A photograph of three business professionals sitting on a red sofa in a modern office. A man on the left is wearing a light blue shirt and a dark vest, looking at a smartphone. A woman in the middle is wearing a white top and a brown cardigan, looking at a laptop. A man on the right is wearing a light blue shirt and dark pants, looking at a smartphone. The office has large windows, a potted plant, and a white coffee table with a laptop, a water bottle, and some papers.

Las Vegas office market report

Q4 2022

**AVISON
YOUNG**

Las Vegas office market trends

5.7%

Las Vegas Unemployment Rate

Las Vegas's economy is still rebounding following the COVID lockdown mandates, with the unemployment rate currently sitting at 5.7% heading into 2023.

Our take on this trend...

Las Vegas has lagged in relation to national benchmarks relating to unemployment. This is to be expected as Las Vegas's top commodities are tourism and hospitality – both of which we're highly impacted by COVID. However, Las Vegas's rebound should not be overlooked as the rate has come down greatly from a high of 30.1% at the start of the pandemic.

97.6%

Return Rate of "In-Office" Employees

Using December 2019 as a baseline – nearly 100% of workers have returned to the office full-time, according to Avison Young's Vitality Index.

Our take on this trend...

Las Vegas should be applauded for its ability to get employees back to the office, as it has led the nation in its "employee return rate" as it pertains to office space. Las Vegas has 97.6% of its employees back in the office, whereas the national average for this benchmark is 46.3%. This has greatly offset long-term consequences pertaining to Las Vegas's office real estate market.

13.8%

Total Vacancy

Total office vacancies have decreased to 13.8% at the end of the fourth quarter, down from last year's rate of 14.8%. At the end of the Q4 there was 3.3 msf of total vacant space in the market, down 6.7% from the year prior.

Our take on this trend...

Due to Las Vegas's remarkable ability to get employees back into the office over the past year – Las Vegas has been able to offset major issues many other large markets have undergone pertaining to vacancy and negative net absorption in their respective markets.

Employment and unemployment rate

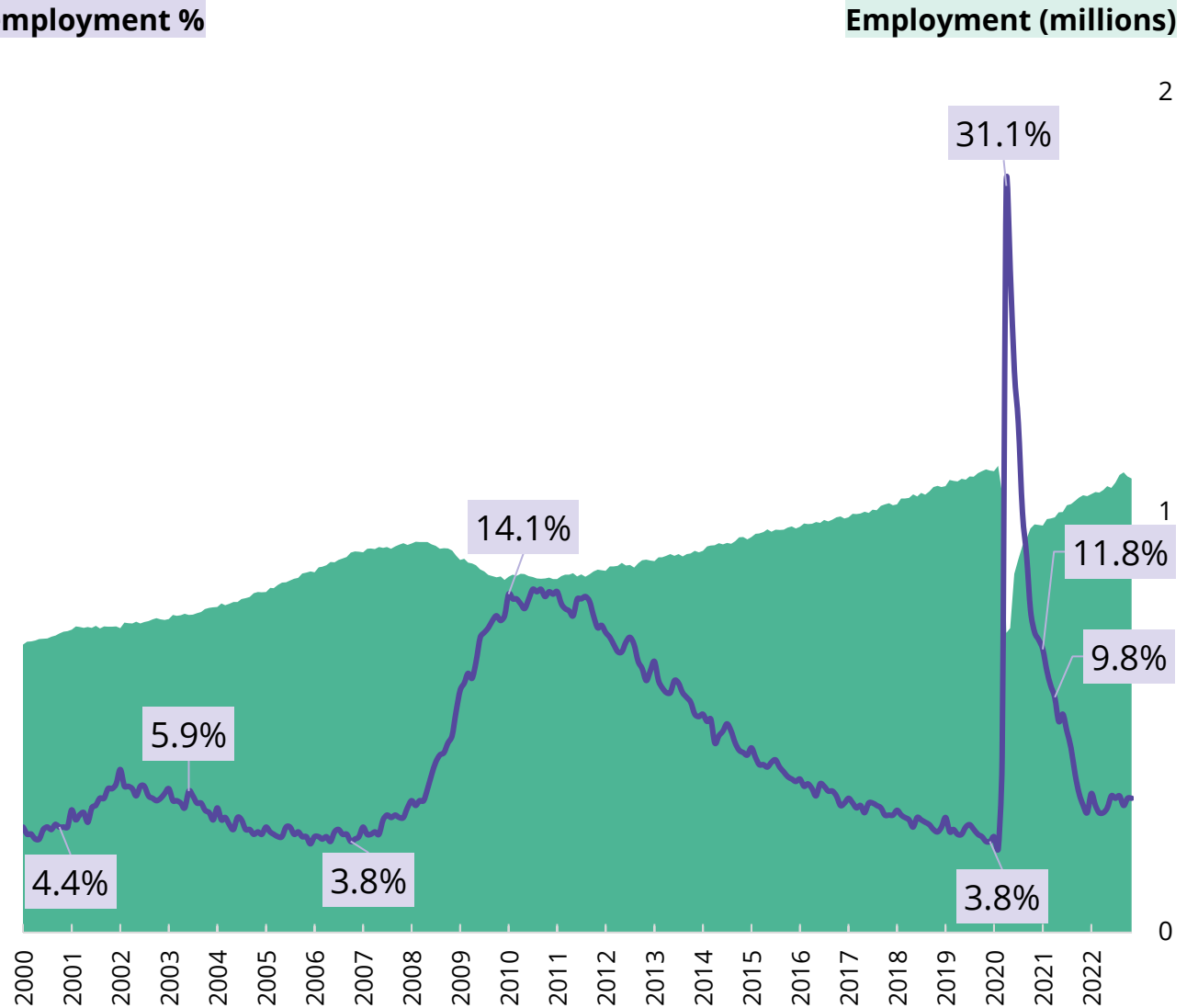
5.7%

Las Vegas's unemployment rate is currently at 5.7%, compared to 5.80% last month, and 5.40% last year. This is lower than the long-term average of 6.83%.

Las Vegas has lagged in relation to national benchmarks relating to unemployment. This is to be expected as Las Vegas's top commodities are tourism and hospitality – both of which we're highly impacted by COVID. However, Las Vegas's rebound should not be overlooked as the rate has come down greatly from a high of 30.1% at the start of the pandemic.

Unemployment %

35%
30%
25%
20%
15%
10%
5%
0%



Source: Bureau of Labor Statistics

Las Vegas office market indicators (graphics on page 5)

-162,134 sf

Office development activity in Las Vegas has **decreased** by 162,134 sf year-over-year. This is primarily due to the fact that development was not needed in 2022, as there was plenty of existing office space that needed to be filled following COVID.

365,605 sf

There was 365,605 sf of **positive net absorption** in 2022, which is a 367.18% increase (502,445 sf) year-over-year – as 2021 ended with -136,840 sf in net absorption.

3.2%

Rental rates have slowly, but steadily **increased** over the past four quarters – totaling a 3.2% increase year-over-year. Q4 saw the highest asking rents of the year, averaging \$25.52 psf as we head into 2023

-16.2%

Total availabilities are **down** 16.2% in relation to 2021's Q4. Given Las Vegas's astounding "return-to-office" rates – businesses are leasing and releasing at rates higher than they were prior to the pandemic.

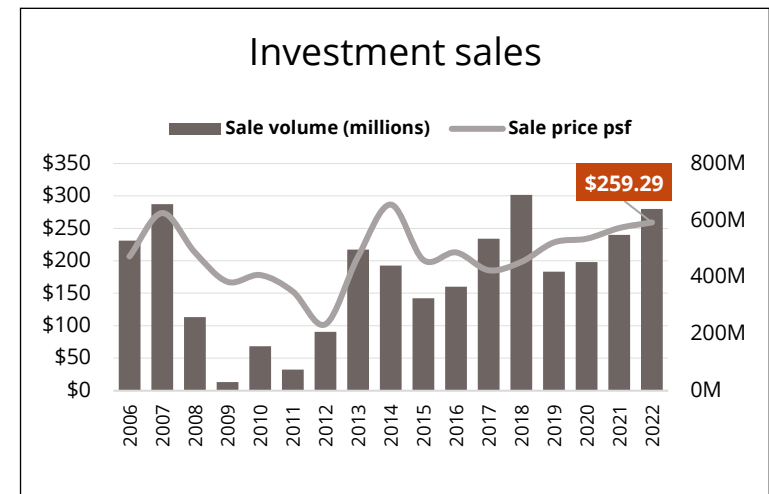
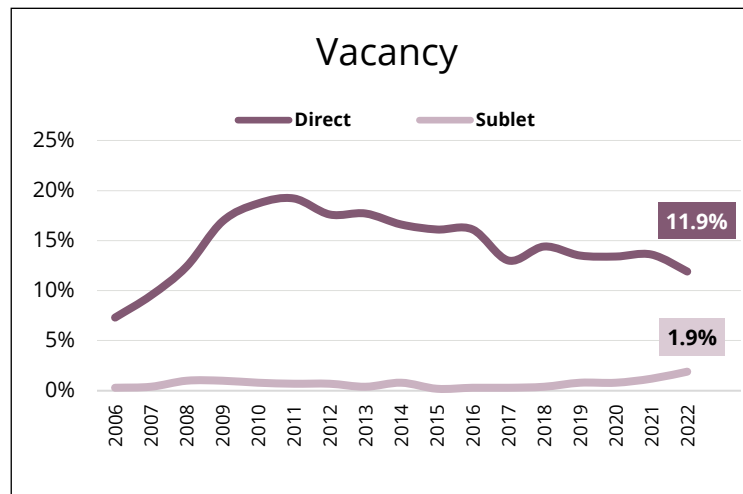
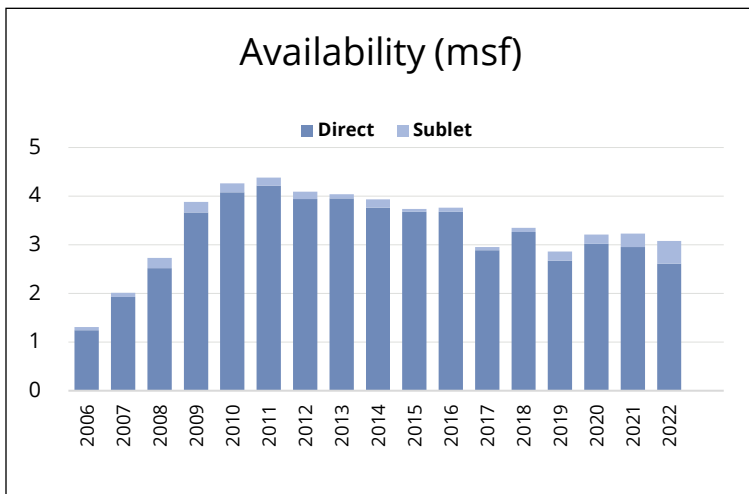
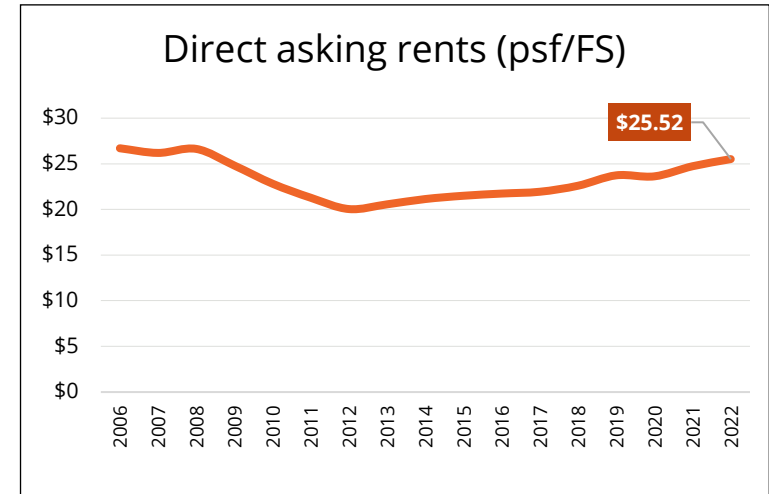
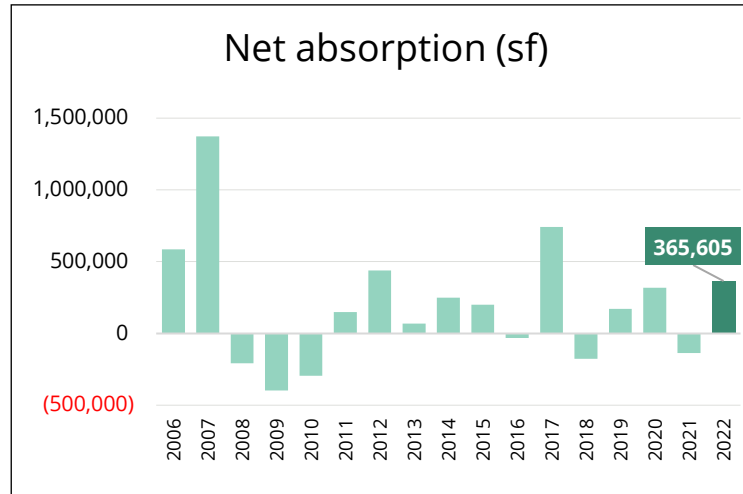
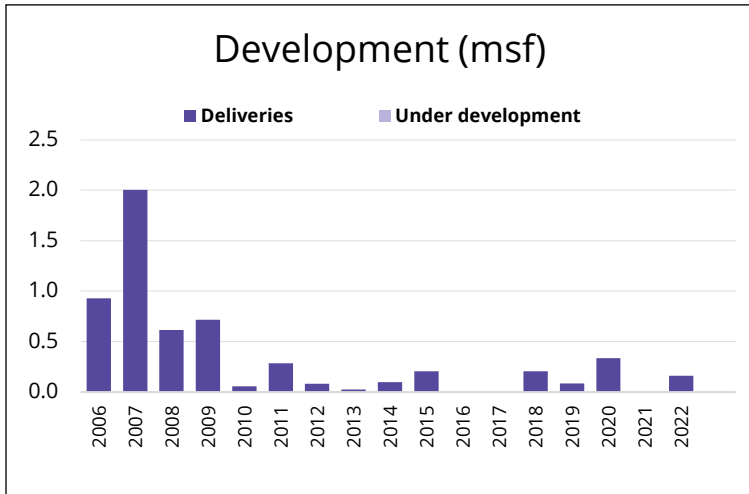
-6.7%

Total vacancies in Las Vegas have **decreased** by 6.7% in 2022. Much like what was said for Las Vegas's "total availabilities", the city's return-to-office rates encouraged companies to lease and release at rates higher than they were prior to the pandemic.

16.7%

Sales volume (by \$) was **up** 16.7% (\$91,593,882) year-over-year. Not only was sales volume (\$) up in 2022 - but there were also 15 more transactions closed and cap rates traded an average of 60 basis points lower than their 2021 year-end totals.

Las Vegas office market indicators

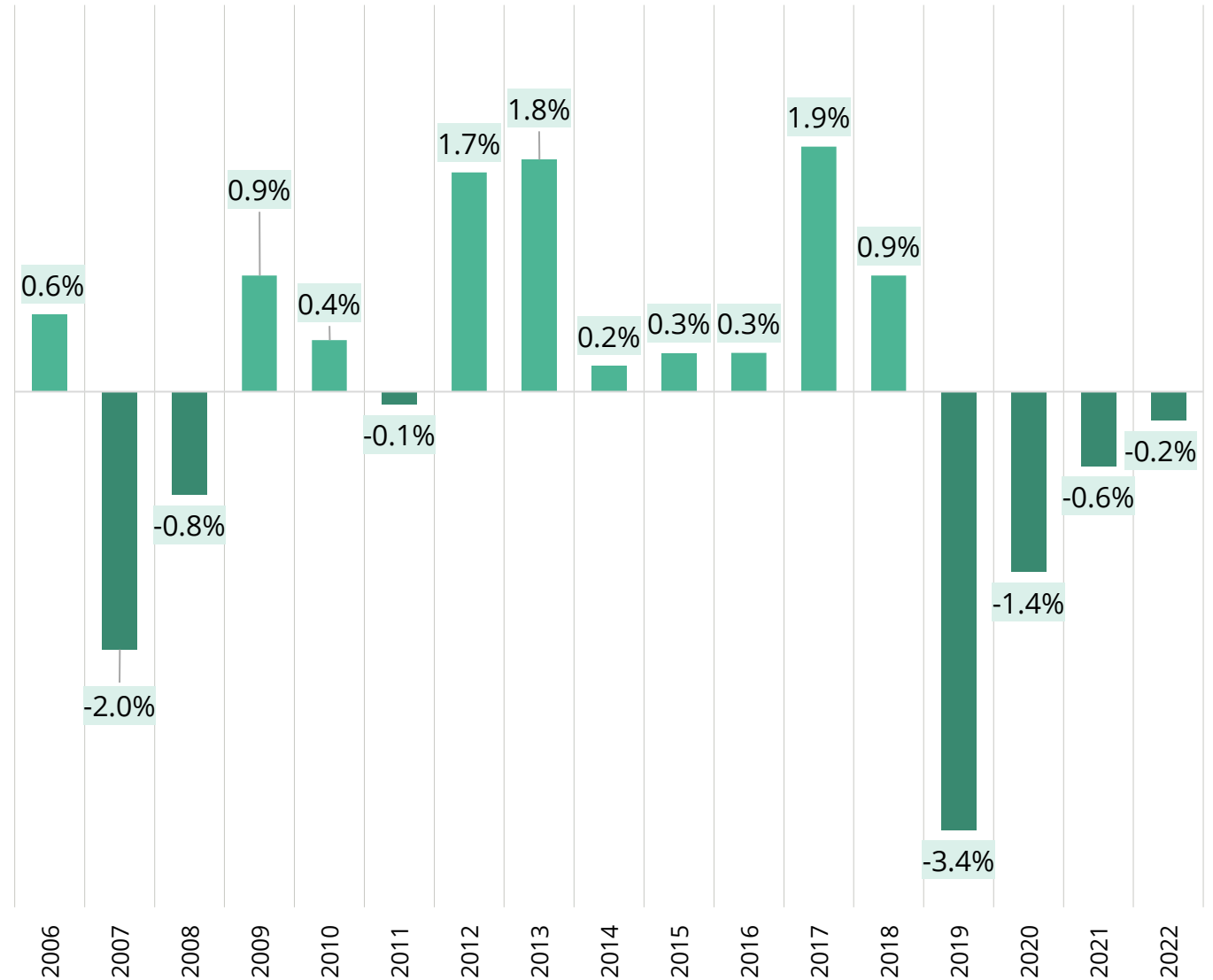


Net absorption as a share of inventory

-0.2%

Las Vegas continues to move in the right direction, though net absorption as a share of inventory is negative for 2022

There was 365,605 square feet of positive absorption in 2022. This was a positive sign that traditional office employees were returning to their work environments. 2022 greatly improved on 2021's net absorption numbers, which totaled 136,840 square feet of negative absorption.



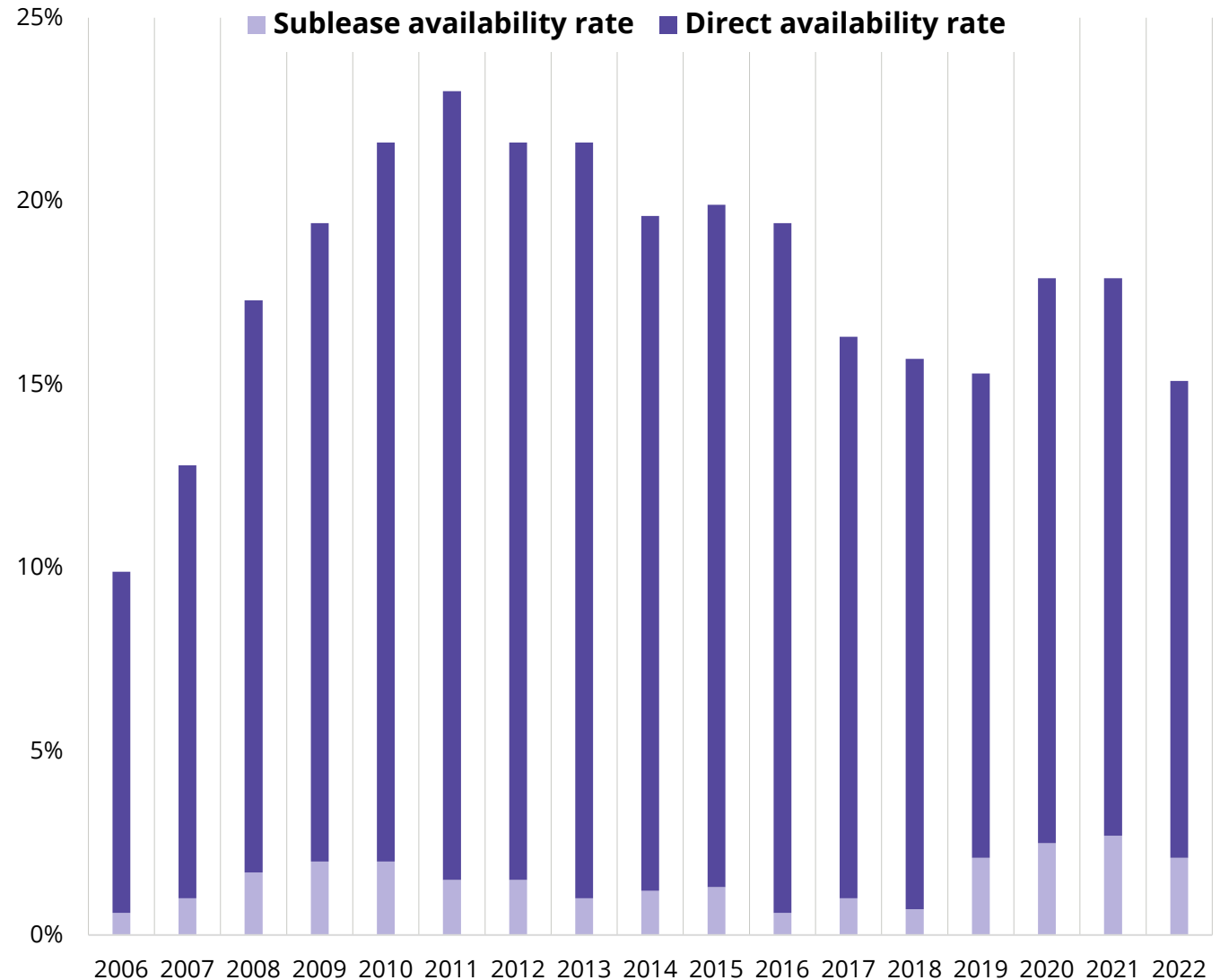
Source: AVANT by Avison Young, CoStar

Las Vegas office availability

3.6 msf

Las Vegas office availabilities are down 16.2% year-over-year

Total availabilities are **down** 16.2% (692,182 sf) in relation to 2021's Q4. Given Las Vegas's astounding "return-to-office" rates – businesses are leasing and releasing at rates higher than they were prior to the pandemic. With very few office buildings under development in 2022, availabilities continued to decrease as "return-to-office" and lease rates have increased.

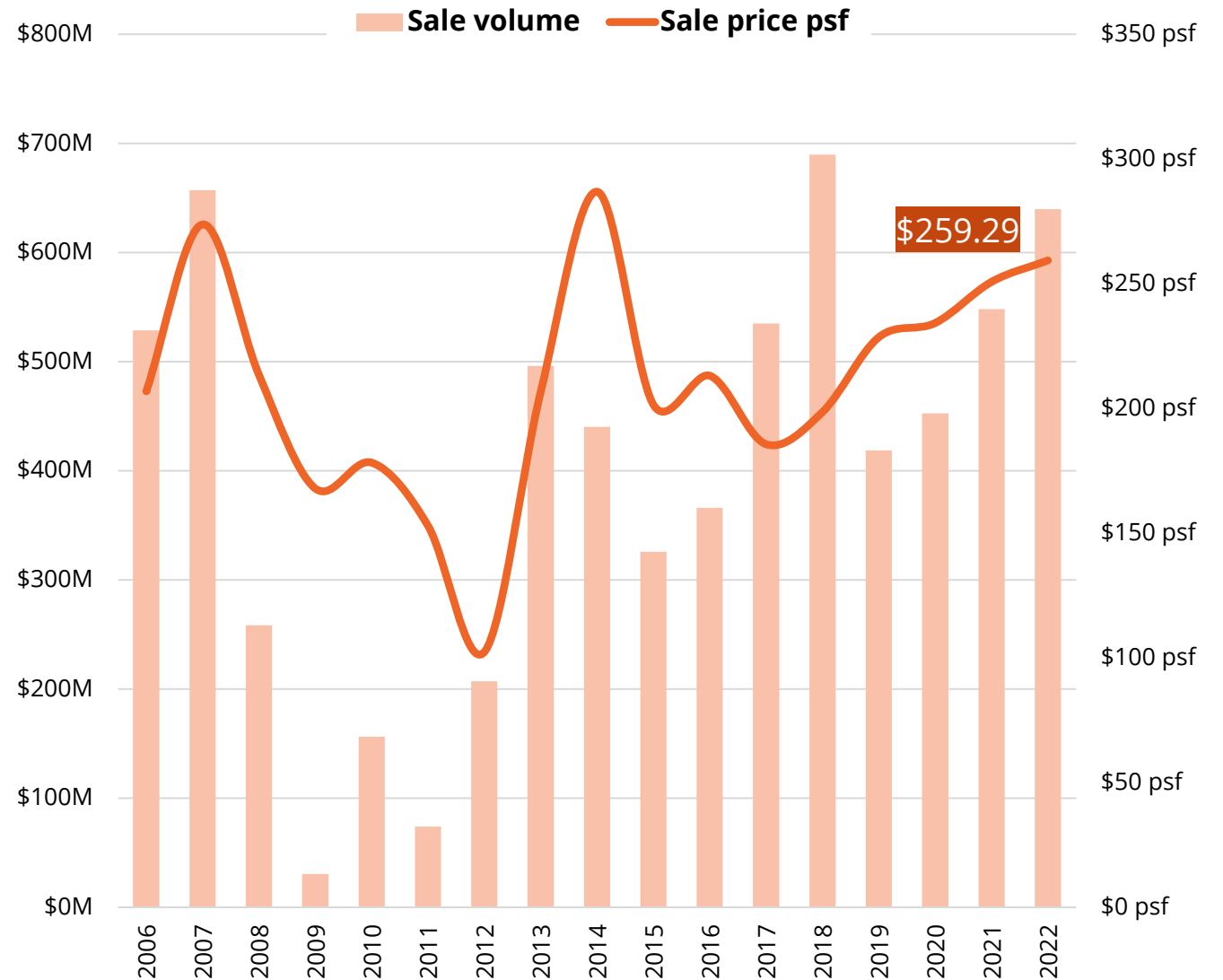


Las Vegas investment sales activity and price

\$259 psf

The average price paid for office buildings came in at \$259 psf in 2022

Office transaction volume (by \$) was up year-over-year by \$91,593,882 (16.7%). Not only was sales volume by dollar amount up in 2022 - but there were also 15 more transactions closed and office properties traded an average of 60 basis points lower in cap rate in comparison to their 2021 year-end totals.



Source: AVANT by Avison Young, CoStar

Las Vegas office market stats

| | Existing inventory sf | Deliveries sf | Under development sf | Direct vacancy | Sublet vacancy | Total vacancy | Net absorption sf (Q4 2022) | Net absorption sf | Direct asking rent FS |
|---------------------------------|-----------------------|----------------|----------------------|----------------|----------------|---------------|-----------------------------|-------------------|-----------------------|
| Central East Las Vegas | 3,612,123 | - | - | 22.4% | 1.1% | 23.5% | 1,095 | (30,428) | \$28.78 |
| Central North Las Vegas | 702,828 | - | - | 0.0% | 0.0% | 0.0% | 0 | 964 | - |
| Downtown Las Vegas | 3,160,035 | - | - | 15.5% | 0.0% | 15.5% | 499 | (72,151) | \$27.38 |
| North Las Vegas | 459,757 | - | - | 2.4% | 0.0% | 2.40% | 5,964 | 5,587 | \$36.38 |
| Northwest Las Vegas | 3,989,709 | - | - | 13.4% | 3.8% | 17.2% | 94,292 | (3,482) | \$31.70 |
| Southeast Las Vegas / Henderson | 161,209 | - | - | 4.7% | 0.0% | 4.7% | (7,500) | 1,864 | \$18.24 |
| South Las Vegas | 4,699,472 | - | - | 10.2% | 3.5% | 13.7% | (62,703) | (94,806) | \$31.18 |
| Southwest Las Vegas | 3,772,876 | 162,134 | - | 6.1% | 2.4% | 8.5% | 8,875 | 306,370 | \$35.50 |
| West Las Vegas | 3,296,539 | - | - | 8.3% | 0.5% | 8.8% | 177,602 | 251,687 | \$34.07 |
| Overall | 23,854,548 | 162,134 | - | 9.22% | 1.26% | 10.48% | 218,124 | 365,605 | \$30.40 |

Las Vegas office market stats by class

| | Existing inventory sf | Deliveries sf | Under development sf | Direct vacancy | Sublet vacancy | Total vacancy | Net absorption sf (Q4 2022) | Net absorption sf | Direct asking rent FS |
|---------------------|-----------------------|----------------|----------------------|----------------|----------------|---------------|-----------------------------|-------------------|-----------------------|
| Class A | 6,879,562 | 162,134 | - | 13.5% | 3.3% | 16.7% | 45,872 | 146,187 | \$31.38 |
| Class B | 15,769,041 | - | - | 11.9% | 1.5% | 13.4% | 163,567 | 200,566 | \$28.99 |
| Class C | 1,205,945 | - | - | 3.1% | 0% | 3.1% | 8,685 | 18,852 | \$21.77 |
| Market total | 23,854,548 | 162,134 | - | 9.22% | 1.26% | 10.48% | 218,124 | 365,605 | \$30.40 |



Office market activity

Recent leasing activity

| Tenant name | Address | City | Sign date | Size (sf) | Transaction type | Lease type | Term | Rent |
|------------------------------|-------------------------|-----------|-----------|-----------|------------------|------------|---------|-------------|
| Las Vegas Injury Pain Center | 2445 St Rose Pky | Henderson | Oct 2022 | 13,495 | New | Direct | - | \$32.40 FS |
| Paper Education America | 319 E Warm Springs Rd | Las Vegas | Nov 2022 | 11,000 | New | Direct | 3 years | \$18.00 MG |
| Nevada Defense Group | 1389 Galleria Dr | Henderson | Dec 2022 | 8,022 | New | Direct | 3 years | \$16.20 NNN |
| First Choice Business Group | 851 S Rampart Blvd | Las Vegas | Oct 2022 | 7,127 | New | Direct | 7 years | \$28.80 NNN |
| Hawkins Melendrez PC | 1645 Village Center Cir | Las Vegas | Oct 2022 | 6,823 | New | Sublease | - | \$30.00 FS |

Recent sales activity

| Buyer | Address | City | Sale date | Sale price | Size (sf) | Sale price (psf) | Seller |
|------------------------------|--------------------------|-----------|----------------|--------------|-----------|------------------|-------------------------|
| Capital Square | 1475 Raiders Way | Henderson | Nov 2022 | \$57,600,000 | 336,000 | \$287 | Mesirow Financial |
| Patriot Real Estate Holdings | 6720 Via Austi Pky | Las Vegas | Nov 2022 | \$31,875,000 | 110,974 | \$287 | TA Realty |
| Ream LLC | 2500 W Sahara Ave | Las Vegas | Nov 2022 | \$2,800,000 | 51,000 | \$55 | Philana Corporation |
| - | 7135 W Sahara Ave | Las Vegas | Under Contract | \$8,500,000 | 29,226 | \$291 | Frank Pankratz |
| - | 3051 W Horizon Ridge Pky | Henderson | Under Contract | \$6,500,000 | 23,635 | \$275 | Church LV – Seven Hills |

Large contiguous space availabilities

| Owner | Address | City | Date available | Block size (sf) | Floors | Asking rent | Landlord Broker |
|------------------------|------------------------------|---------|----------------|-----------------|--------|-------------|---------------------|
| Rowan Technology | 201 N Central Ave | Phoenix | Vacant | 721,349 | 3-38 | Withheld | CBRE |
| LBA Realty | 20 E Thomas Rd | Phoenix | Vacant | 309,829 | 1-17 | \$27.50 FS | Cushman & Wakefield |
| Griffin Realty Trust | 20022 N 31 st Ave | Phoenix | Vacant | 298,746 | 1-4 | \$19.50 NNN | Cushman & Wakefield |
| Shorenstein Properties | 1625 W Fountainhead Pky | Tempe | Sep 2023 | 277,545 | 1-10 | Withheld | CBRE |

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across markets and property types

Explore our latest data and insights



Putting people and the planet first

There is a vital role for our sector to create healthy, productive workplaces for employees, cities that are centers of prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

Global ESG Report



The built environment is changing

New needs, new policies, new use of space. How we live, work, and play is changing like we've never seen before. Tune in to our podcast, Changing Places, for conversations with experts that help us unpack the new and next normal.

Changing Places



Tracking U.S. employment trends

Rising layoffs and declining job postings are also indicating that the economy is becoming distressed. Employment data and industries are analyzed across cycles for a real-time and historical look at economic conditions.

U.S. Employment Overview

For more market insights and
information visit **avisonyoung.com**

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