

Las Vegas Multifamily




Prices Rose and Cap Rates Compressed in 2019

Highlights

- > The Las Vegas multifamily market had a steady year in 2019, with a strong year of hiring supporting renter demand for apartments.
- > Vacancy is up 30 basis points year over year, reaching 4.4 percent. The rate is lower in Class B and Class C units but has crept higher in Class A properties.
- > Asking rents are up 5.2 percent in the past 12 months, reaching \$1,138 per month. Annual rent growth has exceeded 5 percent in each of the past nine quarters.
- > The investment market strengthened in 2019. Sales velocity accelerated, prices rose, and cap rates compressed. The median price topped \$150,000 per unit, while cap rates averaged approximately 5 percent.

Las Vegas Multifamily Market Overview

The Las Vegas multifamily market posted mostly steady performance throughout much of 2019. Renter demand was supported by a strong pace of hiring across several key industries in Las Vegas, including construction, leisure and hospitality, and financial services. Absorption of apartments accelerated in the second half of the year, setting the stage for continued demand in 2020. On the supply side, the number of apartment units delivered in 2019 was nearly half of the 2018 total, limiting some of the competitive impact of new construction.

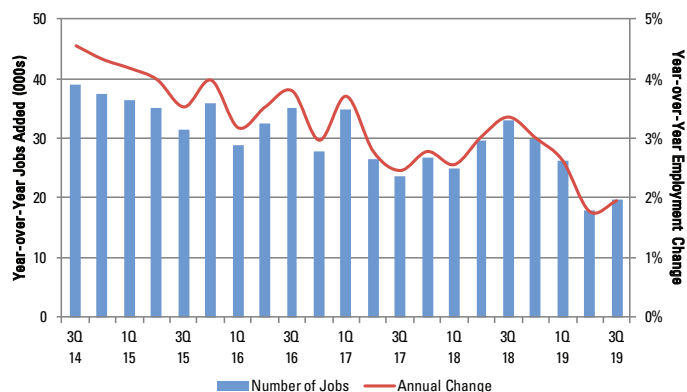
Q3 Snapshot	Las Vegas Market
 Market Fundamentals	Vacancy 4.4%
	- Year Over Year Change +30 bps
	Asking Rent \$1,138
	- Year Over Year Change +5.2%
 Transaction Activity	Median Sales Price Per Unit (YTD) \$153,300
	Cap Rates (Avg YTD) 5.0%
 Construction Activity	Units Under Construction 4,418
	Units Delivered YTD 932

The multifamily investment market was very active in the second half of 2019, with an increase in the number of larger transactions closing. This reflects the operational strength in the market, the favorable outlook, and the positive investor sentiment. Per-unit prices spiked by more than 40 percent in 2019 while cap rates compressed slightly. Cap rates averaged approximately 5 percent for the year, with lower average rates during the second half of the year.

Employment

- > The pace of hiring gained momentum in Las Vegas during the second half of the year. Year over year through the third quarter, total employment in Las Vegas had expanded by 2 percent with the addition of nearly 20,000 net new jobs.
- > During the third quarter, employers added 12,000 local jobs. This marked the strongest single quarter of employment gains in nearly five years.
- > The region's large leisure and hospitality sector has been driving local employment growth. The sector added 7,600 new jobs in the past year, a 2.6 percent expansion. Visitor volume is strong, fueling demand for workers. Hotel room occupancy rates were on pace to hit a 12-year high in 2019.
- > **Forecast:** The Las Vegas employment market was on track to add 28,000 new jobs in 2019 and preliminary forecasts for 2020 call for additions of approximately 25,000 additional positions.

Employment Overview

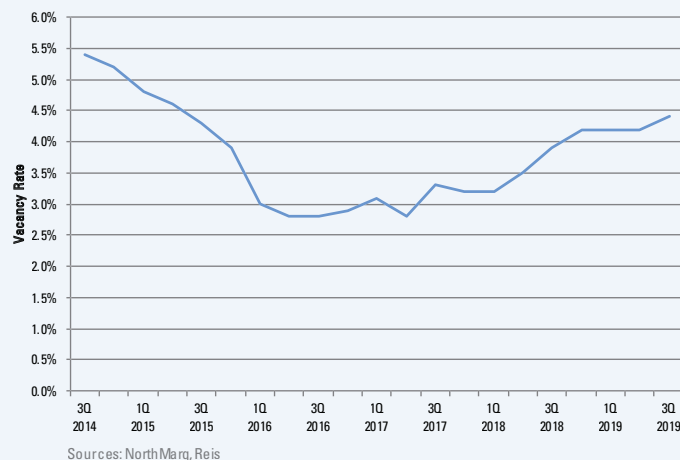


The region's large leisure and hospitality sector has been driving local employment growth

Vacancy

- > After the rate held steady for a few straight quarters, vacancy in Las Vegas rose 20 basis points in the third quarter, reaching 4.4 percent.
- > Vacancy is up 30 basis points year over year. Much of the vacancy increase is attributable to new supply that came online in 2018. The pace of the new construction slowed in 2019 and is expected to be modest in the coming quarters.
- > The combined vacancy rate in Class B and Class C units dipped during the third quarter, retreating to 3.9 percent. Vacancy outside of the Class A segment has averaged 3.8 percent during the past year.
- > **Forecast:** Vacancy was forecast to end 2019 at 4.3 percent, setting the stage for a modest vacancy decline in 2020. The preliminary estimate is for vacancy to dip 20 basis points in 2020.

Vacancy Trends

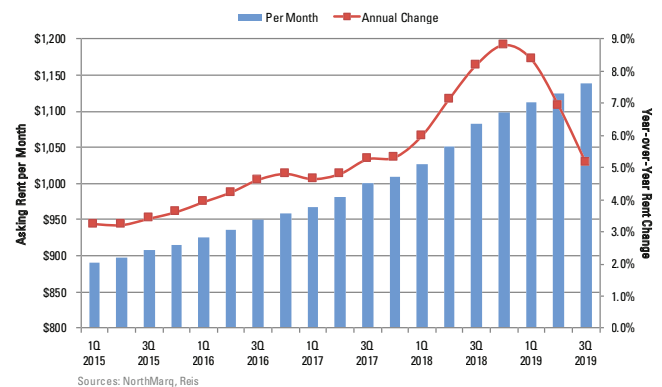


Vacancy outside of the Class A segment has averaged 3.8 percent during the past year

Rents

- > Quarterly rent increases in 2019 were very consistent, averaging 1.2 percent per quarter. Asking rents rose 3.5 percent year to date through the first three quarters of the year.
- > Asking rents ended the third quarter at \$1,138 per month, up 5.2 percent from one year earlier. Annual rent growth has exceeded 5 percent in each of the past nine quarters; during this time, asking rents have spiked by nearly \$150 per month.
- > Rent growth in the Henderson submarket has slowed somewhat in recent quarters; asking rents in Henderson are up just 3.3 percent year over year as existing properties face increased competition from new units. In most of the submarkets located inside the city of Las Vegas, annual rent growth is above 6 percent.
- > **Forecast:** Rent growth in Las Vegas was on pace to top 5 percent in 2019, and a gain of more than 6 percent is forecast for the coming year. By the end of 2020, average asking rents in Las Vegas are forecast to reach \$1,225 per month.

Rent Trends

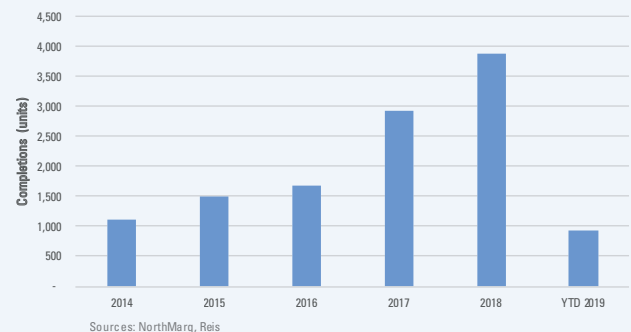


By the end of 2020, average asking rents in Las Vegas are forecast to reach \$1,225 per month

Development and Permitting

- > Through the first three quarters of 2019, developers brought projects totaling approximately 930 new units online. During the same period in 2018, builders completed more than 3,000 units.
- > Projects totaling more than 4,400 units were under construction at the end the third quarter, as a few new projects broke ground. Nearly half of the units that are currently under construction are located in the Henderson submarket.
- > Following a very active first half of the year, when developers pulled permits for more than 2,200 multifamily units, activity slowed in the third quarter. Permits for approximately 425 multifamily units were pulled in the third quarter, and early estimates put the total for the fourth quarter at approximately 750 permits. Multifamily permitting was up approximately 50 percent from 2018 to 2019.
- > **Forecast:** Multifamily developers were scheduled to deliver approximately 2,000 new apartment units in 2019, and the pipeline shows nearly 2,500 units slated to come online in 2020. The cyclical high for deliveries was 2018, when nearly 3,900 units came online.

Development Trends

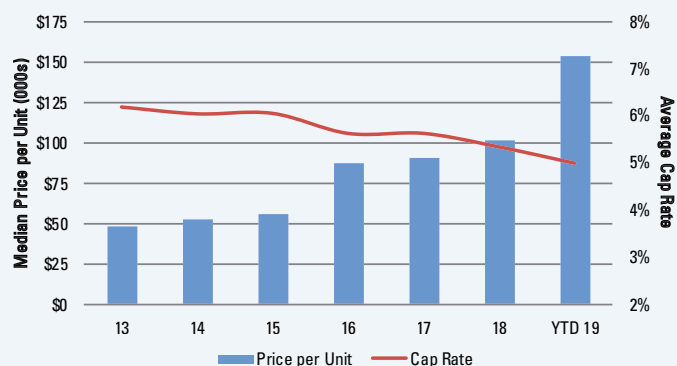


Nearly half of the units that are currently under construction are located in the Henderson submarket

Multifamily Sales

- > Transaction activity gained momentum during the second half of 2019, and sales velocity grew 10 percent from 2018 to 2019.
- > Prices spiked in 2019, with the median price reaching \$153,300 per unit in 2019, up more than 40 percent from the median price in 2018. Approximately 25 percent of all transactions sold for more than \$200,000 per unit.
- > Cap rates averaged approximately 5 percent in 2019, down 20 basis points from 2018 levels.

Investment Trends



Sources: NorthMarq, CoStar

Prices spiked in 2019, with the median price reaching \$153,300 per unit

Recent Transactions in the Market

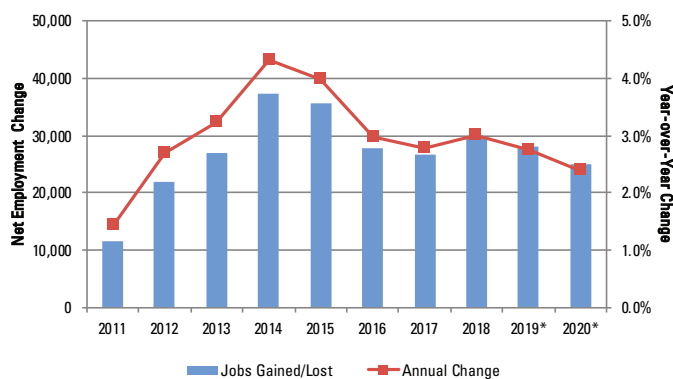
MULTIFAMILY SALES ACTIVITY				
Property Name	Street Address	Units	Sales Price	Price/Unit
Evo	8760 W Patrick Lane, Las Vegas	376	\$104,500,000	\$277,925
Lofts at 7100	7100 Grand Montecito, Las Vegas	379	\$80,000,000	\$211,082
80 on Gibson	80 S Gibson Rd., Henderson	308	\$70,000,000	\$227,273
Sandpiper	4650 W Oakley Blvd., Las Vegas	488	\$66,000,000	\$135,246
South Valley Ranch	701 Aspen Peak Loop, Henderson	292	\$54,500,000	\$186,644
Portola del Sol	1915 Simmons St., Las Vegas	350	\$52,000,000	\$148,571
Las Vegas Grand	818 E Flamingo Rd., Las Vegas	212	\$47,600,000	\$224,528

Looking Ahead

The Las Vegas multifamily market is positioned for a strong 2020. Demand drivers are healthy, with some of the market's largest industries expanding. One measure of the local economy's strength is the growth in the local construction sector. Employment in the sector was expected to post a double-digit rate of growth in 2019, with the addition of more than 10,000 new positions. In addition to an active development pipeline for residential communities, there are dozens of industrial projects under construction, totaling more than 5 million square feet.

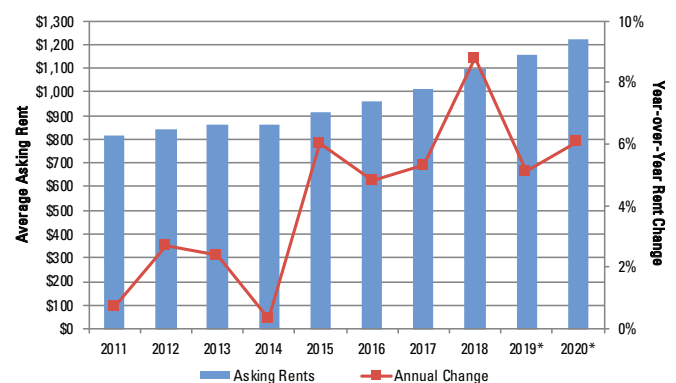
Investor demand for multifamily properties in Las Vegas is rising. Sales velocity gained momentum in 2019, and the increases were most dramatic in property sales of more than \$100 million. Several newer, Class A properties changed hands in the second half of 2019, bringing up the median sales price. With property sales occurring across the quality spectrum, the year ahead should remain quite active, particularly as vacancy tightens and rent growth regains momentum.

Employment Forecast



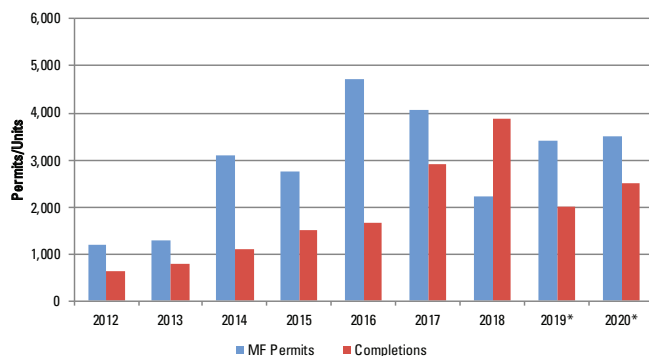
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



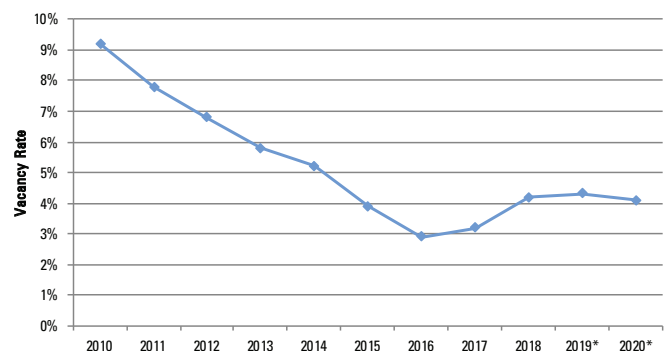
* Year End Forecast
Sources: NorthMarq, Reis

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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