MARKET REPORT

Marcus & Millichap

RETAIL

Las Vegas Metro Area

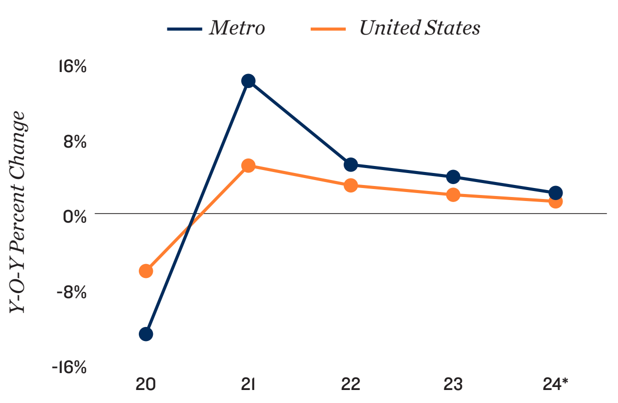
2Q/24

Nation-Leading Household Formation Set to Boost Retail Performance in Expanding Residential Hubs

Las Vegas' growth supports a favorable outlook. Over the next five years, the market's population is expected to expand by nearly 10 percent, roughly five times the national pace. That rate of growth is projected to rank second nationally behind only Austin. Las Vegas' comparably milder cost-of-living pressures will meanwhile allow for greater household creation, with the metro's 14 percent rate of expansion through 2028 expected to lead all other major U.S. markets by at least 150 basis points. The broadening local consumer base will enhance spending and drive tenant demand for available retail space. Locations with sizable multifamily construction pipelines may capture a notable share of household formation, underpinning retail tailwinds. As of May 2024, Southwest Las Vegas led the market with over 2,800 rentals underway. Northwest and South Las Vegas also each had at least 1,500 units under construction.

Areas with robust housing construction lack vacant retail. Two submarkets with the most apartments being developed — Northwest and Southwest Las Vegas — are among the tightest for retail space availability. These locations had the lowest and third-lowest vacancy rates in the metro, respectively, entering the second quarter of 2024, each under 4.0 percent. Tenant demand is showcased by the area's 2024 construction pipelines being cumulatively 70 percent pre-leased as of May. A lack of available retail space with household creation likely to come should support robust rent growth.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook

EMPLOYMENT:

25,000 JOBS *will be created*

Transportation and warehousing alongside accommodation and food services supported the gain of 15,800 overall roles during the first five months of 2024. The job tally will expand by 2.2 percent this year.

CONSTRUCTION:

820,000 SQ. FT. *will be completed*

While remaining below 1 million square feet for an eighth straight year, the 2024 supply influx will be the largest since 2020. One project — BLVD Las Vegas — accounts for nearly half of the space delivering this year.

VACANCY:

30 BASIS POINT *increase in vacancy*

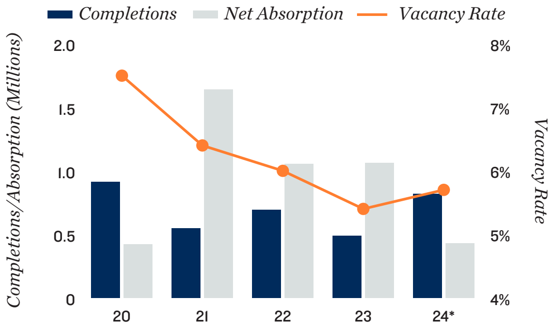
Following three consecutive annual declines totaling 210 basis points, Las Vegas' vacancy rate drifts up to 5.7 percent in 2024. Despite rising, that year-end measure is more than 250 basis points below the historic mean.

RENT:

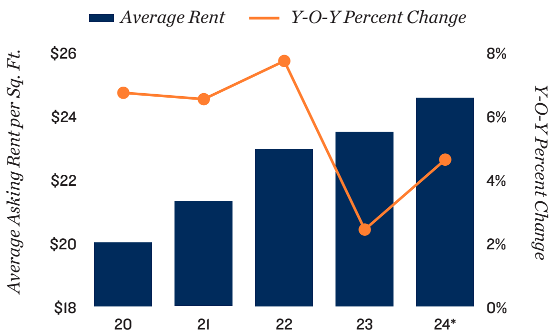
4.6% INCREASE *in asking rent*

Vacancy below the long-term average and new supply opening with marketed rents above the metro mean helps boost the overall rate. Las Vegas' average asking rent reaches $24.55 per square foot in 2024.

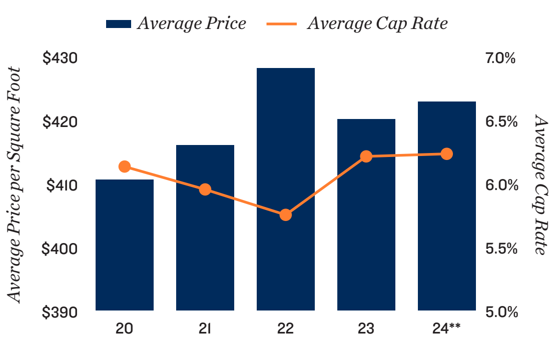
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

Sources: CoStar Group, Inc.; Real Capital Analytics

1Q 2024 - 12-Month Period

CONSTRUCTION

428,000 sq. ft. completed

- After the delivery of 255,000 square feet from April to June 2023, fewer than 70,000 square feet arrived in each of the next three quarters, the longest such streak since 2013. Annual inventory growth was just 0.4 percent.
- As of May, roughly 190,000 square feet of available space was set to open once BLVD Las Vegas completes, in November 2024 based on the schedule.

VACANCY

30 basis point decrease in vacancy Y-O-Y

- Las Vegas' multi-tenant segment recorded a 90-basis-point year-over-year vacancy reduction in March 2024, to 5.6 percent. Shopping center space availability in the market has not been this low since 2007.
- Single-tenant vacancy fell by 10 basis points to 5.5 percent. This balanced out the steep multi-tenant drop, putting the overall rate at 5.5 percent.

RENT

1.4% increase in the average asking rent Y-O-Y

- Among the metro's 10 largest submarkets by inventory, seven areas posted annual rent growth as of March. Gains were strongest in East and Northwest Las Vegas. Conversely, the Resort Corridor noted the greatest decline.
- The average single-tenant rent rose by 3.2 percent, offsetting a 4.5 percent multi-tenant drop and lifting the overall average to $23.80 per square foot.

Investment Highlights

- Single-tenant deal flow hit a four-quarter high from January through March 2024 and preliminary April-May data implies trading remained strong. For transactions completed over the past year ended in the first quarter, the average single-tenant sale price was $521 per square foot, down a modest 3 percent from 2022's all-time high. The mean cap rate in Las Vegas rose to 5.7 percent, which is above all major California markets excluding Oakland and Sacramento.
- Year-to-date through May, California-based buyers accounted for over one-fourth of single-tenant acquisitions. These investors are often pursuing fast-food and auto part shop assets priced in the $1 to $5 million range.
- Contrasting single-tenant, the volume of multi-tenant trades fell during the opening three months of 2024, down about 35 percent relative to the quarterly average spanning the year prior. Preliminary April-May data suggests deal flow picked back up, however, after multi-tenant vacancy hit a decade-plus low in March. Strip centers are particularly coveted assets.
- The average multi-tenant sale price was $359 per square foot during the yearlong span ended in March, inching 1 percent above 2022's record high.

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