

Las Vegas industrial market report

Q2 2024

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Las Vegas industrial market trends

2.4m

Significant construction activity boosts deliveries (sf)

The industrial sector in the Las Vegas market continues to thrive, with significant construction activity concentrated in the North Las Vegas submarket. In Q2 2024 alone, the market saw the completion of 2.4 million square feet of new inventory, and an additional 10.2 million square feet remains in the development pipeline. Despite the increase in the vacancy rate, this growth should not be misinterpreted as a decline in demand. Instead, it reflects the substantial influx of new inventory into the market.

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High leasing activity creates positive absorption (sf)

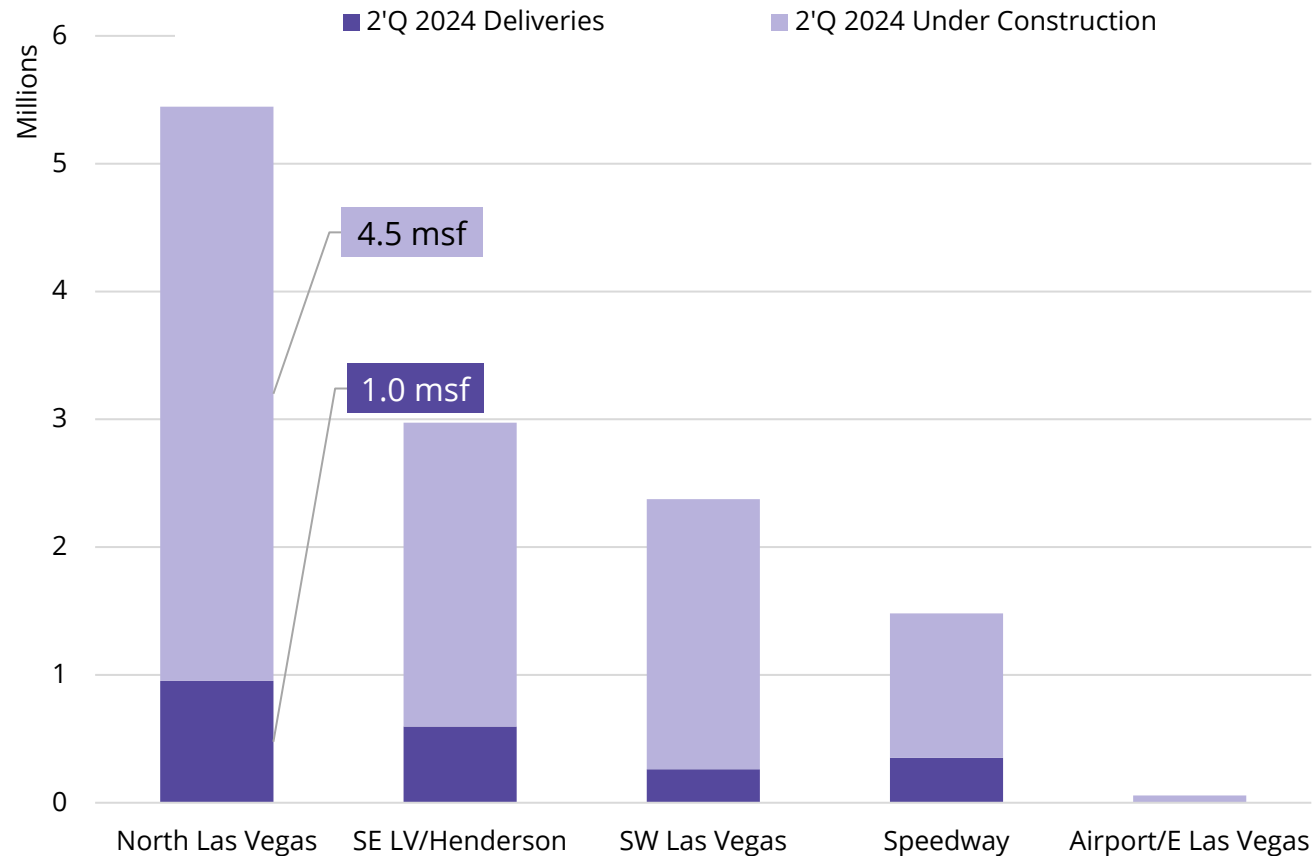
In Q2 2024, Las Vegas saw robust demand with 2 million square feet of positive absorption, indicating vigorous market activity. Despite an increase in vacancy rates due to new inventory, which remains below the historical average of 7.2%, the market remains strong. Absorption levels, while peaking in 2021 post-pandemic, continue to exceed many pre-pandemic quarters, showcasing sustained market resilience. Global leaders such as Pepsi and Berry Global establishing roots in the Las Vegas industrial market underscore its appeal and growth potential moving forward.

\$1.14

Asking rent growth slows, plateauing high rent levels (\$)

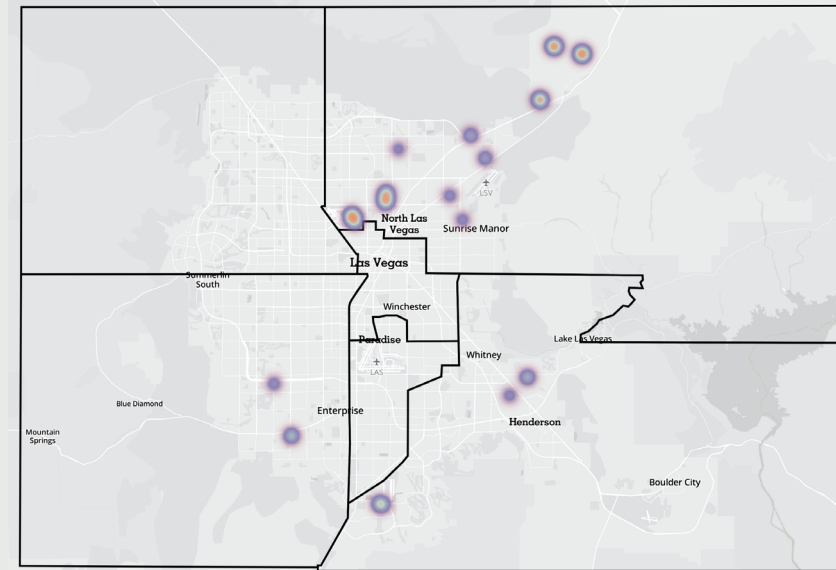
In Q2 2024, the Las Vegas industrial market saw direct asking rents average \$1.14 per square foot per month, slightly lower than the \$1.17 recorded in Q1 2024. This adjustment follows a period of robust growth post-pandemic, spanning from Q4 2020 to Q4 2022, during which rents steadily increased. Despite recent quarters showing signs of stabilization and a deceleration in rent growth, indicating a potential plateau in rental rates, it is noteworthy that rents continue to remain above historical averages.

Las Vegas industrial development (sf)



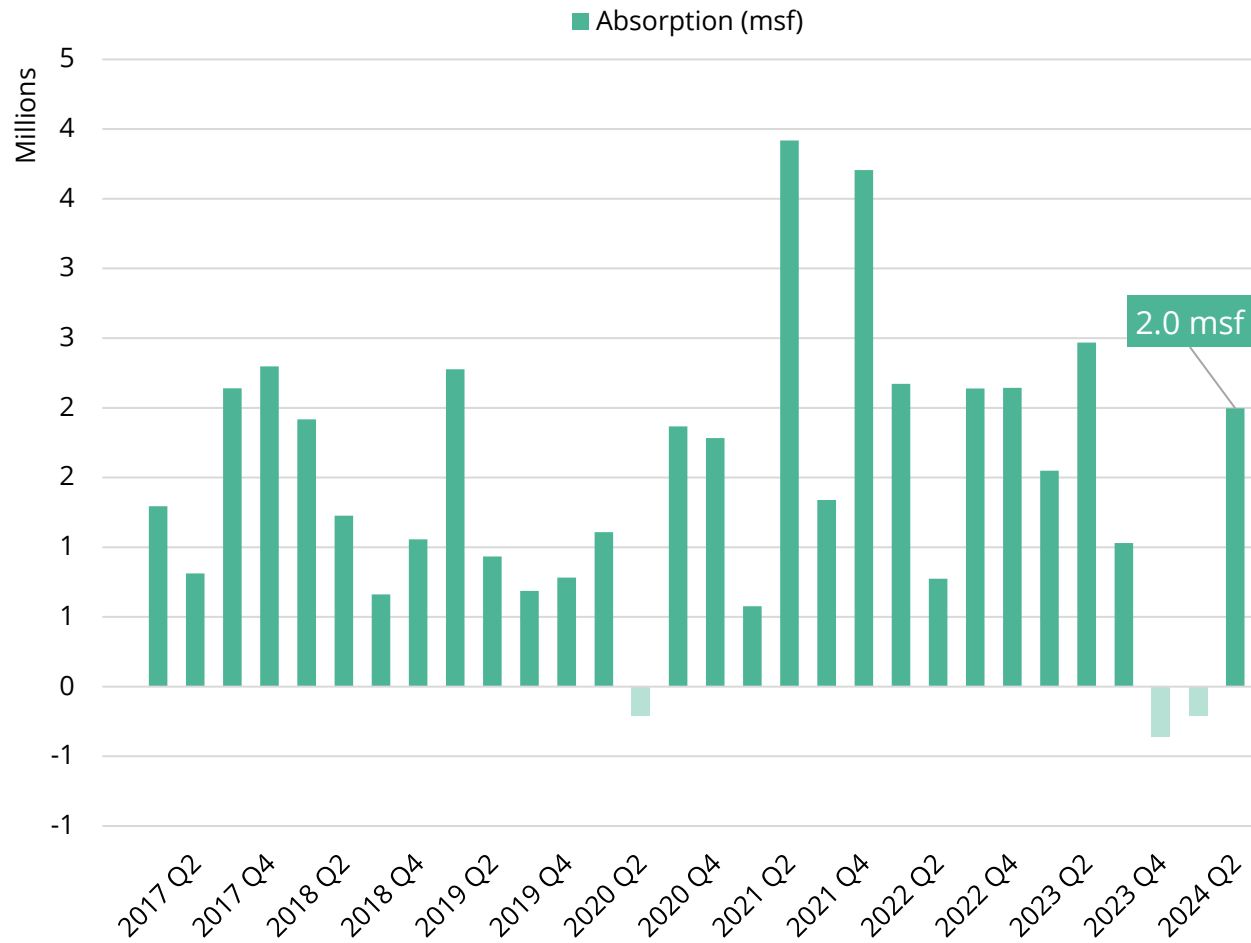
Note: Submarkets with no industrial activity were not included in this graph.

Robust Development Activity



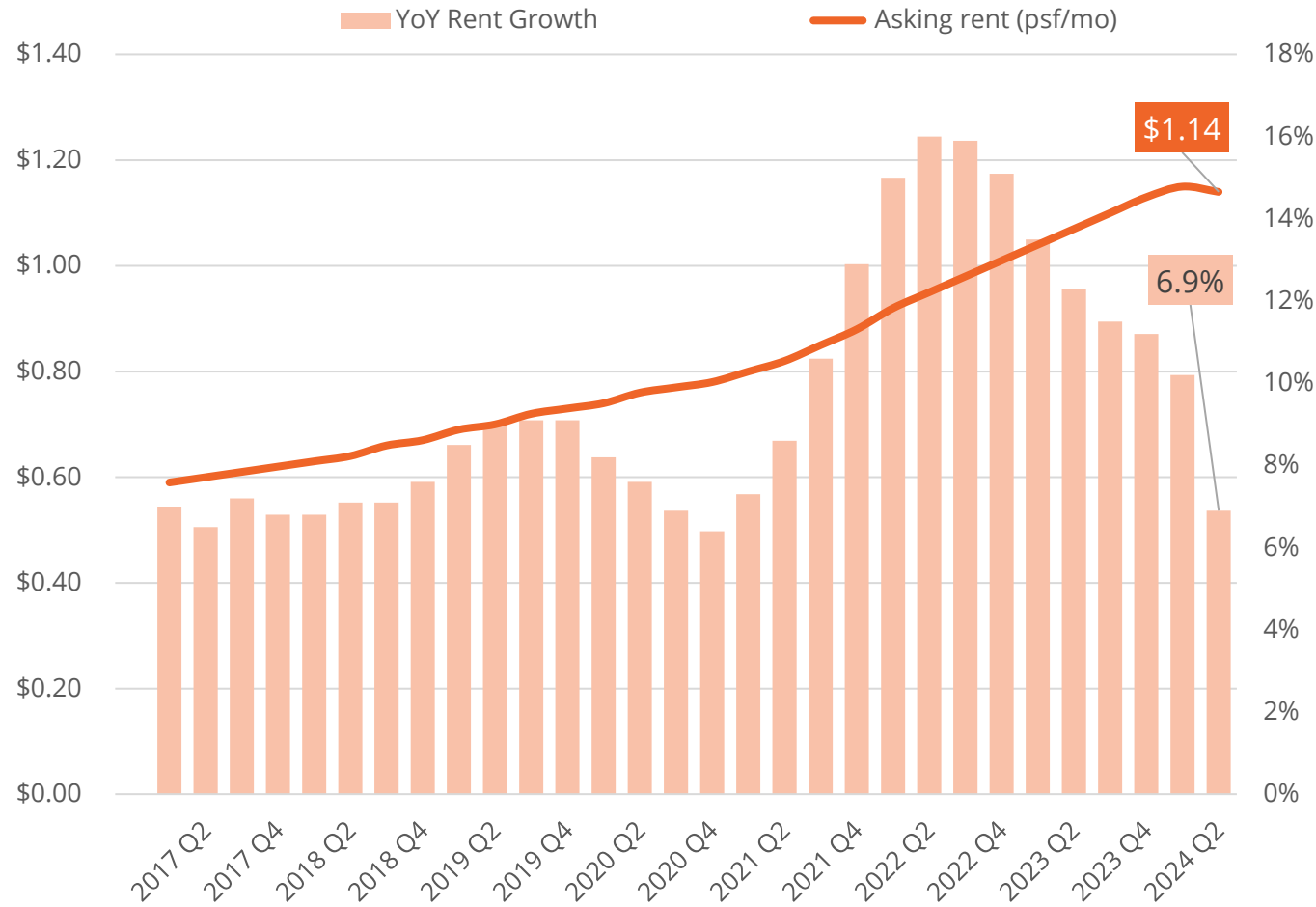
Las Vegas' industrial construction scene is bustling, with major projects in the North, Southwest, and Southeast/Henderson submarkets detailed on page 7. Completion for many of these projects is targeted by end of 2024, though timelines may vary.

Las Vegas industrial absorption (sf)



In Q2 2024, Las Vegas experienced a rebound from two consecutive quarters of slight negative absorption. Despite the market accumulating new supply, which initially exceeded demand, Q2 saw a remarkable turnaround with over 2 million square feet absorbed, indicating robust activity and demand. Details of notable transactions contributing to this positive absorption can be found on page 7 under top leasing activity report.

Las Vegas industrial asking rents (\$)



Year-over-year asking rent growth rates have sharply declined since their peak in 2022, although rents continued to increase at a decelerated pace in the last few years. Q2 2024 marks the first quarter where a slight drop in asking rents has been observed, suggesting a potential stabilization at current rent levels in the upcoming quarters.

Appendix



Las Vegas industrial market activity

Q2 2024 – Top leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
The Pepsi Bottling Group	1205 E Alexander Rd	North Las Vegas	April 2024	172,424	New Lease	Direct
Berry Global	6400 E Azure Ave	Speedway	June 2024	166,143	New Lease	Direct
Borderless Distribution LLC	2400 W Carey Ave	North Las Vegas	June 2024	114,400	New Lease	Direct
Reach Cooling Group	5850 E North Belt Rd	North Las Vegas	April 2024	100,013	New Lease	Sublease
<i>Not verified</i>	6420 Karms Park Ct	Southwest Las Vegas	June 2024	65,000	New Lease	Direct

Q2 2024 – Top investment sales activity*

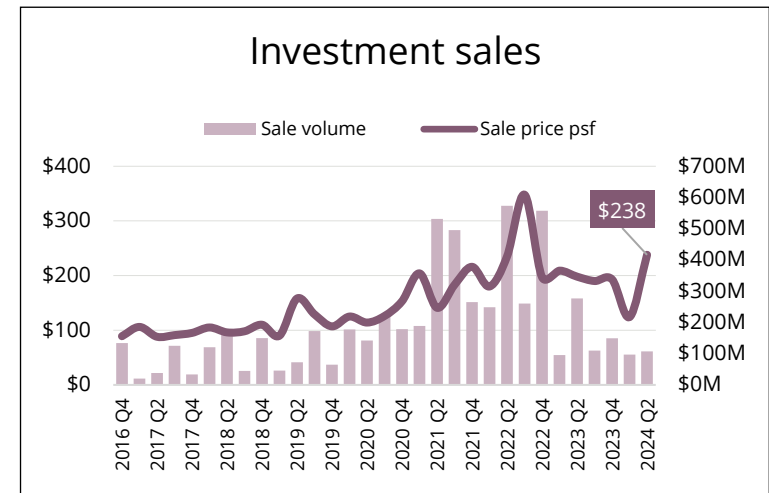
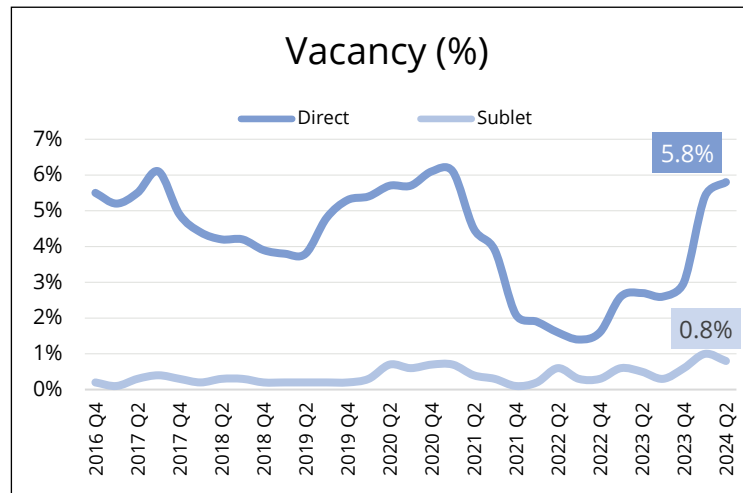
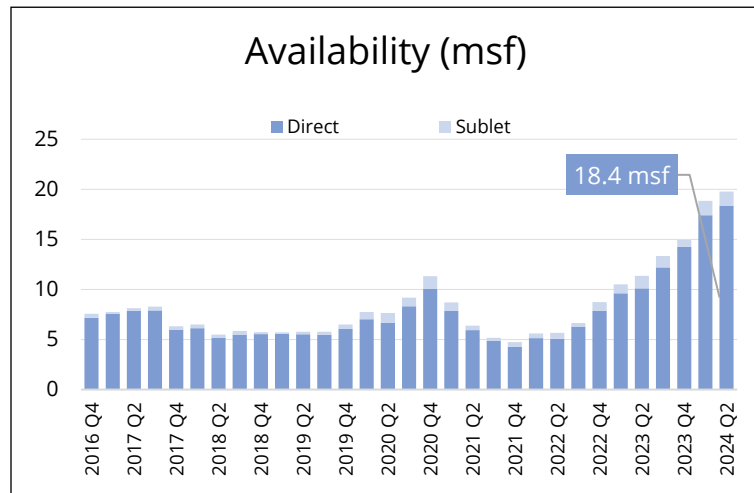
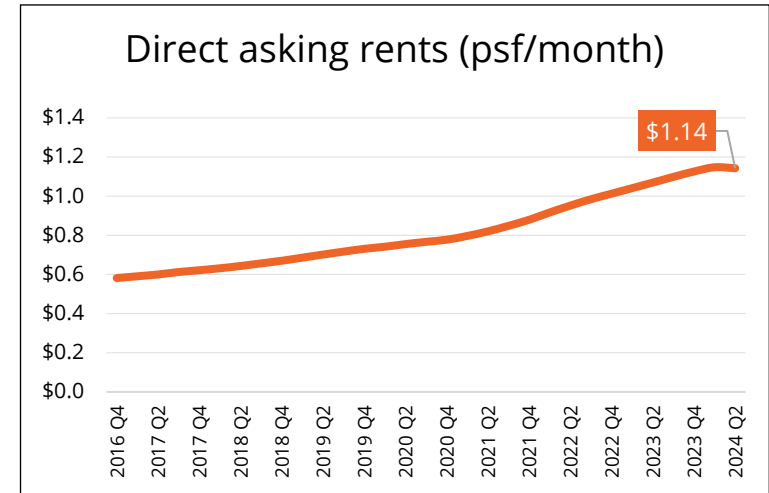
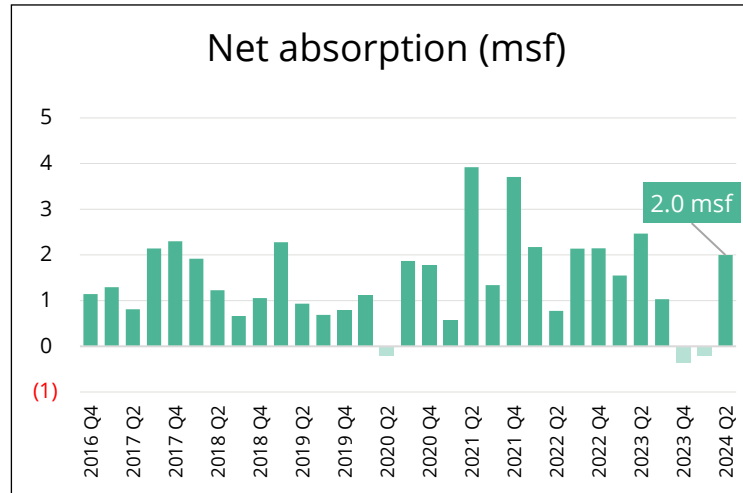
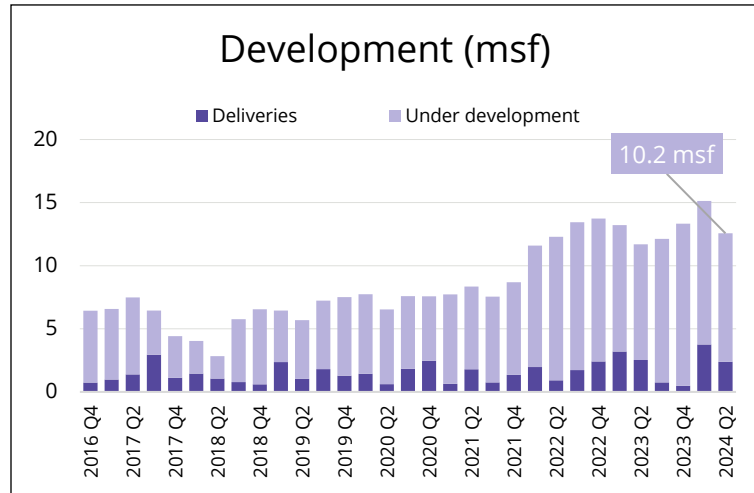
Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
David Wilson	1735 Chaparral Rd – Henderson Industrial Gateway	May 2024	98,023	\$27,877,000	\$284.39	Penwood Real Estate Investment Management
BLT Enterprises	3131 Polaris Ave	June 2024	69,433	\$18,341,234	\$264.16	PepsiCo, Inc.
TA Realty	1110 Mary Crest Rd	May 2024	54,378	\$12,350,000	\$227.11	Kennedy Wilson, Inc.

*Not including bulk portfolio sales

Top projects under development

Project Name Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
Desert Willow Logistics Center 110 W Gowan Rd – Building B	North Las Vegas	November 2024	505,466	0%	Link Logistics
Oasis Commerce Center S Rainbow Blvd	Southwest Las Vegas	September 2024	422,020	0%	Panattoni
Windsor Commerce Park – Building G 2300 W Carey Ave	North Las Vegas	October 2024	397,440	-	LPC Desert West
Becknell Galleria – Building 4 Grand Cadence Dr	SE Las Vegas / Henderson	December 2024	388,095	0%	Becknell Industrial

Las Vegas industrial market indicators



Las Vegas industrial market stats

Submarket	Existing inventory sf	Deliveries sf (Q2)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q2)	Monthly direct asking rent
Airport / East Las Vegas	12,107,915	0	56,305	3.9%	0.7%	4.6%	(17,855)	\$1.31
Central Las Vegas	5,139,188	0	0	4.2%	0%	4.2%	(42,461)	\$1.13
North Las Vegas	49,545,239	952,919	4,493,509	7.3%	0.5%	7.8%	458,114	\$0.99
Northwest Las Vegas	355,046	0	0	2.5%	0%	2.5%	(2,668)	\$1.26
SE Las Vegas / Henderson	20,878,801	826,178	2,378,141	6.6%	0.5%	7.1%	626,987	\$1.24
Speedway	15,853,559	350,926	1,130,106	8.3%	3.6%	11.9%	432,723	\$0.97
Southwest Las Vegas	28,101,938	261,828	2,113,164	3.0%	0.2%	3.2%	449,148	\$1.36
West Las Vegas	5,353,806	0	0	2.7%	0%	2.7%	92,264	\$1.24
Market total	137,335,492	2,391,851	10,171,225	5.8%	0.8%	6.6%	1,996,252	\$1.14

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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