

MARKET REPORT

Office
Las Vegas Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

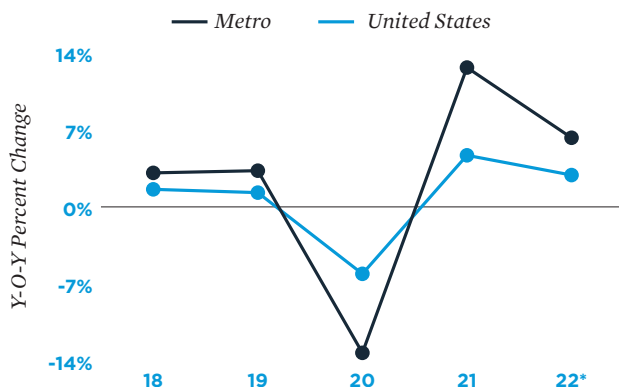
2Q/22

Las Vegas Headlines List of Top Office Performers; Southwest Epicenter of Activity

Mid- and lower-tier commitments power market. Las Vegas registered the largest drop in office vacancy among major U.S. markets over the 12-month span ended in March, supported by the strongest four-quarter period for Class B/C absorption on record. The 330-basis-point reduction in overall availability during the yearlong stretch slashed vacancy to a more than 15-year low, enhancing the sector's outlook heading into the second quarter. Moving forward, more traditional office users and medical providers are likely to establish or expand local operations, motivated by Las Vegas' population growth and regionally discounted asking rents. These commitments will support a second straight year of above-average demand that enables Las Vegas to rank among the nation's tightest office markets.

Locale emerges as leasing and construction hub. The metro's second-largest submarket by inventory, Southwest Las Vegas, exemplifies the strength of the local office sector. During the past year, the area accounted for half of the metro's 20,000-square-foot-plus lease executions. International Gaming Technology's sublease of a three-story building highlighted recent activity, with VisCap Media, Agilysys, DraftKings, Kiewit and Molina Healthcare all making notable commitments that dropped local vacancy to 9.4 percent. Apart from leasing, the submarket is also the center of development. Roughly 60 percent of the 1 million square feet of space slated for completion this year is in Southwest Las Vegas. Fortunately, three-fourths of this space is accounted for, limiting its impact on vacancy.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



**65,000
JOBS**
will be created

EMPLOYMENT:

Las Vegas will record one of the nation's highest rates of employment growth during 2022 at 6.3 percent. Spanning the first four months of this year, companies created 16,100 positions, supporting positive job creation across nearly every sector.



**1,000,000
SQ. FT.**
will be completed

CONSTRUCTION:

Completions surpass the prior two-year total, as developers grow stock by 1.8 percent. Located in Downtown Summerlin, the 10-story 1700 Pavilion accounts for one-fourth of the space finalized this year. As of mid-May, the property was 40 percent pre-leased.



**150
BASIS POINT**
decrease in vacancy

VACANCY:

Tenants absorb more than 1.5 million square feet this year, placing availability 160 basis points below the year-end 2019 mark. Additionally, at 12.1 percent, the metro's vacancy rate will rank lowest among major Mountain markets.

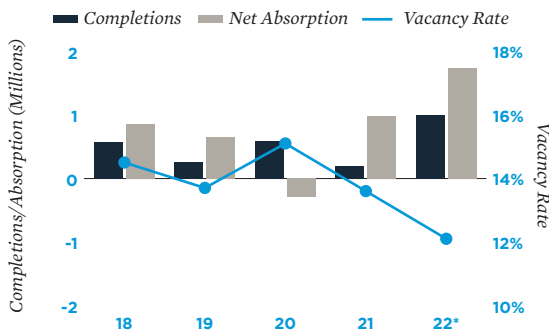


**4.6%
INCREASE**
in asking rent

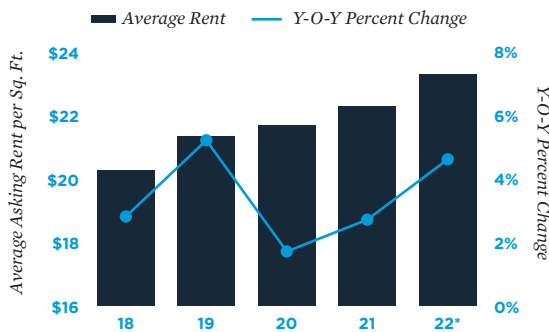
RENT:

Historically tight conditions in the Class B/C segment and a higher proportion of available Class A office space will translate to the average asking rent climbing to \$23.30 per square foot. This year-end rate trails the prior peak by nearly 8 percent.

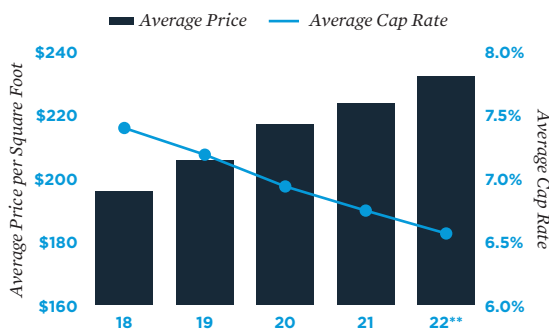
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

294,000 sq. ft. completed

- Deliveries over the past 12 months were concentrated in Southwest Las Vegas, highlighted by Axiom, an 80,000-square-foot project finalized in the first quarter. Overall, completions grew metro inventory by 0.5 percent.
- As of mid-May, 70 percent of the 970,000 square feet underway was accounted for, with no space available at projects slated for 2023 delivery.



VACANCY

330 basis point decrease in vacancy Y-O-Y

- Vacancy declined in each of the past four quarters, translating to the net absorption of more than 2 million square feet. Heightened office-user demand for space lowered metro availability to 12.4 percent.
- Three of Las Vegas' five largest submarkets by stock noted reductions of at least 450 basis points, led by West Las Vegas' 640-basis-point drop.



RENT

4.4% increase in the average asking rent Y-O-Y

- Significant vacancy compression sped the pace of rent growth during the past year. Still, the metro's mean asking rent of \$22.86 per square foot in March was approximately 20 percent below the national average.
- West Las Vegas' mean asking rent surged 13.3 percent to \$19.88 per square foot, the largest increase among submarkets.

Investment Highlights

- Significant vacancy compression over the past year bolstered the outlook for Las Vegas' office sector. Investors took notice and pursued listings with increased fervor, enabling sales activity to more than double during the 12-month span. Competition between local and California-based buyers should remain robust moving forward as average pricing and the metro's mean asking rent both notably trail prior peaks, suggesting room for upside remains. Additionally, Las Vegas' mid-6 percent average yield is well above mean cap rates found in coastal California markets.
- The metro's populace is expected to increase by 240,000 residents over the next five years. The heightened demand for health services that is likely to result has investors acquiring Class B medical office properties throughout the market. Most of these buildings were constructed over the past 20 years and are trading at mid-5 to low-7 percent yields. In Southwest Las Vegas and Henderson, asset pricing exceeds \$250 per square foot.
- Buyers with a preference for mixed-use assets that feature a combination of office space and apartments are active in Southwest and South Las Vegas, where multifamily vacancy rates rest below 3 percent. In both locales, sub-\$200 per square foot pricing for these properties is becoming rare.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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