

# Las Vegas Feels The Pinch

December 2023



Job Gains Surpass US Pace

Investment Nearly Halts

YoY PPU Declines

# LAS VEGAS MULTIFAMILY



## Rents, Occupancy Decline, Economy Holds Steady

Las Vegas' multifamily fundamentals continued to soften throughout the year, with rents inching up or remaining flat during just three of the first 10 months of 2023. The average asking rent declined 0.2% on a trailing three-month basis and 3.1% year-over-year through October, to \$1,460. The occupancy rate in stabilized properties fell to 92.6% as of September, following another 120-basis-point decrease over 12 months.

Despite moderation in the rental segment, the economy has other plans. Las Vegas employment remained among the strongest in the U.S., up 4.7%, or 39,100 jobs, in the 12 months ending in August, nearly double the 2.5% national average. Yet the rate was 200 basis points below the January figure. Unemployment stood in the 5.5% to 6.1% range throughout the year, improving to 5.4% in October, according to preliminary data from the Bureau of Labor Statistics. Las Vegas trailed the U.S. (3.9%) and the state (5.4%). During the interval, three sectors lost 3,000 jobs combined, while the leading two sectors accounted for nearly three-quarters of the jobs added—leisure and hospitality (16,500 jobs) and professional and business services (12,000 jobs).

Developers delivered 1,977 units in 2023 through October, nearly all in Lifestyle projects. Another 10,788 units were under construction. Meanwhile, investors traded just \$366 million in rental assets, for a price per unit that declined almost 30% year-over-year.

## Market Analysis | December 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

#### Alton Southern Highlands



City: Las Vegas  
Buyer: Tribal Community  
Development  
Purchase Price: \$79 MM  
Price per Unit: \$194,581

#### The Michael B



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

#### Ridge on Charleston

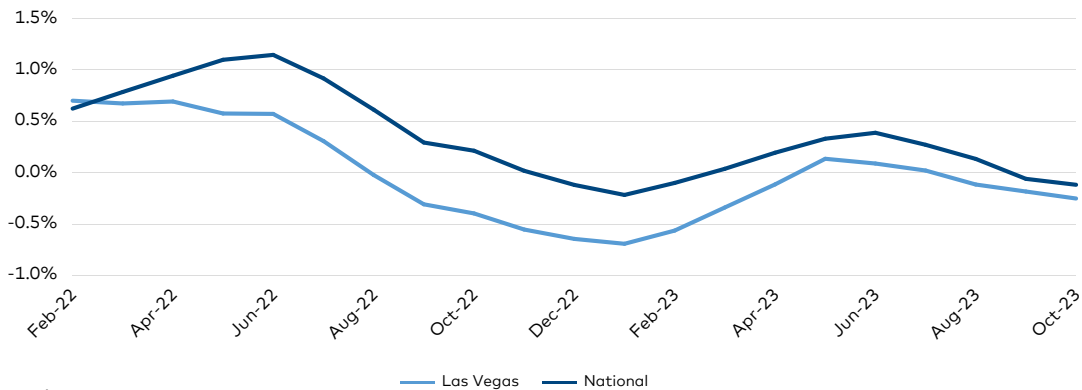


City: Las Vegas  
Buyer: Westland Real Estate  
Group  
Purchase Price: \$47 MM  
Price per Unit: \$99,048

## RENT TRENDS

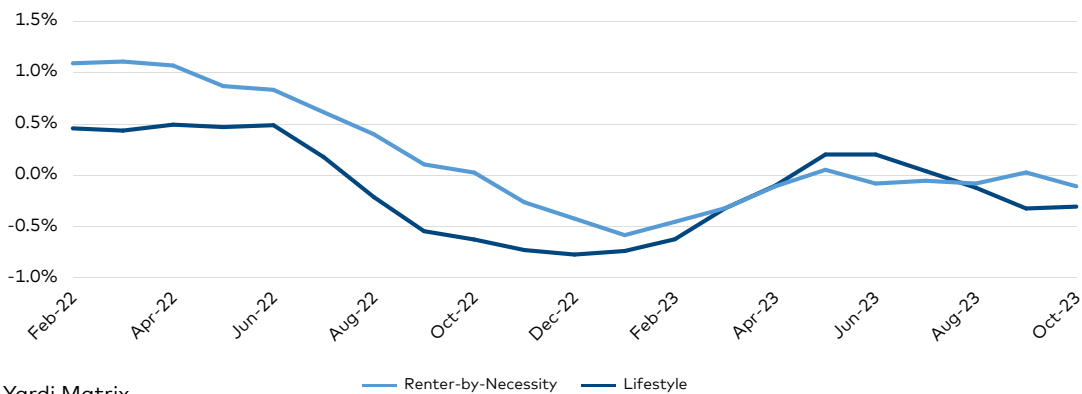
- ▶ Las Vegas rents contracted 0.2% on a trailing three-month (T3) basis through October—marking the third straight month of declines—while the U.S. rate slid 0.1%. The metro's rate growth was positive this year in May and June and flat in July, on a T3 basis. Year-over-year, Las Vegas rents slid 3.1%, to \$1,460, ranking among the bottom five on Yardi Matrix's list of 30 major markets. Meanwhile, the national rate rose 0.4% year-over-year, to \$1,718, as of October.
- ▶ Decreases were steeper in upscale assets, with Lifestyle rates down 0.3%, on a T3 basis, to \$1,632. Working-class Renter-by-Necessity rents declined 0.1%, to \$1,235. Occupancy in stabilized properties decreased 120 basis points in the 12 months ending in September, to 92.6%. The decrease was more significant in RBN assets—180 basis points to 92.1%—while in Lifestyle communities it was down 80 basis points, to 92.1%.
- ▶ Year-over-year rent growth was negative in 27 of the 29 submarkets tracked by Yardi Matrix. The most expensive areas remained Las Vegas – Summerlin (-3.8% to \$1,749), Enterprise (-0.2% to \$1,736) and Spring Valley – West (-2.1% to \$1,720). The last two submarkets had some of the largest construction pipelines in the metro as of October, amounting to 4,204 units combined.
- ▶ SFRs outperformed traditional multifamily in the metro, with the average rent down just 0.3% year-over-year, to \$1,712 in October. Meanwhile, occupancy rose 6.4% in the 12 months through September, placing Las Vegas at the top of the national chart.

**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

- Employment growth in Las Vegas continued to moderate, at 4.7%, or 39,100 jobs, in the 12 months ending in August. Although the rate dropped 200 basis points from January, Vegas remained among the best-performing markets in the U.S., well ahead of the 2.5% national rate. Meanwhile, the unemployment rate stood at 5.4% in October, a 30-basis-point month-over-month improvement and 50 basis points below the January figure, according to data from the BLS. Las Vegas' jobless rate trailed the U.S. (3.9%) and Nevada (5.4%).
- In the 12 months ending in August, four sectors lost 3,000 jobs combined—other services, financial activities, government and information. Leisure and hospitality (16,500 jobs) and professional and business services (12,000 jobs) led gains.
- According to the Las Vegas Convention and Visitors Authority, the metro saw more than 30.5 million visitors in 2023 through September, up 6.6% from the volume recorded during the same period in the previous year. Convention attendance rose 27.8% during the period, for a year-to-date total of 4.6 million attendees. Gaming revenue for Clark County rose 4.3% year-over-year and 27.2% from the same period of 2019. In addition, the metro is hosting various sporting events, including Formula One races and the Super Bowl.

### Las Vegas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	303	26.6%
60	Professional and Business Services	177	15.5%
65	Education and Health Services	126	11.1%
15	Mining, Logging and Construction	83	7.3%
30	Manufacturing	31	2.7%
40	Trade, Transportation and Utilities	208	18.2%
50	Information	14	1.2%
90	Government	109	9.6%
55	Financial Activities	59	5.2%
80	Other Services	31	2.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Las Vegas gained 340,000 residents between the 2010 Census and 2021, for a 17.4% expansion, more than double the 7.3% U.S. rate.
- During this interval, the metro's population increased every year except for a one-time drop in 2020.

### 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

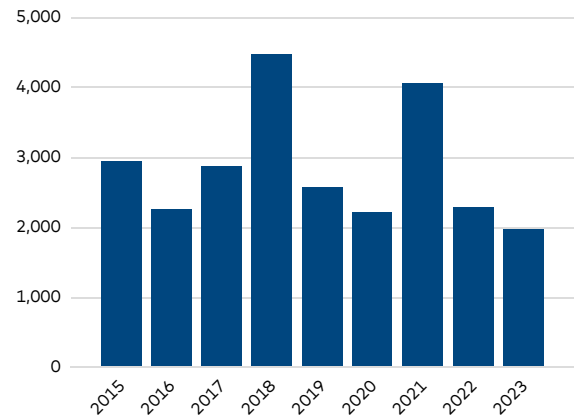
## SUPPLY

- ▶ Developers delivered 1,977 units in 2023 through October, which represented 1.1% of existing stock, trailing the 1.8% U.S. rate. The composition of new supply was highly unbalanced, with 91.2% of units added in the Lifestyle segment. No fully affordable communities came online during the first 10 months of 2023, Yardi Matrix data shows.
- ▶ Las Vegas' construction pipeline had 10,788 units underway as of October and another 23,000 in the planning and permitting stages. Despite the recent weaker rent performance, developers remained focused on high-end apartments, with 86.1% of the pipeline comprising Lifestyle units.
- ▶ The volume of construction starts dropped to 3,143 units across 11 properties in 2023 through October, half of the volume registered during the same period last year (6,184 units across 22 properties).
- ▶ Among Las Vegas' submarkets, development activity was most intense in Spring Valley – West, with 2,637 units under construction. Through October, 763 units came online in the area. Another three submarkets had more than 1,000 units under construction each: North Las

Vegas – West (1,745 units), Enterprise (1,567 units) and Henderson (1,020 units).

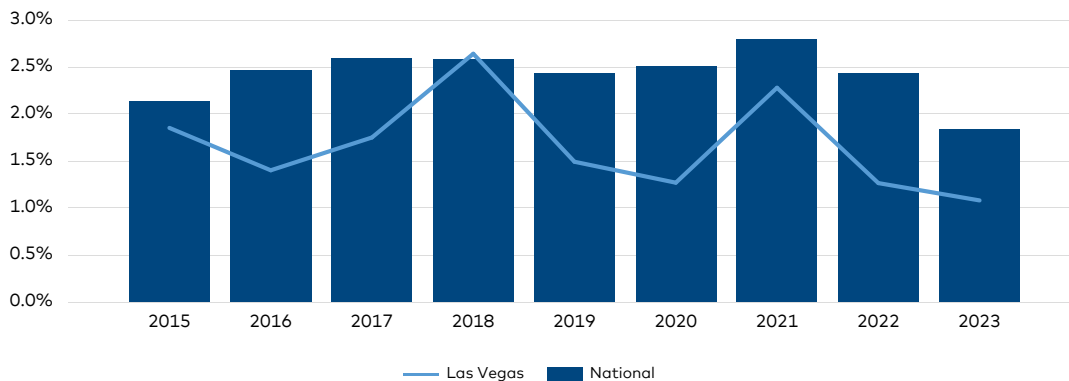
- ▶ Spring Valley – West also houses the largest project delivered in 2023 through October, the 384-unit Elysian at Sunset. Owned by The Calida Group, the Lifestyle asset was built with aid from a \$49.5 million construction loan issued by HSBC Bank USA.

**Las Vegas Completions** (as of October 2023)



Source: Yardi Matrix

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

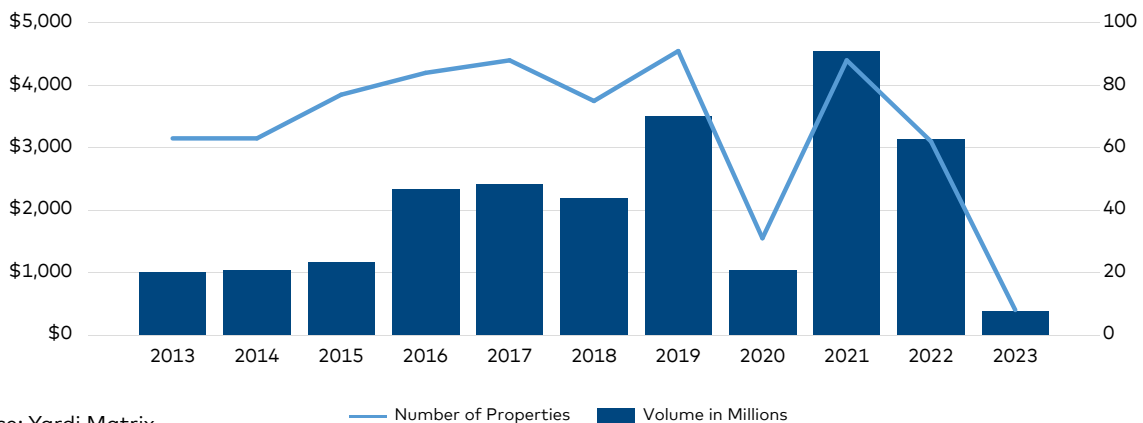


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investment volume saw a dramatic drop in Las Vegas in 2023 through October, in line with national trends. Investors traded \$366 million in multifamily assets. As such, 2023 is expected to be the lowest-performing year for multifamily transactions in a decade.
- ▶ By the start of the final quarter of 2023, investors had traded just eight assets of more than 50 units, five of which were Lifestyle properties. And while the RBN per-unit price dropped by a substantial 39.5% year-over-year, to \$123,067 as of October, the average price per unit for Lifestyle apartments actually inched up 1.8%, to \$327,606. Overall, the metro's per-unit price posted a 29.4% decline, to \$182,667, very close to the \$187,497 U.S. average.
- ▶ The Michael B, a 252-unit property, sold for the largest price per unit (\$265,873) in 2023 through October. Davlyn Investment Properties paid \$67 million to Bascom Group, with aid from a \$39.3 million CMBS loan issued by Newmark.

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



Source: Yardi Matrix

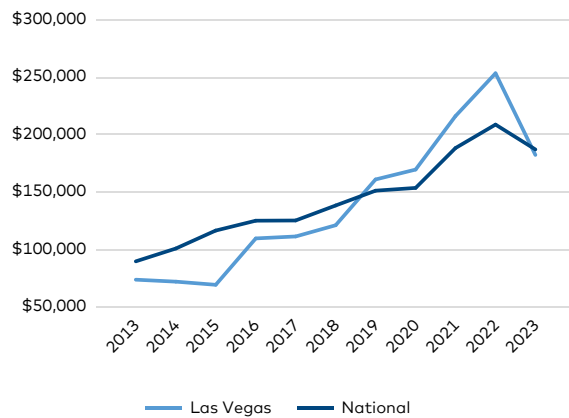
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
North Las Vegas – West	81
Enterprise	79
Las Vegas – Central West	68
Spring Valley – West	67
Sunrise Manor – South	47
Las Vegas – Northwest	37
Paradise – North	22

Source: Yardi Matrix

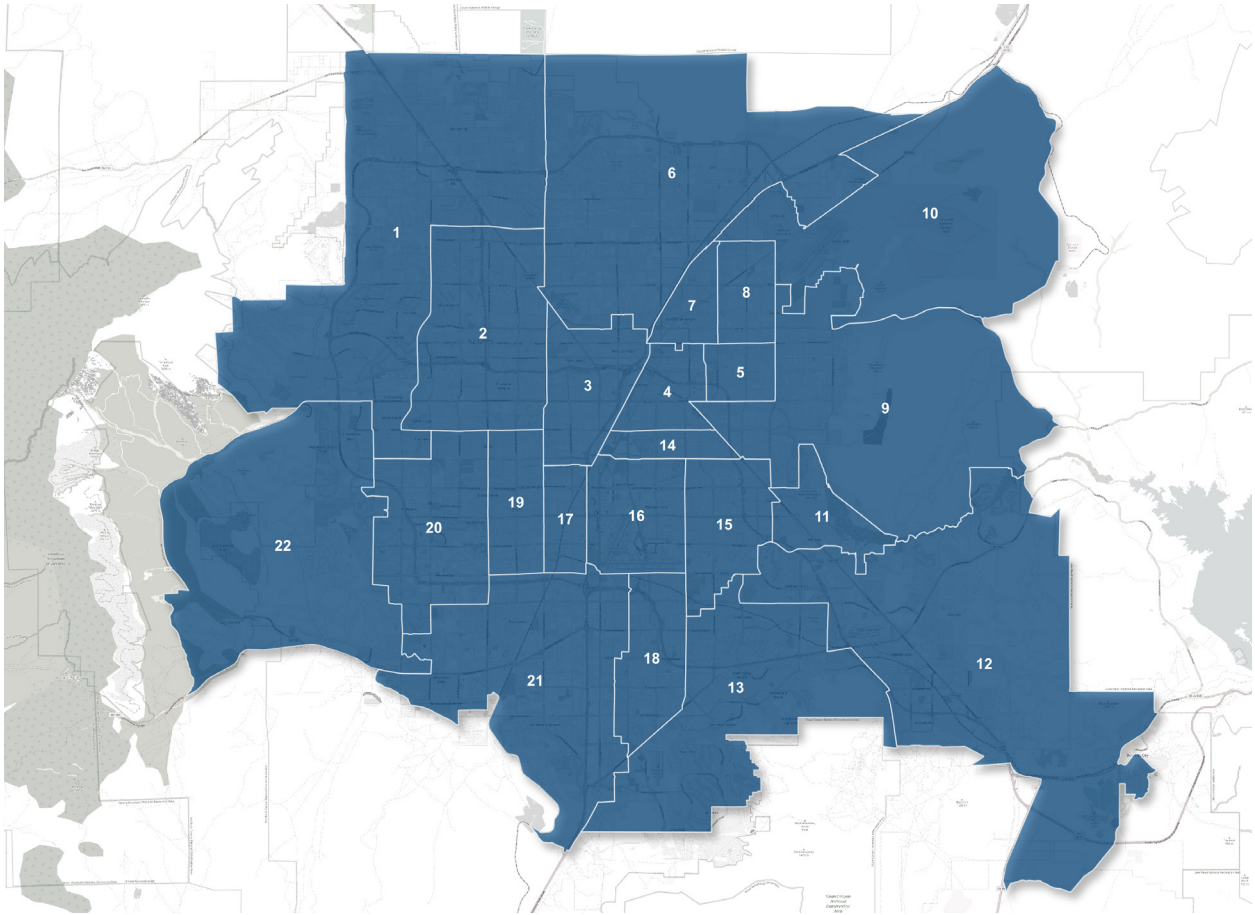
<sup>1</sup> From November 2022 to October 2023

### 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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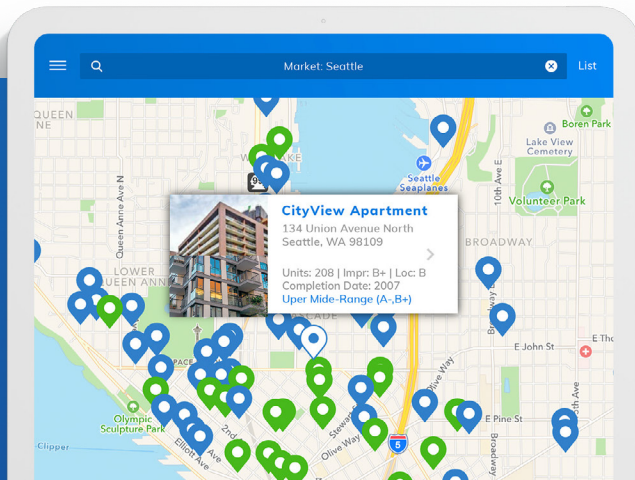
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