

MARKET REPORT

Retail
Las Vegas Metro Area

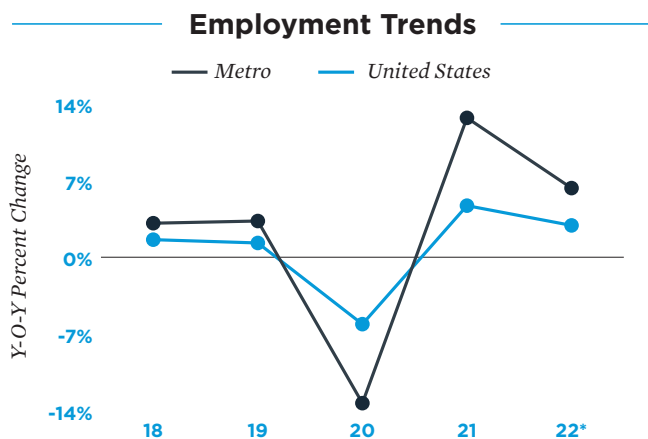
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2Q/22

Influx of Tourists, New Residents Bolster Performance Prospects for Retailers

Standout in-migration fosters retailer expansions. Las Vegas' populace swelled by nearly 60,000 residents over the past 18 months ended in March, heightening local demand for necessity-based retailers, home furnishing shops and dining options. Vendors responded to the expanding consumer base by absorbing more than 2 million square feet of space during the six-quarter span, compressing vacancy 150 basis points to its lowest rate since early 2008. The strong pace of population growth that is motivating retailer expansions is expected to persist, with forecasts calling for the addition of 235,000 people over the next five years. Many vendors with plans to enlarge their local footprints will browse the metro's existing vacant stock, as Las Vegas' active construction pipeline is well leased and equates to less than 1 percent of current inventory.

Tight conditions precede tourism revival. The outlook for retailers reliant on out-of-town consumers is quickly improving. During the first three months of this year, more than 8.4 million people visited Las Vegas, with convention attendance in March ranking as the highest monthly total since the onset of the pandemic. This resurgence coincided with a 3.0 percent quarterly increase in retail sales. Improving health conditions suggest further gains in visitor volumes and convention counts are imminent during the spring and summer months. The tourism industry's recovery, paired with the strongest rate of job creation among major U.S. markets this year, is poised to support robust near-term consumer spending.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**65,000
JOBS**
will be created

EMPLOYMENT:

Employers added 14,200 positions during the first quarter of 2022, putting the metro on track to record a 6.3 percent rate of employment growth this year. Entering April, the local unemployment rate stood at 5.5 percent, the lowest mark since February 2020.



**665,000
SQ. FT.**
will be completed

CONSTRUCTION:

For a sixth straight year, developers increase Las Vegas' retail inventory by less than 1.0 percent. Projects in the Resort Corridor, Southeast and Southwest Las Vegas account for the bulk of supply additions, underscored by a retail addition to CityCenter.



**50
BASIS POINT**
decrease in vacancy

VACANCY:

A collection of demand drivers strengthens near-term spending at local shops, heightening vendor demand for available space. This supports the absorption of more than 1.1 million square feet, lowering vacancy to a 15-year low of 6.0 percent.

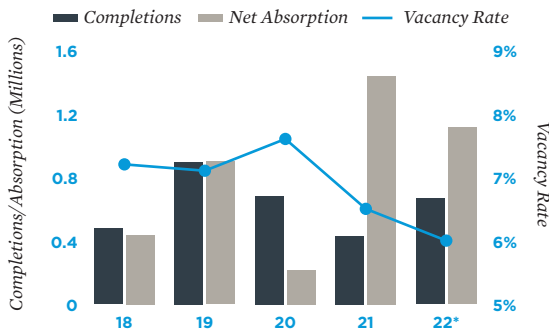


**6.1%
INCREASE**
in asking rent

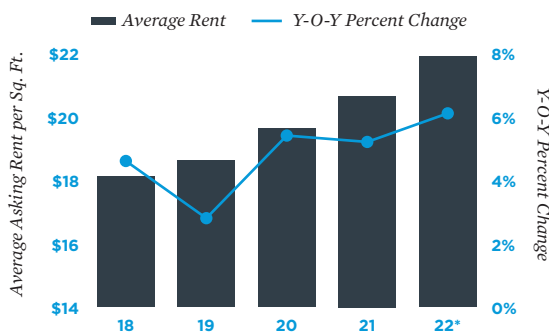
RENT:

Positive absorption across a broad spectrum of retail segments provides the impetus for asking rents to rise by more than 5 percent for a third consecutive year. The gain registered during 2022 lifts the marketed rate to a mean of \$21.90 per square foot.

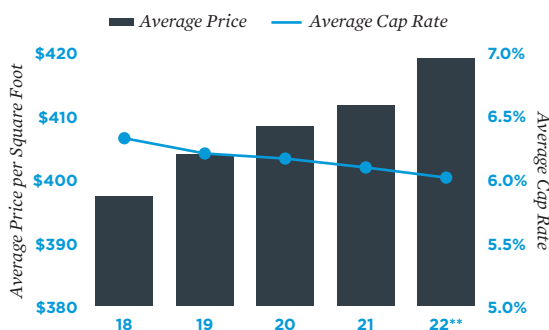
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

228,000 sq. ft. completed

- Driven by completions in Southeast Las Vegas, the metro's retail inventory grew by 0.2 percent over the past 12 months ended in March. During the prior yearlong span, stock expanded by 0.8 percent.
- As of mid-April, projects in Southwest Las Vegas accounted for nearly half of the market's active pipeline, which totaled 750,000 square feet of space.



VACANCY

120 basis point decrease in vacancy Y-O-Y

- Retailers absorbed more than 1.2 million square feet of single-tenant space over the past year, with the multi-tenant segment also noting positive leasing velocity. This blend lowered overall vacancy to 6.3 percent in March.
- Southeast Las Vegas, the metro's largest submarket by inventory, noted compression of 310 basis points, which lowered availability to 5.9 percent.



RENT

4.0% increase in the average asking rent Y-O-Y

- A 5.2 percent increase in single-tenant asking rent over the past year lifted the metro's overall marketed rate to an average of \$20.99 per square foot.
- Recent increases in tourism and convention attendance elevated retailer demand for available space in the Resort Corridor, lifting the submarket's average asking rent 16.7 percent to \$30.70 per square foot.

Investment Highlights

- Las Vegas' long-term growth prospects have a slew of out-of-state investors betting on the future performance of local retail assets. Recent deal flow reflects this, as sales activity more than doubled during the past 12 months ended in March, with buyers from outside the metro accounting for more than half of all acquisitions. California-based buyers are extremely active, chasing discounted pricing to their home markets.
- Amid the influx of outside capital, the metro's average pricing rose 2 percent to \$419 per square foot, while the mean cap rate fell to 6.0 percent.
- Historically low single-tenant vacancy is fueling investor demand for relatively newer-built properties along major thoroughfares and in areas of residential expansion. Triple-net leased assets are coveted, with these buildings trading at low-4 to low-6 percent returns dependent on lease terms, tenants' credit and locale. Restaurants and fast-food chains that fit this description rarely trade for less than \$600 per square foot.
- Southeast Las Vegas neighborhoods and adjacent Henderson rank as top spots for multi-tenant trading. Here, the average cap rate for strip centers and midsize neighborhood centers lands in the mid-6 percent range.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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