

ECONOMIC INDICATORS

National

	Q2 18	Q2 19	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

\*2019 Q2 data are based on the latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Regional

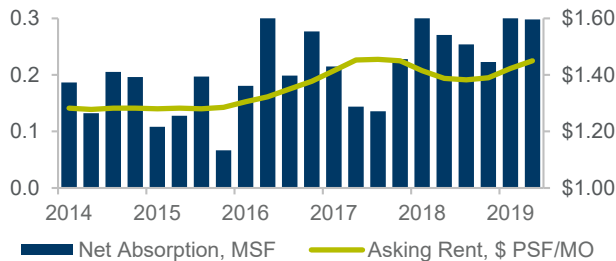
	Q2 18	Q2 19	12-Month Forecast
Household Income	\$59,900	\$62,200	▲
Population Growth	2.2%	2.6%	■
Unemployment	4.6%	4.0%	▼

\*2019 Q2 data are based on the latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

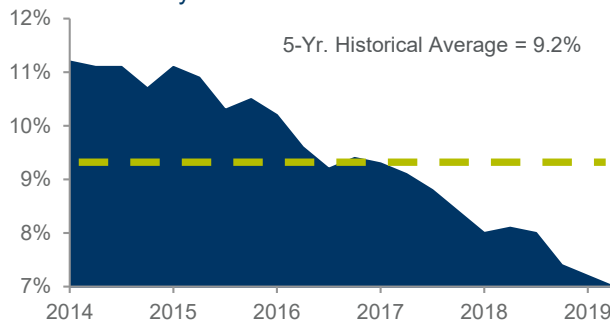
Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	8.1%	7.0%	▼
Net Absorption sf	138k	127k	▲
Under Construction sf	332k	350k	▼
Average Asking Rent (NNN)	\$1.39	\$1.50	▲

Net Absorption/Asking Rent  
4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Las Vegas employment market continued to record job growth, adding 29,500 jobs (+2.9%) year-over-year (YOY) through May 2019.<sup>1</sup> During the same time period, the monthly unemployment rate decreased 60 basis points (bps), from 4.6% in May 2018 to 4.0% in May 2019. Also worth noting, the current rate is the lowest in fifteen years and 240 bps below the 29-year average of 6.4%.

All employment sectors are expected to grow at a combined growth rate of 3.1% in 2019 and 2.1% in 2020. Las Vegas's economy of \$112.3 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 5.3% in 2019 and 4.1% in 2020, above its 10-year average of 1.7%.<sup>3</sup>

Market Overview

Retail vacancy, including sublease, decreased 20 bps from last quarter and 110 bps from a year ago to 7.0% in the second quarter of 2019. This was the ninth consecutive quarter of positive occupancy growth, during which tenants have absorbed a cumulative total of more than 2.5 million square feet (msf) throughout the Las Vegas market, averaging 285,000 square feet (sf) per quarter. As a result, vacancy has decreased 210 bps during this time and is 690 bps below the 13.9% high recorded eight years ago. The current vacancy rate is the lowest in 12 years. Furthermore, rent growth has been remarkable. All retail property types have seen a rental increase of 7.9% YOY. The significant rent growth is largely due to the demand for strip, neighborhood and community centers, which have seen a 13.3% and 10.4% rental rate increase since last year, respectively.

The valley eagerly awaits a couple of large-scale developments in the Southwest submarket. Matter Real Estate recently announced Las Vegas' first "live-work-play, mixed-use community" called Uncommons. The \$400 million project will have approximately 91,000 sf of retail space, in addition to 500,000 sf of office and 875 multifamily units. Also, Dapper Development is developing a mixed-use community known as The Bend. Multiple well-known retailers have already committed to the project, including the famous Thai restaurant, Lotus of Siam.

Sales Activity

Demand for retail properties has been strong in the Southern Nevada market despite the growing eCommerce trend. The Las Vegas retail market doubled its sales activity since last year – recording over \$272 million in the second quarter of 2019 compared to \$133 million recorded in the second quarter of 2018. The average cap rate for retail properties this quarter was 6.7%, up 20 bps from a year ago and 280 bps lower compared to the 2010 high of 9.5%. Private investors have been the leading buyers of retail properties in the first half of 2019, accounting for 90% of activity followed by institutional investors (7%) who have shown regained enthusiasm after a lackluster 2018.<sup>4</sup> The current and forecasted growth in Southern Nevada - along with favorable rates of return in comparison to other regional markets - have been the key drivers of retail investment.

Outlook

- The U.S. economy has entered the longest expansion of 121 months on record as of July 1<sup>st</sup> with healthy gains in jobs, wages and consumer spending. Likewise, consumer spending shows no signs of dwindling. With that in mind and continued robust population growth plus new visitors coming to Las Vegas market, Cushman & Wakefield expects the retail market to perform well through the second half of 2019.
- Neighborhood and community centers that account for 62% of overall retail inventory have had a stellar start of 2019 and are expected to continue to experience growth through the end of the year.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Center Types)
Central East	399	8,756,776	2,390	907,625	10.4%	-54,420	-35,578	0	\$1.34
Central West	488	10,112,870	0	646,229	6.4%	56,081	132,465	32,500	\$1.47
East	179	3,431,508	1,700	122,390	3.6%	-9,932	4,623	0	\$1.59
North	367	7,123,264	45,812	672,042	10.1%	-48,739	-70,148	0	\$1.18
Northeast	225	4,013,646	30,000	291,479	8.0%	-62,867	-62,683	0	\$1.30
Northwest	250	5,146,696	0	140,305	2.7%	20,275	222,998	37,403	\$1.97
Southeast	723	14,087,996	65,498	998,367	7.6%	68,338	349,448	239,546	\$1.58
Southwest	400	6,467,341	6,581	361,045	5.7%	79,583	80,117	40,101	\$1.94
West	365	8,046,446	10,513	418,491	5.3%	79,148	39,621	0	\$1.64
<b>TOTAL</b>	<b>3,396</b>	<b>67,186,543</b>	<b>162,494</b>	<b>4,557,973</b>	<b>7.0%</b>	<b>127,467</b>	<b>660,863</b>	<b>349,550</b>	<b>\$2.03</b>
Lifestyle	42	1,178,612	0	99,677	8.8%	13,225	10,597	0	\$3.35
NC & Community	2,037	41,738,352	130,394	2,983,652	7.5%	247,005	639,770	55,098	\$1.48
Power	364	14,512,050	30,000	819,268	5.9%	-187,722	-190,523	0	\$1.39
Strip	953	9,757,529	2,100	655,376	6.7%	54,959	201,019	294,452	\$1.62
<b>TOTAL</b>	<b>3,396</b>	<b>67,186,543</b>	<b>162,494</b>	<b>4,557,973</b>	<b>7.0%</b>	<b>127,467</b>	<b>660,863</b>	<b>349,550</b>	<b>\$2.03</b>

\*Rental rates reflect triple net asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes centers of all sizes.

## Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
Horizon Town Center	57,299	Avatar Natural Foods	Horizon Town Center LLC	New	Southeast
Lowe's Buffalo Square	12,000	Bases Loaded Batting Cages	Wells Fargo Bank	New	West
Boca Park Market Place	8,295	Petland	Black Mailbox LLC	Renewal	West
Craig Promenade	5,617	Lux Beauty Supplies	Craig Promenade LLC	New	North

## Key Sale Transactions Q2 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Rainbow Promenade	228,279	Pebb Capital	CWCapital Asset Management	\$30,750,000 / \$135	Northwest
Racetrack Plaza	118,847	LV Capital Fund	U.S. Bank	\$3,500,000 / \$30	Southeast
Horizon Town Center	95,379	Horizon Town Center LLC	Tabani Group, Inc.	\$8,811,000 / \$92	Southeast
820 S. Rampart Blvd	61,845	Golden West Food Group	Spirit Realty Capital	\$7,000,000 / \$113	West

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### About Cushman & Wakefield

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