

INVESTMENT FORECAST

Retail
Las Vegas

IPA
INSTITUTIONAL
PROPERTY
ADVISORS




2022

Visitor Volume Rebound and Continued In-Migration Lift Consumer Spending; Outside Buyers Bet on Vegas Retail

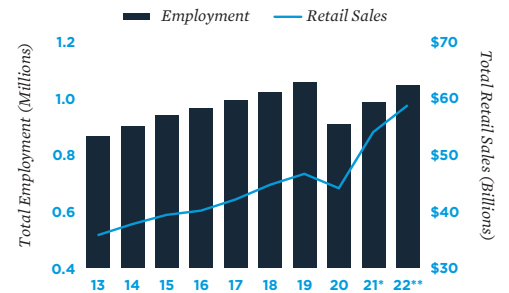
Positive absorption persists during health crisis. Despite fluctuations in tourism and a lack of conventions, Las Vegas' retail sector has performed exceptionally well throughout the pandemic, aided by robust population growth. From the second quarter of 2020 through the end of last year, more than 2 million square feet of space was absorbed metrowide, supporting vacancy compression of 130 basis points and a 10 percent gain in the average asking rent. Moving forward, the outlook for local retail is bright, as suggested by in-migration projections, recent tourism data and the return of large-scale events. Spanning October through November of 2021, a combined 6.5 million people visited the metro, with major conventions, including RECON and SEMA, held late last year. While virus uncertainty may scale back attendance at large gatherings in the near term, most events are not being canceled, evident by the World of Concrete and Consumer Electronics Show, both occurring in early 2022. As the broader economy continues to rebound, retail demand is slated to further improve, reducing vacancy to its lowest point since 2007.

Standout fundamentals garner additional out-of-state interest. The metro is poised to record increased competition for available retail listings, while single and multi-tenant vacancy rates remain historically tight and local rent growth exceeds that of most West Coast and Mountain markets. The combination of these fundamentals and stable cap rates will also further diversify the metro's already wide-ranging buyer pool, which includes many California-based investors. Restaurants and fast-food establishments with triple-net leases in place will draw significant interest, especially in Spring Valley and neighboring Sova, where the bulk of the metro's multifamily pipeline is concentrated. Additionally, smaller neighborhood and strip centers along major thoroughfares are drawing interest throughout the metro, with sub-\$300 per square foot pricing and cap rates in the low-6 percent to low-7 percent range still available.

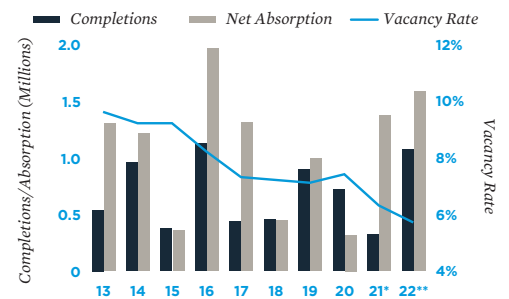
2022 Market Forecast

- Employment** up 6.1%  Job creation in the leisure and hospitality sector plays a significant role in the metro, adding 60,000 total positions in 2022.
- Construction** 1,070,000 sq. ft.  Delivery volume exceeds 1 million square feet for the first time in six years, growing inventory by 1.1 percent. Projects in Southeast Las Vegas account for 40 percent of the space completed.
- Vacancy** down 60 bps  After falling 110 basis points last year, vacancy compresses further in 2022, to 5.7 percent, as retail demand once again outpaces supply additions.
- Rent** up 5.3%  Supported by tight vacancy, the metro's average asking rent rises by at least 5 percent for a third consecutive year, reaching \$21.90 per square foot.
- Investment**  Industrial growth in North Las Vegas and Henderson's population expansion have the potential to boost local retail sales, driving buyer demand for shopping centers in both submarkets.

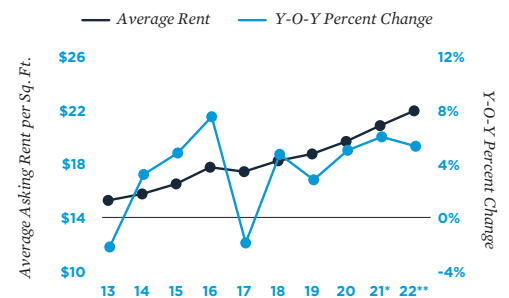
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.