

FIGURES | LAS VEGAS INDUSTRIAL | Q1 2025

# Net absorption remains positive despite increase in overall vacancy rate



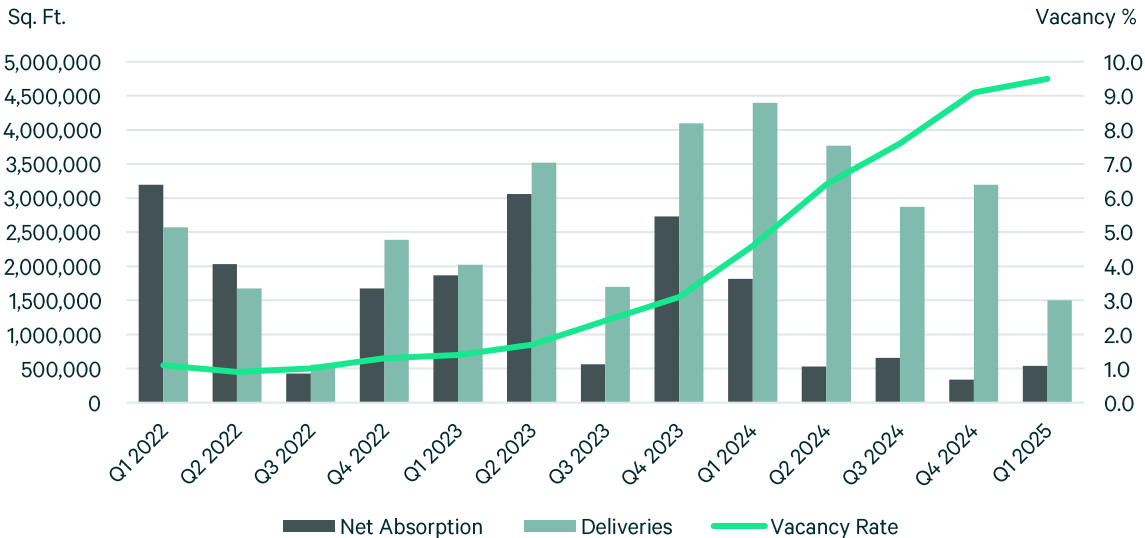
Note: Arrows indicate change from previous quarter.

SUMMARY

Over the past several quarters, a shift in supply has overwhelmed demand in the industrial market, leading to a decade-high vacancy rate. The overall vacancy rate increased by 40 basis points (bps) quarter-over-quarter, reaching 9.5% in Q1 2025, with vacancies in newly constructed buildings playing a contributing role. Despite a peak in Q1 2022, net absorption remained positive in Q1 2025, totaling approximately 604,000 sq. ft. This reflects ongoing demand for existing space and marks a 79.1% increase over the previous quarter.

At 7.7 million sq. ft., the construction pipeline has been gradually declining from its peak of nearly 20.0 million sq. ft. in Q3 2023. Over the past five years, the market has witnessed a record-breaking influx of over 46.0 million sq. ft. of new projects. Approximately one-fourth of this recently delivered space remains unoccupied, which has triggered a significant reduction in construction activity as developers have been more cautious to move forward on planned projects. Furthermore, as the market begins to stabilize, there will be a corresponding reduction in deliveries in the upcoming quarters.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

### Vacancy

This quarter, the overall vacancy rate increased by 40 bps over Q4 2024 to 9.5%, the highest in 11 years. This current trend contrasts sharply with Q2 2022, when the vacancy rate hit a record low of 0.9% during the COVID-19 pandemic, due to overwhelming demand for warehouse and distribution space.

Given the recent surge in deliveries of large-scale warehouse spaces, distribution space currently holds the highest vacancy rate at 20.3%, followed by light distribution space at 12.0%. The substantial addition of big box spaces has significantly impacted overall vacancy rates, leading to a notable disparity among property types.

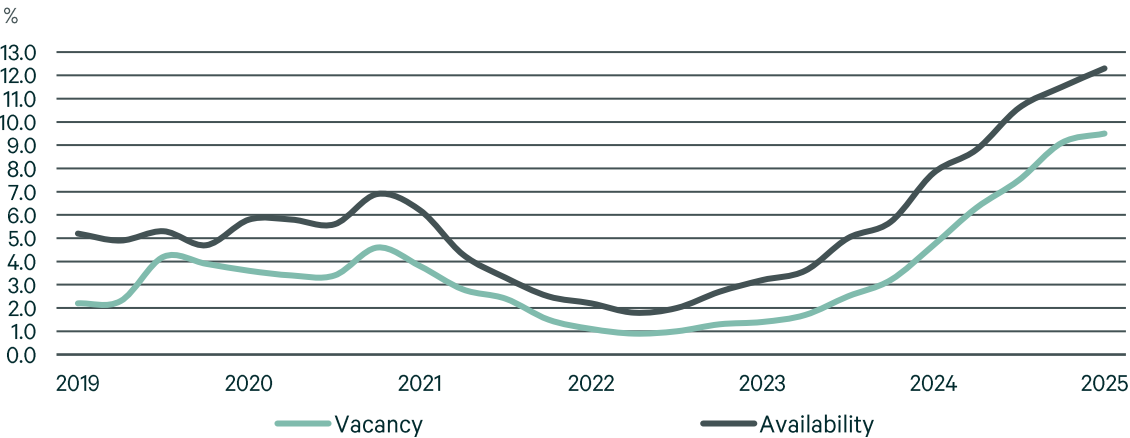
With another influx of deliveries on the horizon, the overall vacancy rate is forecasted to exceed 10.0% next quarter. This increase should mark a peak, after which vacancy is expected to gradually decrease through the balance of 2025, driven by the leasing of currently unoccupied space as the market absorbs this influx of new properties.

### Net Absorption

Despite fluctuating market conditions, consistent leasing activity ensured that positive net absorption continued into Q1 2025, with nearly 604,000 sq. ft. of incremental space occupied. Additionally, the dynamics of the market are evolving. While previous quarters saw strong preleasing activity, recent trends have shifted toward movement within established properties, leading to lower overall net absorption totals. To illustrate, in Q1 2023, the market posted nearly 1.9 million sq. ft. of positive net absorption, with a 98.0% prelease rate in deliveries, compared to 604,000 sq. ft. absorbed this quarter, with a prelease rate of 17.3%.

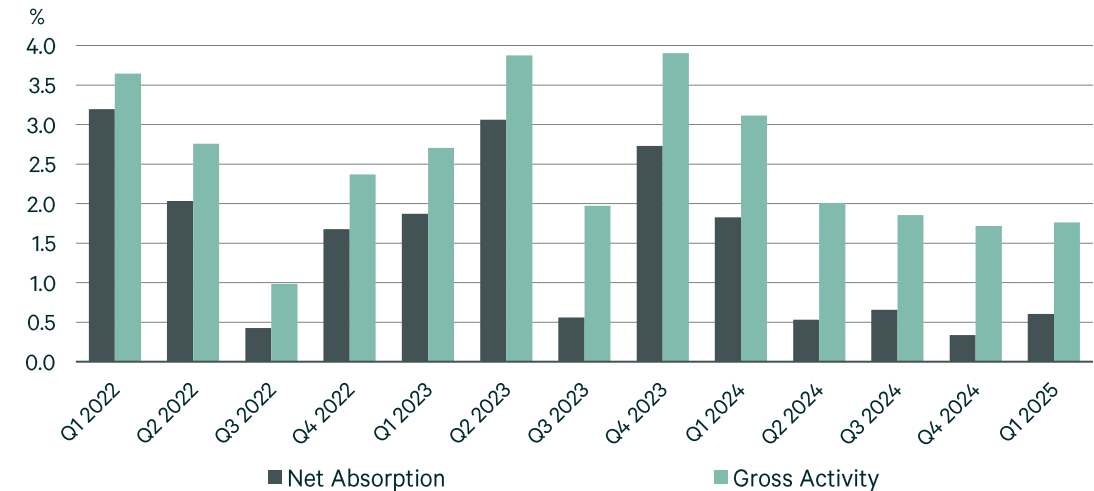
The North Las Vegas submarket recorded the highest positive net absorption for the quarter, totaling nearly 340,000 sq. ft., roughly two-thirds of the market total. However, it also saw the largest move-out, as a home products company vacated its 109,200-square-foot space at LogistiCenter at Las Vegas Boulevard to relocate to a newly purchased space at Strongbox Lamb Industrial Center.

FIGURE 2: Historical Vacancy and Availability



Source: CBRE Research, Q1 2025

FIGURE 3: Net Absorption and Gross Activity



Source: CBRE Research, Q1 2025

### Construction

Q1 2025 saw an additional 1.5 million sq. ft. added to the market, bringing the total inventory to nearly 180.0 million sq. ft. The construction pipeline is currently at 7.7 million sq. ft.—a significant drop from its peak of nearly 20 million sq. ft. in Q3 2023—with about 43.0% preleased. The Apex submarket saw its first completion since Q2 2023, with the 922,569-sq.-ft. Moonwater West, contributing to nearly two-thirds of this quarter’s deliveries. In the Southwest submarket, the four-building project Rainbow @ Blue Diamond Logistics Park, totaling 256,490 sq. ft., also completed construction this quarter, three of which had secured full occupancy prior to completion. Conestoga Commerce Center, a two-building project totaling 192,666 sq. ft., was also delivered in the Henderson submarket.

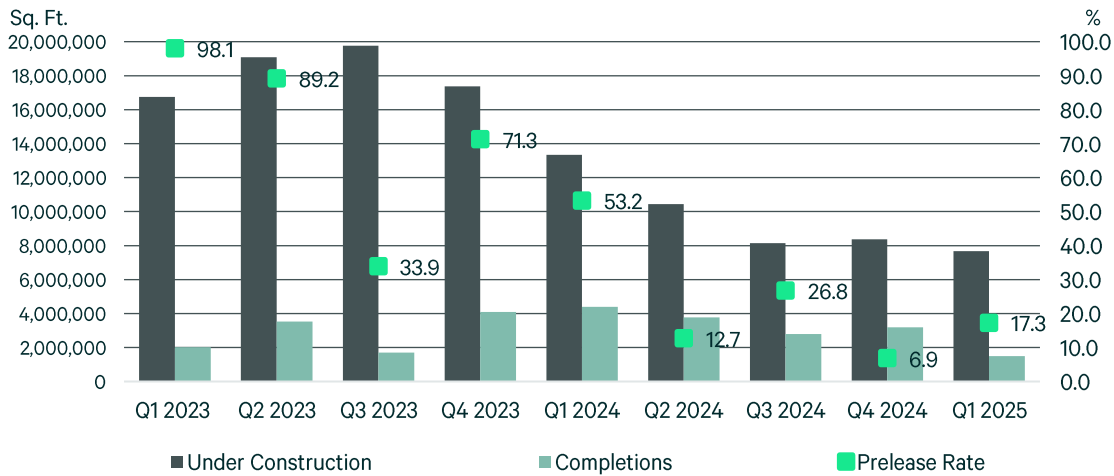
An impressive 25.7% of the Las Vegas industrial inventory has been built in the last five years, highlighting the sector’s rapid growth in order to meet tenant demand. This surge has led to an oversupply, prompting developers to scale back on groundbreakings and focus on filling existing vacancies.

FIGURE 4: Significant Developments Under Construction

Property Name	Property Size (SF)	Developer	Submarket
Phelan Commerce Ctr	525,548	Phelan Development	Southwest
Warm Springs Commerce Ctr	504,768	Overton Moore	Henderson
Southern Gateway at I-15	420,000	Overton Moore	Henderson
Craig Road Logistics Ctr	369,200	Rockefeller Group	North Las Vegas

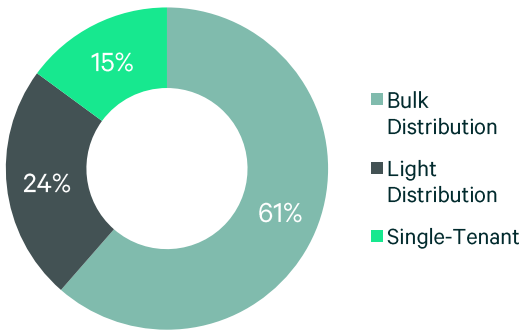
Source: CBRE Research, Q1 2025

FIGURE 5: Construction Completions by Quarter and Prelease Rate



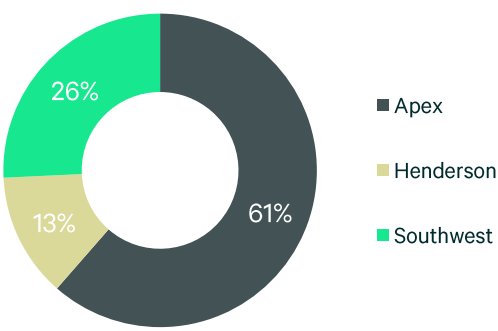
Source: CBRE Research, Q1 2025

FIGURE 6: YTD Deliveries by Product Type



Source: CBRE Research, Q1 2025

FIGURE 7: YTD Deliveries by Submarket



Source: CBRE Research, Q1 2025

## Leasing Activity

Commitments to larger leases remained sluggish this quarter. As a result, the bulk of leasing activity was fueled by demand for smaller spaces, typically under 50,000 sq. ft. This trend reflects a cautious approach by tenants who prefer to minimize risk by choosing manageable and adaptable spaces. Additionally, the vacancy rate in buildings less than 100,000 sq. ft. stood at around 4.0%, compared to nearly 14.0% in those larger than 100,000 sq. ft., leading to more intense competition. Notable leases signed this quarter were heavily concentrated in the North Las Vegas submarket. Specifically, FMT leased Building A at SunPoint Commerce Center, totaling 235,148 sq. ft., while LCI Industries committed to a full-building lease of 171,083 sq. ft. at Sloan Logistics Center.

Although overall leasing activity has decreased by about one-third compared to last year at this time, it has risen by almost 30.0% in terms of deals signed, compared to Q4 2024, indicating a positive trend of continued tenant demand. The adaptability of tenants who are navigating the current economic landscape and seeking opportunities to secure space that meets their changing needs may reflect a coming stabilization in the market.

## Sales Activity

Although there was a 19.1% decline in sales volume compared to Q4 2024, total industrial sales volume for Q1 2025 reached \$365.4 million, reflecting a substantial year-over-year increase of nearly 150.0%. In the largest investment sale of Q1 2025, Sunrise Industrial Park, a 509,216-sq. ft. two-building complex in the North Las Vegas submarket, traded for \$94.0 million. Also notable was the sale of the two-building, 238,516-sq.-ft. Cheyenne Logistics Center for \$41.6 million, also in the North Las Vegas submarket.

Despite lingering uncertainty, investors are still actively exploring opportunities. Strategic positioning by investors could lead to more significant transactions, given ideal timing. The market has shifted to be more tenant-friendly, with landlords becoming more flexible and competitive to secure deals. This could influence the types of sales and leases being negotiated. A rising overall vacancy rate and increase in available space may lead to more competitive pricing and opportunities for buyers as well.

FIGURE 8: Q1 2025 Notable Lease Transactions

Tenant Name	Lease Size (SF)	Property Name	Transaction Type	Submarket
Findlay Machine & Tool dba Kreate	235,148	SunPoint Commerce Center	New Lease	North Las Vegas
LCI Industries	171,083	Sloan Logistics Center	New Lease	North Las Vegas
Parker Plastics Nevada	126,720	Golden Triangle Industrial Park	Renewal	North Las Vegas
Frooogs LV	83,153	Rainbow @ Blue Diamond	New Lease	Southwest

Source: CBRE Research, Q1 2025

FIGURE 9: Q1 2025 Notable Sale Transactions

Building Name	Address	Submarket	Sale Size (SF)	Sale Price (\$)	Cap Rate (%)
Sunrise Industrial Park	3101 N Marion Dr 4601 E Cheyenne Ave	North Las Vegas	509,216	\$94.0M	5.11%
Cheyenne Logistics Center	3260-3360 N Lamb Blvd	North Las Vegas	238,516	\$41.6M	N/A
Mesa Vista Business Center A-B	3955 W Mesa Vista Ave 3950 W Diablo Dr	Southwest	163,165	\$41.5M	5.05%
4545 Cameron St	4545 Cameron St	Southwest	100,392	\$22.8M	5.26%

Source: CBRE Research, Q1 2025

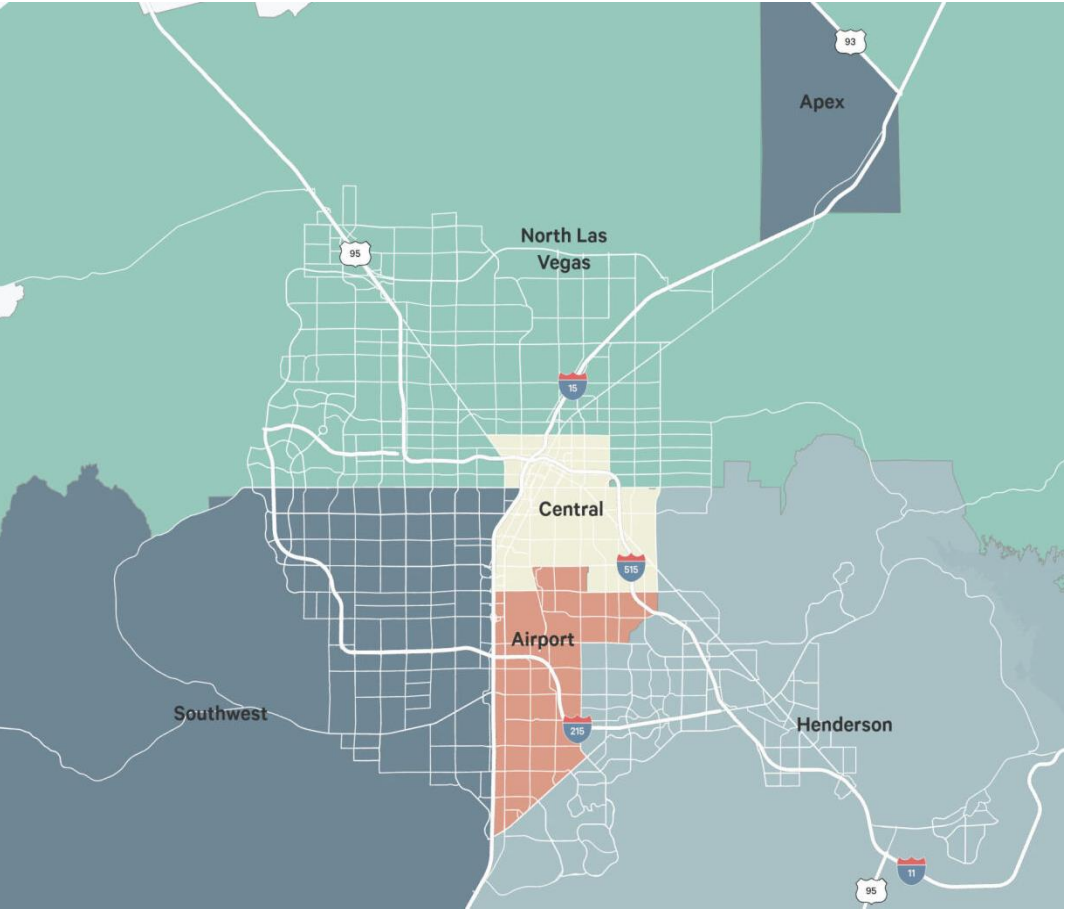
Market Statistics by Submarket

	Net Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Sublease Availability (SF)	Avg. Direct Achieved Rate (\$, NNN/Mo)	Current Quarter Direct Net Absorption (SF)	YTD Direct Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Airport	14,726,144	4.2	7.3	311,953	1.33	(63,394)	(63,394)	-	-
Apex	6,420,655	59.2	62.4	200,000	-	0	0	922,569	-
Central	8,174,783	1.5	3.5	40,855	1.06	88,137	88,137	-	-
Henderson	24,412,962	9.9	12.0	250,775	1.36	5,853	5,853	192,666	3,434,323
North Las Vegas	77,196,636	10.4	13.5	527,897	0.93	340,635	340,635	-	2,571,046
Southwest	48,285,046	4.1	6.7	279,555	1.30	232,453	232,453	386,668	1,669,086
<b>Total</b>	<b>179,216,226</b>	<b>9.5</b>	<b>12.3</b>	<b>1,611,035</b>	<b>1.10</b>	<b>603,684</b>	<b>603,684</b>	<b>1,501,903</b>	<b>7,674,455</b>

Market Statistics by Property Type

	Net Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Sublease Availability (SF)	Avg. Direct Achieved Rate (\$, NNN/Mo)	Current Quarter Direct Net Absorption (SF)	YTD Direct Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Bulk Distribution	43,616,656	20.3	22.3	299,357	0.87	82,075	82,075	922,569	1,777,034
Flex/Incubator	22,450,792	3.5	5.6	130,169	1.18	183,182	183,182	-	262,794
Light Distribution	40,050,262	12.0	16.7	595,535	1.02	466,712	466,712	355,144	1,476,787
Midbay	25,853,300	5.8	9.1	254,680	1.32	(127,586)	(127,586)	-	1,213,529
Special Purpose	13,228,723	0.5	1.7	47,989	-	(11,180)	(11,180)	-	2,400,000
Single-Tenant	34,016,493	2.9	5.1	283,305	1.32	10,481	10,481	224,190	544,311
<b>Total</b>	<b>179,216,226</b>	<b>9.5</b>	<b>12.3</b>	<b>1,611,035</b>	<b>1.10</b>	<b>603,684</b>	<b>603,684</b>	<b>1,501,903</b>	<b>7,674,455</b>

Market Area Overview



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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.

Recent adjustments and property reclassification efforts in our database may have resulted in changes to historical report numbers. We continuously update our data to reflect these changes. Please refer to the most recent publications for the most up-to-date market information.

Methodology

Positive absorption is based on the date the lease is signed. Average achieved lease rates are calculated using weighted average based on the square foot of the executed lease. Average asking 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.

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