

MARKETBEAT

Las Vegas

Industrial Q2 2019



LAS VEGAS INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Las Vegas Employment	1.0M	1.1M	▲
Las Vegas Unemployment	4.6%	4.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

May 2018/2019 used to represent Q2 for Las Vegas, June for U.S.

Market Indicators (All Product Types)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	4.0%	3.7%	■
Net Absorption (sf)	1.3M	289k	▲
Under Construction (sf)	1.5M	976k	▲
Average Asking Rent	\$0.58	\$0.67	▲

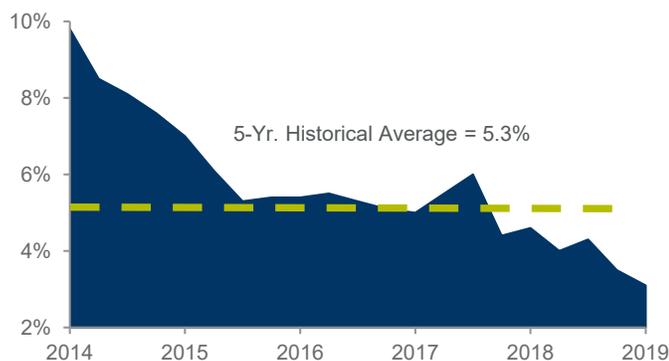
*Rental rates reflect triple net asking \$psf/monthly.

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Las Vegas employment market continued to record job growth, adding 29,500 jobs (+2.9%) year-over-year through May 2019.¹ During the same time period, the unemployment rate decreased 60 basis points (bps), dropping to 4.0%. Also worth noting, the current rate is the lowest it's been in fifteen years and 240 bps below the 29-year average of 6.4%. All employment sectors are expected to grow at a combined growth rate of 3.1% in 2019 and 2.1% in 2020. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.3% in 2019 and 4.1% in 2020, above its 10-year average of 1.7%.³

Market Overview

Industrial vacancy, including sublease, increased 60 bps from last quarter yet decreased 30 bps from a year ago to 3.7% in Q2 2019 and remains under 4% for the third consecutive quarter. This level is 500 bps below the 10-year quarterly average of 8.7%. Occupancy grew by 289,100 square feet (sf) across all product types in Q2, bringing year-to-date occupancy gains to 2.5 million square feet (msf). Even though Q2 activity was not as strong compared to Q1, this was the 21st consecutive quarter of positive occupancy gains during which tenants have absorbed a combined 24.7 msf, averaging 1.2 msf per quarter. North Las Vegas remains the most desired submarket for tenants, recording 274,600 sf in positive absorption in Q2. Year-to-date, North Las Vegas has recorded nearly 2.4 msf in positive absorption, with the next closest submarket (Airport/East) recording only 185,500 sf. Average asking rent for flex properties has seen a staggering 16.3% growth year-over-year, followed by warehouse/distribution (+12.7%) and manufacturing (+4.3%) rents. Average rents in the Northwest (\$0.91), Airport/East(\$0.86) and Southwest (\$0.84) were the highest in Q2. Over the last year, rent growth has been the highest in the North Las Vegas, Airport/East and Southwest submarkets – 15.2%, 13.2% and 12.0%, respectively.

Sales Activity

Sales volume for industrial properties reached \$958 million in 2018, a 40% annual decrease compared to 2017 \$1.6 billion volume - the highest volume on record - surpassing \$1.1 billion traded in 2007. In Q2 2019, \$224 million traded in Las Vegas which equates to \$306 million year-to-date or a half compared to \$665 million traded in the first six months of last year. Despite a decrease in sales volume, the average price per sf increased 16% to \$122 psf in Q2 compared to \$105 psf a year ago. After a lackluster Q1, private and institutional buyers increased activity in Q2 2019, accounting for 58% and 21%, respectively. Mid-bay and incubator properties remain the assets of choice for foreign investment, while domestic REIT buyers have favored large distribution centers this quarter.⁴

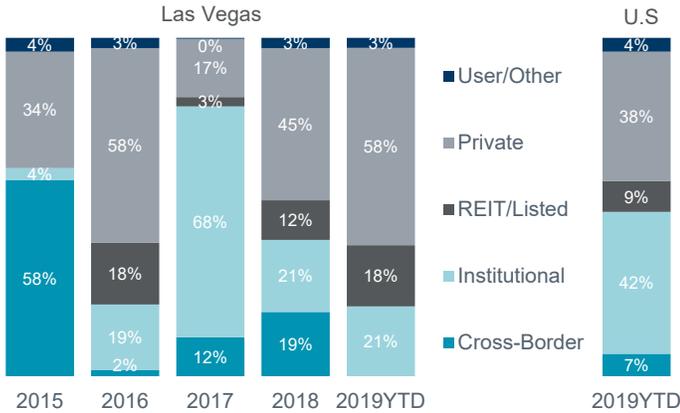
Outlook

- The increase in deliveries later this year could cause rent growth to stall. Demand remains fierce for new product in all size ranges, as both local and national tenants capitalize on new Las Vegas development.
- The industrial market maintains its desire for space in the North Las Vegas submarket. The submarket has absorbed more than twelve times in sf than the next highest submarket year-to-date. Besides the North, the Southwest and Airport/East submarkets should continue high demand. However, due to the majority of the new and under construction product being in this area, North Las Vegas submarket will continue to outperform all other industrial submarkets through the foreseeable future.

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

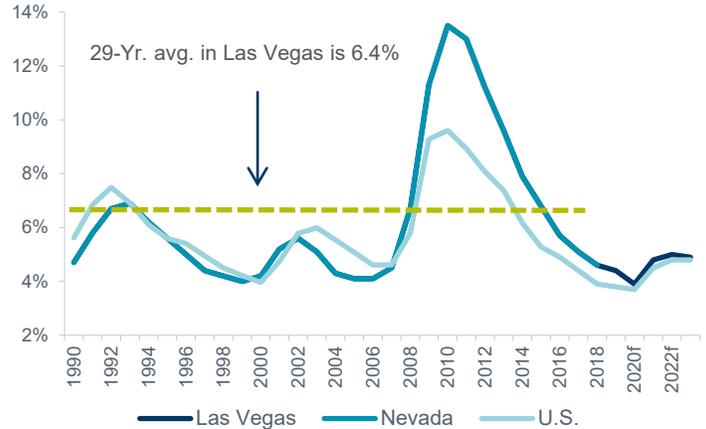
Who is Buying in Las Vegas?

PRIVATE BUYERS DOMINATE 2019YTD



Source: RCA sales of \$2.5M+ as of 7/15/2019. Rounded figures may not add up to 100%.

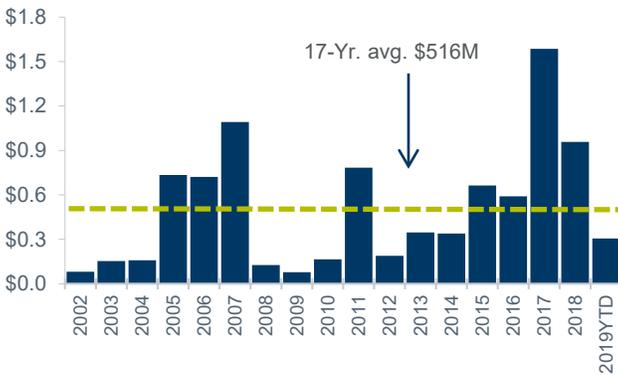
LAS VEGAS 29-YR. (1990 – 2018) ANNUAL AVERAGE RATE IS 6.4%



Source: www.bls.gov (f) by Moody's Analytics as of 3/2019.

Industrial Sales Volume in Las Vegas in Billions

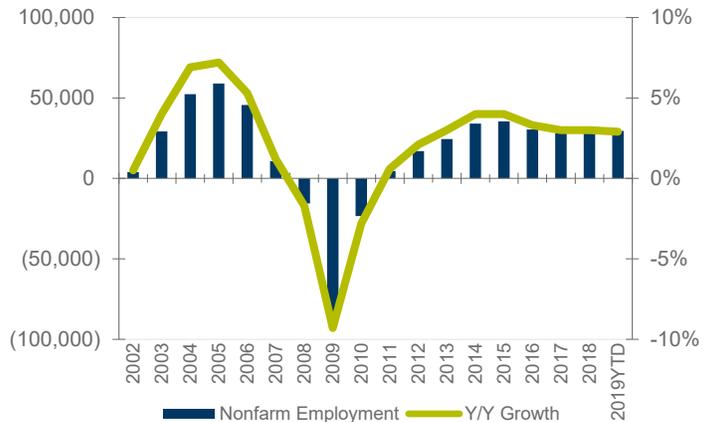
2017 WAS A RECORD YEAR TRADING \$1.6 BILLION



Source: RCA sales of \$2.5M+ as of 7/15/2019.

Nonfarm Employment Annual Growth Rate vs. Net Change

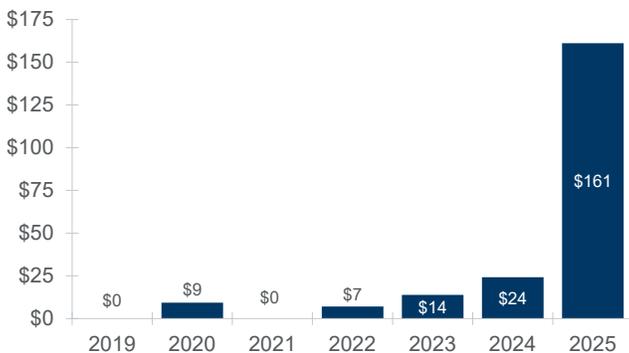
28,800 JOBS WERE ADDED GROWING 2.8% Y/Y VS 2.0% 15-YR. AVERAGE



Source: www.bls.gov 2019YTD jobs added between 5/2018 and 5/2019.

Las Vegas Annual Industrial Loan Maturity (\$M)

MAJORITY OF CMBS LOANS ARE DUE IN 2025



Source: Trepp, LLC – 6/28/19, 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 – 6/12/2019.

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	361	14,089,610	8,642	266,130	2.0%	156,313	185,544	0	\$0.86
Central	221	11,399,796	0	173,652	1.5%	24,024	-2,781	0	\$0.71
North Las Vegas	556	43,970,781	97,176	2,251,034	5.3%	274,646	2,381,726	975,948	\$0.53
Northwest	25	817,756	0	74,924	9.2%	-13,597	-34,504	0	\$0.91
Southwest	837	36,292,029	112,224	952,402	2.9%	8,782	173,166	0	\$0.84
Henderson	252	14,390,461	7,727	524,909	3.7%	-161,049	-252,276	0	\$0.57
TOTAL	2,252	120,960,433	225,769	4,243,051	3.7%	289,119	2,450,875	975,948	\$0.67
FLEX	529	19,275,970	18,118	752,727	4.0%	2,815	42,941	0	\$1.00
MFG	181	10,298,566	43,973	229,433	2.7%	-72,209	98,241	0	\$0.48
W/D	1,542	91,385,897	163,678	3,260,891	3.7%	358,513	2,309,693	975,948	\$0.62
TOTAL	2,252	120,960,433	225,769	4,243,051	3.7%	289,119	2,450,875	975,948	\$0.67

*Rental rates reflect triple net asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes properties of 10,000 sf +.

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
2880 N. Lamb Blvd.	301,150	World Pack USA	Prologis	Renewal	North Las Vegas
2861 N. Marion Dr.	217,616	World Pack USA	Prologis	Renewal	North Las Vegas
4660 Berg St.	213,316	Insomniac Holdings, LLC	PIHV Lone Mountain LLC	Expansion	North Las Vegas
2821 N. Marion Dr.	124,546	U.S. Auto Parts Network, Inc.	Prologis	New	North Las Vegas
4850 Statz St.	81,103	Trend Nation	Golden Triangle Industrial Park	New	North Las Vegas

Key Sale Transactions Q2 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Cameron/El Dorado Industrial Portfolio	368,933	Black Creek	Stockbridge Capital Group	\$57,184,615 / \$155	Southwest
4168-4216 N. Pecos Rd.	120,964	Clarion Partners	Urban Land of Nevada	\$16,000,000 / \$132	North Las Vegas
6050 S. Valley View Blvd.	115,179	6050 Holdings LLC	WP Carey REIT	\$9,284,542 / \$81	Southwest
5045 Geist Ave.	63,624	Huang Family Trust	Alternative Medicine Association	\$10,450,000 / \$164	North Las Vegas
2057 E. Maule Ave.	28,910	SPK Real Estate	TLM Holdings LLC	\$3,945,000 / \$136	Airport

Future Inventory Q2 2019 – select projects 10,000 sf +

PROPERTY	SF	PRE-LEASED		ADDRESS	Type	ESTIMATED COMPLETION	SUBMARKET
		SF	%				
Raceway Industrial Park	670,752	0	0%	5605 N Hollywood Blvd.	W/D	2019	North Las Vegas
Prologis I-15 Speedway	632,324	0	0%	5265 N Sloan Ln., Bldg. 3	W/D	2019	North Las Vegas
Prologis I-15 Speedway	376,264	376,264	100%	5245 N. Sloan Ln., Bldg. 4	W/D	2019	North Las Vegas
West Craig Distribution Center	343,820	93,718	28%	70, 74, 78 W. Craig Rd.	W/D	2019	North Las Vegas

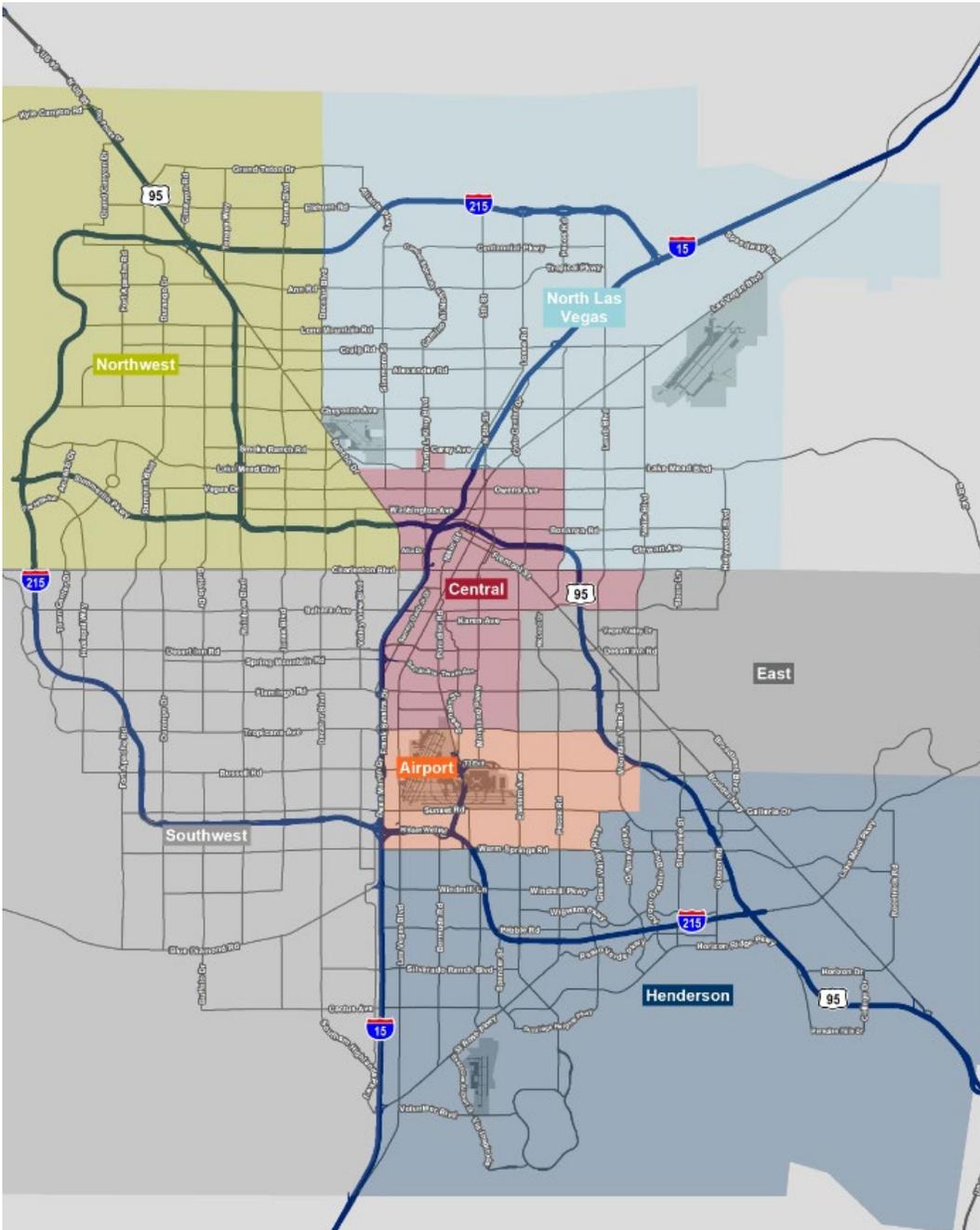
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INDUSTRIAL SUBMARKETS LAS VEGAS



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