



Las Vegas

# Medical 22Q1

## Key Takeaways

- Medical office construction hits 12 month high
- Vacancy reached 9.2% - the lowest in a decade
- Net absorption decreased from last quarter



## Medical Office Enters New Phase

While first quarter net absorption did not match last quarter's impressive demand for space, Southern Nevada's medical office market still showed positive net absorption, bringing vacancy down to 9.2%, its lowest level in a decade. The weighted average asking rental rate for medical office space increased this quarter to \$2.35 psf on a full service gross (FSG) basis.

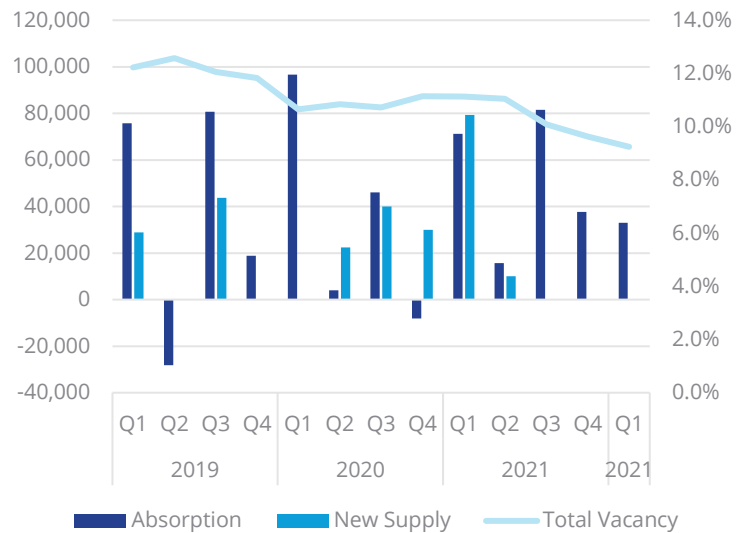
## Market Indicators



## Historic Comparison

	21Q1	21Q4	22Q1
<b>Total Inventory (in Millions of SF)</b>	8.4	8.4	8.4
<b>New Supply (in Thousands of SF)</b>	79.3	0.0	0.0
<b>Net Absorption (in Thousands of SF)</b>	71.2	37.8	33.0
<b>Overall Vacancy</b>	10.1%	9.6%	9.2%
<b>Under Construction (in Thousands of SF)</b>	10.0	0.0	71.4
<b>Overall Asking Lease Rates (FSG)</b>	\$2.32	\$2.33	\$2.35

## Market Graph



Southern Nevada's medical office market was in excellent shape in the first quarter of 2022, with record low vacancy and five straight quarters of positive net absorption.

## Recent Transactions



**Lease**

Siena Pavilion II  
5,743 SF | \$2.21 NNN



**Lease**

Partell Tower  
4,807 SF | \$0.93 NNN



**Lease**

Lake Mead Med Arts  
4,727 SF | \$1.52 NNN



**Lease**

Lake Mead Med Arts  
2,872 SF | \$1.19 NNN



**Lease**

Lake Mead Med Arts  
2,218 SF | \$2.44 MG



**Lease**

Lake Mead Med Arts  
1,440 SF | \$1.51 NNN

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## Employment and Taxable Sales

According to DETR, Southern Nevada's healthcare sector added 2,300 jobs between February 2021 and February 2022. The ambulatory health care subsector added 2,300 jobs and hospitals added 800 jobs.

Unemployment in the Las Vegas-Paradise MSA was 5.3% in February 2022. Over the past 12 months, total employment in Southern Nevada increased by 116,300 jobs, a 12.7% increase.

The health care sector had taxable sales of \$33.7 million in the fourth quarter of 2021, a 9.6% increase from one year earlier. Taxable sales over the same period increased by 29.6% for hospitals, by 3.3% for ambulatory health care services and decreased by 1.6% for nursing and residential care facilities.

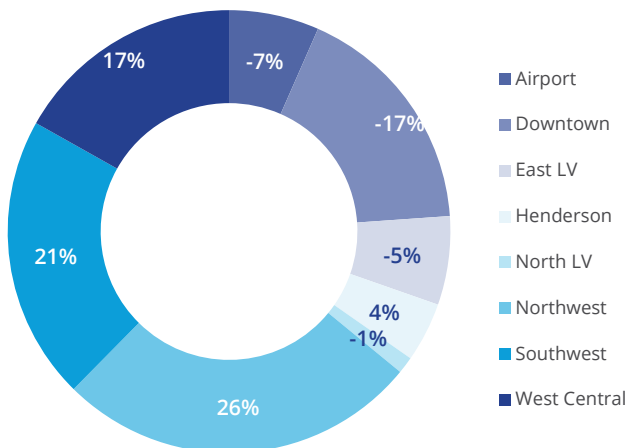
## Construction and Absorption

No new medical office projects were completed in the first quarter of 2022. Two projects totaling 132,910 square feet are scheduled for completion in 2022, although only one of those projects was actively under construction this quarter.

Net absorption of medical office space has been positive for five quarters, shifting the market from recovery into expansion mode. Net absorption was healthy in class A and B properties this quarter. Despite net absorption turning negative for class C product, it retained the lowest vacancy rate among office classes.

## Medical Office Net Absorption Share

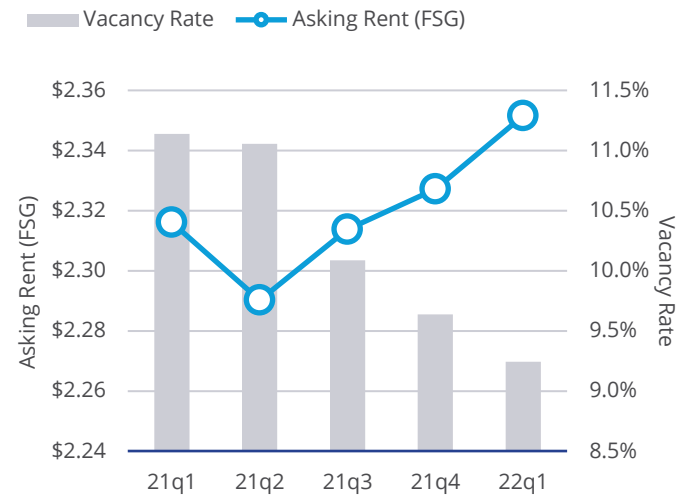
Current Quarter



Source: Colliers International

## Vacancy vs. Rents

Past five quarters



Source: Colliers International

## Vacancy

Medical office vacancy opened 2022 at 9.2%, the lowest vacancy rate in a decade. Vacancy decreased by 0.4 points since last quarter, and by 1.9 points from one year ago.

Class B buildings continued to have the highest vacancy rate among office classes, at 11.7%, while class C buildings had the lowest vacancy rate, at 6.7%, despite negative net absorption for the quarter. Vacancy decreased in class A buildings to 9.1% from last quarter's 11.4%

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

## Rents

The weighted average asking rental rate for medical office space increased to \$2.35 psf FSG this quarter, \$0.03 higher than one year ago. Given the strong demand exhibited for medical office space over the past year, this was moderate rent growth.

## Medical

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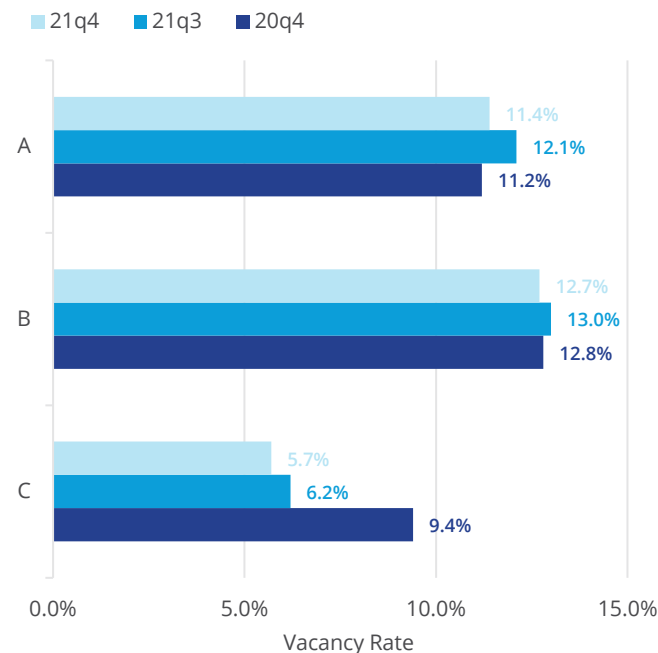
The Valley's highest asking rental rate for medical office was in the Southwest submarket at \$2.63 psf FSG. It was followed by Northwest at \$2.52 psf and Henderson at \$2.33 psf. Asking rents increased, year-over-year, in Airport, East Las Vegas, Henderson, North Las Vegas, Southwest and West Central. Asking rates decreased over the same period in the Northwest.

### Sales

After high demand for medical office in 2021, investors slowed their pace in the first quarter of 2022. Sales volume was \$9,038,000 in 3 sales totaling 22,845 square feet with an average sales price of \$395.62 psf. Cap rate data was scarce, but was in the range of high 5's to low 6's.

No owner/user medical office sales were recorded in the first quarter of 2022.

### Medical Office Vacancy by Class



Source: Colliers International

### Medical Office Investment Sales

	'20	'21	'22 YTD
No. Sales	9	12	3
Total Sales (\$)	226,758	603,018	22,845
Sales Volume (\$MM)	\$77.6	\$176.1	\$9.0
Sales Price/SF	\$342.26	\$297.01	\$395.62
Average Size of Sale (SF)	25,200	50,300	7,600

### Forecast

The Valley's medical office market is returning to a state of normalcy, and at roughly the same rate as the economy and society. Demand this quarter was primarily for suburban medical office, and was strongest this quarter in the high growth residential areas of the Northwest, Southwest and Henderson. Class C product continued to have the lowest vacancy rate among office classes, despite a stumble in demand, but class A and B medical office buildings showed a significant improvement in demand this quarter compared to 2021.

Medical office inventory expanded by 89,330 square feet in 2021, and is scheduled to expand by as much as 132,910 square feet in 2022, representing 1.1% and 1.6% inventory growth respectively. This is roughly half the average rate of growth for the market over the past two decades, but in line with growth over the past decade of recessions, legislative uncertainty and lockdowns.

Provided the national and global economies cooperate – which is by no means certain – Southern Nevada's medical office market is set for a prosperous 2022. Demand for medical office space decreased in the first quarter of 2022, but remained positive for a fifth straight quarter – a notable accomplishment for a market that has been stressed by numerous external factors over the past decade.

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## Sales Activity

**Premier Realty Holdings**

2716 North Tenaya  
Class B  
204,123 SF / \$67.0 MM

**Ariana Investments LLC**

6410 Medical Center  
Class C  
3,699 SF / \$1.2 MM

**Village Complex LP**

8840 West Sunset  
Class C  
12,000 SF / \$6.9 MM

**MDC Coastal 20 LLC**

2575 Lindell Road  
Class C  
15,041 SF / \$1.8 MM

**Jerry L Cain**

365 East Windmill  
Class C  
8,643 SF / \$2.1 MM

**1900 Desert Inn LLC**

1900 East Desert Inn  
Class C  
7,146 SF / \$1.0 MM

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## 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.



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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 (FSG)
<b>Downtown/Urban Core</b>											
A	65,000	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
B	228,761	18.0%	0.0%	18.0%	18.0%	17.4%	-1,328	-1,328	0	0	n/a
C	80,797	17.5%	0.0%	17.5%	17.5%	0.0%	-14,160	-14,160	0	0	n/a
<b>Total</b>	<b>374,558</b>	<b>14.8%</b>	<b>0.0%</b>	<b>14.8%</b>	<b>14.8%</b>	<b>10.7%</b>	<b>-15,488</b>	<b>-15,488</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
<b>Suburban</b>											
A	1,513,418	9.7%	0.0%	9.7%	9.5%	11.9%	36,084	36,084	71,400	0	\$2.63
B	3,250,804	12.3%	0.3%	12.6%	11.3%	12.3%	33,277	33,277	0	0	\$2.40
C	3,273,448	6.6%	0.0%	6.6%	6.5%	5.8%	-20,875	-20,875	0	0	\$2.16
<b>Total</b>	<b>8,037,670</b>	<b>9.5%</b>	<b>0.1%</b>	<b>9.6%</b>	<b>9.0%</b>	<b>9.6%</b>	<b>48,486</b>	<b>48,486</b>	<b>71,400</b>	<b>0</b>	<b>\$2.35</b>
<b>Grand Total</b>											
A	1,578,418	9.3%	0.0%	9.3%	9.1%	11.4%	36,084	36,084	71,400	0	\$2.63
B	3,479,565	12.7%	0.3%	13.0%	11.7%	12.7%	31,949	31,949	0	0	\$2.40
C	3,354,245	6.8%	0.0%	6.8%	6.7%	5.7%	-35,035	-35,035	0	0	\$2.16
<b>Total</b>	<b>8,412,228</b>	<b>9.7%</b>	<b>0.1%</b>	<b>9.8%</b>	<b>9.2%</b>	<b>9.6%</b>	<b>32,998</b>	<b>32,998</b>	<b>71,400</b>	<b>0</b>	<b>\$2.35</b>

## Submarkets by Class

<b>Airport</b>											
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	5.2%	0.0%	5.2%	5.2%	0.0%	-5,920	-5,920	0	0	\$2.15
<b>Total</b>	<b>113,581</b>	<b>5.2%</b>	<b>0.0%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>0.0%</b>	<b>-5,920</b>	<b>-5,920</b>	<b>0</b>	<b>0</b>	<b>\$2.15</b>
<b>Downtown</b>											
A	65,000	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
B	228,761	18.0%	0.0%	18.0%	18.0%	17.4%	-1,328	-1,328	0	0	n/a
C	80,797	17.5%	0.0%	17.5%	17.5%	0.0%	-14,160	-14,160	0	0	n/a
<b>Total</b>	<b>374,558</b>	<b>14.8%</b>	<b>0.0%</b>	<b>14.8%</b>	<b>14.8%</b>	<b>10.7%</b>	<b>-15,488</b>	<b>-15,488</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
<b>East Las Vegas</b>											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	720,238	24.0%	0.4%	24.4%	20.3%	22.1%	13,131	13,131	0	0	\$2.23
C	749,706	11.3%	0.0%	11.3%	11.3%	8.8%	-18,904	-18,904	0	0	\$2.10
<b>Total</b>	<b>1,469,944</b>	<b>17.5%</b>	<b>0.2%</b>	<b>17.7%</b>	<b>15.7%</b>	<b>15.3%</b>	<b>-5,773</b>	<b>-5,773</b>	<b>0</b>	<b>0</b>	<b>\$2.15</b>
<b>Henderson</b>											
A	508,958	8.7%	0.0%	8.7%	8.7%	8.7%	0	0	0	0	\$2.72
B	356,568	14.6%	0.0%	14.6%	13.9%	15.0%	3,853	3,853	0	0	\$2.11
C	776,408	5.9%	0.0%	5.9%	5.9%	5.9%	58	58	0	0	\$2.36
<b>Total</b>	<b>1,641,934</b>	<b>8.7%</b>	<b>0.0%</b>	<b>8.7%</b>	<b>8.5%</b>	<b>8.7%</b>	<b>3,911</b>	<b>3,911</b>	<b>0</b>	<b>0</b>	<b>\$2.33</b>
<b>North Las Vegas</b>											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	98,011	14.9%	0.0%	14.9%	14.9%	14.9%	0	0	0	0	\$2.22
C	195,408	6.6%	0.0%	6.6%	6.6%	6.0%	-1,092	-1,092	0	0	\$2.20
<b>Total</b>	<b>293,419</b>	<b>9.4%</b>	<b>0.0%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.0%</b>	<b>-1,092</b>	<b>-1,092</b>	<b>0</b>	<b>0</b>	<b>\$2.21</b>
<b>Northwest</b>											
A	889,160	10.3%	0.0%	10.3%	10.0%	13.8%	33,893	33,893	71,400	0	\$2.55
B	1,128,889	5.3%	0.0%	5.3%	5.0%	4.7%	-2,559	-2,559	0	0	\$2.36
C	240,433	4.0%	0.0%	4.0%	3.2%	0.0%	-7,659	-7,659	0	0	n/a
<b>Total</b>	<b>2,258,482</b>	<b>7.1%</b>	<b>0.0%</b>	<b>7.1%</b>	<b>6.8%</b>	<b>7.8%</b>	<b>23,675</b>	<b>23,675</b>	<b>71,400</b>	<b>0</b>	<b>\$2.52</b>
<b>Southwest</b>											
A	115,300	8.9%	0.0%	8.9%	8.9%	10.8%	2,191	2,191	0	0	\$2.83
B	619,399	15.4%	1.1%	16.5%	15.4%	18.4%	18,852	18,852	0	0	\$2.77
C	326,557	7.5%	0.0%	7.5%	7.5%	6.7%	-2,468	-2,468	0	0	\$2.17
<b>Total</b>	<b>1,061,256</b>	<b>12.3%</b>	<b>0.6%</b>	<b>12.9%</b>	<b>12.3%</b>	<b>14.0%</b>	<b>18,575</b>	<b>18,575</b>	<b>0</b>	<b>0</b>	<b>\$2.63</b>
<b>West Central</b>											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
B	327,699	1.7%	0.0%	1.7%	1.7%	1.7%	0	0	0	0	\$2.63
C	871,355	3.6%	0.0%	3.6%	3.4%	5.2%	15,110	15,110	0	0	\$2.04
<b>Total</b>	<b>1,199,054</b>	<b>3.1%</b>	<b>0.0%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>4.2%</b>	<b>15,110</b>	<b>15,110</b>	<b>0</b>	<b>0</b>	<b>\$2.17</b>
<b>HISTORICAL</b>											
<b>22q1</b>	8,412,228	9.7%	0.1%	9.8%	9.2%	9.6%	32,998	32,998	71,400	0	\$2.35
<b>21q4</b>	8,412,228	10.2%	0.2%	10.3%	9.6%	10.1%	37,762	206,262	0	89,330	\$2.62
<b>21q3</b>	8,412,228	10.2%	0.3%	10.5%	10.1%	11.1%	81,618	168,500	0	178,660	\$2.31
<b>21q2</b>	8,412,228	11.3%	0.2%	11.6%	11.1%	11.1%	15,691	86,882	0	89,330	\$2.29
<b>21q1</b>	8,402,228	11.3%	0.2%	11.5%	11.1%	11.1%	71,191	71,191	10,000	79,330	\$2.32

# 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

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