



Las Vegas

Medical 21Q2

Key Takeaways

- Net absorption remained positive in Q2
- Asking rates increased by \$0.06 PSF this quarter
- Vacancy decreased to 11.3%



Recovery Continues

After a nice bounce in the first quarter of 2021, Southern Nevada’s medical office market slowed down in the second quarter. The market generated positive net absorption in the second quarter of 2021, but less net absorption than in the first quarter of 2021. Vacancy decreased by 0.3-points to 11.3%. Asking rental rates increased by \$0.06 to \$2.29 psf on a full service gross (FSG) basis.

Market Indicators



Historic Comparison

	20Q2	21Q1	21Q2
Total Inventory (in Millions of SF)	8.2	8.4	8.4
New Supply (in Thousands of SF)	22.4	79.3	10.0
Net Absorption (in Thousands of SF)	4.1	57.1	29.8
Overall Vacancy	10.9%	11.6%	11.3%
Under Construction (in Thousands of SF)	40.0	10.0	0
Overall Asking Lease Rates (FSG)	\$2.32	\$2.23	\$2.29

Market Graph



Medical office net absorption has been positive for two straight quarters, driving vacancy down to 11.3%.

Recent Transactions



Lease
2850 Horizon Ridge
8.2K SF | \$1.93 NNN



Lease
3700 Pecos-McLeod
6.9K SF | \$0.72 MG



Lease
2850 Horizon Ridge
6.2K SF | \$1.58 NNN



Lease
9880 West Flamingo
5.6K SF | \$1.24 NNN



Lease
1000 Green Valley
5.4K SF | \$1.98 NNN



Lease
3005 Horizon Ridge
4.1K SF | \$1.18 NNN

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Employment and Taxable Sales

According to DETR, Southern Nevada's healthcare sector increased by 14,200 jobs between May 2020 and May 2021. Over the same period, the ambulatory health care subsector gained 10,300 jobs and hospitals lost 1,100 jobs.

Unemployment in the Las Vegas-Paradise MSA was 8.9% in May 2021. Over the past 12 months, total employment in Southern Nevada increased by 125,300 jobs, a 15.4% increase. Southern Nevada lost 241,900 jobs between February 2020 and April 2020, and regained 50% of those lost jobs by May 2021.

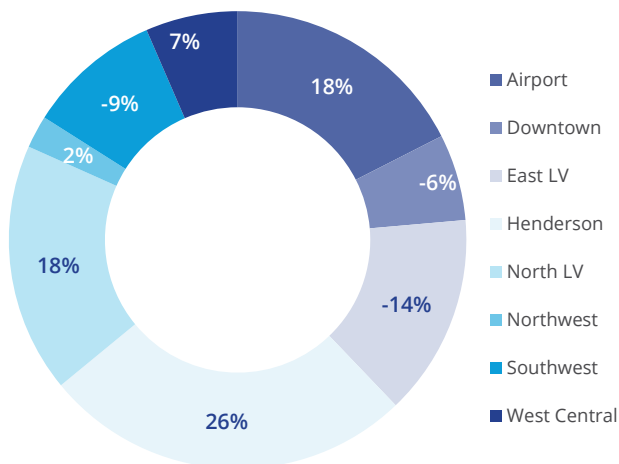
The health care sector had \$31.5 million in taxable sales in the first quarter of 2021, a 3.1% increase from the first quarter of 2020. Taxable sales over the same period decreased by 28.2% for hospitals and by 11.3% for nursing and residential care facilities, but increased by 20.0% for ambulatory health care services.

Construction and Absorption

One new medical office building was completed in the second quarter of 2021, totaling 10,000 square feet. No other medical office is currently under construction.

Medical Office Net Absorption

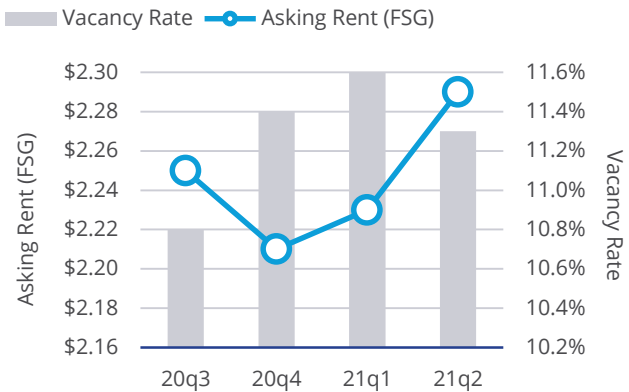
Share per submarket; 21q2



Source: Colliers International

Vacancy vs. Rents

Past four quarters



Source: Colliers International

Net absorption rebounded into positive territory last quarter, and remained positive, although lower, in the second quarter of 2021. For the second quarter in a row, all of the Valley's positive medical office net absorption was in class C properties, with Henderson class C medical office posting the Valley's best net absorption at 22,753 square feet.

Vacancy

Medical office vacancy decreased in the second quarter of 2021 to 11.3%. This was 0.3 points lower than one quarter ago, but still 0.4 points higher than one year ago.

Class B buildings continued to struggle with the highest vacancy rate among classes, 14.4%, while class C buildings, already with the lowest vacancy rate among classes, saw vacancy decrease to 7.8%. Vacancy also increased for class A buildings, to 12% from last quarter's 11.6%

Vacancy decreased, quarter-over-quarter in the Airport, Henderson, North Las Vegas, Northwest and West Central submarkets, and increased in Downtown, East Las Vegas and Southwest submarkets.

Rents

The weighted average asking rental rate for medical office space was \$2.29 psf FSG this quarter, \$0.03 lower than one year ago, but \$0.06 higher than one quarter ago. Business closures and their resultant squeeze on demand sent asking rates lower in the second half of 2020. Asking rates are now rebounding due to increased demand.

Medical

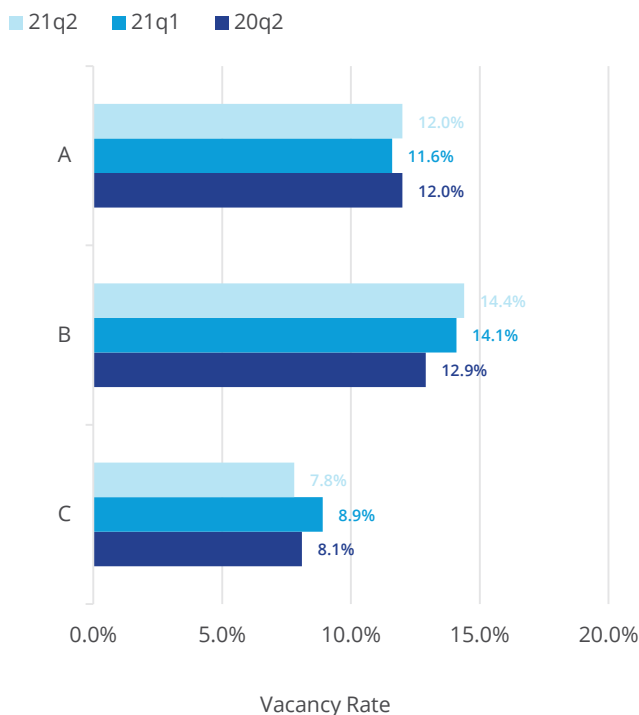
21Q2

The Valley's highest asking rent rate for medical office was in the Airport submarket at \$2.62 psf FSG, followed by Southwest at \$2.52 psf and Northwest at \$2.45 psf. Asking rents increased, year-over-year, in Downtown, North Las Vegas and Southwest. Asking rates decreased over the same period in East Las Vegas, Henderson and Northwest, and remained unchanged in Airport and West Central.

Sales

Year-to-date, Southern Nevada's office market had an investment sales volume of \$66.6 million in 4 sales totaling 266,224 square feet with an average sales price of \$250.00 psf. This puts the Valley on pace to exceed investment sales in 2020. Owner/user sales volume at midyear 2021 already exceeded sale volume in 2020. The price per square foot for owner/user medical office space was \$204.70 in the second quarter of 2021, 6.8% increase over the first quarter of 2021 and 7.9% increase year-over-year.

Medical Office Vacancy by Class



Source: Colliers International

Medical Office Investment Sales

	2019	2020	2021
No. Sales	4	9	4
Total Sales (SF)	74,774	226,758	266,224
Sales Volume (\$MM)	\$15.0	\$77.6	\$66.6
Sales Price/SF	\$201.17	\$342.26	\$250.00
Average Size of Sale (SF)	18,700	25,200	66,600

Forecast

Despite a challenging environment, the medical office market managed net absorption in 2020 of 117,506 square feet. In the first two quarters of 2021, the medical office market has absorbed 86,882 square feet, putting the market on pace for a better 2021 than 2020.

The key for medical office demand moving forward is demographics. Where do future patients live? How far are they willing to travel? The west side of the Valley benefits from continued population growth, while the east side benefits from an aging population and thus greater demand for medical care. New residential developments in Henderson and the Northwest should stimulate demand for medical space in those areas.

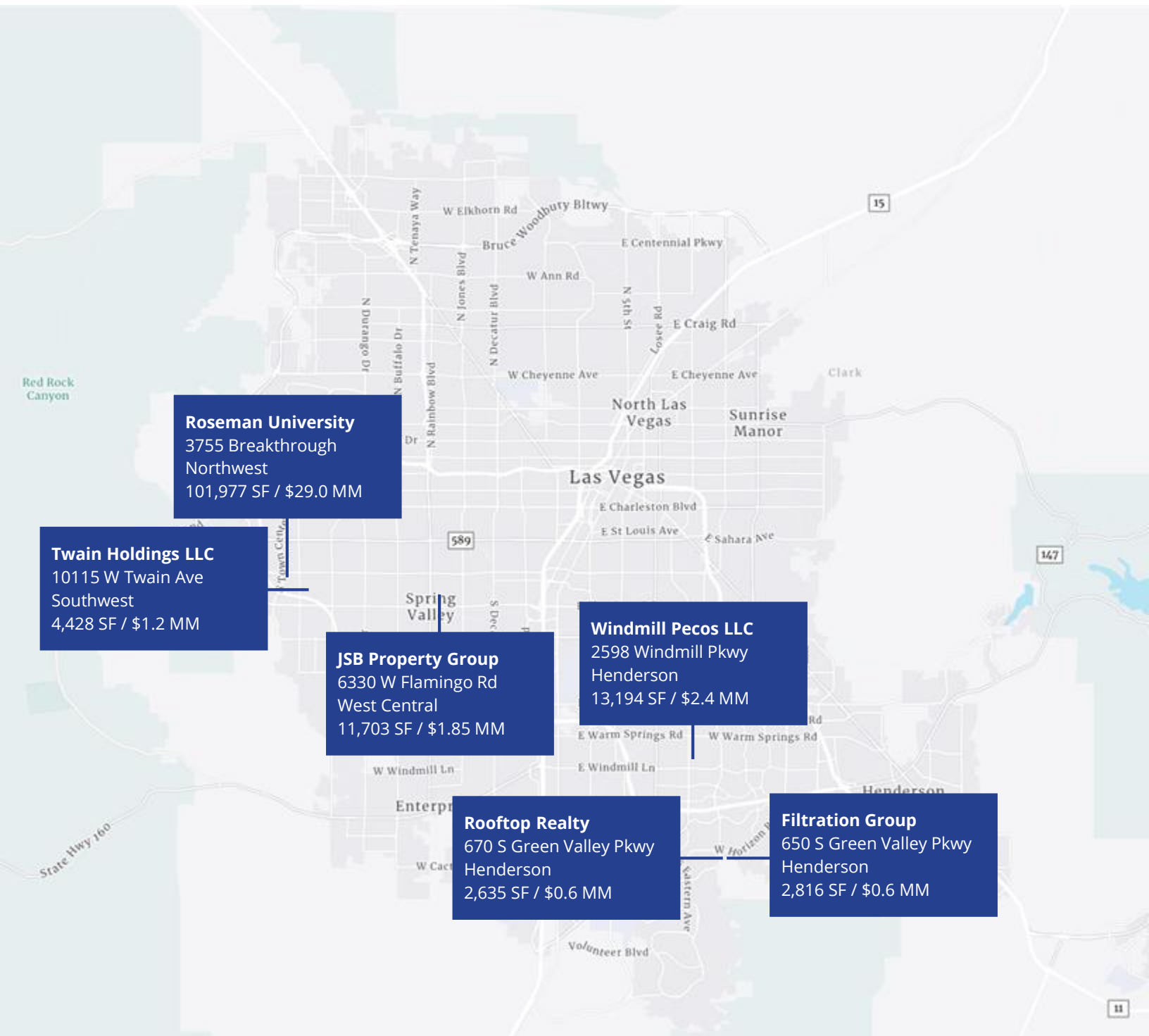
We think that the medical office market in Southern Nevada will grow right along with the Valley's population, provided it can compete with retail centers and professional office buildings. Class C medical office is doing very well, and, probably not coincidentally, is also the most affordable medical office space on the market.

Leasing activity will probably outpace owner/user sales over the next 12 months due to restrained development, high construction costs and constrained budgets. As vacancy rates decrease the potential for speculative development will increase. As a result, we think new speculative medical office development will increase in the second half of 2022.

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21Q2

Sales Activity



Medical

21Q2

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.



Medical

21Q2

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	65,000	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	#DIV/0!
B	228,761	20.0%	0.0%	20.0%	20.0%	18.1%	-4,489	-4,489	0	0	\$2.31
C	80,797	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	#DIV/0!
Total	374,558	12.2%	0.0%	12.2%	12.2%	11.0%	-4,489	-4,489	0	0	\$2.31
Suburban											
A	1,513,418	13.7%	0.2%	13.9%	12.6%	12.1%	-6,320	-13,631	0	0	\$2.70
B	3,250,804	13.8%	0.5%	14.3%	14.0%	13.8%	-6,101	-35,847	0	0	\$2.31
C	3,248,806	8.4%	0.0%	8.4%	8.0%	9.2%	46,713	136,233	0	89,330	\$1.98
Total	8,013,028	11.6%	0.3%	11.8%	11.3%	11.6%	34,292	86,755	0	89,330	\$2.29
Grand Total											
A	1,578,418	13.1%	0.2%	13.3%	12.0%	11.6%	-6,320	-13,631	0	0	\$2.70
B	3,479,565	14.2%	0.5%	14.7%	14.4%	14.1%	-10,590	-35,720	0	0	\$2.31
C	3,329,603	8.2%	0.0%	8.2%	7.8%	8.9%	46,713	136,233	0	89,330	\$1.98
Total	8,387,586	11.6%	0.2%	11.9%	11.3%	11.6%	29,803	86,882	0	89,330	\$2.29
Submarkets by Class											
Airport											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
C	113,581	11.5%	0.0%	11.5%	11.5%	15.4%	12,890	64,108	0	75,330	\$2.62
Total	113,581	11.5%	0.0%	11.5%	11.5%	15.4%	12,890	64,108	0	75,330	\$2.62
Downtown											
A	65,000	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
B	228,761	20.0%	0.0%	20.0%	20.0%	18.1%	-4,489	127	0	0	\$2.31
C	80,797	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
Total	374,558	12.2%	0.0%	12.2%	12.2%	11.0%	-4,489	127	0	0	\$2.31
East Las Vegas											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	720,238	22.0%	0.0%	22.0%	22.0%	22.4%	2,470	-6,088	0	0	\$2.13
C	749,706	9.4%	0.0%	9.4%	9.4%	7.6%	-12,984	-4,728	0	0	\$1.64
Total	1,469,944	16.6%	0.0%	16.6%	15.6%	14.9%	-10,514	-10,816	0	0	\$1.98
Henderson											
A	508,958	9.8%	0.6%	10.5%	10.5%	9.3%	-6,000	12,511	0	0	\$2.82
B	356,568	15.2%	0.8%	16.0%	16.0%	16.7%	2,589	3,433	0	0	\$2.06
C	776,408	10.6%	0.0%	10.6%	10.0%	12.9%	22,753	39,392	0	14,000	\$2.29
Total	1,641,934	11.4%	0.4%	11.8%	11.5%	12.6%	19,342	55,336	0	14,000	\$2.36
North Las Vegas											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	98,011	29.7%	0.0%	29.7%	29.7%	26.7%	-2,872	-2,872	0	0	\$2.26
C	193,765	3.1%	0.0%	3.1%	3.1%	11.3%	15,903	14,250	0	0	\$1.98
Total	291,776	12.0%	0.0%	12.0%	12.0%	16.5%	13,031	11,378	0	0	\$2.21
Northwest											
A	889,160	15.0%	0.0%	15.0%	14.3%	13.7%	-5,643	-31,465	0	0	\$2.65
B	1,128,889	5.6%	0.0%	5.6%	5.3%	5.5%	2,336	2,336	0	0	\$2.10
C	217,434	5.5%	0.0%	5.5%	4.6%	6.9%	5,000	-7,626	0	0	\$1.98
Total	2,235,483	9.3%	0.0%	9.3%	8.8%	8.9%	1,693	-36,755	0	0	\$2.45
Southwest											
A	115,300	8.4%	0.0%	8.4%	8.4%	13.0%	5,323	5,323	0	0	\$2.83
B	619,399	22.2%	1.1%	23.3%	22.2%	20.5%	-10,624	-32,656	0	0	\$2.59
C	326,557	6.7%	0.0%	6.7%	6.7%	6.2%	-1,695	13,018	0	0	\$1.97
Total	1,061,256	15.9%	0.6%	16.6%	15.9%	15.3%	-6,996	-14,315	0	0	\$2.52
West Central											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	327,699	1.7%	2.4%	4.1%	4.1%	4.1%	0	0	0	0	\$2.63
C	871,355	7.7%	0.0%	7.7%	7.1%	7.6%	4,846	17,819	0	0	\$2.01
Total	1,199,054	6.1%	0.7%	6.7%	6.2%	6.7%	4,846	17,819	0	0	\$2.06
HISTORICAL											
21q2	8,387,586	11.6%	0.2%	11.9%	11.3%	11.6%	29,803	86,882	0	89,330	\$2.29
21q1	8,377,586	11.7%	0.2%	12.0%	11.6%	11.4%	57,079	57,079	10,000	79,330	\$2.23
20q4	8,298,256	11.6%	0.2%	11.8%	11.4%	10.8%	-29,286	117,506	24,000	35,000	\$2.21
20q3	8,268,256	10.9%	0.2%	11.2%	10.8%	10.9%	46,028	146,792	0	20,000	\$2.25
20q2	8,228,256	10.7%	0.4%	11.1%	10.9%	10.7%	4,051	100,764	40,000	0	\$2.32

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

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 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 \$3.0 billion (\$3.3 billion including affiliates) and \$40 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