

## LAS VEGAS OFFICE

## Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Las Vegas Employment	1.0M	1.1M	▲
Las Vegas Unemployment	5.2%	4.2%	▼
U.S. Unemployment	4.1%	3.8%	▼

February 2018/2019 used to represent Q1 for Las Vegas.

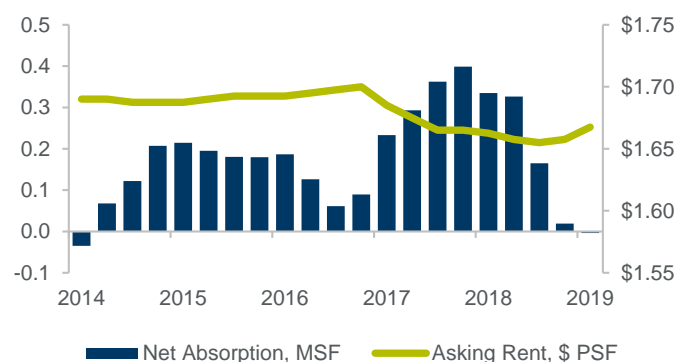
## Market Indicators (All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	14.0%	14.2%	▼
Net Absorption (sf)	220k	128k	▲
Under Construction (sf)	146k	61k	▲
Average Asking Rent	\$1.66	\$1.70	▲

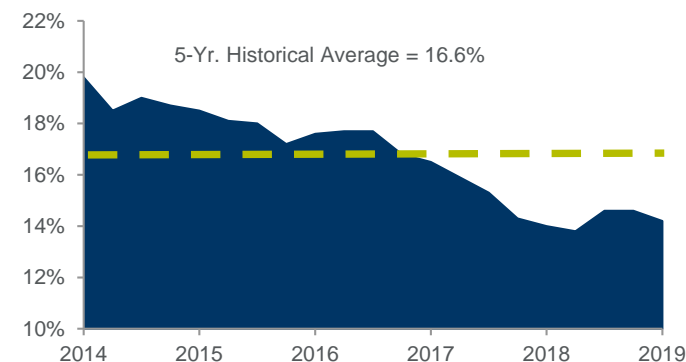
\*Rental rates reflect gross rent overall \$psf/monthly.

## Net Absorption/Asking Rent

## 4-QTR TRAILING AVERAGE



## Overall Vacancy



## Economic Overview

The Las Vegas employment market continued to record job growth, adding 28,000 jobs (+2.8%) year-over-year through February 2019.<sup>1</sup> During the same time period, the unemployment rate decreased 100 basis points (bps), dropping to 4.2%. Also worth noting, the current rate is the lowest since April of 2007 and 230 bps below the 29-year average of 6.5%. All employment sectors are expected to grow at a combined growth rate of 3.6% in 2019. Las Vegas's economy of \$112.3 billion<sup>2</sup> as measured by gross regional product is forecasted to grow an additional 5.5% in 2019, above its 10-year average of 1.7%.<sup>3</sup>

## Market Overview

Office vacancy, including sublease, decreased 40 bps in Q1 2019 from Q4 2018 yet increased 20 bps from a year ago. Overall occupancy grew by 127,860 square feet (sf) across all classes in Q1 2019 compared to 35,000 sf in Q4 2018. Tenants returned 82,900 sf of Class A and 34,100 sf of Class C space, offsetting 244,900 sf of positive occupancy growth in Class B space. With an exception of Q3 2018, Class B net absorption has been positive for the last nine consecutive quarters during which tenants have absorbed 1.2 million sf across all submarkets combined. Consequently, during this time Class B vacancy has decreased 230 bps from 16.6% Q4 2016 to 14.3% in Q1 2019. Class A vacancy has been hovering around 14% for the last six quarters, well below the post-recession high of 23% recorded five years ago. There were no new office properties delivered in Q1 2019. The 61,100-sf University Gateway Center, currently under construction, is set to be delivered in June of 2019. The project is 82% pre-leased and a future home to the University Police Services department.

Average asking rent of \$1.70 per month increased 2.4% from a year ago, while Class A rent increased 3.9% and Class B rent increased 1.3% during the same time. Downtown and Southwest submarkets remain the most expensive submarkets as of Q1 2019, with average rent recording an annual increase of 4.8% and 2.9% respectively.

## Sales Activity

The Las Vegas office market recorded \$803 million in sales in 2018, the best performance since 2007 and an 8% increase over \$744 million traded in 2017. Q1 2019 volume at \$50 million was one third of \$139 million traded in Q1 2018. Private investors continued to be the leading buyers of office properties in 2018 (76%) as well as in Q1 2019 (74%), followed by institutional buyers who have become noticeably more active over the last five years.<sup>4</sup> As investors continue to look for additional markets in which to place capital, Las Vegas is expected to benefit.

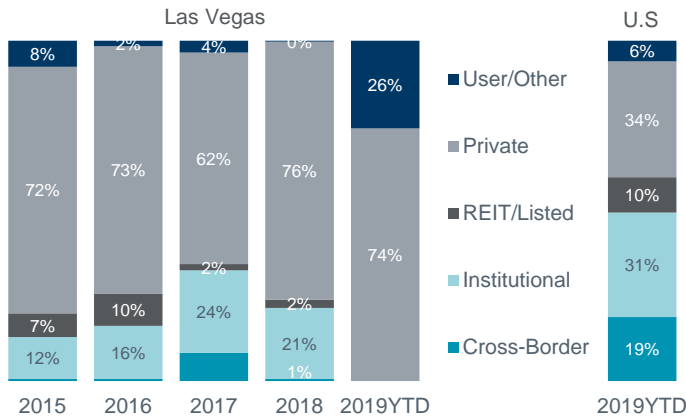
## Outlook

- Class B demand remains the primary driver of activity in the Las Vegas office market. Average vacancy rate is at the lowest level in a decade and is expected to continue to decline into the near future. There are currently nine proposed office projects in the pipeline, most of which are located in Southwest and South submarkets.
- Las Vegas continues to benefit from the economic expansion with impressive job growth and unemployment numbers. Enticing cost of living, no personal income tax and low business costs have proven to be Las Vegas' competitive advantages. These factors, combined with an influx of skilled workers from nearby metro areas, will continue to drive occupancy and rent increases this year.

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup> bea.gov GDP as of 2017. <sup>3</sup> (f) by Moody's Analytics economy.com <sup>4</sup> RCA.

### Who is Buying in Las Vegas?

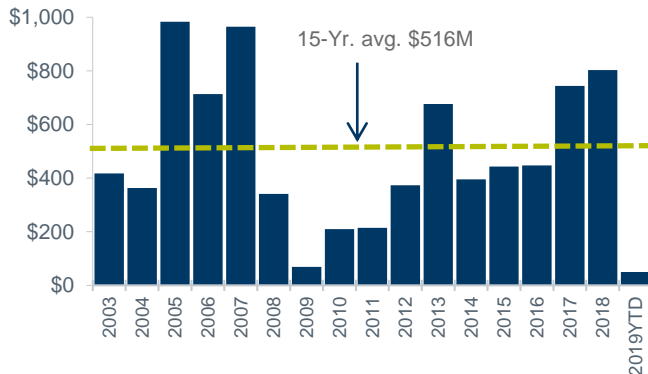
PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of all sizes 4/4/19. Rounded figures may not add up to 100%.

### Office Sales Volume in Las Vegas in Millions

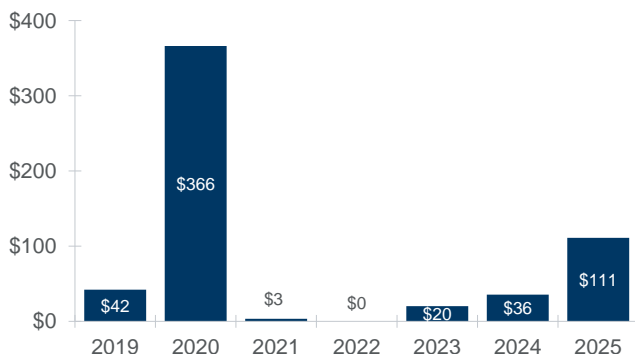
2018 SALES SET TO BE ABOVE THE 15-YR. AVERAGE



Source: : RCA sales of all sizes 4/2/19.

### Las Vegas Annual Office Loan Maturity (\$M)

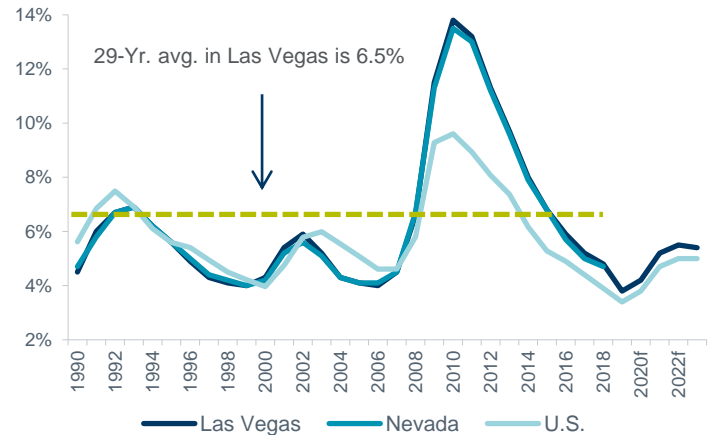
\$366M IN LOANS WILL BE DUE IN 2020



Source: Trepp, LLC – 4/4/19, based on original loan value.

### Unemployment Rate in Comparison

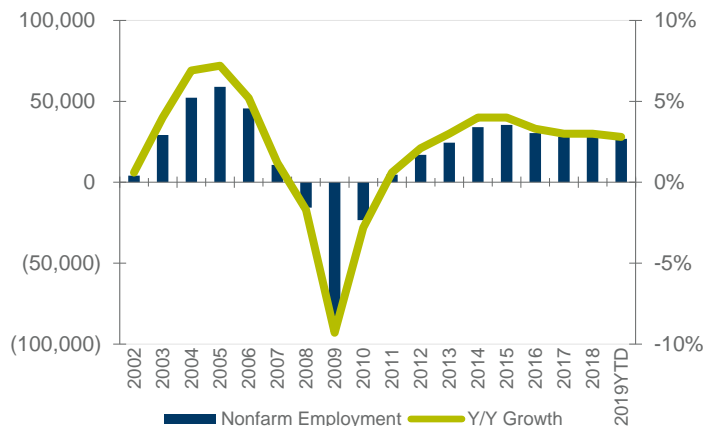
LAS VEGAS 29-YR. (1990 – 2018) ANNUAL AVERAGE RATE IS 6.5%



Source: [www.bls.gov](http://www.bls.gov) (f) by Moody's Analytics as of 11/18.

### Nonfarm Employment Annual Growth Rate vs. Net Change

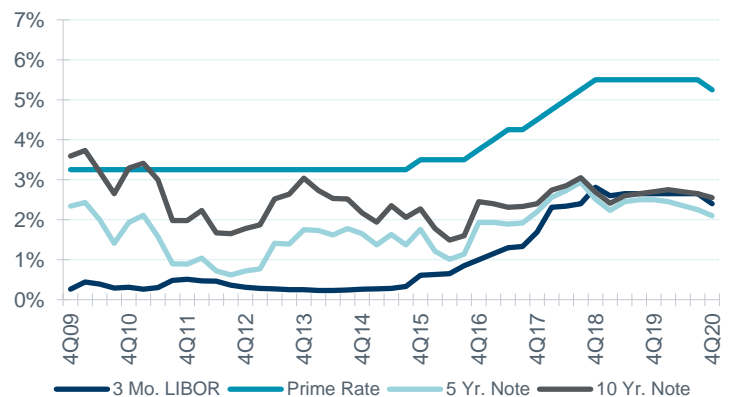
28,800 JOBS WERE ADDED GROWING 2.8% Y/Y VS 2.0% 15-YR. AVERAGE



Source: [www.bls.gov](http://www.bls.gov) 2019YTD jobs added between 2/18 and 2/19.

### Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT TWO YEARS



Source: Wells Fargo U.S. Economic Forecast – 4/10/19.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Classes)	AVERAGE ASKING RENT* (CLASS A)
Central East	180	7,151,094	35,695	1,408,097	20.2%	-12,377	-12,377	61,146	\$1.74	\$2.50
Central North	49	1,677,057	0	86,405	5.2%	10,697	10,697	0	\$1.49	\$2.00
Downtown	48	3,530,291	4,678	395,914	11.3%	-7,874	-7,874	0	\$2.42	\$2.84
North	45	988,661	1,000	110,250	11.3%	6,162	6,162	0	\$1.36	-
Northwest	212	8,149,498	94,608	1,101,804	14.7%	19,729	19,729	0	\$1.57	\$2.15
Southeast	54	1,330,497	0	254,972	19.2%	33,687	33,687	0	\$1.58	\$2.17
South	286	8,857,618	49,942	1,224,227	14.4%	-24,244	-24,244	0	\$1.68	\$2.15
Southwest	224	8,417,906	55,132	903,662	11.4%	89,172	89,172	0	\$1.78	\$2.15
West	191	5,726,354	187,020	613,956	14.0%	12,908	12,908	0	\$1.41	\$2.77
<b>TOTAL</b>	<b>1,289</b>	<b>45,828,976</b>	<b>428,075</b>	<b>6,099,287</b>	<b>14.2%</b>	<b>127,860</b>	<b>127,860</b>	<b>61,146</b>	<b>\$1.70</b>	<b>\$2.37</b>
Class A	96	9,981,111	87,061	1,394,941	14.8%	-82,871	-82,871	0	\$2.37	
Class B	1,034	32,384,559	341,014	4,293,402	14.3%	244,858	244,858	61,146	\$1.53	
Class C	159	3,463,306	0	410,944	11.9%	-34,127	-34,127	0	\$1.06	
<b>TOTAL</b>	<b>1,289</b>	<b>45,828,976</b>	<b>428,075</b>	<b>6,099,287</b>	<b>14.2%</b>	<b>127,860</b>	<b>127,860</b>	<b>61,146</b>	<b>\$1.70</b>	

\*Rental rates reflect gross asking rents \$psf/monthly. Overall vacancy rate and net absorption include direct and sublease. Inventory includes properties of 10,000 sf +, excluding OU.

## Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
10845 Griffith Peak Dr.	49,876	WeWork	The Howard Hughes Corporation	New	West
100 City Pkwy.	21,000	Dept. of Energy	Parkway Center LLC	New	Downtown
101 Convention Center Dr.	16,936	Two Blackbirds Hospitality Management, LLC	Jade Enterprises/GWP Real Estate	New	Central East
3993 Howard Hughes Pkwy.	11,187	Blaze Streaming Media, LLC	Crescent Real Estate Equities	New	Central East
4040 S. Eastern Ave.	10,071	First Service Residential	DSA Development Corp.	New	Central East

## Key Sale Transactions Q1 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
8360 S. Durango Dr.	74,140	Southwest Gas	WGH Partners	\$12,900,000 / \$174	Southwest
8360 S. Durango Dr.	74,140	WGH Partners	Beal Bank	\$10,100,000 / \$136	Southwest
1451 Center Crossing Rd.	58,950	Harry Peck	Moonwater Capital Management	\$19,900,000 / \$338	Northwest
2879 St. Rose Pkwy.	23,914	Sansone Development	Krein One LLC	\$5,200,000 / \$217	South
5330 S. Durango Dr.	20,033	Kenneth Goodrich	Insight Investment Partners	\$4,900,000 / \$245	Southwest

## Under Construction Q1 2019 – selected projects 10,000 sf +

PROPERTY	SF	PRE-LEASED		ADDRESS	CLASS	ESTIMATED COMPLETION	SUBMARKET
		SF	%				
University Gateway	61,146	49,259	82%	4700 S. Maryland Pkwy.	B	2019	Central East

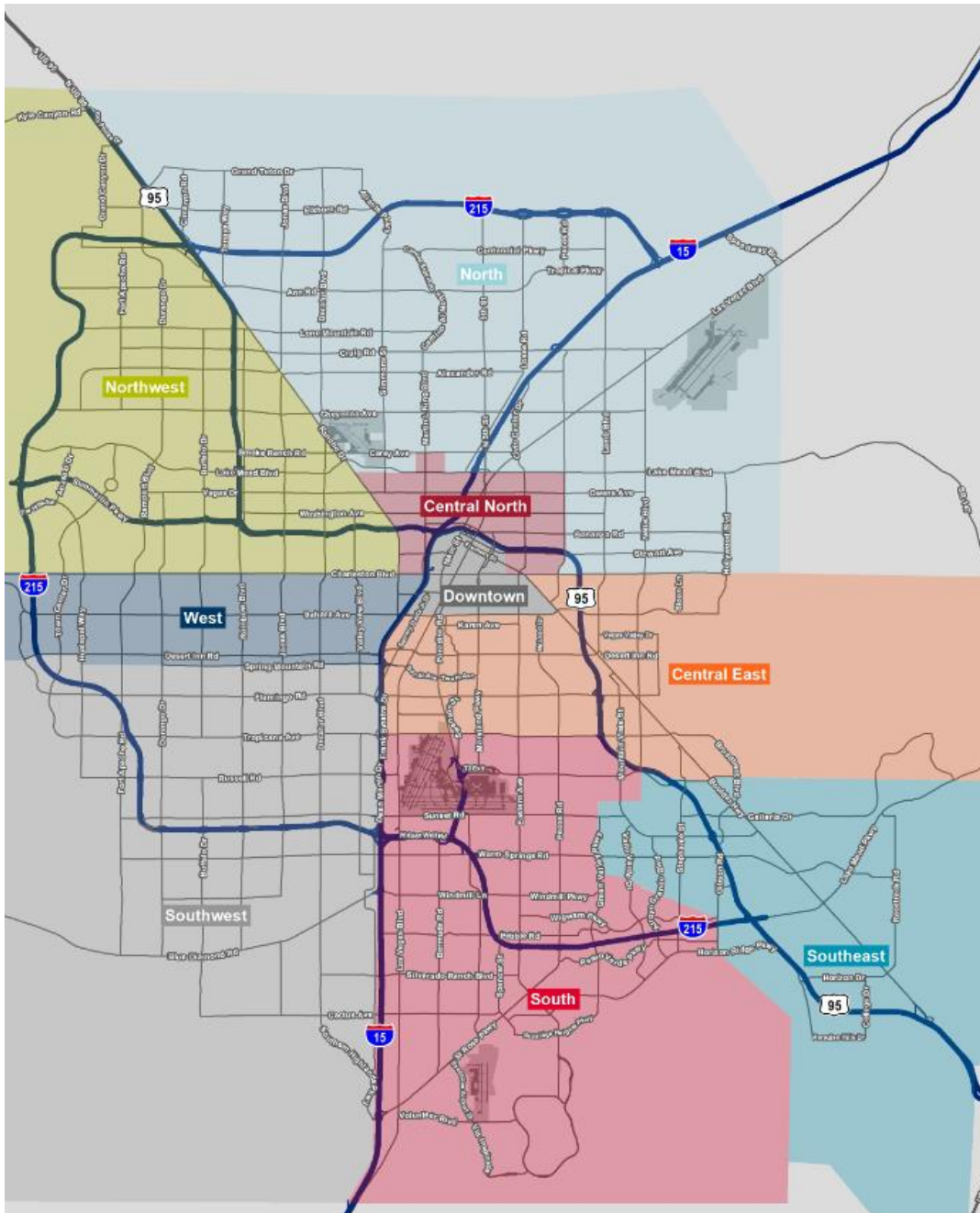
MARKETBEAT

# Las Vegas

Office Q1 2019



## OFFICE SUBMARKETS LAS VEGAS



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