



MULTIFAMILY REPORT

Las Vegas: Reshuffling

Spring 2021

Rent Growth Remains Among Nation's Best
First-Quarter Investment on a par With 2020 Levels
Venues Increase Occupancy, Sustain Economic Recovery

LAS VEGAS MULTIFAMILY



Strong In-Migration Keeps Demand Elevated

Las Vegas' economy took a shattering blow from the pandemic, but its multifamily market bucked expectations—its proximity to high-density California metros and relative affordable status appealed to residents looking to stay put or relocate. In-migration increased demand and pushed up the occupancy rate in stabilized properties by 150 basis points in the 12 months ending in February, to 95.8%. Rents continued to rise, up 0.5% on a trailing three-month basis through March, to \$1,187.

Las Vegas unemployment dropped to 9.8% in January, while the 9.3% preliminary February figure pointed to continued recovery. The employment market posted a 11.0% contraction in 2020, nearly twice the -6.8% U.S. rate. The metro's outlook is promising, however, fueled by the steady reopening of casinos and venues hosting trade shows and related activities, with increased capacity for up to 50% or 250 people. The planned opening of Resorts World Las Vegas this summer, is anticipated to help the leisure and hospitality sector recover after the massive 21.4% contraction recorded in 2020.

Developers delivered 588 units in the first quarter of 2021 and had another 6,410 units underway. Meanwhile, transactions totaled just \$84 million in multifamily assets, for a price per unit that dropped a substantial 38.8%, to \$113,052, when compared to the first quarter of 2020.

Market Analysis | Spring 2021

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Recent Las Vegas Transactions

The Well



City: Henderson, Nev.
Buyer: Amboise Properties
Purchase Price: \$84 MM
Price per Unit: \$210,859

The Villas at 6300



City: Las Vegas
Buyer: Benedict Canyon Equities
Purchase Price: \$48 MM
Price per Unit: \$171,429

Spanish Oaks



City: Las Vegas
Buyer: Next Wave Investors
Purchase Price: \$29 MM
Price per Unit: \$131,944

Pinehurst

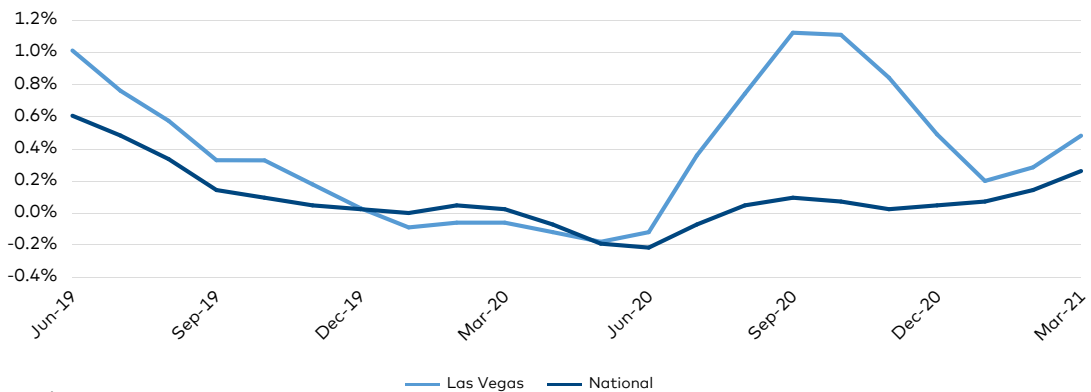


City: Las Vegas
Buyer: Pacifica Cos.
Purchase Price: \$27 MM
Price per Unit: \$138,462

RENT TRENDS

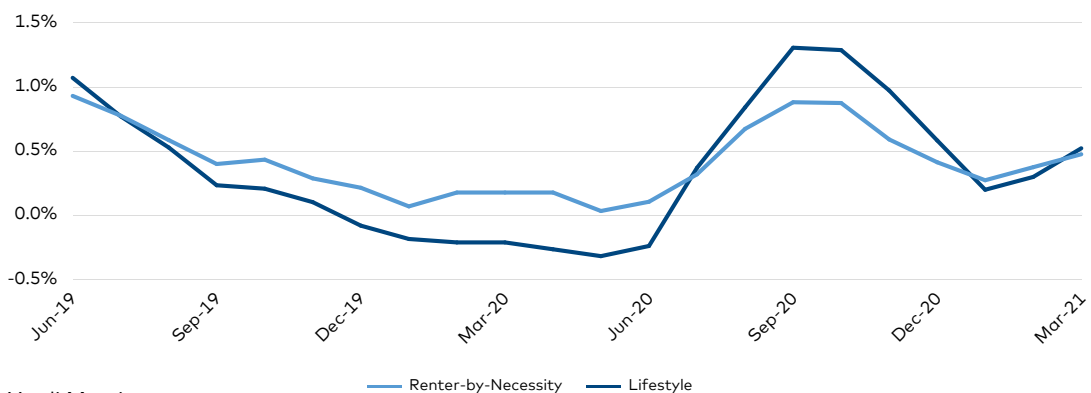
- ▶ The average Las Vegas rent rose by 0.5% on a trailing three-month (T3) basis through March, to \$1,187. Year-over-year, rates were up 6.1%. That ranked Las Vegas fourth among major U.S. metros, behind the Inland Empire (8.3%), Sacramento (7.3%) and Phoenix (6.9%). Despite sustained rent gains in recent years, Las Vegas is still relatively affordable compared to the U.S. rate, which increased by 0.3% on a T3 basis, to \$1,407.
- ▶ Demand was even across asset classes, with rents rising by 0.5% on a T3 basis through March for both segments—to \$987 for the working-class Renter-by-Necessity segment, and \$1,353 for Lifestyle assets. However, following the pandemic's onset, Lifestyle apartments were, somewhat surprisingly, in greater demand. This is reflected by occupancy in stabilized Lifestyle assets, which rose by 180 basis points in the 12 months ending in February, to 96.1%. Meanwhile, RBN occupancy increased by 100 basis points, to 95.4%.
- ▶ All submarkets posted rent growth on a year-over-year basis through March, with more expensive areas outperforming. Summerlin/Blue Diamond, the most expensive submarket, recorded a 10.9% rise to \$1,735. Meanwhile, Enterprise, which also posted the highest number of units underway, marked a rent hike of 7.7%, to \$1,421.
- ▶ Considering steady demand and a lagging pipeline, fundamentals are slated to remain relatively healthy this year. Yardi Matrix expects the average Las Vegas rent to grow 5.2% in 2021.

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

- ▶ Las Vegas unemployment slid into single digits at the start of 2021, clocking in at 9.8% in January, with February preliminary data at 9.3%—a long way from the 34.0% high of April 2020. While the rate is higher than the U.S. average by more than 300 basis points, the metro posted a remarkable performance, coming after nine consecutive months of double-digit values.
 - ▶ Anchored by tourism, the employment market posted a 11.0% contraction last year, trailing the -6.8% U.S. rate. Despite the gap, Las Vegas' economy is on an ascending trend, steadily recovering from the -15.6% contraction recorded in September. Leisure and hospitality, which
- shrunk by 21.4% in 2020, is rebounding as the vaccine rollout accelerates. As of mid-March, Las Vegas casinos and venues hosting conferences, conventions and similar activities can accommodate up to 250 people or 50% of their capacity, whichever is lower. In April, Gov. Steve Sisolak set a goal to reopen the whole state at 100% capacity by June 1. Additional support will likely come from the completion of Resorts World Las Vegas, anticipated to open this summer and create thousands of jobs.
- ▶ One sector expanded in the 12 months ending in December—financial activities rose by 1.8%, with the addition of 1,000 positions.

Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
55	Financial Activities	56	5.9%
30	Manufacturing	25	2.6%
65	Education and Health Services	105	11.1%
40	Trade, Transportation and Utilities	189	20.0%
50	Information	9	1.0%
80	Other Services	27	2.9%
90	Government	106	11.2%
15	Mining, Logging and Construction	69	7.3%
60	Professional and Business Services	132	13.9%
70	Leisure and Hospitality	228	24.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Las Vegas is among the fastest-growing U.S. metros, gaining 35,068 residents in 2019, a 1.6% increase and five times the U.S. average.
- ▶ Between 2010 and 2019, the metro's population expanded by 16.1%, nearly triple the 6.1% U.S. rate during the same period.

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

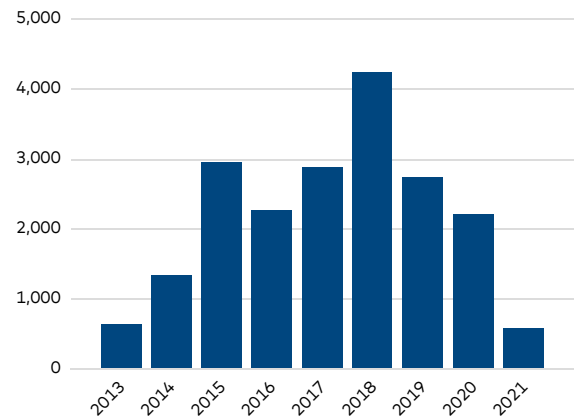
SUPPLY

- ▶ The construction pipeline had 6,410 units underway as of March. Like last year's deliveries, projects heavily lean toward the Lifestyle segment, with about 6,000 units geared toward upscale renters. Overall, Yardi Matrix expects 1,892 units to come online this year in Las Vegas, with an additional 3,388 apartments slated for completion in 2022.
- ▶ Two upscale properties totaling 588 units came online in Las Vegas in the first quarter of 2021, the equivalent of 0.3% of total stock and 10 basis points below the U.S. rate.
- ▶ Deliveries have been on a downward trend since the decade high registered in 2018, when 4,239 units came online, down to 2,216 units in 2020. Since 2013, developers added only 20,041 multifamily units to the housing stock.
- ▶ Enterprise (1,481 units under construction) and Spring Valley West (1,071 units) led construction activity as of March. The largest project reaching completion in the first quarter of 2021 was Elysian at Hughes Center, a 368-unit property on the Las Vegas Strip. The community is owned by The Calida Group, which built

it with aid from a \$64 million construction loan originated by BMO Harris Bank.

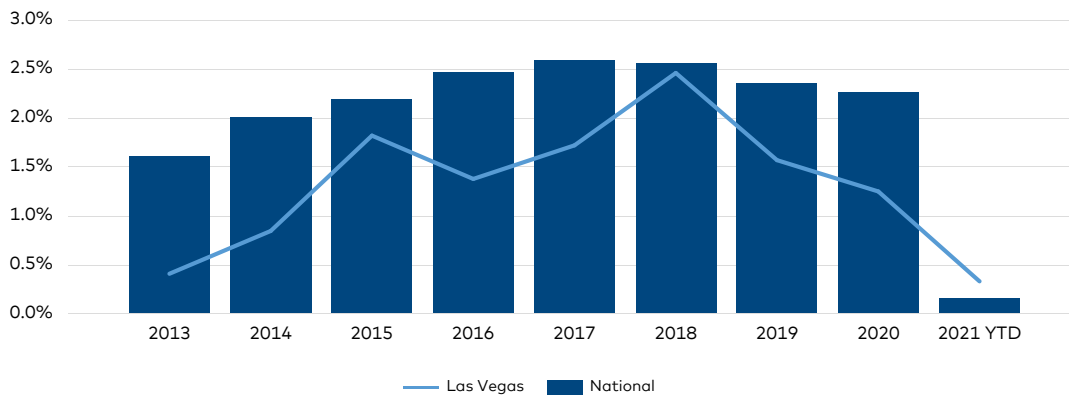
- ▶ The largest project under construction as of March was The Arch, more recently dubbed Ariva, in the Enterprise submarket. Totalling 754 units, the suburban project spearheaded by WTI Inc. is expected to reach full completion in 2023.

Las Vegas Completions (as of March 2021)



Source: Yardi Matrix

Las Vegas vs. National Completions as a Percentage of Total Stock (as of March 2021)

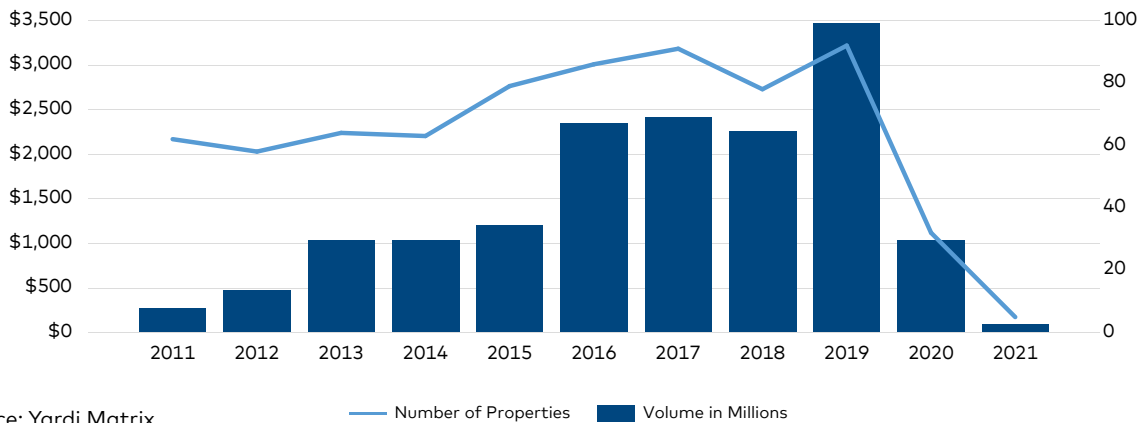


Source: Yardi Matrix

TRANSACTIONS

- ▶ Just \$84 million in multifamily assets traded in Las Vegas this year through March, marking one of the weakest quarters of the decade.
- ▶ Transaction activity plunged after the onset of the pandemic, with the total volume slightly surpassing \$1 billion in 2020. After a strong first quarter, when \$516 million in apartments traded, the second quarter of last year totaled just \$37 million. By the third quarter, investors had regained some confidence, and activity picked up pace once again.
- ▶ With development heavily tilted toward Lifestyle assets, investors shifted their focus to RBN properties. This strategy caused the price per unit to drop by a substantial 38.8% in the first quarter when compared to the same quarter of 2020, to \$113,052, trailing the \$170,611 U.S. average. Last year, the Las Vegas per-unit price surpassed the U.S. average for the first time this decade.

Las Vegas Sales Volume and Number of Properties Sold (as of March 2021)



Source: Yardi Matrix

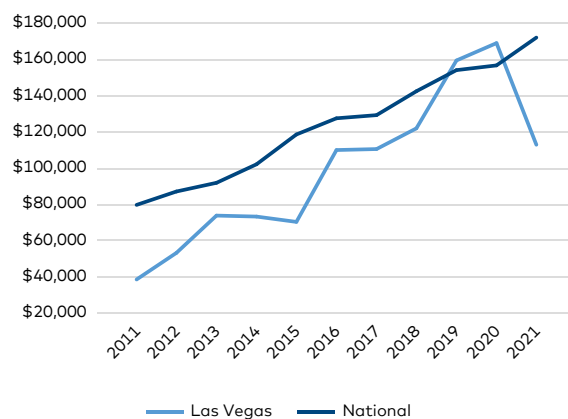
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Henderson East	171
Las Vegas Central	106
Spring Valley East	83
South Las Vegas	65
Las Vegas Strip	50
Downtown Las Vegas	33
Enterprise	27

Source: Yardi Matrix

¹ From April 2020 to March 2021

Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 5 Western Markets for Multifamily Transactions

By Jeff Hamann

Multifamily investment stayed moderate into the new year. According to Yardi Matrix data, in the first two months of 2021, transaction volume nationwide hit \$16.9 billion. While a far cry from the \$38.6 billion in deals closed in the fourth quarter of last year, investors are continuing to seek out deals even amid ongoing economic uncertainty. In Yardi Matrix's Western region, this trend is apparent. In January and February, the region clocked nearly \$2.7 billion in multifamily deals, compared to \$6.6 billion the previous quarter.

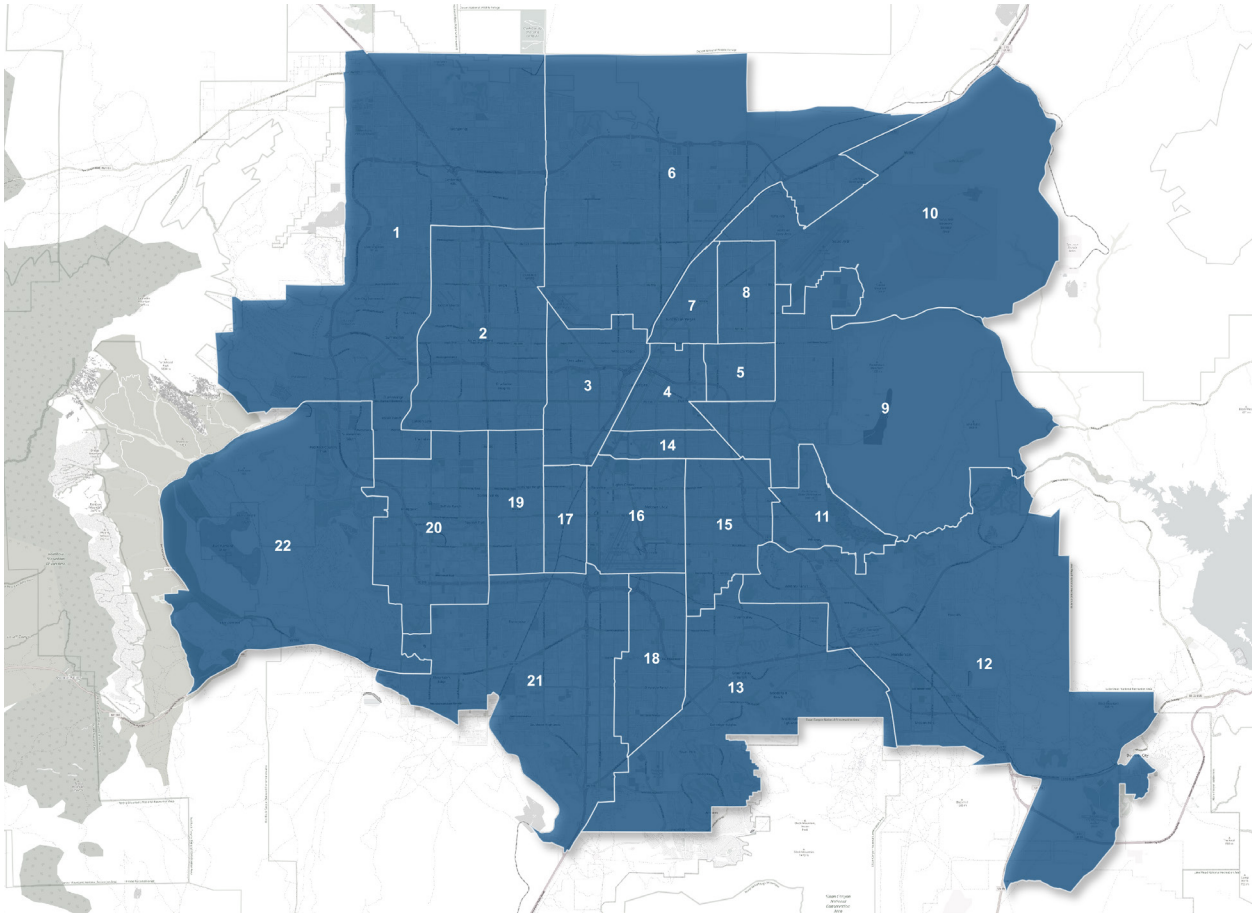
Rank	Market	Units	Transaction Volume (\$MM)	Price Per Unit
1	Phoenix	6,433	\$1,436.07	\$223,235
2	Denver	1,861	\$517.10	\$277,859
3	Tucson, Ariz.	1,045	\$131.95	\$126,268
4	Las Vegas	636	\$77.65	\$122,091
5	Albuquerque, N.M.	855	\$53.85	\$62,986

LAS VEGAS

Four multifamily transactions totaling \$77.7 million closed in Las Vegas in January and February, averaging just north of \$122,000 per unit. Although this marked a steep decline from the same period last year, when \$405 million in sales closed, this is hardly surprising, given the severe and lasting impacts the pandemic has had on the metro's gaming industry. Even with the wider-scale economic challenges facing the metro, rent growth has been strong, clocking in at 5.1 percent year-over-year through February.



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 December 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 December 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, December 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.

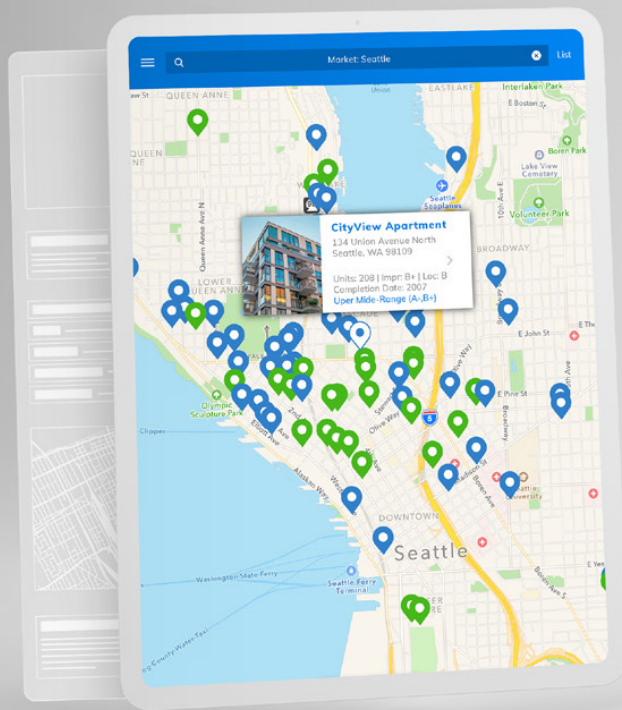
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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