

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Retail Market Review

Southern Nevada's retail market posted strong net absorption in the fourth quarter of 2011, spurred on by the completion of a new Petco and Staples at Green Valley Crossing. This is the second straight quarter of positive net absorption for retail, and the imminent completion of two new Winco stores next quarter should extend that streak to three. Vacancy was 11.7 percent in the fourth quarter of 2011, 0.8 points higher than one year ago, but down from a high of 11.9 percent in the second and third quarters of 2011. Asking rents fell again this quarter, to \$1.38 per square foot (psf) per month on a triple net (NNN) basis.

Retail employment in the Las Vegas MSA increased between November 2010 and November 2011, from 93,600 to 94,800 retail employees. 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 the current high of 94,800 jobs in November 2011. Unemployment in the Las Vegas-Paradise MSA stood at 12.5 percent in November 2011.

Clark County's taxable sales totalled \$7.38 billion in the third quarter of 2011, a 5.5 percent increase from one year ago. Pre-recession, Clark County posted a quarterly average of \$90,000 of taxable sales per retail employee. In 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.

The aforementioned Petco and Staples completions in the Henderson submarket were the only retail spaces completed in the fourth quarter of 2011. Boise-based grocer Winco is currently building two new stores in Southern Nevada, one in Henderson and the other in the Northwest submarket. These projects should add an additional 195,000 square feet to the retail inventory, and to net absorption, next quarter.

MARKET INDICATORS

	Q4-11	Projected Q1-12
VACANCY	↓	→
NET ABSORPTION	↑	→
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↓

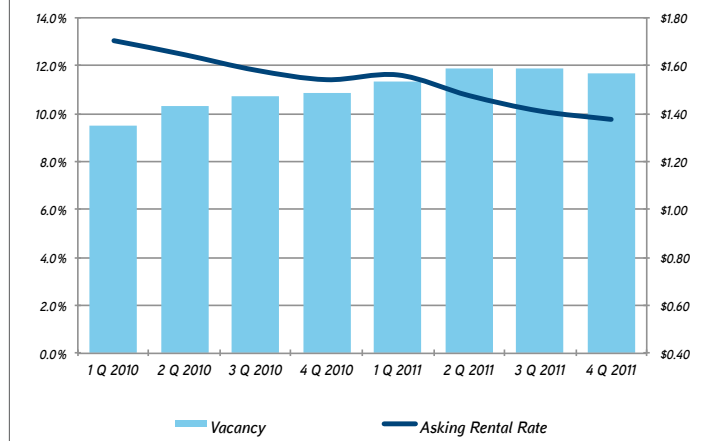
CLARK COUNTY ECONOMIC DATA

	Current Q4-11	Year Ago Q4-10
Unemployment Rate	12.5%	14.8%
Visitor Volume*	30,100,000	29,045,000
Gaming Revenue*	\$6.9 B	\$6.7 B
Taxable Sales YTD*	\$22.1 B	\$21.0 B
Commercial Occupancy	83.7%	83.6%
New Home Sales YTD*	2,685	3,752

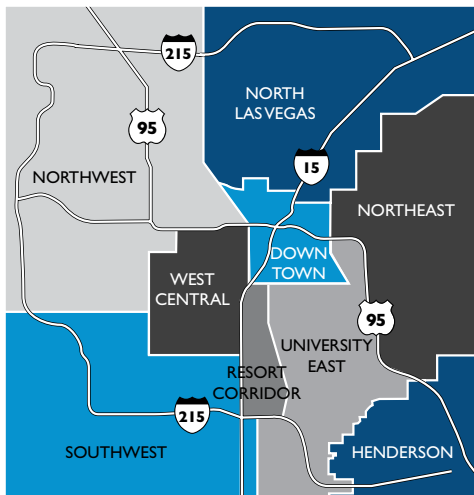
*Q3 is the latest available

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

HISTORICAL VACANCY AND ASKING LEASE RATES



"As the hospitality sector rises once again in Southern Nevada, the prospect of more employment and, more importantly, more income, gives us hope for a brighter 2012 for Southern Nevada's beleaguered retail sector."



Vacancy in Southern Nevada retail centers decreased to 11.7 percent in the fourth quarter of 2011 from the peak of 11.9 percent reached in the second and third quarters of this year. Assuming retail demand remains somewhat constant, it now appears that retail is headed in the right direction. Since the onset of the recession in the fourth quarter of 2007, retail vacancy has increased by 8 points, paving a long road for Southern Nevada to get back to what would be considered a healthy retail market.

The Valley's highest vacancy this quarter was 15 percent in the West Central submarket. The Southwest's vacancy of 9.4 percent was the lowest in Southern Nevada this quarter. The Downtown, North Las Vegas, Northeast and West Central submarkets experienced a decrease in vacancy this quarter compared to last. Among product types, community center and neighborhood center projects experienced a slight decrease in vacancy, while power centers remained stuck at 11 percent vacancy.

The weighted average monthly asking rental rate dropped to \$1.38 psf NNN in the fourth quarter of 2011. The largest drop in the Valley was \$0.19 psf

in the North Las Vegas submarket, with Downtown not far behind with a \$0.17 psf decrease in asking rents. The Valley's most expensive submarket, Southwest, got more expensive with a \$0.07 psf increase in asking rents. Community and neighborhood centers both posted a decline in asking rents this quarter, while power centers actually saw a small \$0.01 psf increase.

The gap between asking rents and achieved rents in deals we have tracked so far in 2011 has averaged \$0.13 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 average lease term for retail space so far in 2011 was 64 months, an 8 month decrease from last year and a 4 month decrease from two years ago. About 61 percent of the retail leasing activity in 2011 was with local retailers, with the most active categories being restaurants and general merchandise.

Sales activity of shopping center space rebounded nicely in 2011 compared to 2010. Investment sales in shopping centers stood at 2,280,000 square feet in 2011, compared to just

RETAIL MARKET SUMMARY

	Q4-11	Q3-11	Q4-10
Vacancy Rate	11.7%	11.9%	10.9%
Asking Rent (PSF, NNN)	\$1.38	\$1.41	\$1.54
Net Absorption (SF)	119,287	10,055	78,789
New Completions (SF)	30,500	0	160,429

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Winterwood Pavilion	Oct 2011	133 months	20,000 sf	\$0.97 NNN	Neighborhood Center
Revere Marketplace	Dec 2011	120 months	5,800 sf	\$1.51 NNN	Strip Center
Rainbow Promenade	Nov 2011	60 months	4,500 sf	\$1.06 NNN	Power Center
Boca Park Marketplace	Oct 2011	120 months	2,500 sf	\$2.27 NNN	Community Center
McCarran Marketplace	Dec 2011	60 months	1,800 sf	\$1.50 NNN	Community Center

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
The District I & II	Nov 2011	\$105,600,000	489,000 sf	\$216	Specialty Retail
Village Square at Peccole Ranch	Nov 2011	\$17,500,000	268,000 sf	\$65	Neighborhood Center
Silverado Ranch Place	Nov 2011	\$20,100,000	183,000 sf	\$109	Community Center
Anthem Highlands	Dec 2011	\$17,500,000	119,000 sf	\$147	Neighborhood Center
4-G Plaza	Nov 2011	\$8,825,000	79,000 sf	\$112	Community Center

1,090,000 square feet in the last three years combined. Investors finally discovered the deals to be had and the fact that Southern Nevada's population has apparently returned to growth. The average sales price of these shopping centers was \$108 per square foot. Investments in single-tenant retail are equally impressive, with 702,000 square feet sold at \$208 psf in 2011. Owner/user sales of single-tenant space were down from last year, with 177,000 square feet selling in anchored centers for \$292 psf.

Southern Nevada currently has 1.58 million square feet of big-box space available in the marketplace, representing a vacancy rate of 8.4 percent and at an average asking price of \$0.95 psf NNN. Compare this to shop-space, with a vacancy rate of 14.2 percent and asking rate of \$1.57 psf NNN. While shop-space has a higher vacancy rate than big-box, the big-box's hold about 30 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption over the past quarter was 66,000 square feet for big-box, much of it in the form of the new anchors at Green Valley Crossing. While the lease and/or sale of big-boxes will have the largest immediate impact on the market, the struggle of filling the approximately 1,100 empty retail shops illustrates the difficulties facing local retail landlords.

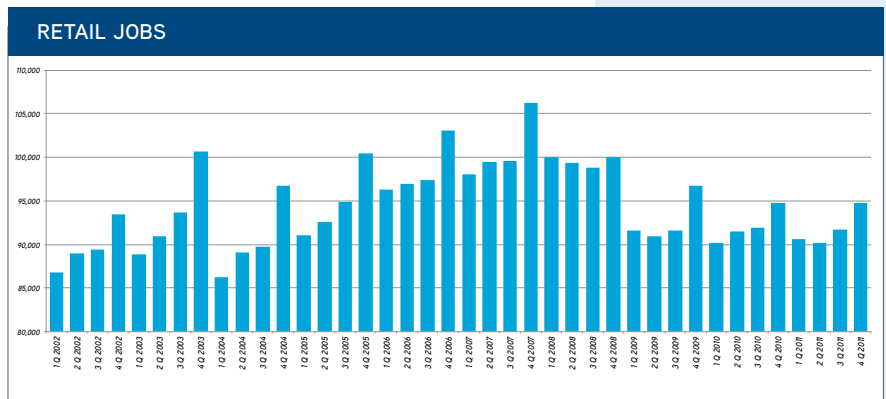
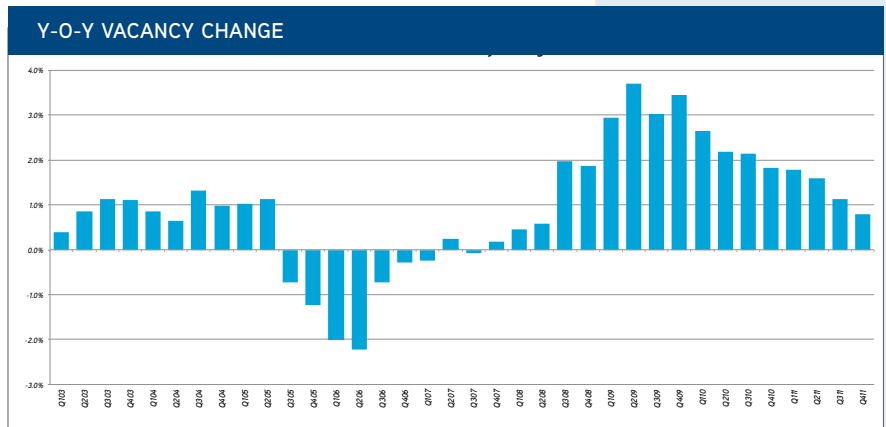
Current trends in anchor tenants show a demand for smaller spaces. As anchors shrink, some vacant anchor spaces will find it increasingly difficult to attract tenants, while others will be subdivided. The vacant Nordstrom Rack space on Eastern Avenue, for example, was divided in half to accommodate new 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.

Current and planned expansions in Southern Nevada include Steak & Shake, Firehouse Subs, Burger King, Pita Pit, Dollar General, Planet Fitness, Chase Bank, Lifetime Fitness and Hobby Lobby.

Distressed retail space totaled 4.2 million square feet this quarter, representing a modest decline from the third quarter of 2011 as well as from the fourth quarter of 2010. So far in 2011, 18 distressed retail properties have sold totalling 1,530,000 square feet at an average sales price of \$90 psf. This represents about half of the retail sales in 2011 at a large discount compared to the overall average sales price of \$203 psf.

As acceptable as 2011 was for Southern Nevada's retail market, we expect more activity in 2012. Landlords and tenants are gradually getting together on pricing and the

many new landlords in the market are capable of offering tenant improvement dollars to get deals done. Buyers that took large centers in 2011 do not appear to be sellers in 2012-2013, but rather seem to be employing a strategy of stabilizing and filling properties before attempting to sell them. This should keep rents very competitive over the next two years. As the hospitality sector rises once again in Southern Nevada, the prospect of more employment and, more importantly, more income, gives us hope for a brighter 2012 for Southern Nevada's beleaguered retail sector.



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	87,315	12.8%	-	0.0%	87,315	12.8%	27.9%	103,427	102,170	-	-	-	-	\$1.18
NC	5	518,070	36,436	7.0%	-	0.0%	36,436	7.0%	6.8%	(1,316)	(36,436)	-	-	-	-	\$0.36
Total	10	1,202,410	123,751	10.3%	-	0.0%	123,751	10.3%	18.8%	102,111	65,734	-	-	-	-	\$0.94
HENDERSON SUBMARKET																
PC	8	2,896,215	358,487	12.4%	-	0.0%	358,487	12.4%	12.4%	1,341	(45,331)	-	-	-	-	\$1.44
CC	20	2,864,154	337,152	11.8%	-	0.0%	337,152	11.8%	11.7%	23,942	3,789	30,500	33,411	-	139,407	\$1.40
NC	25	2,797,088	365,541	13.1%	59,131	2.1%	424,672	15.2%	13.2%	(54,703)	(28,796)	-	-	95,000	-	\$1.19
Total	53	8,557,457	1,061,180	12.4%	59,131	0.7%	1,120,311	13.1%	12.4%	(29,420)	(70,338)	30,500	33,411	95,000	139,407	\$1.34
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	107,283	12.9%	-	0.0%	107,283	12.9%	12.6%	(2,230)	12,356	-	-	-	-	\$2.05
CC	12	2,253,539	252,373	11.2%	-	0.0%	252,373	11.2%	11.7%	12,372	(64,880)	-	-	-	-	\$1.20
NC	16	1,832,468	201,214	11.0%	-	0.0%	201,214	11.0%	11.5%	10,195	(66,232)	-	-	-	-	\$1.57
Total	30	4,918,007	560,870	11.4%	-	0.0%	560,870	11.4%	11.8%	20,337	(118,756)	-	-	-	-	\$1.50
NORTHEAST SUBMARKET																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	8	1,398,026	106,528	7.6%	18,614	1.3%	125,142	9.0%	9.2%	3,780	(30,272)	-	-	-	-	\$1.16
NC	15	1,306,795	225,655	17.3%	58,742	4.5%	284,397	21.8%	22.9%	15,274	(23,603)	-	-	-	-	\$1.36
Total	23	2,704,821	332,183	12.3%	77,356	2.9%	409,539	15.1%	15.8%	19,054	(53,875)	-	-	-	-	\$1.30
NORTHWEST SUBMARKET																
PC	7	2,840,846	160,025	n/a	-	n/a	160,025	5.6%	4.8%	(23,926)	(28,829)	-	-	-	-	\$1.73
CC	18	3,870,890	227,246	5.9%	-	0.0%	227,246	5.9%	4.5%	(51,864)	154,567	-	-	100,000	160,000	\$1.77
NC	31	3,705,508	598,382	16.1%	106,271	2.9%	704,653	19.0%	20.3%	50,354	(130,914)	-	-	-	-	\$1.27
Total	56	10,417,244	985,653	9.5%	106,271	1.0%	1,091,924	10.5%	10.2%	(25,436)	(5,176)	-	-	100,000	160,000	\$1.46
SOUTHWEST SUBMARKET																
PC	1	944,314	30,908	3.3%	-	0.0%	30,908	3.3%	3.3%	-	6,565	-	-	-	-	\$3.00
CC	9	3,216,421	246,315	7.7%	-	0.0%	246,315	7.7%	7.5%	(6,042)	(28,175)	-	-	-	-	\$1.83
NC	13	1,623,100	264,616	16.3%	-	0.0%	264,616	16.3%	16.0%	(5,591)	7,913	-	-	-	-	\$1.37
Total	23	5,783,835	541,839	9.4%	-	0.0%	541,839	9.4%	9.2%	(11,633)	(13,697)	-	-	-	-	\$1.67
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	295,310	24.4%	-	0.0%	295,310	24.4%	22.7%	(20,847)	(31,321)	-	-	-	-	\$1.68
CC	18	2,729,409	359,941	13.2%	-	0.0%	359,941	13.2%	13.1%	(2,619)	(13,660)	-	-	-	-	\$1.12
NC	17	1,953,965	193,171	9.9%	20,389	1.0%	213,560	10.9%	11.6%	13,467	40,146	-	-	-	-	\$1.38
Total	38	5,893,597	848,422	14.4%	20,389	0.3%	868,811	14.7%	14.6%	(9,999)	(4,835)	-	-	-	-	\$1.37
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	137,460	12.1%	-	0.0%	137,460	12.1%	15.3%	36,849	(21,154)	-	-	-	-	\$1.17
CC	14	1,650,769	333,130	20.2%	-	0.0%	333,130	20.2%	22.3%	34,173	(11,421)	-	-	-	-	\$0.99
NC	17	1,746,530	211,065	12.1%	1,407	0.1%	212,472	12.2%	11.2%	(16,749)	(80,149)	-	-	-	-	\$1.20
Total	34	4,535,523	681,655	15.0%	1,407	0.0%	683,062	15.1%	16.3%	54,273	(112,724)	-	-	-	-	\$1.09
MARKET TOTAL																
PC	24	9,861,822	1,089,473	11.0%	-	0.0%	1,089,473	11.0%	11.0%	(8,813)	(107,714)	-	-	-	-	\$1.62
CC	104	18,667,548	1,950,000	10.4%	18,614	0.1%	1,968,614	10.5%	11.0%	117,169	112,118	30,500	33,411	100,000	299,407	\$1.33
NC	139	15,483,524	2,096,080	13.5%	245,940	1.6%	2,342,020	15.1%	15.2%	10,931	(318,071)	-	-	95,000	-	\$1.29
Total	267	44,012,894	5,135,553	11.7%	264,554	0.6%	5,400,107	12.3%	12.5%	119,287	(313,667)	30,500	33,411	195,000	299,407	\$1.38

QUARTERLY COMPARISON AND TOTALS

Q4-11	267	44,012,894	5,135,553	11.7%	264,554	0.6%	5,400,107	12.3%	12.5%	119,287	(313,667)	30,500	33,411	195,000	299,407	\$1.38
Q3-11	267	43,982,394	5,224,340	11.9%	263,739	0.6%	5,488,079	12.5%	12.5%	10,055	(432,954)	0	2,911	198,478	326,429	\$1.41
Q2-11	267	43,982,394	5,234,395	11.9%	272,161	0.6%	5,506,556	12.5%	11.9%	(262,942)	(443,009)	0	2,911	-	494,407	\$1.47
Q1-11	267	43,982,394	4,971,453	11.3%	268,973	0.6%	5,240,426	11.9%	11.5%	(180,067)	(180,067)	2,911	2,911	-	650,072	\$1.56
Q4-10	267	43,979,483	4,788,475	10.9%	267,784	0.6%	5,056,259	11.5%	11.4%	78,789	(654,383)	160,429	160,429	-	657,422	\$1.54

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 (Q4-11)	Occupied Retail Growth (Last 12 Months)
Downtown	119,000	-1.5%	1,078,000	6.4%
Henderson	249,000	4.6%	7,496,000	-2.1%
North Las Vegas	226,000	6.8%	4,357,000	-4.9%
Northeast	234,000	2.8%	2,373,000	-2.6%
Northwest	371,000	4.7%	9,432,000	1.8%
Southwest	179,000	6.3%	5,242,000	0.3%
University East	243,000	0.5%	5,045,000	0.1%
West Central	156,000	-2.9%	3,853,000	-0.4%

SALES ACTIVITY

Single-Tenant Retail Sales	2011 YTD	2010	2009
Owner/User Space Sold (sf)	177,000	263,000	274,000
Owner/User Average Price/SF	\$292	\$102	\$130
Investment Space Sold (sf)	702,000	238,000	289,000
Investment Average Price/SF	\$208	\$180	\$202

SALES ACTIVITY

Shopping Center Retail Sales	2011 YTD	2010	2009
Investment Space Sold (sf)	2,280,000	206,000	297,000
Investment Average Price/SF	\$108	\$67	\$101



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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