

**Yardi® Matrix**

# Las Vegas Fires On All Cylinders

Multifamily Report Winter 2019

**Rent Growth Leads West Coast**

**Construction Drives Employment Gains**

**Investment Sales Stay Elevated**



## Market Analysis

Winter 2019

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## Growth Outpaces Nation

Las Vegas capped a strong year for rent growth, as the 7.3% year-over-year improvement was high enough to lead all major metros through 2018. Following what has been an entire cycle of finding its footing, the metro is now a hot spot for commercial development, as well as multifamily investment opportunities. With employment and population on the up and up, further attention is flowing Las Vegas' way, boosting demand for housing. As a result, the average rent hit a new cycle peak, standing at \$1,052 as of December 2018. However, that's still far more affordable than across most coastal markets in the West.

Las Vegas gained 33,900 jobs year-over-year as of October. Construction soared, adding 7,400 positions, with several massive developments underway, including the \$1.9 billion stadium for the Raiders of the National Football League and Southern Highlands—the Olympia Cos.' 2,750-acre master-planned development, which is expected to house 25,000 residents.

Multifamily investment sales in 2018 crossed the \$2 billion mark for the third year in a row. The average price per unit also reached a cycle peak, at \$122,810. Some 3,477 units were completed, while another 17,400 were in the planning and permitting stages. With only 2,340 units scheduled to come online in 2019, demand is expected to push rents up by another 4.0%.

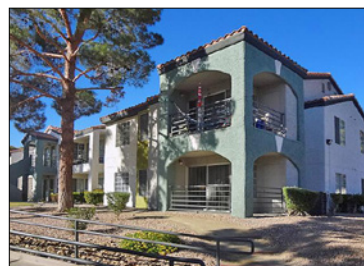
## Recent Las Vegas Transactions

### Avanti



City: Las Vegas  
Buyer: LivCor  
Purchase Price: \$68 MM  
Price per Unit: \$163,647

### The Grove



City: Las Vegas  
Buyer: Bean Investment RE  
Purchase Price: \$68 MM  
Price per Unit: \$264,347

### Villa Serena



City: Henderson, Nev.  
Buyer: Sunroad Enterprises  
Purchase Price: \$53 MM  
Price per Unit: \$182,291

### Reflections at the Lakes

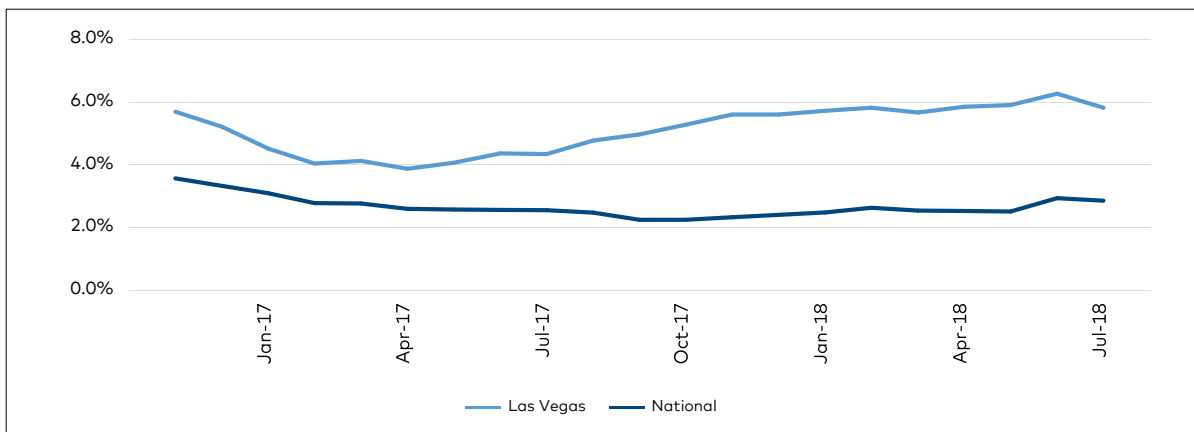


City: Las Vegas  
Buyer: Bridge Investment Group  
Purchase Price: \$51 MM  
Price per Unit: \$156,441

## Rent Trends

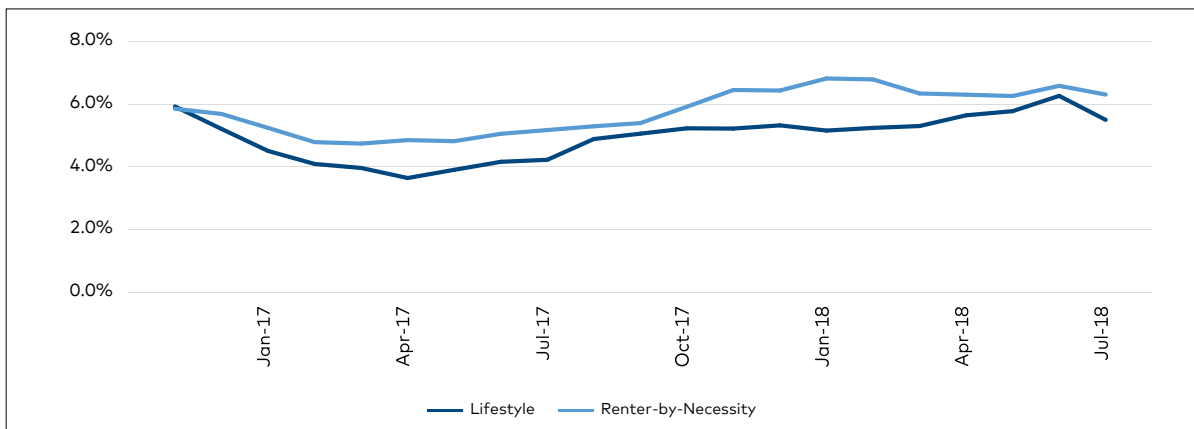
- The average rent in Las Vegas rose 7.3% year-over-year, more than double the U.S. rate of 3.2%, standing at \$1,052 as of December. The metro is the poster child for late-cycle economic growth, with employment and development significantly outperforming national trends. However, improvement has yielded rapid cost hikes for both renters and investors, as supply increases have generally been limited for the better part of the cycle.
- Rents in the Renter-by-Necessity and Lifestyle segments rose in perfect unison in 2018, as both categories logged a 7.3% growth year-over-year. RBN assets posted an average rent of \$870, while the average rent in the Lifestyle segment was \$1,210.
- The priciest submarkets remained Summerlin/Blue Diamond (\$1,554), Henderson West (\$1,296) and Enterprise (\$1,296). However, the fastest growth was recorded in Spring Valley East, where rents rose 10.0% in 2018. On the other end of the spectrum, the most affordable submarkets were North Las Vegas East (up 4.3% year-over-year to \$769) and Downtown Las Vegas (up 5.8% to \$781).
- Considering the modest number of apartments scheduled to come online in 2019, rents will likely continue to increase, while demand is accelerating. As a result, we expect rents to grow 4.0% in 2019.

### 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)

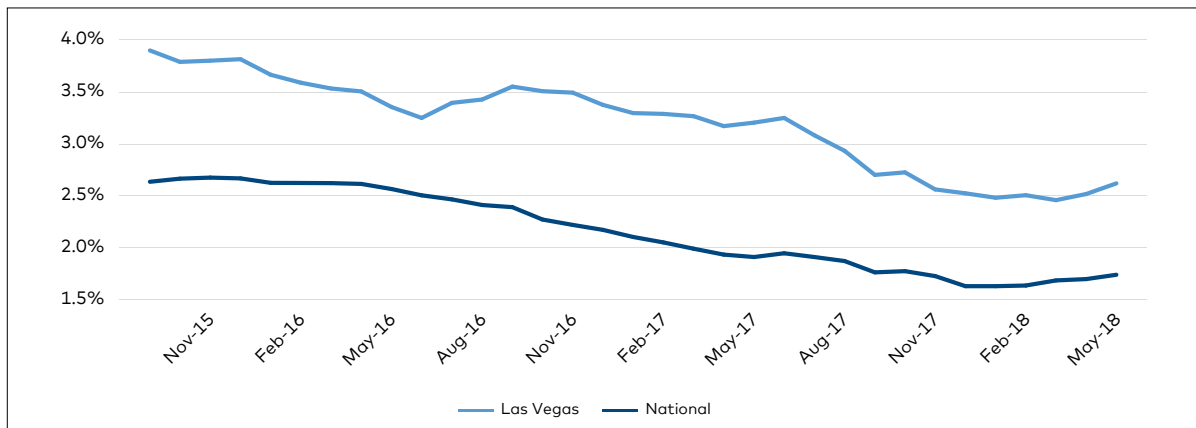


Source: YardiMatrix

## Economic Snapshot

- Las Vegas' job market expanded by 33,900 new positions in the 12 months ending in October, up 3.4% year-over-year, 130 basis points above the national rate. The city added jobs across most sectors, with the exception of information and financial activities, which contracted by 400 jobs.
- Construction and mining led employment growth, with 7,400 new jobs, a 12.1% year-over-year increase. The sudden growth across several sectors is in line with the metro's tendency to diversify its economy, as residents move inland from pricier West Coast cities and new businesses set up shop in late-cycle Las Vegas. WeWork signed a contract to open its first office in the area, which will be located in downtown Summerlin. The Gardner Co., in partnership with the University of Nevada, Las Vegas Research Foundation, will work to construct a 122-acre master-planned business, research and technology community dubbed The Harry Reid Research & Technology Park, aiming to attract and expand the region's highly skilled workforce.
- Professional and business services (adding 7,000 new jobs), along with leisure and hospitality (adding 6,000) also grew significantly in 2018. Massive new development projects, such as the NFL stadium and the expansion of the Las Vegas Convention Center, point to further growth for the sectors.

### 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	69	6.7%	7,400	12.1%
60	Professional and Business Services	147	14.3%	7,000	5.0%
70	Leisure and Hospitality	297	29.0%	6,000	2.1%
65	Education and Health Services	102	10.0%	3,600	3.7%
40	Trade, Transportation and Utilities	180	17.6%	3,400	1.9%
90	Government	109	10.6%	2,800	2.6%
80	Other Services	34	3.3%	2,300	7.2%
30	Manufacturing	25	2.4%	1,800	7.7%
50	Information	11	1.1%	-200	-1.8%
55	Financial Activities	51	5.0%	-200	-0.4%

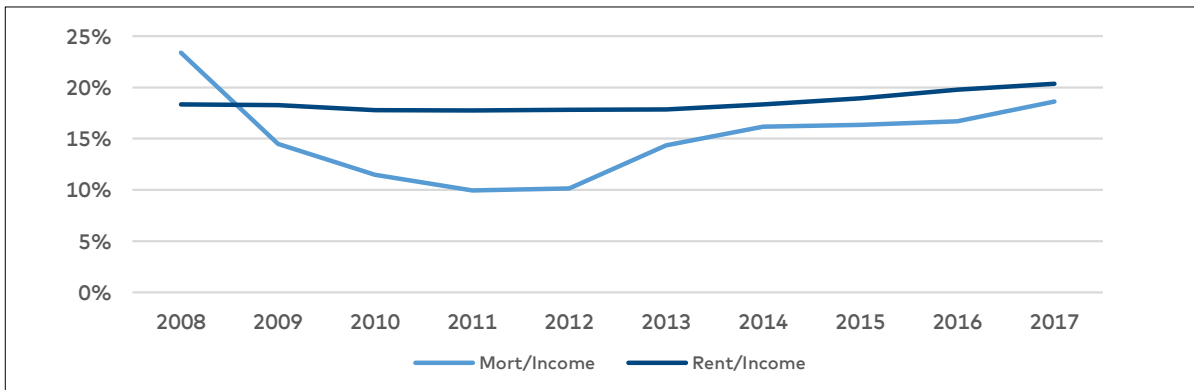
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

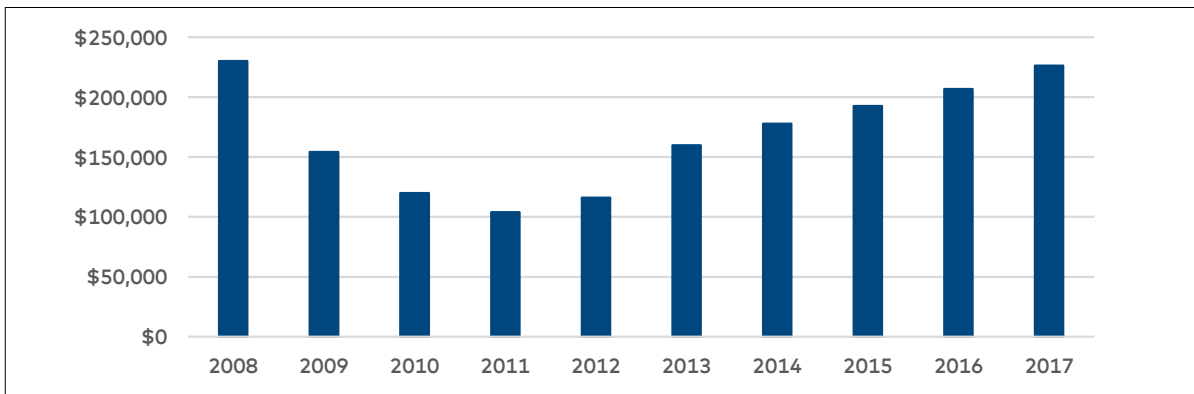
- The median home price in Las Vegas reached \$256,419, a cycle peak reminiscent of late 2008 prices. Due to the city's rapidly growing population, supply is unable to keep up with demand, driving the cost of living up further. There were only 20 properties completed in the past decade that had an affordable housing component built in, revealing a need for updated or new workforce/affordable housing stock.
- The cost of owning a home spiked in 2018, with the average mortgage payment accounting for 21% of the area's median income, up from 18% in 2017. The rate hasn't crossed the 20% mark so far this cycle. Renting is not far behind, either, equating to 20% of the metro's median income.

### 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 grew by 47,355 residents in 2017. The 2.2% increase in population is well above the 0.7% national rate.
- Nevada had the fastest-rising population in the U.S. last year, a trend that's likely to continue throughout 2019.

### Las Vegas vs. National Population

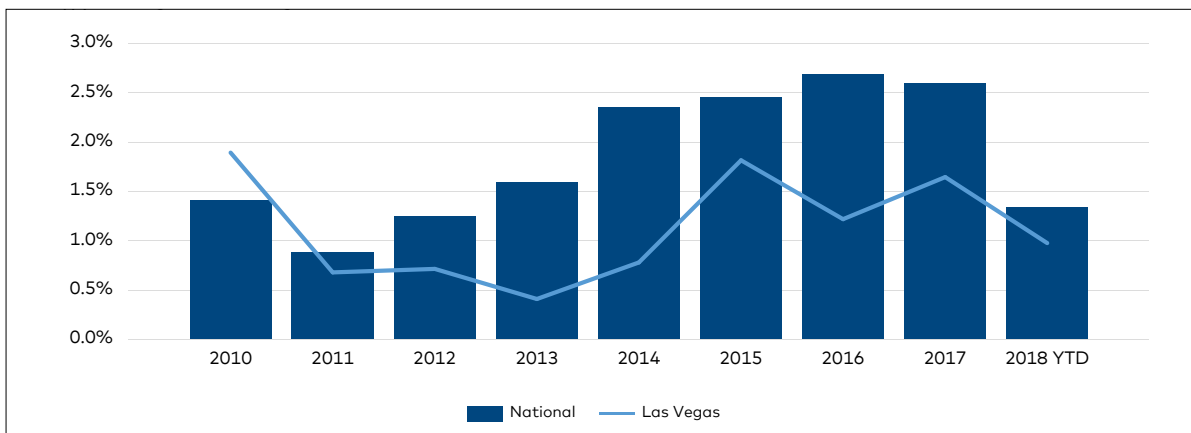
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Las Vegas Metro	2,026,056	2,064,991	2,110,330	2,156,724	2,204,079

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

## Supply

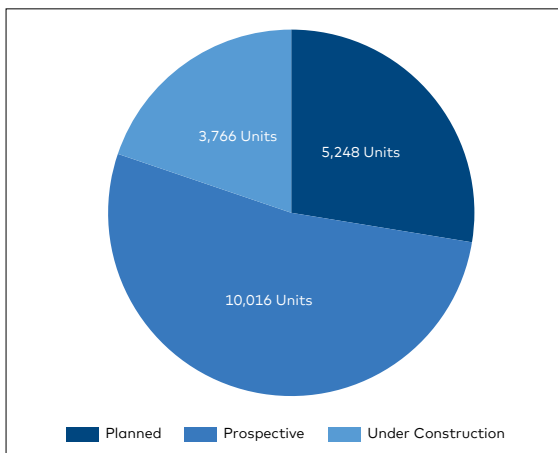
- Las Vegas added 3,477 units in 2018, representing 2.0% of total stock. The metro saw the largest number of deliveries in more than seven years and is catching up with the national rate of completions, which reached 2.5% of total stock in 2018.
- Las Vegas had 3,530 units underway as of December, with another 17,400 units in the planning and permitting stages. The booming construction trend will likely continue, with 2,340 units already slated for completion in 2019. Benefiting from the high demand for housing, developers are focused on adding luxury product to the metro, with almost all of 2018's deliveries being in Class A properties. The development pipeline currently contains only four fully affordable communities, totaling 417 units. Occupancy in stabilized assets remained at 95.2% throughout the second half of 2018.
- The Spring Valley West, Strip and Henderson West submarkets are the most active, with a combined 1,706 units underway as of December. Southern Highlands, Olympia Cos.' 2,750-acre master-planned development, is a prime example of the metro's recent development surge. Investors already poured more than \$200 million into the massive project, which is expected to house 25,000 residents.

**Las Vegas vs. National Completions as a Percentage of Total Stock** (as of December 2018)



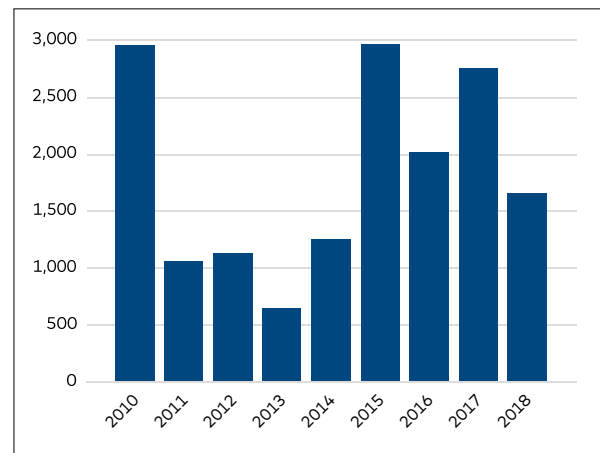
Source: YardiMatrix

**Development Pipeline** (as of December 2018)



Source: YardiMatrix

**Las Vegas Completions** (as of December 2018)

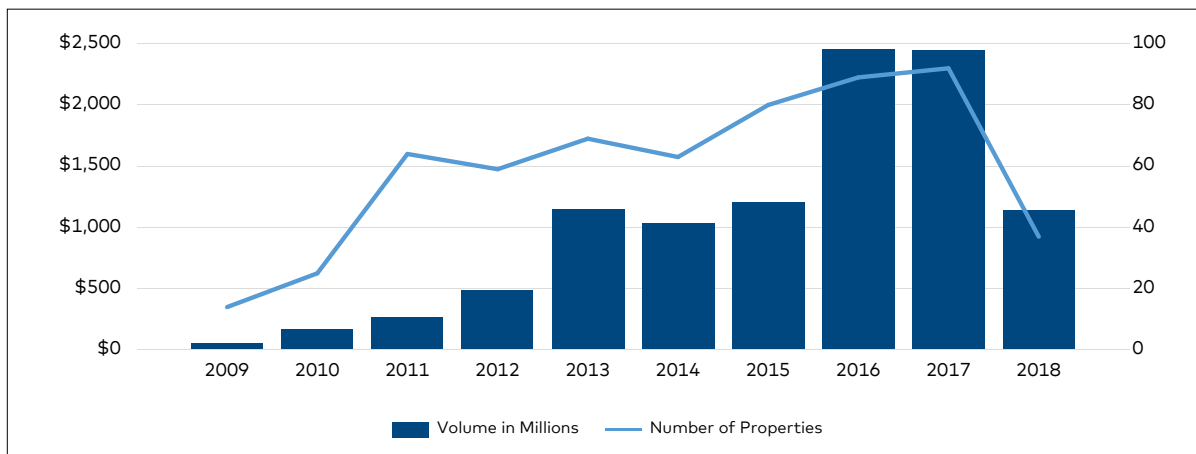


Source: YardiMatrix

## Transactions

- Las Vegas' investment sales crossed the \$2 billion mark for the third year in a row, holding the momentum it established in 2013. A total of 68 deals closed, 35 of which were for Renter-by-Necessity properties, while the remaining 33 were for Lifestyle assets. The average price per unit continued to rise, reaching \$122,810—a cycle peak for Las Vegas—but still lagged the national average of \$153,675. The trend will likely continue, due to the metro's rekindled business climate and influx of new residents.
- Although investor interest was split between upper- and lower-end product, only eight of the properties that traded were built within the past decade. This highlights both a need for new construction and a preference for value-add opportunities in a late-cycle economic landscape. The Las Vegas Central submarket was the most active, with total sales exceeding \$315 million. Henderson West (\$299 million) and Las Vegas NW (\$244 million) rounded out the top three.

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



Source: YardiMatrix

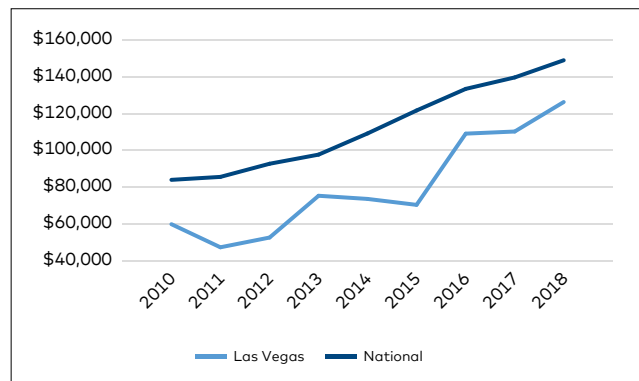
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Las Vegas Central	316
Henderson West	299
Las Vegas Northwest	244
South Las Vegas	136
Sunrise Manor	136
Sunrise Manor Northwest	116
Paradise Valley South	109
Enterprise	107

Source: YardiMatrix

<sup>1</sup> From October 2015 to October 2016

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



Source: YardiMatrix

## News in The Metro

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### Prism Multifamily Buys Las Vegas Portfolio

The four Class A and B communities total some 500 units and commanded a price tag of nearly \$47 million. Bank of America provided \$40 million in acquisition financing.



### Dornin Investment Group Repositions Las Vegas Asset

The company obtained the property in 2017, following the 2013 foreclosure of a CMBS loan. Since then, the community has received several exterior and interior upgrades.



### Tower 16 Acquires 4th Las Vegas Property for \$30M

Along with Henley USA, its joint venture partner, the firm will invest \$4 million to upgrade the community. Pinnacle will handle property management services.



### Las Vegas Community Secures \$55M Refi

The 376-unit rental property developed by Joseph Sorge was completed earlier this year. NorthMarq Capital arranged the loan on behalf of the owner.

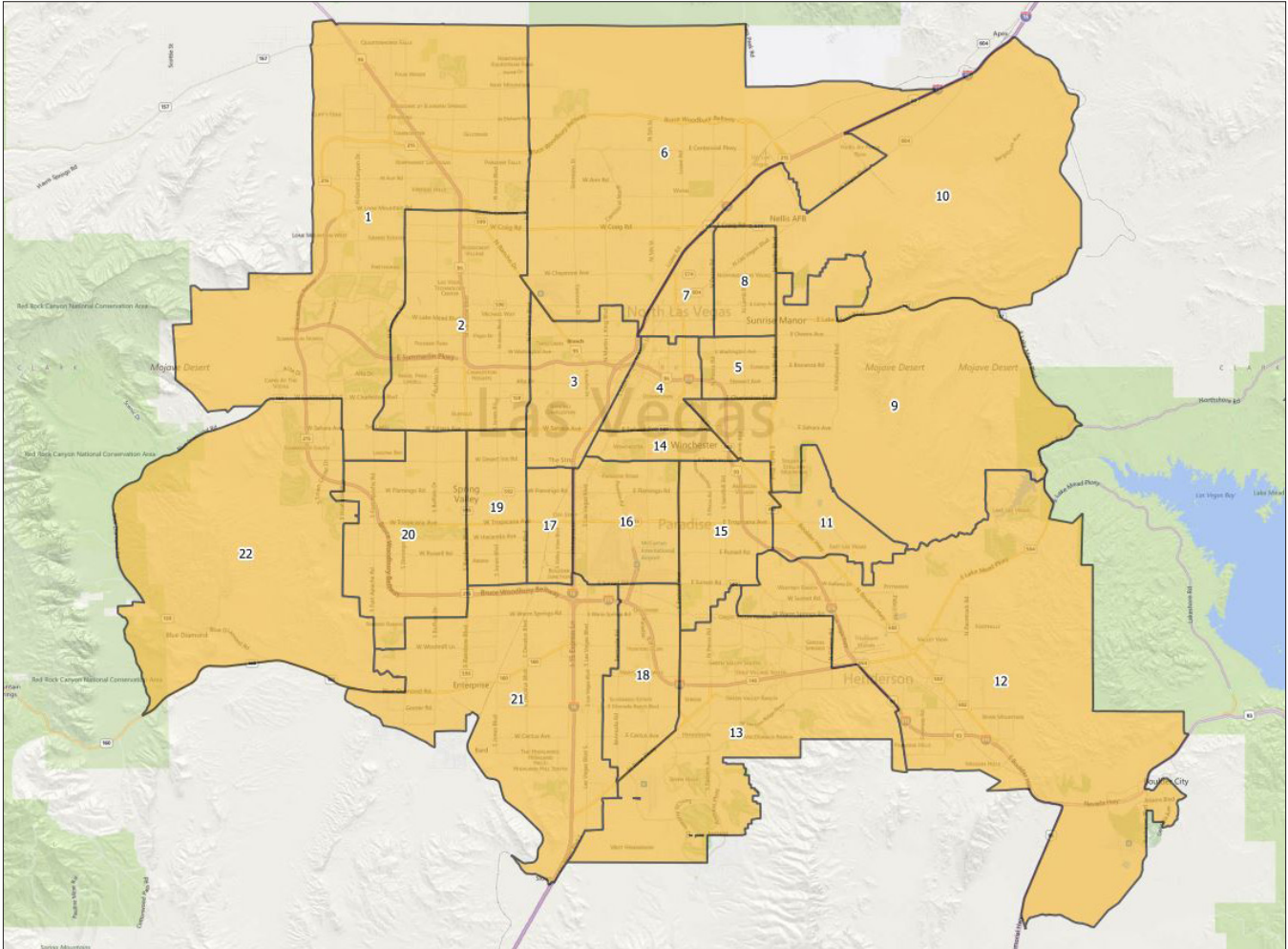


### Watt Cos., Schulman Properties Receive \$41M Loan for Vegas Community

The developers join the large roster of companies delivering new homes in Olympia Cos.' 2,750-acre, \$200 million master-planned project in southwestern Las Vegas.



## 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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