

# MARKETBEAT RETAIL SNAPSHOT



## LAS VEGAS, NV

A Cushman & Wakefield Alliance Research Publication

Q2 2012



### ECONOMIC OVERVIEW

Clark County's economy continues to slowly show improvement. The Las Vegas unemployment rate fell from 12.4% in April to 12.1% in May. Compared to a year earlier, visitor volume was down by 1.2% in April.

Nonetheless, gaming revenue was 6.2% higher in April than a year earlier—mostly as a result of baccarat and slot play. Taxable sales for fiscal year-to-date are up 7.5% above the rate for a year earlier. State tax revenue showed better numbers than expected ending April with \$2.241 billion in tax revenue. The retail market is also expected to continue its show steady, but slow recovery through 2012.

Consumers are growing less confident in the economy and have pulled back sharply on spending this spring, however national retailers are responding to the Las Vegas economic recovery and are beginning to look at the area's retail real estate market for potential expansion space, which will hopefully fill existing vacant spaces, specifically in neighborhood, community and regional centers. On a national level the new trend for retailers is less square footage or downsizing. Retailers are favoring satellite stores in order to maintain competitiveness against on-line retailers and by-phone shopping. Smaller stores also allow retailers to locate in neighborhood and community center settings which provide consumers with added convenience.

### RETAIL MARKET OVERVIEW

Retail is showing the strongest market improvements compared to other commercial sectors. For the fifth straight quarter the vacancy rate showed a decline. The Las Vegas retail market has approximately 7.9 million square feet (msf) of vacant product, which equates to a 14.0% vacancy factor. This is a drop from the first quarter vacancy rate of 14.2%, and a major drop from 14.7% vacancy rate that the saw a year ago. As the retail market continues to recover and retailers continue to rent and build smaller spaces, vacancy in the next year is expected to remain stable in the high 13% to low 14% range. The Central West submarket has been a hot spot for tenants in 2012. This submarket currently has the most positive net absorption out of any of the other submarkets at 52,261 square feet (sf) for 2012. Community Centers are also showing strong signs of market improvement with a year to date positive net absorption at 177,674 sf. The lease rates for the retail market have been very competitive in 2012. Landlords are eager to lease their buildings and make deals on a short term basis in order to have means of cash flow. Average asking rents fell to \$1.45 per square foot per month (psf/mo) triple net during second quarter 2012. This is the lowest asking lease rate that we have seen since 2003 when the rate was \$1.23 psf/mo triple net.

Going into 2012, we expect lease rates to continue to remain low due to high vacancy and the growth of building sales.

### OUTLOOK

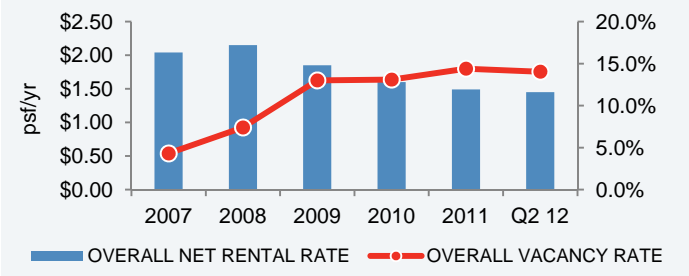
After witnessing a very flat year in market activity, we don't expect 2012 to be any different. We do not expect to see any more major swings in the labor market or the commercial real estate market like we have seen in the past few years. The retail specialty is still cautious as the Las Vegas economy as a whole continues to be impacted by high unemployment rates and careful consumer activity, causing vacancies to remain elevated.

As a desert city, Las Vegas is used to dry, very hot, summer months; however the drought ridden cities of the Midwest are not used to this weather and it may start taking a toll on our future food costs. The National Climatic Data Center has reported that, "The hot, dry weather in June, which ranked as the third-driest month nationally in at least 118 years, made the problem (drought) worse," the center goes on to state, "55% of the country was in at least moderate short-term drought in June for the first time since December 1956, when 58% of the country was in a moderate to extreme drought." Going into the next few months we will be watching the results from this historic drought and its effect on the nation. Most neighborhood centers' foot traffic is generated by grocery anchored stores and 10% of most households spend 10% of their income on food making food cost is an important subject to watch for the next few months. If more consumers have to pay extra money on food then their spending will cease on other consumer goods. Rising food costs can also affect our local restaurants and their bottom line. For right now though, pick up that corn from the supermarket and enjoy, because going forward, we may not see five for a \$1.00 corn prices in the near future.

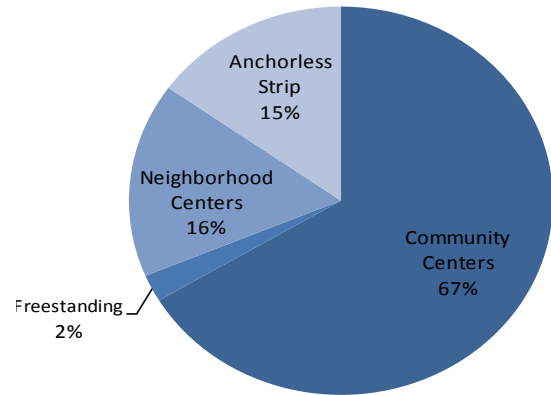
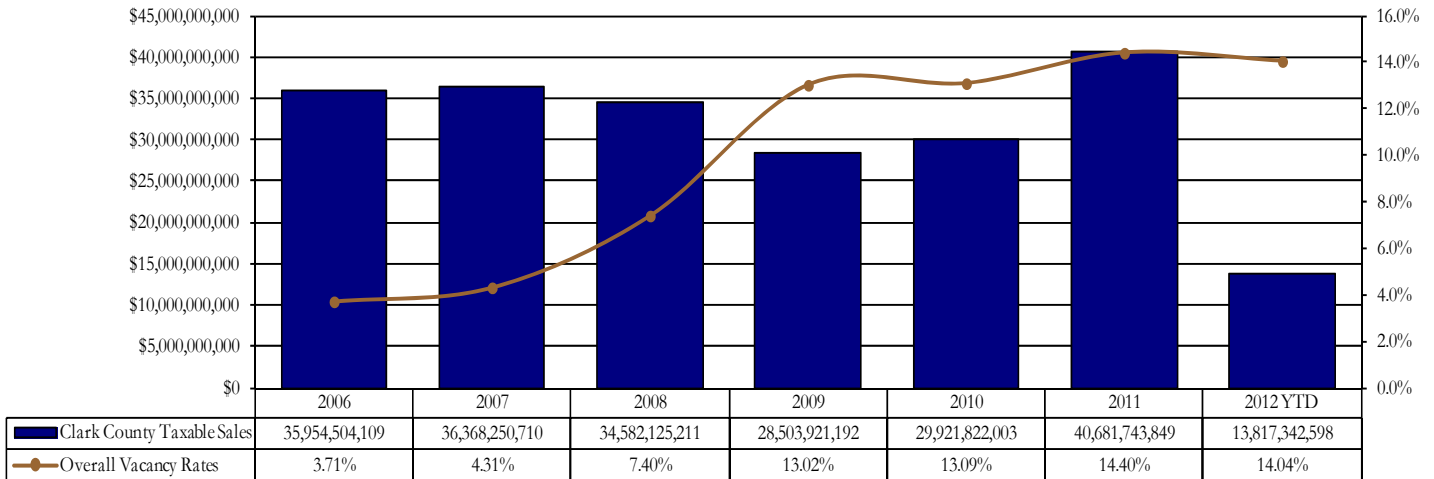
### ECONOMIC INDICATORS

NATIONAL	2011	2012F	2013F
GDP Growth	1.7%	2.1%	2.6%
CPI Growth	3.1%	1.8%	2.0%
Consumer Spending Growth	2.1%	2.2%	2.8%
Retail Sales Growth	8.0%	5.7%	4.4%
REGIONAL	2011	2012F	2013F
Household Income	\$51,879	\$53,362	\$55,402
Population Growth	0.82%	1.69%	2.54%
Unemployment	13.9%	11.9%	11.0%

Source: Moody's Analytics

**OVERALL RENTAL VS. VACANCY RATES**


Source: Cushman &amp; Wakefield / Commerce Database

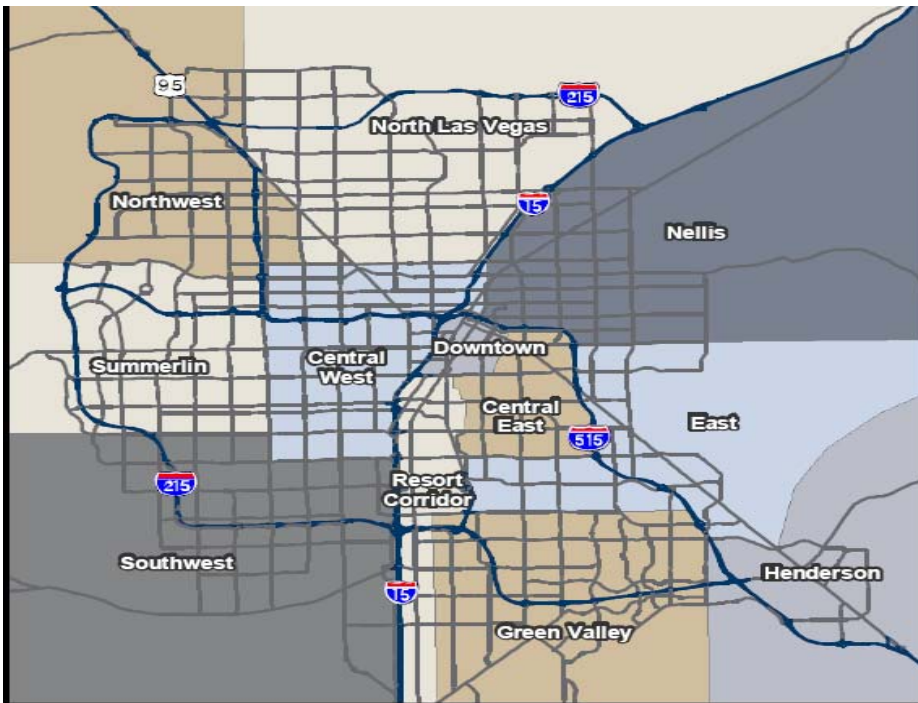
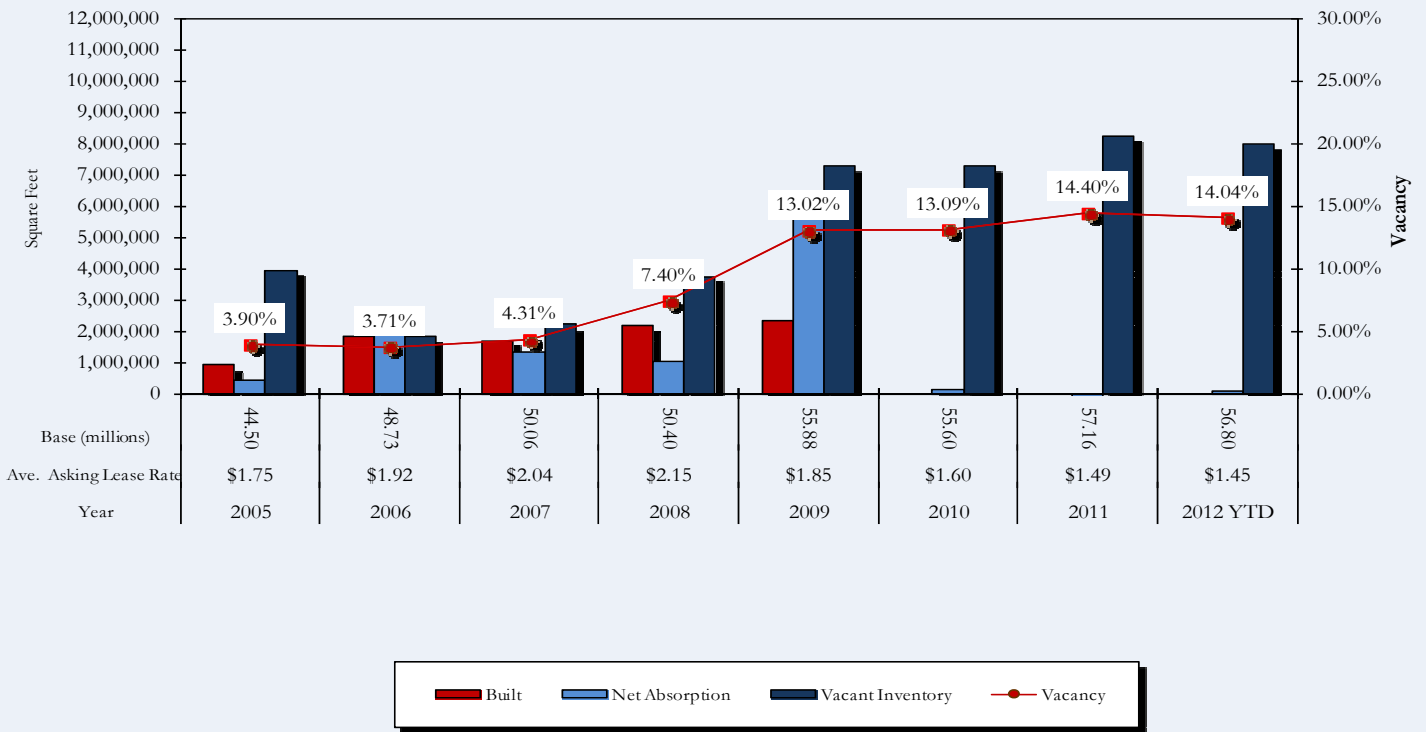
**Market Share**

**Retail: Clark County Taxable Sales and Vacancy Rate (%)**

**MARKET HIGHLIGHTS**

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1001 Pawtucket Boulevard, Lowell*	495 North	Cobham	Neighborhood Center	100,000
605 Myles Standish Boulevard, Taunton	495 South IPC	Global Solutions	General Retail	100,000
66 Atlas Street, Worcester	Worcester	The Wolfe Organization	Strip Center	100,000
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
20 Harvard Road, Littleton	495 North Angelo	Gordon & Co.	\$12,000,000 / \$120	100,000
55 Lyman Street - Building E, Northborough	495 West	TA Associates	\$22,000,000 / \$220	100,000
180 Guest Street, Brighton	Boston West	NB Guest Street Associates LLC	\$8,000,000 / \$160	50,000
Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Tivoli Village at Queensridge	Summerlin	N/A	4Q12	226,178

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

	No. of Bldgs.	Inventory Existing SF	Vacancy SF	Rate	Net Absorption	Demand & Supply Gross Spaced	Sublease	Low	Pricing Asking Rent (NNN) High	Weighted
<b>Central East</b>										
Community Centers	18	2,832,217	298,513	10.54%	2,981	4,606	34,387	\$0.75	\$3.00	\$1.39
Freestanding	6	238,583	19,800	8.30%	-	-	-	-	-	-
Neighborhood Centers	5	450,421	68,305	15.16%	-	-	-	\$0.49	\$3.75	\$1.44
Anchorless Strip	44	1,656,243	343,624	20.75%	2,720	2,720	1,590	\$0.47	\$2.85	\$1.30
<b>Total</b>	<b>73</b>	<b>5,177,464</b>	<b>730,242</b>	<b>14.10%</b>	<b>5,701</b>	<b>7,326</b>	<b>35,977</b>	<b>\$0.47</b>	<b>\$3.75</b>	<b>\$1.38</b>
<b>Central West</b>										
Community Centers	29	4,703,263	618,229	13.14%	27,266	32,491	-	\$0.50	\$3.23	\$1.27
Freestanding	6	512,437	1,200	0.23%	-	-	1,350	\$0.65	\$1.60	\$1.42
Neighborhood Centers	16	1,239,891	159,799	12.89%	(3,344)	7,106	14,267	\$0.75	\$2.50	\$1.27
Anchorless Strip	44	1,555,691	195,615	12.57%	(1,664)	2,211	-	\$0.50	\$2.50	\$1.08
<b>Total</b>	<b>95</b>	<b>8,011,282</b>	<b>974,843</b>	<b>12.17%</b>	<b>22,258</b>	<b>41,808</b>	<b>15,617</b>	<b>\$0.50</b>	<b>\$3.23</b>	<b>\$1.26</b>
<b>East</b>										
Community Centers	17	3,090,995	635,361	20.56%	-	-	43,562	\$0.50	\$2.50	\$1.16
Freestanding	3	113,234	28,288	24.98%	-	-	-	\$0.83	\$1.63	\$1.27
Neighborhood Centers	4	363,359	17,897	4.93%	1,978	1,978	-	\$0.99	\$1.50	\$1.16
Anchorless Strip	15	402,467	110,094	27.35%	2,132	2,132	-	\$0.60	\$2.00	\$1.21
<b>Total</b>	<b>39</b>	<b>3,970,055</b>	<b>791,640</b>	<b>19.94%</b>	<b>4,110</b>	<b>4,110</b>	<b>43,562</b>	<b>\$0.50</b>	<b>\$2.50</b>	<b>\$1.20</b>
<b>Green Valley</b>										
Community Centers	33	7,422,044	800,109	10.78%	1,132	18,587	-	\$0.75	\$3.00	\$1.65
Freestanding	3	263,856	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	24	2,224,891	406,965	18.29%	(28,168)	1,400	42,879	\$0.50	\$2.50	\$1.48
Anchorless Strip	43	933,725	228,581	24.48%	5,963	15,462	-	\$0.75	\$2.50	\$1.37
<b>Total</b>	<b>103</b>	<b>10,844,516</b>	<b>1,435,655</b>	<b>13.24%</b>	<b>(21,073)</b>	<b>35,449</b>	<b>42,879</b>	<b>\$0.50</b>	<b>\$3.00</b>	<b>\$1.50</b>
<b>Henderson</b>										
Community Centers	10	1,954,454	545,355	27.90%	-	-	-	\$0.50	\$4.00	\$1.69
Freestanding	0	0	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	3	295,539	44,973	15.22%	(183)	3,054	-	\$0.50	\$1.75	\$1.38
Anchorless Strip	8	369,499	98,321	26.61%	15,670	20,067	-	\$0.75	\$3.25	\$1.64
<b>Total</b>	<b>21</b>	<b>2,619,492</b>	<b>688,649</b>	<b>26.29%</b>	<b>15,487</b>	<b>23,121</b>	<b>-</b>	<b>\$0.50</b>	<b>\$4.00</b>	<b>\$1.57</b>
<b>Nellis</b>										
Community Centers	9	1,301,060	70,506	5.42%	1,460	2,540	-	\$0.75	\$2.50	\$1.22
Freestanding	2	100,340	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	11	934,396	114,334	12.24%	(1,010)	-	-	\$0.75	\$3.25	\$1.62
Anchorless Strip	17	563,582	121,705	21.59%	(15,082)	-	-	\$0.75	\$3.50	\$1.37
<b>Total</b>	<b>39</b>	<b>2,899,378</b>	<b>306,545</b>	<b>10.57%</b>	<b>(14,632)</b>	<b>2,540</b>	<b>-</b>	<b>\$0.75</b>	<b>\$3.50</b>	<b>\$1.40</b>
<b>North Las Vegas</b>										
Community Centers	24	4,643,509	482,800	10.40%	3,173	3,173	-	\$0.50	\$3.00	\$1.72
Freestanding	1	53,837	30,281	56.25%	-	-	-	\$0.75	\$0.75	\$0.75
Neighborhood Centers	17	1,463,304	158,637	10.84%	2,292	3,174	1,600	\$0.75	\$2.75	\$1.35
Anchorless Strip	15	523,737	191,054	36.48%	9,892	11,392	-	\$0.49	\$2.25	\$1.14
<b>Total</b>	<b>57</b>	<b>6,684,387</b>	<b>862,772</b>	<b>12.91%</b>	<b>15,357</b>	<b>17,739</b>	<b>1,600</b>	<b>\$0.49</b>	<b>\$3.00</b>	<b>\$1.24</b>
<b>Northwest</b>										
Community Centers	17	3,676,439	396,337	10.78%	(6,011)	9,094	9,172	\$0.75	\$3.00	\$1.68
Freestanding	0	0	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	18	701,198	180,987	25.81%	4,735	6,135	1,609	\$0.50	\$2.65	\$1.57
Anchorless Strip	10	325,070	92,170	28.35%	-	-	-	\$0.99	\$2.25	\$1.27
<b>Total</b>	<b>45</b>	<b>4,702,707</b>	<b>669,494</b>	<b>14.24%</b>	<b>(1,276)</b>	<b>15,229</b>	<b>10,781</b>	<b>\$0.50</b>	<b>\$3.00</b>	<b>\$1.51</b>
<b>Southwest</b>										
Community Centers	15	4,217,099	392,345	9.30%	15,388	16,454	5,180	\$0.63	\$3.00	\$1.76
Freestanding	0	0	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	10	980,368	79,174	8.08%	(6,075)	-	6,378	\$0.99	\$2.75	\$1.47
Anchorless Strip	52	1,652,875	456,406	27.61%	(1,265)	8,205	4,203	\$0.50	\$4.25	\$1.49
<b>Total</b>	<b>77</b>	<b>6,850,342</b>	<b>927,925</b>	<b>13.55%</b>	<b>8,048</b>	<b>24,659</b>	<b>15,761</b>	<b>\$0.50</b>	<b>\$4.25</b>	<b>\$1.57</b>
<b>Summerlin</b>										
Community Centers	19	3,875,652	470,499	12.14%	3,385	8,180	-	\$0.75	\$3.50	\$1.96
Freestanding	0	0	0	0.00%	-	-	-	-	-	-
Neighborhood Centers	8	577,211	22,454	3.89%	4,924	4,924	-	\$0.80	\$3.00	\$2.00
Anchorless Strip	18	591,085	94,367	15.97%	-	-	-	\$0.75	\$2.72	\$1.56
<b>Total</b>	<b>45</b>	<b>5,043,948</b>	<b>587,320</b>	<b>11.64%</b>	<b>8,309</b>	<b>13,104</b>	<b>-</b>	<b>\$0.75</b>	<b>\$3.50</b>	<b>\$1.84</b>
<b>Las Vegas Total</b>										
Community Centers	191	37,716,732	4,710,054	12.49%	48,774	95,125	92,301	\$0.50	\$4.00	\$1.55
Freestanding	21	1,282,287	79,569	6.21%	-	-	1,350	\$0.65	\$1.63	\$1.15
Neighborhood Centers	116	9,230,578	1,253,525	13.58%	(24,851)	27,771	66,733	\$0.49	\$3.75	\$1.47
Anchorless Strip	266	8,573,974	1,931,937	22.53%	18,366	62,189	5,793	\$0.47	\$4.25	\$1.34
<b>Total</b>	<b>594</b>	<b>56,803,571</b>	<b>7,975,085</b>	<b>14.04%</b>	<b>42,289</b>	<b>185,085</b>	<b>166,177</b>	<b>\$0.47</b>	<b>\$4.25</b>	<b>\$1.45</b>

## Las Vegas Retail Market Overview 2005-2012



Only existing properties, for lease  $\geq 20,000$  square feet are included in the market reviews

TYPE

COMMUNITY CENTER.....  $\geq 100,000$  AND  $\leq 349,999$  SF  
 NEIGHBORHOOD CENTER .....  $\geq 50,000$  AND  $\leq 99,999$  SF  
 ANCHORLESS STRIP .....  $\leq 49,999$  SF  
 FREESTANDING ..... FREESTANDING