

FIGURES | LAS VEGAS INDUSTRIAL | Q1 2024

Another wave of deliveries hits the industrial market in Q1 2024

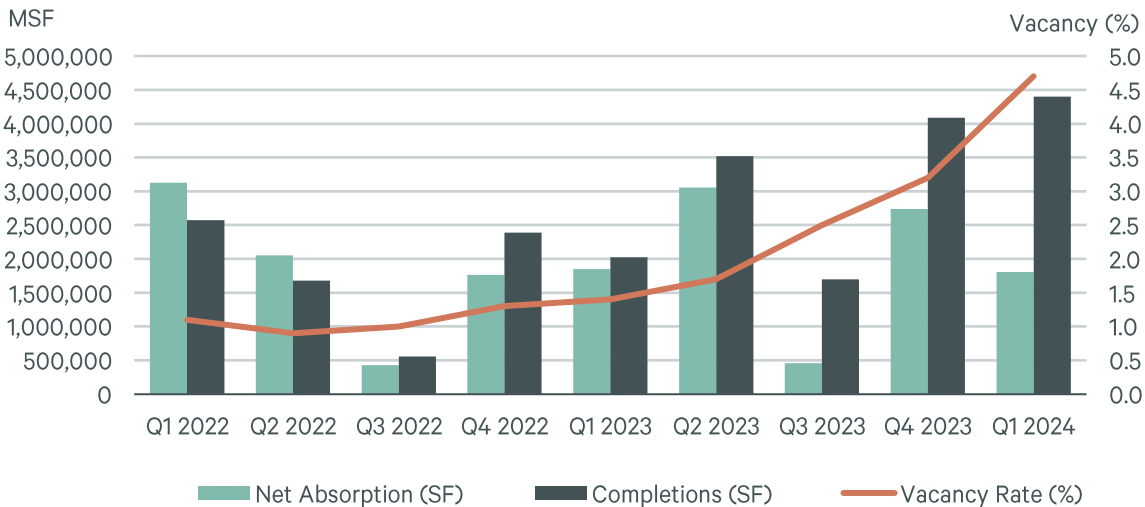


Note: Arrows indicate change from previous quarter.

SUMMARY

- Net absorption for Q1 2024 totaled 1.8 million sq. ft., primarily driven by preleasing in 53.3% of newly delivered space.
- The quarter closed with an overall vacancy rate of 4.7%, 150 basis points (bps) higher than last quarter’s rate of 3.2%.
- 4.4 million sq. ft. completed construction during Q1 2024, with a total of 8.5 million sq. ft. delivered over the past two quarters.
- 13.3 million sq. ft. was under construction at the close of the quarter. This is 20.3% less than the 16.8 million reported for Q1 2023.
- The average achieved lease rate declined slightly to \$1.05 per sq. ft. NNN during Q1 2024. Average asking rates also declined amid continued tenant improvement allowances and concessions.
- Tenant demand remained positive; however, it is unlikely to surpass the record levels of construction delivered for several quarters.

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



Source: CBRE Research, Q1 2024

Market Summary

For the 45th running quarter, the Las Vegas industrial market posted positive net absorption, totaling 1.8 million sq. ft. in Q1 2024. Fully-leased, large warehouse buildings delivering in the Apex and North Las Vegas submarkets contributed to the majority of this net absorption.

Although net absorption reflected a 34.0% quarter-over-quarter decrease, demand for space remained steady, with leasing activity predominantly concentrated in spaces under 300,000 sq. ft. Tenants capitalized on the overall decrease in asking lease rates, prompting increased interest. However, demand for spaces exceeding 500,000 sq. ft. gained momentum last year, an effect that carried over into Q1 2024.

The overall vacancy rate continued to rise, recording a 150 basis-point quarter-over-quarter increase, from 3.2% to 4.7%. Despite this healthy vacancy rate, the market has not reported a rate this high since Q4 2015, when it reached 5.1%.

After experiencing historically low vacancy rates in 2022, the market has witnessed a significant increase in new construction over the past several quarters. 2023 set a new record for the amount of space completed within a single year, with 11.3 million sq. ft. delivered, and in Q1 2024 alone, 4.4 million sq. ft. was completed. The market should begin to normalize in 2025 as limited new construction starts are expected in 2024.

Due to its strategic location and favorable tax climate, the Las Vegas industrial market will continue to attract companies from the surrounding region. Moreover, as the Apex submarket continues to expand, the entire Valley will benefit from the positive effects of industrial job growth.

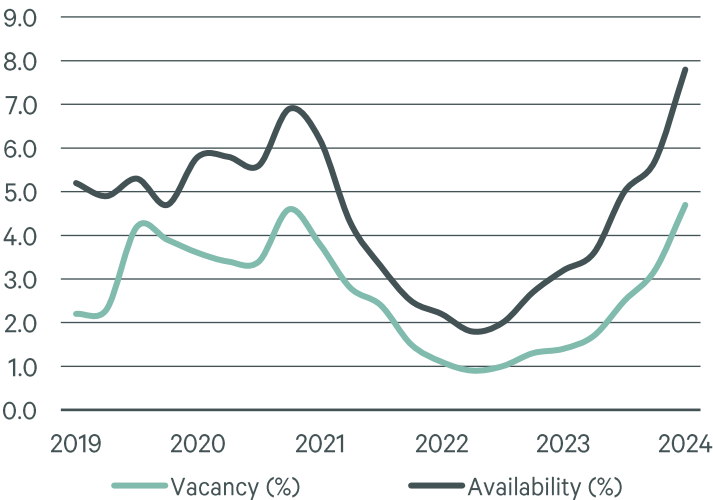
FIGURE 2: Market Statistics by Submarket

Market	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	Q1 2024 Completions (SF)	YTD Completions (SF)	Under Construction (SF)	Q1 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Avg. Achieved Lease Rate (\$/SF/Mo NNN)
Airport	14,646,969	6.0	2.8	-	-	53,330	(35,685)	(35,685)	1.32
Apex	3,280,736	20.2	20.2	1,247,620	1,247,620	3,139,919	583,320	583,320	0.85 *
Central	9,073,381	2.9	2.1	-	-	-	(35,072)	(35,072)	1.06
Henderson	23,290,621	7.4	3.5	975,036	975,036	2,105,462	356,859	356,859	1.22
North Las Vegas	72,339,325	10.2	6.5	2,139,981	2,139,981	5,630,226	1,223,927	1,223,927	0.94
Southwest	46,918,100	5.0	2.5	38,000	38,000	2,415,243	(286,834)	(286,834)	1.19
Las Vegas Total	169,549,132	7.8	4.7	4,400,637	4,400,637	13,344,180	1,806,515	1,806,515	1.05

* avg ask rate

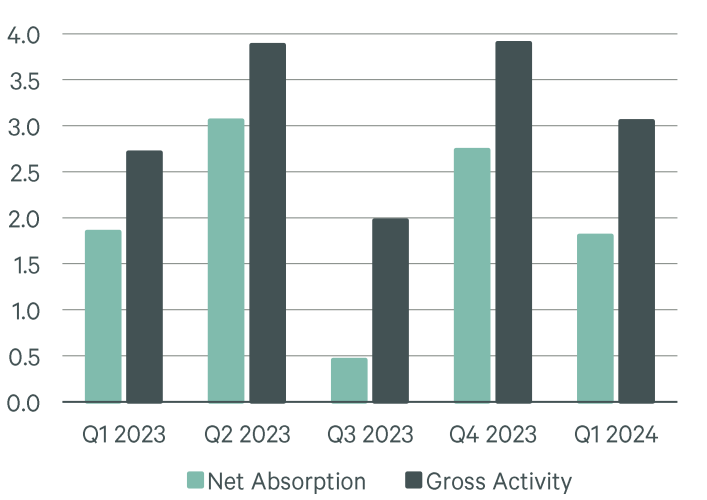
Source: CBRE Research, Q1 2024

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



Source: CBRE Research, Q1 2024

FIGURE 4: Gross Activity & Net Absorption (MSF)



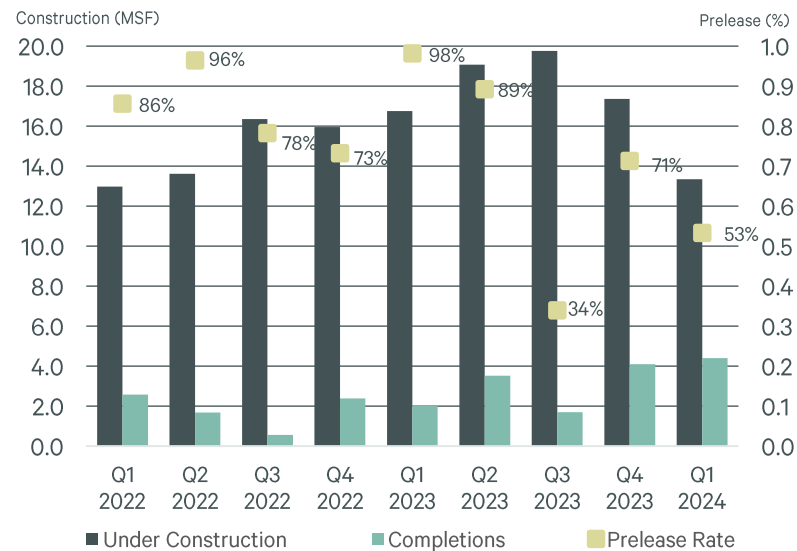
Source: CBRE Research, Q1 2024

Construction

A total of 4.4 million sq. ft. was delivered to the market during Q1 2024, 7.7% higher than Q4 2023's total of 4.1 million sq. ft. Significant completions included LogistiCenter at Miner's Mesa (totaling 664,300 sq. ft.) in the Apex submarket and Building 1 of Prologis Speedway North Distribution Center (totaling 681,600 sq. ft.) in the North Las Vegas submarket. Over 975,000 sq. ft. was completed in the Henderson submarket, its highest quarterly amount since Q4 2021.

Projects under construction in Q1 2024 totaled approximately 13.3 million sq. ft. Although the construction pipeline remains elevated, it should drop considerably over the course of 2024 as new starts are expected to be nominal. To illustrate, only 436,000 sq. ft. broke ground during Q1, compared to last quarter's 1.7 million sq. ft.

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



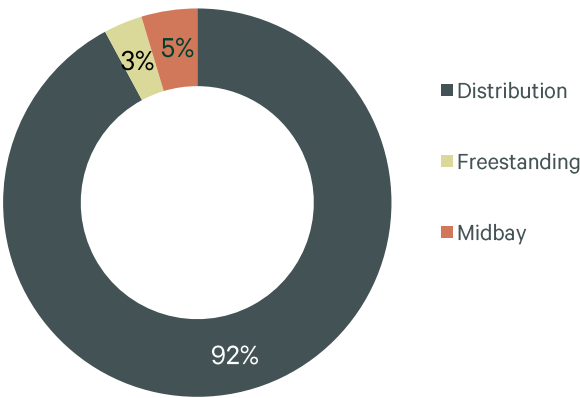
Source: CBRE Research, Q1 2024

FIGURE 6: Significant Developments Under Construction

Property Name	Developer	Property Size (SF)	Estimated Completion	Submarket
Windsor Commerce Park	Lincoln Property Co	1,585,440	Q2 2024-Q1 2025	North Las Vegas
Vantage North 1, 3	VanTrust	1,209,814	Q2 2024	Apex
Moonwater West	Moonwater Capital	922,569	Q3 2024	Apex
Arroyo Beltway Commercenter	Majestic Realty Co	764,153	Q2 2024	Southwest
Desert Willow Logistics Ctr	Link Logistics	722,652	Q3 2024	North Las Vegas

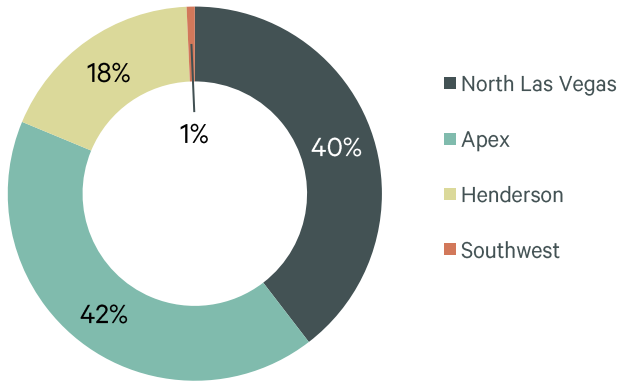
Source: CBRE Research, Q1 2024

FIGURE 7: YTD Deliveries by Product Type



Source: CBRE Research, Q1 2024

FIGURE 8: YTD Deliveries by Submarket



Source: CBRE Research, Q1 2024

Industrial Sales

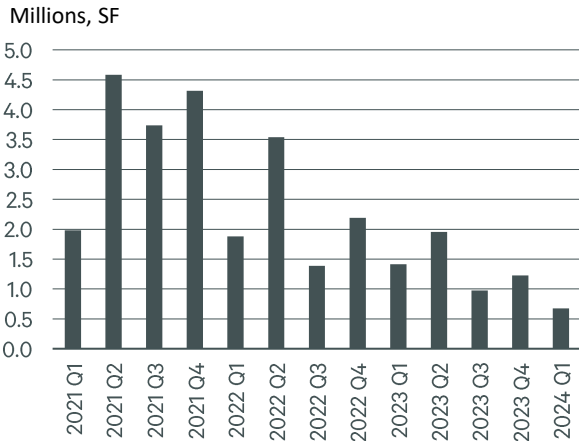
Industrial sales volume for Q1 2024—including both investment and owner-user sales—totaled \$147.7 million. This reflected at a 34.5% drop from Q4 2023 and 57.9% year-over-year decrease. While some sluggishness was expected heading into 2024 as a result of the still-uncertain economic landscape, this marked the lowest quarterly volume since Q2 2020’s \$174.3 million. In the largest sale of the quarter, EastGroup Properties purchased the three-building, 230,899-sq.-ft. CapRock Spanish Ridge in the Southwest submarket. The complex was introduced to the market in Q4 2022 and sold for \$54.8 million. Additionally, in North Las Vegas, the 148,643-sq.-ft. 7350 Prairie Falcon Dr sold for \$21.6 million.

FIGURE 9: Select Q1 2024 Investment/Owner User Sales

Building Name	Address	Submarket	Sale Size (SF)	Sale Price
CapRock Spanish Ridge	5365-5425 S Riley St, 8875 W Hacienda Ave	Southwest	230,899	\$54.8M
7350 Prairie Falcon Dr	7350 Prairie Falcon Dr	North Las Vegas	148,643	\$21.6M
4040 Pioneer Ave	4040 Pioneer Ave	Southwest	45,000	\$8.1M

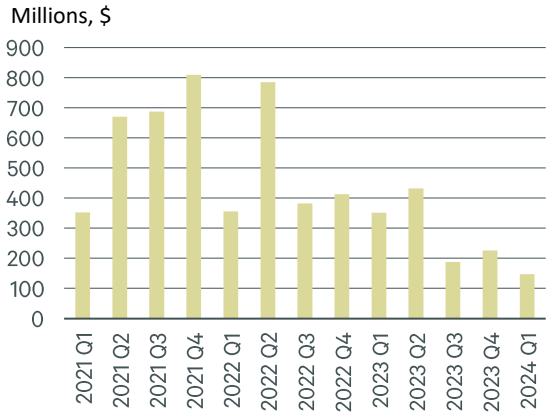
Source: CBRE, Real Capital Analytics, Q1 2024

FIGURE 10: Total Sales by Building Size (SF)



Source: CBRE, Real Capital Analytics, Q1 2024

Figure 11: Total Sales by Price (\$)



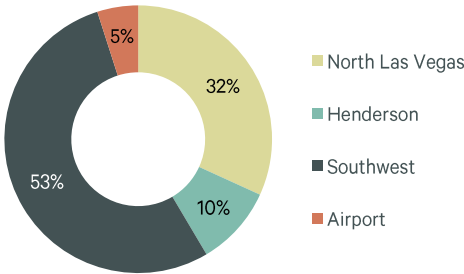
Source: CBRE, Real Capital Analytics, Q1 2024

FIGURE 12: Median Price per SF (\$)



Source: CBRE, Real Capital Analytics, Q1 2024

Figure 13: Total Sales Volume by Price and Submarket



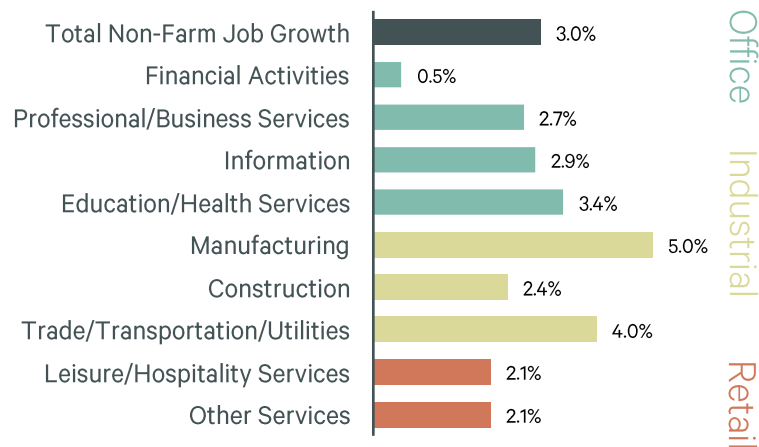
Source: CBRE, Real Capital Analytics, Q1 2024

Economic Overview

While job growth remains strong, at 3.4%, the Las Vegas market recorded a drop of 200 bps from last year's reported 5.4%. The industrial sector has witnessed the highest employment gains thus far in 2024, with manufacturing leading at 5.0% and trade/transportation/utilities coming in at 4.0%.

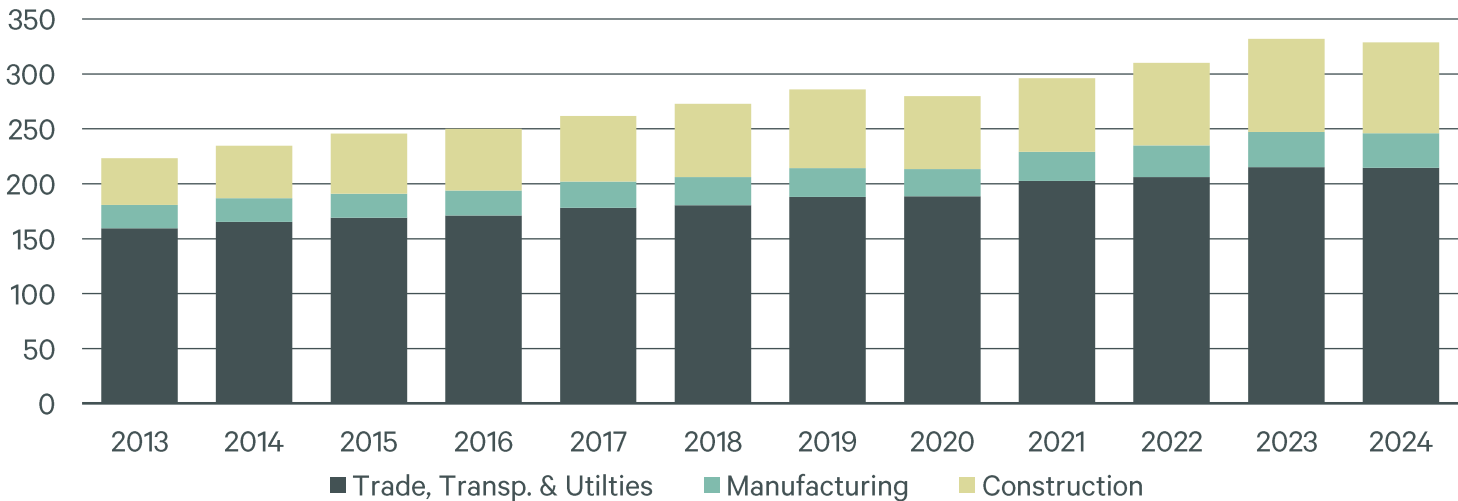
Nationally, continued economic growth and signals of more accommodative policy from the Fed suggest a soft landing for the U.S. economy. GDP growth is expected to be less than half of 2023's pace, with slower hiring and a more cautious consumer being the main factors. The Fed is expected to make three, 25 basis point cuts this year, which is putting downward pressure on longer-term rate expectations. This provides some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered.

FIGURE 14: Las Vegas Non-Farm Job Growth YOY by Industry (%)



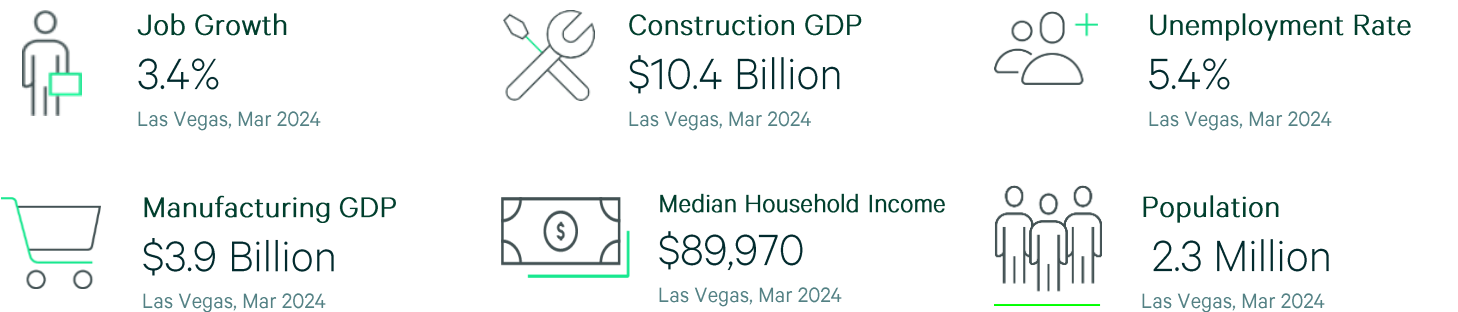
Source: Bureau of Labor Statistics, Mar 2024

FIGURE 15: Las Vegas Industrial-Using Employment (000s)



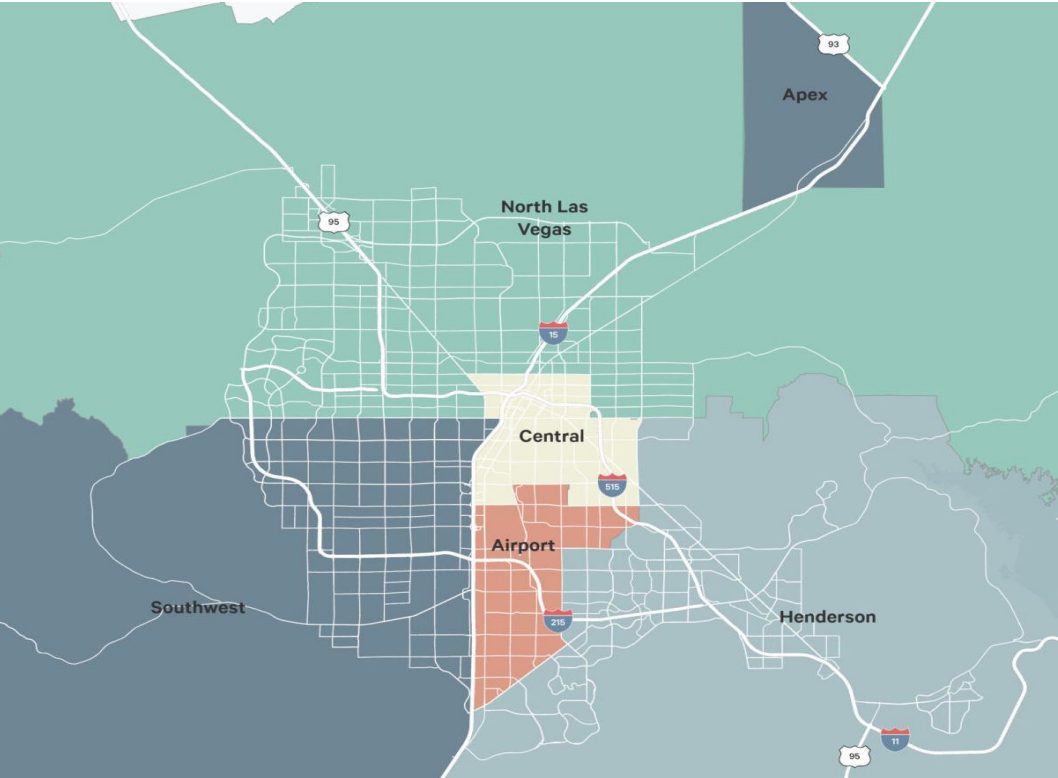
Source: Bureau of Labor Statistics, Mar 2024

FIGURE 16: Industrial Market Indicators



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

Market Area Overview



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FIGURE 17: Select Lease Transactions

Tenant Name	Lease Size (SF)	Property Name	Transaction Type	Submarket
Confidential	397,440	Windsor Commerce Park	New Lease	North Las Vegas
Trane US	313,688	Northgate Distribution Ctr	Renewal	North Las Vegas
JLG Industries	215,260	Prologis North 15 Freeway	Renewal	North Las Vegas
Ghost Beverages	200,186	Golden Triangle Logistics Ctr	New Lease	North Las Vegas
JS Products	81,418	Park West Business Ctr	Renewal	Southwest

Source: CBRE Research, Q1 2024

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.