

## Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
<b>6.4%</b> Vacancy Rate	▲	▼
<b>2.2M</b> Net Absorption, SF	▲	▲
<b>\$0.76</b> Asking Rent, PSF	▲	▬

*Overall, Net Asking Rent*

### ECONOMIC OVERVIEW

The Las Vegas employment market has been significantly impacted by COVID-19 stay-at-home orders, resulting in a loss of 106,500 jobs or -10.1% year-over-year (YOY) through November 2020. Of the 106,500 jobs lost, 62,400 (-21.4% YOY) or 58.6% of losses were in the leisure and hospitality sector. Professional and business services sector lost 21,200 jobs (-13.8% YOY) or 19.9% of total jobs lost. During the same time, the monthly unemployment rate increased from 3.6% last year to 11.5% and is currently 130 basis points (bps) below the Q4 2020 quarterly average of 12.8%.<sup>1</sup> On the bright side, monthly job gains have been positive for the last seven consecutive months. All employment sectors are expected to grow at a combined rate of 1.6% in 2021 and 5.0% in 2022. Las Vegas's economy of \$102.1 billion as measured by gross regional product is forecasted to grow 5.3% in 2021 and 10.6% in 2022, above its 10-year average of 1.4%.<sup>2</sup>

### SUPPLY AND DEMAND

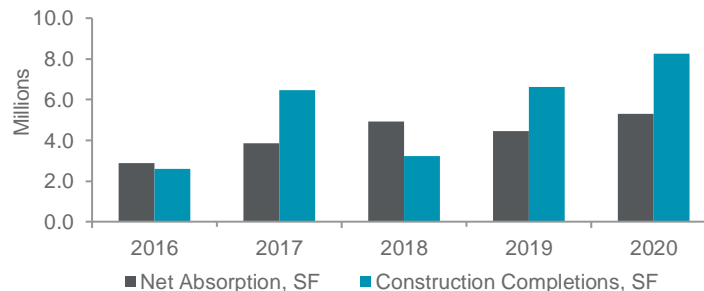
Industrial vacancy, including sublease, increased 160 bps quarter over quarter (QOQ) and 190 bps since last year to 6.4% in Q4 2020. The current vacancy rate is 220 bps below the 10-year quarterly average of 8.6%. The Las Vegas market experienced a slight bump in vacancy YOY due to the wealth of new construction projects across the market. Vacancy rates increased for all property types compared to a year ago. Flex vacancy grew 290 bps to 8.2%, warehouse and distribution (W/D) vacancy rate increased 180 bps to 6.6% and manufacturing vacancy grew 160 bps to 2.2% YOY. Tenants absorbed 2.2 million square feet (msf) this quarter, bringing the 2020 net absorption total to 5.2 msf. North Las Vegas, the largest submarket by inventory, continues to dominate every other submarket in terms of both absorption and leasing activity. Seven tenants took occupancy this quarter in North Las Vegas submarket exceeding 100,000 square feet (sf). This includes Fedex (632,300 sf) at Prologis' I-15 Speedway Logistics Center, Whitebox Technologies (350,500 sf) in the Golden Triangle Logistics Center and Camco Manufacturing (203,900 sf) in the Northgate Industrial Center. Elsewhere, Border Concepts (61,600 sf) moved into Blue Diamond Interchange Center in the Southwest submarket.

### ECONOMIC INDICATORS Q4 2020

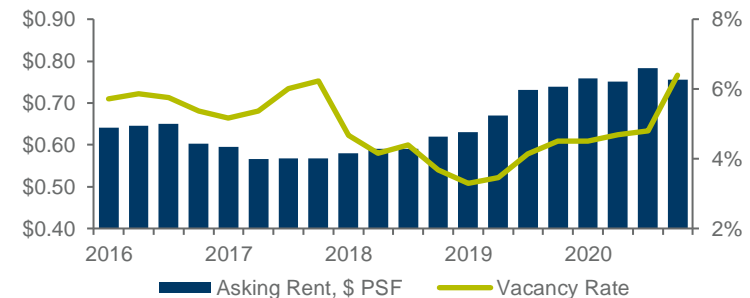
	YoY Chg	12-Mo. Forecast
<b>933.0K</b> Las Vegas Employment	▼	▲
<b>12.8%</b> Las Vegas Unemployment Rate	▲	▼
<b>6.7%</b> U.S. Unemployment Rate	▲	▼

Leasing activity increased in Q4 2020 to 3.6 msf (97 deals), including renewals, compared to 3.1 msf (155 deals) in Q3 2020. Tenants leased 11.5 msf across 514 deals in 2020 of which 10.0 msf (411 deals) were new leases and 1.5 msf (103 deals) were renewals. Leasing of W/D space accounted for 90% or 10.4 msf leased in 2020. Three submarkets combined accounted for 92% or 10.5 msf space leased in 2020: North Las Vegas (65%), Southwest (18%) and Henderson (9%). Furthermore, five tenant industries accounted for two-thirds (67%) of total new leasing in 2020. These occupiers were: e-commerce/technology tenants (3.0 msf), followed by manufacturing (1.6 msf), trade, transportation and utilities (1.2 msf) and retail trade (946,800 sf). As these tenants take occupancy across the market in the coming quarters, Las Vegas should experience occupancy gains which will further drive down vacancy.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY / ASKING RENT



Source: BLS

The Las Vegas industrial market added nearly 14.9 msf to its inventory over the last two years with 6.6 msf delivered in 2019 and 8.2 msf in 2020. Majority of new space or 89% totaling 7.4 msf was added to W/D inventory in 2020, with 5.4 msf added to North Las Vegas submarket. In Q4 2020, 4.5 msf (18 properties) were delivered of which 3.2 msf (71%) were speculative (SPEC). These SPEC projects completed with 14% pre-leased. Although pre-leasing numbers seem down, several newly constructed projects have pending leases yet to be inked as of Q4 2020. Notable Q4 2020 SPEC completions include the Golden Triangle Logistics Center, Matter Logistics Center and Interchange Industrial Center – all located in the North Las Vegas submarket. Niagara Bottling also finished their 320,000-sf BTS project located at 6445 E. El Campo Grande Avenue this quarter.

### FUTURE INVENTORY

There are 4.9 msf (28 properties) currently under construction in the Las Vegas industrial market with 38% already pre-leased. SPEC development comprises 3.2 msf across 24 buildings, with 1.5 msf (7 properties) in North Las Vegas submarket. Comparatively, BTS projects encompass 1.7 msf across four buildings, with 90% (1.5 msf or two properties) being built in the North Las Vegas submarket. Clarion Partners' development of the Silver State Commerce Center continues. Once complete, the park will feature four buildings (both BTS and SPEC), including an approximately 202,200 sf BTS building for a large e-commerce tenant. Additionally, there are 46 proposed projects, totaling 6.3 msf, across all product types.

### PRICING

Average asking rent for all product types combined was \$0.76 per square foot (psf) per month on a triple net basis. Despite overall rents decreasing 3.5% QOQ, average rent increased 2.4% YOY. The average rent increased 2.9% YOY for W/D space and 5.6% for flex space. Notably, the average rent increased 7.4% in Henderson and 4.0% in North Las Vegas submarkets YOY. Developers added nearly 2.0 msf in 2020 to the Henderson submarket alone, which contributed to its impressive rental rate hike.

### SALES ACTIVITY

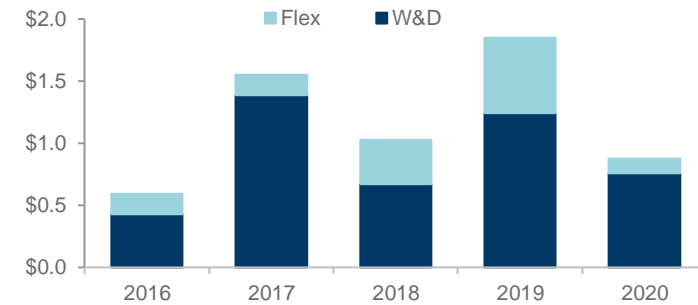
The industrial market recorded \$877 million in sales activity across 57 properties and 7.1 msf in 2020, a 53% YOY decrease compared to 2019. Average price per sf was \$133 in 2020 (+15% YOY). Private investors were the leading buyers this year (57% vs. 47% in 2019), followed by institutional buyers (30% vs. 43% in 2019). Private sellers accounted for 70% of buying activity (vs. 33% in 2019), followed by institutional (16% vs. 9% in 2019).<sup>3</sup>

Sources: <sup>1</sup>www.bls.gov <sup>2</sup> GDP as of 2020. (f) by Moody's Analytics economy.com 12/2020 <sup>3</sup> RCA.

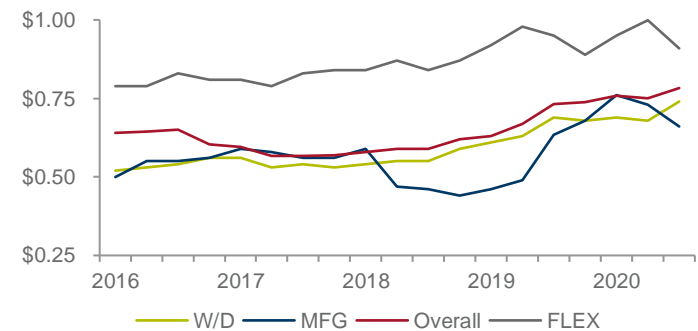
### OUTLOOK

- The Las Vegas industrial market outpaced all other property types in 2020. Despite the COVID-19 pandemic, demand remains impressive for new W/D product. Rent growth is expected to continue into the near future as existing landlords compete with the influx of newly constructed properties.
- E-commerce/technology and manufacturing tenants need space thanks to shifting consumer demands. Las Vegas is poised to benefit. Industrial occupiers will keep choosing Las Vegas, thanks to the pro-business climate, lifestyle affordability, favorable tax structure and proximity to major Western markets.

### INDUSTRIAL SALES VOLUME IN \$ BILLIONS



### MONTHLY AVERAGE RENT, \$PSF TRIPLE NET



### MONTHLY AVERAGE RENT, \$PSF TRIPLE NET



# MARKETBEAT LAS VEGAS



## Industrial Q4 2020

### 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 NET RENT*	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (MFG)
Airport	13,342,254	655,428	4.90%	-110,911	-441,758	151,200	30,897	\$0.78	\$0.75	\$0.85
Central	7,340,544	195,003	2.70%	-18,818	-72,168	0	0	\$0.81	\$0.82	\$0.65
East	1,244,713	74,253	6.00%	-1,342	7,426	0	0	\$0.70	\$0.69	-
Henderson	18,914,299	777,629	4.10%	628,953	1,566,143	802,736	1,980,359	\$0.78	\$0.71	\$1.25
North Las Vegas	51,407,282	4,976,673	9.70%	1,858,177	4,284,893	3,050,341	5,702,944	\$0.59	\$0.57	\$0.63
Northwest	872,074	42,286	4.90%	22,609	41,590	0	0	\$1.01	\$1.05	\$0.83
Southwest	38,451,114	1,663,310	4.30%	-197,083	-98,113	886,682	543,672	\$0.92	\$0.88	\$0.69
FLEX	15,896,206	1,299,723	8.2%	-123,427	89,212	64,077	568,816	\$0.94		
MFG	11,577,115	250,805	2.2%	194,500	137,415	0	320,000	\$0.71		
W/D	104,098,959	6,834,054	6.6%	2,110,512	5,061,386	4,826,882	7,369,056	\$0.70		
<b>TOTAL</b>	<b>131,572,280</b>	<b>8,384,582</b>	<b>6.4%</b>	<b>2,181,585</b>	<b>5,288,013</b>	<b>4,890,959</b>	<b>8,257,872</b>	<b>\$0.76</b>	<b>\$0.70</b>	<b>\$0.71</b>

\*Rental rates reflect weighted net asking \$psf/month \*\*Renewals not included in leasing statistics.

FX = Flex MFG = Manufacturing W/D = Warehouse/Distribution

### KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5430 Donovan Way	North Las Vegas	EZ Flo, Inc.	213,989	New
1379 Raiders Way	Henderson	Safe Life Defense, LLC	137,225	New
Silver State Commerce Center - Bldg. 1	North Las Vegas	Home Depot	121,389	New
3010 E. Alexander Rd.	North Las Vegas	Liquidity Services, Inc.	102,400	Renewal**
5840 Donovan Way	North Las Vegas	City Electric Supply Co.	95,513	New

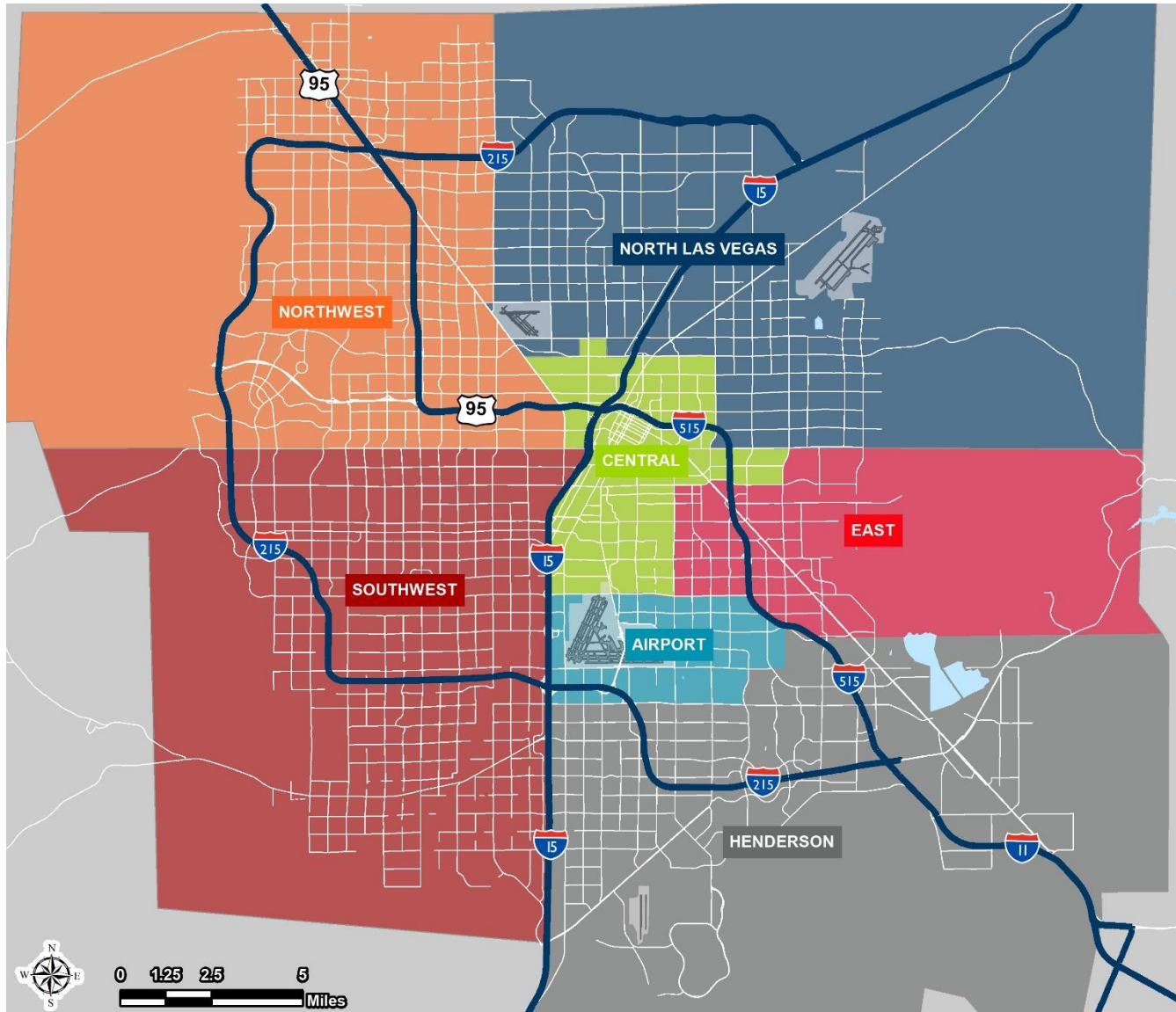
### KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
I-15 North Distribution Center	North Las Vegas	Huntington Industrial Partners / Lincoln Property Company	341,864	\$48.6M / \$142
EJM / Starwood Portfolio	Southwest	EJM Development Co. / Starwood Capital Group	260,647	\$44.5M / \$171
2842 – 2912 E. La Madre Way	North Las Vegas	La Madre Way LLC / Hirschi Masonry	70,729	\$9.0M / \$127
4460 Arville St.	Southwest	MCA Arville Gateway LLC / Nicola Wealth Real Estate	43,702	\$8.3M / \$189
1011 E. Alexander Ave.	North Las Vegas	Vernalis Partners LTD / Colvin Construction	43,600	\$6.1M / \$141

### KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Golden Triangle Logistics Center – Bldgs. 1 & 2	North Las Vegas	Whitebox Technologies, Inc.	1,002,458	Washington Capital Management
Matter Logistics Center at W. Cheyenne – Bldgs. A – E	North Las Vegas	All Wall Equipment, Bonaire USA	727,226	Matter Real Estate Group

INDUSTRIAL SUBMARKETS



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