SECOND QUARTER 2014
LAS VEGAS
RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to the Previous Quarter:

Vacancy
UP

Absorption
NEGATIVE

Lease Rates
FLAT

Deliveries
UP

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Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

APPLIED ANALYSIS

HIGHLIGHTS

- **Market Overview –** The Las Vegas retail market witnessed a slight increase in vacancies during the second quarter of 2014. By the end of the reporting period, the vacancy rate stood at 9.1 percent, which represents an increase of 10 basis points (0.1 percentage point) from the prior quarter (Q1 2014). Despite the recent quarter-to-quarter increase, the retail vacancy rate remains down 70 basis points (0.7 percentage points) compared to a year ago (Q2 2013).
- **Demand –** After reporting positive net absorption for four consecutive quarters, the retail sector witnessed approximately 17,600 SF of net move-outs during the second quarter. During the period, DD's Discounts leased roughly 22,300 SF in Winterwood Pavilion, while Epic Stores signed a deal for 18,200 SF in Renaissance West. However, gains in leased space were offset by the closure of two Target stores located at 2189 West Craig Road and 278 South Decatur Boulevard. Combined, the two stores totaled 226,300 SF.
- **Inventory –** One anchored retail project completed construction during the second quarter of 2014, bringing total inventory to 52.2 million SF. Sprouts Farmers Market opened its 25,000 SF location at Green Valley Crossing located on the southwest corner of Horizon Ridge Parkway and Green Valley Parkway in Henderson. Sprouts continues to expand its footprint throughout the Las Vegas valley and plans to open another store on the northeast corner of Sahara Avenue and Hualapai Way in the third quarter.
- **Future Supply –** With the completion of Sprouts, under construction activity fell slightly in the second quarter. Approximately 2.1 million SF of anchored retail projects remain actively under development throughout the valley. Las Vegas Athletic Club continues to make progress on its 87,800 SF facility in North Las Vegas. Meanwhile, the 200,000 SF Sahara Center is well underway; the 300,000 SF second phase of Tivoli Village at Queensridge is also moving forward. Downtown Summerlin will also reach completion later this year, adding 1.5 million SF of retail space to the market.
- **Economic Considerations –** The Las Vegas economy continues to report significant improvements in several key indicators. In May 2014 (latest available data), the employment sector added 26,300 jobs when compared to a year ago, with significant gains witnessed in the retail (+6,000 jobs), leisure and hospitality (+5,800 jobs), professional and business services (+4,300 jobs), education and health services (+3,400 jobs) and construction (+2,500 jobs) sectors. In addition, consumer spending increased 6.2 percent year-over-year for the 12 months ending April 2014 (latest available data), rising to $34.5 billion, while visitor volume is at an all-time high of 40.4 million.
- **Overall –** Although the retail vacancy rate reported a modest uptick in the second quarter, it remains down 200 basis points (2.0 percentage points) from the high reached in 2010. Developers and retailers are continuing to regain confidence in the market, and construction activity in recent quarters has been at its highest level since 2009.

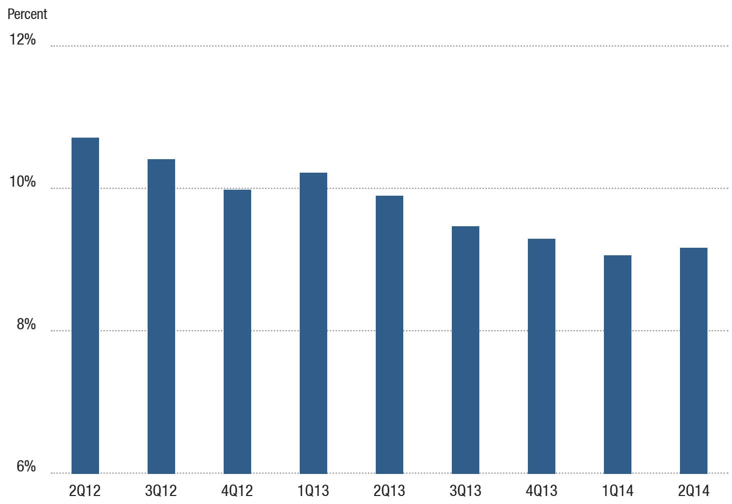
FORECAST

- **Employment –** The hardest hit employment sector during the recession, construction, is expected to report gains throughout the remainder of the year as development activity picks up.
- **Construction –** Numerous anchored retail projects are expected to complete construction by the end of the year, leaving a modest pipeline heading into 2015.
- **Vacancy –** While the vacancy rate is likely to remain below 10 percent, it will take a number of years to trend back toward pre-recession lows.

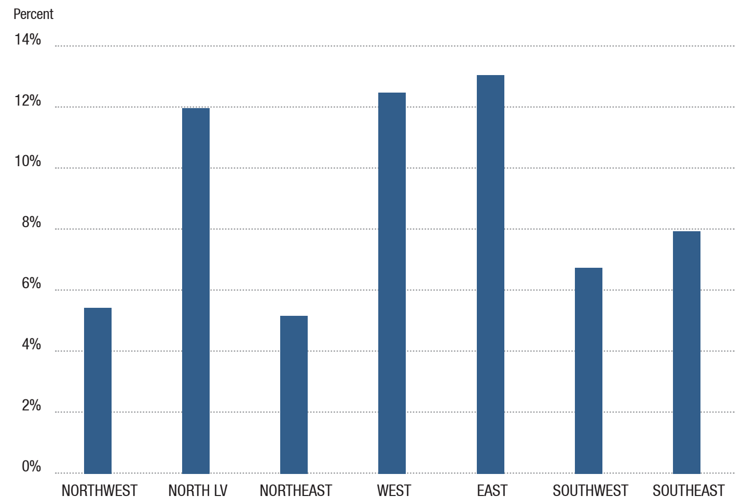
OVERVIEW

	2Q14	1Q14	2Q13	% Change vs. 2Q13
Under Construction	2,087,750	2,112,750	1,821,963	14.6%
Planned Construction	2,415,036	2,444,036	3,111,272	(22.4%)
Vacancy	9.1%	9.0%	9.8%	(0.7%)
Net Absorption	(17,618)	101,975	164,605	N/A

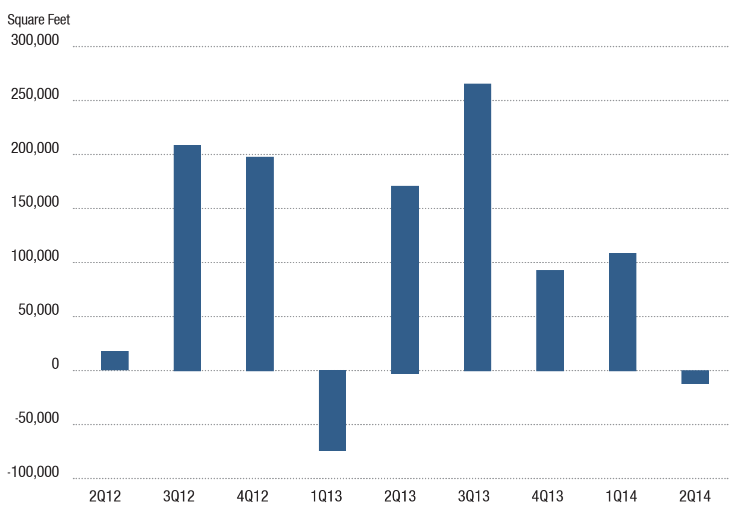
HISTORICAL VACANCY RATE



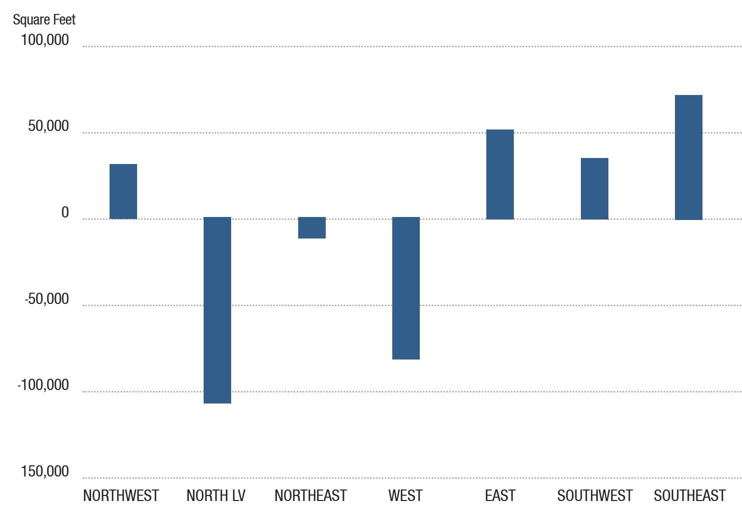
VACANCY RATE BY SUBMARKET



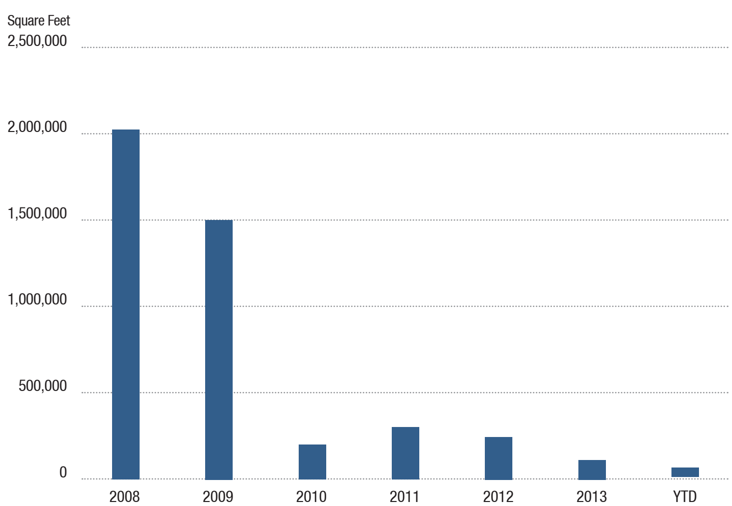
HISTORICAL NET ABSORPTION



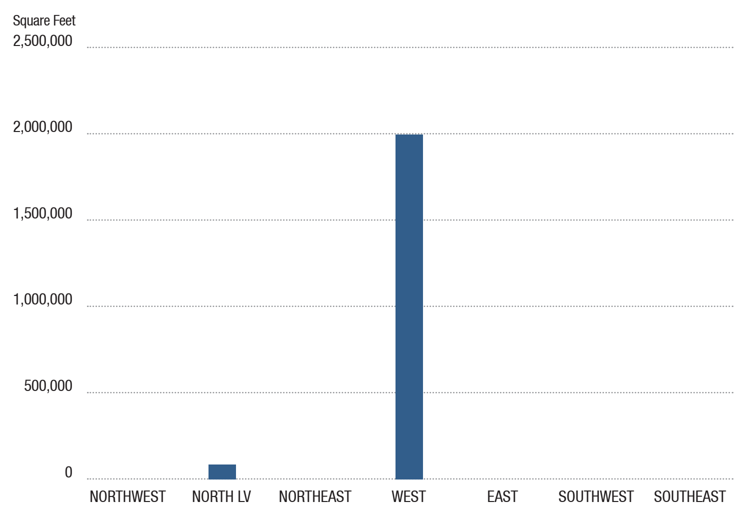
NET ABSORPTION BY SUBMARKET



HISTORICAL NEW CONSTRUCTION



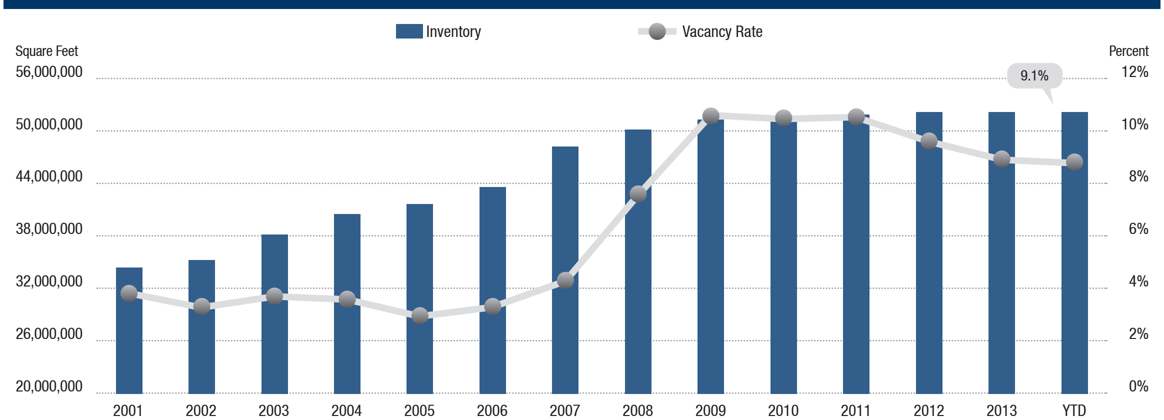
CONSTRUCTION ACTIVITY BY SUBMARKET



	Number of Bldgs.	Net Rentable Square Feet	Square Feet Under Construction	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2014	Net Absorption 2Q2014	Net Absorption 2014	New Inventory 2Q2014	New Inventory 2014
	INVENTORY				VACANCY RATES		ABSORPTION			
Northwest										
Power Centers	5	2,239,622	–	–	114,978	5.1%	(10,844)	(20,802)	–	–
Community Centers	8	1,099,610	–	73,956	104,148	9.5%	3,229	(2,311)	–	–
Neighborhood Centers	17	1,960,058	–	–	68,143	3.5%	36,182	43,531	–	–
Northwest Total	30	5,299,290	–	73,956	287,269	5.4%	28,567	20,418	–	–
North Las Vegas										
Power Centers	15	2,777,628	–	522,443	254,422	9.2%	(146,913)	(145,263)	–	–
Community Centers	11	1,508,952	87,750	67,400	144,003	9.5%	(5,563)	(6,697)	–	–
Neighborhood Centers	30	2,994,395	–	–	470,309	15.7%	43,038	64,713	–	–
North Las Vegas Total	56	7,280,975	87,750	589,843	868,734	11.9%	(109,438)	(87,247)	–	–
Northeast										
Power Centers	4	943,001	–	–	8,969	1.0%	–	3,200	–	–
Community Centers	7	1,054,911	–	431,328	60,977	5.8%	(10,398)	(17,104)	–	–
Neighborhood Centers	17	1,298,539	–	–	99,106	7.6%	–	1,320	–	–
Northeast Total	28	3,296,451	–	431,328	169,052	5.1%	(10,398)	(12,584)	–	–
West										
Power Centers	11	3,079,229	1,500,000	–	240,134	7.8%	(103,330)	(107,537)	–	–
Community Centers	18	2,606,430	300,000	–	539,754	20.7%	9,222	38,817	–	–
Neighborhood Centers	22	2,540,122	200,000	–	241,089	9.5%	10,943	30,950	–	–
West Total	51	8,225,781	2,000,000	–	1,020,977	12.4%	(83,165)	(37,770)	–	–
East										
Power Centers	4	1,203,293	–	–	184,266	15.3%	(22,748)	(30,595)	–	–
Community Centers	12	1,953,450	–	–	219,582	11.2%	10,577	17,144	–	–
Neighborhood Centers	29	3,143,708	–	–	413,144	13.1%	61,635	55,174	–	–
East Total	45	6,300,451	–	–	816,992	13.0%	49,464	41,723	–	–
Southwest										
Power Centers	16	4,519,040	–	157,140	242,055	5.4%	868	12,050	–	–
Community Centers	11	817,982	–	268,563	31,753	3.9%	23,411	42,157	–	16,000
Neighborhood Centers	35	3,434,684	–	395,414	311,792	9.1%	9,345	6,092	–	–
Southwest Total	62	8,771,706	–	821,117	585,600	6.7%	33,624	60,299	–	16,000
Southeast										
Power Centers	10	3,851,585	–	175,037	195,659	5.1%	(5,485)	6,810	–	–
Community Centers	23	4,349,958	–	300,000	349,052	8.0%	14,412	15,773	–	–
Neighborhood Centers	51	4,810,625	–	23,755	465,273	9.7%	64,801	76,935	25,000	25,000
Southeast Total	84	13,012,168	–	498,792	1,009,984	7.8%	73,728	99,518	25,000	25,000
Las Vegas Total										
Power Centers	65	18,613,398	1,500,000	854,620	1,240,483	6.7%	(288,452)	(282,137)	–	–
Community Centers	90	13,391,293	387,750	1,141,247	1,449,269	10.8%	44,890	87,779	–	16,000
Neighborhood Centers	201	20,182,131	200,000	419,169	2,068,856	10.3%	225,944	278,715	25,000	25,000
Las Vegas Total	**356**	**52,186,822**	**2,087,750**	**2,415,036**	**4,758,608**	**9.1%**	**(17,618)**	**84,357**	**25,000**	**41,000**

Note: Planned inventory includes projects that previously commenced construction but are not actively underway.

ANNUAL INVENTORY VS. VACANCY RATE



PRODUCT TYPE

Power Center

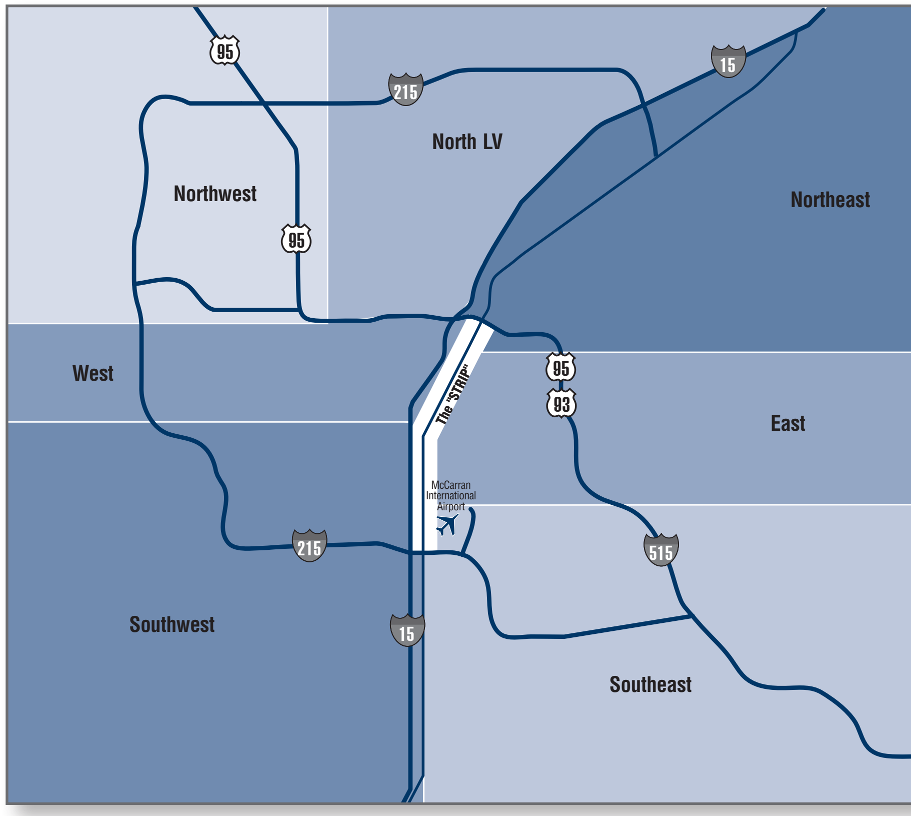
Power Centers have multiple big-box tenants and typically fewer shop-space tenants; size starts at 100,000 SF

Community Centers

Community Centers are multiple anchored with shop-space tenants; the sizes generally start at 100,000 SF

Neighborhood Centers

Neighborhood Centers are supermarket anchored with shop-space tenants; size starts at 30,000 SF



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101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com

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