

An aerial photograph of Las Vegas, Nevada, showing a mix of urban development. In the foreground, there are residential buildings with red-tiled roofs and palm trees. In the middle ground, several high-rise apartment buildings with glass facades stand out. The background features a vast desert landscape with reddish-brown mountains under a clear blue sky.

Yardi® Matrix

# Las Vegas Remains Hot

Multifamily Report Spring 2018

High Rent Growth Persists

Construction Leads Job Gains

Affordability Issues Intensify



## Market Analysis

Spring 2018

### 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

## Increased Demand Pushes Up Rents

Despite having tourism and leisure and hospitality as its main economic drivers, Las Vegas has been a late bloomer in this real estate cycle. But the city's full recovery is a safe bet, given that it ranks among the top 10 metros for population growth and had the second-largest employment gain in the country, at 2.9% in 2017. These factors have pushed rents up 5.3% year over year through March, to \$980, still trailing the \$1,372 U.S. average.

Up by 18.4%, construction led the metro's employment expansion in 2017, adding 11,000 new positions. In-progress deliveries exceed 5,200 rental units, 4,300 of which are slated for completion by year-end. Moreover, several projects are likely to maintain this trend in the coming years: The \$1.9 billion Las Vegas Riders NFL stadium broke ground in January and needs about 3,000 workers, while the \$1.4 billion expansion of the Las Vegas Convention Center calls for more than 7,900 employees.

Transaction activity has softened in 2018, with some \$317 million in apartments trading through March, following two consecutive years that each saw sale volumes above \$2.4 billion. Per-unit prices remained virtually flat across the metro, continuing to mirror investors' focus on Renter-by-Necessity properties. Yardi Matrix forecasts rents will rise 4.8% in 2018.

## Recent Las Vegas Transactions

### Elysian West



City: Las Vegas  
Buyer: LivCor  
Purchase Price: \$107 MM  
Price per Unit: \$228,541

### SW



City: Las Vegas  
Buyer: LivCor  
Purchase Price: \$55 MM  
Price per Unit: \$178,345

### Broadstone Flamingo West



City: Las Vegas  
Buyer: LivCor  
Purchase Price: \$52 MM  
Price per Unit: \$161,265

### Monaco Park

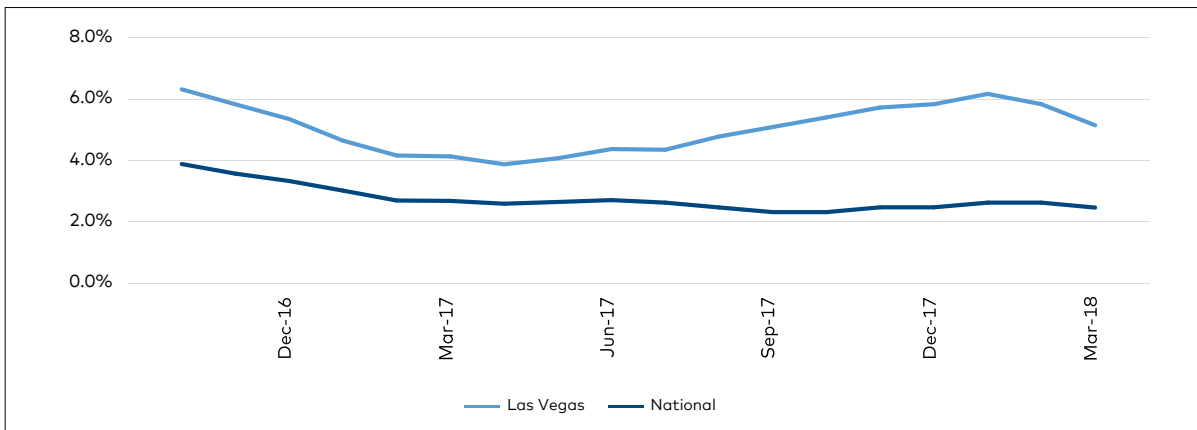


City: Las Vegas  
Buyer: Kennedy Wilson  
Purchase Price: \$44 MM  
Price per Unit: \$153,169

## Rent Trends

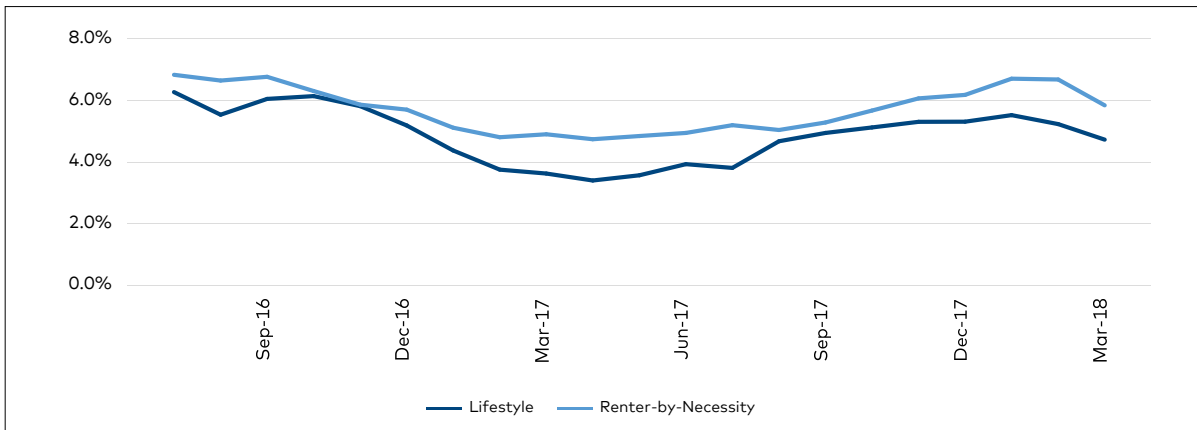
- Las Vegas rents rose 5.3% year-over-year through March, more than double the national average for the seventh consecutive month. Strong tenant demand is pushing the metro's development pipeline to rarely touched heights. Despite this significant boost, the average rent increased to \$980, still trailing the \$1,371 national average.
- Rents in both Lifestyle and Renter-by-Necessity segments were up—4.7% to \$1,107 and 5.8% to \$815, respectively—displaying one of the smallest spreads between the classes among major U.S. metros, a sign of consistent demand for apartments across the quality spectrum.
- Growth was relatively even across the map, with no submarket recording rent contractions. Submarkets with the highest growth included Whitney (8.3%), Las Vegas East (8.1%) and South Las Vegas (7.9%), while the metro's most affordable regions include North Las Vegas East (\$731), Downtown Las Vegas (\$743) and Las Vegas East (\$788). The highest rents in the Silver City were in Summerlin/Blue Diamond (\$1,475), Spring Valley West (\$1,206) and Henderson West (\$1,201).
- Occupancy in stabilized properties dropped 80 basis points year over year, reaching 94.5% as of March. Despite the decrease, Yardi Matrix expects rents to rise 4.8% in 2018.

### 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)

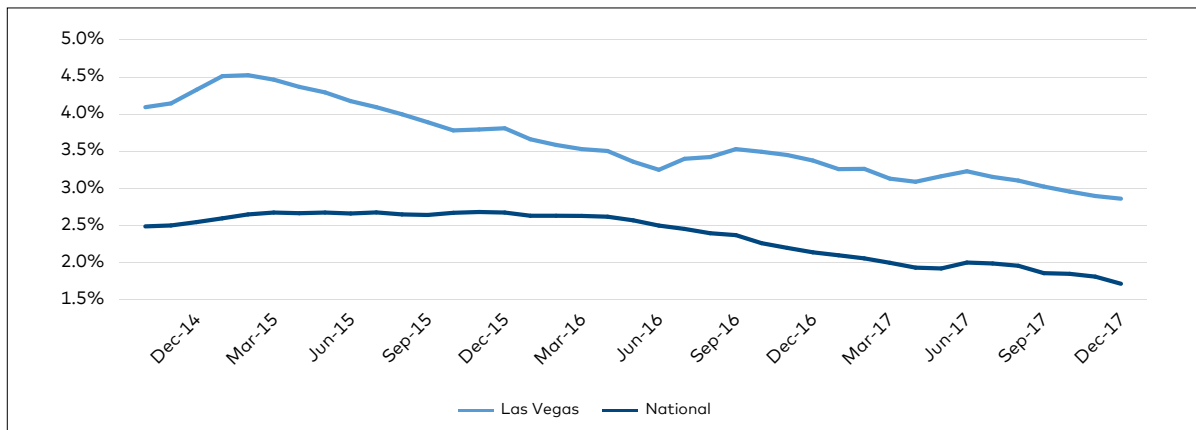


Source: YardiMatrix

## Economic Snapshot

- Las Vegas' employment market has steadily improved, with job growth reaching 2.9% in 2017, far above the 1.7% national average. The metro added 29,900 jobs last year, with all but two sectors registering growth. This trend has pushed the unemployment rate to 5.1% as of November, down 10 basis points over a 12-month period.
- Mining, logging and construction was the leading employment sector in 2017, adding 10,900 jobs. This growth will most likely continue due to elevated construction activity, including notable developments such as the \$1.9 billion Las Vegas Riders NFL stadium—anticipated to need 3,000 workers for a 2020 completion—and the \$1.4 billion expansion of the Las Vegas Convention Center, which will require some 8,000 workers throughout construction. Genting Group's \$4 billion, 3,000-room Resorts World Las Vegas is still underway, with delivery pushed back another year, to 2020. Another high-profile project in the metro is the \$1.5 billion Paradise Park, which is slated to kick off in April and will replace the golf course between the Encore and the Wynn Las Vegas.
- Strong demand for office space pushed vacancy down to 14.0% in 2017. Medicine, technology and professional sports are becoming increasingly significant drivers in the metro's office market. More than 500,000 square feet are under construction, with the bulk of it in southwest Las Vegas.

### 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	70	7.0%	10,900	18.4%
90	Government	108	10.8%	5,500	5.4%
60	Professional and Business Services	142	14.2%	5,300	3.9%
65	Education and Health Services	99	9.9%	4,400	4.6%
40	Trade, Transportation and Utilities	177	17.7%	1,900	1.1%
55	Financial Activities	50	5.0%	1,400	2.9%
80	Other Services	33	3.3%	800	2.5%
30	Manufacturing	23	2.3%	500	2.2%
50	Information	11	1.1%	-200	-1.8%
70	Leisure and Hospitality	286	28.6%	-600	-0.2%

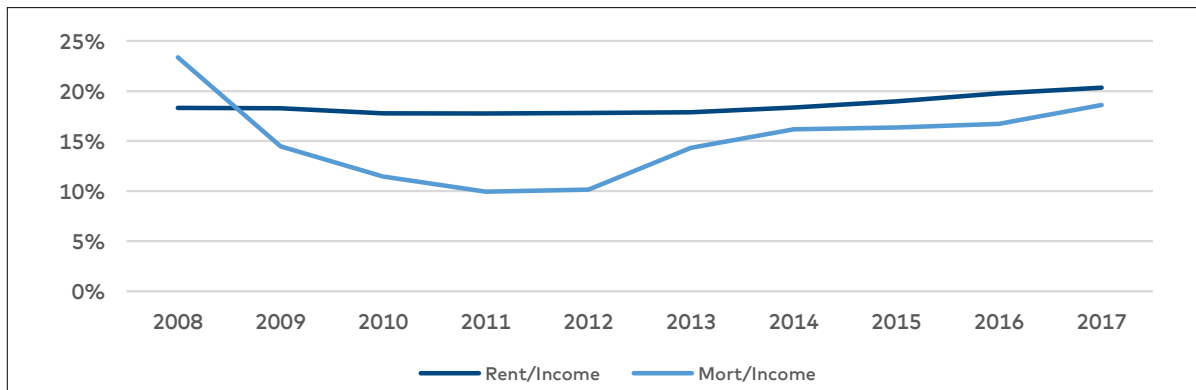
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

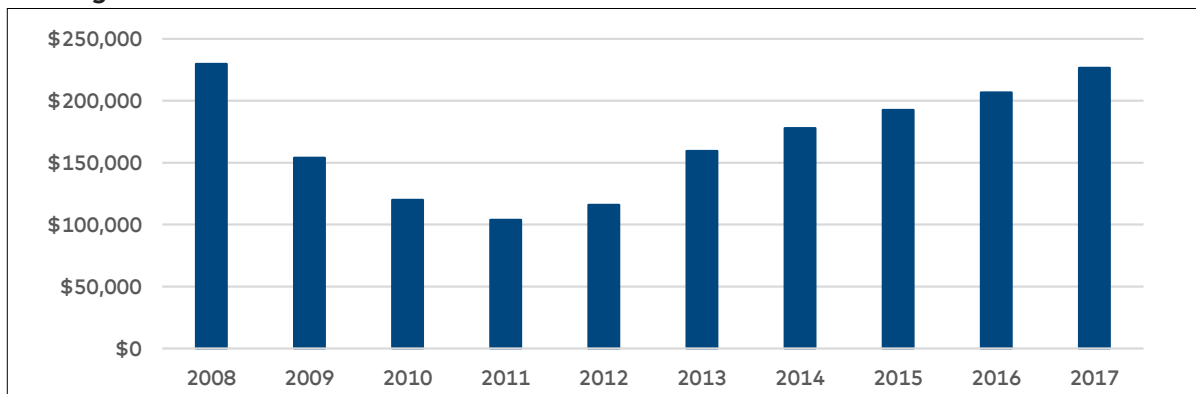
- The median home value continued to surge, up roughly 10% year over year to \$226,548 and 118% since the 2011 trough. Renting and owning are equally expensive in Las Vegas, accounting for 20% and 19% of the area's median income, respectively.
- Nevada's small supply of subsidized housing, its heap of low-wage jobs and the lasting effect of the nation's housing crisis made Las Vegas the worst U.S. metro for providing affordable rentals for the second year in a row, according to a National Low-Income Housing Coalition report. The report also states that four out of five extremely low-income families spend more than half of income on rent.

### 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 47,355 residents in 2017, a 2.2% boost, more than triple the 0.7% national rate.
- More than 178,000 residents moved to Las Vegas since 2013, an 8.8% increase.

### Las Vegas vs. National Population

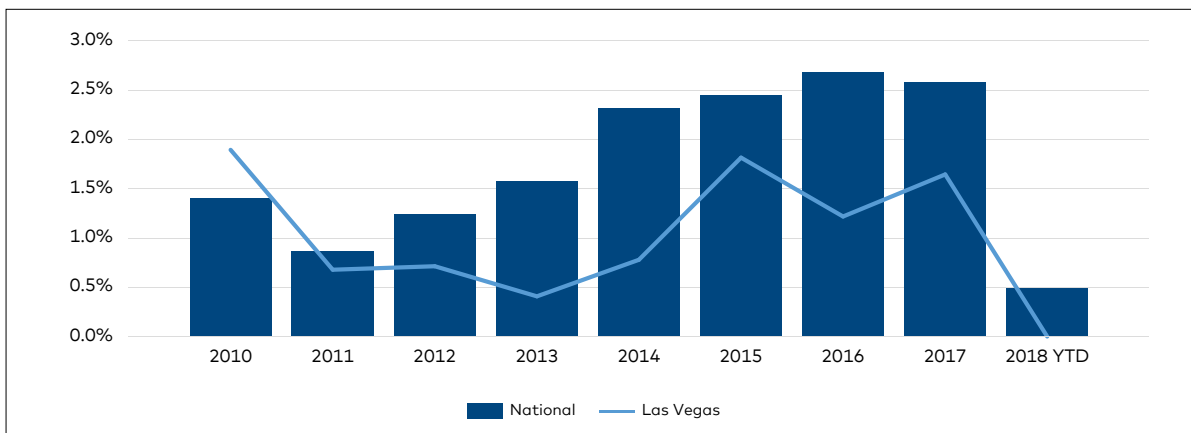
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Las Vegas Metro	2,026,056	2,064,991	2,110,330	2,156,724	2,204,079

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

## Supply

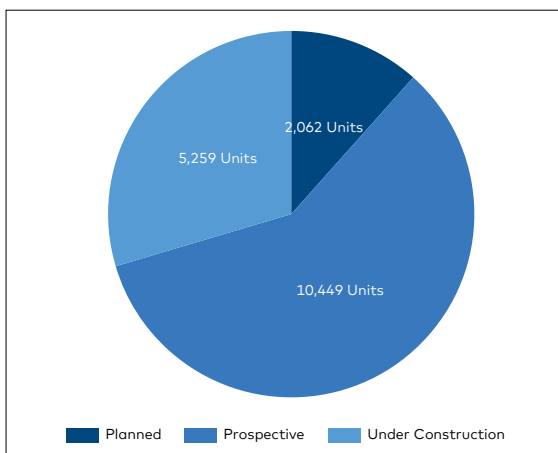
- During the Great Recession, condos and single-family projects were developers' main focus in Las Vegas, which explains the metro's modest rate of new rental inventory. In recent years, however, developers have taken notice of growing rental demand and shifted their focus.
- Even though no units were delivered in the first few months of 2018, more than 4,300 units are slated for delivery by the end of the year, maintaining a trend apparent since 2015. More than 5,200 units were under construction as of March and, upon delivery, the new inventory is expected to boost in-migration even more, mainly from Southern California. Counting planned and prospective projects, the pipeline adds up to 17,770 units.
- Activity is most intense in the southern half of the metro, with Spring Valley West and Henderson West leading development, each with more than 1,000 units underway. Two of the three largest developments under construction are scheduled for delivery in 2018: Castile, a 498-unit, 30-building property spread across 25 acres in Henderson West and owned by The Wolff Co.; and EVO, a 376-unit project that occupies nearly 20 acres in Spring Valley West, owned by a private investor.

### Las Vegas vs. National Completions as a Percentage of Total Stock (as of March 2018)



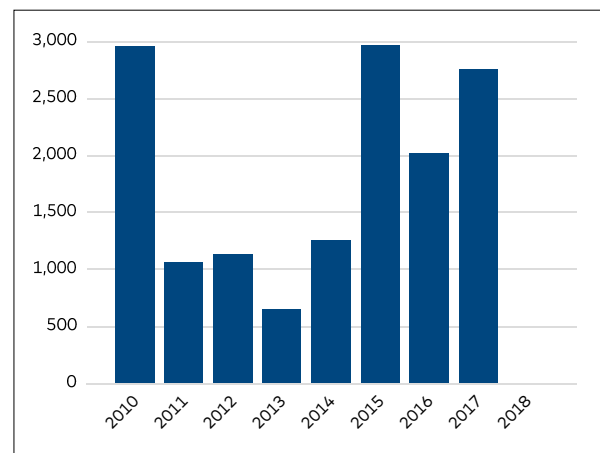
Source: YardiMatrix

### Development Pipeline (as of March 2018)



Source: YardiMatrix

### Las Vegas Completions (as of March 2018)

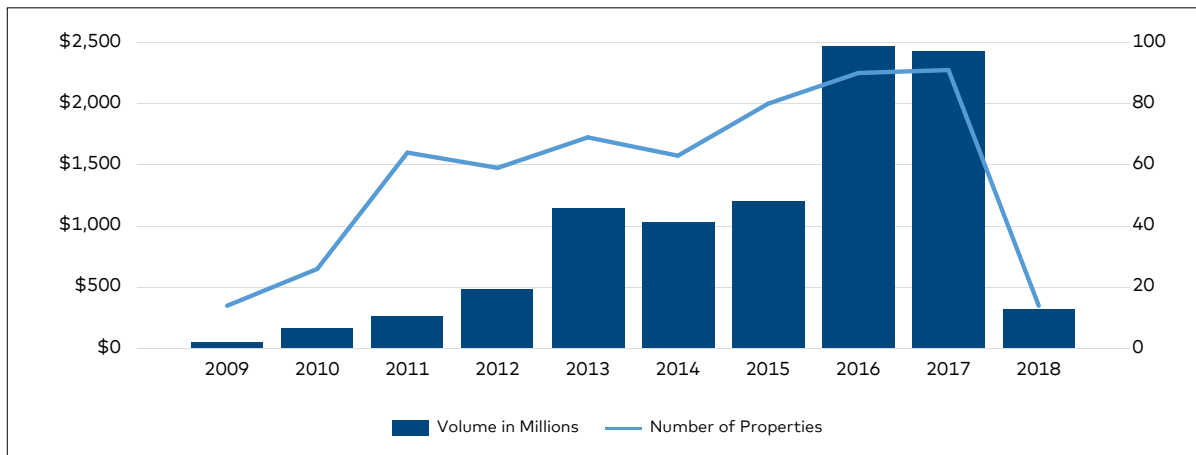


Source: YardiMatrix

## Transactions

- Las Vegas transaction activity softened at the start of 2018, with about \$317 million in apartments trading in the first quarter. This comes after two consecutive years with sale volumes above \$2.4 billion each. At roughly \$110,000, the average price per unit remained relatively flat in the first three months of 2018 against the whole of 2017, while the national average clocked in at \$148,293.
- Sales activity was stronger in the metro's western half, with Spring Valley West, Las Vegas Central and Las Vegas Northwest leading in transactions volume with an overall total of more than \$800 million in the 12 months ending in February. LivCor is one of the area's major investors, pumping more than \$200 million into Spring Valley West during the same time frame. The company also authored the metro's largest deal of the past five quarters, purchasing the recently completed Elysian West from The Calida Group for \$106.5 million, or \$228,541 per unit.

**Las Vegas Sales Volume and Number of Properties Sold** (as of February 2018)



Source: YardiMatrix

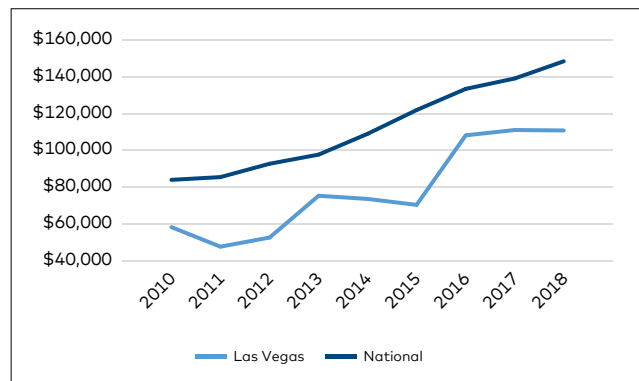
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Sprin Valley West	321
Las Vegas Central	265
Las Vegas Northwest	228
Las Vegas Strip	214
Spring Valley East	166
Sunrise Manor	164
Henderson West	153
Enterprise	146

Source: YardiMatrix

<sup>1</sup> From March 2017 to February 2018

**Las Vegas vs. National Sales Price per Unit**



Source: YardiMatrix



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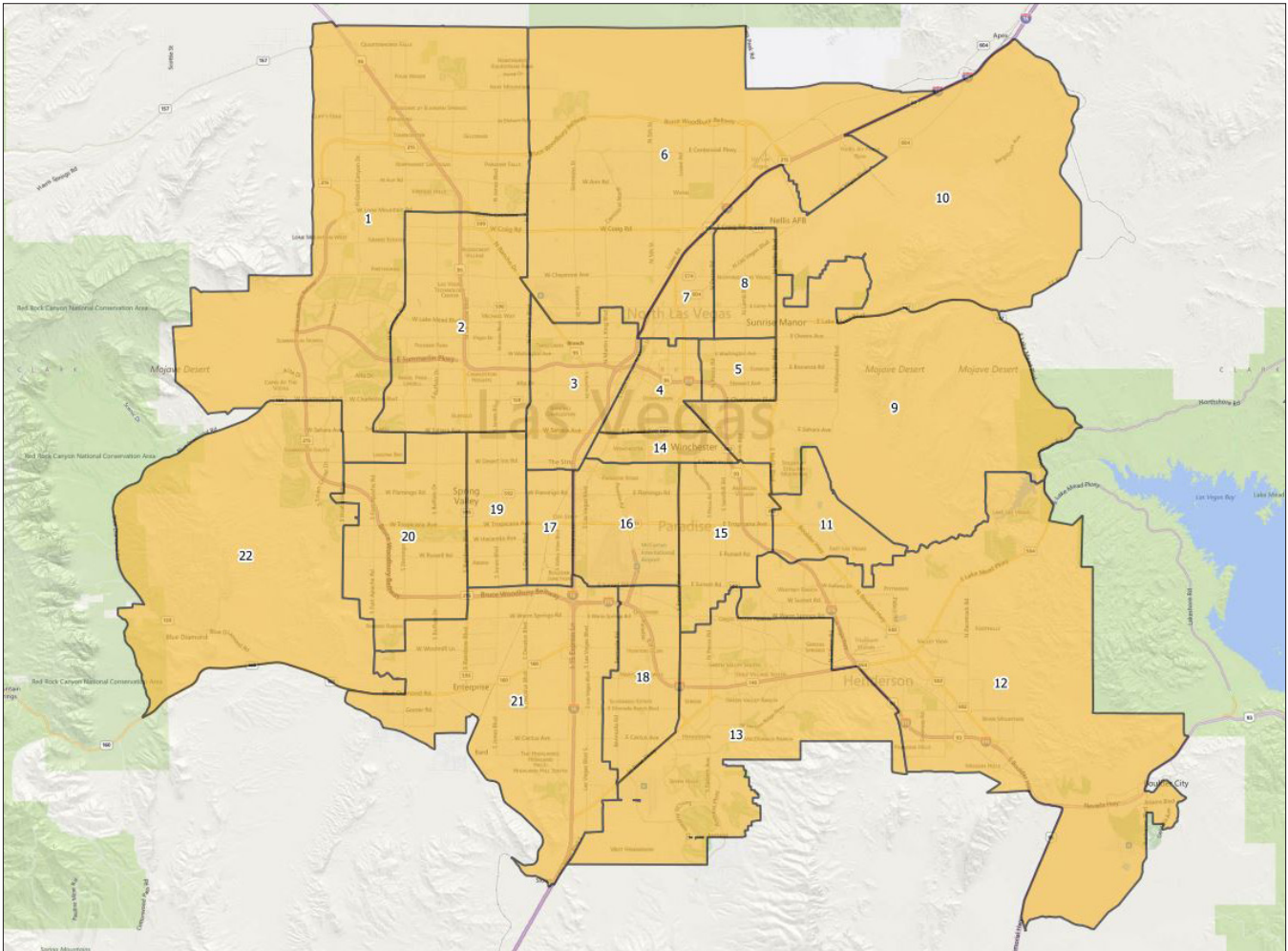
Vegas Office  
Commands Record Price

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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

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## 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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Market Data & Analysis

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