# Retail Market Report

VOIT COMMERCIAL BROKERAGE

*Compared to last quarter:*

**Vacancy** UP

**Absorption** DOWN

**Lease Rates** DOWN

**Construction** DOWN

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APPLIED ANALYSIS

## Retail Market Highlights

- At the end of 2008, the Las Vegas retail market reported elevated vacancies as a number of anchor spaces vacated and the impact of a weakening economy played a role. Valley-wide availability reached 7.5 percent by year-end, which represented a 0.8-point increase from the preceding quarter and a 3.5-point jump from the 4.0 percent reported one year ago.
- During the quarter, the market expanded by 236,000 square feet as a handful of retail centers substantially completed construction. Major completions included the Fresh & Easy anchored Longford Shoppes at Southern Hills in the southwest portion of the valley, Nellis Plaza located in the northeast submarket and the second phase of The Shoppes at Coronado Canyons at the southeast corner of Horizon Ridge and Green Valley Parkway. For the year, new supply totaled 1.9 million square feet, which was well below the record-setting 4.3 million square feet reported in the prior year.
- Retailers responded to market conditions resulting in negative net absorption of 199,700 square feet during the quarter. Combined with positive net absorption earlier in the year, the market posted positive net absorption of 125,700 square feet during all of 2008. The annual demand indicator was well below the 3.7 million square feet of absorption reported in 2007. Recent vacancies included the closure of area Linens 'n Things, Mervyn's at Grand Canyon Parkway and other selected anchor sites.
- As of year-end, there was approximately 3.2 million square feet of retail space under construction and 11.8 million square feet planned (at varying stages) for future development. It is important to note that the planned space includes regional and mixed-use retail centers that are likely to be developed in phases. Financing and market challenges have prompted construction delays on a few projects.
- Construction activity is most dominant in the north, west and southeast submarkets. Selected projects under construction include the second phase of the Lake Mead Crossing power center in Henderson anchored by Home Depot and The Edge in Mountain's Edge anchored by Von's.
- With a number of big box units available, landlords are required to seek out alternative users, which may result in additional capital investment and/or increased concessions. Pricing will be a critical factor as retailers emerge for second generation space.
- Broader economic conditions in southern Nevada continued to erode through year-end. Based on the latest available data, leading market indicators continue to fall, suggesting near-term improvements are unlikely. Overall employment valley-wide is down 0.5 percent (-4,300 jobs) from the prior year, while unemployment levels have reached 7.9 percent. Layoffs have become prevalent and contraction in the construction sector has driven the bulk of the decline. In addition to a soft employment picture, the housing market continues to report falling prices despite an uptick in the number of resale homes being sold. Bank-owned properties represent the lion's share of sales activity. Softer-than-average performances in the tourism industry have also contributed to the current climate. We expect continued corrections during the majority of 2009 as the core sectors seek out a new equilibrium.

### RETAIL MARKET OVERVIEW

| | 2008 | 2007 | 2006 | % CHANGE VS. 2007 |
|---|---|---|---|---|
| Under Construction | 3,153,000 | 2,235,000 | 4,810,000 | 41.07% |
| Planned Construction | 11,801,000 | 12,073,000 | 10,170,000 | -2.25% |
| Vacancy | 7.5% | 4.0% | 3.1% | 87.50% |
| Net Absorption | 126,000 | 3,724,000 | 1,765,000 | -96.62% |

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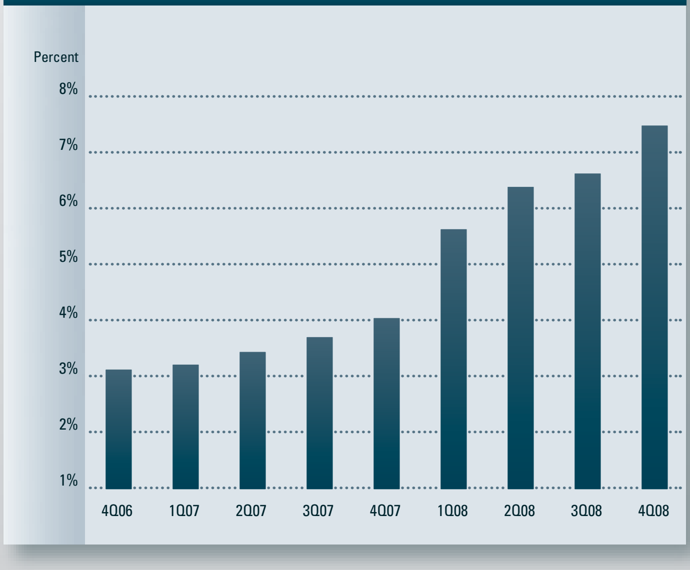
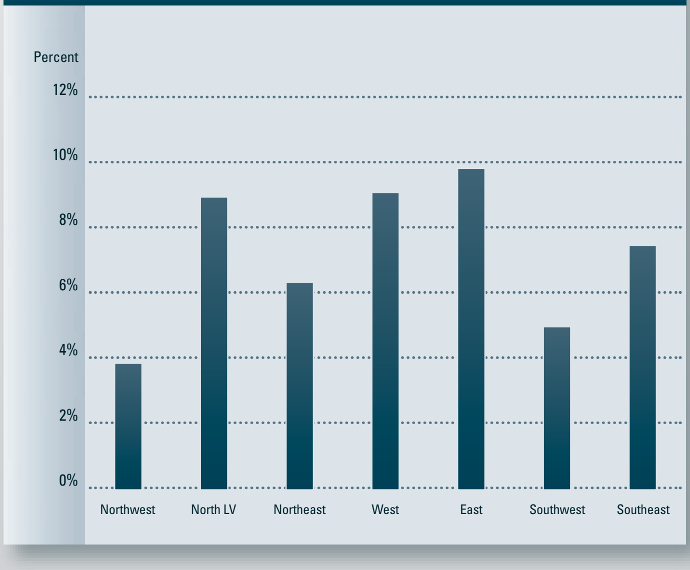
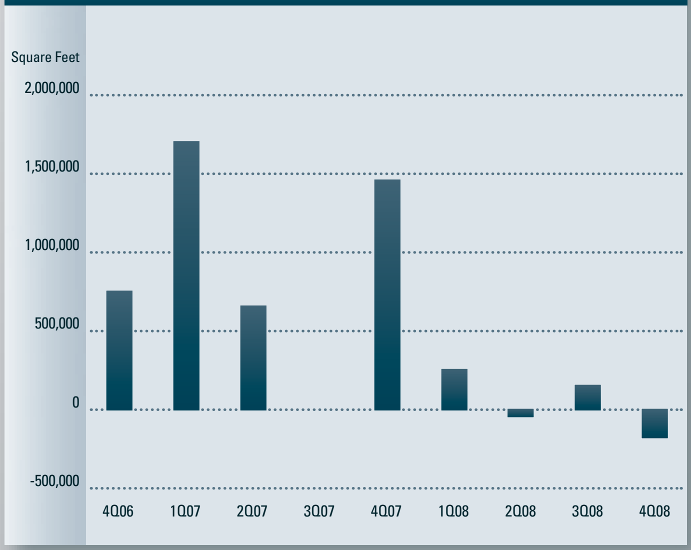
## HISTORICAL VACANCY RATE



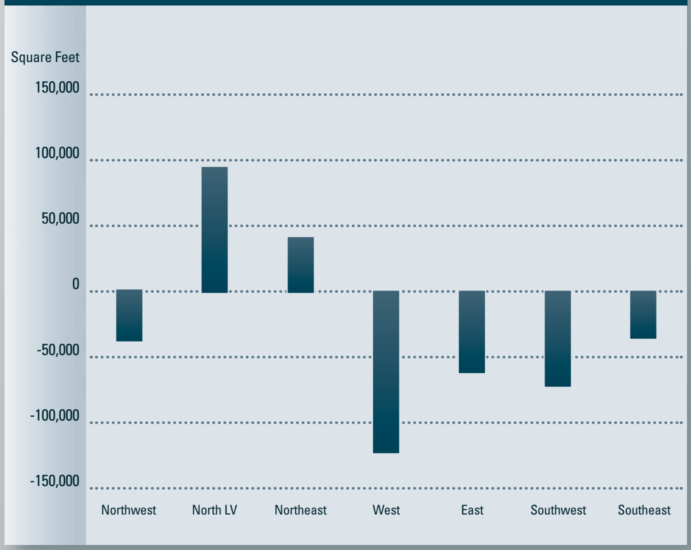

## VACANCY RATE BY SUBMARKET



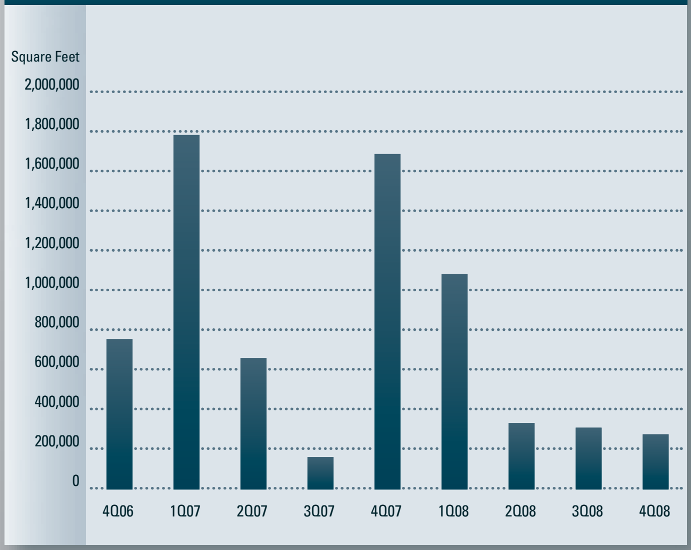

## HISTORICAL NET ABSORPTION



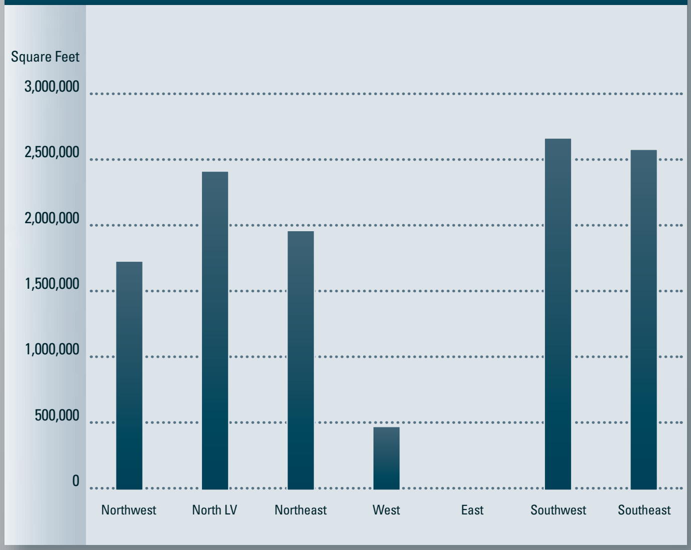

## NET ABSORPTION BY SUBMARKET




## HISTORICAL NEW CONSTRUCTION



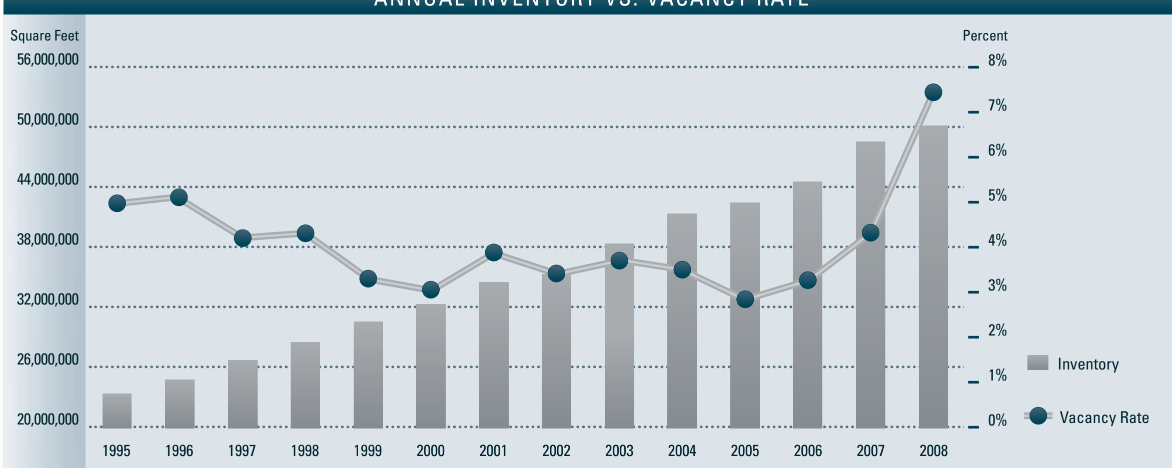

## PLANNED CONSTRUCTION BY SUBMARKET

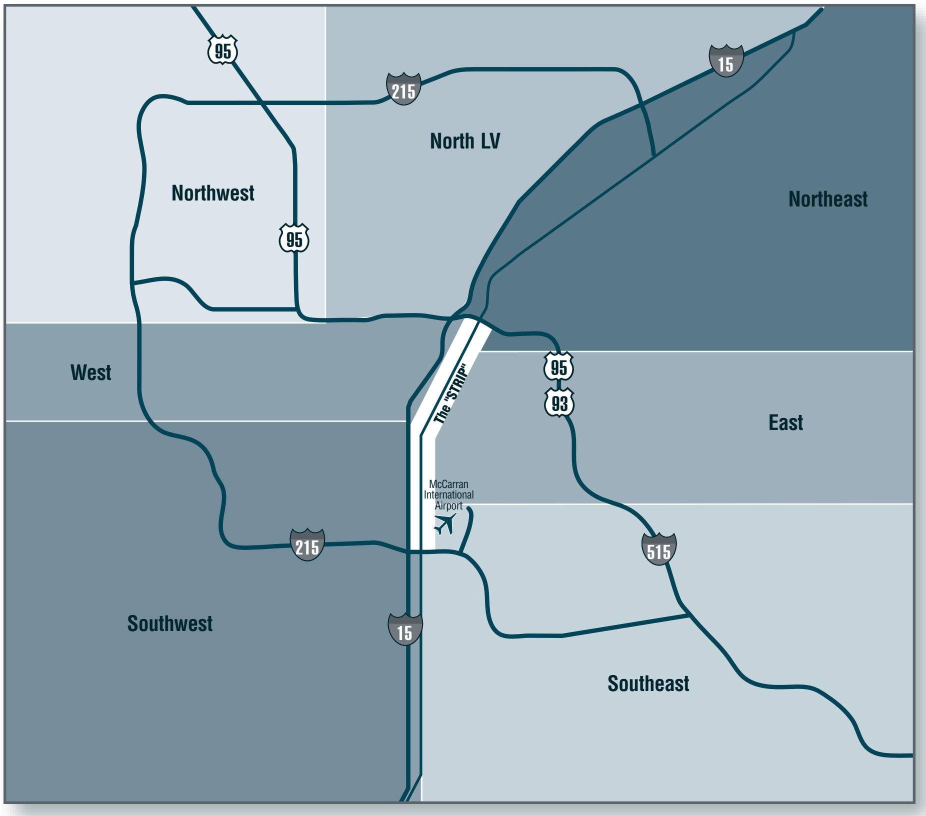


| | INVENTORY | | | | VACANCY | | ABSORPTION | |
|---|---|---|---|---|---|---|---|---|
| | Number Of Bldgs. | Net Rentable Square Feet | Square Feet Planned | Square Feet U / C | Square Feet Vacant | Vacancy Rate 4Q2008 | Net Absorption 4Q2008 | New Inventory 4Q2008 |
| **Northwest** | | | | | | | | |
| Power Centers | 5 | 2,189,622 | 1,000,000 | 0 | 89,854 | 4.1% | (36,599) | 0 |
| Community Centers | 5 | 745,896 | 258,210 | 189,130 | 9,700 | 1.3% | 0 | 0 |
| Neighborhood Centers | 17 | 1,960,058 | 456,525 | 0 | 87,855 | 4.5% | (2,662) | 0 |
| Northwest Total | 27 | 4,895,576 | 1,714,735 | 189,130 | 187,409 | 3.8% | (39,261) | 0 |
| **North Las Vegas** | | | | | | | | |
| Power Centers | 9 | 1,956,677 | 835,662 | 454,760 | 81,830 | 4.2% | 7,046 | 0 |
| Community Centers | 11 | 1,508,952 | 1,011,508 | 0 | 116,620 | 7.7% | 8,179 | 0 |
| Neighborhood Centers | 29 | 2,845,500 | 553,020 | 0 | 361,151 | 12.7% | 79,498 | 0 |
| North Las Vegas Total | 49 | 6,311,129 | 2,400,190 | 454,760 | 559,601 | 8.9% | 94,723 | 0 |
| **Northeast** | | | | | | | | |
| Power Centers | 4 | 943,001 | 1,349,211 | 0 | 1,560 | 0.2% | 0 | 0 |
| Community Centers | 7 | 1,054,911 | 580,118 | 0 | 14,643 | 1.4% | 792 | 0 |
| Neighborhood Centers | 17 | 1,298,539 | 34,000 | 0 | 192,855 | 14.9% | 39,903 | 86,588 |
| Northwest Total | 28 | 3,296,451 | 1,963,329 | 0 | 209,058 | 6.3% | 40,695 | 86,588 |
| **West** | | | | | | | | |
| Power Centers | 11 | 3,079,229 | 403,009 | 1,200,000 | 194,307 | 6.3% | (35,298) | 0 |
| Community Centers | 17 | 2,381,430 | 80,000 | 450,000 | 278,600 | 11.7% | (39,307) | 0 |
| Neighborhood Centers | 22 | 2,570,157 | 0 | 0 | 261,301 | 10.2% | (48,540) | 0 |
| West Total | 50 | 8,030,816 | 483,009 | 1,650,000 | 734,208 | 9.1% | (123,145) | 0 |
| **East** | | | | | | | | |
| Power Centers | 4 | 1,203,293 | 0 | 0 | 3,400 | 0.3% | 0 | 0 |
| Community Centers | 11 | 1,863,070 | 0 | 0 | 279,227 | 15.0% | (11,782) | 0 |
| Neighborhood Centers | 29 | 3,143,708 | 0 | 0 | 324,939 | 10.3% | (50,173) | 0 |
| East Total | 44 | 6,210,071 | 0 | 0 | 607,566 | 9.8% | (61,955) | 0 |
| **Southwest** | | | | | | | | |
| Power Centers | 12 | 5,048,799 | 1,426,180 | 64,000 | 254,915 | 5.0% | (115,270) | 0 |
| Community Centers | 8 | 786,101 | 595,719 | 0 | 20,636 | 2.6% | 4 | 0 |
| Neighborhood Centers | 32 | 3,351,743 | 640,913 | 196,000 | 268,587 | 8.0% | 42,455 | 86,000 |
| Southwest Total | 52 | 9,186,643 | 2,662,812 | 260,000 | 544,138 | 5.9% | (72,811) | 86,000 |
| **Southeast** | | | | | | | | |
| Power Centers | 9 | 3,650,934 | 1,546,037 | 323,098 | 212,715 | 5.8% | 3,919 | 0 |
| Community Centers | 23 | 4,367,897 | 801,698 | 0 | 223,518 | 5.1% | (22,894) | 0 |
| Neighborhood Centers | 44 | 4,521,573 | 229,312 | 276,000 | 496,622 | 11.0% | (18,976) | 63,400 |
| Southeast Total | 76 | 12,540,404 | 2,577,047 | 599,098 | 932,855 | 7.4% | (37,951) | 63,400 |
| **Las Vegas Total** | | | | | | | | |
| Power Centers | 54 | 18,071,555 | 6,560,099 | 2,041,858 | 838,581 | 4.6% | (176,202) | 0 |
| Community Centers | 82 | 12,708,257 | 3,327,253 | 639,130 | 942,944 | 7.4% | (65,008) | 0 |
| Neighborhood Centers | 190 | 19,691,278 | 1,913,770 | 472,000 | 1,993,310 | 10.1% | 41,505 | 235,988 |
| **Total** | **326** | **50,471,090** | **11,801,122** | **3,152,988** | **3,774,835** | **7.5%** | **(199,705)** | **235,988** |

This survey consists of buildings greater than 30,000 square feet.

ANNUAL INVENTORY VS. VACANCY RATE






## PRODUCT TYPE

### POWER CENTERS

Power Centers have multiple big box tenants and typically less shop space tenants, size starts at 100,000 SF and up.

### COMMUNITY CENTERS

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

### NEIGHBORHOOD CENTERS

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

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