

# INVESTMENT FORECAST

Office  
Las Vegas

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS






2022

## Vacancy Falls Well Below Historical Average as Buyers Bet on Submarkets Rich with Professional Tenants

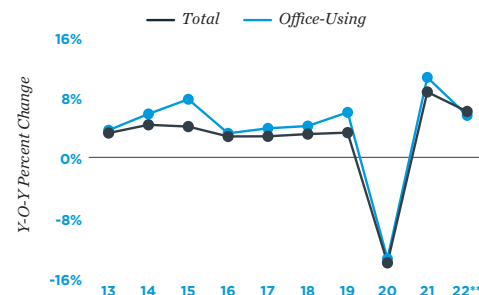
**Pipeline yet to reflect level of demand.** Office-using employment in Las Vegas improved last year alongside the metro's broader economy, aided by robust population growth that offset the negative impacts of the health crisis. Over the course of 2021, office users bolstered staffs by 20,700 positions, spurring a rebound in leasing activity. The resulting absorption of 1 million square feet last year compressed vacancy below 14 percent, marking the lowest rate in more than a decade. Despite tight conditions, the metro's development pipeline is modest, with less than 1 million square feet slated for 2022 finalization. Preliminary demand for new space from firms including DraftKings and Wynn Design and Development suggests a near-term increase in project proposals is plausible. Nevertheless, office users keen on expanding local footprints or cost-conscious companies that relocate to the metro will have fewer leasing options than in previous years. Steered toward existing buildings, these firms will fuel a level of demand that outpaces supply additions, allowing the pace of rent growth to surpass the prior five-year average.

**Newer vintage trades encompass transaction landscape.** Recent deal flow in Las Vegas suggests investors are highly confident in the metro's long-term fundamentals. During the third quarter of last year, a buyer pool composed largely of California and locally based investors acquired more assets than in any three-month span over the past 10 years. Traditional and medical Class B offices are comparably coveted by this consortium of buyers, while the metro's average price point trails its prior peak by more than 10 percent. Out-of-state investors are particularly attracted to post-2000-built assets in Southwest Las Vegas, which led metro submarkets in absorption last year. Together with South Las Vegas, the area is home to the highest concentration of professional services tenants. Despite the recently high volume of mid-tier property trades, the metro's average cap rate remains in the low-7 percent range, with minimums rarely dipping below 6 percent.

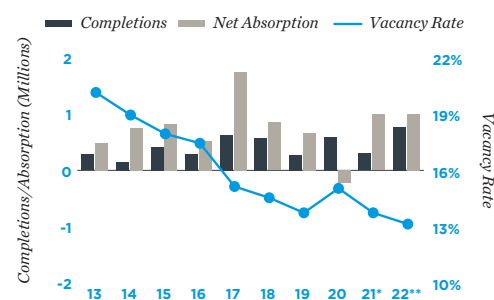
## 2022 Market Forecast

- Employment**  The number of traditional office-using jobs created in 2022 accounts for 20 percent of the 60,000 total positions added.  
up 6.1%
- Construction**  Supply additions increase on a year-over-year basis; however, inventory expands by just 1.4 percent in 2022. Projects in Southwest Las Vegas account for the bulk of space finalized.  
770,000 sq. ft.
- Vacancy**  Tenants absorb roughly 1 million square feet of office space for a second consecutive year, reducing vacancy to its lowest rate since 2007, at 13.2 percent.  
down 60 bps
- Rent**  Consistent demand for space allows Las Vegas' pace of rent growth to exceed the national rate of increase for a fifth straight year, lifting the mean marketed rent to \$22.90 per square foot.  
up 3.4%
- Investment**  Historically low vacancy and an average asking rent that trails the prior peak by roughly \$4 per square foot will attract more regional investors targeting markets with upside potential.

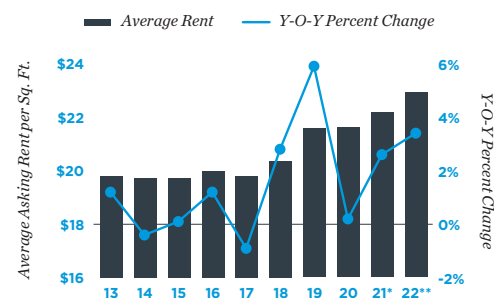
### Employment Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

### Al Pontius

Senior Vice President  
Director IPA Office  
Tel: (415) 963-3000 | [apontius@ipausa.com](mailto:apontius@ipausa.com)

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2021. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.