

# Business PRESS

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## Valley office market grows in third quarter

### *Vacancy rates remain just below 10 percent*

BY TONY ILLIA

Greater Las Vegas' office inventory swelled to 39.8 million square feet in third quarter. The area has added 3.8 million square feet of new space since 2005, due to strong user demand fueled by employment growth. This is according to Applied Analysis, a Las Vegas-based business-advisory firm. Despite 272,000 square feet of net absorption in the third quarter, vacancy rates remained relatively low at 9.9 percent, only slightly higher than the previous quarter. Yet vacancies are expected to creep upward with a softening economy and a whopping 4.4 million square feet of new space under construction in third quarter.

"Market dynamics continue to shift as record-setting levels of new inventory entered the market in the third quarter, with a substantial amount of space still in the development pipeline," said Brian Gordon, principal of Applied Analysis. "Recent expansion and absorption levels have resulted in the fourth consecutive quarter of vacancy-rate increases. That said, the current 9.9 percent still remains below historical averages and other major Western U.S. markets."

Class A, steel-framed, internally divisible office space -- exemplified by Hughes Center and Marnell Corporate Center -- remains ever popular, boasting the valley's lowest vacancy rate among product types (5 percent), while speculative space vacancies hovered around 11.2 percent in third quarter. "Available Class A product in Las Vegas has long been a sparse commodity" said Dave Dworkin, a research analyst with Grubb & Ellis. "The short supply of Class A product has had a predictable effect on annual lease rates, which jumped from \$28 to \$30 per square foot over the last year." That will change when Crescent Real Estate Equities' 11-

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story, 240,000-square-foot, Class A tower opens in early 2007. It will be the first office building constructed in Hughes Center in nearly eight years. Then there's Business Bank of Nevada's six-story, 150,000-square-foot, Class A building on West Charleston Boulevard, also scheduled to open in early 2007.

But the southwest is still the valley's hottest submarket, with 184,483 square feet of third-quarter net absorption and 381,605 square feet of net absorption for the year to date, reports Jessica Willett, a senior research coordinator with CB Richard Ellis. The southwest is additionally seeing the most construction activity, with 191,268 square feet worth of new completions in third quarter and another 529,818 square feet planned for future development.

Recent project completions in the southwest valley include Frey Development's 17-acre Sunset Post Corporate Center, at West Post Road between Russell Road and the I-215 Sunset Interchange, and the five-acre Diablo Office Center at Rainbow Boulevard on Diablo Drive. Colliers International's Kyle Eigenman and Vic Donovan are the leasing agents.

Asking rents, meanwhile, averaged \$2.23 per square foot in the third quarter, or 19 cents more than a year ago. Prices are expected to climb due to rising development costs, including land, construction and financing, but at a slow rate. Said Gordon, "Limited potential to reach double-digit growth rates exists, given the rising costs of tenant improvements and their impact on consumers' overall ability to pay additional premiums."

## PROJECTS

YWS Architects designed a \$22 million, 60,000-square-foot Jewish temple campus, now under construction at the northwest corner of I-215 and Valle Verde Drive. Phase one of the Greenspun Campus for Jewish Life, Learning & Spiritual Renewal will consist of a 23,000-square-foot synagogue with worship and meeting rooms, a religious and day school, an early education center, healing gardens, an open amphitheater, outdoor patios, and a social hall. Isaac Building & Design is the contractor for phase one, which is scheduled to finish in February 2007. A second phase will contain a two-story Jewish day school for preschool through eighth grade, with an adult education facility and a gymnasium. The campus is scheduled to finish in August 2007.

R2H Engineering completed a \$10 million, 1,500-foot extension of Nellis Boulevard. The firm served as construction manager on the project, which entailed design and construction of two painted-steel girder structures



Diablo Office Center (above) and Sunset Post office Corporate Center are manifestations of a torrid market for office buildings in the southwest Las Vegas Valley.

connecting Nellis Boulevard to Russell Road over Duck Creek and I-515.

SR Construction completed the \$2.4 million, 14,000-square-foot Children's Bone & Spine Surgery Center at Windmill Lane and I-215. Jonathan Camp, M.D., was the developer, with Dekker/Perich/Sabatini as project architect.

#### **MILLION-DOLLAR DEALS**

Santa Fe 124 LLC bought the 17-year-old, 124-unit Santa Fe Shadows apartment complex at 1111 Warbonnet Way for \$12 million, or \$97,000 per unit, from the Jung Family Trust. Marcus & Millichap's Michael Shaffner and Peter Katz represented both the buyer and the seller. Nevada State Bank provided the acquisition financing. The owner plans to reposition the 4.7-acre, 12-building complex.

National Commercial Ventures bought the 146-unit Paradise Square apartment complex at 4801 Harrison Drive for \$11.6 million, or \$79,452 per unit, from Fore Property. The Bentley Group's Christopher Bentley represented both buyer and seller.

KCRA Colorado Place LLC bought the 64,000-square-foot Colorado Place office complex at 2580 U.S. Hwy. 95, in Bullhead City, for \$5,047,468, or \$78.86 per square foot, from Ali Salass. Marcus & Millichap's Steven Terry and Todd Manning represented the seller.

The Clark County Department of Aviation signed a three-year, \$5 million lease for 60,389 square-feet of office space in the Hughes Airport Center, at 880 Grier Dr. The reported average rent equals \$2.29 per square foot. Stoltz Management's Mikkell Pearce represented the company as lessor.

Red Vistas Development bought 14.55 acres of vacant land at Pioneer and Turtleback roads in Mesquite for \$3.75 million, or \$257,731 per acre, from Charles E. Weiner and the Yorgos Family Trust. 1st Source Realty's Rebecca Bieker represented the buyer and Coldwell Banker Commercial ETN's Brian Cahane represented the seller.

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