

# Las Vegas Office Market

## Lowered Vacancy and Increased Asking Rents Illustrate a Strong Recovery

The Las Vegas Metro has made enormous strides in overcoming the impact COVID-19 left on its economy and has become one of the quickest to rebound in terms of heightened leasing and sale volume, increasing lease rates and reduced vacancy. With job creation remaining strong into 2022 and tourism to the Metro increasing each month, Las Vegas is set to emerge stronger in a post-pandemic landscape due to increased industry diversification and measured office base growth.

Overall vacancy lowered by 80 points quarter-over-quarter and is down 230 basis points year-over-year, a clear indicator that tenant interest is up and companies are seeing the value of taking space within the Metro. This shows promise that the disruption caused by the pandemic to the overall economy and the Metro may be short term. It has recovered at a much quicker rate than the long-term effects the Great Recession had on the office market in Las Vegas, where rents were tampered and vacancy heightened for multiple years afterwards. Sublease availability also saw a small decline during the first quarter of 2022, rebuffing the trend emerging in other Western markets. In Phoenix and Salt Lake City, sublease space is making a comeback after a small reprieve in 2021 as companies finalize office space plans and reduce or remove office footprints in favor of remote or hybrid work models.

Leasing activity was strong, with numerous companies signing deals throughout the quarter and strong engagement across all submarkets.

### Current Conditions

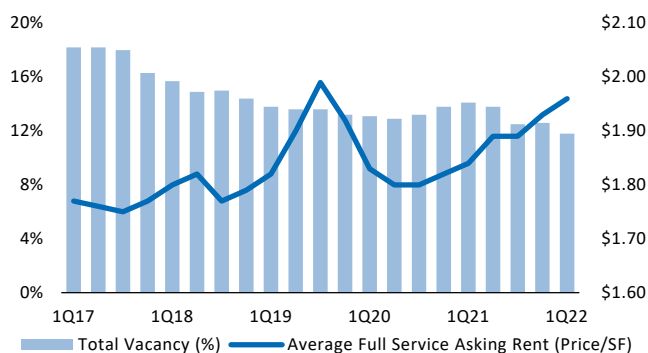
- Total vacancy decreased by 80 basis points quarter-over-quarter, with 330,104 square feet absorbed throughout the Metro during the first quarter of 2022.
- Construction activity remained relatively unchanged as projects near completion but saw little product enter the market during the first quarter of 2022 (10,326 square feet delivered). Over 600,000 square feet of the construction underway is slated to deliver during the second and third quarters of 2022.
- Asking lease rates increased by 6.5% year-over-year, ending at \$1.96/SF for the first quarter of 2022.

### Market Summary

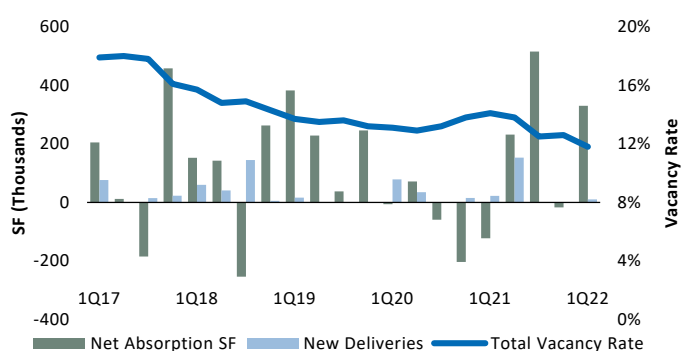
|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 39.2M           | 39.2 M        | 39.2 M          | ↑                 |
| Vacancy Rate                  | 11.8%           | 12.6%         | 14.1%           | ↔                 |
| Quarterly Net Absorption (SF) | 330,104         | (17,338)      | (122,513)       | ↑                 |
| Average Asking Rent/SF        | \$1.96          | \$1.93        | \$1.84          | ↑                 |
| Under Construction (SF)       | 1,116,537       | 1,126,863     | 1,064,836       | ↔                 |
| Deliveries (SF)               | 10,326          | 0             | 22,000          | ↑                 |

### Market Analysis

#### ASKING RENT AND TOTAL VACANCY RATE



#### NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE



## RESEARCH Q1 2022

In the Southwest submarket, Axiom saw a 40,000-square-foot deal signed that will bring some positive absorption once the project delivers. Betfred took 12,149 square feet at Skyview Business Park. Nevada-based law firm Holley Driggs leased 24,316 square feet in Downtown in Bank of America Plaza and in the Northwest submarket. Colvin Construction took 11,860 square feet in Summer Gate Corporate Center. Leaning strongly on strong leasing activity due to limited office deliveries, companies throughout the Metro absorbed 330,104 square feet during the first quarter of 2022, with the Northwest and Southwest submarkets making up 77.5% of the overall absorption.

Asking rents are close to the Metro high of \$1.99/SF in 2019, ending at \$1.96/SF for the first quarter of 2022 and recording a 6.5% increase year-over-year. Class A asking rents sit at \$2.57/SF for the entire Metro, with the Central East submarket asking the highest rents for Class A product at

\$2.92/SF. Although a handful of larger Class A developments are expected to deliver in 2022 and will likely increase vacancy in the Metro, asking rents are expected to remain stable or continue to increase with new projects demanding higher rates to match the quality of product.

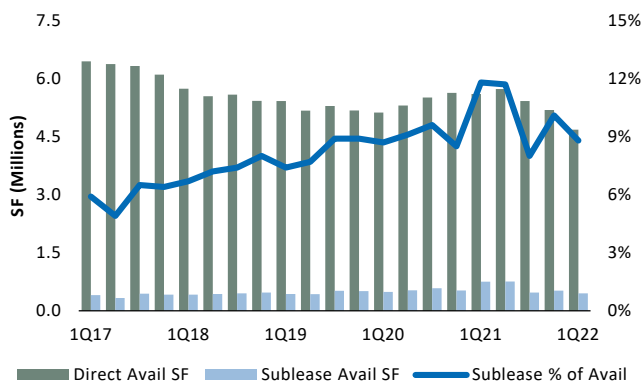
Office construction remained above 1 million square feet underway at the end of the first quarter of 2022, with no new large projects breaking ground and limited deliveries at only 10,326 square feet of traditional office space added to the office base. Many companies in the surrounding states have started to take an increased interest of the Metro as an attractive location to move or expand due to lower rents and wages compared to other Western metros. Of all the square footage underway at quarter-end, 75.6% is concentrated in the southern portion of the Metro. Over 600,000 square feet of the 1.1 million square feet in development is expected to deliver in the second and third quarters of 2022.

### Select Sale Transactions

| Buyer                        | Building                    | Submarket    | Price        | Square Feet |
|------------------------------|-----------------------------|--------------|--------------|-------------|
| Civitas Capital              | 2651 Paseo Verde Pkwy.      | South        | \$13,525,000 | 42,985      |
| Siena Holdings               | 4101 E. Charleston Blvd.    | Central East | \$7,800,000  | 148,070     |
| La Farfalla                  | Sahara Corporate Center     | West         | \$7,000,000  | 26,680      |
| Legacy Property Management   | 2881 Business Park Ct.      | Northwest    | \$6,536,000  | 24,289      |
| 2617 Lamb                    | 6628 Sky Pointe Dr.         | North        | \$5,800,000  | 31,010      |
| Yair Ben-Moshe               | 8360 W. Sahara Ave.         | West         | \$5,700,000  | 27,224      |
| Windmill Partners            | 3007 W. Horizon Ridge Pkwy. | South        | \$5,675,000  | 22,254      |
| Toll North                   | 1140 N. Town Center Dr.     | Northwest    | \$3,574,762  | 60,944      |
| Boyd Moss                    | 5420 W. Sahara Ave.         | West         | \$2,850,000  | 16,100      |
| Bluebird Estates             | The Park at Spanish Ridge 3 | Southwest    | \$2,775,000  | 41,382      |
| Daniel Montes                | 6130 Elton Ave.             | Northest     | \$2,595,000  | 11,571      |
| Rock Ridge Management        | Leon Center 2               | North        | \$2,175,000  | 15,561      |
| Wallace Morris Surveying Inc | 6525 W. Warm Springs Rd.    | Southwest    | \$2,050,000  | 7,839       |

### Availability Overview

#### SUBLEASE V DIRECT AVAILABLE SF AND SUBLEASE AS % OF AVAILABILITY



### Notable Under Construction Projects

| Address                        | Project       | Square Feet |
|--------------------------------|---------------|-------------|
| 1700 Pavilion                  | 1700 Pavilion | 267,000     |
| Durango & I-215                | UnCommons     | 208,000     |
| Rainbow Blvd./I-215            | Axiom         | 160,000     |
| Spencer St. & Saint Rose Pkwy. | The Village   | 150,000     |
| 6790 S. Cimarron Rd.           | Narrative     | 100,184     |
| 7801 W. Patrick Ln.            | Evora         | 75,000      |

## Submarket Statistics

|                  | Total Inventory (SF) | Under Construction (SF) | Vacancy Rate | Net Quarterly Absorption (SF) | Year-to-Date Absorption (SF) | Average Asking Rent (Price/SF) | Class A Asking Rent (Price/SF) |
|------------------|----------------------|-------------------------|--------------|-------------------------------|------------------------------|--------------------------------|--------------------------------|
| Central East     | 5,933,000            | -                       | 22.6%        | (7,947)                       | (7,947)                      | \$1.96                         | \$2.92                         |
| Central North    | 581,141              | -                       | 0.7%         | 1,582                         | 1,582                        | \$1.65                         | N/A                            |
| Downtown         | 2,218,147            | -                       | 12.5%        | 20,547                        | 20,547                       | \$2.08                         | \$2.26                         |
| North            | 1,020,634            | 5,411                   | 7.9%         | (9,065)                       | (9,065)                      | \$1.60                         | N/A                            |
| Northwest        | 5,959,910            | -                       | 10.0%        | 139,187                       | 139,187                      | \$2.08                         | \$2.25                         |
| South            | 9,505,708            | 24,000                  | 10.9%        | 10,901                        | 10,901                       | \$2.03                         | \$2.54                         |
| Southeast        | 1,315,138            | 150,000                 | 9.9%         | 19,119                        | 19,119                       | \$1.84                         | \$2.05                         |
| Southwest        | 7,632,132            | 670,126                 | 6.4%         | 116,653                       | 116,653                      | \$2.15                         | \$2.50                         |
| West             | 5,024,390            | 267,000                 | 13.3%        | 39,127                        | 39,127                       | \$1.60                         | \$2.25                         |
| <b>Las Vegas</b> | <b>39,193,200</b>    | <b>1,116,537</b>        | <b>11.8%</b> | <b>330,104</b>                | <b>330,104</b>               | <b>\$1.96</b>                  | <b>\$2.57</b>                  |

## Select Lease Transactions

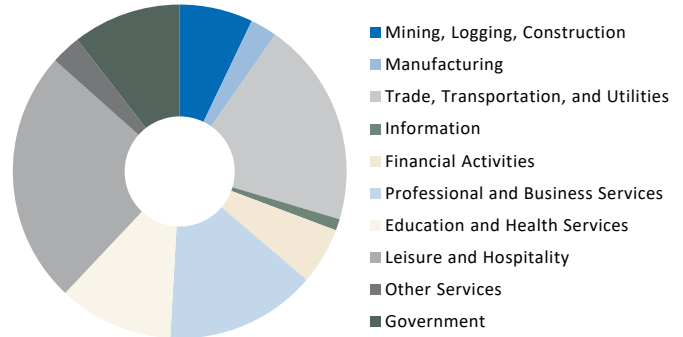
| Tenant              | Building                     | Submarket | Deal Type  | Square Feet |
|---------------------|------------------------------|-----------|------------|-------------|
| Confidential        | Axiom                        | Southwest | Direct New | 40,000      |
| Holley Driggs       | Bank of America Plaza        | Downtown  | Direct New | 24,316      |
| Betfred             | Skyview Business Park        | Southwest | Direct New | 12,149      |
| Colvin Construction | Summer Gate Corporate Center | Northwest | Direct New | 11,860      |
| Board of Regents    | Charleston Tower             | West      | Direct New | 9,166       |

### Economic Overview

Facing the second highest metro unemployment rate at the start of the COVID-19 recession in April 2020, the Las Vegas Metro has come a long way in recovering economically. Unemployment remains elevated compared to the national average for February 2022, with Las Vegas Metro sitting at 5.3% compared to 3.8% for the nation. The Metro has seen steady gains in creating jobs lost and lowering unemployment at a consistent rate since June 2021 due to the disruption the pandemic wrecked on the economy on a global scale. Overall job growth from April 2020 to February 2022 sits at 24.7% with 255,000 net jobs created within that time. Overall employment is nearing pre-pandemic numbers, sitting only 1.6% below February 2020 total employment numbers. With a metro economy that is closely tied with its tourism industry and visitor volume up 69.9% year-over-year, more businesses and offices are bringing workers back to the workplace, creating potential for increased job creation in the office sector for the coming months.

### Employment by Industry

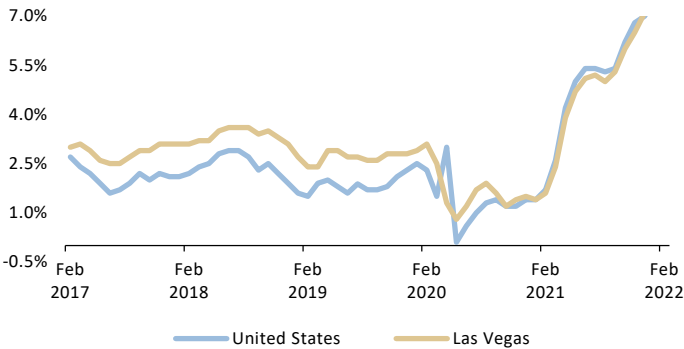
LAS VEGAS, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

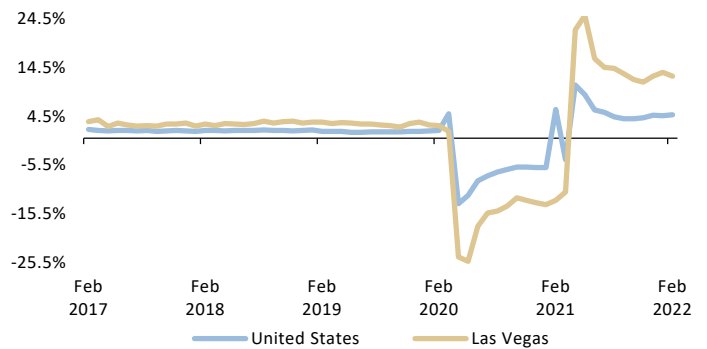
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

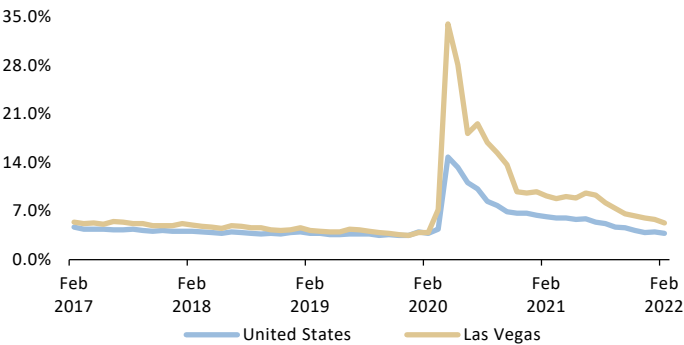
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

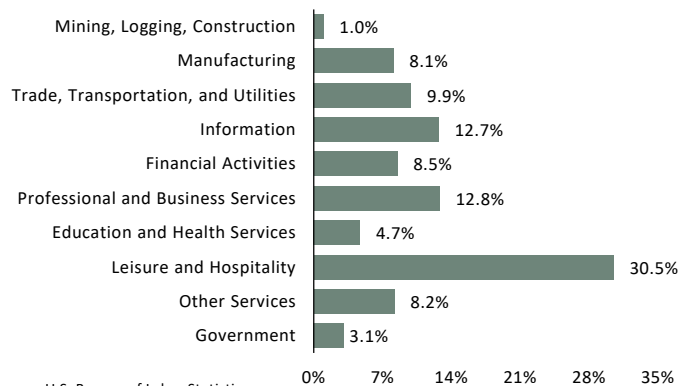
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth by Industry

LAS VEGAS, FEBRUARY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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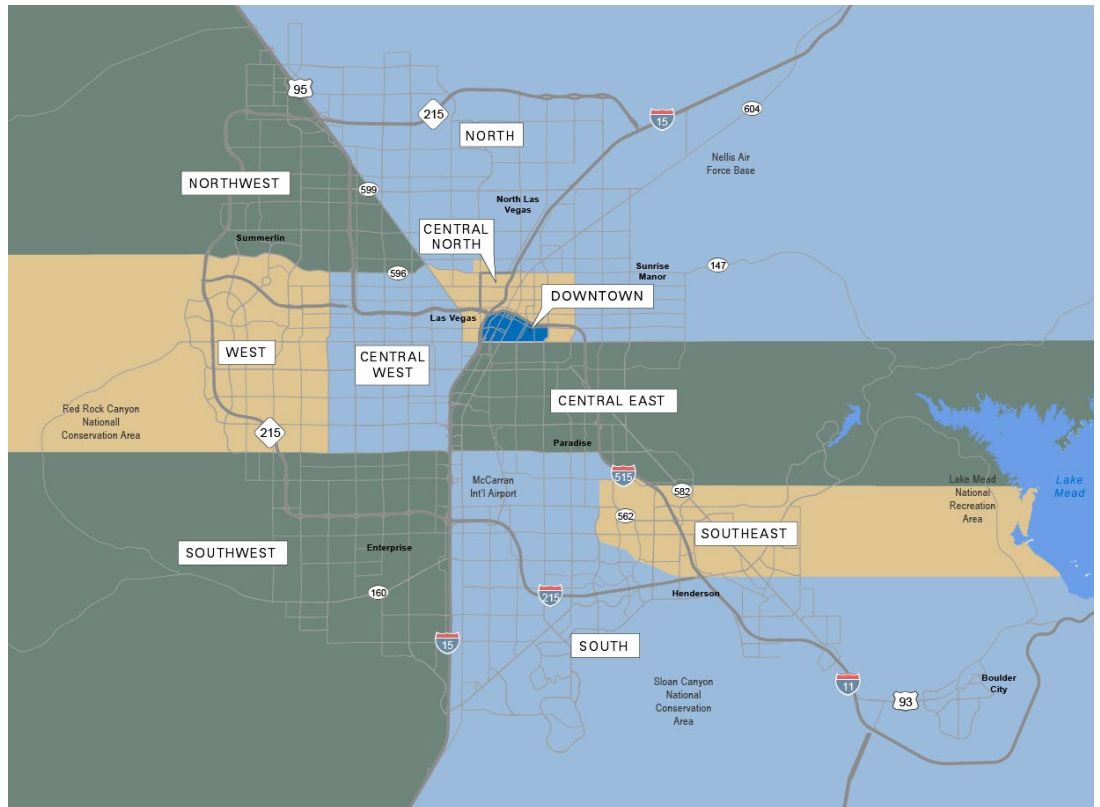
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