



Retail market rental rate expected to face continued downward pressure

Decreasing commercial market lease rates, record vacancy rates, and resulting delinquencies and foreclosures faced by landlords have been referred to collectively as “the other shoe to drop” in the current economic recession. Vacancy rates in Las Vegas valley anchored retail centers, which excludes strip malls without anchors, reached a record 9.8 percent in the second quarter of 2009 (nearly three times the historical average), with 5.0 million square feet available in a total market of 51.3 million. The average asking rate for retail space dropped to \$2.06 per square foot per month, a level not seen since 2006.

In the Reno-Sparks area, the retail vacancy rate was even higher at 15.6 percent with nearly 2.0 million square feet available in a total market space of 12.7 million, while asking rates hovered around \$2.00 per square foot, according to NAI Alliance in Reno, Nevada, which tracks retail shopping centers consisting of 20,000 square feet or larger. Regional malls are excluded from figures reported for both Las Vegas and Reno-Sparks. It is worth noting asking rates are not necessarily reflective of effective rents on existing leases.

At the end of this month, retail market statistics will be collected and reported for the third quarter, and the results are expected to indicate that the commercial market throughout Nevada continues to face obstacles to recovery. Mary Lau, president of the Retail Association of Nevada, commented, “Many national stores have gone out of business or closed a number of stores in Nevada. In turn, then, local and regional retailers near those vacant storefronts find that it is even more challenging to survive and attract business. Access to credit will continue to be a decisive factor in terms of which businesses can endure this downturn.”

Increasing vacancies have a compounding effect on landlords, who not only must deal with lower lease rates on spaces they are renting, but zero rent on those spaces that sit vacant. On the other hand, opportunities to lock in lower lease rates abound for retailers who



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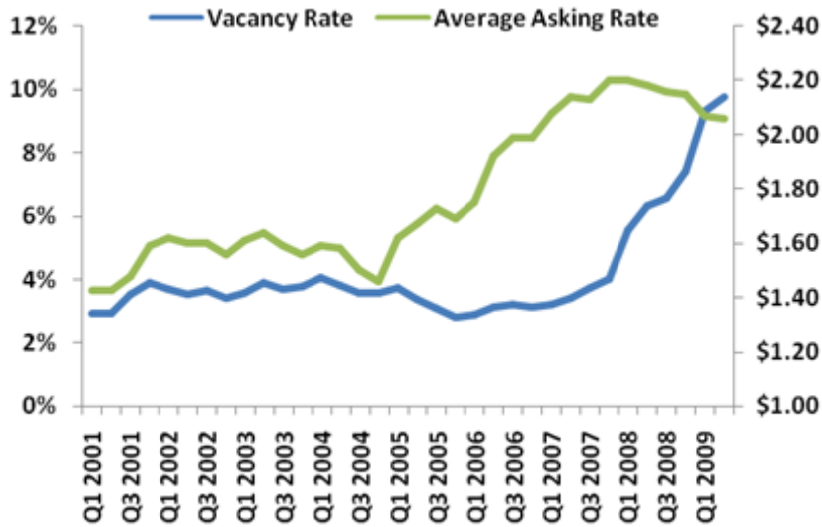
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have the means to sustain lower business volumes in the short term.

Vacancy Rate and Average Asking Rate in Southern Nevada 2001 - 2009



Source: Applied Analysis

About The Author

Applied Analysis, founded in 1997, is a Nevada-based advisory services firm providing information and analyses for both the public and private sectors.



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