

# MARKETBEAT LAS VEGAS

Office Q2 2022



CUSHMAN &  
WAKEFIELD

**12.5%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**199K**

Net Absorption, SF



**\$25.54**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2022

**1M**

Las Vegas  
Employment

YoY  
Chg



12-Mo.  
Forecast



**5.5%**

Las Vegas  
Unemployment Rate



**3.6%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

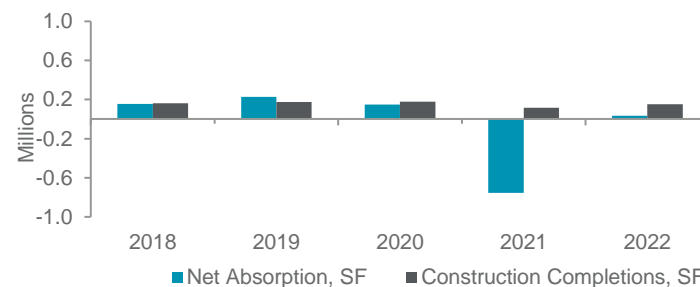
Nonfarm employment grew by 83,300 jobs or +8.6% year-over-year (YOY) from May 2021 through May 2022, with the service producing sector accounting for 83,760 jobs added (+9.7% YOY), while leisure & hospitality added 35,860 jobs (+15.4%) YOY. During the same time, the monthly unemployment rate decreased from 9.0% last year to 5.5% and is currently 190 basis points (bps) higher than the U.S. unemployment rate of 3.6%. All employment sectors are expected to grow at a combined rate of 9.1% in 2022, notably the construction sector is forecasted to grow 8.8% and manufacturing sector 6.0%. Las Vegas's economy of \$106.4 billion as measured by 2021 gross regional product is forecasted to grow 4.2% in 2022 and 6.2% in 2023, above its 10-year average of 18%.<sup>2</sup>

## SUPPLY AND DEMAND

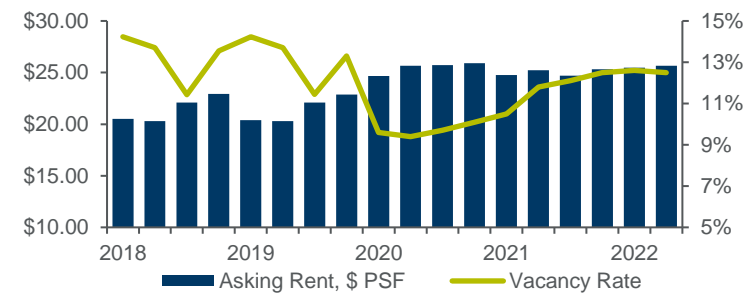
Vacancy, including sublease space, decreased 10 bps over last quarter but, increased 70 bps over last year to 12.5% in Q2 2022. The current vacancy rate is 50 bps above the five-year quarterly average of 12.0%. Vacancy rates are the lowest in the Central North (1.1%) and North Las Vegas (3.3%) submarkets and the highest in the Central East (20.2%) and Downtown (15.0%) submarkets. Absorption totals by submarket were positive this quarter across four submarkets including the Southwest (185,076 square feet (sf)), Downtown (27,482 sf), Central East (18,219 sf), and West (1,503 sf) submarkets. The high absorption for Q2 2022 can be largely attributed to the delivery of Uncommons Phase I. Buildings one and two are home to tenants such as Draft Kings, Morgan Stanley, CBRE, and BDO. Sublease activity begins to decrease compared to this time last year, as tenants across the market re-evaluate space requirements. As of Q2 2022, sublease vacancy stands at 0.8% or 319,867 sf compared to 0.8% (306,227 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.

Tenants leased 333,490 sf of new space in Q2 2022 combined across 54 deals. Leasing activity decreased from Q1 2022 at 358,685 sf (79 transactions), excluding renewals, and leasing activity in Q2 2021 at 602,507 sf (76 transactions). This activity will boost future absorption as tenants occupy their space over the next 12 months. In Q1 2022, the majority of space leased was (105,718 sf or 32%) in the South submarket, followed by the Central East (25%) and the West (16%) submarket. Class A leasing accounted for the highest share of new leasing (166,293 sf or 50%), followed by Class B (137,070 sf or 41%) and Class C (30,127 sf or 9%) on annual basis.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY / ASKING RENT





## PRICING

The average asking rent for all classes combined increased \$0.23 or 90 bps over the last quarter but, decreased \$0.02 or 10 bps from a year ago to \$25.54 per square foot (psf) on an annual full-service basis. Class A average annual asking rents increased 0.3% YOY to \$32.81 psf, while Class B increased by 1.1% YOY to \$25.52 psf. The Southwest submarket continues to demand the highest rental rate at \$28.60 per year for all building classes thanks to a 4.1% increase YOY, followed by the Downtown submarket with \$28.19 psf despite the average rent falling 1.7% YOY. As of a year ago the Downtown submarket demanded the highest average asking rate at \$28.68 psf/yr but, that has now shifted in favor of the Southwest submarket. Notably, the two largest landlords in the Downtown submarket recently reduced their rates by \$3.60 psf/year.

## FUTURE INVENTORY

The Las Vegas office market currently has six properties under construction, totaling 636,219 sf. All are speculative developments located in the Southwest (54%), West (42%) and South (4%) submarkets. These projects are 26% pre-leased as of Q2 2022. Several highly anticipated office projects remain in the pipeline, including UnCommons Phase II, Narrative, and Evora. These three projects combined will add 345,000 sf of Class A office space to Southern Nevada's office market, specifically all in the Southwest submarket. Additionally, there are 20 proposed projects, totaling 1.3 million square feet (msf), across all classes. Tenants and landlords continue to seek space in the South and Southwest submarkets, with 53% of the proposed inventory expected in these submarkets.

## SALES ACTIVITY

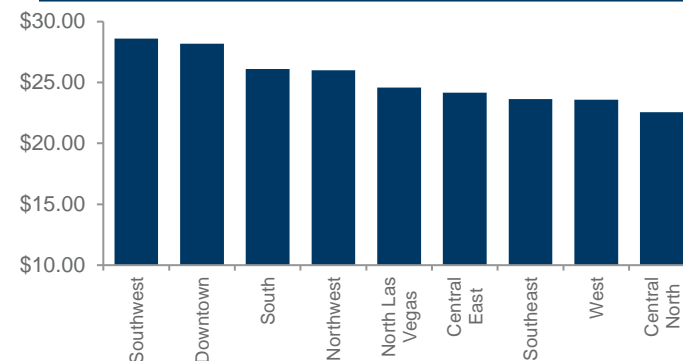
The Las Vegas office market recorded \$39.7 million in sales activity across 6 properties and 117,000 sf in Q2 2022 compared to \$276 million across 21 properties in Q1 2022 and \$200 million across 21 properties in Q2 2021. Sales through the first half of 2022 reached \$316 million, a 10% increase compared to \$284 million traded through the first half of 2021. The average price psf increased to \$266 in Q2 2022 from \$252 in Q1 2022. The average cap rate was 6.3% in Q2 2022 compared to 7.0% in Q1 2022. The leading buyers of office properties in 2022 were private investors (100% vs. 69% in 2021). Private sellers accounted for 50% of activity so far in 2022 (vs. 75% in 2021), followed by cross-border sellers at 45% (vs. 0% in 2021).<sup>3</sup>

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup> GDP as of 2021. (f) by Moody's Analytics economy.com 12/2021 <sup>3</sup> RCA.

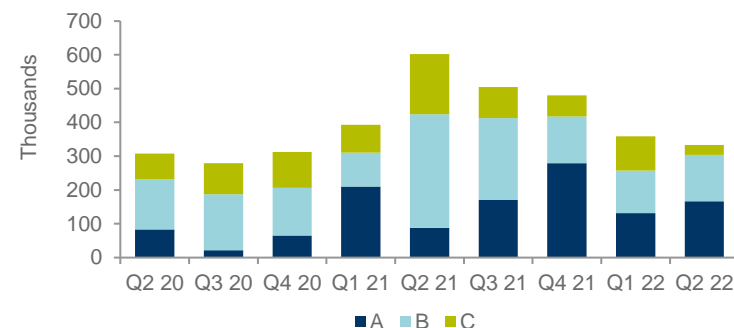
## OUTLOOK

- Active tenant requirements currently are estimated to be at 2 msf. Most of these tenants are seeking spaces between 3,000-4,999 sf with Central East, Henderson, and Southwest being the most desirable submarkets. Technology and Prof. & Business Services tenants account for the most active industries and are currently seeking just shy of 1 msf.
- Four of the office projects currently under construction are slated to deliver by the end of 2022 adding more than 450,000 sf of product to the Southern Nevada office market which is currently 36% preleased. We expect preleasing to get stronger as these four projects approach delivery which will boost occupancy for the overall year.

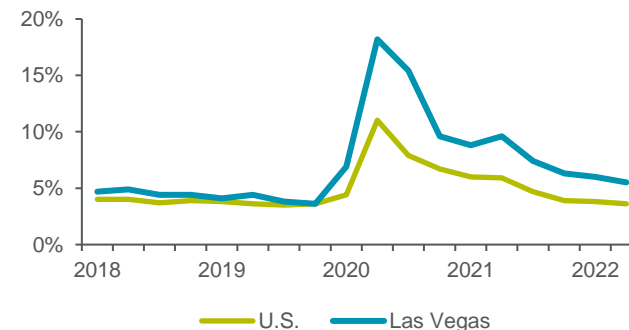
## AVERAGE ASKING RENT ANNUAL \$PSF FULL SERVICE



## OVERALL NEW LEASING BY CLASS IN SF



## 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)*
Downtown	2,145,037	20,000	302,142	15.0%	27,482	24,018	62,392	0	\$28.19	\$28.03
Central East	5,725,620	14,527	1,139,207	20.2%	18,219	-26,412	171,136	0	\$24.16	\$35.14
Central North	490,089	0	5,396	1.1%	0	0	0	0	\$22.57	N/A
North Las Vegas	1,245,410	0	40,436	3.3%	-5,482	-9,735	0	0	\$24.58	N/A
Northwest	7,177,784	81,969	897,041	13.6%	-13,271	-69,350	58,303	0	\$26.00	\$31.66
South	8,685,877	74,290	966,242	12.0%	-11,798	-80,686	233,118	24,000	\$26.11	\$32.20
Southeast	1,879,775	17,796	135,416	8.2%	-2,174	-14,037	9,171	0	\$23.63	\$28.76
Southwest	6,847,726	91,420	414,944	7.4%	185,076	218,176	90,717	344,806	\$28.60	\$35.75
West	6,577,266	19,865	856,128	13.3%	1,503	-9,386	67,338	267,413	\$23.58	\$41.43
<b>LAS VEGAS TOTALS</b>	<b>40,774,584</b>	<b>319,867</b>	<b>4,756,952</b>	<b>12.5%</b>	<b>199,555</b>	<b>32,588</b>	<b>692,175</b>	<b>636,219</b>	<b>\$25.54</b>	<b>\$32.81</b>
Class A	5,824,283	84,443	917,266	17.2%	202,646	199,427	297,261	612,219	\$32.81	
Class B	18,995,163	168,679	2,098,160	11.9%	38,398	68,066	263,288	24,000	\$25.52	
Class C	15,955,138	66,745	1,741,526	11.3%	-41,489	-234,905	131,626	0	\$20.93	
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\*Rental rates reflect full service asking. \*\* Renewals not included in leasing statistics.

## KEY LEASE TRANSACTIONS Q2 2022

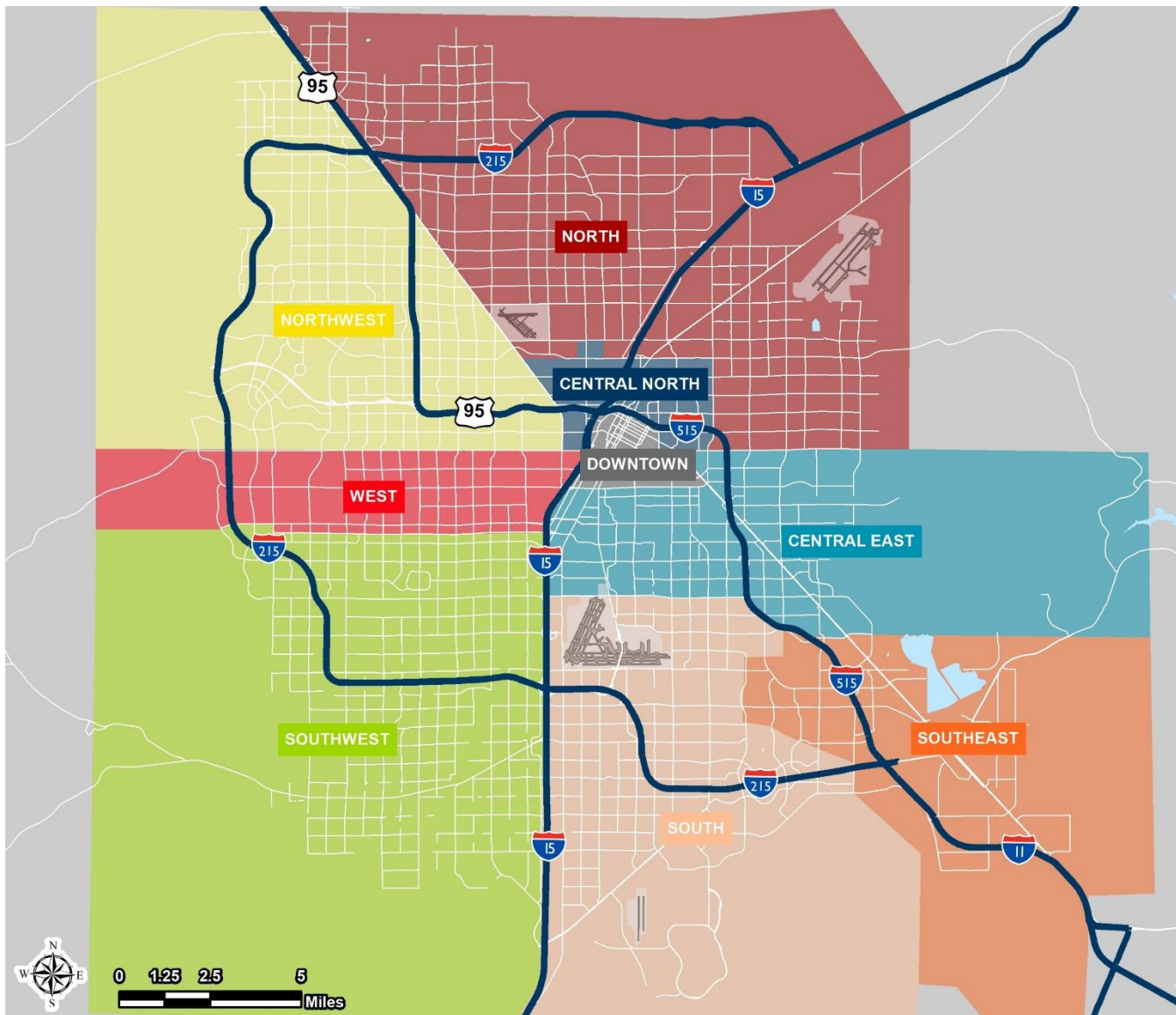
PROPERTY	SUBMARKET	TENANT	SF	TYPE
2370 Corporate Cir.	South	P3 Health Partners	37,092	Renewal/Expansion
1700 South Pavilion Center Dr.	West	MP Materials	27,299	New Lease
2485 Village View Dr.	South	Orbis	23,909	New Lease
8290 W. Sahara Ave.	West	Coldwell Banker Commercial Premier	21,132	Renewal
300 S. 4 <sup>th</sup> St.	Downtown	Gina Corena & Associates Car Accident Lawyers	16,538	Expansion

## KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1351 N. Town Center Dr.	Northwest	Inland Real Estate Group of Companies, Inc. / Great Falls Investment Group	85,708	\$30M / \$351
7501 Trinity Peak Ave.	Northwest	Thomas & Mack Development / Gianpaolo Starita	35,594	\$6M / \$169
6600 Bermuda Rd.	South	LV Management Group LLC / JMK Limited Partnership	32,700	\$9.8M / \$298
8290 W. Sahara Ave.	West	Coldwell Banker Commercial Premier / Qaisar Hameed	31,106	\$6.5M / \$209
8367 W. Flamingo Rd.	Southwest	8367 Flamingo LLC / 24-8335 Flamingo LLC	15,690	\$3M / \$190



## OFFICE SUBMARKETS

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