

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Retail Market Review

Southern Nevada's retail market posted a somewhat surprising positive net absorption this quarter, boosted by Fry's Electronics taking the former Great Indoors space in the Northwest submarket. Vacancy remained stable at 11.9 percent in the third quarter of 2011. While there were no completions in the third quarter, new completions of anchor space are expected over the next 6 months – good for net absorption, but not necessarily helpful in filling the 1.6 million square feet of existing anchor space sitting vacant in Southern Nevada. Asking rents fell again this quarter, to \$1.41 per square foot (psf) per month on a triple net (NNN) basis.

Retail employment in the Las Vegas MSA dropped slightly between August 2010 and August 2011, from 92,300 retail employees to 91,500 retail employees. Over the past three months, retail employment increased by 300 jobs. Retail employment numbers have been anything but stable this year, bouncing up and down between a low of 89,600 jobs in February 2011 and a high of 91,300 jobs in April 2011. Unemployment in the Las Vegas-Paradise MSA stood at 14.2 percent in August 2011.

Clark County's taxable sales totalled \$7.57 billion in the second quarter of 2011, a 4.3 percent increase from one year ago. Pre-recession, Clark County posted a quarterly average of \$90,000 of taxable sales per retail employee. In the first half of 2011, average taxable sales per retail employee was \$81,000. This is up from a low of \$74,000 per employee in the third quarter of 2009. While some of this increase is obviously taking place on the Las Vegas "Strip", any increase in taxable sales should eventually benefit all retailers in Southern Nevada.

Southern Nevada completed no new retail product this quarter, but expansion is not far away. Boise-based grocer Winco is currently building two new stores in Southern Nevada, one a freestanding building adjacent to an R.C. Willey in the Henderson submarket and the other in a Target-anchored center in the Northwest submarket. Construction is also underway at Green Valley Crossing on a Staples, PETCO and Glazier's Food Market. These projects should add an additional 293,000 square feet to the retail inventory, and to net absorption, next quarter.

MARKET INDICATORS

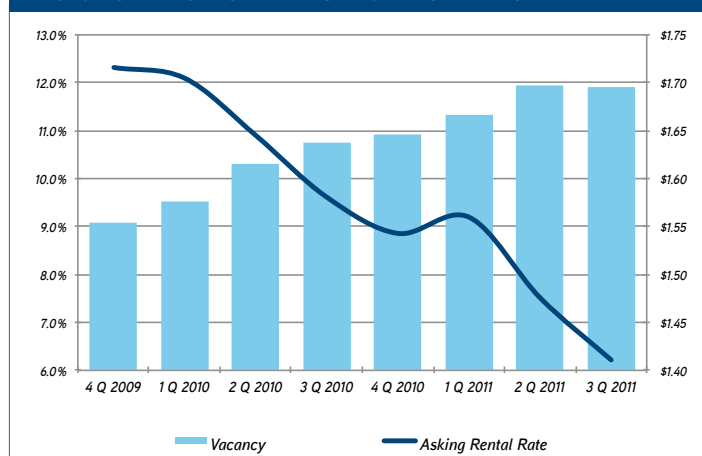
	Q3-11	Projected Q4-11
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	→	↑
RENTAL RATE	↓	↓

CLARK COUNTY ECONOMIC DATA

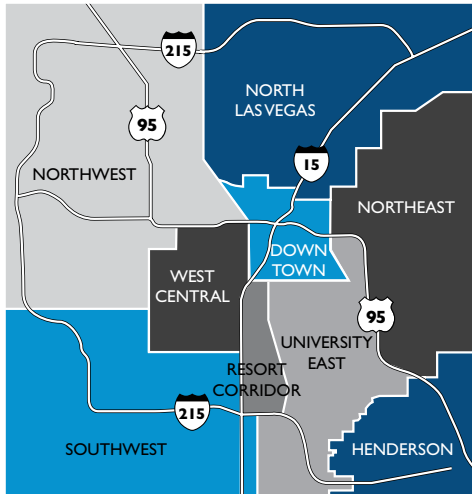
	Current Period	Year Ago
Unemployment Rate	14.2%	15.5%
Visitor Volume	23,242,000	22,171,000
Gaming Revenue	\$5,386 M	\$5,110 M
Taxable Sales YTD	\$14.731 B	\$13.992 B
Residential Permits	338	338
Commercial Permits	19	13
New Home Sales	366	333
Existing Home Sales	4,938	3,313

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

HISTORICAL VACANCY AND ASKING LEASE RATES



"While 2011 may not go down in history as retail's finest year, it appears that 2012 will show some improvement."



Vacancy in Southern Nevada retail centers remained at 11.9 percent in the third quarter of 2011, the highest level of vacancy yet recorded for the retail market. Vacancy has increased during the past fifteen quarters and was 1.2 points higher this quarter than it was one year ago. Since the onset of the recession in the fourth quarter of 2007, retail vacancy has increased by 8.2 points. The Valley's highest vacancy this quarter was 18.8 percent in the Downtown submarket. The Northwest and Southwest's vacancy of 9.2 percent was the lowest in Southern Nevada this quarter. The Henderson, Northwest and Southwest submarkets experienced a decrease in vacancy this quarter compared to last, while every other submarket registered an increase in vacancy.

The weighted average monthly asking rental rate dropped to \$1.41 psf NNN in the third quarter of 2011. The largest drop in the Valley was \$0.16 psf in the Northwest submarket, while the Southwest submarket actually posted a \$0.03 psf increase in asking rents. The gap between the most and least expensive submarkets, Northwest and Downtown respectively, in Southern Nevada decreased from \$0.56 last quarter to \$0.45 this quarter, continuing the trend toward rent homogeneity. All product types experienced a drop in asking rents this quarter over last, with the largest being \$0.09 psf in community centers.

The gap between asking rents and achieved rents in deals we have tracked so far in 2011 has averaged \$0.16 psf, a decrease from the average

gap of \$0.18 psf recorded in 2010 and the average gap of \$0.35 psf recorded in 2009. The largest gap existed in community centers, at \$0.12 psf. The lowest gap was \$0.02 psf in neighborhood centers. The average lease term for retail space so far in 2011 was 62 months, a 10 month decrease from last year. About 63 percent of the retail leasing activity in 2011 has been with local retailers, with the most active categories being restaurants and salons and spas.

Sales activity of shopping center space has rebounded nicely in 2011 compared to 2010. Investment sales in shopping centers stood at 1,005,000 square feet year-to-date in the third quarter of 2011, compared to just 206,000 square feet sold in all of last year. The average sales price of these shopping centers showed improvement over 2010 as well, increasing by \$33 psf to \$100 psf. Investments in single-tenant retail are equally impressive, with 485,000 square feet sold at \$271 psf, compared to 238,000 square feet sold at \$180 psf in 2010. Owner/user sales of single-tenant space are not as impressive this year, with 109,000 square feet selling in anchored centers for \$341 psf.

Southern Nevada currently has 1.6 million square feet of big-box space available in the marketplace, representing a vacancy rate of 8.6 percent and at an average asking price of \$1.05 psf NNN. Compare this to shop-space, with a vacancy rate of 14.7 percent and asking rate of \$1.53 psf NNN. While shop-space has a higher vacancy rate than big-box, the big-box's hold about 30 percent of

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Spring Oaks Shopping Center	Aug 2011	60 months	6,500 sf	\$1.12 NNN	Community Center
Green Valley Parkway Plaza	Aug 2011	36 months	4,000 sf	\$0.68 NNN	Community Center
Black Mountain Marketplace	Jul 2011	124 months	4,000 sf	\$1.19 NNN	Strip Center
Stephanie Beltway Plaza	Jul 2011	63 months	2,500 sf	\$1.25 NNN	Neighborhood Center
Cardenas Center	Jul 2011	60 months	2,500 sf	\$2.40 NNN	Power Center

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Boulevard Mall – Dillards	Aug 2011	\$5,000,000	200,000 sf	\$25	Regional Mall
Pecos Plaza	Jul 2011	\$5,250,000	134,000 sf	\$39	Community Center
Rainbow Village	Aug 2011	\$825,000	44,000 sf	\$19	Freestanding
Centennial Marketplace	Jul 2011	\$3,150,000	40,000 sf	\$79	Community Center
Charleston Buffalo Plaza	Jul 2011	\$2,230,000	27,000 sf	\$84	Strip Center

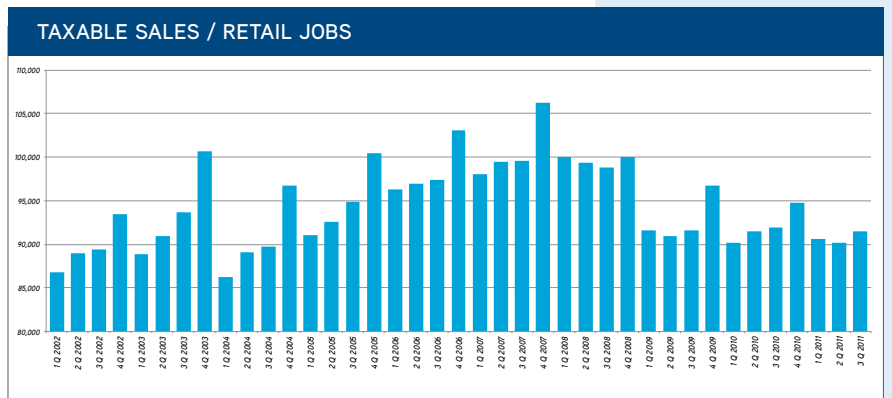
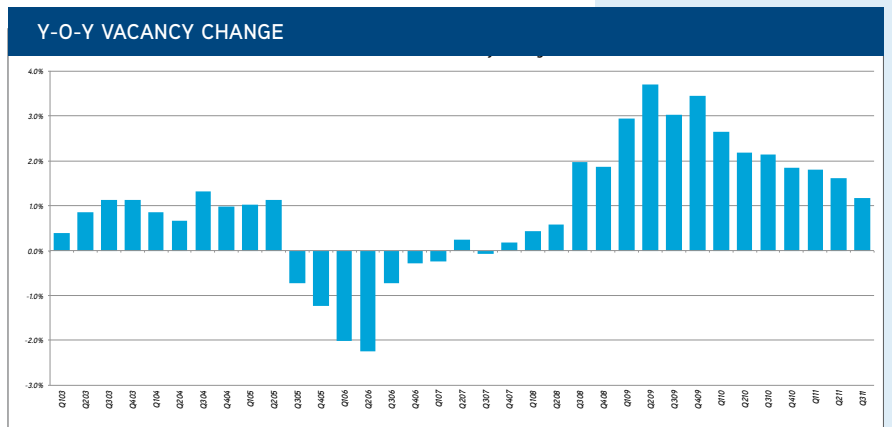
all the vacant retail space in Southern Nevada's anchored centers. Net absorption over the past twelve months stands at negative 222,000 square feet for big-box (approximately five retailers) and an astounding negative 622,000 square feet for shop-space (approximately 190 retailers). While the lease and/or sale of big-boxes will have the largest immediate impact on the market, the struggle of filling the approximately 1,130 empty retail shops illustrates the difficulties facing local retail landlords.

Current trends in anchor tenants show a demand for smaller spaces. As anchors shrink, some vacant anchor spaces will find it increasingly difficult to attract tenants, while others will be subdivided. The vacant Nordstrom Rack space on Eastern Avenue, for example, was divided in half to accommodate new tenant Nike Factory Outlet. Wal-Mart has also announced that its new stores will be smaller than its old stores. The difficulty in filling the 30+ vacant big-box units in Southern Nevada may have just become twice as difficult.

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. Dollar General is now converting and occupying some Rite-Aid locations vacated several years ago in Southern Nevada. 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 4.8 million square feet this quarter. This is the same as in the second quarter of this year, and about 280,000 square feet more distressed space than in the third quarter of 2010. So far in 2011, nine distressed retail properties have sold totalling 408,000 square feet at an average sales price of \$70 psf. This represents a rather small component of total sales (1,356,000 square feet) at a huge discount compared to the overall average sales price of \$159 psf.

Figuring out where Southern Nevada's retail market stands can be maddening, as employment and gross absorption fluctuate monthly. In general, it seems as though the retail market is holding steady, and we don't expect any major moves for the next twelve months other than the completion of five new anchor spaces in Henderson and the Northwest. This will provide a nice surge in net absorption, but will probably leave just as much vacant space in the Valley as before. While there are retailers expanding in Southern Nevada right now, there usually are not enough expansions to make up for the retailers calling it quits each quarter. The fact that investors are flocking into Southern Nevada to get a piece of the market, though, suggests that brighter days could be ahead. The rebound in sales prices and the slow improvement in taxable sales bolsters this notion. While 2011 may not go down in history as retail's finest year, it appears that 2012 will show some improvement.



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	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	684,340	190,742	27.9%	-	0.0%	190,742	27.9%	28.6%	4,971	(1,257)	-	-	-	-	\$1.23
NC	5	518,070	35,120	6.8%	-	0.0%	35,120	6.8%	0.0%	(35,120)	(35,120)	-	-	-	-	\$0.42
Total	10	1,202,410	225,862	18.8%	-	0.0%	225,862	18.8%	16.3%	(30,149)	(36,377)	-	-	-	-	\$1.11
HENDERSON SUBMARKET																
PC	8	2,896,215	359,828	12.4%	-	0.0%	359,828	12.4%	13.0%	15,628	(46,672)	-	-	-	-	\$1.45
CC	20	2,833,654	330,594	11.7%	-	0.0%	330,594	11.7%	11.5%	(3,358)	(20,153)	-	2,911	98,478	71,429	\$1.37
NC	25	2,797,088	310,838	11.1%	58,659	2.1%	369,497	13.2%	13.5%	8,456	25,907	-	-	-	95,000	\$1.17
Total	53	8,526,957	1,001,260	11.7%	58,659	0.7%	1,059,919	12.4%	12.7%	20,726	(40,918)	-	2,911	98,478	166,429	\$1.34
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	105,053	12.6%	-	0.0%	105,053	12.6%	13.9%	10,511	14,586	-	-	-	-	\$2.04
CC	12	2,253,539	264,745	11.7%	-	0.0%	264,745	11.7%	9.3%	(55,566)	(77,252)	-	-	-	-	\$1.48
NC	16	1,945,468	223,745	11.5%	-	0.0%	223,745	11.5%	8.4%	(60,445)	(76,427)	-	-	-	-	\$1.76
Total	30	5,031,007	593,543	11.8%	-	0.0%	593,543	11.8%	9.7%	(105,500)	(139,093)	-	-	-	-	\$1.68
NORTHEAST SUBMARKET																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	8	1,398,026	110,308	7.9%	18,614	1.3%	128,922	9.2%	9.2%	(71)	(34,052)	-	-	-	-	\$1.16
NC	15	1,306,795	240,929	18.4%	58,742	4.5%	299,671	22.9%	22.7%	(2,804)	(38,877)	-	-	-	-	\$1.35
Total	23	2,704,821	351,237	13.0%	77,356	2.9%	428,593	15.8%	15.7%	(2,875)	(72,929)	-	-	-	-	\$1.29
NORTHWEST SUBMARKET																
PC	7	2,840,846	136,099	n/a	1,266	n/a	137,365	4.8%	4.6%	(7,439)	(4,903)	-	-	-	-	\$2.04
CC	18	3,870,890	175,382	4.5%	-	0.0%	175,382	4.5%	11.4%	265,044	206,431	-	-	100,000	160,000	\$1.99
NC	31	3,705,508	648,736	17.5%	104,662	2.8%	753,398	20.3%	19.0%	(53,925)	(181,268)	-	-	-	-	\$1.34
Total	56	10,417,244	960,217	9.2%	105,928	1.0%	1,066,145	10.2%	12.2%	203,680	20,260	-	-	100,000	160,000	\$1.56
SOUTHWEST SUBMARKET																
PC	1	944,314	30,908	3.3%	-	0.0%	30,908	3.3%	3.3%	-	6,565	-	-	-	-	\$1.92
CC	9	3,216,421	240,273	7.5%	-	0.0%	240,273	7.5%	8.1%	20,224	(22,133)	-	-	-	-	\$1.81
NC	13	1,623,100	259,025	16.0%	-	0.0%	259,025	16.0%	16.4%	2,386	13,504	-	-	-	-	\$1.38
Total	23	5,783,835	530,206	9.2%	-	0.0%	530,206	9.2%	9.6%	22,610	(2,064)	-	-	-	-	\$1.60
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	274,463	22.7%	-	0.0%	274,463	22.7%	23.0%	3,300	(10,474)	-	-	-	-	\$1.68
CC	18	2,713,018	357,322	13.2%	-	0.0%	357,322	13.2%	12.7%	(13,942)	(11,041)	-	-	-	-	\$1.15
NC	17	1,950,703	206,638	10.6%	20,389	1.0%	227,027	11.6%	12.2%	12,560	26,679	-	-	-	-	\$1.49
Total	38	5,873,944	838,423	14.3%	20,389	0.3%	858,812	14.6%	14.6%	1,918	5,164	-	-	-	-	\$1.41
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	174,309	15.3%	-	0.0%	174,309	15.3%	10.9%	(49,734)	(58,003)	-	-	-	-	\$1.18
CC	14	1,650,769	367,303	22.3%	-	0.0%	367,303	22.3%	19.8%	(40,516)	(45,594)	-	-	-	-	\$0.99
NC	17	1,628,795	194,316	11.9%	1,407	0.1%	195,723	12.0%	11.3%	(10,105)	(63,400)	-	-	-	-	\$1.30
Total	34	4,417,788	735,928	16.7%	1,407	0.0%	737,335	16.7%	14.4%	(100,355)	(166,997)	-	-	-	-	\$1.12
MARKET TOTAL																
PC	24	9,861,822	1,080,660	11.0%	1,266	0.0%	1,081,926	11.0%	10.7%	(27,734)	(98,901)	-	-	-	-	\$1.61
CC	104	18,620,657	2,036,669	10.9%	18,614	0.1%	2,055,283	11.0%	12.0%	176,786	(5,051)	-	2,911	198,478	231,429	\$1.36
NC	139	15,475,527	2,119,347	13.7%	243,859	1.6%	2,363,206	15.3%	14.4%	(138,997)	(329,002)	-	-	-	95,000	\$1.36
Total	267	43,958,006	5,236,676	11.9%	263,739	0.6%	5,500,415	12.5%	12.6%	10,055	(432,954)	-	2,911	198,478	326,429	\$1.41

QUARTERLY COMPARISON AND TOTALS

Q3-11	267	43,958,006	5,236,676	11.9%	263,739	0.6%	5,500,415	12.5%	12.6%	10,055	(432,954)	0	2,911	198,478	326,429	\$1.41
Q2-11	267	43,958,006	5,246,731	11.9%	272,161	0.6%	5,518,892	12.6%	11.9%	(262,942)	(443,009)	0	2,911	-	494,407	\$1.48
Q1-11	267	43,958,006	4,983,789	11.3%	268,973	0.6%	5,252,762	11.9%	11.5%	(180,067)	(180,067)	2,911	-	-	650,072	\$1.56
Q4-10	267	43,955,095	4,800,811	10.9%	267,784	0.6%	5,068,595	11.5%	11.4%	66,453	(666,719)	160,429	160,429	-	657,422	\$1.54
Q3-10	266	43,794,666	4,706,835	10.7%	267,784	0.6%	4,974,619	11.4%	11.1%	(188,732)	(733,172)	0	0	274,360	661,617	\$1.58

PC = Power Center

CC = Community Center

NC = Neighborhood Center



Image courtesy of Scott Prokop / Shutterstock.com

DEMOGRAPHICS

	Population (2011 estimate)	Projected Annual Population Growth (2011-2016)	Occupied Retail Space (Q2-11)	Occupied Retail Growth (Last 12 Months)
Downtown	119,000	-1.5%	977,000	-3.7%
Henderson	249,000	4.6%	7,526,000	-1.7%
North Las Vegas	226,000	6.8%	4,437,000	-3.1%
Northeast	234,000	2.8%	2,354,000	-3.4%
Northwest	371,000	4.7%	9,457,000	2.1%
Southwest	179,000	6.3%	5,254,000	0.5%
University East	243,000	0.5%	5,036,000	-0.1%
West Central	156,000	-2.9%	3,682,000	-4.9%

SALES ACTIVITY

Single-Tenant Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	109,000	263,000	274,000
Owner/User Average Price/SF	\$341	\$102	\$130
Investment Space Sold (sf)	485,000	238,000	289,000
Investment Average Price/SF	\$271	\$180	\$202

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)	1,005,000	206,000	297,000
Investment Average Price/SF	\$100	\$67	\$101
Investment Average Cap Rate	15.8%	14.0%	12.0%



512 offices in
61 countries on
6 continents

United States: 125
Canada: 38
Latin America: 18
Asia Pacific: 214
EMEA: 117

- \$1.5 billion in annual revenue
- \$979 million square feet under management
- Over 12,500 professionals

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