

**ECONOMIC INDICATORS**

**National**

	Q3 17	Q3 18*	12-Month Forecast**
GDP Growth	2.3%	3.1%	▲
CPI Growth	2.0%	2.8%	▲
Consumer Spending Growth	2.4%	2.7%	▲
Retail Sales Growth	4.5%	6.1%	▲

\*Q3 18 estimates. Values represent year-over-year % change. \*\*Forecast by Cushman & Wakefield.

**Regional**

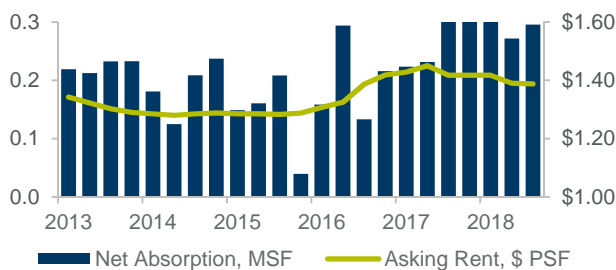
	Q3 17	Q3 18	12-Month Forecast**
Household Income	\$55,853	\$59,827	▲
Population Growth	2.2%	2.4%	▲
Unemployment	5.3%	4.9%	▼

\*Q3 18 estimates. \*\*Forecast by Cushman & Wakefield. Source: Moody's Analytics.

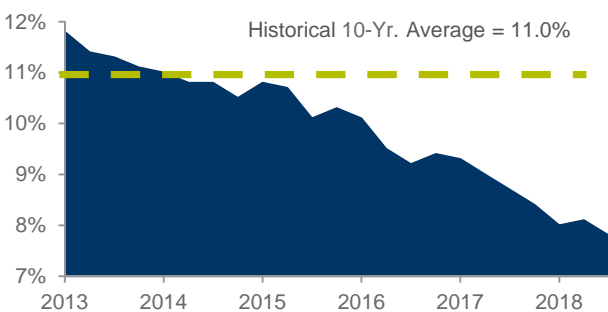
**Market Indicators**

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy - incl. Sublease	8.7%	7.8%	▼
Net Absorption sf	200k	207k	▲
Under Construction sf	144k	257k	▼
Average Asking Rent (NNN)	\$1.41	\$1.40	▲

**Net Absorption/Asking Rent (Triple Net, Monthly)  
4-QTR TRAILING AVERAGE**



**Overall Vacancy – All Center Types, incl. Sublease**



**Economy**

The Las Vegas employment market continued to record job growth, adding 32,300 jobs (+3.3%) year-over-year through August 2018.<sup>1</sup> Leisure and hospitality sector added the most jobs (+5,600) followed by government (+4,700) and educational and health services (+4,400). During the same time period, the unemployment rate decreased 40 basis points (bps), dropping to 4.9%. Also worth noting, the current rate is 160 bps below the 28-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.1% in 2018 and 3.2% in 2019. Las Vegas' economy of \$112.3 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 5.6% in 2018 and 5.4% in 2019, above its 10-year average of 2.2%.<sup>3</sup>

**Market Overview**

Retail vacancy (including sublease) decreased 30 bps from last quarter and 90 bps from a year ago to 7.8% in the third quarter of 2018. This was the sixth consecutive quarter of occupancy growth. Occupancy grew by 207,000 square feet (sf) across all center types in the third quarter, bringing year-to-date (YTD) net absorption to 581,400 sf. Tenants absorbed the majority of space in the Central East, Southeast and Northwest submarkets, for a combined 158,000 sf in the third quarter or 553,000 sf YTD. At the end of the third quarter of 2018, overall vacancy was the lowest in the Southwest submarket (4.4%) followed by the Northwest (4.5%) and East (5.4%) submarkets. Of the 12 properties totaling 256,711 sf currently under construction countywide, seven (totaling 102,771 sf) are scheduled for completion in 2018.

Las Vegas retailers have embraced sales trends to capture millennial and generation Z interest, including experiential retail, pop-up shops and clicks-to-bricks showrooms for web-based businesses. The largest example of this is Area 15, a 126,000-sf interactive entertainment venue and counterculture-oriented retail center currently under construction in the Central West submarket and is estimated to open in July 2019. Online retailers, meanwhile, are testing the market with pop-up storefronts and short-term leases on physical showrooms for their web-based products, notably at lifestyle centers around the Valley such as Town Square, The District and Tivoli Village.

**Sales Activity**

The Las Vegas retail market has recorded over \$1.2 billion in sales activity thus far in 2018 compared to \$1.1 billion recorded in 2017. The average cap rate for retail properties this quarter was 6.6%, up 20 bps from a year ago and 290 bps lower compared to its 2010 high of 9.5%. Cross-border investors have been the leading buyers of retail properties in 2018, accounting for 68% of activity followed by private investors (29%) who have been regaining enthusiasm this year.<sup>4</sup> The current and forecasted growth in Southern Nevada, along with favorable rates of return in comparison to other regional markets, has been the key driver of retail investment.

**Outlook**

- Continued economic expansion, robust job creation and broadening job base beyond tourism will continue to support growth of the retail market in the short term. However, land shortages and rising prices are expanding costs for both developers and tenants and are expected to lead to a purchasing plateau in the near future.
- Ongoing development at new and existing master-planned communities such as Summerlin, Skye Canyon in the Northwest, Inspirada and Cadence in the Southeast will continue to draw retailers preferentially to these areas. Planned lifestyle and power centers currently under construction in these submarkets will meet some tenant demand, but occupancy growth will remain strong, resulting in a decreasing vacancy.

• Sources: <sup>1</sup>www.bls.gov <sup>2</sup>bea.gov GDP as of 2017. <sup>3</sup>(f) by Moody's Analytics economy.com <sup>4</sup>RCA.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Center Types)
Central East	406	9,117,448	108,160	776,070	9.7%	59,339	125,660	0	\$1.12
Central West	491	10,046,934	51,716	815,619	8.6%	31,508	-88,288	0	\$1.27
East	180	3,440,134	0	187,176	5.4%	18,320	46,093	0	\$1.46
North	363	7,329,382	34,037	606,285	8.7%	-43,438	70,387	0	\$1.35
Northeast	223	3,983,730	43,687	326,682	9.3%	32,650	-33,376	0	\$1.22
Northwest	244	4,913,994	2,673	220,409	4.5%	47,751	139,190	122,868	\$1.71
Southeast	728	14,499,826	121,647	1,179,236	9.0%	50,861	288,128	40,851	\$1.36
Southwest	378	7,479,087	0	329,044	4.4%	3,597	51,746	92,992	\$1.27
West	360	8,187,354	18,171	571,349	7.2%	6,307	-18,183	0	\$1.61
<b>TOTAL</b>	<b>3,373</b>	<b>68,997,889</b>	<b>380,191</b>	<b>5,011,870</b>	<b>7.8%</b>	<b>206,895</b>	<b>581,357</b>	<b>256,711</b>	<b>\$1.40</b>
Lifestyle	44	1,262,249	0	123,126	9.8%	4,369	-329	0	\$3.28
NC & Community	2,050	42,878,299	371,091	3,540,385	9.1%	180,289	506,211	184,370	\$1.33
Power	364	15,715,414	0	681,170	4.3%	-42,291	-69,178	0	\$1.74
Strip	915	9,141,927	9,000	667,189	7.4%	64,528	144,653	72,341	\$1.51
<b>TOTAL</b>	<b>3,373</b>	<b>68,997,889</b>	<b>380,191</b>	<b>5,011,870</b>	<b>7.8%</b>	<b>206,895</b>	<b>581,357</b>	<b>256,711</b>	<b>\$1.40</b>

\*Rental rates reflect triple net asking rents \$psf/monthly. Vacancy rate and net absorption includes direct and sublease. Inventory includes properties of 5,000 sf and larger.

## Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
Galleria Commons 480-580 N Stephanie St.	37,882	Bob's Discount Furniture	3D Investments	New	Southeast
7251-7271 S Eastern Ave.	16,480	Quorum	CVS Pharmacy	New	Airport
Stephanie Beltway Plaza 19-27 S Stephanie St.	14,874	Uptown Jungle Fun Park	Tavaco Properties	New	Southeast
4440 E Tropicana Ave.	9,973	H & P Tires	ACRE Corporation	New	East

## Key Sale Transactions Q3 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Silverado Ranch Place 9850 S Maryland Pky.	188,197	Gilbert & Anna Maria Barbieri	Shin Yen Management	\$31,000,000 / \$164.72	Southeast
Centennial Gateway 5647-5780 Centennial Ctr. Blvd.	93,858	Simply Self Storage	Brendan Keating	\$25,500,000 / \$271.69	Northwest
Paseo Verde Plaza 55 S Valle Verde Dr.	52,013	Sansone Development	Gerrity Group	\$20,800,000 / \$399.90	Southeast
Centennial Square Retail Center 6440 N Durango Dr.	46,314	Morpheus Investment, Inc.	Flamingo Structures	\$16,000,000 / \$345.47	Northwest

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