

Transactions slow, nearly all activity in Class B properties

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **7,244**

UNITS DELIVERED **2,204**

MARKET FUNDAMENTALS



VACANCY RATE **2.7%**

YEAR-OVER-YEAR CHANGE **-30bps**

ASKING RENTS **\$1,519**

YEAR-OVER-YEAR CHANGE **+6.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$248,400**

HIGHLIGHTS

- The Las Vegas multifamily market cooled slightly in recent months, but property fundamentals remain strong going into 2023. The vacancy rate finished 2022 below 3 percent, despite inching higher during the fourth quarter.
- Local vacancy rose 10 basis points in the last three months, reaching 2.7 percent. The rate declined 30 basis points in 2022, the third annual decline in the past four years. Vacancy is expected to push higher in 2023.
- After posting rapid gains in the past two years, rent growth continued to taper off during the final months of 2022; asking rents ended the year at \$1,519 per month. In 2022, asking rents increased by 6.1 percent, with slower growth likely going forward.
- Fewer apartment properties changed hands in Las Vegas late in the year, but prices remained elevated. The median sales price in 2022 reached \$248,400 per unit, up 22 percent from the median price in 2021.

LAS VEGAS MULTIFAMILY MARKET OVERVIEW

Operating conditions in the Las Vegas multifamily market remain healthy heading into 2023, despite some modest cooling in recent months. Even after an uptick in the fourth quarter, the vacancy rate finished 2022 at 2.7 percent, well below the long-term trend in the region. Additionally, the tight conditions are supporting multifamily development throughout the region. Annual apartment deliveries increased by nearly 10 percent from 2021 to 2022, and the construction pipeline nearly doubled its total units under construction from one year ago. The short-term outlook calls for some weaker operational performance at least through the first half of 2023. The surge in new construction, coupled with more modest economic growth, should result in an environment where new supply outpaces net absorption, causing vacancy to rise and a greater use of leasing incentives.

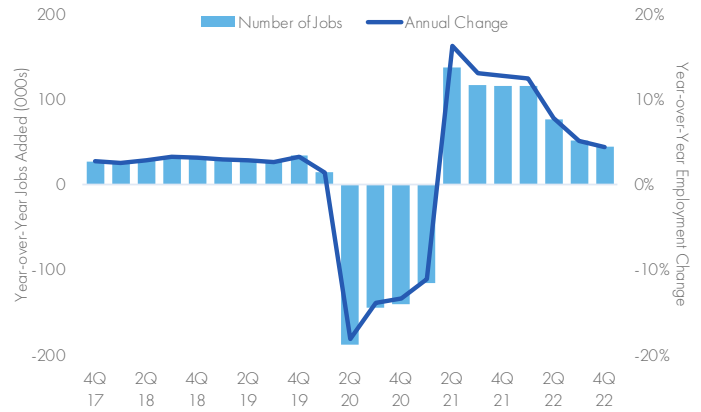
Investment activity continued to slow during the past two quarters after transaction volume spiked in the first half of 2022. Many high-growth markets across the country have recorded fewer sales in recent periods, a byproduct of rising interest rates and a more challenging capital market. Sales velocity in 2022 was down 35 percent from levels recorded in 2021. While total transactions declined, sales prices recorded steep increases in the past 12 months. The median sales price finished 2022 at \$248,400, up 22 percent from the median price in 2021. Investors continued to show a preference for middle-tier assets, as Class B properties made up more than 60 percent of the transactions during the past 24 months.

EMPLOYMENT

- Employment growth continued to slow in recent months, following roughly two years of rapid recovery. Area employers added 6,300 new workers during the fourth quarter. For the full year, the local labor market expanded by 4.3 percent with the addition of 44,700 positions.
- The construction industry in Las Vegas added new workers at a rapid pace during 2022, as numerous office buildings, casinos, mixed developments, hotels, and apartments broke ground. Nearly 11,000 construction jobs were added in 2022, expanding the sector by 16.3 percent.
- Penn Entertainment recently announced plans to expand its M Resort Spa and Casino located on the Strip. The company will invest \$206 million and add 384 rooms and 92,000 square feet of meeting space. Upon completion in 2025, the expansion will create around 1,500 jobs.
- **FORECAST:** Area employers are expected to expand payrolls at a steady pace in 2023. Total employment is forecast to increase by 14,000 new workers in the next 12 months, an annual gain of 1.3 percent.

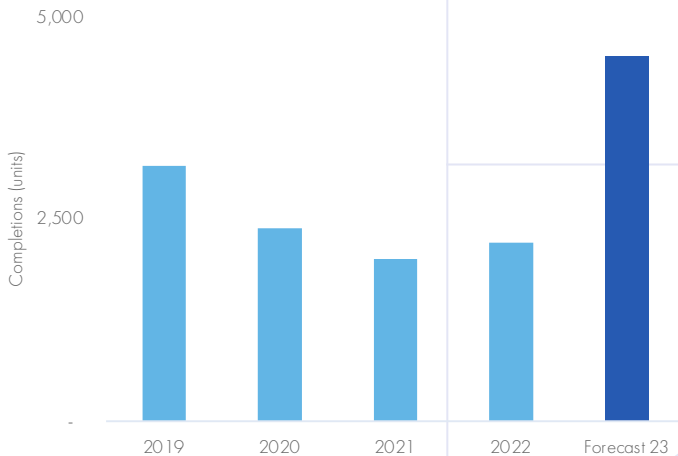
In 2022, the local labor market expanded by 4.3 percent.

EMPLOYMENT OVERVIEW



Approximately 2,200 units were completed in 2022.

DEVELOPMENT TRENDS

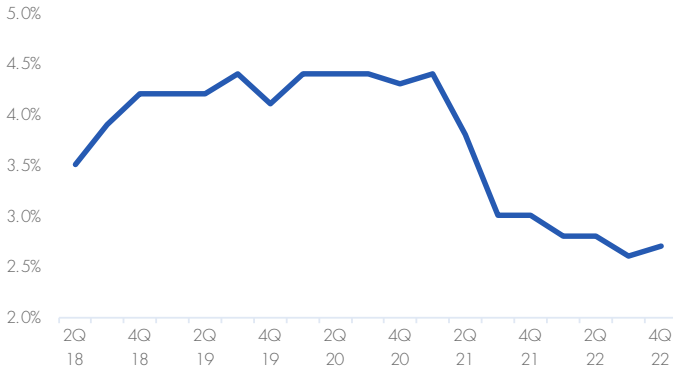


DEVELOPMENT & PERMITTING

- Multifamily development cooled in recent months with fewer than 150 units coming online during the fourth quarter. Although deliveries tapered off in the final months of the year, approximately 2,200 units were completed in 2022, about 10 percent higher than the 2021 total.
- Development activity remains elevated, as projects totaling approximately 7,250 units were under construction at the end of 2022, up roughly 45 percent from one year earlier. Multifamily construction is mostly concentrated in North Las Vegas, Henderson, and Spring Valley with most of the larger projects located just south of the 215-Beltway.
- Despite slowing in the second half of the year, developers pulled permits for 3,600 multifamily units during 2022, up 22 percent from the trailing four-year average.
- **FORECAST:** The pace of multifamily deliveries is expected to accelerate in 2023, as projects that have been delayed in recent years will finally come online. Projects totaling 4,500 units are forecast to be delivered in 2023, a cyclical high for Las Vegas.

The vacancy rate finished 2022 at 2.7 percent.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

VACANCY

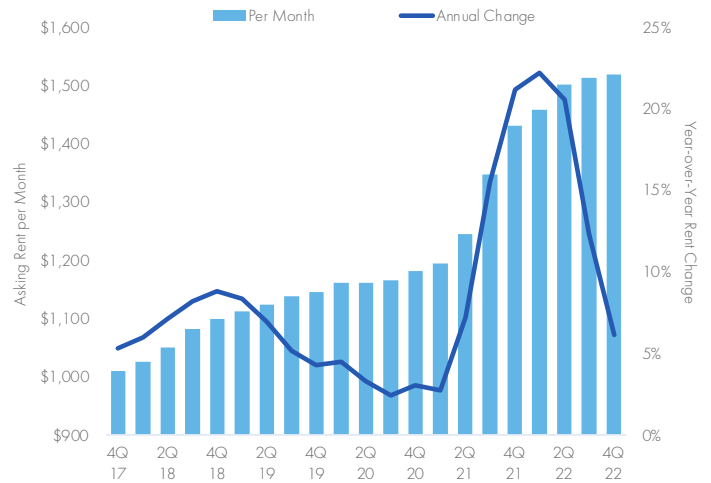
- Area vacancy inched higher in recent months after reaching a cyclical low in the previous quarter. The vacancy rate ticked up 10 basis points during the fourth quarter, finishing 2022 at 2.7 percent.
- Local vacancy has improved by 30 basis points in the past 12 months. Vacancy conditions remain tight across the entire region, with the University submarket recording the largest declines in the past year, as historic levels of first-year students enrolled at UNLV in 2022. Year over year, vacancy in this submarket dropped by 100 basis points to 3.5 percent.
- Upper-tier units continue to record the lowest vacancy rates in Las Vegas. During the past 12 months, vacancy in Class A properties fell 70 basis points to 2 percent. The rate will likely push higher in 2023 as more luxury units are delivered throughout the region.
- **FORECAST:** After reaching cyclical lows in the past year, vacancy is expected to rise in the coming quarters. The vacancy rate is forecast to increase by 70 basis points in the next 12 months, finishing 2023 at 3.4 percent.

RENTS

- Area rents inched higher in the last three months, rising less than 1 percent to \$1,519 per month. Prior to the spikes in 2021 and the first half of 2022, quarterly rent growth averaged 1.3 percent from 2017 to 2020.
- In 2022, asking rents advanced 6.1 percent. Rents rose throughout the entire metro area in 2022, with the North Central submarket recording the steepest increases. Average rents in North Central advanced 8.1 percent during 2022, finishing the year at \$1,203 per unit.
- Rent growth was elevated across all asset classes during the past 12 months, with middle-tier and lower-tier units recording the largest gains. Combined asking rents in Class B and Class C properties rose 7.7 percent in 2022, reaching \$1,277 per month.
- **FORECAST:** Average rents are expected to tick higher at a modest pace in the coming quarters. Local apartment rents are forecast to advance by 3 percent during 2023 to \$1,565 per month.

In 2022, asking rents advanced 6.1 percent.

RENT TRENDS



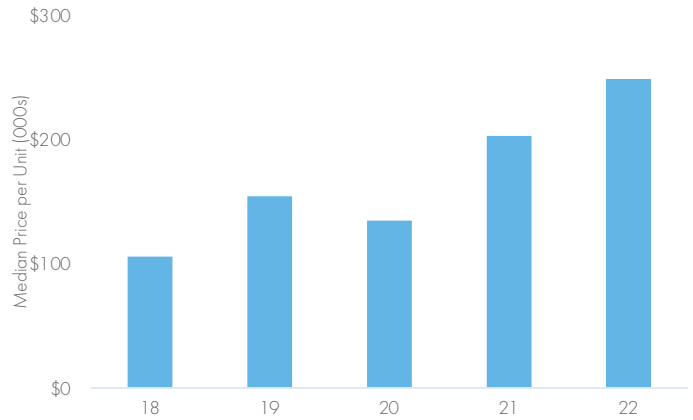
Sources: Northmarq, Reis

MULTIFAMILY SALES

- Sales velocity in the fourth quarter slightly outpaced levels from the third quarter, but overall activity levels were down, particularly in the second half as the impact of rising interest rates stifled momentum in the market. Total transaction counts for 2022 fell 35 percent from the 2021 figure.
- The median sales price in 2022 was \$248,400 per unit, up 22 percent from the median price in 2021. Class B properties accounted for the bulk of the transactions during the fourth quarter, and these properties traded at a median price of nearly \$208,000 per unit at the end of the year.
- Cap rates have inched higher in recent months and averaged around 4.75 percent during the fourth quarter. Most properties are selling with cap rates in a fairly tight range but may begin to trend toward 5 percent in 2023.

The median sales price in 2022 was \$248,400 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

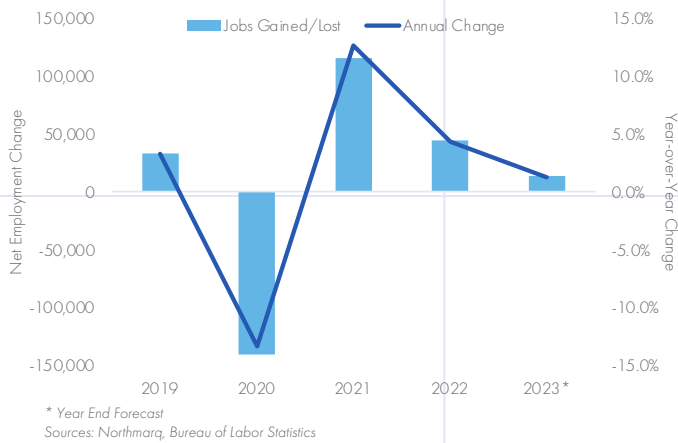
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Monterra Apartment Homes	5250 Stewart Ave., Las Vegas	344	\$73,250,000	\$212,936
Desert Ridge Apartments	7055 E. Lake Mead Blvd., Las Vegas	304	\$63,000,000	\$207,237
Summit on Nellis	3050 S Nellis Blvd., Las Vegas	296	\$64,000,000	\$216,216
Banyan Brighton BTR	10500 Glenbrittle Ave., Las Vegas	133	\$61,000,000	\$458,647
The Quinn	5500 Mountain Vista St., Las Vegas	237	\$58,500,000	\$246,835
Sutton Place	5400 W Cheyenne Ave., Las Vegas	228	\$37,000,000	\$162,281

LOOKING AHEAD

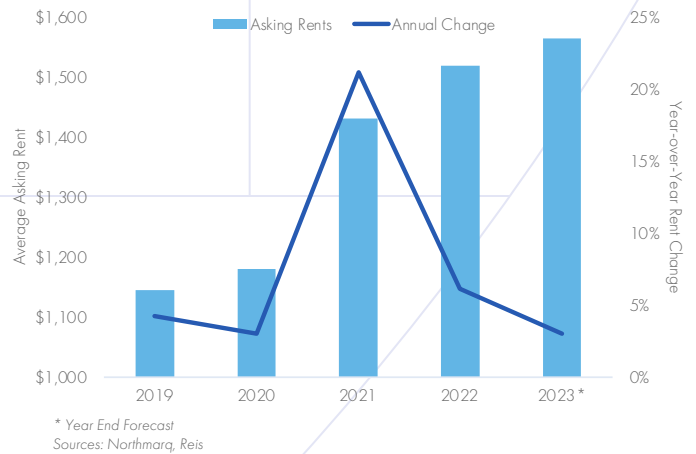
Following two consecutive years of considerable gains, multifamily property performance in Las Vegas is expected to soften in 2023, as supply growth is forecast to outpace demand for the first time since 2020. Multifamily deliveries are scheduled to accelerate, with annual completions forecast to reach a cyclical high in 2023. Many of these projects will deliver at a time when renter demand is expected to cool, putting upward pressure on the local vacancy rate. While there will be a bit of a supply-demand imbalance in the near term, local multifamily operations begin 2023 on a strong footing. With consumers continuing to spend—particularly on leisure travel—Las Vegas is likely to outperform other growth markets if the national economy manages modest growth.

Sales activity in the local multifamily investment market in the first half of 2023 will likely closely track levels from the second half of 2022. A handful of properties should change hands as investors are drawn to the region’s strong, long-term growth potential and tight operating conditions. However, the bulk of the activity in 2023 will likely occur in the latter months of the year as buyers and sellers adjust to the capital environment. Investors have shown a preference for larger, Class B properties in recent years. This trend will continue as nearly half of the projects under construction in the region consist of middle-tier assets with more than 200 units.

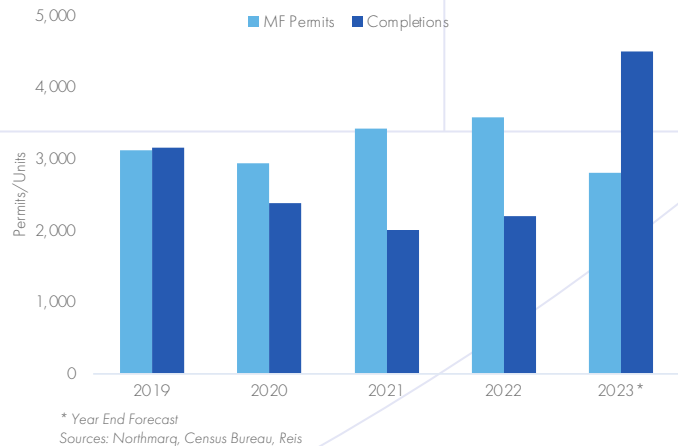
EMPLOYMENT FORECAST



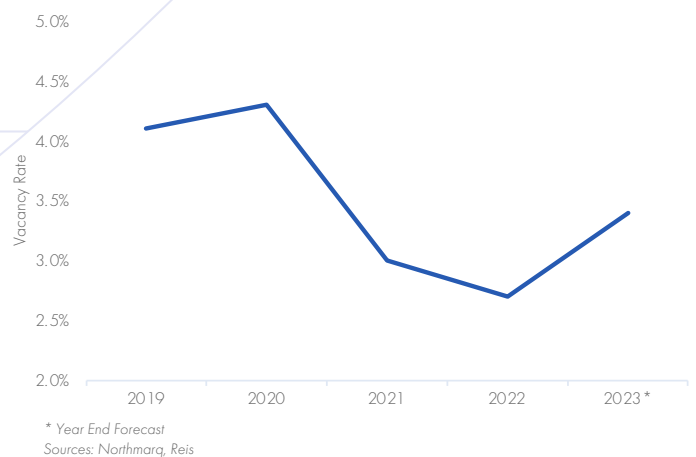
RENT FORECAST



CONSTRUCTION & PERMITTING FORECAST



VACANCY FORECAST





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