

# SECOND QUARTER 2015

## LAS VEGAS

# RETAIL

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

DOWN



Deliveries

DOWN



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## HIGHLIGHTS

- Market Overview** – The Las Vegas retail market reported a direct vacancy rate of 9.1 percent in the second quarter of 2015, representing a decline of 20 basis points (-0.2 percentage point) compared to both the prior quarter (Q1 2015) and prior year (Q2 2014). An additional 1.1 million SF (2.0 percent) of anchored retail space is available for sublease throughout the valley. As a result, the total vacancy rate was 11.1 percent by the end of the second quarter of 2015.
- Demand** – The retail market reported 121,100 SF of positive net absorption in the second quarter of 2015. Retailers continued to lease space at the recently completed Downtown Summerlin, while WSS and Save A Lot leased the 36,800 SF former Von's in Charleston Square on the northeast corner of Charleston Boulevard and Lamb Boulevard (they will each occupy 18,400 SF). In addition, Bouncy World, LLC is moving into 17,000 SF in Stephanie Promenade, and Ulta signed a deal for 10,400 SF in Montecito Crossing.
- Inventory** – Inventory remained flat at 52.5 million SF at the end of the second quarter as a small pad space totaling 4,200 SF completed construction at Rainbow Place on the southeast corner of Mardon Avenue and Rainbow Boulevard.
- Future Supply** – Anchored retail development activity was sourced to six projects totaling 819,000 SF at the end of the period. The first phase of Decatur Shopping Center (15,000 SF), the pad spaces at Sahara Center (18,000 SF), the second phase of Tivoli Village at Queensridge (300,000 SF) and IKEA (351,000 SF) continued to make progress during the second quarter. In addition, Hobby Lobby broke ground on its 55,000 SF space in Decatur 215 power center, which is currently home to Target and WinCo Foods. Development also began on the 80,000 SF Durango Arby Plaza, which will be located on the southeast corner of Badura Avenue and Durango Drive and will include EOS Fitness, Five Guys, Starbucks, Mattress Firm and Café Rio.
- Economic Considerations** – The Las Vegas MSA reported annual job growth of 23,100 positions in May 2015 (latest available data). The leisure and hospitality sector witnessed the most substantial increase in employment, rising by 7,500 positions during the period. The construction sector followed with a gain of 6,200 positions. Professional and business services (+3,200 jobs), education and health services (+2,900 jobs) and retail trade (+2,700 jobs) reported significant annual growth as well. Continued job growth helped drive down the unemployment rate to 6.6 percent in May 2015, which is down 120 basis points (-1.2 percentage points) from the rate of 7.8 percent reported a year ago.
- Overall** – The Las Vegas retail market continues to respond to strong consumer spending patterns. Clark County taxable retail sales are at an all-time high, reaching \$37.2 billion for the 12 months ending April 2015 (latest available data). The latest consumer spending estimates are up 8.1 percent compared to the prior 12-month period, with continued growth expected throughout the remainder of 2015.

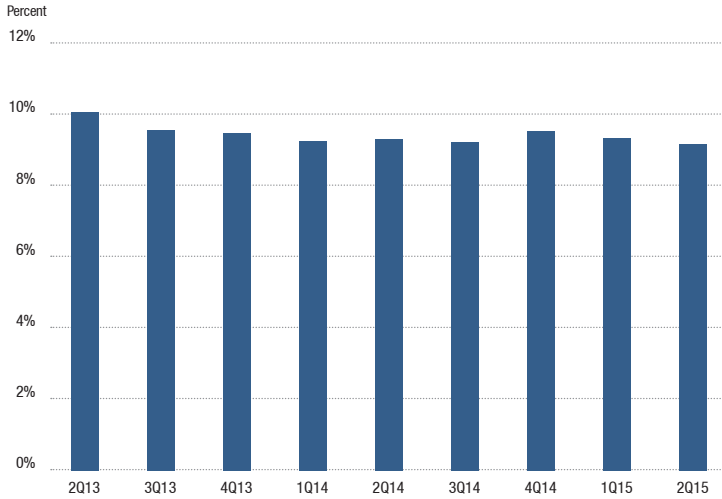
## FORECAST

- Employment** – Employment is expected to continue to report year-over-year gains, with growth in the leisure and hospitality, construction, professional and business services, education and health services and retail trade sectors.
- Construction** – Construction activity is expected to pick up throughout the remainder of the year as a handful of the 3.1 million SF of planned spaces are likely to break ground in the next few quarters.
- Vacancy** – Total vacancy is anticipated to trend modestly downward over the next 12 months as underlying fundamentals are expected to strengthen.

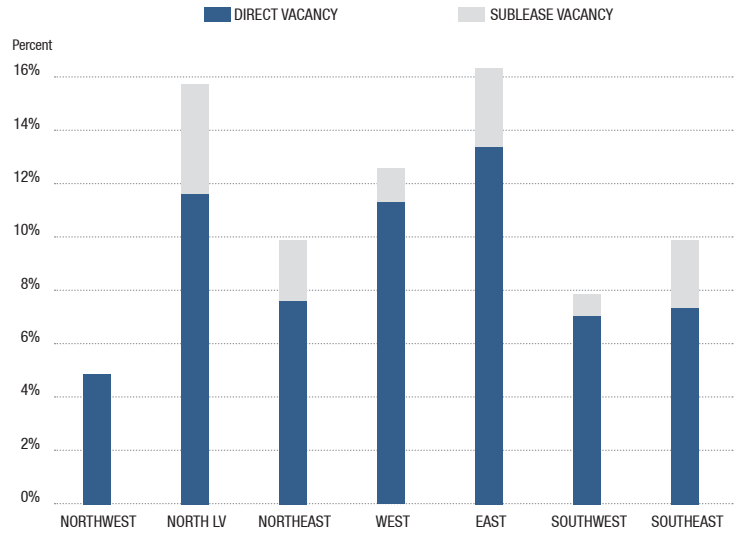
## OVERVIEW

	2Q15	1Q15	2Q14	% Change vs. 2Q14
Under Construction	819,000	688,244	2,172,702	(62.3%)
Planned Construction	3,140,576	2,774,467	2,581,380	21.7%
Direct Vacancy	9.1%	9.3%	9.3%	(0.2%)
Net Absorption	121,090	210,111	(29,591)	N/A

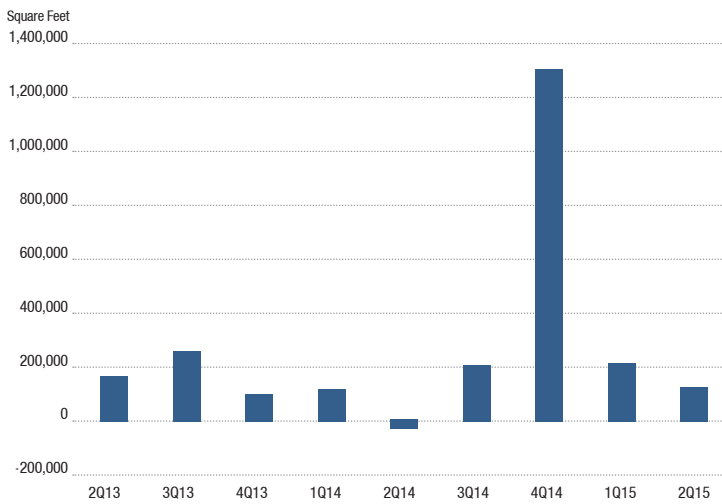
## HISTORICAL DIRECT VACANCY RATE



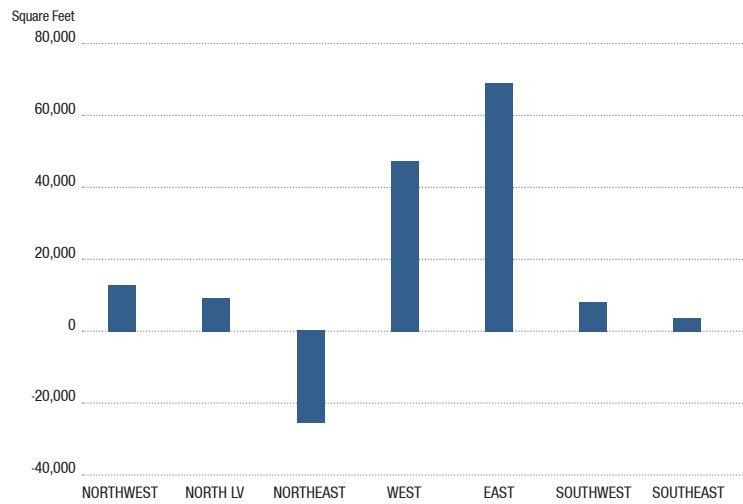
## VACANCY RATE BY SUBMARKET



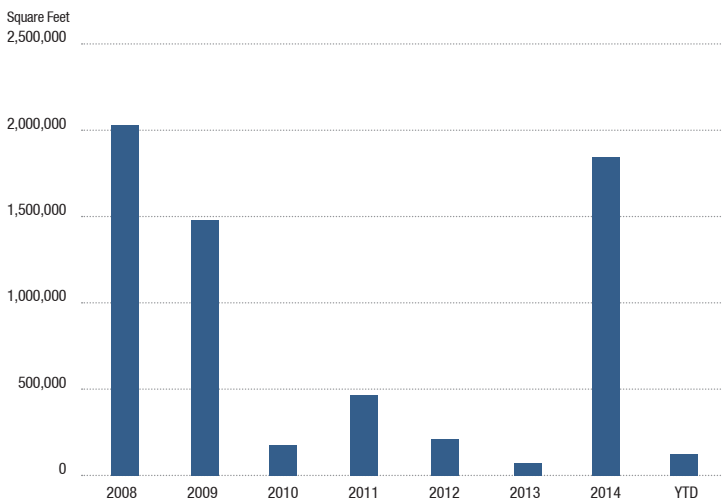
## HISTORICAL NET ABSORPTION



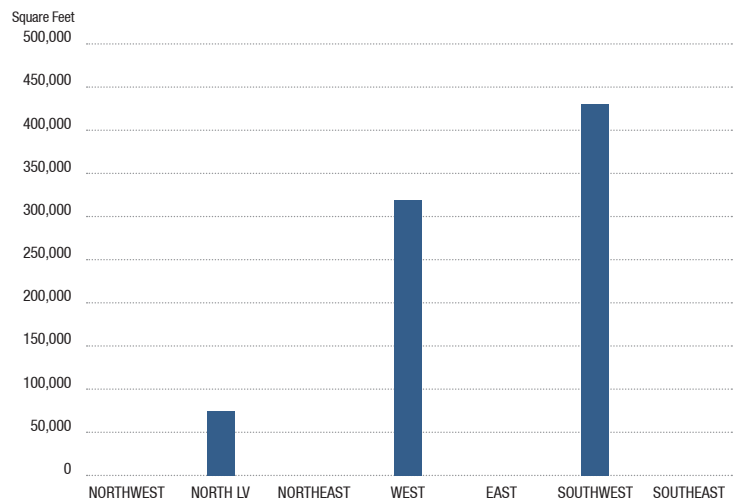
## NET ABSORPTION BY SUBMARKET



## HISTORICAL NEW CONSTRUCTION



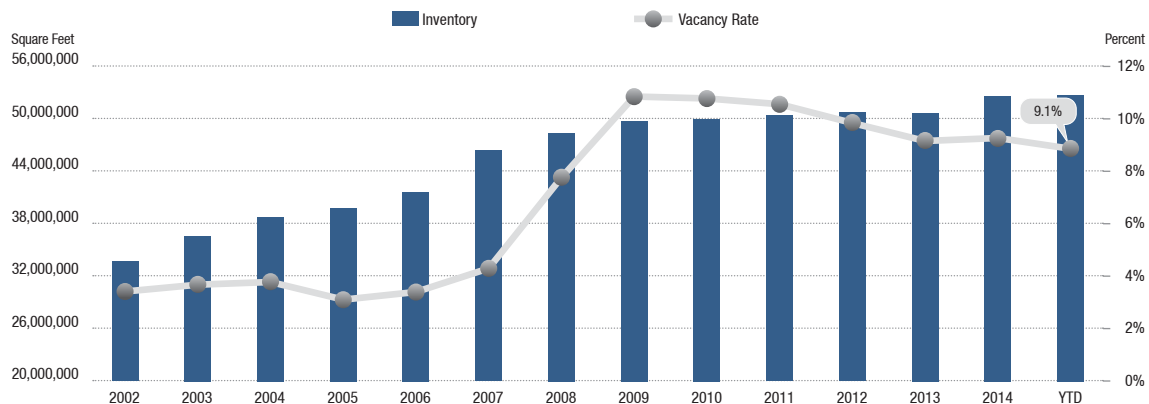
## CONSTRUCTION ACTIVITY BY SUBMARKET



	INVENTORY				VACANCY RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable SF	SF Under Construction	SF Planned	SF Vacant	Direct Vacancy Rate 2Q15	Sublease Vacancy Rate 2Q15	Total Vacancy Rate 2Q15	Net Absorption 2Q15	Net Absorption 2015	New Inventory 2Q15	New Inventory 2015
<b>Northwest</b>												
Power Centers	5	2,239,622	0	0	100,424	4.5%	0.0%	4.5%	18,295	23,895	0	0
Community Centers	8	1,099,610	0	73,956	85,046	7.7%	0.1%	7.9%	(6,877)	18,182	0	0
Neighborhood Centers	17	1,960,058	0	356,798	66,795	3.4%	0.0%	3.4%	613	1,375	0	0
<b>Northwest Total</b>	<b>30</b>	<b>5,299,290</b>	<b>0</b>	<b>430,754</b>	<b>252,265</b>	<b>4.8%</b>	<b>0.0%</b>	<b>4.8%</b>	<b>12,031</b>	<b>43,452</b>	<b>0</b>	<b>0</b>
<b>North Las Vegas</b>												
Power Centers	15	2,732,124	55,000	435,775	282,756	10.3%	5.4%	15.7%	(1,239)	(7,874)	0	0
Community Centers	10	1,478,729	15,000	52,400	150,865	10.2%	0.0%	10.2%	(2,050)	84,489	0	87,750
Neighborhood Centers	30	3,006,356	0	0	401,959	13.4%	4.5%	17.9%	11,731	34,156	0	0
<b>North Las Vegas Total</b>	<b>55</b>	<b>7,217,209</b>	<b>70,000</b>	<b>488,175</b>	<b>835,580</b>	<b>11.6%</b>	<b>3.9%</b>	<b>15.5%</b>	<b>8,442</b>	<b>110,771</b>	<b>0</b>	<b>87,750</b>
<b>Northeast</b>												
Power Centers	4	943,001	0	0	10,961	1.2%	0.0%	1.2%	1,600	(1,400)	0	0
Community Centers	7	1,054,911	0	431,328	112,431	10.7%	1.8%	12.4%	(13,874)	(15,554)	0	0
Neighborhood Centers	16	1,272,339	0	0	121,432	9.5%	4.7%	14.2%	(13,558)	(2,200)	0	0
<b>Northeast Total</b>	<b>27</b>	<b>3,270,251</b>	<b>0</b>	<b>431,328</b>	<b>244,824</b>	<b>7.5%</b>	<b>2.4%</b>	<b>9.9%</b>	<b>(25,832)</b>	<b>(19,154)</b>	<b>0</b>	<b>0</b>
<b>West</b>												
Power Centers	12	4,479,229	0	0	424,974	9.5%	0.2%	9.7%	68,569	153,702	0	0
Community Centers	13	2,322,777	300,000	0	328,124	14.1%	0.0%	14.1%	(25,454)	236	0	0
Neighborhood Centers	21	2,499,803	18,000	0	300,690	12.0%	3.7%	15.7%	3,763	(15,260)	0	0
<b>West Total</b>	<b>46</b>	<b>9,301,809</b>	<b>318,000</b>	<b>0</b>	<b>1,053,788</b>	<b>11.3%</b>	<b>1.1%</b>	<b>12.4%</b>	<b>46,878</b>	<b>138,678</b>	<b>0</b>	<b>0</b>
<b>East</b>												
Power Centers	4	1,203,293	0	0	158,155	13.1%	3.5%	16.7%	16,679	18,422	0	0
Community Centers	11	2,085,450	0	0	257,095	12.3%	0.0%	12.3%	(20,875)	(46,883)	0	0
Neighborhood Centers	29	3,176,208	0	0	448,456	14.1%	5.1%	19.3%	72,704	(28,997)	0	0
<b>East Total</b>	<b>44</b>	<b>6,464,951</b>	<b>0</b>	<b>0</b>	<b>863,706</b>	<b>13.4%</b>	<b>3.2%</b>	<b>16.5%</b>	<b>68,508</b>	<b>(57,458)</b>	<b>0</b>	<b>0</b>
<b>Southwest</b>												
Power Centers	16	4,519,040	351,000	157,140	170,834	3.8%	0.0%	3.8%	1,229	86,940	0	0
Community Centers	13	1,026,082	80,000	309,619	158,081	15.4%	0.0%	15.4%	1,584	(10,434)	4,244	4,244
Neighborhood Centers	28	2,778,735	0	310,414	257,273	9.3%	2.3%	11.5%	4,955	44,606	0	0
<b>Southwest Total</b>	<b>57</b>	<b>8,323,857</b>	<b>431,000</b>	<b>777,173</b>	<b>586,188</b>	<b>7.0%</b>	<b>0.8%</b>	<b>7.8%</b>	<b>7,768</b>	<b>121,112</b>	<b>4,244</b>	<b>4,244</b>
<b>Southeast</b>												
Power Centers	10	3,776,585	0	641,146	180,952	4.8%	0.0%	4.8%	(3,958)	(1,688)	0	0
Community Centers	24	4,367,069	0	345,000	255,023	5.8%	2.6%	8.5%	33,756	29,730	0	0
Neighborhood Centers	48	4,502,384	0	27,000	486,082	10.8%	4.7%	15.5%	(26,503)	(34,242)	0	20,019
<b>Southeast Total</b>	<b>82</b>	<b>12,646,038</b>	<b>0</b>	<b>1,013,146</b>	<b>922,057</b>	<b>7.3%</b>	<b>2.6%</b>	<b>9.9%</b>	<b>3,295</b>	<b>(6,200)</b>	<b>0</b>	<b>20,019</b>
<b>Las Vegas Total</b>												
Power Centers	66	19,892,894	406,000	1,234,061	1,329,056	6.7%	1.0%	7.7%	101,175	271,997	0	0
Community Centers	86	13,434,628	395,000	1,212,303	1,346,665	10.0%	1.0%	11.0%	(33,790)	59,766	4,244	91,994
Neighborhood Centers	189	19,195,883	18,000	694,212	2,082,687	10.8%	3.8%	14.6%	53,705	(562)	0	20,019
<b>Las Vegas Total</b>	<b>341</b>	<b>52,523,405</b>	<b>819,000</b>	<b>3,140,576</b>	<b>4,758,408</b>	<b>9.1%</b>	<b>2.0%</b>	<b>11.1%</b>	<b>121,090</b>	<b>331,201</b>	<b>4,244</b>	<b>112,013</b>

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

## ANNUAL INVENTORY VS. DIRECT 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**

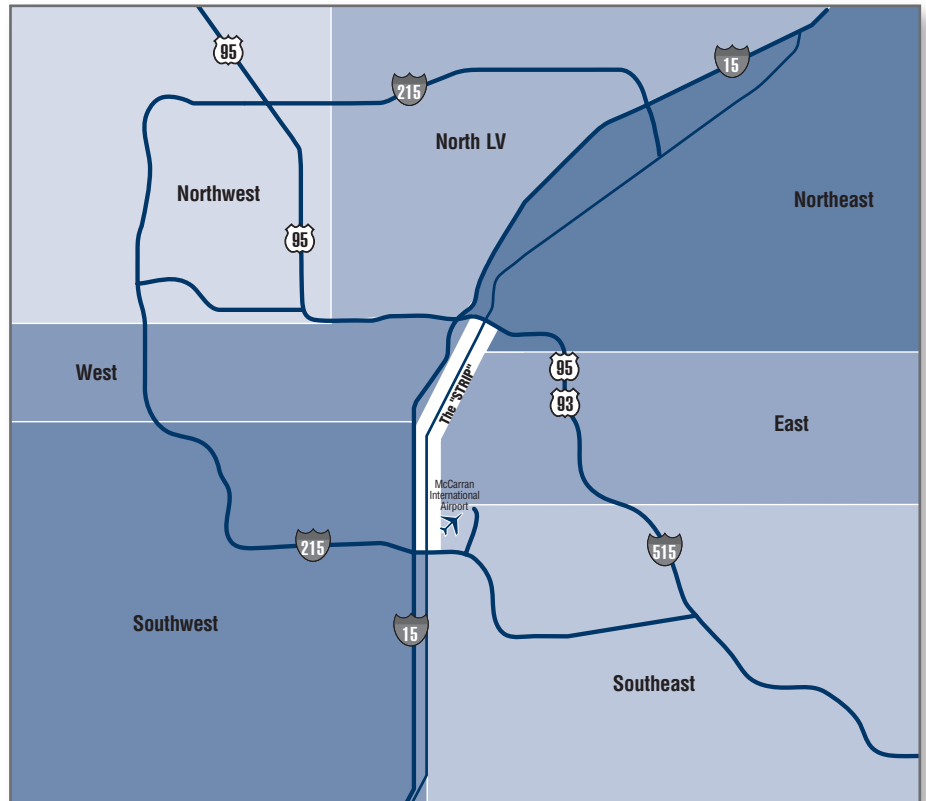
Neighborhood Centers are supermarket anchored with shop-space tenants; size starts at 30,000 SF

**Vacancy Rate Definitions**

**Direct vacancy rate** – Vacant space, excluding sublease space, divided by the total amount of inventory

**Sublease vacancy rate** – Vacant sublease space divided by the total amount of inventory

**Total vacancy rate** – Vacant space, including sublease space, divided by the total amount of inventory



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