

Staying Alive

- › Retail net absorption remained positive in the third quarter
- › Vacancy decreased to 6.9 percent
- › Asking rents increased to \$1.53 psf NNN

Third quarter demand for Southern Nevada's retail market did not quite match the second quarter's very strong net absorption, but remained solid. Net absorption was higher in the third quarter of 2019 than it was one year ago, and asking rents, which jumped in the second quarter, continued to increase in the third quarter, reaching \$1.53 per square foot (psf) on a triple-net (NNN) basis.

According to the Nevada Department of Employment, Training and Rehabilitation, Southern Nevada lost 4,500 retail jobs between August 2018 and August 2019. Over this period Southern Nevada

Economic Indicators

RETAIL
Employment



RETAIL
Taxable Sales



RETAIL
SF/Job



Market Indicators

Relative to prior period	Q3 2019	Q4 2019*
VACANCY	↓	↓
NET ABSORPTION	↓	↓
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↑

*Projected

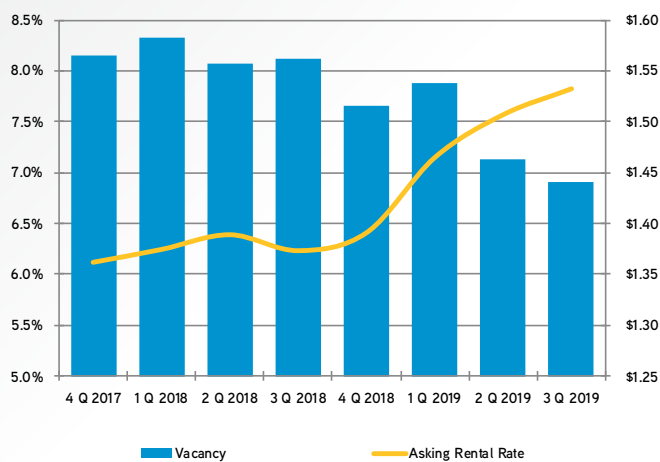
Summary Statistics

Las Vegas Market	Q3-18	Q2-19	Q3-19
Vacancy Rate	8.1%	7.1%	6.9%
Asking Rent (PSF, NNN)	\$1.37	\$1.51	\$1.53
Net Absorption (SF)	137,573	514,483	143,864
New Completions (SF)	184,000	58,290	0

Overall Asking Rents

Per Square Foot	Q3-18	Q2-19	Q3-19
Power Center	\$1.42	\$1.60	\$1.62
Community Center	\$1.47	\$1.62	\$1.65
Neighborhood Center	\$1.32	\$1.50	\$1.48
Strip Center	\$1.32	\$1.35	\$1.40

Historical Vacancy Rates and Asking Lease Rates



"Matching 2019's net absorption might be difficult in 2020, but it looks as though 2020 will continue the trend of positive net absorption and decreasing vacancy rates."

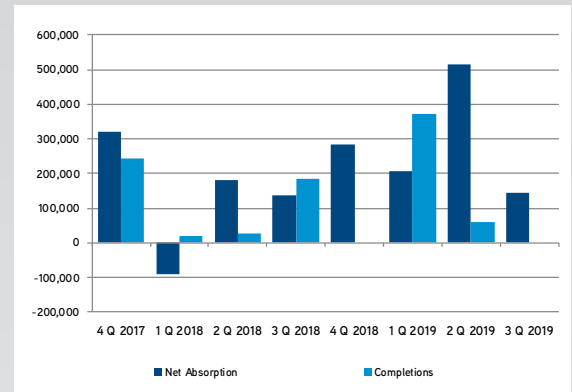
added 600 jobs in the food & beverage sector and 100 jobs in the health & personal care sector. The food services & drinking places sector, which is not technically included in the retail category, added 5,900 jobs over the last twelve months. Unemployment in the Las Vegas-Paradise MSA was 4.7 percent in August 2019, compared to 4.5 percent in August 2018. From August 2018 to August 2019, total employment in Southern Nevada increased by 20,300 jobs, a 2.2 percent increase.

The Nevada Department of Taxation reported that Clark County's taxable retail sales for the twelve months ending in June 2019 (the most recent month of data available) totaled \$30.9 billion, up from \$30.4 billion in the previous twelve months. Taxable sales over this period were \$5.1 billion in the automotive sector, \$10.5 billion in food services and \$14.9 billion in other retail (excluding gas stations).

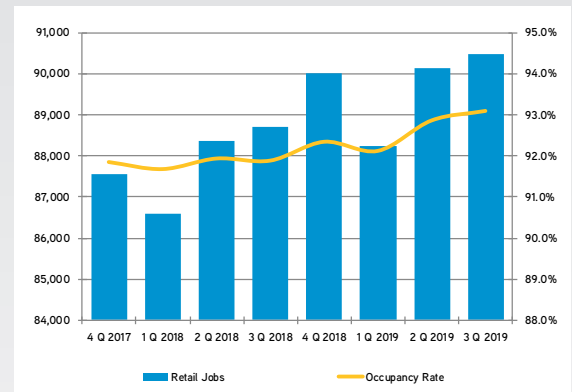
The highest year-over-year taxable sales growth in June 2019 was in miscellaneous retail (16.9 percent), health and personal care stores (6.2 percent growth) and general merchandise stores (5.6 percent growth). Year-over-year taxable sales also increased in furniture stores, home and garden stores, gas stations, clothing stores and restaurants. Taxable sales decreased in electronics and appliance stores, food and beverage stores, automotive stores and sports and hobby stores. Non-store retailers posted 40.3 percent year-over-year growth in June 2019.

No new retail properties were completed in the third quarter of 2019. Year-to-date, retail inventory in Southern Nevada increased by 431,556 square feet. Retail development should remain light in the fourth quarter, with just over 51,000 square feet of retail space scheduled for completion. Over the next four quarters, Southern Nevada's retail inventory should expand by 989,472 square feet.

Historical Net Absorption vs. Completions



Occupancy vs. Retail Employment



Net absorption was 143,864 square feet in the third quarter of 2019, bringing total net absorption for 2019 year-to-date to 865,265 square feet. This was considerably more net absorption than was recorded at this point in 2018 and suggests that rumors of brick-and-mortar retail's demise were a trifle exaggerated. Year-to-date net absorption was highest in neighborhood centers at 394,959 square feet and strip retail centers at 278,629 square feet. Year-to-date net absorption was 210,402 square feet in community centers and negative 18,725 square feet in power centers, which are most exposed to the troubles of big box (and junior box) retailers.

Net absorption in the third quarter was positive in five of the Valley's eight submarkets, including University East at 95,350 square feet, North Las Vegas at 40,288 square feet and Northwest at 38,338 square feet. Net absorption was negative in Southwest, Henderson and West Central.

So far in 2019 store closures were announced by Payless Shoe Source, which is closing all of its stores this year, and Family Dollar, which is closing almost 400 stores nationally. Although it has not been announced which Family Dollar stores will be closed, Payless Shoe Source formerly occupied 43,000 square feet in Southern Nevada.

Retail vacancy in Southern Nevada was 6.9 percent in the third quarter of 2019, lower than the 8.1 percent retail vacancy rate recorded one year ago. Retail vacancy bounced between 8.1 and 8.4 percent in 2018 before finally dropping beneath 8 percent in the fourth quarter of 2018. It has remained below 8 percent in 2019.

Retail Development Schedule

Project	Type	Submarket	Size (SF)	Pre-Leasing
Q4-2019			51,574 SF	29%
Golden Spring Plaza	Strip Retail	West Central	32,450 SF	0%
University Gateway	Strip Retail	University East	19,124 SF	79%
Q1-2020			46,660 SF	72%
Gardner Plaza	Strip Retail	Henderson	21,860 SF	85%
Shoppes on Sunset	Strip Retail	Southwest	24,800 SF	60%
Q2-2020			40,114 SF	100%
Flamingo Center	Strip Retail	West Central	40,114 SF	100%
Q3-2020			851,124 SF	50%
Arby & Rainbow	Neighborhood Center	Southwest	62,800 SF	0%
Durango Post Pavilion	Strip Retail	Southwest	30,000 SF	35%
Shops @ Deer Springs	Strip Retail	Northwest	42,415 SF	91%
Skye Canyon Marketplace	Community Center	Northwest	250,000 SF	68%
St Rose Square	Neighborhood Center	Henderson	465,909 SF	45%

	Households (2019)	Avg. HH Income (2019)	Occupied Retail Space (SF) (2018 Avg.)	Occupied Retail Space (SF) (2019 Avg.)
Downtown	38,800	\$44,600	1,916,000	2,220,000
Henderson	114,800	\$95,400	9,526,000	9,652,000
North Las Vegas	77,400	\$71,200	5,854,000	6,131,000
Northeast	63,000	\$58,200	3,214,000	3,248,000
Northwest	194,000	\$93,400	13,010,000	13,194,000
Southwest	107,000	\$88,800	8,018,000	8,175,000
University East	110,000	\$66,800	8,070,000	8,171,000
West Central	57,600	\$57,200	6,274,000	6,447,000

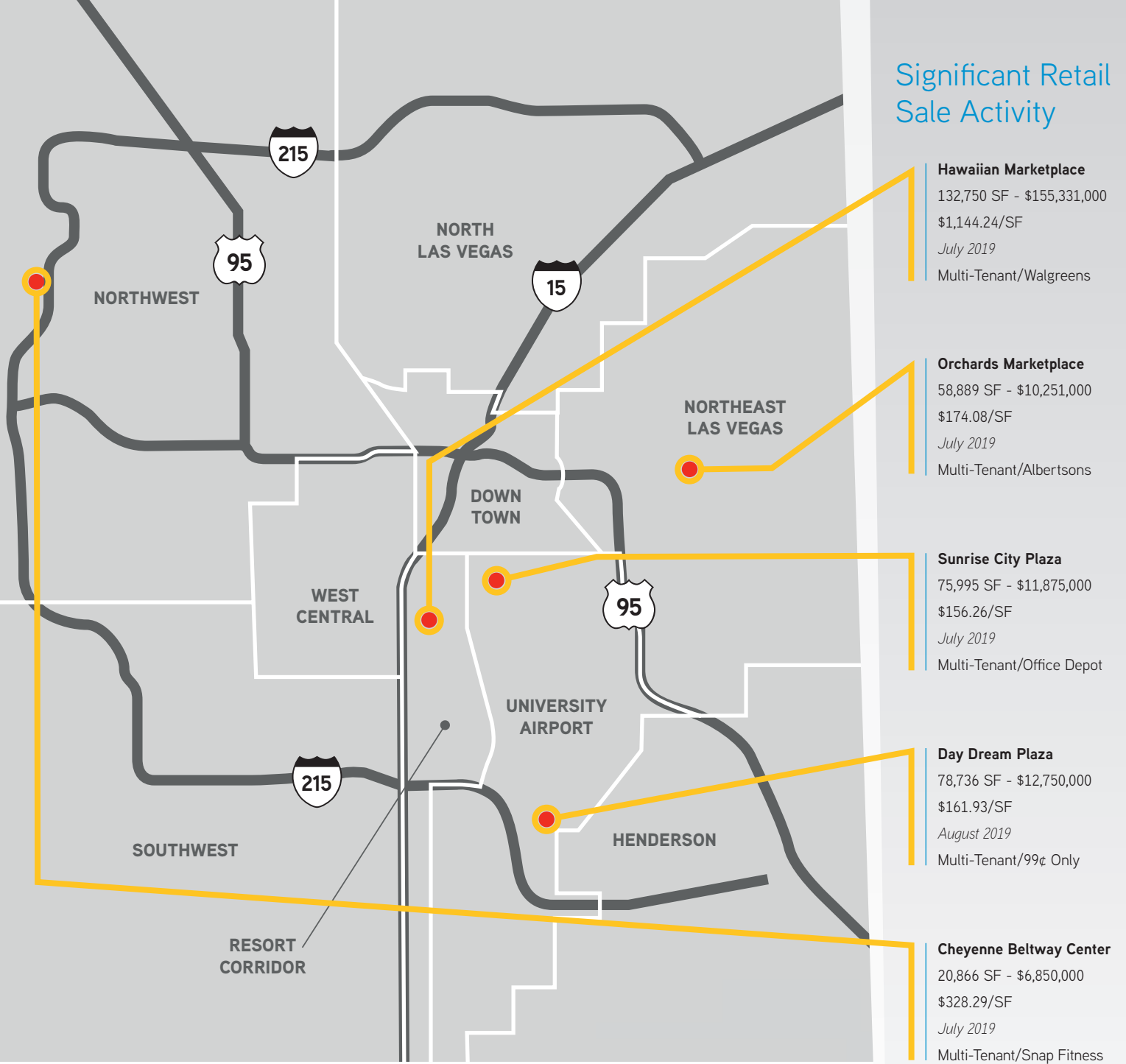
Source of Demographic Data: Claritas

Among submarkets, the Valley's highest vacancy was 9.9 percent in University East, while the lowest vacancy rate was 5.4 percent in the Northwest. Vacancy decreased this quarter in Downtown, University East, North Las Vegas, Northeast and Northwest, and increased in Southwest and Henderson.

Southern Nevada's demographics have shifted over the past 30 years. This shift was not just a matter of population, but also of wealth. In 2018, the older northeast quadrant of the Valley had 382,000 households, compared to 371,000 households in the remainder of the Valley. In addition, it experienced 8.9 percent growth in households from 2010 to 2018. This sounds like the old northeast still ruled the demographic roost in 2018, at least in terms of population. The west side's population, however, grew 16.4 percent from 2010 to 2018, and the disparity in household growth between the northeast and west is projected to continue in the 2020's.

“Third quarter demand for Southern Nevada’s retail market did not quite match the second quarter’s very strong net absorption, but remained solid”

Significant Retail Sale Activity



Lease Activity

Property Name	Tenant	Lease Date	Lease Term	Size	Lease Rate	Type
5675 South Rainbow	Dollar General	Aug 2019	120 months	17,042 SF	\$1.15 NNN	Freestanding
4250 East Bonanza	Acceleration Academies	Aug 2019	36 months	5,895 SF	\$0.88 NNN	Strip Retail
Desert Inn & Durango Commercial Center	Premier BBQ & Fire	Jul 2019	60 months	4,000 SF	\$1.34 NNN	Community Center
The Festival	Jerusalem Café	Sep 2019	60 months	3,492 SF	\$1.65 NNN	Strip Retail
Green Valley Town Center	Justin Kim	Sep 2019	67 months	2,900 SF	\$1.88 NNN	Community Center

More important than the sheer number of households was disposable income. In terms of wealth, the average household income on the east side of town was \$57,000, compared to an average household income of \$92,000 on the west side. Just last year, the average household income on the west side of town was \$88,000 compared to average household income of \$56,000 on the east side. This is a sign that the middle and upper classes are moving from east to west, and we can expect the retail market to follow them.

The average asking rental rate for retail space in Southern Nevada was \$1.53 psf NNN this quarter, \$0.16 psf higher than one year ago. Four submarkets saw an increase in their asking rate this quarter; Downtown by \$0.11 psf, Northwest by \$0.08 psf, Southwest by \$0.08 psf and Northeast by \$0.02 psf. Rates increased this quarter in strip centers by \$0.04 psf, community centers by \$0.03 psf and power centers by \$0.02 psf, and decreased by \$0.01 psf in neighborhood centers.

Single-tenant retail investment sales volume year-to-date was \$118.6 million in 36 sales totaling 335,000 square feet at an average price per square foot of \$354.27. The average cap rate this quarter was 5.1 percent, a decrease from 2018's average cap rate of 6.1 percent.

Shopping center investment sales volume in the first three quarters of 2019 was \$351.1 million in 36 sales totaling 1,992,000 square feet at an average price per square foot of \$176.25. The average size of a shopping center sale this year was 55,000 square feet. The average cap rate this year was 7.4 percent.

The retail market in Southern Nevada has had a healthy year, and it looks as though 2020 might not be too bad either. Taxable sales continued to be very strong in Clark County, and the retail properties scheduled for completion in 2020 exhibit a high level of pre-leasing. Matching 2019's net absorption might be difficult in 2020, but it looks as though 2020 will continue the trend of positive net absorption and decreasing vacancy rates.

Retail Investment Sales

Single-Tenant Retail	2015	2016	2017	2018	2019 YTD
No. Sales	66	67	63	57	36
Square Footage Sold	981,000	569,000	467,000	397,000	335,000
Sales Volume	\$306.2 MM	\$174.4 MM	\$185.1 MM	\$148.1 MM	\$118.6 MM
Average Price/SF	\$312.00	\$306.57	\$396.03	\$373.46	\$354.27
Average Sale Size (SF)	14,900	8,500	7,400	7,000	9,300
Cap Rate	7.2%	7.0%	6.5%	6.1%	5.1%

Shopping Center Retail	2015	2016	2017	2018	2019 YTD
No. Sales	58	41	46	51	36
Square Footage Sold	3,195,000	2,528,000	3,692,000	3,079,000	1,992,000
Sales Volume	\$588.1 MM	\$419.7 MM	\$528.9 MM	\$603.0 MM	\$351.1 MM
Average Price/SF	\$184.08	\$166.00	\$143.24	\$195.83	\$176.25
Average Sale Size (SF)	55,000	62,000	80,000	60,000	55,000
Cap Rate	7.7%	6.7%	7.8%	7.5%	7.4%

Market Comparisons - Las Vegas

Retail Market

TYPE	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
DOWNTOWN														
PC	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	1,003,090	62,489	6.2%	-	62,489	6.2%	6.7%	4,620	5,820	-	-	-	-	\$1.38
NC	470,630	32,417	6.9%	-	32,417	6.9%	11.4%	21,010	86,661	-	-	-	-	\$1.12
SC	989,530	105,643	10.7%	-	105,643	10.7%	10.6%	(522)	3,760	-	-	-	67,597	\$1.41
Total	2,463,250	200,549	8.1%	-	200,549	8.1%	9.2%	25,108	96,241	-	-	-	67,597	\$1.42
HENDERSON														
PC	2,896,215	203,742	7.0%	-	203,742	7.0%	5.0%	(58,418)	(76,427)	-	-	-	-	\$1.29
CC	2,724,168	141,030	5.2%	-	141,030	5.2%	5.1%	(1,384)	100,222	-	-	-	-	\$1.60
NC	2,930,045	248,469	8.5%	-	248,469	8.5%	11.4%	29,609	52,891	-	-	465,909	-	\$1.59
SC	1,967,660	222,090	11.3%	1,427	223,517	11.4%	11.8%	9,644	63,969	-	-	79,950	445,032	\$1.52
Total	10,518,088	815,331	7.8%	-	815,331	7.8%	8.1%	(20,549)	140,655	-	-	545,859	445,032	\$1.50
NORTH LAS VEGAS														
PC	774,065	84,347	10.9%	2,230	86,577	11.2%	11.1%	1,200	(55,853)	-	-	-	-	\$2.38
CC	2,462,873	211,522	8.6%	56,525	268,047	10.9%	11.1%	4,770	66,682	-	168,300	-	-	\$1.63
NC	2,065,313	91,642	4.4%	4,446	96,088	4.7%	5.4%	11,890	61,698	-	40,000	-	-	\$1.81
SC	1,311,077	88,818	6.8%	-	88,818	6.8%	8.7%	22,428	37,275	-	-	-	20,350	\$1.38
Total	6,613,328	476,329	7.2%	63,201	539,530	8.2%	8.8%	40,288	109,802	-	208,300	-	20,350	\$1.75
NORTHEAST														
PC	-	-	n/a	-	-	n/a	n/a	-	-	-	-	-	-	\$-
CC	1,295,615	67,119	5.2%	-	67,119	5.2%	5.6%	5,914	17,561	-	-	-	-	\$1.34
NC	1,404,861	59,342	4.2%	43,687	103,029	7.3%	6.8%	(7,120)	20,432	-	-	-	20,432	\$1.07
SC	769,047	80,310	10.4%	-	80,310	10.4%	12.0%	11,852	14,661	-	-	-	-	\$0.90
Total	3,469,523	206,771	6.0%	43,687	250,458	7.2%	7.5%	10,646	52,654	-	-	-	-	\$1.09
NORTHWEST														
PC	3,171,110	120,286	n/a	-	120,286	3.8%	4.9%	35,543	100,216	-	-	-	-	\$1.92
CC	4,814,446	224,925	4.7%	73,059	297,984	6.2%	6.0%	(6,739)	9,474	-	-	250,000	-	\$2.43
NC	3,592,056	293,588	8.2%	12,679	306,267	8.5%	8.1%	(14,075)	129,859	-	100,000	-	-	\$1.30
SC	2,488,271	127,093	5.1%	-	127,093	5.1%	6.1%	23,609	59,010	-	-	-	73,415	\$1.54
Total	14,065,883	765,892	5.4%	85,738	851,630	6.1%	6.3%	38,338	298,559	-	100,000	250,000	73,415	\$1.77
SOUTHWEST														
PC	944,314	47,774	5.1%	-	47,774	5.1%	5.1%	-	-	-	-	-	-	\$1.59
CC	2,688,783	205,593	7.6%	-	205,593	7.6%	6.1%	(42,708)	(31,861)	-	-	-	407,250	\$1.97
NC	2,566,980	138,013	5.4%	-	138,013	5.4%	5.3%	(702)	43,438	-	94,880	-	325,076	\$2.03
SC	2,458,817	114,148	4.6%	15,535	129,683	5.3%	5.6%	1,043	24,158	-	28,800	19,124	97,355	\$2.01
Total	8,658,894	505,528	5.8%	-	505,528	5.8%	5.6%	(42,367)	35,735	-	123,680	19,124	829,681	\$1.96
UNIVERSITY EAST														
PC	1,210,223	95,317	7.9%	-	95,317	7.9%	7.9%	-	1,940	-	-	-	-	\$1.42
CC	2,946,813	288,299	9.8%	-	288,299	9.8%	11.1%	40,110	16,549	-	-	-	262,500	\$1.17
NC	2,069,675	161,624	7.8%	2,390	164,014	7.9%	9.5%	31,904	(4,425)	-	-	-	-	\$1.39
SC	2,913,506	358,182	12.3%	-	358,182	12.3%	13.1%	23,336	7,054	-	(80,424)	19,124	129,588	\$1.18
Total	9,140,217	903,422	9.9%	2,390	905,812	9.9%	11.0%	95,350	21,118	-	(80,424)	19,124	392,088	\$1.24
WEST CENTRAL														
PC	1,138,224	55,658	4.9%	-	55,658	4.9%	4.8%	(1,471)	11,399	-	-	-	-	\$1.40
CC	1,673,635	135,218	8.1%	-	135,218	8.1%	8.0%	(1,876)	25,955	-	-	-	-	\$1.29
NC	1,777,642	76,807	4.3%	47,716	124,523	7.0%	6.9%	(2,284)	4,405	-	-	-	-	\$1.15
SC	2,249,405	121,088	5.4%	-	121,088	5.4%	5.5%	2,681	68,742	-	80,000	72,564	-	\$1.32
Total	6,838,906	388,771	5.7%	47,716	436,487	6.4%	6.3%	(2,950)	110,501	-	80,000	72,564	-	\$1.29
MARKET TOTAL														
PC	10,134,151	607,124	6.0%	2,230	609,354	6.0%	5.8%	(23,146)	(18,725)	-	-	-	-	\$1.62
CC	19,609,423	1,336,195	6.8%	129,584	1,465,779	7.5%	7.5%	2,707	210,402	-	168,300	250,000	669,750	\$1.65
NC	16,877,202	1,101,902	6.5%	110,918	1,212,820	7.2%	8.0%	70,232	394,959	-	234,880	465,909	325,076	\$1.48
SC	15,147,313	1,217,372	8.0%	16,962	1,234,334	8.1%	8.8%	94,071	278,629	-	28,376	190,762	833,337	\$1.40
Total	61,768,089	4,262,593	6.9%	259,694	4,522,287	7.3%	7.7%	143,864	865,265	-	431,556	906,671	1,828,163	\$1.53
QUARTERLY COMPARISON AND TOTALS														
Q3-19	61,768,089	4,262,593	6.9%	259,694	4,522,287	7.3%	7.7%	143,864	865,265	0	431,556	906,671	1,828,163	\$1.53
Q2-19	61,768,089	4,406,457	7.1%	327,480	4,733,937	7.7%	8.7%	514,483	721,401	58,290	431,556	909,897	1,351,378	\$1.51
Q1-19	61,709,799	4,862,650	7.9%	495,596	5,358,246	8.7%	8.3%	206,918	206,918	373,266	373,266	953,237	1,370,941	\$1.46
Q4-18	61,336,533	4,696,302	7.7%	376,165	5,072,467	8.3%	8.8%	283,177	513,481	0	227,637	1,325,103	1,296,012	\$1.39
Q3-18	61,336,533	4,979,479	8.1%	427,835	5,407,314	8.8%	8.9%	137,573	230,304	184,000	227,637	866,713	1,507,913	\$1.37

PC = Power Center

CC = Community Center

NC = Neighborhood Center

SC = Strip Center

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability.

As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

68 countries

\$3.3

billion in
annual revenue*

2.0

billion square feet
under management

17,000

professionals
and staff

\$127

billion in
total transaction value

*All statistics are for 2018, are in U.S. dollars and
include affiliates.

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