

ECONOMIC INDICATORS

National

	Q3 18	Q3 19	12-Month Forecast
GDP Growth	3.1%	2.1%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.1%	▲
Retail Sales Growth	5.6%	3.7%	▲

*2019 Q3 data are based on the latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Regional

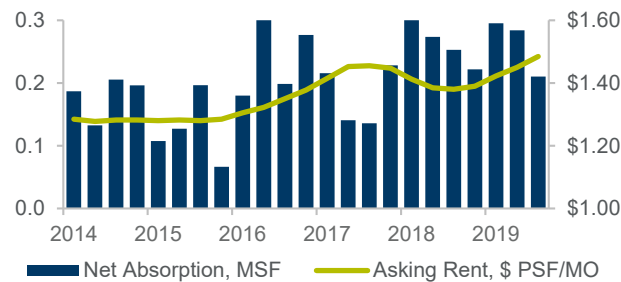
	Q3 18	Q3 19	12-Month Forecast
Household Income	\$60,600	\$62,000	▲
Population Growth	2.4%	2.7%	▼
Unemployment	4.8%	4.5%	▼

*2019 Q3 data are based on the latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

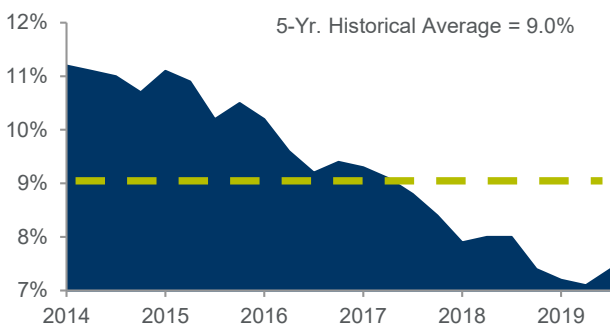
Market Indicators

	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	8.0%	7.4%	▼
Net Absorption sf	139k	-156k	▲
Under Construction sf	404k	422k	▼
Average Asking Rent (NNN)	\$1.39	\$1.53	▲

Net Absorption/Asking Rent
4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Las Vegas employment market continued to record job growth, adding 17,900 jobs (+1.8%) year-over-year (YOY) through August 2019.¹ During the same time period, the unemployment rate decreased 30 basis points (bps), dropping to 4.5%. Also worth noting, the current rate is 200 bps below the 29-year average of 6.5%. All employment sectors are expected to grow at a combined rate of 2.5% in 2019 and 1.8% in 2020. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 3.8% in 2019 and 3.5% in 2020, above its 10-year average of 1.7%.³

Market Overview

Retail vacancy, including sublease, increased 30 bps from last quarter yet decreased 60 bps from a year ago to 7.4% in third quarter 2019, marking the 14th consecutive quarter of sub 10.0% vacancy for the region. New development peaked notably in 2019 with 523,000 square feet (sf) having been delivered over the previous nine months, the most since 2009 when 1.2 million square feet (msf) were added to the inventory. There are currently 26 centers totaling 422,000 sf under construction with all except three planned to be completed by end of 2019. Tenants returned 156,000 sf this quarter, reversing the trend of two year quarterly occupancy growth during which tenants have absorbed 2.2 msf combined, averaging 248,600 per quarter. Year-to-date (YTD), occupancy grew by 451,100 sf with the highest gains in Northwest (263,000 sf) and Southeast (262,000 sf) submarkets.

Average asking rent for all centers grew an impressive 10.1% YOY. Neighborhood and community centers (+15.7%) and strip centers (+14.0%) experienced the highest rent growth YOY, followed by lifestyle centers (+4.9%). Demand for neighborhood and community centers has been strong as evidenced by 463,000 sf of occupancy growth YTD - the most compared to other center types - and a 140 bps decrease in vacancy compared to a year ago. Conversely, tenants seem to be moving away from power centers. Tenants returned 187,000 sf YTD in this sector and recorded a rent decrease of -23.6% YOY.

Sales Activity

Demand for retail properties has been strong despite the growing eCommerce trend. In the third quarter of 2019, \$256 million traded in the Las Vegas retail market compared to \$186 million in the third quarter of 2018 (+37.4% YOY). Sales activity thus far in 2019 totaled \$760 million compared to \$545 million during the same time last year (+39.4% YOY). Private buyers accounted for the majority of buying (92.3%) as well as selling activity (55.0%). The average price per sf increased by 17.7% to \$233 psf in the third quarter compared to \$198 psf a year ago.⁴ 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 124 months on record as of October 1st with healthy gains in jobs, wages and consumer spending. Likewise, measures of consumers' confidence and spending remain strong, despite financial market instability and constant headlines about the trade war.
- Continued robust population growth, healthy visitor spending, growing entertainment options on the Las Vegas Strip in addition to highly anticipated completions of Las Vegas Stadium and Convention Center expansion are expected to boost the leisure and hospitality industry and retail real estate market.

Sources: ¹www.bls.gov ²bea.gov GDP as of 2017. ³(f) by Moody's Analytics economy.com ⁴RCA.

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	8,758,029	2,390	947,806	10.8%	-27,517	-63,095	0	\$1.42
Central West	489	10,163,695	0	827,477	8.1%	-107,311	-43,492	33,000	\$1.41
East	179	3,431,508	1,700	117,761	3.5%	5,469	10,092	0	\$1.54
North	363	7,007,656	42,062	687,748	10.4%	-11,863	-82,011	0	\$1.20
Northeast	225	4,027,961	30,000	292,348	8.0%	-9,494	-72,177	0	\$1.39
Northwest	250	5,151,108	7,000	119,335	2.5%	40,230	263,228	101,183	\$2.21
Southeast	724	14,109,489	65,994	1,097,819	8.2%	-86,645	262,803	236,851	\$1.57
Southwest	403	6,524,095	6,581	334,959	5.2%	28,336	123,446	50,601	\$2.02
West	365	8,072,712	10,513	404,981	5.1%	12,715	52,336	0	\$1.81
TOTAL	3,397	67,246,253	166,240	4,830,234	7.4%	-156,080	451,130	421,635	\$1.53
Lifestyle	42	1,178,612	0	91,717	7.8%	379	10,976	0	\$3.44
NC & Community	2,048	42,118,330	125,044	3,344,317	8.2%	-109,286	463,203	126,683	\$1.55
Power & Regional	356	14,210,570	37,000	729,807	5.4%	3,513	-187,010	0	\$1.26
Strip	951	9,738,741	4,196	664,393	6.9%	-50,686	163,961	294,952	\$1.63
TOTAL	3,397	67,246,253	166,240	4,830,234	7.4%	-156,080	451,130	421,635	\$1.53

*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 Q3 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
5675 S. Rainbow Blvd.	17,073	Dolgen Midwest LLC	Rainbow & Russell LLC	New	Southwest
Stephanie Promenade	14,700	Bullfrog Spas	Stephanie Promenade, LLC	New	Southeast
Wagon Trail Plaza	8,954	Winner Cycles LLC	J3 Decatur LLC	Sublease	Southwest
Royal Shopping Center	7,200	Santa Maria Adult Day Health Care	Royal Shopping Plaza, LLC	New	Northeast

Key Sale Transactions Q3 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Lifetime Fitness	143,286	Sterling Building Inc.	Inland Real Estate Group of Companies, Inc.	\$53,500,000 / \$373	West
Eastgate Plaza	112,447	Tabani Group, Inc.	Kite Realty Group	\$21,500,000 / \$191	Southeast
West Tropicana Center	89,413	Phillips Family Trust	Enduro LLC	\$22,250,000 / \$249	Southwest
Sunrise City Plaza	75,995	ACP Management	Bridge33 Capital	\$11,875,000 / \$156	Central East

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