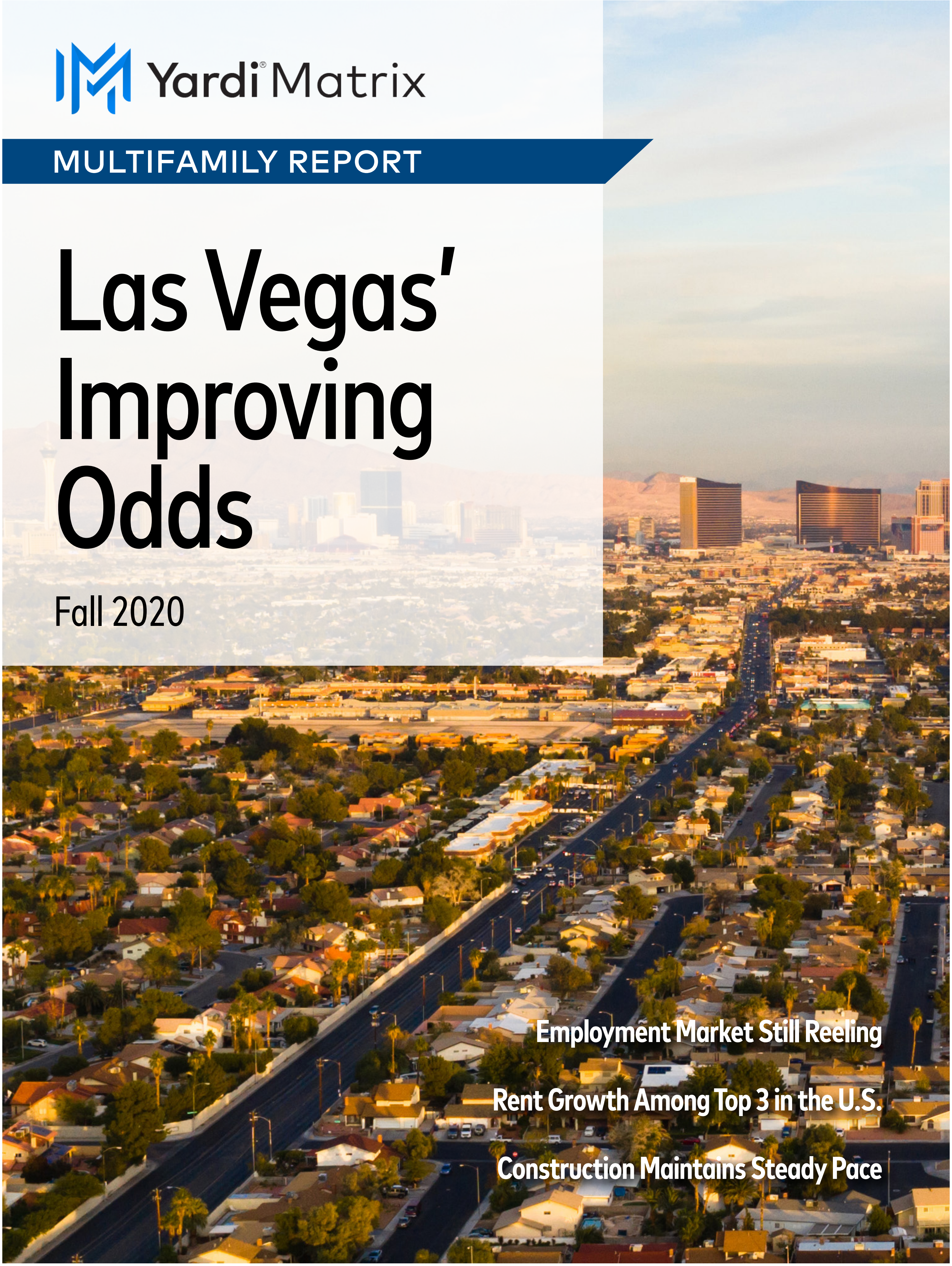
MULTIFAMILY REPORT

Las Vegas' Improving Odds

Fall 2020



Employment Market Still Reeling

Rent Growth Among Top 3 in the U.S.

Construction Maintains Steady Pace

LAS VEGAS MULTIFAMILY

Yardi Matrix

Hospitality Powered Economy Still Ailing

Even though Las Vegas was one of the metros most severely affected by the current downturn, its multifamily market has shown resilience. Rent development ranked third highest in the country's Top 30 markets, rising 1.1%, on a trailing three-month basis through October, to $1,163, while the U.S. figure remained flat at $1,464. Its proximity to large gateways made Las Vegas one of the go-to cities for residents searching for more affordable metros.

Heavily dependent on tourism, the current health crisis placed Las Vegas' economy on the first position in the Top 10 worst performing metros. Still, the unemployment rate appreciated from the all-time high of 34% registered in April to 15.6% in August, while preliminary data for September pointed to sustained recovery to 14.8%. Employment growth in the metro marked a 15.8% decline in the year ending in September, faring much worse than the -9.3% national average. Yet, despite the persisting uncertainty, several developments were completed—including Circa Resort & Casino and Allegiant Stadium—and shows resumed activity. However, Gov. Steve Sisolak's new order that rolls back occupancy limits in casinos and bars from 50% to 25% will likely reverse the trend.

Developers delivered 1,836 units in 2020 through October and had another 5,205 underway. Meanwhile, transaction activity plummeted, with investors spending only $832 million on multifamily assets.

Market Analysis | Fall 2020

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Recent Las Vegas Transactions

Colton

City: Henderson, Nev.
Buyer: Sunroad Enterprises
Purchase Price: $45 MM
Price per Unit: $208,920

Citron

City: Las Vegas
Buyer: TruAmerica Multifamily
Purchase Price: $25 MM
Price per Unit: $149,702

The Point on Flamingo

City: Las Vegas
Buyer: Laguna Point Properties
Purchase Price: $22 MM
Price per Unit: $114,211

Harlow Luxury Apartment Homes

City: Las Vegas
Buyer: Benedict Canyon Equities
Purchase Price: $22 MM
Price per Unit: $219,388

RENT TRENDS

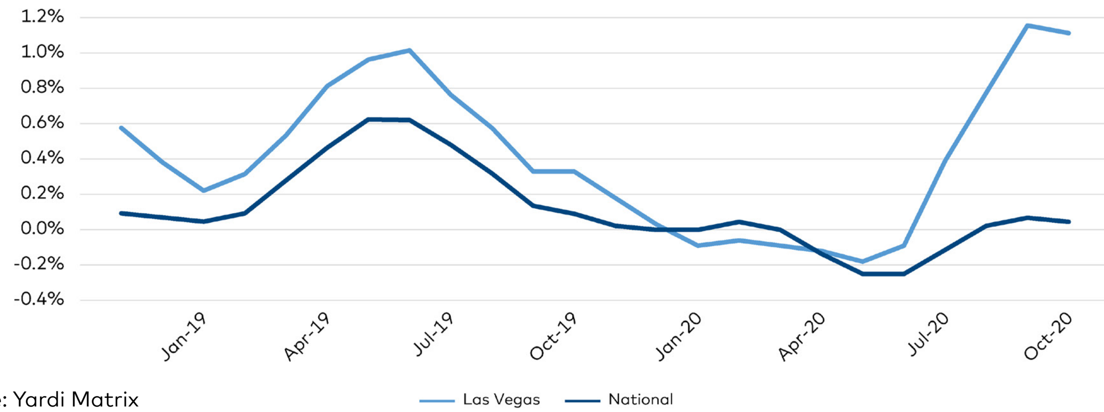
- Rents in Las Vegas marked a 1.1% increase on a trailing three-month (T3) basis through October to $1,163, ranking third among the Top 30 markets. The substantial appreciation in rent growth began at the end of the second quarter and was primarily caused by sustained in-migration of residents from higher-cost gateway markets looking to relocate to more affordable metros with increased community amenities.

- The average rent for upscale Lifestyle apartments led growth, up 1.3% on a T3 basis through October to $1,163. Meanwhile, limited supply pressured demand for working-class Renter-by Necessity units and maintained positive growth throughout the year, and progressively led to a rise of 0.9% to $968 during the same time frame.

- Of the metro's most expensive submarkets, only Summerlin/Blue Diamond posted a decrease in average rent, down 1.1% year-over-year through October, to $1,628. Despite recent additions to the multifamily stock and several projects currently underway, Spring Valley West rents rose 3.1% to $1,399 during the period.

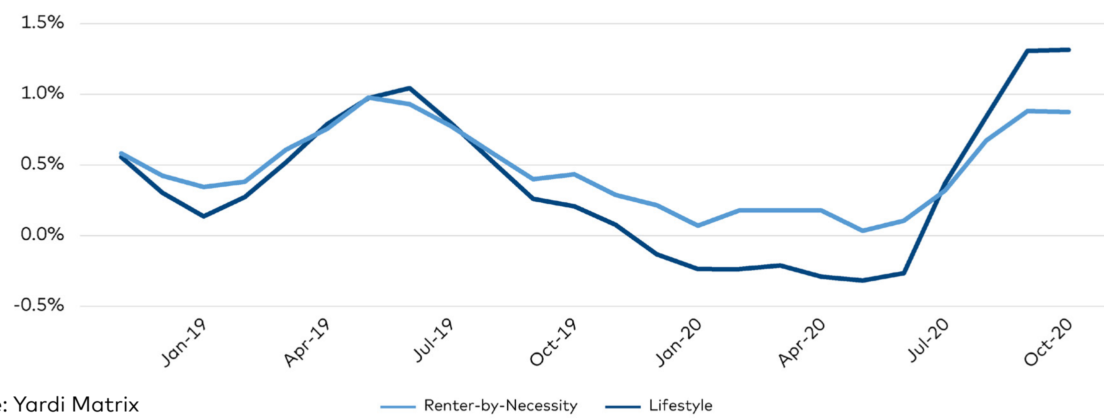
- The best performing submarkets in the 12 months ending in October were North Las Vegas West (up 9.9% to $1,294) and Downtown Las Vegas (up 9.0% to $844). Having more than 900 new units delivered in 2020 through October and another 500 units underway, caused the average rent in Henderson West to mark one of the lowest increases in the metro, inching up just 1.5% to $1,388.

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

- The reopening of casinos brought the metro's unemployment rate to 15.6% in August, while September preliminary data pointed to 14.8%. In the spring, Las Vegas' leisure and hospitality-anchored job market took a significant hit, reaching its highest unemployment rate—at 33.5% in April. The bounce back might be short-lived as a new order was issued in November to roll back occupancy limits in casinos and bars to 25% from the previous figure of 50%.

- Highly dependent on tourism, Las Vegas ranked first in the Top 10 worst performing metros in employment growth. The rate stood at -15.8% in the year ending in September, while the U.S. average dropped at, -9.3%. The metro's largest sectors contracted the most—leisure and hospitality shrunk by 25.1% and trade, transportation and utilities by 7.6%. In September, visitor volume was down by 51%, the number of passengers at the McCarran International Airport dropped by 57% and hotel occupancy contracted by 41.5%, according to the Las Vegas Convention and Visitors Authority.

- While uncertainty persists, several developments reached completion, including Allegiant Stadium and Circa Resort & Casino. The Legacy Club and the Convention Center West Hall expansion are set for delivery in December.

Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment (000)	% Share
55	Financial Activities	54	5.9%
30	Manufacturing	25	2.7%
15	Mining, Logging and Construction	71	7.8%
50	Information	9	1.0%
80	Other Services	28	3.1%
65	Education and Health Services	101	11.1%
90	Government	102	11.2%
40	Trade, Transportation and Utilities	171	18.7%
60	Professional and Business Services	132	14.5%
70	Leisure and Hospitality	220	24.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Las Vegas gained 35,068 residents in 2019, up 1.6% and more than five times the national average.

- The metro's demographic growth is fueled by domestic migration, especially from neighboring California. The trend is expected to amplify in 2021.

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

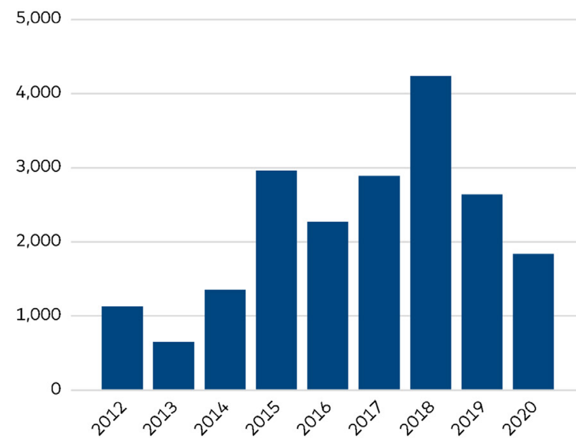
- Some 1,836 units were delivered in 2020 through October, representing a 1.0% expansion of the multifamily housing stock, 80 basis points below the national rate. Development activity maintained a steady pace in Las Vegas, despite restrictions meant to moderate the health crisis. However, during the past decade, the pace has mostly trailed the U.S. rate.

- Developers had 5,205 units under construction as of October and nearly 28,000 in the planning and permitting stages. Of the 23 projects underway, three were fully affordable communities—all three slated to come online by the end of the year—while the rest were targeting Lifestyle renters. The bulk of recent deliveries were substantially geared to the Lifestyle segment.

- Construction activity was spotty across the map, with the pipeline favoring the South Las Vegas (614 units underway), Bracken (572 units) and Enterprise (532 units) submarkets.

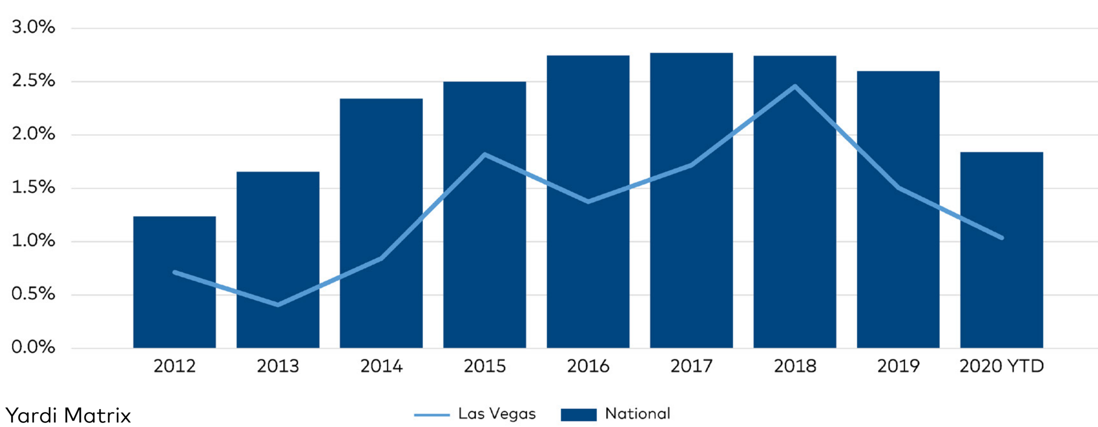
- Henderson West and Enterprise hold the bulk of deliveries, marking an inventory expansion of 821 and 660 units, all in the Lifestyle segment.

Las Vegas Completions (as of October 2020)



Source: Yardi Matrix

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

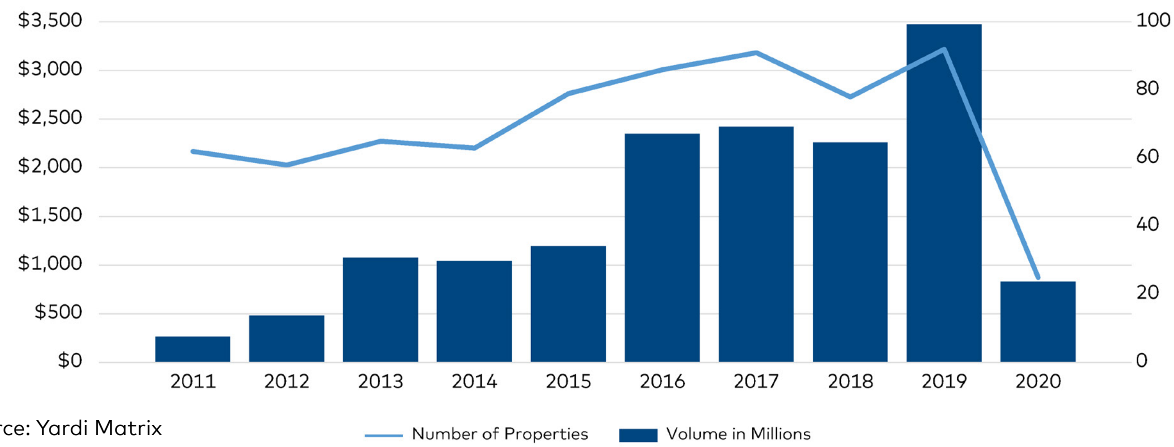


Source: Yardi Matrix

TRANSACTIONS

- Multifamily sales in 2020 through October reached $832 million, marking a 64% volume drop compared to last year.
- With incoming inventory mainly focused on Lifestyle properties, investors have moved to target lower-priced, higher-return opportunities. As a result, 15 of the 25 deals traded were Renter-by-Necessity assets. Even so, the average per-unit price through October was $7,855 higher than the per-unit figure in 2019, reaching $167,466. That's also higher than the $164,863 U.S. average through the year's first 10 months.
- The largest deal year-to-date was Waterton's $104 million acquisition of the 456-unit Vegas Towers on the Las Vegas Strip, for which it resorted to a $73 million CMBS loan issued by CBRE Capital Markets. Millennium Management received $228,070 per unit.

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



Source: Yardi Matrix

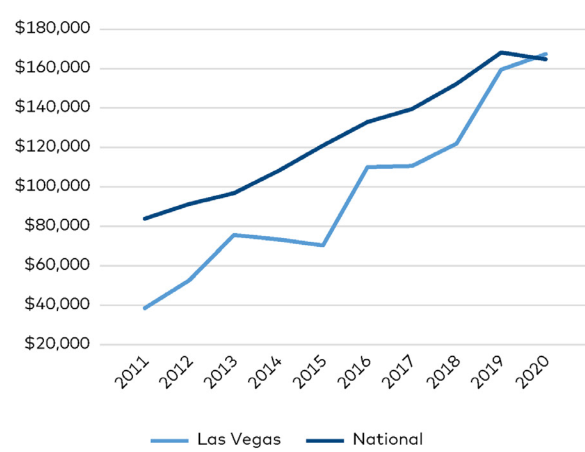
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Spring Valley East	293
Las Vegas Central	260
Las Vegas Strip	252
Spring Valley West	224
Henderson West	219
Henderson East	171
South Las Vegas	155

Source: Yardi Matrix

[1] From November 2019 to October 2020

Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by

Top 5 Western Markets for Multifamily Deliveries

By Evelyn Jozsa

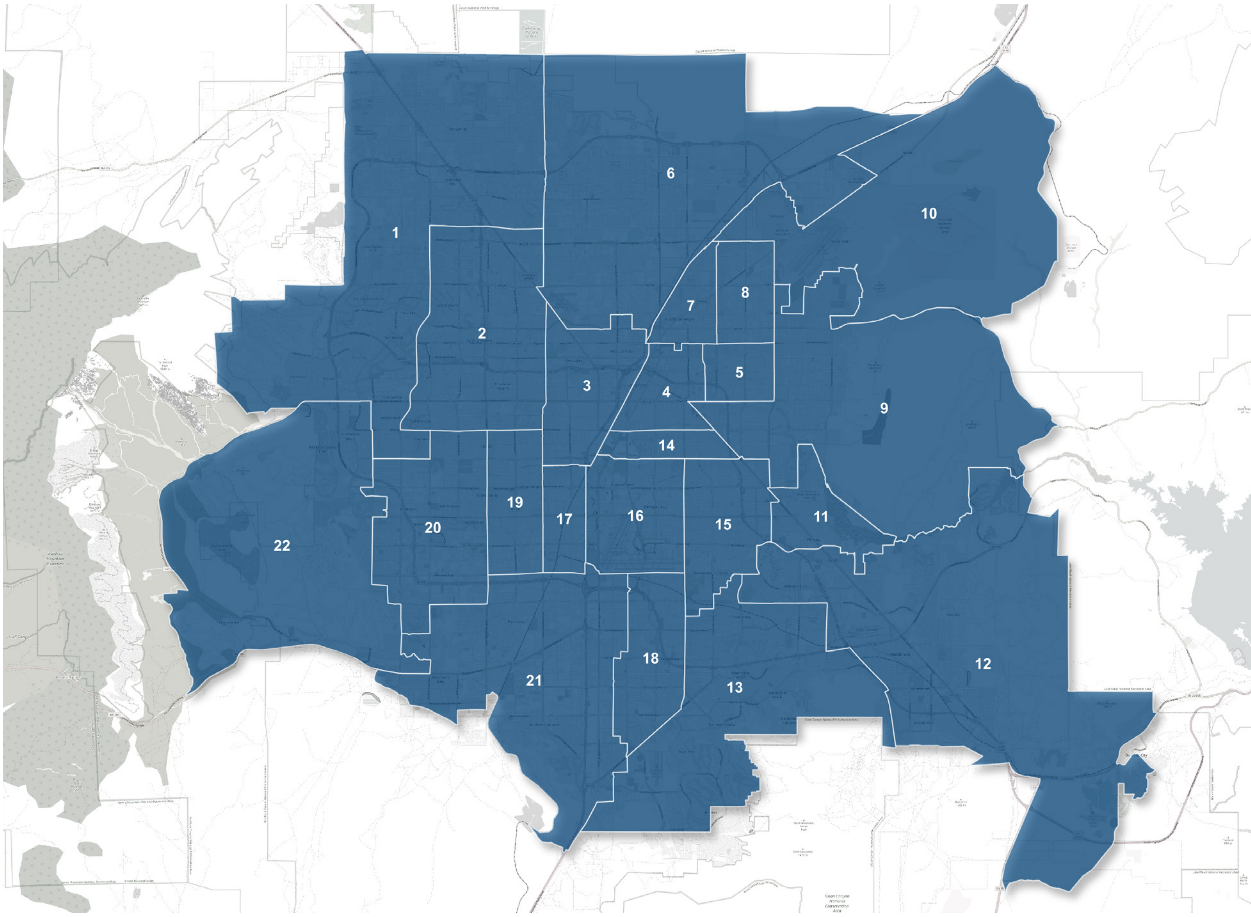
Multifamily has remained one of the most popular asset classes for developers and investors alike, despite lingering economic uncertainties. Due to the high demand for housing, construction was deemed essential amid the pandemic in most states across the country, and developers were able to forge ahead. According to Yardi Matrix data, 27,543 units were delivered year-to-date in the Western U.S. The table below ranks the region's metros based on completions as a percentage of existing stock, using Yardi Matrix data.

Rank	Market	Units Completed	Projects Completed	Percentage of Stock
1	Denver	11,582	55	4.0%
2	Salt Lake City	3,800	18	3.6%
3	Reno	1,330	3	3.4%
4	Phoenix	7,517	31	2.4%
5	Colorado Springs	760	4	1.9%

RENO, NEV.

Nevada's tourism-reliant economy has certainly felt the effects of the crisis, with both major metros in the state—Las Vegas and Reno—taking a heavy hit. Although Nevada started to reopen in mid-May, job gains remained low. In September, the state added some 3,400 jobs, according to the Nevada Department of Employment, Training and Rehabilitation, the Las Vegas Review-Journal reported. However, due to strong housing demand, development activity continued at a steady pace in Reno.

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 October 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 October 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, October 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 or call Ron Brock, Jr., at 480-663-1149 x2404.

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