

Investment activity likely to pick up in coming quarters

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **10,071**

UNITS DELIVERED **1,577**

MARKET FUNDAMENTALS



VACANCY RATE **6.7%**

YEAR-OVER-YEAR CHANGE **-10bps**

ASKING RENTS **\$1,495**

YEAR-OVER-YEAR CHANGE **+0.7%**

TRANSACTION ACTIVITY



MEDIAN SALES PRICE PER UNIT (PAST 12 MONTHS) **\$139,300**

HIGHLIGHTS

- Multifamily property fundamentals have steadied in recent quarters, as gains in the local employment market support absorption of new units. Construction remains active, with 2024 likely to be the peak year for new deliveries before a slowing pace of starts eventually results in easing supply-side pressures.
- Rents have been mostly flat since the beginning of 2023. Asking rents decreased by 0.3 percent during the first quarter to \$1,495 per month but are up 0.7 percent year over year.
- Transaction volume in the Las Vegas multifamily market remained limited in recent months, and sales in the first quarter of 2024 lagged the 2023 pace. Prices have trended lower, particularly among Class C assets, while cap rates are ranging between 5.5 percent and 6.25 percent in most cases.
- Vacancy has stabilized during the past few quarters. The rate ended the first quarter at 6.7 percent, 10 basis points lower than one year earlier.

LAS VEGAS MULTIFAMILY MARKET OVERVIEW

Continued renter demand has supported operational performance in the Las Vegas multifamily market, despite an elevated pace of supply growth. While current vacancy levels are higher than the area's long-term trend, the rate has remained within a tight band in recent quarters, and appears to have largely stabilized following volatility in prior years. The vacancy rate in the first quarter was slightly lower than the figure from one year earlier. Rent growth tapered off during the past few quarters following rapid growth in the second half of 2021 and the first half of 2022. Still, current asking rents of \$1,495 per month are down just 2 percent from peaks posted in late 2022.

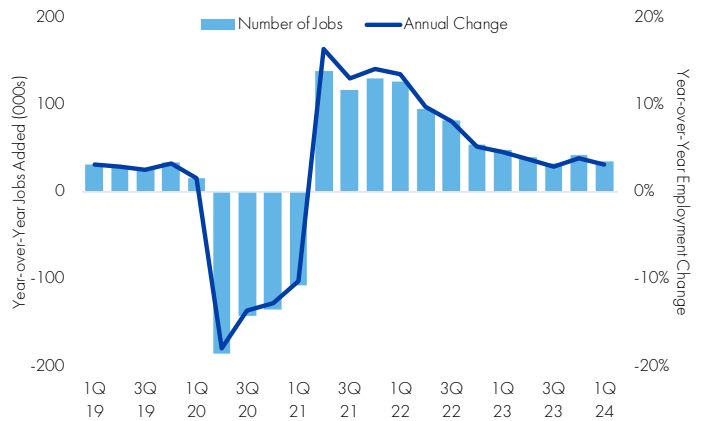
While multifamily property fundamentals have stabilized during the past few quarters, investors are taking a while longer to assess the state of the market. Transaction activity in Las Vegas slowed considerably in 2023, and was limited in the first quarter of this year. There has also been a wide range of per-unit pricing levels based on property quality and vintage in recent periods. Newer Class A assets still command pricing at \$260,000 per unit or higher, but the market's pricing floor has crept lower. Some older assets are now trading for \$100,000 per unit or less, levels that were very rarely reached when pricing peaked in 2021 and 2022.

EMPLOYMENT

- Area employers continued to add positions in the early months of 2024. Year over year, total employment expanded by 35,300 positions, an increase of 3.2 percent.
- Employers added new workers across a variety of industries during the past 12 months, with the region’s blue-collar sectors posting strong levels of growth. Year over year, the trade, transportation, and utilities sector added 6,700 positions, an increase of 3.3 percent, while the construction sector posted an increase of 4,600 workers—or more than 5 percent—during the same period.
- The Apex Industrial Park in North Las Vegas continues to draw new tenants. Crocs Footwear and Smith’s Grocery Store opened distribution centers at the Apex during the first quarter. The developer ultimately plans to deliver 11 million square feet at the project, which will likely result in thousands of new jobs at full build-out.
- **Forecast:** Growth in the local labor market is forecast to return closer to the market’s long-term trend in 2024 following a few years of rapid employment recovery. Area employers are expected to hire 22,500 new workers in 2024, an increase of 2 percent. Businesses are forecast to add 40,000 jobs in 2023, increasing total employment by 3.6 percent.

Year over year, employment expanded by 35,300 positions.

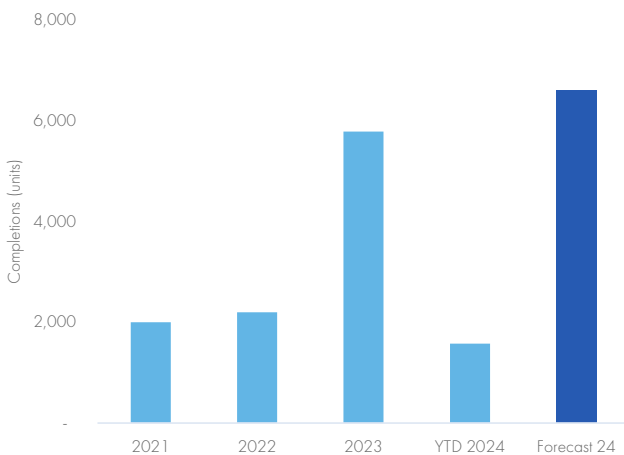
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Projects totaling nearly 1,600 units were delivered in the first quarter.

DEVELOPMENT TRENDS



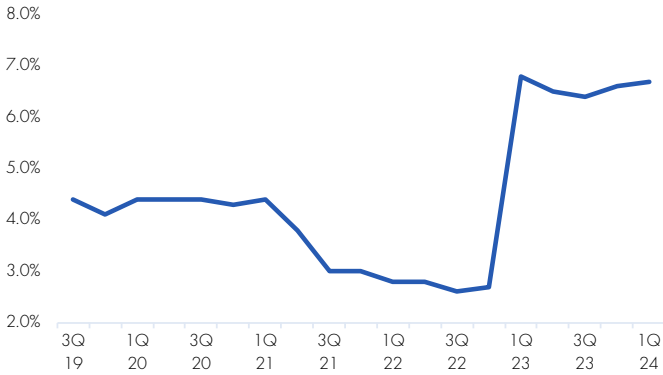
Sources: Northmarq, Reis, CoStar

DEVELOPMENT & PERMITTING

- Developers in Las Vegas continued to bring new projects online in the early months of 2024, but the pace was slower after a significant increase in new deliveries at the end of last year. Projects totaling nearly 1,600 units were delivered during the first quarter, down 25 percent from the previous period.
- The pipeline includes a few dozen projects that are currently under construction totaling more than 10,000 units. The Spring Valley and Henderson submarkets are top areas for new development. Combined, these two submarkets account for nearly 40 percent of the units currently under construction in the region.
- Following elevated levels in the closing quarter of 2023, multifamily permitting volumes slowed in recent months. Developers pulled permits for approximately 500 units during the first quarter, down more than 50 percent from the preceding quarter.
- **Forecast:** After nearly 5,800 units came online last year, the pace of deliveries is expected to remain elevated through the remainder of this year. Developers are expected to complete projects totaling approximately 6,600 units in 2024.

Vacancy rose 10 basis points during the first quarter.

VACANCY TRENDS



Sources: Northmarq, Reis, Yardi

VACANCY

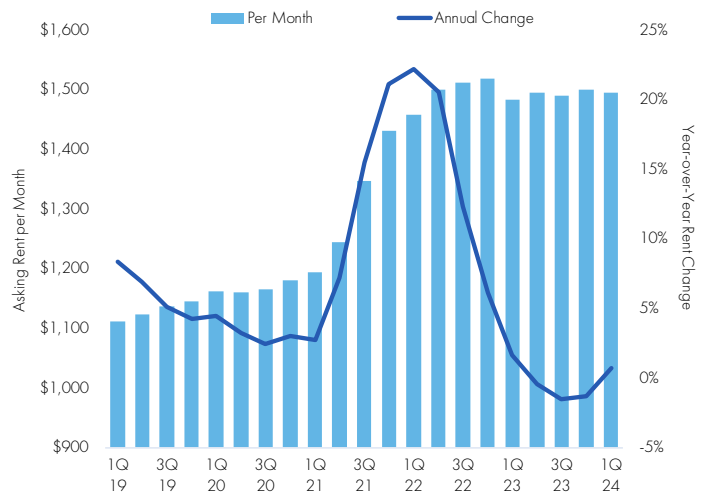
- Vacancy in Las Vegas inched higher in the first three months of this year. The rate rose 10 basis points during the first quarter to 6.7 percent.
- Since spiking in early 2023 due to the suspension of Clark County’s renter assistance program, the vacancy rate has operated in a tight band. Area vacancy is down 10 basis points during the past 12 months, but still above the area’s long-term average.
- After ranging between 3.5 percent and 5 percent for much of the past several years, Class A vacancies have settled in at a higher threshold for nearly two years. The vacancy rate in Class A units ended the first quarter at 6.5 percent, closely tracking levels since mid-2022.
- **Forecast:** Continued supply growth will apply upward pressure on vacancy conditions, but upticks in the coming quarters should be mild as renter demand remains strong. The vacancy rate is forecast to finish 2024 at 7 percent, up 40 basis points for the full year.

RENTS

- Rents inched lower in recent months after recording a slight uptick in the prior quarter. Asking rents in Las Vegas declined by 0.3 percent during the first quarter to \$1,495 per month.
- Year over year, asking rents are up 0.7 percent. While rent growth has tapered off in recent periods, long-term gains during the past few years have been substantial. As recently as 2021, asking rents were below \$1,200 per month.
- Rent trends were mostly flat across a number of submarkets during the past 12 months. The University submarket posted the strongest performance, recording a 2.3 percent increase during the past year; rents in the submarket reached \$1,162 per month in the first quarter.
- **Forecast:** Rents in Las Vegas are expected to trend higher in the coming quarters, but gains will be modest. Asking rents are forecast to rise 2 percent in 2024, finishing the year at \$1,530 per month.

Year over year, asking rents are up 0.7 percent.

RENT TRENDS



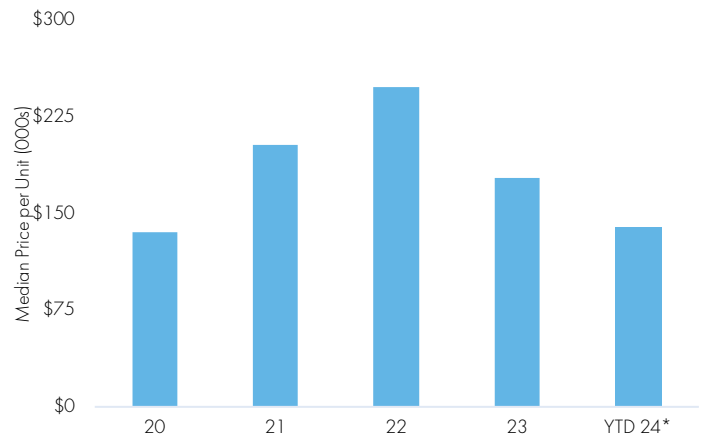
Sources: Northmarq, Reis

MULTIFAMILY SALES

- Transaction activity in Las Vegas has been volatile, surging in 2021 and 2022 before dropping off significantly last year. To this point in 2024, transaction counts have been minimal, and fewer properties traded in the first quarter than closed during the same period in 2023.
- With only a handful of properties changing hands in recent quarters, pricing trends have been inconsistent. In transactions that have closed during the past 12 months, the median price reached \$139,300 per unit.
- There has been a wide disparity in pricing in recent periods. Class A properties in Las Vegas have generally traded between \$260,000 per unit and \$350,000 per unit, with newer assets commanding the highest per-unit prices. Class B properties have sold between \$100,000 per unit and \$175,000 per unit, while Class C assets can trade below \$100,000 per unit in some instances.
- Cap rates have been averaging between 5.5 percent and 6.25 percent in transactions that have closed in recent periods. At the beginning of last year, cap rates were ranging between 4.75 percent and 5.25 percent.

Class A properties have traded between \$260,000 per unit and \$350,000 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar
* Transactions closed in the past 12 months

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

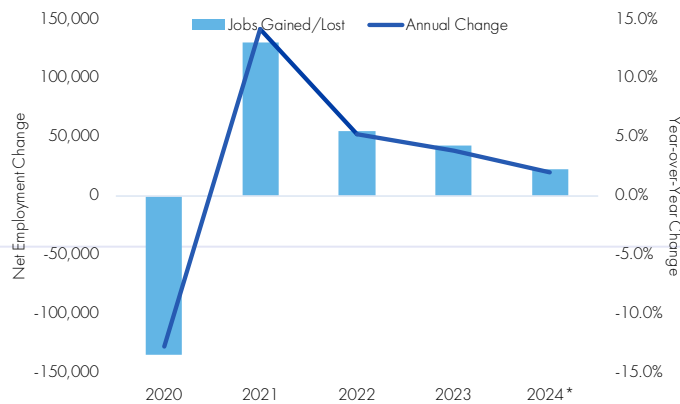
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Sun Garden Apartments	3649 Cecile Ave., Las Vegas	200	\$21,000,000	\$105,000

LOOKING AHEAD

Multifamily property fundamentals in Las Vegas should exhibit greater stability in 2024 than in recent years. While an active development pipeline will likely result in a second consecutive year of higher vacancy, a strong labor market should support renter demand and fuel absorption. With the local economy continuing to expand, some operators should be able to implement modest rent increases, although gains will likely lag the pace of inflation and may not keep up with rising operational costs. There will be supply-side pressures in the local market in 2024, with completions expected to total approximately 6,600 units this year. This total is higher than the long-term trend, and represents an increase from the 2023 figure, when projects totaling nearly 5,800 units were delivered.

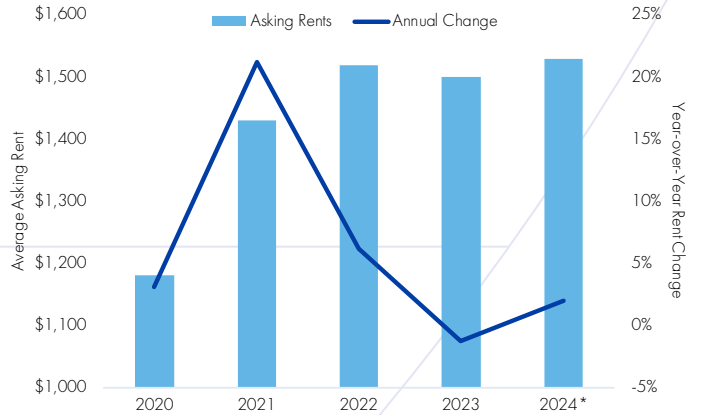
Sales activity in the Las Vegas multifamily market is expected to gain momentum in 2024. Throughout much of last year and the beginning of 2024, investors were taking a more cautious wait-and-see approach when evaluating acquisition opportunities. As this year progresses, more properties should come to the market and the fairly steady operational performance should facilitate transactions. Cap rates have likely trended high enough to support acquisitions, and any interest rate declines in the second half of the year would stimulate investor demand. Strong supply growth in recent quarters may also create some investor interest, but many of these properties may not become available for sale until 2025 or 2026.

EMPLOYMENT FORECAST



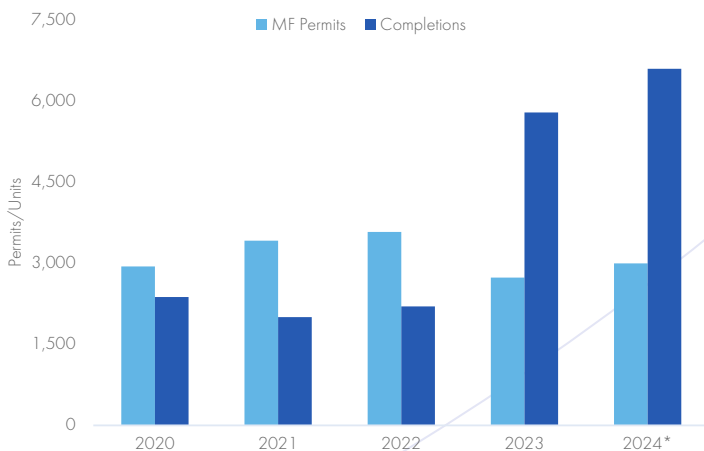
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

RENT FORECAST



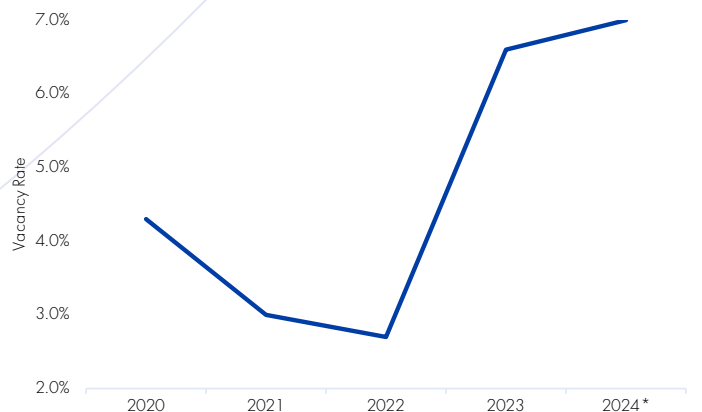
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, Reis, CoStar

VACANCY FORECAST



* Year End Forecast
Sources: Northmarq, Reis, Yardi



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