

FIGURES | LAS VEGAS INDUSTRIAL | Q1 2023

Tenant demand and robust preleasing continued into Q1 2023



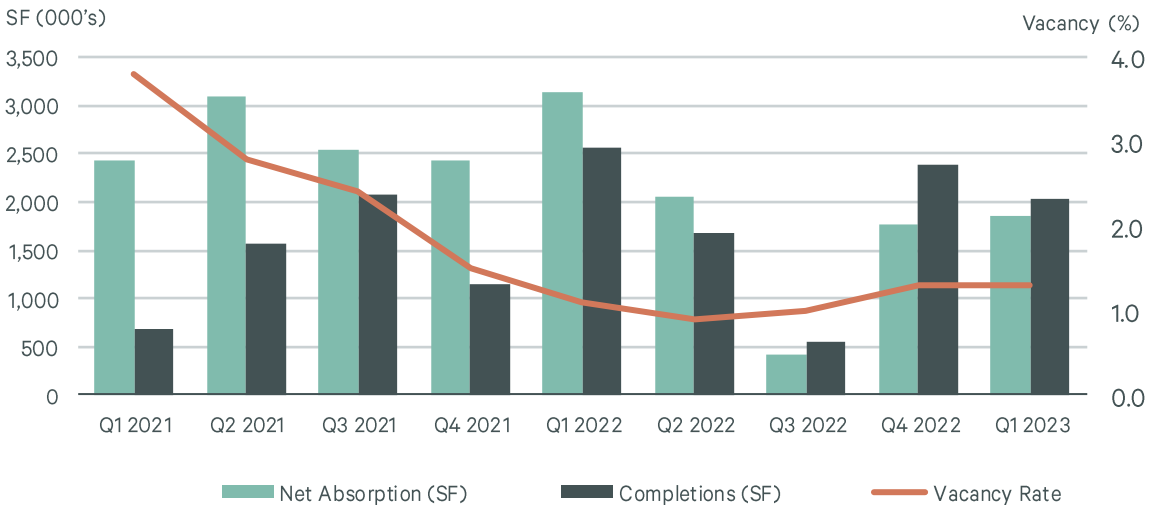
Note: Arrows indicate change from previous quarter.

SUMMARY

- Nearly 17.0 million Sq.Ft. of industrial product was under construction at the close of Q1 2023; 3.0 million sq. ft. broke ground.
- Despite the increase in construction activity, overall vacancy has remained relatively unchanged from last quarter, increasing by only 0.1%.
- 2.0 million sq. ft. of space was delivered to market during the quarter, with pre-leasing over 98% 2.0 million sq. ft. of space was delivered to the market during the quarter, with a prelease rate of 98%.
- The average lease rate achieved was \$1.03 per sq. ft. NNN, a 37.3% year-over-year increase.
- Tenant demand is expected to remain strong amid record-low vacancy rates throughout the Valley. However, with rising constraints to financing and entitlement approval, construction starts are expected to slow down through the duration of the year.



FIGURE 1: Net Absorption, Construction Completions, Vacancy Rate



Source: CBRE Research, Q1 2023

Market Summary

After a strong 2022, the Las Vegas industrial market saw continued tenant demand and robust preleasing levels during the first quarter of 2023, resulting in high positive net absorption and an overall vacancy rate below the 2.0% mark.

98.0% percent of the 2.0 million sq. ft. completed during the quarter was preleased, surpassing Q4 2022's rate by 24.8 percentage points. Although several submarkets experienced nominal negative net absorption this quarter, the market as a whole achieved 1.8 million sq. ft. of positive net absorption. Tenant demand drove the 3.4 million sq. ft. of leasing activity recorded this quarter. Predictably, the North Las Vegas submarket drove the majority of tenant activity.

The overall vacancy rate rose slightly during the quarter, from 1.3% to 1.4%. This was largely due to negative net absorption in existing inventory. The Henderson submarket reported the lowest vacancy rate at 0.7% for the quarter, followed by the North Las Vegas submarket at 1.1%.

Average asking lease rates have become increasingly homogenous across the board for the last several quarters, with exponential changes rendering them difficult to estimate accurately. The average achieved lease rate was \$1.03 per sq. ft. NNN, a \$0.28 year-over-year increase.

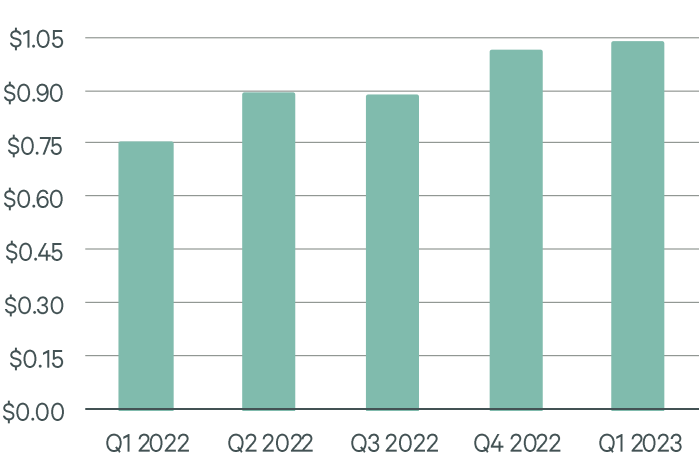
Rent growth is starting to show signs of a possible slowdown. Although leasing activity continued at a steady pace, there was a noticeable rise in available sublease space over the past year, with a 180.1% year-over-year increase.

FIGURE 2: Market Statistics by Submarket

Market	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	Q1 2023 Completions (SF)	Under Construction (SF)	Q1 2023 Net Absorption (SF)	YTD Net Absorption (SF)	Avg. Achieved Lease Rate (\$/SF/Mo NNN)
Airport	14,906,671	4.5	3.1	-	-	(12,934)	(12,934)	1.19
Central	8,947,106	2.2	1.4	-	-	(16,452)	(16,452)	-
Henderson	20,947,664	2.2	0.7	-	2,226,114	(8,814)	(8,814)	1.07
North Las Vegas	65,507,717	3.9	1.1	1,668,037	12,443,677	1,610,242	1,610,242	0.96
Southwest	4,518,000	2.5	1.6	356,540	2,082,649	274,593	274,593	1.16
Las Vegas Total	155,827,158	3.2	1.4	2,024,577	16,752,440	1,846,635	1,846,635	1.03

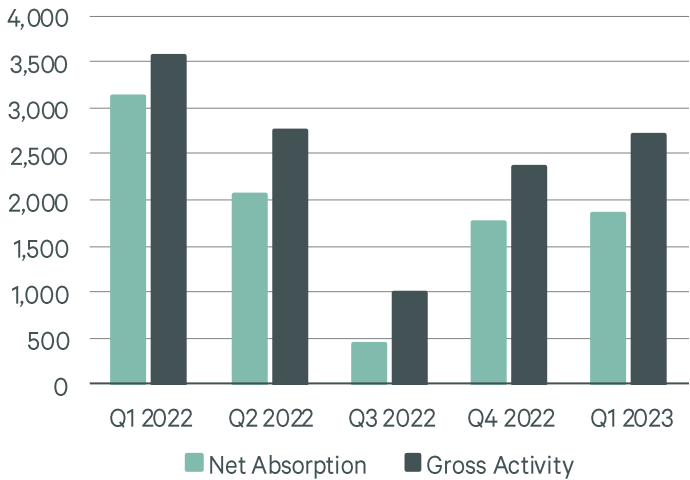
Source: CBRE Research, Q1 2023

FIGURE 3: Average Achieved Lease Rate (\$/SF/Mo NNN)



Source: CBRE Research, Q1 2023

FIGURE 4: Gross Activity & Net Absorption (SF, 000's)

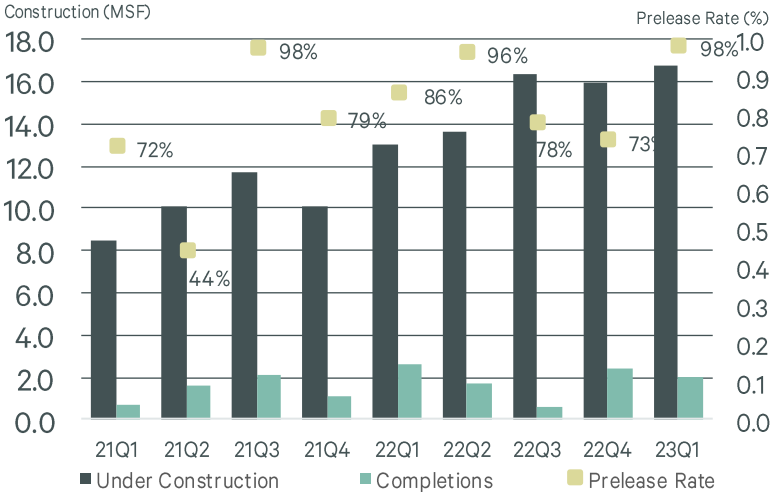


Source: CBRE Research, Q1 2023

Construction

Construction activity continued throughout the Las Vegas industrial market during the first quarter, with 16.8 million sq. ft. currently under construction and 3.0 million sq. ft. breaking ground in Q1. Large distribution space remained the most in-demand; however, requirements for smaller spaces in properties less than 100,000 sq. ft. continued to gain momentum throughout the Valley. Notable completions included Silver State Commerce Center 4 & 6, part of a 1,939,760-sq. ft. complex, the 588,528-sq. ft. Prologis I-15 Speedway Logistics Center 9, and the 268,040-sq. ft. complex Beltway Business Park 13-15—all of which were 100.0% preleased. Increasing suitable land costs, permitting and financing delays, and an unclear economic outlook will prompt many developers to put future planned projects on pause. However, with a sustained low vacancy, new construction will be essential for continued market growth and to help meet unyielding tenant demand.

FIGURE 5: Construction Completions (MSF) by Quarter and Prelease Rate (%)



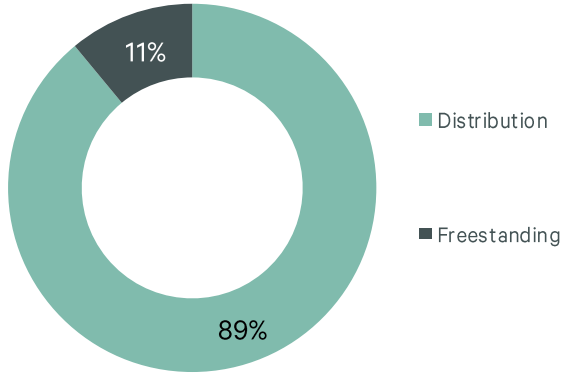
Source: CBRE Research, Q1 2023

FIGURE 6: Significant Developments Under Construction

Property Name	Developer	Property Size (SF)	Estimated Completion	Submarket
North Vegas Logistics Ctr 1-2	Northpoint Development	2,051,156	Q4-23/Q1-24	North Las Vegas
Logisticcenter at I-15 South I-II	Dermody Properties	1,050,420	Q2-23/Q1-24	Henderson
Vantage North 1-2	VanTrust	1,029,274	Q4 2023	North Las Vegas
Matter Logistics @ North 15	Matter Real Estate	934,560	Q3-Q4 2023	North Las Vegas
Beltway Arroyo Commercenter	Majestic Realty Co	763,911	Q1 2024	Southwest

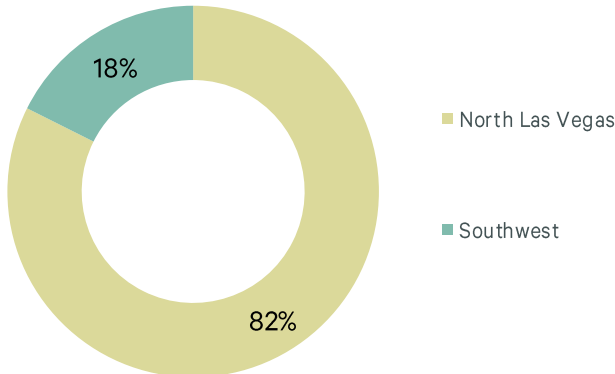
Source: CBRE Research, Q1 2023

FIGURE 7: YTD Deliveries by Product Type (%)



Source: CBRE Research, Q1 2023

FIGURE 8: YTD Deliveries by Submarket (%)



Source: CBRE Research, Q1 2023

Industrial Sales Trends

Total quarterly industrial sales volume, including both investment and owner-user sales, totaled \$351.0 million, a 15.0% drop from Q4 2022. In the midst of an increasingly unfavorable economic environment and with a probable recession on the horizon, sales are expected to continue this trend through the rest of 2023. Nearly 73.0% of total sales occurred in the Southwest submarket, at \$254.9 million, followed by the Henderson submarket's \$53.5 million.

Investment sales totaled \$315.7 million and comprised about 90.0% of all sales during the quarter. The largest investment sale of the quarter was a 740,000-sq. ft. seven-building industrial/flex portfolio sale in the Southwest submarket. Terry York Properties sold the 98%-occupied asset to BKM Capital Partners for \$193.4 million. In the Henderson submarket, Matter Park at West Henderson (Buildings 3-4), totaling 237,630 sq. ft., also traded this quarter for \$48.0 million.

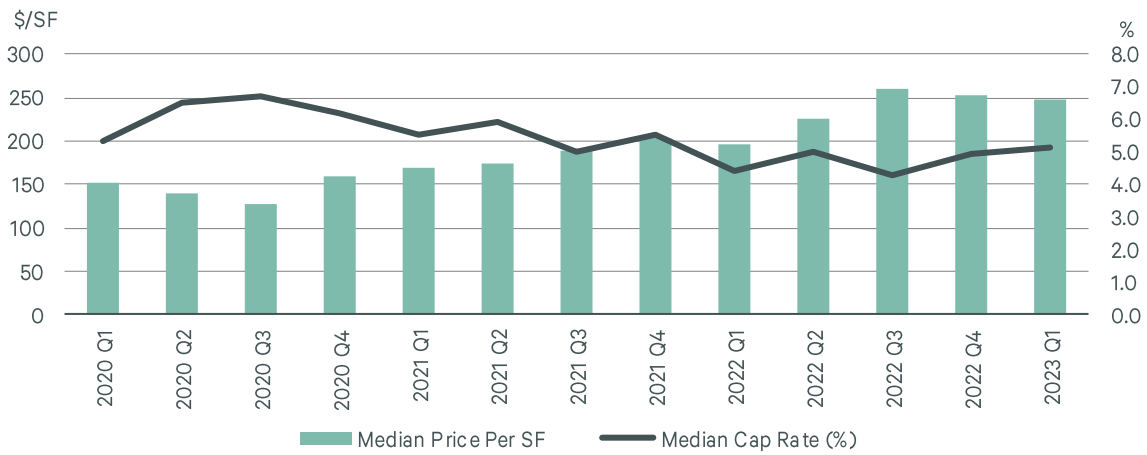
Industrial owner-user sales totaled \$35.3 million, an increase of nearly 90.0% from Q4 2022 but down 23.0% year-over-year. The 38,424-sq. ft. property at 6625 Badura Ave sold to Skillz, a California-based mobile gaming software company, for \$11.5 million (\$299 per sq. ft.).

FIGURE 9: Select Q1 2023 Investment & Owner-User Sales

Building Name	Address	Submarket	Sale Size (SF)	Sale Price
BKM Acquisition of 7-Property Portfolio	Multiple	Southwest	740,000	\$193.4M
Matter Park @ West Henderson 3-4	1379-1387 Raiders Way	Henderson	237,630	\$48.0M
6625 Badura Ave	6625 Badura Ave	Southwest	38,424	\$11.5M

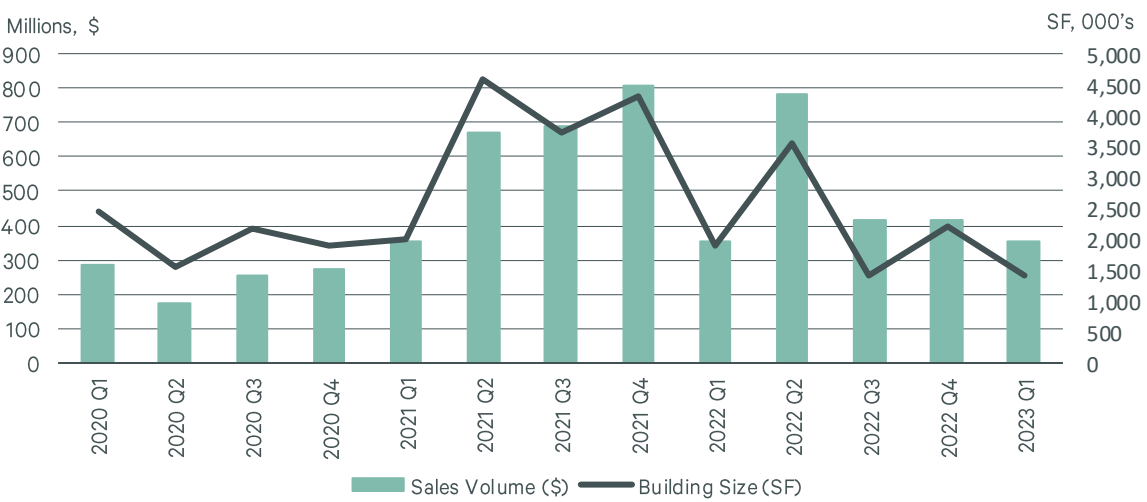
Source: CBRE, Real Capital Analytics, Q1 2023

FIGURE 10: Price per sq. ft. vs. Cap Rates



Source: CBRE, Real Capital Analytics, Q1 2023

FIGURE 11: Sales Volume (\$), Building Size (SF)



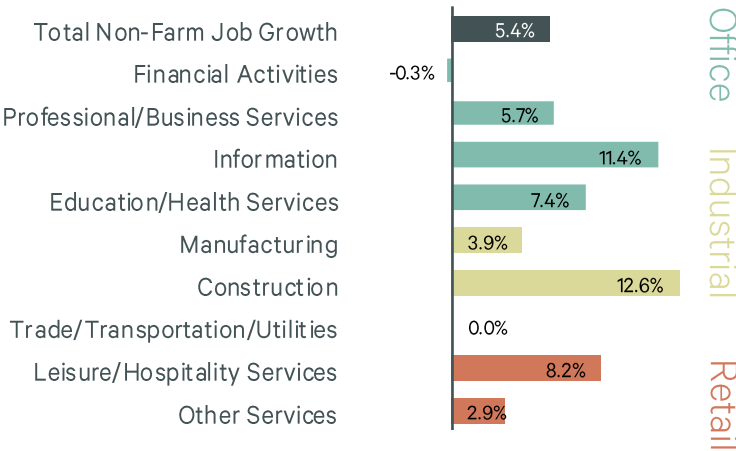
Source: CBRE, Real Capital Analytics, Q1 2023

Economic Overview

Las Vegas saw an increase of 5.4% in jobs added year-over-year, with growth in nearly all job sectors, led by the construction sector at 12.6%. Local job growth has been substantially influenced by the recent influx of companies relocating from California. Although the unemployment rate remained steady during 2022, it showed an increase from 5.6% to 6.0% quarter-over-quarter. However, 7,000 new jobs will be created with Formula 1 coming to Las Vegas later this year, and the city will receive \$1.2 billion in stimulus from it.

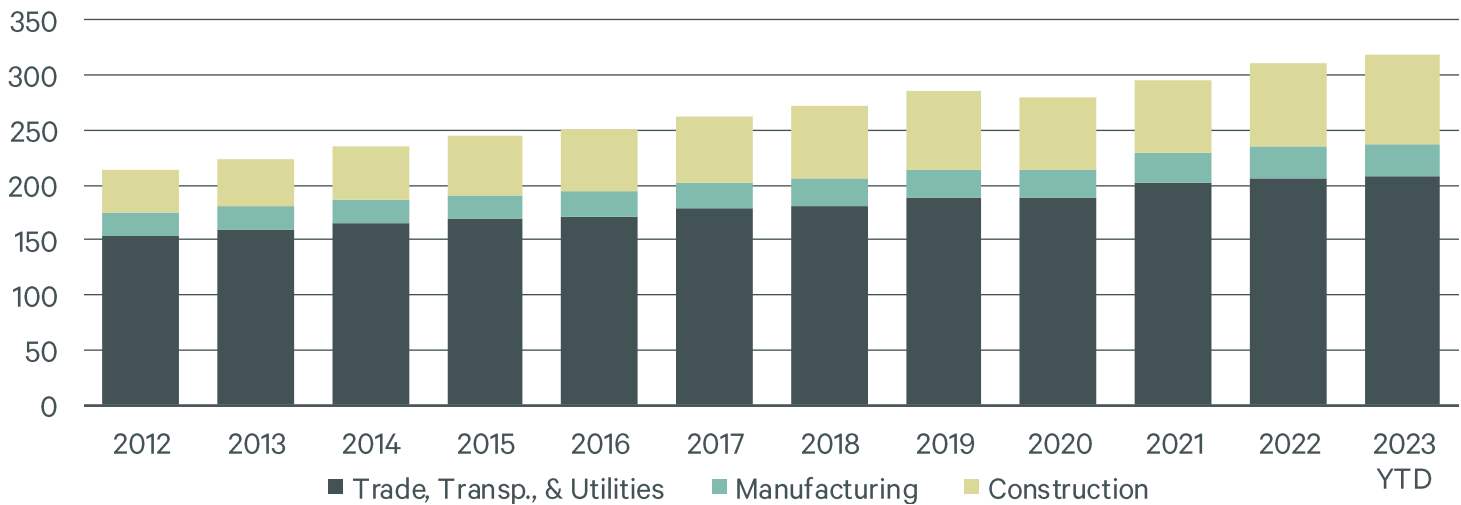
On a national level, the current risk-off environment points to a moderate recession this year. The impact on commercial real estate will be two-pronged—a weaker economy will slow NOI growth, and tighter bank lending will limit investment activity. A faster slowdown in the economy will reduce inflation pressure later this year and allow the Fed to ease monetary policy, providing greater clarity to the real estate sector.

FIGURE 12: Las Vegas Non-Farm Job Growth YOY by Industry (%)



Source: Bureau of labor Statistics, Mar 2023

FIGURE 13: Las Vegas Industrial-Using Employment (000s)



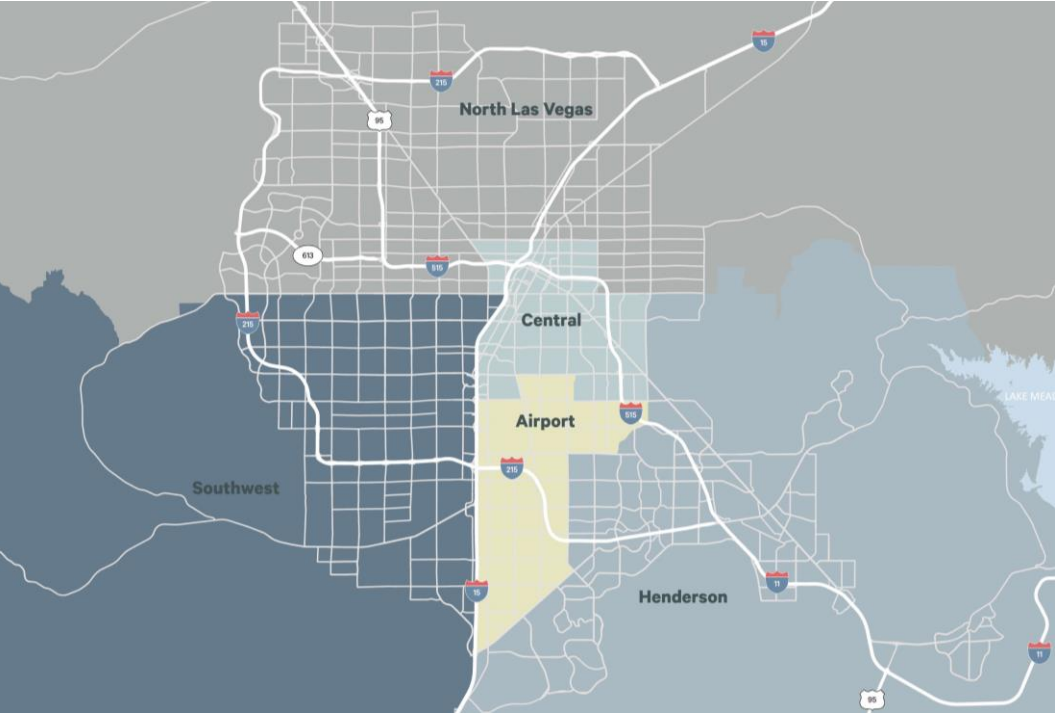
Source: Bureau of Labor Statistics, Mar 2023

FIGURE 14: Industrial Market Indicators



Source: Bureau of Labor Statistics, Oxford Economics, Mar 2023

Market Area Overview



Contacts

Cassie Catania-Hsu	Laura Wilhelm	Sierra Hoffer	Las Vegas Office
Managing Director	Sr Field Research Analyst	Research Manager	8548 Rozita Lee Ave #200
+1 702 369 4921	+1 702 369 4861	+1 801 869 8022	Las Vegas, NV 89113
cassie.cataniahsu@cbre.com	laura.wilhelm@cbre.com	sierra.hoffer@cbre.com	

FIGURE 15: Select Lease Transactions

Tenant Name	Lease Size (SF)	Property Name	Transaction Type	Submarket
Metro Logic	335,345	Prologis I-15 Speedway Logistics Ctr	New Lease	North Las Vegas
Navistar	267,548	Northpoint Business Ctr	Renewal	North Las Vegas
Ritchie Bros Auctioneers	169,080	3717 Bay Lake Trl	Renewal	North Las Vegas
Project Worldwide	163,985	Tropical Innovative Logistics	New Lease	North Las Vegas
In Production	102,168	Lincoln Commerce Ctr	New Lease	North Las Vegas

Source: CBRE Research, Q1 2023

Survey Criteria

The Las Vegas industrial dataset Includes all industrial and flex buildings in the Las Vegas metro area, excluding data centers. Buildings that have begun construction are evidenced by site excavation or foundation work.

Methodology

Positive absorption is based on the date the lease is signed. Lease rates are calculated using weighted average of asking lease rates for existing product with availability. Sublease availability is considered occupied. Lease activity is the sum of the square footage of leases signed during a designated time period.

© Copyright 2023 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE’s Global Chief Economist.