

# MARKETBEAT

# Las Vegas

Retail Q4 2018



## ECONOMIC INDICATORS

### National

	Q4 17	Q4 18*	12-Month Forecast**
GDP Growth	2.5%	3.3%	▲
CPI Growth	2.1%	2.3%	▲
Consumer Spending Growth	2.7%	2.7%	▲
Retail Sales Growth	5.9%	4.6%	▲

\*Q4 18 estimates. Values represent year-over-year % change. \*\*Forecast by Cushman & Wakefield.

### Regional

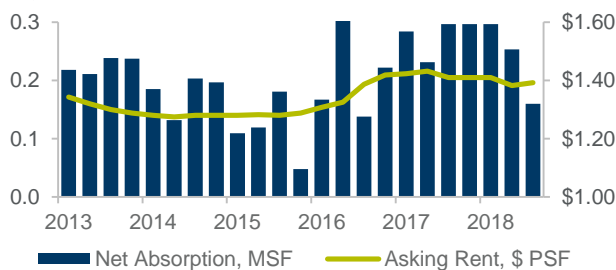
	Q4 17	Q4 18	12-Month Forecast**
Household Income	\$58,201	\$61,039	▲
Population Growth	2.3%	2.4%	▲
Unemployment	4.9%	4.4%	▼

\*Q4 18 estimates. \*\*Forecast by Cushman & Wakefield. Source: Moody's Analytics.

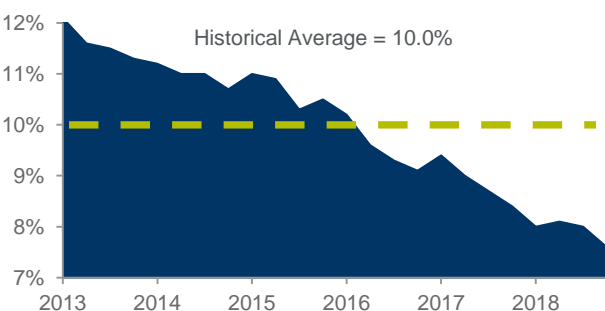
### Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	8.4%	7.6%	▼
Net Absorption sf	533k	280k	▲
Under Construction sf	125k	363k	▼
Average Asking Rent (NNN)	\$1.39	\$1.43	▲

### Net Absorption/Asking Rent 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Las Vegas employment market continued to record job growth, adding 38,900 jobs (+3.9%) year-over-year through November 2018.<sup>1</sup> During the same time period, the unemployment rate decreased 50 basis points (bps), dropping to 4.4%. Also worth noting, the current rate is 210 bps below the 29-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.6% in 2019. Las Vegas's economy of \$112.3 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 5.5% in 2019, above its 10-year average of 1.7%.<sup>3</sup>

## Market Overview

Retail vacancy (including sublease) decreased 40 bps from last quarter and 80 bps from a year ago to 7.6% in the fourth quarter of 2018. This was the seventh consecutive quarter of occupancy growth. Occupancy grew by 280,000 square feet (sf) across all center types in the fourth quarter, bringing annual net absorption to 759,600 sf. Tenants absorbed the majority of space in the Southeast, Northwest and Central East submarkets, combined 534,150 sf in 2018. At the end of the fourth quarter of 2018, overall vacancy was the lowest in the Northwest submarket (3.9%) followed by the East (4.7%) and Southwest (5.6%) submarkets. Of the 26 properties totaling 363,000 sf currently under construction countywide, all but one (totaling 122,900 sf) are scheduled for completion in 2019. The current inventory under construction is almost three times as much as at the same time a year ago (Q4 2017) yet in line with a 10-year quarterly average (2009-2018) where new inventory added represents 0.5% of existing inventory.

In anticipation of the NFL's Raiders franchise move, Las Vegas retailers have increased construction throughout the Valley. Retailers continue to experiment with experiential retail, pop-up shops and clicks-to-bricks showrooms to engage millennials and generation Z. Most of the development focuses on mixed use projects around communities such as Summerlin, Skye Canyon (Northwest), Inspirada and Cadence (Southeast). These mixed use projects, like the Village at St. Rose and Matter Park at West Henderson surrounding the Raiders' future practice facility, showcase the growing development in the southern submarkets.

## Sales Activity

The Las Vegas retail market has recorded over \$1.8 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 6.7%, up 20 bps from a year ago and 280 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 57% of activity followed by private investors (40%) 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, broadening job base beyond tourism and migration of workers into Las Vegas 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.
- Occupancy growth will remain strong, due to the wealth of projects currently under construction. The Las Vegas market will see many retail deliveries in 2019, with 25 of the 26 projects slated for 2019 completion. Additionally, mixed use projects around the Valley will continue to draw retailers preferentially to the growing southern and eastern suburbs.

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	403	8,907,101	3,626	902,137	10.2%	-9,273	115,671	0	\$1.21
Central West	486	10,051,850	51,716	843,598	8.9%	-30,113	-121,699	32,500	\$1.34
East	180	3,441,419	0	162,928	4.7%	32,447	80,380	0	\$1.46
North	362	6,968,547	36,532	578,628	8.8%	32,404	97,849	0	\$1.40
Northeast	222	3,859,416	43,687	238,513	7.3%	52,849	17,000	0	\$1.20
Northwest	246	4,927,052	0	194,069	3.9%	36,575	157,065	211,868	\$1.64
Southeast	728	14,350,400	121,412	1,059,928	8.2%	70,020	261,414	15,140	\$1.44
Southwest	382	6,426,716	0	362,617	5.6%	-18,381	74,718	103,364	\$1.84
West	362	7,988,472	9,171	465,668	5.9%	113,621	77,140	0	\$1.65
<b>TOTAL</b>	<b>3,371</b>	<b>66,920,973</b>	<b>266,144</b>	<b>4,808,086</b>	<b>7.6%</b>	<b>280,149</b>	<b>759,538</b>	<b>362,872</b>	<b>\$1.43</b>
Lifestyle	43	1,233,137	3,626	104,979	8.8%	23,526	23,197	0	\$3.30
NC & Community	2,044	41,949,259	262,518	3,334,787	8.6%	282,365	673,292	267,087	\$1.35
Power	364	14,575,848	0	719,089	4.9%	-70,024	-141,128	0	\$1.84
Strip	920	9,162,729	0	649,231	7.1%	44,282	204,177	95,785	\$1.51
<b>TOTAL</b>	<b>3,371</b>	<b>66,920,973</b>	<b>266,144</b>	<b>4,808,086</b>	<b>7.6%</b>	<b>280,149</b>	<b>759,538</b>	<b>362,872</b>	<b>\$1.43</b>

\*Rental rates reflect triple net (NNN) asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes centers of all sizes.

## Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
Green Valley Town and Country 2811-2887 N Green Valley Pky.	49,100	La Bonita	Pecos Plaza Management	New	Southeast
2545 S Eastern Ave.	47,600	Cardenas	Elias Properties	New	Central East
Boulder Crossing 5436-5516 Boulder Hwy.	17,456	Planet Fitness	LNR Partners LLC	New	East
1825 S Decatur Blvd.	12,000	Tire Mart Co.	Studio Katz, Inc.	New	Central West

## Key Sale Transactions Q4 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Tropicana Beltway Center 5140 S Fort Apache Rd.	253,972	The Krausz Companies, Inc. and WG Group	Weingarten Realty Investors	\$59,000,000 / \$232.31	West
Decatur 215 Shopping Center 6051-6371 N Decatur Blvd.	126,678	Brixton Capital AC LLC	Weingarten Realty Investors	\$28,600,000 / \$225.77	North Las Vegas
Craig Promenade 655-775 W Craig Rd.	81,057	Precision Equity Group	Rialto Capital	\$12,900,000 / \$159.15	North Las Vegas
Blue Diamond Marketplace 8030-8090 Blue Diamond Rd.	71,551	CenterSquare Investment Mgmt	City Sunstone Properties	\$27,500,000 / \$384.34	Southwest

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