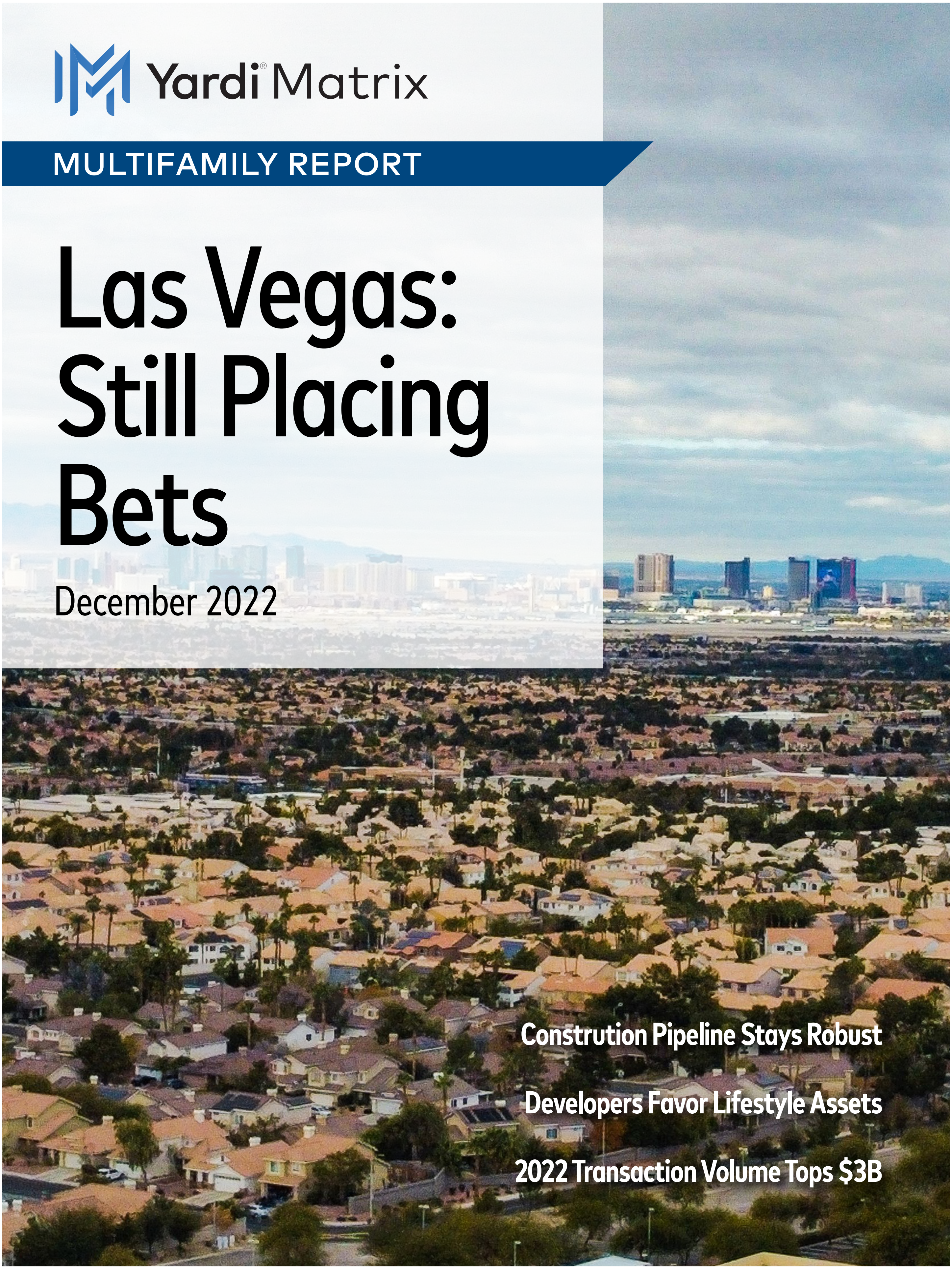
Yardi Matrix

MULTIFAMILY REPORT

Las Vegas: Still Placing Bets

December 2022



Constrution Pipeline Stays Robust

Developers Favor Lifestyle Assets

2022 Transaction Volume Tops $3B

LAS VEGAS MULTIFAMILY

Yardi Matrix

Absorption Dents Fundamentals

At the start of the fourth quarter, the Las Vegas multifamily market continued to post mostly healthy, albeit depreciating fundamentals, with substantial investment activity and a robust construction pipeline. Rent growth contracted for the second consecutive month in October—down by 0.4% on a trailing three-month basis, to $1,504. The decline stemmed from the Lifestyle segment, while Renter-by-Necessity rates remained flat. Meanwhile, occupancy in stabilized assets took a dive, down 180 basis points in the 12 months ending in September, to 94.5%.

The unemployment rate in Las Vegas clocked in at 5.3% in September, according to preliminary data from the Bureau of Labor Statistics, lagging the state (4.4%) and the U.S. (3.5%). The rate improved from the 5.8% recorded in January and remained above pre-pandemic figures. Employment expanded by 8.4%, or 52,100 jobs, in the 12 months ending in August, well above the 4.3% national rate, but still decelerating. Moreover, two sectors lost a combined 700 positions. Rising visitor volume and the growth of the professional and business services sector point to likely improvement in the metro.

Development picked up slightly, with 1,173 units delivered through October and another 9,400 underway. New construction starts will likely decrease due to dwindling debt sources. Meanwhile, investment sales topped $3 billion in 2022 through October.

Market Analysis | December 2022

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Recent Las Vegas Transactions

Alicante

City: Las Vegas
Buyer: Sares Regis Group
Purchase Price: $87 MM
Price per Unit: $374,138

Monterra

City: Las Vegas
Buyer: Bridge Investment Group
Purchase Price: $73 MM
Price per Unit: $212,936

Vue 5325

City: Las Vegas
Buyer: Keller Investment Properties
Purchase Price: $67 MM
Price per Unit: $279,167

Rancho Destino

City: Las Vegas
Buyer: Davlyn Investment Properties
Purchase Price: $66 MM
Price per Unit: $355,978

RENT TRENDS

- Las Vegas rents contracted 0.4% on a trailing three-month (T3) basis in October, to $1,504. Meanwhile, the U.S. figure rose 0.2% to $1,727. Rate growth in the metro began softening in the fourth quarter of last year, and 13 months later, it turned negative. On an annual basis, Las Vegas had one of the slowest expansions among major metros, up just 3.9% and above only Twin Cities (3.3%). The U.S. rate posted an 8.2% increase over the period.

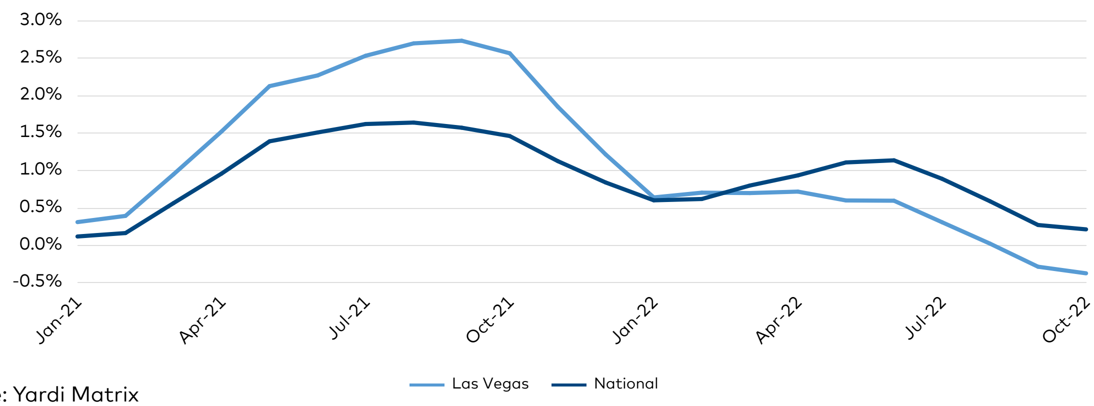
- The drop in the average asking rent was influenced by recent supply additions in the Lifestyle segment, seasonal patterns and the current economic challenges. Expectedly, Lifestyle rents posted a 0.6% decline on a T3 basis through October, to $1,683, while working-class Renter-by-Necessity figures remained flat at $1,275.

- The occupancy rate in stabilized properties marked a drop of 180 basis points in the 12 months ending in September, to 94.5%. The decline was slightly higher in the Lifestyle segment (210 basis points, to 94.3%), but still considerable in the RBN segment (160 basis points, to 94.8%).

- Rent growth was spotty across the map, with the average asking rent declining in three submarkets in a year, led by Summerlin/Blue Diamond—the most sought-after area—down 5.4%, to $2,024. Six submarkets posted double-digit increases, led by Bracken (up 18.6%, to $1,348).

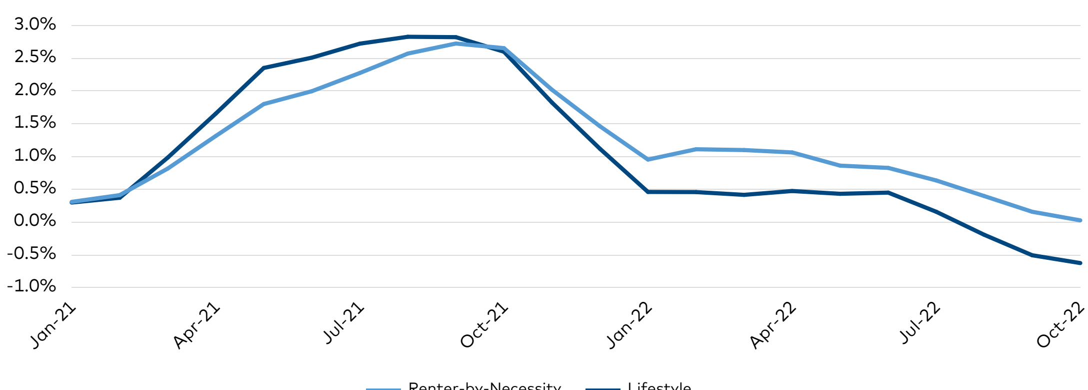
- Vegas' single-family rental market posted the largest decline in occupancy among major metros (-7.3% over 12 months), but rents continued to rise, up 6.7% year-over-year through October.

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 hovered above 5.0% through 2022, from a 5.8% high in January to a 5.0% low in March and April. In September, the rate stood at 5.3% according to preliminary BLS data, trailing both the state (4.4%) and the U.S. (3.5%). Although it remains above pre-pandemic levels, the jobless rate showed improvement.
- Nevada recovered all jobs lost during the early stages of the pandemic, with leisure and hospitality still lagging but not by much (90.7% of its pre-pandemic peak). Las Vegas employment expanded by 8.4%, or 52,100 jobs, in the 12 months ending in August, well above the 4.3% U.S. rate, but on a softening trend. Information and other services contracted by a combined 700 positions.
- Expectedly, job gains were led by the leisure and hospitality sector—which accounts for 26% of the entire workforce—up by 13,700 jobs. Las Vegas' second-largest sector—trade, transportation and utilities—followed closely with the addition of 12,800 positions. Visitor volume continued to improve, according to the Las Vegas Convention and Visitors Authority, surpassing 28.6 million in September, clocking in at 14.3% above last year's volume and 10.2% below 2019's figure.
- Steadily, professional and business services continued to grow, adding 9,900 jobs in the 12 months ending in September, accounting for 14.9% of the workforce.

Las Vegas Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	275	25.9%
40	Trade, Transportation and Utilities	208	19.6%
60	Professional and Business Services	158	14.9%
15	Mining, Logging and Construction	76	7.2%
30	Manufacturing	29	2.7%
65	Education and Health Services	113	10.7%
55	Financial Activities	58	5.5%
90	Government	102	9.6%
80	Other Services	29	2.7%
50	Information	11	1.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Las Vegas gained 19,090 residents in 2021, for a 0.8% expansion and well above the 0.1% U.S. rate.
- The metro's population has been increasing steadily for more than a decade, except in 2020, when it posted a 0.1% dip.

Las Vegas vs. National Population

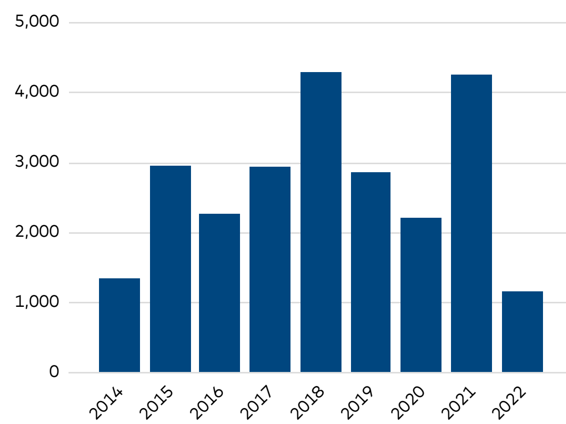
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Las Vegas	2,228,970	2,275,884	2,273,386	2,292,476

Source: U.S. Census

SUPPLY

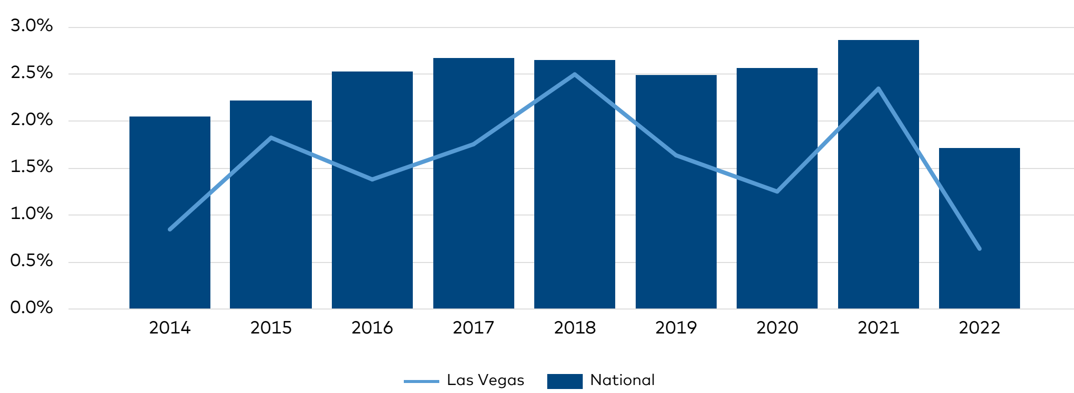
- Developers delivered 1,173 units through October, following a slow first half of the year, when just 216 apartments were added to the housing stock. Deliveries through October represented just 0.6% of existing inventory, well below the 1.7% national rate, and half the 3,040 units delivered during the same interval last year.
- Development picked up a bit in 2022, with the construction pipeline comprising 9,400 units as of October, 4,721 of which broke ground in 2022, nearly double the volume registered the previous year in the same time frame. Another 24,000 units were in the planning and permitting stages. Despite these figures, in the face of a clearly forecast recession, new construction starts will likely cool down considering already dwindling funding.
- Developer focus remained split between Lifestyle properties, accounting for 80% of deliveries, and fully affordable communities which represented 20% of units. No Renter-by-Necessity units were added to the stock this year through October. The construction pipeline as of October was relatively similar—81% of projects underway targeted Lifestyle renters, 9% were in fully affordable projects and the remaining portion consisted of RBN units.
- Development was uneven across the map, with developers active in 12 of the 22 submarkets tracked by Yardi Matrix. More than half of the projects underway were concentrated in just three submarkets, with Spring Valley West leading by a considerable margin—2,597 units under construction. Enterprise and Henderson West followed with 1,726 units and 881 units, respectively. Enterprise also houses the largest completion of the year through October, Wood Partners' 406-unit Alta Southern Highlands.

Las Vegas Completions (as of October2022)



Source: Yardi Matrix

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

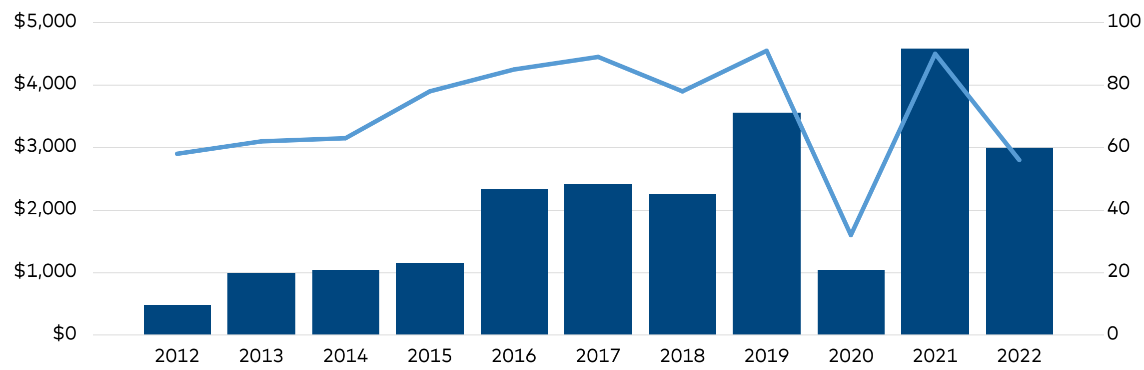


Source: Yardi Matrix

TRANSACTIONS

- While investment activity dwindled in some parts of the U.S. in response to the Federal Reserve's repetitive actions, Las Vegas continued to break records, with investment totaling $3 billion through October, surpassing the $2.9 billion recorded during the same period last year. However, during the third quarter, transactions moderated to a total volume of just $674 million.
- Investor competition intensified in 2022 across the quality spectrum. The sales composition was slightly tilted in favor of Renter-by-Necessity assets (55%). Heightened demand led to a solid 29.3% year-over-year increase in the per-unit price, to $261,778 as of October, well above the $215,939 U.S. average.
- One of the year's notable sales was Tides Equities' $100.8 million acquisition of Tides on Commerce, a 336-unit Lifestyle asset in North Las Vegas. Great American Capital received $300,000 per unit. The deal was supported by a $77.5 million loan issued by Wells Fargo Bank.

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



Source: Yardi Matrix

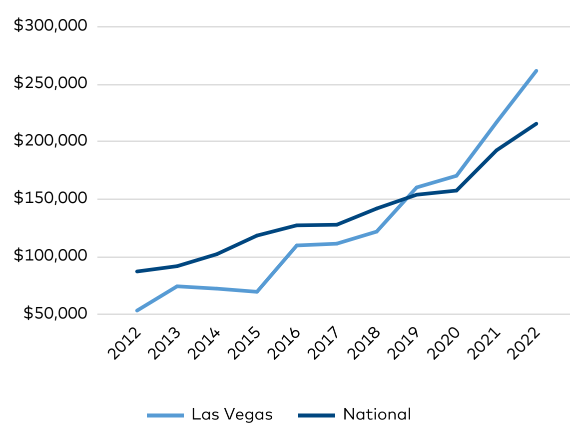
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Las Vegas Strip	592
Spring Valley West	468
Sunrise Manor	457
Bracken	406
Henderson West	394
North Las Vegas West	286
Whitney	267

Source: Yardi Matrix

[1] From November 2021 to October 2022

Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top 5 Western Markets by Multifamily Investment Volume

By Anca Gagiuc

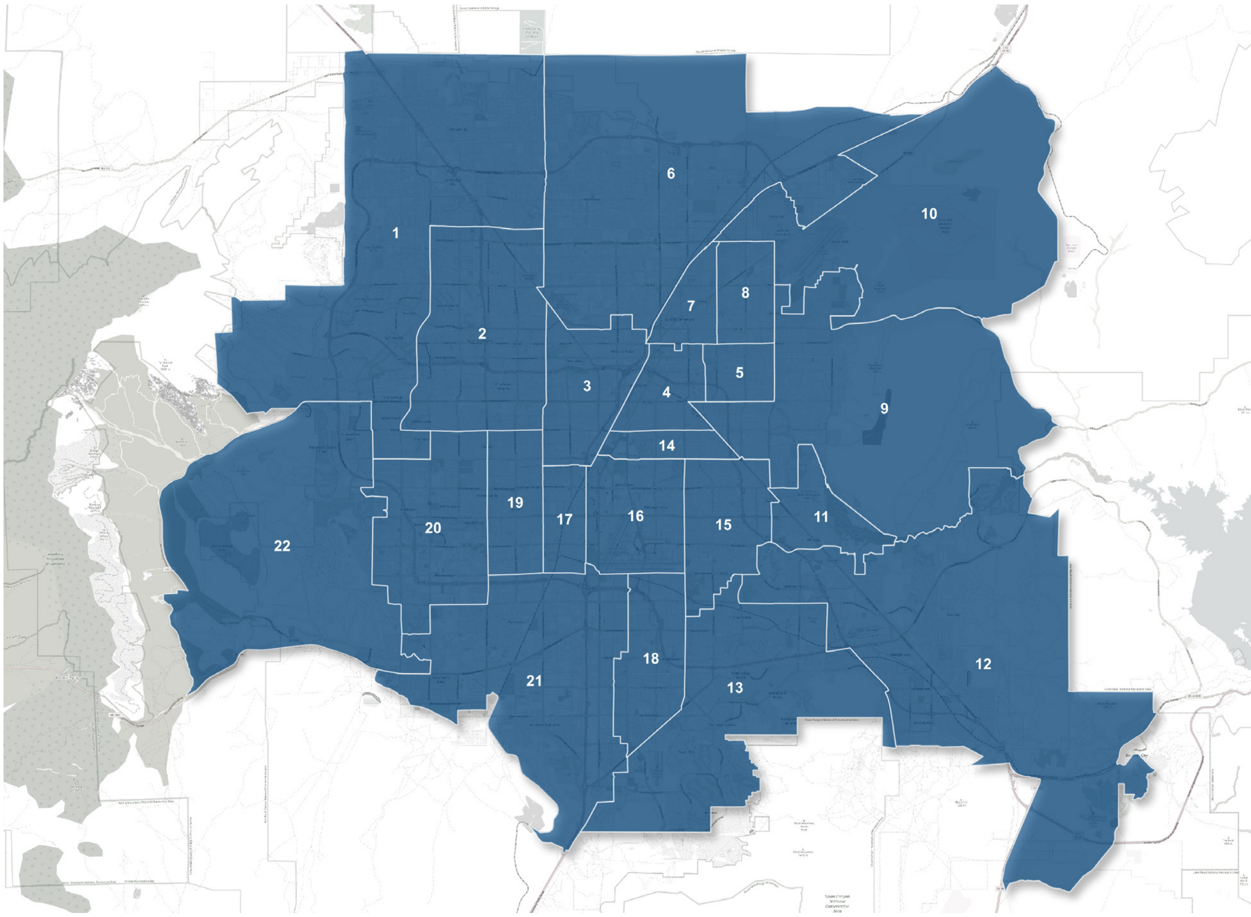
The national multifamily investment volume continued to break records, crossing $157 billion through the first three quarters of 2022. That's higher than the best year on record yet—2021—when $132 billion in multifamily assets changed hands across the U.S. through the same interval. However, this remarkable performance in investment is about to take a break following the Fed's repeated actions to stop inflation.

Market	Sales Volume $ 2022	Price per Unit 2022	PPU Growth Rate	Assets Sold 2022	Units Sold 2022
Phoenix	$9,727,714,167	$331,914.87	35.8%	164	32,421
Denver	$4,099,448,000	$331,811.27	6.1%	70	14,418
Las Vegas	$2,748,240,000	$262,211.62	34.7%	50	11,025
Tucson	$1,123,113,142	$173,507.36	23.1%	33	6,473
Salt Lake City	$869,505,586	$253,605.89	16.2%	30	4,423

Las Vegas

Rounding out the top three, Las Vegas multifamily investment volume totaled $2.7 billion in September, up 14.1 percent from the $2.4 billion registered during the first three quarters of 2021. Fewer properties traded than in 2021—50 properties totaling 11,025 units, compared to 57 properties comprising 12,373 units. But the investor competition compensated and the price per unit rose by a hefty 34.7 percent year-over-year, to $262,212 in September, the second-largest increase in this ranking and behind only Phoenix.

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.

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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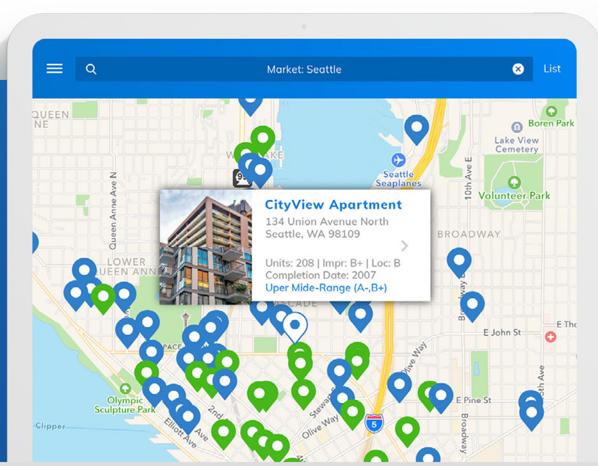
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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