

A wide-angle photograph of a Las Vegas residential development. In the foreground, a dry, rocky stream bed flows through a desert landscape with sparse green shrubs. Behind it, a row of modern, single-story townhomes with light-colored stucco walls and tiled roofs is visible. The townhomes have small balconies with metal railings. In the background, a dense line of palm trees and other greenery separates the residential area from a city skyline. Further back, a range of rugged, brown mountains stretches across the horizon under a clear blue sky.

Yardi® Matrix

Las Vegas In High Gear

Multifamily Report Summer 2019

Rent Growth Leads Nation

Development Lags Behind

Job Growth Continues Hot Streak

Market Analysis

Summer 2019

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Strong Demand Boosts Rent Growth

With rents up 7.3% year-over-year through April—the highest rate among major U.S. metros—Las Vegas' multifamily market continues to benefit from the city's rapid economic expansion. The average rent reached \$1,072 in April, well below the U.S. average, and the metro's affordability advantage over other western cities, especially coastal Californian metros, continues to boost in-migration.

Although construction outperformed all other sectors with the addition of 6,700 jobs, the metro continues to have a shortage of skilled workers in the field. The list of large projects in the area includes the Las Vegas Raiders stadium, nearly 50% complete; the expansion of the Las Vegas Convention Center, on track for a January 2021 opening; and the Resorts World Las Vegas, set to open at the end of 2020. Amazon recently opened a 2.4 million-square-foot fulfillment center in North Las Vegas, with need for 1,300 employees, while Sephora is nearing the opening of a 714,000-square-foot distribution center in its vicinity.

Investment sales in the first quarter of 2019 totaled \$680 million, with the average per-unit price rising a solid 40% year-over-year. Considering the imbalance between supply and demand, we expect rents to continue their fast-paced rise, with the average rate advancing 5.4% this year.

Recent Las Vegas Transactions

Pointe at Centennial



City: Las Vegas
Buyer: The Calida Group
Purchase Price: \$100 MM
Price per Unit: \$160,256

Dune



City: Henderson, Nev.
Buyer: Blackstone Group
Purchase Price: \$92 MM
Price per Unit: \$232,021

Mosaic



City: Las Vegas
Buyer: The Calida Group
Purchase Price: \$87 MM
Price per Unit: \$191,096

Spur

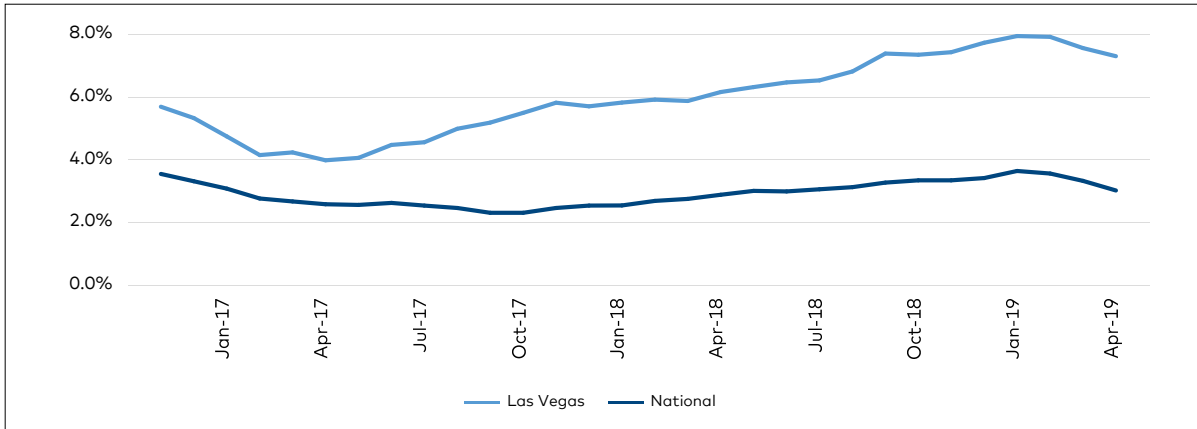


City: Henderson, Nev.
Buyer: Blackstone Group
Purchase Price: \$66 MM
Price per Unit: \$232,021

Rent Trends

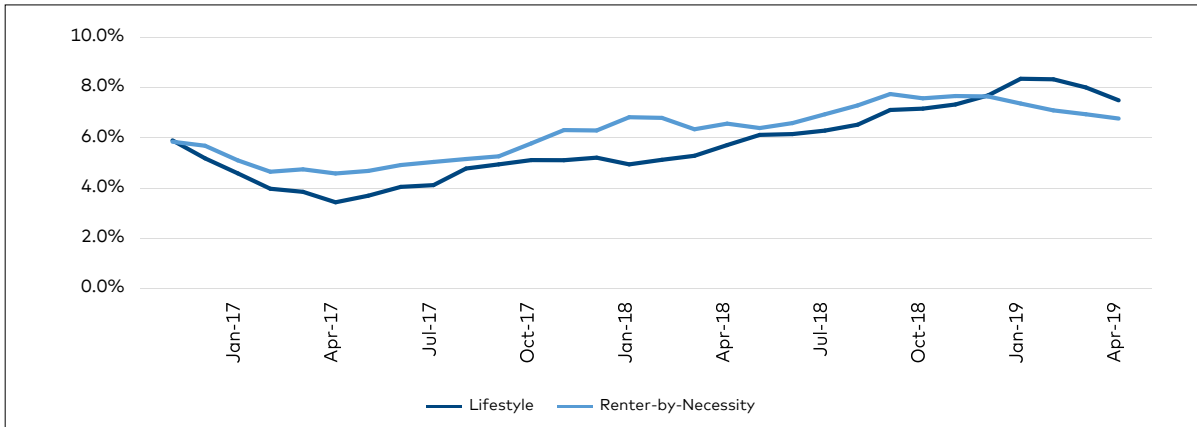
- At 7.3% as of April, year-over-year rent growth in Las Vegas hit its eighth consecutive month above the 7.0% mark. The average rate was \$1,072, well behind the \$1,436 U.S. figure. Sustained job and population growth, strongly boosted by Millennials and retirees evading the high living costs of California, have propelled rent growth to the top spot in the country.
- Growth in Renter-by-Necessity assets outperformed the Lifestyle segment for the better part of the past two years. At the beginning of 2019, however, roles slightly shifted, thanks to prolonged economic expansion, with upscale rents taking the lead, up 7.5% to \$1,234. Nonetheless, RBN rent growth was not far behind, with the average rate up 6.8% to \$884.
- North Las Vegas East (11.2% to \$826) and Las Vegas East (10.1% to \$876), some of the city's most affordable submarkets, recorded the highest gains. Meanwhile, Summerlin/Blue Diamond (6.0% to \$1,578) and Enterprise (7.7% to \$1,336) remained the most expensive areas.
- With population rising at more than twice the national rate while multifamily construction lags behind, rental rates are bound to continue advancing at a sustained pace in the foreseeable future. Yardi Matrix expects the average rent to rise 5.4% 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)

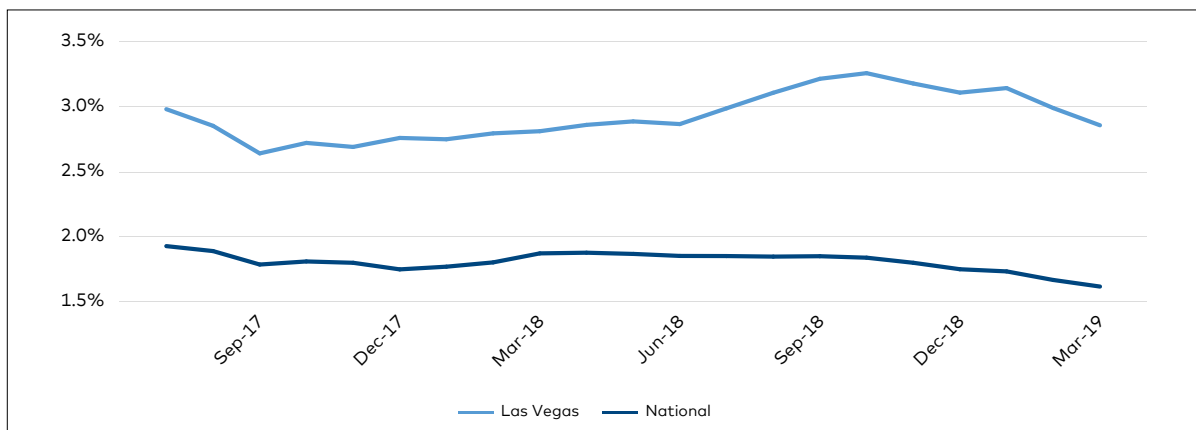


Source: YardiMatrix

Economic Snapshot

- Las Vegas added 24,400 positions in the 12 months ending in March, up 2.9% and 130 basis points above the national rate. The pace of growth, however, slowly decelerated during the past quarter. The city added jobs across most sectors, with the exception of information, which contracted by 200 jobs. Economic expansion has pushed down the unemployment rate even further, to 4.2% as of February, but it is still behind the 3.8% U.S. rate.
- Construction led employment growth with the addition of 6,700 positions for a 10.9% expansion. Large developments underway, such as the Las Vegas Riders NFL stadium—44% complete as of March—and the expansion of the Las Vegas Convention Center, are likely to maintain momentum in the sector, albeit for the short run.
- An influx of skilled labor relocating from western metros bolstered the professional and business services sector, which added 5,500 jobs. The metro's diversifying economy and the region's business-friendly environment and low housing prices have also lured logistics development: Amazon opened a 2.4 million-square-foot fulfillment center in North Las Vegas, where some 1,300 jobs will be created. Adjacent to Amazon's facility, Sephora is set to open a 714,000-square-foot distribution center this year, serving 12 states and estimated to bring more than 460 jobs to the area.

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	68	6.7%	6,700	10.9%
60	Professional and Business Services	148	14.5%	5,500	3.9%
70	Leisure and Hospitality	296	29.0%	3,100	1.1%
55	Financial Activities	56	5.5%	3,100	5.9%
80	Other Services	33	3.2%	1,500	4.7%
65	Education and Health Services	103	10.1%	1,500	1.5%
90	Government	107	10.5%	1,400	1.3%
30	Manufacturing	25	2.4%	1,100	4.6%
40	Trade, Transportation and Utilities	177	17.3%	700	0.4%
50	Information	11	1.1%	-200	-1.8%

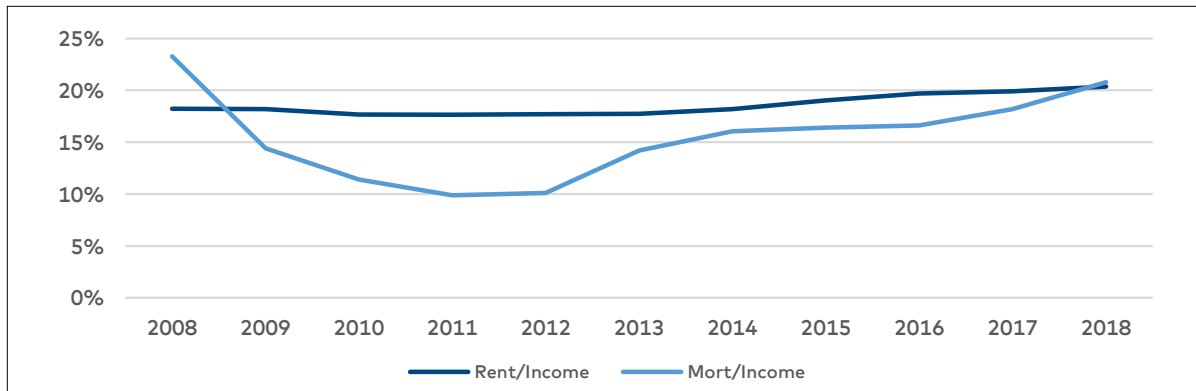
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

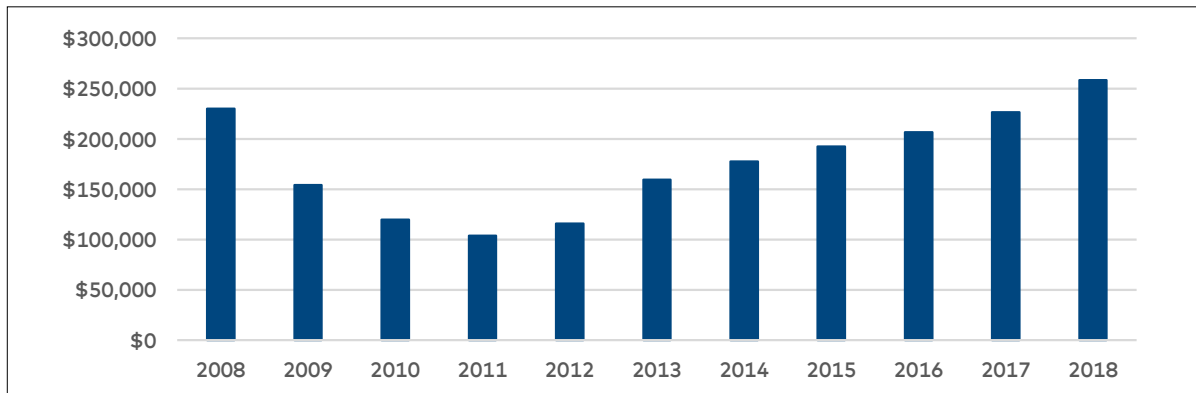
- The median home value rose 14.1% in 2018, boosted by the higher-end demographic relocating from California. Rising home values and rental rates, paired with sustained investor interest, increasing housing demand and construction costs—up 30% over the past three years—are clashing with Las Vegas' inventory shortages, putting pressure on affordability.
- All in all, however, renting and owning were almost equally affordable last year, accounting for 20% and 21% of the area 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 added 47,355 residents in 2017 for a 2.2% population increase, three times the 0.7% national rate.
- Some 250,000 people moved to Las Vegas between 2010 and 2017, a 12.9% boost, way above the 5.3% U.S. figure.

Las Vegas vs. National Population

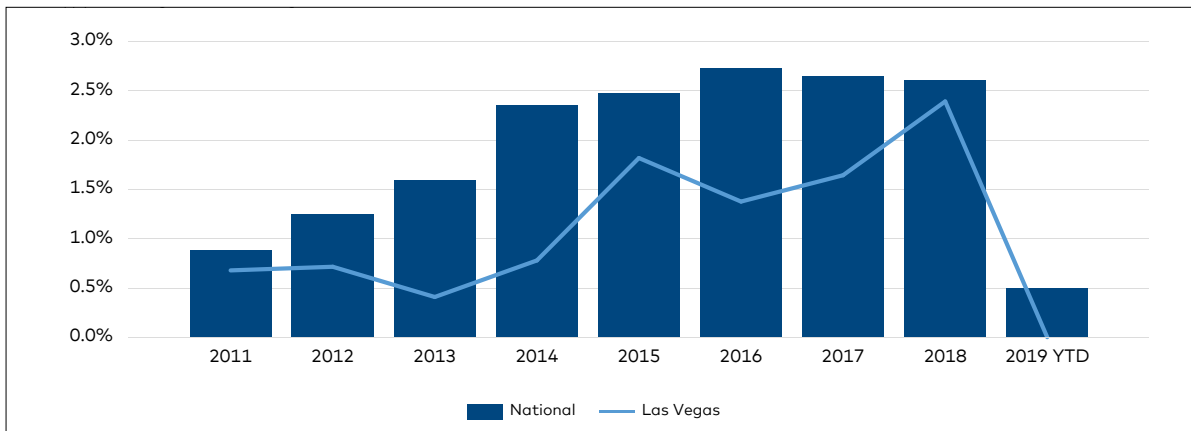
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Las Vegas Metro	2,026,056	2,064,991	2,110,330	2,156,724	2,204,079

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

Supply

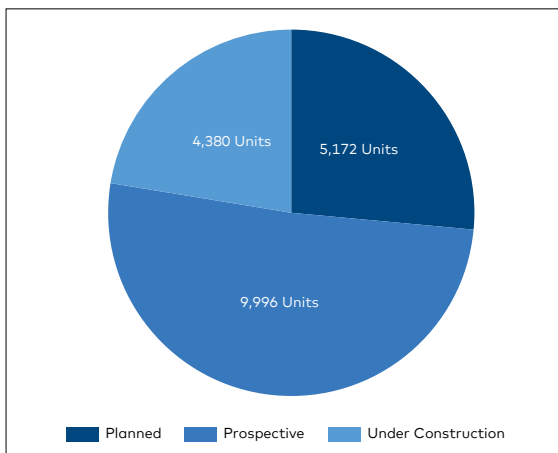
- Robust in-migration, mainly from Southern California and consisting of young professionals as well as retirees, is fueling Las Vegas' multifamily market. The pipeline grew significantly over the past three years, mostly across suburban areas and specifically along Interstate 215. Half of last year's new inventory came online along this corridor.
- Following last year's cycle peak of 4,119 delivered units, the metro had 4,380 units under construction as of April, with 2,340 expected to come online in 2019. Even so, the occupancy rate in stabilized properties inched up 30 basis points over 12 months, reaching 94.9% in March.
- Spring Valley West led development activity as of April, with 1,230 units under construction. The submarket is also home to the metro's largest project underway, the 614-unit, LEED-seeking Kaktus Life III, a TRU Development property that also includes 5,000 square feet of retail space. The community is slated for delivery by the end of 2022. Henderson West (822 units) and The Strip (566 units) rounded out the top three markets for construction activity, followed by Enterprise (554 units), Henderson East (396 units) and Summerlin/Blue Diamond (395 units).

Las Vegas vs. National Completions as a Percentage of Total Stock (as of April 2019)



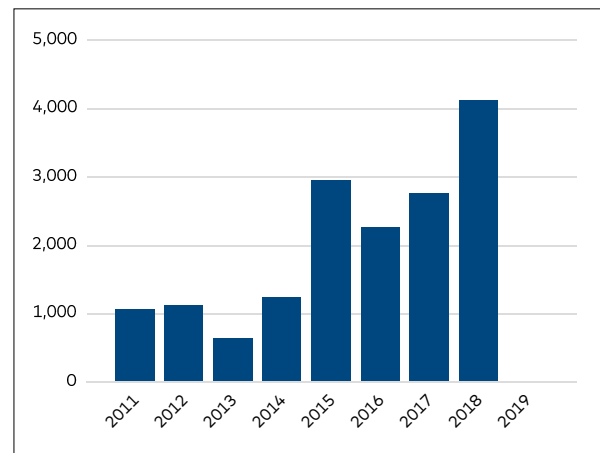
Source: YardiMatrix

Development Pipeline (as of April 2019)



Source: YardiMatrix

Las Vegas Completions (as of April 2019)

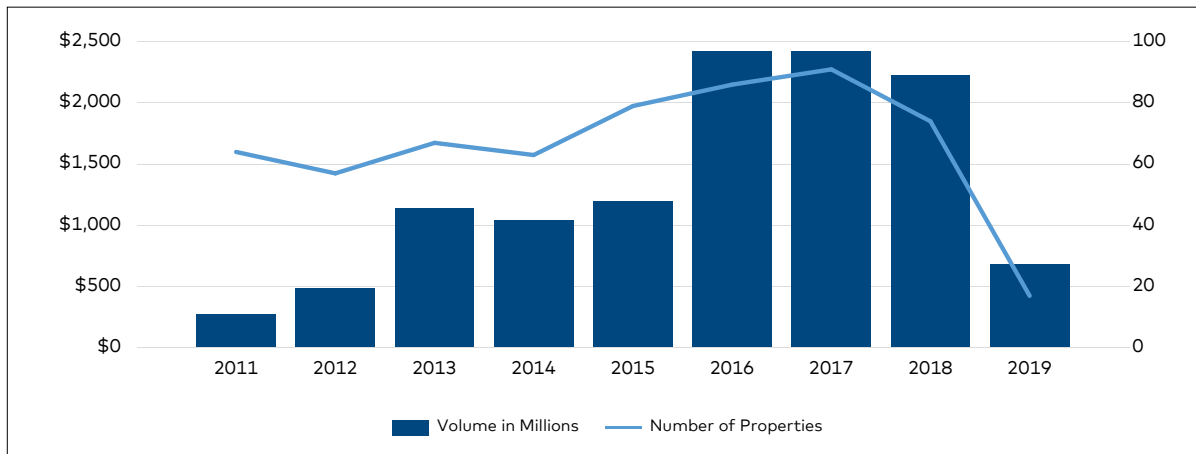


Source: YardiMatrix

Transactions

- Roughly \$680 million in multifamily properties traded in Las Vegas during 2019's first quarter, which puts the metro on track to surpass last year's \$2.2 billion volume. Economic growth buoyed by heavy in-migration, paired with rent growth and fast absorption, have kept investors interested, even though the metro has historically experienced housing volatility. Acquisition yields in the multifamily sector hover in the high 4.5% band, and investors are betting on sustained rent growth.
- Rising housing demand deriving from economic development and diversification has put a premium on Las Vegas asset values. The average price per unit reached \$163,504 in the first quarter, up 32% over the 2018 figure and surpassing the \$150,546 national average for the first time since late 2009. This is an exceptional 239% jump over the average value in 2011, when the market bottomed out.

Las Vegas Sales Volume and Number of Properties Sold (as of April 2019)



Source: YardiMatrix

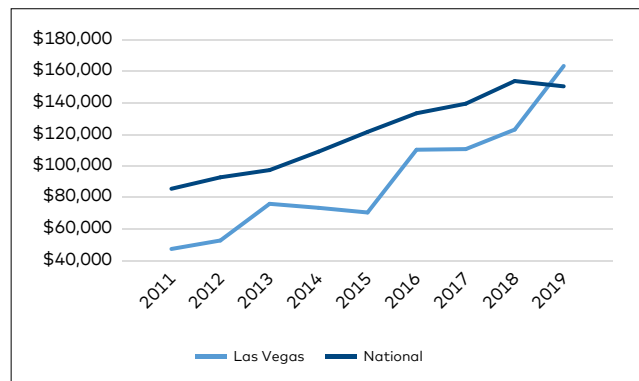
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Las Vegas NW	381
Henderson West	255
Las Vegas Central	253
Spring Valley West	230
Henderson East	207
Paradise Valley South	201
South Las Vegas	189
Las Vegas Strip	136

Source: YardiMatrix

¹ From May 2018 to April 2019

Las Vegas vs. National Sales Price per Unit



Source: YardiMatrix

News in The Metro

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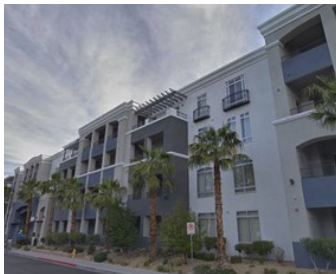
Carlyle Group JV Buys Luxury Asset For \$87M

The 456-unit Class A property last changed hands in late 2010, when Fairfield Residential sold it for nearly \$47 million.



Blackstone Spends \$159M on Las Vegas Portfolio

The deal, one of the metro's largest this year, included two newly completed Class A communities comprising nearly 700 units.



Continental Realty Acquires Vegas Community

The buyer financed the purchase of the 63-unit Class A asset with a \$9 million Freddie Mac acquisition loan originated by HFF.



Vegas Community Trades for \$14M

The seller, Strategic Realty Capital, had acquired the 146-unit Class C multifamily asset in 2010 as part of a 475-unit portfolio transaction.



Next Wave Invests In Nevada, Utah Communities

The company has expanded its portfolio with two properties located in Las Vegas and West Valley City, totaling 188 units.



TruAmerica, Blackstone Buy \$97M Portfolio

For their second deal since forming a joint venture last year, the partners picked up a 368-unit community in central Las Vegas for \$58 million, along with a 240-unit asset west of Atlanta.

Top 10 Multifamily Completions In Las Vegas



data by
Yardi Matrix

By Jeff Hamann

While hospitality investors have long focused on Las Vegas' core, multifamily developers have claimed the bulk of activity on the city's periphery. Nearly 3,500 units were delivered in the metro in the past 12 months, with the majority located in Spring Valley and Henderson, two of the market's fastest-growing suburban areas. The inner parts of the metro are far from inactive, though—more than 20 percent of active multifamily construction currently underway is happening within the city limits.

Property Name	Units	Owner	Submarket	Completion Date
The Well	396	The Wolff Co.	Henderson East	05/2019
EVO	376	Private Investor	Spring Valley West	08/2018
Elysian at Flamingo	360	The Calida Group	Spring Valley West	05/2019
The Gallery	325	Warmington Cos.	Enterprise	08/2018
The Abode Red Rock	308	Pillar Income Asset Management	Spring Valley West	12/2018
Green Leaf Lotus	295	Green Leaf Partners	Bracken	10/2018
Spur	286	Blackstone Group	Henderson East	09/2018
Boulder Pines	264	Nevada H.A.N.D.	Paradise Valley East	06/2018
Level 25 at Oquendo	244	Picerne Real Estate Group	Spring Valley West	09/2018
Fremont9	232	The Wolff Co.	Downtown Las Vegas	12/2018

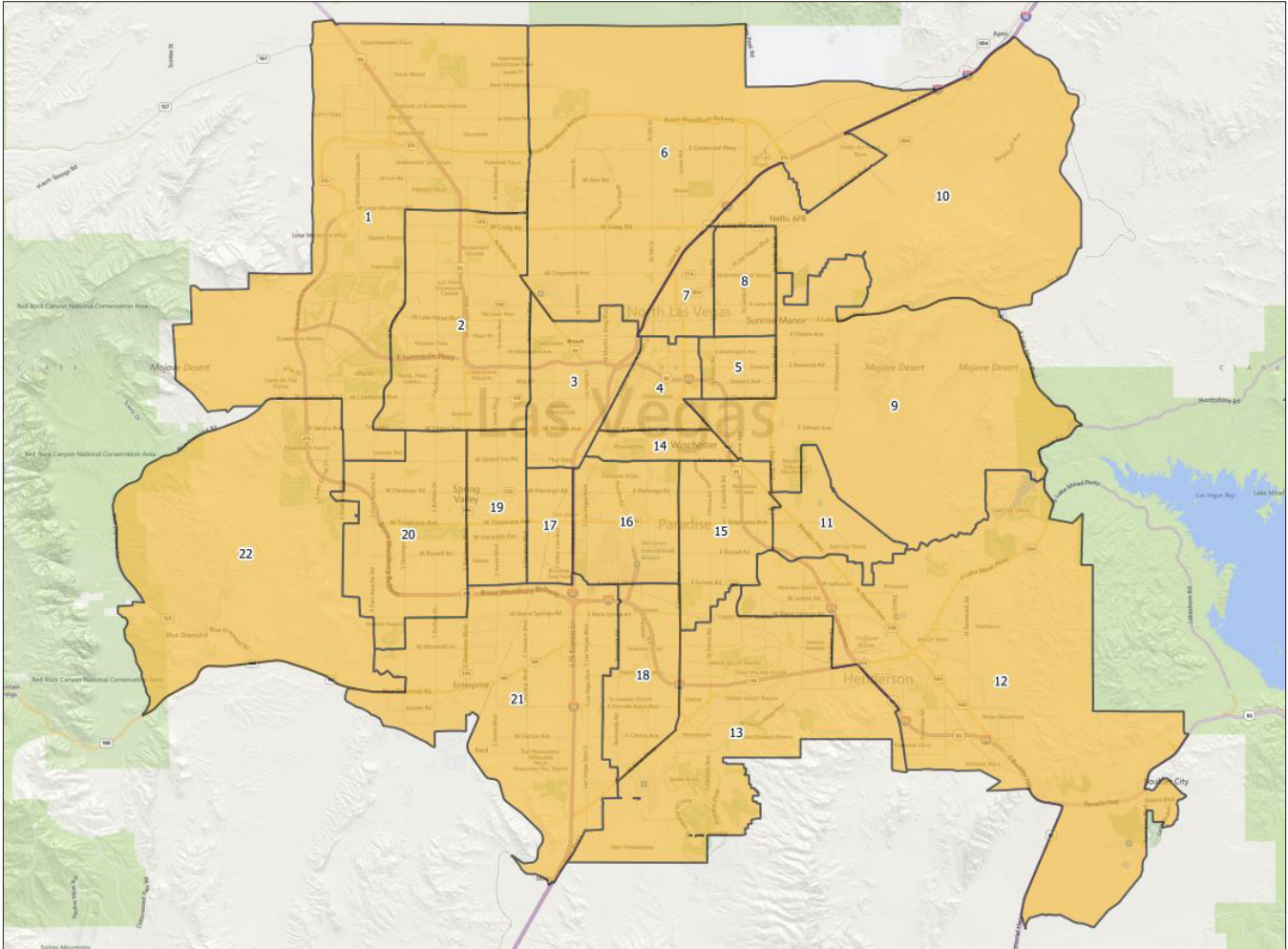
EVO

Las Vegas' second-largest delivery in the past 12 months, the 376-unit EVO Apartments, reached completion in August. Principal Financial Group originated the first tranche of funding for the project with \$20 million in construction financing. In November, the property's owner refinanced with a CMBS loan totaling \$55.1 million.

The project, at 8760 W. Patrick Lane, is the Spring Valley West submarket's largest delivery since early 2017, though three more developments totaling 870 more units are underway in the area. The community is within 10 miles of the Strip and is near IKEA, a Walmart Supercenter and a medical center. The property's amenity mix includes sauna and steam rooms, a library, fire pits and a rooftop lounge.



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

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.

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

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