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PROPERTY ADVISORS



QUARTERLY MARKET UPDATE

LAS VEGAS - RENO 1Q23

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. Reno's position as a west coast distribution market has driven many retailers, third-party logistics, and manufacturers to the market. In Las Vegas, the reopening of numerous casinos post-pandemic has reestablished the metro as major draw for tourists, bringing in thousands of leisure and hospitality employees back to work.

Employment growth in Las Vegas 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, but has slightly increased in recent quarters to 3.1%.
- **Supply continues to increase, putting upward pressure on the vacancy rate.**
- **Investment volume has leveled off following the significant rise in interest rates.**
- Approximate 14.9 million SF of construction is underway, making up 8.9% of inventory.
- Annual rent gains are hardy at 13.1%, compared to 16.7% twelve months ago.

RENO

- **Rents have started to reflect the scarcity of supply in the region, increasing 7.0% over the past year.** There is significant reliance on new construction to serve growth, which will likely increase rent growth in the near future.
- The vacancy rate has declined considerably since 2015, resting at 2.8%. **It has been flat over the past year.**
- The market asking rent is nearly \$9/SF, presenting a 20% discount over comparable markets like Sacramento and the Inland Empire.
- **4.4 million SF is currently under construction.**

OFFICE

LAS VEGAS

- Las Vegas office vacancy rates sit at 10.4%, down from the 12.7% rate in early 2021.
- Vacancy has compressed gradually over the past decade, but has yet to return to the all-time low of 6.9%.
- **Office space availability remains fairly limited**, keeping market conditions stable despite remote work trends.
- Leasing is driven by healthcare, professional, business, and financial tenants. Typically these tenants are tied to the hotel and gaming industry.

RENO

- Reno's office market has remained level over the past year. The market is positioned as a cost leader for potential tenants, with average rents at just \$25/SF.
- **Rent growth of 2.2% is strong compared to nationwide levels.**
- As the Reno office market generally lacks large users, the area **will likely be cushioned from the full negative impacts** of the nationwide decline in this sector.
- With a vacancy rate of 10% and 210,000 SF currently under construction, there is too much product both on offer in the market and in development to see rent growths in the short term.

RETAIL

LAS VEGAS

- The vacancy rate has compressed since 20Q1 due to consistent demand and minimal new construction.
- **Annual rent growth is decelerating**, similar to the national trend, but gains are still outperforming the U.S. benchmark.
- The Las Vegas retail market is strong and continues to exhibit energy against broader economic headwinds.
- Absorption has outpaced deliveries in the past year, **compressing the vacancy rate to 5.2%.**
- Casinos and other businesses are benefitting from the recent surge in travel.

RENO

- Leasing activity has been relatively consistent over the past three years, but still falls short of the previous peak levels.
- Reno's unemployment rate has largely recovered from the pandemic, assisting a modest decline in retail vacancies over the past year.
- **Sales activity is likely to slow in 2023 as interest rates rise.** These increases will necessitate lower pricing as well as higher average cap rates.
- The low cost of living drives many to the market, growing the population and median income. **Thus, vacancy rate rests at 4.5%.**

MULTIFAMILY HOUSING

LAS VEGAS

- Upward pressure on vacancies in the multifamily sector is likely to be the norm in the near future, as inventory continues to flow onto the market from in-progress construction projects.
- Vacancies in Las Vegas have expanded at one of the fastest rates nationally, **spiking to 9.3% after bottoming out at 4% in 2021.**
- **Vacancies are forecasted to hit double digits by 23Q3.**
- Sales activity for apartments significantly decreased at the onset of the pandemic. Investors rushed back in 2021 with more than \$5 billion worth of transactions; however, this trend slowed in 2022 due to rising interest rates.

RENO

- **The 8.1% vacancy rate has increased over the past year**, up by 2.1% as 1,200 units have delivered during the past twelve months.
- Net absorption has slowed, totaling 210 units after a slow 2022.
- Construction maintains high levels, with **4,700 more units currently underway.**
- Slowing demand along with high development levels creates a potential of **risk of oversupply.**
- Rising interest rates are forecasted to slow the rate of home purchases, which may benefit the multifamily market.

LAS VEGAS INDUSTRIAL TRENDS

Overview

LAS VEGAS INDUSTRIAL

12 Mo Deliveries in SF: **8.1M** | 12 Mo Net Absorption in SF: **6.4M** | Vacancy Rate: **3.1%** | 12 Mo Rent Growth: **13.1%**

KEY INDICATORS

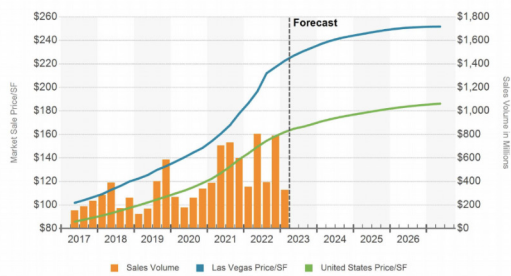
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	124,095,257	3.4%	\$12.57	10.3%	45,227	0	14,165,124
Specialized Industrial	20,533,408	1.2%	\$14.94	1.6%	74,768	0	733,473
Flex	22,697,106	3.0%	\$15.75	3.6%	(20,232)	0	9,900
Market	167,325,771	3.1%	\$13.24	8.4%	99,763	0	14,908,497

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.9%	7.4%	4.7%	14.1%	2010 Q1	1.9%	2022 Q3
Net Absorption SF	6.4M	3,949,831	6,445,292	12,105,974	2022 Q1	(4,073,928)	2010 Q1
Deliveries SF	8.1M	4,034,518	7,964,557	8,598,662	2007 Q2	63,574	2011 Q4
Rent Growth	13.1%	2.9%	4.0%	16.9%	2022 Q3	-13.6%	2010 Q1
Sales Volume	\$2.3B	\$753.4M	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: **6.4M** | 12 Mo Net Absorption in SF: **5.7M** | Vacancy Rate: **2.8%** | 12 Mo Rent Growth: **7.0%**

KEY INDICATORS

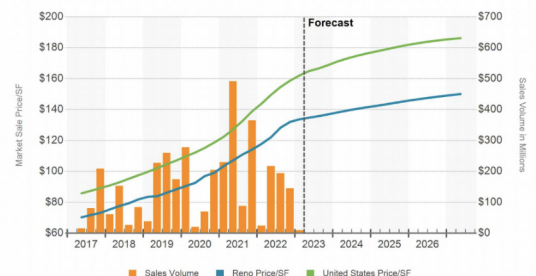
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	82,174,477	3.2%	\$8.03	6.0%	436,529	0	3,460,180
Specialized Industrial	22,074,748	1.1%	\$11.12	1.1%	0	0	935,064
Flex	7,153,902	3.3%	\$13.20	4.8%	(4,256)	0	39,090
Market	111,403,127	2.8%	\$8.96	5.0%	432,273	0	4,434,334

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.4%	6.7%	3.7%	14.3%	2009 Q2	2.3%	2022 Q1
Net Absorption SF	5.7M	2,719,447	3,781,585	7,824,084	2017 Q2	(537,671)	2016 Q2
Deliveries SF	6.4M	2,456,766	4,148,047	6,534,852	2017 Q2	0	2011 Q2
Rent Growth	7.0%	3.9%	3.3%	9.6%	2022 Q2	-4.0%	2010 Q2
Sales Volume	\$565M	\$356.1M	N/A	\$1.2B	2021 Q4	\$37.6M	2010 Q1

Sales

RENO INDUSTRIAL

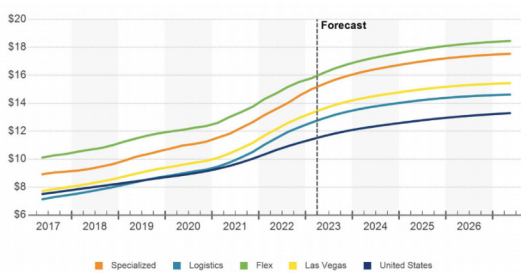
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS INDUSTRIAL

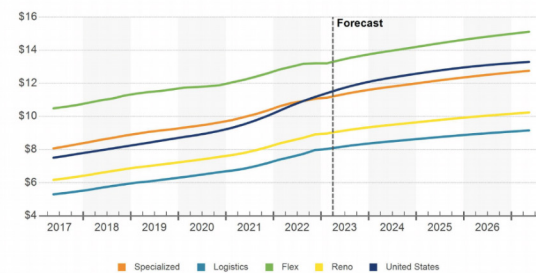
MARKET RENT PER SQUARE FEET



Rent

RENO INDUSTRIAL

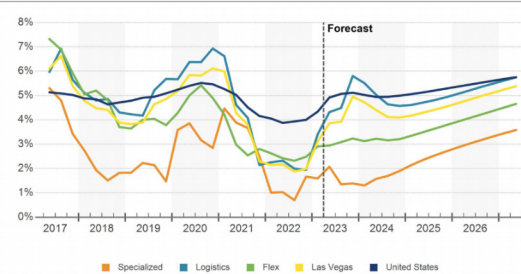
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS INDUSTRIAL

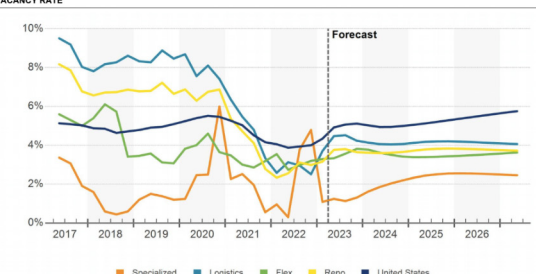
VACANCY RATE



Vacancy

RENO INDUSTRIAL

VACANCY RATE



LAS VEGAS OFFICE TRENDS

Overview

LAS VEGAS OFFICE

12 Mo Deliveries in SF: **761K** | 12 Mo Net Absorption in SF: **293K** | Vacancy Rate: **10.4%** | 12 Mo Rent Growth: **4.8%**

KEY INDICATORS

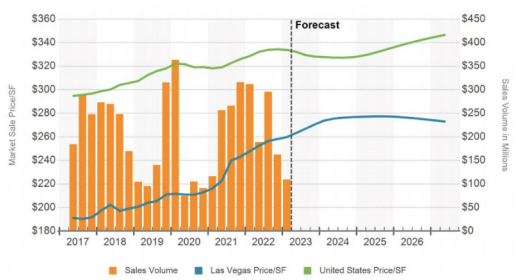
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	14,997,281	8.7%	\$32.88	10.8%	12,710	0	363,944
3 Star	37,655,522	10.8%	\$26.19	12.2%	(149,156)	0	349,421
1 & 2 Star	15,384,256	7.6%	\$20.68	8.0%	(48,742)	0	0
Market	68,037,059	9.7%	\$26.45	11.0%	(185,188)	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	701,882	4,464,712	2007 Q4	95,006	2011 Q1
Rent Growth	5.0%	0.2%	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



RENO OFFICE TRENDS

Overview

RENO OFFICE

12 Mo Deliveries in SF: **302K** | 12 Mo Net Absorption in SF: **(96.3K)** | Vacancy Rate: **10.0%** | 12 Mo Rent Growth: **2.2%**

KEY INDICATORS

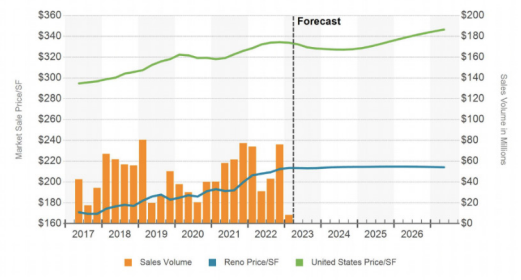
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	1,775,012	19.5%	\$29.26	21.6%	71,251	0	0
3 Star	9,510,693	10.4%	\$25.19	14.5%	(4,129)	0	207,137
1 & 2 Star	6,198,076	6.6%	\$22.63	7.3%	(20,437)	0	0
Market	17,483,781	10.0%	\$24.70	12.7%	46,685	0	207,137

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.1%	11.8%	9.5%	16.8%	2010 Q3	7.7%	2021 Q4
Net Absorption SF	(96.3K)	106,698	150,705	404,888	2009 Q4	(461,580)	2009 Q1
Deliveries SF	302K	67,628	214,670	332,075	2008 Q3	5,504	2014 Q4
Rent Growth	2.2%	0.9%	0.4%	8.5%	2015 Q2	-11.1%	2009 Q3
Sales Volume	\$153M	\$122.6M	N/A	\$270.9M	2022 Q1	\$19M	2011 Q1

Sales

RENO OFFICE

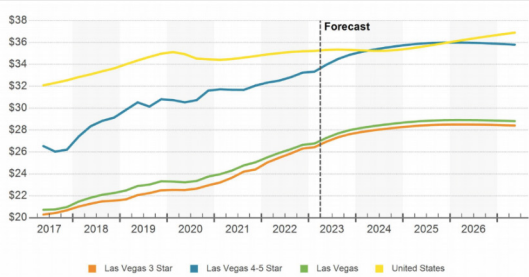
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS OFFICE

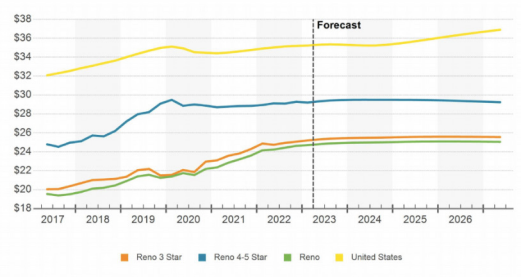
MARKET RENT PER SQUARE FEET



Rent

RENO OFFICE

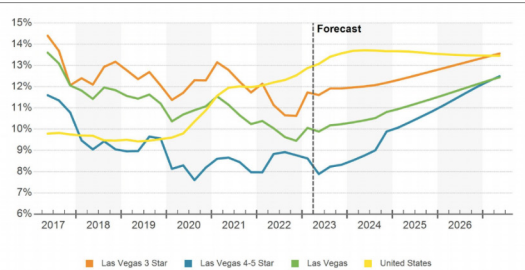
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS OFFICE

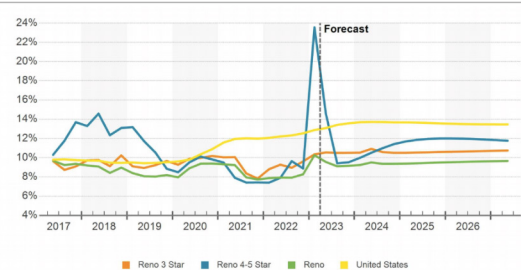
VACANCY RATE



Vacancy

RENO OFFICE

VACANCY RATE



LAS VEGAS RETAIL TRENDS

Overview

LAS VEGAS RETAIL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
702K	807K	5.1%	6.6%

KEY INDICATORS

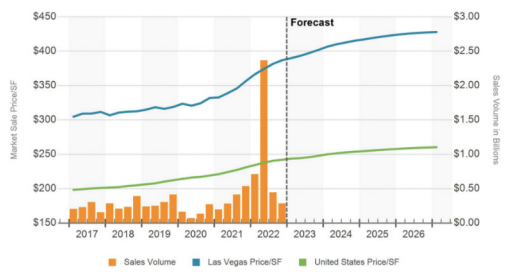
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	8,841,401	5.6%	\$72.38	3.6%	0	0	0
Power Center	13,226,200	4.1%	\$30.10	4.9%	99,236	0	0
Neighborhood Center	42,851,714	7.0%	\$25.15	7.7%	4,022	0	63,229
Strip Center	11,348,519	6.8%	\$24.53	7.6%	7,138	0	120,762
General Retail	40,038,548	2.7%	\$28.32	3.6%	11,017	0	1,193,388
Other	3,166,095	7.7%	\$36.60	2.1%	0	0	0
Market	120,272,477	5.1%	\$30.82	5.5%	121,413	0	1,377,377

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.3%	7.4%	5.7%	11.1%	2011 Q2	2.5%	2005 Q3
Net Absorption SF	807K	1,431,596	831,279	5,954,633	2007 Q4	(1,317,125)	2009 Q1
Deliveries SF	702K	1,726,906	1,241,077	6,990,300	2007 Q4	152,380	2013 Q1
Rent Growth	6.6%	0.6%	2.8%	10.5%	2022 Q1	-11.3%	2010 Q1
Sales Volume	\$3.3B	\$1.3B	N/A	\$4.6B	2016 Q4	\$185.4M	2009 Q4

Sales

LAS VEGAS RETAIL

SALES VOLUME & MARKET SALE PRICE PER SF



RENO RETAIL TRENDS

Overview

RENO RETAIL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
93.8K	66K	4.5%	3.5%

KEY INDICATORS

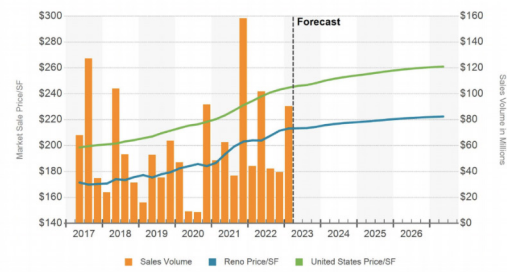
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	1,529,392	2.8%	\$20.84	10.2%	0	0	0
Power Center	3,647,810	3.6%	\$22.22	4.0%	0	0	0
Neighborhood Center	9,010,808	6.3%	\$21.36	6.9%	13,106	0	5,000
Strip Center	2,167,427	4.2%	\$20.09	5.7%	(6,354)	0	15,392
General Retail	10,528,030	3.1%	\$19.47	3.8%	9,084	0	15,720
Other	91,631	0%	\$19.54	0%	0	0	0
Market	26,975,098	4.3%	\$20.60	5.4%	15,836	0	36,112

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.2%	6.0%	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	-6.8%	2009 Q4
Sales Volume	\$225M	\$163.5M	N/A	\$346.3M	2022 Q3	\$24.8M	2010 Q3

Sales

RENO RETAIL

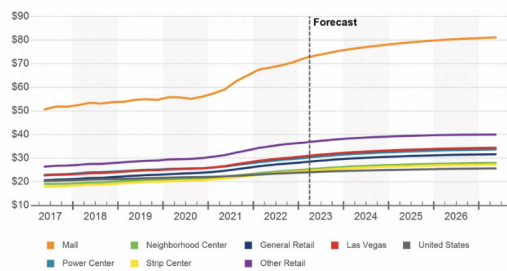
SALES VOLUME & MARKET SALE PRICE PER SF



Rent

LAS VEGAS RETAIL

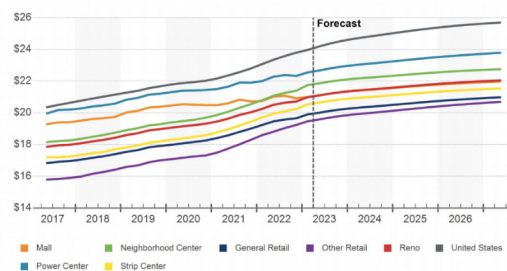
MARKET RENT PER SQUARE FEET



Rent

RENO RETAIL

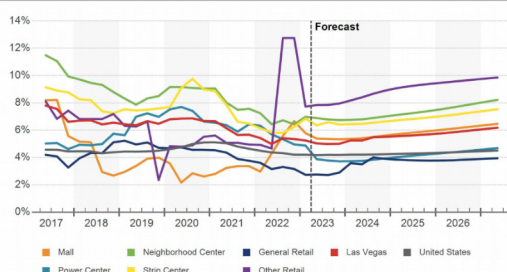
MARKET RENT PER SQUARE FEET



Vacancy

LAS VEGAS RETAIL

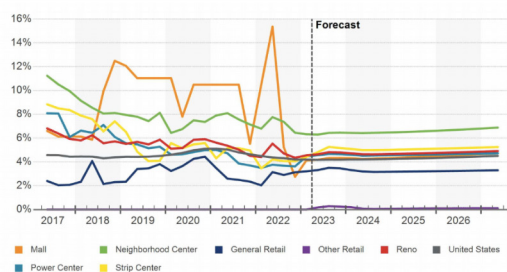
VACANCY RATE



Vacancy

RENO RETAIL

VACANCY RATE



LAS VEGAS MULTIFAMILY TRENDS

RENO 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	73,774	9.5%	\$1,632	\$1,616	7	0	6,544
3 Star	81,013	9.5%	\$1,354	\$1,341	3	0	2,065
1 & 2 Star	25,316	8.1%	\$1,028	\$1,020	0	0	89
Market	180,103	9.3%	\$1,433	\$1,419	10	0	8,718

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	3.3%	7.8%	9.9%	11.2%	2009 Q4	4.2%	2021 Q2
Absorption Units	(2,833)	1,987	2,374	7,112	2021 Q2	(4,000)	2022 Q3
Delivered Units	3,695	2,577	3,250	5,487	2001 Q2	0	2013 Q2
Demolished Units	69	273	309	1,736	2005 Q4	0	2019 Q2
Asking Rent Growth (YOY)	-1.8%	3.0%	1.6%	21.7%	2021 Q4	-7.9%	2009 Q4
Effective Rent Growth (YOY)	-2.4%	3.0%	1.5%	22.2%	2021 Q4	-8.0%	2009 Q4
Sales Volume	\$2.5B	\$1.4B	N/A	\$6.1B	2022 Q1	\$67.9M	2009 Q3

Overview

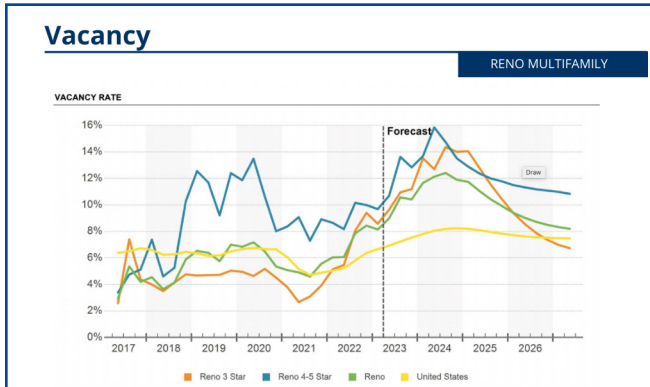
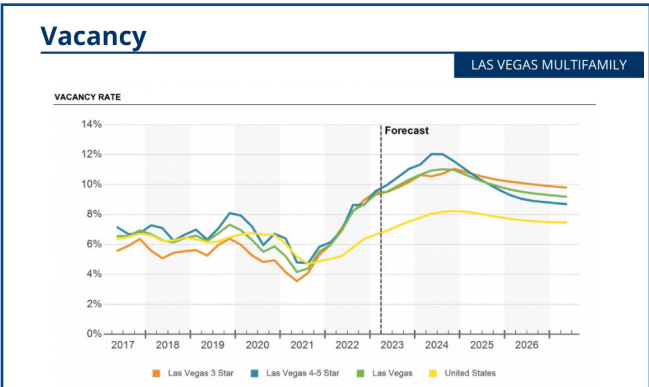
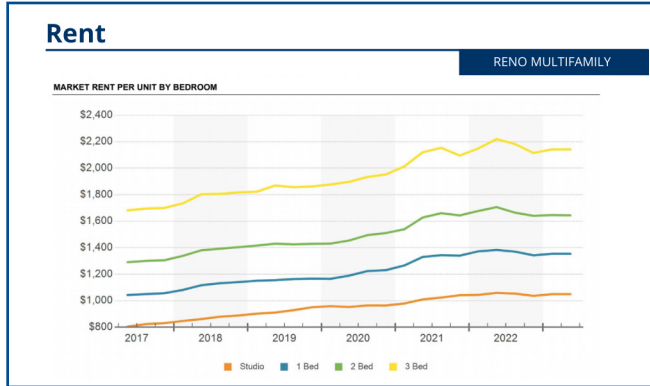
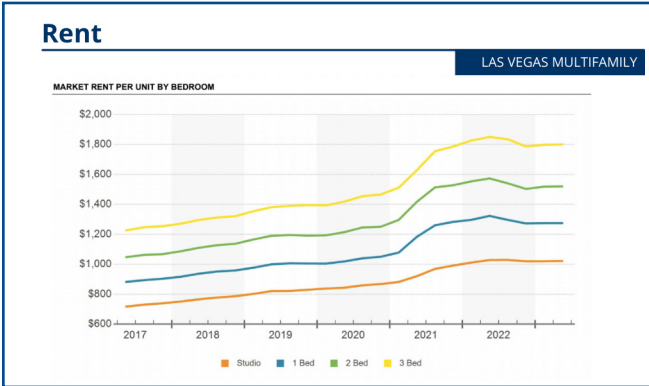
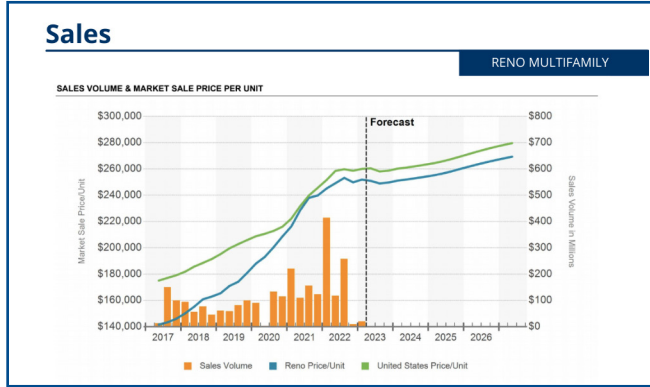
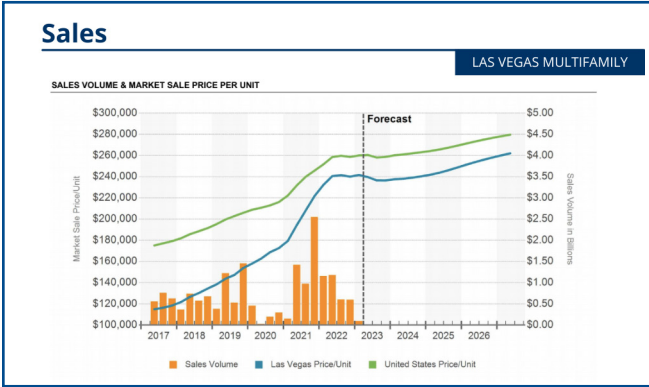
RENO MULTIFAMILY

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
1,164	210	8.1%	-1.5%

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	14,156	9.7%	\$1,786	\$1,761	2	0	1,965
3 Star	16,030	8.6%	\$1,501	\$1,481	5	0	2,687
1 & 2 Star	12,040	5.8%	\$1,126	\$1,118	0	0	48
Market	42,226	8.1%	\$1,515	\$1,4 <small>Upstairs</small>	7	0	4,730

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.1%	6.0%	9.9%	9.4%	2009 Q4	2.9%	2012 Q2
Absorption Units	210	547	1,320	2,439	2021 Q1	(352)	2009 Q2
Delivered Units	1,164	665	1,486	2,285	2020 Q3	0	2016 Q2
Demolished Units	0	37	13	584	2018 Q3	0	2023 Q1
Asking Rent Growth (YOY)	-1.5%	3.0%	1.6%	11.5%	2021 Q2	-6.4%	2009 Q4
Effective Rent Growth (YOY)	-2.2%	3.0%	1.5%	11.6%	2021 Q2	-6.5%	2009 Q4
Sales Volume	\$406M	\$171.2M	N/A	\$913.5M	2022 Q3	\$0	2006 Q4





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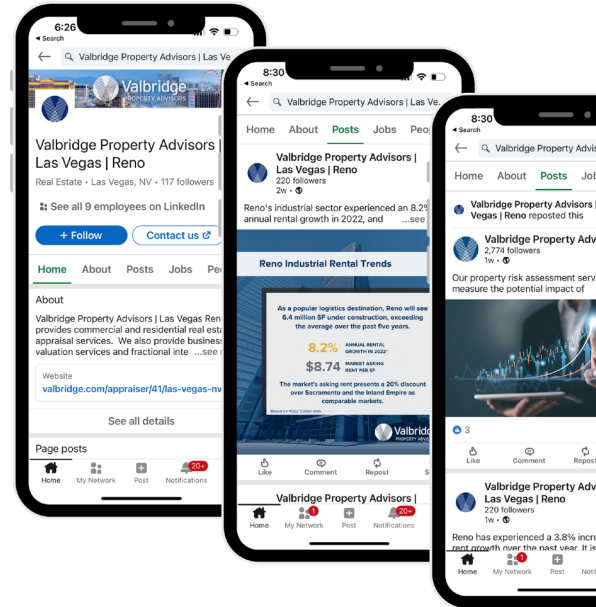


Sometimes you need info on the most up to date market trends, within your network. You've seen the quarterly trends, but stay up to the minute on weekly shifts, major market news, and the latest analysis of commercial real estate developments in the Las Vegas and Reno areas. Get the updates you need when you need them, by connecting with us on LinkedIn.

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