

# Las Vegas Multifamily




## Vacancy Remaining in Tight Range, Rents Rising

### Highlights

- > The Las Vegas economy is beginning to recover, and the multifamily market is posting healthy operating performance. Vacancy has remained low and has not moved outside of a tight range. Rents have been on the rise, and the pace of rent growth should accelerate as the economy strengthens.
- > Travel to Las Vegas has already begun to heat up. Visitor volume in March topped 2.2 million, the highest total in more than a year.
- > Vacancy in Las Vegas inched up 10 basis points during the first quarter, reaching 4.4 percent. The rate is identical to the figure from one year ago.
- > Local rents have continued to trend higher. Asking rents ended the first quarter at \$1,194 per month, up 2.8 percent year over year.
- > The investment market slowed at the start of 2021, with fewer properties changing hands. In the deals that did transact, the median price was approximately \$135,200 per unit, and cap rates averaged 5 percent. In Class A and Class B properties, cap rates were lower, averaging 4.6 percent.

### Las Vegas Multifamily Market Overview

The Las Vegas multifamily market continues to post very steady property performance, with vacancy remaining in a very tight range for the past several quarters and rents trending higher. Total area employment remains well below the pre-pandemic peak, but businesses are adding back workers and momentum should build in the coming months as occupancy restrictions ease and conditions return closer to normal. In recent quarters, new apartment construction has been modest, but deliveries are expected to pick up by the end of the year, which should coincide with increases in renter demand.

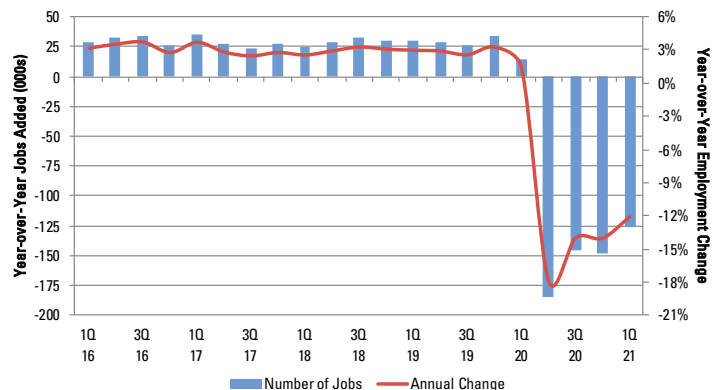
Q1 Snapshot	Las Vegas Market
	<b>Market Fundamentals</b>
	Vacancy ..... <b>4.4%</b>
	- Year Over Year Change ..... <b>0</b>
	Asking Rent ..... <b>\$1,194</b>
	- Year Over Year Change ..... <b>+2.8%</b>
	<b>Transaction Activity</b>
	Median Sales Price Per Unit (YTD) ..... <b>\$135,200</b>
	Cap Rates (Avg YTD) ..... <b>5.0%</b>
	<b>Construction Activity</b>
	Units Under Construction ..... <b>3,102</b>
	Units Delivered YTD ..... <b>347</b>

Fewer apartment properties sold during the first quarter, but activity had already begun to regain momentum in the first few weeks of the second quarter. Investors are responding to the persistently low vacancy rates in area apartment properties. Many of the properties that sold during the first quarter were older Class C assets, which transacted at higher cap rates than the market average in 2020. A more traditional mix of properties began to change hands during the second quarter, and cap rates have started to compress, with many properties being priced with cap rates ranging from 3.5 percent to 4.25 percent.

## Employment

- > The Las Vegas economy added back 10,400 net jobs during the first quarter, following a gain of 10,700 positions in the fourth quarter of last year. The local labor market is recovering at a fairly steady pace following steep losses in the first half of 2020.
- > Year over year through the first quarter, total area employment is down 12.1 percent. Local employment is forecast to recover as the economy reopens. In March, visitor volume to Las Vegas exceeded 2.2 million, the highest total since February 2020. Effective June 1, area hotels and casinos will be able to open at 100 percent capacity, which should support employment growth in the key sectors in the Las Vegas economy.
- > The transportation and warehousing industries have been adding workers at a steady pace. Year over year through the first quarter, transportation and warehousing employment has expanded by 8.1 percent with the addition of 6,300 jobs.
- > **Forecast:** The Las Vegas employment market has a long way to go before returning to full employment, but there should be significant gains this year. Employers are forecast to add 50,000 jobs this year, an expansion of 5.5 percent.

## Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

*The Las Vegas economy added back 10,400 net jobs during the first quarter*

## Vacancy

- > Apartment vacancy in Las Vegas has remained very steady during the past several quarters. Vacancy ticked up 10 basis points in the first quarter, reaching 4.4 percent. The current vacancy rate is identical to the figure from one year ago.
- > Vacancy in the Class A segment of the market ticked up to 4.6 percent in the first quarter, up 10 basis points year over year. Class A vacancy has ranged between 3.9 percent and 4.6 percent since the beginning of 2018.
- > The West Las Vegas submarket has been particularly active in both new supply and demand growth in recent years. The vacancy rate in the West submarket ended the first quarter at 3.4 percent, 100 basis points lower than one year ago.
- > **Forecast:** As the local economy recovers, apartment vacancy is forecast to tighten. The rate is expected to decline 20 basis points in 2021, reaching 4.1 percent.

## Vacancy Trends



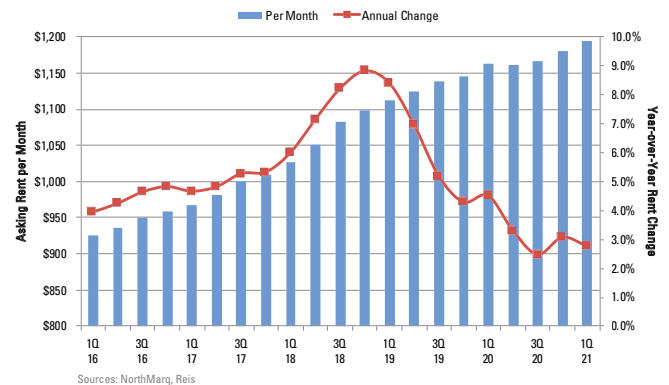
Sources: NorthMarq, Reis

*Vacancy ticked up 10 basis points in the first quarter, reaching 4.4 percent*

## Rents

- > Apartment rents have continued on an upward trajectory in recent quarters, despite economic volatility. Asking rents ended the first quarter at \$1,194 per month, up 2.8 percent year over year.
- > The combined average asking rent for Class B and Class C properties reached \$1,000 per month in the first quarter, 1.8 percent higher than the figure one year ago. As the local labor market strengthens, there could be some additional rental increases in the Class B and Class C segments.
- > Rents in the Henderson area have been on the rise as new projects are delivered. Asking rents in Henderson ended the first quarter at \$1,393 per month, 2 percent higher than one year ago.
- > **Forecast:** Rent growth in Las Vegas is forecast to total approximately 3.7 percent in 2021, with asking rents expected to reach \$1,225 per month.

## Rent Trends



*Asking rents ended the first quarter at \$1,194 per month, up 2.8 percent year over year*

## Development and Permitting

- > Developers delivered approximately 350 units during the first quarter, similar to the average quarterly deliveries throughout 2020. The pace of deliveries is forecast to gain momentum through the remainder of the year.
- > There are currently about one dozen apartment complexes under construction totaling approximately 3,100 units. Nearly half of the projects are located in the West submarket, where more than 1,300 units are under construction and forecast to be delivered in the coming quarters.
- > Multifamily permitting accelerated to start 2021, with developers pulling permits for more than 1,350 units in the first quarter. This nearly doubled the total from the first quarter of last year.
- > **Forecast:** After fewer apartment projects were delivered in 2020, the pace of new construction is forecast to accelerate this year. Developers are on pace to deliver approximately 2,150 units in 2021.

## Development Trends

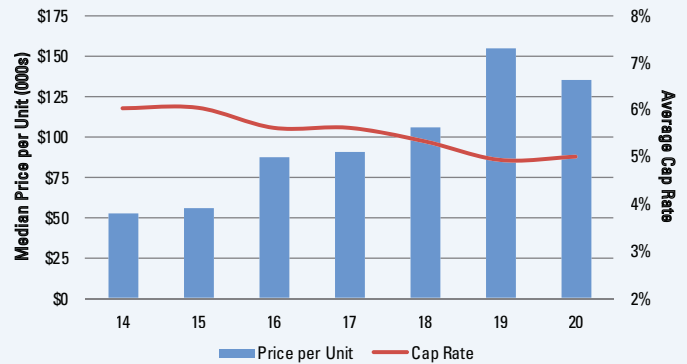


*Multifamily permitting accelerated to start 2021, with developers pulling permits for more than 1,350 units in the first quarter*

## Multifamily Sales

- > Sales activity got off to a slower start to 2021 than in previous years. Total transaction volume during the first quarter was down approximately 50 percent when compared to the same period one year ago.
- > After rising at the end of last year, prices crept lower during the first quarter, as the transaction activity was concentrated in some older, Class C properties. The median price year to date is approximately \$135,200 per unit.
- > With Class C properties accounting for a larger share of total transactions, the average cap rate in deals closed to this point in 2021 has inched up to approximately 5 percent. In Class A and Class B properties, the average cap rate is closer to 4.6 percent.

## Investment Trends



Sources: NorthMarq, CoStar

*The median price year to date is approximately \$135,200 per unit*

## Recent Transactions in the Market

### MULTIFAMILY SALES ACTIVITY

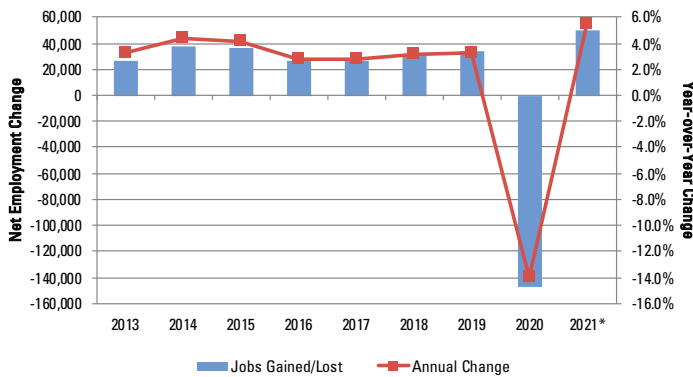
Property Name	Street Address	Units	Sales Price	Price/Unit
Spanish Oaks	2301 S Valley View Blvd., Las Vegas	216	\$28,500,000	\$131,944
Pinehurst	6650 W Warm Springs Rd., Las Vegas	195	\$27,000,000	\$138,462
Hilltop Villas/Stewart Villas	Multiple	226	\$22,150,000	\$98,009

## Looking Ahead

The Las Vegas multifamily market should improve in 2021, after holding mostly steady throughout the economic turbulence of the previous year. The strongest property performance will likely be recorded in the second half of the year, particularly with hotels and casinos allowed to return to full capacity beginning in June. This broad reopening should provide a surge in area employment, particularly as business and leisure travel regains momentum. The strengthening employment market will support renter demand for apartments, which should closely track the pace of new construction this year. With the economy improving, operators should be able to implement steady rent increases.

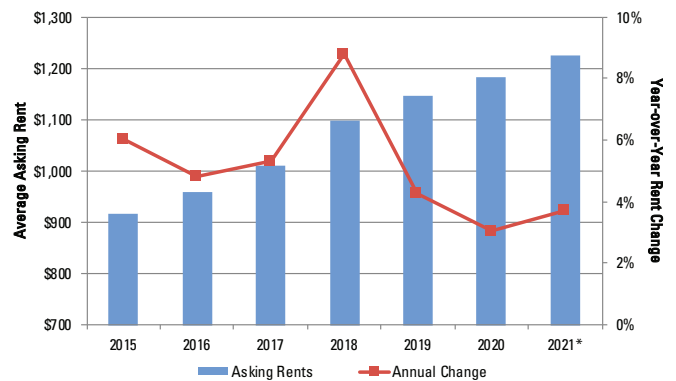
Local investment activity should gain momentum in the second half of this year. At the outset of the COVID-19 pandemic, the Las Vegas area faced some of the greatest uncertainty of any major market in the country. While the local economy struggled, the apartment market proved resilient, with vacancies remaining flat for much of the year and rents actually ticking higher. As the economy transitions back into growth mode, investors will reevaluate property performance expectations as pandemic assistance measures and stimulus payments expire, and renters return to work. The expiration of the eviction moratorium, coupled with the anticipated increases in renter demand fueled from the surging economy, should cause cap rates to compress in the coming quarters.

### Employment Forecast



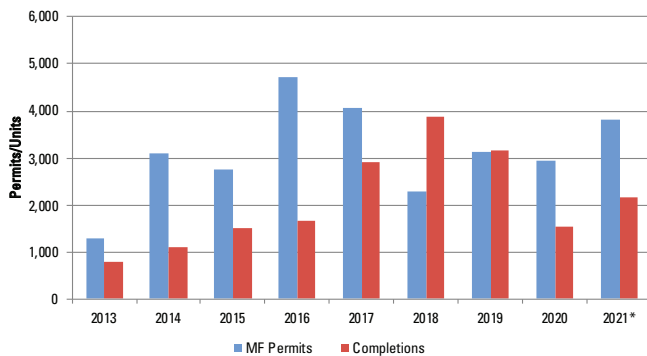
\* Year End Forecast  
Sources: NorthMarq, Bureau of Labor Statistics

### Rent Forecast



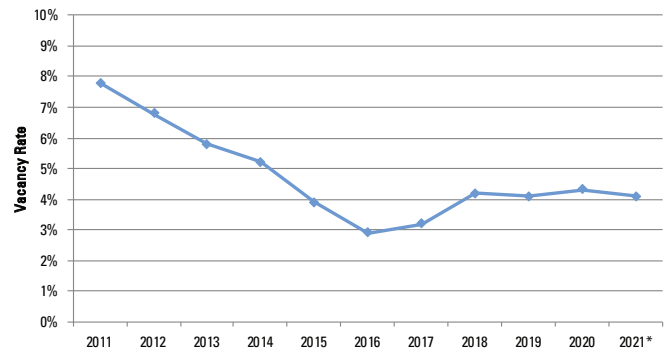
\* Year End Forecast  
Sources: NorthMarq, Reis

### 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 \$16 billion, loan servicing portfolio of more than \$65 billion and the multi-year tenure of our nearly 600 people.

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