

Las Vegas Multifamily

Transaction Activity Spikes, Particularly in Larger Sales

Highlights

- > The Las Vegas multifamily market fared well in the first half of the year. Vacancy was flat and rents rose at a steady pace. New construction was limited after a very active past two years.
- > Vacancy in Las Vegas was flat from the first quarter to the second quarter, holding steady at 4.2 percent. The rate is 70 basis points higher than one year ago.
- > Asking rents have gained 6.9 percent year over year, reaching \$1,124 per month.
- > Multifamily property sales accelerated during the second quarter, with activity gaining momentum in larger assets. The median price in the first half of this year was \$153,200 per unit, while cap rates have averaged approximately 5 percent.

Las Vegas Multifamily Market Overview

The Las Vegas multifamily market had a strong first half of 2019. The vacancy rate leveled off after trending higher in recent years. One reason vacancy has been flat is the slowing pace of new construction. Developers delivered nearly 3,000 units in 2017 and almost 4,000 units in 2018, but only about 500 apartments came online in the first half of this year. There are several projects in the development pipeline, however, and construction is expected to pick up in the second half of the year. Even as construction picks up, renter demand is likely to be strong enough to drive a modest vacancy dip by year end.

Q2 Snapshot

Las Vegas Market



Market Fundamentals

Vacancy	4.2%
- Year Over Year Change	+70 bps
Asking Rent	\$1,124
- Year Over Year Change	+6.9%



Transaction Activity

Median Sales Price Per Unit (YTD)	\$153,200
Cap Rates (Avg YTD)	5.0%



Construction Activity

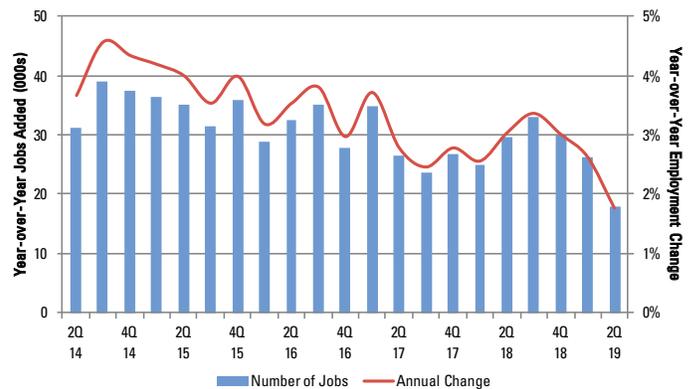
Units Under Construction	3,119
Units Delivered YTD	570

The investment transaction market has been active in Las Vegas for the past several quarters. Investors are responding to the market's robust renter demand drivers and rent growth that is among the strongest in the country. These conditions have fueled transaction activity and driven prices higher. The surge in activity has been best demonstrated in the sales of properties valued at \$100 million or more. Sales of these assets spiked during the second quarter. Cap rates have averaged approximately 5 percent thus far in 2019, having compressed in recent years due to heightened investor demand for properties.

Employment

- > The pace of employment growth has been fairly steady in recent years, but additions slowed in the first half of 2019. Year over year through the second quarter, employers in Las Vegas added 17,800 jobs, a 1.8 percent expansion. One year earlier, growth was averaging 3 percent.
- > The transportation and warehousing sector is expanding in Las Vegas. Cosmetics company Sephora USA opened a 715,000-square-foot distribution facility in the northwest portion of the metro area, a move that is expected to result in 460 new jobs in the years to come. The sector has expanded 3.1 percent during the past 12 months.
- > The bulk of the jobs that have been added in Las Vegas in recent quarters have been in high-wage, white-collar occupations. The professional and business services sector has added 5,200 jobs, a 3.7 percent addition.
- > **Forecast:** The Las Vegas employment market is on track to expand at a more modest pace in 2019 than in recent years. Employers are forecast to add 22,000 jobs this year, a gain of 2.2 percent.

Employment Overview



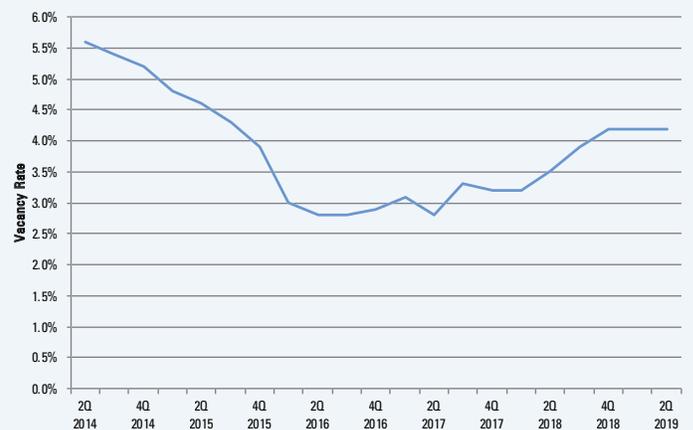
Sources: NorthMarq, Bureau of Labor Statistics

The bulk of the jobs that have been added in recent quarters have been in high-wage, white-collar occupations

Vacancy

- > Vacancy in Las Vegas was flat for the second straight quarter, holding steady at 4.2 percent. The vacancy rate rose 30 basis points in the first half of 2018 but was flat in the first half of this year.
- > While vacancy is unchanged thus far in 2019, the rate is up 70 basis points from one year ago. Vacancy rose in the second half of last year, when developers delivered nearly 2,000 new units to the market.
- > Vacancy in Class A apartments inched down 10 basis points in the second quarter, following a 20-basis-point dip in the first quarter. The vacancy rate in Class A properties ended the first half at 4.6 percent.
- > **Forecast:** With fewer units coming online in 2019 than in the past two years, vacancy in Las Vegas is forecast to dip 20 basis points this year, retreating to 4 percent.

Vacancy Trends



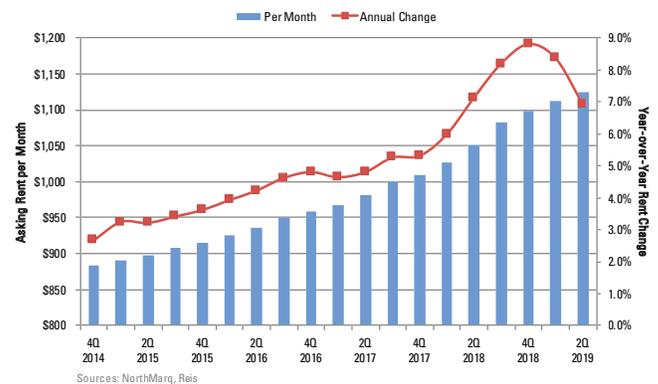
Sources: NorthMarq, Reis

Vacancy in Las Vegas was flat for the second straight quarter

Rents

- > Rents continue to advance at a healthy clip. Asking rents in Las Vegas rose 6.9 percent year over year through the second quarter, reaching \$1,124 per month. One year earlier, asking rents had advanced 7.1 percent.
- > Rent growth has been strong, but the gains were more robust a few quarters ago. During the first half, asking rents rose 2.3 percent, compared to a 4.1 percent increase in the first half of 2018.
- > Rents in mid- and lower-tier apartments have been on the rise. The combined average asking rent in Class B and Class C properties is up 7.2 percent year over year at \$940 per month.
- > **Forecast:** The Las Vegas area is forecast to post healthy rent growth in 2019. Asking rents are expected to increase 5.5 percent for the year, reaching \$1,160 per month.

Rent Trends

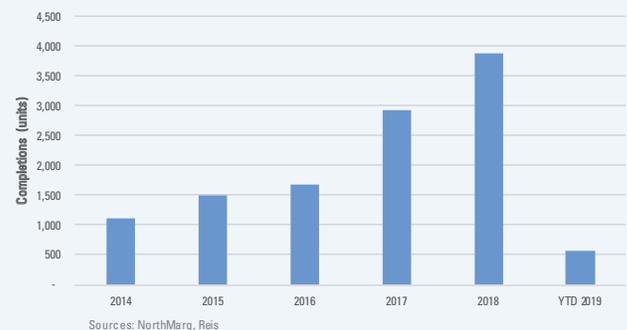


The combined average asking rent in Class B and Class C properties is up 7.2 percent year over year

Development and Permitting

- > The pace of deliveries slowed in the first half of the year. Projects totaling 570 units came online in the first half. This is the slowest start for new development in more than five years. In the first half of 2018, nearly 2,000 apartment units were delivered.
- > Strong apartment property performance and steady population growth are fueling construction activity. More than 3,100 units are currently under construction, with nearly 1,500 units scheduled to come online in the second half of the year.
- > Permitting picked up in the second quarter, with developers pulling permits for more than 1,300 units. In the first half of the year, permits for more than 2,200 multifamily units have been pulled, up 50 percent from the same period in 2018.
- > **Forecast:** After developers delivered more than 3,800 apartment units in 2018, completions are forecast to total approximately 2,200 units this year.

Development Trends



More than 3,100 units are currently under construction

Multifamily Sales

- > Transaction activity gained momentum during the second quarter, nearly doubling levels from the first quarter. The number of properties sold in the first half of this year was nearly identical to the total from the first half of 2018.
- > The median price during the first half of the year was approximately \$153,200 per unit, up more than 40 percent from the median price in 2018. The robust rent growth in the market is supporting price increases throughout Las Vegas.
- > Cap rates averaged approximately 5 percent in the first half, down 20 basis points from the 2018 average. Cap rates have remained in a fairly tight range since the beginning of 2018, although they were slightly higher in the second quarter than during the first quarter.

Investment Trends



Sources: NorthMarq, CoStar

The median price during the first half of the year was up more than 40 percent from the median price in 2018

Recent Transactions in the Market

MULTIFAMILY SALES ACTIVITY

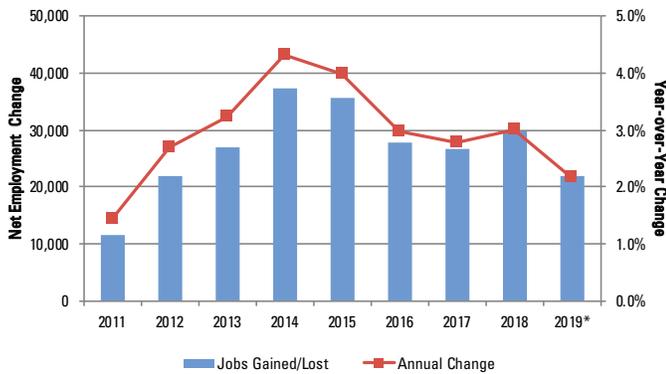
Property Name	Street Address	Units	Sales Price	Price/Unit
Allanza at the Lakes	8600 Starboard Dr., Las Vegas	896	\$152,000,000	\$169,643
Mirasol & Fairways on Green Valley	2180 E Warm Springs Rd. & 1851 N Green Valley Pkwy.	720	\$140,200,000	\$194,722
3-Property Portfolio	Las Vegas/North Las Vegas	1,194	\$137,500,000	\$115,159
Evolve	3140 St Rose Pkwy., Las Vegas	426	\$98,841,000	\$232,021
Villas at Green Valley	2362 N Green Valley Pkwy., Henderson	609	\$97,250,000	\$159,688
The Edge at Traverse Point	1131 Wigwam Pkwy., Henderson	296	\$60,680,000	\$205,000
Element	8450 W Charleston Blvd., Las Vegas	200	\$41,750,000	\$208,750

Looking Ahead

The outlook for the Las Vegas multifamily market remains favorable. The vacancy rate steadied during the first half of the year and is forecast to tighten slightly by year end, after supply-side pressures caused the rate to inch higher in recent years. With vacancy flat and expected to tighten, operators should be able to continue to implement rent increases. Rents in Las Vegas have been posting strong gains, although the pace cooled in the first half of this year. A faster pace of growth is forecast for the second half of the year.

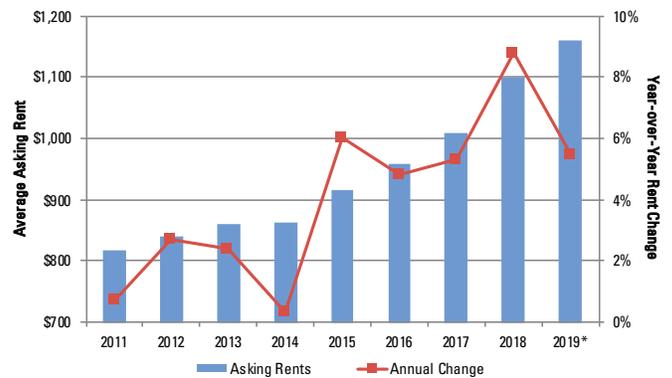
Strengthening property fundamentals are fueling momentum in the local investment market. The number of properties changing hands is increasing, and prices are pushing higher. The trend that emerged during the first half of 2019 was the sale of larger assets. Approximately 20 percent of property sales during the second quarter changed hands at more than \$100 million, with a handful of additional transactions checking in above \$90 million. The likelihood is average transaction sizes will decline in the second half of the year.

Employment Forecast



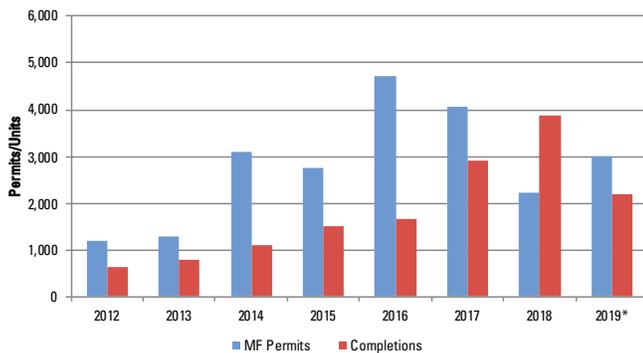
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



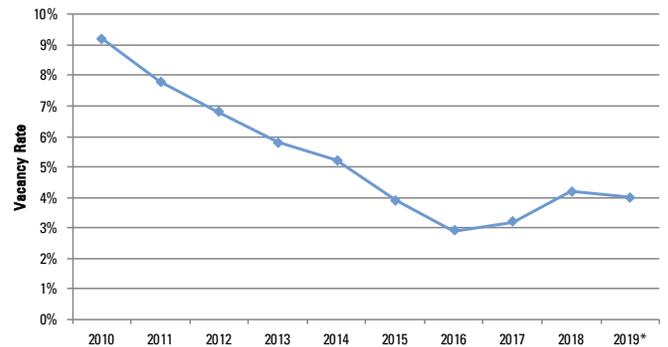
* Year End Forecast
Sources: NorthMarq, Reis

Construction & Permitting Forecast



* Year End Forecast
Sources: NorthMarq, Census Bureau, Reis

Vacancy Forecast



* Year End Forecast
Sources: NorthMarq, Reis

About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of \$13 billion, loan servicing portfolio to more than \$57 billion and the multi-year tenure of our more than 550 people.

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