



Las Vegas Office Market

Office Activity Heats Up with Increased Economic Movement

Due to its close ties with the leisure and hospitality sector, the overall Las Vegas metro was severely hindered at the beginning of the pandemic with the immediate closure of businesses and tourist destinations that the metro relies on. Since March 2020, the Las Vegas metro has made significant strides in recovering employment, with the unemployment rate seeing decreases each month. While the metro still ranks among the highest in the nation in terms of unemployment, May 2021's mark of 8.9% represents a far cry from the market high in April 2020 of 34.0%. Although heavily dependent on the tourist industry, vaccine rollout and more businesses opening, the metro is primed for recovery if the pandemic continues its path on being contained.

Overall vacancy experienced a 30-basis-point decrease from 14.1% in the first quarter of 2021 to 13.8% in second-quarter 2021. Leasing activity picked up significantly compared to previous quarters, and larger blocks of space that had been sitting vacant for some time were leased or sold in owner-user sale transactions. Intermountain Healthcare took 100,000 square feet of the International Gaming Technology sublease, Swickard Shared Services subleased 22,695 square feet at 1180 North Town Center Drive and Boundless Immigration filled the 12,503-square-foot sublease at 7150 South Tenaya Way. The increased transaction volume coupled with some fully occupied office deliveries helped push net absorption into the positive for second-quarter 2021, coming in at 231,744 square feet, the highest the market has experienced since third-quarter 2019.

Current Conditions

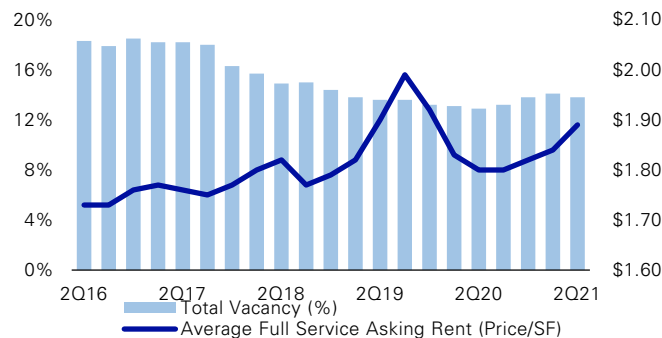
- Direct vacancy decreased from 14.1% in first-quarter 2021 to 13.8% for second-quarter 2021, with sublease availability remaining unchanged.
- Construction activity increased by 11.2%, with 965,314 square feet underway at the end of the quarter. Second-quarter 2021 deliveries totaled 157,200 square feet, the highest the market has seen in one quarter since second-quarter 2015.
- Lease rates increased by 2.7% to \$1.89/SF between first-quarter 2021 and second-quarter 2021, with asking rates rising across all class types.

Market Summary

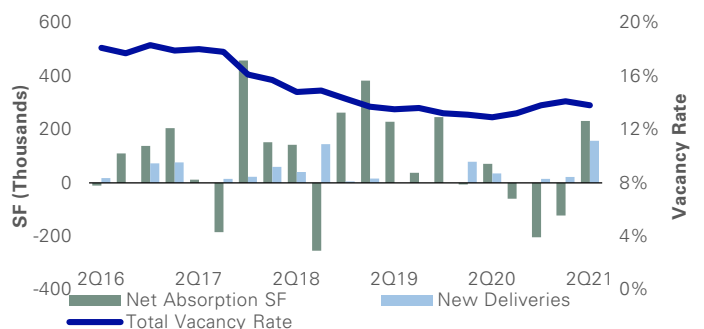
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	39.2 M	38.9 M	38.8 M	↑
Vacancy Rate	13.8%	14.1%	12.9%	↔
Quarterly Net Absorption (SF)	231,744	(122,513)	71,282	↓
Average Asking Rent/SF	\$1.89	\$1.84	\$1.80	↔
Under Construction (SF)	965,314	856,836	578,216	↓
Deliveries (SF)	157,200	22,000	35,000	↑

Market Analysis

ASKING RENT AND TOTAL VACANCY RATE



NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE



RESEARCH Q2 2021

After a metro high asking lease rate average of \$1.99/SF back in 2019, asking rents continue the recovery first seen in third-quarter 2020 and now sit at \$1.89/SF for the second quarter of 2021. Although second-quarter 2021 rates are still 5.3% below the metro high, they have recovered from the recent low of \$1.80/SF to 1.89/SF at midyear. All class types saw an increase in asking rates, with Central East seeing the largest jump from first-quarter 2021 to second-quarter 2021 (9.0%), with Southeast and Central North almost tied, coming in at 6.4% and 6.3%, respectively, for the same period. Downtown had the biggest decrease in Class A asking rates (down 13.4% quarter over quarter), with West experiencing the largest increase for Class A product (up 13.6% quarter over quarter).

Traditional office sale transactions slowed dramatically with the onset of the pandemic through first-quarter 2021. Some larger sales occurred in the medical office sphere during that time due to uncertainty regarding what the office sector will look like post-COVID-19. Investor interest picked up in second-quarter 2021, illustrating investor belief that traditional office space is still a worthy location to place capital. Moonwater Capital Management sold the Park at Spanish Ridge for \$32.5 million, and Barker Pacific purchased the Bank of American Plaza in Downtown Las

the 97,902-square-foot building at 3755 Breakthrough Way in the Southwest Region that was 94.0% leased at sale, with plans to honor current tenant leases but will occupy the entire building within a few years.

Office construction in the metro continues to increase and is at its highest point in recent years. Just over 950,000 square feet was underway at the end of second-quarter 2021. Howard Hughes Corporation broke ground on the 1700 Pavilion project located in West Las Vegas and will bring 263,295 square feet to the region. Office deliveries totaled 157,200 square feet in second-quarter 2021 and included projects such as Credit One's second building in the Southwest.

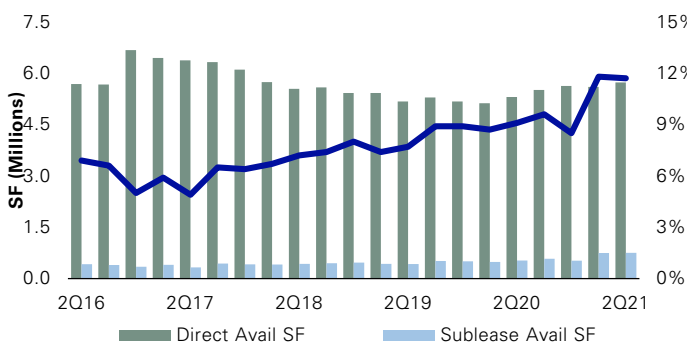
The office workplace will likely look different than pre-pandemic, with the key topic being flexibility. After a year of telework, many employees like the idea of flexibility in work between home and the office. Management wants people in the office to foster company culture and identity. Tenants are pushing for flexibility in lease terms compared to the traditional office lease. Landlords would like a stable rent roll that is safe from too much risk. The coming quarters will be instrumental in seeing how each is able to adapt and move forward in the post-COVID-19 landscape.

Select Lease Transactions

Tenant	Building	Submarket	Deal Type	Square Feet
Intermountain Healthcare	6355 S. Buffalo Dr.	Southwest	Sublease	100,000
Swickard Shared Services	1180 N. Town Center Dr.	Northwest	Sublease	22,695
Goettl HVAC	5330 S. Durango Dr.	Southwest	Direct New	12,828
Boundless Immigration	7150 S. Tenaya Way	Southwest	Sublease	12,503
First Foundation	6725 Via Austi Pkwy.	South	Renewal	9,982
Nevada Pep	7211 W. Charleston Blvd.	West	Renewal	6,743
Wolf, Rifkin, Shapiro, Schulman & Rabkin	3773 Howard Hughes Pkwy.	Central	Direct New	6,395

Availability Overview

SUBLEASE V DIRECT AVAILABLE SF AND SUBLEASE AS % OF AVAILABILITY



Notable Under Construction Projects

Address	Project	Square Feet
1700 Pavilion	1700 Pavilion	263,295
Durango & I-215	UnCommons	208,000
Spencer St. & Saint Rose Pkwy.	The Village	150,000
6790 S. Cimarron Rd.	Narrative	100,184
Rainbow Blvd./I-215	Axiom	80,000
7801 W. Patrick Ln.	Evora	75,000

Submarket Statistics						
	Total Inventory (SF)	Under Construction (SF)	Vacancy Rate	Net Quarterly Absorption (SF)	Average Asking Rent (Price/SF)	Class A Asking Rent (Price/SF)
Central East	5,933,000	102,567	21.3%	46,176	\$1.93	\$2.91
Central North	581,141	-	1.3%	6,201	\$1.68	N/A
Downtown	2,218,147	-	12.3%	8,954	\$2.07	\$2.26
North	1,025,434	-	14.3%	(10,826)	\$1.28	\$1.31
Northwest	5,959,910	-	13.2%	(35,886)	\$2.07	\$2.26
South	9,505,708	150,000	11.6%	(26,034)	\$1.90	\$2.49
Southeast	1,315,138	-	14.3%	22,551	\$1.67	\$1.76
Southwest	7,607,406	449,452	11.7%	233,060	\$2.11	\$2.50
West	5,024,390	263,295	15.0%	(12,452)	\$1.54	\$2.25
Las Vegas	39,173,274	965,314	13.8%	231,744	\$1.89	\$2.50

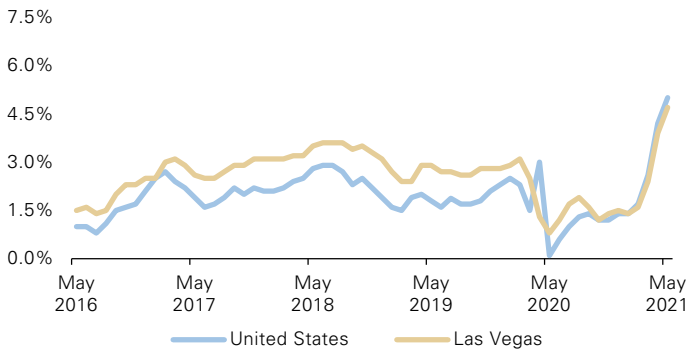
Select Sale Transactions				
Buyer	Building	Submarket	Price	Square Feet
Keith Kantrowitz	Park at Spanish Ridge	Southwest	\$32,500,000	114,171
Barker Pacific	Bank of America Plaza	Downtown	\$32,000,000	270,254
Roseman University	3755 Breakthrough Way	Southwest	\$29,000,000	97,902
Joseph R Brain	Golden Entertainment	Southwest	\$18,500,000	49,348
Logic Commercial	Trails Village Center South Office	Northwest	\$9,920,000	42,765
Trans-Aero Land & Development	3041 W. Horizon Ridge Pkwy.	South	\$5,100,000	23,359
Inter-Cal	Stonegate Commercial Building	Central East	\$4,550,000	14,680
Rik Riccardi	1580 S. Jones Blvd.	West	\$3,125,000	14,345
Michael Hiltz	1170 Sunset Rd.	Southeast	\$2,939,160	10,000

Economic Overview

Since the onset of COVID-19 and its sudden halt to the nation's economy, the unemployment rate for Las Vegas has continued to decrease, coming in at 8.9% in May 2021, a far cry from April 2020's record high of 34.0%. Although still very high, the unemployment rate has steadily declined each month without seeing any increases from month to month as some of the surrounding metros have experienced. Over 160,000 jobs have been created from April 2020 to May 2021, with the largest increases occurring in the heavily hit leisure and hospitality sector, as well as the trade, transportation and utilities sector. Office job increases have remained modest, with 31,800 jobs created since the pandemic onset. With safety measures and vaccine rollout plans in place, more businesses and offices plan to bring workers back to the workplace, which may create more needed jobs in coming months, especially as consumer confidence in the safety to travel and visit the Metro will help ignite the struggling economy once again.

Consumer Price Index (CPI)

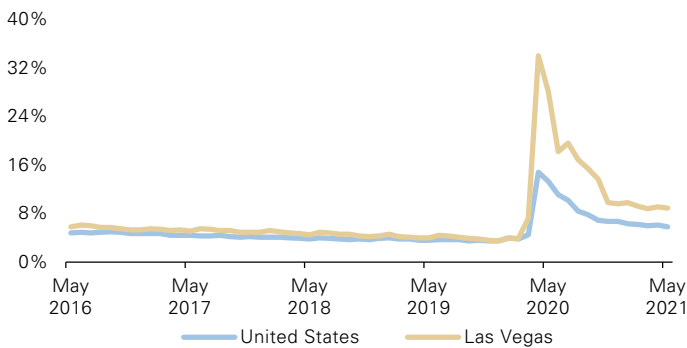
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

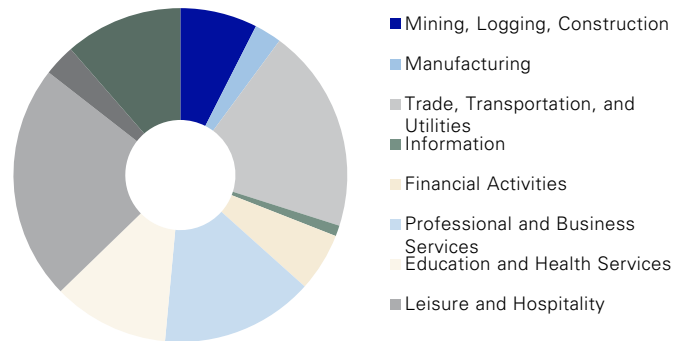
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

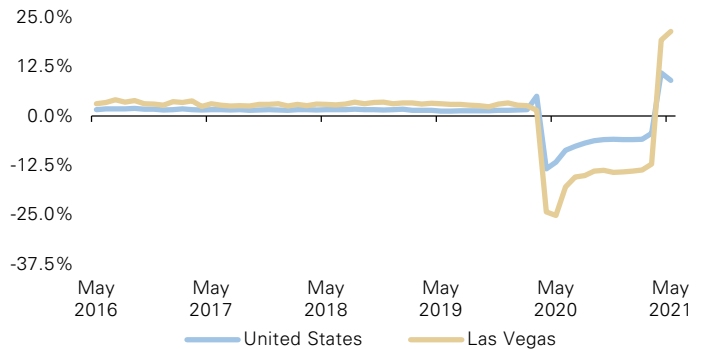
LAS VEGAS, 2020 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

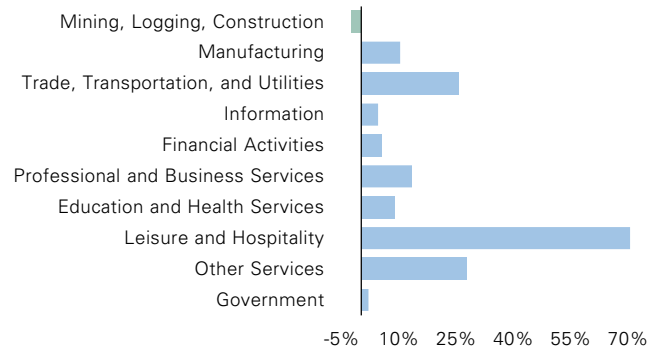
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



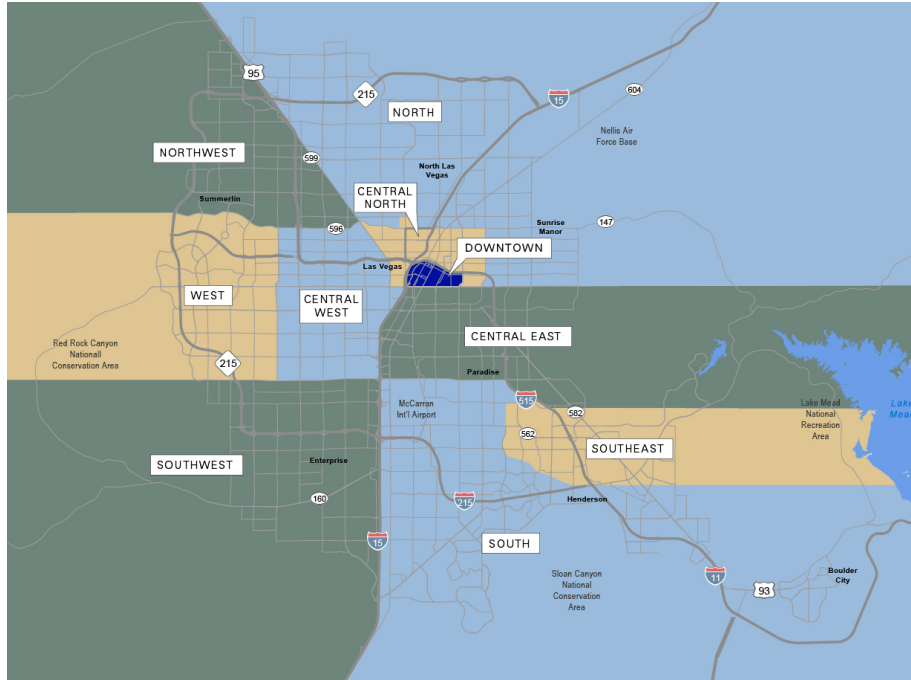
Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

LAS VEGAS, MAY 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics



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