

# Q3 achieves three consecutive quarters of positive net absorption and decreased vacancy

▼ 8.3%  
Vacancy Rate

▼ 31,679  
SF Net Absorption

▼ 84,750  
SF Under Construction

▲ \$2.29  
FSG / Lease Rate

▼ 25,106  
SF Total Sublease Availability

Note: Arrows indicate change from previous quarter.

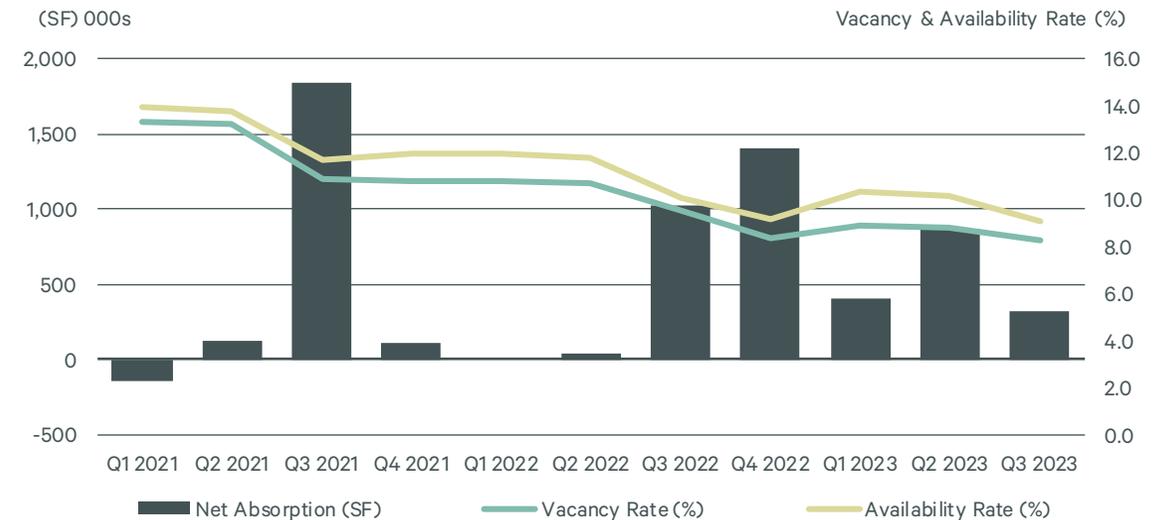
## MARKET SUMMARY

Despite economic uncertainty and a softening market, the Las Vegas medical office market is achieving greater stability with slightly decreased vacancy, rising asking lease rates and declining sublease availability as price-conscious tenants continue to take advantage of the relatively inexpensive sublease rates as well as the flexibility of shorter-term leases.

Overall, pipeline activity has been healthy. Thus far, 2023 has yielded one completion per quarter to total 136,350 sq. ft., with an estimated 285,000 sq. ft. set to deliver in the coming quarters. The majority of the 285,000 sq. ft. will be comprised of the highly anticipated 200,000-sq.-ft. Helios medical campus in North Las Vegas, which may ultimately have as many as 700 hospital beds to meet the growing healthcare demand.

In addition to the 71,400-sq.-ft. Queensridge Medical Center in Summerlin that delivered in Q1, ORG Portfolio Management completed construction in Q2 on a 50,000-sq.-ft. medical office building in the Southwest submarket for the Culinary Health Center's second Las Vegas location. The Park at Horizon Ridge also recently delivered 14,950 sq. ft. of its Class B Owner-User Office and medical complex in Henderson. Currently, under-construction projects include The Village at St. Rose (80,000 sq. ft. of Class A medical office) and another portion (4,750 sq. ft.) of The Park At Horizon Ridge (Class B medical and office complex consisting of six single-story shell buildings that range from 4,750 to 14,950 sq. ft.), both of which are in the Southeast submarket.

FIGURE 1: Las Vegas Net Absorption (SF), Vacancy Rate (%) and Availability Rate (%)



Source: CBRE Research, Q3 2023

FIGURE 2: Completions & Under Construction (SF, 000s)



Source: CBRE Research, Q3 2023

FIGURE 3: Recent Significant Medial Office Lease Transactions

| Tenant                   | Property                   | Submarket | Size (SF) |
|--------------------------|----------------------------|-----------|-----------|
| P3 Health Partners       | Parkway Medical            | Southeast | 10,560    |
| Dermatology Management   | Health South Medical       | Northwest | 6,877     |
| Las Vegas Medical        | Seven Hills Medical Center | Southeast | 5,253     |
| Intermountain Healthcare | Town Center Plaza          | West      | 4,796     |
| Epiphany Dermatology     | Willow Creek Siena         | Southeast | 4,222     |

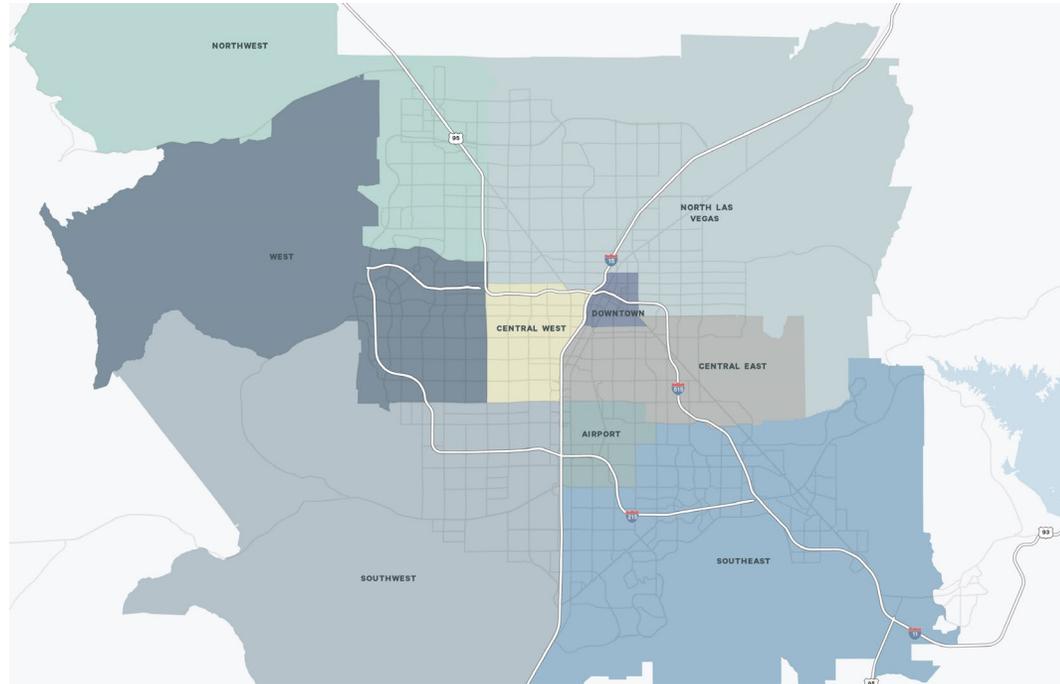
Source: CBRE Research, Q3 2023

FIGURE 4: Medical Office Overall Market Statistics

| Submarket       | Net Rentable Area (SF) | Direct Vacancy Rate (%) | Direct Availability Rate (%) | Quarter Net Absorption (SF) | YTD 2023 Net Absorption (SF) | YTD 2023 Deliveries (SF) | Under Construct. (SF) | Avg. Asking Rate (\$/SF/Mo FSG) |
|-----------------|------------------------|-------------------------|------------------------------|-----------------------------|------------------------------|--------------------------|-----------------------|---------------------------------|
| Airport         | 35,892                 | 42.2                    | 42.2                         | -                           | 13,322                       | -                        | -                     | 2.14                            |
| Central East    | 1,607,564              | 11.3                    | 10.7                         | 9,414                       | (9,431)                      | -                        | -                     | 1.89                            |
| Central West    | 1,292,609              | 8.0                     | 7.8                          | 7,510                       | (10,734)                     | -                        | -                     | 2.26                            |
| Downtown        | 18,744                 | 10.6                    | 10.6                         | -                           | 4,772                        | -                        | -                     | 1.90                            |
| North Las Vegas | 491,804                | 3.8                     | 3.8                          | -                           | 14,681                       | -                        | -                     | 1.73                            |
| Northwest       | 1,333,620              | 7.1                     | 6.6                          | 3,534                       | 34,681                       | -                        | -                     | 2.42                            |
| Southeast       | 1,860,263              | 9.7                     | 8.4                          | 11,221                      | 49,727                       | 14,950                   | 84,750                | 2.38                            |
| Southwest       | 1,199,136              | 6.6                     | 5.7                          | -                           | 75,028                       | 50,000                   | -                     | 2.67                            |
| West            | 767,402                | 13.5                    | 12.8                         | -                           | 27,359                       | 71,400                   | -                     | 2.55                            |
| <b>Total</b>    | <b>8,607,034</b>       | <b>8.3</b>              | <b>9.1</b>                   | <b>31,679</b>               | <b>199,405</b>               | <b>136,350</b>           | <b>84,750</b>         | <b>2.29</b>                     |

Source: CBRE Research, Q3 2023

### Market Area Overview



### U.S. Economic Overview

The U.S. economy has defied expectations for a slowdown and even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. This resilience is due to a number of factors: 1) the Chips and IRA Acts have stimulated the construction sector; 2) the Fed and the FDIC have provided prompt and effective support for the banks, and: 3) consumers are in good shape from a balance sheet and income perspective. Nevertheless, headwinds are intensifying and include higher oil prices, resumption of student loan payments, and a weakening global economy. These headwinds, while not serious in and of themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate somewhat, it is likely that valuations will stabilize during the first half of 2024.

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### Survey Criteria

The Las Vegas medical office dataset includes all medical office buildings that are greater than or equal to 10,000 sq. ft. across 9 submarkets (within the Downtown and Suburban areas) excluding owner-user/single tenancy and government-owned. General Office and Mixed-Use Office are tracked separately. Buildings that have begun construction are evidenced by site excavation or foundation work.

### Methodology

Positive absorption is based on the date the lease is signed. Lease rates are calculated using a weighted average of asking lease rates for existing product with availability. Sublease availability is considered occupied. Lease activity is the sum of the square footage of leases signed during a designated time period.