



Valbridge
PROPERTY ADVISORS



QUARTERLY MARKET UPDATE

LAS VEGAS—RENO 3Q23

Tourism is flooding into Las Vegas, and renters are flooding into Reno, with both metro areas seeing improvements in sectors driven by increased activity (retail and multifamily respectively).

For the first time ever this past November, more than 5 million visitors passed through Harry Reid International Airport in a single month, and air passenger figures remain elevated. Gaming revenue in the state of Nevada eclipsed \$1 billion for a record 28 consecutive months. Annual job growth in the Las Vegas metro has averaged 3.2% in the past 10 years, outperforming the national average of 1.4% in that time.

Multifamily investment in Reno is outperforming most metro areas in the region, as in-migration continues to add to the population (many of the newcomers hailing from California's far more costly housing markets).

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 SECTOR HIGHLIGHTS

LAS VEGAS TRENDS

- Q3 of 2023 saw a stabilization in the industrial market, as vacancies held steady at just under 3%.
- Rents grew by 9.2% for the trailing 12 months, down from pandemic era highs but on par for the ten year average of 8.2% annual growth.
- Las Vegas is seeing some of the most active construction growth of any market in the nation, with about 15.7 million sq. ft. of industrial space underway, mostly logistics warehouses and distribution space.
- While sales volume remains above the five-year average, 3Q23 slowed considerably from 2Q23.

RENO TRENDS

- The vacancy rate has increased over the past 12 months to 4.2% as substantial new inventory has come online, and development is not slowing down, with another 6.2 million sq. ft. under construction (indicating some risk of oversupply in the market).
- Rental growth has slowed, up 4.8% over this time last year, although rents for logistics spaces are up 6.2% over the same duration.
- Rising supply levels combined with rising interest rates and slowing rental growths are likely to moderate the sector over the near to medium term.

OFFICE SECTOR HIGHLIGHTS

LAS VEGAS TRENDS

- The office market is fairly stable, with the current vacancy rate of 10.5% well under the historical average.
- Rent growth for the trailing twelve months is at 4.1%, but has begun to slow as market conditions soften; 3 star properties are outperforming 4 & 5 star options, with discounted pricing drawing tenants.
- The average price per sq. ft. for the sector is approximately \$240, and the average cap rate is 8.3%.
- Developers are preferring residential, multifamily, and industrial construction over office, with less than 1 million sq. ft. of inventory currently underway.

RENO TRENDS

- Demand has slowed, and, paired with the delivery of 312,000 sq. ft. of additional space in the past year, conditions are lackluster and net absorption is negative.
- The vacancy rate stands at 9.8%, and landlords have struggled to find tenants to occupy the market's larger available spaces.
- Average rents have increased 2.4%: low-end product had the largest increases with 1 & 2 Star properties growing by 3.6%, while 3 Star properties lagged behind at 2.4% growth.
- Sales activity has been slow and is likely to remain so.

RETAIL SECTOR HIGHLIGHTS

LAS VEGAS TRENDS

- All tourism indicators (air traffic, retail sales, and gaming revenue) grew reliably over the past twelve months, and retail spaces likewise have fared well.
- Vacancy rates are stable, hovering just above 5% (which is a 15 year low).
- Annual rent growth in Las Vegas remains robust at about 8.2%, but is showing signs of deceleration. Malls are showing rent gains of 13.3%
- Off the Strip, current retail development is clustered in the Southwest, Southeast, and Central West Las Vegas submarkets; 1.1 million sq. ft. is underway.

RENO TRENDS

- Vacancy rates held firm over the past year at 4.9%, and demand has remained relatively strong even for big box spaces (particularly grocery and fitness), which have seen reduced demand in other markets.
- Rent growth in Reno has also been relatively strong of late, at 5.0% (outpacing the national average of 3.5%).
- The market average asking rent is \$22.00/sq. ft., but new construction commands a significant premium, with recent new properties fetching \$36.00/sq. ft.
- Despite commanding higher prices, new development is minimal, as financing remains too costly to yield profits.

MULTIFAMILY HOUSING SECTOR HIGHLIGHTS

LAS VEGAS TRENDS

- Despite strong performance in Q1 and Q2 of 2023, the multifamily market stalled out in Q3, with vacancy rates headed up and rental rates headed down.
- Currently at 9.7%, vacancy rates will almost certainly reach double digits by the end of 2023.
- The market is seeing rent losses of -2.4% annually: the average asking rent is now \$1,430/month (below the national average of \$1,670/month) and is likely to decline further in coming quarters.
- Nearly all Q3 sales transactions were relatively small assets (75 units and under), and activity is minimal, with investors anticipating little improvement in 2024.

RENO TRENDS

- Vacancy rates are at 8.9%, increasing in recent periods as a result of 2,200 new units hitting the market.
- However, demand remains strong, with in-migration accounting for nearly 60% of market demand (California residents seeking lower cost of living options contribute one-third of that total).
- Rental growth has declined by -1.1% over the past twelve months, and competition for new tenants is brisk, with a wide range of concessions and amenities on offer.
- Sales activity levels have exceeded expectations for 2023. Despite higher interest rates, Reno is one of the few Western metros to see ongoing investment activity.

LAS VEGAS INDUSTRIAL TRENDS

RENO INDUSTRIAL TRENDS

OVERVIEW

LAS VEGAS INDUSTRIAL

12 Mo Deliveries in SF: **9.4M** | 12 Mo Net Absorption in SF: **7.5M** | Vacancy Rate: **2.8%** | 12 Mo Rent Growth: **9.2%**

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	127,480,931	3.1%	\$12.97	11.4%	34,994	0	15,660,642
Specialized Industrial	21,937,288	1.7%	\$14.91	2.4%	0	0	0
Flex	22,667,925	2.5%	\$16.51	3.1%	(43,492)	0	0
Market	172,086,144	2.8%	\$13.62	9.3%	(6,498)	0	15,660,642

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.0%	7.3%	4.6%	14.1%	2010 Q1	1.9%	2022 Q3
Net Absorption SF	7.5M	4,096,268	6,353,494	12,071,664	2023 Q1	(4,066,687)	2010 Q1
Deliveries SF	9.4M	4,233,591	7,261,444	10,021,109	2023 Q2	63,574	2011 Q4
Rent Growth	9.2%	3.0%	4.7%	15.9%	2022 Q3	-13.4%	2010 Q1
Sales Volume	\$1.8B	\$778.3M	N/A	\$2.5B	2022 Q2	\$74.4M	2010 Q2

OVERVIEW

RENO INDUSTRIAL

12 Mo Deliveries in SF: **5.4M** | 12 Mo Net Absorption in SF: **4M** | Vacancy Rate: **4.2%** | 12 Mo Rent Growth: **4.8%**

KEY INDICATORS

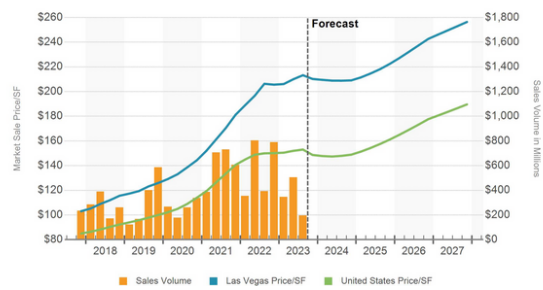
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	84,736,129	4.7%	\$8.33	10.4%	(237,791)	0	5,166,378
Specialized Industrial	22,183,667	2.4%	\$11.18	1.9%	(47,552)	0	935,064
Flex	7,206,978	4.7%	\$13.17	6.9%	(4,824)	0	89,235
Market	114,126,774	4.2%	\$9.17	8.5%	(290,167)	0	6,190,677

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.1%	8.5%	4.3%	14.4%	2009 Q2	2.3%	2022 Q1
Net Absorption SF	4M	2,806,721	3,262,163	7,837,903	2017 Q2	(291,188)	2009 Q1
Deliveries SF	5.4M	2,615,580	3,656,365	6,904,486	2023 Q2	0	2011 Q2
Rent Growth	4.8%	3.8%	3.5%	8.9%	2022 Q2	-3.8%	2010 Q2
Sales Volume	\$241M	\$340.5M	N/A	\$1.2B	2021 Q4	\$37.6M	2010 Q1

SALES

LAS VEGAS INDUSTRIAL

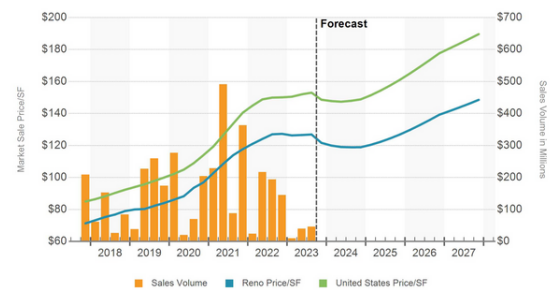
SALES VOLUME & MARKET SALE PRICE PER SF



SALES

RENO INDUSTRIAL

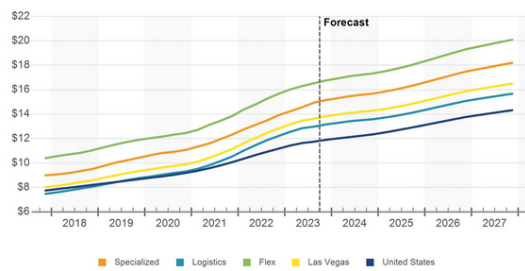
SALES VOLUME & MARKET SALE PRICE PER SF



RENT

LAS VEGAS INDUSTRIAL

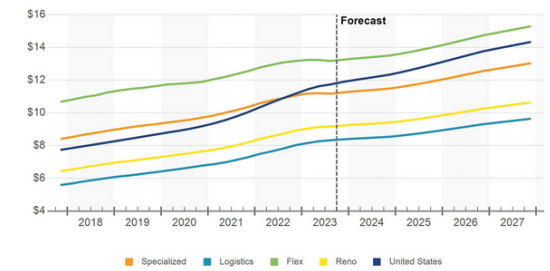
MARKET RENT PER SQUARE FEET



RENT

RENO INDUSTRIAL

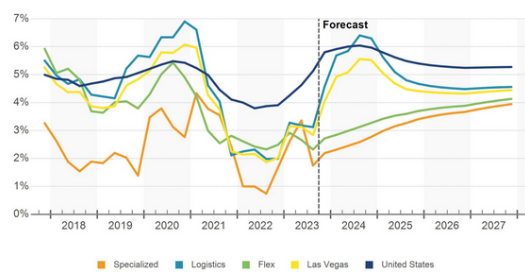
MARKET RENT PER SQUARE FEET



VACANCY

LAS VEGAS INDUSTRIAL

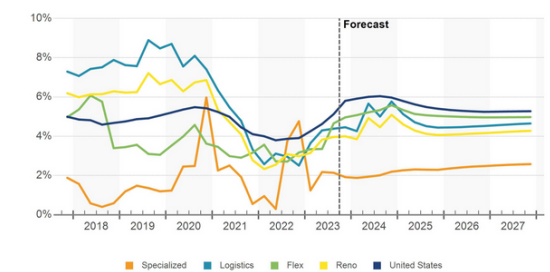
VACANCY RATE



VACANCY

RENO INDUSTRIAL

VACANCY RATE



LAS VEGAS OFFICE TRENDS

RENO OFFICE TRENDS

OVERVIEW

OVERVIEW

LAS VEGAS OFFICE

RENO OFFICE

12 Mo Deliveries in SF **679K** | 12 Mo Net Absorption in SF **(20.4K)** | Vacancy Rate **10.5%** | 12 Mo Rent Growth **4.1%**

12 Mo Deliveries in SF **312K** | 12 Mo Net Absorption in SF **(119K)** | Vacancy Rate **9.8%** | 12 Mo Rent Growth **2.4%**

KEY INDICATORS

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	15,004,555	9.8%	\$33.66	13.2%	(3,429)	0	847,584
3 Star	38,062,662	12.1%	\$26.71	13.0%	(84,872)	0	53,260
1 & 2 Star	15,383,512	7.1%	\$21.09	7.7%	(15,069)	0	0
Market	68,450,729	10.5%	\$27.05	11.9%	(103,370)	0	900,844

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.8%	13.6%	12.5%	18.8%	2010 Q2	6.9%	2005 Q3
Net Absorption SF	(20.4K)	794,801	(12,136)	2,759,203	2007 Q1	(91,956)	2010 Q3
Deliveries SF	679K	1,079,061	641,941	4,293,128	2007 Q4	91,266	2011 Q1
Rent Growth	4.1%	0.4%	0.2%	8.3%	2018 Q3	-14.2%	2010 Q1
Sales Volume	\$585M	\$634.3M	N/A	\$1.2B	2022 Q1	\$87.5M	2009 Q4

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	1,775,012	21.0%	\$28.91	21.6%	0	0	101,819
3 Star	9,541,244	10.2%	\$24.78	14.3%	(4,271)	0	155,967
1 & 2 Star	6,232,558	5.9%	\$22.48	7.1%	(3,071)	0	0
Market	17,548,814	9.8%	\$24.41	12.5%	(8,242)	0	257,786

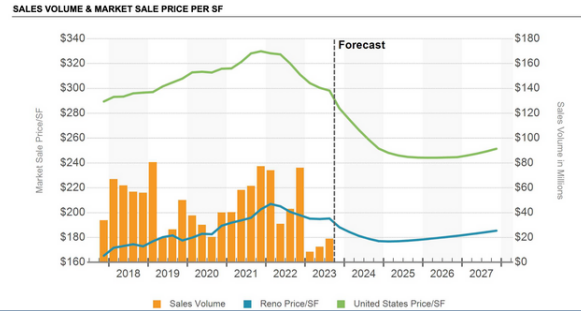
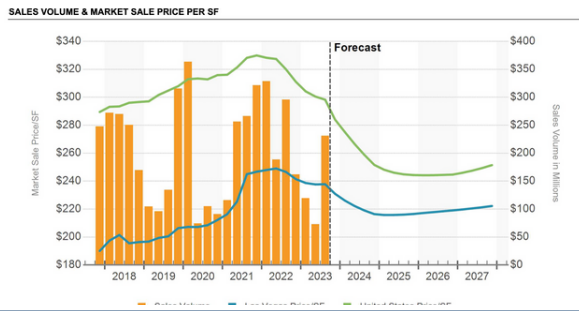
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.3%	11.7%	9.5%	16.7%	2010 Q3	7.4%	2022 Q1
Net Absorption SF	(119K)	103,057	114,596	378,927	2022 Q1	(434,681)	2009 Q1
Deliveries SF	312K	75,445	145,106	331,790	2008 Q3	5,504	2014 Q4
Rent Growth	2.4%	0.8%	-0.2%	8.4%	2015 Q2	-11.0%	2009 Q3
Sales Volume	\$116M	\$121.3M	N/A	\$270.9M	2022 Q1	\$19M	2011 Q1

SALES

SALES

LAS VEGAS OFFICE

RENO OFFICE

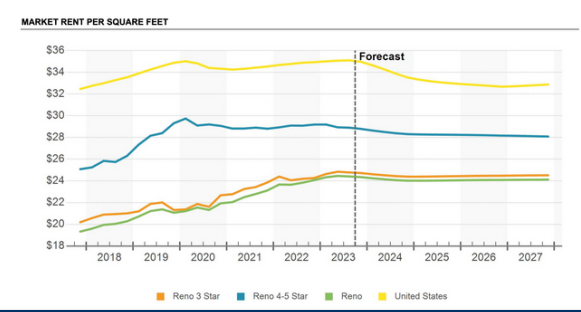
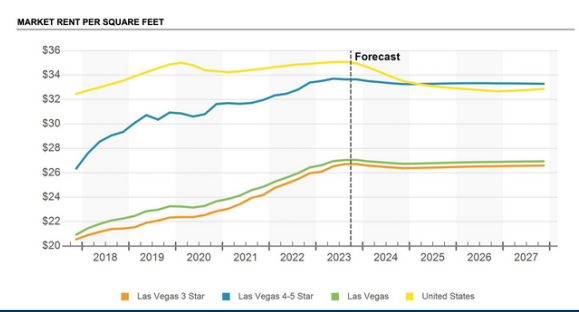


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LAS VEGAS OFFICE

RENO OFFICE

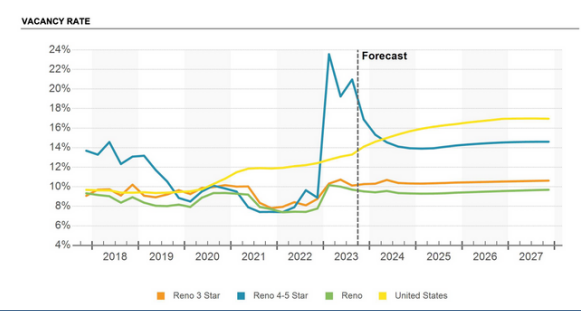
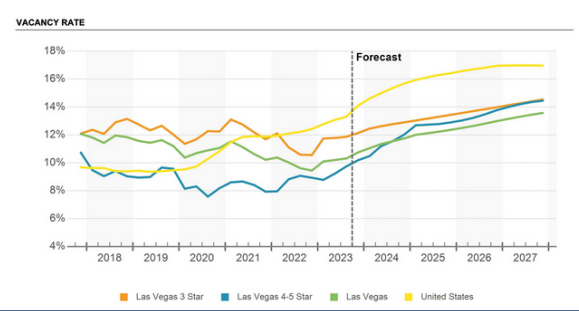


VACANCY

VACANCY

LAS VEGAS OFFICE

RENO OFFICE



LAS VEGAS RETAIL TRENDS

RENO RETAIL TRENDS

OVERVIEW

OVERVIEW

LAS VEGAS RETAIL

RENO RETAIL

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
651K	785K	5.2%	8.2%

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
121K	31.6K	4.9%	5.0%

KEY INDICATORS

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	9,829,243	5.8%	\$76.46	4.0%	(2,958)	0	0
Power Center	13,241,810	3.7%	\$31.58	4.6%	(18,060)	0	0
Neighborhood Center	42,707,767	6.9%	\$26.24	7.7%	(91,115)	0	7,519
Strip Center	11,365,616	6.6%	\$25.26	7.3%	14,037	0	65,573
General Retail	40,850,620	3.1%	\$29.41	3.9%	(47,638)	0	1,000,419
Other	3,168,095	7.7%	\$38.06	2.1%	0	0	0
Market	121,161,151	5.2%	\$32.16	5.6%	(143,734)	0	1,073,511

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.3%	7.4%	5.6%	11.1%	2011 Q3	2.5%	2005 Q3
Net Absorption SF	785K	1,427,358	813,892	5,873,599	2007 Q4	(1,198,125)	2009 Q2
Deliveries SF	651K	1,716,833	1,159,132	6,829,951	2007 Q4	152,380	2013 Q1
Rent Growth	8.2%	0.8%	3.4%	10.0%	2022 Q1	-10.9%	2010 Q1
Sales Volume	\$852M	\$1.2B	N/A	\$4.6B	2018 Q4	\$185.4M	2009 Q4

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	1,544,153	3.8%	\$20.90	11.4%	0	0	0
Power Center	3,656,621	4.0%	\$23.43	4.3%	0	0	6,600
Neighborhood Center	8,999,506	5.6%	\$22.61	5.3%	(36,485)	0	0
Strip Center	2,194,754	5.9%	\$21.23	5.8%	800	0	0
General Retail	11,346,315	4.6%	\$20.82	4.5%	(1,584)	0	25,787
Other	88,090	0%	\$20.39	0%	0	0	0
Market	27,829,439	4.9%	\$21.78	5.2%	(37,269)	0	32,387

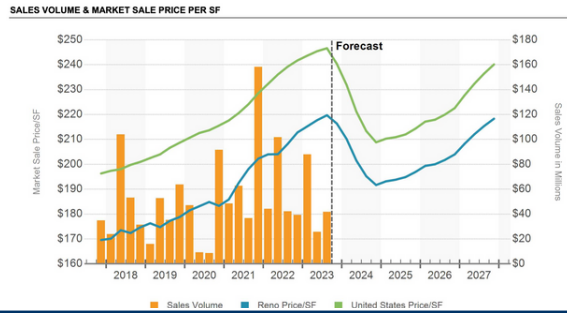
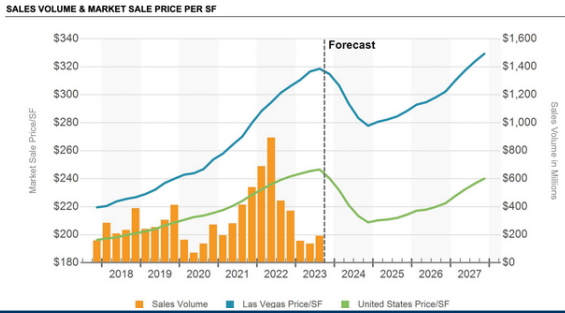
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.3%	7.7%	4.4%	12.1%	2012 Q3	4.2%	2022 Q4
Net Absorption SF	31.6K	156,694	15,135	895,185	2017 Q4	(503,387)	2010 Q1
Deliveries SF	121K	190,138	25,520	1,261,027	2008 Q4	28,092	2010 Q3
Rent Growth	5.0%	0.7%	1.8%	5.3%	2023 Q2	-6.7%	2009 Q4
Sales Volume	\$185M	\$168M	N/A	\$346.3M	2022 Q3	\$25M	2010 Q3

SALES

SALES

LAS VEGAS RETAIL

RENO RETAIL

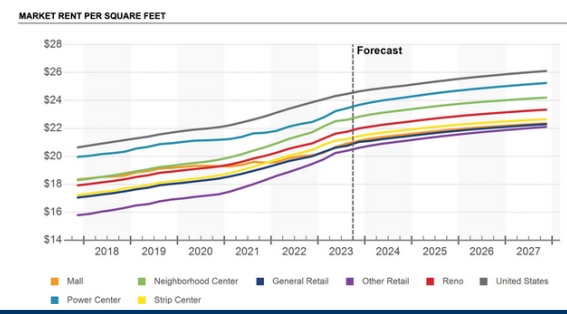
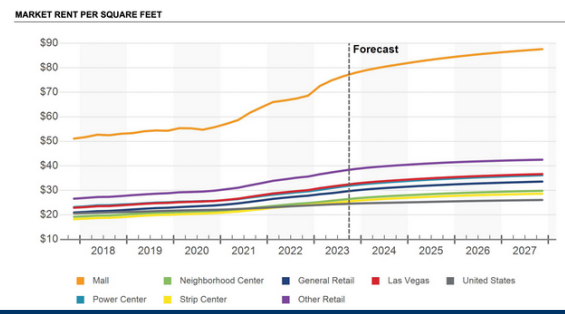


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LAS VEGAS RETAIL

RENO RETAIL

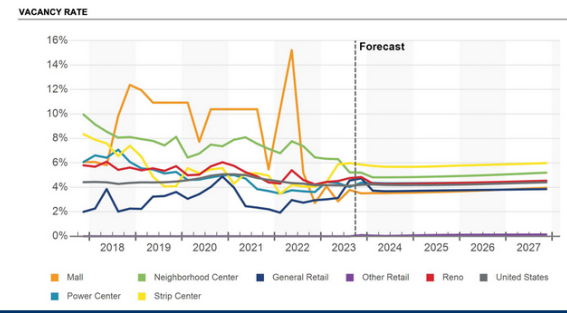
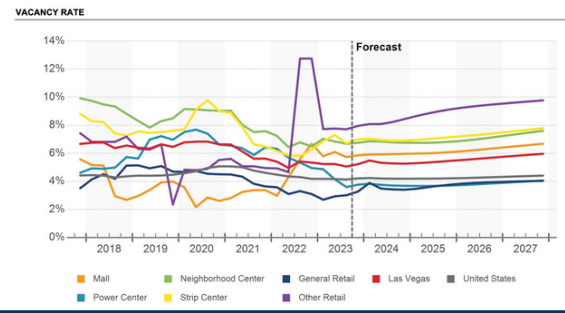


VACANCY

VACANCY

LAS VEGAS RETAIL

RENO RETAIL



LAS VEGAS MULTIFAMILY TRENDS

RENO MULTIFAMILY TRENDS

MULTIFAMILY HOUSING TRENDS

OVERVIEW

LAS VEGAS MULTIFAMILY

12 Mo. Delivered Units: **3,982** | 12 Mo. Absorption Units: **943** | Vacancy Rate: **9.7%** | 12 Mo. Asking Rent Growth: **-2.4%**

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	75,957	10.0%	\$1,625	\$1,606	8	0	6,603
3 Star	81,640	10.0%	\$1,338	\$1,324	16	0	1,768
1 & 2 Star	25,575	7.8%	\$1,031	\$1,024	1	0	0
Market	183,172	9.7%	\$1,426	\$1,410	25	0	8,371

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.4%	7.8%	8.9%	11.2%	2009 Q4	4.2%	2021 Q2
Absorption Units	943	2,008	2,703	7,201	2021 Q2	(3,861)	2022 Q3
Delivered Units	3,982	2,626	2,913	5,465	2001 Q2	0	2013 Q2
Demolished Units	94	270	293	1,756	2005 Q4	0	2019 Q2
Asking Rent Growth (YOY)	-2.4%	2.9%	3.8%	21.2%	2021 Q4	-7.9%	2009 Q4
Effective Rent Growth (YOY)	-2.8%	2.9%	3.7%	21.7%	2021 Q4	-8.9%	2009 Q4
Sales Volume	\$755M	\$1.4B	N/A	\$6.1B	2022 Q1	\$67.9M	2009 Q3

OVERVIEW

RENO MULTIFAMILY

12 Mo. Delivered Units: **2,200** | 12 Mo. Absorption Units: **1,566** | Vacancy Rate: **8.9%** | 12 Mo. Asking Rent Growth: **-1.1%**

KEY INDICATORS

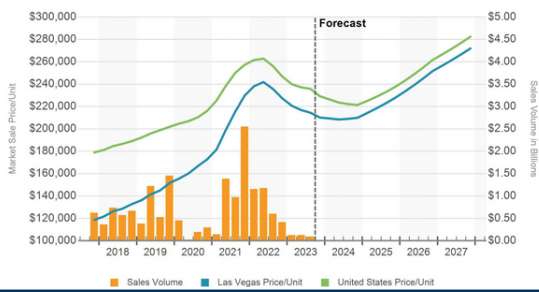
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	15,544	11.4%	\$1,778	\$1,751	6	0	1,417
3 Star	16,497	9.2%	\$1,500	\$1,478	5	0	2,070
1 & 2 Star	12,106	5.1%	\$1,151	\$1,145	0	0	0
Market	44,147	8.9%	\$1,523	\$1,503	11	0	3,487

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.0%	6.1%	7.4%	9.4%	2009 Q4	2.9%	2017 Q2
Absorption Units	1,566	585	1,193	2,464	2021 Q1	(353)	2009 Q2
Delivered Units	2,200	716	1,076	2,257	2023 Q2	0	2016 Q2
Demolished Units	0	37	13	584	2016 Q3	0	2023 Q3
Asking Rent Growth (YOY)	-1.1%	2.9%	3.2%	11.2%	2021 Q2	-6.4%	2009 Q4
Effective Rent Growth (YOY)	-1.9%	2.9%	3.2%	11.3%	2021 Q2	-6.5%	2009 Q4
Sales Volume	\$323M	\$176.9M	N/A	\$913.5M	2022 Q3	\$0	2006 Q4

SALES

LAS VEGAS MULTIFAMILY

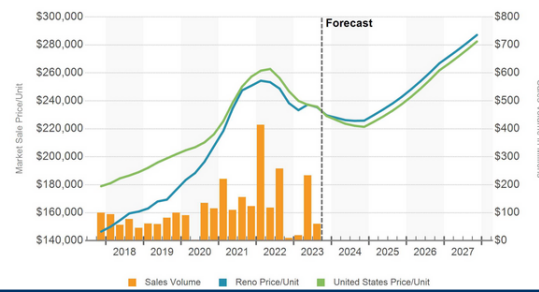
SALES VOLUME & MARKET SALE PRICE PER UNIT



SALES

RENO MULTIFAMILY

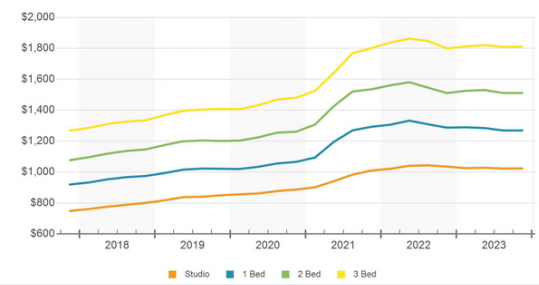
SALES VOLUME & MARKET SALE PRICE PER UNIT



RENT

LAS VEGAS MULTIFAMILY

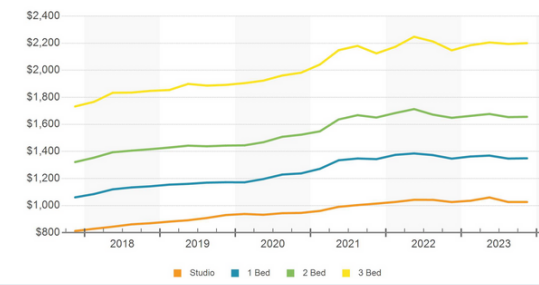
MARKET RENT PER UNIT BY BEDROOM



RENT

RENO MULTIFAMILY

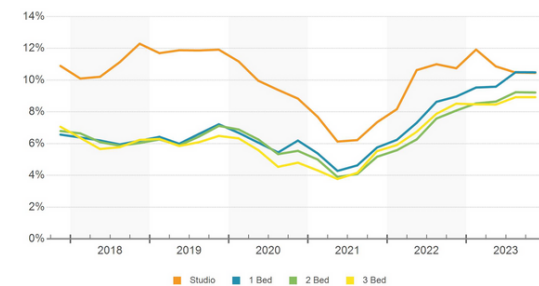
MARKET RENT PER UNIT BY BEDROOM



VACANCY

LAS VEGAS MULTIFAMILY

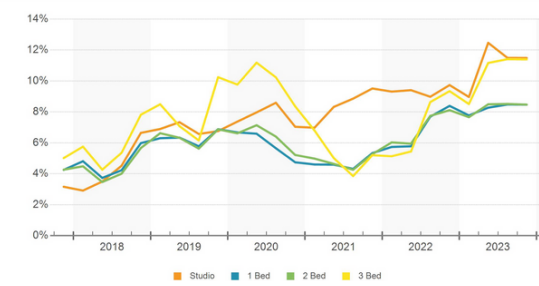
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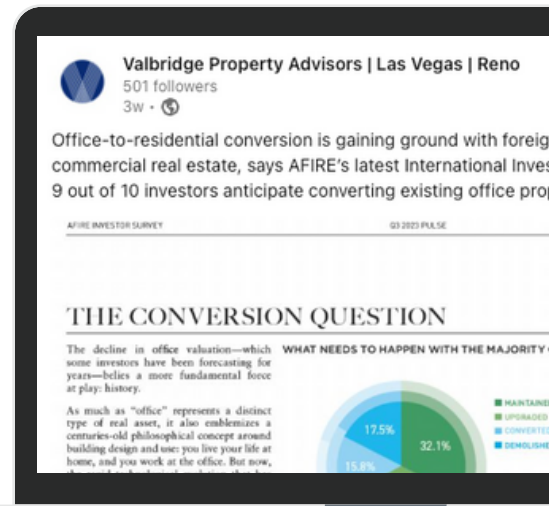
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