

Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
5.6% Vacancy Rate	▲	▼
359k Net Absorption, SF	▼	▲
\$0.75 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.1M Las Vegas Employment	▲	▼
3.7% Las Vegas Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS, November 2019

ECONOMIC OVERVIEW

The Las Vegas employment market recorded growth, adding 27,100 jobs (+2.7%) year-over-year (YOY) through November 2019.¹ During the same time period, the unemployment rate decreased 80 basis points (bps), dropping to 3.7%. Notably, the current unemployment rate is 270 bps below the 30-year average of 6.4%. All employment sectors are expected to grow at a combined growth rate of 1.9% in 2020 and 0.4% in 2021. Las Vegas's economy of \$122.4 billion² as measured by gross regional product is forecasted to grow an additional 4.4% in 2020 and 4.3% in 2021, above its 10-year average of 2.9%.³

SUPPLY AND DEMAND

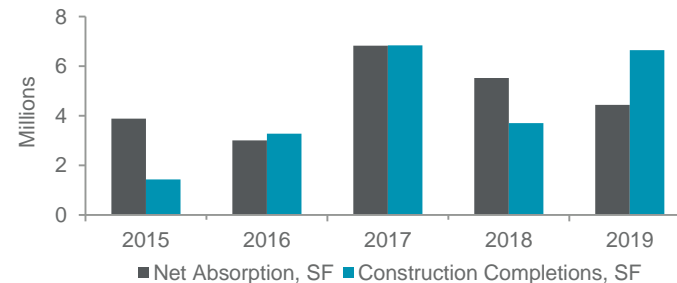
Industrial vacancy, including sublease, increased 150 bps from last quarter and 210 bps from a year ago to 5.6% in Q4 2019. The current vacancy is 280 bps below the 10-year quarterly average of 8.4% yet 50 bps above the 5-year quarterly average of 5.6%. The influx of recently completed space contributed to a rise in vacancy as 21.8 million square feet (msf) have been delivered over the last five years (2015-2019), averaging 4.4 msf per year. In 2019, 14 buildings totaling 6.6 msf were added to existing inventory, most of it or 5.1 msf to North Las Vegas submarket warehouse & distribution (W&D) inventory. Conversely, overall market vacancy rate for W&D product type has increased 220 bps from 3.6% in Q4 2018 to 5.8% in Q4 2019.

Overall occupancy across all product types increased by 359,000 square feet (sf) in Q4 2019. On an annual basis, tenants absorbed 4.4 msf across all submarkets in 2019, marking a full decade (2010-2019) of occupancy growth in the Las Vegas industrial market. Since 2010, tenants have absorbed a combined 31.2 msf, averaging 3.1 msf per year. Across the valley, the North Las Vegas submarket accounted for the most positive occupancy growth or 415,900 sf in Q4 2019. All other submarkets reported occupancy losses during Q4 2019.

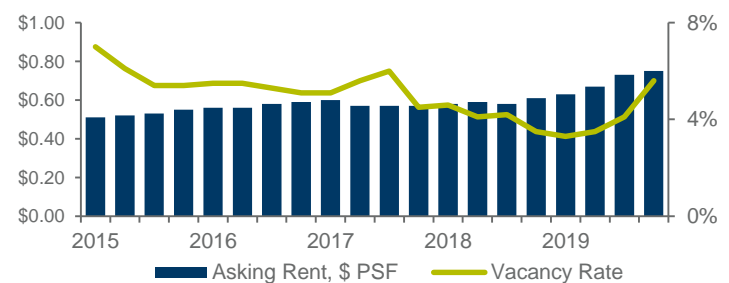
FUTURE SUPPLY

Moving forward, the development pipeline shows no signs of downshifting. As of Q4 2019, there are 4.8 msf of industrial product under construction across the market. The vast majority of under construction projects are speculative, aside from the 616,000-sf future e-commerce user built to suit property near the Henderson Executive Airport. Notably, the most of all industrial development is happening in North Las Vegas, Henderson or Southwest submarkets. Among notable projects under construction are: Golden Triangle, Interchange Industrial Center and the Matter Logistics at West Cheyenne project. The project, known as Golden Triangle, located in North Las Vegas submarket will span a total of 127 acres and include 2.7 msf of of Class A W&D space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



The first phase of the project, which is now under construction, includes approximately one msf and is expected to be completed in September 2020. Also, in the North Las Vegas submarket, CapRock Partners has broken ground on Interchange Industrial Center, a Class A industrial complex. The site, acquired from a private investor in 2019, is a 33-acre parcel located at the intersection of interstates 15 and 215. Interchange Industrial Center will consist of two industrial buildings, including a 509,000-sf, cross-dock warehouse and a 173,000-sf warehouse that can accommodate a single tenant or up to four tenants. Construction is slated for completion by late summer 2020. In the Northwest, Matter Real Estate Group is building the Matter Logistics at West Cheyenne project. Once complete, the park will consist of five buildings and over 725,000 sf of distribution space. This addition to the Northwest submarket will nearly double the industrial square footage of that submarket.

PRICING

Average asking rent for all product types combined was \$0.75 per square foot (psf) per month on a triple net basis, compared to \$0.73 psf last quarter (+2.1%) and \$0.61 psf a year ago (+22.1%). Over the past 12 months, average asking rent for manufacturing space has increased the most to \$0.76 psf, followed by W&D (\$0.67 psf) and flex properties (\$0.91 psf). This trend is driven by the demand for and availability of modern and specialized space for industrial users. In response, we are not only seeing asking rental rates increasing for existing buildings, but also in newly constructed buildings that command the highest rental rates.

SALES ACTIVITY

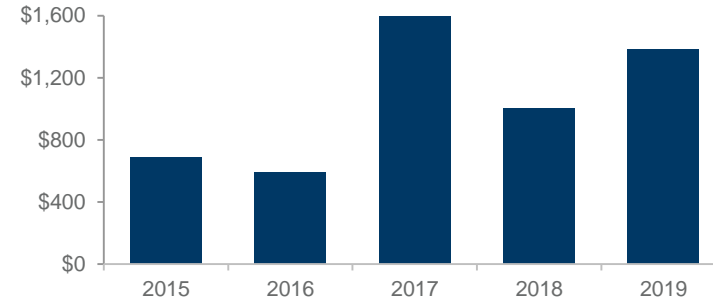
The Las Vegas industrial market recorded \$1.4B in sales activity across 92 properties and 11.9 msf in 2019, a 38% increase in sales volume from \$999M traded in 2018. Average price per sf was \$108 in 2019 compared to \$104 in 2018. Average cap rate was 5.6% compared to 6.1% in 2018. Notably, \$243M traded in Q4 2019, a 3% increase compared to Q4 2018. The leading buyers of industrial properties in 2019 were institutional investors (47% vs. 21% in 2018), followed by private investors (39% vs. 44% in 2018). Private sellers accounted for most or 40% of activity (vs. 74% in 2018) followed by cross-border investors (37% vs. 6% in 2018).⁴

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2018. (f) by Moody's Analytics economy.com 11/2019 ⁴RCA.

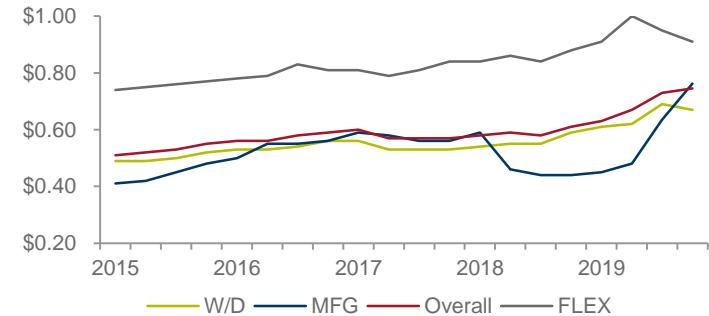
OUTLOOK

- Las Vegas will outperform the U.S. over the next several years. Job growth will decelerate across industries by mid-2020 but is expected to bounce back in 2021, a positive for a market relying on consumer spending. Longer term, unmatched tourism assets and strong population trends will ensure that Las Vegas remains an above-average performer.
- Industrial growth remains concentrated in the North Las Vegas and Southwest submarkets. Tenant activity will continue throughout the valley, but these two submarkets are expected to benefit the most.

INDUSTRIAL SALES VOLUME IN \$ MILLIONS



MONTHLY AVERAGE RENT, \$PSF TRIPLE NET



MONTHLY AVERAGE RENT, \$PSF TRIPLE NET



MARKETBEAT LAS VEGAS



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NNN RENT (MFG)	OVERALL WEIGHTED AVG NNN RENT (W/D)	OVERALL WEIGHTED AVG NNN RENT
Airport/East	14,372,367	429,359	2.0%	-2,194	271,036	30,897	212,578	\$0.78	\$0.75	\$0.75
Central	7,287,544	135,812	1.9%	-3,342	3,250	0	0	-	\$0.92	\$0.92
North Las Vegas	45,956,306	4,001,941	8.7%	415,860	3,525,810	3,072,476	5,121,564	-	\$0.54	\$0.57
Northwest	872,074	87,965	10.1%	-11,730	-25,771	725,840	0	-	\$1.05	\$0.93
Southwest	36,584,901	1,423,718	3.9%	-12,733	952,764	73,906	1,008,251	\$0.72	\$0.79	\$0.91
Henderson	16,397,560	761,886	4.6%	-27,109	-283,447	882,948	297,515	-	\$0.67	\$0.75
TOTAL	121,470,752	6,840,681	5.6%	358,752	4,443,642	4,786,067	6,639,908	\$0.76	\$0.67	\$0.75
FLEX	15,767,776	1,170,504	7.4%	-70,864	-47,845	30,897	562,832			\$0.91
MFG	10,871,325	133,317	1.2%	38,679	217,519	0	251,758			\$0.76
W/D	94,831,651	5,536,860	5.8%	390,937	4,273,968	4,755,170	5,825,318			\$0.67
TOTAL	121,470,752	6,840,681	5.6%	358,752	4,443,642	4,786,067	6,639,908	\$0.76	\$0.67	\$0.75

*Rental rates reflect triple net asking \$psf/monthly. **Leasing statistics include renewals. FLEX = Flex MFG = Manufacturing W/D = Warehouse/Distribution

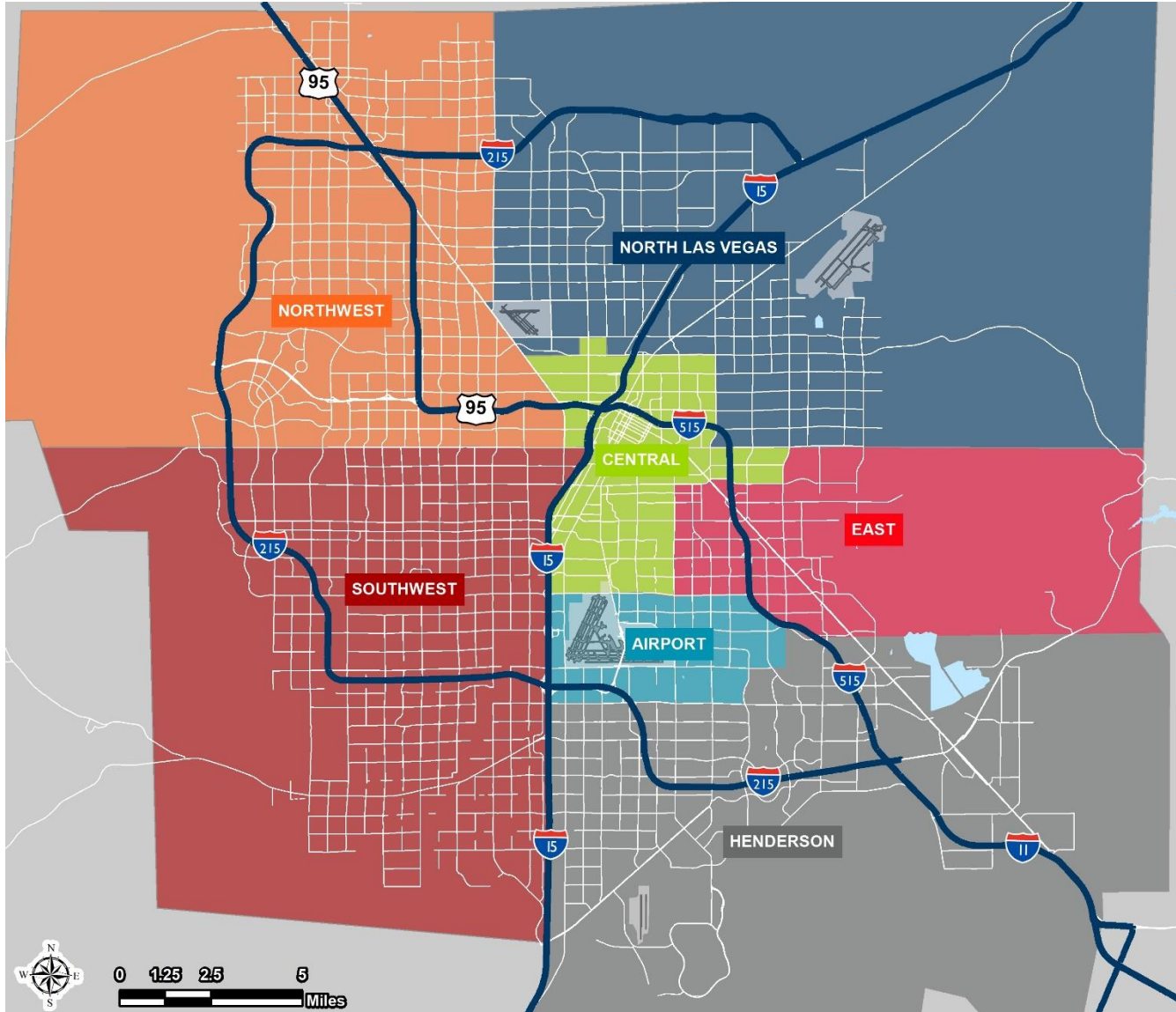
KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5605 N. Hollywood Blvd.	North Las Vegas	Lowe's	285,000	New
3035 E. Lone Mountain Rd.	North Las Vegas	Visual Comfort Group, Inc.	207,070	Renewal**
4850 Statz St.	North Las Vegas	Whitebox Technologies, Inc.	81,103	Sublease
3732 N. Las Vegas Blvd.	North Las Vegas	Updike Distribution Logistics, LLC	75,371	New
3125-3135 Marco St.	North Las Vegas	All American Convention Services	75,000	Renewal**

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Nicola Wealth Mgmt/CapRock Partners Portfolio	Southwest	CapRock Partners & CenterSquare Investment Mgmt / Nicola Wealth Mgmt	276,464	\$40,050,000 / \$145
Southwest Commerce Center Portfolio	Southwest	Brass Cap Development / EastGroup Properties, Inc.	195,947	\$25,473,110 / \$130
1550 Executive Airport Dr.	Henderson	LaPour Partners / Landstar Management	106,680	\$14,905,897 / \$140
3020 – 3060 N. Walnut Rd.	Southwest	MCA Realty, Inc. / CapRock Partners	91,688	\$7,850,000 / \$86
920 Pilot Rd.	North Las Vegas	Tierra Management / The Krausz Companies, Inc.	86,515	\$16,950,000 / \$196

INDUSTRIAL SUBMARKETS



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