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PROPERTY ADVISORS



QUARTERLY MARKET UPDATE

LAS VEGAS - RENO 4Q22

Inflation, uncertain markets, and pandemic recovery have proved to be a powerful recipe for changing market conditions across the last quarter. Overall, both the Las Vegas and Reno markets have largely recovered.

Numerous Las Vegas casinos have since reopened, reestablishing the metro as major draw for tourists and bringing in thousands of leisure and hospitality employees back to work.

Las Vegas employment growth continues to outperform other markets by a wide margin due to a strong economic rebound. The metro area is nearing full employment recovery post-pandemic after suffering one of the sharpest declines during shutdowns. Meanwhile, although Reno faced a short-term spike in its unemployment rate at the start of the pandemic, it has quickly rebounded, with the unemployment rate averaging 2.6% over the past year.

In the following pages, we outline the major market trends in the Las Vegas and Reno market sectors, along with key indicators. In today's quickly changing environment, we remain ready to assist you with your commercial real estate valuation needs at any time.

VALBRIDGE PROPERTY ADVISORS | LAS VEGAS-RENO

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INDUSTRIAL

LAS VEGAS

- The vacancy rate reached record lows during the pandemic, and now hovers at 2.2%.
- **Rents have increased by 14.7% annually**, with positive gains forecasted to continue.
- **Warehouse and distribution space continue to dominate new development**, accounting for 80% of more of the market's industrial construction.
- Pricing has increased to \$210/SF, with the average market cap rate at about 4.8%.

RENO

- Rents have increased by 8.2% over the past year, **surpassing the average from the past five years**.
- Market asking rent is \$8.74/SF, presenting a 20% discount over both Sacramento and the Inland Empire as comparable markets.
- **As a popular logistics destination**, Reno will see 6.4 million SF under construction, **exceeding the average over the past five years**.
- There has been a **steep decline in activity** in 2022 due to interest rates on commercial property reaching close to the market cap of 5%.

OFFICE

LAS VEGAS

- Las Vegas **continues to see gains of 5% compared to other nationwide markets** that see consistent downward pressure on rents.
- The sublet availability rate is **one of the lowest nationwide**, at 0.8%.
- Office investors remain active, trading approximately \$998 million worth of office assets in the past year with the average price sitting at \$250/SF. **The average cap rate is around 7.3%.**
- Recent trades suggest that the South and Southwest submarkets are **favorable to investors**.

RENO

- The average office rent in Reno has increased by 3.8% over the past year.
- **2021 demand caused the vacancy rate to fall by 0.6%**. With 450,000 SF now under construction and a vacancy rate of 8.3%, it is unlikely that there will be significant increases in rents in the short-term.

RETAIL

LAS VEGAS

- **Demand trends are favorable**, considering Las Vegas population growth and immigration trends.
- Vacancies are likely to stabilize **as economic activity returns to pre-pandemic levels**.
- \$3.8 billion in retail assets have traded in the past year, presenting a **striking increase in sales volume in 2021**.
- 2022 sales volume in Las Vegas will likely be at its highest since 2016, with an average price of \$390/SF and average cap rates flattening out in the 5.8% range.
- **Annual rent growth in the market remains robust at 7.4%**, with recovery in retail rents proving to be of the best nationwide.

RENO

- **Leasing activity has been consistent over the past three years**, with the exception of 2Q22.
- Pricing has risen considerably in the past year, with the average transactional price of \$181/SF compared to the three-year average of \$190/SF.
- Transactional cap rates have been in the range of low- to mid-6% since 2017.

MULTIFAMILY HOUSING

LAS VEGAS

- Four consecutive quarters of negative absorption dating back to 21Q4 coupled with supply pressure have caused **vacancies to spike to 8.6%**.
- Lower occupancy is corresponding with annual rent losses for the first time since 2011.
- **The market has continued to draw among renters from more expensive markets**, but increased rents of 30% from pre-pandemic levels are cooling the fervor.
- The average cap rate has compressed by more than 100 basis points, and is approximately 4.2%.

RENO

- Construction levels are high with 3,900 more units being built, **raising Reno's inventory by 9.2%**.
- Vacancy rate remains at 8.3%, **ticking upwards in recent periods** with deliveries totaling 1,300 units over the past year.
- Demand will struggle to offset supply-driven pressure in the coming future.
- **Reno multifamily growth has been flat over the past year**.
- Sales accelerated in 2022 after a record-setting year in 2021, totaling \$771 million across 60 transactions. This activity is significantly attributed to a single transaction with ERGS, a local firm.

LAS VEGAS INDUSTRIAL TRENDS

Overview

LAS VEGAS INDUSTRIAL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
6.9M	6.9M	2.2%	14.7%

KEY INDICATORS

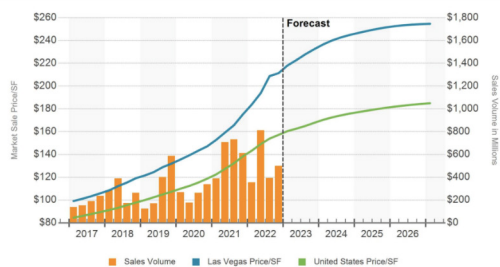
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	120,713,843	2.3%	\$12.12	7.6%	(188,558)	0	13,846,135
Specialized Industrial	20,445,121	1.2%	\$14.45	3.2%	(975)	0	633,120
Flex	22,226,291	2.7%	\$15.47	3.2%	(47,207)	0	9,900
Market	163,385,255	2.2%	\$12.82	6.9%	(236,340)	0	14,489,155

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.1%	7.5%	3.3%	14.2%	2011 Q1	1.9%	2022 Q3
Net Absorption SF	6.9M	3,870,374	6,940,799	12,119,310	2022 Q1	(4,076,101)	2010 Q1
Deliveries SF	6.9M	3,909,498	7,825,337	8,606,535	2007 Q2	63,574	2011 Q4
Rent Growth	14.7%	2.8%	5.1%	17.0%	2022 Q3	-13.1%	2010 Q1
Sales Volume	\$2.1B	\$730.7M	N/A	\$2.5B	2022 Q2	\$74.4M	2010 Q2

Sales

LAS VEGAS INDUSTRIAL

SALES VOLUME & MARKET SALE PRICE PER SF



Overview

RENO INDUSTRIAL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
3.8M	3.7M	2.8%	8.2%

KEY INDICATORS

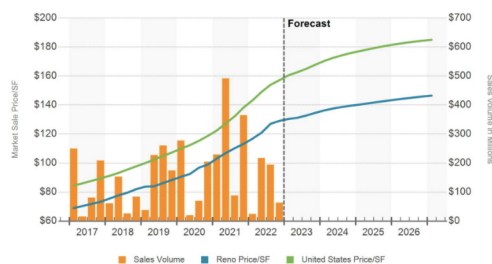
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	80,789,979	2.2%	\$7.81	4.9%	83,377	0	3,996,173
Specialized Industrial	20,602,950	4.8%	\$10.85	4.3%	0	0	2,332,254
Flex	7,129,342	3.5%	\$12.98	4.4%	(19,667)	0	39,090
Market	108,522,271	2.8%	\$8.74	4.8%	63,710	0	6,367,517

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0%	6.8%	3.7%	14.3%	2009 Q2	2.3%	2022 Q1
Net Absorption SF	3.7M	2,645,519	4,180,193	7,808,184	2017 Q2	(537,411)	2016 Q2
Deliveries SF	3.8M	2,361,073	4,634,557	6,534,852	2017 Q2	0	2011 Q2
Rent Growth	8.2%	3.7%	3.7%	9.3%	2022 Q2	-3.9%	2010 Q2
Sales Volume	\$498M	\$352.7M	N/A	\$1.2B	2021 Q4	\$37.6M	2010 Q1

Sales

RENO INDUSTRIAL

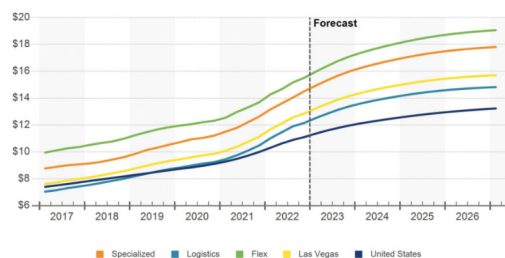
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS INDUSTRIAL

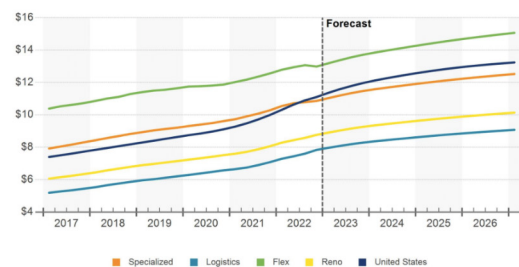
MARKET RENT PER SQUARE FEET



Rent

RENO INDUSTRIAL

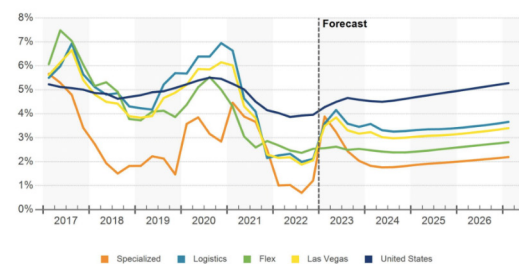
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS INDUSTRIAL

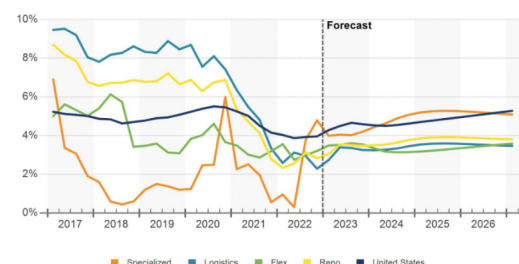
VACANCY RATE



Vacancy

RENO INDUSTRIAL

VACANCY RATE



LAS VEGAS OFFICE TRENDS

Overview

LAS VEGAS OFFICE

12 Mo Deliveries in SF **690K** 12 Mo Net Absorption in SF **678K** Vacancy Rate **9.7%** 12 Mo Rent Growth **5.0%**

KEY INDICATORS

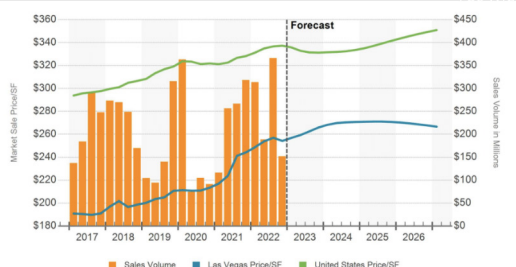
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	14,997,281	8.7%	\$32.88	10.8%	12,710	0	363,944
3 Star	37,695,522	10.8%	\$26.19	12.2%	(140,156)	0	349,421
1 & 2 Star	15,384,256	7.6%	\$20.68	8.0%	(48,742)	0	0
Market	68,037,059	9.7%	\$26.45	11.0%	(156,188)	0	713,365

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.6%	13.7%	10.9%	18.7%	2010 Q3	6.9%	2005 Q3
Net Absorption SF	678K	833,287	211,923	2,705,069	2007 Q1	(956,763)	2010 Q3
Deliveries SF	690K	1,098,864	701,862	4,464,712	2007 Q4	95,006	2011 Q1
Rent Growth	5.0%	6.2%	1.7%	6.5%	2022 Q2	-14.2%	2010 Q1
Sales Volume	\$1B	\$639M	N/A	\$1.2B	2022 Q3	\$87.5M	2009 Q4

Sales

LAS VEGAS OFFICE

SALES VOLUME & MARKET SALE PRICE PER SF



Overview

RENO OFFICE

12 Mo Deliveries in SF **32.1K** 12 Mo Net Absorption in SF **(72K)** Vacancy Rate **8.3%** 12 Mo Rent Growth **3.8%**

KEY INDICATORS

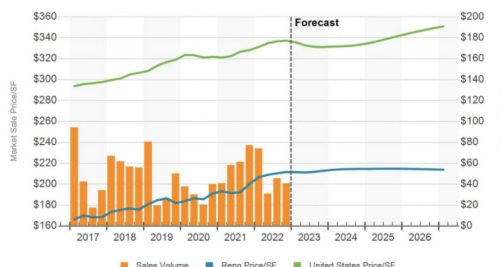
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	1,496,676	9.5%	\$29.30	19.5%	(9,734)	0	278,251
3 Star	9,541,328	9.5%	\$25.19	13.8%	6,063	0	172,287
1 & 2 Star	6,209,722	6.1%	\$21.93	7.3%	(2,931)	0	0
Market	17,247,726	8.3%	\$24.46	12.1%	(6,602)	0	450,538

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.6%	11.8%	8.9%	16.9%	2010 Q3	7.7%	2021 Q4
Net Absorption SF	(72K)	111,370	150,476	404,888	2009 Q4	(461,580)	2009 Q1
Deliveries SF	32.1K	58,396	211,562	332,075	2008 Q3	5,504	2014 Q4
Rent Growth	3.8%	0.8%	0.6%	8.5%	2015 Q2	-11.1%	2009 Q3
Sales Volume	\$191M	\$121.6M	N/A	\$270.9M	2022 Q1	\$19.2M	2010 Q4

Sales

RENO OFFICE

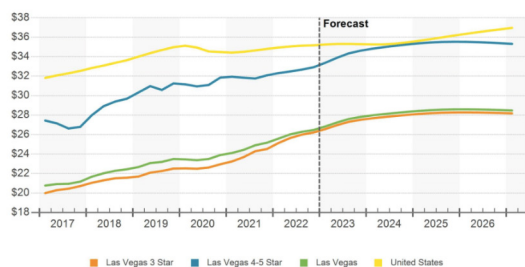
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS OFFICE

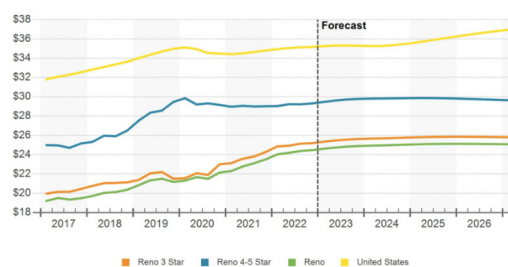
MARKET RENT PER SQUARE FEET



Rent

RENO OFFICE

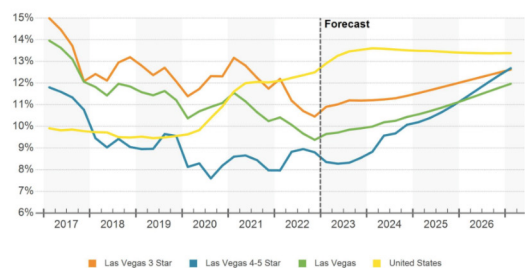
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS OFFICE

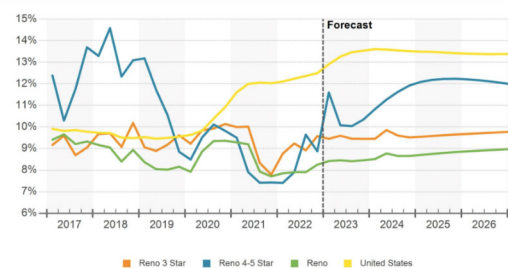
VACANCY RATE



Vacancy

RENO OFFICE

VACANCY RATE



LAS VEGAS RETAIL TRENDS

Overview

LAS VEGAS RETAIL

12 Mo Deliveries in SF **831K** 12 Mo Net Absorption in SF **1.2M** Vacancy Rate **5.2%** 12 Mo Rent Growth **7.4%**

KEY INDICATORS

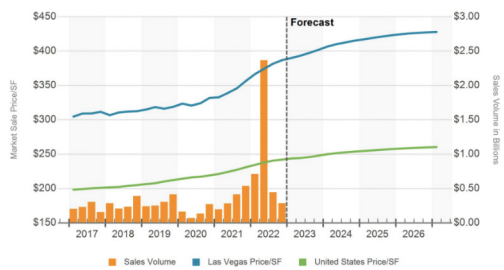
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	9,841,401	6.7%	\$70.69	5.3%	(5,962)	0	0
Power Center	13,170,872	4.0%	\$29.90	5.0%	128,633	0	0
Neighborhood Center	42,542,886	6.0%	\$24.97	7.3%	(36,883)	0	71,254
Strip Center	11,019,698	5.3%	\$24.06	6.2%	9,050	0	61,399
General Retail	39,186,148	3.1%	\$28.06	4.0%	44,320	0	986,056
Other	3,168,269	12.7%	\$36.97	6.6%	0	0	0
Market	118,929,274	5.2%	\$30.52	5.7%	139,555	0	1,118,709

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.5%	7.5%	5.6%	11.2%	2011 Q2	2.6%	2005 Q3
Net Absorption SF	1.2M	1,434,241	624,151	5,951,854	2007 Q4	(1,323,799)	2009 Q2
Deliveries SF	831K	1,724,604	929,857	6,979,426	2007 Q4	158,613	2013 Q1
Rent Growth	7.4%	0.4%	3.0%	10.7%	2022 Q1	-11.6%	2010 Q1
Sales Volume	\$3.8B	\$1.3B	N/A	\$4.6B	2016 Q4	\$185.4M	2009 Q4

Sales

LAS VEGAS RETAIL

SALES VOLUME & MARKET SALE PRICE PER SF



Overview

RENO RETAIL

12 Mo Deliveries in SF **131K** 12 Mo Net Absorption in SF **184K** Vacancy Rate **4.3%** 12 Mo Rent Growth **2.8%**

KEY INDICATORS

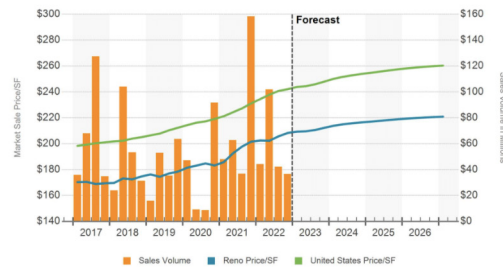
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	1,529,392	2.8%	\$20.84	10.2%	0	0	0
Power Center	3,647,810	3.6%	\$22.22	4.0%	0	0	0
Neighborhood Center	9,010,808	6.3%	\$21.36	6.9%	13,106	0	5,000
Strip Center	2,167,427	4.2%	\$20.09	5.7%	(6,354)	0	15,392
General Retail	10,526,030	3.1%	\$19.47	3.8%	9,084	0	15,720
Other	91,631	0%	\$19.54	0%	0	0	0
Market	26,975,698	4.3%	\$20.69	5.4%	15,836	0	36,112

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.2%	8.0%	4.4%	12.2%	2012 Q3	4.3%	2023 Q1
Net Absorption SF	184K	160,528	50,580	869,128	2017 Q4	(472,823)	2010 Q1
Deliveries SF	131K	195,741	57,350	1,251,511	2008 Q4	25,532	2021 Q1
Rent Growth	2.8%	0.4%	1.5%	4.6%	2022 Q2	-4.8%	2009 Q4
Sales Volume	\$225M	\$163.5M	N/A	\$346.3M	2022 Q3	\$24.8M	2010 Q3

Sales

RENO RETAIL

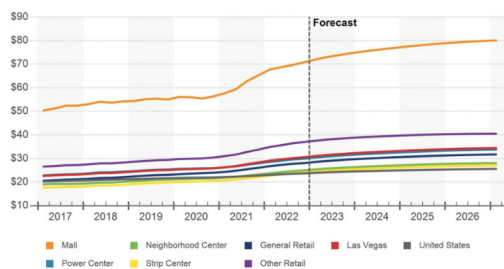
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS RETAIL

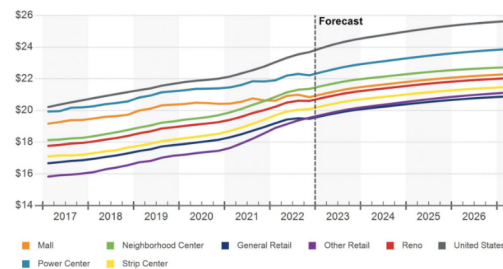
MARKET RENT PER SQUARE FEET



Rent

RENO RETAIL

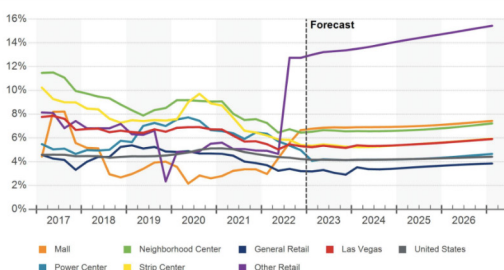
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS RETAIL

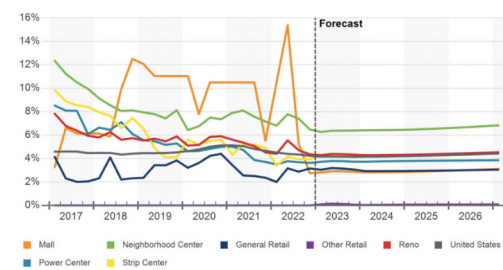
VACANCY RATE



Vacancy

RENO RETAIL

VACANCY RATE



LAS VEGAS MULTIFAMILY TRENDS

Overview

LAS VEGAS MULTIFAMILY

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
2,362	(3,446)	8.6%	-1.0%

KEY INDICATORS

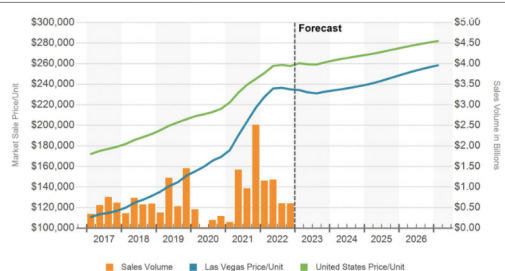
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	72,878	8.9%	\$1,626	\$1,612	47	0	6,786
3 Star	79,986	8.7%	\$1,340	\$1,330	17	0	2,429
1 & 2 Star	25,197	7.6%	\$1,023	\$1,017	0	0	89
Market	178,061	8.6%	\$1,424	\$1,412	64	0	9,304

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	3.1%	7.2%	9.2%	11.2%	2009 Q4	4.1%	2021 Q2
Absorption Units	(3,446)	2,022	1,927	7,142	2021 Q2	(3,796)	2022 Q3
Delivered Units	2,362	2,532	3,111	5,446	2008 Q1	0	2013 Q2
Demolished Units	86	276	279	1,736	2005 Q4	0	2019 Q2
Asking Rent Growth (YOY)	-1.0%	3.1%	2.0%	22.0%	2021 Q4	-8.0%	2009 Q4
Effective Rent Growth (YOY)	-1.4%	3.1%	2.0%	22.6%	2021 Q4	-8.1%	2009 Q4
Sales Volume	\$3.5B	\$1.4B	N/A	\$6.1B	2022 Q1	\$67.9M	2009 Q3

Sales

LAS VEGAS MULTIFAMILY

SALES VOLUME & MARKET SALE PRICE PER UNIT



RENO MULTIFAMILY TRENDS

Overview

RENO MULTIFAMILY

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,261	46	8.3%	-0.3%

KEY INDICATORS

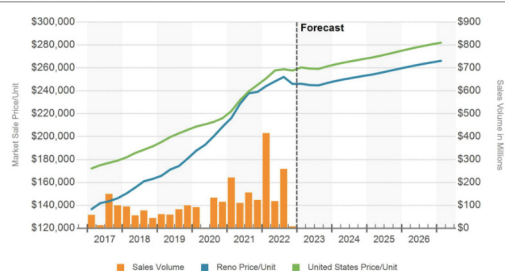
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	14,156	9.8%	\$1,767	\$1,747	21	0	2,695
3 Star	15,754	9.5%	\$1,477	\$1,463	1	0	1,168
1 & 2 Star	12,281	5.0%	\$1,131	\$1,125	0	0	0
Market	42,191	8.3%	\$1,486	\$1,483	22	0	3,863

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.7%	6.0%	9.1%	9.5%	2009 Q4	2.9%	2017 Q2
Absorption Units	46	551	1,212	2,424	2021 Q1	(356)	2009 Q2
Delivered Units	1,261	659	1,401	2,285	2020 Q3	0	2016 Q2
Demolished Units	0	38	12	584	2018 Q3	0	2022 Q4
Asking Rent Growth (YOY)	-0.3%	3.1%	1.8%	11.9%	2021 Q2	-6.4%	2009 Q4
Effective Rent Growth (YOY)	-0.8%	3.1%	1.7%	11.9%	2021 Q2	-6.5%	2009 Q4
Sales Volume	\$799M	\$169.6M	N/A	\$913.5M	2022 Q3	\$0	2008 Q4

Sales

RENO MULTIFAMILY

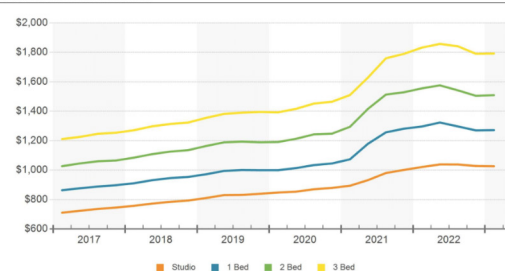
SALES VOLUME & MARKET SALE PRICE PER UNIT



Rent

LAS VEGAS MULTIFAMILY

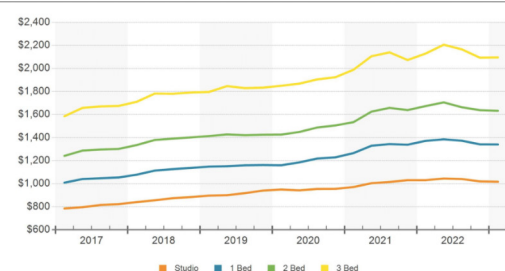
MARKET RENT PER UNIT BY BEDROOM



Rent

RENO MULTIFAMILY

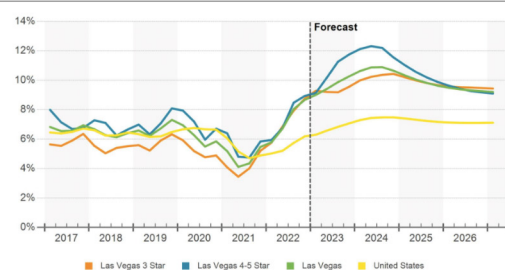
MARKET RENT PER UNIT BY BEDROOM



Vacancy

LAS VEGAS MULTIFAMILY

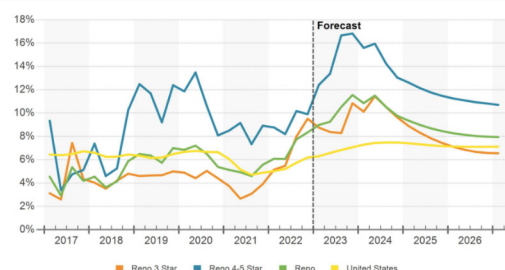
VACANCY RATE



Vacancy

RENO MULTIFAMILY

VACANCY RATE





Valbridge

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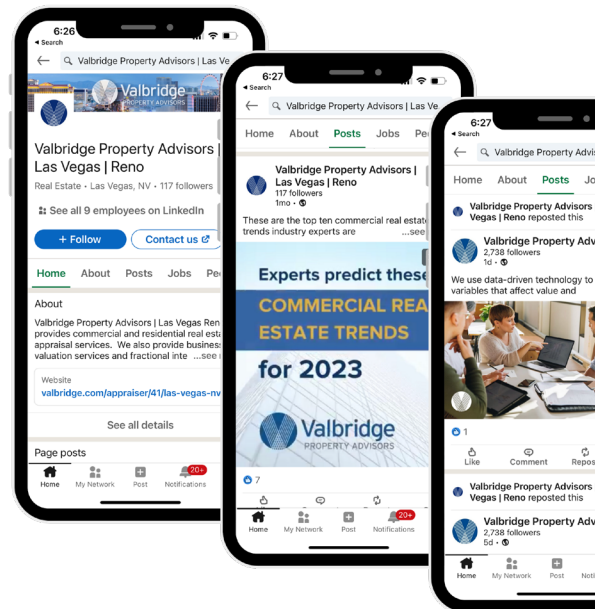


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