

MARKETBEAT

LAS VEGAS RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q 2011

ECONOMIC OVERVIEW

Retail sales showed a better than expected year over year 5.1 % growth during third quarter, according to the Commerce Department data. Consumers, although still cautious, enjoyed the deep discounts during “back to school” shopping sale season. Retailers are optimistic that they will continue to see market share growth as they head toward the holiday selling season. The Commerce Department also reported a growth in gross domestic product, which helped ease some fears of the economy dipping into another recession. “Clearly today's GDP report is indicative of an economy that is extracting itself from a temporary soft patch, and not one that is rolling into another recession,” Phil Orlando, chief equity strategist with Federated Investors, said.

Nevada also continues to show signs of a stabilizing market. Tourism has increased, visitor volume is up and conventions are steady. We should not see any more major jumps in the labor market like we have seen in the past few years. We may however, still see a wave effect of job growth quarter by quarter, for the next few years. The market may see job growth one quarter and then losses the next quarter, but no big jumps. The Department of Employment, Training and Rehabilitation (DETR) reported that “Through the first five months of 2011, job levels in Nevada are essentially unchanged from the same period in 2010, down by just 0.1 percent. To put that in perspective, at the height of the recession in Nevada, in 2009, job losses came in at 9.1%. These results are certainly consistent with the “stable” theme evident in many of our recent assessments of Nevada’s labor market.”

BEAT ON THE STREET

“We are optimistic that the bottom is near and compared to last year, vacancy is not rising and lease rates are not falling as fast or as far as we were witnessing. The retail specialty, however, will still need to be cautious, as the Las Vegas economy as a whole continues to be impacted by high unemployment rates and cautious consumer activity, causing vacancies to remain elevated”.

—Las Vegas Retail Team

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	2.9%	2.7%	4.2%
CPI Growth	1.6%	3.0%	1.9%
Consumer Spending Growth	1.7%	2.7%	3.6%
Retail Sales	6.4%	8.1%	5.9%

REGIONAL

Household Income	\$54,445	\$55,761	\$56,990
Population	1,975,390	1,992,620	2,026,990
Unemployment	15.2%	12.9%	13.3%

Source: Moody's | Economy.com

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Winterwood Pavilion	Planet Fitness	20,192
Galleria Pavilion	Seasonal Magic LLC	10,018
Cameron Corners	88 View LLC	6,580

KEY INVESTMENT TRANSACTIONS

PROPERTY	BUYER	SQUARE FEET
3700 Maryland Pkwy	Boulevard Anchor LLC	200,000
3771 S Las Vegas Blvd	Walton Unilev Showcase	95,324
385 Centennial Pkwy	Jerry & Deeann Gabel	38,508

PRIME RETAIL RENTS – 3Q11

LOCATION	RENT SQ.FT/YR	% GROWTH (PA COMPOUND) 5 YEARS	1 YEAR	SHORT TERM TREND
Central East	\$17.28	-9.0%	-5.3%	Down
Central West	\$15.72	-9.4%	4.8%	Up
East	\$14.52	-7.4%	-15.4%	Down
Green Valley	\$18.48	-9.8%	5.5%	Down
Henderson	\$19.68	-4.8%	-14.6%	Down
Nellis	\$16.44	-9.1%	-6.8%	Up
North Las Vegas	\$18.00	-9.8%	-7.4%	Up
Northwest	\$18.48	-13.3%	-12.5%	Down
Southwest	\$19.44	-11.6%	-4.7%	Down
Summerlin	\$21.48	-0.5%	-4.8%	Down

RETAIL MARKET OVERVIEW

By end of the quarter the Las Vegas retail market had approximately 8.28 million square feet of vacant product, which equates to a 14.6% vacancy factor. Above-average vacancies were noted in the Henderson (24.0%), East (21.2%), and Central East (15.4%) submarkets. Central West at 13.1% and Nellis at 11.5% posted the lowest vacancy rates. By product type Strip Centers (21.6%) and Community Centers (13.7%) retail buildings posted the highest vacancies at the end of the quarter. Net absorption, the measure of space leased from one reporting period to the next, for the third quarter returned to a positive number again, at 16,603 sf. The Summerlin submarket showed the greatest amount of positive absorption, with over 76,106 sf.

Average asking rents showed no change at \$1.50 per square foot (psf/mo) NNN during third quarter 2011. This is the lowest asking lease rate that we have seen since 2003 when the rate was \$1.23 psf/mo NNN.

OUTLOOK

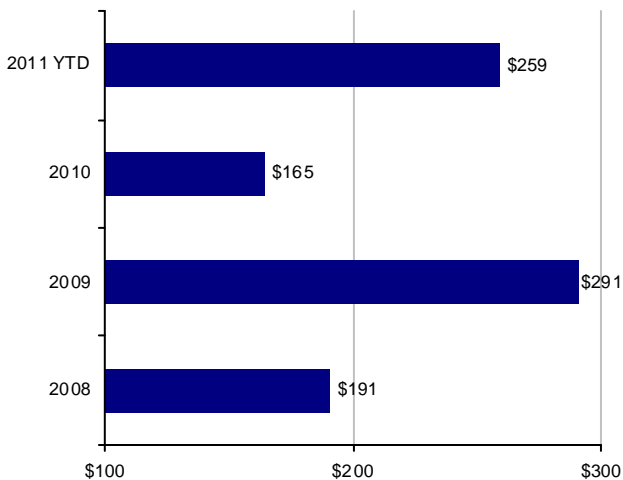
The retail specialty is still cautious as the Las Vegas economy as a whole still continues to be impacted by high unemployment rates and cautious consumer activity, causing vacancies to remain elevated. We are optimistic that the bottom is near and compared to last year, vacancy is not rising and lease rates are not falling as

fast or as far as we were witnessing. Building sales are expected to continue to grow and there has not been a better time to invest in the Las Vegas market at sales prices remain at low levels. This growth in sales will also continue to put a downward pressure to keep lease rates low.

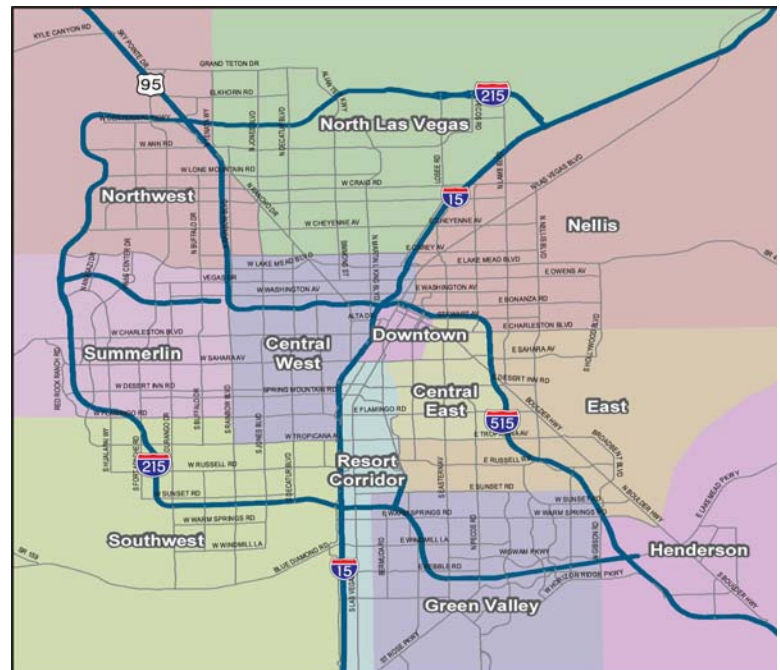
We will be keeping a close eye on a few retailer trends over the next few years. On major trend is the death of “big box space”. According to a Wall Street Journal report, “Many (retail) chains are concluding that their future lies in more intimate stores.” With the growth of on-line sales many retailers are downsizing to stores as small as your local Walgreens. Big Box creator Wal-Mart is looking at locations smaller than 40,000 sf and will open its first Wal-Mart Express store later this year. The smaller store size will also be options for Home Depot, Best Buy, Gap, Staples and Office Depot. To be more profitable these retailers are looking for any way to lease out extra space, fill unused space with new products and even sell off unused land.

Another trend that is to be watch for in the coming years is the trend of turning vacant retail space into medical uses. With Retail locations offering ideal parking, good visibility and signage, and shopping centers now at a much more affordable rate, it could be a great option for medical office users. The medical profession is expected to see large growth as a result from the expected changes that the Health Care reform bill will be making.

INVESTMENT SALES PRICE PER YEAR



Source: Costar



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

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Commerce Real Estate Solutions
Las Vegas Retail Market Report Q3 2011

	Inventory		Vacancy		Demand & Supply			Pricing			1Q10	2Q10	3Q10	4Q10	Total	1Q10	2Q10	3Q10	4Q10	Total
	No. of	Existing	Vacancy		Net	Gross	New	Asking Rent (NNN)			Net	Net	Net	Net	Net	Gross	Gross	Gross	Gross	Gross
	Bldgs.	SF	SF	Rate	Absorption	Spaced	Supply	Low	High	Weighted Avg.	Absorption	Absorption	Absorption	Absorption	Absorption	Spaced	Spaced	Spaced	Spaced	Spaced
Central East																				
Community Centers	19	3,395,056	500,323	14.74%	55,393	85,444	-	\$0.50	\$3.00	\$1.46	(64,034)	(143,237)	55,393	-	(151,878)	16,700	10,639	85,444	-	112,783
Freestanding	6	238,583	19,800	8.30%	-	-	-	-	-	-	-	(19,800)	-	-	(19,800)	-	-	-	-	-
Neighborhood Centers	5	450,421	27,790	6.17%	3,300	3,300	-	\$0.90	\$3.75	\$1.57	14,605	(900)	3,300	-	17,005	14,605	-	3,300	-	17,905
Anchorless Strip	44	1,656,243	337,653	20.39%	(24,361)	10,909	-	\$0.50	\$2.85	\$1.28	(3,398)	(28,676)	(24,361)	-	(56,435)	20,099	9,799	10,909	-	40,807
Total	74	5,740,303	885,566	15.43%	34,332	99,653	-	\$0.50	\$3.75	\$1.44	(52,827)	(192,613)	34,332	-	(211,108)	51,404	20,438	99,653	-	171,495
Central West																				
Community Centers	29	4,703,263	664,828	14.14%	(20,094)	18,042	-	\$0.50	\$3.23	\$1.31	5,349	(6,711)	(20,094)	-	(21,456)	22,089	46,766	18,042	-	86,897
Freestanding	6	512,437	1,200	0.23%	-	-	-	\$0.65	\$1.60	\$1.42	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	16	1,239,891	170,770	13.77%	(5,399)	8,728	-	\$0.75	\$2.50	\$1.39	(41,319)	(7,664)	(5,399)	-	(54,382)	36,116	900	8,728	-	45,744
Anchorless Strip	44	1,555,691	211,151	13.57%	(5,615)	8,677	-	\$0.50	\$2.50	\$1.10	11,109	(1,056)	(5,615)	-	4,438	27,146	10,850	8,677	-	46,673
Total	95	8,011,282	1,047,949	13.08%	(31,108)	35,447	-	\$0.50	\$3.23	\$1.31	(24,861)	(15,431)	(31,108)	-	(71,400)	85,351	58,516	35,447	-	179,314
East																				
Community Centers	16	2,943,238	644,644	21.90%	(26,310)	34,754	-	\$0.50	\$3.50	\$1.36	(315)	(182,405)	(26,310)	-	(209,030)	1,280	33,075	34,754	-	69,109
Freestanding	3	113,234	28,288	24.98%	-	-	-	\$0.83	\$1.63	\$1.27	-	27,962	-	-	27,962	-	27,962	-	-	27,962
Neighborhood Centers	3	241,947	15,848	6.55%	(958)	-	-	\$1.10	\$1.50	\$0.92	(7,450)	-	(958)	-	(8,408)	-	-	-	-	-
Anchorless Strip	15	402,632	94,808	23.55%	(2,536)	2,750	-	\$0.60	\$2.00	\$1.27	13,101	(32,876)	(2,536)	-	(22,311)	14,756	7,564	2,750	-	25,070
Total	37	3,701,051	783,588	21.17%	(29,804)	37,504	-	\$0.50	\$3.50	\$1.21	5,336	(187,319)	(29,804)	-	(211,787)	16,036	68,601	37,504	-	122,141
Green Valley																				
Community Centers	33	7,422,044	969,241	13.06%	5,302	44,739	-	\$0.90	\$3.00	\$1.74	(68,968)	(201,310)	5,302	-	(264,976)	41,482	44,665	44,739	-	130,886
Freestanding	3	263,856	-	0.00%	-	-	-	-	-	-	-	26,974	-	26,974	-	26,974	-	-	-	26,974
Neighborhood Centers	23	2,152,444	417,689	19.41%	(16,001)	1,706	-	\$0.50	\$2.50	\$1.53	(57,712)	(23,427)	(16,001)	-	(97,140)	16,528	18,780	1,706	-	37,014
Anchorless Strip	33	820,772	205,432	25.03%	(22,138)	9,232	-	\$0.75	\$2.65	\$1.35	10,912	31,682	(22,138)	-	20,456	39,998	43,265	9,232	-	92,495
Total	92	10,659,116	1,592,362	14.94%	(32,837)	55,677	-	\$0.50	\$3.00	\$1.54	(115,768)	(166,081)	(32,837)	-	(314,686)	98,008	133,684	55,677	-	287,369
Henderson																				
Community Centers	10	1,954,454	502,705	25.72%	1,135	1,135	-	\$0.50	\$4.00	\$1.69	(5,958)	(27,077)	1,135	-	(31,900)	480	16,265	1,135	-	17,880
Freestanding	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	3	295,539	7,549	2.55%	495	495	-	\$1.00	\$2.00	\$1.56	2,418	(4,420)	495	-	(1,507)	2,418	-	495	-	2,913
Anchorless Strip	6	303,970	97,486	32.07%	-	-	-	\$0.50	\$3.25	\$1.67	11,812	4,400	-	-	16,212	16,200	4,400	-	-	20,600
Total	19	2,553,963	607,740	23.80%	1,630	1,630	-	\$0.50	\$4.00	\$1.64	8,272	(27,097)	1,630	-	(17,195)	19,098	20,665	1,630	-	41,393
Nellis																				
Community Centers	9	1,301,060	105,770	8.13%	12,698	18,833	-	\$0.42	\$2.50	\$1.12	(15,300)	(37,317)	12,698	-	(39,919)	1,500	6,558	18,833	-	26,891
Freestanding	2	100,340	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	11	934,396	130,697	13.99%	(117)	3,083	-	\$0.50	\$3.25	\$1.59	(1,720)	(148)	(117)	-	(1,985)	3,320	2,935	3,083	-	9,338
Anchorless Strip	17	563,582	98,528	17.48%	(2,833)	1,200	-	\$0.85	\$3.50	\$1.39	(10,364)	8,378	(2,833)	-	(4,819)	9,714	13,288	1,200	-	24,202
Total	39	2,899,378	334,995	11.55%	9,748	23,116	-	\$0.42	\$3.50	\$1.37	(27,384)	(29,087)	9,748	-	(46,723)	14,534	22,781	23,116	-	60,431
North Las Vegas																				
Community Centers	24	4,643,509	505,332	10.88%	3,498	8,244	-	\$0.50	\$3.00	\$1.81	(76,758)	21,734	3,498	-	(51,526)	17,053	23,534	8,244	-	48,831
Freestanding	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	17	1,463,304	172,775	11.81%	4,507	5,820	-	\$0.85	\$2.75	\$1.46	24,144	37,034	4,507	-	65,685	33,972	47,526	5,820	-	87,318
Anchorless Strip	15	523,737	199,124	38.02%	1,043	9,943	-	\$0.49	\$2.33	\$1.24	389	(6,836)	1,043	-	(5,404)	10,090	4,778	9,943	-	24,811
Total	56	6,630,550	877,231	13.23%	9,048	24,007	-	\$0.49	\$3.00	\$1.50	(52,225)	51,932	9,048	-	(8,755)	61,115	75,838	24,007	-	160,960
Northwest																				
Community Centers	17	3,676,439	391,351	10.64%	29,325	60,534	-	\$0.81	\$3.00	\$1.74	149	(23,903)	29,325	-	5,571	21,698	23,208	60,534	-	105,440
Freestanding	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	18	701,198	173,763	24.78%	(10,215)	1,380	-	\$0.50	\$2.65	\$1.58	(9,432)	22,219	(10,215)	-	2,572	1,870	23,817	1,380	-	27,067
Anchorless Strip	10	325,070	93,269	28.69%	(3,600)	-	-	\$0.99	\$2.25	\$1.31	2,887	(517)	(3,600)	-	(1,230)	18,643	6,480	-	-	25,123
Total	45	4,702,707	658,383	14.00%	15,510	61,914	-	\$0.50	\$3.00	\$1.54	(6,396)	(2,201)	15,510	-	6,913	42,211	53,505	61,914	-	157,630
Southwest																				
Community Centers	15	4,217,099	469,934	11.14%	(10,839)	-	-	\$0.63	\$3.15	\$1.75	30,026	72,756	(10,839)	-	91,943	138,213	89,776	-	-	227,989
Freestanding	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	10	980,368	67,222	6.86%	(2,707)	-	-	\$1.10	\$2.75	\$1.63	235	621	(2,707)	-	(1,851)	235	3,621	-	-	3,856
Anchorless Strip	51	1,615,379	378,265	23.42%	(22,476)	4,350	-	\$0.50	\$4.25	\$1.47	6,971	(68,088)	(22,476)	-	(83,593)	18,921	36,209	4,350	-	59,480
Total	76	6,812,846	915,421	13.44%	(36,022)	4,350	-	\$0.50	\$4.25	\$1.62	37,232	5,289	(36,022)	-	6,499	157,369	129,606	4,350	-	291,325
Summerlin																				
Community Centers	19	3,875,652	472,349	12.19%	83,168	93,768	-	\$0.75	\$3.50	\$2.00	(9,829)	103,200	83,168	-	176,539	3,856	155,135	93,768	-	252,759
Freestanding	-	-	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neighborhood Centers	8	577,211	17,817	3.09%	-	-	-	\$0.80	\$3.25	\$1.80	-	(125)	-	(125)	-	-	3,687	-	-	3,687
Anchorless Strip	18	591,085	90,007	15.23%	(7,062)	-	-	\$1.00	\$2.72	\$1.58	17,214	21,272	(7,062)	-	31,424	18,338	30,058	-	-	48,396
Total	45	5,043,948	580,173	11.50%	76,106	93,768	-	\$0.75	\$3.50	\$1.79	7,385	124,347	76,106	-	207,838	22,194	188,880	93,768	-	304,842
Las Vegas Total																				
Community Centers	191	38,131,814	5,226,477	13.71%	133,276	365,493	-	\$0.42	\$4.00	\$1.60	(205,638)	(424,270)	133,276	-	(496,632)	264,351				