

Las Vegas Sun

Commercial real estate vacancy rate holding steady

By [Buck Wargo](#) ([contact](#))

Wednesday, Jan. 5, 2011 | 2:05 a.m.

The commercial real estate vacancy rate in Las Vegas held steady during the fourth quarter — a sign analysts said signals the worst of the downturn may be over for the retail, office and industrial market.

Brokerage firm CB Richard Ellis of Las Vegas released its fourth-quarter numbers this week that show the office vacancy rate ended 2010 at 24 percent. That's a tick lower than the 24.1 percent at the end of September. The brokerage reported a 23 percent vacancy rate at the end of 2009.

With unemployment at historic high levels, CB Richard Ellis isn't projecting the office sector will do a lot of hiring in 2011. It predicts office employment will grow by 300 jobs in 2011.

"The value of this figure is small, but it's another indicator that points in the right direction," the firm noted in its report. "Although it will take at least several years for the Las Vegas office market to return to vacancy and lease rates of 2006 and 2007, the statistics posted at the end of 2010 indicate a market that's headed in the right direction. We're quite optimistic regarding the long-term future of the Las Vegas office market."

In the retail market, the vacancy rate at the end of December was 11.3 percent, just above the 11.1 percent at the end of the third quarter. The good news is the vacancy rate was one percentage point lower than the end of 2009.

"Recovery in the Las Vegas retail market will not occur quickly or easily, but we believe that we have reached the bottom of the economic cycle and are poised for a slow rebound over the next few years," the brokerage said in its report. "Tourism is the driver of the Las Vegas economy, and it's a key component of the health of the local retail market."

In the industrial market, the vacancy rate was 11.7 percent at the end of 2010, up slightly from the 11.5 percent at the end of the third quarter. The vacancy rate was 10.2 percent at the end of 2009.

Even though the vacancy rate rose, it's increasing at a slower pace, which the brokerage called an encouraging sign that the market is close to bottom.

Office market

CB reported that average asking lease rates have continued to decline, falling to \$1.75 per square foot on average in the fourth quarter compared to \$1.79 per square foot in the third quarter. That's a 21-cent decrease from the end of 2009.

High-end Class A space had a \$2.17 per square foot lease rate, a 30 cent decrease from the third quarter.

The northwest valley, which has 6.4 percent of the office space, had the highest vacancy rate at 40.5 percent. North Las Vegas had an 11.8 percent vacancy rate while downtown had a 15.2 percent vacancy rate. The southwest had a 28.1 percent vacancy rate.

Retail market

After decreasing for most of 2010, the average asking lease rates rose in the fourth quarter to \$1.85 per square foot, which is where it stood at the end of 2009, the firm reported.

The north, northwest and southwest valley had the highest vacancy rate at 14 percent, while the northeast valley near Nellis Air Force Base had the lowest vacancy rate at 7.4 percent. Summerlin and the west valley had an 8.8 percent vacancy rate.

Industrial market

The average asking lease rate increased one cent per square foot to 56 cents in the fourth quarter. The average lease rate at the end of 2009 was 62 cents per square foot.

The current leasing trends include a migration of tenants from North Las Vegas to the southwest valley because of that area's lower lease rate and its proximity to Los Angeles and the Strip, the brokerage said.

The southwest valley had an average asking lease rate of 60 cents per square foot, down from 64 cents in the third quarter. North Las Vegas had a lease rate of 44 cents per square foot, the same as the third quarter.

North Las Vegas had a 13.6 percent vacancy rate, the highest in the valley. The southwest had a 10.3 percent vacancy rate. The central valley had a 4.6 percent vacancy rate.

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