MARKET REPORT

Retail

Las Vegas Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

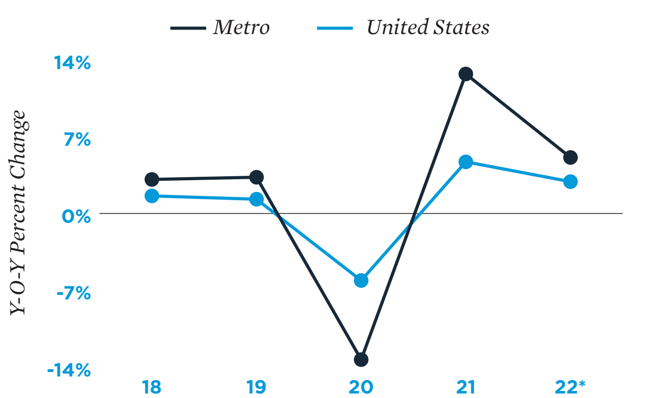
3Q/22

Standout Growth and Upward Trending Tourism Have Beneficial Implications for Sin City Retail

Necessity shops extend streak of positive absorption. Las Vegas recorded the strongest rate of household formation among major U.S. markets over the yearlong stretch ended in June. The nearly 27,000 households created lifted consumer demand for necessities, dining and home goods, prompting retailers in these segments to expand or establish local footprints. The resulting leasing velocity compressed metro vacancy below 6.0 percent, to its lowest point since late 2007. Retailer demand for available space has been widespread, with nearly all submarkets notching declines in availability over the past year. Expectations for strong rates of household formation moving forward, and an active pipeline that equates to just 0.5 percent of existing inventory, suggest additional vacancy compression is likely over the near term.

Tailwinds await tourist-reliant retailers. Visitor volume is nearing pre-pandemic levels, a significant boon for stores and restaurants whose viability is connected to outside spending. Entering August, more than 22 million people had visited Las Vegas this year. Weekend tourism has shown extreme resilience, and the convention industry is also making notable progress in its recovery. Spanning March through July, weekend hotel occupancy averaged 92 percent, while convention attendance during the first seven months of 2022 totaled nearly 2.8 million people. Looking ahead, a slew of conventions are planned during the remainder of this year, events that will lift the metro's visitor count and boost spending at retailers.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook

52,000 JOBS
will be created

EMPLOYMENT:

Employers added 35,100 positions in the first eight months of 2022, pushing Las Vegas' worker count to a record mark. The ongoing recovery of the hospitality sector and an influx of construction positions will support a 5.1 percent annual rate of job growth.

650,000 SQ. FT.
will be completed

CONSTRUCTION:

For a sixth consecutive year, developers finalize less than 1 million square feet across the metro. Second half deliveries are highlighted by a group of single-tenant properties and Project 63, a retail complex located within the CityCenter campus.

100 BASIS POINT
decrease in vacancy

VACANCY:

Las Vegas is one of two major U.S. metros to record triple-digit vacancy compression during 2022. This decline drops availability to 5.5 percent, the lowest year-end recording since 2017.

5.3% INCREASE
in asking rent

RENT:

The absorption of more than 1.6 million square feet allows asking rents to grow at a pace that mirrors the prior two years. Still, at $21.70 per square foot, the mean marketed rent trails the metro's peak recording by nearly 20 percent.

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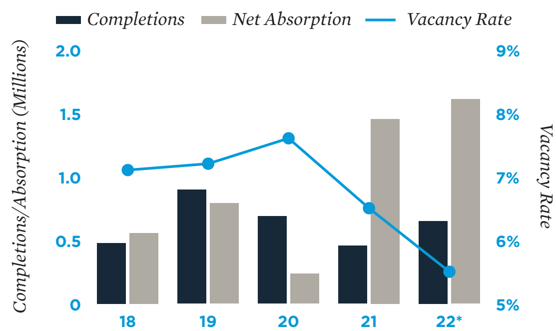
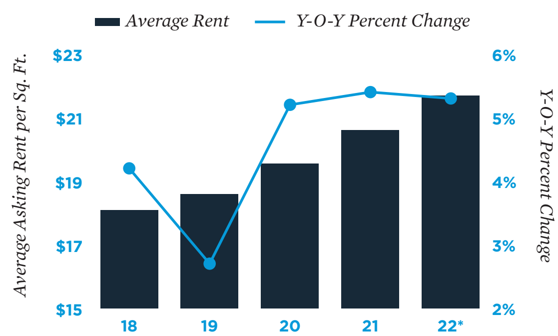
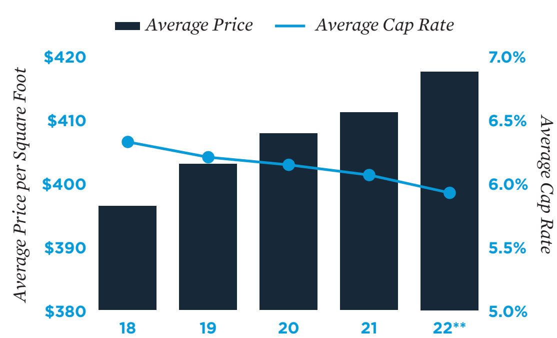
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

Sources: CoStar Group, Inc.; Real Capital Analytics

2Q 2022 - 12-Month Period

CONSTRUCTION

379,000 sq. ft. completed

- Driven by single-tenant deliveries, Las Vegas' retail inventory expanded by 0.4 percent during the 12-month interval ending in June.
- Recent supply additions were concentrated in Southwest and Southeast Las Vegas, with the pair of submarkets home to half of the metro's active pipeline at the onset of the second half.

VACANCY

140 basis point decrease in vacancy Y-O-Y

- Retailers absorbed 1.6 million square feet of single-tenant space over the past 12 months, while multi-tenant vacancy fell 50 basis points. Collectively, these declines placed overall availability at 5.7 percent in June.
- Epicenters of recent construction activity, Southeast and Southwest Las Vegas noted compression of 280 and 150 basis points, respectively.

RENT

3.4% increase in the average asking rent Y-O-Y

- The average asking rents rose more than 3 percent in both the single- and multi-tenant segments during the past year, lifting the overall marketed mean to $21.21 per square foot at the end of the second quarter.
- Rent gains were noted across 11 locales, with asking rates up 4.8 percent in Southwest Las Vegas and slight growth notched in Southeast Las Vegas.

Investment Highlights

- Tight conditions, robust population growth projections and improving tourism are feeding investors' appetite for Las Vegas retail assets. The more than 70 percent increase in local deal flow over the 12-month interval ended in June reflects this. Out-of-state investors, including a horde from California, are largely to credit for the notable rise in trading, with this buyer cohort accounting for more than 60 percent of recent closings.
- Amid a span of heightened competition for assets, the metro's average price point rose by just 2 percent to $417 per square foot. Additionally, properties traded at a 5.9 percent mean cap rate, a return at least 80 basis points above coastal Southern California markets.
- Record-low multi-tenant vacancy is driving sales velocity in the segment. Strip and neighborhood centers with 10 or fewer tenants are trading at high-5 to high-7 percent yields, and often below $300 per square foot. Assets in Henderson and nearby Green Valley are coveted.
- Various types of net-leased assets are being equally pursued by investors, with these properties trading for a mean of $515 per square foot. Transactions have been most frequent along major North Las Vegas thoroughfares.

IPA Retail
Daniel Taub
Senior Vice President, Director
Tel: (212) 430-5100 | dtaub@ipausa.com

For information on national retail trends, contact:
John Chang
Senior Vice President, Director | Research & Advisory Services
Tel: (602) 707-9700 | jchang@ipausa.com

Price: $250