

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Retail Market Review

RETAIL STILL IN RECESSION

The performance of Southern Nevada's retail market took another dip in the second quarter of 2010, returning 345,000 square feet to the market. No new anchored retail product was completed this quarter, and no product is likely to be completed for the remainder of the year. The vacancy rate for anchored retail centers is in the double digits for the first time since we began tracking the market a decade ago. Asking rents are still falling, hitting \$1.66 per square foot (PSF) on a triple-net basis (NNN) this quarter.

Retail employment in the Las Vegas MSA dropped by 3,200 jobs between May 2009 and May 2010. On a quarterly basis, retail employment increased between the first and second quarters of this year, reversing two quarters of declining employment. On a year-over-year basis, this quarter saw the pace of retail job losses dropped below 5% for the first time since the third quarter of 2008. This suggests some stabilization, but not recovery.

Clark County's taxable sales were \$6.7 billion in the first quarter of 2010, a 7.7% decline from the first quarter of 2009. The pace of year-over-year taxable sales declines declined in the fourth quarter of 2009, reversing five straight quarters of increasing losses. During the current recession, Clark County has posted a quarterly average of \$82,583 of taxable sales per retail employee. This is down from the pre-recession average of \$90,329 of taxable sales per employee. In the first quarter of 2010, this number dropped to \$77,448 of taxable sales per retail employee, suggesting that taxable sales will need to rebound substantially before it makes sense for retailers to expand their work forces.

No new anchored retail centers were completed in the second quarter 2010. The only anchored retail project actively under construction is Caroline's Court, a 274,000 square foot center in the Northwest submarket. Major centers that are either planned to begin construction within the next year, or that have had their construction stalled, included Decatur 215 (260,000 square feet), Decatur Marketplace (156,000 square feet) and Green Valley Crossing (146,000 square feet).

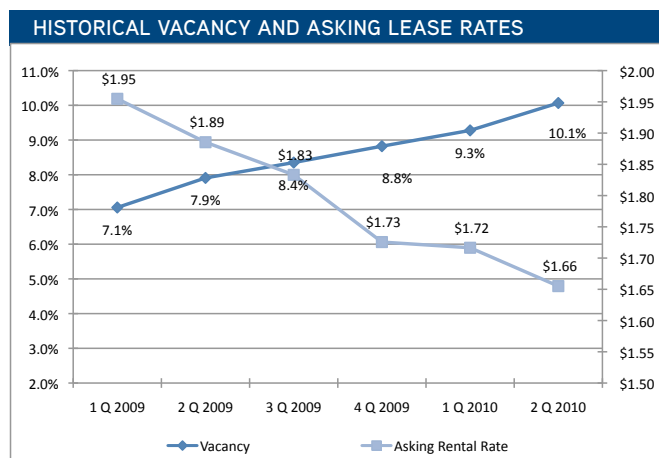
MARKET INDICATORS

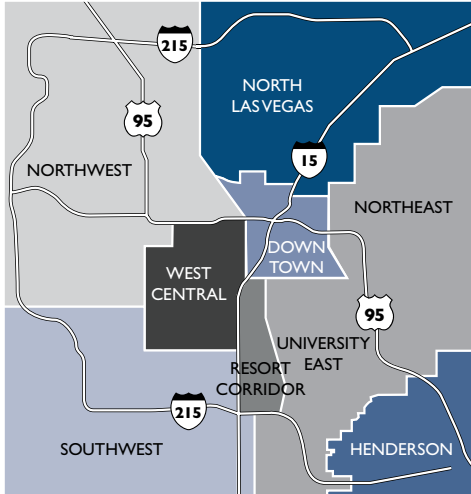
	Q2-10	Projected Q3-10
VACANCY	↑	↑
NET ABSORPTION	↓	→
CONSTRUCTION	→	→
RENTAL RATE	↓	↓

CLARK COUNTY ECONOMIC DATA

	Q2 '10	Q1 '10
Unemployment Rate	14.1%	11.3%
Visitor Volume	3,496,935	3,497,132
Gaming Revenue	\$689.98 M	\$734.77 M
Taxable Sales YTD	\$6.730 B	\$7.292 B
Residential Permits	481	346
Commercial Permits	26	19
New Home Sales	397	325
Existing Home Sales	3,724	3,652

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV





"We think that recovery for the retail market is at least nine to twelve months away, barring a significant improvement in the tepid national recovery."

Forward supply of retail space in the Valley stood at 936,000 square feet, an increase of almost 100,000 square feet over last quarter. All of the projects that are currently planned or under construction are in the Community Center or Neighborhood Center categories. Future centers are located in the Downtown, Henderson, Northwest and North Las Vegas submarkets, with the Northwest submarket accounting for over 50% of all such space.

Retail vacancy was 10.1% in the second quarter of 2010. This is the first time in the decade that we have been tracking anchored retail in Southern Nevada that vacancy has entered double digits. Vacancy has increased for the past nine quarters, and was 2.2 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 7.0 points. The Valley's highest vacancy was in the Downtown submarket at 14.9%. The lowest vacancy was in the Southwest submarket at 8.3%. The Downtown, Southwest and West Central submarkets experienced a decrease in vacancy this quarter over last. Vacancy in Henderson remained stable at 10.9%. All product types had an increase in vacancy in this quarter over last, suggesting that most of the leasing activity in the market involves the movement of existing tenants into new spaces rather than the introduction of new tenants into Southern Nevada.

The weighted average asking rental rate for retail space fell to \$1.66 per square foot (psf) on a triple-net basis (NNN) in the second quarter of 2010. The largest decrease was in the Southwest submarket (the submarket with the lowest vacancy rate in the Valley), at \$0.23. Despite asking rent in the Southwest falling by \$0.32

over the past two quarters, it remained the second most expensive submarket in Southern Nevada after the affluent Northwest submarket. The Downtown and West Central submarkets posted an increase in their average asking rates, by \$0.17 and \$0.01 respectively. Southern Nevada's lowest average asking rent remained in the Downtown submarket at \$1.24 psf NNN, though the West Central's \$1.28 psf was not far behind. The highest average asking rent, \$1.99 psf, was in the Northwest submarket. The gap between the most and least expensive submarkets in Southern Nevada decreased from \$1.05 last quarter to \$0.75 this quarter.

The gap between asking rents and achieved rents averaged \$0.15 in 2010, a sharp drop from the average of \$0.35 recorded in 2009. Power Centers had a \$0.09 gap, followed by Community Centers at \$0.35 and Neighborhood Centers at \$0.38. The average lease term for retail space in 2010 was 72 months, a 4 month increase from last year. Approximately 37% of the retail leases signed so far in 2010 were with local retailers, 51% with national retailers and 11% with regional retailers. The share of space taken by national and local retailers are almost reversed from 2009, indicating that as the local economic recovery lags behind the national recovery, national tenants are growing in importance to Southern Nevada. The most active retail categories were Amusement & Recreation, Food Services and Grocery Stores.

11% of existing availabilities decreased their asking rent between the first and second quarters of 2010, by an average of \$0.53 psf. This represents a small decrease from one year ago, when 16% of existing availabilities posted a decrease in asking rent. 4% of existing

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
651 Mall Ring Cir	Jun 2010	240 Months	6,620 sf	\$2.76 NNN	Freestanding
Crossroads Plaza	May 2010	63 Months	4,700 sf	\$1.01 NNN	Neighborhood Center
Crossroads Plaza	May 2010	88 Months	4,500 sf	\$1.47 NNN	Neighborhood Center
Sahara Pavilion South	Apr 2010	36 Months	4,200 sf	\$0.92 NNN	Community Center
Warm Springs Promenade	May 2010	60 Months	1,817 sf	\$1.59 NNN	Power Center

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Desert Inn Maryland	Apr 2010	\$3,825,000	48,000 sf	\$79.69	Community Center

availabilities increased their asking rent this quarter, by an average of \$0.32. The 160 new retail availabilities added to our database in the second quarter of 2010 had an average asking rate of \$1.36 psf NNN, \$0.30 lower than the overall asking rate for retail.

Sales of single-tenant owner/user retail space picked up substantially this quarter, reaching 133,000 square feet. The average asking price for this space was \$84 psf, an improvement over last quarter and over this time last year. Investment sales of single-tenant retail were down, with only 32,000 square feet changing hands at an average price of \$85 psf and an average cap rate of 7%. Quality investment retail space remains scarce, and therefore sells at a premium when it does sell. No shopping centers were sold this quarter.

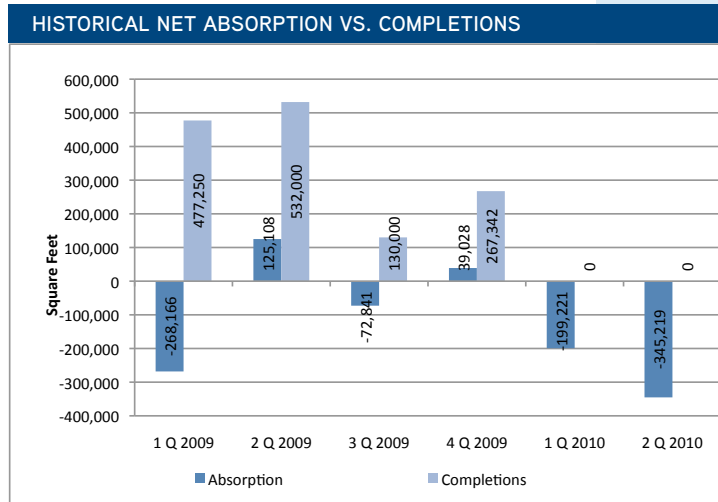
Southern Nevada had 62 retail units available for lease that were 10,000 square feet in size or larger in the second quarter of 2010. This was slightly more than the 57 spaces of this size range available in Southern Nevada one year ago. The largest of these spaces was the former Great Indoors space at Boca Park (139,000 square feet), the vacant indoor swap-meet at Charleston Plaza Mall (106,000 square feet) and the former Albertsons at Renaissance Center East (62,000 square feet).

Waldenbooks, B. Dalton, Jo-Ann, Pier 1, Kirklands, Target and K-Mart have all announced national closures in 2010, though there has not yet been an announcement that any of these closures will take place in Southern Nevada. The largest announced national expansions in 2010 are by McDonalds, Go Green and Dollar General. 7-Eleven, based in Dallas, recently announced that they will be opening from 15 to 20 new stores in Southern Nevada over the next three years, with at least half of those stores occupying existing available space. 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 and Cox are also expanding their presence in Southern Nevada.

Distressed retail space totaled 4.4 million square feet this quarter, an increase of 446,000 square feet from last quarter. 30% of this space is in the Community Center category, while 32% is Power Center space and 38% is Neighborhood Center space. General Growth Properties, which owns over 3.5 million square feet of

retail in Southern Nevada, is expected to emerge from bankruptcy in 2010 largely intact. While they have announced that they will likely sell some of their retail holdings, they have not announced any sales of shopping centers located in Nevada. Construction on the Shoppes at Summerlin, their new 1 million square foot regional mall project in the Northwest submarket, was halted earlier this year.

There is no doubt that Southern Nevada's retail market is taking a beating in 2010. Net absorption has trended more negative than in 2009, gross absorption is almost 400,000 square feet lower now than at this time last year and vacancy has reached double digits. Asking rents have fallen precipitously in 2010, but the current environment of falling taxable sales and high unemployment is keeping retailers from opening stores in Southern Nevada. Retail employment trended upward between March and April of this year, but remains much lower than at this time last year. More importantly,



population growth appears to be either stagnating or reversing. We think that recovery for the retail market is at least nine to twelve months away, barring a significant improvement in the tepid national recovery. Rents will continue to fall in 2010, but even lower rents will have trouble attracting new tenants until credit for potential retailers is loosened. Sustained increases in taxable sales will precede employment gains, which will in turn precede occupancy gains, so keep your eyes on those taxable sales.

MARKET SUMMARY					
	Q2-10	Q1-10	Q2-09	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	10.1%	9.3%	7.9%	8.5%	27.4%
Asking Rent (PSF, NNN)	\$1.66	\$1.72	\$1.89	-3.6%	-12.4%
Net Absorption (SF)	-345,219	-199,221	125,108	-73.3%	-375.9%
New Completions (SF)	0	0	532,000	0%	- 100.0%

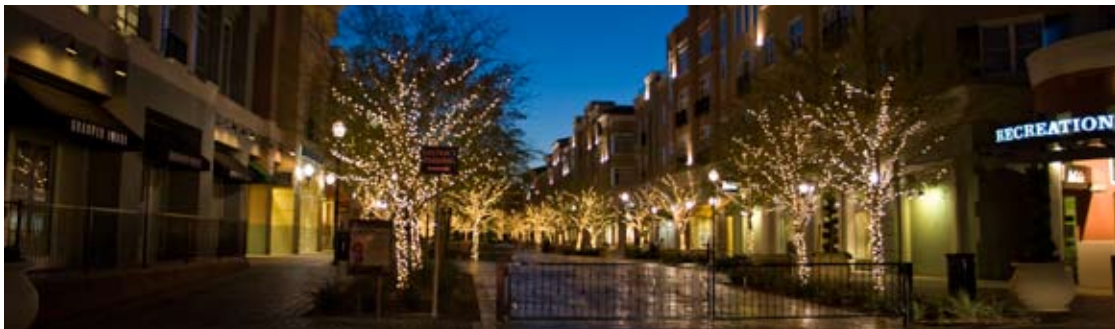
MARKET COMPARISONS

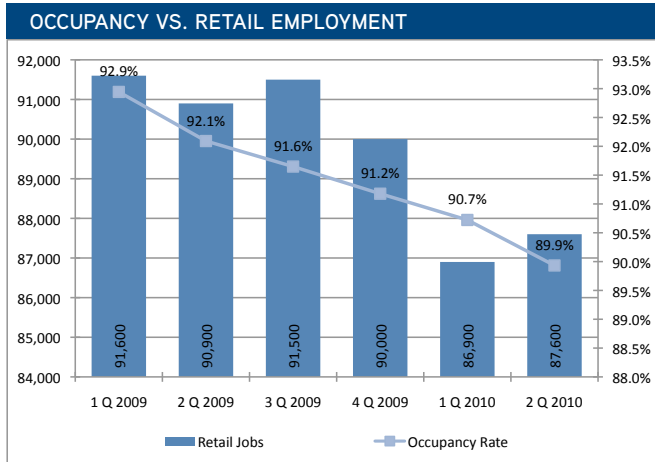
INDUSTRIAL MARKET

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	-	0	0	n/a	0	n/a	0	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	684,340	174,813	25.5%	13,312	1.9%	188,125	27.5%	27.2%	(1,654)	326	-	-	-	-	\$1.25
NC	5	518,070	3,974	0.8%	0	0.0%	3,974	0.8%	0.8%	-	274	-	-	-	99,550	\$0.95
Total	10	1,202,410	178,787	14.9%	13,312	1.1%	192,099	16.0%	15.8%	(1,654)	3,072	-	-	-	99,550	\$1.24
HENDERSON LAS VEGAS SUBMARKET																
PC	8	2,896,215	345,782	11.9%	1,400	0.0%	347,182	12.0%	11.4%	(16,867)	(20,431)	-	-	-	-	\$1.56
CC	20	2,825,692	300,020	10.6%	0	0.0%	300,020	10.6%	12.4%	49,930	(33,496)	-	-	-	146,402	\$1.55
NC	25	2,797,088	280,057	10.0%	57,156	2.0%	337,213	12.1%	11.9%	(32,577)	(63,320)	-	-	-	-	\$1.44
Total	53	8,518,995	925,859	10.9%	58,556	0.7%	984,415	11.6%	11.9%	486	(117,247)	-	-	-	146,402	\$1.52
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	119,639	14.4%	0	0.0%	119,639	14.4%	14.8%	3,837	(5,407)	-	-	-	-	\$2.09
CC	12	2,254,358	207,521	9.2%	0	0.0%	207,521	9.2%	6.7%	(57,555)	(61,216)	-	-	-	-	\$1.43
NC	15	1,895,468	214,902	11.3%	1,763	0.1%	216,665	11.4%	8.0%	(65,340)	(98,741)	-	-	-	155,665	\$2.12
Total	29	4,981,826	542,062	10.9%	1,763	0.0%	543,825	10.9%	8.5%	(119,058)	(165,364)	-	-	-	155,665	\$1.85
NORTHEAST SUBMARKET																
PC	-	0	0	n/a	0	n/a	0	n/a	n/a	0	-	-	-	-	-	\$-
CC	8	1,398,026	76,765	5.5%	18,614	1.3%	95,379	6.8%	6.4%	(5,541)	(13,414)	-	-	-	-	\$1.50
NC	15	1,306,795	153,863	11.8%	58,742	4.5%	212,605	16.3%	9.9%	(23,899)	(33,842)	-	-	-	-	\$1.34
Total	23	2,704,821	230,628	8.5%	77,356	2.9%	307,984	11.4%	8.1%	(29,440)	(47,256)	-	-	-	-	\$1.40
NORTHWEST SUBMARKET																
PC	7	2,840,846	186,440	n/a	1,266	n/a	187,706	6.6%	6.7%	2,767	1,163	-	-	-	-	\$1.96
CC	17	3,715,512	423,110	11.4%	0	0.0%	423,110	11.4%	12.1%	25,005	(26,819)	-	-	274,360	260,000	\$2.42
NC	31	3,705,508	405,389	10.9%	120,589	3.3%	525,978	14.2%	12.9%	(41,338)	(105,916)	-	-	-	-	\$1.55
Total	55	10,261,866	1,014,939	9.9%	121,855	1.2%	1,136,794	11.1%	10.9%	(13,566)	(131,572)	-	-	274,360	260,000	\$1.99
SOUTHWEST SUBMARKET																
PC	1	944,314	45,665	4.8%	0	0.0%	45,665	4.8%	4.8%	-	-	-	-	-	-	\$3.17
CC	9	3,216,421	252,882	7.9%	0	0.0%	252,882	7.9%	5.3%	(83,030)	(76,862)	-	-	-	-	\$1.66
NC	13	1,623,100	182,625	11.3%	66,496	4.1%	249,121	15.3%	13.9%	(28,387)	(13,027)	-	-	-	-	\$1.91
Total	23	5,783,835	481,172	8.3%	66,496	1.1%	547,668	9.5%	7.6%	(111,417)	(63,835)	-	-	-	-	\$1.90
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	69,591	5.8%	0	0.0%	69,591	5.8%	5.8%	-	(28,155)	-	-	-	-	\$1.59
CC	19	2,761,018	287,270	10.4%	1,451	0.1%	288,721	10.5%	8.7%	(47,211)	(41,151)	-	-	-	-	\$1.24
NC	17	1,950,703	223,156	11.4%	19,189	1.0%	242,345	12.4%	11.1%	(26,765)	(28,465)	-	-	-	-	\$1.62
Total	39	5,921,944	580,017	9.8%	20,640	0.3%	600,657	10.1%	8.9%	(73,976)	(97,771)	-	-	-	-	\$1.43
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	76,845	6.8%	0	0.0%	76,845	6.8%	6.5%	(2,524)	2,006	-	-	-	-	\$1.16
CC	15	1,649,146	251,016	15.2%	2,299	0.1%	253,315	15.4%	16.0%	11,272	80,799	-	-	-	-	\$1.20
NC	16	1,583,655	122,603	7.7%	0	0.0%	122,603	7.7%	7.4%	(5,342)	(7,272)	-	-	-	-	\$1.51
Total	34	4,371,025	450,464	10.3%	2,299	0.1%	452,763	10.4%	10.4%	3,406	75,533	-	-	-	-	\$1.28
MARKET TOTAL																
PC	24	9,861,822	843,962	8.6%	2,666	0.0%	846,628	8.6%	8.5%	(12,787)	(50,824)	-	-	-	-	\$1.78
CC	105	18,504,513	1,973,397	10.7%	35,676	0.2%	2,009,073	10.9%	10.3%	(108,784)	(171,833)	-	-	274,360	406,402	\$1.62
NC	137	15,380,387	1,586,569	10.3%	323,935	2.1%	1,910,504	12.4%	10.8%	(223,648)	(321,783)	-	-	-	255,215	\$1.64
Total	266	43,746,722	4,403,928	10.1%	362,277	0.8%	4,766,205	10.9%	10.0%	(345,219)	(544,440)	-	-	274,360	661,617	\$1.66

QUARTERLY COMPARISON AND TOTALS

Q2-10	266	43,746,722	4,403,928	10.1%	362,277	0.8%	4,766,205	10.9%	10.0%	(345,219)	(544,440)	-	-	274,360	661,617	\$1.66
Q1-10	266	43,746,722	4,058,709	9.3%	329,533	0.8%	4,388,242	10.0%	9.6%	(199,221)	(199,221)	-	-	274,360	562,067	\$1.72
Q4-09	266	43,746,722	3,859,488	8.8%	357,630	0.8%	4,217,118	9.6%	9.2%	39,028	(176,871)	267,342	1,406,592	274,360	406,402	\$1.73
Q3-09	262	43,479,380	3,631,174	8.4%	383,283	0.9%	4,014,457	9.2%	8.7%	(72,841)	(215,899)	130,000	1,139,250	673,744	853,960	\$1.83
Q2-09	261	43,349,380	3,428,333	7.9%	344,288	0.8%	3,772,621	8.7%	7.9%	125,108	(143,058)	532,000	1,009,250	666,080	776,600	\$1.89
Q1-09	259	42,817,380	3,021,441	7.1%	358,131	0.8%	3,379,572	7.9%	6.1%	(268,166)	(268,166)	477,250	477,250	1,961,892	1,996,220	\$1.95





POPULATION ESTIMATES

	Population (2009 estimate)	Projected Annual Population Growth (2009-2014)	Occupied Retail Space (Q2-10)	Occupied Retail Growth (2009 to 2010)
Downtown	85,167	3.3%	1,023,623	-3.2%
Henderson	240,280	13.6%	7,593,136	-2.9%
North Las Vegas	266,722	25.4%	4,439,764	-2.9%
Northeast	275,882	4.6%	2,474,193	-4.5%
Northwest	445,233	13.6%	9,246,927	0.4%
Southwest	157,411	26.2%	5,302,663	-2.1%
University East	188,590	6.0%	5,341,927	-2.3%
West Central	101,853	-0.7%	3,920,561	3.5%

SALES ACTIVITY

Single-Tenant Retail Sales	Q2-10	Q1-10	Q2-09
Owner/User Space Sold (sf)	133,000	30,000	75,000
Owner/User Average Price/SF	\$84	\$24	\$65
Investment Space Sold (sf)	32,000	52,000	213,000
Investment Average Price/SF	\$85	\$39	\$119
Investment Average Cap Rate	7.0%	n/a	n/a

SALES ACTIVITY

Shopping Center Retail Sales	Q2-10	Q1-10	Q2-09
Owner/User Space Sold (sf)	0	0	0
Owner/User Average Price/SF	n/a	n/a	n/a
Investment Space Sold (sf)	0	0	28,000
Investment Average Price/SF	n/a	n/a	\$144
Investment Average Cap Rate	n/a	n/a	n/a

COLLIERS LAS VEGAS STATS

- > Transaction Volume - \$267M
- > Transactions - 408
- > Managed SF - 1.35M
- > Employees - 20
- > Active Agents - 38

COLLIERS USA STATS

- > Revenue - \$1.1B
- > Offices - 135
- > Employees - 6,135
- > Active Agents - 1,580
- > Managed SF - 1.3B

COLLIERS GLOBAL STATS

- > Revenue - \$1.9B
- > Offices - 480
- > Employees - 15,052
- > Active Agents - 4,788
- > Transaction Volume - \$154B
- > Managed SF - 2.4B
- > 61 Countries
- > 6 Continents
- > 135,977 Transactions

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