

4Q24

Las Vegas Industrial Market Overview



NEWMARK

Market Observations

Economy

- U.S. retail sales are rising, but at a slower pace relative to their 20-year average. This has implications for industrial leasing activity.
- Gulf and East Coast dockworkers ended a 3-day strike in October, returning to the bargaining table with the United States Maritime Alliance. Both sides eventually reached a tentative agreement for a new six-year master contract in early January.
- Once the contract is ratified, Eastern U.S. distributors will slow cargo reroutes to other seaports. Southern California will see decreased TEU volume in 2025.
- Loaded import volume at Southern California’s ports totaled 9.2 million containers in the first 11 months of 2024, up 22.1% from the same period in 2023. A good portion of this cargo was shipped eastward by rail to markets outside of the Southwest. Goods that are “just passing through” have a negligible impact on local market dynamics.

Major Transactions

- The lion’s share of leasing activity is occurring in the high-growth North Las Vegas submarket, which accounts for nearly 58.5% of the under-construction pipeline.
- Nearly 37% of the greater market’s leasing activity in 2024 was from Class A warehouses. This is slightly lower than the annual averages for 2022-2023, suggesting more tenants are considering lower-priced, B-caliber options.
- GID Investment Advisors LLC acquired a four-building portfolio, totaling 325,243 SF, for \$59.0 million from Links Logistics Real Estate.
- Moen celebrated the grand opening of its new 680,314-SF facility in North Las Vegas.

Leasing Market Fundamentals

- Total vacancy (10.6%) crossed into the double-digits for the first time in 10.5 years. Net absorption has lagged construction deliveries for five-straight quarters.
- Available sublease space climbed to 1.8 MSF, representing 1.1% of existing inventory. While the square footage figure is pronounced, the percentage figure is still low relative to the market’s 1.7% high, reached in early 2010.
- Still-high inflation and more-restrained retail spending is prompting some occupiers to shed extra space to reduce overhead. Others are delaying their expansion plans.
- Leasing activity totaled 8.9 MSF this year, markedly lower than the 13.6 MSF in 2023. To compound matters, 6.4 MSF in under-construction space—little of which has pre-leased--will eventually deliver. Vacancy will continue to rise.

Outlook

- Landlords will remain competitive to secure tenants.
- Borrowing costs will decrease further as the Fed progressively cuts interest rates; good news for businesses wanting to expand.
- In Southern California: sublet availability is high, and rents are cooling. All favors tenants, which could slow relocations to lower-cost Southwest markets.
- Population growth and infrastructure enhancements favor long-term market dynamics. Recently, a proposed intermodal terminal that will have connectivity to the Port of Oakland and Southern California was announced in Southern Nevada.

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1. Southern California's Ports and U.S. Retail Sales
 2. Local Employment
 3. Leasing Market Fundamentals
 4. Sales Activity
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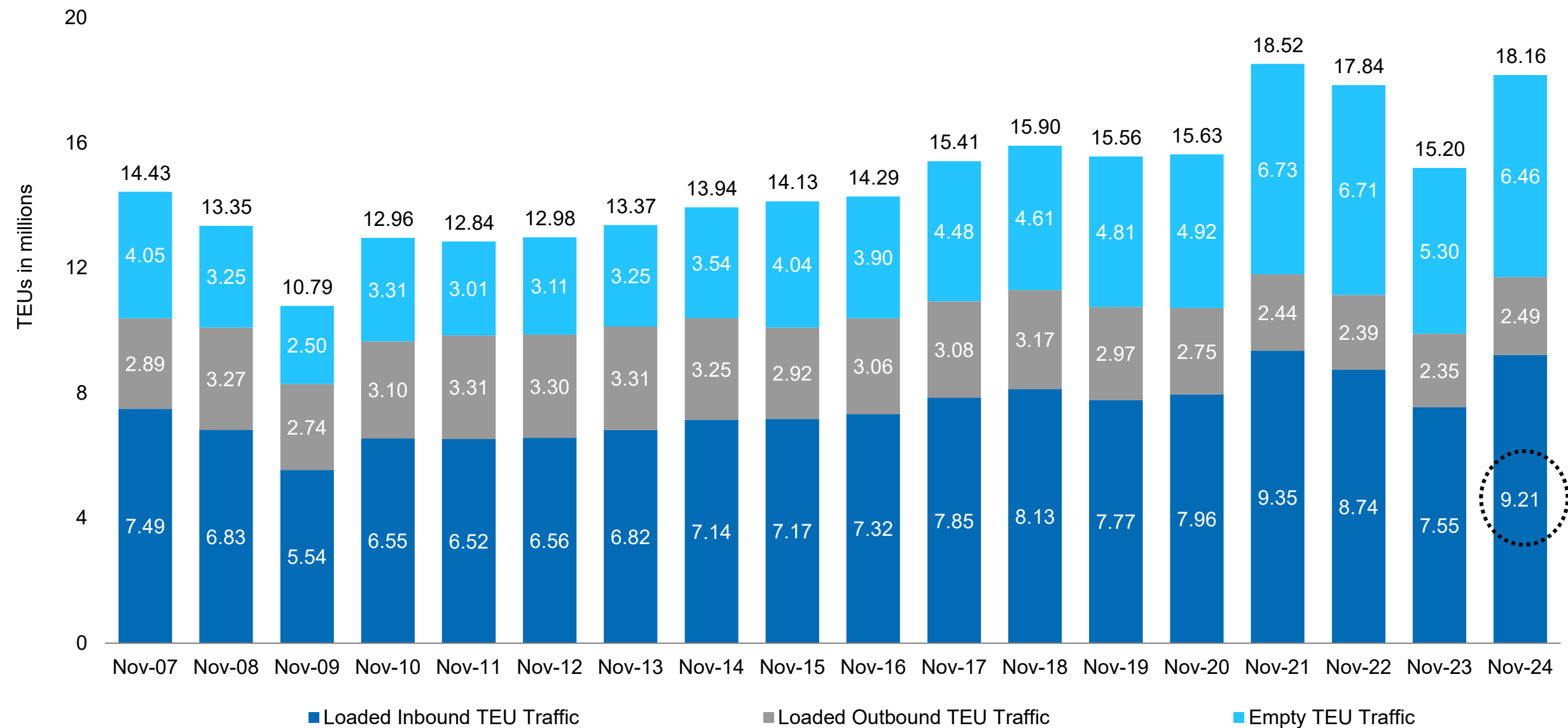
Southern California's Ports and U.S. Retail Sales



2024 Will Be the Second Busiest Year on Record Once December's Numbers are In

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus and distributors stockpiling goods) has passed. Now, Southern California's ports are contending with an influx of imports due to labor contract negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | First 11 Months of a Given Year



Source: Newmark Research, The Port of Long Beach and Los Angeles

Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...

The ILWU and PMA signed a new labor contract in September 2023, restoring a sense of much-needed stability at U.S. West Coast seaports through late 2029. Longshoremen at Gulf and East Coast ports went on strike for three days in early October 2024 after their demands with the United Maritime Alliance were unmet. Now, both sides have a tentative agreement. Import volume will continue to be rerouted to other North American ports (e.g., Los Angeles-Long Beach) until a master contract is finalized between the ILA and USMX.

West Coast Ports Agreement Reached; New Contract Good Through Mid-2028

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers pushed inbound goods to East and Gulf Coast ports as talks dragged on. Some of this traffic is returning since stability is now less of a concern.



East and Gulf Coast Ports Are Up Next

- The International Longshoremen's Association (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMX) represents ocean carriers and terminal operators.
- Their contract expired on September 30, 2024.
- Harold Daggett, International President of the ILA, initiated a strike on October 1, 2024 that ended two days later.
- A tentative agreement with USMX for a new six-year master contract was reached on January 8, 2025. Port operations will continue as normal as the contract is ratified.
- Job protection from automation and higher pay (a 62% wage increase over six years) for longshore workers are part of the current deal.



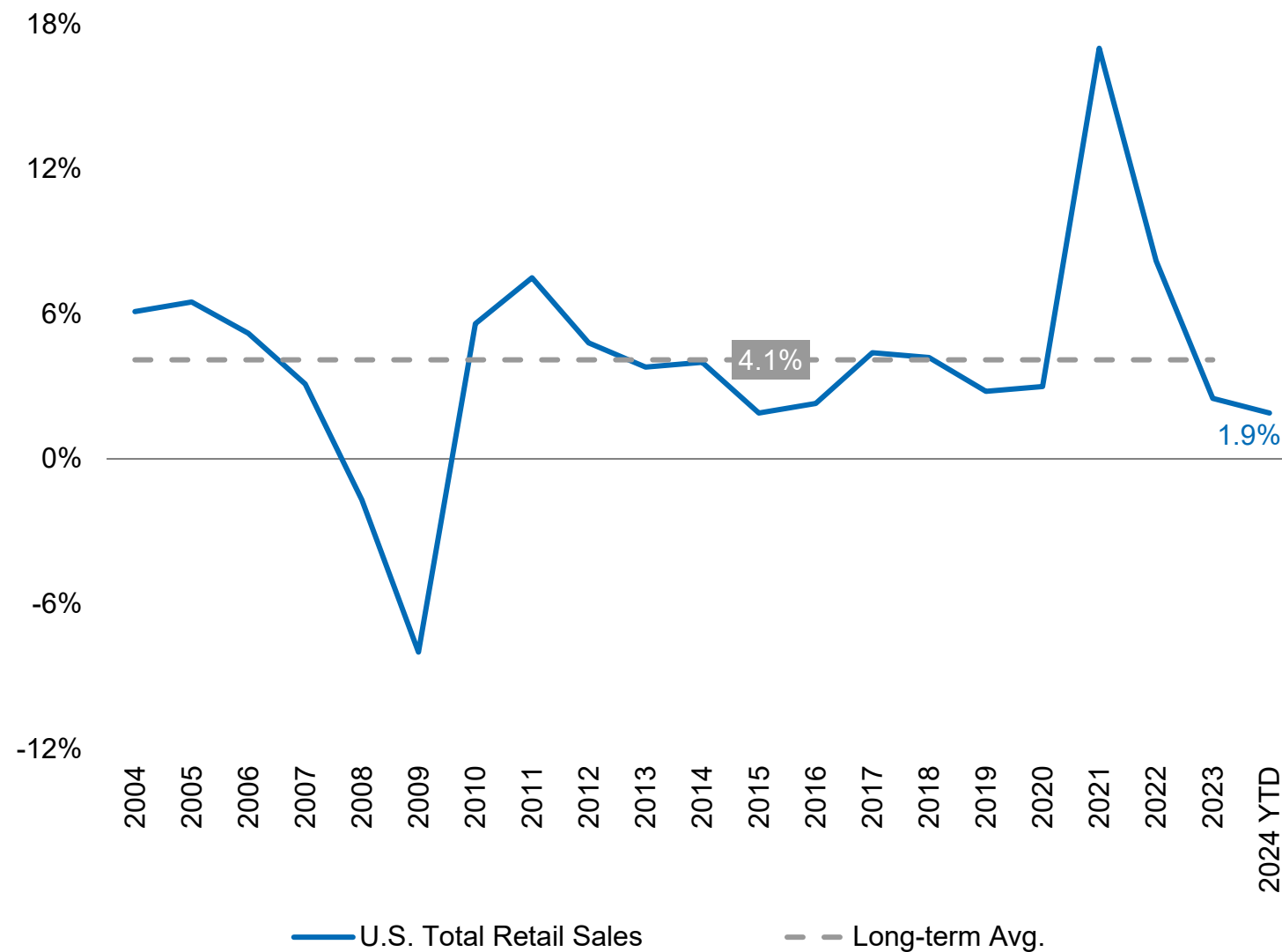
Import Traffic Has Jumped Since Late 2023 at Los Angeles/Long Beach

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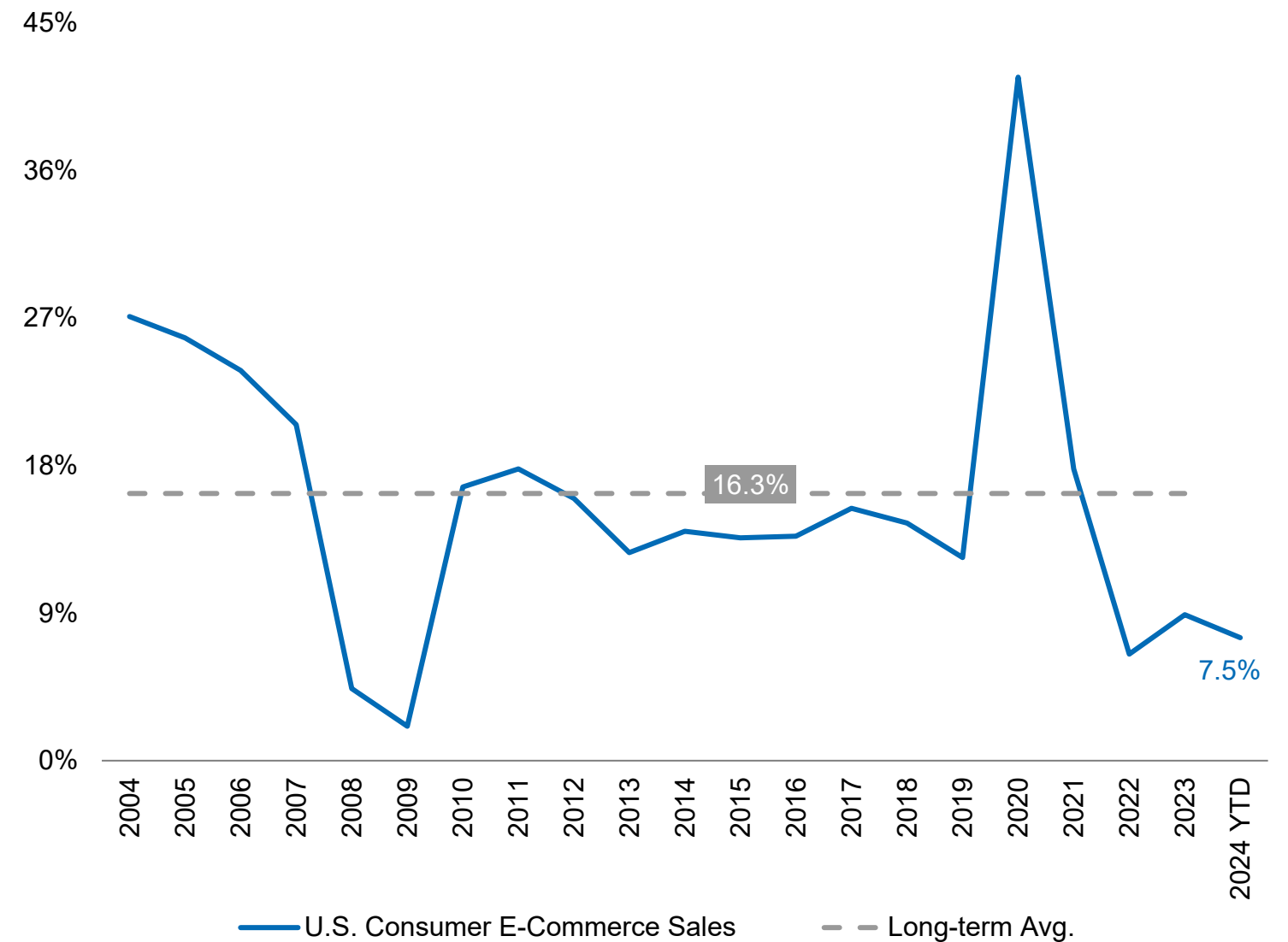
Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 7.5% in the first nine months of 2024 compared with the same period in 2023. Although e-commerce sales growth exceeded total retail sales (+1.9% over the same period), the decline from 2021 onward is noticeable as consumer spending registers slower gains.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth



Source: US Census Bureau (consumer adjusted retail sales); most current data available
 Note: 2024 YTD annual growth represents the change in sales from the first nine months of 2023 to the same period in 2024.

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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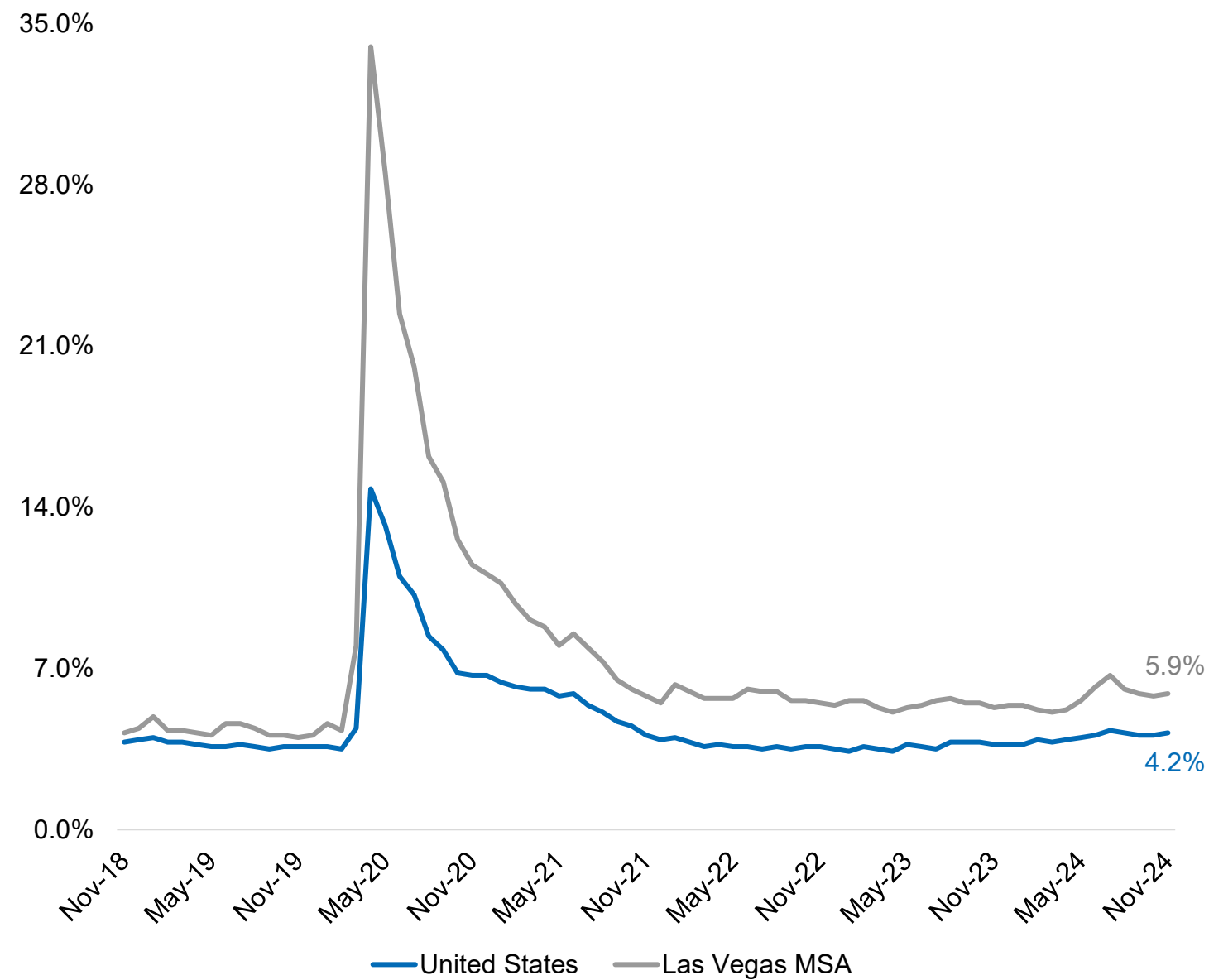
Local Employment



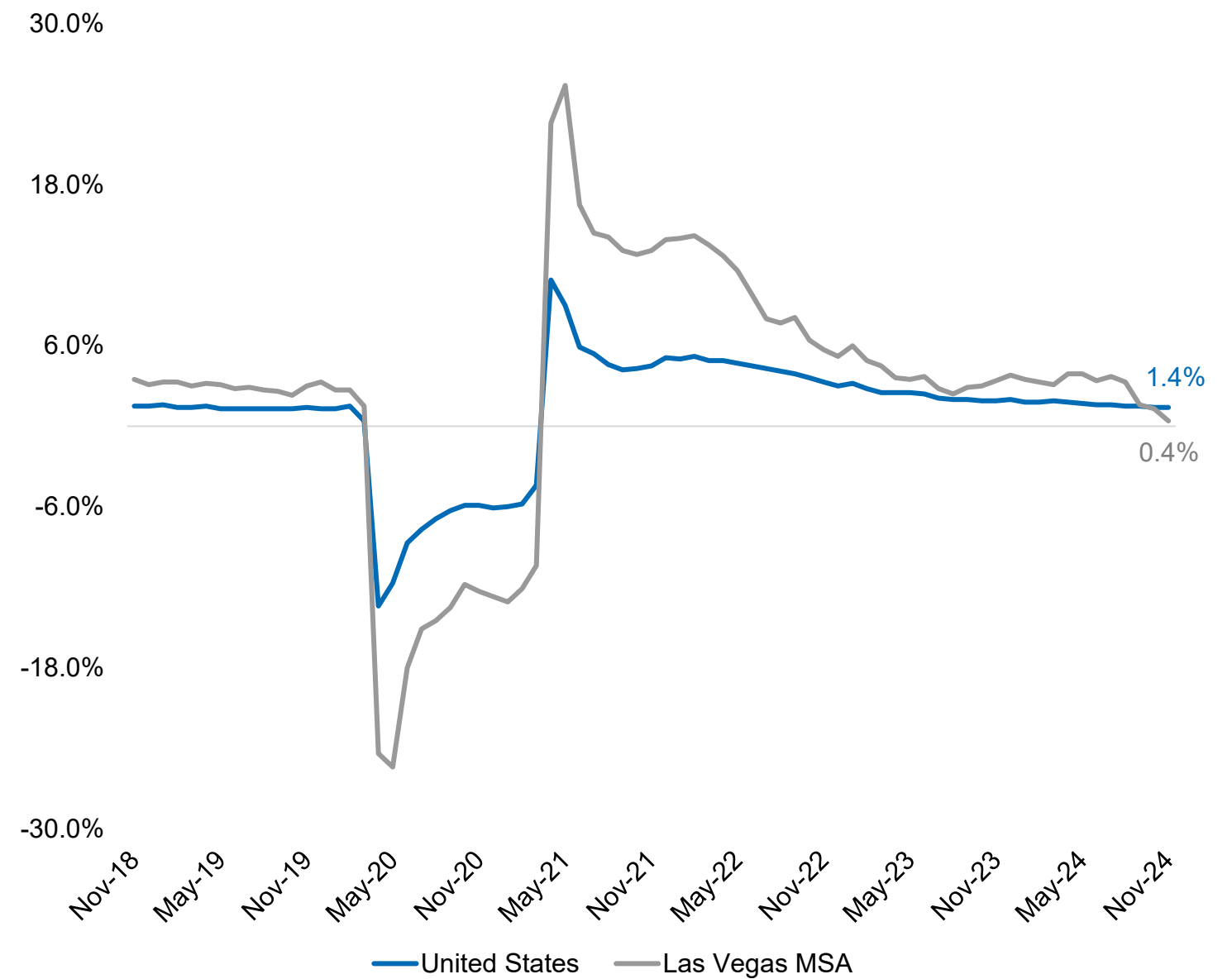
Las Vegas Job Gains: Stronger than the Nation

Local nonfarm employment growth exceeded that of the nation's for most of 2024 until a slowdown in November (+0.4%) due to white-collar layoffs. Stronger historical growth can be linked to the expanding local population, along with Nevada's lower business costs and less regulation relative to the Southwest's coastal markets.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



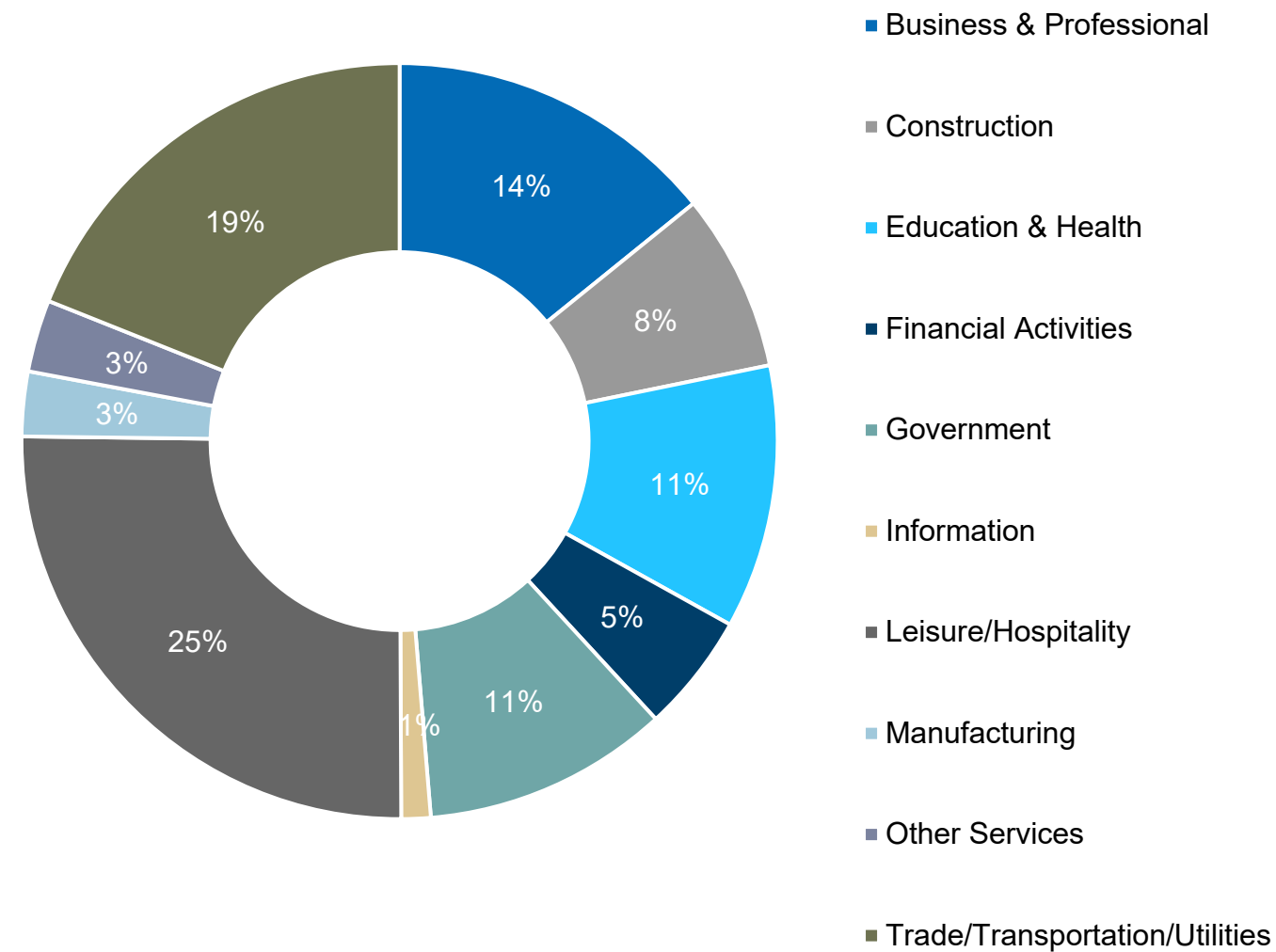
Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

Note: Las Vegas' unemployment is historically higher than the U.S. average due to volatility in the tourism industry when the economy downcycles; hence, the 34.0% unemployment average at the start of the pandemic.

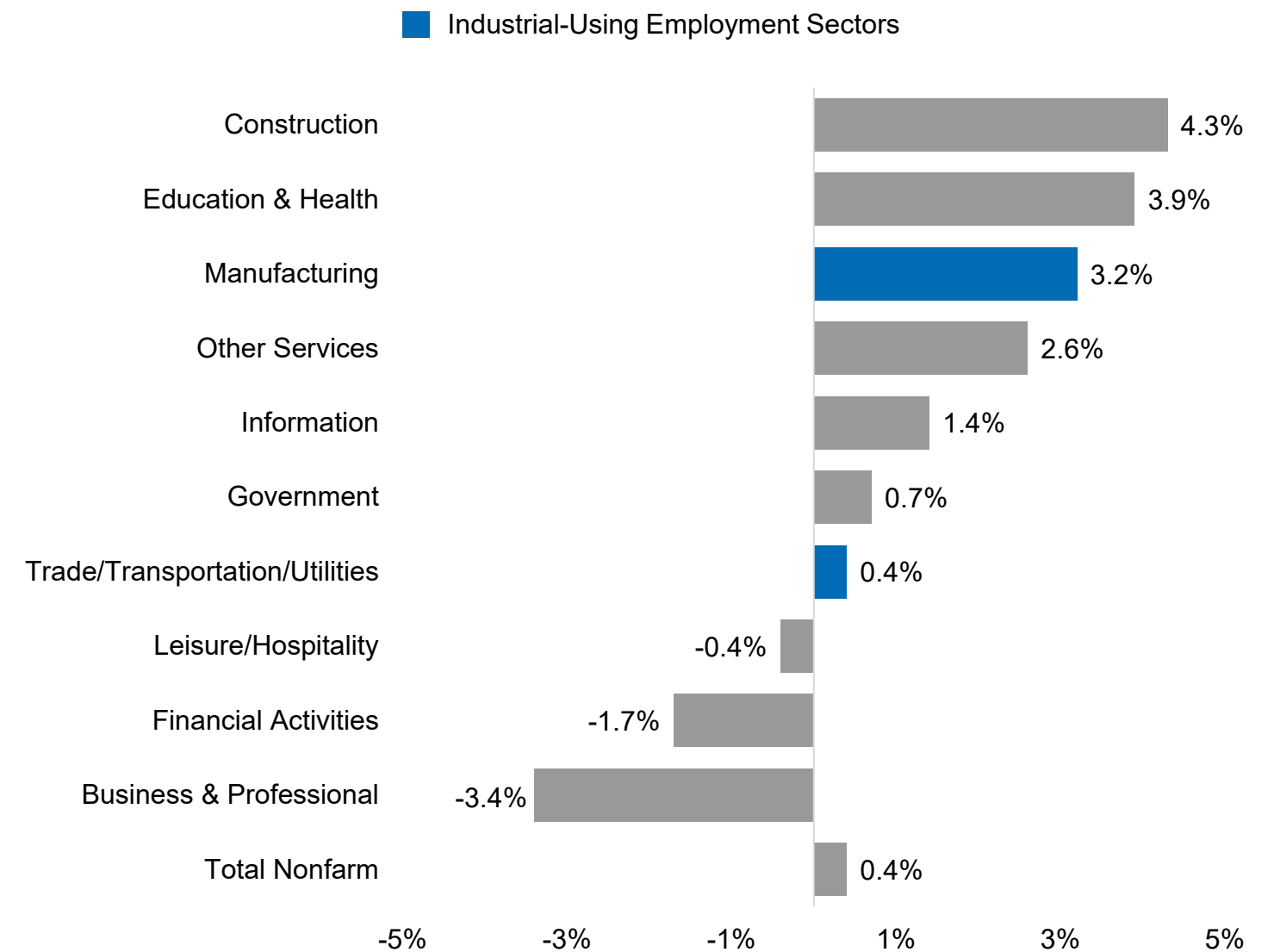
A Growing Population is Driving Employment Growth in a Myriad of Sectors

Leisure/hospitality continues to be the dominant sector, comprising 25.3% of overall employment. Still dominant, but less so when considering the average was 32.7% in 2010, a gradual decrease that illustrates continued diversification within the local economy. Contractions in white-collar industries (e.g., financial activities and business and professional) led to flat total nonfarm employment growth in November.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

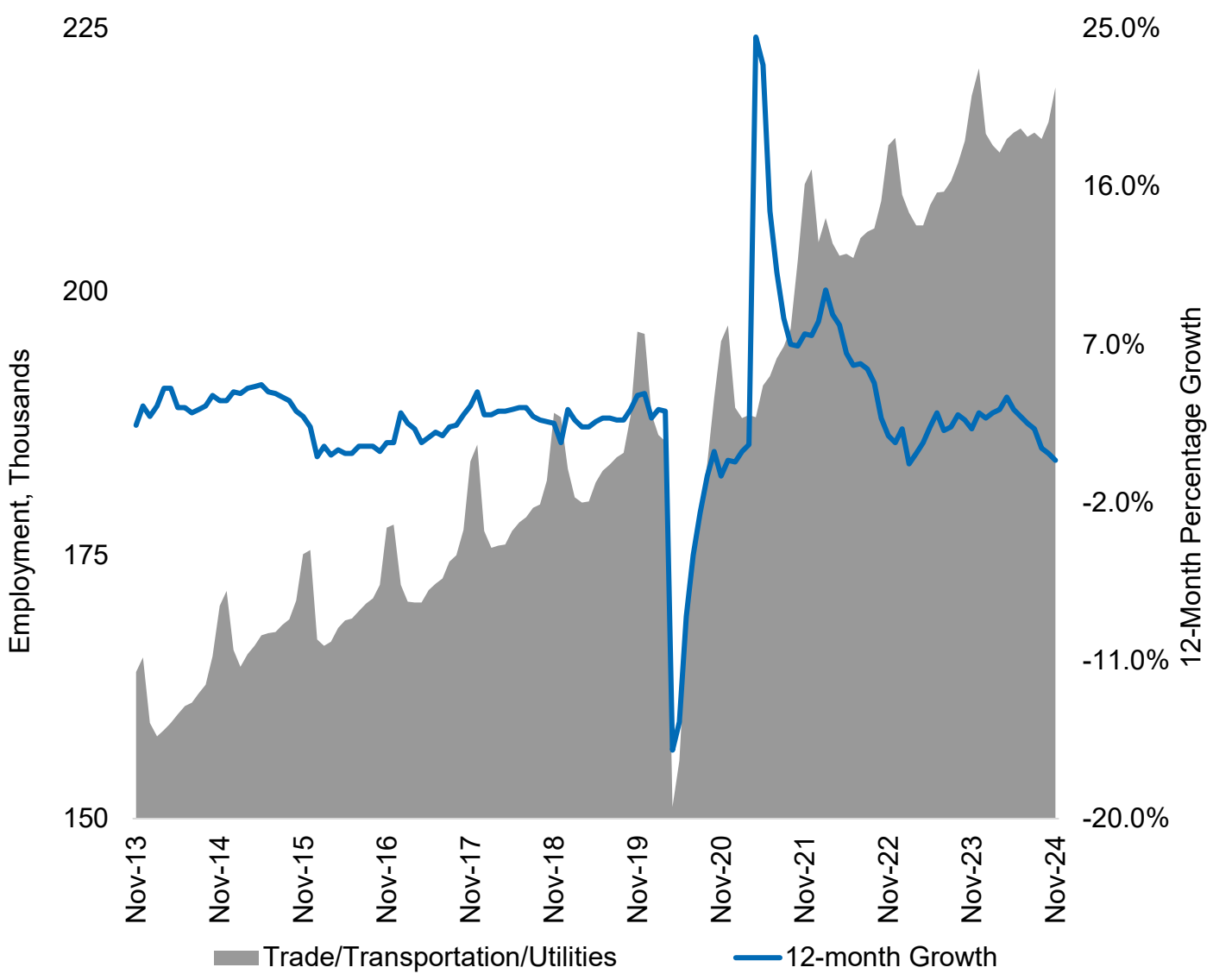


Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

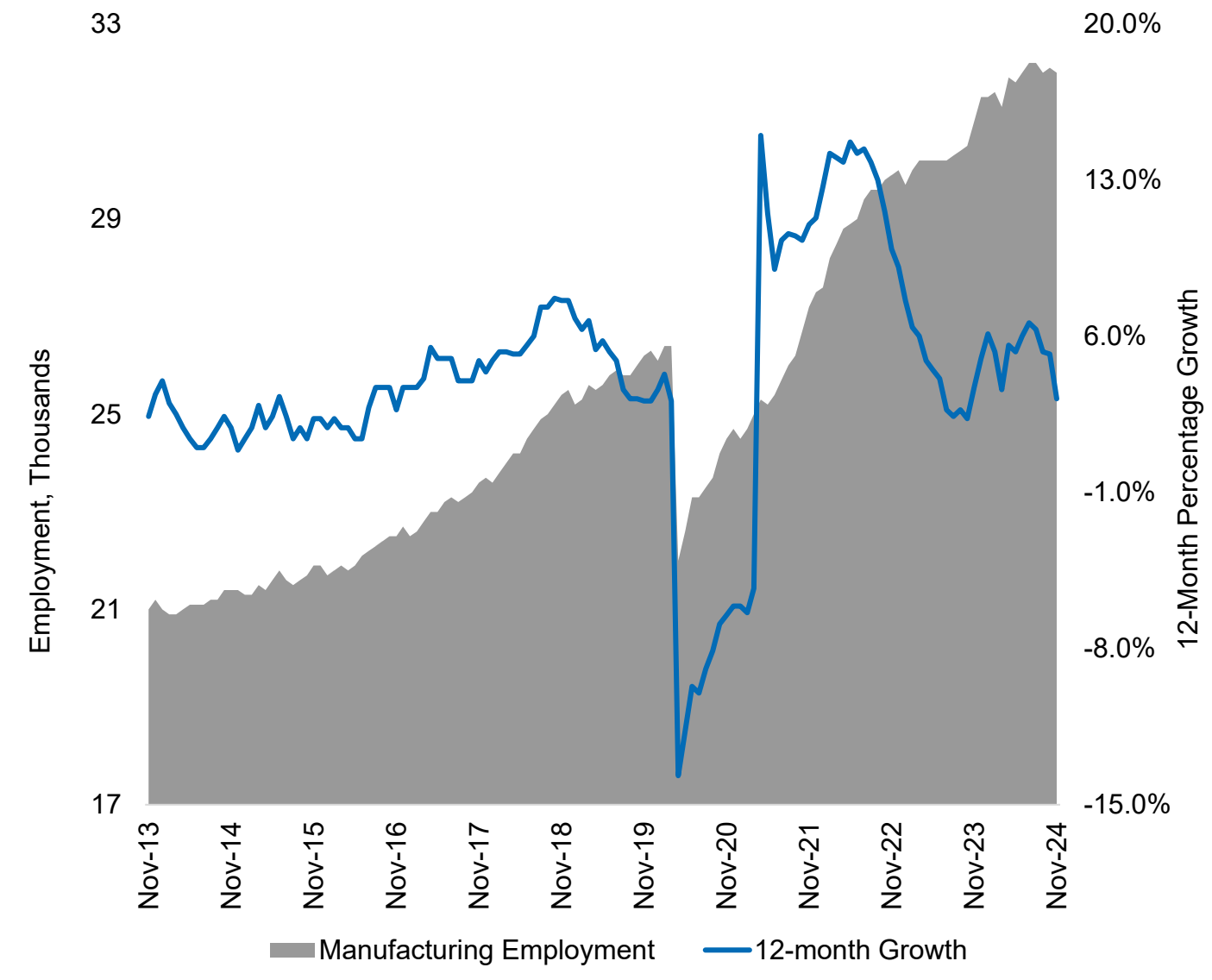
Seasonal Volatility Aside, Industrial Employment is Stronger Than Ever

New to market entrants and prior expansions from existing companies account for trade/transportation/utilities (TPU) employment growth. Though, TPU increases are slowing amid a lukewarm retail sales environment. Job gains in manufacturing meanwhile are reflective of Nevada’s business-friendly environment (e.g., a Right-to-Work state that does not have any corporate and personal income taxes).

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

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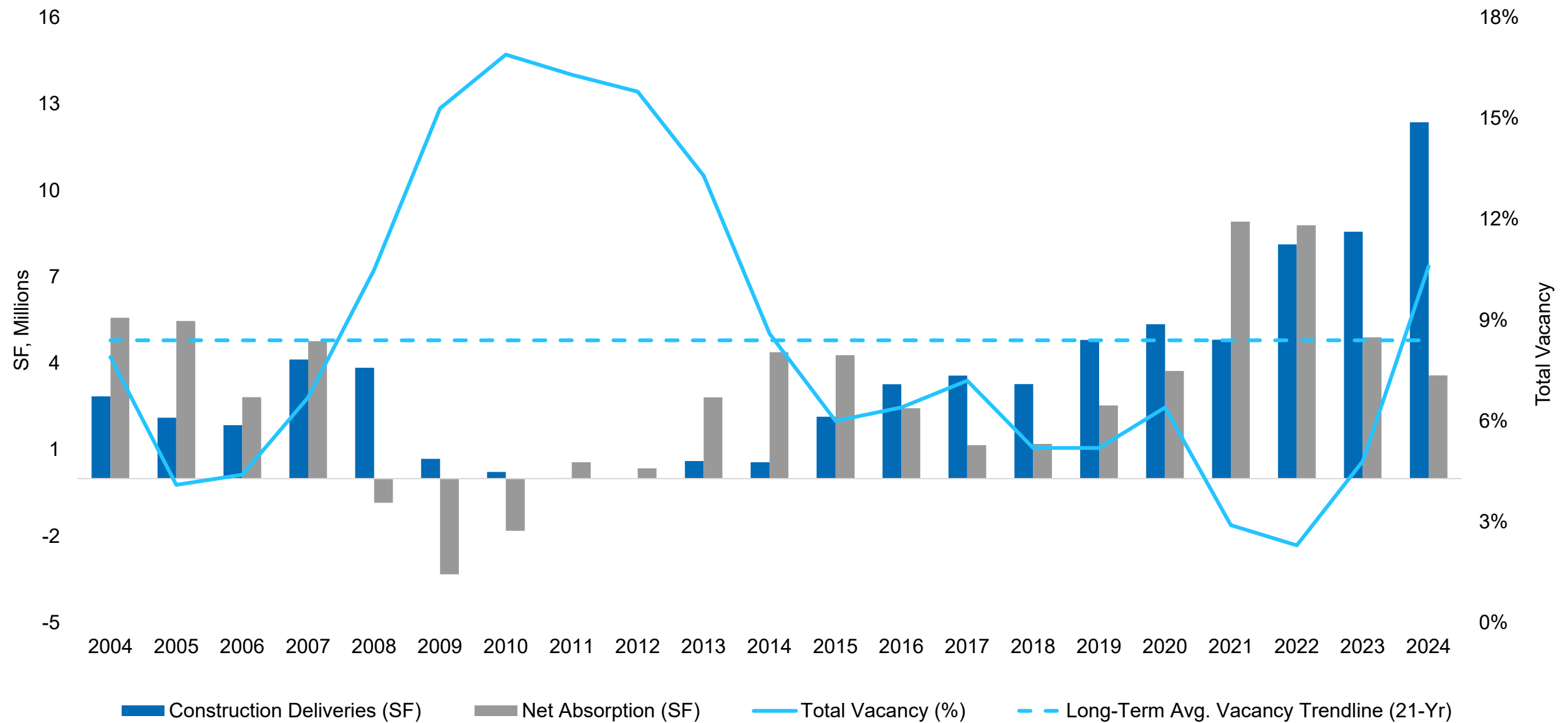
Leasing Market Fundamentals



Vacancy Rose After Construction Deliveries Were Met With Faint Net Absorption

This quarter, 488,125 SF in net absorption gains were met with 6.3 MSF in construction deliveries, causing vacancy to rise to 10.6%. On an annual basis for 2024: net absorption totaled 3.6 MSF while new supply accounted for 12.4 MSF. A slow-growth economy, coupled with 6.3 MSF in under construction space, will lead to even higher vacancy as new supply delivers and continues to eclipse net absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy

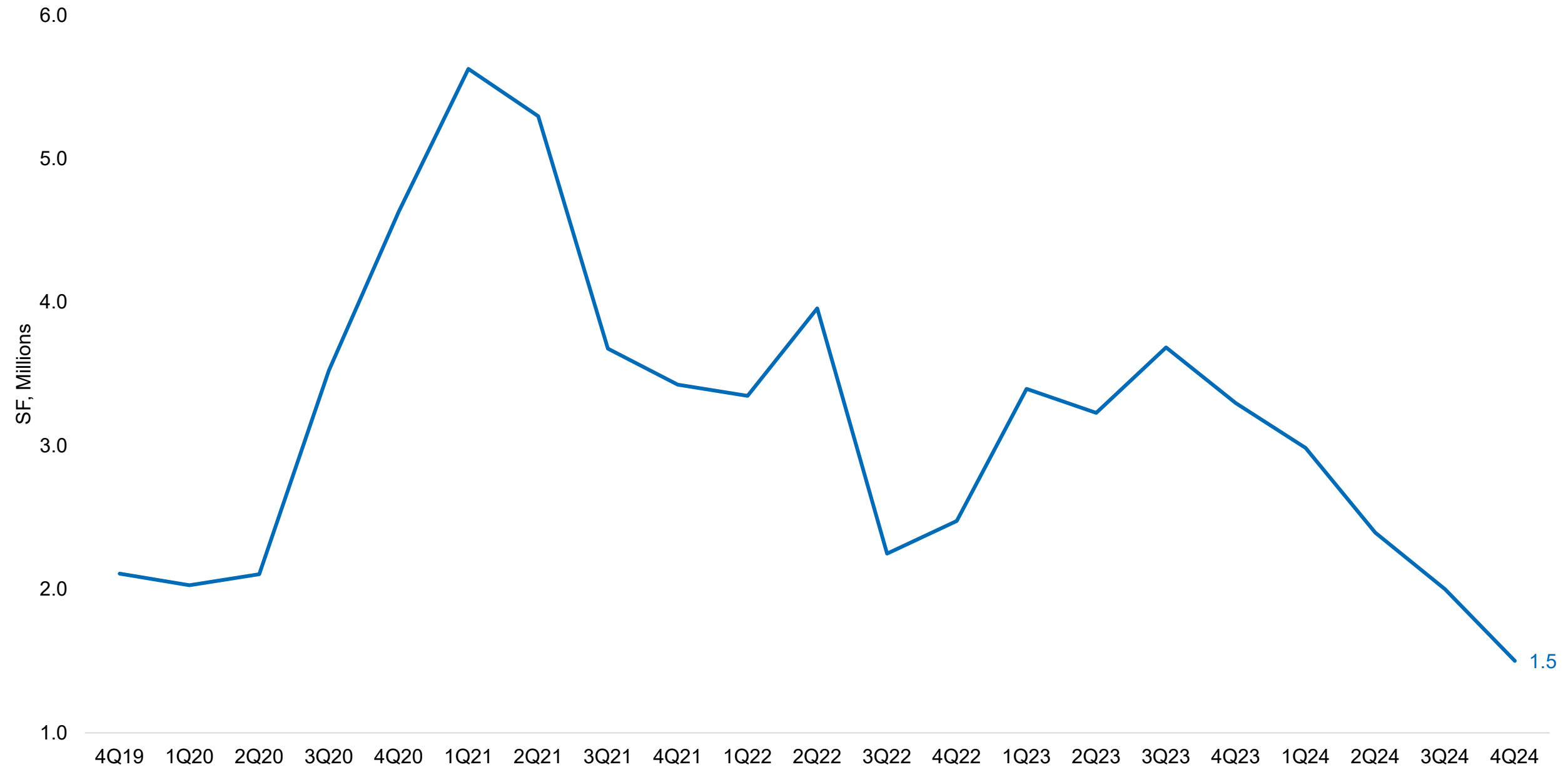


Source: Newmark Research

Leasing Activity Continues to Decrease

Volume this quarter was on par with late 2009, a trough year following the Global Financial Crisis. Leasing activity in future quarters is expected to be measured as occupiers focus on reducing costs in a still-high inflationary environment. Las Vegas' strong population growth and lower occupancy and labor costs relative to Southern California's markets, while still providing one-day truck service to those markets and their ports, favor long-term leasing fundamentals.

Total Leasing Activity (SF)

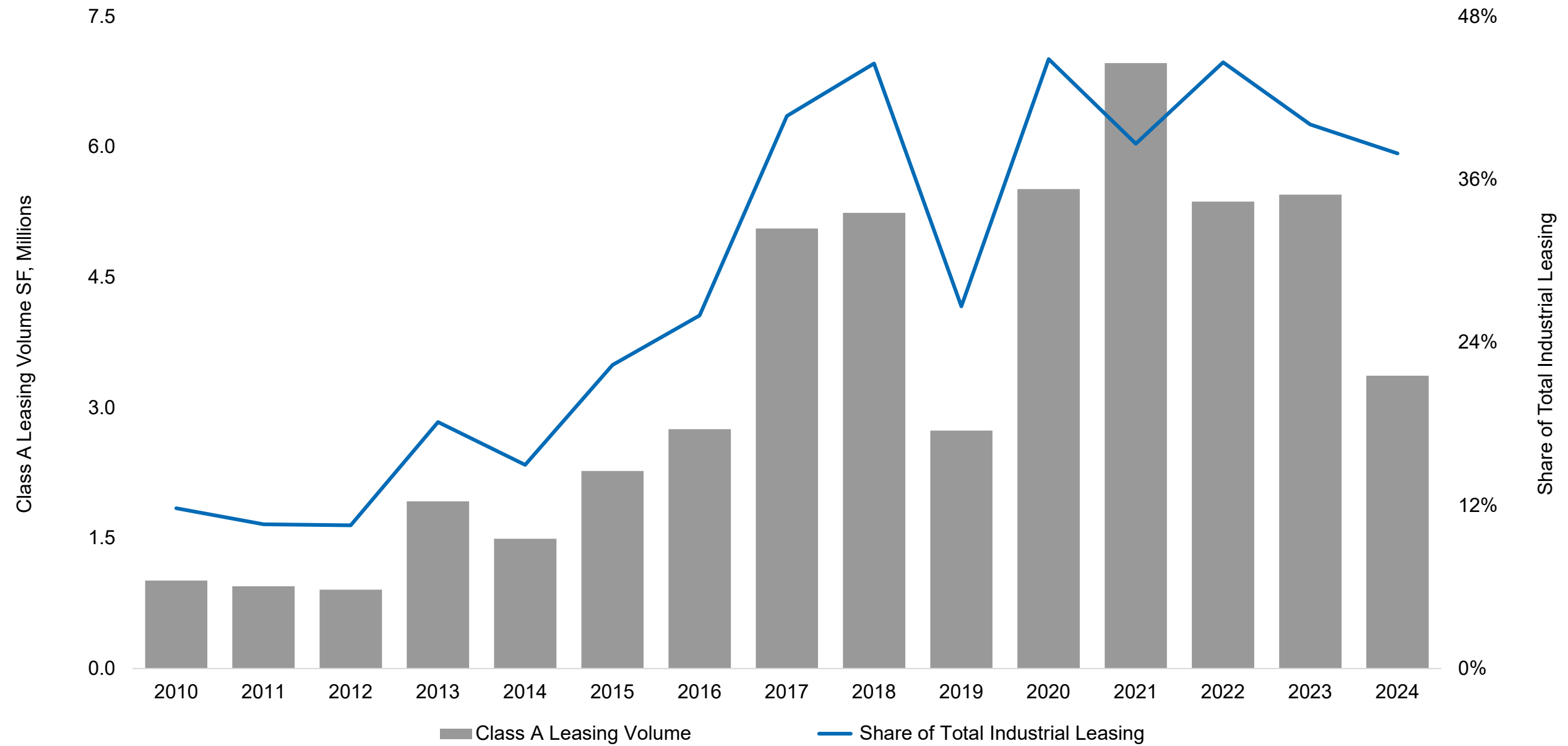


Source: Newmark Research, CoStar

Class A Warehouse Leasing Above Long-Term Average

Las Vegas is a growth market and Class A leasing activity has shaped overall leasing dynamics in recent years. The only exception to the rule was 2019, a year when there was a dearth in available product.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

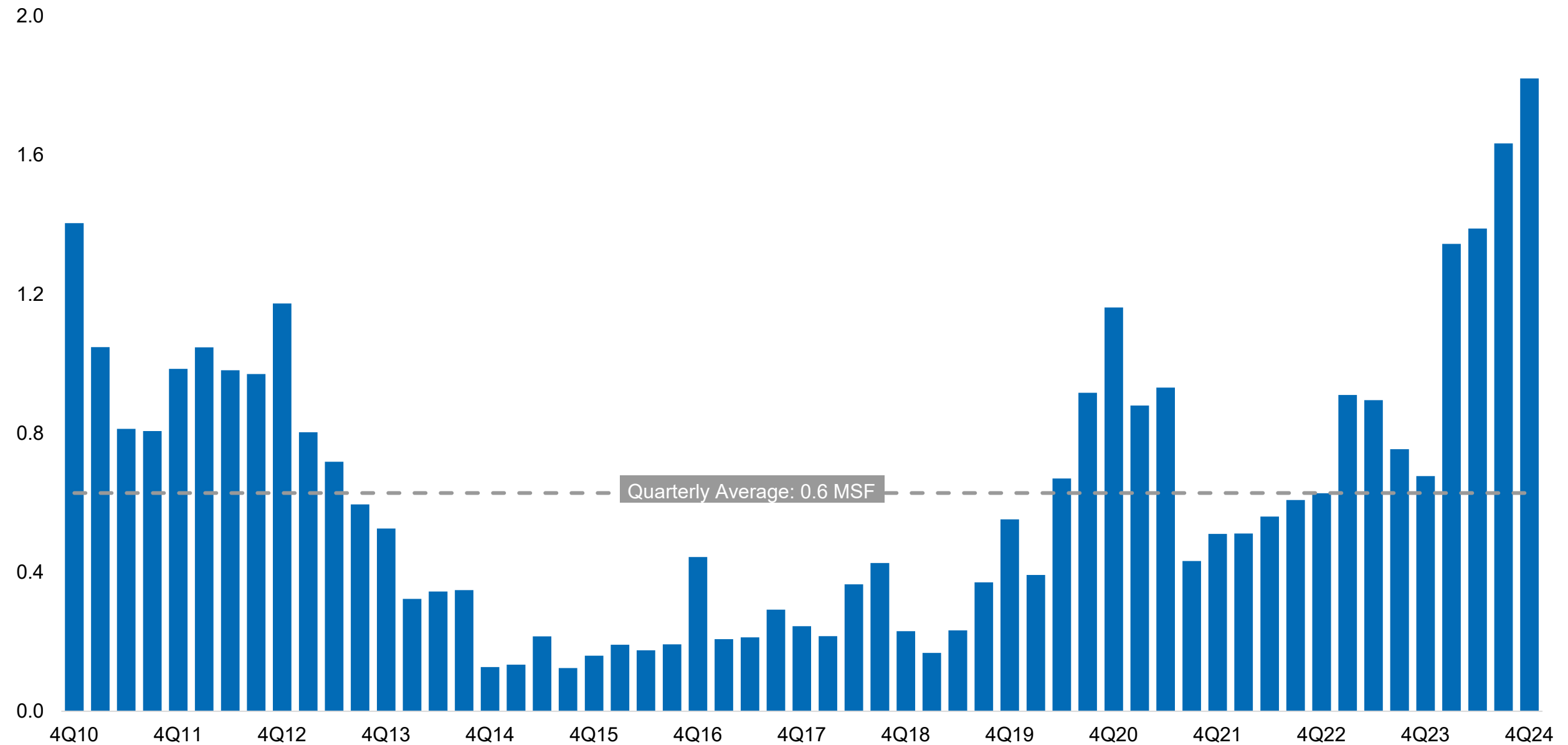


Source: Newmark Research, CoStar
 Note: Class A is defined as 100,000+ SF, 30'+ minimum interior ceiling height and constructed since 2000.

Sublease Space Climbed to Yet Another Record High

Geodis Logistics (199,840 SF), Nutrition Corp (171,083 SF) and ShipMonk (76,035 SF) are a sampling of companies that listed sublease space in 2024. The sublet pool will fluctuate in the quarters ahead as cost-cutting measures from some occupiers are counterbalanced with the progressive leasing of desirable sublet offerings.

Available Industrial Sublease Volume (MSF)

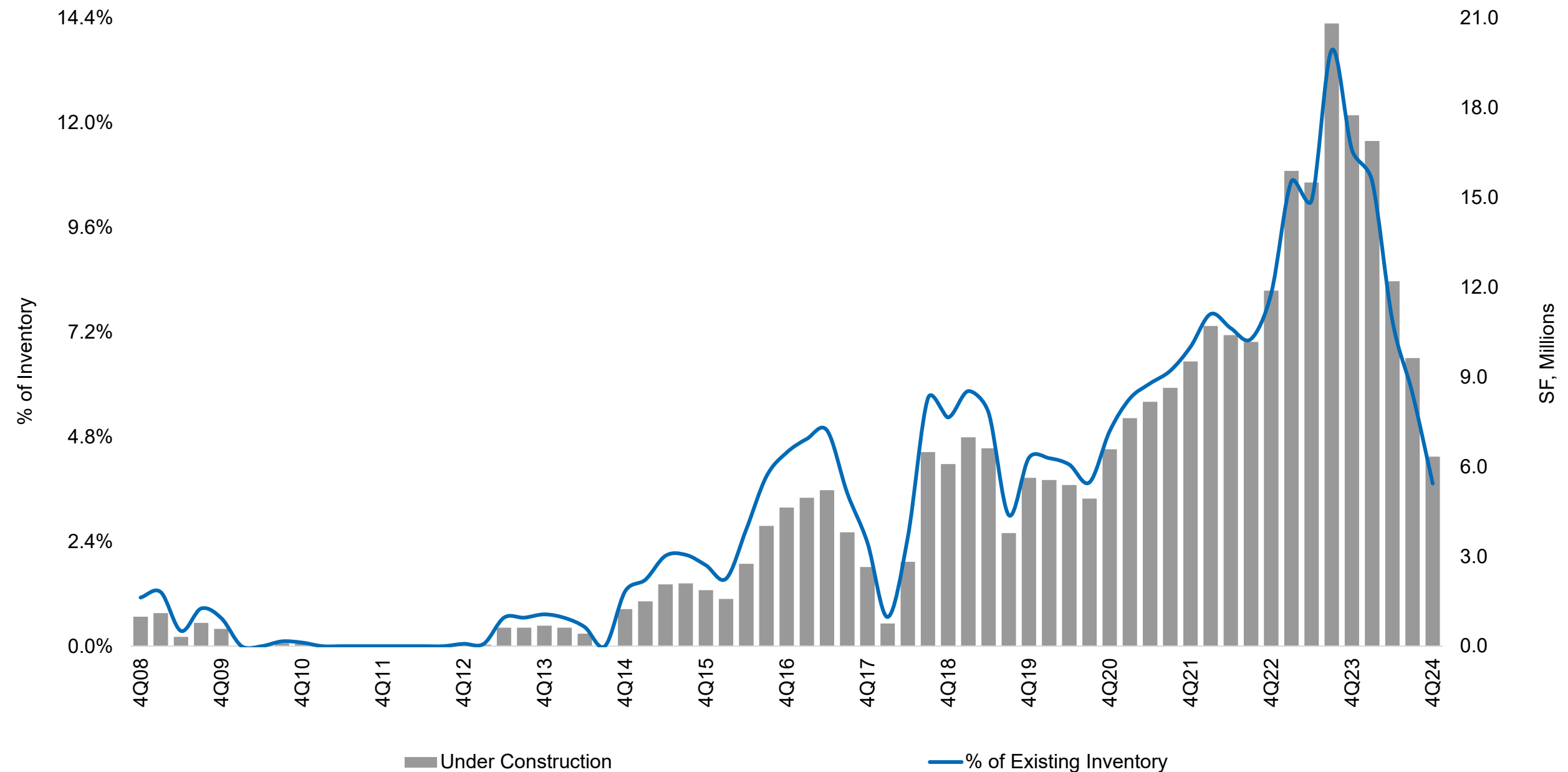


Source: Newmark Research

Industrial Supply Pipeline Cools as Construction Starts Decrease

Rising vacancy, new supply set to come online, slower leasing activity and difficulty in sourcing construction debt are acting as barriers to new construction starts. Most developers have paused new development, while some have sold land positions amid today's environment. The under-construction total will inch closer to zero in 2025.

Industrial Under Construction and % of Existing Inventory

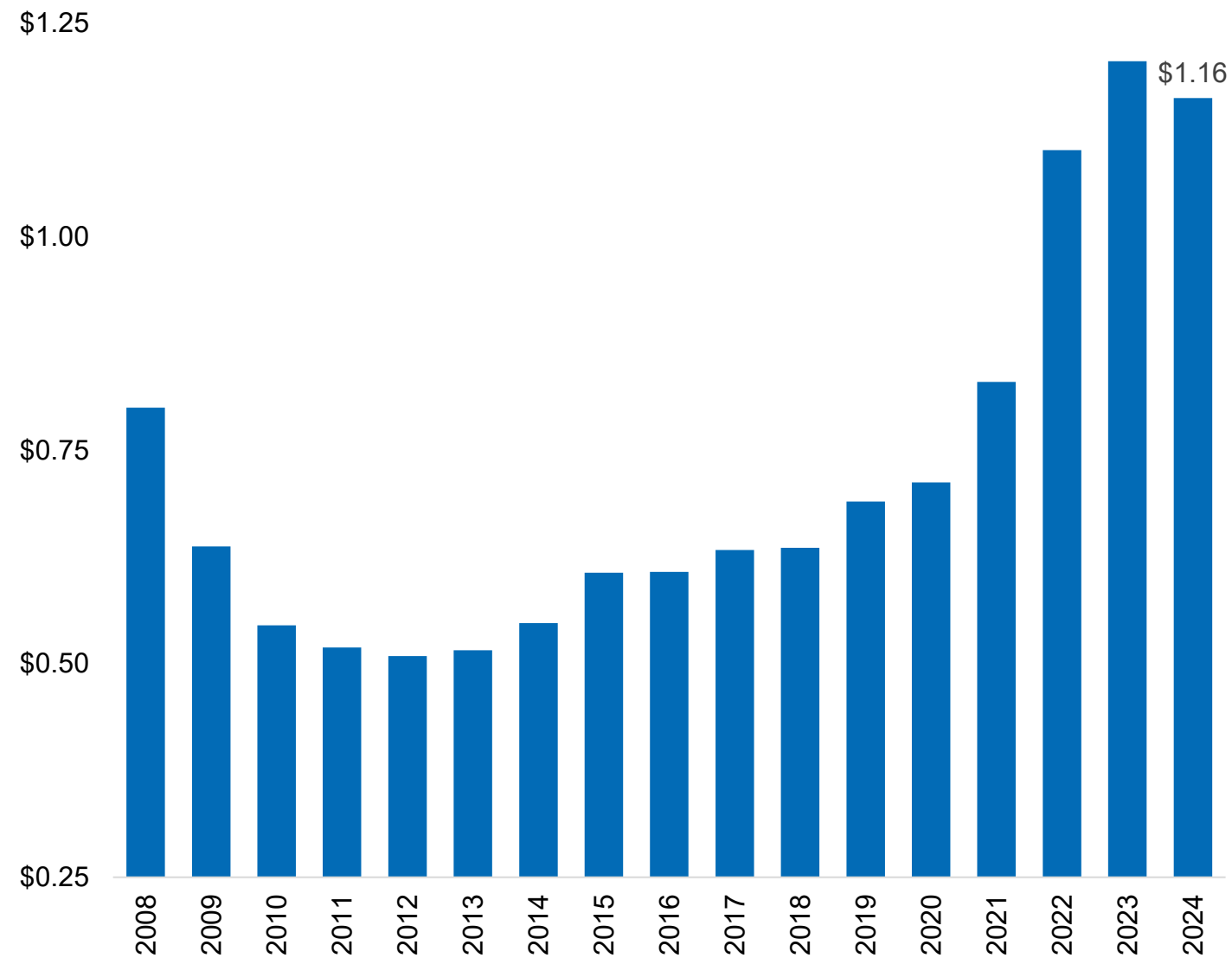


Source: Newmark Research

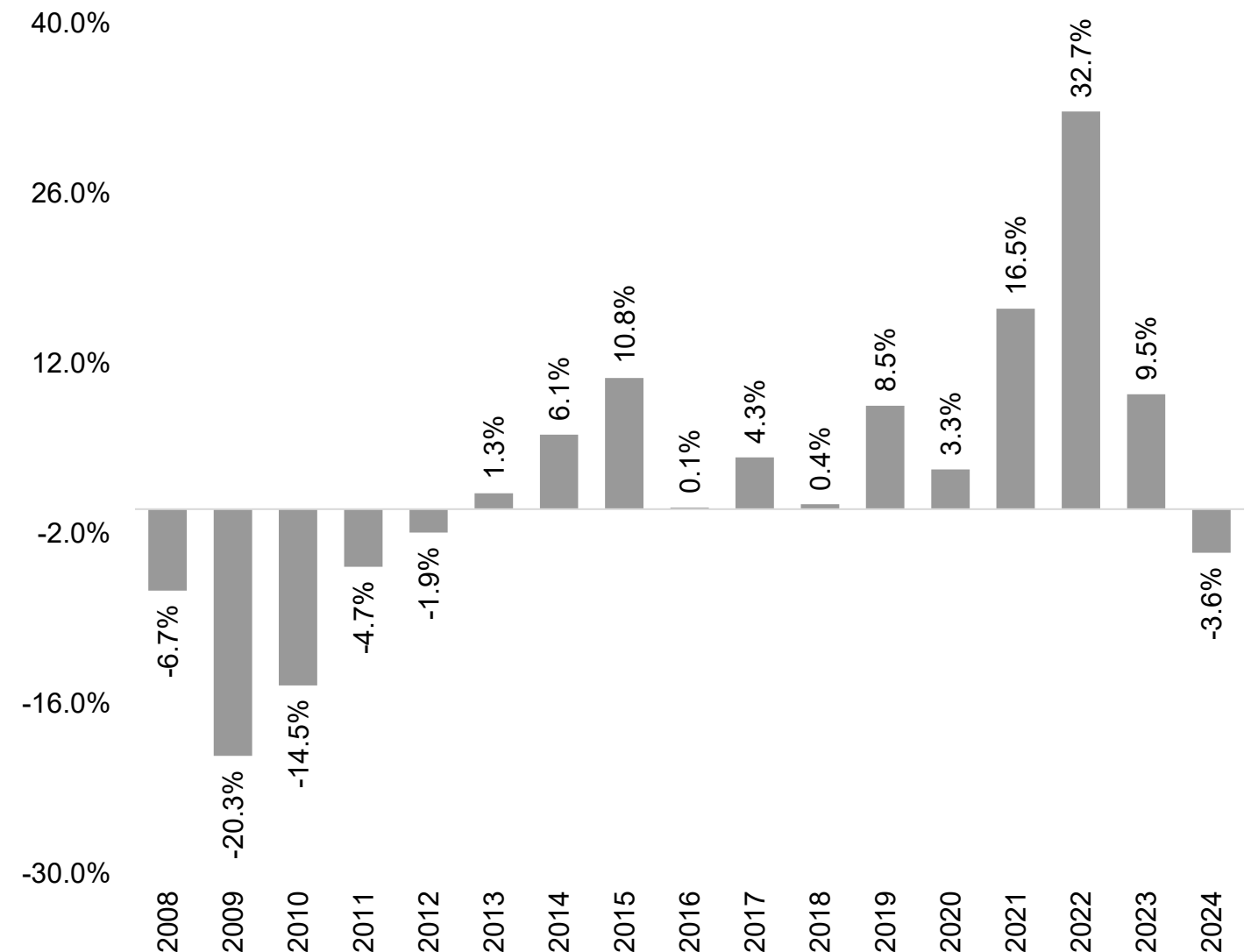
Direct Asking Rents are Trending Down

Industrial average asking rents grew by 9.5% from 2022 to 2023, after unprecedented rent growth in 2021 (+16.5%) and 2022 (+32.7%). Direct rents are now decreasing as new construction deliveries vacant and sublease space – offered at discounted rents – climbs.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Exceptional Effective Rent Growth in Recent Years is Reversing Course

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Notable 4Q24 Lease Transactions

Leasing activity continues to be concentrated in modern-gen buildings, predominantly in the North Las Vegas submarket where 44.8% of the region's existing inventory is.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Ryder Logistics	LogistiCenter at Speedway II	North Las Vegas	Direct	144,090
<i>Ryder Logistics is the first tenant of the 336,000-SF facility, which delivered this quarter.. The tenant will take occupancy in early 2025.</i>				
Chivari	Desert Willow Logistics Center	North Las Vegas	Direct	130,421
<i>This is the event furniture supplier's first Western U.S. facility.</i>				
KWI, LLC	Speedway Commerce Center III	North Las Vegas	Direct	79,441
<i>Speedway Commerce Center III totals 390,000 SF and was built in 2018.</i>				
Bascom Logistics	Golden Triangle Industrial Park	North Las Vegas	Sublease	46,930
<i>The privately held logistics company presently has operations in Nevada and Kentucky.</i>				
Coast Aluminum	Airport Industrial Park	Airport	Renewal	30,593
<i>Coast Aluminum has 10 locations across the Western U.S. and five in Mexico.</i>				

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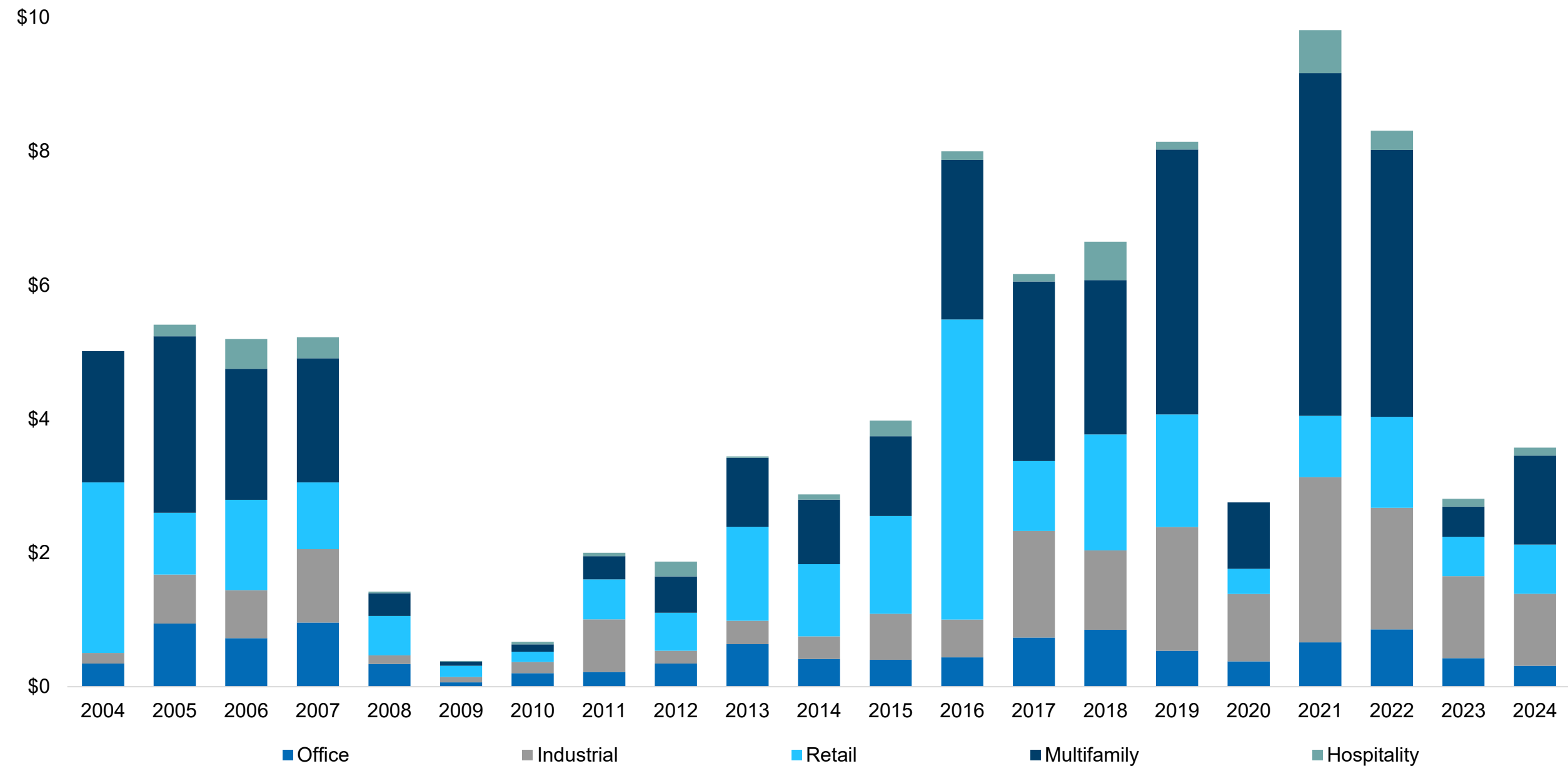
Sales Activity



Industrial Comprised 30% of Total Sales Volume in 2024

This was much higher than the long-term* annual average of 20.2%. Heated rent growth in recent years favor the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal.

Las Vegas: Sales Volume Across Commercial Property Segments (\$ in Billions)

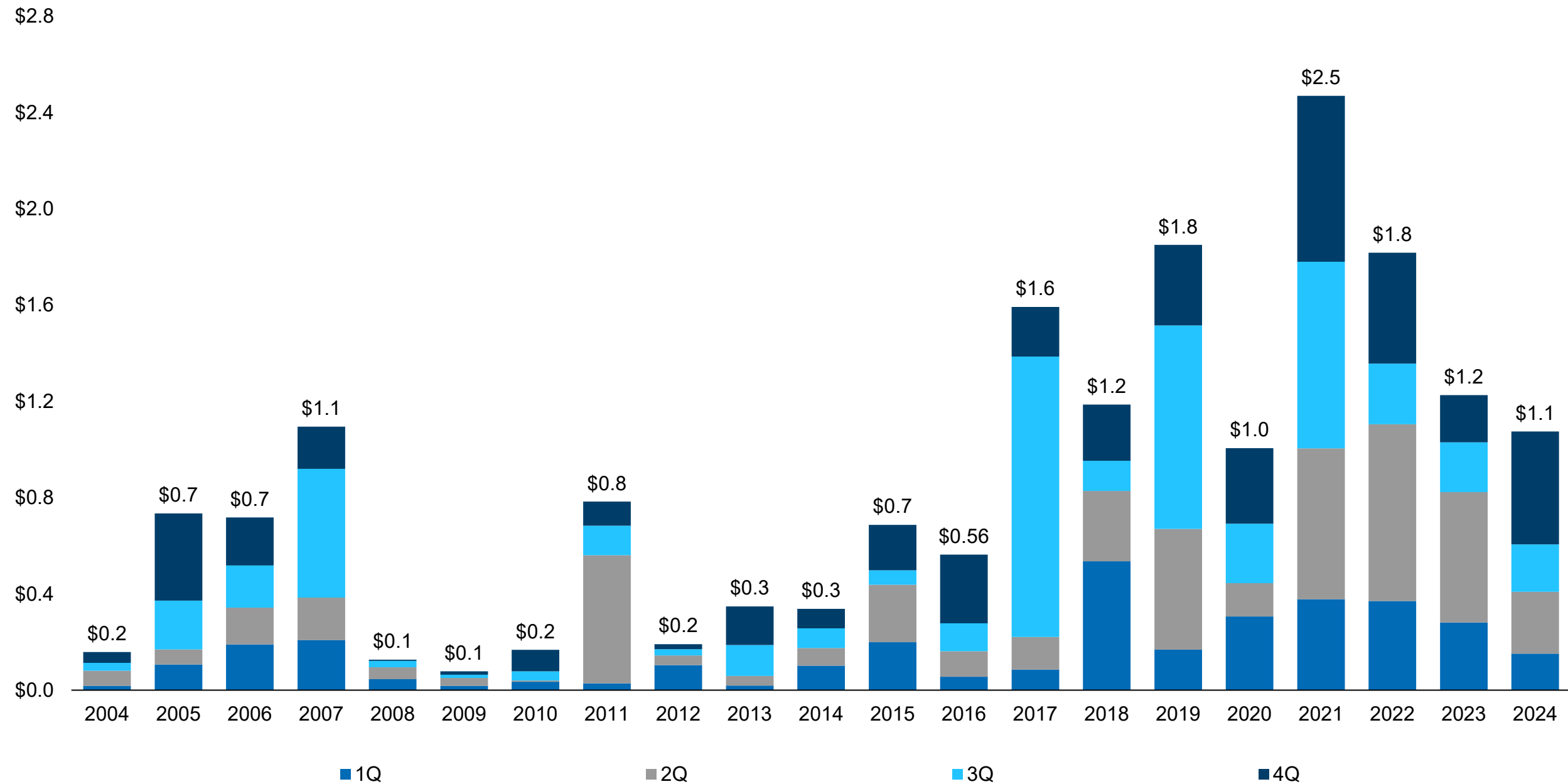


Source: Newmark Research, MSCI Real Capital Analytics
 Note: Preliminary data is cited for the fourth quarter of 2024. The long-term annual average is from 2004 through 2024.

Industrial Sales Volume: Up Close

Industrial sales volume totaled \$1.07 billion in 2024, down 12.3% from the same period in 2023. Higher capital costs, along with cooling leasing fundamentals, is crimping momentum. Both are exerting downward pressure on pricing.

Las Vegas: Industrial Sales Volume (\$ in Billions) | By Quarter



Source: Newmark Research, MSCI Real Capital Analytics
 Note: Preliminary data is cited for the fourth quarter of 2024.

Private Buyers Are Active

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Appendix



Las Vegas Industrial Submarket Map and High-Level Statistics | 4Q24



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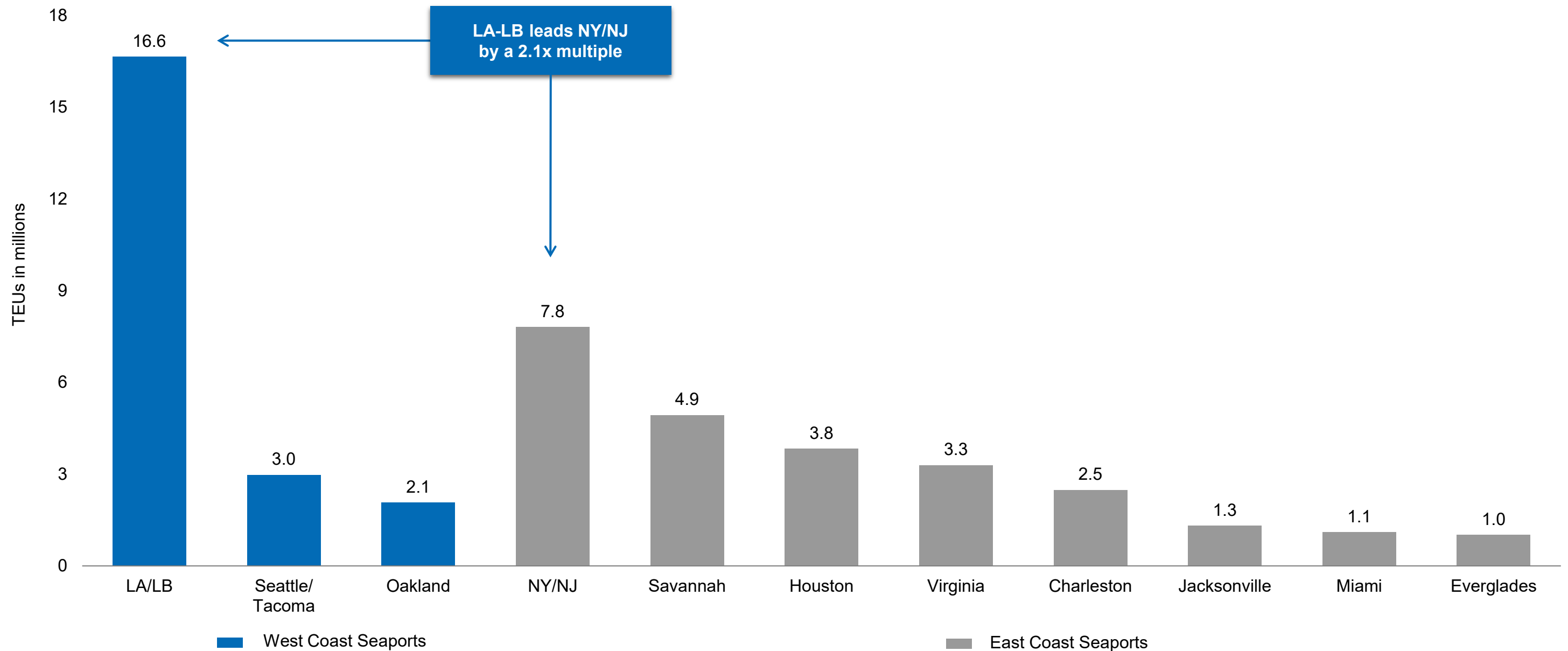
Population Has Increased Considerably in Recent Decades

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Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.

Major U.S. Seaports: 2023 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

Access to Large Populations and Lower Costs of Doing Business Favor Las Vegas

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