LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT

Time for Retail to Take Stock

It is heartening to say, after five years of a bad economy, that the first quarter of 2013's 119,649 square feet of net absorption was not the best net absorption recorded in the past few quarters; a sign that the market is truly in recovery. Retail vacancy was 9.7 percent, 1.7 points lower than one year ago. The average asking rental rate was $1.35 per square feet (psf) on a Triple-Net (NNN) basis. This was $0.03 lower than one year ago, and reveals that even though the retail market is in a very moderate expansion, this expansion is fueled by cost-conscious retailers and landlords keeping their rents low to attract and retain tenants.

According to the Nevada Department of Employment, Training & Rehabilitation, retail employment in the Las Vegas MSA increased between January 2012 and January 2013, from 96,500 retail employees to 100,400 retail employees, an increase of 3,900 jobs. The increase over the past twelve months was in the general merchandising and clothing sector and health and personal care store sector, with the food and beverage store sector losing 100 jobs. Unemployment in the Las Vegas-Paradise MSA stood at 10.2 percent as of January 2013, down from 12.5 percent in January 2012. Over the same period, total employment in Southern Nevada has increased by 18,900 jobs, the majority in leisure and hospitality, trade, transportation and utilities and construction.

Clark County's taxable sales averaged $2.66 million per month in 2012. This was $156,000 higher than in 2011, and $305,000 higher than in 2010. Taxables sales still have not rebounded to pre-recession levels, but the steady improvement in taxable sales is likely a factor in the recent improvements in retail net absorption, as more retail businesses are finding a way to survive.

MARKET INDICATORS

	Q1-13	Q2-13 PROJECTED
VACANCY	↓	↓
NET ABSORPTION	↓	↓
CONSTRUCTION	→	→
RENTAL RATE	↓	↓

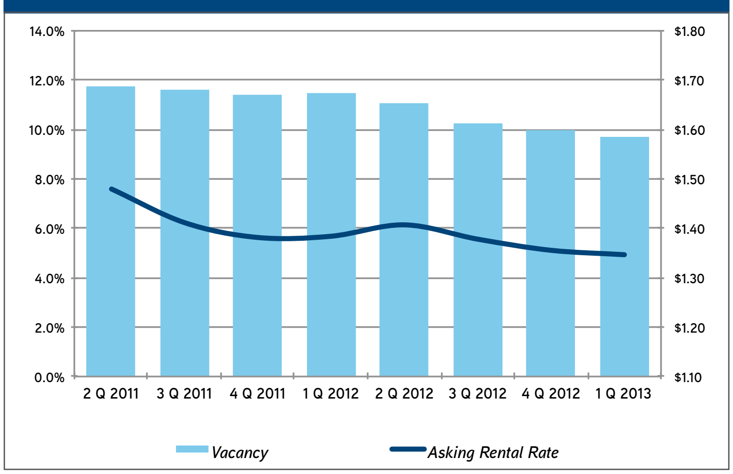
CLARK COUNTY ECONOMIC DATA

	2013	2012
Unemployment Rate (Jan)	10.2%	12.5%
Visitor Volume (Jan YTD)	3.1 MM	3.2 MM
Gaming Revenue (Jan YTD)	$0.8 BB	$0.9 BB
Taxable Sales*	$16.3 BB	$15.4 BB
Commercial Occupancy (Q1)	85.1%	83.7%

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

*Compares 2013 to 2012, the most recent stats available

HISTORICAL VACANCY RATES AND ASKING LEASE RATES



"The next twelve months will probably give us some solid signs of where Southern Nevada's retail market is headed in the long term."

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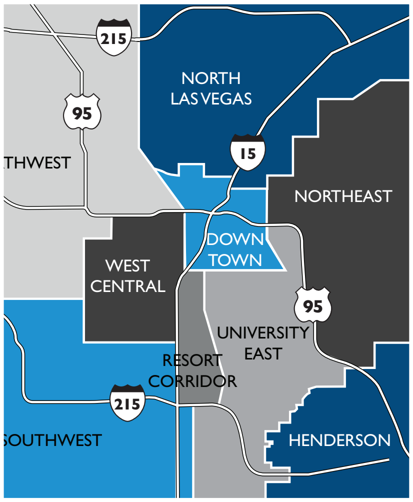


MARKET SUMMARY

	Q1-13	Q4-12	Q3-12
Vacancy Rate	9.7%	10.2%	11.4%
Asking Rent (PSF, NNN)	$1.35	$1.38	$1.38
Net Absorption (SF)	119,649	381,437	163,597
New Completions (SF)	0	0	195,000

Taxable sales were $82,400 per retail employee in the fourth quarter of 2012 (the most recent quarter of data available), a 4.3 percent increase over the fourth quarter of 2011.

No new retail product was completed in the first quarter of 2013. The Decatur/215 center currently has 160,000 square feet of new retail product planned, and another 140,000 square feet is planned at Green Valley Crossing. Although regional malls are not tracked in this report, it is worth noting that the Shoppes at Summerlin (sometimes referred to as the Summerlin Mall), which stopped construction during the recession, is planned to finish construction in 2013. Assuming this comes to pass, it would add 968,000 square feet of upscale retail space to the market, challenging the Fashion Show Mall.

Retail vacancy in Southern Nevada has been on the decline for seven quarters now, a slow recovery from the depths of the Great Recession. Retail vacancy stood at 9.7 percent in the first quarter of 2013, the lowest vacancy rate recorded since the first quarter of 2010. Over the past decade, vacancy has averaged 6.4 percent, so the current vacancy rate, though improved, still has a long way to go before it could be considered healthy. During the boom, developers started building much larger centers than had previously been constructed in Southern Nevada, creating a significant challenge to find a large enough tenant mix to fill these centers.

Among submarkets, the Valley's highest vacancy this quarter was 13.1 percent in West Central, followed by 11.4 percent in the University East submarket and 10.9 percent vacancy in the Northeast. North Las Vegas' vacancy of 7.0 percent was the lowest in the Valley. Henderson, North Las Vegas, Southwest, University East and West Central all experienced declines in vacancy, year-over-year, with the greatest drop occuring in the University East submarket with the re-emergence of Tropicana Center. High population density and steady (though lower than average) income, may work to the advantage of older submarkets in the Valley like University East and West Central.

The average asking rental rate for retail space in Southern Nevada stood at $1.35 per square foot (psf) on a Triple-Net basis (NNN). This is a small decrease from the $1.38 psf NNN recorded in the first quarter of 2012. Asking rents decreased in Downtown, Henderson, North Las Vegas, Northeast, Northwest and Southwest, and increased in West Central. The largest decreases were in the Northeast and Downtown. Power centers posted another $0.15 psf drop in asking rents this quarter. Community centers experienced a $0.02 decrease in asking rent, while asking rent in neighborhood centers increased by $0.02 this quarter.

LEASE & SALES ACTIVITY

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE PRICE	SIZE SF	LEASE RATE	TYPE
Crossroads Plaza	Mar 2013	60 months	4,500 SF	$1.33 NNN	Neighborhood Center
Trop & Jones Town Center	Jan 2013	120 months	4,100 SF	$2.29 NNN	Neighborhood Center
Parkway Springs Center	Feb 2013	60 months	1,800 SF	$1.04 NNN	Neighborhood Center
Red Rock Shopping Center	Jan 2013	64 months	1,500 SF	$1.78 NNN	Community Center
Blue Diamond Crossing	Jan 2013	60 months	1,400 SF	$2.33 NNN	Community Center

SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SALES PRICE	SIZE SF	PRICE/SF	TYPE
Sunset Plaza	Feb 2013	$13,500,000	102,000 SF	$132	Community Center
Shoppes at Harmon Square	Jan 2013	$11,500,000	36,000 SF	$317	Strip Retail
Centennial Village	Jan 2013	$8,265,000	45,000 SF	$186	Freestanding
Boulder Crossroads	Jan 2013	$8,000,000	97,000 SF	$83	Neighborhood Center
Boca Park Marketplace	Jan 2013	$1,957,000	3,000 SF	$642	Pad Site

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	85,019	12.4%	-	0.0%	85,019	12.4%	11.9%	(3,483)	(3,483)	-	-	-	-	$1.10
NC	5	518,070	35,120	6.8%	-	0.0%	35,120	6.8%	6.8%	-	-	-	-	-	-	$-
Total	10	1,202,410	120,139	10.0%	-	0.0%	120,139	10.0%	9.7%	(3,483)	(3,483)	-	-	-	-	$0.78
HENDERSON SUBMARKET																
PC	8	2,896,215	276,910	9.6%	-	0.0%	276,910	9.6%	12.1%	74,730	74,730	-	-	-	-	$1.45
CC	20	2,864,154	257,803	9.0%	-	0.0%	257,803	9.0%	9.1%	2,516	2,516	-	-	-	139,407	$1.28
NC	26	2,892,088	343,388	11.9%	57,628	2.0%	401,016	13.9%	13.6%	(8,548)	(8,548)	-	-	-	-	$1.47
Total	54	8,652,457	878,101	10.1%	57,628	0.7%	935,729	10.8%	11.6%	68,698	68,698	-	-	-	139,407	$1.41
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	39,249	4.7%	-	0.0%	39,249	4.7%	4.7%	-	-	-	-	-	-	$1.47
CC	12	2,253,539	154,635	6.9%	73,321	3.3%	227,956	10.1%	11.0%	19,005	19,005	-	-	-	-	$1.29
NC	17	1,935,775	158,670	8.2%	-	0.0%	158,670	8.2%	7.7%	(10,076)	(10,076)	-	-	-	-	$1.59
Total	31	5,021,314	352,554	7.0%	73,321	1.5%	425,875	8.5%	8.7%	8,929	8,929	-	-	-	-	$1.45
NORTHEAST SUBMARKET																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	$-
CC	8	1,398,026	134,165	9.6%	18,614	1.3%	152,779	10.9%	9.9%	(13,925)	(13,925)	-	-	-	-	$1.13
NC	15	1,306,795	161,872	12.4%	78,310	6.0%	240,182	18.4%	21.3%	38,730	38,730	-	-	-	-	$1.07
Total	23	2,704,821	296,037	10.9%	96,924	3.6%	392,961	14.5%	15.4%	24,805	24,805	-	-	-	-	$1.10
NORTHWEST SUBMARKET																
PC	7	2,840,846	184,857	n/a	-	n/a	184,857	6.5%	6.2%	(9,461)	(9,461)	-	-	-	-	$1.58
CC	19	3,970,890	202,923	5.1%	-	0.0%	202,923	5.1%	5.5%	14,355	14,355	-	-	-	160,000	$1.67
NC	31	3,705,508	565,326	15.3%	75,162	2.0%	640,488	17.3%	17.2%	(3,644)	(3,644)	-	-	-	-	$1.27
Total	57	10,517,244	953,106	9.1%	75,162	0.7%	1,028,268	9.8%	9.8%	1,250	1,250	-	-	-	160,000	$1.42
SOUTHWEST SUBMARKET																
PC	2	944,314	36,908	3.9%	-	0.0%	36,908	3.9%	9.1%	49,194	49,194	-	-	-	-	$1.88
CC	8	3,216,421	253,897	7.9%	6,378	0.2%	260,275	8.1%	6.4%	(55,643)	(55,643)	-	-	-	-	$1.65
NC	13	1,623,100	143,515	8.8%	-	0.0%	143,515	8.8%	11.0%	34,388	34,388	-	-	-	-	$1.75
Total	23	5,783,835	434,320	7.5%	6,378	0.1%	440,698	7.6%	8.1%	27,939	27,939	-	-	-	-	$1.70
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	94,224	7.8%	-	0.0%	94,224	7.8%	7.8%	-	-	-	-	-	-	$1.71
CC	18	2,760,749	450,349	16.3%	-	0.0%	450,349	16.3%	17.2%	23,226	23,226	-	-	-	-	$1.12
NC	17	1,953,965	128,960	6.6%	-	0.0%	128,960	6.6%	6.5%	(2,174)	(2,174)	-	-	-	-	$1.55
Total	38	5,924,937	673,533	11.4%	-	0.0%	673,533	11.4%	11.7%	21,052	21,052	-	-	-	-	$1.28
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	192,316	16.9%	-	0.0%	192,316	16.9%	15.7%	(14,071)	(14,071)	-	-	-	-	$1.13
CC	13	1,510,192	206,756	13.7%	-	0.0%	206,756	13.7%	12.5%	(18,356)	(18,356)	-	-	-	-	$0.98
NC	18	1,746,530	177,574	10.2%	-	0.0%	177,574	10.2%	10.3%	2,886	2,886	-	-	-	-	$1.30
Total	34	4,394,946	576,646	13.1%	-	0.0%	576,646	13.1%	12.4%	(29,541)	(29,541)	-	-	-	-	$1.13
MARKET TOTAL																
PC	25	9,861,822	824,464	8.4%	-	0.0%	824,464	8.4%	9.4%	100,392	100,392	-	-	-	-	$1.45
CC	103	18,658,311	1,745,547	9.4%	98,313	0.5%	1,843,860	9.9%	9.7%	(32,305)	(32,305)	-	-	-	299,407	$1.28
NC	142	15,681,831	1,714,425	10.9%	211,100	1.3%	1,925,525	12.3%	12.6%	51,562	51,562	-	-	-	-	$1.36
Total	270	44,201,964	4,284,436	9.7%	309,413	0.7%	4,593,849	10.4%	10.7%	119,649	119,649	-	-	-	299,407	$1.35

QUARTERLY COMPARISON AND TOTALS

Q1-13	270	44,201,964	4,284,436	9.7%	309,413	0.7%	4,593,849	10.4%	10.7%	119,649	119,649	0	0	-	299,407	$1.35
Q4-12	270	44,201,964	4,404,085	10.0%	309,413	0.7%	4,713,498	10.7%	10.9%	117,731	814,016	0	195,000	-	449,407	$1.36
Q3-12	270	44,201,964	4,521,816	10.2%	286,367	0.6%	4,808,183	10.9%	11.6%	381,437	696,285	0	195,000	-	499,407	$1.38
Q2-12	270	44,201,964	4,903,253	11.1%	215,616	0.5%	5,118,869	11.6%	12.1%	151,251	314,848	0	195,000	-	299,407	$1.41
Q1-12	270	44,201,964	5,054,504	11.4%	290,369	0.7%	5,344,873	12.1%	12.1%	163,597	163,597	195,000	195,000	-	299,407	$1.38
Q4-11	268	44,006,964	5,023,101	11.4%	321,079	0.7%	5,344,180	12.1%	12.4%	119,287	(257,740)	30,500	33,411	195,000	299,407	$1.38

PC = Power Center CC = Community Center NC = Neighborhood Center

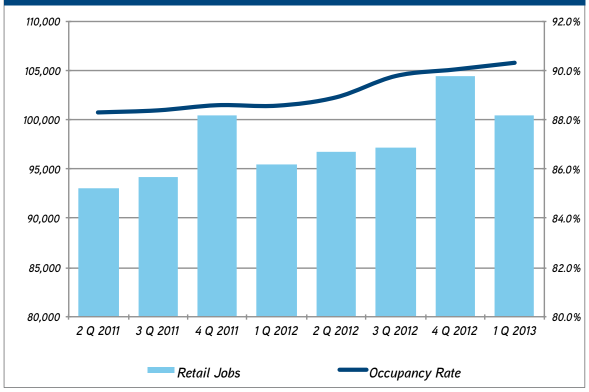
DEMOGRAPHICS

	Population (2013 estimate)	Projected Annual Population Growth (2013-2018)	Occupied Retail Space (Q1-13)	Occupied Retail Growth (Last 12 mo.)
DOWNTOWN	111,000	-1.3%	1,082,000	0.0%
HENDERSON	207,000	13.1%	7,774,000	2.4%
NORTH LAS VEGAS	228,000	15.2%	4,669,000	3.0%
NORTHEAST	159,000	3.7%	2,408,000	-0.7%
NORTHWEST	378,000	10.0%	9,564,000	-0.1%
SOUTHWEST	232,000	19.9%	5,350,000	2.0%
UNIVERSITY EAST	348,000	8.1%	5,251,000	6.0%
WEST CENTRAL	104,000	0.6%	3,818,000	2.1%

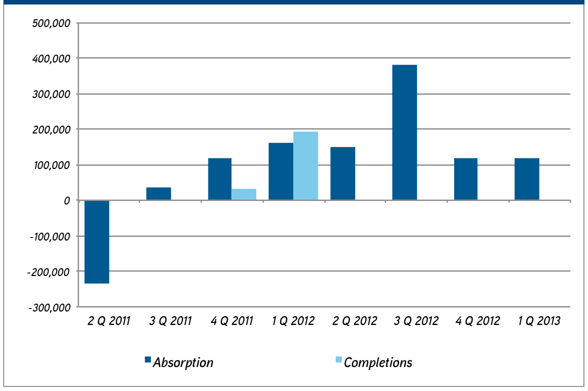
SALES ACTIVITY

SINGLE-TENANT RETAIL	2009	2010	2011	2012	2013 YTD
Owner/User Sales Volume	$33.6 MM	$26.5 MM	$27.8 MM	$27.7 MM	$6.5 MM
Owner/User Average Price/SF	$122.75	$100.81	$110.98	$90.07	$188.75
Investment Sales Volume	$43.1 MM	$34.1 MM	$62.9 MM	$78.2 MM	$34.7 MM
Investment Average Price/SF	$149.38	$143.33	$76.23	$244.81	$190.76
RETAIL CENTERS	**2009**	**2010**	**2011**	**2012**	**2013 YTD**
Investment Sales Volume	$23.3 MM	$13.3 MM	$282.7 MM	$194.0 MM	$21.1 MM
Investment Average Price/SF	$78.53	$64.39	$118.11	$108.90	$92.64

OCCUPANCY VS. RETAIL EMPLOYMENT



HISTORICAL NET ABSORPTION VS. COMPLETIONS



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(Continued from page 2.)

Sales volume for owner/user single-tenant retail properties has been in a slow decline for the past four years. So far, the first quarter of 2013 has seen $6.5 million of owner/user sales volume, compared to $34.7 million of single-tenant investment sales, which have generally been on the rise for the past four years. Investment sales volume of shopping centers surged in 2011 and remained strong in 2012. Investment dollars are clearly flowing into Southern Nevada's retail market. None of the sales so far in 2013 have been of distressed properties, suggesting that the cream of the distressed crop has already been sold.

Distressed retail space totaled 5.1 million square feet in the first quarter of 2013, just as it did at the end of 2012. The banks that own these distressed properties have shown a lack of flexibility on rents, making the filling of these properties and the retention of tenants therein problematic.

Southern Nevada currently has 1.09 million square feet of big-box space available in the marketplace, representing a vacancy rate of 5.7 percent and at an average asking price of $0.93 psf NNN. Shop-space had a vacancy rate of 12.7 percent and asking rate of $1.41 psf NNN. While shop-space had a higher vacancy rate than big-box in the first quarter of 2013, the big-box's hold about 25.4 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption (including vacant sublease space) in big-box space over the past quarter was 72,648 square feet. Shop space posted only 47,001 square feet of net absorption over the same period. Filling big-box space could be a slow process, especially given the current trend in big-box retailing to downsize their stores in the face of "showrooming" by customers who browse in brick-and-mortal retail stores, but finalize their purchase online.

While gross absorption was on the rise between the first quarter of 2011 to the first quarter of 2012, it has since been on the decline, even as net absorption has been positive. This is probably caused by a combination of fewer tenants moving to smaller or cheaper (or both) spaces and fewer existing tenants closing their doors. Gross absorption in the first quarter of 2013 was 477,000 square feet, down 178,000 square feet from the first quarter of 2012. Fresh & Easy locations are scheduled to vacate their locations in the Valley in April or May of 2013.

After seven quarters of declining vacancy and relatively strong net absorption, we no longer need to wonder whether or not the market is recovering; it is, and we are pleased as punch about it. Now it makes sense to look at what this recovery means. Small recessions are followed by what one might call true recoveries, meaning that the market returns to a state very much like the one it was in before the recession started. Major recessions, on the other hand, are often followed not by a recovery, but by an expansion that leads to a very different market. How might Southern Nevada's retail market be fundamentally different in 2015 than in 2007? Some obvious ways include smaller anchors and fewer "top-flight"centers as distressed centers sign leases with less prestigious, non-credit tenants in a bid to boost their occupancy and cash flow. The next twelve months will probably give us some solid signs of where Southern Nevada's retail market is headed in the long term.

482 offices in 62 countries on 6 continents

United States: 140
Canada: 42
Latin America: 20
Asia Pacific: 195
EMEA: 85

- $2.0 billion in annual revenue
- 1.12 billion square feet under management
- Over 13,500 professionals

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