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Las Vegas | Third Quarter 2013

Retail Market Report

Compared to the Previous Quarter:

Vacancy
DOWN

Net Absorption
POSITIVE

Lease Rates
DOWN

Construction
UP

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CORFAC International | APPLIED ANALYSIS

Market Highlights

- **Market Overview -** During the third quarter of 2013, the Las Vegas retail market witnessed positive absorption, primarily sourced to demand from anchor tenants. As a result, the retail vacancy rate declined to 9.6% in the third quarter of 2013, down 30 basis points (0.3 percentage points) from the prior quarter (Q2 2013) and 70 basis points (0.7 percentage points) from the previous year (Q3 2012).

- **Demand -** The retail sector witnessed approximately 182,000 square feet of net move–ins during the quarter. Goodwill leased the 31,600–square–foot former Ultimate Electronics in Rainbow Plaza power center, while Ross signed a deal for 31,800 square feet in Best on the Boulevard power center. Also Sprouts leased 25,400 square feet in Stephanie Street Power Center, while TJ Maxx will occupy the 25,000–square–foot former Borders Bookstore in Best in the West power center.

- **Inventory -** The third phase of Green Valley Crossing was the only anchored retail project to complete construction during the quarter. The 7,500–square–foot addition consisted of a Wahoo's Fish Taco and Pacific Dental. A modest 28,200 square feet of retail space was added to the market in 2013 thus far, all of which was sourced to additional phases to existing centers.

- **Future Supply -** Approximately 1.8 million square feet of anchored retail space remained under construction throughout the valley. Fleming's at Town Square (7,000 square feet), Tivoli Village Phase 2 (300,000 square feet), and the Shops at Summerlin (1.5 million square feet) continued to move forward. In addition, the 5,900–square–foot third phase of the Decatur and 215 power center and the 25,000–square–foot Sprouts in Green Valley Crossing reportedly broke ground during the period.

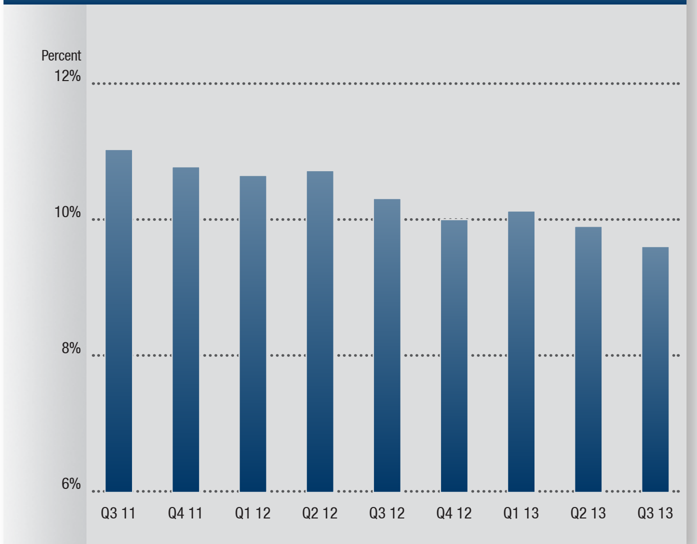
- **Economic Considerations -** The southern Nevada economy continued to show modest signs of improvement. In August 2013, employment increased by 22,200 jobs (+2.7%) when compared to the prior year, while the unemployment rate fell 1.8 percentage points to 9.6%. In addition, housing prices continued to report significant gains with the new and resale home prices up over 30% on an annual basis. However, the length and scope of the recent partial government shutdown provides an added layer of uncertainty for the national and local economies.

- **Looking Forward -** For the year ending July 2013 (latest available data), taxable retail sales in southern Nevada increased 4.8% with substantial gains witnessed in motor vehicle and parts dealers, building and garden equipment supply stores and electronics and appliance stores. As overall spending continues to outpace population growth and inflation, it appears that demand for existing retail product is returning. While the market is experiencing signs of increased stability, we remain cautiously optimistic that a sustainable pace of improvement is underway.

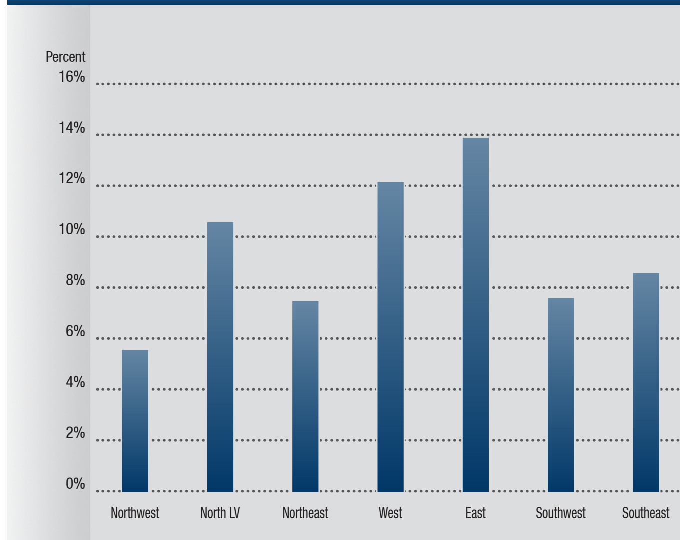
RETAIL MARKET OVERVIEW

	Q3 2013	Q2 2013	Q3 2012	Q3 2013 vs. Q3 2012
Under Construction	1,837,928	1,814,582	305,100	502.4%
Planned Construction	2,967,878	2,998,764	4,215,872	(29.6%)
Vacancy	9.6%	9.9%	10.3%	(0.7%)
Net Absorption	181,895	137,621	190,912	N/A

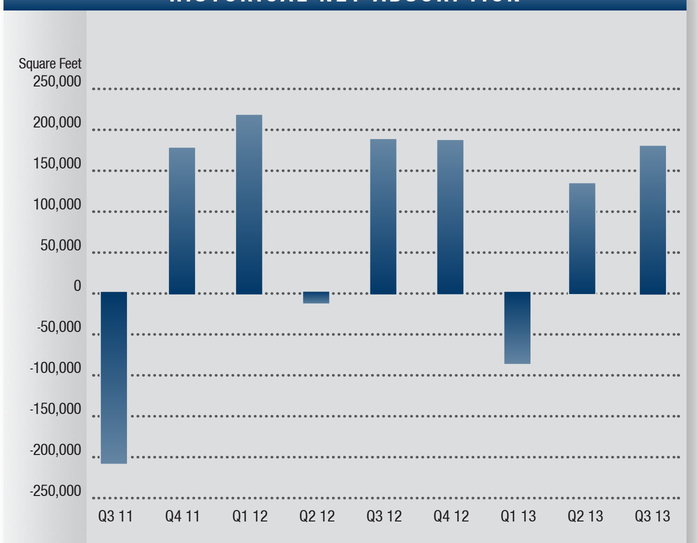
HISTORICAL VACANCY RATE



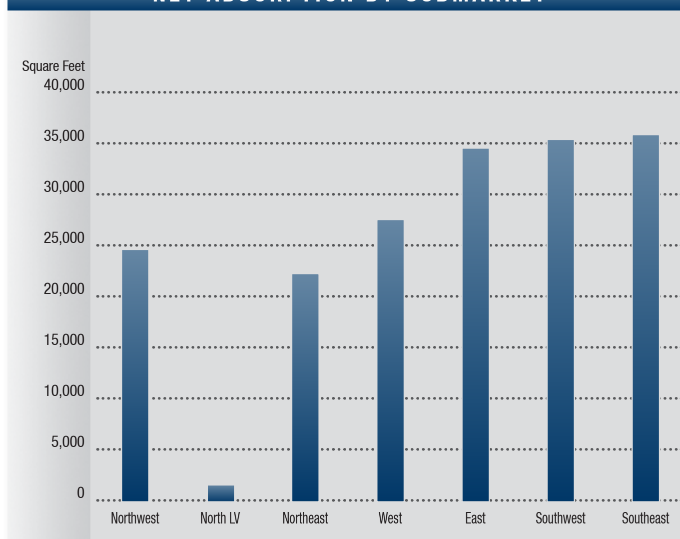
VACANCY RATE BY SUBMARKET



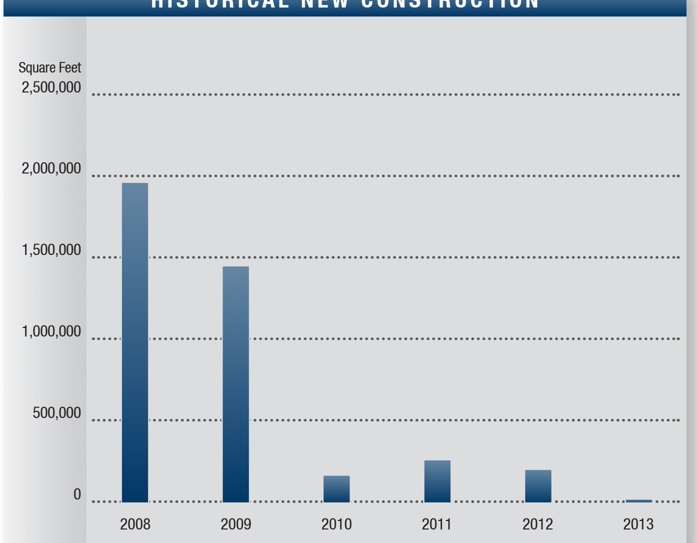
HISTORICAL NET ABSORPTION



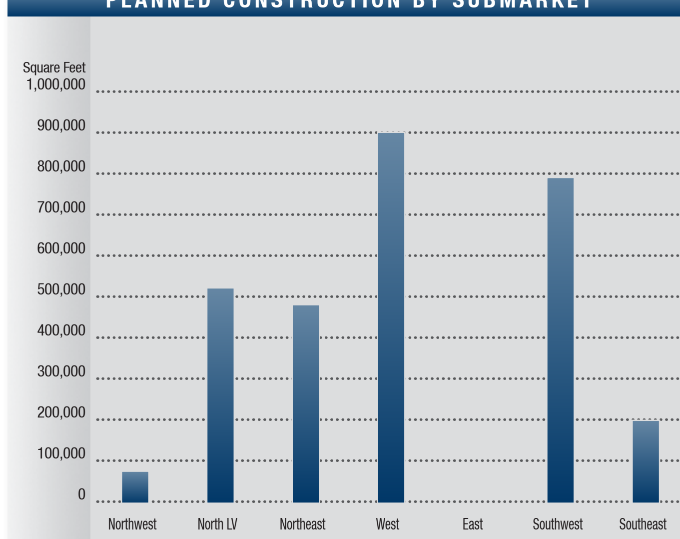
NET ABSORPTION BY SUBMARKET



HISTORICAL NEW CONSTRUCTION



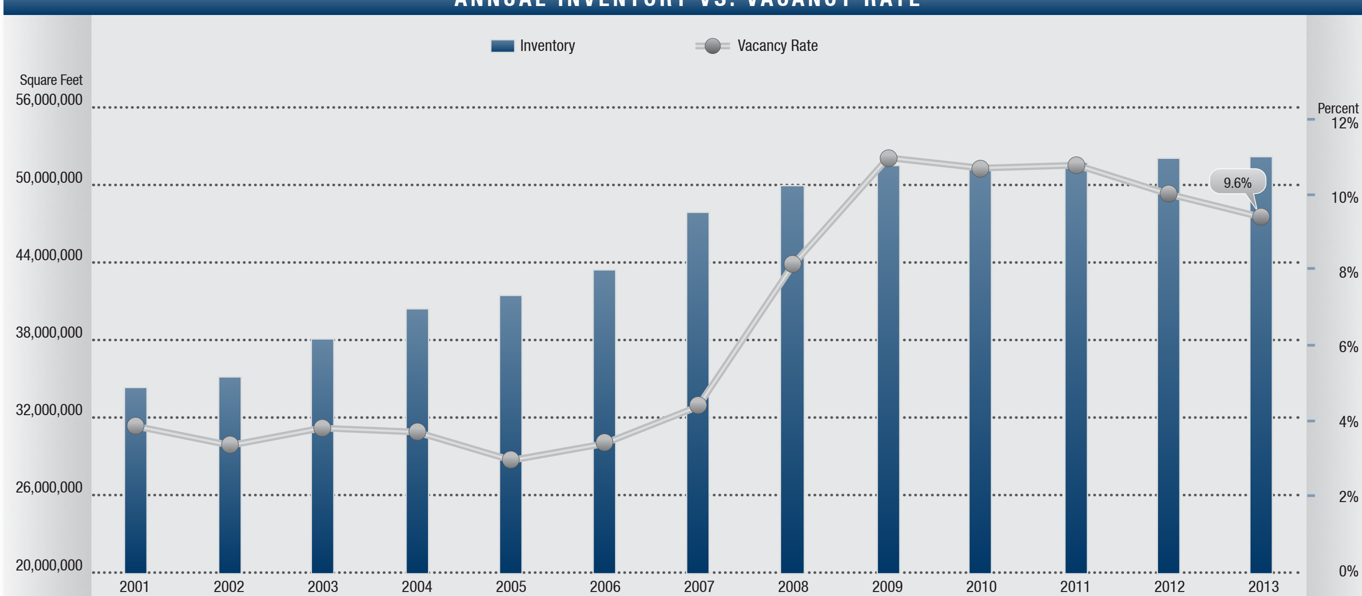
PLANNED CONSTRUCTION BY SUBMARKET

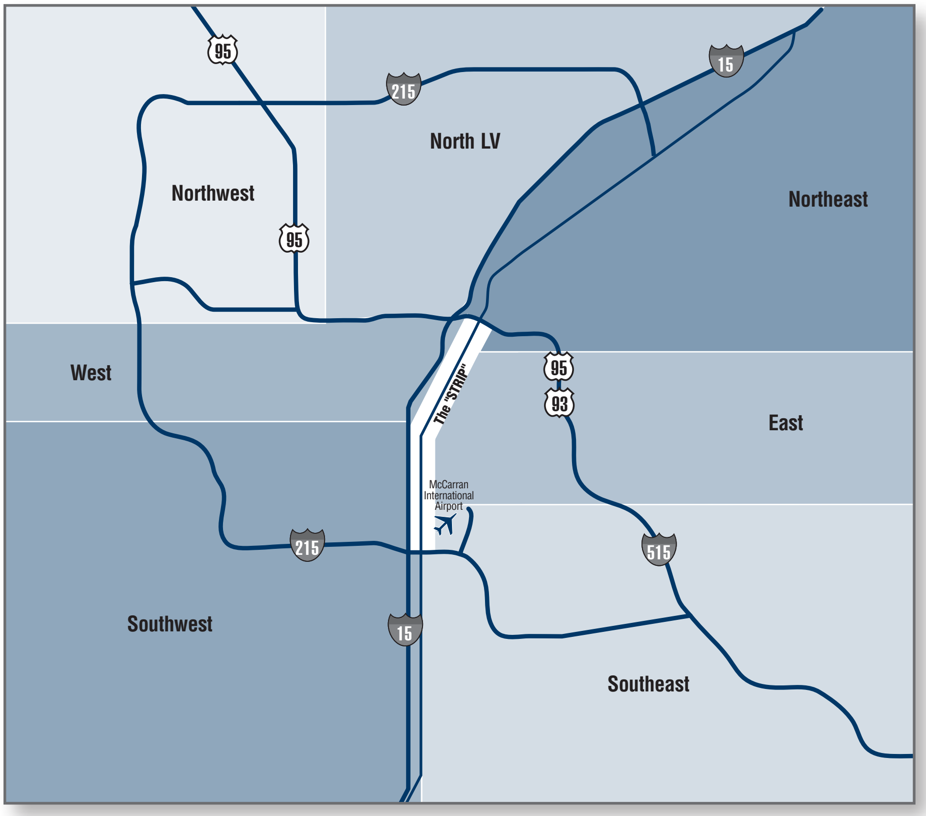


	INVENTORY				VACANCY RATES		ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2013	Net Absorption Q3 2013	Net Absorption 2013	New Inventory Q3 2013	New Inventory 2013
Northwest										
Power Centers	5	2,239,622	0	0	106,756	4.8%	26,467	31,496	0	0
Community Centers	8	1,099,610	0	73,956	78,915	7.2%	0	32,998	0	0
Neighborhood Centers	17	1,960,058	0	0	109,247	5.6%	(1,853)	(17,720)	0	0
Northwest Total	30	5,299,290	0	73,956	294,918	5.6%	24,614	46,774	0	0
North Las Vegas										
Power Centers	13	2,639,291	5,886	522,443	115,117	4.4%	7,733	(13,369)	0	0
Community Centers	11	1,508,952	0	0	124,503	8.3%	0	(7,597)	0	0
Neighborhood Centers	30	2,994,395	0	0	520,433	17.4%	(6,049)	25,689	0	0
North Las Vegas Total	54	7,142,638	5,886	522,443	760,053	10.6%	1,684	4,723	0	0
Northeast										
Power Centers	4	943,001	0	0	19,161	2.0%	8,250	(10,431)	0	0
Community Centers	7	1,054,911	0	483,328	77,975	7.4%	8,028	8,621	0	0
Neighborhood Centers	17	1,298,539	0	0	151,587	11.7%	6,000	(36,870)	0	0
Northeast Total	28	3,296,451	0	483,328	248,723	7.5%	22,278	(38,680)	0	0
West										
Power Centers	11	3,079,229	1,500,000	0	138,477	4.5%	12,773	1,322	0	0
Community Centers	18	2,606,430	300,000	700,000	563,846	21.6%	4,257	29,636	0	0
Neighborhood Centers	22	2,540,122	0	200,000	299,266	11.8%	10,444	45,855	0	0
West Total	51	8,225,781	1,800,000	900,000	1,001,589	12.2%	27,474	76,813	0	0
East										
Power Centers	4	1,203,293	0	0	168,668	14.0%	19,095	67,497	0	0
Community Centers	12	1,953,450	0	0	216,711	11.1%	8,682	27,478	0	0
Neighborhood Centers	29	3,143,708	0	0	491,441	15.6%	6,857	(11,415)	0	0
East Total	45	6,300,451	0	0	876,820	13.9%	34,634	83,560	0	0
Southwest										
Power Centers	15	4,511,998	7,042	186,140	281,463	6.2%	24,431	95,746	0	16,668
Community Centers	8	786,101	0	222,219	61,745	7.9%	5,000	(799)	0	0
Neighborhood Centers	34	3,412,656	0	381,000	317,088	9.3%	5,865	22,480	0	0
Southwest Total	57	8,710,755	7,042	789,359	660,296	7.6%	35,296	117,427	0	16,668
Southeast										
Power Centers	10	3,851,585	0	175,037	222,016	5.8%	22,490	(15,119)	0	0
Community Centers	23	4,349,958	0	0	382,366	8.8%	(9,873)	(48,682)	0	0
Neighborhood Centers	50	4,785,625	25,000	23,755	516,985	10.8%	23,298	7,655	7,540	11,540
Southeast Total	83	12,987,168	25,000	198,792	1,121,367	8.6%	35,915	(56,146)	7,540	11,540
Las Vegas Total										
Power Centers	62	18,468,019	1,512,928	883,620	1,051,658	5.7%	121,239	157,142	0	16,668
Community Centers	87	13,359,412	300,000	1,479,503	1,506,061	11.3%	16,094	41,655	0	0
Neighborhood Centers	199	20,135,103	25,000	604,755	2,406,047	11.9%	44,562	35,674	7,540	11,540
Las Vegas Total	**348**	**51,962,534**	**1,837,928**	**2,967,878**	**4,963,766**	**9.6%**	**181,895**	**234,471**	**7,540**	**28,208**

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

ANNUAL INVENTORY VS. VACANCY RATE





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; size starts at 30,000 SF

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