

# MARKET REPORT

INDUSTRIAL

Las Vegas Metro Area

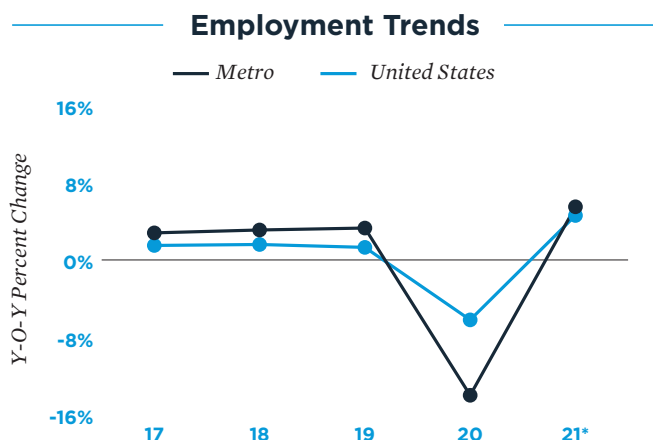
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ADVISORS

2Q/21

## Foundations for Future Industrial Demand in Place As Inflow of Speculative Development Continues

**Large-scale leases buoy fundamentals.** Industrial vacancy in Las Vegas was just 50 basis points above the prior five-year average at the end of the first quarter despite the pandemic disrupting demand and a continual inflow of speculative properties. Population growth, proximity to Southern California and Mountain metros, as well as a business-friendly environment are all to credit for attracting more national and regional companies to the market. BarkBox, EZ-FLO International, Whitebox Technologies and Ruby Has represent a portion of the larger firms that have entered the metro over the past year and inked sizable leases. Additionally, existing companies including Amazon and FedEx have expanded their local footprints. This growth is reflected in the number of retail trade, transportation and utilities positions, which climbed to a new high following the addition of 8,000 workers over the past year.

**Developers bet on metro's ability to attract growing firms.** Construction activity remains elevated for a sixth straight year with a Google Data Center in Henderson and two fully leased distribution centers in Speedway highlighting supply additions. Apart from these buildings, a high percentage of space slated for completion was available to lease as of May. These facilities are poised to place upward pressure on vacancy. However, recent leasing activity suggests their impact may be short lived as a group of newly built speculative developments became fully leased after securing sizable commitments during the first quarter of 2021.



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Industrial 2021 Outlook



**50,000  
JOBS**

*will be created*

### EMPLOYMENT:

Las Vegas' employment base is anticipated to expand by 5.5 percent in 2021, recovering one-third of the 147,800 positions lost last year. Logistics-related hiring will sustain job creation in the retail trade, transportation and utilities sector.



**5,300,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Supply additions in 2021 exceed the nearly 4.5 million square feet finalized last year, raising the metro's inventory by 4.4 percent. Of the space slated for upcoming delivery, roughly half was available for lease as of May.



**80  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Speculative deliveries will increase metro vacancy for a third consecutive year despite net absorption of 4.0 million square feet. At 6.9 percent, the expected year-end rate will represent the highest level of availability since the third quarter of 2017.



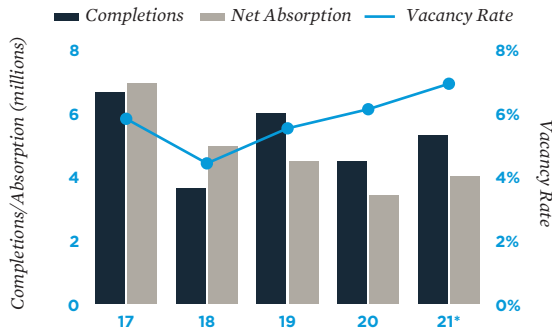
**2.7%  
INCREASE**

*in asking rent*

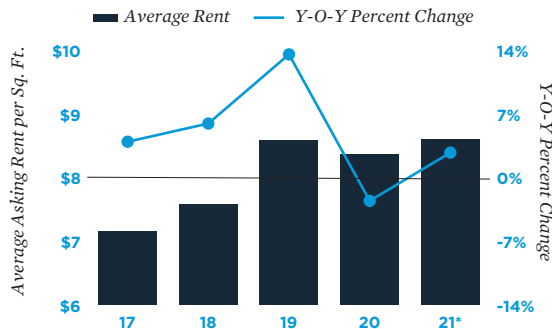
### RENT:

The volume of newly built space on the leasing market and positive absorption will push the market's average asking rent to \$8.60 per square foot in 2021, negating the 2.6 percent decline registered last year.

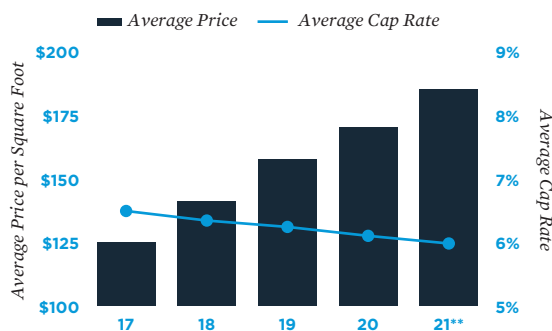
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q  
Sources: CoStar Group, Inc.; Real Capital Analytics

**IPA Industrial**  
**Alan L. Pontius**  
Senior Vice President, National Director  
Tel: (415) 963-3000 | apontius@ipausa.com

For information on national industrial trends, contact:  
**John Chang**  
Senior Vice President, National Director | Research Services  
Tel: (602) 707-9700 | jchang@ipausa.com

## 1Q21 – 12-Month Period

### CONSTRUCTION

**3,841,000 square feet completed**

- Developers increased the metro’s inventory by 3.3 percent over the past four quarters, a decline in supply additions following the 5.0 million square feet finalized during the prior 12-month span.
- As of May, construction was underway on nearly 5.0 million square feet with completion dates extending into 2022.

### VACANCY

**70 basis point increase in vacancy Y-O-Y**

- Net absorption trailed supply additions over the past year ending in March, pushing vacancy up to 6.1 percent. During the prior 12-month period an increase of 100 basis points was recorded.
- The epicenter of recent deliveries, North Las Vegas notched a 170-basis-point spike in vacancy that elevated availability to 7.9 percent.

### RENT

**3.7% decrease in the average asking rent Y-O-Y**

- A 1.1 million-square-foot increase in vacant stock over the past year hindered operators’ abilities to raise rents, dropping the average marketed rate to \$8.41 per square foot in March.
- In contrast to the metrowide trend, Southeast Las Vegas-Henderson noted an 8.5 percent boost in the mean rent as vacancy fell 70 basis points.

### Investment Highlights

- Sales activity returned to a pre-pandemic pace during the fourth quarter and continued through the early months of 2021. Still, the disruption caused by the health crisis during the spring and summer of last year drove a 39 percent decline in year-over-year deal flow.
- Average pricing rose 15 percent over the 12-month period ending in March, the third largest gain among major U.S. markets. At \$185 per square foot, Las Vegas’ mean price point trails the peak value recorded in 2007 by 7 percent. Amid the surge in pricing, the average cap rate declined 20 basis points to 6 percent, a new low.
- A mix of out-of-state and Nevada-based investors are actively acquiring smaller warehouses in North and Southwest Las Vegas, Henderson, and areas adjacent to McCarran Airport. Since the onset of the health crisis, Class B properties have traded most frequently, with pricing above \$200 per square foot becoming more common. On the low end, these buildings are providing buyers with high-4 percent returns.
- The ability to obtain distribution centers for less than \$150 per square foot should draw additional institutional investors to the market.