



MULTIFAMILY REPORT

Las Vegas Economy Holds Steady

August 2023

T3 Rents Continue Positive Trend

Jobless Rate Improves, Trails State

Investment Volume, PPU Decline

LAS VEGAS MULTIFAMILY



Economic Rebound In Early Stages

Not yet out of the woods, Las Vegas' fundamentals posted modest signs of a rebound. Rent growth recorded its second straight month out of negative territory, up 0.2% on a trailing three-month basis through June, to \$1,475, boosted by the upscale Lifestyle sector. Still, occupancy decreased 110 basis points year-over-year as of June, to 93.1%.

Las Vegas' unemployment rate stood at 5.6% in May, a 30-basis-point improvement from January, but lagging the state (5.4%) and the U.S. (3.7%), according to data from the Bureau of Labor Statistics. Employment growth was up 5.5%, or 45,700 jobs, in the 12 months ending in April, well ahead of the 2.9% U.S. rate. Two sectors lost jobs—financial activities and other services—for 1,300 jobs combined. Gains were led by leisure and hospitality and professional and business services. The tourism sector continued to thrive, with visitor volume through May rising to nearly 17 million, 10.8% above the figure recorded during the same period last year, according to the Las Vegas Convention and Visitors Authority.

Developers delivered 1,067 units during the first half of the year and had 10,298 units under construction, but the number of new projects dropped to half of the figure registered during the same period last year. Investment plummeted, with just \$238 million in multifamily assets trading through June. The price per unit decreased by 25.7% year-over-year, to \$184,407.

Market Analysis | August 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

The Michael B



City: Las Vegas
Buyer: Davlyn Investment
Properties
Purchase Price: \$67 MM
Price per Unit: \$265,873

Ridge on Charleston



City: Las Vegas
Buyer: Westland Real Estate
Group
Purchase Price: \$47 MM
Price per Unit: \$99,048

Vista Del Rey



City: Las Vegas
Buyer: Benedict Canyon Equities
Purchase Price: \$34 MM
Price per Unit: \$177,604

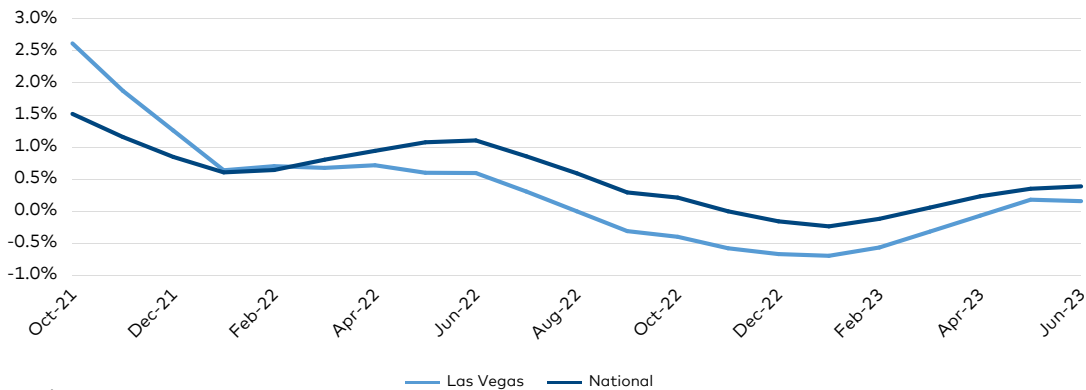
RENT TRENDS

- ▶ Las Vegas' rent growth rose 0.2% on a trailing three-month (T3) basis through June, to \$1,475. This was the second consecutive month of positive movement, following eight months of rent contractions. Meanwhile, the U.S. rate increased 0.4%, to \$1,726. Year-over-year growth remained in negative territory, down 3.3% in June, 30 basis points ahead of Phoenix, while national rent development continued to moderate, up 1.8%.
- ▶ Rent growth was sustained by the upscale Lifestyle segment, with rates rising 0.3% on a T3 basis through June, to \$1,654, while Renter-by-Necessity figures contracted again, down 0.1%, to \$1,240. Lifestyle rates reacted more quickly to economic challenges, with short-term contractions beginning in August 2022 and continuing until May 2023. Meanwhile, RBN rents have been

depreciating since November 2022, with the exception of May, and have yet to pick up. The occupancy rate in stabilized properties declined 1.1% in the 12 months ending in June, to 93.1%. The drop in RBN occupancy was steeper, down 1.5%, to 92.8%, while Lifestyle occupancy decreased 0.8%, to 93.4%.

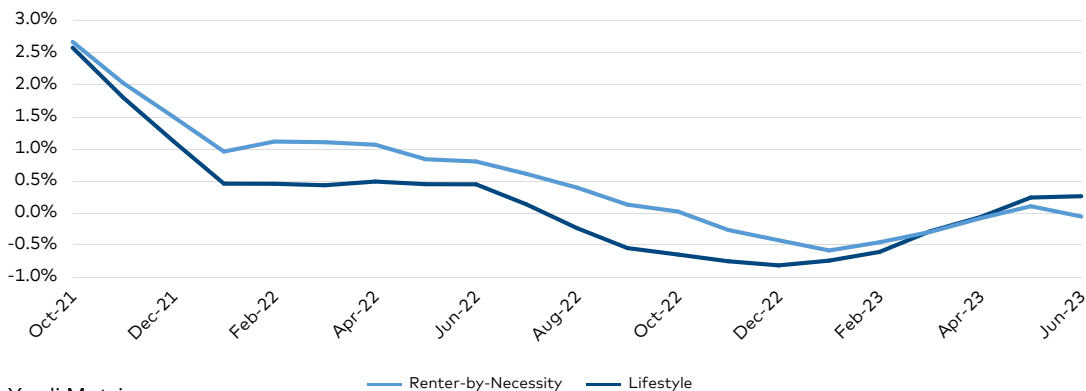
- ▶ On an annual basis, rates rose in 12 of the 28 submarkets tracked by Yardi Matrix, with the top 10 most expensive areas posting declines. Las Vegas-Summerlin and Seven Hills—the areas with the highest rents—both saw figures decline by 5.5%, to \$1,772 and \$1,758, respectively.
- ▶ The SFR segment posted a steadier performance, with annual rents up 0.2% in June and occupancy up 5.7% in May.

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 stood at 5.6% in May, a 10-basis-point month-over-month uptick and 30 basis points lower than the January figure. The metro lagged both the state (5.4%) and the U.S. (3.7%).
- ▶ The employment market expanded 5.5%—the highest rate among major metros—adding 45,700 jobs in the 12 months ending in April. Although the pace of growth continued to decelerate, it remained well ahead of the 2.9% national rate. During this period, two sectors lost jobs in Las Vegas—financial activities (-200 jobs) and other services (-1,100 jobs)—while gains were led by leisure and hospitality (15,500 jobs) and professional and business services (8,600 jobs).
- ▶ Tourism indicators were positive, with visitor volume up to nearly 17 million in 2023 through May, 10.8% above the number registered during the same period last year, according to the Las Vegas Convention and Visitors Authority. Additionally, convention attendance numbers rose by 38.5% during the same period.
- ▶ Las Vegas' sports-focused economy is also expanding. As of April, the metro had a combined capacity of more than 285,000 seats and several additional planned or proposed facilities, including a new stadium for the Oakland Athletics Major League Baseball team. In 2022, sporting events in Las Vegas generated \$1.8 billion in economic activity, with returns set to go up in the future.

Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	293	26.1%
60	Professional and Business Services	168	15.0%
65	Education and Health Services	124	11.1%
15	Mining, Logging and Construction	81	7.2%
90	Government	113	10.1%
40	Trade, Transportation and Utilities	208	18.6%
50	Information	14	1.2%
30	Manufacturing	30	2.7%
55	Financial Activities	59	5.3%
80	Other Services	31	2.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Las Vegas gained 19,090 residents in 2021, a 0.8% population increase, well above the 0.1% U.S. rate.
- ▶ Except for a 0.1% dip in 2020, the metro's population has stayed on an upward trend since the 2010 Census, for an overall expansion of 17.4%.

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

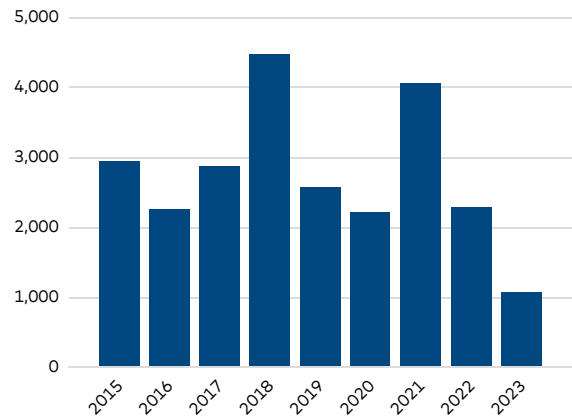
SUPPLY

- ▶ Developers delivered 1,067 units during the first half of the year, the equivalent of 0.6% of existing stock, 15 basis points below the U.S. average. All properties were in the Lifestyle segment.
- ▶ The construction pipeline remained strong, with 10,298 units underway as of June and nearly 20,000 units in the planning and permitting stages. Robust demand for upscale rentals kept developers focused on the Lifestyle segment, which accounted for 85.4% of the pipeline. Half of the remaining portion comprised units in fully affordable communities. Yardi Matrix estimates that Las Vegas' inventory will gain another 3,751 units by the end of 2023. The volume would surpass 2022, but would still trail 2021 (4,070 units) and 2018 (4,481 units).
- ▶ New construction slowed, with construction starts dropping to 1,796 units in seven properties as of June, half the volume registered during the first half of 2022 (3,421 units in 14 properties). Last year, 6,437 units in 25 properties broke ground in Las Vegas.
- ▶ As of June, developers were active in 13 of the 28 submarkets tracked by Yardi Matrix. Nearly three-quarters of the pipeline was concentrated in four submarkets, with Spring Valley-West

leading with 3.37 units under construction. The area also led in transaction volume year-over-year through June and posted the third highest average rent in the metro.

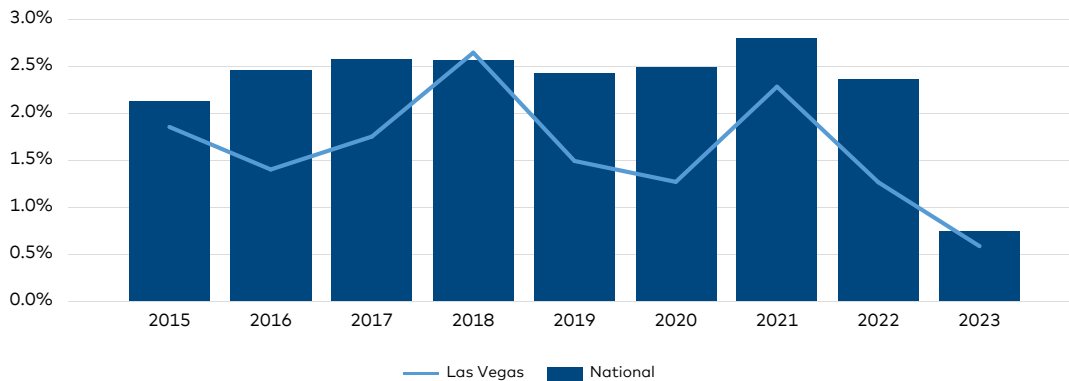
- ▶ The largest project delivered through June was the 300-unit Alma in Green Valley. Tradewind Properties built it with American Nevada with aid from a \$36 million construction loan issued by Washington Federal Bank.

Las Vegas Completions (as of June 2023)



Source: Yardi Matrix

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

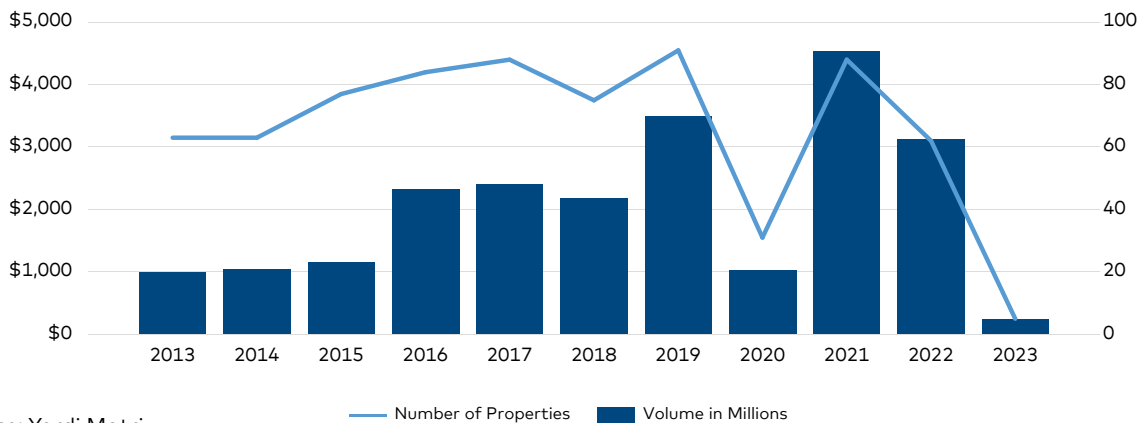


Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily investment volume dropped significantly in Las Vegas, to just \$283 million through June, accounting for 13% of the \$2.2 billion figure registered during the same period in 2022.
- ▶ Just five assets traded in the metro during the first half of the year—three Lifestyle and two Renter-by-Necessity properties—all located in core submarkets. Slowing rent growth, paired with interest-rate increases, caused investors to target lower-priced assets, leading average values to decline substantially, with the price per unit depreciating by 25.7% year-over-year through June, to \$184,407. That’s virtually on par with the \$182,694 U.S. average.
- ▶ The largest sale of the year through June was MG Properties’ acquisition of the 312-unit Tribeca North for \$81 million or \$259,615 per unit, with aid from a \$44.7 million CMBS loan originated by Walker & Dunlop. The seller was Bascom Group, which had acquired the asset in 2016, for \$35.4 million or \$113,301 per unit.

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



Source: Yardi Matrix

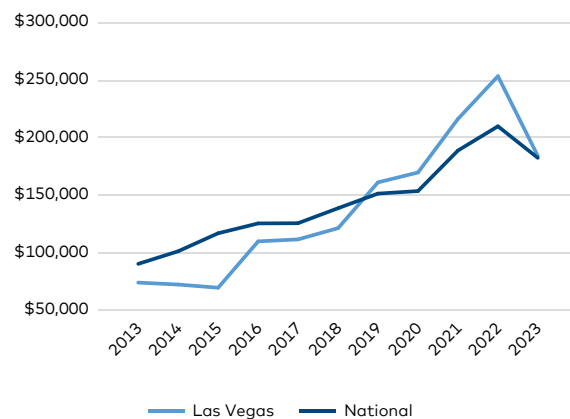
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Spring Valley-West	344
Sunrise Manor-South	307
Whitney	140
Sunrise Manor-North	129
Paradise-East	99
North Las Vegas-West	81
Las Vegas Central-West	61

Source: Yardi Matrix

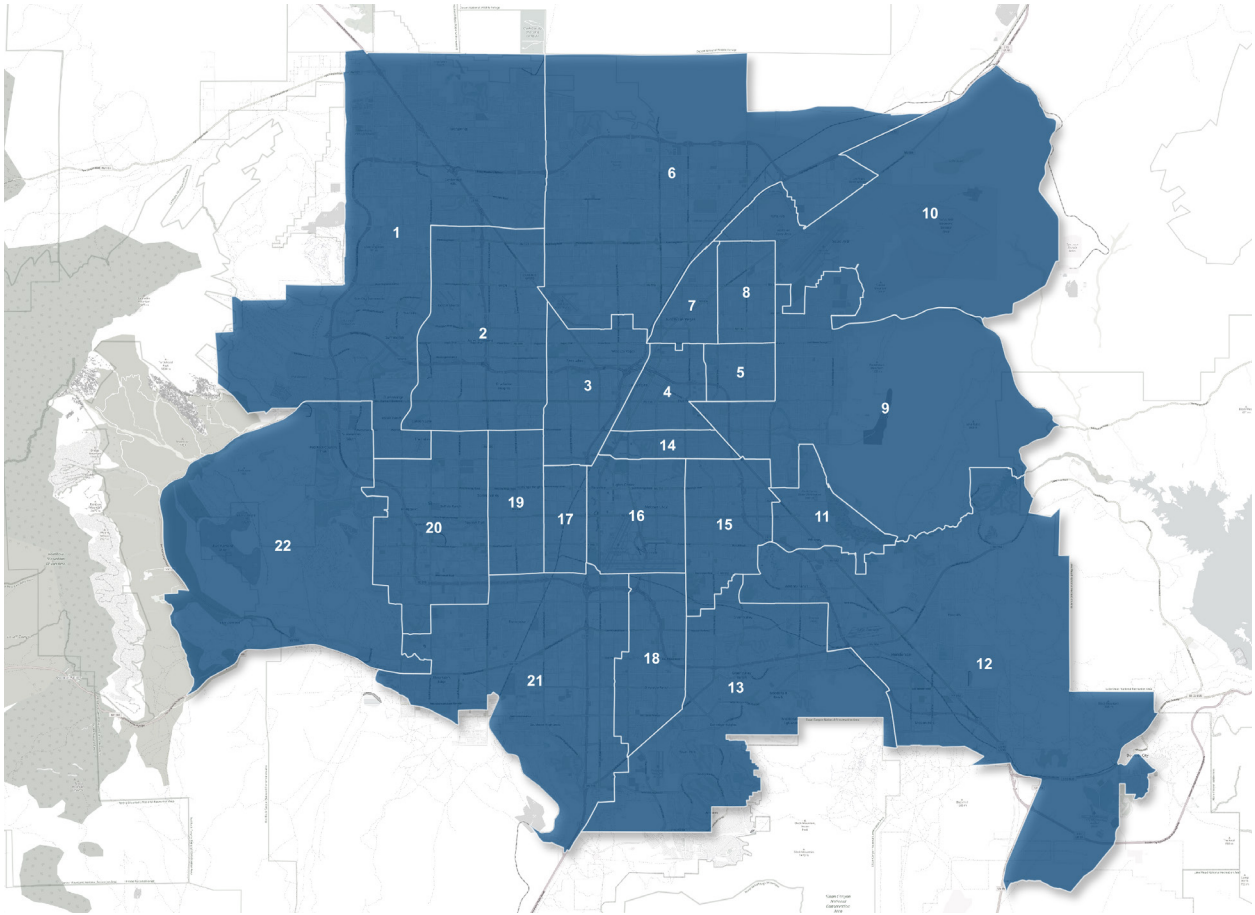
¹ From July 2022 to June 2023

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



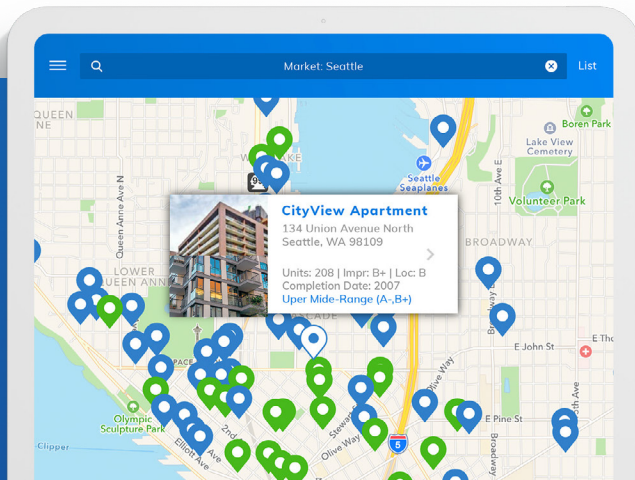
Yardi® Matrix

Power your business
with the industry's
leading data provider



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
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
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19.7+ million units, covering over
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