

Las Vegas Multifamily

Apartment Market Performs, Despite Steep Job Losses

Highlights

- > The Las Vegas economy dealt with economic turbulence in 2020, but the multifamily market continued to post strong performance. Vacancies remained largely in check, and rents posted steady gains.
- > After rising in the first quarter, vacancy stabilized for the remainder of the year. The local vacancy rate finished 2020 at 4.3 percent, up just 20 basis points from the end of 2019. Vacancy rates inched down 10 basis points in the fourth quarter.
- > Apartment rents increased 3.1 percent during 2020, propelled by price hikes in the first and fourth quarters. Local asking rents finished the year at \$1,181 per month.
- > The Las Vegas investment market delivered a mixed performance in 2020. The coronavirus weakened deal flow significantly in the first half of the year, but the decline in activity did not affect valuations. Prices recorded a slight increase from 2019, while cap rates compressed, averaging 4.7 percent in 2020.

Q4 Snapshot

Las Vegas Market



Market Fundamentals

Vacancy	4.3%
- Year Over Year Change	+20 bps
Asking Rent	\$1,181
- Year Over Year Change	+3.1%



Transaction Activity

Median Sales Price Per Unit (YTD)	\$160,200
Cap Rates (Avg YTD)	4.7%



Construction Activity

Units Under Construction	3,102
Units Delivered YTD	1,552

Las Vegas Multifamily Market Overview

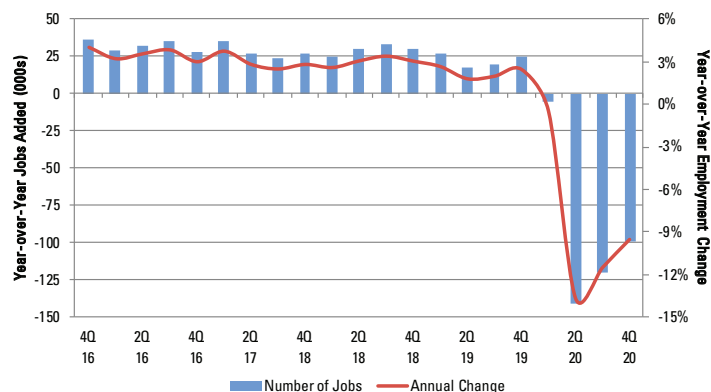
The Las Vegas multifamily market performed surprisingly well in 2020, given the considerable stress in the local employment market. The market has been supported by healthy population growth in recent years, and the area continued to attract new residents even with the pandemic's impact. Renter demand was fairly steady all year, although net absorption lagged totals from 2018 and 2019. With casinos and resorts a mainstay of the local economy, Las Vegas will receive a substantial boost from the vaccine's broader distribution and removal of capacity limits.

Investment activity steadily ramped up beginning in the second half of 2020. Recent sales velocity has not yet returned to average levels, but more transactions were closing at the end of the year than at the beginning of 2020. In deals that closed, investor sentiment about the market's long-term outlook remained positive. The median sales price inched higher, and cap rates compressed 20 basis points from 2019. Transaction activity is expected to continue the positive momentum and accelerate in 2021.

Employment

- > The Las Vegas economy was among the hardest hit by the coronavirus outbreak, due to the region's dependence on tourism. At the end of 2020, casinos and resorts had reopened but were still operating at limited capacity. While employers have been bringing back workers since May, total employment contracted 9.5 percent in 2020, with the loss of nearly 100,000 jobs.
- > At the beginning of 2020, employment in the leisure and hospitality sector accounted for nearly 28 percent of all jobs in Las Vegas. Following the shutdown of the economy, more than 60 percent of job losses in 2020 came from this industry. As the economy more fully reopens, the pace of recovery in leisure and hospitality will likely determine the rate and degree of the overall recovery in the local labor market.
- > Transportation and logistics, the second-largest industry in Las Vegas, has been a source of stability in 2020 with the rise of e-commerce. After a recovery in the second half of 2020, employment in the trade, transportation, and utilities sector is down less than 1 percent year over year.
- > **Forecast:** Employment levels are expected to surge in 2021 as the widespread distribution of the vaccine should allow for a full reopening of Las Vegas's tourism-dependent economy by the end of the year. In 2021, employers are expected to add back approximately 50,000 net jobs, representing an annual gain of more than 5 percent.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

In 2021, employers are expected to add back approximately 50,000 net jobs

Vacancy

- > Apartment vacancy in Las Vegas remained low throughout 2020, despite weak labor conditions. The vacancy rate ended the fourth quarter at 4.3 percent, just 20 basis points higher than one year earlier. The rate dipped 10 basis points from the third quarter to the fourth quarter.
- > A slowing pace of new development limited supply-side pressures in 2020, and vacancy in local Class A buildings outperformed. The average vacancy rate in Class A properties dipped 10 basis points in 2020 to 4.6 percent.
- > The Las Vegas area continued to attract new residents in 2020, supporting renter demand for apartments. Net absorption totaled more than 1,500 apartment units in 2020, with the strongest totals recorded in the second half of the year. Net absorption averaged 2,250 units per year from 2017 to 2019.
- > **Forecast:** Economic growth is forecast to accelerate in 2020, supporting renter demand and pushing the local vacancy rate lower. Vacancy is forecast to decline 20 basis points in 2021, ending the year at 4.1 percent.

Vacancy Trends



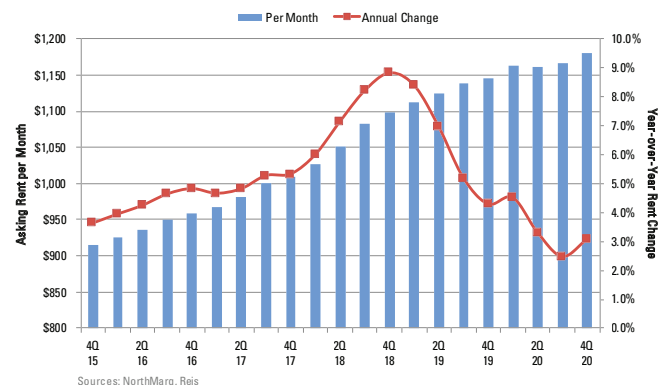
Sources: NorthMarq, Reis

Net absorption totaled more than 1,500 apartment units in 2020, with the strongest totals recorded in the second half

Rents

- > After leveling off in the middle two quarters of 2020, rent growth accelerated to close the year. Apartment rents rose 1.3 percent in the fourth quarter, reaching \$1,181 per month.
- > With vacancy holding steady for much of the year, rents rose in 2020. Local asking rents advanced 3.1 percent year over year.
- > The Spring Valley submarket posted some of the strongest rent growth in 2020. Asking rents in the submarket rose 4.2 percent for the year, reaching \$1,113 per month. With several projects planned for the submarket, local rents could push higher as new product comes online.
- > **Forecast:** Rent growth in Las Vegas outperformed expectations in 2020 and should continue to post gains in the year ahead. Local asking rents are forecast to rise approximately 4 percent in 2021, reaching \$1,230 per month.

Rent Trends

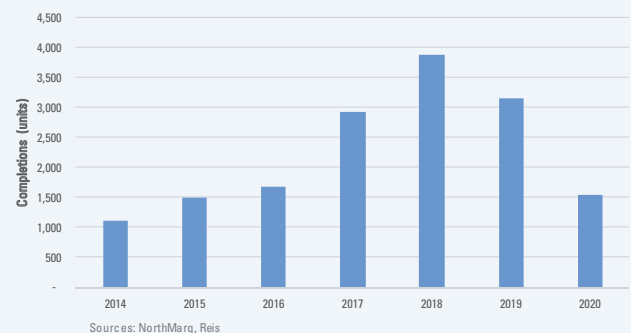


Local asking rents advanced 3.1 percent in 2020

Development and Permitting

- > Apartment construction was modest throughout the year, and completions in 2020 were only about half the annual average total from recent years. Developers brought approximately 1,550 multifamily units online in 2020, the lowest total since 2015.
- > Projects totaling approximately 3,100 apartment units are under construction in Las Vegas, down more than 25 percent from levels at the end of 2019. The West Las Vegas submarket accounts for more than 40 percent of the ongoing construction, the largest share in the metro area.
- > Multifamily permitting picked up in the final period of the year. In the fourth quarter, developers pulled permits for approximately 1,000 apartment units, bringing the 2020 full-year total to over 2,900 units.
- > **Forecast:** After the pace of construction slowed in 2020, activity is forecast to accelerate in the coming quarters. Multifamily developers are forecast to deliver more than 2,100 units in 2021.

Development Trends

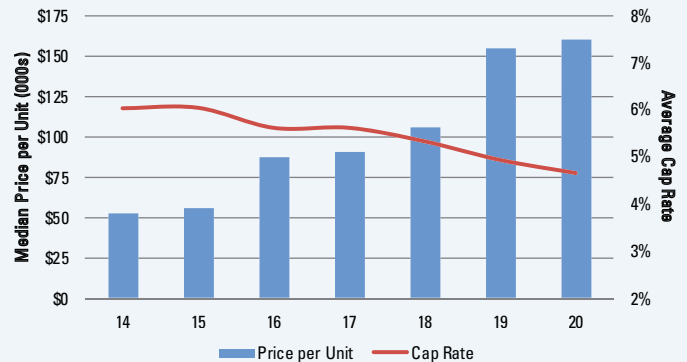


Projects totaling approximately 3,100 apartment units are under construction in Las Vegas

Multifamily Sales

- > Sales velocity picked up in the fourth quarter, and the investment market recorded its most active quarter of the year. While the number of transactions picked up late in the year, the coronavirus significantly impacted the total number of deals that traded for the full year. Transaction activity in 2020 lagged levels from the previous year by roughly 60 percent.
- > Prices pushed higher as activity ramped up in the fourth quarter. In transactions closed during the fourth quarter, the median price was \$180,700 per unit. The median price for all of 2020 was \$160,200 per unit, a slight increase from 2019.
- > Cap rates in Las Vegas have been on a fairly consistent downward trajectory for the past decade. In 2020, the average cap rate was 4.7 percent, down 20 basis points from 2019.

Investment Trends



Sources: NorthMarq, CoStar

In 2020, the average cap rate was 4.7 percent, down 20 basis points from 2019

Recent Transactions in the Market

MULTIFAMILY SALES ACTIVITY

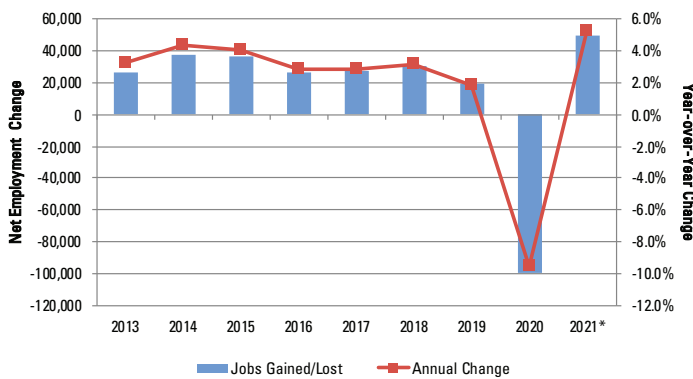
Property Name	Street Address	Units	Sales Price	Price/Unit
The Well	1050 Wellness Pl., Henderson	396	\$83,500,000	\$210,859
Villas at 6300	6300 W Lake Mead Blvd., Las Vegas	280	\$48,000,000	\$171,429
Colton Apartments	320 Conestoga Way, Henderson	213	\$44,500,000	\$208,920
Residence at Hargrove	6250 Hargrove Ave., Las Vegas	168	\$23,350,000	\$138,988
Bella Vida Apartments	1111 S Cimarron Rd., Las Vegas	72	\$15,000,000	\$208,333

Looking Ahead

The Las Vegas multifamily market proved to be quite resilient in 2020, outperforming expectations and setting the stage for what should be a year of healthy recovery in 2021. With coronavirus vaccinations likely to be widespread by the second half of the year, the pent-up demand for leisure travel is likely to be released, and Las Vegas is expected to be one of the markets that benefits the most from a widespread reopening. As casino occupancies rise, the local employment market should begin to rebound, supporting renter demand and additional rent growth.

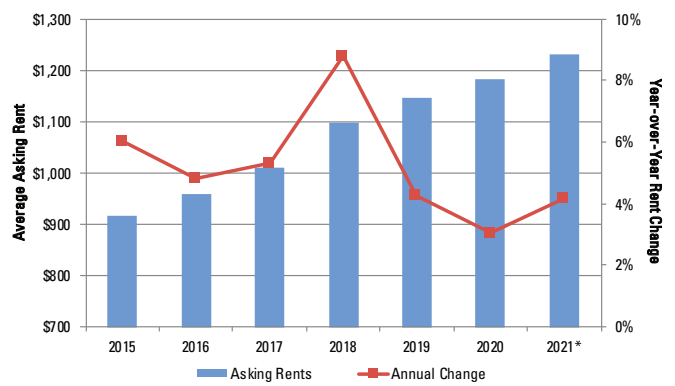
Investors initially took a cautious approach when the coronavirus outbreak first appeared, as the impact of sharp local employment declines on local apartment properties was uncertain. As property performance remained healthy, despite a significant drop in the local economy's core businesses, investment activity regained momentum, fueled in part by an influx of new residents and new businesses coming from more expensive California markets. In 2021, Las Vegas should be one of the parts of the country that posts a healthy recovery, accelerating investment activity.

Employment Forecast



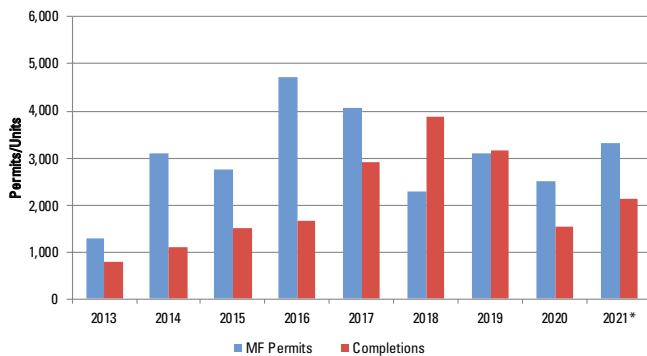
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



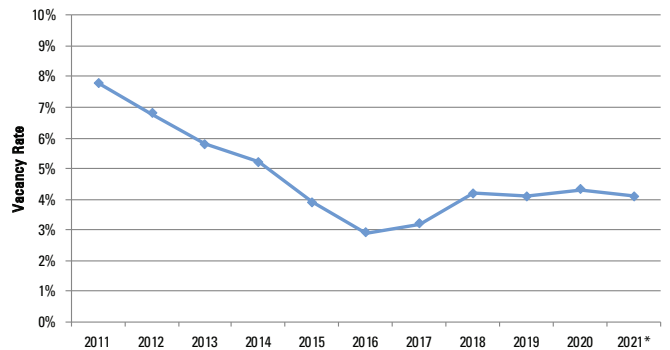
* Year End Forecast
Sources: NorthMarq, Reis

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

For more information, contact:

Scott Monroe

SVP, MANAGING DIRECTOR – DEBT & EQUITY
702.363.3344
smonroe@northmarq.com

Pete O'Neil

DIRECTOR OF RESEARCH
602.508.2212
poneil@northmarq.com

Copyright © 2021 NorthMarq Multifamily, LLC.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

