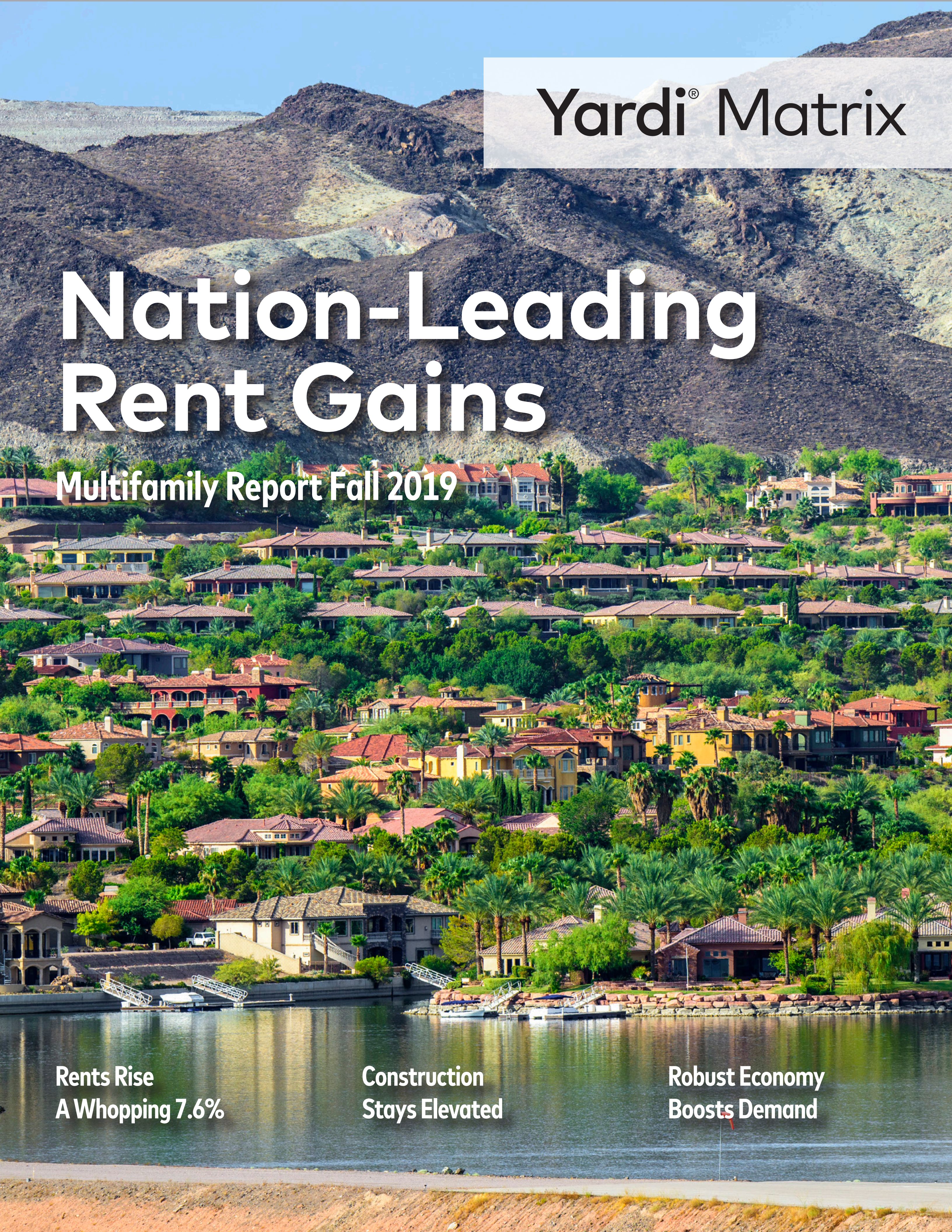

Yardi® Matrix

Nation-Leading Rent Gains

Multifamily Report Fall 2019

Rents Rise
A Whopping 7.6%

Construction
Stays Elevated

Robust Economy
Boosts Demand

Market Analysis

Fall 2019

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Demand Outpaces Supply

The metro's steadily diversifying economy is resulting in positives for its multifamily market, as well: The average rent posted the highest rate of year-over-year improvement among major U.S. metros, up 7.6% as of August to $1,114. Demand has more than kept up with supply, which only picked up and moved closer to the national rate in 2018.

The metro gained 21,300 jobs in the 12 months ending in June, with leisure and hospitality leading growth. The sector is poised for continued expansion in the foreseeable future, with various projects underway, including the 1.3 million-square-foot, 777-key Circa Resort & Casino on the Strip; the 63-story, 4,000-key Fontainebleau, to reopen as The Drew by 2022; and the non-gaming luxury hotel Majestic Las Vegas, which will total 720 guestrooms, 30 corporate suites and six freestanding restaurants. The professional and business services and financial activities sectors rounded out the top three, with the addition of 5,100 and 3,400 jobs, respectively.

Transaction volume surpassed $1.7 billion by August and the per-unit price rose 23.4% to $151,351. Also as of August, year-to-date deliveries totaled 1,092 units, and 2019 is on track to become the second-best year for new supply this cycle. Accounting for the rising multifamily demand and the metro's increasing appeal, we expect rents to advance 7.6% in 2019.

Recent Las Vegas Transactions

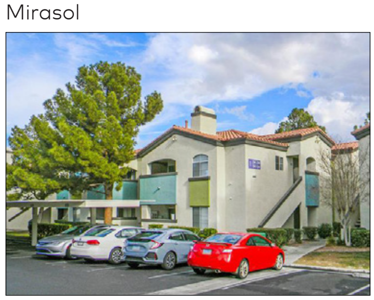
Allanza at the Lakes

City: Las Vegas
Buyer: TruAmerica Multifamily
Purchase Price: $150 MM
Price per Unit: $167,946

Villas at Green Valley

City: Henderson, Nev.
Buyer: Maxx Properties
Purchase Price: $97 MM
Price per Unit: $159,688

Mirasol



City: Las Vegas
Buyer: Waterton
Purchase Price: $79 MM
Price per Unit: $196,750

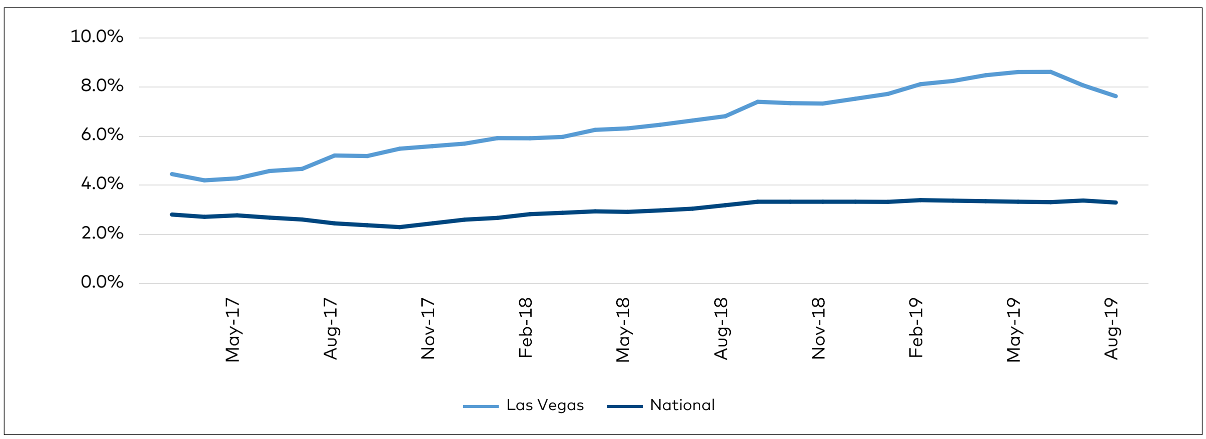
Fairways on Green Valley

City: Henderson, Nev.
Buyer: Waterton
Purchase Price: $62 MM
Price per Unit: $192,188

Rent Trends

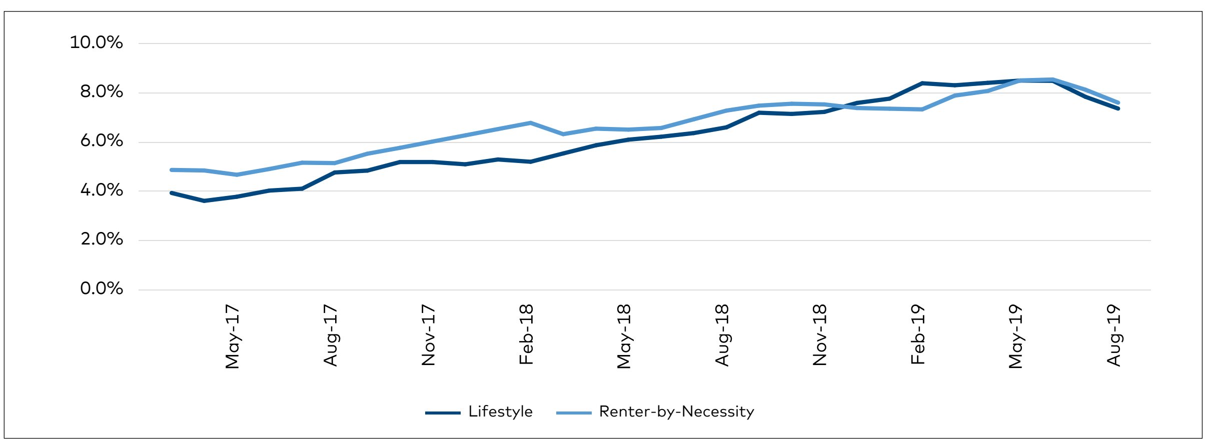
- Rent growth in Las Vegas posted the highest increase in the country as of August, up 7.6% year-over-year, more than double the national 3.3% rate. The average rent hit $1,114 on the back of that acceleration, while still lagging the $1,472 U.S. figure.
- Growth in the working-class Renter-by-Necessity segment outperformed rent growth in the Lifestyle segment by 20 basis points, rising 7.6% to $919. Upscale rents increased at a 7.4% clip, to $1,282.
- Rent growth was even across the map, all submarkets registering increases. The highest boost occurred in North Las Vegas West (up 9.2% to $1,173) and Spring Valley East (up 9.2% to $1,106). Half of the metro's submarkets posted rents above the $1,000 mark, with the highest rental rates remaining in Summerlin/Blue Diamond (up 3.2% to $1,582) and Henderson East (up 5.4% to $1,155). The latter is also one of the most active submarkets for new development, with more than 800 units underway.
- The most affordable area in the metro was Downtown Las Vegas, where rents grew 6.1% year-over-year, to $818. Sustained demographic expansion and the metro's diversifying economy will continue to push demand. As such, Yardi Matrix expects rents to rise 7.6% by year-end.

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)

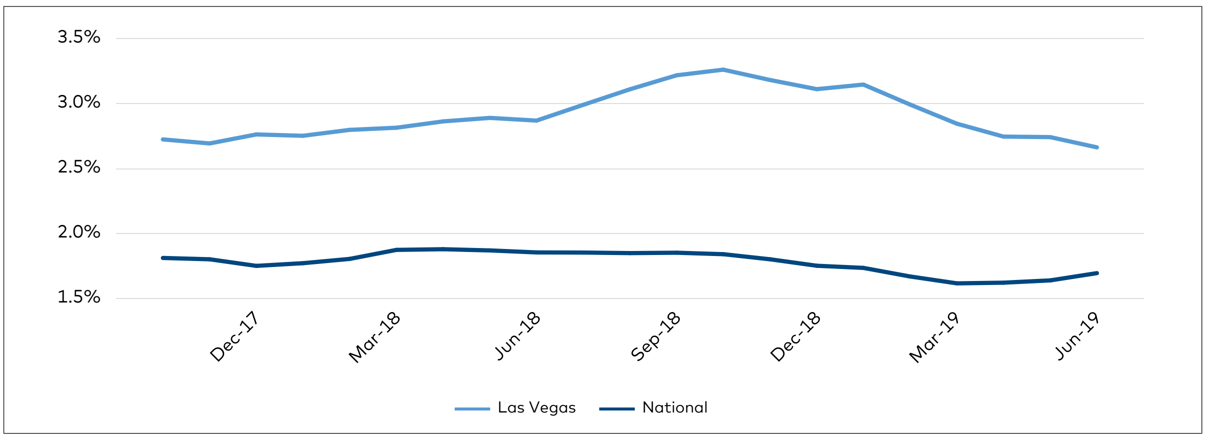


Source: YardiMatrix

Economic Snapshot

- Las Vegas gained 21,300 jobs in the 12 months ending in June, up 2.7% and 100 basis points above the national rate. Two employment sectors saw contractions, by a combined 2,900 jobs—information (-600 jobs) and trade, transportation and utilities (-2,300 jobs).
- The leisure and hospitality sector in Las Vegas continued to lead growth, with the addition of 7,000 jobs, and will remain in expansion mode in the foreseeable future. Notable projects under construction include the 1.3 million-square-foot, 777-key Circa Resort & Casino on the Strip, anticipated to open in December 2020. The 63-story, 4,000-key Fontainebleau will reopen in 2022 at the latest, as The Drew. Majestic Las Vegas, a 45-story, non-gaming luxury hotel will break ground in 2020 on the site of old Clarion and will total 720 guestrooms, 30 corporate suites and six free-standing restaurants. Another dormant project, Symphony Park, is slated for completion in 2020 and will feature two multifamily assets with 600 units, next to a 400-key AC Marriott hotel, which will serve the World Market Center, and is set to open in 2021.
- Office-using jobs are gaining ground in the metro: Professional and business services added 5,100 jobs, while financial activities added 3,400 jobs in the 12 months ending in June.

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)

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
70	Leisure and Hospitality	302	29.5%	7,000	2.4%
60	Professional and Business Services	147	14.4%	5,100	3.6%
55	Financial Activities	56	5.5%	3,400	6.4%
15	Mining, Logging and Construction	67	6.5%	3,100	4.8%
65	Education and Health Services	104	10.2%	2,200	2.2%
90	Government	99	9.7%	1,400	1.4%
30	Manufacturing	26	2.5%	1,100	4.5%
80	Other Services	34	3.3%	900	2.7%
50	Information	12	1.2%	-600	-4.9%
40	Trade, Transportation and Utilities	176	17.2%	-2,300	-1.3%

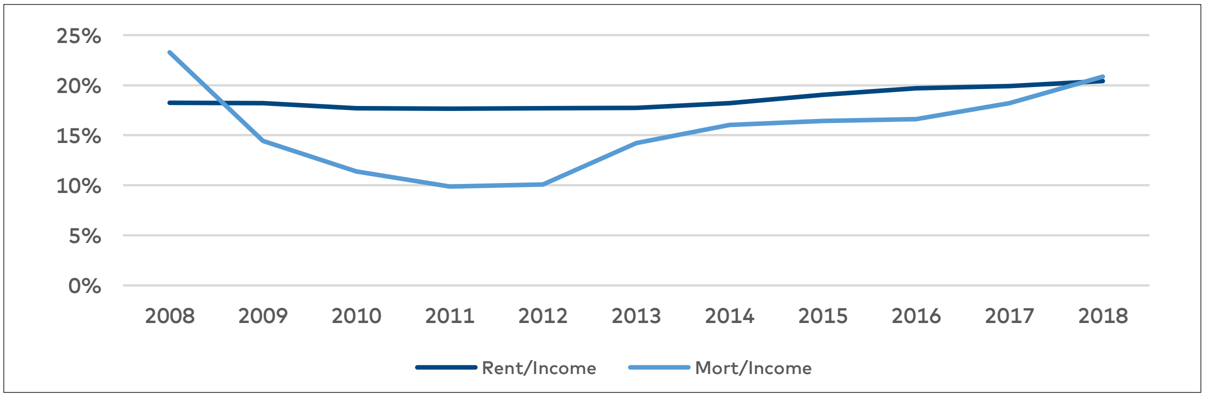
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

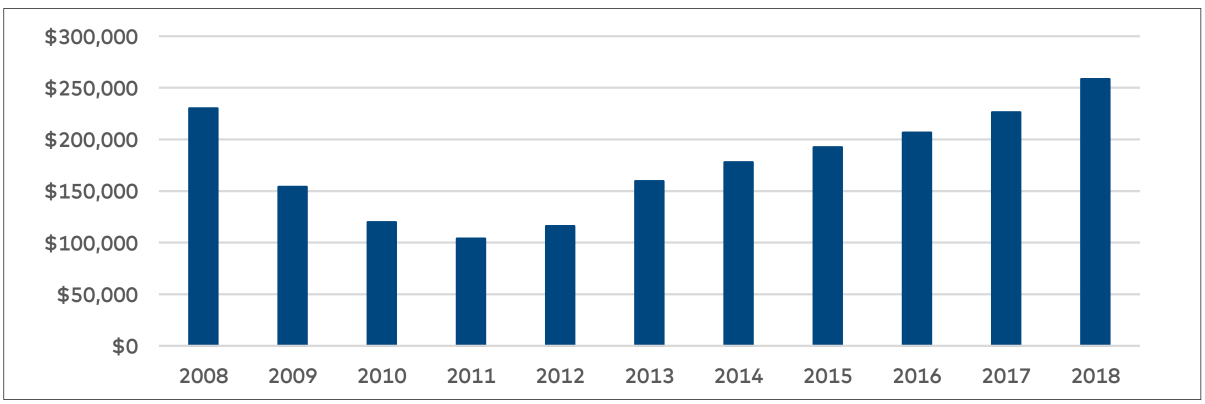
- The median home price in Las Vegas reached $258,257 in 2018, a cycle peak and well above the 2008 value. The shortage in single-family housing development paired with an influx of new residents relocating from California led to a 14% increase year-over-year.
- The average mortgage payment accounted for 21% of the area's median income in 2018, below the 23% share from a decade ago. Yet, in 2018 rents accounted for 20% of the area's median income, relative to 18% back in 2008. During the past decade, 3,030 units in 19 fully affordable communities came online. Another three fully affordable properties were underway as of August, totaling 252 units.

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% increase, and more than three times the national rate.
- Like in other emerging markets, the demographic shift reflects strong migration.

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

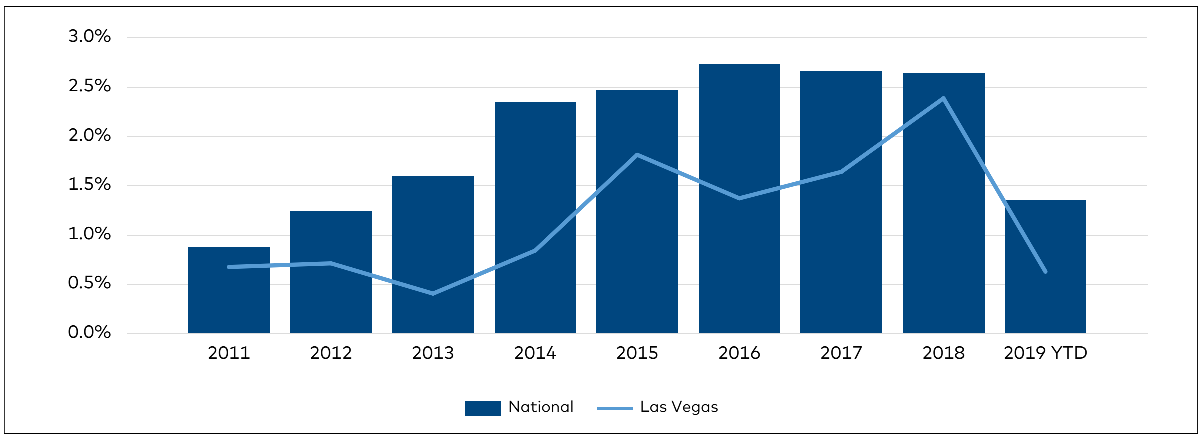
Supply

- Developers added 1,092 units in 2019 through August, with deliveries set to hit 3,619 for the entire year, making it the second-strongest for completions this cycle. The single-family housing shortage and the strong demographic and employment expansion are boosting multifamily development, despite the high cost of construction.

- The metro had 3,832 units underway as of August, with another 14,600 units in the planning and permitting stages. Encouraged by the influx of residents relocating from California, developers are focusing on upscale Lifestyle projects, which make up the bulk of the pipeline. The occupancy rate in stabilized properties rose 20 basis points year-over-year through July to 95.4%, signaling sustained demand despite last year's robust deliveries, which totaled 4,119 units.

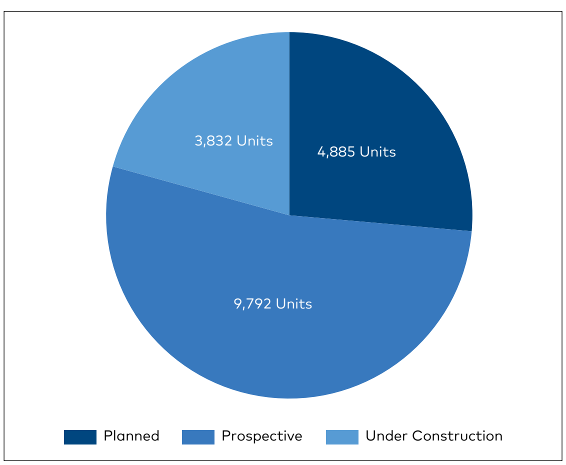
- More than half of the units under construction are located in just three submarkets: Spring Valley West (870 units), Henderson West (822 units) and Las Vegas Strip (566 units). The largest project anticipated to come online in 2019 is the 26-building, 536-unit Empire in the Henderson West submarket, owned by Nevada West Development and already 54% preleased by August.

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



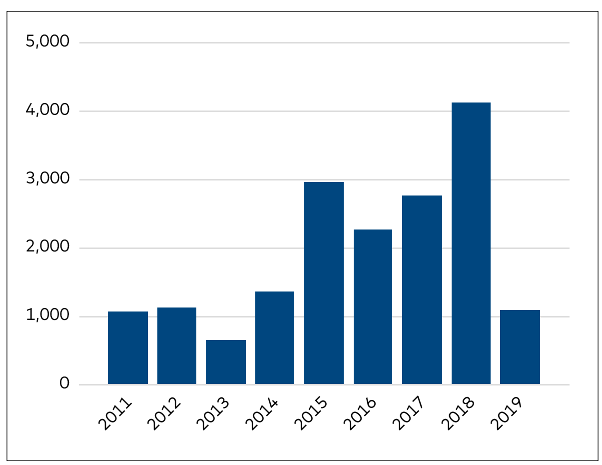
Source: YardiMatrix

Development Pipeline (as of August 2019)



Source: YardiMatrix

Las Vegas Completions (as of August 2019)



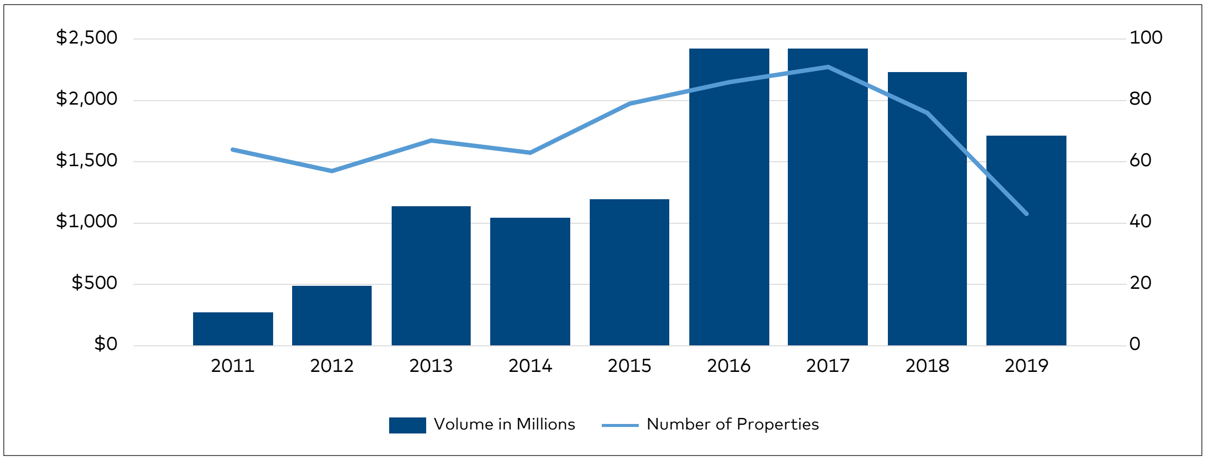
Source: YardiMatrix

Transactions

- Transaction volume in Las Vegas crossed the $1.7 billion mark year-to-date through August. Of the 43 properties that traded during that time, more than half were in the Lifestyle segment. Rents rose substantially on both ends of the spectrum, pushing the average per-unit price up by 23.4% to $151,351, still trailing the $159,011 national figure.

- Per-unit prices for working-class RBN properties rose 40% to $116,937, while Lifestyle assets sold for an average price per unit of $174,808, 9.0% above the 2018 average. LivCor was one of the major investors in the market in 2019—the company acquired 1,348 units in Las Vegas through the year's first eight months for some $277 million. The Las Vegas NW submarket saw the most intense investment activity in the 12 months ending in August, with total sales hitting $473 million. Henderson East ($305 million) and Henderson West ($275 million) rounded out the top three.

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



Source: YardiMatrix

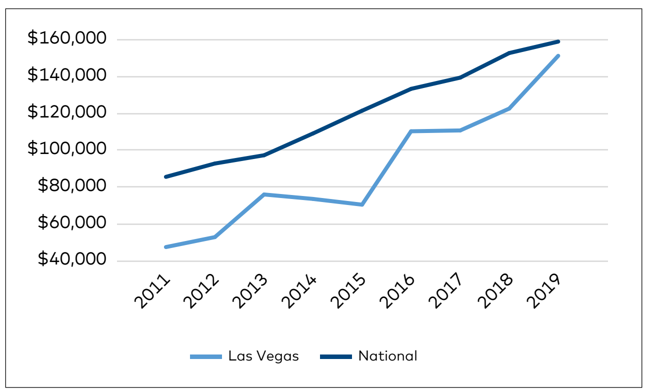
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Las Vegas VW	473
Henderson East	305
Henderson West	275
Las Vegas Central	275
Sunrise Manor	196
Spring Valley West	193
Paradise Valley South	192
Las Vegas Strip	186

Source: YardiMatrix

[1] From September 2018 to August 2019

Las Vegas vs. National Sales Price per Unit



Source: YardiMatrix

Executive Insight

Brought to you by:

Lending a HAND in Combating Las Vegas' Affordability Crisis

By Laura Calugar

Although apartment rents were up 7.3 percent year-over-year through April—the highest rate among major U.S. metros, according to Yardi Matrix—Las Vegas continues to attract Millennials and retirees evading the high living costs of California. But rising rental rates, along with an increasing housing demand and high construction costs, are clashing with the metro's inventory shortages, putting pressure on affordability. Nonprofit Nevada HAND recently received $22 million in state bonds for the construction of a 420-unit community, with 386 of the units expected to be affordable.

How serious is Las Vegas' affordable housing crisis?

Paull: We consider the affordable housing crisis in Las Vegas to be severe and growing. More than 112,000 renter households in the state pay more than half of their income to housing costs, and like other metropolitan areas of the U.S., supply simply isn't keeping up with demand. There are several key factors that have led to the shortfall: costs of labor and construction; land costs; the weakening of the federal low-income housing tax credit program by the Tax Cuts and Jobs Act; and the stigma around affordable housing are just a few.

Nevada is a state with a significant amount of federally owned land, and having more access to that land at a reduced cost could substantially help mitigate some of those costs, but the barriers to getting that land released are considerable. We're also seeing more affordable homes being lost as they approach the end of their mandated affordability period, which puts them at risk of being sold and

placed at market-rate rents. This displaces the residents who can no longer afford to live there.

Which areas of the metro are least affordable?

Paull: In Southern Nevada, the areas in and around Summerlin, swaths of Henderson and the quickly developing West Henderson area, where the Raiders are building a state-of-the-art practice facility, are quickly becoming real estate hotbeds. The southwest area of the town also continues to be in high demand.

What is the solution to this affordability crisis?

Paull: Nevada, like other states, is realizing that a stable, affordable home—no matter your income level—is paramount to other parameters of economic success. Good, stable housing helps children attain better educational and social outcomes; it helps seniors age in place longer and with dignity. Workers in stable housing are more productive employees, and overall health and wellness improve. Nevada realizes that, and is taking strides to address the shortage.

And while there isn't one singular solution to the affordable housing crisis in Nevada, there are practical, actionable steps we can take at the local, state and federal levels, leveraging public-private partnerships and using creative, entrepreneurial approaches to everything from land use to financing and resident care. I am hopeful that the momentum from the last legislative session, as well as the general buzz around the issue, will continue to (keep it) in the spotlight.

News in the Metro

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GTIS Teams Up With Southern Land For Vegas Project

Situated within a 61-acre vacant site in the core of the city, the 324-unit community is GTIS's first investment in an Opportunity Zone.

Tower 16 JV Expands Vegas Multifamily Footprint

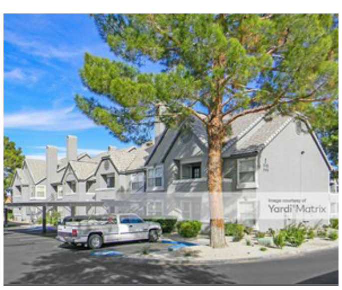
The firm partnered with Henley Investments, paying nearly $33 million for the Class B community. The deal marks the partnership's fifth acquisition in the metro.

Community in Vegas Opportunity Zone Sells for $64M

A joint venture between The Arden Group and GFO Cos. purchased the newly delivered, 215-unit student housing property.

CRA, Roxborough Group Sell Las Vegas Portfolio for $138M

The three apartment communities have a total of 1,194 units and were owned by the joint venture for almost three years.



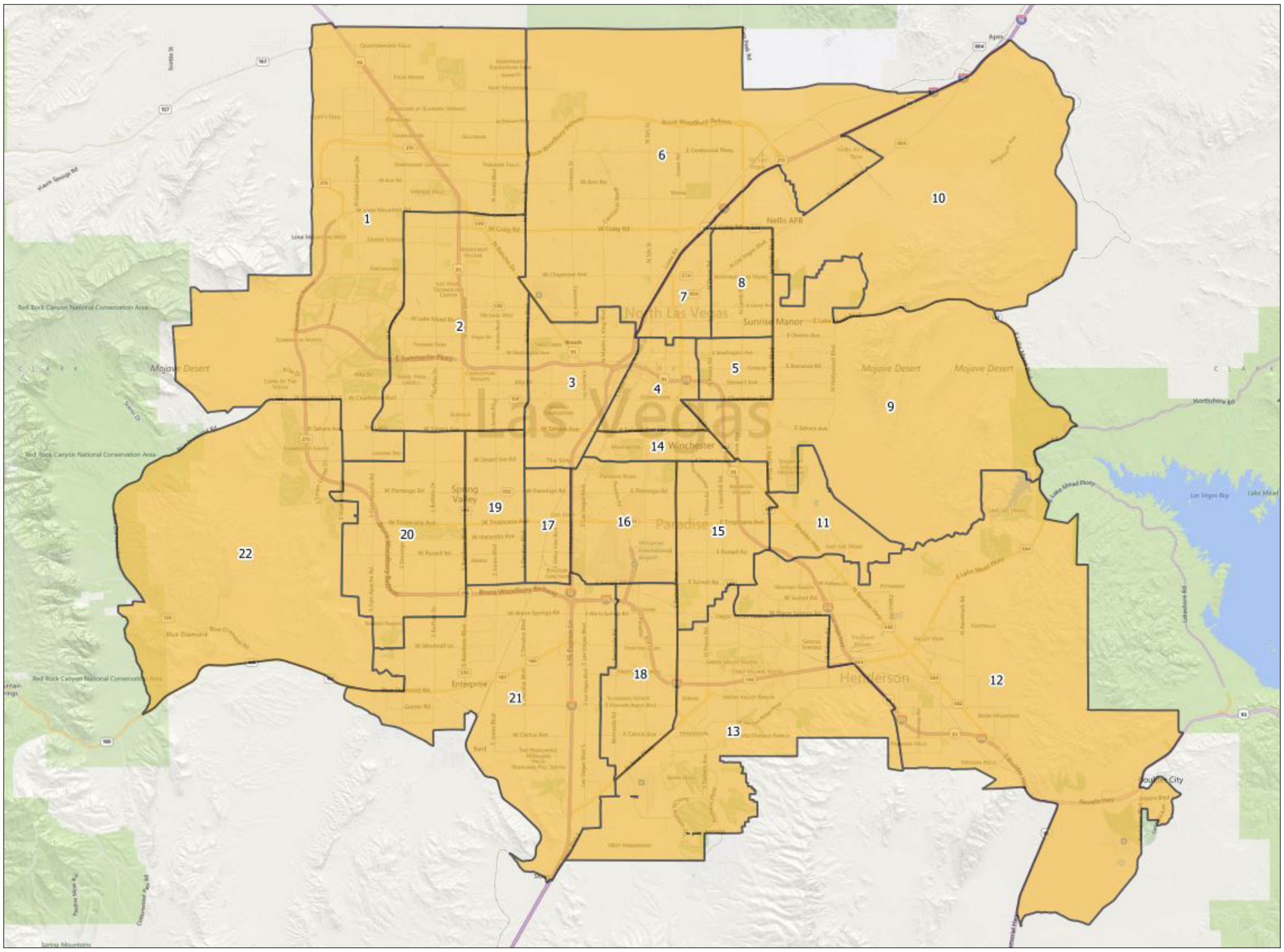
Abacus Capital Sells The Quinn for $36M

Berkeley Point Capital originated Freddie Mac acquisition financing for the buyer of the 237-unit Class B multifamily asset. The property last traded in 2017 for $24 million.

Waterton Reenters Las Vegas With $140M Buy

The firm's portfolio acquisition includes 720 Class A units in two communities. CBRE provided the financing through Freddie Mac.

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.