



MULTIFAMILY REPORT

# Las Vegas Faces The Storm

Summer 2020

**Transaction Volume Plummets**

**Negative Year for Rent Expansion**

**Economy Heavily Impacted by COVID-19**

# LAS VEGAS MULTIFAMILY



## Employment Composition Is Vegas' Achilles' Heel

Las Vegas was one of the country's hardest-hit cities amid the COVID-19 pandemic, and multifamily real estate is feeling the effects. The metro's average rent was down 0.3% on a trailing three-month basis through May—10 basis points below the U.S. rate—to an average of \$1,102. One silver lining has been the decline of the turnover rate, with an increasing number of tenants staying in place due to disruptions brought by the health crisis.

Las Vegas' largest sectors—leisure and hospitality and trade, transportation and utilities—suffered a severe economic hit from the pandemic. During the 12 months ending in March, the metro gained only 3,000 jobs overall. The coronavirus health crisis triggered nearly 500,000 unemployment claims through June 6—the highest number in Nevada's history—while Las Vegas' unemployment rate rose to 33.5% as of April. And while casinos reopened in June, the metro's employment composition does not favor a speedy recovery.

After the 2019 cycle peak of \$3.3 billion in multifamily transactions, sales during 2020's first five months totaled just \$533 million. The per-unit price, however, rose by 16.2% to \$183,163. Meanwhile, developers brought 536 apartments online and had another 4,797 units underway through May. Considering the metro's fundamentals, we expect the average Las Vegas rent to drop 4.7% in 2020.

## Market Analysis | Summer 2020

### Contacts

#### Jeff Adler

Vice President & General Manager of Yardi Matrix  
[Jeff.Adler@Yardi.com](mailto:Jeff.Adler@Yardi.com)  
(800) 303-615-3676

#### Jack Kern

Director of Research and Publications  
[Jack.Kern@Yardi.com](mailto:Jack.Kern@Yardi.com)  
(800) 866-1124 x2444

#### Ron Brock, Jr.

Industry Principal, Matrix  
[JR.Brock@Yardi.com](mailto:JR.Brock@Yardi.com)  
(480) 663-1149 x2404

#### Author

#### Anca Gagiuc

Associate Editor

On the cover: Photo by VitalyEdush/iStockphoto.com

### Recent Las Vegas Transactions

#### Vegas Towers



City: Las Vegas  
Buyer: Waterton  
Purchase Price: \$104 MM  
Price per Unit: \$228,070

#### The Domain



City: Henderson, Nev.  
Buyer: Oaktree Capital Management  
Purchase Price: \$80 MM  
Price per Unit: \$ 260,065

#### Cornerstone



City: Henderson, Nev.  
Buyer: Millburn & Co.  
Purchase Price: \$68 MM  
Price per Unit: \$220,806

#### Inspirado

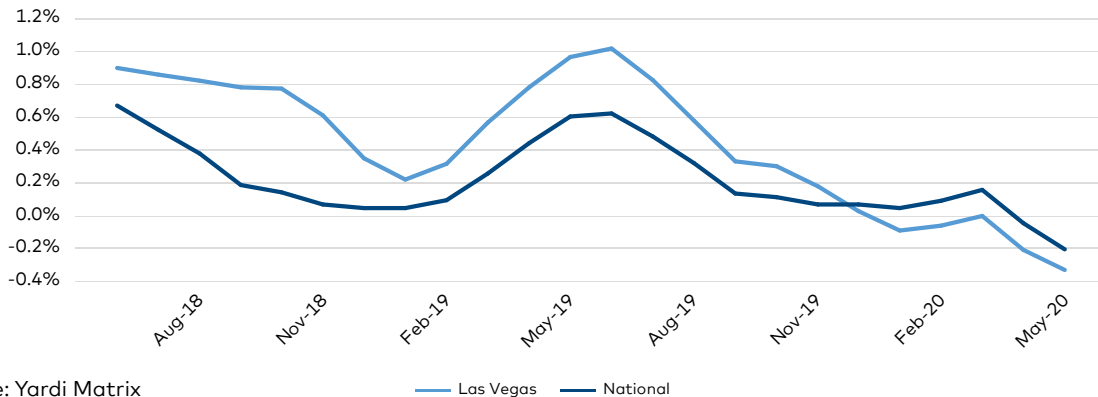


City: Las Vegas  
Buyer: NNC Apartment Ventures  
Purchase Price: \$52 MM  
Price per Unit: \$207,000

## RENT TRENDS

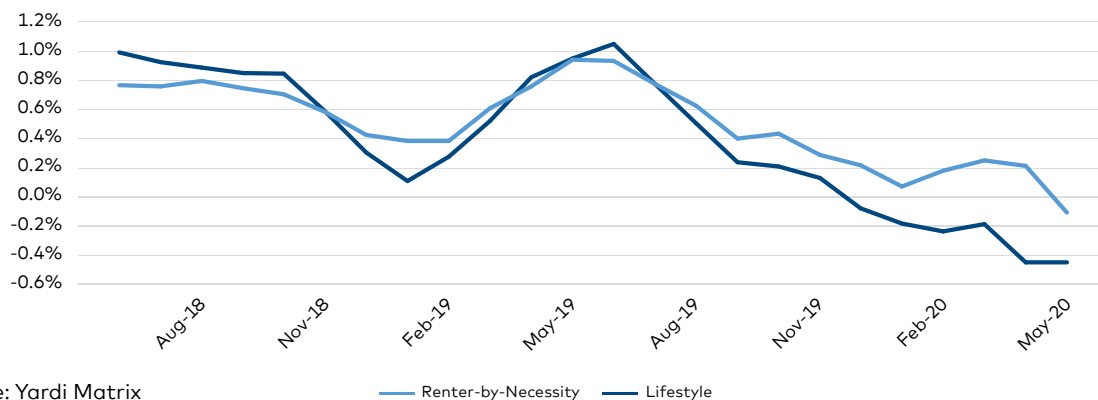
- ▶ After a prolonged period as one of the country's top performers, the average rent in Las Vegas contracted 0.3% to \$1,102 on a trailing three-month basis through May-10 basis points below the U.S. rate. Lifestyle rents contracted 0.4% to \$1,248, while Renter-by-Necessity rates inched down 0.1% to \$929.
- ▶ The metro's rent figures consistently outperformed U.S. averages this past cycle. In June 2019, the rate entered a steady downward trend, dropping below the national rate in January 2020, where it remained through the first half of the year. The coming summer months will likely show a steeper contraction, especially at the higher end of the quality spectrum, as the metro's economy begins its recovery.
- ▶ On the bright side, lockdown mandates and related uncertainty spurred a long-term decline in turnover, which has helped owners maintain occupancy and cash flow. To offset some of COVID-19's impact on the economy, taxpayer funds and other forms of financial assistance have helped support the rental market. Moreover, a temporary freeze on eviction and foreclosure proceedings was enacted during the first month of the outbreak.
- ▶ In the 12 months ending in May, Bracken and Downtown Las Vegas were the metro's best-performing submarkets, with rents in both up 6.2%, to \$906 and \$778, respectively. Meanwhile, rates were down in Paradise Valley South (-1.8% to \$1,261) and Enterprise (-0.5% to \$1,329).

**Las Vegas vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**Las Vegas Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ Before the health crisis, Nevada had one of the country's fastest growing economies. Last year, Las Vegas counted 49.5 million visitors, according to the Las Vegas Visitors and Convention Authority. The sudden Las Vegas Strip shutdown, alongside all the state's other casinos, lasted more than two months and hit the heart of the city's economy.
- ▶ The metro's largest employment sectors, leisure and hospitality and trade, transportation and utilities, comprised 45.4% of the total employment base as of March. The two sectors combined contracted by 8,000 jobs year-over-year.
- ▶ Las Vegas opened 2020 in the No. 1 spot among the country's top 50 metros by employment base size; 49% of its jobs were in sectors more vulnerable to the pandemic. Consequently, the unemployment rate rose to an unprecedented 33.5% as of April. Statewide, unemployment claims deriving from the COVID-19 outbreak were close to 500,000 at the beginning of June.
- ▶ Local economic research firm Applied Analysis estimates the metro will need between 18 and 36 months to rebound. While casinos are reopening, many of the Strip's largest destinations remained closed as of late June.

### Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
15	Mining, Logging and Construction	76	7.4%
90	Government	110	10.7%
55	Financial Activities	54	5.2%
60	Professional and Business Services	150	14.5%
80	Other Services	32	3.1%
30	Manufacturing	26	2.5%
50	Information	11	1.1%
65	Education and Health Services	104	10.1%
40	Trade, Transportation and Utilities	177	17.2%
70	Leisure and Hospitality	291	28.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Las Vegas gained 35,068 residents in 2019, for a 1.6% uptick. That was 40 basis points below the 2018 rate, but well above the 0.3% U.S. figure.
- ▶ Between 2016 and 2019, the metro gained more than 126,000 residents, marking a 5.9% expansion.

### Las Vegas vs. National Population

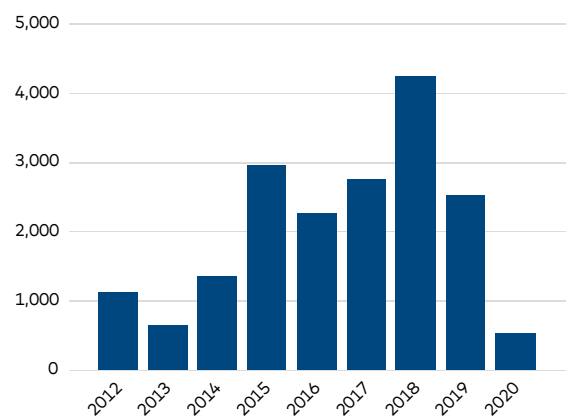
	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Las Vegas Metro	2,140,547	2,183,310	2,231,647	2,266,715

Sources: U.S. Census, Moody's Analytics

## SUPPLY

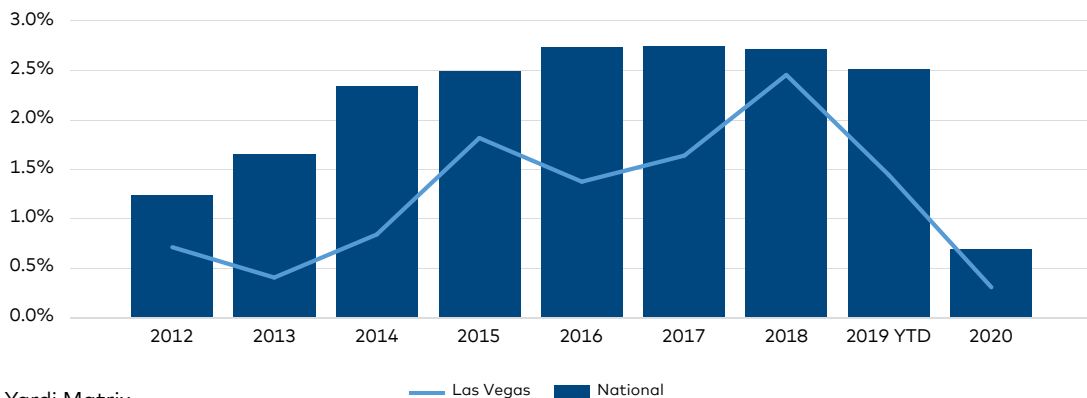
- ▶ Las Vegas had 4,797 units under construction as of May, of which more than 2,500 are slated for completion by the end of the year. In the first five months of 2020, only 536 units were delivered in two Lifestyle communities, both located in the Henderson West submarket.
- ▶ Nearly half of the projects underway are located in just three submarkets, with developers busy in Spring Valley West (959 units), Enterprise (644 units) and South Las Vegas (614 units). Despite robust rental demand prior to the health crisis, the metro's development pipeline continued to fall short of national averages. Projects that came online this year through May represented just 0.3% of total stock, 40 basis points below the U.S. rate.
- ▶ Construction remained an essential service during the COVID-19 outbreak. In fact, mining, logging and construction was the metro's leading employment sector in the 12 months ending in March, adding 6,600 jobs. Nonetheless, new workplace guidelines, combined with supply chain disruptions and a preexisting shortage of skilled laborers, will likely delay many deliveries.
- ▶ The largest delivery of the year, through May, was Empire, a 536-unit asset owned by Nevada West Development, and built with the help of a nearly \$60 million construction loan funded by U.S. Bank. The largest project underway as of May was the 380-unit The Aviator in Paradise Valley South, slated for completion in the fall.

**Las Vegas Completions** (as of May 2020)



Source: Yardi Matrix

**Las Vegas vs. National Completions as a Percentage of Total Stock** (as of May 2020)

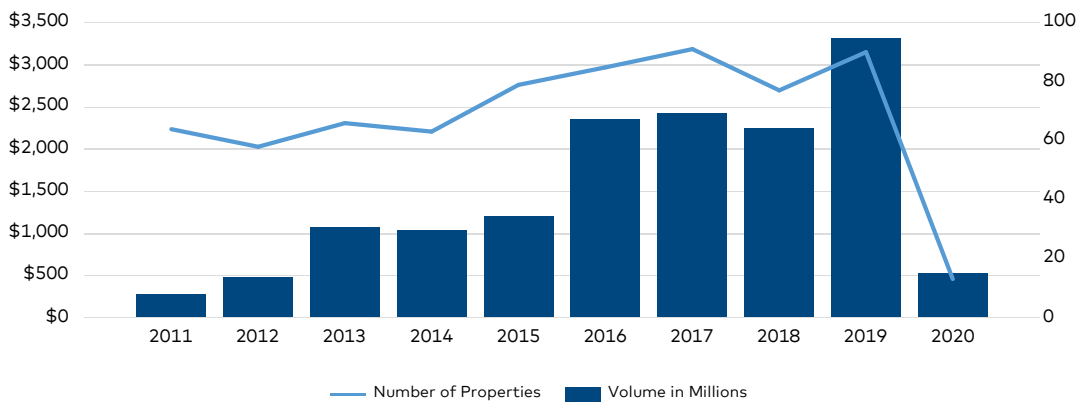


Source: Yardi Matrix

## TRANSACTIONS

- ▶ After last year's cycle peak, when \$3.3 billion in assets traded, just \$533 million in sales were registered in 2020 through May. The ongoing health crisis has dampened activity, with volume down 44.1%, relative to last year.
- ▶ Investor interest was split across the quality spectrum. Of the 13 assets of 50 or more units that traded through May, seven were RBN and six were Lifestyle communities. Bucking the national trend, the average per-unit price rose in Las Vegas, up 16.2% to \$183,163, while the U.S. figure slid 1.9% to \$164,893. However, the rise comes with a caveat—Most Vegas transactions closed in the first two months of the year, prior to the emergence of the health crisis.
- ▶ Oaktree Capital's acquisition of the 308-unit Domain for \$80 million, or \$260,065 per unit, marked the highest per-unit price in the metro in 2020 through May. Hines was the seller of the 2014-built Henderson property.

### Las Vegas Sales Volume and Number of Properties Sold (as of May 2020)



Source: Yardi Matrix

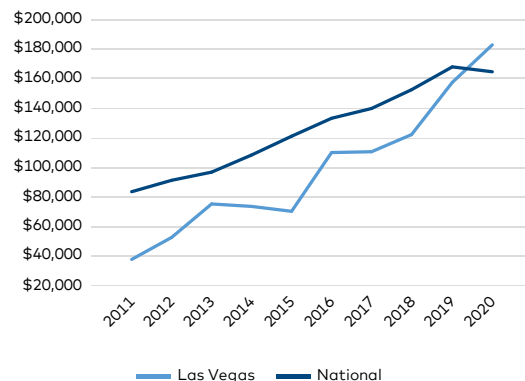
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Las Vegas Central	426
Henderson West	359
Spring Valley West	300
South Las Vegas	263
Las Vegas NW	248
Las Vegas Strip	225
Spring Valley East	210

Source: Yardi Matrix

<sup>1</sup> From June 2019 to May 2020

### Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix

## TOP 5 WESTERN MARKETS FOR MULTIFAMILY TRANSACTIONS



data by



By Evelyn Jozsa

The first four months of 2020 saw substantial activity from multifamily investors in the Western region, with almost \$4.2 billion of deals closed, according to Yardi Matrix data. Although the overall investment volume has slightly dropped from the \$4.9 billion recorded for the same period in 2019, some markets with value-add investment opportunities saw an uptick in buyer interest. Despite good performance for the interval, overall sales activity visibly slowed down in March, due to the coronavirus outbreak.

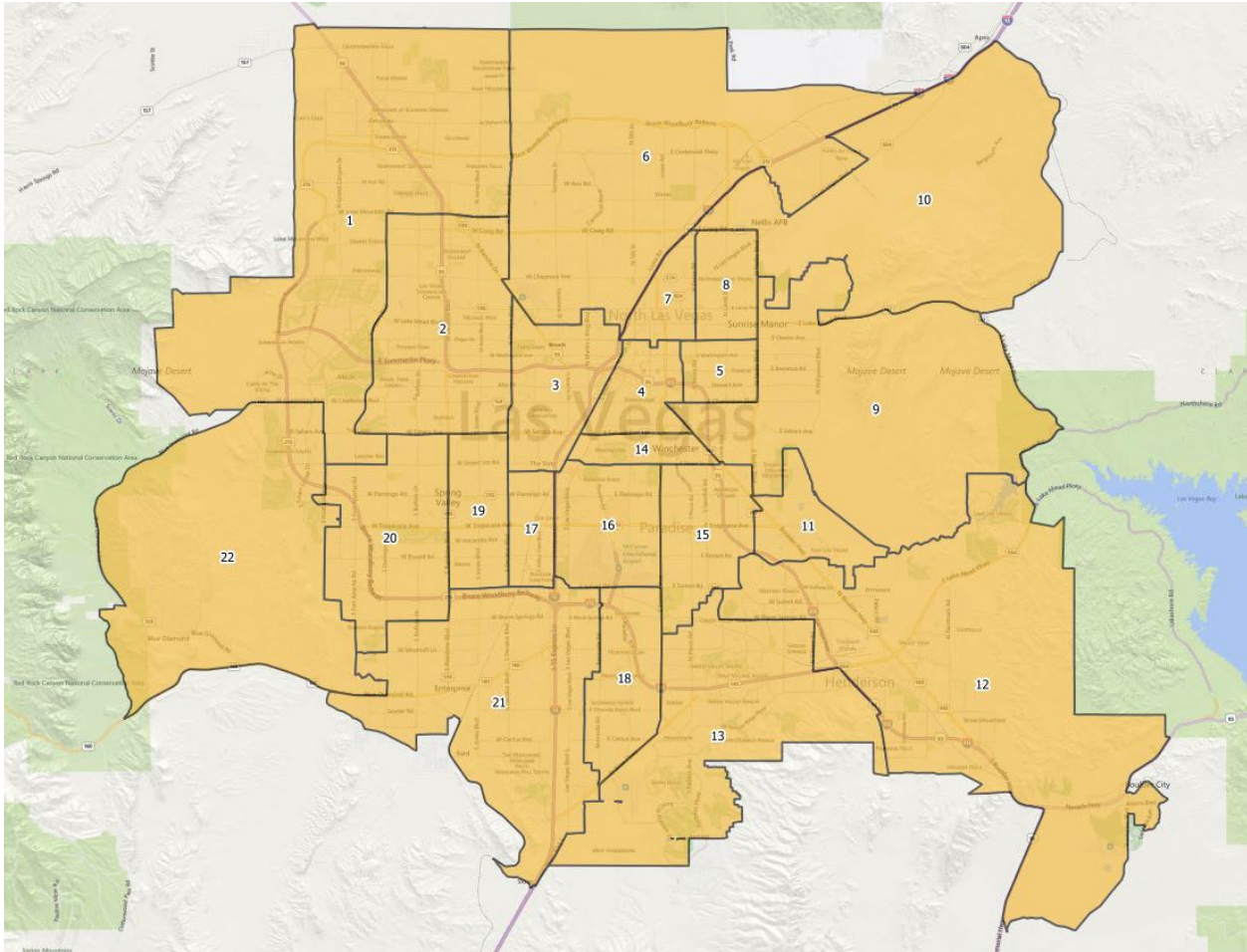
Rank	Market	Transaction Volume (\$MM)	Units Sold	Submarket With Highest Volume
1	Phoenix	\$1,345.3	7,844	Western Suburbs
2	Denver	\$1,279.3	5,991	Broomfield/Todd Creek
3	Las Vegas	\$515.5	2,790	Henderson West
4	Tucson	\$483.4	3,274	University
5	Colorado Springs	\$254.4	3,274	East Norwood

### LAS VEGAS

Transaction activity in Las Vegas marked a new cycle high in 2019, with more than \$2.9 billion in assets changing hands. The coronavirus outbreak, however, put a damper on this trend, as Las Vegas' economic profile means that a high number of its jobs are in at-risk sectors. Transaction volume in Las Vegas totaled nearly \$516 million in the first four months of the year—an 11 percent drop compared to the same period in 2019. The highest influx of capital was recorded in the Henderson West submarket, with some \$149 million in apartment assets changing hands.



# LAS VEGAS SUBMARKETS



Area No.	Submarket
1	Las Vegas Northwest
2	Las Vegas Central
3	South Las Vegas
4	Downtown Las Vegas
5	Las Vegas East
6	North Las Vegas West
7	North Las Vegas East
8	Sunrise Manor Northwest
9	Sunrise Manor
10	Nellis AFB
11	Whitney

Area No.	Submarket
12	Henderson East
13	Henderson West
14	Winchester
15	Paradise Valley East
16	Las Vegas Strip
17	Bracken
18	Paradise Valley South
19	Spring Valley East
20	Spring Valley West
21	Enterprise
22	Summerlin/Blue Diamond



## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- ▶ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- ▶ *Students*, who also may span a range of income capability, extending from affluent to barely getting by;
- ▶ *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- ▶ *Blue-collar households*, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- ▶ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- ▶ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.

# How do you | find properties to buy or develop?

Invest confidently using the industry's most comprehensive market intelligence service. Only Yardi Matrix continuously updates and verifies critical data for 17 million+ units within more than 90,000 multifamily properties in 133 U.S. metros that encompass 90% of the population.



(800) 866-1144  
YardiMatrix.com

#### DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

#### COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2020 Yardi Systems, Inc. All Rights Reserved.