



Las Vegas

Office 21Q4

Key Takeaways

- Office vacancy at lowest level since Great Recession
- Net absorption highest level since 2018
- Asking rents increase to \$2.27 psf FSG



LV Office Recovers from the Lockdowns

Southern Nevada's office market completed its recovery from the 2020 lockdowns in the fourth quarter of 2021, with vacancy decreasing to 13.3%, which was not only lower than its pre-lockdown rate of 13.6%, but also the market's lowest vacancy rate since before the Great Recession. Asking rental rates increased to \$2.27 psf on a full-service basis.

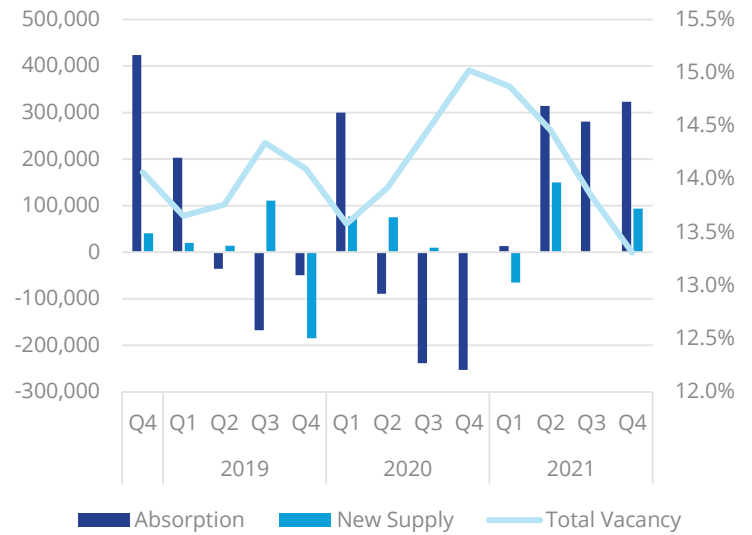
Market Indicators



Historic Comparison

	20Q4	21Q3	21Q4
Total Inventory (in Millions of SF)	45.3	45.4	45.5
New Supply (in Thousands of SF)	0.0	0.0	93.4
Net Absorption (in Thousands of SF)	-252.8	280.3	323.6
Overall Vacancy	15.0%	13.8%	13.3%
Under Construction (in Thousands of SF)	80.0	358.0	674.2
Overall Asking Lease Rates (FSG)	\$2.26	\$2.24	\$2.27

Market Graph



The office market has essentially recovered from the 2020 lockdowns, and is now poised for expansion in 2022

Recent Transactions



Lease
UnCommons
89.5K SF | \$3.51 FSG



Lease
2690 North Decatur
21.9K SF | \$0.76 NNN



Lease
2495 Village View
13.3K SF | \$2.51 FSG



Lease
UnCommons
12.6K SF | \$3.54 FSG



Lease
Axiom
7.9K SF | \$3.16 FSG



Lease
2410 Fire Mesa
7.6K SF | \$1.60 NNN

Office 21Q4

Employment

According to DETR, Southern Nevada's office job market added 27,300 jobs between November 2020 and November 2021.

Unemployment in the Las Vegas-Paradise MSA was 6.3% in November 2021. Over the past 12 months, total employment in Southern Nevada increased by 45,600 jobs, a 4.8% increase. Southern Nevada lost 241,900 jobs between February and April 2020 and had regained 81% of those lost jobs by November 2021.

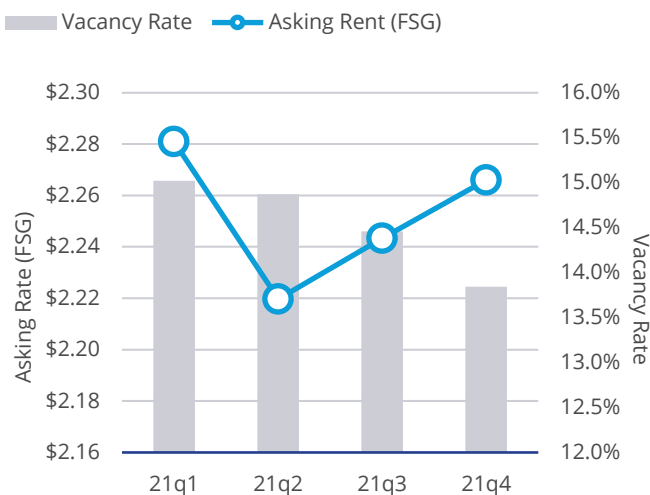
Construction and Absorption

Office inventory increased by 93,365 square feet in the fourth quarter of 2021, bringing year-to-date deliveries to 178,035 square feet. The Valley had 674,214 square feet of office space under construction at year's end, the most space under construction since 2014. Despite the much stronger demand experienced by class C and B properties over the past year, most of the office space now under construction is class A. This class A space is approximately 52% pre-leased, suggesting that the lower demand for class A office space in 2021 is due to the location and age of most of the Valley's class A product.

Southern Nevada had three quarters of strong net absorption in 2021, with occupancy increasing by 931,390 square feet this year. Class C buildings saw 383,341 square feet of net absorption in 2021, and class B buildings absorbed 777,758 square feet. Class A buildings suffered -229,709 square feet in 2021.

Vacancy vs. Rents

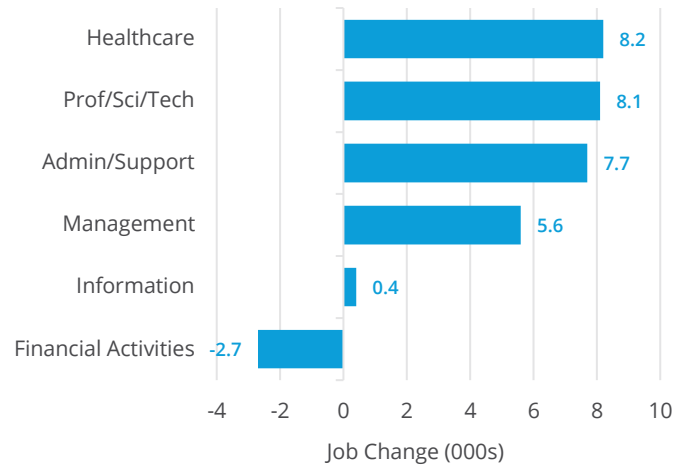
Past four quarters



Source: Colliers International

Employment Growth by Sector

November 2021, year-over-year



Source: Colliers International

The industries most active in occupying office space over the past four quarters in Southern Nevada were involved in amusement and recreation (16.9%), professional and business services (16.3%) and health services (11.5%). Local companies took 47.5% of the leased square footage we tracked over the past four quarters. Companies headquartered in the Mid-Atlantic states took 14.2% of the space occupied, followed by the Northeast at 11.6% and Southeast at 8.7%.

Vacancy

Office vacancy reached its lowest level since the onset of the Great Recession in the fourth quarter of 2021. Vacancy stood at 13.3% at year's end, lower than before the lockdowns of 2020.

Downtown vacancy was 12.3% this quarter, compared to 13.4% in the more active suburbs. On a submarket basis, the Valley's highest vacancy rate was in East Las Vegas, at 23.5%, while the lowest vacancy rate was 8.6% in the Southwest submarket. The Southwest has been the Valley's most in-demand submarket over the past decade.

Of the 6.1 million square feet of office space that was vacant in the fourth quarter of 2021, 731,217 square feet was offered for sublease, a 3.3% decrease from one year ago. Vacant sublease space hit a high of 945,813 square feet at midyear 2021 before decreasing to a recent low of 690,742 square feet last quarter. Vacant sublease space has been at an elevated level since 2019, before which it averaged 180,000 square feet.

Office

21Q4

On a unit size range basis, units sized 10,000 to 25,000 square feet was the only category to see an increase in availability over the past twelve months, from 1.46 million square feet to 1.61 million square feet. The largest decrease in availability, of 653,285 square feet, was in units sized from 2,501 to 5,000 square feet. Units of 2,500 square feet or smaller did nearly as well, reducing availability by 647,018 square feet.

Rents

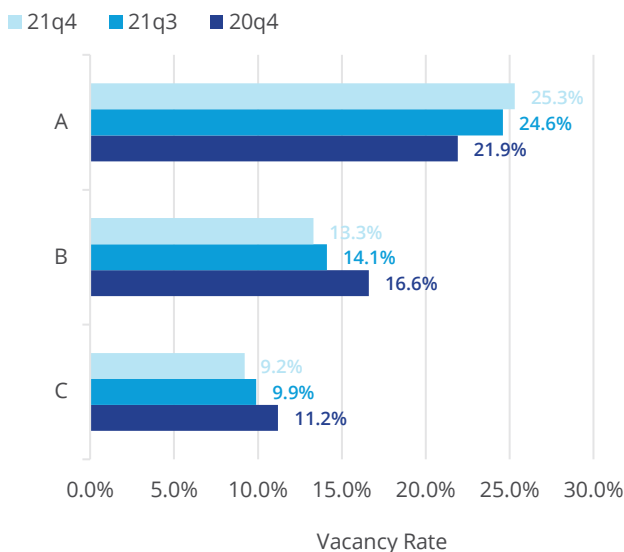
The weighted average asking rental rate for office space in Southern Nevada was \$2.27 psf FSG at the end of 2021, \$0.01 higher than one year ago. Asking rates were increasing in 2020 before decreasing in the second quarter of 2021. This quarter's increase brought asking rents to their highest level yet recorded.

Sales

Office investments had a sales volume of \$212.4 million in 54 sales totaling 1,126,552 square feet with an average sales price of \$188.52 psf. The average cap rate was 7.5%. Investment sales lagged behind 2019 and 2020, possibly because investors focused on hot sectors like industrial and multifamily.

User sales ended 2021 with a sales volume of \$126.1 million in 83 sales totaling 710,677 square feet with an average sales price of \$177.39. This was the strongest year for user sales since 2018.

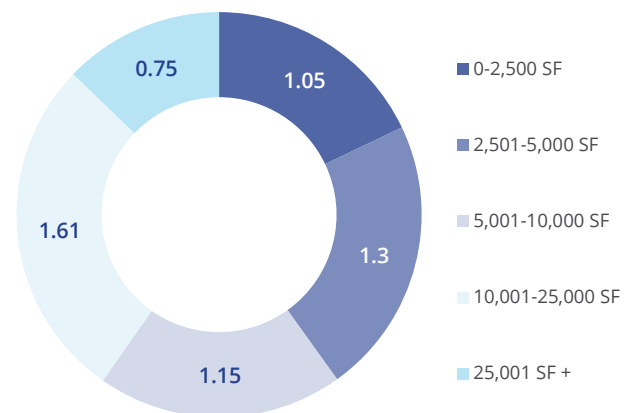
Office Vacancy by Class



Source: Colliers International

Office Vacancy

By size range; 21q4



Source: Colliers International

Forecast

Southern Nevada's office market took a bad turn in 2019, and continued to suffer in 2020, largely due to the lockdowns enacted in response to COVID-19. Net absorption in 2021 bounced back to pre-pandemic levels, bringing office vacancy down to its lowest level since before the Great Recession.

While there is still room for recovery from the Great Recession, the completion of recovery from the lockdowns was good to see. Recovery in Class A office product continued to lag, with vacancy still above 25%, class B and C office in the suburban submarkets were in especially good shape. Net absorption of suburban class B office product was 711,177 square feet in 2021, and suburban class C had 323,261 square feet of net absorption.

This performance was not entirely a surprise. Long-term trends, perhaps accelerated by COVID fears and the impact of technology, have favored suburban office product, and smaller office footprints. We think these trends will continue, although the completion of several new class A office buildings in 2022 could draw tenants from older class B product.

If the national economy cooperates, and that is by no means a certainty, Southern Nevada's office market should continue to improve and expand in 2022.

Office

21Q4

Sales Activity

BSG Cliffs MOB LLC

Cliffs Professional Center
Class B
28,870 SF / \$5.5 MM

North Summit Co.

Camino Al Norte Ofc Park
Class C
10,000 SF / \$4.6 MM

9414 WLMB LLC

Summergeate – Tucson Pk
Class C
5,866 SF / \$3.0 MM

Las Vegas Sands Corp

TriBeCa Park
Class B/C
110,756 SF / \$21.6 MM

Airpark Center LLC

Airport Corporate Center
Class B
46,419 SF / \$12.3 MM

Steven Beckett et al

Quail Bonita
Class C
23,929 SF / \$4.5 MM

Office

21Q4

Glossary

Office Classes

Class A: Buildings, often multi-story, with steel frame construction, high-end exterior finishes, distinctive lobbies with upgraded finishes, amenities including on-site security, state-of-the-art communications and data infrastructure and covered parking.

Class B: Buildings, often multi-story, with steel frame, reinforced concrete or concrete tilt-up construction. Class B buildings contain common bathrooms and hallways and their lobbies may have granite and hardwood detailing.

Class C: Buildings of wood frame construction, often garden-style and are built around courtyards.

General Definitions

Direct Lease: Space in a building offered for lease directly by the owner of the building.

Sublease: Space in a building that is offered for sublease by the primary tenant.

Net Absorption: The difference in occupied square footage from one period to another.

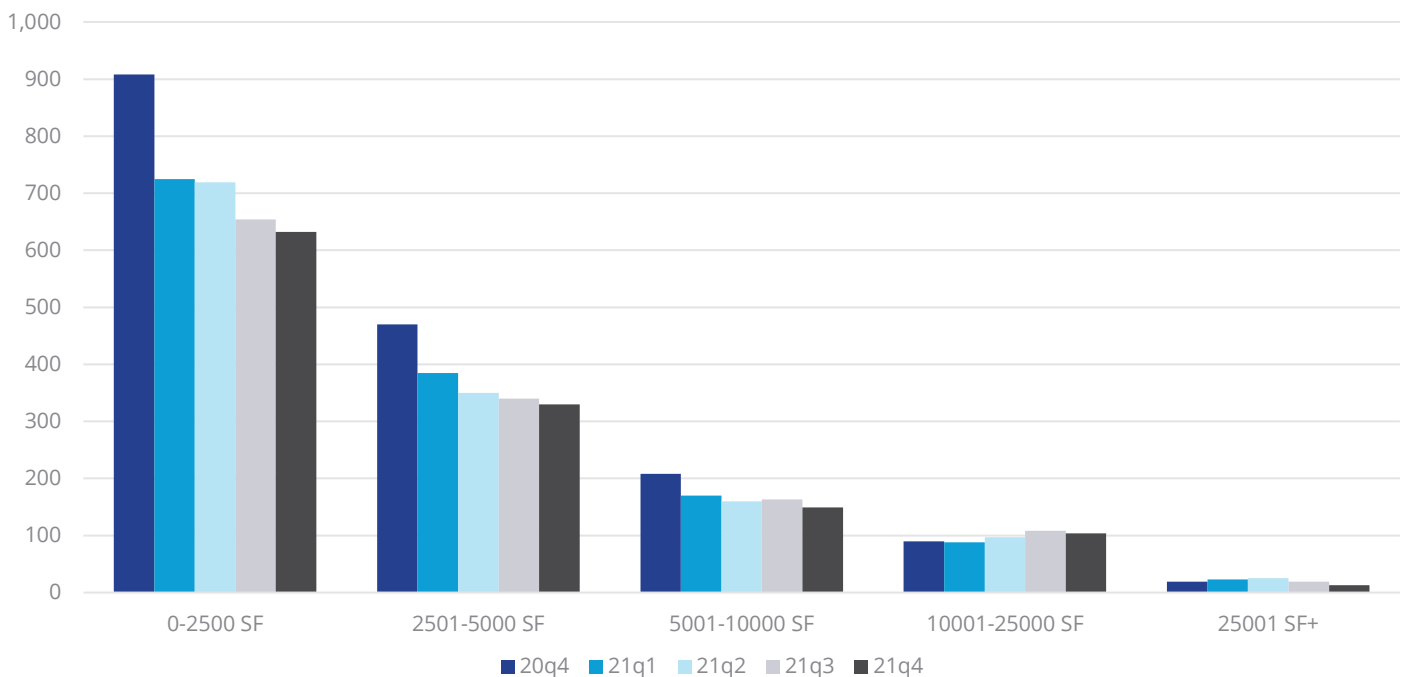
Direct Availability Rate: The percentage of total inventory available for direct lease, regardless of whether it is vacant.

Sublease Availability Rate: The percentage of total inventory available for sublease, regardless of whether it is vacant.

Availability Rate: The percentage of total inventory available for direct lease or sublease, regardless of whether that space is vacant or occupied.

Vacancy Rate: The percentage of total inventory that is available for direct lease or sublease that is vacant.

Office Vacancy by Size Range



Office

21Q4

Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous Quarter	Net Absorption Current	Net Absorption YTD	Under Construction SF	Deliveries YTD	Average Direct Asking Rate (FSG)
Downtown/Urban Core											
A	1,236,654	20.7%	1.6%	22.3%	22.3%	25.4%	38,347	38,347	0	0	\$2.28
B	2,387,690	10.0%	0.0%	10.0%	9.7%	9.9%	43,220	43,220	0	43,913	\$1.99
C	1,405,627	7.8%	0.0%	7.8%	7.8%	8.9%	15,594	15,594	0	0	\$1.87
Total	5,029,971	12.0%	0.4%	12.4%	12.3%	13.5%	97,161	97,161	0	43,913	\$2.09
Suburban											
A	5,640,762	23.8%	5.0%	28.8%	25.9%	24.4%	-86,543	-86,543	608,945	0	\$2.80
B	16,214,490	13.2%	2.4%	15.5%	13.8%	14.7%	144,640	144,640	41,269	0	\$2.25
C	18,626,463	9.5%	0.3%	9.8%	9.3%	10.0%	168,299	168,299	24,000	49,452	\$1.95
Total	40,481,715	12.9%	1.8%	14.7%	13.4%	13.9%	226,396	226,396	674,214	49,452	\$2.29
Grand Total											
A	6,877,416	23.2%	4.4%	27.6%	25.3%	24.6%	-48,196	-229,709	608,945	0	\$2.71
B	18,602,180	12.8%	2.1%	14.8%	13.3%	14.1%	187,860	777,758	41,269	193,913	\$2.22
C	20,032,090	9.4%	0.2%	9.6%	9.2%	9.9%	183,893	383,341	24,000	-15,878	\$1.94
Total	45,511,686	12.8%	1.6%	14.5%	13.3%	13.8%	323,557	931,390	674,214	178,035	\$2.27

Submarkets by Class

Airport											
A	732,160	40.7%	0.0%	40.7%	38.9%	37.2%	-12,507	-126,853	0	0	\$2.89
B	2,404,621	8.6%	0.4%	9.0%	8.6%	9.1%	12,196	79,848	0	0	\$2.37
C	3,159,594	11.5%	0.1%	11.6%	11.4%	11.5%	1,172	-37,369	0	-65,330	\$2.14
Total	6,296,375	13.8%	0.2%	14.0%	13.6%	13.6%	861	-84,374	0	-65,330	\$2.45
Downtown											
A	1,236,654	20.7%	1.6%	22.3%	22.3%	25.4%	38,347	-41,097	0	0	\$2.28
B	2,387,690	10.0%	0.0%	10.0%	9.7%	9.9%	43,220	66,581	0	43,913	\$1.99
C	1,405,627	7.8%	0.0%	7.8%	7.8%	8.9%	15,594	60,080	0	0	\$1.87
Total	5,029,971	12.0%	0.4%	12.4%	12.3%	13.5%	97,161	85,564	0	43,913	\$2.09
East Las Vegas											
A	1,353,083	36.3%	7.5%	43.7%	38.2%	33.9%	-58,143	-90,693	0	0	\$2.91
B	1,340,204	26.8%	0.8%	27.6%	26.8%	23.8%	-40,672	-32,571	0	0	\$1.50
C	2,435,880	13.5%	0.0%	13.5%	13.4%	13.8%	9,089	39,024	0	0	\$1.53
Total	5,129,167	23.0%	2.2%	25.2%	23.5%	21.7%	-89,726	-84,240	0	0	\$2.05
Henderson											
A	583,668	15.1%	5.6%	20.7%	20.7%	18.2%	-14,626	87,613	0	0	\$2.83
B	2,645,639	16.5%	0.8%	17.3%	16.9%	18.5%	43,007	-66,874	0	0	\$2.50
C	2,210,476	6.8%	0.1%	7.0%	6.7%	7.5%	17,493	40,472	24,000	0	\$2.10
Total	5,439,783	12.4%	1.1%	13.5%	13.1%	14.0%	45,874	61,211	24,000	0	\$2.46
North Las Vegas											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	240,860	7.3%	0.0%	7.3%	7.3%	8.9%	3,844	32,980	0	0	\$2.38
C	514,061	13.4%	0.0%	13.4%	12.2%	13.0%	4,031	-27,665	0	0	\$1.76
Total	754,921	11.5%	0.0%	11.5%	10.7%	11.7%	7,875	5,315	0	0	\$1.89
Northwest											
A	2,112,587	17.5%	4.8%	22.3%	19.0%	20.4%	31,149	-24,975	267,000	0	\$2.40
B	3,844,785	17.0%	1.0%	18.0%	13.4%	16.0%	98,017	184,677	0	0	\$2.34
C	3,465,643	6.6%	0.4%	7.0%	6.8%	7.5%	26,663	2,856	0	0	\$2.24
Total	9,423,015	13.3%	1.6%	14.9%	12.2%	13.9%	155,829	162,558	267,000	0	\$2.34
Southwest											
A	701,640	12.1%	6.5%	18.6%	18.3%	13.6%	-32,416	-46,336	341,945	0	\$3.29
B	3,707,310	8.3%	1.1%	9.4%	8.2%	9.1%	35,447	482,092	41,269	150,000	\$2.74
C	3,701,593	7.7%	0.8%	8.5%	7.2%	8.1%	80,397	244,910	0	49,452	\$2.19
Total	8,110,543	8.3%	1.5%	9.8%	8.6%	9.1%	83,428	680,666	383,214	199,452	\$2.60
West Central											
A	157,624	7.1%	0.0%	7.1%	7.1%	7.1%	0	12,632	0	0	\$2.18
B	2,031,071	7.6%	12.7%	20.2%	19.0%	18.7%	-7,199	31,025	0	0	\$2.21
C	3,139,216	10.9%	0.0%	10.9%	10.9%	11.8%	29,454	61,033	0	0	\$1.81
Total	5,327,911	9.5%	4.8%	14.3%	13.9%	14.3%	22,255	104,690	0	0	\$1.92
Historical											
21q4	45,511,686	12.8%	1.6%	14.5%	13.3%	13.8%	323,557	931,390	674,214	178,035	\$2.27
21q3	45,418,321	13.3%	1.5%	14.8%	13.8%	14.5%	280,272	607,833	357,965	84,670	\$2.24
21q2	45,418,321	13.4%	2.1%	15.5%	14.5%	14.9%	314,583	327,561	333,965	84,670	\$2.22
21q1	45,268,321	13.8%	2.0%	15.8%	14.9%	15.0%	12,978	12,978	10,000	-65,330	\$2.28
20q4	45,333,651	14.0%	1.9%	15.9%	15.0%	14.5%	-252,808	-280,471	80,000	59,906	\$2.26

480 offices in 67 countries on 6 continents

United States: 160
Canada: 49
Latin America: 14
Asia Pacific: 97
EMEA: 108



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.3 billion (\$3.6 billion including affiliates) and \$45 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Market Contacts:

John M Stater
Research Manager
Las Vegas
+1 702 836 3781

John.Stater@Colliers.com

Aaron West
Managing Director
Las Vegas
+1 702 735 5700
Aaron.West@Colliers.com



3960 Howard Hughes Pkwy, Suite 150
Las Vegas, NV 89169
+1 702 735 5700
colliers.com