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Real Estate Services

# Retail Market Report

Compared to last quarter:

**Vacancy**

UP

**Absorption**

DOWN

**Lease Rates**

DOWN

**Construction**

DOWN

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**CORFAC**  
International

APPLIED ANALYSIS

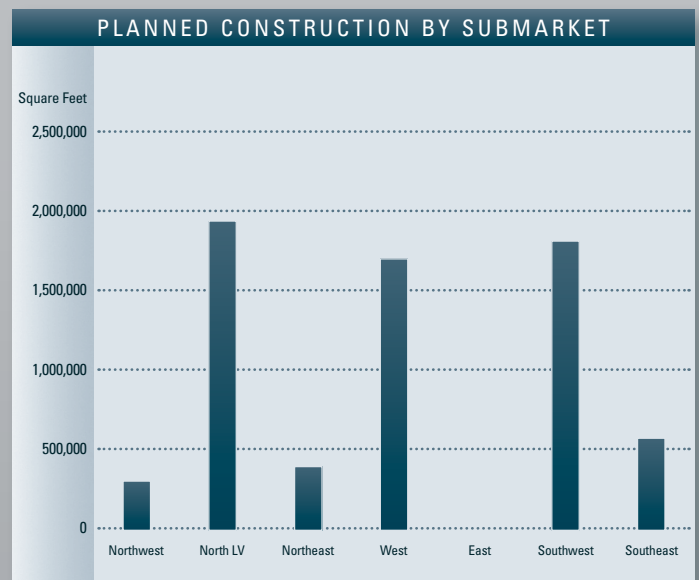
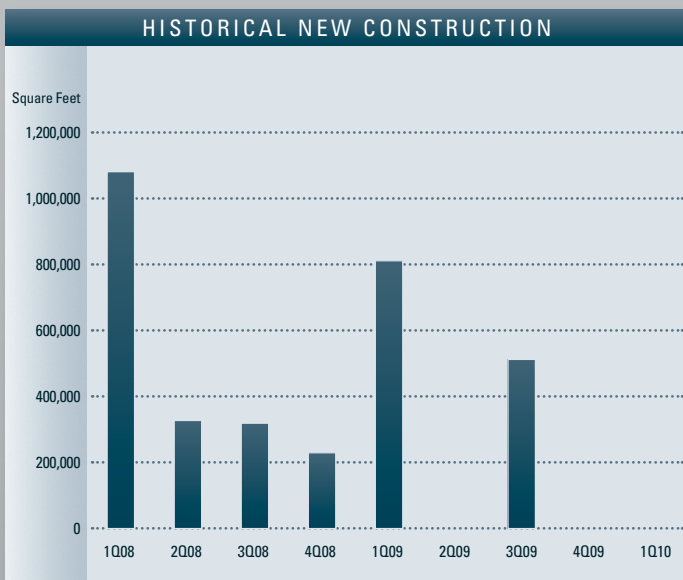
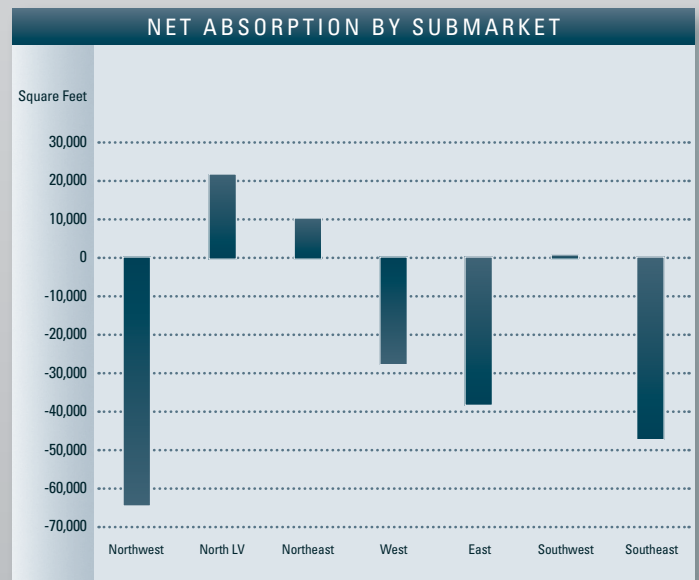
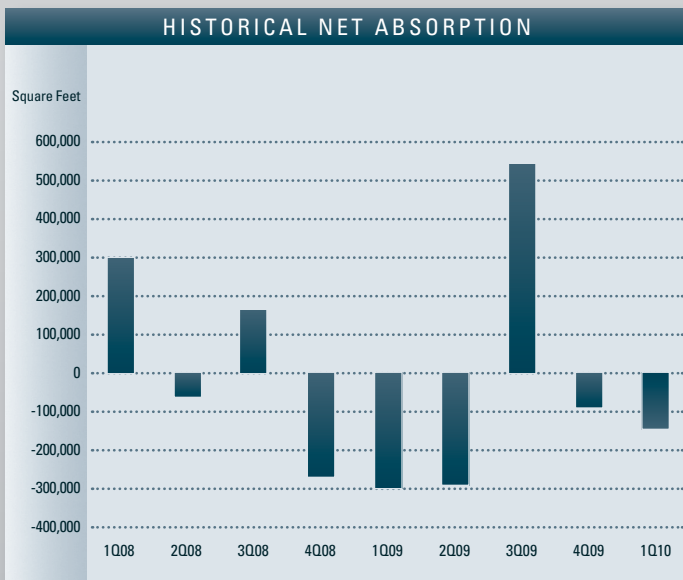
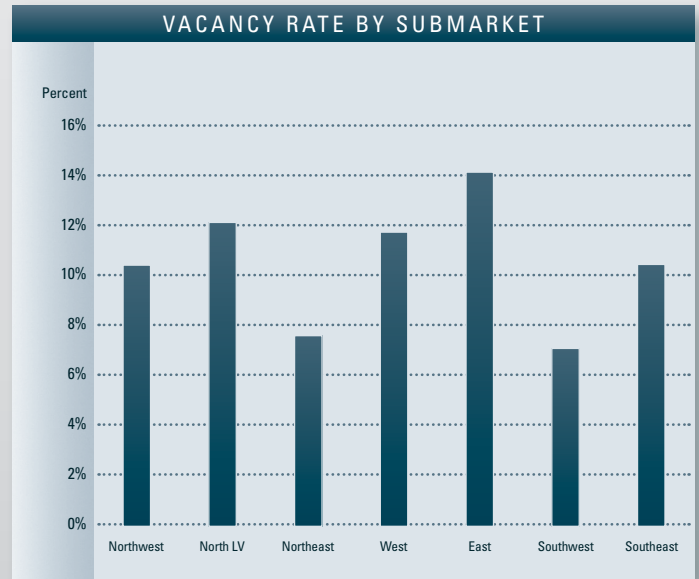
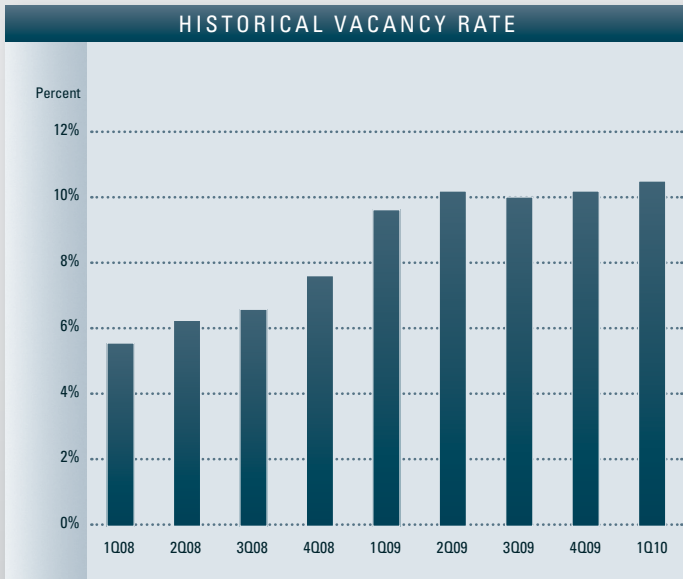
## Market Highlights

- ◆ **Market Overview** – The Las Vegas commercial retail market continued to report relatively weak demand resulting in a market-wide vacancy rate of 10.5 percent. Historically, vacancy rates have averaged between 3 and 5 percent in anchored retail centers, while the impacts associated with the current economic cycle have put upward pressure on vacancies. There are signs the pace of move-outs is slowing and second-generation spaces are being occupied. Similarly, top-line revenues for retailers remain off compared to the prior two years, yet the rate of decline appears to be slowing as fundamentals seek out the bottom of the cycle.
- ◆ **Future Supply** – Looking forward, only a few projects appear to be viable as tenant and developer expansions have been put on hold. Investments in new construction within the sector will likely require several consecutive quarters of economic expansion and job growth, a condition not expected this year. Projects remaining under construction include a Lowe's-anchored center at Caroline's Court in the northwest and Tivoli Village at Queensridge. It is worth noting that approximately 1.2 million square feet of space has stalled or delayed timing and will remain classified as planned until construction activity resumes. The majority of planned space is not expected to move forward in the near term.
- ◆ **Economic Considerations** – The job market within southern Nevada remains challenged as total employment reached 799,700 in the first quarter and the unemployment rate jumped further to 13.9 percent. Compared to the same period of the prior year, the market shed 50,300 jobs, or 5.9 percent of its workforce. Construction has led the way in job losses, shedding 22,900 employees during the past 12 months, with the leisure and hospitality sector employment dropping 9,000 positions during the same timeframe despite major resort openings like MGM MIRAGE's CityCenter, Hard Rock Hotel's expansion and M Resort on the South Strip.
- ◆ **Looking Forward** – Finding the bottom of the cycle in the next year is our expectation for the commercial retail sector as price adjustments will likely continue for an extended period of time. However, full recovery will span well beyond 2011 as the market reaches back towards something that looks like normal. Opportunities for investors and tenants will continue to emerge as distressed activity plays a role and market conditions shift.
- ◆ **Demand** – Net absorption, or the change in the amount of occupied space, was negative for the second consecutive quarter as 147,400 square feet was vacated during the first quarter of 2010. The increased availability was generally located throughout the valley, with the northwest, east and southeast submarkets posting the largest share of activity. During the past 12 months, net absorption was modestly positive as a number of pre-leased centers (e.g., Target and The Home Depot) completed construction in the third quarter of 2009.
- ◆ **Inventory** – At the end of the first quarter of 2010, total inventory remained unchanged at 51.8 million square feet from the preceding quarter (Q4 2009) as no material space completed construction. However, the amount of occupied space declined to 46.4 million square feet. During the past 12 months, the market expanded by 516,300 square feet, the lowest annual tally dating back to at least the early 1990s.

## RETAIL MARKET OVERVIEW

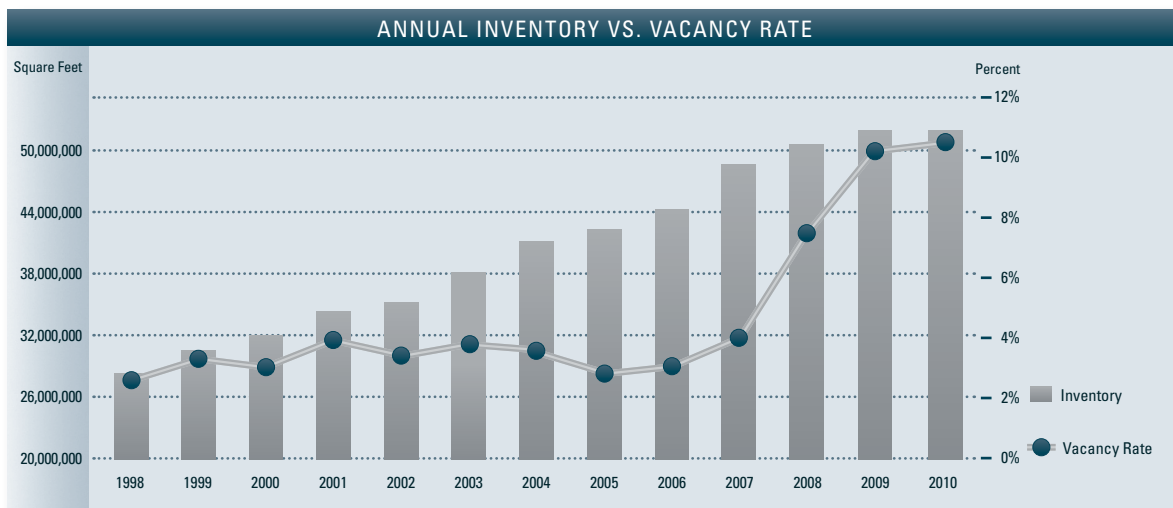
	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
<b>Under Construction</b>	810,000	810,000	2,281,000	(64.49%)
<b>Planned Construction</b>	6,654,000	6,654,000	10,057,000	(33.84%)
<b>Vacancy</b>	10.5%	10.2%	9.6%	9.37%
<b>Net Absorption</b>	(147,000)	(90,000)	(305,000)	N/A

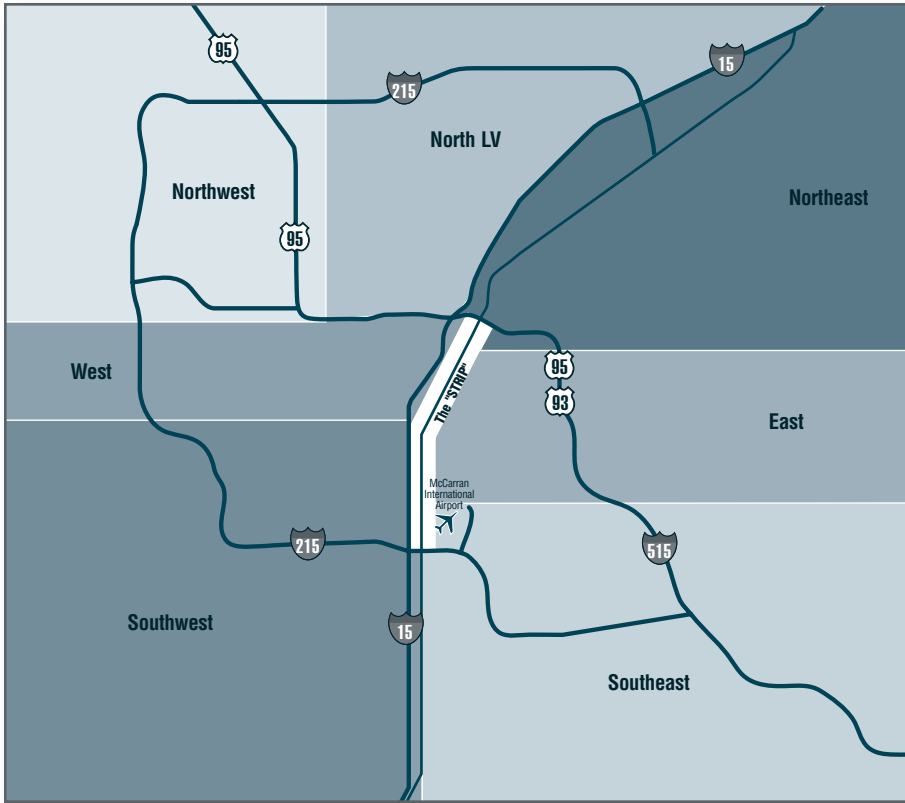
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	INVENTORY				VACANCY		ABSORPTION	
	Number of Buildings	Net Rentable Square Feet	Square Feet Planned	Square Feet Under Construction	Square Feet Vacant	Vacancy Rate 102010	Net Absorption 102010	New Inventory 102010
<b>Northwest</b>								
Power Centers	5	2,189,622	-	-	224,178	10.2%	(59,528)	-
Community Centers	6	935,026	-	258,210	162,780	17.4%	(261)	-
Neighborhood Centers	17	1,960,058	298,900	-	134,843	6.9%	(5,320)	-
<b>Northwest Total</b>	<b>28</b>	<b>5,084,706</b>	<b>298,900</b>	<b>258,210</b>	<b>521,801</b>	<b>10.3%</b>	<b>(65,109)</b>	<b>-</b>
<b>North Las Vegas</b>								
Power Centers	12	2,623,957	630,475	-	229,936	8.8%	(2,753)	-
Community Centers	11	1,508,952	1,011,508	-	130,059	8.6%	9,059	-
Neighborhood Centers	29	2,845,500	287,000	-	486,289	17.1%	15,376	-
<b>North Las Vegas Total</b>	<b>52</b>	<b>6,978,409</b>	<b>1,928,983</b>	<b>-</b>	<b>846,284</b>	<b>12.1%</b>	<b>21,682</b>	<b>-</b>
<b>Northeast</b>								
Power Centers	4	943,001	-	-	6,080	0.6%	-	-
Community Centers	7	1,054,911	351,328	-	29,919	2.8%	(6,791)	-
Neighborhood Centers	17	1,298,539	34,000	-	211,540	16.3%	17,106	-
<b>Northeast Total</b>	<b>28</b>	<b>3,296,451</b>	<b>385,328</b>	<b>-</b>	<b>247,539</b>	<b>7.5%</b>	<b>10,315</b>	<b>-</b>
<b>West</b>								
Power Centers	11	3,079,229	1,603,009	-	150,773	4.9%	(5,000)	-
Community Centers	17	2,381,430	80,000	450,000	363,080	15.2%	(3,381)	-
Neighborhood Centers	22	2,570,157	-	-	425,397	16.6%	(19,636)	-
<b>West Total</b>	<b>50</b>	<b>8,030,816</b>	<b>1,683,009</b>	<b>450,000</b>	<b>939,250</b>	<b>11.7%</b>	<b>(28,017)</b>	<b>-</b>
<b>East</b>								
Power Centers	4	1,203,293	-	-	64,630	5.4%	4,200	-
Community Centers	11	1,863,070	-	-	319,305	17.1%	(24,016)	-
Neighborhood Centers	29	3,143,708	-	-	494,599	15.7%	(19,010)	-
<b>East Total</b>	<b>44</b>	<b>6,210,071</b>	<b>-</b>	<b>-</b>	<b>878,534</b>	<b>14.1%</b>	<b>(38,826)</b>	<b>-</b>
<b>Southwest</b>								
Power Centers	13	5,112,799	878,951	-	244,292	4.8%	8,710	-
Community Centers	8	786,101	415,719	-	61,281	7.8%	-	-
Neighborhood Centers	33	3,409,656	506,000	-	343,449	10.1%	(8,643)	-
<b>Southwest Total</b>	<b>54</b>	<b>9,308,556</b>	<b>1,800,670</b>	<b>-</b>	<b>649,022</b>	<b>7.0%</b>	<b>67</b>	<b>-</b>
<b>Southeast</b>								
Power Centers	10	3,851,585	175,037	-	394,569	10.2%	15,333	-
Community Centers	23	4,367,897	153,000	-	390,956	9.0%	(52,097)	-
Neighborhood Centers	45	4,639,847	229,312	101,550	547,662	11.8%	(10,787)	-
<b>Southeast Total</b>	<b>78</b>	<b>12,859,329</b>	<b>557,349</b>	<b>101,550</b>	<b>1,333,187</b>	<b>10.4%</b>	<b>(47,551)</b>	<b>-</b>
<b>Las Vegas Total</b>								
Power Centers	59	19,003,486	3,287,472	-	1,314,458	6.9%	(39,038)	-
Community Centers	83	12,897,387	2,011,555	708,210	1,457,380	11.3%	(77,487)	-
Neighborhood Centers	192	19,867,465	1,355,212	101,550	2,643,779	13.3%	(30,914)	-
<b>Total</b>	<b>334</b>	<b>51,768,338</b>	<b>6,654,239</b>	<b>809,760</b>	<b>5,415,617</b>	<b>10.5%</b>	<b>(147,439)</b>	<b>-</b>

This survey consists of buildings greater than 30,000 square feet. **Note:** Planned inventory includes projects that previously commenced construction but are not actively underway.





**PRODUCT TYPE**

**POWER CENTERS**

Power Centers have multiple big-box tenants and typically fewer shop-space tenants; size starts at 100,000 SF.

**COMMUNITY CENTERS**

Community Centers are multiple anchored with shop-space tenants; the sizes generally start at 100,000 SF.

**NEIGHBORHOOD CENTERS**

Neighborhood Centers are supermarket anchored with shop-space tenants; the size starts at 30,000 SF.

*For further information, please contact:*

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