

	YoY Chg	12-Mo. Forecast
13.5% Vacancy Rate	▲	▲
-253K Net Absorption, SF	▼	▲
\$2.04 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
933.0K Las Vegas Employment	▼	▲
12.8% Las Vegas Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

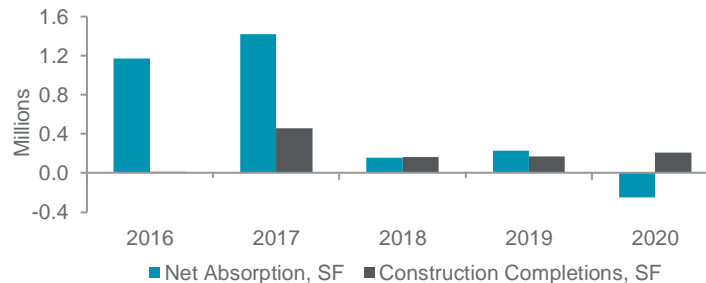
The Las Vegas employment market has been significantly impacted by COVID-19 stay-at-home orders, resulting in loss of 106,500 jobs or -10.1% year-over-year (YOY) through November 2020. Of the 106,500 jobs lost, 62,400 (-21.4% YOY) or 58.6% of losses were in the leisure and hospitality sector. Professional and business services sector lost 21,200 jobs (-13.8% YOY) or 19.9% of total jobs lost. During the same time, the monthly unemployment rate increased from 3.6% last year to 11.5% and is currently 130 basis points (bps) below the Q4 2020 quarterly average of 12.8%.¹ On the bright side, monthly job gains have been positive for the last seven consecutive months. All employment sectors are expected to grow at a combined rate of 1.6% in 2021 and 5.0% in 2022. Las Vegas's economy of \$102.1 billion as measured by gross regional product is forecasted to grow 5.3% in 2021 and 10.6% in 2022, above its 10-year average of 1.4%.²

SUPPLY AND DEMAND

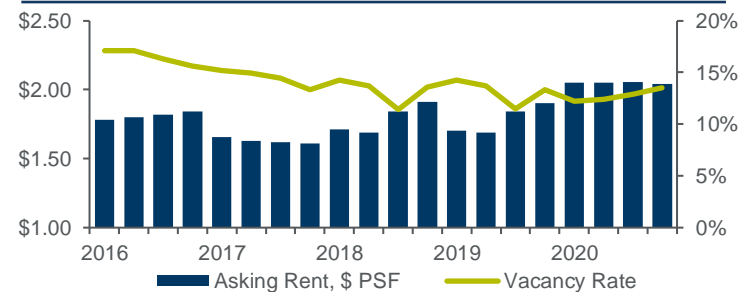
Vacancy, including sublease, increased 60 bps from last quarter and 20 bps from last year to 13.5% in Q4 2020. The current vacancy rate is 50 bps below the five-year quarterly average of 14.0%. Vacancy rates remain the lowest in the Central North (9.9%) and North Las Vegas (10.1%) submarkets. Although occupancy increased in Class A and Class B space by 69,000 square feet (sf) combined yet not enough to outpace losses recorded in Class C (-320,358 sf), which brought annual 2020 occupancy losses to 249,300 sf. The NYU Grossman School of Medicine accounted for the largest occupancy gains of 37,243 sf in the Central East submarket this quarter. NYU occupied the 8th and 9th floors of the Hughes Center property at 3960 Howard Hughes Pkwy. Westwood Professional moved into 36,300 sf at Beltway Business Park in the Southwest submarket. Consequently, both Central East and Southwest submarkets recorded positive absorption in Q4 2020. In 2020, Southwest (+158,500 sf) and West (+81,500 sf) submarkets were the two lone bright spots for occupancy gains. Additionally, sublease activity has increased since this time last year, as tenants across the market re-evaluate space requirements. As of Q4 2020, sublease vacancy stands at 0.5% (245,000 sf) compared to 0.4% (198,100 sf) a year ago. As large companies seek to decentralize from major metros, Las Vegas is uniquely positioned to fill the void for office space with a combination of projects in the construction pipeline and available sublease space with attractive pricing.

Leasing activity remained slow in Q4 2020, lacking large new deals, at 286,000 sf (46 deals), including renewals, compared to 301,500 (76 deals) in Q3 2020. Tenants leased 1.6 million square feet (msf) in 2020 combined across 306 deals of which 1.1 msf (217 deals) were new leases and 463,000 (89 deals) were renewals. Large deals remain shelved, as executives reset their real estate strategy. Three submarkets combined accounted for 1.0 msf or 64% of space leased in 2020: South (30%), Central East (18%) and Southwest (16%). Class B leasing (125 deals) accounted for the majority or 832,300 sf (52%) leased in 2020, followed by Class C (115 deals) at 458,300 sf (28%) and Class A (66 deals) at 319,900 sf (20%).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



LAS VEGAS

Office Q4 2020



In 2020, 13 projects were delivered, totaling 209,000 sf. The majority (77%) of new inventory (11 projects) was added to Southwest (161,300 sf), followed by South (47,700 sf) submarket.

PRICING

The average asking rent for all classes combined of \$2.04 per square foot (psf) on a monthly full-service basis decreased by \$0.02 over the last three months (-0.7% quarter-over-quarter (QOQ)) yet increased by \$0.14 (+7.2% YOY) from a year ago. Class A average asking rents fell slightly to \$2.49 per month, down 0.3% QOQ and 2.2% YOY. Additionally, Class B rents decreased 0.5% QOQ yet grew a remarkable 6.1% YOY to \$2.10. The Downtown submarket still commands the highest average rental rate at \$2.42 per month (+7.1% YOY), followed by the Southwest submarket (\$2.35) which grew 8.8% YOY. The average rental rate in Central North, Northwest and West submarkets experienced double digit increases YOY in 2020.

FUTURE INVENTORY

The Las Vegas office market currently has 11 properties under construction, totaling 420,042 sf. All are speculative developments located in Southwest submarket. These projects are 15% pre-leased as of Q4 2020. Several highly anticipated office projects remain in the pipeline, including UnCommons, Narrative and Axiom. These three projects combined will add 335,600 sf of Class A office space to the Las Vegas market. Between these upcoming projects and the wealth of attractive sublease space on the market, occupiers will have a plethora of choices when it comes to high-end office space in Las Vegas. Additionally, there are 26 proposed projects, totaling 1.8 msf, across all classes. Tenants and landlords continue to seek space in the South and Southwest, with 75% of the proposed inventory expected in these submarkets.

SALES ACTIVITY

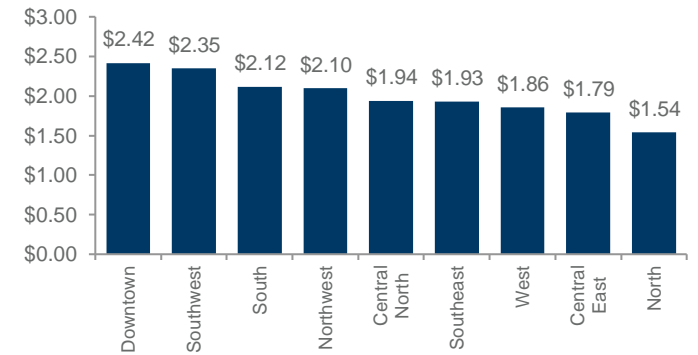
The Las Vegas office market recorded nearly \$353 million in sales activity across 39 properties and 1.8 msf in 2020, a 31% decrease in sales volume compared to 2019. This quarter's sales of \$87 million were up 20% QOQ yet down 63% YOY. Average price per sf held steady at \$196 in 2020 compared to \$198 in 2019. Average cap rate was 7.0% compared to 7.1% in 2019. The leading buyers of office properties in 2020 were private investors (79% vs. 61% in 2019), followed by user sales (15% vs. 10% in 2019) and institutional buyers (4% vs. 3% in 2019). Private sellers accounted for 70% of activity (mirroring the 69% in 2019), followed by institutional sellers (18% vs. 12% in 2019).³

Sources: ¹www.bls.gov ²GDP as of 2020. (f) by Moody's Analytics economy.com 12/2020 ³RCA.

OUTLOOK

- Active tenant requirements currently remain at 1.4 msf. Tenant demand waned due the COVID-19-related slowdown, with an estimated one third tenant requirements experiencing some sort of hold. However, one year into the pandemic, occupiers better understand their needs and should seek to take advantage of the plethora of space available across Las Vegas.
- Positive Class A and Class B absorption in 2020 indicates sustained optimism in the Las Vegas office market. Las Vegas remains an attractive option for companies seeking space outside of major metros, thanks to the pro-business climate, affordability of office space, favorable tax structure and proximity to major Western markets.

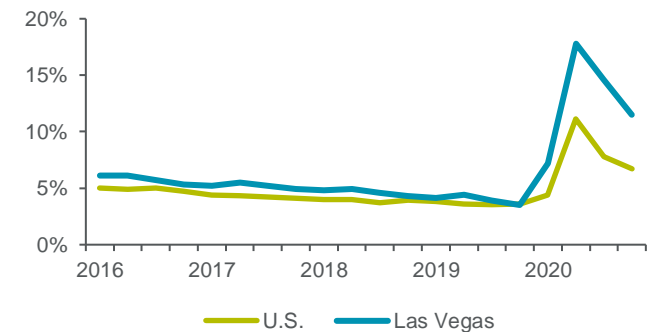
AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



UNEMPLOYMENT RATE IN COMPARISON



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	6,989,570	10,471	1,362,453	19.6%	12,132	-135,868	175,428	0	\$1.79	\$2.43
Central North	914,352	0	90,050	9.9%	-10,204	-18,580	0	0	\$1.94	\$2.75
Downtown	2,142,381	18,600	325,783	16.1%	-14,833	-39,891	57,626	0	\$2.42	\$2.69
North Las Vegas	1,474,989	0	149,307	10.1%	-22,162	-51,374	31,374	0	\$1.54	\$1.46
Northwest	9,282,895	86,919	1,100,593	12.8%	-144,760	-125,681	148,990	0	\$2.10	\$2.42
Southeast	2,418,057	0	297,170	12.3%	-6,796	-14,665	41,462	0	\$1.93	\$2.52
South	9,365,292	41,448	1,195,642	13.2%	-46,547	-103,179	358,281	0	\$2.12	\$2.49
Southwest	7,872,656	79,807	853,849	11.9%	26,665	158,454	230,275	420,042	\$2.35	\$2.67
West	7,016,013	7,888	767,369	11.1%	-46,293	81,459	104,422	0	\$1.86	\$2.76
TOTALS	47,476,205	245,133	6,142,216	13.5%	-252,798	-249,325	1,147,858	420,042	\$2.04	\$2.49
Class A	9,618,970	146,363	1,438,640	16.5%	-60,927	45,995	201,906	335,590	\$2.49	
Class B	18,202,699	73,965	2,391,942	13.6%	-77,610	25,038	597,775	84,452	\$2.10	
Class C	19,654,536	24,805	2,311,634	11.9%	-114,261	-320,358	348,177	0	\$1.68	
TOTALS	47,476,205	245,133	6,142,216	13.5%	-252,798	-249,325	1,147,858	420,042	\$2.04	\$2.49

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7690 W. Cheyenne Ave.	Northwest	Sykes Enterprises	37,820	Renewal**
2550 Paseo Verde Pkwy.	South	Village Capital	27,300	New
1050 E. Flamingo Rd.	Central East	VRI Research	12,562	New
7900 W. Sahara Ave.	West	John H. Cotton & Associates, LTD	11,716	Renewal**
2252 E. Pama Ln.	South	Pigeonly LLC	11,138	New

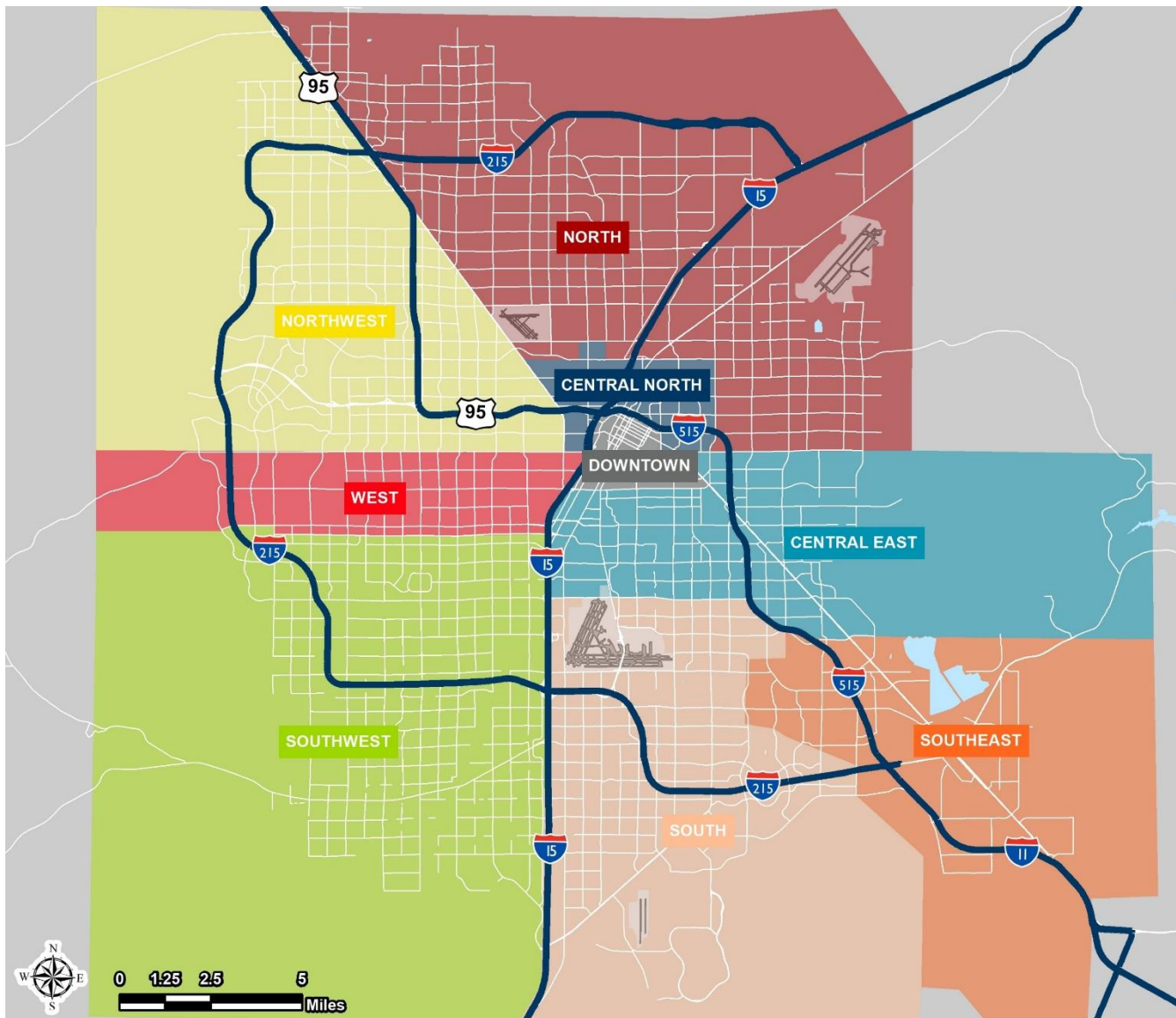
KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
400 E. Stewart Ave.	Downtown	Resort Gaming Group / DTP Companies	295,753	\$65.0M / \$220
375 E. Warm Springs Rd.	South	Warm Springs Owner LLC / ESN Properties 20-01 LLC	68,353	\$13.1M / \$192
7373 - 7375 Peak Dr.	Northwest	David A. Shapiro / 7373 Peak LLC	31,849	\$2.5M / \$79
2280 - 2320 McDaniel St.	North Las Vegas	Veloce Property LLC / McDaniel LLC	21,184	\$1.3M / \$59
1050 Indigo Dr.	Northwest	Blind Ambition LLC / Street Acquisitions LLC	20,774	\$4.6M / \$221

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
6175 W. Sunset Rd.	Southwest	Golden Gaming	23,650	SunsetJones LLC
5815 S. Rainbow Blvd.	Southwest	Fresenius Kidney	22,000	Capital West Development

OFFICE SUBMARKETS



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