



Nevada's Retail Market

Remains Resilient Despite Economic Downturn

Tony Illia / Nevada Business Journal

April 2008 - Nevada's population boom and resilient economy have kept retail demand high, despite a statewide housing downturn. The state economy was home to 1.29 million jobs in the final quarter of 2007, with 5,300 new retail positions created by the holiday shopping season. Nevada is forecasted to see a 5 percent job growth by the decade's end.

"There is reason to be optimistic about Nevada's long-term economic outlook," said Bill Anderson, chief economist of the Nevada Dept. of Employment Training and Rehabilitation. "While the news of late has not been encouraging, a developing megaresort boom, coupled with a likely improvement in the housing sector is the reason for the positive forecast."

Southern Nevada is fueling the state's economic engine with \$41.4 billion of hotel, casino and convention construction underway through 2012, reports the Las Vegas Convention and Visitors Authority. Those numbers could grow even greater as another \$25.97 billion of tentative projects are now planned for development. The Las Vegas Valley's retail market reflected the region's upbeat optimism with a low 3.2 percent vacancy at the end of 2007, despite adding 4.3 million square feet of new space over the last year, reports Applied Analysis, a Las Vegas-based business advisory firm. Southern Nevada had 48.7 million square feet of retail space in the fourth quarter, with an impressive 1.5 million square worth of absorption.

"The majority of new product has been pre-leased and overall supply and demand has remained fairly well balanced," said Brian Gordon, principal of Applied Analysis. "Although consumer spending remains an area of concern, the current building boom on the Strip will be a key driver of population, visitation and employment growth, and, ultimately, retail spending."

There was 2.4 million square feet of new retail space under construction in the fourth quarter, with grocery-anchored neighborhood shopping centers accounting for the bulk of the activity. Wal-Mart, for instance, has two supercenters under construction totaling 422,000 square feet in the Las Vegas Valley. The Bentonville, Ark.-based retail giant already has a substantial Nevada presence with 25 supercenters, four discount stores, 12 neighborhood markets, 7 Sam's Clubs and one distribution. Wal-Mart currently employs 14,572 associates in Nevada. Global rival Tesco PLC, however, Britain's largest retailer, is looking to make a similar slash by opening 15 stores in Southern Nevada over the next couple of years. Tesco's "Fresh & Easy" store is a 10,000-square-foot neighborhood grocery with an assortment of general merchandise.

“Retail is one of the commercial sectors with great growth potentials,” said Zack Hussein, a senior retail associate with CB Richard Ellis Las Vegas. “Many developers pack in as many homes as possible leaving little space available for residential retail services. It has resulted in a pent-up demand for those services.”

Regency Centers Corp., for instance, is developing Deer Springs Town Center next to Olympia Group’s 2,000-acre Park Highlands master-planned community. The 32-building, 700,000-square-foot retail center is located at the southeast corner of North Fifth Street and the Beltway in North Las Vegas. It’s located inside one of the nation’s fastest-growing ZIP codes with 160,000 people within a five-mile radius. The center will be anchored by a 132,360-square-foot Target, a 106,278-square-foot Home Depot and a 65,000-square-foot Babies “R” Us. Junior anchors are PetSmart, Ross and Staples. The 60-acre complex is scheduled to finish construction in March 2009. Jaynes Corp. is the general contractor; Perkowitz + Ruth are the architect.

“The residents in the immediate surrounding areas have been traveling miles to shop for major brands,” said Mike Leonard, Regency’s vice president of investments. “Now, they can shop in a convenient location, which will offer goods and services from more than 130 merchants.”

Territory, Inc. is developing the 300,000-square-foot Cannery Corner at the northeast corner of Craig and Losee roads in North Las Vegas. Roughly 344,604 residents live within a five-mile radius of the big-box shopping center. The nine-building, Sam’s Club anchored complex features such tenants as Winchell’s Tavern, Community Bank of Nevada, T-Mobile, and Chipotle, among others. It’s scheduled to open in the first quarter. Territory is additionally building the 350,000-square-foot Centennial Gateway at the northwest corner of U.S. Highway 95 and Ann Road in Las Vegas. The project is a joint-venture with the Schwartz Family and Olympia Development. Territory recently signed two major tenants, including 24-Hour Fitness and Sportsman’s Warehouse. The project’s second phase is scheduled to open in mid-2008.

“New retail trade areas will continue to emerge in outlying suburbs near recently developed master-planned communities and the metro’s improving roadways,” said John Vorsheck, Marcus & Millichap’s Las Vegas regional director. “While overall vacancy is forecasted to trend higher, pockets of the Las Vegas market remain underserved.”

ManhattanWest, for instance, is taking shape inside the underserved southwest Las Vegas submarket. The \$350 million, 12-building complex is located at the southwest corner of Russell Road and the I-215 Beltway. The project combines 700 condominium residences with 195,000 square feet of office and retail space. It’s being built by Gemstone Development, the same firm responsible for the 700-unit Manhattan condominium complex on the South Strip. Plans call for 150,000 square feet worth of Class A office space and 43,000 square feet of ground-level retail space, with roughly 30 stores and four restaurants. Phase one, which consists of five buildings (two commercial, three residential), is already under construction. ManhattanWest is expected to open in the third quarter of 2008, and finish by mid-2009.

Triple Five Nevada is similarly developing a mixed-use project in the underserved northwest Las Vegas Valley. The firm has revamped plans for its Great Mall of Las Vegas. The development, which was once touted as Southern Nevada’s first enclosed shopping mall in more than two

decades, will now be an open-air center. The \$800 million complex will be located at the northeast corner of Grand Montecito Parkway and Deer Springs Way, adjacent to U.S. Highway 95.

The Great Mall will now consist of more than 25 individual, single-story outdoor buildings instead of a three-level air-conditioned mega-structure as originally announced. Plans additionally call for two, 200-foot-tall concrete-and-glass residential buildings combining for roughly 800 homes. The 50-acre project had initially called for 1.575 million square feet of commercial office and retail space, with 250 shops and stores, but those plans have since been trimmed by one-third. The revised scheme entails 1 million square feet with 185 stores and 16 restaurants.

The mall will have national name tenants including a movie theater, bookstore and grocer. There will also be office space, although the final amount remains undetermined. The Great Mall of Las Vegas is expected to open by October 2010, attracting more than 20,000 people daily.

Triple Five compares its revamped project with other mixed-use lifestyle developments such as the newly opened Town Square – a \$750 million, 117-acre mixed-use development at Las Vegas Boulevard, South, and the Las Vegas Beltway. The project is a joint-venture between Turnberry Associates and Centra Properties. The 1.5 million-square-foot complex will eventually consist of 150 shops, 12 restaurants and 350,000 square feet of office space. The 22-building Town Square continues to welcome tenants in phases, with Robb & Stucky, Tommy Bahama's Emporium, J. Crew and Brio Tuscan Grille opening their doors in February. The Yard House, Tommy Bahama's Tropical Café, Ann Taylor, Ann Taylor Loft, Borders, Teavana, MAC, LeSportsac, and Blue Martini debuted in March.

“Town Square is a one-of-a-kind shopping and entertainment destination for a better visitor experience that will make people more likely to stay longer and return again,” said Mike Wethington, Town Square's general manager. “For an office owner and their employees, Town Square will offer an unparalleled level of amenities. If you have a lunch meeting, all you have to do is walk downstairs.”

PLISE Development & Construction is adopting a similar strategy with its \$2 billion City Crossing project. Vertical construction is now underway on phase one of the 126-acre mixed-use development at the southwest corner of St. Rose Parkway and Executive Airport Drive in Henderson. The first 50-acre phase consists of an 8-story, 225,000-square-foot Class A office building, plus 95,000 square feet of lifestyle retail space, 180 residential units and a 160-room hotel.

City Crossing will have a combination of lifestyle and entertainment space ranging from stand-alone pads, inline shops and boutiques. It will feature major national tenants, a movie theater, a fitness center and a spa, along with outdoor plazas, broad sidewalks and lush landscaping to encourage pedestrian interaction with 25 acres of parks, trails and other recreational open space. The master-planned campus will service such surrounding residential communities as Southern Highlands, Inspirada, Seven Hills, Anthem, Sun City, and Silverado Ranch.

City Crossing will eventually boast 41 buildings with more than 6 million square feet of total space of residential, retail and office space. The development's first two phases are slated for completion by third quarter 2009, with build-out estimated for 2015.

"City Crossing maximizes land-use efficiency, while crafting a high-use, pedestrian-friendly environment that places less strain on public infrastructure," said Jon Field, PLISE's general counsel. "The market is demanding more of these types of projects as land becomes increasingly scarce and the culture moves toward urban neighborhoods."

Executive Home Builders is applying some of that philosophy with The Village at Queensridge at the northeast corner of Rampart Boulevard and Alta Drive in Las Vegas. The \$850 million mixed-use project is a joint-venture development with Great Wash Park LLC. The 29-acre mixed-use development will contain 700,000 square feet of retail, restaurant, office and residential space in a master-planned setting. Designed by Development Design Group of Baltimore, the 18-building complex will contain 250,000 square feet of office space, 450,000 square feet of shops and restaurants and 98,000 square feet of residences. There will be two five-story condominium buildings and one 10-story tower, combining for 340 units, along the northern edge of the property. Village visitors will park in a two-level, 3,000-space underground garage that provides direct access to the open-air mall via escalators and elevators. There will be 75 shops and restaurants occupying buildings from one to four stories tall, including a gourmet grocery, an Italian bistro, a French brassiere, a home furnishings store, a clothier, a bookstore, a bakery and a fitness center. The Village at Queensridge is scheduled to finish later this year.

Construction, meanwhile, is underway at General Growth Properties' 100-acre Summerlin Centre at the northeast corner of the Las Vegas Beltway and Sahara Avenue. The mixed-use complex calls for a combination of retail shops, dining, office space and residences within a landscaped master-planned setting. It will feature a grand plaza called Summerlin Square that will host public events, concerts, and other community events. A north-south pedestrian street, or paseo, will run throughout the property.

"The regional retail center is being designed as more than just a shopping center," said Daniel J. Sheridan, executive vice president of General Growth Properties. "It's a place where people will gather to dine, shop, people-watch, be entertained and relax. We are paying close attention to details that will make Summerlin Centre walkable, inviting, comfortable and charming."

Many of the shops and restaurants will be located on the first floor of low-rise buildings stretched along the paseo. An east-west street grid and "marketwalk," intersecting the paseo at Summerlin Square will create easy vehicle and pedestrian access. Plans entail 1.2 million square feet of retail shopping including four major department store anchors, additional "mini-anchors" and other local and national retailers. Crate & Barrel is among the development's early announced tenants. Summerlin Centre's first phase is expected to debut by year's end.

General Growth Properties recently completed The Shoppes at The Palazzo totaling 450,000 square feet. "The Palazzo comprises one of the city's most luxurious retail offerings to date," said Sheridan. "With more than 30 brands that are firsts-to-the-market, including Barneys New York."

“Anchored retail centers that came online last year did so with much of their space already pre-leased, leading to strong absorption and reflecting the ongoing demand for a variety of retail services and products by the Las Vegas Valley’s rapidly growing population,” said **John Restrepo**, principal of Restrepo Consulting Group, a Las Vegas-based real estate research firm. “We expect that as the new retail projects in the pipeline are completed, they will be quickly absorbed.”

Quick absorption is certainly the case for the 90-acre, 940,000-square-foot Arroyo Market Square at Rainbow Boulevard and Badura Avenue in southwest Las Vegas. The project, which is a joint-venture between EJM Development Co. and Laurich Properties, consists of four big-box retailers, four multi-tenant pads, six stand-alone restaurants and four single-tenant retail shops. The \$150 million development’s major national tenants are Men’s Wearhouse, Best Buy, Chili’s, The Home Depot, Wal-Mart, OfficeMax, Michael’s, Sam’s Club, Hallmark, Ross, Marshall’s, Paddock Pools, PetSmart, Sports Chalet, Dress Barn, Bed, Bath & Beyond and Famous Footwear. Although the power retail center opened in late 2007, tenants continue to come online throughout the first quarter of 2008. Arroyo Market Square is one of the Valley’s largest retail power centers, and the only power center to open in Southern Nevada in nearly four years.

“At 1.1 percent vacancy, power centers remain the most supply-constrained type of center,” said Victor Donovan, managing partner of Colliers International Las Vegas. “The valley’s anchored retail space should continue to see a relatively tight supply-demand balance in 2008.”

Juliet Cos. is helping relieve the market with its \$75 million, 325,000-square-foot power retail center called Deer Springs Crossing in North Las Vegas. The 35-acre complex at Fifth Street and Deer Springs Way will consist of 25 buildings, including a 90,000-square-foot Kohl’s. J&F Construction is the general contractor, with RSJ architecture as designer. The project is a joint venture between Rome’s Golden 40 LLC, the land owner, and Juliet, acting as lead developer.

A second phase will contain 22 buildings with four to five junior anchors, from 15,000 to 30,000 square feet in size. There will also be four to five inline buildings of 7,000 to 10,000 square feet, with divisibility down to 1,400 square feet. The second phase will finish in the third quarter of 2008. Deer Springs Crossing will have roughly 40 to 50 shops, restaurants and entertainment venues upon completion.

Northern Nevada, like its southern neighbor, is similarly seeing robust retail conditions despite a downturn in the residential market. New projects are increasingly migrating to residential enclaves serviced by new roads and infrastructure. Spanish Springs, for example, continues its 1.4 million-square-foot massing of the contiguous retail space with Sparks Galleria, Sparks Crossing, Spanish Springs Town Center and the Rialto. There’s also the 450,000-square-foot Kiley Ranch, the 450,000-square-foot Stonebrook and 125,000-square-foot Pioneer Meadows. In Sparks, “The Legend of the Marina” is a 1.35 million-square-foot regional tourist-oriented center. In Northwest Reno, Ridgeview Plaza is adding a second 81,000-square-foot phase, featuring Ross and PetSmart, and a new 136,000-square-foot redeveloped power center, Keystone Commons, is planned for the corner of Keystone and I-80.

“With the amount of development in the pipeline, we expect the same elevated level of activity in the retail sector to continue,” said Roxanne Stevenson, a senior vice president with Colliers Reno’s Retail Division. “[We] expect another solid year with steady occupancies and modest increases in rents as families, businesses, retailers and restaurants continue to move here.”

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