \times 0.06 = 61,800$. Thus, **\$1,091,800, rounded to \$1,090,000**.

COST APPROACH (continued)

CONCLUSION – AT COMPLETION

The improvement costs of approximately \$1,090,000 is added to the estimated land value as indicated in the Land Value section of this report to estimate a value “as completed” via the Cost Approach.

The estimated land value of \$11,760,000 as indicated via the Sale Comparison Approach as developed in the Land Value section of this report and the estimated cost of \$1,090,000 are added together to estimate the total cost for the subject “as completed”.

Entrepreneurial Profit

The equity return must be sufficient to induce a typical developer to develop a specific subdivision. There must be a residual dollar amount that will compensate them for their development risk of market time and cost. Most residential builders in the Las Vegas market provide a finished house/lot package and very few developments sell only lots. Therefore, residential builders require improved lots for building. They must either buy existing lots or develop their own lots. With the emphasis upon the finished house/lot package, most profit is expected from the house portion and the lot profit is considered to be secondary for most builders. An estimate of the required return is best obtained by interviewing market participants (i.e., developers, buyers/seller, lenders, and appraisers). In addition to the interview process, in-house appraisal files were reviewed to estimate the Entrepreneurial Profit for the subject. The range indicated via in-house files is from ten to 20 percent for recent projects appraised by the appraisers. Interviews that we conducted indicated that many developers are anticipating a profit return in the range of ten to 15 percent in the Las Vegas marketing area for ready lots. A rate for the improved lot profit at the middle of the market was used because of the market average number of improved lots for the subject.

COST APPROACH (continued)

In the following table the cost approach estimate for the subject “as is” and “as completed” are calculated.

COST APPROACH ESTIMATE			
10 Acres	435,600 Sq/Ft	Total	Per Sq/Ft
Estimated Land Value "as if vacant"		\$11,760,000	\$27.00
Estimated Improvement Cost "as partially completed"		\$1,090,000	\$2.50
SUB TOTAL		\$12,850,000	\$29.50
12% Entrepreneurial Profit		\$130,800	\$0.30
TOTAL		\$12,980,800	\$29.80
As Is	ROUNDED:	\$12,980,000	\$29.80

Compiled by: Wert-Berater | commercial

In addition to the estimated total cost of land and partial improvements we added entrepreneurial profit estimated at 12 percent of hard costs. The estimated entrepreneurial profit of \$130,800 is added to the total cost. (12,850,000 + 130,800 = 12,980,000).

The estimated market value for the subject’ “as completed” in accordance with the development of the cost approach is **\$12,980,000**.

COST APPROACH (continued)

PARTIALLY FINISHED LAND SALES

In the following table recent sales of platted, engineered and partially completed subdivisions and grouping of lots within subdivisions are analyzed.

Land Sales - Las Vegas - Partially Improved Parcels						
Comparable	Land Area (Sq/Ft)	Improvements	Sale Price	Date of Sale	Sale PSF	Zoning
Land Sale Five	62,726	Platted & Engineered	\$2,407,586	13-Jun-06	\$38.38	R-2
Land Sale Six	48,787	Platted & Engineered	\$2,226,350	26-Mar-07	\$45.63	R-PD7
Land Sale Seven	544,500	Platted & Engineered	\$15,919,616	6-Oct-06	\$29.24	R-3
Land Sale Eight	90,605	Platted & Engineered	\$3,354,838	12-Jan-07	\$37.03	T-C

Compiled by: Wert-Berater | commercial

The comparable sales indicated a range per square foot of land area from about \$29.24 to \$45.63.

COST APPROACH (continued)

Land Sale Five was comprised of several lots that were in the later stages of development. Lots are partially improved including removal of caliche, installation of utilities and the project was fully entitled for residential development. This comparable is the most influential comparable due to the stage of development. This comparable is a closed sale as of June 13, 2006. It was an arm's length transaction. The purchase price was \$2,407,586. This comparable for list price and is comprised of 1.44+- gross acres. The lots contained 0.08 acres each. This development consists of 24 lots (\$100,316 per lot). The zoning is R-2, Clark County (8 units per acre). It is located at Cactus Avenue in Las Vegas, Nevada 89178. The buyer is identified as Meritage Homes of Nevada, Inc. The seller was Acacia Credit Fund 8-A, L.L.C.

Land Sale Six was comprised of several lots that were in the later stages of development. Lots are partially improved including removal of caliche, installation of utilities and the project was fully entitled for residential development. This comparable is a closed sale as of June 26, 2007. It was an arm's length transaction. The purchase price was \$2,226,350. This comparable for list price and is comprised of 1.12+- gross acres. This development consists of 16 lots (\$139,147 per lot). The zoning is R-PD7, City of North Las Vegas (7 units per acre). It is located at Farm Road in Las Vegas, Nevada 89166. The buyer is Lennar Communities Nevada, L.L.C. The seller is CM Land, LLC. This is the sale of several lots within a larger community.

Land Sale Seven was comprised of several lots that were in the later stages of development. Lots are partially improved including removal of caliche, installation of utilities and the project was fully entitled for residential development. This comparable is a closed sale as of October 6, 2006. It was an arm's length transaction. The purchase price was \$15,919,616. This comparable for list price and is comprised of 12.50+- gross acres. This development consists of 124 lots (sold for \$128,384 per lot). The zoning is R-2, Clark County (8 units per acre). It is located at Cactus Avenue in Las Vegas, Nevada 89178.

COST APPROACH (continued)

Land Sale Eight was comprised of several lots that were in the later stages of development. Lots are partially improved including removal of caliche, installation of utilities and the project was fully entitled for residential development. This comparable is a closed sale as of February, 12, 2007. It was an arm’s length transaction. The purchase price was \$3,354,838. This comparable for list price and is comprised of 2.08+- gross acres. This development consists of 22 lots (\$152,492 per lot). The zoning is R-2, Clark County (8 units per acre). It is located at Tulle Springs Road in Las Vegas, Nevada 89143.

CONCLUSION –PARTIALLY FINISHED LOT SALES

The range as indicated by the comparables was based on a per square foot rate in lieu of the per unit rate because the subject is in the process of a zoning change which will provide for a greater density and possibly additional development costs. The per square foot rate is considered as reliable indicator for partially improved parcels in the subject’s Las Vegas marketing area.

The comparable sales indicated a range per square foot of land area from about \$29.24 to \$45.68. The comparable were in similar stages of development and had similar improvements as the subject. Land Sale Five is the most influential comparable due to its similarity in improvements as the subject. Thus, a rate of \$30.00, which toward the lower end of the range is chosen for the subject.

CONCLUDED LAND VALUE - LAND SALE COMPARABLES				
Rate PSF		Subject Area		Indicated Value
\$30.00	X	435,600	=	\$13,068,000
Indicated Value				\$13,070,000

Compiled by: [Wert-Berater | commercial](#)

COST APPROACH (continued)

CONCLUSION

The estimated value for the subject based on actual estimated cost is \$13,160,000, or about \$30.21 per square foot. The sale comparables are useful in this analysis because the Las Vegas marketing area has seen recent slowdown in the residential market and the recent sales are an indicator of how much developers are willing to pay other developers who are selling off partially improved parcels for residential use. Larger parcels tend to be rare in the subject's marketing area.

The subject is comprised of 10.0+- acres (435,600 square feet) of partially improved land. The rate indicated by the comparables is \$13,070,000, or about \$30.00 per square foot.

The range indicated by the methods of value for the subject is from \$30.00 to \$30.21. A rate of \$30.00 is selected for the subject because of its locational attributes. Thus,

CONCLUDED LAND VALUE - 'AS IS'				
Rate PSF		Subject Area		Indicated Value
\$30.00	X	435,600	=	\$13,068,000
Indicated Value				\$13,070,000
Compiled by: Wert-Berater commercial				

Based on the preceding cost approach analysis the estimated value of the subject is \$12,090,000. As indicated by the comparable data, the estimated value for this subject 'as is' is \$13,070,000. Because the market approach is considered reasonable and is well supported greater weight is placed on this method of valuation. Thus,

INDICATED VALUE AS IS VIA THE COST APPROACH
\$13,000,000

RECONCILIATION OF VALUE

The Cost Approach to value was developed because developers of residential subdivisions consider land acquisition and development costs prior to making investments into residential subdivisions. Thus, the Cost Approach is a pertinent method of valuation for properties like the subject in the Las Vegas marketing area. The Cost Approach to value is an indicator of financial feasibility.

The (Land Value) Sales Comparison Approach to value was fully developed in this report because the subject is comprised of two contiguous parcels. This approach was developed 'as if vacant' because the subject's parcels are partially improved. The concluded value was used to estimate a final value for the subject 'as is' via the Cost Approach

In the subject's Las Vegas marketing area land prices have increased because vacant residential parcels for development have become scarce in recent years. Development Costs have increased dramatically. Due to the increase in land and development costs, entrepreneurial profit has decreased from recent highs from 2003 to early 2005 of 20+ percent to twelve percent or less. The subject was partially improved as of the effective date of this report. Because of the availability of land prices and development costs, the Cost Approach to value is considered an influential value indicator.

Based upon the analyses and assumptions contained herein, we have estimated the market value as referenced following as of June 29, 2007 to be:

MARKET VALUE CONCLUSION				
Appraisal Premise	Interest Appraised	Exposure	Date of Value	Value Conclusion
As Is	Fee Simple Estate	12 Months	June 22, 2007	\$13,000,000

Compiled by: Wert-Berater | commercial

RECONCILIATION OF VALUES (continued)

All appraisals are to be performed without pressure from someone who desires a specific value. Accordingly, every appraisal rendered in connection with a federally related transaction must include a statement to the effect that employment of the appraiser was not conditioned upon the appraisal producing a specific value or a value within a given range. Similarly, future employment prospects should not be dependent upon an appraisal producing a specific value. Employment and compensation should not be based on whether a loan application is approved, as this too would exert pressure on an appraiser to render whatever appraisal is necessary for the loan to be approved.

Sincerely,



James L. Stevens, MAI
Nevada Certified General Appraiser
#A-0005282CG
Expires: March 31, 2008



James D. Hansen
Nevada Certified Residential Appraiser
#A.0004500CR
Expires: January 31, 2009

SIGNATURE DATE: June 29, 2007

ADDENDA

SUBJECT PHOTOGRAPHS



Subject – Viewing Northerly



Subject – Viewing Northeasterly

SUBJECT PHOTOGRAPHS



Subject – Viewing Northerly Along Western Border



Subject – Viewing Northerly

SUBJECT PHOTOGRAPHS



Street Scene – Viewing Westerly Along Sunset Road



Street Scene – Viewing Easterly Along Sunset Road

SUBJECT PHOTOGRAPHS



Street Scene – Viewing Northerly Along Fort Apache Road



Street Scene – Viewing Easterly Along Sunset Road

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. The appraisers are not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. The appraisers, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. The appraisers and Wert-Berater Commercial professionals are not engineers and are not competent to judge matters of an engineering nature. Wert-Berater Commercial has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of Wert-Berater Commercial by ownership or management; the appraisers inspected less than 100% of the entire interior and exterior portions of the improvements; and the appraisers was not furnished any engineering studies by the owners or by the party requesting this appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

2. (continued) If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, Wert-Berater Commercial and the appraisers reserve the right to amend the appraisal conclusions reported herein.

3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to Wert-Berater Commercial. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, the appraisers have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, Wert-Berater Commercial and the appraisers reserve the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify Wert-Berater Commercial and the appraisers of any questions or errors.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, Wert-Berater Commercial and the appraisers will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.

7. Wert-Berater Commercial and the appraisers assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

9. Wert-Berater Commercial and the appraisers are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. Wert-Berater Commercial and the appraisers do not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of Wert-Berater Commercial and the appraisers.

12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Wert-Berater Commercial and the appraisers to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

14. This study may not be duplicated in whole or in part without the specific written consent of Wert-Berater Commercial nor may this report or copies hereof be transmitted to third parties without said consent, which consent Wert-Berater Commercial reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of Wert-Berater Commercial which consent Wert-Berater Commercial reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a “sale” or “offer for sale” of any “security”, as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Wert-Berater Commercial shall have no accountability or responsibility to any such third party.

15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to Wert-Berater Commercial unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. Wert-Berater Commercial assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood\ Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraisers nor Wert-Berater Commercial assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

20. Wert-Berater Commercial assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.

21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, Wert-Berater Commercial has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since Wert-Berater Commercial has no specific information relating to this issue, nor is Wert-Berater Commercial qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject property.

24. Client shall not indemnify Wert-Berater Commercial and the appraisers or hold Wert-Berater Commercial and the appraisers harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client proximately result in damage to Wert-Berater Commercial and the appraisers. The Client shall indemnify and hold Wert-Berater Commercial and the appraisers harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover from the other reasonable attorney fees and costs.

25. The report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Wert-Berater Commercial and the appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. Please note that our consent to allow an appraisal report prepared by Wert-Berater Commercial or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

26. As part of the clients requested scope of work we have provided an estimate of insurable value. We have followed appraisal standards to develop a reasonable calculation based upon industry practices and industry accepted manuals such as *Marshall Cost Estimator*. The method we employ is a derivation of the Cost Approach, which is primarily used as an academic exercise to help support our market value estimate and therefore is not reliable for Insurable Value estimates. Actual construction costs and related estimates can vary greatly from this estimate. This analysis should not be relied upon to determine proper insurance coverage, which can only be properly estimated by consultants considered experts in cost estimation and insurance underwriting. It is provided to aid our client as part of their overall decision making process and we make no representations or warranties regarding the accuracy of this estimate and strongly recommend other sources be utilized to develop any estimate of Insurable Value.

GLOSSARY OF TERMS

ASSESSED VALUE Assessed value applies in ad valorem taxation and refers to the value of a property according to the tax rolls. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base. †

CASH EQUIVALENCY The procedure in which the sale prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.

CONTRACT, COUPON, FACE, or NOMINAL RENT The nominal rent payment specified in the lease contract. It does not reflect any offsets for free rent, unusual tenant improvement conditions, or other factors that may modify the effective rent payment.

COUPON RENT See Contract, Coupon, Face, or Nominal Rent effective rent 1) The rental rate net of financial concessions such as periods of no rent during a lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. ‡
2) The economic rent paid by the lessee when normalized to account for financial concessions, such as escalation clauses, and other factors. Contract, or normal, rents must be converted to effective rents to form a consistent basis of comparison between comparables.

EXCESS LAND In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land no needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. See also surplus land. ‡

FACE RENT See Contract, Coupon, Face, or Nominal Rent

FEE SIMPLE ESTATE Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. ‡

FLOOR AREA RATIO (FAR) The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called *building-to-land ratio*. ‡

FULL SERVICE LEASE A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense passthroughs*.

GLOSSARY OF TERMS (continued)

GOING CONCERN VALUE Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value. †

GROSS BUILDING AREA (GBA) The sum of all areas at each floor as measured to the exterior walls. †

INSURABLE VALUE Insurable Value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. Insurable value is that portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. This value is often controlled by state law and varies from state to state. †

INVESTMENT VALUE Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value, that is, an appraiser. †

LEASED FEE (See leased fee estate) An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease. ‡

LEASEHOLD (See leasehold estate) The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions. ‡

LOAD FACTOR The amount added to usable area to calculate the rentable area. It is also referred to as a “rentable add-on factor” which, according to BOMA, “is computed by dividing the difference between the usable square footage and rentable square footage by the amount of the usable area. Convert the figure into a percentage by multiplying by 100. market rent The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations. ‡

GLOSSARY OF TERMS (continued)

MARKET VALUE Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. §

MARKETING PERIOD The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. ‡

NET LEASE Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease (NNN)* all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

NET RENTABLE AREA (NRA) 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor. *

NOMINAL RENT (See Contract, Coupon, Face, or Nominal Rent)

OCCUPANCY RATE The relationship or ratio between the income received from the rented units in a property and the income that would be received if all the units were occupied. ‡

PROSPECTIVE FUTURE VALUE “upon completion of construction” Prospective future value “upon completion of construction” is the prospective value of a property on the future date that construction is completed, based upon market conditions forecast to exist, as of that completion date. The value estimate at this stage is stated in current dollars unless otherwise indicated. prospective future value “upon reaching stabilized occupancy” Prospective future value “upon reaching stabilized occupancy” is the prospective value of a property at a future point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. The value estimate at this stage is stated in current dollars unless otherwise indicated.

GLOSSARY OF TERMS (continued)

REASONABLE EXPOSURE TIME The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. ††

RENT (See full service lease net lease market rent contract, coupon, face, or nominal rent)

EFFECTIVE RENT SHELL SPACE Space which has not had any interior finishing installed, including even basic improvements such as ceilings and interior walls, as well as partitions, floor coverings, wall coverings, etc..

SURPLUS LAND Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. See *also* excess land. ‡

USABLE AREA 1) The area actually used by individual tenants. 2) The Usable Area of an office building is computed by measuring to the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor. *

USE VALUE Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use.

USE VALUE focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. †

VALUE APPRAISED During the real estate development process, a property typically progresses from a state of unimproved land to construction of improvements to stabilized occupancy. In general, the market value associated with the property increases during these stages of development. After reaching stabilized occupancy, ongoing forces affect the property during its life, including a physical wear and tear, changing market conditions, etc. These factors continually influence the property's market value at any given point in time. (See *also* market value "as is" on the appraisal date market value "as if complete" on the appraisal date prospective future value "upon completion of construction" prospective future value "upon reaching stabilized occupancy")

GLOSSARY OF TERMS (continued)

† *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, 2001.

‡ *The Dictionary of Real Estate Appraisal*, Fourth Edition, 2002.

§ The Office of the Comptroller of the Currency, 12 CFR Part 34, Subpart C, §34.42(f), August 24, 1990. This definition is compatible with the definition of market value contained in *The Dictionary of Real Estate Appraisal*, Third Edition, and the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of The Appraisal Foundation, 1992 edition. This definition is also compatible with the OTS, RTC, FDIC, NCUA, and the Board of Governors of the Federal Reserve System definition of market value.

· 2000 BOMA Experience Exchange Report, Income/Expense Analysis for Office Buildings (Building Owners and Managers Association, 2000)

†† *Statement on Appraisal Standard No. 6*, Appraisal Standards Board of The Appraisal Foundation, September 19, 1992.

APPRAISERS QUALIFICATIONS

APPRAISER CERTIFICATE
STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

Change A change in the name of the business or the location of an office must be made to the Division within **ten days** after any change has been made. Attach this certificate, pocket card and original intern registrations, if any, to a completed change form (536) and location of records form (512).

Renewal As a courtesy, the Real Estate Division will send a renewal notice to your business address approximately 45 days prior to your renewal date. Renewal information is online at www.red.state.nv.us.



Nevada Department of Business and Industry
Real Estate Division
CERTIFIED GENERAL APPRAISER
JAMES L. STEVENS

Certificate Number	Expiration Date
A.0005282-CG	March 31, 2008

Certificate Location
JAMES L. STEVENS
3753 HOWARD HUGHES PKWY #200
LAS VEGAS, NV 89109

Valid Unless
Signed to the

APPRAISER CERTIFICATE
STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

NOT TRANSFERABLE REAL ESTATE DIVISION NOT TRANSFERABLE

This is to Certify That : JAMES L. STEVENS Certificate Number: A.0005282-CG

Is duly authorized to act as a CERTIFIED GENERAL APPRAISER from the issue date to the expiration date at the business address stated here in, unless the certificate is sooner revoked, cancelled, withdrawn, or invalidated.

Issue Date: April 04, 2006 Expire Date: March 31, 2008

In witness whereof, THE DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION, by virtue of the authority vested in Chapter 645C of the Nevada Revised Statutes, has caused this Certificate to be issued with its Seal printed thereon. This certificate must be conspicuously displayed in place of business.

FOR: JAMES L. STEVENS REAL ESTATE DIVISION
3753 HOWARD HUGHES PKWY #200
LAS VEGAS, NV 89109

GAIL J. ANDERSON
Administrator



James L. Stevens, MAI

Certified General Real Estate Appraiser

Qualifications

- Member of the Appraisal Institute (MAI) Since 1976
- Appraisal Institute Member Number 5587
- Over 35 years of Professional Real Estate Appraisal Experience
- Multiple Market Experience
- State of Florida Certified General Appraiser Number RZ0002421
- Nevada Certified General Appraiser Number A.0005282CG

Education

University of Michigan
Major Business Administration
B.B.A 1964

Appraisal Institute
Standards of Professional Practice
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part B
Capitalization Theory and Techniques, Part A
Basic Valuation Procedures
Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing
M.A.I. Comprehensive Examination

Experience

Hotel, Timeshare Resort, Vacant Land, Estates, Residential Condominium - High Rise, Retail Anchored, Strip, Shadow Anchored, Freestanding, Residential/Commercial Subdivisions, Golf Courses, Industrial Buildings, Marina, Restaurants, Farm and Ranches, Recreational Facilities, Schools, Water Rights, Right of Way, Percentage Interests, Residential Sell Out, Office Buildings, Multi-family, HUD Section 8 and 9, HUD MAP Program, Single Family Residential, Adult Entertainment Facilities, Healthcare Facilities, Hospitals, Special Purpose Facilities, Expert Testimony.

Present

Wert-Berater Commercial
Staff Appraiser
Las Vegas, Nevada

James L. Stevens, MAI (continued)

1999-2002

Consolidated Appraisal Services, Inc.
Senior Commercial Real Estate Appraiser
Margate, Florida

1998-1999

Pardue, Hied, Church, Smith & Waller of South Florida, Inc. / Primis, Inc.
Senior Commercial Real Estate Appraiser
Deerfield Beach, Florida

1992-1998

Jim Stevens, MAI
Fee Appraiser
Crested Butte, Colorado

1981-1992

NBHI, President & Owner
Commercial Real Estate Development

1972-1975

American Appraisal Company
Staff Appraiser
Milwaukee, Wisconsin

1968-1972

International Business Machines (IBM)
Real Estate and Construction Division
Eleven State Responsibility for Leasing and Acquisition of Corporate Property
Chicago, Illinois

James Hansen

7605 Seagull Avenue
Las Vegas, Nevada 89145
702.227.0806
702.221.0067 facsimile
allegiant@earthlink.net

Qualifications

- Over 10 years professional real estate valuation experience
- Certified Residential Appraiser, Nevada License No. 04500
- Extensive knowledge of multi-family, industrial, office, vacant land, hotel/motel and residential real estate
- Current owner of Allegiant Appraisal Services
- Extensive narrative and form report experience

Education

University of Utah
Major - Economics
B.A. - 1988

Professional Experience

Owner/Appraiser
Allegiant Appraisal Services 11/03 - Present
Las Vegas, Nevada

Responsible for appraising residential real estate, managing business enterprise and employees.

- Certified Residential Appraiser
- Experienced JumboAppraisals
- Appraised over \$50 Million in residential real estate since company inception.
- Wintotal and narrative report experienced

Owner/Appraiser
AccuAppraisal Group 6/96 - 11/03
Herriman, Utah

Responsible for appraising residential real estate, managing business enterprise and employees.

- Certified Residential Appraiser
- Experienced JumboAppraisals
- Wintotal and narrative report experienced

Fee Appraiser
Cambridge Group 4/94 - 6/06
SLC, Utah

Fee appraiser, responsible for composing commercial and residential single family real estate appraisals various clients including attorneys, financial institutions and property owners in accordance with USPAP guidelines.

- Assisted in the appraisal of commercial real estate properties including multi-family, industrial, office, vacant land, and hotel/motel
- Composed narrative and form appraisal reports

APPRAISER CERTIFICATE

STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY

NOT TRANSFERABLE

REAL ESTATE DIVISION

NOT TRANSFERABLE

This is to Certify That : JAMES D HANSEN

Certificate Number: A.0004500-CR

Is duly authorized to act as a CERTIFIED RESIDENTIAL APPRAISER from the issue date to the expiration date at the business address stated here in, unless the certificate is sooner revoked, cancelled, withdrawn, or invalidated.

Issue Date: January 11, 2007

Expire Date: January 31, 2009

In witness whereof, THE DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION, by virtue of the authority vested in it by Chapter 645C of the Nevada Revised Statutes, has caused this Certificate to be issued with its Seal printed thereon. This certificate must be conspicuously displayed in place of business.

FOR: ALLEGIANT APPRAISAL SERVICES
4012 BIRCHMONT ST
LAS VEGAS, NV 89130

REAL ESTATE DIVISION

GAIL J. ANDERSON
Administrator

