

MARKETBEAT

Las Vegas

Industrial Q3 2018



LAS VEGAS INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Las Vegas Employment	1.0M	1.1M	▲
Las Vegas Unemployment	5.3%	4.9%	▼
U.S. Unemployment	4.4%	3.9%	▼

August 2017/2018 used to represent Q3 for Las Vegas

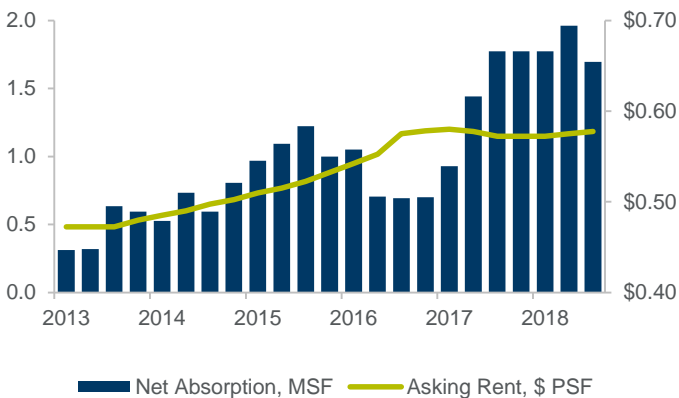
Market Indicators (All Product Types)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	5.9%	4.5%	▼
Net Absorption (sf)	2.1M	630k	▲
Under Construction (sf)	3.3M	3.0M	▼
Average Asking Rent	\$0.57	\$0.58	▲

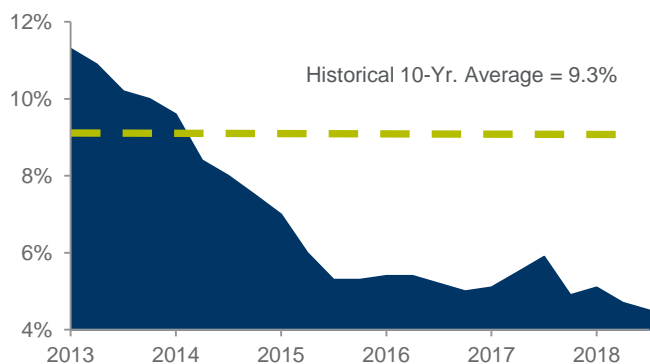
*Rental rates reflect triple net asking \$psf/monthly

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 32,300 jobs (+3.3%) year-over-year through August 2018.¹ During the same time period, the unemployment rate decreased 40 basis points (bps), dropping to 4.9%. Also worth noting, the current rate is 160 bps below the 28-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.1% in 2018 and 3.2% in 2019. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.6% in 2018 and 5.4% in 2019, above its 10-year average of 2.2%.³

Market Overview

Industrial vacancy (including sublease) decreased to 4.5% in Q3 2018, up 20 bps from last quarter but down 140 bps from a year ago. Occupancy grew by 630,459 square feet (sf) across all product types in the third quarter, marking the 18th consecutive quarter of positive occupancy gains. Year-to-date net absorption was 4.0 million square feet (msf) – the strongest activity since 2007 (4.6 msf). Tenants absorbed the majority of space in the North Las Vegas, Southwest, and Airport/East submarkets, with a combined 583,000 sf. At the end of Q3 2018, overall vacancy was the lowest in Central submarket (1.5%) followed by Airport/East (3.1%) and Southwest (3.3%) submarkets.

Five projects were delivered (totaling 806,823 sf) in Q3 2018 of which three totaling 646,103 sf are located in the North Las Vegas submarket. Of the 3.0 msf currently under construction, among the largest projects are Tropical Distribution Centers 1 and 2, totaling 1.6 msf in North Las Vegas, and each 100% pre-leased to Amazon and Sephora, respectively.

Sales Activity

The Las Vegas industrial market recorded \$726 million in sales since the beginning of 2018. With an exception of 2017, this was the strongest year-to-date sales activity since 2007. Private investors have been the leading buyers of industrial properties in 2018 year-to-date, accounting for 43% of activity followed by institutional buyers (22%) and cross-border investors (20%).⁴ Mid-bay and incubator properties remain the assets of choice for foreign investment, while domestic institutional buyers have favored large distribution centers this quarter.

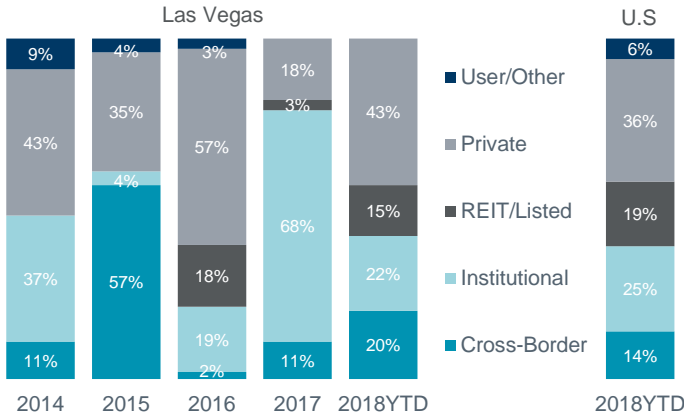
Outlook

- Continued economic expansion and positive job creation in the metro area, coupled with low business operating costs, will maintain growth of the industrial market. Local and regional demand for mid-bay and incubator properties will remain vigorous, outpacing current supply, while national logistics operations will continue to be drawn to Las Vegas. This will lead to positive rent growth and occupancy trends in both mid-range and larger property sizes.
- North Las Vegas continues to offer the quickest permitting and rezoning, as well as the most favorable tax incentives, for new logistics properties in the valley. As a result, it will remain the most active industrial market, both in absorption and in new construction for the near future. Almost half of all new distribution and logistics properties in the metro area are being constructed in North Las Vegas. This industrial submarket is expected to outpace the growing southern suburbs through 2019.

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2017. (f) by Moody's Analytics economy.com ⁴RCA.

Who is Buying in Las Vegas?

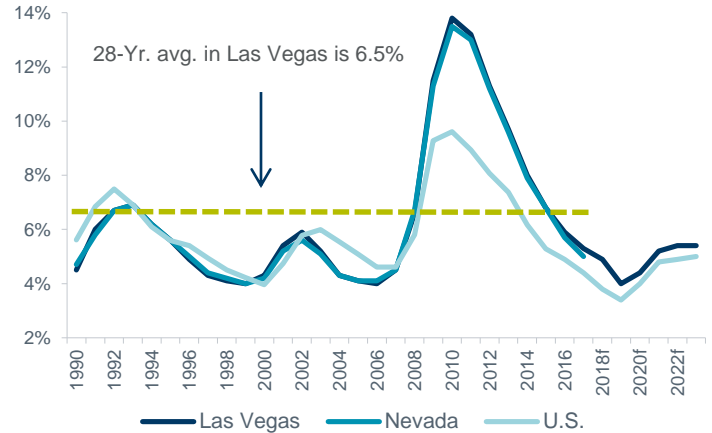
PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of all sizes 10/2/18. Rounded figures may not add up to 100%.

Unemployment Rate in Comparison

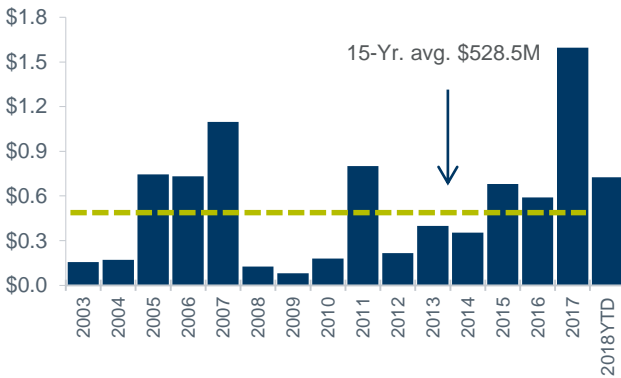
LAS VEGAS 28-YR. (1990 – 2017) ANNUAL AVERAGE RATE IS 6.5%



Source: BLS.gov (f) by Moody's Analytics as of 9/2018.

Industrial Sales Volume in Las Vegas in Billions

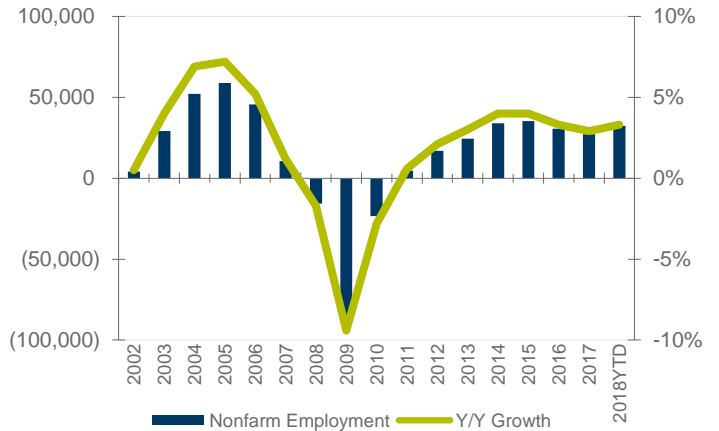
2017 WAS A RECORD YEAR TRADING \$1.6 BILLION



Source: RCA sales of all sizes. 10/2/18.

Nonfarm Employment Annual Growth Rate vs. Net Change

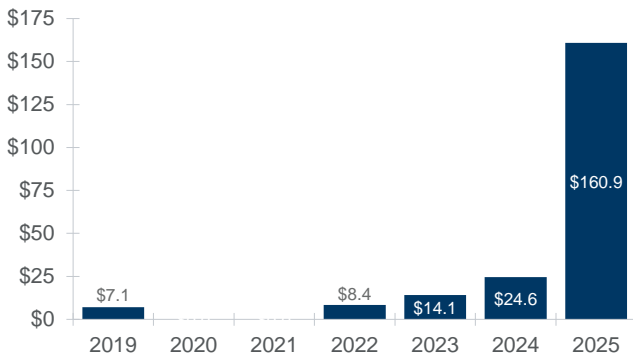
32,300 JOBS WERE ADDED GROWING 3.3% Y/Y VS 2.0% 15-YR. AVERAGE



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

Las Vegas Annual Industrial Loan Maturity (\$M)

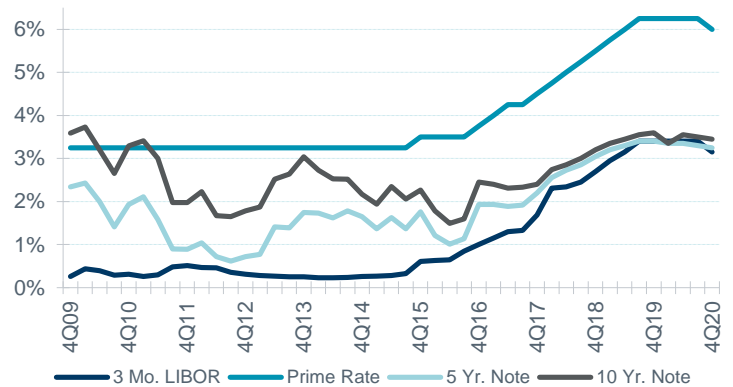
\$7M IN LOANS WILL BE DUE IN 2019



Source: Trepp, LLC – 8/29/18, 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 – 9/12/18.

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	451	14,464,507	40,225	401,082	3.1%	135,571	549,903	224,752	\$0.79
Central	367	12,488,166	0	184,001	1.5%	93,876	132,844	0	\$0.67
North Las Vegas	845	43,271,102	85,110	2,812,542	6.7%	296,765	1,743,988	2,202,784	\$0.46
Northwest	25	819,988	1,500	36,300	4.6%	-4,220	-4,658	0	\$1.03
Southwest	1,260	39,232,797	9,448	1,302,731	3.3%	150,600	701,081	526,916	\$0.71
Henderson	431	15,615,722	149,065	632,525	5.0%	-42,133	829,640	0	\$0.56
TOTAL	3,379	125,892,282	285,348	5,369,181	4.5%	630,459	3,952,798	2,954,452	\$0.59
FLEX	832	21,683,422	15,041	1,081,794	5.1%	52,786	97,386	0	\$0.89
MFG	266	10,508,032	0	209,427	2.0%	31,040	136,543	224,752	\$0.47
W/D	2,281	93,700,828	270,307	4,077,960	4.6%	546,633	3,718,869	2,729,700	\$0.55
TOTAL	3,379	125,892,282	285,348	5,369,181	4.5%	630,459	3,952,798	2,954,452	\$0.59

*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 Q3 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
Northgate Distribution Center Bldg. 4	215,804	National Indoor RV	VanTrust	New	North Las Vegas
8390 Eastgate Rd., Bldg. A	163,000	Xtreme Manufacturing	Colony Capital, Inc.	New	Henderson
3717 Bay Lake Trail	97,080	Ruby Has	Global Logistic Properties Ltd.	New	North Las Vegas
2695 N Lamb Blvd.	56,847	Pacific Paper Tube	Colony Capital, Inc.	New	North Las Vegas
4050 Corporate Center Drive	42,935	Wayfair, LLC	Prologis	New	North Las Vegas

Key Sale Transactions Q3 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
1055 & 1220 Trade Dr.	204,740	Colony Capital, Inc.	Winner Properties, LLC	\$15,995,000 / \$78.12	North Las Vegas
Suncrest Commerce Center	156,564	Suncrest Industrial LLC	TVP Asset, Inc.	\$20,200,000 / \$129.02	Henderson
Matter - 4325 Corporate Center Dr.	155,790	Christie Lites	Centra Properties	\$16,231,760 / \$104.19	North Las Vegas
East Sahara Commerce Ctr.	72,548	CIP Real Estate Corporation	Sperry Equities, LLC	\$6,800,000 / \$93.73	East
3870 Losee Rd.	50,200	SA Recycling LLC	Friedman Properties Ltd.	\$5,000,000 / \$99.60	North Las Vegas

Under Construction Q3 2018 – selected projects 10,000 sf+

PROPERTY	SF	PRELEASED SF	%	ADDRESS	Type	ESTIMATED COMPLETION	SUBMARKET
Tropical Distribution Center 1	855,000	855,000	100%	6001 E. Tropical Pky	W/D	2019	North Las Vegas
Tropical Distribution Center 2	715,460	715,460	100%	NEC N Sloan & E Ann Rd.	W/D	2019	North Las Vegas
Speedway III	632,324	0	0%	5265 N Sloan, Bldg 3	W/D	2019	North Las Vegas
Blue Diamond Business Ctr., Bldg. 10	457,184	0	0%	3930 W Windmill Ln. #10	W/D	2018	Southwest
Prologis I-15 Speedway Logistics Center – Bldg. 4	376,264	0	0%	5245 N Sloan, Bldg 4	W/D	2019	North Las Vegas
Blue Diamond Business Ctr, Bldg. 6	322,560	120,960	37.5%	3930 W Windmill Ln. #6	W/D	2018	Southwest

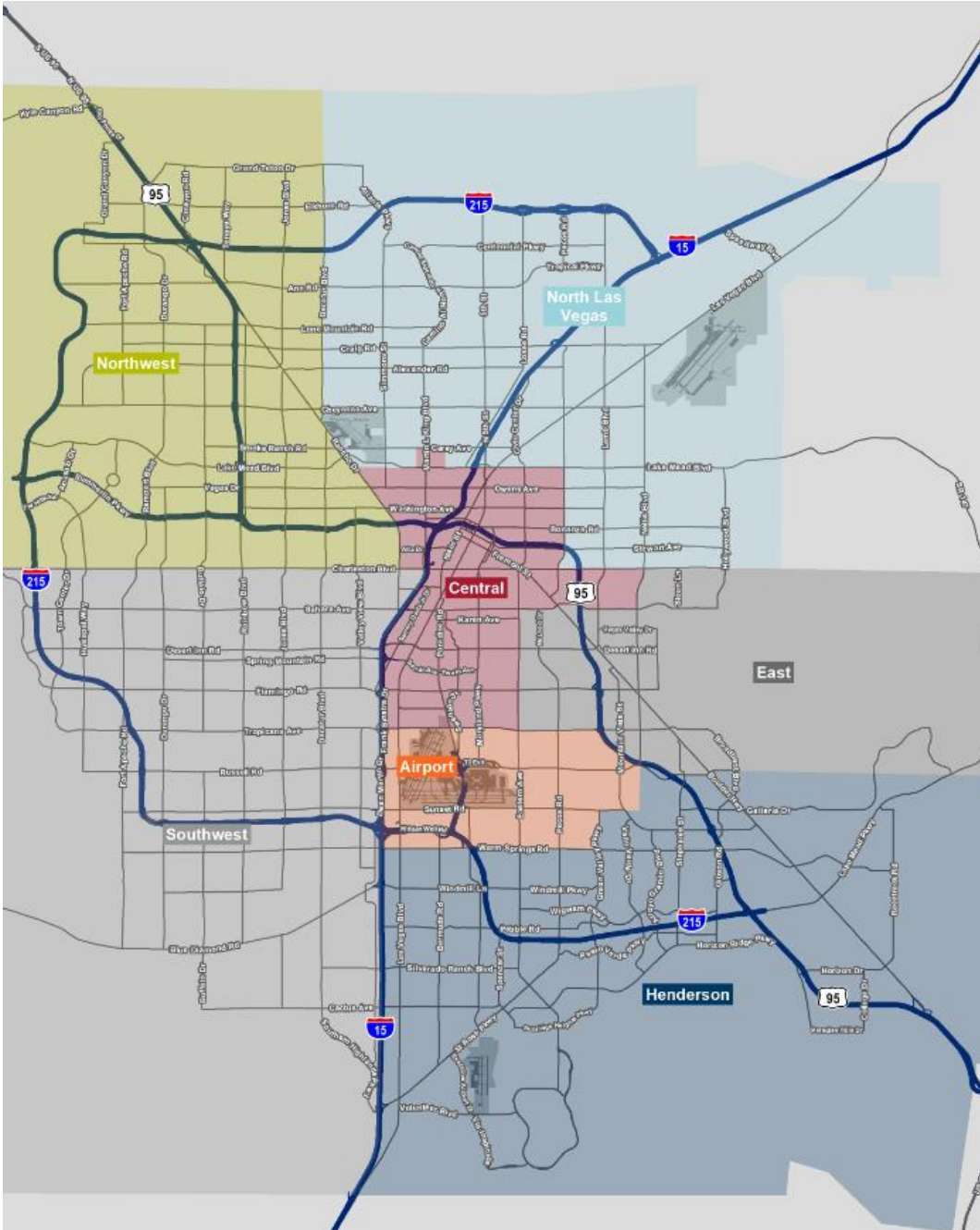
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INDUSTRIAL SUBMARKETS LAS VEGAS



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