

# Las Vegas Multifamily

## Sales Prices Rise as Velocity Accelerates

### Highlights

- > The Las Vegas multifamily market strengthened during the fourth quarter. Vacancy tightened late in the year, while the investment market gained momentum throughout 2019.
- > Vacancy dipped 30 basis points in the fourth quarter, falling to 4.1 percent. The rate dropped 10 basis points for the full year.
- > Rent growth has been very strong in Las Vegas during the past several years, but the pace slowed during the second half of 2019. Asking rents rose 4.3 percent for the year, reaching \$1,146 per month.
- > The investment market strengthened in 2019. Sales velocity accelerated, particularly during the fourth quarter as 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 in 2019, with some of the best performance recorded late in the year. Renter demand was supported by continued employment growth, which accelerated in the second half of the year. Employers have added more than 100,000 new jobs in the past four years, and further gains are scheduled for 2020. With the labor market expanding, Las Vegas is forecast to continue to attract new residents from other markets; the market's available apartment properties will likely serve as the first housing option for a sizeable share of the new households.

### Q4 Snapshot

### Las Vegas Market



#### Market Fundamentals

Vacancy .....	<b>4.1%</b>
- Year Over Year Change .....	<b>-10 bps</b>
Asking Rent .....	<b>\$1,146</b>
- Year Over Year Change .....	<b>+4.3%</b>



#### Transaction Activity

Median Sales Price Per Unit (YTD) .....	<b>\$154,800</b>
Cap Rates (Avg YTD) .....	<b>4.9%</b>



#### Construction Activity

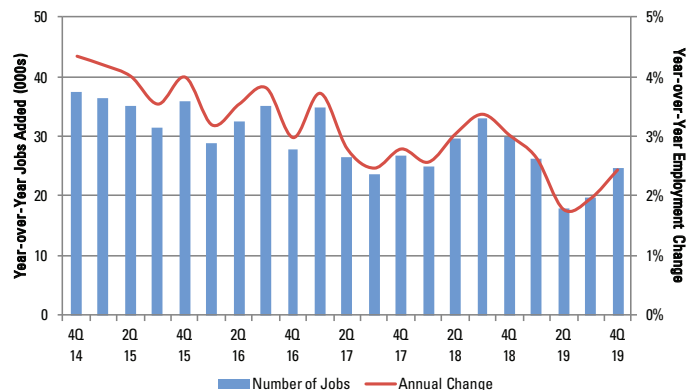
Units Under Construction .....	<b>4,240</b>
Units Delivered YTD .....	<b>3,153</b>

The strength of investor demand for multifamily properties in Las Vegas was on display in 2019, particularly during the fourth quarter. While many major markets recorded fewer sales in the past year, transaction activity rose 15 percent in Las Vegas, fueled by a sales velocity spike in the final few months of the year. Per-unit prices spiked by more than 40 percent in 2019, while cap rates compressed slightly. Cap rates compressed 40 basis points, averaging just 4.9 percent for the year.

## Employment

- > After a slower start to the year, employment growth in Las Vegas gained momentum in the second half. In 2019, employers added 24,800 new jobs, a 2.4 percent expansion of local payrolls.
- > White-collar employment growth accelerated in Las Vegas in 2019. The financial activities and professional and business services sectors combined to add 8,700 net new jobs in 2019. This represented an annual increase of 4.3 percent in these traditionally high-wage sectors.
- > The local manufacturing employment base is fairly small, but it has been expanding at a rapid pace in recent years as Las Vegas has become an increasingly attractive industrial market for companies looking to leave more expensive Southern California markets. Manufacturing employment has expanded by more than 4 percent in each of the past three years. In 2019, 1,200 new manufacturing jobs were added.
- > **Forecast:** Employment growth in Las Vegas in 2020 is forecast to closely track the pace of expansion recorded in 2019. Employers are expected to add 25,000 net new jobs this year, a 2.4 percent gain.

## Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

*White-collar employment growth accelerated in Las Vegas in 2019*

## Vacancy

- > Vacancy fell 30 basis points in the fourth quarter, retreating to 4.1 percent. This marked the lowest vacancy rate in the market since the third quarter of 2018.
- > Vacancy dipped 10 basis points from 2018 to 2019, the first annual vacancy drop since 2016. The rate has generally settled into the low-4-percent range over the past several quarters.
- > Vacancy in Class A apartments declined 40 basis points in 2019, ending the year at 4.4 percent. Renter demand has been particularly strong for the Las Vegas area's highest-quality properties. Net absorption of Class A units has averaged more than 2,200 units per year since 2015.
- > **Forecast:** With demand likely to remain strong, vacancy is forecast to dip 20 basis points in 2020, retreating to 3.9 percent.

## Vacancy Trends



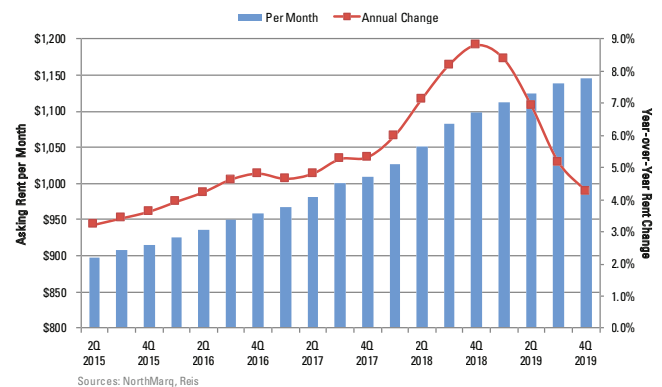
Sources: NorthMarq, Reis

*Vacancy fell 30 basis points in the fourth quarter, retreating to 4.1 percent*

## Rents

- > Rents rose in the fourth quarter but at a slower pace than in recent quarters. Asking rents rose just 0.5 percent during the fourth quarter, after quarterly rent increases averaged approximately 1.5 percent since the beginning of 2015. With vacancy tightening, rents should have room to rise in the coming quarters.
- > Asking rents ended 2019 at \$1,146 per month, up 4.3 percent from one year earlier. The Las Vegas market has been averaging some of the strongest rent growth in the country for the past few years.
- > The strongest rent gains in the market in 2019 occurred in Class B and Class C properties. Average asking rents in the mid-tier and lower-tier properties rose 4.9 percent in 2019.
- > **Forecast:** Asking rents in Las Vegas are forecast to rise approximately 5 percent in 2020, topping \$1,200 per month.

## Rent Trends

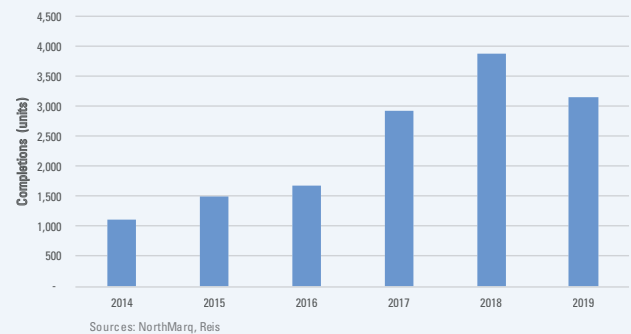


*The strongest rent gains in the market in 2019 occurred in Class B and Class C properties*

## Development and Permitting

- > Multifamily development was active in 2019, with projects totaling more than 3,100 units coming online. Since the beginning of 2018, more than 7,000 units have been delivered.
- > With the local population expanding, demand is healthy, prompting new development. More than 4,200 units were under construction as of year-end 2019.
- > Multifamily permitting slowed in Las Vegas during the second half of the year. Permits totaling approximately 3,100 multifamily units were issued in 2019, but permits for fewer than 900 units were issued in the second half of the year.
- > **Forecast:** Projects totaling approximately 3,000 apartment units are forecast to be delivered in Las Vegas in 2020. Development is expected to be concentrated in the Henderson area, where nearly 2,000 units are slated to come online.

## Development Trends

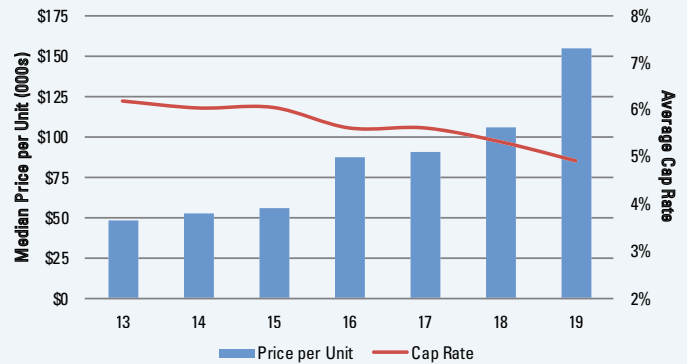


*More than 4,200 units were under construction as of year-end 2019*

## Multifamily Sales

- > Sales of apartment properties accelerated to close 2019. Investment activity rose by approximately 50 percent from the third quarter to the fourth quarter. For the full year, the number of properties that sold in 2019 was up 15 percent from the 2018 total.
- > The median price in 2019 was \$154,800 per unit, 45 percent higher than the median price in 2018. Pricing was very consistent throughout 2019; the median price was approximately \$150,000 per unit in three of the four quarters of the year.
- > Cap rates dipped 40 basis points in 2019, falling to an average of 4.9 percent. Cap rates have compressed in each of the past three years.

## Investment Trends



Sources: NorthMarq, CoStar

*Cap rates dipped 40 basis points in 2019, falling to 4.9 percent*

## Recent Transactions in the Market

### MULTIFAMILY SALES ACTIVITY

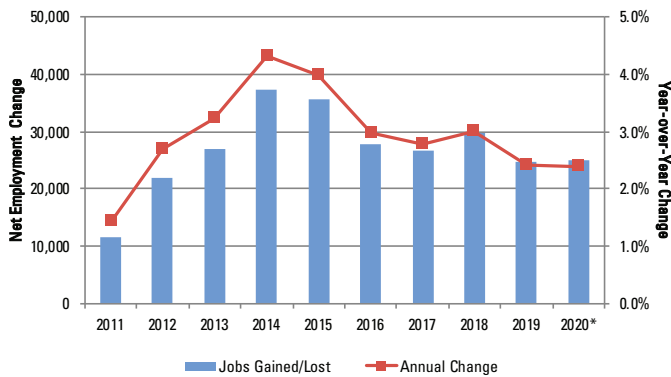
Property Name	Street Address	Units	Sales Price	Price/Unit
3 Property Portfolio	Multiple	1,163	\$241,000,000	\$207,223
Elysian at Flamingo	4150 S Hualapai Way, Las Vegas	360	\$104,600,000	\$290,556
Evo	8760 W Patrick Lane, Las Vegas	376	\$104,500,000	\$277,925
Bridges on Tropicana	6255 W Tropicana Ave., Las Vegas	512	\$78,500,000	\$153,320
Sandpiper	4650 W Oakley Blvd., Las Vegas	488	\$66,000,000	\$135,246
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 employment growth occurring across a wide range of industries and strong gains in the market's key industries. One measure of the local economy's strength is the growth in the local leisure and hospitality sector, where the pace of growth doubled from 2018 to 2019. Employment in the sector expanded by more than 7,000 employees, and further gains are forecast for 2020.

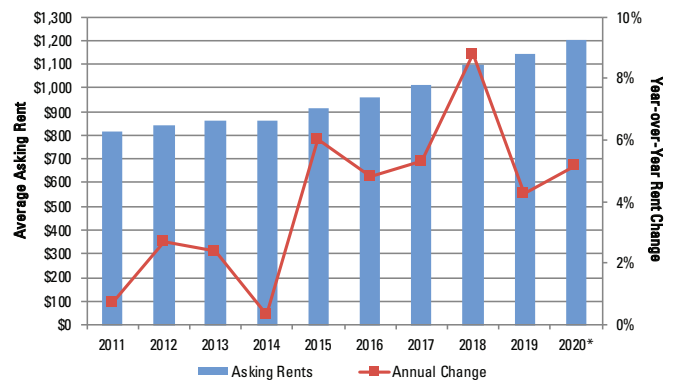
Investor demand for multifamily properties in Las Vegas is on the rise. Sales velocity gained momentum in 2019, particularly at the end of the year. Increases in activity were most dramatic in property sales of more than \$100 million. Several newer, Class A properties changed hands in the second half 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



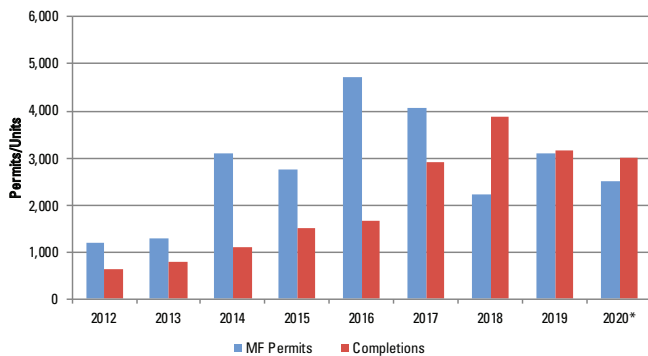
\* Year End Forecast  
Sources: NorthMarq, Bureau of Labor Statistics

### Rent Forecast



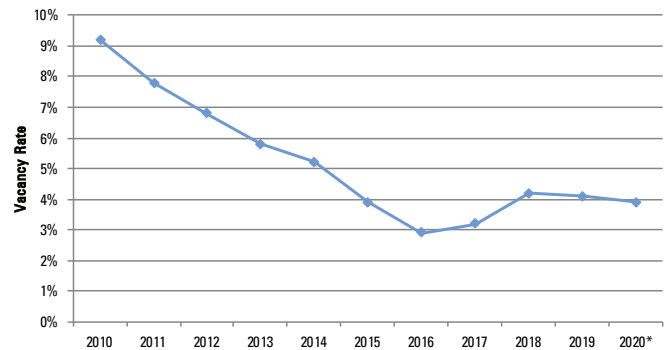
\* Year End Forecast  
Sources: NorthMarq, Reis

### 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 \$14 billion, loan servicing portfolio of more than \$61 billion and the multi-year tenure of our nearly 600 people.

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