

MARKETBEAT

Las Vegas

Office Q1 2017



Las Vegas Office

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Las Vegas Employment	936k	967k	▲
Las Vegas Unemployment	6.4%	5.1%	▼
U.S. Unemployment	4.9%	4.8%	▼

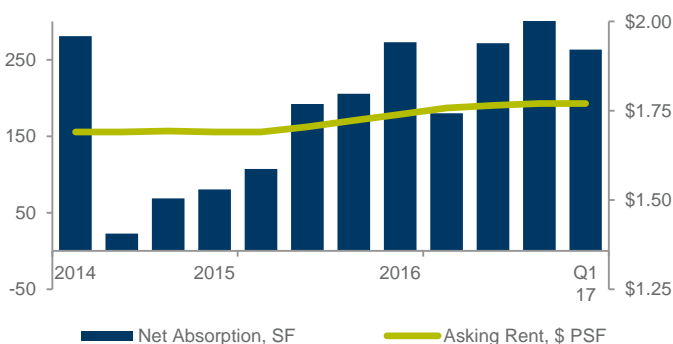
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	15.5%	15.1%	▼
Net Absorption (sf)	379k	185k	▲
Under Construction (sf)	8k	104k	▲
Average Asking Rent*	\$1.75	\$1.75	■

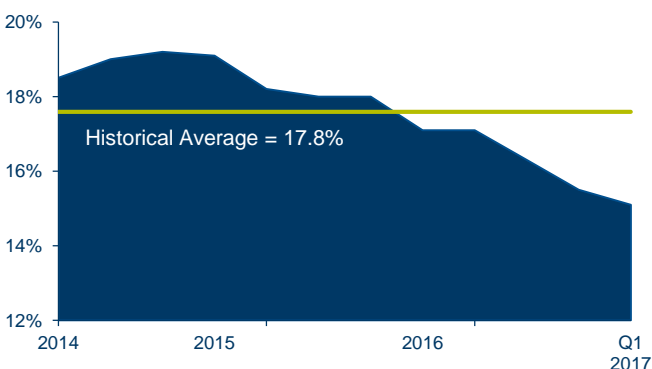
*Rental rates reflect gross asking \$psf/month

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Las Vegas market continued to improve in first quarter 2017. Job growth was still on the rise, as Nevada's job growth continued to exceed the national average. The Las Vegas unemployment rate continued to decrease, with a rate of 5.1% at the end of first quarter 2017, compared to 6.4% first quarter 2016. Total employment continued to rise, as the first quarter 2017 rate reported at 967,000, up 30,000 from first quarter 2016. In addition, population growth for the region is to continue into 2018 with a rate of 2%.

Market Overview

As the Las Vegas office market continued to improve following the Great Recession, there is still an air of caution among tenants. Suburban office space, especially Class A and B, continued to report increasing occupancy rates.

Highlighted below are first quarter 2017 trends:

- Longer-term leases were more prevalent, especially in the 3-5 year range
- Tenant improvement costs rose, resulting in tenants having to contribute to these costs
- There were fewer concessions, including rent abatement for tenants
- Tenants started to move to more affordable space, with higher absorption of Class B and C space
- The majority of positive absorption was a result of organic growth versus migration to the market
- There was a decline in large blocks of contiguous space of 15,000 SF and larger
- Tenants relocated to submarkets that provided easy freeway access for both employees and clients

Although new construction in the Las Vegas office market was stagnant during 2015 and 2016, it started to slowly rise during first quarter 2017, totaling over 100,000 square feet (SF). Included were the 36,722-SF The Square in the Southwest submarket, the 7,600-SF Pecos Springs Business Park Bldg 9 in the Airport submarket, and the 60,000-SF Saint Rose Coronado in the Henderson South submarket. However, land values and construction costs continue to rise, especially given the construction labor shortage.

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New construction is expected to slowly resume in the coming quarters and will include the speculative property Phase 2 of Downtown Summerlin, a Howard Hughes planned six-story 152,300 SF building at the southeast corner of Pavilion Center and Griffith Peak Drives. Build-to-suit office projects that will be delivered in the coming months include Credit One Bank's new headquarters building in the Southwest submarket, a 152,000-SF four-story building, which will be situated on 26 acres south of the 215 between Durango Drive and Buffalo Drive. This new location is expected to bring 500 new jobs to the Las Vegas office market. Additionally, UFC's 180,000-SF office/flex headquarters building along the 215 beltway between Jones and Rainbow Boulevards, is expected to open at the end of second quarter 2017.

The UNLV/Harry Reid Research and Technology Park, a new planned six-story building, approximately 150,000-SF within a research and technology community, will be developed by Utah-based Gardner Company, in partnership with the UNLV Research Foundation. Construction should take about 10 months to complete. The existing two buildings within the Park are a 100,000 SF building for BrivoRx and another building for American Preparatory Academy.

The reported Las Vegas office vacancy rate at the close of first quarter 2017 was at 15.1%, a marked increase of 2 percentage points from first quarter 2016. Absorption continued to remain positive at 185,000 SF, with the Central West and Northwest submarkets reporting the most of all submarkets, at over 83,000 SF total, most of which occurred in Class B buildings.

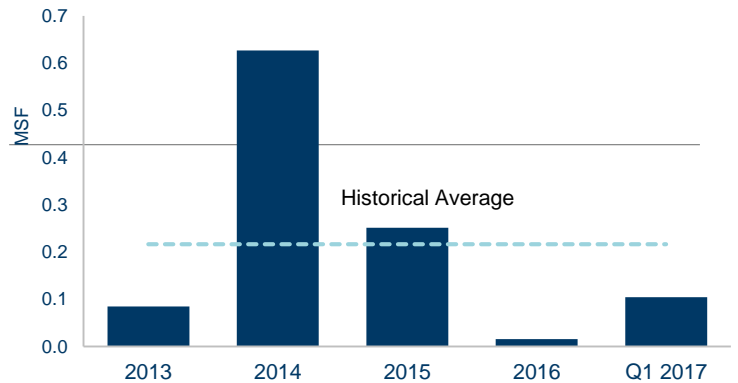
The Central West submarket recorded the most overall positive absorption for first quarter 2017, totaling nearly 50,000 square feet.

Outlook

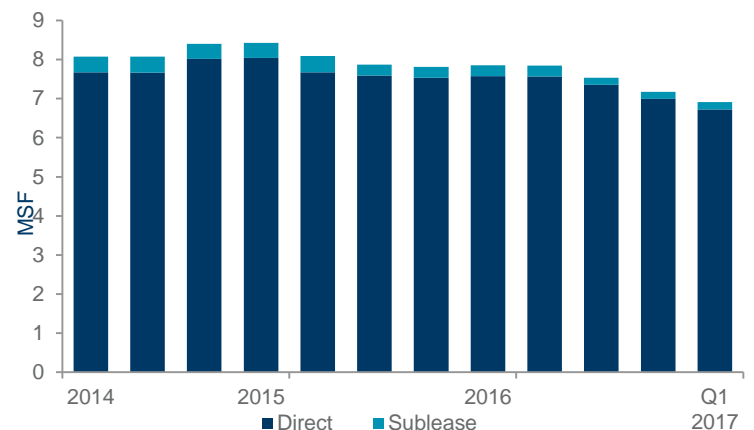
- The Southwest, Henderson and West submarkets will continue to experience positive absorption with movement to suburban Class A and B buildings.
- The office market will continue to progress from a tenant-favorable market to a landlord-favorable one in desirable submarkets.
- Vacancy rates will be on a slow decline until new development is delivered to the market.

New Supply

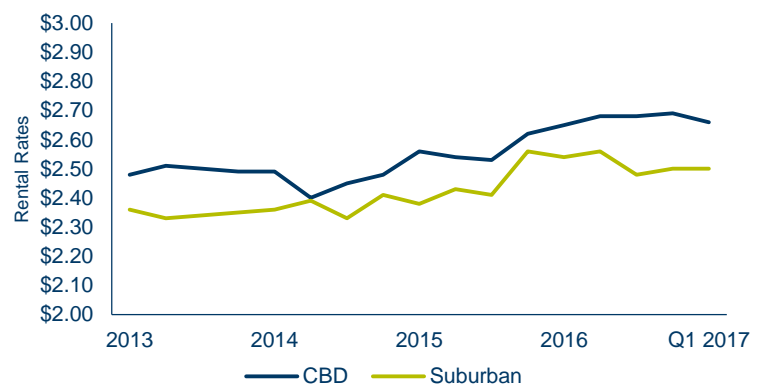
NEW SUPPLY REMAINS LIMITED, WITH NO NEW SUPPLY FOR 4TH QUARTER 2016



Direct vs. Sublease Space Available Comparison



Class A Asking Rent Trend



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL FSG AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL FSG AVERAGE ASKING RENT (CLASS A)*
Airport	267	5,761,217	0	778,073	13.5%	13.5%	35,061	35,061	7,600	\$1.61	\$2.48
Central East	348	7,494,048	1,541	1,349,737	18.0%	18.0%	33,508	33,508	0	\$1.75	\$2.93
Central West	350	5,605,120	0	904,025	16.1%	16.1%	46,067	46,067	0	\$1.33	\$0.00
Downtown	117	2,651,425	0	455,525	17.2%	17.2%	486	486	0	\$2.18	\$2.66
Henderson North	140	1,853,221	0	408,253	22.0%	22.0%	34,281	34,281	0	\$1.71	\$2.22
Henderson South	222	4,256,470	52,454	576,855	13.6%	14.8%	-51,182	-51,182	60,000	\$1.83	\$2.40
North	107	1,334,778	8,931	161,430	12.1%	12.8%	-598	-598	0	\$1.41	\$1.65
Northwest	159	3,085,788	0	592,069	19.2%	19.2%	37,182	37,182	0	\$1.78	\$1.89
Southwest	283	5,853,561	15,220	791,887	13.5%	13.8%	35,033	35,033	36,722	\$2.00	\$2.39
West	419	8,210,095	140,581	706,608	8.6%	10.3%	15,296	15,296	0	\$1.84	\$2.55
LAS VEGAS TOTALS	2,412	46,105,723	218,727	6,724,462	14.6%	15.1%	185,134	185,134	104,322	\$1.75	\$2.52

*Rental rates reflect full service gross asking \$psf/month

	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	92	8,176,348	20,509	1,542,537	18.9%	19.1%	12,098	12,098	0	\$2.52	\$2.52
Class B	1,925	32,891,005	198,218	4,469,659	13.6%	14.2%	112,093	112,093	67,600	\$1.56	\$1.54
Class C	395	5,038,370	0	712,266	14.1%	14.1%	60,943	60,943	36,722	\$1.26	\$1.26

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Cheyenne Corporate Center	22,357	Jet	Lease	Northwest
Green Valley Civic Center	14,021	Good Night Pediatrics	Lease	Henderson North
101 Convention Center Drive	10,882	Kotobuki Marketing, Inc	Lease	Central East
Green Valley Professional Center	10,178	Our Little World Treatment Center	Lease	Henderson North
Desert Canyon Business Park	6,797	Guaranteed Rate, Inc	Lease	Southwest

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
550 S Main St	63,132	West/Main & Bonneville LP and American Nevada Union/Boyd Las Vegas GSA, LLC	\$12,200,000 / \$193	Downtown
Siena Office Park	60,000	2850 West Horizon Ridge Parkway Holdings, LLC/Savant Siena, LLC et al	\$12,634,000 / \$211	Henderson South
Deaner Law Building	36,255	Fourth Street Place, LLC/Tribuca, LLC	\$3,125,000 / \$86	Downtown
3760 Pecos McLeod	29,640	High Valley IV, LLC/Gamma Pecos McLeod, LLC	\$5,250,000 / \$117	Central East
150 E Harmon Ave	25,741	HMC Service Centre, LLC/Las Vegas Facility Holdings, LLC	\$7,450,000 / \$289	Central East

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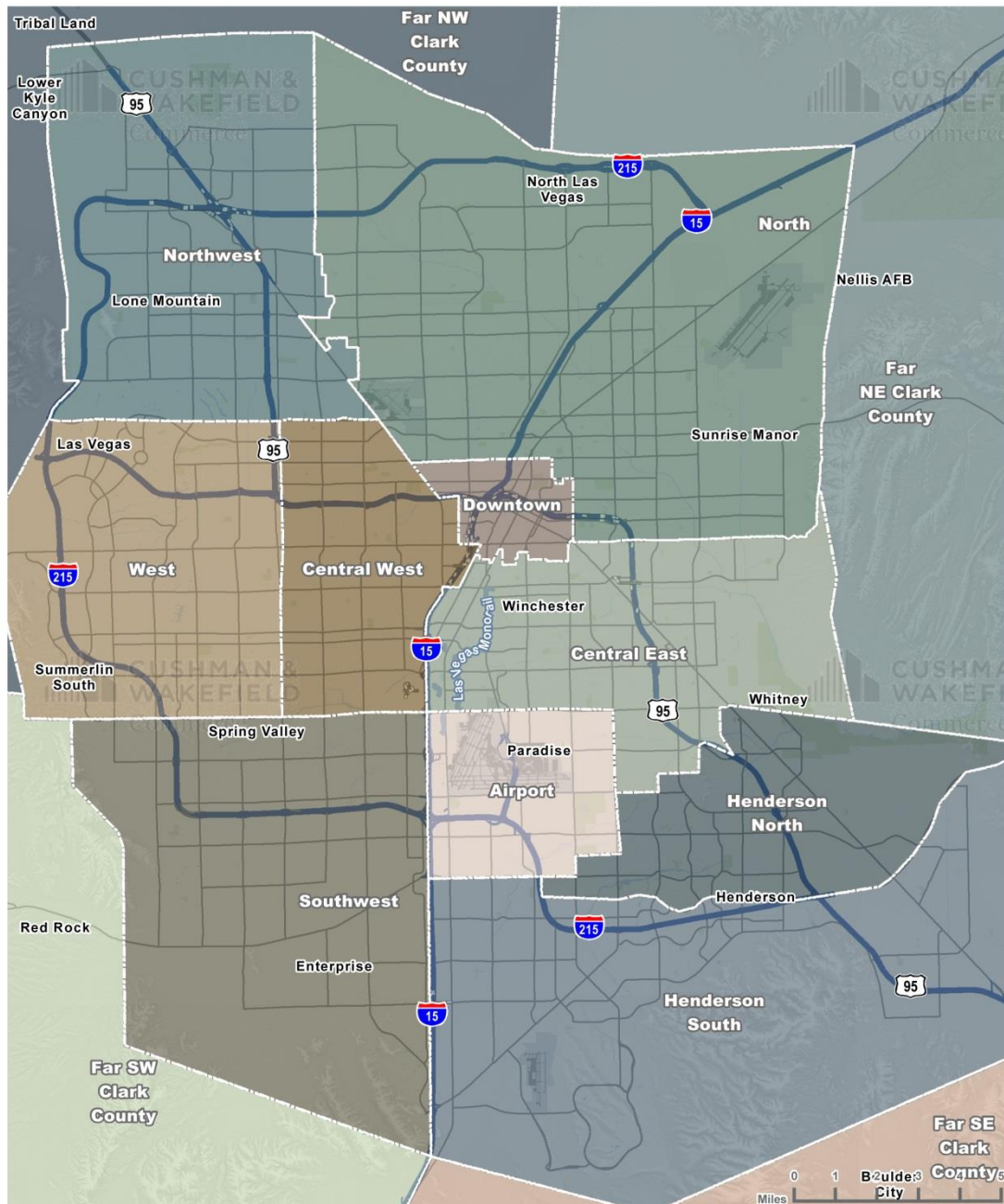
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OFFICE SUBMARKETS

Las Vegas



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