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REAL ESTATE SERVICES

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Retail Market Report

Compared to last quarter:

Vacancy

DOWN



Absorption



UP

Lease Rates

DOWN



Construction

DOWN



Market Highlights

- ◆ **Market Overview** - The Las Vegas commercial retail market continued to report an elevated vacancy rate of 10.4 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, the vacancy rate has raised only a modest 19 basis points over the last 12 months. The latest quarter provides further signals that the pace of decline is slowing and vacant second-generation space is being occupied. Similarly, top-line revenues for retailers remain off the prior two years, yet the rate of decline appears to be slowing as a new reality emerges.
- ◆ **Inventory** - At the end of the first quarter of 2010, total inventory grew to 51.9 million square feet as a pre-leased 139,400-square-foot Lowe's completed construction in the northwest portion of the valley. During the past 12 months, the market expanded by 655,700 square feet, a significant decline in response to current economic conditions. For comparison purposes, 4.3 million square feet of inventory was added to the market in 2007.
- ◆ **Demand** - Net absorption, or the change in the amount of occupied space, was positive for the for the first time since the third quarter of 2009 as 165,600 square feet was absorbed during the second quarter of 2010. The positive absorption was largely assisted by 139,400 square feet of pre-leased space coming online in the northwest submarket during the quarter. Nevertheless, the southwest and southeast submarkets also witnessed modest levels of positive absorption. By product type, positive absorption occurred in power centers and community centers.
- ◆ **Future Supply** - Looking forward, with elevated vacancies and consumer spending remaining sluggish, few projects are moving forward in the near term. 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 118,800 square feet of inline space at the recently completed Lowe's-anchored center at Caroline's Court in the northwest and 450,000 square feet at Tivoli Village at Queensridge. It is worth noting that approximately 1.2 million square feet of space has stalled or delayed 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 Consideration** - In southern Nevada, the unemployment rate stands at 14.1 percent, higher than the 11.3 percent reported one year ago. During the past 12 months 30,700 jobs were lost; the largest losses stem from construction, which has shed 16,500 positions. While office-, industrial-, and retail-using employment all remain down, several sub-sectors including professional and business services and education and health services have picked up compared to a year ago. These sectors will likely play a larger role in recovery, as many jobs in construction and leisure and hospitality will not likely return in the near term.
- ◆ **Looking Forward** - We expect downward price adjustments to continue for the balance of the year as the market continues on its course of seeking out a new equilibrium. However, vacancies returning to pre-recession levels will span well beyond 2011. Acquisitions through lender-involved transactions should provide opportunities for investors and keep prices well below the peak for several years.

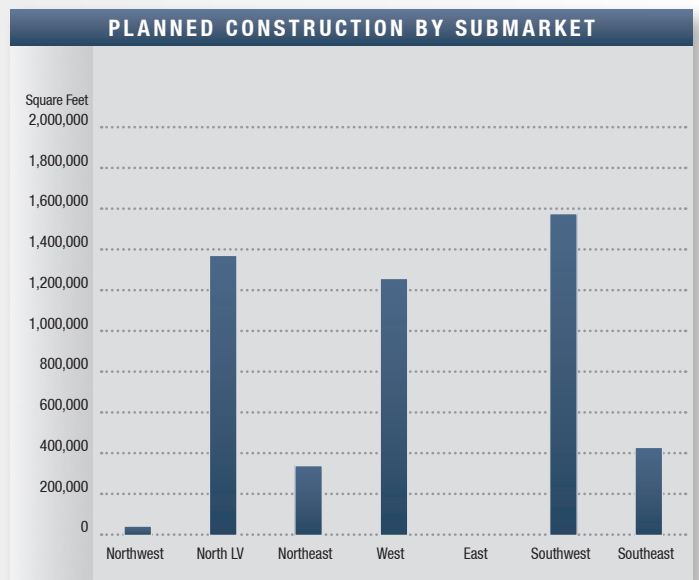
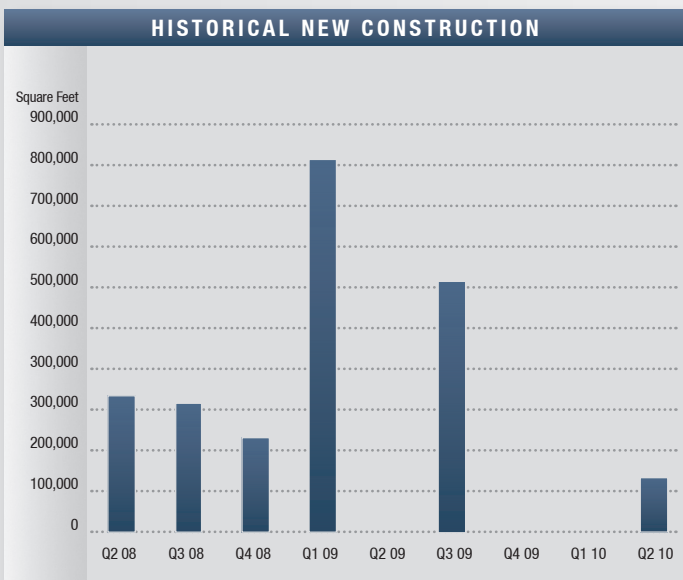
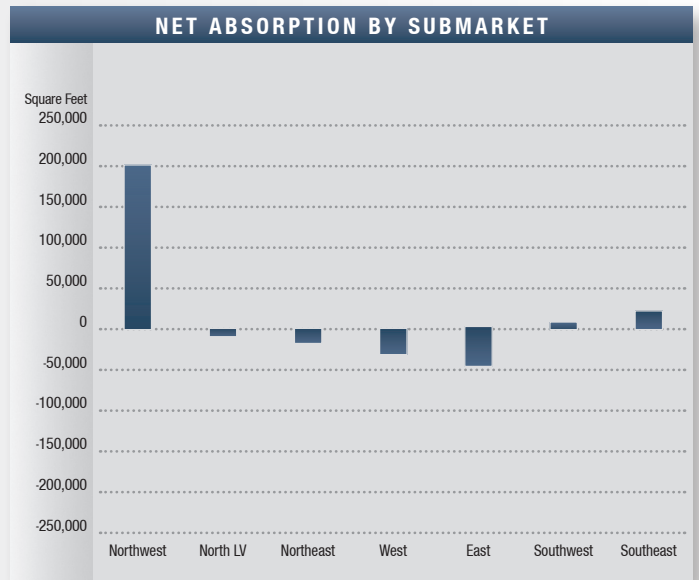
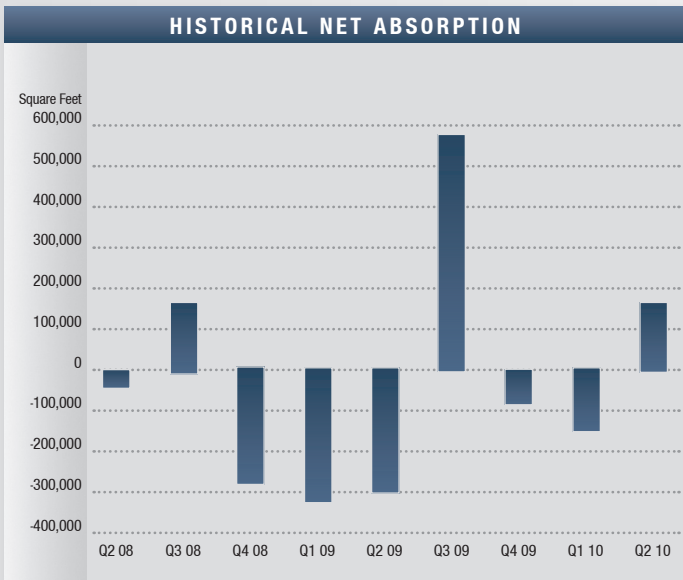
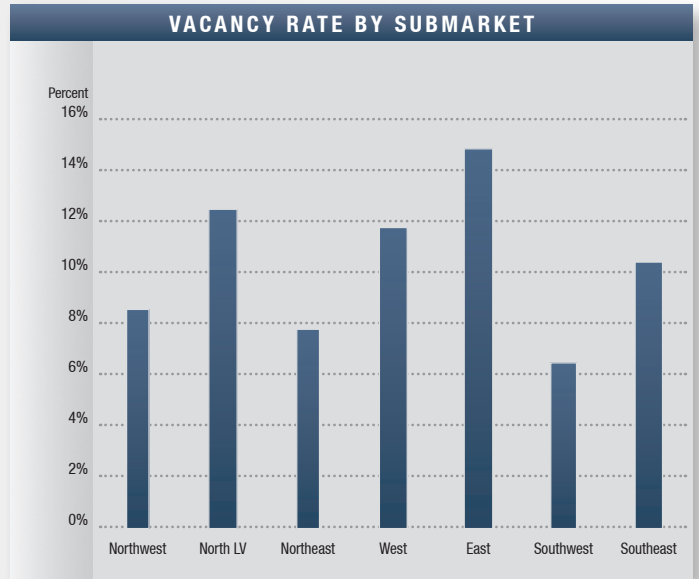
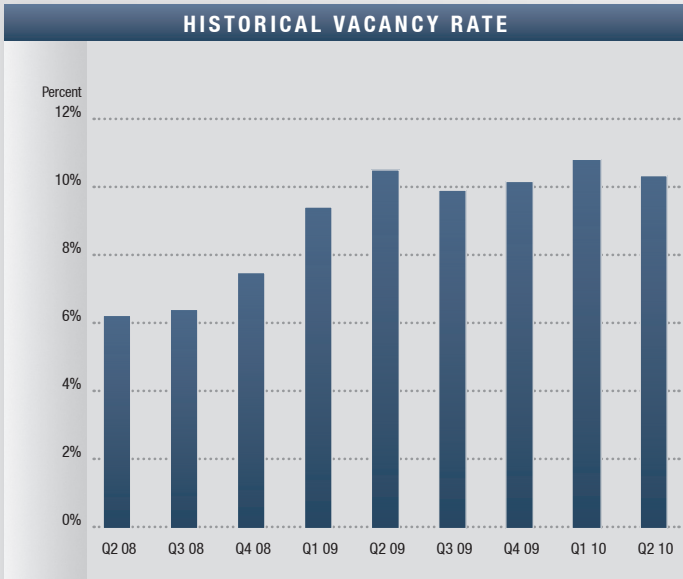
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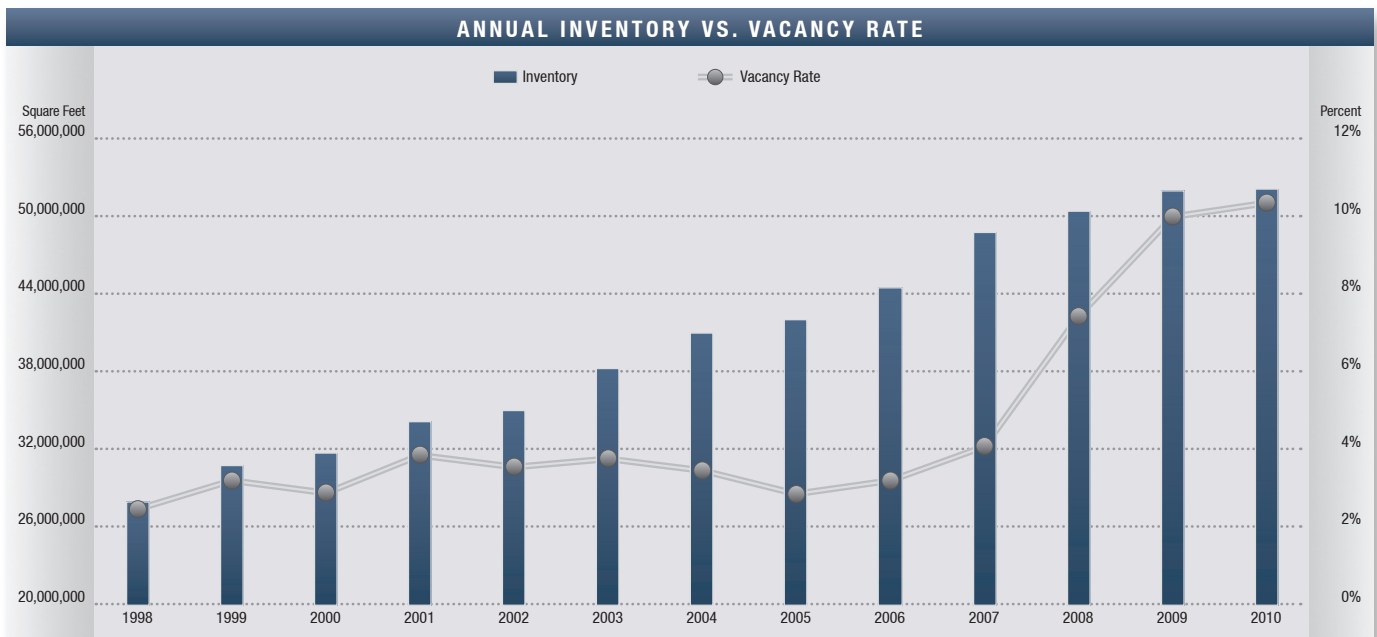
RETAIL MARKET OVERVIEW

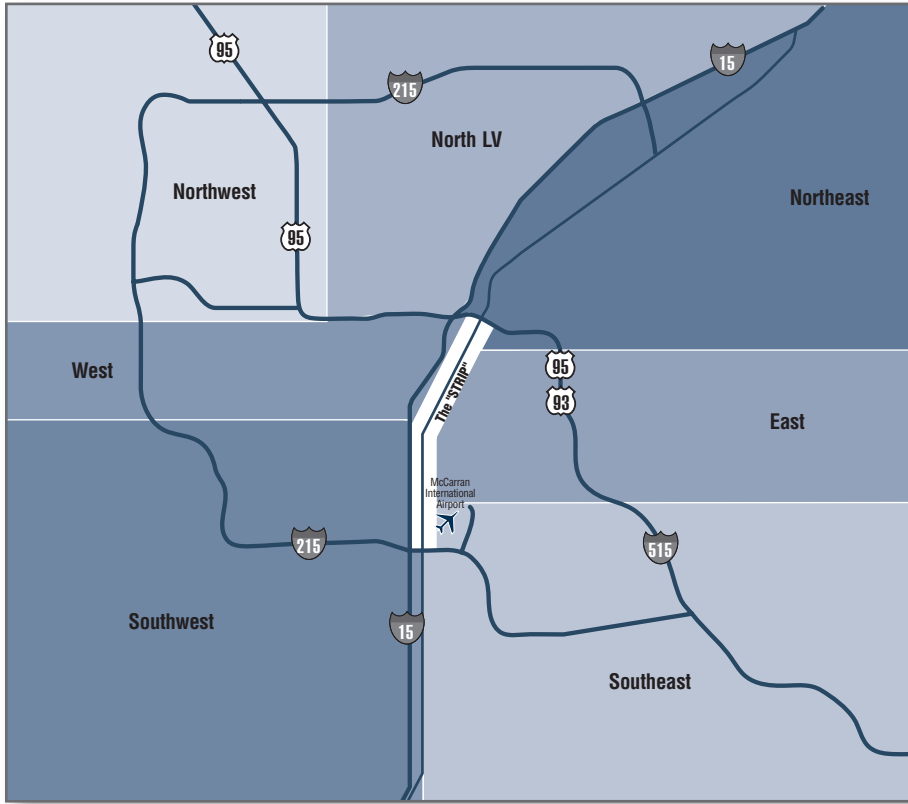
	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Under Construction	569,000	708,000	1,339,000	-57.51%
Planned Construction	5,051,000	6,727,000	10,411,000	-51.48%
Vacancy	10.4%	10.4%	10.2%	1.96%
Net Absorption	166,000	-168,200	-293,000	-156.66%



	INVENTORY				VACANCY RATES		ABSORPTION	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2010	Net Absorption 2Q2010	Net Inventory 2010
Northwest								
Power Centers	5	2,189,622	–	–	180,251	8.2%	43,927	–
Community Centers	7	1,074,436	118,800	–	127,780	11.9%	174,410	139,410
Neighborhood Centers	17	1,960,058	–	48,900	150,992	7.7%	(16,149)	–
Northwest Total	29	5,224,116	118,800	48,900	459,023	8.8%	202,188	139,410
North Las Vegas								
Power Centers	12	2,623,957	–	630,475	218,676	8.3%	11,260	–
Community Centers	11	1,508,952	–	582,666	123,009	8.2%	7,050	–
Neighborhood Centers	29	2,845,500	–	137,000	510,553	17.9%	(24,264)	–
North Las Vegas Total	52	6,978,409	–	1,350,141	852,238	12.2%	(5,954)	–
Northeast								
Power Centers	4	943,001	–	–	6,080	0.6%	–	–
Community Centers	7	1,054,911	–	351,328	41,949	4.0%	(12,030)	–
Neighborhood Centers	17	1,298,539	–	0	206,970	15.9%	4,570	–
Northeast Total	28	3,296,451	–	351,328	254,999	7.7%	(7,460)	–
West								
Power Centers	11	3,079,229	–	1,200,000	133,182	4.3%	17,591	–
Community Centers	17	2,381,430	450,000	80,000	404,351	17.0%	(41,271)	–
Neighborhood Centers	22	2,540,122	–	–	417,322	16.4%	8,075	–
West Total	50	8,000,781	450,000	1,280,000	954,855	11.9%	(15,605)	–
East								
Power Centers	4	1,203,293	–	–	66,430	5.5%	(1,800)	–
Community Centers	11	1,864,470	–	–	353,725	19.0%	(34,420)	–
Neighborhood Centers	29	3,143,708	–	–	507,168	16.1%	(12,569)	–
East Total	44	6,211,471	–	–	927,323	14.9%	(48,789)	–
Southwest								
Power Centers	13	5,112,799	–	223,156	226,692	4.4%	17,600	–
Community Centers	8	786,101	–	850,972	63,421	8.1%	(2,140)	–
Neighborhood Centers	33	3,409,656	–	506,000	306,158	9.0%	(1,847)	–
Southwest Total	54	9,308,556	–	1,580,128	596,271	6.4%	13,613	–
Southeast								
Power Centers	10	3,851,585	–	175,037	402,421	10.4%	12,916	–
Community Centers	23	4,367,897	–	53,000	390,626	8.9%	330	–
Neighborhood Centers	45	4,639,847	–	212,680	533,299	11.5%	14,363	–
Southeast Total	78	12,859,329	–	440,717	1,326,346	10.3%	27,609	–
Las Vegas Total								
Power Centers	59	19,003,486	–	2,228,668	1,233,732	6.5%	101,494	–
Community Centers	84	13,038,197	568,800	1,917,966	1,504,861	11.5%	91,929	139,410
Neighborhood Centers	192	19,837,430	–	904,580	2,632,462	13.3%	(27,821)	–
Total	335	51,879,113	568,800	5,051,214	5,371,055	10.4%	165,602	139,410

Note: Planned inventory includes projects that previously commenced construction but are not actively underway.





PRODUCT TYPE

POWER CENTER

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

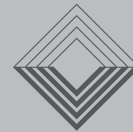
COMMUNITY CENTERS

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

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