

# MARKETBEAT

## RETAIL SNAPSHOT

### LAS VEGAS, NV

A Cushman & Wakefield Research Publication

Q3 2013



#### ECONOMIC OVERVIEW

Even with second quarter GDP raised to 2.5% from the previous estimate of 1.7%, the second part of 2013 is expected to come in below earlier estimates and economists surveyed by the Federal Reserve Bank of Philadelphia decreased their forecasted rate of 2.0% for the year to 1.5%. U.S. unemployment continued to fall to the current rate of 7.3%, but concerns abound as many of these jobs are lower paying and there is still a large number of people working part-time that would prefer full-time employment.

The Las Vegas-Paradise Metropolitan Statistical Area (MSA) population grew 1.7% in 2012 and is expected to increase by 1.7% in 2013 and 2.7% in 2014. This increase in population speaks well to Nevada's future retail market and should ensure that retail expansion occurs in the market. Gaming revenue throughout Nevada rose slightly on a year-over-year basis of 0.9%; however, a more promising trend is that August 2013 was 11.2% higher compared to August 2012.

#### ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.8%	1.6%	3.1%
CPI Growth	2.1%	1.4%	1.8%
Consumer Spending Growth	2.2%	1.9%	3.3%
Retail Sales Growth	5.3%	4.5%	5.8%
REGIONAL	2012	2013F	2014F
Household Income	\$52,757	\$53,896	\$56,154
Population Growth	1.7%	1.7%	2.7%
Unemployment	11.2%	9.6%	8.9%

Source: Property & Portfolio Research Inc.

#### RETAIL MARKET OVERVIEW

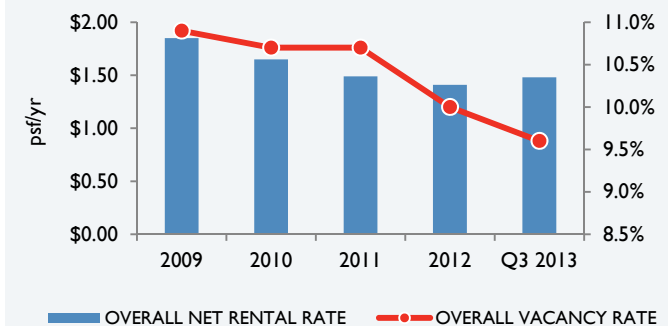
Vacancy rates continued their downward trend registering a 0.7 percentage point (pp) drop on a year-over-year basis. Absorption, which had been positive but relatively flat, kicked up in Q3 13 with 181,895 sf of absorption in Q3 bringing year-to-date absorption to 234,471 sf. The majority of this absorption occurred in Power Centers but was spread across multiple sub-markets.

#### BREAKDOWN BY PROPERTY TYPE

	VACANCY	RENTAL RATES PSF/MO	ABSORPTION YTD
Neighborhood Centers	11.9%	\$1.36	35,674
Community Centers	11.3%	\$1.56	41,655
Power Centers	5.7%	\$1.62	157,142
<b>TOTAL MARKET</b>	<b>9.6%</b>	<b>\$1.48</b>	<b>234,471</b>

Source: Applied Analysis

#### OVERALL RENTAL VS. VACANCY RATES



Source: Applied Analysis

#### RETAIL SALES AND CONSUMER CONFIDENCE TRENDS



Source: U.S. Census Bureau, Economy.com; Retail Sales is annualized

Restaurant and fast food continued to be the most active expanders in the market. As a result vacant land available for pads has moved more quickly. Discount stores such as Savers, Ross and Hobby Lobby continued their expansions as well, moving into locations that they had previously been priced out of. Firestone Tires began opening stores in the market

about a year ago and have opened, or are in the process of opening over 10 stores during that period of time.

Caesars Entertainment continues to move forward on their open-air retail, dining and entertainment district known as The Linq. The project is expected to open Q4 13 and will include over 300,000 sf of leasable space. The focal point will be The High Roller observation wheel, a ferris wheel that will top out at 550 feet, larger than both the London Eye and Singapore Flyer.

There are a number of other large scale projects currently underway across the valley as well. The \$7 million renovation of the Galleria Mall is expected to be complete during Q4 13 and an expansion could take place in 2014 which would include an exterior renovation. The Shops at Summerlin, an open-air mixed use development that will include 1.6 million sf of retail, entertainment, multi-family and office space, is expected to be complete near the end of 2014.

**CASE STUDY**

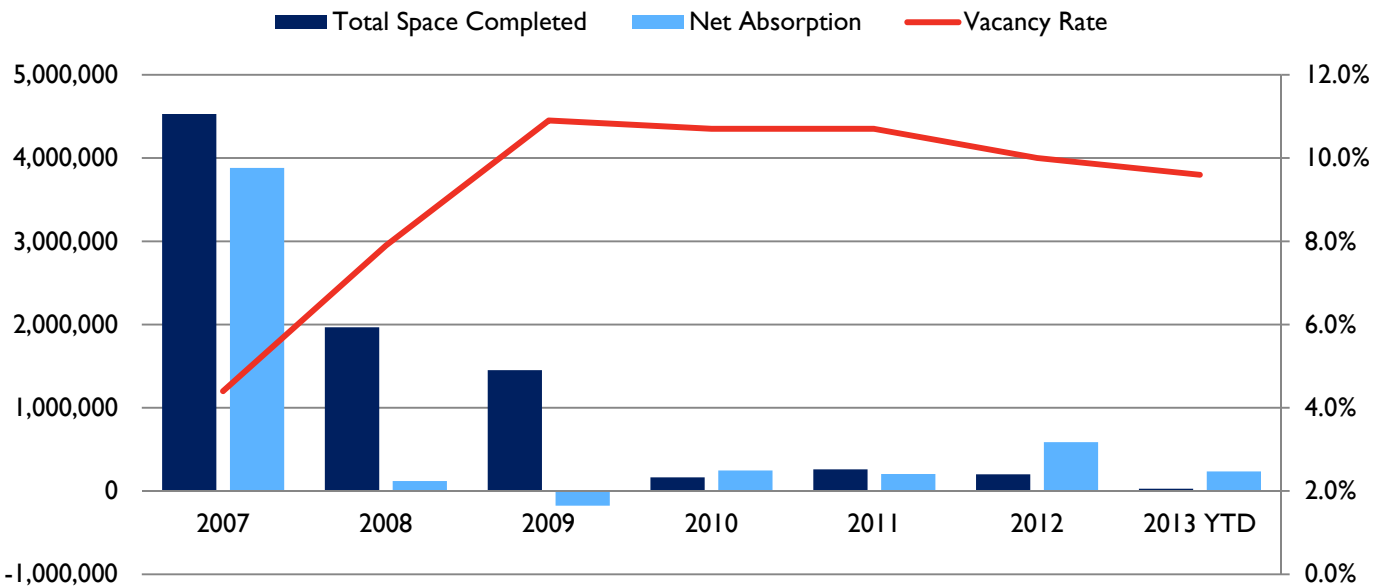
Foreclosures have been a constant over the last several years in Las Vegas, but many of these properties that have gone through this process are starting to turn around under new ownership. Village Square is one example of the positives that can come

through new ownership being in a position to make the assets work. The Regal Theater anchored center went through foreclosure and was acquired by the current owner two years ago with occupancy at less than 50%. Since then occupancy has been increased to almost 90% showing that having the right ownership and strategy in place can make a significant difference. The foreclosure era is not likely over as loans made at the top of the market in 2008 with 5 year maturities continue to pose a problem. Landlords may be able to cover the debt service with cash flow, but will likely be unable to refinance the loans without additional cash infusions.

**OUTLOOK**

Slow job growth and uncertainty in the market will continue to hold back economic growth. Despite these challenges, a recovering housing market for Las Vegas is adding confidence to an area that has been lacking confidence for some time. Larger centers will continue to do well with vacancy rates holding firm and Landlords being able to push pricing and remove concessions in better located assets. Anchorless strip centers will continue to struggle as there remain better options but improvements are being made here as well.

**Las Vegas Retail Overview 2007 - 2013**



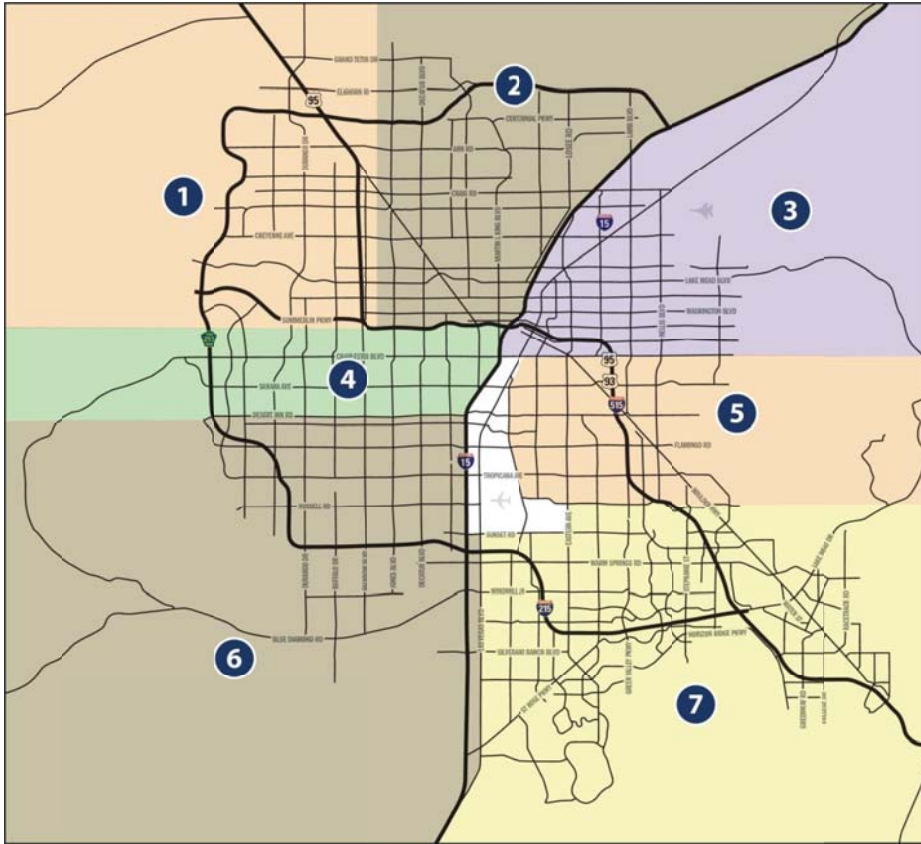
Inventory	47,889,117	49,856,703	51,308,742	51,473,326	51,733,326	51,934,326	51,962,534
Lease Rate	\$2.04	\$2.15	\$1.85	\$1.65	\$1.49	\$1.41	\$1.48

	Center Type	No. of Bldgs	Existing	Vacancy		Net	Asking Rent	Construction	
			SF	SF	Rate	Absorption	Direct	Completed	Under
<b>Northwest</b>	Neighborhood	17	1,960,058	109,247	5.6%	(17,720)	\$1.66	0	0
	Community	8	1,099,610	78,915	7.2%	32,998	\$2.39	0	0
	Power	5	2,239,622	106,756	4.8%	31,496	\$1.85	0	0
	<b>Total</b>	<b>30</b>	<b>5,299,290</b>	<b>294,918</b>	<b>5.6%</b>	<b>46,774</b>	<b>\$1.92</b>	<b>0</b>	<b>0</b>
<b>North</b>	Neighborhood	30	2,994,395	520,433	17.4%	25,689	\$1.18	0	0
	Community	11	1,508,952	124,503	8.3%	(7,597)	\$1.66	0	0
	Power	13	2,639,291	115,117	4.4%	(13,369)	\$1.40	0	5,886
	<b>Total</b>	<b>54</b>	<b>7,142,638</b>	<b>760,053</b>	<b>10.6%</b>	<b>4,723</b>	<b>\$1.29</b>	<b>0</b>	<b>5,886</b>
<b>Northeast</b>	Neighborhood	17	1,298,539	151,587	11.7%	(36,870)	\$1.16	0	0
	Community	7	1,054,911	77,975	7.4%	8,621	\$1.18	0	0
	Power	4	943,001	19,161	2.0%	(10,431)	\$1.39	0	0
	<b>Total</b>	<b>28</b>	<b>3,296,451</b>	<b>248,723</b>	<b>7.5%</b>	<b>(38,680)</b>	<b>\$1.24</b>	<b>0</b>	<b>0</b>
<b>West</b>	Neighborhood	22	2,540,122	299,266	11.8%	45,855	\$1.28	0	0
	Community	18	2,606,430	563,846	21.6%	29,636	\$1.27	0	300,000
	Power	11	3,079,229	138,477	4.5%	1,322	\$1.39	0	1,500,000
	<b>Total</b>	<b>51</b>	<b>8,225,781</b>	<b>1,001,589</b>	<b>12.2%</b>	<b>76,813</b>	<b>\$1.48</b>	<b>0</b>	<b>1,800,000</b>
<b>East</b>	Neighborhood	29	3,413,656	491,441	15.6%	(11,415)	\$1.40	0	0
	Community	12	1,953,450	216,711	11.1%	27,478	\$1.27	0	0
	Power	4	1,203,293	168,668	14.0%	67,497	\$1.34	0	0
	<b>Total</b>	<b>45</b>	<b>6,300,451</b>	<b>876,820</b>	<b>13.9%</b>	<b>83,560</b>	<b>\$1.35</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>	Neighborhood	34	3,412,656	317,088	9.3%	22,480	\$1.33	0	0
	Community	8	786,101	61,745	7.9%	(799)	\$2.01	0	0
	Power	15	4,511,998	281,463	6.2%	95,746	\$2.03	16,668	7,042
	<b>Total</b>	<b>57</b>	<b>8,710,755</b>	<b>660,296</b>	<b>7.6%</b>	<b>117,427</b>	<b>\$1.69</b>	<b>0</b>	<b>7,042</b>
<b>Southeast</b>	Neighborhood	50	4,785,625	516,985	10.8%	7,655	\$1.54	11,540	25,000
	Community	23	4,349,958	382,366	8.8%	(48,682)	\$1.45	0	0
	Power	10	3,851,585	222,016	5.8%	(15,119)	\$1.55	0	0
	<b>Total</b>	<b>83</b>	<b>12,987,168</b>	<b>1,121,367</b>	<b>8.6%</b>	<b>(56,146)</b>	<b>\$1.51</b>	<b>11,540</b>	<b>25,000</b>
<b>Las Vegas</b>	Neighborhood	199	20,135,103	2,406,047	11.9%	35,674	\$1.36	11,540	25,000
	Community	87	13,359,412	1,506,061	11.3%	41,655	\$1.56	0	300,000
	Power	62	18,468,019	1,051,658	5.7%	157,142	\$1.65	16,668	1,512,928
	<b>Total</b>	<b>348</b>	<b>51,962,534</b>	<b>4,963,766</b>	<b>9.6%</b>	<b>234,471</b>	<b>\$1.48</b>	<b>28,208</b>	<b>1,837,928</b>

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Plaza del Paseo	West	The Love Store	Freestanding	12,400
Sahara Pavilion South	West	G&D Home	Community Center	11,626
Centennial Plaza	North	Nevada Tire Holdings	Freestanding	7,076
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PRICE / \$PSF	SQUARE FEET
Mission Center	East	Windmill Investment Advisors	\$16,500,000 / \$109	151,928
Grand Canyon Parkway A & B	Southwest	J.A. Kennedy Real Estate	\$11,500,000 / \$297	38,732
Centennial Gateway	Northwest	Omninet Capital	\$10,800,000 / \$152	71,334
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Shops at Summerlin	West	Macy's and Dillard's	2014	1,500,000
Tivoli Village	Northwest		2014	300,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS



## Submarket Breakdown

1. Northwest
2. North
3. Northeast
4. West
5. East
6. Southwest
7. Southeast

## Property Classification:

**Neighborhood Center:** Retail centers generally greater than 30,000 square feet with a supermarket anchor.

**Community Center:** Retail centers with multiple anchors.

**Power Center:** 100,000 square feet and up with multiple anchors with represent more than one-half of the total space within the center.

\*Cushman & Wakefield|Commerce has changed its data source. All data in this report, including historical data, has been taken from the same data source and may not match up with prior reports published by Cushman & Wakefield|Commerce