

Las Vegas Rates Decline

May 2023

Job Gains Outperform US

YoY Rent Movement Down

Investment Activity Stalls

LAS VEGAS MULTIFAMILY



Rates, Occupancy Register Descent

The Las Vegas multifamily market is facing challenges, with rent and occupancy declines following an interval of solid growth. However, fundamentals are still relatively sound, as employment and demographic trends remain positive. At the end of the first quarter of 2023, average rents were down 0.2% on a trailing three-month basis, to \$1,472. Through that time, the national average remained flat, at \$1,706.

Employment growth was 5.1% in 2022, while the jobless figure stood at 6.0% in February, above the state average and the highest rate the metro has seen in 18 months. Only two sectors posted losses, with other services and information down a combined 500 jobs in 2022. Leisure and hospitality added 16,000 jobs, as the metro's economic cornerstone continued to regain positions. Although still short of pre-pandemic levels, tourism is rebounding, with sports-focused efforts such as new athletic franchises and the upcoming Las Vegas Grand Prix set to galvanize the comeback.

Investment slowed down considerably in 2023, at \$81 million through the first quarter, on the back of a single confirmed upscale transaction. Investment has been progressively dwindling since 2022, when \$3.1 billion in assets traded. The metro had 8,900 rental units under construction and another 21,000 in the planning and permitting stages, but inventory additions have consistently underperformed during the cycle.

Market Analysis | May 2023

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Recent Las Vegas Transactions

Tribeca North



City: North Las Vegas, Nev.
Buyer: MG Properties
Purchase Price: \$81 MM
Price per Unit: \$259,615

Summit on Nellis



City: Las Vegas
Buyer: DB Capital Management
Purchase Price: \$64 MM
Price per Unit: \$216,216

Desert Ridge



City: Las Vegas
Buyer: Turner Impact Capital
Purchase Price: \$63 MM
Price per Unit: \$207,237

Orchard Club



City: Las Vegas
Buyer: 3D Investments
Purchase Price: \$61 MM
Price per Unit: \$277,273

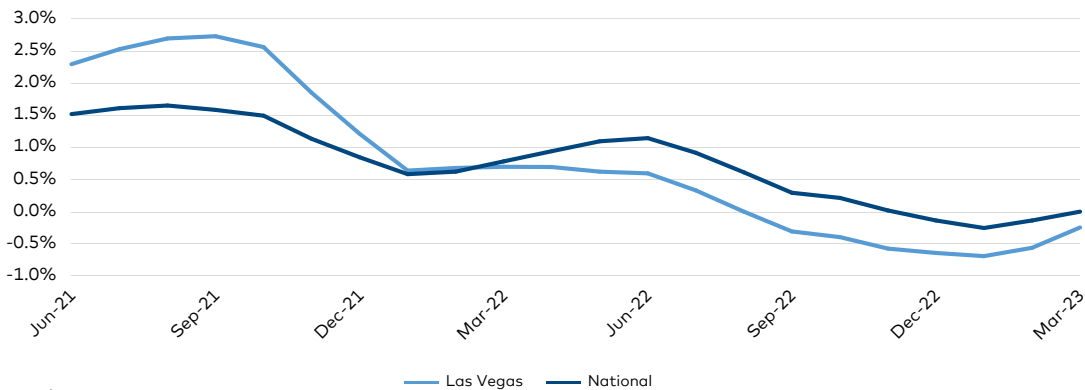
RENT TRENDS

- ▶ Las Vegas rents were down 0.2% on a trailing three-month (T3) basis as of March, while the national figure plateaued. The metro's average rate was \$1,472, still well below the \$1,706 U.S. figure. After leading the nation for rent development during large swaths of the cycle, Las Vegas joined Phoenix as the only other major metro to record year-over-year rate decreases, at -1.8% and -2.0%, respectively.
- ▶ Both quality segments moved in unison, down 0.2%, indicating that the roughly \$400 spread between classes held fast through the start of the year. Working-class Renter-by-Necessity rents averaged \$1,248 as of March, while Lifestyle rents ended the first quarter at \$1,643.
- ▶ The average occupancy rate in stabilized assets was down 220 basis points year-over-year as of

February, at 92.9%. Contrasting broader national trends, the Lifestyle segment had a higher average occupancy rate, at 93.1%. Wide availability of upscale units, coupled with a relatively small spread between quality segments, indicates that Lifestyle assets endured, as occupancy recorded a significant slide in the metro.

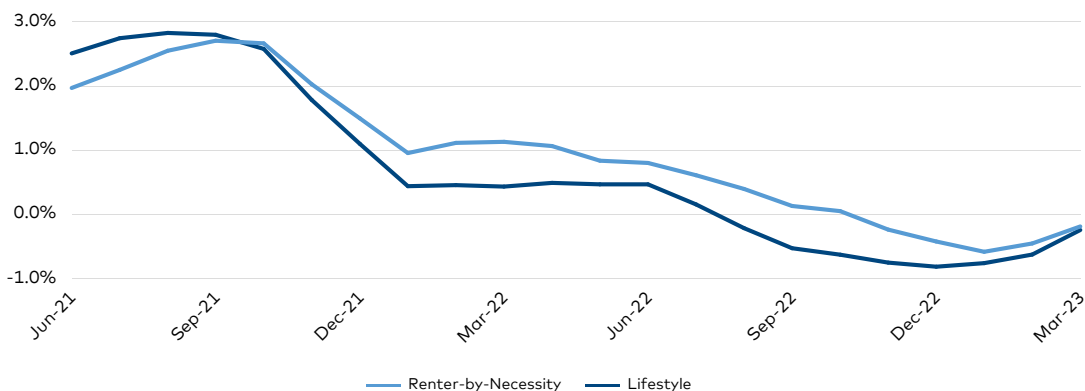
- ▶ Rent growth by submarket painted a mixed portrait in the metro. Fifteen of the 27 tracked submarkets recorded improvement, while the remaining saw declining rates. Las Vegas-Downtown South (up 9.7%), Las Vegas-East (up 7.1%) and Chinatown (up 6.2%) led gains. All three submarkets had RBN-dominant inventories and average rents well below the metro's average.

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 rose to 6.0% in February—the highest rate in 18 months—according to data from the Bureau of Labor Statistics, trailing the state (5.5%) and the U.S. (3.6%). The rate marked a 10-basis-point month-over-month increase, up from 5.3% in February 2022. Employment growth decelerated to 5.1%, or by 43,300 jobs, in the 12 months ending in December, but remained ahead of the 3.7% national rate.
- ▶ Information and other services lost 500 jobs combined during the period, while leisure and hospitality (16,000 jobs) and mining, logging and construction (10,900 jobs) led gains. Tourism clocked in at 38.8 million visitors in 2022, 20.5% higher than in 2021 but 8.7 million below pre-pandemic levels (42.5 million in 2019). Moreover, convention business also rebounded, counting nearly 5 million attendees last year, up from 2.2 million in 2021, yet still behind the 6.6 million 2019 total. The Sphere at the Venetian Resort is set to open in the fall and has 3,000 positions to fill.
- ▶ Las Vegas is betting big on sports. Not only is the metro home to seven major teams but this year Formula 1 will host its Las Vegas Grand Prix on the Strip, and next year the Super Bowl will take place at Allegiant Stadium. Both events are expected to boost visitor spending and create thousands of new jobs in the area.

Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	282	26.1%
15	Mining, Logging and Construction	78	7.2%
40	Trade, Transportation and Utilities	216	20.0%
65	Education and Health Services	116	10.7%
90	Government	109	10.1%
30	Manufacturing	29	2.7%
55	Financial Activities	57	5.3%
60	Professional and Business Services	156	14.4%
80	Other Services	28	2.6%
50	Information	11	1.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Las Vegas' population expanded by 0.8%, or 19,090 residents in 2021, while the U.S rate inched up 0.1%.
- ▶ Since the 2010 Census, the metro's population has increased by 17.4%, more than double the 7.3% national rate. Population trended down only in 2020, when it contracted 0.1%.

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

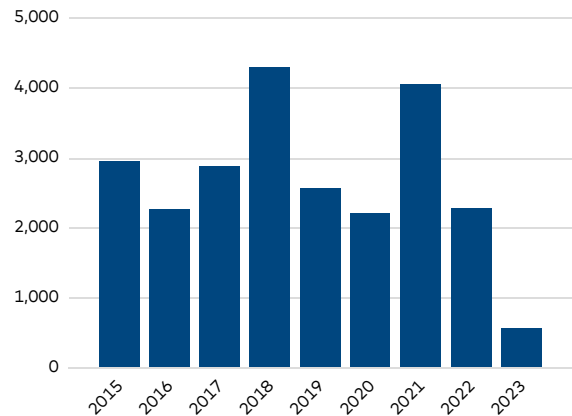
SUPPLY

- ▶ Developers delivered 578 units in the first quarter of 2023, 0.3% of existing stock, on par with the U.S. average. All three projects completed during this period were Lifestyle properties, two of which (379 units combined) are located in the Spring Valley-West submarket, the second-most expensive rental area in Las Vegas, which also had the most robust construction pipeline as of March.
- ▶ The metro had 8,900 units underway and another 21,000 in the planning and permitting stages. Last year's deliveries were below the five-year average, but new construction starts more than tripled, amounting to 6,463 units in 23 properties last year, compared to 1,769 units in seven properties in 2021.
- ▶ A total of 4,437 units were slated for completion by the end of the year, but the current economic landscape will likely cause some delays. Yardi Matrix forecasts that 4,075 units (2.2% of stock) will come online in 2023.
- ▶ Construction was spotty across the metro, present in 12 of the 27 submarkets tracked by Yardi Matrix. Three submarkets had more than 1,000 units underway. Spring Valley-West led by

far in volume, with 2,878 units under construction, followed by Enterprise (1,536 units) and North Las Vegas-West (1,290 units).

- ▶ The largest project under construction as of March was the 754-unit Ariva in Enterprise. The suburban property includes 71,000 square feet of retail space and is being built by a private investor, with aid from a \$92.5 million construction loan issued in 2022 by Western Alliance Bank. Delivery is slated for late 2024.

Las Vegas Completions (as of March 2023)



Source: Yardi Matrix

Las Vegas vs. National Completions as a Percentage of Total Stock (as of March 2023)



Source: Yardi Matrix

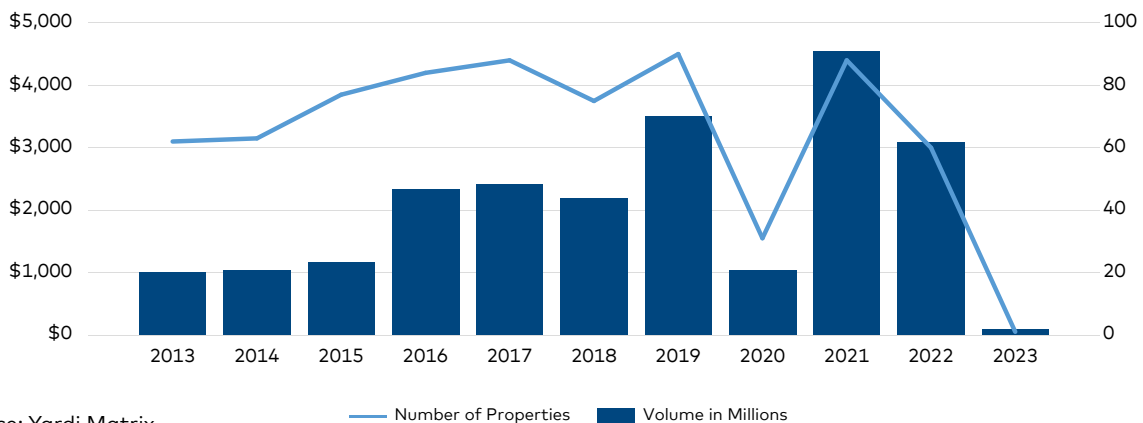
TRANSACTIONS

- ▶ Just one property of more than 50 units changed hands in Las Vegas during the first quarter of 2023, totaling \$81 million. MG Properties acquired the 312-unit Tribeca North from Bascom Group for \$259,615 per unit, with aid from a \$44.7 million CMBS loan originated by Walker & Dunlop. Comparatively, during the first quarter of 2022, \$906 million in multifamily assets traded in the metro.
- ▶ Investor caution intensified progressively last year, as the Federal Reserve continued to in-

crease interest rates. Of the nearly \$3.1 billion volume recorded in 2022, just \$367 million traded during the final quarter.

- ▶ Last year's sales composition was fairly balanced between asset classes, with 33 of the 60 sales involving RBN properties. Increased investor competition boosted the average per-unit price 17.7% year-over-year, to \$254,692 in 2022, leading the \$211,072 national figure.

Las Vegas Sales Volume and Number of Properties Sold (as of March 2023)



Source: Yardi Matrix

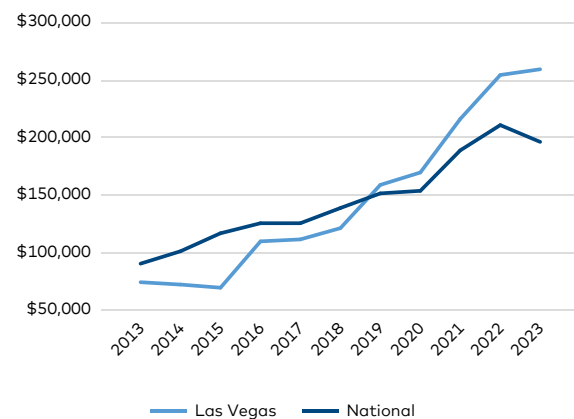
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Sunrise Manor-South	356
Spring Valley-West	277
North Las Vegas-West	182
Las Vegas-Summerlin	148
Whitney	132
Sunrise Manor-North	129
Las Vegas Strip	126

Source: Yardi Matrix

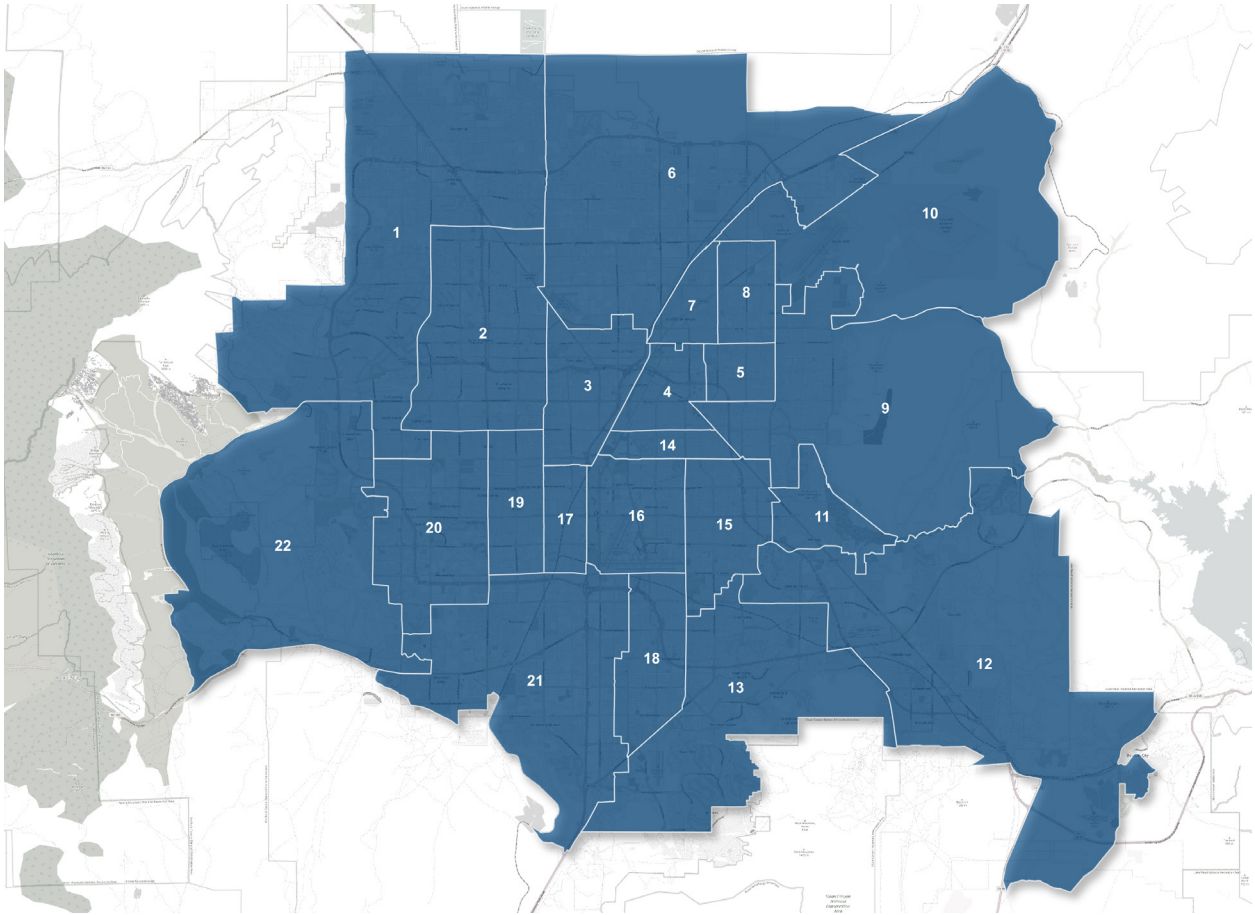
¹ From April 2022 to March 2023

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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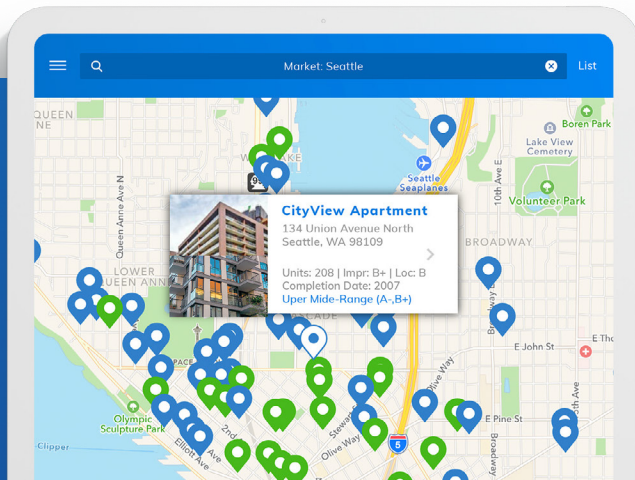
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