

4Q24

Las Vegas Office Market Overview



Market Observations

Economy

- As of November 2024, Las Vegas' unemployment rate rose to 5.9%, a 60-basis-point increase year-over-year, reflecting a slowdown in local job growth (+0.4%) compared to the national average (+1.4%).
- Construction, manufacturing, and education/health services sectors saw robust 12-month growth exceeding 3.0%, driven by industrial construction, a pro-business environment, and population growth. However, persistent inflation continues to suppress broader economic gains.
- In office-using sectors, job growth has stalled, with contractions mirroring national trends, underscoring challenges in sectors like finance, professional services, and technology.

Major Transactions

- Large leases remain rare, with most activity concentrated in smaller and mid-sized deals under 10,000 SF. Occupiers continue to reassess space needs, driven by cost-saving initiatives, hybrid work models, and inflationary pressures.
- While overall leasing activity hit a record low in 2024, finance, legal services, and industrial-adjacent businesses were notably active.
- Development trends have shifted away from the Strip toward Summerlin and Henderson, aligning with the residential preferences of C-suite executives and suburban office demand.

Leasing Market Fundamentals

- Despite reduced leasing activity, the fourth quarter of 2024 recorded a net occupancy gain of 171,948 SF, lowering vacancy by 30 basis points quarter-over-quarter.
- Under-construction office activity has slowed significantly, representing just 0.3% of existing inventory, with no new projects initiated this quarter. The pause in office construction reflects a wait-and-see approach, as developers and investors assess market absorption rates and macroeconomic trends.
- Asking rents remain higher than a year ago but are growing at a much slower pace than in previous years.
- Sublease availability declined this quarter as fewer large blocks entered the market, with small subleases dominating current availability.

Outlook

- The macroeconomic environment remains uncertain, prompting cautious decision-making among occupiers and investors.
- While vacancy rates are expected to rise as some tenants downsize, Las Vegas will likely fare better than coastal markets, where remote work adoption is higher.
- Long-term demand is supported by the metro's strong population growth, which benefits population-serving industries. These industries, along with Las Vegas' diverse tenant base, provide resilience and opportunities for market stabilization in the coming years.

1. Economy
2. Market Fundamentals
3. Appendix

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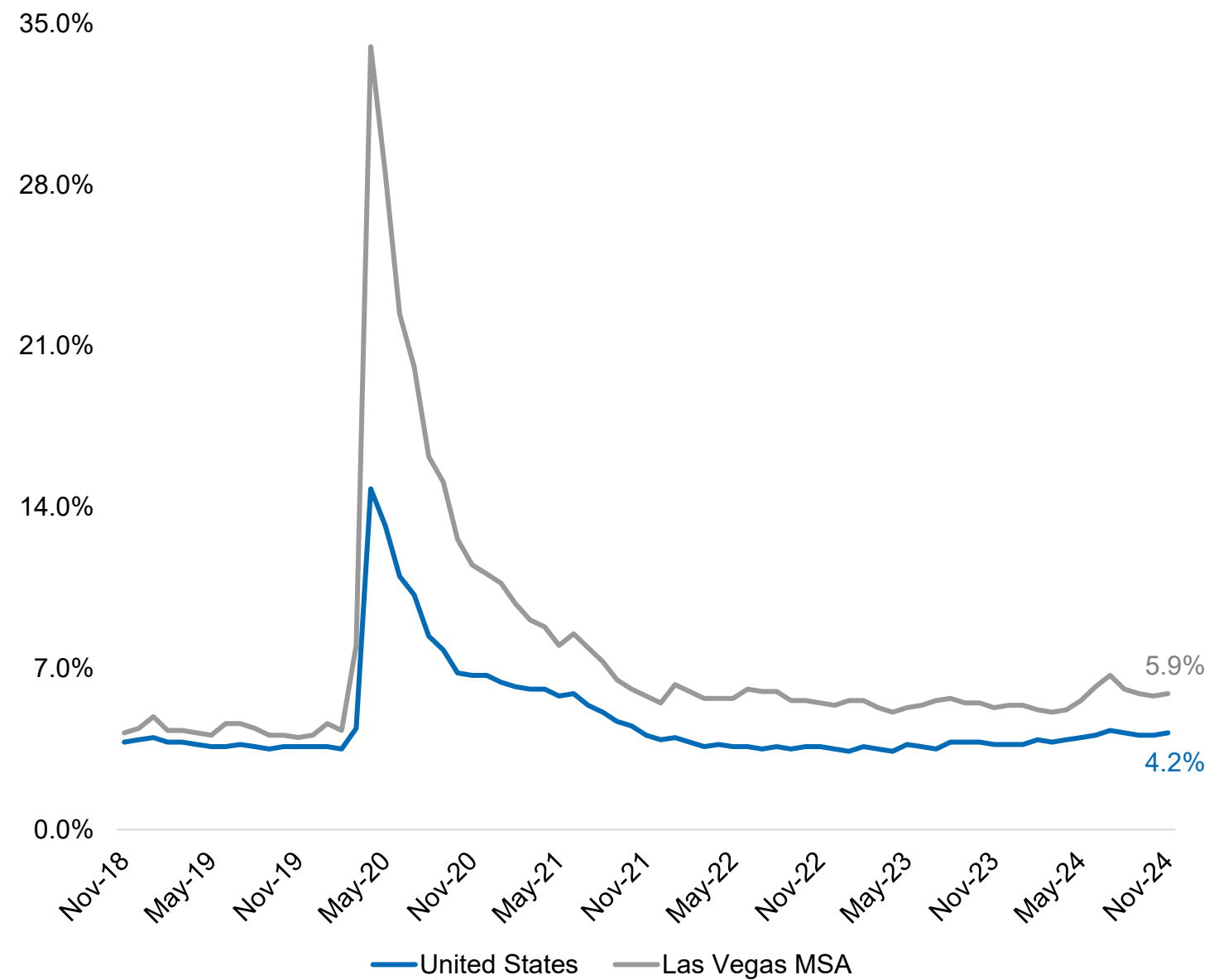
Economy



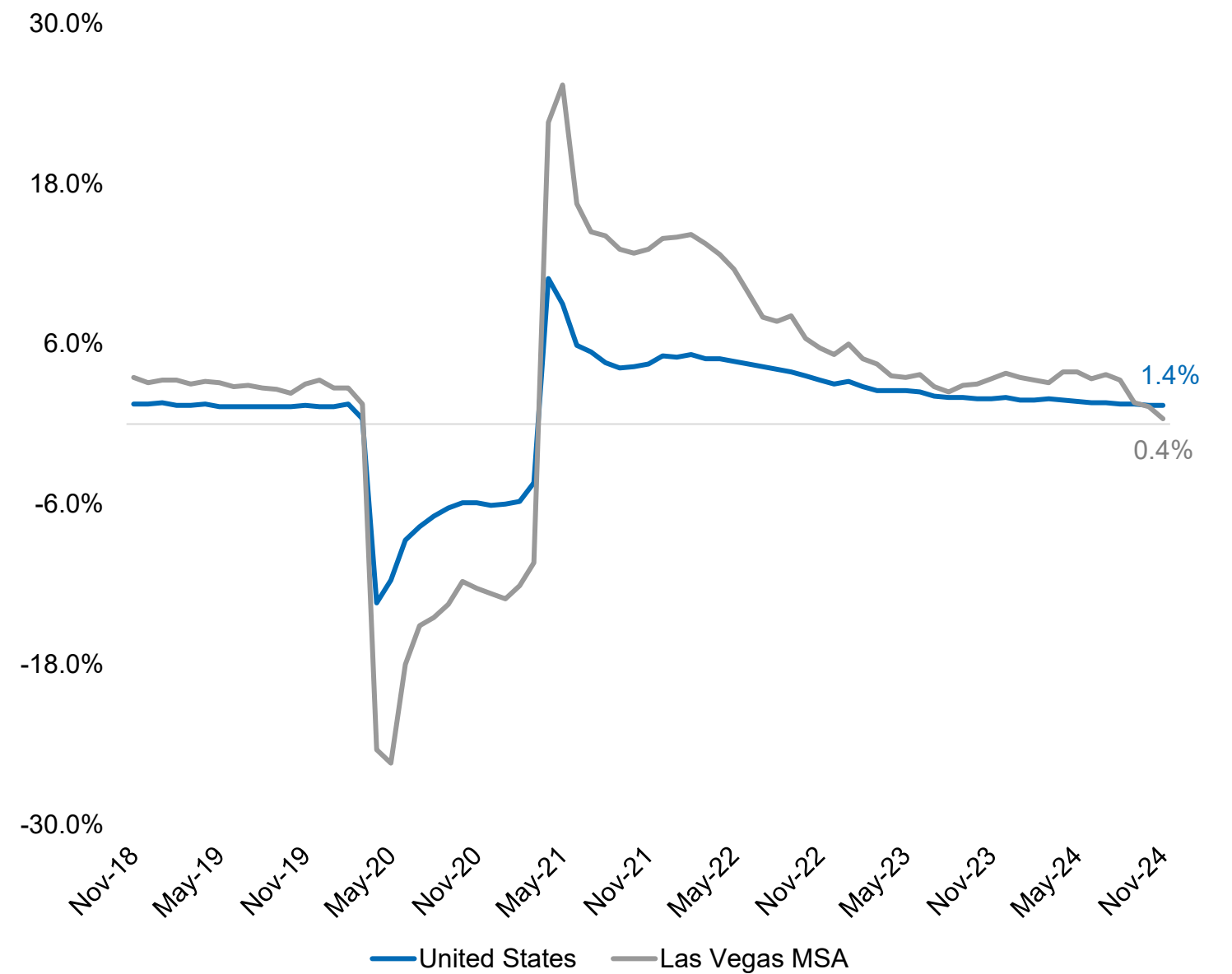
Las Vegas Job Gains: Stronger than the Nation

Local nonfarm employment growth exceeded that of the nation's for most of 2024 until a slowdown in November (+0.4%) due to white-collar layoffs. Stronger historical growth can be linked to the expanding local population, along with Nevada's lower business costs and less regulation relative to the Southwest's coastal markets.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



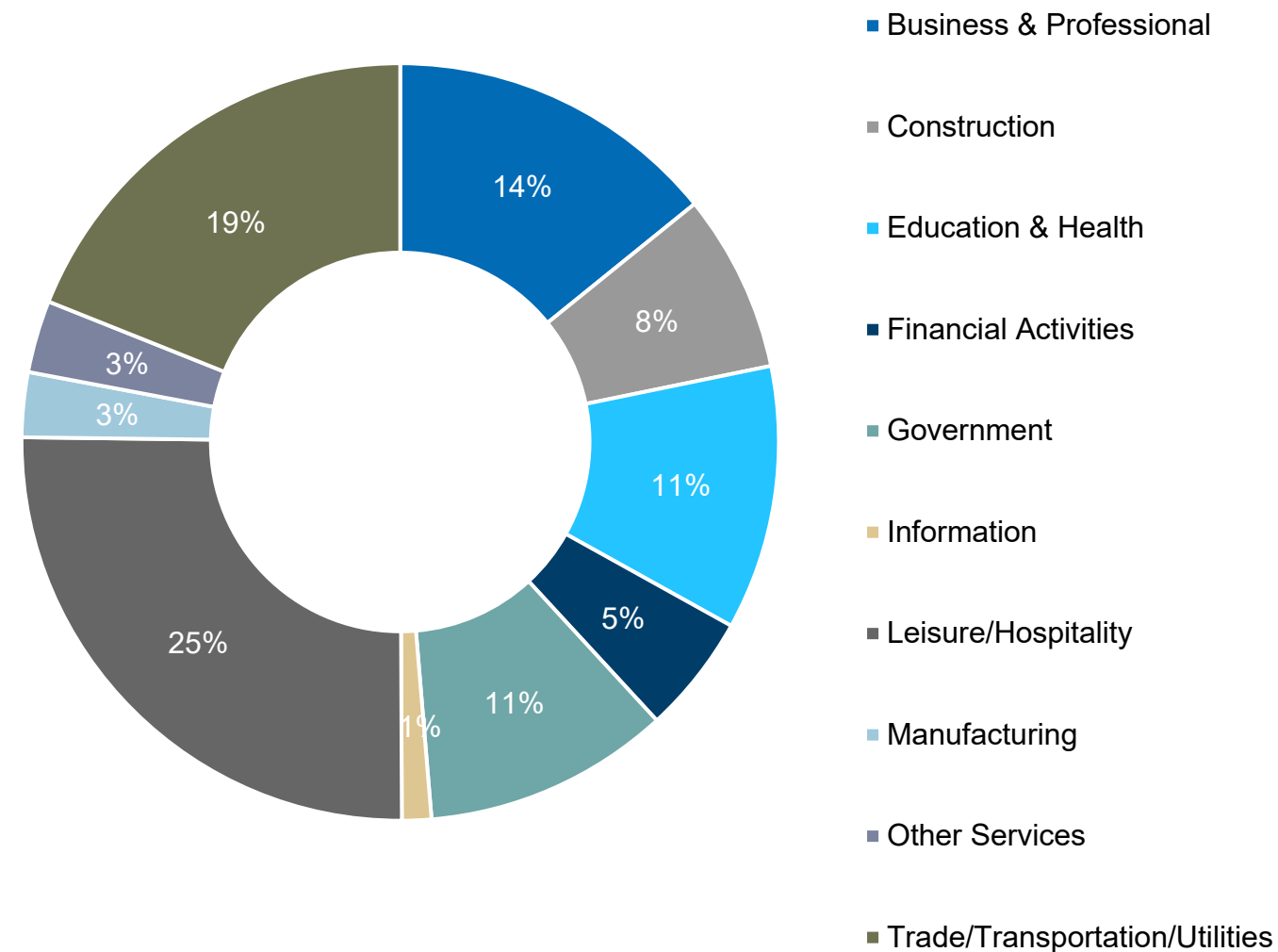
Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

Note: Las Vegas' unemployment is historically higher than the U.S. average due to volatility in the tourism industry when the economy downcycles; hence, the 34.0% unemployment average at the start of the pandemic.

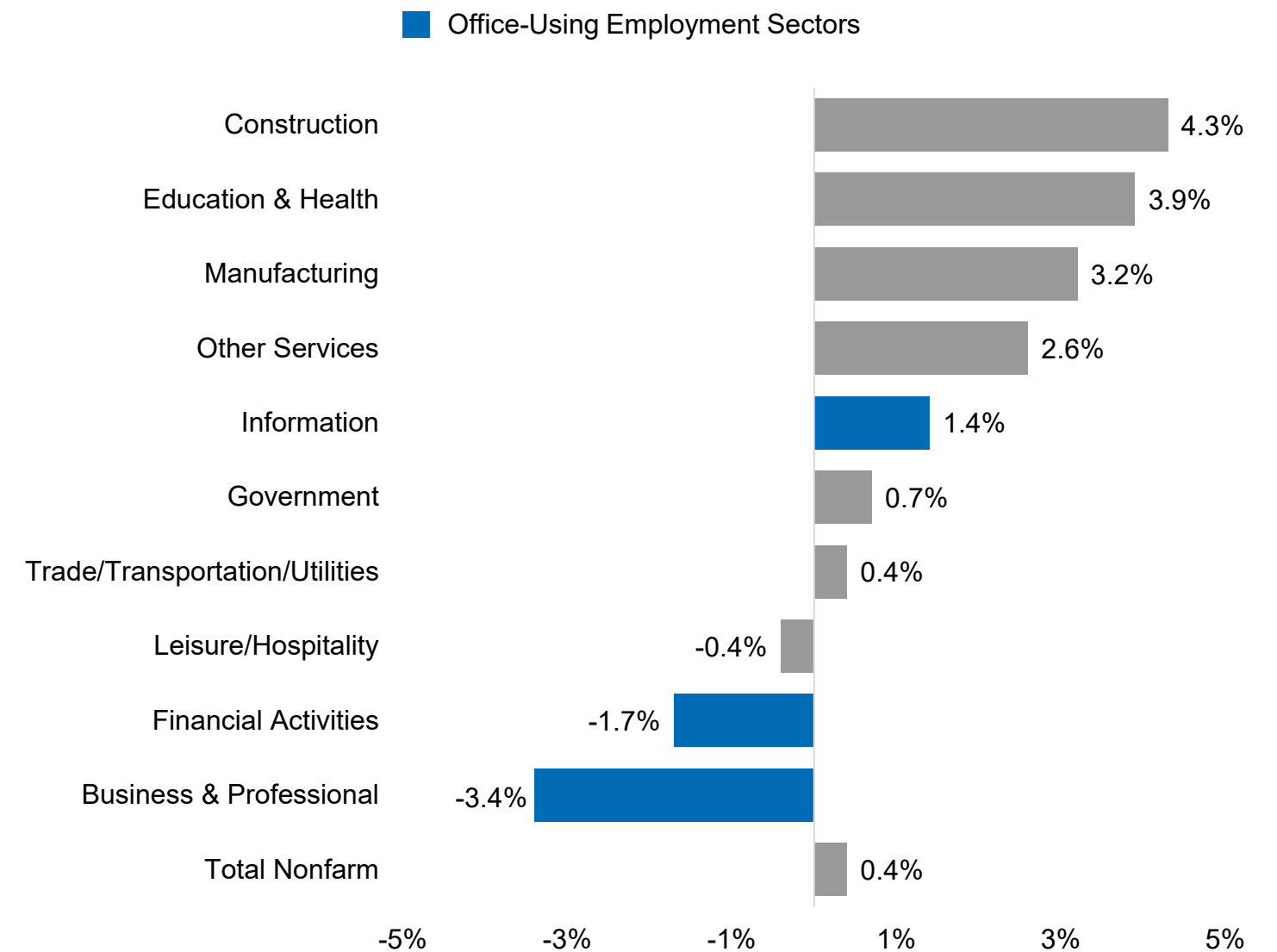
A Growing Population is Driving Employment Growth in a Myriad of Sectors

Leisure/hospitality continues to be the dominant sector, comprising 25.3% of overall employment. Still dominant, but less so when considering the average was 32.7% in 2010, a gradual decrease that illustrates continued diversification within the local economy. Contractions in white-collar industries (e.g., financial activities and business and professional) led to flat total nonfarm employment growth in November.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

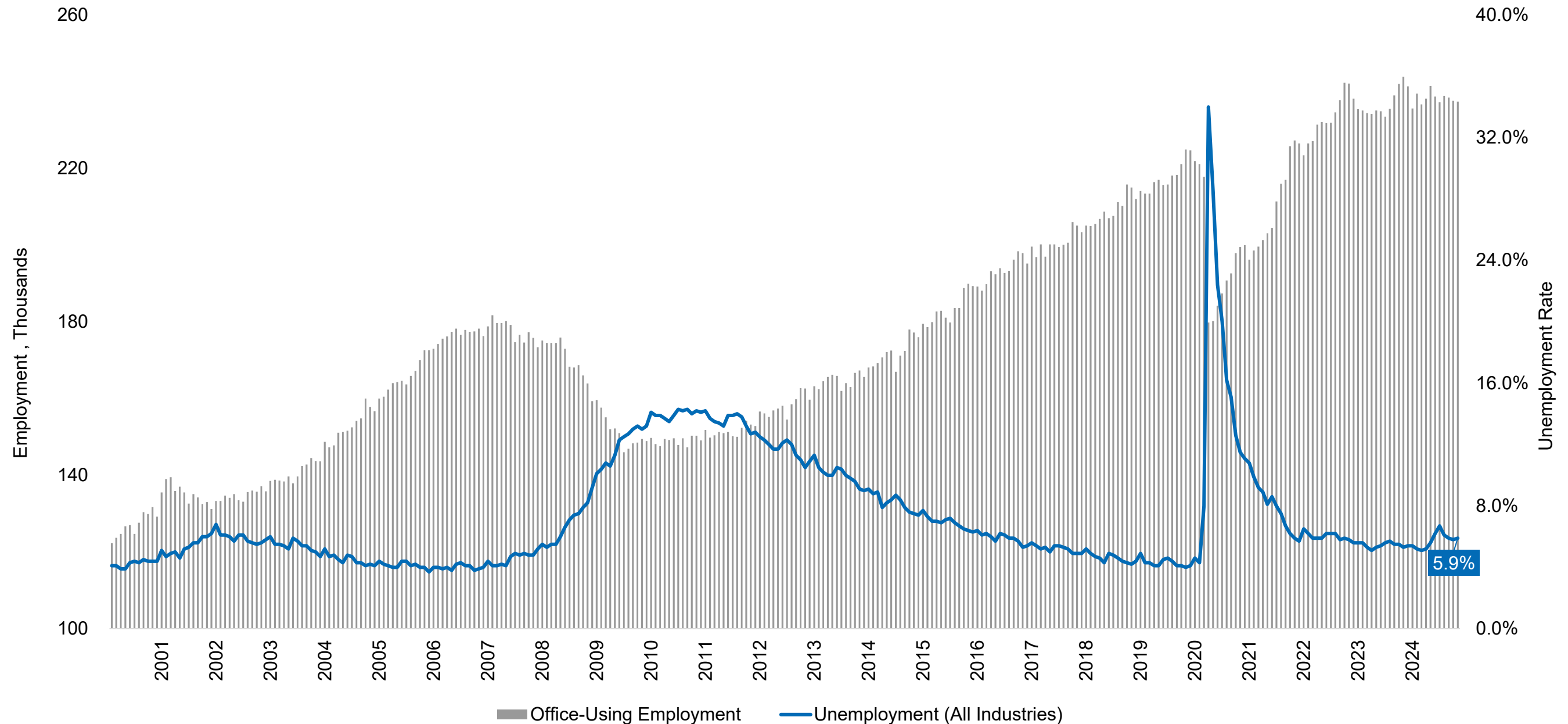


Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

Office-Using Employment Flat in 2024

Following a 17.4% drop at the pandemic's onset, local office-using employment recovered by October 2021 and now exceeds pre-pandemic levels by 7.6%. However, recent national contractions in financial activities and professional services have impacted the Metro, with employment declining 2.7% over the past year.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Las Vegas MSA

Note: November 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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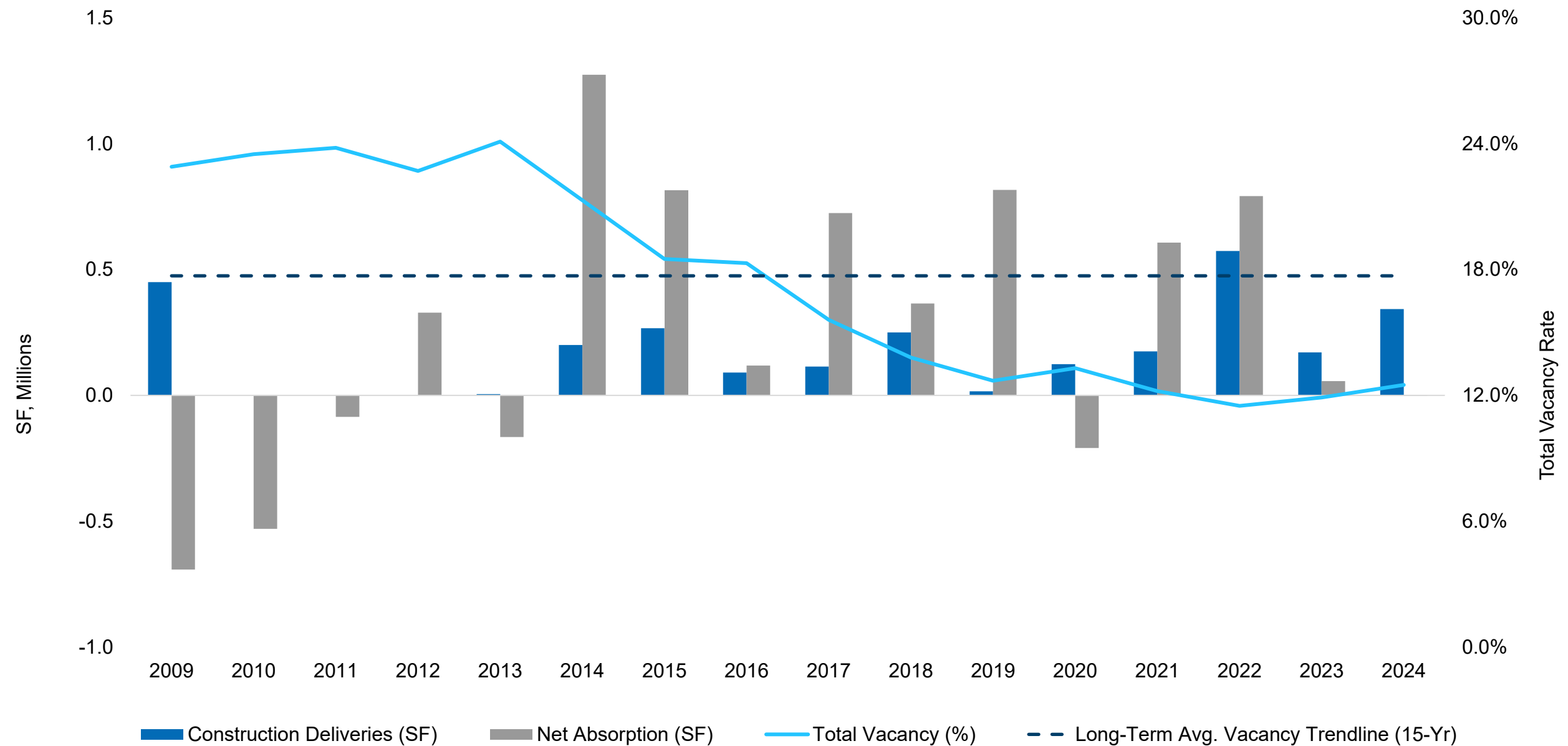
Market Fundamentals



Tenant Occupancy Stable Between 2023 and 2024

Las Vegas' post-GFC economic diversification enabled a swift pandemic recovery and resilience amid recent uncertainty. Despite a 60-basis-point vacancy increase and nearly 350,000 SF of new deliveries, methodical tenant activity—including leases, expansions, and moveouts—resulted in a minimal net contraction of just 995 SF across the Metro.

Historical Construction Deliveries, Net Absorption, and Vacancy

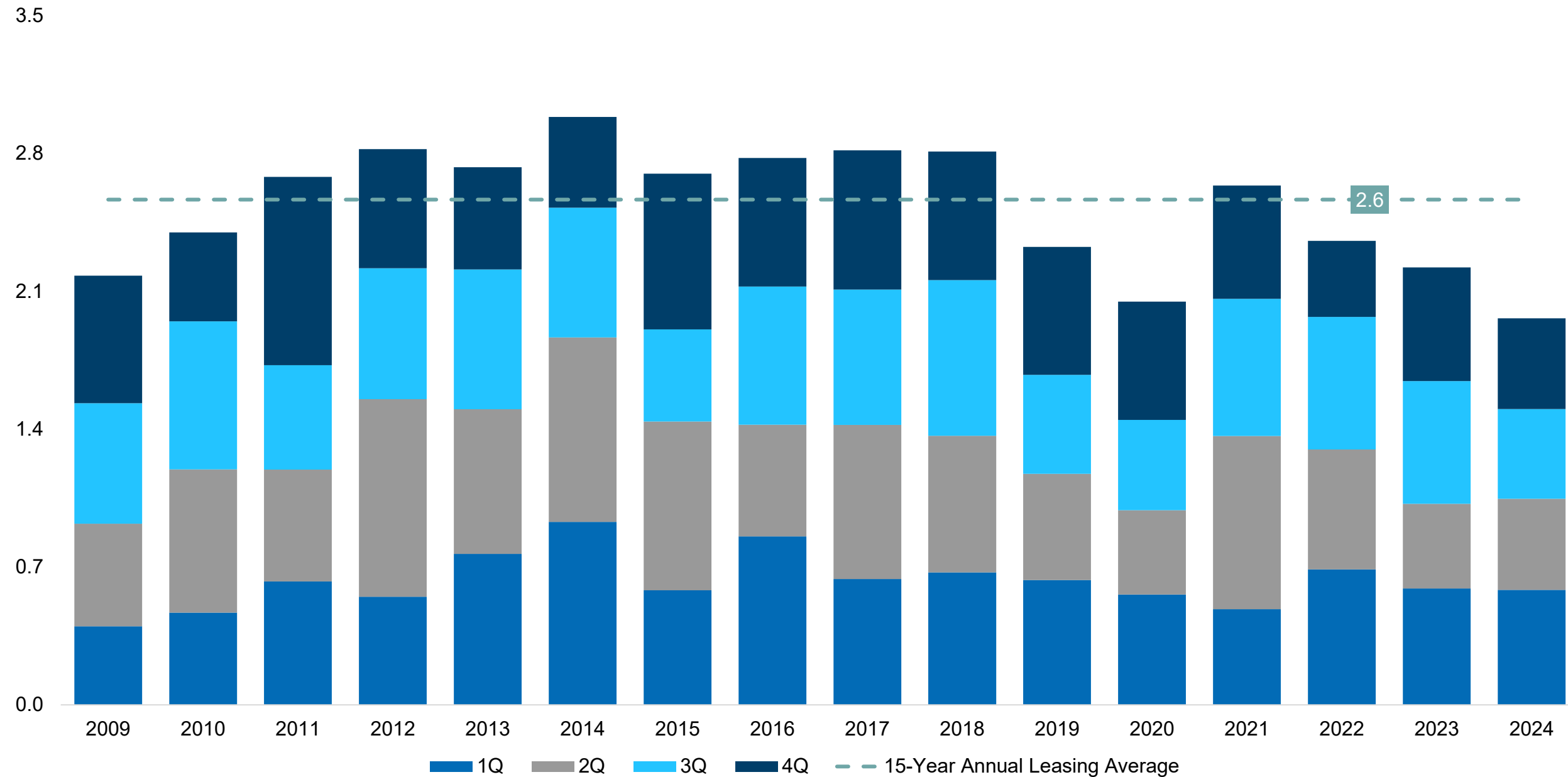


Source: Newmark Research

Leasing Activity Hits 15-Year Low

Leasing activity in 2024 continued its decline, reaching its lowest level in 15 years, 4.1% below the previous low in 2020. Despite Las Vegas' appeal with lower costs, population growth, and a central Southwest location, widespread space reductions, economic uncertainty, and higher capital costs have suppressed activity. Slower leasing volumes are expected to continue.

Total Leasing Activity (MSF)



Source: Newmark Research

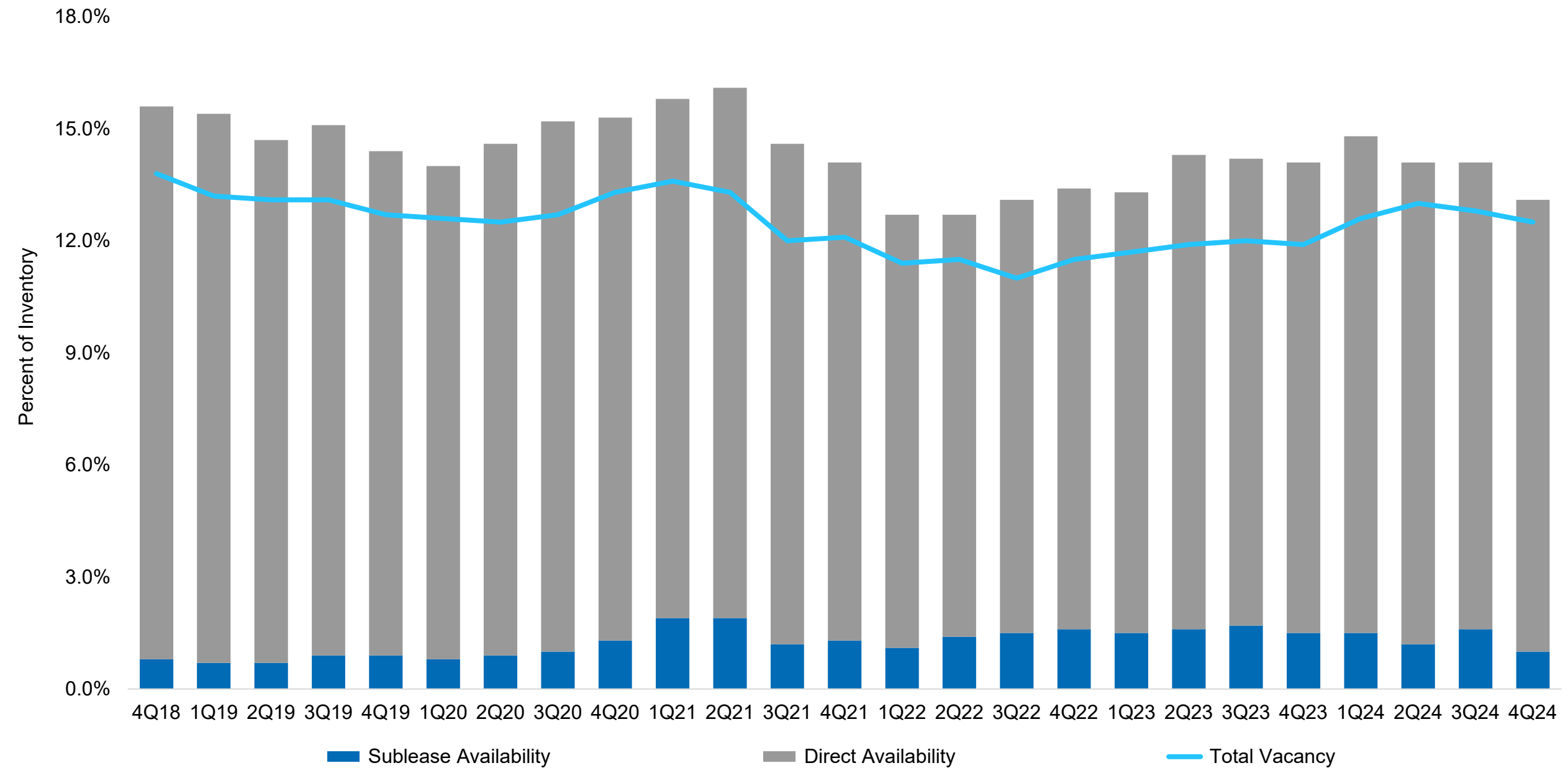
Return-to-Office Outlooks are Improving; Leasing Activity Stands to Benefit

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Traditional Office Users Keep Vacancy and Availability Stable

Las Vegas' traditional office-first occupiers have kept direct and sublet availability lower than national averages. Both metrics declined this quarter as spaces were filled and/or removed from market. However, with supply and demand stagnating, prolonged time on the market could pressure rents downward.

Available Space and Total Vacancy as Percent of Overall Market

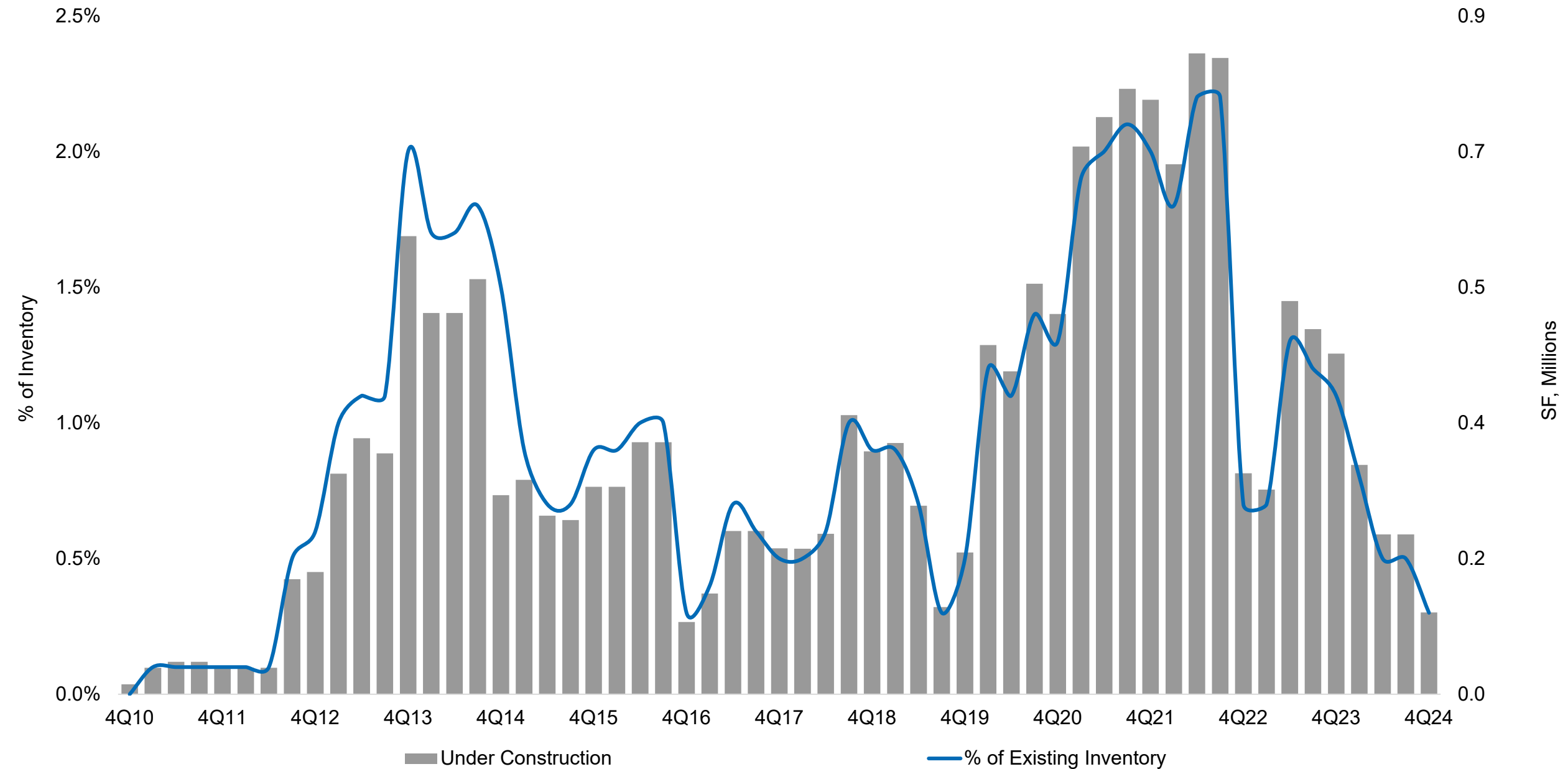


Source: Newmark Research

Measured Development Limits Vacancy Increases

Despite inflation and rising construction costs, 2023 saw new office projects, primarily built-to-suit or mixed-use speculative developments, driven by Las Vegas' affordability and regional access. Developers, in the second half of 2024, paused traditional office starts, awaiting market absorption of ongoing projects.

Office Under Construction and % of Existing Inventory



Source: Newmark Research

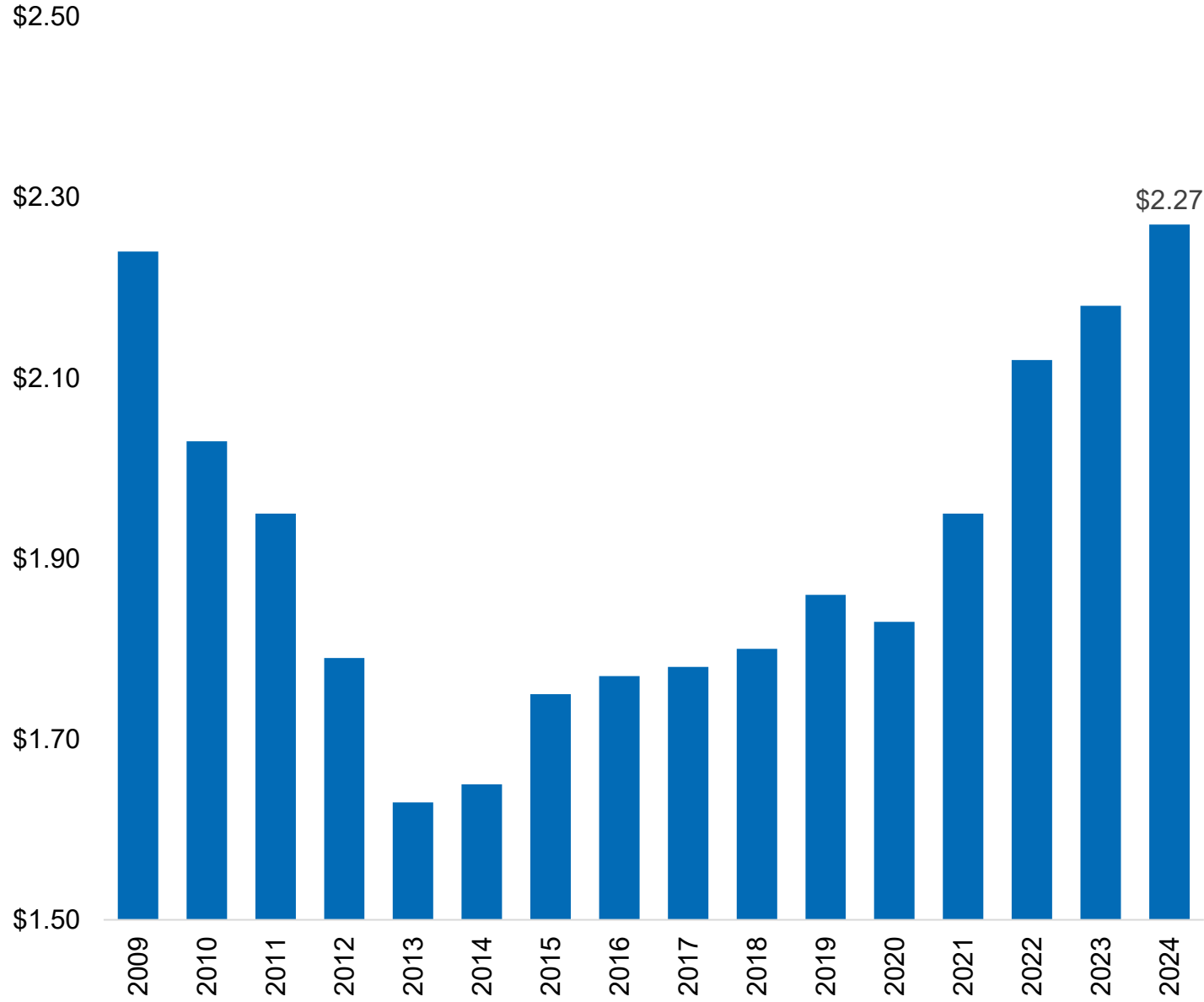
Sublease Availability Focused in Downtown and Western Submarkets

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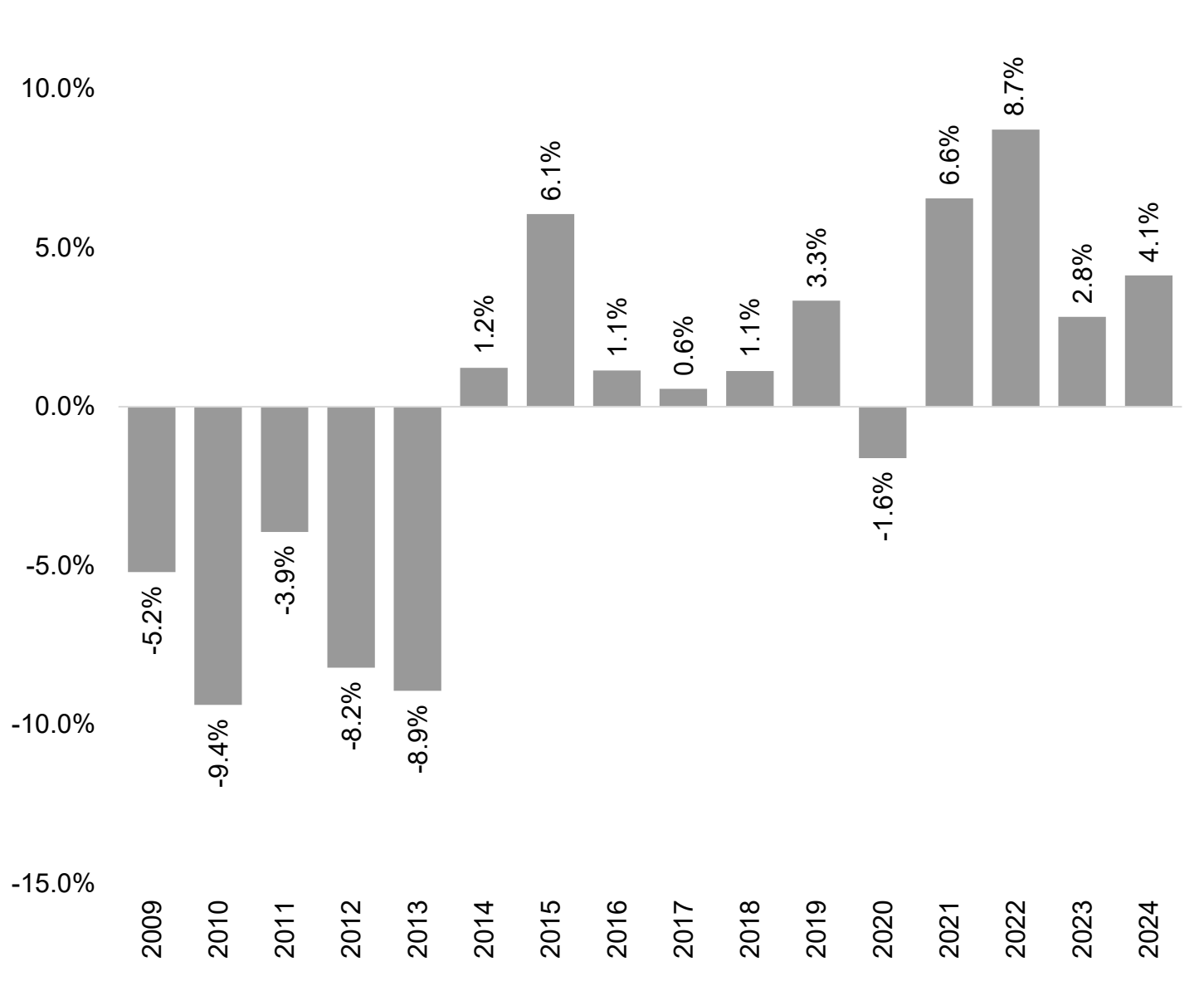
Asking Rents Exceed Pre-GFC Levels in 2024

Following a 37.4% decline between 2009 and 2012, metro asking rents surpassed their 2009 peak, reaching \$2.27/SF by late 2024. While growth is expected to continue, its pace may slow, with potential downward pressure if vacancies remain on the market longer than average.

Office Average Asking Rent, \$/SF/Month, FS



Year-over-Year Asking Rent Growth Rate

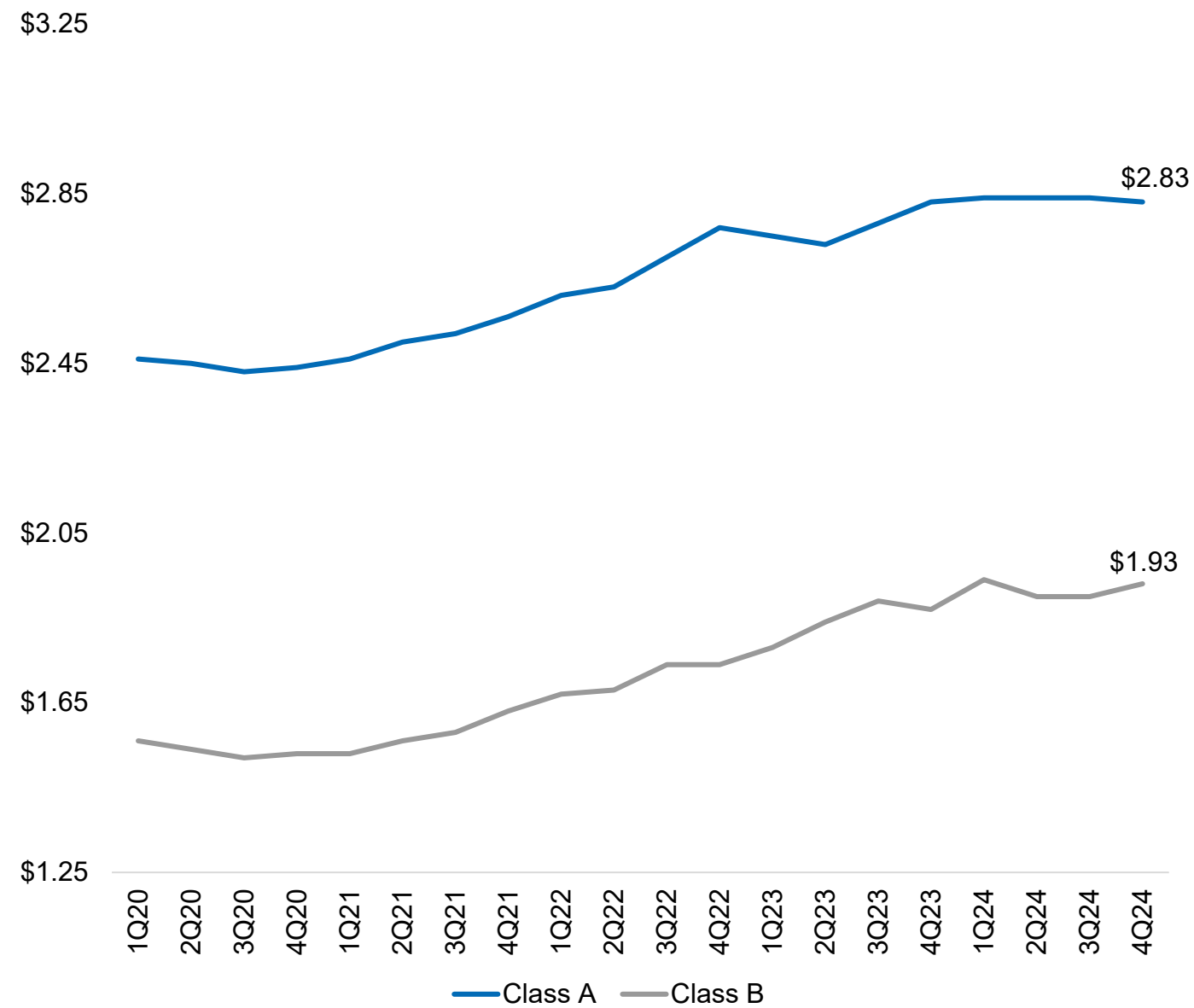


Source: Newmark Research

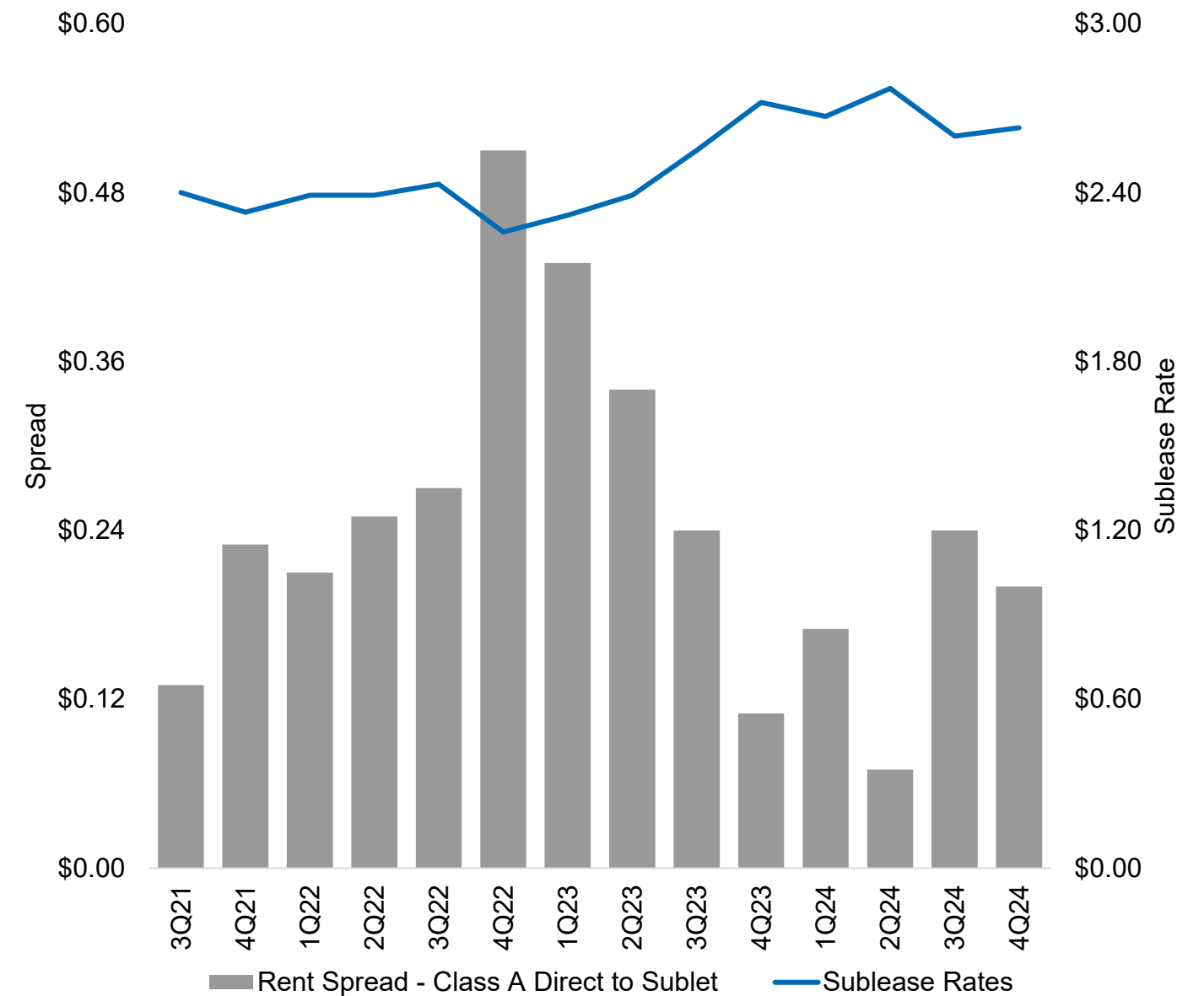
Class A & B Asking Rates Flat Year-Over-Year

Cost-sensitive office users kept Class A and B direct rents stable, as landlords focused on filling vacancies. Sublease rates rose but stayed below recent highs, narrowing the gap with direct rates to \$0.20/SF.

Class A and Class B Asking Rents, \$/SF/Month, FS



Sublease Asking Rates



Source: Newmark Research

Larger Leases Concentrated in Southern Submarkets

Recent development in southern submarkets has drawn new office users seeking quality spaces at lower rates than other Southwest metros. Finance and other traditional office-use sectors made significant moves in 2024.

Notable 2024 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Marshall Retail Group	Hughes Airport Center	South	Direct Lease	32,843
<i>Marshall Retail Group took 32,843 SF in the Hughes Airport Center.</i>				
Kiln	UnCommons – Building 3	Southwest	Direct Lease	31,401
<i>Coworking company, Kiln, signed on to occupy 31,401 SF in the trophy office park, UnCommons.</i>				
Village Capital	Green Valley Corporate Center South 6	South	Direct Lease	31,087
<i>Mortgage banking firm, Village Capital, leased 31,087 SF in Green Valley Corporate Center South.</i>				
Lennar Homes	Rainbow Sunset Pavilion	Southwest	Direct Lease	28,549
<i>Lennar Homes, a residential construction company, took 28,549 SF on the third floor in Rainbow Sunset Pavilion.</i>				

Office Sales Account for Just Under 10% of 2024 Total Volume

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Office Product Attracts Private Buyers



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Strong Office Sales Among Owner-Users and Redevelopment Opportunities

Some office users opted to buy rather than lease. Sales were stronger for medical offices than traditional spaces, as investors prioritize stabilized assets in the current economic climate.

2024 Notable Sale Transactions

Buyer	Building(s)	Submarket	Price	Square Feet	Closed
Urban Land of Nevada	Sheq Properties Portfolio	South / Southwest	\$37,250,000	116,235	2024 1Q
<i>Urban Land of Nevada purchased three buildings located in the South and Southwest submarkets from Sheq Properties in a portfolio sale. All the buildings were 100% occupied at closing.</i>					
Local Asset Management	MGM Airport Corporate Center Portfolio	South	\$22,000,000	174,171	2024 4Q
<i>Peakstone Realty Trust sold the three-property portfolio in the fourth quarter of 2024 for \$127.19/SF.</i>					
Las Vegas Valley Water District	330 S. Valley View Blvd.	Northwest	\$21,250,000	166,409	2024 1Q
<i>Las Vegas Valley Water District will occupy as an owner-user as an expansion to its current location near the property.</i>					
Gupta Vegas Investors	Quail Air Center	South	\$19,625,000	65,100	2024 4Q
<i>3D Investors sold the Quail Air Center in October 2024 at 85% occupancy. The buyers purchased the property in a covered land play for 4.18 AC for future development.</i>					

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Appendix



Las Vegas Metro Office Submarket Map and High-Level Statistics | 4Q24



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Las Vegas Metro Office Submarket Statistics | 4Q24



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Population Has Increased Considerably in Recent Decades



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