

LAS VEGAS OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Las Vegas Employment	1.0M	1.1M	▲
Las Vegas Unemployment	5.3%	4.9%	▼
U.S. Unemployment	4.4%	3.9%	▼

August 2017/2018 used to represent Q3 for Las Vegas

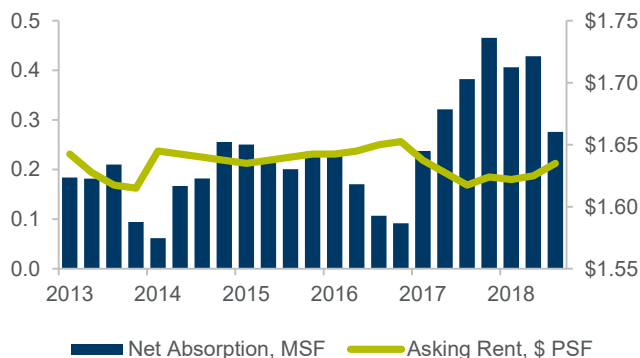
Market Indicators (All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	13.2%	12.4%	▼
Net Absorption (sf)	295k	-306k	▲
Under Construction (sf)	563k	619k	▲
Average Asking Rent	\$1.61	\$1.65	▲

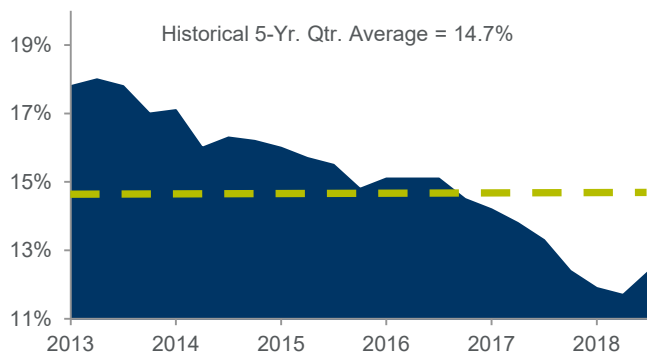
*Rental rates gross, \$psf/monthly

Net Absorption/Asking Rent (Gross Rent Overall, Monthly)

4-QTR TRAILING AVERAGE



Overall Vacancy – All Classes, incl. Sublease



Economy

The Las Vegas employment market continued to record job growth, adding 32,300 jobs (+3.3%) year-over-year through August 2018.¹ During the same time period, the unemployment rate decreased 40 basis points (bps), dropping to 4.9%. Also worth noting, the current rate is 160 bps below the 28-year average of 6.5%.

All employment sectors are expected to grow at a combined growth rate of 3.1% in 2018 and 3.2% in 2019. Las Vegas's economy of \$112.3 billion² as measured by gross regional product is forecasted to grow an additional 5.6% in 2018 and 5.4% in 2019, above its 10-year average of 2.2%.³

Market Overview

Office vacancy (including sublease) decreased 80 bps from a year ago yet increased 50 bps to 12.4% in Q3 2018 from last quarter due to negative occupancy gains in Class B and C space. Even though occupancy decreased by 306,300 square feet (sf) across all classes in Q3, year-to-date net absorption recorded gains of 347,700 sf. Year-to-date, all submarkets except for Central East and Northwest, recorded positive occupancy growth. In Q3 2018, demand was mostly concentrated in three submarkets: North, Downtown and Central North submarkets where tenants absorbed a combined 59,800 sf in Q3 or 152,100 sf year-to-date.

In Q3 2018, overall vacancy for both - Class A and B – also recorded a decrease: 60 bps from a year ago to 12.9%. As a result of a shrinking available space, average asking rent for all classes increased 2.5% from a year ago, while Class A rent increased 6.9% and Class B rent increased 2.0%. At the end of Q3 2018, overall vacancy was the lowest in the Central North submarket (4.3%) followed by Downtown (7.9%) and North Las Vegas (9.0%) submarkets. Central East (19.6%) and Southeast (17.1%) submarkets recorded the highest overall vacancy.

Sales Activity

The Las Vegas office market recorded \$744 million in sales in 2017, the best performance since 2007. That momentum continued over the first nine months of 2018 reaching \$674.6 million in total sales compared to \$521.5 million during the same time in 2017 and \$305.8 million in 2016. Private investors continue to be the leading buyers of office properties in 2018, followed by institutional buyers who have become noticeably more active over the last five years.⁴ As investors continue to look for additional markets in which to place capital, Las Vegas is expected to benefit.

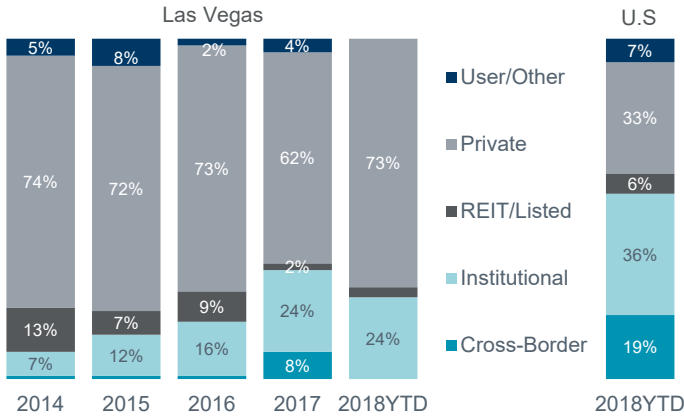
Outlook

- Tenant requirements for mid-size Class B leases continue to be the chief driver of activity in the valley but a lack of B space is driving the demand for Class A space. With a handful of deliveries in the pipeline and with demand remaining strong, vacancy rates should continue to decline for the coming quarters.
- Low business costs and no personal income tax will continue to positively affect population growth and provide competitive advantage over other western markets. Continued economic expansion, robust job creation and broadening job base beyond tourism will drive occupancy and rent growth through the next year.

Sources: ¹www.bls.gov ²bea.gov GDP as of 2017. ³(f) by Moody's Analytics economy.com ⁴RCA.

Who is Buying in Las Vegas?

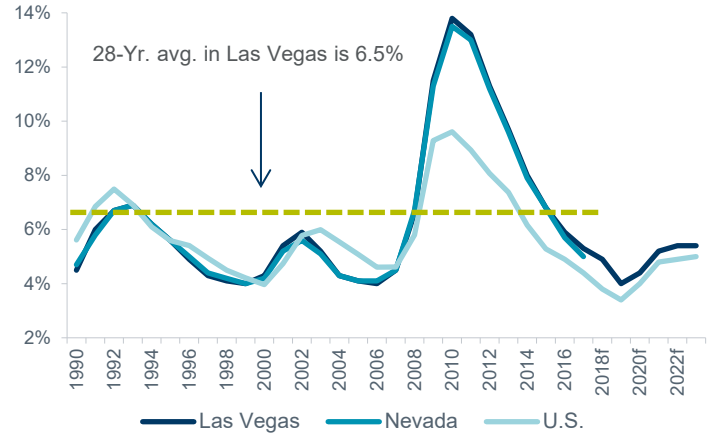
PRIVATE INVESTORS ARE THE LEADING BUYERS



Source: RCA sales of all sizes 10/2/18. Rounded figures may not add up to 100%.

Unemployment Rate in Comparison

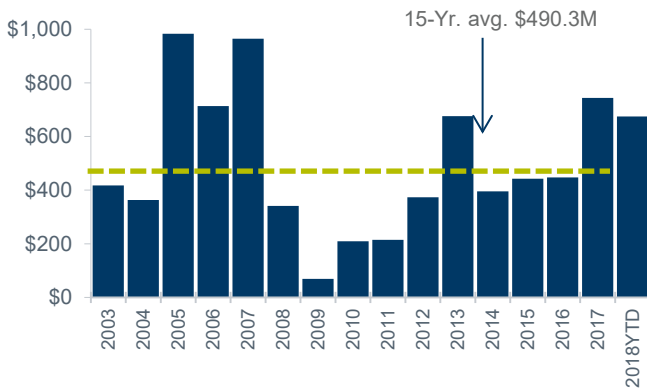
LAS VEGAS 28-YR. (1990 – 2017) ANNUAL AVERAGE RATE IS 6.5%



Source: BLS.gov (f) by Moody's Analytics as of 9/2018.

Office Sales Volume in Las Vegas in Millions

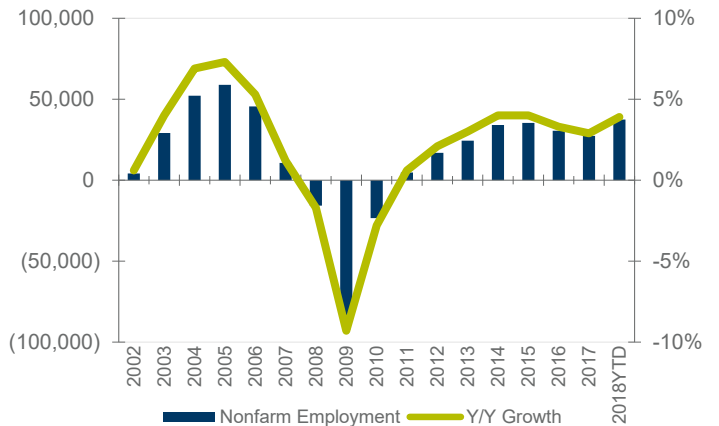
2018 SALES SET TO BE ABOVE THE 15-YR. AVERAGE



Source: RCA sales of all sizes. 10/2/18.

Nonfarm Employment Annual Growth Rate vs. Net Change

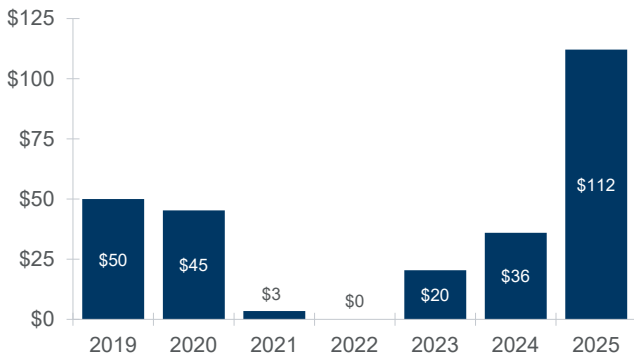
32,300 JOBS WERE ADDED GROWING 3.3% Y/Y VS 2.0% 15-YR. AVERAGE



Source: BLS.gov. 2018YTD jobs added between August 2017 and August 2018.

Las Vegas Annual Office Loan Maturity (\$M)

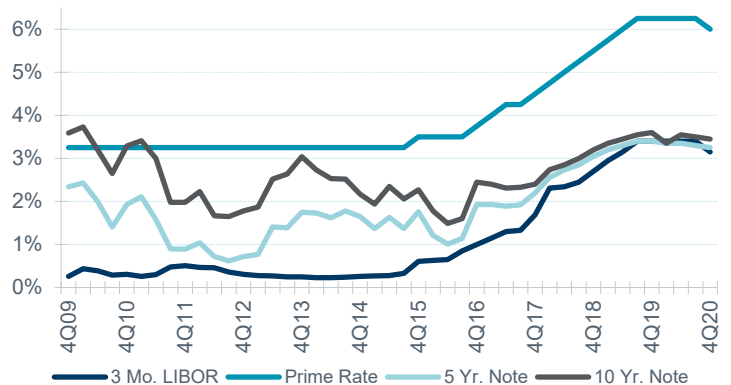
\$50M IN LOANS WILL BE DUE IN 2019



Source: Trepp, LLC – 8/29/18, based on original loan value.

Interest Rates – U.S. Economic Forecast

RATES PROJECTED TO SLOWLY INCREASE OVER NEXT TWO YEARS



Source: Wells Fargo U.S. Economic Forecast – 9/12/18.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT* (ALL Classes)	AVERAGE ASKING RENT* (CLASS A)
Central East	301	8,413,573	15,540	1,635,434	19.6%	-77,737	-106,355	61,146	\$1.66	\$2.56
Central North	71	2,380,580	0	102,240	4.3%	4,588	30,281	0	\$1.54	\$2.25
Downtown	106	4,739,122	20,518	352,138	7.9%	8,523	75,021	31,890	\$2.37	\$2.79
North	137	2,275,154	9,792	196,014	9.0%	46,641	46,841	0	\$1.10	-
Northwest	360	9,879,236	57,307	1,275,906	13.5%	-96,645	-99,597	0	\$1.73	\$2.08
Southeast	118	1,874,368	634	319,819	17.1%	-3,235	54,984	44,000	\$1.42	\$2.16
South	576	12,171,832	38,697	1,364,794	11.5%	-82,737	11,533	52,864	\$1.58	\$2.20
Southwest	478	11,422,236	45,334	1,076,519	9.8%	-93,238	212,895	428,662	\$1.85	\$1.93
West	374	7,493,159	193,747	842,036	13.8%	-12,462	122,108	0	\$1.51	\$2.48
TOTAL	2,521	60,649,260	381,569	7,164,900	12.4%	-306,302	347,711	618,562	\$1.65	\$2.32
Class A	105	12,029,641	73,605	1,482,154	12.9%	17,269	334,545	98,832	\$2.32	
Class B	1,929	42,656,902	301,964	5,218,520	12.9%	-294,970	-12,204	519,730	\$1.52	
Class C	487	5,962,717	6,000	464,226	7.9%	-28,601	25,370	0	\$1.08	
TOTAL	2,521	60,649,260	381,569	7,164,900	12.4%	-306,302	347,711	618,562	\$1.65	

*Rental rates reflect gross asking rents \$psf/monthly. Vacancy rate and net absorption includes direct and sublease. Inventory includes properties of 5,000 sf and larger.

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
1180 N. Town Center Dr.	22,695	Skywire	Panda Restaurant Group, Inc.	Sublease	Northwest
2250 N. Las Vegas Blvd.	15,368	NV Sec of State	City of North Las Vegas	New	North Las Vegas
1701 W. Charleston Blvd.	10,077	Women's Resource Medical Ctr.	Gilbert & Anna Maria Barbieri	Sublease	West
701 Bridger Ave.	7,764	Spinal Cord Injuries	Resort Gaming Group, LLC	New	Downtown
9065 S Pecos Rd.	7,371	P3	MIG Real Estate, LLC	New	South/Henderson

Key Sale Transactions Q3 2018

PROPERTY	SF	BUYER	SELLER	PRICE / \$PSF	SUBMARKET
Turnberry North @ Town Square	131,195	Moonwater Capital Management	Dornin Investment Group	\$22,060,000 / \$168.15	South
2500 N. Buffalo Dr.	88,118	Don & Lisa Worthington	Hines	\$20,995,000 / \$238.26	Northwest
Charleston Tower	88,726	Gilbert & Anna Maria Barbieri	Jade Enterprises	\$17,000,000 / \$191.60	West
Northwest Medical Plaza	82,561	The Paul C. Gallo Trust	Mandelbaum Mob LLC	\$11,352,000 / \$137.50	Northwest
3968 N. Rancho Dr.	32,700	CPI – Rainier LV I, LLC	CPI Las Vegas II LLC	\$11,973,401 / \$366.16	North Las Vegas

Under Construction Q3 2018 – selected projects 10,000 sf+

PROPERTY	SF	RELEASED		ADDRESS	CLASS	ESTIMATED COMPLETION	SUBMARKET
		SF	%				
UNLV Technology Park	112,000	0	0%	8400 W. Sunset Rd.	B	2019	Southwest
University Gateway	61,146	46,456	76%	4700 S. Maryland Pky.	B	2019	Central East
Gardner Plaza at St. Rose	47,664	0	0%	2615 & 2635 St. Rose Pky.	B	2019	South
7787 Eastgate	44,000	44,000	100%	7787 Eastgate Rd.	B	2018	South/Henderson
601 E Bridger Ave.	15,658	0	0	601 E Bridger Ave	B	2018	Downtown

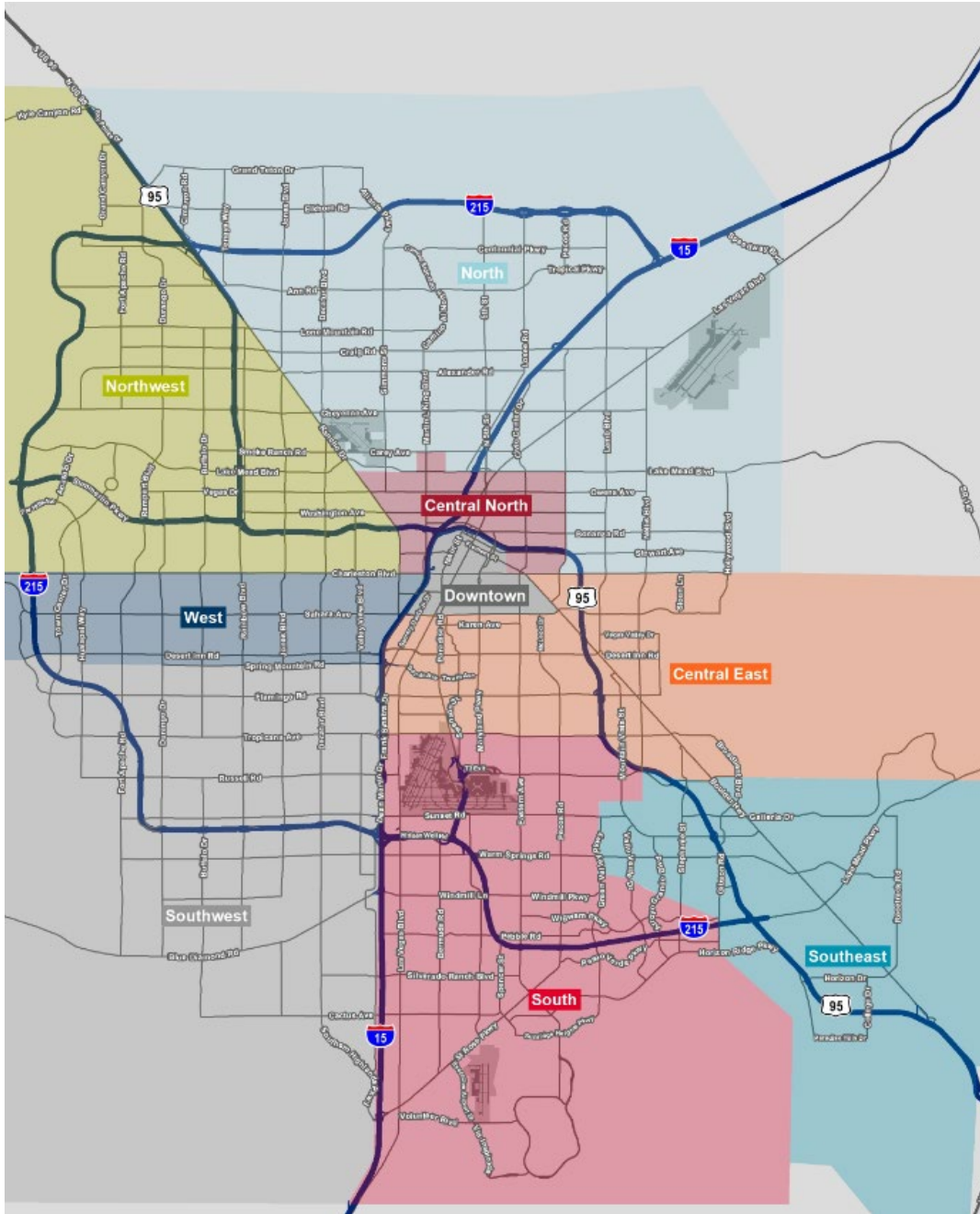
MARKETBEAT

Las Vegas

Office Q3 2018



OFFICE SUBMARKETS LAS VEGAS



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