

INVESTMENT FORECAST

Industrial
Las Vegas

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Outside Buyers Wager on Las Vegas Assets as the Metro Ranks Among the Nation's Tightest Industrial Markets

Record supply wave met with solid demand for modern space. Las Vegas notched the largest reduction in vacancy among major U.S. industrial markets last year, as population growth and user demand for affordable space near Southern California supported the absorption of 6.6 million square feet. This standout demand slashed area availability to nearly 2 percent and bolstered development activity in North Las Vegas and Speedway—submarkets that are registering the most robust leasing. In both locales, more than 2.2 million square feet is slated for delivery this year. Of this space, 75 percent is accounted for, with the recent abundance of 100,000- to 200,000-square-foot-plus lease commitments suggesting the remaining speculative space will be absorbed in the near term. Steadfast demand for modern facilities will allow Las Vegas to end this year as the tightest market outside of Southern California, supporting the nation's strongest rent growth.

Nationwide buyer pool reacts to market strength. Responding to record-low vacancy, double-digit rent gains and future growth prospects, out-of-state investors are extremely active in the market, acquiring post-2000-built assets in the metro's largest submarkets. Last year, the volume of assets purchased by California-based buyers and other outside parties translated to a boost in deal flow that lifted sales volume to a record mark. Smaller and midsize warehouses near the confluence of Interstates 15 and 215 in Southwest Las Vegas are garnering significant attention, while local vacancy hovers in the low-1 percent range. Similar assets adjacent to St. Rose Parkway, an area of commercial expansion, are also in demand, with buildings across these locales trading at high-4 percent to low-6 percent returns. Institutional firms focused on distribution centers are most active in North Las Vegas and Speedway, accepting first-year yields in the high-5 to high-6 percent band.

2022 Market Forecast

- Employment**
up 6.6%

Las Vegas registers the highest rate of job creation among major U.S. markets in 2022, as employers add 65,000 positions.
- Construction**
7.5 million sq. ft.

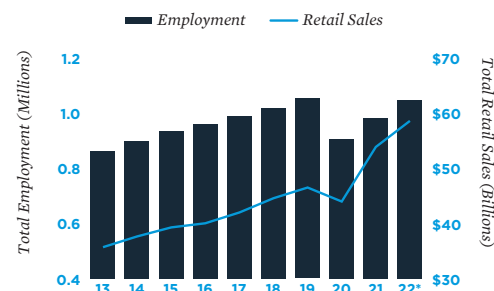
The metro records a historic year for construction, translating to inventory expansion of 6 percent. Delivery volume in 2022 exceeds the prior five-year mean by 3 million square feet.
- Vacancy**
up 40 bps

Industrial users absorb more than 6 million square feet for a second consecutive year amid a wave of deliveries, holding year-end vacancy below 3 percent.
- Rent**
up 10.9%

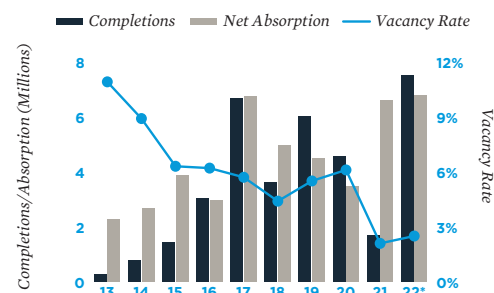
One of the lowest vacancy rates in the nation and an influx of new supply foster double-digit rent growth this year, pushing the metro's average marketed rate to \$10.50 per square foot.
- Investment**

Investor competition for warehouses proximate to Harry Reid International Airport may intensify, as vacancy in the area is extremely sparse, construction is minimal and the potential for an increase in local air cargo activity exists.

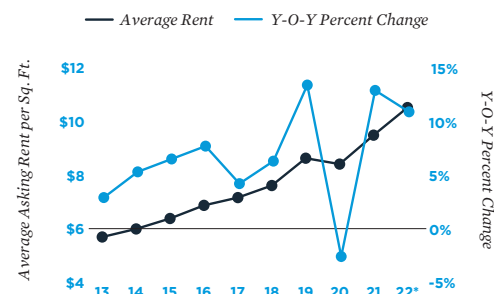
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.