

INVESTMENT FORECAST

Office
Las Vegas Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Robust Tenant Demand in Tourism Hubs and Western Suburbs Puts Squeeze on Available Supply

Retail spillover may benefit more vacant areas. Eight of the 10 largest submarkets by inventory posted vacancy reductions last year. Tenant demand is particularly strong in the Resort Corridor, where the local rate plunged more than 250 basis points to a sub-3 percent standing, driven by a domestic leisure travel recovery that invigorated leasing. While tourist-centric areas are leading the charge, suburban pockets of robust household creation are also performing very well. Northwest Las Vegas joined the Resort Corridor as the only two submarkets with vacancy rates that were less than half of the overall metro average entering this year. Southwest Las Vegas, meanwhile, registered the second-strongest drop in space availability in 2023. These three areas combined for just 650,000 square feet of vacant stock to begin this year, compared to a historic average of about 1.3 million square feet. This could potentially direct expanding vendors to nearby submarkets with higher availability, such as Central East and West Las Vegas. Overall net absorption is nevertheless expected to soften this year, in part due to the lack of available space in the most desirable areas, producing a mild uptick in vacancy.

Las Vegas' diversifying landscape appeals to a wider buyer pool. Despite the Resort Corridor's notable performance, retail trades here last year trailed seven other local submarkets. Single-tenant buyers instead concentrated on zones of Central and North Las Vegas, while shopping center investors tended to gravitate west to growing suburban hubs like Henderson. Meanwhile, Las Vegas' evolution from a tourism-centric market to a more diverse economic base is impacting sales metrics. As higher entry cost areas like the Resort Corridor account for a smaller share of overall trades, the average sale price has fallen slightly due to the shifting composition of deals.

2024 MARKET FORECAST

+1.9%



EMPLOYMENT: Metro job growth exceeds the national pace for a fourth straight year by adding 22,000 positions. This brings Las Vegas' total headcount over 11 percent ahead of 2019's measure.

820,000
sq. ft.



CONSTRUCTION: Influenced by one project — BLVD on the Strip — Las Vegas' 2024 supply addition is a four-year high. The remaining 320,000-square-foot pipeline is over 70 percent pre-leased.

+20 bps



VACANCY: While vacancy will rise to 5.8 percent this year, that elevation is just half of 2023's contraction. As a result, the metro rate holds roughly 250 basis points under the long-term mean.

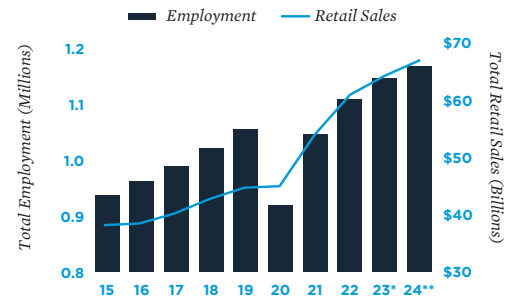
+3.3%



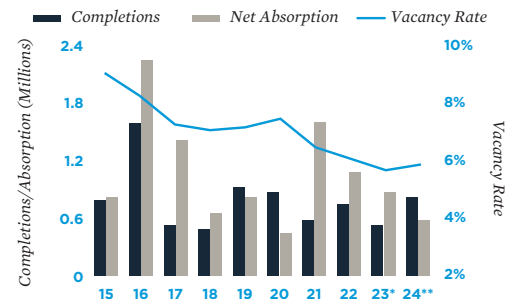
RENT: After relatively modest 0.9 percent growth last year, historically tight conditions support a stronger rent increase in 2024. Las Vegas' average asking rate climbs to \$23.70 per square foot.

INVESTMENT: *North Las Vegas reported the strongest hotel demand improvement in the market last year, likely as visitors sought lower room costs. Retail investors may seek assets near popular travel routes in the area.*

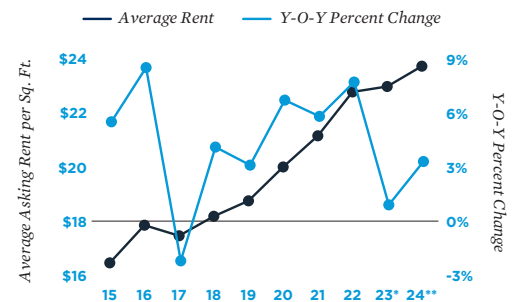
Economic Trends



Supply and Demand



Rent Trends



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

Daniel Taub

Senior Vice President
Director IPA Retail
Tel: (212) 430-5100 | dtaub@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 January 3/2024. 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. Forecasts for employment and retail data are made during the first 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.