

A large-scale construction site in Las Vegas, featuring several tall red tower cranes and multiple multi-story buildings under construction. The sky is clear and blue. The text is overlaid on the right side of the image.

Yardi® Matrix

Las Vegas: Accelerated Success

Multifamily Report Summer 2017

Demand Outstrips Supply
Developers Ramp Up Deliveries
Investors Face Rising Property Values

Market Analysis

Summer 2017

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

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

Author

Anca Gagiuc

Associate Editor

Rising Demand Pushes Rents Higher

Las Vegas' recovery features above-average job and population growth. That has produced a modest but steady improvement in housing demand, as the market aims for long-term stability.

Employment gains were led by the mining, logging and construction segment, which kept its position as the state's fastest-growing sector during the past year, due to a spate of ongoing projects. MGM is working on a \$130 million expansion of the Grand Conference Center, while a 65,000-seat stadium is in the planning stages. Station Casinos will add a gaming and entertainment facility in Reno, and Eldorado Resorts will upgrade its Eldorado, Silver Legacy and Circus Circus properties in the area. The office market is recovering, with demand and rents on the upswing. Credit One Bank's new 152,000-square-foot headquarters is slated for delivery by the end of the year.

Las Vegas' apartment sector has heated up during the past few years, with rents rising 4.4% year-over-year and occupancy in stabilized properties reaching 95.6%. Development activity is increasing and property values are rising, contracting acquisition yields. Deliveries have been weak, but the pipeline looks promising with 5,200 units under construction, more than half of which are slated for completion by the end of the year. Considering the strong level of demand, we expect rent growth to top out at 4.5% in 2017.

Recent Las Vegas Transactions

Mountain Gate/Trail



City: Las Vegas
Buyer: LivCor
Purchase Price: \$83 MM
Price per Unit: \$153,989

Sky Pointe Landing



City: Las Vegas
Buyer: Shopoff Realty Investments
Purchase Price: \$73 MM
Price per Unit: \$116,346

Villas at Green Valley



City: Las Vegas
Buyer: Investcorp
Purchase Price: \$71 MM
Price per Unit: \$116,174

Volare



City: Las Vegas
Buyer: Green Leaf Partners
Purchase Price: \$63 MM
Price per Unit: \$175,000

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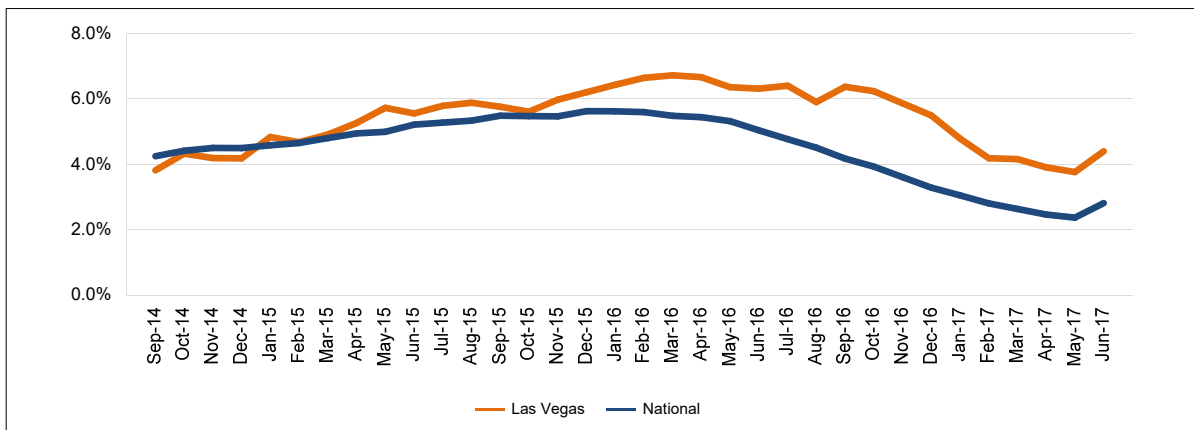
Hollie Zepke

Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

Rent Trends

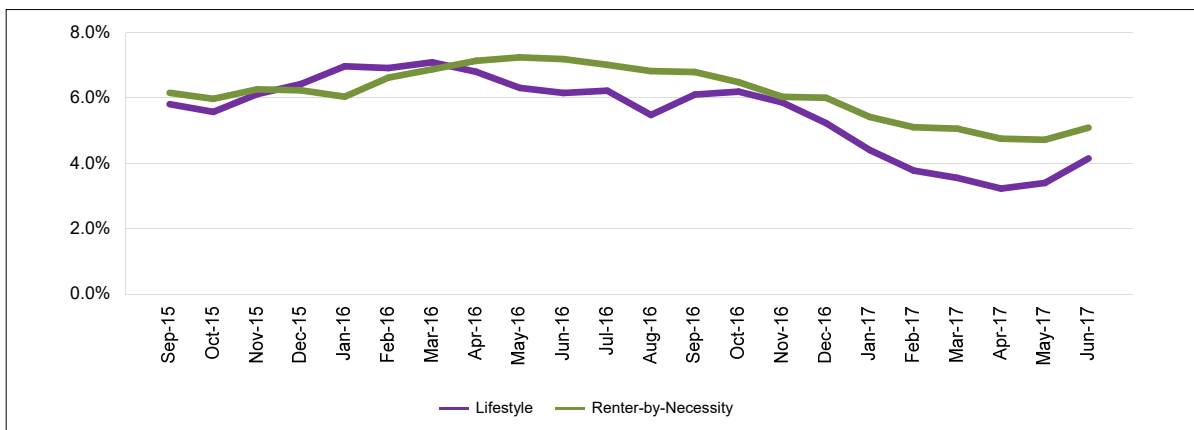
- Rents in Las Vegas rose 4.4% year-over-year through June, well above the U.S. average of 2.7%. The average rent increased to \$948, trailing the national average of \$1,349. The depleting housing supply, coupled with a significant population growth contributed to the rise in occupancies and rents. Yardi Matrix expects rents in the metro to increase by 4.5% in 2017.
- The working-class Renter-by-Necessity segment continued to lead growth, up 5.1% year-over-year to \$783. The substantial expansion of construction jobs creates demand for this type of assets. The higher-end Lifestyle segment rose 4.2% to \$1,077.
- Rent growth is broad-based—the eastern side of the metro marked the highest increases with North Las Vegas East (8.7%), Downtown Las Vegas (7%) and Henderson East (6.8%) leading the expansion. Rents in Nellis continue to decrease, dropping 0.7% year-over-year. On the other hand, submarkets in the western end of the metro post the highest rental prices: Summerlin/Blue Diamond (\$1,407), Enterprise (\$1,198) and Spring Valley West (\$1,174). The most affordable units in Las Vegas can be found in North Las Vegas (\$712), Nellis (\$744) and Downtown Las Vegas (\$747).

Las Vegas vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Las Vegas Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

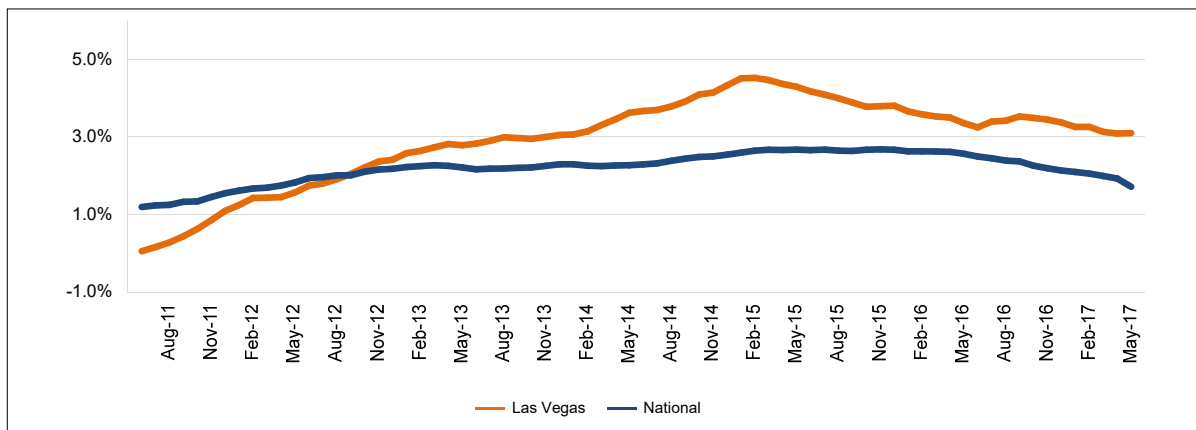


Source: YardiMatrix

Economic Snapshot

- Las Vegas added 27,500 jobs in the 12 months ending in May, a 3.1% change year-over-year and 120 basis points above the 1.9% national average. Tourism, the metro's primary driver, saw an upswing in the past few years, with visitor counts once again reaching pre-recession levels.
- After years of stagnation brought about by the recession, construction was the city's fastest growing sector, adding 7,600 jobs. Employment growth is expected to continue, thanks to extensive economic development and infrastructure achievements, including Resorts World, Switch, Hyperloop and Project Neon. Leisure and hospitality added 3,600 new jobs, and is expected to increase further thanks to upgrades and additions to hotel/casino properties: Station Casinos plans a \$50 to \$70 million gaming and entertaining facility near the Reno-Sparks Convention Center, while Eldorado Resorts is carrying out \$50 million worth of renovations to three of its Reno properties. Other projects include MGM's \$130 million expansion of the Grand Conference Center and the planning of a 65,000-seat stadium.
- Robust demand for office space led to a drop in vacancy below the 15.0% mark. Deliveries in 2017 came down to the 184,000-square-foot UFC headquarters, while net absorption clocked in at roughly 673,000 square feet. Credit One Bank's new 152,000-square-foot headquarters is slated for delivery by the end of the year.

Las Vegas vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Las Vegas Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
15	Mining, Logging and Construction	61	6.3%	7,600	14.2%
60	Professional and Business Services	139	14.3%	7,200	5.5%
70	Leisure and Hospitality	292	29.9%	3,600	1.2%
65	Education and Health Services	94	9.6%	3,500	3.9%
55	Financial Activities	51	5.2%	2,900	6.0%
80	Other Services	33	3.4%	2,200	7.2%
90	Government	103	10.6%	1,600	1.6%
30	Manufacturing	22	2.3%	500	2.3%
50	Information	11	1.1%	-400	-3.5%
40	Trade, Transportation and Utilities	168	17.2%	-1,200	-0.7%

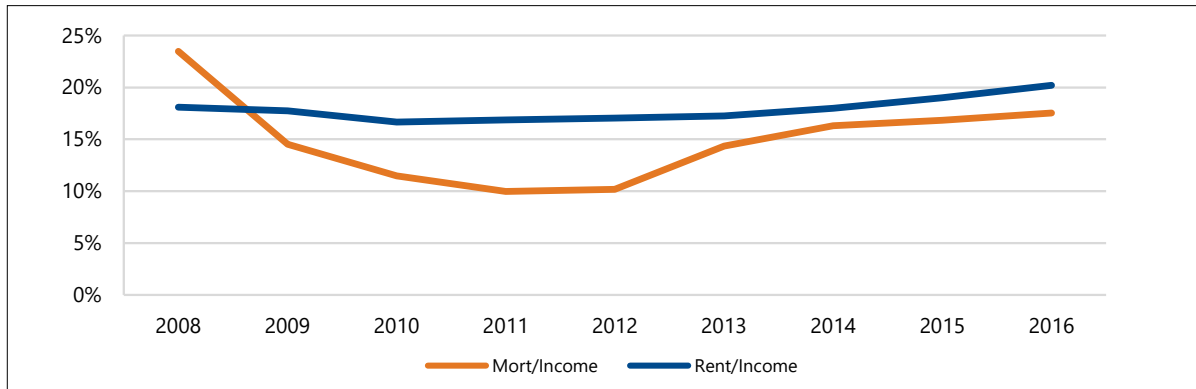
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

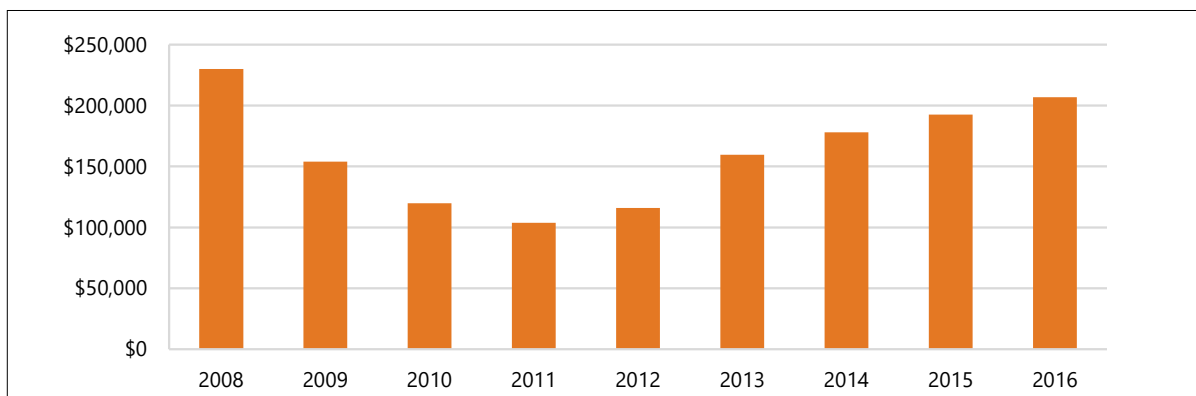
- The Las Vegas median home price has been climbing since 2012, peaking at almost \$207,000 in 2016. Even so, values are still below pre-recession levels. The city's affordability issues intensify as both home prices and rents are on the rise. The limited availability of land is also impacting prices.
- Owning is slightly more affordable than renting in Las Vegas. The average mortgage payment accounted for 18% of the metro's median income, while the average rent, at \$948 in June, accounted for 20%.

Las Vegas Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Las Vegas Median Home Price



Source: Moody's Analytics

Population

- Las Vegas added 46,400 residents in 2016, a 2.2% increase, three times faster than the national average of 0.7%.
- In the last five years, about 190,000 people moved into the metro.

Las Vegas vs. National Population

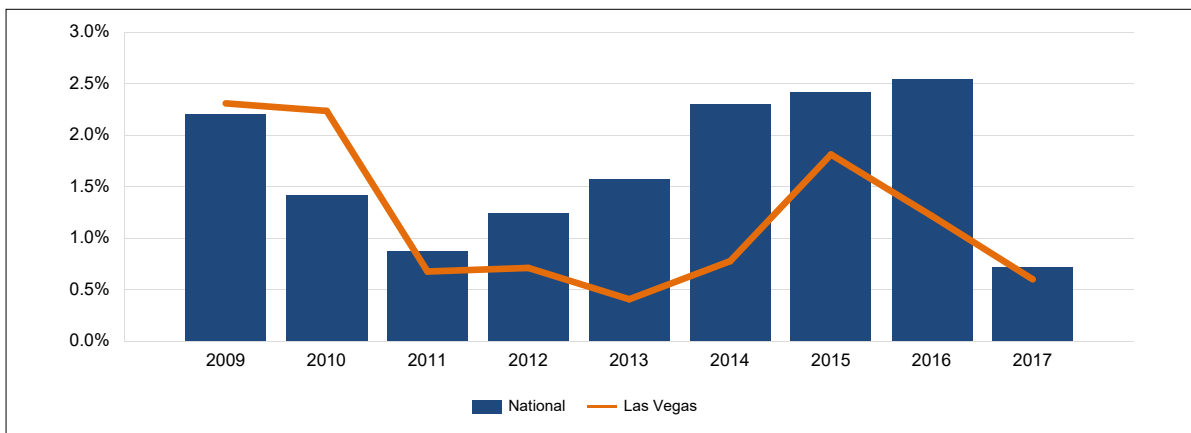
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Las Vegas Metro	1,995,815	2,025,096	2,064,899	2,109,289	2,155,664

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

Supply

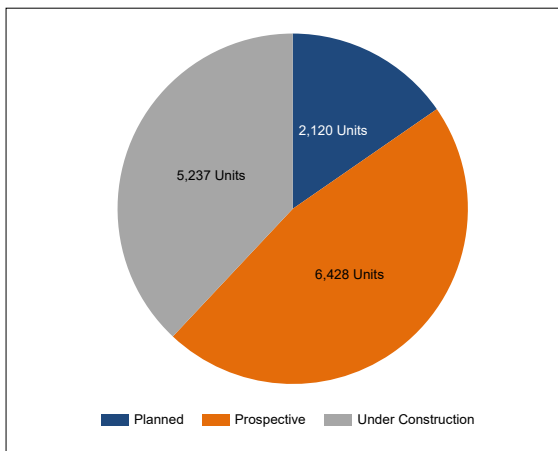
- Developers focused their efforts on meeting an elevated rental demand in Las Vegas. Although only 368 units have been added to stock through mid-year, completions are estimated to exceed 1,000 units by the end of the summer alone.
- More than 5,200 units were under construction as of June, with more than half slated for completion by the end of the year. New apartments are needed to meet demand created by in-migration and to replace the metro's aging stock, which encompasses a large number of units built before the 1990s. Robust rental demand pushed up occupancy 30 basis points to 95.6% as of June.
- New developments are scattered throughout the metro, but activity is mostly centered on the Spring Valley West and Henderson West submarkets, where nearly 2,700 units are underway. In total, there are about 14,000 units in different stages of development.
- Two of the three largest developments under construction are scheduled for completion in early 2018—Castile in Henderson West (498 units) and EVO in Spring Valley West (376 units), while the 360-unit Elysian at Stone Lake will be delivered by the end of the summer.

Las Vegas vs. National Completions as a Percentage of Total Stock (as of June 2017)



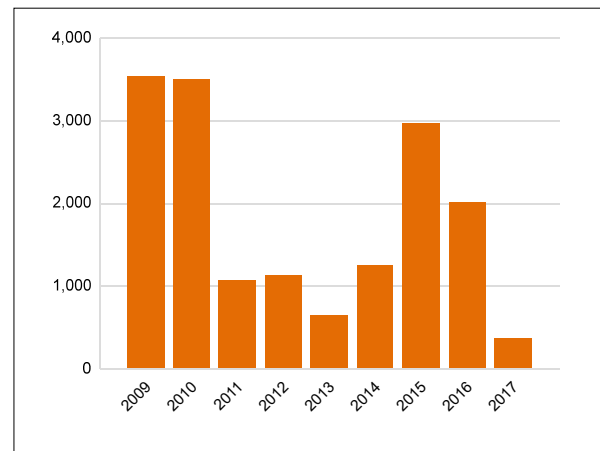
Source: YardiMatrix

Development Pipeline (as of June 2017)



Source: YardiMatrix

Las Vegas Completions (as of June 2017)

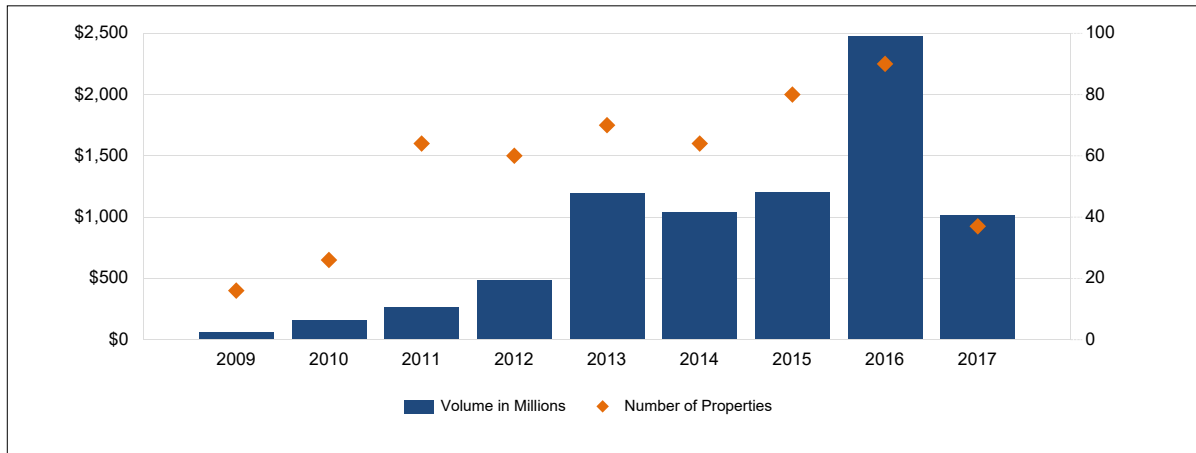


Source: YardiMatrix

Transactions

- Investment activity stayed high, with more than \$1 billion in apartment assets having traded through mid-year in 2017. That follows last year's cycle high, when nearly \$2.5 billion worth of apartments changed hands, more than double the transaction volume of 2015. Both luxury units and value-add options are in high demand, which has driven prices higher. The average price per unit increased in 2017 to \$112,835, the highest post-recession value. That's still \$20,000 below the national average of \$132,549.
- The busiest submarkets in Las Vegas over the past 12 months were Las Vegas Central (\$354 million), Spring Valley West (\$252 million) and Enterprise (\$251 million). Among the institutional entities that purchased assets in Southern Nevada this year are LivCor, Westland Real Estate Group, Greystar and Continental Realty Advisors. The most expensive community to trade in Las Vegas in the first half of 2017 was the 539-unit Mountain Gate/Trails community in Enterprise, for which LivCor paid \$83 million in June.

Las Vegas Sales Volume and Number of Properties Sold (as of June 2017)



Source: YardiMatrix

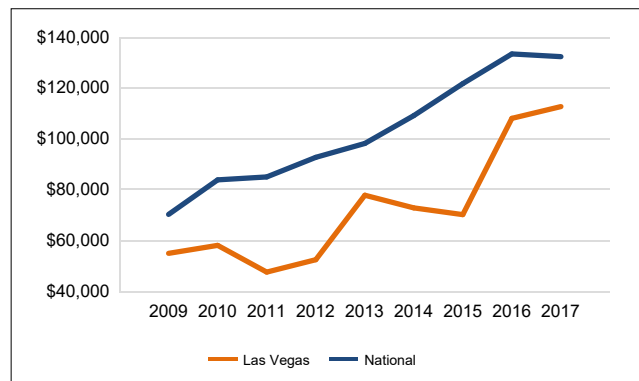
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Las Vegas Central	354
Spring Valley West	252
Enterprise	251
North Las Vegas West	193
Sunrise Manor	174
Las Vegas NW	161
Spring Valley East	139
Henderson East	131

Source: YardiMatrix

¹ From July 2016 to June 2017

Las Vegas vs. National Sales Price per Unit



Source: YardiMatrix

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Luxury Condos
At Sky Las Vegas



Hilton, Blackstone Grab
1,201-Key Vegas Resort



Las Vegas Luxury Property
Sells for \$63M

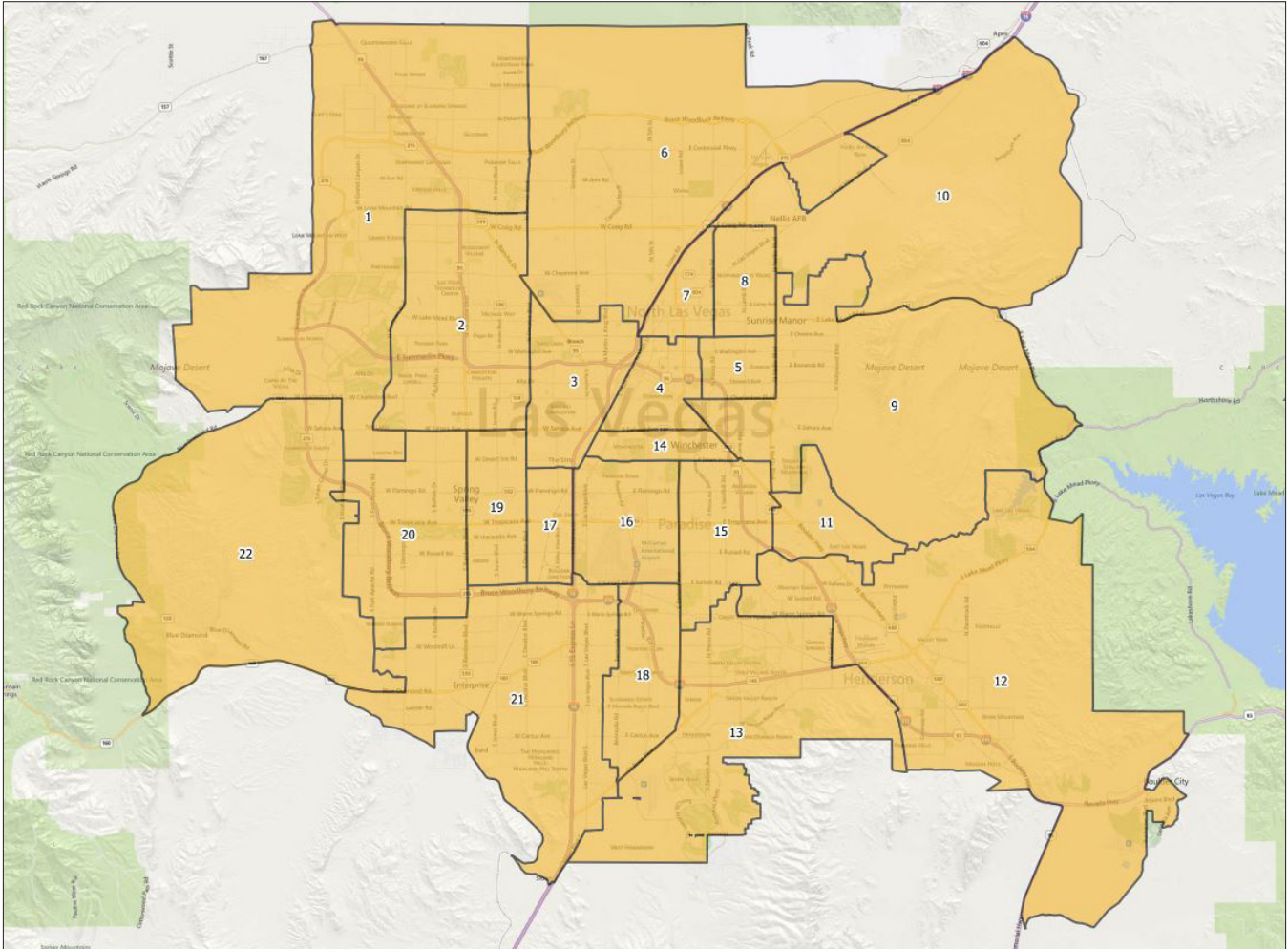


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Las Vegas Submarkets



Area #	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 #	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.

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