

# MARKETBEAT

## Las Vegas

### Industrial Q2 2018



#### LAS VEGAS INDUSTRIAL

##### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Las Vegas Employment	0.98M	1.0M	▲
Las Vegas Unemployment	5.2%	4.4%	▼
U.S. Unemployment	4.3%	3.8%	▼

May 2017/2018 used to represent Q2 for Las Vegas

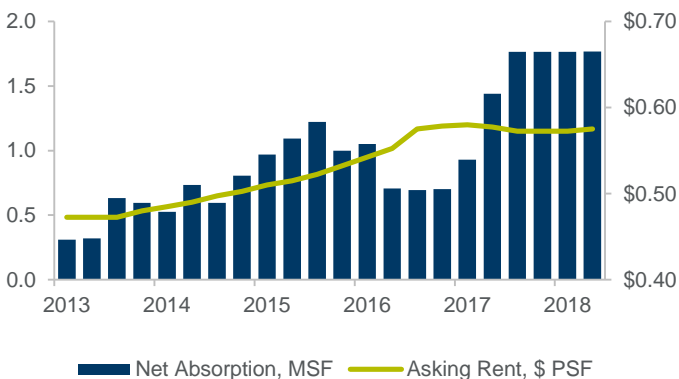
##### Market Indicators (All Product Types)

	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	5.5%	4.7%	▼
Net Absorption (sf)	599K	612K	▲
Under Construction (sf)	6.2M	2.3M	▼
Average Asking Rent	\$0.57	\$0.58	▲

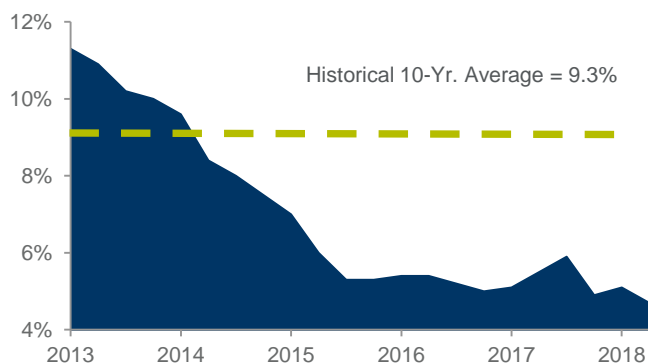
\*Rental rates reflect triple net asking \$psf/monthly

##### Direct Net Absorption/Asking Rent (Triple Net, Monthly)

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy – All Product Types, incl. Sublease



## Economy

The Las Vegas employment market continued to record job growth, adding 27,700 jobs (+2.8%) year-over-year through May 2018.<sup>1</sup> During the same time period, the unemployment rate decreased 80 basis points (bps), dropping to 4.4% which is 210 bps below the 28-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.3% in 2018. Las Vegas's economy of \$111.1 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 5.1% in 2018 and 4.2% in 2019, above its 10-year average of 2.2%.<sup>3</sup>

## Market Overview

Industrial vacancy (including sublease) decreased to 4.7% in Q2 2018, down 40 bps from last quarter and 80 bps from a year ago. Occupancy grew by 611,800 square feet (sf) across all classes in Q2, marking the 16<sup>th</sup> consecutive quarter of positive occupancy gains. Year-to-date net absorption was 2.5 million square feet (msf) – the strongest mid-year activity since Q2 2007 (4.4 msf). Tenants absorbed the majority of space in Henderson, Airport/East and North Las Vegas submarkets, combined 475,000 sf. At the end of Q2 2018, overall vacancy was the lowest in Central submarket (1.4%) followed by Southwest (3.6%) and Airport/East (4.0%) submarkets.

Four projects were delivered (totaling 431,600 sf) in Q2 2018 of which three (totaling 409,800 sf) are located in North Las Vegas submarket. Of the 2.3 msf currently under construction, among the largest projects are: Speedway III, the 390,900-sf third phase with 14.8% pre-leased and Northgate Distribution Center, a 215,800-sf facility with 0% pre-leased.

## Sales Activity

Las Vegas industrial market kicked off 2018 by recording over \$598.3 million in sales activity – the strongest mid-year activity on record. Private investors continue to be the leading buyers of industrial properties, accounting for 53% of activity followed by institutional buyers (29%) and cross-border investors (12%).<sup>4</sup> These investors, more than owner-users, have been increasingly drawn to mid-bay and incubator properties throughout the Las Vegas valley. In addition to being in diminishing supply, these properties generally involve shorter-term leases, allowing landlords to capitalize on the rising rents that accompany growing demand.

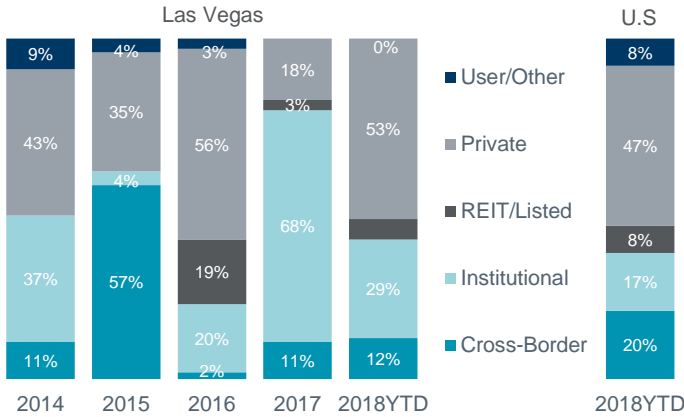
## Outlook

- Low business costs, continued economic expansion, and robust job growth will sustain the thriving industrial market. Demand for mid-bay and incubator properties will remain vigorous, outpacing current supply. Of the forthcoming mid-bay properties under construction or proposed, 46% are preleased, which will result in swelling rent prices and improved prospects for less desirable submarkets.
- North Las Vegas will remain the most active industrial market, both in absorption and in new construction. National retail distribution will continue to dominate the large logistics centers of the North, while demands from the local economy will primarily be served by the Southeast and Southwest submarkets. With almost half of all new properties erected in North Las Vegas, this submarket will continue to outpace the growing southern suburbs in industrial development for the coming years.

Sources: <sup>1</sup>www.bls.gov <sup>2</sup>bea.gov <sup>3</sup>GDP as of 2016. (f) by Moody's Analytics economy.com <sup>4</sup>RCA.

## Who is Buying in Las Vegas?

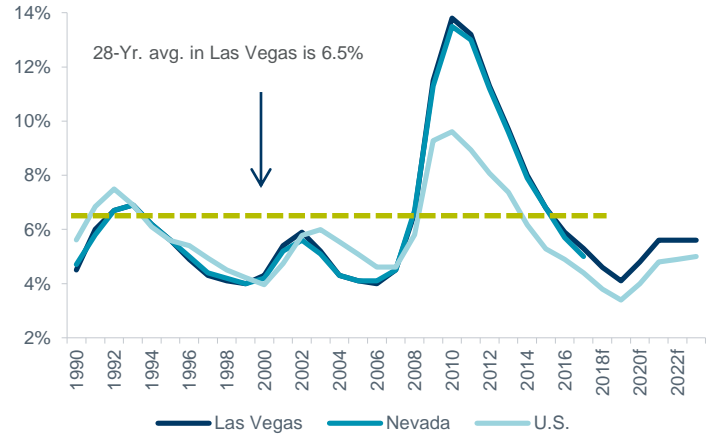
PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of all sizes 6/28/18. Rounded figures may not add up to 100%.

## Unemployment Rate in Comparison

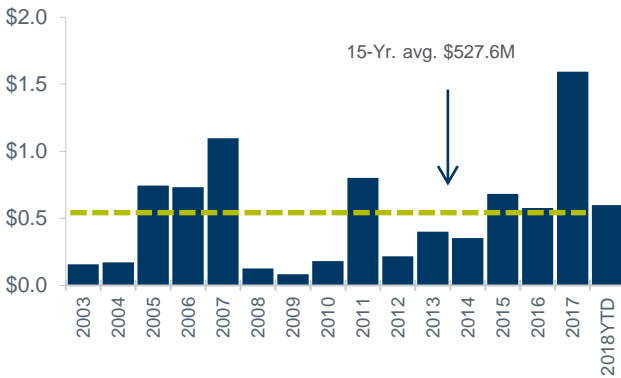
LAS VEGAS 28-YR. (1990 – 2017) ANNUAL AVERAGE RATE IS 6.5%



Source: BLS.gov (f) by Moody's Analytics as of 5/2018.

## Industrial Sales Volume in Las Vegas in Billions

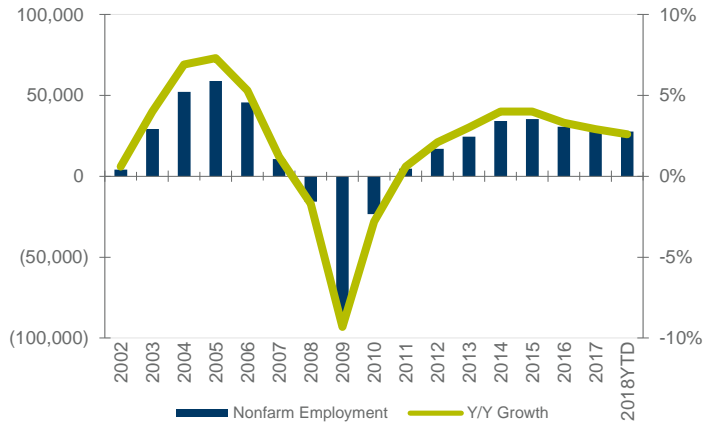
2017 SALES OF \$1.6B THE BEST YEAR ON RECORD



Source: RCA sales of all sizes. 7/10/18.

## Nonfarm Employment Annual Growth Rate vs. Net Change

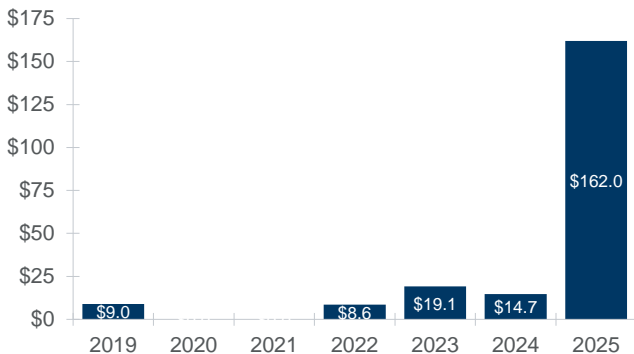
27,700 JOBS WERE ADDED GROWING 2.8% Y/Y VS 2.0% 15-YR. AVERAGE



Source: BLS.gov. 2018 YTD jobs added between May 2017 and May 2018.

## Las Vegas Annual Loan Maturity by Property Type (\$M)

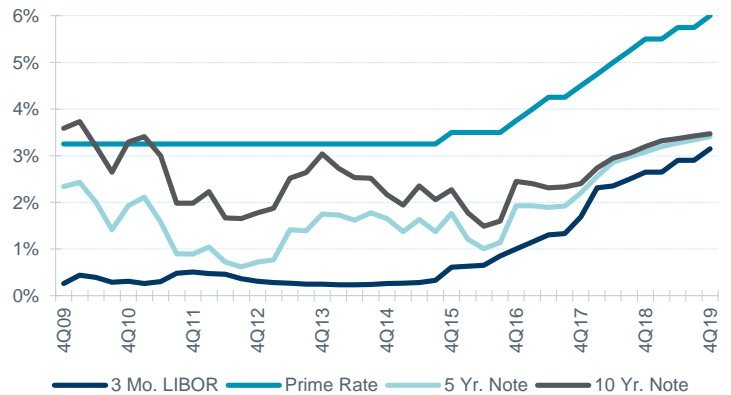
\$50M IN LOANS WILL BE DUE IN 2019



Source: Trepp, LLC – 6/29/18, based on original loan value.

## Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT TWO YEARS



Source: Wells Fargo U.S. Economic Forecast – 6/6/18.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Types)
Airport/East	452	14,447,791	5,500	577,766	4.0%	183,539	424,242	224,752	\$0.78
Central	367	12,474,243	10,300	168,254	1.4%	41,837	38,968	0	\$0.66
North Las Vegas	836	41,092,656	97,698	2,400,209	6.1%	94,064	1,173,413	1,383,873	\$0.46
Northwest	25	819,988	1,500	32,080	4.1%	16,896	-438	0	\$0.90
Southwest	1,270	39,281,265	13,470	1,395,371	3.6%	78,116	517,687	69,732	\$0.75
Henderson	429	15,378,635	141,815	948,569	7.1%	197,344	389,473	643,020	\$0.55
<b>TOTAL</b>	<b>3,379</b>	<b>123,494,578</b>	<b>270,283</b>	<b>5,522,249</b>	<b>4.7%</b>	<b>611,796</b>	<b>2,543,345</b>	<b>2,321,377</b>	<b>\$0.58</b>
FLEX	833	21,715,284	19,718	1,136,827	5.3%	-112,442	40,254	0	\$0.88
MFG	266	10,428,687	0	204,028	2.0%	123,696	105,503	224,752	\$0.46
W/D	2,280	91,350,607	250,565	4,181,394	4.9%	600,542	2,397,588	2,096,625	\$0.54
<b>TOTAL</b>	<b>3,379</b>	<b>123,494,578</b>	<b>270,283</b>	<b>5,522,249</b>	<b>4.7%</b>	<b>611,796</b>	<b>2,543,345</b>	<b>2,321,377</b>	<b>\$0.58</b>

\*Rental rates reflect triple net asking rents \$psf/monthly. Vacancy rate and net absorption includes direct and sublease. Inventory includes properties of 5,000 sf and larger.

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
South15 Airport Center	482,300	Smith's Food and Drug	Panattoni Development	New Lease	Henderson
3717 Bay Lake Trail	169,080	Ritchie Bros Auctioneers	ICON PAC NV Owner Pool 3	New Lease	North Las Vegas
Corporate Center Dr., Bldg. 14	131,750	Impact-XM	Prologis	New Lease	North Las Vegas
4288 Polaris Avenue	120,000	Undisclosed	Invesco	New Lease	Southwest
2548 W Desert Inn Road	112,663	Undisclosed	Gabriel Saia Jr.	New Lease	Central

## Key Sale Transactions Q2 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Northgate Distribution Center	749,026	Global Logistic Properties Ltd.	VanTrust Real Estate LLC	\$55,411,599 / \$73.98	North Las Vegas
Henderson Freeways Crossing	363,450	Colony NorthStar, Inc.	Panattoni Development	\$37,400,000 / \$102.90	Henderson
Lincoln Business Center	338,520	Clarion Partners	Scannell Properties	\$35,760,000 / \$105.64	North Las Vegas
Patrick Airport Center	192,451	BKM Capital Partners	Stockbridge Capital Group LLC	\$23,100,000 / \$120.03	Airport
Hughes Airport Center	122,472	STAG Industrial, Inc.	PNL Companies	\$18,000,000 / \$146.97	Airport

## Under Construction Q2 2018 – selected projects 10,000 sf+

PROPERTY	SF	PRELEASED		ADDRESS	Type	ESTIMATED COMPLETION	SUBMARKET
		SF	%				
Speedway III, Bldg. A	390,904	57,770	14.8%	6335 N. Hollywood	W/D	2018	North Las Vegas
Northgate Distribution Center	215,804	0	0%	4640 Nexus Way, Bldg. 4	W/D	2018	North Las Vegas
Prologis Corporate Center-Bldg. 9	130,515	53,485	41%	4050 Corporate Center Dr.	W/D	2018	North Las Vegas
Airparc South	106,680	13,335	12.5%	1550 Executive Airport Dr.	W/D	2018	Henderson
South15 Industrial Park, Bldg. 1	86,880	0	0%	1720 Executive Airport Dr.	W/D	2018	Henderson
Prologis Warm Springs Freeway	83,265	0	0%	2850 W Warm Springs Rd.	MFG	2018	Henderson

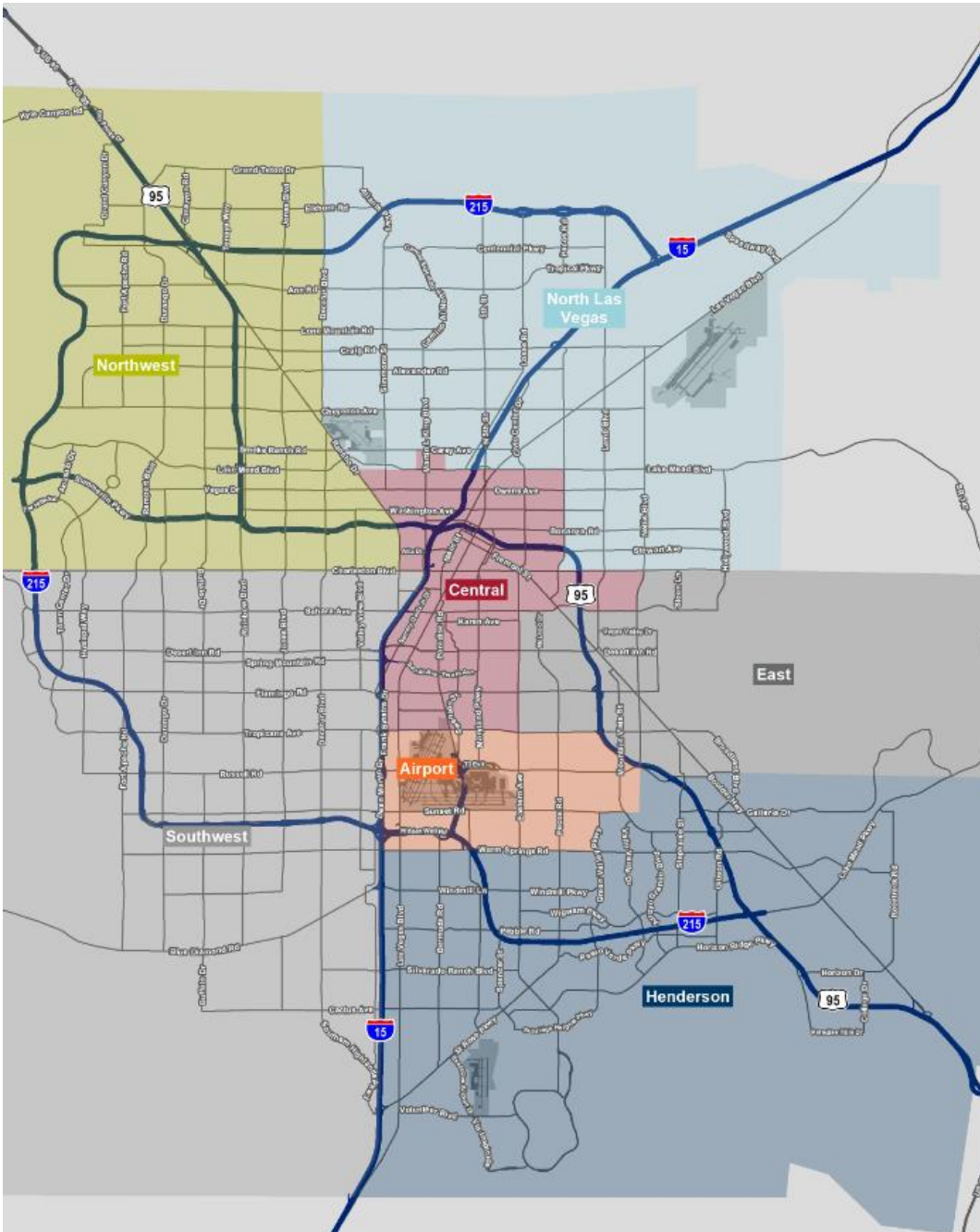
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## INDUSTRIAL SUBMARKETS LAS VEGAS



**Jolanta Campion**  
Director of Research  
San Diego & Nevada  
jolanta.campion@cushwake.com

**Becca Gabriel**  
Research Analyst, Southwest Nevada  
rebecca.gabriel@cushwake.com

6725 Via Austi Pkwy, Suite 275  
Las Vegas, NV 89119  
Tel: 792.796.7900  
Fax: 792.786.7820

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