

MARKETBEAT LAS VEGAS



CUSHMAN &
WAKEFIELD

Office Q4 2019

13.3%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-60K

Net Absorption, SF



\$1.90

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

1.1M

Las Vegas
Employment

YoY
Chg



12-Mo.
Forecast



3.7%

Las Vegas
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS, November 2019

ECONOMIC OVERVIEW

The Las Vegas employment market recorded growth, adding 27,100 jobs (+2.7%) year-over-year (YOY) through November 2019.¹ During the same time period, the unemployment rate decreased 80 basis points (bps), dropping to 3.7%. Notably, the current unemployment rate is 270 bps below the 30-year average of 6.4%.

All employment sectors are expected to grow at a combined growth rate of 1.9% in 2020 and 0.4% in 2021. Las Vegas's economy of \$122.4 billion² as measured by gross regional product is forecasted to grow an additional 4.4% in 2020 and 4.3% in 2021, above its 10-year average of 2.9%.³

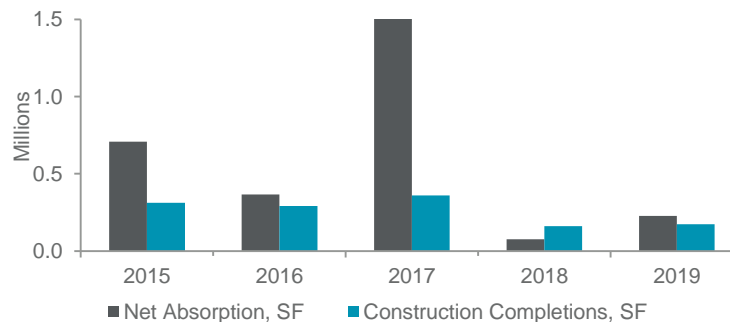
SUPPLY AND DEMAND

Office vacancy, including sublease, increased 190 bps since last quarter, yet decreased 130 bps from a year ago to 13.3% in Q4 2019. Current vacancy rate is 250 bps below the five-year quarterly average of 15.8%. Two submarkets posted single-digit vacancy rates in Q4 2019: North Las Vegas (8.1%) and Central North (9.5%). Overall occupancy decreased by 60,000 square feet (sf) across all property classes in Q4 2019. In 2019, tenants absorbed 227,500 sf, marking the ninth consecutive year of positive occupancy growth during which tenants have absorbed 4.5 msf combined, averaging 501,000 sf per year.

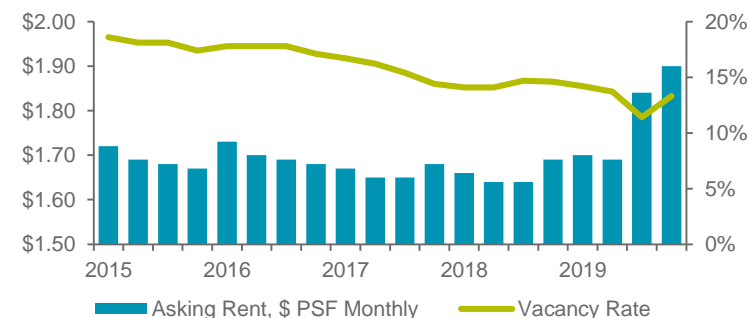
The Central East, Southwest and Southeast submarkets accounted for the majority of Las Vegas' positive net absorption in 2019 or nearly 248,900 sf combined. In Q4 2019, The Southwest recorded the highest positive occupancy growth of 63,700 sf, largely due to an accumulation of smaller tenants occupying under 10,000 sf. Conversely, the West submarket recorded the highest decrease in occupancy (-53,300 sf) in Q4 2019. Again, smaller tenants (under 10,000 sf) in the West submarket contributed the most to the loss of occupancy in Q4 2019.

Currently, tenant demand shows no signs of slowing down. Las Vegas has over 1.0 million square feet (msf) of active tenant requirements in the market. While occupancy shrank this quarter, several larger deals were signed in the Central East and Southwest submarkets. Once these deals are counted as occupancy in 2020, Las Vegas is poised for yet another year of positive office occupancy gains.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT





One building was delivered this quarter: 8400 W. Sunset Rd. The four-story, 112,000-sf project is the first building built in UNLV's 122-acre Harry Reid Research and Technology Park. The speculative building delivered 75% occupied. Tenants include Apex Systems and Black Fire Innovations. Currently, over 186,900 sf of office space is under construction across the market. The majority or 74% of the office inventory under construction rest in the Southwest submarket. The Southwest pipeline will outpace the rest of the office market, with over 1.4 msf planned. Noteworthy projects include G2 Capital Development/LaPour Companies joint-project Narrative, Matter Real Estate Group's multi-building project Uncommons and Sansone Companies' Rainbow 215.

PRICING

Average asking rent across all classes reached \$1.90 per square foot (psf) on a monthly full service basis. This metric increased 3.3% over the last three months and is up 12.4% from where it stood a year ago. Over the past 12 months, Class A average rent has increased by 9.0% to \$2.54 psf, while the Class B rate has increased by 30.3% to \$1.98 psf, largely due to Class B accounting for most occupancy gains or 322,000 sf absorbed in 2019.

SALES ACTIVITY

Investors seem cautious nationwide, and this caution contributed to the YOY decrease in office sales. The Las Vegas office market recorded \$491 million in sales activity across 51 properties and 2.5 msf in 2019, a 42% decrease in sales volume from \$848 million traded in 2018. Average price per sf was \$198 in 2019 compared to \$188 in 2018. Average cap rate was 7.1% compared to 7.3% in 2018. Notably, Q4 2019 was the highest transacted quarter at \$212M traded since Q3 2018, recording a 33% YOY increase compared to Q4 2018 when \$160M were traded. The leading buyers of office properties in 2019 were private investors (61% compared to 77% in 2018), followed by REITs (24% compared to 2% in 2018). Private sellers accounted for 69% of activity (vs. 43% in 2018).⁴

Sources: ¹www.bls.gov ² bea.gov ³ GDP as of 2018. (f) by Moody's Analytics economy.com 11/2019 ⁴ RCA.

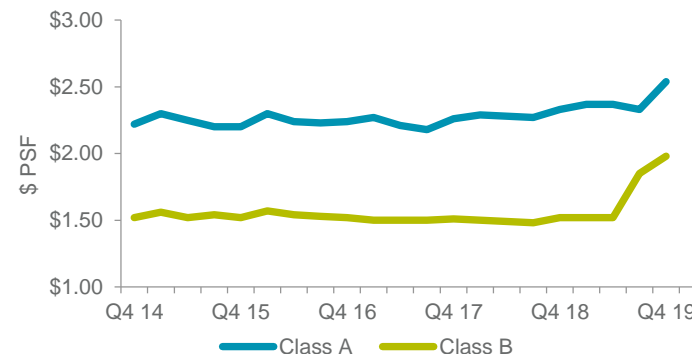
OUTLOOK

- Las Vegas will outperform the U.S. over the next several years. Job growth will decelerate across industries by mid-2020 but is expected to bounce back in 2021, a positive for a market relying on consumer spending. Longer term, unmatched tourism assets and strong population trends will ensure that Las Vegas remains an above-average performer.
- Active tenant requirements hold steady around 1.0 msf, another indicator of interest in the Las Vegas market. Tenant demand, combined with a wealth of deals completed in late 2019, will contribute to another positive year for the office market moving into 2020.

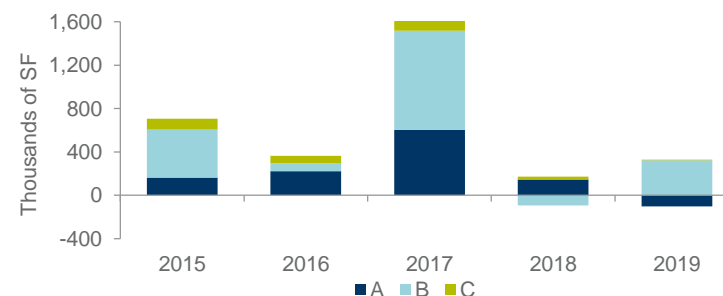
AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



AVERAGE ASKING RENT MONTHLY FULL SERVICE



OVERALL ABSORPTION BY CLASS





MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF)** | UNDER CONSTRUCTION (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---------------|-------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|-----------------------------|-------------------------|--|------------------------------------|
| Central East | 7,916,712 | 21,590 | 1,426,977 | 18.3% | -2,498 | 114,202 | 331,055 | 0 | \$1.81 | \$2.81 |
| Central North | 711,171 | 0 | 67,638 | 9.5% | 2,549 | -5,254 | 14,702 | 0 | \$1.27 | N/A |
| Downtown | 2,216,198 | 2,325 | 341,671 | 15.5% | -2,950 | 28,522 | 58,458 | 0 | \$2.26 | \$2.10 |
| North | 1,454,069 | 4,408 | 113,805 | 8.1% | -22,093 | 13,124 | 37,971 | 0 | \$1.54 | \$2.00 |
| Northwest | 9,219,170 | 47,350 | 1,048,958 | 11.9% | -40,998 | 4,732 | 306,437 | 0 | \$1.87 | \$2.53 |
| Southeast | 2,492,427 | 0 | 288,427 | 11.6% | -11,752 | 39,735 | 40,921 | 0 | \$1.89 | \$2.20 |
| South | 9,363,549 | 48,471 | 1,057,624 | 11.8% | 7,342 | -19,579 | 485,623 | 47,664 | \$1.93 | \$2.43 |
| Southwest | 7,667,564 | 56,167 | 913,336 | 12.6% | 63,743 | 94,937 | 371,359 | 139,246 | \$2.16 | \$2.52 |
| West | 6,670,579 | 17,831 | 890,108 | 13.6% | -53,337 | -42,954 | 197,219 | 0 | \$1.67 | \$2.56 |
| TOTALS | 47,711,439 | 198,142 | 6,148,544 | 13.3% | -59,994 | 227,465 | 1,843,745 | 186,910 | \$1.90 | \$2.54 |
| Class A | 9,379,520 | 67,796 | 1,542,604 | 17.2% | 32,887 | -102,613 | 542,422 | 47,482 | \$2.54 | |
| Class B | 18,085,209 | 82,507 | 2,318,015 | 13.3% | -52,291 | 321,957 | 1,034,868 | 139,428 | \$1.98 | |
| Class C | 20,246,710 | 47,839 | 2,287,925 | 11.5% | -40,590 | 8,121 | 266,455 | 0 | \$1.52 | |
| TOTALS | 47,711,439 | 198,142 | 6,148,544 | 13.3% | -59,994 | 227,465 | 1,843,745 | 186,910 | \$1.90 | \$2.54 |

*Rental rates reflect full service asking. ** Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q4 2019

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---------------------------------------|--------------|---|--------|---------------------|
| 3883 Howard Hughes Pkwy. | Central East | Ameriprise Financial | 38,039 | New |
| 8290 Arville St. | Southwest | FirstService Residential of Nevada, LLC | 29,973 | Renewal** |
| 3131 La Canada St. | Central East | Healthcare Partners | 22,140 | Expansion/Renewal** |
| 2495 Village View Dr. | South | Progressive Insurance | 18,395 | New |
| Narrative – Roy Horn Way & Tomsik St. | Southwest | Colliers International | 15,737 | New |

KEY SALES TRANSACTIONS Q4 2019

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|-----------------------------|-----------|--|---------|----------------------|
| 1505 S. Pavilion Center Dr. | West | Service Properties Trust / Red Rock Resorts, Inc. | 138,558 | \$57,000,000 / \$411 |
| 4750 W. Oakey Blvd. | West | Oakey Medical Properties LLC / PMAK Oakey LLC | 102,232 | \$30,500,000 / \$298 |
| 1505 Wigwam Ave. | South | Henderson Fee Estate Medical Properties LLC / PMAK Henderson LLC | 70,000 | \$27,200,000 / \$389 |
| 1551 Hillshire Dr. | Northwest | Moonwater Capital / Plante Properties, Inc. | 70,542 | \$18,300,000 / \$259 |
| 2200 Paseo Verde Pkwy. | South | KBS Realty Advisors / PREH Paseo Verde LLC | 60,499 | \$19,450,000 / \$321 |

MARKETBEAT

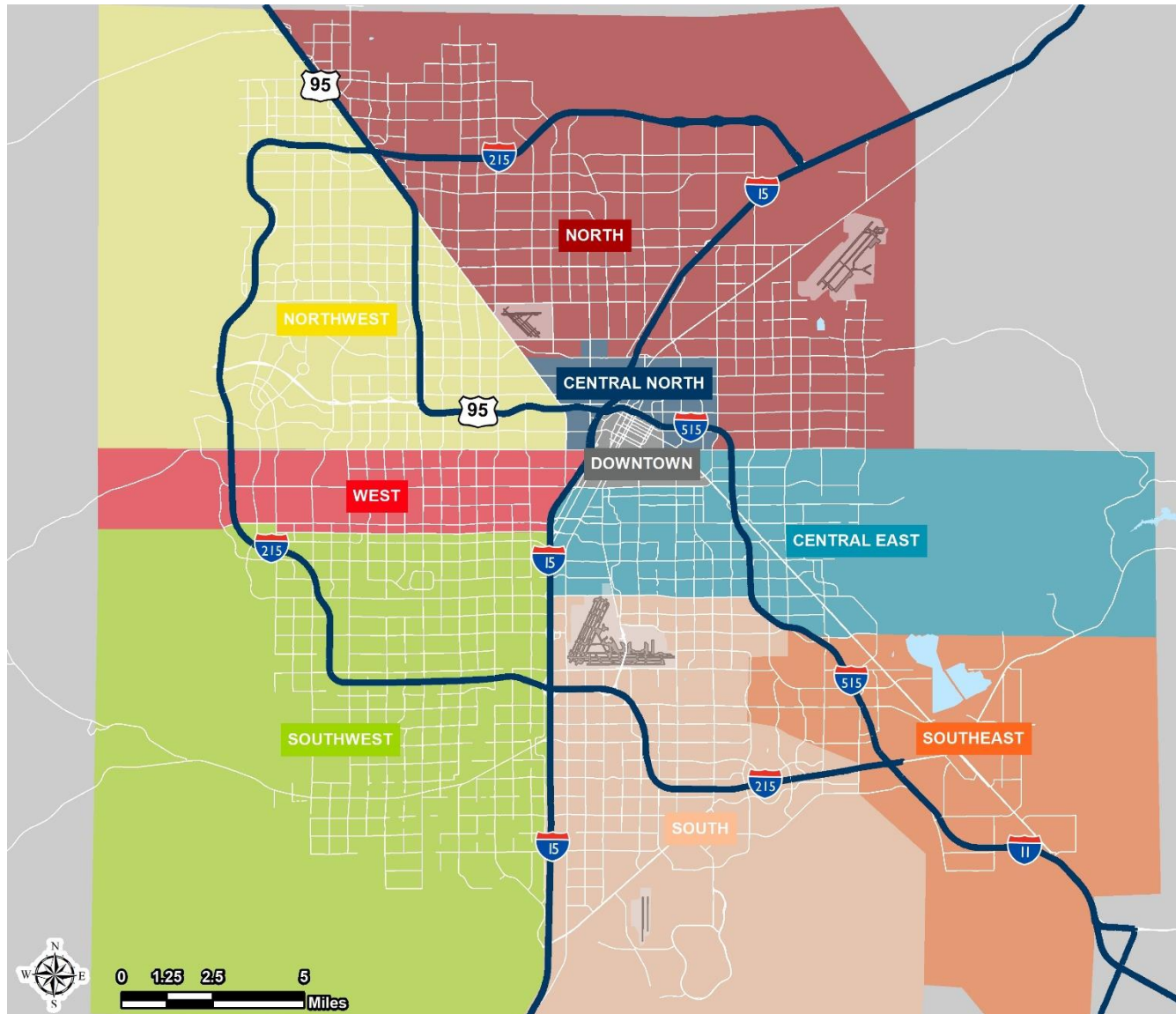
LAS VEGAS

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CUSHMAN &
WAKEFIELD

OFFICE SUBMARKETS



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