

FIGURES | LAS VEGAS INDUSTRIAL | Q3 2024

New construction continues to drive overall vacancy rate in Q3 2024

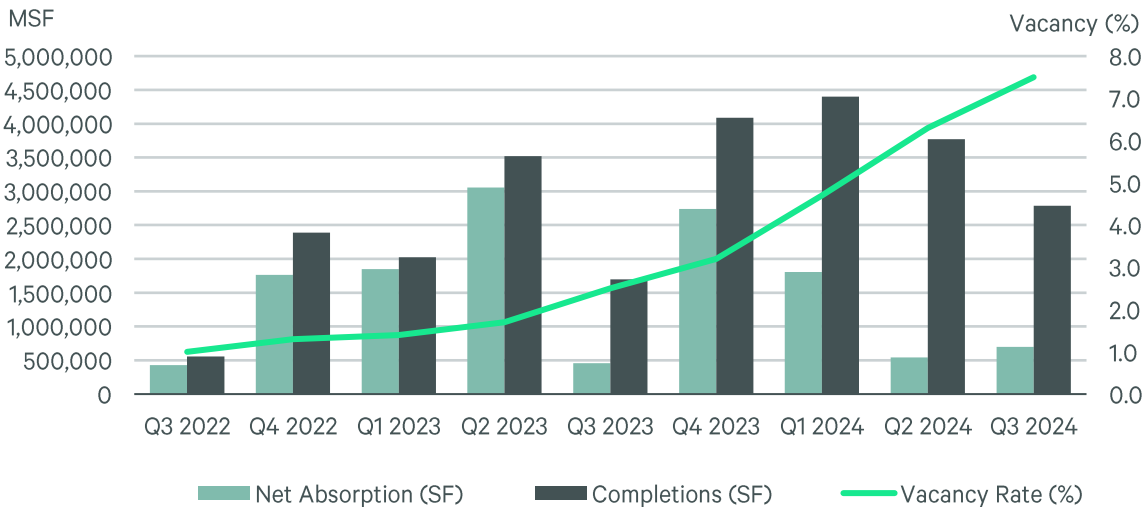


Note: Arrows indicate change from previous quarter.

SUMMARY

- Net absorption for Q3 2024 totaled 698,554 sq. ft., reflecting a 28.6% quarter-over-quarter increase and a year-to-date total of 3.0 million sq. ft.
- The overall vacancy rate increased 120 basis points (bps) quarter-over-quarter, with a 280-bps-increase since Q1 2024.
- An additional 2.8 million sq. ft. was delivered to the market during Q3 2024, pushing 2024’s total deliveries to 11.0 million sq. ft. With another wave of deliveries expected next quarter, the market is poised to set a new record.
- 8.1 million sq. ft. of space is currently under construction. With a record number of recent deliveries, the construction pipeline has seen a significant reduction over the past year, with 19.8 million sq. ft. under construction last year at this time.
- The average achieved lease rate has been on the rise this year and increased by 3.6% quarter-over-quarter to \$1.16 in Q3 2024. This is 2.65% higher year-over-year comparing to Q3 2023.

Figure 1: Net Absorption (MSF), Construction Completions (MSF), Vacancy Rate (%)



Source: CBRE Research, Q3 2024

Market Summary

The Las Vegas industrial market recorded its 47th consecutive quarter of positive net absorption during Q3 2024, with nearly 700,000 sq. ft. of additional space occupied. This represents a quarter-over-quarter increase of 28.6%, bringing the year-to-date total to 3.0 million sq. ft. From now until year-end, we expect to see further positive net absorption driven by consistent leasing activity. Tenant demand has picked up speed due to the "options effect."

The Southwest submarket saw significant net absorption this quarter, with three leases (totaling just over 225,000 sq. ft.) signed in the recently-delivered Arroyo Beltway Commercenter in the Southwest submarket. Similarly, Windsor Commerce Park in the North Las Vegas submarket saw significant leasing activity totaling 676,160 sq. ft.

As expected, the vacancy rate continued to rise, increasing by 120 bps to 7.5%, up from the previous quarter's vacancy rate of 6.3% and by 400 bps compared to the same period last year. This current vacancy level represents the highest vacancy rate the market has seen in a decade. Vacant, newly-built speculative warehouse/distribution space continued to influence the overall rate.

Additionally, there was a 240-bps increase in the vacancy rate in the North Las Vegas submarket in Q3 2024, reflecting a quarter-over-quarter jump from 6.6% to 9.0%. This surge can be attributed to tenant relocations, primarily in the Speedway area, along the nearly 2.5 million sq. ft. of space completed there this quarter.

With anticipated upcoming supply, the vacancy is expected to hover around 10.0% in Q4 2024. However, deliveries will taper off in 2025, with very few new construction starts, and we should see a gradual decline in the vacancy rate in 2025.

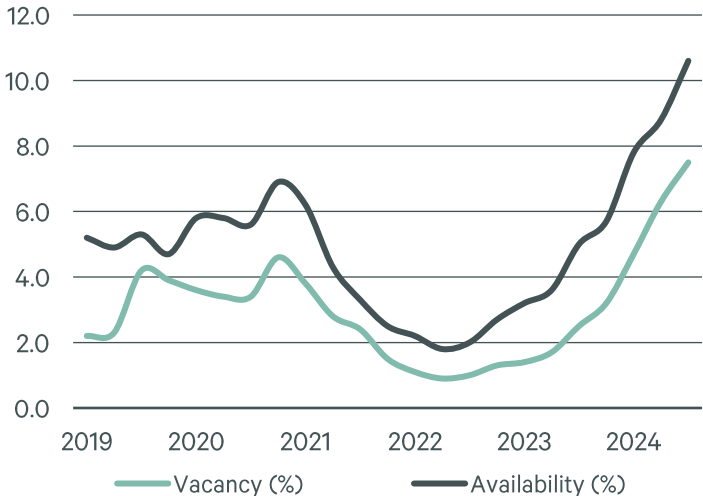
FIGURE 2: Market Statistics by Submarket

Market	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	Q2 2024 Completions (SF)	YTD Completions (SF)	Under Construction (SF)	Q3 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Avg. Achieved Lease Rate (\$/SF/Mo NNN)
Airport	14,679,055	7.6	2.6	53,330	53,330	40,346	34,921	60,589	1.23
Apex	5,498,086	52.4	52.4	-	3,464,970	922,569	-	583,320	0.85 *
Central	8,837,935	4.0	2.2	-	-	-	(40,192)	(75,901)	1.16 *
Henderson	23,503,657	8.9	6.9	197,125	1,300,841	1,867,321	10,234	(119,352)	1.21
North Las Vegas	75,067,574	13.2	9.0	2,484,462	5,196,599	3,071,652	495,201	2,110,188	1.09
Southwest	47,859,508	4.7	2.6	53,036	943,189	2,241,416	198,390	463,738	1.22
Las Vegas Total	175,445,815	10.6	7.5	2,787,953	10,958,929	8,143,304	698,554	3,022,582	1.16

Source: CBRE Research, Q3 2024

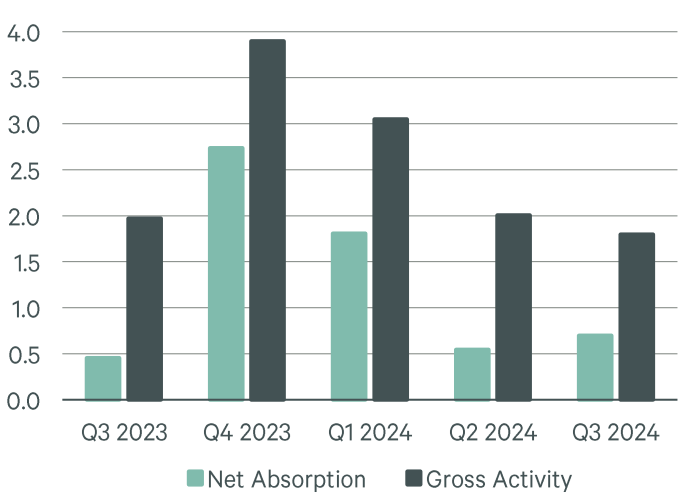
* avg asking rate

FIGURE 3: Historical Vacancy (%) and Availability (%)



Source: CBRE Research, Q3 2024

FIGURE 4: Gross Activity & Net Absorption (MSF)



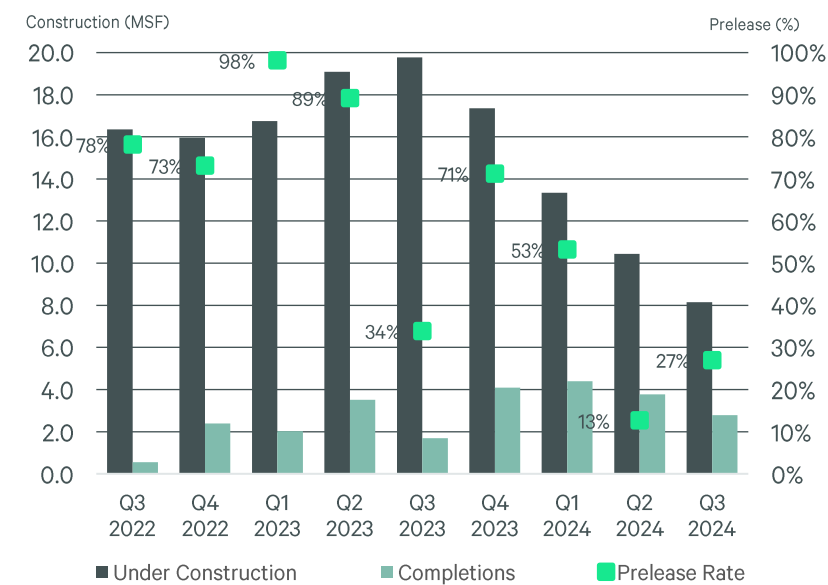
Source: CBRE Research, Q3 2024

Construction

Q3 2024 saw the completion of another 2.8 million sq. ft. of space, contributing to a year-to-date total of 11.1 million sq. ft. The market is on track to hit a new annual delivery record and will likely surpass 15.0 million sq. ft. by the end of the year. Notable completions included six buildings in the Windsor Commerce Park complex in the North Las Vegas submarket, totaling nearly 1.2 million sq. ft., as well as the 110,075-sq.-ft. Henderson 515 Logistics Center in the Henderson submarket.

The Southwest submarket accounted for all three projects that broke ground this quarter, with a combined area of 484,528 sq. ft. Included was the 117,212-sq.-ft. industrial condo project Pioneer Sunset Phase II, expected to deliver Q2 2025.

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



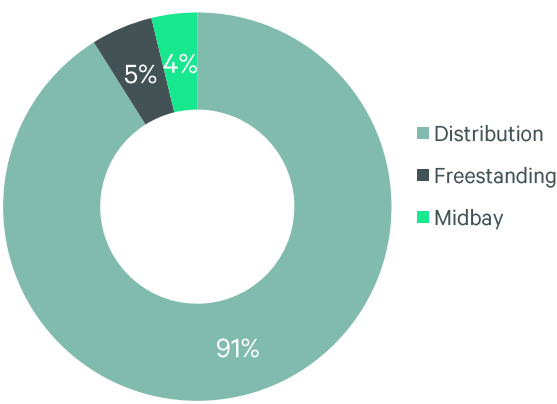
Source: CBRE Research, Q2 2024

FIGURE 6: Significant Developments Under Construction

Property Name	Developer	Property Size (SF)	Estimated Completion	Submarket
Moonwater West	Moonwater Capital	922,569	Q4 2024	Apex
Becknell Galleria	Becknell Industrial	672,223	Q4 2024	Henderson
Phelan Commerce Ctr	Phelan Development	525,548	Q4 2024	Southwest
Warm Springs Commerce Ctr	Overton Moore	504,768	Q1 2025	Henderson
Oasis Commerce Ctr	Panattoni Development	422,020	Q4 2024	Southwest

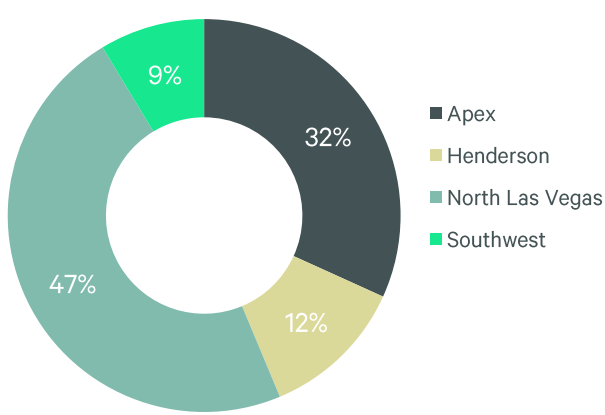
Source: CBRE Research, Q3 2024

FIGURE 7: YTD Deliveries by Product Type



Source: CBRE Research, Q3 2024

FIGURE 8: YTD Deliveries by Submarket



Source: CBRE Research, Q3 2024

Industrial Sales

Total industrial sales volume for Q3 2024 reached \$242.3. million, comparable to Q2’s total of \$250.2 million and representing a year-over-year volume increase of 28.9%. The recent interest rate cut by the Federal Reserve may lead to a shift in perspective from a seemingly cautious "wait and see" approach of late to more assertive strategies by investors in the into the next several quarters.

In the largest sale of Q3 2024, TA Realty sold the 6-property complex West Henderson Business Park to Ares Management Corporation for \$78.9 million, with a price per sq. ft. of \$232. The complex was built in 2022 and totals nearly 340,000 sq. ft. Included are 1065-1085 Alper Center Drive and 3225-3255 Sunridge Heights Parkway. The project was 96.7% leased at close of escrow.

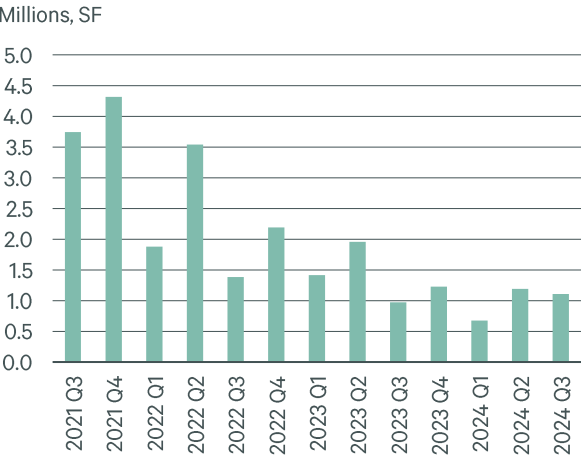
Owner-user sales remained strong, accounting for nearly a quarter of all sales for Q3 2024. OF note, Strongbox Lamb Industrial Center, an 89,482-sq.-ft. project which delivered this quarter in the North Las Vegas submarket, sold for \$16.5 million to a home materials company that plans to use the facility as its primary manufacturing and distribution hub.

FIGURE 9: Select Q3 2024 Investment/Owner User Sales

Building Name	Address	Submarket	Sale Size (SF)	Sale Price	Cap Rate
West Henderson Business Park	Various (6-property portfolio)	Henderson	339,214	\$78.8M	4.9%
Buildings A-B	6620 Escondido St	Airport	153,344	\$21.3M	5.8%
Strongbox Lamb Industrial Ctr	4389 Alto Ave	North Las Vegas	89,284	\$16.5M	Owner/User
Edmond Russell Triangle	5780 S Edmond St	Southwest	50,100	\$12.5M	5.4%

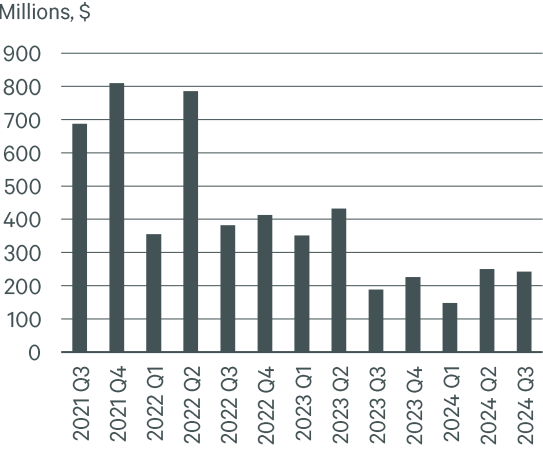
Source: CBRE, Real Capital Analytics, Q3 2024

FIGURE 10: Total Sales by Building Size (SF)



Source: CBRE, Real Capital Analytics, Q3 2024

Figure 11: Total Sales by Price (\$)



Source: CBRE, Real Capital Analytics, Q3 2024

Figure 12: Notable Lease Transactions

Tenant Name	Lease Size (SF)	Property Name	Transaction Type	Submarket
MasterBrand Cabinets	488,065	Prologis Speedway North DC	New Lease	North Las Vegas
Your Logistics Corp	138,246	SunPoint West	New Lease	North Las Vegas
Fuse Technical Group	105,719	Prologis Beltway DC	Renewal/Expansion	Southwest
Sonepar	82,519	Arroyo Beltway Commercenter	New Lease	Southwest
GPI Beauty	74,700	Cartier Industrial Ctr	New Lease	North Las Vegas

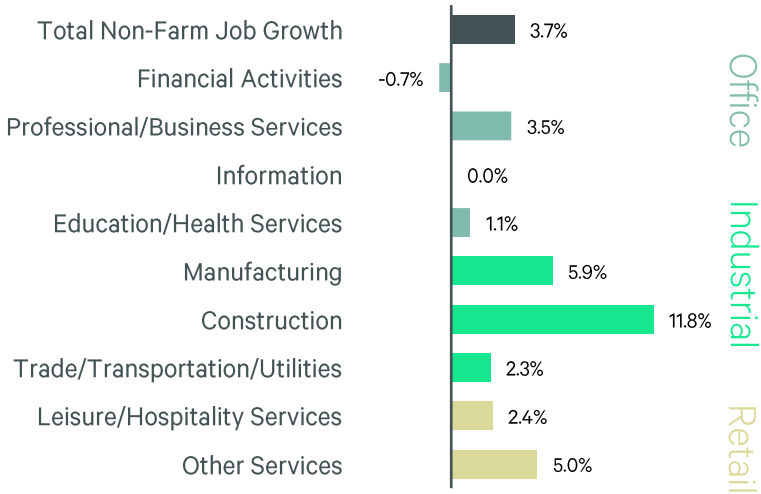
Source: CBRE Research, Q3 2024

Local Economic Overview

Las Vegas experienced an increase in employment compared to the previous year, with a job growth rate of 3.7%. The industrial sector maintained its lead in job growth compared to office and retail, with a notable year-over-year increase of 11.8% in construction employment.

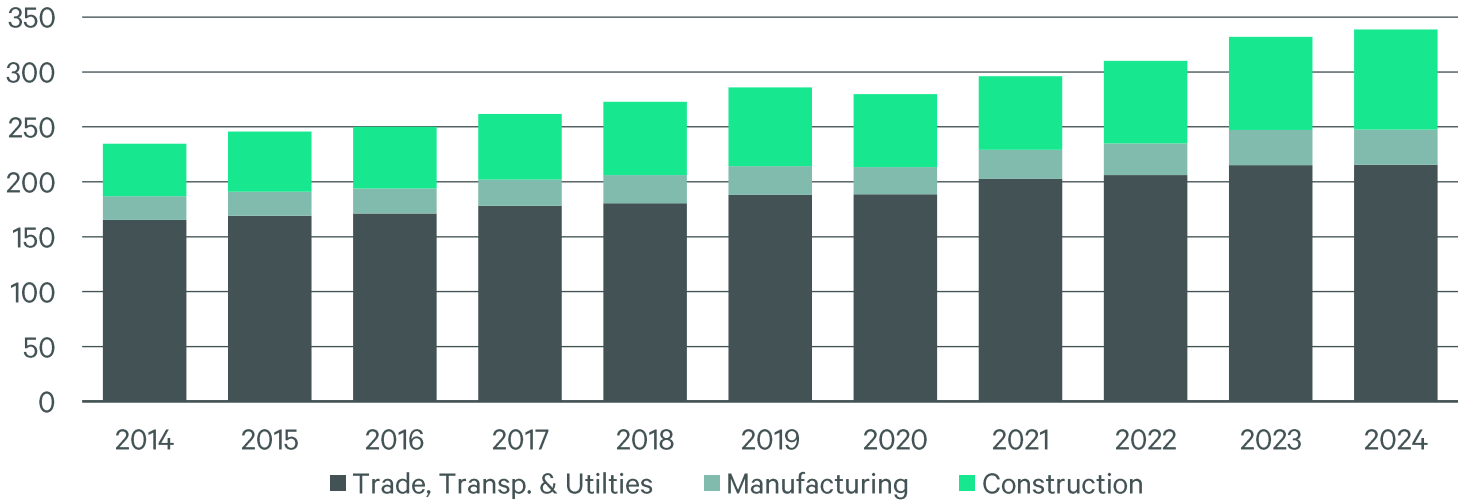
Employment in the construction sector rose by 90.8% in the last decade, while the manufacturing sector experienced a 50.0% increase during the same period. Additionally, the transportation sector saw a growth of 30.2%. Employment growth in within these sectors not only reflects a healthy economy but also lays the foundation for sustainable development, innovation, and improved living standards.

FIGURE 13: Las Vegas Non-Farm Job Growth YOY by Industry (%)



Source: Bureau of Labor Statistics, Sep 2024

FIGURE 14: Las Vegas Industrial-Using Employment (000s)



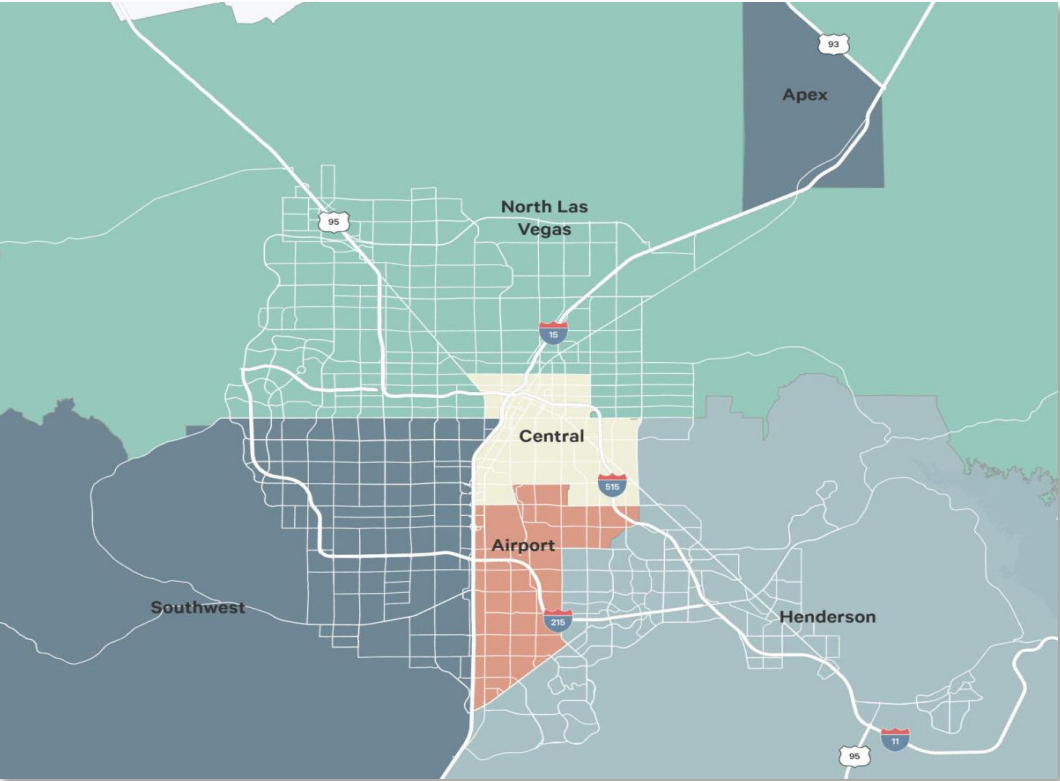
Source: Bureau of Labor Statistics, Sep 2024

FIGURE 15: Industrial Market Indicators



Source: Bureau of Labor Statistics, Sep 2024; Oxford Economics, Sep 2024; CBRE Research, Sep 2024

Market Area Overview



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National Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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. 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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