



Las Vegas

Office 21Q1

Key Takeaways

- First signs of recovery since re-opening
- Net absorption positive for first time in three quarters
- Vacancy decreased to 15% in the first quarter of 2021



Signs of Recovery

After dipping into negative net absorption territory at the end of 2020 office demand rebounded this quarter, with net absorption totaling 52,240 square feet. This brought vacancy down to 15.0% from 15.1% last quarter. This is still an elevated level of vacancy compared to one year ago, prior to the imposition of business closures. Asking rents remained relatively stable, increasing by \$0.01 to \$2.24 psf on a full-service basis.

Market Indicators



Historic Comparison

	20Q1	20Q4	21Q1
Total Inventory (in Millions of SF)	45.4	45.5	45.5
New Supply (in Thousands of SF)	23.8	98.4	0
Net Absorption (in Thousands of SF)	324.8	-252.8	52.2
Overall Vacancy	13.6%	15.1%	15.0%
Under Construction (in Thousands of SF)	98.4	80.0	10.0
Overall Asking Lease Rates (FSG)	\$2.23	\$2.23	\$2.24

Market Graph



Net absorption is finally back in positive territory after going negative for three quarters in 2020; development is light and vacancy edged downward

Recent Transactions



Lease
2170 E Maule
10.6K SF | \$1.00 NNN



Lease
7881 W Charleston
6.6K SF | \$2.02 NNN



Lease
5755 S Rainbow
5.3K SF | \$1.07 NNN



Lease
2360 Corporate Cir
3.6K SF | \$1.85 MG



Lease
7251 W Lake Mead
3.5K SF | \$2.35 FSG



Lease
7201 W Lake Mead
3.2K SF | \$2.06 FSG

Office

21Q1

Employment

According to DETR, Southern Nevada's office job market lost 24,000 jobs between February 2020 and February 2021.

The Unemployment in the Las Vegas-Paradise MSA was 9.3 percent in February 2021, the first time it dipped beneath double-digits since before last year's business closures. Over the past 12 months, total employment in Southern Nevada decreased by 129,900 jobs, a 12.6% decrease. Between April 2020, when business closures were instituted, and February 2020, the Valley has added 112,000 jobs.

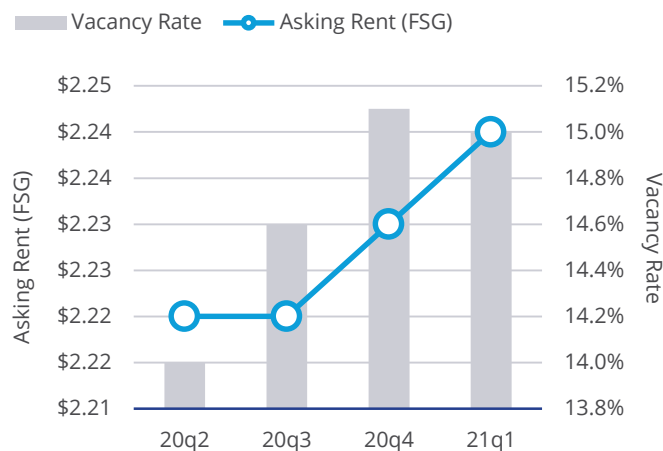
Construction and Absorption

No new office buildings were delivered in the first quarter of 2021. The remainder of the year should see 447,500 square feet of new product delivered, all of it located in the Henderson and Southwest submarkets. The majority of the space scheduled for completion in 2021 is Class A, with the remainder Class B. Pre-leasing is light in these projects.

Net absorption of office space rebounded from negative territory in the first quarter of 2021. After strong net absorption in the first quarter of 2020, the Valley suffered significant negative net absorption in each of the remaining quarters of 2020, ending the year with negative 315,101 square feet of net absorption. In the first quarter of 2021, Southern Nevada posted 52,240 square feet of net

Vacancy vs. Rents

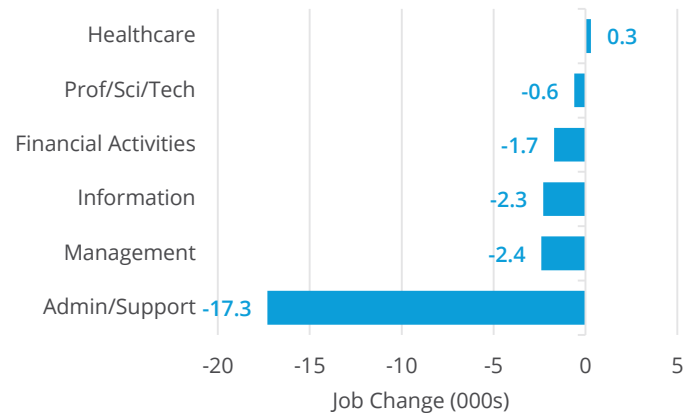
Past four quarters



Source: Colliers International

Employment Growth by Sector

February 2021, year-over-year



Source: Colliers International

absorption, breaking that three quarter run of negative net absorption and hopefully setting the tone for the remainder of 2021. Net absorption in the first quarter was negative for Class A. Class C posted the quarter's strongest net absorption. Two of eight submarkets, Henderson and Southwest, posted positive net absorption this quarter.

The industries most active in occupying office space over the past four quarters in Southern Nevada were involved in professional and business services (22.4%), health services (20.8%) and financial activities (13.3%). Local companies took 54.1% of the leased square footage we tracked over the past four quarters. Companies headquartered in the Southwest U.S. took 18.0% of the space occupied, followed by the Southeast at 12.0% and Mid-Atlantic states at 6.0%.

Vacancy

Southern Nevada's office market stood at 15.0% vacancy in the first quarter of 2021. This represented a 1.4-point increase from one year ago. East Las Vegas had the Valley's highest vacancy at 22.0%, while the lowest vacancy was in the relatively small North Las Vegas submarket at 11.5%.

Of the 7.25 million square feet of office space that was vacant in the first quarter of 2021, 884,088 was sublease space, a 1.3 percent increase from one year ago. Most of the Valley's vacant sublease space was located in the Southwest, West Central and Northwest submarkets. The Valley's westside has seen the lion's share of new office

development over the past decade, and has steadily taken tenants from the older eastside office market.

Year-over-year, 464,416 square feet of office units larger than 25,000 SF were added to vacant inventory, representing the largest increase in vacancy by size range. They were followed by units 10,001-25,000 square feet, which added 249,403 square feet to vacant inventory.

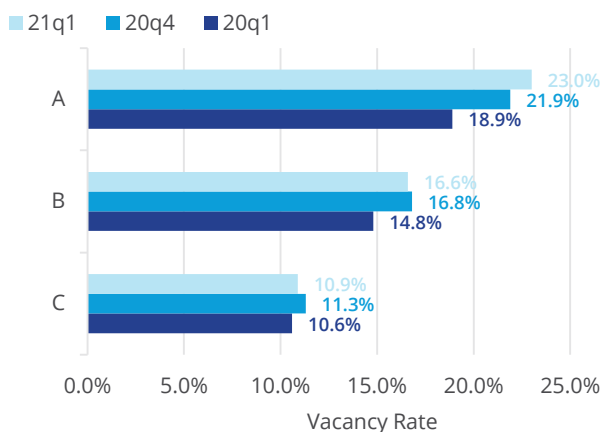
Rents

The weighted average asking rental rate for office space in Southern Nevada was \$2.24 psf FSG this quarter, \$0.01 higher than one year ago. Asking rates have remained remarkably consistent over the past year given the rapid increase in vacancy. Should vacancy remain elevated throughout 2021, it is likely that asking rates will decrease.

Sales

Year-to-date, Southern Nevada's office market had an investment sales volume of \$41.5 million in seven sales totaling 162,022 square feet with an average sales price of \$255.97 psf. The average cap rate was 6.9%. Office sales improved slightly in 2020 vs. 2019, though the average price per square foot decreased and cap rates tightened. If the first quarter of 2021 is any indication, investors are as hesitant to acquire office properties now as they were after the imposition of business closures last year. User sales were better than investment sales, skewing primarily to Class C, with half of sales located in the Airport submarket.

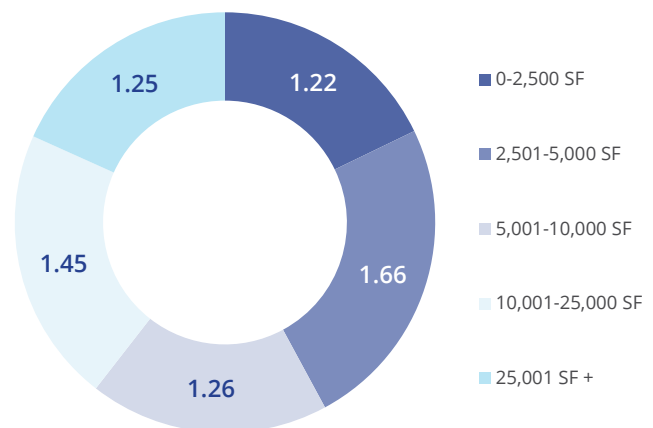
Office Vacancy Rate by Class



Source: Colliers International

Office Vacancy by Size Range

21q1; thousands of square feet



Source: Colliers International

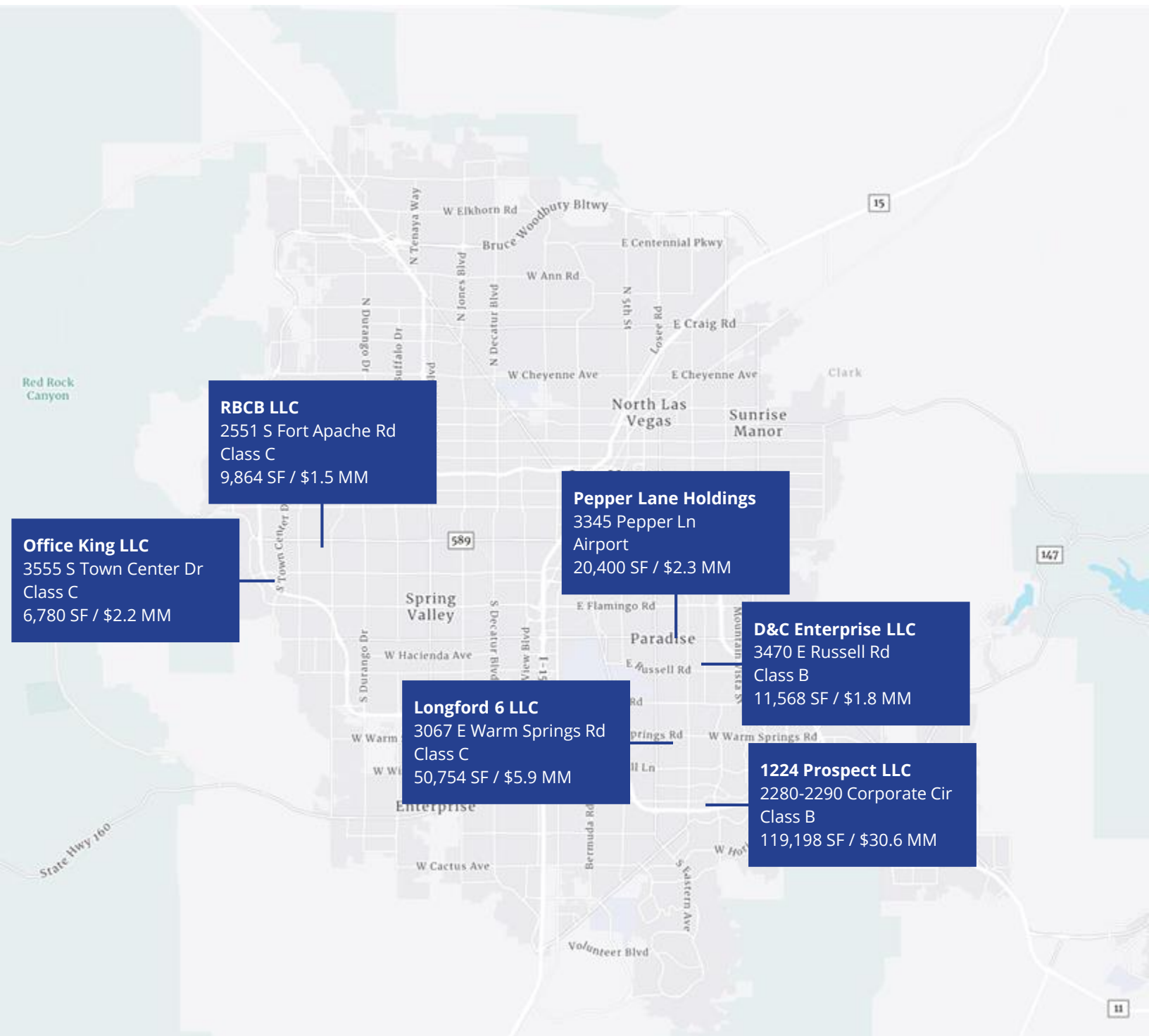
Forecast

2020 was a year of many challenges for the office market. Numerous tenants were driven out of business by the economic disruptions created by business closures. Those that remained productive often did so without their employees using their office space. This calls into question just how much office space tenants will require in the future, even when business restrictions are ended.

Thus, the office market is being hit from two sides – fewer tenants in the market and reduced demand for office space by those tenants. This accelerates the trend of less office square footage per employee caused by the impact of computers on office productivity that began in the 1990's.

We worried last year that negative net absorption, which was recorded through much of 2020, would continue into the first half of 2021. So far, that worry seems to be unfounded. We think demand for office space will continue to improve through 2021. Recovery will likely be sluggish as businesses reevaluate their office needs and experiment with new working schemes.

Sales Activity



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.



Class	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 (F5G)
Downtown/Urban Core											
A	1,236,654	18.7%	1.4%	20.1%	20.1%	19.0%	-13,293	-13,293	0	0	\$2.74
B	2,368,529	11.9%	0.0%	11.9%	11.0%	10.7%	-5,264	-5,264	0	0	\$2.35
C	1,420,699	11.0%	0.0%	11.0%	11.0%	12.0%	12,958	12,958	0	0	\$1.82
Total	5,025,882	13.3%	0.3%	13.6%	13.2%	13.1%	-5,599	-5,599	0	0	\$2.36
Suburban											
A	1,353,083	89.6%	12.8%	102.4%	98.3%	94.1%	-56,618	-56,618	0	0	\$2.70
B	1,340,204	181.0%	47.3%	228.2%	209.1%	213.3%	56,071	56,071	0	0	\$2.27
C	2,439,680	84.4%	2.5%	86.9%	83.5%	85.9%	58,386	58,386	0	0	\$1.89
Total	5,132,967	111.0%	16.9%	127.9%	120.2%	121.4%	57,839	57,839	0	0	\$2.22
Grand Total											
A	6,874,430	21.0%	2.8%	23.8%	23.0%	21.9%	-69,911	-69,911	10,000	0	\$2.70
B	18,479,743	14.6%	3.4%	18.1%	16.6%	16.8%	50,807	50,807	0	0	\$2.28
C	20,112,527	11.0%	0.3%	11.3%	10.9%	11.3%	71,344	71,344	0	0	\$1.89
Total	45,466,700	14.0%	1.9%	15.9%	15.0%	15.1%	52,240	52,240	10,000	0	\$2.24
Submarkets by Class											
Airport											
A	729,174	31.7%	0.0%	31.7%	30.7%	21.7%	-65,737	-65,737	10,000	0	\$2.82
B	2,404,621	11.5%	0.3%	11.9%	11.9%	13.1%	30,470	30,470	0	0	\$2.27
C	3,227,475	11.4%	0.2%	11.6%	11.5%	12.1%	18,087	18,087	0	0	\$2.03
Total	6,361,270	13.8%	0.2%	14.0%	13.8%	13.6%	-17,180	-17,180	10,000	0	\$2.31
Downtown											
A	1,236,654	18.7%	1.4%	20.1%	20.1%	19.0%	-13,293	-13,293	0	0	\$2.74
B	2,368,529	11.9%	0.0%	11.9%	11.0%	10.7%	-5,264	-5,264	0	0	\$2.35
C	1,420,699	11.0%	0.0%	11.0%	11.0%	12.0%	12,958	12,958	0	0	\$1.82
Total	5,025,882	13.3%	0.3%	13.6%	13.2%	13.1%	-5,599	-5,599	0	0	\$2.36
East Las Vegas											
A	1,353,083	26.9%	7.3%	34.2%	32.9%	31.5%	-19,076	-19,076	0	0	\$2.90
B	1,340,204	24.0%	0.0%	24.0%	24.0%	24.4%	4,821	4,821	0	0	\$1.50
C	2,439,680	14.8%	0.0%	14.8%	14.8%	15.2%	8,583	8,583	0	0	\$1.47
Total	5,132,967	20.4%	1.9%	22.3%	22.0%	21.9%	-5,672	-5,672	0	0	\$1.96
Henderson											
A	583,668	33.9%	0.0%	33.9%	33.9%	35.7%	10,227	10,227	0	0	\$2.68
B	2,649,902	13.8%	0.6%	14.4%	13.3%	14.3%	26,220	26,220	0	0	\$2.47
C	2,209,719	9.2%	0.0%	9.2%	8.6%	8.5%	-3,077	-3,077	0	0	\$2.05
Total	5,443,289	14.1%	0.3%	14.4%	13.6%	14.2%	33,370	33,370	0	0	\$2.42
North Las Vegas											
A	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0	0	0	0	#DIV/0!
B	240,860	21.0%	0.0%	21.0%	21.0%	21.0%	0	0	0	0	\$2.04
C	514,061	8.3%	0.0%	8.3%	7.1%	6.9%	-1,200	-1,200	0	0	\$1.50
Total	754,921	12.3%	0.0%	12.3%	11.5%	11.4%	-1,200	-1,200	0	0	\$1.81
Northwest											
A	2,112,587	15.2%	3.4%	18.6%	17.1%	17.8%	13,827	13,827	0	0	\$2.28
B	3,845,018	21.2%	2.5%	23.8%	18.5%	18.3%	-11,356	-11,356	0	0	\$2.40
C	3,484,454	6.9%	0.2%	7.1%	7.1%	6.8%	-9,099	-9,099	0	0	\$1.99
Total	9,442,059	14.6%	1.9%	16.5%	14.0%	13.9%	-6,628	-6,628	0	0	\$2.28
Southwest											
A	701,640	10.7%	0.6%	11.3%	11.3%	11.7%	2,400	2,400	0	0	\$3.12
B	3,599,886	12.1%	7.1%	19.2%	18.5%	18.5%	1,091	1,091	0	0	\$2.62
C	3,677,478	11.0%	1.2%	12.2%	11.0%	12.5%	55,252	55,252	0	0	\$2.21
Total	7,979,004	11.4%	3.8%	15.3%	14.4%	15.2%	58,743	58,743	0	0	\$2.49
West Central											
A	157,624	14.0%	0.0%	14.0%	14.0%	15.1%	1,741	1,741	0	0	\$2.41
B	2,030,723	7.8%	12.7%	20.5%	20.3%	20.6%	4,825	4,825	0	0	\$2.07
C	3,138,961	14.0%	0.0%	14.0%	13.6%	13.2%	-10,160	-10,160	0	0	\$1.77
Total	5,327,308	11.6%	4.8%	16.5%	16.2%	16.1%	-3,594	-3,594	0	0	\$1.87
Historical											
Q1-21	45,466,700	14.0%	1.9%	15.9%	15.0%	15.1%	52,240	52,240	10,000	0	\$2.24
Q4-20	45,466,700	14.1%	1.9%	16.0%	15.1%	14.6%	-252,808	-315,101	80,000	98,432	\$2.23
Q3-20	45,466,700	13.0%	1.6%	14.6%	14.6%	14.0%	-250,930	-62,293	0	98,432	\$2.22
Q2-20	45,457,100	12.5%	2.0%	14.4%	14.0%	13.6%	-136,139	188,637	9,600	88,832	\$2.22
Q1-20	45,368,268	12.0%	1.9%	14.0%	13.6%	14.1%	324,776	324,776	98,432	23,832	\$2.23

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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