



LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT



Retail Back on Track

After two quarters of net absorption dipping into negative territory, the retail market turned around in the second quarter of 2014 and posted 200,995 square feet of net absorption. This was approximately double the net absorption recorded in the second quarter of 2013. New completions totaled only 30,318 square feet in the second quarter. As a result, retail vacancy decreased to 9.1 percent, one percentage point higher than one year ago. The weighted average asking rental rate decreased again, reaching \$1.30 per square foot (psf) on a triple net (NNN) basis, \$0.04 lower than one year ago.

According to the Nevada Department of Employment, Training & Rehabilitation, retail employment in the Las Vegas MSA increased between April 2013 and April 2014 from 96,700 to 102,500 retail employees, an increase of 5,800. Food and beverage stores added 800 jobs over the past twelve months, while general merchandise and clothing stores added 1,200 jobs and health and personal care stores added 100 jobs. Unemployment in the Las Vegas-Paradise MSA stood at 7.4 percent as of April 2014, down from 9.9 percent in April 2013. Since April 2013, total employment in Southern Nevada has increased by 16,800 jobs.

Clark County's taxable retail sales in the first quarter of 2014 totaled \$2.11 billion, better than the \$1.93 billion of taxable retail sales recorded in the first quarter of 2013. The largest increases in taxable sales in the first quarter of 2014 compared to the first quarter of 2013 were in miscellaneous retail stores (63.4 percent increase), eating and drinking places (10.5 percent increase) and health and personal care stores (6.6 percent increase). Taxable sales fell in clothing and accessory stores (2 percent), hobby and sports stores (4.2 percent) and electronics and appliances stores (11.9 percent).

The Sprouts at Green Valley Crossing was completed in the second quarter of 2014, adding approximately 30,000 square feet to total retail inventory. The remainder of 2014 should see 328,000 square feet completed in anchored suburban retail centers, and another 1.18 million square feet of other retail

MARKET INDICATORS

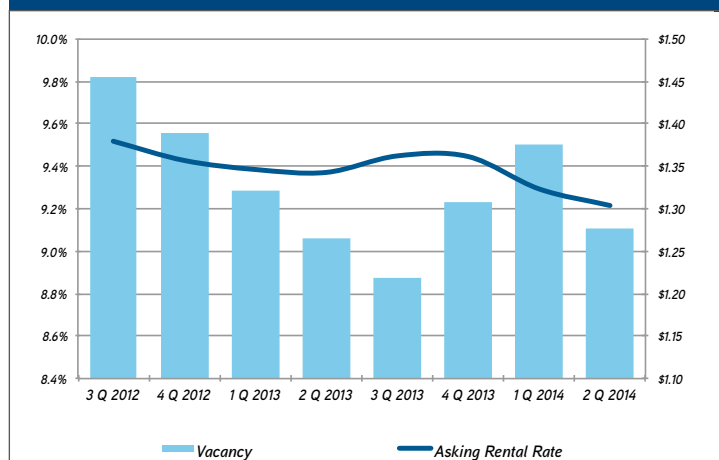
	Q2-14	Q3-14 PROJECTED
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↓

CLARK COUNTY ECONOMIC DATA

	CURRENT	YEAR AGO
Jobs (1000s) (APR. 2014)	871.4	845.9
Visitor Volume (2014 YTD)	13.6 MM	13.0 MM
Gaming Revenue (2014 YTD)	\$3.19 BB	\$3.28 BB
Taxable Sales (2013 YTD)	\$8.6 BB	\$7.9 BB
Commercial Occupancy (Q2)	87.9%	85.4%

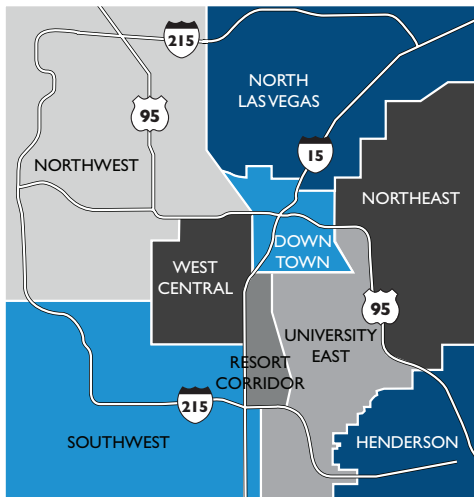
SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

HISTORICAL VACANCY RATES AND ASKING LEASE RATES



"When retail's fortunes began to turn downward two quarters ago, we said that it was likely a temporary condition brought about by the normal business cycle. It looks as though we were correct ..."

John M. Stater
Colliers, Research & GIS Manager



projects, including 875,000 square feet at the Downtown Summerlin regional center.

Gross absorption of retail product decreased in 2013, dropping to 2.1 million square feet from 2012's 2.3 million square feet. In the first half of 2014, gross absorption totaled 1,051,178 square feet, putting it on pace to equal 2013's total. Despite gross absorption being lower in 2013 and 2014 than in 2012, net absorption has been higher. This suggests that fewer of Southern Nevada's retailers are now downsizing or closing their doors.

Retail vacancy in Southern Nevada was on the decline for nine consecutive quarters before it increased in the fourth quarter of 2013 to 9.2 percent. Vacancy increased again last quarter, reaching 9.5 percent, the highest vacancy rate since the fourth quarter of 2012. Fortunately, demand for retail space increased in the second quarter of 2014, bringing retail vacancy back down to 9.1 percent. Given the imminent completion of over 300,000 square feet of new retail product in Southern Nevada, this increase in demand is reassuring. From 2001 to 2014, retail vacancy averaged 6.6 percent, giving the market 2.5 percentage points to go before reaching the long-term average vacancy. At the current rate of net absorption, it could take the market just over three years to get to this long-term average.

high vacancy submarkets are among the older retail submarkets in Southern Nevada, with properties averaging 36 years old in Downtown, 25 years old in University East and 28 years old in West Central. Downtown and West Central are also the smallest submarkets in the Valley in terms of population, and both are projected to lose population over the next five years. The Northwest submarket, the Valley's most populous submarket and among its most affluent, enjoyed the honor of the Valley's lowest vacancy rate at 5.9 percent, followed closely by Southwest at 7.4 percent. Downtown, Northeast, Northwest, University East and West Central experienced decreases in vacancy this quarter, while Henderson and Southwest saw vacancy increase, while vacancy remained the same in North Las Vegas.

The average asking rental rate for retail space in Southern Nevada stood at \$1.30 per square foot (psf) on a Triple-Net basis (NNN). This was lower than last quarter, lower than one year ago, and the lowest average asking rental rate since the fourth quarter of 2005. Average asking rents decreased in Henderson, North Las Vegas, Northwest, University East and West Central, and increased in Downtown and Southwest. On a quarter-over-quarter basis, power center and community center asking rates decreased, while asking rents in neighborhood centers increased by \$0.01.

Among submarkets, the Valley's highest vacancy this quarter was 15.5 percent in Downtown, followed by 12.6 percent in University East and 12.2 percent in West Central. All three of these

Shopping center investment sales to date in 2014 totaled 732,844 square feet in fifteen centers, with total sales volume of \$94.2 million. This resulted in an average price per square foot of \$128.51.

MARKET SUMMARY

	Q2-14	Q1-14	Q2-13
Vacancy Rate	9.1%	9.5%	8.1%
Asking Rent (PSF, NNN)	\$1.30	\$1.32	\$1.34
Net Absorption (SF)	200,995	-118,591	100,229
New Completions (SF)	30,318	0	0

LEASE & SALES ACTIVITY

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	LEASE TERM	SIZE SF	LEASE RATE	TYPE
Windmill Pkwy	April 2014	60 months	10,000 SF	\$0.91 NNN	Freestanding
Decatur Retail Center	April 2014	36 months	5,000 SF	\$0.78 NNN	Strip Retail
Sahara Pavilion South	May 2014	60 months	4,000 SF	\$0.85 NNN	Community Center
Sahara Hart Plaza	May 2014	6 months	3,000 SF	\$1.15 NNN	Strip Retail
Cheyenne Commons	April 2014	48 months	2,000 SF	\$0.73 NNN	Power Center

SALES ACTIVITY

PROPERTY ADDRESS	SALE DATE	SALE PRICE	SIZE SF	PRICE/SF	TYPE
Southwest Marketplace	May 2014	\$30,400,000	111,000 SF	\$273	Neighborhood Center
Spring Valley Town Center	April 2014	\$11,500,000	60,000 SF	\$191	Neighborhood Center
Seven Hills Drive	April 2014	\$5,950,000	26,000 SF	\$225	Strip Retail
Eastern Avenue	May 2014	\$5,335,000	14,000 SF	\$384	Freestanding
Simmons Street	April 2014	\$3,000,000	11,000 SF	\$262	Strip Retail

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																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	5	687,377	125,617	18.3%	-	0.0%	125,617	18.3%	20.4%	14,523	6,338	-	-	-	-	\$1.16
NC	5	518,070	61,020	11.8%	-	0.0%	61,020	11.8%	11.8%	-	(61,020)	-	-	-	-	\$0.45
Total	10	1,205,447	186,637	15.5%	-	0.0%	186,637	15.5%	16.7%	14,523	(54,682)	-	-	-	-	\$0.93
HENDERSON																
PC	8	2,896,215	288,451	10.0%	-	0.0%	288,451	10.0%	8.4%	(44,868)	(47,458)	-	-	-	-	\$1.51
CC	20	2,879,313	237,702	8.3%	-	0.0%	237,702	8.3%	8.7%	39,943	39,597	30,318	30,318	-	15,159	\$1.17
NC	26	2,899,816	278,711	9.6%	17,980	0.6%	296,691	10.2%	11.2%	26,731	11,869	-	-	-	-	\$1.42
Total	54	8,675,344	804,864	9.3%	17,980	0.2%	822,844	9.5%	9.4%	21,806	4,008	30,318	30,318	-	15,159	\$1.38
NORTH LAS VEGAS																
PC	2	832,000	25,256	3.0%	-	0.0%	25,256	3.0%	3.0%	-	-	-	-	-	-	\$1.09
CC	13	2,383,939	238,233	10.0%	73,755	3.1%	311,988	13.1%	11.3%	(24,458)	(22,384)	-	-	-	-	\$1.39
NC	16	1,806,524	165,498	9.2%	2,687	0.1%	168,185	9.3%	10.6%	22,450	27,507	-	-	-	-	\$1.32
Total	31	5,022,463	428,987	8.5%	76,442	1.5%	505,429	10.1%	9.7%	(2,008)	5,123	-	-	-	-	\$1.35
NORTHEAST																
PC	-	-	-	n/a	-	n/a	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	7	1,281,026	170,283	13.3%	18,614	1.5%	188,897	14.7%	15.5%	9,211	11,511	-	-	-	-	\$1.04
NC	15	1,306,795	105,351	8.1%	18,614	1.4%	123,965	9.5%	13.3%	6,300	38,985	-	-	-	-	\$1.12
Total	22	2,587,821	275,634	10.7%	37,228	1.4%	312,862	12.1%	14.4%	15,511	50,496	-	-	-	-	\$1.07
NORTHWEST																
PC	8	3,148,691	123,112	n/a	1,000	n/a	124,112	3.9%	3.9%	(1,430)	(11,222)	-	-	312,995	-	\$1.38
CC	19	3,978,890	196,879	4.9%	-	0.0%	196,879	4.9%	5.5%	21,920	272	-	-	-	152,000	\$1.73
NC	30	3,633,796	311,589	8.6%	109,491	3.0%	421,080	11.6%	13.6%	32,165	68,810	-	-	-	-	\$1.47
Total	57	10,761,377	631,580	5.9%	110,491	1.0%	742,071	6.9%	7.8%	52,655	57,860	-	-	312,995	152,000	\$1.53
SOUTHWEST																
PC	1	944,314	36,901	3.9%	-	0.0%	36,901	3.9%	3.9%	-	7	-	-	-	-	\$1.88
CC	9	3,216,421	247,869	7.7%	6,378	0.2%	254,247	7.9%	6.6%	(34,362)	(11,309)	-	-	-	-	\$1.69
NC	13	1,623,100	140,464	8.7%	-	0.0%	140,464	8.7%	8.7%	520	(7,045)	-	-	-	-	\$1.70
Total	23	5,783,835	425,234	7.4%	6,378	0.1%	431,612	7.5%	6.8%	(33,842)	(18,347)	-	-	-	-	\$1.71
UNIVERSITY EAST																
PC	3	1,210,223	108,304	8.9%	-	0.0%	108,304	8.9%	10.4%	17,040	(34,793)	-	-	-	-	\$1.47
CC	18	2,760,749	475,715	17.2%	-	0.0%	475,715	17.2%	17.9%	17,978	18,119	-	-	-	-	\$0.93
NC	17	1,953,965	164,025	8.4%	-	0.0%	164,025	8.4%	9.0%	10,959	2,923	-	-	-	-	\$1.35
Total	38	5,924,937	748,044	12.6%	-	0.0%	748,044	12.6%	13.4%	45,977	(13,751)	-	-	-	-	\$1.10
WEST CENTRAL																
PC	3	1,138,224	212,771	18.7%	-	0.0%	212,771	18.7%	18.8%	1,172	2,969	-	-	-	-	\$1.18
CC	14	1,655,969	209,147	12.6%	-	0.0%	209,147	12.6%	14.6%	32,650	30,115	-	-	-	-	\$0.95
NC	18	1,746,530	131,119	7.5%	48,551	2.8%	179,670	10.3%	10.5%	52,551	18,613	-	-	-	-	\$1.24
Total	35	4,540,723	553,037	12.2%	48,551	1.1%	601,588	13.2%	14.1%	86,373	51,697	-	-	-	-	\$1.11
MARKET TOTAL																
PC	25	10,169,667	794,795	7.8%	1,000	0.0%	795,795	7.8%	7.5%	(28,086)	(90,497)	-	-	312,995	-	\$1.40
CC	105	18,843,684	1,901,445	10.1%	98,747	0.5%	2,000,192	10.6%	10.8%	77,405	72,259	30,318	30,318	-	167,159	\$1.23
NC	140	15,488,596	1,357,777	8.8%	197,323	1.3%	1,555,100	10.0%	11.3%	151,676	100,642	-	-	-	-	\$1.36
Total	270	44,501,947	4,054,017	9.1%	297,070	0.7%	4,351,087	9.8%	10.2%	200,995	82,404	30,318	30,318	312,995	167,159	\$1.30

QUARTERLY COMPARISON AND TOTALS

Q2-14	270	44,501,947	4,054,017	9.1%	297,070	0.7%	4,351,087	9.8%	10.2%	200,995	82,404	30,318	30,318	312,995	167,159	\$1.30
Q1-14	269	44,471,629	4,224,694	9.5%	311,103	0.7%	4,535,797	10.2%	9.9%	(118,591)	(118,591)	0	0	441,791	261,089	\$1.32
Q4-13	269	44,471,629	4,106,103	9.2%	311,103	0.7%	4,417,206	9.9%	9.7%	(150,974)	150,870	8,000	8,000	343,313	261,089	\$1.36
Q3-13	269	44,463,629	3,947,129	8.9%	377,214	0.8%	4,324,343	9.7%	9.9%	81,966	301,844	0	0	-	299,407	\$1.36
Q2-13	269	44,463,629	4,029,095	9.1%	379,559	0.9%	4,408,654	9.9%	10.2%	100,229	219,878	0	0	-	299,407	\$1.34
Q1-13	269	44,463,629	4,129,324	9.3%	404,892	0.9%	4,534,216	10.2%	10.5%	119,649	119,649	0	0	-	299,407	\$1.35
Q4-12	269	44,463,629	4,248,973	9.6%	404,892	0.9%	4,653,865	10.5%	10.7%	117,731	873,649	0	195,000	-	449,407	\$1.36
Q3-12	269	44,463,629	4,366,704	9.8%	381,846	0.9%	4,748,550	10.7%	11.4%	413,187	755,918	0	195,000	-	499,407	\$1.38

PC = Power Center

CC = Community Center

NC = Neighborhood Center

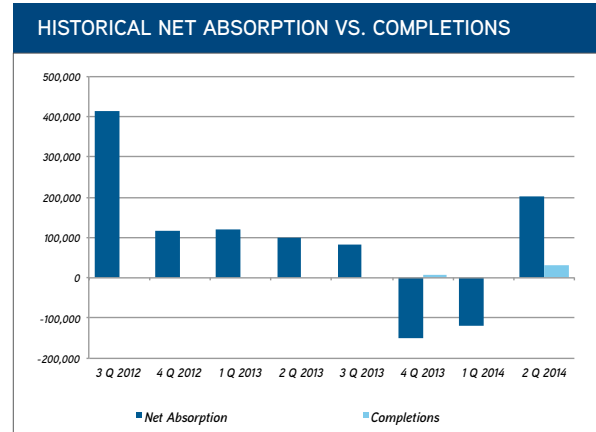
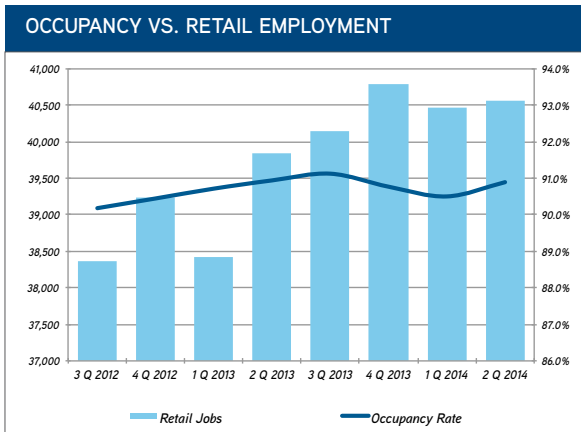
DEMOGRAPHICS

	Population (2014 estimate)	Projected Annual Population Growth (2014-2019)	Occupied Retail Space (Q2-14)	Occupied Retail Growth (Last 12 mo.)
DOWNTOWN	108,000	-0.1%	1,019,000	- 7.3%
HENDERSON	269,000	5.6%	7,870,000	-0.3%
NORTH LAS VEGAS	233,000	8.4%	4,593,000	-1.8%
NORTHEAST	247,000	4.6%	2,312,000	0.7%
NORTHWEST	462,000	5.6%	10,130,000	1.6%
SOUTHWEST	194,000	13.6%	5,359,000	0.2%
UNIVERSITY EAST	254,000	3.3%	5,177,000	-0.3%
WEST CENTRAL	139,000	-0.3%	3,988,000	0.8%

SALES ACTIVITY

SINGLE-TENANT RETAIL	2010	2011	2012	2013	2014 YTD
No. Sales	14	28	25	49	17
Square Footage Sold	238,000	825,000	319,000	868,000	150,000
Sales Volume	\$34.1 MM	\$62.9 MM	\$78.2 MM	\$146.0 MM	\$87.9 MM
Average Price/SF	\$143.33	\$76.23	\$244.81	\$168.23	\$585.03
Average Sale Size (SF)	17,000	30,000	13,000	18,000	9,000

SHOPPING CENTER RETAIL	2010	2011	2012	2013	2014 YTD
No. Sales	6	27	30	48	15
Square Footage Sold	206,000	2,393,000	1,781,000	3,892,000	733,000
Sales Volume	\$13.3 MM	\$282.7 MM	\$194.0 MM	\$378.4 MM	\$94.2 MM
Average Price/SF	\$64.39	\$118.11	\$108.90	\$97.21	\$128.51
Average Sale Size (SF)	34,000	88,000	59,000	81,000	49,000



“Despite gross absorption being lower in 2013 and 2014 than in 2012, net absorption has been higher. This suggests that fewer of Southern Nevada’s retailers are now downsizing or closing their doors.”

John M. Stater
Colliers, Research & GIS Manager

(Continued from page 2.)

The average sales price in 2013 was \$97.21. Distressed sales consisted of 438,556 square feet in six centers, with total sales volume of \$34.4 million square feet and an average price of \$78.46 per square foot. Non-distressed centers sold for an average of \$203.10 per square foot.

Single-tenant retail investment sales have totaled 150,310 square feet in seventeen buildings so far in 2014, with total sales volume of \$87.9 million. This resulted in an average price per square foot of \$585.03. The average sales price in 2013 was only \$168.23. Distressed sales consisted of 3,478 square feet in a single building, with a price of \$201.27 per square foot. Non-distressed centers sold for an average of \$512.24 per square foot.

Distressed retail space totaled 3.9 million square feet in the second quarter of 2014, down slightly from the 4.3 million square feet of distressed retail at the end of 2013.

Southern Nevada currently has 852,720 square feet of big-box space vacant (including vacant sublease space) in the marketplace, representing a vacancy rate of 4.5 percent at an average asking price of \$0.82 psf NNN. Shop space had a vacancy rate of 13.8 percent and an asking rate of \$1.36 psf NNN. While shop space had a higher vacancy rate than big-box in the second quarter of 2014, the big-box's hold 19.6 percent of all the vacant retail space in Southern Nevada's anchored centers. Net absorption (including vacant sublease space) in big-box space over the past quarter was 193,013 square feet. Shop space posted 22,015 square feet of net absorption over the same period.

Retailers slated to enter Southern Nevada or expand here include Sprouts, which is looking to open six new stores in the Valley, Wal-Mart, which has secured land in the Southwest submarket for a new center, Winco, Lifetime Fitness, Glaziers, PDQ Chicken, Moe's Southwest Grill, Dickey's BBQ, Conn's Appliances, Golden Corral, Pink Box Donuts, and Las Vegas Athletic Club. The recently purchased Fresh & Easy chain has announced two closures in Southern Nevada, and Blockbuster Video closed its remaining Southern Nevada locations in 2013. Staples has announced that it is closing 200 stores nationally, though to date we do not know if any Southern Nevada Staples locations will be closed. Radio Shack has announced that it is closing 1,100 stores, with one of those stores being located at the Galleria Mall in Henderson. Walgreens is closing one location at Tropicana and Durango in the Southwest submarket.

When retail's fortunes began to turn downward two quarters ago, we said that it was likely a temporary condition brought about by the normal business cycle. It looks as though we were correct, although we thought the downturn could last a bit longer than it actually did. Better retail taxable sales means more retail employment as retailers expand or enter the Southern Nevada market. This means more demand for retail space, and thus positive net absorption. Strong pre-leasing in projects now under construction and nearing completion should help continue this positive net absorption for the next two quarters, making 2014 another good year for retail in Southern Nevada. Plans to redevelop some existing retail centers will help take less desirable space off the market permanently, and thus also contribute to lower vacancy rates and a stronger market overall.

¹Includes properties that have received a notice of default and properties in different phases of the foreclosure process.

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GLOSSARY

RETAIL DEFINITIONS

- Community Center: Retail centers anchored by supermarkets, drug stores and discount department stores. Tenants include off-price retailers selling apparel, home improvements/furnishings, toys, electronics or sporting goods.
- Neighborhood Center: Retail centers anchored by supermarkets and drug stores. Neighborhood centers are intended for convenience shopping for day-to-day needs of consumers.
- Power Center: Retail centers dominated by several large anchors including discount department stores, off-price stores, warehouse clubs or “category killers”. Power centers generally inline space.

GENERAL DEFINITIONS

- Vacant SF: Space in a building that is unoccupied and offered for lease by the owner of the property.
- Sublease SF: Space in a building that is offered for sublease by the primary tenant. This space may or may not be occupied.
- Net Absorption: Difference in occupied square footage from one period to another.