

LAS VEGAS | NEVADA RESEARCH & FORECAST REPORT



Retail Market Review

POSITIVE ABSORPTION!

Net absorption turned positive in the fourth quarter of 2010 for Southern Nevada retail, a quarter after the office and industrial markets experienced their first positive net absorption in two years. Retail did not have to wait quite so long, having posted positive net absorption in the fourth quarter of 2009. The vacancy rate stood at 10.6 percent, a slight increase from last quarter and almost two points higher than a year ago. The asking rental rate continued to slide, reaching \$1.55 per square foot (psf) on a triple-net (NNN) basis.

Retail employment in the Las Vegas MSA dropped by 400 jobs between November 2009 and November 2010. On a quarterly basis, retail employment increased by 1,500 jobs between the third and fourth quarters of this year, the third straight quarterly improvement. The retail sector usually adds jobs in the fourth quarter of the year to handle increased activity from holiday shopping, so this increase is not surprising. Just the same, it is worth mentioning that the retail sector actually shed jobs in the fourth quarter of 2009, suggesting that there is real improvement in the local economy underway. Unemployment in the Las Vegas-Paradise MSA stood at 14.3 percent as of November 2010, a slight increase from 14.1 percent in October 2009.

Clark County's taxable sales totalled \$7.0 billion in the third quarter of 2010, a 0.5 percent decrease from the second quarter of 2010 and a 1.7 percent decrease from the third quarter of 2009. Pre-recession, Clark County posted a quarterly average of \$90,329 of taxable sales per retail employee. This quarter, taxable sales per retail employee was \$78,976. It has been widely reported that holiday shopping has been brisk, suggesting that fourth quarter taxable sales might post some recovery.

Caroline's Court, the only retail center actively under construction, completed construction on 155,378 square feet this quarter. Forward supply of retail space in the Valley totalled 657,422 square feet. Major centers that are either planned to begin construction within the next year, or that have had their construction stalled, include the Target-anchored center at Decatur and the I-215 Beltway (260,000

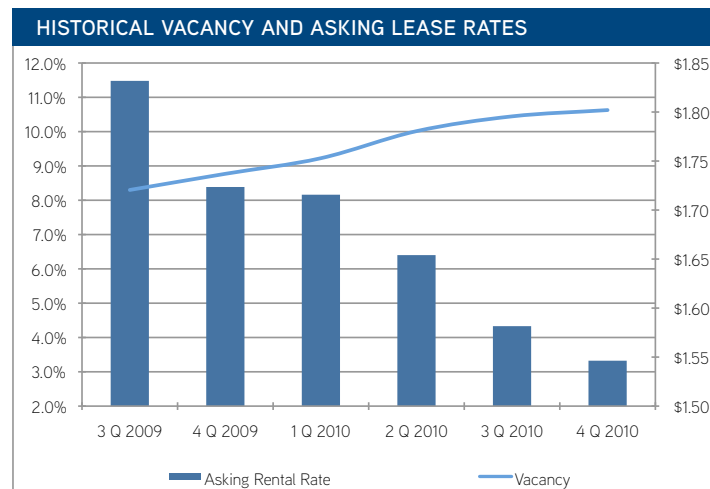
MARKET INDICATORS

	Q4-10	Projected Q1-11
VACANCY	↑	→
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↓	↓

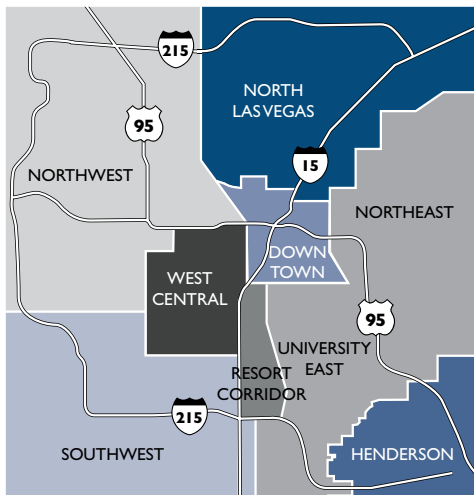
CLARK COUNTY ECONOMIC DATA

	Latest Period	Year Ago
Unemployment Rate	14.3 percent	12.5 percent
Visitor Volume	3,382,560	3,332,273
Gaming Revenue	\$785.72 M	\$774.10 M
Taxable Sales YTD	\$20.989 B	\$21.337 B
Residential Permits	283	344
Commercial Permits	20	20
New Home Sales	391	422
Existing Home Sales	3,540	4,121

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV



"... we think 2011 may be the year Southern Nevada retail begins to recover in earnest."



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). Green Valley Crossing is currently seeing some construction on pad spaces, with a Chase Bank pad recently completed and Carl's Jr under construction.

Vacancy in Southern Nevada retail centers reached 10.6 percent in the fourth quarter of 2010. Vacancy has increased during the past eleven 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 7.6 points. The Valley's highest vacancy this quarter was 15.8 percent in the Downtown submarket. The Southwest's vacancy of 9.1 percent was the lowest in Southern Nevada this quarter, with the 9.4 percent vacancy in the Northwest submarket a close second. The Northwest and Southwest submarkets experienced a decrease in vacancy this quarter compared to last. Vacancy in Community Centers and Neighborhood Centers has increased since the fourth quarter of 2009, while vacancy in Power Centers is the same now, 8 percent, as it was in the fourth quarter of 2009.

The weighted average asking rental rate for retail space fell to \$1.55 per square foot (psf) on a triple-net basis (NNN) in the fourth quarter of 2010. The largest decrease was in the Northeast submarket, at \$0.10. Asking rent in the Southwest has dropped by \$0.64 since this time last year, taking it from being one of the most expensive submarkets in the Valley to being rather average in price. The Downtown and North Las Vegas

submarkets saw asking rents increase this quarter, and asking rents remained stable in Henderson. Southern Nevada's lowest average asking rent was in the West Central submarket at \$1.22 psf NNN. The highest average asking rents were in the Northwest and North Las Vegas submarkets at \$1.89 psf NNN. The gap between the most and least expensive submarkets in Southern Nevada decreased from \$0.73 last quarter to \$0.67 this quarter.

The gap between asking rents and achieved rents averaged \$0.37 in 2010, a decrease from the average gap of \$0.41 recorded in 2009. Community Centers had a \$0.52 gap, followed by Power Centers and Neighborhood Centers, both with a \$0.29 gap. The average lease term for retail space in 2010 was 73 months, a 5 month increase from last year. Most of the retail leasing activity in 2010 has been with local retailers. While national and regional retailers loomed large in the early part of this year, their interest in Southern Nevada has cooled, making local retailers once again the most important segment of the local market. The most active retail categories were Amusement & Recreation, Furniture Stores and Eating & Drinking establishments. The return of furniture retailers to the market was likely a consequence of increased home sales.

Eleven percent of existing availabilities decreased their asking rent between the third and fourth quarters of 2010 by an average of \$0.69. Only 6 percent of existing availabilities increased their asking rent this quarter, by an average of \$0.23. The 242 new retail availabilities added to our database in the fourth quarter of 2010 had an average asking rate of \$1.26 psf NNN, \$0.29

LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	LEASE RATE	TYPE
Renaissance III	Dec 2010	120 months	15,000 sf	\$0.90 NNN	Neighborhood Center
Barcelone	Nov 2010	126 months	9,000 sf	\$1.75 NNN	Strip Center
Rhodes Ranch Town Center	Nov 2010	60 months	1,200 sf	\$1.74 NNN	Neighborhood Center
Cheyenne Commons	Nov 2010	60 months	900 sf	\$1.86 NNN	Power Center

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SALE PRICE	SIZE	PRICE/SF	TYPE
Stephanie Beltway Plaza	Nov 2010	\$5,000,000	92,000 sf	\$54.44	Neighborhood Center
Wow Building	Oct 2010	\$5,325,000	61,000 sf	\$87.12	Freestanding Retail
7220 Azure	Nov 2010	\$4,650,000	50,000 sf	\$93.84	Strip Center
Buffalo Center	Oct 2010	\$1,263,000	28,000 sf	\$45.81	Strip Center

lower than the overall asking rate for retail.

Sales of single-tenant owner/user retail space dropped off this quarter, with only a single property changing hands at price of \$303 psf. Investment sales of single-tenant retail improved slightly this quarter over last, with 37,000 square feet selling at an average price of \$461 psf and an average cap rate of 7.6 percent, slightly lower than one quarter ago. Sales of shopping centers on an investment basis increased as well, to 262,000 square feet at an average price of \$142 psf and a cap rate of 10.1 percent. Quality investment retail space remains scarce, and therefore sells at a premium when it does sell. There are many buyers looking for corporate-backed, quality single-tenant retail.

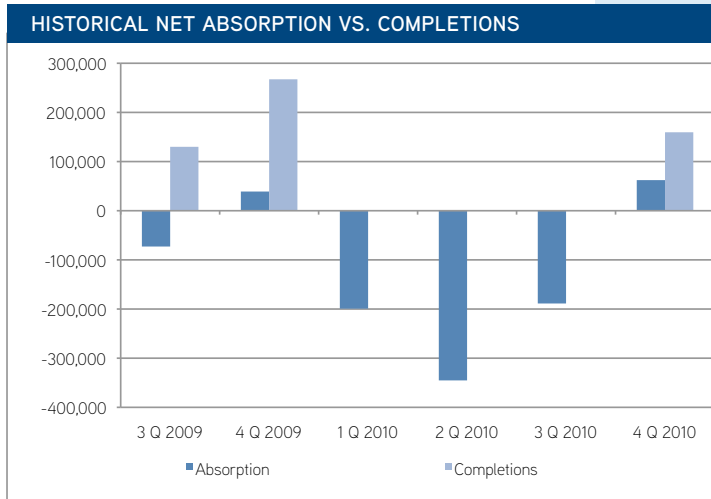
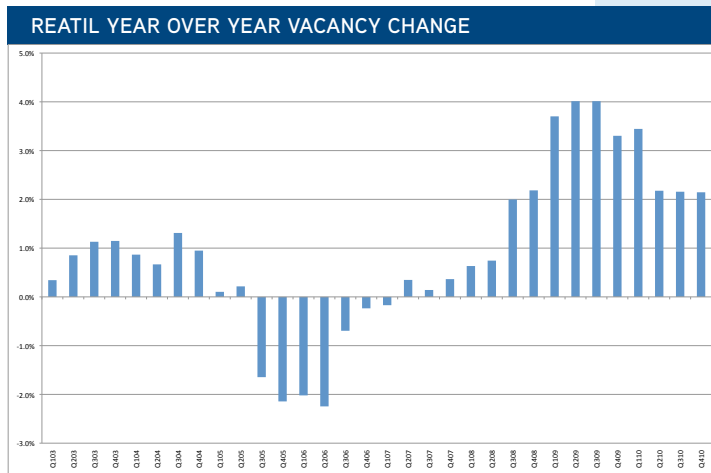
Southern Nevada had 84 retail units available for lease that were 10,000 square feet in size or larger in the fourth quarter of 2010, an increase of 9 spaces and over 200,000 square feet from last quarter and 7 spaces and about 70,000 square feet from this time last year. The largest of these spaces 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.

2010 saw several retailers contract and close locations across the United States, including Quizno's, Blockbuster, Hollywood Video, Waldenbooks, Men's Warehouse, Dollar Store, Foot Locker, Payless, Gamestop and Rite Aid. Several retailers, including Family Dollar, Quizno's, Walgreens, Advance Auto Parts, Auto Zone, Fresh & Easy, SuperValu and Big Lots have announced expansion plans for 2011. 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 4.5 million square feet this quarter, a decrease of 297,000 square feet from last quarter, the first decline for any class of real estate since we began tracking distressed space last year. General Growth Properties, which owns over 3.5 million square feet of retail in Southern Nevada, is emerging from bankruptcy in 2010 largely intact. They are currently marketing three of their retail properties for sale. 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.

Southern Nevada's retail market entered the recession late and it initially appeared it would exit the recession behind the office and industrial markets. Now, however, retail is showing distinct signs of life, whether it's the increase in retail employment over the past three quarters, the drop in distressed retail space experience this quarter or the gradual improvement in taxable sales over the past year. Retail isn't out of the woods yet, and a single quarter of positive absorption does not remotely qualify as a trend. Nevertheless, interest in retail space by large, national firms is on the rise and we think 2011 may be the year Southern Nevada retail begins to recover in earnest.



MARKET SUMMARY					
	Q4-10	Q3-10	Q4-09	Q-O-Q Change	Y-O-Y Change
Vacancy Rate	10.6%	10.4%	8.8%	1.5%	20.5%
Asking Rent (PSF, NNN)	\$1.55	\$1.58	\$1.72	-2.0%	-9.9%
Net Absorption (SF)	62,240	-188,732	39,028	133.0%	59.5%
New Completions (SF)	159,573	0	267,342	100.0%	-40.3%

MARKET COMPARISONS

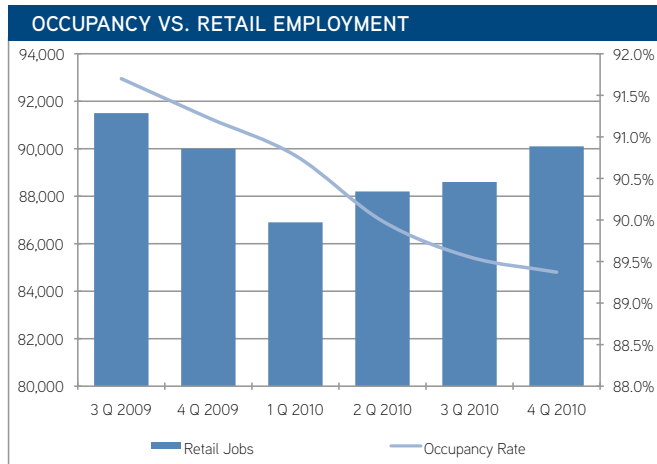
RETAIL MARKET

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	-	0	0	n/a	0	n/a	0	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	684,340	189,485	27.7%	0	0.0%	189,485	27.7%	27.0%	(4,964)	(14,346)	-	-	-	-	\$1.28
NC	5	518,070	0	0.0%	0	0.0%	0	0.0%	0.8%	3,974	6,720	-	-	-	99,550	\$-
Total	10	1,202,410	189,485	15.8%	0	0.0%	189,485	15.8%	15.7%	(990)	(7,626)	-	-	-	99,550	\$1.28
HENDERSON LAS VEGAS SUBMARKET																
PC	8	2,896,215	313,156	10.8%	1,400	0.0%	314,556	10.9%	10.0%	(23,769)	12,195	-	-	-	-	\$1.57
CC	20	2,829,887	307,530	10.9%	0	0.0%	307,530	10.9%	10.5%	(5,409)	(36,811)	4,195	4,195	-	142,207	\$1.50
NC	25	2,797,088	336,745	12.0%	57,156	2.0%	393,901	14.1%	11.9%	(61,335)	(120,008)	-	-	-	-	\$1.26
Total	53	8,523,190	957,431	11.2%	58,556	0.7%	1,015,987	11.9%	10.8%	(90,513)	(144,624)	4,195	4,195	-	142,207	\$1.44
NORTH LAS VEGAS SUBMARKET																
PC	2	832,000	119,639	14.4%	0	0.0%	119,639	14.4%	14.4%	-	(5,407)	-	-	-	-	\$2.09
CC	12	2,253,539	187,493	8.3%	0	0.0%	187,493	8.3%	8.6%	7,424	(41,188)	-	-	-	-	\$1.33
NC	16	1,945,468	208,302	10.7%	0	0.0%	208,302	10.7%	10.1%	(12,534)	(92,141)	-	-	-	155,665	\$2.27
Total	30	5,031,007	515,434	10.2%	0	0.0%	515,434	10.2%	10.1%	(5,110)	(138,736)	-	-	-	155,665	\$1.89
NORTHEAST SUBMARKET																
PC	-	0	0	n/a	0	n/a	0	n/a	n/a	0	-	-	-	-	-	\$-
CC	8	1,398,026	76,256	5.5%	18,614	1.3%	94,870	6.8%	6.9%	2,109	(12,905)	-	-	-	-	\$1.45
NC	15	1,306,795	202,052	15.5%	58,742	4.5%	260,794	20.0%	19.1%	(11,115)	(82,031)	-	-	-	-	\$1.21
Total	23	2,704,821	278,308	10.3%	77,356	2.9%	355,664	13.1%	12.8%	(9,006)	(94,936)	-	-	-	-	\$1.28
NORTHWEST SUBMARKET																
PC	7	2,840,846	131,196	n/a	1,266	n/a	132,462	4.7%	4.9%	5,404	56,407	-	-	-	-	\$2.04
CC	18	3,870,890	381,813	9.9%	0	0.0%	381,813	9.9%	11.1%	185,291	169,856	155,378	155,378	-	260,000	\$2.28
NC	31	3,705,508	467,468	12.6%	111,417	3.0%	578,885	15.6%	15.1%	(19,930)	(167,995)	-	-	-	-	\$1.53
Total	56	10,417,244	980,477	9.4%	112,683	1.1%	1,093,160	10.5%	10.8%	170,765	58,268	155,378	155,378	-	260,000	\$1.89
SOUTHWEST SUBMARKET																
PC	1	944,314	37,473	4.0%	0	0.0%	37,473	4.0%	4.0%	-	8,192	-	-	-	-	\$2.07
CC	9	3,216,421	218,140	6.8%	0	0.0%	218,140	6.8%	7.7%	30,966	(42,120)	-	-	-	-	\$1.52
NC	13	1,623,100	272,529	16.8%	0	0.0%	272,529	16.8%	16.7%	(1,265)	(95,443)	-	-	-	-	\$1.55
Total	23	5,783,835	528,142	9.1%	0	0.0%	528,142	9.1%	9.6%	29,701	(129,371)	-	-	-	-	\$1.58
UNIVERSITY EAST SUBMARKET																
PC	3	1,210,223	70,264	5.8%	0	0.0%	70,264	5.8%	6.3%	6,327	(28,828)	-	-	-	-	\$1.68
CC	18	2,713,018	349,638	12.9%	0	0.0%	349,638	12.9%	12.3%	(14,630)	(103,519)	-	-	-	-	\$1.20
NC	17	1,950,703	233,317	12.0%	19,189	1.0%	252,506	12.9%	12.8%	(3,367)	(38,626)	-	-	-	-	\$1.54
Total	38	5,873,944	653,219	11.1%	19,189	0.3%	672,408	11.4%	11.2%	(11,670)	(170,973)	-	-	-	-	\$1.37
WEST CENTRAL SUBMARKET																
PC	3	1,138,224	116,306	10.2%	0	0.0%	116,306	10.2%	7.0%	(36,661)	(37,455)	-	-	-	-	\$1.22
CC	15	1,649,146	321,709	19.5%	0	0.0%	321,709	19.5%	20.1%	10,245	10,106	-	-	-	-	\$1.14
NC	17	1,628,795	130,916	8.0%	0	0.0%	130,916	8.0%	8.4%	5,479	(15,585)	-	-	-	-	\$1.42
Total	35	4,416,165	568,931	12.9%	0	0.0%	568,931	12.9%	12.4%	(20,937)	(42,934)	-	-	-	-	\$1.22
MARKET TOTAL																
PC	24	9,861,822	788,034	8.0%	2,666	0.0%	790,700	8.0%	7.5%	(48,699)	5,104	-	-	-	-	\$1.71
CC	105	18,615,267	2,032,064	10.9%	18,614	0.1%	2,050,678	11.0%	11.4%	211,032	(70,927)	159,573	159,573	-	402,207	\$1.50
NC	139	15,475,527	1,851,329	12.0%	246,504	1.6%	2,097,833	13.6%	12.9%	(100,093)	(605,109)	-	-	-	255,215	\$1.53
Total	268	43,952,616	4,671,427	10.6%	267,784	0.6%	4,939,211	11.2%	11.1%	62,240	(670,932)	159,573	159,573	-	657,422	\$1.55

QUARTERLY COMPARISON AND TOTALS

Q4-10	268	43,952,616	4,671,427	10.6%	267,784	0.6%	4,939,211	11.2%	11.1%	62,240	(670,932)	159,573	159,573	-	657,422	\$1.55
Q3-10	267	43,793,043	4,574,094	10.4%	267,784	0.6%	4,841,878	11.1%	10.8%	(188,732)	(733,172)	0	0	274,360	661,617	\$1.58
Q2-10	266	43,793,043	4,385,362	10.0%	362,277	0.8%	4,747,639	10.8%	10.0%	(345,219)	(544,440)	0	0	274,360	661,617	\$1.65
Q1-10	266	43,793,043	4,040,143	9.2%	329,533	0.8%	4,369,676	10.0%	9.6%	(199,221)	(199,221)	0	0	274,360	562,067	\$1.72
Q4-09	266	43,793,043	3,840,922	8.8%	357,630	0.8%	4,198,552	9.6%	9.2%	39,028	(176,871)	267,342	1,406,592	274,360	406,402	\$1.72





DEMOGRAPHICS

	Population (2009 estimate)	Projected Annual Population Growth (2009-2014)	Occupied Retail Space (Q4-10)	Occupied Retail Growth (2009 to 2010)
Downtown	85,167	3.3%	1,012,925	-0.7%
Henderson	240,280	13.6%	7,565,759	-1.9%
North Las Vegas	266,722	25.4%	4,515,573	-3.0%
Northeast	275,882	4.6%	2,426,513	-3.8%
Northwest	445,233	13.6%	9,436,767	0.6%
Southwest	157,411	26.2%	5,255,693	-2.4%
University East	188,590	6.0%	5,220,725	-3.2%
West Central	101,853	-0.7%	3,847,234	-1.1%

SALES ACTIVITY

Single-Tenant Retail Sales	Q4-10	Q3-10	Q4-09
Owner/User Space Sold (sf)	7,400	61,000	38,000
Owner/User Average Price/SF	\$303	\$135	\$127
Investment Space Sold (sf)	37,000	20,000	39,000
Investment Average Price/SF	\$461	\$425	\$252
Investment Average Cap Rate	7.6%	7.9%	n/a

SALES ACTIVITY

Shopping Center Retail Sales	Q4-10	Q3-10	Q4-09
Owner/User Space Sold (sf)	0	76,000	0
Owner/User Average Price/SF	n/a	\$75	n/a
Investment Space Sold (sf)	262,000	37,000	163,000
Investment Average Price/SF	\$142	\$71	\$42
Investment Average Cap Rate	10.1%	n/a	15%

COLLIERS USA STATS 2009

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

COLLIERS GLOBAL STATS 2009

- > 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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