

# INVESTMENT FORECAST

OFFICE  
Las Vegas Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2020

## Tight Vacancy Across All Property Tiers Supports Rent Recovery; Regionally High Returns Diversify Buyer Pool

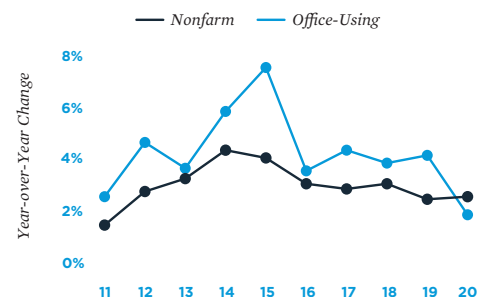
**Solid office demand outpaces development pipeline.** Las Vegas' economy remains tied to tourism, yet hiring velocity among office users has been strong recently, paralleling a span of robust in-migration as companies relocate to Nevada for a more favorable tax treatment. During the past four years, the number of positions added by traditional office-using companies accounted for more than one-fourth of total job creation, with financial services and healthcare-related firms leading the way. This organizational growth bolstered demand for office space, supporting a 48-month stretch of stout absorption that lowered vacancy by nearly 500 basis points. Entering 2020, cycle-low vacancy and rebounding asking rents warrant new construction, yet development activity remains subdued, with less than 300,000 square feet set to be finalized this year. As companies continue to relocate here, consistent space demand will be recorded, driving a rate of absorption that outpaces supply additions. Vacancy will reach a new low for this cycle and the average asking rent will recover at an improved pace for a second straight year.

**Out-of-state buyers maintain significant presence, target upper-tier assets.** Tight vacancy, steady in-migration and an average cap rate that exceeds all major West Coast and Mountain metros has more out-of-state investors pursuing Las Vegas listings. Heightened investor interest is bolstering asset values, yet the metro remains a locale of regionally discounted pricing entering this year. Class B assets remain available throughout west Las Vegas and northwest suburbs along Highway 95 for less than \$200 per square foot. Here, and in Henderson, traditional properties and medical office buildings are appealing due to local population growth and the availability of mid-6 to low-8 percent returns. In downtown Las Vegas, employment growth has sparked buyer demand for Class A properties and mixed-use assets. Dependent on vintage and location, cap rates can reach the 7 percent range, with pricing often below \$300 per square foot.

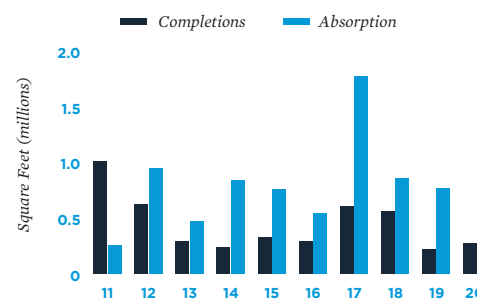
## 2020 Market Forecast

- Employment** up 2.5%  Organizations expand by 26,100 positions this year, exceeding the number of jobs created in 2019.
- Construction** 270,000 sq. ft.  Delivery volume is slightly higher than last year, with 2020 additions increasing the metro's office stock by 0.5 percent.
- Vacancy** down 50 bps  On net absorption of 500,000 square feet of space, Las Vegas' vacancy rate compresses to 13.1 percent.
- Rent** up 4.8%  The average asking rent elevates at a historically strong pace, yet the average year-end rate of \$22.05 per square foot trails the previous cycle's peak by 13 percent.
- Investment**  Tightening conditions in downtown Las Vegas and minimum returns in the mid-6 percent range entice private investors seeking Class C assets with upside potential.

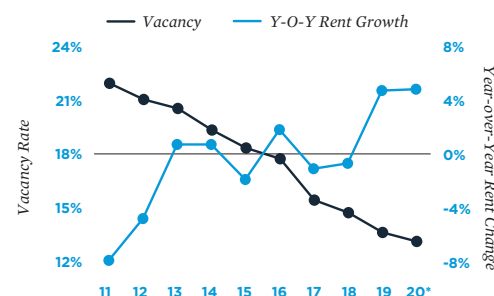
### Employment Trends



### Office Supply and Demand



### Vacancy and Rent Trends



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

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2020. Asking rent is based on the full-service marketed rental rate. 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 office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, 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.