

Yardi® Matrix

MULTIFAMILY REPORT

Vegas' Winning Streak

Winter 2020



Rent Growth Remains Elevated

Transaction Volume Hits Cycle Peak

Rapid Population Growth Boosts Demand

Yardi® Matrix

Economic Resurgence Powers Demand

Las Vegas' multifamily market continues to benefit from the metro's blooming economy. Rental demand is also strong, boosted by a consistent wave of baby boomers who are choosing to relocate. This has kept rent growth among the highest in the country, at 5.4% last year to an average of \$1,117. Despite rent hikes, Vegas remains much more affordable than coastal California metros.

The metro gained 29,200 jobs in the 12 months ending in November. Construction remained the best-performing sector, accounting for more than one-third of growth (10,900 jobs), followed by leisure and hospitality (4,500 jobs). Both sectors are poised for sustained growth with current projects expected to boost an already booming industry. Of the multitude of projects currently underway, the NFL Stadium is scheduled to open in late July, while the 777-room Circa Resort is on track to open in December. Office-using employment sectors are also on the rise, pushing up upscale rental demand, with financial activities and professional and business services adding a total of 7,100 positions.

Transaction activity marked a new cycle high in 2019, with more than \$2.9 billion in apartments changing hands. The average per-unit price rose another 24.3% to \$152,486. On the construction front, last year brought 2,397 new apartments, with some 4,800 additional units underway at the start of the year.

Market Analysis | Winter 2020

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Recent Las Vegas Transactions

Bloom



City: Las Vegas
Buyer: NexPoint Residential Trust
Purchase Price: \$107 MM
Price per Unit: \$201,705

Lofts at 7100



City: Las Vegas
Buyer: Security Properties
Purchase Price: \$80 MM
Price per Unit: \$211,082

80 On Gibson



City: Henderson, Nev.
Buyer: Keller Investment Properties
Purchase Price: \$70 MM
Price per Unit: \$227,273

Sandpiper



City: Las Vegas
Buyer: Compass Acquisition Partners
Purchase Price: \$66 MM
Price per Unit: \$135,246

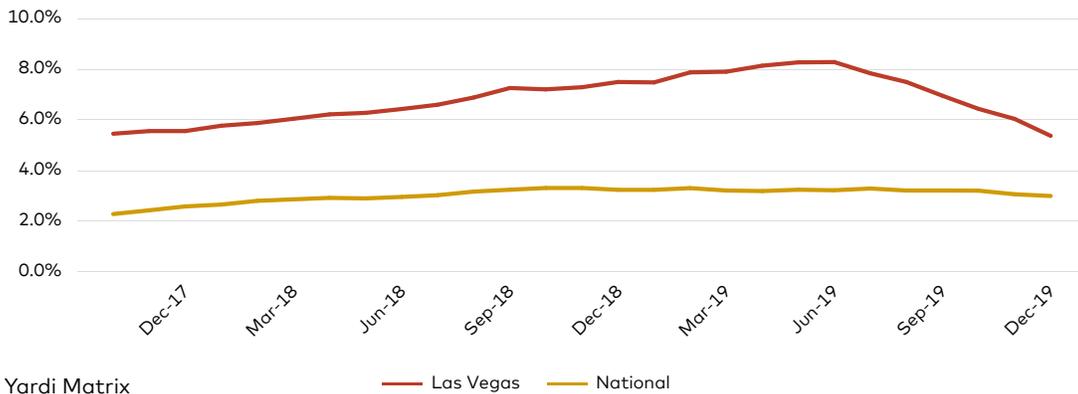
RENT TRENDS

- ▶ Las Vegas rents rose 5.4% last year, posting the second-largest increase among major national metros, after Phoenix (7.7%). The average rent reached \$1,117, trailing the \$1,474 national rate. Sustained performance is likely to continue as the metro's diversifying economy stabilizes further. Demand has also been boosted by an influx of retirees relocating from California.
- ▶ In 2019, rent growth in the working-class Renter-by-Necessity segment (6.3%) was 130 basis points higher than the price for Lifestyle assets (5.0%). The average Lifestyle rate reached \$1,280, while the RBN rate was \$927 at the start of 2020.
- ▶ All submarkets registered rent increases. The

largest growth occurred in North Las Vegas East, which is also one of the metro's most affordable areas (10.0% to \$849). Summerlin/Blue Diamond (4.6% to \$1,668) and Enterprise (5.2% to \$1,384) had the metro's highest average rates as of December.

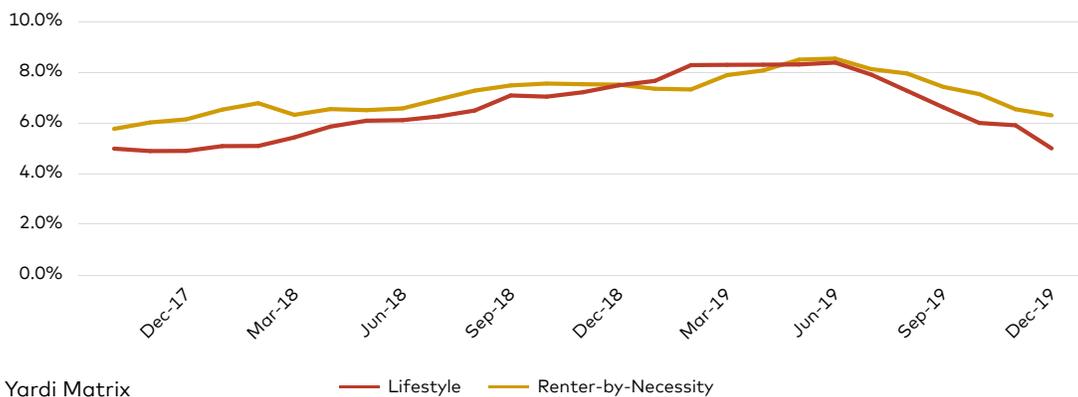
- ▶ In the context of slowing deliveries, last year's rent hikes went hand in hand with strong supply without affecting occupancy. Las Vegas' occupancy rate in stabilized properties slid just 10 basis points in the 12 months ending in November, to 94.9%, on par with the national figure.

Las Vegas vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: Yardi Matrix

Las Vegas Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

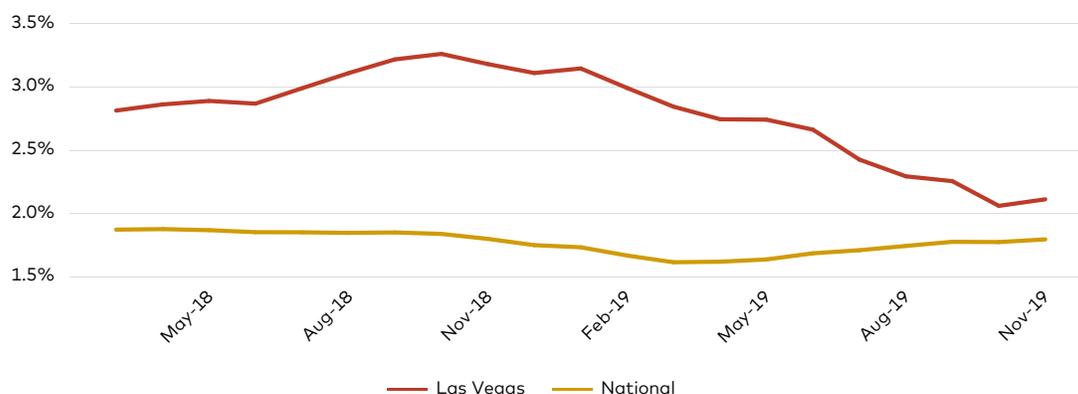


Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Las Vegas gained 29,200 jobs in the 12 months ending in November, up 2.1% and 30 basis points above the national rate. The unemployment rate stood at 4.0% in October, greater than the 3.6% national average.
- ▶ The leading sector in employment growth—mining, logging and construction, up by 10,900 jobs—was boosted by the metro’s intense development. Notable projects underway in Las Vegas include the \$2 billion NFL Stadium, which broke ground in September 2017 and is slated to open at the end of July, and the 777-room Circa Resort & Casino—the tallest and first new downtown resort project in decades—anticipated to begin commercial operation at the end of the year. The \$935 million expansion of the Las Vegas Convention Center was more than 50% complete in October and is expected to open in 2021.
- ▶ In second place, leisure and hospitality, the metro’s main economic pillar, gained 4,500 jobs. The metro welcomed more than 39 million visitors in the first 11 months of 2019, according to the Las Vegas Convention and Visitors Authority. The lowest performing sectors were trade, transportation and utilities (down 1,100 jobs), and information, which remained flat.

Las Vegas vs. National Employment Growth (Year-Over-Year)



Sources: Yardi Matrix, 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	77	7.3%	10,900	16.5%
70	Leisure and Hospitality	298	28.3%	4,500	1.5%
55	Financial Activities	57	5.4%	3,700	6.9%
65	Education and Health Services	107	10.2%	3,600	3.5%
60	Professional and Business Services	151	14.4%	3,400	2.3%
90	Government	107	10.2%	2,000	1.9%
80	Other Services	34	3.2%	1,100	3.3%
30	Manufacturing	26	2.5%	1,100	4.4%
50	Information	11	1.0%	-	0.0%
40	Trade, Transportation and Utilities	183	17.4%	-1,100	-0.6%

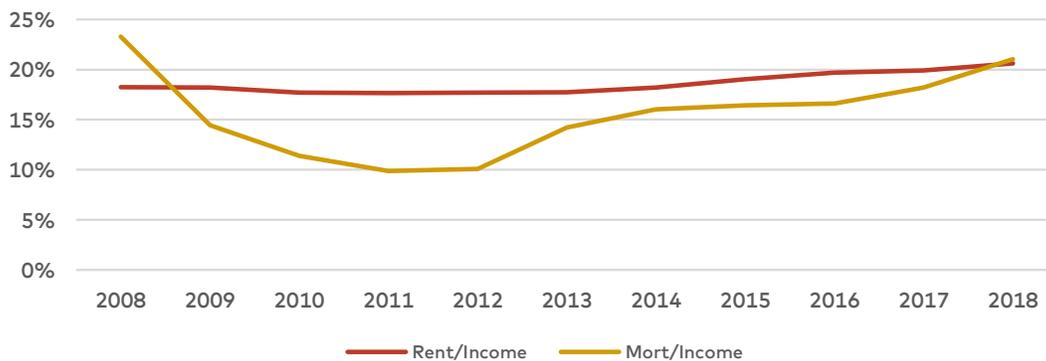
Sources: Yardi Matrix, Bureau of Labor Statistics

DEMOGRAPHICS

Affordability

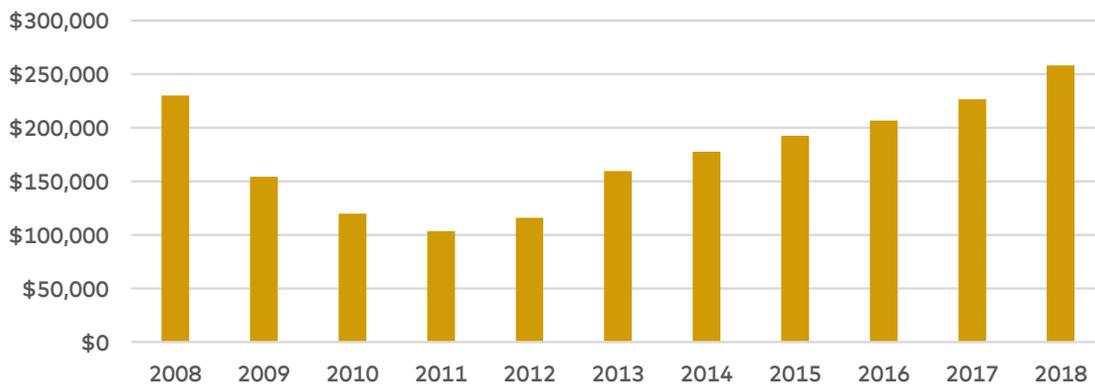
- The median Las Vegas home price hit a new cycle peak in 2018, up 14% in one year to \$258,249, surpassing pre-recession values. Sustained demographic expansion has put extra pressure on the limited multifamily inventory. Increasing rental demand led to the average rent accounting for 21% of the area median income, on par with the average mortgage payment.
- In 2019, developers brought 192 units online in two fully affordable communities. At the start of 2020, only one fully affordable property was underway in Las Vegas. The 66-unit property is slated for completion this quarter.

Las Vegas Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

Las Vegas Median Home Price



Source: Moody's Analytics

Population

- Las Vegas gained 48,337 new residents in 2018 for a 2.2% increase, more than three times the 0.6% national rate.
- Robust demographic growth this cycle was mostly due to domestic net migration, with people relocating from California representing the majority.

Las Vegas vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Las Vegas Metro	2,098,105	2,140,547	2,183,310	2,231,647

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

SUPPLY

- ▶ Developers added some 2,397 units in 2019, more than a quarter of which were concentrated in the Las Vegas Strip. Last year's total deliveries represented just 1.4% of total stock—90 basis points below the national rate—with several projects registering delays.
- ▶ Las Vegas' sustained economic growth, coupled with consistent demographic expansion, continued to boost the demand for apartments, keeping developers busy. Since the beginning of 2017, 9,400 units were added to the metro's housing stock, while an additional 4,837 units were underway as of January. Demand still continues to outpace supply, with Las Vegas' development

falling short of national averages, even in the context of rapid population expansion.

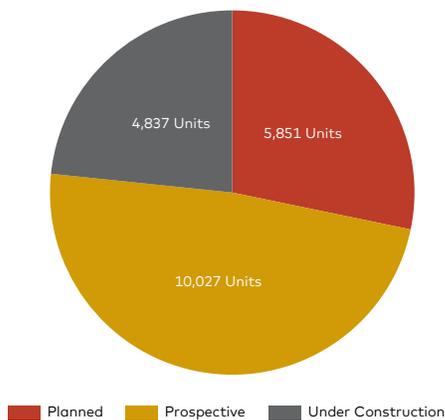
- ▶ While upcoming commercial projects are situated in the core areas of Las Vegas, the metro's periphery holds most of its multifamily construction sites. Nearly two-thirds of units under construction this year are in projects located across just three submarkets: Spring Valley West (1,188 units), Henderson West (969 units) and Enterprise (648 units).
- ▶ The largest project delivered last year was the 396-unit The Well, owned by The Wolff Co., which posted an occupancy rate of 94.9% in December.

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



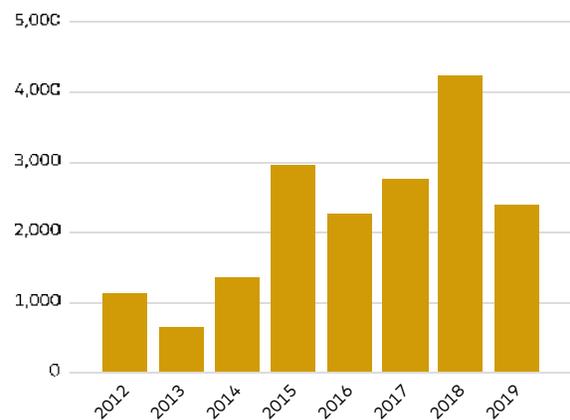
Source: Yardi Matrix

Development Pipeline (as of December 2019)



Source: Yardi Matrix

Las Vegas Completions (as of December 2019)

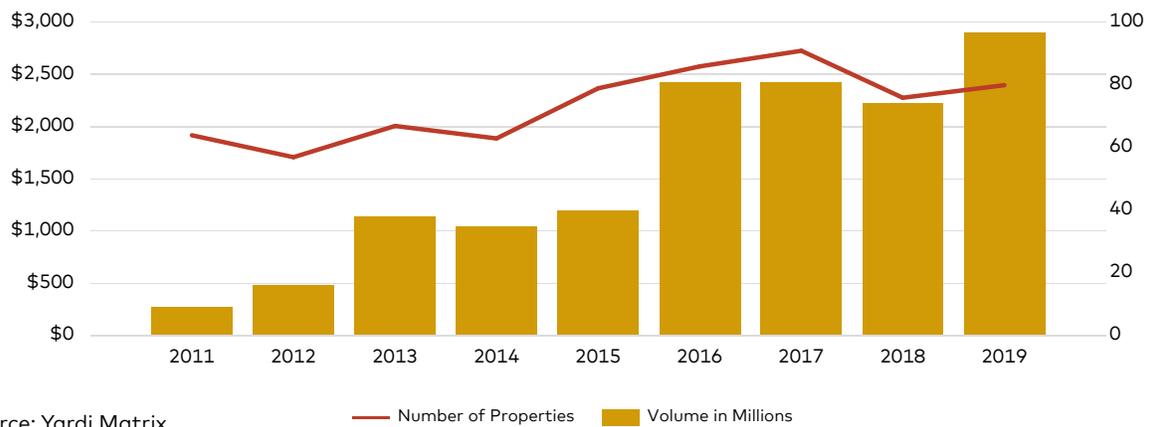


Source: Yardi Matrix

TRANSACTIONS

- ▶ More than \$2.9 billion in multifamily assets traded in Las Vegas in 2019—a new cycle high. The rental market became highly attractive to investors across segments, with the 80 communities trading last year being split almost evenly between the Lifestyle and RBN segments.
- ▶ The average per-unit price rose to 24.3% last year to \$152,486, still trailing the \$166,589 national amount. Greater interest in value-add plays has boosted the RBN price per unit by a hefty 42.3%, to \$119,087 in just one year. Meanwhile, Lifestyle assets sold for an average per-unit price of \$182,090—a 13.3% increase.
- ▶ Investment Concepts' acquisition of Echelon at Centennial Hills, a 62-unit property in the Las Vegas NW submarket, marked the metro's highest per-unit price: \$289,516. Real Capital Solutions sold the asset for nearly \$18 million.

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



Source: Yardi Matrix

Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Las Vegas NW	452
Las Vegas Central	424
Henderson East	291
South Las Vegas	270
Las Vegas Strip	241
Henderson West	229
Spring Valley West	208

Source: Yardi Matrix

¹ From January 2019 to December 2019

Las Vegas vs. National Sales Price per Unit



Source: Yardi Matrix



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Waterton Buys \$104M Class B Property
CBRE provided financing for the 456-unit community—the buyer's second Sin City multifamily deal in the past year.



Community Sells For \$105M
NorthMarq Capital provided acquisition financing through Freddie Mac to the buyer of the 376-unit property.



Hines Exits Las Vegas Multifamily Market In \$80M Deal
The seller purchased the 308-unit suburban community four years earlier for \$58.2 million.



Bascom Group Trades Asset for \$70M
The seller had purchased the 308-unit property four years earlier for a fraction of the price.

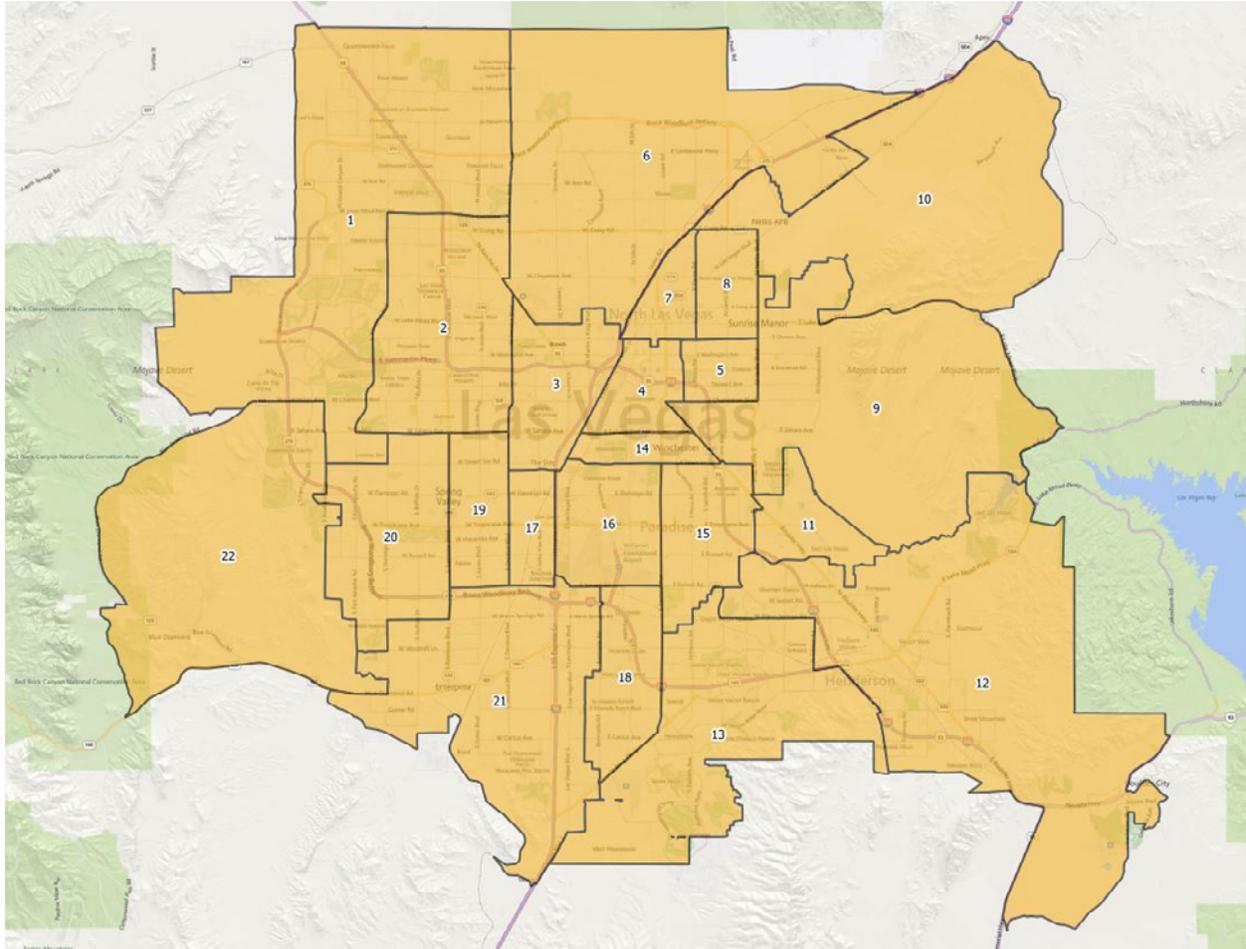


JV Sells Renovated Community for \$79M
Tower 16 Capital Partners and Henley Investments acquired the property in 2018 and invested more than \$4 million into capital improvements.



NexPoint Acquires Portfolio for \$241M
The three communities total 1,163 units and are located northwest of downtown. The portfolio was 94.6 percent occupied as of mid-October.

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 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

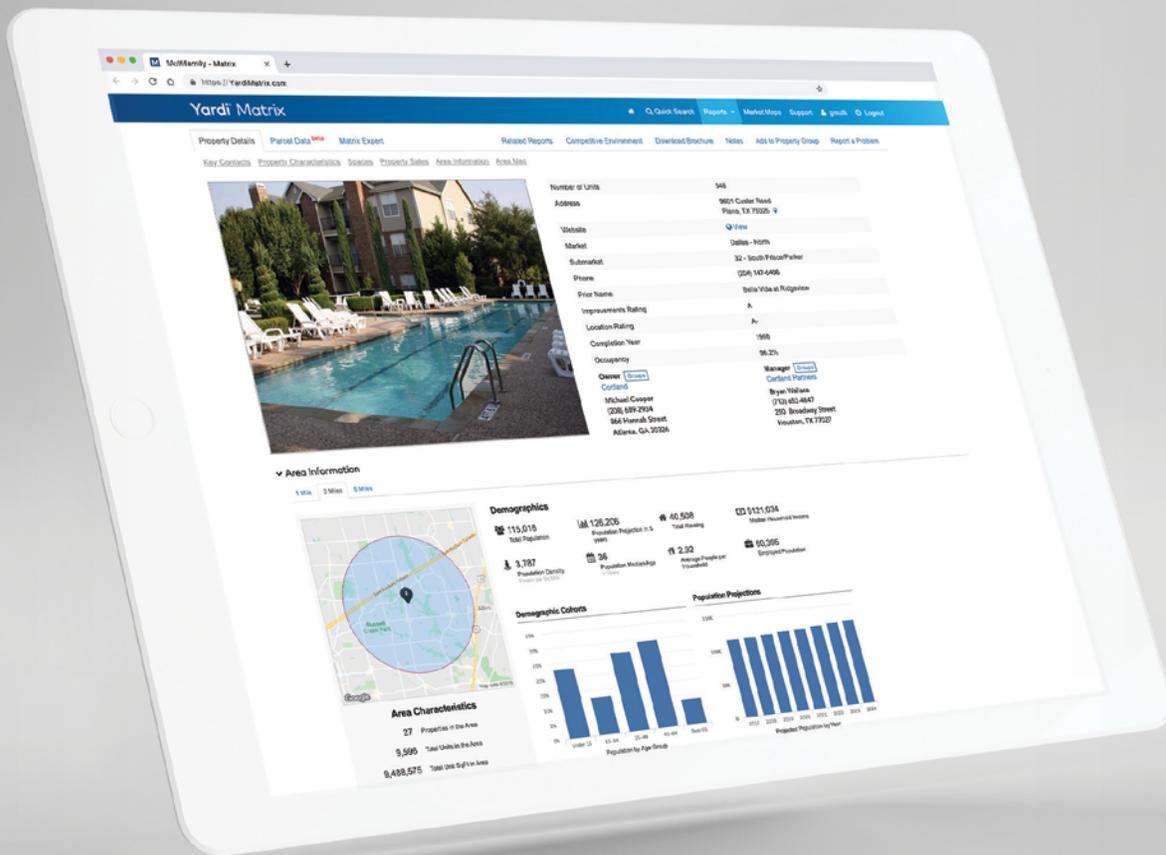
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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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