

LAS VEGAS REVIEW-JOURNAL

Is Las Vegas a city of the future? Summerlin helping office market 'defy gravity'



Summerlin's 1700 Pavilion should be a model for the new normal when it comes to office space say many analysts. (Howard Hughes Company)



By Patrick
Blennerhassett –
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Las Vegas' office market continues to be a bright spot in a rather cloudy U.S. commercial real estate outlook, a national site selector said.

"Vegas has really defied gravity with respect to so many other urban doom loop cities that are struggling with empty office towers," John Boyd, principal of The Boyd Company Inc., said. "And so much of that is this live-work-play requisite for virtually all types of site selection and real estate development decisions today, and it's not really hyperbole to talk about Vegas as a city of the future."



John Boyd said the Summerlin office market is a place to keep an eye on. (Boyd)

Boyd zeroed in on Summerlin's office market in a recent report for leading the valley's charge as it offers a different approach to central business districts by offering places for people to live, work and play.

Case in point are the 1700 Pavilion and ONE Summerlin projects, two office towers both in the Downtown Summerlin area and surrounded by shops, restaurants, malls, apartment complexes, the Las Vegas Ballpark, City National Ice Hockey Arena, Red Rock Resort & Casino and a couple of minutes drive to most of the community's housing stock.

Boyd said today's worker wants their daily amenities nearby and short commutes to the office in the new hybrid working landscape, if they are still commuting at all.

"Summerlin really is ahead of the curve when it comes to the whole work-play model," Boyd said. "And now virtually every community in the country is working to attract those types of mixed-use developments."

Frank Stephan, president of the Nevada region for the Howard Hughes Company, said 1700 Pavilion, which opened in January of last year, is already 90 percent leased. He said the goal of the company building the Summerlin master-planned community was thoughtful design void of urban sprawl.

"The Downtown Summerlin location offers short commutes to the office for residents of Summerlin and ease of access to everywhere in the valley," he said. "That speaks volumes of the desirability and attractiveness of the master-planned environment and continues to drive additional development in Downtown Summerlin."

Along with the commercial builds, Summerlin is filling out its downtown core with residential as well. Tanager Echo, downtown Summerlin's latest luxury apartment complex, which has 294 units, opened last year and a 7-acre retail center on the northwest corner of Town Center Drive and Sahara Avenue will be anchored by Whole Foods Market. There's also Meridian, a 147,000-square-foot class A office building comprised of two 3-story buildings that is nearing completion.

Tim Kelly Kiernan, branch manager of Realty One Group's Summerlin office, said the community is built on balance rather than profit, weaving trails, parks and homes together with various commercial properties. Kiernan has lived in Summerlin for nearly 20 years and said proximity to amenities such as schools, retail and, of course, office space are vital to residential sales now.



Frank Stephan, the president for the Nevada Region for the Howard Hughes Company. (Howard Hughes Company)

“Summerlin seems to be able to seamlessly mix all of those amenities, schools and shopping and dining and the businesses all together, and I think it should be a blueprint for other parts of the country,” he said. “So they’ve got it figured out, to say the least.”

Las Vegas ahead of the national market

National forecasts are quite dire concerning U.S office space, as vacancy rates recently hit a high not seen since 1979, and talk of an overall commercial real estate crash has picked up steam in 2024. Major cities such as Los Angeles, San Francisco, New York and Chicago are dealing with sky-high vacancy rates in their downtown office space

buildings, a phenomenon brought on by the remote work trend during the pandemic.

Reports say many regional banks in the U.S. may have high exposure to maturing commercial real estate loans, and it remains to be seen how much damage vacant office space will do to the overall economy in the coming years given interest rates remain elevated.

The Boyd Company’s latest report said massive office towers are becoming a “rarity” post-pandemic.

“As companies reduce their total office square footage, exchange private desks for collaboration areas and add amenities aimed at encouraging workers out of their homes and back into their offices, they are increasingly changing the look of post-pandemic corporate offices and where they should be located,” the report stated. “This re-thinking of the physical office is also being carried out in a highly cost-containing mode given inflated financing costs, rising taxes, talk of a recession and other 2024 economic challenges.”

With an office market that makes up only 46.4 million square feet, the Las Vegas Valley’s vacancy rate at the end of 2023 was 11.1 percent, lower than the U.S. average of 16 percent, according to fourth-quarter office market reports from Colliers International.

In comparison, the greater Los Angeles area has 220.9 million square feet of office space, with an overall vacancy rate of 23 percent, according to Colliers.



*Real estate agent Tim Kelly
Kiernan said Summerlin's master
plan has paid off for the
community. (Realty One Group)*

According to Cushman & Wakefield, six office projects, totaling more than 400,000 square feet, are currently under construction in the valley. Most are located in the south or southwest valley.

Office sales saw a drop in the fourth quarter, with \$53 million recorded across 10 properties totaling 187,000 square feet, as opposed to \$199 million across 15 properties in the third quarter of 2023.

Looking ahead in 2024, John Stater, research manager at Colliers in Las Vegas, said in the brokerage's fourth-quarter office market report that companies should see the writing on the wall and look for ways to get ahead of the remote work trend rather than continue to react to it.

"Small office units outperformed larger office units through most of 2023, and it now appears that landlords are more willing to divide larger spaces," he said. "Office design that encourages employees to work in the office rather than home, and communications systems that help businesses remain flexible should be pursued both in new developments and when renovating older buildings."