



ARROYO MARKET SQUARE

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LIED INSTITUTE FOR  
REAL ESTATE STUDIES  
LEE BUSINESS SCHOOL

**Las Vegas Anchored Retail Survey**  
2<sup>nd</sup> Quarter 2015



THE DISTRICT AT GREEN VALLEY RANCH



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BEH 530B  
Las Vegas, Nevada 89154  
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August 5, 2015

Re: *Anchored Retail Real Estate Survey: 2<sup>nd</sup> Quarter, 2015*

Dear Reader,

RCG Economics and the UNLV Lied Institute for Real Estate Studies are excited to produce the *Lied-RCG Commercial Real Estate Survey* (“the Survey”) containing the most comprehensive, timely and accurate data and analysis on the Las Vegas Valley’s industrial, speculative office and anchored retail markets.

RCG Economics has partnered with the Lied Institute to produce objective and independent quarterly surveys on the health and state of the commercial real estate market. RCG is a leader in real estate market research and analysis, including commercial real estate and economic forecasting. The Lied Institute seeks to advance real estate knowledge through research, student scholarship, certificate programs and community outreach activities.

The Survey is born of our commitment to excellence in serving those organizations requiring superior up-to-date market analysis and data to make key decisions. Developing this Private-Public Partnership to collect, analyze and release unbiased information is further proof of this commitment. Equally important, the data herein are collected as close as possible to the end of each quarter.

This survey documents historical and current market conditions at the Valley and submarket levels. The data contained within are organized and tracked by our in-house research analysts and economists to provide the best analysis of Las Vegas’ commercial real estate markets. The survey contains a variety of meaningful market indicators, including:

- Total existing inventory
- New and planned construction activity
- Vacancy and occupancy levels
- Net Absorption
- “Coupon” or quoted monthly rents

Further, our three commercial (industrial, office and retail) databases contain benchmark building data, by submarket, dating back to 1996. This information allows us to develop “custom” studies for our readers and clients. It is through this survey and our other services and products, that we remain the “Source for Decision Makers.”

Regards,

John Restrepo  
RCG Economics

Edward Coulson, Ph.D  
Lied Institute for Real Estate Studies-UNLV



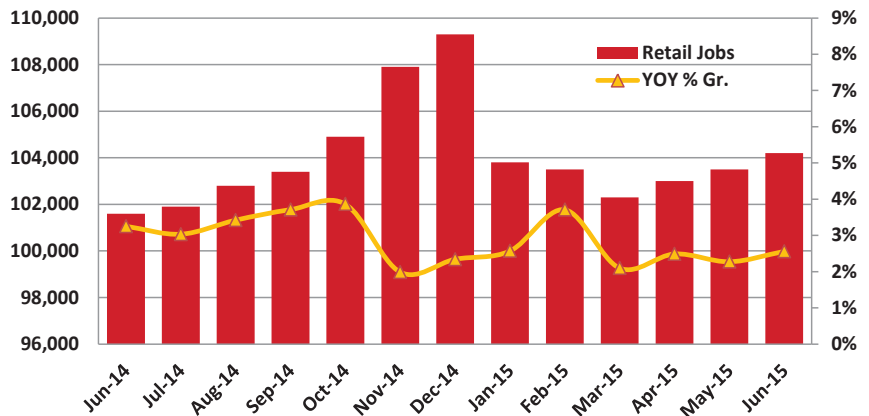
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# LAS VEGAS ANCHORED RETAIL SURVEY

## SUMMARY

The Las Vegas Valley's ("the Valley") anchored retail market<sup>1</sup> remained 44.3 million square feet ("sf") in Q2, 2015 - there were no completions recorded during the quarter. Reversing the first quarter's loss, the Valley experienced net demand of 15,200 sf during Q2. The overall vacancy rate remained 11.9% in Q2, 2015, as it was in Q1, 2015, but it was up 0.4 points from the 11.5% recorded in Q2, 2014. Average monthly asking rents increased to \$1.29 per square foot ("psf") NNN<sup>2</sup> in Q2, \$0.27 higher than the previous quarter and \$0.02 higher than Q2, 2014. There are 278,700 sf of forward-supply<sup>3</sup> of anchored space in two Community Centers.

**Clark County Total\* Retail Jobs and Annual Growth: Jun-14 to Jun-15**



Source: Nevada Department of Employment, Training and Rehabilitation; calculated by RCG Economics.

## RETAIL JOBS

Total nonfarm employment for the Las Vegas MSA rose by 28,600 jobs from June 2014 through June 2015, a 3.2% increase. During that time the "headline" unemployment rate declined 1.0 point to 7.0%.

There were 104,200 jobs in the Las Vegas retail sector at the end of June 2015, accounting for 13% of total private payroll jobs. This represents 2,600 (+2.6%) more jobs than were recorded in June 2014. General Merchandise and Clothing/Accessories jobs rose by 4.6% (+1,700 jobs) and Food & Beverage Stores increased 3.1% (+500 jobs) in the last year. Other Stores<sup>4</sup> increased by just 0.7% (+300 jobs) for the

### Retail Employment

Industry Sector	Apr			May			Jun		
	2015	2014	% Ch.	2015	2014	% Ch.	2015	2014	% Ch.
Gen. Merch. & Cloth./Accessories	38,100	36,900	3.3%	38,800	37,100	4.6%	39,000	37,300	4.6%
Food & Bev. Stores	16,500	15,600	5.8%	16,600	15,900	4.4%	16,600	16,100	3.1%
Health & Personal Care Stores	6,900	6,700	3.0%	6,900	6,800	1.5%	7,000	6,900	1.4%
Other Stores	41,500	41,300	0.5%	41,200	41,400	-0.5%	41,600	41,300	0.7%
<b>Total</b>	<b>103,000</b>	<b>100,500</b>	<b>2.5%</b>	<b>103,500</b>	<b>101,200</b>	<b>2.3%</b>	<b>104,200</b>	<b>101,600</b>	<b>2.6%</b>

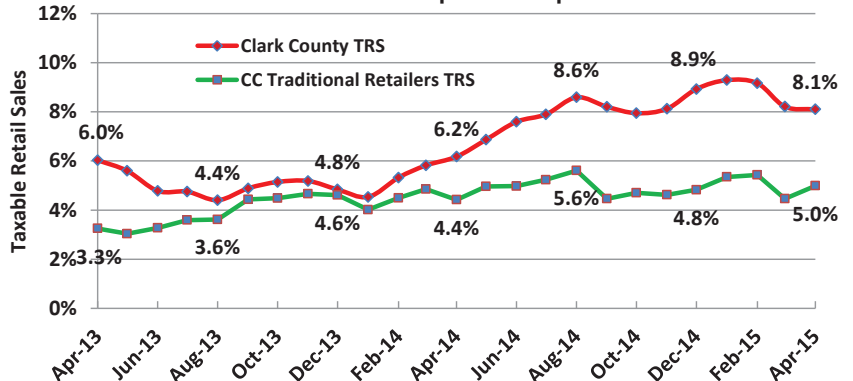
Source: Nevada Department of Employment, Training & Rehabilitation ("DETR").

year. Employment in the retail sector has been increasing on a year-over-year ("Y-O-Y") basis since May 2010 and has shown modest gains (+3.4% monthly average annual growth) so far during 2015.

## TAXABLE RETAIL SALES

Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$37.2 billion in April, an 8.1% jump compared to April 2014. This brings the region's sales to a new all-time high and well above the December 2007 peak of \$36.3 billion. Moreover, the average Y-O-Y growth over the last 41 months is 7.1%.

**Clark County Total Taxable Retail Sales ("TRS") vs. Traditional Retailers TRS, Percent Growth: Apr-13 to Apr-15**



Source: Nevada Department of Taxation; calculated by RCG Economics.



## ANCHORED RETAIL MARKET

### Top 5 Traditional Retailers (Apr-15)

	Taxable Retail Sales	YoY Change	YoY % Change
Food Services and Drinking Places	\$841,419,432	\$115,370,495	15.9%
Furniture and Home Furnishings Stores	\$64,122,363	\$13,754,626	27.3%
Building Material and Garden Equipment and Supplies	\$123,457,437	\$12,594,593	11.4%
Food and Beverage Stores	\$97,327,009	\$5,457,605	5.9%
Gasoline Stations	\$26,234,299	\$2,615,711	11.1%

Source: Nevada Department of Taxation. Note: The reason the DETR and Taxation retail categories do not match exactly is that DETR only reports three types of traditional retailer categories.

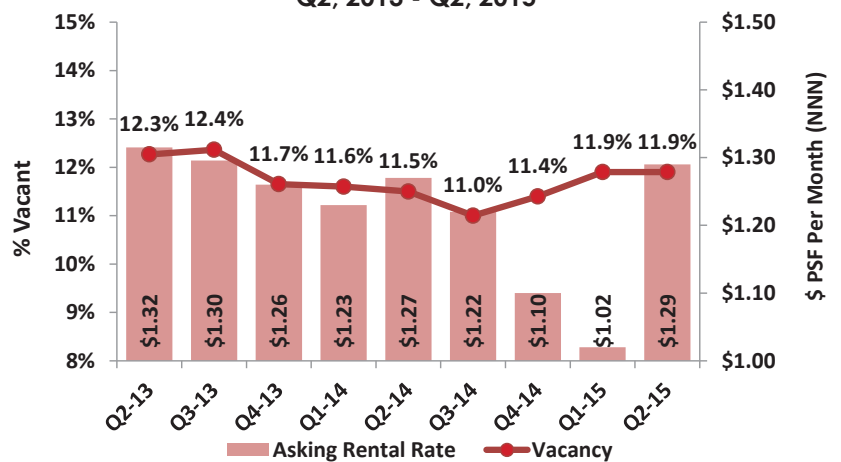
According to the Nevada Department of Taxation, the three traditional retail sectors with the largest taxable sales growth, on a dollar basis, during the April 2014-April 2015 period were "Food Services and Drinking Places" (+\$115.4M, +15.9%), "Furniture and Home Furnishings Stores" (+\$13.8M, +27.3%) and "Building Material and Garden Equipment and Supplies" (+\$12.6M, +11.4%). Solid growth in taxable sales among traditional retail outlets have continued throughout 2015. Below is a table of the top five best performing traditional retail sectors Y-O-Y.

### VACANCY & RENTS

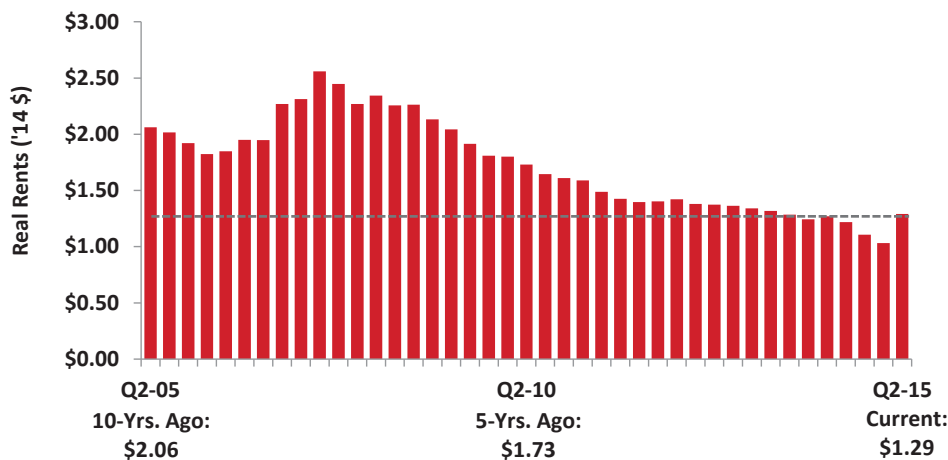
The average Valley-wide anchored retail vacancy rate remained at 11.9% (based on currently vacant space actively being marketed) in Q2. This is unchanged from Q1 and a 0.4 percentage-point increase from Q2, 2014 (11.5%). The average Valley-wide anchored retail vacancy rate is 3.4 percentage-points lower than the record high of 15.3% that occurred in Q2, 2011.

The highest submarket vacancies at the end of Q2 were Downtown (19.0%), University East (18.8%), West Central (15.4%) and North Las Vegas (13.2%). Three submarkets had vacancy rates below 10%: Northwest (9.9%), Southwest (5.4%) and Northeast (5.5%). Relative to the previous quarter, vacancy rates rose in

Las Vegas Valley Retail Market  
Historical Vacancy vs. Monthly Asking Rent:  
Q2, 2013 - Q2, 2015



Las Vegas Valley Retail Market  
Inflation-Adjusted Asking Rent: Q2, 2005 - Q2, 2015 (Baseline)



four submarkets and decreased in the other four. The improved submarkets in Q2, 2015 were Downtown, Henderson, North Las Vegas and Southwest, with improvements of 1.0, 0.6, 1.8 and 1.9 percentage-points, respectively. The other four submarkets were Northeast, Northwest, University East and West Central, which saw vacancy rates rise by 0.6, 0.6, 1.3 and 2.2 percentage-points, respectively.

By product type, vacancy rates improved in Power Centers and Community Centers during Q2, decreasing by 0.4 percentage-points. Neighborhood Centers, on

## ANCHORED RETAIL MARKET

the other hand, lost ground, with the vacancy rate rising by 0.5 percentage-points.

The overall anchored monthly asking rent increased in Q2, returning to the level seen before the drops of Q4, 2014 and Q1, 2015. The overall rent rose to \$1.29 psf in Q2 (calculated on a NNN basis; not accounting for any operating expenses). There is some volatility in the market, but it is also possible that the results suffered from statistical variation during Q4, 2014 and Q1, 2015 due the type of space was available in each quarter. Nevertheless, the Valley's anchored retail market appears to be doing well in certain submarkets, while it continues to struggle in others.

### DEMAND

There was a total of +15,200 sf of total net absorption in Q2, 2015, compared to +38,100 sf during Q2, 2014. On a Y-O-Y basis, net anchored retail absorption was just 1,600 sf, Valley-wide.

Net absorption declined in the Northeast (-15,400 sf), Northwest (-56,500 sf), University East (-81,500 sf) and West Central (-94,300 sf) submarkets in Q2. The other four submarkets recorded positive net absorption, led by the Southwest submarket with 108,900 sf.

On an annual basis, only five of eight submarkets were in positive territory in Q2, with a combined 638,300 sf of net absorption. The University East submarket was hardest hit, wiping out much of the Valley-wide growth with a -497,700 sf of net absorption comparing Q2, 2014 to Q2, 2015. Overall, the gains added up to a paltry 1,600 sf – essentially zero. During the same period in 2014, Y-O-Y absorption for the Valley was 350,800 sf.

Net absorption was positive in Power Centers (+5,000 sf) and Community Centers (84,200 sf), but was negative in Neighborhood Centers (-74,100 sf).

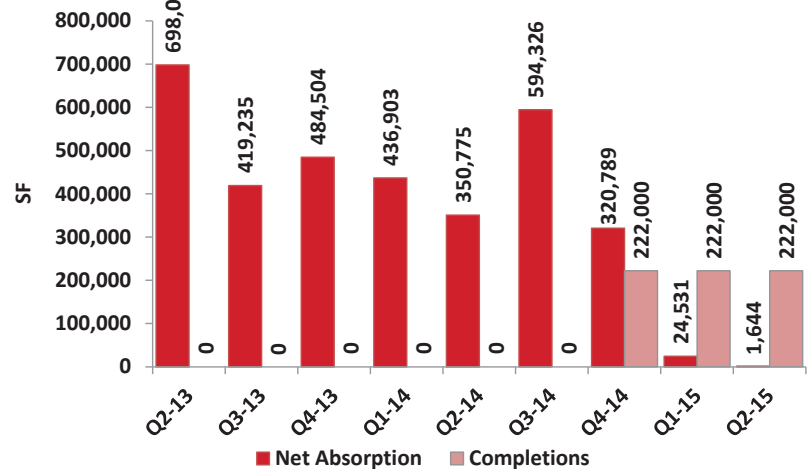
Power Centers also led the way on a Y-O-Y basis, adding 166,200 sf of occupied space on a net basis, while Community Centers and Neighborhood Centers switch positions, with Community Centers negative over the year (-201,600) and Neighborhood Centers gaining ground (+37,100).

### SUPPLY

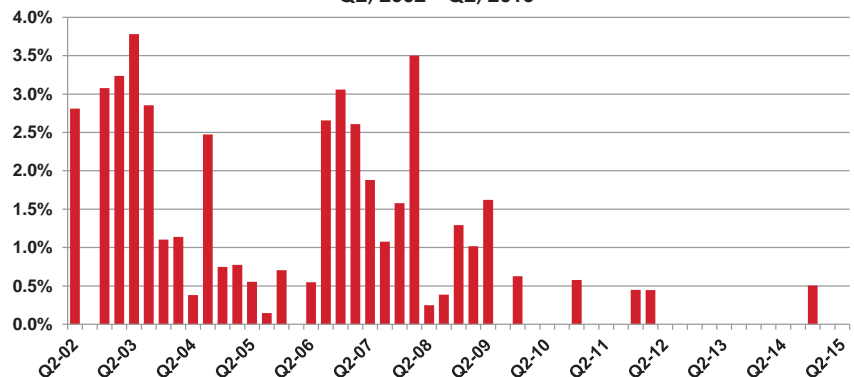
No new anchored retail space was completed during Q2, 2015. In the last 13 quarters, only Q4, 2014 had any completions. Prior to that, there have been only three quarters in 22 (since Q1, 2010), that saw new anchored retail space brought to market. The Valley's total anchored retail inventory is currently 44.3 million sf in 267 shopping centers.

There is one construction project in the works. This is the 138,700-square-foot Green Valley Crossing in Henderson. The 140,000-square-foot Decatur @ Target shopping center in the Northwest is back

Las Vegas Valley Retail Market  
Historical YOY Net Absorption vs. Completions  
Q2, 2013 - Q2, 2015



Las Vegas Valley Retail Market  
Completions as a % of Inventory:  
Q2, 2002 - Q2, 2015



in the planning stages after dealing with setbacks due to the recession.

From what we know today, we do not see much new anchored retail development taking place in 2015. This will help the market to move toward the 10% stabilized vacancy rate. Our latest estimates indicate that this will happen in about seven quarters (based on the average quarterly absorption rate of 159,800 sf over the last 10 years).

#### **FURTHER THOUGHTS**

As noted, Clark County taxable sales continue to steadily climb. On a 12-month moving total basis, these sales reached \$37.2 billion in April, an 8.1% jump compared to April 2014. This brings the region's sales to a new all-time high and well above the December 2007 peak of \$36.3 billion. Moreover, the average Y-O-Y growth over the last 41 months is 7.1%.

There were 104,200 jobs in the Las Vegas retail sector at the end of June 2015, accounting for 13% of total private payroll jobs. General Merchandise and Clothing/Accessories jobs rose by 1,700 jobs and Food & Beverage Stores increased 500 jobs in the last year. Employment in the metro area's retail sector has been increasing on a Y-O-Y basis since May 2010 and has shown modest gains (+3.4% monthly average annual growth) so far during 2015.

Relatively low gasoline prices have essentially given Southern Nevadans a "raise" and an increase in spending power. According to AAA, as of July 29, the average price per gallon for regular unleaded gasoline in the Las Vegas MSA dropped by 13.4% from \$3.78 a year ago to \$3.27. However, between June 29 and July 29, the price of unleaded increased slightly, by \$0.06 per gallon, or 1.9%. Still, we expect gas prices to stay relatively stable and less expensive compared to one year prior over the summer.

Wages and incomes are just beginning to move forward on an inflation-adjusted basis after being stagnant for some time. Clark County 12-month moving average ("12-MMA") weekly earnings on an inflation-adjusted basis are starting to improve. They were up 1.5% in June compared to June 2014, reaching \$630 in 2007 dollars, marking 12 months of improvement.

Additionally, on a 12-MMA basis, the average number of hours worked per week in Clark County was 33.2 hours in June 2015, down 0.1 hours from May 2015 and 0.3 hours less than the 33.5 recorded in June 2014. As we've noted, stagnant and even dropping average hours worked have accompanied a dropping headline unemployment rate. Implication: companies continue to depend heavily on part-time workers. For this reason, the U-6 unemployment rate (includes discouraged and part-time workers) in Nevada remains the nation's highest at 15.2% (Q2).

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<sup>1</sup> Includes all anchored retail Power Center, Community Center and Neighborhood Center properties with 40,000 or more of gross leasable area in the Las Vegas Valley.

<sup>2</sup> All retail rents in this report are quoted on a monthly triple net (NNN) per square foot basis and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities.

<sup>3</sup> Forward-supply is a combination of space presently under construction in a quarter and space planned to begin construction within the next 4 quarters.

<sup>4</sup> "Other stores" is made up of total retail less general merchandise/clothing, food & beverage stores and health & personal care stores.

**RETAIL MARKET GLOSSARY**

Retail properties tracked include shopping centers with at least 10,000 sf of usable space. These centers have several different stores or tenants and are anchored by one or more large, national tenant (i.e., Best Buy, Target, and Smith's). Characteristics of buildings were used to define the appropriate classification of properties into subtypes, such as tenant mix, size and trade area. A property must exhibit one or more of the typical building characteristics to be considered a specific classification.

**Power Center**

Centers with a minimum of three, but usually five or more, anchor tenants that dominant in their categories

- Size typically more than 250,000 sf, but can be as small as 125,000 sf; almost all units designed for large tenants
- Customer-base is typically drawn from within a 15-mile trade area

**Community Center**

Centers with stores that sell consumer goods, in addition to convenience goods and personal services.

- Typical anchor tenants include junior department stores and off-price/discount stores, and store that sell goods requiring comparison such as apparel and appliances; other tenants include drug stores and home improvement centers
- Size typically between 100,000 and 300,000 sf, but can be over 500,000 sf
- Customer-base is primarily within a five-mile trade area

**Neighborhood Center**

Center with stores that sell convenience goods (e.g., food, sundries and takeout food) and provide personal services (e.g., dry cleaning and hair/nail care) that meet the day-to-day living needs to the immediate area.

- Typical anchor tenant is a supermarket
- Size tends to be smaller than 100,000 sf, but can range from 30,000 to 150,000 sf
- Customer-base is within a two- to three-mile trade area

# Anchored Retail Market Matrix

## Las Vegas, Nevada Second Quarter, 2015

SUBMARKETS									
TOTAL RETAIL MARKET	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	9	54	27	21	59	23	40	34	267
Total Rentable SF	1,105,851	8,680,068	4,910,743	2,542,317	10,810,588	5,783,835	6,050,227	4,379,055	44,262,684
Total Vacant SF	209,777	1,085,243	647,054	139,813	1,067,079	312,186	1,138,391	672,351	5,271,894
Total Occupied SF	896,074	7,594,825	4,263,689	2,402,504	9,743,509	5,471,649	4,911,836	3,706,704	38,990,790
Total Vacant (%)	19.0%	12.5%	13.2%	5.5%	9.9%	5.4%	18.8%	15.4%	11.9%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	11,218	55,362	87,429	-15,448	-56,452	108,913	-81,518	-94,336	15,168
Total Net Absorption YOY	-95,482	190,170	51,836	87,835	245,862	62,611	-497,730	-43,458	1,644
Asking Rents (\$ PSF)	\$0.70	\$1.53	\$1.70	\$1.12	\$1.29	\$1.64	\$0.93	\$1.03	\$1.29
Under Construction SF	0	138,738	0	0	0	0	0	0	138,738
Planned SF	0	0	0	0	140,000	0	0	0	140,000

POWER CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	0	8	2	0	7	1	3	3	24
Total Rentable SF	0	2,962,288	987,713	0	2,840,846	944,314	1,210,223	1,138,224	10,083,608
Total Vacant SF	0	568,332	1,740	0	69,925	0	124,170	167,538	931,705
Total Occupied SF	0	2,393,956	985,973	0	2,770,921	944,314	1,086,053	970,686	9,151,903
Total Vacant (%)	0.0%	19.2%	0.2%	0.0%	2.5%	0.0%	10.3%	14.7%	9.2%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	0	21,833	-1,740	0	-7,930	7,200	15,000	-29,383	4,980
Total Net Absorption YOY	0	25,706	6,753	0	52,981	0	47,648	33,062	166,150
Asking Rents (\$ PSF)	\$0.00	\$1.90	\$3.00	\$0.00	\$1.39	\$0.00	\$1.41	\$1.11	\$1.61
Under Construction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0

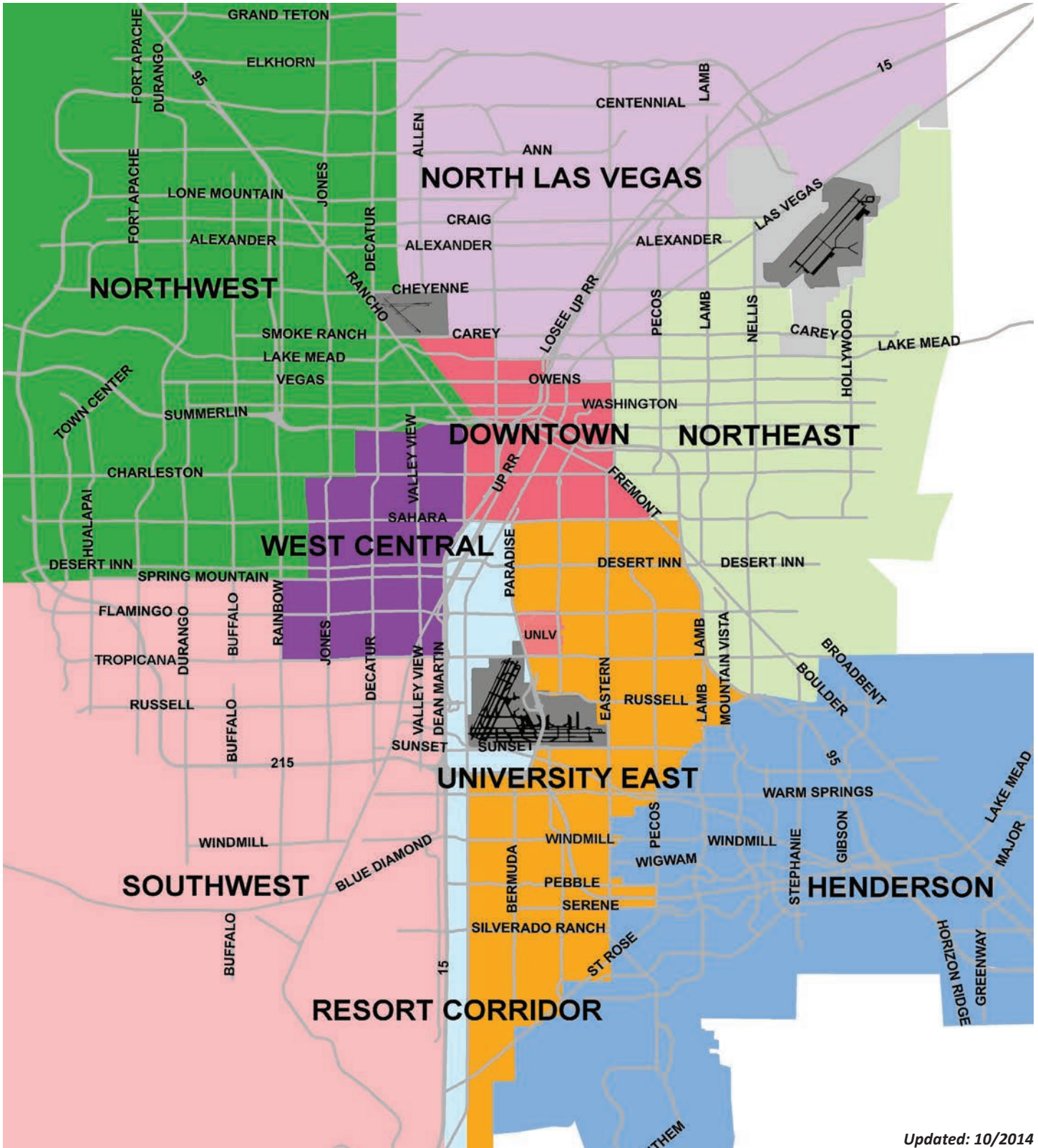
COMMUNITY CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	5	21	10	8	20	9	19	15	107
Total Rentable SF	678,690	2,920,692	1,755,463	1,407,552	4,314,234	3,216,421	2,761,028	1,649,146	18,703,226
Total Vacant SF	179,516	143,242	123,659	38,804	468,938	211,728	758,292	369,978	2,294,157
Total Occupied SF	499,174	2,777,450	1,631,804	1,368,748	3,845,296	3,004,693	2,002,736	1,279,168	16,409,069
Total Vacant (%)	26.5%	4.9%	7.0%	2.8%	10.9%	6.6%	27.5%	22.4%	12.3%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	222,000	0	0	0	222,000
Total Net Absorption QTD	5,368	39,973	100,817	-18,608	-50,476	98,640	-17,753	-73,717	84,244
Total Net Absorption YOY	-99,632	16,766	132,807	100,962	145,482	49,939	-467,175	-80,783	-201,634
Asking Rents (\$ PSF)	\$0.40	\$1.91	\$3.20	\$1.45	\$1.72	\$1.64	\$0.77	\$0.97	\$1.35
Under Construction SF	0	138,738	0	0	0	0	0	0	138,738
Planned SF	0	0	0	0	140,000	0	0	0	140,000

NEIGHBORHOOD CENTERS	Downtown	Henderson	North Las Vegas	Northeast	Northwest	Southwest	University East	West Central	Totals
Number of Properties	4	25	15	13	32	13	18	16	136
Total Rentable SF	427,161	2,797,088	2,167,567	1,134,765	3,655,508	1,623,100	2,078,976	1,591,685	15,475,850
Total Vacant SF	30,261	373,669	521,655	101,009	528,216	100,458	255,929	134,835	2,046,032
Total Occupied SF	396,900	2,423,419	1,645,912	1,033,756	3,127,292	1,522,642	1,823,047	1,456,850	13,429,818
Total Vacant (%)	7.1%	13.4%	24.1%	8.9%	14.4%	6.2%	12.3%	8.5%	13.2%
Completions QTD	0	0	0	0	0	0	0	0	0
Completions YOY	0	0	0	0	0	0	0	0	0
Total Net Absorption QTD	5,850	-6,444	-11,648	3,160	1,954	3,073	-78,765	8,764	-74,056
Total Net Absorption YOY	4,150	147,698	-87,724	-13,127	47,399	12,672	-78,203	4,263	37,128
Asking Rents (\$ PSF)	\$8.33	\$1.07	\$1.21	\$1.02	\$0.98	\$1.64	\$0.92	\$1.10	\$1.11
Under Construction SF	0	0	0	0	0	0	0	0	0
Planned SF	0	0	0	0	0	0	0	0	0



# LAS VEGAS VALLEY

## ANCHORED RETAIL SUBMARKET MAP



Updated: 10/2014