

MARKETBEAT

Las Vegas

Industrial Q1 2019



LAS VEGAS INDUSTRIAL

Economic Indicators

| | Q1 18 | Q1 19 | 12-Month Forecast |
|------------------------|-------|-------|-------------------|
| Las Vegas Employment | 1.0M | 1.1M | ▲ |
| Las Vegas Unemployment | 5.2% | 4.2% | ▼ |
| U.S. Unemployment | 4.1% | 3.8% | ▼ |

February 2018/2019 used to represent Q1 for Las Vegas.

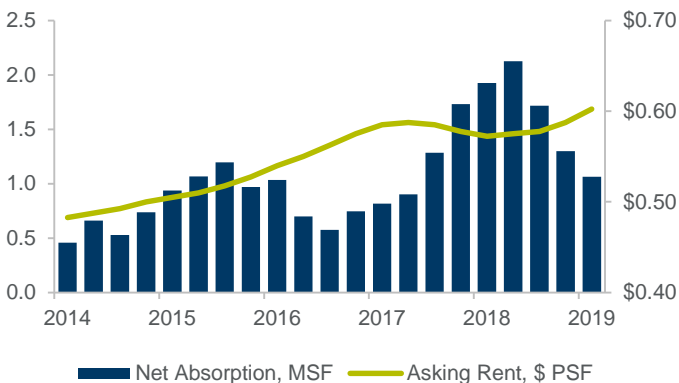
Market Indicators (All Product Types)

| | Q1 18 | Q1 19 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Overall Vacancy | 4.8% | 3.4% | ■ |
| Net Absorption (sf) | 2.0M | 516k | ▲ |
| Under Construction (sf) | 2.3M | 4.1M | ▼ |
| Average Asking Rent | \$0.58 | \$0.64 | ▲ |

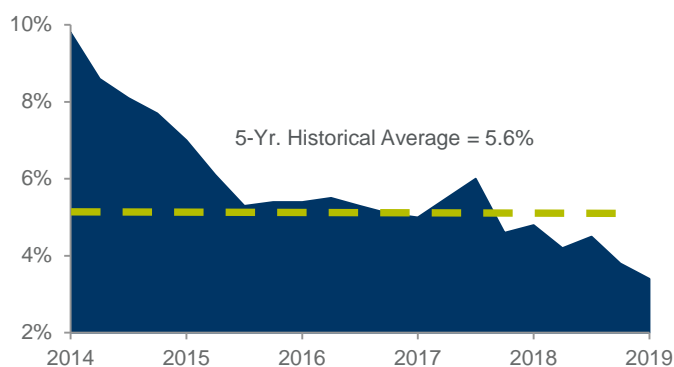
*Rental rates reflect triple net asking \$psf/monthly.

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Las Vegas employment market continued to record job growth, adding 28,000 jobs (+2.8%) year-over-year through February 2019.¹ During the same time period, the unemployment rate decreased 100 basis points (bps), dropping to 4.2%. Also worth noting, the current rate is the lowest since April of 2007 and 230 bps below the 29-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.6% in 2019. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.5% in 2019, above its 10-year average of 1.7%.³

Market Overview

Industrial vacancy, including sublease, decreased 40 bps from last quarter and 140 bps from a year ago to 3.4% in Q1 2019 and is at the lowest level since 2006 and 550 bps below the 10-year annual average of 8.9%. Occupancy grew by 0.5 million square feet (msf) across all product types in Q1, which is one fourth of the occupancy compared to Q1 2018. Nevertheless, this was the 20th consecutive quarter of positive occupancy gains during which tenants have absorbed a combined 22.6 msf, averaging 1.1 msf per quarter. In Q1 2019, tenants absorbed the most space across all product types in the North Las Vegas and Southwest submarkets and returned the most to Henderson and Central submarkets. At the end of Q1 2019, average asking rent was the highest in Northwest (\$0.98), Airport/East (\$0.82) and Southwest (\$0.81) submarkets, significantly higher than the market average of \$0.64 per square foot (psf) per month on a triple net basis. Of the 4.1 msf currently under construction, 88% (3.6 msf) of the projects are located in the North Las Vegas submarket.

Sales Activity

Sales volume for industrial properties reached \$976M in 2018, a 39% annual decrease compared to 2017 volume - the highest volume on record - surpassing \$1.1B traded in 2007. In Q1 2019, \$81M was traded compared to \$377M in Q1 2018 and \$92M in Q1 2017. Private and REIT buyers were leading the activity in Q1 2019, accounting for 45% and 44%, respectively. Low interest rates, a pullback of quality assets being marketed and a strong demand for yielding assets has kept prices steady even as quarterly volume fell.⁴ Mid-bay and incubator properties remain the assets of choice for foreign investment, while domestic REIT buyers have favored large distribution centers this quarter.⁴

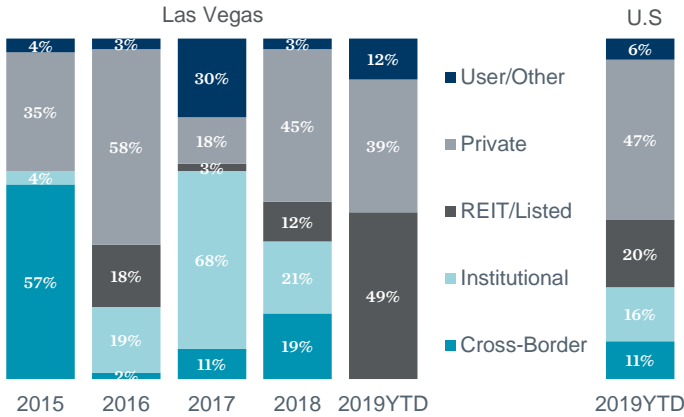
Outlook

- Local and regional demand for mid-bay and incubator properties will remain exceptional, outpacing current supply. National logistics operations will continue to be drawn to the Las Vegas market, especially "last-mile" distribution centers. Rent growth could stall as multiple construction projects are set to be completed in 2019. However, strong pre-leasing numbers indicate occupancy trends will continue to stay positive in both mid-range and larger property sizes.
- More than 80% of all new distribution and logistics properties in the metro area are being constructed in North Las Vegas. The only other submarket with multiple industrial construction projects underway is the Southwest. Neither submarket shows any signs of slowing in terms of absorption and new construction. North Las Vegas and Southwest submarkets will continue to outperform all other industrial submarkets through the end of 2019.

Sources: ¹www.bls.gov ²bea.gov ³GDP as of 2017. (f) by Moody's Analytics economy.com ⁴RCA.

Who is Buying in Las Vegas?

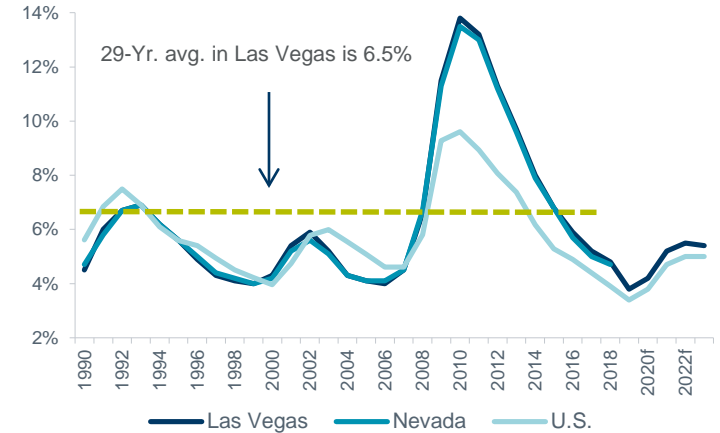
REIT'S AND PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of all sizes 4/9/19. Rounded figures may not add up to 100%.

Unemployment Rate in Comparison

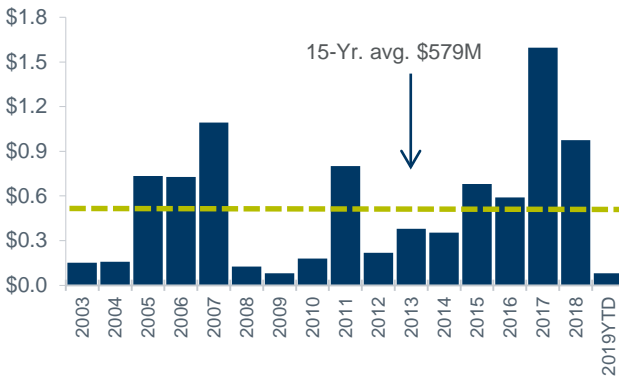
LAS VEGAS 29-YR. (1990 – 2018) ANNUAL AVERAGE RATE IS 6.5%



Source: www.bls.gov (f) by Moody's Analytics as of 11/18.

Industrial Sales Volume in Las Vegas in Billions

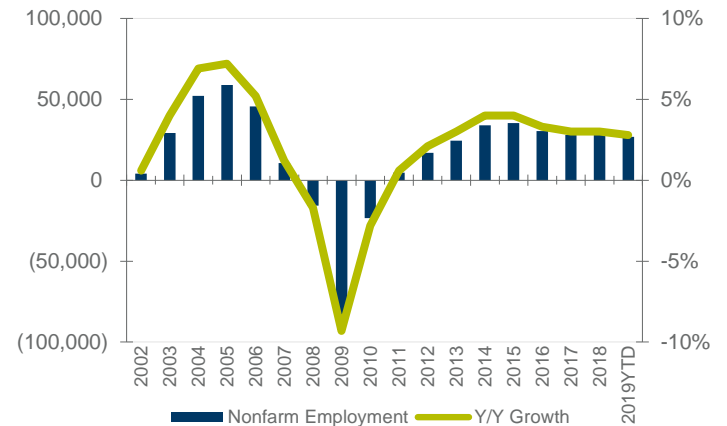
2017 WAS A RECORD YEAR TRADING \$1.6 BILLION



Source: RCA sales of all sizes. 4/10/19.

Nonfarm Employment Annual Growth Rate vs. Net Change

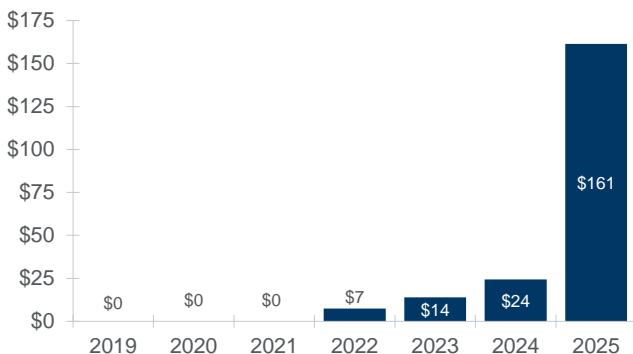
28,800 JOBS WERE ADDED GROWING 2.8% Y/Y VS 2.0% 15-YR. AVERAGE



Source: www.bls.gov 2019YTD jobs added between 2/18 and 2/19.

Las Vegas Annual Industrial Loan Maturity (\$M)

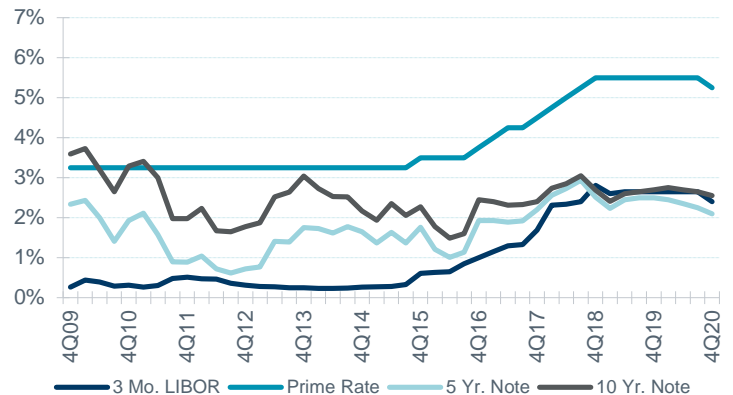
NO CMBS LOANS ARE DUE UNTIL 2022



Source: Trepp, LLC – 2/19/19, based on original loan value.

Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT TWO YEARS



Source: Wells Fargo U.S. Economic Forecast – 4/10/19.

| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT NET ABSORPTION (SF) | YTD NET ABSORPTION (SF) | UNDER CONSTRUCTION (SF) | AVERAGE ASKING RENT* (ALL Types) |
|-----------------|--------------|--------------------|--------------------|--------------------|----------------------|-----------------------------|-------------------------|-------------------------|----------------------------------|
| Airport/East | 360 | 14,067,655 | 10,393 | 503,266 | 3.7% | 7,276 | 7,276 | 21,955 | \$0.82 |
| Central | 221 | 11,395,006 | 0 | 187,680 | 1.6% | -26,805 | -26,805 | 0 | \$0.71 |
| North Las Vegas | 552 | 41,236,511 | 241,317 | 1,461,921 | 4.1% | 536,620 | 536,620 | 3,614,488 | \$0.51 |
| Northwest | 25 | 817,988 | 0 | 61,327 | 7.5% | -20,907 | -20,907 | 0 | \$0.98 |
| Southwest | 829 | 36,202,169 | 26,992 | 1,083,426 | 3.1% | 164,384 | 164,384 | 465,182 | \$0.81 |
| Henderson | 249 | 14,327,539 | 0 | 426,721 | 3.0% | -145,008 | -145,008 | 0 | \$0.57 |
| TOTAL | 2,236 | 118,046,868 | 278,702 | 3,724,341 | 3.4% | 515,560 | 515,560 | 4,101,625 | \$0.64 |
| FLEX | 522 | 19,075,248 | 28,743 | 578,602 | 3.2% | 40,126 | 40,126 | 149,200 | \$0.94 |
| MFG | 179 | 10,215,793 | 81,103 | 213,960 | 2.9% | 148,495 | 148,495 | 21,955 | \$0.45 |
| W/D | 1,535 | 88,755,827 | 168,856 | 2,931,779 | 3.5% | 326,939 | 326,939 | 3,930,470 | \$0.60 |
| TOTAL | 2,236 | 118,046,868 | 278,702 | 3,724,341 | 3.4% | 515,560 | 515,560 | 4,101,625 | \$0.64 |

*Rental rates reflect triple net asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes properties of 10,000 sf +.

Key Lease Transactions Q1 2019

| PROPERTY | SF | TENANT | LANDLORD | TRANSACTION TYPE | SUBMARKET |
|----------------------------|---------|--------------------------------|--------------------------------|------------------|-----------------|
| 5430 Donovan Way | 313,668 | Exel, Inc. | GLP | New | North Las Vegas |
| 6670 S. Valley View Blvd. | 100,000 | Rincon Technology Inc. | MP Barrow LLC | New | Southwest |
| 78 W. Craig Rd. | 93,718 | Tires Warehouse Inc. | Huntington Industrial Partners | New | North Las Vegas |
| 1720 Executive Airport Dr. | 86,880 | T3 Expo LLC | Airparc Industrial LLC | New | Henderson |
| 1720 Executive Airport Dr. | 73,840 | KRS Global Biotechnology, Inc. | Airparc Industrial LLC | New | Henderson |

Key Sale Transactions Q1 2019

| PROPERTY | SF | BUYER | SELLER | PRICE / \$PSF | SUBMARKET |
|--|---------|----------------------|---------------------------------|----------------------|----------------------------|
| Colony Capital National Industrial Portfolio | 751,858 | Colony Capital, Inc. | Dermody Properties, Inc. | \$66,004,847 / \$88 | North Las Vegas, Henderson |
| 5402-5406 E. El Campo Grande Ave. | 416,267 | Colony Capital, Inc. | Thomas & Mack Development Group | \$38,000,000 / \$91 | North Las Vegas |
| Northgate Distribution Center 4640 Nexus Way | 215,804 | GLP | VanTrust | \$24,500,000 / \$114 | North Las Vegas |
| 4525-4545 W. Spring Mountain Rd. | 75,500 | Hotai Furniture | Nguyen Living Trust | \$12,000,000 / \$159 | Southwest |
| 955 Grier Dr. | 46,498 | Sterry LLC | JMK Limited Partnership | \$5,525,000 / \$119 | Airport |

Under Construction Q1 2019 – selected projects 10,000 sf +

| PROPERTY | SF | PRE-LEASED | | ADDRESS | Type | ESTIMATED COMPLETION | SUBMARKET |
|-------------------------|---------|------------|------|----------------------------|------|----------------------|-----------------|
| | | SF | % | | | | |
| Raceway Industrial Park | 670,752 | 0 | 0% | 5605 N Hollywood Blvd. | W/D | 2019 | North Las Vegas |
| Prologis I-15 Speedway | 632,324 | 0 | 0% | 5265 N Sloan Ln., Bldg. 3 | W/D | 2019 | North Las Vegas |
| Prologis I-15 Speedway | 376,264 | 376,264 | 100% | 5245 N. Sloan Ln., Bldg. 4 | W/D | 2019 | North Las Vegas |

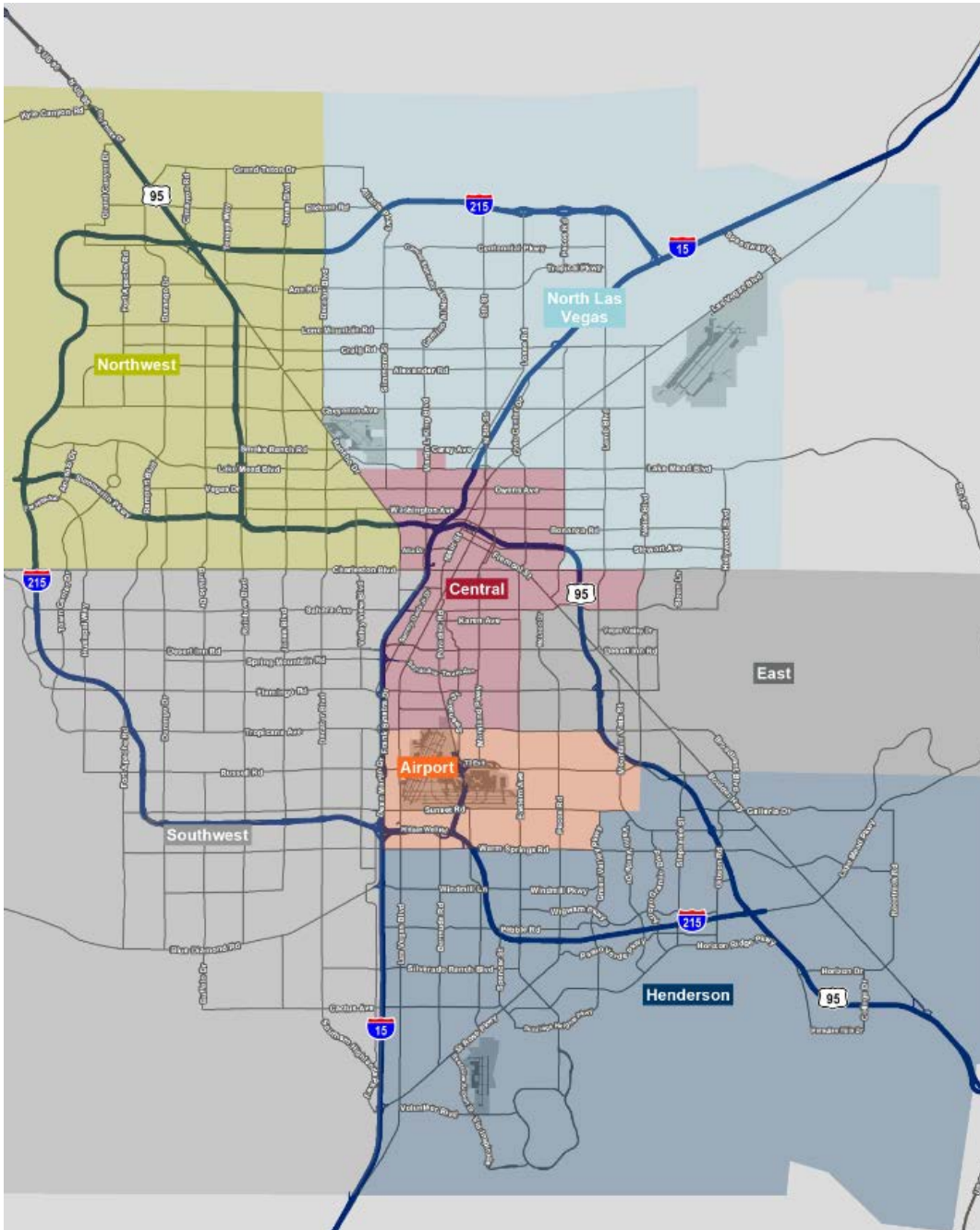
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INDUSTRIAL SUBMARKETS LAS VEGAS



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