

Build-to-Suit Space Boosts Net Absorption

- › Industrial net absorption was more than 1.8 million square feet in the second quarter
- › Amazon.com and Sephora build-to-suits accounted for most of the quarter's positive net absorption
- › Industrial vacancy increased to 3.4 percent at midyear

Southern Nevada's industrial market posted 1.8 million square feet of net absorption in the second quarter of 2019, with the bulk of that net absorption coming from two build-to-suit projects in North Las Vegas. Year-to-date, net absorption was 2.88 million square feet, while new completions of industrial space was 2.81 million square feet. Vacancy in the market increased to 3.4 percent. The weighted average asking rate decreased by \$0.01 to \$0.74 per square foot (psf) on a triple net (NNN) basis.

According to the Nevada Department of Employment, Training and Rehabilitation, Southern Nevada's industrial job market added 10,800 jobs between April 2018 and April 2019. Over this period, Southern Nevada added 6,800 jobs in the construction sector,

Economic Indicators



Market Indicators

Relative to prior period	Q2 2019	Q3 2019*
Vacancy	↑	↑
Net Absorption	↑	↓
Completions	↑	↓
Rental Rate	↓	↑

*Projected

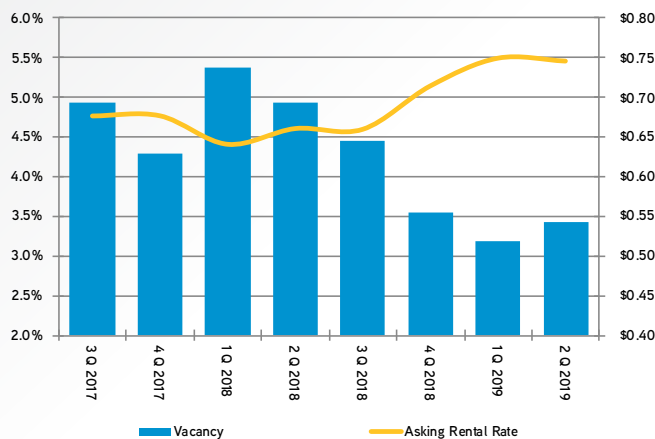
Summary Statistics

Las Vegas Market	Q2-18	Q1-19	Q2-19
Vacancy Rate	4.9%	3.2%	3.4%
Asking Rent (PSF, NNN)	\$0.66	\$0.75	\$0.74
Net Absorption (SF)	1,021,462	1,052,224	1,831,220
New Completions (SF)	454,885	578,008	2,236,028

Overall Asking Rents

Per Square Foot	Q2-18	Q1-19	Q2-19
Warehouse/Distribution	\$0.51	\$0.56	\$0.55
Light Distribution	\$0.65	\$0.69	\$0.71
Light Industrial	\$0.76	\$0.84	\$0.82
Incubator	\$0.87	\$0.82	\$0.85
Flex	\$1.02	\$1.09	\$1.26

Historical Vacancy Rates and Asking Lease Rates



“Southern Nevada's industrial market posted 1.83 million square feet of net absorption in the second quarter of 2019 ...”

1,900 jobs in the transportation and warehousing sector, 1,100 jobs in the wholesale sector and 1,000 jobs in the manufacturing sector. Unemployment in the Las Vegas-Paradise MSA was 3.7 percent in April 2019, down from 4.8 percent in April 2018. From April 2018 to April 2019, total employment in Southern Nevada increased by 26,100 jobs, a 2.8 percent increase.

New completions of industrial space in the second quarter of 2019 totaled 2,236,028 square feet, most of it in the warehouse/distribution sector and mostly in the North Las Vegas submarket. Approximately 91 percent of this space was preleased at completion. An additional 4.4 million square feet of industrial space is slated for completion in the third quarter of 2019, with approximately 37 percent of this space preleased.

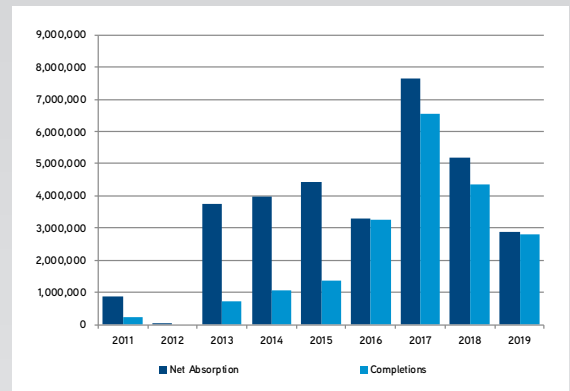
Industrial net absorption was 2,883,444 square feet in the first half of 2019, better than the 1,865,345 square feet absorbed in the first half of 2018. The Valley's highest net absorption in the first half of 2019 was in North Las Vegas at 2,524,024 square feet, followed by the Airport submarket at 259,187 square feet and Southwest at 156,591 square feet. Net absorption was negative during the first half of the year in the East Las Vegas and Northwest submarkets.

Southern Nevada's industrial vacancy rate increased to 3.4 percent in the second quarter of 2019. The Valley's lowest vacancy rate at midyear was 2.6 percent in the Southwest submarket. The Valley's highest vacancy rate was 5.7 percent in Northwest submarket. The Airport submarket showed the largest quarterly decrease in vacancy at 0.8 points. The largest quarterly increase in vacancy was in East Las Vegas, at 1.4 points.

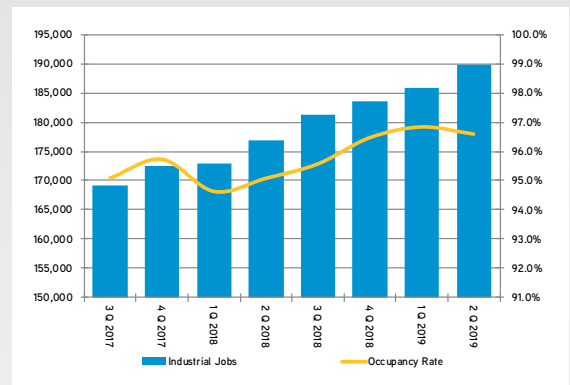
The industries that were most active in occupying space in the first half of 2019 were involved in transportation, services, wholesale and manufacturing. Local companies took 30.5 percent of the leased square footage we tracked. Companies headquartered in the Great Plains took 18.1 percent of the space occupied, Midwestern companies 11.2 percent and Southwest firms 10.9 percent. This quarter continued the trend of the broader national appeal of Southern Nevada's industrial market that began in 2018.

At midyear 2019, the weighted average asking lease rate for industrial space was \$0.74 psf NNN, an increase of \$0.08 from one year ago. On a quarter-over-quarter basis, asking rates increased by \$0.17 psf for flex properties, \$0.03 psf for incubator properties and \$0.02 psf for light distribution properties. Asking rates decreased by \$0.01 psf for warehouse/distribution and by \$0.02 psf for light industrial properties.

Historical Net Absorption vs. Completions



Occupancy vs. Industrial Employment



	APR 2018	APR 2019	CHANGE
Construction	62,100	68,900	+ 6,800
Manufacturing	24,200	25,200	+ 1,000
Transportation & Warehousing	43,600	45,500	+ 1,900
Wholesale	22,900	24,000	+ 1,100

Source: Nevada Department of Employment, Training and Rehabilitation.

Investment sales of industrial properties appear to have peaked in 2018. At midyear 2019, industrial investment sales volume was \$168.6 million in 32 sales totaling 1,437,000 square feet at an average sales price of \$117.39 psf. Although investment sales were strong in 2018, there was a trend of diminishing sales over the course of the year, and this trend continued in 2019. It is notable that prices for industrial buildings have increased dramatically over the past five years. The average cap rate at midyear 2019 was 7.1 percent, higher than in 2018.

Warehouse/distribution space was the name of the game at midyear 2019, as companies scrambled to adapt to the new logistics paradigm imposed by e-commerce. Warehouse/distribution properties had 2.3 million square feet of net absorption at midyear on 2.5 million square

¹ Using the Consumer Price Index, All Urban Consumers, West Region, Class A Cities, 1982-1984 = 100

Industrial Development Schedule

PROJECT	TYPE	STATUS	SUBMARKET	SIZE	PRE-LEASING
3RD QUARTER 2019				4,417,244 SF	37%
Beltway Business Park 10	Warehouse/Distribution	UC	Southwest	227,350 SF	89%
Buffalo Industrial Park A/B/C	Incubator	UC	Southwest	71,872 SF	46%
Cimarron Corporate Center	Light Distribution	UC	Southwest	78,692 SF	73%
Google Data Center	Light Industrial	UC	Henderson	750,000 SF	BTS
Matter Business Park @ Warm Springs	Warehouse/Distribution	UC	Southwest	131,783 SF	42%
Nevada State Industrial Park A/B/C	Warehouse/Distribution	UC	Southwest	195,893 SF	0%
Prologis I-15 Speedway Logistics Center 3/4	Warehouse/Distribution	UC	North Las Vegas	1,009,384 SF	37%
Raceway Industrial Park	Warehouse/Distribution	UC	North Las Vegas	670,752 SF	0%
SanTico	Warehouse/Distribution	UC	Southwest	38,972 SF	0%
Southwest Sunset Corporate Center A/B/C/D/E/F	Incubator	UC	Southwest	146,200 SF	41%
Sunpoint Crossing 1/2/3	Warehouse/Distribution	UC	North Las Vegas	752,526 SF	0%
West Craig Distribution Center 1/2/3	Warehouse/Distribution	UC	North Las Vegas	343,820 SF	28%
4TH QUARTER 2019				722,919 SF	0%
Bruner Commerce Park 1/2/3	Light Industrial	PC	Henderson	53,900 SF	0%
Escondido Airport Park	Light Industrial	PC	Airport	30,897 SF	0%
Matter Park @ West Henderson 1/2/3/4	Warehouse/Distribution	PC	Henderson	297,467 SF	0%
Tropical Distribution Center	Warehouse/Distribution	PC	North Las Vegas	340,655 SF	0%
1ST QUARTER 2020				1,200,410 SF	0%
LogistiCenter at Speedway	Warehouse/Distribution	PC	North Las Vegas	251,800 SF	0%
Mountain West Industrial Park 1/2/3	Warehouse/Distribution	PC	Southwest	214,100 SF	0%
Mountain West Industrial Park 4	Light Distribution	PC	Southwest	38,800 SF	0%
North 15 Logistics 1/2	Warehouse/Distribution	PC	North Las Vegas	550,770 SF	0%
Odyssey Industrial Park	Warehouse/Distribution	PC	North Las Vegas	129,188 SF	0%
Sunset Decatur Center	Light Industrial	PC	Southwest	59,212 SF	1%
2ND QUARTER 2020				1,921,940 SF	0%
Blue Diamond Interchange Center 1/2/3	Warehouse/Distribution	PC	Southwest	471,233 SF	0%
Executive Airport Crossing A/B	Warehouse/Distribution	PC	Henderson	66,000 SF	0%
Harsch Speedway Commerce Center IV	Warehouse/Distribution	PC	North Las Vegas	167,444 SF	0%
Matter Logistics Center @ West Cheyenne A/B/C/D/E	Warehouse/Distribution	PC	North Las Vegas	734,460 SF	0%
North Las Vegas Business Park 1/2	Warehouse/Distribution	PC	North Las Vegas	216,243 SF	0%
South15 Airport Center Bldg C/D	Warehouse/Distribution	PC	Henderson	266,560 SF	0%
2020				6,473,941 SF	1%
5th & Alexander	Warehouse/Distribution	PC	North Las Vegas	2,600,050 SF	0%
5785 N Hollywood Blvd	Warehouse/Distribution	PC	North Las Vegas	36,000 SF	BTS
Air Parc Heights A/B/C/D/E	Warehouse/Distribution	PC	Henderson	332,800 SF	0%
Golden Triangle Industrial Park 1/2	Warehouse/Distribution	PC	North Las Vegas	1,003,530 SF	0%
Interchange Industrial Center	Warehouse/Distribution	PC	North Las Vegas	678,816 SF	0%
Prologis Desert Inn Distribution Center	Warehouse/Distribution	PC	West Central	153,320 SF	0%
Prologis I-15 Speedway Logistics Center Bldg 5/6/7	Warehouse/Distribution	PC	North Las Vegas	1,328,570 SF	0%
Tropical Industrial Logistics Center	Warehouse/Distribution	PC	Southwest	340,855 SF	0%

feet of new completions. The bulk of net absorption came from the completion of two build-to-suit buildings located in North Las Vegas. Warehouse/distribution vacancy was 2.8 percent at midyear, down from 4.8 percent at midyear 2018.

Southern Nevada’s light distribution sector continued to show incremental progress at midyear 2019, with 231,145 square feet of net absorption and a very low vacancy rate of 3.4 percent. Completions remained light, with 154,636 square feet of new completions at midyear. The market has finally responded to these improvements, with light distribution properties that were under construction or planned totaling 438,125 square feet, compared to only 58,100 square feet of forward supply in midyear 2018.

The light industrial sector posted 279,586 square feet of net absorption in the first half of 2019, a considerable improvement over the first half of 2018’s net absorption of negative 74,873 square feet. Like the light distribution market, the light industrial market showed continuous improvement over the past three years. This improvement passed without much notice by developers. Other than

the 750,000-square foot Google data center now under construction in Henderson, which is a special case, developers have yet to warm to the light industrial sector.

Incubator space posted negative 1,072 square feet of net absorption in the second quarter of 2019, nudging net absorption down to negative 23,466 square feet in the first half of 2019. While nothing to get excited over, this was actually an improvement on the negative 97,551 square feet of net absorption recorded in the first half of 2018. Incubator vacancy was 5.6 percent, lower than one year ago. The flex market fared better, with 77,909 square feet of net absorption in the first half of 2019 and a vacancy rate of 7.1 percent.

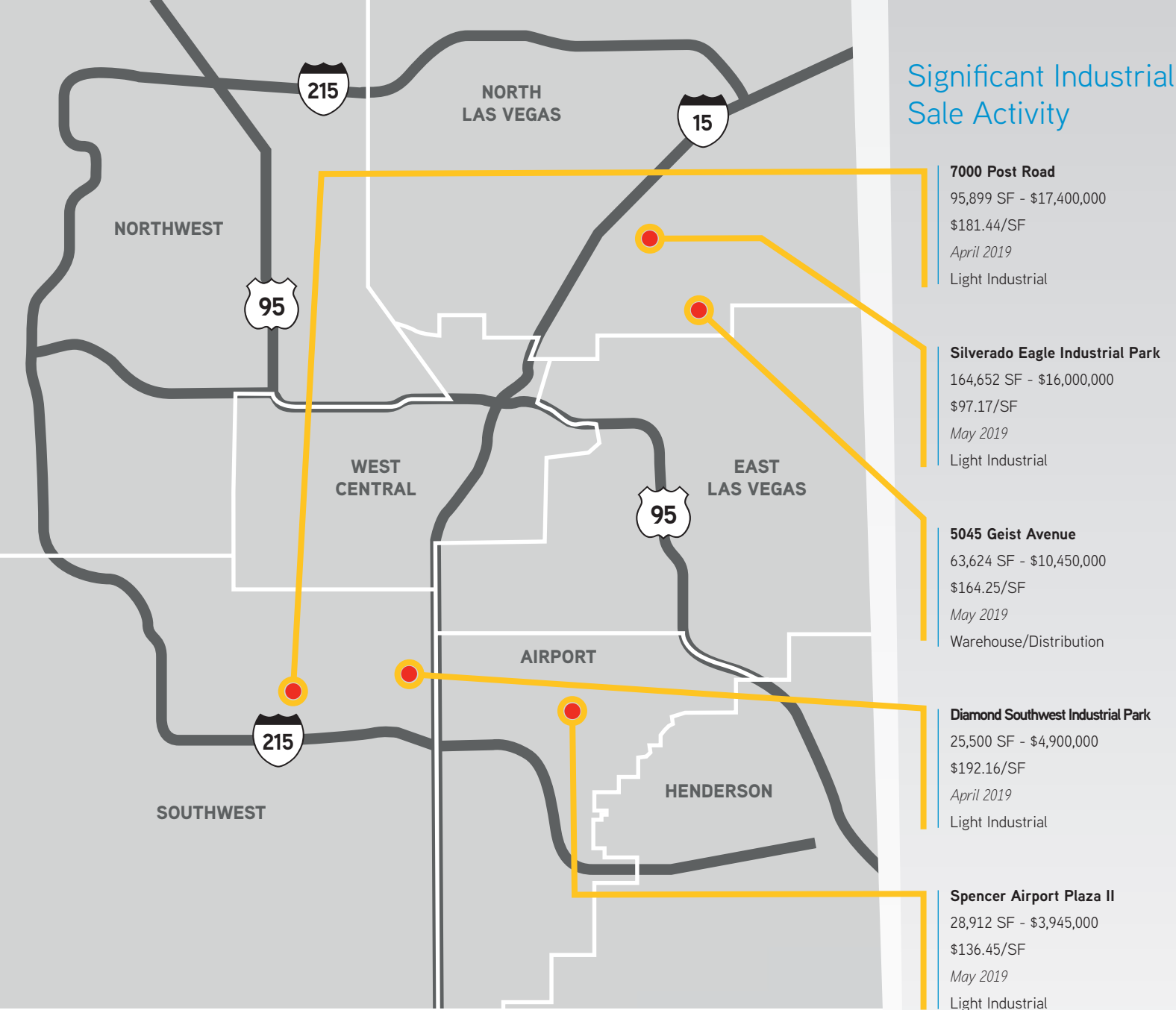
Southern Nevada’s industrial market showed growth in the first two quarters of 2019, though much of the Valley’s net absorption came from just two large industrial build-to-suits. The second half of 2019 should see the completion of an additional 5.1 million square feet of industrial space, with approximately 31 percent of that space pre-leased. Industrial vacancy rates will continue to increase in the second half of 2019 unless leasing activity picks up.

“Industrial vacancy rates will continue to increase in the second half of 2019 unless leasing activity picks up.”

Investment Sales

	2015	2016	2017	2018	2019 YTD
No. Sales	52	70	66	89	32
Square Feet Sold	2,759,000	3,299,000	3,241,000	6,417,000	1,437,000
Sales Volume	\$248.8 MM	\$308.4 MM	\$316.2 MM	\$661.7 MM	\$168.6 MM
Average Price/SF	\$90.20	\$93.48	\$97.56	\$103.11	\$117.39
Average Cap Rate	6.6%	7.4%	6.9%	6.0%	7.1%
Average Sale Size (SF)	53,000	47,000	49,000	72,000	53,000

Significant Industrial Sale Activity



Lease Activity

PROPERTY NAME	LEASE DATE	LEASE TERM	SIZE	EFFECTIVE RATE	TYPE
Prologis Sunrise Industrial Park	Apr 2019	63 months	124,546 SF	\$0.49 NNN	Warehouse/Distribution
Prologis Warm Springs Distribution Center	May 2019	88 months	43,208 SF	\$0.84 NNN	Light Distribution
East Craig Road	Jun 2019	49 months	39,180 SF	\$0.58 NNN	Light Industrial
Saddleback Park West Business Center	Apr 2019	63 months	6,943 SF	\$0.99 NNN	Flex
Lone Mountain Business Park	Apr 2019	36 months	6,400 SF	\$0.53 NNN	Incubator

Market Comparisons - Las Vegas

Industrial Market

TYPE	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANCY SF	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
AIRPORT SUBMARKET														
WH	5,928,879	16,320	0.3%	-	16,320	0.3%	0.2%	(7,320)	41,622	-	57,942	-	-	\$0.82
LD	3,496,239	123,565	3.5%	14,142	137,707	3.9%	5.4%	132,566	128,684	76,603	154,636	-	-	\$0.79
LI	3,009,340	127,582	4.2%	-	127,582	4.2%	5.4%	34,018	31,506	-	-	-	30,897	\$0.83
INC	1,484,890	103,471	7.0%	-	103,471	7.0%	8.3%	19,638	3,142	-	-	-	-	\$1.01
FLX	1,533,648	87,214	5.7%	16,731	103,945	6.8%	7.7%	18,445	54,233	-	-	-	-	\$1.42
Total	15,452,996	458,152	3.0%	30,873	489,025	3.2%	3.9%	197,347	259,187	76,603	212,578	-	30,897	\$0.97
EAST LAS VEGAS SUBMARKET														
WH	1,115,454	29,320	2.6%	-	29,320	2.6%	0.0%	(29,320)	(29,320)	-	-	-	-	\$0.65
LD	532,163	39,998	7.5%	-	39,998	7.5%	2.9%	(24,570)	(16,869)	-	-	-	-	\$0.57
LI	1,836,547	57,848	3.1%	-	57,848	3.1%	3.5%	6,276	7,033	-	-	-	-	\$0.69
INC	280,959	19,861	7.1%	-	19,861	7.1%	5.8%	(3,443)	(15,335)	-	-	-	-	\$0.75
FLX	233,692	13,219	5.7%	-	13,219	5.7%	2.9%	(6,488)	(7,158)	-	-	-	-	\$0.71
Total	3,998,815	160,246	4.0%	-	160,246	4.0%	2.6%	(57,545)	(61,649)	-	-	-	-	\$0.66
HENDERSON SUBMARKET														
WH	9,072,299	238,315	2.6%	7,727	246,042	2.7%	1.9%	(67,295)	(20,286)	-	-	-	899,731	\$0.63
LD	1,929,846	107,129	5.6%	11,568	118,697	6.2%	5.6%	(11,457)	4,378	-	-	-	-	\$0.72
LI	3,681,591	123,256	3.3%	-	123,256	3.3%	2.2%	(43,917)	22,623	-	12,000	750,000	53,900	\$0.74
INC	496,625	35,977	7.2%	1,800	37,777	7.6%	8.2%	4,989	(7,919)	-	-	-	-	\$0.77
FLX	1,360,598	71,833	5.3%	-	71,833	5.3%	5.4%	1,397	14,192	-	-	-	63,096	\$1.39
Total	16,540,959	576,510	3.5%	21,095	597,605	3.6%	2.9%	(116,283)	12,988	-	12,000	750,000	1,016,727	\$0.77
NORTH LAS VEGAS SUBMARKET														
WH	32,210,955	1,202,409	3.7%	0	1,202,409	3.7%	3.3%	1,695,673	2,294,906	1,893,478	2,290,806	2,900,466	8,093,787	\$0.46
LD	5,138,008	234,224	4.6%	11,250	245,474	4.8%	4.9%	7,769	145,258	-	-	-	117,350	\$0.57
LI	9,223,764	394,751	4.3%	0	394,751	4.3%	4.3%	32,139	81,447	39,180	71,885	-	-	\$0.77
INC	724,573	76,503	10.6%	0	76,503	10.6%	11.1%	4,118	(8,628)	-	-	-	-	\$0.62
FLX	803,833	93,275	11.6%	0	93,275	11.6%	13.7%	16,849	11,041	-	-	-	-	\$0.85
Total	48,101,133	2,001,162	4.2%	11,250	2,012,412	4.2%	4.0%	1,756,548	2,524,024	1,932,658	2,362,691	2,900,466	8,211,137	\$0.56
NORTHWEST SUBMARKET														
WH	224,906	-	0.0%	-	-	0.0%	0.0%	-	-	-	-	-	-	\$-
LD	50,000	-	0.0%	-	-	0.0%	0.0%	-	-	-	-	-	-	\$-
LI	341,430	7,070	2.1%	-	7,070	2.1%	2.1%	-	2,250	-	-	-	-	\$0.93
INC	99,427	26,036	26.2%	-	26,036	26.2%	10.5%	(15,621)	(17,634)	-	-	-	-	\$0.89
FLX	740,230	49,756	6.7%	-	49,756	6.7%	6.7%	119	(2,292)	-	-	-	-	\$0.89
Total	1,455,993	82,862	5.7%	-	82,862	5.7%	4.6%	(15,502)	(17,676)	-	-	-	-	\$0.89
SOUTHWEST SUBMARKET														
WH	15,575,866	375,367	2.4%	22,528	397,895	2.6%	1.3%	(22,033)	31,348	157,982	157,982	508,465	613,833	\$0.77
LD	7,378,140	128,907	1.7%	33,605	162,512	2.2%	1.2%	(47,514)	(9,740)	-	-	210,475	110,300	\$0.92
LI	10,471,216	291,001	2.8%	-	291,001	2.8%	3.8%	107,358	102,676	-	-	-	59,212	\$0.79
INC	2,366,119	44,721	1.9%	3,491	48,212	2.0%	1.9%	221	32,154	-	-	218,072	-	\$0.86
FLX	1,755,266	154,237	8.8%	-	154,237	8.8%	3.8%	(25,550)	153	68,785	68,785	-	-	\$1.53
Total	37,546,607	994,233	2.6%	59,624	1,053,857	2.8%	2.1%	12,482	156,591	226,767	226,767	937,012	783,345	\$0.92
WEST CENTRAL SUBMARKET														
WH	2,253,842	-	0.0%	-	-	0.0%	1.7%	39,422	-	-	-	-	153,320	\$0.59
LD	999,141	30,466	3.0%	-	30,466	3.0%	2.5%	(5,200)	(20,566)	-	-	-	-	\$0.75
LI	7,786,988	237,562	3.1%	-	237,562	3.1%	3.4%	27,155	32,051	-	-	-	-	\$1.01
INC	2,511,825	140,243	5.6%	4,000	144,243	5.7%	5.3%	(10,974)	(9,246)	-	-	-	-	\$0.88
FLX	161,603	-	0.0%	-	-	0.0%	2.3%	3,770	7,740	-	-	-	-	\$-
Total	13,713,399	408,271	3.0%	4,000	412,271	3.0%	3.4%	54,173	9,979	-	-	-	153,320	\$0.95
MARKET TOTAL														
WH	66,382,201	1,861,731	2.8%	30,255	1,891,986	2.9%	2.2%	1,609,127	2,318,270	2,051,460	2,506,730	3,408,931	9,760,671	\$0.55
LD	19,523,537	664,289	3.4%	70,565	734,854	3.8%	3.5%	51,594	231,145	76,603	154,636	210,475	227,650	\$0.71
LI	36,350,876	1,239,070	3.4%	-	1,239,070	3.4%	3.8%	163,029	279,586	39,180	83,885	750,000	144,009	\$0.82
INC	7,964,418	446,812	5.6%	9,291	456,103	5.7%	5.6%	(1,072)	(23,466)	-	-	218,072	-	\$0.85
FLX	6,588,870	469,534	7.1%	16,731	486,265	7.4%	6.5%	8,542	77,909	68,785	68,785	-	63,096	\$1.26
Total	136,809,902	4,681,436	3.4%	126,842	4,808,278	3.5%	3.2%	1,831,220	2,883,444	2,236,028	2,814,036	4,587,478	10,195,426	\$0.74
QUARTERLY COMPARISON AND TOTALS														
Q2-19	136,809,902	4,681,436	3.4%	126,842	4,808,278	3.5%	3.2%	1,831,220	2,883,444	2,236,028	2,814,036	4,587,478	10,195,426	\$0.74
Q1-19	134,573,874	4,276,628	3.2%	59,419	4,336,047	3.2%	3.7%	1,052,224	1,052,224	578,008	578,008	6,591,901	7,191,871	\$0.75
Q4-18	133,995,866	4,750,844	3.5%	212,672	4,963,516	3.7%	4.6%	1,881,155	5,167,490	713,464	4,367,548	4,540,655	6,633,368	\$0.71
Q3-18	133,282,402	5,918,535	4.4%	149,026	6,067,561	4.6%	5.1%	1,420,990	3,286,335	805,768	3,654,084	2,428,533	8,127,863	\$0.66
Q2-18	132,476,634	6,533,757	4.9%	256,869	6,790,626	5.1%	5.6%	1,021,462	1,865,345	454,885	2,848,316	3,435,479	6,828,786	\$0.66

WH = Warehouse LD = Light Distribution LI = Light Industrial INC = Incubator FLX = Flex

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68 countries

\$3.3

billion in
annual revenue*

2.0

billion square feet
under management

17,000

professionals
and staff

\$127

billion in
total transaction value

*All statistics are for 2018, are in U.S. dollars and
include affiliates.

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