



Las Vegas

# Medical 21Q1

## Key Takeaways

- Net absorption in Q1 was weak but positive
- Deliveries of medical office outpaced net absorption
- Vacancy increased to 11.4% this quarter



## The Hangover

Southern Nevada's medical office market ended 2020 on a low note, but bounced back in the first quarter of 2021. Net absorption in the first quarter was not especially strong, and was outpaced by deliveries this quarter, sending vacancy up 0.1-point to 11.4%. Asking rental rates increased by \$0.05 to \$2.30 psf on a full service gross (FSG) basis.

## Market Indicators



## Historic Comparison

	20Q1	20Q4	21Q1
<b>Total Inventory (in Millions of SF)</b>	8.2	8.2	8.3
<b>New Supply (in Thousands of SF)</b>	0	0	14.0
<b>Net Absorption (in Thousands of SF)</b>	96.7	-44.3	5.9
<b>Overall Vacancy</b>	10.7%	11.3%	11.4%
<b>Under Construction (in Thousands of SF)</b>	62.4	10.0	10.0
<b>Overall Asking Lease Rates (FSG)</b>	\$2.27	\$2.25	\$2.30

## Market Graph



Net absorption was positive in the first quarter of 2021, but it was not especially strong when compared to net absorption one year ago.

## Recent Transactions



**Lease**  
2870 S Maryland  
9.1K SF | \$1.10 NNN



**Lease**  
10521 Jeffreys  
5.7K SF | \$1.71 NNN



**Lease**  
600 S Rancho  
5.2K SF | \$1.67 NNN



**Lease**  
8285 W Arby  
3.9K SF | \$1.90 NNN



**Lease**  
7455 W Washington  
3.7K SF | \$1.83 NNN



**Lease**  
600 S Rancho  
2.4K SF | \$1.43 NNN

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## Employment and Taxable Sales

According to DETR, Southern Nevada's medical office job market increased by 300 jobs between February 2020 and February 2021. Over the same period, the ambulatory health care subsector lost 500 jobs, and hospitals lost 600 jobs.

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.

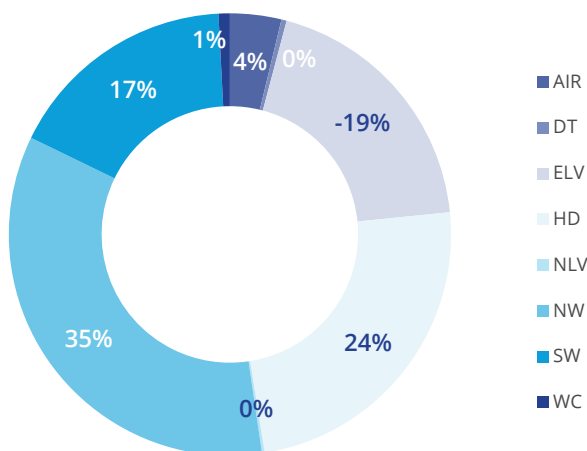
The health care sector had \$111.8 million in taxable sales in 2020, an 8.5% increase from 2019. Taxable sales over the same period increased by 30.1% for hospitals, 2.8% for ambulatory health care and decreased by 29.4% for nursing and residential care facilities.

## Construction and Absorption

One new medical office building was completed in the first quarter of 2021, totaling 14,000 square feet. The remainder of the year should see 10,000 square feet of new product delivered, located in the Airport submarkets.

## Medical Office Net Absorption

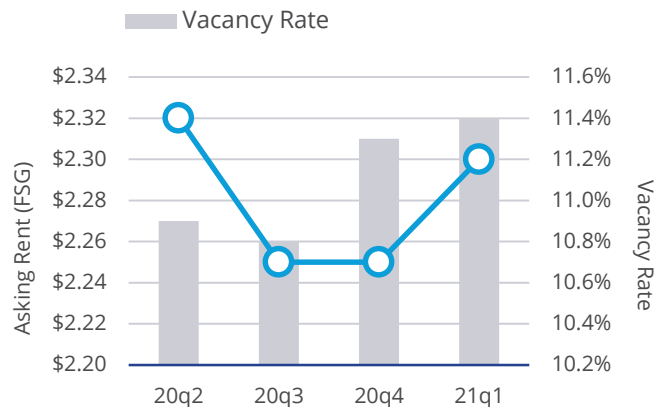
21q1



Source: Colliers International

## Vacancy vs. Rents

20q2 to 21q1



Source: Colliers International

Net absorption of medical office space rebounded from the negative net absorption recorded in the fourth quarter of 2020. All of the first quarter's positive net absorption occurred in class C space, while class A and B suffered negative net absorption. Three submarkets registered positive net absorption this quarter, Downtown, Henderson and West Central, while every other submarket except the Airport suffered negative net absorption.

## Vacancy

Medical office vacancy increased in the first quarter of 2021 to 11.4%. This was 0.1 point higher than one quarter ago and 0.7-points higher than one year ago.

Vacancy was highest, 14.1%, in class B buildings. Class A vacancy was 11.7% and class C vacancy was 8.4%. Only class C product saw vacancy decrease since last quarter.

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

## Rents

The weighted average asking rental rate for office space in Southern Nevada was \$2.30 psf FSG this quarter, \$0.03 higher than one year ago and \$0.05 higher than one quarter ago. Asking rates were on the rise at the end of 2019 and beginning of 2020 before decreasing in the second half of 2020, largely due to the business closures and their disruption of health care access.

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The Valley's highest asking rent rate for medical office was in the Northwest submarket, at \$2.57 psf FSG, followed by Southwest, at \$2.49 psf, and Henderson, at \$2.31 psf. Asking rent increased, year-over-year, in East Las Vegas, Northwest, Southwest and West Central. All of these submarkets have a significant hospital presence. Asking rates decreased over the same period in Airport, Downtown and Henderson submarkets, and remained the same in the North Las Vegas submarket.

### Sales

Year-to-date, Southern Nevada's office market had an investment sales volume of \$37.6 million in 3 sales totaling 164,247 square feet with an average sales price of \$228.66 psf. Unlike most commercial real estate sectors, the medical office sector did not experience a decrease in investment sales in 2020, perhaps because the pandemic highlighted the importance of healthcare even as business closures and restrictions were making it more difficult to access. Sales this quarter put 2021 on pace to match or exceed sales in 2020.

### Medical Office Investment Sales

	2019	2020	2021
No. Sales	4	9	3
Total Sales (SF)	74,774	226,758	164,247
Sales Volume (\$MM)	\$15.0	\$77.6	\$37.6
Sales Price/SF	\$201.17	\$342.26	\$228.66
Average Size of Sale (SF)	18,700	25,200	54,700

### Forecast

It seems at first that there should be some synergy between the medical office market and the COVID-19 pandemic. After all, the pandemic requires health care to combat it, and health care is often accessed through medical office space.

As it happened, medical office outside of hospitals had a rough time in 2020, as government restrictions kept people away from dentists and doctors for anything other than infection by the COVID-19 virus. By the fourth quarter of 2020, the medical office market was suffering fairly substantial negative net absorption and rising vacancy.

Entering 2021, the medical office market is showing signs of recovery, with net absorption turning positive. Unfortunately, net absorption, though positive, was weak and was outpaced by new supply. That said, we think that demand for medical office space will improve as 2021 proceeds, and we should see vacancy rates decreasing by the end of the year. Investment sales of medical office buildings were strong in 2020 and remained strong in the first quarter of 2021, suggesting that investors are bullish on the medical office market's chances moving forward.

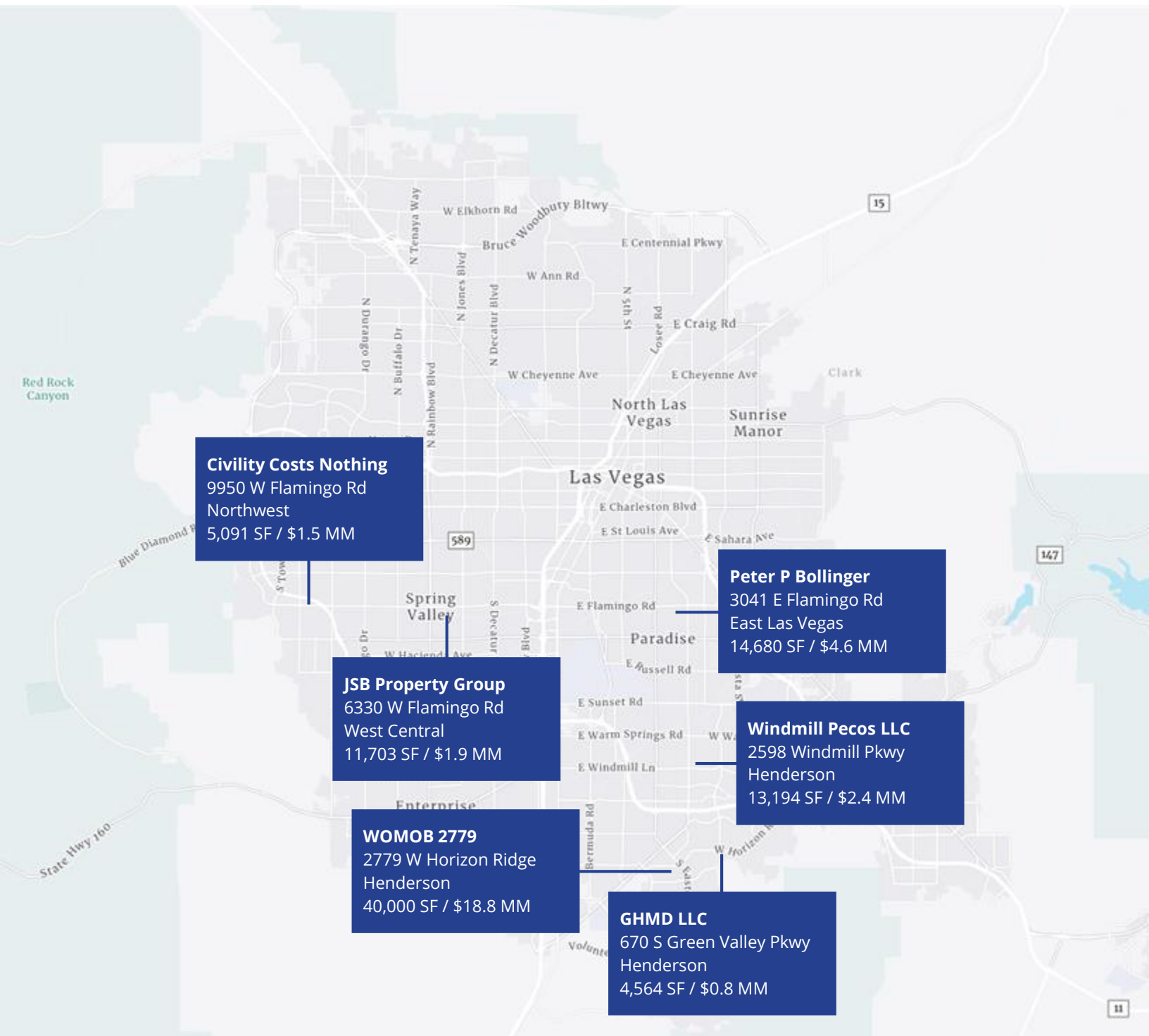
### Medical Office Vacancy by Class



Source: Colliers International

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## Sales Activity





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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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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)
<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	18.1%	0.0%	18.1%	18.1%	20.1%	4,616	4,616	0	0	\$2.13
C	80,797	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
<b>Total</b>	<b>374,558</b>	<b>11.0%</b>	<b>0.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>12.3%</b>	<b>4,616</b>	<b>4,616</b>	<b>0</b>	<b>0</b>	<b>\$2.13</b>
<b>Suburban</b>											
A	1,509,343	12.6%	0.2%	12.8%	12.2%	11.7%	-7,311	-7,311	10,000	0	\$2.64
B	3,250,804	13.6%	0.5%	14.1%	13.8%	12.9%	-29,746	-29,746	0	0	\$2.33
C	3,119,139	8.9%	0.0%	8.9%	8.6%	9.4%	38,302	38,302	0	14,000	\$2.06
<b>Total</b>	<b>7,879,286</b>	<b>11.6%</b>	<b>0.3%</b>	<b>11.8%</b>	<b>11.4%</b>	<b>11.3%</b>	<b>1,245</b>	<b>1,245</b>	<b>10,000</b>	<b>14,000</b>	<b>\$2.31</b>
<b>Grand Total</b>											
A	1,574,343	12.1%	0.2%	12.3%	11.7%	11.2%	-7,311	-7,311	10,000	0	\$2.64
B	3,479,565	13.9%	0.5%	14.4%	14.1%	13.4%	-25,130	-25,130	0	0	\$2.31
C	3,199,936	8.7%	0.0%	8.7%	8.4%	9.2%	38,302	38,302	0	14,000	\$2.06
<b>Total</b>	<b>8,253,844</b>	<b>11.5%</b>	<b>0.3%</b>	<b>11.8%</b>	<b>11.4%</b>	<b>11.3%</b>	<b>5,861</b>	<b>5,861</b>	<b>10,000</b>	<b>14,000</b>	<b>\$2.30</b>

## Submarkets by Class

<b>Airport</b>											
A	0	n/a	n/a	n/a	n/a	n/a	0	0	10,000	0	n/a
B	0	n/a	n/a	n/a	n/a	n/a	0	0	0	0	n/a
C	38,251	4.7%	0.0%	4.7%	4.7%	4.7%	0	0	0	0	\$1.95
<b>Total</b>	<b>38,251</b>	<b>4.7%</b>	<b>0.0%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>\$1.95</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	18.1%	0.0%	18.1%	18.1%	20.1%	4,616	4,616	0	0	\$2.13
C	80,797	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	n/a
<b>Total</b>	<b>374,558</b>	<b>11.0%</b>	<b>0.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>12.3%</b>	<b>4,616</b>	<b>4,616</b>	<b>0</b>	<b>0</b>	<b>\$2.13</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	23.3%	0.0%	23.3%	22.4%	21.2%	-8,558	-8,558	0	0	\$2.23
C	749,706	7.6%	0.0%	7.6%	7.6%	8.7%	8,256	8,256	0	0	\$1.65
<b>Total</b>	<b>1,469,944</b>	<b>15.3%</b>	<b>0.0%</b>	<b>15.3%</b>	<b>14.9%</b>	<b>14.8%</b>	<b>-302</b>	<b>-302</b>	<b>0</b>	<b>0</b>	<b>\$2.08</b>
<b>Henderson</b>											
A	508,958	8.7%	0.6%	9.3%	9.3%	12.9%	18,511	18,511	0	0	\$2.72
B	356,568	15.9%	0.8%	16.7%	16.7%	17.0%	844	844	0	0	\$2.04
C	762,408	13.8%	0.0%	13.8%	13.2%	13.8%	16,639	16,639	0	14,000	\$2.28
<b>Total</b>	<b>1,627,934</b>	<b>12.7%</b>	<b>0.4%</b>	<b>13.0%</b>	<b>12.7%</b>	<b>14.2%</b>	<b>35,994</b>	<b>35,994</b>	<b>0</b>	<b>14,000</b>	<b>\$2.31</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	26.7%	0.0%	26.7%	26.7%	26.7%	0	0	0	0	\$2.02
C	193,765	11.3%	0.0%	11.3%	11.3%	10.4%	-1,653	-1,653	0	0	\$2.33
<b>Total</b>	<b>291,776</b>	<b>16.5%</b>	<b>0.0%</b>	<b>16.5%</b>	<b>16.5%</b>	<b>15.9%</b>	<b>-1,653</b>	<b>-1,653</b>	<b>0</b>	<b>0</b>	<b>\$2.16</b>
<b>Northwest</b>											
A	885,085	14.8%	0.0%	14.8%	13.7%	10.8%	-25,822	-25,822	0	0	\$2.63
B	1,128,889	5.8%	0.0%	5.8%	5.5%	5.5%	0	0	0	0	\$2.45
C	202,434	1.6%	0.0%	1.6%	0.0%	1.2%	2,374	2,374	0	0	n/a
<b>Total</b>	<b>2,216,408</b>	<b>9.0%</b>	<b>0.0%</b>	<b>9.0%</b>	<b>8.3%</b>	<b>7.2%</b>	<b>-23,448</b>	<b>-23,448</b>	<b>0</b>	<b>0</b>	<b>\$2.57</b>
<b>Southwest</b>											
A	115,300	13.0%	0.0%	13.0%	13.0%	13.0%	0	0	0	0	\$2.43
B	619,399	19.4%	1.1%	20.5%	20.5%	16.9%	-22,032	-22,032	0	0	\$2.59
C	301,220	6.7%	0.0%	6.7%	6.7%	6.6%	-287	-287	0	0	\$1.98
<b>Total</b>	<b>1,035,919</b>	<b>15.0%</b>	<b>0.7%</b>	<b>15.6%</b>	<b>15.6%</b>	<b>13.5%</b>	<b>-22,319</b>	<b>-22,319</b>	<b>0</b>	<b>0</b>	<b>\$2.49</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%	2.4%	4.1%	4.1%	4.1%	0	0	0	0	\$2.63
C	871,355	7.9%	0.0%	7.9%	7.6%	9.1%	12,973	12,973	0	0	\$2.00
<b>Total</b>	<b>1,199,054</b>	<b>6.2%</b>	<b>0.7%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>7.7%</b>	<b>12,973</b>	<b>12,973</b>	<b>0</b>	<b>0</b>	<b>\$2.05</b>
<b>HISTORICAL</b>											
Q1-21	8,253,844	11.5%	0.3%	11.8%	11.4%	11.3%	5,861	5,861	10,000	14,000	\$2.30
Q4-20	8,239,844	11.5%	0.2%	11.7%	11.3%	10.8%	-44,286	102,506	10,000	20,000	\$2.25
Q3-20	8,239,844	10.6%	0.2%	10.8%	10.8%	10.9%	46,028	146,792	0	20,000	\$2.25
Q2-20	8,199,844	10.5%	0.4%	10.9%	10.9%	10.7%	4,051	100,764	40,000	0	\$2.32
Q1-20	8,177,444	10.5%	0.3%	10.7%	10.7%	11.9%	96,713	96,713	62,400	0	\$2.27

# 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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