



MULTIFAMILY REPORT

Las Vegas Doubles Down

May 2022

Investment Volume Remains Elevated

YoY Rent Growth Among Nation's Best

Job Market Pushes Through With Double-Digit Growth

LAS VEGAS MULTIFAMILY



Rebounding Tourism Boosts Job Market

Las Vegas' multifamily market continued to showcase healthy fundamentals at the end of the first quarter, sustained by a steady in-migration trend from costlier metros. Yet, demand has shown some signs of softening, as even though asking rents rose 0.7% on a trailing three-month basis through March, to \$1,493, the occupancy rate in stabilized properties dropped 30 basis points in the 12 months ending in February, to 95.6%.

Las Vegas unemployment improved to 5.3% in February but lags both the state (5.1%) and the nation (3.8%), according to data from the Bureau of Labor Statistics. The job market rose 12.6% (116,300 jobs) in the 12 months ending in February, far ahead of the 4.7% national rate, but still a long way from pre-pandemic levels. With the tourism industry recovering since mid-2021, fueled by the loosening of COVID-19-related restrictions, leisure and hospitality led employment gains, adding 61,800 jobs, the equivalent of one-third of the sector's workforce. Trade, transportation and utilities (18,500 jobs) followed, sustained by the booming industrial sector.

Developers had 5,948 units under construction as of March. Meanwhile, transaction activity remained elevated with a volume of \$850 million, for a price per unit that posted a significant 144% year-over-year increase, to \$288,250.

Market Analysis | May 2022

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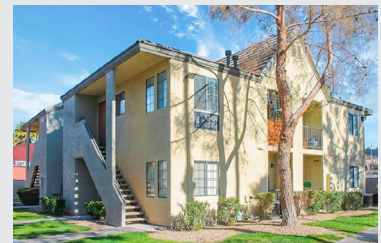
Recent Las Vegas Transactions

The Aviary



City: Henderson, Nev.
Buyer: Thompson Michie
Communities
Purchase Price: \$151 MM
Price per Unit: \$419,444

Tides at Green Valley



City: Henderson, Nev.
Buyer: Tides Equities
Purchase Price: \$114 MM
Price per Unit: \$301,862

AYA



City: Paradise, Nev.
Buyer: Tides Equities
Purchase Price: \$106 MM
Price per Unit: \$190,468

South Beach by Logan



City: Las Vegas
Buyer: Logan Capital Advisors
Purchase Price: \$98 MM
Price per Unit: \$443,182

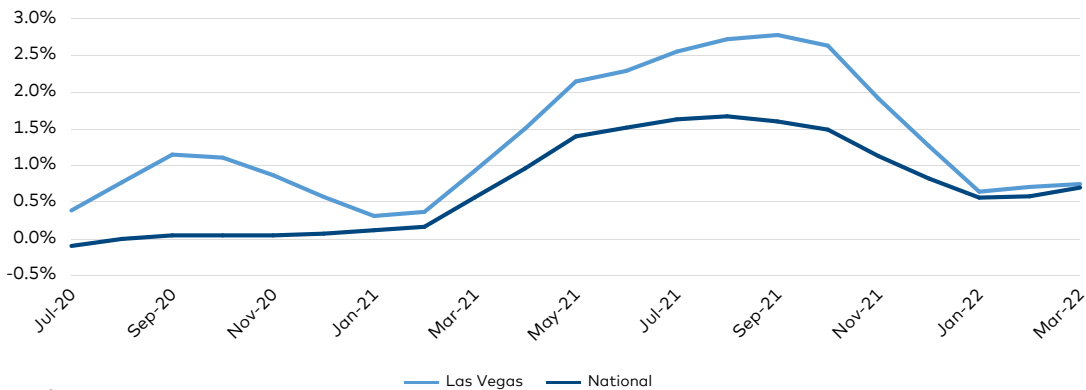
RENT TRENDS

- ▶ Las Vegas rents rose 0.7% on a trailing three-month (T3) basis through March, to \$1,493, still behind the U.S. average, which rose to \$1,642 following a 0.7% increase. Rent expansion in the metro had an exceptional year in 2021, posting a monthly average increase of 1.8%. Behind this significant growth has been demand, boosted by solid in-migration from costlier metros.
- ▶ Renter-by-Necessity rates rose 1.5% on a T3 basis through March, to \$1,253, while Lifestyle figures increased by 0.3% to \$1,685. Demand for working-class RBN apartments outperformed upscale units in the fourth quarter of 2021, but last year, for seven consecutive months ending in September, Lifestyle rents drove growth.
- ▶ Occupancy data sends the first signs of a slight cool off: The overall occupancy rate in stabilized

properties was down 30 basis points in the 12 months ending in February, to 95.6%. It's likely that sustained deliveries of Lifestyle apartments caused the rate in the segment to moderate 60 basis points to 95.5%, while RBN occupancy slid 10 basis points, to 95.6%.

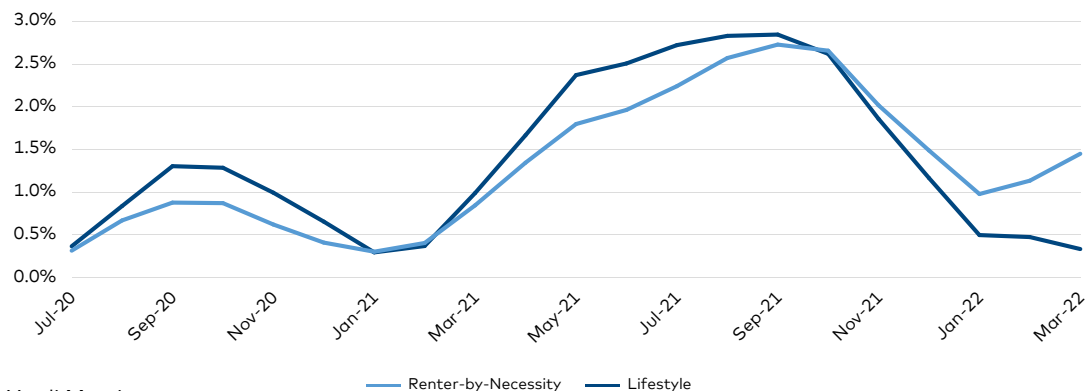
- ▶ On an annual basis, rents rose 23.4%, with all 22 submarkets tracked by Yardi Matrix posting increases above the 20% mark. The average rate rose above the \$1,000 threshold in all submarkets, from 15 a year ago. Summerlin/Blue Diamond remained the most expensive area in the metro (25.8% year-over-year to \$2,133). Next in line was Spring Valley West (24.3% to \$1,790), which joined Enterprise (20.3% to \$1,721), to represent the most robust construction pipelines.

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 unemployment rate steadily improved to 5.3% in February but is still far behind the 3.8% national rate and lagging the state by 20 basis points, according to data from the Bureau of Labor Statistics. The metro is in recovery, but it still has a way to go to reach pre-pandemic values.
- ▶ The employment market posted a 12.6% expansion in the 12 months ending in February, far ahead of the 4.7% national average. While a double-digit rate in economic growth seems outstanding, it should be taken with a grain of salt, as the rate is relative to the metro's economic performance from a year ago, when Las Vegas' economy was recording contractions at rates above the current rate of expansion.
- ▶ Unsurprisingly, leisure and hospitality led gains, adding 61,800 of the 116,300 total new jobs, which equates to a sector expansion of 30.5%. The tourism industry entered a solid recovery in mid-2021 as COVID-19-related restrictions relaxed. Visitor volume surpassed 32.2 million in 2021, a strong improvement from 19 million in 2020, but trailing the 42.5 million in 2019. Still, Clark County's gaming revenue was close to \$11.5 billion in 2021, the highest ever.
- ▶ The industrial sector's remarkable growth has engulfed Las Vegas, too, and trade, transportation and utilities, already one of the metro's main economic drivers, was a direct beneficiary, adding 18,500 jobs.

Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	265	25.7%
40	Trade, Transportation and Utilities	206	20.0%
60	Professional and Business Services	151	14.6%
65	Education and Health Services	112	10.9%
55	Financial Activities	57	5.5%
90	Government	106	10.3%
80	Other Services	29	2.8%
30	Manufacturing	27	2.6%
50	Information	12	1.2%
15	Mining, Logging and Construction	69	6.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Las Vegas gained 49,248 residents in 2020, up 2.2%, 60 basis points above 2019 figures, and well above the 0.4% national rate.
- ▶ A Center for Business and Economic Research at the University of Nevada forecast predicts the population could surpass 4 million by 2055.

Las Vegas vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Las Vegas	2,183,310	2,231,647	2,266,715	2,315,963

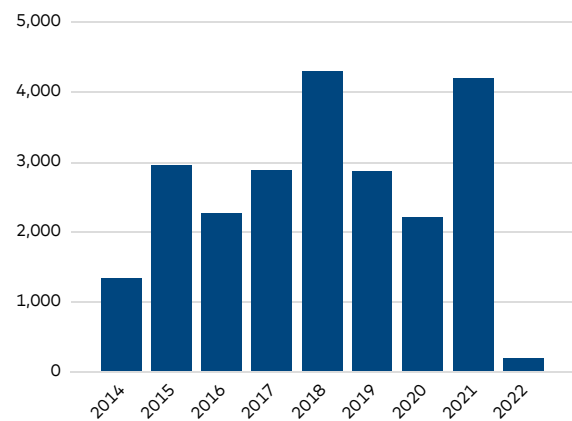
Source: U.S. Census

SUPPLY

- ▶ As of March, the construction pipeline had 5,948 units underway and 25,400 in the planning and permitting stages. A staggering 85% of the projects under construction were upscale communities, while the remaining 15% were fully affordable properties. At the end of March, no market-rate units were underway in Las Vegas.
- ▶ During the first quarter of 2022, one 216-unit Lifestyle property was added to the inventory, 0.1% of total stock, trailing the 0.3% U.S. rate. This comes on the heels of the market's second-best year in supply expansion, with 4,205 added in 2021, 2.3% of total stock.
- ▶ By the end of the year, 2,818 units are slated for completion, but developers are facing a variety of problems, including rising construction costs, labor shortages and supply chain issues, which will most likely cause delivery delays.
- ▶ Construction activity was uneven across the map, with development activity recorded in 13 of the 22 submarkets tracked by Yardi Matrix. In two of these, the volume was above the 1,000-unit mark—Enterprise (1,177 units under construction) and Spring Valley West (1,107 units). The largest project underway as of March was Decatur Commons, a 480-unit fully

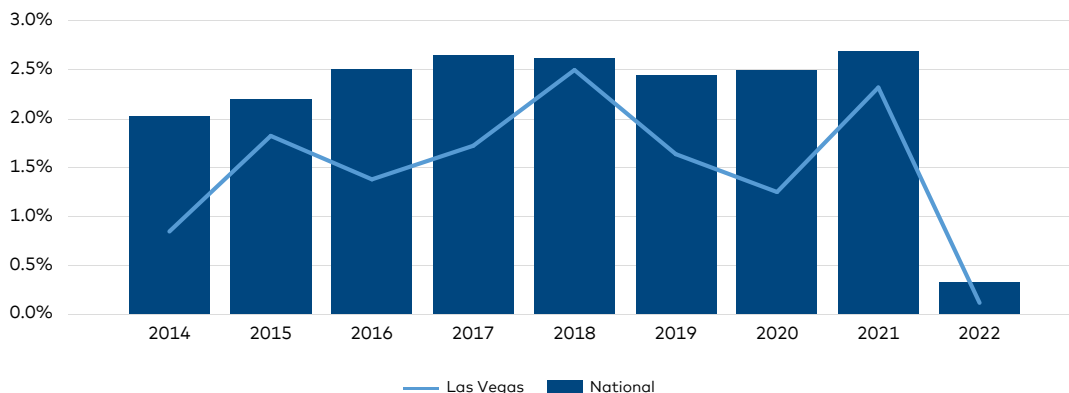
affordable community in an Opportunity Zone in the Las Vegas Central submarket. The asset is jointly owned by Nevada H.A.N.D. and Wells Fargo Affordable Housing and includes 10,000 square feet of retail space. For its development, several construction loans have been issued, for \$65 million combined. Completion is slated for November 2022.

Las Vegas Completions (as of March 2022)



Source: Yardi Matrix

Las Vegas vs. National Completions as a Percentage of Total Stock (as of March 2022)



Source: Yardi Matrix

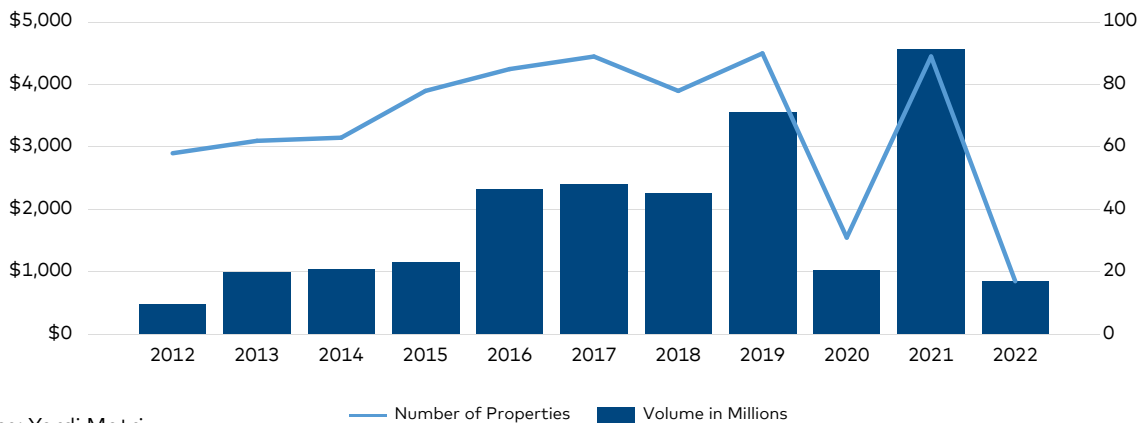
TRANSACTIONS

- ▶ Las Vegas investment started the year strong, with nearly \$850 million in multifamily assets trading through March, well above the \$104 million recorded in the same interval in 2021. Since then, investment activity picked up speed and last year reached an all-time high in transactions volume, with nearly \$4.6 billion in multifamily properties trading in the metro.
- ▶ This increased investor appetite has significantly impacted the per-unit prices: Despite the sales

composition that was equally divided between the quality segments, the per-unit price saw a 144% increase year-over-year through March, to \$288,250. Meanwhile, the national price per unit rose to \$213,402.

- ▶ The largest sale through March was Thompson Michie Communities' acquisition of The Aviary. The asset was sold by The Wolff Co. for \$151 million, or \$419,444 per unit. The sale was aided by a \$79 million loan originated by AIG.

Las Vegas Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

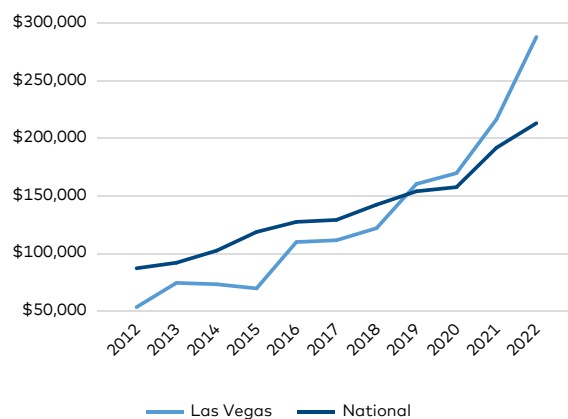
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Las Vegas Central	657
Spring Valley West	591
North Las Vegas West	481
Las Vegas Strip	356
Henderson West	337
Henderson East	312
Bracken	311

Source: Yardi Matrix

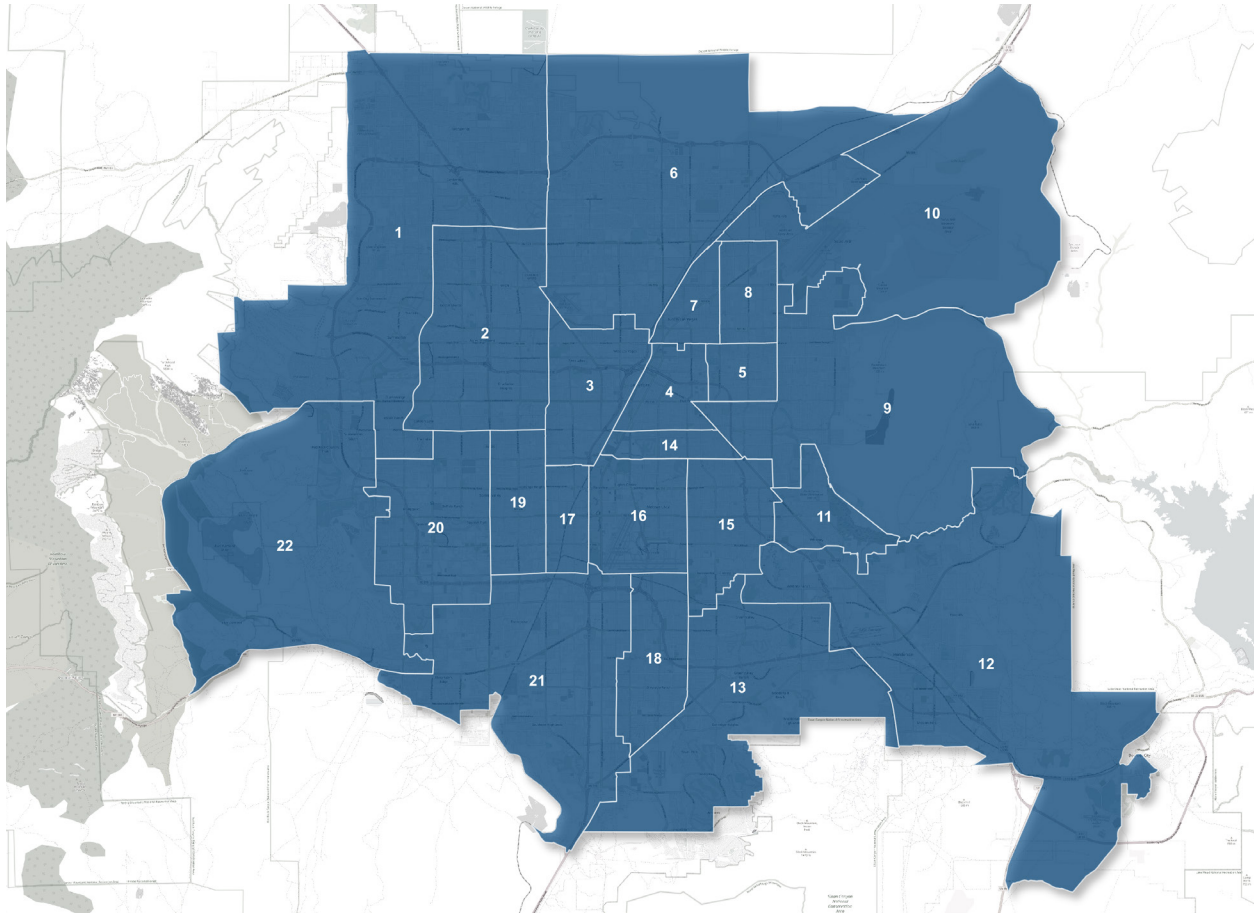
¹ From April 2021 to March 2022

Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix

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 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 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, 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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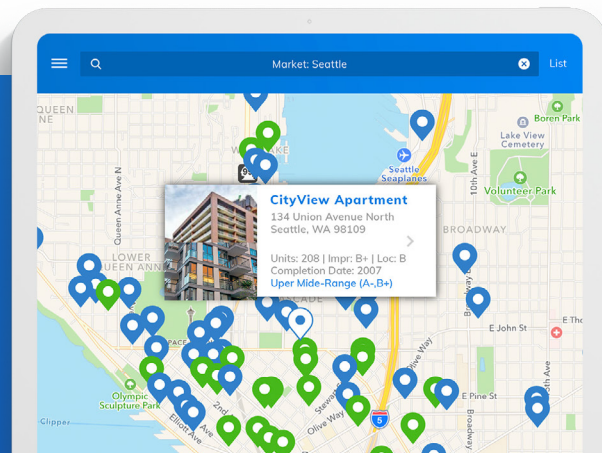
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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