

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Retail Market Review

Last quarter, we said there was a chance that 2011 could be the year of recovery for Southern Nevada’s retail market. And then came the first quarter of 2011. With negative 191,000 square feet of net absorption and vacancy increasing by almost one full point to 11.5 percent, it is not easy to see recovery coming in the near term, even though some fundamentals are improving. Asking rents remained at \$1.55 per square feet (psf) on a triple net (NNN) basis and the only new completion of retail space was a retail pad in Henderson.

Retail employment in the Las Vegas MSA dropped by 1,100 jobs between January 2010 and January 2011. Unemployment in the Las Vegas-Paradise MSA stood at 13.7 percent as of January 2011, a decrease from 15.1 percent in January 2010. Unfortunately, this decrease was due to a shrinking labor force, not job creation.

Clark County’s taxable sales totalled \$7.3 billion in the fourth quarter of 2010, a 2.1 percent increase from the fourth quarter of 2009 and a 4.6 percent increase from the third quarter of 2010. Pre-recession, Clark County posted a quarterly average of \$90,329 of taxable sales per retail employee. In the fourth quarter of 2010, taxable sales per retail employee was just \$77,197.

Southern Nevada completed only 2,911 square feet of retail space this quarter, that being a retail pad building at Green Valley Crossing in the Henderson submarket. Forward supply of retail space in the Valley totalled 650,072 square feet. Major centers that are either planned to begin construction within the next year, or that have had their construction stalled, included the Target-anchored center at Decatur and the I-215 Beltway (260,000 square feet), Decatur Marketplace in North Las Vegas (156,000 square feet), Rancho Crossing in the Downtown submarket (100,000 square feet) and Green Valley Crossing (146,000 square feet).

Vacancy in Southern Nevada retail centers reached 11.5 percent in the first quarter of 2011, the highest level of vacancy yet recorded. Vacancy has increased during the past fourteen quarters and was 1.8 points higher this quarter than it was one year ago. Since the onset of the recession in the

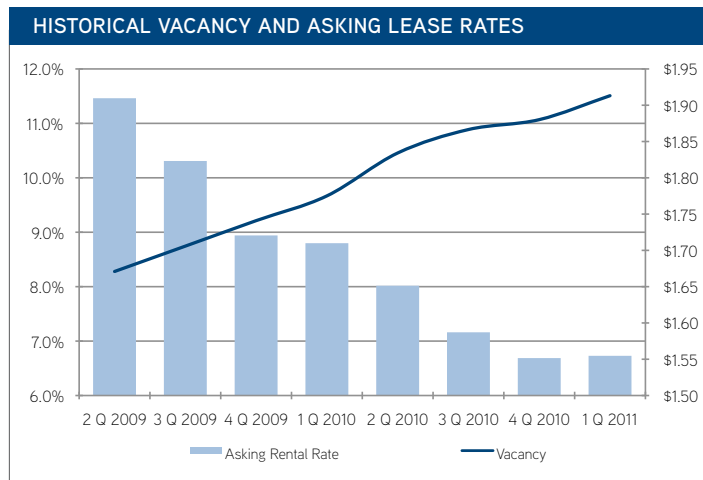
MARKET INDICATORS

	Q1-11	Projected Q2-11
VACANCY	↑	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↓
RENTAL RATE	→	↓

CLARK COUNTY ECONOMIC DATA

	Latest Period	Year Ago
Unemployment Rate	13.7%	15.4%
Visitor Volume	3,385,225	3,135,627
Gaming Revenue	\$761.3 M	\$764.4 M
Taxable Sales YTD	\$2.732 B	\$2.659 B
Residential Permits	234	359
Commercial Permits	28	16
New Home Sales	224	240
Existing Home Sales	3,098	3,111

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV



“As the national and local economies continue to improve, recovery of the retail market should pick up, if not in late 2011, then in early 2012.”



fourth quarter of 2007, retail vacancy has increased by 7.6 points. The Valley's highest vacancy this quarter was 16.8 percent in the Downtown submarket. The Southwest's vacancy of 9.5 percent was the lowest in Southern Nevada this quarter. The Henderson and Northeast submarkets experienced a decrease in vacancy this quarter compared to last.

The weighted average asking rental rate remained at \$1.55 psf NNN in the first quarter of 2011. The largest decrease was in the North Las Vegas submarket, at \$0.46 psf. Asking rent in the Southwest has dropped by \$0.55 since this time last year, taking it from being one of the most expensive submarkets in the Valley to being close to the Valley average. The average asking rent increased in the Henderson, Northeast and Southwest submarkets since last quarter. Southern Nevada's lowest average asking rent was in the West Central submarket at \$1.22 psf NNN. The highest average asking rent was in the Northwest submarket at \$1.86 psf NNN. The gap between the most and least expensive submarkets in Southern Nevada decreased from \$0.67 last quarter to \$0.64 this quarter.

The gap between asking rents and achieved rents in deals we tracked averaged \$0.44 psf in the first quarter of 2011, an increase from the average gap of \$0.18 psf recorded in 2010 and the average gap of \$0.35 psf recorded in 2009. Community centers had a \$0.60 psf gap, followed by power centers at \$0.57 psf and neighborhood centers at \$0.30 psf. The average lease term for retail space in the first quarter of 2011 was 52 months, a 20 month decrease from last year.

Most of the retail leasing activity in 2011 has been with local retailers, with the most active retail categories being Furniture Stores, Eating & Drinking Establishments and Business Services.

While sales activity for industrial and office real estate is on the rise, retail sales appear to be declining. Sales of single-tenant owner/user retail space increased slightly in this quarter over last, with 40,000 square feet changing hands at an average price of \$200 psf. Investment sales of single-tenant retail dropped to 8,000 square feet from a fairly healthy 132,000 square feet recorded in the fourth quarter of 2010. These investment sales had an average sales price of \$573 psf, a significant increase from last quarter, due to the sales being of small buildings occupied by strong, national tenants.

Investment sales of shopping centers increased to 378,000 square feet at an average sales price of \$130 psf. There are many buyers looking for corporate-backed, quality single-tenant retail, making it a tighter sales market than the numbers alone would suggest.

Southern Nevada had 63 retail units available for lease that were 10,000 square feet in size or larger in the first quarter of 2011, a decrease of twenty-one spaces and over 315,000 square feet from last quarter and fourteen spaces and about 210,000 square feet from twelve months ago. The largest of these spaces was the former Great Indoors space at Boca Park (139,000 square feet), the vacant indoor swap-meet at Charleston Plaza Mall (106,000 square feet) and three former Albertsons averaging about 60,000 square feet apiece.

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Silverado Ranch Plaza	Mar 2011	63 months	9,600 sf	\$1.06 NNN	Power Center
Parkway Springs Plaza	Jan 2011	60 months	6,400 sf	\$1.20 NNN	Neighborhood Center
Plaza de Colores	Jan 2011	40 months	4,800 sf	\$0.72 NNN	Community Center
Village Square at Peccole Ranch	Jan 2011	39 months	3,600 sf	\$1.29 NNN	Neighborhood Center
Warm Springs Promenade	Jan 2011	60 months	1,400 sf	\$1.33 NNN	Power Center

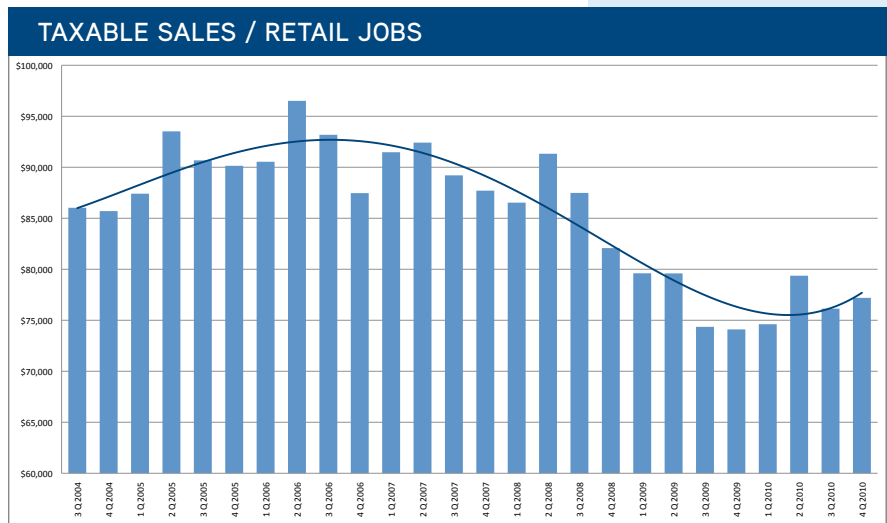
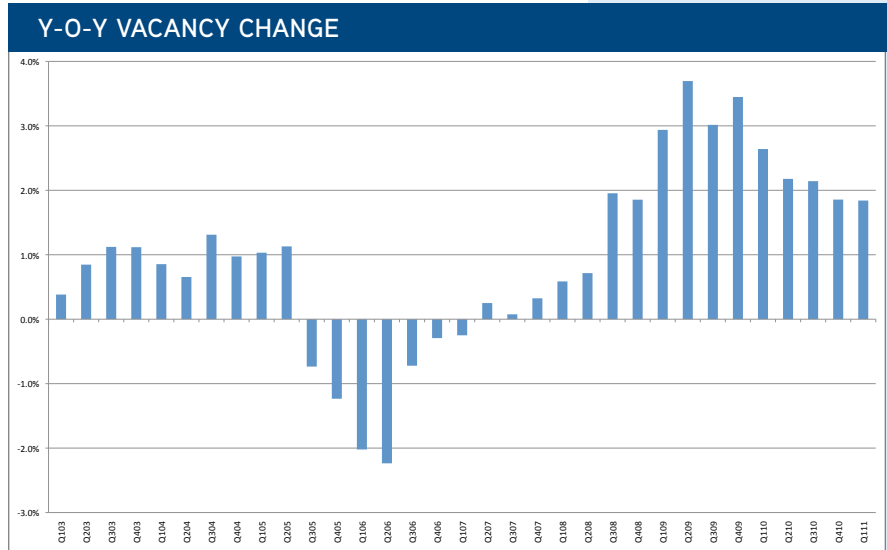
SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Vista Commons	Jan 2011	\$24,250,000	99,000 sf	\$245.62	Neighborhood Center
Shoppes at Canyon Pointe	Mar 2011	\$12,000,000	56,000 sf	\$214.10	Strip Retail
Shadow Creek Marketplace	Jan 2011	\$5,000,000	40,000 sf	\$124.81	Community Center
50 N Stephanie	Feb 2011	\$7,138,000	27,000 sf	\$262.52	Neighborhood Center
Stephanie Promenade	Jan 2011	\$1,450,000	15,000 sf	\$97.08	Community Center

Major retail closures in the Valley include Vons, Food 4 Less, Hollywood Video, Borders Books and Ultimate Electronics. Several retailers, including Family Dollar, Quizno's, Walgreens, Advance Auto Parts, Auto Zone, Fresh & Easy, SuperValu and Big Lots have announced national expansion plans for 2011, though it is unclear if these expansion plans include Southern Nevada. Forever 21, which operates stores in three Southern Nevada malls, is preparing to open a 120,000 square foot store in Las Vegas. Raising Cane's, Carl's Jr., BJ's restaurants, Clear Wireless, Steak & Shake, Five Guys Burger & Fries and Cox are also expanding their presence in Southern Nevada.

Distressed retail space totaled 4.9 million square feet this quarter, an increase of 318,000 square feet from last quarter, reversing the decline experienced between the third and fourth quarters of 2010. General Growth Properties, which owns over 3.5 million square feet of retail in Southern Nevada, emerged from bankruptcy largely intact, though they sold three of their local retail properties. Construction on the Shoppes at Summerlin, GGP's new 1 million square foot regional mall project in the Northwest submarket, was halted earlier this year and remains on indefinite hold. American Nevada's District in Henderson entered foreclosure this quarter.

What a difference one quarter can make! The retail market's recovery had been lagging behind the recovery of the local industrial and office markets, but started to show some very positive signs last year. As 2011 began, Southern Nevada experienced increased taxable revenues, gaming revenues and visitor volume, suggesting that recovery was certainly in the cards. Unfortunately, several national retail chains closed their doors during the second half of 2010 and local retail employment, which had shown some signs of improvement in 2010, dropped off again in the first quarter of 2011, dampening the likelihood of significant recovery in the first half of 2011. As the national and local economies continue to improve, recovery of the retail market should pick up, if not in late 2011, then in early 2012. Consumer spending, oil prices, inflation and retailer's access to credit are the key variables in 2011.



MARKET SUMMARY					
	Q1-11	Q4-10	Q1-10	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	11.5%	10.6%	9.7%	8.3%	18.6%
Asking Rent (PSF, NNN)	\$1.55	\$1.55	\$1.71	0.5%	-9.1%
Net Absorption (SF)	-190,687	63,096	-199,221	-402.5%	4.2%
New Completions (SF)	2,911	160,429	0	-98.2%	100%

MARKET COMPARISONS

RETAIL MARKET

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
DOWNTOWN SUBMARKET																
PC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$-
CC	5	684,340	201,713	29.5%	-	-	201,713	29.5%	27.7%	(12,228)	(12,228)	-	-	-	-	\$1.23
NC	5	518,070	-	0.0%	-	-	-	-	-	-	-	-	-	-	-	\$1.24
Total	10	1,202,410	201,713	16.8%	-	-	201,713	16.8%	15.8%	(12,228)	(12,228)	-	-	-	-	\$1.23
HENDERSON LAS VEGAS SUBMARKET																
PC	8	2,896,215	292,778	10.1%	-	-	292,778	10.1%	10.9%	20,378	20,378	-	-	-	-	\$1.61
CC	20	2,833,654	310,546	11.0%	-	-	310,546	11.0%	10.9%	(105)	(105)	2,911	2,911	-	139,407	\$1.48
NC	25	2,797,088	333,558	11.9%	58,659	2.1%	392,217	14.0%	14.1%	3,187	3,187	-	-	-	95,000	\$2.19
Total	53	8,526,957	936,882	11.0%	58,659	0.7%	995,541	11.7%	11.9%	23,460	23,460	2,911	2,911	-	234,407	\$1.77
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	114,084	13.7%	-	-	114,084	13.7%	14.4%	5,555	5,555	-	-	-	-	\$2.03
CC	12	2,253,539	203,163	9.0%	-	-	203,163	9.0%	8.3%	(15,670)	(15,670)	-	-	-	-	\$1.32
NC	16	1,945,468	209,813	10.8%	-	-	209,813	10.8%	10.7%	(1,511)	(1,511)	-	-	-	155,665	\$1.20
Total	30	5,031,007	527,060	10.5%	-	-	527,060	10.5%	10.2%	(11,626)	(11,626)	-	-	-	155,665	\$1.43
NORTHEAST SUBMARKET																
PC	-	-	-	n/a	-	-	-	-	-	0	-	-	-	-	-	\$-
CC	8	1,398,026	70,102	5.0%	18,614	1.3%	88,716	6.3%	6.8%	6,154	6,154	-	-	-	-	\$1.46
NC	15	1,306,795	203,678	15.6%	58,742	4.5%	262,420	20.1%	20.0%	(1,626)	(1,626)	-	-	-	-	\$1.42
Total	23	2,704,821	273,780	10.1%	77,356	2.9%	351,136	13.0%	13.1%	4,528	4,528	-	-	-	-	\$1.43
NORTHWEST SUBMARKET																
PC	7	2,840,846	128,660	-	2,352	-	131,012	4.6%	4.7%	2,536	2,536	-	-	-	-	\$2.04
CC	18	3,870,890	417,998	10.8%	-	-	417,998	10.8%	9.9%	(36,185)	(36,185)	-	-	-	260,000	\$2.27
NC	31	3,705,508	547,149	14.8%	111,417	3.0%	658,566	17.8%	15.6%	(79,681)	(79,681)	-	-	-	-	\$1.50
Total	56	10,417,244	1,093,807	10.5%	113,769	1.1%	1,207,576	11.6%	10.5%	(113,330)	(113,330)	-	-	-	260,000	\$1.86
SOUTHWEST SUBMARKET																
PC	1	944,314	37,473	4.0%	-	-	37,473	4.0%	4.0%	-	-	-	-	-	-	\$2.07
CC	9	3,216,421	243,454	7.6%	-	-	243,454	7.6%	6.8%	(25,314)	(25,314)	-	-	-	-	\$1.58
NC	13	1,623,100	268,729	16.6%	-	-	268,729	16.6%	16.8%	3,800	3,800	-	-	-	-	\$1.54
Total	23	5,783,835	549,656	9.5%	-	-	549,656	9.5%	9.1%	(21,514)	(21,514)	-	-	-	-	\$1.59
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	284,609	23.5%	-	-	284,609	23.5%	21.8%	(20,620)	(20,620)	-	-	-	-	\$1.54
CC	18	2,713,018	352,338	13.0%	-	-	352,338	13.0%	12.9%	(2,700)	(2,700)	-	-	-	-	\$1.15
NC	17	1,950,703	233,081	11.9%	19,189	1.0%	252,270	12.9%	12.9%	236	236	-	-	-	-	\$1.39
Total	38	5,873,944	870,028	14.8%	19,189	0.3%	889,217	15.1%	14.7%	(23,084)	(23,084)	-	-	-	-	\$1.34
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	123,964	10.9%	-	-	123,964	10.9%	10.2%	(7,658)	(7,658)	-	-	-	-	\$1.20
CC	15	1,650,769	335,716	20.3%	-	-	335,716	20.3%	19.5%	(14,007)	(14,007)	-	-	-	-	\$1.12
NC	17	1,628,795	146,324	9.0%	-	-	146,324	9.0%	8.0%	(15,408)	(15,408)	-	-	-	-	\$1.45
Total	35	4,417,788	606,004	13.7%	-	-	606,004	13.7%	12.9%	(37,073)	(37,073)	-	-	-	-	\$1.22
MARKET TOTAL																
PC	24	9,861,822	981,568	10.0%	2,352	-	983,920	10.0%	10.0%	191	191	-	-	-	-	\$1.66
CC	105	18,620,657	2,135,030	11.5%	18,614	0.1%	2,153,644	11.6%	11.0%	(100,055)	(100,055)	2,911	2,911	-	399,407	\$1.50
NC	139	15,475,527	1,942,332	12.6%	248,007	1.6%	2,190,339	14.2%	13.6%	(91,003)	(91,003)	-	-	-	250,665	\$1.57
Total	268	43,958,006	5,058,930	11.5%	268,973	0.6%	5,327,903	12.1%	11.7%	(190,867)	(190,867)	2,911	2,911	-	650,072	\$1.55

QUARTERLY COMPARISON AND TOTALS

Q1-11	268	43,958,006	5,058,930	11.5%	268,973	0.6%	5,327,903	12.1%	11.7%	(190,867)	(190,867)	2,911	2,911	-	650,072	\$1.55
Q4-10	268	43,955,095	4,865,152	11.1%	267,784	0.6%	5,132,936	11.7%	11.5%	63,096	(670,076)	160,429	160,429	-	657,422	\$1.55
Q3-10	267	43,794,666	4,767,819	10.9%	267,784	0.6%	5,035,603	11.5%	11.3%	(188,732)	(733,172)	0	0	274,360	661,617	\$1.59
Q2-10	266	43,794,666	4,579,087	10.5%	362,277	0.8%	4,941,364	11.3%	10.4%	(345,219)	(544,440)	0	0	274,360	661,617	\$1.65
Q1-10	266	43,794,666	4,233,868	9.7%	329,533	0.8%	4,563,401	10.4%	10.0%	(199,221)	(199,221)	0	0	274,360	562,067	\$1.71

PC = Power Center

CC = Community Center

NC = Neighborhood Center



DEMOGRAPHICS

	Population (2009 estimate)	Projected Annual Population Growth (2009-2014)	Occupied Retail Space (Q1-11)	Occupied Retail Growth (2010 to 2011)
Downtown	85,167	3.3%	1,012,925	-2.4%
Henderson	240,280	13.6%	7,565,759	0%
North Las Vegas	266,722	25.4%	4,515,573	-2.3%
Northeast	275,882	4.6%	2,426,513	-2.9%
Northwest	445,233	13.6%	9,436,767	0.7%
Southwest	157,411	26.2%	5,255,693	-3.7%
University East	188,590	6.0%	5,220,725	-3.3%
West Central	101,853	- 0.7%	3,847,234	-3.8%

SALES ACTIVITY

Single-Tenant Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	40,000	263,000	274,000
Owner/User Average Price/SF	\$200	\$102	\$130
Investment Space Sold (sf)	8,000	238,000	289,000
Investment Average Price/SF	\$573	\$180	\$202
Investment Average Cap Rate	n/a	7.4%	11.6%

SALES ACTIVITY

Shopping Center Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	0	76,000	0
Owner/User Average Price/SF	n/a	\$75	n/a
Investment Space Sold (sf)	338,000	206,000	297,000
Investment Average Price/SF	\$130	\$67	\$101
Investment Average Cap Rate	n/a	14.0%	12.0%



480 offices in 61 countries on 6 continents

United States: 135
 Canada: 39
 Latin America: 17
 Asia Pacific: 194
 EMEA: 95

- \$1.9 billion in annual revenue
- \$2.4 billion square feet under management
- Over 15,000 professionals

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