

MARKETBEAT LAS VEGAS



Office Q3 2020

	YoY Chg	12-Mo. Forecast
12.9% Vacancy Rate	▲	▲
-330K Net Absorption, SF	▼	▲
\$2.04 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
907.7K Las Vegas Employment	▼	▲
15.9% Las Vegas Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

The Las Vegas employment market has been significantly affected by COVID-19 stay-at-home orders, resulting in loss of 126,300 jobs or -12.2% year-over-year (YOY) through August 2020.¹ Of the 126,300 jobs lost, 72,600 (-24.7% YOY) or 58% of losses were in the leisure and hospitality sector. Professional and business services sector lost 21,400 jobs (-14.1% YOY) or 17% of total jobs lost. During the same time period, the monthly unemployment rate increased from 4.1% last year to 15.5% and is currently more than twice the 30-year monthly average of 6.4% yet 40 basis points (bps) below the Q3 2020 quarterly average of 15.9%. Annual unemployment rate is forecasted to be 15.6% by end of 2020 and 14.4% in 2021, elevated compared to 4.0% in 2019.

All employment sectors are expected to shrink at a combined growth rate of -10.4% in 2020 and then grow 2.4% in 2021. Las Vegas's economy of \$110.1 billion as measured by gross regional product is forecasted to shrink -9.4% in 2020 and grow 5.8% in 2021, above its 10-year average of 2.2%.²

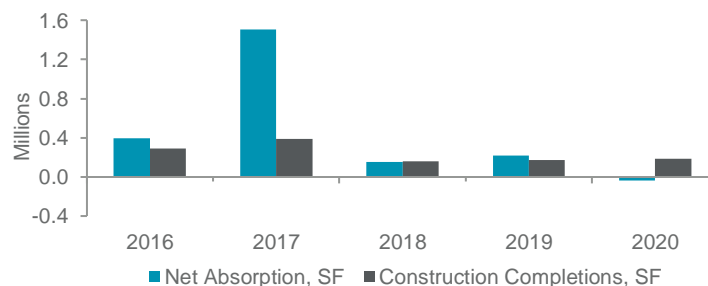
SUPPLY AND DEMAND

Office vacancy, including sublease, increased 10 bps from last quarter, and increased 150 bps from last year to 12.9% in Q3 2020. The current vacancy rate is 180 bps below the five-year quarterly average of 14.7%. Vacancy rates remain the lowest in the Central North (8.7%), North Las Vegas (8.8%) and Northwest (11.2%) submarkets. Tenants returned 329,900 square feet (sf) in Q3 2020 to Las Vegas market, reversing the occupancy gains recorded in Q2 2020 (+12,818 sf) and in Q1 2020 (+277,529 sf). Year-to-date (YTD), occupancy grew by 137,285 sf in Class A and 101,269 sf in Class B yet not enough to outpace the occupancy losses of 278,107 sf in Class C, bringing overall YTD losses across all classes to 39,553 sf.

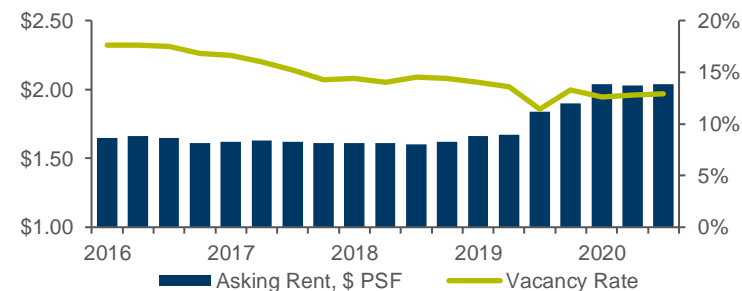
In Q3 2020, Employers Insurance took occupancy at 2340 Corporate Circle in Henderson, downsizing within Green Valley Corporate Center. This downsize/relocation contributed to 18,900 sf in negative absorption in the South submarket. While none of the submarkets gained tenants this quarter, the Southwest, West and Northwest submarkets experienced tenant gains YTD. Notable tenants to occupy space in these submarkets include LeafFilter Home Solutions, Verizon Wireless and Big Brothers Big Sisters Las Vegas.

Since demand for Class A inventory, representing only 20% of the total office inventory in Las Vegas, continues to be stable and new construction remains limited, vacancy is expected to remain steady in a short term and decrease, albeit moderately, as the market works its way through the pandemic. Consequently, Class A vacancy decreased 130 bps YOY to 16.0%, while Class B vacancy increased 180 bps to 12.8%, and Class C vacancy increased 170 bps to 11.6%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



LAS VEGAS

Office Q3 2020

Leasing activity was slower in Q3 2020 at 249,000 sf, including renewals, compared to Q2 2020 at 422,000 sf and 623,500 sf in Q1 2020. YTD leasing stands at 1.3 msf (72 leases) of which 948,000 sf are new leases and 347,000 sf are renewals. This should translate into occupancy gains over the next 12 months as tenants occupy occurs.

PRICING

The average asking rent for all classes combined of \$2.04 per square foot (psf) on a monthly full-service basis across all classes increased by just \$0.01 over the last three months (+0.5% QOQ) and by \$0.20 (+10.9% YOY) from where it stood a year ago. Class A average asking rents remain unchanged since last quarter at \$2.46 per month while Class B rent increased 1.0% to \$2.11. Changes were more notable YOY with Class A average rent increasing 5.6% and Class B 14.1%. The Downtown submarket still commands the highest average rental rate at \$2.45 per month (+8.4% YOY). Average rate in Central North, Southwest and Northwest submarkets experienced double digit increases YOY.

FUTURE INVENTORY

Of the eight properties currently under construction, totaling 392,590 sf, all are a speculative development, located in Southwest submarket and 24% pre-leased. The highly anticipated UnCommons project started construction this quarter, with Matter Real Estate announcing its first confirmed tenant to the office portion. CBRE will occupy a full floor in one of the office buildings (roughly 20,000 sf) once the project is completed in mid-2022. In addition, there are 28 projects, totaling 2.0 msf, in proposed inventory. Most of this future development or 75% will come in the Southwest and South submarkets as landlords continue to flock to the southern parts of the valley.

SALES ACTIVITY

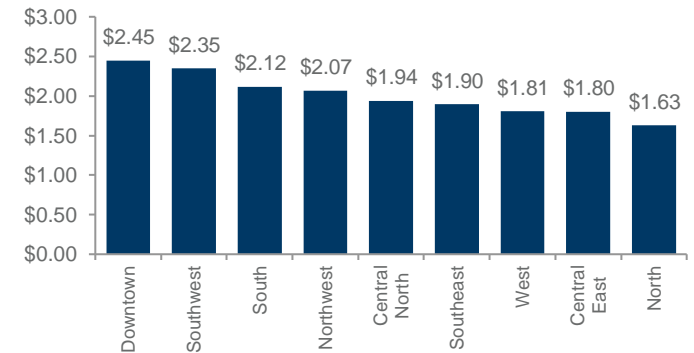
The Las Vegas office market recorded \$253 million in sales activity across 30 properties and 1.3 msf thus far in 2020, a 11% decrease in sales volume compared to the first nine months of 2019. Sales of \$59 million in Q3 2020 were down 47% compared to \$112 million in Q3 2019. Average price per sf was \$189 in the Q3 2020 compared to \$202 in Q3 2019. The leading buyers of office properties in 2020 YTD were private investors (72% vs. 61% in 2019), followed by user sales (20% vs. 10% in 2019) and institutional buyers (6% vs. 3% in 2019). Private sellers accounted for 57% of activity (vs. 69% in 2019).³

Sources: ¹www.bls.gov ²GDP as of 2019. (f) by Moody's Analytics economy.com 9/2020 ³RCA.

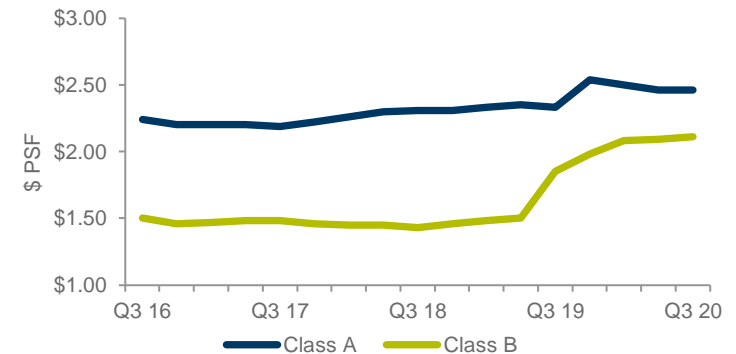
OUTLOOK

- Rising positivity rates for COVID-19 delayed reopening plans, resulting in a slower leasing activity through the summer. Tenants are reassessing their footprint based on work-from-home policies of their employees as well as both short and long-term needs of working through and after the pandemic. Active tenant requirement currently stand at 1.4 msf. Tenant demand waned due the coronavirus-related slowdown, with an estimated one third tenant requirements experiencing some sort of hold.
- Large blocks of sublease space, offering quality amenities, location and access, make Las Vegas an attractive option as companies seek to find creative solutions for office space. As occupiers attempt to find space outside of major cities, Las Vegas is poised to meet the demand for tenants.

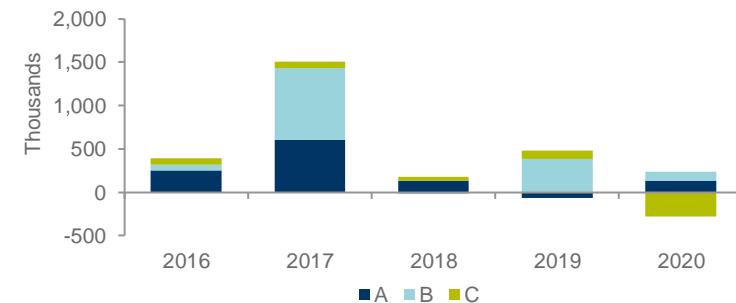
AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



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OVERALL ABSORPTION BY CLASS IN SF



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	7,428,856	10,756	1,321,750	17.9%	-89,400	-106,904	231,727	0	\$1.80	\$2.41
Central North	914,352	0	79,846	8.7%	-9,564	-8,376	8,685	0	\$1.94	\$2.75
Downtown	2,141,333	18,600	327,528	16.2%	-35,790	-27,802	88,378	0	\$2.45	\$2.69
North	1,454,069	0	128,148	8.8%	-11,872	-30,215	33,879	0	\$1.63	\$1.46
Northwest	9,282,925	44,049	994,606	11.2%	-5,377	23,176	172,955	0	\$2.07	\$2.41
Southeast	2,403,163	0	324,984	13.5%	-3,425	-42,479	32,768	0	\$1.90	\$2.29
South	9,353,463	51,430	1,115,935	12.5%	-151,214	-33,454	373,100	0	\$2.12	\$2.49
Southwest	7,600,473	80,930	853,306	12.3%	-17,393	135,874	205,532	392,590	\$2.35	\$2.65
West	7,036,562	14,155	791,934	11.5%	-5,865	50,627	146,912	0	\$1.81	\$2.60
TOTALS	47,615,196	219,920	5,938,037	12.9%	-329,900	-39,553	1,293,936	392,590	\$2.04	\$2.46
Class A	9,396,703	127,336	1,380,317	16.0%	-10,071	137,285	285,379	335,590	\$2.46	
Class B	18,527,485	67,494	2,300,182	12.8%	-180,170	101,269	656,388	57,000	\$2.11	
Class C	19,691,008	25,090	2,257,538	11.6%	-139,659	-278,107	352,169	0	\$1.69	
TOTALS	47,615,196	219,920	5,938,037	12.9%	-329,900	-39,553	1,293,936	392,590	\$2.04	\$2.46

*Rental rates reflect full service asking. **Renewals included in leasing statistics.

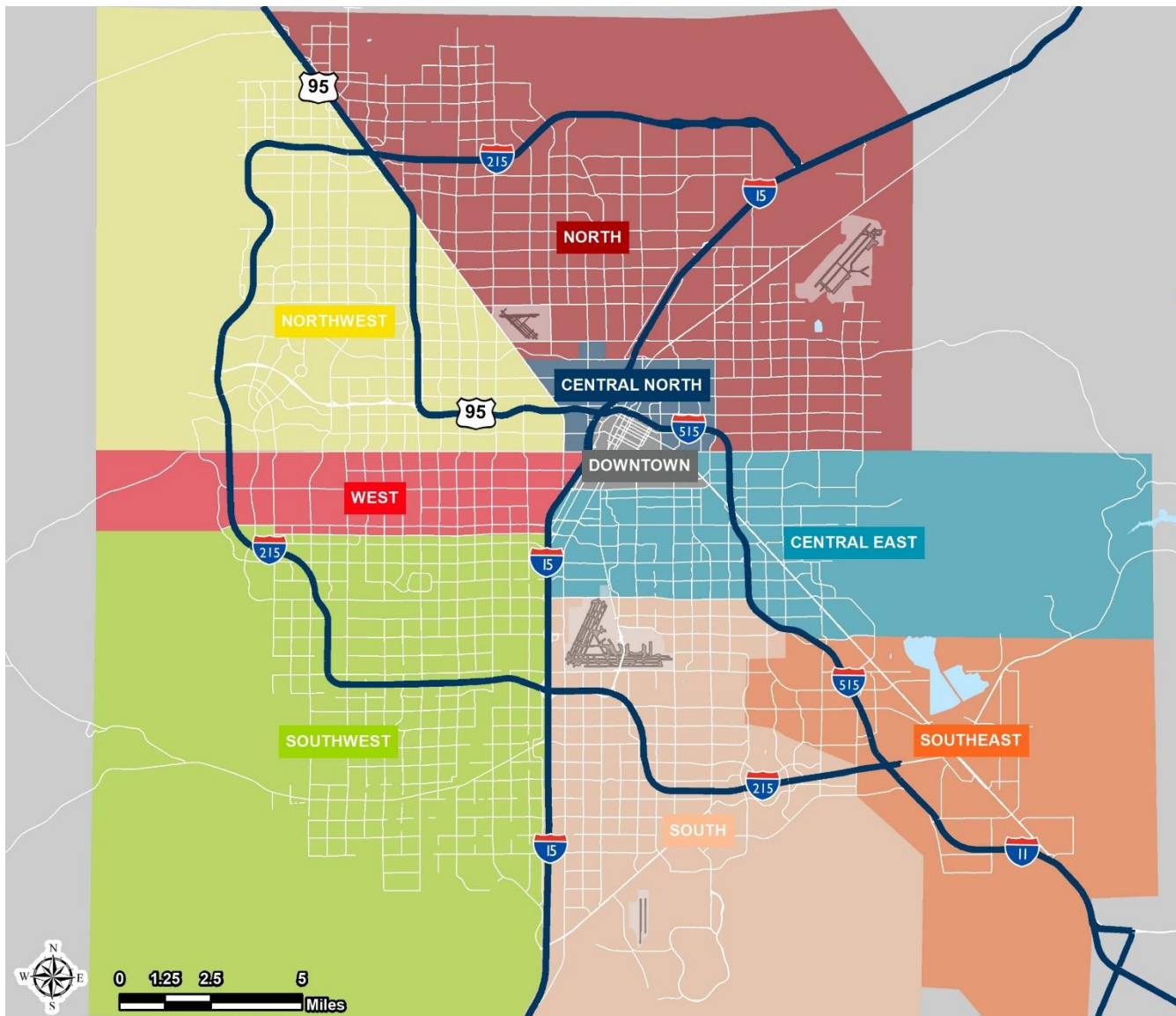
KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3575 W. Cheyenne Ave.	North Las Vegas	Serenity Funeral Homes	12,158	New
375 E. Warm Springs Rd.	South	State of NV Division of Environmental Protection	10,700	New
7905 - 7997 W. Sahara Ave.	West	Unify Financial Federal Credit Union	9,775	Renewal**
2090 E. Flamingo Rd.	Central East	Nevada Eye Care Professionals Little & Stein, Ltd.	9,616	Renewal**
7610 W. Cheyenne Ave.	Northwest	SMI Imaging LLC	7,468	Renewal**

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6226 W. Sahara Ave.	West	Lexington Realty Trust / Moonwater Capital	282,000	\$33.4M / \$118
5030 Paradise Rd.	South	Ann S. Meyers / Dapper Development	64,072	\$5.0M / \$78
2965 S. Jones Blvd.	West	2965 S. Jones Blvd Trust / 2965 Holdings LLC	33,678	\$3.6M / \$106
2600 Paseo Verde Pkwy.	South	Gammett & King / Rick L. Wood	24,832	\$7.1M / \$286
700 E. Silverado Ranch Blvd.	South	Silverado Management LLC / Yousong & Xiaoyi Wang	24,251	\$6.9M / \$285

OFFICE SUBMARKETS



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