

# MARKET REPORT

Industrial  
Las Vegas Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

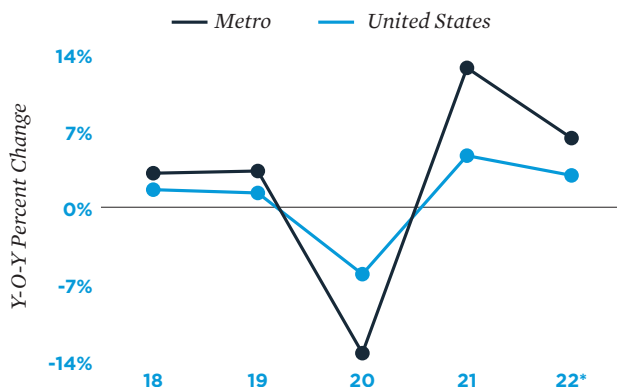
Midyear 2022

## Macro Industrial Trends Deal Las Vegas a Record Hand of Fundamentals

**Metro collects nation's largest vacancy reduction.** Spillover demand from Los Angeles and the Inland Empire and importers' embrace of inland distribution points for containerized freight is bolstering Las Vegas' industrial fundamentals. Tenant demand for warehouse and distribution space has elevated substantially of late. Over the past year ended in March, vacancy declined by 410 basis points, dropping availability to 1.9 percent. The sparse volume of available space is supporting a refill of the construction pipeline. Demand for modern facilities is such that just 10 percent of the more than 3.7 million square feet slated for 2022 completion was available as of mid-June. Strong pre-leasing, regionally discounted asking rents and a rapidly growing populace should all preserve strong fundamentals moving forward. This will enable Las Vegas to rank among the top performing industrial markets nationally this year.

**Mid- and large-scale leasing accelerates in northern boundary.** Home to some notable newer inventory and the metro's lowest asking rents, North Las Vegas and Speedway are the epicenter of local leasing activity. Combined, these adjacent submarkets tallied more than 5.7 million square feet of net absorption over the past four quarters, dropping local vacancies into the low- to mid-1 percent range. Extremely scant conditions warrant near-term supply additions. However, most properties slated for 2022 delivery are accounted for. This situation may spark a round of groundbreakings, namely in Speedway where 6.2 million square feet is proposed.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Industrial 2022 Outlook



**65,000  
JOBS**  
*will be created*

### EMPLOYMENT:

Transportation and warehousing-related hiring accounted for 10 percent of the 20,500 positions added in the first five months of 2022. Las Vegas is expected to record a 6.3 percent rate of job growth this year that will push the total headcount to a record mark.



**3,750,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

Comparable volumes of distribution and warehouse space expand Las Vegas' stock by 3 percent in 2022. This increase ranks as the seventh largest among major U.S. metros. However, completions trail the metro's prior five-year mean by 800,000 square feet.



**20  
BASIS POINT**  
*decrease in vacancy*

### VACANCY:

Strong pre-leasing and growing tenant demand for midsize warehouse and distribution space translates to the absorption of nearly 4 million square feet during 2022. This leasing velocity compresses vacancy to 1.8 percent, the lowest year-end rate on record.

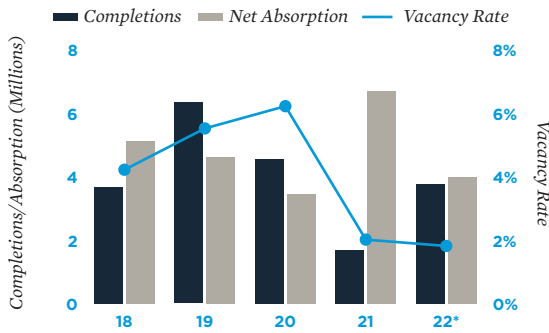


**12.5%  
INCREASE**  
*in asking rent*

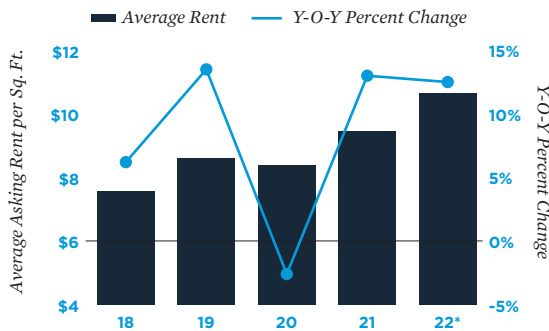
### RENT:

Historically-low vacancy supports a pace of rent growth on par with last year's 13.0 percent gain. Double-digit escalation lifts the metro's mean marketed rate to \$10.65 per square foot, a figure at least \$6 below that of coastal Southern California markets.

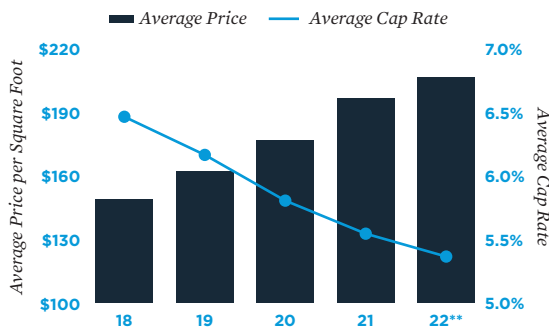
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 1Q 2022 - 12-Month Period

**CONSTRUCTION**  
**2,847,000 sq. ft. completed**

- Inventory grew by 2.3 percent over the past year ended in March, supported by the addition of nearly 1.6 million square feet during the first quarter.
- As of mid-June, nearly 12.3 million square feet of space was proposed across the metro. Recently strong demand for newly-built properties suggests some of these projects will break ground in the near term.

**VACANCY**  
**410 basis point decrease in vacancy Y-O-Y**

- Noteworthy demand for mid-sized warehouses and larger distribution space equated to a significant drop in metro availability during the 12-month period. Entering April, vacancy sat at 1.9 percent.
- Reflecting widespread leasing, six of the metro's seven largest submarkets by stock noted declines of at least 200 basis points over the yearlong span.

**RENT**  
**22.8% increase in the average asking rent Y-O-Y**

- Significant vacancy compression fueled a pace of rent growth that notably surpassed that of other major Mountain metros. At the onset of the second quarter, Las Vegas' average marketed rate stood at \$10.34 per square foot.
- Asking rents rose by at least 14 percent across all submarkets, underscored by 30 percent-plus spikes in Southwest Las Vegas and Speedway.

## Investment Highlights

- A diverse buyer pool supported a historic level of deal flow during the 12-month period ended in March, with sales velocity more than doubling on a year-over-year basis. A significant portion of recently deployed capital is stemming from California-based investors and additional out-of-state sources. Many of these buyers are pursuing early 2000s-built assets at lower pricing and higher cap rates than available in their home markets.
- Record-low vacancy and standout rent growth is heightening competition for listings and lifting property values. Over the past four quarters, Las Vegas' average price point climbed 14 percent to \$206 per square foot, an increase that compressed the mean cap rate 30 basis points to 5.4 percent.
- Sales activity is most pronounced in North and Southwest Las Vegas, the metro's two largest submarkets by stock that each display sub-2 percent vacancy. Buyer demand for smaller warehouses is high in Southwest Las Vegas, as investors anticipate future tenant demand for last-mile space amid a near-term influx of apartments in the area. Here, warehouses trade for an average of roughly \$220 per square foot, with mid-4 to high-5 percent returns obtainable. Slightly higher yields and lower pricing is available in North Las Vegas for similar-sized assets.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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