

# MARKETBEAT LAS VEGAS



Office Q2 2021

	YoY Chg	12-Mo. Forecast
<b>14.1%</b> Vacancy Rate	▲	▲
<b>-608K</b> Net Absorption, SF	▼	▲
<b>\$2.06</b> Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
<b>931.4K</b> Las Vegas Employment	▲	▲
<b>9.1%</b> Las Vegas Unemployment Rate	▼	▼
<b>5.9%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

## ECONOMIC OVERVIEW

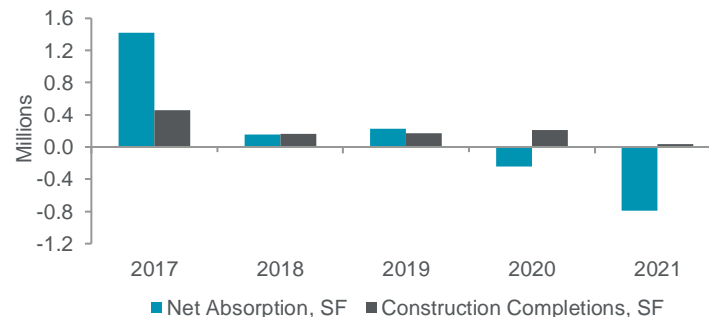
The Las Vegas employment market has recovered more than half (60%) of the 274,800 jobs lost during the beginning of the pandemic between March and May of 2020. Nonfarm employment grew by 165,800 or +21.4% year-over-year (YOY) between May 2020 through May 2021, with the leisure and hospitality sector accounting for 89,400 jobs added. During the same time, the monthly unemployment rate decreased from 28.1% last year to 8.9% and is currently 210 basis points (bps) above than the 30-year monthly average of 6.8% and 20 bps lower than the Q2 2021 quarterly average of 9.1%.<sup>1</sup> All employment sectors are expected to grow at a combined rate of 3.9% in 2021 and 7.2% in 2022. Office-using employment is forecasted to grow 2.8% in 2021 and 5.0% in 2022, positively affecting demand for office space. Las Vegas's economy of \$103.6 billion as measured by 2020 gross regional product is forecasted to grow 9.7% in 2021 and 10.3% in 2022, above its 10-year average of 1.5%.<sup>2</sup>

## SUPPLY AND DEMAND

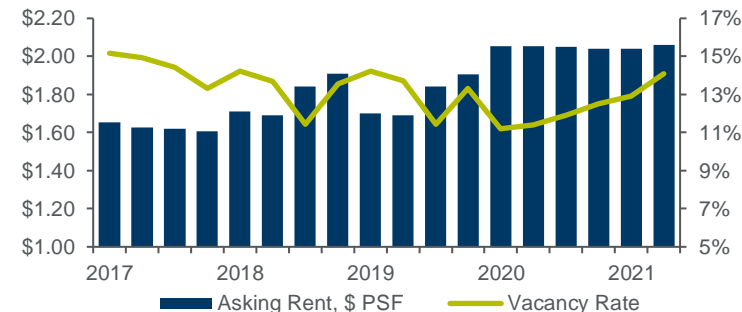
Vacancy, including sublease, increased 120 bps quarter-over-quarter (QOQ) and 270 bps YOY to 14.1% in Q2 2021. The current vacancy rate is 60 bps above the five-year quarterly average of 13.5%. Vacancy rates are the lowest in the North Las Vegas (9.5%) and Central North (11.0%) submarkets and the highest in Central East (20.1%) and Downtown (17.7%) submarkets. Southern Nevada's office market entered negative occupancy gains territory in Q3 2020 and unfortunately has remained there since then. Tenants returned space across all submarkets and all classes during the quarter, with the most space returned to Southwest, Northwest and Central East submarkets or 466,351 sf combined. Year-to-date, tenants have returned 786,791 sf across the market. Sublease activity continues to increase since this time last year, as tenants across the market re-evaluate space requirements. As of Q2 2021, sublease vacancy stands at 1.0% (457,848 sf) compared to 0.3% (119,125 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 trended upward in Q2 2021 at 530,740 sf across 43 deals, excluding renewals, compared to 173,972 sf (36 deals) in Q1 2021 and 277,449 sf (52 deals) in Q2 2020. Central North (53%), Central West (23%) and Downtown (15%) accounted for 91% or 485,003 sf of new deals signed in Q2 2021. This activity will boost future absorption as tenants occupy their space later in 2021. Large deals remain shelved, as executives reset their real estate strategy. During the first six months of the year, tenants leased the most space in Southwest (44%), Northwest (28%) and South (15%) submarkets or 88% (621,756 sf) of 704,712 sf leased as of mid-year 2021.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY / ASKING RENT



# LAS VEGAS

Office Q2 2021



## PRICING

The average asking rent for all classes combined of \$2.06 per square foot (psf) on a monthly full-service basis increased slightly by \$0.02 (+1.0%) from last quarter and by \$0.01 (+0.4%) a year ago. Class A average monthly asking rent increased \$0.18 (+7.3%) QOQ and increased \$0.20 (+8.2%) YOY to \$2.68 in Q2 2021. However, average Class B rent remained unchanged at \$2.12 compared to last quarter and increased \$0.03 (+1.4%) YOY. The Downtown submarket still commands the highest average rental rate at \$2.39 per month despite a -3.3% YOY decrease, followed by the Southwest submarket at \$2.29 (-3.0% YOY). The average rental rate of \$1.95 in the West submarket recorded the highest YOY gains of 7.8%, followed by Northwest (+6.7% YOY).

AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



## FUTURE INVENTORY

The Las Vegas office market currently has five properties under construction, totaling 329,825 sf, with 174,400 sf planned to be completed in 2021 and 155,425 sf in 2022. All are speculative developments, located in Southwest submarket, with an overall pre-leasing of 55% as of Q2 2021. Among projects in the pipeline are highly anticipated UnCommons and Axiom developments. These two projects combined will add 315,425 sf of Class A office space to the Southern Nevada's office 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 24 proposed projects, totaling 2.0 msf, across all classes. Tenants and landlords continue to seek space in the South and Southwest submarkets, with 65% of the proposed inventory expected in these submarkets.

AVERAGE ASKING RENT MONTHLY \$PSF FULL SERVICE



## SALES ACTIVITY

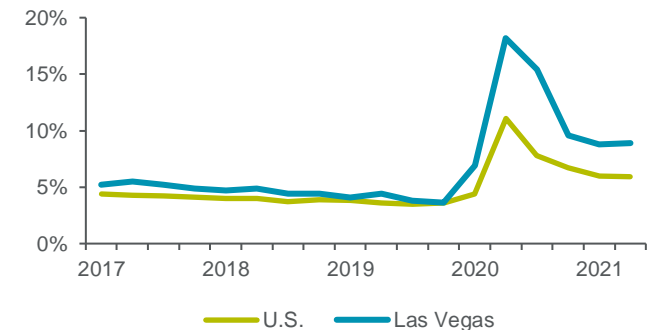
The Las Vegas office market recorded \$159 million in sales activity across 14 properties and 635,815 sf in Q2 2021 compared to \$83 million across 12 properties in Q1 2021 and \$72 million across 8 properties in Q2 2020. Average price psf was \$211 in Q2 2021 compared to an average of \$196 in Q2 2020 (+7.6% YOY). Average cap rate was 5.8% in Q2 2021 compared to 7.0% in Q2 2020. The leading buyers of office properties in 2021 so far have been private investors (66% vs. 80% in 2020). The leading sellers in 2021 also have been private investors (66% vs. 71% in 2020), followed by institutional (32% vs. 17% in 2020).<sup>3</sup>

Sources: [www.bls.gov](http://www.bls.gov) <sup>2</sup> GDP as of 2020. (f) by Moody's Analytics economy.com 6/2021 <sup>3</sup> RCA.

## OUTLOOK

- Active tenant requirements currently are at 2.8 msf. Tenant demand waned due the COVID-19-related slowdown, with an estimated one third of tenant requirements experiencing some sort of hold. However, as we are coming out of the pandemic, occupiers better understand their needs and should seek to take advantage of the plethora of space available across Las Vegas. While not all current tenants in the market will transact in the short term, these levels provide a barometer to leasing activity in quarters to follow.
- Despite a temporary negative absorption due to pandemic across the market over the last four quarters, 2021 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.

UNEMPLOYMENT RATE IN COMPARISON





## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
Las Vegas CBD	2,137,950	20,000	358,122	17.7%	-32,890	-42,170	2,137	0	0	\$2.40	\$2.67
Las Vegas Non-CBD	38,401,904	428,004	5,164,314	14.6%	-556,732	-697,468	686,328	35,000	329,825	\$2.05	\$2.69
Las Vegas Medical	7,040,057	9,844	741,798	10.7%	-18,872	-47,153	16,247	0	0	\$1.92	\$2.28
Class A	6,532,489	77,241	1,108,690	18.2%	-120,584	-118,194	154,018	0	315,425	\$2.68	
Class B	21,658,265	355,644	2,775,790	14.5%	-319,903	-339,680	445,206	35,000	14,400	\$2.12	
Class C	19,389,157	24,963	2,379,754	12.4%	-168,007	-328,917	105,488	0	0	\$1.68	
<b>LAS VEGAS TOTALS</b>	<b>47,579,911</b>	<b>457,848</b>	<b>6,264,234</b>	<b>14.1%</b>	<b>-608,494</b>	<b>-786,791</b>	<b>704,712</b>	<b>35,000</b>	<b>329,825</b>	<b>\$2.06</b>	

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

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6355 S. Buffalo Dr.	Southwest	Intermountain Healthcare	120,586	Sublease
550 S. Main St.	Downtown	GSA	34,645	Renewal
1180 N. Town Center Dr.	Northwest	Swickard Shared Services, LLC	22,695	Sublease
2550 Paseo Verde Pkwy.	South	Village Capital & Investment LLC	17,623	Expansion
8400 W. Sunset Rd.	Southwest	Nevada State Contractors Board	13,067	New

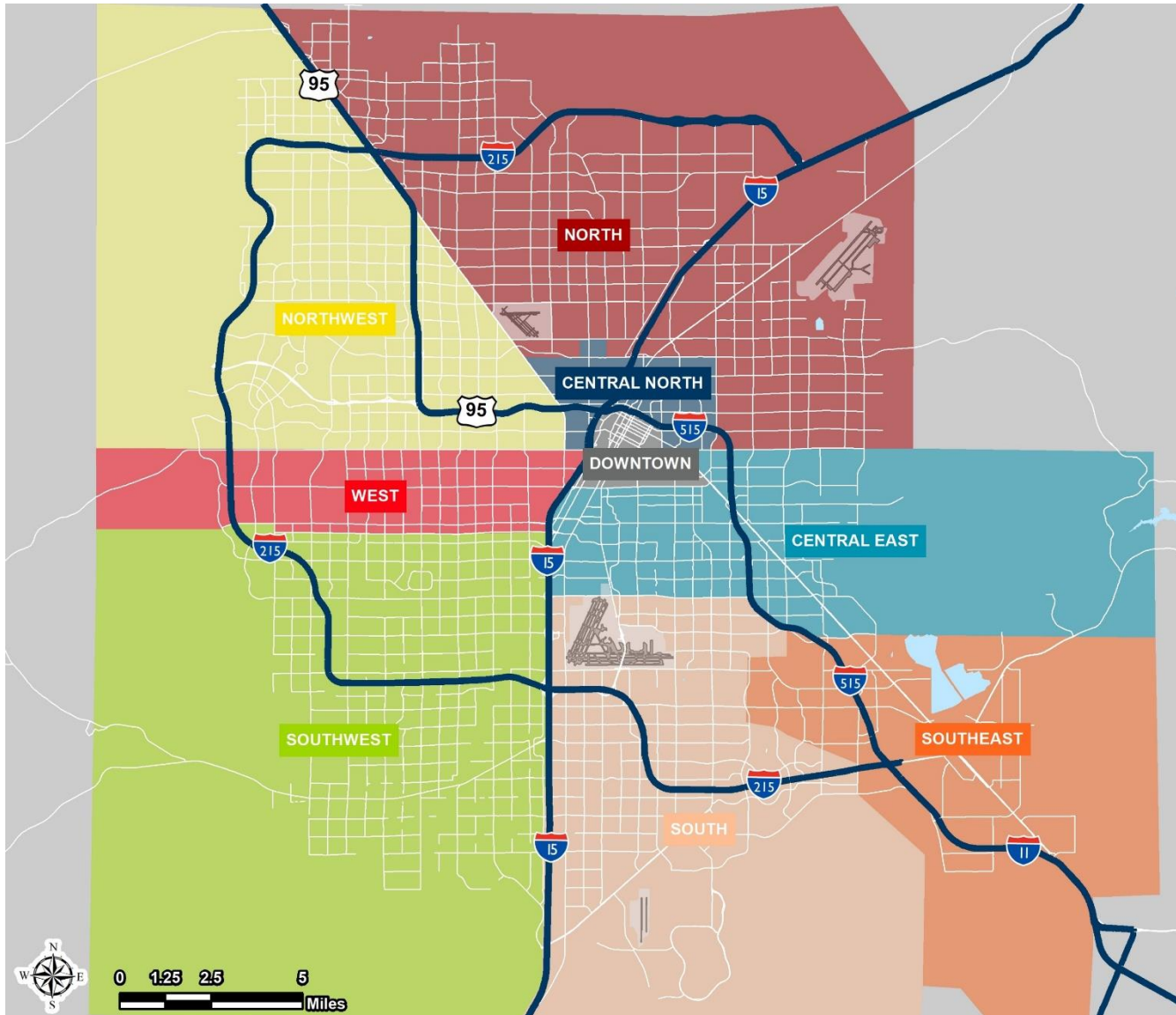
## KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6605 Grand Montecito Pkwy.	Northwest	Moonwater Capital Management/ Apex Financial Advisors	177,341	\$48.6M / \$274
3755 Breakthrough Way	Southwest	Dornin Investment Group/ Roseman University of Health Science	98,652	\$29.0M / \$294
6595 S. Jones Blvd.	Southwest	Sunsetjones LLC/ B & C Properties Inc.	46,041	\$18.5M / \$401
2700 Fire Mesa Dr.	Northwest	Thomas & Mack Co./ Universal Health Services, Inc.	44,424	\$12.9M / \$290
1501-1541 S. Commerce Ave.	Downtown	New View Real Estate/ Sticky 7 LLC	15,987	\$1.4M / \$86

## KEY PROJECTS UNDER CONSTRUCTION 2021

PROPERTY	SUBMARKET	TENANT	SF	OWNER
UnCommons Office Phase 1 – Bldg. 1 & Bldg. 2	Southwest	N/A	155,000	Matter Real Estate Group
Axiom – Phase I	Southwest	N/A	80,000	New Rainbow LLC

OFFICE SUBMARKETS



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