

LAS VEGAS OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Las Vegas Employment	1.0M	1.1M	▲
Las Vegas Unemployment	4.6%	4.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

May 2018/2019 used to represent Q2 for Las Vegas, June for U.S.

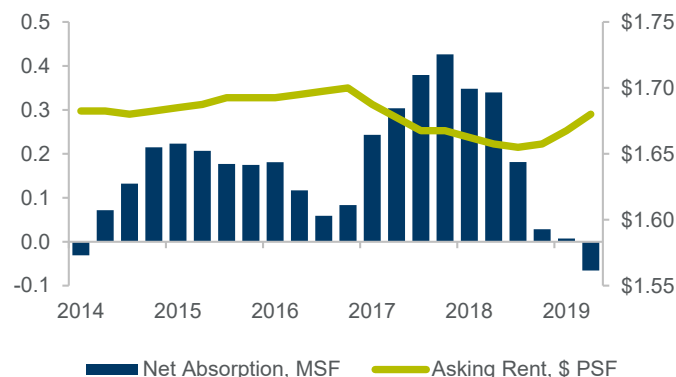
Market Indicators (All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	13.8%	14.1%	▼
Net Absorption (sf)	225k	-101k	▲
Under Construction (sf)	121k	72k	▲
Average Asking Rent	\$1.64	\$1.69	▲

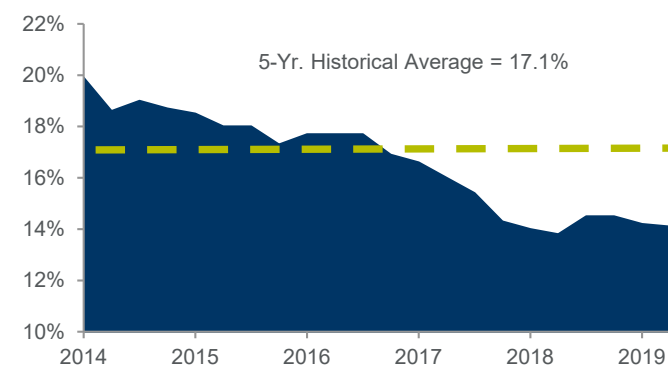
*Rental rates reflect gross rent overall \$psf/monthly.

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The Las Vegas employment market continued to record job growth, adding 29,500 jobs (+2.9%) year-over-year through May 2019.¹ During the same time period, the unemployment rate decreased 60 basis points (bps), dropping to 4.0%. Also worth noting, the current rate is the lowest it's been in fifteen years and 240 bps below the 29-year average of 6.4%. All employment sectors are expected to grow at a combined growth rate of 3.1% in 2019 and 2.1% in 2020. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.3% in 2019 and 4.1% in 2020, above its 10-year average of 1.7%.³

Market Overview

Office vacancy, including sublease, decreased 10 bps in Q2 2019 from Q1 2019 yet increased 30 bps from a year ago. Overall occupancy shrank by 101,300 square feet (sf) across all classes in Q2 2019 compared to a growth of 145,300 sf recorded in Q1 2019, bringing year-to-date occupancy growth to 44,000 sf. Tenants returned 94,500 sf of Class A space, offsetting positive occupancy growth of 100,300 sf in Class B space and 39,100 sf in Class C space as of mid-year 2019. Average vacancy for Class A and B space has been within a 14% to 15% range for the last two years, a level not seen since 2008. Also, Class C space maintains the lowest vacancy at 11.0%, a level not seen in 12 years. Tenants returned the most space in the South submarket in Q2 (-108,600) sf. Thus far in 2019, no office properties have been delivered. Delivery of the 61,100-sf University Gateway Center, currently under construction, has been pushed back to August 2019. The project is 100% pre-leased and a future home to assorted UNLV offices and the University Police Services department. Several Class A office projects are on the horizon, including Sansone's 215 Rainbow and Magnum Tower on Sunset.

Average asking rent of \$1.69 per month increased 3.0% from a year ago, while Class A rent increased 4.0% and Class B rent increased 2.0% during the same time. Downtown and Southwest submarkets remain the most expensive submarkets as of Q2 2019, with average rent recording an annual increase of 1.7% and 9.0% respectively.

Sales Activity

The Las Vegas office market recorded \$40.7 million in sales in Q2 2019 compared to \$78.7 million last quarter and \$275.0 million in Q2 2018. Private investors continued to be the leading buyers of office properties in 2019 (55%), followed by REITs (34%). As investors continue to look for additional markets in which to place capital, Las Vegas is expected to benefit. Despite a decrease in sales volume, the average price per sf increased 6% to \$198 psf in Q2 compared to \$187 psf a year ago.

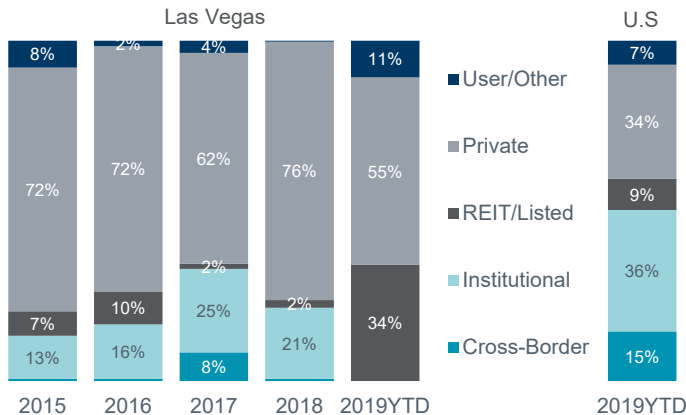
Outlook

- Rents will continue their impressive growth in the Las Vegas office market. Notably, the Southwest submarket posted 9.0% annual growth, indicating the abundance of future development in that submarket is well warranted. Multiple office projects are planned for the South and Southwest submarkets, but until these projects deliver rent growth and vacancy will benefit.
- Job growth and unemployment in Las Vegas continue to post record numbers. With jobs increasing, the office market should continue to benefit from businesses' need for space. Las Vegas has a plethora of competitive advantages, including low business and living costs, which immensely help in the war for talent.

Sources: ¹www.bls.gov ²bea.gov GDP as of 2017. ³(f) by Moody's Analytics economy.com 3/2019 ⁴RCA.

Who is Buying in Las Vegas?

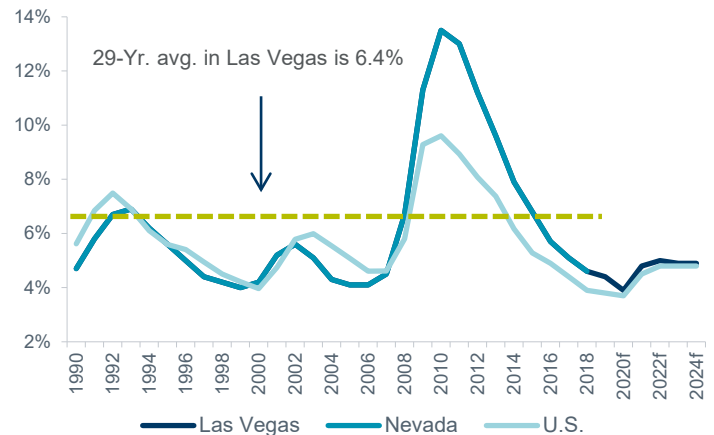
PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of \$2.5M+ as of 7/9/2019. Rounded figures may not add up to 100%.

Unemployment Rate in Comparison

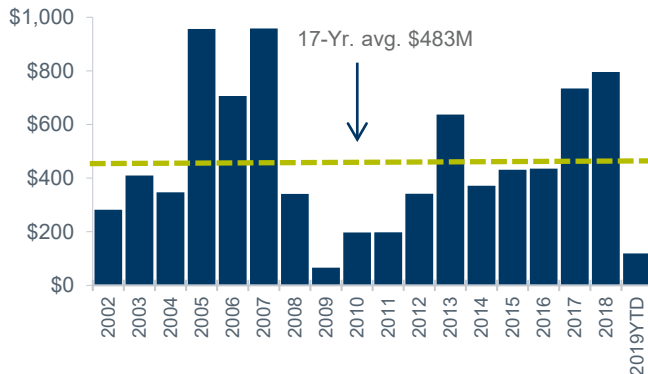
LAS VEGAS 29-YR. (1990 – 2018) ANNUAL AVERAGE RATE IS 6.4%



Source: www.bls.gov (f) by Moody's Analytics as of 3/2019.

Office Sales Volume in Las Vegas in Millions

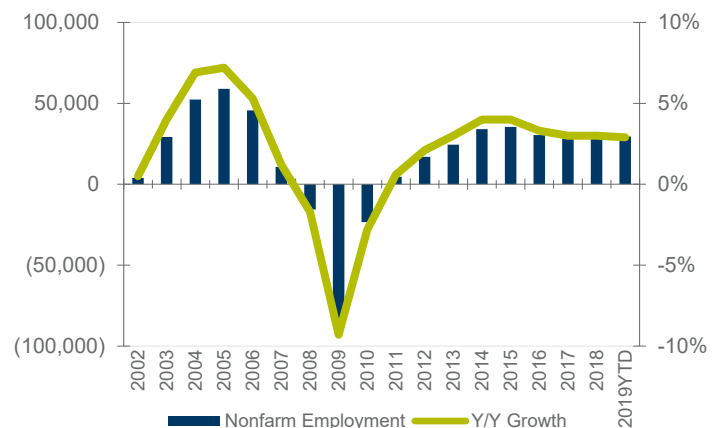
SLOW START OF SALES IN 2019



Source: : RCA sales of \$2.5M+ as of 7/9/2019.

Nonfarm Employment Annual Growth Rate vs. Net Change

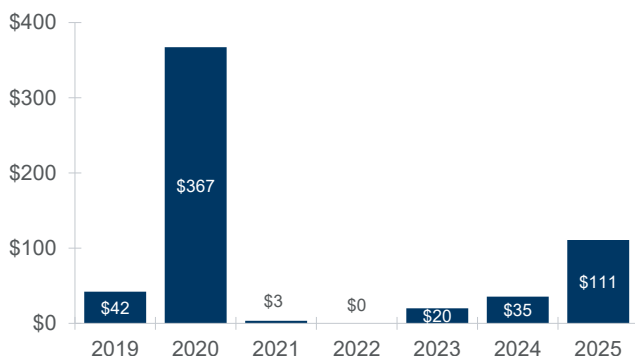
29,500 JOBS WERE ADDED GROWING 2.9% Y/Y VS 2.0% 15-YR. AVERAGE



Source: www.bls.gov 2019YTD jobs added between 5/2018 and 5/2019.

Las Vegas Annual Office Loan Maturity (\$M)

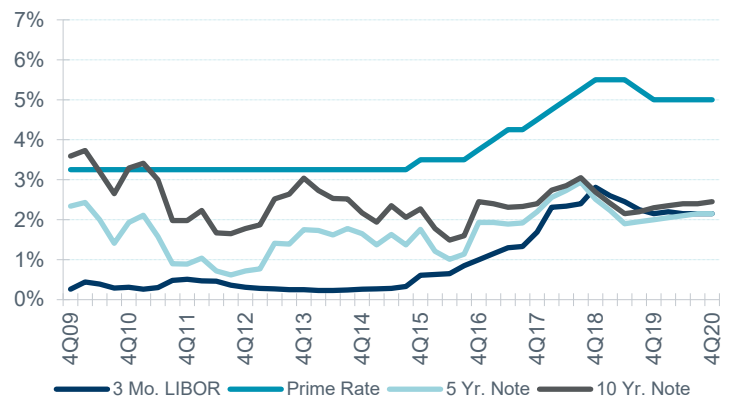
\$367M IN LOANS WILL BE DUE IN 2020



Source: Trepp, LLC – 6/28/2019, based on original loan value.

Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT TWO YEARS



Source: Wells Fargo U.S. Economic Forecast – 6/12/2019.

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	179	7,101,912	40,871	1,401,560	20.3%	25,335	12,958	61,146	\$1.73	\$2.62
Central North	49	1,677,057	0	101,840	6.1%	-18,500	-7,803	0	\$1.40	\$2.00
Downtown	49	3,548,819	4,678	358,745	10.2%	39,288	31,472	0	\$2.44	\$2.86
North	44	995,691	1,000	114,419	11.6%	13,125	35,217	0	\$1.27	\$1.25
Northwest	213	8,136,295	63,767	1,015,240	13.3%	-4,118	29,111	0	\$1.57	\$2.10
Southeast	54	1,346,828	0	228,628	17.0%	17,800	51,487	0	\$1.52	\$2.19
South	287	8,930,760	93,179	1,183,541	14.3%	-108,586	-144,909	0	\$1.64	\$2.31
Southwest	225	8,449,041	69,822	1,010,785	12.8%	-69,978	19,194	10,600	\$1.81	\$2.30
West	189	5,763,710	182,782	608,827	13.7%	4,287	17,195	0	\$1.45	\$1.86
TOTAL	1,289	45,950,113	456,099	6,023,585	14.1%	-101,347	43,922	71,746	\$1.69	\$2.36
Class A	101	10,229,338	97,198	1,438,782	15.0%	-13,366	-95,450	0	\$2.36	
Class B	1,029	32,262,489	358,901	4,205,580	14.1%	-161,217	100,263	71,746	\$1.52	
Class C	159	3,458,286	0	379,223	11.0%	73,236	39,109	0	\$1.14	
TOTAL	1,289	45,950,113	456,099	6,023,585	14.1%	-101,347	43,922	71,746	\$1.69	\$2.36

*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 Q2 2019

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
585 Pilot Rd.	58,072	JT4 LLC	Kraemer Land Company, Inc.	New	South
7180 Pollock Dr.	46,057	Tesla	Thomas & Mack Development Group	Sublease	South
2300 Corporate Circle	27,004	Fidelity National Home Warranty	Buchanan Street Partners	New	South
500 Amigo Court	12,240	Genesis Gaming Solutions	Thomas & Mack Development Group	New	South
6720 Via Austi Pkwy.	12,061	The Whiting-Turner Contracting Company	TA Realty	Renewal and Expansion	South

Key Sale Transactions Q2 2019

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Welltower - CNL Healthcare Portfolio	139,222	Welltower Inc.	CNL Healthcare Properties, Inc.	\$40,700,000 / \$292	South
310 W. Utah Ave.	30,162	Tamra M. Hunt	Utah Jolley LLC	\$1,050,000 / \$35	Central East
2575 S. Cimarron Rd.	13,585	Unified Aircraft Services, Inc.	CJA Enterprise LLC	\$1,500,000 / \$110	West
621 S. Tonopah Dr.	13,525	Barbieri Family Limited Partnership	Steve & Judy Wale	\$1,470,600 / \$109	Central North
3110 W. Cheyenne Ave.	10,500	J Rackham LTD	Credit Executives Education Foundation	\$1,125,000 / \$107	North

Under Construction Q2 2019 – selected projects 10,000 sf +

PROPERTY	SF	PRE-LEASED		ADDRESS	CLASS	ESTIMATED COMPLETION	SUBMARKET
		SF	%				
University Gateway	61,146	61,146	100%	4700 S. Maryland Pkwy.	B	2019	Central East
Southern Palms Plaza	10,600	0	0%	6060 S. Fort Apache Rd.	B	2019	Southwest

MARKETBEAT

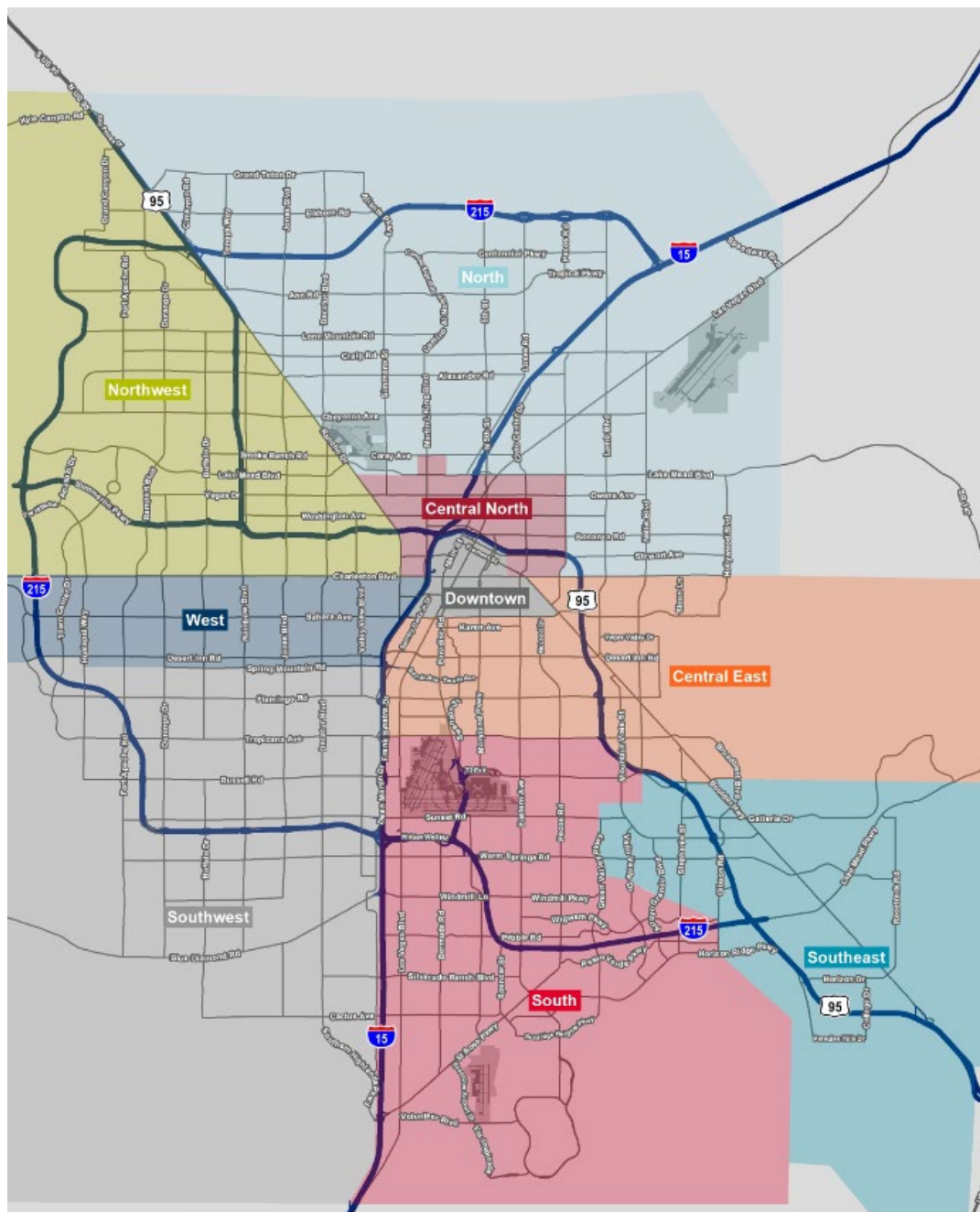
Las Vegas

Office Q2 2019



OFFICE SUBMARKETS

LAS VEGAS



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