



Las Vegas

Retail 21Q1

Key Takeaways

- Retail vacancy remained at 7.1 percent this quarter
- Net absorption was very low, but remained positive
- Retail asking rates increase to \$1.51 psf NNN



Retail Recovery

Southern Nevada's retail market showed surprising resiliency in 2020, but to say it was unaffected by that year's business closures would be incorrect. Entering 2021, the retail market looked like it was on pause, with relatively low net absorption, stable vacancy and an asking rental rate that increased by only \$0.01 psf on a triple-net (NNN) basis.

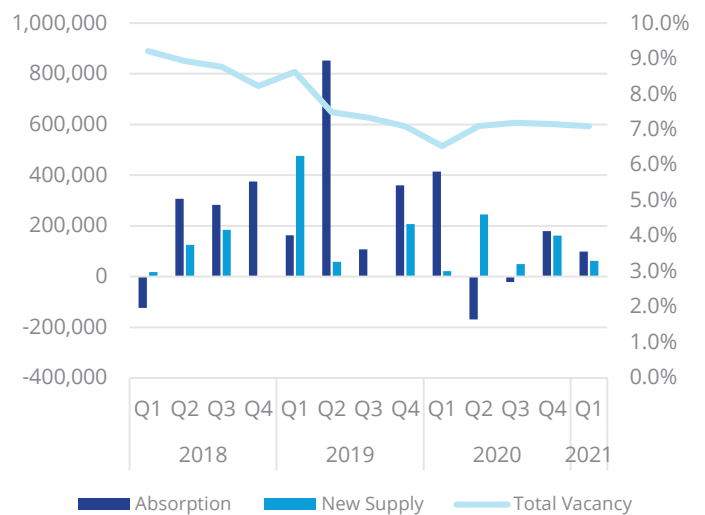
Market Indicators



Historic Comparison

	20Q1	20Q4	21Q1
Total Inventory (in Millions of SF)	70.5	71.0	71.1
New Supply (in Thousands of SF)	21.9	161.8	62.0
Net Absorption (in Thousands of SF)	414.8	178.9	99.0
Total Vacancy	6.5%	7.2%	7.1%
Under Construction (in Thousands of SF)	844.8	260.1	310.9
Overall Asking Lease Rates (NNN)	\$1.48	\$1.50	\$1.51

Market Graph



2020 was a happy surprise for Southern Nevada's retail market, but the first quarter of 2021 shows that the market is not out of the woods yet.

Recent Transactions



Lease

8945 W Charleston
20,100 SF | \$1.38 NNN



Lease

4360 E Craig
10,659 SF | \$0.75 NNN



Lease

4364 E Craig
5,350 SF | \$0.77 NNN



Lease

2475 E Tropicana
4,913 SF | \$1.00 NNN



Lease

5075 S Decatur
3,801 SF | \$2.11 NNN



Lease

1100 S Fort Apache
3,000 SF | \$4.17 NNN

Retail

21Q1

Employment and Taxable Sales

According to the Nevada Department of Employment, Training and Rehabilitation, Southern Nevada added 4,100 retail jobs between February 2020 and February 2021. While the Valley lost 600 jobs in the health and personal care stores sector, it added 2,100 jobs in the food and beverage stores sector. Southern Nevada lost 18,700 jobs in the food services and drinking places sector over the same period. Limited-service restaurants added 1,200 jobs, while full-service restaurants lost 13,300 jobs.

The Unemployment in the Las Vegas-Paradise MSA was 9.3 percent in February 2021, the first time it dipped beneath double-digits since before last year's business closures. Over the past 12 months, total employment in Southern Nevada decreased by 129,900 jobs, a 12.6% decrease. Between April 2020, when business closures were instituted, and February 2020, the Valley has added 112,000 jobs.

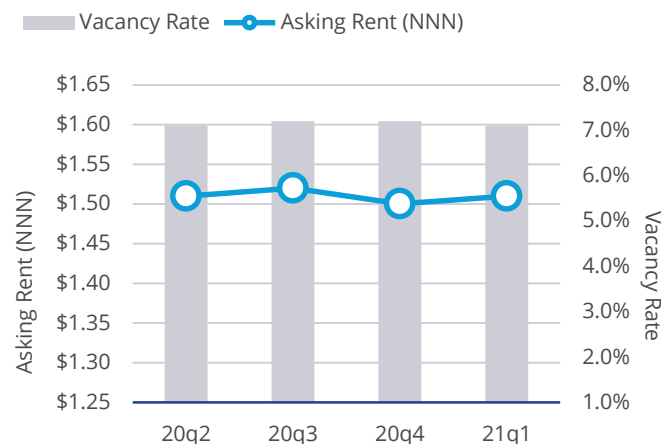
Clark county's taxable retail sales were \$5.9 billion in the fourth quarter of 2020 (the most recent quarter of data), dominated by \$1.1 billion in general merchandise stores and \$1.6 billion in eating and drinking places.

Construction and Absorption

The first quarter saw the completion of the 62,000 square foot Durango Beltway Plaza in North Las Vegas. Additional retail deliveries are expected in the third and fourth quarters of 2021 totaling 270,910 square feet.

Vacancy vs. Rents

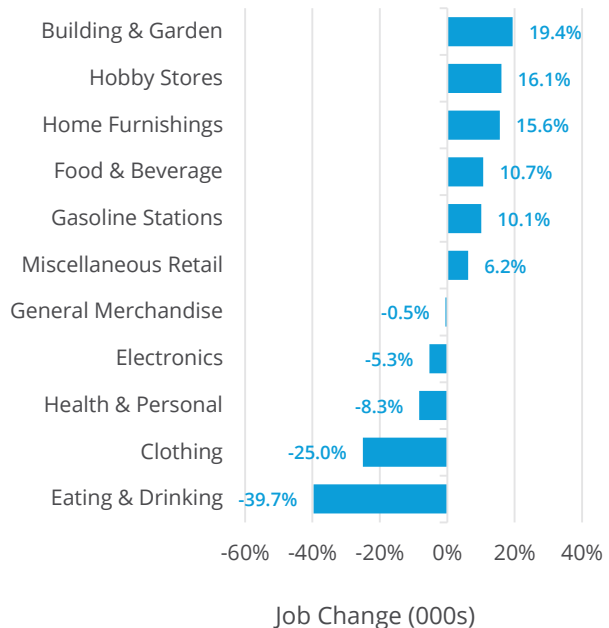
Past four quarters



Source: Colliers International

Taxable Sales Growth by Sector

Year-over-year



Source: Colliers International

Net absorption was 99,045 square feet in the first quarter. Net absorption was concentrated in community centers and freestanding retail buildings, and net absorption was negative in power centers and strip centers. The North Las Vegas and University East submarkets had the Valley's strongest net absorption this quarter, while net absorption was negative in Henderson, West Central, Downtown, Southwest and Northwest submarkets. This points to the scars that last year's business closures left on the Valley's retail market. While demand in 2020 was strong considering the circumstances, and continued to be positive in the first quarter of 2021, it would be a mistake to think that the retail market is firing on all cylinders.

The subsectors most active in occupying retail space over the past four quarters were involved in eating and drinking (23.4%), health services (14.1%), amusement and recreation (11.8%) and personal services (11.0%). Local companies took 82.3% of the leased square footage we tracked over the past four quarters, followed by companies from the Northeast U.S. (5.1%) and Southwest U.S. (3.9%).

Retail

21Q1

Vacancy

Retail vacancy remained at 7.1% this quarter, the same as one quarter ago, and one year ago – though there has been some movement between those quarters. Vacancy was stable over the course of 2021, probably due to the foreclosure moratorium and the willingness of landlords to work with their tenants. Vacancy was highest in strip centers at 8.0% and lowest in freestanding retail buildings at 5.7%.

Among submarkets, North Las Vegas, Northwest, Southwest and West Central had vacancy rates below the Valley average, while Downtown, Henderson, Northeast and University East had above average vacancy. The Valley's lowest vacancy was in Southwest at 4.7% and highest in Northeast at 10.5%.

Rents

The average asking rental rate for retail space in Southern Nevada was \$1.51 psf NNN this quarter. This was \$0.01 psf higher than one quarter ago, and \$0.03 psf higher than one year ago. The most recent peak asking rent was recorded in the third quarter of 2020, at \$1.52 psf. In all, rents have remained as stable through the past year as vacancy, indicating a market that is waiting to see what happens next.

Single-Tenant Investments	2019	2020	2021
No. Sales	91	59	21
Square Footage	1,334,815	887,621	203,743
Sales Volume	\$326.0 MM	\$191.7 MM	\$58.9 MM
Average Price/SF	\$244.23	\$215.99	\$289.15
Average Sale Size	14,700	15,000	9,700
Cap Rate	5.6%	6.0%	6.1%

Shopping Center Investments	2019	2020	2021
No. Sales	51	21	3
Square Footage	3,092,770	865,059	297,709
Sales Volume	\$586.0 MM	\$155.7 MM	\$90.4 MM
Average Price/SF	\$189.47	\$179.99	\$303.70
Average Sale Size	60,600	41,193	99,200
Cap Rate	7.1%	7.0%	n/a

Sales

Investment sales of single-tenant retail buildings were weak in 2020 compared to 2019, but bounced back this quarter. Single-tenant retail investment sales volume was \$58.9 million in 21 sales totaling 203,743 square feet at an average sales price of \$289.15 psf. Single-tenant investments were primarily in the Northwest and West Central submarkets. The average cap rate for single-tenant properties was 6.1%.

Shopping center investment sales have not bounced back to the degree of single-tenant retail. Sales volume was \$90.4 million in 3 sales totaling 297,709 square feet at an average sales price of \$303.70 psf. There was one sale each in the Northeast, Northwest and Southwest submarkets.

Forecast

Any rational person would have expected a retail apocalypse in 2020. Restrictions on retailers, especially restaurants and bars, were enacted in March to combat the spread of the COVID-19 virus and were not eased until June. Even after June, the odds seemed stacked against retail, yet the market saw very little increase in vacancy in 2020, suffered only negative 190,855 square feet of net absorption during the middle two quarters of the year and over 400,000 square feet of net absorption for the year as a whole.

Entering 2021, any rational person might conclude that with many COVID-19 restrictions eased or lifted, the retail market was poised to get back to business as usual. Instead, we see a continuance of the stable market we got in 2020. In a way, this makes sense. Without a precipitous dive in 2020, a sharp recovery in 2021 was unlikely. More to the point, though, is that the retail market's troubles are not over yet. Taxable sales have shown little real recovery yet, especially in the eating and drinking places subsector, and employment losses in that subsector persist.

We think 2021 will show improvement as the year proceeds, but a sluggish employment recovery may complicate things.

Sales Activity



Retail

21Q1

Glossary

General Definitions

Direct Lease: Space in a building offered for lease directly by the owner of the building.

Sublease: Space in a building that is offered for sublease by the primary tenant.

Net Absorption: The difference in occupied square footage from one period to another.

Direct Availability Rate: The percentage of total inventory available for direct lease, regardless of whether it is vacant.

Sublease Availability Rate: The percentage of total inventory available for sublease, regardless of whether it is vacant.

Availability Rate: The percentage of total inventory available for direct lease or sublease, regardless of whether that space is vacant or occupied.

Vacancy Rate: The percentage of total inventory that is available for direct lease or sublease that is vacant.

Retail Subtypes

Community Center (CC): Retail centers anchored by supermarkets, drug stores and discount department stores. Tenants include off-price retailers selling apparel, home furnishings, toys, electronics or sporting goods.

Neighborhood Center (NC): Retail centers anchored by supermarkets and drug stores. Neighborhood centers are intended for day-to-day convenience shopping.

Power Center (PC): Retail centers dominated by several large anchors including discount department stores, off-price stores, warehouse clubs or “category killers”. Power centers generally do not include much inline space.

Strip Center (SC): Unanchored retail centers that are 20,000 square feet in size or larger.

Freestanding (FR): Freestanding retail buildings that are 10,000 square feet in size or larger.

Retail Demographics

Submarket	Households (2020)	Average Household Income (2020)	Occupied Retail SF (2020)	Occupied Retail SF (2021)
Downtown	39,500	\$44,000	2,617,128	2,849,560
Henderson	127,000	\$99,000	11,154,608	11,071,356
North Las Vegas	75,900	\$74,200	6,214,175	6,658,918
Northeast	50,700	\$57,500	2,021,513	3,773,626
Northwest	230,500	\$93,200	14,708,019	14,675,051
Southwest	92,400	\$97,700	9,016,868	9,330,377
University East	145,000	\$67,300	9,555,083	9,572,324
West Central	43,800	\$56,900	7,686,113	8,095,287

Retail

21Q1

Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous Quarter	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries YTD	Average Direct Asking Rate (NNN)
Downtown											
PC	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
CC	1,003,090	8.6%	0.0%	17.1%	8.5%	8.5%	0	0	0	0	\$1.20
NC	470,630	16.9%	0.0%	24.6%	7.7%	9.6%	9,210	9,210	0	0	\$1.25
SC	1,006,955	11.8%	0.0%	23.6%	11.8%	7.9%	-39,075	-39,075	0	0	\$1.72
FR	635,033	4.8%	0.0%	8.9%	4.1%	6.5%	15,347	15,347	12,417	0	\$1.85
Total	3,115,708	10.1%	0.0%	18.7%	8.5%	8.1%	-14,518	-14,518	12,417	0	\$1.50
Henderson											
PC	2,896,215	8.7%	0.0%	17.3%	8.7%	8.6%	-2,678	-2,678	0	0	\$1.53
CC	2,912,338	8.8%	0.0%	15.5%	6.7%	6.2%	-15,852	-15,852	236,700	0	\$1.52
NC	2,930,045	8.0%	0.1%	16.1%	8.0%	6.7%	-37,837	-37,837	0	0	\$1.54
SC	2,047,610	12.6%	0.0%	24.4%	11.7%	11.7%	-613	-613	50,800	0	\$1.70
FR	1,218,473	0.9%	0.9%	2.7%	0.9%	0.9%	0	0	0	0	\$1.20
Total	12,004,681	8.4%	0.1%	16.3%	7.8%	7.3%	-56,980	-56,980	287,500	0	\$1.57
North Las Vegas											
PC	774,065	10.9%	0.0%	21.8%	10.9%	10.8%	-1,200	-1,200	0	0	\$1.28
CC	2,462,873	5.0%	0.1%	7.9%	2.9%	3.0%	62,241	62,241	0	62,000	\$1.93
NC	2,065,576	9.5%	0.2%	17.7%	8.2%	8.8%	13,882	13,882	0	0	\$1.80
SC	1,312,196	5.1%	0.0%	9.8%	4.8%	5.9%	14,717	14,717	0	0	\$1.40
FR	452,493	1.1%	3.8%	6.0%	4.9%	4.9%	0	0	0	0	\$1.50
Total	7,067,203	6.7%	0.3%	12.5%	5.8%	6.2%	89,640	89,640	0	62,000	\$1.64
Northeast											
PC	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
CC	1,295,615	6.6%	0.0%	13.2%	6.6%	8.6%	26,399	26,399	0	0	\$1.25
NC	1,404,861	6.7%	0.0%	13.3%	6.6%	7.4%	11,112	11,112	0	0	\$1.23
SC	769,047	7.2%	0.0%	13.4%	6.2%	6.0%	-2,050	-2,050	0	0	\$1.31
FR	746,059	29.0%	0.0%	58.0%	29.0%	29.0%	0	0	0	0	\$0.88
Total	4,215,582	10.7%	0.0%	21.2%	10.5%	11.3%	35,461	35,461	0	0	\$1.07
Northwest											
PC	3,171,110	5.4%	0.0%	10.8%	5.4%	3.9%	-47,386	-47,386	0	0	\$2.09
CC	5,064,446	6.4%	0.4%	12.5%	6.0%	6.8%	39,383	39,383	0	0	\$1.64
NC	3,595,985	10.3%	0.0%	19.3%	9.0%	8.7%	-11,499	-11,499	0	0	\$1.28
SC	2,524,698	4.9%	0.0%	9.5%	4.6%	4.7%	2,130	2,130	0	0	\$1.49
FR	1,256,900	1.9%	0.0%	3.7%	1.9%	3.0%	14,400	14,400	0	0	\$1.43
Total	15,613,139	6.5%	0.1%	12.5%	6.0%	6.0%	-2,972	-2,972	0	0	\$1.57
Southwest											
PC	944,314	6.5%	0.0%	12.8%	6.3%	6.3%	0	0	0	0	\$1.59
CC	2,688,783	3.9%	0.9%	8.6%	3.9%	4.2%	9,426	9,426	0	0	\$2.12
NC	2,566,980	5.2%	0.0%	10.2%	5.0%	5.2%	5,188	5,188	0	0	\$1.98
SC	2,574,735	6.3%	0.6%	12.9%	6.6%	5.8%	-20,028	-20,028	0	0	\$2.22
FR	1,016,432	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
Total	9,791,244	4.7%	0.4%	9.7%	4.7%	4.7%	-5,414	-5,414	0	0	\$2.04
University East											
PC	1,210,223	9.6%	0.0%	19.1%	9.6%	9.4%	-2,429	-2,429	0	0	\$1.57
CC	2,946,813	9.4%	0.9%	19.6%	10.1%	10.4%	7,477	7,477	0	0	\$1.14
NC	2,069,675	9.6%	2.1%	18.2%	8.6%	10.9%	47,544	47,544	0	0	\$1.34
SC	2,943,601	12.1%	0.0%	24.3%	12.1%	12.5%	10,789	10,789	0	0	\$1.42
FR	1,420,385	3.7%	1.2%	8.5%	4.9%	6.5%	23,502	23,502	0	0	\$1.75
Total	10,590,697	9.5%	0.8%	19.1%	9.6%	10.4%	86,883	86,883	0	0	\$1.36
West Central											
PC	1,138,224	7.7%	0.0%	14.4%	6.8%	6.7%	-967	-967	0	0	\$1.55
CC	1,673,635	17.3%	0.0%	23.7%	6.4%	6.2%	-2,544	-2,544	0	0	\$1.17
NC	1,777,642	7.8%	0.0%	15.4%	7.6%	6.1%	-26,736	-26,736	0	0	\$1.60
SC	2,449,865	5.7%	0.2%	11.6%	n/a	n/a	-2,808	-2,808	0	0	\$1.54
FR	1,629,325	6.2%	0.6%	12.9%	6.7%	6.7%	0	0	10,998	0	\$1.08
Total	8,668,691	8.7%	0.2%	15.3%	6.6%	6.2%	-33,055	-33,055	10,998	0	\$1.40
Grand Total											
PC	10,134,151	7.6%	0.0%	15.1%	7.5%	6.9%	-54,660	-54,660	0	0	\$1.64
CC	20,047,593	7.7%	0.4%	14.1%	6.2%	6.6%	126,530	126,530	236,700	62,000	\$1.47
NC	16,881,394	8.6%	0.3%	16.3%	7.7%	7.8%	10,864	10,864	0	0	\$1.51
SC	15,628,707	8.2%	0.1%	16.2%	8.0%	7.8%	-36,938	-36,938	50,800	0	\$1.62
FR	8,375,100	5.2%	0.6%	11.1%	5.7%	6.3%	53,249	53,249	23,415	0	\$1.13
Total	71,066,945	7.1%	0.2%	13.6%	7.1%	7.2%	99,045	99,045	310,915	62,000	\$1.51
HISTORICAL											
Q1-21	71,066,945	7.1%	0.2%	13.6%	7.1%	7.2%	99,045	99,045	310,915	62,000	\$1.51
Q4-20	71,004,945	6.8%	0.3%	13.3%	7.2%	7.2%	178,883	402,827	260,115	373,325	\$1.50
Q3-20	70,843,180	6.1%	0.4%	12.5%	7.2%	7.1%	-21,454	223,944	410,882	247,880	\$1.52
Q2-20	70,794,066	6.0%	0.4%	12.4%	7.1%	6.5%	-169,401	245,398	699,989	234,880	\$1.51
Q1-20	70,548,596	5.6%	0.4%	11.6%	6.5%	9.7%	414,799	414,799	844,826	21,860	\$1.48

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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