



**Valbridge**  
PROPERTY ADVISORS



# QUARTERLY MARKET UPDATE

## LAS VEGAS—RENO 2Q23

Despite the pressures of inflation and higher interest rates, the Nevada economy had a strong second quarter in 2023, with gaming revenue in the state surpassing \$1B for the 23rd consecutive month. Annual job growth in the Las Vegas metro has continued to outperform the national average; Reno has likewise seen overall job growth, and an influx of workers to the region seeking lower costs of living has seen office using jobs specifically grow by more than 5% year over year.

Industrial sectors in both areas are continuing to see positive performance; retail likewise is enjoying solid growth. Multifamily and office sectors are not keeping pace with the national averages: housing in particular is softening more than anticipated, with landlords in competition for renters. Office space vacancies are rising and more sublease space is coming onto the market; conditions will likely remain suboptimal over coming quarters as interest rates rise.

*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**

**Matthew Lubawy, MAI, CVA, Senior Managing Director**

3034 South Durango Drive #100, Las Vegas, NV 89117

nevada@valbridge.com • (702) 242-9369

[www.valbridge.com](http://www.valbridge.com)

## INDUSTRIAL SECTOR HIGHLIGHTS

### LAS VEGAS TRENDS

- Down from all-time pandemic-era highs, vacancy rates have risen to 3.0%, due in part to the delivery of almost 10 million square feet in new construction.
- Rent gains are also slowing, averaging 11.2% for the quarter (as compared to 16.4% at this time last year). Flex inventory continues to command the highest asking rents, at nearly a third higher than the metro average and 35% more than logistics spaces.
- Investments have leveled off with the rapid rise in interest rates but rent growth has kept values stable.

### RENO TRENDS

- Development is very active, and multiple projects have delivered in recent months, bringing nearly 7 million SF of new inventory onto the market.
- Consequently, vacancy rates have ticked up to 4.1%; while there is a minimal risk of oversupply, the demand in the market will likely support this new supply easily.
- Rents have grown by 5.4% this quarter, and the average asking rent is \$9.06/SF.
- Despite rising interest rates, industrial inventory is likely to outperform other sectors in the near to medium term.

## OFFICE SECTOR HIGHLIGHTS

### LAS VEGAS TRENDS

- Weakening market conditions, rising vacancy rates, and increases in sublet and availability rates all spell concern for the Las Vegas office market.
- Rent growths have slowed for the second straight quarter (from 5% in 1Q23 to 4% in 2Q23).
- Conditions are not dire: the vacancy rate, although higher at 10.3%, is still below the historical average of 13.6%.
- The average price per SF hovers around \$240, while average cap rates are at 8.3%.

### RENO TRENDS

- Rent growth of 2.3% is strong compared to the national average, although average asking rents are low, at only \$24/SF.
- However, the steady conditions of the past several quarters are likely to deteriorate somewhat in coming months: with an overall vacancy rate of 10.1% and 270,000 SF currently under construction, there is too much product on the market to realize significant increases in rents in the short term, particularly as additional sublease space becomes available.

## RETAIL SECTOR HIGHLIGHTS

### LAS VEGAS TRENDS

- With tourism, convention traffic, and gaming revenue all up significantly, retail has seen a strong Q2.
- Consistent demand paired with minimal development has kept vacancy rates compressed, with general retail at a rate of 3.3% for the quarter (5.3% across all types of retail spaces).
- Rent growths are at 8.3% annually, with malls seeing the highest gains in the metro area at +12.3%.
- Average cap rates are 5.9%, with the average price per SF at \$320.

### RENO TRENDS

- Population growth (nearly double the national average) has spurred retail activity as well: the vacancy rate has remained at one of the lowest-ever points (4.6%) over the the past year.
- Average asking rents are at \$22/SF for the market, but new construction is in high demand, and leasing at premium rates. Rent growth is at 4.8% for the quarter.
- But rents will have to rise higher for developers and investors to undertake new projects: only 21,000SF of new construction is currently underway.

## MULTIFAMILY HOUSING SECTOR HIGHLIGHTS

### LAS VEGAS TRENDS

- Vacancy rates are high, at 9% for the quarter, and are projected to near 10% by the end of 2023.
- Low demand and oversupply were the trend in 2022, but improving demand in Q1 of 2023 and a growth in out-of-market search activity may offer some improvement in asking rents, which are down 3.1% year over year. The average asking rent in the metro area is \$1,440/month (below the national average of \$1,670).
- Given the market conditions paired with higher interest rates, some investors are pumping the brakes, while others are anticipating upcoming distressed sales.

### RENO TRENDS

- Vacancy rates are up to 8.8% largely as the result of increased inventory that has delivered in the past quarter; robust construction activity means that trend is likely to continue.
- Pandemic-era population growth in the area led many to bet that demand would meet the increased supply, but thus far demand has remained softer; rent growths are down 1.9% over the past twelve months.
- Lower sales volume over the past quarter is projected to continue throughout 2023; pricing corrections and cap rate expansions have already begun.

# LAS VEGAS INDUSTRIAL TRENDS

# RENO INDUSTRIAL TRENDS

## OVERVIEW

### LAS VEGAS INDUSTRIAL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
<b>9.9M</b>	<b>8.1M</b>	<b>3.0%</b>	<b>11.2%</b>

#### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	125,690,537	3.3%	\$12.89	10.8%	(263,692)	0	14,461,104
Specialized Industrial	21,740,063	1.8%	\$14.48	2.1%	352,722	0	100,353
Flex	22,692,561	2.7%	\$16.13	3.2%	(7,851)	0	0
<b>Market</b>	<b>170,123,161</b>	<b>3.0%</b>	<b>\$13.47</b>	<b>8.5%</b>	<b>81,179</b>	<b>0</b>	<b>14,561,457</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.9%	7.4%	5.4%	14.1%	2010 Q1	1.9%	2022 Q3
Net Absorption SF	8.1M	4,038,454	5,905,512	12,109,322	2022 Q1	(4,072,111)	2010 Q1
Deliveries SF	9.9M	4,155,079	7,263,835	9,909,152	2022 Q2	63,574	2011 Q4
Rent Growth	11.2%	3.0%	4.0%	16.4%	2022 Q3	-13.5%	2010 Q1
Sales Volume	\$1.8B	\$768M	N/A	\$2.5B	2022 Q2	\$74.4M	2010 Q2

## OVERVIEW

### RENO INDUSTRIAL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
<b>6.8M</b>	<b>4.9M</b>	<b>4.1%</b>	<b>5.4%</b>

#### KEY INDICATORS

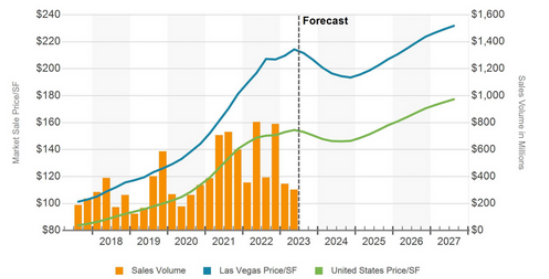
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	84,020,761	4.6%	\$8.17	8.6%	(238,946)	0	4,079,960
Specialized Industrial	22,039,668	2.4%	\$11.18	2.1%	(95,200)	0	939,064
Flex	7,203,066	3.5%	\$13.10	5.3%	(8,248)	0	58,735
<b>Market</b>	<b>113,263,495</b>	<b>4.1%</b>	<b>\$9.06</b>	<b>7.1%</b>	<b>(342,394)</b>	<b>0</b>	<b>5,077,759</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.6%	8.7%	4.1%	14.3%	2009 Q2	2.3%	2022 Q1
Net Absorption SF	4.9M	2,746,970	3,203,088	7,626,703	2017 Q2	(537,671)	2016 Q2
Deliveries SF	6.8M	2,530,569	3,610,104	6,904,486	2023 Q2	0	2011 Q2
Rent Growth	5.4%	3.8%	3.6%	9.2%	2022 Q2	-3.8%	2019 Q2
Sales Volume	\$354M	\$353.3M	N/A	\$1.2B	2021 Q4	\$37.6M	2010 Q1

## SALES

### LAS VEGAS INDUSTRIAL

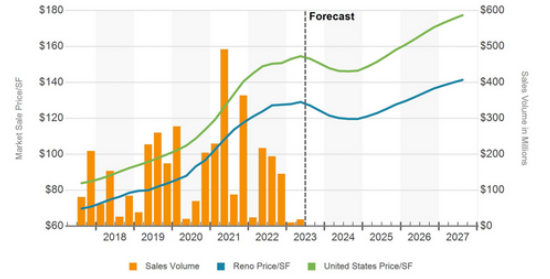
#### SALES VOLUME & MARKET SALE PRICE PER SF



## SALES

### RENO INDUSTRIAL

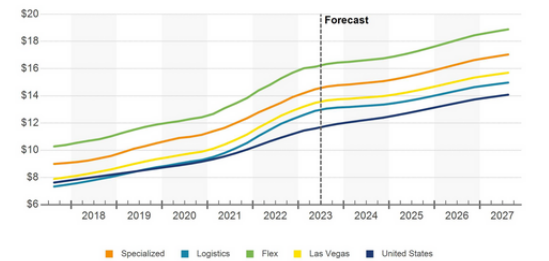
#### SALES VOLUME & MARKET SALE PRICE PER SF



## RENT

### LAS VEGAS INDUSTRIAL

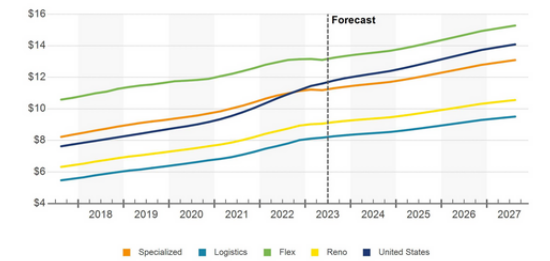
#### MARKET RENT PER SQUARE FEET



## RENT

### RENO INDUSTRIAL

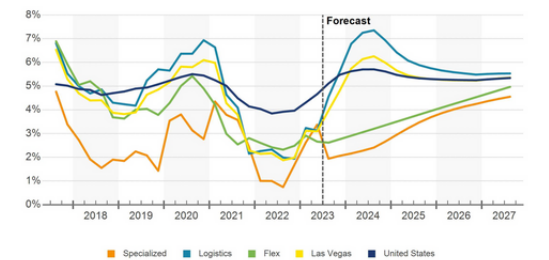
#### MARKET RENT PER SQUARE FEET



## VACANCY

### LAS VEGAS INDUSTRIAL

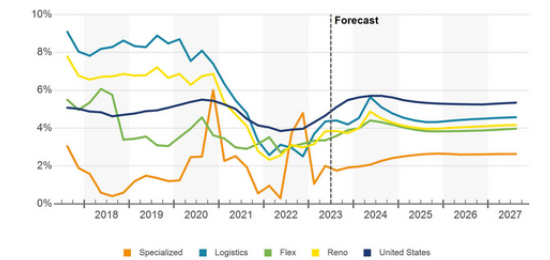
#### VACANCY RATE



## VACANCY

### RENO INDUSTRIAL

#### VACANCY RATE



# LAS VEGAS OFFICE TRENDS

# RENO OFFICE TRENDS

## OVERVIEW

LAS VEGAS OFFICE

12 Mo Deliveries in SF: **800K**  
 12 Mo Net Absorption in SF: **229K**  
 Vacancy Rate: **10.3%**  
 12 Mo Rent Growth: **4.0%**

### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	15,131,867	9.2%	\$33.73	13.2%	(5,395)	0	810,412
3 Star	37,840,956	11.9%	\$26.34	12.8%	(40,144)	0	74,910
1 & 2 Star	15,422,887	7.4%	\$20.91	8.0%	(18,549)	0	0
<b>Market</b>	<b>68,395,710</b>	<b>10.3%</b>	<b>\$26.83</b>	<b>11.8%</b>	<b>(64,988)</b>	<b>0</b>	<b>885,322</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.3%	13.6%	12.7%	18.7%	2010 Q2	7.0%	2005 Q3
Net Absorption SF	229K	\$21,588	(142,600)	2,768,084	2007 Q1	(943,602)	2010 Q3
Deliveries SF	800K	1,098,735	568,681	4,484,422	2007 Q4	95,006	2011 Q1
Rent Growth	4.0%	0.4%	0%	6.6%	2018 Q3	-14.2%	2010 Q1
Sales Volume	\$645M	\$635.8M	N/A	\$1.2B	2022 Q1	\$87.5M	2009 Q4

## OVERVIEW

RENO OFFICE

12 Mo Deliveries in SF: **302K**  
 12 Mo Net Absorption in SF: **(96.5K)**  
 Vacancy Rate: **10.1%**  
 12 Mo Rent Growth: **2.3%**

### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	1,775,012	19.2%	\$29.31	19.0%	0	0	101,819
3 Star	9,528,704	10.6%	\$24.71	14.2%	14,898	0	166,202
1 & 2 Star	6,177,824	6.6%	\$22.13	7.7%	(9,120)	0	0
<b>Market</b>	<b>17,481,540</b>	<b>10.1%</b>	<b>\$24.30</b>	<b>12.5%</b>	<b>5,778</b>	<b>0</b>	<b>268,021</b>

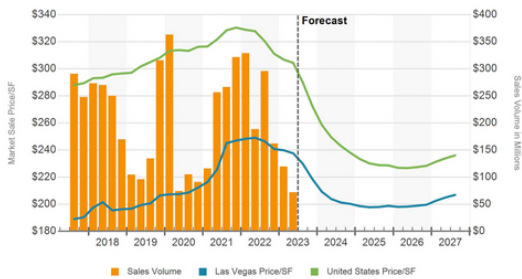
  

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.1%	11.8%	10.2%	16.8%	2010 Q3	7.7%	2021 Q4
Net Absorption SF	(96.5K)	103,149	79,744	376,989	2009 Q4	(454,851)	2009 Q1
Deliveries SF	302K	714,654	140,338	331,790	2009 Q3	5,504	2014 Q4
Rent Growth	2.3%	0.8%	-0.6%	8.4%	2015 Q2	-11.0%	2009 Q3
Sales Volume	\$140M	\$122.3M	N/A	\$270.9M	2022 Q1	\$19M	2011 Q1

## SALES

LAS VEGAS OFFICE

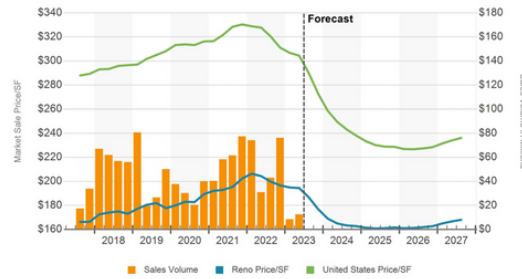
### SALES VOLUME & MARKET SALE PRICE PER SF



## SALES

RENO OFFICE

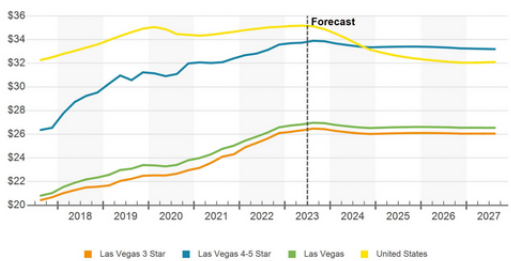
### SALES VOLUME & MARKET SALE PRICE PER SF



## RENT

LAS VEGAS OFFICE

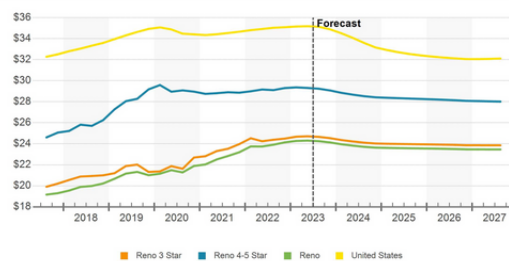
### MARKET RENT PER SQUARE FEET



## RENT

RENO OFFICE

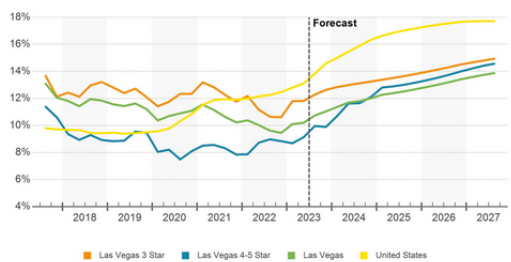
### MARKET RENT PER SQUARE FEET



## VACANCY

LAS VEGAS OFFICE

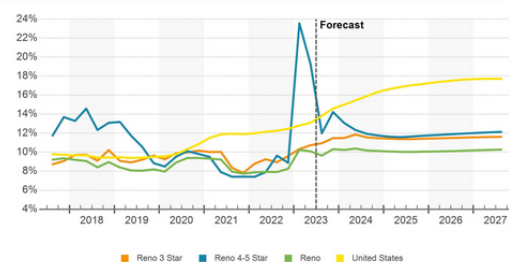
### VACANCY RATE



## VACANCY

RENO OFFICE

### VACANCY RATE



# LAS VEGAS RETAIL TRENDS

# RENO RETAIL TRENDS

## OVERVIEW

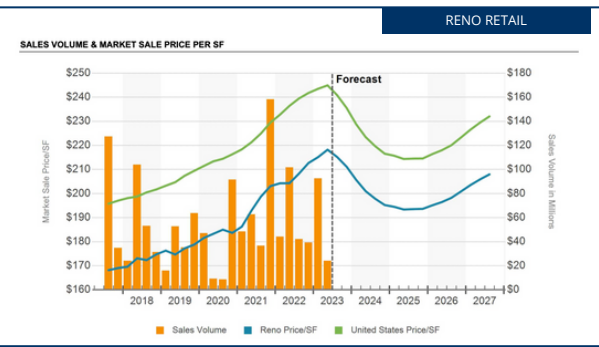
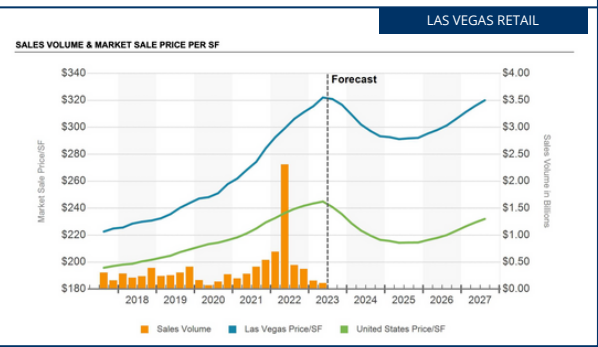
## OVERVIEW

LAS VEGAS RETAIL							
12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth				
<b>715K</b>	<b>113K</b>	<b>5.3%</b>	<b>8.3%</b>				
KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	9,843,624	6.1%	\$73.99	4.4%	0	0	0
Power Center	13,238,997	4.1%	\$31.23	4.8%	10,595	0	0
Neighborhood Center	42,817,155	6.8%	\$25.95	7.5%	1,395	0	9,939
Strip Center	11,395,333	7.3%	\$24.97	7.8%	(980)	0	79,044
General Retail	40,356,493	3.3%	\$28.87	4.4%	(123,663)	0	1,312,431
Other	3,166,095	7.8%	\$36.77	2.2%	0	0	0
<b>Market</b>	<b>120,817,097</b>	<b>5.3%</b>	<b>\$31.58</b>	<b>5.8%</b>	<b>(112,553)</b>	<b>0</b>	<b>1,491,414</b>
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.3%	7.4%	6.0%	11.1%	2011 Q2	2.5%	2005 Q3
Net Absorption SF	113K	1,426,113	836,378	5,930,264	2007 Q4	(1,212,592)	2009 Q1
Deliveries SF	715K	1,726,917	1,262,731	6,882,589	2007 Q4	152,380	2013 Q1
Rent Growth	8.3%	0.7%	2.7%	10.4%	2022 Q1	-11.1%	2010 Q1
Sales Volume	\$1.1B	\$1.3B	N/A	\$4.6B	2016 Q4	\$165.4M	2009 Q4

RENO RETAIL							
12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth				
<b>58.3K</b>	<b>285K</b>	<b>4.6%</b>	<b>4.8%</b>				
KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	1,544,153	3.3%	\$21.97	11.3%	(7,204)	0	0
Power Center	3,647,813	4.4%	\$23.49	4.5%	0	0	6,600
Neighborhood Center	8,999,515	6.3%	\$22.38	5.9%	(1,362)	0	5,000
Strip Center	2,200,820	5.8%	\$21.03	6.1%	640	0	0
General Retail	10,708,261	3.3%	\$20.41	4.3%	0	0	9,591
Other	88,090	0%	\$19.99	0%	0	0	0
<b>Market</b>	<b>27,186,652</b>	<b>4.6%</b>	<b>\$21.61</b>	<b>5.4%</b>	<b>(7,926)</b>	<b>0</b>	<b>21,191</b>
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.8%	7.9%	4.8%	12.2%	2012 Q3	4.3%	2022 Q4
Net Absorption SF	285K	159,145	8,226	892,385	2017 Q4	(494,587)	2010 Q1
Deliveries SF	58.3K	189,497	42,322	1,252,364	2008 Q4	28,092	2010 Q3
Rent Growth	4.8%	0.6%	1.3%	4.9%	2023 Q2	-6.7%	2009 Q4
Sales Volume	\$198M	\$165.7M	N/A	\$346.3M	2022 Q3	\$25M	2010 Q3

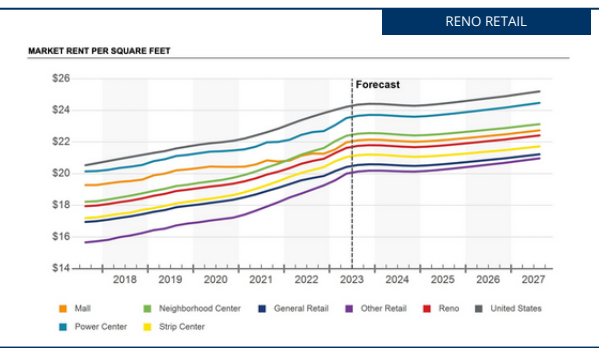
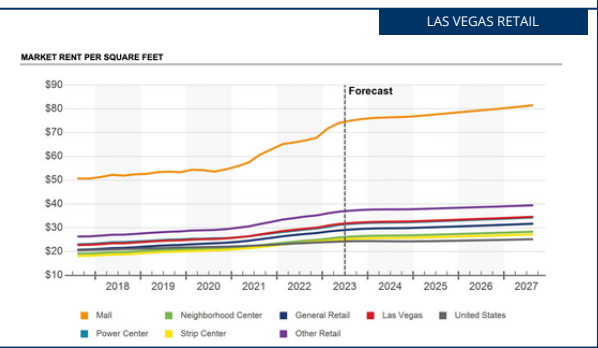
## SALES

## SALES



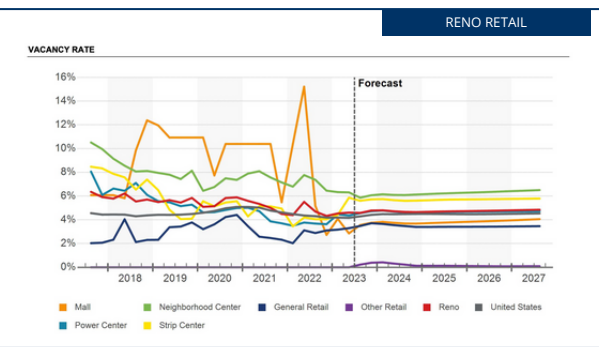
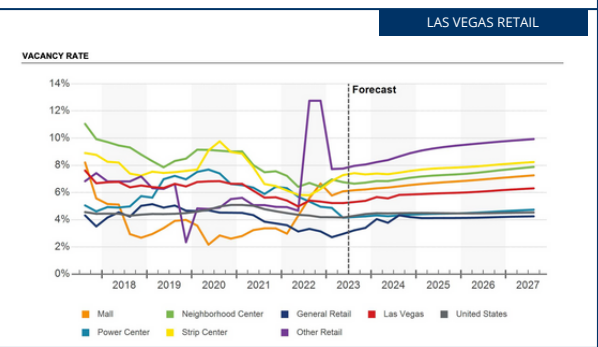
## RENT

## RENT



## VACANCY

## VACANCY



RETAIL TRENDS

# 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
<b>3,674</b>	<b>(422)</b>	<b>9.0%</b>	<b>-3.1%</b>

#### KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	74,144	9.1%	\$1,642	\$1,623	11	0	7,563
3 Star	82,024	9.4%	\$1,354	\$1,340	1	0	2,279
1 & 2 Star	25,466	7.8%	\$1,030	\$1,022	0	0	89
<b>Market</b>	<b>181,634</b>	<b>9.0%</b>	<b>\$1,437</b>	<b>\$1,422</b>	<b>12</b>	<b>0</b>	<b>9,931</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.1%	7.8%	8.4%	11.2%	2009 Q4	4.2%	2021 Q2
Absorption Units	(422)	2,002	3,282	7,136	2021 Q2	(6,039)	2023 Q3
Delivered Units	3,674	2,586	3,306	5,487	2001 Q2	0	2013 Q2
Demolished Units	110	272	316	1,736	2005 Q4	0	2019 Q2
Asking Rent Growth (YOY)	-3.1%	2.9%	3.3%	21.4%	2021 Q4	-8.0%	2009 Q4
Effective Rent Growth (YOY)	-3.6%	2.9%	3.2%	22.0%	2021 Q4	-8.0%	2009 Q4
Sales Volume	\$1.4B	\$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
<b>2,093</b>	<b>834</b>	<b>8.8%</b>	<b>-1.9%</b>

#### KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	14,540	10.2%	\$1,797	\$1,779	5	0	1,343
3 Star	16,692	10.2%	\$1,527	\$1,507	6	0	2,156
1 & 2 Star	12,073	5.3%	\$1,141	\$1,133	0	0	48
<b>Market</b>	<b>43,305</b>	<b>8.8%</b>	<b>\$1,533</b>	<b>\$1,516</b>	<b>11</b>	<b>0</b>	<b>3,547</b>

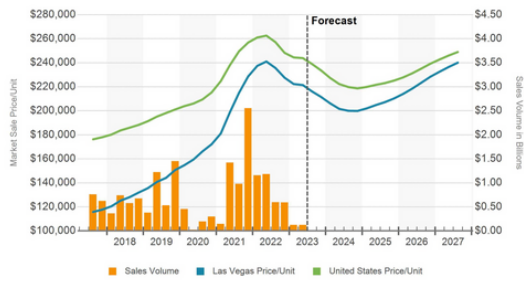
  

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.6%	6.0%	8.1%	9.4%	2009 Q4	2.9%	2017 Q2
Absorption Units	834	960	1,232	2,465	2021 Q1	(261)	2009 Q2
Delivered Units	2,093	886	1,173	2,335	2020 Q3	0	2016 Q2
Demolished Units	0	38	12	584	2018 Q3	0	2023 Q2
Asking Rent Growth (YOY)	-1.9%	3.0%	2.5%	11.4%	2021 Q2	-6.4%	2009 Q4
Effective Rent Growth (YOY)	-2.2%	2.9%	2.5%	11.5%	2021 Q2	-6.5%	2009 Q4
Sales Volume	\$416M	\$172.5M	N/A	\$913.5M	2022 Q3	\$0	2006 Q4

## SALES

### LAS VEGAS MULTIFAMILY

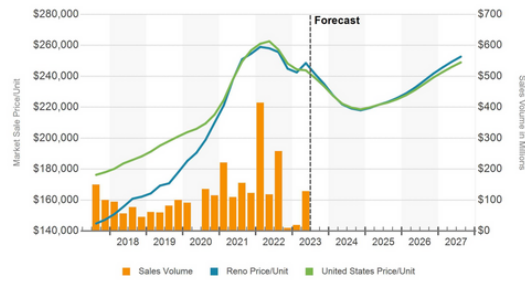
#### SALES VOLUME & MARKET SALE PRICE PER UNIT



## SALES

### RENO MULTIFAMILY

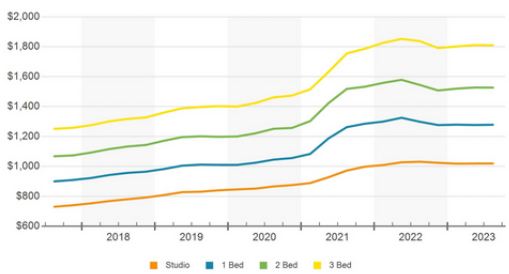
#### SALES VOLUME & MARKET SALE PRICE PER UNIT



## RENT

### LAS VEGAS MULTIFAMILY

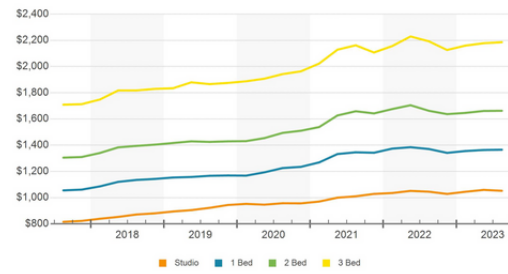
#### MARKET RENT PER UNIT BY BEDROOM



## RENT

### RENO MULTIFAMILY

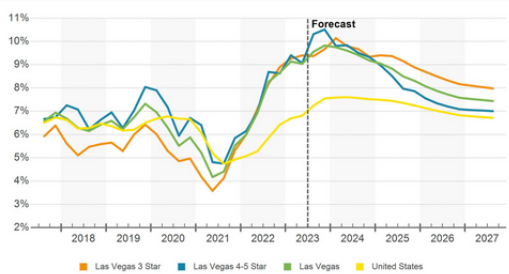
#### MARKET RENT PER UNIT BY BEDROOM



## VACANCY

### LAS VEGAS MULTIFAMILY

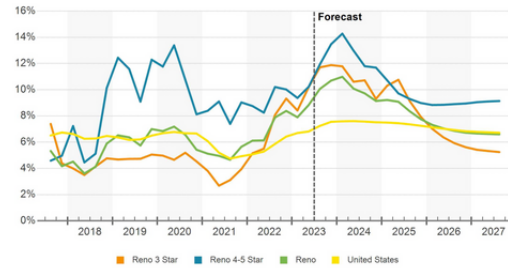
#### VACANCY RATE



## VACANCY

### RENO MULTIFAMILY

#### VACANCY RATE



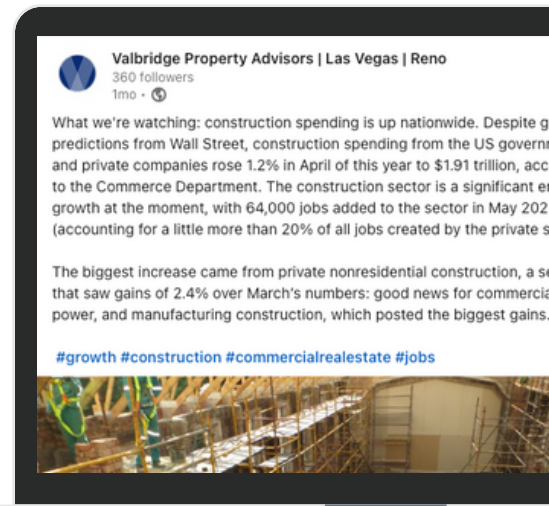


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