

Las Vegas Office Market

Development and Demand Strong; Rents Nearing Pre-Pandemic Levels

After being hit hard by the onset of the pandemic in 2020, Las Vegas has made steps towards recovery, and the Metro office market ended 2021 with positive absorption, lowered vacancy and rising rents compared with year-end 2020. Job recovery is strong, and the unemployment rate is down 350 basis points year-over-year. The office sector experienced gains across nearly all industry types.

Overall vacancy bumped up 10 basis points quarter-over-quarter but is still well below vacancy a year ago, with 2021 ending at 12.5% compared with 2020's 13.8%. This shows that the disruption caused by the pandemic to the overall economy and the Metro may in fact be short term, as 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 uptick during the fourth quarter of 2021 but remains much lower than many other metros across the nation.

Leasing activity was strong, with numerous companies signing deals throughout the quarter and strong engagement across all submarkets. With tourist activity increasing and consumers willing to engage in more discretionary spending, DraftKings moved forward with taking a large block of space totaling 82,134 square feet in the Uncommons development in the Southwest; Morgan Stanley also is taking space within the development for 18,330 square feet. Another large deal that

Current Conditions

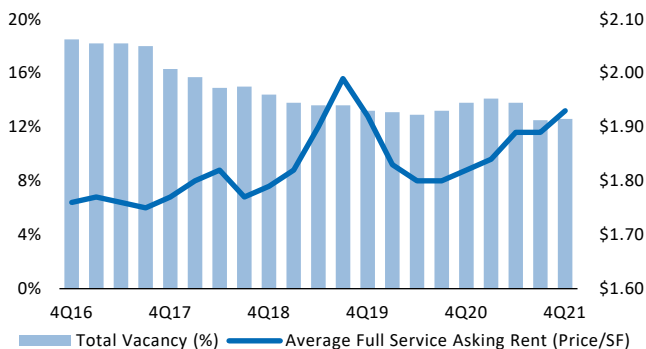
- Total vacancy increased marginally, moving up 10 basis points quarter-over-quarter, with net absorption dipping into the negative by 17,338 square feet for the quarter, but ended with a year-end total of 607,177 square feet absorbed throughout the Metro in 2021.
- Construction activity remained above 1 million square feet with no new deliveries in the fourth quarter of 2021. Over 600,000 square feet of the construction underway is slated to deliver in the first half of 2022.
- Asking lease rates increased by 6.0% year-over-year. After decreasing from the third quarter of 2019 through the third quarter of 2020, lease rates have steadily climbed back, ending at \$1.93/SF for the fourth quarter of 2021.

Market Summary

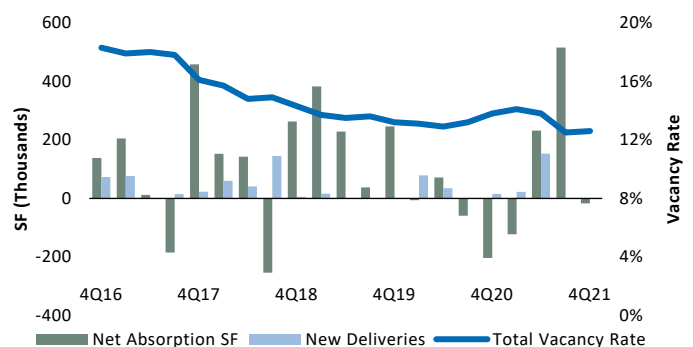
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	39.2M	39.2 M	38.9 M	↑
Vacancy Rate	12.6%	12.5%	13.8%	↔
Quarterly Net Absorption (SF)	(17,338)	515,284	(203,660)	↑
Average Asking Rent/SF	\$1.93	\$1.89	\$1.82	↔
Under Construction (SF)	1,126,863	1,141,263	702,384	↔
Deliveries (SF)	0	0	15,000	↑

Market Analysis

ASKING RENT AND TOTAL VACANCY RATE



NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE



RESEARCH Q4 2021

occurred in an under-construction project was at 1700 Pavilion, with Wynn Design Group leasing 38,848 square feet on the ninth and tenth floors. Ignite Funding took 23,481 square feet at Marnell Corporate Center 2, and Molina Healthcare leased 22,722 square feet in the Southwest submarket in Centra Point. Despite strong leasing activity, the overall Metro lost 17,338 square feet of absorption, with the North submarket being the only submarket to record positive absorption during the fourth quarter of 2021; however, 2021 experienced 607,177 square feet of absorption throughout the Metro, a large difference compared to 2020's overall absorption loss of 197,933 square feet.

Asking rents continue to push upward after dropping 10.6% from the Metro high in 2019, ending the year at \$1.93/SF and recording a 6.0% increase year-over-year. Class A asking rents sit at \$2.56/SF for the entire Metro, with the Central East submarket asking the highest rents for Class A product at \$2.92/SF. Overall asking rents in the Southern portion of the Metro have seen the most growth in recent quarters, largely due to the influx of new office developments within the area. In the past five years, the Southern Metro region rents have increased by 19.2%, with Class A rents jumping up 21.8% for the same timeframe. Demand for quality space within the South is clearly pushing rent, as developers work to create the supply with new developments being announced quarterly.

Office construction remained above 1 million square feet underway at the end of 2021, continuing the trend of heightened development within the Metro and bucking the trend of decreased office development felt across the nation. Many companies in the surrounding states have started to take an increased interest in the Metro as an attractive location to move or expand due to lower rents and wages compared with locations such as Silicon Valley or Portland. Despite increased interest, developers are careful to not overbuild and prefer build-to-suit or speculative projects where a large tenant has committed to space before breaking ground on a new project. Of all the square footage underway at quarter-end, 75.8% is concentrated in the Southern portion of the Metro. No deliveries occurred with the fourth quarter of 2021; however, over 600,000 square feet of the 1.1 million square feet in development is expected to deliver in the first half of 2022.

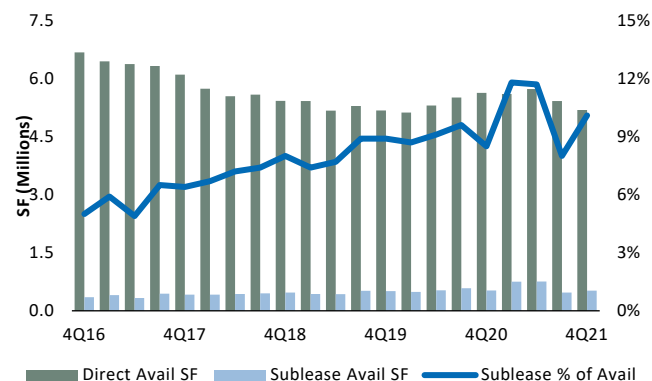
Las Vegas's reliance on tourism leaves it open for instability and, with that, is closely tied to how the Metro and the nation can contain the pandemic. Future shutdowns could weaken consumer confidence and travel and could push the Metro's recovery out into further quarters. The office market has made improvements in recent quarters. Barring any changes regarding the containment of COVID-19 or any of its variants, recovery and growth is expected throughout the Metro.

Select Lease Transactions

Tenant	Building	Submarket	Deal Type	Square Feet
DraftKings	UnCommons – Building 1	Southwest	Direct New	82,134
Wynn Design Group	1700 Pavilion	West	Direct New	38,848
Ignite Funding	Marnell Corporate Center 2	South	Direct New	23,481
Molina Healthcare	Centra Point	Southwest	Direct New	22,722
Morgan Stanley	UnCommons – Building 2	Southwest	Direct New	18,330
PAC Downtown Las Vegas	Bank of American Plaza	Downtown	Direct New	16,636
PGAL Architects	Crimson Canyon Office Building	Northwest	Renewal	9,960

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	-	22.5%	(1,254)	41,051	\$1.90	\$2.92
Central North	581,141	-	0.9%	(2,850)	14,733	\$1.63	N/A
Downtown	2,218,147	-	13.4%	(2,782)	(26,016)	\$2.04	\$2.26
North	1,020,634	5,411	7.0%	63,534	63,693	\$1.48	\$1.36
Northwest	5,959,910	-	12.3%	(28,665)	18,132	\$2.08	\$2.28
South	9,505,708	24,000	11.0%	(8,626)	(24,382)	\$1.97	\$2.53
Southeast	1,315,138	150,000	11.3%	(3,051)	38,000	\$1.80	\$2.04
Southwest	7,621,806	680,452	7.8%	(31,625)	481,548	\$2.23	\$2.54
West	5,024,390	267,000	14.1%	(2,019)	418	\$1.57	\$2.25
Las Vegas	39,182,874	1,126,863	12.6%	(17,338)	607,177	\$1.93	\$2.56

Select Sale Transactions

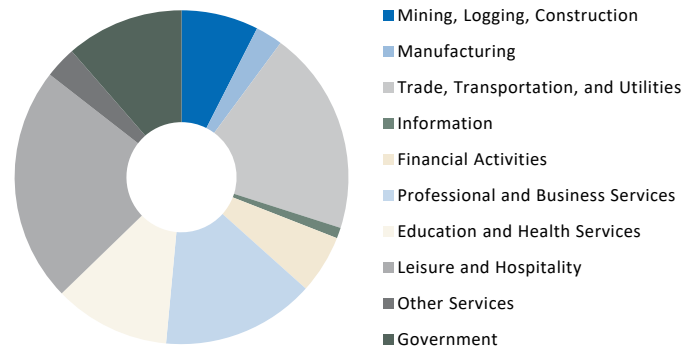
Buyer	Building	Submarket	Price	Square Feet
Las Vegas Sands Corporation	Tribeca Parc	Southwest	\$27,800,000	110,756
Don Ahern	Atrium Business Tower	Northwest	\$17,500,000	167,508
Buckeye Investments	Airport Corporate Center	South	\$12,299,999	46,419
Yukon Waters	Valley Freeway Centre - 3	South	\$10,000,000	41,856
Fred & Mayling Yuan	1401 Hillshire Dr.	Northwest	\$7,400,000	35,190
Shirley Yeung	7380 W. Sahara Ave.	West	\$6,673,000	17,722
Bryant Stacy Group	Cliffs Professional Plaza 1	Northwest	\$5,500,000	27,005
Sheri & Steven Beckett	1490-1510 W. Sunset Blvd.	Southeast	\$4,450,000	23,929
Allstate Property Group	4570 W. Post Rd.	Southwest	\$4,200,000	22,448
Arts Corner	1 E. Charleston Blvd.	Downtown	\$4,100,000	21,575
3321 Buffalo	The Willows	Northwest	\$3,736,000	22,725
Wagner Management Corp	9414 W. Lake Mead Blvd.	Northwest	\$3,000,000	8,100
CKD Properties	Westcliff Plaza	Northwest	\$2,200,000	7,364
Charles Fox	310 W. Utah Ave.	Central East	\$2,200,000	30,162
United Cap Investments	2575 S. Highland Dr.	Central East	\$2,000,000	14,000

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 is still higher than the national average for November 2021, with Las Vegas Metro sitting at 6.3% compared with 4.2% for the nation. The Metro has made strides in bringing employees back to work and creating jobs lost due to the disruption the pandemic wrecked on the economy on a global scale. Overall job growth from April 2020 to November 2021 sits at 26.9%, with 209,300 net jobs created within that time period. Overall employment is still 5.2% lower than pre-pandemic numbers but is increasing at a steady pace each month. Pre-COVID-19, office jobs made up 31.2% of overall jobs in the Metro; as of November 2021, 25.0% of the net jobs added to the Metro since the onset of the pandemic were office jobs. Metro vaccination rates are nearing 55%. With safety measures in place for tourist locations, more businesses and offices are bringing workers back to the workplace, creating potential for increased job creation in the office sector in coming months.

Employment by Industry

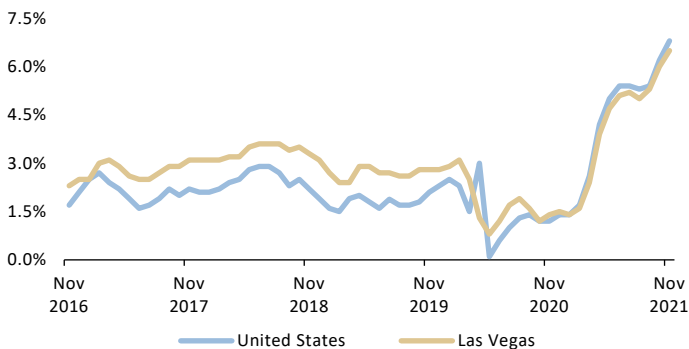
LAS VEGAS, 2020 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

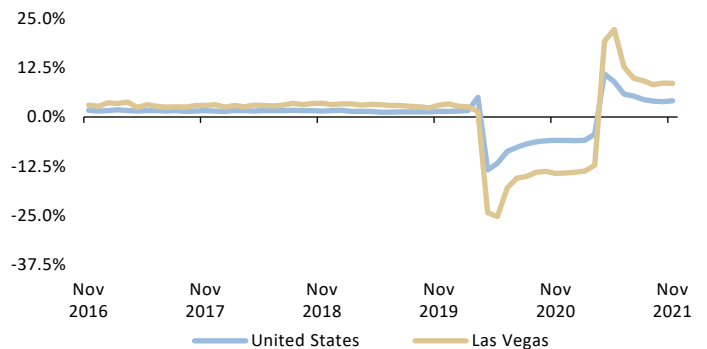
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

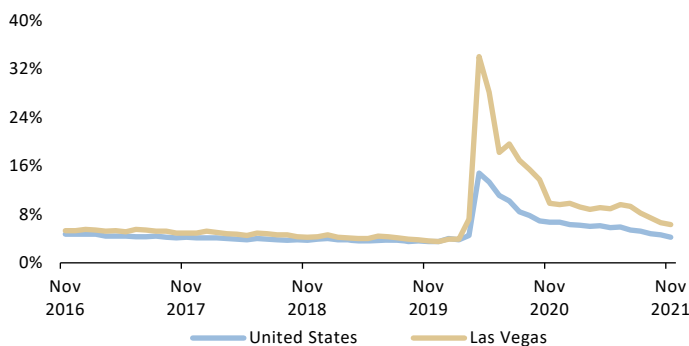
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

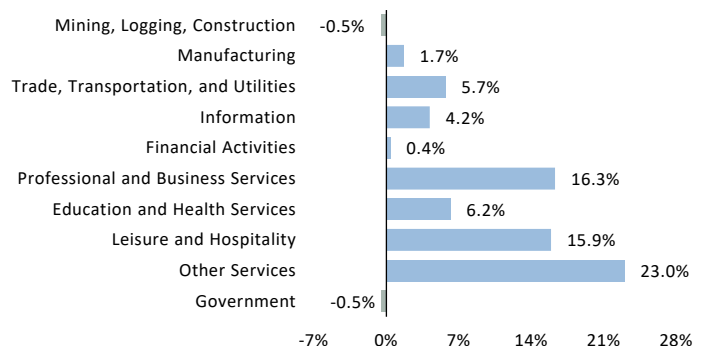
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics

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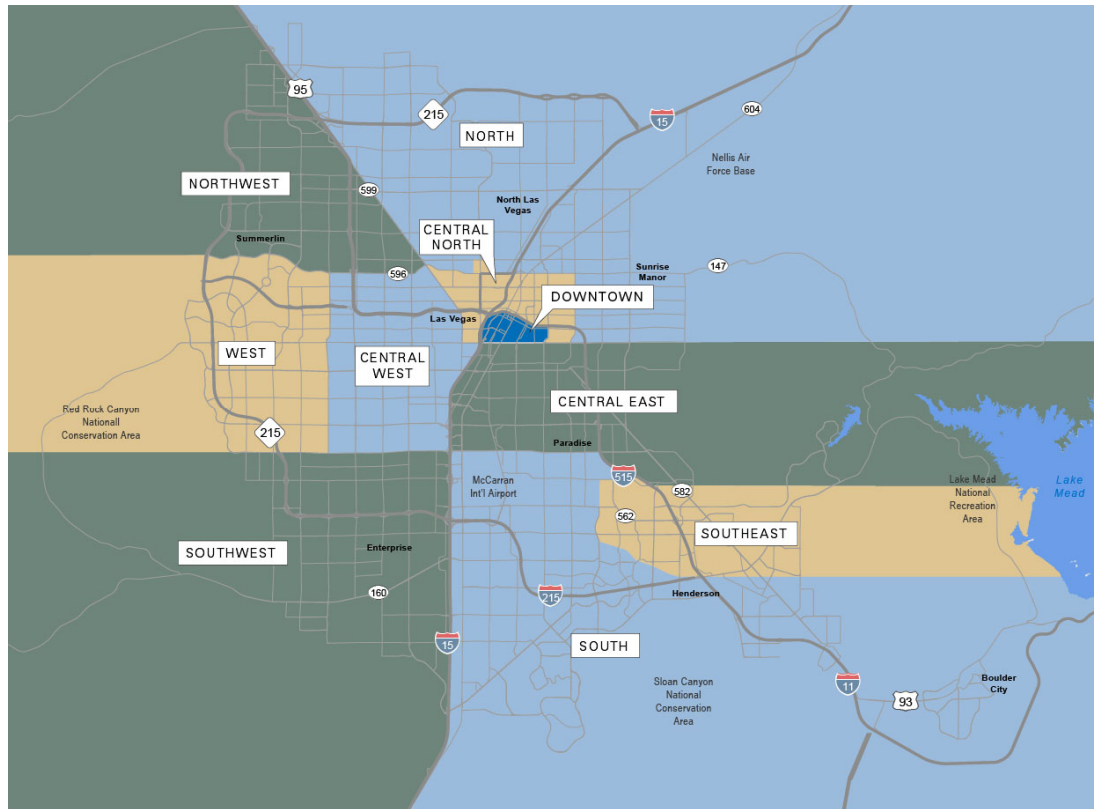
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