

Market Insights

Las Vegas Multifamily 1Q 2022



Construction Activity



5,516

Units under construction

148

Units delivered (YTD)

Market Fundamentals



2.8%

Vacancy

-160bps

Year over
year change

\$1,459

Asking Rent

+22.2%

Year over
year change

Transaction Activity



\$301,800

Median sales price
per unit (YTD)

Prices Push Higher as Newer Properties Change Hands

Highlights

- Operating conditions strengthened in the first quarter of 2022 as absorption levels were ahead of last year's pace, vacancy tightened, and rents continued to rise. Investors responded to the healthy conditions, causing per-unit prices to spike.
- Apartment vacancy dipped 20 basis points in the first quarter, falling to 2.8 percent. Year over year, the rate has improved by 160 basis points, reaching the lowest figure since mid-2017.
- Asking rents rose to \$1,459 per month in the first quarter and are up 22.2 percent in the past year. Additional rent increases are anticipated throughout the remainder of 2022.
- The local investment market started 2022 on a strong footing with several large, newer Class A and Class B properties changing hands. The median price spiked to \$301,800 per unit, while cap rates averaged about 3.5 percent.

Las Vegas Multifamily Market Overview

The Las Vegas multifamily market recorded a strong start to 2022, fueled by a healthy economy and accelerating renter demand for apartments. Net absorption outpaced the delivery of new units by about two-to-one in the first quarter, although several projects are in the development pipeline and completions are forecast to accelerate beginning in the second quarter. Still, the current vacancy rate is below 3 percent and is near a five-year low, allowing for continued rent growth. After rents spiked more than 20 percent in 2021, they are forecast to advance an additional 8 percent this year. Sparked by a more diverse economy, the local labor market is on pace to top pre-COVID levels in the coming months, ahead of the schedule that was originally forecast.

The strength of local property performance is being reflected in the investment market. The number of transactions that took place in the first quarter more than doubled activity levels from one year ago, when the market was still in flux. Investor interest is elevated; since 2018, there have only been two quarters where more properties have sold in Las Vegas than closed during the first three months of this year. Nearly 40 percent of all transactions from the first quarter involved properties that had been built within the last 10 years, and the sales of these newer buildings pulled prices higher. The median price in these transactions topped \$425,000 per unit.

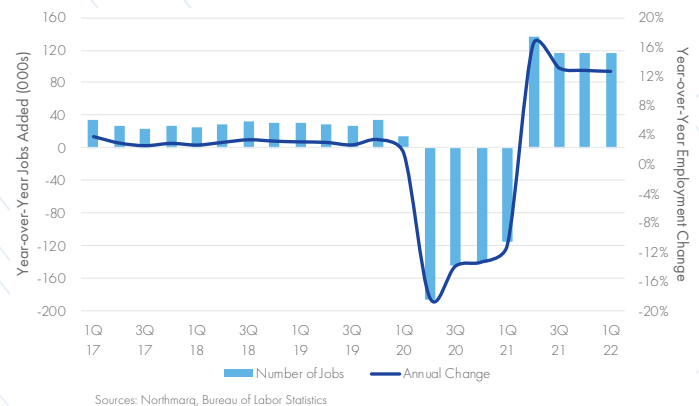
Employment

- The outlook for Las Vegas continues to improve as the economy reopens and travel volumes increase. During the past 12 months, employers have added approximately 116,600 workers to area payrolls, an increase of 12.6 percent. During the first quarter, employment growth totaled more than 14,000 new jobs, nearly identical to the gain in the fourth quarter of last year.
- The Las Vegas economy is growing across a wide range of industries and becoming increasingly diverse. This trend is reflected in the gains in white-collar industries. The professional and business services sector has expanded by 16.5 percent in the past year, growing by 22,000 workers.
- ENTEK Manufacturing, a producer of battery separators for lithium batteries, recently announced that the company will hire more than 70 new employees over the next several years and open a new 98,000-square-foot facility in Henderson.
- **Forecast:** The area employment market is rebounding, and businesses are building back payrolls at a sustainable pace. Job growth is forecast to total 5.8 percent in 2022, with employers adding approximately 60,000 positions.



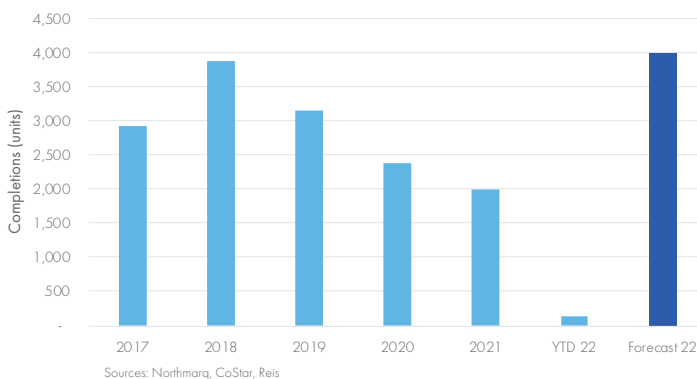
During the past 12 months, employers have added 116,600 workers.

Employment Overview



Projects totaling more than 5,500 units are under construction.

Development Trends



Development and Permitting

- The pace of deliveries slowed at the outset of 2022 with projects totaling fewer than 150 units coming online. During the same period in 2021, nearly 350 units were delivered. With several projects in the construction pipeline, the pace of additions to inventory will gain momentum throughout the year.
- Despite a decline in deliveries, development activity has increased. There are currently projects totaling more than 5,500 units under construction in Las Vegas, an increase of 78 percent from one year ago.
- Permitting activity has cooled slightly from levels recorded during the first quarter of 2021. Developers pulled permits for more than 1,200 apartment units, down from 1,360 permits pulled over the same period in 2021.
- **Forecast:** The remainder of 2022 should be an active year for new construction. Developers are on pace to deliver approximately 4,000 new units by the end of the year, doubling levels from 2021. Since 2016, completions have averaged about 2,700 units per year.

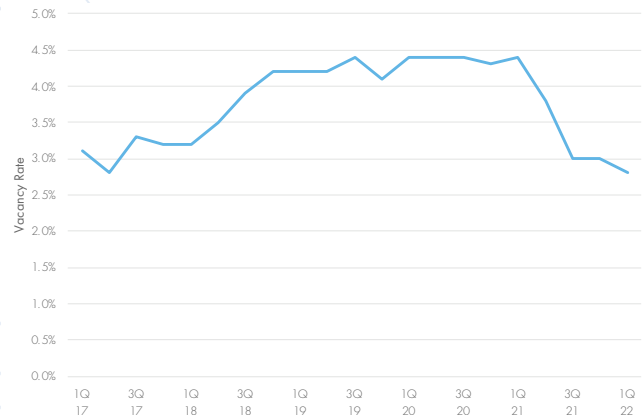
Vacancy

- With demand picking up and deliveries of new inventory minimal to this point in 2022, vacancies tightened during the first quarter. The rate dipped 20 basis points to 2.8 percent, the lowest vacancy figure in the market in nearly five years.
- Year over year through the first quarter, apartment vacancy declined 160 basis points. Vacancy reached a short-term plateau around 4.5 percent from mid-2019 until early-2021 and has trended lower in the subsequent quarters.
- The improving vacancy rate was fueled by a healthy pace of absorption in the Las Vegas region. Absorption totaled nearly 300 units during the first quarter, doubling the amount of new supply growth during the same period.
- **Forecast:** The vacancy rate is forecast to creep higher in the coming quarters as developers deliver additional apartment units to the market after a lull in completions for the past few quarters. Vacancy is forecast to end the year at 3.3 percent, up 30 basis points for the full year.



The vacancy rate dipped 20 basis points to 2.8 percent in the first quarter.

Vacancy Trends

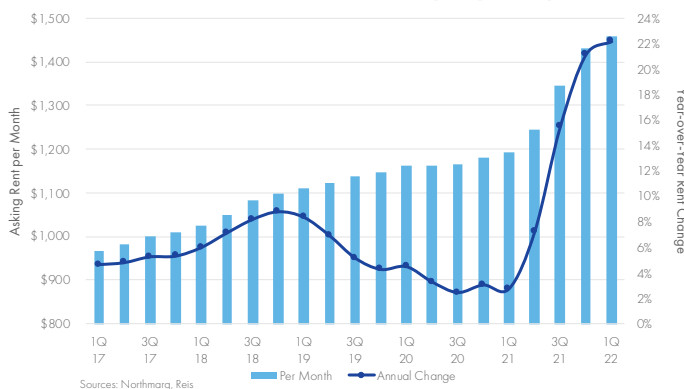


Sources: Northmarq, Reis



Since the first quarter of 2021, asking rents have spiked 22.2 percent.

Rent Trends



Sources: Northmarq, Reis

Rents

- Following a year of unprecedented growth, rents continued on an upward path to start 2022. Asking rents advanced 2 percent in the first quarter, reaching \$1,459 per month.
- Since the first quarter of 2021, asking rents have spiked 22.2 percent. The rapid pace of growth nearly tripled the previous high mark for annual rent growth achieved four years ago.
- Class A asking rents are up 22 percent in the past 12 months, ending the first quarter at \$1,686 per month. The average Class A asking rent rose nearly \$30 per month in the first three months of this year.
- **Forecast:** Area asking rents are forecast to advance 8 percent in 2022, ending the year at \$1,545 per month. This will mark one of the area's fastest rates of growth on record; the average annual growth rate in Las Vegas from 2014 to 2019 was just under 5 percent.

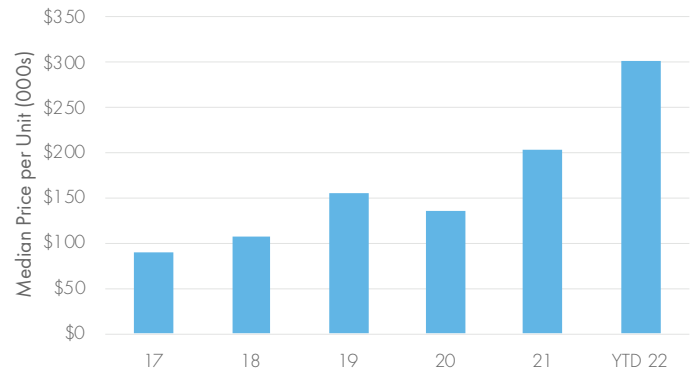
Multifamily Sales

- The multifamily investment market got off to a strong start in 2022. Sales velocity for the first quarter of this year outpaced levels from the first three quarters of last year before a surge in transactions at the end of 2021.
- After prices increased throughout nearly all of last year, the pace of appreciation continued to accelerate at the start of 2022. The median price in properties that sold during the first quarter was \$301,800 per unit, up nearly 50 percent from the median price in 2021.
- With investor demand elevated, cap rates remained low at the outset of this year. Cap rates averaged approximately 3.5 percent in the first quarter, closely tracking the prevailing rate from the end of 2021.



The median price during the first quarter was \$301,800 per unit.

Investment Trends



Sources: NorthMarq, CoStar

Recent Transactions

Multifamily Sales Activity

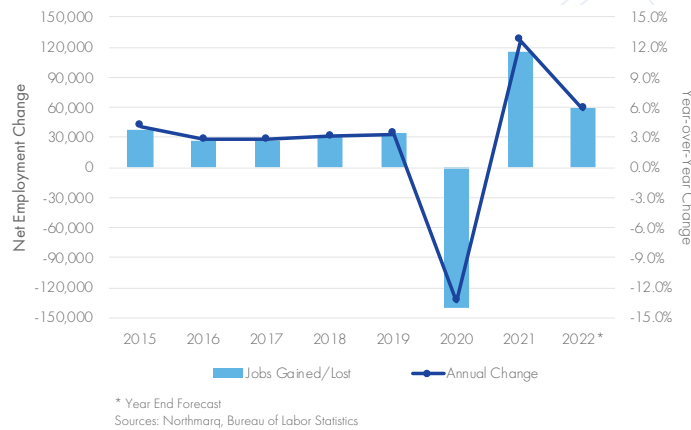
Property Name	Street Address	Units	Sales Price	Price/Unit
Tides at Green Valley	6530 Annie Oakley Dr., Las Vegas	376	\$113,500,000	\$301,682
Tides at North Paradise	3600 University Center Dr., Las Vegas	557	\$105,900,000	\$190,126
Moderne at Centennial	129 E Rome Blvd., North Las Vegas	185	\$80,000,000	\$432,432
Sonata Apartments	4201 E Craig Rd., North Las Vegas	312	\$77,000,000	\$246,795
Tides at East Summerlin	6250 Hargrove Ave., Las Vegas	168	\$36,900,000	\$219,643

Looking Ahead

The Las Vegas economy has become increasingly diversified in recent years, and widespread gains across a number of industries, coupled with a rebound in the key tourism and gaming sector, support an optimistic outlook for the economy. The local labor market has nearly made a full recovery, and additional growth is anticipated for the remainder of this year. The recovery in the employment outlook is being supported by the market's relative affordability, particularly when compared to Southern California. This rapid rebound will continue to fuel absorption throughout Las Vegas, and developers are stepping up construction activity to meet ongoing demand for units. This year will likely mark one of the highest levels of annual apartment completions in the past 20 years, following two years of below-trend construction levels in 2020 and 2021.

The rapid recovery in the local economy and the strong operational performance in the multifamily market have been driving the Las Vegas investment market. Market sentiment is expected to remain positive in the coming quarters, and the pace of rent growth will likely impact how investors view the market. The rapid rent growth forecast for Las Vegas will take on greater importance as properties are underwritten in an environment where borrowing costs are pushing higher. One trend that took shape at the start of this year was the increasing number of sales of newer properties. With the pace of deliveries expected to gain momentum through the remainder of this year, there will likely be a steady number of transactions of new projects as they are leased up to stabilization.

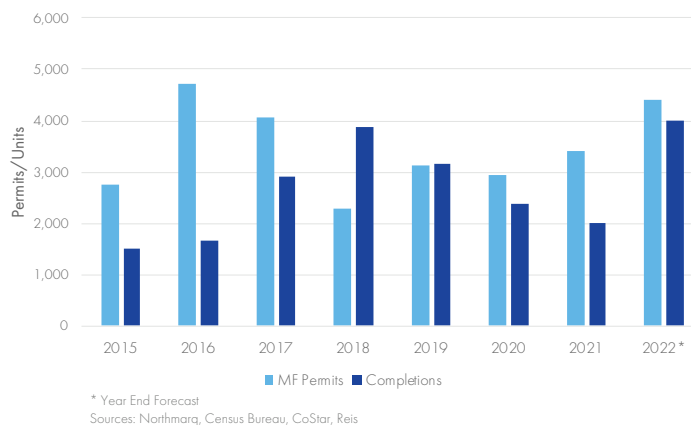
Employment Forecast



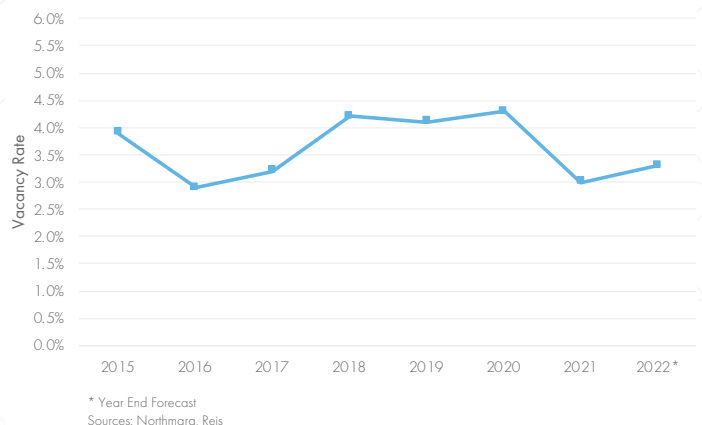
Rent Forecast



Construction & Permitting Forecast



Vacancy Forecast





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About Northmarq

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